
**HOUSE PRICES IN TYNE & WEAR
AT JUNE 2006**

February 2007

By

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Reference: EP 07/2

Price: £25.00

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KEY POINTS

Context for the 2006 Report

- This report is TWRI's **third report** on house prices. It focuses mainly on changes between 2004-2006. The first report covered changes from 1999-2002, the second, changes from 2002-2004. In addition, TWRI has published an analytical report on 'House Prices and Earnings in Tyne & Wear' (2004).
- The house price reports **use only Land Registry (HMLR) data**. These have been chosen because they are comprehensive (unlike data from lenders) and probably the most robust data-set. The downside is that the HMLR data are the last to pick up changes in the market; they record prices at the end of the transactions process and are then subject to revisions in the next quarter. (§1)
- The **first house price report** covered the opening phase of the house price boom in Tyne & Wear (see Table KP1). This can be seen as a '**wave**' which progresses out from the South East over a period of years, triggered by low interest rates. Locally, it 'arrived' first at the top end of the market; for detached houses (up 33% in the 2 years to Q2 2002, whereas other types, namely semis and terraced houses were up 23-26%).
- The **second report** (2002-04) effectively covered the **second, 'widening' phase**, of the 'wave'. Overall, prices were still rising rapidly (25% p.a.) but, the fastest rates were amongst the cheaper housing types (terraces up 66% over the two years to Q2 2004 and flats up 57%) and in one of the cheaper Districts (South Tyneside, up 69% overall).
- This **third report**, covering data for the two-year period to June 2006, provides evidence that house prices are **beginning to stabilise relative to earnings**. Since early 2004, there has been a marked fall in the volume of transactions (from the high level of 7,000+ transactions per quarter in late 2003/early 2004 to around 4-5,000 on average in 2005-06) [About half of this fall in transactions was due to a huge drop in RTB sales]¹. This has been associated with a general slowdown in the housing market, with house price inflation slowing considerably over the two-year period to 2006 compared to the previous two years (7% p.a. compared to 25% p.a. over the previous two year period).

Table KP1: House Price Change (%), 2000-2006

	Q2 2000-2002					Q2 2002-2004					Q2 2004-2006				
	Overall	Det	Semi-Det	Ter	Flat	Overall	Det	Semi-Det	Ter	Flat	Overall	Det	Semi-Det	Ter	Flat
Gateshead	33.8%	31.5%	30.9%	44.4%	25.6%	53.7%	47.0%	57.5%	61.9%	129.0%	14.4%	12.1%	22.1%	16.0%	1.3%
Newcastle	32.7%	22.1%	22.6%	20.0%	65.8%	57.4%	56.1%	73.7%	70.0%	38.1%	7.6%	3.5%	9.0%	10.7%	14.0%
North Tyneside	22.8%	36.8%	34.2%	31.2%	17.5%	63.5%	47.2%	54.5%	62.4%	73.1%	16.2%	10.4%	19.3%	20.6%	12.3%
South Tyneside	16.4%	35.1%	28.0%	18.5%	6.9%	69.4%	74.2%	51.2%	72.4%	122.3%	14.5%	1.8%	20.8%	27.1%	-2.0%
Sunderland	21.2%	31.9%	18.8%	20.3%	51.3%	61.9%	43.1%	61.3%	66.5%	55.4%	14.2%	12.7%	18.2%	29.7%	8.3%
Tyne & Wear	26.3%	33.1%	26.1%	23.0%	43.3%	58.7%	48.9%	59.7%	66.0%	57.0%	13.8%	9.6%	17.5%	19.9%	12.6%
North	21.0%	25.1%	20.8%	17.2%	37.2%	54.5%	51.1%	66.2%	61.5%	52.9%	18.5%	15.3%	18.7%	28.8%	17.4%
England & Wales	24.9%	25.3%	28.2%	25.2%	25.2%	21.5%	32.6%	38.4%	33.4%	21.4%	13.8%	15.1%	13.7%	17.5%	10.7%

Source: HM Land Registry

¹ Right to Buy (RTB) sales were over 3,800 in the peak year, 2003/04 in Tyne & Wear, but fell to about 1,600 in 2005/06 [Note: T&W RTB sales calculated by TWRI as a proportion (48%) of North East, using data from PIB Quarterly Returns from Local Authorities. Estimates for Sunderland and South Tyneside produced by TWRI as datasets incomplete].

Key Findings of the Analysis (up to 2006, using second quarter)

[Price rises are annual, for the year to the above quarter, unless otherwise stated]

House Price Inflation

- In Tyne & Wear, house **price inflation has slowed** over the **latest two years** to Q2 2006 (down by 40 percentage points compared with 2002-04). Following the boom which took place during 2002-04 for all property types, house price growth has been much closer to growth in earnings at 14% (over two years) and 1,500 fewer transactions (per quarter) than two years earlier (down 20%). Moreover, the strongest price growth in 2004-06 was at the lower end of the market (§2.1).
- The **main driver** of house price stabilisation between 2004 & 2006 has been **rising interest rates** (including a rise of 1 percentage point from 3.75% to 4.75% over the course of 2004)
- Price rises **in the year to Q2 2006** were **slightly faster in Tyne & Wear (by 2 percentage points) than nationally** (10%; E&W 8%) [a reverse of trends in 2004/05: 4% in T&W and 6% in E&W] (§4).
- The **price of new flats** has **fallen** over the last two years, despite a rise in the overall market. There appears to be a correlation between lower prices and new flats being built in less central areas². There is some evidence of lower prices of new flats in Gateshead in particular (§6).

Average House Prices

- The **average house price** was £138,500 in Tyne & Wear. This is 69% of the England & Wales average (£200,000); the same, in percentage terms, as in 2004. The average price gap has, however, widened in money terms compared to two years earlier, up £7,200 to £61,500 (§2.1).
- **Semi-detached house prices** (averaging £148,100) have risen more sharply in Tyne & Wear relative to England & Wales over the last year, up 12% (E&W 6%). The **lowest house prices are still for flats** in Tyne & Wear. They average £111,100. This is just 60% of the national average (£185,700). This is due to their growth rate falling below the E&W rate over the last year (up 4% compared to 6% in E&W) (§2.1).
- Among the **Districts**, Newcastle has the highest average house prices (£158,800). This is £34,200 higher than the cheapest District, Sunderland (£124,600) (Table 2.9). The major determinants of this variation are 'job density'³ and (largely domestic) in-migration rates (§2.3).

Transactions

- **Transactions of new flats**, in particular, **fell** 15% over the two years to 2006 (using Spring/Summer). The proportion of transactions in the range £150-249k fell from 43% to 27% and the proportion of transactions in the range £74,500-149,999 rose from 52% to 64% (§4).
- There has been a **huge fall in right-to-buy (RTB) sales**; down almost 60% from 2,700 p.a. in 2003-04 (about 13% of all sales) to 1,200 p.a. in 2005-06 (about 6% of sales) in Gateshead, Newcastle and North Tyneside⁴ (§2.2).

² Though lower prices in 2006 could equally be due to these flats being smaller, or not having riverside views etc.

³ Job density is the ratio of jobs at workplaces (in a District) to the Population of Working Age (ONS definition). It is a proxy for net in-commuting.

⁴ PIB Quarterly Housing Monitoring returned to DCLG by Local Authorities. Note: Information incomplete for South Tyneside and Sunderland. See Footnote 1 for details of T&W estimates calculated by TWRI.

House Price to Earnings Ratio

- As a **multiple of full-time earnings (about 5.8 on average)**, the ratio of house prices to earnings has risen slightly over the last two years as average house price growth of 14% exceeded earnings growth of about 10%. This ratio is a commonly used indicator to estimate ‘affordability’ of housing. (§3, Table 3.1).

Future prospects

- The immediate outlook for 2007 and 2008 seems to be for the annual house price inflation rates to be in single figures.
- The price prospects for detached houses are likely to be above the overall average. The arrival of any new ‘wave’ from the south would show locally first for detached homes.
- The price behaviour of new flats should be monitored closely because they fell between 2004 and 2006.
- House price inflation nationally and led by London, showed a renewed acceleration in late 2006 (up 5.7% in England & Wales between Q2 and Q3 2006, but [provisionally] down -1.9% between Q3 and Q4 2006; up 3.8% overall over the second half of 2006⁵). This could be the start of a new ‘wave’; if it is, it can be expected to raise Tyne & Wear prices first at the top end – for detached houses, and in Newcastle.
- The timing is uncertain; later in 2007 is very possible but 2008 would be more in line with previous 2-year lags. The Bank of England, has, however, raised rates three times (Aug and Nov. 2006 and Jan 2007) to take the base rate to 5¼%.

⁵ Caution: the figures which include Q4 are likely to under-state house price inflation because HM Land Registry data for Q4 2006 is First Release (which tends to under-state prices), Q2 and Q3 data is first revised release.

1 INTRODUCTION

This is the third report by Tyne & Wear Research and Information (TWRI) on house prices. This report analyses house prices from 1999 to 2006 in Tyne & Wear, focussing predominantly on the period from Q2 2004 to Q2 2006. All data are from HM Land Registry (HMLR). Prices are analysed down to district-level and by the four housing types: detached, semi-detached, terraced and flats/maisonettes. Comparisons are also made with England & Wales (E&W) and the North. HMLR regional data are for the North, which means the North East region plus Cumbria.

TWRI has used Land Registry (HMLR) because they are the most comprehensive source of house price data. These cover all completed property transactions in England & Wales.

Caution on averages

The HMLR data are all averages. House prices vary enormously, often over quite short distances. On average, prices in Tyne & Wear are now approximately the same as in the North. Within Tyne & Wear, there are neighbourhoods where prices are depressed. Conversely, there are areas where prices are buoyant. For example, very high prices (around £1/4m) have been quoted for apartments near the Quayside of both Newcastle and Gateshead.

Data below wards

More local data are available from HMLR. However there is a trade-off between timeliness and local detail. On average, each quarter, only about 40 houses are sold in each Tyne & Wear ward. This report, therefore, does not include analysis below district-level⁶.

The Economics of House Prices

The housing market in England & Wales, including in Tyne & Wear, is very much demand-driven. The supply of *new* houses is only a small part of the market (approx. 10%) and is relatively insensitive to price changes ('price-inelastic'). Therefore, it is the demand for property that has the greatest affect on house prices, as demand is relatively price-elastic. The price of property, and thus its desirability to potential buyers, is a major factor in demand. However, there is an element of housing demand associated with the expectation of *future* house prices as home-ownership is increasingly viewed in an investment context.

In the previous 2004 report, TWRI asserted that the house price boom was being driven by low interest rates. Over the last two years, the Bank of England Monetary Policy Committee (MPC) (responsible for setting Base rates) has slowly increased rates from 4.5% in June 2004 to 5.25 by January 2007 (See TWRI's Economic Reviews for details, quarterly).

The Processes Driving House Price Inflation

The Tyne & Wear market as a whole has a delayed response to movements in the national market of around 2 years (§4). House price inflation in Tyne & Wear was driven initially from the top end. It was prices of detached houses that rose fastest first (up 41% between 1999 & 2002). Between 2002 and 2004, the other house types accelerated and closed the gap (growth of between 57% and 66%, compared to 49% for detached prices). Over the two years to 2006, prices of detached houses in Tyne & Wear grew by just 10%, whilst the other house types continued to grow at a faster rate (13-20%).

⁶ *The Northern Housing Consortium commissioned the report "North East England: Changing Housing Markets and Urban Regeneration", (June 2002). That report, by Birmingham University's Centre for Urban and Regional Studies (CURS), is sometimes known as the 'CURS report'. It gives analysis below district-level by taking Land Registry data for 1995-2000 down to postcode sector and assigning it to EDs (Census 1991 Enumeration Districts). For details contact: Philip Leather on P.L Leather@bham.ac.uk.*

The Outlook for House Prices

The underlying fundamentals of the housing market are complex and there are many advocates of a 'self-fulfilling prophecy' of significant house price falls as first-time buyers (FTBs) are priced out of the market. A fall in the volume of transactions (demand-side) and a downward revision of homeowners' expectations of the prices they are able to command (supply-side) would cause house prices to slow or fall dramatically.

Tyne & Wear house price inflation, which had previously been catching up to England & Wales, overtook it between 2002 and 2004. Over the two most recent years, price rises have stabilised to exactly the same rate in Tyne & Wear and England & Wales (14%). Furthermore, the volume of transactions is down 21% on two years earlier in Tyne & Wear (in England & Wales, transactions rose 7% over the same period).

Clearly the predominant trend both nationally and in Tyne & Wear is towards stabilisation in the housing market. This is being driven by rising interest rates and rising unemployment (Claimant unemployment rose by 2,700 in Tyne & Wear between September 2004 & September 2006).

House prices may continue to stabilise, however the recent falls in the price of flats and detached properties over the latest quarter in Tyne & Wear, could be a possible early sign of stagnation.

Predictions for 2007:

- **Low:** The 9% fall in [value of mortgage] loans to £4.3bn in October 2006 "may be an early indication that the heat is starting to be taken out of the market" - Brian Morris, head of savings at the Building Societies' Association. Mortgage lenders expect a slowdown in the housing market in 2007 according to Mr Morris. (as reported in the Financial Times 21/11/06) [Caution: these data cover only building society mortgages, not from mortgage banks and other banks – Ed.]
- **Moderate:** The Centre for Economics and Business Research (CEBR) has predicted that Britain's housing boom will continue in 2007, with average prices rising by £1,000 a month (about 0.5%). CEBR said that it saw no evidence that increased interest rates would impact upon the cost of homes and has predicted house prices will rise by 7.6%. Slower growth is predicted in 2008 and 2009, before acceleration again in 2010. (<http://news.bbc.co.uk/1/hi/business/6307239.stm>, accessed 28/01/07)

Why House Prices are Important for Policy

House prices are an important factor in setting monetary policy (by the MPC). House prices are of policy interest for a number of other, more local, economic and social reasons:

1. **Small firm business survivals.** Housing wealth is a known driver of business numbers. It is the usual collateral for small business loans. The boom in house prices noted between 2002 & 2004 appears to have underpinned a rise in business numbers. Rising housing wealth allows existing businesses to borrow more money to set up, grow and survive. The number of small businesses in the North East rose by 9,760 (up 9.9%) to 108,720 between 2003 & 2005⁷ [see also forthcoming TWRI publication 'Housing Wealth & Small Business Indicators'].
2. **Demographic effects.** Household formation may have been inhibited and the birth of children delayed by high prices. Recent evidence suggests that Tyne & Wear experienced positive natural change (population resulting live births and deaths, excluding net migration) for the first time in nine years (+233 in 2005)⁸. This could be an effect of the recent slowdown in house price inflation.
3. **Migration.** Tyne & Wear average house prices are 31% lower than the national average. This is a gap of £61,500, a rise of £7,200 since Q2 2004. The larger price gap makes the out-migration of people from Tyne & Wear (to higher priced regions) more difficult and thus less likely.
4. **'Affordable housing'**. This is a planning concept. House prices in the market set a benchmark for affordable housing. More households now need affordable housing than in 1999 because prices have risen so much faster than earnings.
5. **Risks of over-borrowing.** In the post-1997 context of low inflation anchored by Bank of England independence, interest rates rose from 3.5% in 2003 to 4.75% (since summer 2004). The low cost of mortgages encouraged heavier borrowing. The recent rises in interest rates (to 5.25% in January 2007) have encouraged borrowers, particularly first-time buyers, to borrow up to 6 times their wages in an attempt to get onto the housing ladder.
6. **Reduced turnover, a less liquid housing market, may raise demand for transport.** The inability to move house can cause higher commuting and thus add slightly to traffic volumes and congestion. People may choose, instead, to travel further to work rather than incur the high cost of moving. More households are extending their homes rather than moving.
7. **Social inequality.** Inflation always creates arbitrary winners and losers. Households which do not own their home are missing out on a major source of wealth. They not only face higher prices to get on the housing ladder, but also have not made capital gains on their property. They have fewer financial options than those who own. This attitude of 'must own' is considered in the following section on the importance of the rental sector on the efficiency of labour markets and the wider economy.

⁷ Source: *SME Statistics 2005*, from *Small Business Service*.

⁸ *Vital Statistics data*, ONS.

The Growing Importance of the Rental Market⁹

Economic theory suggests that the extent of home ownership has a direct influence upon the performance of the labour market and wider economy.

High home ownership reduces labour market flexibility. Theory asserts that renting is beneficial for the flexibility of an economy. There is a historical precedent linking high rates of home-ownership with **high unemployment**. The reasoning is that home-ownership creates labour market immobility, whereas renters are more mobile.

- The immobility caused by the relative expense of selling a home and moving **exacerbates** the effects of any economic **downturn** in a home-owner's region.
- High levels of home-ownership block young workers' abilities to enter an area to find a job. The virtual non-existence of Spain's rental sector and 80% owner-occupation rate is associated with high levels of young joblessness. In the UK, the assertion is not that unemployed people are home-owners, it is that unemployed people **cannot move to the appropriate areas**.
- Workers do jobs for which they are not ideally suited as a way of circumventing their immobility. The resultant inefficiency raises the costs of production and lowers real incomes through **lower productivity**. Thus, prices of goods are higher and real wages lower than in more highly mobile rental-dominated labour markets.

High home ownership hurts the wider economy by distorting investment patterns. The main argument is that British society has become fixated in the post-war era with owner-occupation, to the detriment of the economy. Houses have become an investment asset (with significant tax breaks on profits compared to business investment) and that renting is an inferior and/or temporary option. The effect is that this pushes investment away from the real, productive activities in the economy. This speculation in itself can generate house price swings.

Buy-to-let investors have probably reduced the supply of housing to buy for owner-occupiers. Conversely, they will have raised the supply of private rental housing. This makes the UK housing market share one or two of the key features of Germany and Switzerland (both long-standing low-inflation countries)¹⁰

- A high house price level.
- Some tendency to rent privately (although very much lower than in Germany and Switzerland).

⁹ Evidence from 'The Case for a Healthier Rental Sector in the UK' (November 2004), Prof. Andrew Oswald, University of Warwick

¹⁰ This analogy with Germany and Switzerland from the Economist Newspaper Evidence from 'The Case for a Healthier Rental Sector in the UK' (November 2004), Prof. Andrew Oswald, University of Warwick

2 AVERAGE HOUSE PRICES IN TYNE & WEAR, QUARTER TO JUNE 2006

This section reviews average house prices in Tyne & Wear in the second quarter 2006, with comparisons to the North and to England & Wales. In Section 2.2 District house prices are examined.

2.1 House Prices in Tyne & Wear in the second quarter of 2006:

5,941 houses were sold in Tyne & Wear at an average price of £138,500. The aggregate value was about £823 million. The average overall price in Tyne & Wear was £120 lower than in the North. It was a massive £61,600 (31%) lower than in England & Wales.

Compared to a year earlier, the average house price in Tyne & Wear is up 10% (Table 2.1). This was the same as the rise in the North (+10%) and was above the rise in England & Wales (+8%).

Compared to two years earlier, 1,235 (-21%) *fewer* houses were sold in Q2 2006. The average overall price in Tyne & Wear has risen by £17,300 (14%). It has, however, fallen below the North, contrasting with two years ago, when it was more than £4,000 above the North average. The gap between the average overall price in Tyne & Wear and England & Wales has widened (by 13%) from £54,600 in Q2 2004 to £61,800 in Q2 2006.

In the year to Q2 2006, house price rises were markedly fastest for terraced houses in England & Wales (up 10%) whereas all other types were up only 6%. Tyne & Wear had a broader advance in house prices, with semis (up 13%) as well as terraced (up 13%).

Detached Houses

- Caution: Average prices of detached houses are volatile due to small volumes (especially at LA District).
- This has been the least buoyant part of the market: Over the year (from the second quarter of 2005), prices of detached houses in Tyne & Wear rose the slowest of the four house types (+4%)
- The number of transactions for detached houses was the lowest of all four property types (519)
- Over the year, there has been a reversal of house price growth in North Tyneside (-1%) and only moderate growth in Gateshead (+1%), Newcastle (+6%) and South Tyneside (+3%). The Sunderland market appears to be accelerating and has experienced the fastest growth in Tyne & Wear (+10%).
- There was no change in the average price of detached houses in Tyne & Wear from the previous quarter. In Sunderland detached prices rose by 11% (to £225,600), the strongest growth in Tyne & Wear. There was a reversal of earlier growth in detached house prices in Newcastle (-14%) and North Tyneside (-6%)
- Tyne & Wear detached prices are £5,200 higher than in the North. They are still, however, £62,000 (21%) lower than in England & Wales.

Semi-detached Houses

- Over the last year, semi-detached prices have risen 12%, double the 6% rise in England & Wales and above the 10% rise in the North. The average price of a semi rose by 3% from the previous quarter in Tyne & Wear.
- 1,686 semi-detached houses were sold in Tyne & Wear, at an average price of £148,100.
- The average price in Tyne & Wear was £9,200 higher than in the North but £33,000 (18%) lower than in England & Wales.

Terraced Houses

- The average price of a terraced house in Tyne & Wear rose by 7% from the previous quarter, the strongest growth of the four house types.
- 2,134 terraced houses were sold in Tyne & Wear at an average price of £126,800. This was the highest number of transactions of all four property types over the quarter.
- The average price in Tyne & Wear was £20,300 higher than in the North but £32,800 lower than in England & Wales.
- Over the year, terraced houses rose 12% in Tyne & Wear. This was 2 percentage points below the North (+14%), but 2 percentage points ahead of England & Wales (+10%).

Flats/Maisonettes

- The average price of a flat/maisonette in Tyne & Wear rose by just 1% from the previous quarter
- 1,602 flats or maisonettes were sold in Tyne & Wear at an average price of £111,100.
- The average price in Tyne & Wear was 4% higher than a year earlier. This was below the 6% rise in E&W and the North.
- Prices of flats in Tyne & Wear were significantly below the price in England & Wales (being £74,600 lower) but only marginally below the price in the North (being just £2,400 lower).

2.2 Volumes

There has been a fall in right-to-buy (RTB) sales; down almost 60% from 2,700 p.a. in 2003-04 to 1,200 p.a. in 2005-06 in Gateshead, Newcastle and North Tyneside. This could have also contributed to the fall in overall transactions over the most recent two years. TWRI estimate that RTB sales in Tyne & Wear were over 3,800 in the peak year, 2003/04, but fell to about 1,600 in 2005/06.

[Note: RTB data for South Tyneside and Sunderland not available for 2003/04 and for Sunderland for 2005/06. T&W RTB sales calculated by TWRI as a proportion (48%) of North East, using data from PIB Quarterly Returns from Local Authorities. Estimates for Sunderland and South Tyneside produced by TWRI as dataset incomplete].

Table 2.1: Average House Prices in Tyne & Wear and Recent Percentage Changes

	Average Price (£) Apr- Jun 2006	Percentage Change Compared to:		
		Jan-Mar 2006	Apr-Jun 2005	Apr-Jun 1999
Detached	239,800	0.0	3.8	128.9
Semi-Detached	148,100	3.3	11.5	152.7
Terraced	126,800	6.5	11.8	164.3
Flat/Maisonette	111,100	1.3	4.2	150.5
Overall	138,500	3.7	9.5	138.9

Source: HM Land Registry

Table 2.2: Average House Prices in the North and Recent Percentage Changes

	Average Price (£) Apr- Jun 2006	Percentage Change Compared to:		
		Jan-Mar 2006	Apr-Jun 2005	Apr-Jun 1999
Detached	234,500	1.1	2.2	134.4
Semi-Detached	138,800	4.3	9.7	151.9
Terraced	106,500	7.2	13.7	156.1
Flat/Maisonette	113,500	2.3	5.9	147.7
Overall	138,600	5.8	9.6	130.6

Source: HM Land Registry

Table 2.3: Average House Prices in England & Wales and Recent Percentage Changes

	Average Price (£) Apr- Jun 2006	Percentage Change Compared to:		
		Jan-Mar 2006	Apr-Jun 2005	Apr-Jun 1999
Detached	301,700	1.4	6.0	122.7
Semi-Detached	181,100	3.0	6.0	131.1
Terraced	159,600	3.6	10.0	128.8
Flat/Maisonette	185,700	3.4	5.9	109.1
Overall	200,000	3.6	7.8	113.2

Source: HM Land Registry

Table 2.4: Average House Prices in Gateshead and Recent Percentage Changes

	Average Price (£) Apr-	Percentage Change Compared to:		
	Jun 2006	Jan-Mar 2006	Apr-Jun 2005	Apr-Jun 1999
Detached	225,100	8.5	0.5	129.6
Semi-Detached	143,500	7.5	13.1	156.6
Terraced	117,500	7.5	11.7	185.8
Flat/Maisonette	92,800	-4.9	1.4	218.4
Overall	127,500	4.0	11.2	146.2

Source: HM Land Registry

Table 2.5: Average House Prices in Newcastle and Recent Percentage Changes

	Average Price (£) Apr-	Percentage Change Compared to:		
	Jun 2006	Jan-Mar 2006	Apr-Jun 2005	Apr-Jun 1999
Detached	285,400	-13.7	5.7	110.0
Semi-Detached	169,500	4.1	6.3	157.9
Terraced	158,600	10.2	9.2	144.9
Flat/Maisonette	136,100	1.4	6.5	144.0
Overall	158,800	2.6	8.3	134.7

Source: HM Land Registry

Table 2.6: Average House Prices in North Tyneside and Recent Percentage Changes

	Average Price (£) Apr-	Percentage Change Compared to:		
	Jun 2006	Jan-Mar 2006	Apr-Jun 2005	Apr-Jun 1999
Detached	229,600	-5.8	-1.3	119.5
Semi-Detached	154,800	-1.2	12.5	155.9
Terraced	143,700	5.1	13.6	180.2
Flat/Maisonette	99,900	4.1	4.1	134.6
Overall	143,500	1.9	9.5	141.3

Source: HM Land Registry

Table 2.7: Average House Prices in South Tyneside and Recent Percentage Changes

	Average Price (£) Apr- Jun 2006	Percentage Change Compared to:		
		Jan-Mar 2006	Apr-Jun 2005	Apr-Jun 1999
Detached	255,200	6.5	3.2	132.7
Semi-Detached	145,300	5.4	15.1	143.4
Terraced	115,500	11.9	12.3	188.6
Flat/Maisonette	87,900	4.2	-0.7	167.0
Overall	128,200	8.6	11.4	133.3

Source: HM Land Registry

Table 2.8: Average House Prices in Sunderland and Recent Percentage Changes

	Average Price (£) Apr- Jun 2006	Percentage Change Compared to:		
		Jan-Mar 2006	Apr-Jun 2005	Apr-Jun 1999
Detached	225,600	10.6	9.6	142.2
Semi-Detached	131,000	5.9	10.9	149.3
Terraced	100,100	4.6	10.8	160.1
Flat/Maisonette	94,800	-0.4	1.9	145.3
Overall	124,600	7.2	10.5	137.7

Source: HM Land Registry

2.3 District House Prices:

District Summary (of average prices)

The first report of this series stressed the positive correlation between the relative level of house prices and 'job density'¹¹ in Tyne & Wear districts to 2002. However, the second report in this series (2002-2004) highlighted that district house prices were exhibiting 'catch-up' in areas of traditionally 'low' demand (e.g. South Tyneside). Accelerating prices in these areas were most likely due to buyers being priced-out of traditionally 'high' demand areas (e.g. Newcastle) [This can be called 'displacement of demand']. The correlation between house prices and job density need no longer be as strong in a labour market where workers are more willing to commute to find affordable housing.

- District price structure is summarised in Table 2.9, below. Newcastle's prices were highest for all housing types. North Tyneside was second for all types except detached houses, where South Tyneside was second.
- The lowest prices for semi-detached and terraced houses were in Sunderland.
- The lowest price for detached houses was in Gateshead and for flats in South Tyneside.
- Sunderland had the lowest overall prices, having the lowest prices for two out of four housing types (semis and terraced).
- Gateshead had the 2nd lowest overall average price. This was due to it having the lowest prices for detached houses and the second lowest for semi-detached and flats.

Table 2.9: Average House Prices in Tyne & Wear by District, Quarter to June 2006

	Detached	Semi- Detached	Terraced	Flat/ Maisonette	Overall
Gateshead	225,100	143,500	117,500	92,800	127,500
Newcastle	285,400	169,500	158,600	136,100	158,800
North Tyneside	229,600	154,800	143,700	99,900	143,500
South Tyneside	255,200	145,300	115,500	87,900	128,200
Sunderland	225,600	131,000	100,100	94,800	124,600
Tyne & Wear	239,800	148,100	126,800	111,100	138,500
England & Wales	301,700	181,100	159,600	185,700	200,000

Source: HM Land Registry

¹¹ Job density is the ratio of jobs in an area to its population of working age (PWA) [ONS definition]

Gateshead:

- Gateshead's average house prices were cheaper than county averages for all house types.
- Gateshead had the lowest average house prices for detached houses.
- Compared to the previous quarter, Gateshead's fastest rise was for detached properties, by +9% (+£17,700).
- Over the year, the strongest growth was in the mid-size properties; the average price of semi-detached houses rose 13%, whilst terraced properties rose 12% over the period.
- The growth in detached and flat/maisonette prices was more subdued over the year at +1% each. Over the quarter, prices actually fell (-5%).

Newcastle:

- Prices of detached houses fell from the previous quarter (-14%). Over the year from Apr-Jun 2005, detached properties rose just 6% (the slowest of all property types in the District).
- The largest gains, in relative terms, were in terraced houses, rising +10% on the previous quarter and 9% over the year.
- Over the year, there was moderate growth in the prices of flats/maisonettes, which rose by £8,300 (+7%), while prices of semi-detached house rose by 6% (£10,100)

North Tyneside:

- North Tyneside had the second highest property prices in Tyne & Wear (behind Newcastle) for all property types except detached.
- The fastest rise from the previous quarter was for terraced houses at +5% (+£6,900).
- Detached and semi-detached property prices fell from the previous quarter (down 6% and 1% respectively).
- Over the year, detached houses fell 1% (-£3,000). The greatest rise over the year was in terraced houses (+14%), with semi-detached house prices growing +13% over the same period.

South Tyneside:

- Average house prices were below the county averages for all house types, except for detached houses.
- Compared to the previous quarter, terraced houses showed the strongest growth (+12%). These were also up +12% on a year earlier.
- Detached houses rose +7% (+£15,500) over the quarter. Over the year, the average price of detached properties was up £8,000 (+3%). There was a reversal of this trend for semis; up 5% over the quarter but up 15% over the year.
- The slowest rise was for flats/maisonettes, up 4% over the quarter (+£3,500) and down -1% over the year (-£600).
- South Tyneside has the lowest average prices for flats/maisonettes in Tyne & Wear (£87,900).

Sunderland:

- Sunderland had the lowest average prices for semi-detached and terraced houses, as well as the lowest overall average prices.
- Compared to the previous quarter, detached properties rose +11% (+£21,700), the strongest growth of the four house types. Over the year, detached properties rose by 10% (£19,800).

- Over the year, Sunderland semis and terraced houses rose the fastest up 11% each (+£12,900 and +£9,700).
- Compared to the second quarter of 2005, the slowest price rise over the year was for flat/maisonettes, up just 2% (£1,800). Compared to the previous quarter of 2006, the price of flats actually fell (-0.4%, or down £400). This is similar to what has occurred in Gateshead.

2.4 Transactions (sales) by property type in Tyne & Wear, Q2 2006

The number of transactions (sales) in Tyne & Wear in Q2 2006 by the four property types is shown in Maps 2.1-2.4. The key points to note are as follows:

Detached

- There was a clustering of transactions of higher-priced detached properties (£350k+) in Gosforth in Newcastle and in South Tyneside in the ward of Cleadon & East Boldon as well as around Whitley Bay in North Tyneside
- Transactions of lower-priced detached properties can be found in peripheral areas to the west of Newcastle and Gateshead and south of Sunderland

Semi-Detached

- Clusters of transactions of higher-priced semi-detached properties (£190k+) can be found in the Jesmond and Gosforth areas of Newcastle, areas around Whitley Bay in North Tyneside and areas south of South Shields around the wards of Westoe, Harton and Horsley Hill in South Tyneside
- There are clusters of lower-priced semi-detached properties to the west of Sunderland city in the wards of Redhill and Castle and also a cluster which forms a ring to the south of the city

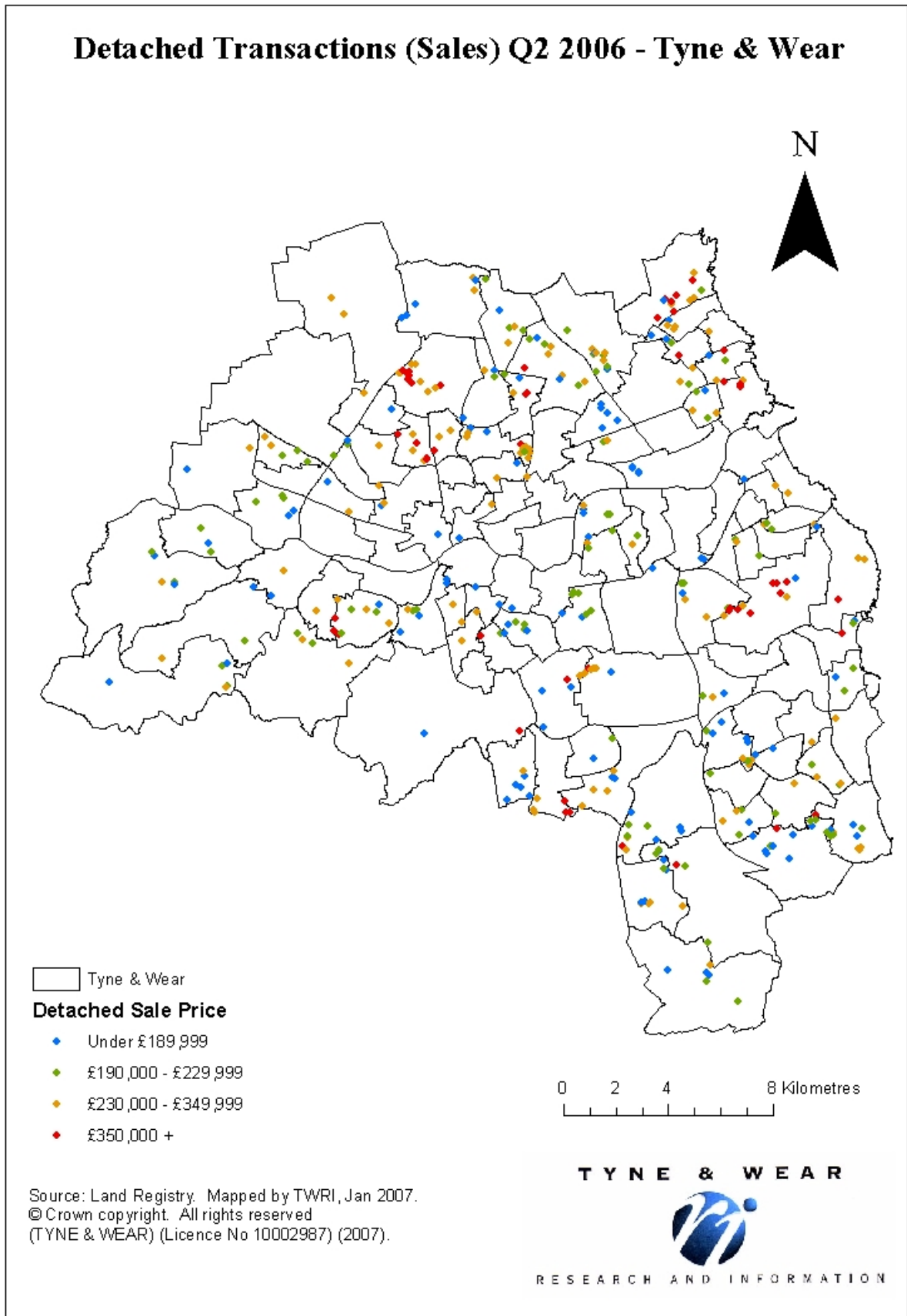
Terraced

- Transactions of higher-priced terraced properties (£170k+) are clustered in the Jesmond, Heaton and Gosforth areas of Newcastle. There is also a large cluster of transactions around Whitley Bay in North Tyneside and a smaller cluster in the area around Saltwell Park in Gateshead.
- There is a prominent cluster of terraced transactions towards the lower end of the market (under £75k) in areas to the south of the City of Sunderland.

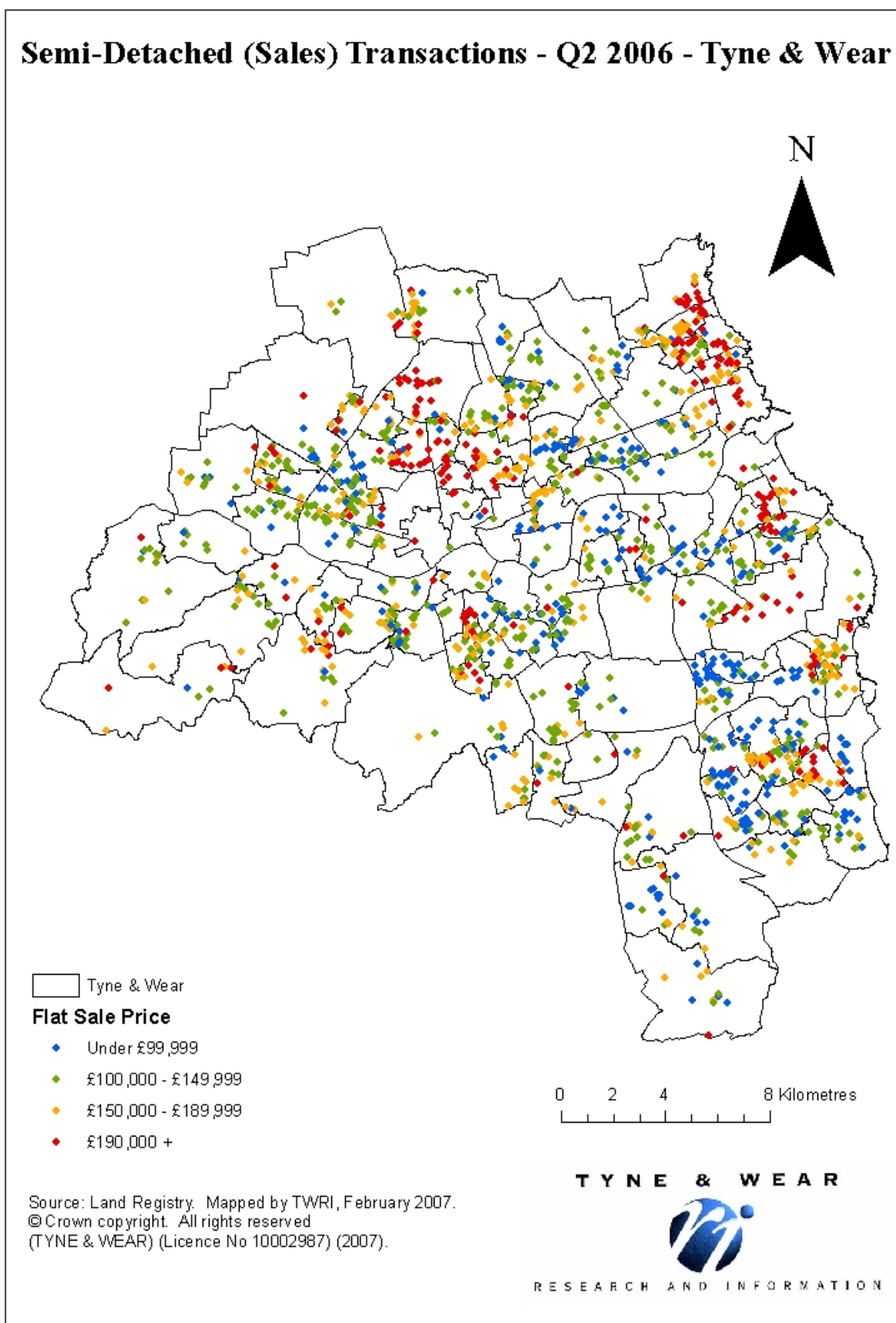
Flat

- Transactions of higher-priced flats can be found along the Quayside in Newcastle and Gateshead and in areas in the west of Newcastle city centre but especially to its north including Jesmond, Gosforth and some in Heaton. There are some smaller clusters of transactions of higher priced flats around the city of Sunderland and around Whitley Bay.
- There are small clusters of lower-priced flats in South Shields and North Shields and also in the Saltwell area of Gateshead

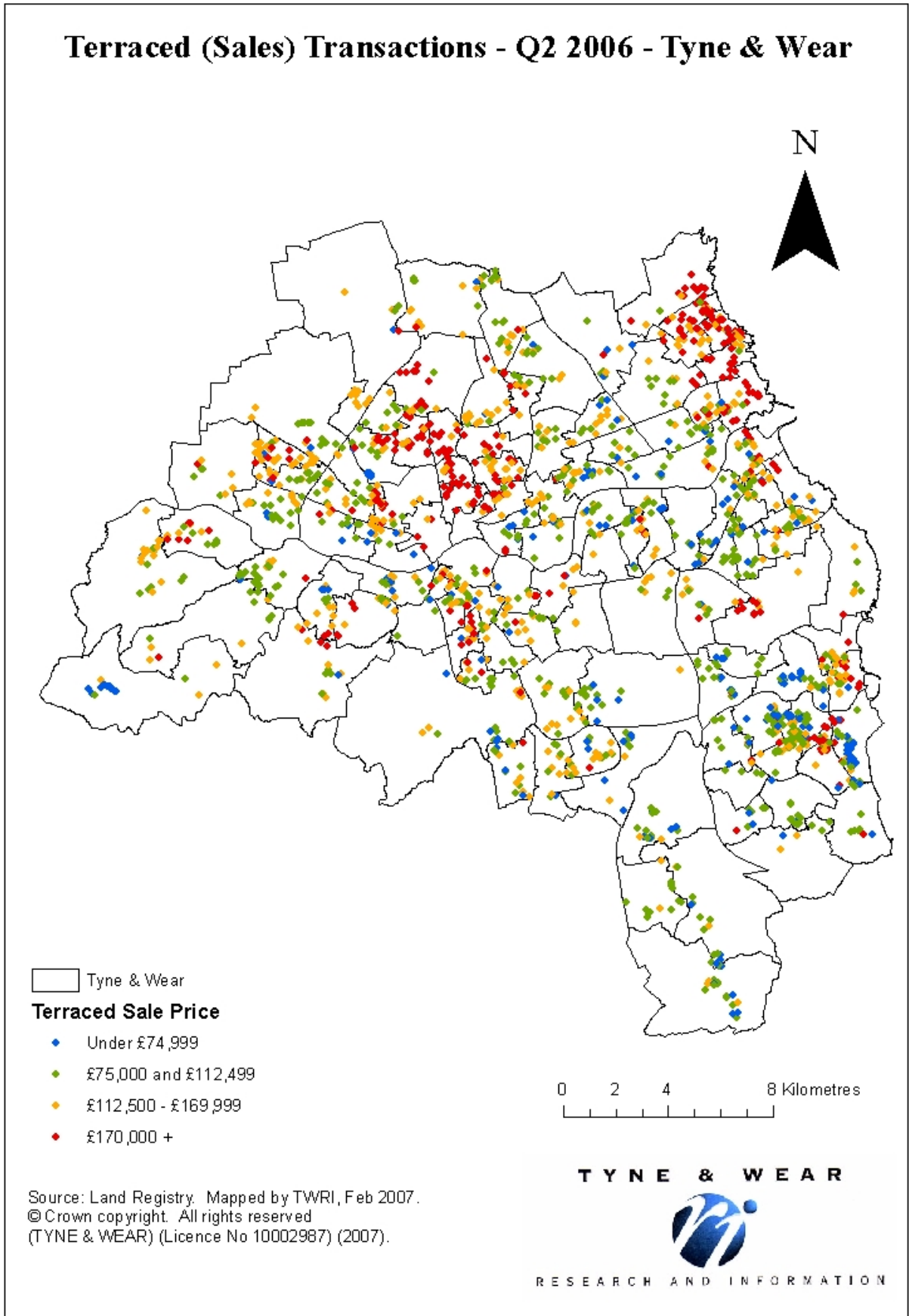
Map 2.1: Detached Transactions in Tyne & Wear, Q2 2006



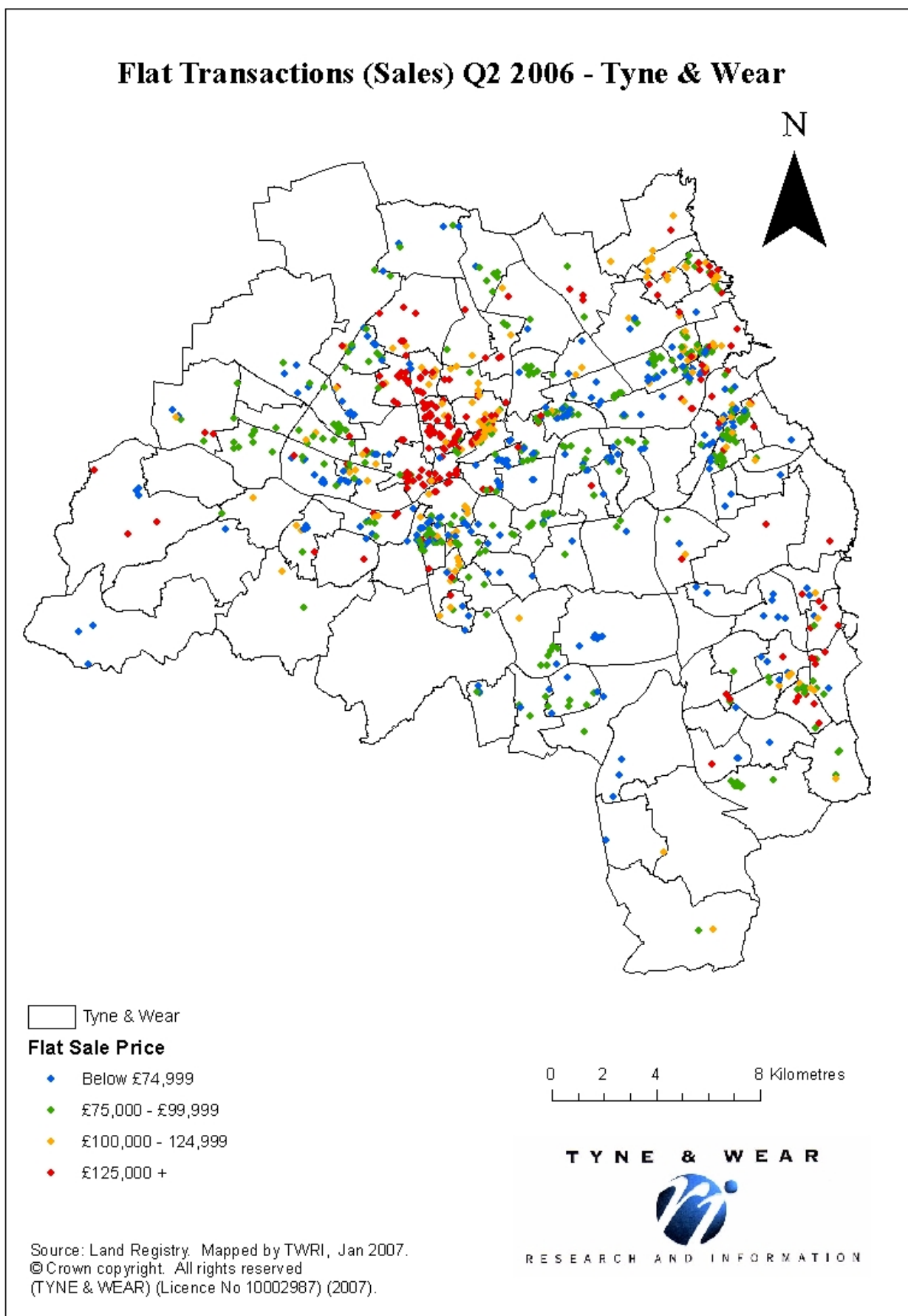
Map 2.2: Semi-Detached Transactions in Tyne & Wear, Q2 2006



Map 2.3: Terraced Transactions in Tyne & Wear, Q2 2006



Map 2.4: Flat Transactions in Tyne & Wear, Q2 2006



3 HOUSE PRICES COMPARED TO EARNINGS

3.1 House Price to Earnings Ratios (HPERs)

Changes in house price to earnings ratios (HPERs) are widely viewed as a more suitable measure of changing 'affordability' than house price changes alone. HPERs allow us to analyse the relative changes in house prices compared to average earning power.

House prices were on average 5.8 times annual average full-time earnings in Tyne & Wear in Q2 2006 (Table 3.1 and Fig 3.1 & 3.2 below). Given that average house price growth of 14% has exceeded earnings growth of about 10% over the last two years, this implies that property has become slightly less affordable. [Note: The ratio calculated in this table uses annual average full-time earnings data for April 2006¹². Previous reports in this series used annual average all (full-time & part-time) earnings and are shown below for comparison (Table 3.2). Future reports will include ratios based on full-time earnings only, as this is a more accurate measure of 'affordability'].

The earnings data in Table 3.1 & 3.2 uses *resident-based* data from ASHE, not workplace-based data. The lower levels of earnings of residents in Tyne & Wear and the Districts will increase HPERs compared to workplace-based calculations, but are a more accurate representation of the true 'affordability' of housing for residents in Tyne & Wear and the Districts.

Table 3.1: Ratio of Average House Price (Apr-Jun 2006) to Annual Average Full-time Earnings* (2006)

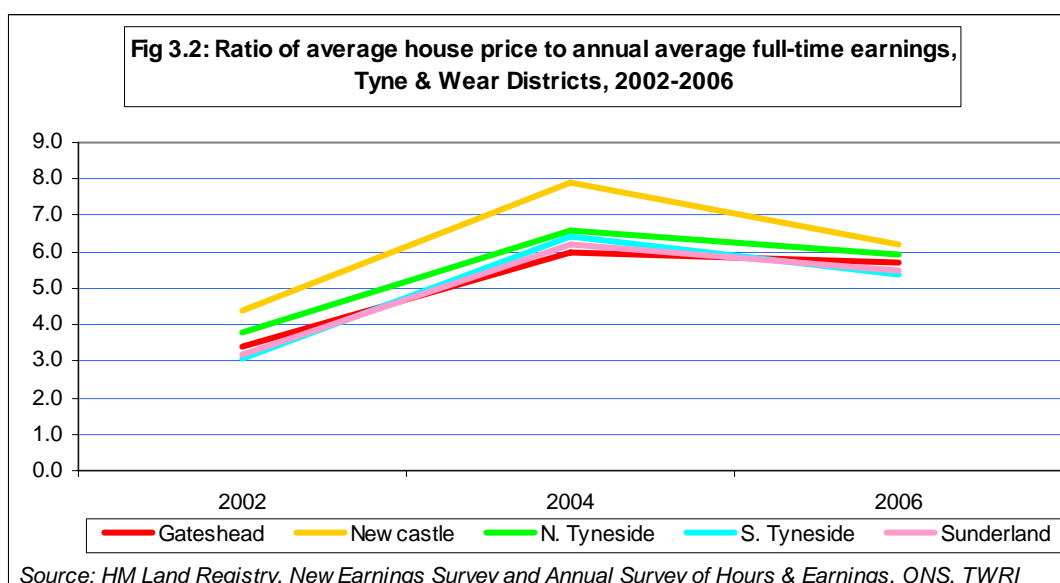
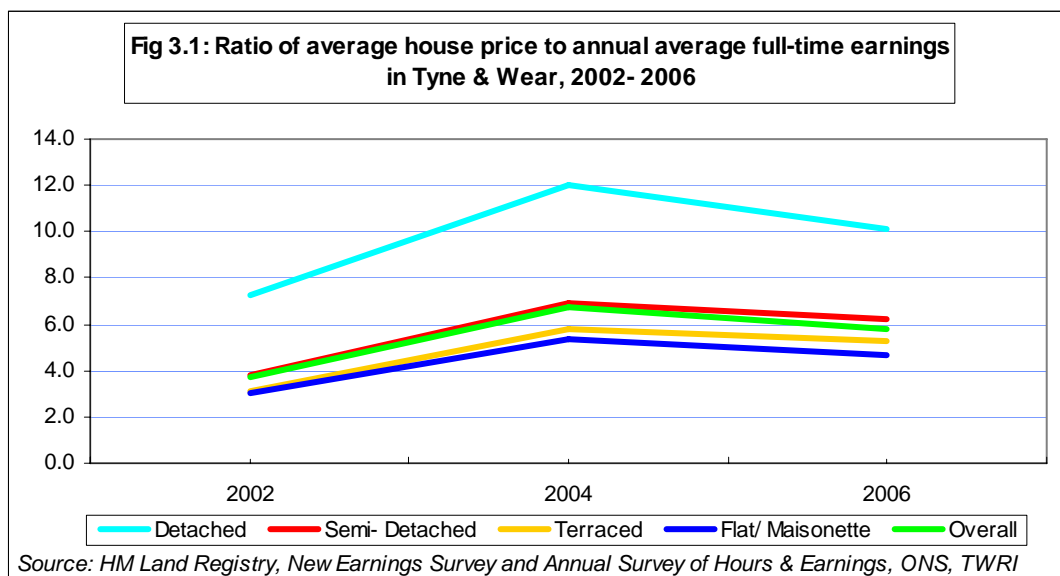
	Gateshead	Newcastle	North Tyneside	South Tyneside	Sunderland	Tyne & Wear
Detached	10.1	11.2	9.4	10.7	9.9	10.1
Semi- Detached	6.4	6.6	6.3	6.1	5.8	6.2
Terraced	5.2	6.2	5.9	4.8	4.4	5.3
Flat/ Maisonette	4.1	5.3	4.1	3.7	4.2	4.7
Overall	5.7	6.2	5.9	5.4	5.5	5.8

Note: * Earnings data is resident-based (Full-time employees only). This will produce higher HPERs than workplace-based data, on average, as earnings are lower for residents in Tyne & Wear and in Districts.

Source: HM Land Registry, Annual Survey of Hours & Earnings (ASHE) 2006 [ONS Crown Copyright], TWRI

Caution: ONS estimates of earnings for local authority districts are generally less statistically robust. Under the new ASHE methodology, the coefficient of variation for Tyne & Wear, Gateshead & Sunderland is less than or equal to 5% of the mean estimate. Data for Newcastle, North Tyneside and South Tyneside is less reliable at between 5% and 10% variation. This means that earnings data are more reliable for Tyne & Wear, Gateshead and Sunderland, than for the other districts. A variation of $\pm 5\%$ in earnings will alter the HPERs inversely by -4.8%/+5.3% respectively.

¹² Annual Survey of Hours & Earnings 2006, Office for National Statistics, reported in Tyne & Wear Research and Information's report 'Earnings in Tyne & Wear 2006' (forthcoming).



House prices were on average 6.9 times annual average all (full-time and part-time) earnings (see Table 3.2 below). This has risen slightly over the last two years (6.7 in Q2 2004).

Table 3.2: Ratio of Average House Price (Apr-Jun 2006) to Annual Average Earnings* (All, PT & FT) (2006)

	Gateshead	Newcastle	North Tyneside	South Tyneside	Sunderland	Tyne & Wear
Detached	11.9	13.2	11.2	12.9	11.8	12.0
Semi-Detached	7.6	7.8	7.5	7.3	6.9	7.4
Terraced	6.2	6.2	7.0	5.8	5.2	6.3
Flat/ Maisonette	4.9	4.9	4.9	4.4	5.0	5.6
Overall	6.7	6.7	7.0	6.5	6.5	6.9

Note: * Earnings data is resident-based (All employees). This will produce higher HPERs than workplace-based data, on average, as earnings are lower for residents in Tyne & Wear and in Districts.

Source: HM Land Registry, Annual Survey of Hours & Earnings (ASHE) 2006 [ONS Crown Copyright], TWRI

Caution: ONS estimates of earnings for local authority districts are generally less statistically robust. Under the new ASHE methodology, the coefficient of variation for Tyne & Wear, Gateshead & Sunderland is less than or equal to 5% of the mean estimate. Data for Newcastle, North Tyneside and South Tyneside is less reliable at between 5% and 10% variation. This means that earnings data are more reliable for Tyne & Wear, Gateshead and Sunderland, than for the other districts. A variation of $\pm 5\%$ in earnings will alter the HPERs inversely by -4.8%/+5.3% respectively.

3.2 Other studies of House Price to Earnings Ratios

Newcastle has been found to be the least affordable housing of the five big cities in the North – Knight Frank¹³. In its ‘State of the Cities Review 2006/07’, the average annual income required to secure and service a mortgage for an average priced-property is said to be double the average gross annual pay in Newcastle [This is, however, at least partly an artefact due to the relatively narrow boundaries of Newcastle – Ed.].

Within the North East, Tyne & Wear districts have been found to have moderately high house price to (household) income ratios compared to other districts in the North East, although the North East itself is one of the most affordable regions in England. In a study for the Joseph Rowntree Foundation by Professor Steve Wilcox at the University of York¹⁴, the five Tyne & Wear districts were ranked below Alnwick, Berwick, Tynedale, Castle Morpeth and Durham City but above all other districts in the North East (see Appendix 2 for more details).

¹³ For the full report see www.knightfrank.com/ResearchReportDirPhase2/10948.pdf

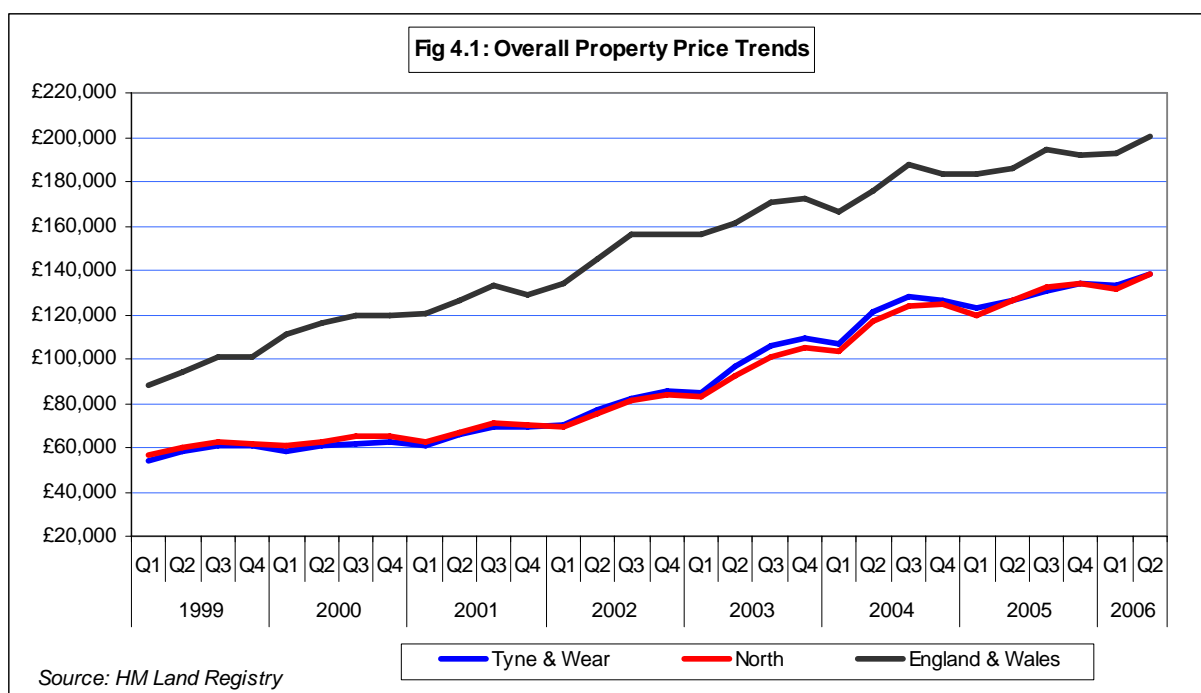
¹⁴ ‘The Geography of Affordable and Unaffordable Housing’, S. Wilcox, 2006.

4 TRENDS SINCE 1999 IN TYNE & WEAR COMPARED TO ENGLAND & WALES AND THE NORTH

Overall Price Trends since 1999

Four trends are clear since 1999 (Figure 4.1).

1. Since 1999, Tyne & Wear house prices have **remained well below England & Wales**. Tyne & Wear house prices have been at a similar level to the North, rising above the North average from Q1 2002, but falling slightly below the North average from Q3 2005.
2. House prices have **risen relative to England & Wales**. Once consistently over 60% of the England & Wales price during 1999, they fell to 51% in the first quarter of 2001 (the largest difference over the seven year period). By the second quarter of 2004, they had recovered to 69%, reaching 70% in Q4 2005, their highest relative level over the period. The difference in average overall prices has varied widely from about £33,000 at the start of 1999 to over £74,000 in the third quarter of 2002. From this high point, the gap has progressively narrowed, reaching £54,000 by Q2 2004 before widening again, reaching over £61,000 by the second quarter of 2006.
3. Conversely, **compared with the North, prices are now approximately the same**. Between 1999 and 2000 prices in Tyne & Wear were below the North average, in 2001 they were much the same. Prices exceeded the North average in the first quarter of 2002 and remained above the North up to the second quarter 2005. Since this point, prices in Tyne & Wear and the North have remained more or less the same. One possible explanation for this recent convergence could be that the earlier demand for urban living has weakened, with more people choosing to live outside urban areas (as indicated by the recent fall in the prices of flats in Gateshead and Sunderland).
4. **Seasonality** of house prices is generally **less marked** than in England & Wales over the whole period. Tyne & Wear prices also seem to experience a seasonal price dip in the first quarter of the year, rather than in the fourth quarter as is generally the case in England & Wales.



Detached House Prices since the start of 1999

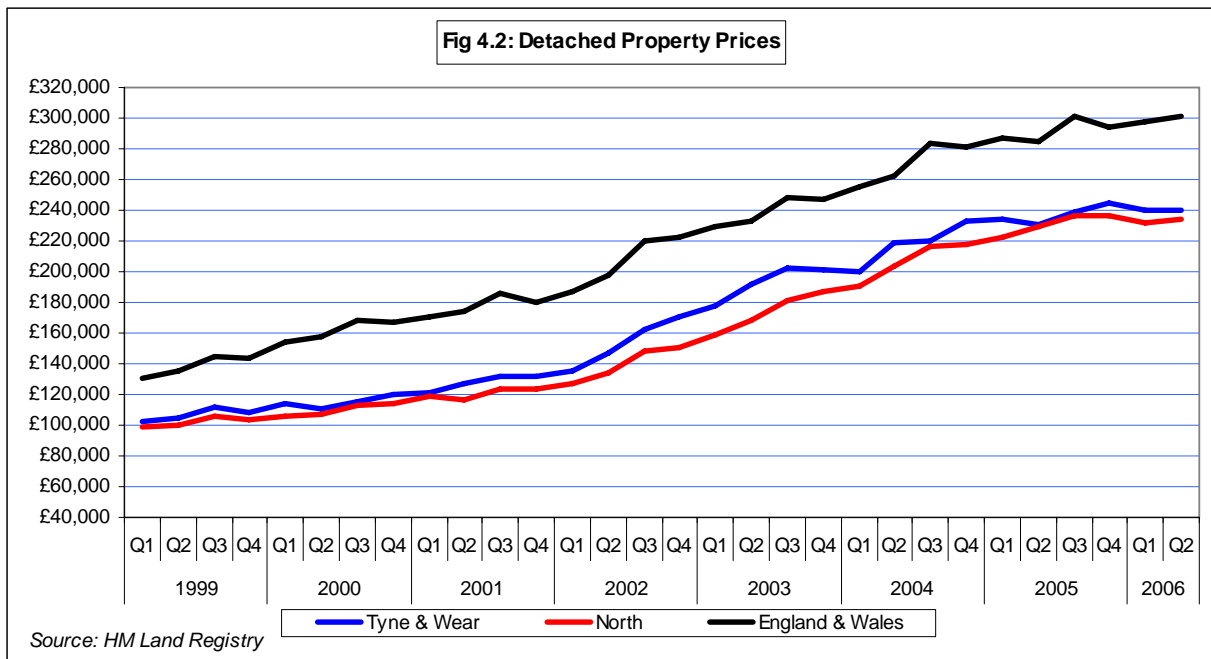
In Tyne & Wear, since the beginning of 1999, prices of detached houses have risen from about £102,000 to an average of nearly £239,800 by the second quarter of 2006. The average price of a detached house has more than doubled since 1999 in Tyne & Wear (up 135%). Since mid-2004, the price of semis in both Tyne & Wear and England & Wales has slowed (Figure 4.2).

Compared with England & Wales, Tyne & Wear prices of detached houses have been the closest to the national average of all property types. They started, in the first quarter of 1999, at 78% of the national average and then fell to 69% by the third quarter of 2000. They peaked at 83% in the second quarter of 2004 and have fluctuated thereafter, peaking at 83% in Q4 2004 and again in Q4 2005 before falling back to 79% by Q2 2006.

The owner of an average price detached house in Tyne & Wear would, however, still need an extra £62,000 to move to another detached house priced at the England & Wales average in Q2 2006.

Detached house prices in Tyne & Wear have been consistently slightly higher than in the North. At minimum, in the third quarter of 2000, this differential narrowed to just £1,800 (2%). This differential widened thereafter and by the second quarter 2003 it reached £23,100 (+14%). By the second quarter of 2005, the gap had narrowed to just £1,500 (+1%), but has since begun to widen slightly.

Tyne & Wear's detached house prices from 2004 to 2006 have been much flatter than in comparator areas.



Semi-detached Prices since the start of 1999

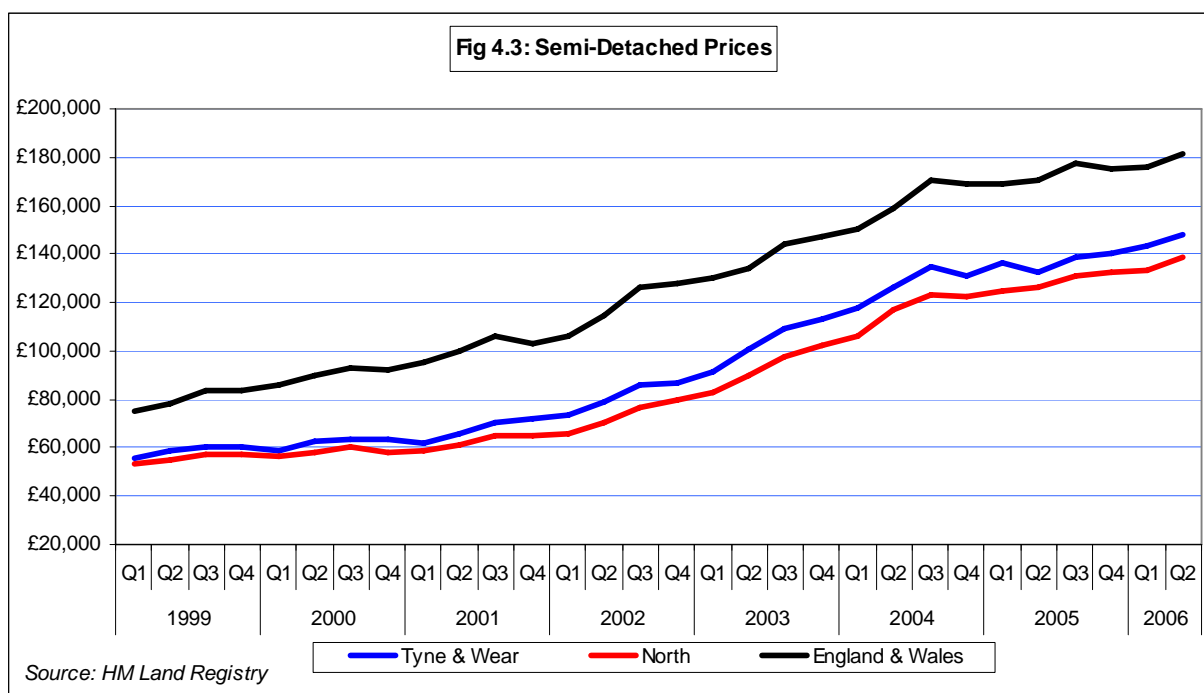
As with detached properties, the average price in Tyne & Wear is higher than in the North and this differential has generally widened (Figure 4.3). The premium on Tyne & Wear properties compared to the North more than trebled from £2,100 (+4%) in the first quarter of 1999, peaking at 13% in Q3 2002 (£9,800). This premium dipped to £6,200 (+5%) by Q2 2005 before rising slowly to 7% by Q2 2006 (+£9,200).

Compared to England & Wales, prices dipped but have recovered to their highest relative level over the whole period. On average, semi-detached prices relative to England & Wales fell from 74% of the average in Q1 1999 to just 65% of the average by Q1 of 2001. Since then, prices have recovered, peaking at 82% of the England & Wales average in Q2 2006 (-£33,000).

In England & Wales, prices of semi-detached houses are markedly seasonal, but Tyne & Wear prices are much less so. The national rise is fastest in the third quarter followed by a fall each year in the final quarter. In 2002 and 2003 prices continued to rise in the final quarter, providing 2½ years of uninterrupted growth. Since 2003, the seasonal trend has returned.

In spite of the recent improvements relative to the national level, a semi-detached house priced at the England & Wales average would require an extra £33,000 compared to the Tyne & Wear average in Q2 2006.

Prices of semis have, since mid-2004, been on a much less steep rise – in all areas.



Terraced Prices since the start of 1999

Terraced house prices fell relatively compared to England & Wales, from Q1 1999 (70%) to a low of 61% of the England & Wales average by Q4 2000. Since this point, prices have recovered, rising steadily and peaking (relative to E&W) at 80% in Q4 2005 (Figure 4.4). The continued strong growth in Tyne & Wear and relative slowdown nationally is further evidence of the 'lagged' response to price changes identified in TWRI's 'House Price and Earnings Report 2004'.

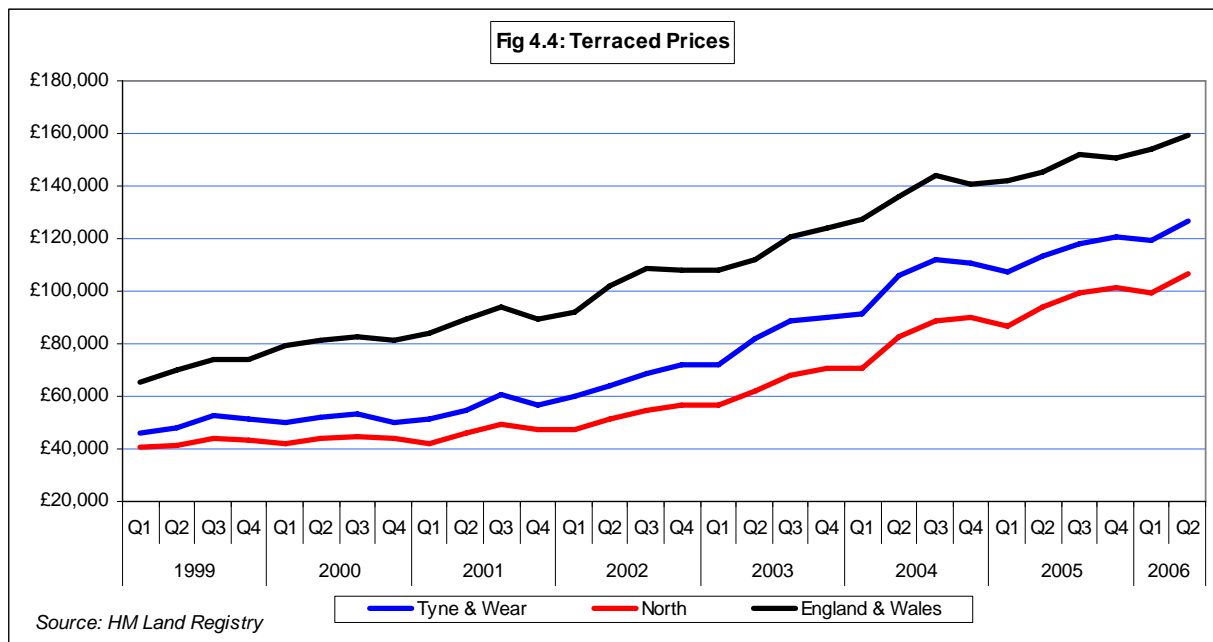
Since Q2 2003, prices have risen more steeply in Tyne & Wear (+55%) compared to England & Wales (+43%) in the period to Q2 2006. Over the two most recent years, terraced prices have risen 20% in Tyne & Wear compared to 18% in England & Wales.

A move from an average priced terrace house in Tyne & Wear (£126,800) to an average priced terrace house in England & Wales (£159,600) in Q2 2006 would require an additional £32,800.

Terraced house prices in Tyne & Wear are significantly higher than in the North. The premium doubled between Q1 1999 and Q2 2003 to 32%. This was both a reflection of the extreme weakness of terraced house prices in the North and accelerating demand in Tyne & Wear. Since this point, the premium has fallen, reaching 19% in Q2 2006. This difference is the smallest recorded since 2000. Over the last two years, house prices have risen 29% in the North compared to just 20% in Tyne & Wear (Q2 2004-06).

Seasonality of terraced prices is a feature in both England & Wales and Tyne & Wear, with the former dipping in Q4 and the latter dipping in Q1.

Prices of terraced houses have continued to rise at an un-diminished rapid rate – even after 2004.



Flat/Maisonette Prices since the start of 1999

Flats/Maisonettes' prices are somewhat unusual in Tyne & Wear, first under-performing hugely compared to England & Wales prior to 2002, then out-performing thereafter. Over the three years to 2002, Tyne & Wear's rise (+36%) was 14 percentage points weaker than in England & Wales (+50%) (Figure 4.5). However, since Q2 2002, Tyne & Wear flat/maisonette prices have more than doubled (+77%) compared with just 34% growth in England & Wales. Over the whole period since Q1 1999 to Q2 2006, Tyne & Wear flats/maisonettes have risen +171% compared to +120% in England & Wales.

It must be noted that Tyne & Wear started from a much lower base than nationally. Thus, even in Q2 2006, to move from an average priced flat/maisonette in Tyne & Wear (£111,100) to one in England & Wales (£185,700) would require a massive £74,600.

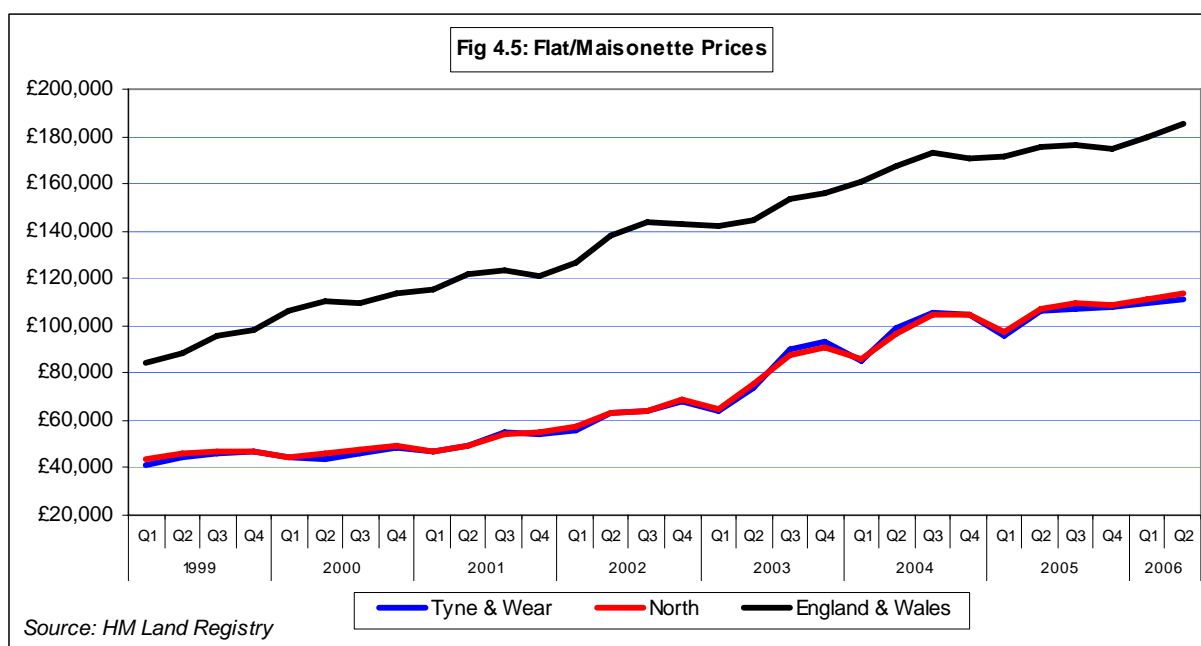
Compared to the national average, the price of flats/maisonettes in Tyne & Wear has improved relative to England & Wales, to 60% in the second quarter of 2006 from a low of just 40% in Q2 2000 (peaking at 62% in Q4 2005).

Prices of flats/maisonettes in Tyne & Wear have traditionally been marginally below the North price. In Q3 2003, the average price of a flat/maisonette in Tyne & Wear rose above the North by £2,600 (+3%). Since this point, prices have remained more or less the same, with particularly weak growth in Q1 over recent years in both Tyne & Wear and the North (excluding 2006).

In the latest quarter however, price rises in Tyne & Wear (+1%) were below both that occurring nationally (+3%) and in the North (+2%). This slowdown appears to have been led by falling prices in both Gateshead (-4.9%) and in Sunderland (-0.4%).

Transactions of new flats in particular fell 15% over the two years to Q2 2006 in Tyne & Wear. The price of new flats appears also to have fallen over the last two years, despite the overall market rising. The proportion of transactions in the range £150-249k falling from 43% to 27% and the proportion of transactions in the range £74,500-149,999 increasing from 52% to 64% (see §6 and Appendix Table 2 for more details).

Prices of flats have been flatter since 2004 in T&W and the North, but not so much nationally.



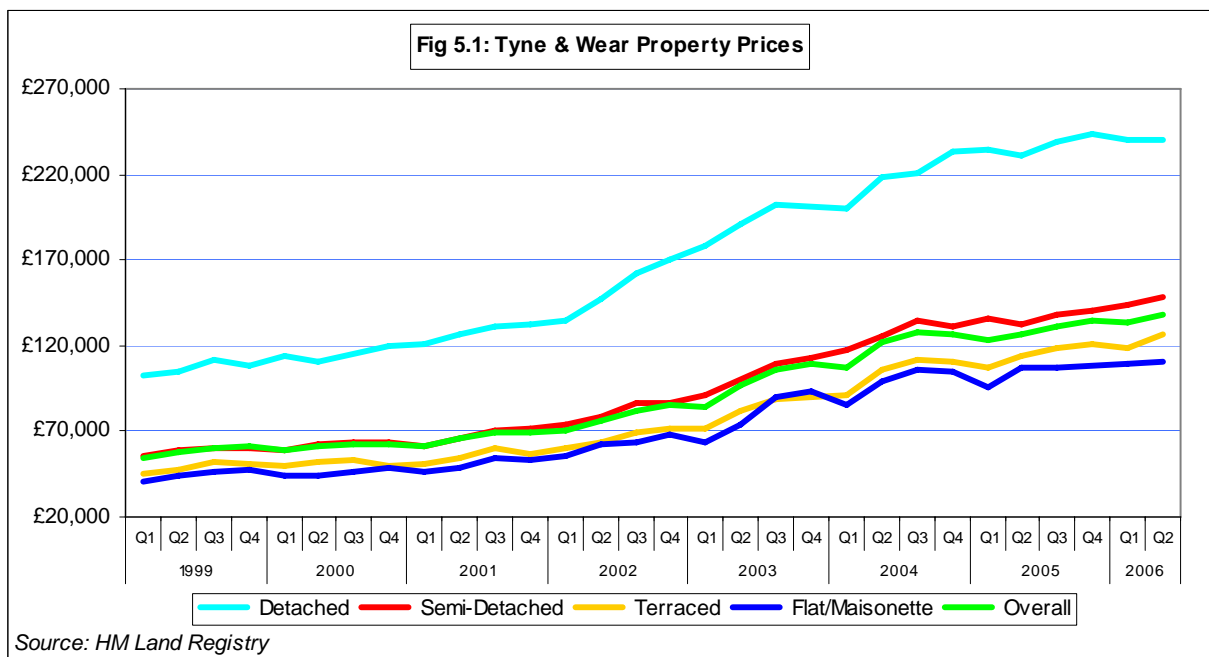
5 TRENDS SINCE 1999 AT DISTRICT LEVEL

Tyne & Wear

Since the beginning of 1999, terraced houses have experienced the fastest growth of all property types in Tyne & Wear to Q2 2006 (177%) and detached property the slowest (135%).

Recent trends indicate a general moderation of house price inflation for all types over the last two years to Q2 2004-2006.

In terms of more recent trends, over the year to Q2 2006 in Tyne & Wear, detached house price inflation has been significantly slower (4%) than for other, namely semi-detached and terraced property types (12%) (Fig. 5.1).



After exhibiting ‘polarisation’ up to 2002 by property type, the previous report in this series highlighted that between 2002 & 2004, there was evidence of a ‘catch-up’ or ‘lag’ effect across house types. The polarisation by type seen in 2002 can now be seen (also) as the effect of the ‘wave’ affecting detached house prices first. House prices in Tyne & Wear exhibit lagged causal patterns where detached properties are the market leader in the first instance, subsequently followed by the other property-types. Since 2004, the ‘wave’ has taken effect:

- Semi-detached prices rose 18% between Q2 2002 and Q2 2004
- Terraced prices rose 20%
- Flat/maisonette prices rose 13%
- Detached prices rose markedly more slowly than the other property types at 10%

The next five pages give each District’s price trends, by house type.

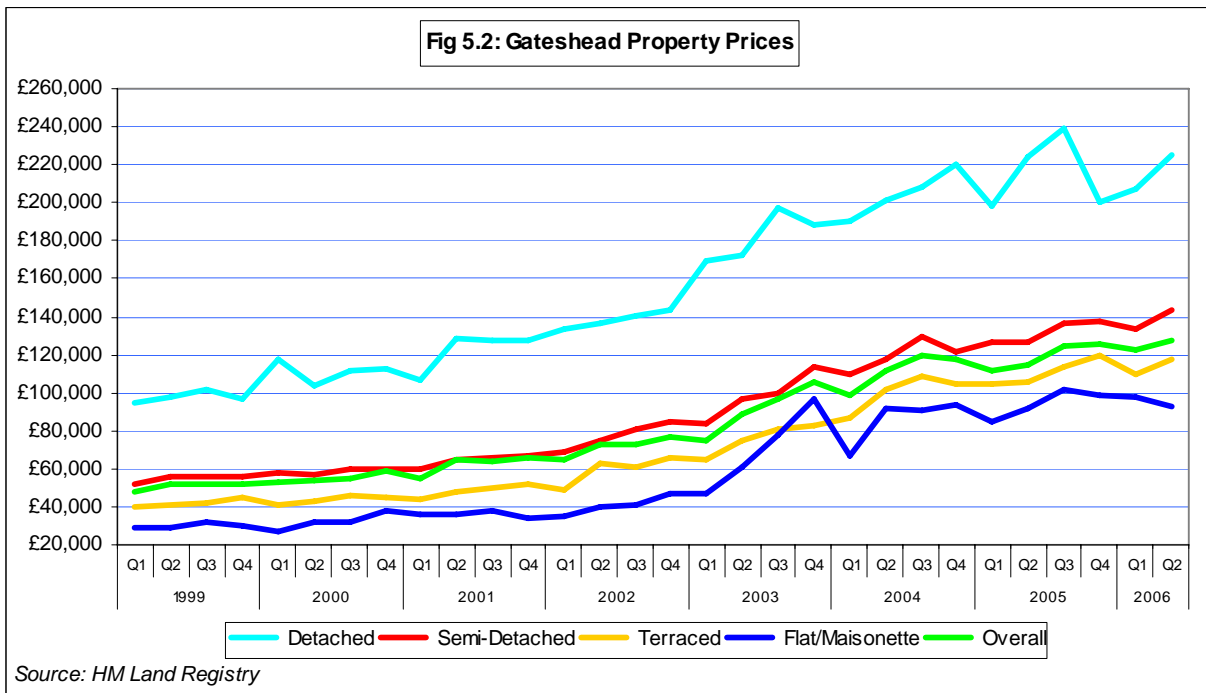
Gateshead

Since the beginning of 1999, prices of Gateshead’s detached houses have more than doubled (139%) from £94,300 to £225,100 (Fig. 5.2). Detached prices have fluctuated more widely than for other types, probably due to the low numbers of sales. (Detached house sales, or volume, in Gateshead fell to just 85 in the second quarter of 2006, from 130 two years earlier).

Over the seven years to Q2 2006, prices of semi-detached houses rose 157% from £55,900, peaking at £143,500 in Q2 2006. Over the latest year (to Q2 2006) they experienced the fastest growth of all property types (13%).

Prices of terraced houses rose by 12% in the year to the second quarter of 2006, a sharp improvement on the 4% rise in Q2 2005, but short of the 35% rise in Q2 2004.

Since the beginning of 1999, the price of flats/maisonettes in Gateshead rose the fastest of all property types (219%) from £29,100 to £92,800. In terms of more recent trends, prices for flats/maisonettes in Gateshead have begun to stabilise over the last year following a period of erratic change in 2003-04. The large fluctuations in prices which occurred towards the end of 2003 was most certainly due to flows of new ‘luxury’ apartment complexes on and near Gateshead’s Quayside. Since peaking in Q3 2005 at £101,400, prices of flats have fallen, with only 1% growth over the year to Q2 2006 and a fall of 5% over the latest quarter.



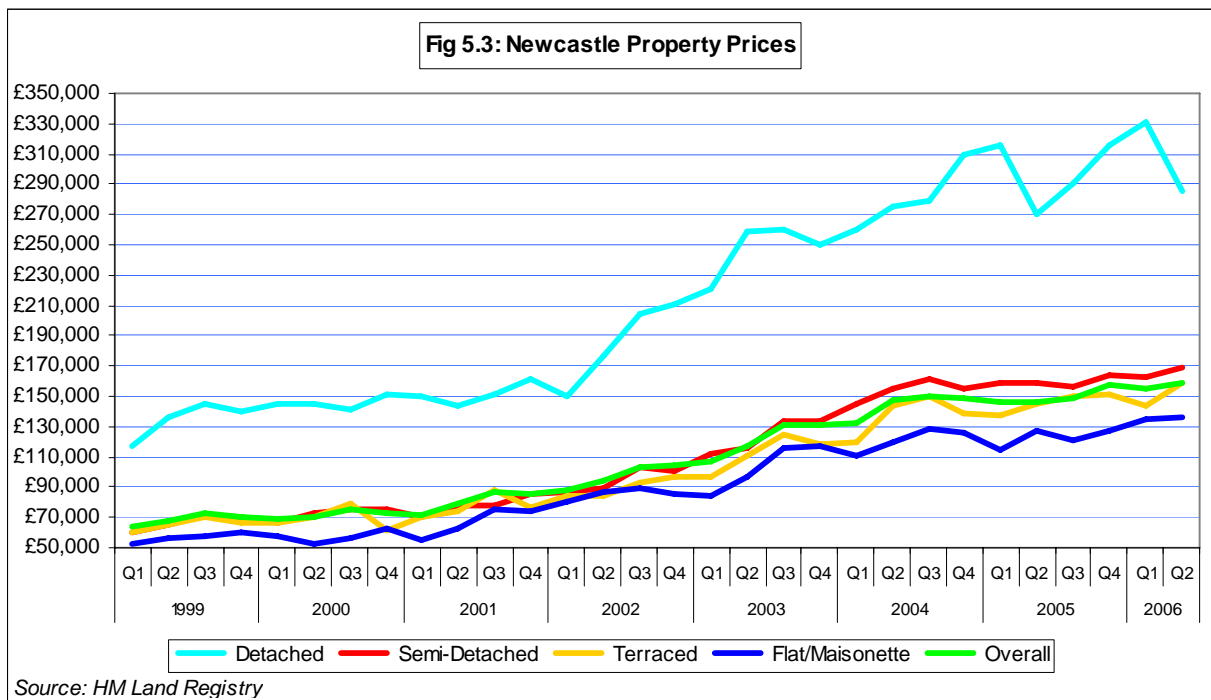
Newcastle

Newcastle had the highest average house prices for all property types and overall in Q2 2006.

Since 1999, prices of Newcastle's detached houses have risen from £117,100 to £285,400, an increase of 144% (Fig. 5.3). Following a sharp rise (110%) from Q1 2002 to Q1 2005, prices have fluctuated over the year to Q2 2006. In both 2005 and 2006, odd seasonal changes appear to have influenced average prices, having peaked in Q1 before falling by 14% in Q2 of both years.

Prices of the other types of house in Newcastle have begun to plateau since Q2 2004 (rising between 9 and 14% over the two years to Q2 2006). This stands in contrast to the previous two year period where prices of other house types rose between 38% to 74% to Q2 2004.

Semi-detached houses experienced the fastest percentage rise of any property type in Newcastle since 1999 (+184%). By Q2 2006, terraced houses had experienced the fastest price rise in Newcastle over the year (9%) and over the quarter (10%).



North Tyneside

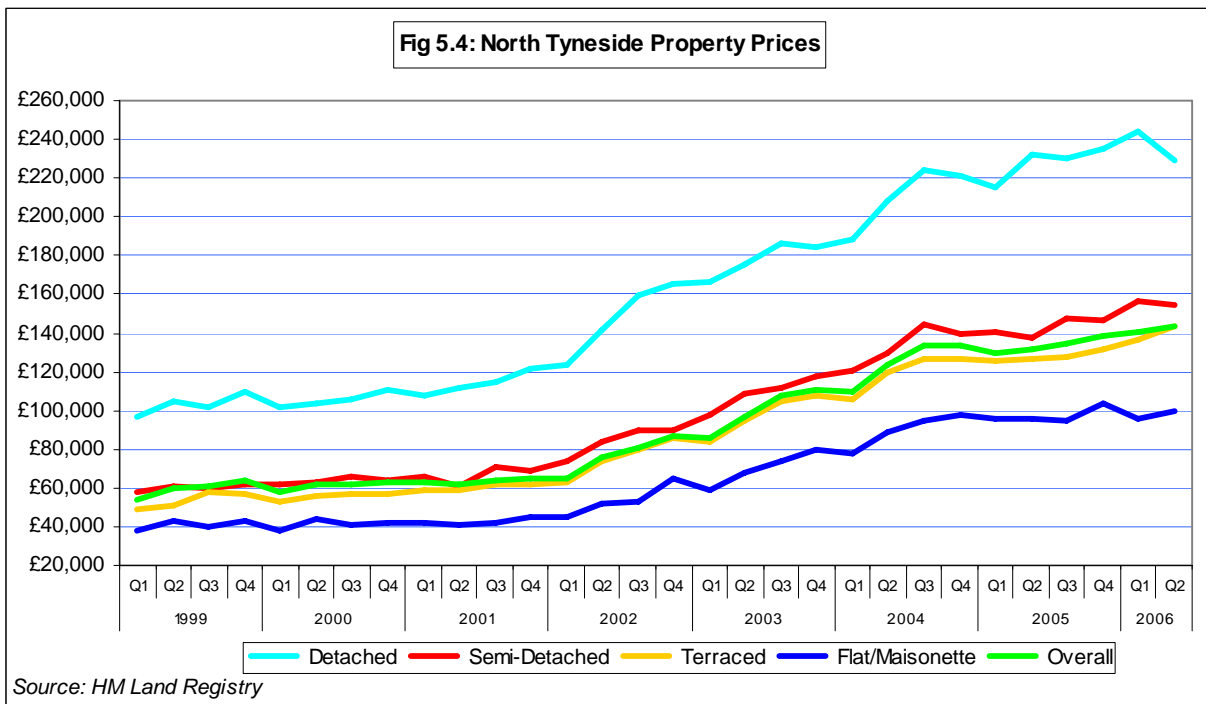
In North Tyneside, house price inflation has stabilised since the sharp acceleration which occurred in early 2004 for all house types (Fig. 5.4). This acceleration was driven by new house-building, which had been at the highest rate in North Tyneside (Source: Returns from Planning departments).

Flat/maisonette prices have led this trend, experiencing the fastest rise in prices (up 73%) over the two years to Q2 2004 before slowing over 60 percentage points to only 12% growth over the two years to Q2 2006.

Detached prices were the slowest growing between Q2 2004 and 2006, up only 10% compared to 47% inflation over the previous two years. Detached prices also rose the slowest since 1999, up 137%.

Semi-detached house prices rose 19% over the two years to Q2 2006, compared to 55% in the previous two years to Q2 2004. Both semi-detached and detached properties experienced a fall over the latest quarter (-1% and -6% respectively).

Since 1999, terraced prices have risen 196%. More recently, terraced houses experienced the fastest price increase of all property types between Q2 2004 & 2006 (up 21%). This was over 40 percentage points less than the house price inflation which occurred for terraced properties between Q2 2002 & 2004.



South Tyneside

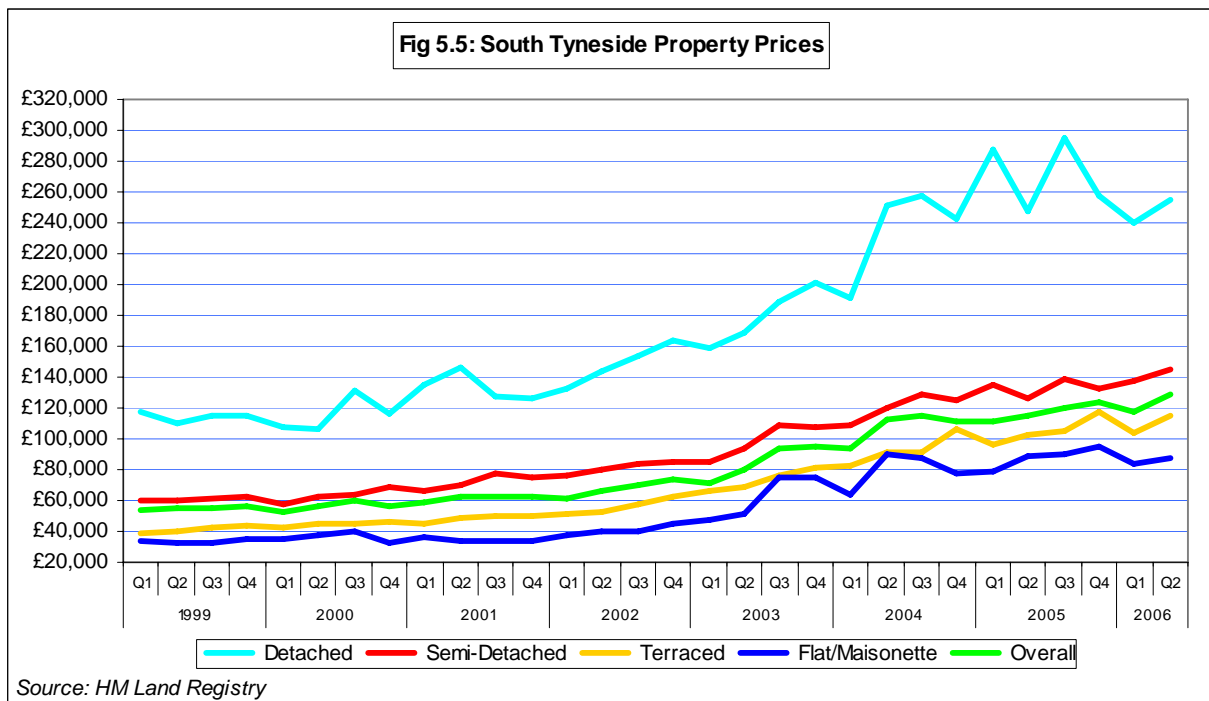
Historically since 1999, South Tyneside has had the weakest (flattest) house price trends (Fig. 5.5). This reflects both its relative low job-density and low incomes. However, South Tyneside experienced a fairly rapid increase in its growth rates in house prices over the year to Q2 2004 (41% overall). Over the year to Q2 2005, these growth rates then slowed abruptly to 3% before moderating over the year to Q2 2006 at 11%.

Detached prices have fluctuated widely (due to low volumes, on average, around 50 transactions per quarter) including an extremely sharp jump (30%) over the quarter to Q2 2004 (up £59,000). Since Q2 2004, detached prices have fluctuated more sharply, peaking at £294,900 in Q3 2005, before falling by 14% to their lowest level in 2 years in Q1 2006 (£239,700).

Semi-detached houses have risen to £145,300 in Q2 2006, up 15% on a year earlier and faster than the 5% growth over the year to Q2 2005.

Terraced house prices have experienced the most consistent growth of all four house types over the four years from Q2 2002 to Q2 2006, with annual inflation of 30%, 32%, 13% and 12%. Since the start of 1999, terraced prices rose fastest of all property types in South Tyneside (practically trebling, up by 189% to Q2 2006).

Prices of South Tyneside flats were lower in 2006 than in 2004. This two-year 'plateau' immediately follows the most rapid growth of all property types over the year to Q2 2004 (a huge annual rise of 73%). Since this point, the price of flats has stabilised, with a fall in prices experienced over the year to Q2 2005 (-1%) and to Q2 2006 (-1%). Since 1999, prices of flats have risen 158%.



Sunderland

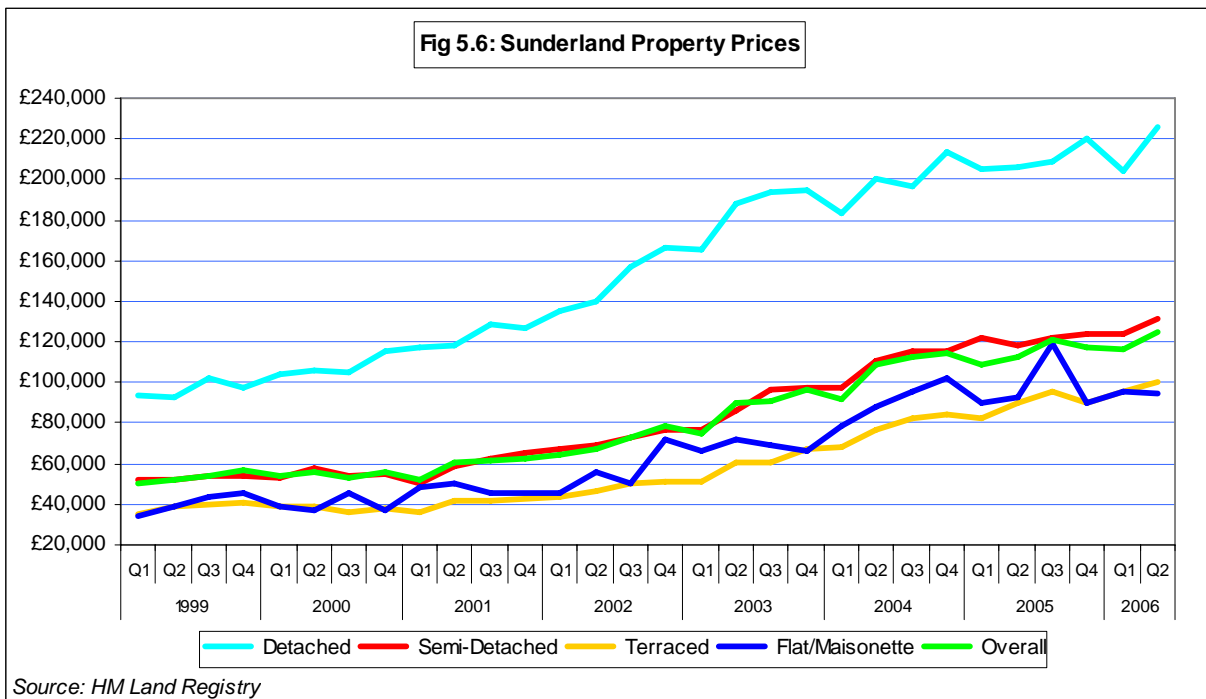
House prices in Sunderland remain the lowest, on average, in Tyne & Wear for all house types, except detached and flats/maisonettes.

House price trends in Sunderland were strong over the years to Q2 2003 and 2004 (on average, 33% and 22% growth overall). However, in recent years, this growth has slowed, slowing sharply to just 3% in the year to Q2 2005 but recovering to 11% in the year to Q2 2006.

Prices of flats were lower in 2006 than in 2004. Following a period of strong growth between 2002 & 2004, flat/maisonette prices have begun to slow with inflation recorded at just 2% in the year to Q2 2006 and no change over the latest quarter. This slowdown in inflation is possibly the result of over-supply due to a number of new flat/apartment developments coming onto the market in Sunderland over recent years.

Detached prices have been slow-rising compared to other property prices (up 142% since 1999). Only in the latest year has detached house price inflation risen to double-figure growth (10% in the year to Q2 2006). Detached house prices rose from £205,800 in Q2 2005 to £225,600 by Q2 2006, their highest level over the 7-year monitoring period. Nevertheless, Sunderland's detached house prices remain the second-cheapest in Tyne & Wear, £4,000 lower than North Tyneside and only £500 above Gateshead.

Since the beginning of 1999, terraced houses have risen the fastest of all property types in Sunderland (+183%). Prices of semi-detached and terraced properties rose sharply in Q2 2002-2004. Prices of these house types rose at a similar pace however since Q4 2004 there has been some divergence.

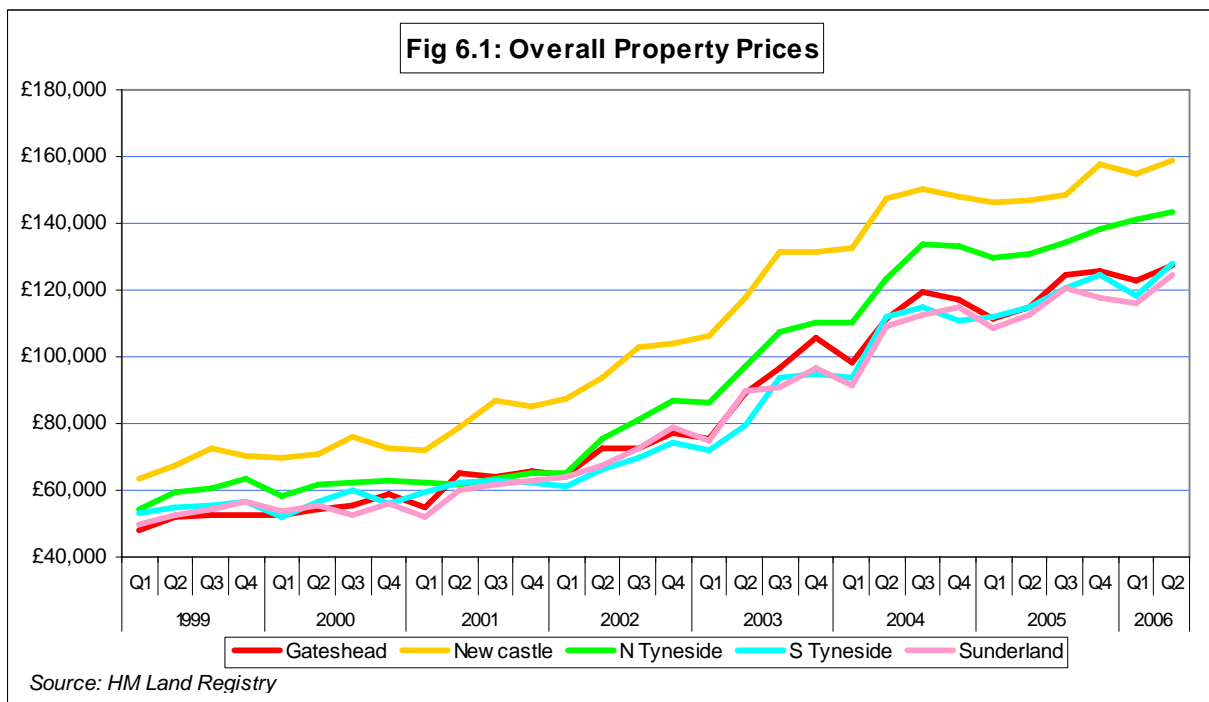


6 TRENDS SINCE 1999 BY HOUSE TYPE

Overall¹⁵

Tyne & Wear house prices have been the highest in Newcastle over the seven year monitoring period, by at least £10,000 and sometimes, over £20,000 (peaking in Q2 2004 at £24,200) (Fig. 6.1). Over the last two years to Q2 2006, the gap between Newcastle and North Tyneside (the District with on average the second highest house prices) has reduced to around £15,000. Prices in the latest quarter in Newcastle have been almost £35,000 above the lowest-priced district (Sunderland).

Overall house prices in North Tyneside have risen relative to other Districts since 2001 to 2003. This re-establishes its premium relative to Districts south of the Tyne.



Over the period as a whole, the overall average house price rise has been strong (above the national average +128%) in Gateshead (+166%), North Tyneside (+164%), Newcastle (+150%), Sunderland (+149%) and South Tyneside (+140%).

Much of this strength in growth occurred between Q 2 2002 and 2004, with prices stabilising over the two most recent years to Q2 2006 as the following indicates:

- Gateshead; from 54% growth between 2002-04 to 14% between 2004-06
- Newcastle; from 57% to 8% growth
- North Tyneside; from 63% to 16%
- South Tyneside; from 69% to 15%
- Sunderland; from 62% to 14%

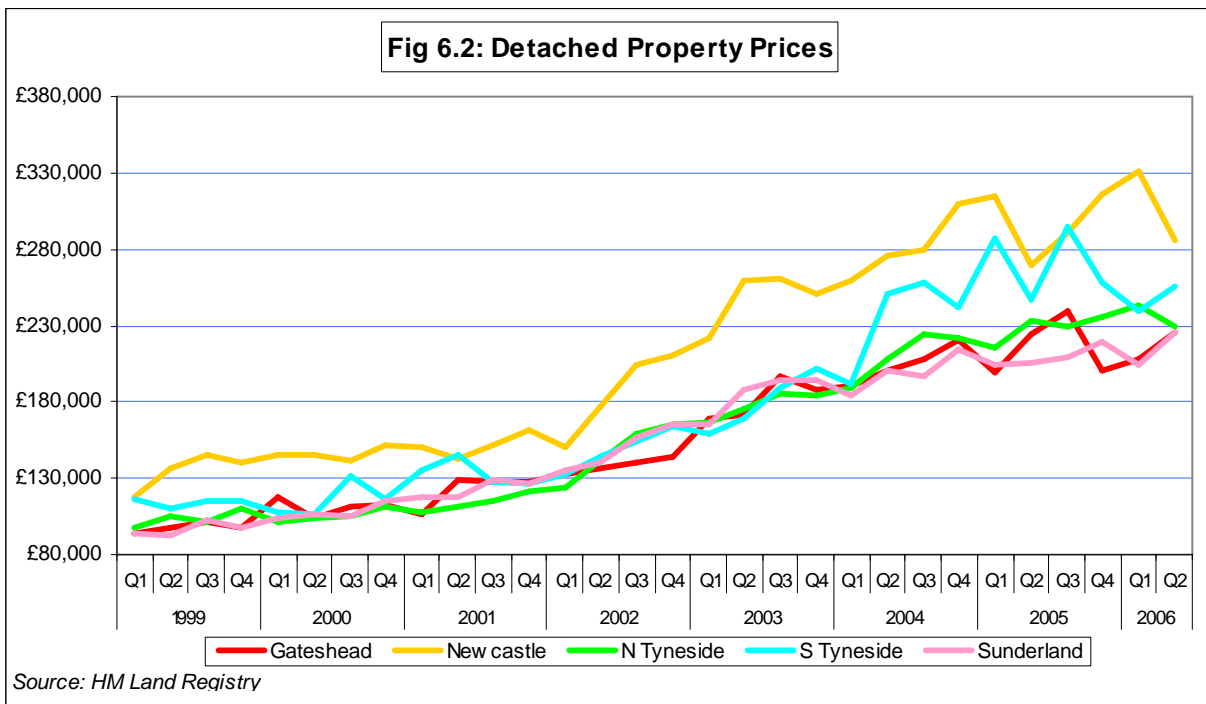
¹⁵ The overall average price is calculated as follows:

- For each of the four property categories, multiply the number of sales by the average price.
- Sum the results.
- Divide by the total number of sales.
- Thus, this is a simple average, which makes no allowance for the (possible) changes in the mix of houses sold.

Detached Property

Detached house price inflation has recently begun to fluctuate in all districts, following an earlier period of sustained growth to Q1 2004 (Fig. 6.2). Between 2002 & 2004, detached house prices rose in all districts, by between 43% and 74%. Between 2004 and 2006, house price inflation slowed dramatically to between 2% and 13%. Over the last year to Q2 2006, there has been a slowdown across all districts apart from in Sunderland where detached property prices have grown at 10%.

Newcastle has maintained its place as having the highest detached house prices (except, oddly, in Q3 2005, when South Tyneside's detached property prices exceeded Newcastle's by £3,800). The range for detached property prices is the highest of all property types, peaking at over £125,000 in Q1 2006.

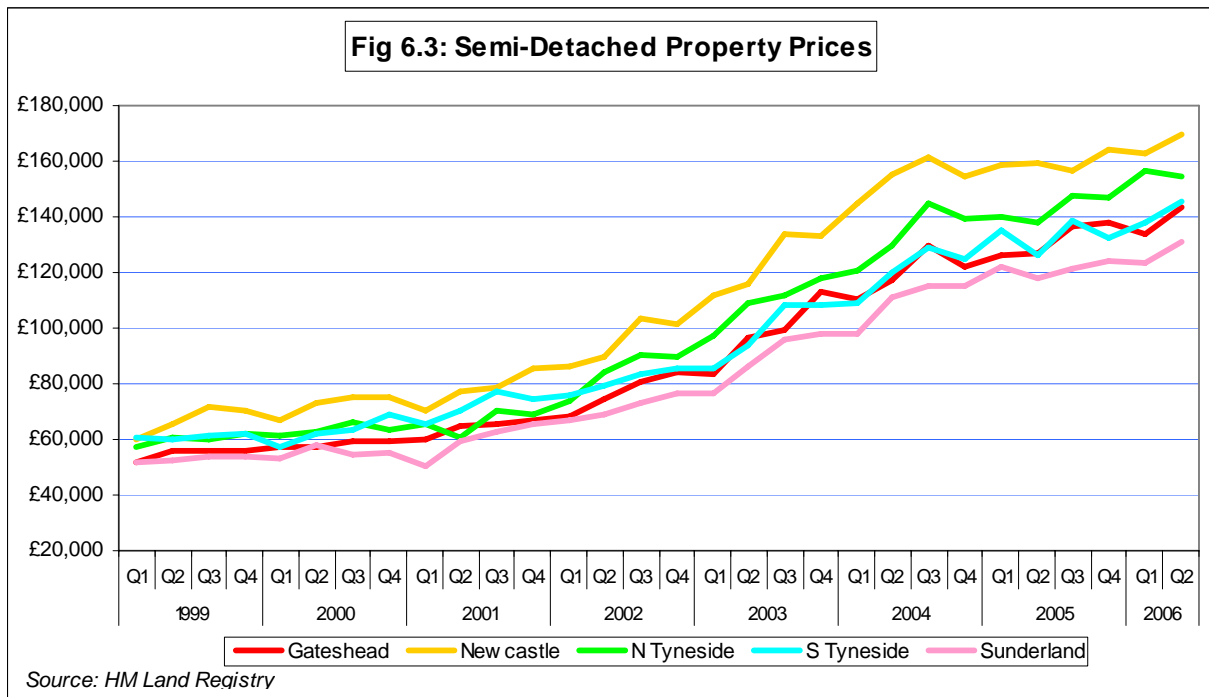


Semi-detached Property

Since 1999, the fastest growth in semi-detached property prices was in Newcastle, up 184% over the seven years to Q2 2006.

The range in average semi-detached house prices (Fig. 6.3) across the Tyne & Wear districts has fallen from £44,700 in Q2 2004 to £38,500 in Q2 2006.

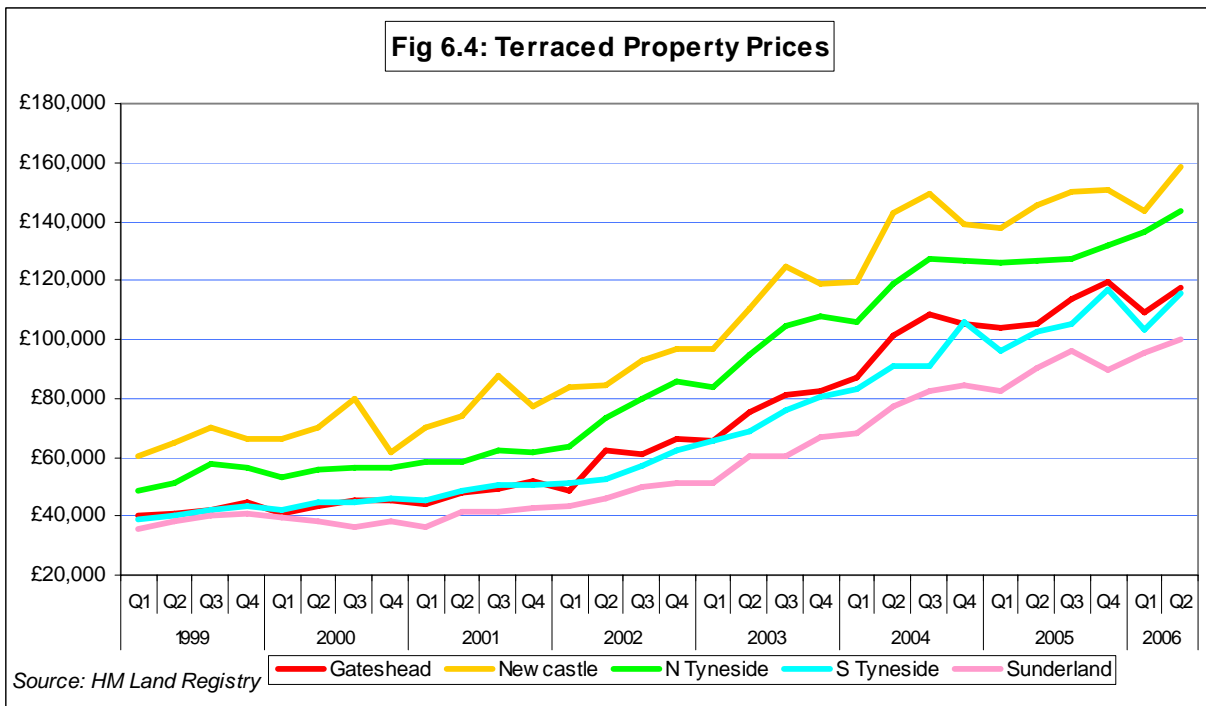
The structure of prices has remained stable, compared with other house types: Sunderland cheapest, then Gateshead followed by South Tyneside then North Tyneside, with Newcastle leading the market, over £14,000 above the second-dearest district (North Tyneside) in Q2 2006.



Terraced Property

Since 1999, South Tyneside has experienced the fastest growth in house prices, with the price of a terraced property up 198%. Terraced house price growth has slowed slightly over recent years, with North Tyneside experiencing the fastest percentage rise since Q2 2005 (up 14%) and Newcastle the slowest (up 9%).

Terraced houses have the 2nd largest (£58,500) range of average prices in Tyne & Wear (Q2 2006) (Fig. 6.4). Newcastle's average price of £158,600 is almost 60% more than the Sunderland average (£100,100). This may be due to terraces in Newcastle including both large dwellings (5 or 6 bedroom) and premium areas— notably in Jesmond.

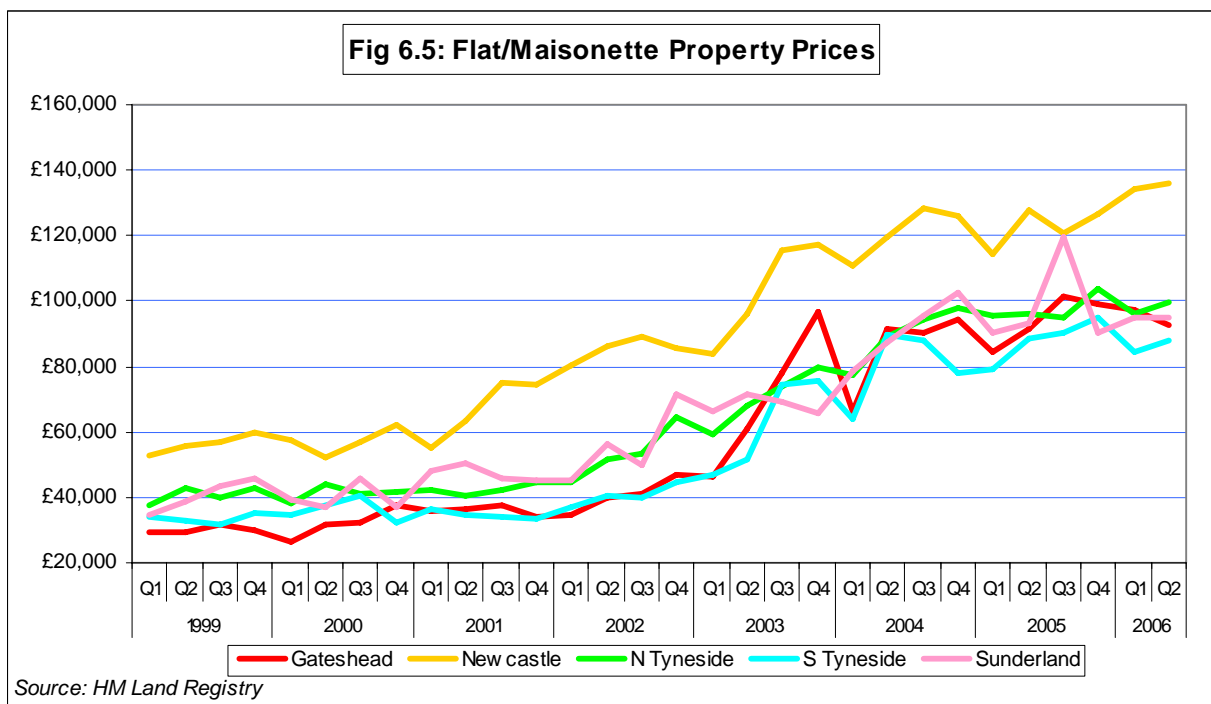


Flats/Maisonettes

The range of prices for flats is the second smallest of all house types: Newcastle's flats are £48,300 more expensive than South Tyneside's (£87,900) in Q2 2006 (Fig. 6.5).

Flats/maisonettes would appear one of the most volatile of all house types in percentage terms. The most likely explanation of these large fluctuations is an increased flow of sales of new 'luxury apartments'. These properties tend to come on to the market 'in bulk' and sell relatively quickly, commanding a much larger premium than the 'standard' flat, thus distorting average prices quite significantly. Moreover, some were re-sold rapidly. Recently for example, Sunderland's flat/maisonette price rose by 28% between Q2 and Q3 alone.

Since 1999, Gateshead has experienced the fastest rise of all property types over the seven-year period with its flat/maisonette prices rising by 219% to Q2 2006, more than 40 percentage points faster than Sunderland, which experienced the second fastest rise (up 175%).



Over the year to spring 2006 there has been less than 2% growth in prices of flats in both Gateshead and Sunderland. Over the latest quarter, prices fell by 4.9% in Gateshead and 0.4% in Sunderland. This is supported by address-level data acquired by TWRI from the Land Registry which shows in particular the price of **new flats** in Gateshead and Sunderland to have fallen over the two years 2004 to 2006, using Spring/Summer (see Appendix Table 2 for more details):

- The proportion of transactions in the range £150-249k fell from 54% to 21% in Gateshead and from 44% to 24% in Sunderland.
- The proportion of flats in the lower price range £74,500-£149,000 rose from 38% to 74% in Gateshead and from 56% to 74% in Sunderland.

On closer analysis, there appears to be a correlation between lower prices and new flats being built in less central areas. There is some evidence of lower prices of new flats in Gateshead such as in Bridges

Ward, where the number of transactions overall fell from 150 to 40 over the two years to Spring/Summer 2006; with the number of transactions in the lower price range (£74,500-149,999) falling by nearly 60% and transactions in the higher price range (£150-249k) falling by over 80%. The evidence for Newcastle does not support this however, with a rise in overall transactions in wards such as Ouseburn (+15%) and Westgate (+300%) and also a rise in transactions in the higher price range.

APPENDIX 1 LAND REGISTRY SOURCES

The Land Registry (HMLR) produces a residential Property Price Report every quarter which gives the average price and volume of sales by house type at County and Unitary Authority level. HMLR have been publishing this report since 1995 and all are available on their website at <http://www.landreg.gov.uk/publications/default.asp?fl=1&pubtype=0>

For information down to postcode sector, please follow this link:-
http://www.landreg.gov.uk/propertyprice/interactive/ppr_ualbs.asp

HMLR is able to give more detailed reports at Postcode Area, District and Sector levels. These are available from 1999 free of charge on their website. Historical data is available but there is a charge for the service [Following changes at HMLR, all bespoke requests are now subject to a new pricing plan that applies to both public and private sector organisations – Ed.]

HMLR data is only available from 1995 onwards. HMLR hold no details as to number of bedrooms, garden size or if the property has a garage or not. For data since 1991 the Valuation Office offers some limited data.

The Valuation Office (VOA) is an Executive Agency of the Inland Revenue, with a network of local offices throughout Britain. Its main responsibilities are establishing rateable values for the purpose of fixing council tax bandings. They also have a website at <http://www.voa.gov.uk>

APPENDIX 2 NORTH EAST HOUSE PRICE TO INCOME RATIOS

Extract taken from 'North East Homes, North East Views' consultation paper for updating the North East Housing Strategy 2007, North East Housing Board (p.31)

North East House Price to Income Ratios, 2005

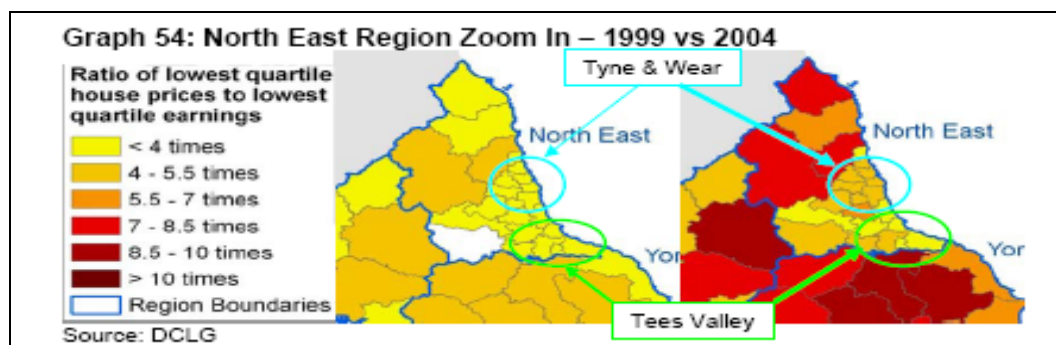
Local Authority	Average annual household earnings (£)	Average house prices (£)	House price to income ratio
Alnwick	26,875	156,854	5.84
Berwick-upon-Tweed	23,476	120,836	5.15
Tynedale	32,764	165,218	5.04
Castle Morpeth	34,397	170,372	4.95
Durham City	30,528	126,759	4.15
Newcastle upon Tyne	33,269	132,749	3.99
Sunderland	28,651	114,049	3.98
North Tyneside	31,634	125,693	3.97
South Tyneside	30,021	118,258	3.94
Gateshead	31,591	121,425	3.84
Redcar & Cleveland	28,200	106,657	3.78
Teesdale	36,037	136,346	3.78
Darlington	30,911	112,949	3.65
Stockton on Tees	32,538	116,111	3.57
Derwentside	27,413	97,301	3.55
Blyth Valley	30,409	107,368	3.53
Wear Valley	27,376	95,318	3.48
Middlesbrough	26,954	92,878	3.45
Sedgefield	30,481	98,855	3.24
Chester-le-Street	38,589	123,445	3.20
Easington	29,112	91,725	3.15
Hartlepool	31,941	97,424	3.05
Wansbeck	36,262	96,693	2.67

Source: the JRF Report 'The Geography of Affordable and Unaffordable Housing' by Professor Steve Wilcox, Dec 2006.

Note 1: *The earnings here are for households, not the individuals' quoted by TWRI.*

Note 2: *The methodology adopted above uses mean average prices for two and three bedroom properties against household incomes where at least one of the representative income earners falls within the 20 to 39 age group (i.e. majority of first time buyers).*

Extract taken from 'North East Homes, North East Views' consultation paper for updating the North East Housing Strategy 2007, North East Housing Board (Appendices, P. 46)



Appendix Table 1: Number of House Sales (Transactions)

	Gd	Nc	NT	ST	Sd	T&W	North	E&W
Jan-Mar 2004	1,031	1,370	1,086	570	1,346	5,403	16,128	243,914
Apr-Jun 2004	1,393	1,700	1,559	959	1,864	7,475	21,450	299,986
July-Sep 2004	1,314	1,739	1,444	746	1,750	6,993	19,832	309,101
Oct-Dec 2004	1,055	1,359	1,132	628	1,398	5,572	15,961	229,724
Jan-Mar 2005	738	920	748	478	921	3,759	10,689	159,114
Apr-Jun 2005	1,106	1,530	1,182	581	1,304	5,480	15,152	216,890
July-Sep 2005	1,231	1,441	1,217	694	1,489	5,873	16,492	297,452
Oct-Dec 2005	1,092	1,391	1,280	725	1,282	5,658	16,582	292,330
Jan-Mar 2006	812	1,338	1,045	512	1,106	4,813	14,047	255,860
Apr-Jun 2006	1,044	1,542	1,277	729	1,349	5,941	17,779	320,201
Average no. of Sales per quarter	1082	1433	1197	662	1381	5697	16411	262457

Volume Index: Average number of sales for whole period=100

Jan-Mar 2004	95	96	91	86	97	95	98	93
Apr-Jun 2004	129	119	130	145	135	131	131	114
July-Sep 2004	121	121	121	113	127	123	121	118
Oct-Dec 2004	98	95	95	95	101	98	97	88
Jan-Mar 2005	68	64	62	72	67	66	65	61
Apr-Jun 2005	102	107	99	88	94	96	92	83
July-Sep 2005	114	101	102	105	108	103	100	113
Oct-Dec 2005	101	97	107	109	93	99	101	111
Jan-Mar 2006	75	93	87	77	80	84	86	97
Apr-Jun 2006	97	108	107	110	98	104	108	122

Source: HM Land Registry

Note: It is usually the second half of the year when volumes (of completions) are normally the highest, however in 2004, volumes (of completions) were highest in the second and third quarters instead of the third and fourth.

Appendix Table 2: New Flat Transactions Spring/Summer 2004 & 2006

	Spring/Summer 2004					Spring/Summer 2006				
	Under £74,499	£74,500-£149,999	£150,000 - £249,999	£250,000+	Total	Under £74,499	£74,500-£149,999	£150,000 - £249,999	£250,000+	Total
Gateshead	6	66	93	8	173	4	89	25	2	120
Newcastle	0	40	79	7	126	14	76	93	14	197
North Tyneside	4	62	14	0	80	8	77	9	0	94
South Tyneside	0	63	23	0	86	1	55	2	0	58
Sunderland	0	69	54	0	123	1	37	12	0	50
Tyne & Wear	11	317	264	15	607	28	334	141	16	519

Note: Columns may not sum due to boundary changes

Source: HM Land Registry (address-level data file)