

First-Time Buyer Market Hits New Low

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First-time buyer numbers have dropped below 350,000 for the first time in two decades, making home ownership a distant prospect for millions.

Exclusive new figures from GfK Financial reveal that 347,000 people took out a mortgage for the very first time in the last year, 100,000 fewer than the previous low in February 1993 (1). This compares with a high of more than 700,000 in 2004/5 and an average of 561,000.

The data, from GfK's Financial Research Survey (FRS), reveals the serious effect that tightening credit conditions, static incomes and property under-supply have had on young people's prospects for home ownership.

More than 800,000 people under 30 would like to get onto the property ladder this year, but the GfK Financial analysis suggests that less than half will actually make it (2).

Lack of deposit capital is at the root of this problem, as fewer than one in six hold sufficient funds to make the necessary down-payment (3). This shortfall makes it unlikely that the increased stamp duty allowance will have any effect on young people's prospects for home ownership (4).

Not only are first-time buyer numbers overall on the decline, but an increasing proportion of first-time mortgages are being granted to the over-50s (5), as baby-boomers buy up properties for children who are "locked out" of the housing market.

This trend is mirrored in the age profile of aspiring first-time buyers, which has edged up as new mortgage approvals decline (6).

Many "silver first-timers" are also snapping up scarce new properties for themselves as retirement investments, further impacting twenty-somethings' ability to climb onto the housing ladder.

Commenting on the findings, GfK Financial Director Ben Steer said:

"The FRS tells a story that is keenly understood by millions of young people across the country. Increased prudence on the part of lenders has priced many out of the housing market – the challenge for these financial providers is to create products which will assist young people, without creating the conditions that sparked the crisis in the first place."

(1) 467,000 people took out a mortgage for the first time in 1993. (Source: GfK FRS)

(2) The average number of under 30s who actually took out a mortgage for the first time is 321,000- Feb 1999 to Feb 2010. While the average number of under 30s who intend to take out a mortgage for the first time is 815,000 - Feb 1999 to Feb 2010. (Source: GfK FRS)

(3) The average house price in February 2010 was £164,455 (Source: Land Registry) with a 20 per cent deposit equalling £32,891. The median savings and investments held by aspiring first-time buyers is £2,268 (at Feb 2010) with only one in six people holding £30,000 or more. (Source: GfK FRS)

(4) From 25 March first-time buyers purchasing properties worth up to £250,000 will pay no stamp duty. Completion date must be on or after 25 March 2010 and before 25 March 2012 and the property must be their only or main home. (Source: www.direct.gov.uk)

(5) The number of over 55s planning on taking out a mortgage for the first time has quadrupled from 21,000 in February 1999 to 85,000 in February 2010. (Source: GfK FRS).

(6) The average age of a person intending to take out a mortgage for the first time in the next 12 months (as at Feb 2010) is 32.4 years, compared to 31 in 1999. (Source: GfK FRS). Mortgage approvals for house purchase fell to nine month low in February 2010. (Source: Bank of England)

About the survey

The Financial Research Survey (FRS) is the definitive consumer-based monitor of the personal financial services sector, demonstrating unsurpassed expertise in the consumer financial markets. It is the largest and longest running survey of its kind, interviewing 60,000 GB consumers every year. The questionnaire covers product holding; acquisition and usage behaviour; the value of holdings; and a wealth of demographic and attitudinal data.

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