



NOT FOR BROADCAST OR PUBLICATION BEFORE 00.01 HRS SATURDAY MARCH 3rd 2018

EQUITY GAINS HELP SECOND STEPPERS FUND THE £136,000 PRICE GAP TO TRADE UP

- Higher house prices helps boost equity position
- But challenges remain - over one in three (39%) 'Second-Time Buyers' are concerned about further interest rate hikes and a third (35%) say it will be more difficult to sell their home this year
- Many consider staying put and renovating rather than moving

With homeowners seeing the first interest rate rise in more than 10 years last November and further hikes predicted for 2018, First-Time Sellers see potential interest rate rises as their biggest challenge to moving up the property ladder – according to new research from Lloyds Bank.

Lloyds Bank has today launched its annual Second Stepper report, which tracks the challenges faced by First-Time Sellers. The report reveals one in three (35%) of these households believe it will be more difficult to sell their home this year, with worries over the economy, the size of the deposit they'll need and a shortage of family-friendly properties.

Second Steppers are mostly couples and young families moving on from their first-time buyer homes to secure more space and a garden. The latest figures show a lack of confidence about selling among this group, despite significant improvements to market conditions over the past five years.

Equity stake of £86,000 helps get that second home

Strong house price growth has helped those still living in their first homes gain a healthy equity windfall.

Today's typical Second Steppers bought their first property in 2014, when the average price of a First-Time home stood at £167,137. Based on the latest house prices figures, selling their home for the average First-Time Buyer house price of £211,296 would provide them with an average equity injection of £85,877¹ for their next home. That's grown from £68,629 four years ago.

¹*Current equity position is defined as the sum of deposit, capital repayments (variable rate mortgage using average LTV for an FTB and the average mortgage rate for new business undertaken by UK banks produced by the Bank of England) and change in the average FTB house price over the period. The calculation is based on house purchasers moving 3 years and 8 months after their first purchase, which is based on our market research.

MEDIA CONTACTS

Lloyds Bank Press Team:

Name: Stephanie Guichan - Stephanie.Guichan@lloydsbanking.com
07384459364



The gap between the sale of their current property and the cost of their perfect home – usually a detached property – is now £135,985. However, the average equity level of £85,877 can help reduce this gap by 63%, meaning that Second Steppers need only add an extra £50,108 to their existing mortgage.

However, across the country, there are significant regional variations in the size of this gap. In Northern Ireland, people will need to find £73,499 extra to make the step to their desired second home. At the other end of the scale, people in London need £330,599 to make the jump.

Staying put and making improvements

Just over a third of Second Steppers (35%) think it will be harder to sell their existing property this year than it would have been a year ago. In addition, over a quarter (29%) are worried about the uncertain economic climate, deposit size remains a key challenge (30%) and around one in four (26%) are struggling to find the right property to move to.

Getting handy with home improvements is a solution for many Second Steppers if they can't sell their current home – increasing from 34% in 2016 to 40% in 2017.

The report also reveals some optimism. Two out of five (40%) believe the market conditions for Second Steppers has improved compared to last year and 52% feel there are now more First-Time Buyers in the market, up from 43% in 2016. Over half (52%) also think the stamp duty changes announced in the Budget last year will increase the number of First-Time Buyers entering the market even further.

Andrew Mason, Lloyds Bank Mortgages Director, said: “Second Steppers are optimistic about the market conditions, which are now better than they've been for over five years, and with many building up substantial equity in their homes and more first-time buyers entering the market, their next move may not be far away.

“However, the interest rate rise we saw late last year marks the first increase first-time sellers have seen since becoming homeowners and even though it was small it has caused some concern.”

Location, location, location

Town living is attractive to nearly half of Second Steppers (48%), while four in ten opt for a village location. Under a third (31%) plan to relocate to the countryside and city life appeals to just over a quarter (27%).

Period homes and new builds top the bill for the next property purchase

The survey reports that buying a period property or a new build home remains the dream for over a third of Second-Time Buyers (37% and 36% respectively), with a quarter looking for a recently developed or renovated property. One in five (21%) are looking to put their DIY skills to the test and buy a property needing renovating.

MEDIA CONTACTS

Lloyds Bank Press Team:

Name: Stephanie Guichan - Stephanie.Guichan@lloydsbanking.com
07384459364



When looking for their ideal home, Second Stepper's 'must haves' include a driveway or off-road parking (61%), a garden (59%) and a kitchen/diner (56%).

First property regrets

Almost two thirds (64%) of Second Steppers have regrets about their first property purchase, with over a third wishing they had bought a bigger property. Just over one in 10 admit that they rushed to get on the property ladder and bought their first home without looking at the details.

-Ends-

Notes to editors:

Table 1: Regional average price gap for 2017 Second Steppers

	FTB Ave Price 12 month Jan 2018 £	Detached House Price (All Buyers) 12 months Jan 2018 £	Price Gap £
North	126,005	249,812	123,807
Yorkshire and the Humber	140,328	277,504	137,176
North West	149,868	303,856	153,988
East Midlands	164,298	285,483	121,185
West Midlands	169,089	317,089	148,000
East Anglia	207,417	346,025	138,608
Wales	139,689	259,004	119,315
South West	205,936	380,429	174,493
South East	278,753	522,643	243,890
Greater London	422,329	722,929	300,599
Northern Ireland	121,370	194,818	73,449
Scotland	139,284	253,944	114,659
UK	211,296	347,281	135,985

MEDIA CONTACTS

Lloyds Bank Press Team:

Name: Stephanie Guichan - Stephanie.Guichan@lloydsbanking.com
07384459364



Table 2: Typical Example price gap for Second Steppers, including equity boost

	Price Gap £ between a typical FTB home and Detached home; December 2016	Estimated Average Equity Levels £	Equity Level as % of Price Gap	Difference between cost of moving to second home and equity Level
2013	115,067	52,188	45%	62,879
2014	114,417	68,629	60%	45,788
2015	119,439	81,366	68%	38,073
2016	118,330	99,428	84%	18,903
2017	123,384	102,323	83%	21,061
2018	135,985	85,877	63%	50,108

Consumer research undertaken by BDRC Continental (bdrccontinental.com) on behalf of Lloyds Banking Group. Fieldwork took place in December 2017. 505 interviews took place across the UK with first-time buyers looking to purchase their second home.

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done

MEDIA CONTACTS

Lloyds Bank Press Team:

Name: Stephanie Guichan - Stephanie.Guichan@lloydsbanking.com
07384459364