

# FIRST TIME BUYERS: THE CHALLENGES AND THE MARKET AHEAD

ELOISE HALL • INTERIM HEAD OF NATIONAL ACCOUNTS



Last year certainly brought some turbulence to our mortgage industry; from record inflation, a cost of living crisis and a revolving door at No 10. The mainstream media were quick to report on rising interest rates and the drop in buyer demand, however since the start of 2023 we have begun to see things change, particularly for the first time buyer market.

The first steps onto the property ladder have always come with its challenges, but last year brought more complication to the first time buyer customer group. With the end of Help to Buy, an overwhelmed purchase market and interest rate volatility, it was understandable why the first time buyer share of the market fell towards the end of 2022.

Several economic factors have combined to constrict the average first time buyer's ability to get onto the property ladder, however in recent months with house price growth slowing, this could be the change in the winds they need to secure their first foot onto the property ladder. When the government introduced the stamp duty holiday, we saw house price growth quickly increase and bidding wars amongst buyers begin, making an already challenging market even harder for first time buyers. In the wake of the mini budget we saw interest rates rise and house price growth slow, with some economists predicting a 4%-10% house price correction<sup>1</sup>. This combination had slowed buyer demand, although it still remains an objective for many to get onto the ladder, particularly as the alternative for a lot of first time buyers is paying record rental prices. First time buyers looking to get onto the ladder in 2023 could benefit from more choice and more negotiating power than they might have had during the pandemic frenzy.

The average first time buyer has been evolving in recent years, with the average age climbing to 32-38 years old across the UK<sup>2</sup>. The average deposit size across the UK has also increased to £61,000, varying significantly between regions<sup>2</sup>. Combining this information with the current cost of living crisis which has tightened affordability, we can see the obvious challenges for this group to purchase their first home.

At Kensington, we have begun to see the first time buyer market share increasing in 2023 and I believe this will continue throughout the year as those entering the market become acclimatised to the 'new norm'. We are looking

at more ways to help these customers by supporting new schemes that have been emerging since the announcement of Help to Buy coming to its end, as well as launching into some well-established schemes such as Shared Ownership. Last year 80% of shared ownership sales were to first time buyers, showing its growing popularity with this segment<sup>3</sup>. We have also been innovating to support more customers, with affordability boosting products such as our Heroes mortgage designed for key workers, our Young Professionals range and our Flexi Fixed for Term products. Flexi Fixed for Term offers your clients the chance to fix their mortgage from 11 to 40 years with a fixed monthly payment that will never change, providing certainty in an uncertain market. Flexi Fixed for Term is a different type of mortgage and so too is the way we calculate the affordability; we use the fixed rate rather than a future stressed rate.

As the market becomes more complex this won't change our approach to help first time buyers. In fact, I believe this will lead to further innovation in 2023. This complexity will also make navigating the mortgage world difficult for first time buyers and they will require further support from mortgage brokers. There is a big opportunity with this customer demographic, so brokers staying close to both lenders and customers will be crucial this year.

Lenders have an obligation to make positive steps to make home ownership a reality for first time buyers, many of whom may feel it is still out of their reach. Innovative solutions from mortgage lenders to support and inform brokers are essential for ensuring a positive and accessible mortgage market.

<sup>1</sup>Zoopla: [https://moneyweek.com/investments/property/house-prices/605666/zoopla-house-prices-stalled-and Savills: https://www.savills.co.uk/research\\_articles/229130/334947-0#pricefalls](https://moneyweek.com/investments/property/house-prices/605666/zoopla-house-prices-stalled-and-Savills-https://www.savills.co.uk/research_articles/229130/334947-0#pricefalls)

<sup>2</sup><https://www.money.co.uk/mortgages/first-time-buyer-mortgages/statistics>

<sup>3</sup><https://www.gov.uk/government/statistics/social-housing-sales-and-demolitions-2020-21-england/social-housing-sales-and-demolitions-2020-21-shared-ownership>



## Eloise Hall – Interim Head of National Accounts.

Eloise joined Kensington Mortgages as National Account Manager in 2019, bringing a wealth of experience from both Leeds Building Society and Principality Building Society, and has worked with many accounts throughout the UK. Eloise has continued to grow Kensington's brand as an innovative and forward-thinking specialist lender and has won an array of awards since adopting the Interim Head of National Accounts role, including British Specialist Lender award for Lender: Business Development in 2021, Woman in Specialist Lending at Financial Reporter Women's Recognition Awards 2022 and Head of National Accounts at the 2022 British Specialist Lender awards.

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