

This is the annual **Lloyds Bank Affordable Cities Review** and tracks housing affordability in 62 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).

Home affordability in UK cities deteriorates to 2009 levels

- Affordability 15% better than in 2008
- Oxford is the UK's least affordable city; Stirling is the most affordable
- Aberdeen records highest house price growth since 2005; London since 2010

The past year has seen a deterioration in affordability in UK cities, driven by rising house prices across the country, according to the Lloyds Bank Affordable Cities Review. The average UK city house price has risen by 7%, from £181,667 in 2014 to £195,107 in 2015. This has resulted in affordability in the nation's cities worsening in the last 12 months from 5.8 to 6.1 times gross average annual earnings; the second successive annual decline in affordability.

Affordability in UK cities is, on average, now at the same level as in 2009 but is 15% lower than the peak of 7.2 times earnings in 2008 at the height of the last housing market boom. The overall improvement in affordability across UK cities as a whole over the past seven years has been caused by a combination of an average house price decline of £12,630 (-6%), and an increase in the gross average annual earnings in UK cities of £3,058 (+11%).

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

Oxford's average house price is 11 times (10.89) the gross average earnings in the city. At an average price of £361,469, houses in Oxford are more expensive compared with local average earnings than any other UK city. This is partly due to Oxford's attractiveness to commuters working in London.

Winchester (10.11), Cambridge (9.76), Chichester (9.19) and Brighton and Hove (9.10) make up the top five least affordable cities. Greater London is not far behind with average property prices 8.75 times average gross annual earnings. This average figure disguises considerable variations across the capital with central boroughs being significantly less affordable than the Greater London average.

Lichfield (6.95), York (6.83) and Leicester (6.54) are the least affordable cities outside southern England.

Stirling is the most affordable city [Table 2]

Stirling remains the UK's most affordable city despite a deterioration in affordability over the past year. The average property price in the Scottish city of £158,645 is 3.9 times gross average annual earnings.

Four of the ten most affordable UK cities are in Northern Ireland due primarily to the relatively low house prices in the country: Londonderry (3.92), Belfast (4.49), Newry (4.51) and Lisburn (4.63). Lancaster (4.03) and Bradford (4.17) are the most affordable cities in England.

Andy Hulme, Lloyds Bank mortgages director, commented:

“House price rises in the past two years have resulted in a deterioration in home affordability in the majority of UK cities, and generally widening the north / south affordability divide as the market has been strongest in the south. The UK’s most successful cities economically have tended to see the strongest property price rises. Aberdeen, the country’s oil and gas capital, has recorded the biggest gains over the past decade whilst London has been the top performer during the economic recovery.”

Significant north-south divide in city affordability

A clear north-south affordability divide remains among UK cities. Seventeen of the 20 least affordable cities are in southern England¹ with Lichfield, Leicester and York completing the top 20.

At the other end of the spectrum, nineteen of the 20 most affordable cities for homebuyers are outside southern England with the exception being Ely in East Anglia.

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

Aberdeen has recorded the biggest price rise of any UK city over the past decade with a gain of 88% as a result of rising housing demand due to the strong performance of the oil and gas sector over most of the period. Cambridge (55%) and Brighton & Hove (52%) saw the largest increases in England.

...but strongest in London since 2010 [Table 4]

More recently, London has recorded the highest house price growth with a rise of 40% during the past five years followed by Winchester (39%) and Cambridge (37%). Eight of the ten top performers since 2010 are in southern England with the exception being Aberdeen (26%) and Durham (25%).

Ends

Table 1: 15 least affordable UK cities, 2015

UK cities	Region	PE ratio
Oxford	South East	10.89
Winchester	South East	10.11
Cambridge	East Anglia	9.76
Chichester	South East	9.19
Brighton And Hove	South East	9.10
Bath	South West	8.83
Greater London	Greater London	8.75
Truro	South West	8.61
Salisbury	South West	8.43
Exeter	South West	8.04
Southampton	South East	7.55
Bristol	South West	7.02
Lichfield	West Midlands	6.95
Norwich	East Anglia	6.88
Canterbury	South East	6.85
UK cities average		6.12

Table 2: 15 most affordable UK cities, 2015

UK cities	Region	PE ratio
Stirling	Scotland	3.85
Londonderry	Northern Ireland	3.92
Lancaster	North West	4.03
Bradford	Yorkshire & the Humber	4.17
Hereford	West Midlands	4.42
Belfast	Northern Ireland	4.49
Newry	Northern Ireland	4.51
Salford	North West	4.56
Lisburn	Northern Ireland	4.63
Durham	North	4.70
Stoke On Trent	West Midlands	4.76
Sunderland	North	4.78
Glasgow	Scotland	4.81
Ely	East Anglia	4.90
Hull	Yorkshire & the Humber	4.96
UK cities average		6.12

Table 3: 10 UK Cities with Highest House Price Growth, 2005-2015

City	Region	Average House Price 2005 (£)	Average House Price 2015 (£)	10 year % change
Aberdeen	Scotland	116,656	219,177	88%
Cambridge	East Anglia	232,062	359,796	55%
Brighton And Hove	South East	209,057	318,363	52%
Winchester	South East	305,261	444,661	46%
Greater London	Greater London	273,737	387,336	41%
St Albans	South East	292,332	406,935	39%
Dundee	Scotland	104,395	144,107	38%
Inverness	Scotland	134,470	178,090	32%
Oxford	South East	278,027	361,469	30%
Hull	Yorkshire & the Humber	99,824	122,435	23%

Table 4: 10 UK Cities with Highest House Price Growth, 2010-2015

City	Region	Average House Price 2010 (£)	Average House Price 2015 (£)	5 year % change
Greater London	Greater London	276,572	387,336	40%
Winchester	South East	320,638	444,661	39%
Cambridge	East Anglia	262,232	359,796	37%
Brighton & Hove	South East	242,800	318,363	31%
Canterbury	South East	195,119	252,370	29%
St Albans	South East	316,571	406,935	29%
Aberdeen	Scotland	173,354	219,177	26%
Oxford	South East	289,207	361,469	25%
Durham	North	112,627	140,576	25%
Gloucester	South West	147,285	181,627	23%

Source :Halifax

* 12 months February

Notes to Editors:

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

- 62 cities surveyed.
- Wells, Armagh, Ripon, St Davids, St Asaph 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.

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.

For further information

Eve Speight

T: 020 7356 2162 | M: 07585965319

Eve.speight@lloydsbanking.com

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance. © Lloyds Bank plc all rights reserved 2015."