

Research Note

What salary will a typical first-time buyer need in 2020?

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Shelter helps millions of people every year struggling with bad housing or homelessness. We provide specialist advice and support on the phone, face to face and online, and our legal teams can attend court to defend people at risk of losing their home.

However at Shelter we understand that helping people with their immediate problems is not a long-term solution to the housing crisis. That's why we campaign to tackle the root causes, so that one day, no one will have to turn to us for help.

We're here so no one has to fight bad housing or homelessness on their own.

We provide practical advice and support to over 4 million homeless or badly housed people a year via our website, telephone helpline and network of advice services. We employ over 200 advisers and 40 solicitors to give advice and offer representation.

Summary

House prices continue to soar, with the latest ONS house price index¹ indicating that between February 2015 and February 2016, the average cost of a home for first-time buyers in the UK rose by 8%.

This research looks ahead, asking what, on average, a first-time buyer may have to earn in a year in order to access a mortgage on a typical property by 2020 if prices rise in line with recent projections.

It also explores what hope there is for wages to catch up by examining how local house prices grew compared to local earnings over the last five years.

Estimating typical first-time buyer annual income in 2020

Typical first-time buyer properties vary in size and location across the country. To account for this, the mix-adjusted mean of first-time buyer house prices in each region is used as an average².

Regional house price growth projections by Paul Cheshire³ are then applied to these averages to obtain an estimate for regional first-time buyer average prices in 2020.

We assume households obtain mortgages with the current average advance - which is related to the average percentage deposit - and loan-to-income multiple for first-time buyers in each region⁴. These are shown in the table below:

Region	Average mortgage advance	Average loan-to-income ratios
London	75.2%	0.00
South East	80.6%	3.87
East	81.6%	3.63
South West	80.2%	3.72
West Midlands	85.0%	3.34
East Midlands	84.6%	3.35
Yorks & Humber	85.0%	3.19
North West	85.0%	3.18
North East	85.0%	3.01
UK	82.9%	3.48

¹ House Price Index: Monthly & Quarterly Tables 1-19. (ONS, 2016). Available from:

<https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/housepriceindexmonthlyquarterlytables1to19>

² House Price Index: Monthly & Quarterly Tables, Table 13 for Q4 2015 (ONS, 2016)

³ 'Property Millionaires', Paul Cheshire (Santander, 2016). Available from:

http://www.santander.co.uk/csdlv1r/ContentServer?c=SANDocument_C&pagename=WCSUKPublicLite%2FSANDocument_C%2FSANDocumentPreview&cid=1324582166149

⁴ Council for Mortgage Lenders table ML2R - data for Q4 2015.

The average annual income a household needs is then:

$$\text{Average income} = \frac{\text{average advance} \times \text{average house price}}{\text{average loan to income multiple}}$$

The results of this for each region are given in the table below

Region	First time Buyer 2015 mix-adjusted mean	Deposit needed now	Income needed now	House Price growth to 2020	Estimated First time Buyer price in 2020	Deposit needed in 2020	Income needed by 2020
London	£ 419,000	£ 104,000	£ 80,000	33%	£ 558,000	£ 138,000	£ 106,000
South East	£ 257,000	£ 50,000	£ 54,000	23%	£ 316,000	£ 61,000	£ 66,000
East	£ 227,000	£ 42,000	£ 51,000	23%	£ 279,000	£ 51,000	£ 63,000
South West	£ 193,000	£ 38,000	£ 42,000	22%	£ 236,000	£ 47,000	£ 51,000
West Midlands	£ 155,000	£ 23,000	£ 39,000	18%	£ 183,000	£ 28,000	£ 46,000
East Midlands	£ 147,000	£ 23,000	£ 37,000	19%	£ 175,000	£ 27,000	£ 44,000
Yorks & Humber	£ 139,000	£ 21,000	£ 37,000	18%	£ 164,000	£ 25,000	£ 44,000
North West	£ 141,000	£ 21,000	£ 38,000	17%	£ 165,000	£ 25,000	£ 44,000
North East	£ 122,000	£ 18,000	£ 34,000	17%	£ 142,000	£ 21,000	£ 40,000
UK	£ 220,000	£ 38,000	£ 52,000	23%	£ 270,000	£ 46,000	£ 64,000

House price and wage growth between 2010-2015

It is unlikely that wages will grow fast enough to meet keep pace with projected increases in house prices. The cost of a home has already diverged from typical salaries over the last five years, as illustrated below. Typical salaries are taken to be the median full-time salary for a geographic area⁵ and are compared to the five year growth in the prices as given by the ONS House Price Index.

⁵ 'Place of Residence by Local Authority - ASHE: Table 8' (ONS, 2015). Available from: <http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofresidencebylocalauthorityshetable8>

Region	House Price growth 2010-2015	Full-time wage growth 2010-2015	Ratio of house price:wage growth 2010-2015
UK	38%	7%	5.6
London	56%	4%	15.0
South East	37%	4%	8.4
East	35%	8%	4.7
South West	23%	8%	2.7
West Midlands	21%	7%	2.9
East Midlands	23%	5%	4.8
Yorks & Humber	20%	5%	4.2
North West	19%	6%	3.3
North East	17%	9%	1.9

These figures can, however, mask substantial variation within a region. To look at what has happened on a more localised level the Land Registry house price index, which provides data for Unitary Authorities, was used⁶. The results are shown below.

In some authorities, the ratio between house price and wage growth is negative. This can be because house prices have grown while wages have fallen. Alternatively, it can be for the more positive reason that house prices have fallen while wages have grown. Checking the sign of house price growth shows which case applies to these areas.

London

Borough	Current average house price	Current median full-time salary	House price growth 2010-2015	Full-time wage growth 2010-2015	House price growth:wage growth
Westminster	£ 1,075,683	£ 42,798	67%	-7%	-10
Lambeth	£ 600,496	£ 33,341	74%	-1%	-107
Greenwich	£ 396,489	£ 31,757	49%	1%	70
Newham	£ 341,427	£ 27,174	44%	1%	67
Merton	£ 511,176	£ 33,122	57%	1%	57
Richmond Upon Thames	£ 660,689	£ 39,563	51%	1%	47
Ealing	£ 490,623	£ 28,978	54%	1%	42
Tower Hamlets	£ 543,903	£ 34,849	53%	1%	38

⁶ The 4 month rolling average of the annual change in local house prices was calculated for December 2015 from seasonally adjusted average prices provided in the Land Registry House Price Index background tables. Data is available from <https://www.gov.uk/government/statistical-data-sets/house-price-index-background-tables>. Note that this uses a different underlying dataset and methodology from the ONS HPI used at a regional level, see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/511386/Land-Registry-February-HPI-2016.pdf

Barnet	£	491,802	£	33,084	43%	1%	34
Hammersmith and Fulham	£	850,494	£	38,029	67%	2%	31
Waltham Forest	£	418,755	£	29,532	71%	2%	29
Wandsworth	£	624,627	£	39,562	63%	3%	19
Southwark	£	612,797	£	34,537	66%	4%	19
Bexley	£	326,266	£	32,040	41%	2%	17
Sutton	£	352,645	£	31,387	43%	3%	16
Harrow	£	417,846	£	32,529	43%	3%	16
Hackney	£	659,623	£	32,199	73%	5%	14
Islington	£	705,975	£	35,476	61%	4%	14
Haringey	£	582,626	£	30,931	63%	5%	13
Lewisham	£	451,167	£	31,783	66%	6%	10
Bromley	£	422,770	£	36,498	49%	6%	8
Havering	£	361,986	£	32,274	37%	5%	8
Enfield	£	379,200	£	31,094	45%	6%	8
Camden	£	857,892	£	39,610	54%	9%	6
Barking and Dagenham	£	325,208	£	28,428	43%	7%	6
Brent	£	514,417	£	29,777	54%	10%	6
Redbridge	£	399,483	£	35,665	30%	5%	5
Croydon	£	368,851	£	32,887	48%	10%	5
Kingston Upon Thames	£	462,512	£	36,767	45%	9%	5
Hillingdon	£	380,753	£	32,989	45%	11%	4
Hounslow	£	406,818	*		43%	*	*
Kensington and Chelsea	£	1,366,907	*		54%	*	*

* Data unavailable due to sample size of ASHE

South East

Region	Current average house price	Current median full-time salary	House price growth 2010-2015	Full-time wage growth 2010-2015	House price growth: wage growth
Reading	£ 278,779	£ 29,351	40%	-1%	-47.6
Brighton And Hove	£ 298,150	£ 28,309	35%	2%	15.6
Buckinghamshire	£ 331,422	£ 32,460	28%	2%	14.0
Surrey	£ 389,265	£ 34,455	33%	4%	8.4
Milton Keynes	£ 201,624	£ 27,821	30%	4%	6.7

West Berkshire	£	296,370	£	32,000	28%	5%	6.1
Wokingham	£	380,852	£	37,836	35%	6%	6.0
Oxfordshire	£	299,776	£	30,942	27%	4%	5.9
Windsor And Maidenhead	£	434,731	£	37,181	36%	7%	5.2
Portsmouth	£	165,944	£	26,461	19%	4%	4.7
Slough	£	237,029	£	28,376	34%	7%	4.6
East Sussex	£	213,503	£	27,441	20%	5%	3.8
Medway	£	181,772	£	29,191	27%	7%	3.6
Kent	£	226,337	£	29,759	23%	7%	3.5
Hampshire	£	255,462	£	30,390	21%	8%	2.8
West Sussex	£	261,019	£	28,545	25%	9%	2.7
Southampton	£	162,142	£	25,918	12%	11%	1.1
Isle Of Wight	£	154,855	£	25,159	3%	13%	0.2

East

Region	Current average house price	Current median full-time salary	House price growth 2010-2015	Full-time wage growth 2010-2015	House price growth: wage growth
Bedford	£ 184,963	£ 27,874	20%	1%	25
Cambridgeshire	£ 226,544	£ 29,536	25%	3%	9
Southend-On-Sea	£ 192,232	£ 28,444	24%	3%	9
Hertfordshire	£ 324,547	£ 32,579	35%	5%	8
Central Essex	£ 220,650	£ 30,550	25%	5%	5
Thurrock	£ 192,726	£ 30,147	29%	8%	4
Essex	£ 233,399	£ 30,390	23%	8%	3
Luton	£ 171,231	£ 26,853	28%	12%	2
Suffolk	£ 181,751	£ 26,593	17%	9%	2
Norfolk	£ 165,842	£ 25,147	15%	8%	2
Peterborough	£ 121,046	*	6%	*	*

South West

Region	Current average house price		Current median full-time salary		House price growth 2010-2015	Full-time wage growth 2010-2015	House price growth: wage growth
Bristol	£	224,192	£	27,378	29%	7%	4.2
Swindon	£	153,167	£	28,126	17%	5%	3.2
Bath and North East Somerset	£	275,423	£	28,131	22%	7%	3.1
North Somerset	£	201,567	£	29,497	16%	7%	2.4
Wiltshire	£	211,612	£	27,165	15%	7%	2.3
South Gloucestershire	£	219,144	£	29,074	24%	12%	2.0
Gloucestershire	£	194,030	£	27,437	13%	9%	1.4
Somerset	£	175,467	£	25,389	6%	4%	1.4
Poole	£	237,484	£	27,456	20%	15%	1.4
Plymouth	£	134,336	£	25,063	7%	6%	1.1
Dorset	£	237,409	£	26,998	13%	15%	0.8
Cornwall	£	191,579	£	23,346	4%	6%	0.8
Devon	£	201,535	£	24,742	6%	11%	0.6
Torbay	£	153,199	£	22,371	6%	14%	0.4

West Midlands

Region	Current average house price		Current median full-time salary		House price growth 2010-2015	Full-time wage growth 2010-2015	House price growth: wage growth
Shropshire	£	159,166	£	25,681	4%	1%	3.5

Warwickshire	£	188,364	£	28,528	15%	9%	1.8
Staffordshire	£	143,045	£	26,140	7%	4%	1.7
Worcestershire	£	178,626	£	26,424	8%	7%	1.1
Birmingham	£	122,832	£	25,071	5%	5%	1.0
Solihull	£	220,260	£	32,020	13%	13%	1.0
Coventry	£	124,512	£	26,902	13%	15%	0.9
West Midlands	£	125,691	£	25,323	6%	8%	0.7
Herefordshire	£	184,476	£	22,602	6%	9%	0.6
Walsall	£	114,610	£	24,326	6%	10%	0.6
Stoke-On-Trent	£	72,704	£	22,237	2%	5%	0.4
Wolverhampton	£	104,866	£	23,042	2%	8%	0.2
Sandwell	£	101,339	£	23,241	1%	4%	0.2
Dudley	£	128,944	£	25,825	2%	16%	0.1
Wrekin	£	126,570	£	24,983	1%	12%	0.0

Yorkshire and Humber

Region		Current average house price		Current median full-time salary	House price growth 2010-2015	Full-time wage growth 2010-2015	House price growth: wage growth
East Riding Of Yorkshire	£	134,866	£	26,099	1%	-5%	-0.3
York	£	201,573	£	25,674	17%	4%	4.0
Nottingham	£	92,338	£	22,567	8%	2%	3.8
Lincolnshire	£	135,056	£	24,306	9%	3%	3.3
Leicestershire	£	162,824	£	26,626	10%	3%	3.2
Northamptonshire	£	158,178	£	26,826	17%	7%	2.3
Sheffield	£	127,790	£	25,340	7%	3%	2.1
Leicester	£	120,308	£	21,402	5%	2%	2.0
Derbyshire	£	130,454	£	25,962	8%	4%	1.9
Derby	£	113,315	£	28,275	8%	7%	1.1
Nottinghamshire	£	130,347	£	26,092	7%	7%	0.9

North Yorkshire	£	182,101	£	26,285	4%	6%	0.7
Rutland	£	263,246	£	28,693	11%	14%	0.7
Kirklees	£	114,285	£	25,038	2%	4%	0.4
Leeds	£	136,116	£	26,372	3%	7%	0.4
South Yorkshire	£	107,908	£	25,074	1%	5%	0.2
Calderdale	£	98,116	£	25,405	1%	7%	0.2
West Yorkshire	£	115,526	£	25,055	0%	6%	0.0
Doncaster	£	96,028	£	23,944	-2%	2%	-1.0
Bradford	£	96,236	£	23,464	-5%	5%	-0.9
North East Lincolnshire	£	86,111	£	23,711	-4%	5%	-0.7
Barnsley	£	90,415	£	25,501	-4%	6%	-0.7
Kingston Upon Hull	£	70,096	£	22,675	-5%	8%	-0.7
Wakefield	£	112,275	£	23,558	-3%	6%	-0.5
Rotherham	£	99,685	£	25,122	-4%	7%	-0.5
North Lincolnshire	£	103,713	£	28,435	-1%	11%	0.0

North West

Region		Current average house price		Current median full-time salary	House price growth 2010-2015	Full-time wage growth 2010-2015	House price growth: wage growth
Cheshire West And Chester	£	158,751	£	28,659	3%	0%	11.8
Knowsley	£	109,020	£	23,995	4%	1%	2.7
Stockport	£	163,438	£	27,519	12%	6%	1.9
Trafford	£	214,403	£	30,946	16%	10%	1.6
Salford	£	100,462	£	24,499	7%	5%	1.3
Manchester	£	106,379	£	24,968	9%	9%	1.1
Cheshire East	£	158,147	£	27,944	5%	7%	0.7
Warrington	£	150,250	£	28,241	4%	7%	0.6
Greater Manchester Tameside	£	113,193	£	25,512	4%	7%	0.6
Bury	£	100,134	£	23,485	4%	6%	0.6
Wirral	£	114,318	£	27,421	2%	4%	0.6
Wigan	£	122,085	£	28,003	4%	7%	0.5
Wigan	£	93,395	£	26,206	0%	9%	0.0
Merseyside	£	107,608	£	25,951	-1%	6%	-0.1
St Helens	£	96,341	£	26,201	-1%	6%	-0.2
Halton	£	96,132	£	24,995	-4%	9%	-0.5

Liverpool	£	90,814	£	25,846	-4%	8%	-0.5
Bolton	£	93,411	£	23,656	-3%	6%	-0.5
Sefton	£	122,912	£	24,858	-3%	5%	-0.6
Cumbria	£	124,650	£	26,169	-3%	4%	-0.9
Lancashire	£	105,229	£	25,257	-7%	5%	-1.2
Oldham	£	83,225	£	22,810	-9%	6%	-1.4
Rochdale	£	88,861	£	23,799	-8%	1%	-9.1

North East

	Current average house price	Current median full-time salary	House price growth 2010-2015	Full-time wage growth 2010-2015	House price growth: wage growth
North Tyneside	£ 122,923	£ 25,680	4%	7%	0.6
South Tyneside	£ 102,247	£ 24,469	1%	5%	0.2
Newcastle upon Tyne	£ 119,890	£ 26,431	1%	19%	0.0
Northumberland	£ 124,447	£ 25,122	-2%	0%	14.4
Tyne And Wear	£ 107,091	£ 25,294	-2%	10%	-0.2
Stockton-On-Tees	£ 114,814	£ 26,620	-3%	9%	-0.3
Gateshead	£ 96,867	£ 24,986	-5%	8%	-0.6
Redcar And Cleveland	£ 89,853	£ 25,035	-7%	16%	-0.4
Darlington	£ 96,256	£ 25,428	-9%	11%	-0.8
Middlesbrough	£ 74,828	£ 24,548	-11%	15%	-0.7
Sunderland	£ 89,452	£ 24,513	-12%	10%	-1.2
Durham	£ 79,057	£ 24,741	-13%	4%	-2.9
Hartlepool	£ 76,113	£ 26,189	-20%	11%	-1.8

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