

PRESS RELEASE



01/07/2017

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First-time buyers paying record prices to get on to the property ladder

- Average first-time buyer house price £207,693 – highest on record
- Brent is least affordable first-time buyer area – 12.5 times gross average annual earnings
- First-time buyers account for almost half of all mortgage financed house purchases
- First-time buyer average house price in London close to £410,000

The number of first-time buyers (FTBs) reached an estimated¹ 162,704 in the first six months of 2017, only 15% below the peak of the last boom in 2006 (190,900), according to the latest Halifax First Time Buyer Review.

Although the growth in FTBs slowed to just 3%, compared to an increase of 10% last year, the number of homeowners getting on to the property ladder for the first time is up from 154,200 in the same period in 2016 and more than double the market low in the first half of 2009 (72,700). (See Table 1)

First-time buyers driving housing activity

A decade ago, just over a third (36%) of all house purchases financed by a mortgage were made by first-time buyers. In 2017, this proportion is estimated to have risen to almost half (47%), with the share growing from 44% since the launch of the Help to Buy scheme in April 2013. Whilst the homemover (current owner occupier) market has slowed, housing activity has been dependent on buyers taking the first step on the ladder.

Martin Ellis, Housing Economist at Halifax, said: “Although the number of first-time buyers grew at a slower rate in the first half of the year compared to 2016 the levels remain healthy and the market is achieving record average house price for first-time buyers.

“For the third time in four years the numbers getting on the housing ladder have exceeded 150,000 – a level of momentum not seen since before the financial crisis.

“High levels of employment, low mortgage rates and government schemes such as Help to Buy have also helped these numbers remain robust, as first-time buyers continue to form a fundamental part of the UK housing market.”

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First-time buyer prices and deposits rise to record levels

In the first half of 2017, the average house price paid by first-time buyers was £207,693 – the highest on record. In the past year the average value of a typical first-time buyer home has grown by 4% from £199,414. And in the past five years, the average price has grown by 50% from £138,663 to £207,693 (an increase of 50% or £69,025), comfortably outperforming price growth across the entire market (42%).

In London, first-time buyers have seen the average price skyrocket by 66% (or £163,664) since 2012 to £409,975 – the highest on record. Not only is the average price in London three and a half times higher than in Northern Ireland (£115,269) – it is also 48% higher than the second most expensive region, the South East (£276,773).

The average first-time buyer deposit was £32,899 in the first six months of 2017 – 16% of the purchase price. Not surprisingly the largest deposits being put down are in London, more than three times the national average of £106,577; whilst Northern Ireland is half the UK average (£16,457).

Four regions (all in southern England) have seen the average deposit at least double. In London the average deposit by new entrants to the housing market has jumped four-fold in the past decade, from £26,701 to £106,577 – an increase of 259%. (See Table 2)

Rise in popularity of longer mortgage terms

As house prices for a typical first-time buyer property have risen, there has also been a growing trend in longer mortgage terms than the more traditional 25-year term. In 2007, nearly half (48%) of first-time buyers had a mortgage term of between 20 and 25 years, whilst 38% were for between 25 and 35 years. In 2016, this mix has markedly reversed, with 56% of mortgages at a term of 25 to 35 years or more, while the 20 to 25-year mortgage terms have fallen to 26%.

Affordable areas for first-time buyers – not in London

The 10 least affordable Local Authority Districts (LADs) for FTBs are all in London. The least affordable is Brent where the average FTB property price of £459,499 is 12.5 times gross average annual earnings in the area. (See Table 3)

Stirling in Scotland is the most affordable LAD in the UK with an average property price of £136,181 – 2.9 times local annual average gross earnings. Copeland in the North West is the most affordable in England (3.2). Seven of the 10 most affordable LADs for FTBs are in Scotland. (See Table 4)

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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
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	95,500	31%	38%
2011 H1	86,000	-10%	38%
2012 H1	100,600	17%	40%
2013 H1	116,300	16%	44%
2014 H1	167,300	44%	47%
2015 H1	140,500	-16%	47%
2016 H1	154,200	10%	47%
2017 H1*	162,704	3%	47%

Source:

CML

*Halifax

estimate

Table 2 First-time buyers: Average price, loan and deposit by region, 2017

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
North	125,591	106,998	18,594	15%
Yorkshire and the Humber	137,908	118,059	19,848	14%
North West	146,551	125,169	21,382	15%
East Midlands	158,021	134,274	23,747	15%
West Midlands	164,737	139,911	24,826	15%
East Anglia	198,876	165,738	33,138	17%
Wales	136,103	118,910	17,193	13%
South West	202,700	167,045	35,655	18%
South East	276,773	226,628	50,144	18%
Greater London	409,795	303,218	106,577	26%
Northern Ireland	117,716	101,259	16,457	14%
Scotland	139,041	117,476	21,565	16%
UK	207,693	174,795	32,899	16%

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

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Table 3: 10 Least affordable LADs for first-time buyers, 2017

Local Authority District	Region	House Price to Average Earnings ratio
Brent	London	12.5
Lambeth	London	12.0
Haringey	London	11.9
Camden	London	11.8
Hackney	London	11.6
Waltham Forest	London	11.4
Newham	London	11.4
Harrow	London	11.3
Ealing	London	10.9
Southwark	London	10.9

Source: Halifax

Table 4: 10 Most affordable LADs in the UK for first-time buyers, 2017

Local Authority District	Region	House Price to Average Earnings ratio
Stirling	Scotland	2.9
Inverclyde	Scotland	3.2
Renfrewshire	Scotland	3.2
Copeland	North West	3.2
West Dunbartonshire	Scotland	3.3
East Ayrshire	Scotland	3.3
Pendle	North West	3.3
North Ayrshire	Scotland	3.4
North Lanarkshire	Scotland	3.4
Lisburn and Castlereagh	Northern Ireland	3.5

Source: Halifax

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EDITORS' NOTES:

¹ Total number of first home purchasers with a mortgage estimated by the Halifax

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

DATA SOURCES:

This research is based on data from the Halifax's own extensive housing statistics database and ONS data on average earnings.

House Prices

The prices used in this research are simple arithmetic ('crude') averages for 12 months to May each year. These prices are not standardised and therefore can be affected by changes in the sample from period to period.

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 Weekly Average Earnings to May 2016. Where this has not been possible due to data unavailability, average earnings have been estimated using the change in weekly average earnings.

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