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Almost one in three Second Steppers need financial support from family and friends to move up the property ladder

- Nearly a third (32%) of Second Steppers require an average of £21,231 in financial support from the 'Bank of Mum and Dad'
- Over a third (35%) say that without financial support, they wouldn't be able to make their next move
- Almost a quarter of first time sellers (23%) put off having kids until they have sold their first home

Despite improved conditions for homeowners ready to take their second step on the property ladder, additional financial support is still required to help make the jump from their first home. Almost a third (32%) of Second Steppers think they will still rely on financial help from family and friends to move up the property ladder, according to the latest Lloyds Bank Second Steppers report.

Second Steppers plan to raise the deposit required for their next move by borrowing money not just from the 'Bank of Mum and Dad' (17%), but also grandparents (9%) or friends (6%). Of those who require financial help from their parents, almost half (47%) believe that their parents have had to make sacrifices in order to help them move up the property ladder.

The price difference between a typical first time buyer home and a Second Stepper's 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.

Parental contribution continues

In order to get the deposit for their next move, the majority of Second Steppers plan to use the equity from their current property (63%), while two-fifths (41%) will plunder their savings. And those considering turning to family members to help them out (26%) are typically looking to borrow more than £20,000. Over a third (35%) of these Second Steppers felt that they wouldn't be able to make the next move on the property ladder without this financial assistance.

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The research revealed that half (50%) also required help with the deposit on their first property. The average loan size first time buyers received from family and friends the first time around reached £21,512, only slightly more than they are hoping to borrow again (£21,231) from parents or grandparents to take the next step on the housing ladder.

Almost a quarter of first time sellers put off having kids until they have sold their first home

First time sellers have stated that they will have children later in life than originally planned (23%) or have fewer children than originally planned (12%) whilst they experience the challenges that first time sellers face. Whilst over half (56%) said that the challenges had no impact on their social or personal circumstances, 13% have had to, or will have to, change their career as a result.

Second Steppers plan ahead to make their move

One in four Second Steppers think it's now harder to move up the property ladder than to get on it in the first place. As such, 41% have been overpaying their mortgage to increase their equity and a third (34%) have increased the amount that they save every month. The research also revealed that 65% have either continued to save or started to save since they moved into their first property.

Andy Mason, mortgage director at Lloyds Bank, commented:

"Parental support continues to play a vital role in helping young people to get on the property ladder. However, it is clear that despite improved conditions for this part of the housing market, Second Steppers will still rely on the 'Bank of Mum and Dad', with hard-pressed parents being once again called on for financial help. Without this extra financial support, Second Steppers believe that they wouldn't be able to make the next move on the property ladder for some time.

"However, it is encouraging to see many Second Steppers planning ahead by overpaying their mortgage and making bigger contributions into savings accounts to prepare for when the perfect home becomes available."

Not finding the right property remains the biggest issue

Just under a third (32%) of Second Steppers said that not finding the right property remains the biggest issue that may delay the sale of their current property. Lack of affordable property (26%), the cost of stamp duty tax (24%) and potential changes to interest rates (22%) are other notable issues on Second Steppers' minds as they plan their next move.

Similar to the challenges faced by all Second Steppers, the size of deposit required (29%), tighter lending criteria (28%) and potential interest rate changes (28%) are the key issues first time sellers

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face. Other challenges also include a low supply of family sized properties on the market (27%), concerns over the economic environment (26%) and the cost of moving (25%).

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Table 1: Raising the deposit

How do you intend to raise the deposit required to purchase your next property?	%
Equity from current property	63%
Personal Savings	41%
Financial support from parents	17%
Financial support from grandparents	9%
Financial support from friends	6%
Windfall / inheritance	4%
Other	1%

Table 2: Issues facing Second Steppers

Which of the following issues do you think might delay the sale of your current property or impact the purchase of your next property?	2015	2016
Not found the right property yet	30%	32%
Lack of affordable property	28%	26%
Cost of stamp duty too high	20%	24%
Interest rates might rise	22%	22%
Not sure I can get a big enough mortgage	24%	21%
Don't have a big enough deposit yet	20%	18%
Legal costs	18%	18%
Lack of offers for my existing property	19%	16%
I've not started looking yet	19%	16%
Need more money for a deposit than originally thought	16%	14%
Don't have any money for a deposit	12%	13%
Heard it's harder to get a mortgage due to new requirements	17%	12%
Can't afford the cost of moving	12%	12%
Worried about falling house prices	-	12%
Fewer first time buyers generally	-	11%
Waiting for property prices to come down / be more affordable	11%	10%

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Table 3: Issues facing first time sellers

What are the key challenges facing 'first time sellers' like yourself at the current time?	2015	2016
Size of deposit required	47%	29%
Tighter mortgage lending criteria	40%	28%
Potential interest rate rises	32%	28%
Lack of mortgage lending / availability	40%	27%
Low supply of family sized properties on the market	-	27%
Uncertain market / concerns over economic climate	21%	26%
Cost of moving	31%	25%
Lack of first time buyers	26%	23%
Cost of stamp duty	22%	23%
Negative equity	13%	11%
Falling house prices	7%	7%

Table 4: Low savings rate environment means it takes longer to save for deposit

With the low savings rate environment have you found it is taking longer to save to help fund your next move?	% Yes
Wales	65%
East Midlands	64%
Greater London	64%
North West	62%
Central London	61%
West Midlands	57%
South East	55%
North East	54%
South West	46%
Scotland	44%
East Anglia	40%
UK Average	56%

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House Prices:

525 interviews across the UK with first time buyers looking to purchase their next home (also known as 'Second Steppers'. The interviews were done online with a representative consumer panel.

This report covers the results from the results conducted in December 2016 with references made to 2015.

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