

Scotland sees 26% rise in FTB

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Mortgage lending to Scottish first-time buyers increased 26% in the third quarter of 2009, according to CML Scotland.

There were 5,400 first-time buyer loans (worth £471 million) in the third quarter, up from 4,300 in the previous quarter and unchanged from the third quarter of 2008.

There were 8,300 home mover loans (worth £1 billion), up 15% from 7,200 in the second quarter but 15% lower than the same quarter a year earlier.

In all, 13,700 house purchase loans were taken out, a 19% rise from the second quarter, but 10% down on the third quarter of last year. In the UK more widely, house purchase activity grew 31% in the quarter and was up nearly a quarter year-on-year.

The tightening in lending criteria stabilised earlier this year, and in the third quarter Scottish home-buyers typically borrowed 73% of the property's value, unchanged from the previous quarter and the same as in the wider UK market. Income multiples increased modestly for the second consecutive quarter, with Scottish buyers typically borrowing 2.7 times their income, compared with 2.92 across the UK.

Affordability for those able to access a mortgage in Scotland continues to ease - in third quarter, new borrowers typically had to commit 11.9% of income to cover mortgage interest payments, down from 12.4% in previous quarter and the lowest proportion since 2004.

In Scotland, as in the UK more widely, the remortgaging market remains extremely weak. There were 10,000 remortgaging loans (worth £1 billion) in the third quarter, 11% higher than the previous quarter but 44% lower than a year earlier.

CML Scotland policy consultant Kennedy Foster said: "From peak to trough, house purchase activity in both Scotland and the UK has fallen by around 75%, but the timing has been different. Scotland has lagged behind the UK more widely, first during the decline in lending, and now in its weak recovery.

"But the recovery in Scotland has begun and it is encouraging to see a bounce back in first-time buyer activity. Our expectations are for a slow recovery in the mortgage market across the UK as the economy gradually revives."