Tembo

First-Time Buyer Index

Q1 2026

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Introduction

At Tembo, we speak to hundreds of first-time buyers each week who are dreaming of a place to call their own. In the UK, homeownership remains one of our deepest aspirations; still seen as a defining milestone on the journey to adulthood. It promises financial security, stability and a sense of freedom. The chance to leave behind house-shares for good. To paint your walls terracotta. To finally get that longed-for pet.

Yet for many, that excitement is overshadowed by uncertainty.

Today's first-time buyers are navigating a tougher market than previous generations, with house prices having outpaced wage growth for decades. Buyers must save significantly larger deposits, borrow more, and do so in an environment where rent and living costs are rising sharply.

Without having been taught the basics of mortgages or personal finance at school, most of us learn as we go. Grappling with mortgage jargon, scary headlines and well-intentioned but often conflicting advice from loved ones.

So it's no surprise that would-be buyers have questions; and lots of them. Questions like: 'How much can I afford to borrow?', 'What deposit will I need?', 'Where's the best place to buy?'. And, most common of all: 'Is now a good time to buy?'

We created this index to help answer those questions - to highlight the trends, patterns and shifts shaping the market for first-time buyers today. Our aim is to provide clear, data-led insights that help buyers better understand their options, spot opportunities, and feel more supported on their journey to homeownership.

Richard
CEO & Founder, Tembo

The information in this report is not intended to constitute advice; results vary by individual circumstances, and outcomes are not guaranteed. Always seek advice when considering your mortgage affordability. The findings in this report may not always match an individual's experience of the market, however they represent broader market trends observed at a macro level.

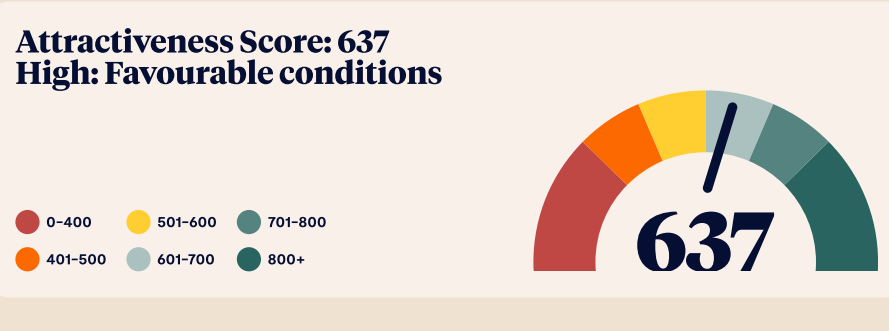
Q1 2026
First-time buyer attractiveness score

As a leading savings and mortgage platform in the UK, we hold a unique position. We support first-time buyers from the first £1 saved through to completion, capturing rich data at every stage of the homebuying journey. This allows us to draw on a diverse range of proprietary data when assessing how attractive the market is for first-time buyers.

To bring this together, offering first-time buyers a clear metric to return to over time, we have developed an overall 'First-Time Buyer Attractiveness Score'. A composite score out of 1,000 that reflects how "good" the market is for a first-time buyer at a given point in time.

The score is based on key inputs from our analysis which cover the key themes we delve into in this report: affordability, credit, savings and financial outcomes. Where relevant, we supplement our analysis with publicly available data sources, which are always cited. All other data used is derived from our own customer base.

Attractiveness Score: 637
High: Favourable conditions



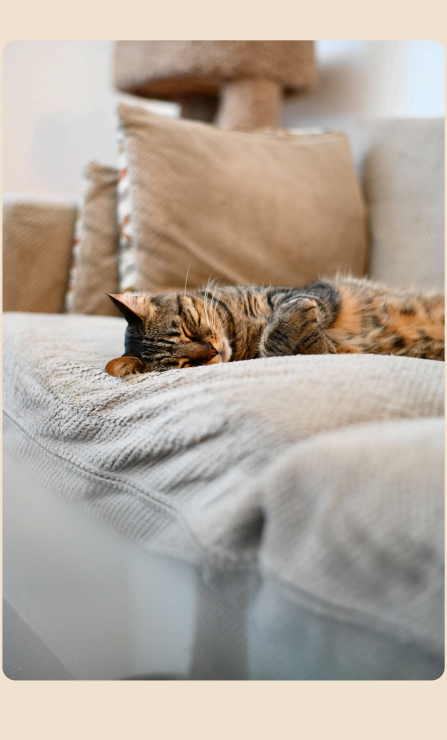
Bandings for score

Score	Attractiveness band	Interpretation
0–400	Very Low	Homeownership largely inaccessible
401–500	Low	Significant barriers to entry
501–600	Moderate	Possible, but requires trade-offs
601–700	High	Favourable conditions
701–800	Very High	Broad accessibility
800+	Exceptional	Very supportive conditions

In Q1 of 2026, our First-Time Buyer Attractiveness Score places the market within the 'High Attractiveness' range, indicating broadly favourable conditions for first-time buyers. Easing affordability pressures, driven by lower mortgage rates, supported first-time buyers' access to homeownership in this period. At the same time, rising rental costs continue to strengthen the financial incentive to leave the renter's market and buy instead.

However, this is not to say that getting on the ladder feels, or is, easy at an individual level. Underlying constraints on affordability, from deposit requirements to borrowing limits remain, meaning access - while improved - is not without its challenges.

This is not to say that getting on the ladder feels, or is, easy at an individual level, but rather reflects broader market trends.



How much can I afford to buy?

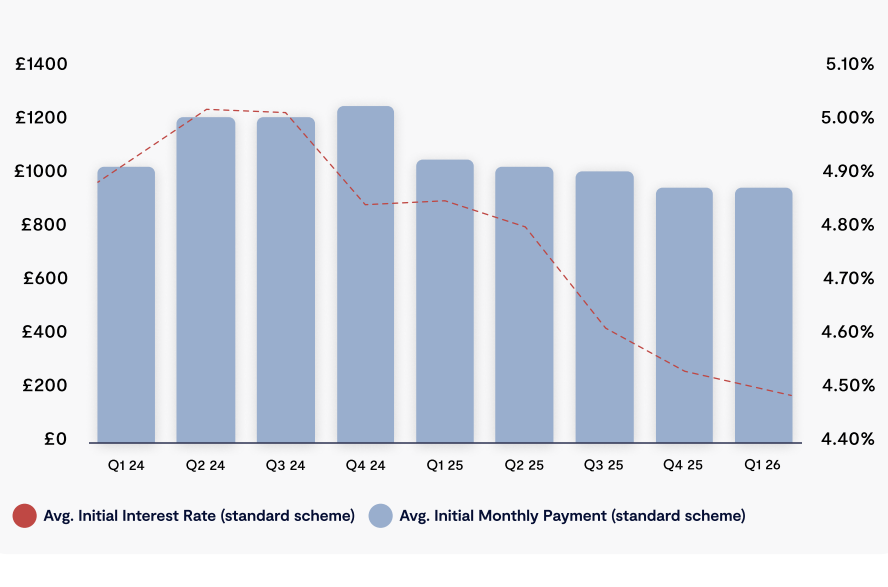
Affordability remains a huge hurdle for first-time buyers looking to get on the property ladder. While lenders typically offer a buyer 4.5 times their income, property prices have risen much faster than wage growth, meaning many buyers may need to borrow 9 or 10 times their income.

In Q1 2026, first-time buyer income remained broadly flat: +4% versus Q4 2025, but -2% YoY, offering no tangible boost to buying power. Despite this, the average amount borrowed by a first-time buyer grew to £229,214 after shrinking each quarter in 2025.

This increase in affordability has been driven by a significant drop in average interest rates. While we saw interest rates increase toward the end of the quarter due to conflict in the Middle East, the average interest rate available to a first-time buyer in Q1 2026 dropped to the lowest level in more than two-years at 4.48%.

Mortgages available to first-time buyers in Q1 2026 were £9,780 less expensive over a 5-year term vs the previous year.

Average Initial Interest Rate & Monthly Payment

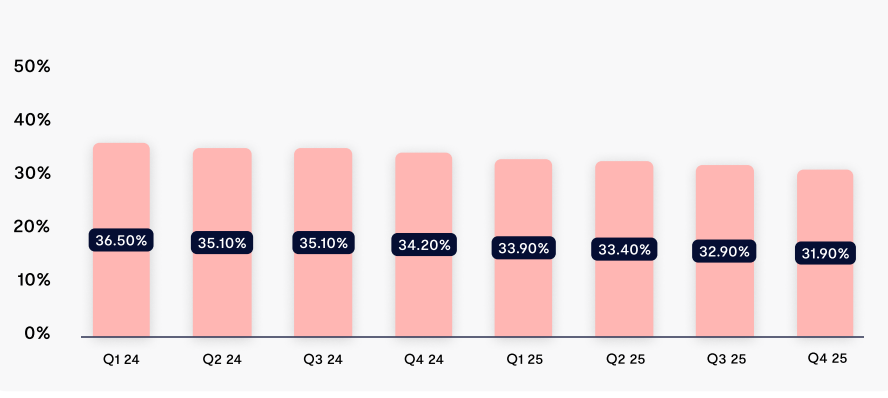


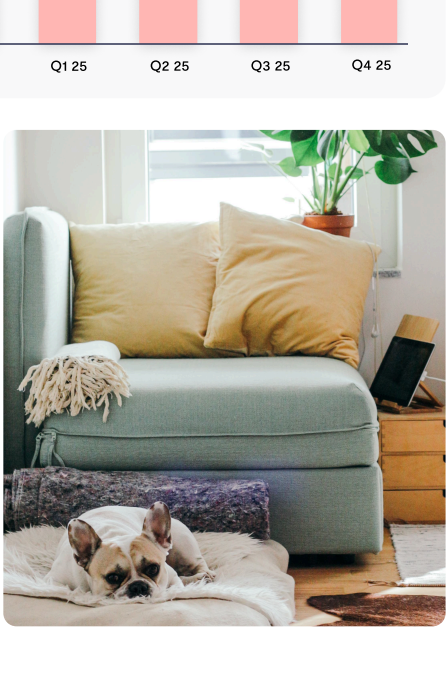
That's an 8% reduction versus the average 4.85% seen in Q1 2025, which results in a £163 reduction in monthly repayments YoY. Over a 5-year mortgage term that's a saving of £9,780.

This marks the third consecutive quarter that average mortgage payments have made up less than 30% of net income. 30% is widely used as a "rule of thumb" for affordable housing costs, so it's positive to see this becoming an established trend.

Specialist mortgages continue to play a key role in boosting affordability and helping buyers reach higher property prices. First-time buyers were able to increase their borrowing potential by £88,399 in this way, lifting maximum budgets from £271,484 to £390,817.

Mortgage Payments as Percentage of Monthly Income





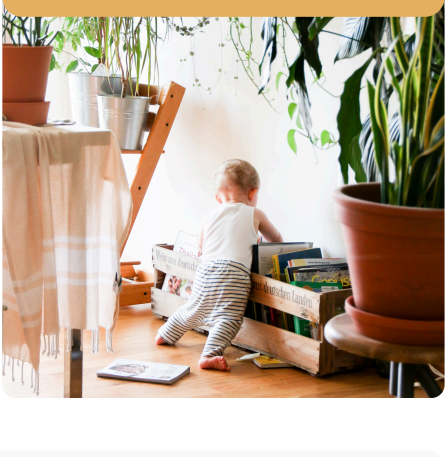
How much deposit do I need?

While monthly repayments have fallen, the upfront deposit remains a major barrier for first-time buyers. Our average first-time buyer deposit now sits at £42,324 - equivalent to more than a full year's take-home pay (£39,668).

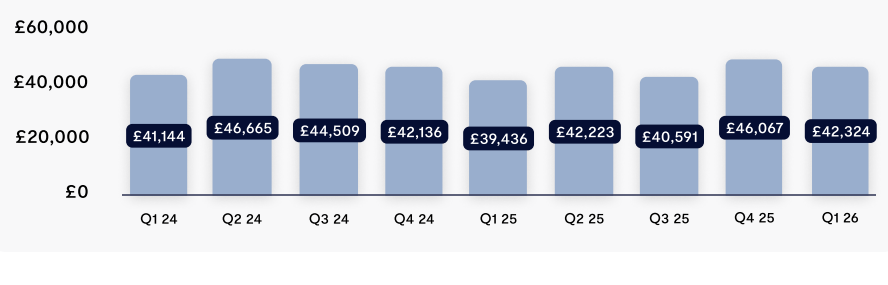
Assuming a buyer saves 10% of their net income each month, our data finds that it would take around 10.7 years to save for the average deposit, highlighting the scale of the challenge for first-time buyers.

Despite this, only 17% of first-time buyers are using a Lifetime ISA to support their savings journey. As a result, a first-time buyer saving for 3-5 years is missing out on an estimated £3,000-£5,000 in free government support - equivalent to 7-12% of the average deposit, or cutting down their time to save by over a year.

The average first-time buyer deposit - £42,324 - is equivalent to more than a full year's take-home pay.



Average Deposit Amount



Only 17% of first-time buyers use a Lifetime ISA, yet those with one buy 3-years earlier on average.

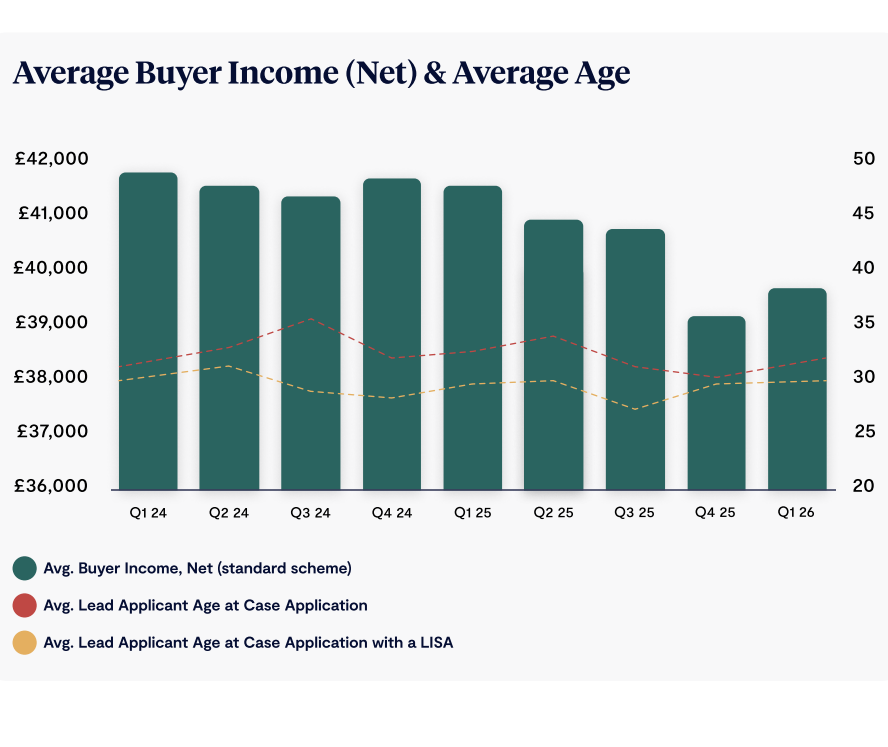
The maximum Lifetime ISA bonus is up to £1,000 per year. Withdrawals from a Lifetime ISA for any purpose other than buying a first home (up to a value of £450,000) or for retirement (60+) incur a 25% government penalty, meaning you may get back less than you paid in.

How long will it take?

The average age of a first-time buyer increased slightly from 30.8 in Q4 2025 to 32 in Q1. However, buyers using a Lifetime ISA continue to be consistently younger than the wider cohort, with an average age of 29.2 - bringing forward homeownership by almost three years.

This reinforces the importance of structured saving mechanisms such as the Lifetime ISA in supporting earlier entry onto the property ladder. This is particularly key at a time when the government is consulting on the future structure of the scheme.

Average Buyer Income (Net) & Average Age

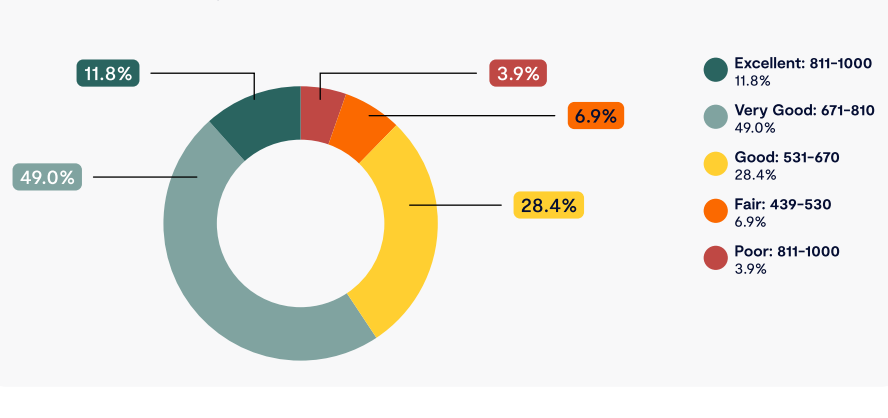


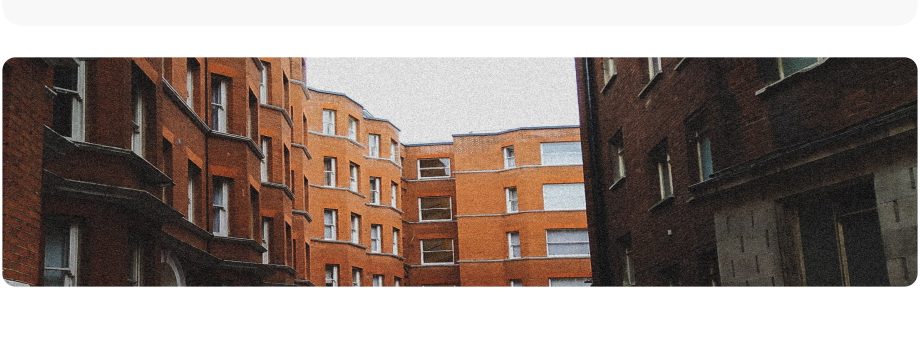
What's a normal credit score?

FCA data on mortgage sales shows that less than 1% of mortgages are made to people with impaired credit history. This includes bankruptcy, Individual Voluntary Arrangement, arrears on a mortgage and a country court judgement of over £500 in the past three years. Credit history can be a big blocker for many potential customers.

The average credit score (out of 1,000) for first-time buyers in the first quarter of 2026 was 670 - which is deemed to be a "Good" score. But while the majority of first-time buyers had strong credit history (a score of 530+) 1 in 10 only had a "Fair" or "Poor" credit score.

First-Time Buyer Credit Scores





What's a normal amount of debt to have?

Most first-time buyers don't come into the property market debt-free. Today's buyers carry a mix of short and long-term borrowing, including student loans - with many graduates leaving university owing more than £50,000.

While saving to buy, some borrowing is encouraged; using credit cards - and paying them off in full each month - helps to build a credit history ahead of applying for a mortgage. However there's a balance to be struck between demonstrating responsible borrowing, and keeping debt manageable. Missed payments have a negative impact, and harm your credit profile.

To assess what a 'typical' debt profile looks like, we've analysed self-disclosed debts from our first-time buyers.

80% of first-time buyers had some form of loan outstanding prior to buying their home, with an average total loan balance of £9,277.

Almost three quarters (74%) of first-time buyers had a credit card, with an average balance of £4,450. Student loans were the next most common form of debt, with 18% of first-time buyers having on average £13,000 remaining. Meanwhile, 17% had car finance, with an average balance of £17,000.

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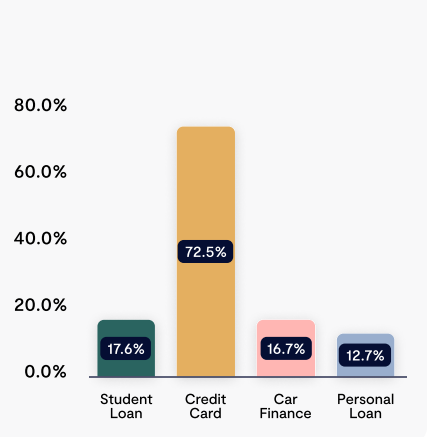
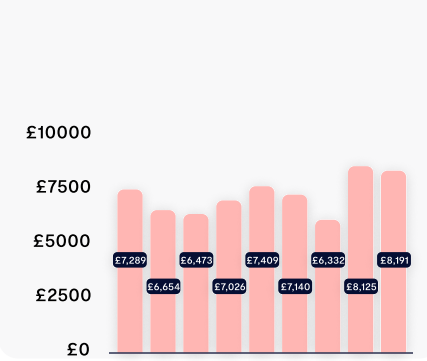
First-Time Buyer Loan Type



Non-Mortgage Credit Balance (excl. student loan)



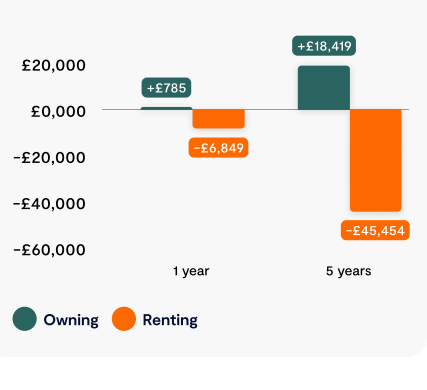
Is now a good time to buy?

This is a question many first-time buyers will quite rightly ask before making the largest purchase (and likely taking on the largest debt) of their lives. With ongoing uncertainty in the market, attempting to time a home purchase precisely is understandable - but in practice, extremely difficult. Historic data consistently shows that 'time in the market' rather than 'timing the market' is the more important driver of financial outcomes.

To assess this, we've analysed whether it is financially preferable to buy or rent, using a comparison of rental and mortgage costs alongside historic returns from house prices and alternative investments such as stocks and shares over both one and five-year periods.

Across both timeframes, buying outperforms renting on average. First-time buyers are £7,600 better off after one year and £64,000 better off after five years versus renters who invest their deposit elsewhere.

Owning vs Renting



First-time buyers would be £64,000 better off after 5-years if they bought versus renting and investing their deposit.

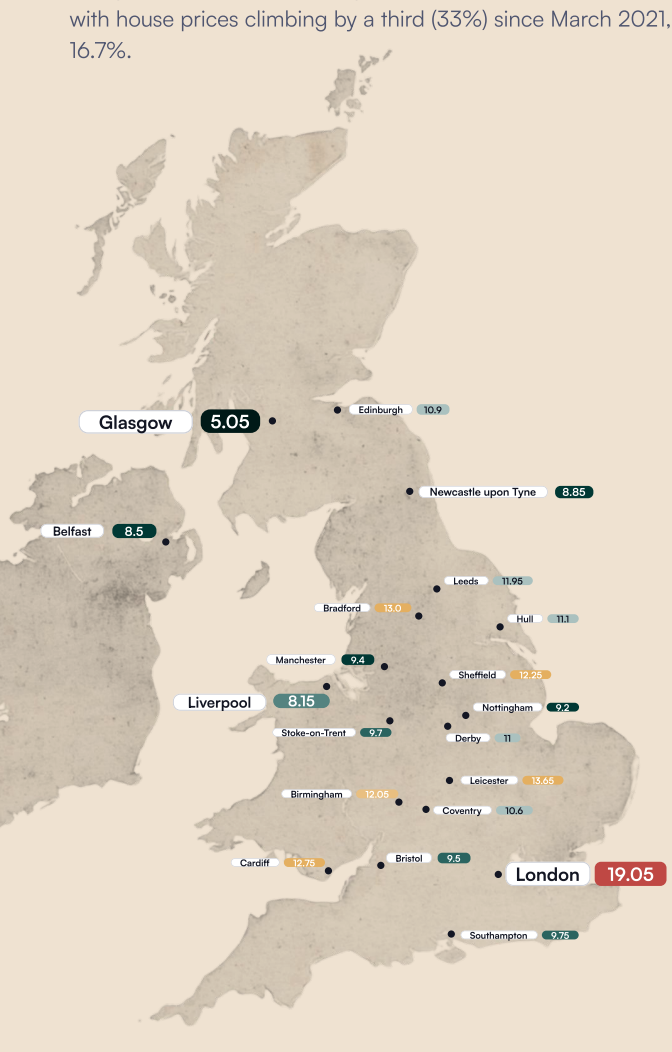
However, this trend is not consistent across the country. Variations in local house price growth mean outcomes differ significantly by city, with some markets delivering substantially stronger financial returns than others.

Where's the best place to buy?

The Tembo First-Time Buyer City Index rates the top 20 largest cities in the UK across a range of financial and lifestyle factors. Cities are ranked with lower scores representing greater overall attractiveness.

In Q1 2026, Glasgow is top with an overall score of 5.1, reflecting a strong balance across our index's core measures. The city has one of the lowest average loan-to-income ratios in the UK, with the average first time buyer borrowing 3.1 times their income against a UK average of 4.3 times.

Glasgow has also seen the highest financial return for first-time buyers over the past five years with house prices climbing by a third (33%) since March 2021, double the UK average of 16.7%.



City	Overall score
Glasgow	5.05
Liverpool	8.15
Belfast	8.5
Newcastle upon Tyne	8.85
Nottingham	9.2
Manchester	9.4
Bristol	9.5
Stoke-on-Trent	9.7
Southampton	9.75
Coventry	10.6
Edinburgh	10.9
Derby	11
Hull	11.1
Leeds	11.95
Birmingham	12.05
Sheffield	12.25
Cardiff	12.75
Bradford	13.0
Leicester	13.65
London	19.05

A first-time buyer who purchased their home in Glasgow 5 years ago would be £122,872 better off than if they had rented in the city and invested the money they would have put down on their house deposit into stocks and shares. One of the downsides for Glasgow is the cost of renting, the city is ranked 15th out of 20 for rental affordability with an average of 37% salary being spent on rent in the city. From a lifestyle perspective, Glasgow scores in the top 10 across the key Tembo indicators.

House prices in Glasgow have increased by 33% since March 2021 - double the UK's average growth rate.

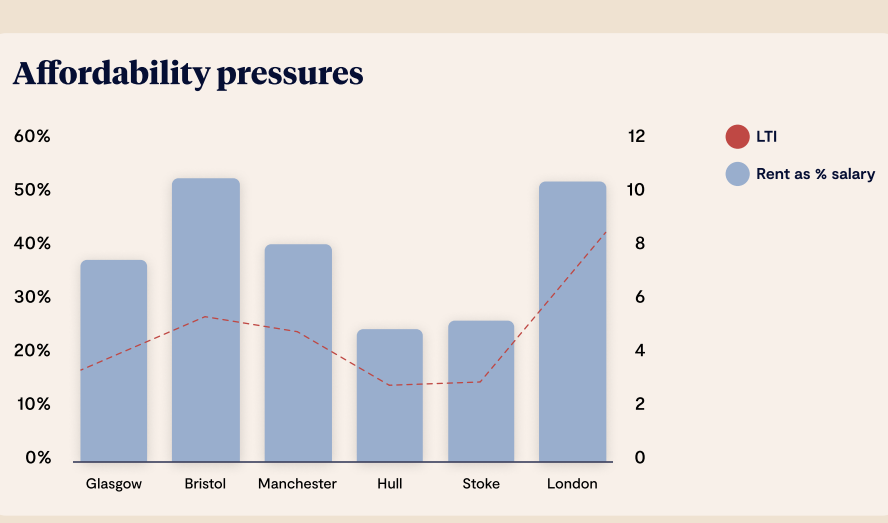
London stands out as a clear outlier, where would-be buyers are hampered by extreme financial pressures not found elsewhere. Rent consumes over half of income (51%), while loan-to-income ratios reach 8.3 - nearly double typical lending thresholds. Even though Londoners out-earn all other cities on the list - with income sitting 25% above the UK average this dual-pressure constricts both the ability to save and to borrow, placing ownership out of reach for many first-time buyers without external support. Despite this, unsurprisingly, London continues to score highly on lifestyle metrics, with strong performance on lifestyle and access to key amenities. The result is a market where first-time buyers are trading affordability for access to the vibrant, well connected capital.

Londoners earn 25% above the UK average income, yet rent consumes 51% of income each month, hampering their chances to save a deposit.

Outside of Glasgow and London, the index highlights a broad spectrum of affordability and outcomes across UK cities.

At the more accessible end, cities such as Hull, Stoke, Derby and Bradford combine low rent-to-income ratios (22—25%) with modest loan-to-income multiples (2.6—3.5), reducing both the savings and borrowing barriers to homeownership. However, these cities tend to score lower on lifestyle measures, including amenities density. Cities such as Bristol, Manchester and Edinburgh exhibit higher levels of financial pressure - with rent typically exceeding 39% of income and loan-to-income ratios above 4.4 - but continue to rank strongly overall due to higher house price growth and stronger performance on lifestyle indicators.

Affordability pressures



Methodology

Calculation of Rent vs Buy

The rent versus buy analysis is based on rental costs and average first-time buyer property data published by the Office for National Statistics (ONS), using the "Price of housing, local" dataset.

Example (Birmingham):

Renting

The overall financial position for renters is calculated as: Annual rental cost minus the potential investment return on a deposit not used for a property purchase. The investment return is based on performance of the MSCI World Index over the relevant period.

- **Average monthly rent: £1,087 (£13,044 annually)**
- **Average first-time buyer deposit: £45,980**
- **MSCI World Index annual return: 15%**
- **Implied investment return: £6,897**

This results in a net rental position of -£6,147 over one year.

Buying

The overall financial position for buyers is calculated as: Annual mortgage interest cost plus the difference in monthly cost between renting and buying, adjusted for annual house price movements.

- **Average first-time buyer mortgage: £163,020**
- **Monthly mortgage payment: £871 (£10,452 annually)**
- **Monthly interest cost: £673**
- **Average property price: £209,000**
- **Annual house price change: -0.3%**

This results in a net buying position of -£3,755 over one year.

Based on this methodology, first-time buyers in Birmingham are £2,392 better off over one year compared to renters.

The same framework is applied over a five-year period, incorporating cumulative rental costs, mortgage interest, investment returns, and house price movements.

Methodology

The Tembo data used in this report is derived from mortgage details submitted by 8,000 prospective and actual first-time buyers, 1,000 Lifetime ISA savers and credit data from 100 first-time buyers. The focus of the report is on Q1 - January-March 2026 - however earlier time periods are referenced.

Calculation of First-Time Buyer Attractiveness Score

The First-Time Buyer Attractiveness Score is a weighted composite score out of 1000, combining eight metrics: loan-to-income ratios, interest rates, average disposable income after mortgage repayments, loan-to-value ratios, time to sell properties, credit profiles, and five-year buy vs rent outcomes. Metrics are grouped into five categories - affordability, deposit, time to buy, credit and financial outcomes - and aggregated using predefined weightings.

Tembo