

Let them eat avocado toast: first home buyers will never save a deposit in Sydney or Melbourne

- New analysis shows continued house price growth will keep FHBs in Sydney and Melbourne off the property ladder
- Hobart the best location for FHBs taking 5 years to save a 10% deposit

Wednesday, 19 October 2016: With debate raging over whether millennials should give up their café brunches and start saving their pennies, a new analysis by Mozo.com.au has revealed that first home buyers saving 10% of their income each month will never save enough for a deposit in Sydney or Melbourne.

The comparison site says that if median house prices continue to grow at the same rate as the last decade, the property ladder will remain out of reach for first home buyers trying to save a 10% deposit in our two biggest cities.

“The reality is that incomes just haven’t kept up with the explosion in property prices and the property market is slipping further and further out of the reach of first home buyers across the country, even if they’re prepared make their own avocado on toast in their tiny rental kitchenettes,” says Mozo Director Kirsty Lamont.

“We looked at median home prices and median incomes for each capital city and found that first home buyers in Hobart have it best, taking 5 years and 3 months to save a 10% deposit, compared with over 8 years in Canberra, Darwin, Brisbane, Perth and Adelaide – or never in Sydney and Melbourne.”

Mozo said the picture is even more dire for first home buyers trying to save the 20% deposit recommended by experts to avoid paying lenders’ mortgage insurance, with this amount unattainable in Sydney and Melbourne and taking close to 40 years to save in Darwin, or nearly 24 years in Canberra.

Time taken to save a 10% or 20% deposit in Australian capital cities

City	Current median dwelling price	Monthly income after tax	Saving 10% of income per month	10% deposit	20% deposit
Sydney	\$1,031,370	\$5,078	\$508	Never	Never
Melbourne	\$843,230	\$4,833	\$483	Never	Never
Brisbane	\$526,720	\$4,849	\$485	8 years, 10 months	20 years, 2 months
Adelaide	\$479,490	\$4,720	\$472	8 years, 2 months	18 years, 7 months
Perth	\$565,650	\$5,494	\$549	8 years, 0 months	17 years, 2 months
Hobart	\$358,160	\$4,493	\$449	5 years, 3 months	10 years, 6 months
Darwin	\$477,180	\$5,154	\$515	9 years, 1 months	39 years, 6 months
Canberra	\$671,950	\$5,565	\$557	10 years, 3 months	23 years, 9 months

Source: Mozo.com.au at 18 October 2016.

Based on median dwelling prices from CoreLogic RPData Home Value Index Monthly Values 30 September 2016, median dwelling price growth p.a. from CoreLogic RP Data Hedonic Home Value Index March 2016 and gross weekly income from ABS 6302.0 Average Weekly Earnings May 2016. Monthly income after tax calculated with Mozo Income Tax Calculator using the various tax rates outlined by the ATO.

“First home buyers have a stark choice between trying to save more, which is very difficult in the cities with the strongest growth in house prices as rents tend to be higher, or to aim for a smaller deposit which means higher mortgage repayments and the added hit of lenders mortgage insurance,” says Lamont.

“Renting for life may be the only option for young Aussies priced out of the market who don’t have financial backing from their parents, inheritance money or a partner to help share the burden.”

-ENDS-

Notes on calculations:

Mozo analysed the time it would take first home buyers on the median incomes of each capital city to save a 10% or 20% deposit if they put away 10% of their income each month, assuming median dwelling prices continue to grow at the average over the past 10 years and incomes grow at the long term average of 3.8%. Calculations are based on median dwelling prices from CoreLogic RPData Home Value Index Monthly Values 30 September 2016, median dwelling price growth p.a. from CoreLogic RP Data Hedonic Home Value Index March 2016 and gross weekly income from ABS 6302.0 Average Weekly Earnings May 2016. Monthly income after tax calculated with Mozo Income Tax Calculator using the various tax rates outlined by the ATO.

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