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Rural property values outperforming urban areas since the financial crisis

But affordability concerns grow

Rural house prices have slightly outperformed those in urban areas since 2007, according to latest research from the Halifax. In the past five years, the average price of a countryside home has fallen by 20% compared to 22% in urban areas. With an average price of £201,191, properties in rural areas are now worth 17% more than its urban equivalent (£171,709).

Despite higher average prices, property values in all rural areas, on average, have increased slightly more slowly than in urban areas over the past decade as whole; 36% against 40%.

Affordability concerns increase as 'Most expensive rural location' goes to Chiltern...

House price increases cause challenges for those looking to purchase rural property, especially first time buyers, as housing affordability concerns have grown in the last decade. Over the past year, the value of the average countryside home has gone up by 2%, but the urban equivalent increase is only 1%. At the extreme end of the scale, Chiltern in Buckinghamshire has seen house prices go up by £1,107 per month over the past ten years; that's an increase of over £13,000 every year, or equivalent to 37% of the national average full-time gross annual wage¹.

Rising property values have made rural housing less accessible, as in 2012 only one in 17 (five in total) rural Local Authority Districts were deemed affordable. Areas are classified as unaffordable if the house price to earnings ratio is above the historical average of 4.0. The least affordable area is Tandridge in Surrey, where the price of a house is 8.4 times greater than the local average annual income – Cotswold (8.1) came in a close second. Hambleton in North Yorkshire (7.4) is the only area outside the south amongst the ten least affordable (see table 3).

At £427,647, the highest average property price in rural Britain is found in Chiltern; over four times higher than the lowest - East Ayrshire with an average price of £100,119. (see table 3).

It's not easy to get your first country pile...

First time buyers account for just over a third (35%) of all mortgage financed purchases in rural areas – far fewer than in urban areas where they account for nearly half.

Due to the high level of property prices, getting on the rural property ladder is at its most challenging for first time buyers in southern England. While first time buyers only account for only about a quarter of all purchases in Wealden in East Sussex, East Devon and East Hertfordshire, they account for over half in East Ayrshire, St Edmundsbury in Suffolk, Pendle and Copeland.

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Provision of social housing low in rural Wales, but high in the rural north...

Social housing provision is typically lower in rural areas of England and Wales, with 12% of the housing stock accounted for by social housing compared with 19% in urban areas.

There are six areas – five of which are in Wales – where social housing accounts for 5% or less of total housing stock (see table 5), and with nearly a quarter of total properties represented (23%), East Ayrshire has the highest level of social housing in rural Britain (see table 6).

Martin Ellis, housing economist at Halifax, commented:

"Country living is an aspiration for many Britons: the fresh air; the scenery; the slower pace; it all adds to the attraction – but this has its drawbacks. For many of those tempted, the high prices put rural homes out of their reach. First time buyers in particular are affected by high rural property prices, and consequently they account for a far smaller proportion of homebuyers than they do in urban areas."

"The traditional British country pile has become less affordable, and it is proving more and more difficult to find fruitful results when foraging for houses in the country."

Editors' Notes:

¹ From ONS and Halifax estimates for August 2012 for full-time employees.

All price figures refer to the arithmetic average of house prices and have not been standardised. These prices are not standardised and therefore can be affected by changes in the sample from year to year. The data covers the period 2002 to 2012 and has been extracted from the Halifax House Price database. The figures cover the 12 months to August 2012.

This analysis was undertaken using the Office for National Statistics (ONS) Urban Rural classification. This classification defines an area as a Rural Area if it lies in a town or village of less than 10,000, or as an urban area if it lies in a town or city of 10,000 or more. A rural local authority is one where the majority of people live in rural areas.

Data on average earnings is based on ONS figures for April 2011, which have been inflated by national average earnings growth to calculate 2012 estimates at local authority level.

The affordability ratio is calculated as average house price divided by the average annual earnings of full time employees.

¹Affordability calculation

To determine which rural LADs are affordable we have analysed the house price: earnings ratio in each area against the UK average first time buyer (FTB) annual house price: earnings ratio (4.0, which is the long term average). Where price to earnings ratio is below 4.0 the LAD is classified as affordable; above 4.0 is unaffordable. This measure takes into consideration single income only, and hence the ratio is conservative.

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The house price: earnings ratio is calculated by dividing the average house price by annual average earnings for all employees. The earnings data has been sourced from the ONS Annual Survey of Hours and Earnings (ASHE).

The multiple of 4.0 is in line with the average house price to income ratio associated with all first time buyers over the last 20 years (1989-2012). (Source: Halifax). This is approximately equivalent to an average loan to income multiple of 3.25 plus a 19% deposit, or a 3.5 times multiple and a 12.5% deposit. This calculation is based on a single income and therefore conservative.

Data on social housing for England and Wales is from the 2011 Housing Strategy Statistical Appendix published by the DCLG. For Wales the data is for 2010/11. Scottish data is from the Housing Statistics for Scotland published by the Scottish Government.

Table 1: Largest increases in rural house prices, 2002-2012

Local Authority	Region	House Prices 2002 (£)*	House Prices 2012 (£)*	% change
Aberdeenshire	Scotland	90,004	197,245	119%
Moray	Scotland	66,747	139,899	110%
Dumfries & Galloway	Scotland	66,990	138,162	106%
Ceredigion	Wales	89,759	184,165	105%
Isle of Anglesey	Wales	76,843	146,903	91%
Perth & Kinross	Scotland	88,418	168,969	91%
Carmarthenshire	Wales	67,657	128,675	90%
East Ayrshire	Scotland	52,943	100,119	89%
Pendle	North West	55,052	102,178	86%
Gwynedd	Wales	71,039	131,536	85%

Source: Halifax. *12 months to August

Table 2: Changes in rural house prices by region, 2001-2012

Region	House Prices 2002 (£)*	House Prices 2012 (£)*	10 Year % change
North East	82,109	135,340	65%
Yorkshire and The Humber	110,366	174,959	59%
East Midlands	125,275	176,304	41%
South West	173,260	240,757	39%
North West	134,920	184,098	36%
West Midlands	167,994	218,772	30%
East of England	179,106	232,935	30%
South East	239,487	303,022	27%
Scotland	84,976	157,535	85%
Rural Great Britain	147,992	201,191	36%
Urban Great Britain	122,557	171,709	40%

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Source: Halifax. *12 months to August

Table 3: Ten Least Affordable Rural Local Authority Districts, 2012

Local Authority	Region	House Prices 2012 (£)*	Average earnings 2012*	Price to Earnings ratio
Tandridge	South East	347,930	£41,648	8.4
Cotswold	South West	283,701	£34,811	8.1
Chiltern	South East	427,647	£54,228	7.9
Torridge	South West	206,598	£26,753	7.7
South Hams	South West	252,819	£33,577	7.5
Hambleton	Yorkshire & Humber	228,246	£30,903	7.4
Teignbridge	South West	209,898	£28,535	7.4
East Devon	South West	230,335	£31,503	7.3
North Devon	South West	190,834	£26,406	7.2
North Dorset	South West	201,850	£28,575	7.1
Rural Great Britain		201,191	35,772	5.6

Source: Halifax. *12 months to August; ONS

Table 4: Ten Most Affordable Rural Local Authority Districts, 2012

Local Authority	Region	House Prices 2012 (£)*	Average earnings 2012*	Price to Earnings ratio
East Ayrshire	Scotland	100,119	£30,662	3.3
Pendle	North West	102,178	£29,920	3.4
Bassetlaw	East Midlands	113,948	£31,935	3.6
North Lincolnshire	Yorkshire & Humber	119,608	£32,568	3.7
Copeland	North West	111,781	£30,190	3.7
Northumberland	North East	135,794	£33,988	4.0
South Kesteven	East Midlands	145,205	£35,361	4.1
East Staffordshire	West Midlands	135,325	£32,382	4.2
West Lindsey	East Midlands	133,522	£30,934	4.3
East Cambridgeshire	East of England	187,109	£43,337	4.3
Rural Great Britain		201,191	£35,772	5.6

Source: Halifax. *months to August; ONS

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Table 5: Ten Rural Local Authority Districts with the Least Social Housing, England 2011/12

Local Authority District	Region	Social Housing as % of All Housing Stock, 2011/12
Isle of Anglesey	Wales	2%
Carmarthenshire	Wales	4%
Pembrokeshire	Wales	4%
Powys	Wales	4%
Ribble Valley	North West	5%
Denbighshire	Wales	5%
Wealden	South East	7%
Orkney	Scotland	7%
Rushcliffe	East Midlands	7%
Torridge	South West	8%

Sources: DCLG/ Halifax estimates

Table 6: Ten Rural Local Authority Districts with the Most Social Housing, England 2011/12

Local Authority District	Region	Social Housing as % of All Housing Stock, 2011/12
East Ayrshire	Scotland	23%
Allerdale	North West	20%
Copeland	North West	20%
Richmondshire	Yorkshire & Humber	19%
St Edmundsbury	East of England	19%
Forest Heath	East of England	18%
Northumberland	North East	18%
East Lothian	Scotland	18%
Hambleton	Yorkshire & Humber	17%
Newark and Sherwood	East Midlands	17%
Rural England		12%

Sources: DCLG/ Halifax estimates

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