

## Number of first-time buyers falls amid tougher housing market conditions

- **First-time buyers account for half (50%) of all home loans**
- **Number of first-time buyers in Scotland down 14%, between January and August 2023, compared to same period last year**
- **Average price of first home now £188,252 - up 1% in the last year**
- **Despite this, first-time buyer deposits fall by 5%, while still averaging £38,871**
- **Scotland is the UK's most affordable place for first-time buyers to get on the property ladder**

The number of first-time buyers in Scotland fell by 14% between January and August 2023, compared to the same period in 2022, according to the latest Bank of Scotland First-Time Buyer Review.

This fall is not as sharp as the picture for the UK overall, where first-time buyers fell by 22%.

First-time buyers in Scotland still accounted for half (50%) of all home loans agreed between January and August this year, the same proportion as in the same period in 2022 and 2021, as activity in the wider housing market slowed. Various challenges in the housing market, including increases to mortgage rates and periods of lower availability of mortgage deals - will have impacted many first-time buyers in recent months. Inflation has become a further barrier to saving a deposit – an aspect of new home ownership that was already difficult for many, considering the average deposit needed is now £38,871.



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**Graham Blair, Mortgages Director, Bank of Scotland, said:**

**“Scotland offers some of the most affordable places for those looking to buy their first home, with Inverclyde, West Dunbartonshire and Ayrshire the most affordable places in Scotland and the UK overall.**

**“While lenders are ready to help – we provided around £5.5 billion in lending to first-time buyers in the first half of this year – it doesn’t change the fact that those buying their first property continue to face challenges. While the average**

**deposit raised has dropped slightly compared to last year, at nearly £39,000, it is still a sizeable amount to get together and, overall, first-time buyer numbers fell in the first half of this year, compared to last year.**

**“However, the expected further fall in house prices this year - alongside stronger income growth - may somewhat offset higher interest rates, which will be welcome news to first-time buyers. Overall, Scotland continues to be a great option for first-time buyers, with the average first property coming in at just under £100,000 less than the UK average.”**

While the number of first-time buyers has fallen between January and August of this year compared to the same time last year, a large number got on the ladder over the previous two years as, post-pandemic, buyers took advantage of low interest rates and government help available at the time, including Land and Buildings Transaction Tax relief and Help to Buy schemes. This means that, between January and August this year, the average number of people entering the property market for the first time was 22% higher than ten years ago.

**Table 1: Number of first-time buyers in Scotland**

1st Jan- 31st August Year	Number of first-time buyers	Annual % change	First-time buyers as % of all home purchase loans
2013	14,260	19%	44%
2014	17,620	24%	47%



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2015	18,060	2%	46%
2016	19,500	8%	49%
2017	22,630	16%	51%
2018	21,210	-6%	50%
2019	21,620	2%	50%
2020	13,360	-38%	51%
2021	23,500	76%	50%
2022	20,220	-14%	50%
2023*	17,359	-14%	50%

Sources: UK Finance and \*Bank of Scotland estimates for 1<sup>st</sup> January to 31<sup>st</sup> August 2023

## Price tags and deposits

First-time buyers in Scotland now pay an average of £188,252, up 1% over the last year, but 35% lower than the UK average (£288,030). The average deposit put down on a first home in Scotland is now £38,871 – the second highest deposit (21%) as a percentage of the property price, across the UK.

**Table 2: First-time buyers: average price and deposit by region**

	Average house price 2022 (£s)	Average house price 2023 (£s)	Average deposit 2022 (£s)	Average deposit 2023 (£s)	Deposit as % of purchase price 2023	1 year % change in deposit	1 year % change in average price
<b>Scotland</b>	<b>187,215</b>	<b>188,252</b>	<b>41,005</b>	<b>38,871</b>	<b>21%</b>	<b>-5%</b>	<b>1%</b>
East Midlands	232,228	237,834	42,582	37,565	16%	-12%	2%
East of England	329,369	333,823	61,717	54,645	16%	-11%	1%
London	508,820	496,208	123,009	113,078	23%	-8%	-2%
North East	172,355	175,799	30,632	29,184	17%	-5%	2%
Northern Ireland	165,394	174,356	31,036	32,978	19%	6%	5%



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North West	208,379	214,335	38,336	34,728	16%	-9%	3%
South East	352,284	358,704	68,623	62,012	17%	-10%	2%
South West	274,533	276,928	56,808	50,681	18%	-11%	1%
Wales	197,009	198,775	38,177	34,768	17%	-9%	1%
West Midlands	230,712	236,884	42,939	38,730	16%	-10%	3%
Yorkshire and The Humber	197,498	202,742	36,732	33,332	16%	-9%	3%
<b>UK</b>	<b>293,464</b>	<b>288,030</b>	<b>61,174</b>	<b>54,116</b>	<b>19%</b>	<b>-12%</b>	<b>-2%</b>

Source: Bank of Scotland, rolling 12 months to 31<sup>st</sup> August 2023

## Affordability

Nine of the top 10 most affordable places for new buyers in the UK are in Scotland.

Inverclyde, in the West of Scotland, is the most affordable. Based on average earnings of £39,485 in the area, compared to the average local first-time buyer price of £112,112, those purchasing a first home in Inverclyde need to borrow just under three times (2.8) the average salary.

The least affordable area in Scotland is Midlothian, just outside Edinburgh, where first-time buyers face an average property price of £238,928 – nearly six times (5.8) average annual earnings in the area.

**Table 3: 10 most affordable Local Authority District's for first-time buyers 2023, Scotland**

Local Authority District	House Price to Average Earnings ratio
Inverclyde	2.8
West Dunbartonshire	3.1
North Ayrshire	3.3
East Ayrshire	3.6



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South Ayrshire	3.6
Stirling	3.7
Shetland Islands	3.7
Renfrewshire	3.9
Clackmannanshire	3.9
Na h-Eileanan Siar	4.0

Source: ONS's Annual Survey of Hours and Earnings (ASHE) April 2022, uplifted to June 2023 using EARN01 weekly earnings

**Table 4: 10 least affordable Local Authority District's for first-time buyers 2023 Scotland**

Local Authority District	House Price to average earnings ratio
Midlothian	5.8
East Lothian	5.8
City of Edinburgh	5.6
West Lothian	5.4
Argyll and Bute	4.9
Orkney Islands	4.8
East Dunbartonshire	4.8
Dundee City	4.8
East Renfrewshire	4.7
Highland	4.7

Source: ONS's Annual Survey of Hours and Earnings (ASHE) April 2022, uplifted to June 2023 using EARN01 weekly earnings

## Older first-time buyers

The average age of a Scottish first-time buyer is now 31 - one year older than a decade ago and a year younger than the UK average (32).

**Table 4: Average age of first-time buyers by nations and regions: 12 months to August 2013 vs 2023**

Region	Average age 2013	Average age 2023
<b>Scotland</b>	<b>30</b>	<b>31</b>
East Midlands	30	31
East of England	31	32
London	33	33



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North East	29	30
Northern Ireland	30	32
North West	30	31
South East	31	33
South West	30	31
Wales	29	31
West Midlands	30	32
Yorkshire and The Humber	29	30
<b>UK:</b>	<b>30</b>	<b>32</b>

Source: Bank of Scotland, 12 months to August

**ENDS**

#### **Notes to Editor:**

This information is intended for the sole use of journalists and media professionals.

First-time buyer lending total for Lloyds Banking Group, H1 2023

#### **Data sources**

This research is based on data from Bank of Scotland's own extensive housing statistics database, UK Finance statistics (including Bank of Scotland estimates based on the expected levels of market completions given the prevailing economic environment and lead indicator of market applications), and ONS ASHE data on average earnings.

Nations and regions are based on Government Office Regions, with the exception of the numbers of first-time buyers, as UK Finance use Economics Planning Regions.

#### **House Prices**

The prices used in this research are simple arithmetic ('crude') averages for 12 months to 31<sup>st</sup> August each year. These prices are not standardised and therefore can be affected by changes in the sample from period to period.

#### **Average Earnings**

Average earnings figures are from the ONS's "Annual Survey of Hours and Earnings" (ASHE) data for April 2022, uplifted by the change in earnings from ONS EARN01 to June 2023 and refer to the means for full-time employees.

This report is prepared from information that we believe is collated with care; however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third-party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance." © Bank of Scotland plc all rights reserved 2023.



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