

STATE OF WALES BRIEFING

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Affordable Housing

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State of Wales Briefing: Affordable Housing

Key messages

- Owner occupied housing has become slightly more affordable over the past 12 months. Nevertheless, prices remain at more than five times earnings for low-paid and median earners.
- Private rents have become slightly more affordable over the past 12 months whilst the affordability of social housing rents are largely unchanged. Rents in both sectors are unaffordable for the lowest-paid quarter of workers.
- In 2017 the average rent of 2-bedroom accommodation - whether a general needs social rent property or a private rented property – was unaffordable in all local authority areas in Wales for the lowest paid workers.

Why it matters

Housing is the single largest cost for most people in Wales. This cost has a significant impact on the proportion of people living in poverty in Wales, with 20 per cent of people in poverty Before Housing Costs (BHC) (approximately 600,000 people) compared with 24 per cent (approximately 720,000) After Housing Costs (AHC).

How it is measured

Two measures are used in this briefing, one to calculate the affordability of home ownership and the other to calculate the affordability of rental properties.

We have measured the affordability of owner-occupied housing by calculating the ratio of house prices to the gross annual earnings of full-time workers, at the median and the lower quartile.¹

We have measured the affordability of rental housing by calculating the average weekly rent of a 1-bedroom general needs accommodation and 2-bedroom general needs accommodation as a percentage of gross weekly earnings of all workers at the median and at the lowest quartile. Rent of more than 25 per cent of earnings is regarded as unaffordable.²

Overview

Housing in Wales has become slightly more affordable over the past twelve months, in particular owner occupation and private sector rental properties. This improvement needs to accelerate and continue over a number of years, however, if housing is going to become affordable to all in Wales. This improvement needs to be seen across all tenures, including the social rented sector.

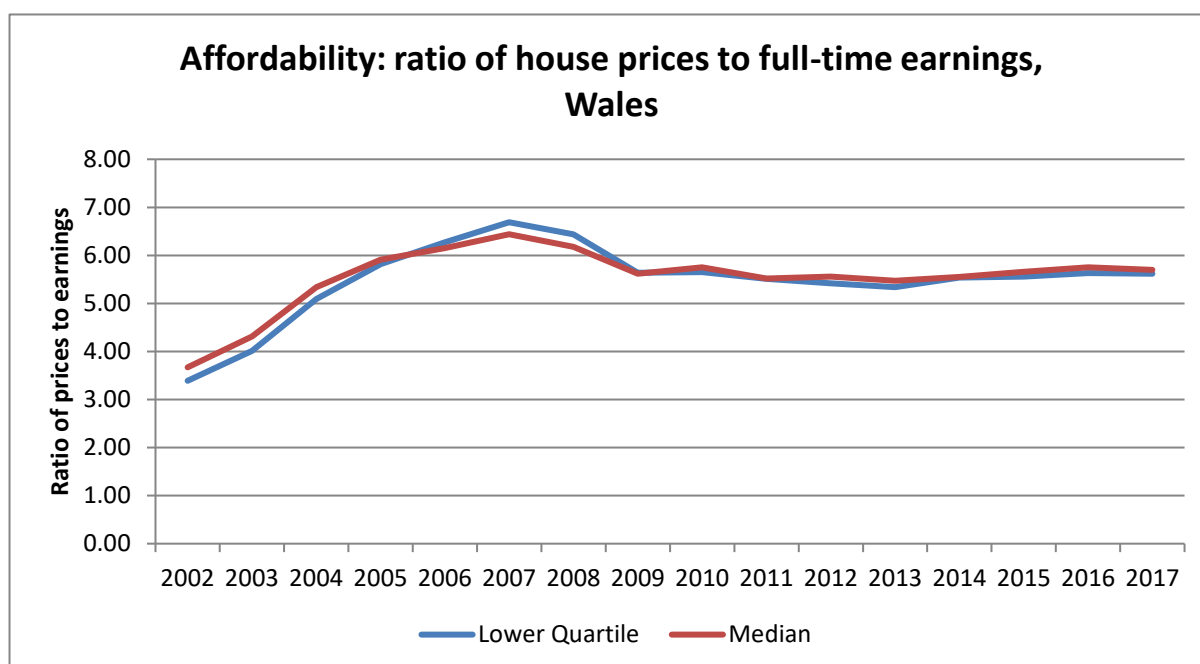
¹ This method mirrors the approach taken by the Office for National Statistics.

² It is argued by some that rent of more than 33 per cent of earnings is unaffordable

Owner Occupation

The picture across Wales

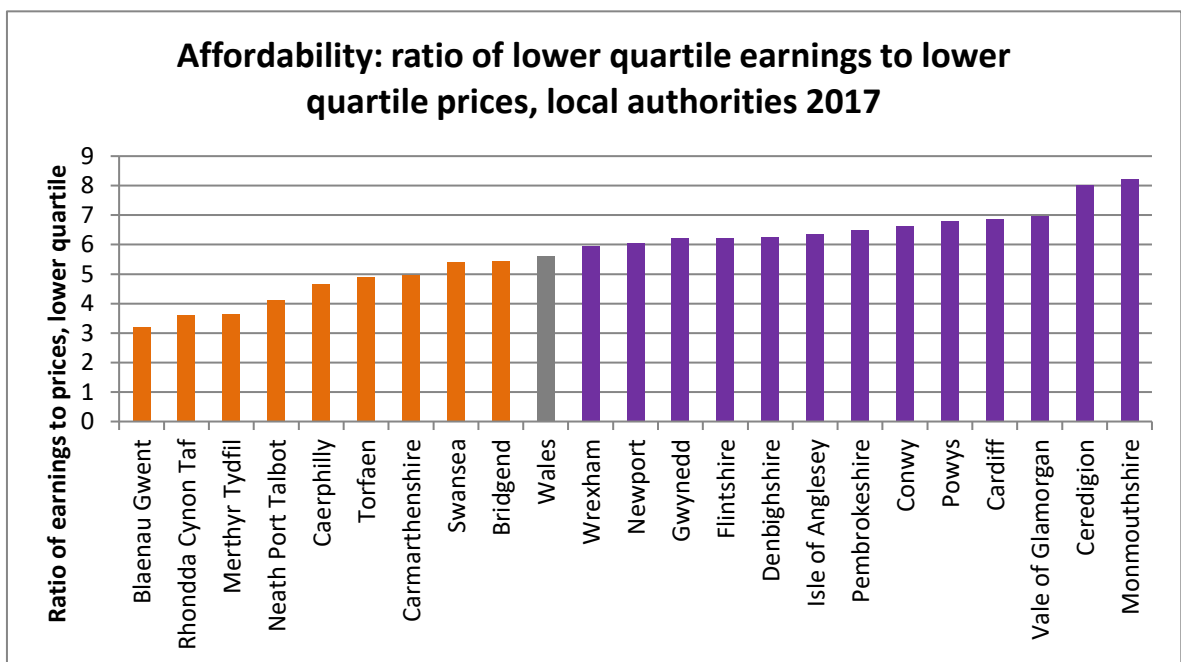
- Owner-occupied housing has become much less affordable in the last 15 years, for both the average worker and the less well-paid.
- On average, working people could expect to pay around 5.7 times their annual earnings on purchasing a home in Wales in 2017, with workers in the bottom quartile of earnings needing to pay around 5.6 times their annual earnings for a home in the lowest quartile of prices.
- The situation has improved slightly for median earners over the past 12 months with the ratio of median house prices to full-time earning reducing by 0.5.
- This slight improvement in affordability has been driven by median house prices increasing less quickly, year on year, than in any other 12-month period since 2012 to 2013, and median earnings increasing quicker, year on year, than in any 12 months since 2008 to 2009.
- The earnings of those in the lower quartile of incomes increased at a faster rate (2.9 per cent) than for those on median incomes (2.2 per cent). Despite this, there was a less significant improvement in affordability for these workers with the ratio between their full-time earnings and the lowest quartile of prices dropping by only 0.1. This is a result of the lowest quartile of prices growing twice as fast (up 2.66 per cent on 2016) as the median price (up 1.35 per cent on 2016).



Note: Affordability is calculated by dividing house prices by annual earnings for full-time employees, based on residence.
Source: Office for National Statistics (2018), [House price to work-place based earnings ratio](#) – Table 1c

The picture at Local Authority level

- House prices are most affordable in Blaenau Gwent, Rhondda Cynon Taf and Merthyr Tydfil where the lowest paid quarter of workers need to pay less than four times their annual earnings for a home in the lowest quartile of prices.
- House prices are by far the least affordable in Monmouthshire and Ceredigion where the lowest paid quarter of workers would need to pay more than eight times their earnings for a low-priced home.
- Of the 13 local authority areas in Wales where homes are least affordable, only in 3 (Anglesey, Gwynedd and Pembrokeshire) have house prices become more affordable for the lowest paid workers over the last 12 months.
- Home ownership has become significantly less affordable for low income workers in 3 local authority areas – Ceredigion (0.74 less affordable than 2016), Monmouthshire (0.56) and Powys (0.51).



Note: Affordability is calculated by dividing house prices by annual earnings for full-time employees, based on residence.

Source: Office for National Statistics (2018), [House price to work-place based earnings ratio](#) – Table 6c

Rented Housing

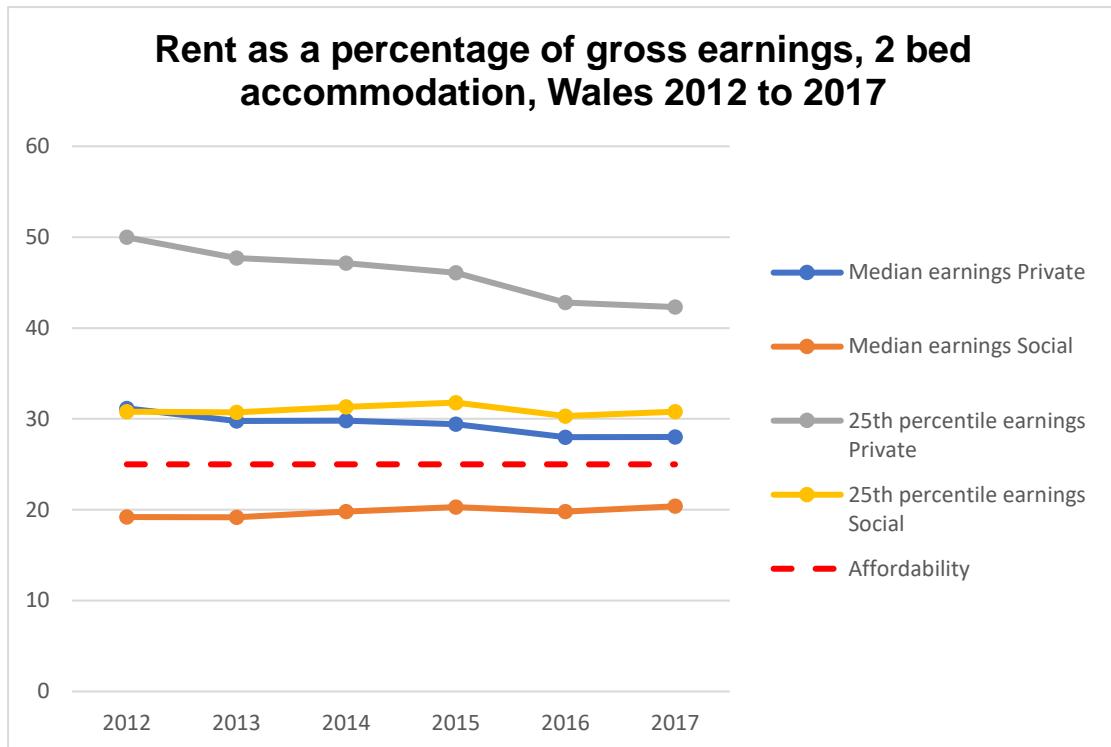
- Rent affordability is a significant issue in Wales.
- Both 1-bed and 2-bed properties are unaffordable for the lowest quartile of earners in Wales, in both the private and social rented sectors.
- A worker, on median earnings, cannot afford the median private sector rent for a 2-bed property.

Table 1 Affordability of Private and Social Rents at median and 25th percentile of earnings, 2017

Gross Earnings p.w.		Median Private Sector Rent p.w.		Mean Social Rent p.w.	
Median	25 th percentile	1-bed accommodation	2-bed accommodation.	General needs 1 bed accommodation	General needs 2 bed accommodation
£412.10	£272.70	£98.07	£115.38	£74.80	£84
Rent as a percentage of median earnings:		24.0	28.0	18.2	20.4
Rent as a percentage of 25th percentile earnings:		36.0	42.3	27.4	30.8
<p>Note: private sector rents are median, for 2017, calculated from monthly figures. Social sector rents are means for general needs accommodation, for 2017/18. Sources: Annual Survey of Hours and Earnings, 2017 via NOMIS. Welsh Government (2017) Private sector rents by local authority, 1 January to 31 December 2017. StatsWales Average weekly rents in self-contained stock at social rent by accommodation type, number of bedrooms and provider type</p>					

The trend in Wales

- Over the period 2012-2017, private sector rents became slightly more affordable for workers on median and low earnings.
- Over the same period the affordability of social sector rents have remained largely unchanged for both groups.
- Throughout the period rent accounted for more than 25 per cent of gross weekly earnings of all workers except those on median earnings in social housing.



Note: private sector rents are median, for 2017, calculated from monthly figures. Social sector rents are means for general needs accommodation, for 2017/18.

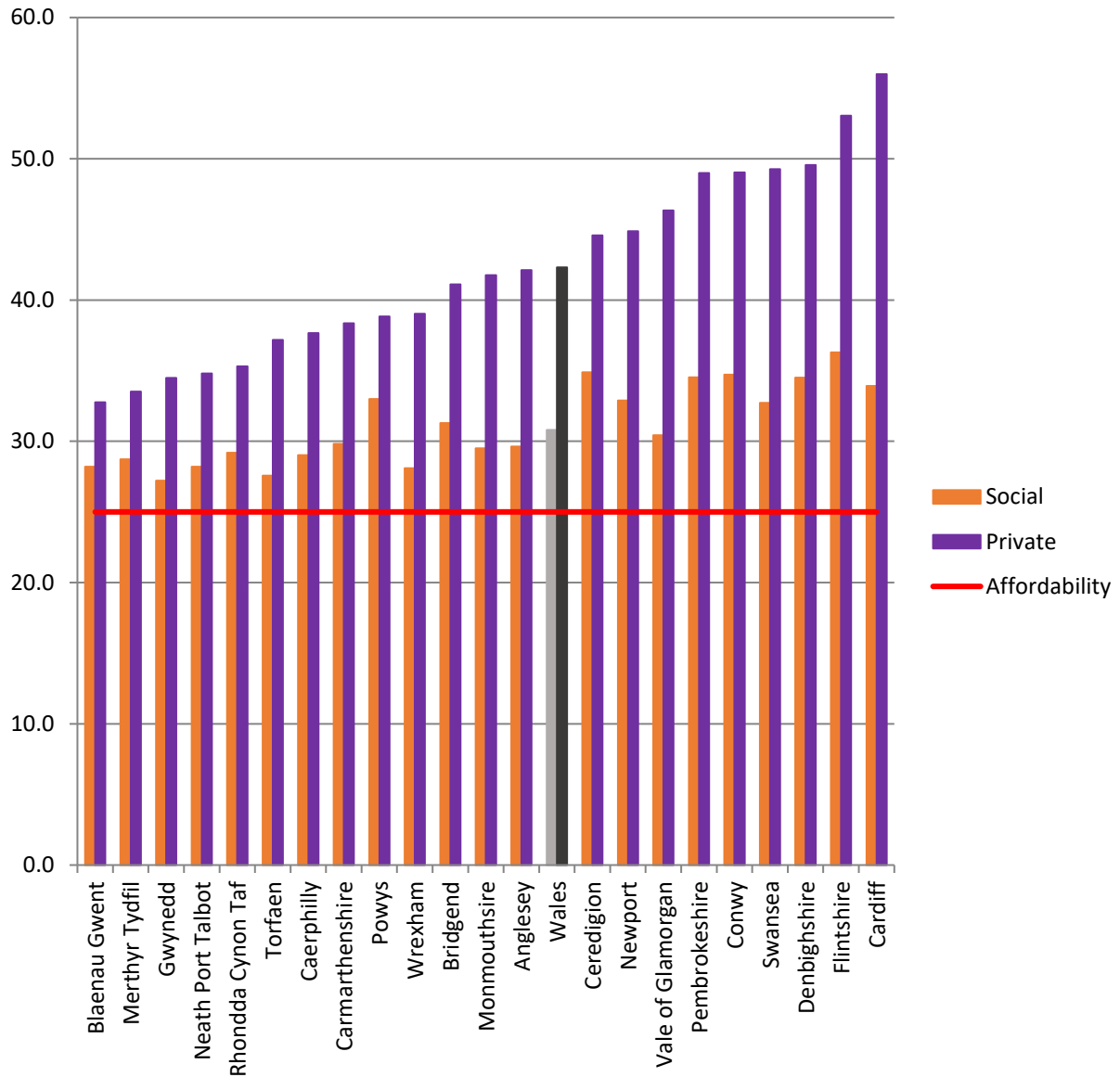
Sources: Annual Survey of Hours and Earnings, 2017 via NOMIS. Welsh Government (2017)

[Private sector rents by local authority, 1 January to 31 December 2017](#). StatsWales [Average weekly rents in self-contained stock at social rent by accommodation type, number of bedrooms and provider type](#)

Rent affordability at local authority level

- In 2017 the average rent of 2-bedroom accommodation - whether a general needs social rent property or a private rented property – was unaffordable in all local authority areas for workers in the bottom quartile of earnings.
- Private rents accounted for more than a third of the gross weekly earnings of low paid workers in every Welsh local authority bar Blaenau Gwent.
- In 6 local authorities rent on a 2 bedroom socially rented home accounted for more than a third of the gross weekly earnings of low-paid workers.
- In Cardiff and Flintshire rent on a 2-bedroom privately-rented home accounted for more than half the gross weekly earnings of low-paid workers while social rents accounted for more than a third of low-paid workers' earnings.

Affordability: rented 2-bed accommodation, local authority 2017 - workers in bottom quartile of earnings



Note: private sector rents are median, for 2017, calculated from monthly figures. Social sector rents are means for general needs accommodation, for 2017/18.

Sources: Annual Survey of Hours and Earnings, 2017 via NOMIS. Welsh Government (2017) [Private sector rents by local authority, 1 January to 31 December 2017](#). StatsWales [Average weekly rents in self-contained stock at social rent by accommodation type, number of bedrooms and provider type](#)

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