

# HOW CAN BROKERS HELP FIRST TIME BUYERS TO NAVIGATE THE MARKET?

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Homeownership has long been a common aspiration for Brits. For the vast majority, the ability to purchase a home is dependent on securing a mortgage — the largest and most impactful loan that most will take out in their lifetime.

But for first time buyers in the UK today, the path to homeownership is often a challenging one. Rising house prices — which have far outstripped growth in average earnings — alongside the heightened cost of living, are two of the key issues facing those looking to get onto the housing ladder. And while we have seen inflation slow down in the tail end of 2024, figures are still much higher compared to the past several years.

In this article, we'll examine the current landscape for first time buyers and explore the role of brokers in helping them to take their next step.



## The affordability squeeze

The mortgage gap — that is, the gap between what a typical first time buyer can afford and the size of the mortgage loan they would require to purchase a property — has skyrocketed in the last decade.

10 years ago, the average house price for a first time buyer was £162,362, while the average annual income was £29,181, according to research<sup>1</sup>. This meant that, based on obtaining a mortgage of four-and-a-half times their income, first time buyers faced a mortgage gap of £6,693. A decade on, with the average price of a first time buyer's home having risen by around 52%, and the average income having only risen to £36,885, they now face a mortgage gap of £43,607: an increase of 552%. At present, a first time buyer would need to earn double the average UK household income in order to buy, analysis has found<sup>2</sup>.

These stark figures around affordability are negatively impacting whether Brits see homeownership as being part of their future. A 2024 survey<sup>3</sup> found that more than half of the UK's aspiring homeowners — amounting to 3.9 million people — believe they will never be able to achieve their goal. This group cited high house prices as their biggest challenge as a prospective first time buyer, followed by saving for a deposit and the ability to afford monthly mortgage repayments.

Saving the often sizeable sum required for a deposit has been difficult for first time buyers for quite some time, but this challenge has only been compounded by the sharp rises in mortgage interest rates experienced in recent years.

In 2024, first time buyers were facing the toughest conditions to buy a home in 70 years, according to the Building Societies Association<sup>4</sup>, which found that many were only able to purchase by receiving parental support or having two high incomes.

At the tail end of this year, we have seen inflation ease. UK prices rose by 1.7% in the 12 months to September — the lowest rate in three-and-a-half years<sup>5</sup>, coming in below the Bank of England's 2% target. But the pressure caused by the cost of living and heightened interest rates means that first time buyers continue to feel the squeeze.



## Limited housing stock in the UK

First time buyers in the UK face a pressing systemic issue too: a shortage in housing supply and an 'under-occupancy' problem. According to Barclays<sup>6</sup>, 85% of owner-occupied homes in England and Wales contain one or more spare bedrooms, which restricts the availability of larger homes over time — creating a knock-on impact on the housing market. With an already limited supply of homes in the country, under-occupancy only compounds the challenges around the lack of affordable housing.

Zoopla's latest House Price Index<sup>7</sup> shows that sales activity, as of October 2024, is at its highest peak since the 2020 boom. But Rightmove data<sup>8</sup> shows that there has been increased activity in the 'top-of-the-ladder' sector (five bedroom and detached four bedroom homes), which was up 15% in September compared to the same period a year ago. While this could be an indication that we are seeing some homeowners downsize, which would benefit the housing market long-term, an increase in the availability of larger homes doesn't typically benefit first time buyers in the short-term, who are often priced out of this sector.



## Who is today's first time buyer?

With these challenges in mind, it likely comes as no surprise that the age of a first time buyer has been mostly on the increase since the 2007-2008 financial crisis. The average age of a first time buyer in England is now 33.5, according to government data<sup>9</sup> — up more than three years since 2007 and two years since 2012. In London, the average age has now surpassed 35, though this has fallen from an all-time high of 37 years-of-age in 2019 — one of the only areas in the UK to see a decline.

Despite the barriers facing those wanting to get onto the housing ladder, home ownership does remain a goal for many young people. Almost three-quarters of Brits (71%) who do not own their home say they still aspire to do so in the future, amounting to 7.5 million people<sup>10</sup>.

First time buyers also seem keen to leverage assistance available where they can: homeowners aged 18-34 are three times more likely to depend on government scheme<sup>11</sup>. Just 9% of homeowners overall used a government scheme to purchase their first home, compared to 28% of 18-34 year-olds. In fact, when the government's Help to Buy scheme was introduced, homeowning aspirations increased from 65% to a peak of 74%, falling again after the scheme was ended.



## The outlook for the FTB market

It's clear from the data that the aspiration of homeownership in the UK shows little sign of going away, despite the immense challenges facing this demographic — and even the belief among many young people that their goal may ultimately be unreachable. Yet, this segment does remain active. In 2024, first time buyers were the largest buyer group, accounting for 36% of sales, according to House Price Index data from October<sup>12</sup>.

While there's no way of waiving the hurdles that first time buyers face — from the cost of living and increased mortgage interest rates, to the issue of limited housing stock and the need for bumper deposits — for young buyers, education is key. Being informed about both the challenges and the opportunities within the market can help to increase confidence.

I would imagine that many customers, even those who are relatively well-informed, might not be aware of all the housing and mortgage solutions that are out there — whether it be government schemes such as Shared Ownership, home builders' incentives like Own New, or lender propositions such as our mid-LTV rates and income boosts on certain products.

In this challenging time, brokers have a key role to play in boosting awareness and providing expert advice for first time buyers on their individual circumstances. Data shows that many are worried about their next steps: 31% are concerned that they won't get approved for a mortgage, while 33% worry that they may not be able to afford the monthly repayment<sup>13</sup>. With this in mind, there is a prime opportunity for brokers to help educate more prospective homeowners on the solutions available to them.

<sup>1</sup> Data from Alexander Hall, 2024: <https://www.mortgagesolutions.co.uk/news/2024/10/17/first-time-buyer-mortgage-gap-widens-fivefold-in-a-decade-alexander-hall/>  
<sup>2</sup> Data from Zoopla, 2024: <https://www.zoopla.co.uk/discover/property-news/income-needed-to-buy-a-house-2024/>  
<sup>3</sup> Research by HomeOwners Alliance, 2024: <https://hoa.org.uk/news/generation-gap-worsens/>  
<sup>4</sup> Report from Building Societies Association, 2024: <https://www.bsa.org.uk/media-centre/press-releases/bsa-calls-for-radical-change-to-fix-broken-housing-market>  
<sup>5</sup> Office for National Statistics, Consumer price inflation, UK: September 2024: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/september2024>  
<sup>6</sup> Report from Barclays, 2024: <https://home.barclays/insights/2024/10/exploring-whats-next-for-the-property-market/>  
<sup>7</sup> House Price Index data from Zoopla, October 2024: <https://www.zoopla.co.uk/discover/property-news/house-price-index/>  
<sup>8</sup> Data from Rightmove, 2024: <https://www.rightmove.co.uk/news/articles/property-news/new-listing-surge-top-end-homes/>  
<sup>9</sup> First-time buyer statistics UK, Finder, 2024: <https://www.finder.com/uk/mortgages/first-time-buyer-statistics>  
<sup>10</sup> Data from Alexander Hall, 2024: <https://www.mortgagesolutions.co.uk/news/2024/10/17/first-time-buyer-mortgage-gap-widens-fivefold-in-a-decade-alexander-hall/>  
<sup>11</sup> Research by HomeOwners Alliance, 2024: <https://hoa.org.uk/news/generation-gap-worsens/>  
<sup>12</sup> House Price Index data from Zoopla, October 2024: <https://www.zoopla.co.uk/discover/property-news/house-price-index/>  
<sup>13</sup> Research by HomeOwners Alliance, 2024: <https://hoa.org.uk/news/generation-gap-worsens/>

## Eloise Hall – Head of National Accounts

Eloise joined Kensington Mortgages in 2019, bringing a wealth of experience from both Leeds Building Society and Principality Building Society, she has supported, nurtured and grown many of our key account relationships across the UK. Eloise has won an array of awards in her tenure at Kensington Mortgages, including Woman in Specialist Lending at Women's Recognition Awards and Head of National Accounts at both the 2022 and 2023 British Specialist Lending Awards. Most recently Eloise has been recognised in the Mortgage Introducer Global Top 100 Mortgage Professionals and named as an Elite Woman in 2024.

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