



# House price to earnings ratios, 2005 to 2017

Key findings for Lancashire-14

**David Jenks, Research and intelligence officer**

**July 2018**

For further information on the work of Business Intelligence, please contact us at:

Business Intelligence

Lancashire County Council

2nd floor Christ Church Precinct

County Hall

Fishergate Hill

Preston

PR1 8XJ

E: [BusinessIntelligence.insight@lancashire.gov.uk](mailto:BusinessIntelligence.insight@lancashire.gov.uk)

W: [www.lancashire.gov.uk/lancashire-insight](http://www.lancashire.gov.uk/lancashire-insight)

Follow us on Twitter [@lancsinsight](https://twitter.com/lancsinsight)

# Table of Contents

1. Summary 1
2. Background information and change in source of house price data 2
3. House price to earnings ratios for local authorities in the Lancashire-14 area 2
4. Affordability to enter the housing market 4

## 1. Summary

In 2017, the house price to earnings ratio of 7.91 for England as a whole was higher than the ratios for all of the authorities in the Lancashire-14 area.

Higher ratios tend to indicate less affordable housing, greater demand and difficulty for households to get onto the property ladder. Lower ratios tend to suggest greater affordability but may indicate lower earnings, reduced purchasing power and/or lower demand in an area.

Locally, there are some very wide variations in the ratios that emphasise the large disparities in general affordability across the Lancashire-14 area, ranging from 3.59 to 7.51 times earnings.

Burnley (3.59), Pendle and Hyndburn (both 3.99) Blackburn with Darwen (4.61) and Blackpool (4.90) had the lowest house price to earnings ratios of less than 5.

Lancaster (5.43), Preston (5.46), Rossendale (5.62), South Ribble (5.88) and Wyre (5.93) had ratios in excess of 5 times earnings (but less than 6 times earnings). These clustered around the county (5.60) and regional (5.81) ratios.

Chorley (6.20), West Lancashire (6.34) and Fylde (6.42) were the three local authorities that had ratios in excess of 6 times earnings (but less than 7 times earnings).

Ribble Valley (7.51) was the only local authority in the Lancashire-14 area that had a ratio in excess of 7 times earnings, a little below the England figure of 7.91.

For people wishing to enter the housing market, analysis of housing affordability for this market segment can be measured by looking at the ratio of lower-quartile house prices against the lower-quartile earnings by local authority. In 2017, this ratio was 7.26 for England, slightly lower than the overall house price to earnings ratio of 7.91.

In 2017, the ratio of lower-quartile house prices to lower-quartile earnings for Ribble Valley (7.47) was below the district's overall house price to earnings ratio (7.51) but made it the only local authority in the Lancashire-14 area to have a greater ratio than England (7.26) in 2017. This suggests that Ribble Valley is the hardest place to enter the housing market in the Lancashire-14 area.

Burnley (3.08) had by far the lowest ratio of lower-quartile house prices to lower-quartile earnings in the Lancashire-14 area, followed by Pendle (3.44), Hyndburn (3.53), Blackburn with Darwen (4.38), Preston (4.78) and Rossendale (4.86) These figures suggest that it is easier to enter the housing market in these areas.

## 2. Background information and change in source of house price data

The house price to earnings ratios are calculated using ONS House Prices Statistics (based on Land Registry data) and earnings from the Annual Survey of Hours and Earnings (ASHE), which indicate the affordability of houses for working people. Lower ratios tend to suggest greater affordability but may indicate lower earnings, reduced purchasing power and/or lower demand an area. Higher ratios tend to indicate less affordable housing, greater demand and difficulty for households to get onto the property ladder.

For people wishing to enter the housing market, analysis of housing affordability for this market segment can be measured by looking at lower-quartile house prices against lower-quartile individual earnings by local authority.

A point to consider when analysing the data is that a large percentage of households contain more than one earner and ratios based solely on individual earnings may overstate the extent of affordability difficulties.

The median, or middle, house value in a local authority is used to represent a typical price that is not skewed by a relatively small number of very expensive property transactions. Similarly, the median, or middle, earnings figures have been used to represent standard earnings that are not skewed by a relatively low number of high earners. It is thus more accurate to refer to it as the median house price to median earnings ratio. The earnings data relate to the respondents place of residence rather than place of work. This means that affordability in commuter areas reflects the earning power of commuters.

Earlier versions of this article used ONS tables 576-578, which from 2013 to 2015 were calculated using the ONS house price statistics for small areas datasets. Prior to this the what are now referred to as discontinued tables from DCLG were based on different versions of the Land Registry data which led to slight differences in the distribution of affordability ratios. The replacement for Tables 576 and 577, which has been used for this article, is now in the ONS housing affordability series.

## 3. House price to earnings ratios for local authorities in the Lancashire-14 area

In 2017, the house price to earnings ratio of 7.91 for England as a whole was higher than the ratios for all of the authorities in the Lancashire-14 area.

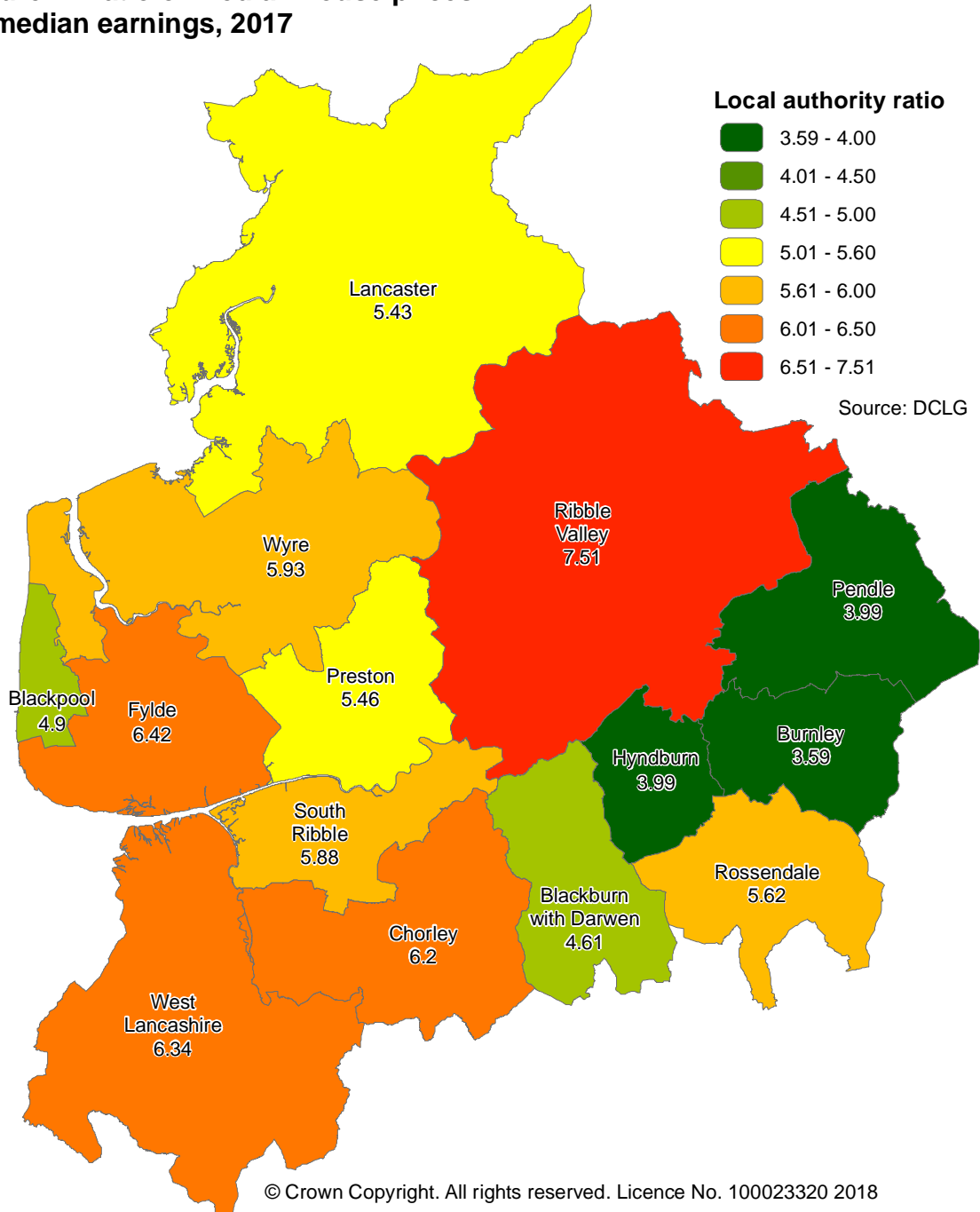
Higher ratios tend to indicate less affordable housing, greater demand and difficulty for households to get onto the property ladder. Lower ratios tend to suggest greater affordability but may indicate lower earnings, reduced purchasing power and/or lower demand an area.

Locally, there are some very wide variations in the ratios that emphasise the large disparities in general affordability across the Lancashire-14 area, ranging from 3.59

## HOUSE PRICE TO EARNINGS RATIOS

to 7.51 times earnings. Burnley (3.59), Pendle and Hyndburn (both 3.99), Blackburn with Darwen (4.61) and Blackpool (4.90) had house price to earnings ratios of less than 5.

**Figure 1. Ratio of median house prices to median earnings, 2017**



Lancaster (5.43), Preston (5.46), Rosendale (5.62), South Ribble (5.88) and Wyre (5.93) had ratios in excess of 5 times earnings (but less than 6 times earnings). These clustered around the county (5.60) and regional (5.81) ratios.

## HOUSE PRICE TO EARNINGS RATIOS

Chorley (6.20), West Lancashire (6.34) and Fylde (6.42) were the three local authorities that had ratios in excess of 6 times earnings (but less than 7 times earnings).

Ribble Valley (7.51) was the only local authority in the Lancashire-14 area that had a ratio in excess of 7 times earnings, a little below the England figure of 7.91.

**Table 1: Ratio of median house price to median individual earnings, 2005 to 2017**

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Burnley	2.22	3.00	3.84	3.71	3.60	3.54	3.49	3.31	3.12	3.77	3.45	3.69	3.59
Chorley	5.95	6.08	6.09	5.95	5.73	6.21	6.06	5.83	6.28	6.16	6.25	5.93	6.20
Fylde	6.18	7.17	6.74	6.10	5.77	5.85	5.43	5.60	5.71	5.40	7.22	7.04	6.42
Hyndburn	3.90	4.55	5.02	5.02	3.99	3.92	3.73	4.22	4.13	3.97	4.01	4.25	3.99
Lancaster	5.34	5.50	5.26	5.37	4.86	5.26	4.78	5.27	4.55	4.90	5.31	5.45	5.43
Pendle	3.19	3.90	4.55	4.30	3.98	3.92	3.77	3.75	3.74	3.70	3.70	3.94	3.99
Preston	5.45	6.23	5.87	5.58	4.94	5.41	5.12	5.39	5.42	5.45	5.38	5.24	5.46
Ribble Valley	6.60	7.66	7.38	7.30	6.49	7.25	7.08	6.79	6.78	6.66	7.16	7.35	7.51
Rossendale	4.75	4.75	5.41	4.83	4.72	5.09	4.50	4.38	4.88	5.12	5.15	5.12	5.62
South Ribble	6.01	5.92	6.06	5.58	5.44	5.71	5.63	5.42	5.43	5.72	5.87	5.77	5.88
West Lancashire	6.07	6.23	6.40	6.46	6.48	6.48	5.89	6.32	6.25	6.59	6.45	6.47	6.34
Wyre	5.91	6.17	7.49	6.44	6.48	6.38	5.91	4.98	5.25	5.49	5.13	5.89	5.93
<b>Lancashire-12</b>	4.93	5.52	5.76	5.42	5.25	5.42	5.10	5.15	5.24	5.45	5.53	5.57	5.60
Blackburn with Darwen	3.71	4.09	4.48	4.99	4.23	4.28	4.39	4.46	4.39	4.29	4.88	4.56	4.61
Blackpool	5.76	6.19	6.06	6.16	5.17	5.65	5.14	4.92	4.73	5.05	4.76	4.90	4.90
North West	5.29	5.67	5.85	5.55	5.21	5.42	5.28	5.23	5.14	5.41	5.54	5.64	5.81
England	6.78	6.95	7.14	6.94	6.39	6.85	6.79	6.77	6.76	7.09	7.53	7.72	7.91

*Notes: These statistics are based on house price data from the Land Registry and earnings data from the Annual Survey of Hours and Earnings (ASHE). The ratio of median property price to median earnings is determined by ranking all property prices and all earnings values in ascending order. The point at which one half of the values are above and one half are below is the median. This ratio is often referred to as the house price/income ratio. However, since ASHE data is used, the denominator is not total income (which may include unearned money from items such as benefits or rent) but is instead individual earnings (which includes payment from employment but excludes self-employment). It is thus more accurate to refer to it as the median house price/earnings ratio.*

*Source: Department for Communities and Local Government: Housing Statistics*

### 4. Affordability to enter the housing market

For people wishing to enter the housing market, analysis of housing affordability for this market segment can be measured by looking at the ratio of lower-quartile house prices against the lower-quartile individual earnings by local authority.

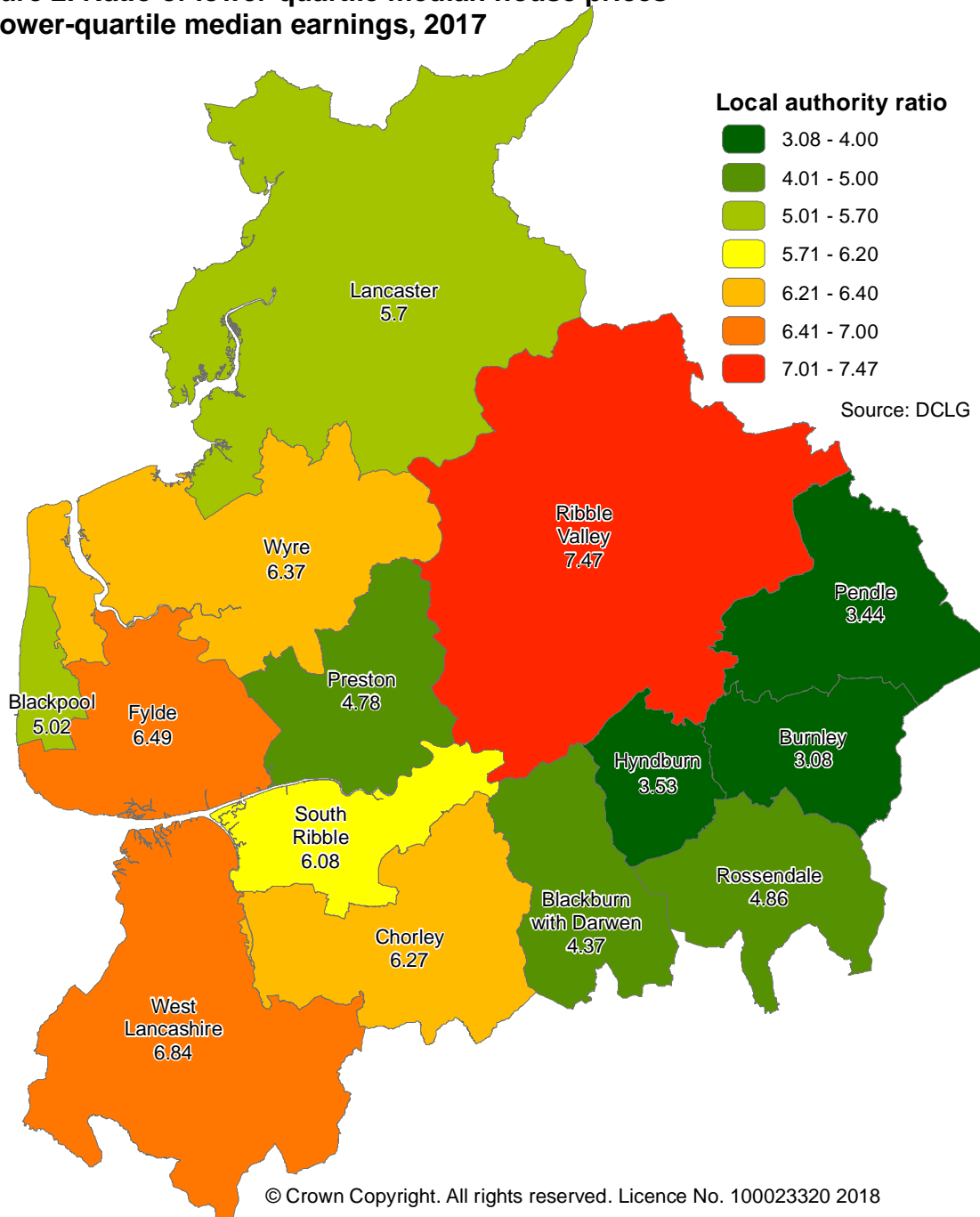
Table 2, which shows the ratio of lower-quartile house price to lower-quartile earnings for local authorities in the Lancashire-14 area depicts a similar situation to the overall housing affordability ratios provided in Table 1 above. There are however



## HOUSE PRICE TO EARNINGS RATIOS

some differences to the ratios in table 2, with some being greater and some being lower than the ratios in table 1.

**Figure 2. Ratio of lower-quartile median house prices to lower-quartile median earnings, 2017**



In 2017, the ratio of lower-quartile house prices to lower-quartile earnings for Ribble Valley (7.47) was below the district's overall house price to earnings ratio (7.51) but made it the only local authority in the Lancashire-14 area to have a greater ratio than England (7.26) in 2017. This suggests that Ribble Valley is the hardest place to enter the housing market in the Lancashire-14 area.



## HOUSE PRICE TO EARNINGS RATIOS

Burnley (3.08) had by far the lowest ratio of lower-quartile house prices to lower-quartile earnings in the Lancashire-14 area, followed by Pendle (3.44), Hyndburn (3.53), Blackburn with Darwen (4.37), Preston (4.78) and Rossendale (4.86) These figures suggest that it is easier to enter the housing market in these areas.

**Table 2: Ratio of lower quartile house price to lower quartile earnings, 2005 to 2017**

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Burnley	1.78	2.44	3.60	3.41	3.27	3.04	2.65	2.69	2.36	2.66	2.64	2.62	3.08
Chorley	6.08	6.42	6.52	5.87	5.56	5.88	6.24	5.70	5.96	5.88	5.88	5.92	6.27
Fylde	7.13	7.87	7.76	6.67	6.66	6.63	6.39	6.17	6.15	6.10	7.36	7.85	6.49
Hyndburn	3.42	4.50	4.86	4.97	3.79	3.85	3.97	3.84	3.94	3.85	3.90	3.83	3.53
Lancaster	5.73	6.26	5.91	6.19	5.30	6.10	5.53	5.76	5.45	5.78	5.97	5.74	5.70
Pendle	2.49	3.54	4.15	4.11	3.75	3.42	3.48	3.30	3.33	3.48	3.28	3.22	3.44
Preston	5.42	6.10	6.03	5.85	5.43	5.23	4.95	5.21	4.97	5.06	5.18	4.98	4.78
Ribble Valley	7.37	7.52	7.34	7.50	6.46	7.12	6.78	6.66	6.95	6.51	7.14	6.71	7.47
Rossendale	4.34	4.99	5.63	5.21	4.62	5.19	4.70	4.53	4.41	4.73	4.82	4.92	4.86
South Ribble	6.58	6.80	7.39	6.59	6.21	6.12	5.96	6.16	5.65	6.04	6.27	6.10	6.08
West Lancashire	6.37	5.99	6.26	6.01	6.15	6.55	5.91	6.05	6.37	6.74	6.47	6.88	6.84
Wyre	6.07	7.15	8.47	7.75	6.52	6.96	5.86	5.58	5.71	5.79	6.06	6.32	6.37
<b>Lancashire-12</b>	4.27	5.21	5.57	5.41	5.14	5.31	4.96	5.13	5.02	5.33	5.34	5.34	5.35
Blackburn with Darwen	3.91	4.75	5.14	4.91	4.23	4.34	4.43	4.22	4.27	4.20	4.25	4.22	4.37
Blackpool	5.99	6.56	6.84 <sup>†</sup>	6.37	5.33	5.60	5.15	4.97	4.74	5.05	5.18	5.02	5.02
North West	5.06	5.75	5.98	5.78	5.17	5.35	5.11	5.06	4.96	5.26	5.40	5.47	5.56
England	6.81	7.16	7.21	6.91	6.48	6.86	6.72	6.58	6.57	6.91	7.11	7.16	7.26

*Notes: The lower quartile earnings are derived from the Annual Survey of Hours and Earnings (and excludes the self-employed) and are for full-time individual earnings. The ratio is the multiple of the lower quartile earnings figure required to reach the lower quartile house price.<sup>†</sup> this value is from discontinued table 576.*

*Source: Department for Communities and Local Government: Housing Statistics*

Lancaster (5.70) and Blackpool (5.02) had lower-quartile house price to lower-quartile earnings ratios that were above 5 but below 6, making them close to the county (5.35) and regional (5.56) ratios.

In 2017, the lower-quartile house prices to lower-quartile earnings ratios were higher than the overall house price to earnings ratios in West Lancashire (6.84, +0.5), Wyre (6.37, +0.44) Lancaster (5.70, +0.27), South Ribble (6.08, +0.2) and also Blackpool, Chorley and Fylde. These figures indicate that it is even more difficult to get a foot on the housing ladder in these areas.

## HOUSE PRICE TO EARNINGS RATIOS

The lower-quartile house prices to lower-quartile earnings ratios were lower than the overall house price to earnings ratios in 2017 in the other seven Lancashire-14 local authorities, as well as in the whole Lancashire-12 area, the North West region and England as a whole. The ratios for Burnley (3.08, -0.51) and Pendle (3.44, -0.55) indicates that it is easiest for those with low earnings living there to purchase a house.

The districts of Burnley, Hyndburn and Pendle have around 60% of their dwelling stock in Council Tax Band 'A', see the Lancashire Insight [article](#). From this we would expect greater affordability in the housing market for the lower paid, but we should remember that not all of these properties are owned, or being purchased, by the resident, see the Lancashire Insight article on [Dwelling stock by tenure](#). The lower-quartile house prices to lower-quartile earnings ratio in Blackburn with Darwen is the fourth lowest in the Lancashire-14 area, and the percentage of dwellings in Council Tax Band 'A' is also nearly 60%, but the lower earnings found in the unitary authorities compared to the Lancashire-12 districts pushes the ratio up. Please see our [Instant Atlas dashboard](#). Using the 'Select data and year' control, select 'Overall house price (£)' from under the 'Overall median price and median earnings' data theme or 'Lower quartile house price (£)' from under the 'Lower quartile median house prices and median earnings' data theme. Information on the annual earnings will show on the same page (but not in the maps). Blackburn with Darwen also has the highest percentage of social renters.