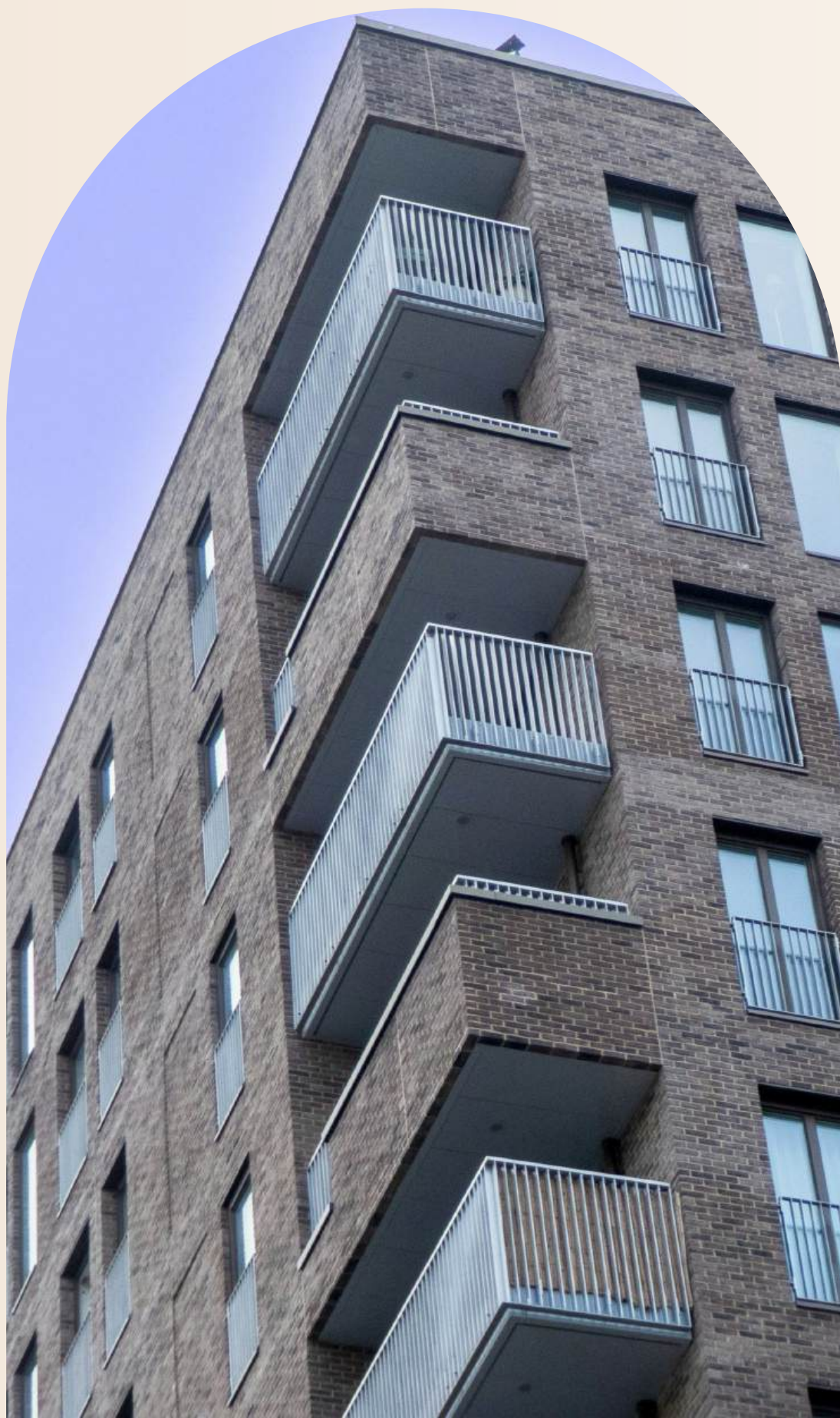


Beyond the deposit

Will Your First Home make
homeownership more affordable
for the average first-time buyer?



A note from our CEO...

This quarter, our first-time buyers were older and wealthier. The average age at mortgage application rose to 34, up from 33 last quarter, and just 31 a year ago. While those entering the market appear increasingly financially resilient, it raises a trickier question: are younger and lower-earning buyers being pushed further out of the property market?

There were positives to celebrate. After a turbulent first half of the year, the mortgage market showed signs of stabilising, with average rates dropping from 4.96% in Q2 to 4.81% in Q3. That might seem like a modest improvement, but on a £220,000 mortgage over 30-years, it translated to a saving of around £20 a month, or £240 a year. All relief is welcome for buyers already stretching their finances, but lower rates alone won't solve the affordability challenges facing those still struggling to get onto the ladder.

September also brought a potentially significant development for first-time buyers. The Prime Minister announced Your First Home, a new scheme that could help lower-income buyers in England purchase a home with a deposit as small as 2.5%.

For those who have spent years struggling to save, that sounds like a game-changer. But a smaller deposit is only one part of the equation, can it deliver what is needed for first-time buyers across England?

That's what we've set out to explore in this quarter's Index. We've modelled the potential impact of Your First Home across 17 English cities, looking beyond the initial deposit to examine mortgage affordability, long-term equity and the risks buyers could face. We also explore what other policy support could deliver, whether the impact is felt equally across England, and whether it should be.

Richard
CEO & Founder, Tembo



Executive summary

Overall conditions for first-time buyers remained relatively stable in Q3, with the Attractiveness Score reflecting a market that still requires trade-offs. Beneath the headline, however, there were some encouraging signs. Mortgage repayments fell to 27.7% of average take-home pay, down from 29.7% in Q2, while average borrowing power increased from £220,063 to £226,560. Yet saving a deposit remains a major hurdle, with the average time needed to save still sitting at around 11 years.

House prices also continued to rise, with the average first-time buyer purchase price reaching £273,217, up from £265,242 last quarter. Buyers are arriving with larger deposits too, averaging £46,711 in Q3, compared with £45,356 in Q2. Meanwhile, the average buyer's gross income climbed to £61,377. Together, these figures paint a picture of a market where buyers have greater borrowing power, but still need substantial savings and earnings to get through the door.

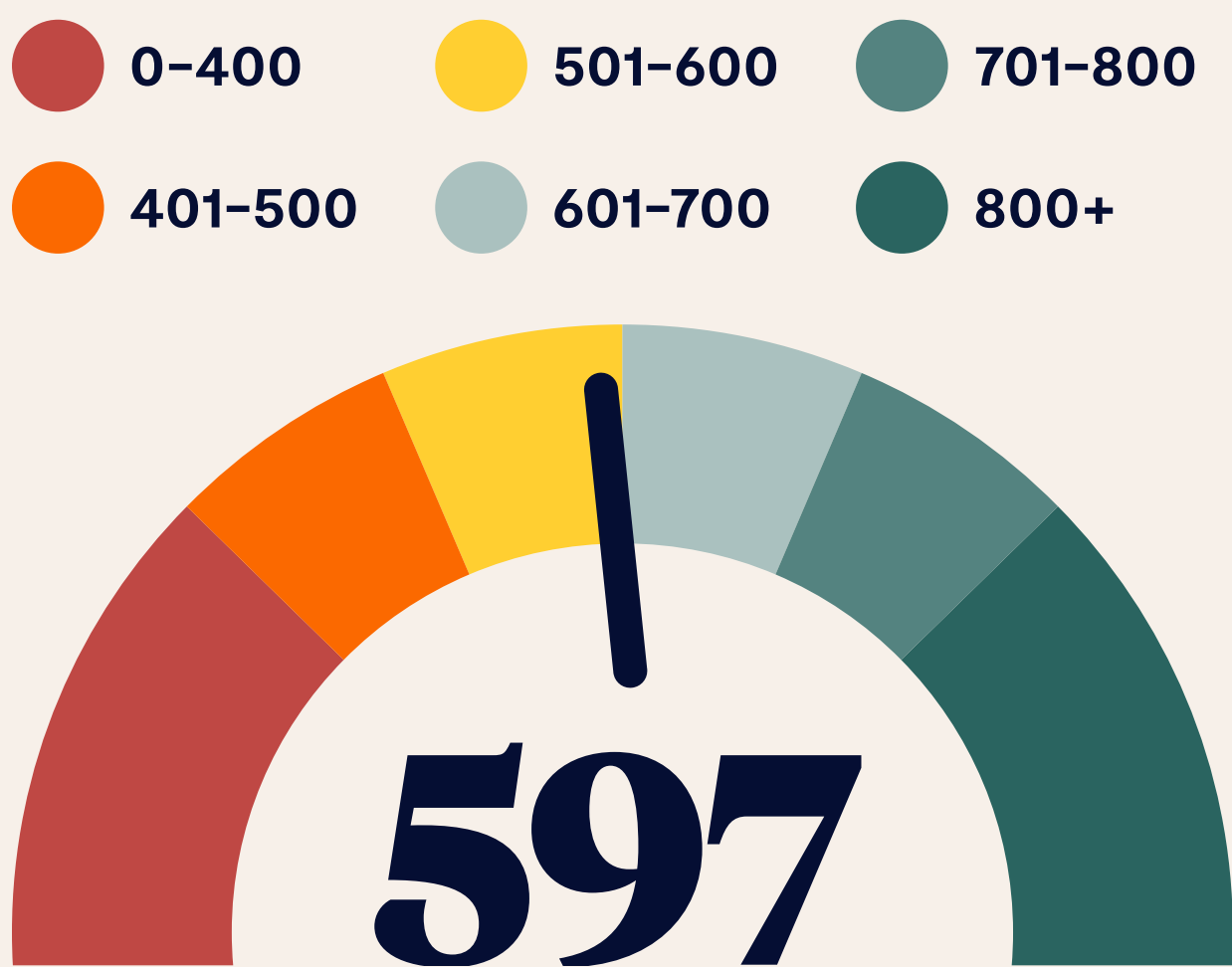
What changed since Q2?

- ↓ Homes available
- ↑ Average income
- ↑ Deposits
- ↑ House prices
- ↑ Affordability
- ↓ Interest rates
- ↑ Average buyer age

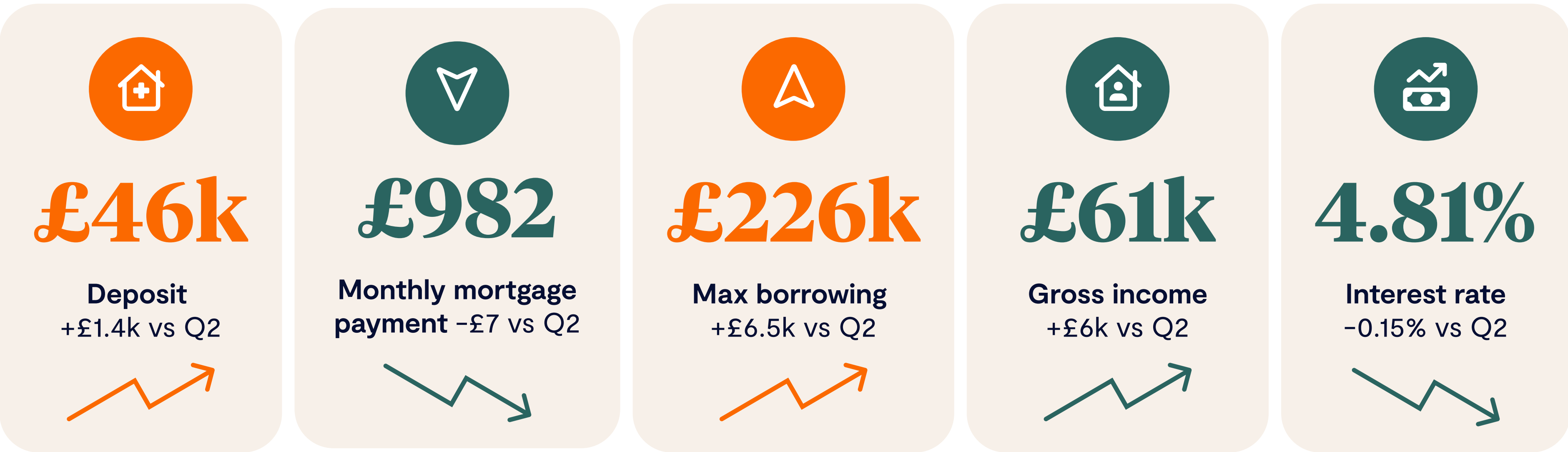
Attractiveness Score: 597 Moderate: Requires trade-offs

▼ -1 vs Q2 2026

While mortgage affordability improved in Q3, the benefits were offset by persistent barriers to buying. First-time buyers could borrow more while average mortgage repayments decreased. However, higher deposits and house prices raised the barrier to entry. The result was a market offering some relief to mortgage-ready buyers, without a significant improvement in overall accessibility.



The Q3 average first-time buyer profile



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.

The Tembo City Index

Our First-Time Buyer City Index rates the top 21 largest cities in the UK across a range of financial and lifestyle factors, from rental costs and property prices to property price growth. Cities are ranked with lower scores representing greater overall attractiveness.

First-Time Buyer City Index: Q3 2026

Rank Q3 2026	City	Overall score	Position Q3 2026	Position Q2 2026	Movement	Change
1	Glasgow	5.95	1	1	—	Flat
2	Belfast	7.38	2	3	↑ 1	Up
3	Liverpool	7.70	3	2	↓ 1	Down
4	Newcastle upon Tyne	8.63	4	5	↑ 1	Up
5	Stoke-on-Trent	9.45	5	4	↓ 1	Down
6	Leeds	9.65	6	9	↑ 3	Up
7	Coventry	10.23	7	15	↑ 8	Up
8	Hull	10.35	8	6	↓ 2	Down
9	Bristol	10.58	9	7	↓ 2	Down
10	Sheffield	10.60	10	10	—	Flat
11	Southampton	10.65	11	12	↑ 1	Up
12	Derby	10.73	12	16	↑ 4	Up
13	Nottingham	10.85	13	8	↓ 5	Down
14	Bradford	11.05	14	18	↑ 4	Up
15	Manchester	11.10	15	11	↓ 4	Down
16	Edinburgh	11.38	16	13	↓ 3	Down
17	Birmingham	12.00	17	14	↓ 3	Down
18	Cardiff	13.40	18	17	↓ 1	Down
19	Leicester	13.93	19	19	—	Flat
20	Brighton	14.60	20	20	—	Flat
21	London	20.83	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

Coventry
Derby
Bradford

↑ 8
↑ 4
↑ 4

📉 Biggest fallers

Nottingham
Manchester
Edinburgh

↓ 5
↓ 4
↓ 3

👁️ This quarter's movement

↑ 7

Cities moved up this quarter

— 5

No change

↓ 9

Cities moved down this quarter

The Tembo City Index

Glasgow holds the top spot for the third consecutive quarter, with Belfast and Liverpool completing the top three. LTI in these cities is below four times earnings and the long-term benefits of owning are impressive.

At the other end, London – unsurprisingly – remains the hardest city for first-time buyers, where average property prices are nearly nine times local annual earnings and average monthly rent of £2,332 makes up more than 55% of gross salaries.

The financial rewards of buying also vary significantly across the country. Whilst placed modestly in 9th position, Bristol offers the largest five-year financial advantage to buying over renting, at almost £111,000. This is thanks to buyers saving £601 per month in average mortgage payments versus the average rent.

Glasgow is just behind Bristol, with a five-year advantage of more than £102,000 over renting. In London, slow house price growth mean that advantage falls to a negative figure –£4,500, suggesting that even for buyers able to overcome the substantial upfront costs, equity growth is slower to build.

The top and bottom of the index

01 Glasgow

LTI	3.27x
Average house price	£174,000
Average deposit	£38,000
Buy vs rent (5 year gain)	+£102,000

02 Belfast

LTI	3.89x
Average house price	£185,000
Average deposit	£40,000
Buy vs rent (5 year gain)	+£99,000

03 Liverpool

LTI	3.54x
Average house price	£174,000
Average deposit	£38,000
Buy vs rent (5 year gain)	+£63,000

01 London

LTI	8.91x
Average house price	£569,000
Average deposit	£125,000
Buy vs rent (5 year gain)	-£4,500

02 Brighton

LTI	6.83x
Average house price	£344,000
Average deposit	£75,000
Buy vs rent (5 year gain)	+£64,000

03 Leicester

LTI	4.65x
Average house price	£211,000
Average deposit	£46,000
Buy vs rent (5 year gain)	+£43,000

+8 places for Coventry

Coventry climbed eight places this quarter, one of the biggest risers in the index.



£111k Bristol's five-year buying advantage

A typical buyer in Bristol could be around £111,000 better off after five years than if they continued renting.



What could Your First Home mean for first-time buyers?

In September, the government announced Your First Home, a new scheme designed to lower the barriers to homeownership. Eligible first-time buyers in England will be able to purchase participating new-build homes with a 2.5% deposit, supported by a 20% government-backed equity loan.

The scheme directly targets one of the biggest hurdles facing first-time buyers: saving enough to get onto the property ladder.

We modelled the potential impact across 17 English cities, using our latest Q3 data on local first-time buyer prices, deposits, and mortgage costs, alongside regional new-build data. With final scheme details still to be confirmed, the analysis is illustrative rather than a prediction of individual outcomes.

Your First Home could cut more than a year off the time to save a low deposit

Months to save a deposit, assuming 10% of gross annual salary is saved each month.



Average time to save (across 17 cities)

18 months to save for a 2.5% YFH deposit

34 months to save for a 5% deposit

150 months to save for the average FTB deposit

Biggest reduction in saving time (vs 5%)

London -40 months
Brighton -32 months
Bristol -24 months
Manchester -20 months

Smallest reduction in saving time (vs 5%)

Newcastle -5 months
Hull -6 months
Bradford -7 months
Derby -7 months

2.9 years → 1.5 years

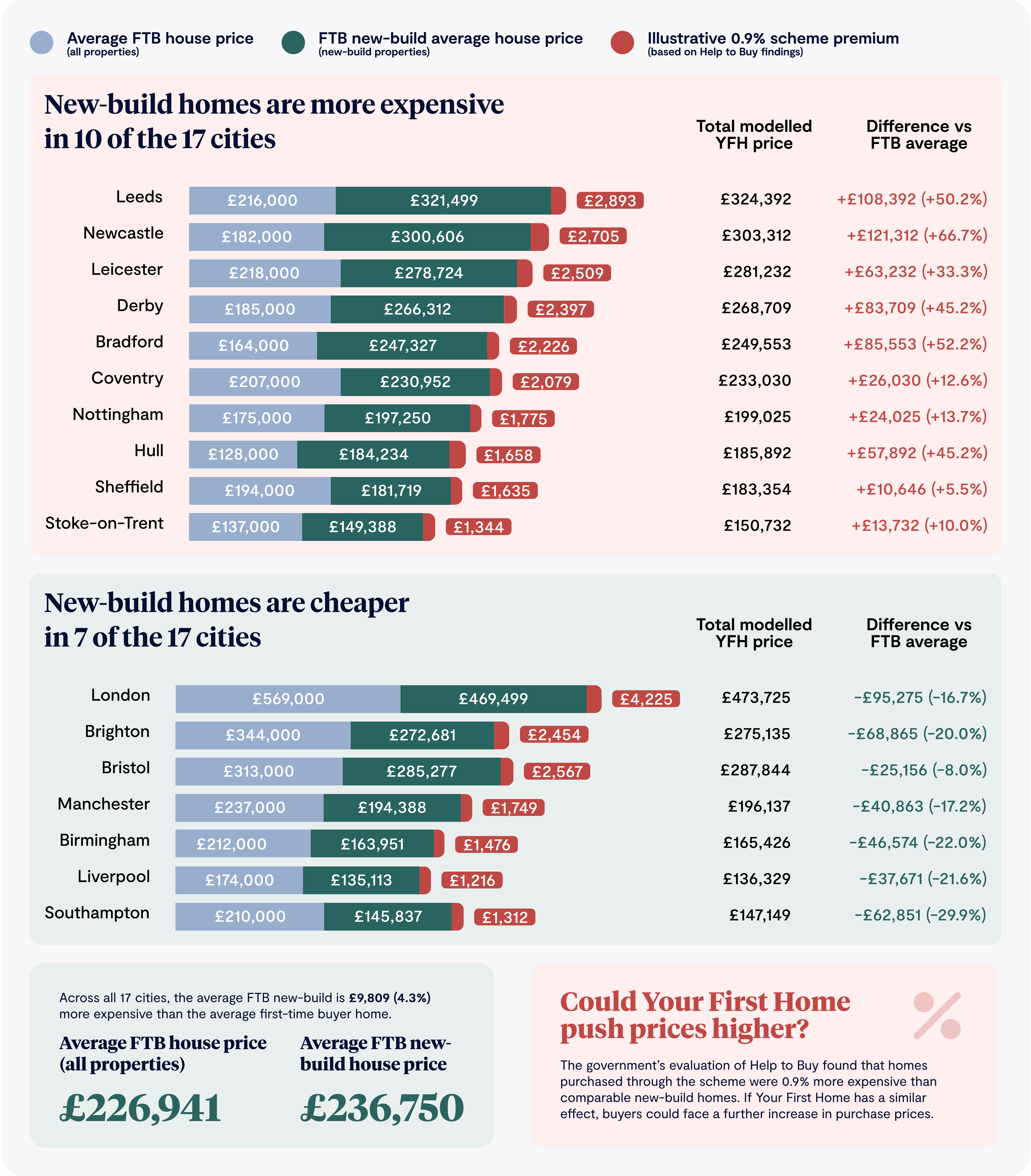
Across the 17 cities analysed, the typical saving period falls from 34 months for a 5% deposit to 18 months under Your First Home – a reduction of around 16 months.



Your First Home prices modelled at 83% of local average new-build prices (UK House Price Index), plus an assumed 0.9% Help to Buy-style price premium. Standard purchase prices based on local first-time buyer averages (UK House Price Index). First-time buyer average deposit sourced from Tembo proprietary data Q3 2026. Savings assumptions: 10% of gross annual salary (ONS) saved monthly. Assuming £0 starting savings, no interest, no salary changes.

Buying new-build comes with a premium for most first-time buyers, and Your First Home could push it higher

Because Your First Home is restricted to new-builds, buyers will be purchasing in a distinct segment of the market. Across the 17 cities analysed, the average first-time buyer new-build costs around £9,800 more than the average first-time buyer home – a 4.3% premium. But the picture varies sharply by city. In 10 cities, new-builds are more expensive; in seven, they are cheaper. We also model an additional 0.9% YFH premium, based on the government’s evaluation of Help to Buy, to illustrate how scheme-driven demand could push purchase prices higher still.



Your First Home could remain out of reach for lower earners in three-quarters of the English cities analysed

Your First Home could make saving a deposit easier, but our analysis suggests that the challenge simply shifts from saving enough to borrowing enough, and significantly impacts lower earners – the very people the scheme is designed to help.

Across the 17 cities analysed, buyers earning at the lower end of local salaries would need to borrow more than 4.5 times their income in 13 cities (76%). Even those earning the median local salary would exceed this threshold in eight cities (47%), while higher earners would face the same challenge in four cities (24%).

With service charges excluded from these calculations, the true affordability challenge will be greater still for buyers purchasing leasehold new builds.

That matters because, while lenders *can* offer mortgages above 4.5 times income, the options offered are restricted especially for those with lower deposits. This creates a fundamental tension for a scheme designed to support lower-income buyers.

76%

13 out of 17 cities
Lower earners (P25)
would need to borrow
more than 4.5x income

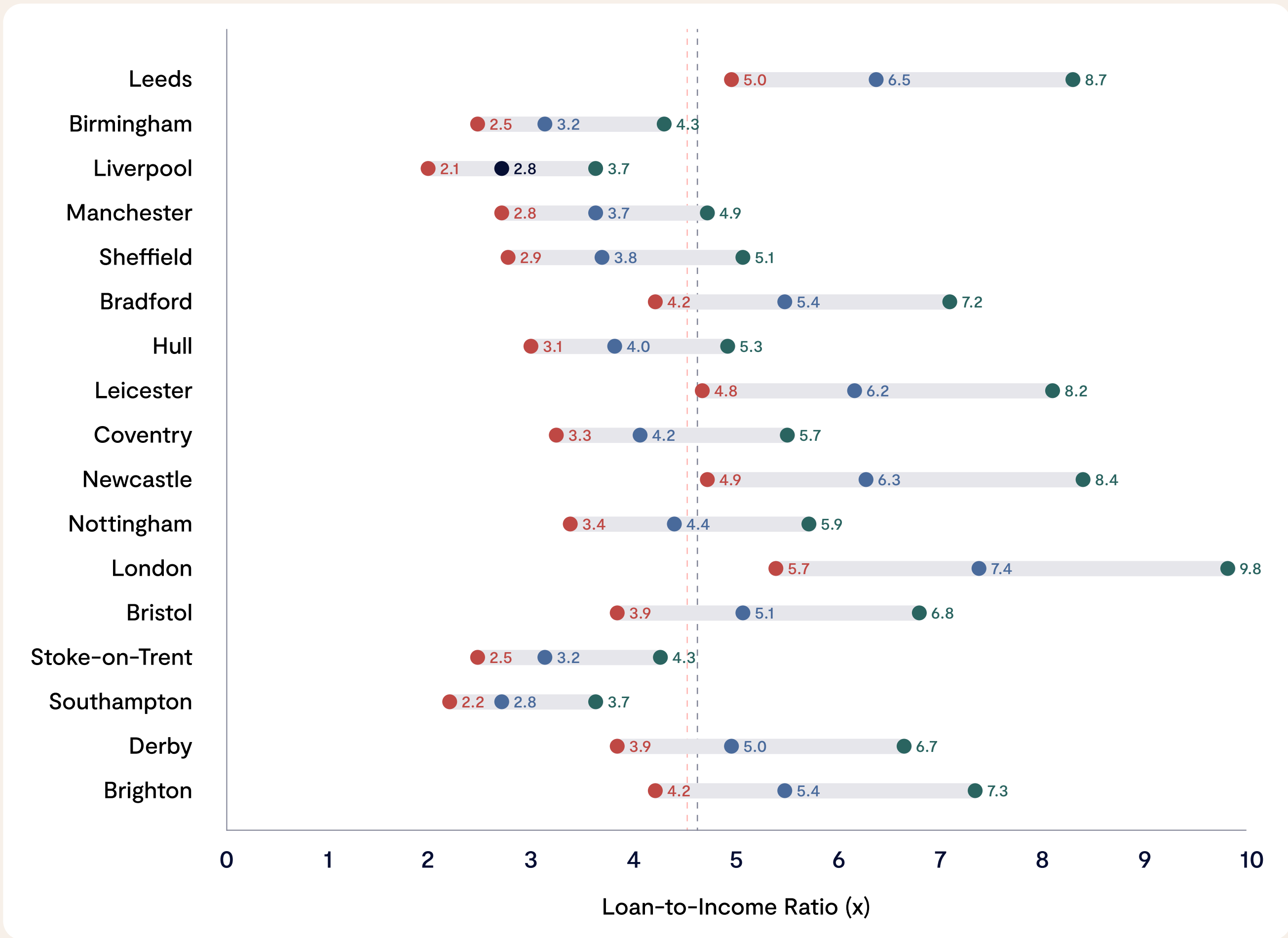
47%

8 out of 17 cities
Median earners would
need to borrow more
than 4.5x income

24%

4 out of 17 cities
Higher earners (P75)
would need to borrow
more than 4.5x income

Mortgage required under Your First Home as a multiple of annual income (LTI) for lower, median and higher earners



- P25 (Lower earners)
- Median Earners
- P75 (Higher Earners)
- 4.5x
Higher LTI threshold
- 4.55x
Current FTB average

Your First Home prices modelled at 83% of local average new-build prices (UK House Price Index), plus an assumed 0.9% Help to Buy-style premium. Mortgage borrowing assumes a 2.5% deposit and 20% government equity loan, leaving 77.5% to be mortgaged. Local salaries sourced from ONS ASHE 2025 (25th, 50th and 75th percentiles). Loan-to-income ratios calculated as mortgage required ÷ gross annual salary. Excludes service charges and other purchasing costs. 4.5x income used as an illustrative lending benchmark. 4.55x income average taken from Tembo proprietary first-time buyer data Q3 2026.

A thinner equity cushion leaves buyers vulnerable to ‘new-build deflation’ & house price shocks

A 2.5% deposit could make homeownership possible sooner, but it also leaves buyers with a smaller financial cushion if house prices fall. And for new-build properties, there's an additional risk: the premium buyers pay for a brand-new home may not be recovered when they sell. To illustrate what this could mean in practice, we've modelled two first-time buyers in Nottingham over five years. Tim, buying through Your First Home with a 2.5% deposit and a 20% government equity loan, and Alice, buying with a conventional 5% deposit.

A smaller deposit gets you through the door, but equity is slower to build.

Our modelling shows that while Your First Home can make buying more accessible, it could leave buyers with a substantially smaller stake in their home after five years.



Tim, 28
Buys a new-build in Nottingham using Your First Home with a 2.5% deposit.

Purchase details

	Property Price (incl. 0.9% YFH premium)	£199,025
	Deposit (2.5%)	£4,976
	Government equity loan (20%)	£39,805
	Mortgage (77.5%)	£154,244

Who owns the property?

With Your First Home, the government owns a 20% stake in your home.

2.5%

77.5%

20%

Your deposit
£4,976

Your mortgage
£154,244

Government's share
£39,805

What happens to Tim's equity after 5 years?

 If house prices fall by 5%

£10,004
5.3% of sale value

 If house prices stay flat

£17,965
9.0% of sale value

 If house prices rise by 10%

£33,887
15.5% of sale value



Alice, 28
Buys a home in Nottingham with a 5% deposit.

Purchase details

	Property Price	£175,000
	Deposit (5%)	£8,750
	Government equity loan (20%)	-
	Mortgage (95%)	£166,250

Who owns the property?

With a standard mortgage, you own 100% of your home from day one.

5%

95%

Your deposit
£8,750

Your mortgage
£166,250

What happens to Alice's equity after 5 years?

 If house prices fall by 5%

£14,001
8.4% of sale value

 If house prices stay flat

£22,751
13.0% of sale value

 If house prices rise by 10%

£40,251
20.9% of sale value



Alice has more equity in every scenario
After five years, Alice could have between 40% to 20% more equity than Tim, depending on how house prices change.

£3,996
more equity
if prices fall by 5%

£4,785
more equity
if prices stay flat

£6,363
more equity
if prices rise by 10%

Source: UK House Price Index (ONS), using local first-time buyer prices and regional new-build house price data. Your First Home prices are modelled assuming a first-time buyer new-build costs 83% of the regional average new-build price, plus an illustrative 0.9% scheme premium based on the government's Help to Buy evaluation. The five-year scenarios assume a 4.81% mortgage rate over 30 years, with the government equity loan repaid at 20% of the property's sale value. House price changes are illustrative, not forecasts. Final scheme terms are yet to be confirmed.

What else could move the needle for first-time buyers?

Not all first-time buyers need the same support. In many parts of the country, average house prices already fall within existing Lifetime ISA and stamp duty thresholds. But in more expensive markets, buyers face a double challenge: saving for a significantly larger deposit while finding that some of the support designed to help them buy is out of reach.

That's why the number of cities benefiting from a policy doesn't tell the whole story. Removing the Lifetime ISA's £450,000 property price cap would directly benefit just one of the 17 cities analysed. Yet that city is London, where the average first-time buyer property costs £569,000 and a 5% deposit alone requires £28,450. Meanwhile, stamp duty thresholds create another divide, with buyers in higher-priced markets facing additional upfront costs that those purchasing in less expensive areas may avoid.

How existing support compares across 17 cities for the average first-time buyer

	Average FTB property price	5% deposit required	Months to save 5% deposit	LISA available (<£450k)	FTB stamp duty payable (>£300k)	Mortgage as a multiple of income
London	£569,000	£28,450	69	×	✓	8.91x
Brighton	£344,000	£17,200	53	✓	✓	6.83x
Bristol	£313,000	£15,650	44	✓	✓	5.60x
Leicester	£211,000	£10,550	36	✓	×	4.65x
Manchester	£237,000	£11,850	35	✓	×	4.47x
Leeds	£216,000	£10,800	34	✓	×	4.37x
Birmingham	£212,000	£10,600	33	✓	×	4.18x
Southampton	£210,000	£10,500	31	✓	×	4.03x
Sheffield	£194,000	£9,700	32	✓	×	4.03x
Nottingham	£175,000	£8,750	31	✓	×	3.90x
Newcastle	£182,000	£9,100	30	✓	×	3.81x
Coventry	£207,000	£10,350	30	✓	×	3.78x
Bradford	£164,000	£8,200	28	✓	×	3.58x
Liverpool	£174,000	£8,700	28	✓	×	3.54x
Derby	£185,000	£9,250	27	✓	×	3.49x
Stoke-on-Trent	£137,000	£6,850	23	✓	×	2.95x
Hull	£128,000	£6,400	22	✓	×	2.77x



The deposit challenge is very uneven

A 5% deposit in London is £28,450 – more than four times the amount required in Hull (£6,400)



Borrowing is hardest in the same places

The average London buyer would need a mortgage 8.91x their income, compared with 2.77x in Hull.



Existing support is not universal.

The average buyer in London cannot use a Lifetime ISA & pays Stamp Duty, while average buyers in 14 of 17 cities benefit from both.

Three policy options could help - but they work in different ways, and benefit different areas

So what could policymakers do to close these gaps? We've modelled three potential reforms: removing the Lifetime ISA property price cap, abolishing stamp duty for first-time buyers, and allowing buyers to put one year (£12,500) of their state pension towards a deposit. The latter is an innovative idea proposed by the Social Market Foundation.

The results reveal a trade-off between the reach of a policy and the barriers it addresses. While pension savings could help buyers cover a 5% deposit in 14 of the 17 cities analysed, removing the LISA cap would directly benefit just one. But that one city is London, where buyers face the highest upfront costs and some of the greatest affordability challenges.

Together, these scenarios show why a combination of targeted reforms could help to recalibrate the support in more expensive areas.

How would these proposals help our buyers?



01

Remove the Lifetime ISA property price cap

Allows first-time buyers to use their Lifetime ISA (and 25% government bonus) on homes worth more than £450,000.

Who would benefit?

1 of 17

cities, based on the average first-time buyer property price.

This is the city where all existing support is currently out of reach to the average first-time buyer.

Example: London

Average FTB property price

£569,000

LISA bonus (5 years)

£5,000

Currently blocked by cap

Yes

Equivalent saving time
12 months (5-years bonus)



02

Abolish stamp duty for first-time buyers

Removes all stamp duty liabilities for first-time buyers, not just on the first £300,000.

Who would benefit?

3 of 17

cities would see a saving on the average first-time buyer property price.

These are higher priced markets where buyers currently pay some stamp duty.

Example: Brighton

Average FTB property price

£344,000

Current stamp duty (FTB rate)

£2,200

Saving if abolished

£2,200

Equivalent saving time
8 months



03

Front-load £12,500 of pension savings

Makes £12,500 of pension savings available for a deposit (upfront or as an advance).

Who would benefit?

17 of 17

And 14 cities could cover their full 5% deposit with a £12,500 pension advance, based on average prices

This could significantly reduce the time needed to save, especially lower and mid-priced markets.

Example: Manchester

5% deposit required

£11,850

£12,500 pension advance

£12,500

Deposit to save

£0

Equivalent saving time
35 months

Different barriers need different solutions

Deposit support could help buyers save faster, while changes to LISA and stamp duty rules could remove additional costs in expensive markets. No single reform tackles every obstacle, but together they could make existing support work harder for first-time buyers.



These policy proposals are for legislative consideration, not existing financial products or services offered by the firm. Under current UK legislation, accessing pension funds prior to minimum pension age is not permitted and incurs significant tax penalties. Purchasing a property over £450,000 using a LISA results in a government withdrawal charge, and consumers should verify current limits before using LISA funds. SDLT savings modeled against standard post-April 2025 FTB tax bands.

Closing remarks

The announcement of the Your First Home scheme marks a welcome shift in government policy, which has remained largely silent on the plight of the first-time buyer. Despite many hopeful rumours circulating before each Budget, successive Prime Ministers have failed to offer anything tangible.

But while the ambition is right, our research highlights just how complex the challenge has become. Reducing the minimum deposit to 2.5% could reduce the time to save a deposit by well over a year in some English cities. For aspiring buyers who have spent years struggling to save while paying rent, that could make a meaningful difference.

Yet a smaller deposit doesn't necessarily mean a more affordable home.

Our analysis finds that lower earners in the majority of cities studied, and middle earners in almost half, could clear the deposit hurdle only to find themselves unable to borrow enough. Your First Home risks promising the removal of all barriers, while tackling one.

At the same time, blanket national policies overlook the stark regional differences in high-cost cities like London, Bristol, and Brighton. In these markets, high property prices mean that existing government support can fall short. From reviewing the Lifetime ISA property price cap, to reconsidering stamp duty and exploring more innovative ways to help buyers access deposits, there's a strong case for policies that better reflect regional affordability.

As we approach the Autumn Budget on 28th October, the government has an opportunity to build on the ambition behind Your First Home and address the wider barriers to homeownership experienced across England. Ultimately, success shouldn't be measured by how quickly buyers can save a deposit, but whether they can actually afford a home.

Polly Gilbert
CMO, 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 (Birmingham Q2):

Renting	Buying
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.	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, stamp duty costs and house price movements.

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**