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This is the 5th annual Halifax **First Time Buyer Review**. The Review tracks housing affordability in 483 post towns (including 32 London boroughs) across the UK. A town is classified as unaffordable if its house price/First Time Buyer household income ratio is above 4.0. The review is based on data from the Halifax's own extensive housing statistics database, along with data from the Council of Mortgage Lenders, the Office for National Statistics and the Department for Communities and Local Government. Halifax is the UK's biggest provider of FTB mortgages.

Lowest number of first time buyers since 1980

- **Number of first time buyers at its lowest since 1980**
- **Average house unaffordable* for FTBs in 466 out of 483 towns**
- **For the first time, the proportion of FTBs buying a flat (37%) is the same as that buying a terraced property**
- **Henley on Thames is the UK's least affordable town for FTBs**
- **Bootle in Merseyside is the most affordable town for a FTB**
- **The average FTB in 8 out of 12 UK regions paid stamp duty in 2007**

New Halifax research estimates that the number of first time buyers (FTBs) is at its lowest since 1980. An estimated 300,000 first time buyers entered the market in 2007 – 44% less than in 2002 (532,000).

First time buyers cannot afford* to purchase a terraced property – traditionally the least expensive property type - in 71% of towns across the UK (322 out of 454). In 2002, the typical FTB could not afford to purchase a terrace in only 11% of towns across the UK (51 towns).

Average house unaffordable* for FTBs in nearly all towns

Halifax calculates that a typical FTB was unable to purchase the average house in 96% of towns in 2007 (466 out of 483). In 2002, the average house in 30% of towns (146 out of 483) was unaffordable. In 2007, the average house was unaffordable in **all** towns in five regions – the South West, East Anglia, East Midlands, Yorkshire & the Humber and Northern Ireland. (Table 7)

The average house price paid by an FTB rose above £175,000 in 2007

The average house price paid by an FTB increased by 15% in 2007 to £175,093. Over the past five years, the average price paid by an FTB has risen by 82% from £95,994 in 2002. In 2007, the average FTB house price was more than £120,000 in all regions of the UK except the North (£116,223). Five years ago, the average FTB paid significantly less than £120,000 in all regions except London and the South East. For example, the lowest average price paid by an FTB was in the North (£52,665). (Table 4)

* a town is classified as unaffordable if its house price/FTB household income ratio is above 4.0.

** average income in affordability calculation takes account of total income in an FTB household

Flats, along with terraces, are now the most common purchase for FTBs

For the first time, the proportion of FTBs buying a flat (37%) was the same as the percentage purchasing a terrace (37%) - historically the most popular FTB property choice - in 2007. Flats have seen the biggest proportionate increase in FTB purchases over the past five years, a 13 percentage point rise. The proportion of FTBs purchasing a terrace has slipped by 7 percentage points over the same period. In 2002, only 24% of FTBs purchased a flat, with 25% purchasing a semi-detached house and 45% buying a terrace. (Table 4)

Henley on Thames is the UK's least affordable town for FTBs

The least affordable town for a FTB is Henley on Thames where the average property price is 13.1 times the average income** of a FTB household. Seven of the 10 least affordable towns are in the South East. The exceptions are Ilkley and Wetherby in West Yorkshire and Truro in the South West. Six towns have a price to income ratio for FTBs above 10.0. (Table 2)

Bootle in Merseyside is the most affordable town for a FTB

Bootle is the most affordable town in the UK for FTBs with an average property price 3.4 times higher than average FTB household income for its county. The next most affordable towns are Gosport in Hampshire (3.5 times) and Lerwick in Scotland (3.5 times). Five of the 10 most affordable towns for FTBs are in the south of England. (Table 3)

The average FTB in 8 out of 12 UK regions paid stamp duty in 2007.

The average FTB house price is above the £125,000 stamp duty threshold in eight of 12 regions. In London, the typical FTB was liable for 3% stamp duty in 2007. The average London FTB house price of £288,615 would generate a stamp duty bill of £8,658. Across the UK, the average FTB faces a stamp duty bill of £1,750.

Typical FTB unable to afford the average terrace in 71% of towns across the UK

A typical FTB was unable to afford the average terrace in 71% (322 out of 454***) of towns across the UK in 2007. This compared to 11% of towns (51 out of 454) in 2002. Terraces in 63% of post towns in the UK were unaffordable for FTBs in 2006 (287 out of 454).

Average FTB deposit has risen by 88% since 2002 to £34,381

The average deposit put down by a FTB was £34,381 in 2007, equivalent to 20% of the purchase price. The size of the average deposit has risen by 88% over the past five years from £18,259 in 2002. The average deposit was £18,259 in 2002, representing 19% of the purchase price.

Average deposit is 20% more than average full-time earnings

The average FTB deposit was 20% higher than UK average full-time earnings of £28,590 in 2007. In 2002, the average deposit (£18,259) was 26% less than UK average full-time earnings (£24,549).

The average income for an FTB is in line with the average worker in their thirties

The average income of a FTB**** was £31,294 in 2007. This is broadly in line with average full-time earnings of 30-39 year olds (£30,638) across the UK. The average income of a FTB was 37% more than the average full-time earnings of 22-29 year olds (£22,360). Only the highest earning 10% of 22-29 year olds (averaging £33,883) had comparable income levels to the average FTB in 2007.

More than half of all FTBs buy in a city

In 2007, 51% of FTBs purchased their first property in a city, compared to 47% five years ago. Almost one in two FTBs (47%) buying in a city bought a flat or maisonette compared to around one in three (36%) of FTBs across the UK. Two thirds of all flats purchased by FTBs were in cities in 2007.

FTBs accounted for less than three in ten new mortgages in 2007

In 2007, FTB mortgages made up 29% of all new mortgages in the UK. In 2002, FTBs accounted for more than one third of all new mortgages (34%).

***smaller sample sizes for terraced house prices by town limited the number of towns available for analysis to 454

**** gross earnings of main FTB mortgage applicant

Martin Ellis, chief economist at Halifax, commented:

“Rising property values have priced many potential first time buyers out of the housing market. When they do enter the market first time buyers are now more likely to be in their thirties rather than their twenties and buy a flat rather than a terraced house. First time buyers are also buying proportionately more in cities than towns as they opt for convenience over size.

Despite the increase in property prices in the past few years, the financial position of the majority of first time buyers is sound and they, on average, put down a 20% deposit, which is equivalent to more than a year's earnings.

There is no quick fix to the first time buyer problem. A more subdued housing market over the next few years is a positive step for potential new entrants. Lower than average earnings house price growth together with more government initiatives may, in time, address the issue.”

KEY FINDINGS

FTB Numbers and House Prices

- **The average price paid by FTBs increased by 15% in 2007 from £151,720 to £175,093.** FTB house prices in Northern Ireland experienced the biggest rise in 2007, up 33%, followed by London and the South East, both up 15%. Over the past five years, the average house price paid by an FTB has increased by 82%, outpacing the 76% increase in the average house price for all home buyers.
- **Six regions have seen at least a doubling in the average house price paid by a FTB in the past five years.** The largest increases have been in Northern Ireland (148%) and the North (121%). The smallest increases have been in the South East (49%) and the South West (52%).

Table 1: Number of First Time Buyers – UK

	Number of First Time Buyers	Annual % change
1999	593,000	13%
2000	499,000	-16%
2001	568,000	14%
2002	532,000	-6%
2003	367,000	-31%
2004	358,000	-2%
2005*	340,000	-5%
2006*	315,000	-7%
2007*	300,000	-5%

Source: CML, Halifax

*estimate

Table 2: Least Affordable Towns for First Time Buyers

Post Town	County	Region	Average House price £ (2007)	Average FTB income (2007)	Price - Income Ratio (2007)**
Henley On Thames	Oxfordshire	South East	642,672	49,145	13.1
Ilkley	West Yorkshire	Yorks & the Humber	353,557	29,699	11.9
Sevenoaks	Kent	South East	506,933	46,722	10.9
Ascot	Berkshire	South East	541,062	51,518	10.5
Amersham	Buckinghamshire	South East	500,202	48,357	10.3
Hook	Hampshire	South East	414,585	40,674	10.2
Winchester	Hampshire	South East	399,765	40,674	9.8
Wetherby	West Yorkshire	Yorks & the Humber	290,242	29,699	9.8
Pulborough	West Sussex	South East	422,525	43,798	9.6
Truro	Cornwall	South West	323,231	33,683	9.6

Source: Halifax * a town was classified unaffordable if its house price/FTB household income ratio was above 4.0

**Price Income ratio: crude average price for post town divided by average FTB household income in its county

****smaller sample sizes for flat house prices by town limited the number of towns available for analysis to 277

Table 3: Most Affordable Towns for First Time Buyers

Post Town	County	Region	Average House price £ (2007)	Average FTB income (2007)	Price - Income Ratio (2007)**
Bootle	Merseyside	North West	112,689	32,749	3.4
Gosport	Hampshire	South East	143,028	40,674	3.5
Lerwick*	Shetland Islands	Scotland	125,726	35,736	3.5
Nelson	Lancashire	North West	108,320	30,254	3.6
South Ockendon	Essex	South East	168,012	45,300	3.7
Clacton On Sea	Essex	South East	168,137	45,300	3.7
Newham (LA)	Inner London East	London	239,430	64,139	3.7
Cumnock	Ayrshire	Scotland	111,269	29,473	3.8
St Leonards On Sea	East Sussex	South East	170,825	44,499	3.8
Ashington	Northumberland	North	131,821	34,203	3.9

Source: Halifax

*Lerwick incorporates post codes ZE1, ZE2 and ZE3.

**Price Income ratio: crude average price for post town divided by average FTB household income in its county

Table 4: Average House Price paid by a First Time Buyer by Region (£)

	2002	2006	2007	1 yr % change	5 yr % change
Northern Ireland	72,473	135,460	179,748	33%	148%
North	52,665	109,565	116,223	6%	121%
Scotland	57,929	108,909	123,213	13%	113%
Yorkshire and the Humber	59,483	113,164	120,468	6%	103%
Wales	60,888	117,756	123,210	5%	102%
North West	63,459	118,968	126,815	7%	100%
East Midlands	75,859	119,902	126,392	5%	67%
West Midlands	81,709	126,463	133,967	6%	64%
Greater London	187,693	250,941	288,615	15%	54%
East Anglia	102,093	143,693	156,502	9%	53%
South West	107,556	149,155	163,088	9%	52%
South East	133,429	173,894	199,266	15%	49%
UK	95,994	151,720	175,093	15%	82%

Source: Halifax

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FTB Property Types

- For the first time, the proportion of FTBs buying a flat was the same as the percentage purchasing a terrace, at 37%, in 2007. In 2002, terraces (45%) were the most popular property type for FTBs.
- FTBs in London (68%) and Scotland (64%) are most likely to buy a flat. The smallest percentage of sales of flats and maisonettes to FTBs was in Yorkshire and the Humber (10%) and the East Midlands (11%).
- Terraced properties account for more than half of all FTB purchases in two regions in 2007 – Yorkshire & the Humber (54%) and the North West (52%). Terraces account for less than 20% of sales in only one region: Scotland (17%).
- FTBs are most likely to buy a semi-detached property in the East Midlands (37%) and the West Midlands (33%). These are also the only two regions where the proportion of FTBs buying semi-detached properties has risen in the past five years.

Table 5: Percentage of First Time Buyer Sales by Type of Property 2007

	Semi Detached		Detached		Terraced		Flats & Mais.	
	% of total	Percentage pt change over 5 yrs	% of total	Percentage pt change over 5 yrs	% of total	Percentage pt change over 5 yrs	% of total	Percentage pt change over 5 yrs
North	30%	0%	4%	-2%	44%	-5%	22%	7%
Yorkshire and the Humber	32%	0%	4%	-2%	54%	-2%	10%	4%
North West	29%	-1%	5%	-1%	52%	-4%	14%	7%
East Midlands	37%	2%	8%	-5%	45%	-2%	11%	5%
West Midlands	33%	1%	6%	-3%	46%	-5%	16%	7%
East Anglia	24%	-1%	9%	-7%	44%	-3%	22%	11%
Wales	27%	-2%	7%	-2%	46%	-9%	20%	13%
South West	20%	-1%	5%	-4%	44%	-5%	31%	10%
South East	18%	-3%	6%	-1%	38%	-4%	38%	8%
Greater London	8%	-2%	1%	-1%	23%	-9%	68%	11%
Northern Ireland	29%	-10%	9%	-5%	44%	4%	18%	11%
Scotland	13%	-4%	6%	-1%	17%	-2%	64%	7%
UK	21%	-4%	5%	-2%	37%	-7%	37%	13%

Source: Halifax

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FTB Deposits, Advances, Mortgage Payments and Incomes

- **FTBs put down an average deposit of £34,381 in 2007, equivalent to 20% of the value of the property purchase.** The size of the average deposit has risen by 88% over the past five years from £18,259 in 2002.
- **FTBs in Greater London put down the largest deposit: £61,964 (21% of the value of the property).** FTBs in Yorkshire & the Humber put down the smallest deposit: £19,326 (16%).
- **Around 10% of homebuyers received financial help to purchase their property** according to the latest 2005/06 English Housing Survey. 7% of homebuyers received a gift or loan from family or friends while 3% of homebuyers used an inheritance for their property purchase,
- **The average mortgage for a new FTB in 2007 was £140,711, up 14% on 2006 and 81% higher than in 2002.** The monthly mortgage payment for this loan would be £936, assuming a 25 year repayment mortgage at the industry average tracker variable interest rate of 6.39%. This compares with a monthly mortgage payment of £822 in 2006 and £517 in 2002 using the same interest rate.

Table 6: First Time Buyer Deposit by Region

	2002		2006		2007	
	Deposit £s	% of purchase price	Deposit £s	% of purchase price	Deposit £s	% of purchase price
Greater London	41,667	22%	53,165	21%	61,964	21%
South East	29,139	22%	32,418	19%	39,463	20%
Northern Ireland	11,105	15%	23,848	18%	39,422	22%
South West	22,528	21%	28,819	19%	33,680	21%
East Anglia	21,511	21%	24,865	17%	27,650	18%
Scotland	7,683	13%	21,269	20%	25,951	21%
West Midlands	15,103	18%	22,103	17%	23,315	17%
East Midlands	12,924	17%	18,468	15%	21,295	17%
North West	8,947	14%	18,741	16%	20,392	16%
Wales	8,553	14%	19,735	17%	20,185	16%
North	6,527	12%	17,743	16%	19,341	17%
Yorkshire and the Humber	8,933	15%	18,177	16%	19,326	16%
UK	18,259	19%	28,169	19%	34,381	20%

Source: Halifax

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FTB Affordability* by Town

Average House*

- A typical FTB was unable to afford the average property in 96% of towns across the UK in 2007 (466 out of 483), compared to 30% of towns (146 out of 483) in 2002. 96% of post towns in the UK were unaffordable for FTBs in 2006 (463 out of 483).
- In 2007, the average house was unaffordable in all towns in five regions – the South West, East Anglia, East Midlands, Yorkshire & the Humber and Northern Ireland. In each region at least 85% of towns were unaffordable for FTBs in 2006.
- Affordability has deteriorated most in Northern Ireland over the past five years, followed by Wales. In 2002, all towns surveyed in both Northern Ireland and Wales were affordable for FTBs. In 2007, all towns in Northern Ireland were unaffordable along with 93% of towns in Wales.

Table 7: Average House Price – First Time Buyer Affordability* by Post Town

	All Houses - 2002				All Houses - 2006				All Houses - 2007			
	Afford	%	Unafford	%	Afford	%	Unafford	%	Afford	%	Unafford	%
North	28	90	3	10	1	3	30	97	3	10	28	90
Yorks & the Humber	32	82	7	18	0	0	39	100	0	0	39	100
North West	38	73	14	27	6	12	46	88	3	6	49	94
East Midlands	25	83	5	17	0	0	30	100	0	0	30	100
West Midlands	20	56	16	44	2	6	34	94	1	3	35	97
East Anglia	10	63	6	38	0	0	16	100	0	0	16	100
South West	16	48	17	52	0	0	33	100	0	0	33	100
South East	64	50	64	50	3	2	125	98	4	3	124	97
Greater London	20	63	12	38	2	6	30	94	2	6	30	94
Wales	15	100	0	0	1	7	14	93	1	7	14	93
Scotland	53	96	2	4	4	7	51	93	3	5	52	95
Northern Ireland	16	100	0	0	1	6	15	94	0	0	16	100
U.K.	337	70	146	30	20	4	463	96	17	4	466	96

Source: Halifax

* a town was classified unaffordable if its house price/FTB household income ratio was above 4.0

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Terraces*

- **A typical FTB was unable to afford the average terrace in 71% of towns across the UK in 2007 (322 out of 454***),** compared to 11% of towns (51 out of 454) in 2002. 63% of post towns in the UK were unaffordable for FTBs in 2006 (287 out of 454).
- **Terraces were unaffordable for FTBs in all towns surveyed in the South West (33 out of 33) in 2007,** along with 94% of London boroughs (30 out of 32) and 84% of towns in the South East (100 out of 119).
- **The North was the only region where FTBs could afford to purchase a terrace in more than half of all towns in 2007, 61% (19 out of 31).** In 2002, FTBs could afford to purchase a terrace in at least 80% of towns in all regions except London.
- **Affordability for terraced housing has deteriorated the most in the South West over the past five years.** In 2002, the average terraced house was affordable for FTBs in 91% of towns (30 out of 33). In 2007, the average terraced house was unaffordable for FTBs in all 33 towns surveyed in the South West.

***smaller sample sizes for terrace house prices by town limited the number of towns available for analysis to 454

Flats & Maisonettes*

- **An FTB could afford to purchase the average flat or maisonette in 65% of post towns (181 out of 277**** surveyed) in the UK in 2007.** However, the percentage of towns where a flat is affordable has fallen from 95% in 2002 (263 out of 277).
- **The average flat was unaffordable for FTBs in 53% of London boroughs (17 out of 32) in 2007.** In 2002, the average flat was unaffordable for FTBs in only 19% of London boroughs (6 out of 32).
- **The average flat was unaffordable in 19 cities in 2007** including Edinburgh, Cambridge, Oxford, Leeds and Manchester.
- **There has been an increase over the past five years in the number of towns outside the South of England where the average flat is unaffordable for FTBs.** In 2002, flats in only four towns outside the South of England were unaffordable for FTBs, but this has increased to 45 towns in 2007.

Ends.

EDITORS' NOTES:

Average price is a crude average. These prices are not standardised and therefore can be affected by changes in the sample from quarter to quarter.

Average prices for 2007 are 12 months to November.

The Affordability Calculation:

To determine which towns and property types are unaffordable for first time buyers (FTBs) we have taken the average FTB disposable income at a county level (source: Halifax) and multiplied this by 4.0 for 2006 (this ratio represents a typical FTB price: average FTB disposable income across the UK) to calculate an FTB's "borrowing capacity" for each county. For example, in West Yorkshire the average total income of a FTB household in 2007 was £29,699. This is multiplied by the average FTB price:disposable income ratio of 4.0 to give a "borrowing capacity" of £118,797. The average price of a house in each town in the relevant county is then compared to this "borrowing capacity" figure. The town is classified as unaffordable when the average price is higher than the "borrowing capacity" and affordable where it is lower.

This affordability calculation looks at actual FTB incomes and implicitly assumes a typical deposit (20%). The likelihood is that a large proportion of the population will fall into the category of not having enough funds to meet this analysis; therefore, it is likely that our affordability measure actually understates the degree to which properties are unaffordable for first time buyers.

These calculations are based on average first-time buyer income for a household and takes account of all income earners in the household.

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