



Lloyds TSB

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This is the first annual **Lloyds TSB Affordable Cities Review** and tracks housing affordability in 59 cities across the UK. The review is based on the Lloyds Banking Group's own housing statistics database and the Office for National Statistics (ONS). Earnings figures used are for the relevant local authority of each city (see editor's notes). There are 66 'official' cities in the UK. City of London, Wells, Armagh, Ripon, St Davids, Newry and Bangor have been excluded from the analysis due to an insufficient sample size.

Home affordability in UK cities hits nine year high

****Salford is the most affordable UK city****

Home affordability for city dwellers is at its most favourable in nearly a decade, according to the Lloyds TSB Affordable Cities Review. The average price for a city home in the UK of £173,202 stands at 5.5 times gross annual average earnings; the lowest ratio since 2003 (5.3). This is an improvement on 5.7 times gross annual average earnings a year ago and is significantly below the peak of 7.2 in 2008. Despite these gains in affordability, city living remains less affordable than the UK average (4.3).

The marked improvement in affordability in cities over recent years has been driven by the significant fall in city house prices. Since 2008, the average city house price has fallen by 18% (£37,403) from £210,605 in 2008 to £173,202 in 2012.

Salford is the most affordable UK city

Salford in the North West is the most affordable UK city with an average property price (£102,391) that is less than four times (3.81) gross average annual earnings. This partly reflects a 32% fall in house prices in this part of Greater Manchester since 2008. The next most affordable cities are Londonderry (3.87) and Bradford (3.98). Seven out of the eight most affordable cities are in Northern Ireland and the north of England¹. Ely in the East of England is the most affordable city in the south of England (4.60).

Truro and Oxford are the UK's least affordable cities

The least affordable city in the UK is Truro in the South West where the average property price (£250,489) is nearly ten times (9.71) gross average earnings in the area. The quality of life benefits associated with living in this picturesque part of Cornwall have supported prices here over the past decade. Oxford (8.80) is the second least affordable city, followed by Winchester (8.76). Inverness (5.97) and York (5.95) are the least affordable cities outside southern England.

North – south divide in city affordability

There is a substantial north – south divide among UK cities. All sixteen of the most affordable cities for homebuyers are in the North². At the other end of the spectrum, the fifteen least affordable cities are all in southern England³.

Suren Thiru, housing economist at Lloyds TSB, commented:

"The improvement in housing affordability within many of our major urban conurbations has been significant during the past few years and reflects the decline in house prices over the period. There is, however, a distinct north-south divide to the locations of the most affordable UK cities."

"Looking forward, the marked improvement in city affordability is likely to help support demand for those able to enter the housing market. Much of this benefit, however, maybe offset by the continuing difficulties many households face in raising a deposit and uncertainty over the outlook for the UK economy."

Other Key Findings:

- City house prices, as a multiple of earnings, remain higher than a decade ago at 5.5 times gross annual average earnings on average compared with 4.7 in 2002.
- In 2002, Bradford was the most affordable UK city (2.73), followed by Hull (2.86) and Durham (3.02). In contrast, Oxford was the least affordable UK city (8.61).
- Thirteen of the twenty most affordable UK cities in 2012 were also among the twenty most affordable in 2002. Seventeen of the twenty least affordable UK cities were among the twenty least affordable a decade ago.

Table 1: UK city affordability, 2002-2012

	Average UK city house price (£)	Average full time earnings (£)	Price to Earnings ratio
2002	109,759	23,480	4.67
2003	130,709	24,573	5.32
2008	210,605	29,410	7.16
2011	175,653	30,822	5.70
2012	173,202	31,427	5.51

Sources: Lloyds Banking Group, ONS

Table 2: 10 most affordable UK cities, 2012

UK cities	Region	Price to Earnings ratio
Salford	North West	3.81
Londonderry	Northern Ireland	3.87
Bradford	Yorkshire and the Humber	3.98
Lancaster	North West	4.00
Stirling	Scotland	4.04
Belfast	Northern Ireland	4.08
Durham	North	4.08
Lisburn	Northern Ireland	4.09
Hereford	West Midlands	4.26
Birmingham	West Midlands	4.43
UK cities average		5.51

Sources: Lloyds Banking Group, ONS

Table 3: 10 least affordable UK cities, 2012

UK cities	Region	Price to Earnings ratio
Truro	South West	9.71
Oxford	South East	8.80
Winchester	South East	8.76
Bath	South West	8.14
Salisbury	South West	7.51
Brighton & Hove	South East	7.31
Exeter	South West	7.26
Cambridge	East Anglia	7.01
Southampton	South East	6.84
Chichester	South East	6.83
UK cities average		5.51

Sources: Lloyds Banking Group, ONS

Notes to Editors:

¹Consists of the North East, North West and Yorkshire & the Humber.

² Consists of the North East, North West, Yorkshire & the Humber, East Midlands, West Midlands, Scotland, Wales and Northern Ireland.

³Consists of Greater London, South East, South West and East of England.

Seven cities – City of London, Wells, Armagh, Ripon, St Davids, Newry and Bangor - have been excluded from the analysis due to an insufficient sample size.

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, Inverness, Brighton and Hove and Wolverhampton were awarded city status as part of millennium 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 throughout the release refers to the 12 months to February.

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 throughout the release refers to the 12 months to February. Source: Halifax House Price Index

2. 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. (£31,427 in 2012.)

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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