

Home Buyers Report



A snapshot of the finances of UK home buyers.

September 2017

TESCO Bank

We work hard to understand our customers so that we can offer them the best possible products and services.

To help us do this, we conducted our second biannual Home Buyers Survey of both recent and prospective home buyers to find out what motivates them to buy a home and the challenges along the way.

Research conducted by YouGov in July 2017 with 1,720 interviews split across 1,010 respondents who has purchased a property in the last 12 months (also with a mortgage) and 710 respondents who were considering buying a property in the next 12 months (also with a mortgage).



“Almost a third decided to buy their property after just one viewing”

Key motivators for moving home

The key drivers for customers to purchase their home are not unfamiliar. The UK's shoppers are striving to purchase a home to have an investment for the future, to provide security for their family and to be independent.

For most people, purchasing a home is the largest single transaction that they will ever make. Given this, it's perhaps surprising that some customers take a relatively short period of time to decide whether the house they intend to purchase is right for them.

28% of customers decided to buy their new property on their first viewing, with the majority of customers (78%) making the decision to buy their property in less than a week.

The main reasons for moving home are financial, with 42% of customers saying that their move is motivated by the desire to build equity, and to provide security for the future (29%).

Other reasons include a need to move to a bigger property, to move in with a spouse or partner, or to start a family.

1

28% of customers decided to buy their property on their first viewing

2

50% viewed six or more properties before finding 'the one'

3

52% of home buyers reported that the entire process, from making an offer to moving in, took more than 12 weeks

Main reasons for moving

Top 10

- To get on the housing ladder or build equity
- To get more space
- Security for the future
- To move in with my spouse or partner
- To start a family
- To be closer to family or friends
- Change of job
- To move into the catchment area for a better school
- To be closer to amenities
- To reduce mortgage payments



“Our research suggests that the average mortgage taken out by home buyers is currently £170,994.”

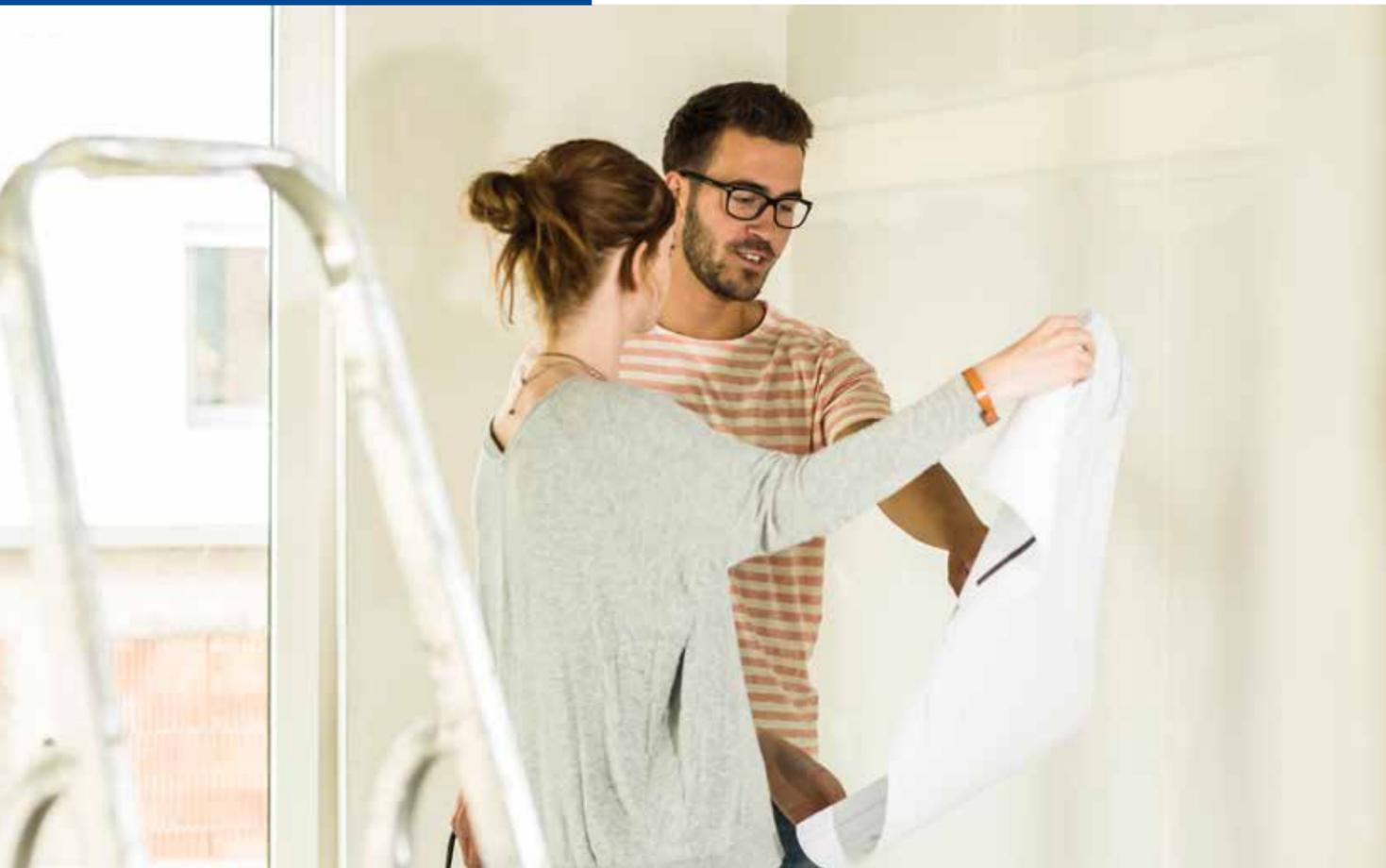
Financial snapshot of home buyers

Average mortgage taken out

| | Average mortgage (£) | North | Midlands | East | London | South | Wales | Scotland |
|-----------|----------------------|------------|------------|------------|------------|------------|------------|------------|
| July 2017 | 170,994.23 | 131,856.07 | 158,223.09 | 180,386.03 | 283,210.61 | 191,838.09 | 119,788.76 | 124,642.55 |

Our research suggests that the average mortgage taken out by home buyers is currently £170,994, with the highest mortgage amounts in London, and the lowest in Wales.

- 1 Home buyers save an average of over £500 per month to help them buy a property
- 2 Londoners typically save the most at £844 per month, while home buyers in the Midlands typically save the least at £419 per month
- 3 Almost 4 in 10 recent home buyers had no savings left after they'd moved home





Deposit & savings

Deposit & savings

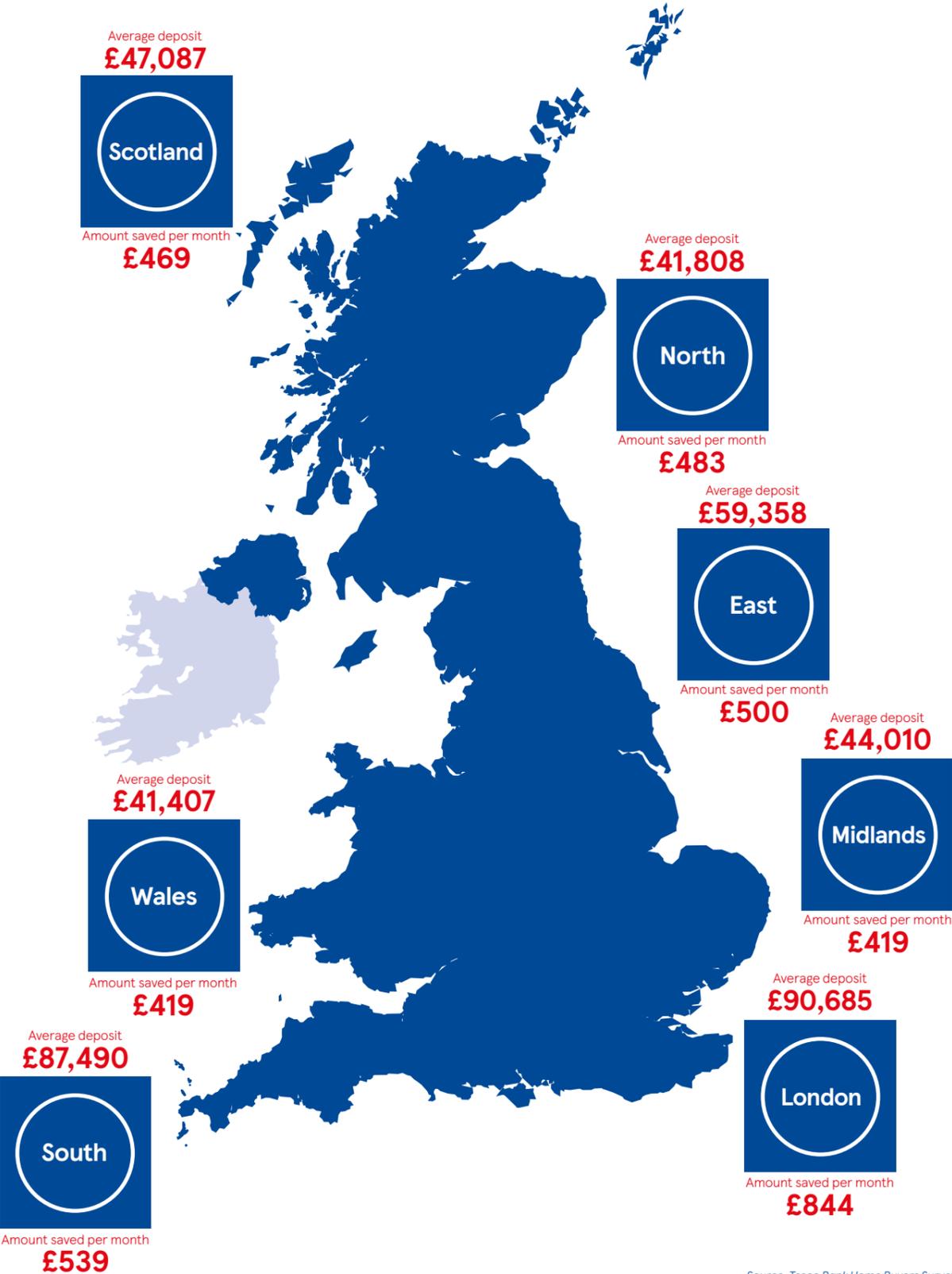
The average deposit that customers are paying towards their property has increased slightly from our previous survey, now sitting at £61,607.

Perhaps unsurprisingly, those buying in London are shelling out the most for a deposit at £90,685, while those in Wales paying the least at £41,407.

What is clear from the research is that home buyers go to great lengths to save for their mortgage with the average home buyer saving over £500 per month to help them buy their property.

This varies from region to region with those in London typically saving the most and those in the Midlands saving the least.

Almost four in 10 recent house purchasers reported having no savings left after they'd moved home, and over half are prioritising investing in their new property rather than replenishing their savings.



Source: Tesco Bank Home Buyers Survey 2017.

Our research also reveals the reliance that many home buyers place on parents or family to climb the property ladder. 40% of recent homebuyers received financial support from their family to purchase the property – with 65% of home movers receiving this as a gift.

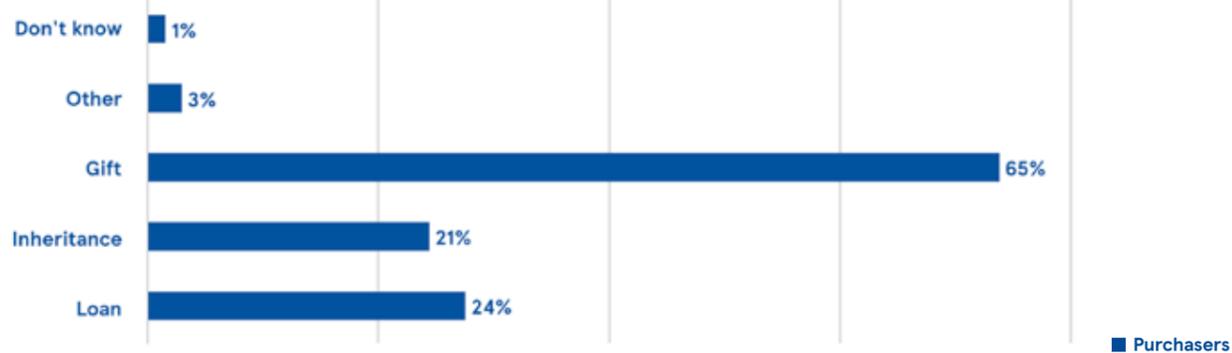
Our research shows that reliance on family continues with age, with almost a fifth of customers in their 40s relying on help from their family to purchase their home.



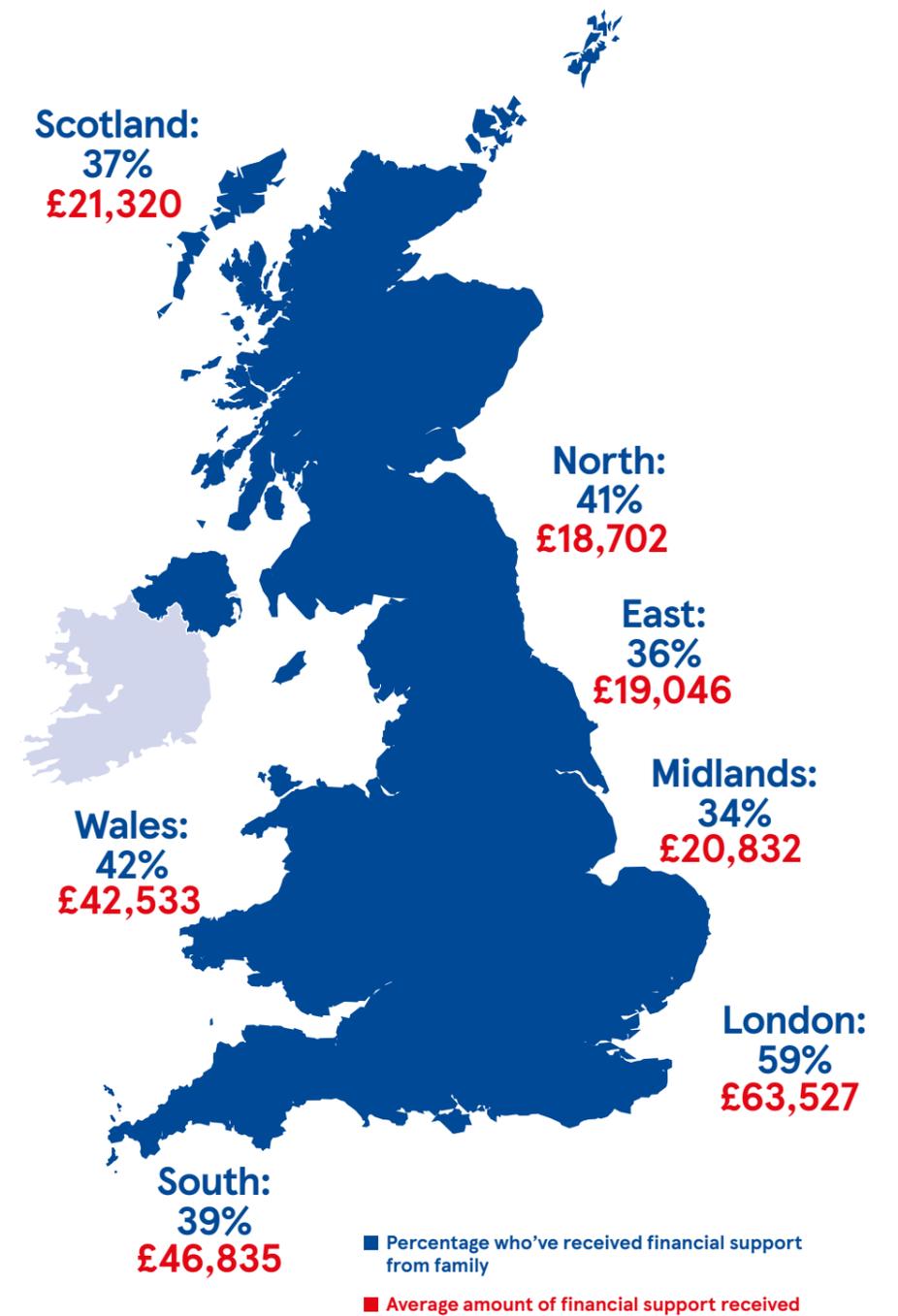
Did you need to get financial support from family



In what form did you receive support



Financial support from family by region





“A quarter of home buyers are reducing the number of holidays they take to meet their mortgage repayments.”

Once you moved to your new property, which sacrifices, did you make in order to pay your mortgage

Top 5

- Reduced social spending
- Reduced number of holidays I went on
- Reduced household bills
- Moved to a location that is cheaper but perhaps not my preferred location
- Worked more hours

Financial sacrifices

Purchasing a home is a very significant financial milestone for any customer. Our research illustrates the financial pressure of the house purchase does not stop at the time of the purchase and that customers continue to change their spending habits to make repayments.

While it is encouraging that 45% of purchasers report not having to make cutbacks, 30% had to reduce social spending, a quarter are reducing the number of holidays they take, while 1 in 10 are working longer hours or taking an additional job to meet their mortgage repayments on their new home.

1

A quarter of home buyers are reducing the number of holidays they take to meet their mortgage repayments

2

1 in 10 are working more hours or taking an additional job

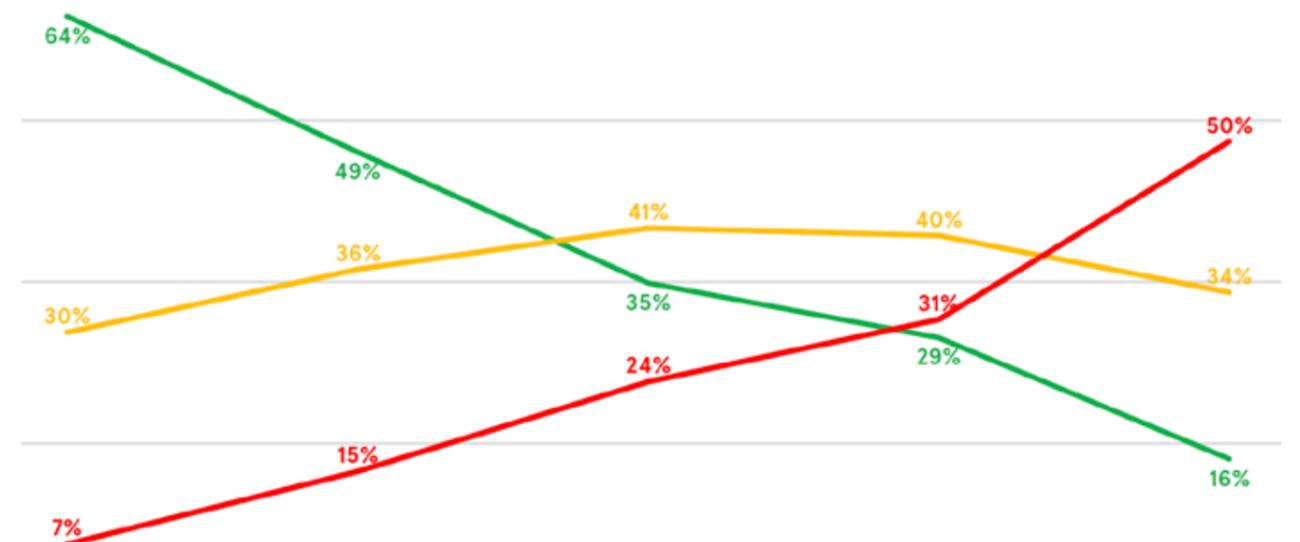
3

30% of home buyers would need to reduce their discretionary spending to continue to meet their mortgage repayments should their interest rate increase by a quarter of a percent (equivalent to £21 per month)

In each home buyers survey we've carried out to date, we have asked home buyers what impact an increase in interest rates would have on their household finances. Each survey to date shows that for a small proportion of customers a relatively small increase in interest would require them to reduce their discretionary spending to continue to meet their mortgage repayments. In this survey our research found that a third of home buyers would have to make changes to their discretionary spending should their interest rate increase by a quarter of a percent.

Each survey to date shows that for a small proportion of customers, a relatively small increase in interest rates would put their budgets under additional pressure.

Mortgage affordability - purchasers July 2017

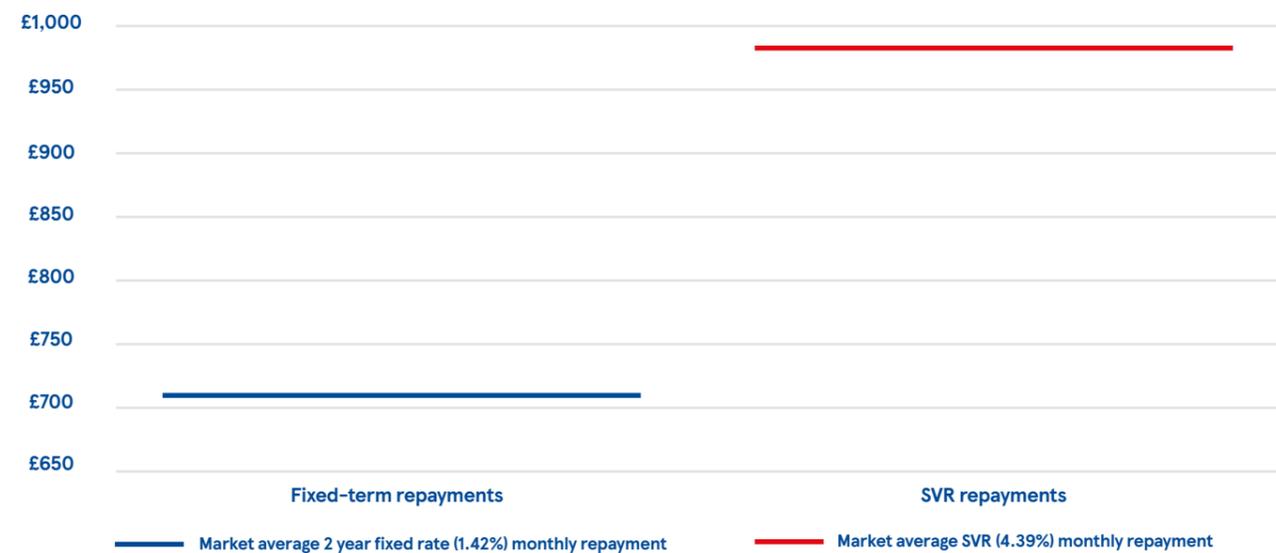


£250 per year / £21 per month £500 per year / £42 per month £750 per year / £63 per month £1,000 per year / £83 per month £2,000 per year / £167 per month

■ I wouldn't be able to afford this ■ I could afford this if I cut back on my expenses ■ I would be able to afford this

Mortgage affordability – Fixed-term repayments vs SVR repayments

The graph below illustrates the average amount customers can save on their monthly repayments by ensuring that they remortgage at the end of their fixed-rate term, when compared to the Standard Variable Rate (SVR). With the average market SVR at 4.39% compared to an average 2 year fixed rate at 1.95%, customers could save £274 per month on their monthly repayments.

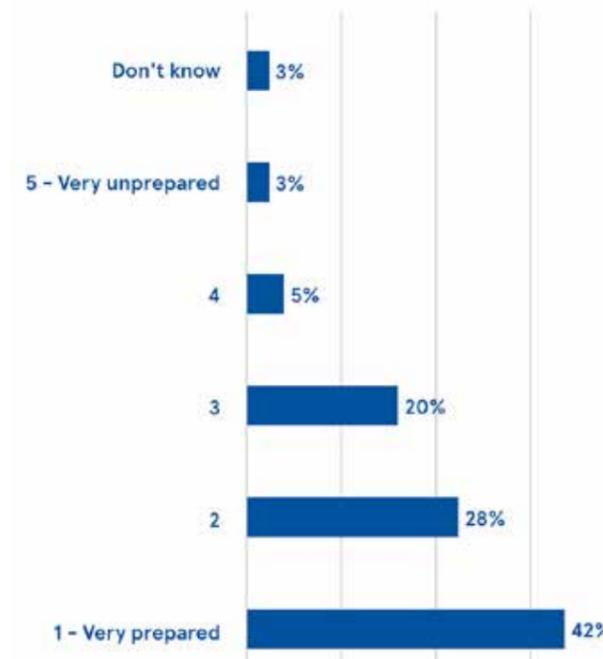


“More than 4 in 10 UK home buyers feel more confident about their financial situation over the coming year.”

Attitudes amongst home buyers

Despite the financial challenges that buying a new home can bring, more than 4 in 10 UK home buyers feel more confident about their financial situation over the next year, while 7 in 10 were prepared for additional moving fees such as stamp duty, legal fees, estate agent fees and removal costs.

Were you prepared for additional fees when buying your home



- 1 7 in 10 home buyers were prepared for additional moving fees such as stamp duty, legal fees, estate agent fees and removal costs
- 2 Over a third of respondents reported experiencing a nasty surprise during the home buying process, including unforeseen maintenance needed to the property, move-in dates changing or delayed and additional costs or fees
- 3 More than half of buyers felt informed about the home buying process



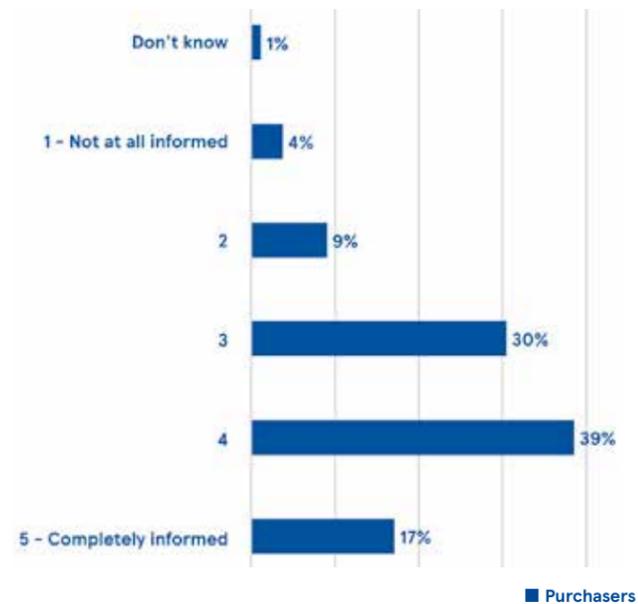
It also shows the importance of being prepared for any eventuality that can arise as 34% of respondents reported experiencing a nasty surprise during the home buying journey, with gripes including unforeseen maintenance needed to the property, move-in dates changing or delayed and additional costs or fees.

What is clear from the survey is that knowledge around the home buying process is key, and our research found that more than half of buyers (56%) felt informed about the home buying process, with most turning to family, friends, solicitors and mortgage brokers to help guide them through the complexities of buying their home.

When it came to the financial side of buying, almost 6 in 10 used a mortgage broker to guide them through the process and get a better rate.



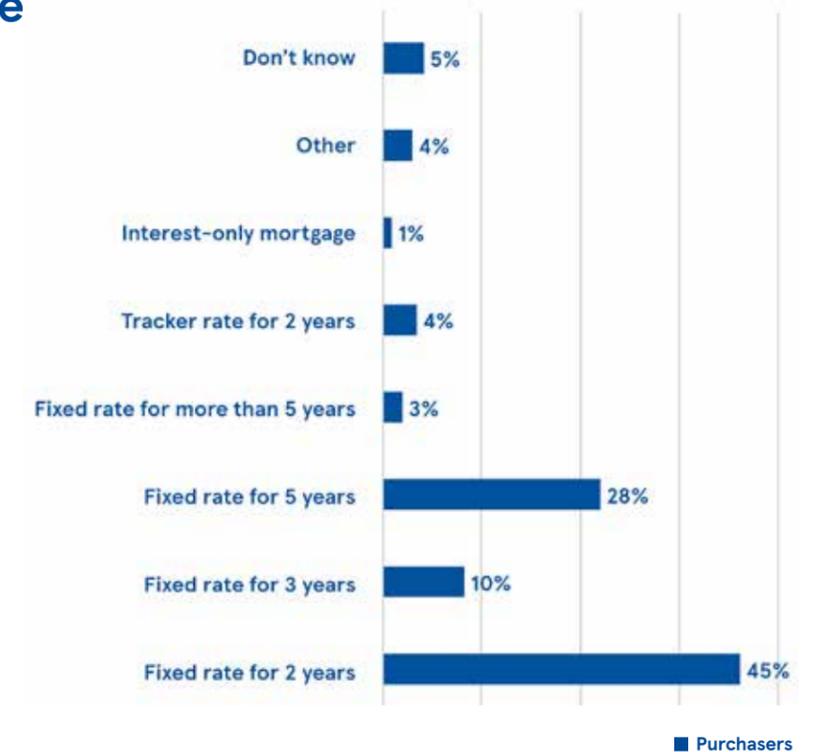
How informed did you feel about the home buying process?



When it comes to the most common types of mortgages it would appear that the majority of home buyers are looking for certainty with their mortgage repayments, with most recent purchasers having a fixed-rate mortgage, and the majority of those planning to buy intending to get one.

Illustrating the fact that customers are looking for longer-term certainty where their mortgage repayments are concerned, around 6 in 10 home buyers would consider a longer-term fixed rate mortgage if it was available.

What kind of mortgage do you have?



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