

First Home Buyer Report 2022

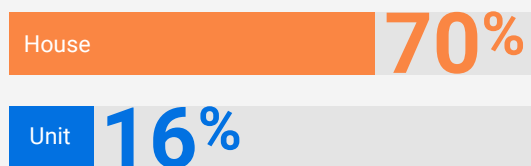


A Finder report
August 2022

Contents

Key statistics	3
Introduction	4
Who are first home buyers?	6
Budgeting for a home	11
The home buying process	16
Securing a home loan	19
First home buyer fears	23
First home buyer desires	25
Insights from Finder's experts	28
Methodology	30

Key Statistics



First home buyers prefer houses to units



1 in 8

buyers are searching interstate



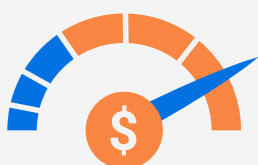
1 in 6

gen Z buyers are buying an investment property



22% ▶ 11%

The number of buyers who plan to renovate immediately has halved since 2021



37%

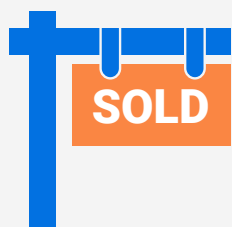
of buyers exceed their budget



COVID-19 lockdowns helped

1 in 4

first home buyers save



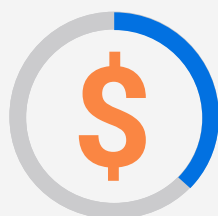
1 in 3

are buying now because they fear rising property prices



1 in 2

buyers face unexpected costs during the purchase process



37%

of buyers will be worried if their interest rate rises



Qualifying for a loan and having bad neighbours are buyers' top fears

Introduction

Australia's housing market has boomed over the past 2 years and has experienced record growth despite the pandemic. Houses in the smaller cities of Hobart (30%) and Canberra (29%) have seen the highest year-on-year growth, while units in Hobart (24%) and Darwin (19%) have grown the most. In all cities, price growth until recently has been historically high.

The value of new first home buyer loans peaked in December 2020 at \$7.2 billion before slowly declining through 2021 and 2022, a signal that the market has begun to cool. However, despite the decrease in the number of loans, the average first home buyer loan has steadily grown. In May 2022, the average first home buyer loan reached \$482,200, an increase of 7% year-on-year and a record high.



Total value and average size of first home buyer loans (2018-2022)

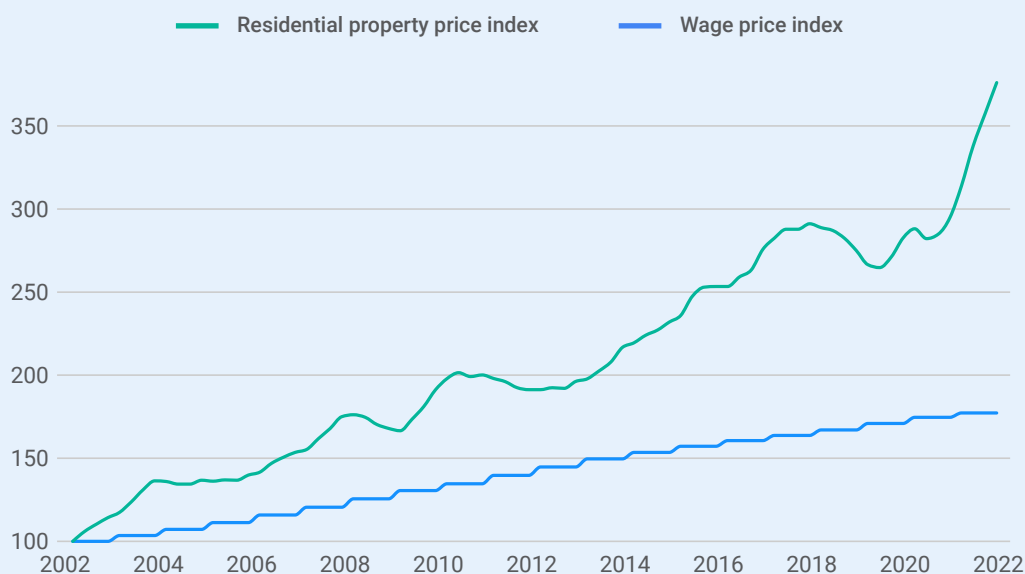


Source: ABS

Property affordability has been a hot topic over the past 2 years, particularly when it comes to first home buyers. Since 2002, residential house prices have grown by 276%, while wages have increased by just 77%. In 2021 alone,

house prices grew by 28%, compared to just 1.5% for wages. The growing gap between wages and house prices highlights the challenge today's first home buyers face in saving a deposit and financing a mortgage.

Change in wages and property prices since 2002



Wage price index and residential property price index using a baseline of March 2002.

Chart: Finder • Source: ABS

In this report, we gather insight into first home buyers. We conducted a survey of 1,001 first home buyers to find out their preferences, fears and budgeting decisions, and we also draw on our First Home Buyer Report 2021 to compare how the behaviour of new home owners has changed over the past year.



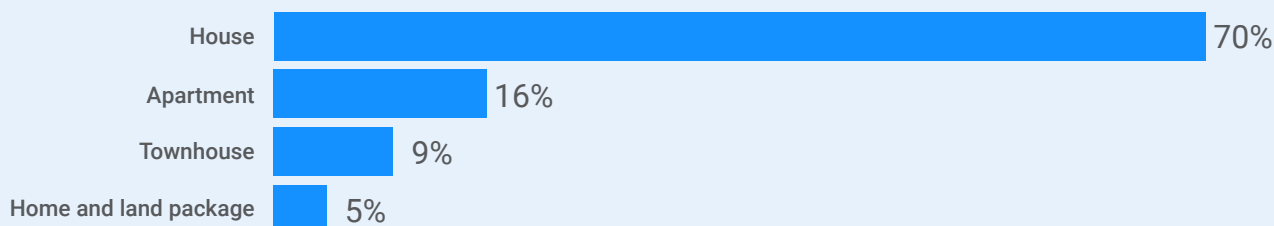
Who are first home buyers?

First home buyers prefer houses to units

Finder's survey found that close to 3 in 4 first home buyers (70%) are choosing to buy a house, while 16% opt for an apartment and 9% choose a townhouse. Just 4% of respondents chose a home and land package. The data reflects the Australian cultural preference for

owning a plot of land with a backyard over an apartment. It is also in line with historical data that shows houses consistently outperform units in the long term. Since 2003, house prices have grown by 187%, compared to 114% for units.

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

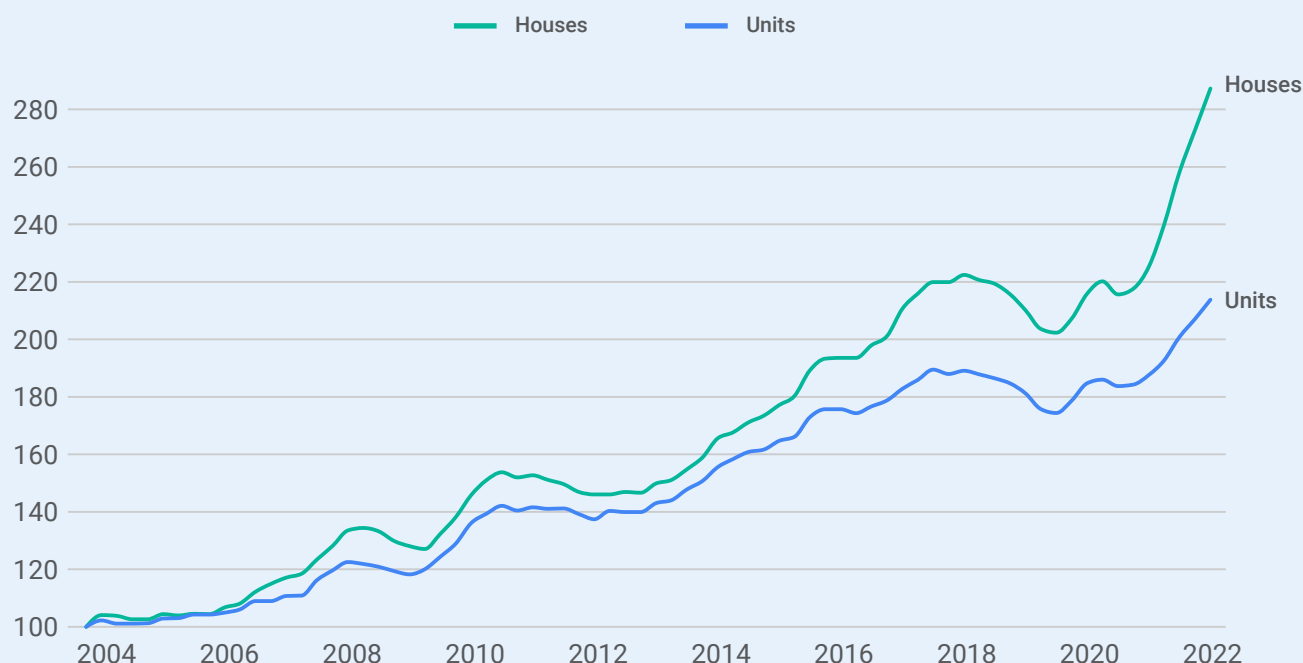


Men have a stronger preference for houses than women (73% compared to 68%) while women are more likely to choose an apartment (19% compared to 13%).

Buyers from New South Wales (11%) and Victoria (11%) are the most likely to buy a townhouse, and those from New South Wales are also the most likely to buy an apartment (20%). Western Australians (76%) have the strongest preference for a house.



Change in house and unit prices since 2003



Established house price index and attached dwellings price index using a baseline of September 2003.

Chart: Finder • Source: ABS

The number of single first home buyers has fallen

According to our survey, 2 in 5 first home buyers (41%) are buying a home by themselves, which is consistent with findings from ME Bank that solo buyers make up 38% of home loan applications.

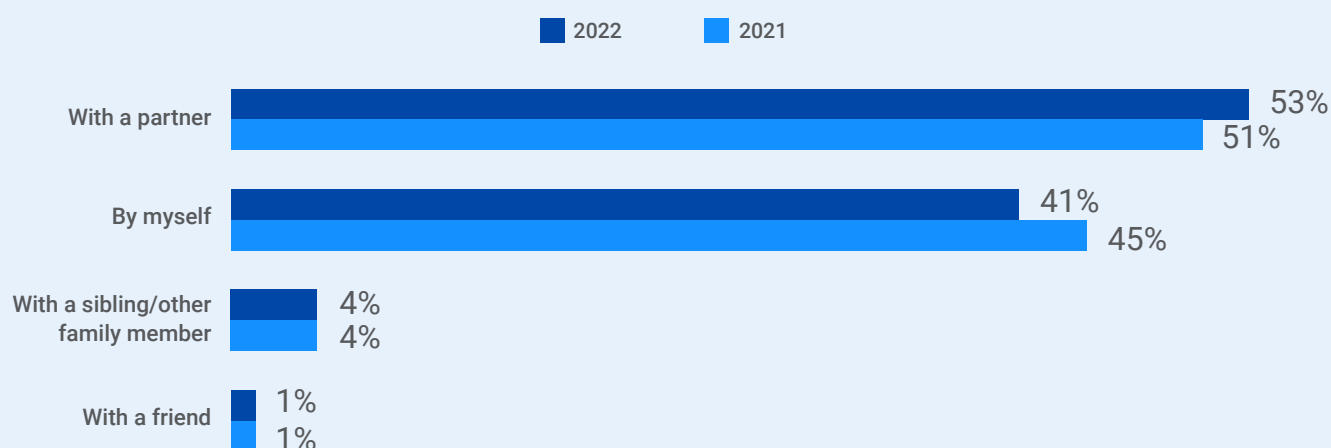
The number of single buyers has decreased slightly from 45% when the same question was asked in 2021. While it is impossible to know for certain, the decline could be due to escalating house prices making it less viable for first home buyers to buy a home on a single income. Just over half (53%) are purchasing with a partner, while 4% are buying their home with a family member.

Men (44%) are more likely to be solo buyers than women (38%), likely due in part to higher wages and rates of employment among men. When it comes to investors, the gap is even wider. Male first home buyers (47%) are more likely to purchase an investment property by themselves than their female counterparts (35%).

The research indicates the home ownership gap between men and women is evident even among first home owners. According to CoreLogic, men exclusively own 36% of all investment properties, while women own 29%. The home ownership gap reflects the gender gap in income and wealth and has repercussions for societal wealth distribution over time.

Victoria (44%) and New South Wales (43%) have the highest rates of solo first home buyers, compared to 35% in Queensland, South Australia and Western Australia.

Who are you buying/did you buy your home with?

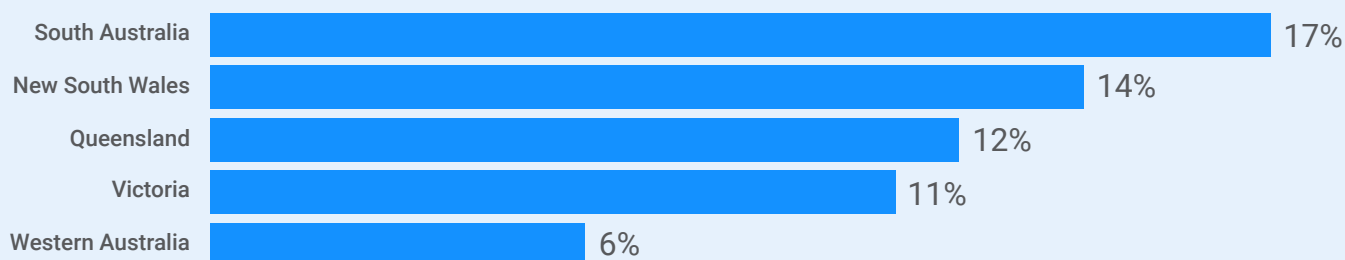


1 in 8 buyers are searching interstate

Rising property prices have made home ownership increasingly difficult, particularly in the larger capital cities. Across the 8 capital cities, houses have risen by an average of 18% over the past year and units have risen by 11%. As a result, buying in some of the larger cities and inner suburbs has become out-of-reach for

certain buyers. Our research found 1 in 8 first home buyers (13%) are searching for their home interstate as well as, or in place of, their own state. It is difficult to infer exactly why buyers are searching interstate, but the unaffordability of local housing in the larger cities is one plausible reason.

Percentage of first home buyers searching outside their home state



In addition, 1 in 4 (25%) are searching in a different region of their own state. This means a buyer living in a city is searching in regional areas or vice versa.

Queenslanders (26%) and Victorians (26%) are the most likely to search outside of their region. Western Australians are less likely to do so (20%).

Percentage of first home buyers searching in a different region of their state



'Different region' means those living in metropolitan areas are searching in regional areas, and vice versa.

1 in 6 gen Z buyers are buying an investment property

Rising property prices have led many new buyers to “rentvesting” – buying an investment property while continuing to rent in the area they like. This can help new home owners build up equity while offsetting their mortgage with rental income. Once they have accrued equity, they can upgrade to their dream home.

The rentvesting strategy allows buyers to continue living the lifestyle they like in their preferred suburb, without being left out of the property market. The downside is that investors forgo first home buyer benefits such as the waiving of lenders mortgage insurance (LMI) and stamp duty.

Our survey found that 1 in 10 first home buyers (11%) are purchasing an investment property, with gen Z (16%) the most likely to do so. Those from New South Wales are the most likely to buy an investment property as their first home (12%), compared to 10% of Victorians and just 6% of Western Australians.

The data shows no change from last year's report, where we also found that 11% of first home buyers were investors.

First home buyers are delaying home renovations

Australians spent \$12 billion on home renovations over the 12 months to May 2022, a 12% increase from the previous year. For some buyers, renovating allows them to purchase their home at a discounted price and increase the value of their home. According to our survey, 4 in 5 first home buyers (80%) are buying with the intention of renovating at some stage. The survey also shows that 1 in 10 (11%) plan to renovate immediately, with a further 32% planning to renovate within 12 months of buying.

The number of first home buyers who intend to renovate at some point has not changed since we asked the same question in 2021. However, the results show the number of first home buyers who plan to renovate immediately has halved from 22% to 11%. First home buyers are more likely to delay their renovations for several years than they were in 2021.

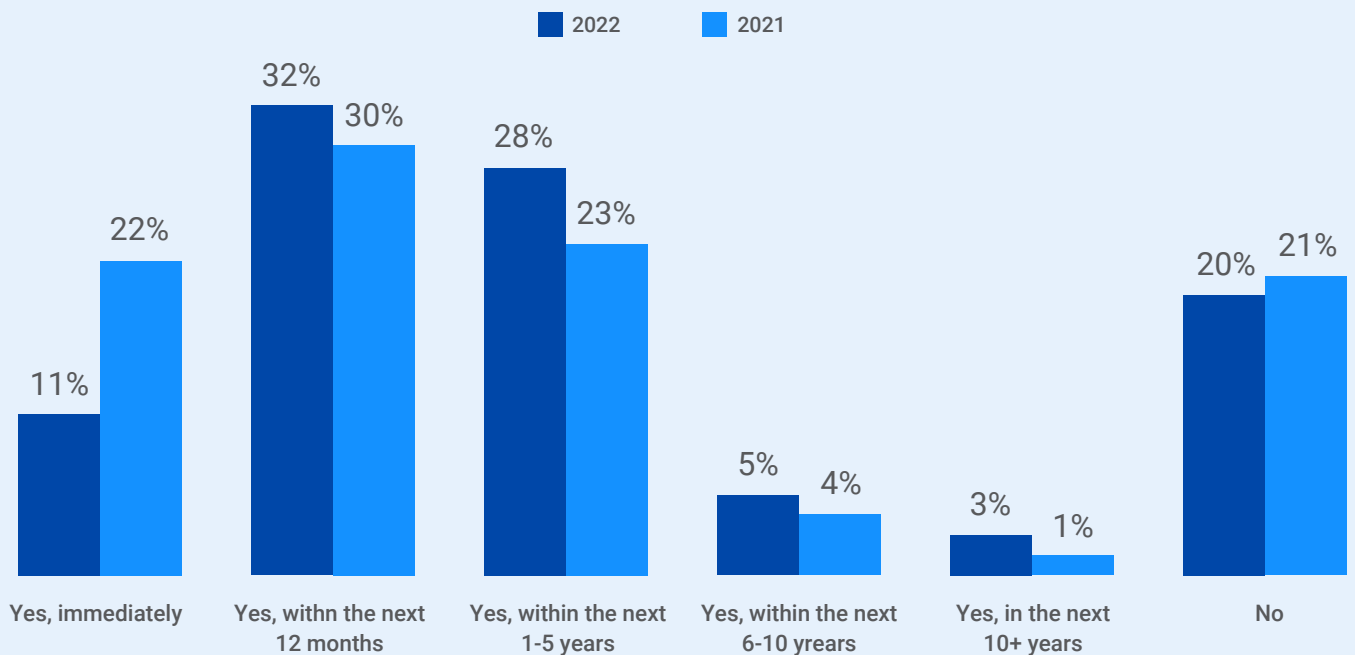
During the pandemic, renovation activity was booming. In 2020, the value of alterations grew by 11%, and in 2021, it grew by another 33% to reach \$12.2 billion. However, in February 2022, the value of home renovations decreased year-on-year for the first time since May 2020, an indication the renovations boom is subsiding. The removal of lockdowns, return of workers to the office and reopening of international travel may have distracted home owners from fixing up their homes.



4 in 5

first home buyers intend to renovate

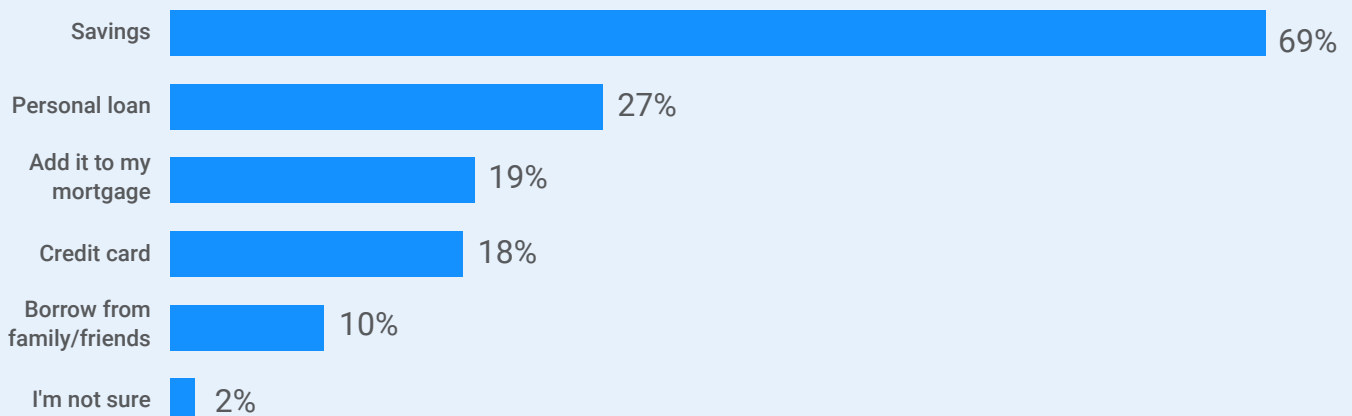
Did you buy/are you buying with the intent to renovate?



The research found younger buyers are more interested in renovating than older generations: 83% of gen Z buyers and 82% of millennial buyers are purchasing with the intention of renovating, compared to 72% of gen X. Those from Western Australia (85%) and New South Wales (84%) have the greatest interest in fixing up their home, compared to 77% of Victorians.

According to Suncorp, the average Australian home renovation costs owners \$63,118, but costs vary widely depending on the type and scale of alterations. The majority of first home buyers planning to renovate will use part of their savings (69%) and just over a quarter (27%) will take out a personal loan to fund the costs. According to our survey, 1 in 5 (19%) will add it to their mortgage and 18% intend to use their credit card.

How do you plan to finance your renovation?



Respondents could select multiple answers.

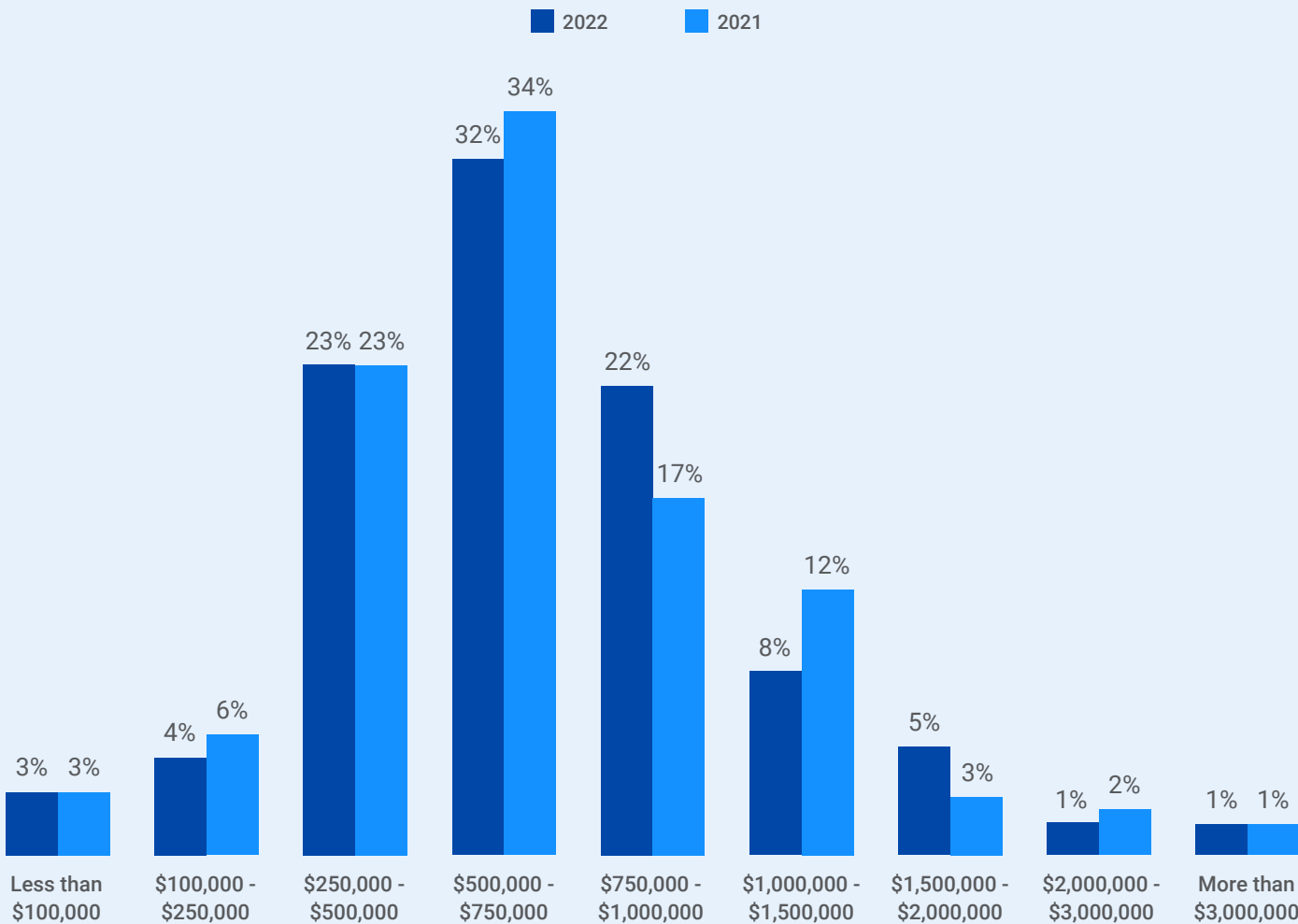
Budgeting for a home

1 in 6 buyers have a budget of \$1,000,000 or more

The average first home buyer budget according to our survey is \$749,000, a 6% decline from our survey in 2021. Close to 1 in 3 (30%) have a budget below \$500,000, with an additional third (32%) budgeting between \$500,000

and \$750,000. The survey shows that 1 in 6 first home buyers (16%) have a budget of \$1,000,000 or more. This is a decrease from 25% compared to our report last year.

What is/was your maximum budget?



Understandably, those from New South Wales have the highest budgets (\$877,900), followed by Victorians (\$704,100). South Australians in our sample had the lowest budgets (\$636,400).

When we compare the results to average property prices, we find survey respondents in both New South Wales and Victoria have budgets considerably lower than the

average price in their respective capital cities. Sydney's average property price sits at \$1.1 million, while New South Wales buyers budgeted \$877,900 on average, 18% less than the average price. In Western Australia on the other hand, respondents had budgets 26% greater than the price of a typical Perth home. Those in South Australia and Queensland also had budgets above the average property price in Adelaide (7%) and Brisbane (3%).

This data indicates property ownership is more financially attainable for first home buyers outside of Sydney and Melbourne, given that the typical property fits within their budgets.

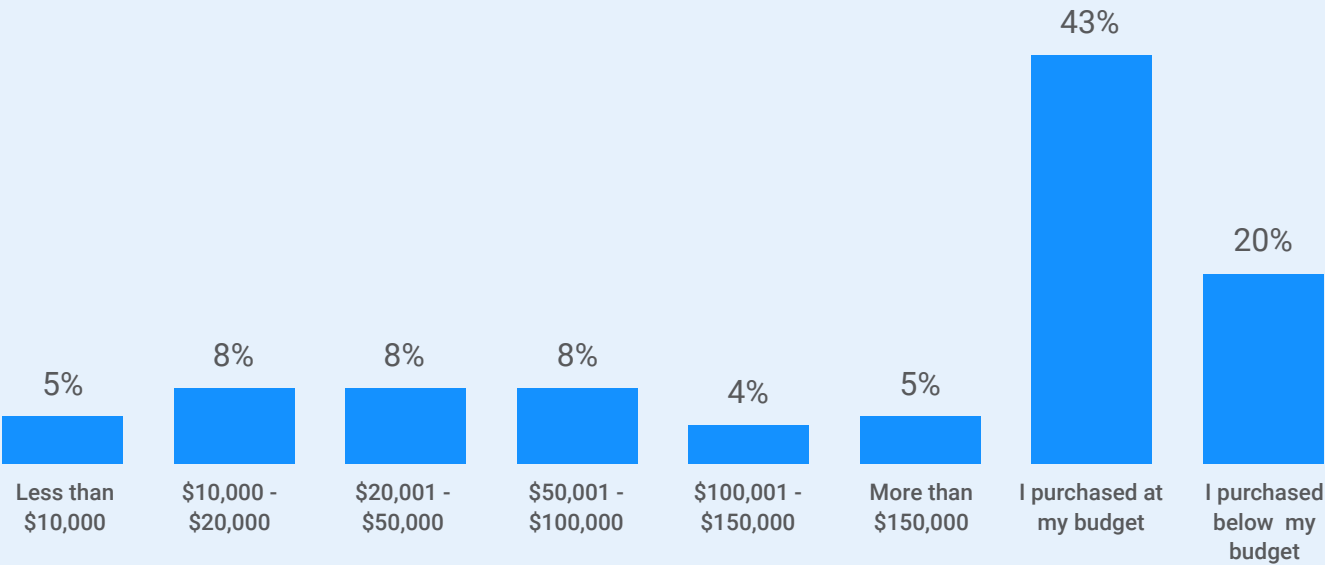
City	Budget	Average property price	% difference
Sydney	\$877,900	\$1,075,700	-18.4%
Melbourne	\$704,100	\$823,100	-14.4%
Brisbane	\$684,300	\$663,700	3.1%
Adelaide	\$636,400	\$593,700	7.2%
Perth	\$645,900	\$512,200	26.1%

More than 1 in 3 buyers exceed their budget

Among those in our sample who had already purchased their home, more than one-third (37%) purchased over their budget. Close to 1 in 10 (8%) paid more than \$100,000 over their budget, and just 20% managed to buy below their intended budget.

Men (43%) are more likely than women (32%) to have gone beyond their budget. Close to half of buyers from New South Wales (41%) and Queensland (40%) blew their budgets, compared to 31% of Victorian buyers.

How much over your budget did you (and your co-buyers) pay for your property?



The research also found those with higher budgets were more likely to go beyond their threshold. More than half of buyers (53%) with a budget above \$1,000,000 paid more than they had intended, including 28% who spent

more than \$100,000 over their budget. This is compared to 37% of those with a budget between \$500,000 and \$1,000,000 and 29% of those with a budget of less than \$500,000.

3 in 4 buyers pay less than a 20% deposit

Despite minor house price declines in Sydney and Melbourne in recent months, the amount of money buyers need to secure a 20% deposit is higher than just a year ago. In New South Wales, the average buyer needs

\$144,800, a 3% increase year-on-year, while Victorian buyers need \$125,700, a 7% increase year-on-year. However, Tasmania is where the average deposit has grown the most, up 22% to \$100,400.

State	Average first home buyer loan	Deposit (20%)	Year-on-year increase
TAS	\$401,700	\$100,400	21.7%
SA	\$396,400	\$99,100	12.5%
QLD	\$440,000	\$110,000	11.7%
NT	\$420,300	\$105,100	10.1%
VIC	\$502,700	\$125,700	6.8%
ACT	\$495,100	\$123,800	6.5%
WA	\$384,000	\$96,000	5.4%
NSW	\$579,300	\$144,800	3.4%

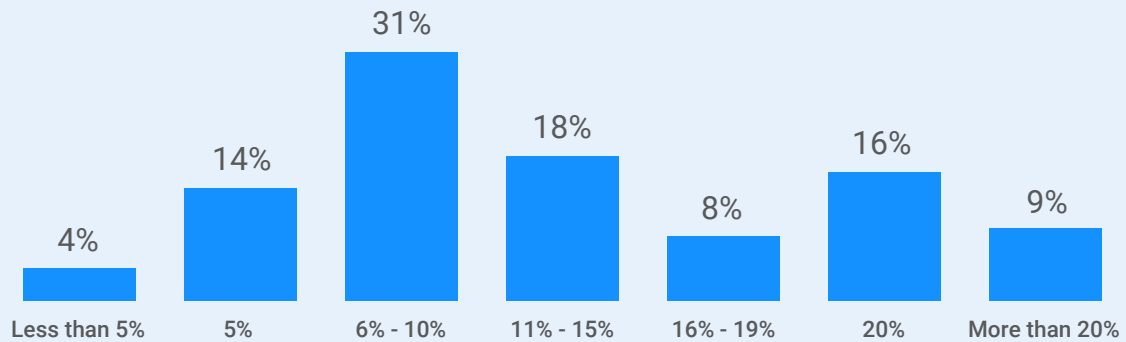
In our survey, 75% of first home buyers paid or are planning to pay less than 20% for a deposit. This includes 14% who chose to pay just 5% upfront and a further 4% who secured their home with a deposit of less than 5%. Just 1 in 6 (16%) have or will put down 20% of the property price as a deposit, while 9% will pay more than 20%.

Securing a property with less than 20% equity can be beneficial because it enables many to buy a home

sooner and start building up equity earlier in life. Buyers will often incur lenders mortgage insurance (LMI), and in most states, stamp duty is also charged at between 9% and 11% of the LMI cost. However, if buyers can afford their mortgage repayments, the additional costs may be worthwhile in the long run.

Gen Z (82%) buyers are the most likely to have paid a deposit below 20%, compared to 68% of gen X first home buyers.

How much deposit did you/will you (and your co-buyers) put down on your property?

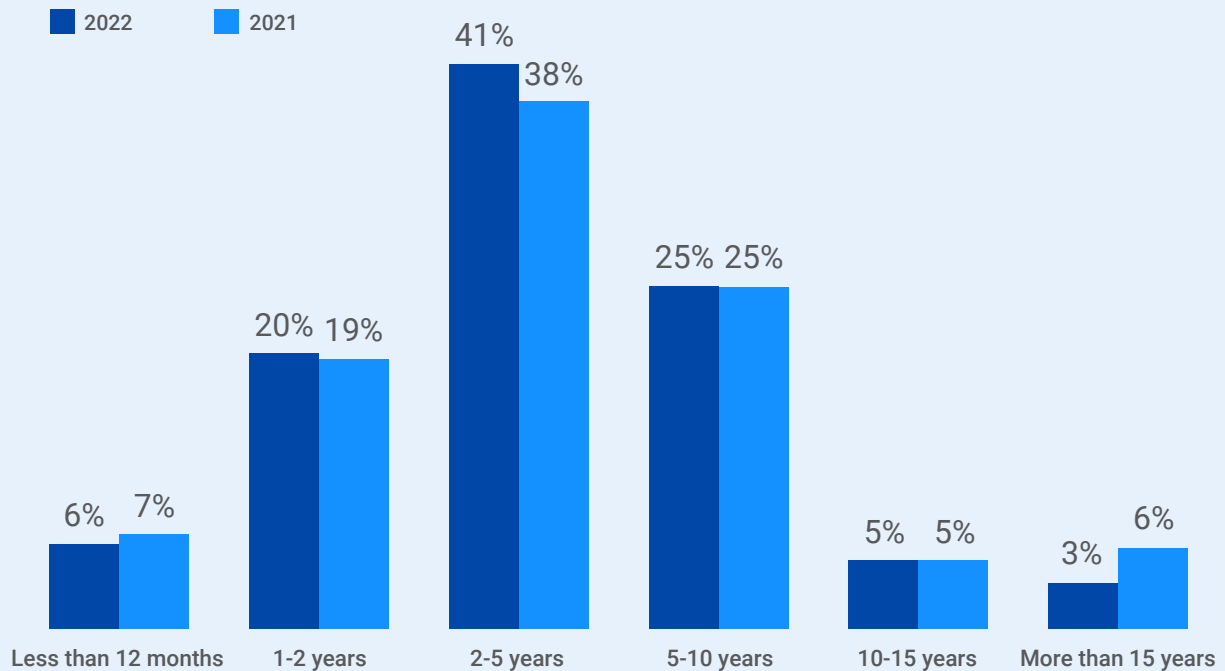


1 in 4 buyers saved their deposit in 2 years or less

The median first home buyer takes between 2 and 5 years to save for their deposit, according to Finder's survey. Nearly 1 in 10 first home buyers (9%) require 10 years or more to save enough money for a deposit, which is a slight decline from 11% last year. A further 25% need between 5 and 10 years to save, while just 6% are able to save their deposit in less than 12 months.

Gen X buyers in our sample took the longest to save for their deposit, with 15% needing 10 years or more to save. This is compared to 7% of millennials and just 4% of gen Z first home buyers.

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



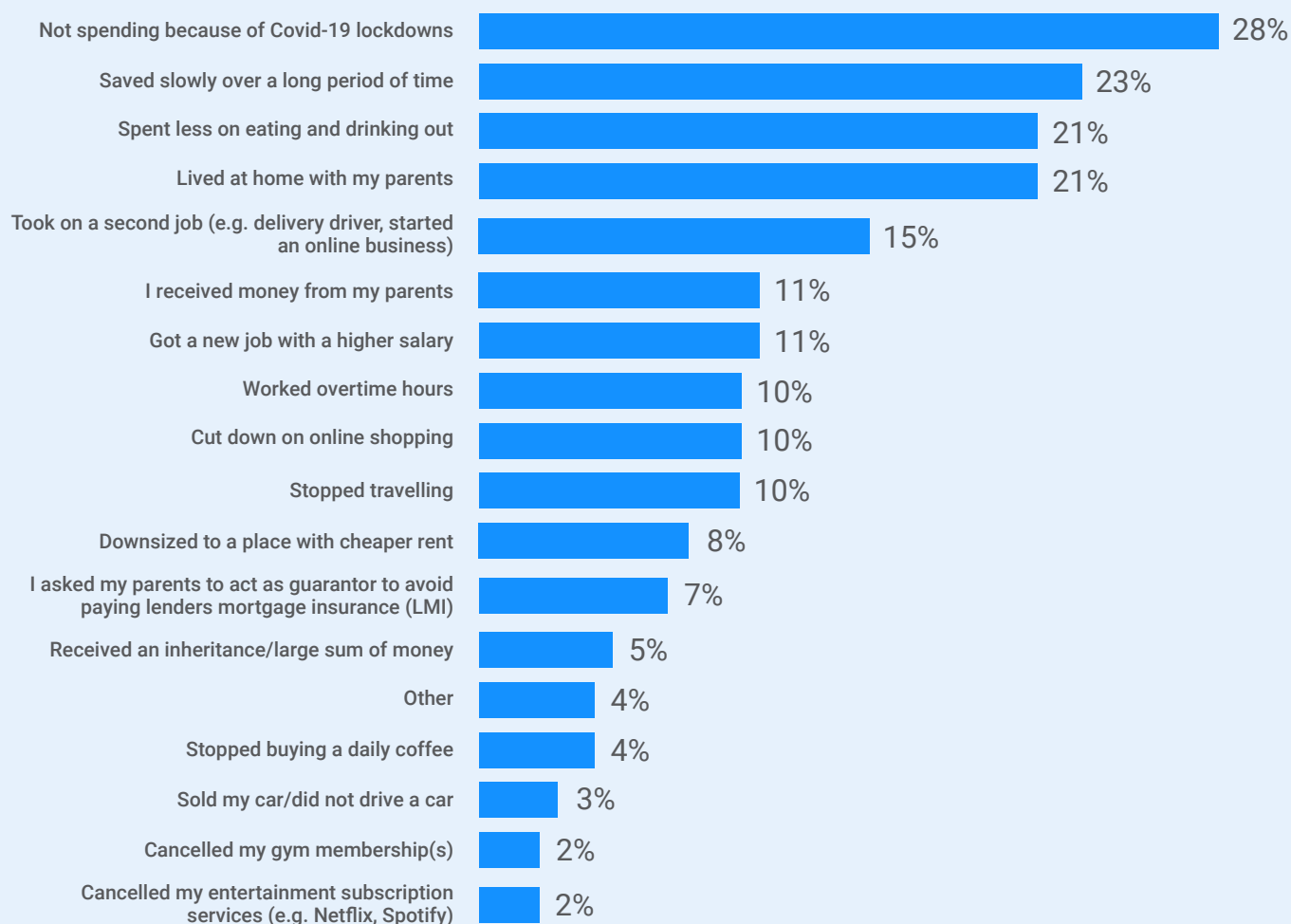
Source: Finder survey of 1,001 first home buyers, April 2022

COVID-19 lockdowns helped 1 in 4 first home buyers to save

The pandemic had a positive impact on household savings, with lockdowns reducing household spending. More than a quarter (28%) of first home buyers in our survey say COVID-19 lockdowns helped them to save money towards their deposits. Saving slowly over a long

time (23%) is the second-most common method, while 21% say they spent less money on eating and drinking out. Another 21% admit to living at home with their parents and saving money on rent, while 11% say they received money from their parents.

How did you manage to save for your deposit?



Among gen Z buyers, living at home is the largest contributor to deposit savings, with 38% admitting this helped them, compared to 18% of millennial buyers. Gen Z buyers are less likely to have saved slowly over a long time (17%) or to have spent less on eating or drinking out (16%) but are more likely to have cut down on online spending (13%) and to have saved more because of COVID-19 lockdowns. Interestingly, millennials are the most likely to have received money from their parents for a deposit (14%).

Finder tip

If you can, living at home is one of the best ways to save for a home. A renter who spends \$250 a week on rent could save \$13,000 in just one year, for instance. Moving to a cheaper neighbourhood or increasing the number of roommates are other ways you can save if moving back home is not an option.

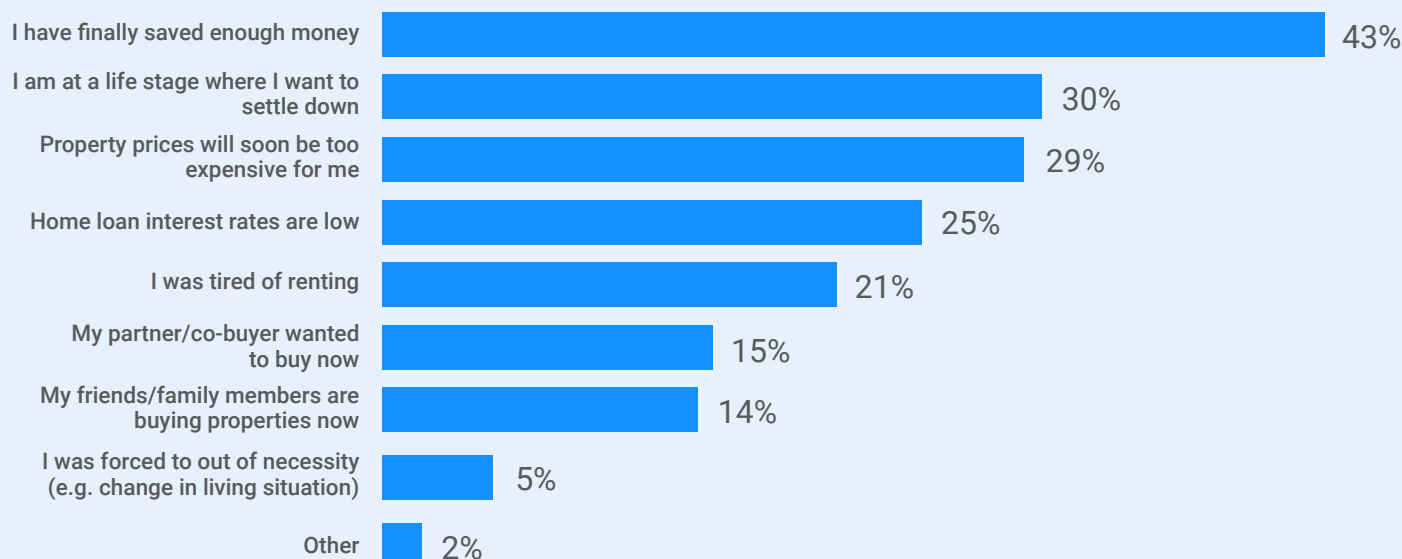
The home buying process

Nearly 1 in 3 are buying now because they fear rising property prices

When asked why they are choosing to buy a home now, more than a quarter of first home buyers (29%) admit it is because they fear property prices will soon be too expensive for them. Nearly a third (30%) claim it is because they are ready to settle down, while 21% are tired of renting, understandably so given rents have risen by up to 22% in some cities in the past year. A further 25% are doing so to take advantage of interest rates while they are still low.

The results show the extent to which market forces influence buyers' decisions. Property prices and interest rates are larger factors in determining when buyers purchase their home than personal factors like being tired of renting or buying because their partner or co-buyer wants to.

Why did you decide to buy a property at this time?



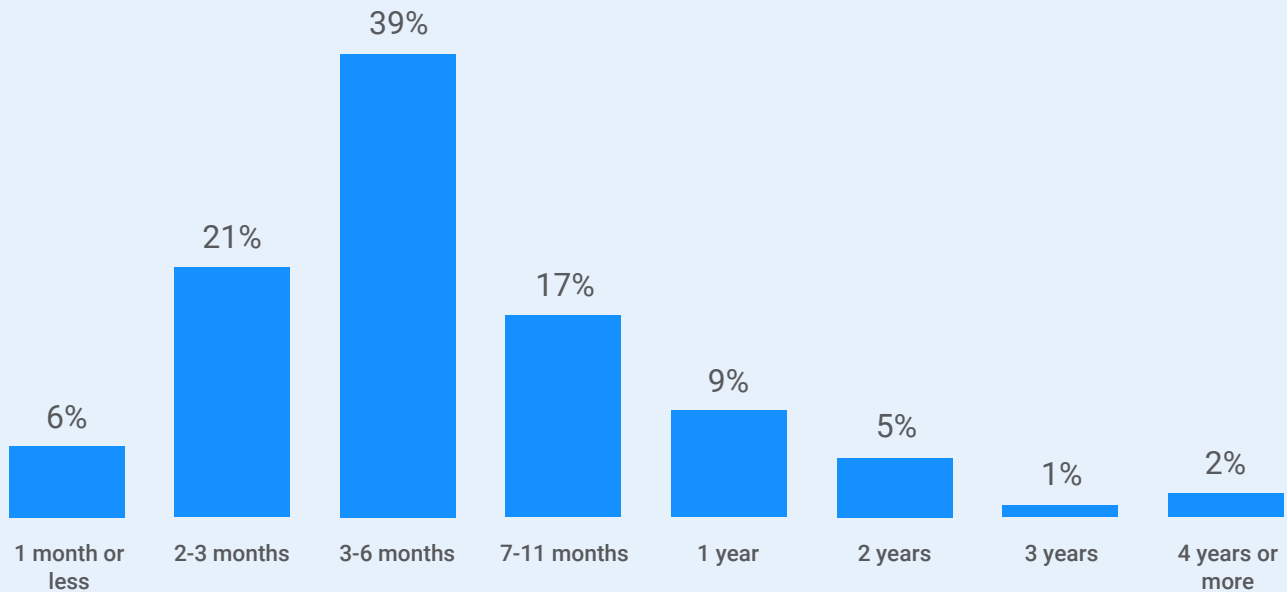
Gen X buyers are more likely to be purchasing now because they are worried property could soon become too expensive (32%) and because they are tired of renting (26%). Gen Z buyers are the most likely to be motivated by the prospect of settling down (32%), while millennials are the most likely to be driven by those around them buying homes (17%).

1 in 5 first home buyers spend a year or more on the buying process

Among those who have already purchased their home, the median first home buyer spent between 3 and 6 months on the home-buying process from when they first began searching. A quarter of buyers (26%) spent 3 months or less, while for 18%, it took 1 year or more.

Women (22%) are considerably more likely than men (13%) to have spent more than a year on the home-buying process. Between the generations, gen Z buyers are the quickest, with 30% taking 3 months or less.

Time spent on home buying process from initial search to purchase

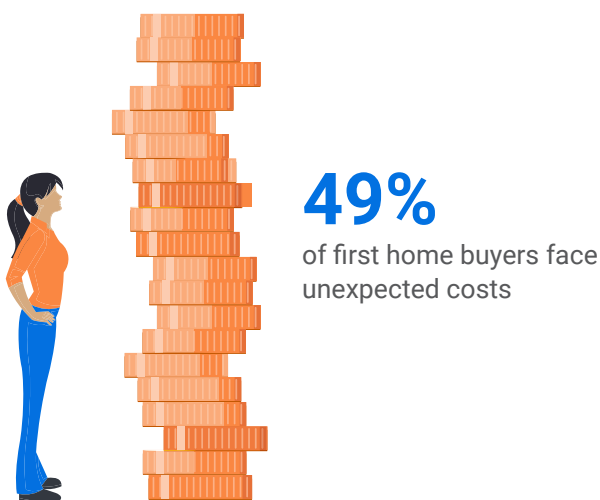


Half of buyers face unexpected costs during the purchase process

Nearly half of first home buyers (49%) in our survey who had already purchased their homes faced unexpected costs during the purchase process. Interestingly, male buyers (60%) are far more likely to have faced unexpected costs than female buyers (38%). Those from New South Wales (59%) and Western Australia (58%) are considerably more likely to have spent more than they expected than Victorians (37%).

These additional costs add up to \$6,350 on average. Buyers from regional areas spend slightly more on extra costs (\$6,520) than those from metropolitan areas (\$6,320), and women (\$7,680) face notably higher unexpected costs than men (\$5,050).

The number of first home buyers facing unexpected costs has fallen 8 percentage points from 57% last year. This could potentially indicate an improvement in awareness and education around the costs involved in buying a home, but it is difficult to be certain. Among those who do face unexpected costs, the average amount they incur is unchanged from last year (\$6,353).



The table below shows how much additional charges and fees would cost on a \$600,000 property. Excluding the property purchase price, the extra home-buying costs come to \$36,280.

Cost	Amount
Government charges	
Stamp duty	\$20,000
Mortgage registration fee	\$150
Transfer fee	\$300
Lender fees and charges	
Loan application fees	\$600
Legal fees	\$330
Lenders mortgage insurance	\$11,700
Other buying costs	
Conveyancing	\$1,000
Pest and building inspection	\$500
Moving costs	\$1,000
Settlement adjustments	\$700
Total additional costs estimate	\$36,280

Cost estimates are based on a \$600,000 property.

Securing a home loan

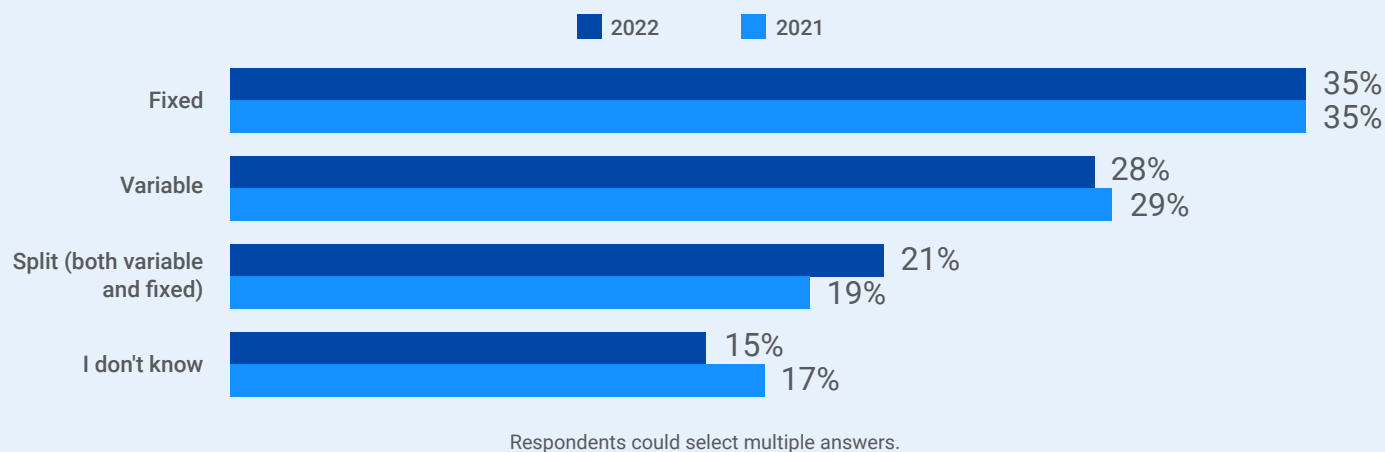
Fixed rate loans are the most popular among first home buyers

Home loan interest rates have started to increase following the RBA’s decision to lift the cash rate, which affects buyers’ decision to choose a fixed or a variable rate. Just over a third of respondents (35%) in Finder’s survey have opted for a fixed rate home loan. This is followed by 28% who have chosen a variable rate and 21% who have split their rate. Gen Z buyers are the most likely to have selected a fixed rate (40%), while gen X are the most likely to opt for a variable rate (33%).

Among those who have already purchased their home, a fixed rate is more popular (40%), compared to 32% for those who are still searching. Among those who have yet to buy, 1 in 5 (20%) don’t know what kind of interest rate they want.

The results are relatively unchanged compared to last year’s survey, although there has been a slight decrease in the number of buyers who don’t know what kind of rate they want and an increase in those choosing split rate loans.

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



On average, respondents in Finder’s survey have secured or are hoping to secure an interest rate of 2.28%. There was not much variation between the rate prospective buyers hoped to secure (2.26%) and the rate secured by those who had already bought their home (2.31%). Compared to the average discounted variable interest rate of 4.7%, our research shows first home buyers are securing competitive rates.

However, it should be noted this survey was conducted in April before the RBA announced its first cash rate hike. The rising cash rate means buyers are unlikely to secure rates below 3% or 4%.

Interest rate type	Lowest rate available on Finder
Variable (owner-occupier)	3.05%
Fixed (owner-occupier)	3.59%
Variable (investment)	3.24%
Fixed (investment)	3.99%

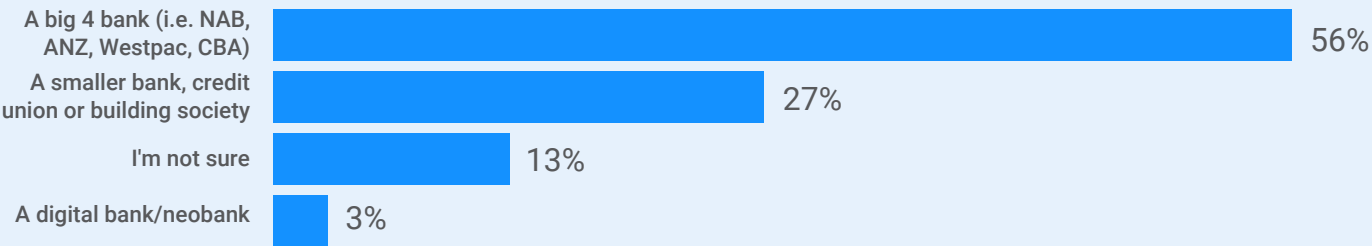
Source: Interest rates from Finder’s database as of June 2022. Rates must have LVRs of 80% or higher and exclude unique or unusual loan products that aren’t suitable for most borrowers.

More than half of first home buyers borrow from Big Four banks

More than half of first home buyers in our survey (56%) have secured or are planning to secure their home loan through a Big Four bank. Incidentally, this is the same percentage of Australians who claim they trust the big banks (56%), according to Finder's Consumer Sentiment Tracker.

Just over a quarter of buyers (27%) are going through a smaller bank, credit union or building society, and just 3% are borrowing from a neobank.

What kind of lender did you/will you get your home loan from?

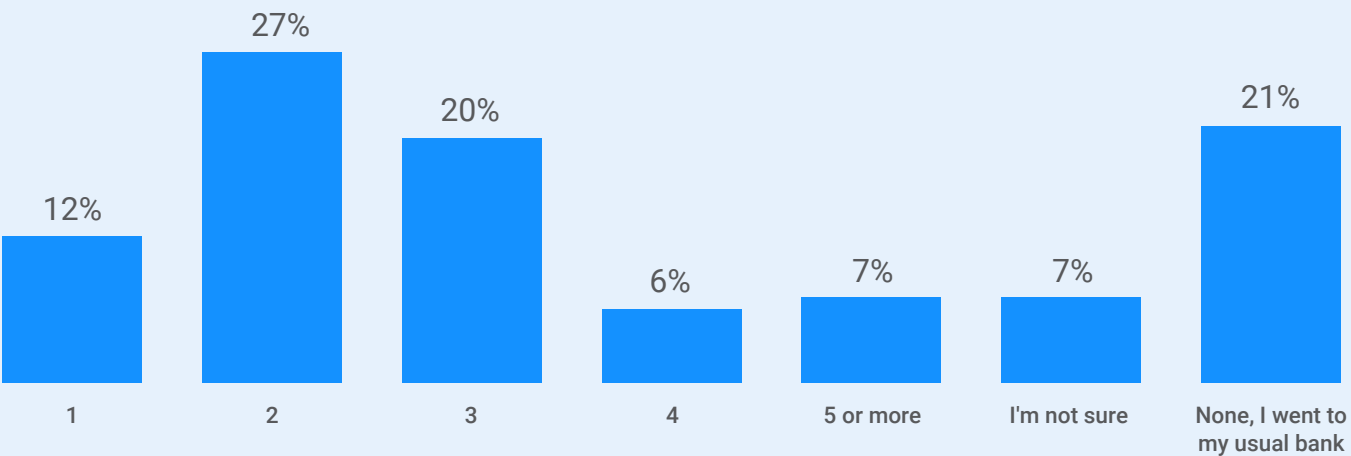


Just one-third of buyers compared 3 or more lenders

Our research found a large proportion of first home buyers are not comparing lenders or only comparing 1 or 2 options. According to Finder's survey, 1 in 5 first home buyers (21%) went straight to their usual bank without comparing any lenders. A further 12% compared just 1 lender, while 27% compared 2 lenders and 34% compared 3 or more.

Gen X buyers are the most likely to have gone straight to their usual bank (26%), compared to 16% of gen Z. Regional buyers (26%) are more likely than metropolitan buyers (19%) to have not compared any lenders before securing a home loan.

How many lenders did you compare before selecting one?



Finder tip

Comparing lenders before selecting one, and continuing to refinance throughout the lifetime of your mortgage, can save you thousands. On a \$480,000 first home buyer loan, the difference between the average variable discounted interest rate (4.7%) and a rate that is lower by just 0.5 percentage points (4.2%) is \$142 per month, or \$1,706 per year.

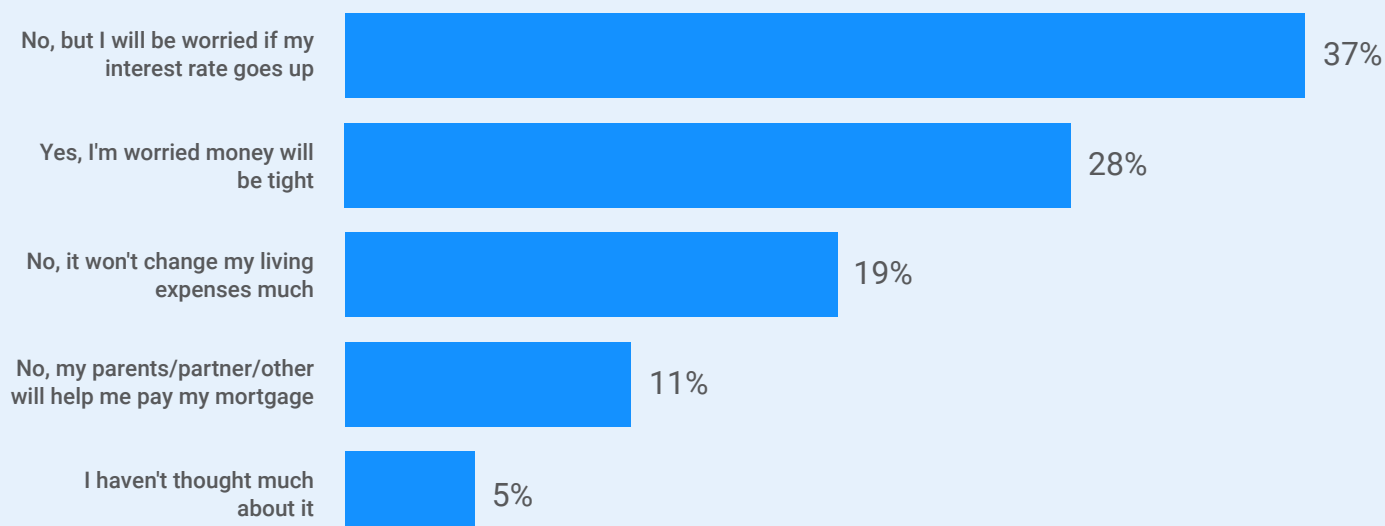
More than a third of buyers will be worried if their interest rate rises

Interest rates are beginning to increase from their record lows, and prospective homebuyers are understandably concerned about what this means for their finances. More than a quarter of first home buyers (28%) admit they are concerned about meeting their mortgage repayments and a further 37% say they will be if their interest rate increases. According to our survey, 1 in 10 (11%) say their partner or family member will help them make their repayments, while 5% haven't thought much about it.

Gen X buyers are the most likely to be worried about paying their mortgage (32%). Gen Z are the most likely to be receiving financial help from others (16%) and to not have thought much about their repayments yet (7%).

Finder's Consumer Sentiment Tracker, a monthly recurring survey of 1,000 Australians every month, shows that 25% of borrowers struggled to meet their monthly home loan repayments in June, up from 20% in January. The past 2 years have seen a record number of new buyers enter the market, and those who have not budgeted for rate rises are the most vulnerable to mortgage stress.

Are you worried about meeting your monthly mortgage repayments?

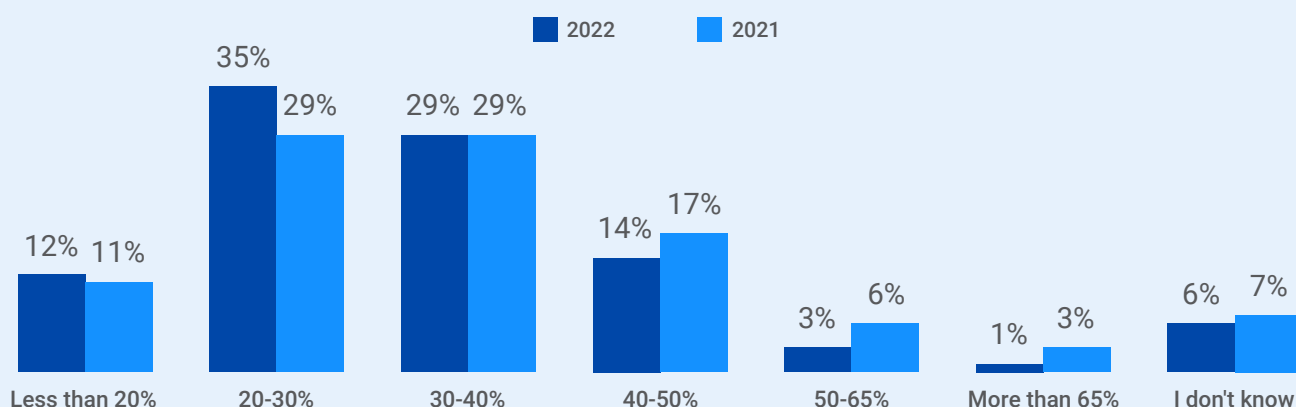


Buyers are spending less of their income on repayments than last year, but this could soon change

Home owners are generally advised not to spend more than 30% of their income on their mortgage repayments. In our sample, nearly half (47%) of respondents indicated they would be spending more than 30% of their income on their home loans. This includes 4% who intend to spend more than half of their income on repayments.

However, compared to 2021, our research found first home buyers are spending less of their income on their repayments. The percentage dedicating 30% of their income or less to their home loan increased from 40% to 47%, while the percentage spending 40% of their income or more decreased from 26% to 18%.

How much of your household income goes/will go towards your mortgage repayments?



With interest rates set to rise, home loan repayments may soon become too expensive for some households, and mortgage stress could reach historically high levels. Finder's analysis of income and house price data shows a single home owner in Sydney would spend 68% of their

post-tax income on the average home loan. In Hobart (53%) and Melbourne (52%), a single homeowner would also spend a considerable amount on their mortgage. Only in Perth could the average worker keep their repayments to 30% of their disposable income.

City	Average monthly income (post-tax)	Average property price	Monthly mortgage repayments	Ratio of repayments to income
Sydney	\$5,793	\$1,075,700	\$3,914	67.6%
Hobart	\$5,170	\$757,700	\$2,757	53.3%
Melbourne	\$5,789	\$823,100	\$2,995	51.7%
Canberra	\$6,416	\$858,600	\$3,124	48.7%
Brisbane	\$5,538	\$663,700	\$2,415	43.6%
Adelaide	\$5,311	\$593,700	\$2,160	40.7%
Darwin	\$5,616	\$518,200	\$1,886	33.6%
Perth	\$6,175	\$512,200	\$1,864	30.2%

Source: CoreLogic, ABS

First home buyer fears

Nearly half of buyers fear overspending on a home

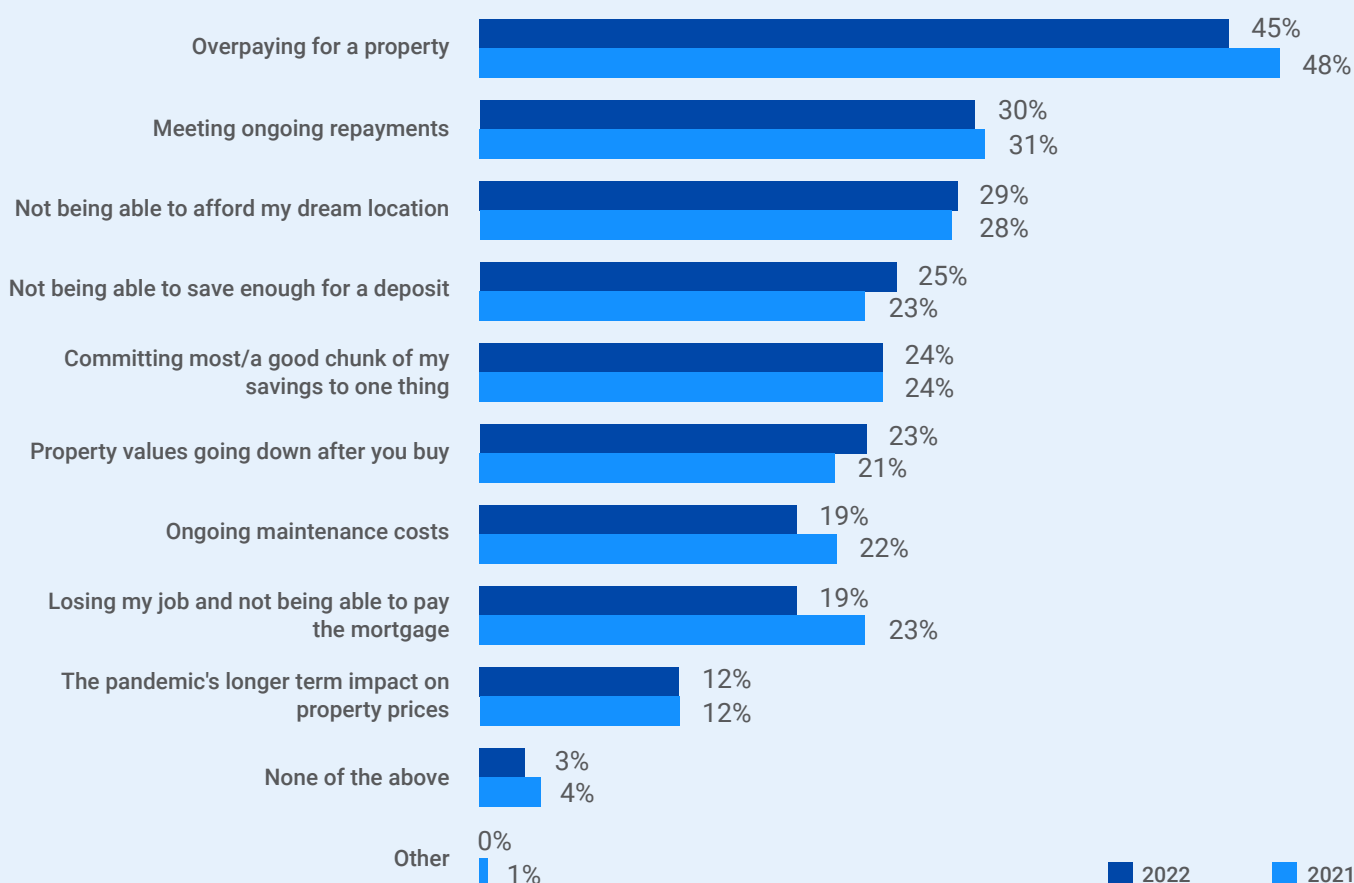
Overpaying for a property is the number one financial fear among first home buyers, with 45% ranking this as one of their top concerns. With property prices having grown by an average of 16% across the capital cities over the past year, it is understandable that buyers are worried about spending more than they have to. The inability to meet ongoing home loan repayments is the second biggest fear (30%), followed closely by the fear of not being able to afford their dream location (29%). Just 3% claim they have no money-related fears.

Millennials are the most concerned about overpaying for a property (49%), while gen X are the most concerned about meeting ongoing mortgage repayments (38%).

Compared to men, women are more likely to fear the pandemic's longer term impact on property prices (17% compared to 6%) and the possibility of losing their job and not being able to meet their repayments (22% compared to 16%).

Those with a household income above \$150,000 are the most likely to fear property prices decreasing after they purchase their home (30%).

What are/were your top financial fears about buying a property?



Compared to 2021, first home buyers are slightly less concerned about their ability to meet ongoing repayments and about losing their job and not being able

to pay their mortgage. However, as interest rates begin to rise, there is scope for mortgage stress to creep up above historical levels.

Qualifying for a loan and having bad neighbours are buyers' top non-financial fears

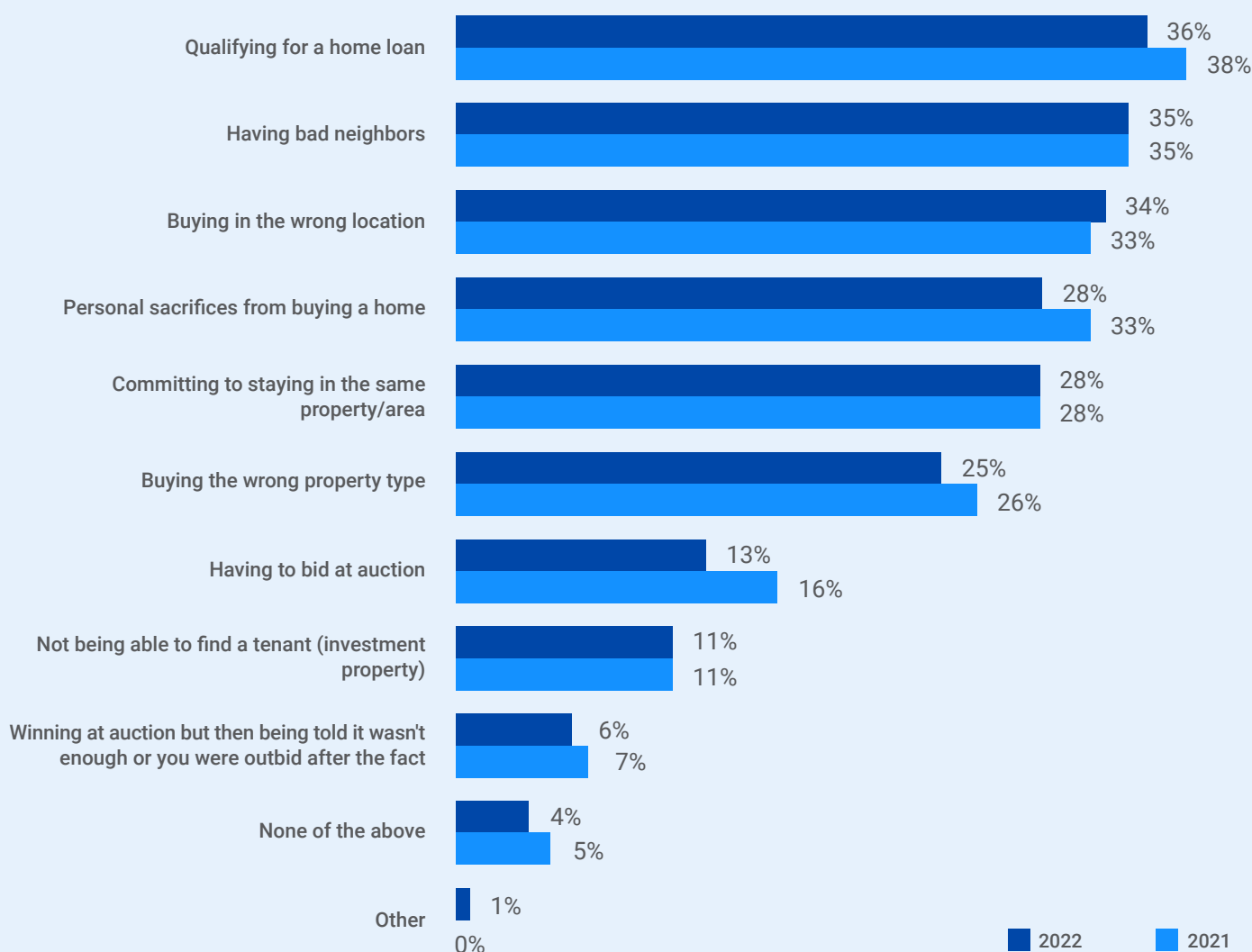
The top non-financial fear among first home buyers is not qualifying for a home loan (36%), followed very closely by having bad neighbours (35%) and buying in the wrong location (34%). Having to make personal sacrifices in order to buy a home (28%) and committing to staying in the same property or area for a while (28%) also rank as major fears among buyers.

Younger buyers are more concerned about the lack of flexibility that comes with owning a home. Nearly a third of gen Z (31%) and millennials (30%) fear committing to staying in the same property or area for a while, compared to 20% of gen X. Gen X are the most worried about bad neighbours, ranking it as their number one non-financial fear (38%).

Regional buyers are more likely to be concerned about qualifying for a home loan than their metropolitan counterparts (41% compared to 35%), while metropolitan buyers are more likely to fear buying the wrong property type (26% compared to 19%) and having to bid at auction (14% compared to 11%).

Compared to last year, there has been a decrease in the number of buyers who are concerned about making personal sacrifices in order to buy a home and in the number who fear bidding at auction.

What are/were your top non-financial fears about buying a property?



First home buyer desires

Backyards are a must-have for 1 in 2 buyers

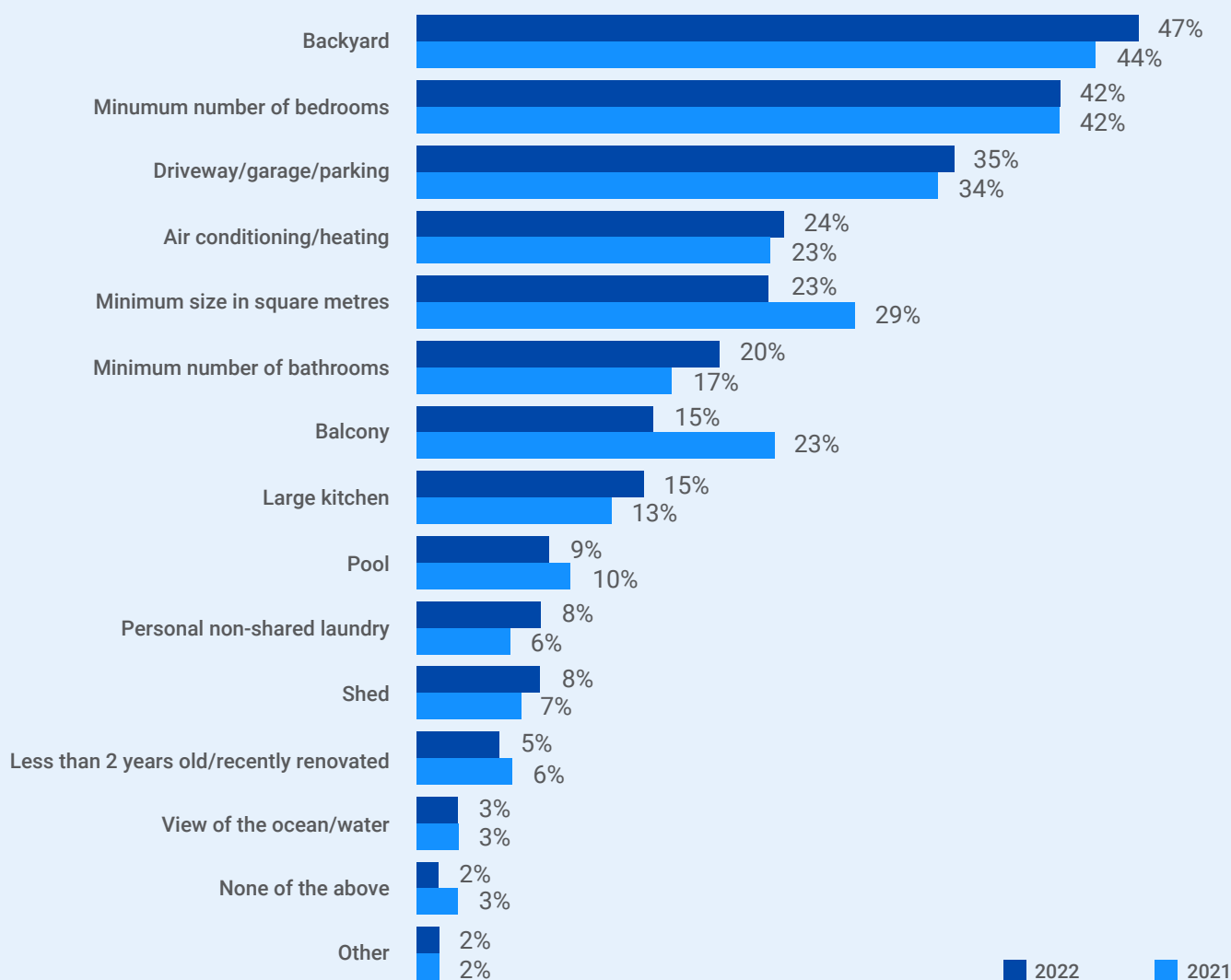
Nearly half of first home buyers (47%) rank a backyard as a non-negotiable feature in a home. One-third (35%) say a driveway or other parking space was a necessity, while 24% say they need air conditioning or heating, 15% require a balcony and 15% require a large kitchen. Nearly 1 in 10 first home buyers (9%) say a swimming pool is non-negotiable.

Compared to last year, first home buyers are less likely to prioritise a minimum size in square metres and a balcony. They are more likely to favour a backyard, a minimum number of bathrooms and a large kitchen.

Queensland buyers are the most likely to prioritise air conditioning or heating (31%), while Western Australians are the most interested in having a pool (14%). A balcony is non-negotiable for 1 in 5 New South Wales buyers (20%), and Victorians are the most likely to say they need a backyard (51%).

Female buyers are more interested in air conditioning or heating (28% compared to 19%) and a large kitchen (16% compared to 13%) than men. Men on the other hand are more likely to value a shed (10% compared to 6%), a pool (10% compared to 7%) and a balcony (17% compared to 14%).

What are your top non-negotiables when it comes to purchasing your property?



Proximity to public transport is less important than it used to be

Aside from affordability, the top criteria first home buyers are using to determine the location of their property is proximity to public transport, with one-third (34%) ranking this as a leading factor. Proximity to shops or a high street (27%) and a low crime rate (27%) come in joint second place.

Other deciding factors include whether they expect prices to rise in the area (22%), how quiet the neighbourhood is (20%) and how wealthy it is (20%). Just 10% rank proximity to parks as a leading factor, and just 5% mark proximity to restaurants and entertainment as crucial.

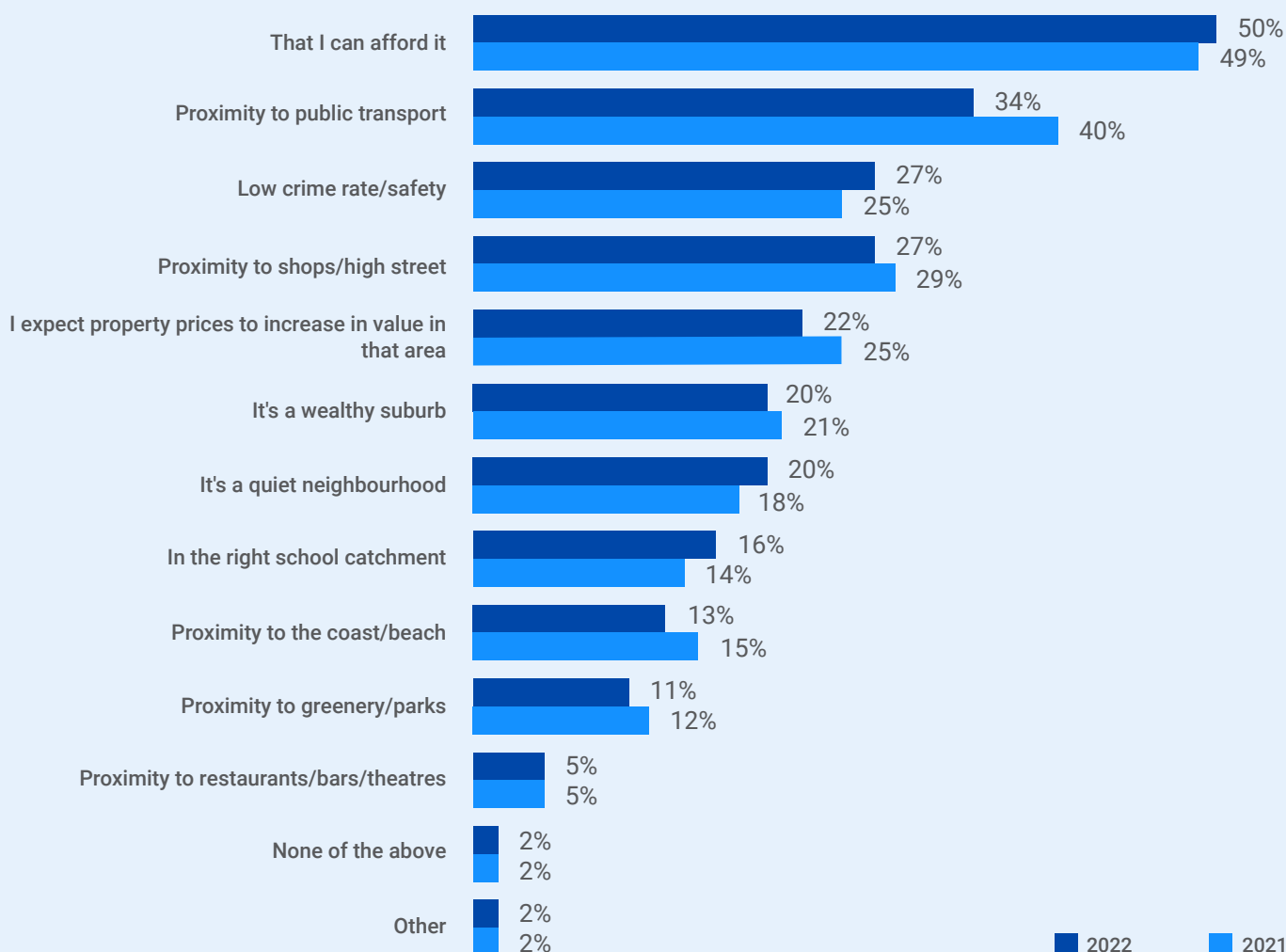
The importance of public transport has decreased since last year, down from 40%, and the importance of proximity to shops or a high street has also declined

slightly. Buyers are placing a slightly stronger emphasis on a low crime rate, a quiet neighbourhood and being in the right school catchment zone.

Men are more likely to value proximity to shops or a high street (32% compared to 23%) and how wealthy a suburb is (25% compared to 15%), while women are more drawn to a low-crime neighbourhood (29% compared to 24%).

In New South Wales, 2 in 5 first home buyers (42%) rank proximity to public transport as a must-have, compared to 24% of South Australians and 26% of Western Australians. Victorians are the most likely to prioritise proximity to nearby shops or a high street (31%), while Queenslanders are the most likely to rank the quietness of a suburb (30%) and being in the right school catchment (21%) as key factors.

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



Mould and unpleasant smells are the biggest deal-breakers

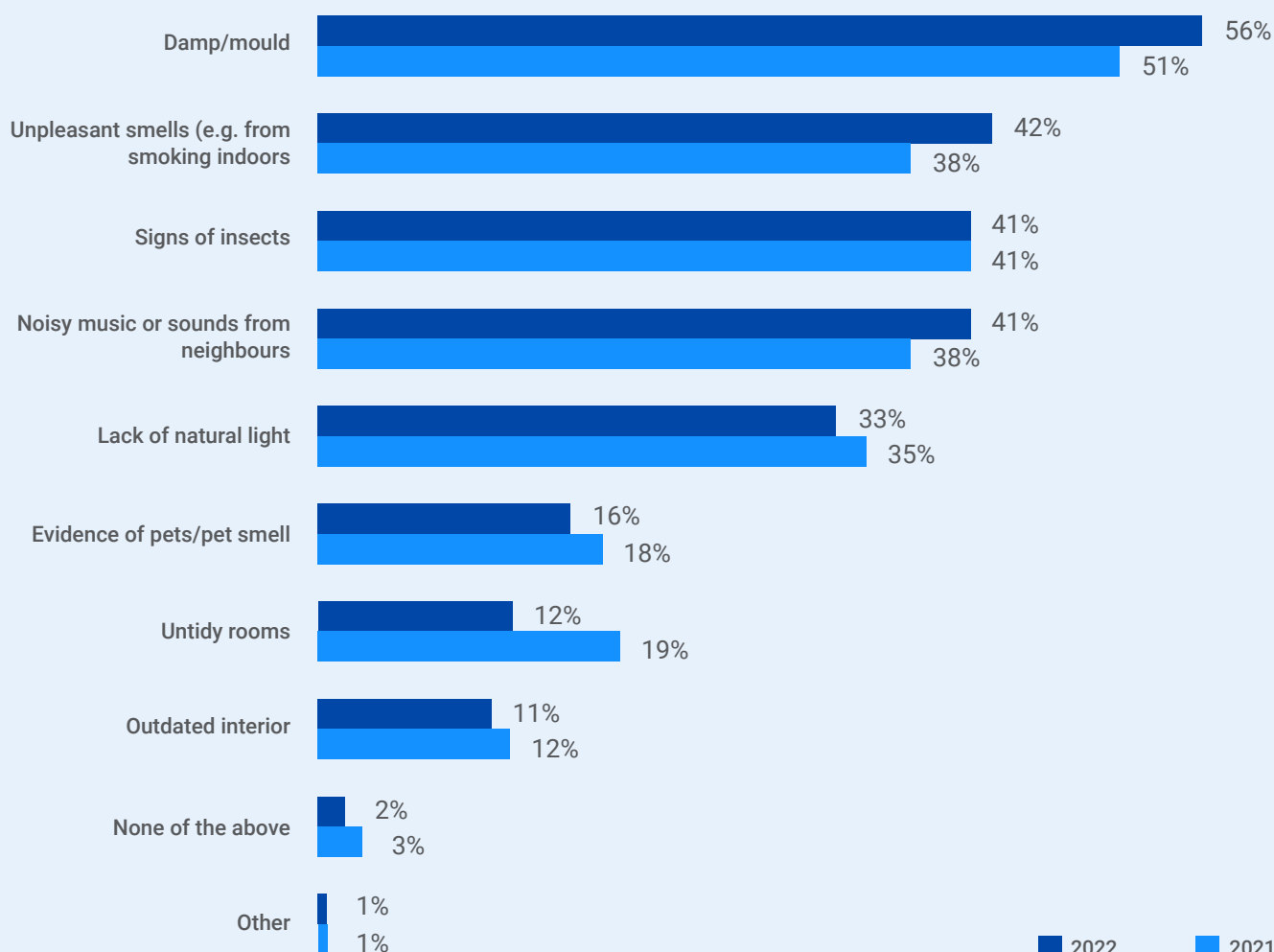
Dampness or mould is the number one turn-off for prospective first home buyers. More than half of respondents (56%) said this would deter them from buying a home. Unpleasant smells such as from smoke (42%), noisy neighbours (41%), signs of insects (41%) and lack of natural light (33%) are other qualities buyers deem unforgivable.

Women are considerably more likely than men to be deterred by dampness or mould (65% compared to

46%) and lack of natural light (38% compared to 28%), whereas men are more likely to list evidence of pets as a turn-off (18% compared to 14%).

Gen Z buyers are the most likely generation to be put off by unpleasant smells (47%), while gen X buyers are the most averse to noisy neighbours (45%). Victorians are the most likely to list insects as an instant turn-off (45%) and Western Australians are the most likely to be deterred by outdated interiors (15%).

What would immediately turn you off a property?



Insights from Finder's experts



Sarah Megginson
Head of editorial

The last couple of years have been a rollercoaster ride for those who wanted to buy their first home. At the beginning of the pandemic, mortgage interest rates dropped to the lowest they've been for decades, which suddenly made paying for a mortgage a lot more affordable. This, combined with government policies such as the First Home Loan Deposit Scheme (which allowed you to buy with a 5% deposit) and Home Builder (which provided up to \$25k towards a newly built home), encouraged many people to get into the property market.

While there's much to celebrate about this, we did see many first home buyers purchase property with a low deposit. We're now in a market where property prices are forecast to fall, and at the same time, interest rates are going up. My concern is that some first home buyers have overcommitted and will end up struggling to pay their mortgage – but selling won't be an option, as their property will be worth less than what they owe on the mortgage. I'm hopeful this doesn't eventuate, as there will be stressful times ahead for new home owners if it does. For those who haven't yet bought, the market downturn could provide an opportunity to get into the market at a more affordable price.



Richard Whitten
Home loans editor

First home buyers always worry about "overpaying" for a property. And buyers should always compare as many recent property sales as possible to get a good sense of what a fair price is. But ultimately, you can't time the market. You're not really overpaying if you can find a home that suits you at a price you can afford. This holds true even now as prices may start falling in some markets.

Mortgage stress from rising interest rates is a bigger risk than paying too much for a property. When setting a property budget, home buyers should use a loan repayment calculator. And instead of just putting in the current interest rate (say, 2.50%), they should work out how their repayments would change if rates rose dramatically. Input a rate of 4.50% and see if you can still afford the monthly repayments.



Rebecca Pike
Senior money writer

Over the last 2 years, we've seen a real first home buyer's market with record low interest rates and government incentives. But things are looking a little harder for first home buyers now, as prices have reached shocking levels and investors are back in the market. Understandably, buyers want to get in quickly to take advantage of low interest rates, but it's taking many buyers months or even years to buy their first home. It's no wonder we're seeing so many (75%) first home buyers planning on paying less than the usual 20% deposit.

My concern is that so many first home buyers seem to be doing this without a great deal of awareness or comparison. Nearly half of respondents said they had to pay more than they expected in fees. It's important to be aware of things like stamp duty, mortgage registration fees, LMI, legal fees and a whole host of other things you might not realise you need to pay. Plus, only a small number of buyers are comparing lenders. There are so many products and offers on the market – first home buyers could miss out on huge potential savings by not shopping around more.



Graham Cooke
Head of consumer research

The second half of 2022 is shaping up to be a very interesting time for first home buyers. Finder research shows that the average home owner will already be paying \$2,000 extra annually based on the cash rate increases we've seen so far, with more increases to come. First home buyers will be hit even harder in their repayments as they have less equity than the average homeowner. On top of this, new buyers will need to save a deposit of around \$120,000, plus stamp duty.

The good news is that saving that deposit should become easier for 2 reasons – house prices are set to fall and savings interest rates are set to go up. How far both of these will go nobody yet knows, but it does mean that now is a more important time than ever to make sure that you're earning as much interest as possible on your savings. Keep an eye out for smaller banks offering good ongoing rates rather than the temporary introductory rates offered by the larger banks – or alternative ways to make a higher return like Finder Earn.

For those looking to buy, Finder's new Property Investment Index is a handy guide they can use to identify the suburbs around them with the most growth potential.

Overall, the best advice is to save as much as you can and to keep a close eye on the market around you. Apply for pre-approval for a home loan so you know exactly what it's going to cost you, and don't believe everything the estate agent tells you.

Methodology

We surveyed 1,001 first home buyers in Australia in April 2022 through a survey distributed by Pure Profile. The survey sample was nationally representative in gender, location and income, but skewed towards younger Australians as first home buyers are naturally younger.

Our sample comprised 372 people who had purchased their first home within the previous 12 months, and 629 people who intended to purchase their home within the next 12 months.

We compare this year's findings to a similar survey of 1,028 first home buyers conducted in March 2021. Both surveys were designed in SurveyMonkey and distributed through Pure Profile. Both surveys included a sample of buyers who had either bought their first home in the past 12 months or were planning to buy their home in the next 12 months.

Where the 2 years are compared against each other, the survey question and response options were kept the same for direct comparability.

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