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June 2019**

Northern Powerhouse: Mortgages Briefing

- Lenders provided £23.4 billion of funding for mortgages to buy more than 180,000 homes in the North last year, one per cent more than in 2017.
- With much better affordability than other regions, the mortgage industry helped 85,000 Northern households buy their first home in 2018, three percent more than in 2017.
- Attractive rental yields in Northern Powerhouse cities drove growth in buy-to-let lending last year, bucking the national-level decline in activity levels.
- Amongst the Northern Powerhouse cities Hull was a particular success story in 2018, with the strongest growth in lending to first-time buyers (FTBs), home movers and buy-to-let (BTL) investors.

Helping young people into homeownership

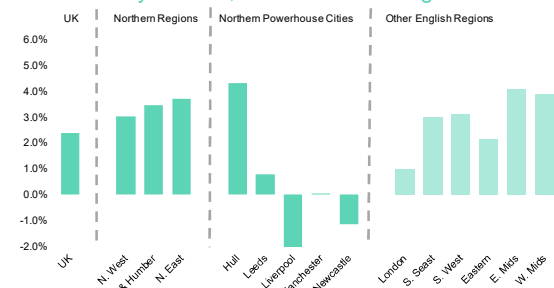
- First-time buyer lending in 2018 saw growth across most of the UK, but the Northern regions showed greater than average growth, exceeded only by the Midlands.
- However, amongst the Northern Powerhouse cities only Hull saw material FTB growth, with Liverpool and Newcastle showing declines in activity.

Getting the North moving

- Lending to home movers in the North is a current growth area. Whilst home mover activity last year fell in all other regions, it was strong across most of the North.

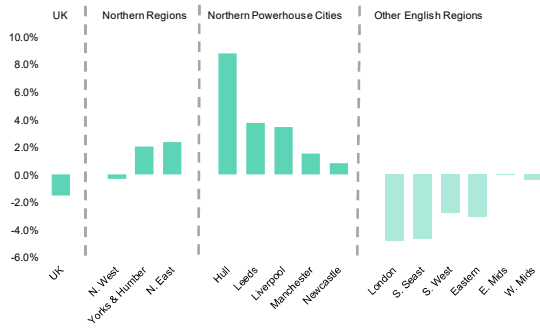
- Amongst the Powerhouse cities, Hull is showing by far the greatest strength in all home purchase lending with near double-digit growth in home mover activity last year.

First-time buyer loans, 2018 annual change



Source: UK Finance Regulated Mortgage Survey

Home mover loans, 2018 annual change



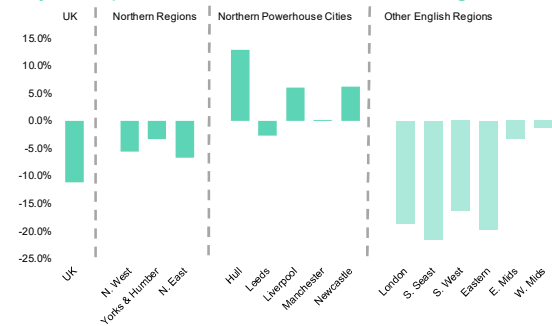
Source: UK Finance Regulated Mortgage Survey

- Across most the North, and most notably in the Powerhouse cities of Hull and Liverpool, gross yields are approaching eight per cent, supporting BTL growth where most other cities and regions of the UK are declining.

Helping fund a resilient rental sector

- Tax and regulatory change have combined to drastically reduce new BTL activity since 2016. Activity was down over ten per cent last year at the national level, and around 20 per cent down in the South. The North has not been immune but saw a more measured decline across the regions.
- Bucking the trend seen elsewhere, three of the five Powerhouse cities showed an increase in activity, with only Leeds showing a very modest decline, far below the national average.

Buy to let purchase loans, 2018 annual change

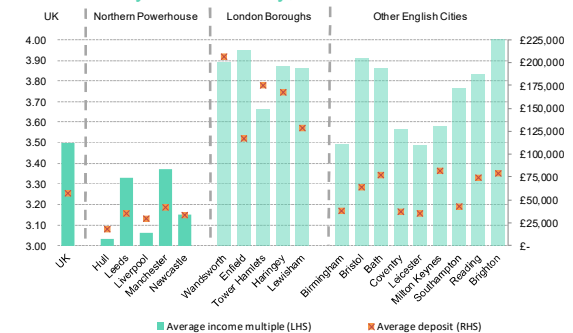


Source: UK Finance BTL Mortgage Survey

Affordability key to homebuyer strength

- Barriers, both to home ownership and to moving home, are much lower in the North. Amongst the Powerhouse cities the typical first-time buyer in Hull (where activity is strongest) needs to borrow just over three times income with an average deposit of around £20,000.
- Even at the upper end of the scale FTBs in Manchester need to borrow less than 3.4 times income, and put down around £40,000 deposit, around £15,000 less than the UK average.

First time buyer affordability, 2018

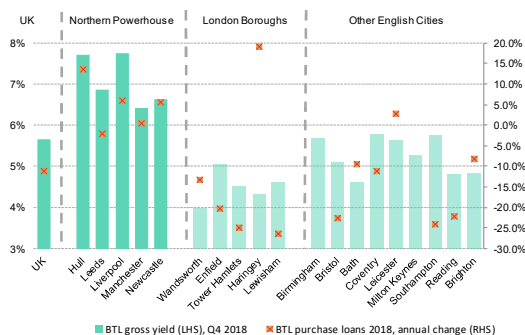


Source: UK Finance Regulated Mortgage Survey

Whilst the Powerhouse still offers landlords attractive returns

- Lower house prices across the North, coupled with a healthy labour market and economy to underpin rental demand, mean that landlords can look to achieve yields well in excess of the UK average.

BTL lending and returns, 2018



Source: UK Finance BTL Mortgage Survey

	House purchase loans, 2018							
	All home buyers	Of which:		Buy to let	All home buyers	Of which:		Buy to let
		First time buyers	Home movers			First time buyers	Home movers	
	Number	Number	Number	Number	Annual change	Annual change	Annual change	Annual change
UK	710,600	356,300	354,300	66,600	0.4%	2.4%	-1.5%	-11.2%
Northern English Regions								
North West	78,500	40,900	37,600	8,400	1.4%	3.0%	-0.3%	-5.6%
Yorkshire and The Humber	59,700	30,000	29,700	5,600	2.8%	3.4%	2.1%	-3.4%
North East	27,100	14,000	13,100	2,800	3.0%	3.7%	2.3%	-6.7%
Northern Powerhouse Cities								
Hull	2,680	1,690	990	530	5.9%	4.3%	8.8%	12.8%
Leeds	9,240	5,110	4,130	1,030	2.1%	0.8%	3.8%	-2.8%
Liverpool	3,980	2,490	1,490	890	-1.7%	-4.6%	3.5%	6.0%
Manchester	4,540	3,230	1,310	1,020	0.4%	0.0%	1.6%	0.0%
Newcastle	2,870	1,720	1,150	350	-0.3%	-1.1%	0.9%	6.1%
Other English Regions								
Greater London	68,700	41,100	27,600	8,300	-1.4%	1.0%	-4.8%	-18.6%
South East	105,600	48,200	57,400	8,000	-1.3%	3.0%	-4.7%	-21.6%
South West	64,900	29,700	35,200	5,100	-0.2%	3.1%	-2.8%	-16.4%
East of England	72,000	33,500	38,500	6,100	-0.7%	2.1%	-3.0%	-19.7%
East Midlands	57,800	27,900	29,900	5,700	1.9%	4.1%	0.0%	-3.4%
West Midlands	61,900	31,900	30,000	7,000	1.8%	3.9%	-0.3%	-1.4%
UK Devolved Nations								
Wales	31,300	16,100	15,200	2,800	1.3%	1.3%	1.3%	-6.7%
Scotland	65,400	32,600	32,800	4,700	-1.5%	-2.7%	-0.3%	-2.1%
Northern Ireland	17,700	10,500	7,200	1,700	6.6%	7.1%	5.9%	0.0%

Source: UK Finance BTL and Regulated Mortgage Surveys