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North East property market update

July 2018



Independent, free, expert advice on housing

Buying, selling or investing in today's variable market means you need to take a great deal of care before making a decision. It's essential to secure independent, up-to-date advice you can trust. Kate Faulkner and her team make it easy to access the information and support consumers' needs via FREE of charge [eBooks](#), checklists, [The Buy To Let Show](#), articles and one-to-one advice.



Newcastle-upon-Tyne is bucking the national trend with house price growth at 2.4%, according to Hometrack. You can read more on Page 4.

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North East Region	Average price in 2000	Average price in 2005	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Market low +/- versus market height	Latest month's data Apr-18	How much higher/lower are latest prices vs height in 2007/8	How much higher/lower are latest prices vs 2009 low	Year on year change in price in Apr 18	Annual average increase since 2000	Highest yearly average increase since 2000	
											Date	% Increase
All property types	£47,604	£111,474	£139,400	£117,079	-16.01%	£130,489	-6%	11%	4.5%	5.8%	Jan-04	34.8%
Detached	£85,191	£184,907	£225,028	£191,268	-15.00%	£218,717	-3%	14%	4.2%	5.4%	Jan-04	29.4%
Semi Detached	£48,629	£111,655	£138,053	£116,063	-15.93%	£132,706	-4%	14%	5.4%	5.7%	Jun-04	34.7%
Terraced	£36,873	£88,678	£114,247	£91,579	-19.84%	£105,363	-8%	15%	4.9%	6.0%	Jun-04	38.9%
Flat	£34,038	£87,128	£107,390	£78,666	-26.75%	£91,650	-15%	17%	1.1%	5.7%	Jan-04	41.1%

Source: UK HPI

Asking prices			Mortgaged only prices			Sold prices inc cash sales			Sold prices inc cash sales & new builds		
Rightmove Average Price Jun-17	Rightmove Average Price Jun-18	Rightmove % Change YoY	Nationwide Average Price Q2 17	Nationwide Average Price Q2 18	Nationwide % Change YoY	LSL Acadata HPI Average Price Apr-17	LSL Acadata HPI Average Price Apr-18	LSL % Change YoY	UK HPI Average Price Apr-17	UK HPI Average Price Apr-18	UK HPI % Change YoY
£149,200	£149,098	-0.1%	£125,237	£127,266	1.6%	£157,706	£164,836	4.5%	£124,897	£130,489	4.5%



KATE FAULKNER COMMENTS ON PRICES

“ The North East is possibly one of the most interesting regions we should be spending time analysing and discussing – far more interesting than London, for example. Unfortunately we spend little time investigating what’s happening in this area.

For homeowners, investors and renters in this region, recent talk of sky-rocketing prices and rents must make them feel like they are living in a different country because prices here are still 6% LOWER than they were 10 years ago.

And for those who invested in or bought city centre flats during the property equivalent of the ‘gold rush’, prices are still 15% down, according to UK HPI. This performance doesn’t fit any newspaper or media headline I’ve seen so far this year. And talk of the property market ‘falling’ this year must strike fear into lots of people’s hearts in this area, considering prices have yet to recover from the credit crunch and current low year-on-year growth suggests recovery is not going to happen anytime soon.

North East Towns & Cities	Average price in 2000	Average price in 2005	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Market low +/- versus market height	Latest month's data Apr-18	How much higher/lower are latest prices vs height in 2007/8	How much higher/lower are latest prices vs 2009 low	Year on year change in price in Apr 18	Annual average increase since 2000	Highest yearly average increase since 2000	
											Date	% Increase
County Durham	£44,439	£97,387	£122,337	£90,762	-25.81%	£101,073	-17%	11%	4.4%	4.7%	Jul-04	36.7%
Gateshead	£46,042	£110,169	£141,173	£109,868	-18.75%	£132,272	-6%	20%	4.7%	6.0%	Dec-03	43.9%
Newcastle upon Tyne	£57,270	£137,358	£164,935	£134,016	-18.75%	£160,538	-3%	20%	6.4%	5.9%	Feb-04	39.2%
Sunderland	£45,122	£107,305	£127,270	£101,769	-20.04%	£114,907	-10%	13%	2.8%	5.3%	Jun-03	36.3%

Source: [UK HPI](#)

PERFORMANCE VARIATIONS

Below are examples of the huge disparity in price performance of property between the areas of Sunderland and Durham, pre and post the recession.

1, St Godric's Court, Castle Chare, Durham DH1 4TY

£169,269	Flat, Leasehold, Residential	02 Mar 2017
£149,000	Flat, Leasehold, Residential	08 Jan 2013
£108,500	Flat, Leasehold, Residential	18 Jul 2001
£60,000	Flat, Leasehold, Residential	08 Dec 2000

22, The Croft, Sunderland, Tyne And Wear SR2 7NR

£95,000	Flat, Leasehold, Residential	29 Mar 2018
£215,000	Flat, Leasehold, Residential	28 Jun 2006

City	Current price	%yoy Apr-18	5 year (CAGR)
Newcastle	£126,100	2.4%	2.5%

Source: [Hometrack](#)



LSL Acadata HPI

"After Wales, it's the North East that's the star performer, with prices up 4.5%, bolstered by strong performances in Northumberland (up 9.0%) and Tyne and Wear, up 6.1% and another of the 14 areas to record a new peak average price in the month." (May 18)



Hometrack

"Not all regional cities are registering above average capital growth. The discount to asking price in Newcastle remains extended (5.5%) and house price growth is running at 2.4%." (Apr 18)

Table 3: First-time buyers: average Price, loan and deposit by region, 2017

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
North	126,437	108,003	18,435	15%

FTB average paid	£112,177
Trading up average price paid	£148,357
Cash purchase average price paid	£119,749
New build average price	£192,167

Source: [UK HPI](#)

Number of First Time Buyers

Region	12m to Sep-06	12m to Sep-16	% change
East Anglia	13,192	12,254	-7%
East Midlands	28,097	25,344	-10%
London	63,302	43,428	-31%
North	18,709	14,504	-22%
North West	41,237	34,977	-15%
N Ireland	8,921	8,107	-9%
Scotland	35,910	30,774	-14%
South East	76,721	67,798	-12%
South West	30,147	28,360	-6%
Wales	16,625	14,590	-12%
West Midlands	32,873	28,416	-14%
Yorkshire & H'side	33,265	27,147	-18%
UK total	399,000	335,700	-16%

Source: [CML](#) / [Nationwide](#)



KATE FAULKNER COMMENTS ON TOWN AND CITY PRICE DIFFERENCES

“Affordability is often blamed for the lack of first-time buyers and yet the North East – where prices are so much lower than they were 10 years ago – hasn’t seen huge growth in FTB purchases since the recession. This is one of the reasons we need to study the North East so much more, to understand why this is the case.

Average prices for FTBs might be £112,000, but a quick search on Rightmove showed more than 2,500 properties available for under £70,000. So, if affordability is the reason FTBs aren’t buying – why are so many FTBs not buying in this region? And, if prices are so low that

they can afford to pay just a 5% deposit, why are they putting down on average 15%, according to Halifax/CML? Until we understand what’s happening to FTBs in the North East, it’s highly unlikely that we will really understand why fewer FTBs are getting on the housing ladder anywhere else in the UK.

London has the same affordability problems as other international cities, so focusing analysis and commentary away from the capital, and understanding why people aren’t buying areas in where prices are low, would be much more useful to policymakers and the industry.

Property Price Forecasts	Savills 2018	Savills 5 Yr compound growth	Knight Frank 2018	Knight Frank 5 Yr Forecast	Countrywide 2018	Chestertons 2018	Chestertons 2016-20 growth (compounded)	NAEA 2018	YoY % Increase
<i>Date of publication/source</i>	(Nov 17)	(Nov 17)	(May 18)	(May 18)	(Summer 17)	(Nov 16)	(Nov 16)	(Dec 15)	
UK	1.0%	14.2%	1.0%	14.2%					
Great Britain					2.0%				
England & Wales						6.0%	31.9%		
England									
London	-2.0%	7.1%	-0.5%	13.1%	2.5%	6.0%	37.6%	£626,133	6.2%
South East	0.5%	11.5%	0.0%	14.2%	2.5%	6.0%	35.6%	£435,031	6.8%
South West	1.0%	14.2%	1.0%	14.2%	2.0%	4.5%	25.8%	£292,435	2.8%
East of England	0.5%	11.5%	2.0%	15.9%	2.0%	6.0%	36.9%	£372,139	8.2%
East Midlands	1.0%	14.8%	2.0%	14.2%	2.0%	4.5%	25.8%	£209,613	2.7%
West Midlands	1.0%	14.8%	2.0%	14.8%	2.0%	4.0%	22.8%	£218,218	2.5%
North East	1.5%	17.6%	2.0%	14.8%	1.0%	3.0%	14.8%	£174,780	4.3%
North West	1.5%	18.1%	1.0%	16.4%	2.0%	4.0%	23.4%	£206,046	3.7%
Yorks & Humber	1.5%	17.6%	1.0%	12.6%	1.5%	4.0%	21.1%	£208,358	3.8%
Wales	1.0%	15.9%	1.5%	13.1%	2.0%			£182,162	1.8%
Scotland	1.5%	17.0%	1.0%	12.0%	2.0%			£218,474	4.6%



KATE FAULKNER COMMENTS ON PRICE FORECASTS



From a forecast perspective, it's good news that property prices are likely to grow in the North East better than the traditional high performing regions such as London, the South and East. It is especially good for those who currently own homes which are still in negative equity, or worth less than they bought them for 10 or more years ago. However, these rises aren't expected to reach pre-credit crunch levels and, with a market generally slowing, it's important that investors who plan to 'make their money up north' are very

aware that buying here won't necessarily give the capital growth achieved in the past. Careful selection of properties and areas – and which tenants are going to be targeted – is essential if investing in buy to let. What may be more profitable however is looking at building to rent as <https://www.buildstore.co.uk/findingland/> reveals well over 150 plots available to build. This can help to create capital growth, boost rental returns and, as it's a brand new build, ensure maintenance is kept to a minimum.

Sales volumes by local authority/county

Local authority/county	Sales volume Jan-Dec 16	Sales volume Jan-Dec 17	Sales volume YoY %
County Durham	7790	8346	7.1%
Gateshead	2724	2757	1.2%
Newcastle upon Tyne	3929	4018	2.3%
Sunderland	3458	3675	6.3%

Source: [UK HPI](#)



Rightmove

“The northern regions on average have 4.3% less available stock for buyers to choose from compared to a year ago, giving sellers potential upwards pricing power, with stock levels in the North East down -2.3% year on year.” (Jun 18)

SUPPLY AND DEMAND

The data below comes from Agency Express and gives an indication over a three-month period of what’s happening to supply (new listings) and demand (properties sold over time).

	New listings		Properties sold	
	Mar- Jun 18	Mar- May 17	Mar- May 18	Mar- May 17
North East	12.6	4.4	9.3	9.5

Source: [Agency Express](#)



KATE FAULKNER COMMENTS ON PROPERTY TRANSACTIONS. DEMAND AND SUPPLY



The boost in property price growth over the last few years has helped to ensure more people are able to move and it’s likely that the 2016 rise in stamp duty for buy-to-let investors – which has made areas such as London and the South-East tough to invest in – has boosted North East demand from this

sector, explaining the increases in activity this year compared with last. With Rightmove reporting lower stock being available however, it will be interesting to see if this area is going to stagnate from a volume and price perspective moving forward.

LSL Average Monthly Rent May-17	LSL Average Monthly Rent May-18	LSL % Change YoY	Homelet Average Monthly Rent May-17	Homelet Average Monthly Rent May-18	Homelet % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months May-18
£545	£536	-1.6%	£522	£533	2.1%	0.1%

BELVOIR - NORTH EAST OFFICE COMMENTARY

In our experience statistics and data on rental averages in the North East are often too erratic to emulate the true picture of the local market, so we prefer to obtain feedback directly from local offices:

Newcastle and Sunderland

Howard King of the Belvoir Newcastle and Sunderland offices reports static rents across the board for Q1 2018, with decreased tenant demand. Rents are expected to remain stable in the next quarter, with demand increasing for both flats and houses.

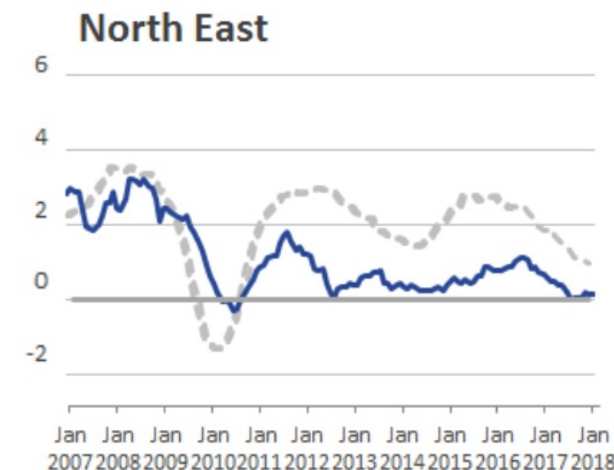
Tynedale

For Q1 2018, **John Redden of Belvoir Tynedale** confirms increasing rents for the majority of properties, in particular four-bed houses, which had the highest increases, and five-bed houses where rents remained unchanged. Tenant demand increased for houses but remained static for flats. Looking to Q2 2018, rents are likely to rise due to the shortage of properties and an increase in demand is expected.

Index of Private Housing Rental Prices:
percentage change over 12 months, Jan 07 to May 18

ONS	Lowest % change over 12 months during recession 2009/2010	Highest % change over 12 months pre-credit crunch 2008	% Change over 12 months May-18
North East	-0.3%	3.2%	0.1%

Source: [ONS](#)



(Note: Dotted grey line shows average England 12 month % change)

Source: [ONS](#)

Location	2018	2019	2020	2021	2022	5-year compound growth
UK	2.5%	2.5%	3.0%	3.5%	3.5%	15.5%
London	3.0%	3.0%	3.5%	3.5%	3.0%	17.0%
UK excl London	2.0%	2.0%	3.0%	3.5%	3.5%	15.0%
Wages	3.0%	3.0%	3.0%	3.5%	3.5%	17.0%
CPI	2.0%	1.5%	2.0%	2.0%	2.0%	9.5%

Source: [Savills](#)

Yields

Region	Rents May 2018	One month change	Yields May 2018
North East	£536	0.01%	5.0%

Source: [Your Move](#)



Your Move

“In the North East the average property costs £536 following a fall of 1.6% during the last 12 months.” (Jun 18).

Auction data



North-East

March 2018 to May 2018	Residential	
Lots Offered	687 (702)	▼ 2.1%
Lots Sold	505 (529)	▼ 4.5%
Percent Sold	73.5% (75.4%)	▼ 2.5%
Total Raised	£36M (£37M)	▼ 3.3%

Source: [EI Group](#)



KATE FAULKNER COMMENTS ON THE RENTAL AND INVESTMENT MARKET



If ever there was an area which doesn't fit any of the current political rhetoric about affordability, and the cost of renting versus buying, it is the North East. The average monthly rent is £500, according to most of the indices, which is hardly 'extortionate'. Nor are rents here 'sky rocketing' with the government's own ONS figures showing average rent rises of 2% a year. From an investment perspective, it's

not the money-maker that many have seen in other regions, but savvy investors can make a good return if they do their due diligence and get to know the local market inside out – not relying on so-called 'discounted deals' or 'sourced properties' which may or may not be a good deal at all, bearing in mind how cheap property is to buy and rent in this region.



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