

# NORTHUMBERLAND

Northumberland County Council

## MEASURING HOUSING AFFORDABILITY WITHIN NORTHUMBERLAND

Prepared by: Peter McTaggart

E-mail: [Peter.McTaggart@northumberland.gov.uk](mailto:Peter.McTaggart@northumberland.gov.uk)

Working Paper Number: 103

Date: June 2009

### Contacts

Philip Hanmer – Research Manager

Tel: (01670) 533919

Laurie Turnbull – Research Assistant

Tel: (01670) 533038

Fax: (01670) 533967

E-mail: [infoNet@northumberland.gov.uk](mailto:infoNet@northumberland.gov.uk)

Website: [www.northumberlandinfonet.org.uk](http://www.northumberlandinfonet.org.uk)

The Corporate Research Unit (InfoNet) is part of the Policy & Partnerships Service of Northumberland County Council (in the Performance Directorate); it supports the Corporate Policy Team, other sections of the council and the NSP.





## CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>5</b>
<b>1.0 INTRODUCTION .....</b>	<b>7</b>
<b>2.0 HOUSE PRICES FROM 1998-2008 .....</b>	<b>9</b>
<b>3.0 HOUSE PRICE TRENDS .....</b>	<b>11</b>
<b>4.0 A SIMPLE MEASURE OF AFFORDABILITY .....</b>	<b>13</b>
<b>5.0 A GENERAL MEAN AND MEDIAN MEASURE OF AFFORDABILITY.....</b>	<b>15</b>
<b>6.0 CLG MEASURE OF AFFORDABILITY .....</b>	<b>17</b>
6.1 Median ratio of affordability .....	19
<b>7.0 WORKERS ENTERING THE LQ HOUSING MARKET .....</b>	<b>21</b>
<b>8.0 CONSIDERATIONS .....</b>	<b>23</b>

## TABLE OF FIGURES

Fig. 1: House prices from 1998-2008 at Lower Quartile, Mean & Median. ....	9
Fig. 2: Northumberland house price trends .....	11
Fig. 3: Northumberland lower quartile house price trends .....	12
Fig. 4: Local Workforce Affordability .....	13
Fig. 5: Resident Workforce Affordability .....	14
Fig. 6: General Affordability Measure .....	15
Fig. 7: CLG L Q House prices to L Q earnings affordability .....	17
Fig. 8: CLG L Q House prices to L Q earnings affordability .....	18
Fig. 9: CLG Median house price to median earnings affordability .....	19
Fig. 10 : LQ house prices to LQ income .....	21
Fig. 11: LQ house prices to LQ income ratio affordability ratio for, Professionals, manufacturing operatives, skilled workers & health workers. ....	22



## EXECUTIVE SUMMARY

- Mean house prices in Northumberland (by +186%) have risen by a greater percentage than in England (by +163%) since 1998.
- Entry level property prices in Northumberland (by + 173%) have risen by a greater percentage than in England (by +127%).
- House prices in Northumberland peaked in February 2008, with the average house price at £157,294. In February of 2009 the average price had dropped by 13% to £136,435.
- Northumberland has an affordability measure of 6 for lower quartile house prices to lower quartile earnings, the second highest in the region only to Stockton.
- Median house prices to median earnings ratio for Northumberland in 2002 when house prices started to rise significantly was at 3.6, this measure of affordability in 2008 was at 6.8.
- Alnwick is the least affordable area to try and enter the housing market for people in most occupations, an affordability ratio of 10.2 for workers in skilled trades.



## 1.0 INTRODUCTION

This report provides an analysis of housing market affordability over the past ten years and compares the increases within Northumberland, the North East and England. The report shows how housing market affordability in Northumberland has continued to worsen, due to the surge in house prices over the last 10 years. Set out within this report are a number of approaches that can be used to measure market affordability.

This report examines:

Housing affordability is the price of a house divided by household incomes. Measuring the affordability of home ownership a household can be considered able to afford to buy a home if it costs 3.5 times the annual gross household income, above this is deemed to be less affordable.

A simple measure of House price to Income, applied to local workforce income and resident workforce income gives a general idea of affordability.

A general measure of affordability is obtained, by comparing mean and median income against lower quartile house data, to examine the accessibility of property at entry level to the housing market.

Communities and Local Government (CLG) live tables that provide ratios of lower quartile houses to lower quartile incomes by district.

Finally an analysis of the affordability of workers in a range of occupations who would be entering the housing market as first time buyers within Northumberland.





## 2.0 HOUSE PRICES FROM 1998-2008

Fig. 1: House prices from 1998-2008 at Lower Quartile, Mean & Median.

House Prices 1998-2008	Lower Quartile			Median			Mean		
	1998	2008	Increase	1998	2008	Increase	1998	2008	Increase
ENGLAND	55,000	124,950	127%	63,000	175,000	178%	84,180	221,270	163%
NORTH EAST	31,500	86,000	173%	46,000	119,000	159%	53,658	139,710	160%
Darlington	35,000	93,500	167%	47,500	124,500	162%	55,287	135,254	145%
Hartlepool	19,500	76,000	290%	40,000	109,998	175%	45,788	120,038	162%
Middlesbrough	19,213	72,000	275%	43,850	99,725	127%	46,846	112,482	140%
Redcar & Cleveland	32,750	82,125	151%	43,975	117,250	167%	49,067	125,866	157%
Stockton-on-Tees	35,000	94,125	169%	47,500	125,000	163%	56,273	144,792	157%
Durham	28,000	78,000	179%	41,500	100,000	141%	49,064	125,213	155%
<b>Northumberland</b>	<b>34,850</b>	<b>95,000</b>	<b>173%</b>	<b>53,000</b>	<b>137,000</b>	<b>158%</b>	<b>62,766</b>	<b>179,629</b>	<b>186%</b>
Tyne and Wear	33,500	92,000	175%	46,225	122,500	165%	54,247	142,145	162%

Source: CLG live tables: House prices, Ratios

Figure.1 shows housing prices have risen significantly over a ten year period from 1998 to 2008. The mean percentage increase over this ten year period in Northumberland was + 186%, in the North East +160% and England +163%.

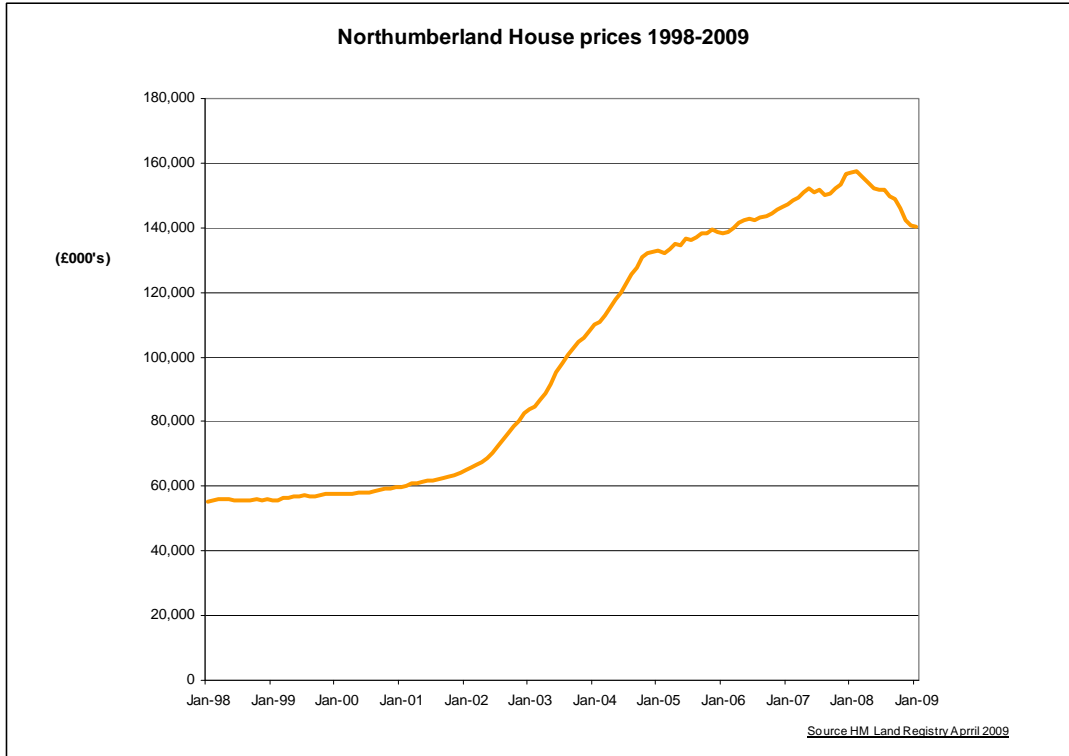
The median house price in Northumberland increased by +158%, with the North East at +159% and in England + 178%.

The increase in lower quartile house prices in Northumberland and the North East (both by +173%) was greater than in England (by +127%). Lower quartile house prices in Northumberland increasing at greater rate (by +173%) than median prices (by +158%) since 1998.



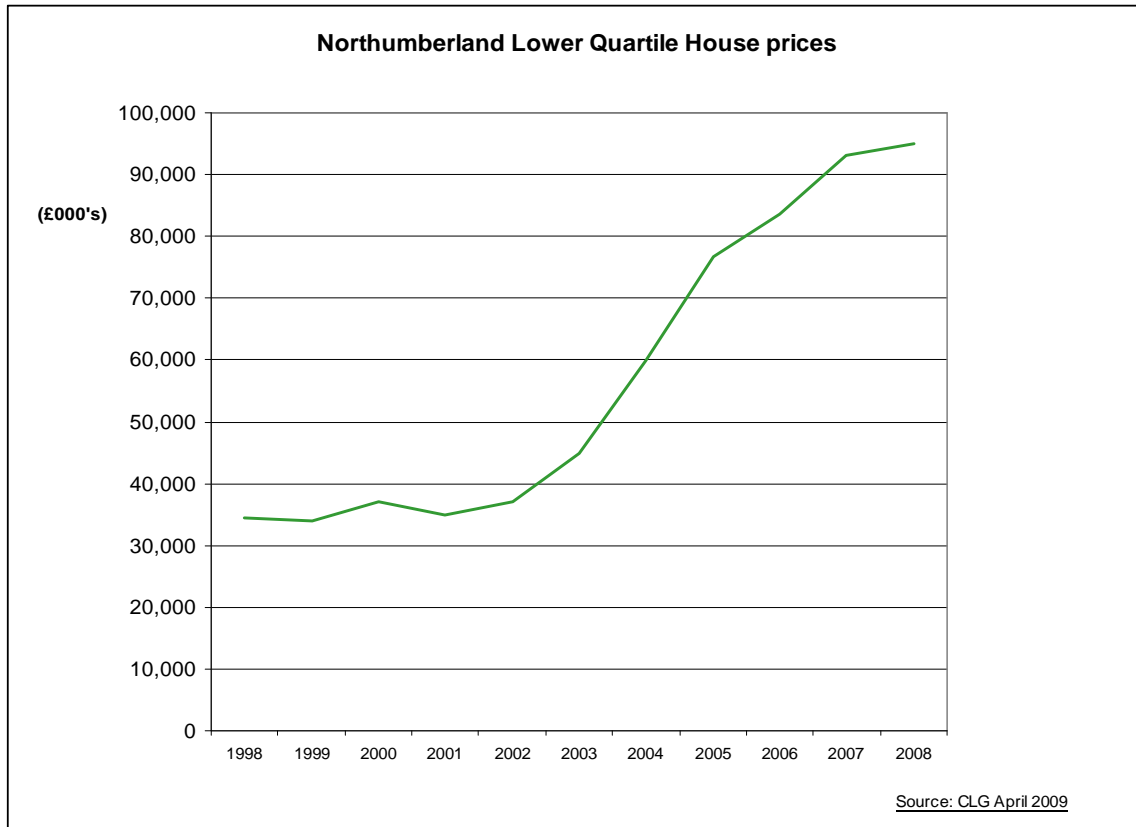
### 3.0 HOUSE PRICE TRENDS

**Fig. 2: Northumberland house price trends**



February 2001 through to February 2008 shows a fluctuating but overall increasing trend in average house prices in Northumberland by 163%, average price going from £60,276 to £157,294. However in the last year the average house price dropped to £136,435, a drop of 13% on the previous year's market peak (Fig.2).

**Fig. 3: Northumberland lower quartile house price trends**



Lower quartile house prices in Northumberland greatly increased from 2001 through to 2008, rising from £34,850 to £95,000 an increase of 173% (Fig.3). There was a similar increase regionally of 173%, though in England prices rose by 127%.

## 4.0 A SIMPLE MEASURE OF AFFORDABILITY

A simple approach is to divide the average house price by the average income, to which a standard indicator can be produced. This measure can be applied in two ways, firstly by the average house price by Local Workforce income, these will be people who live and work within the area (Fig.4). The other approach uses Resident Workforce income; these will be people whose place of work is not necessarily in the area they live (Fig.5).

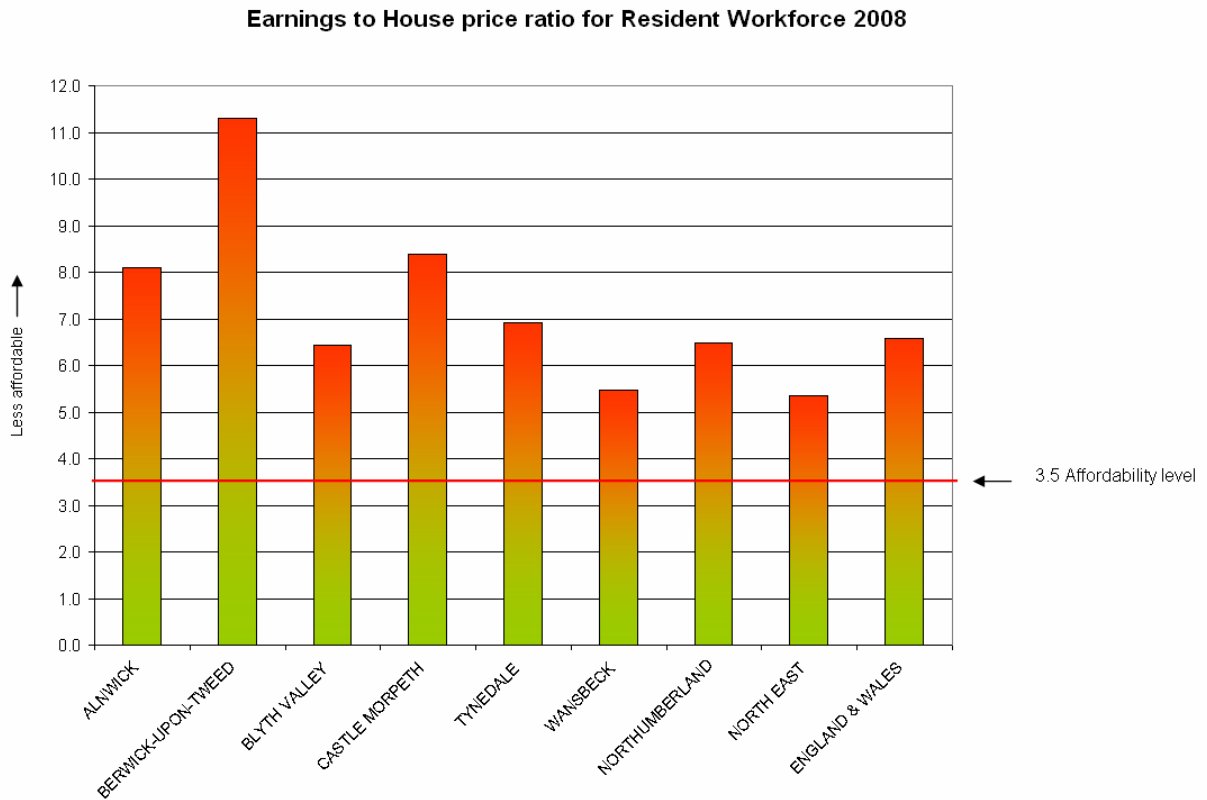
**Fig. 4: Local Workforce Affordability**



Source: Land Registry average house price Oct-Dec 2008  
Annual Survey of Hours and Earnings (ASHE) Full time annual income 2008

Figures 4 & 5. show that there are similar trends between the two different income measures; all areas being seriously above the Government recommend level of affordability. Berwick upon Tweed stands out in both tables as the least affordable area in this simple measure. Castle Morpeth and Tynedale show lower ratios in the Resident table. This could be attributed to the fact that people in these area commute to their place of work to better paid jobs which gives a lower ratio outcome.

**Fig. 5: Resident Workforce Affordability**



Source: Land Registry average house price Oct- Dec 2008  
Annual Survey of Hours and Earnings (ASHE) Full time annual income 2008

## 5.0 A GENERAL MEAN AND MEDIAN MEASURE OF AFFORDABILITY

**Fig. 6: General Affordability Measure**

	Northumberland	North East	England
Mean income	£23,700	£21,000	£26,000
Median income	£16,800	£16,300	£17,900
LQ House price	£97,000	£88,000	£127,000
Mean income/price ratio	4.09	4.19	4.88
Median income/price ratio	5.77	5.40	7.09

Source: Mean & Median income: (HM Revenue & Customs.)  
LQ House prices: Land Registry.

The table (Fig.6) gives a general indication on whether houses prices are deemed affordable in relation to incomes; Lower quartile house prices have been used in this case, to investigate the affordability of being able to purchase an entry level property or starter home. The mean income ratio for Northumberland is 4.09 just above the general accepted measure of affordability, with the North East and the national figure both higher again. The median measure for Northumberland at 5.77 could be considered to be seriously unaffordable; using median figures shows the North East at 5.77 and England at 7.09.

Using this data shows that the median income is less than the mean in all three areas; this indicates an unequal distribution of income where more than half the households earn less than the mean. This is due to the mean being affected by extreme values that pulls the average upwards. If income distribution was more evenly spread the mean and median earnings would be closer together.





## 6.0 CLG MEASURE OF AFFORDABILITY

The Government's guidance is to use the ratio of the lower quartile house prices to the lower quartile earnings. This can be used to compare national, regional and sub-regional scales and can be used to look at change over time between areas.

The chart shows (Fig.7) that Northumberland along with the rest of the North East were within 3.5 level of affordability up until 2002, then a sharp increase year on year until 2007 following the national trend. The drops seen in 2008 most likely coincides with the housing market's reaction to the economic down turn. Even though Northumberland is below the national measure of affordability at 2008, Northumberland is above a measure of 6 along with Stockton on Tees (Fig.8).

**Fig. 7: CLG L Q House prices to L Q earnings affordability**

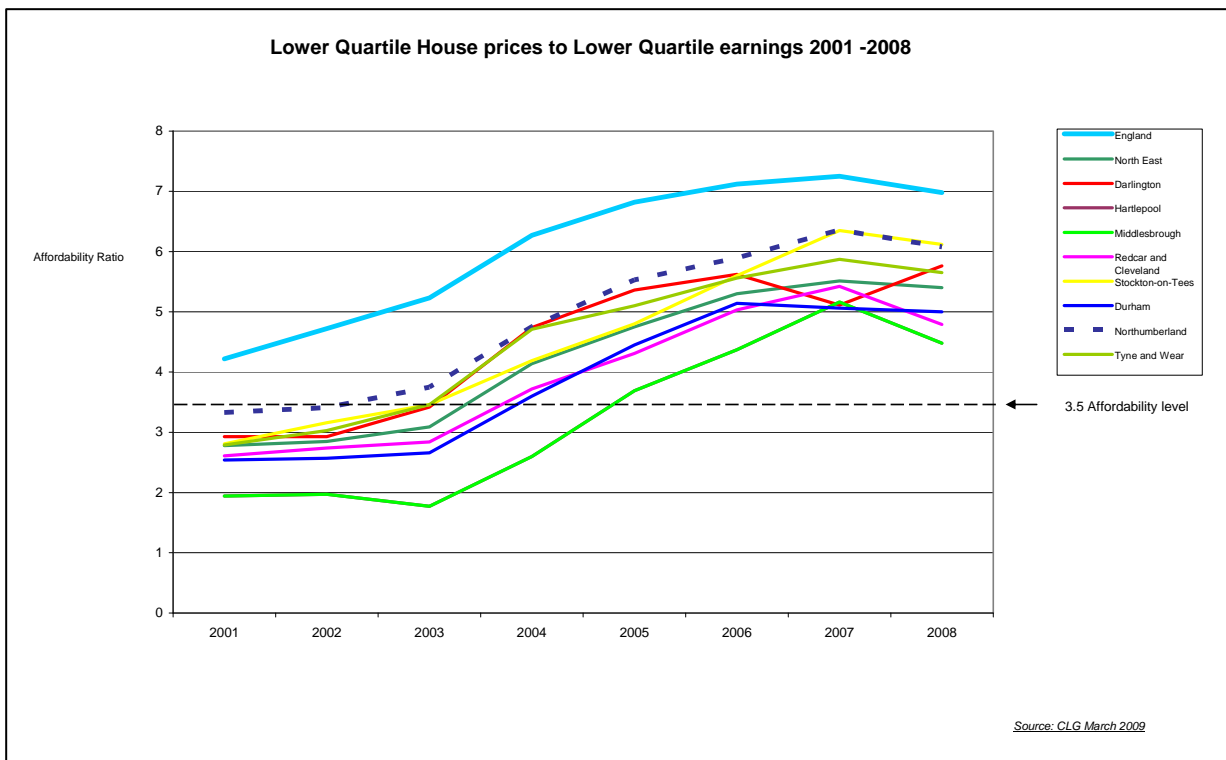
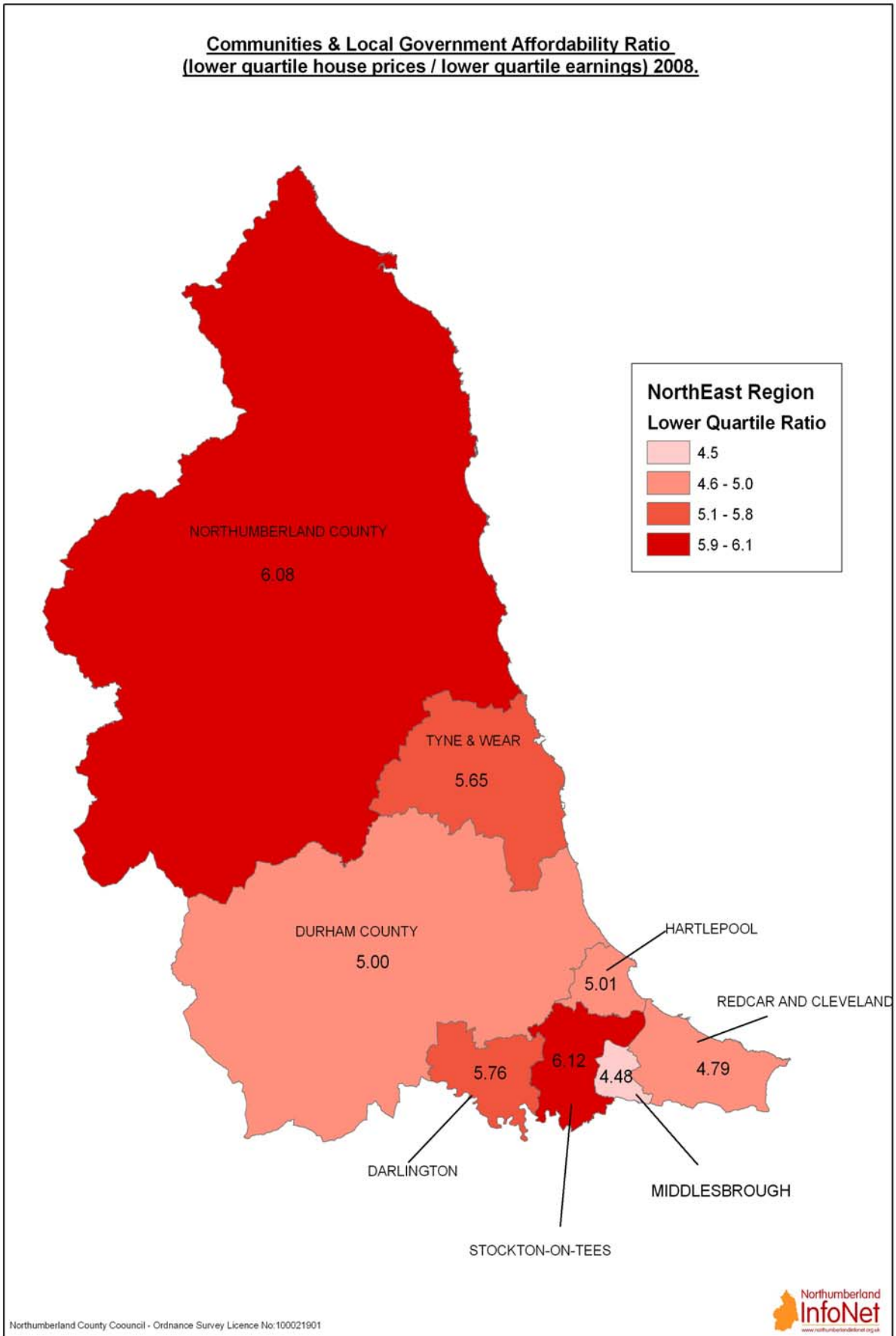
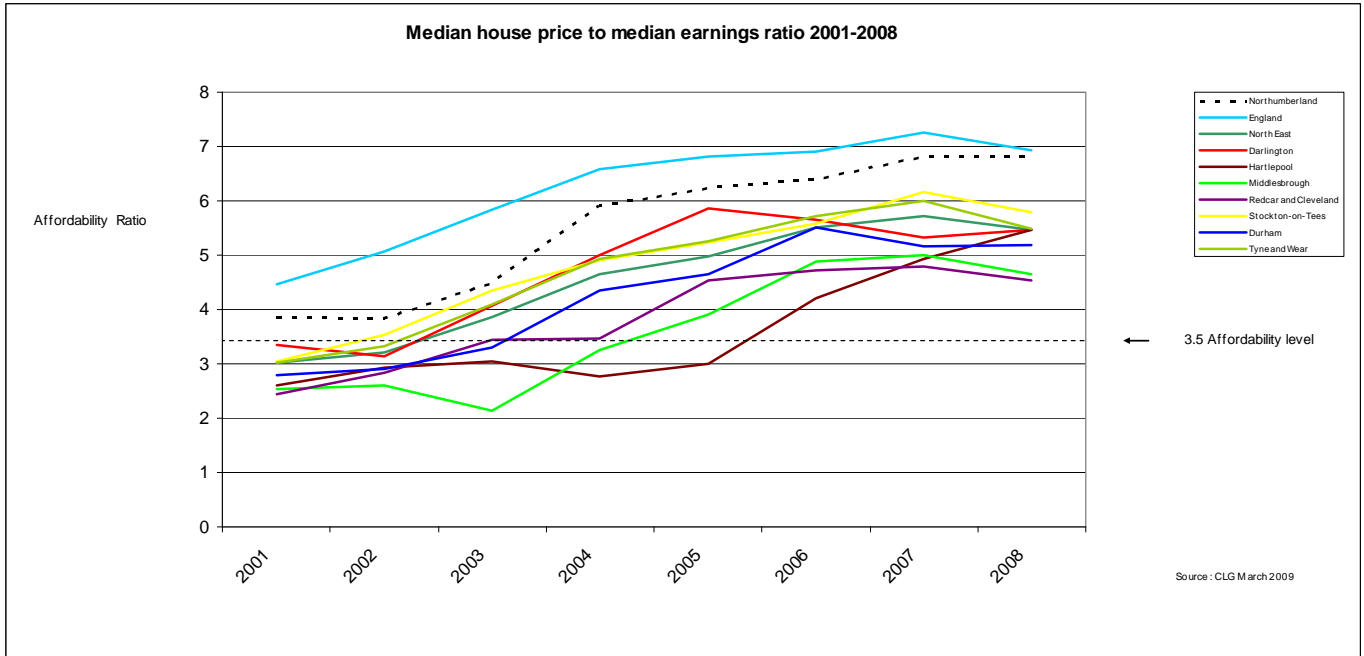


Fig. 8: CLG L Q House prices to L Q earnings affordability



## 6.1 Median ratio of affordability

**Fig. 9: CLG Median house price to median earnings affordability**



The median house price to median earnings ratio shows affordability has worsened through out the North East and the Country (Fig.9) this significant rise has coincided with housing market increasing year on year until 2008.

The level of affordability within Northumberland in 2002 was at a ratio of 3.6, at the time the highest in the region, though below the national level of 4.4. At the peak of the housing boom in 2007 the Northumberland measure of affordability has risen to 6.8 and is the same for the 2008. This levelling off coincides with the downward turn in the housing market.

By 2008 the Northumberland (6.8) level of affordability is practically the same as England at 6.9. With the rest of the regional authority areas below a measure of 6.0, though still significantly well above the 3.5 level of accepted affordability.



## 7.0 WORKERS ENTERING THE LQ HOUSING MARKET

Fig. 10 : LQ house prices to LQ income

		Professional occupations	Health and social welfare associate professionals	Skilled trades occupations	Process, plant and machine operatives
		Lower Quartile Full-time Gross income £££			
		21,343	16,738	13,218	12,751
	LQ house prices £££	Lower Quartile house price / income ratio			
Northumberland	97,000	4.54	5.80	7.34	7.61
Alnwick	135,000	6.33	8.07	10.21	10.59
Berwick-upon-T.	112,500	5.27	6.72	8.51	8.82
Blyth Valley	90,000	4.22	5.38	6.81	7.06
Castle Morpeth	125,000	5.86	7.47	9.46	9.80
Tynedale	130,000	6.09	7.77	9.84	10.20
Wansbeck	78,000	3.65	4.66	5.90	6.12

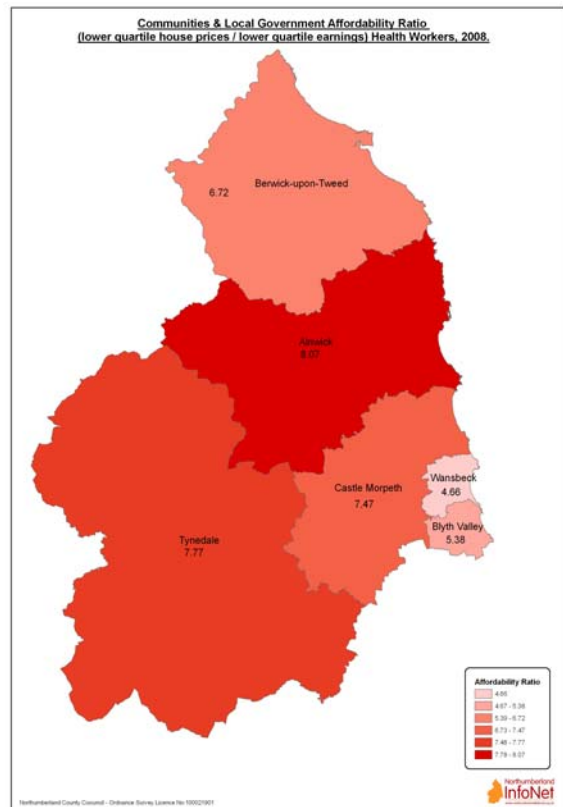
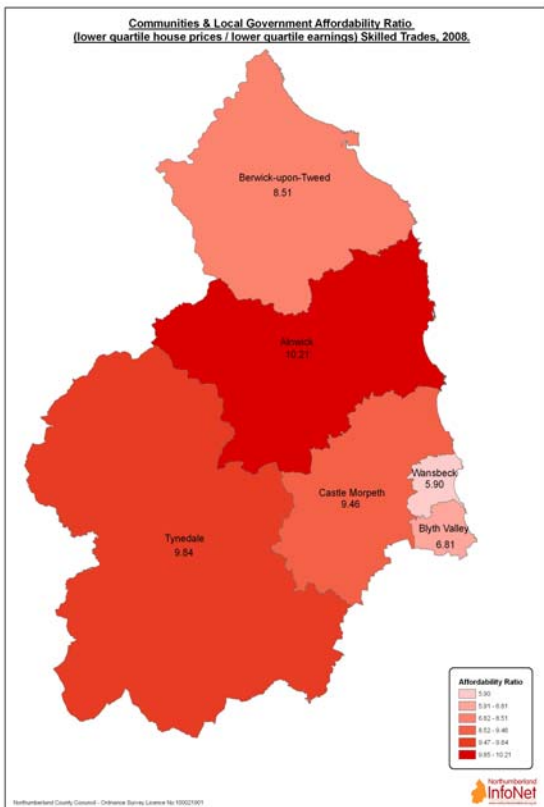
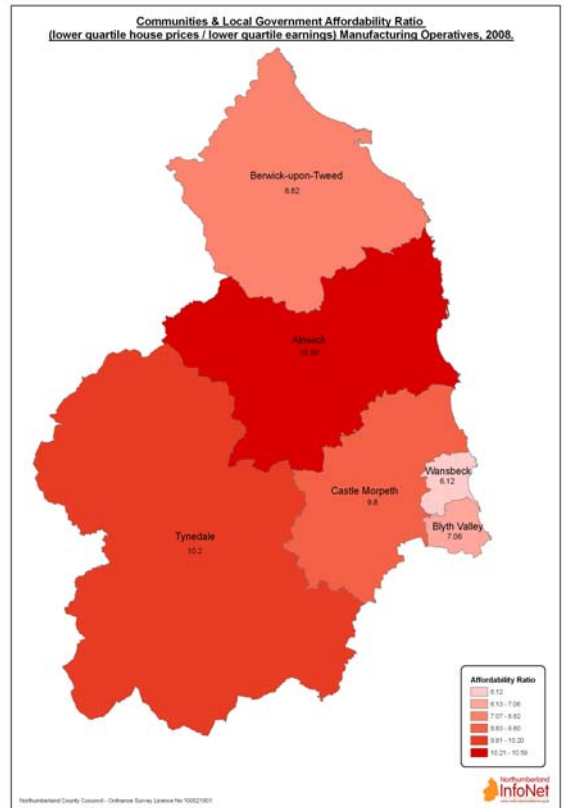
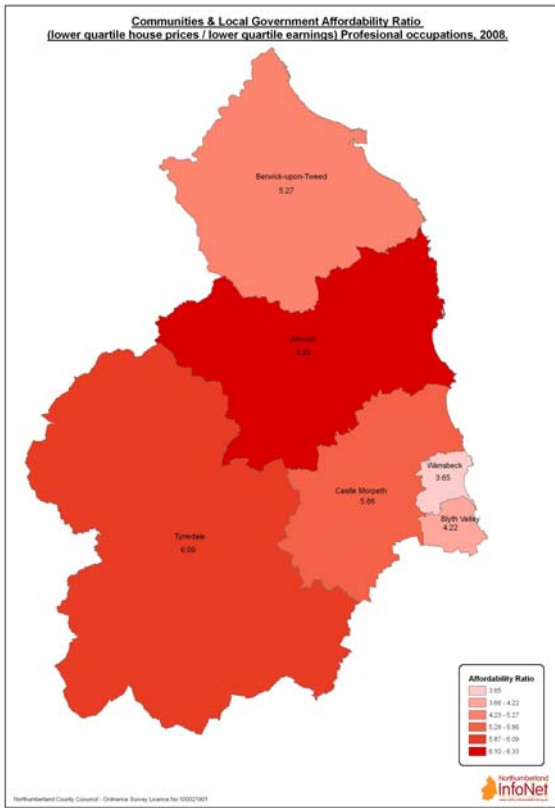
Source : Land Registry LQ Housing prices2007,ASHE (Full time workers annual pay LQ)2007

Rising house prices in recent year's means that significant numbers of first time buyers and workers are struggling to buy a home in an area where they work. Figure 10 looks at the level of affordability for a range of occupations within Northumberland.

As shown the overall majority of lower quartile incomes in a number occupational areas, are shown to be not enough to afford the entry level property market within Northumberland. Only Wansbeck is considered to be affordable to people in professional occupations, at a ratio measure of 3.6.

Workers in Alnwick live in the least affordable area, varying from an affordable ratio of 6.3 for workers in professional occupations and 10.5 for workers in manufacturing jobs.

**Fig. 11: LQ house prices to LQ income ratio affordability ratio for, Professionals, manufacturing operatives, skilled workers & health workers.**



## 8.0 CONSIDERATIONS

All of the following information on the following analysis does not take into consideration that many property buyers may have access to dual income; although this is a trap for families as such incomes may not be sustained over time.

These measures only compare income to the house price, ignoring the fact that the cost of any repayment on a property may actually dictate affordability.

Available funds to put forward as a deposit reducing the overall property price is also a factor determining repayment cost and affordability.

Many households have to resolve the dilemma of affordability by moving to a cheaper area. This maybe easier in an area with a good public transport system, where it is easier to commute to work. The opposite is the case in many rural areas: small towns and villages may be both remote from their nearest neighbour and poorly served (if at all) by public transport.

Along with commuting to work issue, the neighbourhood maybe an area of high deprivation and lacking local amenities. Such factors make the location of the affordable property not in an area of choice for the buyer.

With house prices falling recently; this has put people who have taken out mortgages at a level many times their income at significant financial risk. However, this period of falling prices may also offer opportunities for people previously unable to purchase in the past although prices may not fall enough to help everyone.







# The Corporate Research Unit

## Contacts

**Philip Hanmer – Research Manager**  
Tel: (01670) 533919  
**Laurie Turnbull – Research Assistant**  
Tel: (01670) 533038  
Fax: (01670) 533967

E-mail: [InfoNet@northumberland.gov.uk](mailto:InfoNet@northumberland.gov.uk)

Website: [www.northumberlandinfonet.org.uk](http://www.northumberlandinfonet.org.uk)

The Corporate Research Unit (InfoNet) is part of the Policy & Partnerships Service of Northumberland County Council (in the Performance Directorate); it supports the Corporate Policy Team, other sections of the council and the NSP.



**Corporate Research Publication Feedback Form**

We would greatly appreciate any comments you would like to make on this publication. Please complete the form below and return it to Laurie Turnbull, Corporate Research Unit, c/o County Hall, Morpeth, Northumberland, NE61 2EF. Tel: (01670) 533038, Fax: (01670) 533967  
 e-mail: [infonet@northumberland.gov.uk](mailto:infonet@northumberland.gov.uk)

Working Paper Number/Name.....

	Strongly Agree	Agree	Disagree	Strongly Disagree	N/A
Did you/your organisation find this report useful?					
Would you like to see this report updated in future?					
In your view was this publication needed?					
Was the layout easy to follow?					
Were the maps/tables clear?					
Was the level of detail/content appropriate?					
Were technical aspects/ jargon clearly explained?					
Any further comments?					

- How did you obtain a copy of this publication?
- InfoNet Website
  - Post
  - From a colleague
  - Other .....

Please tick this box if you would like to be informed of other Corporate Research reports when they become available.

Name (Optional) .....

E-mail address (Optional) .....

Organisation (Optional) .....