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First-time home buyers on the rise

Various tactics employed to secure first homes

The housing market has witnessed a surge in first-time buyers, with mortgage searches for this group rising by over 20%, according to data^[1]. This trend suggests that first-time buyers are capitalising on the current slowdown in the housing market to make their initial foray into homeownership.

Despite the steep rise in property prices during the pandemic, first-time buyers employ various tactics to secure their first homes. The House Price Index reveals that first-time buyers need an additional £7,500 in earnings to climb the property ladder. As a result, many of them are choosing longer mortgage terms.

Choosing extended terms

Data from UK Finance, a trade body, shows that the number of first-time buyers opting for 30 to 35 years of mortgage terms continues to rise. Nearly 40% choose these extended terms, while 17% select longer periods.

Longer mortgage terms can greatly reduce monthly repayments, making the loan more affordable. For instance, borrowing £200,000 over 25 years at a 4% interest rate would require monthly mortgage payments of £1,056. However, extending the mortgage term to 35

years reduces the monthly repayments to £886, and £836 with a 40-year term. On the downside, this strategy results in significantly higher total interest payments.

Downsizing expectations and lowering deposit amounts

Another recent trend amongst first-time buyers is the purchase of smaller properties. Due to higher mortgage rates, people's buying power has dropped by 20% in the past year. Consequently, most first-time buyers are now acquiring one and two-bedroom homes – a trend not seen since 2010.

With rising rents and fierce competition for rental homes, many first-time buyers opt to live in smaller properties they own. Saving for a deposit is another significant challenge for first-time buyers, with the average deposit amounting to £62,500. However, there has been an increase in the number of mortgages requiring low deposits recently.

Government assistance for first-time buyers

The government's Mortgage Guarantee Scheme, which allows first-time buyers and

home movers to purchase a property with just a 5% deposit, has been extended until the end of this year. Numerous government schemes are also designed to help first-time buyers onto the property ladder. These include Shared Ownership, First Homes and the Lifetime ISA. Some house builders are also offering their own schemes. ■

A first-time buyer seeking more information or advice on stepping onto the property ladder?

If you are a first-time buyer seeking more information or advice on stepping onto the property ladder, don't hesitate to reach out. We're here to guide you through your homeownership journey. For more information, please get in touch with us.

Source data;

[1] Zoopla research data 09/05/23.

