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This **Halifax First-Time Buyer Review** tracks housing affordability in 286 local authority districts (including 31 London boroughs) across the UK. A **local authority district (LAD)** is classified as affordable if the average house price for an FTB is lower than the price someone on average earnings in the area can pay based on the historical average house price to income ratio of 4.0 (see Editors' Notes for details). The calculation is based on a single income and is, therefore, conservative.

Highest number of affordable towns for First-Time Buyers since 2002

Number of first-time buyers up by a third compared with the first half of 2011

The proportion of UK towns and cities that are affordable for first-time buyers has risen to its highest level for a decade, according to the latest Halifax First-Time Buyer Review. The average house price paid by a first-time buyer (FTB) in June 2012 was affordable for someone on average earnings in more than half (54%) of all local authority districts (LADs); the highest proportion for ten years. This is up from 40% a year ago and almost eight times the proportion of affordable LADs at the peak of the housing market in 2007 when only 7% of LADs were affordable.

Number of first-time buyers increases in 2012

The number of FTBs has risen over the past year, albeit from a historically low level, helped by the improvement in affordability. Halifax estimates that there were approximately 114,000 FTBs in the first half of 2012, up by just over a third (34%) from the same period in 2011 (85,600), but less than half the number a decade ago (244,700). The recent ending of the stamp duty holiday is likely to have boosted the number of first-time buyers in the first six months of 2012 as some buyers brought forward their purchases to meet the March deadline.

Martin Ellis, housing economist at Halifax, commented:

"With first-time buyers forming a vital part of the housing market, it is clearly encouraging that the number of those getting onto the property ladder for the first time may well increase this year, albeit from a historically low level. This partly reflects the substantial improvement in home affordability for first-time buyers since 2007, following the fall in house prices over the period."

"However, the continued uncertainty over the outlook for the UK economy and the difficulties faced by many in raising the necessary deposit remain significant hurdles for those wishing to buy their first home."

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14/07/2012

North-South divide in FTB affordability widens over the past decade

Despite the overall improvement in affordability, there is a stark contrast between conditions in the north and the south. In June 2012, just 9% of all UK LADs that are affordable for FTBs were in southern UK¹; a tenth of the proportion in the north² (91%). In 2002, 15% of all UK LADs that were affordable for FTBs were in the south compared to 85% in the North.

North East is the most affordable region in the UK

The North East is the only UK region where all LADs are affordable for FTBs. The North West has the second highest proportion of LADs (97%), followed by Scotland (93%). In contrast, London is the only region with no affordable areas for FTBs on average earnings.

Marginal fall in average FTB deposit over the past year

The average deposit in the first half of 2012 was marginally (1%) lower than in the same period in 2011. The average FTB deposit of £27,857 in June was, however, still some 59% higher than in 2002 (£17,523).

Regionally, FTBs in London put down the largest deposit (£59,221), followed by the South East (£34,843). In contrast, FTBs in Northern Ireland put down the smallest deposit (£16,267).

Over a third more FTBs now pay stamp duty

38% more FTBs are required to pay stamp duty as a result of the end of the temporary increase in the stamp duty threshold for FTBs - from £125,000 to £250,000 – at the end of March. In total, 44% of FTBs will now pay stamp duty compared to only 5% during the period of the temporary threshold increase.

ADDITIONAL FINDINGS

Scotland accounts for many of the most affordable locations for a FTB

Four of the five most affordable LADs for a FTB are in Scotland. South Ayrshire is the most affordable LAD in the UK with an average property price that is 2.5 gross average annual earnings. Pendle in the North West is the second most affordable LAD (2.6). Swindon is the most affordable LAD outside the north (3.6).

Brent is the UK's least affordable LADs for FTBs

London accounts for nine of the ten least affordable LADs. Brent in London where the average FTB property price is 8.8 times gross average earnings in the area is the least affordable LAD for FTBs. Oxford (7.6) is the second least affordable LAD. Herefordshire (5.2) is the least affordable LAD outside southern England.

EDITORS' NOTES:

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14/07/2012

¹Consists of Greater London, South East, South West and East of England.

²Consists of the North East, North West, Yorkshire & the Humber, East Midlands, West Midlands, Scotland, Wales and Northern Ireland.

THE AFFORDABILITY CALCULATION:

A local authority district (LAD) is classified as affordable if the average house price for a First-time Buyer (FTB) in the LAD is **lower** than someone on average earnings in the area can pay. Gross average annual earnings for the LAD are multiplied by 4.0 to calculate the amount that someone on average earnings could 'afford' to pay. For example, if average earnings in the LAD are £30,000, someone on average earnings in the area could pay up to £120,000. The LAD is deemed to be affordable if the average price paid by a FTB in the LAD is less than £120,000 and unaffordable if it is higher.

The multiple of 4.0 is in line with the average house price to income ratio for a FTB over the past 20 years (1989-2008). (Source: Halifax).

DATA SOURCES:

The review is based on data from the Halifax's own extensive housing statistics database, along with data from the Council of Mortgage Lenders, the Office for National Statistics and the Department for Communities and Local Government.

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.

Average prices for 2002, 2007, 2011 and 2012 are for the 12 months to June.

2. Average Earnings

Average earnings figures are from the ONS's "Annual Survey of Hours and Earnings" (ASHE) and refer to the means for full-time employees.

At local authority 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 relevant *regional* average has been used.

Ends

Table 1: % of affordable LADs for First Time Buyers by Region, 2002-2012*

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Press Release



14/07/2012

	2002		2007		2011		2012	
	Affordable	Unaffordable	Affordable	Unaffordable	Affordable	Unaffordable	Affordable	Unaffordable
	%		%		%		%	
North East	100%	0%	0%	100%	92%	8%	100%	0%
North West	100%	0%	6%	94%	82%	18%	97%	3%
Scotland	100%	0%	43%	57%	75%	25%	93%	7%
East Midlands	100%	0%	22%	78%	67%	33%	85%	15%
Yorkshire and The Humber	94%	6%	0%	100%	76%	24%	82%	18%
Wales	100%	0%	0%	100%	75%	25%	81%	19%
West Midlands	95%	5%	0%	100%	27%	73%	73%	27%
East of England	53%	47%	0%	100%	6%	94%	21%	79%
South East	11%	89%	0%	100%	4%	96%	15%	85%
South West	29%	71%	0%	100%	6%	94%	6%	94%
London	0%	100%	0%	100%	0%	100%	0%	100%
United Kingdom	64%	36%	7%	93%	40%	60%	54%	46%

Source: Halifax *12 months to June.

Northern Ireland has been excluded from the regional analysis

Table 2: Number of First-Time buyers – UK

	Number of First Time Buyers	Annual % change
2002 H1	244,700	
2003 H1	175,200	-28%
2004 H1	184,200	5%
2005 H1	160,000	-13%
2006 H1	190,900	19%
2007 H1	181,500	-5%
2008 H1	109,300	-40%
2009 H1	72,700	-33%
2010 H1	95,000	31%
2011 H1	85,600	-10%
2012 H1*	114,434	34%

Source: CML *Halifax estimate

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Table 3: First-Time Buyer Average Deposit, 2011-2012

	Average Deposit (£s) 2011	Average Deposit (£s) 2012	1 year % change
East Midlands	19,871	20,840	4.9%
Wales	18,300	19,062	4.2%
North	16,123	16,753	3.9%
Greater London	57,653	59,221	2.7%
Yorkshire and Humberside	19,317	19,573	1.3%
Scotland	19,703	19,579	-0.6%
East Anglia	26,332	25,922	-1.6%
West Midlands	23,289	22,877	-1.8%
South East	36,464	34,843	-4.4%
North West	20,246	18,754	-7.4%
South West	33,426	30,080	-10.0%
Northern Ireland	19,266	16,267	-15.6%
UK	28,075	27,857	-0.8%

Source: Halifax

Table 4: Stamp Duty - First-Time Buyer Purchases by Stamp Duty Thresholds by Region, 2012 Jan-Jun

% of Properties by Stamp Duty Thresholds				
	<£125k	<£250k	£125k-£250k	>£250k
North	82%	99%	17%	1%
Yorkshire and Humberside	80%	99%	19%	1%
North West	78%	99%	21%	1%
East Midlands	74%	99%	25%	1%
West Midlands	70%	99%	29%	1%
East Anglia	50%	97%	47%	3%
Wales	81%	99%	18%	1%
South West	36%	97%	61%	3%
South East	23%	92%	69%	8%
Greater London	4%	69%	65%	31%
Northern Ireland	86%	100%	14%	0%
Scotland	77%	99%	22%	1%

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United Kingdom	56%	94%	38%	6%
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Source: Halifax

Table 6: 10 most affordable LADs for First-Time Buyers, 2012

LAD	Region	Price to Earnings ratio
South Ayrshire	Scotland	2.5
Pendle	North West	2.6
Stirling	Scotland	2.6
Renfrewshire	Scotland	2.7
Inverclyde	Scotland	2.7
County Durham	North East	2.8
Bolsover	East Midlands	2.8
North Lincolnshire	Yorkshire and The Humber	2.8
East Ayrshire	Scotland	2.9
Belfast	Northern Ireland	2.9

Source: Halifax

Table 7: 10 least affordable LADs for First-Time Buyers, 2012

LAD	Region	Price to Earnings ratio
Brent	London	8.8
Oxford	South East	7.6
Harrow	London	7.5
Hammersmith and Fulham	London	7.2
Hackney	London	6.7
Haringey	London	6.7
Camden	London	6.5
Ealing	London	6.5
Hillingdon	London	6.4
Hounslow	London	6.2

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