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Homes cost up to 16 times income

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Housing in the London borough of Kensington and Chelsea is the most unaffordable in the country, according to a study to be published on Thursday, with prices equivalent to 16 times annual income.

CACI, the market research body, found there were several other areas of the capital where homes cost at least 10 times average annual incomes.

The average multiple of house prices to earnings is 6, according to the data, which is in line with the 5.8 times from Halifax, the largest lender.

By using earnings and house price data based on postcodes, CACI found a very wide discrepancy in affordability across the country, which it said highlighted the areas most in need of land for development.

Average house prices were between 10 and 12.4 times average income in the London boroughs of Westminster, Camden and Hammersmith & Fulham and, outside the capital, in South Buckinghamshire and Elmbridge in Surrey.

In Kensington and Chelsea, the average house price is £753,088 against an average income in the borough of £46,543.

Ian Thurman, head of location planning at CACI, said the government faced an uphill struggle to persuade homeowners in some parts of the country to agree to new homes being built in their area.

Housing affordability	
Local authority	House price to household income multiple
Least affordable	
Kensington & Chelsea	16.2
Westminster	12.4
Camden	11.7
South Bucks	10.4
Elmbridge	10.3
Most affordable	
Shetland Islands	3.2
Kingston upon Hull	3.3
North Lanarkshire	3.3
Eilean Siar	3.4
Burnley	3.4

“The [2004] Barker review of housing supply says that land supply is an issue,” he said. “If you look at the least affordable areas, they are the areas in which residents are most likely to create a fuss about housing developments – they are classic Nimby [not-in-my-backyard] territory.”

The government is committed to building 3m homes by 2020 to ease the problem of affordability.

However, the National Housing and Planning Advice Unit, the government agency set up to advise on affordability, said on Wednesday this would not be enough to help first-time buyers get on the housing ladder.

At its launch earlier this year, the unit warned that families on the lowest incomes would have to pay 10 times annual earnings to afford the cheapest homes by 2026.

In 2000, houses were worth four times earnings on the same measure, but it has risen to seven times since.

The unit also forecast that only 40 per cent of adults aged 30 to 34 would be able to afford to enter the housing market in 2026, down from 57 per cent last year.