



First time buyer price report – January 2017

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National average prices paid by first time buyers are misleading

Report headlines:-

Rightmove *Window of opportunity for first-time buyers this new year with more choice and negotiating power:*

- Available stock for sale of two beds or fewer currently up 1.9% versus previous year
- Fewer buy-to-let investors to compete against and sellers more open to lower offers as sales agreed in this sector down 13.2% in December 2016 compared to previous year
- Rightmove estimate the average asking price (not necessarily what FTBs paid) for first time buyer properties has increased by 6.4% annually.

Halifax *"In 2016 the average house price paid by first-time buyers was £205,170 – the highest on record. Since falling to £135,254 at the height of the housing downturn in 2009, the average price paid by first-time buyers has grown by 52%. In the past year, this average has grown from £191,929, an increase of 7%."*

Nationwide *"There has been a marked divergence in house price growth across the UK in recent years, which has translated into a significant difference in affordability across the regions.... The median LTI ratios are highest in London and the South East (at around four times income) and lowest in Northern Ireland (at less than three)."*

NAEA *"In October there were a record number of sales made to FTBs, when 32 per cent were made to the group. In November, sales to the group fell to 29 per cent."*

Average price paid for first time buyer properties

	Nov-16	Dec-16	Jan-17	Monthly Change	Annual Change		
Rightmove UK HPI	£192,147 £196,379	£186,900 n/a	£188,612 n/a	2.6% 1.1%	6.4% 7.1%	Asking prices Sold prices, includes cash sales and new builds	E & W (excl inner London) E

Number of sales to first time buyers

Table 1: Number of First-Time Buyers – UK

	Number of First-time Buyers	Annual % change	FTBs as % of all House Purchases Loans
2006	402,800	11%	36%
2007	359,900	-11%	36%
2008	192,300	-47%	38%
2009	196,700	2%	38%
2010	199,400	1%	37%
2011	193,700	-3%	38%
2012	217,900	12%	40%
2013	269,900	24%	44%
2014	309,400	15%	46%
2015	312,900	1%	46%
2016	335,750*	7%	49%

Source: CML *Halifax estimate

Halifax

"First-time buyers numbers have totalled over 300,000 for the third successive year, growing from 312,900 in 2015 to an estimated 335,750 in 2016 (up 7.3%) – the highest level since the start of the financial crisis in 2007 (359,900). Having reached an all-time low of 192,300 in 2008, the number of homebuyers getting on to the first rung of the property ladder has grown by 75% to its current level. However, first-time buyer numbers still remain 17% below the immediate pre-crisis peak of 402,800 in 2006."

NAEA

"In October there were a record number of sales made to FTBs, when 32 per cent were made to the group. In November, sales to the group fell to 29 per cent."

Kate Faulkner's summary on the FTB market:

It's clear that first time buyers have very much re-established themselves as a core part of the property market since the recovery started post the credit crunch. The Halifax data clearly shows that FTBs (rightly) decided to rent/stay at home rather than buy during the recession, saving them from potential negative equity issues. This was a sensible move, but statistically has artificially driven up the average age of a first time buyer which will hopefully fall back over the next few years. Although we haven't fully recovered to pre-credit crunch sales volumes, FTBs are now a major driver of the property market, partly thanks to government initiatives such as Help to Buy, and this will hopefully improve further following the 'fall out' of buy to let investors. But the increased demand and not enough properties on the market means that property price inflation for first time buyers does appear to be slightly higher than other properties, when averaged out, around 6-7%. As with all property data, since the credit crunch we are seeing vast differences on a regional basis, so much so that 'national averages' for first time buyers are incredibly misleading to consumers and policy makers and should be ignored.

First time buyers regionally:

30% falls in FTBs in London, but 22% falls in more affordable North East – analysis proves the fall in FTB numbers is not just due to affordability issues!

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

Region	UK HPI Average FTB price Nov-16	Annual Change	Halifax Average FTB price 2016	Average Mortgage	Average Deposit	Deposit %
East Midlands	£147,936	6.9%	£153,779	£130,717	£23,062	15%
East of England	£232,099	10.5%	£196,367	£164,503	£31,864	16%
London	£421,553	8.3%	£402,692	£302,247	£100,445	25%
North East	£108,682	2.6%	£124,117	£105,794	£18,324	15%
North West	£126,435	5.0%	£144,367	£123,343	£21,025	15%
South East	£250,937	8.6%	£272,777	£225,305	£47,472	17%
South West	£196,686	5.5%	£200,465	£166,159	£34,306	17%
West Midlands	£150,352	7.0%	£159,732	£135,570	£24,162	15%
Yorks & Humber	£130,330	4.9%	£135,719	£116,257	£19,462	14%
Wales	£126,384	3.7%	£133,730	£116,181	£17,550	13%
Scotland	£115,946	3.2%	£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 market:

Some excellent data over the last few months shows the huge dangers of reporting property price 'averages'. The data also shows that the fall in first time buyers is not just down to affordability. Despite affordability for first time buyers improving in the North East over the last 10 years, FTB numbers have fallen by levels not far off to London.

It is also important for the media to be very careful on their reporting of first time buyer numbers and affordability. For example, some reports have shown that despite affordability issues, the average first time buyer deposit has doubled. What this means is that people CAN put down 2x the deposit than they did in 2006, it doesn't mean though they 'have to' which is often incorrectly reported. This is thanks to families who are now third generation property owners who have the means to help provide increased deposits via the bank of mum and dad.

Report on regional commentary

Halifax

"In London, first-time buyers have seen the average price rise by 81% (or £180,273) since 2009 to £402,692 – 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 £130,000 higher than the second most expensive region, the South East (£272,777).

"The average first-time buyer deposit has more than doubled over the past decade from £15,168 in 2006 to £32,321 in 2016 – an increase of 113%. Four regions (all in southern England) have seen at least a doubling in the average deposit put down. In London the average deposit by new entrants to the housing market has grown four-fold in the past decade, from £26,701 to £100,445 – an increase of 276%.

"Other regions to see a sharp rise in the average deposit include the South East where it has grown to £47,472 (an increase of 173%), the South West – up to £34,306 (or 130%) and the East – up to £31,864 (+122%). By comparison, first-time buyers in Northern Ireland have fared the best with average deposits falling by a fifth (20%) from £20,834 in 2006 to £16,695 – the lowest in the UK."

Report on regional commentary – cont'd

Nationwide “We used regional income data to estimate where in the income distribution a prospective purchaser would lie if they were purchasing the typical first time buyer property in a region, had a 20% deposit and were borrowing four times their (single) income. In particular, the dispersion or variation in affordability across regions has increased over the past ten years.”

The Nationwide chart below shows how in several areas including Scotland, the North, Wales, Northern Ireland and the East Midlands, affordability for first time buyers, based on their earnings, shows it is easier for first time buyers to buy today versus 6 years ago.



Number of First Time Buyers

Region	12m to Sep-06	12m to Sep-16	% change
East Anglia	13,192	12,254	-7%
East Midlands	28,097	25,344	-10%
London	63,302	43,428	-31%
North	18,709	14,504	-22%
North West	41,237	34,977	-15%
N Ireland	8,921	8,107	-9%
Scotland	35,910	30,774	-14%
South East	76,721	67,798	-12%
South West	30,147	28,360	-6%
Wales	16,625	14,590	-12%
West Midlands	32,873	28,416	-14%
Yorkshire & H'side	33,265	27,147	-18%
UK total	399,000	335,700	-16%

Source: CML Regulated Mortgage Survey / Mortgage Clarity

Kate Faulkner comments on FTB numbers and affordability:

Interestingly though, despite better affordability in Scotland, first time buyer numbers have still fallen by 14%; in the East Midlands by 10%, in Wales by 12% and in Northern Ireland by 9%. However, the most interesting figure is the huge fall of 22% in the North – where affordability has also improved.

This data clearly shows that it isn't just affordability that is reducing the level of first time buyers, an essential fact for the media to report and policy makers to better understand.

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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