LLOYDS BANK

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The **Lloyds Bank Homemovers Review** tracks conditions for those who already own a home. The review is based on data from the Halifax house price database, the Council of Mortgage Lenders, the Office for National Statistics and the Bank of England.

Highest number of homemovers for seven years

- 2014 saw an 8% rise in the number of homemovers.
- This is the highest annual total since 2007 but still little more than half the average between 2004 and 2007.
- The average deposit put down by a homemover in 2014 was £83,302.
- Stamp duty changes save the average homeowner nearly £5,000.
- The estimated equity level for a potential second stepper has risen by over £10,000 in the past year.

The number of homeowners moving home increased by 8% in 2014, according to the latest Lloyds Bank Homemovers Review. An estimated 365,400 people moved home last year[1], as an 8% rise in house prices in 2014[2] boosted homeowners' equity in their current homes making it easier for them to fund a deposit towards the purchase of their next property.

This was the largest annual increase in the number of homemovers since 2010 and was the third successive rise. [Table 1]

The number of homemovers in 2014 was 16% higher than in 2009 at the depth of the recent housing market recession. Despite the pick-up in recent years, the number of homemovers last year was still less than half the all-time high recorded in 2004 (886,700) and just over half the average during between 2004 and 2007 (717,025). [Table 1]

First-time buyer numbers have risen significantly quicker than homemovers over the last few years. As a result, homemovers have declined as a proportion of all new mortgage financed home purchasers from 71% in 2004 to 54% in 2014.

Since 2009, the average price paid by a homemover has grown by over a quarter (26%[3]) from £199,645 to £252,064 in 2014 – an increase of £52,418, equivalent to a monthly rise of £874. Homemover property prices increased by 9% in 2014. [Table 3]

The average deposit put down by a homemover in 2014 was £83,302; 9% higher than in 2013 (£76,739). This equates to 33% of the average price paid by homemovers of £252,064. [Table 3]

Regionally, homemovers in the capital put down the largest average deposit - £166,265 - 35% of the average property value of £480,416. This is more than four times the average deposit put down by homemovers in Northern Ireland (£40,128 – the lowest). Homemovers in the South West put down the largest average deposit in percentage terms (36%). [Table 3]

The recent changes to the stamp duty system have saved the average homemover £4,958, reducing the tax bill for the average homemover property of £252,064 from £7,561 to £2,603.

Andy Hulme, Lloyds Bank mortgages director, commented:

"House price rises over the past 12 months have enabled more homeowners to make the next move on the housing ladder. The resulting higher levels of equity in their property are providing homeowners with more funds to finance the purchase of their next home.

"A steady rise in property values in 2015 should further ease the constraint on many of those who bought their first home around the peak of the market in 2006 and 2007, enabling more of them to become second steppers."

Second Steppers

Higher house prices lead to rising equity levels for potential second steppers

Second Steppers are those looking to get on the second rung of the housing ladder and are a subset of all homemovers. Higher house prices have increased the equity of those still living in their first homes enabling more of those who previously had either very low or negative levels of equity to make their first home move.

Recent research shows that first-time buyers typically stay in their first home for four years and five months[4]. The research also shows that buying a detached home is now the most popular choice for second steppers[5].

Those potential Second Steppers who bought their first home four years and five months ago in 2010 are estimated to now have an average equity level of £76,131[6]. This is equivalent to 25% of the average price of a typical Second Stepper home (£299,428). The estimated equity level has risen by over £10,000 in the past year (from £66,097) due to an increase in the prices paid for first-time buyer homes.

Substantial regional differences in affordability for second steppers

There are substantial differences in housing affordability across the country, with northern regions being more affordable than southern regions for Second Steppers.

House prices paid by a typical second stepper are now lower than a decade ago as a multiple of earnings; at 6.7 times gross annual average earnings in 2014 compared with 7.0 in 2004. Northern Ireland (5.4), East Anglia (5.6) and the East Midlands (5.9) are the most affordable regions for those in their first home looking to take their next step on the property ladder. The least affordable regions for second steppers are London (11.3), the South East (9.4) and the South West (8.2). (Table 4)

Table 1: Number of homemovers (purchasing with a mortgage) – UK

	Number of Homemovers	Annual % change
2004	886,700	1%
2005	615,600	-31%
2006	712,100	16%
2007	653,700	-8%
2008	320,600	-51%
2009	315,000	-2%
2010	340,000	8%
2011	315,800	-7%
2012	326,400	3%
2013	338,800	4%
2014	365,400	8%

Source: CML; 2014 are Lloyds Bank estimates

Table 2: Homemovers: Average House Price % Change, 2004-2014**

	2004 £	2009 £	2013 £	2014 £	1 year % change	5 year % change	10 year % change
North	150,527	145,459	160,544	169,276	5%	16%	12%
Yorkshire & Humber	158,763	153,570	169,992	180,187	6%	17%	13%
North West	167,234	159,799	173,884	188,079	8%	18%	12%
East Midlands	168,517	160,857	176,806	190,883	8%	19%	13%
West Midlands	183,658	174,476	196,240	205,946	5%	18%	12%
East Anglia	191,239	190,172	210,550	234,321	11%	23%	23%
Wales	160,194	156,870	171,064	179,176	5%	14%	12%
South West	211,765	212,283	233,029	248,141	6%	17%	17%
South East	260,084	250,683	299,524	332,304	11%	33%	28%
Greater London	343,429	319,969	426,550	480,416	13%	50%	40%
Northern Ireland	130,579	166,863	136,199	149,392	10%	-10%	14%
Scotland	142,298	168,440	180,378	192,768	7%	14%	35%
UK	**201,653**	**199,645**	**232,191**	**252,064**	**9%**	**26%**	**25%**

Source: Lloyds calculations, Halifax ** 12 months rolling average to December for each year.

Table 3: Homemovers: Average Price And Deposit By Region, 2014**

Region	Average House Price (£s)	Average Deposit (£s)	Deposit as % of purchase price
North	169,276	51,057	30%
Yorkshire & Humber	180,187	56,717	31%
North West	188,079	55,894	30%
East Midlands	190,883	58,868	31%
West Midlands	205,946	66,368	32%
East Anglia	234,321	82,061	35%
Wales	179,176	55,357	31%
South West	248,141	89,700	36%
South East	332,304	114,848	35%
Greater London	480,416	166,265	35%
Northern Ireland	149,392	40,128	27%
Scotland	192,768	58,544	30%
UK	**252,064**	**83,302**	**33%**

Source: Lloyds calculations, Halifax. **12 months rolling average to December.

Table 4: Second Steppers Affordability* by Region, 2004-2014**

	2004	2014	2004-2014 change
North	7.0	6.4	-0.6
Yorkshire & Humber	6.9	7.1	0.2
North West	7.5	6.8	-0.7
East Midlands	5.9	5.9	-0.1
West Midlands	7.5	7.0	-0.5
East Anglia	5.2	5.6	0.4
Wales	6.4	6.0	-0.4
South West	7.7	8.2	0.4
South East	9.3	9.4	0.1
Greater London	12.8	11.3	-1.5
Northern Ireland	5.0	5.4	0.4
Scotland	6.3	6.1	-0.2
UK	**7.0**	**6.7**	**-0.3**

Sources: Lloyds, CML, Halifax and ONS

*Average price of a typical second stepper home[5] less their current equity position as a ratio of average earnings.
**All years refer to 12 months to December.

NOTES:

[1] With mortgage finance

[2] Halifax House Price Index, December 2014

3 Crude average house price 12 months to December

[4] The Second Steppers consumer research was undertaken by BDRC Continental (bdrc-continental.com) on behalf of Lloyds Banking Group. Fieldwork took place between 4th and 18th August 2014. Around 500 interviews were collected from a representative online consumer panel (Valued Opinions). One of the findings from the BDRC research in August 2014 showed that FTBs now stayed in their first property on average for 4 years and 5 months before moving on to their next home.

[5] The typical second stepper home is taken to be a detached home based on consumer research by Lloyds Bank which found that 54% of people expect to take their second step on the property ladder into a detached home:

http://www.lloydsbankinggroup.com/globalassets/documents/media/press-releases/lloyds-bank/2014/141119-second-steppers-2.pdf

[6] 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 4 years and 5 months after their first purchase, which is based on our market research (see [2] above).

THE AFFORDABILITY CALCULATION:

The housing affordability measure for second steppers is defined as the average price for a typical second stepper home adjusted for the equity position from their current home as a ratio of average earnings. The typical second stepper home is assumed to be a detached home. Their 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 a single income and is, therefore, conservative.

DATA SOURCES:

This research is based on data from the Halifax's housing statistics database as well as the Council of Mortgage Lenders, the Office for National Statistics and the Bank of England.

1. House Prices. The prices used in this research are simple arithmetic ('crude') averages. These prices are not standardised and therefore can be affected by changes in the sample from period to period.

2. Average Earnings. Average earnings figures are from the ONS's "Annual Survey of Hours and Earnings" (ASHE) and refer to the means for full-time employees.

3. Historic figures on the number of homemovers and first time buyers have been sourced from the Council of Mortgage Lenders (CML).

For further information, please contact:

Chris Tuttlebee
0207 356 1343 / 07850 723184
christopher.tuttlebee@lloydsbanking.com