

Key Workers Homeownership Crisis

***Taken from a Guardian newspaper analysis dated 30 March 2021:
based on affordability figures from the Nationwide Building Society.***

Low-paid key workers on the frontline of the Covid-19 pandemic would not be able to afford to buy the average priced home in 98% of Great Britain, an exclusive Guardian analysis found recently. Years of rising prices have put homeownership out of reach of many key workers, who have also experienced pay freezes and have had to channel wages into paying high private rents, rather than being able to save for a deposit.

We have become an unaffordable country for key workers

The Guardian's analysis, which was based on the sums needed for a 90% mortgage, found for example that a nurse on the median wage of £33,920 a year would not be able to raise a big enough mortgage to buy the median-priced property in almost three-quarters of local authorities nationwide. A senior care worker, with a partner on average earnings, cannot afford a mortgage in 40% of council areas in Great Britain. Senior care workers, who are typically private employees rather than public sector workers, would face more of a struggle to raise enough money to buy.

According to the Office for National Statistics, the median salary for a senior care worker stood at £21,243 in 2020 and based on these earnings, with a 10% deposit to put down, a senior care worker would be able to afford the average priced property in only six council areas in Great Britain, locking them out of 98% of areas.

The analysis, which was carried out using affordability calculations from the Nationwide, the UK's biggest building society, looked at the maximum mortgage that could be raised with a 10% deposit. When the pandemic hit, lenders withdrew low deposit loans, and for a while 90% mortgages were difficult to find. Banks and building societies are now returning to the market, and the recent budget brought news of a government guarantee to support lending at 95%. However, borrowers will still need to show that they can afford monthly repayments before they can get a loan, and those on low salaries will struggle to pass lenders' checks. Dan Wilson Craw, deputy director of campaign group Generation Rent, said: "Raising a deposit is just one half of the equation; you must also be able to afford the monthly repayments, and a 95% mortgage comes with a higher interest rate."

The Guardian looked at a range of jobs that have been vital during the Covid pandemic: for example, a postal worker with a partner on the average wage would be priced out in more than one-third of local authorities. Bus drivers fare slightly better, however they would be unable to afford an average property in 31% of local authorities. Even the highest-earning individual covered by the analysis – a secondary school teacher earning £40,880 – would be unable to afford a typical property in almost a fifth of council areas. The findings come after NHS workers in England and Wales were offered a 1% pay rise by the government (Scottish NHS workers were offered a 4% increase).

For single key workers, home ownership is even less realistic

While the Guardian analysis showed large swathes of the country to be unaffordable for couples, those trying to buy alone fare much worse, at a time when a growing number of households are headed by a single person. A senior care worker, applying alone, cannot afford a mortgage in 98% of council areas in Great Britain. There are an estimated 2.9 million single-parent families in the UK while 1.4 million people aged between 25 and 44 live alone, which combined, accounts for one-in-six households.

David Hollingworth of mortgage broker L&C observed that although lenders could typically offer borrowers four or five times their income, high house prices would often leave buyers facing a shortfall. “This is especially likely for single applicants and is one of the reasons that many have come to rely on the ‘bank of mum and dad’ to boost their deposit, or even be a joint borrower to add their income into the equation.”

There are a small number of mortgage deals targeted at key workers, but the government’s Key Worker Living Programme was scrapped in 2019. A proposed Starter Home initiative, dating back to David Cameron’s time as prime minister, never materialised. A new scheme called First Homes, designed to provide a 30% discount on new-builds (rising to 50% in certain areas), may be open to key workers who already own homes and need to move, alongside first-time buyers and councils will be allowed to prioritise keyworkers in their area. However the initiative has been on hold since August last year.
