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The **Halifax Key Worker Housing Review** tracks housing affordability for five groups of public sector workers: nurses, teachers, police officers, fire fighters and paramedics in 450 post towns (including 32 London boroughs) across United Kingdom. Housing affordability is defined as the ratio of average house price to regional average earnings of key workers; where the ratio is below 4.0 housing is deemed affordable, above 4.0 is unaffordable (**see Editors' Notes for details**) **The calculation is based on a single income and is, therefore, conservative.** The review is compiled using information from the Halifax's own extensive housing statistics database and earnings data from the ONS for the period to March 2012.

KEYWORKER HOUSING AFFORDABILITY CONTINUES TO IMPROVE

41% of towns now affordable, compared to 3% in 2007

Latest research from Halifax shows that housing affordability has improved considerably for key public sector workers since house prices peaked in September 2007.

The Halifax survey shows that two in five towns (41%) are now affordable for the average key worker, based on the ratio of average house prices to average earnings. Where the ratio is below 4.0, housing is deemed affordable. In September 2007, homes in just 3% of UK towns – 12 towns in total – were affordable for key public sector workers, demonstrating a significant improvement since 2007.

Martin Ellis, housing economist at Halifax, commented:

"Housing affordability for key public sectors workers has improved significantly across the UK since house prices peaked in 2007. More than four in ten towns are now affordable compared with just three per cent in 2007. The greatest concentration of this improvement has been in northern England, Wales and Scotland. There are still considerable affordability issues for key workers in London and the South East.

"A combination of house price declines and growth in earnings has contributed to this improvement in affordability. However, house prices nationally have changed little in the past year, which together with pressure on public sector earnings, has resulted in only a modest improvement in home affordability for key workers in the past 12 months."

Significant improvements in affordability for teachers

All five key worker occupations analysed - nurses, teachers, police officers, fire fighters and paramedics - have seen large improvements in affordability during the period. In 2007,

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Wishaw in Scotland was the only affordable town for nurses. However, there are now 113 towns (25%) that are affordable for nurses. The most considerable gains have been for teachers (both primary and secondary) with an increase in affordable towns from 6% in 2007 to 47% in 2012, followed by police officers (15% to 51%) and paramedics (23% to 56%).

More towns become affordable, but Wales is most affordable region

Over the past year, 32 towns have become more affordable for keyworkers, but 15 have become less affordable – resulting in a 4% increase in the number of affordable towns overall. Peterborough, Lincoln, Morpeth, Glasgow, Clacton on Sea, Coventry and Wakefield are amongst those to become affordable over the last. Hinckley in Leicestershire, Newcastle upon Tyne, Dover and Beverley in East Yorkshire are among those that have become less affordable in the past year. [See Table 4]

Wales is the most affordable region in the UK for key workers, with an average house price to key worker earnings ratio of 3.6 in 2012. The North (3.7), Yorkshire and the Humber (3.8) and the North West (3.8) follow closely behind. By comparison, in 2007, no region had a house price to earnings ratio below 5.0. Unsurprisingly, Greater London (7.6) and the South East (6.6) are still the least affordable regions for key workers. [See Table 1]

The most affordable towns in 2012 are in the North West

The three most affordable towns for key workers are in the North West. Nelson in Lancashire is the most affordable town with an average house price to key worker earnings ratio of 2.4, followed by Bootle in Merseyside (2.4) and Darwen in Lancashire (2.5).

The least affordable areas for key workers are all in London and the South East where house prices are well above the national average. These include Kensington and Chelsea (18.4), Leatherhead (13.8) and Westminster (13.7). Clacton on Sea in Essex and Gosport in Hampshire are the only towns in the South East that are affordable; there are none in London. [See Table 2]

Current levels of affordability are still low compared with a decade ago...

More than half (55%) of towns were affordable in 2002 compared with 41% in 2012. During this period, nurses have fared the worst, in 2002 just under a half (46%) of towns were affordable to nurses compared to one in four (25%) today. Fire fighters have seen the number of affordable towns drop by a third. There has been a 20% reduction for police officers and 15% for teachers.

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Table 1: House Price to Earnings Ratio for Key Workers* by region

Region	2002	2007	2012
North	2.7	5.3	3.7
Yorkshire and the Humber	2.8	5.3	3.8
North West	3.2	5.7	3.8
East Midlands	3.4	5.8	4.0
West Midlands	3.8	6.0	4.2
East Anglia	4.3	6.9	4.7
Wales	3.0	5.5	3.6
South West	4.9	7.5	5.6
South East	6.4	9.1	6.6
Greater London	7.5	10.2	7.6
Scotland	3.0	5.3	4.0
UK	4.4	7.1	4.9

Sources: Halifax and ONS

*Average of the five key worker occupations analysed; this is based on the weighted average earnings for nurses, teachers, police officers, fire fighters and paramedics

Table 2: 10 Most Affordable Towns for Key Workers – House Price to Earnings Ratios*

2002		2007		2012	
Aberdare	1.6	Wishaw	3.5	Nelson	2.4
Fraserburgh	1.6	Bellshill	3.6	Bootle	2.4
Wallsend	1.7	Nelson	3.6	Darwen	2.5
Bootle	1.7	Cumnock	3.6	Peterlee	2.5
Peterlee	1.7	Lochgelly	3.7	Bellshill	2.5
Merthyr Tydfil	1.7	Peterlee	3.7	Ebbw Vale	2.6
Ebbw Vale	1.8	Bootle	3.7	Port Talbot	2.6
Irvine	1.8	Merthyr Tydfil	3.7	Renfrew	2.6
Seaham	1.8	Clydebank	3.7	Wednesbury	2.7
Lochgelly	1.8	Airdrie	3.9	Ashington	2.7

Sources: Halifax and ONS

* Average of the five key worker occupations analysed; this is based on the weighted average earnings for nurses, teachers, police officers, fire fighters and paramedics

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Table 3: Most Affordable and Least Affordable towns for Key Worker Groups - 2012 Quarter 1

Fire Fighters	Police Officers	Teachers	Paramedics	Nurses
Most Affordable				
Nelson	Newtownabbey	Nelson	Peterlee	Nelson
Bootle	Nelson	Bootle	Wednesbury	Peterlee
Darwen	Bootle	Darwen	Ebbw Vale	Bellshill
Bellshill	Darwen	Peterlee	Port Talbot	Bootle
Wednesbury	Ebbw Vale	Bellshill	Bellshill	Darwen
Least Affordable				
Kensington And Chelsea	Kensington And Chelsea	Kensington And Chelsea	Kensington And Chelsea	Kensington & Chelsea
Leatherhead	Leatherhead	Westminster	Westminster	Westminster
Sevenoaks	Westminster	Hammersmith And Fulham	Hammersmith And Fulham	Hammersmith & Fulham
Westminster	Hammersmith And Fulham	Leatherhead	Camden	Leatherhead
Hammersmith And Fulham	Camden	Camden	Islington	Sevenoaks

Sources: Halifax and ONS

Table 4a: Towns that have become Affordable during the past year

Towns that became Affordable in 2012			
Town	Region	Town	Region
Peterborough	East Anglia	Londonderry	Northern Ireland
Great Yarmouth	East Anglia	Belfast	Northern Ireland
Thetford	East Anglia	Fraserburgh	Scotland
Swadlincote	East Midlands	Ayr	Scotland
Coalville	East Midlands	Glasgow	Scotland
Lincoln	East Midlands	Livingston	Scotland
Kettering	East Midlands	Clacton On Sea	South East
Newark	East Midlands	Gosport	South East
Carlisle	North	Telford	West Midlands
Morpeth	North	Coventry	West Midlands
Houghton Le Spring	North	Walsall	West Midlands
Chorley	North West	Goole	Yorkshire and the Humber

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Lancaster	North West	Selby	Yorkshire and the Humber
Preston	North West	Cleckheaton	Yorkshire and the Humber
Lisburn	Northern Ireland	Holmfirth	Yorkshire and the Humber
Craigavon	Northern Ireland	Wakefield	Yorkshire and the Humber

Sources: Halifax and ONS

Table 4b: Towns that have become Unaffordable during the past year continued

Towns that became Unaffordable in 2012	
Town	Region
Dereham	East Anglia
Hinckley	East Midlands
Louth	East Midlands
Sleaford	East Midlands
Billingham	North
Newcastle Upon Tyne	North
Leyland	North West
Prenton	North West
Dumfries	Scotland
Helensburgh	Scotland
Bathgate	Scotland
Dover	South East
Burton On Trent	West Midlands
Rugeley	West Midlands
Beverley	Yorkshire and the Humber

Sources: Halifax and ONS

EDITORS' NOTES:

***AFFORDABILITY CALCULATION**

To determine which towns are affordable for key public sector workers we have analysed the house price to earnings ratio for each key public sector worker occupation in each town against the UK historical average house price to gross annual earnings ratio of 4.0. Where key public sector worker price to earnings ratio is below 4.0 the town is classified as affordable; above 4.0 is unaffordable. The multiple of 4.0 is approximately equivalent to an average loan to income multiple of 3.25 plus a 19% deposit, or a 3.5 times multiple and a 12.5% deposit. This calculation is based on a single income and therefore conservative.

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The house price to earnings ratio for key public sector worker occupations is calculated by dividing the average house price in each post town by the gross regional annual average earnings for the relevant occupation. The earnings calculation for key public sector workers has been sourced from the ONS Annual Survey of Hours and Earnings (ASHE) which provides average salaries. **Very importantly, the numbers used in this release are not entry-level salaries, e.g. the ONS average salary for a nurse is £30,741¹.**

Note ¹ this is based on the UK average salary for nurses (SOC 3211) from the April 2011 ASHE release uplifted by the change in weekly average earnings (KA17) with Halifax estimate to March 2012.

DATA SOURCES:

This research is based on data from Halifax's own extensive housing statistics database and ONS data on average earnings.

House Prices

House prices are at post town 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 Earnings

Earnings data for key public sector occupation is from the ASHE April 2011 release and uplifted by the change in weekly average earnings (KA17) with Halifax estimate to March 2012.

The following average annual earnings (ONS Annual Survey of Hours and Earnings codes shown in brackets next to each occupation type) have been used in this analysis. It should be noted that this salary data will take into account varying lengths of service and salary grades so is not indicative of the salary for a new-starter.

In this review the key workers occupation types are based on the Standard Occupational Classification (SOC) codes as provided in ASHE April 2011. These are:

- Full-time **teachers** (SOC 2314/2315) in primary and secondary school roles.
- Full-time **nurses** (SOC 3211).
- Full-time **police officers** (SOC 3312) who hold the rank of sergeant or below.
- Full-time **fire fighters** (SOC 3313) at the rank of leading fire officer or below.
- Full-time **paramedics** (SOC 3213)

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