

## First time buyer price report – April 2017

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We have also produced a free, downloadable eBook with all of our first time buyer checklists to help anyone thinking or buying for the first time.

### Report headlines:-

[NAEA Propertymark](#) *“Sales to first-time-buyers dipped in February”*

[Connells Group](#) *“First-time buyers surge as lull in landlord purchases kicks in”*

[Halifax](#) *“Home ownership has sailed for one in four young brits”*

### Average price paid for first time buyer properties

	Jan-17	Feb-17	Mar-17	Monthly Change	Annual Change		
Rightmove	£188,612	£192,097	£192,820	0.4%	3.9%	Asking prices	E & W (excl inner London)
UK HPI	£196,459	n/a	n/a	0.4%	6.2%	Sold prices, includes cash sales and new builds	E

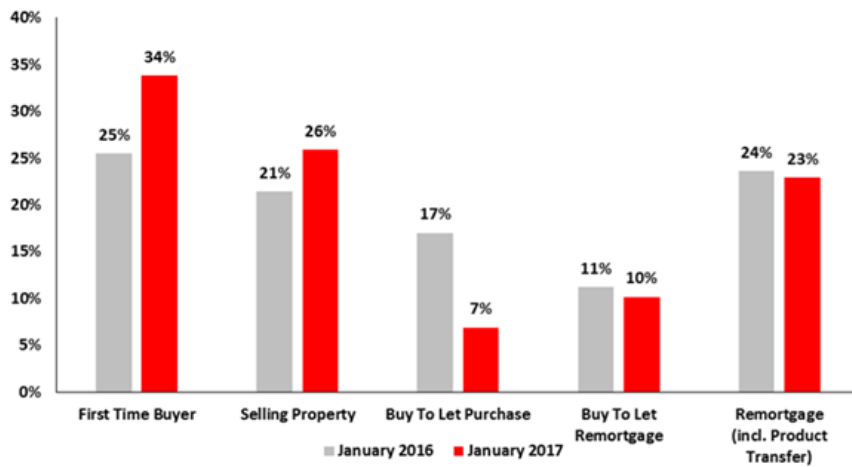
### Proportion of FTBs are on the rise in general

[Connells Group](#) *“In the first month of 2017, first-time buyer valuations rose by a fifth year-on-year (21%), driven by high employment and an uplift in weekly earnings. This has increased the importance of first-time buyers to the overall housing market, with first-time buyers now responsible for a third of activity (34%), up from a quarter at the start of 2016 (25%).”*

[NAEA Propertymark](#) *“The proportion of sales made to FTBs fell to 22 per cent in February. In January, almost a third (30 per cent) of sales were made to FTBs, a fall from December when the number of sales made to the group reached a high of 32 per cent.”*

## Proportion of FTBs are on the rise in general – cont'd

### YoY Change in proportion of Valuation Activity by Customer Type January 2017



Source: [Connells](#)

#### **Kate comments on first time buyer activity:**

*It's clear that first time buyer activity is buoyant in the market place, despite the 'average' increase in property prices shown by the indices, and the Connells data shows it's seen a much higher increase in FTBs than any other buyers, particularly when you compare to buy to let, although this fall is to be expected bearing in mind the huge Q1 2016 volumes we saw when landlords were trying to beat the stamp duty hike.*

## Number of first time buyers, their age and deposit levels

### Kate comments on first time buyers' age and deposit levels:

*There is a vast difference between the actual data and the reports that are often released by PR companies to campaign and gain footage in the media.*

*For example, two complete myths which can be exploded are, firstly, the falls in numbers of first time buyers. When you look at the English Housing Survey data below, the biggest year so far in 'recent first time buyers' ie the numbers that have bought in the last three years, saw its biggest levels in 2013/14, 2003/4 were similar, but not as high. This is likely to be due to the 'post recession' bounce after 50% of first time buyers had rightly left the market during the credit crunch when property prices had fallen so much.*

### Annex Table 1.6: Recent first time buyers, London and outside London, 2003-04 to 2015-16

*all recent first time buyers*<sup>1</sup>

	London	England (excluding London)	<b>all first time buyers</b>
	<i>thousands of households</i>		
2003-04	145	699	844
2004-05	147	668	815
2005-06	113	562	675
2006-07	149	644	793
2007-08	132	652	784
2008-09	129	583	712
2009-10	116	510	626
2010-11	91	432	523
2011-12	95	435	529
2012-13	129	473	601
2013-14	156	461	617
2014-15	126	438	564
2015-16	114	540	654

Source: [\*DCLG – English Housing Survey 2015-16 Headline Report\*](#)

*Secondly, when it comes to the 'average age' of a first time buyer you have to ask 'what is all the fuss about'? The data below clearly shows that the average age of a first time buyer today is hardly any more than it was in 2003 – that's 14 years ago now.*

*The rise in the average age during the credit crunch was to be expected, not press released as some sort of disaster. If you have a recession and prices are falling, why on earth would people want to buy their first home? Now the recession is over, for those in London for example, the average age as I predicted, has come back down again. None of this was ever rocket science but it does go to prove that when we look at property data and particularly first time buyer information we tend to only read negatives into it.*

*This wouldn't be an issue if it wasn't for the fact that people buy when they are confident to do so and save when they think it's worthwhile. If they are constantly told that they 'will never be able to afford a property' – whether true or not – why would anyone bother to look and save for a deposit in the first place?*

## Number of first time buyers, their age and deposit levels – cont'd

**Annex Table 1.7: Average age of recent first time buyers, London and outside London, 2003-04 to 2015-16**

*all recent first time buyers*<sup>1</sup>

	London	England (excluding London)	<b>all first time buyers</b> <i>age (means)</i>
2003-04	32.0	31.2	31.4
2004-05	31.0	31.1	31.1
2005-06	32.0	30.6	30.8
2006-07	33.0	29.7	30.3
2007-08	32.7	30.5	30.9
2008-09	33.6	31.3	31.7
2009-10	32.8	31.7	31.9
2010-11	32.5	31.9	32.0
2011-12	31.6	31.6	31.6
2012-13	32.2	32.4	32.4
2013-14	35.7	31.8	32.8
2014-15	32.9	32.5	32.5
2015-16	32.6	32.3	32.4

Source: *DCLG – English Housing Survey 2015-16 Headline Report*

*The rest of the data from the EHS (see over the page) is useful and does show the high levels that first time buyers ARE able to put down on a property – even when they don't necessarily need to. Most too have now switched to repayment, helping to ensure a healthy market for the future, even though they do appear to be taking out longer mortgage terms with 40% taking out 30 or more years. But again, bearing in mind we are living and will be working longer, this is a sensible way to finance and afford a property and not something to be critiqued or sold to people as a disaster.*

*It's also worth noting that the EHS shows the number of people getting help with buying was 30% - suggesting 70% don't. Again, if we could see headlines saying 70% of first time buyers get on the ladder all by themselves or with the Help to Buy Scheme, no doubt we'd see a good uptick in the number of first time buyers for the future.*

## Number of first time buyers, their age and deposit levels – cont'd

**Annex Table 1.9: Deposit and type of mortgage, recent first time buyers, 2015-16**

*all recent first time buyers<sup>1</sup>*

	£	
mean size of deposit	£48,831	
median size of deposit	£22,000	
	<i>thousands of households</i>	<i>percentages</i>
<b>percentage of deposit paid</b>		
0	10	1.8
1-9	114	20.1
10-19	239	41.9
20-29	101	17.7
30-99	69	12.0
100	37	6.5
<b>type of mortgage</b>		
repayment (interest and part of loan)	569	98.5
other type	9	1.5
<b>years to run on mortgage when taken out</b>		
1-19 years	33	5.9
20-29 years	304	53.7
30 years or over	228	40.4
<b>source of deposit<sup>2</sup></b>		
savings	509	80.9
gift or loan from family or friend	184	29.3
inheritance	43	6.8
other source	79	12.6
<b>sole or joint owner</b>		
mortgage in HRP's name only	292	44.7
mortgage in HRP and partner's name	338	51.8
other	23	3.5
<b>all recent first time buyers<sup>1</sup></b>	<b>654</b>	<b>100.0</b>
<i>sample size</i>	327	

<sup>1</sup> resident for less than three years

<sup>2</sup> more than one answer could be given

Source: English Housing Survey, full household sample

Source: [DCLG – English Housing Survey 2015-16 Headline Report](#)

## First time buyers regional prices, average deposit and mortgage levels

The following table summarises the UK HPI and Halifax data by region on first time buyers

Region	UK HPI Average FTB price Jan-17	Annual Change	Halifax Average FTB price 2016	Average Mortgage	Average Deposit	Deposit %
East Midlands	£145,907	5.1%	£153,779	£130,717	£23,062	15%
East of England	£232,412	9.1%	£196,367	£164,503	£31,864	16%
London	£429,666	7.5%	£402,692	£302,247	£100,445	25%
North East	£105,687	1.3%	£124,117	£105,794	£18,324	15%
North West	£125,566	4.0%	£144,367	£123,343	£21,025	15%
South East	£255,465	8.7%	£272,777	£225,305	£47,472	17%
South West	£199,763	7.0%	£200,465	£166,159	£34,306	17%
West Midlands	£148,438	5.2%	£159,732	£135,570	£24,162	15%
Yorks & Humber	£126,734	2.2%	£135,719	£116,257	£19,462	14%
Wales	£125,450	3.6%	£133,730	£116,181	£17,550	13%
Scotland	£114,617	3.6%	£137,188	£116,459	£20,729	15%
Northern Ireland	n/a	n/a	£115,269	£98,575	£16,695	14%

### Kate Faulkner's summary on the FTB regional markets:

*Regionally, the data from Halifax shows some fascinating information. The biggest deposits appear to be put down in the most expensive areas, with the likes of Wales, one of the cheapest having deposit levels at almost half that of London (13% vs 25%), and of course this level of deposit is almost 3x that that's actually needed, especially if FTBs are accessing through the Help to Buy equity loan scheme. This data alone rather than just taken and used to explain why everyone should never bother to save to get on the ladder, should actually spark a national investigation into why on earth FTBs are putting down 3x the deposit levels they actually require – is it an affordability issue or is it just because they can get help from mum and dad now who have gained from previous market growth and are taking advantage of the support to lower their mortgage rates?*

## First time buyer affordability attitude versus reality

With consistently negative headlines which constantly instil doom and gloom in anyone wishing to buy a new home, it's not a surprise that a recent first time buyer report from Halifax revealed:

*“Almost half (48%) of young Brits think it's harder than ever to get on the property ladder, with one in 10 prepared to leave the UK in order to buy their own home.”*

And a recent report by [Post Office Money](#) suggested that “four young singletons (25 per cent) feel it will be impossible to buy their own home without a partner” and “of home owning young couples (aged 18-34), 27 per cent feel they would have only have been able to buy a home together.”

These views are prevalent despite the fact that for some areas of the country, property prices are lower than they were 10 years ago and mortgage rates have pretty much fallen through the floor, and that the reality of FTBs in Halifax's own analysis always shows what's actually happening is something completely different:-

*“Despite the number of first-time buyers reaching a 10-year high of 339,000 in 2016, half of 18-34-year-olds don't think home ownership is a realistic option for their generation – with two thirds (65%) saying they don't earn enough to afford it.”*

The research goes on to say “the attitudes of young people who don't own a property, [reveals] that a quarter of 18-34-year-olds think the only way they'll manage is by inheriting the cash.

Yet as Halifax point out, those that have a positive attitude to buying home can still get on the ladder due to finance being so cheap. “There are still ways for people determined to get on to the first rung of the ladder, as many lenders offer mortgages for first-time buyers with deposits of 5%. This could reduce the amount needed to nail the necessary deposit, and longer mortgage terms help make monthly payments more manageable. In 2016, 28% of all first-time buyers with a mortgage chose a 30 to 35-year term, up from 11% in the past decade.”

Looking at the actual numbers and the research, it's clear in my mind there is a complete discrepancy between what is actually happening in the market and the attitude of first time buyers that haven't made it onto the ladder yet.

The media need to be aware of this discrepancy when they report on first time buyer affordability because if they don't, unnecessary doom and gloom headlines will drive 20 somethings into not buying rather than researching their own area carefully and finding out how they can access the market, for example through Help to Buy and Shared Equity.

What would be great to see this year when we have a relatively 'quiet' market is a wealth of reports on how people can get on the ladder if they want – bearing in mind nearly 350,000 did in 2016, it's clearly possible to do so.

## **Renting is often cheaper than buying**

And for those that remain renting, we should be cheering them up not making them feel miserable as many are making the right decision. Although Halifax's research suggests that *"first-time buyers end up on average £651 a year better off buying than renting"* typically this kind of analysis assumes they have large deposits available.

In fact, when you look at renting on a one to one property basis, it is much more likely to be cheaper than buying especially in many high value areas. When in the past renting has been considered as 'dead money' we are finding that because price rises where they have occurred have been more than double that of rents for a good few years now, the 'dead money' in renting is no more than the 'dead money' paid to lenders, and as well as finding a deposit at lower LTVs of 90-95%, renting is indeed much cheaper – although you don't benefit from capital growth.

The reality is that the dynamics of renting versus buying have completely changed as has the way people are buying their first home, and when expectations in general are higher than they have been in the past, it's easy to see why renting can actually be sensible versus buying in today's uncertain environment.

What is good from the Halifax report is that some FTBs are starting to realise there are ways to get on the ladder despite the difficulties, although it's quite remarkable that only *"One in five (22%) 25-34 year-olds would move to a cheaper area and even more of their younger counterparts aged 18 to 24 would be prepared to pack their bags for a bargain home elsewhere in the UK."* To get on the ladder – that was how most managed in my day (1990s) which wasn't really that long ago!

And according to Post Office Money, just like most people did in the past, first time buyers appreciate that getting a roof over your head is more likely with two people – whether sharing with a friend or as a couple, *"On average, half of young couples living together are renters, while half jointly own a home (45 & 44 per cent). A large number of couples are motivated by practical reasons when taking this step, with 22 per cent admitting they made their initial move in order to save money (that hopefully means 78% did it for love!)"* And an interesting stat is that *"young couples (aged between 18 and 34) will spend four years together on average before deciding to buy a home"*, which coincidentally is the same amount of time an average tenancy lasts according to the English Housing Survey 2015/16.

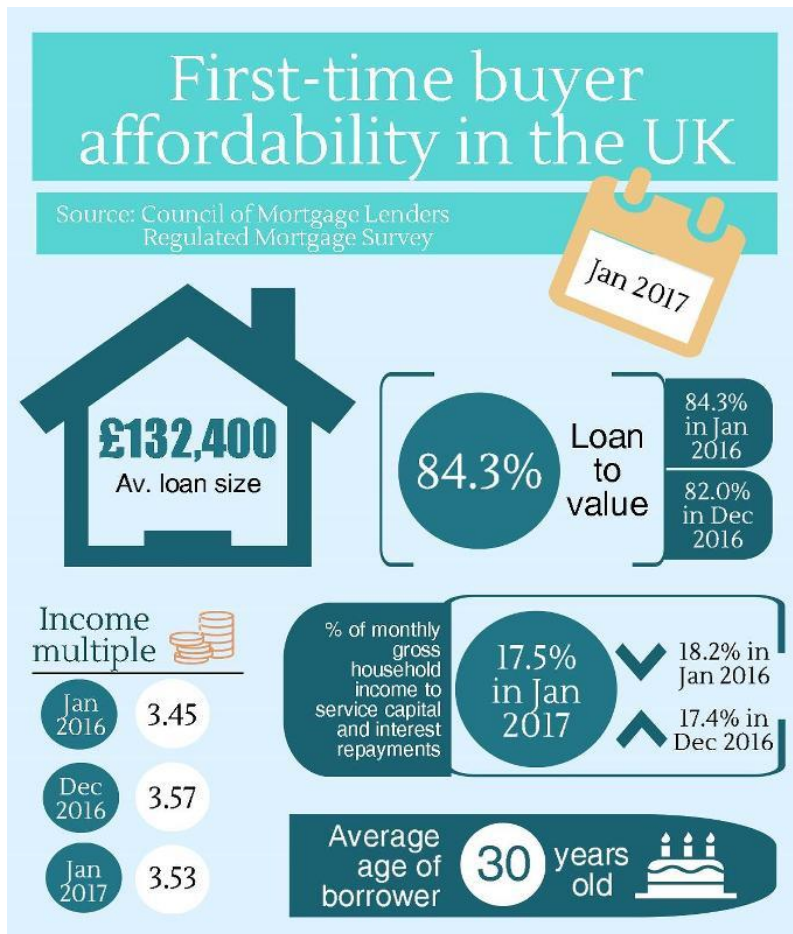
## **Let's stop comparing average house prices to average earnings – it's the cost of buying that's important**

Sadly, much of the press releases and headlines continue to focus on average property prices versus average incomes, a pointless analysis in my opinion, and one which deliberately skews the figures and just scares first time buyers.

In reality, recent data from the [Council of Mortgage Lenders](#) showed most first time buyers still buy at 3x their average income, and indeed in some areas across the country, the average price they pay – which means many pay less – is well under the stamp duty threshold of £100,000.



**Let's stop comparing average house prices to average earnings – it's the cost of buying that's important – cont'd**



- In Scotland, first time buyers are borrowing 3.03 times their income
- In Wales, first time buyers are borrowing 3.29 times their income
- In Northern Ireland, first buyers are borrowing 2.88 times their income

## Kate's guide to the individual indices

- ❑ [Rightmove](#) - Useful to measure average time to sell and sellers' sentiment. (*E & W*)
- ❑ [LSL Acadata HPI](#) – Analyses Land Registry figures, separates out London, good analysis on transactions.  
(*E & W*)
- ❑ [UK HPI](#) – Tracks sold property price data, good for accurate information, but doesn't reflect current market conditions. (*E, W, S & NI*)

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## About [Kate Faulkner](#)

Kate has written six property books including four for the consumer organisation Which? – Buy, Sell and Move House; Renting and Letting; Develop your Property and Property Investment Handbook. Kate presents at a seminar almost every week to landlords, investors and first-time buyers, and is often asked to chair debates and present at industry conferences.

From a media perspective, Kate's appearances include BBC Breakfast News, Your Money, GMTV, ITV, Radio 4 You and Yours, The Big Questions and 5Live. In the last 12 months, Kate has carried out numerous TV and radio interviews, has been quoted every month in major newspapers and magazines and been featured in many local newspapers.

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