ECR-2025-1344

Delivering 100,000 homes and 5% deposits for all first home buyers	
Party:	Australian Labor Party

Summary of proposal:

The proposal has two components.

Component 1 would invest $10 billion to build up to 100,000 homes for sale only to first home buyers, made up of $2 billion in grants and $8 billion in zero-interest loans or equity investments primarily to states and territories. States and territories would be required to match the $2 billion Federal Government grant contribution. Construction on the first projects would start in 2026-27. The proposal would start on 1 July 2025.

Component 2 would enable every Australian to buy their first home with a 5 per cent deposit, through an expansion of the First Home Guarantee. There would be higher property price limits (see table below) and no caps on places or income. These changes would be implemented on 1 January 2026.

Region	Current property price limit	New property price limit
NSW – capital city/regional centre	$900,000	$1,500,000
NSW – other	$750,000	$800,000
VIC – capital city/regional centre	$800,000	$950,000
VIC – other	$650,000	$650,000
QLD – capital city/regional centre	$700,000	$1,000,000
QLD – other	$550,000	$700,000
WA – capital city	$600,000	$850,000
WA – other	$450,000	$600,000
SA – capital city	$600,000	$900,000
SA – other	$450,000	$500,000
TAS – capital city	$600,000	$700,000
TAS – other	$450,000	$550,000
ACT	$750,000	$1,000,000
NT	$600,000	$600,000

Costing overview

The proposal would be expected to decrease the fiscal balance by around $840 million, the underlying cash balance by around $644 million, and the headline cash balance by around $2.7 billion over the 2025-26 Budget forward estimates period (see Table 1). These impacts reflect an increase in administered and departmental expenses.

The differences between the fiscal balance, underlying cash balance, and headline cash balance estimates reflect differences in when and to what extent concessional loans and repayments, loan defaults and guarantee payments are recognised.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications over the period to 2035-36 is provided at Attachment A.

Consistent with [PBO Guidance 02/2015], public debt interest (PDI) expense impacts have been included in this costing because the concessional loans provided under this proposal involve financial asset transactions. A note on the accounting treatment of concessional loans is included at Attachment B.

The Parliamentary Budget Office (PBO) has not made any assessment as to whether the specified funding for Component 1 would be sufficient to meet the objectives of the proposal.

Table 1: Delivering 100,000 homes and 5% deposits for all first home buyers – Financial implications ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-13.9	-205.2	-306.0	-315.3	**-840.4**
Underlying cash balance	-0.9	-135.3	-229.9	-277.6	**-643.7**
Headline cash balance	-0.9	-640.3	-981.9	-1,029.6	**-2,652.7**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are included in the totals.

This costing is highly sensitive to assumptions around interest rates, house price growth, default rates and take-up rates.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

Component 1 (100,000 Homes)

- The PBO has made the simplifying assumption that the $8 billion in equity and loans would be entirely comprised of zero interest loans.

Component 2 (5% Deposits)

- 73,000 places per year would be taken up under the First Home Guarantee from the beginning of the proposal.
  - The Regional First Home Buyer Guarantee will cease from 30 June 2025, as the scheme will no longer serve a purpose by reserving places for regional areas.
  - The additional places, above what would be expected in the absence of the proposal, were halved for 2025-26 to reflect the 1 January 2026 start date.

- From 2029-30, an additional 1,250 places per year would be taken up under the First Home Guarantee, as the Family Home Guarantee expires.
- The distribution of applicants by location would be unchanged from 2023-24.
  - There would continue to be no applicants from the Jervis Bay and Norfolk Island, and Christmas Island and Cocos Islands locations.
- The price of homes purchased under the program would grow in line with average weekly earnings, consistent with assumptions taken by the Australian Government Actuary in similar analysis.
  - Mortgage rates over the medium-term would be around 2% above the projected cash rate.
  - The cash rate is projected to follow 2025-26 Budget estimates up to 2028-29. Over the medium term, it is assumed to follow the projected 10-year bond rate less 74 basis points (the average historical spread) from 2029-30 onwards.
  - All applicants would have saved a 5% deposit, with the Commonwealth guaranteeing the remaining 15%.
- Default rates would average around 0.3% in the period that the guarantee applies, consistent with assumptions taken by the Australian Government Actuary in similar analysis.
- There would be an 18-month gap between when defaults occur and when guarantee payments are made by the Commonwealth.
  - Interest would accumulate on the loans during this period, but there would be no mortgage payments.
- Repossessed homes would be sold at a 20% discount on the sale price.
- Future losses would be discounted at a rate of around 4%.
- Departmental costs for Component 2 would be negligible.

Where possible, valuation assumptions have been aligned with those used by the Australian Government Actuary when valuing the Home Guarantee Scheme at Budget updates. Assumptions around changes in uptake under the proposal have been informed by current scheme data.

Methodology

In line with the PBO’s standard methodology for costings that impact the headline cash balance, PDI impacts have been included for all components of the proposal and all budget balances.

Component 1 (100,000 Homes)

The PBO used material supplied by the Treasury to inform the PBO’s estimates of the financial impact of this component.

Component 2 (5% Deposits)

Program data for 2023-24, supplied by Housing Australia, was used to inform the average property price and the number of guarantees issued by scheme, location, borrower type (single or joint borrower) and income range. Under current policy settings, the proportion of applicants in each of these categories was assumed to be unchanged over the medium term. Applicant incomes and property prices were grown as per *Key Assumptions*.

In the policy scenario, the distribution of property prices purchased under the scheme was modified to reflect the higher price caps and the removal of income caps.

House prices, loan balances, and loan defaults for each cohort of buyers under the scheme were projected forward over the lifetime of the loan guarantee as per *Key Assumptions*. Losses on defaults were calculated for each cohort, and future losses were discounted to calculate their present value.

Financial implications were rounded consistent with the PBO's rounding rules.[1]

Data sources

The Department of the Treasury provided economic parameters and valuation information for the Home Guarantee Scheme as at the 2025-26 Budget.

The Department of the Treasury provided estimates of the impact of the measure *Delivering 100,000 Homes and 5% Deposits for all First Home Buyers.*

Housing Australia provided a detailed breakdown of Home Guarantees issued in 2023-24.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

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[1] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Attachment A – Delivering 100,000 homes and 5% deposits for all first home buyers – Financial implications

Table A1: Delivering 100,000 homes and 5% deposits for all first home buyers – Fiscal balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Expenses													
Administered													
Component 1: 100,000 Homes	*-*	*-171.0*	*-235.0*	*-199.0*	*-273.0*	*-262.0*	*-336.0*	*-324.0*	*-398.0*	*128.0*	*71.0*	***-605.0***	***-1,999.0***
Component 2: 5% Deposits	*-13.0*	*-20.0*	*-21.8*	*-23.1*	*-27.9*	*-28.2*	*-28.4*	*-28.4*	*-28.3*	*-28.2*	*-28.2*	***-77.9***	***-275.5***
Total – administered	***-13.0***	***-191.0***	***-256.8***	***-222.1***	***-300.9***	***-290.2***	***-364.4***	***-352.4***	***-426.3***	***99.8***	***42.8***	***-682.9***	***-2,274.5***
Departmental													
Component 1: Treasury Departmental	*-0.9*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-*	*-*	***-1.5***	***-2.5***
Total – departmental	***-0.9***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-***	***-***	***-1.5***	***-2.5***
Total (excluding PDI)	**-13.9**	**-191.2**	**-257.0**	**-222.3**	**-301.1**	**-290.4**	**-364.6**	**-352.6**	**-426.5**	**99.8**	**42.8**	**-684.4**	**-2,277.0**
PDI impacts	***..***	***-14.0***	***-49.0***	***-93.0***	***-135.0***	***-170.0***	***-208.0***	***-249.0***	***-294.0***	***-300.0***	***-258.0***	***-156.0***	***-1,770.0***
Total (including PDI)	**-13.9**	**-205.2**	**-306.0**	**-315.3**	**-436.1**	**-460.4**	**-572.6**	**-601.6**	**-720.5**	**-200.2**	**-215.2**	**-840.4**	**-4,047.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A2: Delivering 100,000 homes and 5% deposits for all first home buyers – Underlying cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Payments													
Administered													
Component 1: 100,000 Homes	-	-125.0	-188.0	-188.0	-250.0	-250.0	-313.0	-313.0	-375.0	-	-	***-501.0***	***-2,002.0***
Component 2: 5% Deposits	-	-0.1	-1.7	-7.4	-15.9	-21.5	-23.6	-25.7	-27.8	-28.6	-28.7	***-9.2***	***-181.0***
Total – administered	**-**	***-125.1***	***-189.7***	***-195.4***	***-265.9***	***-271.5***	***-336.6***	***-338.7***	***-402.8***	***-28.6***	***-28.7***	***-510.2***	***-2,183.0***
Departmental													
Component 1: Treasury Departmental	-0.9	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-	-	***-1.5***	***-2.5***
Total – departmental	***-0.9***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	**-**	**-**	***-1.5***	***-2.5***
Total (excluding PDI)	**-0.9**	**-125.3**	**-189.9**	**-195.6**	**-266.1**	**-271.7**	**-336.8**	**-338.9**	**-403.0**	**-28.6**	**-28.7**	**-511.7**	**-2,185.5**
PDI impacts	**..**	***-10.0***	***-40.0***	***-82.0***	***-125.0***	***-161.0***	***-198.0***	***-239.0***	***-283.0***	***-299.0***	***-269.0***	***-132.0***	***-1,706.0***
Total (including PDI)	**-0.9**	**-135.3**	**-229.9**	**-277.6**	**-391.1**	**-432.7**	**-534.8**	**-577.9**	**-686.0**	**-327.6**	**-297.7**	**-643.7**	**-3,891.5**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A3: Delivering 100,000 homes and 5% deposits for all first home buyers – Headline cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Payments													
Administered													
Component 1: 100,000 Homes	-	*-630.0*	*-940.0*	*-940.0*	*-750.0*	*-500.0*	*-810.0*	*-560.0*	*-880.0*	*1,250.0*	*1,250.0*	***-2,510.0***	***-3,510.0***
Component 2: 5% Deposits	-	*-0.1*	*-1.7*	*-7.4*	*-15.9*	*-21.5*	*-23.6*	*-25.7*	*-27.8*	*-28.6*	*-28.7*	***-9.2***	***-181.0***
Total – administered	**-**	***-630.1***	***-941.7***	***-947.4***	***-765.9***	***-521.5***	***-833.6***	***-585.7***	***-907.8***	***1,221.4***	***1,221.3***	***-2,519.2***	***-3,691.0***
Departmental													
Component 1: Treasury Departmental	*-0.9*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	*-0.2*	-	-	***-1.5***	***-2.5***
Total – departmental	***-0.9***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	***-0.2***	**-**	**-**	***-1.5***	***-2.5***
Total (excluding PDI)	**-0.9**	**-630.3**	**-941.9**	**-947.6**	**-766.1**	**-521.7**	**-833.8**	**-585.9**	**-908.0**	**1,221.4**	**1,221.3**	**-2,520.7**	**-3,693.5**
PDI impacts	**..**	***-10.0***	***-40.0***	***-82.0***	***-125.0***	***-161.0***	***-198.0***	***-239.0***	***-283.0***	***-299.0***	***-269.0***	***-132.0***	***-1,706.0***
Total (including PDI)	**-0.9**	**-640.3**	**-981.9**	**-1,029.6**	**-891.1**	**-682.7**	**-1,031.8**	**-824.9**	**-1,191.0**	**922.4**	**952.3**	**-2,652.7**	**-5,399.5**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

.. Not zero but rounded to zero.

\- Indicates nil.

Attachment B - Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Commonwealth.

Budget impact[2]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance (UCB) only captures actual flows of interest related to the loans. The headline cash balance (HCB) captures actual flows of principal as well as interest. The fiscal balance (FB) captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[3] Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Australian Government's net worth if the liabilities issued (the value of Commonwealth Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

The UCB and HCB do not capture the impact on net worth of loans that are not expected to be repaid. Where debt is forgiven and this is communicated to the borrower, the write-off is considered to be a transaction and included in the FB. Where the borrower still has an obligation to repay, but the Government makes an assessment that a portion of loans are not expected to be repaid, this is classified as a unilateral write-down. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows' which are reflected in net worth, but not in the FB, UCB or HCB.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur. An assessment by the Government that a loan (apart from HELP loans) will not be fully repaid is an 'other economic flow', not included in the FB.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[2] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

[3] This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.