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The new Halifax **First-Time Buyer (FTB) Affordability Review** tracks housing affordability in 406 local authorities (including 32 London boroughs) across the UK. **A local authority (LA) is classified as affordable if the average house price for a FTB is lower than the price someone on average earnings in the area can pay based on the historical average house price to earnings ratio of 4.0** (see Editors' Notes for details). The review is based on data from the Halifax's own extensive housing statistics database and ONS data on average earnings.

First-time buyer home affordability has improved significantly in 2008

This is the first Halifax review assessing the affordability of housing for first-time buyers (FTBs) across the UK. Updates will be issued at least quarterly. The benchmark used to assess affordability is the 20 year historical average house price to earnings ratio of 4.0*. The calculation is based on a single income and is, therefore, conservative.

- **The house price to earnings ratio – a key affordability measure - has improved significantly over the past 18 months. The ratio has fallen from a peak of 5.84 in July 2007 to 4.56 in November 2008, taking it to its lowest level for more than five years (July 2003: 4.54)**
- **The proportion of local authorities (LAs) in the UK where housing is affordable for a first-time buyer (FTB) has more than trebled in 2008. In 2008, the average price paid by a FTB was affordable for someone on average earnings in 14% of LAs compared to just 4% in 2007***
- **The number of LAs across the UK where the average property is affordable for a potential FTB on average earnings has increased from 18 in 2007 to 57 in 2008 out of a total of 406 LAs surveyed**
- **The affordability situation for FTBs has improved in seven of the 12 UK regions in 2008. The largest increases in the percentages of LAs that have become affordable for FTBs between 2007 and 2008 are in Yorkshire and the Humber (from 0% to 40%) and Scotland (from 30% to 67% of LAs)**
- **Similarly, housing is most affordable for FTBs in Scotland and Yorkshire and the Humber. Property prices are affordable for someone on average earnings in nearly two out of three LAs (67%) of in Scotland and four out of ten LAs Yorkshire and the Humber (40%)**
- **There have been no increases in the number of affordable LAs in London, South West, West Midlands, Wales and Northern Ireland where the average property bought by a FTB remains unaffordable for someone on average earnings in all the LAs surveyed.**

* A local authority (LA) is classified as affordable if the average house price for a FTB in the LA is lower than the price someone on average earnings in the area can pay based on the historical average house price to earnings ratio of 4.0 (see Editors' Notes for details).

Martin Ellis, chief economist at Halifax, commented:

"There has been a marked improvement in housing affordability in many parts of the UK. First-time buyers, in particular, are benefiting, especially outside the south of England and the Midlands. We expect this trend to continue in 2009."

KEY FINDINGS (See Table 1)

Local authorities where housing is affordable for FTBs have more than trebled in 2008

The number of LAs where the average property bought by a first-time buyer (FTB) is affordable for someone on average earnings has more than doubled from 18 in 2007 to 57 in 2008. The proportion of LAs that are affordable has risen from 4% in 2007 to 14% in 2008.

The affordability situation for FTBs has improved in seven of the 12 UK regions in 2008

The largest increases in the number of LAs that have become affordable for FTBs between 2007 and 2008 are in Scotland (from 30% to 67% of LAs) and Yorkshire and the Humber (from 0% to 40%). There have, however, been no increases in London, South West, West Midlands, Wales and Northern Ireland where the average property bought by a FTB remains unaffordable for someone on average earnings in all the LAs surveyed.

Housing is most affordable for FTBs in Scotland and Yorkshire and the Humber

Property prices are affordable for someone on average earnings in nearly two out of three (67%) of LAs in Scotland and four out of ten of LAs in Yorkshire and the Humber (40%).

Table 1: First Time Buyers Affordability - Local Authorities

	2007				2008			
	Affordable		Unaffordable		Affordable		Unaffordable	
	Number	%	Number	%	Number	%	Number	%
North East	3	14%	19	86%	8	36%	14	64%
Yorks & the Humber	0	0%	20	100%	8	40%	12	60%
North West	4	10%	38	90%	12	29%	30	71%
East Midlands	2	5%	35	95%	5	14%	32	86%
West Midlands	0	0%	32	100%	0	0%	32	100%
East of England	0	0%	48	100%	1	2%	47	98%
South West	0	0%	42	100%	0	0%	42	100%
South East	0	0%	67	100%	3	4%	64	96%
Greater London	0	0%	32	100%	0	0%	32	100%
Wales	0	0%	21	100%	0	0%	21	100%
Scotland	9	30%	21	70%	20	67%	10	33%
Northern Ireland	0	0%	13	100%	0	0%	13	100%
U.K.	18	4%	388	96%	57	14%	349	86%

Source: Halifax

See **Table 2** for a full list of the LAs that have become affordable for FTBs in 2008.

Table 2: Local Authorities that have become affordable for First-Time Buyers in 2008

North East	North West	Scotland
Sedgefield Wear Valley Alnwick Blyth Valley Tynedale	Bolton Allerdale Fylde Rossendale West Lancashire	Argyll and Bute Dundee City East Dunbartonshire East Renfrewshire Fife
Yorkshire and The Humber	Rochdale	North Ayrshire
Calderdale Doncaster Kirklees North East Lincolnshire North Lincolnshire Craven	St. Helens Warrington	North Lanarkshire Perth and Kinross South Ayrshire South Lanarkshire West Dunbartonshire
Rotherham Sheffield	South East	East Midlands
East of England	Thanet Elmbridge Waverley	Broxtowe Gedling Rushcliffe
East Hertfordshire		

EDITORS' NOTES:

THE AFFORDABILITY CALCULATION:

A local authority (LA) is classified as affordable if the average house price for a First-time Buyer (FTB) in the LA is **lower** than someone paid the average earnings in the area can pay. Gross average annual earnings for the LA are multiplied by 4.0 to calculate the amount that someone on average earnings could 'afford' to pay. For example, if average earnings in the LA are £30,000, someone on average earnings in the area could pay up to £120,000. The LA is deemed to be affordable if the average price paid by a FTB in the LA is less than £120,000 and unaffordable if it is higher.

The multiple of 4.0 is in line with the average house price to income ratio for a FTB over the last 20 years (1989-2008). (Source: Halifax). This is approximately equivalent to an average loan to income multiple of 3.25 plus a 19% deposit, or a 3.5 times multiple and a 12.5% deposit.

DATA SOURCES:

This research is based on data from the Halifax's own extensive housing statistics database and ONS data on average earnings.

House Prices

The prices used in this research are simple arithmetic ('crude') averages. These prices are not standardised and therefore can be affected by changes in the sample from period to period.

Average prices for 2008 are 12 months to November. Average prices for 2007 are averages for the 12 months to December.

Average Earnings

Average earnings figures are from the ONS's "Annual Survey of Hours and Earnings" (ASHE) and refer to the means for full-time employees. Figures are used at local authority level (residence based) in the majority of cases. Where this has not been possible due to data unavailability, the relevant regional average has been used.

Figures for April 2007 have been used for the affordability calculations for 2007.

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