

NatCen

Social Research that works for society

Support for first-time buyers



Authors: Alun Humphrey & Andy Scott

Date: July 2013

Prepared for: Shelter

Summary

NatCen Social Research undertook research on behalf of Shelter to estimate the financial contribution made by parents of first-time buyers to help fund deposits and enable their children to get on the housing ladder. We estimate that approximately £2bn per year has been given or loaned by parents in this way since 2005.

1 Objectives

In order to further their understanding of the scale of the pressure that families are under in terms of housing, and the lengths that parents will go to in order to help with their children's housing costs, Shelter commissioned NatCen Social Research to undertake research on the contributions parents make to their children's housing deposits.

Specifically, the objectives of the research were to:

- Produce a robust estimate of the total annual value of financial support parents are providing to first-time buyers to help fund deposits on their home purchases.
- To gain some understanding of whether this has changed over time and if so how, by looking at how levels of support for new first time buyers compare with those obtained by those who bought less recently.

As part of this, the research also sought to measure:

- The proportion of first-time buyers who received financial support from their parents.
- The average proportion of the deposit funded by parents.

2 Approach

NatCen developed a set of questions which were run on the YouGov online panel. Online panels represent an efficient means of reaching large numbers of respondents in a short time and can be useful for accessing respondents with characteristics that apply to a relatively small proportion of the population, such as first-time buyers.

Of course, online panels inevitably exclude certain segments of the total population most obviously those without internet access. This is likely to mean that elderly, or those with low income and low education levels are under-represented.

A series of questions was asked among adults aged 18 or more in Great Britain. The questionnaire sought to identify people who had purchased a home as a first-time buyer

since 2005. This cut-off was chosen in order to generate sufficient numbers of first-time buyers for analysis purposes and also because it meant we would hear from people who bought before the financial crisis and accompanying recession from 2008 onwards.

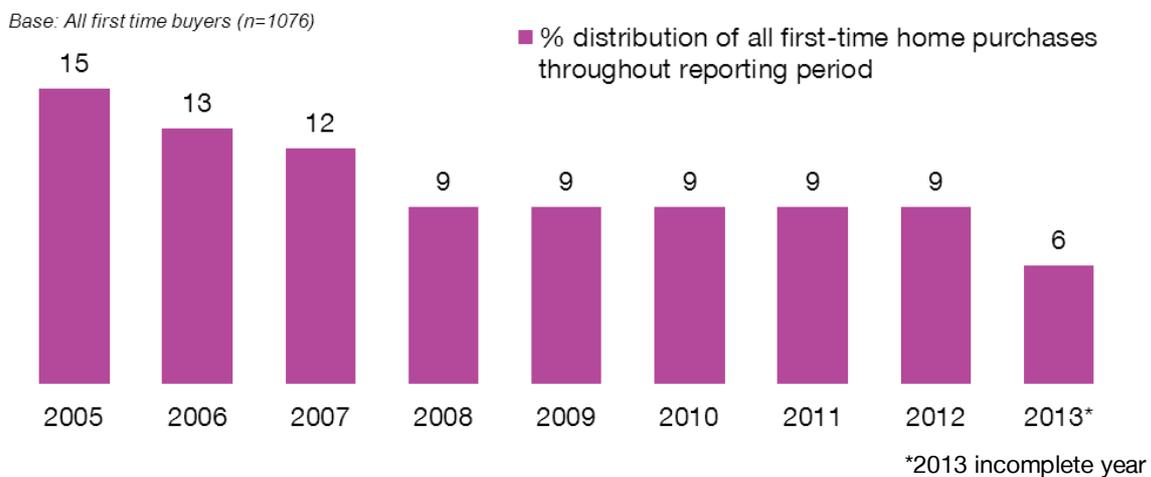
This group was then asked a series of questions about their purchase, specifically whether they received any financial help paying the deposit from their parents, and if so, the amount of help they received.

3 Results

In total, around one quarter (26 per cent) of adults had purchased a home since 2005 and, of these, 43 per cent had done so as a first-time buyer. Thus around a tenth (11 per cent) of adults had purchased as a first-time buyer since 2005. The average age of first-time buyers was 36 although this decreased from 38 in 2005 to 32 in 2012. This group of respondents was then asked more detail about the purchase.

Respondents were asked in which year they had made the purchase. The results are shown in Figure 3:1 below. The impact of the slow-down in the housing market is clear, with the purchases being skewed toward the beginning of the time period we covered. Fifteen per cent had purchased in 2005, but the figure reduced each year from then on, with nine per cent purchasing each year from 2008. 2013 is an incomplete year. (Eight per cent were unable to recall when they had purchased their first home.)

Figure 3:1 First-time home purchases



As would be expected, the majority of first-time buyers (88 per cent) had bought using a mortgage (five per cent having done so as part of a shared ownership scheme). One tenth indicated that they had bought outright.

Financial assistance from family/friends

We asked respondents in what ways they had funded the deposit for, or purchase of, their first home. Between 2005 and 2013, three in ten received financial assistance in the form of a gift or loan from their family or friends. Nineteen per cent received this in the form of a gift and 13 per cent received assistance in the form of a loan¹. Figure 3:2 shows the proportions of assistance received as a gift, a loan or in some cases both.

Figure 3:2 Proportion of assistance as gifts, loans, or both

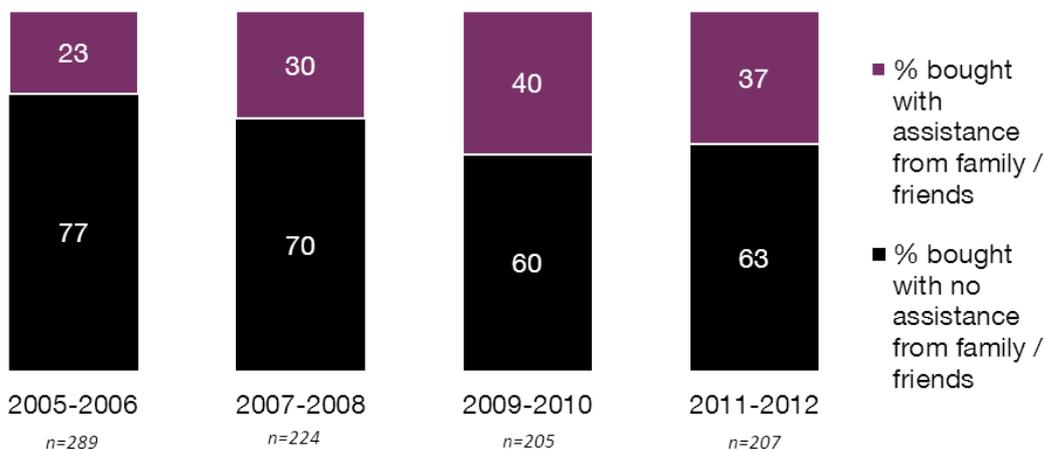
Base: All first-time home purchases since 2005 (n=1,076) ■ % Gift only ■ % Both ■ % Loan only ■ % Neither



Figure 3:3 shows the proportion of homes bought with financial assistance from family or friends between 2005 - 2012 (2013 has been excluded as it is an incomplete year). It shows that levels of financial assistance have tended to increase since 2005.

Figure 3:3 Proportion of first-time homes bought with assistance

Base: First-time home purchases 2005-2012 (n=925)



Of those who received such assistance, 68 per cent came from the first time buyer's own parents. We asked all first-time buyers who had received financial assistance only in the form of a gift from their parents the value of the contribution. The mean value of the gift

¹ These are not mutually exclusive. Respondents may have received both a loan and a gift.

received by those who bought their home with a mortgage (as opposed to buying outright) was approximately £18,000² (median £10,000).

If this survey data for first-time buyers is grossed to population levels we estimate that the parental contribution in the form of gifts to the housing market is approximately £1.2 billion per year³. If loans are also included, this figure rises to £2bn.

£2bn average annual parental contribution to deposits for first time buyers in the form of gifts or loans

In addition, further financial assistance was provided to the much smaller group of first-time buyers who bought their homes outright. The average value of this assistance is much greater than that provided towards a deposit, but the small number of respondents like this in our survey sample is too small to generate meaningful estimates.

Twenty-one per cent of first time buyers received financial assistance in the form of a gift or loan from their own parents. The mean deposit among this group was £28,000 (median £20,000) and the mean gift or loan was £17,000. So, *where parents are giving financial assistance toward a deposit*, their average contribution amounts to 58 per cent of the deposit necessary for the purchase of a first home.

58% average proportion of a deposit paid by parents as a gift or loan

The mean house price for those who used a mortgage to purchase their home and received financial assistance from their parents towards the deposit was £142,000 (median £135,000). This means that, amongst this group of home buyers, 12 per cent of the total value of the first-time home was being paid by parents. Figure 3:4 shows the parental gift as a proportion of the total cost of a first-time home.

³ See Appendix A for more detail on this estimate.

Figure 3:4 Mean value of parental contribution to deposits

Base: first-time buyers receiving gift or loan from their parents (n=211)

■ Gift/loan from parents ■ Remaining deposit ■ Mortgage



Impact of the financial crisis

We have already seen (Figure 3:1) that first-time home purchases are skewed towards 2005-2007, levelling out to nine per cent in the years 2008-2012. The data also reveal that the financial crisis has had a clear impact on the proportion of those receiving assistance from friends and family to buy their first home. In 2009-2013, 38 per cent of first-time home purchases were completed with assistance in the form of a loan or gift from friends or family; 12 points higher than was the case in 2005-2008 (26 per cent).

Figure 3:5 shows that a similar association is found when we focus only on financial assistance from parents towards homes bought with a mortgage. Twenty-seven per cent of first-time home purchases in the years after the financial crisis began were completed with the assistance of a gift or loan from parents, compared with 17 per cent in the years preceding the crisis.

Figure 3:5 First-time homes purchased using a mortgage

Base: all first-time homes purchased with a mortgage (n=420; 460)

■ % purchased with assistance of parental gift or loan
 ■ % purchased without assistance of parental gift or loan



*2013 incomplete year

Table 3.1 shows how these proportions change over two-year intervals during the reporting period (figures for 2013 are not shown).

Table 3.1 First-time home purchases using a mortgage

Base: All first time home purchases with a mortgage

| Years | % purchased with assistance of parental gift or loan | % purchased without assistance of parental gift or loan | Bases |
|--------------|---|--|--------------|
| 2005-2006 | 15 | 85 | 264 |
| 2007-2008 | 19 | 81 | 196 |
| 2009-2010 | 31 | 69 | 185 |
| 2011-2012 | 27 | 73 | 181 |

Impact on parents

This research has given us an understanding of the level and extent of the financial contribution parents make to their children’s first-time home purchases. Shelter, in a separate survey⁴, sought to examine what else parents were planning on helping their children with financially, what they were planning on doing in order to financially help with their children’s mortgage deposits or payments and how they were coping with their own housing costs. It found:

- The four main ways in which parents who were planning to help their children with mortgage deposit payments intended to fund this assistance were: by using their savings (57 per cent); using their income (28 per cent); by cutting back on their own spending (25 per cent); and/or using savings they had earmarked for retirement (22 per cent).
- In terms of the kind of financial assistance parents have provided, or planned to provide to their children: 33 per cent of parents are helping or planned to help with costs associated with being a student (e.g. attending school, college or university), 22 per cent with marriage costs, 12 per cent with rent deposit and 11 per cent with moving costs.
- Forty-three per cent of all parents (regardless of whether they would help out their children) struggle at least occasionally with their rent or mortgage payments.

⁴ YouGov Lifestages survey, August 2012

Technical information

This survey has been conducted using an online interview administered to members of the YouGov Plc GB panel of 350,000+ individuals who have agreed to take part in surveys. Emails are sent to panellists selected at random from the base sample. The e-mail invites them to take part in a survey and provides a generic survey link. Once a panel member clicks on the link they are sent to the survey that they are most required for, according to the sample definition and quotas. Invitations to surveys don't expire and respondents can be sent to any available survey. The responding sample is weighted to the profile of the sample definition to provide a representative reporting sample. The profile is normally derived from census data or, if not available from the census, from industry accepted data.

All calculations, unless otherwise stated, were carried out by NatCen Social Research using data from YouGov Plc. The total sample size was 10,453 adults. Fieldwork was undertaken between 24th May - 3rd June 2013. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

NatCen Social Research
35 Northampton Square
London EC1V 0AX
T 020 7250 1866
www.natcen.ac.uk

A company Limited by Guarantee
Registered in England No.4392418
A Charity registered in England and Wales (1091768) and Scotland (SC038454)

Appendix A. Note on calculation of total value of financial assistance

The survey was a survey of individuals. However, in many cases, people purchase property as a household unit e.g. a couple or group of sharing adults and may have received help from their partner's or other parents. In the questionnaire, we asked respondents about help only from their own parents. This ensured that we didn't overestimate the total value of parental help when the data were grossed to population levels.

The calculation is summarised below.

| | |
|---|------------|
| Total adult population aged 18+ | 48,137,000 |
| Total sample size | 10,453 |
| Grossing factor | 4,605 |
| Sum of all parental gifts to deposits by survey respondents covering period 2005 to May 2013 | £2.2m |
| Total grossed value of financial assistance | £10.1bn |
| Average total per year | £1.2bn |
| Sum of all parental gifts and loans to deposits by survey respondents covering period 2005 to May 2013 | £3.6m |
| Total grossed value of financial assistance | £16.6bn |
| Average total per year | £2bn |