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Home affordability gap widens to worst level in 8 years

- Average city house prices at the highest levels since 2008 housing market boom
- House prices more than six times annual earnings, on average
- Clear North-South divide, with top 20 most affordable cities all located in the North

Home affordability – the ratio between average city house prices and average gross local earnings – across UK cities has hit its worst level in eight years, according to Lloyds Bank’s Affordable Cities Review.

The report shows that the average UK city house price has risen by 8% from £196,229 in 2015 to its highest ever level of £211,880 in 2016. This has resulted in average affordability in the nation’s cities worsening in the last 12 months from 6.2 to 6.6 times gross average annual earnings; the third successive annual decline in affordability.

The latest figures from Lloyds Bank also reveal a significant North – South divide, with 17 of the 20 least affordable cities located in southern England – with only Lichfield, Leicester and York appearing in the Top 20 outside of the South.

By contrast, all of the 20 most affordable cities for homebuyers are outside of southern England.

Affordability in UK cities is, on average, now at its worst level since the average house price to earnings rose to 7.2 at the height of the last housing market boom in 2008.

Andrew Mason, Lloyds Bank Mortgage Products Director, commented: “House price rises in the past three years have risen more steeply than average wage growth, making it more expensive to buy a home in the majority of UK cities. This has also widened the North – South divide, as house prices in the South have generally seen stronger growth than in the North. Winchester has recorded the biggest gains over the past decade, whilst London, not surprisingly, has seen the largest growth during the economic recovery of the last five years.”

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REGIONAL BREAKDOWN

Oxford is the UK's least affordable city [Table 1]

Oxford's average house price is nearly 11 times (10.68) the gross average earnings in the city. At an average price of £364,429, houses in Oxford are more expensive compared with average earnings in the city than in any other UK city. This is partly due to Oxford's attractiveness to commuters working in London.

Winchester (10.54), London (10.06), Cambridge (9.9) and Bath (9.77) make up the top five least affordable cities. The London average figure disguises considerable variations across the capital with central boroughs being significantly less affordable than the Greater London average.

Lichfield (7.53) and York (7.50) are the least affordable cities outside southern England.

Londonderry is the most affordable city [Table 2]

Londonderry is now both the UK's most affordable and least expensive city. The average property price in the Northern Ireland city of £113,302 is 3.8 times the gross average annual earnings.

Northern Ireland cities Belfast (4.42) and Lisburn (4.64) are the 4th and 6th most affordable cities respectively, due primarily to the relatively low house prices in the country.

Northern English and Scottish cities make up the remainder of the top 10 most affordable cities. Bradford (4.31), Hereford (4.55), Durham (4.73), Lancaster (4.89) and Carlisle (5.03) in England. Stirling (4.11) and Glasgow (5.07) in Scotland.

House price growth highest in Winchester over the past decade [Table 3]

Winchester has recorded the biggest price rise of any UK city over the past decade with a gain of 79%. Aberdeen is the only city outside the southern counties of England in the top 10 of cities to see large house price growth, with a gain of 58%.

...but strongest in London since 2011 [Table 4]

More recently, London has recorded the highest house price growth with a rise of 53% during the past five years followed by Salford (48%) and Cambridge (46%). Eight of the ten top performers since 2011 are in southern England with the exception being Salford (48%), which has seen significant investment for regeneration, and Newcastle Upon Tyne (33%).

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Table 1: 15 least affordable UK cities, 2016

UK cities	Region	PE ratio
Oxford	South East	10.68
Winchester	South East	10.54
Greater London	Greater London	10.06
Cambridge	East Anglia	9.90
Bath	South West	9.77
Brighton And Hove	South East	9.60
Truro	South West	9.11
St Albans	South East	8.66
Chichester	South East	8.58
Exeter	South West	8.36
Southampton	South East	8.33
Salisbury	South West	8.12
Bristol	South West	7.80
Lichfield	West Midlands	7.53
York	Yorkshire and the Humber	7.50
UK cities average		6.62

Source: Lloyds Bank, ONS

Table 2: 15 most affordable UK cities, 2016

UK cities	Region	PE ratio
Londonderry	Northern Ireland	3.81
Stirling	Scotland	4.11
Bradford	Yorkshire and the Humber	4.31
Belfast	Northern Ireland	4.42
Hereford	West Midlands	4.55
Lisburn	Northern Ireland	4.64
Durham	North	4.73
Lancaster	North West	4.89
Carlisle	North	5.03
Glasgow	Scotland	5.07
Hull	Yorkshire and the Humber	5.11

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Liverpool	North West	5.23
Perth	Scotland	5.24
Sunderland	North	5.28
Swansea	Wales	5.28
UK cities average		6.62

Source: Lloyds Bank, ONS

Table 3: 10 UK cities with Highest House Price Growth, 2006-2016

City	Region	Average House Price 2006 (£)*	Average House Price 2016 (£)*	10 year % change
Winchester	South East	249,703	446,796	79%
Cambridge	East Anglia	228,256	378,465	66%
Brighton And Hove	South East	205,725	335,563	63%
St Albans	South East	286,524	458,404	60%
Aberdeen	Scotland	135,468	214,160	58%
Greater London	Greater London	280,818	437,825	56%
Chichester	South East	235,424	355,958	51%
Chelmsford	South East	214,547	323,274	51%
Oxford	South East	248,133	364,429	47%
Bath	South West	247,757	357,063	44%

Source: Lloyds Bank
* 12 months February

Table 4: 10 UK cities with Highest House Price Growth, 2011-2016

City	Region	Average House Price 2011 (£)*	Average House Price 2016 (£)*	5 year % change
Greater London	Greater London	285,723	437,825	53%
Salford	North West	109,129	161,144	48%
Cambridge	East Anglia	258,820	378,465	46%
Chichester	South East	246,463	355,958	44%
Oxford	South East	263,005	364,429	39%

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Portsmouth	South East	138,111	190,981	38%
Chelmsford	South East	236,103	323,274	37%
Gloucester	South West	148,998	203,102	36%
St Albans	South East	341,841	458,404	34%
Newcastle Upon Tyne	North	133,140	177,577	33%

Source: Lloyds Bank

* 12 months February

Notes to Editors:

This is the annual **Lloyds 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).

1 Defined as comprising Greater London, the South East, the South West and East Anglia

- 61 cities surveyed.
- Wells, Armagh, Ripon, St Davids, St Asaph, Newby and Bangor have been excluded from the analysis due to an insufficient sample size.
- Westminster and City of London are included as part of Greater London and have not been identified separately.

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 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. Source: Halifax House Price database.

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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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