

HOT TOPICS

Why housing has never been more unaffordable for ordinary working people

Data shows that only those earning £3 million can buy where they want — even MPs would struggle in a third of the country



£74,000: the annual salary required to get a mortgage for the median home on a single income (based on average 4:1 loan-to-income ratio used by lenders)
ILLUSTRATED BY TONY BELL

Martina Lees | Sunday November 13 2022, 12.01am, The Sunday Times

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Joanne Brown, a veterinary nurse, is 47 years old but still cannot afford to buy her own home. “I’m relying on the housing market to go right down. That would be the only way I could do it,” she says.

The average property in England and Wales costs more than ten times her annual income of £30,000. In August Brown was on the verge of finally buying a two-bedroom terraced cottage in Hertfordshire for £300,000 to share with her rescued chihuahuas, Rollins and Carmen. She had boarded in nurses’ accommodation for more than 20 years, but now an inheritance meant she could raise a £140,000 deposit.

Then Kwasi Kwarteng's disastrous mini-budget sent interest rates rocketing. "Everything changed," Brown says. Six weeks on, she needed to find an extra £60,000 in cash plus £700 a month more in income to qualify for a mortgage. Bereft, Brown pulled out. "As a single person you can only borrow so many times your salary," she says. "You get no help from anywhere."

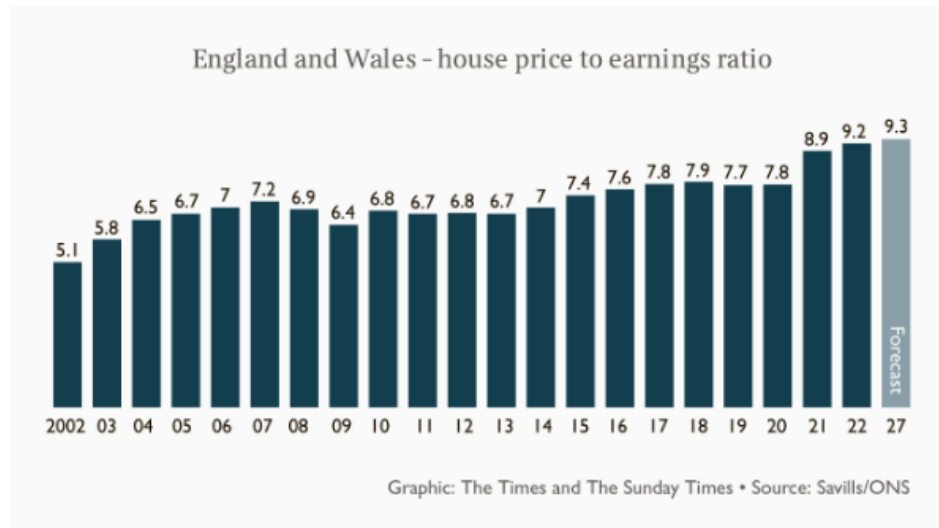
Even with two incomes, millions of ordinary working people have little hope of ever owning a home. A newly qualified nurse has to pay more than ten times their annual earnings (£27,055) for the average home in 92 per cent of the country, according to exclusive analysis of government data on incomes and house prices by Savills estate agency.



Joanne Brown, 47, a veterinary nurse and artist earning £30,000 a year, cannot afford to buy in Hertfordshire, where she lives

In 41 per cent of locations in England and Wales, the cost of a home now exceeds ten times the median annual income — up from 24 per cent before the pandemic and just 1 per cent 20 years ago.

“It was either rent in London and remain at a company that I love or move out and become a homeowner. I really didn’t think I could have both. During the pandemic I found myself looking for jobs outside of the capital just so I could have a fighting chance of getting on the property ladder,” Evans says.



In every single London borough the median home now tops 10 times annual income. Last year Bexley and Barking & Dagenham became the last councils in the capital to cross this threshold. It was in Barking where Evans spotted Pocket Living’s 38 sq m one-bedroom flats from £192,000 — at least 20 per cent discounted on local prices — last December. “It was the first time I had seen something within my price range.” She made an offer. Days later it was accepted.

Before the pandemic London was the only region where the average home exceeded ten times annual income. In the past two years the southwest, east and southeast of England have all crossed this threshold too. Bristol (£353,219), Harrogate (£354,139) and Herefordshire (£310,586) were among 20 local authorities that joined the 10-to-1 club in the past year.

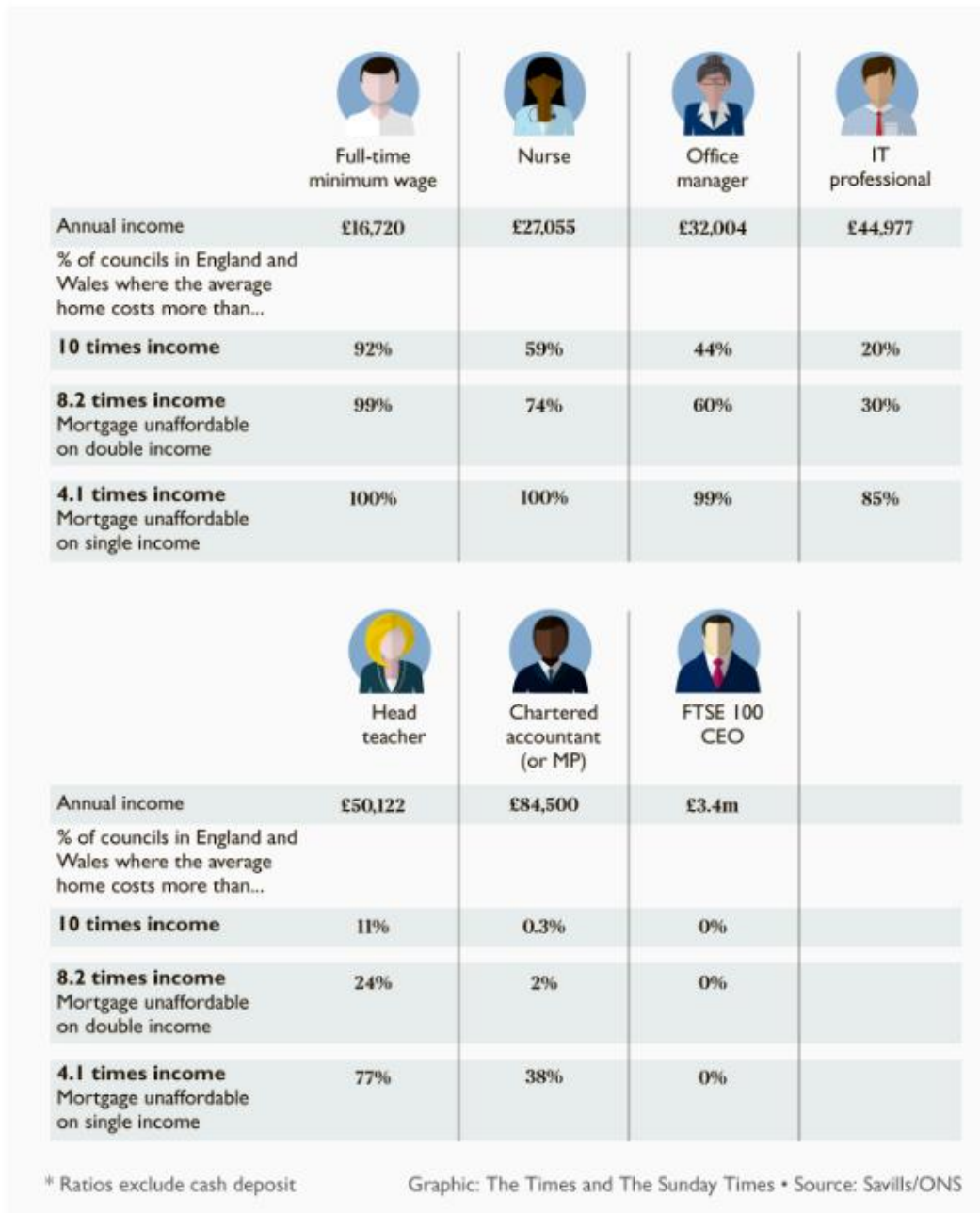


Bristol was among 20 local authorities that joined the 10-to-1 club
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“It is desperate for people who want to own a home and increasingly see the prospect disappearing into the distance,” says Clive Betts, chairman of the housing select committee and the Labour MP for Sheffield South East. “It just becomes a joke, because it simply is so unaffordable now. It’s not just in London, but many parts of the country as well . . . People in reasonable, middle-ranking jobs who ought to be able to afford to buy their home simply can’t. It just shows a completely failed housing market,” Betts says.

Rising interest rates are an “immediate issue driving up the cost”, but long-term Betts attributes the affordability crisis to a shortage of homes. “It comes back to the government not merely having an aspiration to build 300,000 homes a year, but a plan to achieve it.”

By contrast, house price-to-income ratios are 5:3 in the northeast and 6:7 in the northwest. “Affordability is far less stretched on average than in the south,” Bowles says. The most affordable areas, with house prices just over four times median income, are Copeland (£149,469) on the Cumbrian coast and Co Durham (£131,829).



Despite that, single full-time minimum wage earners (£16,720) cannot get a mortgage on the average home anywhere in England. On single incomes, IT professionals (£44,977) and head teachers (£50,122) are priced out of mortgages in 85 per cent and 77 per cent of areas respectively.

“Looking ahead, rising mortgage interest rates will make homeownership less affordable to a far greater extent than price growth did in the 2010s and 2020s, which happened in the context of falling or very low mortgage rates,” Bowles forecasts.

“That’s why we’ve predicted that average house prices across the UK will fall by 10 per cent next year, only bouncing back once we start to see interest rates fall again in 2024. First-time buyers will be particularly affected. While lower house prices might look attractive for them at first glance, higher interest costs and fewer mortgage products available for buyers with small deposits mean they will face a challenging market.”