

11/05/2013

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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 440 post towns (including 32 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 March 2013.

KEY WORKER HOUSE PURCHASE AFFORDABILITY IMPROVES SUBSTANTIALLY SINCE 2008

38% of towns now affordable for home purchase, compared to 4% in 2008

The latest research from Halifax shows the ability of key public sector workers to purchase their own home continues to improve and is approaching the level achieved ten years ago before the house price boom.

The Halifax research shows 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 4.0¹ – the average priced home in 38% of towns is affordable for the average key worker to purchase, a rise from 36% in 2012.

This improvement in the past year has come largely as result of house price declines in northern areas.

Home purchase affordability has improved considerably since 2008 when homes in just 4% of towns (17 in total) were judged to be affordable for key workers to buy. Nonetheless, affordability remains below the 2003 level when the average house was considered to be affordable in 43% of towns.

Police and paramedics see greatest improvements

All key worker occupations analysed – fire-fighters, nurses, teachers, paramedics, and police officers – have seen large improvements in the affordability to buy in the last five years.

Nurses have seen the number of affordable towns increase from 7% to 35%, teachers (both primary and secondary) have seen an increase from 11% to 40%, and fire fighters have seen an increase from 1% to 31%. However, the largest gains have been made by the police (18% to 49%) and paramedics (18% to 50%).

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Increase in affordable towns in past year

Overall, in the past year, 20 towns have become affordable but 11 have become unaffordable. Among those which have become affordable are Bathgate in West Lothian, Grantham and Margate (See Table 1).

The region which has seen the greatest number of towns – six – switch from unaffordable to affordable is Scotland. At the other end of the scale, the West Midlands saw the most towns – five – become unaffordable for key workers.

There are currently four regions which have an average house price to key worker average earnings ratio of less than 4.0; in 2008 there were no regions where the average priced home was affordable for key workers.

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 (3.64) followed by Wales (3.85), the North West (3.87), and Yorkshire and the Humber (3.93). London (7.64) and the South East (6.72) have the highest ratios and are, therefore, the least affordable regions for key workers to buy a property (see Table 2).

Scotland has the most affordable towns

Four of the ten most affordable towns for key workers to buy in are in Scotland; Wishaw in North Lanarkshire is the most affordable town in Scotland with an average house price to earnings ratio of 2.60. Cumnock in East Ayrshire (2.64), Irvine in North Ayrshire (2.65) and Clydebank (2.71) are the next most affordable. Port Talbot in South Wales, however, is the most affordable town in Britain for all key workers (2.58). (See Table 3)

The least affordable areas for key workers are all in London, where house prices are significantly higher than the national average. The least affordable areas include Islington, Hammersmith and Fulham, Camden, Westminster, and Kensington and Chelsea.

Martin Ellis, housing economist at Halifax, comments:

"Nationally, there have been considerable improvements in the ability of key public sector workers to purchase their own home since the start of the housing downturn, with 38% of towns now being deemed affordable to buy compared to just 4% in 2008. The greatest concentration of affordable housing is found in towns in northern England, Scotland and Wales. However, there are still significant affordability issues for key workers in London and the South East.

"A combination of declining or static house prices in many areas, combined with some growth in earnings, has contributed to the improvement in housing affordability since 2008. However, significant house price growth in the past decade as a whole has meant that housing is still unaffordable in more than half of the towns surveyed."

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Table 1: Towns that have become affordable to buy during the past year

Town	Region	Town	Region
Bathgate	Scotland	Dumfries	Scotland
Leyland	North West	Margate	South East
Billingham	North	Keighley	Yorkshire and the Humber
Coalville	East Midlands	Grantham	East Midlands
Helensburgh	Scotland	Huddersfield	Yorkshire and the Humber
Prenton	North West	Larbert	Scotland
Brighouse	Yorkshire and the Humber	Newcastle Upon Tyne	North
Wisbech	East Anglia	Peterhead	Scotland
Glasgow	Scotland	North Shields	North
Louth	East Midlands	Wellingborough	East Midlands

Sources: Halifax and ONS March 2013

Table 2: House Price to Earnings Ratio for Key Workers* by region

Region	2003	2008	2012	2013
North	3.02	5.00	3.65	3.64
North West	3.59	5.34	3.90	3.87
Yorkshire and the Humber	3.42	5.02	4.00	3.93
West Midlands	4.47	5.65	4.28	4.41
East Midlands	4.15	5.41	4.14	4.18
East Anglia	5.26	6.58	5.02	5.07
Greater London	8.26	9.59	7.62	7.64
South East	7.06	8.82	6.67	6.72
South West	5.69	7.06	5.66	5.68
Wales	3.51	5.23	3.77	3.85
Scotland	3.31	5.36	4.26	4.17
Britain	5.05	6.79	5.03	5.05

Sources: Halifax and ONS March 2013

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

2003		2008		2012		2013	
Cumnock	1.51	Cumnock	3.08	Nelson	2.44	Port Talbot	2.58
Nelson	1.84	Wishaw	3.49	Peterlee	2.47	Wishaw	2.60
Peterlee	1.87	Bootle	3.54	Bootle	2.50	Cumnock	2.64
Bellshill	1.87	Nelson	3.59	Darwen	2.52	Mexborough	2.64
Lochgelly	1.88	Peterlee	3.60	Bellshill	2.60	Irvine	2.65
Merthyr Tydfil	1.88	Bellshill	3.74	Ashington	2.64	Accrington	2.65
Bootle	1.98	Leigh	3.75	Ebbw Vale	2.68	Ebbw Vale	2.66
Fraserburgh	2.04	Ebbw Vale	3.80	Port Talbot	2.71	Peterlee	2.66
Irvine	2.08	Merthyr Tydfil	3.80	Wednesbury	2.73	Clydebank	2.71
Seaham	2.08	Clydebank	3.88	Cumnock	2.78	Darwen	2.71

Sources: Halifax and ONS March 2013

* 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 4: Most Affordable and Least Affordable towns for Key Worker Groups to buy- 2013 Q1

Nurses	Teachers	Paramedics	Police	Fire Fighters
Most Affordable				
Port Talbot	Port Talbot	Peterlee	Port Talbot	Wishaw
Accrington	Wishaw	Ashington	Ebbw Vale	Cumnock
Wishaw	Ebbw Vale	Consett	Mexborough	Irvine
Peterlee	Accrington	Wishaw	Wishaw	Clydebank
Cumnock	Peterlee	Cumnock	Merthyr Tydfil	Airdrie
Least Affordable				
Kensington and Chelsea	Kensington and Chelsea	Kensington and Chelsea	Kensington and Chelsea	Kensington and Chelsea
Westminster	Westminster	Westminster	Westminster	Westminster
Camden	Camden	Camden	Camden	Camden
Hammersmith and Fulham	Hammersmith and Fulham	Hammersmith and Fulham	Hammersmith and Fulham	Hammersmith and Fulham
Islington	Islington	Islington	Leatherhead	Islington

Sources: Halifax and ONS March 2013

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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 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.

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 £31,242.**

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 2012 release and uplifted by the change in weekly average earnings (KA17) with Halifax estimate to March 2013.

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 2012. These are:

- Full-time **teachers** (SOC 2314/2315) in primary and secondary school roles.
- Full-time **nurses** (SOC 2231; 3211 for 2003 and 2008).
- 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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Press Release



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