



hometrack

Analytics Reports

Site Appraisal Report

In partnership with



Taylor Wimpey (Taylor Wimpey North East)
Callerton Park

26 April 2013

Contacts

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Contents

	Page
Executive Summary	1
Section 1 - The new development market	2
Section 2 - Pricing levels and transaction volumes	9
Section 3 - Demographics, affordability and key services	12



Executive Summary

This desktop report provides the latest information on new housing supply, the profile and drivers of demand and detailed pricing data for the market around the Callerton Park site. The report draws on unique data held by Hometrack and the NHBC in order to provide the market context to inform land acquisition, land strategy and planning related decisions.

A summary of the key findings is set out below:

The new development market

- 5 competitor schemes were selected for this report, located within an 1.3 mile radius of the site. These schemes average 60 units and contain a total of 298 units.
- 72% of the units on these schemes are completed¹ and 24% (72) are currently under construction.
- Construction has started on 27 units in the last 6 months (of which 100% are houses and 0% flats). There are a further 10 units yet to be started.
- The average price of units under construction is £144,000.
- The most common type of property under construction are houses (98%) followed by flats (2%).

Pricing of housing across the local market area

- The local market area forms a 1.3 mile radius circle centred on the site. Across the local market area median £psf values are £107 for flats and £118 for houses.
- Upper quartile prices are £130psf for flats and £146psf for houses.
- Average prices across the local market area range from £84,000 for 2 bed flats to £130,000 for 3 bed houses and £183,000 for 4 bed houses.

Demand, affordability and rental market

- There are 32,631 households within the local market area (1.3 mile radius). 8% of these households are classed as 'affluent' with a further 17% in the 'comfortable' category. The most common household types in these two affluence groups are Families (24%) and Empty Nesters (21%).
- Average household incomes in the catchment are £31,000. A household buying with a 3.5x income mortgage at 70% LTV could afford to pay £155,000.
- The unemployment rate (claimant count) in Newcastle upon Tyne (MD) is 5.2% compared to 4.7% six months ago.
- The average weekly rental is £132 per week and the cost of a buying with an 85% mortgage £131 per week. The average gross yield is 8.2% for a two bed property.

¹Refers to construction complete only, they may or may not have been sold.

1.1 Overview of selected developments

This analysis of the new development market is based upon the schemes shown in Figure 1. These schemes were selected at the time the report was ordered from a list of the nearest active developments registered with the NHBC. The NHBC register approximately 85% of all new build schemes. Active schemes are defined as having 5 or more units, with on-going new development activity taking place in the last 12 months i.e. starts or completions.

Figure 1. Map of selected schemes



Source: NHBC; Crown Copyright. All Rights Reserved. License number 10035977

Table 1. Selected developments (ordered by distance from site)

Ref	Development	Builder
1	Westerhope Bakery Site	PERSIMMON HOMES LTD
2	Hillsview, Hazeldene Avenue	BDW TRADING LIMITED
3	West Farm	W DOT HOMES LIMITED
4	Land at Colwyne/Moulton Place	KEEPMOAT LTD
5	Birchvale Avenue	MILLER HOMES LTD

Source: NHBC

1.2 New development market overview

The table below provides an overview of the selected schemes around the target site focusing on size, mix, progress of development and proposed pricing levels. It is important to note that the schemes presented in this report are in some instances specific phases of larger schemes and this will impact the data on proportion of affordable housing as some phases of a development may be private units only.

The proposed pricing shown in table 2 is supplied at the time of registration with the NHBC by the developer registering the site. Pricing data is only shown for units started in the last 12 months to avoid reporting on historic pricing. Section 2 contains a detailed analysis of current resale pricing levels across the local housing market on both a £psf and absolute pricing levels basis.

Table 2. Profile of active developments

Data	All schemes
No of schemes selected	5
Distance (miles)	1.0 - 1.3
Size range (units)	10 - 98
Average size	59
Total units (all tenures)	298
Affordable Housing Units	90
Private Housing Units	208
Composition	
% flats - % houses	4% - 96%
% affordable housing	30%
Progress (private units)	
Completions to date (% total)	50%
Completions last 6 months	40
Being built or yet to start	105
Starts in the last 6 months	27
Mix of starts (% flats / % houses)	0% - 100%
Proposed Pricing	
Median price	£144,000
Median house price	£144,000
Median flat price	n/a

Source: NHBC

1.3 Status of new development schemes

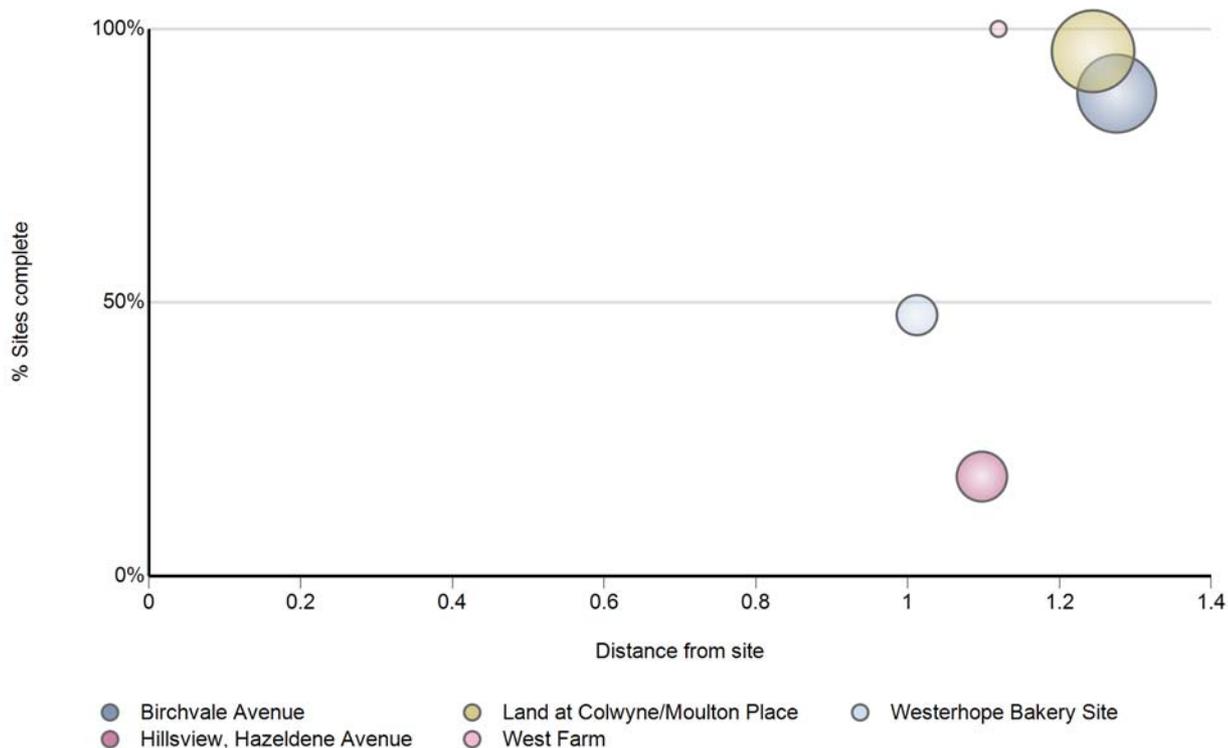
The selected schemes are at different stages of the sales and development process. Figure 2 below provides an overview of all the selected schemes according to:

- The overall size of the site – the larger the circle the larger the scheme.
- The proportion of units that have been completed – the y axis.
- The distance from the target site – the x axis.

This analysis enables a clear understanding of the local schemes that have established pricing levels from a period of development as well as the identification of schemes that present new starts and potential competition for any development in the near future.

The schemes with the greatest volume of units completed will provide the best evidence of established pricing for new build housing in the local area. The schemes with a smaller proportion of completions are likely to present future competition.

Figure 2. Size, distance and % completion rate for selected developments



Source: NHBC

Section 1
The New Development Market

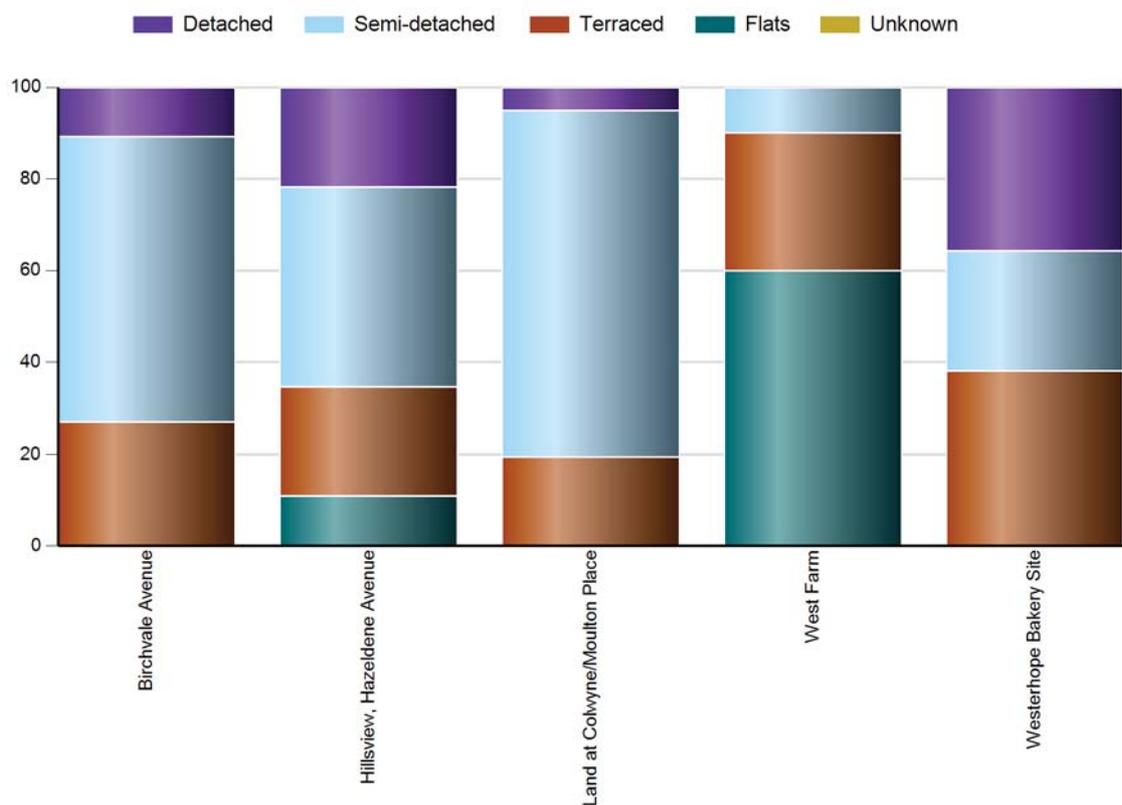
1.4 Mix of housing being developed

This section sets out a more detailed analysis of the composition of the private housing on the selected schemes focusing on units currently under construction or completed in the last 12 months. Figure 3 shows the mix of private housing being developed, scheme by scheme.

In summary, the analysis shows:

- The most common type of property under construction are houses (98%) followed by flats (2%).
- The two schemes with the most houses (98 and 93 respectively) are:
 - Site 4 - Land at Colwyne/Moulton Place - KEEPMOAT LTD
 - Site 5 - Birchvale Avenue - MILLER HOMES LTD
- The two schemes with the most flats (6 and 6 respectively) are:
 - Site 3 - West Farm - W DOT HOMES LIMITED
 - Site 2 - Hillisview, Hazeldene Avenue - BDW TRADING LIMITED

Figure 3. Mix of housing being developed



Source: NHBC

1.5 Scheme by scheme analysis

The tables in this section set out detailed information on the profile and current status of the selected developments shown in figure 1.

When reading these tables please note:

- The scheme start date reflects the date the scheme was registered with the NHBC.
- On phased schemes the information may be for an individual phase rather than the whole scheme - not all phases will include affordable housing, which may be separate.
- The price ranges are those that were proposed at the time of registration although the proposed pricing shown is for units currently under construction.
- If pricing information is older than 12 months it is labelled as "Out of Date". This is to avoid comparing historic pricing with the current pricing considered elsewhere in this report.
- Complete refers to units that are built. These units may or may not have been sold.

Scheme 1 - Westerhope Bakery Site - PERSIMMON HOMES LTD	
Distance to Site	1.0 miles
Number of units (% started)	42 (95%)
% houses / % flats	100% / 0%
Scheme start date	22 September 2011
% affordable housing	0%
Price range (proposed at registration)	£80,000 - £220,000
Total number of units completed (% completed)	17 (40%)
Number of private units completed	17
Number of private units completed in last 6 months	17
Number of private units yet to start (last plot started)	2 (Jan 2013)

Scheme 2 - Hillview, Hazeldene Avenue - BDW TRADING LIMITED	
Distance to Site	1.1 miles
Number of units (% started)	55 (89%)
% houses / % flats	89% / 11%
Scheme start date	31 May 2012
% affordable housing	29%
Price range (proposed at registration)	£118,000 - £203,000
Total number of units completed (% completed)	5 (9%)
Number of private units completed	5
Number of private units completed in last 6 months	5
Number of private units yet to start (last plot started)	6 (Feb 2013)

Section 1

The New Development Market

Scheme 3 - West Farm - W DOT HOMES LIMITED	
Distance to Site	1.1 miles
Number of units (% started)	10 (100%)
% houses / % flats	40% / 60%
Scheme start date	28 January 2011
% affordable housing	0%
Price range (proposed at registration)	Prices out of date
Total number of units completed (% completed)	5 (50%)
Number of private units completed	5
Number of private units completed in last 6 months	4
Number of private units yet to start (last plot started)	None (Jan 2011)

Scheme 4 - Land at Colwyne/Moulton Place - KEEPMOAT LTD	
Distance to Site	1.2 miles
Number of units (% started)	98 (100%)
% houses / % flats	100% / 0%
Scheme start date	7 September 2010
% affordable housing	42%
Price range (proposed at registration)	£103,000 - £144,000
Total number of units completed (% completed)	41 (42%)
Number of private units completed	41
Number of private units completed in last 6 months	8
Number of private units yet to start (last plot started)	None (Aug 2012)

Scheme 5 - Birchvale Avenue - MILLER HOMES LTD	
Distance to Site	1.3 miles
Number of units (% started)	93 (98%)
% houses / % flats	100% / 0%
Scheme start date	4 June 2010
% affordable housing	35%
Price range (proposed at registration)	£105,000 - £156,000
Total number of units completed (% completed)	35 (38%)
Number of private units completed	35
Number of private units completed in last 6 months	6
Number of private units yet to start (last plot started)	2 (Sep 2012)

Source: NHBC

Section 2 Pricing Levels and Transaction Volumes

2.1 Overview of pricing across local market area

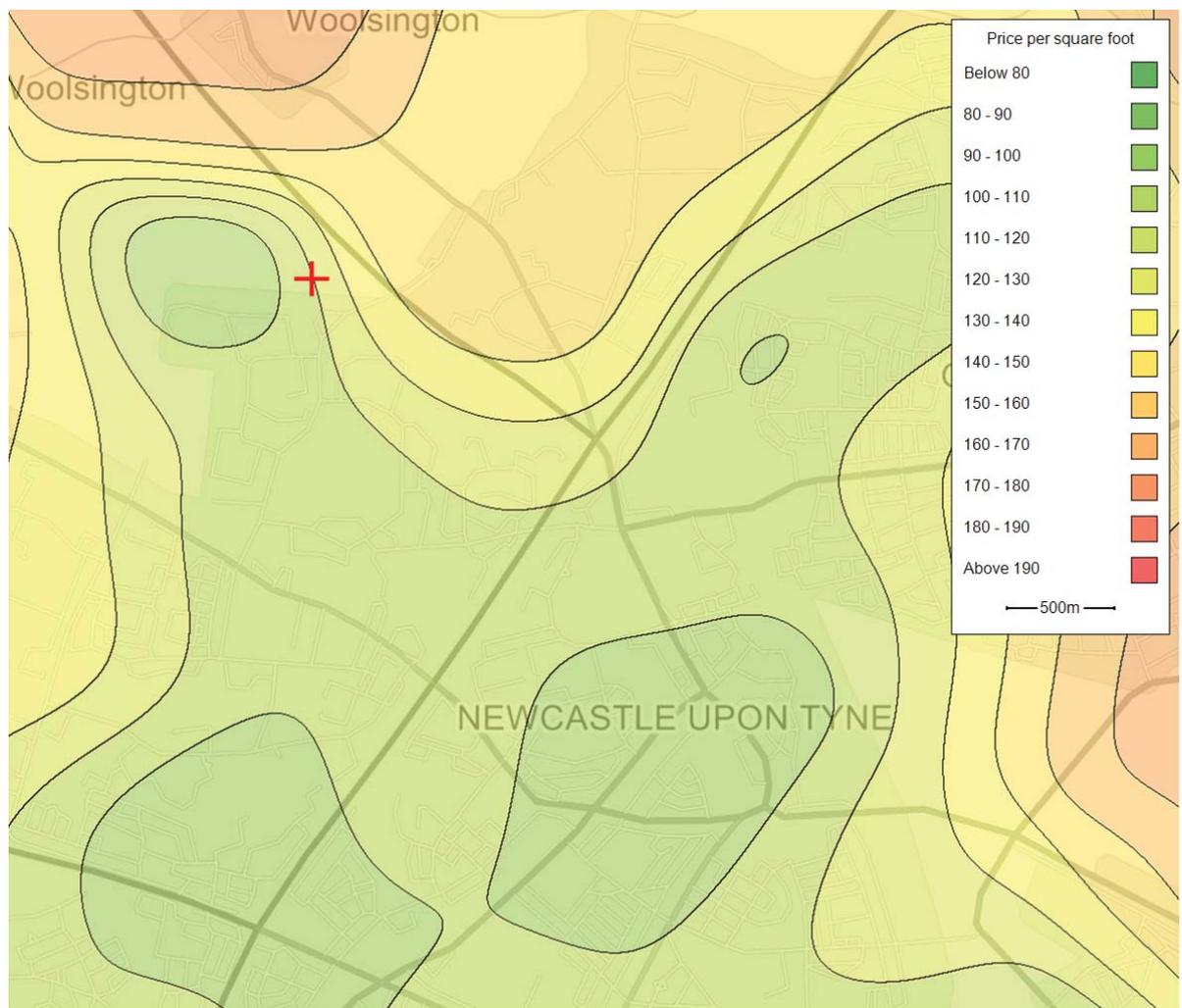
This section sets out an analysis of pricing levels and transaction volumes across the local market area - a radius from the site of 1.3 miles, encompassing the selected developments. This is based on a combination of achieved prices from the land registry and valuation data

The data and analysis on pricing levels within this catchment is presented in two ways:

1. The profile and distribution of £psf values
2. Absolute prices achieved by property type and size over the last 12 months.

The map below provides an overview of £psf pricing across the local market area. The scheme is marked with a cross.

Figure 4. Average £psf values for residential property across the local market



Source: Hometrack

2.2 Profile of pricing on a £psf/£psm basis

Figure 5 showed the spatial distribution of average £psf values around the scheme. The analysis in this section provides information on the distribution of £psf values across the local market area for flats and houses, which is summarised in table 4. Together the map and chart provide the basis to inform initial price setting assessments.

This analysis is drawn from Hometrack's unique database of comparable evidence. All comparable market evidence from the last 5 years is indexed to current levels and then expressed on a £psf basis.

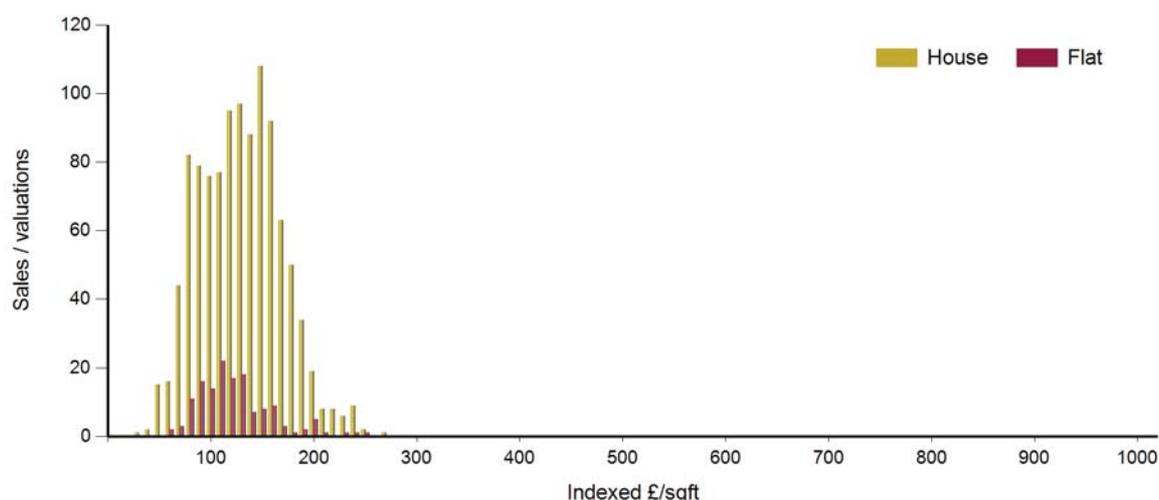
In summary £psf (£psm) prices across the catchment area are as follows:

- Median: Flats - £107psf (£1,153psm), Houses - £118psf (£1,265psm)
- Upper quartile: Flats - £130psf (£1,403psm), Houses - £146psf (£1,570psm)
- Upper decile: Flats - £158psf (£1,700psm), Houses - £169psf (£1,820psm)

Table 4. Current £psm/£psf prices across the catchment area

Price point	Flats		Houses	
	£psm	£psf	£psm	£psf
Lower Quartile	£971	£90	£968	£90
Median	£1,153	£107	£1,265	£118
Upper Quartile	£1,403	£130	£1,570	£146
Upper Decile	£1,700	£158	£1,820	£169

Figure 5. Distribution of £psf prices across the catchment area



Source: Hometrack

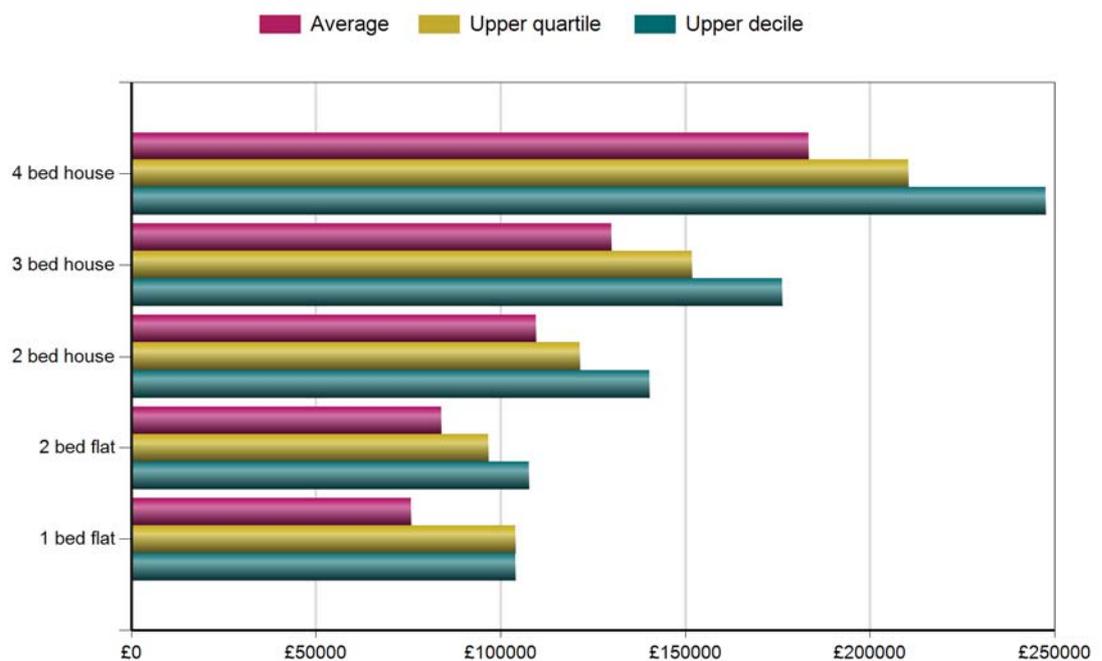
2.3 Absolute pricing levels

The table and chart below show the level of absolute prices within the local market area over the last 12 months. This is split by type and size for all property at the average, upper quartile and upper decile levels.

Table 5. Pricing in the local market by property size and type over the last 12 months

Property type / size	Average	Upper quartile	Upper decile
1 bed flat	£76,000	£104,000	£104,000
2 bed flat	£84,000	£97,000	£108,000
2 bed house	£110,000	£121,000	£140,000
3 bed house	£130,000	£152,000	£176,000
4 bed house	£183,000	£210,000	£248,000

Figure 6. Price point by property type over last 12 months



Source: Hometrack

2.4 Transaction volumes by type and price

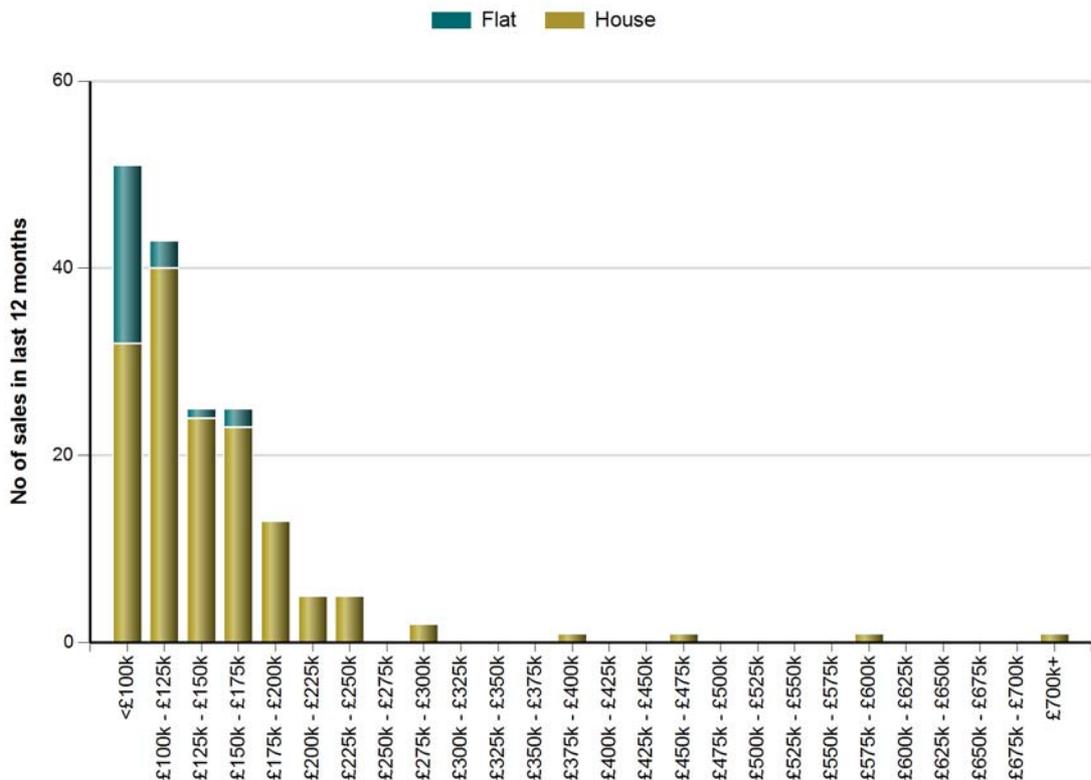
This section sets out an overview of transaction volumes across the local market area. Total turnover over the past 12 months has been 173 sales.

Figure 7 plots transactions by property type and price band over the last 12 months, showing where in the market there is liquidity. This is important when considering housing mix and proposed pricing levels as it identifies potential gaps in the market or areas of competition for new schemes.

The key points are:

- The turnover rate of housing is 0.5%.
- 3 (2%) of these sales were new build.¹
- The remaining 170 transactions were re-sales.
- Most sales (51) took place in the <£100k price band.
- Most new build sales (1) took place in the £150k - £175k price band.

Figure 7. Sales volume by price band and property type last 12 months



Source: HM Land Registry / Register of Scotland

¹Please note that the number of new build sales will undercount for areas in Scotland because the Register of Scotland does not flag new build transactions

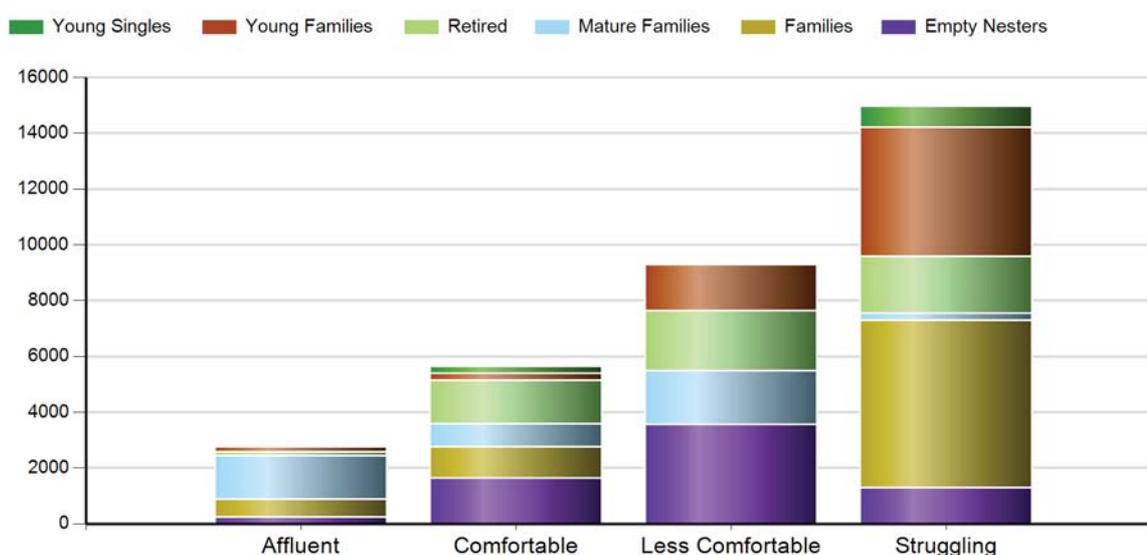
3.1 Demographic profile of households

Within the local market area there are 32,631 households. Figure 8 provides an overview of the demographic profile of these households based upon the SONAR lifestyle classification system segmented by "Affluence" and "Lifestyle".

The demographic profile for the local market area shows:

- On the 'lifestyle' measure the highest concentrations in the catchment are Families (7,774 or 24%), followed by Empty Nesters (6,752 or 21%), Young Families (6,695 or 21%) and Retired (5,874 or 18%).
- On the 'affluence' measure the majority of households are classified as "Struggling" (14,957 or 46%) with "Less Comfortable" households accounting for 9,278 households (28% of the total.).
- The two most numerous household types in the "Affluent" category are
 1. Mature Families – 1,554 or 5% of all households.
 2. Families – 647 or 2% of all households.
- The two most numerous household types in the "Comfortable" category are
 1. Empty Nesters – 1,647 or 5% of all households.
 2. Retired – 1,564 or 5% of all households.

Figure 8. Households in catchment by lifestyle and wealth bracket



Source: SONAR

Sonar is a unique marketing segmentation system developed by The Clockworks, a data marketing consultancy. The Sonar classification provides consumer segmentation and local market profiling that enables identification of target audiences. The Sonar targeting system classifies households and their residents according to the type of neighbourhood in which they live. Every postcode in Great Britain is allocated to one of 80 unique neighbourhood types. The analysis presented in this report is based on the highest level of classification, namely the affluence and lifestyle categories. For further information please go to www.the-clockworks.co.uk.

3.2 Employment, incomes and rental levels

Employment overview

The unemployment rate (claimant count) in Newcastle upon Tyne (MD) is 5.2% compared to 4.7% six months ago. The most common socio-economic classification in the local area is 'Lower managerial and professional' representing 16% of households.

Household incomes and buying power in local market

Average household incomes in the catchment area are £31,000 with an upper quartile of £43,000. Table 6 below shows what price of property could be considered affordable at different loan to values assuming a mortgage income multiple of 3x and 3.5x. Thus a household on an average income buying with a 70% mortgage could afford to pay £132,857 assuming a 3x income multiple and £155,000 at a 3.5x multiple.

Table 6. Incomes and buying power

LTV	Average 3x	Average 3.5x	Upper quartile 3x	Upper quartile 3.5x
50%	£186,000	£217,000	£258,000	£301,000
60%	£155,000	£181,000	£215,000	£251,000
70%	£133,000	£155,000	£184,000	£215,000
80%	£116,000	£136,000	£161,000	£188,000
90%	£103,000	£121,000	£143,000	£167,000

Source: Hometrack / CACI

Local rental market overview and the cost of renting versus buying

Generally the strongest rental demand comes from the 20-39 year old age group, it follows that areas with a high proportion of the population falling into this age group experience stronger rental demand than other areas. In the local area there are 94,000 people aged 20-39 years according to the latest population data. This group accounts for 33.5% of the local population – a proportion which is 8.2% above the average for the region.

For a typical 2 bed flat in the local authority, it is more expensive to rent than to buy outright with a standard 85% mortgage. The average weekly rental is £132 per week compared to the cost of a buying with an 85% mortgage of £131 per week.

Based on an average price of £84,000 for a 2 bed property, the gross yield is 8.2% on the basis that average rents are currently £132 per week.

The supply of rented housing in the local area accounts for 17.5% of overall housing supply. This is 5.1% above the average for the region (Source: Census 2011).

3.3 Proximity to local services

This section sets out a summary of the proximity of the site to local communication points and schools.

Table 7. Proximity to local communications

Type	Name	Distance ¹
Motorway Junction	A1(M) J64/A195	10.2
Railway Stations, Junctions and Halts	Blaydon Station	3.3
Underground Network Stations	Not Available	
Bus Stops	27 within 1000 metres	
Tram, Metro and Light Railway Stations and Stops	Bank Foot Station (Tyne & Wear Metro)	0.5
Airports and Landing Strips	Newcastle International Airport	1.9

Source: Ordnance Survey

Table 8. Nearest primary schools

Type	Name	Distance ¹
First, Primary and Infant Schools	Simonside Primary School	0.4
	Cheviot Primary School	0.6
	St Mark's Roman Catholic Primary School	0.7

Source: Department for Children, Schools and Families

Table 9. Nearest secondary schools

Type	Name	Distance ¹
Broad Age Range and Secondary State Schools	All Saints College	1.3
	Kenton School	1.4
	Walbottle Campus Technology College	2.4

Source: Department for Children, Schools and Families

¹All distances are given as the crow flies'



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