

First-time buyers: the decision to buy

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First time buyers (FTB) accounted for a third of mortgage transactions in 2005 Q1, thus making them crucial to the healthy operation of the housing market. However first time buyer transactions have declined from their peak of around 50% of the market in the late 1980s to stand at 29% in 2004 and the average age of FTBs has increased from around 30 in the mid-1980s to 34 in 2004.

As part of a larger investigation into the recent fall-off in first-time buyer numbers and the questions this raises for the housing market generally, the Council of Mortgage Lenders commissioned BMRB Social Research to undertake a group discussion-based exploration of first-time buyers' decision to buy a home.

The research is based on eleven group discussions with first-time buyers and would-be home owners. The discussions were conducted in Redbridge and Wandsworth in the South-East and Leeds and Sheffield in Yorkshire. These areas were selected because properties are considered to be still affordable to first time buyers but reflect differing price-to-income ratios. Additional quotas were set for age and income, with income being defined as 'the income that supported the mortgage' (to include where applicable joint income with partners or friends, or income from other sources such as from parents or rental income).

The key findings from the qualitative research:

- The decision to buy a property is dependent on people feeling settled in both their working and personal lives. Maintaining a lifestyle whilst also buying a home can be so important to some people that the decision to buy is delayed.
- There is an acceptance that the higher property prices in the south of England will mean that people will buy their first home slightly later in life. However, they do not necessarily see this as a delay. There was only limited evidence, particularly in the south of England, of a desire to have bought earlier.
- Credit card debt and student debt had very little effect on the decision to buy a home.
- There is little evidence of saving for a home deposit; but there was little evidence that lack of a deposit was delaying purchase due to a reliance on help from parents or 100% mortgages.
- First Time Buyers preferred to compromise on the type of property they bought rather than the area.
- There was an awareness of risks involved in purchase. But, while the concept of critical illness, unemployment and mortgage protection insurances was seen in a positive light, the cost could be prohibitive and often prevented take-up.
- Amongst the younger FTBs there was little evidence of significant financial safety nets. In the event of a problem arising, parents were seen as a potential fallback.

The research raises a number of questions for Government and ongoing policy initiatives and shows that the definitions and characteristics of FTBs are more complex than is often assumed. The predicted continuing delay by young people to enter the market could have implications for longer-term trends in home-ownership levels, and more research needs to be done in this area.

Article by Andrew Thomas, BMRB and Jackie Smith, Council of Mortgage Lenders. Further information and the full report can be found by visiting: <http://www.bmr.co.uk/gateway.asp>