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Number of first-time buyers reaches 10-year high

- Average deposit doubles to £32,321 with a four-fold increase to £100,000 in London
- Average first-time buyer house price breaks new ground – passing £200,000 (UK) and £400,000 (London)
- 60% of first-time buyers choosing mortgage terms of 25+ years to improve affordability

The number of first-time buyers is estimated to have reached 335,750¹ in 2016, according to the latest Halifax First-Time Buyer Review.

First-time buyers numbers have totalled over 300,000 for the third successive year, growing from 312,900 in 2015 to an estimated 335,750 in 2016 (up 7.3%) – the highest level since the start of the financial crisis in 2007 (359,900).

Having reached an all-time low of 192,300² in 2008, the number of homebuyers getting on to the first rung of the property ladder has grown by 75% to its current level. However, first-time buyer numbers still remain 17% below the immediate pre-crisis peak of 402,800 in 2006. (See Table 1)

Importance of first-time buyers to the housing market continues to grow

In 2006 just over a third (36%) of all house purchases financed by a mortgage were made by first-time buyers. In 2016, this proportion is estimated to have reached almost half (49%), the highest level since 1996. In the past year, this share has risen from 46%.

Average price and average deposit paid by first-time buyers reach new highs in 2016

The average first-time buyer deposit has more than doubled over the past decade from £15,168 in 2006 to £32,321 in 2016 – an increase of 113%.

Four regions (all in southern England) have seen at least a doubling in the average deposit put down. In London the average deposit by new entrants to the housing market has grown four-fold in the past decade, from £26,701 to £100,445 – an increase of 276%.

Other regions to see a sharp rise in the average deposit include the South East where it has grown to £47,472 (an increase of 173%), the South West – up to £34,306 (or 130%) and the East – up to £31,864 (+122%).

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By comparison, first-time buyers in Northern Ireland have fared the best with average deposits falling by a fifth (20%) from £20,834 in 2006 to £16,695 – the lowest in the UK.

The average national deposit of £32,321 is equivalent to 16% of the average price of a typical first-time buyer home, having fallen from 25% in 2009. Meanwhile, a decade ago, the average deposit had been as low as 10%.

In 2016 the average house price paid by first-time buyers was £205,170 – the highest on record. Since falling to £135,254 at the height of the housing downturn in 2009, the average price paid by first-time buyers has grown by 52%. In the past year, this average has grown from £191,929, an increase of 7%.

In London, first-time buyers have seen the average price rise by 81% (or £180,273) since 2009 to £402,692 – the highest on record. Not only is the average price in London three and a half times higher than in Northern Ireland (£115,269) – it is also £130,000 higher than the second most expensive region, the South East (£272,777). (See Table 2)

First-time buyers head for longer mortgage terms

As house prices for a typical first-time buyer home have risen, there has been a growing trend towards mortgage terms longer than the more traditional 25-year term. In 2006, two-thirds (64%) of first-time buyers had a mortgage term of between five and 25 years, whilst the remaining 36% were over 25 years.

In 2016, this mix has markedly reversed, with 60% of mortgages at a term of 25 years or more, while the five and 25-year mortgage terms have fallen to 40%.

In 2016, 28% of all first-time buyers with a mortgage opted for a 30 to 35-year term, a share that has grown sharply from 11% in 2006. On the other hand, the share of 20 to 25-year mortgage term has fallen from 53% to 28% during the same period. The proportion accounted for by 25 to 30-year terms has also grown from 22% to 28%.

Low rates continue to keep mortgage affordability under control

The proportion of disposable earnings devoted to mortgage payments by a first-time buyer stood at 32%³ in 2016 Quarter 3; this is in line with the long-term average (since 1983) of 33%. This is a substantial improvement since summer 2007 when this figure reached a peak of 50%.

Record low mortgage rates have been a major contributing factor driving this improvement.

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Martin Ellis, Housing Economist at Halifax, said: *“First-time buyers play a crucial role in the housing market, and each transaction has an impact further up the chain, as well as helping to drive levels of housebuilding.*

“The number of buyers getting on the housing ladder exceeded 300,000 for the third year in succession – a welcome boost for current homeowners, house builders and the government. Continuing low mortgage rates, high levels of employment have supported the market and Government schemes such as Help to Buy⁴ have improved affordability, enabling more first-time buyers to buy their own property.

“Across the regions there is a contrasting picture. In London – which has one of the youngest populations in the UK – the average house price for a typical first-time buyer is now more than an eye-watering £400,000 with an average deposit of over £100,000 – more than twice that in the South East, the next most expensive region.”

ADDITIONAL FINDINGS

First-time buyer affordability

- Stirling in Scotland is the most affordable local authority district (LAD) in the UK with an average property price of £137,222; 3.0 times local average gross annual earnings. Inverclyde (3.1) and West Dunbartonshire (3.2) are the next most affordable. Eight of the 10 most affordable LADs for first-time buyers are in Scotland. (See Table 3)
- Unsurprisingly, nine of the 10 least affordable LADs are in London. The least affordable is Brent where the average first-time buyer's property price of £459,291 is 12.6 times gross average annual earnings in the area. (See Table 4)

Stamp Duty

- Under a third (29%) of all first-time buyer purchases in 2016 were below the £125,000 Stamp Duty threshold. This share was 45% as recently as 2013.
- Close to a half (45%) of properties bought by first-time buyers were priced between £125,000 and £250,000. All such transactions in London were above the £125,000 threshold, whilst the overwhelming majority in the South East (97%) and South West (90%) were above this level. (See Table 5)

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Age

- The average age of a first-time buyer is 30 years old; up from 29 in 2011. Regionally, the average age of a first-time buyer is highest in London, at 32 years old.
- The youngest first-time buyers are 27 in Carlisle in Cumbria and Torfaen in south Wales. Meanwhile, the oldest average first time buyer is aged 34 in areas including Slough in Berkshire and the London boroughs of Barnet and Ealing.

EDITORS' NOTES:

¹ Total number of first home purchasers with a mortgage estimated by the Halifax

² Since records began in 1974

³ Based on average loan taken out by a new first-time buyer

⁴ <https://www.gov.uk/affordable-home-ownership-schemes/overview>

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 for 12 months to December each year and 12 months to November for 2016. 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 and inflated by the change in Weekly Average Earnings to Q3 2016. Where this has not been possible due to data unavailability, average earnings have been estimated using the change in weekly average earnings.

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Table 1: Number of First-Time Buyers – UK

	Number of First-time Buyers	Annual % change	FTBs as % of all House Purchases Loans
2006	402,800	11%	36%
2007	359,900	-11%	36%
2008	192,300	-47%	38%
2009	196,700	2%	38%
2010	199,400	1%	37%
2011	193,700	-3%	38%
2012	217,900	12%	40%
2013	269,900	24%	44%
2014	309,400	15%	46%
2015	312,900	1%	46%
2016	335,750*	7%	49%

Source: CML *Halifax estimate

Table 2 First-Time Buyers: Average Price, Loan and Deposit by Region, 2016

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
North	124,117	105,794	18,324	15%
Yorkshire and the Humber	135,719	116,257	19,462	14%
North West	144,367	123,343	21,025	15%
East Midlands	153,779	130,717	23,062	15%
West Midlands	159,732	135,570	24,162	15%
East Anglia	196,367	164,503	31,864	16%
Wales	133,730	116,181	17,550	13%
South West	200,465	166,159	34,306	17%
South East	272,777	225,305	47,472	17%
Greater London	402,692	302,247	100,445	25%
Northern Ireland	115,269	98,575	16,695	14%
Scotland	137,188	116,459	20,729	15%
UK	205,170	172,849	32,321	16%

Sources: Halifax, CML House price are simple arithmetic ('crude') averages.

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Table 3: 10 Least Affordable LADs for First-Time Buyers, 2016

Local Authority District	Region	House Price to Average Earnings ratio
Brent	London	12.6
Haringey	London	12.4
Lambeth	London	12.0
Harrow	London	11.7
Camden	London	11.5
Hackney	London	11.4
Waltham Forest	London	11.1
Newham	London	10.9
Ealing	London	10.9
Cambridge	East Anglia	10.7

Source: Halifax

Table 4: 10 Most Affordable LADs in the UK for First-Time Buyers, 2016

Local Authority District	Region	House Price to Average Earnings ratio
Stirling	Scotland	3.0
Inverclyde	Scotland	3.1
West Dunbartonshire	Scotland	3.2
East Ayrshire	Scotland	3.3
North Lanarkshire	Scotland	3.3
Clackmannanshire	Scotland	3.3
Renfrewshire	Scotland	3.4
Pendle	North West	3.4
Hartlepool	North East	3.4
North Ayrshire	Scotland	3.5

Source: Halifax

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Table 5: First-Time Buyer Purchases by Stamp Duty Thresholds by Region

% of FTB Purchases by Stamp Duty Threshold - 2016					
Region	<£125k	£125,000 to £250,000	£250,001 to £925,000	£925,001 to £1.5m	over £1.5m
North	60%	37%	3%	0%	0%
Yorkshire and the Humber	53%	43%	5%	0%	0%
North West	46%	47%	7%	0%	0%
East Midlands	34%	61%	5%	0%	0%
West Midlands	32%	60%	8%	0%	0%
East Anglia	12%	72%	16%	0%	0%
Wales	54%	42%	4%	0%	0%
South West	10%	73%	17%	0%	0%
South East	2%	47%	50%	0%	0%
Greater London	0%	11%	88%	1%	0%
Northern Ireland	68%	30%	2%	0%	0%
Scotland	52%	42%	6%	0%	0%
United Kingdom	29%	45%	26%	0%	0%

Source: Halifax

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