

Press Release

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This **Halifax First-Time Buyer Review** tracks housing affordability in over 240 local authority districts (including 30 London boroughs) across the UK. A **local authority district (LAD) is classified as affordable if the average house price for a 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. 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. Halifax is the UK's biggest provider of FTB mortgages.

First-time buyer affordability at 8 year high

Average FTB deposit down 15%

Total number of first-time buyers lowest since 1974

75% of areas in North affordable compared to just 5% in South

Affordability for first-time buyers is at its most favourable level since 2003, according to the latest annual Halifax First-Time Buyer Review. The average house price paid by a first-time buyer in November 2011 was affordable for someone on average earnings – based on the ratio of the average house price to earnings being below the long-term average of 4.0 - in 44% of all local authority districts (LADs) in the UK; the highest proportion for eight years. This compares with 42% in 2010 and just 5% at the peak of the housing market in 2007.

But the North – South divide remains stark

Despite the overall improvement in affordability, there remains a strong north – south split. 95% of all the UK LADs that are affordable for first-time buyers (FTBs) are in the North¹ compared with just 5% in the South². 75% of areas in the North are affordable against only 5% in the South. All LADs in the North East are affordable for FTBs whereas in London there are no affordable areas for FTBs.

Nonetheless the number of FTBs continues to decline...

Notwithstanding better affordability, Halifax estimates that there were around 187,000 first-time buyers in 2011: the lowest annual total since records began (in 1974), 7% lower than in 2010 and less than half the recent peak of 402,800 in 2006.

...with the average deposit at £27,032

Much of the fall in the number of FTBs in recent years can be explained by the need to put down a bigger deposit. The average FTB deposit in the first eleven months of 2011 was £27,032. Whilst this was 15% (£4,873) lower than in 2010 (£31,905), it compares with £17,482 in 2007. As a proportion of the purchase price, the average deposit has increased from 10% in 2007 to 20% in 2011.

South Ayrshire is the most affordable area in the UK for a FTB

Seven of the ten 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 just over two and a half times (2.65) gross average annual earnings. The next most affordable areas are Northumberland (2.86) and Renfrewshire (2.88). Peterborough in the East of England is the most affordable LAD in southern England (3.98).

Brent and Oxford are the UK's least affordable LADs for FTBs

Nine of the 10 least affordable LADs are in the capital. The least affordable LAD surveyed for a FTB in the UK is Brent in London where the average FTB property price is over nine times (9.11) gross average earnings in the area. Oxford (7.75) is the second least affordable LAD. Herefordshire (5.03) is the least affordable LAD outside the south of England.

Over a third more FTBs will be required to pay stamp duty in 2012

95% of FTBs were exempt from paying stamp duty in 2011. Nearly four in ten FTBs did not pay any stamp duty as a consequence of the temporary increase in the starting threshold for FTBs from £125,000 to £250,000. On this basis, 38% more FTBs – and 43% in total - will be required to pay stamp duty once this concession for those trying to get onto the property ladder for the first time ends in March 2012.

Martin Ellis, housing economist at Halifax, commented:

“Housing affordability for those looking to get onto the property ladder for the first time has improved significantly over recent years, largely as a consequence of the decline in house prices since 2007. Nevertheless, conditions for potential first-time buyers remain tough. Difficulties raising the necessary deposit and concerns over the economic climate are preventing many from entering the market.”

ADDITIONAL KEY FINDINGS

Deposits

- FTBs in Greater London put down the largest average deposit which, at £60,192, is equivalent to a quarter (25%) of the average property value. FTBs in the North put down the smallest average deposit - £14,882 or 15% of the property value.

Prices

- Nationally, the average house price paid by a FTB in 2011 is £135,160; down 3% on 2010.
- The average price paid by a FTB is highest in Greater London (£240,768) and lowest in the North (£96,324).

Age

- The average age of a FTB is 29 years old; down slight from the average in 2010 (30). FTBs in the North, Yorkshire and Humber and Wales are, on average, the youngest at 28 year olds. The average age of a FTB is highest in London at 32.
- Whilst the average age of a FTB has been largely static in recent years, there has been a significant increase in the proportion receiving financial help. The CML estimate that 64% of FTBs required financial assistance in 2011 Quarter 3 compared with 31% in mid-2005. The typical age of those FTBs who did not receive assistance has increased from 30 to 33 since early 2008.

Mortgage Affordability

- The proportion of disposable earnings devoted to mortgage payments by a potential new first time buyer stood at 26% in 2011 Quarter 3; almost half of the peak level of 50% in September 2007 and comfortably below the long-term average of 34%.

¹Consists of the North East, North West, Yorkshire & the Humber, East Midlands, West Midlands, Scotland, Wales and Northern Ireland.

²Consists of Greater London, South East, South West and East of England.

EDITORS' NOTES:

THE AFFORDABILITY CALCULATION:

A local authority (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 (1991-2011). (Source: Halifax).

CML estimate of the % of FTBs that require financial assistance has been sourced from: <http://www.cml.org.uk/cml/publications/newsandviews/104/390#>

DATA SOURCES:

This research is based on data from the Halifax's own extensive 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.

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, 2007-2011*

	2007		2010		2011	
	Affordable	Unaffordable	Affordable	Unaffordable	Affordable	Unaffordable
	%		%		%	
North East	0%	100%	83%	17%	100%	0%
Wales	0%	100%	75%	25%	83%	17%
Yorkshire and The Humber	12%	88%	82%	18%	82%	18%
North West	4%	96%	85%	15%	81%	19%
East Midlands	11%	89%	84%	16%	79%	21%
Scotland	31%	69%	77%	23%	77%	23%
West Midlands	0%	100%	32%	68%	32%	68%
South West	0%	100%	8%	92%	8%	92%
East of England	0%	100%	10%	90%	7%	93%
South East	0%	100%	0%	100%	6%	94%
London	0%	100%	0%	100%	0%	100%
United Kingdom	5%	95%	42%	58%	44%	56%

Source: Halifax

Northern Ireland has been excluded from the regional analysis

*2007-2010 years refer to 12 months to December. 2011 refers to 12 months to November.

Table 2: 10 most affordable LADs for First Time Buyers, 2011

LAD	Region	PE ratio
South Ayrshire	Scotland	2.65
Northumberland	North East	2.86
Renfrewshire	Scotland	2.88
Pendle	North West	2.90
North Ayrshire	Scotland	2.94
County Durham	North East	2.95
Inverclyde	Scotland	2.96
Stirling	Scotland	2.98
Fife	Scotland	3.02
West Dunbartonshire	Scotland	3.05

Source: Halifax

Table 3: 10 least affordable LADs for First Time Buyers, 2011

LAD	Region	PE ratio
Brent	London	9.11
Oxford	South East	7.75
Harrow	London	7.23
Hammersmith and Fulham	London	7.13
Hackney	London	6.78
Ealing	London	6.78
Hillingdon	London	6.66
Haringey	London	6.55
Waltham Forest	London	6.46
Camden	London	6.36

Source: Halifax

Table 4: Number of First Time buyers – UK

	Number of First Time Buyers	Annual % change
2001	568,200	
2002	531,800	-6%
2003	369,600	-31%
2004	358,100	-3%
2005	363,800	2%
2006	402,800	11%
2007	359,900	-11%
2008	192,300	-47%
2009	196,600	2%
2010	200,100	2%

2011*	187,026	-7%
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Source: CML

*Halifax estimate

Table 5: First Time Buyer: Average Price, Loan and Deposit by Region, 2011 Jan-Nov

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
North	96,324	81,442	14,882	15%
Yorkshire and Humberside	104,072	86,831	17,241	17%
North West	105,987	87,395	18,592	18%
East Midlands	108,786	88,508	20,278	19%
West Midlands	116,583	93,595	22,988	20%
East Anglia	131,471	105,128	26,342	20%
Wales	103,998	85,717	18,281	18%
South West	143,182	112,737	30,445	21%
South East	173,355	137,517	35,838	21%
Greater London	240,768	180,576	60,192	25%
Northern Ireland	96,414	80,980	15,434	16%
Scotland	105,624	83,228	22,396	21%
UK	135,160	108,128	27,032	20%

Source: Halifax, CML

Table 6: Stamp Duty - First-Time Buyer Purchases by Stamp Duty Thresholds by Region, 2011 Jan-Nov

% of FTB Purchases by Stamp Duty Threshold - January to November 2011				
	<£125k	£125k-£250k	<£250k	>£250k
North	84%	16%	100%	0%
Yorkshire and The Humber	78%	21%	99%	1%
North West	77%	23%	99%	1%
East Midlands	76%	23%	99%	1%
West Midlands	69%	30%	99%	1%
East Anglia	52%	46%	98%	2%
Wales	79%	21%	100%	0%
South West	39%	58%	97%	3%
South East	20%	73%	93%	7%
Greater London	4%	69%	74%	26%
Northern Ireland	82%	18%	100%	0%
Scotland	76%	23%	99%	1%
United Kingdom	57%	38%	95%	5%

Source: Halifax

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For the latest housing research, previous releases, and for information on the Halifax House Price Index, please follow this link:

http://www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp

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