

The **Halifax Key Worker Housing Review** tracks housing affordability for buyers for five groups of public sector workers: nurses, teachers, police officers, fire fighters and paramedics in 481 post towns (including 31 London boroughs) across Britain. Housing affordability for purchase of the "average house" is defined with reference to 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.** It is based on typical income multiples and deposits, but does not take into account the size of regular mortgage payments. 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 April 2017.

KEY WORKER HOUSE PURCHASE AFFORDABILITY DOUBLES OVER PAST DECADE

- **More than one in 10 (14%) towns now affordable for home purchase by key public sector workers, compared to 6% in 2007**
- **Affordability has fallen since 2012 when 32% of towns were affordable**
- **The North is the most affordable region for key workers with a house price to earnings ratio of 4.39**

Housing affordability for key workers has improved in the past decade since the last house price boom.

The latest research from Halifax found that – based on the benchmark ratio of average house price to average earnings, where housing is considered affordable to buy if the ratio is below 4.0 – the average priced home in 14% (65) of towns is affordable for the average key worker to buy.

Home purchase affordability has improved since 2007 when homes in just 6% of towns (30 in total) were judged to be affordable for key workers. However, affordability has fallen from the 2012 level when the average house was considered to be affordable in 32% (155) of towns.

The deterioration since 2012 has come as a result of house prices outpacing earnings growth for public sector workers – average house prices rose by 41% compared to key worker average annual earnings growth of 4%. There are currently no regions where the average house price to key worker average earnings ratio is 4.0 or less; in 2012 there were four regions where the average priced home was affordable for key workers. (See tables 1 and 4)

Nurses and teachers see greatest improvements since 2007

All key worker occupations analysed, with the exception of paramedics, have seen improvements in the affordability to buy compared to 10 years ago. Nurses and teachers (both primary and secondary) have seen the number of affordable towns increase by 6% followed by firefighters and police (4%). Paramedics have seen the number of affordable towns decrease by 6 percentage points (ppts) from 30% in 2007 to 24%.

Nonetheless, paramedics have the largest number of affordable towns in Britain, at 24%, followed by police (23%) and then teachers (18%). Firefighters (5%) and nurses (7%) have the least number of affordable towns. (See Table 1)

More towns become unaffordable in past year

Overall, in the past year, 11 towns have become affordable but 16 have become unaffordable. Among those which have become affordable are Blackwood in Wales, Dumfries in Scotland and Sunderland. (See Table 2)

The region which has seen the greatest number of towns – six – switch from unaffordable to affordable is the North. At the other end of the scale, Scotland and the North West saw the most towns – four in each – become unaffordable for key workers. (See Table 3)

North remains most affordable region for key workers to buy

The lowest house price to earnings ratio for key workers in Britain is in the North (4.39), compared to 6.87 for Great Britain followed by Wales (4.81), Scotland (4.92), and Yorkshire and the Humber (4.99). London (11.4) and the South East (9.58) have the highest ratios and are, therefore, the least affordable regions for key workers to buy a property. (See Table 4)

Scotland has the most affordable towns

Five of the 10 most affordable towns in Britain for key workers are in Scotland; Grangemouth is the most affordable town in Scotland for this group with an average house price to earnings ratio of 2.92. Kilwinning (3.06), Lochgelly (3.11), Wishaw (3.20) and Clydebank (3.39) are the next most affordable. Bootle (2.86) and Nelson (2.88) in the North West, however, are the most affordable towns in Britain for all key workers. (See Table 5)

The least affordable areas for key workers are all in London and the South East, where house prices are significantly higher than the national average. The least affordable areas include Camden, Westminster, Islington and Leatherhead.

Martin Ellis, housing economist at Halifax said: *“Nationally, there have been improvements in the ability of key public sector workers to purchase their own home compared to 2007, at the peak of the last housing boom.*

“More than one in 10 (14%) towns are now deemed affordable compared to just 6% a decade ago. The greatest concentration of affordable housing is found in towns in northern England, Scotland and Wales. However, there are significant affordability issues for key workers particularly in London and the South East.

“Over the last five years, there is clear evidence of a link between pay and the impact on affordability with house prices significantly outgrowing the average wages of key workers. There are now no regions with a house price to earnings ratio of less than 4.0.”

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Table 1: Proportion of affordable towns in Britain for Key Worker groups

	2007	2012	2016	2017
All Key Workers	6%	32%	15%	14%
Nurses	1%	23%	7%	7%
Teachers	12%	37%	19%	18%
Paramedics	30%	46%	26%	24%
Police	19%	49%	25%	23%
Firefighters	1%	23%	6%	5%

Sources: Halifax and ONS April 2017

Table 2: Towns that have become affordable to buy during the past year

Town	Region
Blackwood	Wales
Sunderland	North
Billingham	North
Thornton Cleveleys	North West
South Shields	North
Dumfries	Scotland
Darwen	North West
Redcar	North
Leven	Scotland
Houghton Le Spring	North
Saltburn By The Sea	North

Sources: Halifax and ONS April 2017

Table 3: Towns that have become Unaffordable to buy during the past year

Town	Region	Town	Region
Erskine	Scotland	Cleethorpes	Yorkshire & the Humber
Llanelli	Wales	Skelmersdale	North West
Arbroath	Scotland	Workington	North

Normanton	Yorkshire & the Humber	Ashton Under Lyne	North West
Hyde	North West	Mansfield	East Midlands
Cowdenbeath	Scotland	Batley	Yorkshire & the Humber
Alloa	Scotland	Morecambe	North West
Hartlepool	North	West Bromwich	East Midlands

Sources: Halifax and ONS April 2017

Table 4: House Price to Earnings Ratio for Key Workers* by region

Region	2007	2012	2016	2017
North	4.94	3.65	4.45	4.39
Wales	5.16	3.80	4.78	4.81
Scotland	4.91	4.27	4.95	4.92
Yorkshire and the Humber	5.06	4.00	4.98	4.99
North West	5.29	3.89	4.95	5.04
East Midlands	5.42	4.16	5.45	5.76
West Midlands	5.68	4.28	5.72	5.95
East Anglia	6.52	5.00	6.53	6.95
South West	6.89	5.67	6.70	7.01
South East	8.48	6.67	9.17	9.58
Greater London	9.61	7.59	11.12	11.40
Great Britain	6.62	5.03	6.80	6.87

Sources: Halifax and ONS April 2017

*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 5: 10 Most Affordable Towns for Key Workers to buy – House Price to Earnings Ratios*

2007		2012		2016		2017	
Cowdenbeath	3.06	Peterlee	2.44	Nelson	2.61	Bootle	2.86
Lochgelly	3.16	Nelson	2.45	Port Talbot	2.93	Nelson	2.88
Bellshill	3.40	Darwen	2.53	Bellshill	2.96	Grangemouth	2.92
Clydebank	3.46	Bellshill	2.59	Porth	2.97	Kilwinning	3.06
Peterlee	3.47	Bootle	2.59	Irvine	2.97	Lochgelly	3.11
Birkenhead	3.53	Porth	2.69	Bootle	3.00	Accrington	3.19
Wishaw	3.55	Port Talbot	2.75	Wishaw	3.08	Wishaw	3.20
Greenock	3.55	Wednesbury	2.78	Clydebank	3.10	Peterlee	3.25
Nelson	3.56	Sutton In Ashfield	2.82	Skelmersdale	3.17	Aberdare	3.34
Bootle	3.60	Accrington	2.83	Grangemouth	3.18	Clydebank	3.39

Sources: Halifax and ONS April 2017

* 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 6: Most and Least Affordable towns for Key Worker Groups to buy 2017

Nurses	Teachers	Paramedics	Police	Fire Fighters
Most Affordable				
Bootle	Bootle	Grangemouth	Bootle	Bootle
Nelson	Nelson	Kilwinning	Nelson	Nelson
Grangemouth	Grangemouth	Lockgelly	Grangemouth	Grangemouth
Kilwinning	Kilwinning	Wishaw	Kilwinning	Accrington
Lochgelly	Lochgelly	Bootle	Lochgelly	Kilwinning
Least Affordable				
Camden	Camden	Camden	Camden	Camden (
Westminster	Westminster	Westminster	Westminster	Westminster
Islington	Leatherhead	Leatherhead	Leatherhead	Islington (LA)
Richmond upon Thames	Sevenoaks	Sevenoaks	Islington	Richmond upon Thames
Wandsworth	Islington	Rickmansworth	Richmond upon Thames	Leatherhead

Sources: Halifax and ONS April 2017

Editors' Notes:

*AFFORDABILITY CALCULATION

To determine which towns are deemed as being affordable to buy 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 Britain's historical average house price to gross annual earnings ratio of 4.0. Where the key public sector worker price to earnings ratio is below 4.0 the town is classified as affordable; above 4.0 is unaffordable.

¹ 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 is therefore conservative.

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 £32,168.**

DATA SOURCES:

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

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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 2016 release and uplifted by the change in weekly average earnings (KA17) with Halifax estimate to April 2017.

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 2017. These are:

- Full-time **teachers** (SOC 2314/2315) in primary and secondary school roles.
- Full-time **nurses** (SOC 2231; 3211 for 2007).
- Full-time **police officers** (SOC 3312) who hold the rank of sergeant or below.
- Full-time **firefighters** (SOC 3313) at the rank of leading fire officer or below.
- Full-time **paramedics** (SOC 3213)

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