

FHBs look to new pathways for home ownership as affordability gap set to widen

- Affordability remains the top barrier to FHBs entering the property market
- Just one in four FHBs are now targeting a 20% deposit
- Fewer offers of support from the Bank of Mum and Dad
- Adoption of alternative ownership strategies poised to grow.

Falling house prices are providing little relief to First Home Buyers (FHB), with housing affordability, cost-of-living, and interest rate pressures forcing many to rethink their pathway to home ownership.

According to Helia's First Home Buyer Report 2022, the number of FHBs that think now is a good time to buy has decreased from 67% to 57% year-on-year. These FHBs were more likely to be:

- over the age of 40
- from households earning \$250,000 or more per annum
- based in metropolitan areas
- those with access to family assistance
- seeking to own their first property for under two years.

Many FHBs are still priced out

Overall, affordability is cited as the top barrier to entering the property market, a view held by 68% of FHBs. The second most common is saving for a deposit (60%), with meeting living expenses the top constraint. This helps explain why reducing lifestyle expenses (48%) and waiting for prices to fall further (45%) are the most common approaches to fast-track property purchases.

Deposit sizes continue to fall

As a result, the number of FHBs aiming for a 20% deposit fell again in the year to date, now a target for only 25% of FHBs, compared to 41% in 2019. Over the same period, Lender's Mortgage Insurance (LMI) usage among recent FHBs with less than a 20% deposit has almost doubled, rising from 36% in 2019 to 71% in 2022.

Bank of Mum and Dad set to tighten

The research also reveals a potential decline in family support available to FHBs, with 62% of recent FHBs offered assistance from parents or family and only 43% of prospective FHBs expecting the same.

Helia Chief Executive Officer, Pauline Blight-Johnston, said: "We understand the impacts that housing affordability issues, climbing interest rates and rising inflation are having on so many Australians today. Our findings show that saving for a home is feeling increasingly out of reach for more Australians – with only one quarter of FHBs now feeling they can achieve a 20% deposit – making it clear more pathways are required to serve this important part of the market."

"Our report also shows we are starting to see the market for FHBs diverge into two distinct groups; higher-earning Australians who may have family support consider falling prices as a buying opportunity, and younger FHBs in regional areas or without family backing, feel at risk of being left behind unless further support is available."

A groundswell of interest in alternative pathways

Against this backdrop, the research shows that alternative pathways to saving a deposit, purchasing property with less money or shared property ownership are poised to grow. While according to recent FHBs, the use of the First Home Super Saver Scheme (11%), rentvesting (8%) and shared equity schemes (6%) is low, significantly more prospective FHBs said they are likely to consider these and other strategies.

Among those who are aware of and understand the strategy, 74% said they will consider a deposit gap loan, followed by 63% that said the same of the First Home Super Saver Scheme. For FHBs who are unaware but had the strategies explained to them, 63% agreed they would consider the First Home Super Saver Scheme, followed by 55% that say the same about rent-to-own.

Blight-Johnston says: “LMI is being increasingly used as a strategic tool to help many Australians enter the property market sooner. We are proud to be developing new solutions which will provide more opportunities to meet this growing need.”

“Given many FHBs are motivated by the long-term financial benefits of home ownership and are keen to avoid rising rental costs, we expect to see more emerging strategies and pathways being considered by the new generation of home buyers.”

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About the Helia First Home Buyer Report 2022

The 2022 report is based on a survey of 2,018 Prospective First Home Buyers and 1,187 Recent First Home Buyers across Australia, examining their attitudes, behaviours, and outlook in relation to home ownership. The research was commissioned by Helia and undertaken by CoreData in July 2022. A Prospective First Home Buyer (Prospective FHB) is looking to buy their first property in the next 24 months, while a Recent First Home Buyer (Recent FHB) is someone who has bought their first property in the past 24 months.