

Londonderry tops the UK's most affordable cities

- **Cost of average UK city home now 8 times earnings, up from 5.6 in 2011**
- **Londonderry remains the UK's most affordable city, at 4.7 times earnings**
- **Winchester becomes the UK's least affordable city, prices average 14 times earnings**

Over the past year, the average house price of UK cities has grown by 10.3%, while average earnings for those living and working in cities rose just 2.1%.

As a result, the average home in a UK city now costs 8.1 times average earnings (known as the Price to Earnings, or PE, ratio), according to Halifax, the UK's biggest mortgage lender.

Halifax's analysis of average house prices and earnings, in the 12 months to June 2021, has identified the most and least affordable of 61 UK cities*. The research shows that, while city house prices rose to £287,440, up 10.3%, wages in the same locations only rose by 2.1% to £35,677.

This increased gap between house prices and earnings has lifted the PE ratio to 8.1, from 7.5 in 2020, meaning buying a city home has become less affordable for those that live and work in them. After sitting at 5.6 from 2011 to 2013, the PE ratio for UK cities has now risen for eight successive years.

Perhaps contrary to some perceptions, overall cities are marginally more affordable than the average for the UK as a whole, which has a PE ratio of 8.5 (UK average house price: £327,691, average earnings: £38,600). This pattern of greater city affordability has been visible in the data since 2014, and in 2021 the gap between PE for cities and all UK homes increased to its widest point, of 0.43. This widening over the last 12 months may reflect home-movers looking for more space to accommodate homeworking during the pandemic.

Most Affordable

Of the top 20 most affordable, Hereford is the most southerly location on the list. Londonderry retains its position as the UK's most affordable city for the third year in a row, with a PE ratio of 4.7. A 13% increase in average earnings last year saw Carlisle join Bradford in second place (both 4.8), ahead of Stirling, Aberdeen, and Glasgow, all with a PE ratio of 5.4.

Of the most affordable cities, all have average house prices below that for all UK cities (£287,440), except for Hereford (£316,929). Despite Hereford being the most expensive location in the top 20, affordability there is boosted by average earnings of £48,048, almost £10,000 above the UK average.

Least Affordable

Winchester has become the UK's least affordable city, replacing previous table-topper Oxford, with homes now 14 times annual earnings for those living and working in the city. A home in Winchester will now set buyers back an average £630,432, up 8% on 2020, while average earnings - though notably higher than for the UK as a whole - are £45,059.

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Last year's least affordable city, Oxford, saw average house prices rise to £486,928, up by 2% from last year, at a PE ratio of 12.4. Tied for third place are Truro and Bath, both with PE ratios of 12.1, after average house prices rose by 18% and 17% respectively over the past year. Chichester, with a PE ratio of 12.0, takes fifth place on the list of least affordable cities.

London is outside the five least affordable cities for the first time in six years, yet affordability did not improve over the last year. Average house prices in Greater London rose by 5% to £564,695, while earnings grew by 4%, pushing the capital's price to earnings ratio up to 11.0 (10.9 in 2020).

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Russell Galley, Managing Director, Halifax, said: "Winchester is now the UK's least affordable city, while Londonderry has held its place as most affordable, with the lowest city house prices in the UK. We can see from our research that affordability is significantly better in the North and there are now just two cities - Plymouth and Portsmouth - with better than average affordability in the South.

"Rising house prices have generally continued to outstrip wage growth, which reduces overall affordability, however the picture is mixed for buyers. For city home-movers who want to stay in their area, the level of equity in their current property is likely to be an important factor in how affordable the local area is for them, whereas raising a deposit remains an issue for many first-time buyers. Nevertheless, some areas, like Carlisle, saw affordability improve, and cities like Bradford and Glasgow are some of the more affordable in the country."

Improving Affordability

Seven cities saw housing affordability improve in the last year. Oxford and Carlisle saw the greatest PE improvement, with falls of 0.79 and 0.73 respectively. Portsmouth, Durham, Salford, Inverness, and Glasgow also had falls in PE ratio, compared to 2020.

Additionally, both Carlisle and Aberdeen are now more affordable than five years ago, with their PE ratios easing from 5.7, to 4.8 and 5.4, respectively.

Inverness is the only city to be more affordable than 10 years ago; the Scottish city's average home now costs 5.6 times average earnings (6.2 in 2011) thanks to wage growth (28%) outstripping its low house price growth (15%).

House Prices and Growth

Over the last year, the cost of the average UK city home has risen by 10%, with average house prices in Salisbury growing the most - by 36% - to £392,355**. Hereford saw the second largest increase (29% to £316,929), and Lancaster and Birmingham (both 19%) the third largest.

Looking back further, since 2011 Gloucester's average home has doubled (101%) in price to £287,600, followed by London and Chichester (both 98%) and Manchester (97%). The average UK city house price growth over the same period was 71%.

At £630,432, Winchester now has the highest average house prices of any UK city, ahead of St Albans (£604,423) and London (£564,695). The least expensive average house prices amongst cities are found in Londonderry (£155,917) and Hull (£156,924).

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

Editors' Notes:

This is the annual Halifax Bank Affordable Cities Review and tracks housing affordability in 61 cities (including Greater London) 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).

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 2021.

The regions are based on Economic Planning Regions (EPR):

- Northern consists of the North East, North West, Yorkshire & the Humber, East Midlands, West Midlands, Scotland, Wales and Northern Ireland.
- Southern consists of Greater London, South East, South West and East of England.

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: Halifax 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.

**Salisbury saw a 19% fall in 2020, the two-year growth in house prices is 19%

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Table 1: 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 Halifax, 12 months to June 2021

² ONS, ASHE - All, Full Time Q2 2020

Table 2: UK Cities with highest house price growth 2020-2021

City	Region	Average House Price 2020 £	Average House Price 2021 £	1 year % change
Salisbury	South West	288,692	392,355	36%
Hereford	West Midlands	245,304	316,929	29%
Lancaster	North West	181,940	217,392	19%
Birmingham	West Midlands	210,134	249,692	19%
Truro	South West	302,579	356,788	18%
Wolverhampton	West Midlands	205,202	241,028	17%
Gloucester	South West	244,872	287,600	17%
Bath	South West	405,786	476,470	17%
Newport (Gwent)	Wales	180,178	211,240	17%
Sunderland	North	155,694	179,567	15%
UK Cities Average		260,635	287,440	10%
	UK Average	292,808	327,691	12%

Source: Halifax, 12 months to June

Table 3: 20 least affordable UK cities 2021 - Mean earnings

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UK cities	Region	PE ratio	Average House Price £ ¹	Mean Annual Earnings £ ²
Winchester	South East	14.0	630,432	45,059
Oxford	South East	12.4	486,928	39,220
Truro	South West	12.1	356,788	29,558
Bath	South West	12.1	476,470	39,508
Chichester	South East	10.6	446,899	37,352
Cambridge	East Anglia	11.9	482,300	40,492
Brighton And Hove	South East	11.6	449,243	38,737
Greater London	Greater London	11.0	564,695	51,257
St Albans	South East	10.2	604,423	59,391
Chelmsford	South East	10.2	424,690	41,781
Salisbury	South West	10.0	392,355	39,154
Exeter	South West	9.9	323,554	32,635
Leicester	East Midlands	9.7	279,080	28,725
Norwich	East Anglia	9.4	306,946	32,632
Bristol	South West	9.3	346,902	37,357
Southampton	South East	9.0	310,435	34,429
Canterbury	South East	9.0	365,168	40,565
Gloucester	South West	9.0	287,600	31,987
Worcester	West Midlands	8.8	303,132	34,389
Cardiff	Wales	8.7	276,851	31,946
UK cities average		8.1	287,400	35,677
All UK		8.5	327,691	38,600

Source: ¹ Halifax, 12 months to June 2021

² ONS, ASHE - All, Full Time Q2 2020

Table 4: City affordability 2011-2021

	Average UK city house price £	Cities Average full time Mean earnings £	PE ratio
2011	168,443	29,851	5.6
2012	168,985	30,079	5.6
2013	171,632	30,643	5.6
2014	185,956	31,038	6.0
2015	199,375	31,443	6.3
2016	215,260	31,731	6.8
2017	225,025	32,483	6.9
2018	236,162	33,413	7.1
2019	252,433	34,322	7.4
2020	260,635	34,929	7.5
2021	287,440	35,677	8.1

Source: Halifax, 12 months to June

ONS, ASHE - All, Full Time, Q2

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Table 5: UK Cities with highest house price growth 2011-2021

City	Region	Average House Price 2011 £	Average House Price 2021 £	10 year % change
Gloucester	South West	143,365	287,600	101%
Greater London	Greater London	284,940	564,695	98%
Chichester	South East	225,896	446,899	98%
Manchester	North West	124,127	244,852	97%
Nottingham	East Midlands	132,274	255,325	93%
Salford	North West	110,174	211,903	92%
Birmingham	West Midlands	129,940	249,692	92%
Sheffield	Yorkshire and Humberside	125,161	237,257	90%
Hereford	West Midlands	167,515	316,929	89%
Lincoln	East Midlands	133,979	253,017	89%
	UK Cities Average	168,443	287,440	71%
	UK Average	174,082	327,691	88%

Source: Halifax, 12 months to June

Table 6: UK affordability vs cities

	UK Cities PE ratio	UK PE ratio	Gap
2011	5.64	5.41	0.24
2012	5.62	5.35	0.26
2013	5.60	5.44	0.16
2014	5.99	6.10	-0.10
2015	6.34	6.49	-0.15
2016	6.78	7.15	-0.36
2017	6.93	7.15	-0.22
2018	7.07	7.20	-0.14
2019	7.35	7.58	-0.23
2020	7.46	7.81	-0.35
2021	8.06	8.49	-0.43

Source: Halifax, 12 months to June
ONS, ASHE - All, Full Time, Q2

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