PRESS RELEASE

4 MARCH 2017

LLOYDS BANK

NOT FOR BROADCAST OR PUBLICATION BEFORE 00.01 HRS SATURDAY MARCH 4TH 2017

EQUITY BOOST HELPS SECOND STEPPERS BRIDGE THE £120,000 GAP FOR NEXT HOME

- **Increased equity on first home helps reduce second home funding gap by £100,000 to £20,000**
- **Despite this, one in three 'Second-Time Buyers' say it will be more difficult to sell their home this year**
- **Over a third consider improving rather than moving, creating supply shortage for First-Time Buyers**
- **Improved home affordability, record low mortgage rates, increased house prices and equity should favour Second Steppers, but uncertainty reigns**

Despite improved conditions for homeowners ready to take their second step on the property ladder, an increasing number think it will be harder to sell their home this year, partly due to concerns over the economy - according to new research from Lloyds Bank.

Lloyds Bank has today launched its annual Second Stepper report which tracks the ongoing plight of First-Time Sellers. The report reveals that while market conditions have significantly improved over the past six years, buyers and sellers face fresh frustrations and lack of confidence in moving to the next step.

Second Steppers are mostly couples and young families moving on from their first-time buyer flats to secure more space and a garden. Many had previously found themselves stuck in their starter home with little or no equity as the economic downturn took hold – but the latest figures show that conditions for this group have improved as they prepare to take their next step on the property ladder.

Second Steppers sitting on equity windfall of over £100,000

Higher house prices have increased the equity of those still living in their first homes, with 45% feeling that their equity position has improved over the last year.

Today's typical Second Steppers bought their first property in 2012, when the average price of a First-Time home was £140,004. Based on the latest house price figures, selling their home now for the average First-Time Buyer house price of £205,723 would provide them with an average equity of £105,068* – around two-thirds of which has been boosted by house price growth over the last four years, with the rest coming from the initial deposit and mortgage repayment.

MEDIA CONTACTS

Mike McPartlin 07795 316090
michael.mcpartlin@lloydsbanking.com

This average equity of £105,068, which has more than quadrupled from just £23,643 four years ago, is equivalent to roughly a third (32%) of the average price of a typical three-bedroomed detached Second Stepper home (£331,796).

The findings show that the gap between the sale price of their current property and the cost of their ideal home – typically a detached property – is £126,000. However, the average equity level of £105,068 from the sale of their first home can help to reduce this gap by 83%, meaning that Second Steppers need only add an extra £21,005 to their existing mortgage.

Other factors have also improved for Second Steppers, including record low mortgage rates and better home affordability. Higher levels of equity built up in the past four years have contributed to home affordability** for First-Time Sellers improving from 7.2 times UK gross annual average earnings in 2012 compared with 6.6 in 2016.

Second-Time Buyers expecting it to be hard to upsize this year
Despite these favourable conditions, two out of five (39%) Second Steppers recently surveyed think it will be more difficult to sell their existing property this year compared to 12 months ago, versus just one in five (18%) in 2015. Around one in three (34%) are also considering staying put and improving their homes rather than moving.

The report reveals that over a quarter (26%) are worried about the uncertain economic climate, deposit size remains a key challenge (29%) and a third (32%) of these new and growing families are struggling to find the right property.

Andrew Mason, Lloyds Bank Mortgage Director, said: “Second Steppers are yesterday’s First-Time Buyers and the conditions to help them climb to the next rung on the property ladder are better than they’ve been for over four years. Despite this, many still feel that things are tough out there and that it’s getting more difficult to sell your first home and move up the ladder.

“Second Steppers are telling us that finding the right property can be tough, and because of that, they’re delaying their move. However, if too many Second Steppers hold out for a long time for their ‘dream home’ this could reduce the availability of homes for First-Time buyers and slow the market.”

Property choice for Second Steppers: Family sized ‘forever’ home
Moving to a period property is favoured by over a third of Second Steppers (35%), with nearly the same number (34%) seeking a new build. The survey also found that a quarter (26%) of prospective buyers want to move to a recently developed or renovated property, while just under a fifth (18%) are willing to do the hard work themselves and are looking for a renovation project.

The ‘must-haves’ topping the list for any Second Step property are; a driveway or off-road parking (62%); a garden (59%) and a kitchen - diner (59%). A garage or double garage is something that half (51%) of Second Steppers desire.

MEDIA CONTACTS

Mike McPartlin 07795 316090
michael.mcpartlin@lloydsbanking.com

Town life appeals to half (48%) of Second Steppers, while two in five (39%) prefer a quieter village life. Less than a third (30%) are looking to be city dwellers and a quarter (24%) are looking to move to the countryside.

Reasons for moving

Although the size of their current property was the main reason (63%) for considering a move, Second Steppers appear to be in no rush unless it's to their dream second home.

Two in five (39%) stated their current home is too small for their needs and under a fifth (17%) wanted to move to a new area.

Over two thirds (67%) of Second Steppers have changed their reason for moving since they initially considered the move, with family being the main factor. A third (32%) originally sought more space but now need to move to accommodate a growing family, while a fifth (20%) now want to move to be nearer good schools.

-Ends-

****Equity calculation:*** The housing affordability measure for Second Steppers is defined as the average price for a typical Second Stepper home adjusted for the equity position from their current home as a ratio of average earnings. The typical Second Stepper home is assumed to be a detached home. Their current equity position is defined as the sum of deposit, capital repayments (variable rate mortgage using average LTV for an FTB and the average mortgage rate for new business undertaken by UK banks produced by the Bank of England) and change in the average FTB house price over the period. The calculation is based on a single income and is, therefore, conservative. The data looks at the equity position based on a four year one month calculation; in 2012 it was £23,643, 2015 it was £93,271 and 2016 is £105,068.

**The Lloyds Bank housing affordability measure is calculated as the average price of a typical Second Stepper home, less their current equity position as a ratio of average local earnings.

1. **Regional average price gap for 2016 Second Steppers**

	FTB Ave Price 12 month Dec 2016 £	Detached House Price (All Buyers) 12 months Dec 2016 £	Price Gap £
North	124,240	235,069	110,828
Yorkshire and the Humber	136,398	267,720	131,321
North West	144,888	283,236	138,348

Mike McPartlin 07795 316090
michael.mcpartlin@lloydsbanking.com

East Midlands	154,293	263,215	108,923
West Midlands	160,335	300,981	140,645
East Anglia	196,950	326,902	129,952
Wales	134,154	241,134	106,980
South West	201,992	353,890	151,897
South East	273,497	509,502	236,005
Greater London	403,325	720,788	317,463
Northern Ireland	116,230	185,283	69,053
Scotland	137,880	247,125	109,245
UK	**205,723**	**331,796**	**126,073**

Typical example price gap for Second Stepper, including equity boost

	Price Gap £ between a typical FTB home and Detached home; December 2016	**Estimated Average Equity Levels £**	**Equity Level as % of Price Gap**	**Difference between cost of moving to second home and equity Level £**
2012	£121,109	£23,643	20%	£97,466
2013	£122,140	£65,599	54%	£56,541
2014	£126,858	£69,277	55%	£57,581
2015	£124,907	£93,271	75%	£31,635
2016	£126,073	£105,068	83%	£21,005

For further information, please contact:
Mike McPartlin
07795 316090
michael.mcpartlin@lloydsbanking.com

Consumer research undertaken by BDRC Continental (bdrc-continental.com) on behalf of Lloyds Banking Group. Fieldwork took place between 16th and 23rd December 2016. 525 interviews were collected from a representative online panel of consumers intending to sell their first home in the near future to move into their second home.

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done

entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance. © Lloyds Bank plc all rights reserved 2017."

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

MEDIA CONTACTS

Mike McPartlin 07795 316090
michael.mcpartlin@lloydsbanking.com