



Lloyds TSB

This is the annual **Lloyds TSB Affordable Cities Review** and tracks housing affordability in 61 cities (including Greater London) 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 district of each city (see editor's notes).

Home affordability in UK cities improves by nearly a quarter since 2008

- ***A clear north-south divide remains when it comes to affordability***
- ***Londonderry is the most affordable UK city, whilst Oxford is least affordable***

Home affordability for city dwellers has improved by nearly a quarter since 2008, according to the Lloyds TSB Affordable Cities Review. The average price for a city home in the UK of £172,556 stands at 5.6 times gross annual average earnings. This is significantly (22%) below the peak of 7.2 in 2008.

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 17% (£34,831) from a peak of £207,387 in 2008 to £172,556 in 2013. Over the same period average earnings in cities have increased by 7%. However, the trend of declining house prices reversed in 2012, with the average city house price increasing slightly (1.7%) between 2012 and 2013, preventing any further improvement in affordability.

North-south divide in city affordability

City living generally remains less affordable than the UK average (5.4). There is also a substantial north-south divide among UK cities. All 10 of the most affordable cities for homebuyers are in the North¹. At the other end of the spectrum, the 12 least affordable cities are all in southern England².

City affordability still worse than 10 years ago

City house prices remain higher than a decade ago as a multiple of earnings, at 5.6 times gross annual average earnings compared with 5.3 in 2003. In addition, there has been a remarkable degree of stability in those towns that are the most and least affordable compared with a decade ago. Of the 20 least affordable UK cities in 2013, 19 were also among the 20 least affordable a decade ago. Similarly, 14 of the 20 most affordable UK cities in 2013 were also among the 20 most affordable in 2003.

Londonderry is the most affordable UK city

Londonderry in Northern Ireland is the most affordable UK city with an average property price (£94,776) that is 3.38 times gross average annual earnings. The two next most affordable cities are also in Northern Ireland: Lisburn (3.50) and Belfast (3.67). Affordability in Northern Ireland has improved considerably over the past few years as a result of substantial price declines, which have been sharper than

elsewhere in the UK. Stirling is the most affordable city outside Northern Ireland (3.81).

In 2003, Bradford was the most affordable UK city (2.88), followed by Stirling (3.13) and Durham (3.26).

Oxford is the UK's least affordable city

The least affordable city in the UK is Oxford where the average property price (£299,459) is nearly ten times (9.66) gross average earnings in the area. Prices here are relatively high compared with local earnings partly due to the city's attractiveness to commuters working in London. Three cities in the south west are the next least affordable: Salisbury (8.6), Bath (8.2) and Truro (8.2).

Lichfield (6.75) and Leicester (6.08) are the least affordable cities outside southern England.

The average price in Greater London, at £300,412, is 6.9 times gross average earnings in the capital. Whilst house prices in London are higher than in most other cities so are earnings. As a result, the capital is only the 11th least affordable city in the country.

However, there are considerable differences in affordability within the capital. The most affordable boroughs are Greenwich and Bromley with house price to earnings ratios of 5.7 and 5.9 respectively. At the other end of the spectrum, home prices are particularly high in relation to local earnings in the central boroughs of Kensington & Chelsea (13.3) and the City of Westminster (13.7).

Nitesh Patel, housing economist at Lloyds TSB, commented:

“There has been a significant improvement in housing affordability in many of our major urban conurbations over the past five years, largely reflecting the general decline in house prices since 2008. There is a very clear north-south divide to the locations of the most affordable UK cities with significantly better affordability in the north in general. There has also been remarkably little change in the identity of the most and least affordable cities over the past decade.

“Looking forward, the marked improvement in city affordability is likely to help support demand for those able to raise the necessary funds to enter the housing market.”

- Ends -

Table 1: 20 most affordable UK cities, 2013

UK cities	Region	Price to Earnings ratio
Londonderry	Northern Ireland	3.38
Lisburn	Northern Ireland	3.50
Belfast	Northern Ireland	3.67
Stirling	Scotland	3.81
Bradford	Yorkshire and the Humber	3.98
Salford	North West	4.11
Glasgow	Scotland	4.23
Lancaster	North	4.28

Hull	Yorkshire and the Humber	4.32
Sunderland	North	4.43
Swansea	Wales	4.43
Ely	East Anglia	4.45
Sheffield	Yorkshire and the Humber	4.48
Manchester	North West	4.51
Birmingham	West Midlands	4.55
Carlisle	North	4.57
Derby	East Midlands	4.57
Hereford	West Midlands	4.57
Newcastle Upon Tyne	North	4.63
Dundee	Scotland	4.67
UK cities average		5.60

Sources: Lloyds Banking Group, ONS

Table 2: 20 least affordable UK cities, 2013

UK cities	Region	Price to Earnings ratio
Oxford	South East	9.66
Salisbury	South West	8.57
Bath	South West	8.23
Truro	South West	8.15
Winchester	South East	8.04
Brighton & Hove	South East	7.67
Cambridge	East Anglia	7.55
Chichester	South East	7.44
Exeter	South West	7.25
St Albans	South East	7.09
London	Greater London	6.89
Southampton	South East	6.77
Lichfield	West Midlands	6.75
Bristol	South West	6.65
Norwich	East Anglia	6.46
Gloucester	South West	6.15
Leicester	East Midlands	6.08
Canterbury	South East	6.02
York	Yorkshire and the Humber	6.00
Worcester	West Midlands	5.79
UK cities average		5.60

Sources: Lloyds Banking Group, ONS

Table 3: UK city affordability, 2003-2013

	Average UK city house price (£)	Average gross full time earnings (£)	Price to Earnings ratio
2003	128,748	24,298	5.30
2008	207,387	28,879	7.18
2011	172,231	30,079	5.73

2012	169,745	30,611	5.55
2013	172,556	30,794	5.60

Sources: Lloyds Banking Group, ONS

Notes to Editors:

¹ Consists of the North East, North West, Yorkshire & the Humber, East Midlands, West Midlands, Scotland, Wales and Northern Ireland.

² Consists of Greater London, South East, South West and East of England.

There are 69 'official' cities in the UK. City of London, Westminster, Wells, Armagh, Ripon, St Davids, St Asaph, Newry and Bangor have been excluded from the analysis due to an insufficient sample size. Greater London region has been included.

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 February.

Data sources:

This research is based on data from the Lloyds Banking Group's own housing statistics database, Registers of Scotland, Land Registry 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. Sources: Halifax House Price database, Registers of Scotland and Land Registry.

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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