

# KEYS TO THE FUTURE

MAKING HOMEOWNERSHIP  
ACCESSIBLE WITHOUT THE 'BANK  
OF MUM AND DAD'

Palma Oxley  
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# Acknowledgements

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Nothing in this report should be seen as endorsed by those who attended the solutions-focused roundtables.

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## About the author

Palma Oxley is a researcher at the Fabian Society.

## About the partner

Founded in 1999 by Andy Hill OBE, The Hill Group was built on the principles of putting people and quality first and working in partnership to create better places to call home.

Today, we are the UK's second largest privately owned housebuilder and the only top-10 developer led by a CEO with a lifetime career in the sector. Still proudly family-owned, Andy and his sons, Greg and Tom, lead a business focused on long-term growth, quality and positive impact.

In 2025/26, we delivered over 3,300 new homes. From estate regenerations to inner-city apartments and rural family properties, we deliver housing that meets diverse needs across both private sale and affordable housing. Around half our projects are developed in partnership with local authorities, housing associations and private-sector organisations, combining expertise, flexibility and a focus on long-term value.

We build more than homes. Our vision is to be the UK's leading and most trusted housebuilder, creating exceptional homes and sustainable communities, where people love to live. We are committed to shaping a more equal society by delivering vibrant, inclusive neighbourhoods that bring people together and help communities to thrive.

Every development is designed around people, with investment in infrastructure, green spaces and community amenities. Sustainability is embedded throughout our approach, from energy-efficient design and modern construction methods to biodiversity enhancement and environmental stewardship.

Recognised for quality and customer experience, we have achieved HBF 5-star status for nine consecutive years, hold a 4.9 Trustpilot rating and have won more than 500 industry awards.

Through initiatives like Foundation 200, our £15m initiative, we donated 200 purpose-built modular homes to charities and local authorities to help tackle homelessness. We also invest in wider community programmes that deliver lasting social value, helping to make a positive difference beyond housebuilding. Because everyone deserves a place to call home.

## About the report

This report sets out the challenges aspiring first-time buyers face in England and the consequent impact on both inequality and the supply of new housing. It makes a series of recommendations focused on improving people's ability to afford their first home by helping people to access larger deposits and improving access to both affordable mortgages with suitable offer periods, and affordable homeownership schemes.

The research, which took place over the past six months, involved a literature review and two solutions-focused roundtables hosted by The Hill Group. The roundtables explored the key barriers to homeownership for first-time buyers and proposed solutions. Attendees included experts from housing and finance to consumer advocacy and local government. The research also included analysis of the relevant data published by the government and a series of in-depth expert interviews.

The report and its recommendations apply to England only.

# FOREWORD

‘Keys to the Future’ makes an important contribution to one of the economic and social challenges facing the UK today: how do we make the aspiration of homeownership a reality for a generation of first-time buyers who are increasingly locked out of the market?

I have worked in housing and construction for almost 50 years, over half of that time as chief executive of The Hill Group, which is now the second-largest independently owned and family-run housebuilder in the UK. During this time, I’m proud that Hill has supported thousands of people to take their first step onto the property ladder and realise the benefits of homeownership.

The challenges facing the housebuilding sector are the worst I’ve seen at any point in my career, with profound pressures on both supply and demand. There is no denying that we are in the midst of a housing recession, and for too many people, the dream of owning their own home is being pushed further out of reach, delayed by rising costs, constrained affordability and wider economic uncertainties. This is bad for individuals and their families, bad for the health of the housing sector, bad for the economy and bad for the long-term resilience of our society. We can’t rely on supplying social housing for the entire nation. It’s unsustainable. We all need and deserve high-quality homes, but homeownership must continue to contribute to the solution.

The barriers to first-time buyers – from the challenges of saving a deposit and securing a mortgage to broader issues of confidence and affordability – are substantial. Overcoming these obstacles will require bold thinking and robust action. This report aims to ignite both.

Hill has a strong track record of working with government to deliver much-needed new homes across the country. Over the past 27 years, we have operated in complex and challenging environments, succeeding through collaboration, innovation and a commitment to finding practical solutions. It’s in this spirit that we have started a campaign to stimulate housing demand and supported the Fabian Society in producing this independent report.

In addition to the Fabian Society, I would like to thank all the individuals and organisations who took the time to contribute their expertise and insights

throughout the research and engagement process. In particular, I am grateful to the industry leaders and subject-matter experts who participated in the roundtable discussions that helped shape the thinking behind the analysis and recommendations.

I hope the ideas in this report will inform future debate and policymaking, helping to ensure homeownership remains an achievable ambition for future generations.

**Andy Hill OBE – founder and chief executive, The Hill Group**

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# SUMMARY

Homeownership gives people greater security and control over their living situation while also allowing them to build their own wealth through asset appreciation and helping them to secure a comfortable retirement. It is an aspiration for millions of people across the country, but it is increasingly difficult to achieve. People without access to the 'bank of mum and dad' are being left behind, threatening social mobility and increasing intergenerational inequality.

This phenomenon holds back housebuilding. First-time buyers account for around one third of all homes sold, rising to around half in London. If aspiring first-time buyers are not supported into homeownership, it will be harder for developers to build new homes – whether for private sale or social housing – and for the government to meet its 1.5m new homes target. This risks undermining the government's growth agenda by jeopardising the estimated £6.8bn economic boost that delivering an additional 170,000 homes by 2029-30 could generate.

## Barriers to homeownership

There are three main challenges facing aspiring first-time buyers:

- Saving for a deposit. Rising house prices have increased the size of the deposit needed to purchase a home, while high rents, the wider cost-of-living crisis, and student debt repayments have made it increasingly difficult to save. Lower-income households struggle to save the deposits required to reduce the amount they are borrowing and to meet lenders' loan-to-income requirements. This effect is compounded in areas like London and the south-east where the average first-time buyer must also pay stamp duty.
- Qualifying for an affordable mortgage. Mortgage affordability rules protect consumers, but caps on loan-to-income ratios and affordability stress-testing mean fewer aspiring first-time buyers qualify for a mortgage. At the same time, higher interest rates have significantly increased the cost of mortgage borrowing.
- Navigating the homeownership market. Some households are held back because they are simply not aware of, or do not trust, the financial products available to them which could enable them to buy.

## Recommendations

Unless we want homeownership to become the preserve of those with access to family wealth, the government must act. It needs to help aspiring first-time buyers to build larger deposits, improve access to affordable mortgages, and ensure that people understand the affordable homeownership schemes available to them. The government should:

### Help to unlock larger deposits

1. **Ensure ‘Your First Home’ effectively and transparently supports first-time buyers.** The scheme should allow first-time buyers to borrow up to 20 per cent of the value of their home outside London and up to 40 per cent inside the capital. This would ensure support is proportionate to London’s affordability challenges. The scheme should be linked to the delivery of social and affordable housing on larger developments and should be temporary, with a preannounced end point.
2. **Introduce a renter savings scheme.** Modelled on workplace pensions, this would allow tenants to opt into saving an additional 5 per cent of their rent in a ring-fenced account, with a matching contribution from their landlord. Savings could accumulate in the government’s proposed first-time buyer ISA and receive a 25 per cent government bonus when used to purchase a first home. Professional build to rent landlords would be exempt from the scheme.
3. **Introduce a matched savings scheme to help parents and relatives save for a child’s future deposit.** A ‘junior housing ISA’ should be opened for every child, with an initial government contribution and additional support for children from low-income families. Family and friends should be able to contribute, with the state matching a limited amount of savings made on behalf of children in low-income households.

### Improve access to affordable mortgages and homeownership schemes

4. **Reform the mortgage guarantee scheme to increase access to affordable 95 per cent mortgages.** The government should allow lenders to hold less risk-weighted capital against loans covered by the scheme. This would encourage greater participation and competition in the high loan-to-value mortgage market, helping to

reduce borrowing costs and increase the number of prospective first-time buyers able to meet lenders' affordability tests.

5. **Extend the mortgage offer period for new-build properties.** Buyers should be guaranteed their mortgage offer on a new build property for a minimum of 12 months. Implementation of this extension must balance improving consumer confidence and prudential lending practices. It should be subject to consultation with the financial sector and regulators.
6. **Establish a national first-time buyer information and advice service.** The government should create a single, trusted source of information covering the homebuying process, mortgage eligibility and affordable homeownership schemes.

# 1. INTRODUCTION

Most people aspire to own their own home. Homeownership offers the promise of a stable foundation, settling down in a community, having children, and getting married.

However, becoming a homeowner has become harder since the start of the century. House prices have risen faster than incomes, people have struggled to save, and mortgage rules have restricted who can borrow. Rates of homeownership steadily declined after the 2008 financial crisis and have failed to recover.<sup>1</sup> The private rental sector has grown, and people are living with their parents for longer as the average age of a first-time buyer increases. Many potential first-time buyers feel trapped. Those who lack affluent, homeownership parents are increasingly left behind, while others find themselves dependent on the “bank of mum and dad”.

Historically, housing is the most important source of wealth accumulation for middle class households and often the only source of wealth transmission for low-income households.<sup>2</sup> As such, a lack of accessible homeownership for aspiring first-time buyers is set to harm social mobility.

This risks contributing to growing disillusionment with government and institutions as people increasingly feel that it is parental wealth and luck, rather than work, that determines future prosperity.<sup>3</sup>

The government must address this issue. In his first speech as prime minister, Andy Burnham promised to herald ‘the moment [where] we bring back hope’.<sup>4</sup> For millions of people, that means making it easier to get onto the property ladder and own their first home. The government has already taken some action to improve access to homeownership for first-time buyers by committing to a new first-time buyer support scheme, reforming the homebuying and selling process and creating the conditions for ramping up housebuilding. It must go further to ensure that aspiring first-time buyers, today and in the future, are not reliant on familial wealth to get onto the housing ladder.

This report will analyse how homeownership rates have changed and investigate the barriers to getting onto the property ladder. It will set out proposed solutions that will help aspiring first-time buyers and future generations own a home.

## 2. OWNING A HOME IN 2026

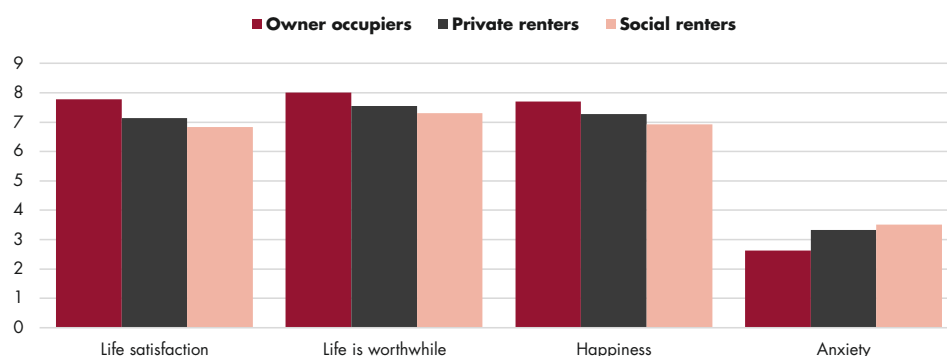
Homeownership is important, but it has become more difficult to become a homeowner in recent years. This section analyses rates of homeownership and the decline of first-time buyers.

### Homeownership is valued

Homeownership is the goal for many people, with 90 per cent of people preferring to buy a property over renting.<sup>5</sup> There are many good reasons for this. Homeowners enjoy greater security and control, and lower housing costs over the long-term, compared to private renters.<sup>6</sup> They also report higher satisfaction with their homes and higher life satisfaction than both private and social renters.<sup>7</sup>

#### FIGURE 1: OWNER OCCUPIERS OUTPERFORM PRIVATE AND SOCIAL RENTERS ON LIFE SATISFACTION, LIFE BEING WORTHWHILE, AND HAPPINESS

Well-being by tenure, 2024-25.



Source: Ministry of Housing, Communities and Local Government, English Housing Survey 2024 to 2025: Headline Findings on Demographics and Household Resilience – Chapter Four Annex Tables, 2025. The y-axis illustrates mean scores for each tenure out of 10

Homeownership is foundational to other positive social outcomes as well. Many aspiring buyers wait to buy a home before they get married, start a family, or establish their own business.<sup>8</sup> Accordingly, homeownership is the starting point many other key life milestones flow from.

## Rates of homeownership are declining

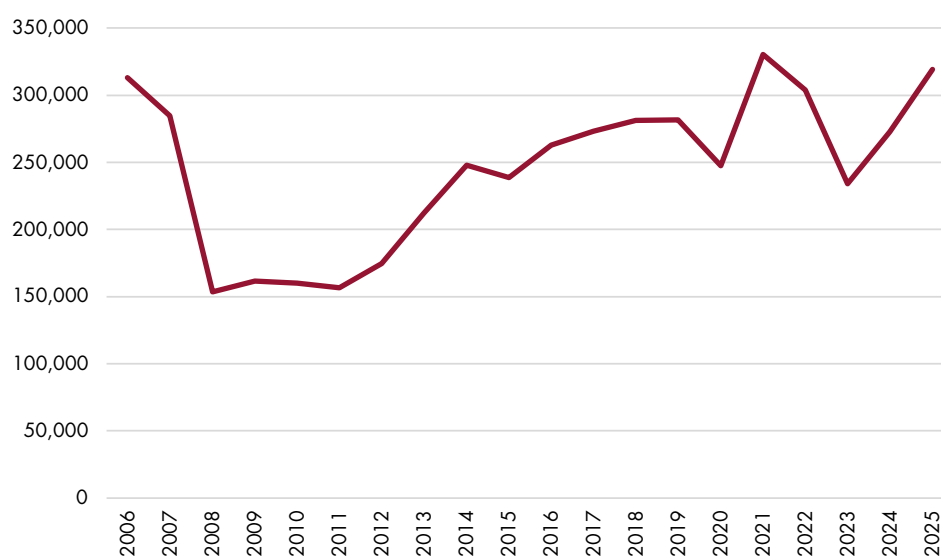
The rate of homeownership in England has fallen by 6 percentage points since its peak of 71 per cent in 2003.<sup>9</sup> At the same time, the number of private renters has grown by 2.5 million.<sup>10</sup>

People are buying their first house later in life. In every age group, a smaller proportion today have bought their home than at the start of this millennium.<sup>11</sup> In the past 20 years, the average age of a first-time buyer in England has increased from 31 to 34. Inside London, the average age has increased from 31 to 35.<sup>12</sup>

Unsurprisingly, this pattern has made an impact on the number of new first-time buyers. As Figure 1 shows, first-time buyer mortgage sales fell in the lead-up to the financial crisis. Sales have only recently recovered to pre-crisis levels; over the same period, the population has grown by 15 per cent.<sup>13</sup>

### FIGURE 2: THE NUMBER OF FIRST-TIME BUYER MORTGAGE SALES HAS INCREASED BY 2 PER CENT SINCE 2006

Annual first-time buyer mortgage sales in England, from 2006 to 2025.



Source: Office for National Statistics, First-time Buyer Mortgage Sales, by Local Authority, UK: 2006 to 2026, 2026

Declining rates of homeownership have had an impact on public attitudes. Eighty-seven per cent of the population believes that it is either very hard or fairly hard for a young person to afford to buy a home.<sup>14</sup> Tenants in the private rental sector have mixed expectations about owning a home in the future:

1. 58 per cent of renters expect to buy their own home at some point, while 42 per cent do not.<sup>15</sup>

2. 61 per cent of those who expect to own a home think they will do so in less than five years, while 39 per cent expect to buy in five years or more.<sup>16</sup>

## The decline in first-time buyers has consequences for social mobility and the economy

Years of declining access to homeownership have left many young people unable to benefit from the greater housing security, lower housing costs and higher life satisfaction owner-occupiers enjoy. This is a problem for social mobility. The Organisation for Economic Co-operation and Development (OECD) finds housing is the most important source of wealth accumulation for middle class households, and often the *only* source of wealth transmission for low-income households.<sup>17</sup> Property owners often enjoy growth in the value of their capital while those excluded from homeownership fall further behind. This means that the more unaffordable and inaccessible homeownership becomes, the greater wealth inequality will increase.

Unaffordable housing acutely affects young people today, but it will also have a strong negative impact later in life. According to Fabian Society analysis, if current patterns of home ownership continue, the proportion of retirees renting privately could rise from a fifth to a quarter over the next 20 years.<sup>18</sup> Standard Life estimates that those who rent throughout their retirement need an additional £398,000 in savings compared to those who have paid off their mortgage.<sup>19</sup> This is larger than the average total pension pot at state pension age.<sup>20</sup> Fabian Society analysis finds that if renters aged 45 to 64 in 2022-23 were pensioners renting today, an extra 240,000 pensioners would be in poverty.<sup>21</sup> This would cost the exchequer an extra £2bn in housing benefit and £0.7bn in pension credit every year.<sup>22</sup> Current patterns of homeownership, then, are at risk of causing significant future hardship to people of all ages and significant fiscal liabilities decades into the future.

More housing insecurity could also lead to political disillusionment. Research suggests that as homeownership declines, so does people's belief that political institutions are responsive to and work for people like them. This effect increases with age.<sup>23</sup> Accordingly, the next generation of retirees are more likely to be receptive to populist messages later in their life as homeownership becomes further out of reach.

First-time buyers are also securing longer mortgages than they did in the past. The average length of a mortgage reached 31 years last year –

significantly longer than the traditional mortgage term of 25 years.<sup>24</sup> Forty-two per cent of mortgages now require repayments into retirement.<sup>25</sup> If this pattern continues, the average pensioner of the future will not benefit from the same kind of housing security and financial freedom offered to previous generations.

## Weak first-time buyer demand has held back housebuilding and the economy

The government has set ambitious targets to deliver 1.5m new homes in this parliament and to build 300,000 new homes in a single year. Despite some important steps to get the country building, we are at risk of falling short of these targets.<sup>26</sup>

Years of low first-time buyer activity have dampened the market for new homes and undermined housebuilders' confidence.<sup>27</sup> First-time buyers make up a significant proportion of the housing market, accounting for around a third of all housing sales, rising to roughly half of all sales in London.<sup>28</sup> A sustained recovery in first-time buyer demand is therefore important to support housebuilding. Where demand is insufficient, developers may be reluctant to bring forward new schemes. This can in turn constrain the ability of housing associations and councils to bring forward schemes with significant numbers of social homes, which depend on cross-subsidy from private sales. A higher, sustainable level of first-time buyer transactions, on the other hand, could support developer confidence and increase overall construction rates. This is important for economic growth and improved public finances. The Office for Budget Responsibility (OBR) has estimated that delivering an additional 170,000 homes by 2029-30 would boost the economy by £6.8bn, increase tax revenue, and reduce public debt interest by £3.4bn.<sup>29</sup>

# 3. THE BARRIERS FIRST-TIME BUYERS FACE

It has becoming increasingly difficult to become a homeowner. This section analyses barriers to getting onto the property ladder.

House prices are increasing faster than incomes

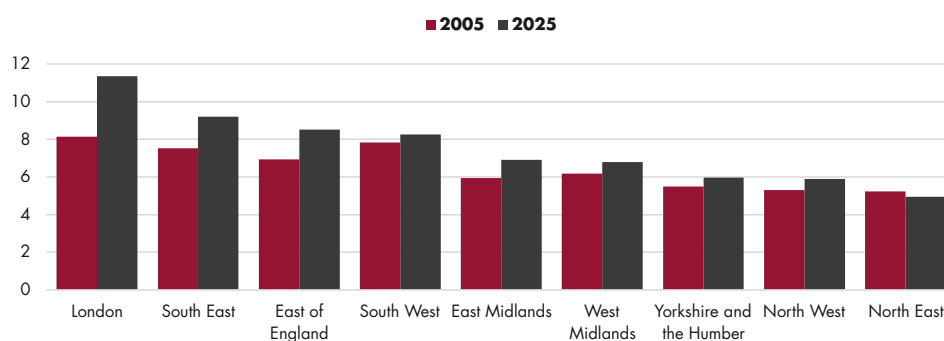
Over the past 20 years, the average property price in England increased by 18 per cent in real terms.<sup>30</sup> In the 10 years to 2025, the average price paid by a first-time buyer increased by 5 per cent in real terms.<sup>31</sup> Meanwhile, median gross annual residence-based earnings in England only rose by 6 per cent in real terms from 2005 to 2025.<sup>32</sup>

In 2025:

- The average house price was 7.6 times median gross earnings in England, compared to 6.8 times median earnings in 2005.<sup>33</sup>
- London was the most expensive region, with the average house price 11.4 times median gross earnings, compared to 8.1 times earnings in 2005.
- The most affordable region was the north-east, where house prices were 4.9 times average wages – down from 5.2 in 2005.

### FIGURE 3: LONDON WAS THE MOST EXPENSIVE REGION IN ENGLAND, WITH THE AVERAGE HOUSE PRICE 11.8 TIMES MEDIAN GROSS EARNINGS

Ratio of median house prices to residence-based earnings in 2005 to 2025 – regional breakdown.



Source: Office for National Statistics, Ratio of House Price to Residence-based Earnings, 26 March 2026. The y-axis illustrates the ratio of median house price to median gross annual residence-based earnings for each region.

## First-time buyer house prices

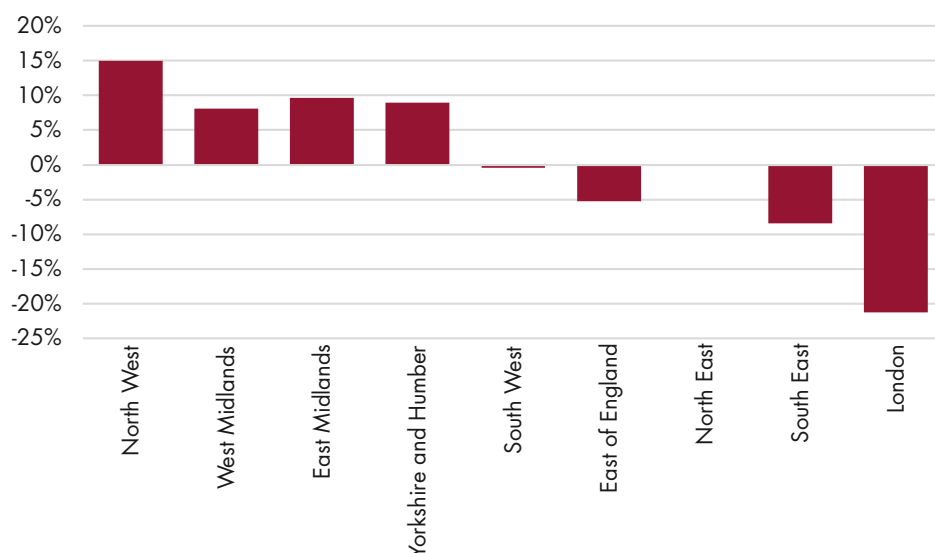
New analysis by the Fabian Housing Centre has also found significant variation in house prices, affordability and first-time buyer mortgage sales between English local authorities and regions:

- In the past 10 years, Oldham experienced the largest real-terms increase in first-time buyer house prices at 40 per cent.<sup>34</sup> This was followed by Salford (39 per cent), Rochdale (37 per cent), Tameside (33 per cent), and Manchester (30 per cent). All of these local authorities are in the north-west.
- Westminster experienced the largest real-terms decrease in first-time buyer house prices, falling by 40 per cent. This was followed by Kensington and Chelsea and Hammersmith and Fulham, where prices fell by 34 per cent. The 10 local authorities that saw the greatest decline in first-time buyer house prices were in London.
- Core cities outside of London saw the largest average real-terms increase in first-time buyer house prices at 13 per cent, compared with a decline of 2 per cent in areas classified as villages or smaller, and medium towns.<sup>35</sup>

There was also considerable variation between regions, with the north-west experiencing the largest real-terms increase in first-time buyer house prices (15 per cent) and London experiencing the largest decrease (21 per cent).

## FIGURE 4: THE NORTH-WEST SAW THE LARGEST REAL-TERMS INCREASE IN FIRST-TIME BUYER HOUSE PRICES SINCE 2015, AT 15 PER CENT

First-time buyer house price increases in real-terms from 2015 to 2025 – regional breakdown.



Source: Fabian Society analysis of HM Land Registry, UK House Price Index: Data Downloads May March 2026, and Office for National Statistics, CPIH Index 100: All Items 2015=100, ONS, 22 July 2026. The analysis compares first-time buyer house prices in each local authority – in each region – in December 2015 to first-time buyer house prices in each local authority in December from 2015 to 2025, adjusted for inflation. County councils are not included in this analysis – nor are the City of London or the Isles of Scilly – due to a lack of data. The y-axis represents how much average first-time buyer prices have increased in real terms in each region since 2015.

## First-time buyer mortgage sales

There has been an increase in first-time buyer mortgages in many parts of the country. However, experiences across the country have been variable. Between 2015 and 2025:

- Almost all local authorities (288 of 294) saw an increase in first-time buyer mortgage sales. Among these 288 local authorities, the increase in mortgage sales was 35 per cent overall.<sup>36</sup>
- Local authorities in the East Midlands had the largest overall increase in first-time buyer mortgage sales at 45 per cent. This was followed by the north-east and the north-west, where local authorities saw a 43 and 41 per cent increase in sales overall. Local authorities in London had the weakest sales growth overall at 16 per cent.
- The largest increase in first-time buyer mortgage sales was in Mid Suffolk, where sales increased by 135 per cent between 2015 and

2025. Slough saw the largest decrease, with first-time buyer mortgage sales falling by 14 per cent.

Councils classified as villages or smaller saw the largest overall increase in first-time buyer mortgage sales, increasing at 46 per cent in total. Core cities outside of London had the lowest overall increase in sales.<sup>1</sup>

## Affordability

To get a sense of the affordability of average first-time buyer homes across England at the local authority level, we created a new typology (ie, an analysis showing different ‘types’ of local authorities) based on how affordability has changed in each area over the decade from 2015 to 2025.<sup>37</sup>

Our analysis splits local authorities into:

- ‘Affordable’ when the median house price is five times median earnings or less.
- ‘Slightly unaffordable’ when the median house price is more than five times median earnings but no greater than the average for England (7.54 in 2015 and 7.64 in 2025).<sup>38</sup>
- ‘Grossly unaffordable’ when the median house price to median income ratio is above the England average.

Between 2015 and 2025, our analysis found that affordability did not change in most places:

- **47 per cent of local authorities remained grossly unaffordable.** Most were in the south-east and were villages or smaller councils. First-time buyer house prices fell by 12 per cent overall in these areas. First-time buyer mortgage sales increased by 28 per cent overall, but this experience was not uniform. Examples of relevant local authorities include Adur (first-time buyer mortgage sales increased by 89 per cent), Basildon (first-time buyer mortgage sales increased by 19 per cent), Greenwich (first-time buyer mortgage sales fell by 4 per cent), and Slough (first-time buyer mortgage sales fell by 14 per cent).
- **33 per cent of councils remained slightly unaffordable.** Most were in the East Midlands and were large towns. First-time buyer house prices grew by 9 per cent overall. First-time buyer mortgage sales increased by 37 per cent overall. Examples of relevant local authorities include Mid Suffolk (first-time buyer mortgage sales increased by 135 per cent), Northumberland (first-time buyer mortgage sales increased by 53 per cent), Southampton (first-time

<sup>1</sup> London is excluded from this calculation.

buyer mortgage sales increased by 14 per cent), and Portsmouth (first-time buyer mortgage sales increased by 18 per cent).

- **5 per cent of local authorities remained affordable.** Most were in the north-west. Large towns were the most common settlement type. First-time buyer house prices grew by 9 per cent overall. First-time buyer mortgage sales increased by 41 per cent overall. Examples of relevant local authorities include County Durham (first-time buyer mortgage sales increased by 43 per cent), Burnley (first-time buyer mortgage sales increased by 57 per cent), and Hull (first-time buyer mortgage sales increased by 39 per cent).

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However, there was some change: around 10 per cent of local authorities became less affordable, and around 4 per cent became more affordable.

- **3 per cent of councils went from affordable to slightly unaffordable.** Most were in the north-west and were large towns. First-time buyer house prices grew by 19 per cent overall. First-time buyer mortgage sales increased by 48 per cent overall. Examples of relevant local authorities include North Lincolnshire (first-time buyer mortgage sales increased by 36 per cent), Blackburn with Darwen (first-time buyer mortgage sales increased by 47 per cent), Bolsover (first-time buyer mortgage sales increased by 64 per cent), and Nottingham (first-time buyer mortgage sales increased by 30 per cent).
- **7 per cent of councils went from slightly unaffordable to grossly unaffordable.** Most were in the East of England and medium-sized towns. First-time buyer house prices grew by 3 per cent overall. First-time buyer mortgage sales increased by 39 per cent overall across these councils. Examples of local authorities include Luton (first-time buyer mortgage sales increased by 4 per cent), Melton (first-time buyer mortgage sales increased by 115 per cent), Medway (first-time buyer mortgage sales increased by 14 per cent), and Canterbury (first-time buyer mortgage sales increased by 77 per cent).
- **2 per cent of local authorities went from slightly unaffordable to affordable.** Most were in the north-east and were large towns. First-time buyer house prices grew by 0.4 per cent overall. First-time buyer mortgage sales increased by 41 per cent overall. Examples of relevant local authorities include Middlesbrough (first-time buyer mortgage sales increased by 30 per cent), Doncaster (first-time buyer mortgage sales increased by 49 per cent) and South Tyneside (first-time buyer mortgage sales increased by 25 per cent).
- **2 per cent went from grossly unaffordable to slightly unaffordable.** No region was meaningfully overrepresented in this category, but the majority of these councils were large towns. First-time buyer

house prices grew by 2 per cent overall, while first-time buyer mortgage sales increased by 33 per cent overall. Examples of relevant local authorities include York (first-time buyer mortgage sales increased by 20 per cent), Redditch (first-time buyer mortgage sales increased by 14 per cent), Torbay (first-time buyer mortgage sales increased by 39 per cent) and West Suffolk (first-time buyer mortgage sales increased by 45 per cent).

Some interesting patterns emerged when it came to different regions in England:

- London had the largest proportion of local authorities with falling first-time buyer mortgage sales, with 16 per cent of councils seeing a decline between 2015 and 2025. The south-east was the only other region with a local authority – Slough – that experienced a decline in first-time buyer mortgage sales.
- The least affordable areas in England are not necessarily those experiencing the weakest levels of first-time buyer mortgage sales. Buyers have preferences other than affordable house prices – such as location – that factor into their decisions about where to live. For example, Dorset, Chichester and Ealing are areas where house prices have remained grossly unaffordable since 2015, but demand from first-time buyers has increased by more than 50 per cent.

## Young people are struggling to save enough for a deposit

In almost all cases, aspiring first-time buyers are required to put down a deposit on their future home.<sup>39</sup> The larger the deposit, the better for the buyer, since a smaller loan-to-value ratio on a property often means a lower income requirement for a mortgage and a lower interest rate.<sup>40</sup>

Aspiring first-time buyers must save substantially more than in the past. The average first-time buyer deposit has grown by 38 per cent in real terms in the past 10 years, from just under £56,700 to over £78,000.<sup>41</sup> Analysis by the Fabian Housing Centre finds that, as a result, the average first-time buyer needs to save 50 per cent of their income after essentials for over 12 years to afford the average deposit for a new build in England. For first time buyers in London, the timescale increases to 30 years.<sup>42</sup> More than half (58 per cent) of people think that saving for a deposit is the biggest barrier to purchasing a property.<sup>43</sup>

Renters have become better at saving, but not enough to meet the required deposit. Over half of renters (52 per cent) have savings, higher than the 33

per cent who did in 2013-14.<sup>44</sup> However, the amount renters have in savings remains significantly below what is required for the average deposit. Only 15 per cent of renters with savings have £50,000 or more, while the majority (64 per cent) have less than £16,000.<sup>45</sup> Just under 80 per cent of aspiring first-time buyers do not have enough in savings to cover a 5 per cent deposit on a median-priced home typically bought by a first-time buyer in their area.<sup>46</sup> Similarly, the Resolution Foundation finds that only 15 per cent of potential first-time buyers have enough saved to pay for a 5 per cent deposit on a 'starter home'. Even among the richest fifth of potential buyers, only 26 per cent have the required savings to pay for a 5 per cent deposit.<sup>47</sup>

The amount aspiring first-time buyers are able to save is being constrained by three factors:

- **Rising rents.** The average private renter aged 16 to 24 spends 50 per cent of their income on rent, the highest of any age group.<sup>48</sup> Renters aged 25 to 34 spend 34 per cent of their income on rent on average.<sup>49</sup> Most renters pay rent that is unaffordable, defined as above 30 per cent of pre-tax earnings.
- **Student loan repayments.** Many aspiring first-time buyers owe large levels of student debt by international standards. Estimates suggest that the average student loan balance for those graduating in 2025 after completing their course is £53,000.<sup>50</sup> Student loan repayments amount to 9 per cent of the income graduates make over £25,000, which can cost graduates more than £1,000 each year.<sup>51</sup> High levels of student debt reduce the amount of money prospective first-time buyers can save towards a deposit; loan repayments are usually auto-deducted from pay cheques.
- **The rising cost of living.** Inflation has risen by 59 per cent since 2005, while wages have only risen by 6 per cent in real terms.<sup>52</sup>

## The importance of the 'bank of mum and dad' is growing

An inability to save adequately, coupled with rising house prices and larger deposit requirements, has made many first-time buyers reliant on the 'bank of mum and dad' to get on the housing ladder:

- In 2024/25, 31 per cent of first-time buyers paid at least part of their deposit using a gift or loan from a family or friend. Six per cent used an inheritance.<sup>53</sup> Analysis by Savills found that the number of first-time buyers receiving family assistance has risen from 47 per cent to 53 per cent over the past 10 years.<sup>54</sup> It estimates that £8.3bn was paid out by parents in 2025, compared to £5.7bn in 2015.<sup>55</sup>

- There are other, less tangible advantages that family members can provide. For example, TSB Bank found that 80 per cent of first-time buyers had moved back in with their parents for a period of time prior to purchasing their home to save money.<sup>56</sup> Twenty-nine per cent of young people in the UK aged 20-34 live with their parents, compared to 22 per cent 20 years ago.<sup>57</sup>

Having family members who can help is a significant advantage. According to UK Finance, buyers who have no help from the 'bank of mum and dad' ('unassisted buyers') tend to make, on average, £10,000 more a year than 'assisted' buyers. Yet assisted buyers tend to be able to provide up to *twice* the size of deposit as an unassisted buyer in the same region and buy more expensive properties.<sup>58</sup>

Parental homeownership and parental education are strongly associated with whether people become homeowners and how much housing wealth they accumulate. A report published by the UCL Institute of Education found that:

- **The decline in homeownership is felt primarily by people from the least advantaged backgrounds.** People from the least advantaged backgrounds are now less likely to report homeownership and housing wealth compared to the least advantaged in older generations. There was no difference in levels of homeownership and housing wealth among those from the most advantaged backgrounds.
- **The scale of these inequalities is significant.** By age 35, people whose parents owned their own home and are highly educated are 10 times more likely to be homeowners than those who have parents that are renters with low levels of education.
- **The impact of parental housing wealth on children's own wealth is set to double in just one century.** The authors estimate that the relationship between parents' and children's housing wealth will only continue to grow in the years to come.<sup>59</sup>

In sum, wealth is increasingly being inherited rather than accumulated independently over the life course. As the report concludes: "the penalty for being born to parents of low wealth is growing rapidly in Great Britain and is increasingly influencing major lifecycle events including homeownership, wealth accumulation and living standards". If the government is to reduce the role the housing market plays in entrenching inequality, it must improve access to homeownership for people without familial wealth.

## Mortgage rules restrict who can become a first-time buyer

After the global financial crisis, the Prudential Regulation Authority (PRA, part of the Bank of England) and the Financial Conduct Authority (FCA) put in place more stringent rules governing who can access a mortgage. These ensure that payments are affordable and that buyers are not put at risk of falling into arrears in the future while also protecting our financial system and economy from borrowing that can become unsustainable over the long-term. The main affordability assessment rules currently in place are as follows:

- **Income, expenses, and retirement:** Lenders must consider income and expenses, including spending on essentials and credit commitments, as well as any future changes to expenditure. They must also account for whether mortgage payments will be paid into retirement.
- **Interest rate stress test:** Where an interest rate on a product is fixed for less than five years, the lender must assume that rates will increase by a minimum of 1 per cent when the fixed-term period ends.
- **Other elements of risk:** This will include the loan-to-value (LTV) borrowing ratio, the loan-to-income (LTI) ratio, the borrower's employment status and credit score, as well as the type of property they are purchasing, and where the property is located.<sup>60</sup>

These rules mean that people with lower incomes need a larger deposit to purchase the same home than those with higher incomes. This is because the monthly mortgage repayments will be higher for someone who is putting down a smaller deposit and borrowing more and so less affordable for someone on a lower income. As a result, those looking to buy their first home without significant support from family often need two above-average incomes to buy a property.<sup>61</sup>

High interest rates have pushed up the cost of borrowing for first-time buyers. The economic shocks brought on by the war in Ukraine and Liz Truss's 'mini-budget' led the Bank of England to increase interest rates to levels far higher than those before the pandemic. In December 2021, the average two-year fixed mortgage had a 2.3 per cent interest rate. This figure rose to 5.8 per cent in March 2024 before falling to 4.9 per cent in February 2026.<sup>62</sup> More recently, the Iran war has pushed rates back up. According to figures from Savills, a first-time buyer purchasing an average priced property (£259,000) on a 30-year mortgage will be paying £47-127 more per month than they would otherwise have been due to the conflict.<sup>63</sup>

This combination of higher mortgage rates and the FCA's affordability rules mean that 6 per cent of first-time buyers who can raise a deposit are nevertheless ineligible for a mortgage.<sup>64</sup>

In recognition of these problems, the FCA has launched what it describes as a "once-in-a-generation mortgage reform" programme and an "overhaul" of mortgage rules aimed at supporting more people into homeownership.<sup>65</sup> This began by amending the previous loan-to-income (LTI) "flow limit rule" which meant that no more than 15 per cent of the annual mortgages lenders grant could be at or exceed 4.5 times the borrower's income. Now the rule applies to the industry as a whole rather than individual lenders.<sup>66</sup> These reforms support more than an additional 1,000 first-time buyers into homeownership every month.<sup>67</sup>

Further reforms under consideration include:

- **Changing the interest rate stress test.** The FCA is consulting on how the stress test can be made clearer, since some firms seem to be misunderstanding the rules. For example, many firms stress test on fixed terms over five years, which is not required by the FCA. The FCA is also looking at how they can change the nature of the test itself. This could mean setting a minimum interest rate at which lenders must assess affordability.
- **Reconsidering the role that past rental payments play in indicating affordability.** The FCA is considering whether lenders should be permitted to allow past payments of rent alone to prove affordability. This would be different from the current rules, which allow past rental payments to factor into overall affordability assessments but do not allow them to be the only metric lenders use to deem a mortgage affordable.<sup>68</sup> Rental payments may not be the best indicator of someone's ability to pay for a mortgage, but they are important for overall assessments of affordability. Homeowners are liable to pay for additional costs, such as insurance, service charges, repairs and maintenance that renters are not. These bills tend to be larger and less predictable than those paid for by renters. Accordingly, the FCA has been clear that a purely rent-based test could place more risk on borrowers.<sup>69</sup>

## First-time buyers are not aware of homeownership schemes

First-time buyers are also limited by their lack of awareness of schemes that make homeownership more accessible. Both lenders and the government are struggling to ensure that all those who can afford a mortgage know they can.

Research carried out by the Building Societies Association found that:

- 67 per cent of prospective first-time buyers said they would be able to buy a home sooner than they thought when shown mortgage products offered by building societies with no or low deposit options.
- 48 per cent want to better understand the mortgage products available to them.
- 44 per cent want to better understand the amount of deposit they need to put down.
- 29 per cent do not know who to speak to first or how to improve their credit score.<sup>70</sup>
- 

This suggests that improving awareness of affordable homeownership schemes on its own could substantially increase the number of first-time buyers entering the market.

## New-build mortgage offers can expire before homes are completed

Once prospective first-time buyers are made aware of suitable mortgage products and are deemed eligible for a mortgage, one of the final barriers first-time buyers face to becoming homeowners is finding a property that their mortgage can be used to purchase.

New-build mortgage offers tend to only last for up to six months. This can cause problems when properties are built off-plan, subject to delays, and are completed after mortgage offers expire. In these circumstances, first-time buyers must get a new mortgage offer at the property price previously agreed, which can be difficult with interest rate instability. The alternative is to pull out of the purchase – and to lose their deposit.

Some lenders do have special new-build mortgages that have validity periods up to three months longer than their usual deadlines, but the choice available is much lower. This creates another barrier for prospective buyers

wanting to get onto the ladder and makes new-build properties less desirable.<sup>71</sup>

## There are lessons to be learnt from previous interventions

Previous governments from across the political spectrum have acknowledged the importance of turning aspiring first-time buyers into homeowners and have offered a variety of interventions to help them onto the property ladder. Each of these had or have their own advantages and disadvantages.

| Intervention                                                  | Description                                                                                                                                                                                                                                                                                                                      | Analysis                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Shared ownership (1980-present)</b>                        | <p>Buyers purchase an initial share of 10-75 per cent of the market value of their property while paying rent on the remainder.</p> <p>Owners can increase their share over time ('staircasing').</p> <p>Available to those with household incomes up to £80,000 outside London and £90,000 inside the capital.<sup>72</sup></p> | <p>Makes homeownership possible for first-time buyers on lower incomes. (70 per cent of shared ownership purchases).<sup>73</sup></p> <p>Relatively modest in scale – around 250,000 households.<sup>74</sup></p>                                                                                                                                                               |
| <b>Mortgage interest relief at source (MIRAS) (1983-2000)</b> | <p>MIRAS enabled homeowners to deduct mortgage interest payments from their taxable income for loans at or below £30,000 per residence. In doing so, the scheme reduced borrowers' overall taxable contributions.<sup>75</sup></p>                                                                                               | <p>While MIRAS made mortgage payments more affordable through tax deductions, research by the Institute for Fiscal Studies found that the value of mortgage interest rate relief provided by the scheme was absorbed by rising house prices.<sup>76</sup> The cost of the scheme for government was significant, at more than £3bn per year in today's prices.<sup>77</sup></p> |

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|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                              |                                                                                                                                                                                                                                                                                                                     | When the scheme was abolished by Gordon Brown in 2000, he stated that the scheme had outlived its usefulness. <sup>78</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Help to Buy (2013-2021 and 2021-2023)</b> | <p>Help to Buy provided equity loans of up to 20 per cent of property purchase prices in England and up to 40 per cent in London for buyers of new-build homes. Buyers needed a 5 per cent deposit, with the loan accruing interest after five years and repayment linked to the property's value.<sup>79</sup></p> | <p>The scheme helped almost 330,000 first-time buyers purchase a home, including many who may otherwise have bought later or been unable to buy.<sup>80</sup> An independent evaluation of the scheme found it to be "very high value for money".<sup>81</sup> However, the impact of the scheme varied across the country. House prices did increase in some areas that were already relatively unaffordable without a significant increase in first-time buyer mortgage sales. The scheme also supported some users who could have got onto the ladder without its help (31 per cent in the first iteration and 23 per cent in the second). And, while the Treasury benefitted when house prices increased, Help to Buy exposed buyers and the government to the risk of falling property values.<sup>82</sup></p> |
| <b>Rent to Buy (2014-present)</b>            | <p>Rent to Buy allows tenants to rent a property at around 20 per cent below market rent for an agreed period, enabling them to save for a deposit and providing them the option to purchase the property</p>                                                                                                       | <p>The scheme has not been widely adopted and is not well known. Its relatively small scale means it has had minimal impact on overall access to homeownership.<sup>84</sup></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

|                                                                                  | upon completion of the scheme. <sup>83</sup>                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Stamp duty land tax (SDLT) discounts for first-time buyers (2017-present)</b> | First-time buyers currently pay no SDLT on properties up to £300,000 and 5 per cent on the portion between £300,001 and £500,000. Those purchasing above £500,000 pay the standard rate. <sup>2 85</sup> | <p>SDLT is a more significant barrier in London and the south-east, where property prices are higher, and a relatively modest barrier elsewhere. Compared to current rules, the most significant SDLT holiday – July 2020 to June 2021 – would have saved a first-time buyer in London around £8k, and nothing in the south-east.<sup>86</sup></p> <p>Evidence from the 2020-21 SDLT holiday suggests it increased transactions, but it is unclear how many were genuinely additional purchases due to increased affordability rather than transactions brought forward before the scheme expired, from prospective buyers that did not want to miss out on the discount.<sup>87</sup></p> <p>There have been calls from industry for stamp duty reform.<sup>88</sup> It has been argued stamp duty relief plays an important role in creating liquidity in the market by helping established homeowners and downsizers move on, thus freeing up more suitable starter homes. However, there is limited evidence that SDLT relief meaningfully supports first-</p> |

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|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                      |                                                                                                                                                                                                                                                                         | time buyers. Data shows that only 23 per cent of first-time buyers see it as a barrier to homeownership. <sup>89</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Lifetime ISA (2017 – present)</b> | The lifetime ISA allows people aged 18-39 to save up to £4,000 a year towards a first home or retirement, with the government adding a 25 per cent bonus. Funds can be used to purchase a first home worth up to £450,000. <sup>90</sup>                                | <p>The LISA provides a significant boost to deposit savings and has supported 228,000 people to purchase 182,500 homes since 2018-19.<sup>91</sup></p> <p>However, the property price cap has been subject to significant criticism. It has not increased in line with house prices or inflation, resulting in many facing a withdrawal penalty, which can leave savers losing part of their own contributions.<sup>92</sup></p> <p>Evidence suggests that unauthorised withdrawals have become increasingly common, with more people incurring penalties than using the scheme to buy a property in 2023-24.<sup>93</sup></p> <p>The government is consulting on replacing the scheme with a first-time buyer ISA (see below).<sup>94</sup></p> |
| <b>First-time buyer ISA (TBD)</b>    | The proposed first-time buyer ISA would replace the lifetime ISA with a first-time-buyer-only savings product. <sup>95</sup> The government bonus would be paid when a home is purchased, rather than when savings are deposited, with the bonus on savings and the cap | <p>Removing withdrawal penalties would address a key weakness of the LISA and make the scheme more flexible.</p> <p>The proposed reforms to the scheme leave any changes to the property price cap to be confirmed. Despite concerns about the cap, it</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                 | <p>on yearly contributions to be confirmed. Participants would have to be 18 or over to participate, with no upper age limit.</p>                                                                                                                      | <p>appears to be in line with the average price of first-time buyer homes. In England, the average first-time buyer purchase price is less than £250k. In London, the average is around £480k.<sup>96</sup> While this sits higher than the cap of £450,000, in nearly 40 per cent of local authorities in London, the average first-time buyer purchase price is lower than this cap,<sup>97</sup> and there is a case to be made that government subsidy should be used for those in greatest need rather than subsidising the purchase of larger homes in more expensive areas.</p> |
| <b>First Homes (2021-present)</b>               | <p>First Homes provides newly built homes to first-time buyers at discounts of 30-50 per cent below market value, subject to price and household income caps. The discount is intended to remain with the property when it is resold.<sup>98</sup></p> | <p>The scheme has not been widely adopted by local authorities and as a result has been modest in scale, with under 2,000 homes completed since the scheme was introduced in 2021-22.<sup>99</sup></p> <p>Changes to national planning policy have also removed the requirement for developers to provide First Homes, limiting its future potential as a route into homeownership.<sup>100</sup></p>                                                                                                                                                                                  |
| <b>Mortgage guarantee scheme (2021-present)</b> | <p>The mortgage guarantee scheme encourages lenders to offer 95 per cent loan-to-value mortgages by providing a government guarantee against losses on the</p>                                                                                         | <p>The scheme has had limited additional impact as high loan-to-value mortgages are now widely available without government support.<sup>103</sup> The economic secretary to the treasury,</p>                                                                                                                                                                                                                                                                                                                                                                                         |

portion of the loan between 80 and 95 per cent of the property value. It is available to both first-time buyers and existing homeowners.<sup>101</sup> The government introduced a permanent iteration of this scheme in 2025 after the previous government's scheme expired.<sup>102</sup>

Lucy Rigby MP, stated that the intention of the scheme was to support the provision of high-loan-to-value mortgages during an economic slowdown.<sup>104</sup>

Lenders have also argued that the cost of the guarantee makes it less attractive than managing the risk themselves.<sup>105</sup>

Under this scheme, lenders have to pay an insurance premium to the government to insure the loan between 80 and 95 per cent of the property value. At the same time, they are required by the Prudential Regulation Authority to hold capital against the loan as if it was a 95 per cent mortgage. As a result, they are effectively paying twice for the same perceived risk on 15 per cent of the loan and must hold capital against losses that the lender will never incur. This has a knock-on impact on the interest rates charged to consumers, rendering the scheme less affordable and reducing its overall reach.

## 4. CONCLUSIONS AND RECOMMENDATIONS

Aspiring first-time buyers are finding it harder to access homeownership. We have found that house prices continue to rise faster than incomes, while the increased cost of living, high rents, and student debt repayments all make it harder for people to save for a deposit. Mortgage affordability rules restrict who can become a first-time buyer, and some mortgage offers for new-build properties expire before properties are completed, while a lack of awareness of affordable homeownership schemes is preventing many prospective first-time buyers from getting onto the ladder.

This is a threat to social mobility. First-time buyers are becoming more reliant on the 'bank of mum and dad' to secure a deposit for a home while those without familial support are being left behind. The average age of a first-time buyer is growing, leaving many locked out of homeownership and the benefits of housing wealth. This, in turn, drives disillusionment with our economy and society.

The difficulties faced by first time buyers are also a threat to the supply of new homes. First-time buyer demand is important to the health of the wider housing market and the viability of new development. Without increased demand or capacity to buy, the government will struggle to meet its 1.5m new homes target.

The government must act to expand homeownership to head off rising wealth inequality and keep the housing market working. Below, we first set out how the government can help people to save for larger deposits; then, we explain how it can improve access to affordable mortgages with suitable offer periods and homeownership schemes.

### Helping people to unlock larger deposits

Securing a large enough deposit is the main barrier to homeownership for the majority of first-time buyers.<sup>106</sup> Larger deposits are also key for lower-income earners as they can unlock both lower mortgage repayments and higher loan-to-income ratios through lower loan-to-value products.<sup>107</sup> To support first-time buyers to unlock larger deposits, the government should:

## 1. Ensure ‘Your First Home’ effectively and transparently supports first-time buyers

Help to Buy supported nearly 330,000 first-time buyers onto the property ladder – many of whom would have been unable to buy without the scheme or would have only been able to do so later in life.<sup>108</sup> The scheme has been criticised for inflating house prices without a significant increase in first-time buyer mortgage sales in some areas that were already relatively unaffordable, and creating risk for the government in the event of a downturn in house prices.<sup>109</sup> However, both iterations of the scheme demonstrated “very high value for money” as measured in the government’s official impact assessment.<sup>110</sup> Potential first-time buyers today are disadvantaged by the fact that the country has no similar offer.<sup>111</sup>

In September 2026, the government announced a new equity loan scheme for new-build properties called Your First Home. The scheme promises to provide aspiring first-time buyers with an equity loan of 20 per cent of the property’s value. Participants will only need a deposit of 2.5 per cent of the property’s value, and will be able to access the equity loan with an initial interest-free period. The government is looking at introducing income and local property price caps, as well as a developer contribution.

**The government should ensure ‘Your First Home’ effectively and transparently supports first-time buyers.** It should consider:

- **A 20 per cent deposit loan outside of London and a 40 per cent deposit inside the capital.** London’s ratio of median house prices to median earnings is around 49 per cent higher than the English average (11.35 compared to 7.64). If Your First Home is to help aspiring buyers in England’s least affordable region, the government should make sure support is proportionate to the scale of the problem by offering a larger loan for those inside the capital.
- **A flexible cap on household income.** Access to the scheme should be restricted based on household income – as is currently planned – with a higher threshold in London and the south-east to reflect differences in wages and house prices, and lower affordability. The threshold should increase annually in line with wage growth rather than remaining fixed. This would ensure the scheme is targeted at households who need support to build a deposit, while allowing the income threshold to rise with wages so that it continues to reach the same intended group over time.
- **Targeted property price caps.** Property price caps are to be introduced. As far as possible, these should be set at the local authority level to avoid intraregional disparities rendering the scheme ineffective in higher value parts of regions. Within London,

to avoid having 32 separate price caps across the capital, boroughs should be grouped into two categories, with a higher cap for the less affordable boroughs and a lower cap for boroughs with lower average pricing.

- **A link to social and affordable housing supply.** The deposit loan scheme should only be available for dwellings on developments that increase the delivery of social and affordable housing. Any development of more than 10 homes with less than 10 per cent affordable housing (including social rent) should be excluded from the scheme. The scheme should remain available on smaller developments, regardless of their proportion of affordable housing. This would create a powerful incentive for developers to deliver more affordable and social housing while ensuring that additional first-time buyer demand supports the delivery of new homes across all tenures.<sup>112</sup>
- **Interest-free period.** The government should introduce an interest-free period for the first five years of the loan to ensure that total monthly payments are affordable at a time of high interest rates. If the government wishes to introduce an interest rate following the end of the five years, it should be low, easily understood and predictable. It should be a fixed percentage rather than increasing by the rate of inflation as under Help to Buy.
- **A developer contribution.** Developers should be required to partially cover the short-term costs of the scheme. For example, developers could pay a percentage of the property value, potentially around 1 per cent. This should be balanced with the need to avoid adding further costs to housebuilding.
- **A temporary commitment.** To minimise any negative impact Your First Home may have on affordability, there should be no open-ended commitment to the scheme. At the budget, the government should specify when the scheme will end.

The government will also need to ensure this scheme is clear, transparent and easily understood – enabling first-time buyers to be confident about the decisions relating to repayment.

The Fabian Housing Centre has previously estimated that a first-time buyer support scheme would help 136,000 first-time buyers onto the property ladder over the next five years.<sup>113</sup> Over their first five years of homeownership, the scheme would save the average first-time buyer around £5,300 a year outside of London, and £13,900 a year inside the capital.<sup>114</sup> It would cost approximately £2.1bn a year, with the vast majority of loans being paid back by first-time buyers quickly.

## 2. Introduce a renter savings scheme

High and rising rents are making it increasingly difficult for aspiring first-time buyers to save enough for a deposit. Renters aged 25 to 34 spend 34 per cent of their income on average towards rent.<sup>115</sup> These 'sunk costs' contribute to feelings of despair as renters see their rent going to pay for someone else's mortgage, and build someone else's wealth, rather than helping them to build a deposit for their own home.

The average landlord is 59 years old and has likely benefitted from being part of a generation in which homeownership was more accessible.<sup>116</sup> Indeed, as owners of more than one property, they have clearly benefitted more than most. It is therefore fair to ask them to contribute a small amount toward supporting a new generation of homeowners who do not benefit from such favourable circumstances.

**The government should introduce a renter savings scheme** that learns from the workplace pension model. It would include:

- **A tenant contribution.** When signing a lease, the tenant could opt-in to pay a 5 per cent premium on top of their monthly rent. This extra money would be routed via standing order to a ring-fenced savings account. This would be separate from the rent paid to their landlord to avoid inflating market rent. Tenants would be able to opt in or opt out of participating in the scheme when signing a lease, or at any point afterward – in the same way that employees can opt-out of making pension contributions. The scheme would need leases to define how much rent each tenant is responsible for where there is more than one person renting. This would be necessary to make clear how much money each tenant is expected to contribute to the renter savings scheme with respect to their rental liability. Savings would only be able to be used for a deposit on a first home, with some flexibility (detailed below).
- **A landlord match.** The landlord would match the tenant's 5 per cent contribution, with the contribution paid into the same ring-fenced savings account via standing order. Landlord participation would be mandatory once a tenant has opted in unless they operated in the professional build-to-rent market.
- **The first-time buyer ISA.** This money could accumulate in the government's proposed first-time buyer ISA. Tenants would get an automatic 25 per cent bonus on all savings in the account (ie, the total accrued from both the tenant and the landlord), contributed at the point of purchasing their first home. Account-holders would be permitted to contribute additional funds to their first-time buyer ISA whenever they wished. The limit on overall annual contributions

could remain at £4,000, as is currently the case with the lifetime ISA.<sup>117</sup>

- **Protection for first-time buyer purchases only.** Tenants would only be able to withdraw their own contributions before purchasing a first home, in addition to any interest earned on those contributions. The landlord's contributions would remain ring-fenced until a qualifying first-home purchase. This would give tenants flexibility while ensuring that landlords are only required to make contributions towards the specific objective of helping their tenants become homeowners. However, any sum from the scheme remaining in the account when the tenant turns 40 could be used for any purpose.
- **Ban landlords from discriminating against tenants who want to use the scheme.** Landlords would be prohibited from asking prospective tenants whether they will opt-in or opt-out of the scheme prior to the tenancy being signed, to avoid those wanting to utilise the scheme being discriminated against. And landlords would not be allowed to advertise properties at different rates for those on standard rents and for those opting into the scheme.

Build-to-rent landlords should be exempt from this policy to ensure that the scheme does not adversely impact the delivery of these homes. To mitigate landlord exit, the government could make landlord contributions income-tax deductible (similar to deductions for pension contributions). This would not fully offset the cost of participation but would reduce the financial impact while ensuring that the contribution remains meaningful enough to build substantial savings for tenants over time.

Some stakeholders, such as The Hill Group, have suggested that the only way this scheme could be feasible is if it is made fully cost-neutral for landlords via full tax deductibility of any landlord contributions.

Prior to implementing the scheme, the government should undertake a wide-ranging consultation to assess its likely impact on landlord viability, rent prices and the general rental market. Any negative impacts should be rectified by the government. However, any rent price inflation is likely to be minimal, since the scheme disincentivises such behaviour by design. Increasing rent to recover costs would only increase the contribution landlords would have to make to the scheme.

We estimate that a private renter, renting for 13 years from age 21 to 34 (the average age of a first-time buyer), would save a minimum of £20k under this scheme in England, and almost £32k inside the capital. The scheme would cost landlords less than £340 per tenant on average in the first year, excluding income-tax deductions. After income-tax deductions, the scheme would cost the average landlord around £200 per tenant.<sup>118</sup>

The government would incur costs as a result of the first-time buyer ISA bonus, but much of this is already accounted for as planned expenditure due to reforms. This would be the only cost to government for the scheme – unless contributions are income-tax deductible, in which case the additional cost to government would be in lost income tax receipts. The scheme would therefore provide a boost to first-time buyers' ability to save for a deposit at limited additional cost to government while enhancing the efficacy of their proposed first-time buyer ISA. It would also compliment Your First Home by providing aspiring first-time buyers with the support they need to acquire their 2.5 per cent deposit.

### **3. Introduce a matched savings scheme to help parents and relatives save for a child's future deposit**

Housing is the most important source of wealth accumulation for middle class households and often the only source of wealth transmission for low-income households.<sup>119</sup> Many people will be excluded from ownership entirely because they do not have wealthy parents; others benefit significantly from the bank of mum and dad. The government should support low-income parents to save for their children's future deposit.

**The government should introduce a matched savings scheme to help parents and relatives save for their child's future deposit.** This scheme should learn from the success of the child trust funds and from Help to Save.

At birth, parents and guardians should be required to open a 'junior housing ISA' within 12 months. If they fail to do so, HMRC should open one up on the child's behalf – and inform the parents of this account. These accounts should be stocks and shares ISAs to harness the long-term growth of the stock market for the benefit of all children, rather than just those who have wealthy parents.

The government should contribute £500 into every account, regardless of income. An additional £500 would be provided for children in low-income families (ie those in receipt of universal credit at the point of a child's birth). This would be around 35 per cent of children based on estimates of the number of children aged four or under who live in a family in receipt of universal credit.<sup>120</sup> When the child turns seven, the junior housing ISA would be topped up by a further £500 from the government – or £1,000 if the child's family is in receipt of universal credit.

As with child trust funds, family members and friends should be encouraged to save further sums into the ISA. These savings would be tax-free, as they currently are for junior ISAs. To help low-income families benefit further from this scheme, the government should match a limited

amount of money paid into the savings account of children with parents in receipt of universal credit. For example, the government could match up to £520 a year, equivalent to £10 a week from family and friends.

Once a child reached 18 they would be required to transfer the sum into a regular adult ISA. This transfer would not count towards their standard ISA savings allowance. The junior housing ISA would not be available for transfer into the future first-time buyer ISA, since this would incur a further cost to the government.

Any savings accumulated before the age of 18 would only be available for use to fund a housing deposit until the account holder turned 40. The government could consider a financial penalty for using the savings on anything other than housing, but there is a risk that this would repeat the failures of the LISA.

We estimate a child in a low-income family would turn 18 with over £33,000 under this scheme. This assumes parents save the full amount that is matched by the government and a 5 per cent return on investment. Assuming a similar proportion of children are in low-income families each year, around 4 million would benefit by the time the scheme was fully rolled out.

This scheme would cost around £440m in its first year, reaching £740m by the seventh year of the policy (ie just before the second round of government contributions to the first cohort). From that point onwards the policy would cost around £1.1bn a year – reaching a maximum annual cost of £1.7bn when the first beneficiaries turn 18.<sup>121</sup>

## Improving access to affordable mortgages and homeownership schemes

Stress-testing and caps on loan-to-income ratios are important to protect homeowners – and the wider financial system and economy – from borrowing at rates that could become unsustainable over the long-term. However, these rules, in combination with higher interest rates, mean that too few first-time buyers now qualify for mortgages. Another problem is that some mortgage offers for new-build properties expire before properties are completed. At the same time, a lack of awareness of affordable homeownership schemes further prevents many people with adequate deposits from acquiring their first home.

To tackle these barriers, the government should:

## 4. Reform the mortgage guarantee scheme

The mortgage guarantee scheme is having a relatively limited impact on first-time buyers. High loan-to-value mortgages are already available from many lenders without government support, while other lenders and building societies have found the financial cost of participating in the scheme too high.<sup>122</sup> Lenders are required to pay a fee to the government for the guarantee while also holding capital against the mortgage in line with existing prudential requirements. As a result, some lenders have chosen not to participate, limiting the number of products available through the scheme and the extent to which it can increase competition in the high loan-to-value mortgage market.

**The government should reform the mortgage guarantee scheme.** The Prudential Regulation Authority should allow lenders to hold less risk-weighted capital against loans covered by the scheme, reflecting the reduction in credit risk provided by the government guarantee. Lenders should still be required to pay the government a fee for the guarantee to account for the risk they take on.

Reducing the capital cost of participating in the scheme would make it more attractive to lenders and building societies, encouraging greater participation and increasing competition in the high loan-to-value mortgage market. It should also reduce the risk-adjusted cost of 95 per cent lending, lowering the cost of borrowing for first-time buyers and improving the number of prospective buyers able to meet lenders' affordability tests.

## 5. Extend the mortgage offer period for new-build properties

First-time buyers who can save for a deposit and meet mortgage lending rules may yet come up against issues with their mortgage offer period. Where their property is in the process of being built, they are at risk of their mortgage offer expiring before the property is completed. In these circumstances, first-time buyers must either get a new mortgage offer at the property price previously agreed (and one that remains affordable despite any interest rate changes) or pull out of the purchase – and lose their deposit in the process. While some lenders already provide longer mortgage offer periods for new-build properties, many expire within 6 months.

**The government should require lenders to extend the mortgage offer period for new-build properties.** Mortgage offers should be extended to a minimum of 12 months for all purchases of a new build property. The rule should be introduced in a way that appropriately balances improving consumer confidence and prudential lending practices. To determine how to

achieve this balance, the government should consult widely with the financial sector.

## **6. Improve awareness of mortgage products, mortgage eligibility and homeownership schemes through a national first-time buyer information and advice service**

Too many first-time buyers are not aware of affordable mortgage products or homeownership schemes. When prospective first-time buyers were shown mortgage products offered by building societies with no or low deposit options, 67 per cent said they would be able to buy a home sooner than they thought.<sup>123</sup> This suggests that a lack of information and awareness may be preventing many households from homeownership, even where suitable products are already available. Improving awareness could help increase the number of first-time buyers without requiring significant additional public spending.

**The government should improve awareness of mortgage products, mortgage eligibility and homeownership schemes through a national first-time buyer information and advice service.** It could draw on the example of HomeStart in South Australia, which has operated successfully since 1989, while being tailored to the specific needs of the English housing market.<sup>124</sup> The service should provide a single, trusted source of information for prospective first-time buyers and bring together information that is currently fragmented across government, lenders, and consumer organisations. The service should complement, rather than duplicate, the information already provided, acting as a trusted public 'front door' to information about buying a home. It should:

- **Guide prospective first-time buyers through every stage of the homebuying journey.** The service should explain each stage of the process on a single website – from searching for a property and arranging a mortgage to conveyancing, exchanging contracts and paying stamp duty land tax. Its purpose should be to demystify homeownership and ensure that prospective buyers understand both the process and the costs involved.
- **Provide clear information on the government's homeownership schemes.** This should include both top-line summaries and more detailed guidance on schemes ranging from discount market sale and rent to buy to stamp duty land tax relief for first-time buyers and shared ownership.
- **Explain the range of affordable mortgage products available.** Rather than focusing on specific lenders, the service should help

prospective buyers understand the types of mortgage products available to them, including low-deposit mortgages, guarantor mortgages, and other affordable lending options.

- **Provide a variety of interactive calculators.** These should allow prospective buyers to estimate how much they are able to borrow, the size of the deposit they require, and likely monthly repayments. The government should also consider integrated local authority-level house price index data, which would allow users to understand typical purchase prices in the areas where they want to buy. These interactive calculators could also take the form of a personalised eligibility check where users would answer a short series of questions and receive an indication of which homeownership schemes and mortgage products they might be eligible for and where to find further information.
- **Signpost users to further advice and support.** The service should provide contact information for prospective buyers to obtain regulated mortgage advice and other specialist support. It should also make clear where government information ends and regulated financial advice begins.

Information on mortgages, homeownership schemes and the homebuying process is already widely available online – including from lenders, banks and consumer organisations such as Money Saving Expert – but it needs to be drastically simplified for consumers. The value of a government service would not be in creating information from scratch, but in providing a single, comprehensive and objective source that is easy for prospective buyers to find and navigate. It could bring together information that is currently spread across different websites, while giving users confidence that the information is impartial and not intended to sell a particular mortgage or product.

There is a useful precedent in the pensions sector. Pension Wise provides free, government-backed guidance to people approaching retirement. There is already extensive available information from pension providers, banks and private organisations; the value of Pension Wise is in providing an impartial and accessible source of guidance. A first-time buyer service could perform a similar role for homeownership by bringing together a fragmented information landscape and providing a trusted public starting point for people who do not know where to begin.

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and economic centres. Other cities are large urban settlements with a population of 180,000 or more that are not classified as core cities. Large towns have populations of 60,000 to 179,999, while medium towns have populations of 25,000 to 59,999. Small towns have populations of 7,500 to 24,999, and villages or smaller settlements have populations below 7,500.

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