

Scottish city homes beat UK for affordability

- **Scottish city homes more affordable than UK average**
- **Average Scots city home costs 5.7 times average earnings vs 8.1 for all UK cities**
- **Edinburgh is Scotland's most expensive city with average house prices of £285,605**

Steady growth of house prices and wages has put Scotland's cities ahead of the UK when it comes to the affordability of homes, according to Bank of Scotland.

With the average home now £210,368, and average earnings at £36,804, homes in Scotland's cities have a Price to Earnings (PE) ratio - a measure of affordability - of 5.7. By contrast, when looking at the UK whole, an average city home will set buyers back by £287,440. With average UK earnings at £35,677, the national PE ratio is 8.1, much higher than in Scotland.

The Bank's research looked at 61* UK cities, including the seven cities in Scotland. Edinburgh's enduring popularity ensures houses there continue to attract a premium price. Homes in the capital now cost £285,605 and, with average wages of the city's inhabitants at £42,245, affordability remains below the Scottish average – but above the UK as a whole - with house prices in the historic location 6.8 times earnings.

Comparatively, homes in London average 11 times earnings and those in Winchester, the UK's least affordable city, now cost 14 times the average annual income amongst those living and working in the popular Hampshire location.

The six other cities in Scotland all rank within the 10 most affordable cities in the UK. Stirling, Aberdeen, Glasgow, Perth, and Inverness rank fourth to eighth respectively, with Dundee in tenth place. Affordability across the six locations is very similar, ranging from 5.4 times earnings in Stirling, to 5.8 in Dundee.

Steady growth

Over the last decade the cost of homes in Scotland has grown at a steady pace. Since 2011, the average city home increased by 35% (38% for all Scottish homes), about half that of UK cities in general, which grew 71%. Stirling, with good transport links to both Edinburgh and Glasgow, saw the biggest growth in house prices of any Scottish city over the past ten years. Homes there have risen 52% to £208,927. Gloucester saw the highest UK house price inflation over the same period, rising 101%, to £287,600.

This solid growth has been largely in line with wage growth, which has helped to keep affordability relatively consistent, with the PE ratio for Scottish cities increasing from 5.1 in 2011 to 5.7 in 2021. Affordability across all the UK's cities is a different story. The UK picture was similar to that of Scotland in 2011, at 5.6 times earnings, however the PE ratio for all UK cities now stands at 8.1, as overall house price inflation has outstripped wage growth.



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Graham Blair, Head of Mortgages , said “Rapidly increasing house prices can be a double-edged sword; while the increase in value is good news for city homeowners looking to move to lower priced areas, if metropolitan wages don’t keep pace, it can make moving up, and getting on, the urban housing ladder more difficult for others. In Scotland, we benefit from a greater balance between property and wage growth, which means the affordability of homes in our cities is relatively consistent, remaining better than the UK average over the last 10 years.

“We are lucky to live and work in some of the world’s most beautiful locations and historic cities, and even with higher house prices in some locations – like Edinburgh - stronger levels of pay than in many cities elsewhere in the UK help with affordability, and our capital is still more affordable than London, Leeds, Birmingham, Cardiff, or Manchester.”

This information is intended for the sole use of journalists and media professionals.

Editors' Notes

This is the annual Bank of Scotland Affordable Cities Review and tracks housing affordability in 61 cities (including 7 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.

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/>

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 June.

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 June. 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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Table 1: Affordability of Scottish cities 2021

Scottish cities	PE ratio Ave House Price ¹ : Mean Earnings ²
Edinburgh	6.8
Dundee	5.8
Inverness	5.6
Perth	5.5
Glasgow	5.4
Aberdeen	5.4
Stirling	5.4
Scotland City average	5.7
UK cities Average	8.1

¹ Source: Bank of Scotland, 12 months to June 2021

² ONS, ASHE - All, Full Time Q2 2020

Table 2: Affordability of Scottish cities 2011-2021

	Average Scottish city house price £ ¹	Average full time Mean earnings £ ²	Scottish Cities PE ratio	UK Cities PE ratio
2011	155,963	30,530	5.1	5.6
2012	152,366	30,868	4.9	5.6
2013	155,529	32,200	4.8	5.6
2014	165,816	32,711	5.1	6.0
2015	175,648	33,139	5.3	6.3
2016	180,472	33,755	5.3	6.8
2017	184,940	34,887	5.3	6.9
2018	191,062	35,522	5.4	7.1
2019	196,423	36,702	5.4	7.4
2020	204,907	37,075	5.5	7.5
2021	210,368	36,804	5.7	8.1

¹ Source: Bank of Scotland, 12 months to June

² ONS, ASHE - All, Full Time Q2



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Table 3: Affordability of Scottish cities 2020 vs 2021

Scottish cities	Average House Price 2020 ¹	Average Mean earnings 2019 ² £	PE ratio 2020	Average House Price 2021	Average Mean earnings 2020 £	PE ratio 2021
Edinburgh	265,384	41,142	6.5	285,605	42,245	6.8
Dundee	169,057	30,136	5.6	181,150	31,344	5.8
Inverness	189,346	33,267	5.7	191,840	34,373	5.6
Perth	199,448	36,526	5.5	203,229	36,700	5.5
Glasgow	193,285	34,106	5.7	196,625	36,205	5.4
Aberdeen	205,391	39,037	5.3	205,199	38,016	5.4
Stirling	212,440	45,310	4.7	208,927	38,744	5.4
Scotland City average	204,907	37,075	5.5	210,368	36,804	5.7
Scotland average	189,674	35,263	5.4	197,673	36,434	5.4
UK Average	292,808	37,481	7.8	327,691	38,600	8.5

¹ Source: Bank of Scotland, 12 months to June

² ONS, ASHE - All, Full Time Q2

Table 4: Scottish cities with highest house price growth 2020-2021

City	Average House Price 2020 £	Average House Price 2021 £	1 year % change
Edinburgh	265,384	285,605	8%
Dundee	169,057	181,150	7%
Perth	199,448	203,229	2%
Glasgow	193,285	196,625	2%
Inverness	189,346	191,840	1%
Aberdeen	205,391	205,199	0%
Stirling	212,440	208,927	-2%
Scotland Cities Average	204,907	210,368	3%
Scotland Average	189,674	197,673	4%
UK Average	292,808	327,691	12%

Source: Bank of Scotland, 12 months to June



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Table 5: Scottish cities with highest house price growth 2011-2021

City	Average House Price 2011 (£)	Average House Price 2021 (£)	10 year % change
Stirling	137,517	208,927	52%
Dundee	126,824	181,150	43%
Glasgow	138,139	196,625	42%
Perth	143,697	203,229	41%
Edinburgh	202,566	285,605	41%
Aberdeen	176,183	205,199	16%
Inverness	166,813	191,840	15%
Scotland Cities Average	155,963	210,368	35%
Scotland Average	142,806	197,673	38%
UK Average	174,082	327,691	88%

Source: Bank of Scotland, 12 months to June

Table 6: 20 most affordable UK cities 2021 - Mean earnings

UK cities	Region	PE ratio	Average House Price £ ¹	Mean Annual Earnings £ ²
Londonderry	Northern Ireland	4.7	155,917	33,138
Carlisle	North	4.8	163,232	34,087
Bradford	Yorkshire and Humberside	4.8	164,410	34,219
Stirling	Scotland	5.4	208,927	38,744
Aberdeen	Scotland	5.4	205,199	38,016
Glasgow	Scotland	5.4	196,625	36,205
Perth	Scotland	5.5	203,229	36,700
Inverness	Scotland	5.6	191,840	34,373
Hull	Yorkshire and Humberside	5.6	156,424	27,730
Dundee	Scotland	5.8	181,150	31,344
Sunderland	North	6.0	179,567	29,745
Lisburn	Northern Ireland	6.1	203,386	33,138
Salford	North West	6.2	211,903	34,444
Durham	North	6.2	196,274	31,762
Liverpool	North West	6.2	215,741	34,911
Belfast	Northern Ireland	6.2	205,228	33,138
Lancaster	North West	6.2	217,392	35,004
Newcastle Upon Tyne	North	6.3	229,434	36,212
Stoke On Trent	West Midlands	6.5	200,161	30,698
Hereford	West Midlands	6.6	316,929	48,048
UK cities average		8.1	287,440	35,677
All UK		8.5	327,691	38,600

Source: ¹ Bank of Scotland, 12 months to June 2021

² ONS, ASHE - All, Full Time Q2 2020



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