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In 2011, Halifax and the NatCen Social Research conducted the largest study into the attitudes and behaviour of young people towards homeownership since the credit crunch. It found that many predict Britain would become a nation of renters within a generation. Twelve months on Halifax and NatCen Social Research review a follow on study, speaking to 8,042 20-45 year olds and 1000 parents with children aged between 20 -45.

Bank of Mum and Dad burdened by Generation Rent and worry for their financial future

The struggles facing young people as they try to get onto the property ladder are impacting the financial future of their parents and families. In-depth research conducted by Halifax, the UK's largest first time buyer lender, and the NatCen Social Research shows:

- Half of 20-45 year olds think that Britain will become a nation of renters within a generation
- The reliance on the Bank of Mum and Dad leaves a third of parents concerned for their own financial future
- Just 14% of non homeowners between 20-45 years old are actively saving for a deposit
- Only 8% of parents believe first time buyers should borrow money for a deposit, yet 44% have, or have plans to contribute an average of £12,800¹
- 24% of parents have had their children move back home as adults due to the current market

Stephen Noakes, Mortgage Director at Halifax, commented: "Our research shows that one year on, young people are still downbeat about their chances of owning a home, and we're also seeing the impact this has on their parents' financial future. Parents think that their kids could make cutbacks on holidays and going out in order to save for a deposit. However, despite concern for their own financial future, parents continue to stump up a contribution or welcome their children back to the nest to allow them to save.

Alison Park, Head of Society & Social Change at NatCen Social Research, says: "Parents are not very keen on their children borrowing money from family and friends as a way of contributing towards a deposit, while younger generations are much more accepting. Both generations make similar sacrifices to buy their first home, but today's young people are looking more and more towards their family for support."

Support for home-ownership...but expectation of Generation Rent

Just over half (54%) of 20-45 year olds believe that Britain should remain a nation of homeowners, with an overwhelming 78% agreeing that it is a good financial investment. However, despite this, of the 8,042 20-45 year olds questioned:

- 25% do not want to own a home (an increase of two percentage points on 2011)
- Two in five (40%) would like to buy a home but do not believe they will ever be able to

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- Just 31% have a serious intention to buy within the next five years
- 50% believe Britain will become a nation of renters within a Generation (up four percentage points since 2011).

Deposit continues to be the biggest hurdle

The size of a deposit, high house prices and job security are the top three barriers to home ownership according to Generation Rent. In addition, 91% of parents believe that the current UK economy is discouraging first time buyers (FTB) from buying a property, in line with 87% of 20-45 year olds who fear that it is a risk to buy a home in today's economy.

Whilst the average FTB deposit in today's market stands at £24,647ⁱⁱ, the research found that:

- 26% have savings of less than £3,000 and 35% have no savings at all
- On average, people aged between 20 and 45 who have savings have an average of £9,420
- Men have twice as much saved up as their female counterparts (£12,550 compared to £6,380).

However, 80% admitted to spending money they could otherwise be saving for a deposit. More than a third (35%) spent this money on eating out, followed by clothing (32%) and holidays (31%).

Alongside eliminating stamp duty for first time buyers (38%), the Government's NewBuy scheme (32%) are cited as the policies which are most likely to encourage those 20-45 year olds get on the property ladder.

Generational shift in spending and saving

Nearly a quarter (23%) of 20-45 year olds are relying on money borrowed from friends and family to get on the property ladder compared to 11% of their parents' generation. However, just 8% of parents feel that 20-45 year olds should be borrowing money for this purpose. 79% of parents believe the younger generation should instead go on fewer or cheaper holidays and 77% say the younger generation should cut down on going out in order to save for a deposit.

Notably, although a quarter of today's generation stay at home in order to save for a deposit, just 16% of their parents' generation did the same.

Parents digging deep

Over a third (38%) of parents have made financial contributions to help their offspring get on the property ladder. The total amount of money family members are giving or lending to children has been estimated to have increased by 31% to an average of £12,846 in the past five years.ⁱⁱⁱ

This support manifests itself in various ways:

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- 26% have already contributed to a deposit and a further 19% expect to do in the future
- 31% of parents are dipping into their savings and 14% have given their child some or all of their inheritance early
- 6% contribute to monthly mortgage payments or expect to do so in the future
- 24% of parents have revealed that their children have at some point moved back in with them as a result of not being able to buy their own property

Mortgage application process still deterring buyers

Parents are even more pessimistic than their children about the mortgage application process, with 66% and 60% respectively believing that it's very hard or virtually impossible to get a mortgage. However, just 39% of parents think that this puts people off from applying, compared to 61% of 20-45 year olds.

Nearly three in five (59%) potential homeowners believe that lenders accept less than 40% of mortgage applications.

Stephen Noakes explains: "Despite the launch of various initiatives to support first time buyers such as NewBuy, both young people and their parents share a view that it is difficult, or even impossible, for first time buyers to get a mortgage, which this is clearly a point we need to continue to address. The reality is we continue to approve eight out of 10 first time buyer applications, more than double the amount that people expect us to."

Notes to the editor:

- More than 8 out of 10 first time buyers that applied for a Halifax mortgage in 2011 were accepted.
- Over 11% of declined FTB have used the **Halifax/Experian Credit Expert service** since its launch last year. Providing customers unlimited access to their personal Experian credit report, with experts on hand to provide support and advice on what's impacting their score and advice on steps to improve their credit profile.
- **Halifax first time buyer pledges**
 - To publish details of the criteria upon which your application is assessed
 - Provide a personalised promise on how much we can lend you, without leaving a lasting record on your credit profile
 - Provide an action plan for you to move forward, whether your application is successful or not
 - help you to understand the reasons why, if your application is not successful
- A guide to the application process that simply shows potential FTBs what we look at when an application is assessed and how they can improve their chances of being successful. <http://www.halifax.co.uk/mortgages/first-time-buyers>

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References:

ⁱ http://reference.scottishwidows.co.uk/docs/04_12_protection_report.pdf

ⁱⁱ http://reference.scottishwidows.co.uk/docs/04_12_protection_report.pdf

ⁱⁱⁱ CML/Halifax data: Average first time buyer deposit – May 2012

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