

A full-page background image showing a family of three—a man, a woman, and a young boy—running joyfully on a sandy beach. The man, on the right, is wearing a red t-shirt and dark shorts, laughing with his mouth open. The woman, on the left, is wearing a light blue button-down shirt tied at the waist and white shorts, also laughing with her hair blowing in the wind. The boy, in the center, is wearing a blue and white striped polo shirt and khaki shorts, running towards the left. The image is overlaid with a large, diagonal white graphic element that splits the frame. The text 'BUYING YOUR FIRST HOME' is written in a bold, dark blue, sans-serif font across the middle of the image, partially obscured by the white graphic.

# **BUYING YOUR FIRST HOME**

# MORE THAN 100,000 AUSTRALIANS BUY THEIR FIRST HOME EVERY YEAR...

...this is because owning a home is the dream of every working Australian. Ultimately, there are pros and cons for both renting and buying, and this decision is one that depends on your personal and financial situation.



# SHOULD I RENT OR SHOULD I BUY? THE PROS AND CONS

## BENEFITS OF RENTING



### CHEAPER ALTERNATIVE TO BUYING

In the short term, the cash cost of renting is lower than buying. Buying in certain areas may be difficult or impossible, but renting in that same area could be very affordable.



### FLEXIBILITY

Renting can be much more flexible, allowing easier relocation. Individuals may find themselves much more easily able to relocate to different suburbs, cities, or even countries. Younger generations, valuing mobility, may find this flexibility particularly important, possibly preferring to rent even when buying a property would be affordable.



### FINANCIAL OBLIGATIONS + MAINTENANCE

Buying a home comes with mortgage payments, but also other financial obligations, including council rates, insurance, taxes, and maintenance and repair costs.

For a tenant, defects in the home's wiring, plumbing, and structure would be for the landlord to fix. For an owner, these would form a financial burden.



### ACCESS TO SAVINGS

Depending on specific financial situations, owners and prospective owners may need to funnel savings and earnings towards a deposit and mortgage. Renters have less obligation, and the money can be spent. There is an "opportunity cost" of having your savings tied up in property, rather than being able to use it on study, travel, entertainment, or other investments for your quality of life or future.

## DISADVANTAGES OF RENTING



### STABILITY

Many individuals may prefer the stability, freedom, and certainty of having a home that you own. Tenants are subject to the lease term and are ultimately subject to the landlord's decision on whether they stay in the home. Buying a home means you may choose how long you stay in that home, rather than the landlord – you would also have the freedom to renovate and decorate as you please.



### RISING COSTS OF RENTING

Although buying a home is a significant financial decision, tenancy for life is also a significant financial decision. Renting may currently be cheaper than the mortgage of buying a comparable property, but nevertheless, rent costs do rise with property values rising. Renters must continue paying market rent rates even while in retirement.



### ACCESS TO THE VALUE OF THE PROPERTY

Provided that the value of your home is increasing, your equity will also be increasing. Although renting may result in benefits like flexibility, paying rent to a landlord does not result in building your own personal wealth. By being the owner of the property, any capital growth prospects are accessible to, and belong to you.

**ULTIMATELY, RENTING OR BUYING YOUR HOME IS A LIFESTYLE DECISION:** Renting allows for more flexibility in your lifestyle – it pays out in mobility, adaptability, and the freedom to not be tied to ongoing maintenance and financial obligations.

On the other hand, buying results in a more stable lifestyle, living in a more secure home. It can also be a greater return on your time and money, in helping you to grow your asset base.



# HOW DO I FIND MY FIRST HOME?

## HOW DO I CHOOSE WHAT TO BUY?

You should balance your decision between affordability, and your current and future needs for your lifestyle.

Home buyer checklists are ubiquitous, and may help you decide key factors such as number of bedrooms, bathrooms, kitchen space, internal or external laundry, car spaces, outdoor space, and other lifestyle and accessibility requirements.

### **BUYING AN EXISTING HOME**

- Are there any significant quality defects?
- Will it need repairs or regular maintenance, and how much would those cost?
- Would a house or unit serve my affordability and/or lifestyle requirements, including these upkeep costs?

### **BUYING LAND AND BUILDING A HOME**

- Will you buy land and build a house, or buy a house and land package?
- Will you employ a project home builder, or a custom builder?
- What will the building timeline look like?

### **BUYING OFF THE PLAN**

- What will the standard of workmanship be like? There may be risk to be evaluated.
- What happens if the property is not completed on time, or if plans are changed by the builder before building commencement?
- How can you get your money back if there are problems?
- What are the financial benefits of buying off the plan, such as potential increased affordability due to lower deposit?

# LOCATION, SURROUNDINGS AND COMMUNITY



The location of your property is not only key to quality of life, but also to important considerations like capital growth or depreciation.

- Centrality of location in relation to the city
- Accessibility and connectivity, especially by public transport
- Proximity of important services
- Infrastructure quality
- Civic amenities
- Plans for development in the area
- Neighbourhood and community
- Acreage

These will determine many things like quality of life, school choices, commute time, and the types of social interaction you have with your community. But crucially, it may also determine future property value.

Desirable factors may include convenient grocery stores, park areas, or strong public amenities – proximity to public schools is a factor in the desirability of the area for future buyers, even if you personally may not require this amenity.

Undesirable factors may include proximity to motorway noise, the neighbourhood being accessible by only one entry point, or infrastructure lag in outlying areas, caused by urban sprawl.

# SAVING FOR YOUR DEPOSIT

Buying a house is exciting and may be life-changing, but it all starts with saving for the deposit.

## HOW MUCH DEPOSIT DO I NEED? / HOW MUCH CAN I BORROW?

20% of the full value of the house is a good amount to aim for as a deposit, but a loan is still possible with smaller deposits like 5 or 10%.

Banks use a **loan to value ratio (LVR)** to assess the amount that they are willing to lend. A loan of \$400,000 to buy a property valued by the bank as being worth \$500,000 would result in a loan to value ratio of 80%. Depending on the type of property, the location, and your financial position, banks may place a limit on this loan to value ratio.

A lower LVR is more likely to net you an approval for your loan. A higher LVR, higher risk for the banking institution, will be less likely to be approved. If your ratio is higher than 80%, you will also generally need to take out **Lender Mortgage Insurance (LMI)**, which does not protect you but does protect the lender. This will add an additional cost to your loan, but would allow you to potentially have less deposit and borrow more.

## OTHER INFLUENCES IN YOUR BORROWING POWER

Asides from the size of your deposit and the value of your property, your borrowing power could be helped or hindered by the following:

- Your income, including stability of income and employment
- Your financial commitments, including personal loans
- Your living expenses
- Your credit history, including bills being paid on time
- Your assets
- Home loan type, term, and interest rate.

## ? HOW MUCH DOES IT COST TO BUY A HOUSE?

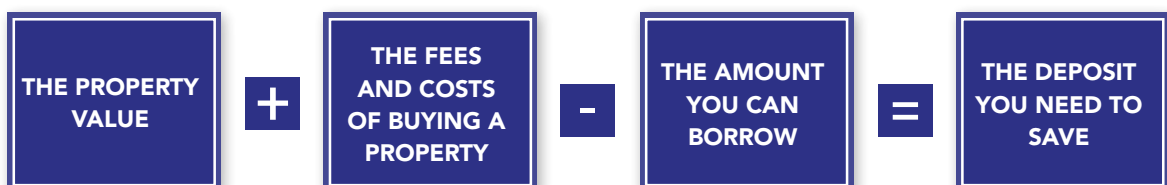


It is difficult work to gather a deposit, but first home buyers are also often caught out by a litany of upfront costs associated with buying a property.

The biggest upfront cost is likely to be stamp duty. From 1 July 2023, you won't have to pay stamp duty if you buy a new or existing home worth up to \$800,000.

### OTHER FEES AND COSTS MAY INCLUDE:

- Lender Mortgage Insurance (LMI)
- Transfer fee
- Mortgage registration fees / mortgage application fees
- Legal and conveyancing fees
- Property inspection fees / pest inspection fees
- Home and contents insurance.





# THE KEY TO SUCCESS IS PLANNING:

## PREPARE A BUDGET

Track your income and expenditures, and investigate and experiment with how much you can afford to save regularly for your deposit.

## AUTOMATE YOUR SAVINGS

A “set and forget” strategy can help you grow your savings, by setting automatic transfers from your wages to your savings account.

## CONSIDER INVESTING

A strategy can be to “rentvest”, which is to invest in property while renting your home. This strategy is popular among young first-time property buyers, which allows them to gain a foothold in the property market.

By buying a smaller, more affordable property elsewhere while you rent in a more preferred location, this strategy can allow you to build towards a deposit for a more ideal home, within the confines of what is affordable at this point in time.



# FIRST HOME OWNER (NEW HOMES) GRANT

If you are buying or building your first home, assistance is available from the NSW Government in the form of the **First Home Owner's Grant (FHOG)**. You may be eligible to receive **\$10,000** towards the cost of your first home.



ABOUT YOU

- Each applicant must be at least 18 years old
- If you signed the contract before July 1, 2023, you must move into your first home within 12 months of buying or building it and live there for at least 6 continuous months.
- If you signed the contract on or after July 1, 2023, you must move into your first home within 12 months of buying or building it and live there for at least 12 continuous months.
- At least one applicant must be a permanent resident or Australian citizen
- You or your spouse, partner, or co-purchaser must not have previously owned a home before 1 July 2000
- You must occupy your first home as your principal place of residence within 12 months of the construction or purchase of your home, for a minimum of **6 continuous months**.



ABOUT  
YOUR HOME

- The home must be:
  - Newly built
  - Purchased off the plan
  - Substantially renovated
- The contract price **must not exceed \$600,000**.



ABOUT  
BUILDING  
YOUR HOME

- The total combined cost of building your home **must not exceed \$750,000**. This includes the values of:
  - The vacant land
  - The comprehensive home building contract
  - Any building variations done concurrently.

The financial institution providing you with a loan will need to be an approved agent. A list can be viewed here: <https://www.revenue.nsw.gov.au/grants-schemes/first-home-buyer/approved-agents>

## FIRST HOME BUYERS ASSISTANCE SCHEME (FHBAS)

As of 1 July 2023, first-time home buyers in NSW purchasing a new or existing home can receive a full exemption from transfer duty\* fees for properties up to the value of \$800,000, or qualify for a concessional transfer duty rate when the value is above \$800,000 but less than one million dollars.

To be eligible the First Home Buyers Assistance Scheme (FHBAS), single and couple applicants must never have owned or co-owned residential property in Australia.

There are also options for first home buyers to purchase a home for at least half of the property with others who are not eligible for the FHBAS, which is known as the shared equity arrangement. You can receive exemption from or a concessional rate of the transfer duty free on the share of the property you purchase, so long as the shared equity arrangement is not with a spouse.

Eligible first home buyers must move into the new home within 12 months after settlement and live in the property. For contracts exchanged between 1 July 2017 – 30 June 2023, the requirement is to live in the property for 6 continuous months or more, whilst contracts exchanged on or after 1 July 2023 require first home buyers to live in the property 12 continuous months or more.

For more information, visit [revenue.nsw.gov.au](https://revenue.nsw.gov.au)

\*Transfer duty was also known as stamp duty



## BUYING YOUR FIRST HOME

---

DISCLAIMER: THIS INFORMATION HAS BEEN PREPARED AS A GENERAL GUIDELINE, AND IS NOT INTENDED TO BE AN EXHAUSTIVE OR A COMPLETE ANALYSIS OF THE TOPICS IN QUESTION OR ISSUES RAISED IN THIS E-BOOKLET. THERE ARE MANY LEGAL, TAXATION AND ACCOUNTING MATTERS WHICH HAVE NOT BEEN DEALT WITH IN THIS BOOKLET AND READERS ARE URGED TO DISCUSS ANY ASPECT OF THE OPERATION OF ANY OF THESE MATTERS DISCUSSED HEREIN WITH THEIR PROFESSIONAL ADVISORS. BEFORE TAKING ANY ACTION OR IMPLEMENTING ANY STRATEGY YOU SHOULD SEEK PROFESSIONAL ADVICE FROM YOUR LAWYER, ACCOUNTANT AND OR FINANCIAL PLANNER WHO WILL TAKE INTO ACCOUNT YOUR SPECIFIC CIRCUMSTANCES AND OBJECTIVES. WHILST REASONABLE CARE HAS BEEN TAKEN IN PREPARATION OF THIS INFORMATION, SUBSEQUENT CHANGES IN CIRCUMSTANCES (INCLUDING LEGISLATIVE CHANGES) MAY OCCUR AT ANY TIME AND MAY IMPACT ON THE ACCURACY OF THIS INFORMATION.