



AWDURDOD  
CYMYSYTERAU,  
CYWRICWLWM AC ASESU  
CYMRU  
QUALIFICATIONS,  
CURRICULUM &  
ASSESSMENT AUTHORITY  
FOR WALES



# Key skills communication Level 3 - First Time Buyers

Tuesday 17th January 2006

## Source Booklet

- This booklet contains source material for the level 3 communication test, **First Time Buyers**
  - The test questions will be based on this material
  - You must hand in this source booklet at the end of the test, along with your question paper and answer booklet
- 

The level 3 communication test will assess your ability to:

- select and read material to obtain the required information
- identify accurately, and compare, the lines of reasoning and main points from the text and images
- synthesise the key information in a way that is relevant to the purpose
- select and use a format and style of writing that is appropriate to the purpose and subject matter
- organise relevant information clearly and coherently
- ensure text is legible and spelling, grammar and punctuation are accurate

First published in 2005.

© Qualifications and Curriculum Authority 2005.

Reproduction, storage, adaptation or translation, in any form or by any means, of this publication is prohibited without prior written permission of the publisher, unless within the terms of licences issued by the Copyright Licensing Agency.

Printed in Great Britain.

The Qualifications and Curriculum Authority is an exempt charity under Schedule 2 of the Charities Act 1993.

Qualifications and Curriculum Authority, 83 Piccadilly, London W1J 8QA. [www.aca.org.uk](http://www.aca.org.uk)

Ref: COM-L3-SS\_A-P9-v7.0-URN:393

# First-Time Buyers

If you are considering buying a home, you have every reason to feel trepidation. The future of the market is uncertain, with many experts predicting that house prices will stagnate or fall over the next two to four years.

Sharp rises in house prices over the past few years have made it increasingly difficult for young people on average salaries to gain a foothold. The number of first-time buyers hit an all time low at the end of 2003 when, according to the Council of Mortgage Lenders, they accounted for only 26% of the market, instead of the traditional 40%-50% share.

The divide between the 'haves' and the 'have-nots' has increased as people who are already homeowners have been carried along by the rising market, while would-be first-time buyers find they need to borrow heavily to take that first step. Property prices have more than doubled over the past 10 years so that, on average, today's first-time buyers are buying houses which cost more than 5.5 times their annual earnings, in contrast to 3.5 times annual earnings in 1993. This means that those trying to buy their first home have been forced to come up with larger deposits in order to fill the gap.

One in three of first-time buyers believe it's time the Government stepped in to stop people in their situation being priced out of the market, particularly in areas where property owners are paying over the odds for second or holiday homes.

Many sympathise with first-time buyers, who are struggling to build up deposits and earnings high enough to afford even a starter home. This can often take its toll and could even be having an effect on the way young people are choosing to live. One in seven first-time buyers admit they felt they couldn't afford a house by themselves, so moving in with a partner seemed the only alternative. So, young people are making a decision to commit to someone when they wouldn't have always done so, simply because they want to have a home of their own.

This increased financial pressure on young people also has implications for others. At a time when people would have previously flown the nest, 13% of would-be first-time buyers have had to live with either their parents or their partner's parents because they couldn't afford a place of their own.

Often the choice faced by young people is whether to buy or rent property. Obviously, buying a home can be seen as an investment and they can decorate the property as they see fit. Renting, although allowing a person to be more mobile, does not offer any tangible return on the money paid to a landlord. In the short term, buying a property can be extremely expensive although the security of being in your own 'castle' and not having to put up with other tenants has definite advantages. There is always the risk of your property, however, being worth less than what you paid for it within a few years if there is a downturn in the housing market (known as 'negative equity').

Source: Adapted from *First-time buyers factfile*, Property Telegraph, 10/07/04 and *UK Remains Optimistic about Housing Market*, Yorkshire Bank, 14/07/2003.

# Problems for first-time buyers

Nearly a quarter of first-time buyers admit that buying their first home puts their relationship with their partner under strain. Some 24% of people said they experienced relationship problems as a result of the stress caused by stepping on to the property ladder, according to research carried out by the Norwich Union. Financial worries were the biggest cause of disharmony, with 88% of people saying they had underestimated the cost of buying a home, while 25% said they ended up going over budget by an average of £10,000.

Just under 50% also said they found buying their first home a bewildering and confusing experience. In addition, first-time buyers often struggled to cope with the emotional pressure of buying, while 69% said they were often confused or ill-informed about the process.

Estate agents, often aware of the tensions faced by couples trying to buy their first property, argue that couples are not looking for the same things in a property. Some 20% of first-time buyers also admitted they felt they had to compromise on the property they bought because of their partners.

Denise Knowles, of relationship support group Relate, said: 'House buying is a stressful enough business at the best of times, but it can be even more so for those couples who are making their first long-term financial and emotional commitment by getting a property together. On top of having to come to terms with a new life of cohabitation and what that entails, they're also trying to muddle through the complicated process of buying a home and it can be make-or-break for some couples.'

The government are keen to see home-ownership increase and most couples consider the risk worth taking as property is still seen as an investment for their future. However, the hidden costs of buying a property can also come as a shock to many first-time buyers and result in immediate financial difficulty. Most young people concentrate on the need to obtain a mortgage and save for a deposit but they will also need to consider additional costs such as legal fees, survey charges, stamp duty and removal expenses, to name a few. As a result, many first-time buyers are having to consider personal loans of around £3,000 on top of their mortgages to pay for the full costs involved.

Source: Adapted from *First-time buyers suffer relationship troubles*, Manchester Evening News, 06/09/2004 and *UK First-time buyers hit with £373m moving bill out of the blue*, Yorkshire Bank, 11/10/2004

## Affordable Housing

Spiralling house prices and the growth of second-home owners have increased pressure on housing availability, particularly in city centres and the countryside. The shortage of affordable housing has seen locals struggle to gain a foothold on the property ladder as more town dwellers move into the countryside causing house prices to rise faster.

Below are some views on this issue that have been received by the BBC 'Have Your Say' website.

- In a country with limited land capacity, it is simply wrong for people to own second properties, thus starving the supply of housing. Although people should be allowed to spend their surplus wealth as they please, the right to secure living accommodation and protect communities must take priority over the desire to own a retreat for the weekend.

**Dr Gavin L, Camberley, Surrey**

- I tried to buy a new-build starter house in the village I live in to be told the 'affordable' houses were £137,000 for a one-bed flat built over other people's garages. Ban people from owning second homes or put a huge tax on them.

**Jenny, Cambridgeshire**

- For every new development of luxury houses there should be a requirement that half of the land be used for houses affordable for people on an average wage for the area. This would cut out the unreasonable profiteering of land-owners and builders in both rural and city communities. Builders and land-owners would still make a reasonable profit and land would accommodate more people.

**Lyn, UK**

- Abolish farming! I'm serious! We can source food cheaper from abroad anyway and it gives a much needed boost to Third World economies without coming out of our taxes. We can then use all the vast tracts of land that that releases to build houses.

**Colin J, Shropshire**

- I've lived in the same village for 25 years and I'm renting my first house with my girlfriend. We both have jobs and we want to buy our first house. A two-up, two-down in the village costs nearly £200,000 - absolutely ridiculous! We've not got much chance of getting a mortgage without a huge struggle and we would have to borrow additional money for our deposit and legal costs. It's giving us a real head-ache at present and I'm not sure it's worth all the grief!

**Dave, North Yorks**

- If you can afford it, why should you not be able to buy a second (or third) house? The only true way to resolve the housing crisis, however, is to bite the bullet and start building in a big way on selected greenfield areas. It's all very well having nice countryside to look at, but everyone should be able to afford their own home.

**Steve T, Swindon**

- What makes anyone think they have a right to buy a house where they grew up? If you want to own a property, you have to look at where you can afford. I have lived all my life in Cambridge. Property prices here are extortionate. I do not own a house but if I wanted to buy I would move away. The choice is simple; if you're that set on buying a property, move to where you can afford one. Otherwise, rent and stop whining!

**Bridget, Cambridge**

- Society is to blame for the housing crisis. In the past, people would live with their parents up until they got married and would then buy a house together. Nowadays people leave home and buy a house or flat before finding a partner. The problem is further compounded with this country's extraordinarily high divorce rate. Thus we have effectively doubled the number of homes required by the population. So before the finger of blame is pointed at second-home owners, you should perhaps bear this in mind. (It is also a good advertisement for marriage/long term relationships!)

**Paul H, Essex**

Source: BBC News, *Have Your Say, How can the rural housing crisis be solved?*, 13/10/2004

## Housing Statistics 2003

### Office of the Deputy Prime Minister (ODPM)

Image 1 - Housing market: simple average house price, United Kingdom

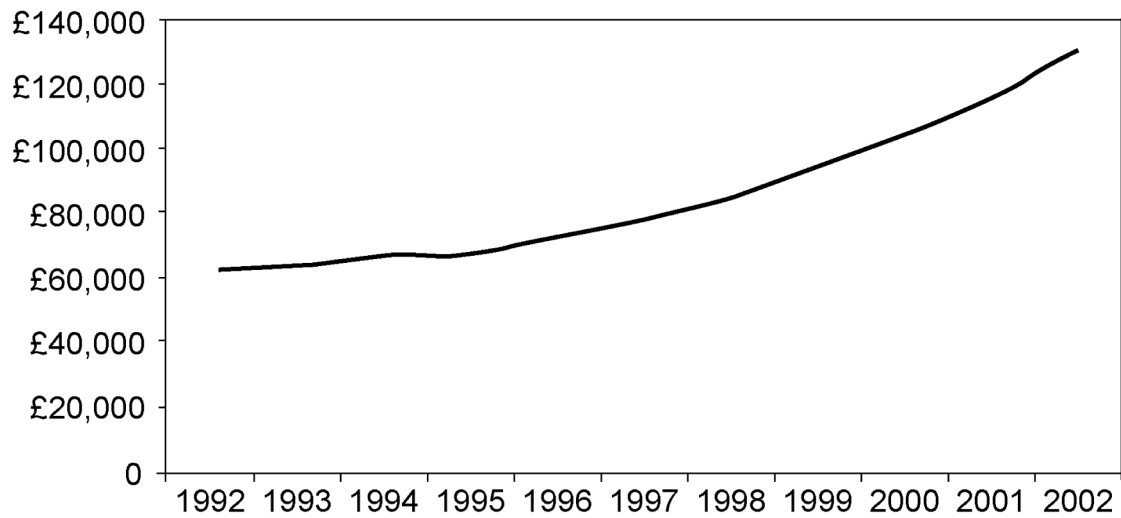
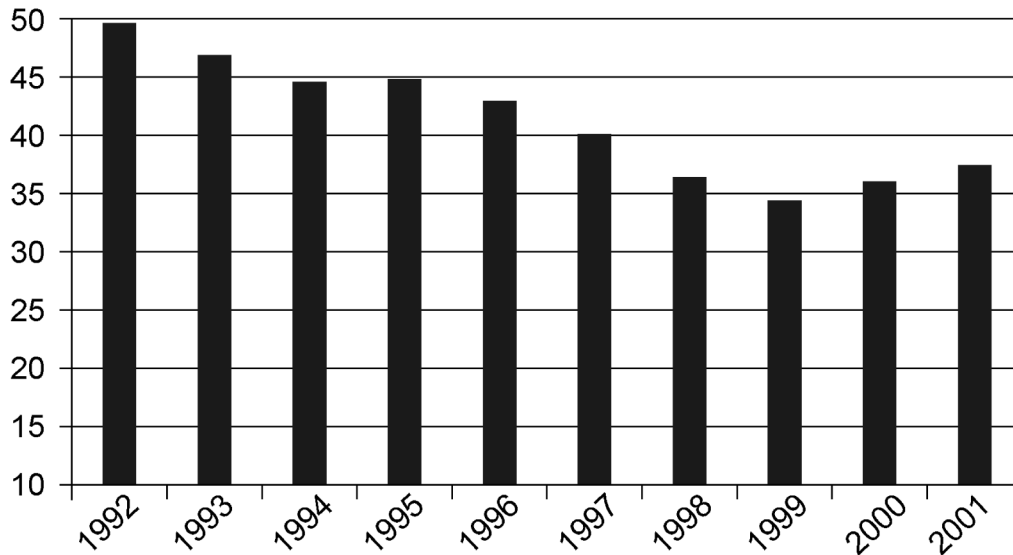


Image 2 - Percentage of first-time buyers aged under 27



Source: Adapted from *Housing Statistics 2002 and 2003*, Office of the Deputy Prime Minister.

**BLANK PAGE**