



**Centre for Housing Policy  
research summary**

**Home ownership  
affordability in Wales**



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## Home ownership affordability in Wales

**This study provides an analysis of the difficulties that working households face in accessing home ownership in every area of Wales at the end of 2003.**

**It shows the ratio between local house prices for 2/3 bedroom dwellings at the end of 2003 and the household earned incomes of local working households aged from 20 to 39. A comparable analysis of house price to income ratios for English authorities was published earlier this year.**

-  Average house price to household earnings ratios for working households exceed six to one in Ceredigion. They exceed four to one in three other areas: Cardiff (4.99), Conwy (4.72) and Denbighshire (4.15).
-  The average house price to household earned income ratio for Wales, as a whole, is 3.54 to one. This is lower than the average for England (4.11), but higher than the regional averages for the northern regions of England and the East Midlands.
-  In seven areas house price to household gross earned income ratios are less than three to one: Bridgend (2.99), Torfaen (2.92), Caerphilly (2.91), Neath Port Talbot (2.78), Rhondda Cynon Taf, (2.70), Merthyr Tydfil (2.28) and Blaenau Gwent (1.99).
-  Amongst English authorities only four small districts in the south west have higher ratios than Ceredigion, which has the fifth highest ratio in all of England and Wales. The Ceredigion ratio is higher than the highest level for any individual London borough (Westminster : 6.17).
-  Average house prices in Cardiff and Monmouthshire are higher than in Ceredigion. However household earned incomes are lower in Ceredigion than in any other area in Wales, and it is the combination of relatively high prices and very low incomes that results in the very high ratio for Ceredigion.

## House price to household income ratios

This paper sets out house price to household earned income ratios for working households aged 20 – 39 in Wales. The analysis follows the same methodology and uses the same data sets as the affordability analyses for England published by the Joseph Rowntree Foundation earlier this year.

The analysis is based on house prices for 2/3 bedroom dwellings in each area in the fourth quarter of 2003, derived from the Survey of Mortgage Lenders. This data provides a consistent measure of house prices for a modest size family dwelling in every local authority area in Wales. This data is preferred to the Land Registry house price data, as that is based on a variable size mix of dwellings in each area, and cannot therefore provide a standardised measure of the difficulty of accessing owner occupation as between one area and another.

The analysis is confined to working households with a household representative aged from 20 to 39. The great majority of first time home buying households are drawn from this population group.

The analysis is based on gross household earned incomes; not the incomes of individuals. This is because it is households that buy houses, and in the majority of cases this involves households with two (or more) working adults.

Gross earned income data, for Wales as a whole, is taken from the Expenditure and Food Survey (EFS). Local income data is only available for individuals, and for this analysis it has been derived from Inland Revenue survey data. It is combined with Labour Force Survey data, showing the numbers of working households with single or multiple adult earners, to compute local household gross earnings figures consistent with the regional earnings figures taken direct from EFS. The earnings figures are all then uprated to 2003 levels. A fuller methodological note is set out below.

## The results

The average house price to household earned income ratio for Wales, as a whole, is 3.54 to one. This is lower than the average for England (4.11), but higher than the regional averages for the northern regions of England and the East Midlands (Table 1).

This ratio should be seen in the context of the prevailing levels of house price to income multiples available from mortgage lenders to households seeking a mortgage. While lenders have relaxed their lending criteria to a degree to reflect the prevailing lower level of interest rates, average multiples remain at modest levels.

Only a quarter of all mortgage advances to borrowers in 2003, when based on a single income, exceeded 3.75 times income. Similarly, when the advances were based on more than one income only a quarter of all multiples exceeded 3.25 times income.

One point of particular note is that average household earnings in Wales are lower than the level in every individual region of England.

**Table 1**  
**Regional house price to income ratios for working households aged 20-39**  
*Based on gross annual household earnings and mean house prices for two and three bedroom dwellings at Quarter 4 2003*

Region	Numbers of working households	Household incomes	House prices	House price to income ratio
WALES	269,564	£25,936	£91,713	3.54
ENGLAND	5,002,470	£36,549	£150,235	4.11
London	816,836	£50,504	£237,053	4.69
South West	482,554	£32,444	£151,147	4.66
South East	820,275	£39,734	£183,175	4.61
East of England	572,729	£37,353	£159,393	4.27
West Midlands	499,106	£30,889	£117,315	3.80
Yorkshire & Humbe	511,539	£28,957	£99,642	3.44
East Midlands	412,391	£33,023	£113,036	3.42
North West	649,450	£30,613	£101,045	3.30
North East	235,590	£28,227	£89,976	3.19

Within Wales average house price to household earnings ratios for working households are highest in Ceredigion, where the ratio is 6.35 to one. This is far higher than any other area in Wales, and higher than in all but four local authority areas in England. Indeed the Ceredigion ratio is higher than the highest level for any individual London borough (Westminster : 6.17).

Average house prices in Cardiff and Monmouthshire are higher than in Ceredigion. However household earned incomes are lower in Ceredigion than in any other area in Wales, and it is the combination of relatively high prices and very low incomes that results in the very high ratio for Ceredigion.

Average house price to earnings ratios exceed four to one in three other areas of Wales: Cardiff (4.99), Conwy (4.72) and Denbighshire (4.15).

At the other end of the scale house price to household gross earned income ratios are less than three to one in seven areas: Bridgend (2.99), Torfaen (2.92), Caerphilly (2.91), Neath Port Talbot (2.78), Rhondda Cynon Taf, (2.70), Merthyr Tydfil (2.28) and Blaenau Gwent (1.99). In these areas households with average levels of earned incomes should have no difficulty in accessing the housing market.

Blaenau Gwent is one of only three areas in England and Wales with ratios below 2:1. The two English areas are Sedgefield (1.97) and Copeland (1.97).

The house price to household earnings ratios for all Welsh authorities are shown in Table 2, ranked from the highest to the lowest ratio.

**Table 2****Local house price to income ratios for working households aged 20 -39**

*Based on gross annual household earnings and mean house prices for two and three bedroom dwellings at Quarter 4 2003*

Area	Household incomes	House prices	House price to income ratios
Ceredigion	£18,894	£120,041	6.35
Cardiff	£24,778	£123,695	4.99
Conwy	£21,160	£99,914	4.72
Denbighshire	£22,025	£91,472	4.15
Pembrokeshire	£26,975	£101,501	3.76
Vale of Glamorgan	£30,706	£113,880	3.71
Swansea	£23,961	£88,482	3.69
Newport	£26,810	£98,306	3.67
Powys	£29,247	£103,505	3.54
Gwynedd	£25,178	£86,486	3.43
Wrexham	£29,328	£100,355	3.42
Monmouthshire	£37,559	£126,723	3.37
Isle of Anglesey	£23,523	£78,583	3.34
Carmarthenshire	£24,677	£76,292	3.09
Flintshire	£32,998	£101,129	3.06
Bridgend	£28,224	£84,369	2.99
Torfaen	£26,725	£78,132	2.92
Caerphilly	£25,355	£73,876	2.91
Neath Port Talbot	£21,578	£60,075	2.78
Rhondda, Cynon, Taf	£23,919	£64,644	2.70
Merthyr Tydfil	£22,872	£56,713	2.48
Blaenau Gwent	£24,436	£48,540	1.99

## Implications of the analysis

Ceredigion, with the highest house price to household earnings ratio in Wales, shares a number of characteristics with the four areas in south west England with the highest ratios in England.

The common features are that they are all relatively small predominantly rural areas with modest size market towns. The demand for housing in those districts comes not just from local working households, but also from the demand for holiday and second homes, and from retired households electing to spend their retirement years in an attractive rural or coastal location.

Those additional demands all put upward pressures on local house prices, pushing up the house price to income ratios, and thus making it more difficult for working households to access the housing market in those areas.

However, unlike the four English districts with exceptionally high ratios, Ceredigion also has a large University population, based at Aberystwyth and Lampeter, and has in consequence a much larger population of young single people, many of whom also compete in the local housing market.

In this context it is also notable that Ceredigion also has a lower proportion of local authority and housing association dwellings than any other local authority in Wales. Just one in eight dwellings in Ceredigion are in the social housing sector, compared to an average of 23% for Wales as a whole. The proportions of social housing are also very small in two of the other Welsh areas with very high ratios: Conwy (13%) and Denbighshire (17%)

The results of this new house price to household earnings analysis thus has important implications for the distribution of the programmes funded by the Welsh Assembly Government, both to provide new social housing, and forms of 'intermediate housing' such as shared ownership schemes for households that find it difficult to access market housing.

## Data sources and methodology

This note provides a brief outline to the data sources and the methodology applied in the construction of the 2003 house price to income ratios. The ratios are based on gross household earned incomes, and the prices of two and three bedroom dwellings. The methodology and data sources are identical to those used for the 2003 analysis of affordability in England published by the Joseph Rowntree Foundation earlier this year.

### *House prices*

The house prices are mean averages for two and three bedroom dwellings, taken from the Survey of Mortgage Lenders. The data is for the fourth quarter of 2003, and the data for the two and three bedroom dwellings have been weighted on the basis of an even mix of each size of dwelling in every local area. This provides a consistent measure of prices for modestly sized family dwelling.

In all areas the Survey of Mortgage Lenders provides a substantial sample (more than 50 cases) at the local level.

### *Incomes*

The Ratios analyses utilise local income data for 2000/1 and 2001/02 obtained from the Inland Revenue. This covers the earned incomes of all individuals aged from 20 to 39 inclusive. This age range has been chosen because the great majority of first time buyers fall within this range. The 2000/01 figures were inflated by 5.2% to 2001/02 values to derive average local earned incomes from the combined years of data. The combined average figures were then inflated by 8.0% to 2003 values.

In all areas the IRS local data was based on a local sample of more than 50 cases for the two years combined.

### *Regional household incomes*

Robust data on household incomes is not available at the local authority level. For Wales as a whole data on gross household earned incomes, analysed by the numbers of adult workers in each household, has been obtained from the Expenditure and Food

Survey (EFS), for households with representatives aged 20 to 39 inclusive. The data is based on three years of the survey, from 2000/01 to 20002/03, in order to ensure a robust regional sample. For the affordability analysis this data has been updated to 2003 levels (by 8.0%), and the Welsh EFS gross household earned income figures provide control totals for the local level estimates of household incomes within each region.

### *Households and employment*

With its enlarged sample size the Labour Force Survey (LFS) can now provide data on the employment status of households at the local level. LFS data for 2001, 2002 and 2003 has been averaged to show the numbers of households in each local authority area, broken down into categories based on the numbers of people in each household in employment. The data shows the numbers of households with nil, one or two or more workers, for households with representatives aged 20 to 39 inclusive.

However, even using three years' data, the sample for the Isle of Anglesey was just 36. The result for the isle of Anglesey should therefore be treated with particular caution.

### *Local household incomes*

Within each local authority area it is assumed that the relationship between the earned incomes of one earner and multi-earner households corresponds with the national relationship shown by the EFS data. Factors are then applied to the local IRS data so that the sums of the computed local household earnings, based on the IRS and LFS data, are consistent with the Welsh EFS figures.

## **About the study**

The analysis was undertaken by Professor Steve Wilcox of the Centre for Housing Policy, University of York. It draws on Survey of Mortgage Lenders house price data, and Expenditure and Food Survey, Labour Force Survey and Inland Revenue data to compute local household incomes.

The study follows on from an earlier study on affordability in England published earlier this year by the Joseph Rowntree Foundation. This analysis of affordability in Wales has also been funded by the Joseph Rowntree Foundation.

## **References**

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