

19/10/2013

**NOT FOR BROADCAST OR PUBLICATION BEFORE 00.01HRS 19<sup>th</sup> OCTOBER 2013**

## **Rural homes are more expensive than urban homes in all regions**

**There is a rural premium in all regions with countryside homes typically commanding a significant price premium over urban homes, according to the latest research from Halifax.**

While a rural premium exists in all regions it differs significantly, ranging from £86,218 in the South East to £11,570 in the North East. In percentage terms, the premium varies from 59% in the West Midlands to 9% in the North East [Table 1].

### **Rural house prices have underperformed those in urban areas since 2009**

In the past four years, the average price of a home in the countryside has risen by 2% compared with an average 10% increase in urban areas. While prices have risen more rapidly in urban areas in most regions since 2009, a key factor behind the bigger increase in urban house prices has been the relative strength of prices in Greater London. Excluding London, urban prices have risen by 6%.

The recent outperformance of house prices in urban areas may also partly reflect the overall increase in the number of first-time buyers since 2010 as they represent a larger proportion of the market in urban areas. Over the same period, there has been a modest decline in the number of those moving home; a group that is more important in rural property markets.

### **Martin Ellis, housing economist at Halifax, commented:**

*"There is a significant premium on property in the countryside across Great Britain. Country living remains a widespread aspiration, but relatively high prices put rural homes out of the reach for many. Potential first-time buyers are particularly affected by high property prices, and consequently they account for a smaller proportion of homebuyers in the countryside than in urban areas."*

### **Affordability in rural areas**

**Affordability is a key issue in many rural areas.** The average house price in the countryside is equivalent to 6.3 times gross annual average earnings. The comparable ratio for urban areas is 4.9.

**There are only five rural areas where the ratio of prices to earnings is below the historical long-term average of 4.0.** Copeland in Cumbria (2.7), Stirling (3.4), East Ayrshire (3.5), Western Isles (3.7), and Pendle in Lancashire (3.9) are the most affordable rural areas in the country [Table 2].

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**Cotswold is the least affordable rural area in Britain** – measured by the house price to earnings ratio – with an average house price that is 9.4 times local gross annual average earnings. Six of the ten least affordable rural areas in the country are in the South West [Table 3].

**Chiltern is the most expensive rural area in Britain** with an average house price of £407,012. This is more than four times higher than in the least expensive rural area – East Ayrshire where the average price is £100,119.

## Rural Areas and First-Time Buyers

### **First-time buyers account for 40% of all mortgage financed purchases in rural areas**

This is significantly lower than in urban areas where first-time buyers account for more than half (52%) of such purchases.

Getting on the rural property ladder is at its most challenging for first-time buyers in southern England. First-time buyers account for only a quarter of all purchases in Cotswold and East Hampshire [Table 4].

In contrast, first-time buyers account for over half of all purchases in Copeland, St Edmundsbury, Pendle, Western Isles, Fenland, Moray, North Warwickshire and Carmarthenshire [Table 5].

## Social Housing in Rural Areas

### **Provision of social housing low in rural Wales, but high in the rural north**

Social housing provision is typically lower in rural areas of England and Wales, with 12% of the housing stock accounted for by social housing compared with 19% in urban areas.

There are seven areas – five of which are in Wales – where social housing accounts for 5% or less of total housing stock. At 2% the Isle of Anglesey and South Lakeland have the lowest level of social housing, whereas at the other end of the scale East Ayrshire has the highest level of social housing in rural Britain with 22% [Tables 6 and 7].

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**Table 1: Rural and Urban Regional Average Prices, 2013**

Region	Average Price 2013*		% Change (2009-2013)		Premium for Rural v Urban	
	Rural	Urban	Rural	Urban	£	%
North East	137,010	125,440	2%	4%	11,570	9%
North West	200,997	131,938	2%	1%	69,059	52%
Yorkshire and The Humber	175,466	127,452	1%	2%	48,014	38%
East Midlands	179,692	134,412	4%	4%	45,280	34%
West Midlands	231,996	145,801	2%	5%	86,196	59%
East of England	235,876	204,863	3%	7%	31,013	15%
South East	318,185	231,968	10%	11%	86,218	37%
South West	232,630	183,048	1%	6%	49,583	27%
Scotland	160,374	137,352	-5%	-3%	23,022	17%
Wales	154,270	131,184	0%	3%	23,086	18%
London	-	316,293	-	18%	-	-
<b>Great Britain</b>	<b>206,423</b>	<b>182,710</b>	<b>2%</b>	<b>10%</b>	<b>23,712</b>	<b>13%</b>

Source: Halifax. \*12 months to August

**Table 2: Ten Most Affordable Rural Local Authority Districts, 2013**

Local Authority District	Region	House Prices 2013 (£)*	Average earnings 2013**	Price to Earnings ratio
Copeland	North West	100,791	£37,129	2.7
Stirling	Scotland	149,838	£43,885	3.4
East Ayrshire	Scotland	100,382	£28,436	3.5
Western Isles	Scotland	102,592	£27,483	3.7
Pendle	North West	101,296	£26,162	3.9
North Lincolnshire	Yorkshire & the Humber	125,276	£31,195	4.0
Shetland Islands	Scotland	140,610	£32,793	4.3
West Lindsey	East Midlands	135,343	£31,044	4.4
Selby	Yorkshire & the Humber	158,055	£36,026	4.4
Allerdale	North West	133,364	£30,148	4.4
<b>Rural Great Britain</b>		<b>206,423</b>	<b>£32,882</b>	<b>6.3</b>
<b>Urban Great Britain</b>		<b>182,710</b>	<b>£36,916</b>	<b>4.9</b>

Source: Halifax. \*12 months to August; ONS

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**Table 3: Ten Least Affordable Rural Local Authority Districts, 2013**

Local Authority District	Region	House Prices 2013 (£)*	Average earnings 2013**	Price to Earnings ratio
Cotswold	West Midlands	318,128	£33,721	9.4
Torrige	South West	201,076	£24,536	8.2
North Dorset	South West	215,906	£26,955	8.0
Chiltern	South East	407,012	£53,208	7.6
East Devon	South West	213,677	£28,574	7.5
Vale of White Horse	South East	288,522	£39,202	7.4
Teignbridge	South West	202,566	£27,526	7.4
North Devon	South West	194,000	£26,371	7.4
East Dorset	South West	281,760	£38,426	7.3
East Hampshire	South East	291,990	£39,862	7.3
<b>Rural Great Britain</b>		<b>206,423</b>	<b>£32,882</b>	<b>6.3</b>
<b>Urban Great Britain</b>		<b>182,710</b>	<b>£36,916</b>	<b>4.9</b>

Source: Halifax. \*12 months to August; ONS

**Table 4: Ten Rural Local Authority Districts with the lowest % of First-Time Buyers (FTBs), 2013**

Local Authority District	Region	FTB% share of all buyers*
Cotswold	South West	23%
East Hampshire	South East	25%
Torrige	South West	27%
Sedgemoor	South West	28%
East Dorset	South West	28%
Teignbridge	South West	29%
Maldon	East of England	29%
Malvern Hills	West Midlands	30%
Tonbridge and Malling	South East	30%
Derbyshire Dales	East Midlands	31%
<b>Rural Great Britain</b>		<b>40%</b>
<b>Urban Great Britain</b>		<b>52%</b>

Source: Halifax House Price Database; \* 12 months to August

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**Table 5: Ten Rural Local Authority Districts with the highest % of FTBs, 2013**

Local Authority District	Region	FTB% share of all buyers*
Copeland	North West	58%
St Edmundsbury	East of England	57%
Pendle	North West	56%
Western Isles	Scotland	56%
Fenland	East of England	55%
Moray	Scotland	53%
North Warwickshire	West Midlands	51%
Carmarthenshire	Wales	50%
Babergh	East of England	49%
East Ayrshire	Scotland	49%
<b>Rural Great Britain</b>		<b>40%</b>
<b>Urban Great Britain</b>		<b>52%</b>

Source: Halifax House Price Database; \* 12 months to August

**Table 6: Ten Rural Local Authority Districts with the Least Social Housing, Great Britain 2012**

Local Authority District	Region	Social Housing as % of All Housing Stock, 2012
Isle of Anglesey	Wales	2%
South Lakeland	North West	2%
Carmarthenshire	Wales	3%
Tendring	East of England	4%
Pembrokeshire	Wales	4%
Powys	Wales	4%
Denbighshire	Wales	5%
Wyre	North West	7%
Orkney	Scotland	8%
Wealden	South East	8%
<b>Rural Great Britain</b>		<b>12%</b>
<b>Urban Great Britain</b>		<b>19%</b>

Sources: DCLG/ Halifax estimates

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**Table 7: Ten Rural Local Authority Districts with the Most Social Housing, Great Britain 2012**

Local Authority District	Region	Social Housing as % of All Housing Stock, 2012
East Ayrshire	Scotland	22%
Copeland	North West	19%
Allerdale	North West	19%
East Lothian	Scotland	18%
Northumberland	North East	18%
North Warwickshire	West Midlands	17%
St Edmundsbury	East of England	17%
Wiltshire	South West	17%
Richmondshire	Yorkshire & the Humber	17%
Bassetlaw	East Midlands	17%
<b>Rural Great Britain</b>		<b>12%</b>
<b>Urban Great Britain</b>		<b>19%</b>

Sources: DCLG/ Halifax estimates

#### Notes to editors:

<sup>1</sup> From ONS and Halifax estimates for August 2013 for full-time employees.

All price figures refer to the arithmetic average of house prices and have not been standardised. These prices are not standardised and therefore can be affected by changes in the sample from year to year. The data covers the period 2003 to 2013 and has been extracted from the Halifax House Price database. The figures cover the 12 months to August 2013.

This analysis was undertaken using the Office for National Statistics (ONS) Urban Rural classification. This classification defines an area as a Rural Area if it lies in a town or village of less than 10,000, or as an urban area if it lies in a town or city of 10,000 or more. A rural local authority is one where the majority of people live in rural areas. Data on average earnings is based on ONS figures for April 2012, which have been inflated by national average earnings growth to calculate 2013 estimates at local authority level.

The affordability ratio is calculated as average house prices divided by the average annual earnings of full time employees.

Data on social housing for England and Wales is published by the DCLG. For Wales the data is for 2012. Scottish data is from the Housing Statistics for Scotland published by the Scottish Government.

"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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