

# First homebuyer affordability

We ask five experts whether they think things are as bad for first homebuyers (FHB) as some are saying.



**CATE BAKOS**  
CATE BAKOS PROPERTY

Things *aren't* as bad as they're made out to be and I'm not just being a whining Generation X-er when I say this. First homebuyers do have options at the sub-\$500,000 level, and even for those who wish to live within 10 kilometres of their CBD, opportunities still exist in all major cities. While house price growth fears have plagued some media articles, we have to recognise what is different for today's FHBs that earlier generations didn't get to enjoy.

We have government incentives (grants, stamp duty concessions) and banks willing to lend at 95 per cent LVRs. The most dramatic differential however is our current interest rate environment. Never before has money been so cheap. Maybe things feel dire for those who aspire to the quality of inner-ring home that their parents took 30 years to build up to?

“We have government incentives... and banks willing to lend at 95 per cent LVRs.”



**FRANK VALENTIC**  
ADVANTAGE CONSULTING

Yes. First homebuyer numbers are the lowest they've been in the 25 years since these numbers commenced being recorded in around 1990.

“Most state governments have removed FHB grants for established properties in the last few years.”

The percentage of FHBs in the market is now only around 12 per cent of total buyers – well below the long-term regular average of 22 per cent. Whenever we have a low interest rate environment with prices rising, investors come back in droves and they, in contrast, have increased to approximately 41 per cent. Most state governments have removed FHB grants for established properties in the last few years, after they'd given much-needed support since 2000. I'd hate to be a FHB today. I can remember buying a three-bedroom Edwardian house in Brunswick East, four kilometres from Melbourne's CBD, for \$168,000 only 20 years ago. Today, you couldn't buy a studio in most areas of Melbourne with that budget.



**JESSICA DARNBROUGH**  
MORTGAGE CHOICE

Things are tough for first homebuyers, especially since most states have now removed the grants for those wishing to purchase an established property. But while things are tough, it would appear it's harder to be a first homebuyer in certain states. In New South Wales, for example, first homebuyers account for less than four per cent of all home loans written. Meanwhile, in Western Australia, first homebuyers make up 19.57 per cent of the market. So why is it that some first homebuyers are finding it tougher than others? In New South Wales and Victoria, rising property prices have pushed first homebuyers to the sidelines, while in Western Australia and Queensland there are still some suburbs that are a commutable distance from the city boasting relatively low median property values. Something needs to change so that more first homebuyers can enter the market – especially in the states where they're virtually non-existent.

“Something needs to change...”



**BEN KINGSLEY**  
EMPOWER WEALTH

If you did a fly around the nation in most capitals and regional areas, you'd see first homebuyers are well served for choice of affordable housing options relative to income. However, when you start talking about our two largest cities, in Melbourne and especially Sydney, the affordability story isn't one of abundant choice. Melbourne and Sydney attract the best and brightest, and their inner fringe and beach living zones are highly prized for lifestyle and convenience.

“The media could certainly do a better job educating their readers and viewers.”

Such properties attract a premium price that often outstrips most first homebuyer's budgets, just like in other major cities around the world. First homebuyers need to be more realistic about this fact and adjust their expectations accordingly. The media could certainly do a better job educating their readers and viewers, too, instead of engaging in headline grabs.



**CAM MCLELLAN**  
OPEN WEALTH CORPORATION

It is bad and it will get worse. I love the Aussie dream of everyone owning a home but realistically in the future that's not going to be the case. The middle class is going and the gap will continue to widen between the haves and have-nots.

“People are going to have to toughen up and do whatever's required to get that first property.”

First homebuyers are the hardest hit – as the market moves, the savings level required for that elusive deposit move with it. Not many agreed with Joe Hockey's idea of dipping into super to enter the market but I'd rather have my money in property than super when comparing returns. I sold my car and rode a bike for 12 months to get my first deposit. I then moved out five suburbs so I could afford that first house. People are going to have to toughen up and do whatever's required to get that first property.