

English Partnerships
Policy and Economics Briefing
HOUSING STATISTICS BRIEFING
September 2006

This Housing Statistics Briefing has been produced by the Economics team to inform EP staff of current trends in housing. This briefing is produced quarterly.

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ENGLISH PARTNERSHIPS

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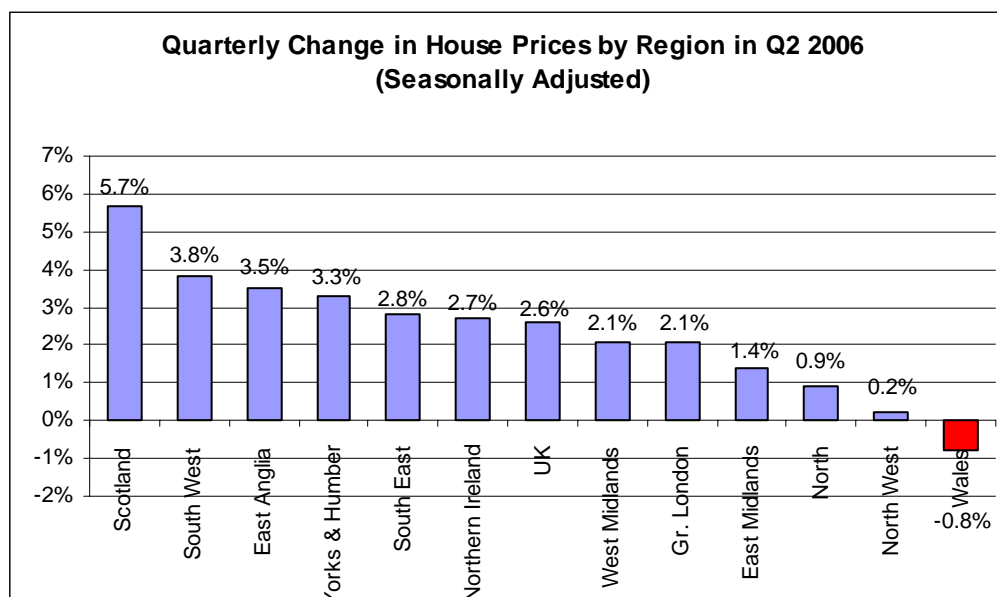
1. The Housing Market – An Overview

UK house prices grew moderately in the second quarter of 2006, growing by 2.6% according to the Halifax taking annual growth for the year to Q2 2006 to 9.4%. Mortgage lending has also risen by a similar amount, rising by 10% by value in the year to July 2006, according to the British Bankers Association. The recent resurgence of growth in the English housing market has been led by London, supported by a strengthening City economy. The market does not appear to have been affected much by the 0.25% rise in interest rates in August 2006. The continuing rise in house price is stretching first-time buyers with first-time buyer income multiples reaching their highest level ever in July 2006 at 3.24 times the average income according to the Council of Mortgage Lenders.

2. House Prices

Halifax

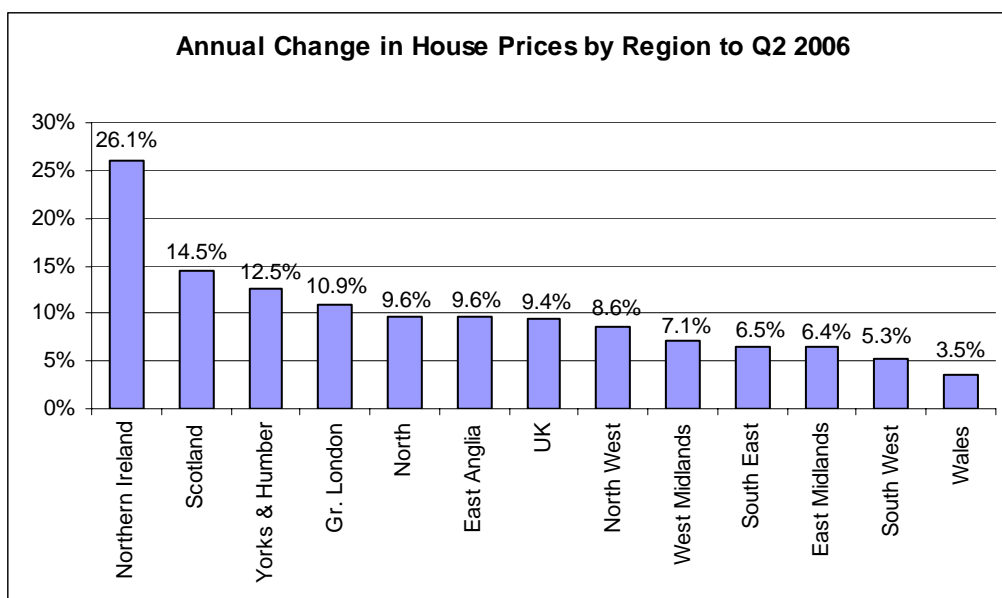
UK house prices rose by 2.6% in the second quarter of 2006, according to the Halifax. The largest quarterly rises in the UK were in Scotland (5.7%), the South West (3.8%), and East Anglia (3.5%) as shown in the chart below. Only Wales saw a decline in house prices in the second quarter.



Source: Halifax

According to the Halifax house prices rose in all regions in the year to quarter two of 2006 as shown in the following chart. The highest rises were seen outside England

with increases of 26.1% in Northern Ireland and 14.5% in Scotland. The lowest rises over the year were in Wales (3.5%) and the South West (5.3%). Within England the largest rises in the year to quarter two of 2006 were seen in Yorkshire and the Humber (12.5%) and Greater London (10.9%) and the lowest in the East Midlands (6.4%) and the South West (5.3%). UK house prices rose by 9.4% over the year to Q2 2006.



Source: Halifax

The pick-up in house price inflation in Greater London over the past year (10.9%) contributed to a slight increase in the ratio between prices in the south (London, the South East, the South West and East Anglia) and north (the rest of the UK) in quarter two of 2006. This increase follows four years of almost continuous decline in the ratio. The average property price in the south stood at 1.58 times the average in the north in Q2 2006 - £228,349 in the south, against £144,944 in the north, a difference of £83,405 – compared with a peak of 2.19 times in Q2 2002. There has been a rapid decline in the number of towns where the average price is below £100,000 in the past few years. Only five of the 418 UK towns surveyed by Halifax have an average price of under £100,000 and only two of these are in England – Nelson in the North West (£99,117) and Peterlee in the North East (£97,174). This compares with 130 towns in 2003.

Halifax believes the housing market will remain in good health in the second half of 2006 but expects the annual rate of house price inflation to reduce. Halifax predicts the annual rate of house price inflation will ease to 5% by the end of 2006. The Halifax House Price Index is based on mortgage offers approved by Halifax and is mix-adjusted i.e. it tracks a representative house price over time rather than the simple average price which can be influenced by a change in property types being sold. The index is very up-to-date as based on mortgage offers, which occur early in the house buying process. The index contains a history of UK and regional data going back to 1983. The limitations of the index are, however, that it only covers Halifax's mortgage customers and as it is based on offers it will include deals that fail to complete.

Nationwide

According to Nationwide house prices rose by 8.2% in the year to September 2006, the fastest annual rate of growth since February 2005. Prices rose by 1.3% in September alone bringing the average property price to £169,413. Nationwide has revised its 2006 UK house price forecast upwards to 5%. Nationwide predicts in 2006 house prices will rise by 3% in the North West and West Midlands, by 4% in the North, Yorkshire and Humberside and East Midlands, by 5% in the Outer South East, Outer Metropolitan and South West and by 6% in East Anglia and London.

Nationwide's house price index is based on mortgage offers approved by Nationwide and is mix-adjusted i.e. it tracks a representative house price over time rather than the simple average price which can be influenced by a change in property types being sold. The index is very up-to-date as based on mortgage offers, which occur early in the house buying process. However the index only covers Nationwide's mortgage customers and as it is based on offers it will include deals that fail to complete.

RICS

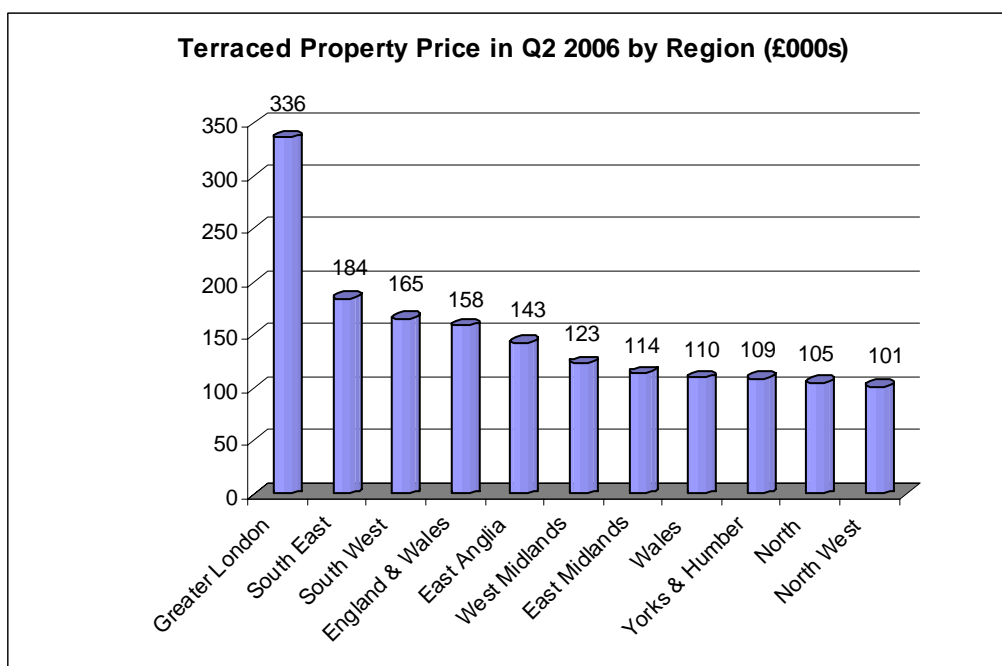
The August 2006 RICS Housing Market Survey showed that house price growth accelerated for the fifth consecutive month in August. August's interest rate rise has had little impact on the housing market according to chartered surveyors. Buyer enquiries rose for the fifteenth consecutive month in August. Price rises were led by Scotland, where prices rose at their fastest pace in two years, followed by London and the South East, supported by a booming City economy. Prices in the North West continued to rise firmly while moderate price rises were recorded in Yorkshire and Humberside. In the West and East Midlands, prices were static although sales activity has improved in both regions. The RICS Housing Market Survey is a survey of surveyors' view of the housing market and provides a confidence survey of the housing market rather than actual house price data.

Hometrack

According to Hometrack average residential prices in England and Wales increased by 0.4% in August, bringing house price growth over the first eight months of 2006 to 3.9%. Average residential values grew fastest in London in August at 0.9%. In contrast house prices were static in the North and Yorkshire and Humberside. Nationally the survey found that homes are taking an average of 6.4 weeks to sell with an average of 94.8% of the asking price being achieved. The Hometrack index is based on monthly reports from estate agents.

Land Registry

According to the Land Registry, house prices rose by an average of 7.7% in the year to April to June 2006 in England and Wales. The following chart shows the average price of a terraced property by region in the second quarter of 2006. The average price of a terraced property in Q2 2006 varied substantially from £101,000 in the North West to £336,000 in Greater London.



Source: Land Registry's Residential Property Price Report April to June 2006

The table below shows house prices in the second quarter of 2006 and year-on-year change by region and property type. Every region in England and Wales saw house price rises in the year to Q2 2006. Over the year the largest rises in average prices were seen in the North (11%) and the North West (11%) and the smallest rises were seen in the East Midlands (4%) and East Anglia (4%).

House Prices in Q2 2006 and House Price Changes Q2 2005 to Q2 2006

Region	Detached		Semi-Detached		Terraced		Flat / Maisonette		Average Price	
	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change
North	£237,482	5%	£137,286	10%	£105,225	14%	£111,464	6%	£137,861	11%
North West	£271,396	7%	£151,152	7%	£101,075	14%	£134,534	5%	£146,601	11%
Yorks & Humber	£243,987	8%	£140,046	7%	£108,928	12%	£129,141	4%	£147,230	10%
Wales	£221,836	6%	£138,671	8%	£109,538	8%	£128,204	2%	£149,063	8%
West Midlands	£270,804	4%	£151,385	6%	£123,309	6%	£121,403	1%	£164,576	6%
East Midlands	£227,485	3%	£135,852	5%	£113,922	5%	£113,996	3%	£156,243	4%
East Anglia	£247,938	2%	£160,274	4%	£142,649	7%	£124,409	3%	£181,925	4%
South West	£301,790	5%	£188,322	4%	£165,414	6%	£150,883	5%	£205,768	5%
South East	£382,696	5%	£222,085	5%	£184,071	5%	£155,727	5%	£236,915	6%
Greater London	£600,218	2%	£348,620	4%	£336,077	12%	£270,146	8%	£317,679	8%
England & Wales	£300,349	5%	£180,170	6%	£158,493	10%	£185,703	7%	£199,184	8%

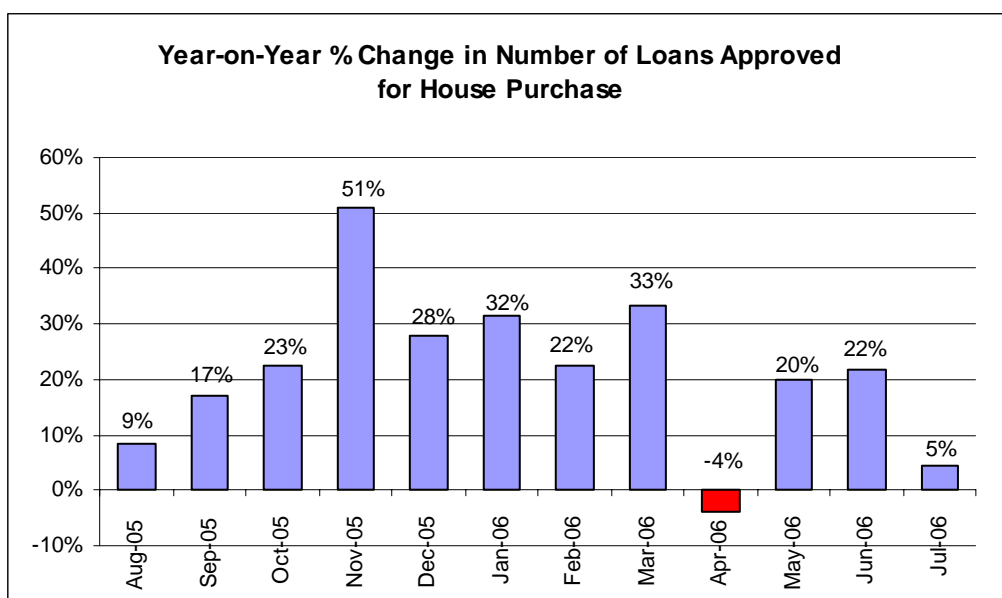
Source: Land Registry's Residential Property Price Report April to June 2006

The Land Registry's Residential Property Price Report provides the most comprehensive house price data available, as it includes all property sales in England and Wales including cash sales. The data is, however, not as up-to-date an indicator of the state of the current property market as other house prices surveys as it deals with completions, the end of the property transaction.

3. Mortgage Lending

British Bankers Association

The number of loans approved for house purchase rose by 5% in the year to July 2006 according to the British Bankers' Association (BBA). 68,612 loans were approved for house purchase in July 2006 compared to 65,611 in July 2005. £9.6 billion of loans were approved for house purchase in July 2006, up 10% from £8.7 billion in July 2005. Loans approved for house purchase are subject to seasonal variation, for example, the mortgage market is generally always weaker in the winter, and therefore changes need to be compared year-on-year. The chart below shows the year-on-year percentage change in the number of loans approved for house purchase over the past year. The chart shows that every month in the past year, with the exception of April 2006, has seen an increase in the number of loans approved for house purchase compared with a year earlier.



Source: British Bankers Association

Council of Mortgage Lenders

According to the Council of Mortgage Lenders, lending for house purchase amounted to £14.6 billion in July 2006, up 21% on the £12.1 billion in July 2005.

Bank of England

According to the Bank of England, the number of loans approved for house purchases, seasonally adjusted, was 120,000 with a value of £16.0 billion in July 2006, slightly

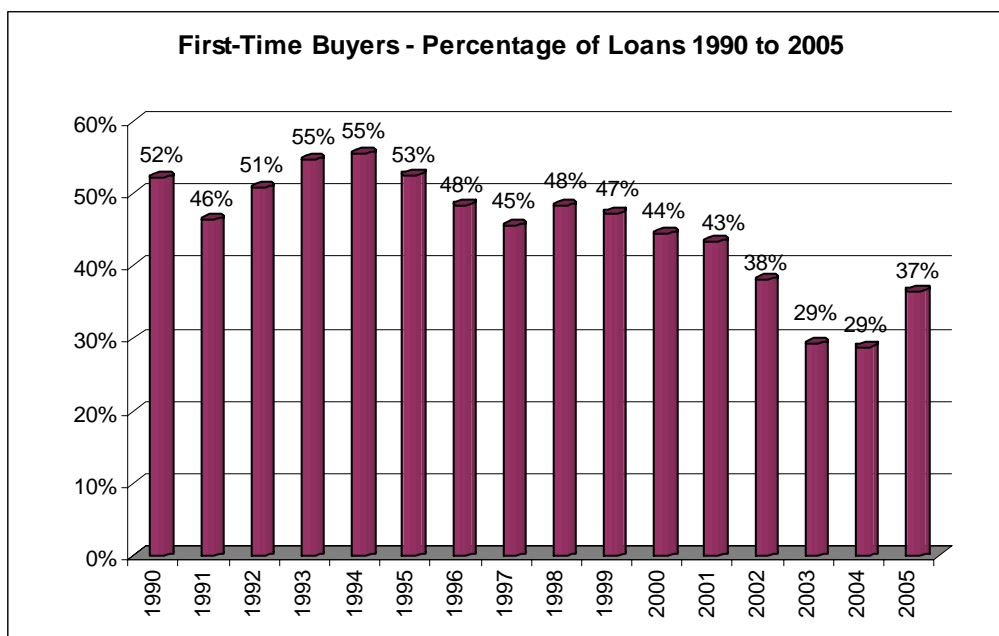
above the average for the previous six months of 115,000 loans with a value of £15.2 billion.

4. Interest Rates

The Bank of England kept interest rates unchanged at 4.75% in September 2006 after raising them by 0.25 percentage points to 4.75% on 3 August 2006. Base rates remain very low historically; despite having risen slightly from the 48 year low of 3.5% they reached in July 2003. In the last housing boom, by contrast, base rates peaked at just below 15% in October 1989.

5. First-Time Buyers

The percentage of first-time buyers taking out mortgages relative to the rest of the market was 36% in July 2006 according the Council of Mortgage Lenders (CML). The chart below shows the percentage of loans going to first-time buyers from 1990 to 2005.



Source: Council of Mortgage Lenders.

First-time buyer income multiples reached their highest level ever in July 2006 at 3.24 times the average income according to the CML, up from 3.21 times the average income in June 2006 and 3.06 times in July 2005.

6. Buy-to-Let

Buy-to-let lending has risen rapidly since 1998 according to the Council of Mortgage Lenders (CML) as shown in the following table. In 1998 the buy-to-let market was in its early stages with just 28,700 loans but by the end of the first half of 2006 it had grown dramatically to 767,600 loans. By the end of the first half of 2006 buy-to-let made up 8.3% of the total outstanding mortgage market with 767,600 buy-to-let mortgages outstanding worth £83.9 billion. 152,500 buy-to-let loans were advanced in

the first half of 2006, with a value of £17.5 billion. This represents a 17% increase by volume and a 20% rise by value on the levels of buy-to-let recorded in the second half of 2005.

Buy-to-Let Mortgages

Period	Mortgages Outstanding at End of Period - Number	Mortgages Outstanding at End of Period – £m	Mortgages Outstanding at End of Period – % of Total by Value	Gross Advances in Period - Number	Gross Advances in Period - £m	Gross Advances in Period - % of Total by Value
1998	28,700	-	-	-	-	-
1999	73,200	5,400	1.09	44,400	3,100	2.70
2000	120,300	9,100	1.70	48,400	3,900	3.26
2001	185,000	14,700	2.49	72,200	6,900	4.31
2002	275,500	24,200	3.58	130,000	12,200	5.53
2003	417,500	39,000	5.03	187,600	19,200	6.92
2004	526,300	52,200	5.95	217,700	21,800	7.49
2005	701,900	73,400	7.59	223,800	24,500	8.51
1 st Half 2006	767,600	83,900	8.3	152,500	17,500	11.0

Source: Council of Mortgage Lenders.

7. Housing Affordability

London, the South West and South East are the least affordable regions for young homebuyers according to figures produced for the Joseph Rowntree Foundation by Steve Wilcox, published in October 2005. The report compares average household incomes of working households aged 20 to 39 with the average price in each local authority of a 2 or 3 bedroom home – the following table shows the results at regional level.

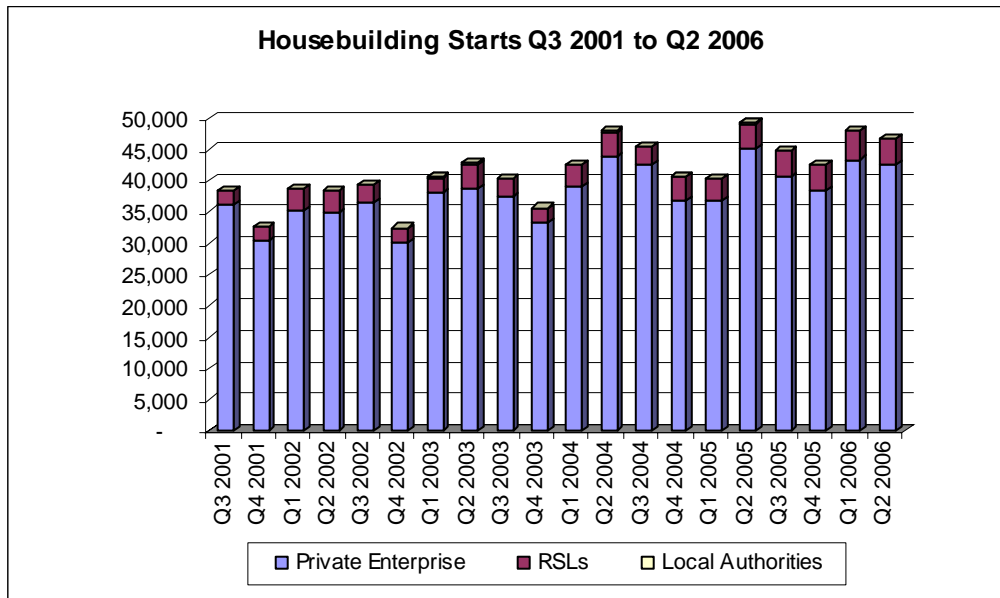
House Price to Income Ratios, 2004, by Region

Region	Number of Working Households	Annual Household Earnings (£)	Average House Prices (£)	House Price to Income Ratios
London	830,123	52,656	257,687	4.89
South West	480,683	33,826	160,221	4.74
South East	817,183	41,426	188,543	4.55
East of England	567,025	38,943	165,798	4.26
West Midlands	496,358	32,203	124,767	3.87
Yorkshire and Humber	507,109	30,189	108,311	3.59
East Midlands	416,238	34,429	119,724	3.48
North West	657,619	31,917	109,626	3.43
North East	232,420	29,428	98,528	3.35
England	5,004,758	38,106	159,986	4.20

Source: Joseph Rowntree Foundation.

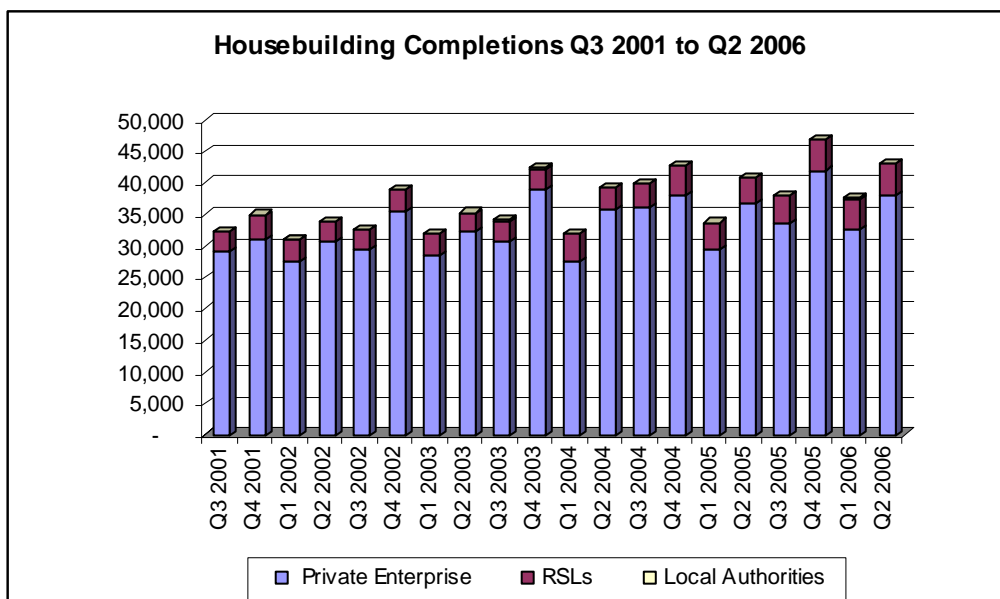
8. Housebuilding

According to the DCLG, there were 46,845 housing starts in Q2 2006 in England, a 5% fall on the same period in 2005. Of the 46,845 housing starts in Q2 2006, 42,630 units were by private enterprise, 4,122 by Registered Social Landlords (RSLs) and 93 units by local authorities. The chart below shows quarterly housebuilding starts over the five years to Q2 2006 by private enterprise, RSLs and by local authorities.



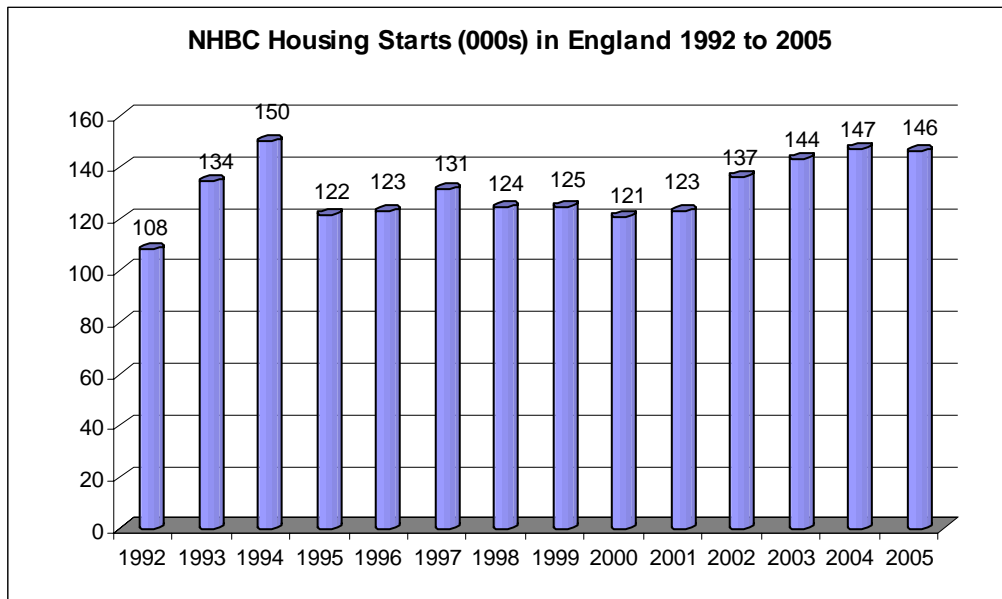
Source: DCLG Housebuilding Table 213

There were 43,047 housing completions in the second quarter of 2006 in England, a 5% increase on the same period in 2005. Of the 43,047 completions, 38,053 units were by private enterprise, 4,942 by RSLs and 52 by local authorities. The following chart shows quarterly housebuilding completions over the five years to quarter two of 2006 by private enterprise, RSLs and by local authorities.



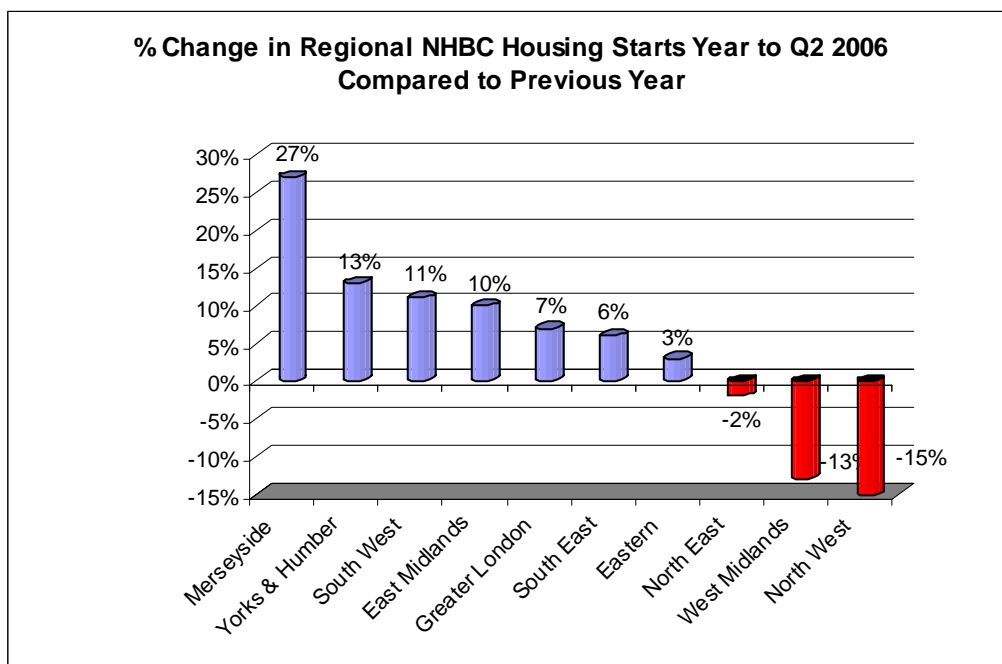
Source: DCLG Housebuilding Table 213

NHBC registered housebuilders, who construct over 80% of the UK's new homes, started 146,000 new homes in England in 2005, down slightly from 147,100 homes in 2004, as shown in the chart below. In Q2 2006, 40,100 new homes were started in England by NHBC registered housebuilders, up from 37,800 in Q2 2005.



Source: NHBC New House-Building Statistics Quarter 2 2006 (Table1)

NHBC housing starts grew fastest in the year to Q2 2006 compared to the previous year in Merseyside (+27%), Yorkshire and the Humber (+13%) and the South West (+11%). By contrast, NHBC housing starts fell over the same period in the North West (-15%), West Midlands (-13%) and North East (-2%). The chart below shows the change in NHBC housing starts by region in the year to Q2 2006 compared to the previous year.



Source: NHBC New House-Building Statistics Quarter 2 2006 (Table 2)

9. Household Projections

The DCLG's latest household projections for England to 2026 issued in March 2006 show that the number of households in England is projected to increase from 20.9 million in 2003 to 25.7 million by 2026, an annual growth of 209,000. Over the 23 year period from 2003 to 2026 this represents 23% growth. One person households account for 150,000 of the 209,000 annual growth. About 60% of the projected household growth is within the East, London, South East and the South West. The table below shows the 2006 DCLG household projections by region.

2006 DCLG Household Projections by Region

Region	Number of Households 2003	Number of Households 2021	Number of Households 2026	Average Annual Change 2003 - 2026
North East	1,088,000	1,194,000	1,211,000	5,300
North West	2,847,000	3,290,000	3,378,000	21,900
Yorks. and Humber	2,104,000	2,437,000	2,511,000	17,700
East Midlands	1,782,000	2,146,000	2,230,000	19,500
West Midlands	2,193,000	2,526,000	2,602,000	17,800
East of England	2,286,000	2,797,000	2,926,000	27,800
London	3,093,000	3,756,000	3,926,000	36,200
South East	3,348,000	4,013,000	4,184,000	36,300
South West	2,137,000	2,622,000	2,745,000	26,400
England	20,904,000	24,781,000	25,713,000	209,000

Source: DCLG Statistical Release 14 March 2006

10. Density of New Dwellings

In 2005, on a provisional estimate, new dwellings were built at an average density of 41 dwellings per hectare according to the DCLG. Average density was 47 dwellings per hectare on previously developed land (PDL) and 32 dwellings per hectare not on PDL in 2005. This compares with an average of 25 dwellings per hectare in 2000: 28 dwellings per hectare on PDL and 22 dwellings per hectare not on PDL. The table below shows the density of new dwellings built by region between 2000 and 2005.

Density of New Dwellings Built by Region 2000 to 2005 – Dwellings Per Hectare

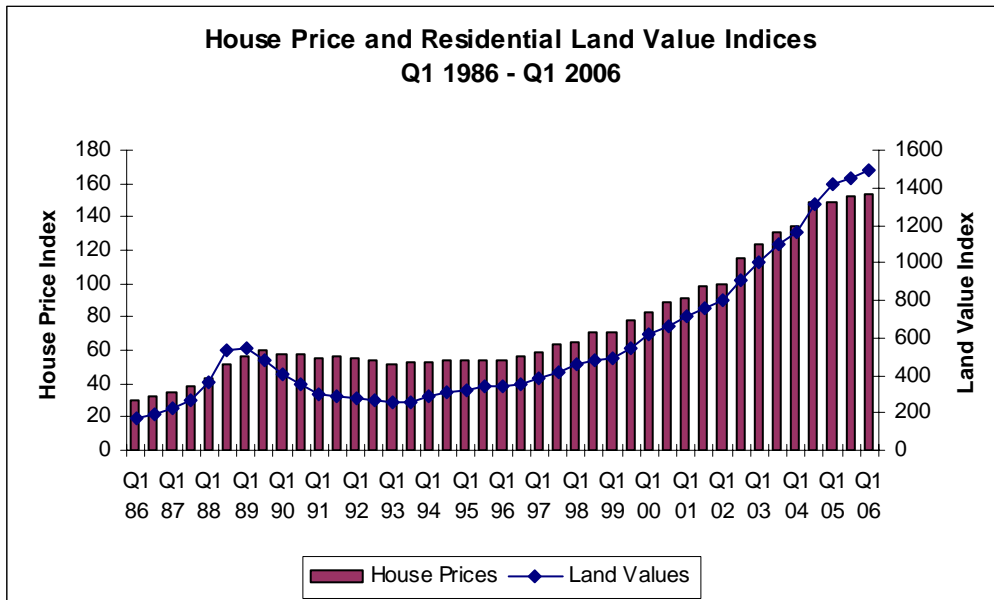
Region	2000	2001	2002	2003	2004	2005
North East	24	26	26	29	33	40
North West	26	27	26	35	42	41
Yorkshire and Humber	22	22	24	33	33	39
East Midlands	21	22	24	26	37	38
West Midlands	24	27	29	32	36	36
East of England	22	22	24	29	35	35
London	56	48	58	84	96	112
South East	24	24	25	33	39	41
South West	25	26	29	35	37	39
England	25	25	27	34	40	41

Source: Land Use Change in England: Residential Development to 2005 Update – July 2006, DCLG

11. Land Values

Land Values and House Prices Over the Past 20 Years

Residential land values have risen sharply over the last 20 years from £0.3 million per hectare in Spring 1986 to £2.6 million per hectare in January 2006 in England and Wales excluding London according to the Valuation Office's Property Market Report January 2006. Residential housing demand has been one of the main factors determining the change in residential land values over the past 20 years. However, over the past 20 years residential land values have risen at almost double the rate of residential house price rises with residential land values having risen by 764% whilst residential house prices rose by 410%. The chart below shows the change in house prices in England and Wales between the first quarter of 1986 and the first quarter of 2006 and the change in residential land values in England and Wales excluding London between Spring 1986 and January 2006.



Sources: DCLG Table 594 Mix-Adjusted House Price Index from Survey of Mortgage Lenders and Valuation Office Property Market Report January 2006.

Land Values and House Prices Over the Past Year

Between January 2005 and January 2006 residential land values in England and Wales excluding London rose by 5.7% according to the Valuation Office from £2.46 million per hectare to £2.6 million per hectare. Mix-adjusted house prices in England and Wales rose at around half that rate, by 3.0% between Q1 2005 and Q1 2006.

12. Brownfield Land

In 2005, on a provisional estimate, 74% of new dwellings were built on previously developed land, including conversions according to Land Use Change in England: Residential Development to 2005 (DCLG Update - July 2006). The following table shows the percentage of new dwellings built on previously developed land by region

between 1995 and 2005. This table is as reported by Ordinance Survey and mainly excludes conversions.

New Dwellings Built on Previously Developed Land by Region 1995 to 2005 (%)

Region	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
North East	50	53	46	50	40	47	45	57	52	62	71
North West	60	65	58	62	60	68	70	72	72	79	81
Yorkshire and Humber	49	51	49	51	50	57	55	63	65	69	74
East Midlands	38	37	37	35	37	43	48	54	54	54	50
West Midlands	53	50	56	54	54	55	60	67	70	72	70
East of England	56	53	53	54	58	54	59	58	60	63	67
London	84	82	89	92	89	89	90	90	95	96	98
South East	54	57	54	56	62	62	66	66	65	72	69
South West	37	35	34	38	40	45	49	48	58	55	61
England	54	54	53	55	56	59	60	64	66	70	71

Source: Land Use Change in England: Residential Development to 2005 Update – July 2006, DCLG

13. Housing Statistics Sources

Subject	Source	Link
House Prices	DCLG	http://www.communities.gov.uk/index.asp?id=1156110
	Halifax	www.hbosplc.com/economy/housingresearch.asp
	Hometrack	www.hometrack.co.uk
	Land Registry	http://www.landreg.gov.uk/publications/?pubtype=0
	Nationwide	www.nationwide.co.uk/hpi/
	RICS	www.rics.org/Property/Residentialproperty/Residentialpropertymarket/
	Rightmove	www.rightmove.co.uk
Mortgage Lending	Bank of England	www.bankofengland.co.uk
	British Bankers Association	www.bba.org.uk
	Council of Mortgage Lenders	www.cml.org.uk
Interest Rates	Bank of England	www.bankofengland.co.uk
First-Time Buyers	Council of Mortgage Lenders	www.cml.org.uk
	DCLG	http://www.communities.gov.uk/index.asp?id=1156110
Buy-to-Let	Council of Mortgage Lenders	www.cml.org.uk
Housing Affordability	Joseph Rowntree Foundation	http://www.jrf.org.uk/bookshop/eBooks/185935243X.pdf
Housebuilding	DCLG	http://www.communities.gov.uk/index.asp?id=1156032
	NHBC	www.nhbc.co.uk (New House-Building Statistics Reports are by subscription)
Household Projections	DCLG	http://www.communities.gov.uk/index.asp?id=1002882&PressNoticeID=2097
Density of New Dwellings	DCLG	http://www.communities.gov.uk/index.asp?id=1146601
Land Values	Valuation Office	http://www.voa.gov.uk/publications/property_market_report/pmr-jan-06/index.htm
Brownfield Land	DCLG	http://www.communities.gov.uk/index.asp?id=1146601
	NLUD	http://www.communities.gov.uk/index.asp?id=1147697

Justine Lovatt

Economist – Economics and Policy Team

English Partnerships

110 Buckingham Palace Road

London SW1W 9SA

Tel: 020 7881 1637

E-mail: JustineLovatt@englishpartnerships.co.uk

Other Regular Publications from the Policy & Economics Team include:

- The Housebuilding Market
- Housing and Planning in the Regions
- Policy and Projects Update