

PRESS RELEASE

SATURDAY 25TH FEBRUARY 2017



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NOT FOR BROADCAST OR PUBLICATION BEFORE 00.01 HRS SATURDAY 25TH FEBRUARY 2017

Home affordability in cities at its worst since 2008

- Average city house prices outpace earnings growth over last five years – now nearly seven times annual earnings
- Greater London house prices have recovered the fastest following the downturn with an increase of 57% between 2012 and 2017
- Oxford tops the list of least affordable cities
- Stirling is the UK's most affordable city

Home affordability – as measured by the ratio between average city house prices and average gross local earnings – across UK cities is at its worst level since 2008, according to Lloyds Bank's Affordable Cities Review.

Over the past five years, the average UK city house price has risen by 32% from £169,966 in 2012 to its highest ever level of £224,926 in 2017. In comparison, average city annual earnings over the same period have risen by only seven percent to £32,796. As a result, average affordability in the nation's cities has worsened with house prices rising as a multiple of average annual earnings from 5.5 in 2012 to 6.9 in 2017.

Affordability in UK cities is, on average, now at its worst level since 2008 when the ratio of average house price to earnings stood at 7.2. (Table 1)

Oxford is the UK's least affordable city

The average house price in the famous university city of Oxford is £385,372, which is nearly 11 times (10.7) annual gross average earnings in the city (£36,033), making it the UK's least affordable city.

There are five cities with average house prices at least ten times average annual earnings. In addition to Oxford, these are Greater London (10.5), Winchester (10.5), Cambridge (10.3) and Chichester (10.0). The London average figure disguises considerable variations across the capital with central boroughs significantly less affordable than the Greater London average.

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There is also a notable North – South divide. Lichfield (8.3), York (7.6) and Leicester (7.6) are the only cities outside southern England which appear in the top 20 least affordable UK cities. (Table 2)

20 most affordable cities all from outside southern England – with Stirling at the top

The former Scottish capital of Stirling is the UK's most affordable city. At £173,847, the average property price in Stirling is 3.7 times average gross annual earnings. Londonderry (3.8) in Northern Ireland is the UK's second most affordable city.

Two other Northern Ireland cities, Belfast (4.6) and Lisburn (4.8), are placed 4th and 6th respectively within the 10 most affordable cities.

Northern English, Scottish and Welsh cities make up the remainder of the 10 most affordable cities - Bradford (4.4), Hereford (4.7), Sunderland (4.9) and, Durham (5.0) in England, with Glasgow (5.2) in Scotland and Swansea in Wales (5.2). (Table 3)

Andy Mason, Lloyds Bank Mortgage Products Director, commented:

“City living is becoming increasingly expensive with average house prices at least ten times average annual earnings in five of the UK's cities.

“Affordability levels have worsened for four consecutive years as average city house prices continue to rise more steeply than average wage growth.

“House prices in the south have generally seen stronger growth than in the north. St Albans has recorded the biggest gains over the past decade, whilst London has been the top performer during the recovery.”

House price growth highest in St Albans over the past decade

St Albans has recorded the biggest price rise of any UK city over the past decade with a gain of 65% between 2007 and 2017, compared to the UK cities average of 21%. Winchester is second with a rise of 59% followed by Chelmsford (54%), Brighton & Hove (46%) and Cambridge (46%).

All 10 cities with the largest house price growth since 2007 are in southern England. (Table 4)

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Greater London house prices recover the strongest following the downturn

Over the past five years, London has recorded the highest house price growth with a rise of 57%.

Chelmsford, a newly created city as part of the Queen's Diamond Jubilee celebrations in 2012, has the second highest increase in average house price (55%), closely followed by St Albans (54%).

Eight of the ten top performers since 2012 are in southern England with the exceptions being Salford in the North West (51%) - home to Media City - and Coventry in the West Midlands (48%). (Table 5)

Table 1: City Affordability, 2007-2017

Year	Average UK city house price £	Average full time Mean earnings £	Price to Earnings ratio
2007	185,174	27,576	6.7
2008	207,572	28,879	7.2
2012	169,966	30,643	5.5
2013	171,882	31,038	5.5
2014	181,459	31,443	5.8
2015	195,010	31,731	6.1
2016	211,322	32,451	6.5
2017	224,926	32,796	6.9

Source: Lloyds Bank, 12 months to January, ONS, ASHE – All, Full Time

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Table 2: 20 Least Affordable UK Cities, 2017

UK cities	Region	Price to Earnings ratio
Oxford	South East	10.7
Greater London	Greater London	10.5
Winchester	South East	10.5
Cambridge	East Anglia	10.3
Chichester	South East	10.0
Brighton and Hove	South East	9.6
Bath	South West	9.3
Southampton	South East	9.2
Salisbury	South West	9.2
Canterbury	South East	8.7
St Albans	South East	8.7
Bristol	South West	8.7
Lichfield	West Midlands	8.3
Truro	South West	8.2
Norwich	East Anglia	8.2
Chelmsford	South East	7.9
Exeter	South West	7.9
York	Yorkshire and Humberside	7.6
Leicester	East Midlands	7.6
Gloucester	South West	7.2
UK cities average		6.9
UK average		7.1

Source: Lloyds Bank, ONS

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Table 3: 20 Most Affordable UK cities, 2017

UK cities	Region	Price to Earnings ratio
Stirling	Scotland	3.7
Londonderry	Northern Ireland	3.8
Bradford	Yorkshire and Humberside	4.4
Belfast	Northern Ireland	4.6
Hereford	West Midlands	4.7
Lisburn	Northern Ireland	4.8
Sunderland	North	4.9
Durham	North	5.0
Glasgow	Scotland	5.2
Swansea	Wales	5.2
Newcastle upon Tyne	North	5.3
Lancaster	North West	5.3
Liverpool	North West	5.3
Hull	Yorkshire and Humberside	5.4
Inverness	Scotland	5.5
Salford	North West	5.5
Dundee	Scotland	5.5
Preston	North West	5.6
Derby	East Midlands	5.6
Perth	Scotland	5.7
UK cities average		6.9
UK average		7.1

Source: Lloyds Bank, ONS

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Table 4: 10 UK cities with Highest House Price Growth, 2007-2017

City	Region	Average House Price 2007 (£)	Average House Price 2017 (£)	10 year % change
St Albans	South East	312,732	515,899	65%
Winchester	South East	294,577	467,821	59%
Chelmsford	South East	231,733	357,859	54%
Brighton and Hove	South East	245,818	359,710	46%
Cambridge	East Anglia	265,696	387,380	46%
Greater London	Greater London	328,642	467,001	42%
Chichester	South East	270,258	375,919	39%
Southampton	South East	193,219	266,109	38%
Bristol	South West	204,113	276,921	36%
Ely	East Anglia	198,052	267,585	35%
UK cities average		185,174	224,926	21%
UK average		201,248	248,200	23%

Source: Lloyds Bank, 12 months to January

Table 5: 10 UK cities with Highest House Price Growth, 2012-2017

City	Region	Average House Price 2012 (£)	Average House Price 2017 (£)	5 year % change
Greater London	Greater London	297,502	467,001	57%
Chelmsford	South East	230,948	357,859	55%
St Albans	South East	334,507	515,899	54%
Cambridge	East Anglia	255,203	387,380	52%
Salford	North West	105,962	160,191	51%
Bristol	South West	184,904	276,921	50%
Coventry	West Midlands	134,897	199,296	48%
Gloucester	South West	147,093	213,473	45%
Ely	East Anglia	185,135	267,585	45%
Chichester	South East	260,876	375,919	44%
UK cities average		169,966	224,926	32%
UK average		174,582	248,200	42%

Source: Lloyds Bank, 12 months to January

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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 January.

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 January. 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.

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