



## First Time Buyer Savings - Covid Insights

In January 2021 we reported on the two-speed first-time buyer market that had resulted from the Covid pandemic. As we prepare our Q1 2021 update, we wanted to build on this work and shed some further light on how first-time buyers have been saving for their deposit during this period.

Given the press commentary on the savings boom seen during Covid, we wanted to explore in more detail how Covid had impacted the first-time buyer community both in terms of savings levels and, more importantly, their ability to buy a property.

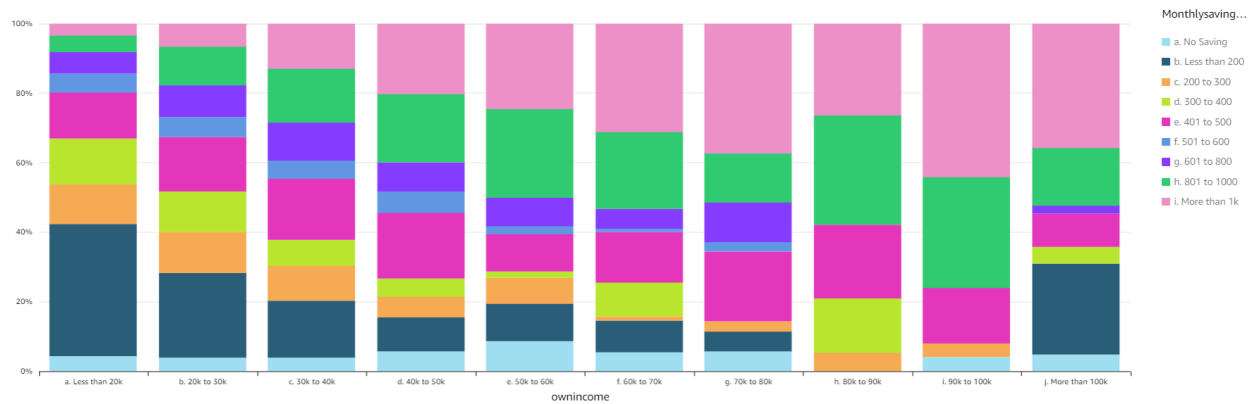
The analysis below compares Q1 2020 to Q4 2020, and is based on data from around 11,500 first time buyers. It is important to note that these may not be the same people rather it is a snapshot of the trends we were observing in those people engaging with the FirstHomeCoach App during these periods.

### Getting the Savings Bug

Firstly, how much more have people been able to save during the pandemic? Has the national trend been repeated in the first-time buyer community and to what extent does this differ across income brackets?

The chart below shows the pre-covid landscape. Based on a sample of 8991 people, we have looked at the savings levels based on salary. Across all salary bands, over 90% of people are saving. We have split out savings bands from less than £100 all the way up to over £1,000 per month. Putting this in context, a £20k salary is a take-home pay of around £1,400, so someone saving £300 would be putting aside just over 20% of their earnings.

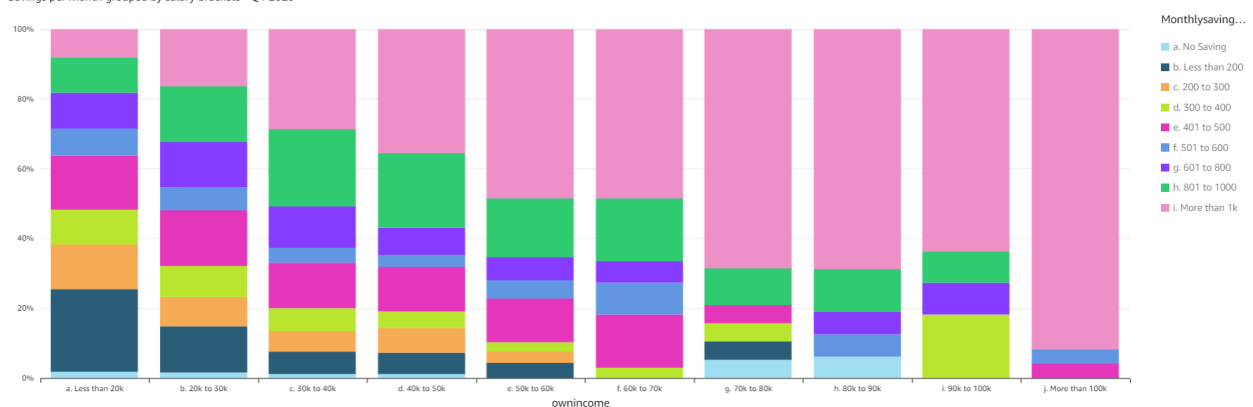
Savings per month grouped by salary brackets - Q1 2020



In isolation it is difficult to draw any major conclusions other than the fact that some first-time buyers are doing really well, saving a large percentage of their income for their home. In the £20k to £30k band for instance if we take the midpoint take-home pay of c. £1,700 then around 40% of people are saving more than 25% of their income. Impressive!

Now let's compare this with Q4 2020; after a short respite from the virus over the summer we were heading back into lockdown, albeit shops remained open and consumer spending was ticking up again.

Savings per month grouped by salary brackets - Q4 2020



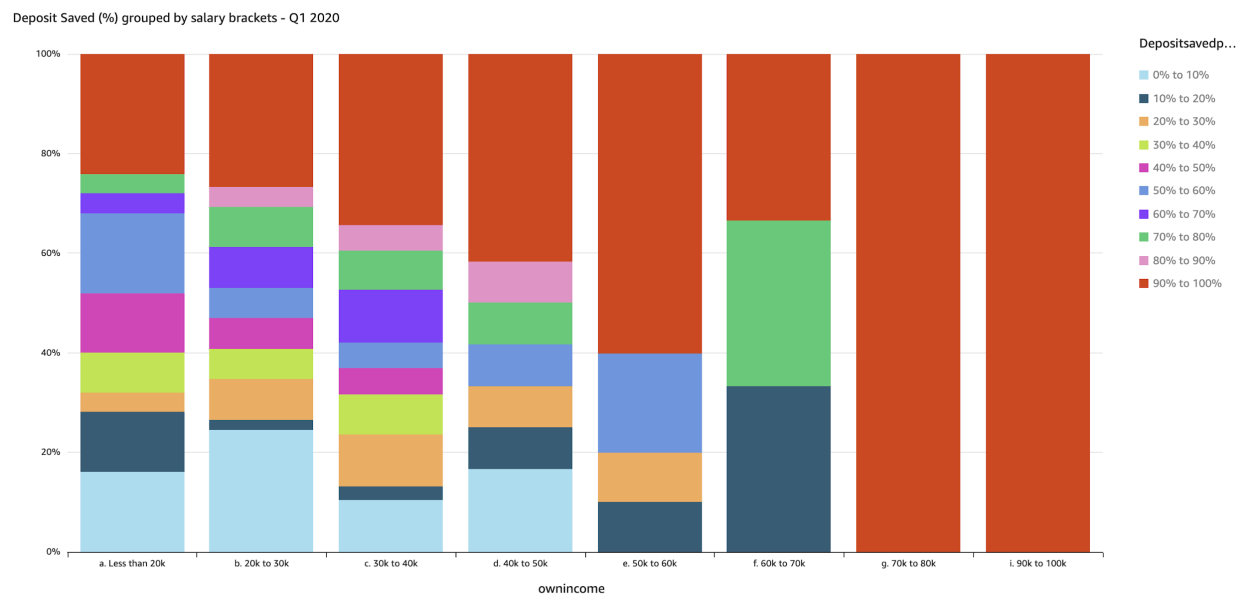
What's striking first off is the number of first-time buyers that are now saving more than £1,000 per month towards their deposit. More than half of all the top earners (those earning more than £50k) are now saving more than £1,000 (versus 20% - 35% pre-Covid). But perhaps more significantly, almost 20% of those in the £20k to £30k bracket are also saving over £1,000; remember that's off take-home pay of £1,700 so almost 60% of earnings being saved to buy a home.

The overriding conclusion here is how well first-time buyers are doing when it comes to saving up. They have well and truly got the Savings Bug!

## Realising the Deposit

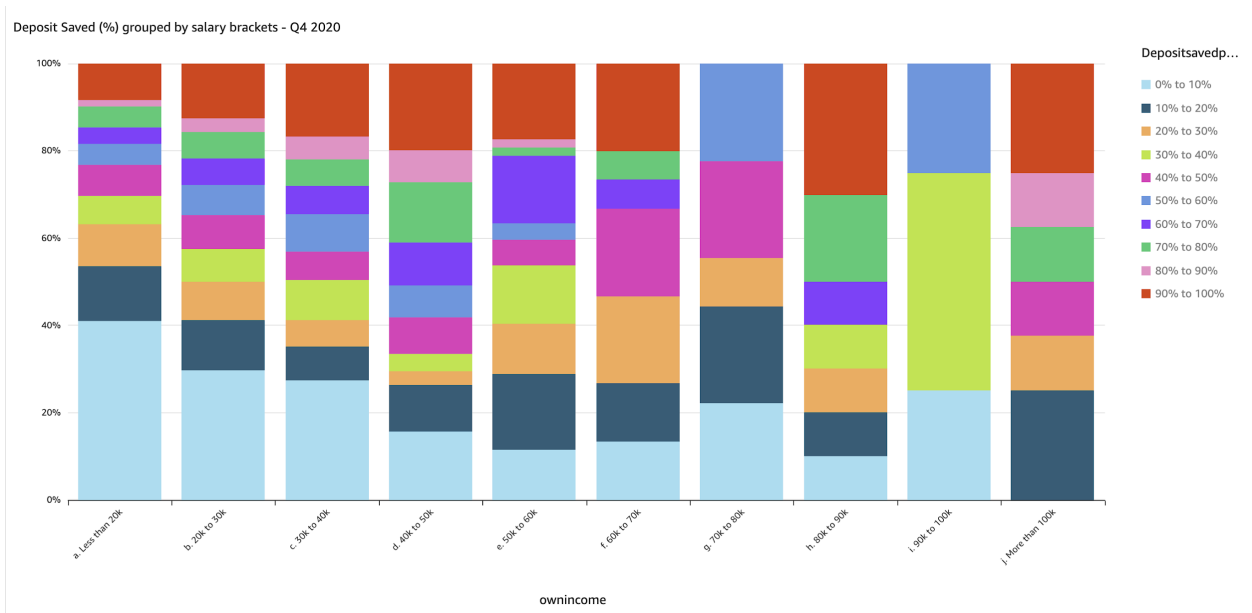
Sadly, just developing a good saving habit is not enough and whilst some in society were enjoying rising home prices and a stamp duty holiday, the first-time buyer market was hit with a reduction in high LTV mortgages - further raising the deposit hurdle.

Our next chart looks again at Q1 2020 and the extent to which people were on track to save their deposit target amount. This was assessed using the My Plan feature of the FirstHomeCoach App (now replaced with Property Goal) and allows us to track home buying progress.



Our data reveals a mixed, but perhaps predictable, picture. Those with lower incomes are further away from meeting their deposit target than those with higher incomes. But it is not all doom and gloom; for the lowest salary band, around 50% of people are saving more than 50% of the money required; for those in the £40k - 50k bracket, around half are saving 80% of what they need to.

Now let's look at the impact of Covid and data for Q4 2020. In short, there is a significant negative impact across all groups which, set against the backdrop of significant increases in monthly savings by people, tells a tale of despair. No salary group now has more than 75% of people saving within 10% of reaching their deposit target, whilst a massive 40% of the lowest income group is struggling to even match 10% of their required deposit.



What's particularly concerning about this is the magnitude of the impact on the lower income groups. Revisiting our £20k to £30k income bracket group again we now have half of the people saving below 30% of what they need (compared to around 35% in Q1), whilst the amount who are in the 90% to 100% saving range is down from almost 30% to around 10%.