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### Affordability of city homes hits ten-year low

- **Affordability in cities has worsened with the ratio between house prices and average annual earnings increasing from 5.6 in 2012 to 7.0 in 2017.**
- **The five least affordable cities for homebuyers are Oxford, Cambridge, Greater London, Brighton and Hove and Bath.**
- **Cambridge has recorded the largest house price increase of 47% in the last 10 years.**

**Home affordability across UK cities is at its worst level since 2007**, according to Lloyds Bank's Affordable Cities Review, with house prices rising as a multiple of average annual earnings from 5.6 in 2012 to 7.0 in 2017.

Over the past five years, the average house price within UK cities has risen by 36% from £171,745 in 2012 to its highest ever level of £232,945 in 2017. In comparison, average city annual earnings over the same period have risen by just nine percent to £33,420. As a result, affordability in UK cities is, on average, at its worst level since 2007, when the ratio of average house price to earnings stood at 7.5. (Table 1)

The least affordable city is Oxford, where average house prices of £429,775 are over 11 times (11.5) annual average earnings. Truro and Exeter are new entrants into the 10 least affordable cities list, both with an affordability ratio of 9.3 with house prices of £259,705 and £274,093 respectively. Leicester (8.1) and York (8.0) are the only cities outside southern England appearing in the top 20 least affordable UK cities. (Table 3)

There are six cities with average house prices that cost at least ten times average annual earnings. In addition to Oxford (11.5), these are Cambridge (10.5), Greater London, Brighton and Hove (both 10.2), Bath (10.1) and Winchester (10.0). The London average figure disguises considerable variations across the capital with central boroughs significantly less affordable than the Greater London average.

**Andy Mason, Lloyds Bank mortgage products director, commented:** "City living suits the lifestyles of many people looking for shorter commutes with much of what they need on their doorstep, but buying a city property is the least affordable it's been for a decade.

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“There is also a clear North-South divide with only one Southern location appearing in the top 20 most affordable cities and only one Northern location appearing in the top 20 least affordable.”

## **Top 20 most affordable cities outside southern England**

Stirling is the UK's most affordable city for the fifth consecutive year. At £186,084, the average property price in the Scottish city is 4.0 times average gross annual earnings, although this figure has increased by 5% (0.2) in the last twelve months. Londonderry (4.1) in Northern Ireland remains the UK's second most affordable city. Bradford (4.5) is named as the most affordable city in England and Swansea is the most affordable city in Wales (5.4).

Lancaster and Dundee are the only two new entrants to the top 10 most affordable cities, sitting in fourth and ninth place, respectively and all of the top 10 are located outside of the south of England. (Table 2)

## **House price growth highest in Cambridge over the past decade**

Cambridge has moved from fifth position in 2016 to record the biggest price rise of any UK city over the past decade with a gain of 47% from £288,403 in 2007 to £422,589 in 2017, compared to the average rise of 12%. St Albans is now second with a rise of 44% followed by Brighton & Hove (39%), Greater London (31%), Cardiff and Canterbury (both 29%). Nine of the ten top performers since 2007 are in southern England with the exception being Cardiff in Wales (29%). (Table 4)

## **Greater London house prices record the greatest rise in the last five years**

Over the past five years, London has recorded the highest house price growth with a rise of 61% from £298,940 in 2012 to £480,800 in 2017. Coventry has the second highest increase in average house price (55%), closely followed by Cambridge, Ely and Lisburn (all 54%). (Table 5)

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**Table 1: City Affordability, 2007-2017**

Year	Average UK city house price £	Average full time Mean earnings £	Price to Earnings ratio
2007	207,750	27,576	7.5
2008	182,467	28,879	6.3
2009	168,734	29,663	5.7
2010	173,427	29,851	5.8
2011	170,076	30,079	5.7
2012	171,745	30,643	5.6
2013	180,548	31,038	5.8
2014	194,374	31,443	6.2
2015	209,837	31,731	6.6
2016	225,238	32,483	6.9
<b>2017</b>	<b>232,945</b>	<b>33,420</b>	<b>7.0</b>

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

**Table 2: 20 Most Affordable UK cities, 2017**

UK cities	Region	Price to Earnings ratio
Stirling	Scotland	4.0
Londonderry	Northern Ireland	4.1
Bradford	Yorkshire and the Humber	4.5
Lancaster	North West	4.8
Durham	North	5.0
Belfast	Northern Ireland	5.1
Sunderland	North	5.1
Lisburn	Northern Ireland	5.1
Dundee	Scotland	5.4
Swansea	Wales	5.4
Perth	Scotland	5.4
Salford	North West	5.5
Hereford	West Midlands	5.5
Liverpool	North West	5.5
Carlisle	North	5.5
Glasgow	Scotland	5.5
Hull	Yorkshire and the Humber	5.5
Newcastle Upon Tyne	North	5.7
Preston	North West	5.7

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Inverness	Scotland	5.8
<b>UK cities average</b>		<b>7.0</b>
<b>UK average</b>		<b>7.2</b>

Source: Lloyds Bank, ONS

**Table 3: 20 Least Affordable UK Cities, 2017**

UK cities	Region	Price to Earnings ratio
Oxford	South East	11.5
Cambridge	East Anglia	10.5
Greater London	Greater London	10.2
Brighton And Hove	South East	10.2
Bath	South West	10.1
Winchester	South East	10.0
Truro	South West	9.3
Exeter	South West	9.3
Southampton	South East	8.9
Canterbury	South East	8.9
Bristol	South West	8.8
Salisbury	South West	8.8
St Albans	South East	8.7
Chichester	South East	8.7
Norwich	East Anglia	8.3
Leicester	East Midlands	8.1
York	Yorkshire and the Humber	8.0
Gloucester	South West	7.7
Portsmouth	South East	7.5
Chelmsford	South East	7.3
<b>UK cities average</b>		<b>7.0</b>
<b>UK average</b>		<b>7.2</b>

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
Cambridge	East Anglia	288,403	422,589	47%
St Albans	South East	365,841	525,736	44%
Brighton and Hove	South East	274,152	380,685	39%
Greater London	Greater London	367,199	480,800	31%
Cardiff	Wales	177,365	228,886	29%
Canterbury	South East	256,629	330,386	29%
Portsmouth	South East	174,504	221,801	27%
Chelmsford	South East	267,173	338,730	27%
Ely	East Anglia	210,856	264,752	26%
Bristol	South West	229,784	288,005	25%
<b>UK Cities Average</b>		<b>207,750</b>	<b>232,945</b>	<b>12%</b>
<b>UK Average</b>		<b>228,128</b>	<b>255,183</b>	<b>12%</b>

Source: Lloyds Bank, 12 months to December

**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	298,940	480,800	61%
Coventry	West Midlands	136,290	210,650	55%
Cambridge	East Anglia	273,817	422,589	54%
Ely	East Anglia	171,686	264,752	54%
Lisburn	Northern Ireland	100,759	155,217	54%
Nottingham	East Midlands	127,433	194,351	53%
Peterborough	East Anglia	147,250	224,156	52%
Canterbury	South East	218,500	330,386	51%
Manchester	North West	122,259	184,373	51%
Portsmouth	South East	149,437	221,801	48%
<b>UK Cities Average</b>		<b>171,745</b>	<b>232,945</b>	<b>36%</b>
<b>UK Average</b>		<b>176,146</b>	<b>255,183</b>	<b>45%</b>

Source: Lloyds Bank, 12 months to December

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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).

## Notes to Editors:

- 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 December.

## 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 December. 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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