

19/01/2013

Not for broadcast or publication before 00:01 Hrs Saturday 19th January 2013

The **Halifax Affordability Review** tracks mortgage affordability for **all homebuyers** in 394 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). The higher mortgage payments are for a potential new borrower in relation to average disposable earnings (i.e. after deduction of income tax and national insurance), the more difficult - and less affordable - it is to enter the market.

Mortgages at their most affordable for a decade

Payments as a proportion of income 8% lower than 30 year average

Mortgage payments as a proportion of income have fallen by more than two-fifths in the UK in recent years, from a peak of 48% in Q3 2007 to 28% in Q4 2012, according to new Halifax research. Lower house prices and reduced mortgage rates have been the main drivers behind the significant improvement in affordability. The average monthly take-home wage in the UK is £2,062 and the average monthly mortgage payment is £580.

Mortgage payments for a new borrower have remained at their lowest level in relation to earnings for a decade. Typical mortgage payments for a new borrower – both first-time buyers and homemovers – at the long-term average loan to value ratio¹ have been stable at 28% of disposable earnings since mid 2011. This is the lowest level since early 2002 and is comfortably below the average of 36% recorded since 1983.

Martin Ellis, housing economist at Halifax, commented:

"Mortgage affordability has improved significantly over the past few years as a result of falls in house prices and cuts in mortgage rates. This development has been a key factor supporting housing demand and is expected to remain so in 2013 as interest rates remain low.

"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. Higher deposit requirements and low, or negative levels, of housing equity for many homeowners, however, mean that significant numbers of would-be home buyers and movers remain unable to enter the market."

There have been significant improvements in affordability in all local authority districts since 2007. Mortgage payments have fallen by at least a quarter as a proportion of average earnings in 95% of local areas. Twenty-five areas have recorded an improvement of 50% or more.

For further information please contact:

Halifax Press Team:

Emma Varty: 01902 325180 / 07824471951 emmapartridge1@halifax.co.uk

Lauren Jones: 01422 394360 / 07825 584900 lauren.jones@halifax.co.uk

Shella Ali: 0207 356 2014 / 07795 611154 shella.ali@lloydsbanking.com

Andrew Swailes 02073561714/ 07880 137791 andrew.swailes@lloydsbanking.com

Ben Marquand: 01422 332833 / 0788 1311199 ben.marquand@halifax.co.uk

19/01/2013

There is a clear north / south divide despite improvements in all regions over the past five years. Mortgage payments are at their lowest as a proportion of disposable earnings in Northern Ireland (20%), Scotland (22%), Yorkshire and the Humber (23%) and in the North West (23%). Payments are highest in relation to earnings in Greater London (36%), the South West (35%) and the South East (34%). Additionally, the 10 most affordable local areas are all in northern Britain, whilst the 10 least affordable areas are all in the south. *(Tables 1 and 2)*

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 70% in Northern Ireland, have nearly halved in both Yorkshire & the Humber and the North, and have dropped by over a third in London. *(Table 3)*

Seven of the ten most affordable local authority districts are in Scotland. Copeland in the North West is the most affordable local authority district in the UK with typical mortgage payments accounting for 14.9% of average local earnings. Copeland is followed by West Dunbartonshire in Scotland (17.6) and Hyndburn, Renfrewshire and North Ayrshire (all 17.9%). *(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 57% of average local earnings. Cambridge (51%) and Hammersmith & Fulham (50%) are the next least affordable. *(Table 2)*

For further information please contact:

Halifax Press Team:

Emma Varty: 01902 325180 / 07824471951 emmapartridge1@halifax.co.uk

Lauren Jones: 01422 394360 / 07825 584900 lauren.jones@halifax.co.uk

Shella Ali: 0207 356 2014 / 07795 611154 shella.ali@lloydsbanking.com

Andrew Swailes 02073561714/ 07880 137791 andrew.swailes@lloydsbanking.com

Ben Marquand: 01422 332833 / 0788 1311199 ben.marquand@halifax.co.uk

19/01/2013

Table 1: 10 Most Affordable Local Areas, 2012 Quarter 4

Local Authority District	Region	Mortgage Payments as % of Disposable Earnings
Copeland	North West	14.9
West Dunbartonshire	Scotland	17.6
Hyndburn	North West	17.9
Renfrewshire	Scotland	17.9
North Ayrshire	Scotland	17.9
Kingston upon Hull, City of	Yorkshire and The Humber	18.0
South Ayrshire	Scotland	18.0
North Lanarkshire	Scotland	18.2
Glasgow City	Scotland	18.3
South Lanarkshire	Scotland	18.3

Table 2: 10 Least Affordable Local Areas, 2012 Quarter 4

Local Authority District	Region	Mortgage Payments as % of Disposable Earnings
Camden	London	56.5
Cambridge	East	50.5
Hammersmith and Fulham	London	50.3
Mole Valley	South East	50.1
Brent	London	49.7
Oxford	South East	49.4
Richmond upon Thames	London	47.6
Harrow	London	47.3
Chiltern	South East	46.7
Haringey	London	46.3

For further information please contact:

Halifax Press Team:

Emma Varty: 01902 325180 / 07824471951 emmapartridge1@halifax.co.uk

Lauren Jones: 01422 394360 / 07825 584900 lauren.jones@halifax.co.uk

Shella Ali: 0207 356 2014 / 07795 611154 shella.ali@lloydsbanking.com

Andrew Swailes 02073561714/ 07880 137791 andrew.swailes@lloydsbanking.com

Ben Marquand: 01422 332833 / 0788 1311199 ben.marquand@halifax.co.uk

19/01/2013

Table 3: Regional Affordability, 2007 Q3-2012 Q4

Region	Mortgage Payments as % of Disposable Earnings		
	2007 Q3	2012 Q4	Long-term average (1983-2012)
North	44	24	30
Yorkshire & the Humber	40	23	29
North West	40	23	30
East Midlands	44	26	34
West Midlands	48	29	37
East Anglia	44	27	36
South West	55	35	43
South East	56	34	48
London	56	36	43
Wales	47	27	32
Scotland	37	22	30
Northern Ireland	63	20	30
United Kingdom	48	28	36

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

EDITORS' NOTES:

THE AFFORDABILITY CALCULATION:

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 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 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

Lauren Jones: 01422 394360 / 07825 584900 lauren.jones@halifax.co.uk

Shella Ali: 0207 356 2014 / 07795 611154 shella.ali@lloydsbanking.com

Andrew Swailes 02073561714/ 07880 137791 andrew.swailes@lloydsbanking.com

Ben Marquand: 01422 332833 / 0788 1311199 ben.marquand@halifax.co.uk

19/01/2013

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 1983-2011 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 - 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 2012 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. [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

Lauren Jones: 01422 394360 / 07825 584900 lauren.jones@halifax.co.uk

Shella Ali: 0207 356 2014 / 07795 611154 shella.ali@lloydsbanking.com

Andrew Swailes 02073561714/ 07880 137791 andrew.swailes@lloydsbanking.com

Ben Marquand: 01422 332833 / 0788 1311199 ben.marquand@halifax.co.uk