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The Halifax Affordability Review tracks mortgage affordability for all homebuyers in local authority districts 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).

London mortgages least affordable in decade but national affordability remains steady

- **London homeowners spend almost half of their disposable income (46.8%) on their mortgage**
- **Top 10 least affordable mortgages in the UK found in London and the South East**
- **Copeland in the North West is the most affordable local authority**

London mortgages have become increasingly less affordable over the past decade, but remain below the 2007 peak when mortgage payments were more than half (52.4%) of earnings.

New research from Halifax has revealed that mortgage affordability across the UK has remained at or just below the 30% of average disposable earnings since 2009.

Over the past decade, **London** average mortgage payments, as a proportion of disposable earnings have risen by 18% (from 40% in 2008 to 47% today), driven by house price increases.

Meanwhile, the cost of maintaining a mortgage in **Northern Ireland** now only takes up half of the average earnings (19% vs 39% in 2008) for the region than 10 years ago (51% of 2008 levels), with **Scotland** (18% vs 30% in 2008) not far behind.

Typical mortgage payments accounted for over a quarter (28.8%) of homeowners' disposable income in 2018. This means mortgage affordability levels for home movers have improved significantly by 39% since 2008 (35%).

Andy Bickers, Mortgage Director at Halifax, said: "Despite rising house prices and interest rates, the average UK earnings have also risen in line, meaning that national affordability has remained broadly flat. This is good news for first-time buyers, homeowners and a boost to the housing market."

East Anglia and **London** had the largest reductions in affordability while **Scotland** and the **South East** saw the biggest improvements in affordability, with mortgage payments dropping 9% as a proportion of average disposable earnings.

HALIFAX PRESS TEAM:

Kimberley Hamilton: 07557 257 298 kimberley.hamilton@lloydsbanking.com
Olwen Morris-Jones: 07741 291 601 olwen.morris-jones@lloydsbanking.com

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While mortgage payments remain low as a proportion of disposable earnings in **Northern Ireland** (19.3%), **Scotland** (18.2%) and the **North** (20.8%), Yorkshire & the Humber (22.6%) and the **North West** (at 22%), these are highest in **Greater London** (46.8%), the **South East** (38.8%) and **South West** (34.1%).

The 10 most affordable local areas are all in northern England and Scotland, whilst the 10 least affordable areas are all in London and the South East.

Scotland and the **North West** have a 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 13% of average local earnings, followed by West Dunbartonshire in **Scotland**, Barrow-in-Furness Burnley and Hyndburn in the **North West**. (Table 2)

The 10 least affordable areas are predominantly in **London** and the **South East**. Brent and Haringey are the least affordable places in the UK with average mortgage payments on a new mortgage loan, accounting for 61% of average local disposable earnings, followed by Hackney (61%) and South Bucks (60%). (Table 3)

Table 1: Regional Affordability, 2008 Q4 - 2018

Region	Mortgage Payments as % of Disposable Earnings Q4 2008	Mortgage Payments as % of Disposable Earnings Q4 2013	Mortgage Payments as % of Disposable Earnings Q4 2017	Mortgage Payments as % of Disposable Earnings Q4 2018	Long term average (1983-2017)
North	31.1	22.4	20.6	20.8	28.6
Yorkshire and the Humber	29.0	22.6	23.0	22.6	27.9
North West	30.0	23.1	23.1	22.0	29.0
East Midlands	31.9	24.9	26.9	26.3	32.4
West Midlands	37.0	26.9	29.0	28.3	35.5
East Anglia	34.1	24.8	28.4	29.4	34.8
South West	40.9	32.3	33.8	34.1	41.2
South East	40.1	33.6	40.2	38.8	46.4
London	39.5	38.5	44.8	46.8	43.6
Wales	33.4	27.2	24.8	24.8	31.3
Scotland	30.6	19.3	20.1	18.2	28.0
Northern Ireland	39.2	18.7	18.8	19.3	28.2
UK	35.1	27.3	29.0	28.8	35.0

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Table 2: Most Affordable Local Areas, 2018 Q4

Local Authority District	Region	Mortgage Payments as % of Disposable Earnings Q4 2008	Mortgage Payments as % of Disposable Earnings Q4 2013	Mortgage Payments as % of Disposable Earnings Q4 2017	Mortgage Payments as % of Disposable Earnings Q4 2018
Copeland (LA)	GOR North West	23.2	15.8	15.0	13.2
West Dunbartonshire (LA)	GOR Scotland	28.1	16.2	16.2	15.6
Barrow-in-Furness (LA)	GOR North West	27.6	18.9	16.9	15.7
Burnley (LA)	GOR North West	30.6	16.9	16.7	15.8
Hyndburn (LA)	GOR North West	28.8	17.9	16.3	15.9
North Ayrshire (LA)	GOR Scotland	28.5	16.8	16.0	16.2
Inverclyde (LA)	GOR Scotland	35.7	16.5	16.3	16.3
Pendle (LA)	GOR North West	29.4	18.4	17.1	16.3
East Ayrshire (LA)	GOR Scotland	29.0	15.0	16.6	16.7
North Lanarkshire (LA)	GOR Scotland	29.0	17.0	17.0	16.9

Table 3: Least Affordable Local Areas, 2018 Q4

Local Authority District	Region	Mortgage Payments as % of Disposable Earnings Q4 2008	Mortgage Payments as % of Disposable Earnings Q4 2013	Mortgage Payments as % of Disposable Earnings Q4 2017	Mortgage Payments as % of Disposable Earnings Q4 2018
Brent (LA)	GOR London	56.8	50.3	62.1	67.8
Haringey (LA)	GOR London	55.4	54.7	60.7	64.6
Hackney (LA)	GOR London	55.4	50.3	54.7	61.4
South Bucks (LA)	GOR South East	78.0	53.1	53.3	60.5
Oxford (LA)	GOR South East	63.5	52.0	54.2	60.0
Chichester (LA)	GOR South East	59.5	47.5	52.9	59.5
Barnet (LA)	GOR London	53.0	46.7	56.2	57.3
Hillingdon (LA)	GOR London	47.1	38.5	56.1	57.1
Harrow (LA)	GOR London	45.0	47.0	57.6	56.5
Windsor and Maidenhead (LA)	GOR South East	47.4	43.1	48.7	56.4

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EDITORS' NOTES:

In Quarter 4 2018, the average monthly take-home wage in the UK was £2,396 and the average monthly mortgage payment was £690.

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 2018 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 1983-2018 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) table 8.7a and refer to the means for full-time employees.

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].

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