



LLOYDS AFFORDABILITY REVIEW:

Gap between house prices and earnings narrows – but higher borrowing costs limit affordability gains

- UK's house price to income ratio falls from 7.6 to 7.3, an 11-year low, as earnings continue to outpace house price growth
- For first-time buyers, homes now cost less than six times earnings, falling from 6.1 to 5.9
- However, monthly mortgage costs have increased by £57 over the last year due to higher interest rates, while saving for a deposit remains a big hurdle for many buyers
- Traditionally least affordable regions record some of the largest improvements in house price to income ratio, although London and the South East remain the most expensive places to buy
- Scotland and northern England feature many of Britain's most affordable local authorities, led by Inverclyde and Aberdeen

The average UK home now costs the equivalent of 7.3 times average earnings, down from 7.6 a year ago, according to new research from Lloyds, the UK's biggest mortgage lender. The ratio is now at its lowest level since 2015.

Nationally, the average property price increased by +0.5% over the last year, to £299,131, while average earnings rose by +4.5% to £40,790, narrowing the gap between average house prices and earnings.

However, while house prices have become more affordable compared to earnings, higher interest rates mean average monthly mortgage repayments have increased over the last year, rising from £1,100 to £1,157.

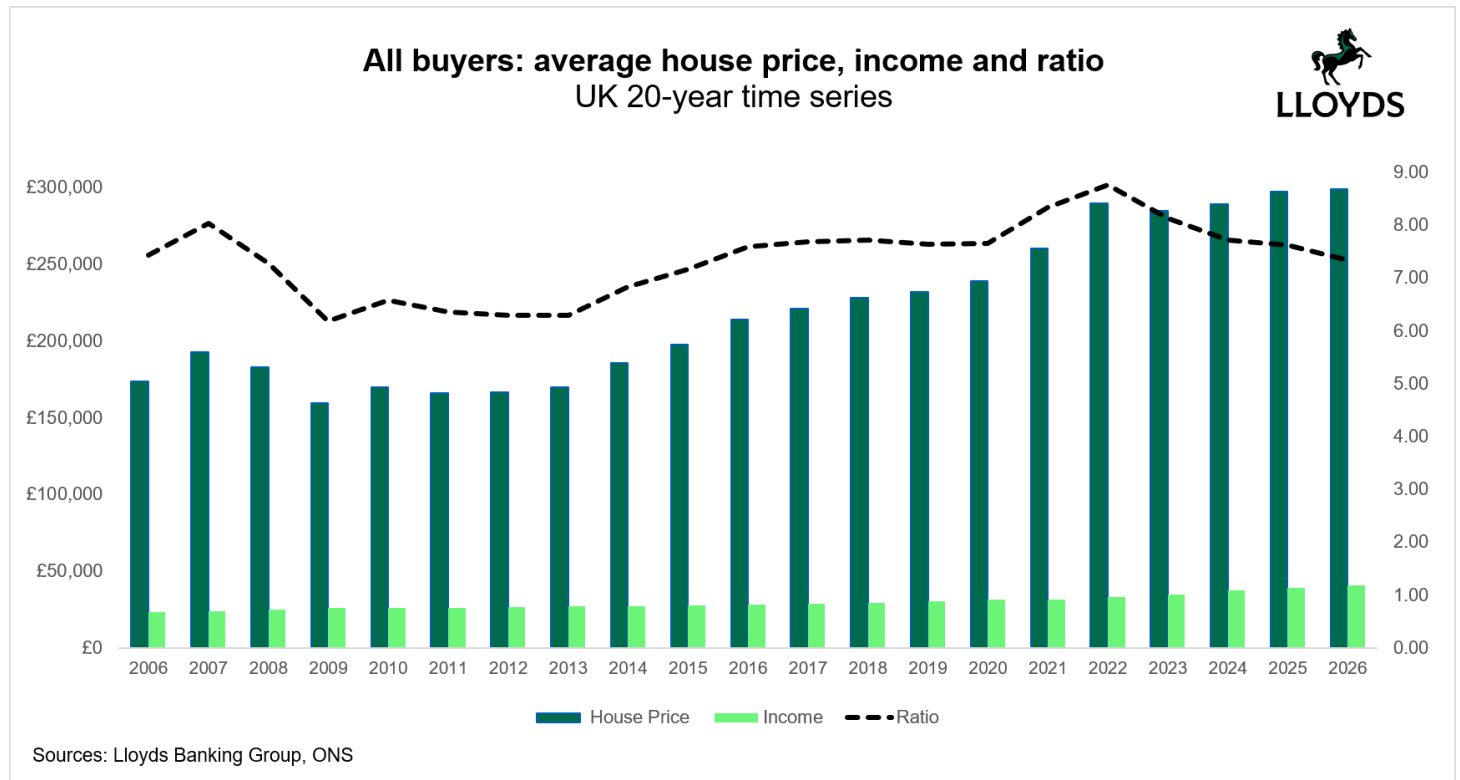


Andrew Asaam, Mortgages Director at Lloyds, said: "There are some encouraging signs for people looking to buy a home. Wages have continued to rise while house prices have remained relatively stable, helping to narrow the gap between earnings and house prices.

"However, affordability remains stretched for many households. Mortgage rates are higher than they were a year ago and saving for a deposit continues to be one of the biggest barriers facing first-time buyers.

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"Buyers may have more options than they realise, including mortgages designed for those with smaller deposits. While these won't be right for everyone, they can help some buyers take their first step onto the housing ladder sooner."



First-time buyer homes now cost less than six times earnings

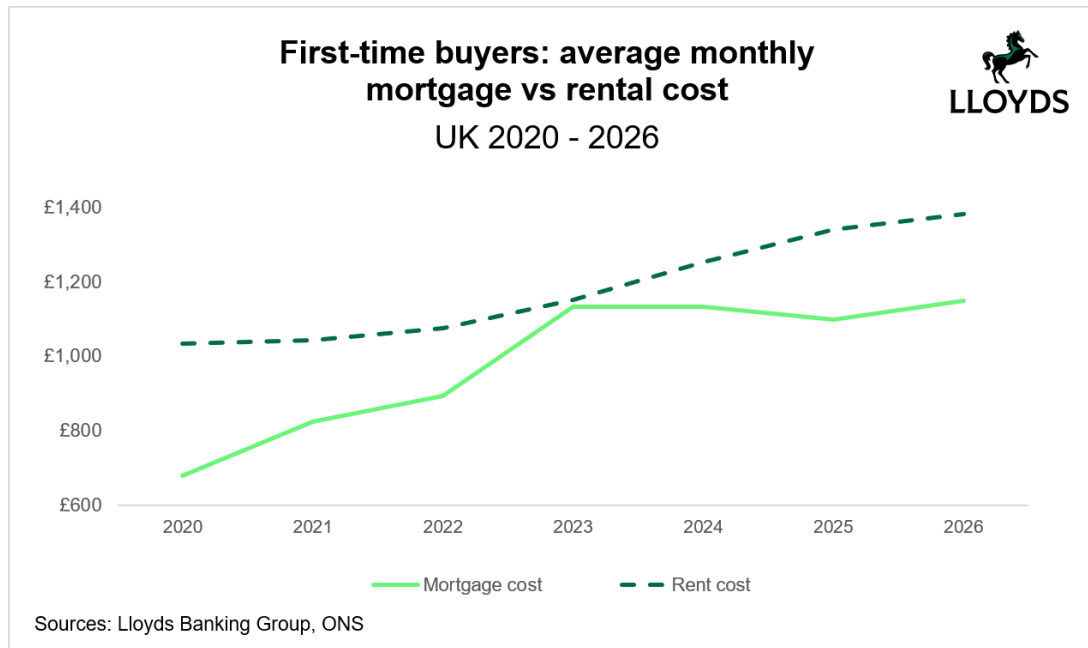
For first-time buyers, the typical property price was broadly stable over the last year, rising by just 0.3% from £238,875 to £239,681. With earnings growth outpacing house price inflation, the house price to earnings ratio for a first home fell from 6.1 to 5.9 – the lowest since 2015.

However, saving for a deposit remains a key challenge. A typical first-time buyer still needs to save almost £24,000 for a 10% deposit, highlighting why it remains one of the biggest barriers to homeownership. This has seen lenders introduce more low-deposit options, including Lloyds' £5k deposit mortgage, helping to reduce the amount required upfront.

Higher borrowing costs are also an important consideration for first-time buyers, with average monthly repayments rising from £1,100 to £1,150 over the last year. But wage growth means that mortgage costs still account for the same proportion of income compared to last year, amounting to 34% of average monthly pay.

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For those able to save a deposit, mortgage repayments are often still lower than the equivalent rental costs, with the average monthly rent rising by +3.2% to £1,382, up from £1,339 last year. The average first-time buyer mortgage payment now accounts for around 34% of income, compared with 41% for those renting.



House prices become more affordable in priciest areas

The gap between Britain's most and least affordable housing markets has also narrowed slightly over the last year, with the biggest improvements in affordability generally seen in regions where house prices were most expensive relative to earnings.

The South East recorded the largest improvement, with the average home now costing 9.1 times earnings, down from 9.7 a year ago. Greater London followed, falling from 10.9 to 10.3, while Eastern England improved from 8.7 to 8.2 and the South West from 8.2 to 7.7. Despite these improvements, London and the South East remain the two least affordable regions.

By comparison, regions and nations with lower house price to earnings ratios generally saw less movement. The ratio fell from 5.1 to 5.0 in the North East, while Scotland remained broadly unchanged at 5.3. In the North West, it fell from 6.5 to 6.3, while Yorkshire and the Humber reduced from 6.0 to 5.8.

Northern Ireland was the only nation or region where house prices became less affordable relative to earnings. House prices rose by +7.4% compared to a +3.7% rise in earnings, causing the price to earnings ratio to increase from 5.8 to 6.0.

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Where buyers can get the most for their money

At a local authority level, significant differences in house price affordability remain across Britain, with many of the lowest house price to earnings ratios found in Scotland and northern England, highlighting where buyers may be able to get more for their money.

Inverclyde and Aberdeen (Scotland) are Britain's most affordable local authorities, with the average home costing 3.5 times earnings in both areas. They are followed by Kingston upon Hull (Yorkshire and the Humber), Blackpool (North West) and Dundee (Scotland), where homes cost 3.6 times earnings.

At the other end of the scale, Elmbridge in Surrey (South East) remains Britain's least affordable local authority with a house price-to-income ratio of 17.4. Kensington and Chelsea (London) follows at 17.3, while St Albans (Eastern England) ranks third at 14.1.

The local data provides further evidence of some narrowing between Britain's most and least affordable housing markets. Several traditionally expensive areas recorded some of the largest improvements in affordability, including Westminster (London), where the ratio fell from 15.2 to 13.3; Cambridge (Eastern England), from 11.4 to 10.0; Elmbridge (South East), from 18.7 to 17.4; and New Forest (South East), from 10.1 to 8.7.

Conversely, several more affordable areas saw their ratios increase. Rossendale (North West) recorded the largest increase from 4.8 to 5.4, while Wrexham (Wales) increased from 4.9 to 5.5 and Halton (North West) from 5.1 to 5.6. Argyll and Bute (Scotland) rose from 4.6 to 5.2, while Chesterfield (East Midlands) rose from 5.2 to 5.8.



Andrew continues: "Where you buy continues to make a huge difference to affordability. Our recent research showed homebuyers can save 28% on average by looking just next door to the UK's priciest postcodes.

"For first-time buyers in particular, a small shift in location could make a big difference – not just in getting on the ladder, but in what kind of property is within reach.

"Many parts of Scotland and northern England continue to offer some of the best value relative to local earnings. For buyers with flexibility over where they live, that can make a meaningful difference to what they can afford."

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Data tables on following pages.

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Tables

Most and least affordable local areas by region or nation - 2026			
Region	Local area	Property price	Price to income ratio
East Midlands	Mansfield	£183,032	4.9
	Malvern Hills	£328,261	8.8
Eastern England	Boston and South Holland	£181,885	4.5
	St Albans	£568,940	14.1
Greater London	Barking and Dagenham	£322,675	6.2
	Kensington and Chelsea	£895,893	17.3
North East	Middlesbrough	£139,678	3.9
	Northumberland	£230,176	6.4
North West	Blackpool	£141,550	3.6
	Trafford	£358,854	9.2
Scotland	Inverclyde	£146,030	3.5
	East Renfrewshire	£288,665	6.9
South East	Portsmouth	£216,713	5.2
	Elmbridge	£726,523	17.4
South West	Plymouth	£201,008	5.2
	Cotswolds	£403,153	10.3
Wales	Neath Port Talbot	£153,212	4.1
	Monmouthshire	£300,079	8.0
West Midlands	Stoke-on-Trent	£172,917	4.5
	Stratford-on-Avon	£347,085	8.9
Yorkshire and the Humber	Kingston upon Hull	£134,642	3.6
	York	£302,747	8.1

Source: Lloyds Banking Group, ONS

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10 most affordable local areas in Britain (all buyers) – 2026

Local area	Region	Property price	Price to income ratio
Inverclyde	Scotland	£146,030	3.5
Aberdeen	Scotland	£147,851	3.5
Kingston upon Hull	Yorkshire and the Humber	£134,642	3.6
Blackpool	North West	£141,550	3.6
Dundee	Scotland	£152,072	3.6
Dumfries and Galloway	Scotland	£153,360	3.7
North East Lincolnshire	Yorkshire and the Humber	£138,543	3.7
Angus	Scotland	£160,928	3.9
Middlesbrough	North East	£139,678	3.9
East Ayrshire	Scotland	£162,459	3.9

Source: Lloyds Banking Group, ONS

10 least affordable local areas in Britain (all buyers) – 2026

Local area	Region	Property price	Price to income ratio
Elmbridge	South East	£726,523	17.4
Kensington and Chelsea	Greater London	£895,893	17.3
St Albans	Eastern England	£568,940	14.1
Hammersmith and Fulham	Greater London	£690,484	13.3
Waverley	South East	£555,410	13.3
Westminster / City of London	Greater London	£687,020	13.3
Windsor and Maidenhead	South East	£548,375	13.1
Richmond upon Thames	Greater London	£648,526	12.5
Sevenoaks	South East	£521,367	12.5
Guildford	South East	£514,773	12.3

Source: Lloyds Banking Group, ONS

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Regional breakdown: All buyers affordability – 2026							
Region	Property price	Income	Price to income ratio	Monthly mortgage	Mortgage % income	Monthly rent	Rent % income
Eastern England	£331,348	£40,430	8.2	£1,281	38.0%	£1,279	38.0%
East Midlands	£247,711	£37,297	6.6	£958	30.8%	£913	29.4%
Greater London	£534,831	£51,777	10.3	£2,068	47.9%	£2,292	53.1%
North East	£181,133	£36,013	5.0	£700	23.3%	£776	25.9%
North West	£248,218	£39,211	6.3	£960	29.4%	£953	29.1%
Northern Ireland	£229,000	£38,425	6.0	£886	27.7%	£876	27.4%
Scotland	£223,277	£41,736	5.3	£863	24.8%	£1,014	29.2%
South East	£381,654	£41,817	9.1	£1,476	42.4%	£1,416	40.6%
South West	£299,532	£38,988	7.7	£1,158	35.7%	£1,233	37.9%
Wales	£231,142	£37,577	6.2	£894	28.5%	£835	26.7%
West Midlands	£262,968	£38,818	6.8	£1,017	31.4%	£965	29.8%
Yorkshire and the Humber	£217,544	£37,384	5.8	£841	27.0%	£856	27.5%
UK average	£299,131	£40,790	7.3	£1,157	34.0%	£1,382*	40.7%

Source: Lloyds Banking Group, ONS

*Rental figure relates to Great Britain

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Notes to Editors

This information is intended for the sole use of journalists and media professionals.

The research has been carried out by Lloyds Banking Group in partnership with S&P Global.

All UK and regional property price figures are derived using the standardised Lloyds House Price Index (HPI) methodology. This incorporates mortgage approval data from Lloyds Banking Group, including customers of both Lloyds Bank and Halifax.

Note that an average of three months' worth of transactional data is used to calculate each metric, therefore UK and regional headline figures may differ from those published in the main monthly Lloyds HPI. Figures are based on Q2 (April to June) data in respective years unless otherwise stated.

Local Authority Area (LAA) data is based on a 'price per square metre' methodology, scaled up to a typically sized property for each LAA based on EPC data. In some cases, neighbouring LAAs have been combined to ensure a robust sample size. LAAs for Northern Ireland have not been included due to sample size.

Income figures are based on the annual median income for a full-time worker from the Annual Survey of Household Earnings published by the Office for National Statistics (ONS). Latest income figures have been forecast by S&P Global using Average Weekly Earnings Data, also published by the ONS. All ONS figures in this release were sourced in July 2026. The UK rental figure does not include Northern Ireland.

Average mortgage rates quoted reflect industry data compiled by the Bank of England.

Postcode price saving figure taken from previous Lloyds research: <https://www.lloydsbank.com/news-and-insights/2026/lloyds-next-door-neighbourhoods.html>

Support for first-time buyers

Lloyds is Britain's number one direct lender for [first-time buyers](#).^{*} Here are some of the ways it can help.

- **£5k Deposit mortgage**
If you have £5,000 saved up, you can use this as your mortgage deposit and borrow more than the typical 95% of your home's value (on homes worth up to £300,000). This could help you get on the property ladder sooner.
- **First Time Buyer Boost**
You could borrow up to 5.5x your yearly household income with a 10% deposit or more. It's designed to help eligible first-time buyers access a larger loan than a standard mortgage.
- **5% deposit mortgage**
With this mortgage, you could borrow up to 95% of your home's value. This means you'll just need to pay a 5% deposit, reducing the time needed to save.
- **Government schemes**
Lloyds supports a range of government-backed schemes that could help you to buy a home. These include First Homes, Right to Buy and more.
- **Lend a Hand mortgage**
With a Lend a Hand mortgage, instead of a deposit, your family's savings act as security, earning them interest for three years.
- **First Home Deposit Gift**
Your family member can borrow more on their Lloyds mortgage and gift it towards your deposit. It can cover all or part of your deposit and they could receive £500 cashback.

^{*}Based on monthly completion values from July to December 2025. Source: CACI Ltd's mortgage database.

Events for first-time buyers

From working out your budget to getting the keys to your first home, we're here to help. We run free online events for first-time buyers, available to everyone – you don't even need to be an existing Lloyds customer.

Our mortgage experts will help you find out about:

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- **Starting Out:** Saving for a deposit and government schemes available
- **House Hunting:** Finding the right property for you
- **Other costs:** Protecting you and your home, other costs to consider
- **Journey to Completion:** Valuations, surveys and the final stages to getting your keys.

Find a free event here: <https://branches.lloydsbank.com/events>

The information in this release is not intended to constitute financial advice. Mortgage customers or applicants should refer to the Lloyds website for full details, including terms and conditions, eligibility criteria, and how to obtain regulated advice. You could lose your home if you don't keep up your mortgage repayments. For full details visit: <https://www.lloydsbank.com/mortgages.html>. Information correct as at 30th September 2026 and subject to change thereafter.

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