

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

April 2012

House Prices, Affordability & Market Indicators

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Basildon Council
BASILDON • BILLERICAY • WICKFORD


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 **Rochford**
District Council

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BOROUGH COUNCIL

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Introduction

This report monitors the latest trends in house prices, rent and other market indicators based on Hometrack's online Housing Intelligence System (www.hometrack.co.uk). It looks at national trends and local changes in lower quartile house prices across the Thames Gateway South Essex (TGSE) sub region by local authority area for different housing types. It also compares cross tenure affordability and reviews recent market indicators. The report acts as a supplement to the data in the TGSE Strategic Housing Market Assessment and Housing Strategy. A snapshot of the housing market in England and Wales is attached at Appendix 1. Changes in house prices for TGSE local authority areas are tabled in Appendix 2.

Key trends

National Trends

- House prices posted a monthly price rise for the first time in 20 months in March on the back of increased demand, activity and a scarcity of housing for sale.
- Clear divide exists in the strength of the market between southern England and the rest of the country.
- Looking ahead, the evidence suggests a continued firming in prices in the next few months as demand increases and supply remains suppressed.

Local House Prices

- Between February 2011 and February 2012, lower quartile house prices rose in Castle Point by £7k, Southend by £2k, Basildon by £1k, but down in Thurrock by -£1k and Rochford by -£3k.
- In February 2012, the highest overall lower quartile property price was in Rochford £185k, followed by Castle Point £172k, Basildon £151k, Southend £150k and Thurrock £146k.
- Rochford now has the highest priced 1, 2 and 3 bed properties, while Basildon has the highest priced 4 bed properties in the sub region.

Cross Tenure (for a one bed property)

- The highest weekly cost of renting a one bed property through a Housing Association is in Castle Point at £73.80 and the lowest in Rochford at £67.80.
- Private renting is most expensive in Castle Point at £137, followed by Basildon, Rochford and Thurrock at £132 and Southend at £121.
- The average "head room" between 80% market rent and housing association rent for a 1 bed property ranges between £38.20 in Rochford and £27.60 in Southend.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Basildon 45% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 62% for those wishing to purchase a terraced property and 94% for a detached property.

Market Indicators

- Since January 2012, the sales to asking price have increased across all five local authority areas, suggesting a general firming up of house prices. This is supported by the decline in viewings per sale and time to sell.
- With the percentage change in newly listed properties and registered buyers declining since January 2012, this indicates that the market will continue to flatten in the sub region.

National Trends

House prices posted a monthly price rise for the first time in 20 months in March on the back of increased demand, activity and a scarcity of housing for sale.

The ending of the first time buyer stamp duty holiday may have boosted demand but London, where prices rose by 0.5% - the largest monthly increase in the capital since April 2010 (0.6%) - continues to drive the national headline figure.

The survey results reveal a clear divide in the strength of the market between southern England and the rest of the country

Looking ahead to the rest of the year all the evidence points to a continued firming in prices in the next few months as demand increases and supply remains suppressed.

Local Housing Indicators

Overall change in house prices

Looking at the overall change in house prices in the Thames Gateway South Essex sub region over a three month period between December 2011 and February 2012, it shows house prices remaining relatively steady in Southend and Castle Point, but generally falling in the remaining three local authority areas. Price variations between different TGSE Local authority areas are summarised in the table below:

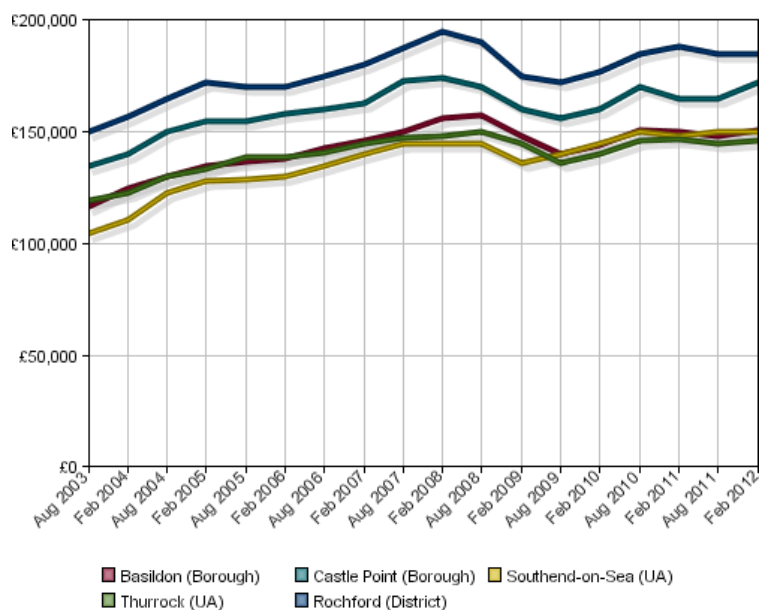
Change in House prices December 2011 – February 2012

Local Authority	90 th percentile	Upper Quartile	Average	Lower Quartile
Basildon	-£6,000 ↓	£0 ↔	-£570 ↓	+£1,334 ↑
Castle Point	+£8,333 ↑	+£6,668 ↑	+£1,864 ↑	-£583 ↓
Rochford	-£8,333 ↓	-£1,166 ↓	-£6,951 ↓	£0 ↔
Southend	+£23,333 ↑	+£16,667 ↑	+£5,223 ↑	+3,667 ↑
Thurrock	+£5,000 ↑	-£1,667 ↓	+£1,304 ↑	-£333 ↓

Focusing on Lower Quartile Prices

To gain a truer reflection on the change in house prices, it is best to view these over a longer time period of up to ten years and at six month intervals as the next set of charts depict. The charts focus on the lower quartile property price, based on sales and valuations, for overall property (flats / maisonettes, terraced and detached properties) in the TGSE sub region. This analysis is based on data from Hometrack's Automated Valuation Model.

Lower Quartile Price – Overall



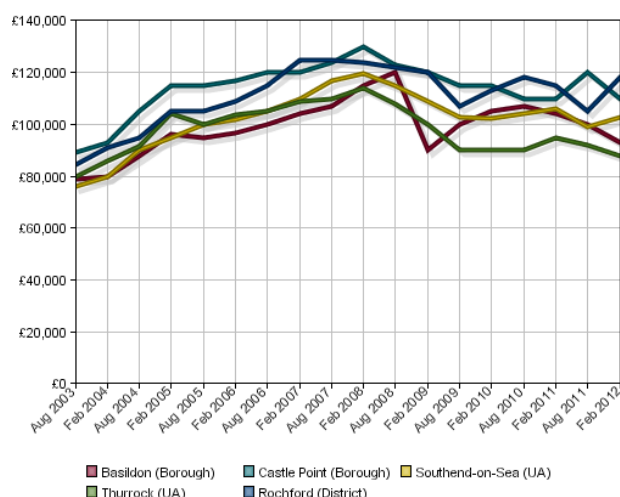
The above chart shows the partial recovery in house prices since the noticeable dip in summer of 2009. However, prices stalled again in August 2010 and have been flat lining with the possible exception of Castle Point.

In February 2012, the highest overall lower quartile property price was in Rochford £185k, followed by Castle Point £172k, Basildon £151k, Southend at £150k and Thurrock at £146k.

Between February 2011 - 2012, lower quartile house prices were up in Castle Point by £7k, Southend by £2k, Basildon by £1k, but down in Thurrock by -£1K and Rochford by -£3k (see Appendix 2).

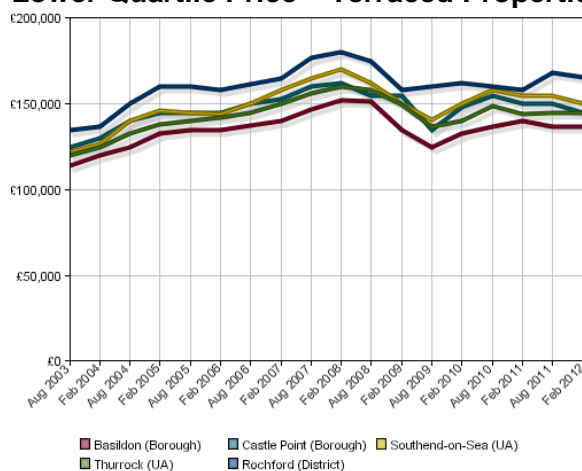
When compared with pre recession prices in 2007/08 where they peaked across the sub region, current prices are still down by £10k in Rochford, £6.5k in Basildon, £5k in Southend, £4k in Thurrock and £2k in Castle Point.

Lower Quartile Price – Flat / Maisonette



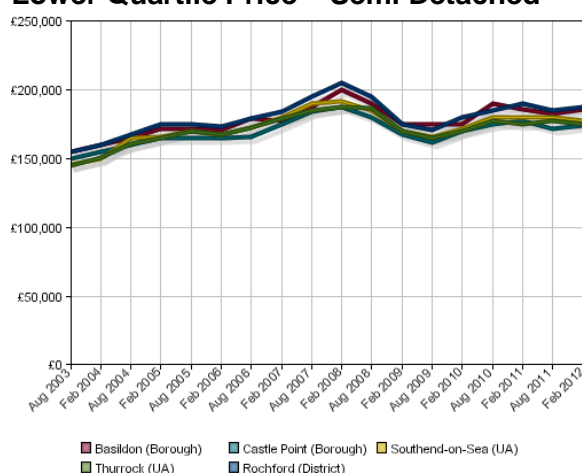
The above chart shows a mixed picture with lower quartile prices for flat / maisonette properties rising since August 2011 in Southend (£4k) and Rochford (£13k) but falling in the three remaining Local Authorities with Castle Point seeing a more pronounced fall (£10k). This could suggest an east / west split in property prices or could be the result of different stock.

Lower Quartile Price – Terraced Properties



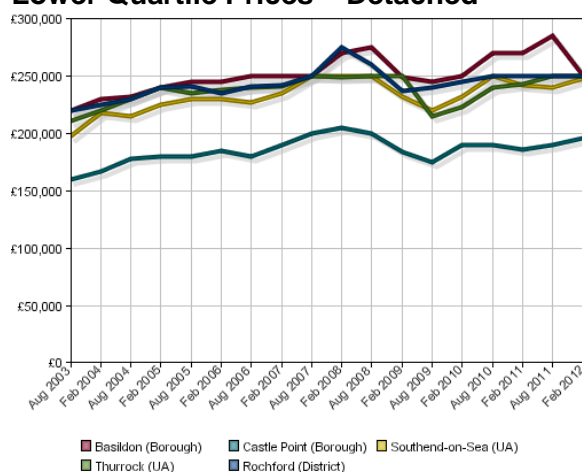
Since August 2011, the prices of lower quartile terraced properties fell in Rochford, Southend and Castle Point, but remained flat in Basildon and Thurrock.

Lower Quartile Price – Semi Detached



Since February 2011, the price of semi-detached properties has remained static across the sub region.

Lower Quartile Prices – Detached



Since August 2011, the price of detached properties have risen marginally in Castle Point, Rochford, Southend and Thurrock but fallen sharply in Basildon.

In summary, the changes across different house types by local authority areas show that house prices continue to fluctuate especially when monitored over the three month period. Prices of flatted and terraced properties have seen a more pronounced fall compared to other house types particularly in the western part of the sub region, while semi and detached properties have fared better.

Annual Turnover by Broad Type and Age

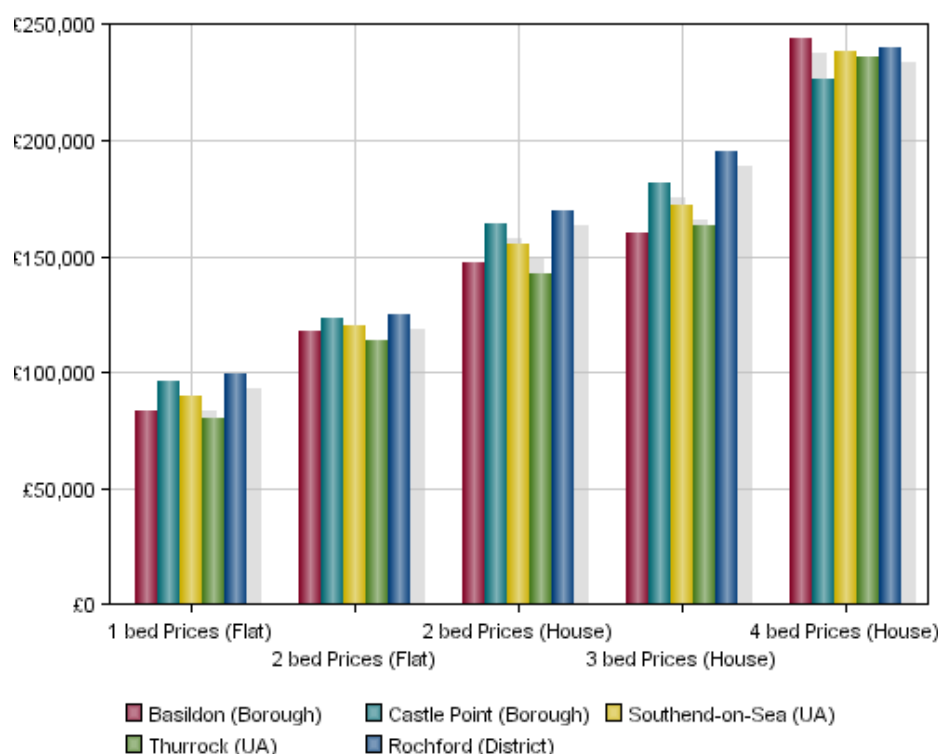
As a Proportion of Overall Property

	Basildon			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2008	1,309	271	44	124
2009	1,363	202	78	94
2010	1,552	243	64	101
2011	1,493	236	23	5
2012	49	2	Not Available	Not Available

	Basildon	
	Overall property price bands	
2008	2.50%	
2009	2.50%	
2010	2.80%	
2011	2.50%	
2012	0.10%	

The above tables show the total volume of housing turnover in Basildon, as the sample area, split between houses / flats and second hand / newly built houses. The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover remains steady at 2.50%, however, it is still significantly down from pre 2008 figures (see previous TGSE Housing Market Trend Quarterly Reports).

Lower Quartile Price of Property by Bed Count (February 2012)

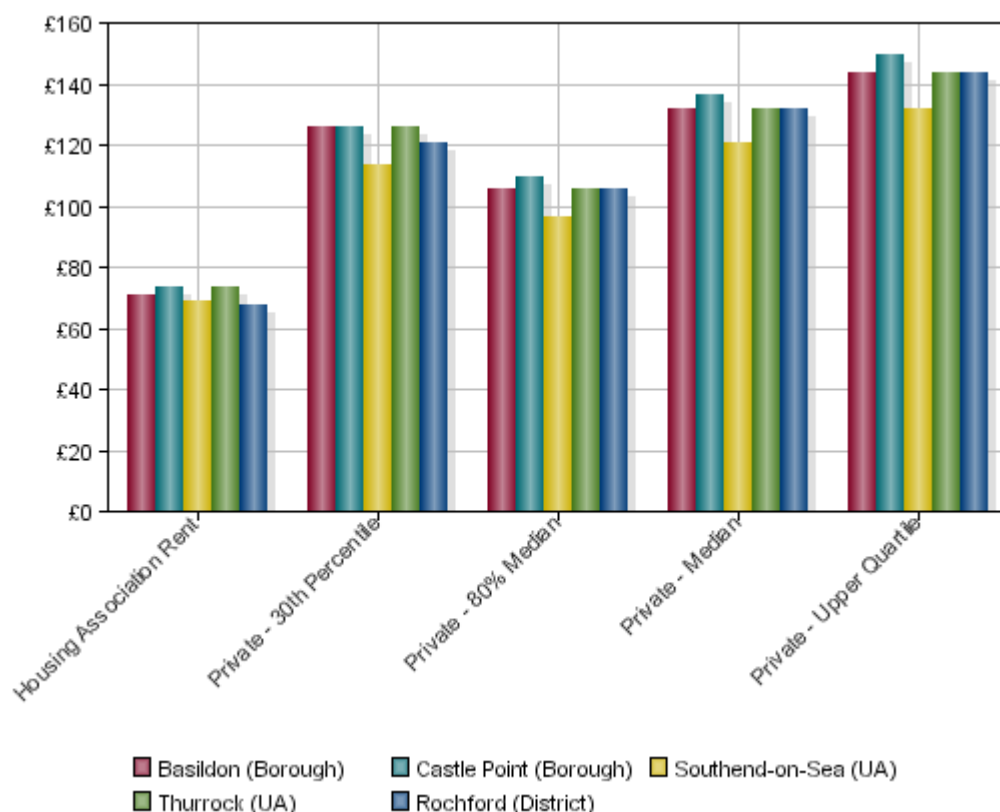


Latest Data Only For Comparison LQ (February 2012)

	Basildon (Borough)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	83,500	96,000	90,000	80,000	99,250
2 bed Prices (Flat)	117,500	123,625	120,250	114,000	125,000
2 bed Prices (House)	147,000	164,500	155,000	142,500	170,000
3 bed Prices (House)	160,000	182,000	172,125	163,500	195,000
4 bed Prices (House)	244,250	226,250	238,125	235,750	240,000

The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on February 2012 figures. For 1, 2 and 3 bed properties the highest prices were recorded Rochford, while for 4 bed properties Basildon still has the highest prices.

Weekly cost for 1 bed property across a range of quartiles compared to HA rent

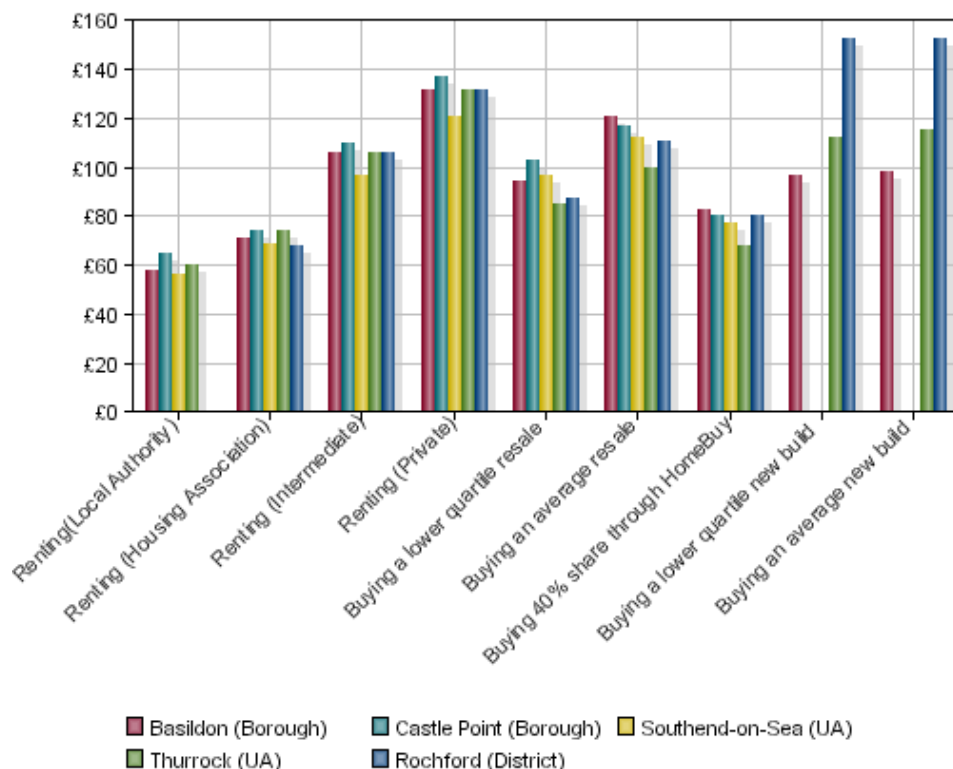


	Basildon (Borough)	Castle Point (Borough)	Southend- on-Sea (UA)	Thurrock (UA)	Rochford (District)
Housing Association Rent	71.1	73.8	69.4	73.6	67.8
Private - 30th Percentile	126	126	114	126	121
Private - 80% Median	106	110	97	106	106
Private - Median	132	137	121	132	132
Private - Upper Quartile	144	150	132	144	144
Difference between HA and 80% Median	34.9	36.2	27.6	32.4	38.2

The above graph and table shows the weekly cost of renting a one bed room property across a range of quartiles based on February 2012 prices. Importantly, it allows a comparison to be made between Housing Association Rent and the New Affordable Rent at 80% of market rent.

The 30% percentile figures look unusually high being in excess of the 80% Median rent. This is because the individual rents are closely banded and show little variation. Average rental figures at borough level can sometimes mask local variations in rental values. It is often better to look at rents at ward level to show where these variations exist. (Further information can be sought from the Thames Gateway South Essex Strategy Coordinator).

Weekly Cost (1 bed property)



The chart compares the weekly cost of a one bed property across different tenures and has been analysed as follows:

- It is cheaper to buy a 40% share of a property through HomeBuy in Thurrock, than to rent via a housing association
- It is cheaper to buy a lower quartile property in Thurrock than to privately rent. Buying an average or even lower quartile new build is most expensive in Rochford
- Private renting is generally the most expensive form of tenure across all five local authority areas
- Private renting is most expensive in Castle Point at £137, followed by Basildon, Rochford and Thurrock at £132 and Southend at £121

Affordability: 3.0 times income

Sample Area: Basildon

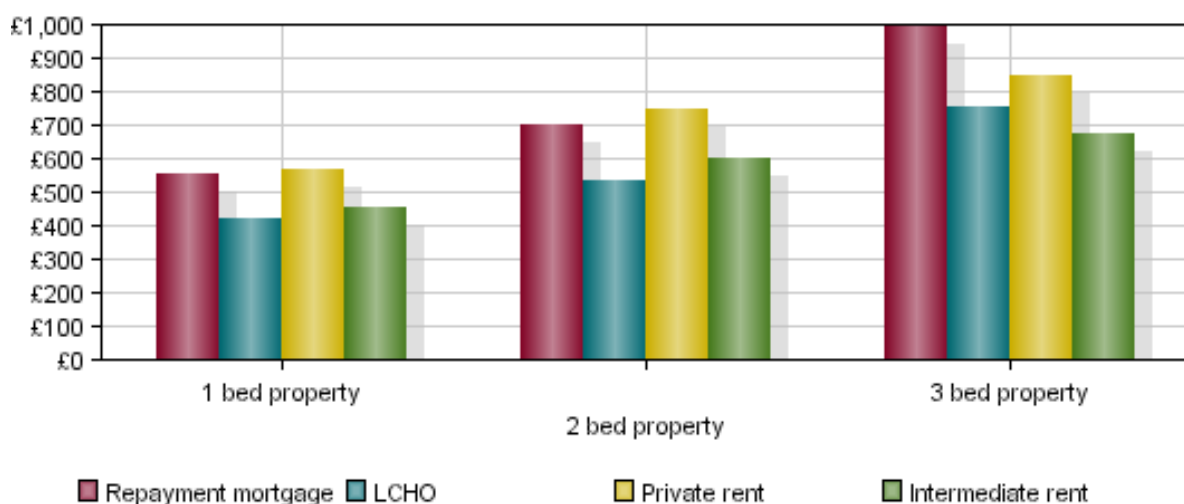


This chart over page shows the number of households in different household income bands in Basildon (bars) compared to the minimum price for different property types in the same area (horizontal lines). The diagonal lines rising from left to right show the value of property that can be afforded at different income multiples by a first time buyer and former owner-occupier.

The chart demonstrates that a significant proportion of residents in Basildon are priced out of the property market. For example, 45% of households cannot afford to purchase a flat or maisonette as a first time buyer on a mortgage at 3.0 times their income. This rises to 62% for those wishing to purchase a terraced property and 94% for a detached property.

Affordability Calculator for Basildon

Average price for repayment mortgage, LCHO, private rent and intermediate rent



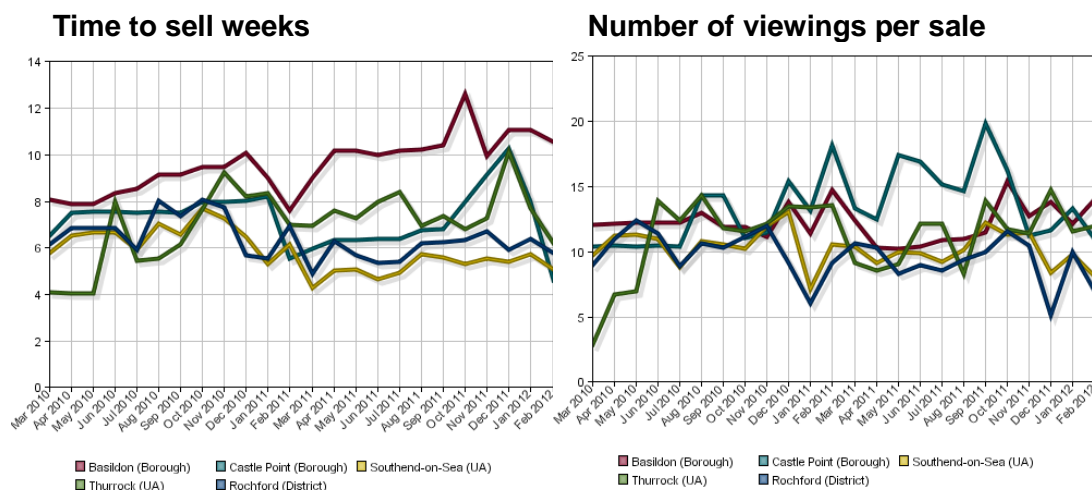
	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£109,000	£558	£422	£572	£458
2 bed property	£138,000	£706	£534	£750	£600
3 bed property	£195,000	£998	£755	£849	£679

The information above is based on the average price for 1, 2 and 3 bedroom properties using a combination of sales and valuations data as well as open market and intermediate rental values. The data is calculated using the assumptions set within an Affordability menu (available on the Housing Intelligence System).

The assumptions can be changed by moving the slider bars. For Basildon, the information shows that for one and two bed properties; private renting is the most expensive, while for a 3 bed property a standard repayment mortgage is most expensive.

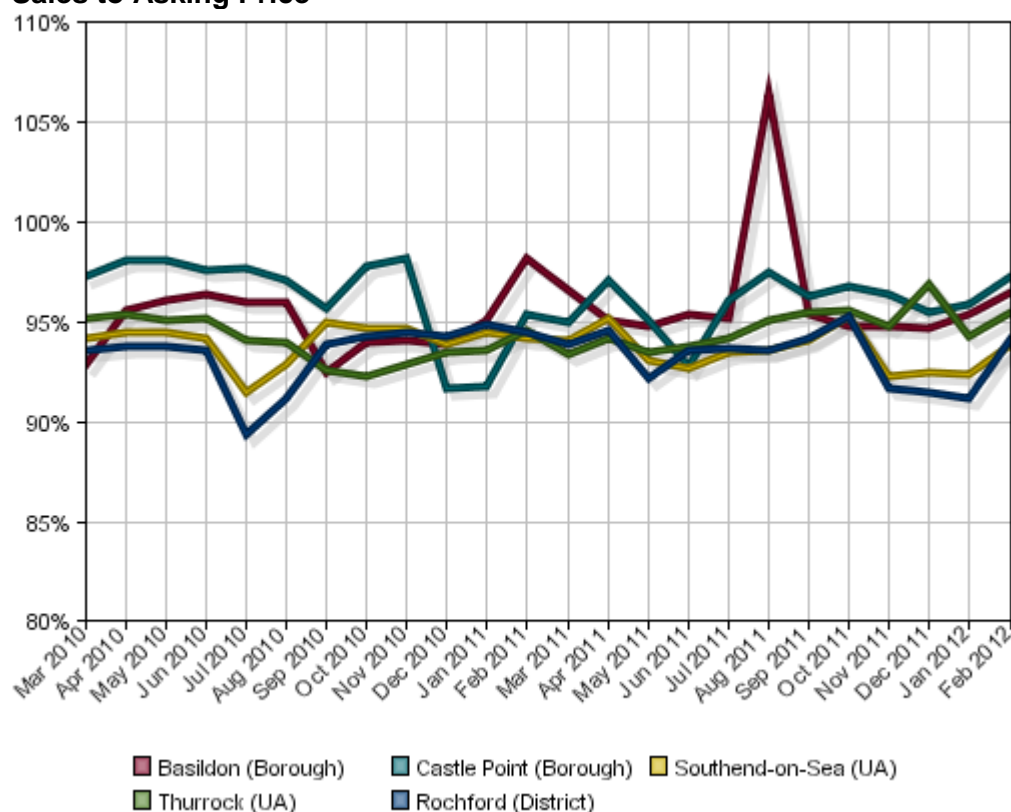
Whilst the sample area for this Quarterly Report is Basildon, information can be readily made available for the other TGSE Local Authorities on request.

Market Indicators



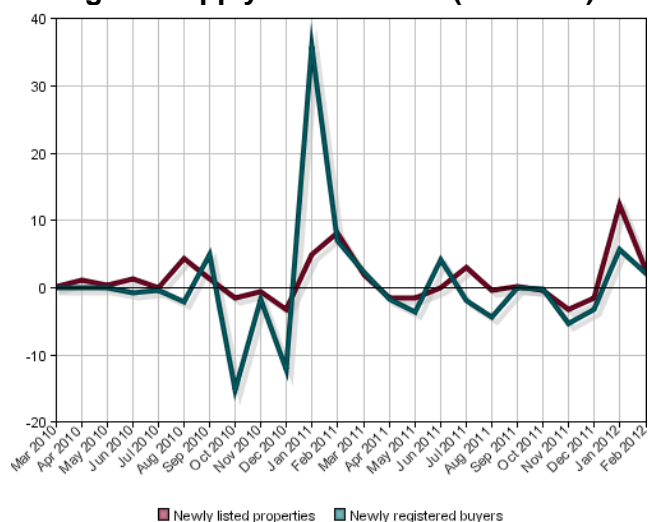
The above graphs shows that since January 2012 the time to sell and number of viewings per sale have declined across all local authorities in the sub region (with the exception of Basildon in respect of viewings per sale).

Sales to Asking Price



This graph shows the typical proportion of the asking price that is achieved for all sales agreed over the month since March 2010. Since January 2012, the percentage has increased across all five local authority areas, suggesting a general firming up of house prices.

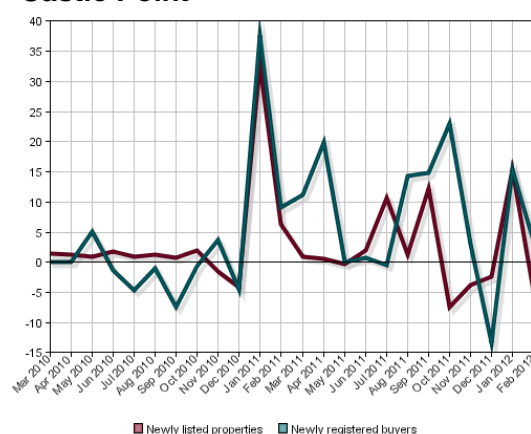
Change in Supply and Demand (Basildon)



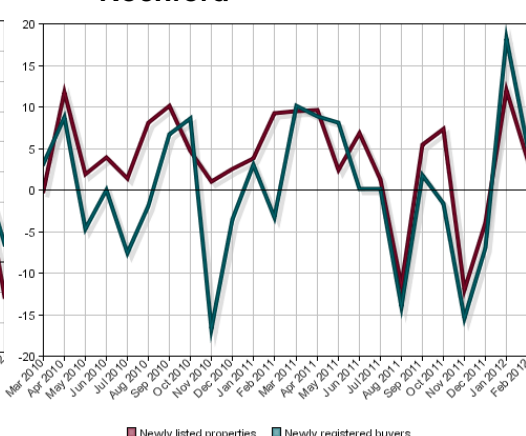
This graph compares the percentage change in the number of new properties being registered for sale each month against the percentage change in the number of new buyers registering for Basildon.

Between December 2011 and January 2012 there was a small seasonal increase in the number of newly registered buyers and sellers, but not as big as in the previous year. However, both indicators fell back in since January 2012, suggesting a general slowing down in the housing market and lack of activity. Newly registered buyers are now falling and with only a small increase in the number of new properties coming onto the market, this indicates that the market is flattening.

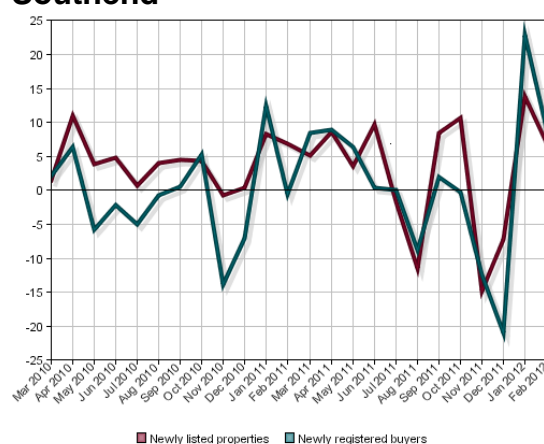
Castle Point



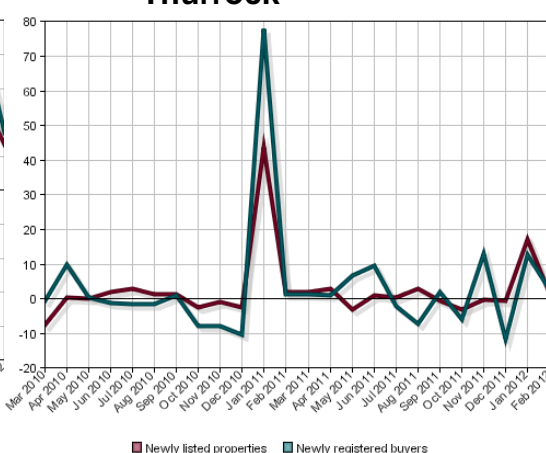
Rochford



Southend



Thurrock



The picture for the rest of the sub region shows a similar trend with the percentage change in newly listed properties and registered buyers falling away following seasonal fluctuations some more pronounced than others.

Appendix 1 –Snapshot of Housing Market in England & Wales by Richard Donnell, Director of Research, Hometrack, and March 2012.

House prices rise on scarcity and London effect

Summary	Jan-12	Feb-12	Mar-12	Change
Monthly price change (%)	0.0	0.0	0.2	▲
% change in new buyers registering with agents	-10.5	18.1	4.4	▼
% change in volume of property listing	-5.4	15.0	3.6	▼
% change in sales agreed	-14.3	35.7	13.2	▼
Average time on the market (weeks)	10.2	9.9	9.7	▼
% of the asking price being achieved	92.5	92.9	93.0	▲
% postcode districts with price increase over month	3.4	7.7	14.7	▲
% postcode districts with price decrease over month	19.0	19.0	9.2	▼

Results at a glance

- House prices posted a monthly price rise for the first time in 20 months in March on the back of increased demand, activity and a scarcity of housing for sale.
- The ending of the first time buyer stamp duty holiday may have boosted demand but London, where prices rose by 0.5% - the largest monthly increase in the capital since April 2010 (0.6%) - continues to drive the national headline figure.
- The survey results reveal a clear divide in the strength of the market between southern England and the rest of the country (see figure 1). Prices rose across two fifths of the London market and a fifth of the market in the south east. Across the midlands and northern regions there were price falls.
- The time to sell averages just under three months (11.6 weeks) in the midlands and north, less than six weeks in London and 8.4 weeks across the regions of southern England. (see figure 2).
- While there was a 4.4% increase in new buyers registering with agents, compared to 18% in February, growth in demand over the last 2 months has created a momentum in market activity and sales to support firmer pricing. (see figure 3).
- The proportion of the asking price being achieved has increased to 93% up by 0.5% from January 2012. As an indicator of the strength of pricing between markets, the tightest differential is to be found in London and the south east where the percentage is over 94%. In contrast the proportion is less than 92% in the north east and north west.
- Looking ahead to the rest of the year all the evidence points to a continued firming in prices in the next few months as demand increases and supply remains suppressed.

Figure 1

"The proportion of the asking price achieved has moved up to 93.0%. Increases would indicate some recovery of prices. The time on the market has registered another small decrease to 9.7 weeks with some major regional variations."

Time on market and % asking price achieved



Figure 2

"The balance between supply and demand leads underlying house price changes by 3 months. The improved balance over the first half of 2011 led an improvement in the underlying rate of growth. The balance is now in negative territory suggesting further price falls in the months ahead."

Supply demand balance leads price changes by 3 months

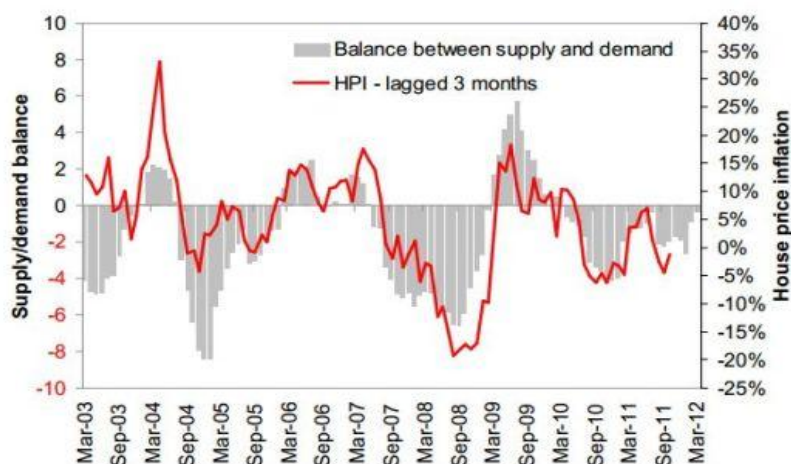
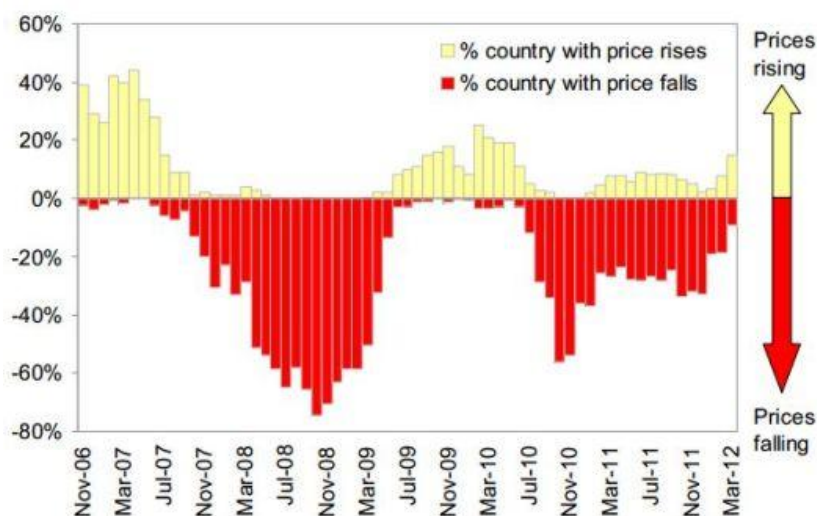


Figure 3

"Figure 3 shows the proportion of postcodes registering higher and lower prices over time. The balance of change swung into negative territory over the autumn of 2010 but the extent of price changes has slowed as supply has tightened. Prices were down across just 9.2% of postcodes in March 2012."

Proportion of country registering higher and lower prices



Appendix 2 – Overall House Price by Local Authority Area over a 10 year period

	Basildon (Borough)	Castle Point (Borough)	Southend-on- Sea (UA)	Thurrock (UA)	Rochford (District)
	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile
Aug-03	116,750	135,000	104,995	119,205	150,000
Feb-04	125,000	140,000	111,000	123,000	157,000
Aug-04	130,000	150,000	123,000	130,000	165,000
Feb-05	135,000	154,995	128,000	133,750	172,000
Aug-05	136,500	155,000	129,000	138,500	170,000
Feb-06	138,000	158,000	130,000	139,000	170,000
Aug-06	142,500	159,995	135,000	140,796	175,000
Feb-07	146,000	163,000	140,000	145,000	179,995
Aug-07	150,000	173,000	145,000	147,500	187,655
Feb-08	156,000	174,000	145,000	148,000	195,000
Aug-08	157,500	170,000	145,000	150,000	190,000
Feb-09	148,000	160,000	136,425	145,000	175,000
Aug-09	140,000	156,000	140,000	136,000	172,000
Feb-10	144,000	160,000	145,000	140,000	177,000
Aug-10	151,000	170,000	150,000	146,000	185,000
Feb-11	150,000	165,000	148,000	147,000	188,000
Aug-11	148,000	165,000	149,995	145,000	185,000
Feb-12	151,000	172,000	150,000	146,000	185,000
Change Feb 11 Feb 12	1,000	7,000	2,000	-1,000	-3,000
Change Peak – Feb 2012	-6,500	-2,000	-5,000	-4,000	-10,000

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



For further information, please contact:

Alastair Pollock - TGSE Strategy Coordinator
 C/o Castle Point Borough Council
 Kiln Road, Thundersley
 Benfleet, Essex, SS7 1TF
 Tel: 01268 882270
apollock@castlepoint.gov.uk