



Lockdown causes a rift in first time buyer housing prospects

January 2021

- **Those who have had a "good" lockdown and want to buy now**
 - Some have been able to save more during lockdown with double the amount of First Home Coach users saving over £1,000 per month
 - Hopes for buying have increased with those expecting to buy in the next 6 months increasing by 62%
- **Those for whom lockdown has created uncertainty and are putting off their plans**
 - 56% fall in those who were going to buy in 6-12 months
 - Buying expectations for some going back more 2 years
- First Home Coach provides the only data source that measures the future aspirations of first time buyers
- First Home Coach provides digital financial coaching to help first time buyers achieve their life goal of becoming a homeowner

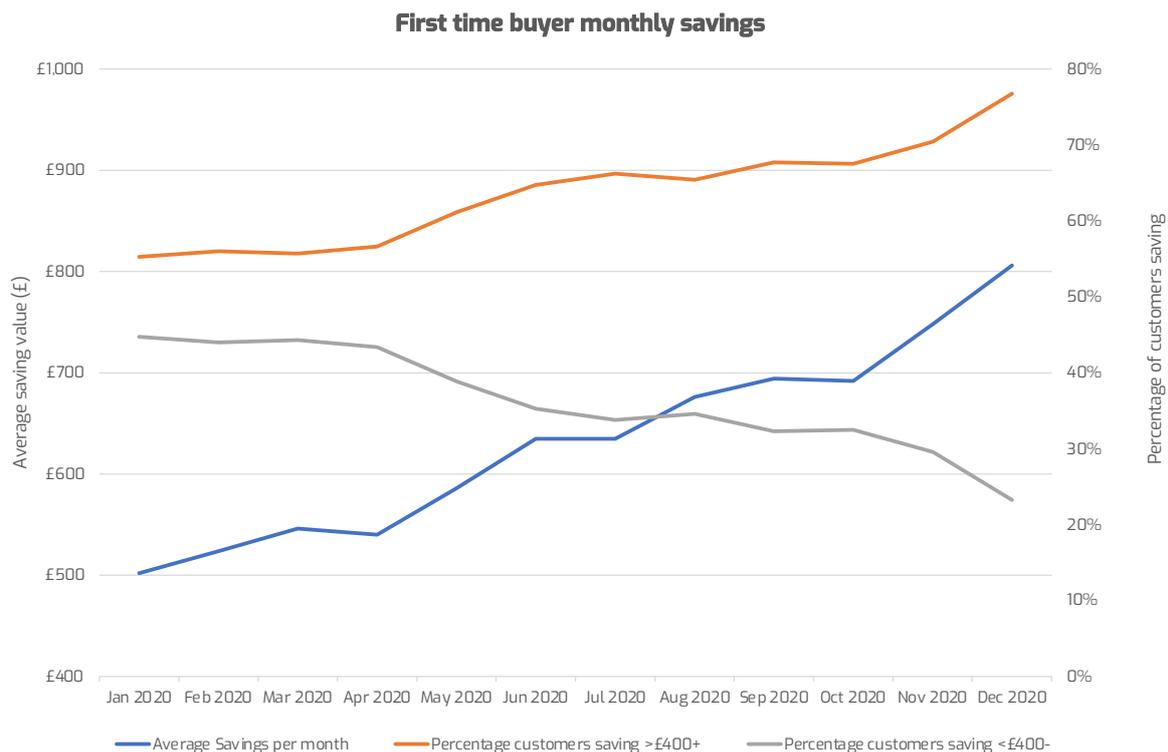
The growth in mortgage lending to first time buyers since 2008 has outstripped all other areas of the sector. The £60 billion lent in 2019 was a 28% increase on pre-financial crash levels (*UK Finance 2020*) with buy-to-let, re-mortgage and home mover lending all shrinking over the same period.

Therefore, First time buyers are a crucial market segment for both lenders and housebuilders. The health of the housing sector is closely aligned to the health of the first time buyer. That is why recent data from First Home Coach which shows the impact of the COVID crisis on first time buyers creating a two speed market, should be a concern.

The saying "never let a good crisis go to waste" has clearly been the mantra for some first time buyers. They found their living situation severely compromised as they were put into lockdown and this forced them to review their homes. For young workers, the homes that many were living in were really just a place to sleep, but they had to become their offices too. Their motivation to move to a home of their own was strengthened. For those whose jobs continued unhampered by lockdown, their ability to save was improved with those saving over £400 per month increasing significantly (see Figure 1) and those saving over

£1,000 per month, doubling over the period. This is in line with Bank of England data which showed that UK consumers also cleared £600m worth of consumer credit in October with £15.6bn of debt paid off since lockdown began in March (source: Bank of England Money and Credit report October 2020 - <https://www.bankofengland.co.uk/statistics/money-and-credit/2020/october-2020>).

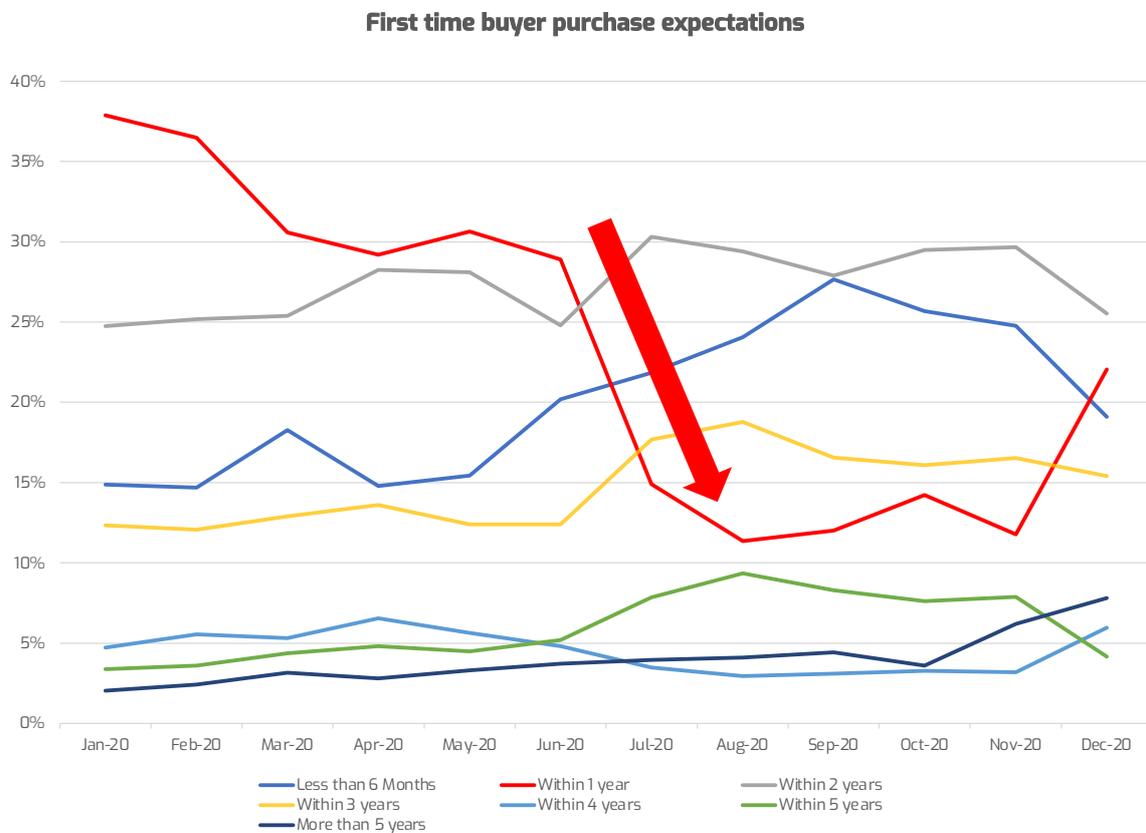
Figure 1



The Stamp Duty holiday was an added bonus, resulting in an acceleration of demand amongst buyers with a 62% jump in First Home Coach users who expect to buy their first home within the 6 next months (see Figure 2).

However, those who have been negatively affected by lockdown for a wide range of reasons, have had their hopes crushed. Those looking to buy their first home in the next 6 -12 months has fallen by 56% (see Figure 2). This is usually the large purchaser group so could mean a change of plans for over 60,000 first time buyers next year, which would impact demand for new homes and mortgages in the second half of 2021. With 2021 looking to be another tough year for young workers and without the benefit of a Stamp Duty Holiday past March, the data shows that the housing market could come under significant pressure.

Figure 2



Ben Leonard, CEO of Life Moments, the company behind First Home Coach:

“First Home Coach’s ability to nurture prospective buyers to achieve their life goal of buying their first home, means that we can understand their hopes for the future.

Lockdown has caused a rift in the prospects of first time buyers, resulting in the creations of a two speed market. While business picked up significantly in the second half of 2020 for housebuilders, many First Time Buyers look to be putting off their first step onto the housing ladder for at least another 12 months. We believe that businesses who help buyers through the uncertain times, are likely to win customers when their confidence returns.”