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The Halifax Generation Rent Report is the largest research project of its kind in the UK. It provides ongoing insight and in-depth analysis into the attitudes and behaviour of young people towards homeownership since the financial crisis. This is the fifth annual report and contains data from over 40,000 20-45 year olds and 4,000 parents with children aged between 20-45 years old.

Generation Rent 2015: Don't stop believing

Growing disconnect between perception and reality among first-time buyers

In 2014 the number of first-time buyers rose to its highest level for seven years. Despite this, the latest Generation Report from Halifax shows a growing disconnect between the reality of the situation for first-time buyers and their perception of the market.

Improving economic conditions together with high-profile government schemes such as Help to Buy, saw the highest amount of first-time buyers purchase their first home for seven years. From a peak in 2006 of 402,800 first-time buyers, numbers fell as low as 192,300 in 2008 before climbing back to 311,500 in 2014*. Despite this the fifth annual Generation Rent Report finds relatively little improvement in how potential first-time buyers view their chances of getting on the housing ladder.

Key findings of the Generation Rent Report 2015

- 2014 saw the highest number of first-time buyers since 2007 with Halifax approving nine out of ten first time buyer applications. 79% of 20-45 year olds believe banks don't want to lend to first-time buyers, and 21% believe it is virtually impossible for first-time buyers to obtain a mortgage. There is clearly some work to do to dispel the myth that banks are averse to lending to first-time buyers.
- In this most recent survey the proportion of people saving for a deposit has dropped six percentage points. 43% are currently saving to buy a property compared to 57% who are not. This strengthens the view that more people may be giving up on owning their own home and are instead accepting renting as a viable way of living in a nice home, in an area they want to live in and in the right size of property.
- We are seeing the emergence of a new demographic split between those who want to get on the housing ladder and those who say they don't (13% in 2011; 16% in 2015). The presumption that the UK is obsessed with homeownership may need reevaluating and a lower level of homeownership may become the new normal.

Key Statistics

- 53% think the Help to Buy scheme has had a positive impact, but 39% don't know or are undecided.
- The three most cited barriers to homeownership among those who do not own a property are the size of the deposit (57%), high property prices (56%), and low income (53%).

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- London has the lowest proportion of homeowners aged 20-45 (39%) and the highest number of people in this age range who worry they will never own a home (82%).
- Non-homeowners are currently prepared to save for average of 5.35 years in order to save for a deposit whereas homeowners saved for an average of 3.6 years.
- The average amount that non-homeowners can afford to save each week is now £33.35.
- 39% of 20-45 year olds are saving to buy two-bed properties (split between flats and houses: 18% versus 22%).

Commenting, Craig McKinlay, Mortgages Director at Halifax, said:

“The Generation Rent Report 2015 has revealed real changes in the first-time buyer market in the last year. While there has been an increase in first-time buyers in the last 12 months, at the same time there is also a growing group of young people who believe they won’t be able to get a mortgage. This difference between the reality and their perception needs to be addressed urgently if we are to prevent people from giving up on getting on the housing ladder.

“Homeownership is never going to be the right choice for everyone but we all have a right to the opportunity to own a property. We can educate people about the mortgages that are available to them, but there is still the underlying issue of needing to build more affordable homes. In order to tackle the shortfall in house building there needs to be a long-term commitment to building more new homes in the right locations.”

Commenting on the need to build more new homes, Nick Raynsford, MP and Mark Prisk, MP, co-chairmen of the Lloyds Banking Group Commission on Housing, said:**

“In the UK we are facing a range of interlocking problems relating to the general shortage and quality of new homes being built. There is no one, single solution to addressing the supply of good-quality new homes. Instead what is required is a comprehensive range of measures which will create an achievable framework for long-term housing affordability, and a lasting commitment to a wide variety of different types of developments.”

Saving for a deposit

For the three years preceding 2015, the Generation Rent Report found that the proportion of people saving to buy a home had remained stable. In this most recent survey the proportion of people saving for a deposit has dropped six percentage points. 43% are currently saving to buy a property compared to 57% who are not, strengthening the view that more people may be giving up on owning their own home.

Among those who are saving, the latest Report also shows potential first-time buyers now expect to have to put in more effort to save than existing homeowners did. Non-homeowners are currently prepared to save for average of 5.35 years in order to save for a deposit whereas recent home buyers saved for an average of 3.6 years.

Regional variations

The Generation Rent Report reveals high property prices are a more significant barrier to homeownership for Londoners than those living elsewhere in the UK, with 68% of Londoners

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citing high property prices as the most significant barrier to homeownership compared to the UK average of 56%.

London also has the lowest proportion of homeowners aged 20-45 (39%) and the highest number of people in this age range who worry they will never be able to buy a house (82%).

Unsurprisingly, the highest proportion of potential first-time buyers who are willing to compromise in order to buy their first property are also based in London (95%), followed by the East (92%). Those living in Wales are the least likely to make any compromises (84%), followed by the South West (85%).

Craig McKinlay adds:

“Getting on the housing ladder has always involved some form of compromise, whether this is how much people put aside to save for a deposit, the type of home they buy, or even the location they buy their home in. In 2015 saving for a deposit is the biggest barrier to homeownership for people across the UK. Continuing to make compromises on things like outside space and the size of the property will all help when trying to buy a first home.”

Implications from the Generation Rent Report 2015

In the five years since the launch of the Generation Rent Report there has been a growing division between those people aged 20-45 who are looking to get on the housing ladder and those who don't believe they will ever be a homeowner.

The latest official figures reveal that Help to Buy scheme has helped 88,420 people buy a new home since its introduction in 2013. At the same time, in March 2015, there were 195 95% loan to value mortgages available from UK lenders, the highest since May 2008. However, a major issue for the market is the clear disconnect between the reality of the housing market in the UK for potential first time-buyers and how people view it.

Closing this gap is likely to see more people trying to get on the housing ladder, with failure to do so having potential implications for the housing market as a whole. The housing market – and indeed the house building industry – needs first-time buyers to keep the market moving and enable people to keep moving up the ladder. While closing this gap is achievable, the last five years have shown that Generation Rent is here to stay, with a proportion of the population who do not want to own their own home.

A major issue for the market is the clear disconnect between the reality of the housing market in the UK for potential first-time buyers aged 20-45 and the perceptions of many 20-45 year olds. Whichever camp people fall into, if the market, and indeed the wider economy is going to continue to grow, the UK needs to address the supply of affordable housing. Building more of the right kind of homes, in the right places, and with the right amenities needs to be a priority in the next five years.

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Notes to editors

The research was carried out by Populus. Populus interviewed 8,035 20-45 year olds and 1,001 parents of 20-45 year olds in Great Britain online between 19 February and 3 March 2015. Populus is a member of the British Polling Council and abides by its rules. For more information see www.populus.co.uk

The Report was based on a more detailed report by NatCen Social Research, which will be published in May. NatCen Social Research is Britain's largest independent social research agency (<http://www.natcen.ac.uk/>)

Helping Britain Prosper

Lloyds Bank, part of Lloyds Banking Group is playing its part in delivering the Group's Helping Britain Prosper Plan (the Plan). Launched in March 2014, the Plan sets out seven separate and significant public commitments to do even more to help address some of the big issues facing its customers and Britain today. The first two commitments made within the Plan are:

1. We will help more customers get on the housing ladder - and more customers climb up it. We are committed to proving 1 in 4 first-time buyer mortgages and 1 in 4 new build mortgages in 2015.
2. We will help our customer plan and save for later life

To find out more about Lloyds Banking Group's commitment to Help Britain Prosper, please visit <http://www.lloydsbankinggroup-cr.com/>

*Source – The Council of Mortgage Lenders

** The aim of the **Lloyds Banking Group Commission on Housing** is to generate cross-party agreement on key policy areas which could make a significant difference in providing greater levels of new homes.

Co-chaired by Mark Prisk MP and Nick Raynsford MP, two former Housing Ministers from different political backgrounds, the Commission also includes a number of industry experts from different fields who collectively generated the insight shaping the conclusions of the Report. The research underpinning the report has been carried out by Cambridge University and sponsored by Lloyds Banking Group.

Headline recommendations

The Report calls for a progressively rising target for national house-building which will deliver 2 million to 2.5 million homes by 2025.

To achieve this, the focus needs to be on the delivery of more high quality yet affordable homes, with large private sector builders supported by:

- A revitalised SME home-builders sector and custom/self-build sector.
- A new professional rental sector backed by institutional investors, with more secure, longer-term tenancy agreements.
- A duty placed on all public sector bodies to review land holdings and assess the case for the disposal of surplus for the purpose of new homes.
- Strategic Plans introduced to provide clarity to Local Planning Authorities (LPAs) on the number of new homes needed and the infrastructure around them at 'first-tier' council level
- Meaningful public engagement which informs local communities of both the need and benefits of more high quality homes.
- A review of the balance between public expenditure on new homes and housing benefits that help to pay rents.

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