



First-Time Buyer Index
Q2 2026

The Postcode Penalty

How regional differences
are reshaping the first-
time buyer experience

A note from our CEO...

The housing market in the second quarter of 2026 was anything but settled. Mortgage rates rose through April and May before easing again in June, while global uncertainty surrounding the Iran War dominated headlines. As a result, our first-time buyers were more concerned than ever about whether *now* was a good time to buy.

Our latest First-Time Buyer Index suggests there is no longer a single answer to this question. Increasingly, Britain's housing market is becoming a postcode lottery – or penalty – depending on where you live.

For first-time buyers in the North, the financial incentives to buy remain compelling. Delay a purchase by just one year, and, on average, a renter in a northern city is £8,139 worse off than if they had bought. In southern cities, the picture is starkly different. The upfront cost of homeownership has become so high that waiting for a year would leave a would-be buyer £2,757 better off on average.

This data should act as a warning, and one that arrives at a pivotal moment. As the country enters a new political chapter, policymakers should be careful not to introduce reforms that serve to widen the gap between aspiring homeowners in different parts of the country.

Recent debate around a land value tax illustrates the unintended consequences if regional affordability isn't properly considered. Analysis from The Telegraph suggests that households in southern England could pay, on average, almost three times as much as those in the North. That may seem equitable for those who bought many years ago and have benefited from decades of house price growth. But for today's younger buyers in southern England – stretched by large deposits, high mortgage repayments and sluggish house price growth – it is punitive.

The next government has an opportunity to narrow Britain's North-South homeownership divide. Reforms that disproportionately increase the cost of owning in already expensive parts of the country risk doing the opposite, making where you live an even greater determinant of whether you can afford to buy your first home.

Richard
CEO & Founder, Tembo



Executive summary

In our last report, the narrative for first-time buyers was one of steady recovery: Q1 2026 marked the most affordable conditions for buyers on the property ladder in over two years. Q2 2026 tells a less positive story. Affordability metrics across the board have worsened, with interest rates and house prices increasing. As a result, The Tembo First-Time Buyer Attractiveness Score fell from 686 to 598, dropping from the 'High' to 'Moderate' category.

Interestingly, while affordability has worsened, property availability across the UK has surged. There are 9% more first-time buyer homes on the market compared to Q1.

In this quarter's City Index, the impact of regional divides became clear. From Hull's meteoric rise to Brighton's squeeze, it's become clear that it is all about location, location, location.

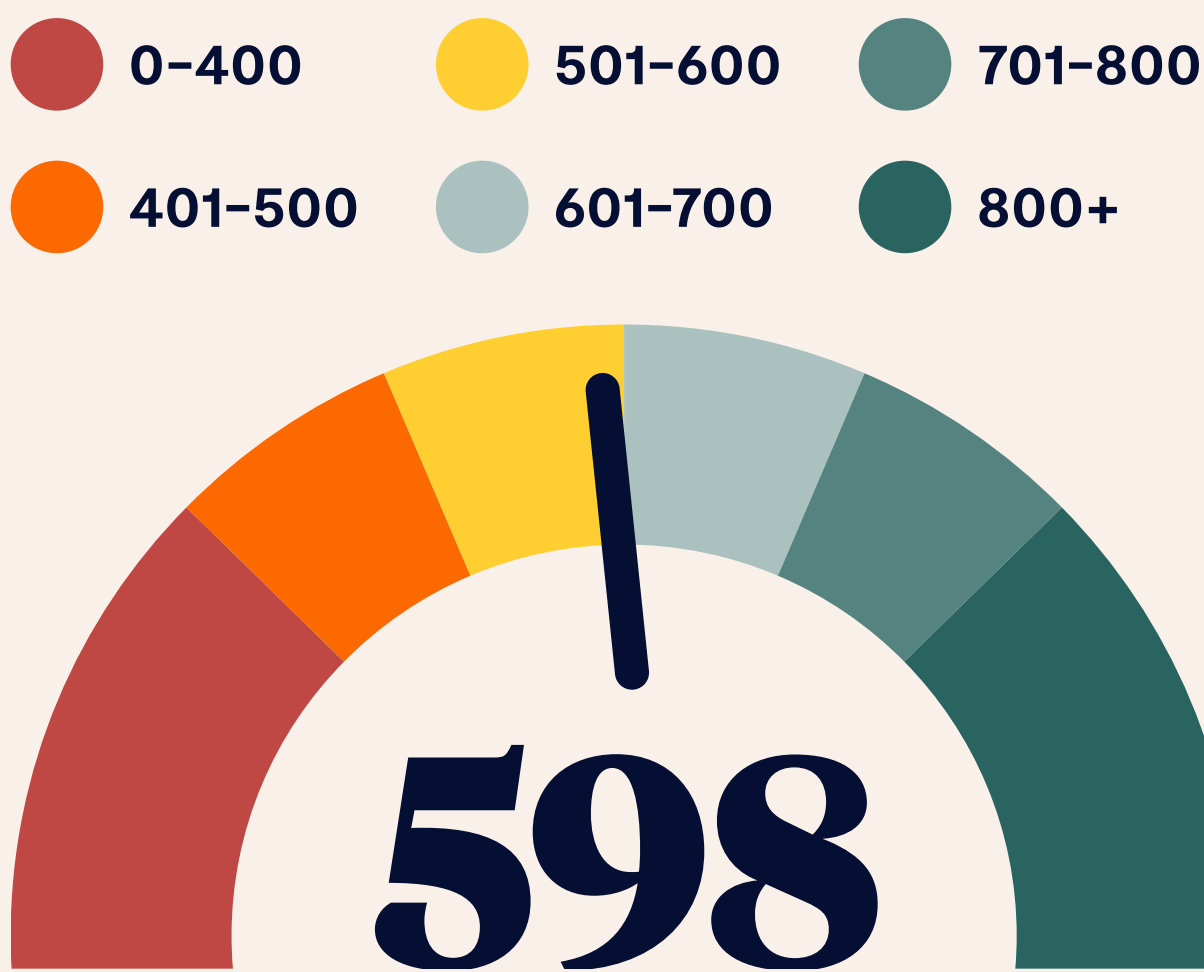
What changed since Q1?

- ↑ Homes available
- ↓ Days to sell a home
- ↑ Deposits
- ↑ House prices
- ↓ Affordability
- ↑ Interest rates
- ↑ Average buyer age

Attractiveness Score: 598 Moderate: Requires trade-offs

▼ -39 vs Q1 2026

The steady affordability gains we tracked over the last two years have stalled. Driven by a tougher rate environment, the index score has taken a hit, dropping out of the 'High' category.



£45k

average FTB deposit
+£3k vs Q1



£989

average monthly mortgage payment
+£51 vs Q1



£220k

average maximum borrowing
-£9k vs Q1



+9%

more first-time buyer homes available vs Q1



4.96%

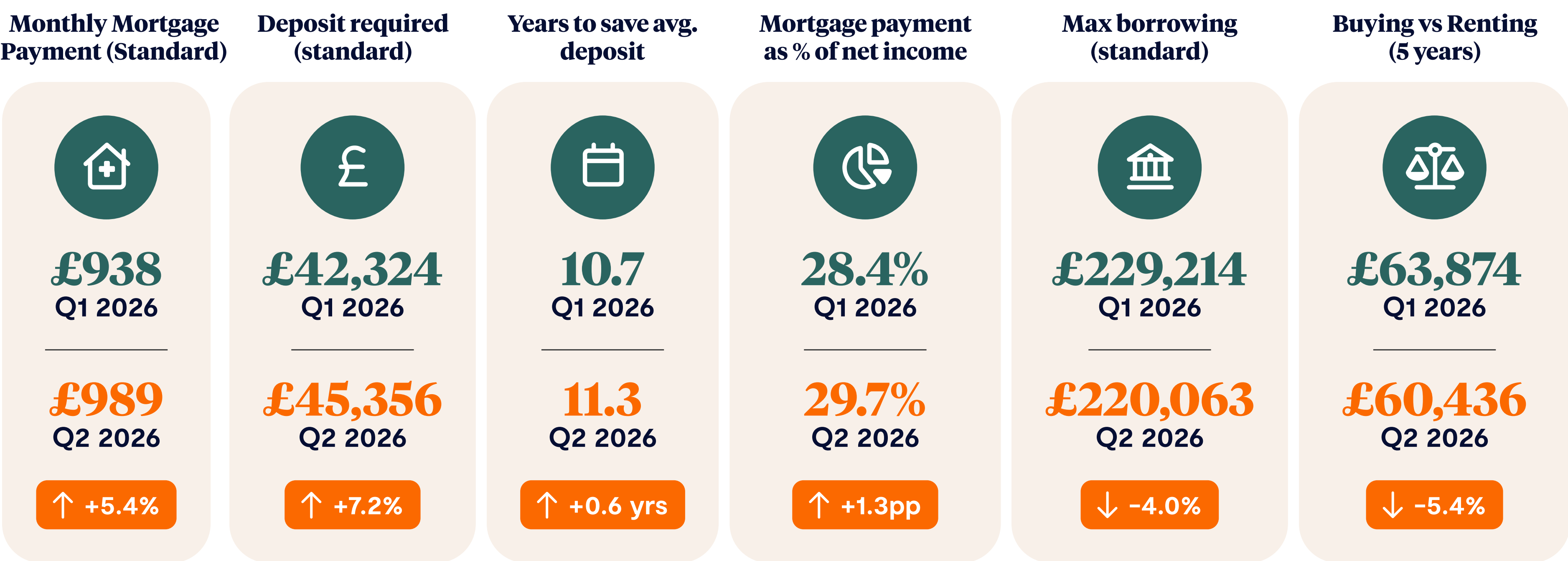
average interest rate up from 4.48% in Q1



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.

Affordability recovery has stalled

Heightened financial barriers in Q2 2026 led to a tightening across all tracked affordability metrics versus the previous quarter.



Why affordability tightened in Q2

1. Rising interest rates hit borrowing potential

Rising mortgage rates reduced how much buyers could borrow, even as monthly repayments increased. Buyers are now paying more each month while borrowing £9,000 less than in Q1.

2. The upfront deposit hurdle grew

The average deposit increased by more than £3,000 in a single quarter, extending the time needed to save a typical first-time buyer deposit from 10.7 to 11.3 years.

“Affordability continues to be a huge challenge for our first-time buyers. Despite this, I contact customers every week to celebrate them getting their first set of keys. Difficult doesn’t mean impossible, and there are solutions we can explore to boost borrowing potential, or to buy with a small deposit ”

Ruth, Senior Mortgage Advisor at Tembo



The emerging postcode penalty

National economic pressures are hitting regions at completely different scales, fracturing the UK property market. The affordability squeeze hasn't stopped all buyers, but it has made where you buy one of the most critical factors in your financial planning. With LTIs below 4x in the North, salaries are not a hindrance to traditional affordability. But in the South, LTIs of 6.13x push buyers to find alternative solutions.

North

Buying now makes financial sense

	Average deposit	£41,202
	Average monthly repayment	£780
	Average salary	£37,826
	Average LTI	3.85x

After 1 year

Buy now

+£8,139

better off on average

South

Buying now makes financial sense

	Average deposit	£76,450
	Average monthly repayment	£1,448
	Average salary	£43,329
	Average LTI	6.13x

After 1 year

Wait

+£2,757

better off on average

The cost of the divide

Delaying a purchase costs aspiring buyers in northern cities thousands in lost wealth, while southern buyers are temporarily better off waiting. This creates a massive £10,896 regional gap in the immediate financial impact of delaying homeownership.



The growing focus on regional growth and devolution has placed renewed attention on the economic divide between different parts of the UK. Housing is a vital part of that conversation. For first-time buyers, the ability to build wealth through homeownership is increasingly shaped by geography.



Regional affordability at a glance

Metric	North	South	Central	N.I, Wales & Scotland
Average deposit	£41,202	£76,450	£41,433	£45,760
Average monthly repayment	£780	£1,448	£785	£866
Average salary	£37,826	£43,329	£38,367	£40,027
Average LTI	3.85x	6.13x	3.84x	4.06x
After 1 year	+£8,139	-£2,757	+£3,007	+£10,657
After 5 years	+£61,621	+£58,141	+£47,221	+£87,291

Despite these short-term hurdles, homeownership still wins out over the long term in all regions. Over a five-year horizon, buying a home builds substantial wealth compared to renting, ranging from a whopping £87,291 in Northern Ireland, Wales and Scotland, to a more modest £47,221 in Central. The only city that *doesn't* deliver a return after 5-years is London, where an owner would be £11,854 worse off versus renting.

Buying wins

After one year

- Belfast +£17,049
- Newcastle +£15,896
- Glasgow +£12,777
- Edinburgh +£9,042
- Leeds + £8,288

+11 other cities



(More than £2k better off)

Neutral

After one year

- Coventry +£245
- Derby +£1,409
- Southampton +£1,568

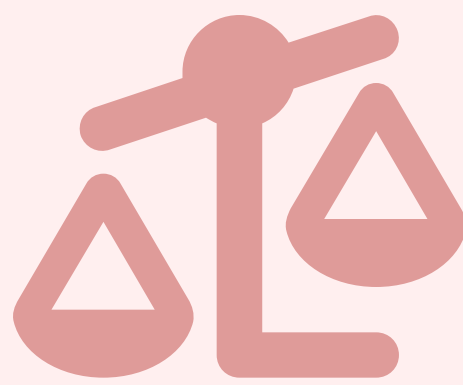


(Up to £2k better off)

Waiting wins

After one year

- London -£23,491
- Birmingham -£308



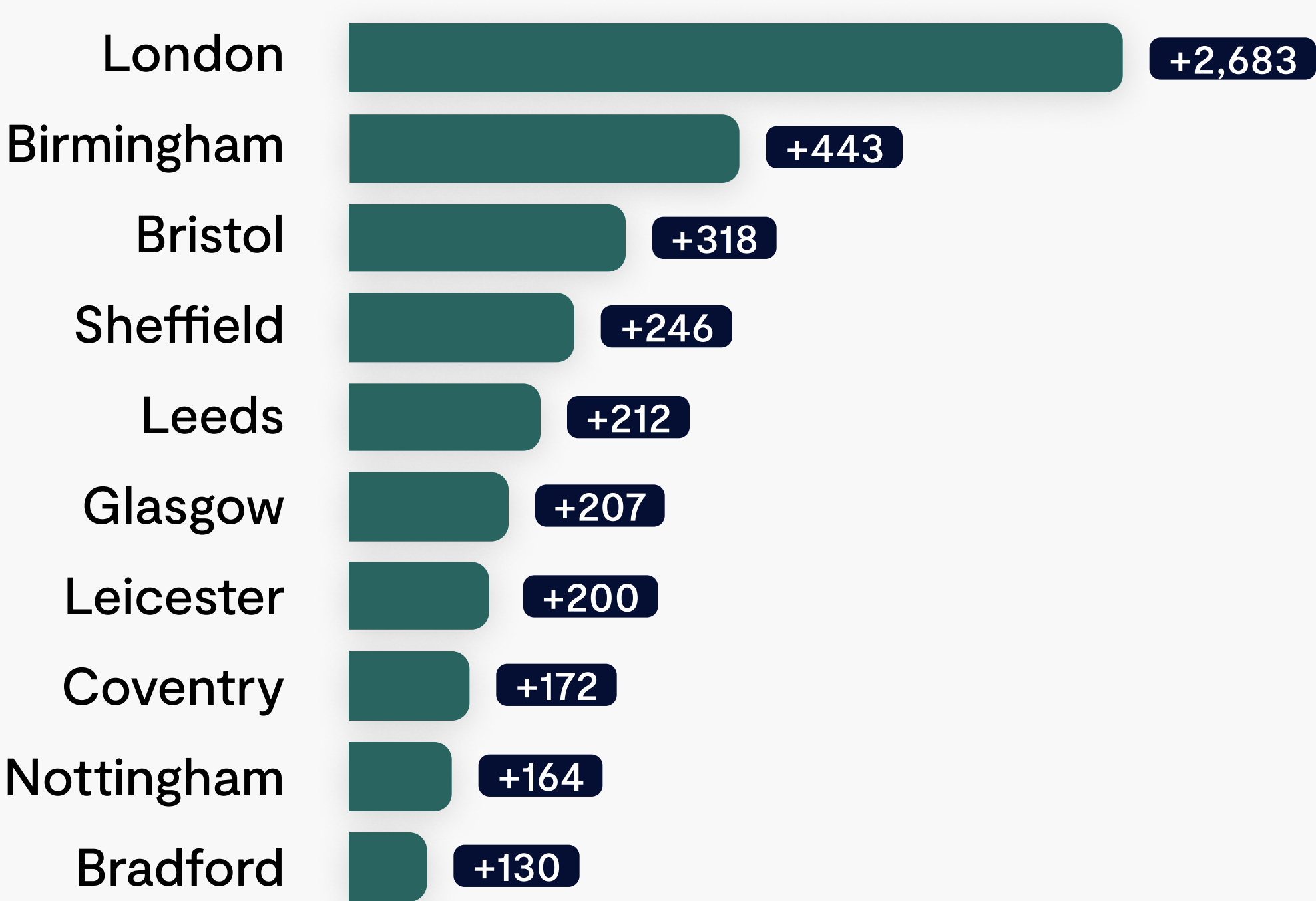
(Worse off buying)

Buyers have more choice

While the rate environment remains a challenge, property availability has taken a massive turn in favour of buyers. Across the UK, 20 out of 22 cities analysed saw a direct increase in properties listed for first-time buyers compared to Q1. This has resulted in a 9% national increase in listed options, giving buyers significantly more choice as they enter the market.

While London saw the largest volume increase, regional hubs are leading the charge for percentage growth. Stoke-on-Trent, Glasgow, and Bradford all recorded substantial jumps in first-time buyer stock. Brighton remains the sole exception to this trend, with available listings falling and further tightening the local market.

Largest increase in first-time buyer homes (Q2 vs Q1)



Biggest increase in choice (%)

Stoke-on-Trent	↑ +30.2%
Glasgow	↑ +27.6%
Bradford	↑ +22.1%
Coventry	↑ +20.2%
Edinburgh	↑ +19.6%

Biggest decrease in choice (%)

Brighton	↓ -10.5%
Belfast	↓ -33.3%

“Choice has improved, but the best properties on the market are still attracting strong interest. When you find something you love, don’t hang around! Be ready to make a good and fair offer, and make sure you’ve got a broker lined up. Remember, you’ll have the chance to negotiate later if anything is uncovered in the survey.”

Brad, Senior Mortgage Advisor at Tembo



Tembo City Index

Shifting affordability has reshuffled positions across the board in Q2 2026. While regional powerhouses **Glasgow, Liverpool, and Belfast** remain stable in the top three, elsewhere we saw 5 cities climb the ranks, and 7 drop down, notably **Manchester, Coventry and Derby**.

City Index Updates: Q2 2026 vs Q1 2026

Rank Q2 2026	City	Overall score	Position Q2 2026	Position Q1 2026	Movement	Change
1	Glasgow	5.70	1	1	–	Flat
2	Liverpool	7.60	2	2	–	Flat
3	Belfast	7.70	3	3	–	Flat
4	Stoke-on-Trent	8.63	4	8	↑ 4	Up
5	Newcastle upon Tyne	9.08	5	4	↓ 1	Down
6	Hull	9.78	6	13	↑ 7	Up
7	Bristol	10.03	7	7	–	Flat
8	Nottingham	10.10	8	5	↓ 3	Down
9	Leeds	10.30	9	14	↑ 5	Up
10	Sheffield	10.88	10	16	↑ 6	Up
11	Manchester	10.93	11	6	↓ 5	Down
12	Southampton	10.95	12	9	↓ 3	Down
13	Edinburgh	11.23	13	11	↓ 2	Down
14	Birmingham	11.60	14	15	↑ 1	Up
15	Coventry	11.73	15	10	↓ 5	Down
16	Derby	11.78	16	12	↓ 4	Down
17	Cardiff	12.10	17	17	–	Flat
18	Bradford	12.40	18	18	–	Flat
19	Leicester	13.80	19	19	–	Flat
20	Brighton	14.33	20	20	–	Flat
21	London	20.40	21	21	–	Flat

✦ **Key takeaway**

The biggest shifts this quarter are in the middle of the table, as regional differences in affordability widen.

📈 **Biggest risers**

Hull

↑ 7

Sheffield

↑ 6

Leeds

↑ 5

📉 **Biggest fallers**

Manchester

↓ 5

Coventry

↓ 5

Derby

↓ 4

📊 **This quarter's movement**

↑ 5

Cities moved up this quarter

– 9

No change

↓ 7

Cities moved down this quarter

Hull has emerged as the quarter’s biggest success story, leaping an incredible seven places up the index, followed close behind by **Sheffield and Leeds**. Hull ranks first in the entire country for both rent-to-salary affordability and loan-to-income (LTI) viability, combined with an exceptional score on the Green Space Per Capita metric.

Conversely, **Manchester and Coventry** recorded the sharpest drops this quarter, both sliding down five places. Manchester’s slip to 11th is an unfortunate side effect of intensifying local pressures. **Coventry** fell to 15th, heavily penalised by its position near the bottom of our 5-year Rent vs. Buy return metric.

At the extreme end of the index, **London** continues to sit firmly at the bottom of the table, stretching standard lending to the outer limit with a gruelling 8.66x income multiple and an eye-watering £2,305 monthly repayment.



Hull

LTI	2.75x
Monthly repayment	£529
Buy vs rent	-£160/mth
5 year gain	+£39k

Sheffield

LTI	4.07x
Monthly repayment	£816
Buy vs rent	-£105/mth
5 year gain	+£49k

Leeds

LTI	4.35x
Monthly repayment	£896
Buy vs rent	-£237/mth
5 year gain	+£70k

● Value of biggest risers

● Value of biggest fallers

Manchester

LTI	4.48x
Monthly repayment	£967
Buy vs rent	-£384/mth
5 year gain	+£80k

Coventry

LTI	3.62x
Monthly repayment	£825
Buy vs rent	-£191/mth
5 year gain	+£43k

Derby

LTI	3.45x
Monthly repayment	£762
Buy vs rent	-£89/mth
5 year gain	+£38k

How to beat the postcode penalty

A note from our Director of Mortgages

Time in the market beats timing the market

As we step into the second half of 2026, it's easy to get caught up in the short-term volatility and the Q2 dip in our Attractiveness Score. But looking back at H1 as a whole, it's definitely not all doom and gloom. While April-June brought a temporary hurdle with shifting interest rates and tighter borrowing limits, the first half of this year also delivered a solid 9% surge in property choice for first-time buyers.

However, when you look past the immediate noise, homeownership remains the ultimate long-term wealth creator. The old advice still holds up: time in the market beats trying to time the market. No matter what the seasonal data dials show – in all areas aside from London – buying a home builds substantial personal net worth over a five-year horizon compared to staying trapped in the rental cycle. Across H1 2026, the numbers prove that owning generates an extra £61,621 of long-term financial value in the North and £58,141 in the South, proving that the wealth-building journey simply takes a little longer depending on your location.

Making home happen

While the housing market feels uneven as we head into the second half of the year, the door to homeownership remains open with tailored strategies and the right advice. At Tembo, we specialise in finding the "yes" that traditional lenders and brokers miss. Whether you need a boost to your borrowing power, deposit support, or simply a clearer roadmap for your purchase, our expert mortgage team is here to help you. Explore your personalised options and book a free, no-obligation consultation at tembomoney.com.

Paul Elcino

Director of Mortgages, Tembo



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 calculations below

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 the MSCI World Index over the relevant period.

Birmingham

- Average monthly rent: £1,088 (£13,056 annually)
- Average first-time buyer deposit: £46,860
- MSCI World Index annual return: 19.8%
- Implied investment return: £9,300

Net rental position of -£3,756 over one year.

London

- Average monthly rent: £2,294 (£27,528 annually)
- Average first-time buyer deposit: £121,660
- MSCI World Index annual return: 19.8%
- Implied investment return: £24,145

Net rental position of -£3,383 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.

Birmingham

- Average first-time buyer mortgage: £166,140
- Monthly mortgage payment: £888 (£10,654 annually)
- Monthly interest cost: £687
- Average property price: £213,000
- Annual house price change: -0.3%

Net buying position of -£4,064 over one year.

London

- Average FTB mortgage: £431,340
- Monthly mortgage payment: £2,305 (£27,660 annually)
- Monthly interest cost: £1783
- Average property price: £553,000
- Annual house price change: -2.1%

Net buying position of -£23,491 over one year.

Based on this methodology, first-time buyers in Birmingham are -£308 worse off over one year compared to renters, and Londoners are £23,491 worse off. The same framework is applied over a five-year period, incorporating cumulative rental costs, mortgage interest, investment returns, and house price movements. Note that we haven’t included Stamp Duty Land Tax into these calculations.

Note that we haven’t included Stamp Duty Land Tax (SDLT) to these calculations. 3 of the 21 cities in the index would have SDLT liability based on the average property price: Brighton (£650), Bristol (£750) and London (£17,650). In London, the one year position changes to -£41,141.

Calculation of First-Time Buyer Attractiveness Score

The score is a weighted composite score out of 100, 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 & financial outcomes & aggregated using predefined weightings.

 **Tembo**