

Article

House prices in the North East of England: 2007 to 2017

House price growth in the North East of England over the past 10 years.

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Table of contents

1. [Main points](#)
2. [Introduction](#)
3. [Increased supply and lack of demand depressing North East house prices](#)
4. [Prices are still below their pre-economic downturn peaks across all property types](#)
5. [North Tyneside only area showing growth](#)
6. [Local authorities have seen an improvement in affordability](#)
7. [Conclusion](#)
8. [Authors](#)

1 . Main points

- The North East is the only region in which house prices are yet to surpass their 2008 peak.
- Flats in the North East were the most severely affected property type by the economic downturn, losing over 20% of their value between 2007 and 2013.
- House prices in the North East are amongst the most affordable in the country; the price to earnings ratio in the North East is 5.2, compared with 7.9 in England.

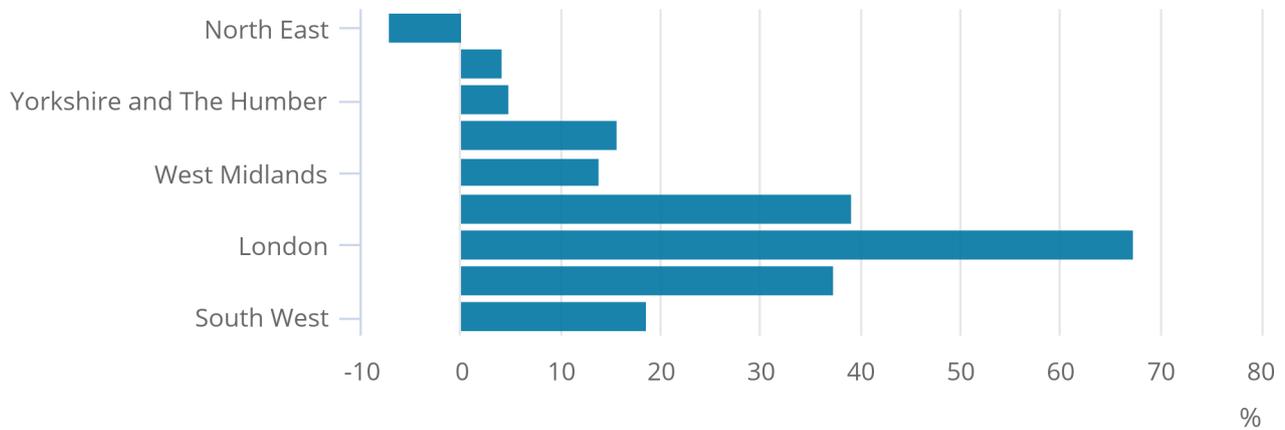
2 . Introduction

This article was written by Nicholas Evans, Jeanne Piffaut and Joseph Glews, who are economics students at the University of the West of England.

House prices in the North East are some of the most affordable in the country. While the price of a property in England has grown by 25.3% between 2007 and 2017, the North East has fallen by 7.1% over the same period. It is the only English region yet to surpass its pre-economic downturn peak. In comparison, prices in other economically and geographically similar regions such as the North West and Yorkshire and The Humber have grown by 4.2% and 5.0% respectively over the same period (Figure 1). Differences in house price are often a reflection of the underlying economic conditions in each region. This article explores North East house prices in more detail and considers potential reasons for its slower house price growth over the last 10 years.

Figure 1: Growth in average house price, by English region, 2007 to 2017

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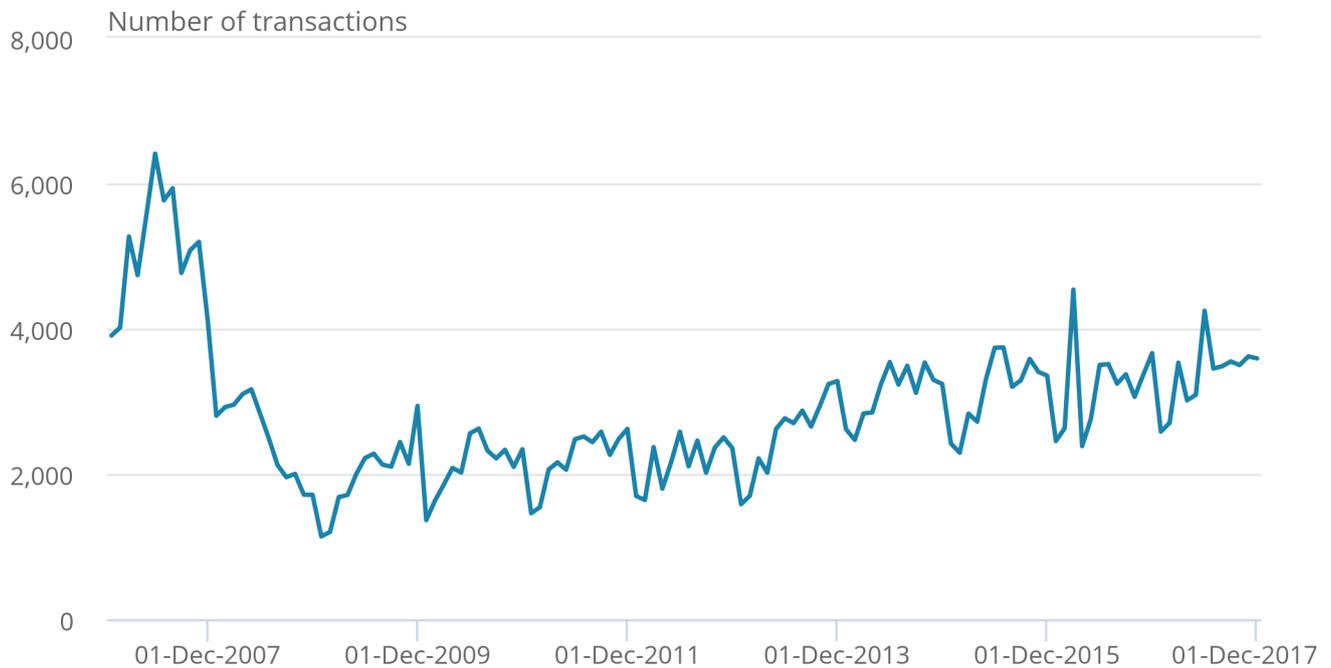
Source: UK House Price Index

3 . Increased supply and lack of demand depressing North East house prices

Falling house prices have a negative effect on wealth. Those who view their property as an investment vehicle may feel disadvantaged by the current state of the regional housing market. This can cause homeowners to consume less and save more as a compensation for the loss in asset value. To better understand the origin of the weakness of North East housing prices, Figure 2 presents sales volume transactions for the period January 2007 to December 2017.

Figure 2: North East sales volumes, January 2007 to December 2017

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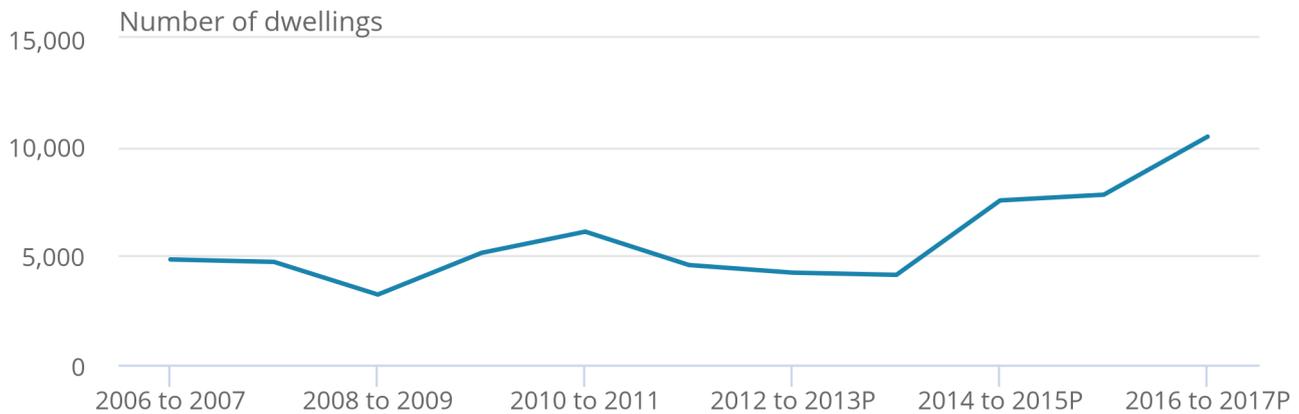


Source: UK House Price Index

Sales volumes suffered a large fall in 2008, yet have slowly been increasing since 2013. Between 2009 and 2013, monthly sales volumes averaged 2,200, compared with 3,200 from 2014 to 2017. The increased sales activity between 2014 and 2017 is in line with an increase in North East house prices during the same period. However, while sales volumes have increased in recent years, they remain far below pre-economic downturn levels. This signifies a sluggish market and partly explains why house prices in the North East have not yet recovered.

Figure 3: North East housing supply, net additional dwellings between financial year ending 2007 and financial year ending 2017

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Source: Ministry of Housing Communities and Local Government

Notes:

1. Live table on new supply of housing, [Live Table 122](#)

The increase in sales volumes between 2013 and 2017 is in line with an increase in net housing supply (Figure 3) during the same period. This suggests that the increase in sales volumes can in part be explained by an increase in supply, which could have had the effect of keeping prices depressed. The areas which have seen the largest increase in net housing supply are Newcastle upon Tyne, Northumberland, and County Durham.

Focussing on potential demand, Table 1 shows that the percentage change in the North East population from mid-2011 to mid-2015 is under half the UK average (1.2% compared with 2.9%). This indicates that the North East is experiencing a much lower accumulated percentile in their 0 to 64 years population. Although the relationship between housing demand and population growth is not entirely clear, slow growth in house prices could in part be due to the weaker population growth in the region, reducing demand.

Table 1: Percentage change in population, mid-2011 to mid-2015, by broad age group

	0-15	16-44	45-64	65+	All ages
North East	0.5	-1.7	-0.2	10.4	1.2
UK	3.2	-0.6	2.8	11.0	2.9

Source: Office for National Statistics population estimates (incorporating National Records of Scotland and Northern Ireland Statistics and Research Agency estimates)

If we look ahead, Figure 4 predicts that from mid-2014 to mid-2024, the percentage population change in the North East region will be negative for 16-to-64-year-olds, and much lower than England. This could result in further deflationary pressures on house prices in the North East.

Figure 4: Percentage population change in English region by age groups, mid- 2014 to mid-2024

Figure 4: Percentage population change in English region by age groups, mid- 2014 to mid-2024



Source: Office for National Statistics (Subnational population projection predictions for England)

Notes:

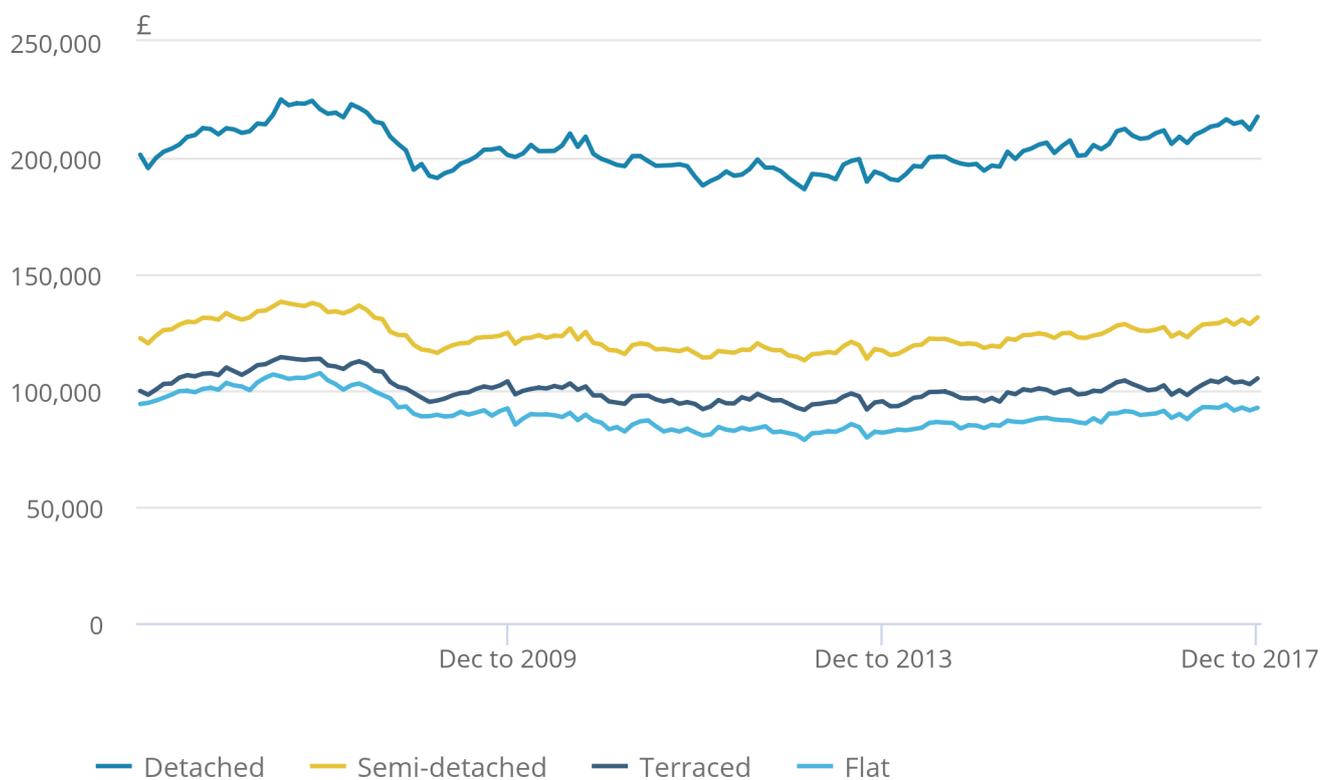
1. [Subnational population projection predictions for England](#)

4 . Prices are still below their pre-economic downturn peaks across all property types

House prices are still below their economic downturn peak for all property types (Figure 5). While the prices of flats and maisonette properties experienced strong growth prior to the economic downturn, they fell the furthest (in percentage) following the downturn and took the longest to recover.

Figure 5: North East average house price by property type, January 2006 to December 2017

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Source: UK House Price Index

This could be explained by the strong influence of the buy-to-let market on flat prices. Before 2008, investor confidence was high, as were returns to investment. This led to high demand for flats, which are more commonly bought as investments than other property types. Following the economic downturn confidence in the housing market and the broader economy was low, and so property investment fell. This corresponds to a lower demand for flats, and goes some way to explaining the lower fall, and slower recovery, of flat prices.

5 . North Tyneside only area showing growth

While house prices in the North East have yet to surpass their pre-economic downturn peak, there is one local authority bucking the trend. Between 2007 and 2017, North Tyneside was the only local authority in the North East showing growth in house prices, increasing by 3.9%. At the other end of the scale, Hartlepool and County Durham have experienced the biggest falls in house prices between 2007 and 2017, both falling by more than 14%.

Table 2: House price growth by North East Local Authority, 2007 to 2017

	2007	2017	Growth (%)
County Durham	118,659	101,183	-14.7
Darlington	137,171	131,915	-3.8
Gateshead	134,123	127,605	-4.9
Hartlepool	126,104	105,031	-16.7
Middlesbrough	125,797	111,421	-11.4
Newcastle upon Tyne	160,874	156,081	-3.0
North Tyneside	149,030	154,854	3.9
Northumberland	159,470	151,499	-5.0
Redcar and Cleveland	129,982	119,184	-8.3
South Tyneside	135,085	125,985	-6.7
Stockton-on-Tees	138,724	133,114	-4.0
Sunderland	125,425	113,300	-9.7

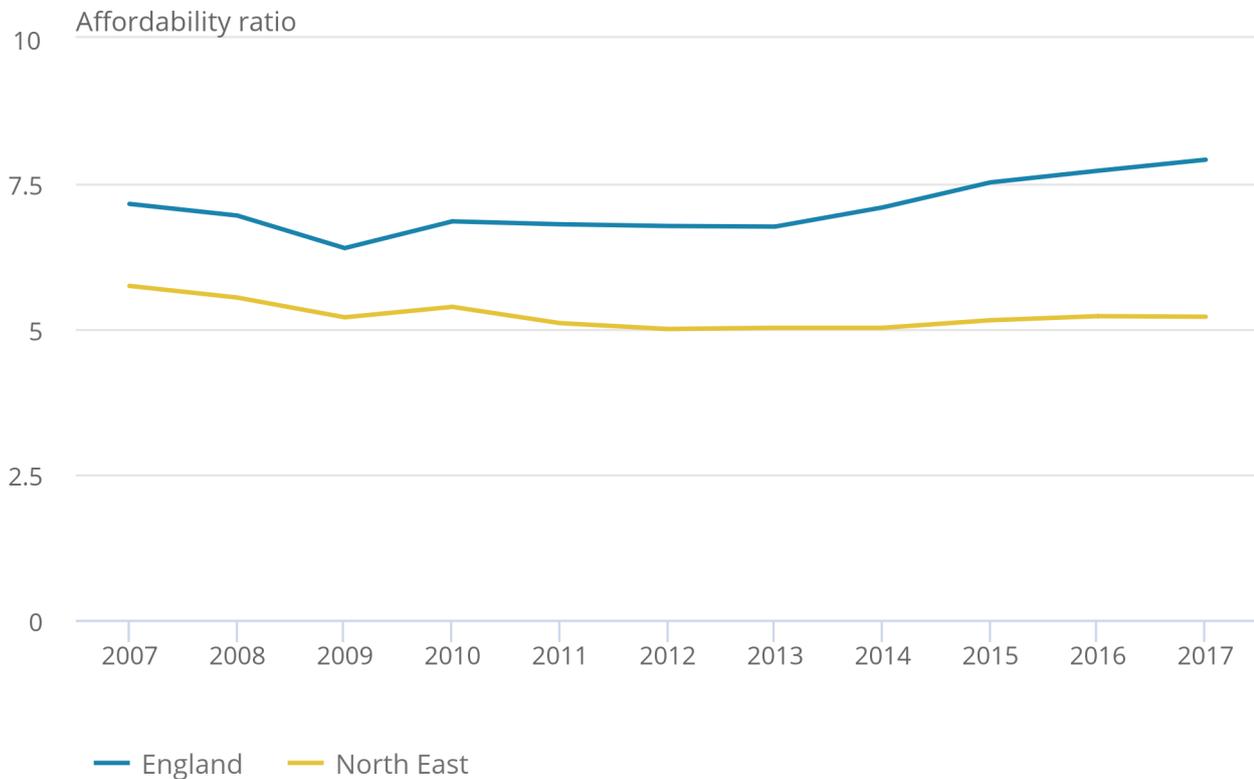
Source: UK House Price Index

6 . Local authorities have seen an improvement in affordability

In contrast to house prices, pay in the North East and England have increased at a similar rate. In the North East, this combination of increasing wages and stagnant or falling house prices has led to housing getting more affordable. This benefits those in the market for a property, particularly first-time buyers, and leaves more money in the pocket of consumers.

Figure 6: Ratio of median house price to median gross annual workplace-based earnings, England and North East, 2007 to 2017

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Source: Office for National Statistics, *Housing affordability in England and Wales: 2017*

Notes:

1. [Housing affordability in England and Wales: 2017](#)

On average, full-time workers could expect to pay around 5.21 times their annual workplace-based earnings on purchasing a home in the North East in 2017 (Figure 6). This compares to 7.91 for England, highlighting the relative affordability of the North East region.

To interpret the ratio, a higher ratio indicates that on average, it is less affordable for a resident to purchase a house in their local authority district. Conversely, a lower ratio indicates higher affordability.

Table 3: Ratio of median house price to median gross annual workplace-based earnings by local authority district, North East, 2007 to 2017

Local authority name	2007	2017
County Durham	:	4.46
Darlington	5.35	5.23
Hartlepool	5.02	4.68
Middlesbrough	5.22	4.88
Northumberland	:	6.38
Redcar and Cleveland	5.09	5.11
Stockton-on-Tees	5.82	5.59
Gateshead	5.75	5.22
Newcastle upon Tyne	6.57	5.48
North Tyneside	6.65	6.22
South Tyneside	5.81	5.67
Sunderland	5.21	4.77

Source: Housing affordability in England and Wales: 2017

Notes:

1. House price data are taken from ONS House Price Statistics for Small Areas for the year ending September.
2. Earnings data are taken from the Annual Survey of Hours and Earnings. These figures are estimates of gross residence-based individual full-time annual earnings where available.
3. Where the symbol “:” appears in the tables, no data are available.

County Durham and Hartlepool, which experienced the biggest falls in house prices (Table 2) in the North East, are also the most affordable local authorities in 2017. Northumberland is the least affordable local authority in 2017, with median house prices being 6.38 times median workplace annual earnings, which may be surprising given the area’s rural characteristics. When Northumberland median house prices are compared against median residence based earnings, the ratio reduces to 5.83.

Redcar and Cleveland saw a slight worsening in affordability between 2007 and 2017. This appears to be due to relatively slow growth in median gross annual workplace based earnings, which increased by 5% between 2007 and 2017. Newcastle upon Tyne experienced the biggest improvement in affordability over the period, driven by strong growth in median gross annual workplace earnings.

7 . Conclusion

Current data presented in this article shows that the North East still lags behind the rest of England in house price growth, highlighting the ongoing impact of the “North-South divide”. Even in comparison to other economically and geographically similar regions such as the North West and Yorkshire and The Humber, house price growth in the North East remains slower.

The state of the North East housing market will depend on many factors, some of which we have touched on in this article, such as trends in population, housing supply, and government policy. Further research into these areas and their effect on house prices could be instrumental in determining the future of the regional housing market and the situation faced by homeowners in the North East.

8 . Authors

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