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One in four homes earn more than their owners

- Increase in the number of homes outpacing their owners' earnings
- Homes in Three Rivers, Hertfordshire, earn almost £100k more over two years

Average house prices have increased by more than the average employees net earnings¹ in more than a quarter of local authority districts across the UK – 108 out of 380 (28%) – over the past two years, according to the latest Halifax research.

The number of areas where house prices are outpacing earnings over the last two years has increased significantly over the past year: from 73 out of 384 (19%) a year ago to 108 out of 380 (28%).

The vast majority of these areas are in London, the south east, and east of England with these three regions representing 97 of the 108 (90%).

The biggest gap between rising property values and earnings was in Three Rivers in Hertfordshire, where house prices increased by an average of £147,990 over the last two years, exceeding average take-home earnings in the area by £97,992. Seven London boroughs appear in the top 10 districts [Table 1].

Table 1: House Prices v Earnings - Top 10 over Last 2 Years

Local Authority	Region	2 Year Change In House Prices £	Net Median Earnings 2 Year (2014-2015)	2 Year £ Difference in House Prices v Earnings
Three Rivers	East of England	147,990	49,999	97,992
Harrow	London	147,068	49,595	97,472
Greenwich	London	131,811	48,543	83,268
Hillingdon	London	132,125	49,976	82,149
Brent	London	120,031	46,884	73,147
Watford	East of England	121,646	49,823	71,823
Waltham Forest	London	115,908	45,230	70,678
Ealing	London	115,724	46,238	69,486
Cambridge	East of England	115,650	49,030	66,620
Merton	London	116,119	50,791	65,328

Source: Halifax, ONS

PRESS RELEASE



23/02/2016

The top performers outside southern England were Warwick in the West Midlands and South Northamptonshire in the East Midlands, with house price gains in excess of earnings of £24,723 and £14,837 respectively during 2014 and 2015.

Martin Ellis, housing economist at Halifax, said:

“The housing market recovery over the last few years has led to substantial price rises in some areas of the country, particularly in London, the south east and the east of England. This has resulted in homes increasing in value by more than total take-home earnings for the average homeowner in many areas of the country.

“Clearly, this is good news for some homeowners. However, it does make conditions tougher for those looking to buy their first home in such areas, with prices being pushed increasingly out of range for many young people.”

Five Years: 2011-2015

Over the past five years, 35 local areas in the UK (9% of the total) have seen average house prices increase by more than total average pay [Table 2], this up from 23 districts (6%) in 2015.

The biggest differential was in Hammersmith and Fulham, where average property prices have increased by £248,971, surpassing average take-home pay during the period by £108,653. The top 10 performers are all in London. All 35 areas are in London, the South East and the East.

Table 2: House Prices v Earnings - Top 10 over Last 5 Years

Local Authority	Region	5 Year Change In House Prices £	Net Median Earnings 5 Year (2011-2015)	5 Year £ Difference in House Prices v Earnings
Hammersmith and Fulham	London	248,971	140,319	108,653
Ealing	London	206,681	115,554	91,128
Haringey	London	185,913	116,633	69,279
Hackney	London	191,647	122,531	69,116
Merton	London	189,946	126,383	63,562
Islington	London	196,424	137,571	58,853
Richmond upon Thames	London	208,097	150,142	57,954
Waltham Forest	London	167,855	110,054	57,802
Greenwich	London	176,508	119,408	57,100
Wandsworth	London	197,736	143,572	54,165

Source: Halifax, ONS

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PRESS RELEASE



23/02/2016

Ten Years: 2005-2015

Over the past decade, house prices have increased by more than total pay in four areas across the UK: Brent (£11,760), Haringey (£8,255), Hammersmith & Fulham (£4,438) and Cambridge (£1,767).

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Editors' Notes:

¹ Based on median earnings at local authority district level (residence based). Source: ONS ASHE, April. Net earnings refer to gross earnings minus income tax and employee National Insurance contributions.

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 for 12 months to December. 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 for April are from the ONS's "Annual Survey of Hours and Earnings" (ASHE) and refer to the median for full-time employees. At local authority district 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, average earnings have been estimated using the change in the regional median average earnings figure.

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.

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