

Press Release

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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 493 post towns (including 32 London boroughs) across the UK. **A town is classified as affordable if the average house price in the town is lower than the price someone on average earnings in the relevant key worker occupation can pay based on the historical house price to average earnings ratio of 4.0 (see Editor's 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 **2007 Quarter 3 to 2009 Quarter 1**.

Improvement in housing affordability for key public sector workers since 2007

Housing affordability for key public sector workers has improved since house prices peaked in 2007 quarter three. Nearly one in six towns (18%) has become affordable for the average key worker since the summer of 2007. Whilst the majority of towns remain unaffordable, **one in five towns (21%) is now calculated by Halifax to be affordable for key workers compared to only (3%) in 2007.**

Employees in each of the five key worker groups analysed have seen improved affordability since 2007. The biggest improvement has been for police officers. More than one in three towns (37%) were affordable for police officers in 2009 quarter one compared with one in seven (15%) in 2007.

Martin Ellis, housing economist at Halifax, commented:

"There has been an improvement in housing affordability for key public sector workers across many parts of the UK since house prices reached a peak in 2007. Nearly one in six towns has become affordable for the average key worker since then due to a combination of lower house prices and increased earnings. Despite this improvement, housing in the majority of towns remains unaffordable for the typical key worker.

Police officers and teachers have seen the biggest improvements in the number of towns where housing is affordable. Another striking feature is that all of the affordable towns are outside southern England, which means that key public sector workers are still heavily constrained in the housing market in the South."

ADDITIONAL KEY FINDINGS

Key worker affordability by Town

The biggest improvement in affordability since 2007 has been in Billingham in the North East, where the average house price to average key worker earnings ratio has dropped from 6.0 to 3.7 – an improvement of 2.3. Deeside in Wales (5.7 to 3.7) has seen the next biggest improvement.

Grangemouth is the most affordable town for key workers with an a house price to earnings ratio of 2.7, followed by Peterlee and Nelson (both 2.8).

Kensington and Chelsea is the least affordable area for key workers, with a house price to earnings ratio of 14.9; followed by the neighbouring areas of Hammersmith and Fulham (13.8) and Westminster (13.6).

Key worker affordability by Region

The most affordable region for key workers is Yorkshire and the Humber with a house price to average key worker earnings ratio of 3.5 in 2009, followed by Scotland and Wales (both 3.7) and North West (3.8).

Greater London and the South East are the least affordable regions for key workers. However these two regions, along with Northern Ireland, have seen the largest fall in the house price to earnings ratio since 2007. In 2007, the average house price in the capital was almost nine times the average key worker salary; by 2009 the ratio had dropped to 6.4.

Key worker affordability by Occupation

Teachers have seen a substantial improvement in affordability. More than one in four towns (26%) was affordable for the average teacher in 2009 compared with only one in 16 towns (6%) in 2007. Nelson in Lancashire is the most affordable town for teachers (2.6).

Nursing is the key worker group with the most affordability problems. The average house in only 3% of towns across the UK is affordable for nurses; marking only a slight improvement from less than 0.4% in 2007. Grangemouth is the most affordable town in the UK for nurses.

Firemen and paramedics have seen moderate improvements in affordability compared to their counterparts in the police force or teaching, but have fared substantially better than nurses. One-third of all towns are affordable for paramedics.

Key worker affordability of flats

Falkirk has the most affordable flats and maisonettes for all of the key worker groups, with a house price to earnings ratio of 2.31. Nine of the ten most affordable areas for flats are in Scotland, such as Paisley (2.50) and Coatbridge (2.54).

Barking and Dagenham is the only London borough where flats are affordable for key workers (3.65).

Table 1: 10 Towns with the Biggest Improvement in Affordability for Key Workers*, 2007Q3-2009Q1

Town	Region	House Price/Earnings Ratio 2007	House Price/Earnings Ratio 2009	Change in ratio
Billingham	North East	6.0	3.7	2.3
Deeside	Wales	5.7	3.7	2.0
Seaham	North East	5.2	3.7	1.5
Llanelli	Wales	5.1	3.6	1.5
Caerphilly	Wales	5.5	4.0	1.5
Pudsey	Yorkshire and the Humber	5.4	3.9	1.5
Houghton Le Spring	North East	5.1	3.7	1.4
Scarborough	Yorkshire and the Humber	5.3	3.9	1.4
Hartlepool	North East	5.1	3.8	1.3
Blackwood	Wales	4.9	3.6	1.3

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*, 2009 quarter 1

Town	Region	House Price/Earnings Ratio 2007 Q3	House Price/Earnings Ratio 2009 Q1
Grangemouth	Scotland	3.4	2.7
Nelson	North West	3.6	2.8
Peterlee	North	3.7	2.8
Merthyr Tydfil	Wales	3.7	3.0
Bellshill	Scotland	3.6	3.0
Mexborough	Yorkshire and Humberside	4.3	3.1
Bootle	North West	3.7	3.1
Ebbw Vale	Wales	4.3	3.1
Cumnock	Scotland	3.6	3.2
Ardrossan	Scotland	4.3	3.3

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 House Price to Earnings Ratio for Key Workers* by region and affordability status

Region	2007 Quarter 3	2009 Quarter 1	Key Worker Affordability Status
North East	5.1	4.2	Improving and almost affordable
North West	5.0	3.8	Improving and affordable
Yorkshire and the Humber	4.8	3.5	Improving and affordable
West Midlands	5.9	4.5	Improving and almost affordable
East Midlands	5.6	4.2	Improving and almost affordable
East Anglia	6.5	4.9	Improving and but not affordable
Greater London	8.9	6.4	Improving and but not affordable
South East	8.6	6.4	Improving and but not affordable
South West	7.1	5.2	Improving and but not affordable
Wales	5.5	3.7	Improving and affordable
Scotland	4.4	3.7	Improving and affordable
Northern Ireland	7.9	5.5	Improving and but not affordable
U.K.	6.3	4.7	Improving and but not affordable

Source: 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 4: Regional Affordability for Key Workers*

Region	Most Affordable	Least Affordable
	2009	2009
North East	Peterlee	Morpeth
Yorkshire & the Humber	Mexborough	Ilkley
North West	Nelson	Wilmslow
East Midlands	Sutton in Ashfield	Stamford
West Midlands	Stoke on Trent	Stratford upon Avon
East of England	Great Yarmouth	Cambridge
South West	Plymouth	Christchurch
South East	Gosport	Guildford
Greater London	Barking and Dagengham	Kensington and Chelsea
Wales	Merthyr Tydfil	Pontyclun
Scotland	Grangemouth	Inverurie
Northern Ireland	Craigavon	Newry

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 5: Most Affordable and Least Affordable towns for key worker group - 2009 Q1

Fire Fighters	Police Officers	Teachers	Paramedics	Nurses
Most Affordable				
Peterlee	Grangemouth	Nelson	Peterlee	Grangemouth
Nelson	Nelson	Grangemouth	Nelson	Peterlee
Grangemouth	Peterlee	Peterlee	Merthyr Tydfil	Nelson
Ashington	Merthyr Tydfil	Bootle	Grangemouth	Bellshill
Bootle	Bellshill	Mexborough	Ebbw Vale	Cumnock
Least Affordable				
Cambridge	Bushey	Camden	Camden	Camden
Ilkley	Guildford	Wandsworth	Wandsworth	Wandsworth
Westminster	Westminster	Westminster	Westminster	Westminster
Hammersmith And Fulham	Hammersmith And Fulham	Hammersmith And Fulham	Hammersmith And Fulham	Hammersmith And Fulham
Kensington And Chelsea	Kensington And Chelsea	Kensington And Chelsea	Kensington And Chelsea	Kensington And Chelsea

Sources: Halifax and ONS

EDITORS' NOTES:

***AFFORDABILITY CALCULATION**

To determine which towns are unaffordable for key public sector workers we have analysed the house price: earnings ratio for each key public sector worker occupation in each town against the UK average first time buyer (FTB) annual house price: earnings ratio (4.0, which is the long term average). Where key public sector worker price to earnings ratio is below 4.0 the town is classified as affordable; above 4.0 is unaffordable. This measure takes into consideration single income only, and hence the ratio is conservative.

The house price: earnings ratio for key public sector worker occupations is calculated by dividing the average house price by 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. So, very importantly, the numbers used in this release are not entry-level salaries, e.g. the ONS average salary for a nurse is £28,858¹.

The multiple of 4.0 is in line with the average house price to income ratio associated with all first time buyers over the last 20 years (1989-2008). (Source: Halifax). This 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.

Note¹ this is based on the UK average salary for nurses (SOC 3211) from the April 2008 ASHE release uplifted by the change in the public sector workers average earnings index to January 2009.

DATA SOURCES:

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

House Prices

At UK and regional levels, the prices used in this research are the *standardised* average prices, according to the Halifax House Price Index (seasonally adjusted).

At 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 2008 release and uplifted by the change in the public sector workers average earnings index to January 2009.

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.

- An average annual salary of £34,552 in 2009 for full-time **teachers** (SOC 2314/2315) in primary and secondary school roles.
- An average salary of £28,858 for full-time **nurses** (SOC 3211).
- An average salary of £39,944 for full-time **police officers** (SOC 3312) who hold the rank of sergeant or below.
- An average salary of £32,058 for full-time **fire fighters** (SOC 3313) at the rank of leading fire officer or below.
- An average salary of £38,792 for full-time paramedics (SOC 3213).

KEY WORKER LIVING SCHEME

The Key Worker Living scheme was launched by the Government in 2004 to help certain public sector employees to buy a home, upgrade to a family home or rent a home at an affordable price. The scheme is targeted at key worker groups in London, the South East and East of England where there are problems with recruitment and retention.

More information can be found on the Communities and Local Government site:

http://www.direct.gov.uk/en/HomeAndCommunity/BuyingAndSellingYourHome/HomeBuyingSchemes/DG_4001345

<http://www.communities.gov.uk/housing/buyingselling/ownershipschemes/homebuy/keyworkerliving/>

The main aspects are:

Eligibility

Key workers who may get help are:

- Clinical NHS staff (with the exception of doctors and dentists);
- Teachers and nursery nurses in schools and further education/sixth form colleges;
- Police officers, Community Support Officers and some civilian staff;
- Prison Service staff in certain prisons;
- Probation Service staff;
- Social workers, nursery nurses, educational psychologists, and therapists (e.g. occupational therapists) employed by local authorities, CAF/CASS or the NHS;
- Local Authority Planners; and
- Firefighters and other uniformed staff below principal level in Fire and Rescue Services.

The programme is limited to key workers in the following areas:

London

Berkshire, Buckinghamshire and Oxfordshire

Hampshire

Surrey

Hertfordshire

Kent, Sussex and Essex

Bedfordshire and Cambridgeshire

Norfolk and Suffolk

Availability

The main source of key worker funding to purchase a home is now provided through the Homebuy scheme. The Homebuy scheme has three arms –Open market Homebuy, New build Homebuy and Social Homebuy with Open market and New build being the relevant streams for key workers.

Additional to this key workers may also be able to take up 'Intermediate renting' where the rent is set at a level between that charged by social and private landlords and the accommodation is provided by a registered social landlord.

OPEN MARKET HOMEBUY

- Open to households with an income less than £60,000 a year.
- Purchasers will be expected to raise finance to purchase around 50% of a home on the open market. A housing provider will provide a loan of up to 15%-50% for the balance required.
- The loan must be repaid when the purchaser sells their home or ceases to be a key worker. The amount to be repaid will be the same percentage (e.g. 25%) of the value of the home.
- This scheme is primarily for key workers but will be available on a more limited scale to social tenants and other priority first time buyers.
- Four mortgage lenders, including HBOS, are funding equity loans through the Open Market HomeBuy option.

NEW BUILD HOMEBUY

- Purchasers will buy a minimum initial purchase of 25% of a newly-built home. A housing provider will hold the remainder of the equity on which the borrower will pay rent. The provider will be able to levy a maximum charge of up to 3.0% on their equity. A lower target average for the charge will be set at 2.75%.
- Purchasers may buy further shares in their home when they can afford to do so - a process known as "stair casing". The purchase of further shares will be at market value.
- The First Time Buyers Initiative - using public sector land in an innovative way to provide affordable housing - will be a form of New Build HomeBuy.

Ends

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