A Place to Call Home

Barriers to entering the housing market then, now and in the future

A report by Leeds Building Society

Leeds Building Society

A Place to Call Home

This report has been produced in conjunction with WPI Strategy, a specialist public affairs consultancy which focuses on combining economic research with political advocacy. WPI provides a range of private and charitable clients with research and advice to deliver better outcomes through improved public policy design and delivery.

wpi-strategy.com **@wpi_strategy**

Contents

Foreword by Richard Fearon, Chief Executive Officer, Leeds Building Society

"We need a national mission that everyone can support and ensure we prevent a generation of lost first-time buyers."

As a mutual, the very reason we were founded in one of the poorest parts of Leeds almost 150 years ago, was to help people own their own home and save for their future. This purpose has guided us ever since – it's what drives us forward every day.

We believe that to make our communities and country prosper, everybody should have access to housing that is decent and affordable, because a house is not just bricks and mortar.

Having a place to call home is good for families, it boosts the economy and is central to making our country fairer. What's more, evidence shows that homeownership delivers security and stability, it leads to better outcomes in health and education, and as a consequence it improves social mobility.

That's why, in 2022, we stopped lending on second homes to focus our efforts on helping more first-time buyers. We've introduced new initiatives like our Home Deposit Saver account, a partnership with Experian which helps renters build extra evidence of their good financial track record and factor it into mortgage checks, and an enhanced savings rate for shared ownership borrowers to fuel their staircasing ambitions.

And it's why, I'm proud to say, nearly half of new borrowers at Leeds Building Society this year are first time buyers.

However, over time the ability to own your own home has become significantly harder. For more and more people across the UK, it's a dream that may sadly never become a reality.

House prices have quadrupled since the turn of the century and the average UK home last year cost nearly ten times the average wage, making it one of the hardest times to afford a home since we were founded in 1875.

More than a decade of low interest rates have papered over the cracks in the housing market and masked a growing divergence between people with the ability, or family help, to build ever higher deposits and stretch their repayments, and those who cannot.

If left unaddressed, these cracks risk becoming chasms, perpetuating an intergenerational divide and creating vastly different housing experiences for different segments of society for decades to come.

This report interrogates 40 years of data to find out what it takes to become a first-time buyer in 2023 and forecasts what the future looks like for young people's aspirations.

From our findings, it's clear that short-term policy interventions and support schemes have done little to slow the overriding trend of ever higher house prices, deposits and repayments. The revolving door of Housing Ministers – 18 in 18 years – has been emblematic of the problem.

We can no longer treat the symptoms and not the cause of our homeownership crisis.

Decades of under delivery on housebuilding has led to a position where an imbalance in supply and demand has driven up the cost of homes and put significant pressure on each and every tenure.

Our country needs to develop a long-term joined-up plan to provide stability in the housing market by delivering more homes, supporting first-time buyers to save for their deposit and extending affordable routes into homeownership.

The solutions we propose do not seek a quick win or an easy election promise. Our commitment to the next generation demands that we overcome the battlefield of political cycles.

I'm pleased to present this report. Its findings are stark and should act as a clarion call to politicians of every party as we go into the next election.

We need a national mission that everyone can support to ensure we prevent a generation of lost first-time buyers.

Executive summary

How has the housing market changed for first-time buyers over the last four decades – and how is it set to change in the future? This report sets out to answer that question by analysing first-time buyer (FTB) affordability in England between 1982 and 2022 across key metrics: the average price they paid for their first home; their average earnings; their average mortgage interest rate; and the average deposit they paid. It looks at how the situation has changed for FTBs in the last year, with significant interest rate increases affecting affordability. And it uses a range of independent forecasts to model the outlook for FTBs in England from 2023 to 2027.

In summary, the story of the last 40 years and the next five looks like this:

1982-2022
Rising barriers

- Between 1982 and 2022 the barriers facing FTBs moved in different directions, with some getting harder to overcome and some getting easier. House prices paid by FTBs were 16 times higher in 2022 than in 1982, while FTB gross earnings were just seven times higher – more than doubling the house price to earnings ratio for this group, from 2 x earnings to 4.8 x earnings. At the same time, mortgage interest rates fell dramatically, from 13.5% in 1982 to 2.7% in 2022, meaning that FTBs in 2022 were spending a considerably lower proportion of their gross earnings on mortgage repayments (17.4%) than their counterparts 40 years earlier (25%). However, the average FTB mortgage term shifted from 25 years to 30 years, allowing for lower monthly repayments but meaning that FTBs would end up paying more across the entire period of their mortgage.

- The most significant barrier facing FTBs in 2022 was the size of deposits. Deposit requirements rose from 25.5% of average FTB earnings in 1982 (£2,100) to 115% in 2022 (£68,700). That means it takes much longer to save for a deposit without parental help or government support. Indeed, it means that those who lack parental help or government support would have found it extremely difficult to accumulate enough for a deposit, especially in London and the South East of England.

- We calculate that the time required for a first-time buyer to save for a deposit while living rent-free with their parents rose from just over a year in 1982 to 4.4 years in 2022 – but of course most first-time buyers are not in a position to live rent-free at home for this long. In London, we calculate it would have taken the average first-time buyer 25.8 years to save the 2022 average of £160,700 for a deposit while renting at the same time – and the average London first-time buyer has a significantly above-average salary. It was much easier for a 1982 first-time buyer to save for a deposit while renting than for a 2022 first-time buyer to save for a deposit while living rent-free with parents.

2023
A crunch year

- Rapidly rising mortgage interest rates mean that FTBs in 2023 face not only historically high house prices and high deposits, but high mortgage repayments too – with some FTB two-year fixed deals being offered at around 6% at the time of this report. The whole housing market has declined in 2023, but FTB transactions have fallen faster than the market as a whole: we project that they will be down nearly a third in 2023 compared to 2022.

- FTB mortgage repayments in 2023 amount to 22% of their gross earnings, a huge jump from 17.4% in 2022. As a share of FTBs' take-home earnings, FTB mortgage repayments in 2023 are at 28.9%, compared to 22.7% in 2022 – even though those who can afford to become FTBs in 2023 are earning more than their equivalents in any previous period.

- 2023's FTBs are paying higher interest rates and consequently higher monthly mortgage payments, and putting down higher deposits, than their equivalents were a year ago. The house prices they are paying may be falling now but are still higher than they were a year ago. And they are more concentrated than ever before among a higher-earning demographic. It has never been harder to be a first-time buyer and thus the status is "gentrifying" by necessity.

2023-2027
Worse before it gets better

- We forecast a gradual improvement for FTBs in England from the crunch year of 2023 until 2027. But every year from 2023 to 2027 is worse for FTBs than 2022. And the average number of FTBs per year from 2023 to 2027 is down by 25% on the average from 1982 to 2022. In our 2023-27 forecast, there will be fewer FTBs every year than there were in 2022, and those able to buy their first home will need higher incomes than ever before, with mortgage repayments taking up a greater share of earnings – even though the earnings are higher – than in 2022. The process of "gentrification" of FTBs is set to continue.

- House prices and loan amounts for FTBs are set to fall in the short term but will, on our forecast, exceed 2022 levels by 2027. But mortgage interest rates for FTBs are forecast to fall only slowly: to 4.6% in 2027 compared to 2.7% in 2022.

- While we forecast a modest decline in FTB deposits as a share of earnings by 2027, to 100% of FTB gross earnings, deposits are still set to be higher in cash terms than they were in 2022. And they are still almost four times higher than the 25.5% of gross earnings that FTB deposits amounted to in 1982.

Recommendations

This is a concerning picture and it shows that things need to change if home ownership is to become a realistic aspiration for more than a shrinking number of young adults with both above-average incomes and financial support from their parents. That means action in three key areas in particular:

- Building more homes of all types, with a major acceleration of current efforts and policy changes including the restoration of mandatory housing targets and the introduction of targets for affordable housing in local authorities, investment in growing and upskilling the construction workforce, and reform of the planning system.

- Increasing affordable routes to home ownership, with renters' reform to provide greater protection for those saving for a deposit, support for a well managed and regulated Build to Rent sector, and increased bridges to full ownership such as Shared Ownership.

- Supporting people to save for their deposit, with reform to the Lifetime ISA scheme so that it reflects the increase in house prices and new measures to allow people to build their credit scores by including rent payments and other regular outgoings, so that more prospective buyers can access mortgages at competitive rates.

Introduction

It's not unusual for every generation to think that they had it worse. Conversations about how hard it is to get onto the housing ladder can quickly turn to angry shouting matches between different generations. One bought property in the 1980s and 1990s when house prices were much lower than they are today, but also remember contending with relatively low salaries and high interest rates. The other, younger generation, often find themselves unable to afford the kinds of properties they were brought up in, even when on a comfortable salary.

From jibes about younger people needing to cut down on avocado toast and cancel Netflix, to jibes about older people not understanding that there is more to saving for a deposit than this, there is a mutual lack of understanding of which barriers to home ownership have changed over recent decades, and which have stayed the same.

Of course, this intergenerational conversation is not characterised only by anger. The home-owning parents of today's young adults are well aware that the world has changed. Many have seen the value of their own houses shoot up, often finding themselves sitting on significant unexpected, but much-needed, wealth as a result. Many are letting their adult children live with them to help them to save for a deposit faster. And many generously help their offspring with the cost of a deposit – often using the capital they have accumulated as a direct result of the same rising house prices that have made it so hard for their children to buy a house unaided.

But not all parents are in a position to do this. Not every aspiring first-time buyer can access what is – sometimes affectionately and sometimes disparagingly – described as "the Bank of Mum and Dad". There is nothing wrong with parents doing what they can to financially support their children. But policymakers need to understand that if younger adults cannot hope to own a home of their own without parental help, then that leaves a significant proportion of that group – by definition, those from less privileged backgrounds, with less access to capital – unable to hope to own a home of their own at all, ever.

Those who aspire to own their own home but who are currently unable to afford to do so are caught between rising rents eating away at their disposable incomes and the need to save as much money as possible for a deposit. Average UK room rents passed £700 per month in Q2 of 2023 for the first time ever, a year-on-year rise of 17%.[1] That leaves would-be first-time buyers pessimistic about their future: in 2022, a poll found that 62% of renters in the UK believed that they would never be able to afford a home.[2] The same poll found 69% of all those questioned agreeing that there is a housing crisis in the UK – evidence of the increasing political salience of housing in general, and the challenges facing prospective first-time buyers in particular.

This report takes a long-term view, looking at first-time buyer (FTB) affordability over the four decades since 1982, and how the challenges of buying a first home have changed over time. It looks at the current situation, with sharply increased interest rates in the last year, and at the immediate prospects for FTB affordability over the next five years. And it makes some policy recommendations that we believe would help to make it easier for the next generation of prospective FTBs to fulfil their dream of owning their own home.

This is a report about first-time buyers. It looks in detail at the characteristics of those who have got on the housing ladder between 1982 and 2022 and the challenges they have faced, and at those we expect to be able to buy a home for the first time over the next five years. It looks at the process of "gentrification" that continues for this subset of people.

By implication, the figures we present should also shed light on the people this report cannot and does not examine in detail: the lost first-time buyers, or the people who want to buy a house, and are at a stage of life and career when they might have expected to buy one, but are unable to. We can work out what the barriers are to home ownership by looking at the people who get over them. But that should increase our interest, and the interest of policymakers, in the many who do not. The higher those barriers are, the more aspiring homeowners will be trapped behind them, and the more lost first-time buyers there will be. Over the last 40 years, the barriers have risen. They need to come down.

1. Spare Room Rental Index, 2022.
2. Ipsos, June 2022.

First-time buyers from 1982-2022

The question of whether you can afford to buy any given house depends on the interaction of a range of factors: the price of the house; the amount you earn; the amount of money a mortgage provider is prepared to lend you, which may well be significantly less than the price of the house; and the interest rate at which and the time period over which they are prepared to lend it.

We need to take all of these into account when examining FTB affordability. If house prices go up, but interest rates go down, then buying a house might be more affordable overall, even if it involves borrowing much more money. But if a mortgage provider is only able to lend a certain amount of money, then the amount of cash required as a deposit may take a significant amount of time to save before the purchase can take place, irrespective of the affordability of monthly mortgage repayments once the purchase has actually gone through. And the amount of time it takes to save for a deposit will depend on a range of factors – notably the amount of money a prospective FTB cannot save because they have to spend it on rent and other outgoings.

These different factors have not all moved consistently in the same direction over recent decades. Over the last 40 years, FTB affordability has changed, but not always as straightforwardly, or as constantly, as we might assume. Nonetheless, what we can conclude across our analysis is that the bar for becoming a first-time buyer in 2022 was very high in historical terms, and as a result the profile of the average first-time buyer in Britain is starkly different from that of their 1982 counterparts. We might say that by virtue of the resources required, becoming a first-time buyer has "gentrified".

Our analysis in part 1 is therefore aimed at understanding the rapidly changing face of the first-time buyer in Britain – one that is more affluent, and has had to overcome far bigger hurdles, than ever before.

The first part of this report looks at FTB affordability trends in England from 1982-2022 (the most recent full year for which figures are available), both nationally and by region, to look at what has got easier, and what has got harder. Since 2022, when house prices reached a record high, house prices have fallen and mortgage interest rates have risen; the impact of this on the housing market in general and on FTBs in particular will be discussed in more detail in part 2.

This analysis is based on data collected by UK Finance in its Regulated Mortgage Survey (RMS), which covers an estimated 95% of all regulated mortgages currently advanced, along with other data such as Private Rental Market Statistics (Valuation Office Agency) for rents paid by prospective FTBs, and data from HMRC and the National Archives on historic income tax and national insurance rates and thresholds to help to determine take home pay and assess the amount of time required for FTBs to save for a deposit.[3]

3. In other places we have needed to make judgements on values of key variables, such as mortgage interest rates over time (where the figures were not reported in the statistical datasets to the required timeframe). This has been achieved through triangulation, whilst making reference to other published datasets, such as those published by the Financial Conduct Authority, the Bank of England, DLUHC and ONS, among others.

Identifying the barriers facing first-time buyers

If we take the four factors of house prices, gross earnings, mortgage interest rates and deposit requirements in turn, we get a richer picture of how the barriers facing FTBs have changed over the last four decades and thus the changing profile of the average FTB (see Table 1).

1. Average FTB **house prices** (the prices paid by FTBs specifically, not house prices across the entire housing market) were 16 times higher in nominal terms in 2022 (at an average of £284,300) than they were in 1982 (£17,300).

2. Average FTB **gross earnings** were seven times higher in nominal terms, rising from £8,500 in 1982 to £59,700 in 2022 (including joint incomes), meaning that the house price to earnings ratio for FTBs jumped from 2x FTB earnings in 1982 to 4.8 x FTB earnings in 2022. In 1982, the average FTB (including joint incomes) earned 57% more than average earnings in 2022, the average FTB (including joint incomes) earned 86% more than average earnings. This is an indication that the ability to buy a first home is increasingly out of reach for those on average incomes, which may also reflect an increase in the proportion of FTBs buying as couples rather than as single people (the data on this does not go back to 1982). If the proportion of "coupled up" FTBs has increased this may also indicate a decline in affordability, with more people needing two incomes rather than one in order to buy, but it may also reflect changing work patterns, with more women in work and couples therefore more likely to be dual-income.

3. Average FTB mortgage interest rates fell from 13.5% in 1982 to 2.7% in 2022. That means that despite the much higher house price to earnings ratio, FTBs in 2022 actually spent an average of 17.4% of their gross earnings on mortgage repayments compared to nearly 25% in 1982. This partly reflects a shift in the average FTB mortgage term which in 2022 was 30 years compared to 25 years in 1982: that 17.4% figure for 2022 would shift to 19.8% if based on an average 25 year rather than 30-year mortgage – still significantly lower than in 1982. While longer mortgage terms mean smaller monthly payments on the same initial loan, they also increase the total amount repaid over time.

4. Average FTB **deposit requirements** more than quadrupled over the period as a proportion of earnings, from 25.5% of average FTB earnings in 1982 (£2,200) to 115% in 2022 (£68,700). That means that for FTBs able to live with their parents and pay no rent, the minimum time to save for a deposit rose from 1.3 years in 1982 to 4.4 years in 2022. We estimate that for renters without other sources of capital, it would have taken 2022's FTBs an average of 12.3 years to save for a deposit.

Table 1: average FTB profile, England (1982 – 2022)

	1982	1992	2002	2012	2022
Home purchase price	£17,300	£47,100	£104,400	£176,900	£284,200
Loan amount	£15,200	£40,900	£86,300	£132,700	£215,500
Loan to Value (LTV)	87%	87%	83%	75%	76%
Deposit amount*	£2,200	£6,200	£18,100	£44,200	£68,700
Mortgage interest rate*	13.5%	9.5%	4.5%	4.4%	2.7%
Earnings (gross)	£8,500	£18,600	£33,500	£43,000	£59,700
Deposit as a proportion of earnings*	25.5%	33.2%	54.1%	103%	115.1%
Average people on mortgage	N/A	N/A	N/A	1.48	1.55
Age	31.1	31.0	34.4	31.1	32.8

Source: Regulated Mortgage Survey (RMS), UK Finance *WPI Strategy calculations on RMS data

What all of this means is that affordability across the decades looks different depending on which measure you focus on (see Table 2). So far as house prices to earnings ratios are concerned, affordability got worse between 1982 and 2022. So far as mortgage repayments as a share of earnings are concerned, affordability got better. And so far as prospective FTBs' ability to save for a deposit is concerned, affordability got much worse, partly because of a step change in FTB deposit requirements following the 2008 financial crisis, with many lenders imposing steep increases – in 2007, 8.8% of new mortgage lending was above 90% loan to value (LTV), but by 2009 this had fallen to just 1.3% of new mortgage lending, rising only to 3.7% by 2022. And we always have to remember that by focusing on actual FTBs – people who really did buy a first home during this period – we are only looking at the people for whom getting on the housing ladder was affordable, even if affordability changed over the decades. The people for whom buying a house was not affordable are simply not counted in these figures.

Table 2: average FTB affordability metrics, England (1982 – 2022)

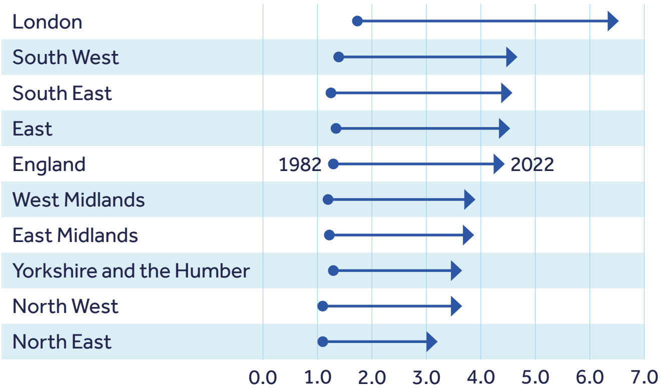
	1982	1992	2002	2012	2022
House price to earnings ratio*	2.0 : 1	2.5 : 1	3.1 : 1	4.1 : 1	4.8 : 1
Loan to income ratio (LTI)*	1.8 : 1	2.2 : 1	2.6 : 1	3.1 : 1	3.6: 1
Mortgage repayments share of gross earnings	24.9%	23.0%	17.2%	19.2%	17.4%
Mortgage repayments share of take-home earnings	N/A	N/A	N/A	25.0%	22.7%

Source: WPI Strategy calculations using Regulated Mortgage Survey & HMRC / National Archive data

Regional variations

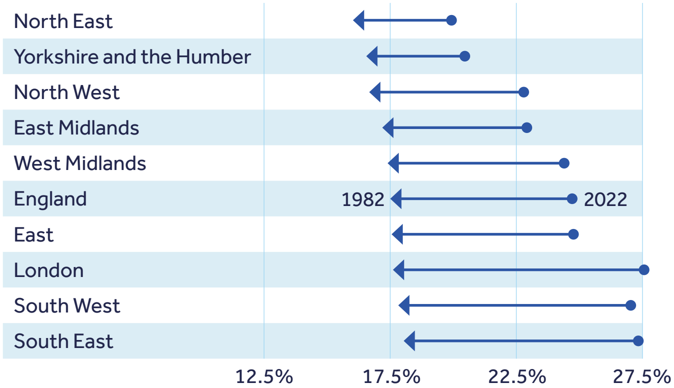
All of these national figures disguise significant regional variations on all the metrics analysed here. The FTB house prices to earnings ratio has increased everywhere, but it has increased least, from the lowest base and to the lowest peak, in the North East, and most, from the highest base to the highest peak, in London (see Chart 1).

Chart 1: change in average FTB house price to earnings ratio, by English region (1982 & 2022)



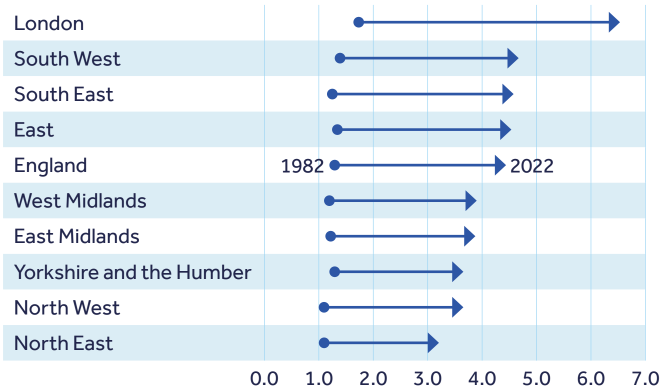
Overall, our regional analysis shows that the greatest changes to affordability, and therefore to the profile of FTBs, is in the capital and the South East. But nonetheless as Maps 1-4 demonstrate starkly, the challenges across most of our metrics are historically difficult for FTBs across the country – with the partial exception of the North East – especially for private renters. No matter where they are in the country, most FTBs need to lean heavily on parental help, whether through being allowed to live rent-free in the family home or through being given direct help with a deposit, to overcome the barriers to home ownership. And of course those who are less able to lean on such help are less likely to become FTBs.

Chart 2: change in average FTB mortgage repayments as a share of their gross earnings, by English region (1982 & 2022)



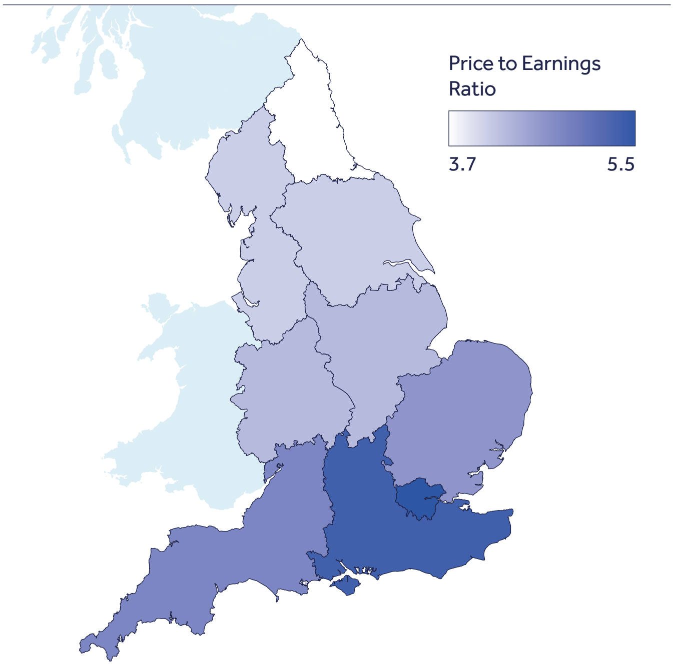
Looking in greater depth, the level of FTB mortgage repayments as a share of their gross earnings has fallen furthest in London, where the ratio was highest in 1982 but by 2022 had fallen below that of both the South East and South West; meanwhile, the ratio in the North East had fallen less than any other region, but was still the lowest in the country (see Chart 2). And the average minimum time taken by an FTB to save for a deposit – if able to live rent-free with parents or others – rose everywhere between 1982 and 2022, but far further in London than in any other region (see Chart 3).

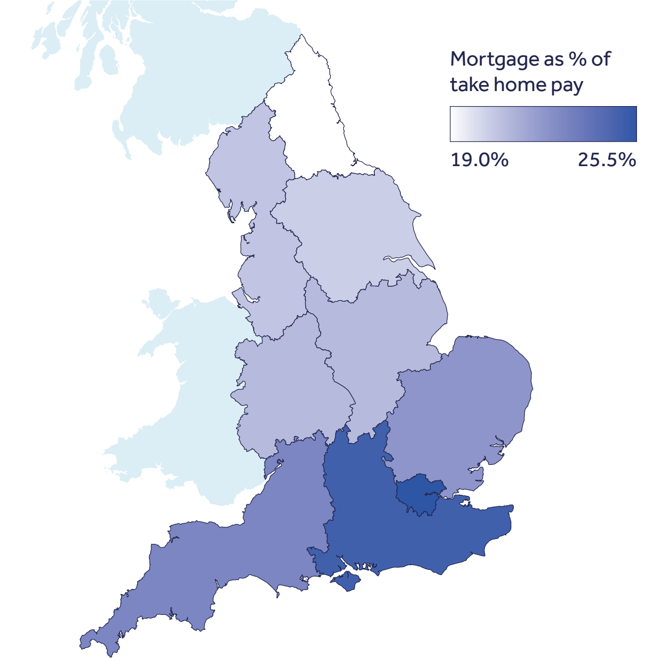
Chart 3: change in average minimum time taken for a FTB to save for their deposit, in years, by English region (1982 & 2022)

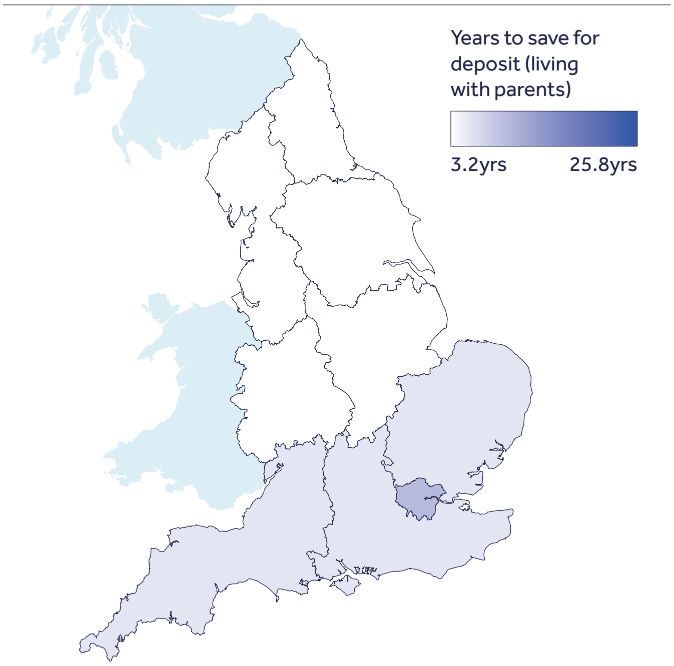


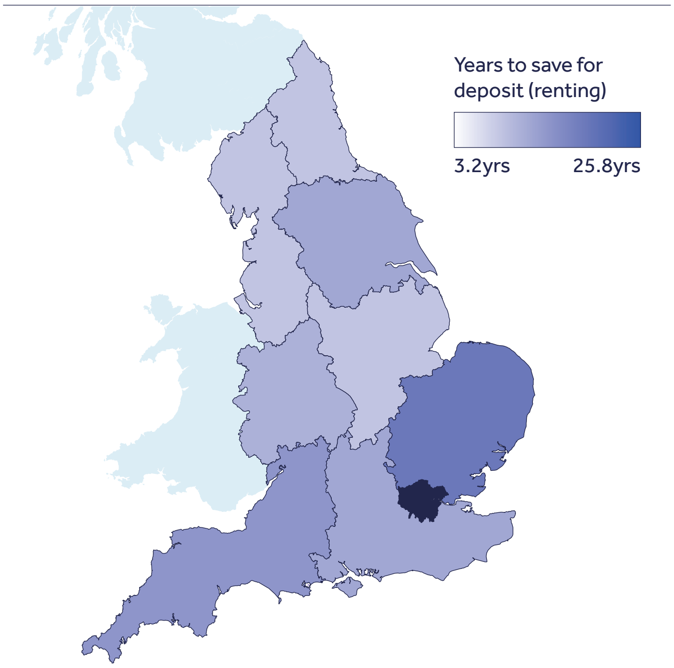
Regional variations

The regional disparities across the different affordability metrics for FTBs are displayed in the maps below (Maps 1-4). These show, in order: house price to earnings, mortgage repayments as a share of take-home earnings, years needed to save a deposit while living with parents, and years needed to save for a deposit while renting.









The biggest barrier: deposits

Rising deposit requirements are the most striking change in the affordability picture, and the biggest driver of a change in profile, for FTBs over the four decades studied. We can identify them as overwhelmingly the most significant barrier for prospective FTBs to overcome by 2022. For those who could afford the deposit, the data shows that FTBs' subsequent mortgage repayments were more affordable in 2022 than they were in 1982, because of lower interest rates. But for those unable to find the required deposit, this is of course irrelevant. Prospective FTBs who do not already have enough money to pay for a deposit will need to save part of their income to do so: those who have to use part of their income to pay for rented accommodation while saving for a deposit will, all other things being equal, take longer to accumulate a deposit than those who do not.

There were significant tenancy reforms in the 1980s, most significantly the landmark deregulatory Housing Act 1988, which makes it difficult to compare private sector rents in 1982 with those of today on a like-for-like basis. All private sector tenancies pre-1989 were "regulated" (lifetime) tenancies. In 1989 "assured" (until 1997) and shorthold assured tenancies came in – the latter being by far the most common today. The assured/shorthold assured rent levels were much more determined by the market and higher than regulated rents.

Prospective FTBs who were private sector renters in 1982 would probably have had a regulated tenancy and therefore lower rents across longer tenancies (although the quality of their housing may also have been lower as a consequence). This, with lower deposits, means renters pre-1988 faced relatively favourable conditions to save for a first home. The average annual private sector regulated tenancy rent in 1982 was £726 per year, according to figures available via the Bank of England. Combined with our other relevant data for 1982, this implies it would have taken the average private sector renter around 2.5 years to save for the average FTB deposit at the time.

To avoid the hurdles of a much more deregulated private renting experience today, the amount of FTBs living with parents has consequently grown. There is no recent and reliable data on the number of prospective FTBs remaining in or returning to the family home. However, the ONS has published data on the number of young adults living with their parents, with 27% of 20-34-year-olds doing so in 2022. This has risen significantly since the 1990s when the data series began. A 2019 survey by online mortgage broker Trussle (now Better.co.uk) found that 50% of young adults were living with their parents in order to save for a house deposit. A 2020 survey by the same company found that 14% of prospective FTBs had moved back in with their parents in order to save for a deposit.

We have calculated the minimum time it would have taken prospective FTBs to save for a deposit in 2022 as 4.4 years for those able to live rent-free with their parents, and 12.3 years for those renting (based on average rents at £9,300 per year, and with maximum average annual savings calculated as £15,500 for non-renters and £5,600 for renters). In every region of the country, on these figures, it would have taken renters well over a decade to save the money they needed for a deposit in 2022.

To put it simply: it was significantly easier and quicker for a renter to save for an FTB deposit in 1982 than it was for someone living rent-free with their parents to save for an FTB deposit in 2022.

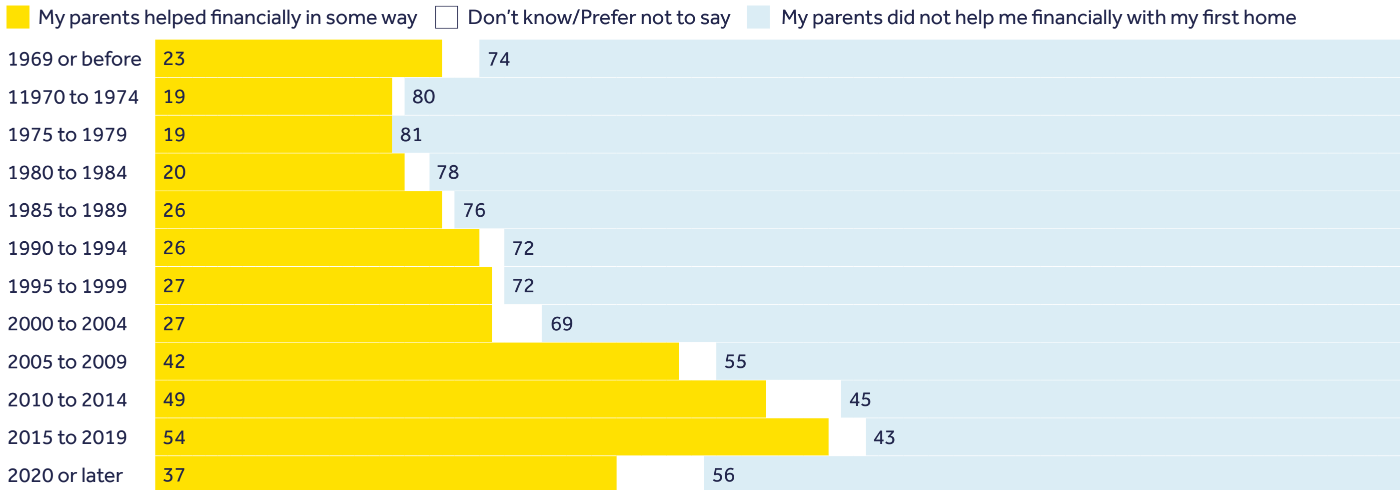
However, we acknowledge that our minimum time calculation for 2022 is necessarily simplified: it needs to be read with a number of considerations in mind.

4. Young adults living with their parents - Office for National Statistics (ons.gov.uk)
5. Young adults forced to live at home saving for deposit (moneyfactscompare.co.uk)

The biggest barrier: deposits

First, we know that many FTBs – through necessity, given that deposits are otherwise unaffordable for most – have received significant government and parental help with their deposits for at least the last decade, something much less common in 1982. In 2022, nearly 67,000 FTB home purchases were supported through the Government's Help to Buy ISA, and over 28,000 FTBs used a Help to Buy equity loan – neither of which are now in existence in England, although the Lifetime ISA partly replaces the Help to Buy ISA – to bridge the deposit gap (some of these FTBs used both.[6 7] This is in the context of nearly 314,000 FTBs in England. Around 40% of FTBs relied on parental help with their deposit in 2019, according to the Trussle survey that year mentioned above. A 2022 YouGov survey asking about people's experiences of buying their first home found that more than half of FTBs between 2015 and 2019 reported receiving financial help from parents, at least double the proportion of those who reported receiving parental financial support for a house purchase in any period before 2005.[8]

When it came to owning your first home, how, if at all, did your parents help financially?
(% of 2,988 Britons who purchased their first home in the following years)



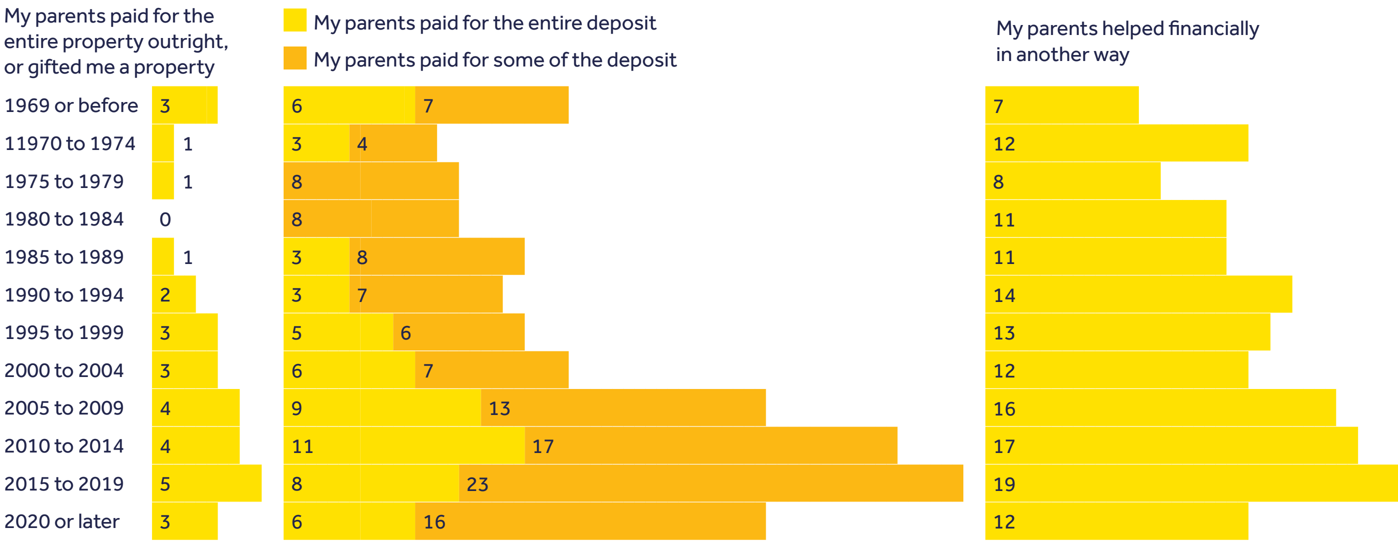
Source: YouGov, 2-25 March 2022

According to the same survey, almost a third of FTBs between 2015 and 2019 reported that their parents paid for all or some of the deposit – with an additional one in 20 FTBs in that period having the entire property bought outright or gifted by parents. This is more than ever before, but is completely out of the financial reach of the overwhelming majority of prospective FTBs, or indeed their parents.

This demonstrates that the average first time buyer is now more likely to come from a family background where financial or other help is possible, showcasing just how significantly the profile of this demographic has shifted not only towards those on higher incomes, but towards those able to draw on longer-standing family wealth as well.

6. UK Government, 2015-2022
7. UK Government, 2022
8. YouGov, July 2022

When it came to owning your first home, how, if at all, did your parents help financially?
(% of 2,988 Britons who purchased their first home in the following years)



Source: YouGov, 2-25 March 2022

Second, these are national average figures which again mask some regional disparities. The situation has got worse everywhere, but much worse in London. The regional variation, as shown in Table 3, is significant, and the same calculations show that in London, where the average deposit is £160,700, it would take 25.8 years for a renter to save this money on the basis we have used here, while paying the London average of £18,000 a year in rent.

Clearly, this is not what most London FTBs in 2022 actually did: not least because most are simply too young to have spent a quarter of a century saving £6,200 a year. It is simply not plausible that more than a tiny proportion of London FTBs – those on the very highest incomes or with significant independent wealth – are funding their entire deposit with their own savings from their own salaries, and not through other sources. Few individuals, or even couples, in their early 30s have £160,000 in the bank. It is far more likely that nearly all of them are accessing government support, parental help – via a home to live in rent-free, or cash support, or both – or other major financial windfalls such as an inheritance.

Table 3: average FTB accessibility metrics, England (2022)

	NE	NW	YH	EM	WM	SE	E	L	SW
Deposit	£30.0k	£40.3k	£38.0k	£47.6	£48.2k	£83.4k	£65.0	£160.7k	£67.1k
Deposit share of earnings (gross)	71%	84%	84%	97%	99%	125%	118%	177%	125%
Rent p.a.	£6.6k	£7.8k	£7.8k	£8.1k	£8.7k	£12.0k	£10.8k	£18.0k	£9.9k
Maximum that could be saved p.a. (non-renter)	£9.3k	£11.4k	£10.6k	£12.3k	£12.4k	£18.1k	£14.4k	£24.2k	£14.3k
Maximum that could be saved p.a. (renter)	£2.7k	£3.6k	£2.8k	£4.2k	£3.7k	£6.1k	£3.6k	£6.2k	£4.4k
Minimum time to save for deposit (non-renter)	3.2	3.6	3.6	3.9	3.9	4.6	4.5	6.6	4.7
Minimum time to save for deposit (renter)	11.3	11.3	13.5	11.2	13.2	13.6	18.1	25.8	15.1

Source: WPI Strategy calculations using RMS data and Valuation Office Agency (VOA) rental data

The biggest barrier: deposits

Third, these figures are an average across graduate and non-graduate FTBs – we do not have data on the relative proportions of these two groups within the overall set of all FTBs. While graduate FTBs are likely to have higher average earnings than non-graduates, they will also have annual student loan repayments estimated at £2,100 per year on average, significantly reducing their take-home pay and their ability to save (something which was not true of previous generations of graduate FTBs) – and therefore to pass thresholds for a smaller LTV mortgage.

And fourth, while we have made assumptions about the amount of money prospective FTBs could save, whether they are renting or not, this will disguise a number of reasons – debt repayments, unavoidable emergency costs, breaks in employment, the cost of having children and more – why many would find it difficult to save as much as this: many people in this situation might well find these numbers unrealistic. And of course, while some younger adults are able to live with parents, many will be doing so on the basis of a rent which may be helpfully lower than market-rate but is a long way from being free, or will have done so for some but not all of the time they are trying to save for a deposit, meaning that they can save more slowly than our calculations here show.

That means that although our "minimum time" calculations are helpfully illustrative of just how prohibitive the deposit requirements are for FTBs, and how widely they vary by region, they should not be taken as a description of what 2022's FTBs actually did to get the deposits they needed: almost certainly, most did not. If anything, they are a better indication of how unusual it is for FTBs, especially in London, to achieve their required deposit purely through saving a proportion of their salary for a number of years. Rather, it once again demonstrates just how disproportionately well-off, by background as well as income, FTBs must be.

Who are the first-time buyers? And who are not?

This raises a wider issue about the FTBs who are shown in the available data on FTBs: they are not a representative cross-section of people across the whole of society in their late 20s and early 30s; they are an unrepresentative subset of that group, as precisely the people within it who had the capital and income, from whatever source, to buy a house. What the data does not show is the people in 1982, or 1992, or 2002, or 2022, who wanted to buy a house but were unable to afford to do so. The higher the barriers are to becoming a FTB, the more people will be excluded from being counted in figures like these. Likewise, the more "privileged" the average FTB will be by necessity. If we want to help more people to buy a house, and for them to benefit from the stability and accumulated capital that comes with that, then we need to remember that what the people missing from these figures have in common is that, as things stand, they are not first-time buyers.

We can see this most clearly in the regional variation in the figures on FTB gross earnings. In 2022, these were highest in London, at £90,700, and lowest in the North East at £42,400 – less than half the London figure. This includes a roughly 50:50 mix of joint and single incomes: there were on average 1.49 people on a London mortgage and a very similar 1.46 on a North East one. London is a significant outlier on this measure, with average FTB gross earnings more than £24,000 higher than the next highest region, the South East. But there is nevertheless a clear north-south divide in the figures (see Table 4) as well as a clear demonstration that in London in particular, FTBs are considerably better-paid than the general population.

Table 4: average FTB profile, by English region (2022)

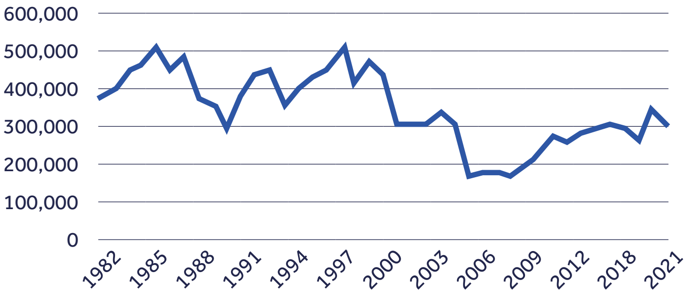
	NE	NW	YH	EM	WM	SE	E	L	SW
Home purchase price	£156.9k	£197.4	£184.6k	£219.3k	£219.7k	£337.7k	£266.5k	£498.4k	£268.1k
Loan amount	£126.9k	£157.1k	£146.6k	£171.7k	£171.5k	£254.4k	£201.5k	£337.7k	£201.0k
Loan to Value (LTV)	81%	80%	79%	78%	78%	75%	76%	68%	75%
Mortgage interest rate (%)	2.9%	2.8%	2.8%	2.8%	2.7%	2.6%	2.7%	2.5%	2.7%
Earnings (gross)	£42.2k	£47.8k	£45.1	£49.1k	£49.0k	£66.5k	£55.2k	£90.7k	£53.8k
Average people on mortgage	1.46	1.51	1.52	1.58	1.56	1.62	1.62	1.49	1.61
Age	32	32	32	33	33	33	33	34	32

Source: Regulated Mortgage Survey (RMS), UK Finance, WPI Strategy calculations

The prospects of those able to access parental help – either through living with parents or receiving cash support with deposits – and those unable to do so are most polarised in London, but exist all over the country. This polarisation between those with and without parental support was almost certainly more stark in 2022 than it was in 1982, simply because deposit requirements 40 years ago were so much less.

If we look at the historical trend (see Chart 4), we can see that while the number of FTBs in 2022, at just over 300,000, is only moderately lower than the number in 1982, it is well below the peaks in the mid-1980s and around the turn of the 21st century. There is a notable increase in growth – from a historic low – following the launch of the now-discontinued Help to Buy scheme in 2013.

Chart 4: number of first time buyers each year, England (1982 – 2022)



The average age of a FTB has increased only moderately over the period under discussion, from 31.1 in 1982 to 32.8 in 2022, with a peak of 34.4 in 2002 which coincided with a sharp drop in the overall number of FTBs. But again there is some regional variation, with the average age of a 2022 FTB highest in London at 34 – suggesting longer to save for a deposit – and lower in northern regions as well as in the South West. The average FTB has shifted not in terms of age but rather income and background.

Average earnings for the whole population were just under six times higher, again on a nominal basis – so there has been moderate FTB income divergence from the wider population, with FTB incomes rising faster (or, to put it another way, with the ability to purchase a first property moving higher up the income scale). This could reflect affordability constraints squeezing out lower-income prospective FTBs, but it could also reflect an increasing number of joint and fewer single mortgage applications over time, with more prospective single FTBs waiting until they have a partner before trying to purchase a house. It could also reflect wider demographic changes, with more young women in work and with more equal incomes than 40 years ago, pushing up relative FTB earnings on joint applications.

Prospects for First-Time Buyers in 2023 and Beyond

Between 1982 and 2022 rising house prices meant that getting a deposit, and therefore getting to the point of being able to get a mortgage and buy a house at all, got much harder. But for those able to afford a deposit, much lower interest rates meant that mortgages themselves were much more affordable by 2022 than they had been in 1982. That, suddenly, is no longer true. In 2023, house prices are still almost as high as they were in 2022, but interest rates have shot up.

After a decade and a half of largely static, historically low interest rates following the 2008 financial crisis, the Bank of England raised rates 13 times between the start of 2022 and August 2023, in response to persistently high inflation and a cost of living crisis. These incremental changes have moved the base rate from 0.25% at the end of 2021 to 5.25% at the time of writing. That has had an obvious knock-on effect on mortgage affordability, both for existing mortgage-holders coming to the end of fixed-rate deals and for those attempting to buy a property – and this in turn has had an impact on demand, on prices, and on the behaviour of buyers, sellers and lenders. All of this creates an obvious discontinuity between the 40-year trends set out in the previous section of this report, and the likely shape of the next few years.

This section looks at changing FTB affordability during 2023 so far, and presents forecasts for different affordability metrics for the 2023-27 period. As in the previous section, we focus on FTB house prices to earnings, FTB mortgage repayments as a share of earnings, and time taken for FTBs to save for a deposit. We also project the number of FTBs over the next five years.

Looking to the future: 2023-2027

So far this year, the story of the housing market is of general slowdown, driven largely by rising mortgage interest rates. There have been around 19% fewer residential property transactions in the UK in 2023 so far than in the same period in 2022 overall,[9] but the number of FTB transactions has fallen faster – 24% lower than the same period last year – and has been falling for longer. This figure may be somewhat distorted by the ending of the stamp duty holiday that applied during the COVID-19 pandemic. In what follows, all figures refer to England only (not the UK) unless otherwise stated.

- For FTBs, house prices started to fall on a month-on-month basis in autumn 2022, affected by successive interest rate rises and the cost of living crisis. Average FTB house prices peaked at £294,600 in September 2022 but had fallen by 5.2%, to £279,200, by March 2023 – a steeper fall than for house prices overall over the same period, which fell by only 2.1%. But house prices both for FTBs and overall remain higher than they were a year ago, with the average FTB house price so far in 2023 being £280,000, compared to £270,900 for the same period a year ago.

- FTB nominal earnings so far in 2023, including joint incomes, stand at £60,900, compared to £56,600 for the same period in 2022 and £59,200 in 2022 overall. This is an average increase of 7.9%, slightly higher than general earnings inflation across the whole economy. Of course, what this shows is FTBs – or, strictly, the ability to become an FTB – becoming gradually more concentrated among a smaller group of higher-earning people. This means that the shifting of FTB profiles has accelerated. The average FTB is increasingly affluent, compared to the national average, as a result of rising costs – both in terms of higher interest rates increasing the level of mortgage repayments they need to make every month, and higher inflation increasing the price of everything else they have to buy – keeping their lower-earning contemporaries out of the housing market.

- Average mortgage interest rates for FTBs increased from 2.2% at the end of 2021 to 3.85% by the end of 2022 and 4.79% by March 2023 – more than double what they were. They have risen further since. At the time of writing, many FTB two-year fixed deals are around the 6% mark. The average FTB mortgage rate so far in 2023 is 4.6% (2.1% for the same period in 2022 and 2.7% across 2022 as a whole). This means that our analysis shows that in 2023 mortgage repayments for FTBs amount to 22% of gross earnings, compared to 17.4% in 2022. As a share of take-home earnings (based on a simplifying assumption that joint applicants earn the same as each other), FTB mortgage repayments jump from 22.7% in 2022 to 28.9% in 2023. And note that this is in the context of the gross and take-home earnings of 2023's FTBs being significantly higher than for 2022's.

- Average FTB deposits so far in 2023 stand at 26% of total purchase price (£73,100), up from 24% (£68,600) across 2022 as a whole. This suggests that at least in the short term, changes in deposit shares are negatively correlated with house price movements. Intuitively, this makes sense: FTBs have already saved for a deposit at the point of purchase, which means that falling house prices enable them to increase the deposit's share of the purchase price and reduce the loan to value amount.

- The overall number of FTBs has been steadily declining, and the pace of this decline appears to be accelerating in 2023: in March 2023 FTB numbers were around 25% lower than in March 2022, and around 40% lower than in March 2021. 86,350 FTB mortgages were advanced in the UK in the first four months of 2023 compared to 113,340 in the same period in 2022, a drop of 24%.

9. Based on the first four months of each year.

As a whole, this points to 2023 being an exceptionally bad year for FTBs. This will have a knock-on effect of not just reducing the number of them, but also increasing the shift of FTBs towards a smaller, more exclusive subset of the population. The process of FTB gentrification is set to continue.

There are fewer FTBs in 2023, meaning that more and more people who we might otherwise have expected to buy their first home are staying out of the market, either because they cannot afford to enter it now or because they are "timing the market" and anticipating a more affordable environment in the future. Those FTBs that remain are paying higher interest rates and consequently higher monthly mortgage payments, and putting down higher deposits, than their equivalents were a year ago. The house prices they are paying may be falling now but are still higher than they were a year ago. And they are more concentrated than ever before among a higher-earning demographic, even allowing for increases in average earnings over the last year.

These overall figures for 2023 naturally conceal some significant regional variations again, as shown in Table 5. As expected, London is an outlier, with higher FTB house prices, higher loan amounts and higher deposits, and FTBs there are on considerably higher incomes than those in the rest of England, although mortgage rates are broadly similar around the country and even slightly lower in London. The North East has the lowest FTB house prices, loan amounts, deposits and FTB earnings.

Table 5: average FTB profile forecasts, regions (2023)

	NE	NW	YH	EM	WM	SE	E	L	SW
Home purchase price	£154.3k	£194.6k	£180.3k	£215.9k	£216.3k	£330.9k	£262.0k	£469.4k	£261.2k
Loan amount	£122.5k	£149.8k	£139.5k	£163.4k	£165.3k	£242.7k	£192.3k	£291.0k	£189.4k
Loan to Value (LTV)	78%	77%	77%	76%	76%	73%	73%	62%	72%
Mortgage interest rate (%)	5.9%	5.8%	5.9%	5.7%	5.8%	5.5%	5.6%	5.4%	5.6%
Earnings (gross)	£45.1k	£50.9k	£48.3k	£52.2k	£52.4k	70.5k	£58.8k	£91.8k	£56.6k
Average people on mortgage	1.45	1.51	1.52	1.58	1.57	1.61	1.61	1.49	1.59
Age	32	32	32	33	33	33	33	34	32

The FTB housing market in 2023

Our modelling of the outlook for FTBs from 2023 to 2027 builds on the approach we took in section 1, presenting what housing experts and forecasters are saying about what is likely to happen to the key housing market indicators and drivers in each year for the next five years. We draw in particular on the most recent Office for Budget Responsibility (OBR) forecasts, presented at the Spring Budget in March 2023, and on private sector independent forecasts published monthly by HM Treasury in their reporting on the UK economy.

Our modelling, set out in Tables 6, 7 and 8, shows 2023 as a crunch year for FTB affordability, with a gradual albeit partial improvement after 2024. But every year in our forecast period is worse for FTBs than 2022. That means fewer people are able to get onto the housing ladder: the number of FTBs remains down on 2022, and significantly down on the longer multi-decade average, throughout the forecast period. And it means that those who do buy their first house need higher incomes, with mortgage repayments taking up a greater share of FTB earnings in every year from 2023-27 than they did in 2022.

Over the period we expect to see FTB house prices fall in 2023 and 2024 before increasing again, with both house prices and loan amounts surpassing 2022 levels in 2027. But with mortgage interest rates projected to fall only slowly, to 4.6% in 2027, the level of monthly mortgage repayments for those who become FTBs in 2027 is set to be considerably higher than for their 2022 counterparts. This is reflected in significantly increased gross earnings for FTBs by 2027: the average FTB will, we forecast, earn £70,200 in 2027 compared to £59,700 in 2022.

We forecast deposits to fall considerably as a share of earnings throughout the period, falling to 100% of gross earnings by 2027. This is a result of FTB earnings rising considerably faster than house prices, but it does mean that the length of time modelled as the minimum needed to save for a deposit in 2027 stands at 3.9 years for non-renters and 10.7 years for renters, compared to 4.4 years and 12.3 years respectively in 2022 (but NB that these are prospective calculations for people who start to save in that year; those who actually become FTBs in 2027 will at this rate of saving have had to save for longer than that, or – more likely – have been in receipt of parental or other financial support). This forecast is partly driven by an expectation that FTB earnings will outpace rent increases over the period.

Table 6: average FTB profile forecasts, England (2023 to 2027)

	2023	2024	2025	2026	2027
Home purchase price	£276.3k	£269.3k	£272.4k	£281.7k	£291.8k
Loan amount	£201.5k	£196.4k	£201.3k	£210.9k	£221.4k
Loan to Value (LTV)*	73%	73%	74%	75%	76%
Mortgage interest rate	5.6%	5.6%	4.9%	4.7%	4.6%
Earnings (gross)	£62.9k	£66.2k	£67.3k	£68.5k	£70.2k
Average people in mortgage*	1.55	1.55	1.55	1.55	1.55

*assumes 2022 figure remains constant for future years

Table 7: average FTB affordability metric forecasts, England (2023 to 2027)

	2023	2024	2025	2026	2027
House price to earnings ratio	4.4	4.1	4.0	4.1	4.2
Loan to income ratio (LTI)	3.2	3.0	3.0	3.1	3.2
Mortgage repayments share of gross earnings	22.0%	20.4%	19.0%	19.2%	19.3%
Mortgage repayments share of take-home earnings*	28.9%	26.9%	25.2%	25.4%	25.7%

*Take-home earnings based on a simplifying assumption that joint applicants earn the same as each other.

Table 8: average FTB accessibility metric forecasts, England (2023 to 2027)

	2023	2024	2025	2026	2027
Deposit	£74.8k	£72.9k	£71.1k	£70.8k	£70.5k
Deposit share of earnings (gross)	119%	110%	106%	103%	100%
Rent p.a.	£10,544	£10,965	£11,149	£11,356	£11,639
Maximum that could be saved p.a. (non-renter)	£16,995	£17,874	£17,932	£18,026	£18,236
Maximum that could be saved p.a. (renter)	£6,451	£6,909	£6,783	£6,670	£6,597
Minimum time to save for deposit (non-renter)	4.4	4.1	4.0	3.9	3.9
Minimum time to save for deposit (renter)	11.6	10.6	10.5	10.6	10.7

In summary: 2023 is an exceptionally bad year for FTBs, and while the situation is set to improve from this low point, 2027 will still be worse for FTBs than 2022 was. The barriers to becoming a first-time buyer, already very significant in 2022, will be worse in 2027 – and make the status of FTB even more exclusive.

Prospective FTBs will find themselves having to earn more than their equivalents at any time in the previous four and a half decades, to pay more for a house than at any time in the previous four and a half decades, to borrow more money than their equivalents at any time in the previous four and a half decades. They will face mortgage interest rates only slightly down on current levels but considerably higher than they had been at any time between 2008 and 2022. That means mortgage repayments taking up a significantly greater share of their (albeit higher) earnings than FTBs would have expected in recent years.

And the deposits they will pay will remain at historically high levels in absolute terms, although representing a falling proportion of FTB earnings compared to the last couple of decades. Deposits in 2027 will still be at levels that are absolutely prohibitive for a significant chunk of the young adult population, especially those without parental or other help, and still around four times higher as a proportion of FTB earnings than in 1982, where our analysis began.

Numbers: counting the lost first-time buyers

The barriers to becoming a first-time buyer by 2022, especially the barrier of saving for a deposit, were so significant that in some parts of the country, notably in London, it was simply not realistic for most people to purchase their first house without help. This is not about to change. And the impact of recent interest rises means that it is not likely to get significantly easier for prospective FTBs in the near future.

Our projections for FTB numbers over the next five years are informed by the latest data on FTB numbers in 2023 so far, on the affordability forecasts presented above, on historical data on the number of FTBs during previous housing market downturns, and on the OBR forecasts for overall housing transaction numbers.

As stated above, the number of FTBs in the first four months of 2023 was 24% lower than in 2022, although with some signs of stabilisation. This compares with overall housing transactions falling more slowly: 19% lower than in 2022. The share of FTBs of overall housing transactions is also down this year.

We set out our projection of the number of FTBs in Table 9, below.

Table 9: projected housing market activity, 2023 - 2027

	2022	2023	2024	2025	2026	2027
Overall housing transaction numbers (UK)	1,258k	1,006k	1,033k	1,104k	1,238k	1,349k
FTB share / overall housing transactions (UK)	29.5%	25.5%	25.5%	26.50%	26.50%	26.50%
Number of FTBs (UK)	371k	257k	263k	293k	328k	357k
Number of FTBs (England)	315k	218k	224k	249k	279k	304k

That puts FTB numbers in England in 2023 down by nearly a third on 2022, and significantly below the multi-decade average of nearly 340,000. In other words, we project a loss of over 400,000 FTBs in England between 2023 and 2027 compared with what we would have expected on the basis of the average number of FTB transactions.

It is important to remember, however, that even the expected number of FTBs is not the same as the number of people who want to buy a home: the expected number reflects those we would expect to be capable, on the basis of income and savings, of passing the barriers to becoming a homeowner set out in this report. The barriers were already steep. They are set to get higher still.

Improving the Prospects of First-Time Buyers

More and more people, mostly in their 20s and 30s, who would like to be able to buy their own home and who are on the kinds of income levels which would have made this perfectly possible in their parents' and grandparents' generations, are finding themselves on the wrong side of the affordability divide. That has impacts on the stability of their lives, and on their ability to accumulate capital and security in their old age.

The plight of Britain's first-time buyers should concern policymakers – both in terms of its impact on the economy itself but also the politics of discontent this breeds. First-time buyers today are historically high-earning – demonstrating how exclusive this club has become – and yet they, and especially aspiring first-time buyers who are unable to get onto the housing ladder, face challenges unfathomable to their counterparts in 1982.

The next generation of would-be homeowners are naturally pessimistic, reliant on previous generations, and facing hurdles never seen before. Across our metrics, they face unprecedented house prices, tightening mortgage demands, and huge deposit requirements.

Leeds Building Society is committed to playing a part in a wider support ecosystem, with commitments to undertaking reports such as these to better understand how we can assist first time buyers.

Our recommendations

Last year we published our seven-point plan to tackle the UK's homeownership crisis. These were; Build more homes; Tackle the skills gap; Maximise the potential of existing properties; Build sustainability into the housing market through improved energy efficiency; Increase affordable routes into homeownership; Help people save for a deposit; Provide meaningful support for current homeowners.

Fundamental to the recommendations was the need to have a long-term plan that built stability into the market by building enough homes to balance demand and supply across all tenures, increasing the number of affordable homes and routes into ownership, and supporting people to save for their deposit.

On the following page, we consider further how just some of these seven steps can contribute to a more secure pathway to ownership, the preference of nearly nine in 10 people in the UK.

Our recommendations

Building more homes of all types

As demonstrated by our research the challenges facing FTBs are deep-rooted and wide-ranging, but building enough homes to meet demand is the right place – the only place – to start. There is well established evidence, in parts of Finland[10], New Zealand[11] and the USA[12] for example, where increasing the supply of homes has proven to improve affordability.

It is estimated that over the next 10 years the UK will require 5 million new homes to be built to meet housing demand, equivalent to 340,000 new homes every year. This level of housebuilding has not been seen since 1971,[13] and would require a serious acceleration of current efforts. In order to achieve this, we recommend that the government should:

- Restore mandatory house building targets
- Establish targets for affordable housing in local authorities
- Close the skills gap in the construction industry with extensive investment in training programmes, the rolling out of more sector- specific T-Levels, and other means of boosting the construction workforce
- Allocate sufficient funding to the planning system in order to reform it
- Reform land compensation laws and end 'hope value' to reduce the cost of land for small and medium developers and increase the viability of affordable homes

Increasing affordable routes to homeownership

Saving up for a housing deposit represents one of the most significant barriers to getting on the housing ladder, and many prospective first time buyers are simply not able to do so due to high house prices and rising private rents.

We believe that increasing routes to ownership requires a stable private rented sector, more affordable rent options, and increased bridges to owning such as Shared Ownership.

Shared Ownership is one of the most effective ways to reduce the deposit burden on first time buyers and increase bridges to homeownership. At Leeds Building Society, we are proud to be Britain's largest lender on shared ownership homes. We believe that to support this tenure, we need to make it more accessible across the country and constantly seek to improve it. The government should:

- Provide continued grant funding and ringfenced developer contributions for shared ownership
- Require Local Planning Authorities to have minimum targets for all affordable homes, including Shared Ownership
- Seek to grow the availability of shared ownership, and record and publish better data to grow the understanding of its benefits and seek to improve it where needed
- Work with providers to improve the consumer experience through greater standardisation of marketing, information and transparency of costs

10. Bratu, Harjunen, Saarimaa - City-wide effects of new housing supply: Evidence from moving chains (2022)
11. Centre for Cities - New Zealand shows how planning reform will end Britain's housing crisis (2023)
12. Kate Pennington - The Supply and Demand Effects of Construction in San Francisco (2021)
13. ONS, 2023

Further, a stable private rented sector is one of the key elements of a healthy housing market. Unfortunately in the UK, the private rented sector is unaffordable to many and offers very few protections for renters, preventing them from being able to save for their own home. To get more FTBs onto the housing ladder, the government should:

- Expedite renters' reform to provide greater protections for first-time buyers saving for a deposit, including passing the Renters Reform Bill within this Parliament
- Introduce support for a well-managed and regulated Build to Rent sector to increase the amount of rental units on the market with secure tenancies
- Rule out rent caps and any other measures which have proven to reduce the size of the sector until evidence suggests otherwise

Lastly, it is essential that more affordable options to rent are made available. The government should:

- Increase the social renting sector with accelerated social house building and by unleashing local authorities to build a new generation of council homes

Supporting people to save for their deposit

Our analysis shows that the minimum amount of time required for a renter to save for a deposit without help is over 10 years, and will remain this high until at least 2027. In order to allow prospective buyers to save for a deposit, we believe that the government should:

- Reform the Lifetime ISA scheme by uprating the limit on house purchases in line with the increase in house prices (HPI), and by reducing the 25% penalty for early withdrawals to 20% as it did during the pandemic
- Reevaluating the low level of personal savings allowance to encourage those without a Lifetime ISA to access the best rates available

And finally, in order to ensure that prospective buyers are able to access mortgages at competitive rates and bypass punitive stress tests, we believe that more measures should be introduced to allow people to build their credit scores. That's why we've partnered with Experian to boost applicants' credit scores and are helping more first-time buyers as a result. We therefore recommend that the government should:

- Support rent payments and other regular outgoings as contributing to credit scores with automated enrolment onto credit reporting schemes

For constituency specific briefings or media enquiries contact Leeds Building Society.

Contact

Tom Wrigglesworth (briefings)
External Affairs Manager
twrigglesworth@leedsbuildingsociety.co.uk

John Brenan (media)
Senior External Relations Manager
jbrenan@leedsbuildingsociety.co.uk

Published September 2023.

Leeds Building Society

Leeds Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. Leeds Building Society is registered on the Financial Services Register under number 164992. You can check this on the FCA website at register.fca.org.uk/s/ or by calling 0800 111 6768. Head office: 26 Sovereign Street, Leeds, West Yorkshire, LS1 4BJ