

04/01/2014

**NOT FOR BROADCAST OR PUBLICATION BEFORE 00.01HRS SATURDAY 4<sup>th</sup> JANUARY 2014**

## **Largest annual increase in first-time buyers since 2001**

**Number of first-time buyers up by an estimated 22% in 2013**

**The number of first-time buyers (FTBs) continued to increase in 2013, according to the annual Halifax First Time Buyer Review.**

Last year the number of first-time buyers grew by an estimated 22%; the largest annual rise since 2001. This was the second consecutive annual increase following a 13% rise in 2012.

There were an estimated 265,000 FTBs in 2013, up from 218,000 in 2012. While this was the highest annual total since 2007, it was still nearly 30% lower than the annual average between 2003 and 2007 (370,800). FTB numbers increased their share of all house purchases made with a mortgage, now accounting for 45%, up from 40% in 2012 (*see Table 1*).

**Mortgage affordability has improved significantly in recent years.** The proportion of disposable earnings devoted to mortgage payments by a first-time buyer stood at 30%<sup>1</sup> in 2013 Quarter 4. 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.

**There has also been an increase in the proportion of areas that are affordable for FTBs since 2007.** In a third (31%) all of local authority districts (LADs) in the UK the average house price paid by a first-time buyer in November 2013 was affordable for someone on average earnings – based on the ratio of the average house price to earnings being below the long-term average of 4.0. This compares to the peak of the market in 2007 when just 5% of LADs were affordable. The average price paid by FTBs in 2013 was 10% lower than it was in 2007 (*see Table 2*).

**Close to half (45%) of all FTB purchases in 2013 were below the £125,000 Stamp Duty threshold.** A similar proportion (46%) of properties bought by FTBs were priced between £125,000 and £250,000. The overwhelming majority (98%) of FTBs in London bought homes above the £125,000 threshold, followed by the South East (87%), and South West (74%) (*see Table 3*).

**Martin Ellis, housing economist at Halifax, commented:** *“The number of first-time buyers is estimated to have grown by a fifth in 2013, the largest annual increase in more than a decade. Low interest rates, improvements in consumer confidence and Government schemes, such as Help to Buy, all appear to have contributed to the rise in the number of first time buyers.*

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*"However, many potential first-time buyers continue to find raising the necessary deposit a problem. The Help to Buy mortgage guarantee scheme should enable more buyers to get on to the property ladder with smaller deposits. Continuing pressure on household finances during the next 12 months will no doubt remain a constraint."*

## **ADDITIONAL KEY FINDINGS**

### **Deposits**

- The average FTB deposit in 2013 stood at £30,943; 11% higher than in 2012 (£28,001) and £13,444 (77%) higher than in 2007 (£17,499) (see *Table 4*).
- FTBs in Greater London put down the largest average deposit, at £56,183. FTBs in the North East put down the smallest average deposit, at £15,862.

### **Prices**

- The average price paid by a FTB is highest in Greater London (£280,915); almost two and a half times that in the North East (£105,748) where the average price paid by a FTB is the lowest (see *Table 4*).

### **Age**

- The average age of a FTB is 30 years; up from 29 in 2011. The average age of a FTB is highest in London, at 31 years old.
- There has been a significant increase in the proportion of FTBs receiving financial help in recent years. The CML estimates 65% of FTBs had financial assistance in mid 2012 compared with 31% in mid-2005.

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**Table 1: Number of First-Time Buyers – UK**

	Number of First-Time Buyers	Annual % change	FTBs as % of all House Purchase Loans
<b>2002</b>	531,800	6%	38%
<b>2003</b>	369,600	-31%	30%
<b>2004</b>	358,100	-3%	29%
<b>2005</b>	363,800	2%	37%
<b>2006</b>	402,800	11%	36%
<b>2007</b>	359,900	-11%	36%
<b>2008</b>	192,300	-47%	37%
<b>2009</b>	196,600	2%	38%
<b>2010</b>	198,600	1%	37%
<b>2011</b>	193,000	-3%	38%
<b>2012</b>	217,900	13%	40%
<b>2013*</b>	265,000	22%	45%

Source: CML

\*Halifax estimate

**Table 2: % of affordable LADs for First-Time Buyers by Region, 2007 and 2013\***

	2007		2013	
	Affordable	Unaffordable	Affordable	Unaffordable
	%		%	
North East	0%	100%	75%	25%
Wales	0%	100%	50%	50%
Yorkshire and The Humber	6%	94%	76%	24%
North West	9%	91%	71%	29%
East Midlands	5%	95%	57%	43%
Scotland	33%	67%	70%	30%
West Midlands	0%	100%	9%	91%
South West	0%	100%	0%	100%
East of England	0%	100%	0%	100%
South East	0%	100%	0%	100%
London	0%	100%	0%	100%
<b>United Kingdom</b>	<b>5%</b>	<b>95%</b>	<b>31%</b>	<b>69%</b>

Source: Halifax. Northern Ireland has been excluded from the regional analysis

\*2007 refers to 12 months to December. 2013 refers to 12 months to November.

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**Table 3: First-Time Buyer Purchases by Stamp Duty Thresholds by Region**

% of FTB Purchases by Stamp Duty Threshold - January to November 2013				
	<£125k	£125k-£250k	<£250k	>£250k
North	76%	23%	99%	1%
Yorkshire and The Humber	70%	29%	99%	1%
North West	67%	31%	99%	1%
East Midlands	65%	33%	99%	1%
West Midlands	58%	40%	98%	2%
East Anglia	37%	59%	96%	4%
Wales	69%	30%	99%	1%
South West	26%	70%	96%	4%
South East	13%	75%	88%	12%
Greater London	2%	58%	60%	40%
Northern Ireland	85%	14%	100%	0%
Scotland	68%	30%	98%	2%
<b>United Kingdom</b>	<b>45%</b>	<b>46%</b>	<b>91%</b>	<b>9%</b>

Source: Halifax.

**Table 4: First-Time Buyers: Average Price, Loan and Deposit by Region, 2013**

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
North	105,748	89,886	15,862	15%
Yorkshire and Humberside	112,147	95,183	16,964	15%
North West	115,618	98,127	17,491	15%
East Midlands	121,595	97,576	24,019	20%
West Midlands	129,278	97,213	32,065	25%
East Anglia	149,370	119,670	29,700	20%
Wales	113,932	91,146	22,786	20%
South West	159,319	131,810	27,509	17%
South East	195,259	165,957	29,302	15%
Greater London	280,915	224,732	56,183	20%
Northern Ireland	92,778	78,861	13,917	15%
Scotland	114,781	92,831	21,950	19%
<b>UK</b>	<b>156,701</b>	<b>125,758</b>	<b>30,943</b>	<b>20%</b>

Source: Halifax 12 months to November, CML

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**ENDS**

**Notes to editors:**

<sup>1</sup> Based on average loan taken out by a new first-time buyer.

**THE AFFORDABILITY CALCULATION:**

A local authority (LAD) is classified as affordable if the average house price for a First-Time Buyer (FTB) in the LAD is **lower** than someone on average earnings in the area can pay. Gross average annual earnings for the LAD 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 LAD are £30,000, someone on average earnings in the area could pay up to £120,000. The LAD is deemed to be affordable if the average price paid by a FTB in the LAD 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 period from 1991 to 2013. (Source: Halifax)

**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. Where this has not been possible due to data unavailability, the relevant *regional* average has been used.

**"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance. "**

For the latest housing research, previous releases, and for information on the Halifax House Price Index, please follow this link:

[http://www.lloydsbankinggroup.com/media1/economic\\_insight/halifax\\_house\\_price\\_index\\_page.asp](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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