First Home Buyer Incentives:

HOW POLICY SHAPES DEMAND

buyersclub

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6 **CONCLUSION**

EXECUTIVE SUMMARY

Over the past five years, first home buyer incentives have reshaped entry-level housing markets The evidence shows that these schemes do not move national prices but instead concentrate demand in specific segments. The consistent effect is stronger growth in suburbs priced just under scheme caps.The effect is most pronounced in higher-priced markets - historically Melbourne, Sydney, and Brisbane - and is now poised to extend to emerging high-cost centres such as Perth and Adelaide.

The October 2025 expansion represents yet another structural shift and potential opportunity. History indicates that the imminent removal of caps upon the number of places within the scheme will magnify market distortions in several key ways. Buyers, sellers, and investors need to adjust strategies accordingly.

Key takeaways:

- Strongest price pressure is consistently found in the $0–150,000 band below the first home buyer scheme price caps.
- Properties just over the threshold often face thinner competition, making them potentially attractive alternatives.
- Entering sub-cap markets before policy expansion positions buyers to capture subsequent short-term growth.
- Effects are strongest in large east-coast states and weaker in smaller markets.

INTRODUCTION

Home ownership remains central to Australia's identity, yet rising prices and deposit hurdles have left many younger households locked out. Governments have responded with successive first-home buyer incentives, culminating in the federal deposit guarantee model launched in 2020. Since then, the scheme has expanded through higher price caps and larger allocations, most recently with plans to remove caps on places entirely in October 2025.

This paper focuses on the three reforms most likely to have left a measurable imprint on the market:

- 2020 scheme launch
- 2021 price cap increases
- 2022 expansion to 35,000 places.

Other minor adjustments are excluded for lack of scale or confounding overlap with broader stimulus.

The economic logic is straightforward: by lowering deposit barriers, such schemes enlarge the eligible buyer pool, concentrate demand near eligibility thresholds, and, in supply-constrained markets, translate that demand into higher prices.

Treasury modelling suggests national effects are small - an estimated 0.5% additional growth over 6 years - yet averages disguise concentrated impacts within sub-cap markets. This study therefore examines those localised distortions to provide practical intelligence for buyers, sellers, and investors.

METHODOLOGY

This paper assesses the market effects of first-home buyer deposit guarantees by comparing local government areas (LGAs) before and after three major policy shifts:

- 2020 scheme launch
- 2021 cap increases
- July 2022 expansion to 35,000 places

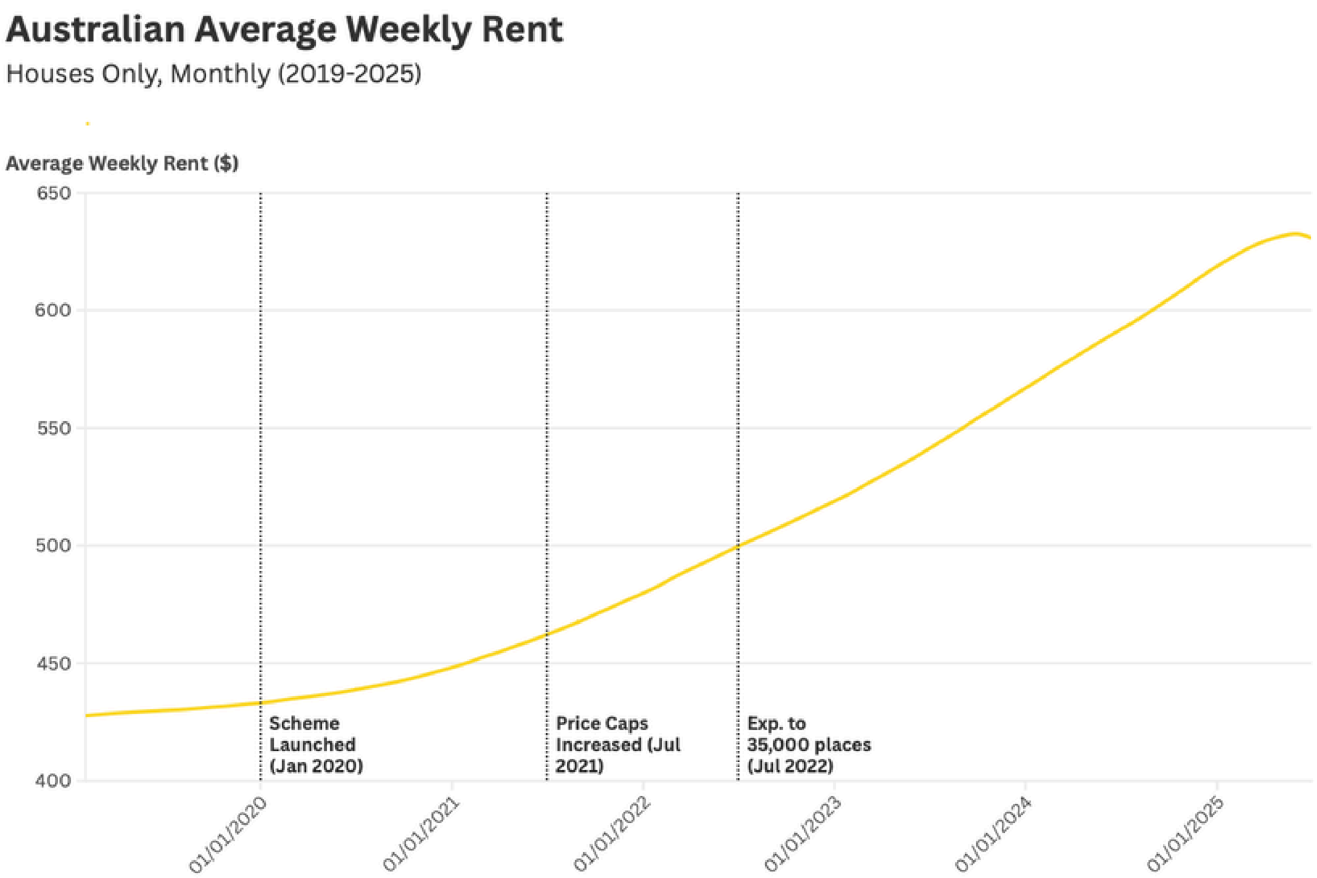
For each event, sales and price growth are measured in LGAs under versus over the relevant price cap, and further tested by distance from the threshold to detect clustering. The aim is not precise causal proof - given confounding factors such as COVID, HomeBuilder, and rate rises, but to identify consistent patterns of demand concentration around eligibility caps.

RESULTS

Macro-Level Context

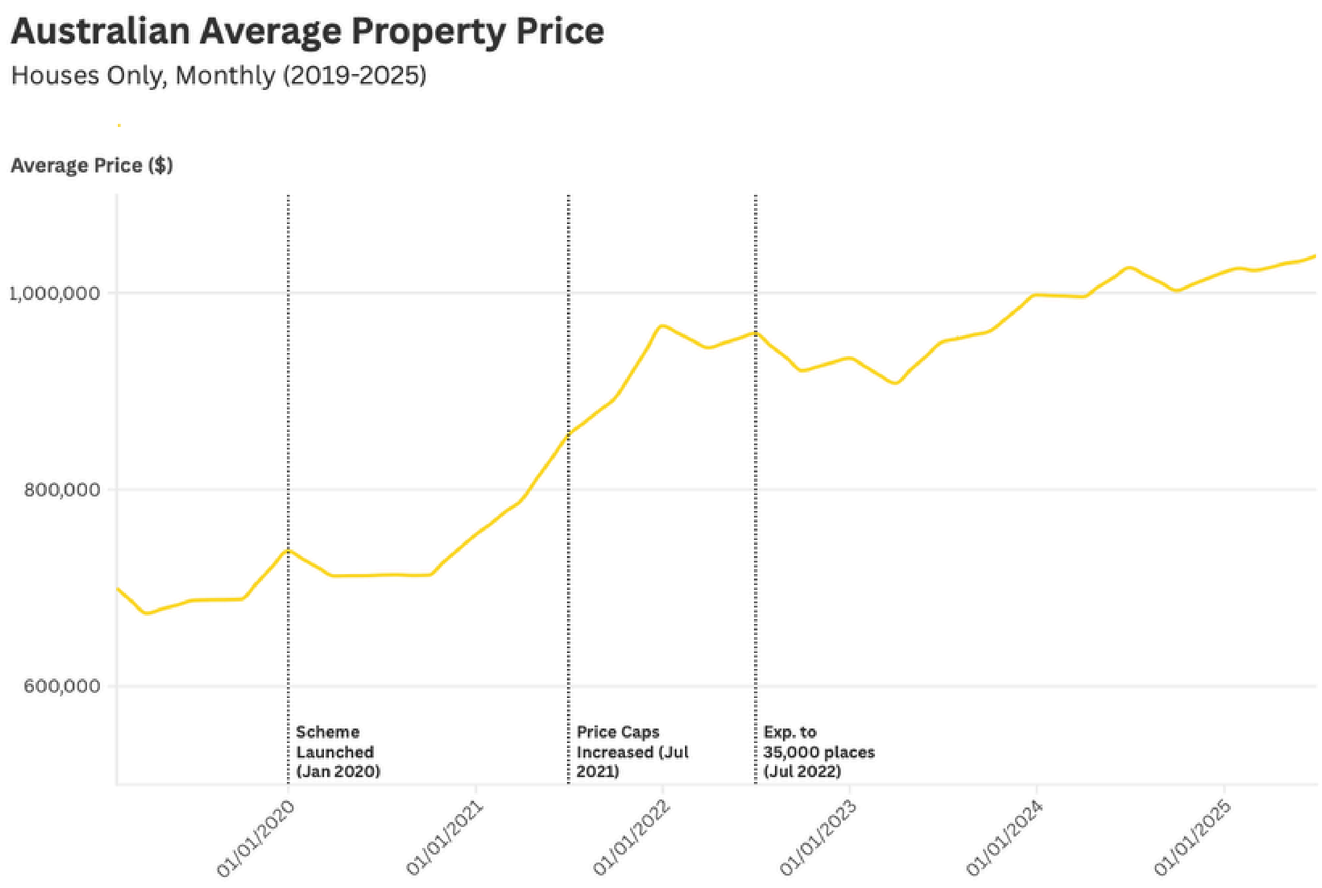
Before turning to the three policy events in detail, it is useful to establish the macro backdrop. The following charts present national data for rents and prices since 2019, with vertical lines marking the launch of the First Home Loan Deposit Scheme in January 2020, the increase in price caps in July 2021, and the expansion to 35,000 places in July 2022.

Figure 1: Australian Average Weekly Rent



RESULTS

Figure 2: Australian Average Property Price



Taken together, the national series provide little evidence of a discrete policy effect. Sales, rents, and prices all moved primarily in response to broader macroeconomic drivers:

- The pandemic boom
- Cycles of monetary easing and tightening
- Chronic housing undersupply.

The launch of the scheme and its subsequent expansions do not appear to be obviously correlated with a material shift in aggregate market trajectory.

RESULTS

SCHEME LAUNCH (2020)

The First Home Loan Deposit Scheme formally commenced in January 2020 with an allocation of 10,000 places. While this was a landmark policy symbolically, the allocation was small in scale – equivalent to less than half of a single month's sales nationally. As such, no discernible macro-level impact is visible in national price measures.

The design of the scheme, however, meant that its effects were unlikely to be distributed evenly across the market. Eligibility was tightly constrained by the property price caps shown in Figure 4, which restricted assistance to lower-priced segments. This structure effectively excluded most inner-city markets while concentrating potential demand in outer-suburban and regional LGAs with medians clustered just below the limits.

The scheme's launch also coincided with extraordinary macroeconomic conditions: the onset of the COVID-19 pandemic, rapid interest rate cuts, and the introduction of HomeBuilder later in 2020. These factors drove one of the strongest housing booms in Australian history, confounding any attempt to identify a clean aggregate effect.

Figure 3: First Home Loan Deposit Scheme Price Caps at Launch (January 2020)

First Home Loan Deposit Scheme Price Caps at Launch (January 2020)

State / Territory	Capital City / Regional Centre	Rest of State / Territory
New South Wales	$700,000	$450,000
Victoria	$600,000	$375,000
Queensland	$475,000	$400,000
Western Australia	$400,000	$300,000
South Australia	$400,000	$250,000
Tasmania	$400,000	$300,000
Australian Capital Territory	$500,000	–
Northern Territory	$375,000	–

RESULTS

To test whether the scheme had any concentrated effects, Local Government Areas were classified according to whether their typical price in January 2020 sat below or above the relevant eligibility cap (Figure 3). This classification was then applied consistently across the time series. For prices, the median monthly percentage change in “typical price” was calculated separately for under-cap and over-cap LGAs, while for sales volumes, monthly transactions were summed across each group. This approach allows us to compare the relative performance of eligible and ineligible markets, controlling for the fact that national aggregates (Figure 1) showed no clear impact from the scheme at launch.

Figure 4: Monthly Price Growth in Under Cap vs Over Cap LGAs (2019-2021)

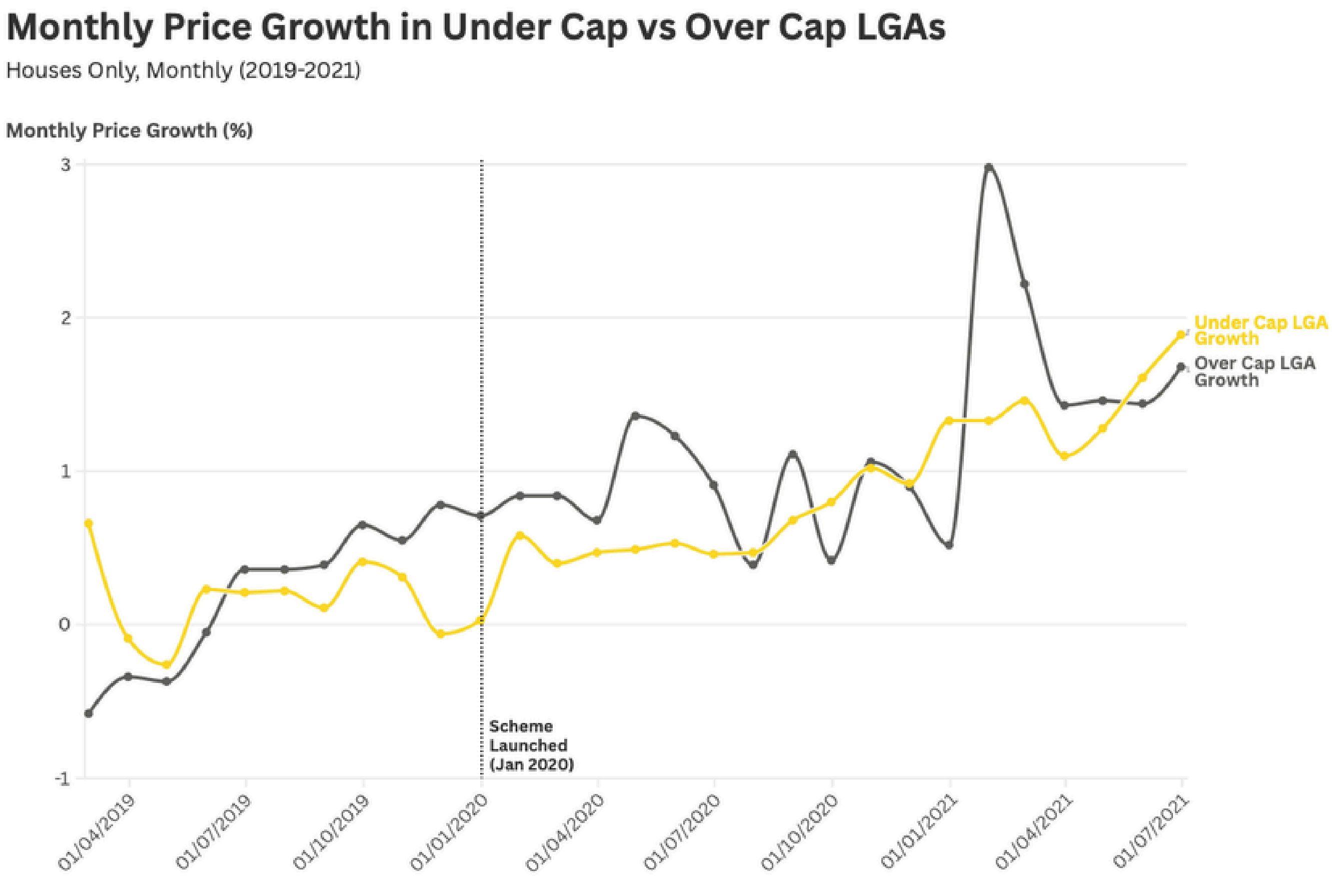


Figure 4 shows prices following similar paths, though under-cap LGAs rose more steadily, hinting at potentially a modest cushioning effect that reduced volatility.

RESULTS

In figure 5 below, each dot represents one Local Government Area. The x-axis shows the difference between the LGA's typical price in January 2020 and its relevant state cap (negative = eligible, positive = ineligible). The y-axis shows cumulative price growth from January 2020 to January 2021. Dotted lines mark the scheme's price threshold (vertical) and zero growth (horizontal).

Figure 5: Price Growth by Distance from Scheme Caps (2020-2021)

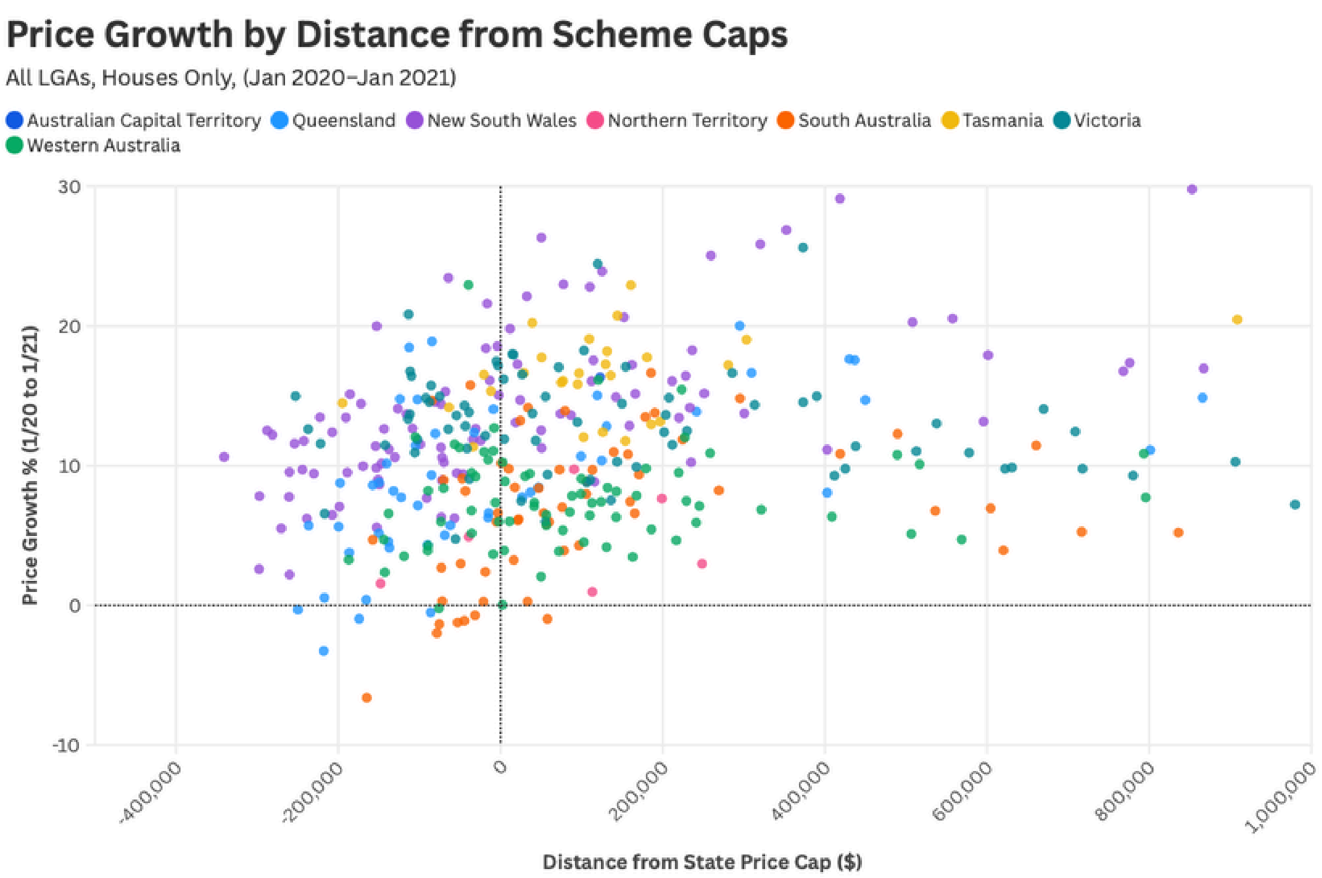


Figure 5 shows broad price growth across 2020–21, driven mainly by pandemic conditions. LGAs just under scheme caps grew slightly faster than those well above, hinting at some demand concentration, but the effect was modest - many ineligible markets also posted double-digit gains.

RESULTS

PRICE CAP INCREASES (2021)

In July 2021, the Commonwealth implemented a major revision to the Home Loan Deposit Scheme by substantially raising the property price caps. This reform significantly expanded the pool of eligible dwellings, particularly in the larger capital cities where earlier thresholds had excluded most stock.

Figure 6: Increased First Home Loan Deposit Scheme Price Caps (July 2021)

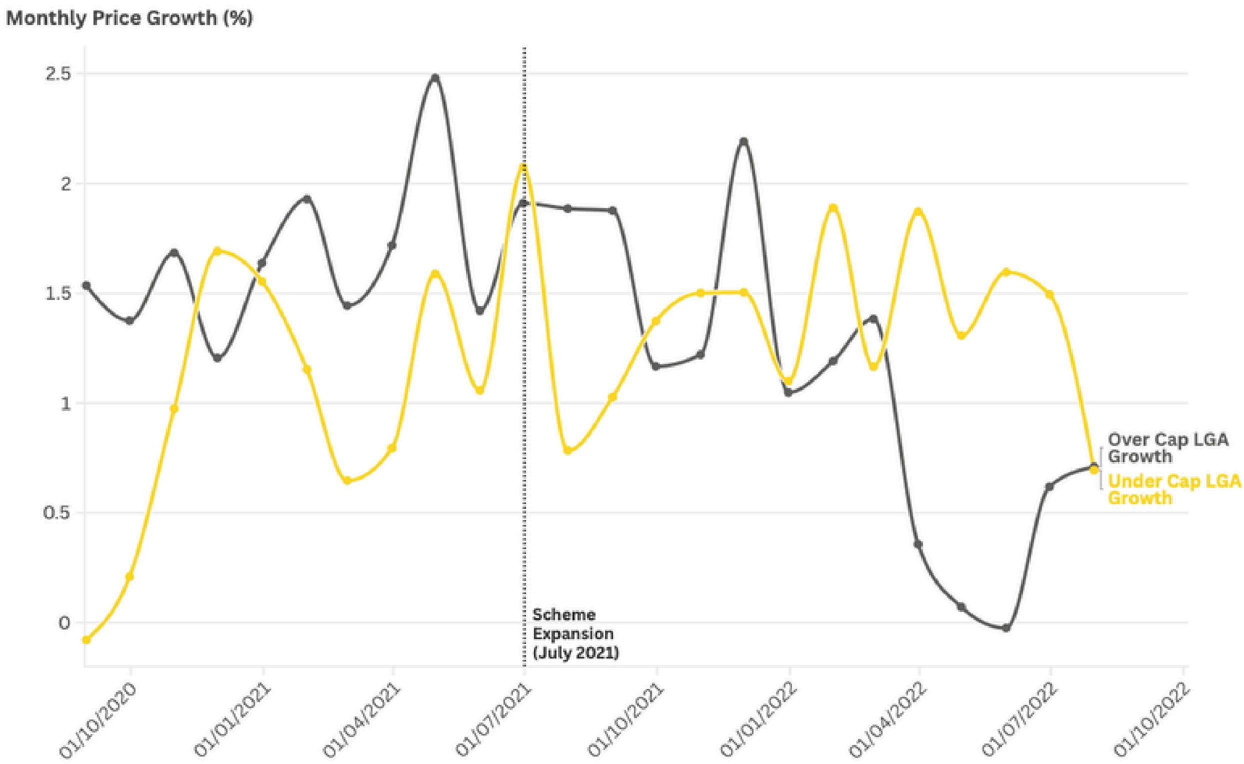
Increased First Home Loan Deposit Scheme Price Caps (July 2021)

State / Territory	Capital City / Regional Centres	Rest of State
New South Wales	$800,000	$600,000
Victoria	$700,000	$500,000
Queensland	$600,000	$450,000
Western Australia	$500,000	$400,000
South Australia	$500,000	$350,000
Tasmania	$500,000	$400,000
Australian Capital Territory	$500,000	–
Northern Territory	$500,000	–

The July 2021 policy changes marked a significant broadening of the Home Loan Deposit Scheme. Alongside the cap increases, the scheme itself was diversified into new streams. The New Home Guarantee was introduced with 10,000 places per financial year to support buyers of newly built dwellings, while the Family Home Guarantee offered 10,000 places across four years (around 2,500 annually) for single parents with dependants. The original First Home Loan Deposit Scheme continued to provide 10,000 places per year.

RESULTS

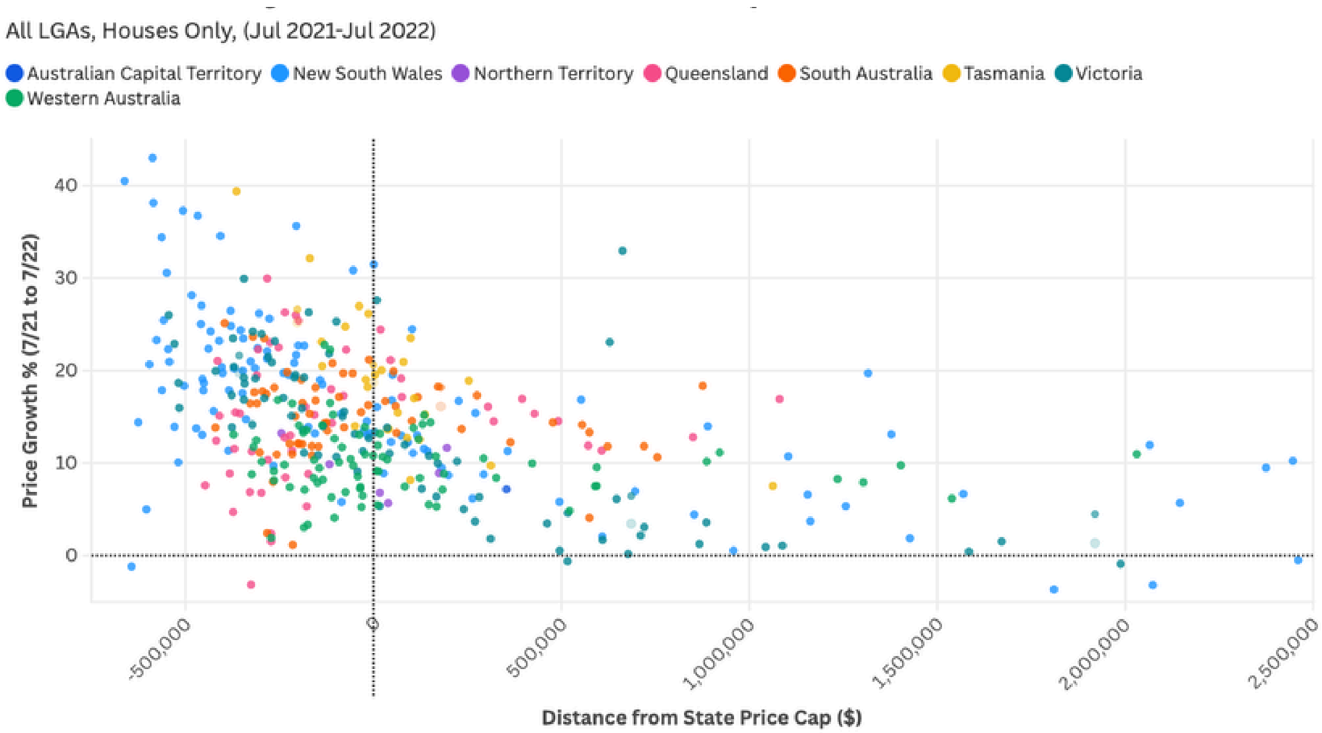
Figure 7: Monthly Price Growth in Under Cap v Over Cap LGAs (2020-2022)



Following the July 2021 expansion, under-cap LGAs broadly kept pace with, and in some months outperformed, over-cap LGAs in terms of monthly price growth. What is notable is the relative resilience of the under-cap group through late 2021 and into 2022, even as over-cap LGAs experienced more pronounced volatility and sharper slowdowns. This suggests that the expanded eligibility may have provided some stabilising demand in lower-priced segments, cushioning them against broader market swings.

RESULTS

Figure 8: Price Growth by Distance from Scheme Caps (2021-2022)



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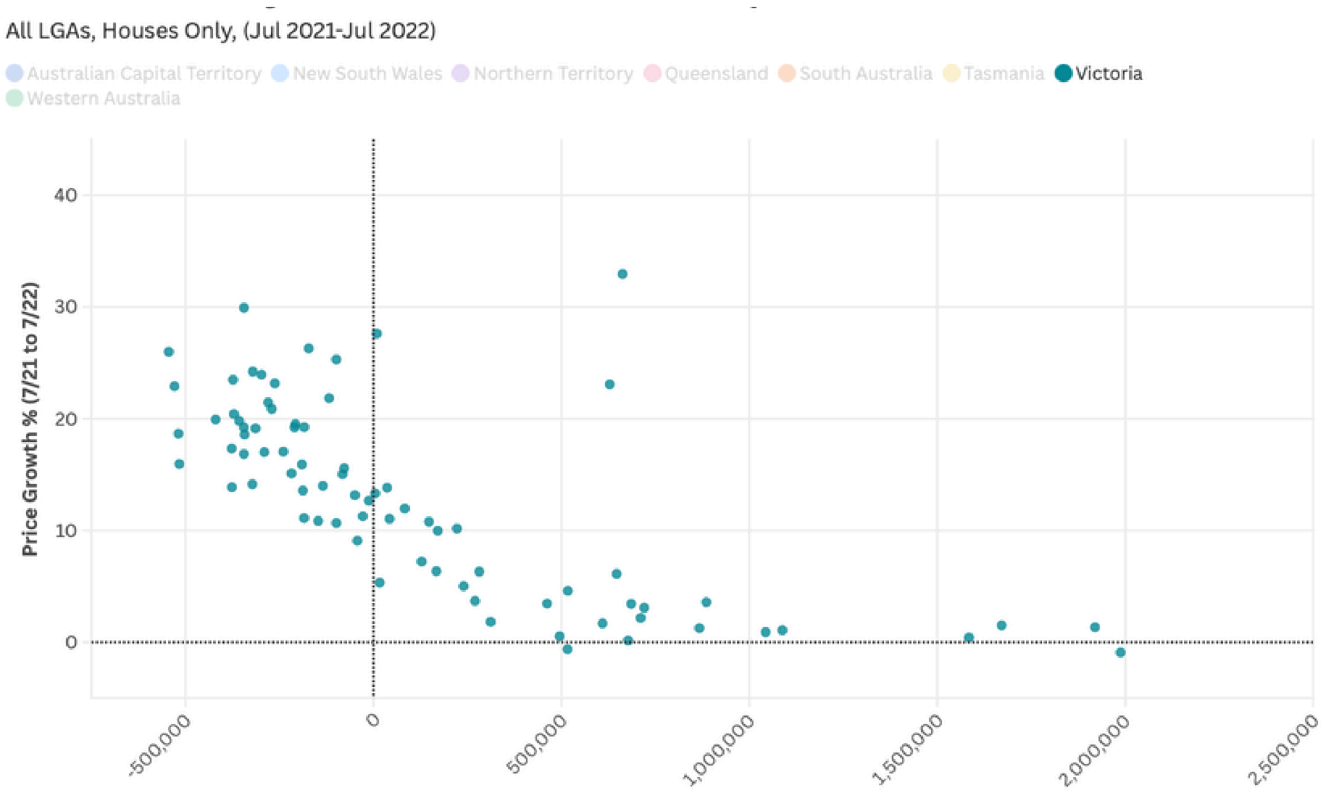
RESULTS

Figure 9: Price Growth by Distance from Scheme Caps (Victoria only, 2021-2022)



To take Victoria as one example, July 2021–22 growth was strongest in LGAs just below the relevant metro and regional price caps, tapering off above the thresholds. Similar though weaker patterns appeared in NSW and Queensland, while WA and SA showed flatter results. The scheme's impact was thus clearest in the higher-priced east coast states.

RESULTS

EXPANSION IN PLACES (2022)

In July 2022 the Home Guarantee Scheme underwent its largest expansion to date. The annual allocation of guarantees was lifted to 35,000 places, cementing the program as a permanent fixture of federal housing policy rather than a temporary stimulus. At the same time, the Commonwealth implemented a second round of price cap increases, significantly widening the pool of eligible properties.

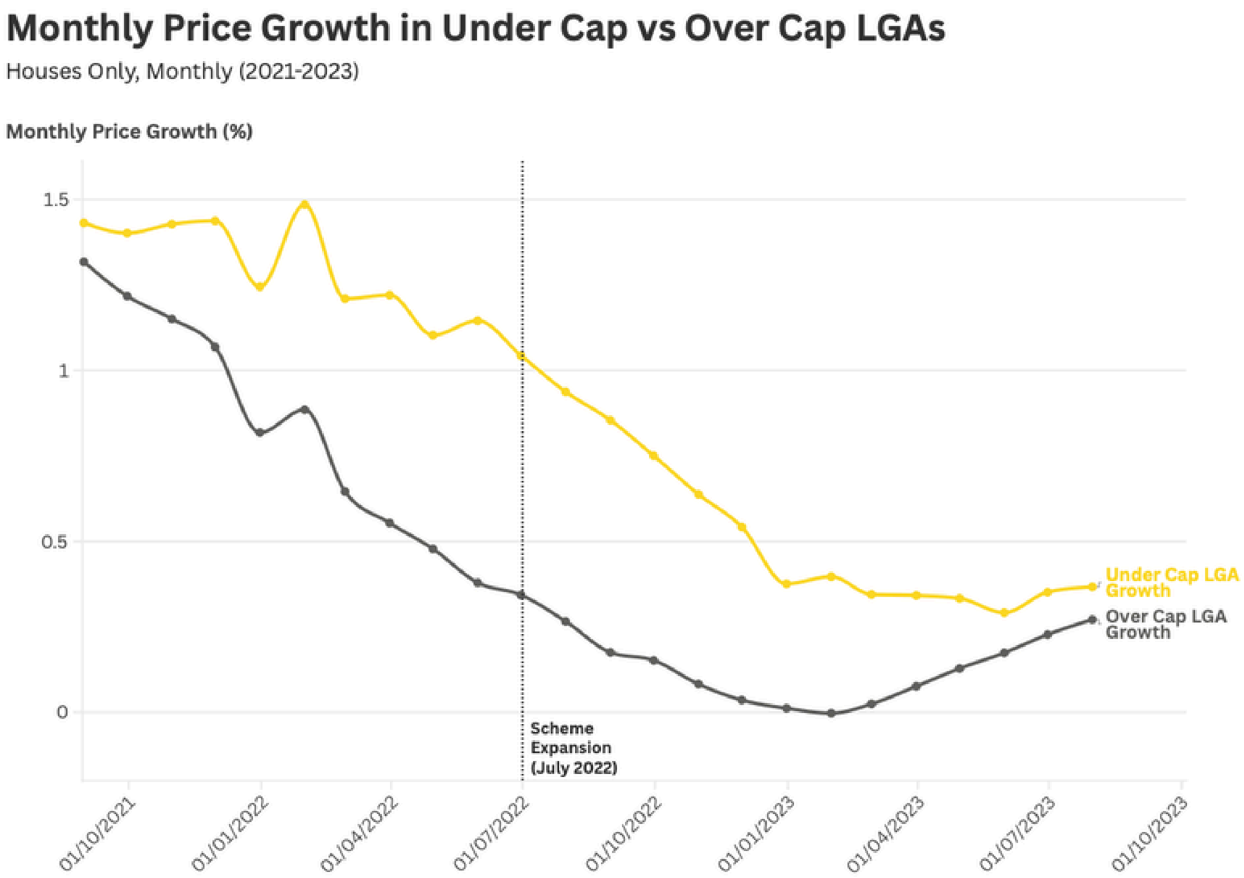
The new thresholds (figure 10) lifted caps across all states and territories by around $100,000 in capital city and regional centre markets, and by $100,000–150,000 in rest-of-state areas.

Figure 10: Increased First Home Loan Deposit Scheme Price Caps (July 2022)

Increased First Home Loan Deposit Scheme Price Caps (July 2022)

State / Territory	Capital City / Regional Centres	Rest of State
New South Wales	$900,000	$750,000
Victoria	$800,000	$650,000
Queensland	$700,000	$550,000
Western Australia	$600,000	$450,000
South Australia	$600,000	$450,000
Tasmania	$600,000	$450,000
Australian Capital Territory	$750,000	–
Northern Territory	$600,000	–

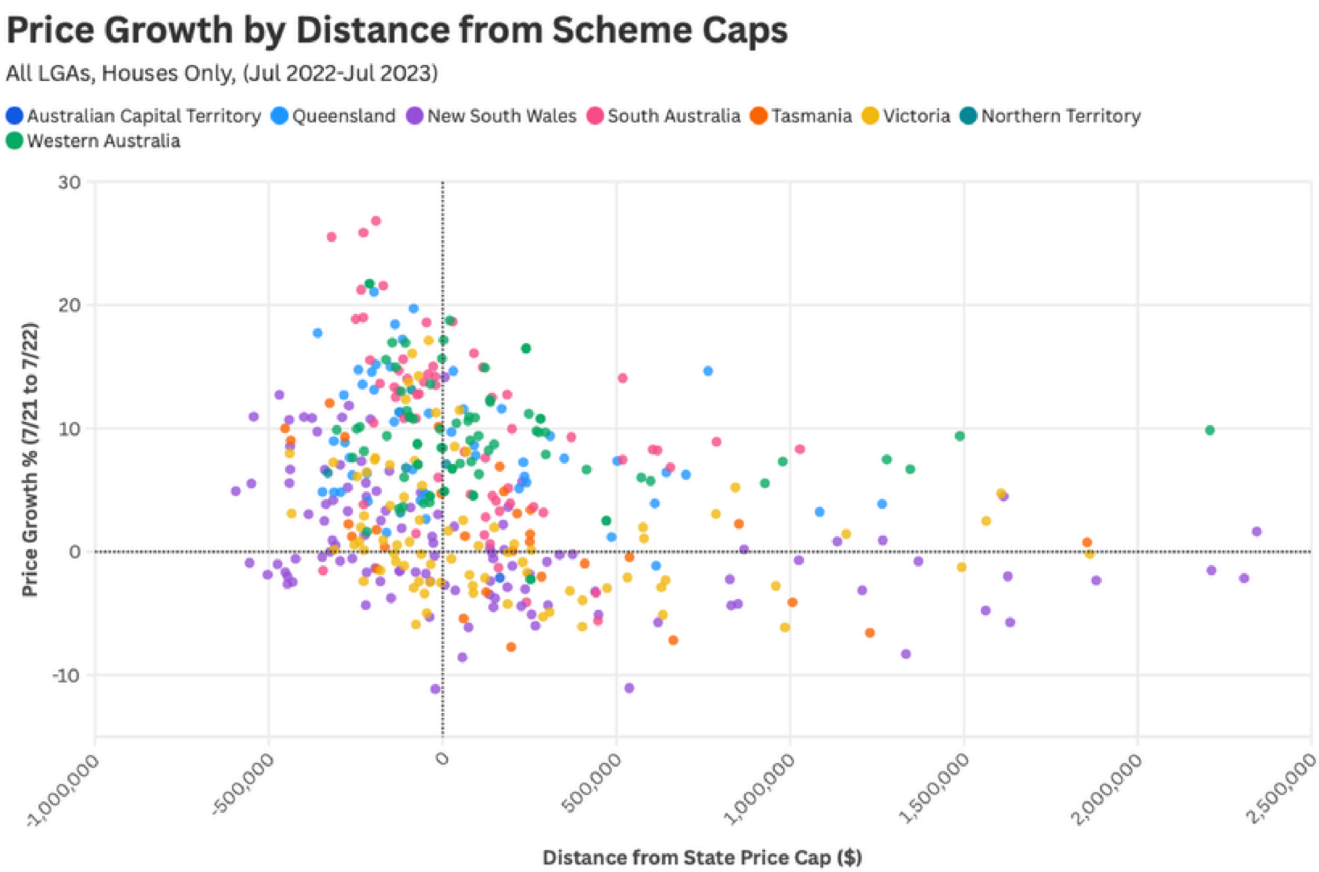
Figure 11: Monthly Price Growth in Under Cap v Over Cap LGAs (2021-2023)



From early 2022 to 2023, growth slowed everywhere, but under-cap LGAs held a modest edge - slipping from 1% to 0.4% while over-cap areas fell further. No sharp break appears at the July 2022 expansion, but the scheme reinforced a steady relative advantage for eligible markets.

RESULTS

Figure 12: Price Growth by Distance from Scheme Caps (2022-2023)



The 2022–23 scatter plot shows a flatter link between cap distance and price growth, reflecting the cooling market under higher rates. Yet LGAs just under the cap still outperformed both cheaper and higher-priced areas, indicating the scheme continued to create a demand sweet spot beneath the threshold.

DISCUSSION

The evidence suggests that the first home buyer schemes have had a clear but uneven impact on local housing markets. When the scheme was first launched in early 2020, there was little sign of any consistent “cap effect.” Price growth moved broadly in line with wider macro conditions, and there was no systematic advantage for suburbs priced under the caps. The policy signal was effectively drowned out by the momentum of a rising market.

The picture changed in 2021–22, after the first significant lift in state caps. At this stage the strongest and most consistent signal emerges. Across states, but most clearly in Victoria and to a lesser extent New South Wales and Queensland, price growth clustered more strongly in suburbs priced just below the new caps. The scatter plots slope downward from the cap threshold, indicating that competition was concentrated in this narrow band of eligibility. This dynamic appears in prices rather than volumes, suggesting that the scheme did not generate a broad demand surge but instead intensified bidding pressure in a specific segment of the market.

In 2022–23, following the expansion to 35,000 places, the relationship flattens. Broader market headwinds, including rising interest rates and weaker borrowing capacity, pulled down price growth across the board. Yet one feature persists: LGAs priced just below the cap still recorded stronger growth, even as the overall slope diminished. Above the cap, the relationship breaks down and distance from the threshold ceases to explain variation in outcomes.

Interpreting the pattern

Two overlapping forces explain why stronger growth repeatedly appears in the sub-cap band:

- **Policy-induced demand concentration** – The caps create focal points for eligibility. Buyers who could stretch higher instead remain under the cap to qualify, concentrating bids in a narrow window just below the threshold.

- **Affordability-induced demand concentration** – Even without policy, buyers naturally cluster in cheaper market segments. This baseline tilt toward affordability can also produce relative outperformance below the mid-market.

DISCUSSION

The available evidence is best interpreted as policy interacting with affordability pressures rather than policy acting alone. Several criteria help distinguish the two:

- **Timing** – Sharper under-cap outperformance emerging directly after cap lifts or place expansions is consistent with a policy contribution.
- **Magnitude** – Premiums that are concentrated in the narrow band just below the cap, rather than across all affordable LGAs, indicate a threshold effect.
- **Local comparison** – Adjacent LGAs straddling the cap boundary but otherwise similar provide a benchmark; stronger growth below the threshold strengthens the case for a policy effect.
- **Persistence** – The fading of under-cap premiums during downturns suggests that policy amplifies affordability effects but does not override broader cycles.

Location-specific variation

The clearest cap-band clustering has been observed in Victoria and New South Wales, where large markets and higher baseline prices create more pronounced effects. Queensland shows a softer version of the pattern, while Tasmania and South Australia display weaker or inconsistent responses. This variation indicates that the impact of the scheme depends partly on market depth and the scale of price diversity within each state.

CONCLUSION

First home buyer incentives do not shift national price trajectories but instead concentrate demand in defined market segments. Across multiple phases of the scheme, suburbs priced just under eligibility caps have repeatedly recorded stronger growth than those above them. The effect is most visible after caps are raised or places expanded, and it is muted when macro conditions weaken.

The October expansion marks a significant structural shift, moving from capped allocations to an uncapped framework with higher thresholds. This change is likely to magnify distortions, as there will no longer be a ceiling on the number of participants able to access the scheme.

Key lessons for purchasing decisions are:

- Expect competition in the cap band – The most consistent price pressure appears in the $0–150,000 band below the threshold.
- Look just above the threshold – Properties priced slightly higher often face thinner competition, making it rational in some cases to trade off subsidy access for reduced bidding intensity.
- Get ahead of policy changes – Purchasing in sub-cap markets before an expansion allows buyers to benefit from the subsequent surge in demand, which has historically delivered outsized short-term capital growth.
- Time the cycle – Sellers positioned just under the thresholds are best placed to capture premiums, particularly if listings are timed with allocation releases.
- Factor in location – The strongest effects have appeared in large, east-coast states with deep markets, while smaller states have shown weaker or inconsistent responses.

Overall, these schemes provide temporary relief for first home buyers but channel demand into tightly defined price bands. With the October expansion removing limits on participation, these pressure points will intensify. Recognising where they'll form, and acting before the next wave of buyers floods in, can mean the difference between leading the market and chasing it.

Don't wait for the next price surge to prove the point. Reach out to the Buyers Club team today to pinpoint where the next sub-cap opportunities will emerge, before everyone else finds them.

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