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UNDER EMBARGO UNTIL 00:01HRS ON MONDAY 11th JANUARY 2016

Number of first-time buyers remains buoyant at over 300,000 for second year

- Average deposit paid by first-time buyers increased by 13% in 2015 to £32,927
- First-time buyers accounted for almost half of all house purchases made with a mortgage in 2015
- More than a quarter of first-time buyers now opting for a 35-year mortgage

The number of first-time buyers is estimated¹ to have totalled 310,000 in 2015, according to the annual Halifax First-Time Buyer Review.

Although this represents a marginal decline (-0.5%) from 311,700 in 2014 - the first annual decline in the number of first-time buyers since 2011 - the number has grown by almost two-thirds (60%) since 2011, from 193,700 to 310,000. The marginal decline in first-time buyers is in line with general residential house purchases, and is partly due to lack of supply.

The average price paid by first-time buyers increased by 10% in 2015, from £172,563² to £190,180; taking the price above the previous peak in 2007 (£174,994) for the first time.

Average deposit paid by a first-time buyer 13% higher than a year ago. The average first-time buyer deposit in 2015 was £32,927; 13% higher than in 2014 (£29,094) and 88% higher than the average deposit in 2007 (£17,499). Higher house prices paid by first-time buyers during the year has resulted in an increase in the average deposit paid. In the South East the average deposit paid rose by 24% in the past year, from £35,582 to £44,024.

Not surprisingly, the average first-time buyer deposit is highest in Greater London, at £91,409 – five-and-half times more than in Northern Ireland (£16,578; the lowest). (See Table 4)

Rise of the 35-year mortgage. Whilst a mortgage term of 25 years has been the norm for some time, many first-time buyers are increasingly taking out mortgages where payments are spread over a longer period. In 2007 the proportion of first-time buyers taking up a 35-year mortgage stood at 16%. By 2015 this figure had grown to over one-in-four (26%). Over the same period, the share of mortgages with a 20 to 25 year term dropped from 48% to 30%.

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Improved mortgage affordability conditions since 2007 a key driver. Despite higher house prices, the proportion of disposable earnings devoted to mortgage payments by a first-time buyer stood at 32%³ in 2015 Quarter 3. This is a substantial improvement compared with the summer of 2007 when this figure reached a peak of 50%. Record low mortgage rates, coupled with earnings growth, are the key drivers behind this improvement.

Craig McKinlay, Mortgages Director at Halifax, commented:

"For the second year in succession, the number of buyers getting on the first rung of the housing ladder has reached 310,000. Although the average price of the typical first-time buyer home has grown by 10% in the past year, the number of buyers taking that first step onto the housing ladder has been supported by favourable economic conditions; namely, record low mortgage rates, rising employment and real pay growth."

First-time buyers are an increasingly important part of the housing market. First-time buyers accounted for 46%⁴ of all house purchases made with a mortgage in 2015; the same as in 2014. This share has grown from 36% at the start of the housing downturn in 2007.

First-time buyers boosted by Stamp Duty changes in December 2014. Based on the average price paid by first-time buyers, most regions have benefited from the Stamp Duty changes in December 2014. The largest saving is made by first-time buyers in London with someone buying at the average first-time buyer price of £367,990 now paying £8,399 in stamp duty fees compared to £11,039 before the change – a difference of £2,640.

Buyers in most of the northern regions, as well as those in Scotland, are making substantial savings of over £1,000. With an average house price below the lower threshold of £125,000, typical first-time buyers in the North, Wales and Northern Ireland still pay no stamp duty. (See Table 2)

Craig McKinlay continues: *"Whilst affordability has improved since 2007, in many parts of the country the ratio of the average house price to earnings is still significantly above the long-term average of 4.0. This is a concern as it could prevent many potential buyers from entering the market."*

ADDITIONAL KEY FINDINGS

Affordability

- Copeland in the North West and Inverclyde in Scotland are the most affordable local authority districts (LADs) in the UK with an average house price to earnings that is 2.8 times local average gross annual earnings. Stirling in Scotland (3.0) and Blaenau Gwent in Wales (3.1) are the next most affordable. Eight of the 10 most affordable LADs for first-time buyers are in Scotland. (See Table 5)

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- All 10 of the least affordable LADs are in London. The least affordable is Hammersmith and Fulham where the average first-time buyer's property price of £618,668 is 11.9 times gross average annual earnings in the area. (See Table 6)
- There has been an increase in the proportion of areas that are affordable for first-time buyers since 2007. In 16% all of local authority districts (LADs) in the UK the average house price paid by a first-time buyer in the 12 months to November 2015 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.

Prices

- The average price paid by first-time buyers is highest in Greater London (£367,990); more than £125,000 higher than the next most expensive region, the South East (£242,111). With an average price of £108,542, Northern Ireland is the least expensive region in the UK to get on the bottom rung of the housing ladder. (See Table 4).

Stamp Duty

- Across the UK, nearly one-third (32%) of all purchases by first-time buyers (FTBs) were below the £125,000 threshold at which stamp duty becomes payable during the three months from August 2015 to October 2015.
- More than 80% of FTB purchases in London and 38% in the South East were above £250,000. In contrast, less than 5% of FTB purchases in the northern regions of England, Wales and Northern Ireland were above £250,000. (See Table 3)

EDITORS' NOTES:

¹ Halifax estimate of FTBs buying a home with a mortgage

² From the Halifax House Price database

³Based on the average loan taken out by a new first-time buyer (from the Halifax House Price database)

⁴Total numbers of home purchasers with a mortgage estimated by 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 for 12 months to December and 12 months to November for 2015. These prices are not standardised and therefore can be affected by changes in the sample from period to period.

2. Average Earnings

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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 3 2015. Where this has not been possible due to data unavailability, average earnings have been estimated using the change in the weekly average earnings index.

Table 1: Number of First-Time Buyers – UK

	Number of First-time Buyers	Annual % change	FTBs as % of all House Purchases Loans
2005	363,800	2%	37%
2006	402,800	11%	36%
2007	359,900	-11%	36%
2008	192,300	-47%	37%
2009	196,700	2%	38%
2010	199,400	1%	37%
2011	193,700	-3%	38%
2012	217,900	12%	40%
2013	269,800	24%	44%
2014	311,700	16%	46%
2015*	310,000	-1%	46%

Source: CML *Halifax estimate

Table 2: First-Time Buyers: Average Price and Stamp Duty payable before and since December 2014

	First Time Buyer Average House Price (£s)	Stamp Duty Payable before December 2014	Stamp Duty Payable from December 2014	Stamp Duty saving
North	£118,254	£0	£0	£0
Yorkshire and the Humber	£129,326	£1,293	£86	£1,207
North West	£132,948	£1,329	£158	£1,171
East Midlands	£138,922	£1,389	£278	£1,111
West Midlands	£147,554	£1,475	£451	£1,024
East Anglia	£178,305	£1,783	£1,066	£717
Wales	£124,817	£0	£0	£0
South West	£183,408	£1,834	£1,168	£666
South East	£242,111	£2,421	£2,342	£79
Greater London	£367,990	£11,039	£8,399	£2,640

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Northern Ireland	£108,542	£0	£0	£0
Scotland	£133,178	£1,311	£0*	£1,311
UK	£190,180	£1,901	£1,303	£598

Source: Halifax and HMRC. * Based on rates introduced in the Land and Building Transactions Tax in April 2015

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

% of FTBs by Stamp Duty Thresholds (August – October 2015)					
	<£125k	£125k-£250k	£250k-£925k	£925k-£1.5m	£1.5m+
North	63%	35%	2%	0.00%	0.00%
Yorkshire & the Humber	54%	43%	3%	0.00%	0.00%
North West	51%	45%	4%	0.00%	0.00%
East Midlands	43%	51%	6%	0.00%	0.00%
West Midlands	40%	53%	7%	0.00%	0.00%
East Anglia	16%	70%	14%	0.00%	0.00%
Wales	55%	42%	3%	0.00%	0.00%
South West	13%	75%	12%	0.10%	0.00%
South East	4%	57%	38%	0.10%	0.00%
Greater London	0%	16%	82%	1.20%	0.10%
Northern Ireland	73%	26%	1%	0.00%	0.00%
Scotland*	55%	40%	5%	0.00%	0.00%
United Kingdom	32%	45%	22%	0.20%	0.00%

Source: Halifax. * For comparability only Scotland is included, however actual thresholds paid under the Land and Building Transactions Tax are different

Table 4: First-Time Buyers: Average Price, Loan and Deposit by Region, 2015

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
North	118,254	100,516	17,738	15%
Yorkshire and the Humber	129,326	109,927	19,399	15%
North West	132,948	113,099	19,849	15%
East Midlands	138,922	117,685	21,237	15%
West Midlands	147,554	124,801	22,753	15%
East Anglia	178,305	144,706	33,599	19%
Wales	124,817	106,211	18,606	15%
South West	183,408	147,870	35,538	19%

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South East	242,111	198,087	44,024	18%
Greater London	367,990	276,582	91,409	25%
Northern Ireland	108,542	91,964	16,578	15%
Scotland	133,178	111,755	21,424	16%
United Kingdom	190,180	157,254	32,927	17%

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

Table 5: 10 Most Affordable LADs in the UK for First-Time Buyers, 2015

Local Authority District	Region	House Price to Average Earnings ratio
Copeland	North West	2.8
Inverclyde	Scotland	2.8
Stirling	Scotland	3.0
Blaenau Gwent	Wales	3.1
Renfrewshire	Scotland	3.2
West Dunbartonshire	Scotland	3.2
East Ayrshire	Scotland	3.2
South Lanarkshire	Scotland	3.2
North Lanarkshire	Scotland	3.3
East Renfrewshire	Scotland	3.3

Source: Halifax

Table 6: 10 Least Affordable LADs for First-Time Buyers, 2015

Local Authority District	Region	House Price to Average Earnings ratio
Hammersmith and Fulham	London	11.9
Brent	London	11.7
Hackney	London	11.3
Haringey	London	11.0
Islington	London	10.5
Waltham Forest	London	10.5
Lambeth	London	10.3
Harrow	London	10.3
Camden	London	10.2
Ealing	London	10.2

Source: Halifax

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