

# Housing report points to growth of UK inequality

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A report by the Halifax, the largest provider of residential mortgages and saving accounts in the UK, into house prices has highlighted an escalating housing crisis and the growth of inequality across Britain. The situation is particularly acute in London.

The report examined a ratio between house prices and average earnings among the five “key worker” groups—nurses, teachers, firefighters, paramedics, and police officers. The average salary cited is £30,486 a year, but this is misleading in many cases. To earn this rate of pay as a nurse would mean being a matron, a specialist or senior nurse, or a midwife.

Starting salary for teachers is £21,000 or £27,000 in London. The average salary for a paramedic is more than £1,000 lower. The figure is close to maximum pay for an experienced firefighter and would require seven years service in the police force.

Nevertheless, the report highlights a steady decline in affordable housing. According to Nitesh Patel, housing economist at the Halifax, “The number of affordable towns in 2011 remains significantly lower than a decade ago. In 2001, two-thirds of towns were affordable compared to just a third today”.

The percentage of affordable properties has fallen from 64 percent in 2001 to just 38 percent now.

The report cites a fall in house prices since 2007 as a factor allowing a greater number of key workers to access “affordable housing”, because this has reduced the ratio between house prices and wages—even though wage rates have not risen in line with inflation from its previous high.

But even by this blunt criterion, and the ratio fall has begun to reverse itself since 2009, “affordable housing” remains a chimera for key workers in the more prosperous areas where house prices are a far higher multiple of wages. In the south-east the ratio of house prices to wages stands at 6.7:1. Across Greater London it averages 7.1:1.

Even this regional average downplays the levels of

inequality found in the capital. Ten years ago two poorer boroughs in the east, Barking and Dagenham, qualified as affordable. There are now no such areas anywhere in London. Borough by borough the figures are even starker. In Camden the house prices to wages ratio is 12.4:1, in Westminster 13.6:1. In Kensington and Chelsea it stands at 16.5:1.

Over the last two years these same boroughs have also seen a rise in the sale of properties costing more than £2 million. Across the capital the number of such properties changing hands has more than doubled in the last two years, from 714 in 2008 to 1,118 in 2010. A third of these were in Kensington and Chelsea. Over the same period the sale of houses costing more than £1 million rose by two-thirds, nearly four times higher than it was a decade earlier.

Over the 12 months to January 2011, while house prices nationally fell 0.9 percent, they continued to rise in London. In Kensington and Chelsea prices rose 7.7 percent over that period. In Camden they rose by 9.1 percent. Camden has recorded a 60 percent increase in sales of properties costing £2 million and more over the last two years. Across London the number of £2 million homes is now higher than the number of £1 million sales in 2000.

These figures were provided by Investec Specialist Private Bank. Investec were explicit on their significance. London, said their spokesman, “is still one of the most popular places in the world for the ultra rich from around the world”.

What makes the capital so attractive to the super-rich is also the source of the devastating inequality to be seen on the capital’s streets. The homeless charity Crisis note that rough sleeping, like homelessness more generally, is a particular problem. London accounts for almost half of all rough sleeping in England. Most of these are in Westminster, but there are also high figures recorded for

Kensington and Chelsea, Southwark, and the City of London.

The Combined Homeless and Information Network (CHAIN) is a database for people working with rough sleepers and the street population in London. According to CHAIN, 3,673 people slept on the streets in London at some point during 2009-10, a 6 percent increase on the previous year. This is a rise of more than a thousand since 2005-06. Nearly two-thirds (61 percent) are new rough sleepers, while over a quarter have been sleeping rough for two or more years. The majority (61 percent) are aged between 25 and 45 years. Single people under 35 were among the groups targeted by recent Housing Benefit changes, and youth unemployment continues to rise across the capital.

In *London's Poverty Profile* (<http://www.londonpovertyprofile.org.uk/>), the charity Trust for London and the think-tank New Policy Institute have analysed figures on housing costs. They criticise the use of Before Housing Costs (BHC) figures, which incorporate Housing Benefit, in assessing poverty in the capital. London's high rents have distorted low income figures nationally, suggesting that the rate of low income in Inner London is lower than elsewhere in England, while the rate in Outer London is lower than the English average.

However, a comparison nationally of BHC figures with After Housing Cost (AHC) figures—which exclude Housing Benefit—shows how misleading this is. Elsewhere in the country the average difference in housing costs between these measures stands at no more than £15. In London it averages around £30, pointing to Housing Benefit as a higher proportion of household “income”. The harsh reality of this will become plainer over the next period, as the Housing Benefit cap takes effect.

AHC figures show a much higher rate of households on low income in London. This reinforces the social catastrophe unfolding through changes in Housing Benefit. The second quarter of 2010 saw 6,026 homelessness applications across the capital, of which 3,730 (62 percent) were refused.

This takes place against a backdrop of enormous income differentials in London. The 2010 Annual Survey of Hours and Earnings (ASHE), conducted by the Office for National Statistics, highlighted the discrepancies. In Inner London, the lowest-paid 10 percent of workers earned an average of £7 per hour. This is slightly above the national average of £6.26 for the poorest-paid 10 percent of

workers, but is affected by the AHC figures cited above. It also varied widely. In Newham, which is seeing a steady increase in youth unemployment, the average for this percentile was £6.10 per hour, compared to £8.15 in Kensington and Chelsea.

The figures are less accurate for the highest-paid 10 percent, but in Inner London they earn around £38 per hour. The English average for this layer is £25. Even with broader scope for inaccuracy, ASHE pointed to an average hourly wage of £39.07 just for the seventh percentile in Kensington. The figures are too unreliable to generalise for the highest-earning 20 percent of the borough's residents, which suggests an even wider gulf between the richest and poorest.

This has some regional spread. According to 2006 data from the company CACI, the eastern boroughs of Newham and Barking and Dagenham both contained some London's poorest wards, and none of its richest. The pattern was reversed in the south-western boroughs of Merton, Richmond, and Wandsworth.

CACI's data also showed that this was not a geographical question. Inner London boroughs showed extremes of wealth and poverty cheek by jowl. Haringey has 19 wards: four of these are among the capital's richest 10 percent, while five are in the poorest 10 percent. A similar pattern was found in Tower Hamlets, Southwark, Kensington and Chelsea, and Hammersmith and Fulham. This points to an extreme distinction between wards within a borough.

Some boroughs, like Islington, had no wards in either the top or bottom 10 percent, but research has pointed to the coexistence of poverty and wealth within the same ward, giving a misleading picture of general stability. A report by the Cripplegate Foundation referred to poverty in that borough as the “Invisible Islington”.



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