

Statistical bulletin

# Housing affordability in England and Wales: 2021

Uses annual data on house prices and annual earnings to calculate affordability ratios for national and subnational geographies in England and Wales.

Contact:  
Craig Smith  
better.info@ons.gov.uk  
+44 203 741 1789

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# 1 . Main points

- In England in 2021, full-time employees could typically expect to spend around 9.1 times their workplace-based annual earnings on purchasing a home; this is an increase since 2020, when it was 7.9 times their workplace-based annual earnings.
- In Wales in 2021, full-time employees could typically expect spend around 6.4 times their workplace-based annual earnings on purchasing a home; this is an increase since 2020, when it was 5.8 times their workplace-based annual earnings.
- At a local level, house prices grew faster than earnings in 91% of local authority districts, leading to a reduction in housing affordability in these areas.
- Copeland in the North West remained the most affordable local authority in England and Wales in 2021; average house prices were 2.7 times the average workplace-based annual earnings.
- Kensington and Chelsea remained the least affordable local authority in 2021, with average house prices being 36.5 times the average workplace-based annual earnings.
- In 2021, new dwellings remained less affordable than existing dwellings in both England and Wales.

## 2 . National housing affordability

In 2021, we estimate that full-time employees could typically expect to spend around 9.1 times their workplace-based annual earnings on purchasing a home in England. This is a [statistically significant](#) increase compared with 2020, when it was 7.9 times their workplace-based annual earnings.

In Wales, a full-time employee could typically expect to spend around 6.4 times their workplace-based annual earnings on purchasing a home. This is a statistically significant increase compared with 2020, when it was 5.8 times their workplace-based annual earnings.

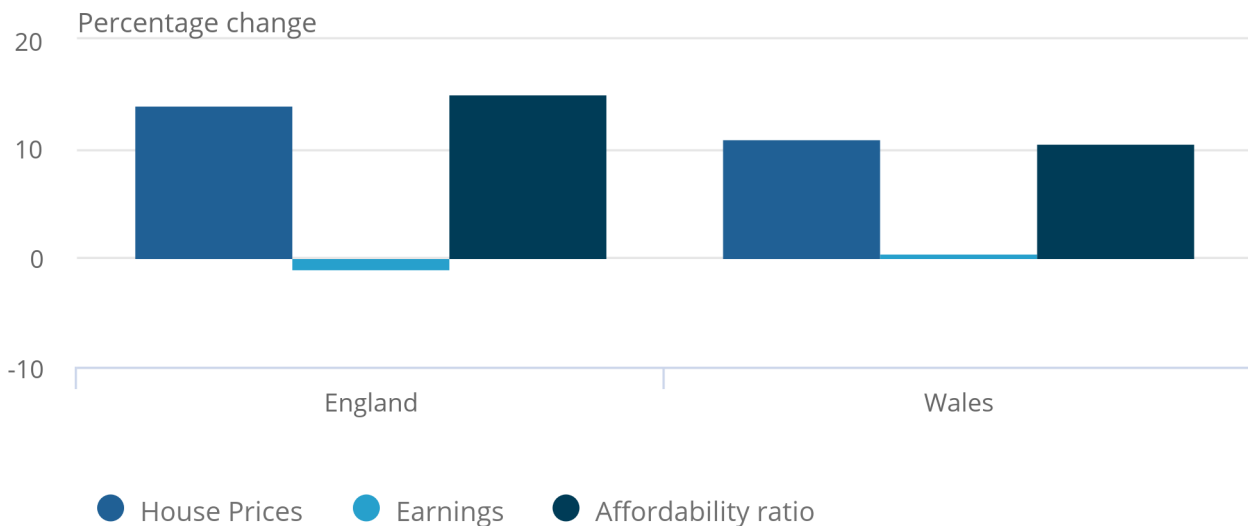
This bulletin brings together data on house prices and annual earnings to calculate [affordability ratios](#) for national and subnational geographies in England and Wales, on an annual basis.

### Figure 1: In 2021, house prices increased substantially while earnings showed little change compared with 2020 in England and Wales

Annual change in house prices, earnings and affordability ratio, England and Wales, 2020 to 2021

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Annual change in house prices, earnings and affordability ratio, England and Wales, 2020 to 2021



Source: Office for National Statistics – House price statistics for small areas bulletin, using the Annual Survey of Hours and Earnings

#### Notes:

1. House prices refer to the median price paid for residential property.
2. Earnings refer to the median workplace-based gross annual earnings for full-time workers.

In England, average house prices increased by 14% in 2021, while average earnings fell by nearly 1%. This led to housing becoming less affordable. In Wales, average house prices increased by 11%, and although earnings increased slightly by 0.5%, overall housing became less affordable. The changes in affordability for both England and Wales were statistically significant when compared with the previous year.

The earnings estimates in this analysis include furloughed employees and are based on actual payments made to the employee from company payrolls and the hours on which this pay was calculated. In the case of furloughed employees, these are their usual hours. Further information is available in our [Employee earnings in the UK:2021 bulletin](#).

This analysis focuses on affordability ratios for workplace-based earnings. Similar measures of affordability ratios for residence-based earnings are available in the datasets. There are also [alternative measures of affordability](#), including [private rental affordability](#) available in other ONS publications.

### 3 . Local authority housing affordability

At the local level, housing affordability worsened in 300 out of 331 (91%) local authorities. Average house prices increased in 96% of local authority districts in England and Wales, while average earnings increased in 50% of local authorities.

#### Figure 2: House Price growth driving reduced affordability

Housing affordability ratio by local authority district, England and Wales, 1997 to 2021

##### Notes:

1. Median housing affordability ratio refers to the ratio of median price paid for residential property to the median workplace-based gross annual earnings for full-time workers.
2. Data for annual earnings are not available before 1999 and for some local authorities in some years. For these years the earnings relate to annualised weekly earnings. Annualised weekly earnings are not produced on an identical basis to annual earnings and so care should be taken when making comparisons. Refer to the dataset accompanying this release for information on which ratios are based on annualised weekly earnings.

##### Download the data

[.xlsx](#)

In 2021, the average house price was between 12 and 24 times the average workplace-based earnings in 23% of local authority areas. These proportions have increased since 2020, when house prices in 15% of local authority areas were between 12 and 24 times the average workplace-based earnings.

Only 16 local authority areas in England and Wales had affordability ratios of five or less, compared with 27 in 2020, and 270 in 1997.

Although housing affordability worsened in 91% of local authorities between 2020 and 2021, longer term trends help identify sustained changes in affordability.

#### Figure 3: Divergence in house prices compared to earnings in local authorities are becoming larger over time

Ratio of median house prices to median workplace-based annual earnings by local authority district, England and Wales, 1997 to 2021

##### Notes:

1. Median housing affordability ratio refers to the ratio of median price paid for residential property to the median workplace-based gross annual earnings for full-time workers.
2. Some values for local authorities in certain years exceed the charted area. Values for those areas can be found in the data sheets.

## Download the data

[.xlsx](#)

Since 1997, housing affordability has worsened overall, with the England and Wales average affordability ratio moving from around 3.5 to 9.1. Over the last two decades, affordability has worsened the most in London, which is driven largely by house prices increasing faster than earnings. In 2021, the six least affordable local authorities in England and Wales were all in London. The next three were in the surrounding South East region and the 10th highest in the East of England. The most affordable local authorities in 2021 were in the North West, Wales, Yorkshire and The Humber, West Midlands and North East.

Copeland in the North West remained the most affordable local authority in England and Wales in 2021. In Copeland, the average price paid for dwellings was estimated to be 2.7 times the average annual earnings. This is an increase from 2020, but is not [statistically significant](#).

Kensington and Chelsea in London remained the least affordable local authority in England and Wales, with average house prices estimated at 36.5 times the average annual earnings. This is an increase from 2020, when house prices were 35.6 times the average annual earnings in Kensington and Chelsea, although it was not a statistically significant change. It is still not as unaffordable as pre-coronavirus (COVID-19) pandemic levels in 2019, when it was 39.4 times the average annual earnings.

### **Figure 4: There is a large overlap in the affordability of housing in local authority districts between most English regions and Wales**

Range of median housing affordability ratio in local authorities for English regions and Wales, England and Wales, 2021

#### **Notes:**

1. Housing affordability ratio refers to the ratio of median price paid for residential property to the median workplace-based gross annual earnings for full-time workers.

## Download the data

[.xlsx](#)

The range in estimated housing affordability between the most and least affordable local authorities in London was 26.2. This is up from 25.7 in 2020 but down from pre-coronavirus pandemic levels of 28.7 in 2019. This gap is large mainly because of the high affordability ratio in Kensington and Chelsea. Without this, the range would be about 9.3 and similar to other regions. The second highest region was the South East, with a range of 11.6.

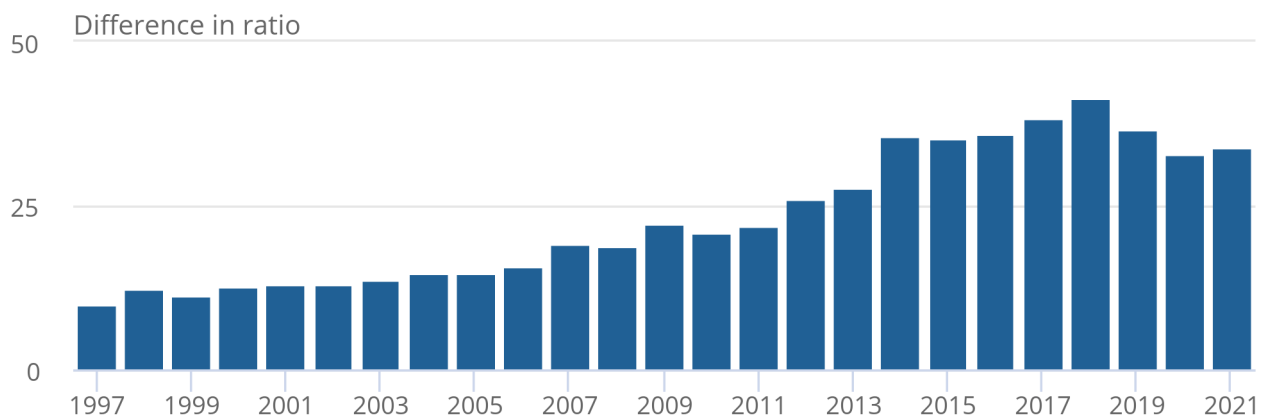
Affordability in the South West has converged between local authorities with a range of 8.5 in 2021 (fourth highest region). This is down from 10.5 in 2019 (second highest region). Generally, the most affordable regions have the least variability of local authorities' ratios.

### Figure 5: The gap between the most and least affordable areas rose slightly in 2021

Difference in median housing affordability ratio between the most and least affordable local authority in each year, England and Wales, 1997 to 2021

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Difference in median housing affordability ratio between the most and least affordable local authority in each year, England and Wales, 1997 to 2021



Source: Office for National Statistics – House price statistics for small areas bulletin, using the Annual Survey of Hours and Earnings

#### Notes:

1. Median housing affordability ratio refers to the ratio of median price paid for residential property to the median workplace-based gross annual earnings for full-time workers.
2. The affordability gap was calculated by deducting the affordability ratio of the most affordable local authority from the affordability ratio of the least affordable local authority for each year. In 2021, Kensington and Chelsea were the least affordable and Copeland was the most affordable.
3. Data for annual earnings are not available before 1999. For these years, the earnings relate to annualised weekly earnings. Annualised weekly earnings are not produced on an identical basis to annual earnings and so care should be taken when making comparisons.

The difference in the housing affordability ratio estimates between the most and least affordable local authorities in England and Wales was 33.8 in 2021. This is a slight increase from 33.0 in 2020. The gap between the most and least affordable local authorities fell between 2018 and 2020, but has started to rise in 2021. This reduction in the difference is primarily because of dwellings becoming relatively more affordable in Kensington and Chelsea.

There was a statistically significant change in the affordability ratio for 11 local authorities in England and Wales between 2016 and 2021. In nine of these local authorities, affordability significantly worsened. Affordability significantly improved in the City of London and Westminster. Between 2016 and 2021, the ratio of median house prices to median workplace-based annual earnings in Westminster improved from 24.5 to 18.9.

## 4 . New and existing housing affordability

Across England and Wales, newly built dwellings were on average less affordable than existing properties.

In 2021, prices of newly built dwellings in England were 10.3 times the median annual earnings of full-time employees. In existing dwellings, prices were 9.0 times the median annual earnings of full-time employees.

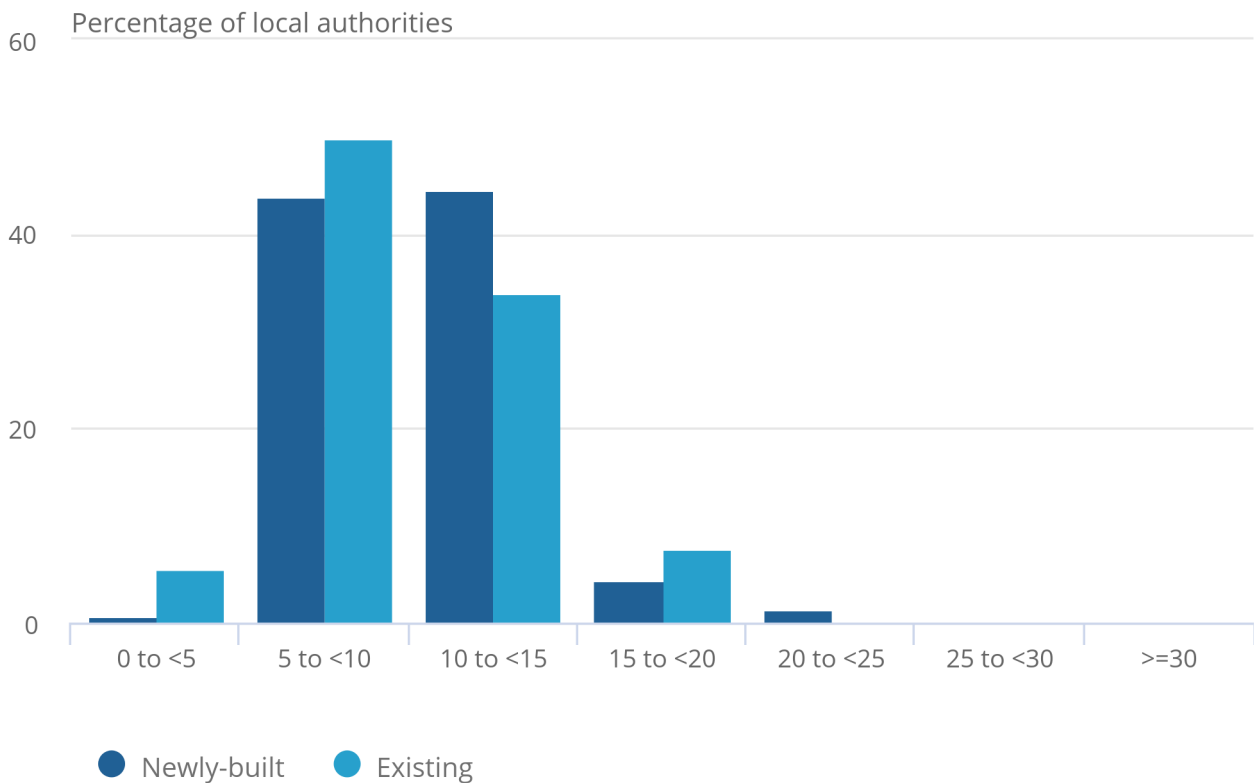
In Wales, prices of newly built dwellings were 8.5 times the median annual earnings of full-time employees. In existing dwellings, prices were 6.3 times the median annual earnings of full-time employees.

**Figure 6: New housing is less affordable than existing housing in local authorities**

Distribution of the housing affordability estimates in local authorities, England and Wales, 2021

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Distribution of the housing affordability estimates in local authorities, England and Wales, 2021



**Source: Office for National Statistics – House price statistics for small areas bulletin, using the Annual Survey of Hours and Earnings**

In most local authorities, a full-time worker on an average salary would expect to pay between 5 and 15 times their gross annual earnings on purchasing a newly built or existing dwelling. However, there was a higher percentage of local authorities with more affordable ratios for existing dwellings than new dwellings.

In Wales, the ratio of house prices to earnings in 2021 was 34.2% higher for new dwellings than existing dwellings. This is a decrease from 2020 and the smallest gap since 2012.



In England, the ratio of house prices to earnings in 2021 was 14.8% higher for new dwellings than existing dwellings. This fell from 25.6% in 2020.

In the English regions, the North East had the largest difference in affordability between new and existing dwellings. Here, the ratio of house prices to earnings for new dwellings was 59.9% greater than the ratio for existing dwellings. This fell from 65.3% in 2020.

The regions that had the smallest difference between the housing affordability ratios for new and existing dwellings were London, the South East, South West and East of England. In all these areas, the difference between affordability ratios for new and existing dwellings was less than 10.0%.

## 5 . Housing affordability data

### [House price to workplace-based earnings ratio](#)

Dataset | Released 23 March 2022

Affordability ratios calculated by dividing house prices by gross annual workplace-based earnings. Based on the median and lower quartiles of both house prices and earnings in England and Wales.

### [House price to residence-based earnings ratio](#)

Dataset | Released 23 March 2022

Affordability ratios calculated by dividing house prices by gross annual residence-based earnings. Based on the median and lower quartiles of both house prices and earnings in England and Wales.

### [House price \(newly built dwellings\) to workplace-based earnings ratio](#)

Dataset | Released 23 March 2022

Affordability ratios calculated by dividing house prices for newly built dwellings by gross annual workplace-based earnings. Based on the median and lower quartiles of both house prices and earnings in England and Wales.

### [House price \(newly built dwellings\) to residence-based earnings ratio](#)

Dataset | Released 23 March 2022

Affordability ratios calculated by dividing house prices for newly built dwellings by gross annual residence-based earnings. Based on the median and lower quartiles of both house prices and earnings in England and Wales.

### [House price \(existing dwellings\) to workplace-based earnings ratio](#)

Dataset | Released 23 March 2022

Affordability ratios calculated by dividing house prices for existing dwellings by gross annual workplace-based earnings. Based on the median and lower quartiles of both house prices and earnings in England and Wales.

### [House price \(existing dwellings\) to residence-based earnings ratio](#)

Dataset | Released 23 March 2022

Affordability ratios calculated by dividing house prices for existing dwellings by gross annual residence-based earnings. Based on the median and lower quartiles of both house prices and earnings in England and Wales.

### [House price to workplace-based earnings ratio for former local authorities](#)

Dataset | Released 23 March 2022

Affordability ratios calculated by dividing house prices by gross annual workplace-based earnings for former local authorities in England and Wales.

## 6 . Glossary

## Housing affordability ratio

The affordability ratio is a measure of the house price to income ratio in an area. It can be used to compare affordability over time and geographies. A larger number reflects a less affordable area.

By using a ratio it allows us to compare over time without the need to adjust for inflation.

## Residence-based earnings

Residence-based earnings refer to the area in which the employee lives.

## Workplace-based earnings

Workplace-based earnings refer to the earnings recorded for the area in which the employee works.

The analysis in this statistical bulletin uses earnings data based on the place of work rather than the place of residence, unless otherwise stated. This measure of affordability indicates the extent to which employees could afford to live where they work, which is not necessarily where they already live.

## Coefficient of variation

The coefficient of variation (CV) is used to compare the relative precision across surveys (or variables). It is a unitless quantity, and so allows us to compare estimates with different scales of measurement. It is also known as the relative standard error and is calculated by dividing the standard error of an estimate by the estimate itself. Generally, if all other factors are constant, the smaller the CV, the higher the quality of the estimate.

## Statistically significant

When looking at changes over time in an area, or differences between areas in terms of affordability, we can account for the degree of uncertainty around estimates. We look at statistical differences by having a range around the estimates which the true affordability ratio is likely to lie within, and seeing whether these values overlap between the two ratios we are comparing.

# 7 . Measuring the data

## Data sources

Housing affordability estimates are calculated by dividing house prices by annual earnings to create a ratio. This indicates the extent to which individual employees could afford to live where they work. Further details are available in our [Housing affordability in England and Wales Quality and Methodology Information \(QMI\) report](#).

Median and lower quartile house prices are taken from our [House price statistics for small areas \(HPSSA\) in England and Wales bulletins](#). They are calculated using open data from HM Land Registry. This is a source of comprehensive record-level administrative data on residential properties that have been sold over a given period of time. This release uses HPSSA data up to the period October 2020 to September 2021, as published in March 2022.

Median and lower quartile gross annual earnings for full-time workers are taken from our [Employee earnings in the UK bulletins](#), which use data from the Annual Survey of Hours and Earnings (ASHE). This release uses ASHE data up to April 2021, as published in October 2021. The key implications of using ASHE are:

- it is a sample survey so estimates are less precise than if all employees were included
- gross full-time annual earnings are not always available, in which case they are supplemented by annualised weekly earnings
- it includes payments to workers who were furloughed during 2020 or 2021

The datasets accompanying this release contain housing affordability data for new dwellings, existing dwellings, and all dwellings combined, and are available on a workplace basis and on a place of residence basis. We produce these statistics on countries, regions, counties and local authority districts in England and Wales.

There are additional measures of housing affordability for England, such as our [Research Output: Alternative measures of housing affordability: financial year ending 2018](#) article. In future we aim to publish these as individual outputs after this release, such as in our [Private rental affordability, England: 2012 to 2020](#) bulletin. The official affordability ratios in this bulletin will remain the established headline measure.

## Revisions

These affordability ratio statistics are revised annually to reflect revisions to the HPSSA and ASHE data. House prices are subject to revision throughout the entire time series, because there can be a lag in the registration of property transactions.

# 8 . Strengths and limitations

## Earnings versus household income

Official statistics about total household income are not currently available for all geographical areas presented in these statistics. Therefore, earnings data for individuals are used. Our [Research Output: Alternative measures of housing affordability: financial year ending 2018](#) article shows how we are investigating a range of measures at the regional level, that include household-level income, a closer match for when more than one individual in a household is involved in purchasing a property.

## Measuring uncertainty

Annual Survey of Hours and Earnings (ASHE) data in our [Employee earnings in the UK bulletins](#) come from a survey. There is therefore a degree of uncertainty in the earnings estimates because they are based on a sample of the population rather than the entire population.

Sampling error is estimated in ASHE data through a coefficient of variation (CV). We have retained all estimates, even when the CV is high (between 10% and 20%), but then applied a range of plus or minus twice the CV around the estimate. If these ranges overlap when comparing two affordability ratios, then they will not be statistically [significantly different](#).

## 9 . Related links

### [Research Output: Alternative measures of housing affordability: financial year ending 2018](#)

Article | Released 19 March 2020

Alternative measures of housing affordability in England, including affordability in relation to varying household income and house price distributions, upfront costs, mortgage repayments, and private rental affordability.

### [Private rental affordability, England: 2012 to 2020](#)

Article | Released 6 October 2021

Private rent prices in England expressed as a percentage of gross monthly household income. Part of our additional measures of housing affordability series.

House price statistics for small areas in England and Wales: year ending September 2021

Bulletin | Released 23 March 2022

House prices and number of transactions for property sales in England and Wales, on an annual basis, updated quarterly.

### [Employee earnings in the UK: 2021](#)

Bulletin | Released 26 October 2021

Measures of employee earnings, using data from the Annual Survey for Hours and Earnings (ASHE).

### [Property wealth: wealth in Great Britain](#)

Dataset | Released 7 January 2022

Wealth and Assets Survey respondents' self-valuation of any property owned, including both their main residence plus any other land or property owned in the UK or abroad.

### [Recent trends in the housing market: January 2021](#)

Article | Released 3 February 2021

Additional economic analysis of the latest Consumer Prices Index including owner occupiers' housing costs (CPIH), Producer Price Index (PPI), and long-term trends.