



Social Mobility
Commission

The impacts of family support on access to homeownership for young people in the UK

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About the Commission

The Social Mobility Commission is an advisory non-departmental public body established under the Life Chances Act 2010 as modified by the Welfare Reform and Work Act 2016. It has a duty to assess progress in improving social mobility in the UK and to promote social mobility in England. It consists of up to 10 commissioners, supported by a small secretariat.

The Commission board comprises:

- The Rt. Hon. Alan Milburn (Chair).
- The Rt. Hon. Baroness Gillian Shephard (Deputy Chair).
- Paul Gregg, Professor of Economic and Social Policy, University of Bath.
- David Johnston, Chief Executive of the Social Mobility Foundation.

The functions of the Commission include:

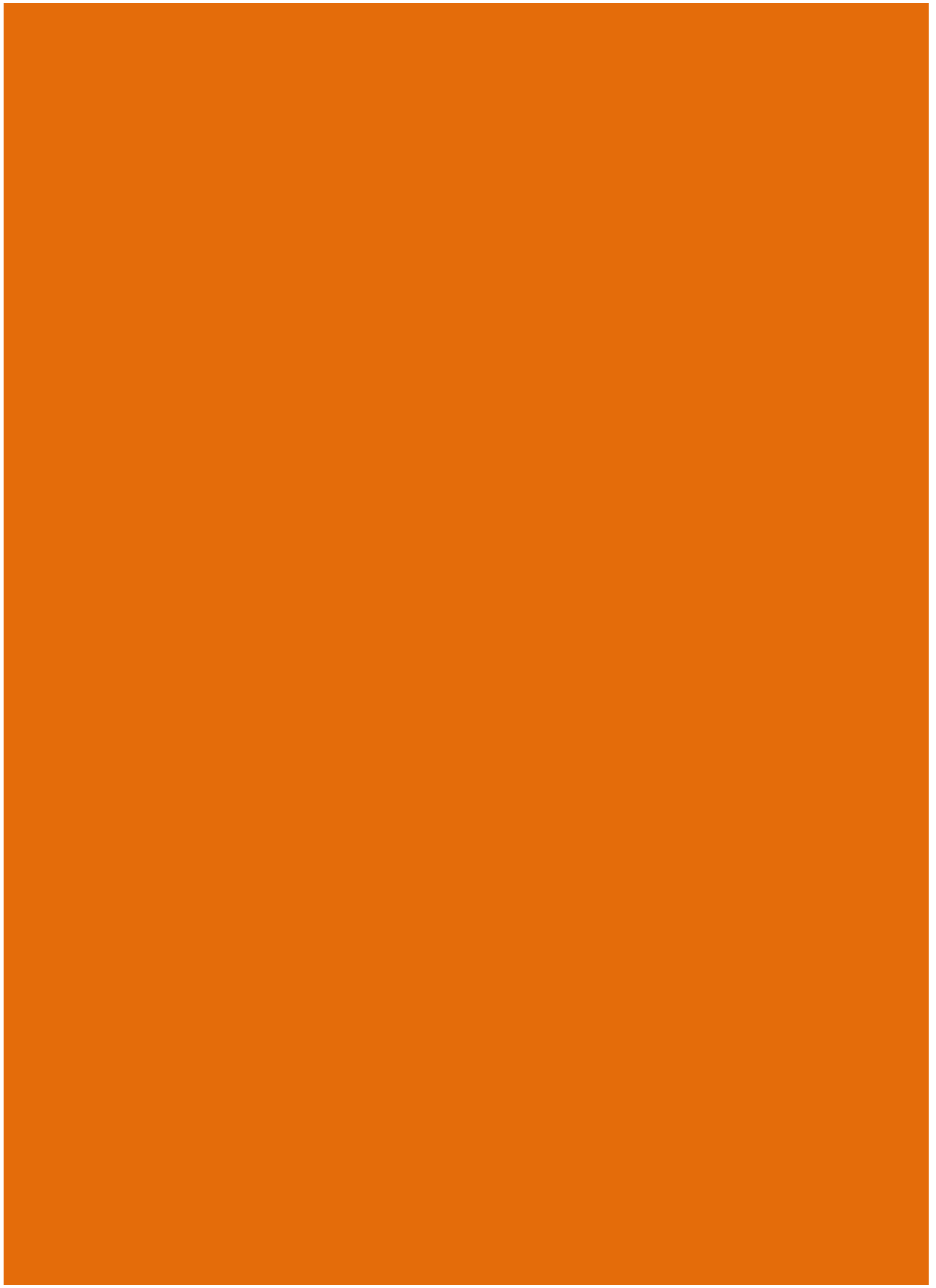
- Monitoring progress on improving social mobility.
- Providing published advice to ministers on matters relating to social mobility.
- Undertaking social mobility advocacy.

Acknowledgements

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Executive Summary

Key findings

Trends in home ownership for first time buyers (FTBs)

- The proportion of young people embarking on home ownership has fallen significantly in the UK over the past twenty years.
- Young people are purchasing their first property later than their immediate predecessors. For example, while in 1990 39% of 20-24 year olds purchased their own homes, only just over 10% managed to do so in 2015.
- Analysis of homeownership levels amongst cohorts of young people since 1990 shows that while the percentage of those owning their own homes continues to rise as they grow older, no group exceeds the level of ownership of their immediate predecessors for any given age band.
- Those that do become homeowners rely increasingly on borrowing from family.

Recent patterns of parental or family help with home ownership

- For FTBs in England¹, the most popular form of financial help from family is a gift or loan from parents². 34.1% of FTBs benefited from this type of assistance.
- The second most common form of help was inherited money, with 9.6% of FTBs benefitting.
- For existing owners (EO) purchasing a new property, these two forms of parental help were also the most common, albeit at lower levels. 12.3% of EOs benefitted from gifts or loans while 5.2% used an inheritance.
- Other forms of help included the sale of a property to a child at below market price or inheriting a property in which to live. These were insignificant though, both for EOs and FTBs.

¹ Data for the United Kingdom have been used wherever possible. Where no such data were available, or where datasets from constituent countries were not commensurable, the optimal dataset(s) were used, from relevant countries or regions.

² Most assistance to FTBs is from parents so the term parental help or assistance is used throughout. Most of the various datasets used also do not distinguish between financial support from different family members. Moreover, even where family support may be the more appropriate term, as with inheritances received by younger FTBs, such bequests would typically be made by agreement with the FTB's parents, and of course for older FTBs, the term parental help may still be the more appropriate.

Comparing first time buyers who receive and do not receive parental help

- FTBs in England receiving money or a loan from their parents could buy at a younger age than those who did not receive such help, the difference being some 2.6 years.
- The equivalent age gap in London however was greater, at 4.6 years.
- On average, assisted FTBs in England had lower incomes and purchased a lower priced home than those who received no assistance.
- However, as a percentage of income the average mortgage payments of both assisted and unassisted FTBs were more or less the same.
- While around two thirds of both assisted and unassisted FTBs were couples around a quarter of one-person households received financial assistance from their parents.
- There was no significant age difference between FTBs who used inherited money to help buy a home and unassisted buyers.
- Perhaps unsurprisingly the mortgage payments of the small number of FTBs who benefitted from receiving an inheritance were less than their unassisted counterparts.
- FTBs who inherited a property to live in or purchased such a property from their parents were on lower incomes and were older at the time they acquired or purchased their home.

Trends in parental help over the past two decades

- Until recently, the proportion of FTBs in England receiving money or loans from parents had fluctuated from 20 to 30%. However, the current figure is 34.1%, an historic high.
- Although lower, the latest proportion of EOs receiving financial help from parents is also at an historic high.
- The proportion of FTBs inheriting money fluctuated over the past twenty years, but there has been a moderate upward trend.

- The percentage of FTBs in London who receive financial help from parents has been above the 30% level for the past two decades, perhaps reflecting higher house price levels in the region compared to other regions.³
- The percentage of FTBs in the rest of England who received financial help from their parents rose above 30% for the first time in 2013/14, suggesting the problem of affordability has become more widespread.

The impact of parental help over the past two decades

- For the past twenty years, FTBs in England receiving money or loans have typically been younger than those who did not receive such parental help.
- The age difference between assisted and unassisted FTBs across England ranged from one to three years over the period, and was at its lowest in the early 2000s. London had the largest age difference for assisted and unassisted FTBs, rising above three years some eight times in the past two decades in contrast to the rest of England.
- The proportion of FTB couples with children is increasing, accounting for more than 50% of unassisted FTBs for the first time in 2007/08. The number of assisted FTB couples with children exceeded the number of single assisted FTBs for the first time in 2013/14.
- Before the global financial crisis, assisted FTBs, on average, purchased higher priced homes than unassisted FTBs, given similar levels of income. However, this has now changed. Over the past three years assisted FTBs had lower income and bought a lower priced house than unassisted FTBs. It is not immediately clear why this should be but it may reflect a diminished appetite for risk, post financial crisis, on the part of both assisted FTBs and, importantly, the family members assisting them. Nonetheless, in general over the past two decades, there has been little difference between the mortgage payments of assisted and unassisted FTBs as a percentage of income.

The projected extent of parental help over the next 25 years

- In the UK, more than 30% of households with dependent children currently hold assets that could, in due course, be used towards a deposit for the purchase of a home. Although there are definitional differences, the number is

³ Office for National Statistics. 2016. "Statistical Bulletin: Regional gross disposable household income (GDHI): 1997 to 2014."

<http://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/bulletins/regionalgrossdisposablehouseholdincomegdhi/2014>: Office for National Statistics.

broadly comparable with the latest figure (34%) for FTBs receiving parental financial assistance in England.

- The percentage increases with income, but even 28.8% of households in the lower quartile income band have suitable assets.
- Surprisingly, 35.9% of lone parents also hold suitable assets but this number may be misleading because it does not include lone parents who live in multiple-family households.
- However, only ten percent of households without any formal educational qualifications over two successive generations are planning to assist their children with homeownership.
- Numbers of future FTBs are projected to rise slightly in the short term then fall gradually over the next twenty-five years. The speed and extent of the rise and fall will be determined by the robustness of the economy.
- If economic activity remains at the levels in our baseline scenario for the next twenty-five years the proportion of assisted FTBs will reach 40.6% by 2023/24 after which it is projected to gradually decline, although it will remain above 30%.
- If economic activity increases, the proportion of assisted FTBs is projected to rise slightly faster, reaching a peak of 39.0% by 2021/22. Thereafter it will decline, as fewer FTBs will require assistance. By 2039/40 it will have fallen to 2005/06 levels.
- If economic activity weakens, the proportion of assisted FTBs is projected to remain at current levels, around 34%, until 2024/25 and to then increase gradually to just under 40% where it will remain for the period running up to 2039/40. However, under this scenario, the absolute number of FTBs, particularly unassisted FTBs, is projected to fall furthest.

Section 1 introduction

Over the past few years, homeownership has become less affordable for young people in the UK. Housing tenure is one of the key determinants of perceptions of social class. It is also the main way in which wealth is held and transferred through the generations. Difficulties in shifting from renting to buying can therefore be a barrier to intra-generational social mobility.

Parental support for first-time buyers can mitigate this but such support is most likely to be forthcoming from parents who already homeowners.

Responding to the call by the Social Mobility Commission (SMC) to examine the role that family support plays in young people's access to homeownership, this report examines the patterns and impacts of parental help for their children to become homeowners and provides projections on future levels of FTB homeownership and parental help.

The remainder of the report is structured as follows: Section 2 briefly presents recent developments in homeownership for first-time buyers in the UK. Section 3 examines the latest pattern of parental help by form of help both for first time buyers (FTBs) and existing owners (EOs) in England. Section 4 compares demographic and socio-economic aspects of FTBs receiving and not receiving parental help in England, looking in part at differences between London and the rest of England. The following two sections, 5 and 6, examine trends in the extent and impact of parental help for FTBs over the past twenty years. Section 7 looks forward, projecting levels of parental assistance for FTBs over the next twenty-five years under different economic conditions, the implications of which are discussed in section 8.

Section 2 trends in home ownership for first time buyers

This section briefly presents the contextual background focusing on the constraints on homeownership in the UK and the impact for first time buyers.

Key findings in this section

- The proportion of young people embarking on home ownership has fallen significantly in the UK over the past twenty years.
- Young people are purchasing their first property later than their immediate predecessors. For example, while in 1990 39% of 20-24 year olds purchased their own homes, only just over 10% managed to do so in 2015.
- Analysis of homeownership levels amongst cohorts of young people since 1990 shows that while the percentage of those owning their own homes continues to rise over time, no group exceeds the level of ownership of their immediate predecessors.
- Those that do become homeowners rely increasingly on borrowing.
- The economic downturn arising from the global financial crisis of 2008-09 depressed the numbers of 30 year olds who, at that time, would have been expected to become first time buyers.

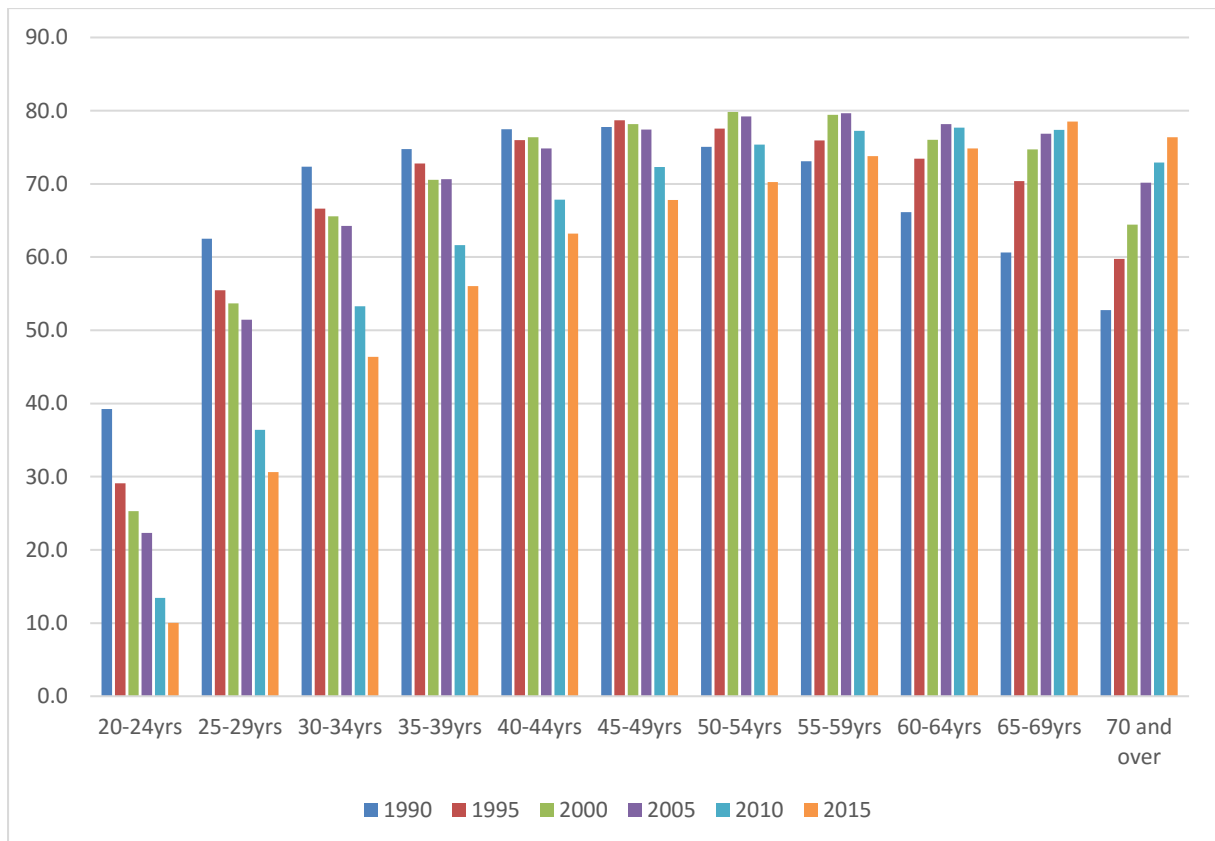
2.1 Home ownership trends

Drawing on a series of data from the Labour Force Survey (LFS), Figure 2.1.1 sets out proportions of owner-occupier households grouped by 5-year age bands, from 1995 to 2015. Owner-occupying in this context includes owning with a mortgage and shared ownership.

- Homeownership amongst the youngest group of 20-24 year olds, was almost 40% in 1990 but this dropped to around 30% in 1995 and has continued to fall. This group experienced a particularly sharp drop in 2010, to just 13%, a decline of 9% from the previous observation year of 2005
- The pattern for the second youngest group (25-29 year olds) is similar. The proportion of homeowners in 1990 was 63%, but has since dropped steadily, falling to 51% in 2005, 34% in 2010 and most recently, 31%.

- The 35-39-year-old group had home ownership levels over 70% in all the observation years except for 2010 and 2015.
- In 2010 the youngest group with over 70% homeownership was 45-48 year olds, while the equivalent for 2015 was 50-54 year olds.

Figure 2.1.1 Trend of homeowner proportion by age band: UK (%)



Note: Homeownership includes outright owning, owning with a mortgage and shared ownership.
 Source: Authors' calculation drawing on Labour Force Survey.

2.2 First time buyers' income multiples

Figure 2.2.1. sets out the medians of FTB mortgagers' income, advance and income multiples from 1980 to 2015 in the UK, drawing on the Council of Mortgage Lenders (CML)⁴.

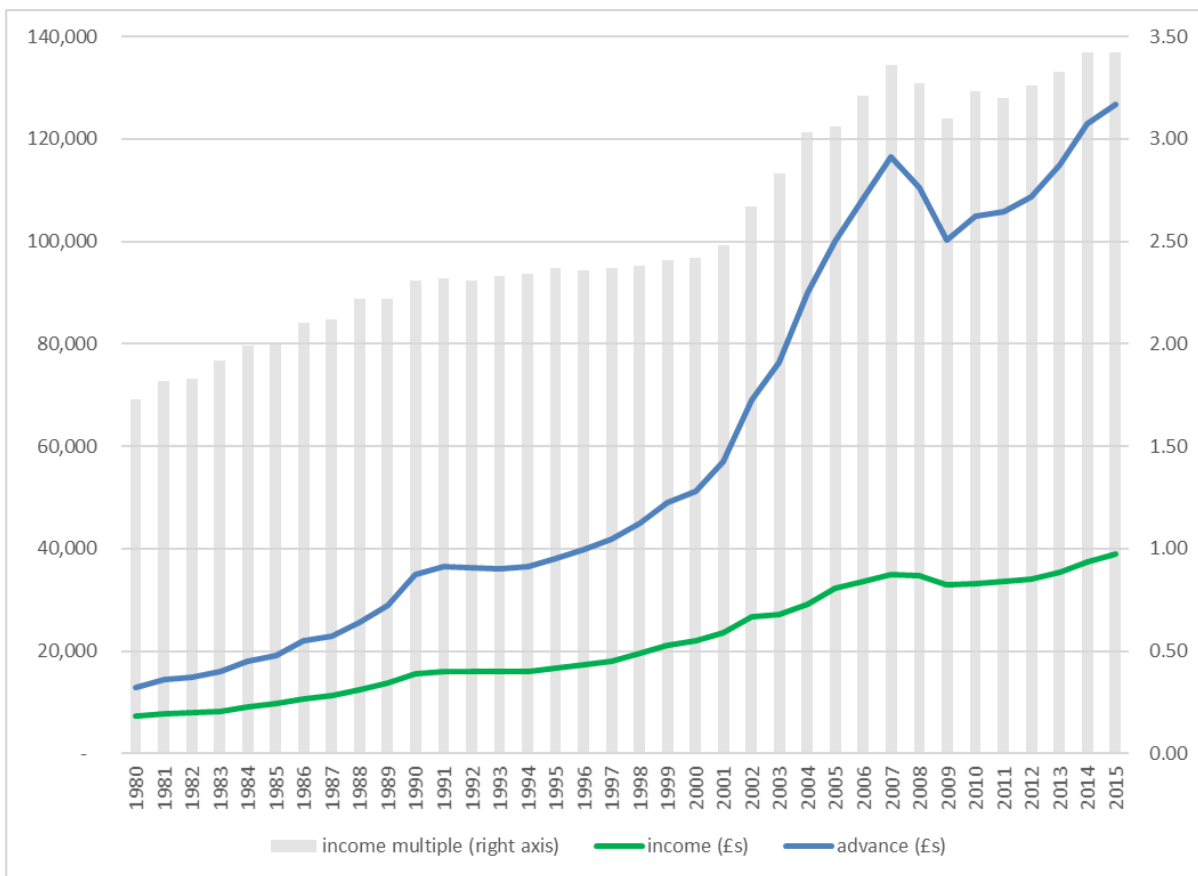
- Starting at £13k, the median advance increased significantly during the house price boom of 2000 to 2007. After a three-year drop, it regained upward

⁴FTB include some buyers who have previously owned a property before, but are not in owner-occupation at the time of this purchase. Income is measured by a borrower's total income.

momentum, the latest level being £127k. The median income also showed a similar but more modest trend, starting at £7K and ending at £39k

- The difference in momentum between these two variables resulted in a rise in the mean income multiple, which started at 1.73 but is now 3.42, higher than it was at the end of the house price boom. Increasing reliance on borrowing for FTB mortgagors would suggest a critical role for financial assistance from parents.

Figure 2.2.1 Medians of FTBs' total income, mortgage advances and income multiples: UK



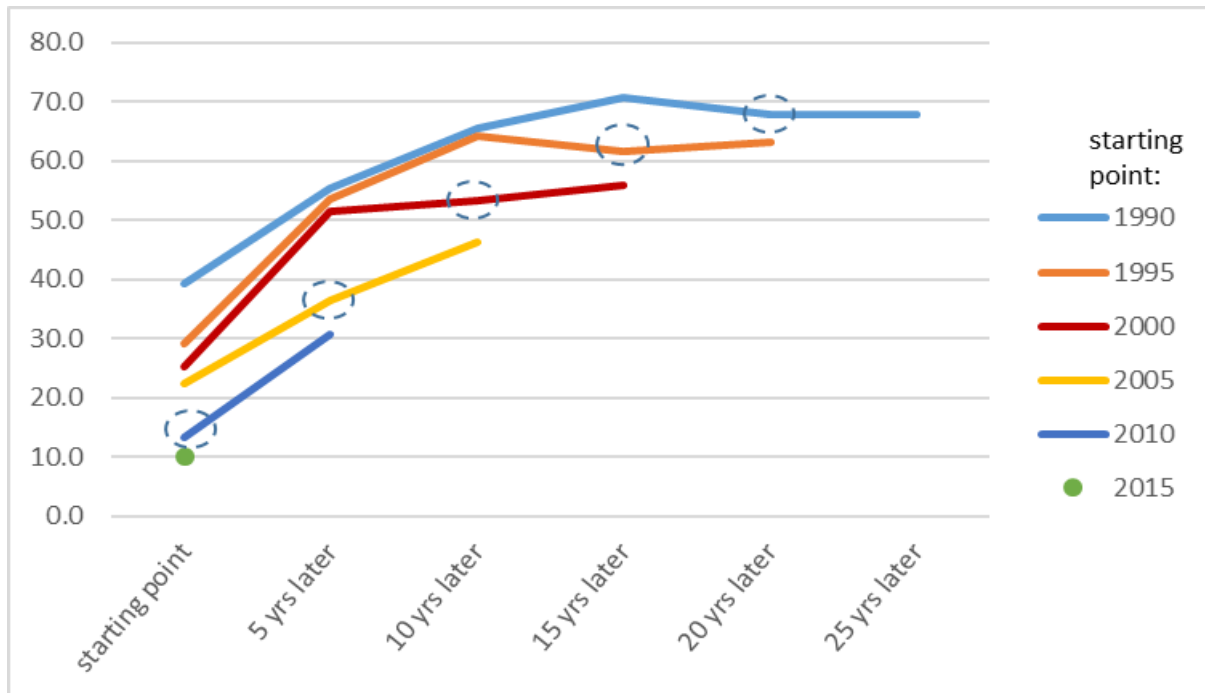
Source: Council of Mortgage Lenders.

2.3 Changes in homeownership for 20-24-year-olds

Figure 2.3.1 sets out the change in homeownership proportion for 20-24 year olds in 1990 (the pale blue line) and samples that cohort through to 2016. Further cohorts of 20-24 year olds are shown at each five-year starting point. The dotted circles represent the observation points at which each group experienced the 2010 economic downturn. Noticeably these later cohorts have achieved significantly lower levels of homeownership in their lives to date. The source again is the LFS:

- At the starting point (i.e. in 1990), the 1990 group of 20-24-year-olds had a homeownership level of 39%. Five years later (i.e. in 1995), the 1990 group became 25-29 year olds with a homeownership proportion of 56%. Fifteen years later (in 2005), the 1990 group had become 35-39 year olds with a homeownership proportion of over 70%.
- Though the observation period, the 1990 group always showed the highest homeownership proportion among the six groups. This suggests that it is becoming more difficult to be a homeowner not only when young but also at later stages of life. The 1990 group continuously raised their homeowner percentage for twenty-years, until they were 40-44 years old, when there was a marginal decline of 3 percentage points. This coincided with the 2010 economic downturn, suggesting the decline was due to macroeconomic factors rather than being age-related. This is supported by the fact that the 1990 group did not experience any further decline at the next observation point (when they became 45-49-year-olds).
- The 1995 group (the orange line) had a homeownership proportion of 29% at their starting point, ten percentage points below that that of the 1990 group. But five years later (i.e., when they became 25-29-year-olds), the 1995 group had almost caught up the 1990 group. In 2010, as the downturn began to bite, this group experienced the same decline as the 1990 group, around three percentage points.
- The 2000 group (red line) follows a similar path, with homeownership increasing by twenty-six percentage points from the starting point to the present day.
- The 2005 group (yellow line) experienced the recession five years later. The increase in the homeownership proportion was fourteen percentage points over the following ten years, a more modest increase than the predecessor cohorts.
- The 2010 group (blue line) had a starting proportion of 13% and the 2015 group started even lower, at just over 10%.
- These findings suggest that that recent homeownership levels of the younger generation have been depressed by the economic downturn, irrespective of any longer run cyclical trends.

Figure 2.3.1. Change in homeownership (%) of 20-24 year olds starting at 5 year intervals: UK



Note: The points corresponding to the year of 2010 are shown by the dotted circle. Source: as Figure 2.1.1.

Section 3 recent patterns of parental help with home ownership

This section examines patterns of parental help for young homebuyers, drawing on the English Housing Survey (EHS) 2013/14. Commissioned by the Department for Communities and Local Government (DCLG), EHS collects information about housing circumstances by interviewing around 13,300 households in England. However, it should be noted that while the EHS provides information on financial help between family members, it is not specifically from parents to their children. For the purposes of this report it is assumed that respondents in the upper age band include those who inherited a property from deceased parents.⁵

Key findings in this section

- For FTBs in England, the most popular form of financial help from parents was a gift of money or a loan. 34.1% of FTBs benefited from this type of assistance.
- The second most common form of help was by way of an inheritance, with 9.6% of FTBs benefitting.
- For existing owners (EO) purchasing a new property, these two forms of parental help were also the most common, albeit at lower levels. 12.3% of EOs benefitted from gifts or loans while 5.2% used an inheritance.
- Other forms of help included the sale of a property to a child at below market price or inheriting a property in which to live. These were insignificant though, both for EOs and FTBs.

3.1 Proportion of FTBs and existing owners by parental help type

Table 3.1.1 sets out the recent numbers and the proportion of home buyers or acquirers (inheritors) with parental help by acquirer type (FTB or EO) and help type. See key findings above for details.

⁵ Four-year pooling figures were used to improve the robustness of the outputs.

Table 3.1.1 Proportion of buyers/acquirers by parental help type: England (%)

	FTB	EO	FTB + EO
Giving money or loan	34.1	12.3	21.1
Selling property	2.5	1.7	2.0
Inheritance; money	9.6	5.2	6.9
Inheritance; property	2.1	1.3	1.6

Notes: Household reference persons aged 16 to 54 years at the time of purchasing or acquiring. Four-year pooling figures ending in 2013/14. Source: Authors' analysis based on the English Housing Survey 2013/14.

Table 3.1.2 disaggregates the above statistics for 2013/14 into London and the rest of England for “giving money or loan” and “inheriting money”⁶.

- In London, 29.2% of FTBs received money or a loan from their parents. This proportion is lower than the equivalent for the rest of England by some 6 percentage points. However, historically FTBs in London have received more parental help than their counterparts in the rest of the country.
- 11.2% of FTBs in London inherited money to buy a home, which was 2 points above the equivalent for the rest of England.
- For EOs, the proportional differences between London and the rest of England are marginal.

Table 3.1.2. Parental help: London and rest of England (%)

	FTB		EO		FTB+EO	
	London	Rest	London	Rest	London	Rest
Giving money or loan	29.2	35.5	12.4	12.2	21.6	21.0
Inheritance; money	11.2	9.1	6.0	5.0	8.8	6.6

Notes & source: as Table 3.1.1.

⁶ The other two parental help types (“selling a property” and “inheriting a property”) failed to have sample sizes large enough to show robust outcomes.

Section 4 comparing first time buyers who receive or do not receive parental help

This section compares demographic and socio-economic aspects of FTBs with and without parental help in England. Relevant data have also been disaggregated into London and the rest of England.

Key findings in this section

- FTBs in England receiving money or a loan from their parents could buy at a younger age than those who did not receive such help, the difference being some 2.6 years. The equivalent age gap in London however was greater, at 4.6 years.
- On average, assisted FTBs in England had lower incomes and purchased a lower priced home than those who received no assistance. However, as a percentage of income the mortgage payments of both assisted and unassisted FTBs were the same.
- While most assisted and unassisted FTBs were couples a relatively large proportion of one-person households also received financial assistance from their parents.
- There was no significant age difference between FTBs who used inherited money to help buy a home and those who received no such assistance. Perhaps unsurprisingly the mortgage payments of those who received inheritances were considerably less than their unassisted counterparts, both in absolute and relative terms.
- FTBs who inherited a property to live in were on lower incomes and were older at the time they acquired their home.

4.1 Form of parental help in England: Gift of money or loan

Table 4.1.1 compares FTBs who received and did not receive money or a loan from parents in terms of age of purchase, household income, house price and mortgage payment.

- On average, those receiving assistance became FTBs 2.6-years earlier than their unassisted counterparts but their average household income was £3k lower.
- The value of property purchased by assisted FTBs was £19k lower than unassisted FTBs and the monthly mortgage payments of assisted FTBs' was around £9 lower than the payments of unassisted FTBs.

Table 4.1.1 Comparison between FTBs with and without parental help (by way of gift of money or loan): England (%)

Average of	unit	with	without	with – without
Age at purchase	years	28.7	31.3	-2.6
Household gross income (HI)	£s	44,810	48,067	-3,257
Purchase price of home (HP)	£s	175,428	194,889	-19,461
Weekly mortgage payments (MP)	£s	148.54	157.37	-8.83
HP to HI	ratio	4.41	4.43	-0.02
MP to HI	%	18.4	17.9	0.5

Notes: The measurement units are years (age), £s p.a. (HI), £s (HP), £s p.w. (MP) and ratio (HP to HI) The price terms are inflationary unadjusted. The sampled households and the data source are as Table 3.1.1.

Tables 4.1.2 and 4.1.3 set out the proportions of the assisted and unassisted FTBs by household composition and the economic status of the household reference person (HRP) respectively.

- Assisted FTBs accounted for a relatively large proportion of single households (25.4%), compared to their unassisted counterparts (18.6%).
- On the other hand, the proportion of assisted FTB couple households (67.5%) was below the unassisted equivalent (71.4%).
- 95.1% of assisted FTBs worked full-time compared to 89.8% for unassisted FTBs.
- Combining full-time and part-time, around 98% of each of the two FTB groups were in employment.

Table 4.1.2. Proportions by household type of FTBs with and without parental help (giving money or loan): England (%)

Household type	with	without	with - without
Couple only	39.9	42.0	-2.1
Couple with dependent child(ren)	27.6	29.4	-1.8
Lone parent with dependent child(ren)	0.7	2.5	-1.8
Other multi-person household	6.3	7.4	-1.1
Single	25.4	18.6	6.8

Notes & sources: as Table 3.1.1.

Table 4.1.3 Proportions by reference person's economic status of FTBs with and without parental help (giving money or loan): England (%)

	with	without	with - without
Full-time work	95.1	89.8	5.3
Part-time work	2.4	8	-5.6
Unemployed or inactive	2.6	2.2	0.4

Notes & sources: as Table 3.1.1

Tables 4.1.4 and 4.1.5 set out the proportions of the assisted and unassisted FTBs by bedroom count and bedroom standard⁷ of purchased home respectively.

- The great majority of the assisted FTBs (86.6%) purchased two- or three-bedroom properties.
- 7.3% of assisted FTBs purchased a one-bedroom property, compared to just 2.9% of unassisted FTBs. This may be explained in part by the fact that assisted FTBs were more likely be in single households (see Table 4.)
- With respect to the bedroom standard, 23.7% of assisted FTBs were at the standard, compared to 17.9% of unassisted FTBs.

⁷ The Bedroom Standard is a recognised measure of overcrowding. It allocates a required number of bedrooms to a household depending on the age, gender and marital status of each occupant. This is then compared with the actual number of bedrooms in the dwelling. If the actual number of bedrooms is less than the required number of bedrooms, the dwelling is classified as overcrowded.

- On the other hand, 75.5% of assisted FTBs had at least one spare bedroom compared to 80% of unassisted FTBs.

Table 4.1.4. Proportion by bedroom count of FTBs receiving or not receiving parental help (giving money or loan): England (%)

Bedroom count	with	without	with - without
1	7.3	2.9	4.4
2	38.6	37.5	1.1
3	48.0	45.8	2.2
4+	6.1	13.7	-7.6

Notes & sources: as Table 3.1.1.

Table 4.1.5. Proportion by bedroom standard of FTBs receiving or not receiving parental help (giving money or loan): England (%)

	with	without	with - without
Below standard	0.7	2.1	-1.4
At standard	23.7	17.9	5.8
One above standard	42.0	43.3	-1.3
Two or more above standard	33.5	36.7	-3.2

Notes: Based on the 2006 standard definition. Other notes & sources: as table 3.1.1.

Tables 4.1.6 and 4.1.7 set out the proportions of assisted and unassisted FTBs by mortgage type and mortgage interest type respectively.

- Almost all assisted (99.2%) and unassisted (94.7%) FTBs opted for a repayment style mortgage (interest plus capital repayment).
- 83% of assisted FTBs' had fixed interest mortgages compared to 77.7% for unassisted FTBs.

Table 4.1.6 Proportions by mortgage type of FTBs receiving or not receiving parental help (giving money or loan): England (%)

	with	without	with - without
Repayment (interest & part of loan)	99.2	94.7	4.5
interest only, mixed or other types	0.8	5.3	-4.5

Notes: Based on the total count of FTBs with a valid record. Other notes & sources: as Table 3.1.1.

Table 4.1.7 Proportions by mortgage interest type of FTBs receiving or not receiving parental help (giving money or loan): England (%)

	with	without	with - without
Fixed	83.0	77.7	5.3
Variable, capped, others	17.0	22.3	-5.3

Notes & source: as Table 3.1.1.

4.2. FTBs receiving money by way of gift or a loan – London and the rest of England

Table 4.2.1 compares FTBs receiving or not receiving parental help by way of gift of money or loan in terms of age of purchase, household income, house price and mortgage payment.

- The impact of parental assistance on age of purchase was greater in London. Assisted FTBs' average age at purchase was around 29 years both in London and the rest of England, but the average for unassisted FTBs in the capital was 33.6 years, higher than elsewhere (30.6 years). Thus, in London, assisted children became FTBs 4.6-years earlier than their unassisted counterparts. In the rest of England, parental help reduced purchase age by just two years.
- In London, the average household income of the assisted group (£61.3k) was £5.1k below than the unassisted equivalent (£66.4k). In the rest of England, the difference between the two groups was much narrower. The average of the assisted FTBs was £40.9k, which was only £1.3k below the unassisted equivalent of £42.4k.
- In London, the average house price was much lower for assisted FTBs (£255k) than for unassisted FTBs (£325k), a difference of some £70k. Outside London, the average for the assisted group (£156k) was only marginally above the unassisted equivalent (£152k).

- In London, assisted FTBs' weekly equivalent mortgage payment was £205, £50 below the unassisted level of £255, due in part to the fact they purchased lower priced homes. In the rest of England assisted FTBs' mortgage payments were around £9 below the payments due from unassisted FTBs, again due to differences in the prices of homes purchased.

Table 4.2.1. Comparison of FTBs receiving or not receiving parental help by way of gift of money or loan in terms of age of purchase, household income, house price and mortgage payment.

Variable	London			Rest of England			DL - DR
	mean		difference (DL)	mean		difference (DR)	
	with	without	with - without	with	without	with - without	
Age of purchase	29.0	33.6	-4.6	28.6	30.6	-2.0	-2.6
HI	61,258	66,443	-5,185	40,897	42,241	-1,344	-3,841
HP	255,446	325,413	-69,967	155,871	152,052	3,819	-73,786
MP	204.84	255.21	-50.37	135.15	126.35	8.80	-59.17
HP to HI	4.81	5.30	-0.49	4.31	4.15	0.16	-0.65
MP to HI	18.1%	22.0%	-3.9	18.5%	16.6%	1.9	-5.8

Notes & source: as Table 3.1.1. For abbreviations, see Table 4.1.1.

4.3 Parental Help: Inheriting money

Table 4.3.1 compares FTBs who bought a home with inherited money and those without that form of help in terms of age of purchase, household income, house price and mortgage payment.

- The average purchase age was around 30 years for both FTB groups although the average income of assisted FTBs was £7.6k lower than the average for unassisted FTBs and their average house price was lower by some £5.3k.
- Inheriting money enabled FTBs to have lower borrowings than their unassisted counterparts and consequently much lower mortgage payments (by £65 per week).
- While the assisted FTBs' house price to household income ratio was higher than the unassisted equivalent, their mortgage payment to household income

percentage was 4.9-points below the unassisted level.

Table 4.3.1. Proportions by household type of FTBs with and without parental help (inheriting money): England (%)

Average of	unit	with	without	with – without
Age at purchase	years	30.3	30.5	-0.2
Household gross income (HI)	£s	40,100	47,694	-7,594
Purchase price of home (HP)	£s	183,517	188,782	-5,265
Weekly mortgage payments (MP)	£s	95.41	160.49	-65.08
HP to HI	ratio	6.20	4.23	1.97
MP to HI	%	13.6%	18.5%	-4.9

Notes & source: as Table 4.1.1.

4.4. Assisted and unassisted FTB household composition and economic status

Tables 4.4.1 and 4.4.2 set out the proportions of the assisted and unassisted FTBs by household composition and economic status of household reference person (HRP) respectively.

- Assisted FTBs accounted for a relatively large proportion of all single households (31.7%), compared with the unassisted counterparts (19.8%).
- Couples with children accounted for a far lower proportion (13.4%) of assisted FTBs compared to the unassisted group where they accounted for 30.4% of the total.
- Couples without children accounted for just over 40% of both assisted and unassisted FTBs.
- 90.4% of the assisted FTBs were in full or part time employment. 4.5% were unemployed and 5.1% were economically inactive but not in full-time education. Unsurprisingly, unassisted FTBs were more likely to be employed.

Table 4.4.1 Household composition of assisted and unassisted FTBs; inheritance (money): England (%)

Household type	with	without	with - without
Couple only	44.0	41.1	2.9
Couple with dependent child(ren)	13.4	30.4	-17.0
Lone parent with dependent child(ren)	3.9	1.7	2.2
Other multi-person households	7.0	7.1	-0.1
One person	31.7	19.8	11.9

Notes & sources: as Table 3.1.1.

Table 4.4.2 Economic Status of assisted and unassisted FTBs; cash inheritance England (%)

	with	without	with - without
Full time work	86.4	92.1	-5.7
Unemployed or inactive	9.6	1.5	8.1

Notes & sources: as Table 3.1.1.

4.5 Assisted and unassisted FTBs by bedroom count and bedroom standard

Tables 4.5.1 and 4.5.2 set out the proportions of the assisted and unassisted FTBs by bedroom count and bedroom standard of the purchased home respectively.

- The largest difference between the assisted and unassisted groups was observed in the one-bedroom category where the former had 14.2% and the latter only 3.4%. This is consistent with the observation from the earlier finding that there were more single households in the assisted group.
- 72.8% of assisted FTBs had one or more extra bedrooms while even more unassisted FTBs had extra bedrooms, at 79.1%.
- 24.5% of the assisted FTBs were just at the bedroom standard. The equivalent proportion for the unassisted group was a little lower at 19.3%.

Table 4.5.1 Proportions by bedroom count of FTBs with and without parental help (inheriting money): England (%)

Bedroom count	with	without	with - without
1	14.2	3.4	10.8
2	34.1	38.3	-4.2
3	43.8	46.8	-3.0
4+	7.9	11.5	-3.6

Notes & sources: as Table 3.1.1.

Table 4.5.2 Proportions by bedroom standard of FTBs with and without parental help (inheriting money): England (%)

	with	without	with - without
Below standard	2.6	1.5	1.1
At standard	24.5	19.3	5.2
One above standard	31.8	44.0	-12.2
Two or more above standard	41.0	35.1	5.9

Notes & sources: as Table 3.1.1

4.6 Assisted and unassisted FTBs by mortgage type and mortgage interest

Tables 4.6.1 and 4.6.2 set out the proportions of assisted and unassisted FTBs by mortgage type and mortgage interest type respectively.

- Almost all the assisted (95.9%) and unassisted (96.2%) FTBs opted for repayment mortgages (capital and interest payments).
- 96.7% of the assisted FTBs' opted for fixed rate mortgages. The equivalent proportion for unassisted FTBs is 77.9%.
- Although not reported in table form below, neither FTB groups reported being in arrears with their mortgages within the observation period (the first four years of homeownership).

Table 4.6.1. Proportions by mortgage type of FTBs with and without parental help (inheriting money): England (%)

	with	without	with - without
Repayment (interest & part of loan)	95.9	96.2	-0.3
Interest only, mixed or other types	4.1	3.8	0.3

Notes & Source: As Table 3.1.1.

Table 4.6.2 Proportions by mortgage interest type of FTBs with and without parental help (inheriting money): England (%)

	with	without	with - without
Fixed	96.7	77.9	18.8
Variable, capped, others	3.3	22.1	-18.8

Notes & source: as Table 3.1.1

4.7 Parental Help form: Selling a property

Table 4.7.1 compares FTBs who bought a home from parents with those who did not, in terms of age at purchase, household income, house price and mortgage payment.

- On average, children benefitting from buying from their parents became FTBs 1.8-years earlier than unassisted FTBs although their average household income was £5.7k below the latter group. Moreover, the price of the home they purchased was 50.8k lower than their unassisted equivalent, which suggests this group of assisted FTBs may have purchased their homes at sub-market prices. Their mortgage payments were around £16.50 pw below those of their unassisted counterparts.
- This group had a house price to household income ratio some 0.65-points below their unassisted equivalents although their mortgage payment to household income ratios were similar.

Table 4.7.1 Comparison between FTBs with and without parental help (selling a property): England (%)

variable	unit	with	without	with – without
Age at purchase	years	28.7	30.5	-1.8
Household gross income (HI)	£s	41,386	47,130	-5,744
Purchase price of home (HP)	£s	138,741	189,575	-50,834
Weekly mortgage payments (MP)	£s	138.38	154.85	-16.47
HP to HI	ratio	3.79	4.44	-0.65
MP to HI	%	20.0%	18.0%	2.0

Notes & source: as Table 4.1.1.

4.8 Parental Help: Inheriting a property

Table 4.8.1 compares FTBs who inherited a dwelling to live in with those without that type of benefit in terms of age of acquiring and household income. The average age of acquiring was 36.6 years for the assisted group, 6.3 years above the average age for the unassisted group. The assisted group's average income was considerably lower, some £21k less than their unassisted counterparts.

Table 4.8.1 Comparison between FTBs with and without parental help (inheriting property): England (%)

Average	unit	with	without	with - without
Age at acquiring/purchasing	years	36.6	30.3	6.3
Household gross income (HI)	£s	26,047	47,434	-21,387

Notes & source: as Table 3.1.1.

Section 5 the extent of parental help over the past two decades

This section examines changes in patterns of parental help by way of cash or a loan over the past two decades in England. London is again singled out for comparison with the rest of the country.

Key findings in this section

The extent of parental help over the past two decades

- Until recently, the proportion of FTBs in England receiving money or loans from parents had fluctuated between 20 and 30%. However, the current figure is 34.1%, an historic high. Although lower, the latest proportion of EOs receiving financial help from parents is also at an historic high.
- The percentage of FTBs in London who receive financial help from parents has been above the 30% level for the past two decades, perhaps reflecting higher house price levels in the region, higher net disposable incomes, or both.⁸ The percentage of FTBs in the rest of England who received financial help from their parents rose above 30% for the first time in 2013/14, suggesting the problem of affordability is becoming more widespread.
- The proportion of FTBs inheriting money fluctuated over the past twenty years, but there has been a moderate upward trend.

5.1 Change in parental help in England – Gift of money or a loan.

Figure 5.1.1 sets out the changes in the numbers and proportions of home purchasers receiving or borrowing money from their parent by acquirer type (FTB or EO). The proportion of first time buyers (FTBs) moved in a range of 20 to 30% until 2012/13. After bottoming at 20.2% in 2010/11, it kept increasing. In 2013/14, it reached the historically high level of 34.1%.

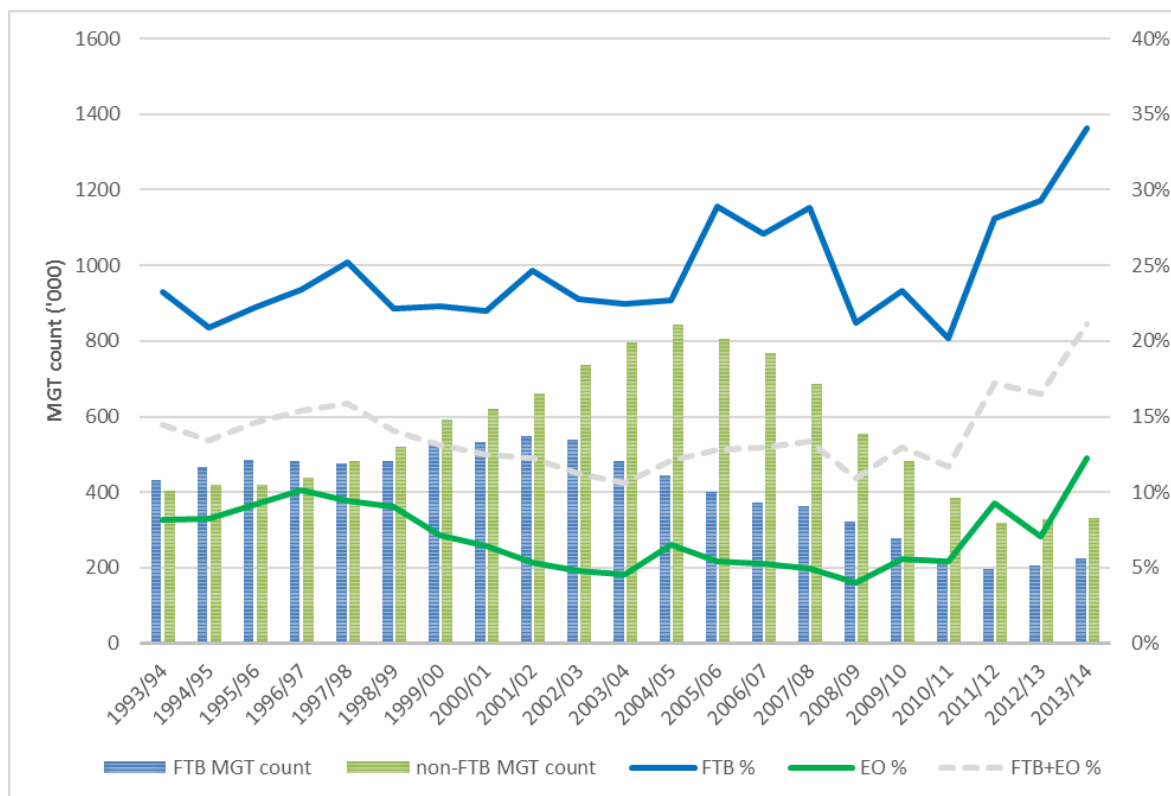
- FTB counts measured by the number of mortgages is currently at the relatively low level of 200,000. The recent modest increase in FTBs obtaining mortgages would appear to be largely due to parental help.
- The period saw a robust increase in mortgages for non-FTBs, hinting that the proportional decline was due to increased availability or take-up of mortgages for EOs or re-mortgaggers without parental help. However, the latest proportion of EOs buying with parental help is historically high at 12.3%, but the

⁸ Office for National Statistics. 2016. "Statistical Bulletin: Regional gross disposable household income (GDHI): 1997 to 2014."

<http://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/bulletins/regionalgrossdisposablehouseholdincomegdhi/2014>: Office for National Statistics.

mortgage count is low, at around 330,000.

Figure 5.1.1 Proportion of home buyers with parental help (giving money / loan) and mortgage counts: England (%)

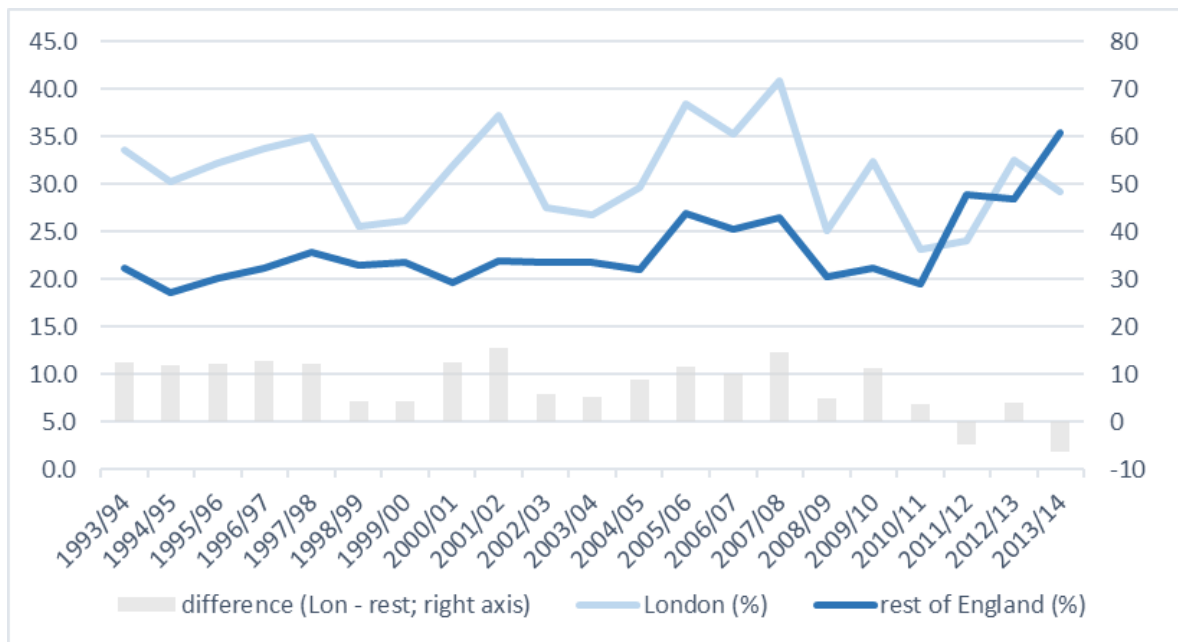


Note: FTB+EO is total % receiving parental help. The proportions were drawn from four-year pooling data ending in each year. The counts were four-year rolling average ending in each year. Source: Authors' calculation drawing on SHE and EHS (proportions) and CML (MGT count).

Figure 5.1.2 sets out the changes in the proportions of FTBs with parental help for London and the rest of England.

- London's percentage of FTBs receiving parental help fluctuated mainly within a range from 25% to 40% and has historically been around 10 percentage points higher than the number for the rest of England. However, the latest four years has seen this reverse. The percentage of FTBs receiving parental help is now higher for the rest of England. This may be because more potential FTBs in London who otherwise would have sought to buy in London are now purchasing homes outside the capital as the problem of affordability has become more acute there.

Figure 5.1.2 Proportion of FTBs with parental help (giving money / loan): London and the rest of England (%)



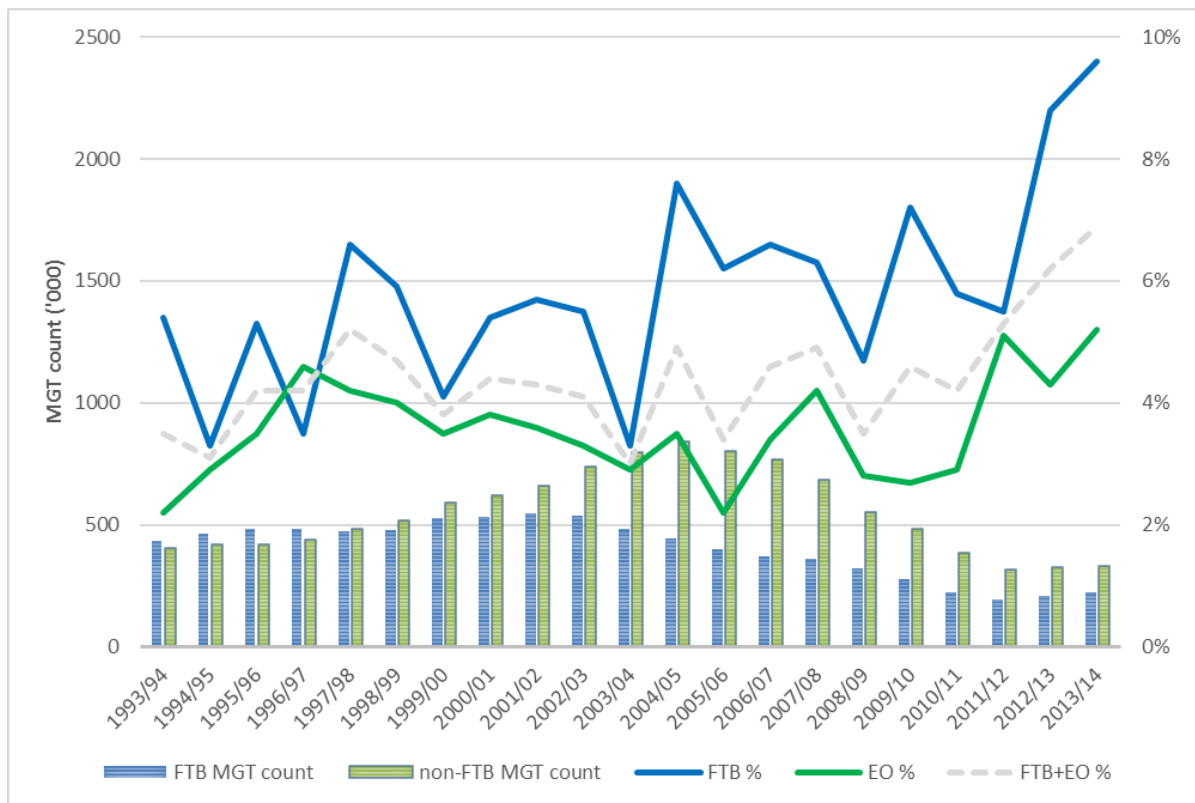
Notes & source: as Table 5.1.1.

5.2. Change in parental help in England - inheritance (money)

Figure 5.2.1 sets out the changes in the numbers and the proportions of home purchasers using inherited money from their parents to acquire property (FTB or EO).

- The proportion of first time buyers (FTBs) using inherited money has been relatively insignificant, but has increased sharply since 2009/10, from just under 6% to just under 10% suggesting parents may be increasingly taking the housing of their children into account when making their wills.

Figure 5.2.1 Proportion of home buyers with parental help (inheriting money) and mortgage counts: England (%)



Notes & source: as Table 5.1.1.

Section 6 the impact of parental help over the past two decades

This section presents comparative trends of demographic and socio-economic aspects of FTBs with parental help and those of FTBs without such help in England. Again, London is considered separately from the rest of England where relevant.

Key findings in this section

- On average, for the past twenty years, FTBs in England receiving money or loans have been younger than those who did not receive such parental help.
- The age difference between assisted and unassisted FTBs across England ranged from one to three years over the period, and was at its lowest in the early 2000s. London had the largest age difference for assisted and unassisted FTBs, rising above three years some eight times in the past two decades while the rest of England never experienced such a significant difference.
- The proportion of FTB couples with children is increasing, accounting for more than 50% of unassisted FTBs for the first time in 2007/08. The number of assisted FTB couples with children exceeded the number of single assisted FTBs for the first time in 2013/14.
- Before the global financial crisis, assisted FTBs could, on average, have afforded a higher priced home than unassisted FTBs, given similar levels of income. However, this has now changed. Over the past three years assisted FTBs had lower income and bought a lower priced house than the unassisted FTBs. Nonetheless, over the past two decades, there has been little difference between the mortgage payments of assisted and unassisted FTBs as a percentage of income.

6.1 Parental help by way of gift or loan to FTBs - England

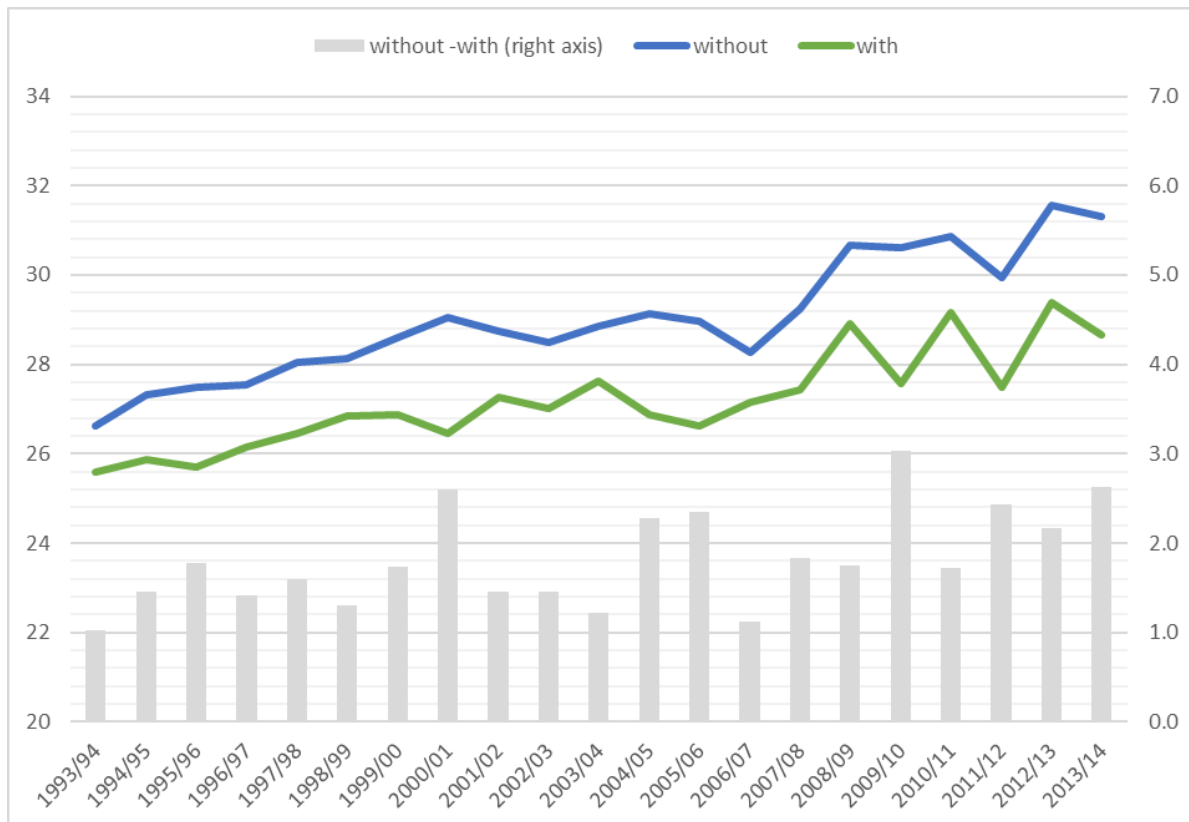
FTBs using gift or loan: Age at purchase

Figure 6.1.1 presents the average age of FTBs since 1993/94 in England who received parental help in the form of a gift or a loan compared to FTBs who received no such help.

- Overall, the average ages for both groups showed an upward trend with some fluctuations. The age at purchase of assisted FTBs has risen from 25.6 to 28.7 years while the age at purchase for their unassisted equivalents has risen from 26.6 to 31.3 years.

Assisted FTBs' age at purchase has always been lower than the equivalent for unassisted FTBs. The difference between the two indicators was greater than one year but narrower than three years over the observation period. Currently the difference is over two years.

Figure 6.1.1 Average age of FTBs with or without parental help (gift of money or a loan)

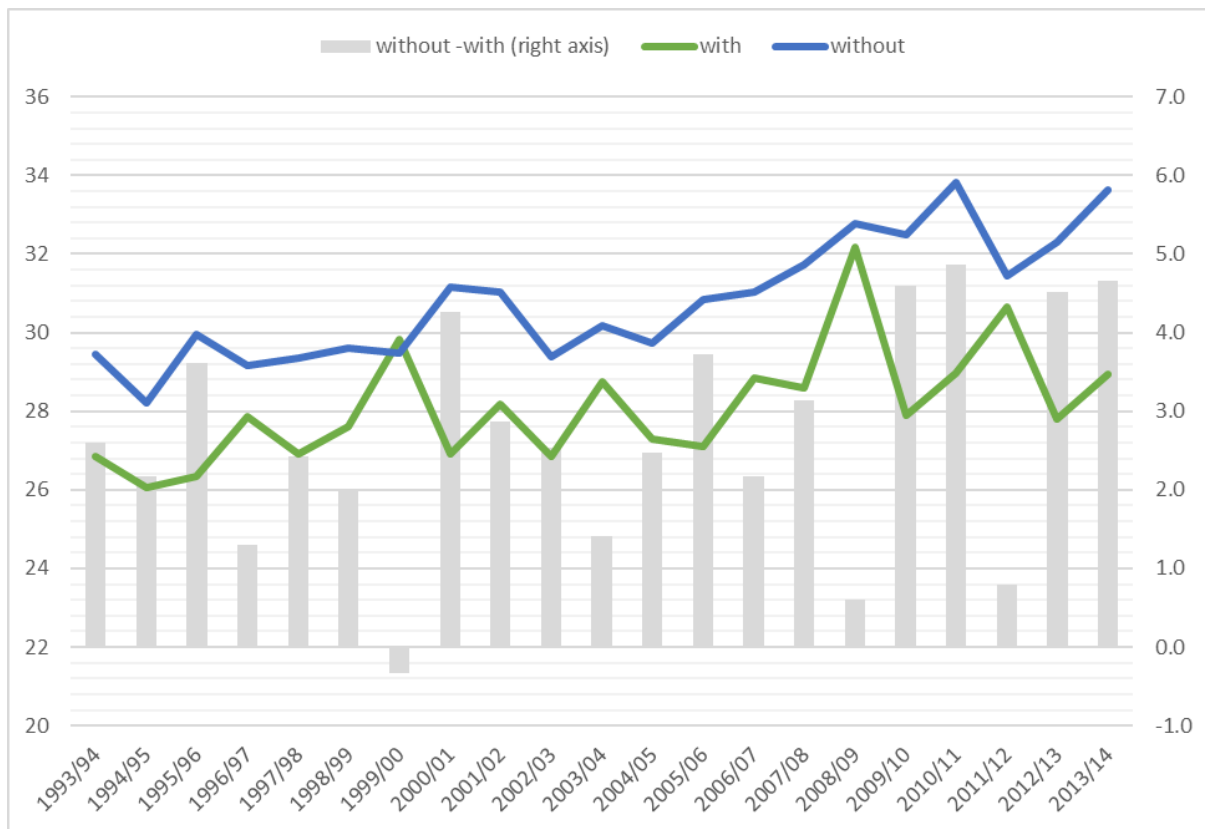


Notes & source: as Table 5.1.1.

Figures 6.1.2 and 6.1.3 show average age at purchase over the past twenty years for London and the rest of England respectively.

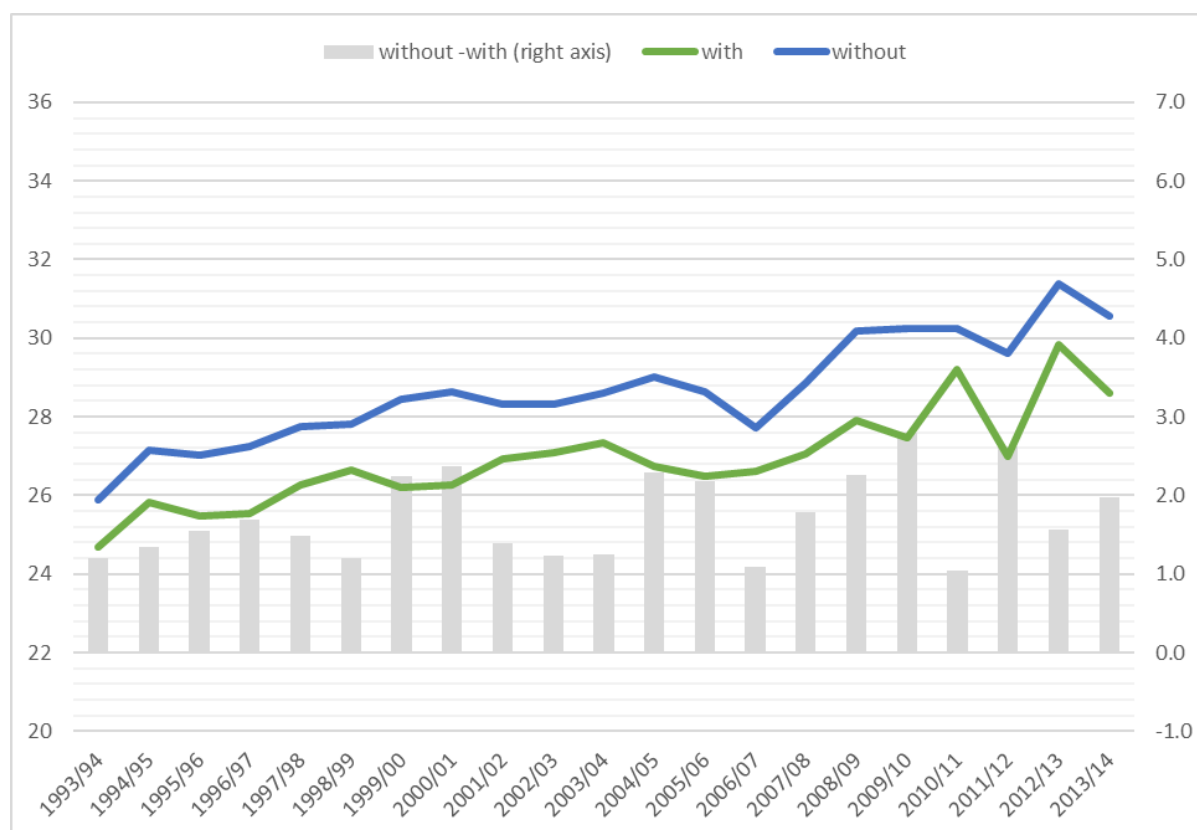
- FTBs with parental assistance have consistently been able to purchase at a lower age than their unassisted counterparts although both groups could purchase at a lower age outside London. The difference in age at purchase between assisted and unassisted FTBs was generally greater in London where it was more than three years for almost half of the twenty-year observation period.

Figure 6.1.2 Age of purchase London



Notes & source: as Table 5.1.1.

Figure 6.1.3 Age of purchase; rest of England



Notes & source: as Table 5.1.1.

FTBs using gift or loan: Incomes, house prices and mortgage

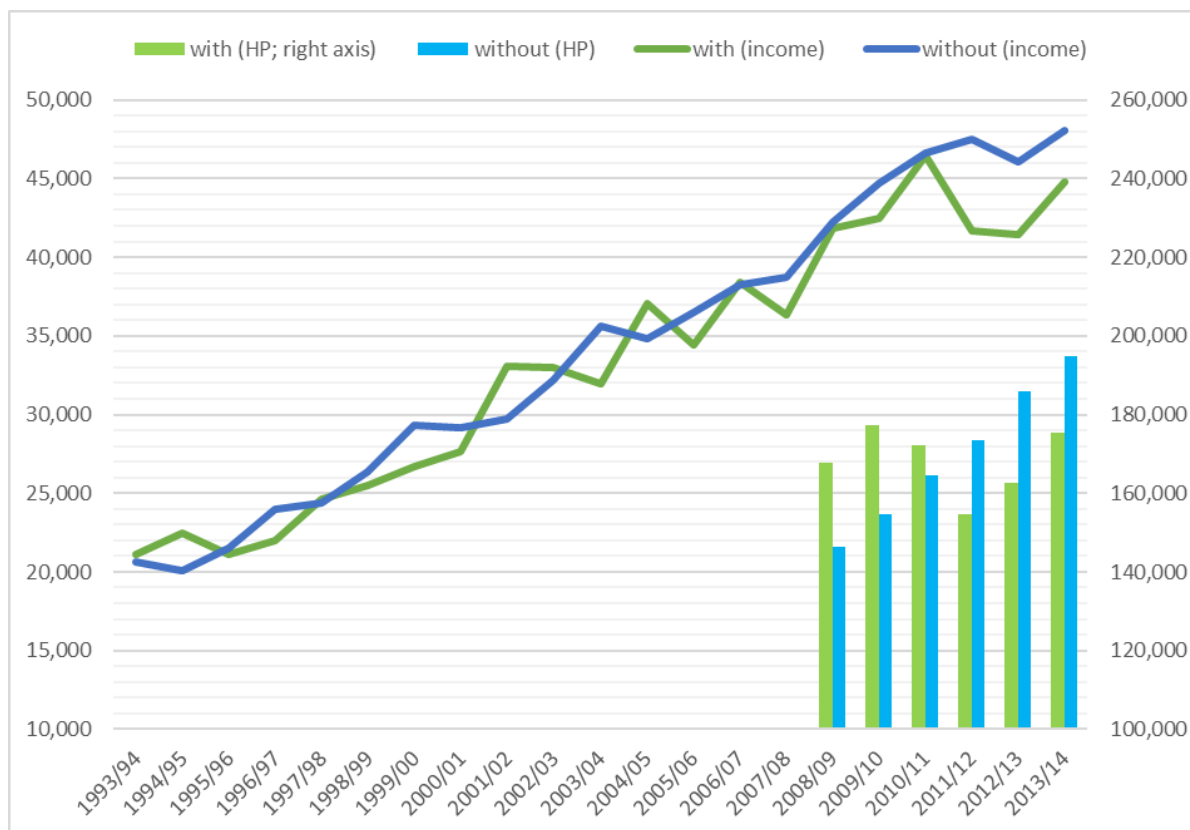
Figure 6.1.4. compares average household incomes and house prices⁹ for FTBs receiving and not receiving parental help in the form of a gift or loan.

- Until 2010/11, household incomes and house purchase prices for both assisted and unassisted FTBs rose almost every year, although the incomes of those buying with parental help fluctuated more than their unassisted counterparts.¹⁰
- From 2008/09 to 2010/11, the incomes of FTBs buying both with and without parental assistance had been similar although the former had purchased higher priced homes, perhaps using money from parents to support purchases in higher priced areas such as London. Since then those buying with parental help have had markedly lower incomes than those buying without such help and have purchased at marked lower prices.

⁹ Only available for assisted/unassisted purchases from 2008/09.

¹⁰ Note the figures are calculated using a 4-year pooling average so the impact of the global financial crisis appears later.

Figure 6.1.4. Household gross income (£s p.a.) and house price (£s)

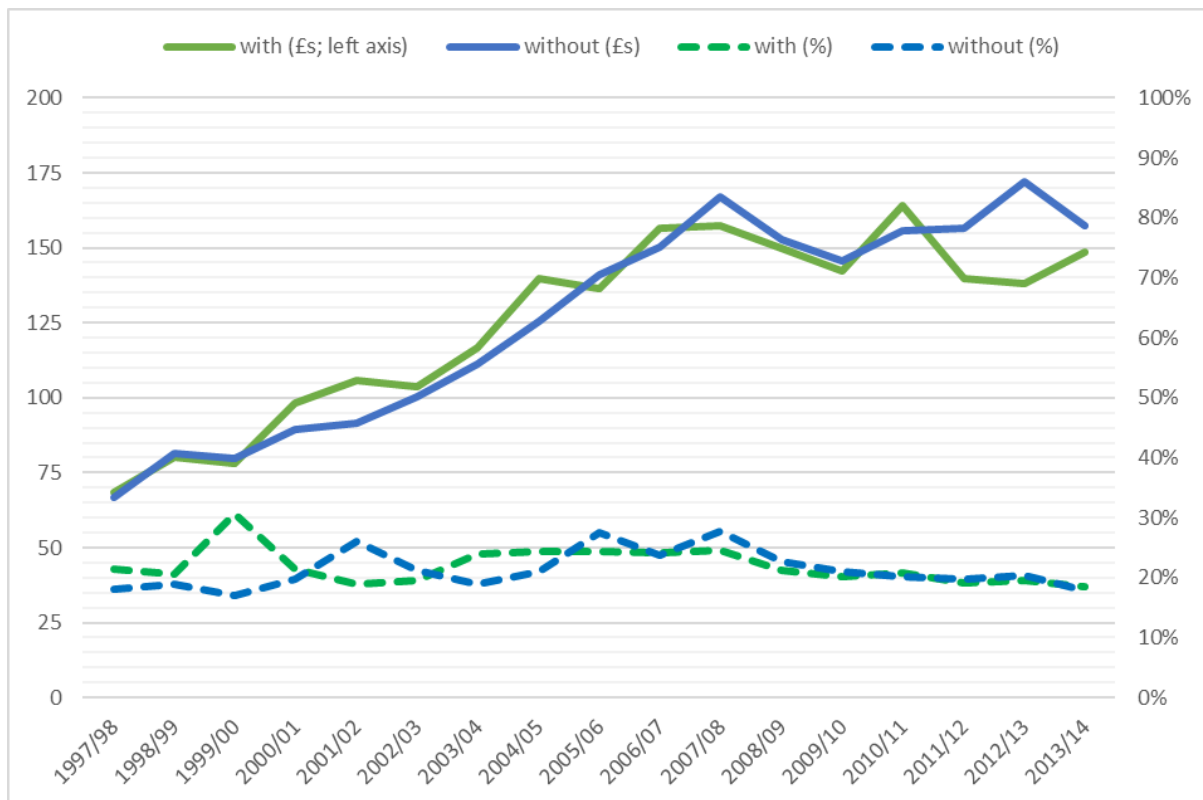


Note: Inflationary unadjusted prices. Other notes & source: as Figure 5.1.1.

Figure 6.1.5. tracks average mortgage payments in absolute terms and relative to income for both those receiving parental help and those not receiving parental help.

- Reflecting average house price movement shown above, average mortgage payments in absolute pound terms remained similar for most of the period for which data are available apart from the last three years, although the gap is now closing again.
- Mortgage payments as a percentage of income has been almost the same for both assisted and unassisted FTB groups for most of the past fifteen years or so for which data are available.

Figure 6.1.5. Mortgage payment (£s p.w. and % as ratio to income)



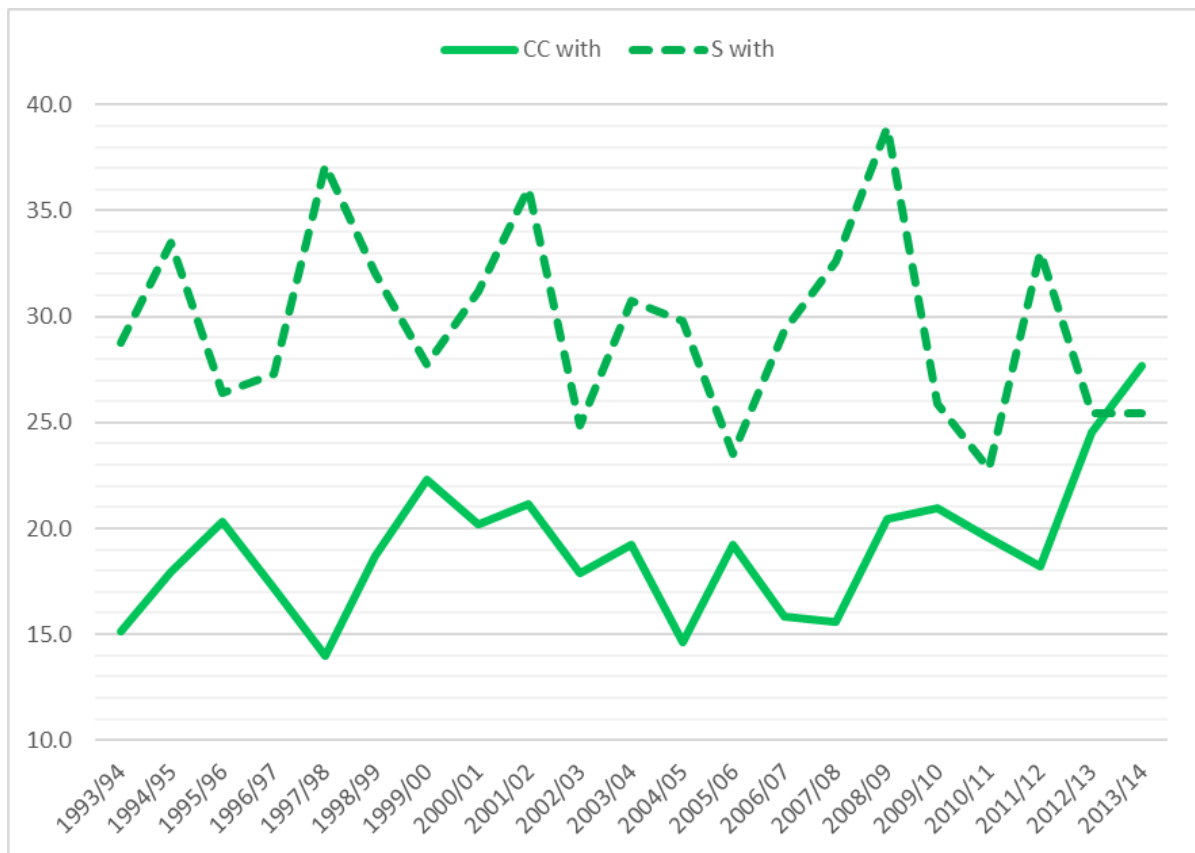
Note: Data only available from 1997/98. Other notes & source: as Figure 5.1.1.

FTBs using gift or loan: household composition and property size

Figure 6.1.6. compares the proportion of FTB couples with children (CC) receiving parental help with single (S) FTBs receiving parental help. Figure 6.1.7. compares the proportion of FTB couples with children (CC) not receiving parental help with single (S) FTBs not receiving parental help.

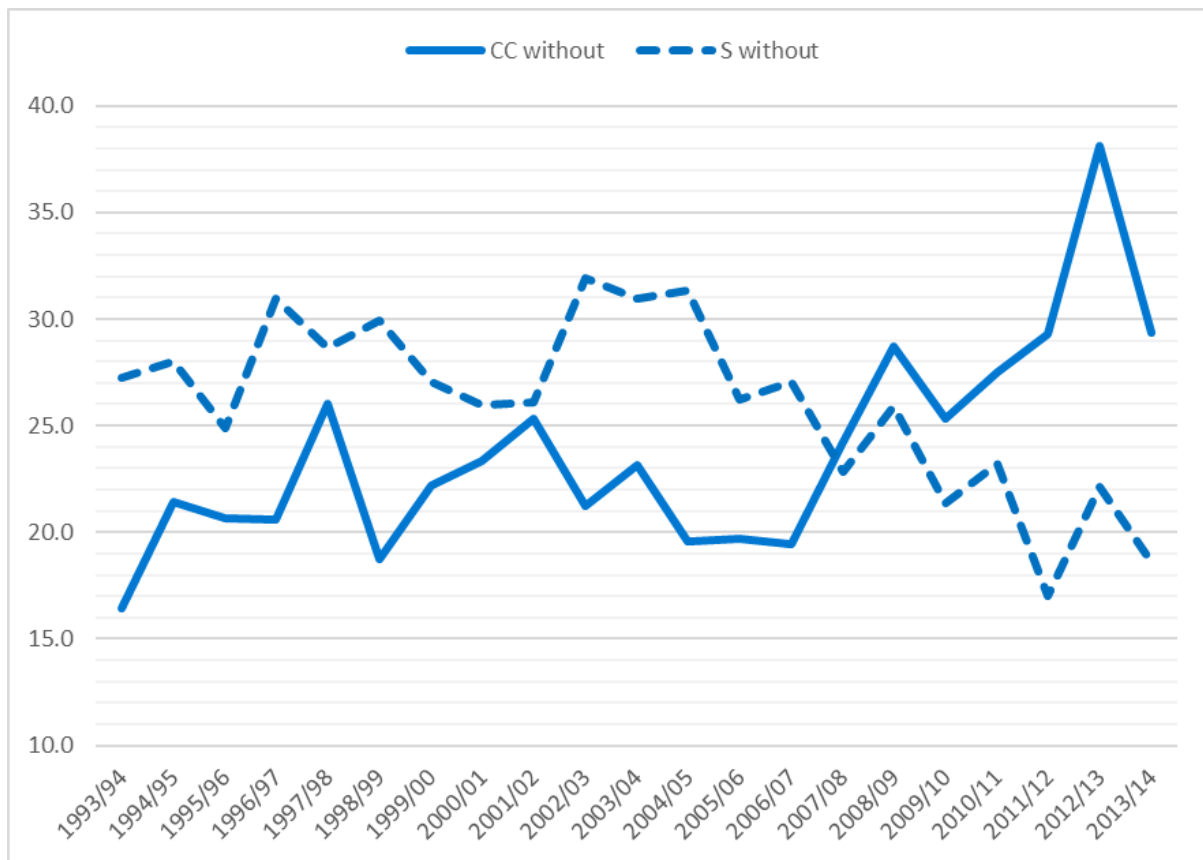
- The percentage of FTBs receiving parental help who were couples with children fluctuated from 14% to 22% of all FTBs until 2012/13 but has increased rapidly over the last two years and now accounts for more FTBs receiving assistance than do their single counterparts. The latter group's proportion has been erratic but has decreased slightly over time.
- While the same movements can be seen amongst the FTB population who did not receive parental help, couples with children outnumbered single FTBs much earlier, in 2007/08.

Figure 6.1.6. Proportions of couples with children (CC) and single (S) FTBs receiving parental help (gift or loan)



Notes & source: as Table 5.1.1.

Figure 6.1.7. Proportions of couples with children (CC) and single (S) FTB not receiving parental help (gift or loan).

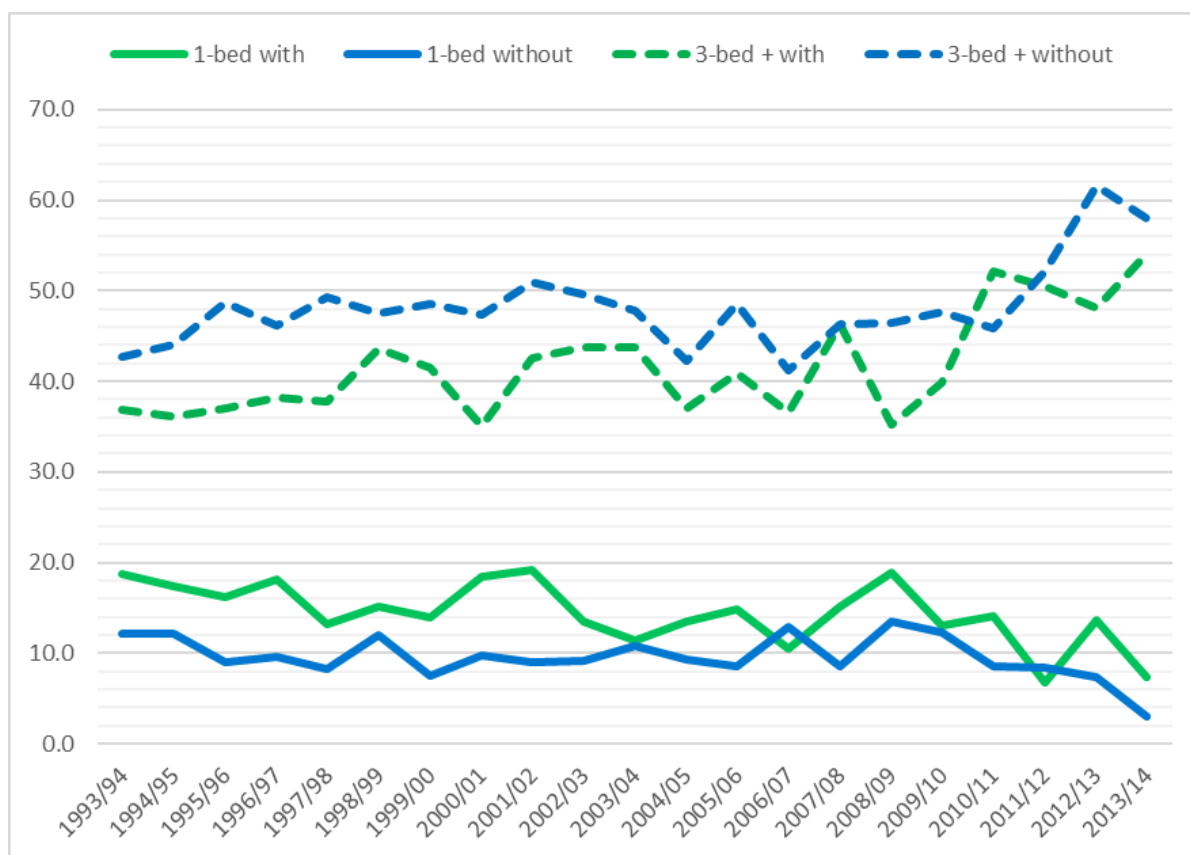


Notes & source: as Table 5.1.1.

Figure 6.1.8. shows the proportion of one-bedroom and three-bedroom properties for FTBs with and without parental help respectively. They represent respectively size of property suitable only for FTBs without children and size of property more likely to be purchased by FTBs with children. Two-bedroom properties are less indicative of FTB household type and are not shown.

- While numbers have decreased over time, a higher proportion of one bedroom properties have generally been purchased by FTBs receiving parental assistance than those not receiving parental assistance although now the numbers have been closer since 2003/04.
- On the other hand, three bedroom properties have become more popular with FTBs over time, but while previously unassisted FTBS accounted for more of these properties the gap has closed over the past decade.

Figure 6.1.8. Size of FTB property purchased: proportion of 1-bed and 3-bed or larger properties



Notes & source: as Table 5.1.1.

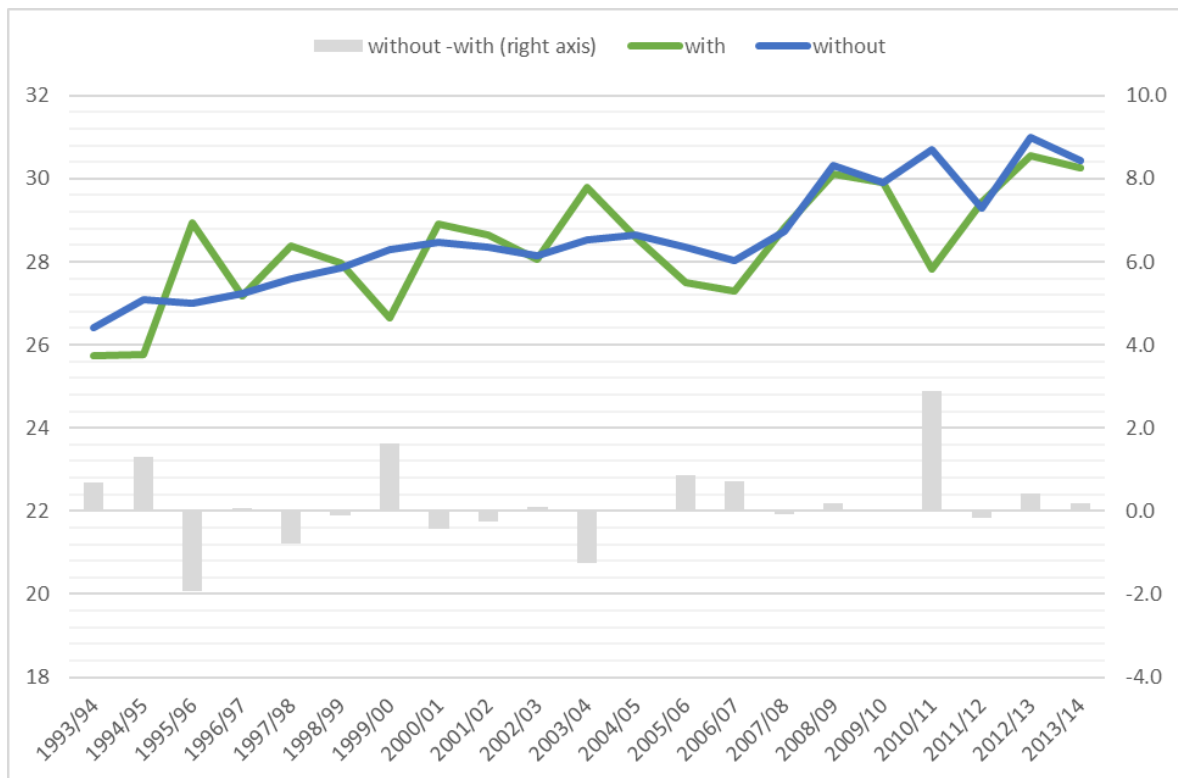
6.2. FTBs using inherited money to fund home purchase - England

FTBs using inherited money: Age at purchase

Figure 6.2.1 compares the average age at purchase of unassisted FTBs with those using inherited money over the period since 1993/94 in England.

Overall, the average ages for both groups rose through the observation period, but the upward shift of age of those FTBs benefitting from inherited money was somewhat unsteady. From 25.7 years at age of purchase the assisted FTB age increased to 30.3 years while the unassisted equivalent increased from 26.4 to 30.5 years. In general, the difference between the two indicators (measured by “without – with”) has been small and has moved erratically.

Figure 6.2.1 Average age of FTBs with or without using inherited money; England



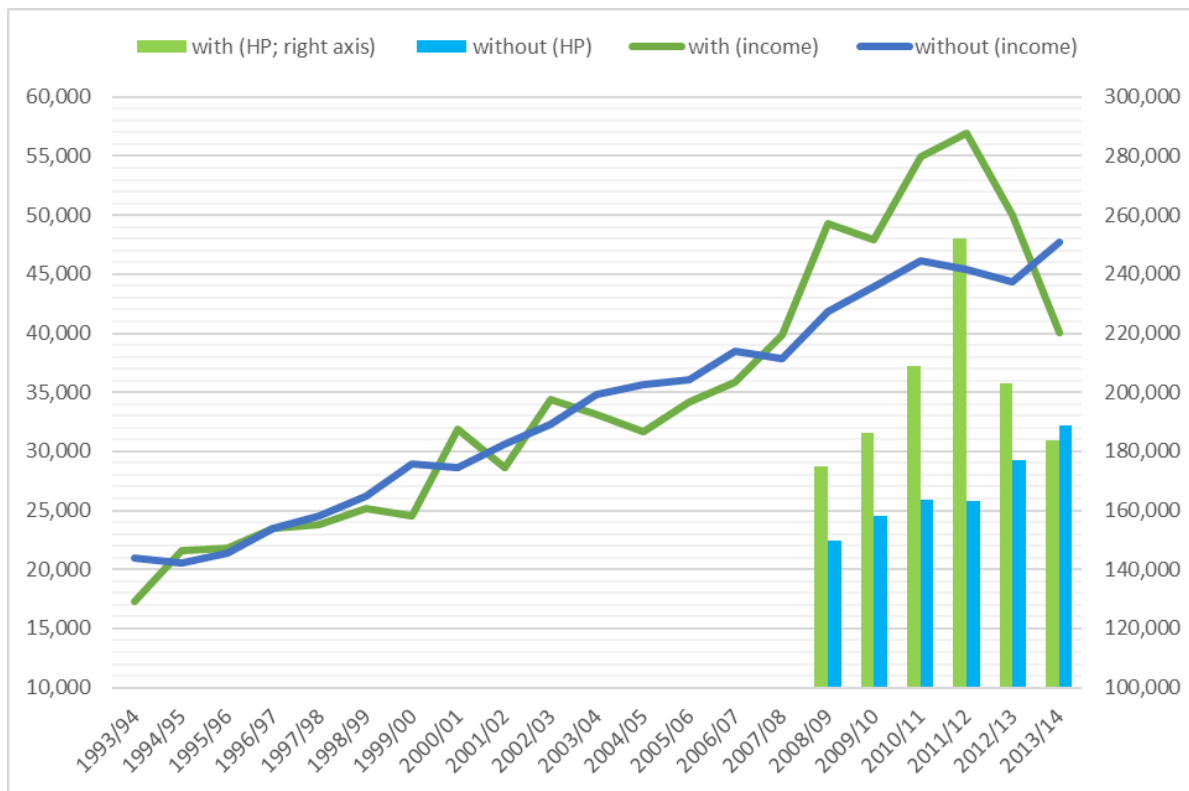
Note & source: as Figure 5.1.1.

FTBs using inherited money: Income; house price and mortgage

Figure 6.2.2 compares average household incomes and house prices for FTBs receiving help in the form of inherited money and those not receiving help in England since 1993/94.

- Prior to 2007/08 the incomes of FTBs receiving or not receiving inherited money were similar. From that point, although incomes and house prices paid moved in parallel the averages for both incomes and house prices paid were higher for those FTBs benefitting from an inheritance. However, that pattern has reversed in the last year with FTBs not benefitting from inheritances now having higher incomes and paying more for their first property.

Figure 6.2.2 Household gross income (£s p.a.)

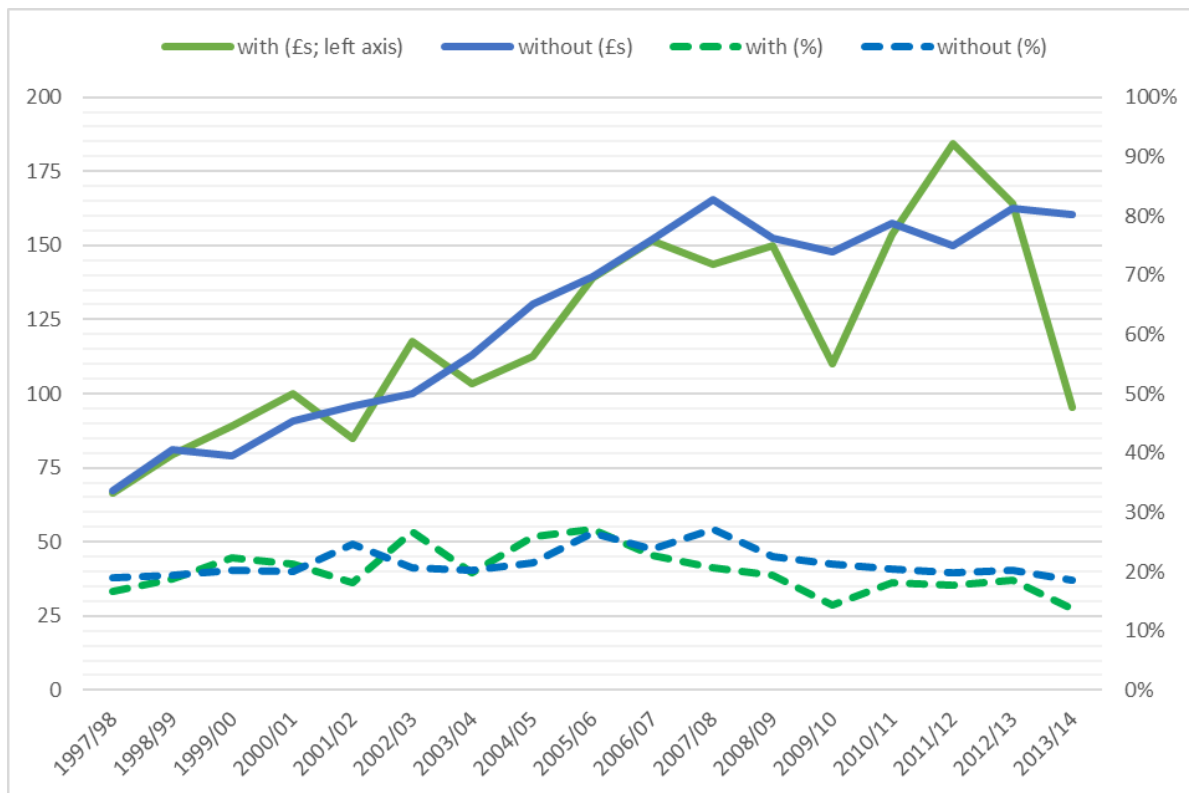


Note & source: as Figure 5.1.1.

Figure 6.2.3 tracks average mortgage payments in absolute terms and relative to income for both those receiving inheritances and those buying without assistance.

- The ratio of mortgage payment to income of FTBs inheriting money has been marginally lower than their unassisted counterparts since 2006/07. However, since around 2008/09, the mortgage payments of the former have fluctuated far more than those of the latter.

Figure 6.2.3 Mortgage payment (£s p.w. and % as ratio to income)



Note & source: as Figure 5.1.1.

Section 7 projection of FTBs with parental help over the next few decades

This section examines the current potential for parents to provide financial assistance to their children to help with purchasing a home and then projects forward using three different scenarios based on three different assumptions about economic circumstance in the UK going forward twenty-five years.

Key findings in this section

- In the UK, more than 30% of households with dependent children currently hold assets that could, in due course, be used towards a deposit for the purchase of a home. Although there are definitional differences, the number is broadly comparable with the latest figure (34%) for FTBs receiving parental financial assistance in England.
- The percentage increases with income, but even 28.8% of households in the lower quartile income band have suitable assets.
- Surprisingly, 35.9% of lone parents also hold suitable assets but this number excludes those in multiple-family households who may reasonably be expected to have lower incomes.
- However, in respect of social mobility it should be noted that only ten percent of households without any formal educational qualifications over two successive generations have plans of any sort to assist their children with homeownership.
- Numbers of future FTBs are projected to rise slightly in the short term then fall gradually over the next twenty-five years. The speed and extent of the rise and fall will be determined by the robustness of the economy.
- If economic activity remains at the baseline scenario level for the next twenty-five years the proportion of assisted FTBs will reach 40.6% by 2023/24 after which it is projected to gradually decline, although it will remain above 30%.
- If economic activity increases, the proportion of assisted FTBs is projected to rise slightly faster, reaching a peak of 39.0% by 2021/22. Thereafter it will decline, as fewer FTBs will require assistance. By 2039/40 it will have fallen to 2005/06 levels.
- If economic activity weakens, the proportion of assisted FTBs is projected to remain at current levels, around 34%, until 2024/25 and to then increase gradually to just under 40% where it will remain for the period running up to 2039/40. However, under this scenario, the absolute number of FTBs,

particularly unassisted FTBs, is projected to fall furthest.

7.1. Planned availability of assets to assist children with purchase of home

Calculations based on data from the Wealth and Assets Survey (WAS)¹¹ show that 31.3% of households with one or more dependent children have assets available that could be used to assist with a deposit on a home, whether to buy or rent.¹² However, this percentage cannot be straightforwardly interpreted as equating to the future proportion of FTBs who will receive money from their parents due to potential overestimates and underestimates.¹³ Nonetheless, if these factors are assumed to offset each other to some extent this percentage is comparable to the 34.1 FTBs in England currently receiving parental assistance by way of money or a loan. It therefore seems reasonable to use the WAS figures to assess the availability of parental assets that could be used to assist with children's home purchase going forward.

Table 7.1.1 sets out the availability of identifiable assets to help with a deposit for home purchase or rent by the household reference person's (HRP) age band.

- Over 30% of households in all three age bands are calculated as having sufficient assets.

¹¹ WAS is a biennial longitudinal survey with approximately 20,000 household interviews across Great Britain. The latest survey was undertaken between 2012 and 2014. WAS is funded by a consortium of government departments: Department for Work and Pensions; HM Revenues and Customs; HM Treasury; Financial Conduct Authority; Scottish Government and the Office for National Statistics.

¹² Authors' calculation drawing on the relevant count and weight given in WAS datasets.

¹³ This figure could be an overestimate because:

- The questionnaire refers to assets available for a deposit either to buy or to rent
- With multiple children, the assets may not be available for or used for all of them.

This figure could be an underestimate because:

- Assets allocated to a different purpose could be used for children's home purchase.
- Even households with no identifiable useable assets could borrow to help

Table 7.1.1. shows planned availability of assets to assist children with purchase of home, by household reference person’s age band

age band	% households with available assets	mid age of the band	Likely child age now	Likely timing when child becomes FTB
25 to 34	35.5	30	0	30 years later
35 to 44	32.6	40	10	20 years later
45 to 54	30.3	50	20	10 years later

Source: Authors’ analysis drawing on WAS Wave 4.

Table 7.1.2 shows the number of households by quartile with some sort of assets available to assist their children with homeownership. Note that household income is measured as gross household income excluding all benefits.¹⁴

- More than 30% of households whose income is at or above the lower quartile are preparing to help their children. One third of households in the top quartile are doing so and almost 30% of those in the lower quartile have identifiable assets with which to assist their children with home purchase or deposit for rent. These figures suggest the current level of FTBs receiving assistance by way of money or a loan is sustainable into the next generation.

Table 7.1.2 Households % with planned availability of assets to assist children with purchase of home, by household income quartile excluding all benefits

income band	%
<Lower quartile	28.8
Lower quartile - median	31.0
Median - upper quartile	31.2
>Upper quartile	33.4

Source: As Table 7.1.1.

¹⁴ Average figures were calculated from WAS Wave 4 as used in Table 7.1.1. The average annual gross income after benefits of those having assets available is calculated as £50,425. The equivalent figure for those not having available assets is calculated as £45,470.

Table 7.1.3 shows the breakdown by household composition of those with identifiable assets available to help with home purchase.

- 34.5% of couples with dependent children are calculated to have identifiable assets.
- However, the group by household type with the largest percentage of households able to identify suitable assets are lone parents, at 35.9%. This higher than expected figure may be because significant numbers of lone parents are ‘concealed,’ identifying as lone parents but within multiple family or multigenerational households.

Table 7.1.3. Breakdown by household composition of those with planned availability of assets to assist children with purchase of home

	%
Couple and dependent children	34.5
Lone parent and dependent children	35.9
More than one family, other household types	7.3

Source: As Table 7.1.1.

Table 7.1.4 sets out the breakdown by highest socio-economic status of a reference person or his/her partner of those with identifiable assets available to help with home purchase. The status categories are from the National Statistics Socio-economic Classification (NSSeC).

- Unsurprisingly, the higher the status, the higher the proportion able to identify assets to help their children with a deposit for rent or home purchase. Thus, managerial and professional occupations had the highest level, at 36.1%, followed by intermediate occupations at 30.6%, with routine and manual occupations and those who have never worked, respectively just above or below 25%.

Table 7.1.4 Planned availability of assets to assist children with purchase of home by highest NSSeC of HRP or partner.

	%
Managerial & prof. occupations	36.1
Intermediate occupations	30.6
Routine & manual occupations	26.7
Never worked/long term unemployed/not classified/N.A.	23.5

Source: As Table 7.1.1.

Table 7.1.5. shows the breakdown by educational qualification of the HRP or his/her partner of those with identifiable assets available to help their children with home purchase. Table 7.1.6. disaggregates these figures further by highest educational qualification of the HRP's father or mother.¹⁵

- The difference in Table 7.1.5. between those with degree level or higher qualifications and those with no qualifications is marked, at 34.6% for the former and 17.6% for the latter.
- The proportion in Table 7.1.6. of households without qualification in two successive generations with identifiable assets to fund home purchase for their children is significantly low at 10.2%. This suggests lack of educational qualifications across successive generations would greatly decrease the likelihood of FTBs receiving parental help.

Table 7.1.5 Planned availability of assets to assist children with purchase of home, by educational qualification of HRP or partner

	%
Has qualification, degree level or above	34.6
Has qualification, other level	32.4
No qualifications/not applicable	17.6

Source: As Table 7.1.1.

¹⁵ Note that the figures do not precisely correspond due to missing records.

Table 7.1.6. Planned availability of assets to assist children with purchase of home, by HRP’s qualification and HRP parent’s qualification

		%	%	%
		HRP or partner: qualification level		
		Degree or above	Other level	No qualifications
HRP’s parent: formal education level†	Left before age 15 (or no formal schooling).	29.2	19.4	10.2
	Left school at age 15-18 (may have gained further qualifications later)	28.1	31.5	14.5
	Gained a university first or higher degree	30.6	34.6	*
Total		29.0	29.0	11.8

Note: * No records in this category. † Highest education level of HRP’s farther and/or mother. HRP partner’s parent’s education level was not considered. Due to missing records, the total percentages of HRP or partner are not identical to those in Table 7.1.5. Source: As Table 7.1.1.

Table 7.1.7 shows planned availability of assets to assist children with purchase of home, disaggregated by household tenure of the parent. Table 7.1.8 is a further breakdown of Table 7.7 by tenure in the HRP’s childhood.¹⁶

- 34.6% of mortgaged owner households have assets identified for the purpose as do 31.8 of outright owners. The proportions for private renting and social renting were lower at 25.8% and 26.9% respectively.
- Regardless of current tenure (with one exception)¹⁷ HRPs who had been in an owner occupier household as teenagers were relatively likely to have planned the availability of assets to assist their children with home purchase. This is likely to be a result of inheritance of all or part of their parent’s home.

¹⁶ Again, missing records mean totals of tables 7.1.7 and 7.1.8 do not match.

¹⁷ Private rented to owned outright - requires further research.

Table 7.1.7. Having planned availability of assets to assist children with purchase of home, by parent’s tenure

	%
Owning outright (OO)	31.8
Owning with mortgage (OM)	34.6
Private renting (PR)	25.8
Social renting (SR)	26.9

Note: Shared ownership is included with “owning with mortgage”. Source: as Table 7.1.1.

Table 7.1.8. Having planned availability of assets to assist children with purchase of home, by current and childhood tenure

		Current tenure			
		OO	OM	PR	SR
HRP's tenure when teenager	OO	31.5	23.2	13.0	24.0
	OM	32.5	34.4	31.7	30.9
	Rent *	28.1	26.6	26.5	18.5
Total		31.5	29.8	23.3	21.9

Note: * Disaggregation by public/private sector is unavailable. Due to missing values on tenure when teenager, the total percentages do not agree with the equivalents in Table 7.1.7. Source: as Table 7.1.1.

7.2. Percentage of FTBs to receive parental support going forward: Projection by times-series regression and scenario-based analysis

The second approach is to project the proportion of FTBs to receive money or a loan from parents drawing on time-series datasets and based on scenarios of the future path of housing market fundamentals and demographics. As part of this approach the number of FTBs is also projected. The core variables projected are (i) the proportion of FTBs in England receiving money or a loan from parents and (ii) the number of FTBs given mortgages in the UK. The definitions and data sources are the same as used in Section 6.)

Projection Method

Both 'assisted' FTB proportions and total FTB counts projected using time-series regression using demographic factors, housing market factors and macro-economic factors. Data availability limitations means the former data are for England while the latter are for the UK. However, the overall trends of the two geographical levels are sufficiently similar. Details of the factors' definitions and the regression results are set out in the Annex. The factors having significant impacts on the two FTB variables are:

- Factors which impact the assisted FTB proportion are not particularly significant because reliance on parental help and willingness to help children could be both pro-cyclical and counter-cyclical.
 - When the population of the parental cohort (45 to 69 years) was greater than that of the FTB cohort (20 to 39 years), the proportion of assisted FTBs will be higher.
 - When the income of non-retired households is lower, FTBs are more in need of financial assistance from their parents.
 - An increase in the housing supply may well raise the proportion of assisted FTBs but impacts from other housing market factors are unclear.
- The impacting factors on FTB counts are:
 - An increase in population at or around FTB age raises the FTB count (in the previous analysis, the median FTB age was around 30 years old).
 - An increase in the disposable income of non-retired households boosts purchasing power.
 - An increase in the housing supply raises the FTB count.
 - Lowering the cost of borrowing increases the number of FTBs.

Assumptions for scenario creation

The impacts of the above factors on the two FTB variables for the period to 2040/41 were applied to three scenarios. The baseline scenario follows recent trends, drawing on projective indicators available from the Office for Budget Responsibility, the population projections of the Office for National Statistics and various other sources. In the weak scenario, a more pessimistic view was taken of employment related factors while in the robust scenario a more optimistic view was taken. The assumptions are summarised below:

Table 7.2.1. Projection assumptions by scenario

		Baseline	Weak	Robust
Housing supply	<i>Referent level</i>	<i>Governmental target of 240k units p.a..</i>		
	<i>Future path</i>	Reach the target in 2020/21. Thereafter, a marginal decline to 220k in 2040/41. Through the projection period, 80% of the supply is assumed to have taken place in England.	Moderate increase to 200k in 2040/41. Through the projection period, 80% of the supply is assumed to take place in England.	Reach the target in 2020/21. Thereafter, a modest increase to 260k in 2040/41. Through the projection period, 80% of the supply is assumed to take place in England.
Non-retired household income	<i>Referent level</i>	<i>Average over the past over the past decade (0.0% p.a. in real terms); two decades (1.9%); three decades (2.1%)</i>		
	<i>Future path</i>	Increase by 1.0% p.a.	Increase by 0.5% p.a.	Increase by 2.0% p.a.
House prices	<i>Referent level</i>	<i>Average over the past over the past decade (3.0% p.a.); two decades (6.29%); three decades (7.0%)</i>		
	<i>Future path</i>	Increase by 5.0% p.a.	Increase by 3.0% p.a.	Increase by 6.0% p.a.
UK bank base rate	<i>Referent level</i>	<i>Average over the past five years (0.5%); decade (1.75%); fifteen years (1.75%) and two decades (3.5%)</i>		
	<i>Future path</i>	Rising to 1.0% in 2020/21	Staying at 0.5% till 2025/26	Rising to 1.0% in 2020/21
		Rising to 1.75% in 2025/26	Rising to 1.75 in 2030/31	Rising to 2.5% in 2025/26
		Rising to 3.5% in 2030/31	And keeping level	Rising to 3.5% in 2035/36
		And keeping level		And keeping level
Population	<i>Future path</i>	As population projection by age by ONS		

Notes: Data sources for the reference levels are: Department for Communities and Local Government (2007) "Homes for the future: more affordable, more sustainable" (for housing supply). ONS (for non-retired income and house prices). UK bank base rate (Bank of England).

Projections

Figures 7.2.1 to 7.2.3 are the projection charts based on a baseline (most likely), robust and weak scenarios respectively.

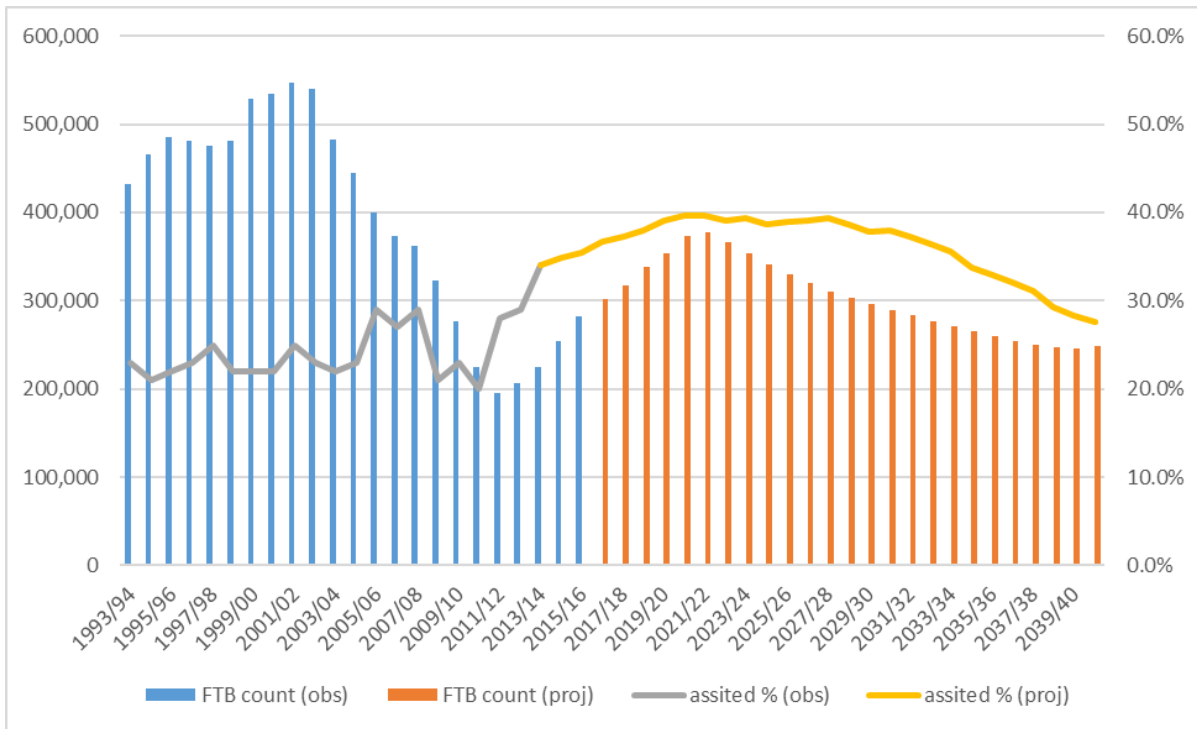
- In the baseline scenario, the proportion of assisted FTBs is projected to hold the recent trend, reaching 40.6% in 2023/24. After the peak, it will gradually decline, but it will remain above the 30% level throughout the observation period.
- In the robust scenario, the proportion of assisted FTBs is projected to increase a little more quickly and reach a peak of 39.0% in 2021/22. It will thereafter decrease partly because of the robust level of unassisted FTBs. By the end of the projection period it will return to the level observed in the housing boom period of around 2005/06 as a robust economy means more FTBs can buy unassisted.
- In the weak scenario, the proportion of assisted FTBs is projected to move around the latest level of 34% until 2024/25. Then it will gradually increase to almost 40% and stay around that level for the final decade of the projection period as a weak economy means a greater proportion of FTBs will need assistance to buy.

Figure 7.2.1 Projection: Total FTBs and percentage assisted - Baseline scenario



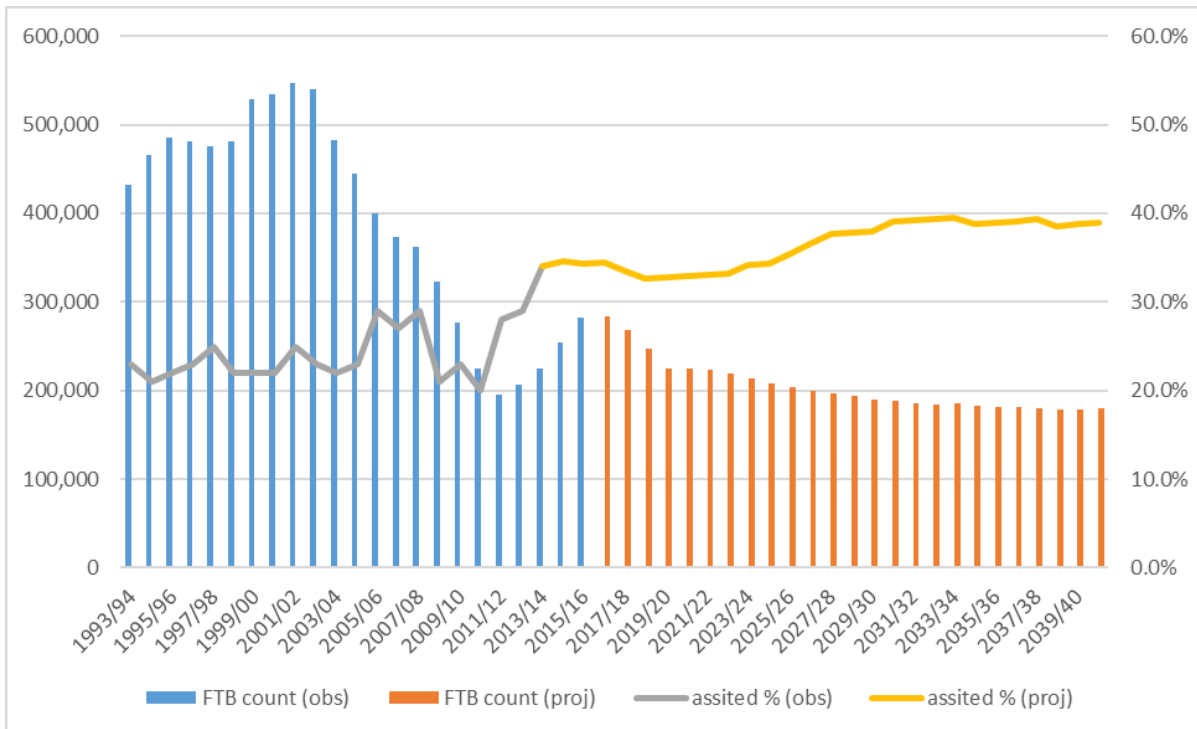
Notes: 4-year pooling average for the percentage and 4-year moving average for the FTB counts.

Figure 7.2.2 Projection: Total FTBs and percentage assisted - Robust scenario



Notes: As 7.2.1.

Figure 7.2.3 Projection: Total FTBs and percentage assisted - Weak scenario



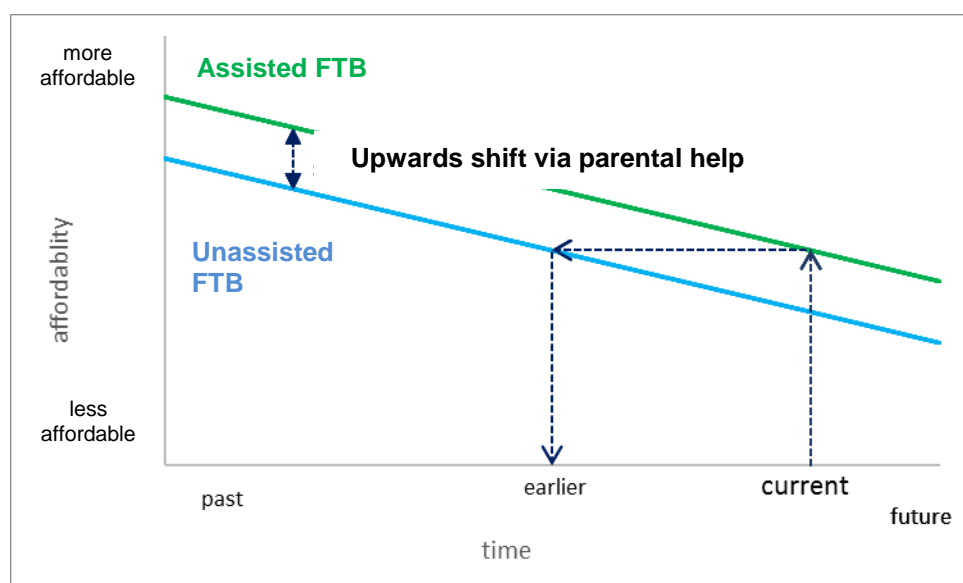
Notes: As 7.2.1.

Section 8 discussion and implications

Over the past few decades, pressure on housing affordability has been increasing, leading to a significant decrease in the proportion of young people entering home ownership. This has led in turn to a critical role for parents to assist their children to buy their first home. Parental help can take several forms but the most popular one is simply the gift of money, or a soft loan. The latest proportion of first time buyers receiving this type of help has now reached 34.1%, an historic high.

Comparing trends of both assisted FTBs and unassisted FTBs, some aspects of the former group appeared as a lagged indicator for the latter group's equivalent – that is, the characteristics of current assisted FTBs were observed previously amongst unassisted FTBs. This proves that the UK, or at least the English, housing market has a long-term downward trend of affordability and a consequent shift-upwards in parental assistance, as illustrated below:

Figure 8.1 Long-termed housing affordability trends for assisted and unassisted FTBs



For simplicity, the above chart sets out the parallel trends of affordability for the two groups, but the shift-upwards could either increase or decrease. If the latter is the case, the degree of lag from unassisted to assisted will be shortened.

The other notable aspect of parental help with home purchase is it typically is a one-shot deal. It enables FTBs to aspire to purchase their own home but the mortgage repayments are generally their own responsibility. If parental assets increased significantly over the projection period then an element of mortgage repayments might be included as a regular gift, enabling FTBs to obtain and service larger mortgages which could increase the above lag and/or feed into increased house prices, depending on levels of housing supply.

In any event, the current historically high level of parental help in the form of a gift of money or a loan is projected not to decline significantly below current levels over the next few decades. In the UK, more than 30% of households with dependent children currently have sufficient assets with which to provide assistance with the deposit for their children's first home. The scenario approach presented above supports such projection. As the parental contribution is, in part, counter-cyclical, the proportion helping their children in this way could remain at or around current levels even if macroeconomic fundamentals become weak, On the other hand parents may choose to use their cash and the equity in their own homes to supplement their pensions in retirement. In any event, aspiring FTBs for whom family help is unavailable will most likely remain disadvantaged, even more so if their parents fall into the least educationally qualified category. Going forward, the gap will almost certainly be maintained between those in the UK who can acquire that most significant of financial assets, the family home, and those who cannot.

Annex: Time series regression for projections

Table A.1 Variables used in the time-series regression for assisted FTB proportion

variables	unit	source
Assisted FTB proportion	% of FTBs receiving money or loan from parent; four-year pooling average	Authors' analysis drawing on EHS and SHE
Population	Ratio of population of 45-69 year olds to 20-39 year olds; four-year moving average	Authors' analysis drawing on ONS mid-year population estimate
Household income	average disposable income index for non-retired household; four-year moving average	Authors' analysis drawing on ONS
House completion	No. of completed permanent dwellings in England; four-year moving average	Authors' analysis drawing on DCLG

Note: Observation period is 1993/84 to 2014/15.

Table A.2 Time-series regression result: assisted FTB proportion

	Coeff.	S.E.	
Household income	-9.74E-06	3.80E-06	**
House completion	1.31E-06	6.33E-07	*
Population	0.945	0.267	***
Constant	-0.588	0.242	**

Note: ARIMA-model. *, **, *** indicate 1%-, 5%- and 10%-significance level, respectively. Stationary $R^2 = 0.524$. Ljung-Box Statistics =21.369 (DF: 18, Sig: 0.261).

Table A.3 Variables used in the time-series regression for FTB count

variables	unit	source
FTB count	No. of FTB mortgages in natural log form	CML
Population	mid-year population estimate of 20 to 39 yrs. in the age cohort; £s in natural log form	ONS
Household income	average disposable income index for non-retired household; in natural log form	ONS
House completion	No. of completed permanent dwellings; in natural log form	DCLG
House price	average house price index; £s in natural log form	ONS
Interest rate	UK official bank rate; %	Bank of England

Note: Observation period is 1983/84 to 2014/15.

Table A.4 Time-series regression result: FTB count

	Coeff.	S.E.	
Population	4.056	2.041	*
Household income	2.572	0.719	***
House completion	1.265	0.365	***
House price	-1.284	0.271	***
Interest rate	-.0350	0.020	*
Constant	-81.491	34.483	**

Note: ARIMA Model. *, **, *** indicate 1%-, 5%- and 10%-significance level, respectively. Stationary $R^2 = 0.722$. Ljung-Box Statistics =22.652 (DF:18, Sig: 0204).





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