

# Press Release

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This Halifax **First Time Buyer Review** tracks housing affordability in 279 local authorities (including 30 London boroughs) across the UK. **A local authority (LA) is classified as affordable if the average house price for an 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.

## Housing affordable for first-time buyers in four in ten areas

Home affordability for potential first-time buyers (FTBs) has improved significantly. In 2009, the average price paid by an FTB was affordable for someone on average earnings in nearly four in ten (39%) of local authority districts, according to this year's Halifax First-Time Buyer Annual Review. In 2007, only 6% of areas were affordable. Nearly a quarter (24%) of local authority areas became affordable between 2008 and 2009. **(Table 1)**

The proportion of disposable earnings devoted to mortgage payments by a potential new FTB on national average earnings – a measure of affordability that includes the impact of interest rate changes - has almost halved from a peak of 50% in June 2007 to 27% in November 2009. This improvement in affordability has been a result of the combination of lower house prices and interest rate reductions. The current level is **below** the average over the past 25 years of 34%.

The tightening in lending criteria since the summer of 2007 has meant that some potential FTBs have been unable to enter the market despite the marked improvement in affordability. There are, however, signs that lending criteria has stopped tightening. For example, industry-wide figures<sup>1</sup> show that the average deposit put down by a FTB has been unchanged as a percentage of the purchase price since early in 2009 following a significant increase in 2008. There is also evidence of increased mortgage availability. The number of live mortgage products has risen by 33% from a low of 1,209 in April 2009 to 1,610 in December<sup>2</sup>.

### **Martin Ellis, housing economist at Halifax, commented:**

"Housing affordability for potential first-time buyers has improved substantially over the past two years due to the combination of lower house prices and reduced mortgage rates. Mortgage payments in relation to earnings are currently significantly below the average during the past 25 years. The tightening in lending criteria over the past two years is, however, making it very difficult for some to take advantage of lower property prices and mortgage rates."

<sup>1</sup> Source: CML, Banksearch, 'Regulated Mortgage Survey', October 2009

<sup>2</sup> Source: Moneyfacts, 'UK Mortgage Trends', December 2009

**Halifax is part of the Lloyds Banking Group**

**Tel: 01422 333829 Fax 01422 333007**

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

## **ADDITIONAL KEY FINDINGS**

### **Affordability by Local Authority (*Table 1*)**

- The largest increases in the percentages of local authority areas that have become affordable for FTBs between 2007 and 2009 are in the North East (6% to 94%) and Yorkshire and the Humber (6% to 81%). These are also the two regions where housing is most affordable for FTBs.
- The only regions where there has been no increase in the number of affordable local authorities are London and Northern Ireland. These are the only two areas of the UK where the average property bought by a FTB remains unaffordable for someone on average earnings in all the local areas surveyed.

### **First-Time Buyer Numbers**

- The number of FTBs increased by an estimated 32% between the second half of 2008 and the same period in 2009, from 84,000 to around 111,000. A weak first half of the year, however, meant that the total for 2009 was 4% lower than in 2008, at an estimated 185,000 compared with 193,600.
- FTBs accounted for an estimated 38% of all mortgage borrowers in 2009. This proportion is unchanged from 2008, but was higher than the 35% recorded in 2007.

### **House Prices, Deposits, Advances and Age (*Table 2*)**

- The average price paid by an FTB in 2009 was 10% lower than in 2008, at £133,794, despite an increase in the prices paid by FTBs during recent months.
- FTBs put down an average deposit of £29,439 in 2009, equivalent to 22% of the property price. FTBs in Greater London put down the largest deposit: £53,932 (25% of the value of the property). FTBs in the North put down the smallest deposit, £16,860 (18%).
- The average mortgage for a new FTB in 2009 was £104,000. This was 14% lower than in 2008 (£122,000). The monthly mortgage payment for an average loan in 2009 was £562 (assuming a 25 year repayment mortgage at the industry average tracker variable interest rate for a new borrower). This was 27% lower than the average monthly mortgage payment of £768 in 2008.
- The average age of a FTB has risen from 29 in 2008 to 30 years old in 2009. Recent research has found that increasing numbers of FTBs have been receiving financial assistance to raise funds for a deposit. The latest estimates indicate that around 80% of FTBs are getting such help. The CML estimates\* that the average age of those FTBs who have not had financial assistance has risen sharply from around 33 in late 2007 to 36 now.

### **Property Types (*Table 3*)**

- Nationally, FTBs buy more terraced homes than any other property type, with this property type accounting for 42% of all FTB purchases in 2009. The second most popular property type with FTBs is semi-detached properties (30%) followed by flats and maisonettes (21%). Unsurprisingly, few FTBs (7%) purchase a detached property.

\* CML, *News & Views No:15, 4 August 2009, "First-Time Buyers - are they really getting older?"* Figures refer to the median age.

- There are some marked regional differences in the type of properties that FTBs buy. FTBs in London and Scotland are most likely to buy a flat, accounting for nearly one in two home purchases in both areas. In contrast, flats account for one in 20 purchases by FTBs in Yorkshire and the Humber and the East Midlands.
- There has been a substantial shift in the type of properties bought by FTBs between 2007 and 2009. In 2007, 37% of FTBs bought flats and a further 37% purchased terraces. The proportion of flats bought has since fallen sharply, to 21% in 2009. Purchases of semi-detached homes have risen from 21% to 30% and the purchase of terraces has increased from 37% to 42% over the two years.

### Stamp Duty (*Table 4*)

- Nearly three in ten (27%) FTBs are estimated to have not paid stamp duty on home purchases made between September 2008 and November 2009 as a result of the raising of the nil rate threshold. Less than one in five (17%) FTB purchases during this period were above the temporarily higher threshold of £175,000. The proportion of FTBs in the UK that would have paid stamp duty if the threshold had been £125,000 is estimated to be 44%.

### EDITORS' NOTES:

#### 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 (1989-2008). (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.

Average prices for 2009 are for the 12 months to November 2009.

#### 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 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: First Time Buyer Affordability - Local Authority Districts (LADs)**

	2007		2008		2009	
	Affordable	Unaffordable	Affordable	Unaffordable	Affordable	Unaffordable
	% of LADs		% of LADs		% of LADs	
East Midlands	7%	93%	24%	76%	69%	31%
East of England	0%	100%	3%	97%	6%	94%
London	0%	100%	0%	100%	0%	100%
North East	6%	94%	31%	69%	94%	6%
North West	13%	87%	23%	77%	77%	23%
Northern Ireland	0%	100%	0%	100%	0%	100%
Scotland	33%	67%	59%	41%	70%	30%
South East	0%	100%	2%	98%	5%	95%
South West	0%	100%	0%	100%	13%	87%
Wales	6%	94%	6%	94%	63%	38%
West Midlands	0%	100%	5%	95%	16%	84%
Yorkshire & Humber	6%	94%	38%	63%	81%	19%
<b>UK</b>	<b>6%</b>	<b>94%</b>	<b>16%</b>	<b>84%</b>	<b>39%</b>	<b>61%</b>

Source: Halifax

**Table 2: First Time Buyer: Average Price, Loan and Deposit by Region, 2009**

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
Greater London	219,918	165,986	53,932	25%
South East	169,348	130,590	38,759	23%
South West	145,815	110,715	35,101	24%
Northern Ireland	122,573	92,720	29,853	24%
East Anglia	127,793	101,336	26,458	21%
West Midlands	115,535	91,103	24,432	21%
Scotland	109,177	85,079	24,097	22%
East Midlands	106,741	85,206	21,534	20%
North West	106,368	85,205	21,162	20%
Yorkshire & Humber	103,770	82,821	20,950	20%
Wales	103,124	84,263	18,861	18%
North	95,869	79,009	16,860	18%
<b>UK</b>	<b>133,794</b>	<b>104,355</b>	<b>29,439</b>	<b>22%</b>

Source: Halifax

**Table 3: Percentage of First Time Buyer Purchases by Type of Property by Region, 2009 v 2007**

	Semi Detached		Detached		Terraced		Flats & Maisonettes	
	2009 % of total	2007 % of total	2009 % of total	2007 % of total	2009 % of total	2007 % of total	2009 % of total	2007 % of total
North	37%	30%	5%	4%	47%	43%	11%	23%
Yorkshire & Humber	40%	32%	6%	4%	49%	53%	5%	11%
North West	36%	29%	5%	5%	51%	52%	8%	14%
East Midlands	45%	36%	11%	8%	39%	44%	5%	12%
West Midlands	39%	33%	7%	6%	45%	45%	9%	17%
East Anglia	36%	24%	12%	9%	40%	45%	11%	22%
Wales	33%	27%	8%	7%	52%	46%	8%	20%
South West	27%	19%	10%	5%	42%	43%	22%	33%
South East	24%	17%	7%	6%	43%	37%	26%	39%
Greater London	14%	8%	1%	1%	37%	23%	47%	68%
Northern Ireland	36%	29%	10%	9%	42%	44%	12%	19%
Scotland	17%	13%	8%	6%	23%	18%	52%	63%
<b>UK</b>	<b>30%</b>	<b>21%</b>	<b>7%</b>	<b>5%</b>	<b>42%</b>	<b>37%</b>	<b>21%</b>	<b>37%</b>

Source: Halifax

**Table 4: Stamp Duty - First-Time Buyer Purchases by Stamp Duty Thresholds by Region**

% of FTB Purchase - September 2008 to November 2009						
	<£125k	<£175k	£125k-£175k	£175k-£250k	>£250k	>£500k
North	83%	97%	14%	2%	0%	0%
Yorkshire & Humber	79%	97%	18%	3%	1%	0%
North West	76%	95%	19%	4%	1%	0%
East Midlands	77%	95%	19%	4%	0%	0%
West Midlands	69%	95%	26%	4%	1%	0%
East Anglia	57%	90%	34%	9%	1%	0%
Wales	78%	97%	19%	3%	1%	0%
South West	37%	85%	48%	12%	3%	0%
South East	21%	68%	47%	26%	6%	0%
Greater London	6%	34%	28%	46%	20%	1%
Northern Ireland	54%	93%	39%	6%	1%	0%
Scotland	73%	93%	20%	5%	1%	0%
<b>England &amp; Wales</b>	<b>53%</b>	<b>81%</b>	<b>28%</b>	<b>14%</b>	<b>5%</b>	<b>0%</b>
<b>UK</b>	<b>56%</b>	<b>83%</b>	<b>27%</b>	<b>13%</b>	<b>4%</b>	<b>0%</b>

Source: Halifax

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