



Not for broadcast or publication before Tuesday 26th April 2011

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 438 post towns (including 32 London boroughs) across Great Britain. 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 March 2001 to March 2011.

AFFORDABILITY BOOST FOR KEY WORKERS SINCE 2007 ***14 fold increase in towns with affordable homes***

Housing affordability for key public sector workers has improved since house prices peaked in the third quarter of 2007, according to latest research from the Halifax. More than one in three towns (35%) in the survey has become affordable for the average key worker since the third quarter of 2007 based on the house price to average earnings measure. Currently, 38% of towns are affordable for key workers compared to just 3% in 2007: a fourteen fold increase. However, house prices in three out of five towns (62%) are still beyond the reach of key workers on an average salary.

Overall, employees in each of the five key worker groups – nurses, teachers, police officers, fire fighters and paramedics – have seen the number of towns with affordable houses for them improve since 2007. Firemen have seen the biggest change with an increase in affordable towns from just 1% in 2007 to 28% now. Nurses have also seen a marked improvement; from 7% of towns being affordable for them in 2007 to 22% in 2011.

Nelson is the most affordable town for key workers with a house price to average key worker earnings ratio of 2.1; the Lancashire town is followed by Lochgelly in Fife (2.4) and Bootle in Merseyside (2.5). Unsurprisingly, the least affordable areas for key workers are all in London: Kensington and Chelsea (16.5), Westminster (13.6) and Camden (12.4).

However, recent improvements mask the deterioration of housing affordability for key workers when compared to a decade ago. Almost two-thirds (64%) of towns were affordable in 2001 compared to 38% in 2011. During this period, nurses have fared the worst; in 2001 over half (55%) of towns were affordable to nurses compared to one in five (22%) today.

Nitesh Patel, housing economist at Halifax, commented:

"Housing has become more affordable for key public sector workers across the country since house prices peaked in 2007. This is due to lower house prices combined with increased earnings.

Over a longer period, the number of affordable towns in 2011 remains significantly lower than a decade ago. In 2001, two-thirds of towns were affordable compared to just a third today. Government schemes

to assist low-cost home ownership are welcome, although it remains to be seen how big the impact on key workers will be."

ADDITIONAL KEY FINDINGS

Key worker affordability since 2007

The biggest improvement in affordability for key workers since 2007 has been in Wrexham in North Wales where the average house price to average key worker earnings ratio has dropped from 6.2 to 3.7. Billingham in the North East (6.0 to 3.5) has seen the next biggest improvement.

The most affordable region for key workers is the North with a house price to average key worker earnings ratio of 3.7 in 2011, followed very closely by Yorkshire and the Humber, the North West and Wales (all 3.8). In 2007 there were no affordable regions for key workers. Greater London and the South East are still the least affordable regions for key workers.

Stanley in County Durham is the most affordable town for paramedics; for the remaining four key worker groups Nelson is the most affordable. In 2007, Grangemouth in Scotland was the most affordable town for all key worker groups.

Key worker affordability since 2001

In 2001 there were eight regions with affordable housing for typical key workers. In five of these regions the house price to earnings ratio was below 3.0 – considerably below the historical average of 4.0. These were North West (2.4), Yorkshire and the Humber (2.6), Wales (2.7), Scotland (2.8) and the North West (2.9).

Lochgelly was the most affordable town in Britain in 2001. There were two affordable areas in London a decade ago - Barking & Deganham and Newham - compared to none in 2011. In the South East there were 26 affordable towns with Clacton-on-Sea the most affordable; today there are just two - Dover and Portsmouth.

Table 1: 10 Most Affordable Towns for Key Workers – House Price to Earnings Ratios*

2001		2007		2011	
Lochgelly	1.6	Grangemouth	3.4	Nelson	2.1
Peterlee	1.7	Wishaw	3.5	Lochgelly	2.4
Seaham	1.7	Bellshill	3.6	Bootle	2.5
Wallsend	1.7	Nelson	3.6	Stanley	2.6
Mexborough	1.7	Lochgelly	3.7	Ebbw Vale	2.6
Merthyr Tydfil	1.7	Peterlee	3.7	Accrington	2.6
Stanley	1.8	Bootle	3.7	Ashington	2.7
Irvine	1.8	Merthyr Tydfil	3.7	Grangemouth	2.8
Bootle	1.8	Clydebank	3.7	Bellshill	2.8
Ashington	1.8	Airdrie	3.9	Wishaw	2.8

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

Region	2001	2007	2011
North	2.4	5.3	3.7
Yorkshire and Humberside	2.6	5.3	3.8
North West	2.9	5.7	3.8
East Midlands	3.0	5.8	4.0
West Midlands	3.3	6.0	4.3
East Anglia	3.7	6.9	4.8
Wales	2.7	5.5	3.8
South West	4.2	7.5	5.7
South East	5.8	9.1	6.7
Greater London	6.9	10.2	7.1
Scotland	2.8	5.3	4.2
UK	3.9	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 3: Most Affordable and Least Affordable towns for Key Worker Groups - 2011 Quarter 1

Fire Fighters	Police Officers	Teachers	Paramedics	Nurses
Most Affordable				
Nelson	Nelson	Nelson	Stanley	Nelson
Lochgelly	Lochgelly	Lochgelly	Ashington	Lochgelly
Stanley	Ebbw Vale	Ebbw Vale	Lochgelly	Bootle
Ebbw Vale	Stanley	Stanley	Wallsend	Ebbw Vale
Ashington	Bootle	Bootle	Consett	Stanley
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
Winchester	Winchester	Winchester	Richmond Upon Thames	Winchester
Rickmansworth	Rickmansworth	Rickmansworth	Winchester	Rickmansworth

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.

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 £30,486¹.**

Note ¹ this is based on the UK average salary for nurses (SOC 3211) from the April 2010 ASHE release uplifted by the change in the public sector workers average earnings index to January 2011.

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 2010 release and uplifted by the change in the public sector workers average earnings index to January 2011.

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 2010. 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).

Low cost Homeownership Schemes sponsored by the Government

Previous schemes designed specifically to help key public sectors employees buy homes have been replaced by schemes that cover all workers as long they meet eligibility criteria.

For further details please refer to:

http://www.direct.gov.uk/en/HomeAndCommunity/BuyingAndSellingYourHome/HomeBuyingSchemes/DG_4001347

http://www.direct.gov.uk/en/HomeAndCommunity/BuyingAndSellingYourHome/HomeBuyingSchemes/DG_171504

Ends

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance. © HBOS plc all rights reserved 2009"

For further information please contact:

Helpline No 08456 045404

Email housingeconomics@lloydsbanking.com

Press Office Contacts:

Nick Osbourne Tel: 0207 356 1714 Mobile: 07912 553 597

Emma Partridge Tel: 01902 325 180 Mobile: 07824 471 951

Clare Mortimer Tel: 01902 302 252 Mobile: 07768 541 555