

29/07/2013

Not for broadcast or publication before 00:01 Hrs Monday 29th July 2013

2013 sees first time buyers flying onto the ladder

Highest total for the first six months for six years

Highest proportion of all buyers since 2000

The number of first time buyers in the first six months of 2013 was 19% higher than in the same period last year, according to the half-year Halifax First Time Buyer Review.

There were an estimated 120,000 first time buyers (FTBs) during January-June 2013, up from 101,000 in the first six months of 2012; the highest total for the first six months of the year since 2007 (181,500). This continues the trend seen last year when there was a 13% increase in the number of FTBs between 2011 and 2012.

FTB numbers also rose by more than the total number of house purchasers¹, increasing their share of the home purchase market from 40% in the first half of 2012 to 44% in the same period this year. This was the highest proportion since 2000. (See Table 1)

Mortgage affordability has also improved significantly in recent years. The proportion of disposable earnings devoted to mortgage payments by first-time buyers stood at 27% in 2013 Quarter 2; nearly half of the peak level of 50% in Q3 2007 and comfortably below the long-term average of 36%².

Craig McKinlay, Mortgages Director at Halifax, commented:

"The increased availability and reduced pricing of higher loan-to-value mortgages introduced over the past year or so have clearly contributed to the number of first time buyers rising to a six year high. Government schemes, such as New Buy and Help to Buy, are also enabling more first-time buyers to enter the market.

"The significant increase in first-time buyers is encouraging, although the number of those buying their first home still remains low by recent historical standards. While conditions remain difficult, with problems raising the necessary deposit and concerns over the economic climate preventing people from entering the market, we remain committed to continuing to offer support designed specifically for first time buyers, ensuring even more people can take their first steps onto the property ladder."

House prices paid by first-time buyers are still above the long-term average when compared with average earnings. Despite the improvements in mortgage affordability the average price paid by a FTB in 2013 Quarter 2 was 4.26 times average gross annual earnings. This compares with an average of 3.23 over the past 30 years. The relatively high level of prices in relation to earnings,

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together with the requirement for first-time buyers to put down larger deposits in recent years, are key factors behind the longer term decline in home ownership amongst the young. Halifax's Generation Rent Report found that a fifth (21%) of non-homeowners aged 20-45 have already given up on the prospect of owning a property – this rises to 43% among 40-45 year olds.

More first-time buyers are paying stamp duty. Over half (51%) of all FTB purchases in the first half of 2013 were above the £125,000 stamp duty threshold. This is up from 44% a year earlier. Within these totals, there are considerable regional differences with the overwhelming majority of FTBs (97%) in London buying homes above the £125,000 threshold. Indeed, more than one in three (37%) of FTBs in the capital paid more than £250,000, resulting in them being liable to duties of more than 1%. This is a far higher proportion than anywhere else in the country. (See Table 3)

ADDITIONAL KEY FINDINGS

Affordability

- Seven of the 10 most affordable local authority districts (LADs) for a FTB are in Scotland. Copeland in the North West of England, however, is the most affordable in the UK with an average property price of £89,022 that is 2.44 times local average gross 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. Rossendale in the North West is the most affordable after Copeland with an average property price (£88,248) that is 2.96 times local average gross 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 of £480,457 is 9.18 times gross average earnings in the area. (See Table 6)

Deposits

- Nationally, the average FTB deposit in 2013 Quarter 2 was £26,859. This is 4% (£1,176) lower than in 2012 Quarter 2 (£28,035) but £8,945 higher than in 2007 Quarter 2 (£17,914).
- The average deposit, as a proportion of the purchase price, increased from 10% in 2007 to 20% in 2011 and 2012. This proportion declined slightly in 2013 Quarter 2 (to an estimated 18%), indicating greater mortgage availability at high loan to value (LTV) ratios. (See Table 6)
- FTBs in Greater London put down the largest average deposit, at £60,747. This is £47,221 more than the average deposit of a FTB in the North (£13,526).

Prices

- The average price paid by a FTB is highest in Greater London (£264,118); more than two and a half times that in the North (£104,043) where the average price paid by a FTB is the lowest. (See Table 7)

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Age

- The average age of a FTB is 30 years old; up from 29 in 2011. Regionally, the average age of a FTB is highest in London, at 32 years old. The average age is lowest in Yorkshire and the Humber, at 28 years old.
- There has been a significant increase in the proportion of FTBs receiving financial help in recent years. The CML estimate³ that around two-thirds (64%) of FTBs had financial assistance in 2012 compared with significantly less than four in ten before the financial crisis.

EDITORS' NOTES:

¹ Total number of home purchasers with a mortgage

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

³ Source: CML 'News & Views. Issue No.10 – 5 June 2013'
<http://www.cml.org.uk/cml/publications/newsandviews/138/533>

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 and inflated by the change in the Weekly Average Earnings Index to Quarter 2 2013. Where this has not been possible due to data unavailability, average earnings have been estimated using the change in the weekly average earnings index.

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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
2003 H1	175,200	-28%	32%
2004 H1	184,200	5%	28%
2005 H1	160,000	-13%	36%
2006 H1	190,900	19%	37%
2007 H1	181,500	-5%	36%
2008 H1	109,300	-40%	38%
2009 H1	72,700	-33%	38%
2010 H1	95,000	-23%	38%
2011 H1	85,700	-10%	38%
2012 H1	100,600	17%	40%
2013 H1*	120,000	19%	44%

Source: CML. *Halifax estimate

Table 2: First-Time Buyer Purchases by Stamp Duty Thresholds by Region

% of FTB Purchases by Stamp Duty Threshold - January to June 2013				
	<£125k	£125k-£250k	<£250k	>£250k
North	78%	21%	99%	1%
Yorkshire and The Humber	72%	27%	99%	1%
North West	69%	30%	99%	1%
East Midlands	69%	30%	99%	1%
West Midlands	61%	38%	99%	1%
East Anglia	41%	56%	97%	3%
Wales	70%	29%	99%	1%
South West	29%	68%	97%	3%
South East	15%	75%	90%	10%
Greater London	3%	60%	63%	37%
Northern Ireland	87%	13%	100%	0%
Scotland	70%	28%	98%	2%
United Kingdom	49%	44%	92%	8%

Source: Halifax

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Table 3: 10 Most Affordable LADs in the UK for First-Time Buyers, 2013

Local Authority District	Region	House Price to Average Earnings ratio
Copeland	North West	2.44
Stirling	Scotland	2.61
Inverclyde	Scotland	2.74
South Ayrshire	Scotland	2.83
East Ayrshire	Scotland	2.83
Renfrewshire	Scotland	2.84
Derry	Northern Ireland	2.90
West Lothian	Scotland	2.91
Castlereagh	Northern Ireland	2.91
West Dunbartonshire	Scotland	2.92

Source: Halifax

Table 4: 10 Most Affordable LADs in England & Wales for First-Time Buyers, 2013

Local Authority District	Region	House Price to Average Earnings ratio
Copeland	North West	2.44
Rosendale	North West	2.96
Rhondda, Cynon, Taff	Wales	3.02
Allerdale	North West	3.07
Hartlepool	North East	3.08
County Durham	North East	3.12
Hyndburn	North West	3.14
Barnsley	Yorkshire and The Humber	3.15
Merthyr Tydfil	Wales	3.16
North Lincolnshire	Yorkshire and The Humber	3.18

Source: Halifax

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Table 5: 10 Least Affordable LADs for First-Time Buyers, 2013

Local Authority District	Region	House Price to Average Earnings ratio
Camden	London	9.18
Brent	London	8.65
Hackney	London	8.41
Harrow	London	8.03
Hammersmith & Fulham	London	7.79
Oxford	South East	7.62
Ealing	London	7.48
Lambeth	London	7.42
Haringey	London	7.05
Newham	London	6.97

Source: Halifax

Table 6: First-Time Buyers: Average Price, Loan and Deposit by Region, 2013 Q2

	Average House Price ¹ (£s)	Average Mortgage (£s)	Average Deposit (£s)
North	104,043	90,518	13,526
Yorkshire and Humber	110,101	95,788	14,313
North West	114,022	99,199	14,823
East Midlands	118,246	102,874	15,372
West Midlands	125,351	104,041	21,310
East Anglia	145,349	119,186	26,163
Wales	113,965	99,150	14,815
South West	155,941	127,872	28,069
South East	189,388	155,298	34,090
Greater London	264,118	203,371	60,747
Northern Ireland	90,322	74,064	16,258
Scotland	112,274	92,065	20,209
UK	149,218	122,359	26,859

Source: Halifax, CML

¹ House price are simple arithmetic ('crude') averages.

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Press Release



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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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