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This Halifax **First Time Buyer 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.

FTB mortgage affordability improves to 12 year high

- **Monthly mortgage costs as a proportion of income below the long term average**
- **40% of local authorities are affordable for FTBs, a sevenfold increase on 2007**
 - **95% of first time purchases are now exempt from stamp duty**

Mortgage affordability for those looking to take their first steps onto the property ladder is at its most favourable for 12 years, according to the latest annual Halifax First Time Buyer Review. The proportion of disposable earnings devoted to mortgage payments by a potential new first time buyer stood at 27% in September 2010; the lowest since December 1998 and almost half of the peak level of 50% in September 2007. This significant improvement in affordability over the past three years has been mainly driven by a combination of lower house prices and declining mortgage rates.

In 2010, 40% of local authority districts (LAD) across the UK were 'affordable'¹ for the average first time purchaser, a considerable improvement from 2007, when only 6% of areas were affordable, although this is less than half the proportion of the affordable LADs in 2000 (82%). The North East is the most affordable region in the UK for first time buyers, 83% of local authority districts here are affordable to FTBs, more than in any other region.

Only 5% of first time buyers paid stamp duty between April and November 2010 as a result of the temporary increase in the stamp duty threshold for FTBs from £125,000 to £250,000 announced in March. Nationally, 39% of home purchases made by FTBs have benefitted from the increased allowance. First time buyers in the South East have benefited most from the change, almost three quarters (73%) of FTBs in the region not paying stamp duty due to the increase.

Martin Ellis, housing economist at Halifax, commented:

"The 'noughties' were a difficult period for many looking to get onto the property ladder. The substantial rise in house prices over much of the decade prevented many potential first time buyers from entering the market, however, affordability has improved significantly over the past three years. Whilst the tightening in lending criteria experienced across the mortgage industry since the onset of the credit crunch in 2007 deterred first-buyers from trying to secure mortgage finance, there are now encouraging signs of a modest improvement in mortgage availability."

ADDITIONAL KEY FINDINGS

- **The average house price paid by a first time buyers has more than doubled over the past decade**, increasing by 102% from £68,644 in 2000 to £138,682 in 2010 – equivalent to a weekly increase of £135. First time buyer property prices rose more than the average price paid by all homebuyers which increased by 89% over the same period.
- **The average mortgage advance for a FTB in 2010 was £109,912**; up 5% on 2009 and by 87% since 2000 (£58,808).
- **FTBs were required to find an average deposit of £28,770 in 2010, equivalent to 21% of the property price**. In 2000, FTBs put down an average deposit of £9,865 (14%).
- **FTBs in Greater London put down the largest deposit in 2010, at 24% of the property value (£56,259)**. In contrast, those in the North put down 17% of the property value as a deposit, smaller than in any other region
- **Terraced homes remain the most popular types of property purchased by FTBs, accounting for 42% of all purchases in 2010**. Purchases of semi-detached homes by first-time buyers over the past three years have risen from 21% to 28%. Flats have fallen in popularity over the past three years, accounting for only 24% of purchases in 2010 compared with 37% in 2007.
- **The number of FTBs in 2010 is estimated at around 200,000** - an estimated 37% of all mortgage borrowers. This is largely unchanged from 2009 (199,000) and around half the number in 2006 (400,500).
- **The average age of a FTB in 2010 was 29 years old, unchanged from 2009**. CML indicates that around 80-85% of FTBs under 30 years old are getting financial assistance to raise the funds for their deposit. The CML estimates that the average age of those FTBs who have not had financial assistance has risen from around 33 in late 2007 to 36 now.

EDITORS' NOTES:

¹THE 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).

² Source: Estimated from CML Regulated Mortgage Survey', Q3 2010

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 2000, 2007, 2009 and 2010 are for the 12 months to November.

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.

Mortgage to Earnings Ratio

The mortgage to earnings ratio for a first time buyer is calculated using Halifax data on the average mortgage advance to a first-time buyer, average disposable earnings (calculated from average earnings for all full time employees (ASHE)) and the Bank of England monthly average rate for new advances to households (CFMBJ95).

Mortgage payments (both capital and interest payments) are then calculated as a percentage of average disposable earnings (i.e. after deduction of income tax and employee's national insurance contributions).

The earnings data is a calculation based on the average earnings for All Full Time employees from the ASHE survey at April each year. Subsequent quarters are estimated using the national average earnings index published by the ONS

Table 1: Average House Price paid by a First Time Buyer by Region (£)

	2000	2009	2010	1 year % change	10 year % change
North	43,493	95,869	97,160	1.3%	123%
Yorkshire & the Humber	46,852	104,004	104,162	0.2%	122%
North West	51,728	106,510	106,689	0.2%	106%
East Midlands	52,779	106,810	110,891	3.8%	110%
West Midlands	57,914	115,700	116,144	0.4%	101%
East Anglia	66,407	128,278	133,606	4.2%	101%
Wales	50,024	103,388	103,202	-0.2%	106%
South West	73,583	146,112	146,668	0.4%	99%
South East	93,142	169,912	175,104	3.1%	88%
Greater London	141,326	220,408	237,760	7.9%	68%
Northern Ireland	60,375	122,422	112,971	-7.7%	87%
Scotland	48,947	109,305	107,067	-2.0%	119%
UK	68,644	134,315	138,682	3.3%	102%

Source: Halifax

Table 2: Number of First Time Buyers – UK

	Number of First Time Buyers	Annual % change
2000	500,200	
2001	568,200	14%
2002	531,800	-6%
2003	369,600	-31%
2004	358,100	-3%
2005	371,300	4%
2006	400,500	8%
2007	357,200	-11%
2008	193,700	-46%
2009	199,000	3%
2010*	199,696	0.3%

Source: CML

*Halifax estimate

Table 3: Percentage of First Time Buyer Purchases by Type of Property

Property type	2000	2007	2010
Terraced	43%	37%	42%
Semi Detached	27%	21%	28%
Flats	23%	37%	24%
Detached	7%	5%	6%

Source: Halifax

Table 4: First Time Buyer: Average Price, Loan and Deposit by Region, 2010

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
Greater London	237,760	181,501	56,259	24%
South East	175,104	137,848	37,256	21%
South West	146,668	113,907	32,760	22%
Northern Ireland	112,971	87,724	25,246	22%
East Anglia	133,606	106,498	27,108	20%
West Midlands	116,144	92,499	23,645	20%
Scotland	107,067	86,067	21,000	20%
East Midlands	110,891	89,984	20,906	19%
North West	106,689	87,503	19,186	18%
Yorkshire & the Humber	104,162	84,615	19,547	19%
Wales	103,202	85,119	18,084	18%
North	97,160	80,767	16,393	17%
UK	138,682	109,912	28,770	21%

Source: Halifax

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

% of Properties by Stamp Duty Thresholds - April to November 2010				
	<£125k	<£250k	£125k-£250k	>£250k
North	84%	99%	15%	1%
Yorkshire and Humberside	80%	99%	19%	1%
North West	78%	100%	22%	0%
East Midlands	77%	99%	22%	1%
West Midlands	70%	99%	30%	1%
East Anglia	51%	99%	47%	1%
Wales	79%	99%	20%	1%
South West	38%	97%	59%	3%
South East	21%	94%	73%	6%
Greater London	4%	75%	71%	25%
Northern Ireland	73%	99%	26%	1%
Scotland	76%	98%	22%	2%
United Kingdom	56%	95%	39%	5%

Source: Halifax

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