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The **Bank of Scotland Key Worker Housing Review** tracks housing affordability for five groups of public sector workers: nurses, teachers, police officers, fire fighters and paramedics in 62 Scottish post towns. 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. The calculation is based on a single income and is, therefore, conservative. The review is compiled using information from the Bank of Scotland housing statistics database and earnings data from the ONS for the period 2007 Quarter 3 to 2009 Quarter 1.

## Housing affordability improves for Scottish key workers

Scottish key workers have seen a marked improvement in housing affordability, according to the latest Bank of Scotland Key Worker Housing Review, which shows that the average house price in 39% of towns surveyed is now within the means of nurses, teachers, police officers, fire fighters and paramedics, compared to just 15% in 2007.

### **Affordability by occupation**

Scottish teachers have seen an improvement in housing affordability. More than a third of towns (35%) were affordable for the average teacher in 2009 compared with only one 18% in 2007. Grangemouth is the most affordable town for teachers with an average house price to earnings ratio of 2.7.

Nursing and fire fighters are the key worker groups with the most affordability problems. The average house in only 11% of towns across the Scotland is classed as affordable.

### **Affordability by town**

The biggest improvements in affordability since 2007 have been in Alloa and Musselburgh, where the average house price to average key worker earnings ratio has dropped from 4.8 to 3.6 and 6.1 to 4.9 respectively – an improvement of 1.2. Despite this improvement, property in Musselburgh remains unaffordable for the average key worker (i.e. the house price earnings ratio is still above 4.0).

Grangemouth is the most affordable town for key workers with a house price to earnings ratio of 2.7, followed by Bellshill (3.0). Inverurie is the least affordable town for Scottish key workers, with a house price to earnings ratio of 6.8, followed by Linlithgow (6.7) and Tranent (6.6).

**Martin Ellis, housing economist at Bank of Scotland, 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. A quarter of Scottish towns have become affordable for the average key worker since then due to a combination of lower house prices and increased earnings. Despite this improvement only 11% towns across Scotland are affordable for all key worker groups."

## ADDITIONAL KEY FINDINGS

### Key worker affordability by UK 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 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 2.3. Nine of the ten most affordable areas across the UK for flats are in Scotland, such as Paisley (2.5) and Coatbridge (2.5).

**Table 1: House Price to Earnings Ratio for Key Workers\* by region and affordability status**

Region	Q3 2007	Q1 2009	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
<b>Scotland</b>	<b>4.4</b>	<b>3.7</b>	<b>Improving and affordable</b>
Northern Ireland	7.9	5.5	Improving and but not affordable
<b>U.K.</b>	<b>6.3</b>	<b>4.7</b>	<b>Improving and but not affordable</b>

Source: Bank of Scotland 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: Regional Affordability for Key Workers\***

	Most Affordable	Least Affordable
Region	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
<b>Scotland</b>	<b>Grangemouth</b>	<b>Inverurie</b>
Northern Ireland	Craigavon	Newry

Sources: Bank of Scotland 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: 10 Scottish towns with the biggest improvement in affordability for key workers\*, Q3 2007-Q1 2009**

Town	House price / earnings ratio - 2007	House price / earnings ratio - 2009	Change in ratio
Musselburgh	6.1	4.9	1.2
Alloa	4.8	3.6	1.2
Helensburgh	6.2	5.1	1.1
Ardrossan	4.3	3.3	1.0
Hawick	4.5	3.5	1.0
Leven	4.4	3.5	1.0
Lanark	5.0	4.1	0.9
Johnstone	4.9	4.0	0.9
Erskine	4.6	3.7	0.9
Ayr	5.2	4.4	0.9

Sources: Bank of Scotland 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: 10 most affordable Scottish towns for Key Workers in 2009\***

Town	House price / earnings ratio - 2007	House price / earnings ratio - 2009
Grangemouth	3.4	2.7
Bellshill	3.6	3.0
Cumnock	3.6	3.2
Ardrossan	4.3	3.3
Larkhall	4.1	3.3
Clydebank	3.7	3.3
Saltcoats	4.1	3.4
Leven	4.4	3.5
Hawick	4.5	3.5
Irvine	4.2	3.5

Sources: Bank of Scotland 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: 10 least affordable Scottish towns for Key Workers in 2009\***

Town	House price / earnings ratio - 2007	House price / earnings ratio - 2009
Inverurie	6.8	6.8
Linlithgow	6.3	6.7
Tranent	6.7	6.6
Edinburgh	7.1	6.3
Ellon	6.5	6.1
Stonehaven	6.7	6.0
Bonnyrigg	5.5	5.8
Aberdeen	6.2	5.5
Larbert	5.7	5.4
Dalkeith	6.0	5.4

Sources: Bank of Scotland 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

## **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 £28,858 <sup>1</sup>.

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: Bank of Scotland). 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.

Note <sup>1</sup> 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 Bank of Scotland'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 Bank of Scotland 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).

*"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."*