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What is the Impact in the Rise in the Housing Market on First Time Buyers?

There has been no secret made of the fact that UK house prices have risen over recent years, and many home owners have benefited significantly from this. The rise in home values has meant many people have been able to free up cash tied up in their properties whilst still owning a significant amount of equity to make them comfortable with this. Combined with the relatively low interest rates this has been a dream come true for home owners. The boom has even meant record numbers of people borrowing against their homes to lay down deposits against holiday homes or buy-to-let properties, gaining doubly from the rising market, and having the effect of further fuelling price increases.

Although industry experts don't seem to be able to decide whether the boom is over or not, and the case can be argued differently depending upon different geographical areas. It would certainly appear that over the last 12 months or so, the growth has in general slowed.

Whilst the boom may have been the best thing that has ever happened financially for existing homeowners and those lucky enough to have bought first and second homes at the right times, it is not so good news for first time buyers. The overall increase in prices has not only increased the average house price in the UK significantly, but it has dragged the bottom end of the market in particular to new heights making that first step on to the property ladder as difficult as ever for first time buyers. The burden is especially difficult for University Graduates who not only face the likelihood of having to move towards the cities to find the right sort of employment, meaning that in many cases they can't even seek the solstice of a family home for a while whilst they find their feet, they are carrying the millstone of student debt around their necks whilst they do so.

The above statements, I believe are a fair summary of the state of the UK housing market and the problems faced particularly with first time buyers today, but let's now analyse the facts to see where people really stand in 2007.

Year Average Salary Average Salary

	(Population)	(22-29)
1997	£16,250.00	£14,336.40
1998	£16,842.80	£16,286.40
1999	£17,503.20	£17,071.60
2000	£18,189.60	£17,799.60
2001	£19,182.80	£19,026.80
2002	£20,004.40	£19,827.60
2003	£20,467.20	£20,098.00
2004	£21,507.20	£18,652.40
2005	£21,985.60	£18,834.40
2006	£22,926.80	£19,224.40

Year Average House Multiple Multiple

Price (Population) (22-29)

1997	£78,199.00	4.81	5.45
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1998	£84,396.25	5.01	5.18
1999	£93,609.00	5.35	5.48
2000	£106,960.00	5.88	6.01
2001	£118,604.50	6.18	6.23
2002	£136,635.25	6.83	6.89
2003	£155,226.25	7.58	7.72
2004	£178,136.25	8.28	9.55
2005	£188,565.75	8.58	10.01
2006	£192,831.33	8.41	10.03

Source:

Average salary figures taken from www.statistics.gov.uk

Average house price figures 1997-2005 taken from www.proviser.com and 2006 figures from www.communities.gov.uk (figures are averages of all completed sales during the stated time period).

In 1997 the average house price in the UK was just over £78,000 with an average salary of £16,250 for the general population, and £14,336 for 22-29 year olds – typical first time buyers. The average house price in 1997 was therefore 4.81 times the national average salary and 5.45 times the average salary of a 22-29 year old. A 10% deposit for a 22-29 year old on the average salary buying an average house in the UK would have represented 54.5% of a year's gross pay. Although clearly a struggle, the prospects of couples in particular finding their way onto the housing market was good.

Looking at the same comparison for 2006, the average UK house prices was just under £193,000 – an increase in 10 years of 147%. The average salary for the UK population had also increase to just under £23,000, and increase of 41% and to just over £19,000 for our 22-29 year old demographic – an increase of 34%. Incredibly, the average house price in 2006 was 8.41 times the average salary of the UK population, and over 10 times the average salary for our 22-29 year olds. A 10% deposit now represents almost exactly one whole year's salary on average.

These figures clearly demonstrate that the lifestyle and expectations of the UK population has had change forced upon it. Being able to afford a house on a graduate salary straight out of University is a pipedream only possible for the very luck few.

Where does this lead everybody else?

One of the catalysts behind the increase in prices in the housing market as previously mentioned is the increasing number of 'buy-to-let' properties purchased by those lucky enough to see the values of their own properties increase. It would seem logical that the rental demand for these properties has also increased as the would be first time buyers can now in general only afford to rent and often to seek out suitable housemates to share their rented house or flat with.

A good source of housemates can be found at sites such as www.abodewithme.com which has grown as an aide to home seekers who in today's economy simply cannot afford the luxury of their own place.

Another option for would be 'first time buyers' is to get on the property ladder by purchasing part of a property.

At least in paying a mortgage instead of rent, even though a property is not entirely in an individual's name, will at least allow them to benefit from any further rises in the property market, leaving them lagging further behind in their rental properties.

There are several ways of purchasing part of a property and renting the other part with an option to buy in the future, although these such arrangements often mean paying a mortgage and rent, which will cost nearly as much as a mortgage to cover the full value of the property.

I read recently of a leading high street bank offering joint tenancy mortgages for up to four applicants. This means it is possible to buy a property with three others all contributing their earnings towards the total borrowing, and each taking an agreed share of the value – and the increase in value of the property. This seems incredible, given that most of us find it hard enough finding one person that we are happy to make the commitment of marriage to, and as they say, marriages are easier to get out of than mortgages.

Again, it raises the question as to how to find suitable candidates that you would be willing to take the plunge of buying a property with. Some people will be lucky enough to have long standing friendships, or perhaps relatives, brothers, sisters, etc., who are also looking to get onto the property ladder but cannot afford to do so alone. Short of this, highly recommended would be a website such as [who](#) has profiles of all sorts of people with varying budgets, all over the UK, and equally as importantly wanting to enter into the same type of partnerships.

Regardless of the route that individuals choose to take, whether to rent or buy, the state of the property market compared to average salaries as we have seen means more and more people will be living in house shares for many, many years.

If you would like to find out more about candidates looking for [house or flat share](#) companions, please visit .

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<http://www.articlesbase.com/relationships-articles/what-is-the-impact-in-the-rise-in-the-housing-market-on-first-time-buyers-98841.html>

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