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First-time buyer numbers at highest since 2007

****But still nearly 50% lower than in 2006****

There was an estimated 12% increase in the number of first-time buyers in 2012, according to this year's annual Halifax First-Time Buyer Review. There were around 216,000 first-time buyers (FTBs) in 2012, up from 193,000 in 2011. Whilst this was the highest annual total since 2007, it was still nearly 50% lower than in 2006 (402,800). FTB numbers increased by more than the total number of house purchasers¹, increasing their share from 38% in 2011 to 40% in 2012. (See Table 1)

Affordability for first-time buyers remains close to its most favourable level since 2003. The average house price paid by a first-time buyer in November 2012 was affordable for someone on average earnings – based on the ratio of the average house price to earnings being below the long-term average of 4.0 – in 39% of all local authority districts (LADs) in the UK. This compares with just 5% at the peak of the housing market in 2007, but is marginally lower than in 2011 (40%) due to a modest increase in the average price paid by FTBs in 2012. (See Table 2)

Mortgage affordability has also much improved in recent years. The proportion of disposable earnings devoted to mortgage payments by a new first-time buyer stood at 27% in 2012 Quarter 3; more than half of the peak level of 50% in Q2 2007 and comfortably below the long-term average of 34%².

Nationally, the average house price paid by a FTB in 2012 was £139,921; an increase of 3% on £136,195 in 2011.

Over half (55%) of all FTB purchases in 2012 were below the £125,000 stamp duty threshold. Almost four in ten (38%) properties bought by FTBs were priced between £125,000 and £250,000 and would have been exempt from stamp duty if the temporary increase in the starting threshold had been in place for the entire year. The overwhelming majority (96%) of FTBs in London bought homes above the £125,000 threshold. (See Table 3)

Martin Ellis, housing economist at Halifax, commented:

“The number of first-time buyers has risen to a five year high, boosted by the improvement in affordability resulting from the reductions in both house prices and mortgage rates in recent years. Conditions for potential first-time buyers, however, remain very difficult with problems raising the necessary deposit and concerns over the economic climate continuing to prevent many from entering the market. Despite some positive steps with schemes such as NewBuy, the numbers of those buying their first home remain low by recent historical standards”

ADDITIONAL KEY FINDINGS

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Affordability

- 95% of all the UK LADs that are affordable for first-time buyers (FTBs) are in the North³ compared with just 5% in the South⁴. 70% of areas in the North are affordable against only 4% in the South.
- Eight of the 10 most affordable LADs for a FTB are in Scotland. Stirling is the most affordable with an average property price that is 2.57 times gross average annual earnings. (See Table 4)
- Eight of the 10 most affordable LADs for a FTB in England and Wales are in northern England with the other two in Wales. Hartlepool is the most affordable in England and Wales with an average property price that is 2.91 times gross average annual earnings. (See Table 5)
- Nine of the 10 least affordable LADs are in the capital. The least affordable is Camden where the average FTB property price is 9.02 times gross average earnings in the area. (See Table 6)

Deposits

- The average FTB deposit in 2012 stood at £27,984; slightly higher than in 2011 (£27,239) and £10,502 (60%) higher than in 2007 (£17,482). As a proportion of the purchase price, the average deposit has increased from 10% in 2007 to 20% in 2012. (See Table 6)
- FTBs in Greater London put down the largest average deposit, at £62,356. FTBs in the North put down the smallest average deposit, at £14,936.

Prices

- The average price paid by a FTB is highest in Greater London (£251,096); more than two and a half times that in the North (£99,506) where the average price paid by a FTB is the lowest. (See Table 7)

Age

- The average age of a FTB is 30 years old; up from 29 in 2011. The average age of a FTB is highest in London, at 32 years old.
- There has been a significant increase in the proportion of FTBs receiving financial help in recent years. The CML estimate that 65% of FTBs had financial assistance in mid 2012 compared with 31% in mid-2005.

Table 1: Number of First-Time Buyers – UK

	Number of First-Time Buyers	Annual % change	FTBs as % of all House Purchases Loans
2002	531,800		38%
2003	369,600	-31%	30%
2004	358,100	-3%	29%
2005	363,800	2%	37%

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2006	402,800	11%	36%
2007	359,900	-11%	36%
2008	192,300	-47%	37%
2009	196,600	2%	38%
2010	198,600	1%	37%
2011	193,000	-3%	38%
2012*	216,000	12%	40%

Source: CML

*Halifax estimate

Table 2: % of affordable LADs for First-Time Buyers by Region, 2007 and 2012*

	2007		2012	
	Affordable	Unaffordable	Affordable	Unaffordable
North West	9%	91%	88%	13%
North East	0%	100%	83%	17%
Yorkshire and The Humber	6%	94%	82%	18%
Scotland	33%	67%	81%	19%
East Midlands	5%	95%	67%	33%
Wales	0%	100%	64%	36%
West Midlands	0%	100%	18%	82%
South West	0%	100%	11%	89%
South East	0%	100%	4%	96%
East of England	0%	100%	3%	97%
London	0%	100%	0%	100%
United Kingdom	5%	95%	39%	61%

Source: Halifax. Northern Ireland has been excluded from the regional analysis

*2007-2011 years refer to 12 months to December. 2012 refers to 12 months to November.

Table 3: First-Time Buyer Purchases by Stamp Duty Thresholds by Region

% of FTB Purchases by Stamp Duty Threshold - January to November 2012				
	<£125k	£125k-£250k	<£250k	>£250k
North	82%	17%	99%	1%
Yorkshire and The Humber	80%	20%	99%	1%
North West	78%	21%	99%	1%
East Midlands	73%	26%	99%	1%
West Midlands	69%	29%	99%	1%
East Anglia	50%	46%	97%	3%
Wales	79%	20%	99%	1%
South West	37%	60%	97%	3%

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South East	21%	70%	91%	9%
Greater London	4%	65%	69%	31%
Northern Ireland	88%	12%	100%	0%
Scotland	76%	23%	99%	1%
United Kingdom	55%	38%	94%	6%

Source: Halifax

Table 4: 10 Most Affordable LADs for First-Time Buyers, 2012

Local Authority District	Region	House Price to Average Earnings ratio
Stirling	Scotland	2.57
Renfrewshire	Scotland	2.75
South Ayrshire	Scotland	2.75
East Ayrshire	Scotland	2.78
South Lanarkshire	Scotland	2.83
Falkirk	Scotland	2.86
West Lothian	Scotland	2.86
North Ayrshire	Scotland	2.89
Hartlepool	North East	2.91
Rossendale	North West	2.92

Source: Halifax

Table 5: 10 Most Affordable LADs in England & Wales for First-Time Buyers, 2012

Local Authority District	Region	House Price to Average Earnings ratio
Hartlepool	North East	2.91
Rossendale	North West	2.92
North Lincolnshire	Yorkshire & Humber	3.02
Barnsley	Yorkshire & Humber	3.02
Rhondda Cynon Taf	Wales	3.04
Neath Port Talbot	Wales	3.05
Hyndburn	North West	3.14
County Durham	North East	3.14
Rochdale	North West	3.18
Wigan	North West	3.24

Source: Halifax

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Table 6: 10 Least Affordable LADs for First-Time Buyers, 2012

Local Authority District	Region	House Price to Average Earnings ratio
Camden	London	9.02
Oxford	South East	7.93
Brent	London	7.90
Harrow	London	7.89
Hackney	London	7.72
Lambeth	London	7.18
Ealing	London	7.04
Haringey	London	6.90
Wandsworth	London	6.87
Newham	London	6.86

Source: Halifax

Table 7: First-Time Buyers: Average Price, Loan and Deposit by Region, 2012

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
North	99,506	84,570	14,936	15%
Yorkshire and Humberside	103,263	87,199	16,064	16%
North West	105,849	89,289	16,560	16%
East Midlands	113,492	93,347	20,145	18%
West Midlands	117,130	95,360	21,771	19%
East Anglia	137,890	110,705	27,185	20%
Wales	103,646	87,936	15,709	15%
South West	147,861	117,613	30,247	20%
South East	178,515	142,979	35,536	20%
Greater London	251,096	188,741	62,356	25%
Northern Ireland	87,042	71,341	15,701	18%
Scotland	104,991	83,826	21,164	20%
UK	139,921	111,937	27,984	20%

Source: Halifax, CML

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EDITORS' NOTES:

¹Total number of home purchasers with a mortgage.

² Based on average loan taken out by a new first-time buyer.

³Consists of the North East, North West, Yorkshire & the Humber, East Midlands, West Midlands, Scotland, Wales and Northern Ireland.

⁴Consists of Greater London, South East, South West and East of England.

THE AFFORDABILITY CALCULATION:

A local authority (LAD) is classified as affordable if the average house price for a First-Time Buyer (FTB) in the LAD is **lower** than someone on average earnings in the area can pay. Gross average annual earnings for the LAD 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 LAD are £30,000, someone on average earnings in the area could pay up to £120,000. The LAD is deemed to be affordable if the average price paid by a FTB in the LAD 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 period from 1991 to 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.

At local authority district 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.

"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 persons making such reliance. "

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http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp

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ISDN facilities are available for broadcast media interviews

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