

# First Time Buyer Tracker

June 2014

**Under embargo until 00:01hrs Friday 27<sup>th</sup> June 2014**

*The most advanced monitor of first-time buyer activity available*

## FIRST-TIME BUYER DEPOSITS FALL 10% IN A YEAR

- Average first-time buyer deposit of £24,637 in May, £2,700 less than 12 months ago but still 8 months salary needed
- Deposits fall 11% as a proportion of income compared to May 2013
- But first-time buyer sales slip 5% in May, as MMR holds back some higher LTV lending
- First-time buyer mortgage rates also starting to climb – up 0.08% in last 3 months

	Transactions	Average Purchase Price (£)	Average LTV
<b>May 2014</b>	23,400	£146,887	83.2%
<b>April 2014</b>	24,500	£146,386	83.6%
<b>1 month change</b>	-4.5%	+0.3%	-0.4 (from 83.6%)
<b>3 month change</b>	+4.5%	+2.7%	+0.5 (from 82.7%)
<b>1 year change</b>	+3.5%	+6.8%	+3.1 (from 80.1%)

First-time buyer deposits have fallen by £2,745 in the last twelve months, according to the latest First Time Buyer Tracker from Your Move and Reeds Rains, part of LSL Property Services.

Data from estate agency chains Your Move and Reeds Rains shows the average first-time buyer deposit fell 10% year-on-year from £27,382 twelve months ago to £24,637 in May 2014. It was the fourth consecutive month in which the average first-time buyer deposit was below £25,000.

One side-effect of falling deposits is that they are becoming cheaper as a proportion of wages. The average first-time buyer deposit represented 67% of a first-time buyer's annual income in May, compared to 77% twelve months ago. But the average deposit is still equal to 8 months of the average first-time buyer salary (£37,000).

More lending to high LTV borrowers, supported by the Help to Buy scheme, has allowed the number of first-time buyers to grow over the last year. There were 23,400 first-time buyer sales in May 2014 – 3.5% higher than twelve months before.



The yearly improvement in first-time buyers came even as purchase prices increased. The average first-time buyer purchase price increased 7% year-on-year in May to £146,887, over £9,000 more than in May 2013, when the average purchase price stood at £137,561.

**David Brown, commercial director of LSL Property Services, said:** *“Help to Buy has helped support the first-time buyer market over the past year. It has encouraged banks to extend more loans to lower equity borrowers, relieving some of the burden of saving for a larger deposit often out of their reach. Average first-time buyer deposits have got cheaper by nearly £3,000 as a result.*

*“Savings rates have been stuck at rock bottom for over five years, wages are only just beginning to show signs of growth, and the cost of living has been mounting all the while. Without Help to Buy, these stumbling blocks may have been too large for some prospective home-owners to overcome.*

*“It is imperative to let the scheme run its course. The property market is already weighted in favour of home-owners, who have benefitted from bricks and mortar price-growth. Punishing first-time buyers by pre-maturely cutting back Help to Buy would do more damage than good. To keep price-rises in check we need to upscale housing development and build more new homes offering wider choice and supply to buyers which will dampen any danger of high price rises.”*

#### First-Time Buyer Affordability

	Average deposit (£)	Deposit as proportion of income	Average mortgage rate	Mortgage repayment as proportion of income
<b>May 2014</b>	£24,637	66.6%	4.09%	21.1%
<b>April 2014</b>	£24,618	66.5%	4.05%	21.5%
<b>1 month change</b>	+0.1%	+0.1	+0.04	-0.4
<b>3 month change</b>	-0.6%	-1.7	+0.08	+0.3
<b>1 year change</b>	-10.0%	-10.6	-0.10	+1.0

#### MONTHLY SLOWDOWN AS MMR IS INTRODUCED

On a monthly basis, first-time buyer sales fell back 4.5% as lending volume slowed in the wake of the introduction of the stricter regulations.

The average LTV of a first-time buyer was 83.2% in May 2014, down 0.4 percentage points from 83.6% in April. Borrowers stretching their finances to buy their first-home, (often the borrowers with less of a deposit), are feeling the impact of the MMR regulations the most.

First-time buyer mortgage rates are also beginning to creep back up. The average first-time buyer mortgage rate was 4.09% in May 2014 compared to 4.05% in April and 3.99% in March. Lenders are starting to raise rates in the wake of growing economic confidence, and to slow the current rush for fixed-rate mortgages that has been stimulated by the recent discussions on an early base-rate rise.

The latest e.surv Mortgage Monitor showed house purchase approvals fell for the fourth consecutive month in May. But demand among first-time buyers remained strong. There were 9,670 loans to borrowers with a deposit worth 15% or less of the total value of their property in May 2014, 3% more than in April (9,375) and 40% higher than a year before (6,912).

**David Brown, commercial director of LSL Property Services, said:** *“There is a slowdown in lending as MMR is bedding down and banks and mortgage advisers get used to the new regulations. That is most likely a temporary blip but there may be some more permanent side-effects. The new rules demand more extensive affordability testing of first-time buyers, including stress testing against a potential base rate rise. Some of the bottom tier of first-time buyers may find they are no longer eligible to borrow. If Governor Carney chooses to exercise his new powers over to loan-to-income ratios, first-*

*time buyers could be even more significantly affected. MMR encourages the individual investigation of each application but loan-to-income caps are far more simplistic, and could lead to a number of worthy first-time buyers missing out on a mortgage.”*

#### **REGIONAL SNAPSHOT**

There were four regions of the UK with higher than average first-time buyer property prices in the three months to May: London, the South East, the East of England and the South West.

In London, the average first-time buyer purchase price was £267,572 in the three months to May, over three times more than in Northern Ireland (£83,899).

London first-timers also paid the largest deposits, at £65,989 – typically 25% of the value of the property they were purchasing. It was more than double the size of the average deposit in the South East (£30,484), where deposits were typically 16% of the value of the property.

The North East was the cheapest region in terms of first-time buyer deposits, with an average first-time buyer deposit of £12,274 in the three months to May.

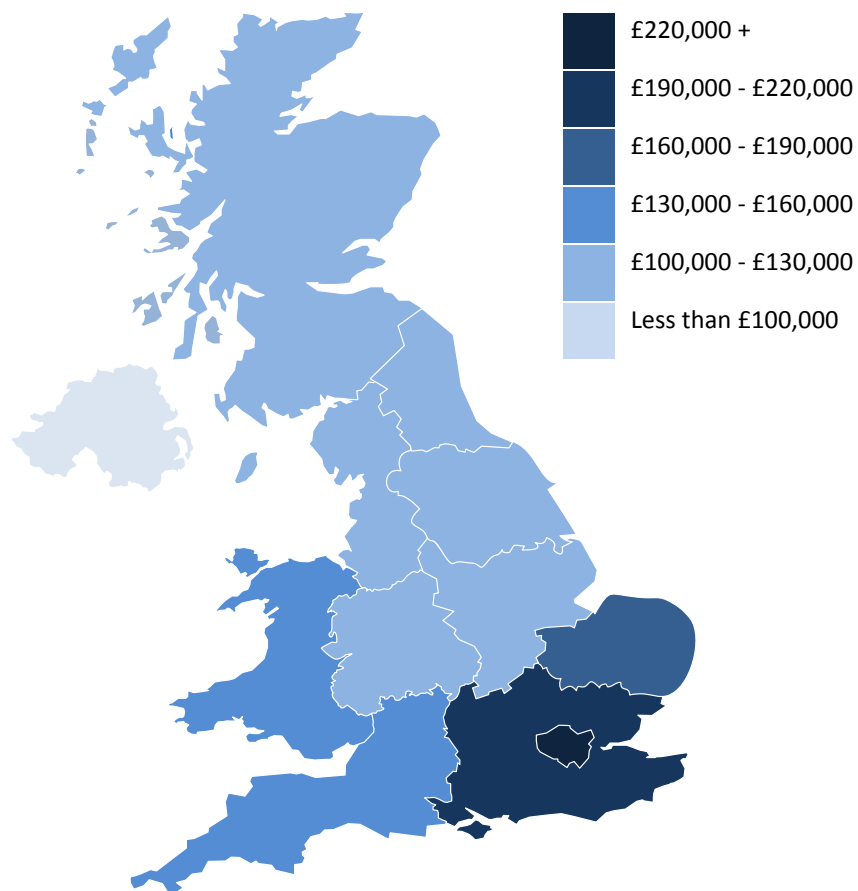
SEE FULL REGIONAL MAP OVERLEAF

# FIRST-TIME BUYER DEPOSITS DROP UNDER £25,000 AFTER 10% YEAR-ON-YEAR FALL



Region	Average Purchase Price	Average deposit	Average mortgage	Number of FTBs*
London	£267,572	£65,898	£201,674	12,400
South East	£190,191	£30,484	£159,706	14,300
East of England	£162,870	£26,286	£136,584	2,600
South West	£155,840	£26,332	£129,508	5,700
<b>Grand Total (UK)</b>	<b>£146,797</b>	<b>£25,298</b>	<b>£121,499</b>	<b>72,300</b>
Wales	£131,792	£14,777	£117,014	2,600
East Midlands	£123,791	£18,963	£104,827	5,000
North West	£121,178	£18,380	£102,798	7,000
West Midlands	£116,624	£18,034	£98,589	5,800
Scotland	£106,916	£15,010	£91,906	6,100
Yorkshire & Humber	£104,853	£15,629	£89,224	5,700
North East	£104,134	£12,274	£91,860	2,900
Northern Ireland	£83,899	£15,586	£68,312	1,700

Heat map of first-time buyer purchase prices



\* Number of FTBs in 3 months to May 2014 from CML RMS regional data (released 28<sup>th</sup> May 2014) – grossed up to reflect growth in FTBs recorded by LSL Property Services between Q1 2014 and 3 months to May 2014.



Examples of first-time buyer properties\*\*

**North West**

Three bedroom house  
Colne  
£62,950

**Scotland**

Two bedroom flat  
Denny  
£39,000

**North East**

Two bedroom terraced house  
Ferryhill  
£19,950

**Northern Ireland**

Two bedroom house  
Newtownards  
£69,950

**Yorkshire & Humber**

Three bedroom house  
Hull  
£59,950

**West Midlands**

Three bedroom semi-detached house  
Bromsgrove  
£125,000

**East Midlands**

Three bedroom semi-detached house  
Swadlincote  
£114,950

**Wales**

Three bedroom semi-detached house  
Rhyl  
£59,500

**East Anglia**

One bedroom flat  
Norwich  
£70,000

**South West**

Two bedroom detached bungalow  
Camborne  
£115,000

**London**

Studio flat  
High Road Leyton  
£130,000

**South East**

Apartment  
Waterlooville  
£90,000



\*\* Properties on the market with either Reeds Rains or Your Move estate agents at the time of going to press.

# FIRST-TIME BUYER DEPOSITS DROP UNDER £25,000 AFTER 10% YEAR-ON-YEAR FALL



	Transactions	Average Purchase Price	Average LTV	Average Deposit	Average Initial Rate	Mortgage Payments as % of income	Deposit as % of income
Mar-11	15,400	£126,244	80.2%	£25,058	5.05	21.6%	75.9%
Apr-11	14,300	£130,624	80.5%	£25,455	5.06	21.9%	75.2%
May-11	14,900	£130,500	80.4%	£25,558	5.02	21.9%	75.8%
Jun-11	18,600	£132,500	80.8%	£25,381	5.00	22.4%	75.5%
Jul-11	17,700	£133,244	81.1%	£25,173	4.93	22.2%	74.1%
Aug-11	18,300	£135,000	81.5%	£24,929	4.86	22.3%	72.9%
Sep-11	18,500	£132,856	81.7%	£24,347	4.72	22.0%	72.5%
Oct-11	16,800	£132,571	81.1%	£25,051	4.47	21.5%	75.2%
Nov-11	17,600	£134,391	79.9%	£27,010	4.33	20.9%	80.2%
Dec-11	18,600	£137,405	80.1%	£27,394	4.36	21.3%	80.7%
Jan-12	12,800	£135,000	80.3%	£26,568	4.39	21.0%	78.2%
Feb-12	14,000	£135,000	79.7%	£27,377	4.44	21.3%	81.7%
Mar-12	24,400	£146,874	79.9%	£29,467	4.56	22.5%	84.2%
Apr-12	12,300	£123,750	79.9%	£24,853	4.66	20.9%	77.5%
May-12	17,700	£131,250	80.5%	£25,573	4.82	21.7%	76.3%
Jun-12	19,400	£137,494	80.4%	£26,918	4.91	22.6%	79.2%
Jul-12	18,100	£135,802	79.9%	£27,281	4.92	21.6%	78.1%
Aug-12	20,400	£137,438	79.5%	£28,172	4.91	22.0%	81.4%
Sep-12	17,600	£135,000	81.3%	£25,259	4.86	22.3%	74.2%
Oct-12	20,100	£135,000	81.3%	£25,271	4.81	22.1%	74.0%
Nov-12	21,700	£134,375	79.1%	£28,110	4.72	21.3%	82.5%
Dec-12	19,500	£137,063	79.9%	£27,541	4.60	21.6%	80.6%
Jan-13	15,800	£133,860	79.9%	£26,966	4.44	20.8%	79.3%
Feb-13	15,800	£132,813	79.8%	£26,876	4.33	20.6%	79.6%
Mar-13	19,600	£136,125	80.6%	£26,444	4.29	20.8%	76.7%
Apr-13	17,900	£135,802	80.4%	£26,623	4.24	20.3%	76.3%
May-13	22,600	£137,561	80.1%	£27,382	4.19	20.1%	77.2%
Jun-13	24,000	£146,250	79.6%	£29,845	4.06	20.7%	83.1%
Jul-13	24,100	£144,290	79.5%	£29,609	3.99	20.2%	82.6%
Aug-13	26,400	£146,790	80.3%	£28,916	3.95	20.6%	80.2%
Sep-13	23,200	£147,156	80.6%	£28,498	3.93	20.9%	79.9%
Oct-13	26,300	£146,605	81.1%	£27,719	3.94	20.8%	77.0%
Nov-13	26,400	£145,313	81.3%	£27,177	3.93	21.7%	76.6%
Dec-13	26,700	£150,898	82.1%	£26,968	4.04	21.8%	74.7%
Jan-14	22,000	£143,373	82.3%	£25,319	4.10	20.8%	69.5%
Feb-14	22,400	£143,072	82.7%	£24,783	4.01	20.8%	68.3%



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Mar-14	24,400	£148,438	83.5%	£24,551	3.99	21.6%	67.6%
Apr-14	24,500	£146,386	83.6%	£24,618	4.05	21.5%	66.5%
May-14	23,400	£146,887	83.2%	£24,637	4.09	21.1%	66.6%

**-ENDS-**

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### Methodology

LSL uses the extensive monthly data from registered first-time buyers in its estate agency brands Your Move and Reeds Rains to update the CML's first-time buyer data before the CML's RMS data is published. The term 'first-time buyer' is here denoted by the purpose of a buyer's registration, rather than their LTV. LSL LTV data has been applied to CML price purchase data to calculate deposit and affordability information. Sentiment and salary data are derived from a survey conducted by LSL. The figures are not mix or seasonally adjusted, and are subject to revision as more data becomes available.

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