

## Housing affordability now at its most stretched – as property price inflation outstrips earnings

- **House prices up 16.8% since start of pandemic while average incomes up 2.7%**
- **Cost of a typical UK home now 7.1 times average earnings, highest ever level**
- **Westminster and City of London the least affordable local areas in the UK**
- **Inverclyde in Scotland now the most affordable place to buy a home**
- **Pembrokeshire has seen biggest fall in affordability over the last two years**

The impact of surging property prices throughout the pandemic has reduced housing affordability to the lowest level on record, according to new research by Halifax, the UK's biggest mortgage lender.

The analysis – based on data from the Halifax House Price Index – compared typical house prices to average earnings across the UK.

In the first quarter of 2022, the cost of a typical UK home was £279,431, while the average annual earnings of a full-time worker were estimated to be £39,402\*. This puts the house price to income ratio at 7.1, the highest (or least affordable) level ever recorded.

At the start of 2020, average UK earnings were £38,374 and the average house price was £239,281. This put the house price to income ratio at 6.2. Since then, house prices have risen by 16.8%, with earnings up by 2.7% over the same period.

Despite this shift in affordability over the last couple of years, market activity has actually been heightened – suggesting many buyers continue to make the numbers work for their circumstances.

For example, joint-applicants are able to draw on two salaries, which hugely alters the affordability metrics – a second income could see affordability doubled. Also, home-movers may have benefited from a corresponding increase in the value of their existing property, providing more equity.

Last year also saw first-time buyer numbers rise at a record rate (up 35%) to reach an all-time high of 409,370.

For historical context, the last time UK house prices experienced such sustained growth in house prices, leading up to the summer of 2007, average earnings were £30,508 and the typical house price was £194,207. This generated a house price to earnings ratio of 6.4.

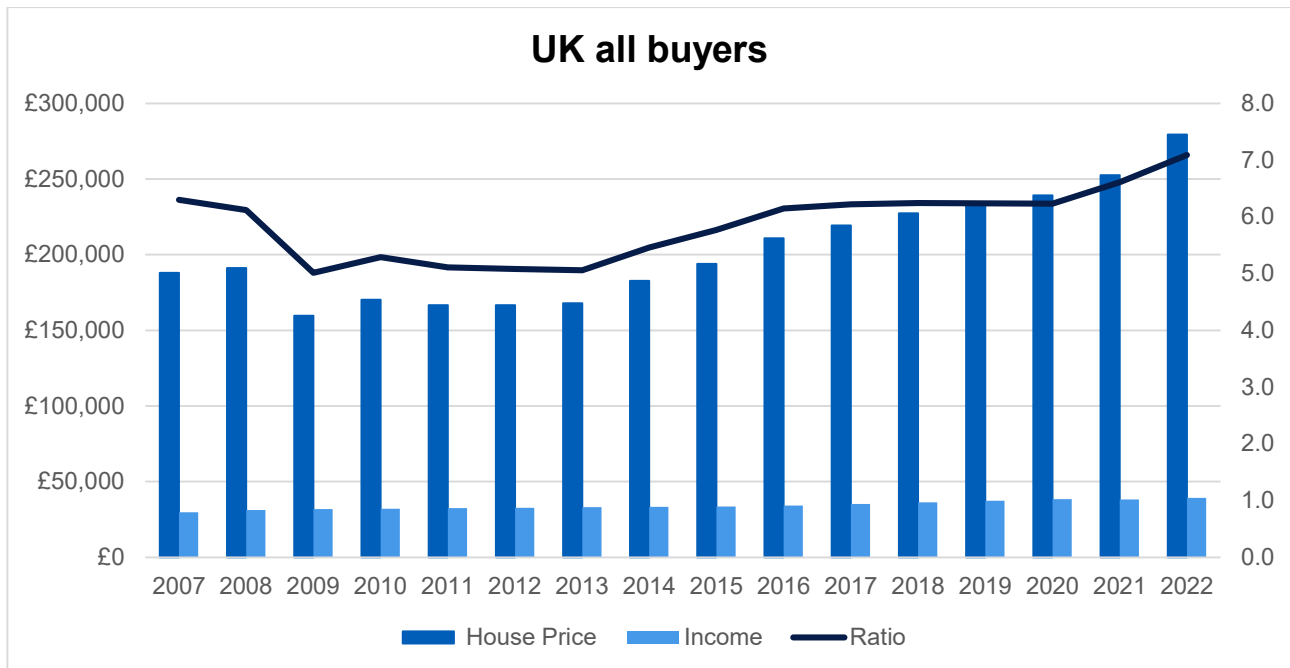
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## 15-year time series: All buyers, prices vs wages vs affordability



### Nations and regions comparison

Despite seeing the slowest rate of house price growth of any UK region over the last two years (+5.9%), London remains by far the most expensive place to buy a home, with an average property price of £534,977. Based on the latest estimate of regional earnings, this puts the house price to earnings ratio at 9.7 – the highest of any UK region or nation.

This compares to a ratio of 9.0 at the start of the pandemic, and ‘just’ 6.8 back in 2007, when the city was yet to experience the boom in house prices which came to the capital in the years following the global financial crisis, and which was not replicated to the same extent in other parts of the country.

By contrast, the North East of England is now the most affordable region in which to buy a home, with an average house price of £162,692 and a house price to income ratio of 4.6. This makes it the only region of the UK with a ratio lower than 5. It is also more affordable than it was back in 2007, when the ratio was 5.8.

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## Regional house prices, wages, and affordability in Q1 2022

Region	Average house price	Average earnings	House price to earnings ratio
London	£534,977	£55,234	9.7
South East	£385,790	£41,377	9.3
East of England	£330,883	£38,739	8.5
South West	£298,162	£35,598	8.4
East Midlands	£234,083	£34,238	6.8
Wales	£211,942	£32,467	6.5
West Midlands	£238,647	£36,627	6.5
North West	£214,591	£35,058	6.1
Yorkshire & Humber	£194,639	£36,285	5.4
Northern Ireland	£177,265	£34,565	5.1
Scotland	£194,621	£38,070	5.1
North East	£162,692	£35,134	4.6

### Least and most affordable local areas

The South and East of England account for a considerable proportion of the least affordable local areas to buy a home. Westminster and City of London top the table, where average prices are 14.5 times average earnings.

At the other end of the scale, Scottish locations dominated the list of most affordable local areas. Inverclyde in the west of Scotland is the most affordable place to buy a home, with typical house prices just 3.1 times average earnings.

Pembrokeshire in Wales has seen the biggest deterioration in affordability over the last two years, as buyer demand has soared in rural locations offering greater space. The house price to earnings ratio has risen from 4.3 at the beginning of 2020, to now stand at 6.9 (+2.6).

Perhaps surprisingly, given relative costs, Westminster and City of London have seen the sharpest improvement in the house price to earnings ratio of any location since the start of the pandemic, falling from 16.8 at the start of 2020 to 14.5 this year (-2.3). This further emphasises the slowdown seen in some prime property markets in major cities over recent years, with increasing buyer demand for larger properties in less urban locations.

### Deteriorating first-time buyer affordability

At a national level, the first-time buyer house price ratio is 5.6 times average earnings, compared to home-movers at 8.5. However, first-time buyers also saw a squeeze in affordability as prices

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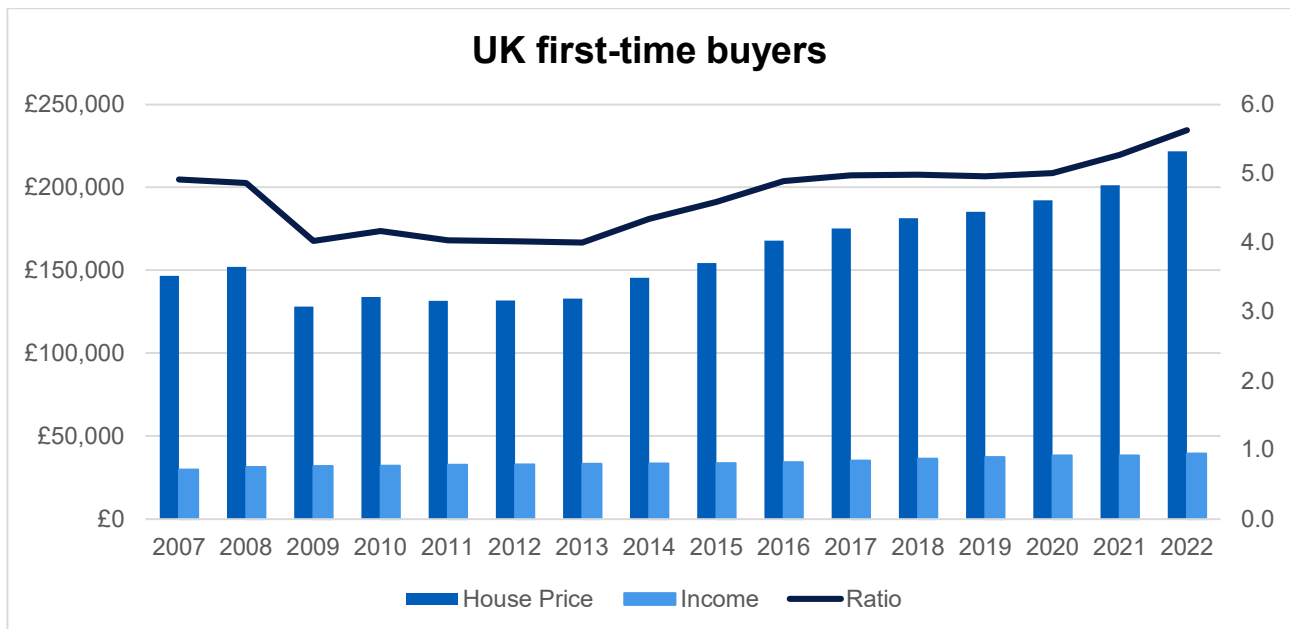
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rose quickly during the pandemic, increasing the challenge of raising a suitable deposit without the benefit of a corresponding increase in the value of an already-owned property.

As indicated above though, the real-life situation is that many first-time buyers will be joint-applicants able to draw on two salaries, or might benefit from other sources of funds, such as the so-called 'bank of mum and dad'.

Also, with the average first-time buyer now 32 years old (three years older than a decade ago), they are likely to be more established in work than ever before, with the potential for higher earnings.

### 15-year time series: First-time buyers, prices vs wages vs affordability



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**Andrew Asaam, Mortgages Director, Halifax, commented:**

“There’s no question that the economics of buying a home have changed significantly over the last couple of years. Soaring property prices and slower wage growth have combined to stretch traditional measures of housing affordability.

“However, we also know from strong transaction levels that demand has remained extremely strong over that period, both from home-movers seeking bigger properties, and first-time buyers taking their first steps onto the ladder.

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“With interest rates on the rise as a means of combatting inflation, it’s unlikely that house prices will continue to grow at the pace we’ve seen recently. This should see the gap between average earnings and property prices narrowing over time.

“It’s also important to highlight the responsible approach taken to mortgage lending in this environment, with lenders conducting thorough checks to ensure repayments are manageable even if interest rates rise more sharply in future.”

**ENDS**

**Full data tables on following pages.**

**Table 1**

10 most affordable local areas - Q1 2022		
Local Authority Area	Region	Ratio
Inverclyde	Scotland	3.1
Dumfries and Galloway	Scotland	3.3
West Dunbartonshire	Scotland	3.4
North Lanarkshire	Scotland	3.5
North East Lincolnshire	Yorkshire & Humber	3.5
Hull	Yorkshire & Humber	3.6
Dundee	Scotland	3.6
East Ayrshire	Scotland	3.7
North Ayrshire	Scotland	3.7
Stoke-On-Trent	West Midlands	3.8

Source: Halifax House Price Index / ONS

**Table 2**

10 least affordable local areas – Q1 2022		
Local Authority Area	Region	Ratio
Westminster / City of London	Greater London	14.5
St Albans	East of England	13.7
Kensington and Chelsea	Greater London	13.7
Elmbridge	South East/Greater London	13.6
Mole Valley	South East	13.2
Guildford	South East	12.9

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Waverley	South East	12.7
Hammersmith and Fulham	Greater London	12.6
Hertsmere	East of England	12.5
Windsor and Maidenhead	South East	12.4

Source: Halifax House Price Index / ONS

**Table 3**

10 local areas with biggest deterioration in affordability: 2020 to 2022				
Local Authority Area	Region	Ratio 2020	Ratio 2022	Change
Pembrokeshire	Wales	4.3	6.9	2.6
Wokingham	South East	9.3	11.5	2.2
Elmbridge	South East/Greater London	11.6	13.6	2.1
Uttlesford	East of England	10.1	12.1	2.0
Carmarthenshire / Ceredigion	Wales	4.6	6.5	1.9
East Hampshire	South East	8.8	10.7	1.9
North Devon	South West	5.8	7.7	1.9
Wealden	South East	8.2	10.0	1.8
Cotswold	West Midlands	9.2	10.9	1.8
Torridge / West Devon	South West	6.3	8.0	1.7

Source: Halifax House Price Index / ONS

**Table 4**

10 local areas with biggest improvement in affordability: 2020 to 2022				
Local Authority Area	Region	Ratio 2020	Ratio 2022	Change
Westminster / City of London	Greater London	16.8	14.5	-2.3
Kensington and Chelsea	Greater London	14.6	13.7	-1.0
Cambridge	East of England	11.0	10.6	-0.4
Oxford	South East	9.1	8.8	-0.3
North East Lincolnshire	Yorkshire & Humber	3.7	3.5	-0.1
North Tyneside	North East	5.0	4.9	-0.1
Stoke-On-Trent	West Midlands	3.8	3.8	-0.1
Windsor and Maidenhead	South East	12.5	12.4	-0.1
Dundee	Scotland	3.7	3.6	-0.1
Wandsworth	Greater London	9.6	9.6	0.0

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Source: Halifax House Price Index / ONS

**Table 5**

All buyers 2007			
Region	House price	Earnings	Ratio
East of England	£204,156	£29,595	6.9
East Midlands	£157,349	£26,744	5.9
Greater London	£309,259	£45,549	6.8
North East	£142,321	£24,896	9.1
Northern Ireland	£226,218	£24,625	5.8
North West	£158,551	£27,509	5.8
Scotland	£156,713	£27,483	5.7
South East	£244,701	£31,863	7.7
South West	£205,124	£27,714	7.4
Wales	£149,974	£24,811	6.0
West Midlands	£165,470	£26,905	6.2
Yorkshire & Humber	£152,153	£26,475	5.7
<b>UK average</b>	<b>£194,207</b>	<b>£30,508</b>	<b>6.4</b>
All buyers 2020			
Region	House price	Earnings	Ratio
East of England	£282,680	£36,787	7.7
East Midlands	£194,831	£33,727	5.8
Greater London	£493,626	£54,721	9.0
North East	£139,532	£32,769	4.6
Northern Ireland	£149,498	£32,472	4.3
North West	£179,363	£34,344	5.2
Scotland	£172,193	£35,918	4.8
South East	£331,156	£39,152	8.5
South West	£243,001	£34,145	7.1
Wales	£168,663	£31,539	5.3
West Midlands	£204,485	£35,232	5.8
Yorkshire & Humber	£165,018	£33,266	5.0
<b>UK average</b>	<b>£239,281</b>	<b>£38,374</b>	<b>6.2</b>
All buyers 2022			

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Region	House price	Earnings	Ratio
East of England	£330,883	£38,739	8.5
East Midlands	£234,083	£34,238	6.8
Greater London	£534,977	£55,234	9.7
North East	£162,692	£34,565	5.1
Northern Ireland	£177,265	£35,134	4.6
North West	£214,591	£35,058	6.1
Scotland	£194,621	£38,070	5.1
South East	£385,790	£41,377	9.3
South West	£298,162	£35,598	8.4
Wales	£211,942	£32,467	6.5
West Midlands	£238,647	£36,627	6.5
Yorkshire & Humber	£194,639	£36,285	5.4
<b>UK average</b>	<b>£279,431</b>	<b>£39,402</b>	<b>7.1</b>

Source: Halifax House Price Index / ONS

Table 6

First-time buyers 2020			
Region	House price	Earnings	Ratio
East of England	£230,905	£36,787	6.3
East Midlands	£160,932	£33,727	4.8
Greater London	£432,453	£54,721	7.9
North East	£109,672	£32,769	4.0
Northern Ireland	£130,379	£32,472	3.4
North West	£146,154	£34,344	4.3
Scotland	£130,982	£35,918	3.6
South East	£259,875	£39,152	6.6
South West	£194,134	£34,145	5.7
Wales	£145,855	£31,539	4.6
West Midlands	£168,271	£35,232	4.8
Yorkshire & Humber	£133,852	£33,266	4.0
<b>UK average</b>	<b>£192,157</b>	<b>£38,374</b>	<b>5.0</b>
First-time buyers 2022			
Region	House price	Earnings	Ratio
East of England	£270,362	£38,739	7.0

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East Midlands	£192,468	£34,238	5.6
Greater London	£463,766	£55,234	8.4
North East	£126,558	£34,565	4.5
Northern Ireland	£155,386	£35,134	3.6
North West	£173,777	£35,058	5.0
Scotland	£146,377	£38,070	3.8
South East	£298,821	£41,377	7.2
South West	£234,556	£35,598	6.6
Wales	£180,443	£32,467	5.6
West Midlands	£194,950	£36,627	5.3
Yorkshire & Humber	£155,690	£36,285	4.3
<b>UK average</b>	<b>£221,761</b>	<b>£39,402</b>	<b>5.6</b>

Source: Halifax House Price Index / ONS

## Notes to Editors

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

The research has been carried out in partnership with IHS Markit, now part of S&P Global.

All UK and regional house price data is based on the standardised Halifax House Price Index (HPI) methodology. Note that an average of three months' worth of transactional data is used to calculate each metric, therefore UK and regional headline figures may differ from those published in the main monthly Halifax HPI.

Local Authority Area (LAA) data is based on a 'price per square metre' methodology, scaled up to a typically sized property for each LAA based on EPC data. In some cases, neighbouring LAAs have been combined to ensure a robust sample size. LAAs for Northern Ireland have not been included.

Income figures are the mean income for a full-time worker. Pre-Q1 2021 figures are based on annual income data from the Annual Survey of Household Earnings published by the Office of National Statistics (ONS). Latest income figures have been forecast by S&P Global (IHS Markit) using Average Weekly Earnings Data, also published by the ONS.

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