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PROPERTY HAVES AND HAVE-NOTS – THE OUTLOOK FOR TODAY’S 25-36 YEAR OLDS

- “Property have-ns” have a six year head start on the “have-nots” on the property ladder
- Property have-nots are unlikely to have the same flexibility as property have-ns to financially support their children in becoming first-time buyers

The current generation of 25 to 36 years olds, the traditional age group for first-time buyers, are split into property have-ns and property have-nots. These young adults can expect their current circumstances to have a significant effect on their future property purchases and those of their children, according to a report from HSBC.

Property have-ns – those on the housing ladder already – are likely to follow a relatively conventional path through the housing market. The average age of a first-time buyer is currently 29, just one year older than it was 30 years ago. The process of saving up to buy a property took them on average around 2 years and 8 months, 2 months less than they expected. However, two thirds (64 per cent) had help from their parents - via the Bank of Mum and Dad.

Property have-nots within today’s 25 to 36 generation don’t expect to buy their first home before the age of 35. In contrast, at 35, property have-ns will be trading up and moving into their family home. Property have-nots are projected to move into their family home at the age of 42.

Pete Dockar, Head of Mortgages at HSBC, said: "Home ownership continues to be an aspiration for the majority of young people. This study shows postponing their purchase has long term implications not just for their future property ownership, but their ability to help their own children step onto the ladder.

“Deposits remain an essential ingredient to getting a mortgage, but in comparison to previous generations affordability is still healthy, so first time buyers can feel confident about making their first step.”

Those aged between 25 and 36 today who own property are likely to pay off their mortgage aged 60. However, property have-nots will still be paying off their mortgage at the age of 67 and a half. This difference in financial flexibility in their sixties is likely to be key to their ability to financially support their own children. Thus creating a cycle where the children of today’s property have-ns, become the property have-ns of tomorrow.

Table one: Key comparison statistics: the 25-36 year old generation timeline comparison

	FTB 1983/4 – The Parents	FTB 2007 – Property Haves	FTB 2014 – Property Haves	Non FTB 2014: believe they will buy – Property Have Nots
Age become a FTB	27	29	29	35
Property value	£17,021	£129,499	£147,000	?
LTV	94%	90%	80%	?
Deposit	£1,021	£12,500	£29,400	?
Borrower income	£8,316	£35,000	£35,918	?
Deposit as percentage of borrower’s annual income	12%	35%	82%	
Borrowing income multiple	1.92	3.36	3.36	
Year second property bought	1988	2013	2021	2026
Age second property bought	31	35	36.5	42.5
Average wait for??	4 years	6 years	7.5 years	7.5 years
Value of second property	£34,883	£173,333	?	?
Year mortgage free	2013	2038	2046	2051
Age mortgage free	56	60	61.5	67.5

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