



Not for broadcast or publication before 00:01 Hrs Saturday 6 August 2011

The **Halifax First Time Buyer Review** tracks housing affordability in nearly 250 local authority districts (including 31 London boroughs) across the UK. **A local authority district (LAD) is classified as affordable if the average house price for a FTB is lower than the price someone on average earnings in the area can pay based on the historical average house price to income ratio of 4.0** (see Editors' Notes for details). The calculation is based on a single income and is, therefore, conservative. The review is based on data from the Halifax's own extensive housing statistics database, along with data from the Council of Mortgage Lenders, the Office for National Statistics and the Department for Communities and Local Government. Halifax is the UK's biggest provider of FTB mortgages.

Number of towns affordable to first time buyers is at its highest since 2003

The proportion of towns and cities across the UK that are affordable for first-time buyers has risen to its highest level since 2003, according to the latest Halifax First Time Buyer Review.

The average house price paid by a first time buyer in June 2011 was affordable for someone on average earnings in 48% of all local authority districts (LADs). This is the highest proportion of housing affordable for first time buyers in eight years, and compares with 40% in 2010 and just 6% in 2007.

North-South divide in the most affordable areas for FTBs

80% of all LADs in the North of the UK¹ are affordable for first-time buyers: ten times the proportion of affordable areas in the South² (8%). The North East is the only UK region where all LADs are affordable for FTBs. In contrast, London is the only region with no affordable areas for first time buyers on average earnings.

But the number of FTBs entering the market remains constrained...

Despite the improvement in affordability, the number of FTBs has decreased slightly over the past year in line with the market. Halifax estimates that there were around 86,000 first-time buyers in the first half of 2011: a fall of 10% from the same period in 2010 and close to half the number in the first six months of 2007 (181,500).

...driven by the need to put down an average deposit of over £27,000...

FTBs put down an average deposit of £27,719 in the first half of 2011, equivalent to 21% of the property price. There are signs that more products for buyers with smaller deposits are being made available. This is partly reflected in an 8% fall in the average deposit from £30,251 since the same period in 2010.

... amidst significant pessimism over the likelihood of getting a mortgage

Halifax's recent Generation Rent report³ revealed that many potential FTBs have given up on the possibility of getting on the housing ladder. 77% of non-homeowners still aspire to own their own home, but half (46%) believe that Britain is becoming a nation of renters because of the obstacles facing first

time buyers. 55% believe first time buyers are too scared of being turned down to apply, despite the fact that Halifax accepts 8 out of 10 mortgage applications from first time buyers.

Suren Thiru, housing economist at Halifax, commented:

"It is encouraging that housing affordability for first time buyers in general has improved significantly over recent years, as a consequence of the marked falls in both house prices and interest rates since 2007. However, there is a distinct North-South divide within this improvement as the majority of affordable areas are in the North."

Halifax continues to respond to constrained FTB market...

Halifax announced in June that it would launch its **First Time Buyer Pledge** with the aim of educating customers on what they should expect from the mortgage application process and dispelling some of the fears and misconceptions that has led many to give up on their dream of owning a home altogether.

Stephen Noakes, Commercial Director, Halifax Mortgages, commented:

"The significant challenges in raising a deposit and widespread pessimism about the chances of being accepted for a mortgage are clearly preventing some potential first time buyers from even attempting to get on the ladder. However, at Halifax we accept 8 out of 10 first time buyer applications and, as these latest figures show, there are opportunities for those who do want to buy their first home. The key is to provide more information, more education, and more help for non-homeowners in order for them to make the most of those opportunities: it is with this intention that we have launched the Halifax First Time Buyer Pledge".

The Halifax First Time Buyer Pledge has four declarations:

- We'll let you know the criteria we'll use to assess your application
- We will provide a personalised mortgage promise for how much we can lend you, without leaving a lasting record on your credit profile
- If your application is unsuccessful, we'll help you understand why
- Whether your application is successful or not, we will provide you with an action plan to move forward.

In order to support that Pledge, Halifax will be rolling out a spate of new initiatives over the coming months in order to better inform and support first-time buyers who want to get on the ladder, but who are afraid of doing so⁴.

ADDITIONAL KEY FINDINGS

House Prices

- **Nationally, the average house price paid by a first time buyer has fallen by 4.1% (£5,732) over the past year from £140,883 to £135,091.**
- **Over the past decade, FTB property prices have risen by 76% from £76,855 in 2001 to £135,091.**

Deposits and Advances

- **The average FTB deposit in the first six months of 2011 was £27,719.** This was more than double the average of £12,874 in 2001.
- **FTBs in the capital put down the largest average deposit - £57,579 - 24% of the property value.** In contrast, FTBs in the North put down the smallest average deposit - £15,966 - 16% of the property value.
- **The average mortgage advance is £107,371;** down 3% on a year ago but up by 68% (£43,390) compared with a decade ago.

Age

- **The average age of an FTB is 29 years old.** FTBs in Yorkshire and Humber and Wales are, on average, the youngest at 27 year olds. Regionally, the average age of an FTB is highest in London, at 31.
- **An increasing number of FTBs require financial assistance to raise funds for a deposit.** The CML estimate that 84% of FTBs under 30 had help with their deposit in 2010 compared with 38% in 2005. The typical age of those FTBs who did not receive assistance increased from 28 to 31 over the same period.

Mortgage Affordability

The proportion of disposable earnings devoted to mortgage payments by a potential new first time buyer stood at 27% in 2011 Quarter 2; almost half of the peak level of 50% in September 2007 and below the long term average (34%).

Stamp Duty

- **95% of FTBs were exempt from paying stamp duty** during the first half of 2011.
- Nearly four in ten (38%) FTBs have not paid any stamp duty as a consequence of the temporary increase in the threshold for FTBs from £125,000 to £250,000.
- Those getting onto the property ladder in the South East have benefited most from the change in the threshold with 73% of FTBs in the region exempt from paying stamp duty as a result of the temporary increase.

EDITORS' NOTES:

¹Consists of the North East, North West, Yorkshire & the Humber, East Midlands, West Midlands, Scotland, Wales and Northern Ireland.

²Consists of Greater London, South East, South West and East of England.

³Online survey commissioned by Halifax and undertaken by Populus amongst 8,000 people aged 20-45 in Great Britain between 1st and 10th April 2011. Results were weighted to be nationally representative of the British population within these ages. Populus survey analysed and report produced by the National Centre for Social Research in May 2011. Survey design was influenced by 4 research focus groups with first time buyers run by Halifax in Manchester and London in March 2011. The term Generation Rent referred to 64% of non homeowners who had exploded themselves from the possibility of home ownership: either they cannot get on the ladder (40% of none homeowners) or they do not wish to own their own home (23% of non homeowners).

⁴ Amongst other initiatives, the Halifax First Time Buyer Pledge will be supported by:

- a new First Time Buyer Guide to the Application Process online and in branches
- implementation of a new mortgage after-care process in branch, where customers will be provided with a checklist of actions to more specifically guide them through their best next steps, whether they have been declined or not

THE AFFORDABILITY CALCULATION:

A local authority (LA) is classified as affordable if the average house price for a First-time Buyer (FTB) in the LA is **lower** than someone on average earnings in the area can pay. Gross average annual earnings for the LA are multiplied by 4.0 to calculate the amount that someone on average earnings could 'afford' to pay. For example, if average earnings in the LA are £30,000, someone on average earnings in the area could pay up to £120,000. The LA is deemed to be affordable if the average price paid by a FTB in the LA is less than £120,000 and unaffordable if it is higher.

The multiple of 4.0 is in line with the average house price to income ratio for a FTB over the past 20 years (1991-2011). (Source: Halifax).

DATA SOURCES:

This research is based on data from the Halifax's own extensive housing statistics database and ONS data on average earnings.

1. House Prices

The prices used in this research are simple arithmetic ('crude') averages. These prices are not standardised and therefore can be affected by changes in the sample from period to period.

2. Average Earnings

Average earnings figures are from the ONS's "Annual Survey of Hours and Earnings" (ASHE) and refer to the means for full-time employees.

Halifax is part of the Lloyds Banking Group

Tel: 01422 333829 Fax 01422 333007

Website: <http://www.lloydsbankinggroup.com/media.asp>

At local authority level, figures for the relevant local authority (residence based) are used in the majority of cases. Where this has not been possible due to data unavailability, the relevant *regional* average has been used.

Ends

Table 1: % of affordable LADs for First Time Buyers by Region, 2007-2011*

	2007		2010		2011	
	Affordable	Unaffordable	Affordable	Unaffordable	Affordable	Unaffordable
	%		%		%	
North	0%	100%	83%	17%	100%	0%
Wales	0%	100%	71%	29%	93%	7%
North West	4%	96%	81%	19%	92%	8%
Yorkshire and The Humber	0%	100%	81%	19%	88%	13%
East Midlands	17%	83%	61%	39%	78%	22%
Scotland	38%	62%	85%	15%	77%	23%
West Midlands	0%	100%	21%	79%	37%	63%
East of England	0%	100%	10%	90%	20%	80%
South West	0%	100%	8%	92%	8%	92%
South East	0%	100%	0%	100%	3%	97%
London	0%	100%	0%	100%	0%	100%
United Kingdom	6%	94%	40%	60%	48%	52%

Source: Halifax

Northern Ireland has been excluded from the regional analysis

*All years refer to 12 months to June

Table 2: Number of First Time buyers - UK

	Number of First Time Buyers	Annual % Change
2001 H1	245,900	
2002 H1	244,700	0%
2003 H1	175,200	-28%
2004 H1	184,200	5%
2005 H1	160,000	-13%
2006 H1	190,900	19%
2007 H1	181,500	-5%
2008 H1	109,300	-40%
2009 H1	72,700	-33%
2010 H1	95,300	31%
2011 H1*	85,864	-10%

Source: CML

*Halifax estimate

Table 3: First Time Buyer: Average Price, Loan and Deposit by Region, 2011 Jan-June

	Average House Price (£s)	Average Mortgage Advance (£s)	Average Deposit (£s)	Deposit as % of purchase price
North	96,570	80,604	15,966	17%
Yorkshire and the Humber	104,996	85,758	19,237	18%
North West	106,808	86,635	20,173	19%
East Midlands	109,339	89,512	19,826	18%
West Midlands	116,982	93,942	23,040	20%
East Anglia	130,705	104,556	26,149	20%
Wales	103,775	85,536	18,238	18%
South West	143,200	110,122	33,079	23%
South East	172,333	136,158	36,175	21%
Greater London	237,739	180,159	57,579	24%
Northern Ireland	95,566	76,735	18,831	20%
Scotland	105,070	85,641	19,429	18%
UK	135,091	107,371	27,719	21%

Source: Halifax

Table 4: Stamp Duty - First-Time Buyer Purchases by Stamp Duty Thresholds by Region, 2011 Jan-June

% of Properties by Stamp Duty Thresholds				
	<£125k	<£250k	£125k-£250k	>£250k
North	84%	100%	16%	0%
Yorkshire and the Humber	78%	99%	21%	1%
North West	77%	99%	23%	1%
East Midlands	76%	99%	23%	1%
West Midlands	68%	99%	31%	1%
East Anglia	53%	98%	44%	2%
Wales	79%	100%	20%	0%
South West	39%	97%	58%	3%
South East	20%	93%	73%	7%
Greater London	5%	73%	69%	27%
Northern Ireland	83%	99%	16%	1%
Scotland	77%	99%	22%	1%
United Kingdom	57%	95%	38%	5%

Source: Halifax

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or

Halifax is part of the Lloyds Banking Group

Tel: 01422 333829 Fax 01422 333007

Website: <http://www.lloydsbankinggroup.com/media.asp>

persons making such reliance. "

For further information please contact:

Helpline No 08456 045404

Email housingeconomics@lloydsbanking.com

Press Office Contacts:

Nick Osbourne Tel: 0207 356 1714 Mobile: 07872 819 065

Emma Partridge Tel: 01902 325 180 Mobile: 07824 471 951