News Release

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Deposit hurdles are falling, but not all first home buyers benefit as other housing costs rise

Falling property prices in capital cities have reduced the amount of time needed to save for a deposit for the first time in two years, but prospective buyers may be finding it harder to put money aside, according to the latest data from ANZ.

The ANZ CoreLogic Housing Affordability report found that since March the time needed for a median income household to save a 20 per cent deposit has fallen by about three months in Sydney and Melbourne to 13.7 years and 11.1 years respectively.

However, CoreLogic's Head of Australian Research Eliza Owen said higher living costs mean prospective buyers, including renters, may not be able to divert as much money to a deposit.

"Renters in particular are facing persistent challenges in attaining affordable and secure housing as rents increased by 9.8 per cent nationally over the past year, the fastest rate on record," Ms Owen said.

The report also found:

- The portion of income required to service rents has reached record highs in regional Australia with 34 per cent of income required to service rent on a new lease. This compared with 28.4 per cent of income across combined capital city markets.
- The portion of income required to service a new mortgage nationally increased to 44 per cent in June, the highest level since June 2011. In September 2020, 33 per cent of income was needed.
- The deposit hurdle in regional Australia has almost caught up with capital cities. It would take four months less for median income earners in regional Australia to accumulate a deposit – 10.7 years in regional Australia compared to 11.1 years in capital cities. This is the closest these metrics have been since June 2011.

While many recent home buyers are facing rising mortgage costs, several factors create some protection against further interest rate rises, according to ANZ Senior Economist Felicity Emmett.

"Households are in good shape to absorb further rate rises as people have been saving more. Wages have increased and many recent borrowers remain on low, fixed-rate mortgages. Borrower assessments on those loans take potential rate rises into account.

"Mortgage serviceability assessment buffers mean that people who took out a new home loan over the past nine months should be able to absorb rate rises three percentage points higher than the variable rate at the time their mortgage was initiated.

"Also, mortgage serviceability may improve in 2024. We expect the Reserve Bank of Australia to cut the cash rate by 50 basis points by the end of that year," Ms Emmett said.

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