

**NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, SATURDAY 26 MARCH 2016**

This is the annual **Bank of Scotland Affordable Cities Review** and tracks housing affordability in 61 cities (including seven in Scotland) across the UK. The review is based on Lloyds Banking Group's own housing statistics database and the Office for National Statistics (ONS). Earnings figures used are for the relevant local authority district of each city (see editor's notes).

## HOME AFFORDABILITY IN SCOTTISH CITIES DETERIORATES FOR THIRD CONSECUTIVE YEAR

**The past year has seen further deterioration in affordability in Scottish cities, driven by rising house prices, according to the Bank of Scotland Affordable Cities Review.** The average Scottish city house price has risen by 3%, from £176,009 in 2015 to £181,077 in 2016. This has resulted in average affordability in Scotland's cities worsening in the last 12 months from 5.25 to 5.36 times gross average annual earnings; the third successive annual decline in affordability. (See table 1)

On average, affordability in Scottish cities is now at its lowest level since 2009 but is still 12% lower than the peak of 6.12 times earnings in 2008 at the height of the last housing market boom. The overall improvement in affordability across Scottish cities as a whole over the past eight years has been driven by a combination of an increase in the gross average annual earnings of £3,179 (+10%) and an average house price decline of £6,293 (-3%).

### **Edinburgh is Scotland's least affordable city**

Edinburgh's average house price is 6.12 times the gross average earnings in the city. With an average price of £220,099, houses in Edinburgh are more expensive compared with average earnings than in any other Scottish city.

Inverness (6.03), Aberdeen (5.72), Dundee (5.38) and Perth (5.24) make up the top five least affordable cities in Scotland. (See table 2)

### **Stirling is the most affordable city**

Stirling is Scotland's most affordable city and the second most affordable in the UK. The average property price of £165,658 is 4.11 times the gross average annual earnings.

Glasgow is the 2<sup>nd</sup> most affordable city in Scotland and 10<sup>th</sup> in the UK, with an average house price of £159,580, which is 5.07 times the gross average annual earnings in the city. (See tables 3 and 4)

More.../

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## House price growth highest in Aberdeen over the past decade and since 2011

Aberdeen has recorded the biggest price rise of any Scottish city over the past decade and with a gain of 58%, is the only Scottish city to appear in the top ten UK cities with highest house price growth (5<sup>th</sup> place). This is as a result of rising housing demand due to the strong performance of the oil and gas sector over most of the period. More recently, Aberdeen has seen a 22% rise since 2011. (See table 5 and 6)

**Nicola Noble, mortgages director at Bank of Scotland, said,** “The rising house prices over the past three years have resulted in a deterioration in home affordability in Scotland’s cities. Although affordability is at the lowest level since 2009, it is still much lower than the height of the last housing market boom in 2008. Aberdeen has recorded Scotland’s highest house price growth over the past decade and more recently during the economic recovery, due to strong performance in the oil and gas sector.”

**Table 1: Scottish city affordability 2012-2016**

|      | Average Scottish city house price £ | PE ratio |
|------|-------------------------------------|----------|
| 2012 | 158,328                             | 4.92     |
| 2013 | 155,127                             | 4.74     |
| 2014 | 161,463                             | 4.87     |
| 2015 | 176,009                             | 5.25     |
| 2016 | 181,077                             | 5.36     |

Source: Bank of Scotland, ONS

**Table 2: Least affordable cities in Scotland, 2016**

| Scottish cities                | PE ratio    |
|--------------------------------|-------------|
| Edinburgh                      | 6.12        |
| Inverness                      | 6.03        |
| Aberdeen                       | 5.72        |
| Dundee                         | 5.38        |
| Perth                          | 5.24        |
| Glasgow                        | 5.07        |
| Stirling                       | 4.11        |
| <b>Scottish cities average</b> | <b>5.36</b> |
| <b>UK cities average</b>       | <b>6.62</b> |

Source: Bank of Scotland, ONS

**Table 3: Most affordable cities in Scotland, 2016**

| Scottish cities                | PE ratio    |
|--------------------------------|-------------|
| Stirling                       | 4.11        |
| Glasgow                        | 5.07        |
| Perth                          | 5.24        |
| Dundee                         | 5.38        |
| Aberdeen                       | 5.72        |
| Inverness                      | 6.03        |
| Edinburgh                      | 6.12        |
| <b>Scottish cities average</b> | <b>5.36</b> |
| <b>UK cities average</b>       | <b>6.62</b> |

Source: Bank of Scotland, ONS

**Table 4: 15 most affordable UK cities, 2016**

| UK cities                | Region                   | PE ratio    |
|--------------------------|--------------------------|-------------|
| Londonderry              | Northern Ireland         | 3.81        |
| <b>Stirling</b>          | <b>Scotland</b>          | <b>4.11</b> |
| Bradford                 | Yorkshire and the Humber | 4.31        |
| Belfast                  | Northern Ireland         | 4.42        |
| Hereford                 | West Midlands            | 4.55        |
| Lisburn                  | Northern Ireland         | 4.64        |
| Durham                   | North                    | 4.73        |
| Lancaster                | North West               | 4.89        |
| Carlisle                 | North                    | 5.03        |
| <b>Glasgow</b>           | <b>Scotland</b>          | <b>5.07</b> |
| Hull                     | Yorkshire and the Humber | 5.11        |
| Liverpool                | North West               | 5.23        |
| <b>Perth</b>             | <b>Scotland</b>          | <b>5.24</b> |
| Sunderland               | North                    | 5.28        |
| Swansea                  | Wales                    | 5.28        |
| <b>UK cities average</b> |                          | <b>6.62</b> |

Source: Bank of Scotland, ONS

Table.../

**Table 5: Cities in Scotland with Highest House Price Growth, 2006-2016**

| City      | Average House Price 2006 (£)* | Average House Price 2016 (£)* | 10 year % change |
|-----------|-------------------------------|-------------------------------|------------------|
| Aberdeen  | 135,468                       | 214,160                       | 58%              |
| Dundee    | 116,059                       | 152,213                       | 31%              |
| Perth     | 135,716                       | 168,890                       | 24%              |
| Inverness | 153,031                       | 186,941                       | 22%              |
| Stirling  | 136,042                       | 165,658                       | 22%              |
| Edinburgh | 182,635                       | 220,099                       | 21%              |
| Glasgow   | 139,862                       | 159,580                       | 14%              |

Source: Bank of Scotland

\* 12 months February

**Table 6: Cities in Scotland with the Highest House Price Growth, 2011-2016**

| City      | Average House Price 2011 (£)* | Average House Price 2016 (£)* | 5 year % change |
|-----------|-------------------------------|-------------------------------|-----------------|
| Aberdeen  | 176,000                       | 214,160                       | 22%             |
| Dundee    | 125,517                       | 152,213                       | 21%             |
| Inverness | 155,362                       | 186,941                       | 20%             |
| Glasgow   | 137,322                       | 159,580                       | 16%             |
| Perth     | 148,230                       | 168,890                       | 14%             |
| Edinburgh | 196,419                       | 220,099                       | 12%             |
| Stirling  | 159,352                       | 165,658                       | 4%              |

Source: Bank of Scotland

\* 12 months February

## Notes to Editors:

A city is typically defined as 'a large town' or 'any town in the UK which has a cathedral'. However, there are notable exceptions to this including towns that were awarded city status to mark special occasions. For example, Chelmsford, Perth and St Asaph were awarded city status as part of Golden Jubilee celebrations. For more information please visit: <http://www.ukcities.co.uk/> There are 7 'official' cities in Scotland: Edinburgh, Glasgow, Aberdeen, Dundee, Stirling, Inverness and Perth.

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. The data used in the release largely refers to the 12 months to February.

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**Data sources:**

This research is based on data from the Lloyds Banking Group's own housing statistics database and ONS data on average earnings.

**1. 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. The data used in the release largely refers to the 12 months to February. Source: Bank of Scotland House Price database.

**2. Average Earnings**

Average earnings figures are estimated from the ONS's "Annual Survey of Hours and Earnings" (ASHE) and refer to the means for full-time employees.

At a city level, figures for the relevant local authority (residence based) are used in the majority of cases. Where this has not been possible due to data unavailability, the nearest local authority average has been used.

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