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This is the **Halifax review of economic and house price performance at a local level**. The Review covers 128 UK 'sub areas' between 1998 and 2008 (principally unitary authorities and individual counties), according to ONS classifications. The Review uses estimates of **workplace based** gross value added (GVA) data from the ONS as a measure of economic activity (production and distribution of goods and services). Between 2008 and 2011, unemployment as measured by the claimant count is used as a proxy for economic activity. Unemployment is the most up-to-date indicator of economic performance at a local level.

House Prices Hold Up in Top Performing Economic Areas

Homeowners in the most economically prosperous locations in the UK have seen the value of their property rise by almost £150,000 over a decade, according to new research by Halifax. Based on Halifax's own data, the average house price in the ten local areas that recorded the biggest rise in economic activity in the UK between 1998 and 2008 (latest available) rose by 219%, or £146,984, from an average of £67,178 in 1998 to £214,162 in 2008. **(Table 1)**

House prices in more prosperous economic areas are significantly higher

The rise in house prices in the ten top performing economic locations – which includes Edinburgh, Liverpool, London, and Belfast – was more than a third higher (34%) than the £109,413 (195%) increase in the average house price in the ten areas with the smallest rises in economic activity, such as Coventry and Blackpool. **(Tables 1&2).**

The average house price in the ten areas with the highest levels of economic activity in 2008 is 61% (£100,468) higher than the average in the ten locations with the lowest levels of activity.

House prices have fared better in the most economically resilient locations since 2008

House prices have proved more resilient during the market downturn in those locations that have recorded the smallest contractions in economic activity¹. Since 2008, house prices have fallen, on average, by almost a quarter (24%) in the ten local areas with the biggest falls in economic activity. This is almost double the average 13% decline in house prices in the ten areas that recorded the smallest falls in economic activity. **(Tables 3&4)**

Southern economy and housing market has fared better since 2008

Seven of the ten local areas that have seen the smallest falls in economic activity² over the last three years are in southern England. In contrast, all ten locations that have recorded the largest falls in economic activity are in the northern regions of the UK. Consistent with this, all four of the local areas that recording the smallest falls in house prices since 2008 are in the south – Wiltshire, Hampshire, Brighton and Hove and Southampton - and all nine of the areas with the biggest declines in house prices are in the north. **(Table 5)**

Inner East London sees biggest gain in economic activity and a 236% house price increase

Between 1998 and 2008, the biggest increase in the value of economic activity per person was in Inner East London (an area including Tower Hamlets, Hackney, and Canary Wharf), where activity increased by 87%. House prices here rose by 236% (£248,667) over the same period. Belfast recorded both the third biggest gain in economic activity (84%) and the largest rise in house prices (344%). In contrast, Thurrock, which saw the smallest rise in economic activity over the decade (23%), recorded a more modest, but still substantial, 196% rise in property prices. **(Tables 1&2)**

...but mixed fortunes for previous top economic performers since 2008

Although a number of the top economic performing areas between 1998 and 2008 have seen house prices continue to hold up relatively well, a few of these locations have seen more substantial house price falls. For example, Belfast recorded both the third biggest gain in economic activity and the largest rise in house prices in the decade to 2008, but saw house prices fall by 46% over the next three years as the Northern Ireland capital recorded the second largest contraction in economic activity¹ across the UK over the same period. **(Tables 1&2)**

Suren Thiru, housing economist at Halifax, said:

"Unsurprisingly, house price growth over the past decade has been stronger in the areas that have seen the biggest increases in economic activity. The North-South divide that has opened up recently with the general outperformance of the housing market in southern England appears to reflect the stronger economic performance of these regions."

ADDITIONAL FINDINGS

House prices and level of economic activity:

- **Inner West London (including the City of London) has the highest level of economic activity per person, at £107,863 per head**, followed by Edinburgh (£34,562) and Inner East London (£33,499).
- **Homebuyers must, on average, part with over £15,000 more to reside in the areas with the highest levels of economic activity in the UK.** House prices in the ten local areas with the highest level of economic activity across the UK in 2008 were, on average, £15,462 (6%) higher than their regional average. This is more than three times the average premium of £4,613 ten years ago. The average house price in the ten top performing areas was also equivalent to 126% of the national average house price.
- **Eight out of ten areas with the lowest levels of economic activity are in Wales and the North West.** The Isle of Anglesey has the lowest value of economic activity, at £11,333 per head, Gwent Valleys (£11,400) and the Wirral (£11,478).
- **House prices are nearly £10,000 lower in the areas with the lowest values of economic activity.** The average house price in the ten locations with the lowest levels of economic activity are £10,196 (-6%) below their regional average and is equivalent to 88% of the national average house price.

Editors' Notes:

¹ Gross value added (GVA) is here used to measure economic activity. GVA is a measure of the value of goods and services, not accounting the value of taxes

²Unemployment as measured by the claimant count is used as a proxy for economic activity between 2008 and 2011. Unemployment is the most up-to-date indicator of economic performance at a local level with increases in the unemployment an indicator of falling economic activity.

All house price figures refer to the arithmetic average of house prices and cover the 12 months to March 1998, 2008 and 2011. These prices are not standardised and therefore can be affected by changes in the sample from year to year. The data has been extracted from the Halifax House Price database.

Gross value added (GVA) is a measure of economic activity (production and distribution of goods and services) at basic prices, including taxes (less subsidies) on production but excludes taxes (less subsidies) on products.

The difference between GVA and Gross Domestic Product (GDP) is that GVA is the measure of the value of the goods or services to the producer so it does not include taxes. In contrast, GDP measures the total value so includes the value of taxes.

In summary:

GDP =GVA + taxes on products - subsidies on products

Local GVA per head are sourced from the Office for National Statistics (ONS):

Local data was sourced from (Tab 3:2 Headline Gross Value Added (GVA) per head by NUTS3 area at current basic prices by region):http://www.statistics.gov.uk/downloads/theme_economy/PROGRESS_NUTS3.xls

The ONS carries out consistency checks on data inputs, applies methods consistently and makes use of local knowledge for England, Scotland, Wales and Northern Ireland. The estimates are partly based on sample surveys and the quality of the results therefore varies according to sample size. This means that the results for smaller regions are subject to a greater degree of uncertainty than those for larger regions. As a consequence some NUTS3 areas can be subject to significant statistical volatility, due to the size of some of the survey samples used. This can be particularly true of some of the smallest NUTS3s. However, the headline estimates used in the release are smoothed by the ONS to remove some of this excess volatility.

Jobseeker's Allowance (JSA) claimant count records the number of people claiming JSA and National Insurance credits at Jobcentre Plus local offices. This is not an official measure of unemployment, but is the only indicative statistic available for areas smaller than Local Authorities. Figures are sourced from the ONS and are resident based estimates.

Table 1: House prices in the 10 Areas with highest growth rates in economic activity per person between 1998-2008

Nuts3	Region	GVA % Change 98-08	Average house price £, 1998*	Average house price £, 2008*	HP % Change 98-08	HP % Change 08-11
Inner London - East	London	87%	105,536	354,202	236%	-20%
Inverness & Nairn and Moray, Badenoch & Strathspey	Scotland	86%	58,092	172,541	197%	-13%
Belfast	Northern Ireland	84%	51,446	228,647	344%	-46%
North Lanarkshire	Scotland	82%	53,645	140,061	161%	-25%
Cambridgeshire CC	East of England	74%	77,243	239,137	210%	-17%
Edinburgh, City of	Scotland	73%	76,527	229,060	199%	-12%
Cornwall and Isles of Scilly	South West	72%	62,194	222,185	257%	-12%
Bournemouth and Poole	South West	72%	78,143	238,797	206%	-13%
Glasgow City	Scotland	71%	55,889	163,190	192%	-22%
Liverpool	North West	71%	53,062	153,796	190%	-20%
Average		77%	67,178	214,162	219%	-20%

Sources: Halifax, ONS

*12 months to March

Table 2: House prices in the 10 Areas with lowest growth rates in economic activity per person between 1998-2008

Nuts3	Region	GVA % Change 98-08	Average house price £, 1998*	Average house price £, 2008*	HP % Change 98-08
Thurrock	East of England	23%	66,847	197,720	196%
Coventry	West Midlands	26%	54,835	159,337	191%
Stoke-on-Trent	West Midlands	27%	44,060	121,660	176%
Torbay	South West	28%	62,426	203,969	227%
Dudley and Sandwell	West Midlands	28%	58,326	147,964	154%
Powys	Wales	28%	59,705	187,117	213%
East Ayrshire and North Ayrshire Mainland	Scotland	28%	48,064	138,944	189%
Flintshire and Wrexham	Wales	28%	56,283	189,133	236%
Blackpool	North West	29%	47,379	138,723	193%
Inverclyde, East Renfrewshire and Renfrewshire	Scotland	31%	62,253	169,735	173%
Average		28%	56,018	165,430	195%

Sources: Halifax, ONS
*12 months to March

Table 3: House prices in the 10 Areas with the smallest contractions in economic activity – indicated by the smallest rises in the claimant count -, April 2008-2011

Local Area (Nuts3)	Region	Percentage Point (PPT) change in claimant count, 08-11	Average house price £, 2008*	Average house price £, 2011*	HP % Change 08-11
Cornwall and Isles of Scilly	South West	0.7	222,185	194,430	-12%
Gwynedd	Wales	0.8	170,773	149,890	-12%
Oxfordshire	South East	0.9	308,229	256,691	-17%
Dorset CC	South West	0.9	278,143	220,219	-21%
Brighton and Hove	South East	0.9	277,659	258,027	-7%
Powys	Wales	0.9	187,117	171,746	-8%
Cambridgeshire CC	East of England	1.0	239,137	197,749	-17%
Buckinghamshire CC	South East	1.0	371,926	297,078	-20%
East Cumbria	North West	1.0	179,560	155,622	-13%
Hampshire CC	South East	1.0	231,796	220,386	-5%
Average		0.9	246,652	212,184	-13%

Sources: Halifax, ONS
*12 months to March

Table 4: House prices in the 10 Areas with the largest contractions in economic activity – indicated by the biggest rises in the claimant count -, April 2008-2011

Local Area (Nuts3)	Region	Percentage Point (PPT) change in claimant count, 08-11	Average house price £, 2008*	Average house price £, 2011*	HP % Change 08-11
Kingston upon Hull, City of	Yorkshire and The Humber	3.5	121,979	98,990	-19%
Belfast	Northern Ireland	3.4	228,647	122,928	-46%
North Lanarkshire	Scotland	3.0	140,061	104,643	-25%
Walsall and Wolverhampton	West Midlands	3.0	154,353	128,332	-17%
Blackpool	North West	2.8	138,723	103,113	-26%
South Teesside	North East	2.8	138,044	119,183	-14%
East of Northern Ireland	Northern Ireland	2.8	228,267	137,299	-40%
Falkirk	Scotland	2.7	150,298	109,984	-27%
Dudley and Sandwell	West Midlands	2.7	147,964	126,121	-15%
North and North East Lincolnshire	Yorkshire and The Humber	2.7	138,959	117,926	-15%
Average		2.9	158,729	116,852	-24%

Sources: Halifax, ONS

*12 months to March

Table 5: 10 Areas with the smallest falls in house prices, 2008-2011

Local Area (Nuts3)	Region	Average house price £, 2008*	Average house price £, 2011*	% change HP
Wiltshire CC	South West	229,538	221,187	-4%
Hampshire CC	South East	231,796	220,386	-5%
Brighton and Hove	South East	277,659	258,027	-7%
Southampton	South East	187,779	173,163	-8%
Powys	Wales	187,117	171,746	-8%
Eilean Siar (Western Isles)	Scotland	171,501	156,371	-9%
Somerset	South West	215,366	196,042	-9%
Cardiff and Vale of Glamorgan	Wales	177,868	161,881	-9%
Aberdeen City and Aberdeenshire	Scotland	206,054	186,196	-10%
Conwy and Denbighshire	Wales	160,100	144,236	-10%

Sources: Halifax, ONS

*12 months to March

"This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial purposes is done entirely at the risk of the person making such use and solely the responsibility of the person or persons making such reliance. ©

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