



JUNE, 2026

What it actually costs to own a home

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The real annual cost of homeownership goes well beyond the mortgage, and it can add up faster than you think.



STORY GEORGIA MADDEN

own a home

Owning a home is the great Australian dream – a place to settle, build equity and, over time, grow wealth. But what is that dream actually costing you each year – and can you make it work harder?

Mortgage payments are only part of the picture. “People tend to underestimate the other costs, such as utilities, rates, strata and insurance,” says Nicola Beswick, managing principal and founder of White Rabbit Advisory.

“For many Australians, owning a home typically costs around \$25,000 to \$45,000 per year, including the mortgage and other running costs,” says James Hayes, financial adviser at Southern Advisory. For newer borrowers, it’s a different story. “If you’re carrying a sizeable loan, the real cost is higher than most people expect – closer to \$55,000 to \$70,000-plus per year,” he says.

Mortgage

Mortgage repayments are the biggest and most visible cost of owning a home, but not all of that payment is building equity. In the early years, in particular, a large share goes towards interest.

“First-home buyers are typically borrowing around \$600,000 to \$610,000, while second-home buyers are closer to \$730,000 to \$740,000,” says Mark Polatkesen, managing director of Mortgage Domayne. “Repayments are around \$3580 per month for first-home buyers and about \$4350 per month for upgraders.”

What many borrowers don’t realise is how front-loaded those costs are. “Based on a \$610,000 loan

and a repayment of \$3600 per month, about \$2950 would go towards interest. In the first five years, you could pay more than \$170,000 in interest and less than \$50,000 off the principal,” he says.

Small rate changes can have a big impact. “A 1% increase can add close to \$400 a month on a typical loan and roughly \$100,000 over the life of the mortgage,” he says.

This is also where some of the biggest savings opportunities lie. On an \$800,000 mortgage, repayments can be around \$50,000 to \$55,000 per year. Reducing your interest costs by 10% to 20% – through offsetting or refinancing – can save \$5000 to \$10,000 a year, or well over \$100,000 across the life of the loan, says Hayes.

“The biggest lever is still interest – small changes here have an outsized impact,” he says. “Many borrowers are sitting 0.5% to 1% above market rates without realising it.”

Refinancing or actively using an offset account can materially reduce costs without affecting your lifestyle. “Even holding \$20,000 to \$50,000 in offset can reduce interest significantly over time. This isn’t about cutting coffees – it’s about optimising the structure of the loan,” he says. ▶

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Insurance

Insurance is often treated as a box-ticking exercise, but it's one of the most important financial safeguards homeowners have - and one of the easiest to get wrong.

"Building insurance typically costs Australian homeowners between \$1500 and \$3500 per year," says Antony Selby, CFP® and senior adviser at Financial Spectrum. "In higher risk areas, some homeowners pay \$5000 to \$10,000 or more."

"Contents cover generally adds around \$300 to \$800 annually," he says, bringing combined costs to roughly \$2000 to \$4000 per year for many households.

The bigger issue is not just cost, but adequacy. "Being underinsured is one of the most common and quietly devastating financial mistakes property owners make," says Scott O'Neill, founder and chief executive of buyers agency Rethink Investing.

A common trap is insuring based on market value rather than rebuild cost. With construction costs rising sharply, that gap can leave you significantly exposed. "Market value and replacement cost are two very different numbers, and confusing them is where most people come unstuck," he says.

Reviewing cover regularly is one of the simplest ways to avoid this. O'Neill recommends updating your sum insured each year and ensuring policies

As a rule of thumb, homeowners should set aside around 1% to 3% of their property value annually for general maintenance and repairs.

account for the full cost of rebuilding, including demolition, debris removal, professional fees and realistic construction timelines.

For greater accuracy, a formal replacement-cost assessment from a qualified quantity surveyor can help ensure your cover reflects current conditions, rather than relying on default insurer estimates set at the time of purchase.

Energy

Energy is one of the most variable - and increasingly expensive - costs of running a home.

Australian households typically spend about \$2000 to \$3000 a year on energy, depending on home size, location and usage. But in less efficient homes that can be thousands more each year.

Poor insulation, draughts, older appliances and inefficient heating and cooling systems all add up. "The starting point is an efficient home - sealing gaps, glazing, insulation," says Finn Peacock, an electrical engineer and founder of SolarQuotes. If your home is leaking heat in winter or letting it in during summer, you're effectively paying to heat or cool the outdoors.

Heating and cooling are typically the biggest drivers of energy bills, so improving how a home retains and manages temperature can deliver immediate savings without major upfront costs.

From there, solar is often the next step. A standard system typically costs about \$8000 to \$10,000, with batteries increasing that to \$16,000 to \$20,000. Payback periods can be relatively short - around four years for solar alone - depending on usage and location.

The key is matching the system to your household's energy profile. That's where you start to see meaningful reductions in your ongoing bills.

"Zero-dollar electricity bills are possible, but only when the system is properly designed and matched to household usage," says Peacock.

4 million

The number of homes with solar panels in Australia, equating to approximately one in three households nationwide.

Source: Australian Bureau of Statistics





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Maintenance

Maintenance is where the real, ongoing cost of owning a home starts to show.

“As a rule of thumb, homeowners should set aside around 1% to 3% of their property value annually for general maintenance and repairs,” says Nathaniel Smith, a licensed NSW plumber and CEO of the Master Plumbers Association of NSW. On a \$1 million home, that’s \$10,000 to \$30,000 a year – not just for major issues, but for the steady, ongoing work required to keep a home functioning properly.

“Typically, more than half the cost of major repairs can be avoided with proper maintenance,” says Joe Rantino, director of Gladesville Plumbing Services. Small issues, such as leaks, blocked gutters and ageing systems, can escalate fast if left unchecked.

Plumbing is one of the most common – and costly – problem areas. “It can account for 10% to 20% of annual maintenance spend, and costs can escalate quickly if issues are ignored. A burst pipe can cost anywhere from \$2000 to \$10,000, while major sewer repairs can exceed \$20,000,” says Smith.

Many of the most expensive problems start small. “A minor grout repair is relatively inexpensive if addressed early,” says Rebecca Cardamone, property developer and director of iSubdivide. “Left too long, it can lead to water penetration and require full re-waterproofing, which can cost thousands.”

Less visible issues can be just as costly. Structural movement or slab issues might not be apparent until damage is advanced, while opening walls in older homes can reveal asbestos, adding thousands to renovation costs.

Even routine systems need attention. Hot water systems typically last seven to 15 years, but regular servicing at about \$400 to \$550 can extend their lifespan and delay replacement, which ranges between \$1000 and \$10,000, says Rantino.

The message is clear: staying on top of maintenance is far cheaper than reacting to problems after the fact. “Fixing a plumbing issue after a failure can cost three to 10 times as much as preventative maintenance,” says Smith.

Fortunately, many of these measures are low cost.

“The biggest priorities are electrical, gas, roofing and plumbing systems,” says Cardamone. “These can cause the most serious problems if left unchecked, yet maintenance is relatively inexpensive.”

Simple checks can go a long way. “Regularly checking water and gas meters for unexpected movement, and keeping gutters and downpipes clear can prevent major issues,” says Rantino.

Cardamone also points to everyday upkeep. “Checking grout, inspecting hoses, clearing gutters and maintaining stormwater pits can prevent major damage.” ▶





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Rates

Council rates and water charges are unavoidable and often underestimated. Unlike a mortgage, they don't reduce over time, but typically increase gradually alongside property values and council budgets.

"Council rates vary significantly by location and property value, but most Australian homeowners pay between \$1200 and \$2500 per year, while water and sewerage generally cost between \$800 and \$1500," says Selby.

Unlike many other household expenses, these costs are largely outside your control, which makes planning for them even more important.

Strata

For apartment owners, strata or body corporate fees add another layer of ongoing cost – one that looks very different depending on the building.

"Annual strata fees typically range from \$2000 to \$6000 for low-rise apartments and townhouses," says Selby. "In high-rise or luxury buildings that can increase to \$6000 to \$20,000 or more."

These fees cover building insurance, common-area maintenance, management costs and contributions to long-term repair funds, but they don't include internal repairs or utilities.

Special levies can also be issued for major works, often with little notice, which is why reviewing a building's sinking fund and financial history before buying is critical.

Tax reality

For owner-occupiers, the tax system also shapes the true cost of ownership. Unlike investors, homeowners cannot deduct interest or running costs, meaning all expenses are paid from after-tax income. "Homeowners are paying their mortgage with after-tax dollars, which makes the real cost higher than it appears," says Hayes.

This is often referred to as tax leakage – a hidden cost that can significantly affect long-term wealth. While the capital gains tax exemption on a family home remains a major benefit, its value depends on how much the property appreciates over time.

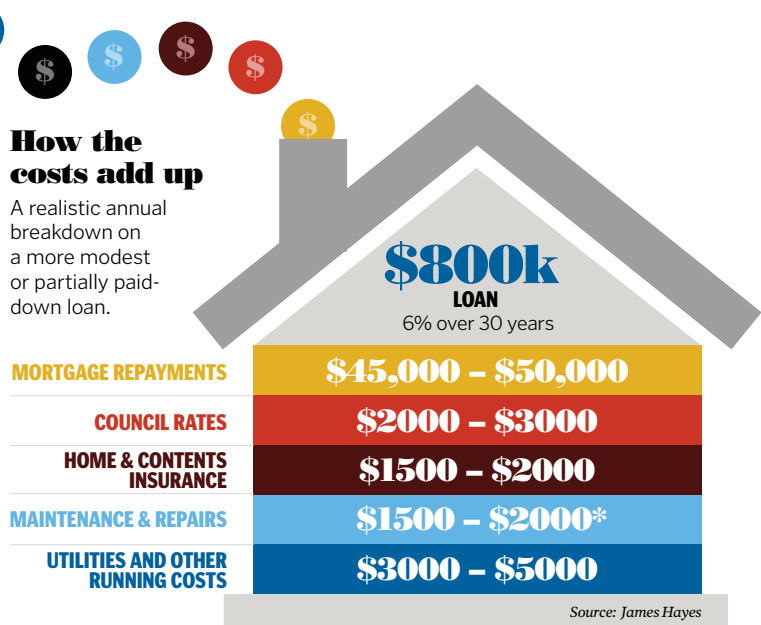
Opportunity cost

Some of the biggest costs of homeownership aren't the ones that show up in a monthly budget. Opportunity cost – what your money could be doing elsewhere – is one of the most significant.

"By putting money into your home, you're potentially giving up the chance to invest it elsewhere," says Hayes.

How the costs add up

A realistic annual breakdown on a more modest or partially paid-down loan.



*Note: Nathaniel Smith says you should set aside 1% to 3% of a property's value annually for general maintenance and repairs, which is \$10,000–\$30,000 on a \$1 million home.

"If you put an extra \$200,000 into your home loan, that money might save you interest at around 6%," he says. "But if that same money was invested and earned, say, 8% over the long term, you're potentially giving up the difference. Over time, that gap can compound into hundreds of thousands of dollars. So while paying down your home feels safe, the trade-off is you may be slowing down your overall wealth creation."

Lifestyle creep

Not all costs are unavoidable. Many come down to choices around size, upgrades and how you live.

Overhousing or buying more property than you need is one of the most common ways costs creep up over time. "A home that is 30% larger than you need adds 30% more across rates, insurance, utilities and maintenance," says O'Neill. "On a premium property, that can easily add \$15,000 to \$25,000 per year in unnecessary holding costs, while tying up significantly more capital than the lifestyle requires."

It's not just size. Features like pools, large gardens or underused living areas can all add to running costs without delivering ongoing value. Heating and cooling unused rooms, maintaining gardens and furnishing extra space all contribute to higher annual outgoings.

Renovations can have a similar effect. While they can improve how a home looks and feels, they don't always translate into financial return.



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“The test is simple – research comparable sales in your immediate street and suburb at the level you’re renovating to,” says O’Neill. If the market ceiling doesn’t support the value you’re aiming for, the renovation is more about lifestyle than return and should be budgeted accordingly.

Speaking to a local agent before committing to a renovation can help avoid costly missteps. “A good agent will tell you exactly which improvements the market pays for and which ones it does not,” he says.

Location

A cheaper home further out isn’t always cheaper to live in. “The headline price is only part of the story,” says Selby. “Buyers who stretch to an outer suburb for affordability often underestimate other lifestyle costs: a two-car household instead of one and longer commutes adding fuel and tolls – that’s easily \$3000 to \$6000 per car per year. Then there’s the hidden cost of time; a 90-minute daily commute can add up to around 300 hours a year.

“Access to childcare and schools may be limited, requiring private care or long travel.

Home maintenance on a larger block also costs more to maintain. Over a decade, these factors can easily outpace the initial savings on purchase price,” he says.

Moving costs

While they’re not part of annual expenses, upfront costs can be substantial. Stamp duty alone can be significant. On a \$1.2 million home, buyers might pay \$40,000 to \$60,000 upfront – a cost that needs to be recovered before any real return is made.

For those who move frequently, these costs can quietly erode long-term gains.

“A single move can cost more than most expect,” says Selby. “The combined cost of buying and selling typically consumes around 4% to 6% of a property’s value each time. On a \$900,000 home, that’s \$36,000 to \$54,000 in transaction costs alone.”

Stamp duty, agent fees, legal costs and moving expenses can quickly run into tens of thousands.

“All up, a single move can cost \$60,000 to \$100,000 on a mid-range property – and more at higher price points,” he says. ■

