

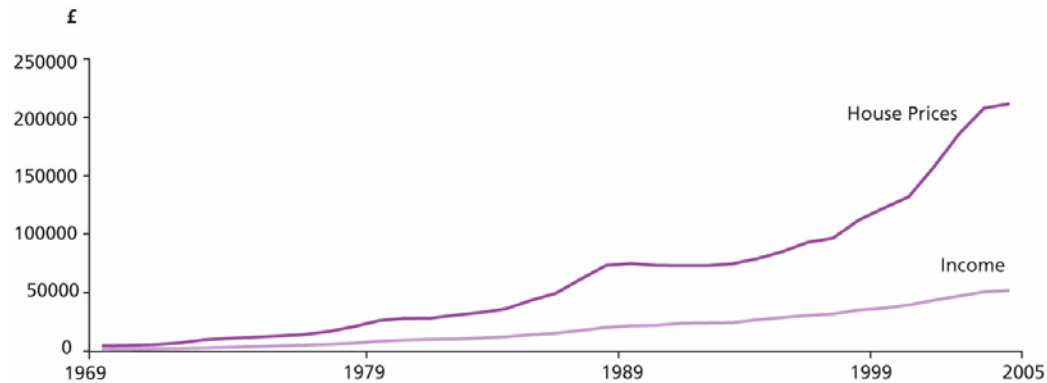
FIRST-TIME BUYERS' STRUGGLE TO GET ON HOUSING LADDER IS 60% TOUGHER THAN FOR THEIR PARENTS

- **Ratio of house prices to income has shot up 60% since 1970, worsening most in London, East Anglia and the South West**
- **Scotland and North England enjoy the lowest ratios, though incomes trail**

The challenge facing today's first-time buyers is markedly harder than it was for their parents, according to a new study by Alliance Trust Research Centre looking at key property and income ratios.

The ratio of house price to income has risen by an average 60% in the UK between 1970 and today and some regions have fared worse than others.

House Prices and Income – First-time Buyers (1970 to 2005)



Alliance Trust says that the ratio has worsened most in London, East Anglia and the South West, where it increased by 66%, 65% and 63% respectively.

London is the least affordable region for today's first-time buyers. House prices there are now 4.4 times income, against 2.6 times in 1970. The South East, where the ratio has climbed to 4.3 times income from 2.7 times 35 years ago, is the second least-affordable region. The lowest ratio of house prices to income is in Scotland where prices have increased to 3.2 times income, up from 2.4 times in 1970, followed by the North of England at 3.3 times today, from 2.3 times in 1970, and Yorkshire at 3.4 times against 2.1 times in 1970.

Between 1970 and 2005, the gap between the most affordable region for first-time buyers in the UK and the least has widened to 38%, from 29%. In 1970, the South East was the least affordable and Yorkshire was the most affordable but that ranking

has changed. London has become the worst region for first-time buyers on a price-to-income basis, and Scotland, the best.

House price to income ratio – worst affected regions

		2005	1970
1	London	4.4	2.6
2	South East	4.3	2.7
3	South West	4.2	2.6
4	East Anglia	4.0	2.4
5	West Midlands	3.7	2.4
6	East Midlands	3.6	2.3

House price to income ratio – most favourable regions

		2005	1970
1	Scotland	3.2	2.4
2	North of England	3.3	2.3
3	Yorkshire	3.4	2.1
4	Wales	3.5	2.3
	North West	3.5	2.3
	Northern Ireland	3.5	2.3

The region where house prices rose most over the 35 year period was London, where they climbed 3,432% followed by the South West, up 3,427%. They rose least in Scotland, where they were up 1,906%. The average income of a first-time buyer has increased from an average £1,766 in 1970 to £35,937 last year.

Income growth has been very mixed, however, climbing most in the South West, London and the East Midlands, and least in Scotland, Northern Ireland and Wales. In Scotland, for instance, first-time buyers' incomes were on average more than 26% lower than in the South West last year, a turnaround from 1970, when incomes in Scotland were almost 7% higher than the equivalent first-time buyer in the South West.

Shona Dobbie, Head of the Alliance Trust Research Centre, said that a close look at prices, deposits and income by region showed that the key ratios have worsened for first-time buyers across the board but there are notable differences among regions.

Dobbie said, "These figures clearly show it is becoming harder for first-time buyers to break into the housing market. In recent years, buy-to-let investors have taken on the traditional role of first-time buyers in keeping the market going, but you really need first-time buyers to sustain prices over the longer term. Our research shows how much pressure these new buyers are now under."

“There are knock-on effects from the pressure on first-time buyers, such as the time now needed to build up a larger deposit. With so much time now being spent focusing on saving for a house and paying it off, people are putting off retirement saving for even longer,” Dobbie said.

The Alliance Trust Research Centre’s full report on ‘Regional House Prices and Income’ is available at www.alliancetrust.co.uk

You can obtain a copy of the report by emailing contact@alliancetrust.co.uk or phoning 08000 326 323.

Contacts

Jane Holligan, Media Relations Manager

Alliance Trust PLC

Tel +44 (0)1382 306 064

Mobile 07745 783 212

Email jane.holligan@alliancetrust.co.uk

Web www.alliancetrust.co.uk

Richard Winder / Jeena Nadarajan / Anna Schirmer

Lansons Communications

Tel +44 (0)20 7294 3641 / 3629 / 3605

Email alliancetrust@lansons.com

Notes to editors

1. Alliance Trust PLC is the largest generalist investment trust company listed on the London Stock Exchange. Through its subsidiaries, Alliance Trust offers investment dealing, self-invested personal pensions and a choice of investment wrappers.
2. The Research Centre is part of Alliance Trust and was formed to carry out economic and social analysis to deepen our understanding of economies, markets and socio-economic issues.
3. The ratios used in the report ‘Regional House Prices and Income’ were based on statistics from the Department for Communities and Local Government. Calculations were done in-house by the Alliance Trust Research Centre.
4. Photographs of Shona Dobbie are available.