17/03/2018

NOT FOR BROADCAST OR PUBLICATION BEFORE 00.01 HRS ON SATURDAY 17 MARCH 2018

The **Halifax Affordability Review** tracks mortgage affordability for **all homebuyers** in 385 local authority districts (including 31 London boroughs) across the UK**. The affordability calculation used in this analysis measures the degree of difficulty faced by a *potential* new borrower in entering the local housing market dependent on current average house prices, mortgage rates and average earnings** (see Editors' Notes for details)**.**

Most affordable mortgages in a decade

- **Homeowners spend less than a third (ave. 29%) of disposable income on mortgage payments**
- **Lowest affordability in 10 years since market peak of 48% in 2007**
- **Copeland in the North West the most affordable local authority, Brent in north London least affordable**

Mortgages in the UK have reached their most affordable level in a decade, new research from Halifax has revealed.

Typical mortgage payments accounted for less than a third (29%) of homeowners' disposable income in the fourth quarter of 2017 compared to almost half (48%) in 2007 (Quarter 3). This means mortgage affordability levels for first-time buyers and homemovers have dropped by 40% since the 2007 peak**.** *(Table 1)*

The significant improvement in affordability since 2007 has been driven predominantly by historically low mortgage rates, despite the first base rate rise in a decade last November.

With average house prices rising by 3% in the past year, mortgage affordability marginally improved in the last quarter of 2017, edging down from 29.6% in 2016. This is comfortably below the long-term average of 35%,[2,] remaining low due to a further dip in mortgage rates during 2017 from an average of 2.09%[1] in Q1 to 1.98%[1] in Q4.

Andy Bickers, Mortgage Director at Halifax, said: "This is a real boost for both those who already have a mortgage and those preparing to take their first step on to the property ladder. Improved mortgage affordability has been a key factor supporting housing demand and helping to stimulate the modest recovery that we are currently seeing.

"In recent months we have seen the number of first-time buyers and homemovers purchasing a home with a mortgage bounce back towards 2007 levels, and mortgage payments becoming a much smaller proportion of disposable income across most of the country will also support a heathy market with more choice and opportunity for buyers/borrowers."

HALIFAX PRESS TEAM:
Kimberley Hamilton: 07557 257 298 **kimberley.hamilton@lloydsbanking.com**
Angus Cheyne: 0131 655 7019 / 07970 566 594 **angus.cheyne@lloydsbanking.com**

Mortgage affordability improves in vast majority of areas since Q4 2007

There have been significant improvements in affordability in almost all local authority districts (LADs) since 2007, with mortgage payments falling by at least 30% as a proportion of average earnings in 35 areas. Three-quarters (74%) of all districts have seen an improvement of at least 15 percentage points over the period.

The greatest improvements were mostly in **Northern Ireland**, where affordability has improved due to a significant fall in house prices, which are now 44% lower than in 2007. In North Down and Ards, mortgage payment as a proportion of disposable earnings has fallen by more than half (from 81% to 19% in Q4 2017), followed by Lisburn and Castlereagh (74% to 18%) and Mid-Ulster (72% to 19%).

In **England**, the most significant improvement has been in South Bucks, where the proportion of average disposable earnings devoted to mortgage payments has fallen sharply from 93% to 53%, a reduction of 40 percentage points in the past decade.

North / South mortgage divide

While mortgage payments are at their **lowest** as a proportion of disposable earnings in **Northern Ireland** (19%), **Scotland** and the **North** (both 20%), Yorkshire and the Humber and the North West (both 23%), these are highest in **Greater London** (45%), the **South East** (40%) and **South West** (34%).

The 10 most affordable local areas are all in northern Britain, whilst the 10 least affordable areas are all in the South.

Scotland and the **North West** have an equal share of the 10 **most affordable** local authority districts in the UK. Copeland in Cumbria is the most affordable, where typical mortgage payments account for 15% of average local earnings, followed by Inverclyde, North Ayrshire and West Dunbartonshire in Scotland all 16%. *(Table 2)*

Unsurprisingly, the 10 **least affordable** areas are predominantly in **London** and the **South East.** Brent and Haringey are the least affordable places in the country with average mortgage payments on a new mortgage loan, accounting for 61% of average local disposable earnings, followed by Harrow (58%) and Elmbridge (56%). *(Table 3)*

Affordability has worsened over last five years as average house prices rise

Whilst the comparison of mortgage affordability over the last 10 years shows a vast improvement, when looking only over a five-year period, affordability – on this measure – has actually deteriorated. Whilst the average mortgage rate has fallen from 3.7% in 2012 to 1.98% at the end of 2017, average house prices have grown by 40% in the same period.

HALIFAX PRESS TEAM:
Kimberley Hamilton: 07557 257 298 **kimberley.hamilton@lloydsbanking.com**
Angus Cheyne: 0131 655 7019 / 07970 566 594 **angus.cheyne@lloydsbanking.com**

As a result, 89 LADs have seen mortgage affordability as proportion of disposable earnings rise by at least 5%. In Elmbridge in the South East, this measure has deteriorated from 34% to 56% with an average of 22% more disposable earnings devoted to mortgage payments.

The Surrey district is followed by Merton (33% to 52%) and Hillingdon (38% to 56%). However, there are areas where mortgage affordability has improved since 2012; in Torridge in North Devon, this ratio has fallen from 45% to 35% and similarly in Ceredigion (40% to 31%).

Table 1: Regional affordability, 2007 Q4 -2017 Q4

Region	Mortgage payments as % of disposable e			
	2007 Q4	2016 Q4	2017 Q4	Long-term average (1983-2017)
North	43.8	22.3	20.6	28.9
Yorkshire and the Humber	39.6	22.8	23.0	28.1
North West	40.7	23.9	23.1	29.2
East Midlands	44.3	26.0	26.9	32.6
West Midlands	49.4	28.6	29.0	35.7
East Anglia	43.1	28.0	28.4	34.9
South West	55.2	34.2	33.8	41.4
South East	54.6	41.1	40.2	46.6
London	52.4	47.9	44.8	43.6
Wales	46.7	22.3	24.8	31.5
Scotland	38.0	19.7	20.1	28.2
Northern Ireland	63.1	20.4	18.8	28.4
UK	**47.3**	**29.6**	**29.0**	**35.2**

Sources: Halifax, ONS, Bank of England

Table 2: 10 Most affordable local areas, 2017 Quarter 4

Local Authority District	Region	Mortgage Payments as % of Disposable Earnings Q4 2007	Mortgage Payments as % of Disposable Earnings Q4 2016	Mortgage Payments as % of Disposable Earnings Q4 2017
Copeland	North West	30.7	15.5	14.9
Inverclyde	Scotland	38.7	16.7	15.7
North Ayrshire	Scotland	31.7	16.5	15.9
West Dunbartonshire	Scotland	31.2	15.4	16.2
Renfrewshire	Scotland	32.6	16.4	16.4
East Ayrshire	Scotland	32.0	16.1	16.6
Pendle	North West	34.2	17.2	16.6
Burnley	North West	36.6	18.7	16.7
Hyndburn	North West	37.4	18.3	16.7
Barrow-in-Furness	North West	33.6	17.9	16.9

Sources: Halifax, ONS, Bank of England

Table 3: 10 Least affordable local areas, 2017 Quarter 4

Local Authority District	Region	Mortgage Payments as % of Disposable Earnings Q4 2007	Mortgage Payments as % of Disposable Earnings Q4 2016	Mortgage Payments as % of Disposable Earnings Q4 2017
Brent	London	76.0	66.7	61.1
Haringey	London	75.9	66.6	60.5
Harrow	London	60.9	62.6	57.7
Elmbridge	South East	58.1	53.3	56.3
Hillingdon	London	56.9	54.2	56.2
Ealing	London	63.5	61.7	55.7
Islington	London	63.5	54.0	55.1
Barnet	London	66.6	55.9	55.0
Hackney	London	72.8	57.2	54.9
Chichester	South East	87.9	52.5	54.0

Sources: Halifax, ONS, Bank of England

HALIFAX PRESS TEAM:
Kimberley Hamilton: 07557 257 298 **kimberley.hamilton@lloydsbanking.com**
Angus Cheyne: 0131 655 7019 / 07970 566 594 **angus.cheyne@lloydsbanking.com**

EDITORS' NOTES:

In Quarter 4 2017, the average monthly take-home wage in the UK was £2,309 and the average monthly mortgage payment was £669.

The Mortgage Affordability Calculation:
The mortgage affordability calculation used in this analysis measures the degree of difficulty faced by a ***potential new borrower*** in entering the local housing market dependent on current local average house prices, mortgage rates and local average earnings.

[1] Average mortgage payments for a new borrower - including both first time buyers and homemovers - are calculated based on average house prices and mortgage rates applicable to the period of calculation.

The national average loan to value over the period from 1983 to 2017 of 70% has been applied to the average house price to calculate the average new mortgage in all cases. The mortgage payments include both capital and interest payments. Average mortgage rate for a new borrower has been sourced from the Bank of England (code CFMBJ95).
[2] Since 1983
[3] Based on average loan taken out by a new first-time buyer/homemover

Mortgage payments are then calculated as a percentage of average disposable earnings (i.e. after deduction of income tax and employee's national insurance contributions).

The higher mortgage payments are for a potential new borrower in relation to average disposable earnings, the more difficult (and therefore less affordable) it is to enter the market in the relevant geographic area (UK, region or local authority district).

Data Sources:
This research is based on data from Halifax's own extensive housing statistics database, ONS data on average earnings and Bank of England statistics on average mortgage rates.

House Prices
At UK and regional levels, the prices used in this research are the standardised average prices, according to the Halifax House Price Index (seasonally adjusted).

At local authority district level, the prices used 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 each quarter refer to the average for the past 12 months to ensure statistical reliability. The crude averages have been adjusted to allow for the differences between the crude average and standardised average at regional level.

Mortgage Loan
The national average loan to value (LTV) over the period 1983-2017 has been used throughout (i.e. applied to all regions and local authorities). The long-term average LTV of 70% is based on Halifax lending over this period.

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 (UK £35,423 in April 2017 - table 8.7a). Northern Ireland Average Earning figures are from DETINI – The Northern Ireland Annual Survey of Hours and Earnings (ASHE). Average earnings figures as at April 2017 have been inflated by the change in the AWE index to calculate figures for 2017 Quarter 4.

At local authority district level, figures for the relevant local authority district (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.
Quarterly series have been produced by creating a smooth path between available annual figures based on the figures published by ONS for April of each year. Estimates for the quarters have been calculated based on the average weekly earnings (code KA17) published by the ONS.

Mortgage Rates
The average mortgage rate for new business undertaken by UK banks produced by the Bank of England has been used as the average rate for a new borrower [CFMBJ95].

HALIFAX PRESS TEAM:
Kimberley Hamilton: 07557 257 298 **kimberley.hamilton@lloydsbanking.com**
Angus Cheyne: 0131 655 7019 / 07970 566 594 **angus.cheyne@lloydsbanking.com**