

For immediate release

Press Release

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Improved affordability proves less constraining for first-time buyers

- Only 35% of first-time buyers are taking advantage of lower house prices and interest rates
- Eight out of ten* first-time buyer mortgages approved in first half of 2010
- 94% of first-time purchases are stamp duty exempt

Research from the Halifax, the UK's largest first-time buyer lender, reveals that today, monthly mortgage payments as a percentage of income are nearly half that of the level of 2007. In contrast, over half of first-time buyers say that affordability is the main reason why they have not stepped onto the property ladder. The numbers of first-time buyers¹ in the first half of 2010, at 94,600, are half that of the same period for 2007, but have increased by 28% against the same period last year.

The combination of lower house prices and interest rate reductions to historically low levels has created a marked improvement in monthly costs for those buyers wanting to take their first steps onto the property ladder. Indeed, the proportion of a typical new homeowner's disposable earnings devoted to mortgage payments has almost halved from a peak of 50% in June 2007 to 28% in June 2010; below the 34% average over the past 25 years. In addition to this, 94% of first-time property purchases are now exempt from stamp duty, with 54% of first-time buyers saying that it has helped them to purchase their home.

Despite the marked improvement in monthly affordability, tightening in lending criteria since the onset of the credit crunch in 2007 may have deterred first-buyers from trying to secure mortgage finance, there are now indications that the environment is improving. Only 3% of first-time buyers say a lack of suitable mortgage products has prevented them buying a home and eight out of ten first-time buyer mortgages are approved. Whilst deposits in loan to value terms increased during 2008, the average deposit put down by a first-time buyer today has been unchanged as a percentage of purchase price since early in 2009.

Stephen Noakes, commercial director for mortgages, commented:

"We believe it's important that first-time buyers understand that whilst there are still challenges in raising deposits, other market conditions are more positive. Affordability has significantly improved, meaning the amount of a typical first-time buyer's monthly pay packet that needs to be dedicated to their mortgage is now below the 25 year average and importantly, despite perceptions, eight out of ten first-time buyer mortgages are approved."

Key Findings

- Despite slower growth in house prices and interest rates holding at historically low levels, only 35% of buyers say that they are taking advantage of the current economic climate.
- Eight out of ten first-time buyer loans are approved.*
- 94% of all first-time home purchases are now exempt from stamp duty.
- Only 3% of first-time buyers state that a lack of mortgage products has held them back from purchasing their first home.
- First-time buyers put down an average deposit of £30,380 in 2010 quarter 2, equivalent to 22% of the property price.
- The typical buyer takes between three and five years to amount their deposit in the current market.
- A 10% deposit on an average first-time buyer property today is £13,940.
- 64% of buyers purchase a home because they'd rather own than rent.
- Seven in ten are making lifestyle sacrifices in order to save their deposit.
- Nearly a third of first time buyers are stepping onto the property ladder in order to take the next step in life such as getting married or having children.
- One in ten buyers is putting off getting married or having children in order to buy a home.
- 12% are taking a second job to help their finances.
- Over a quarter of homebuyers have not been on holiday in over a year to save money for a deposit.
- 10% move back in with their parents to help save for their deposit.
- 44% of buyers will compromise on the area they move to in order to get the type of property they want.

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First Time Buyer: Average Price, Loan and Deposit by Region, 2010 Quarter 2

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
Greater London	234,131	177,609	56,521	24%
South East	175,241	135,801	39,440	23%
South West	148,877	113,361	35,515	24%
East Anglia	132,751	104,496	28,255	21%
Northern Ireland	118,046	90,359	27,687	23%
West Midlands	117,003	92,242	24,761	21%
East Midlands	110,033	88,055	21,977	20%
Scotland	108,037	85,220	22,817	21%
North West	106,981	86,320	20,662	19%
Yorkshire and Humberside	104,560	83,643	20,917	20%
Wales	104,014	85,342	18,672	18%
North	97,004	79,718	17,286	18%
UK	139,401	109,022	30,379	22%

Source: Halifax

EDITORS' NOTES:

This research is based on data from the Halifax's own extensive housing statistics database, independent research carried out by ICM for the Halifax and ONS data on average earnings.

* First-time buyer mortgage approvals across Lloyds Banking Group brands for first half of 2010

¹ Source: CML, Banksearch, 'Regulated Mortgage Survey', June 2010

² Source: CML First-time buyers lending and affordability data (Table: ML2)

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