

NOT FOR BROADCAST OR PUBLICATION BEFORE 00.01 HRS SATURDAY 09<sup>TH</sup> MARCH 2013

## SECOND STEPPERS IN SCOTLAND CONTINUE TO STRUGGLE BUT THERE ARE SIGNS OF HOPE FOR 2013

Whilst recent data suggests that first-time buyers are starting to return to the housing market following a raft of Government schemes in 2012, **the annual Second Steppers report from Bank of Scotland<sup>i</sup>** indicates that little has improved in the past year for those first-time sellers in Scotland looking to take the second step on the housing ladder.

Almost two thirds of second steppers (61%) in Scotland wanted to move up the ladder in 2012 but were unable to as they face an increasing number of challenges. Additionally, almost a fifth (18%) of respondents believe it is actually harder to move up the ladder than it was to get on it in the first place, whilst almost half (47%) of second steppers believe it is equally difficult to move up the ladder, than it was taking the first step onto it.

Second steppers in Scotland are currently looking to stay longer in the first home, a sign that market conditions are changing their expectations. In 2011, they expected to spend four years in their first home, whereas now they are more likely to plan to stay for five and a half years. On average, second steppers have already had their home on the market for thirteen months, whilst one in ten (9%) have also previously marketed their property.

Over half (53%) are looking to move as their current property is too small for their needs; 26% are expecting to start a family and need more room; 38% plan to move to a new area, whilst 14% are relocating for work.

### **Raising a deposit remains a key barrier**

Two thirds (66%) of second steppers in Scotland believe that the level of deposit required is the main challenge for them being able to arrange a mortgage, and as a result is a key reason they have not been able to move up the housing ladder so far.

In particular, one in twenty (6%) say they don't have any money saved to put towards a deposit and one in ten (12%) don't have enough of a deposit saved at present.

Almost half of second steppers have lost some (36%) or all (11%) of the deposit they paid on their first property, due to declining house prices since they purchased their first home. The average house price paid by a first-time buyer has reduced by £28,345 since the typical second stepper in 2012 bought their first home in 2007<sup>[i]</sup>. The average deposit for a typical second stepper in Scotland in 2012<sup>[ii]</sup> was £37,057, four times more than the average deposit required in 2002<sup>[iii]</sup> (£9,053). Meanwhile, the research indicates that Scottish second steppers have on average just over £33,000 of equity in their current property, with over a third (34%) having less than £20,000, leaving a considerable equity shortfall. Three fifths (60%) expected to have more equity in their property by now.

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Second steppers in Scotland are doing what they can to make the move up the ladder as soon as possible, with two thirds (66%) saying they are saving to fund the move. Within this, 36% continued to save after buying their first home, whilst 20% have started saving again specifically to fund their move. Separately, over a third (34%) are overpaying on their mortgage. Savings are set to play a key part in funding the deposit needed to move with three fifths of second steppers (65%) expecting to use savings to help raise the deposit for their next home.

**Laurence Mann, Head of Mortgages, Bank of Scotland explains:**

"Despite recent improvements in the housing market, first-time sellers in Scotland continue to be faced with some very real and tough challenges when trying to make their next move on the property ladder. It is vital that this group of home movers receive more support and attention as they play an intrinsic role in getting the housing market moving again.

"To achieve a sustainable housing market in Scotland we need to see movement throughout the market. If second steppers get stuck on the first rung, movement at the bottom half of the ladder comes to a standstill, and this bottleneck will not only restrict the supply of starter properties but will have a knock on effect across the whole of the housing market."

**Signs of hope start to spring**

Almost a fifth (18%) of second steppers in Scotland believe the housing market will improve this year, whilst over one in ten (11%) think it will be easier to sell their property this year.

Over two fifths (41%) of all respondents also believe the mortgage market has improved over the past year, with 13% specifically pointing to better mortgage deals on the market for second steppers, and a similar amount (19%) believing more mortgages are available. As a result, over a third (36%) believe this will help them make the move in the future.

However, the majority of first-time sellers agree that more help is needed. Almost a quarter (24%) think the new Government schemes, for example MI New Home and Funding for Lending, will have an impact on them and help them to move up the property ladder, yet over half (52%) do not feel they will have an impact on this group of home movers. As a result, two thirds (67%) want more support from the Government and 83% would like their mortgage lender do more.

**Offering a solution**

Addressing the challenges faced by those looking to move home, but suffering from either a reduction in equity or difficulty raising the deposit, Bank of Scotland offers the Equity Support Scheme.

The Equity Support Scheme makes moving home possible for Bank of Scotland customers with low or negative equity, it is designed to maintain momentum in the market. It allows borrowers to move to a property of the same value, buy a bigger home or downsize. Customers can move without increasing their existing levels of borrowing and channel any additional funds in to their new home.

**ENDS**

**Notes to editors:**

- Data has been sourced from the Land Registry, Halifax House Price Index, Council of Mortgage Lenders, and ONS.
- All other data is based on Second Steppers consumer research undertaken by BDRC Continental (bdrc-continental.com) on behalf of Lloyds Banking Group. Fieldwork took place in January 2013. Around 500 interviews were collected from a representative online consumer panel.

**Further details on the Equity Support Scheme****Like for like property****Current mortgage: £150,000****Current property worth: £140,000****Current LTV: 107%**

Bank of Scotland customers in this situation would be able to move to a new home, also worth £140,000, with their existing product rate as the LTV would be maintained at 107%. This is likely to be a solution for people looking to move location rather than get more space.

**Trading up****Current mortgage £130,000****Current property worth £110,000****Current LTV 118 %****New property worth £120,000****New mortgage £130,000****Additional customer deposit £10,000****New LTV: 108 %**

Customers looking to move to a bigger property will no longer be prevented from moving because they're in negative equity. Borrowers will still be required to make an additional deposit rather than increasing their existing borrowing. However, the scheme will allow them to direct their savings towards the new property rather than plug the negative equity gap.

This will then move the borrower and the lender into a stronger equity position, as the LTV level will reduce as a result of moving to a more expensive property.

This product will allow Second Steppers with a mortgage from Lloyds Banking Group to move to a bigger property, getting the market moving again.

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<sup>i</sup> The Bank of Scotland annual second stepper report takes an in depth look at the situation facing second steppers (i.e. those homeowners currently in their first property and looking to take the next step up the property ladder) in the housing market. The report combines in depth consumer research of a panel of over 500 second steppers, combined with economic analysis of the housing market using data sourced from the Land Registry, Halifax House Price Index, Council of Mortgage Lenders, and ONS.

<sup>[i]</sup> Average price data from Bank of Scotland House Price Index. One of the findings from the BDRC research in January 2013 showed that FTBs now stayed in their first property on average for 5 years before moving on to their next home.

<sup>[ii]</sup> Based on an average 28% deposit (Source: CML) multiplied by the average price of a semi-detached property in Q4 2012 (Source: Bank of Scotland). Consumer research by Bank of Scotland found that 51% of people expect to take their second step on the property ladder into a semi-detached home.

<sup>[iii]</sup> Based on an average deposit of 11% (Source:CML) multiplied by the average price of a semi detached property in Q4 2002 (Source: Bank of Scotland).