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HALIFAX AFFORDABILITY REVIEW:

Homebuying affordability improves as house price to earnings ratio eases

- **Buying a home has become slightly more affordable relative to income, with the average house price to earnings ratio easing to 6.55 – down from 6.62 last year.**
- **Wage growth has outpaced house price inflation, with pay increasing by +5%, compared to a +3.8% rise in house prices over the past year.**
- **Mortgage costs as a percentage of income have fallen to 29% from 33% over the same period.**
- **The house price to earnings ratio has been steadily reducing since it reached a record high of 7.24 in the summer of 2022.**
- **Elmbridge in Surrey is the least affordable area to buy a home in the UK, with a house price to earnings ratio of 17.54.**

Modest house price inflation, combined with strong wage growth, means buying a home is becoming more affordable relative to income, according to new research from Halifax, the country's biggest mortgage lender.

The analysis – based on data from the Halifax House Price Index – compared typical house prices to average earnings across the UK.

House prices have increased by +3.8% compared to a year ago, reaching an average of £292,508. Meanwhile, annual earnings for full-time workers climbed by +5% to an average of £44,667, over the same period.

This means wage growth outpaced house price inflation, putting the house price to income ratio at 6.55.

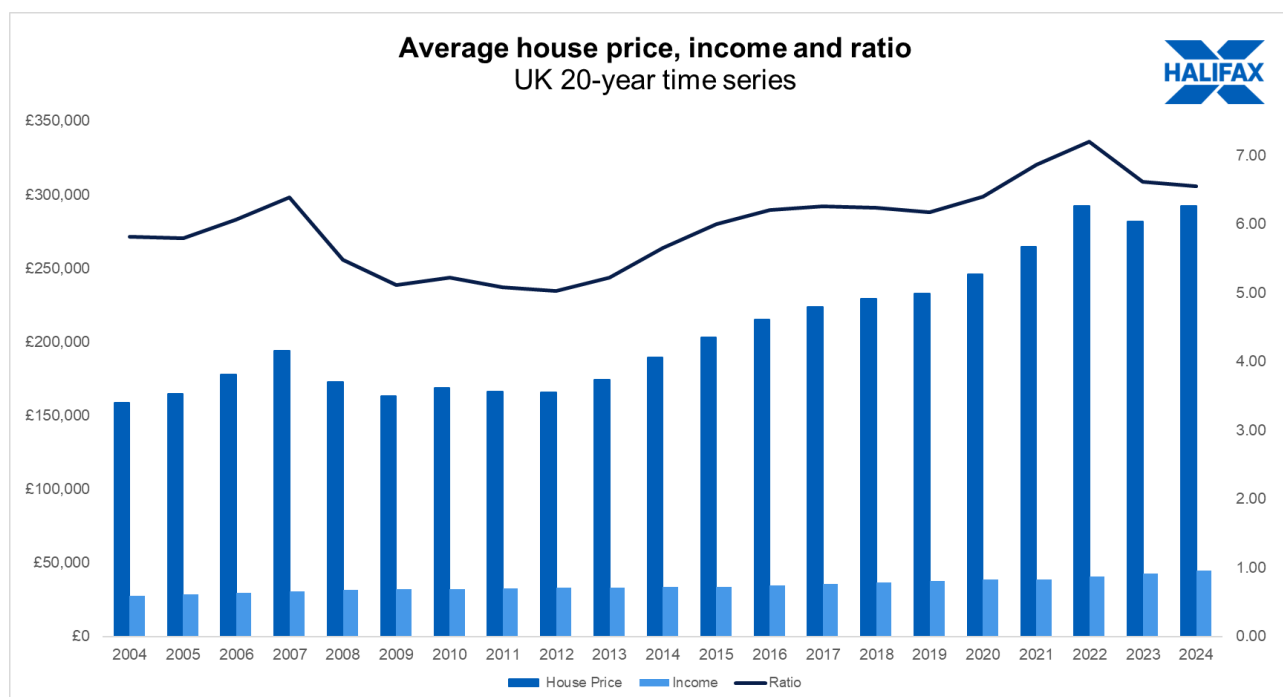
This is down from 6.62 last year, with the house price to earnings ratio gradually reducing since it reached a record high of 7.24 in the summer of 2022.

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Impact of higher interest rates

While market activity has been improving – the number of new mortgages agreed recently reached its highest level in two years – residential property purchases are down by around a third (-33%) compared to 2021, when interest rates were at a record low of 1.3% on average, compared to 4.1% in September this year.

A reduction in demand from buyers, from the highs of 2021, is one of the reasons house prices have remained flat for much of the last two years, with the average house price of £292,410 in 2022 comparing to £292,508 in 2024.

Typical monthly new mortgage costs have fallen by about 9% over the last year, from £1,116 to £1,060. That's based on the typical monthly cost of a 5-year fixed rate mortgage, with a 30-year term and a 25% deposit (average interest rates of 5.2% and 4.1% respectively). Based on the average UK full-time income, that equates to mortgage costs as a percentage of income falling from 33% to 29%, its lowest level in over two years.

On the same basis, mortgage costs have fallen in each nation and region of the UK over the last year.

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Mortgage costs as a % of income

Based on a 5-year fix, 25% deposit, 30-year term, average interest rates

Region	Mortgage cost Q3 2023	Mortgage cost Q3 2024	% change in cost	Cost as % of income Q3 2023	Cost as % of income Q3 2024
Eastern England	£1,347	£1,207	-10%	40.1%	34.6%
East Midlands	£971	£877	-10%	30.7%	26.0%
Greater London	£2,174	£1,954	-10%	42.1%	35.7%
Northern Ireland	£768	£738	-4%	24.2%	22.1%
North East	£692	£621	-10%	22.6%	19.0%
North West	£922	£849	-8%	29.4%	26.2%
Scotland	£834	£746	-11%	25.4%	22.1%
South East	£1,559	£1,405	-10%	44.5%	39.0%
South West	£1,217	£1,101	-10%	38.0%	32.7%
Wales	£888	£812	-9%	28.8%	24.5%
West Midlands	£1,021	£925	-9%	30.1%	24.8%
Yorkshire & Humber	£833	£761	-9%	26.8%	23.6%
United Kingdom	£1,166	£1,060	-9%	32.9%	28.5%

Amanda Bryden, Head of Halifax Mortgages, said:

"Housing affordability has improved over the past year, thanks to stabilising property prices, strong wage growth, and easing interest rates. That's great news for first-time buyers and existing homeowners looking to remortgage or move up the property ladder.

"However, while homes are becoming more affordable, the progress has been gradual. Buying a property remains a significant challenge for many, with prices still near record highs and interest rates likely to stay higher than we've been used to over the past decade."

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Nations and regions comparison

While the national house price to earnings ratio has eased, making homes more affordable on average, there's a mixed picture across the UK.

House prices in some parts of the UK have become less affordable, with Northern Ireland experiencing the largest increase in the house price to earnings ratio from 4.88 last year to 5.09 this year, driven by a substantial 10% rise in house prices.

In England, the North West, South East and Yorkshire & Humberside also saw an increase in their house price to earnings ratios, meaning homes have become less affordable in these areas relative to income.

Although London still boasts the highest average house price of £539,238, its house price to earnings ratio of 8.22 is lower than the South East – which is the highest (or least affordable) of all regions at 8.96 (up slightly from 8.95 last year).

Conversely, the North East of England is the most affordable region, with a house price to earnings ratio of 4.38. This is down from 4.56 last year, meaning that homes in the area have become more affordable. This is because house prices in the North East rose by +2.4% and were outpaced by a +7% increase in average income for the area.

Most and least affordable local areas

At a local level, the North of England accounts for many of the most affordable areas.

Kingston upon Hull in East Yorkshire is crowned the most affordable area of the UK, with a house price to earnings ratio of 3.15. This is followed by Burnley and Blackpool in the North West, with ratios of 3.20 and 3.34 respectively.

Elmbridge in Surrey is the least affordable local area by some distance, with a house price to earnings ratio of 17.54. St Albans in Hertfordshire is in second place with a ratio of 13.96, followed by Kensington and Chelsea in London at 13.93.

However Elmbridge also saw the biggest improvement in affordability, falling from 19.46 in 2023. The biggest deterioration in affordability was recorded in Oxford in the South East, rising from 8.37 to 10.26.

Amanda Bryden, Head of Halifax Mortgages, said:

“While national house price figures often grab the headlines, it’s crucial to remember that the property market varies significantly at a local level. The most sought-after areas tend to have the highest prices, and local developments, such as improved transport links or job opportunities, can all help to drive demand.”

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Press Release



"Buying a home is one of the best financial decisions many of us will ever make, offering greater financial security and better retirement options. For home buyers and movers, it often pays to be flexible with the location you are looking at, as exploring nearby neighbourhoods can sometimes offer better value for money.

"For those struggling to find the funds to take that first step onto the housing ladder, engaging early with a mortgage advisor or broker is always worthwhile. Navigating the home buying journey and mortgage market can be complex, but they can help you understand your budget, the support options available through various government and lender schemes, and the range of products on offer.

"For example, shared ownership can be a great option for first-time buyers. It allows you to purchase a share of the property's market value rather than the entire home, making it a more affordable way to step onto the housing ladder and giving you the benefit of growing your equity share if the property goes up in value. This means you could have more deposit to put down when you make your next move."

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Additional data tables on following pages.

Table 1 – national and regional house prices, earnings and mortgage costs

2023 (Q3)					
Region	House price	Earnings	Ratio	Monthly mortgage	% income
Eastern England	£325,723	£40,342	8.07	£1,347	40%
East Midlands	£234,657	£37,945	6.18	£971	31%
Greater London	£525,557	£61,925	8.49	£2,174	42%
Northern Ireland	£185,675	£38,025	4.88	£768	24%
North East	£167,266	£36,664	4.56	£692	23%
North West	£222,934	£37,606	5.93	£922	29%
Scotland	£201,580	£39,372	5.12	£834	25%
South East	£376,876	£42,086	8.95	£1,559	45%
South West	£294,067	£38,372	7.66	£1,217	38%
Wales	£214,767	£36,967	5.81	£888	29%
West Midlands	£246,918	£40,670	6.07	£1,021	30%
Yorkshire & Humber	£201,407	£37,254	5.41	£833	27%
UK average	£281,836	£42,578	6.62	£1,166	33%
2024 (Q3)					
Region	House price	Earnings	Ratio	Monthly mortgage	% income
Eastern England	£333,042	£41,890	7.95	£1,207	35%
East Midlands	£241,873	£40,514	5.97	£877	26%
Greater London	£539,238	£65,628	8.22	£1,954	36%
Northern Ireland	£203,593	£39,984	5.09	£738	22%
North East	£171,338	£39,138	4.38	£621	19%
North West	£234,355	£38,899	6.02	£849	26%
Scotland	£205,718	£40,534	5.08	£746	22%
South East	£387,638	£43,264	8.96	£1,405	39%
South West	£303,747	£40,385	7.52	£1,101	33%
Wales	£224,119	£39,783	5.63	£812	25%
West Midlands	£255,148	£44,724	5.70	£925	25%
Yorkshire & Humber	£210,116	£38,780	5.42	£761	24%
UK average	£292,508	£44,667	6.55	£1,060	29%

Source: Halifax House Price Index / ONS

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Table 2

10 most affordable local areas in the UK – Q3 2024		
Local Authority Area	Region	Ratio
Kingston upon Hull	East Yorkshire	3.1
Burnley	North West	3.2
Blackpool	North West	3.3
West Dunbartonshire	Scotland	3.4
Dumfries and Galloway	Scotland	3.4
Stoke-On-Trent	West Midlands	3.4
South Tyneside	North East	3.5
East Ayrshire	Scotland	3.5
Dundee	Scotland	3.5
North Ayrshire	Scotland	3.5

Source: Halifax House Price Index / ONS

Table 3

10 least affordable local areas in the UK – Q3 2024		
Local Authority Area	Region	Ratio
Elmbridge	South East	17.5
St Albans	East	14.0
Kensington and Chelsea	Greater London	13.9
Waverley	South East	13.5
Sevenoaks	South East	13.1
Mole Valley	South East	12.8
Windsor and Maidenhead	South East	12.5
Hertsmere	East	12.1
Guildford	South East	11.5
Epping Forest	Greater London	11.5

Source: Halifax House Price Index / ONS

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Press Release



Notes to Editors

This information is intended for the sole use of journalists and media professionals.

The research has been carried out in partnership with S&P Global.

All UK and regional house price data is based on the standardised Halifax House Price Index (HPI) methodology. Note that an average of three months' worth of transactional data is used to calculate each metric, therefore UK and regional headline figures may differ from those published in the main monthly Halifax HPI. Figures are based on Q3 (July to September) data in respective years unless otherwise stated.

Local Authority Area (LAA) data is based on a 'price per square metre' methodology, scaled up to a typically sized property for each LAA based on EPC data. In some cases, neighbouring LAAs have been combined to ensure a robust sample size. LAAs for Northern Ireland have not been included.

Income figures are based on the annual mean income for a full-time worker from the Annual Survey of Household Earnings published by the Office of National Statistics (ONS). Latest income figures have been forecast by S&P Global using Average Weekly Earnings Data, also published by the ONS.

Average mortgage rates quoted reflect industry data compiled by the Bank of England.

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