# London housing crisis deepens as 57% of first-time buyers rely on family help amid soaring costs



Around 30% of all lending at a loan-to-income (LTI) ratio exceeding 4.5 takes place in London, reflecting the complex challenge faced by many prospective buyers in the capital. This figure highlights how regulatory layering combined with the persistent imbalance of house prices outstripping wage growth has constrained access to mortgage credit. Many buyers now find substantial external financial support, typically from family, essential to secure a property.

The capital’s elevated house prices have created a necessity for larger deposits, particularly affecting first-time buyers. In 2023, more than half of these first-time purchasers – reaching an 11-year high of 57% – relied on family help to complete their transactions. This support amounted to £9.4 billion last year, and forecasts suggest similar levels of family assistance will persist annually through 2026. High mortgage interest rates, which in mid-2024 saw average rates between 5.66% and 6.08% for loans with 90-95% loan-to-value (LTV), further complicate affordability. Alongside these pressures, soaring rents—London’s average reaching over £2,100 per month—have hindered the ability of many to save for deposits, deepening the financial barrier to homeownership.

London’s housing market has shown signs of stagnation, with nominal house price growth of just 13% over the past decade, equating to a real-terms decline. This stagnation occurs despite record high population levels and surging rental demand. Contributing factors include high borrowing costs, expensive stamp duties, restrictive mortgage lending rules, and diminishing investment appeal due to lower rental yields. These dynamics have resulted in low transaction volumes, inefficiently used housing stock, reduced labour mobility, and fewer new homes being built. First-time buyers particularly bear the brunt, facing stringent lending criteria and significant deposit requirements amid these unfavourable conditions.

The broader picture of housing affordability in England remains starkly challenging. In 2023, the average English property required 8.6 years of household income to purchase, a marginal increase from the previous year’s 8.4 years. London stands out with the harshest affordability crisis; average homes are beyond the reach of all income deciles, with low-income households theoretically needing nearly 35 years of income to buy a typical property. Northern regions such as the north east and Yorkshire offer relatively superior affordability, though the government has acknowledged the urgent need for radical measures to tackle housing supply and affordability. Prime Minister Keir Starmer has called for the building of 1.5 million new homes in England over the next five years, aiming to alleviate the supply shortage and ease pressure on prices.

Generational disparities in home ownership and mortgage indebtedness have become increasingly pronounced over the past decade. Older generations, particularly baby boomers, have significantly reduced mortgage debt by paying off their loans, resulting in a decline in the overall loan-to-value ratio of UK housing from 23.5% in 2014 to 19.4% in 2024. Meanwhile, younger groups, such as millennials and Gen Z, face barriers to entry marked by high deposit demands and limited mortgage availability. The total value of UK homes has surpassed £9 trillion, with outright homeowners, dominantly older cohorts, expanding their share of national housing wealth. The number of mortgages held by owner-occupiers has decreased from 9.5 million to 8.7 million over the same period, underscoring the challenges of gaining a foothold in the property market.

The government has proposed reforms aimed at boosting homeownership, including prioritising first-time buyers in new developments and introducing schemes to lower deposit requirements. However, these efforts must contend with persistent macroeconomic factors, including mortgage regulation that restricts lending relative to income and property values, alongside rising interest rates since 2022 that have tightened credit conditions and temporarily dampened prices. While the housing market saw some price recovery in 2024, stark regional disparities continue to define the landscape, with London and the South East considerably more expensive than other parts of the country.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.standard.co.uk/business/money/bank-of-england-financial-conduct-authority-uk-finance-government-prudential-regulation-authority-b1237249.html), [[2]](https://www.ukfinance.org.uk/news-and-insight/press-release/household-finance-review-q4-2024)
* Paragraph 2 – [[3]](https://www.ft.com/content/9d9830cb-aeca-4dd7-aeba-fc9385a4796c), [[1]](https://www.standard.co.uk/business/money/bank-of-england-financial-conduct-authority-uk-finance-government-prudential-regulation-authority-b1237249.html)
* Paragraph 3 – [[5]](https://www.ft.com/content/c9923262-fa55-4399-9f98-f8720fc218aa), [[3]](https://www.ft.com/content/9d9830cb-aeca-4dd7-aeba-fc9385a4796c)
* Paragraph 4 – [[4]](https://www.reuters.com/markets/europe/english-house-prices-grew-more-unaffordable-2023-ons-data-shows-2024-12-09/)
* Paragraph 5 – [[6]](https://www.ft.com/content/2bf84a3b-4fce-4252-8f60-1cb75607d294)
* Paragraph 6 – [[6]](https://www.ft.com/content/2bf84a3b-4fce-4252-8f60-1cb75607d294), [[3]](https://www.ft.com/content/9d9830cb-aeca-4dd7-aeba-fc9385a4796c), [[4]](https://www.reuters.com/markets/europe/english-house-prices-grew-more-unaffordable-2023-ons-data-shows-2024-12-09/)

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## Bibliography

1. <https://www.standard.co.uk/business/money/bank-of-england-financial-conduct-authority-uk-finance-government-prudential-regulation-authority-b1237249.html> - Please view link - unable to able to access data
2. <https://www.ukfinance.org.uk/news-and-insight/press-release/household-finance-review-q4-2024> - In the fourth quarter of 2024, UK Finance reported that approximately 30% of all lending at a loan-to-income (LTI) ratio exceeding 4.5 times occurred in London. This trend is attributed to significantly higher house prices in the capital, necessitating larger deposits for first-time buyers. The report also highlighted that the layering of regulations, combined with house prices outpacing wage growth, has made it more challenging for prospective buyers to access mortgage credit without substantial external financial support, such as assistance from family members.
3. <https://www.ft.com/content/9d9830cb-aeca-4dd7-aeba-fc9385a4796c> - Research indicates that over half of first-time homebuyers in 2023 received financial assistance from family, marking an 11-year high with 57% of transactions involving family help. Factors such as high mortgage interest rates and rising house prices have made it difficult for new buyers, despite government aid like stamp duty breaks. More stringent mortgage requirements since the pandemic have also affected higher loan-to-value lending. Average mortgage rates for 90-95% LTV were around 5.66-6.08% in July 2024. Family support amounted to £9.4bn in 2023, with forecasts expecting similar amounts annually through 2026. Soaring rents have further impeded buyers' ability to save for deposits, with UK rents rising 8.6% over the past year. London's rents hit a high of £2,114 per month. The Labour party intends to improve first-time buyers' prospects by giving them priority in new developments and introducing a 'Freedom to Buy' scheme to facilitate lower deposit requirements.
4. <https://www.reuters.com/markets/europe/english-house-prices-grew-more-unaffordable-2023-ons-data-shows-2024-12-09/> - In 2023, English house prices became increasingly unaffordable, with an average price requiring 8.6 years of household income (£298,000), up from 8.4 years in 2022. London saw the worst affordability, with average homes out of reach for all income deciles. In contrast, Northern Ireland remained affordable for average households. Prime Minister Keir Starmer calls for 'brave' measures to build 1.5 million new houses in England within five years. Analysts predict house prices in Britain will rise faster than inflation but expect affordability to improve for first-time buyers due to falling interest rates. In London, low-income households face severe affordability challenges, needing nearly 35 years of income to buy an average home. Housing affordability showed a slight improvement in 2024 based on different metrics from Halifax. The most affordable regions in England were the north east and Yorkshire and the Humber.
5. <https://www.ft.com/content/c9923262-fa55-4399-9f98-f8720fc218aa> - London's property market has been stagnating, with house prices increasing by just 13% over the past decade, which is equivalent to a 16% decline in real terms. Despite London's population reaching record highs and demand for rental properties surging, the sales market remains sluggish. Factors contributing to this stagnation include high interest rates, expensive stamp duties, restrictive mortgage regulations, and reduced investment attractiveness due to lower rental yields. Additionally, first-time buyers face significant challenges due to stringent lending criteria and high deposit requirements. This has led to low transaction levels, inefficient housing stock use, reduced labor mobility, and fewer new homes being built. Policymakers face the challenge of stimulating the market without inflating prices, while addressing issues such as high migration and demand for rental properties.
6. <https://www.ft.com/content/2bf84a3b-4fce-4252-8f60-1cb75607d294> - Over the past decade, UK homeowners have become significantly less indebted, with the collective loan-to-value of privately owned housing dropping from 23.5% in 2014 to 19.4% in 2024. This reduction in debt has been driven by older generations, particularly baby boomers, paying off their mortgages, while younger generations, including millennials and Gen Z, struggle to enter the housing market due to high costs and the need for large deposits. The total value of UK homes increased to over £9 trillion, with outright homeowners (who are predominantly older) controlling a larger share of the nation's housing wealth. The value of homes owned outright rose by 66% over the decade, compared with 55% for mortgaged homes. The number of owner-occupier mortgages fell from 9.5 million in 2014 to 8.7 million in 2024. Sir Keir Starmer's government aims to increase home ownership by boosting house building and re-examining mortgage regulations, which currently limit lending based on income and property value. The rise in interest rates starting in 2022 further restricted mortgage accessibility and caused a brief dip in house prices. However, housing values rebounded in 2024, with a notable disparity in wealth between regions such as London and the South East compared to the North East.