

17/08/2013

**Not for broadcast or publication before 00:01 Hrs Saturday 17th August 2013**

The **Halifax Affordability Review** tracks mortgage affordability for **all homebuyers** in nearly 400 local authority districts (including 32 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).

## **Mortgages at their most affordable for 14 years**

***Payments as a proportion of income 21 percentage points lower than in 2007***

**Mortgage affordability is at its most favourable since 1999 Quarter 2, with mortgage payments accounting for 27% of a new borrower's income in 2013 Quarter 2, according to new Halifax research.** This is comfortably below the average of 36% recorded over the past 30 years.

**Mortgage affordability has improved by 21 percentage points since reaching a peak of 48% of income in 2007 Quarter 3.** Lower house prices and reduced mortgage rates have been the main drivers behind the significant improvement in affordability. There has been a further modest improvement over the past year with typical mortgage payments for a new borrower – both first-time buyers and homemovers – at the long-term average loan to value ratio<sup>1</sup> falling from 28% of disposable earnings in 2012 Quarter 2 to 27% in 2013 Quarter 2.

**There have been significant improvements in affordability in all local authority districts since 2007.** Mortgage payments have fallen by at least a half as a proportion of average earnings in 24 areas. More than four in five areas (82%) have seen an improvement of at least a quarter.

**Nonetheless, there remains a clear north / south divide.** Mortgage payments are at their lowest as a proportion of disposable earnings in Northern Ireland (17%), Scotland (19%), Yorkshire and the Humber (22%) and the North West (23%). Payments are highest in relation to earnings in Greater London (36%), the South East (34%) and the South West (32%). The 10 most affordable local areas are all in northern Britain, while the 10 least affordable areas are all in the south. (*Tables 1 and 2*)

**Craig McKinlay, Mortgage Director, Halifax said:**

"Substantial mortgage rate reductions and lower house prices have led to a significant improvement in mortgage affordability since the peak of the housing market six years' ago. The Funding for Lending Scheme has helped lenders to cut mortgage rates causing a further modest improvement in affordability over the past year despite the modest rise in house prices nationally.

**For further information please contact:**

**Halifax Press Team:**

Emma Varty: 01902 325180 / 07824471951 [emmapartridge1@halifax.co.uk](mailto:emmapartridge1@halifax.co.uk)

Lauren Jones: 01422 394360 / 07825 584900 [lauren.jones@halifax.co.uk](mailto:lauren.jones@halifax.co.uk)

Shella Ali: 0207 356 2014 / 07795 611154 [shella.ali@lloydsbanking.com](mailto:shella.ali@lloydsbanking.com)

17/08/2013

"The favourable mortgage affordability position is a boost for both those who already have a mortgage and those who are able to raise the required deposit to buy a home. Improved mortgage affordability has been a key factor supporting housing demand and is helping to stimulate the modest recovery that we are currently seeing.

"Significant numbers of would-be home-buyers and movers remain unable to enter the market due to higher deposit requirements than a few years' ago and low, or negative, levels of housing equity. However, the recent figures showing 10,000 aspiring home-owners have already signed up to the Help to Buy scheme shows the potential of the Government backed schemes to continue to improve access to the market."

## Other Key Facts

- **Current mortgage payments as a proportion of earnings are lower than the long-term average in all regions.** Average mortgage payments as a proportion of average disposable earnings for a new borrower have fallen by almost 75% in Northern Ireland, have nearly halved in the North, and have dropped by nearly a third in London (*Table 3*).
- **Seven of the ten most affordable local authority districts are in Scotland.** East Ayrshire in Scotland and Omagh in Northern Ireland are the most affordable local authority districts in the UK with typical mortgage payments accounting for 14.7% of average local earnings in both areas (*Table 1*).
- **The ten least affordable areas are all in southern England.** Camden is the least affordable local authority district in the country with average mortgage payments on a new loan accounting for 53% of average local earnings. Oxford (49%) and Hammersmith & Fulham (48%) are the next least affordable areas (*Table 2*).

For further information please contact:

### Halifax Press Team:

Emma Varty: 01902 325180 / 07824471951 [emmapartridge1@halifax.co.uk](mailto:emmapartridge1@halifax.co.uk)

Lauren Jones: 01422 394360 / 07825 584900 [lauren.jones@halifax.co.uk](mailto:lauren.jones@halifax.co.uk)

Shella Ali: 0207 356 2014 / 07795 611154 [shella.ali@lloydsbanking.com](mailto:shella.ali@lloydsbanking.com)

17/08/2013

**Table 1: 10 Most Affordable Local Areas, 2013 Quarter 2**

Local Authority District	Region	Mortgage Payments as % of Disposable Earnings
East Ayrshire	Scotland	14.7
Omagh	Northern Ireland	14.7
West Dunbartonshire	Scotland	15.0
Renfrewshire	Scotland	15.1
Limavady	Northern Ireland	15.2
Copeland	North West	15.4
North Lanarkshire	Scotland	15.5
Glasgow City	Scotland	15.5
North Ayrshire	Scotland	15.7
Falkirk	Scotland	15.8

**Table 2: 10 Least Affordable Local Areas, 2013 Quarter 2**

Local Authority District	Region	Mortgage Payments as % of Disposable Earnings
Camden	London	53.0
Oxford	South East	48.9
Hammersmith and Fulham	London	47.6
Chichester	South East	46.9
Brent	London	45.3
Guildford	South East	45.1
Haringey	London	43.2
Islington	London	43.2
Harrow	London	42.6
Torridge	South West	42.4

For further information please contact:

**Halifax Press Team:**

Emma Varty: 01902 325180 / 07824471951 [emmapartridge1@halifax.co.uk](mailto:emmapartridge1@halifax.co.uk)

Lauren Jones: 01422 394360 / 07825 584900 [lauren.jones@halifax.co.uk](mailto:lauren.jones@halifax.co.uk)

Shella Ali: 0207 356 2014 / 07795 611154 [shella.ali@lloydsbanking.com](mailto:shella.ali@lloydsbanking.com)

17/08/2013

**Table 3: Regional Affordability, 2007 Q2-2013 Q2**

Region	Mortgage Payments as % of Disposable Earnings		
	2007 Q2	2013 Q2	Long-term average (1983-2013)
North	44	23	30
Yorkshire & Humber	39	22	29
North West	39	23	30
East Midlands	42	25	34
West Midlands	47	27	37
East Anglia	42	26	36
South West	54	32	43
South East	54	34	48
London	53	36	43
Wales	45	27	32
Scotland	36	19	29
Northern Ireland	64	17	30
<b>United Kingdom</b>	<b>46</b>	<b>27</b>	<b>36</b>

Sources for Tables 1, 2 & 3: Halifax, ONS, Bank of England

## **EDITORS' NOTES:**

In Quarter 2 2013, the average monthly take-home wage in the UK was £2,081 and the average monthly mortgage payment was £572.

### **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.

<sup>1</sup> 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 2012 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.

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).

**For further information please contact:**

### **Halifax Press Team:**

Emma Varty: 01902 325180 / 07824471951 [emmapartridge1@halifax.co.uk](mailto:emmapartridge1@halifax.co.uk)

Lauren Jones: 01422 394360 / 07825 584900 [lauren.jones@halifax.co.uk](mailto:lauren.jones@halifax.co.uk)

Shella Ali: 0207 356 2014 / 07795 611154 [shella.ali@lloydsbanking.com](mailto:shella.ali@lloydsbanking.com)

17/08/2013

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 1983-2012 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 £32,708 in April 2012 - 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 2012 have been inflated by the change in the AWE index to calculate figures for 2013 Quarter 2.

**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. [Bankstats Table G1.4 code BJ95]

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance. "

**For further information please contact:**

#### **Halifax Press Team:**

Emma Varty: 01902 325180 / 07824471951 [emmapartridge1@halifax.co.uk](mailto:emmapartridge1@halifax.co.uk)

Lauren Jones: 01422 394360 / 07825 584900 [lauren.jones@halifax.co.uk](mailto:lauren.jones@halifax.co.uk)

Shella Ali: 0207 356 2014 / 07795 611154 [shella.ali@lloydsbanking.com](mailto:shella.ali@lloydsbanking.com)