

Home value changes and the 5% Deposit Scheme

By Thomas Clarkson, Principal, Quantitative Analyst and Eliza Owen, Head of Research

Key takeaways

- **In October, dwellings that fell within the price caps of the 5% Deposit Scheme increased 1.2%, compared to 1.0% for dwellings above, a differential of 22 basis points.** It is difficult to connect that directly to the scheme expansion, because there are many factors pushing the market higher and the low end of the market was outperforming in the lead up to the scheme expansion as well.
- **Putting that 22 basis points into perspective is important.** Lower-value properties have outperformed the higher end of the market for the better part of two years, though this differential of 22 basis points is relatively high in historic terms, in the top 16% of differentials going back to 2009.
- **Houses below the price caps had a larger outperformance than units.** National house values below the caps were up 1.3% in the month, 32 basis points higher than houses above the caps. Units below the caps had a 19 basis point premium of 1.0%.
- **Darwin** had the highest outperformance of markets below the price caps (2.0%) compared to above the price caps (1.3%) in October. **Sydney** had the second-highest outperformance of markets below the price caps (1.0%) compared to above the caps (0.5%).

Unusually strong home value increases in the month of October coincided with the expansion of the Federal Government's 5% Deposit Scheme. The policy enables eligible first home buyers to secure a low-deposit home loan without lender's mortgage insurance. From October 1, it was scaled up to unlimited places and income eligibility, and the price caps associated with the scheme were increased across most regions. The new price caps associated with the 5% Deposit scheme are shown in Figure 1.

Figure 1. What is the limit on values associated with the 5% Deposit Scheme from October 1?

Region	Price Cap	Region	Price Cap
Sydney, Newcastle and Lake Macquarie and Illawarra	\$1,500,000	Rest of NSW	\$800,000
Melbourne and Geelong	\$950,000	Rest of VIC	\$650,000
Brisbane, Gold Coast and Sunshine Coast	\$1,000,000	Rest of QLD	\$700,000
Adelaide	\$900,000	Rest of SA	\$500,000
Perth	\$850,000	Rest of WA	\$600,000
Hobart	\$700,000	Rest of TAS	\$550,000
ACT	\$1,000,000	NT	\$600,000

Source: Housing Australia

National home values rose 1.1% in October, the fastest monthly pace of growth since May 2023. But monthly gains had already been accelerating since the first rate cut in February, and values were also buoyed by seasonality and low levels of stock.

Properties with an estimated value below the new caps of the scheme did outperform in October, but this has been the case for some time, as serviceability and affordability constraints have increasingly encouraged higher-income buyers to lower value market segments. The level of outperformance was also within historic ranges for most markets.

In some markets, there has been a more notable increase in values below the scheme thresholds, suggesting localised market impact. These were in desirable markets of Sydney (Northern Beaches, North Sydney and Hornsby, Eastern Suburbs) and Melbourne (Inner East), and the popular regional centres of Wide Bay, the Central Coast and Geelong.

Home value changes and the 5% Deposit Scheme

How we crunched the numbers

The Cotality Home Value Index is constructed from individual property-level value estimates, allowing for flexibility in the geographies and value segments that can be measured. For this research we generated new indices tracking values above and below new, localised price caps associated with the 5% Deposit Scheme. The indices were generated nationally, for each capital city and region, and down to SA4 sub-markets. Production of these series goes back to December 2009.

National findings

In October, dwellings with a value estimate that fell within the price caps of the 5% Deposit Scheme increased 1.2%, compared to 1.0% for dwellings above, a differential of 22 basis points. Putting that into perspective is important. Lower-value properties have outperformed the higher end of the market for the better part of two years.

One way to gain perspective is seeing where the differential in growth sits historically. We do this by assigning it a 'percentile rank', or where on the scale of lowest to highest does the result sit. The 22 basis point growth differential in October is in the largest 16% of differences going back to December 2009, or a percentile rank of 84%.

Figure 2. Monthly change in home values above and below the 5% Deposit price caps, and difference in monthly change between the two

National, dwellings

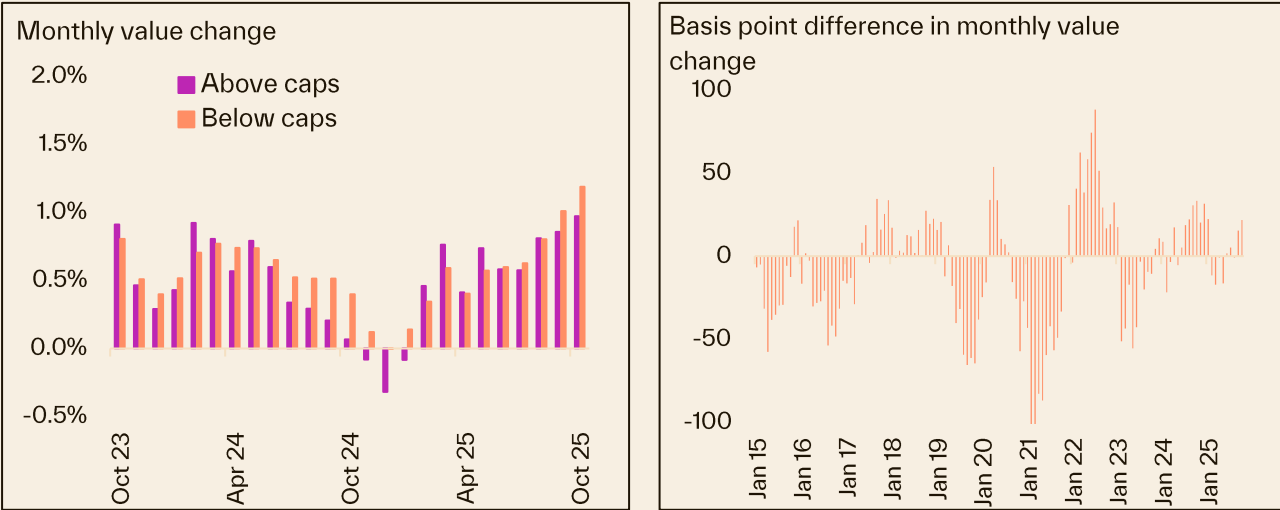
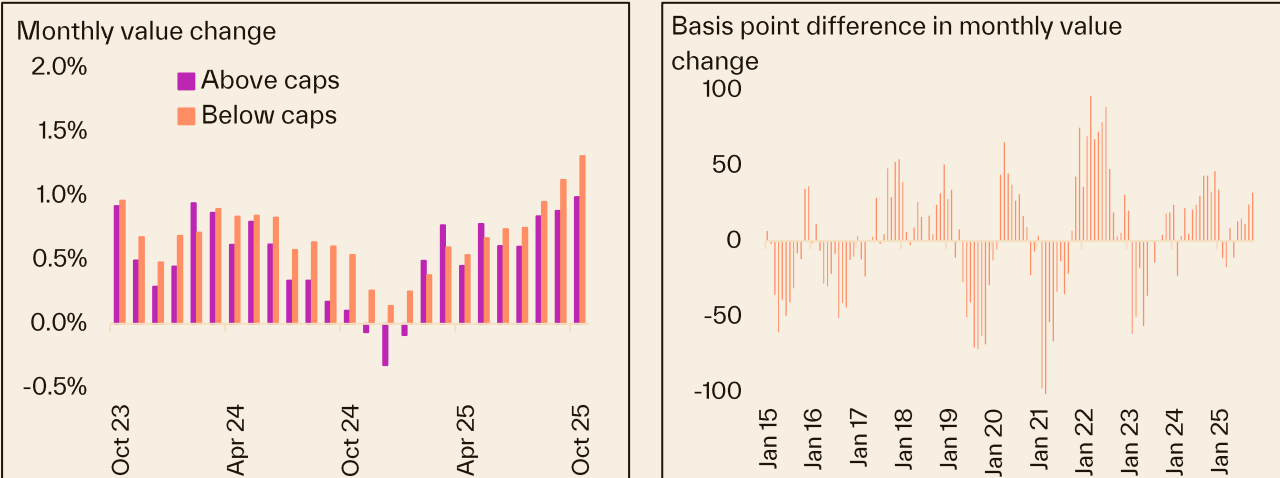


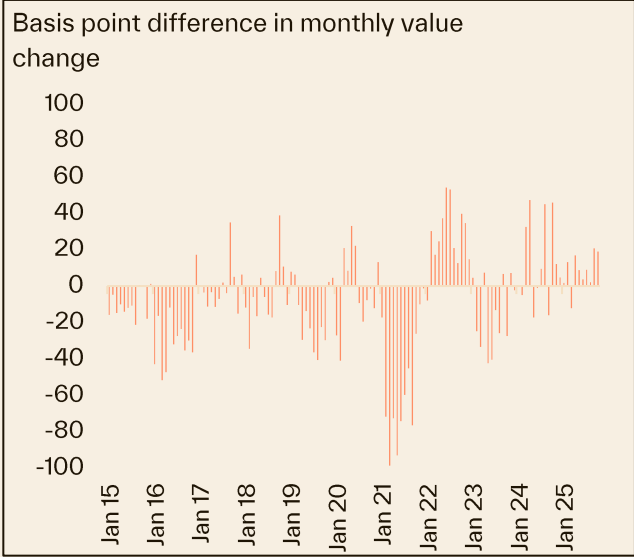
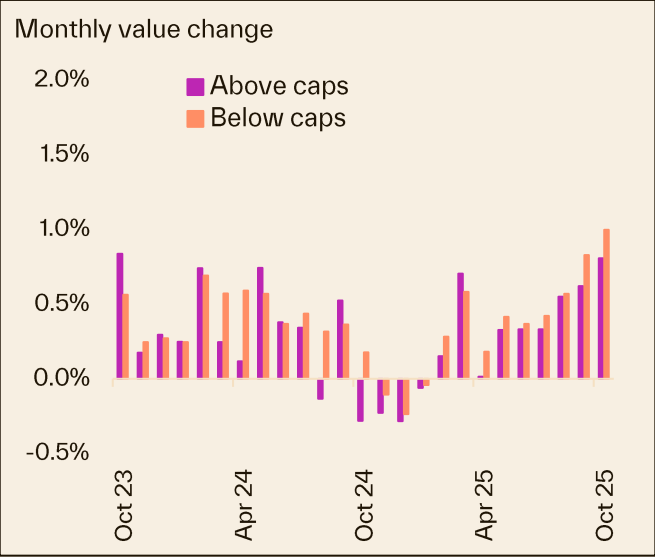
Figure 3. Monthly change in home values above and below the 5% Deposit price caps, and difference in monthly change between the two - houses v units

National, houses



Home value changes and the 5% Deposit Scheme

National, units



Source: Cotality

Between the house and unit markets, houses with an estimated value below the price caps had a larger outperformance than units. National house values below the caps were up 1.3% in the month, 32 basis points higher than house values above the caps. Units with an estimated value below the caps had a 19 basis point premium of 1.0%. For both markets, the outperformance was relatively strong historically speaking, in the 84th percentile for houses and 85th percentile for units.

Capital city and regional findings

Capital city and regional results are summarised in Figure 4. Every city but Hobart and the ACT showed property values below price caps had stronger capital growth than those above the caps in October. The percentile rankings of those differentials were a little high in Sydney (88%), Perth and Darwin (both 85%). The differentials were also above 70% in Melbourne and Brisbane, but well within historic ranges.

In the regions, VIC, WA, SA and QLD had notably strong outperformance in the low-end of markets in October, with growth differentials sitting in the top 30% of historic results. Interestingly though, outperformance of values below the new price caps of the scheme was even stronger in the month prior, suggesting there are other factors that are driving lower-to-middle market values.

Perhaps most surprisingly, regional NSW saw a 1% increase in home values both above and below the caps. The 1% uplift in home values is unusual for NSW, which had been averaging monthly performance of 0.4% a month through 2025 before October.

Figure 4. How did values change above and below the 5% Deposit price caps in October? (Based on changes in the Home Value Index)

Region	Property Type	Value change in Oct - Above price caps	Value change in Oct - Below price caps	Difference in growth, basis points	Percentile ranking
Sydney	Dwellings	0.5%	1.0%	50	88%
	Houses	0.4%	1.2%	75	91%
	Units	0.8%	0.8%	-2	51%
Regional NSW	Dwellings	1.0%	1.0%	8	64%
	Houses	1.0%	1.1%	8	59%
	Units	0.7%	1.0%	29	77%

Home value changes and the 5% Deposit Scheme

Figure 4 (continued). How did values change above and below the 5% Deposit price caps in October?
(Based on changes in the Home Value Index)

Region	Property Type	Value change in Oct - Above price caps	Value change in Oct - Below price caps	Difference in growth, basis points	Percentile ranking
Melbourne	Dwellings	0.8%	1.0%	23	72%
	Houses	0.8%	1.1%	28	65%
	Units	0.7%	0.9%	23	85%
Regional VIC	Dwellings	0.6%	0.8%	20	78%
	Houses	0.6%	0.8%	18	77%
	Units	1.7%	1.1%	-58	24%
Brisbane	Dwellings	1.7%	1.9%	12	74%
	Houses	1.7%	1.8%	11	69%
	Units	1.8%	1.9%	7	64%
Regional QLD	Dwellings	1.1%	1.3%	20	79%
	Houses	1.2%	1.4%	23	78%
	Units	0.2%	0.9%	73	97%
Adelaide	Dwellings	1.3%	1.4%	13	61%
	Houses	1.3%	1.5%	16	66%
	Units	1.1%	1.3%	20	60%
Regional SA	Dwellings	0.8%	1.2%	39	73%
	Houses	0.7%	1.1%	41	77%
	Units	3.2%	1.6%	-162	23%
Perth	Dwellings	1.8%	2.1%	32	85%
	Houses	1.8%	2.2%	40	86%
	Units	1.8%	1.9%	11	61%
Regional WA	Dwellings	1.7%	2.1%	34	79%
	Houses	1.7%	2.2%	45	82%
	Units	1.4%	1.3%	-11	52%
Hobart	Dwellings	0.4%	0.2%	-24	27%
	Houses	0.6%	0.3%	-21	32%
	Units	-0.7%	-0.1%	64	81%
Regional TAS	Dwellings	0.6%	0.7%	9	56%
	Houses	0.6%	0.8%	26	74%
	Units	0.1%	-0.1%	-13	43%
Darwin	Dwellings	1.3%	2.0%	74	85%
	Houses	1.2%	1.5%	27	73%
	Units	1.6%	2.3%	65	71%
ACT	Dwellings	0.7%	0.4%	-35	23%
	Houses	0.8%	0.6%	-20	25%
	Units	0.0%	0.2%	17	65%

Home value changes and the 5% Deposit Scheme

A boost to low values in high end markets

The markets where values below the price caps had the strongest outperformance were a mix of lower value pockets within high-end housing markets and popular regional centres. Sub-markets of Melbourne's Inner East topped the list, where values of homes below the price caps rose 1.7%, 130 basis points above the 0.4% growth for home values above \$950,000. This was in the top 9% of differential with values above \$950,000.

Also on the list were the lower value segments across high-end markets of Sydney, with Northern Beaches properties below \$1.5 million rising 0.9% compared to a flat result for higher end properties in the market. Geelong and the Central Coast are also in the top 10 for outperformance and were also areas that had the capital city price thresholds for the scheme of \$950,000 and \$1.5 million respectively. Figure 5 shows the top 10 markets where values below the price caps outperformed those above the caps most strongly in October.

Darwin is also on the list, and this is a market where outperformance in lower-end home values may be explained by other factors, like an increase in investment activity, where investors also target relatively low value properties. Importantly, Darwin was one of the few regions where price caps for the 5% deposit guarantee weren't adjusted higher on October 1st. Only 19% of Darwin suburbs have a median house value below the \$600k price cap.

Figure 5. Biggest differences in value change above and below the 5% Deposit price caps in October (Based on changes in the Home Value Index, dwellings only, SA4 regions)

SA4 Name	GCC	Value change in Oct - Above price caps	Value change in Oct - Below price caps	Difference in growth, basis points	Percentile ranking
Melbourne - Inner East	Melbourne	0.4%	1.7%	128	91%
Perth - Inner	Perth	0.8%	1.8%	97	89%
Sydney - Northern Beaches	Sydney	0.0%	0.9%	96	89%
Sydney - Eastern Suburbs	Sydney	0.5%	1.4%	92	91%
Darwin	Darwin	1.3%	2.0%	74	85%
Sydney - North Sydney and Hornsby	Sydney	-0.3%	0.3%	61	85%
Geelong	Rest of Vic.	0.6%	1.2%	60	90%
Brisbane - North	Brisbane	1.3%	1.9%	60	86%
Central Coast	Sydney	0.4%	0.9%	55	89%
Wide Bay	Rest of Qld	0.4%	0.9%	54	94%

The data shows there has been a stronger uplift in property markets below the price caps of most regions through October. However, historic growth trends suggest this was happening in recent months before the expansion of the 5% deposit scheme. A causal relationship is difficult to establish, but it's useful to have this perspective. It is also worth noting that it might be too soon for the full impact of the expanded scheme to show up in price growth, and the numbers are worth reviewing over time. Ultimately the expansion of the 5% Deposit scheme is one of many factors influencing strong growth at the lower-to-middle end of the market.