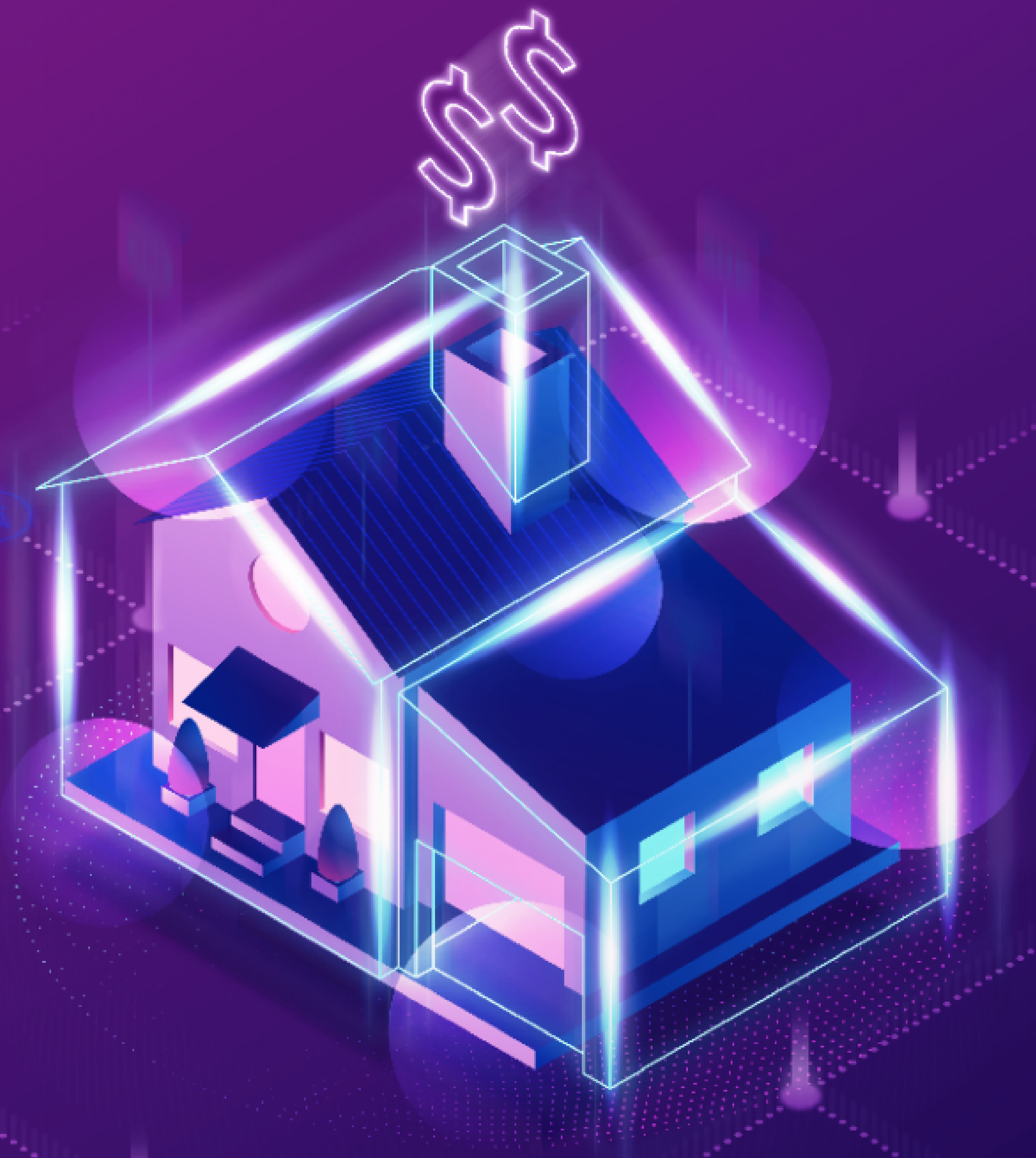
First Home Buyers Report 2021

A Finder Report



The state of Australia’s first home buyer market

The past 12 months have been a rollercoaster ride for the property market to say the least. While many predicted the recession would lead to a catastrophic housing crash, the outcome has been quite the opposite. Monetary policy contributing to historically low interest rates has bolstered the market and resulted in record rates of borrowing, particularly among first home buyers.

In fact, the rock bottom borrowing rates have pushed many first-time buyers into the market early – our data shows 53% of first home buyers say they are buying earlier than they had previously planned to because of low rates.

While the number of first home buyers looking to enter the property market was 7% prior to the pandemic, Westpac research has found this figure has more than doubled to 16%. Data from ABS shows the value of owner-occupier home loans hit a record $20.4 billion in December, with first home buyers borrowing $7.2 billion. These figures have since declined, and in February, first home buyers borrowed $5.8 billion, with an average loan size of $418,000. Investors also borrowed an aggregate of $5.8 billion over the same period, with an average loan size of $477,000. [1]

First home buyer loans
$5.8 billion (up 65% year-on-year)

Median property price	
Sydney	$861,000
Melbourne	$708,000
Brisbane	$496,000

Total value of sales	
Melbourne	▲ (up 122%)
Sydney	▲ (up 82%),
Darwin	▲ (up 82%)

Total value of first home buyer home loans ($AUD)

Average first home buyer loan size

$418,000 ($495,000 national average)

At the same time, property prices have exploded. According to data from CoreLogic, as of January 2021, the total value of sales is up in all capital cities, with the largest year-on-year increases in Melbourne (122%), Sydney (82%) and Darwin (82%).[2]

However, there have been concerns about buyers – particularly younger, first-time buyers – taking on more debt than they can handle because of the fear of missing out on good borrowing conditions. There are also concerns that the low interest-rate environment is fostering a rapidly expanding housing market bubble, a possibility that is enhanced by the fact that value-adding renovations are peaking. Finder research estimates 5.9 million households will undergo some form of renovations this year. With home value going up and some buyers taking on higher loan-to-value (LVR) ratios, the implications on property affordability and debt accumulation on the next generation of home buyers could be significant.

Finder conducted a nationally representative survey of 1,028 first home buyers to gather insight into the face of Australia's newest homeowners. This report delves into the first home buyers of 2021: who they are, what drives them, what they look for in a home and how they are financing their new assets.

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Snapshot of the average first home buyer

11%
Investors

89%
Owner occupiers

45%
Single Buyers

53%
Are buying sooner than they had previously planned to because of low interest rates

2.94%
Average interest rate first home buyers pay

Median budget
$500,000-$750,000

11% of buyers **need longer** than **10** years **to save for** a deposit

$6,353
Average amount first home buyers pay in unexpected costs.

One in three first home buyers seeks financial help from their parents

Buyers willing to spend more than $1,000,000

NSW 35%

VIC 17%

QLD 16%

79%
Intend to renovate at some point.

53%
Buyers who will spend more than 30% of their income on mortgage repayments

Who are first home buyers?

One in 10 first home buyers is purchasing an investment property

The majority (89%) of first home buyers in Finder's survey are purchasing with the intent to live in their property, while 11% are buying an investment property. Women (11%) are slightly more likely than men (10%) to be purchasing an investment property as their first home.

▸▸ Are you purchasing your property as an owner-occupier or an investor?

Buying an investment property from the outset might suit younger buyers who aren't ready to be tied down to a single location or who want the flexibility to travel while also building their wealth. Our results found Gen Z (16%) are more likely than Millennials (10%) and Gen X (9%) to be first home buyer investors. Victorians (12%) and those from New South Wales (11%) are slightly more likely than Queenslanders (7%) to purchase an investment property as their first home.

If managed strategically, young investors can take advantage of capital gains tax while their tenant helps to pay off the mortgage. However, investors are not eligible for the government's First Home Owner Grant unless they live in the property first, and there are additional tax requirements.

Suppressed rental growth, while property prices are on the rise, could also make it difficult for investors to make a profit in today's environment. While property prices across all capital cities have climbed by an average of 6.8% year-on-year, rents increased by just 0.4%, making conditions challenging for new investors[3].

Data from the ABS shows owner-occupier loans make up nearly three-quarters (74%) of all loans, and while the value of owner-occupier loans has climbed 52% year-on-year, the value of investor loans grew by 30% in comparison.[4] However, if prices continue to escalate as expected through 2021, owner-occupiers may start to find themselves priced out of the market as the prevalence of investors grows.

Houses are the property type of choice for first home buyers

According to the survey, houses remain the most popular property type for all demographics. The majority of buyers in Finder's survey (70%) are purchasing a house as their first home, followed by 23% who are buying an apartment and 7% who are buying a townhouse.

Given the events of 2020, it is unsurprising that there has been a tendency towards houses, as opposed to units. Border closures have suppressed the usual influx of migrants and students, and rental yields remained low due to government measures to protect tenants. Over the long term, houses tend to outperform units in capital growth. The Commonwealth Bank's housing market forecast predicts house prices will rise by 16% by 2022 and unit prices by 9%.[5] Until international travel resumes, it's unlikely that demand for units will meet that of houses.

The results show houses are most popular among younger buyers and owner-occupiers. Gen Z (74%) are the most likely to be drawn towards a house, while Gen X are the most likely to choose an apartment (26%) or a townhouse (8%). Owner-occupiers are more likely than investors to buy a house (72% compared to 56%), while investors tend to be drawn to apartments more than owner-occupiers (34% compared to 22%).

What type of property did you/ do you intend to buy?

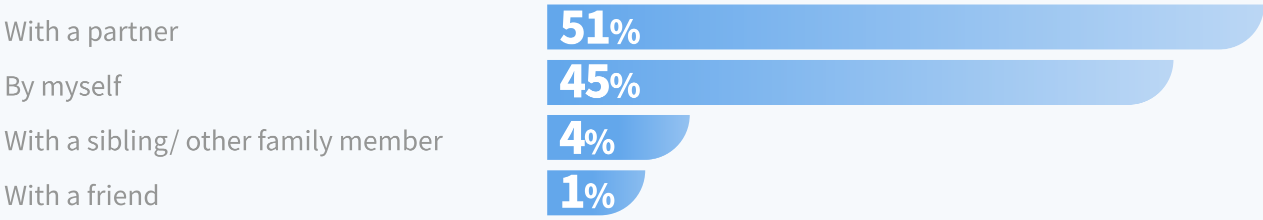
Single buyers make up almost half of first home buyers

Research from ME Bank found single home loan applications comprised 35% of all applications over the last two years, but Finder's survey reveals 45% of first home buyers are entering the property market on their own.[7]

There are multiple factors that may have encouraged single buyers to enter the market on their own. This includes spending more time at home, witnessing historically low interest rates, and the emergence of government grants and concessions such as the First Home Owner Grant and stamp duty concessions for first home buyers.

Given that the grant scheme is available only for homes up to $750,000 in most states, it's also possible that single buyers have been able to take advantage of the concession more than couples with children.

▸▸ Who did you buy/ are you buying with?



While 45% of buyers are buying on their own, just over half of first home buyers (51%) are purchasing their home with a partner. Women are most likely to be purchasing with a partner (57%), while men are more likely to be buying by themselves (52%).

Between the generations, Gen X are the most likely to be buying on their own (52%), compared to 37% of Gen Z. Meanwhile, investors are more likely to buy a property with a family member (7%) or a friend (6%) than owner-occupiers. Those from New South Wales (46%) are slightly more likely than Victorians (43%) or Queenslanders (42%) to buy their first home by themselves.

One in five first home buyers is searching for their property in another state or region

The pandemic prompted a shift away from city centres and even interstate movements for some. In Finder's survey, 80% of future buyers said they were searching in metropolitan areas; however, for those who had already purchased their home, only 55% bought in a city. This suggests that while the majority of buyers would prefer to live in the city, there may be affordability or other constraints that prevent them from doing so.

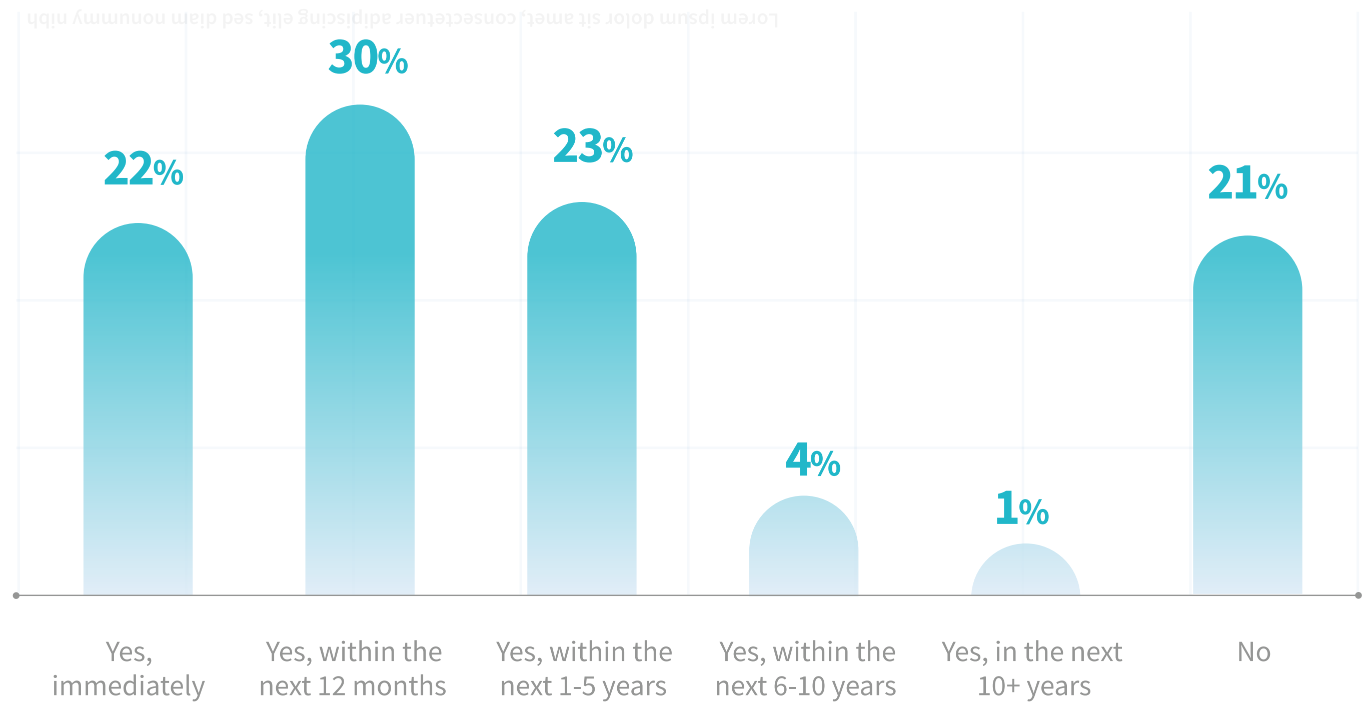
Interestingly, the survey found 20% of those who are still searching for their home are searching interstate or in another area of their state. It also found a significant portion of those living in cities are also searching in regional areas. In Sydney, 28% of first home buyers are searching in regional areas of their state, followed by Brisbane (20%) and Melbourne (13%).

Given the recent exodus of people from major cities like Sydney and Melbourne and an increased demand for regional properties, it isn't surprising first home buyers are open to an interstate or regional move. With 2021 bringing economic recovery and a return to the office for many industries, it will be interesting to monitor whether this trend continues. It's also entirely possible that some first home buyers are searching to buy in other regions or states where property prices are more affordable, particularly due to the increased pressure to buy property while rates remain low.

Four in five first home buyers intend to renovate at some point

The monotony of being stuck at home during a pandemic coupled with government incentives like the HomeBuilder scheme are driving a renovations boom in 2021, with previous Finder research estimating around 5.9 million households will renovate this year.[8] Finder's survey shows four out of five first home buyers (79%) intend to renovate their home at some point in the future. For 22% of respondents, renovating is an immediate priority, and a further 30% plan to add value within 12 months of their purchase.

▶▶ Did you buy/ are you buying with the intent to renovate?



The data shows men are more intent on renovating than women, with 85% planning some form of renovations in the future, compared with 74% of women. Gen X (60%) are the most likely to start renovating within the first year, compared with Millennials (49%) and Gen Z (43%). Investors (85%) are also more likely than owner-occupiers (79%) to renovate their space at some point.

Lending data from Suncorp Bank shows Australian households spent 23% more on renovation projects during the pandemic than they had previously, with the total value of alterations and additions to residential properties reaching a record $973 million in December last year.[9, 10] On average, Australians spent $63,118 per renovation project in 2020, with outdoor areas (24%), solar panels (20%), kitchens (18%) and bathrooms (18%) being the top projects of choice.[11]

Buying with the intent to renovate:	
Men	(85%)
Women	(74%)
New South Wales	(84%)
Victoria	(77%)
Queensland	(75%)
Owner-occupiers	(79%)
Investors	(85%)

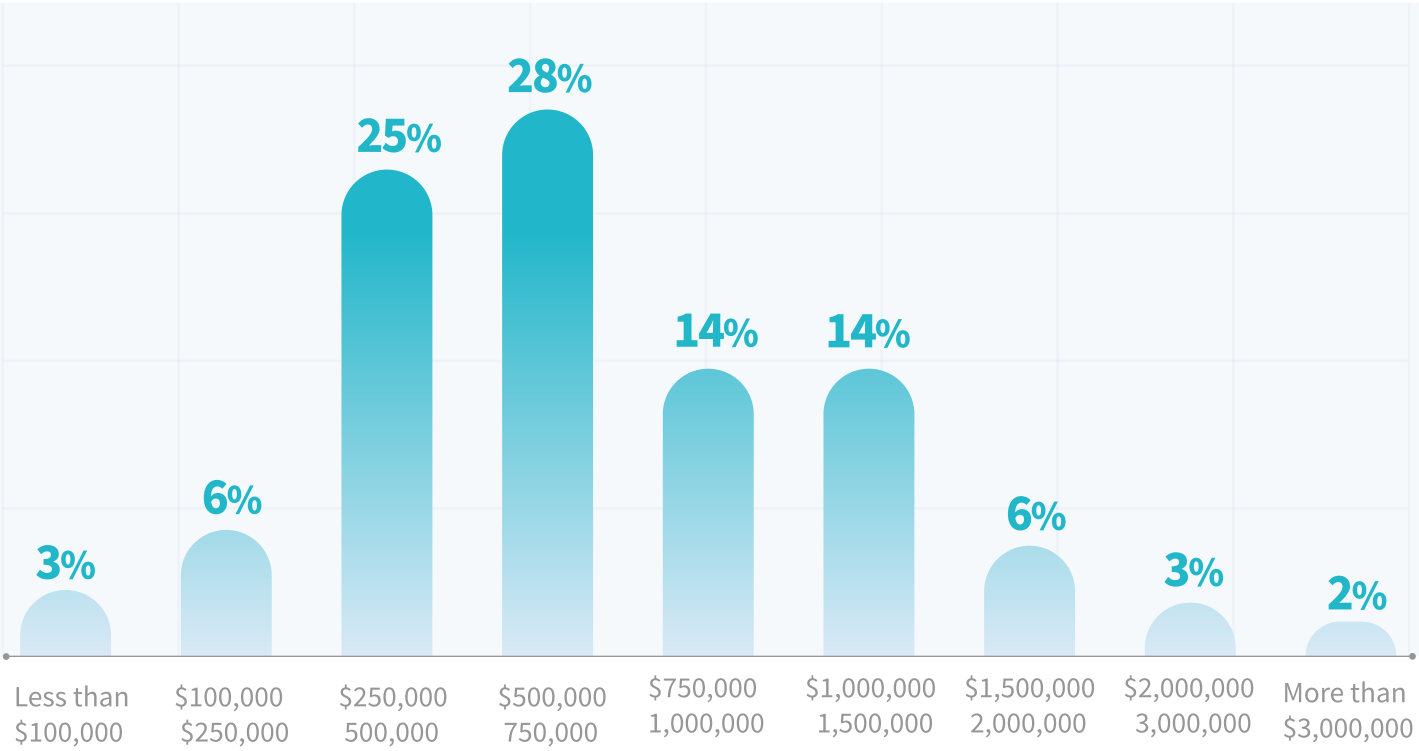
How are first home buyers financing their new home?

Buyers from New South Wales are twice as likely as Victorians and Queenslanders to purchase a home for more than $1,000,000.

Property affordability is of increasing concern as the housing market continues to boom. In Sydney, the median house price is a staggering $1,000,000, while Melbourne is slightly behind at $807,000, with growth slowed in part due to the city's longer lockdown period last year.[12] Real home prices have increased by 150% since 2000, while wages have grown by less than a third, and at the same time, home ownership levels have fallen from 70% to 65%.[13] Rising land values, access to finance, low levels of government involvement in housing and low interest rates have all proliferated the explosion of Australian property prices over the past few decades.

For now, with GDP projected to rise 3.5% through 2021 and 2022, consumer confidence returning and the cash rate remaining low, it's likely prices will continue to increase over the next year.[14] The survey results reveal the median budget for first home buyers is between $500,000 and $750,000. More than half of buyers (52%) aim to pay somewhere between $250,000 and $750,000 and a further 14% are budgeting between $750,000 and $1,000,000.

▶▶ What is/ was your maximum budget?



When it comes to cracking the million dollar mark, men (31%) are nearly twice as likely as women (17%) to have a budget of more than $1,000,000. Understandably, older buyers have higher budgets than younger demographics; more than a third of Gen X (36%) are willing to pay above $1,000,000, compared with just 7% of Gen Z. Half of Gen Z (50%) have a budget of $500,000 or less, compared with 31% of Gen X.

Not surprisingly, first home buyers from New South Wales have the highest budgets of the cohort, with more than a third (35%) willing to pay over $1,000,000. In comparison, only 17% of Victorians and 16% of Queenslanders say the same.

One in 10 buyers needs more than 10 years to save for a deposit

The survey shows the median first home buyer puts down 20% of the purchase price as a deposit. One in ten (11%) pays a deposit of 5% or less, while 6% choose to pay the full purchase price upfront.

Based on the average first home buyer loan of $418,214, this places the average deposit at $104,554, a 13% increase since 2019 across the country. That increase has been greatest in New South Wales (18%) and Tasmania (16%), while the Northern Territory has seen a minimal change in the average deposit.

In comparison, the average loan for all owner-occupier buyers is $495,420, with an average deposit of $123,855. Average loan sizes and deposits have been growing at a slightly slower rate for first home buyers (13%) over the past two years than the national average for owner-occupiers (17%). This trend is historically consistent: since 2003, first home buyer loans and deposits have grown by 138% compared to 158% for all owner-occupier buyers.

State	Average first home buyer loan	Average first home buyer deposit	Increase since 2019
NSW	$497,925	$124,481	18%
TAS	$333,835	$83,459	16%
WA	$372,947	$93,237	15%
ACT	$465,532	$116,383	15%
VIC	$442,805	$110,701	14%
QLD	$379,597	$94,899	11%
SA	$335,802	$83,951	7%
NT	$388,976	$97,244	1%
Australia	$418,214	$104,554	13%

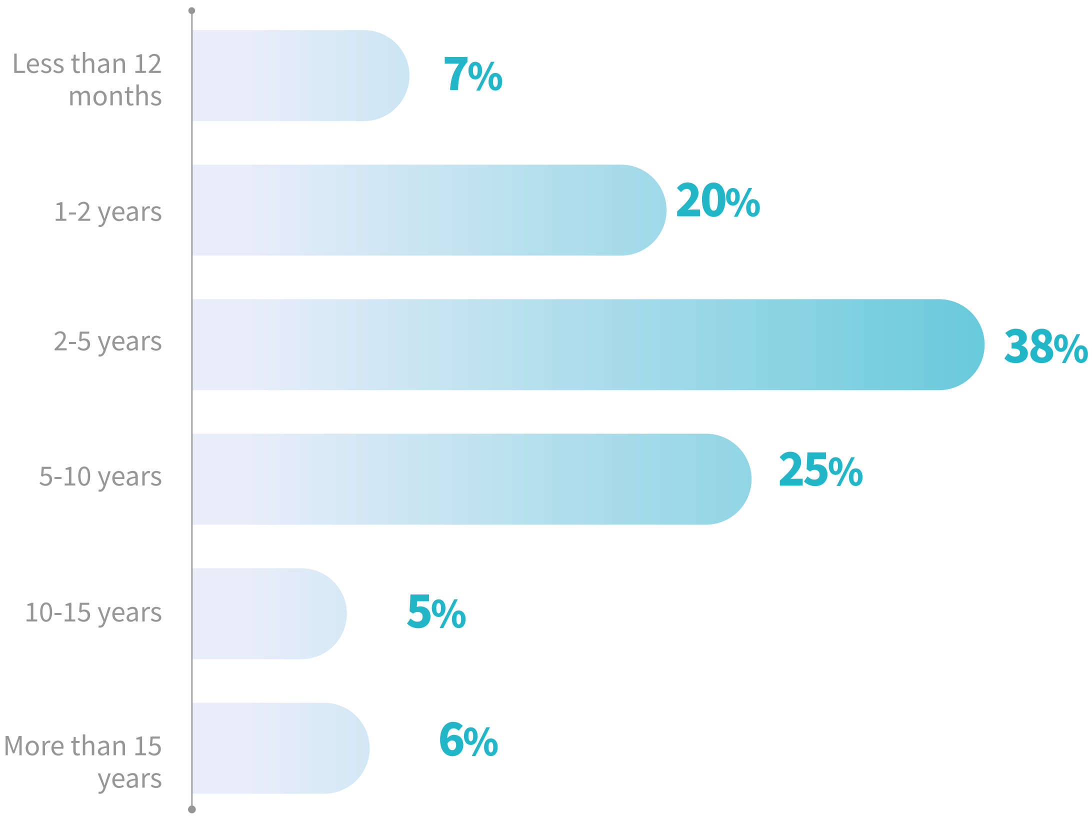
Analysis assumes a 20% deposit

The First Home Loan Deposit Scheme allows first home buyers to secure a mortgage with just a 5% deposit, but while this has the advantage of helping younger buyers to get into the market early, it also increases the cost of the mortgage over its lifetime as borrowers pay more in interest. At the same time, owning just 5% equity of the property provides a smaller buffer against declining house prices and the risk of entering into negative equity.

Close to two in five respondents (38%) say it took them between two and five years to save for their deposit, while it took between five and ten years for a further quarter (25%). For 7%, it took less than 12 months to save for their deposit, while one in ten (11%) needed more than ten years to save up. In cases where borrowers have bad credit ratings or are seeking to buy a small apartment, lenders may demand higher-than-usual deposits to account for greater perceived risk.

Overall, women in the sample were able to save for their deposit within a slightly shorter timeframe than men. The data shows 66% of women took five years or less to save up for a deposit, compared with 63% for men. More than a third of Gen Z buyers (38%) were able to save up a deposit in less than two years, compared with 23% for both Millennials and Gen X. Victorians (63%) and Queenslanders (65%) are slightly more likely than those in New South Wales (60%) to have been able to save up their deposit within five years.

How long did it take you to save for a deposit?

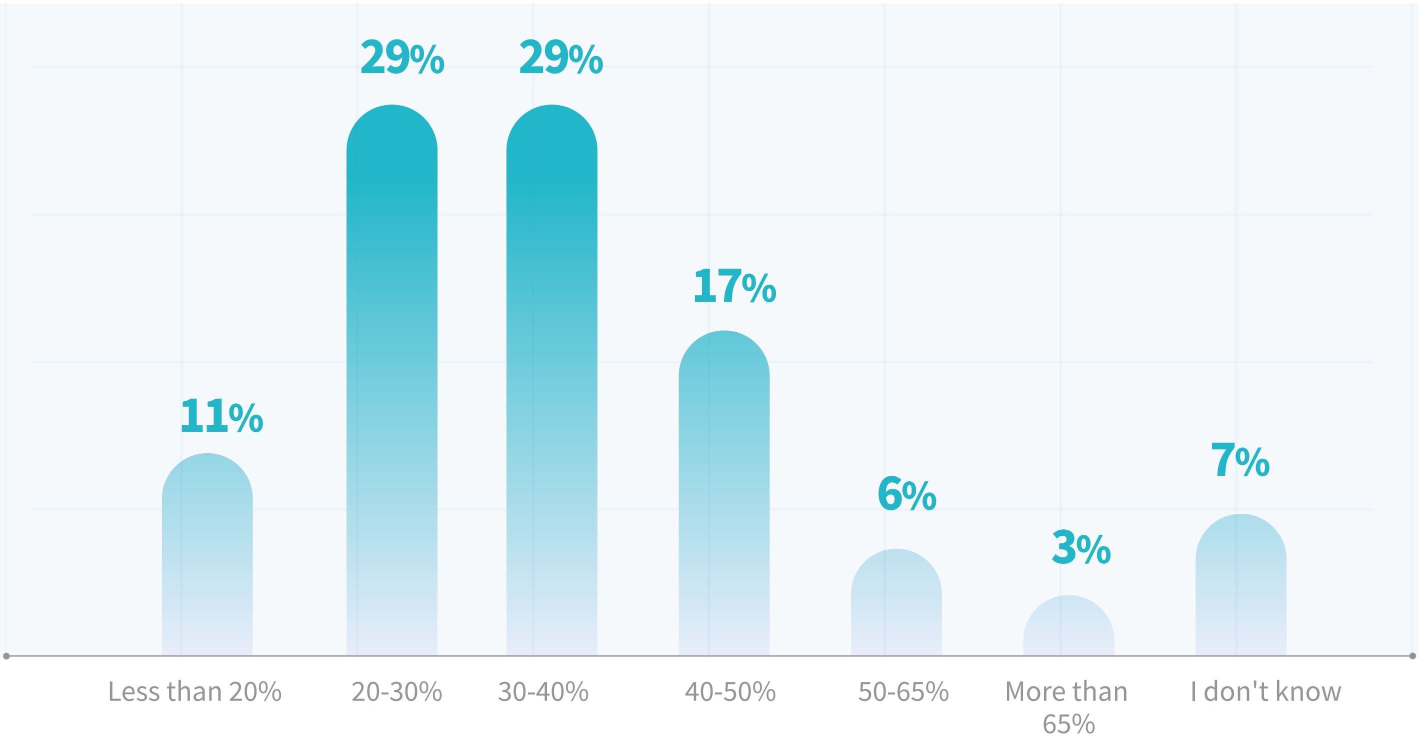


More than half of first home buyers will spend more than 30% of their income on their mortgage

It is generally recommended that homeowners dedicate no more than around 30% of their income towards mortgage repayments to avoid “mortgage stress”, but more than half (53%) of the respondents in our survey indicated they would be spending more than 30% of their income on home loan repayments. Two in five (40%) will put less than 30% of their monthly household income towards mortgage repayments, while a concerning 8% will need to dedicate more than half of their monthly earnings to their home loan repayments

Analysis of CoreLogic data shows mortgage affordability is a very real issue, particularly in the larger cities. The median homeowner in Sydney pays $3,151 on their mortgage each month, amounting to 42% of the average income in New South Wales. For those set on purchasing a house in Sydney, where the median price is $1,000,000, monthly mortgage payments increase to $3,660, or 48% of average earnings. Following Sydney’s expensive market is Melbourne, where the average mortgage makes up 34% of earnings. On the other hand, buyers in Darwin spend just 20% of their income on home loan repayments.[16,17]

▶▶ What percentage of your household income goes/ will go towards monthly mortgage repayments?



Capital city	Median property price	Monthly mortgage payment	Average full-time monthly earnings	Mortgage to earnings ratio
Sydney	$861,000	$3,151	$7,592	42%
Melbourne	$708,278	$2,592	$7,648	34%
Canberra	$628,750	$2,301	$8,317	28%
Hobart	$513,250	$1,878	$6,666	28%
Brisbane	$496,250	$1,816	$7,250	25%
Adelaide	$450,500	$1,649	$6,865	24%
Perth	$465,000	$1,702	$8,268	21%
Darwin	$422,250	$1,545	$7,699	20%

Analysis assumes a 30-year mortgage with an average variable discounted rate of 3.65% and a 20% deposit.

According to the survey, buyers from New South Wales (60%) are more likely to dedicate more than 30% of their income towards mortgage payments than Queenslanders (51%) and Victorians (50%). Women (4%) are twice as likely as men (2%) to spend more than 65% of their income on monthly mortgage repayments. Interestingly, Gen X are the most likely to dedicate less than 30% of their income to home loan repayments (38%) but are also the most likely to be paying more than 65% of their monthly income on their mortgage (3%).

One in three first home buyers seeks financial help from their parents

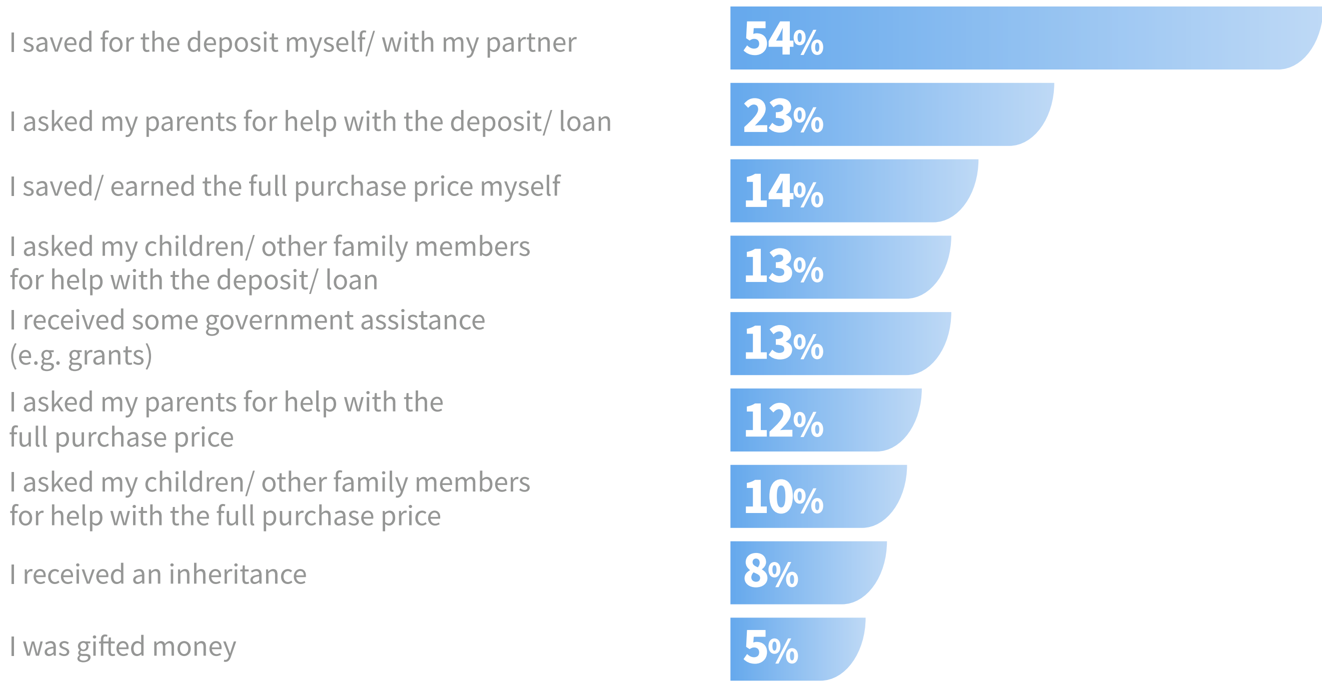
More than half of first home buyers (54%) say they saved for their deposit by themselves or with their partner. A further 23% asked their parents for help with the deposit, and 14% earned the full purchase price on their own. Overall, a third (32%) of respondents asked their parents for help with either the deposit, the full purchase price or both.

With the challenges young people can face entering the property market, it's no wonder that seeking financial help from family members is common among survey respondents. In fact, the Bank of Mum and Dad has been found to be the ninth-largest lender in the country, accounting for $29 billion in home loans.[18]

Aside from direct financial assistance, living at home rent-free is another way parents are helping their children fast-track their savings for a deposit. Previous Finder research found 44% of parents with children over the age of 18 help their kids financially, with groceries, rent and bills being the top forms of assistance.[19]

Women (60%) are more likely than men (48%) to have saved up for the deposit by themselves or with a partner. Meanwhile, men are more likely to have asked their parents (36%) or other family members (27%) for help compared to women (27% and 13% respectively). Gen Z are the most likely to have received government assistance (16%), while Millennials are the most likely to

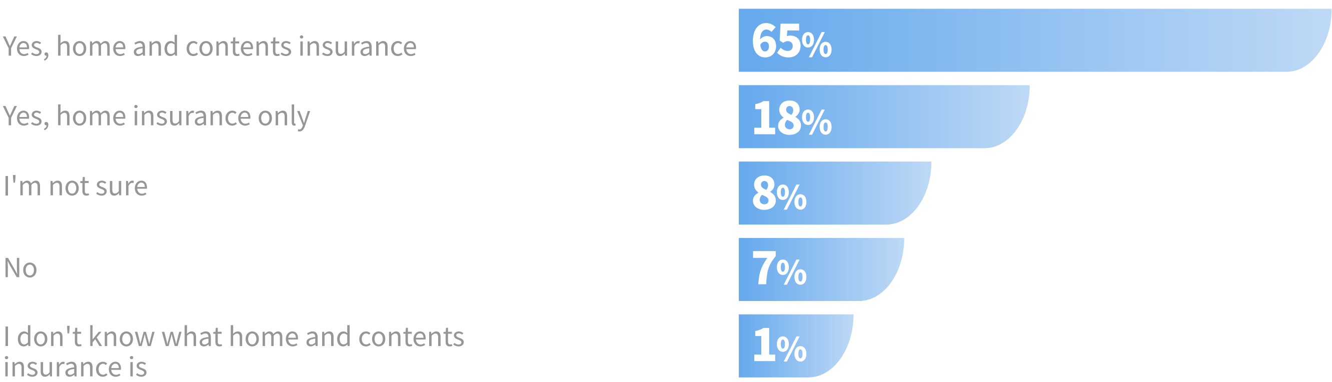
How did you/ will you pay for the property?



One in six home buyers will not insure their home or is undecided

Just over four in five first home buyers (83%) have taken out or intend to take out either home and contents insurance or just home insurance. A small proportion of respondents (8%) say they aren't sure, while 7% say they don't intend to take out insurance and 1% don't know what home and contents insurance is. The consequences of not insuring a home, or being underinsured, are dire. A study by MCG Quantity Surveyors found a large portion of Australians could be underinsured by up to 66%, leaving them paying as much as $443,399 out of pocket in the event of a disaster.[20] On the other hand, a home insurance policy on average costs a more palatable $1,641 per year on average.[21]

Did you/ are you planning to take out home and contents insurance?



Only 74% of Gen Z will take out some form of home insurance, compared with 88% of Gen X, indicating either a lack of knowledge or understanding about the financial risk of having an uninsured home or an unwillingness to pay for protection in this demographic. Investors (77%) are less likely than owner-occupiers (84%) to take out some form of home insurance.

How are first home buyers choosing a home loan?

One in three first home buyers is opting for a fixed rate loan

One-third of first home buyers (35%) have chosen a fixed interest rate and 29% are opting for a variable rate, while 19% are going for a split rate. Men (43%) are more likely than women (27%) to have gone for a fixed rate, and women (22%) are almost twice as likely as men (13%) to be unsure about the type of interest rate they are choosing.

Gen X (42%) are more likely to opt for a fixed rate home loan, compared to Gen Z and Millennials (both 33%).

Analysis of Finder's home loans database has found that the average fixed rate loan has been consistently lower than the average variable rate loan since the end of 2019. Because fixed rates tend to reflect market sentiment over the cash rate, and the RBA has indicated it will not lift rates until 2024, fixed rates are currently cheaper than variable rates.

▶▶ Did you/ are you planning to get a fixed, variable or split rate home loan?

The survey found those who had already purchased their home had secured an interest rate of 2.94% on average. In comparison, those who had yet to buy their property said they were hoping for an average interest rate of 2.60%. Of those who had already bought their home, Gen Z buyers (2.73%) scored the lowest rates of the cohort, while Gen X buyers secured 3.11% on average. Buyers from New South Wales (3.06%) are paying higher rates than those from Victoria (2.78%) and Queensland (2.86%).

According to the RBA, the average three-year fixed rate loan is 2.14% and the average variable discounted rate is 3.65%. However, Finder's database has found the lowest fixed loan as of April sits at 1.75% compared with 2.14% for variable loans. For investors, these rates are slightly higher, but given that lenders are competing primarily on the basis of price in today's low interest environment first home buyers should be doing all they can to secure a lower rate.

More than half of first home buyers (56%) indicated they have a pre-approval on their home loan and a further 13% are not sure if they do. Men (65%) are more likely than women (47%) to have a pre-approval, and Gen X are the most likely generation to have done so (65%).

	RBA average discounted rate	Lowest rate available on Finder
Owner-occupier (variable)	3.65%	2.14%
Owner-occupier (fixed)	2.14%	1.75%
Investor (variable)	4.23%	2.24%
Investor (fixed)	2.56%	2.09%

Data accurate as of April 2021.

Half of first home buyers have negotiated a lower interest rate

The near-zero cash rate has made the home loan market extremely competitive. For new borrowers, this typically means there is more room to negotiate. Nearly half of first home buyers (49%) say they have negotiated a lower interest rate when applying for a home loan.

However, this leaves one-third (32%) who have not tried to secure a cheaper rate and a further 19% who are not sure. For a borrower with the average loan of $495,420, negotiating just 0.5% off from the average rate from our survey of 2.94% to 2.44%, could save $131 per month, or $1,568 per year.

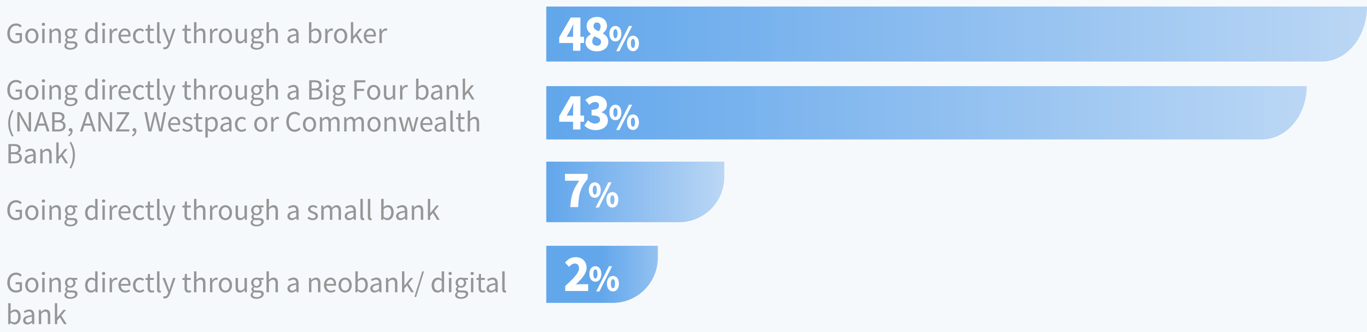
Men (60%) are more likely than women (39%) to have negotiated their rate. Gen X are the biggest negotiators (62%), while only 40% of Gen Z have pushed for a cheaper rate. Investors (59%) are also more likely to have bargained their rate down than owner-occupiers (48%).

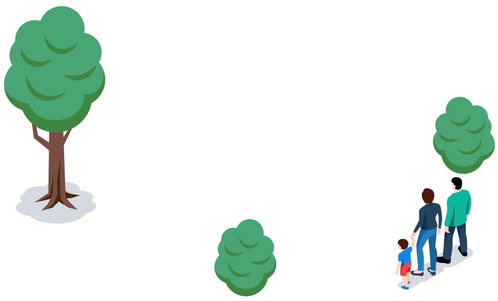
Have you negotiated a lower interest rate when applying for a home loan?

Buyers are choosing brokers over big banks

Mortgage brokers can help buyers by doing the heavy lifting for them. While usually free to borrowers, buyers should be careful to gauge whether their broker charges any additional fees. Brokers are typically recommended to those who need specialised advice or additional assistance in applying for a loan, such as those with a poor credit history or older buyers. While they can simplify the process, they won't compare all home loans, meaning buyers may not get the best deal. In Finder's survey, close to half of the respondents (48%) say they went or are going through a mortgage broker, followed by 43% who chose to go through a Big Four bank. Only 7% opted for a small bank, and 2% chose to go through a neobank.

▸▸ How did you/ are you getting a home loan?





Men (49%) are slightly more likely to work with a broker than women (46%), while women are more likely to opt for a Big Four bank (44%) or a smaller bank (8%) than men (42% and 7% respectively). New South Wales is the only state where first home buyers are more likely to go through a Big Four bank (48%) than a broker (44%).

Buyers are paying $6,353 in unexpected costs on average

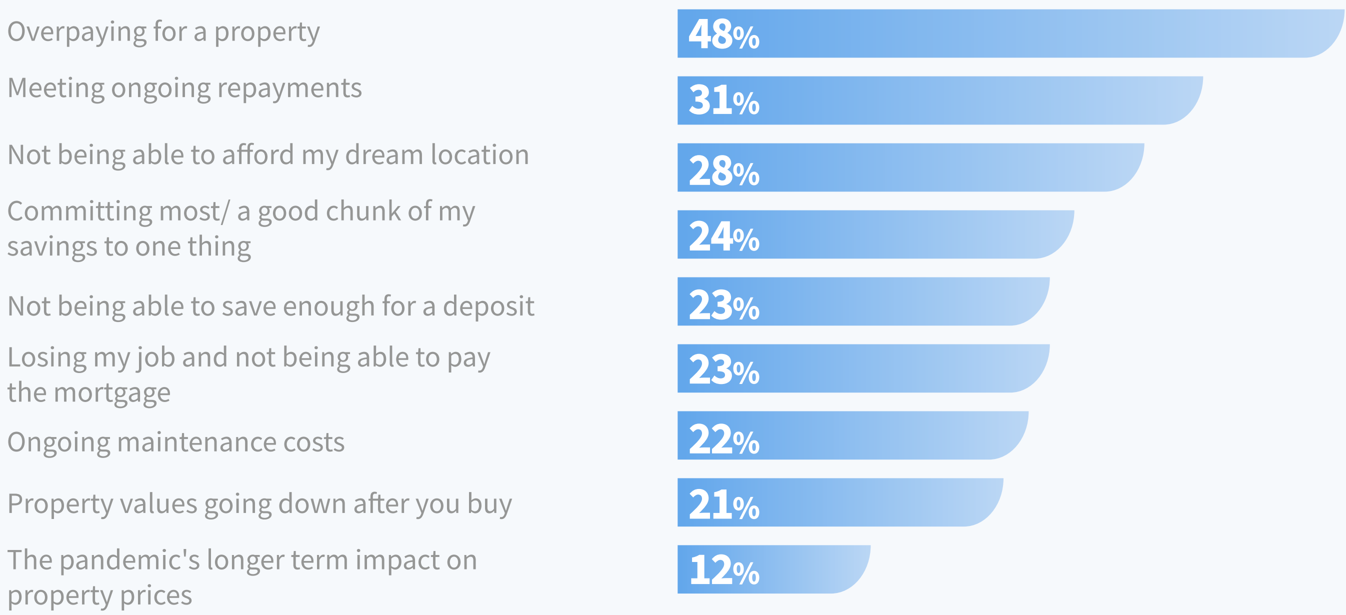
From conveyancing costs, loan application costs, lenders mortgage insurance and stamp duty, many first home buyers are unaware of the additional costs associated with buying a home beyond the property price. These costs can add up to tens of thousands of dollars, but depend on the state and the level of inspection, cleaning or due diligence buyers want to take on. In Finder's survey, more than half of respondents (57%) say they were hit with unexpected costs, paying an average of $6,353. Our respondents are likely paying less in additional costs than the average buyer due to concessions on stamp duty for first home buyers in most states, which can add up to tens of thousands of dollars for those buying a second or third property. Owner-occupiers (58%) are more likely to have paid unexpected costs than investors (49%), but they pay less on average ($5,647) than investors ($12,573). Gen Z ($5,177) score less in costs on average than Gen X ($6,792) and Millennials ($6,486), and men ($6,130) also pay slightly less in unexpected charges than women ($6,744). Victorians ($9,107) in our survey have paid substantially more in unanticipated costs than those from New South Wales ($5,886) and Queensland ($4,724).

What are first home buyers' biggest fears?

Overpaying for a property is first home buyers' biggest financial fear

The pandemic has put a strain on finances for many Australians, and rising property prices have added to that burden. All capital cities have seen positive year-on-year growth in property prices, with Darwin (10%), Hobart (10%) and Adelaide (9%) leading the charge. While Sydney's growth has been slower, houses (7%) have seen more substantial growth than units (3%), and the median house price has reached the million dollar mark.[22] Unsurprisingly, 48% of survey respondents say spending too much on their home is one of their top concerns. This is followed by the inability to meet ongoing mortgage repayments (31%) and not being able to afford their dream location (28%).

▸▸ What are/ were your top financial fears when it comes to buying your property?



Overall, the data shows women tend to be more anxious about financing a new home than men. Women are more likely than men to fear the inability to afford their dream location (34% compared to 24%), losing their job and not being able to pay the mortgage (28% compared to 19%), not being able to save enough for a deposit (27% compared to 20%) and the pandemic's long-term impact on property prices (15% compared to 10%). Meanwhile, men are more afraid of not meeting ongoing mortgage repayments (34% compared to 28%).

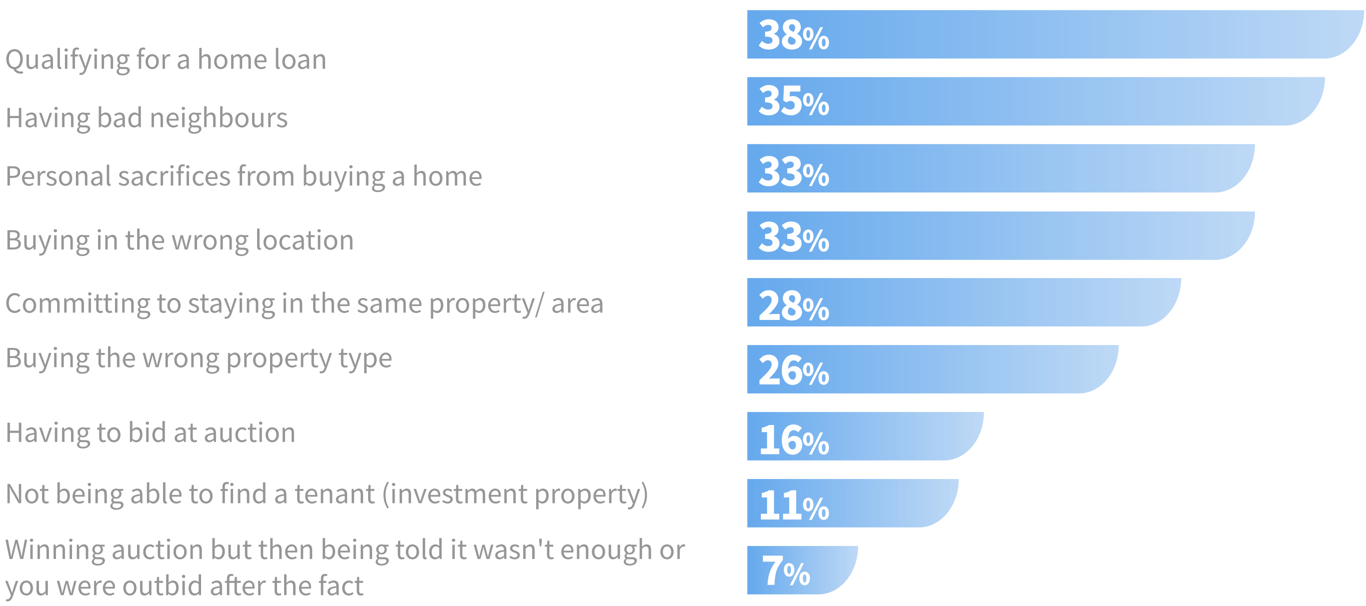
Given the pandemic's disproportionate impact on young people, it also makes sense that Gen Z exhibit the highest level of financial fear. They are the most likely to fear the inability to afford their dream location (34%), being able to save enough for a deposit (33%) and losing their job and being unable to meet mortgage repayments (18%).

More than a third of buyers are afraid of not qualifying for a home loan

Aside from money concerns, first home buyers' top non-financial fear is qualifying for a home loan. Close to two in five respondents (38%) said this was one of their primary worries, followed by having bad neighbours (35%), making personal sacrifices to buy a home (33%) and buying in the wrong location (33%).

The fear of rejection is not unprecedented. According to Finder's Consumer Sentiment Tracker, 5% of Australians have been turned down for a mortgage, and of those who currently have a home loan, this figure rises to 7%.[23] A poor credit score, proof of insufficient savings, a high ratio of debt to income or any other factors that deem a borrower to be risky or irresponsible can result in rejection. A survey of 52,000 households by Digital Finance Analytics in 2018 also found that investors (11%) were twice as likely as owner-occupiers (5%) to have their application turned down.[24]

▸▸ What are/ were your top non-financial fears when it comes to buying your property?



Interestingly, Millennials are most likely to fear qualifying for a home loan (40%), while Gen Z are most concerned about making personal sacrifices to afford a home (39%). Millennials are the most likely to dread bidding at auction (18%), while Gen Z are the most concerned about being told their auction bid fell through after the fact (10%).

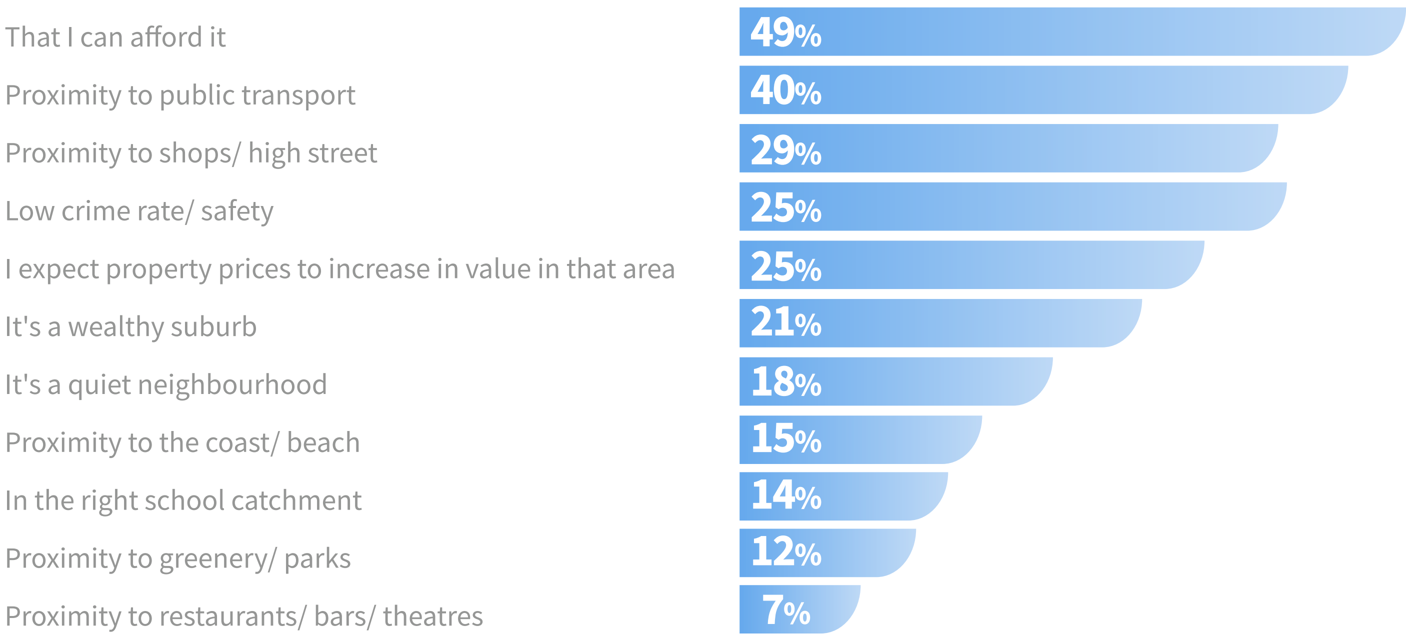
The data shows owner-occupiers are more concerned about committing to staying in the same property and area than investors (29% compared to 19%). Meanwhile, nearly a third of investors (32%) say they fear not being able to find a suitable tenant for the property. And while those from Victoria (39%) and New South Wales (34%) fear qualifying for a mortgage the most, Queenslanders' biggest fear is having bad neighbours (41%).

What are first home buyers searching for?

Affordability and proximity to public transport top the wish list

Understandably, Finder's survey found the top criteria used by first home buyers to determine the location of their home is affordability (49%). This is followed by proximity to public transport (40%), proximity to shops or a high street (29%), a low crime rate (25%) and the expectation that property prices will rise in that area (25%).

▸▸ What are the top criteria you used/ are using to choose the location of your property?



Men (26%) are more likely to prioritise living in a wealthy suburb than women (15%), while women are more concerned about affordability than men (57% compared to 41%). Women are also more likely to consider the quietness of a neighbourhood as a key factor in decision-making (21% compared to 15%).

As the demographic most likely to have school-aged children, Millennials (16%) are the most likely to pick their location based on school catchment zones, and they are also the most likely to choose a location where they think property prices will increase (29%). Meanwhile, Gen Z are the most likely to consider proximity to restaurants, bars or theatres as a top priority (7%).

When it comes to homeowner types, it's not surprising that investors (44%) are twice as likely as owner-occupiers (22%) to choose the location of their home based on where they expect property prices to rise. They are also more likely than owner-occupiers to be drawn to wealthy suburbs (26% compared to 20%). On the other hand, owner-occupiers tend to place more emphasis than investors on proximity to public transport (40% compared to 36%), the quietness of the neighbourhood (19% compared to 12%) and proximity to greenery and parks (12% compared to 9%).

Backyards, bedrooms and parking space are buyers' greatest priorities

Having a backyard is the number one non-negotiable feature for first home buyers, with 44% listing this as one of their top priorities. This is followed by having a minimum number of bedrooms (42%), having a driveway or garage (34%) and having a minimum property size in square metres (29%).

▸▸ What are/ were your top non-negotiables when it comes to buying a property?

Women are more likely than men to prioritise a backyard (47% compared to 41%), a minimum bedroom count (46% compared to 37%), a driveway or garage (37% compared to 30%) air conditioning or heating (30% compared to 17%) and a large kitchen (14% compared to 12%). On the other hand, men are more likely to seek a balcony (28% compared to 18%), a minimum square meterage (32% compared to 25%) and a pool (13% compared to 7%).

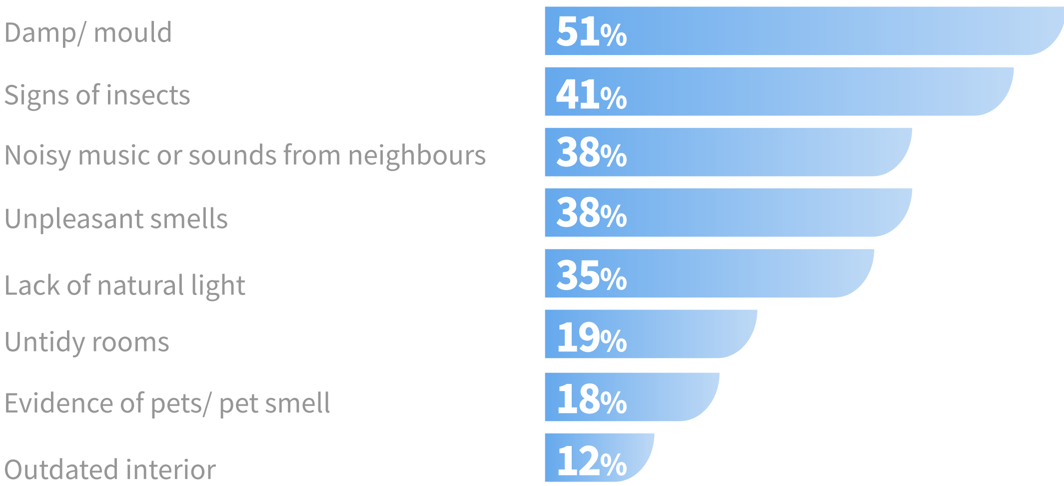
Gen Z are the most likely to list having a backyard as a top non-negotiable, with 50% of respondents in this demographic saying this is important to them. They are also the most likely to seek a new or recently renovated home (11%). Meanwhile, Gen X buyers are the most likely to want a balcony (33%).

Having a backyard (45%), a large kitchen (13%) and a shed (7%) are more important to owner-occupiers than to investors, while investors are more likely than owner-occupiers to prioritise a driveway or garage (41%), air conditioning or heating (25%) and a view of the ocean or water (5%). It's not surprising investors are drawn to a view – it is estimated that an unobstructed water view can add from 30% to 80% to a property's value.[25] Meanwhile, apartment developers can add between $10,000 and $20,000 per floor for an identical apartment the higher up it is.[26]

Mould and insects are buyers' biggest deal-breakers

Damp or mould would immediately turn more than half of first home buyers (51%) off a property. Two in five (41%) say signs of insects would be an instant deal-breaker, followed by unpleasant smells (38%) and noisy neighbours (38%).

What would immediately turn you off a property?

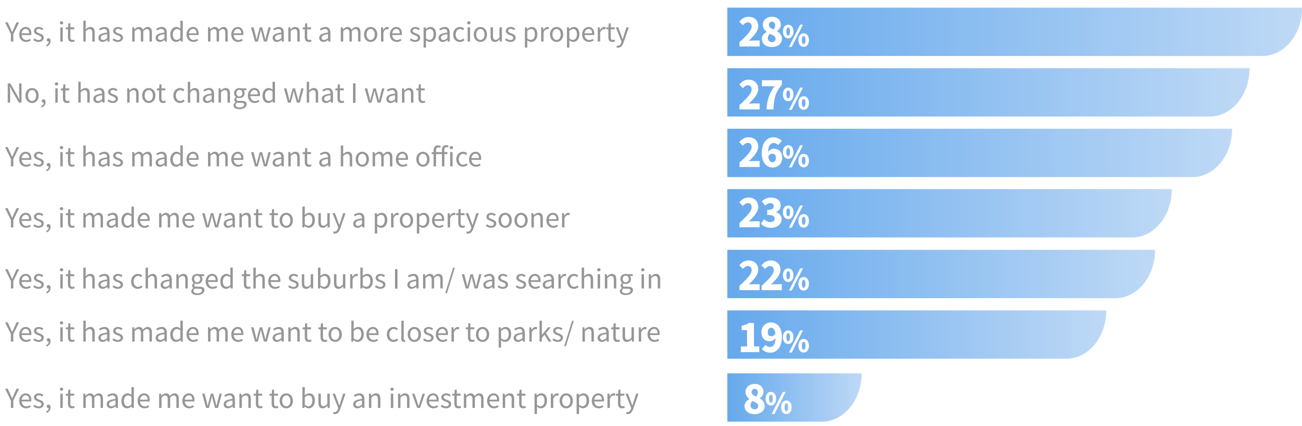


The pandemic has changed what first home buyers are looking for in a home

The COVID-19 pandemic, the ensuing recession and months of lockdowns and travel bans have changed the priorities of most first home buyers in our survey. Working and studying from home, spending more time with family and engaging more with local communities are trends that will continue to define Australian households even as we emerge from the pandemic.

Three in four first home buyers (73%) say the pandemic has changed what they are searching for in a home. More than a quarter (28%) say it has made them want a more spacious home, while for 26%, it has made them want a home office. Over one in five (23%) say it has made them want to buy a property sooner than they had previously planned to.

▸▸ Has the pandemic changed what you are/ were looking for in a property?

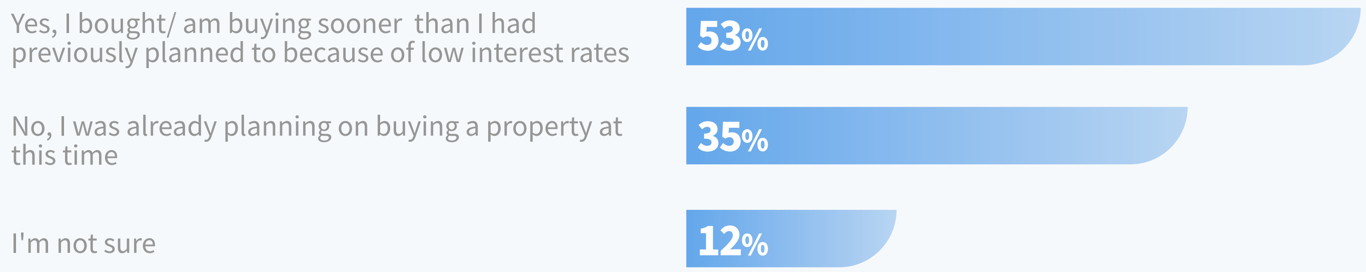


Gen X are the most likely to say the pandemic has made them want a larger home (34%), while Gen Z are the most likely to want to buy a property sooner (30%). For Millennials, having a home office is the biggest priority coming out of the pandemic (29%). More than a quarter of investors (27%) indicated COVID-19 was a driving factor in making them want to buy an investment property, an interesting revelation given that while the recession has made borrowing for a home extremely cheap, rental yields remain subdued in the absence of incoming migrants and students.

More than half of buyers say low interest rates have influenced their decision to buy now

The cash rate is at a historic low, and the boom in home loans indicates many are taking advantage of this period of low borrowing costs. More than half of respondents (53%) say they are buying their home sooner than they had previously planned to due to the low interest rate environment. Men (60%) are more likely than women (47%) to say interest rates have influenced their decision, and Gen X (61%) are the most likely generation to admit they are buying now because of the cheaper cost of borrowing. The data also shows investors (62%) are more likely than owner-occupiers (52%) to have been influenced by low rates.

▸▸ Have low interest rates due to the recession influenced your decision to buy?



Finder’s experts weigh in on what’s next for homebuyers

Sarah Megginson
Senior Editor, Home Loans

"First home buyers, especially in our major capital cities, feel priced out of property as income-to-house price ratios have soared over the last two decades. With every period of booming prices, the prospect of owning a home seems to get further away. But the reality is, property markets cycle through boom and bust periods – they always have and always will.

“My biggest advice for first home buyers is to run your own race. Don't worry about scary headlines or predictions and focus instead on where you stand: how much deposit do you have now? How much deposit can you save in the next year or two? Could you invest in a more affordable area to get your foot on the property ladder or live in a smaller apartment for a year (so you can access grants and incentives) and convert it to an investment property? There are many ways to get into the market, so don't despair – take stock of your situation, create a plan and start working towards your home ownership goal."

Richard Whitten
Senior Writer, Home Loans

“This is a very confusing time to be a first home buyer. There is a lot of information to take in, and a lot of it seems contradictory. Yes, interest rates have never been lower. This makes borrowing money cheaper than it was in the past. But property prices are rising fast once again. Property prices remain very high relative to most people's incomes. And there are many policies or grants that first home buyers might be eligible for, which can make entering the market easier if you qualify.

Ultimately though, the best things first home buyers can do remain the same. Take a realistic look at your finances to work out how much you can save for a deposit and how much you can afford to borrow. When you start looking for properties, start looking at home loans too. Use a repayment calculator to see how much a home loan will actually cost you every month. And don't forget to factor in costs like stamp duty, lenders mortgage insurance and conveyancing costs.”

Graham Cooke
Head of Consumer Research

"COVID-19 landed with a thud and pushed down prices and market activity. But Australia has come out of the pandemic with a generally increased level of savings, FOMO and a rock-bottom cash rate that lit up the market again in mid-2020. The last three months of 2020 were a record for owner-occupier borrowing. The market is truly back on track.

For first home buyers, this means prices are likely to keep increasing through 2021. Those with a deposit saved and the intention of jumping on the housing ladder should look at getting their finances in order before the step gets too steep.

Don't feel the need to jump into the market just because you feel it is getting away from you, though. Make sure you take the time to find the place that is the right fit for you. As long as you're not intending to sell in the next five to ten years, and you're buying a house, you should be able to rely on having an asset that is worth more than you paid for when it comes to sale time. If you're interested in investing, keep an eye on Finder's Insights releases, which gauge consumer and economist sentiment, over the next few months."

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Methodology

Finder conducted a survey of 1,028 first home buyers in March 2021.

Survey respondents included those who had purchased their home within the past 12 months, or who intended to purchase their home within the next 12 months.

The survey was designed using Survey Monkey and distributed through survey platform Pure Profile.

The survey is nationally representative in gender and state. Because of the young nature of first home buyers, the sample skews towards younger generations.

The report includes analysis by Finder using house price data from CoreLogic, lending data from the ABS, and interest rate data from the RBA.

Where relevant, the report also references data from Finder's Consumer Sentiment Tracker, an ongoing, nationally representative survey of consumer sentiment in Australia. It contains data from more than 23,000 respondents.

Want more information?

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