

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

April 2014

House Prices, Affordability & Market Indicators

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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 house 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 were up again by 0.6% in March, but down from 0.7% in February.
- Buyers are paying the highest % of asking price since 2004 as demand outstrips supply.
- Demand for housing continues to grow faster than supply, growing by 6.6% in March with supply increasing by just 1.9%.
- The scale of future price rises will be dictated by the ability and willingness of owner occupier households and investors to further bid up the price of housing.

Local House Prices

- In February 2014, the highest overall Lower Quartile (LQ) house price was in Rochford at £195k, followed by Castle Point £175k, Basildon £157k, Southend £155k, and Thurrock £150k.
- Between, February 2013-2014, the LQ house price was up in Rochford and Castle Point +£12k, Basildon +£11.5k, Thurrock +£8k and Southend +£5k.
- LQ Prices are still down from the 2008/9 peak as of February 2014 in Basildon -£1k and Rochford -£0.5k, whilst up in Southend +£10k. In Castle Point and Thurrock they were stable.
- In comparison with the previous year in February 2013, prices in Southend were up by +£5k, whilst down in the remaining TGSE LAs by as much as -£12.5k in Basildon.
- If current trends prevail, it is likely that all TGSE LAs will record positive figures by the autumn 2014.
- Prices in TGSE compared to London were still cheaper by as much as £98k.

Cross Tenure (for a one bed property)

- The highest weekly cost of renting a one bed property through a Registered Provider was in Thurrock at £74 and the lowest in Rochford at £68.
- Private renting is now most expensive in Thurrock at £144, followed by Castle Point at £138, Basildon £137, Rochford £132 and Southend £125 per week.
- Between, February 2013-14, rent per week had risen in Thurrock +£7, Rochford +£6, Southend +£4, but remained static in Basildon and Castle Point.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Thurrock 48% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 68% for those wishing to purchase a terraced property and 87% for a detached property.
- The latest ratio between LQ house prices and LQ household disposable income averages 10:48 in TGSE Postal area SS, compared to 15.46 in east London Postal area E.

National Trends

Buyers are paying the highest % of asking price since 2004 as demand outstrips supply - London buyers paying over 99%. The Director of Research at Hometrack, Richard Donnell commented:

“House prices increased by 0.6% in March, down from 0.7% in February on lower growth in London and the South East. However, demand for housing continues to grow faster than supply, growing by 6.6% in March with supply increasing by just 1.9%. The gap between supply and demand remains extended and shows no sign of changing in the short term.

While much has been made of the impact of Help to Buy the real driver of higher house prices is record low mortgage rates and strong demand from first time buyers and investors who have no property to sell. Mortgage rates at 3%, compared to over 5% before the downturn, create additional buying power and are now being priced into the market on improved buyer confidence.

The scale of price rises over the next 12-18 months will be dictated by the ability and willingness of owner occupier households and investors to further bid up the price of housing.”

Local Housing Indicators

Overall change in house prices

Looking at the overall change in average house prices in the Thames Gateway South Essex sub region between February 2013 and February 2014 over a ten year time-span, prices rose in all five TGSE Local Authority areas by as much as £24,340. The highest price was recorded in Basildon, followed by Thurrock, Castle Point, Rochford and Southend.

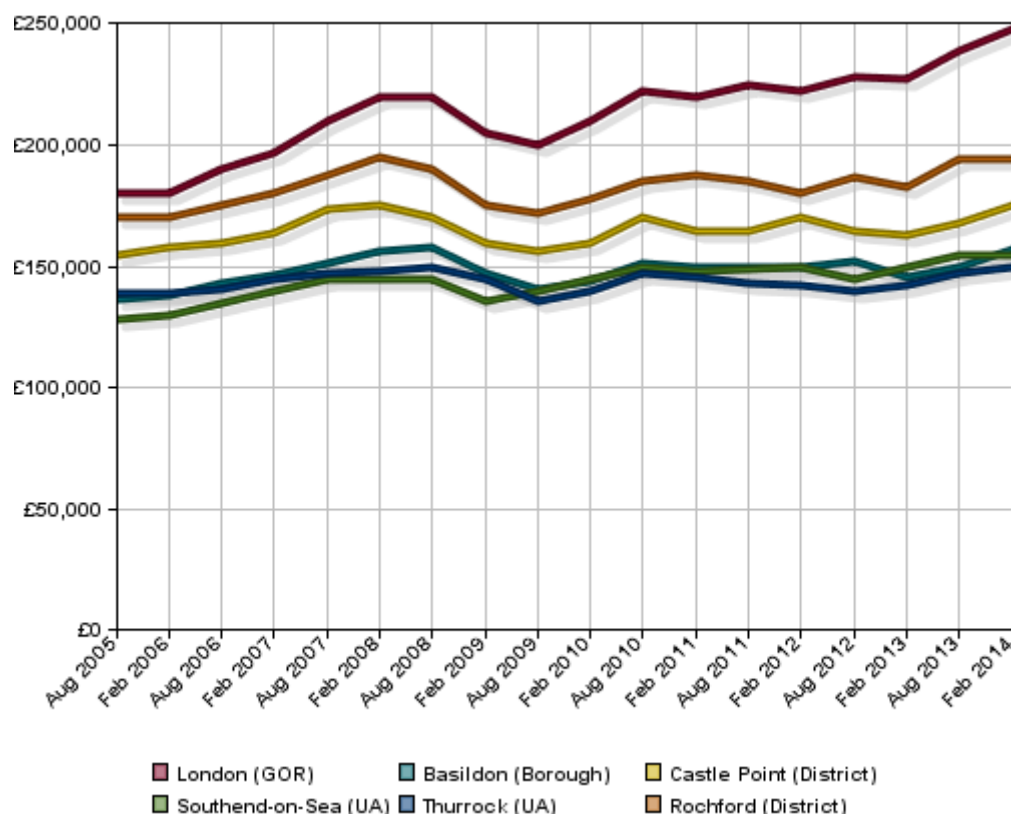
Change in Average House Prices February 2013 – February 2014

Local Authority	Feb 2013	Feb 2014	Change
Basildon	221,447	245,787	+£24,340 ↑
Castle Point	224,500	235,065	+£10,565 ↑
Rochford	249,690	256,778	+£7,088 ↑
Southend	227,146	232,750	+£5,604 ↑
Thurrock	187,854	199,302	+£11,448 ↑

Focusing on Lower Quartile Prices

The charts (over page) focus on the lower quartile property price, based on sales and valuations, for property (flats / maisonettes, terraced and detached properties) in the TGSE sub region. This analysis is based on data from Hometrack's Automated Valuation Model.

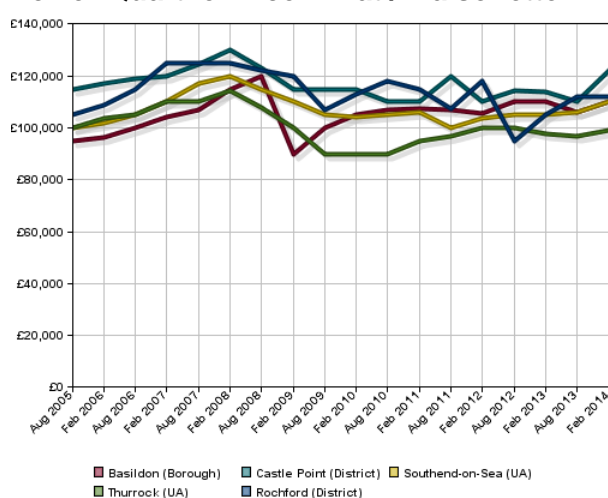
Lower Quartile Price – Overall



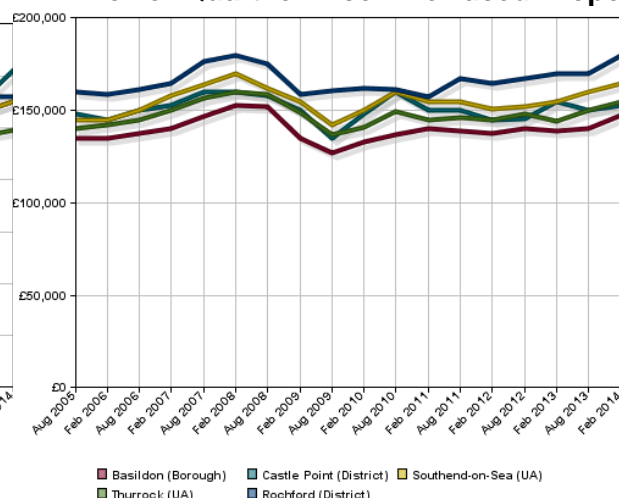
The above chart shows the partial recovery in house prices since the noticeable dip in 2008/9. Prices began to recover in August 2010, but then dipped again before a more sustained recovery began from February 2013. In February 2014, the highest overall lower quartile property price was in Rochford at £194.5k, followed by Castle Point £175k, Basildon £157k, Southend £155k, and Thurrock £150k. Prices were cheaper compared with the London region by as much as £98k.

When compared with pre recession prices in 2008/09 where they peaked across the sub region, current prices are still down in Basildon by £1k and Rochford £0.5k, whilst up in Southend £10k. In Castle Point and Thurrock they were stable (see Appendix 2). In comparison with the previous year in February 2013, prices in Southend were up by £5k, whilst down in the remaining TGSE LAs by as much as £12.5k in Basildon. If current trends prevail, it is likely that all TGSE LAs will record positive figures by the autumn 2014.

Lower Quartile Price – Flat / Maisonette



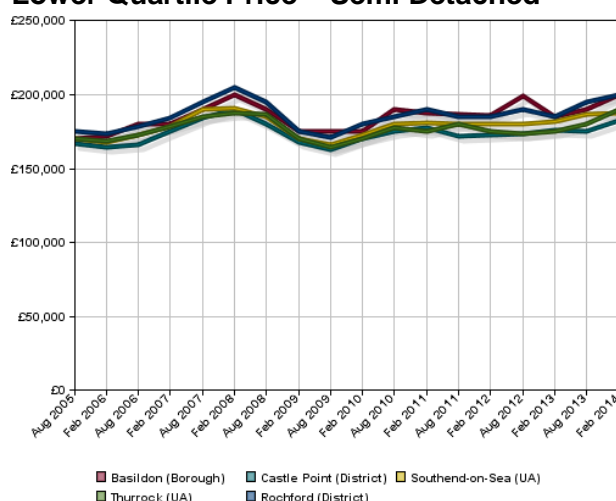
Lower Quartile Price – Terraced Properties



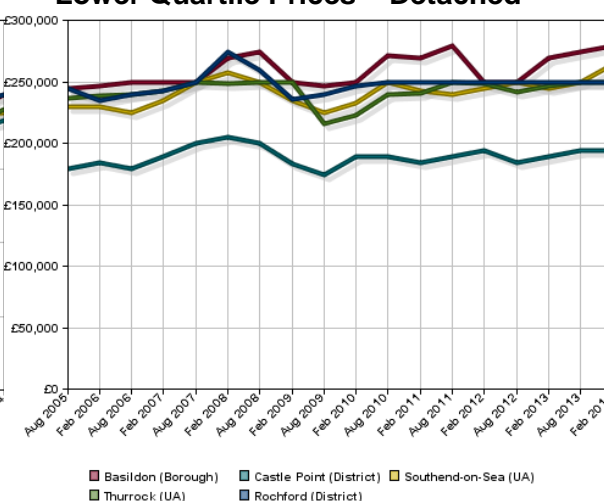
The above charts show a mixed picture. Prices of flat / maisonette property have been more volatile in past years and have only seen marginal price increases since February 2013, apart from Castle Point

where prices have risen more sharply. For terraced property, prices have all risen since February 2014 with Rochford experiencing the steepest rise.

Lower Quartile Price – Semi Detached



Lower Quartile Prices – Detached



Since February 2013, prices of semi-detached properties had similarly all edged upwards. Prices had also recovered in Basildon and Rochford after a previous spike.

For detached properties, since February 2013 prices had risen steadily in Basildon and Southend, but remained stable in the remaining local authority areas.

In summary, the prices for smaller flatted properties have fluctuated more so across the sub region especially when monitored over a shorter period. Prices of terraced, semi detached and detached properties have all risen consistently.

Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

	Thurrock					Thurrock
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales		Overall property price bands
2009	1,016	179	11	27	2009	2.90%
2010	1,210	285	48	46	2010	2.90%
2011	1,254	203	84	77	2011	3.10%
2012	1,231	272	80	86	2012	3.10%
2013*	1,493	310	10	20	2013*	2.60%

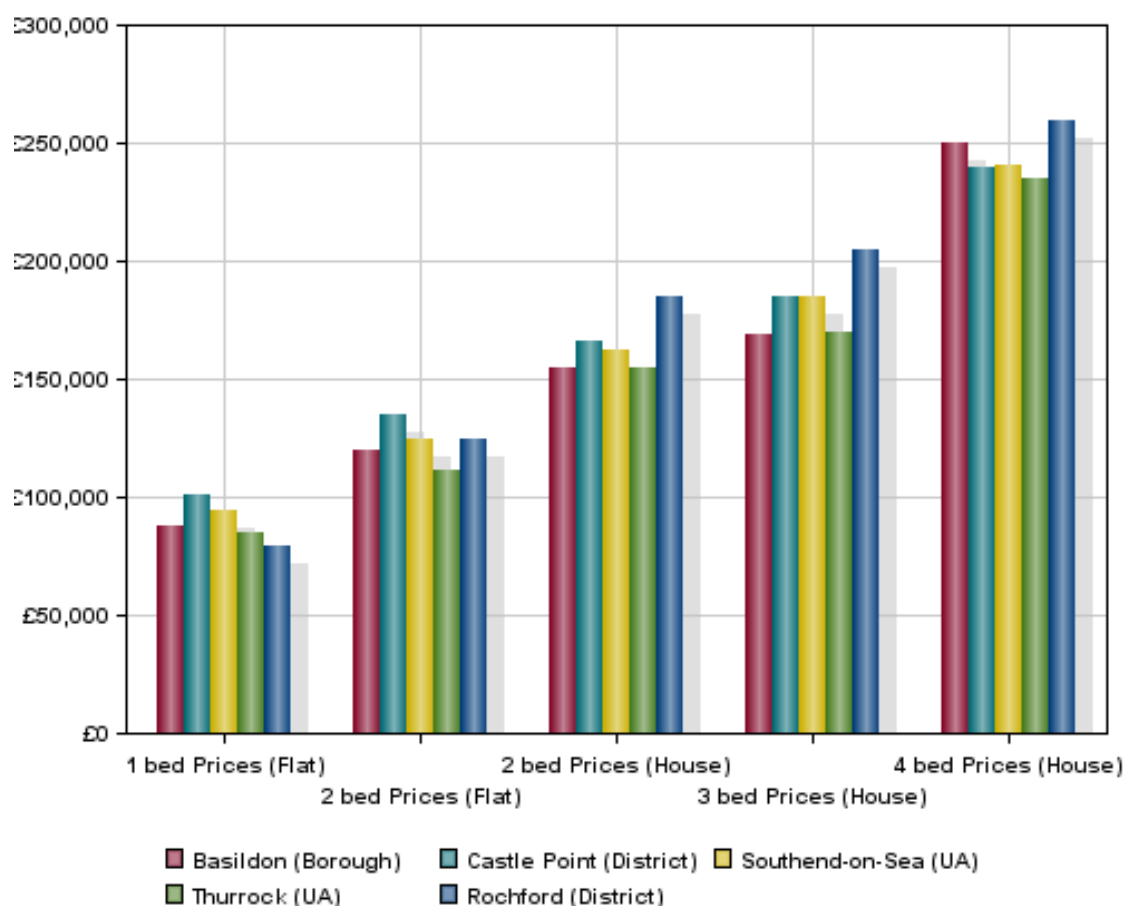
*2013 April-Dec only

The above tables show the total volume of housing turnover in Thurrock, as the sample area, split between houses / flats and second hand / newly built houses.

Annual turnover since 2009 has gradually been increasing across all house sales; suggesting that the house building sector is now experiencing a modest recovery.

The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover has increased marginally and was 3.10% in 2012. However, it is still significantly down from pre 2008 figures where it was 6.6% in 2007 (see TGSE Housing Market Trends Quarterly Report, July 2010).

Lower Quartile Price of Property by Bed Count (February 2014)

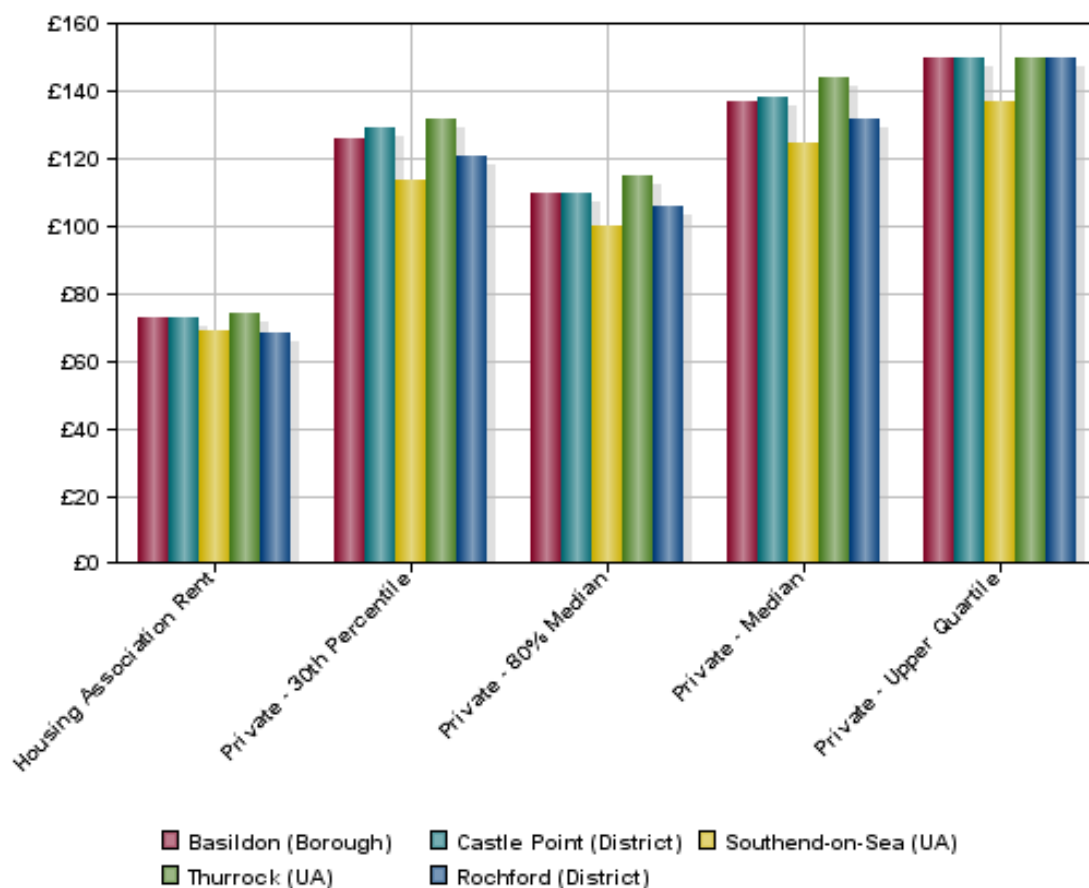


Latest Data Only For Comparison LQ (February 2014)

	Basildon (Borough)	Castle Point (Borough)	Southend- on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	88,000	101,250	95,000	85,000	80,000
2 bed Prices (Flat)	120,000	135,750	125,000	111,750	124,995
2 bed Prices (House)	155,000	166,500	162,875	155,250	184,950
3 bed Prices (House)	169,746	185,000	185,000	170,000	205,250
4 bed Prices (House)	250,000	240,000	240,750	235,000	260,000

The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on February 2014 figures. For 1 and 2 bed flats Castle Point had the highest priced property, for 2, 3 and 4 bed houses it was Rochford. Thurrock generally has the lowest priced property in the sub region.

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



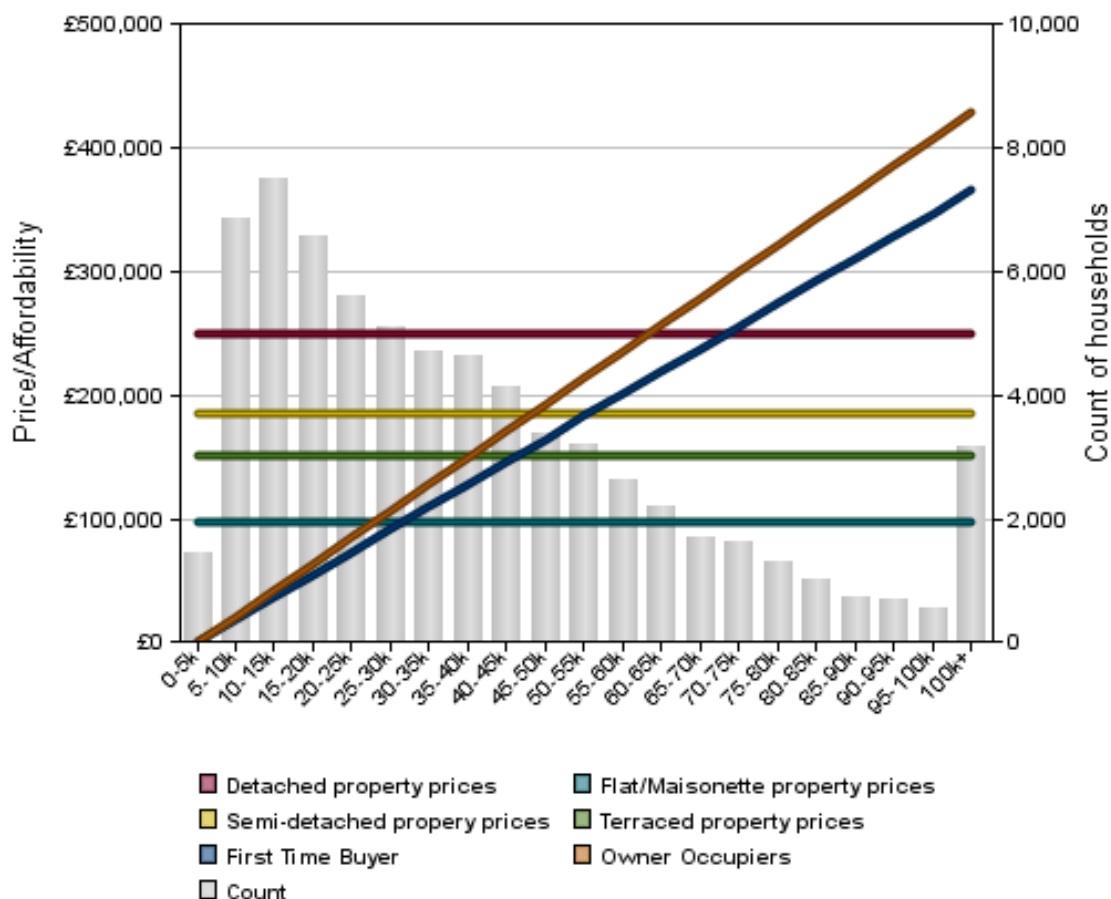
	Basildon (Borough)	Castle Point (Borough)	Southend- on-Sea (UA)	Thurrock (UA)	Rochford (District)
Housing Association Rent	72.9	73.1	68.8	74	68.2
Private - 30th Percentile	126	129	114	132	121
Private - 80% Median	110	110	100	115	106
Private – Median (figures for Feb 13)	137 137	138 138	125 121	144 137	132 126
Private - Upper Quartile	150	150	137	150	150
Difference between 80% Median and HA rent	37.1	36.9	31.2	41	37.8

The above table and graph show the weekly cost of renting a one bed room property across a range of quartiles based on February 2014 prices. Importantly, it allows a comparison to be made between Housing Association Rent and the New Affordable Rent at 80% of market rent.

Private renting (median) is now most expensive in Thurrock at £144, followed by Castle Point at £138, Basildon at £137, Rochford £132 and Southend at £125 per week.

Between, February 2013 - 2014, rent per week had risen in Thurrock by £7, Rochford by £6, Southend by £4 but remained static in Basildon and Castle Point.

Affordability: 3.0 times income
Sample Area: Thurrock



This above chart shows the number of households in different household income bands in Thurrock 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.

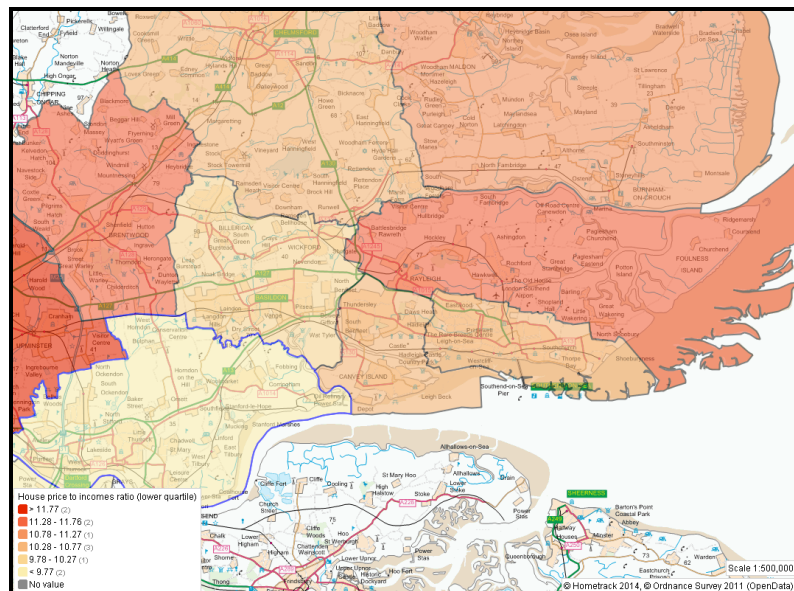
The chart demonstrates that a significant proportion of residents in Thurrock are priced out of the property market. For example, 48% of households were priced out of the market (i.e. cannot afford to purchase a flat as a first time buyer on a mortgage at 3.0 times their income). This rises to 68% for those wishing to purchase a terraced property and 87% for a detached property.

Thurrock (UA) - % of households priced out of market	3.0 times	3.5 times	4.0 times
FTB households - Flats	48.12%	40.70%	32.55%
FTB households - Terraced houses	67.72%	61.70%	54.94%
FTB households - Semi-detached houses	77.28%	67.72%	61.70%
FTB households - Detached houses	86.78%	81.11%	77.28%
Owner occupier - Flats	40.70%	32.55%	32.55%
Owner occupier - Terraced houses	61.70%	54.94%	48.12%
Owner occupier - Semi-detached houses	67.72%	61.70%	54.94%
Owner occupier - Detached houses	81.11%	77.28%	67.72%

The above comparison shows how the % of households priced out of the market declines when a mortgage offer is increased from a standard 3 times the household income to 3.5 and 4.0.

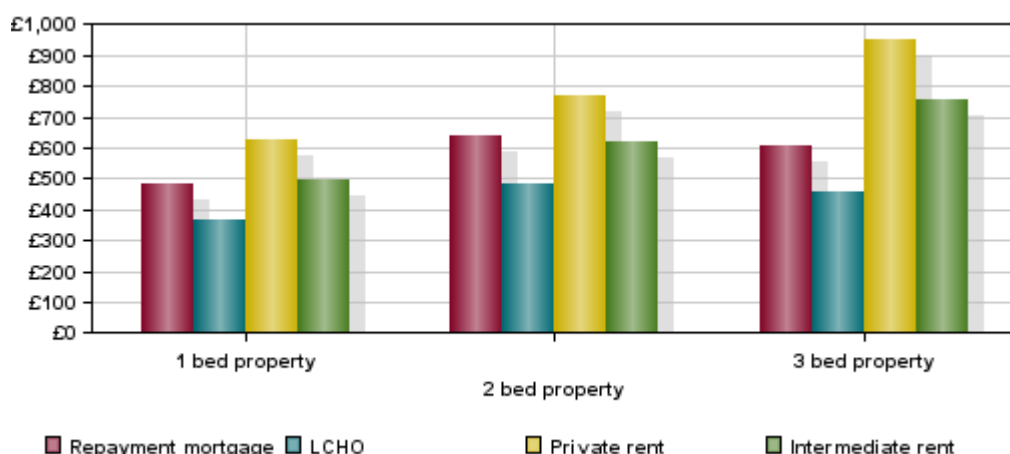
Affordability can also be measured in terms of the ratio between house prices and household disposable income. In February 2014, the average lower quartile ratio was 10:48 (TGSE Postal Area SS) compared to 15.64 in east London (Postal Area E). This demonstrates how property prices in the TGSE sub region remain relatively cheap compared to London but not always affordable locally because of lower household disposable income.

House price to income ratio (Lower Quartile)



The position is further illustrated in the above map which shows the Lower Quartile house price to income ratio across the sub region including adjoining districts. Thurrock, Basildon, Southend and to a lesser extent Castle Point all have lower ratios compared to Havering, Brentwood, Maldon and Rochford.

Affordability Calculator for Thurrock



	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£95,000	£486	£368	£624	£499
2 bed property	£125,000	£640	£484	£771	£617
3 bed property	£119,000	£609	£461	£949	£759

Affordability calculator for Thurrock

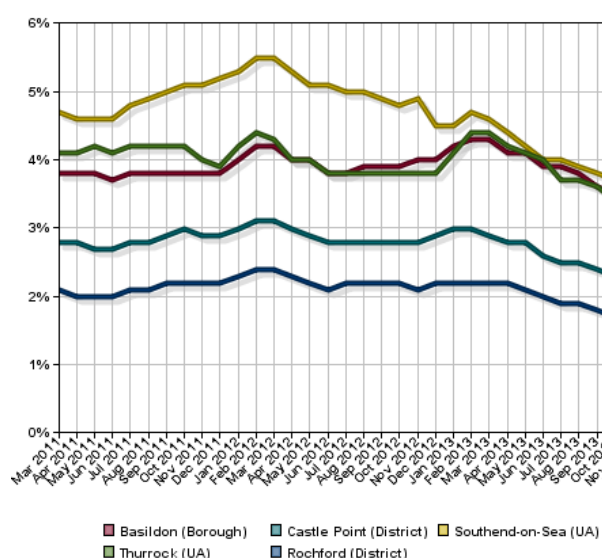
The graph and table on the previous page is based on the average price for 1, 2 and 3 bedroom properties using a combination of sales and valuations data as well as open market and intermediate rental values. The data is calculated using the assumptions set within an Affordability menu (available on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

For Thurrock; Low Cost Home Ownership consistently remained the cheapest form of tenure across 1, 2 and 3 bed properties, whilst private rent was the highest.

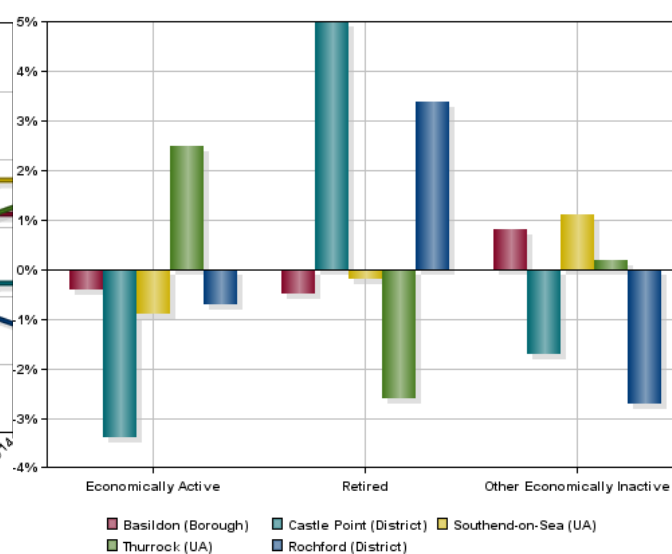
Given the price range between different tenures and products, this illustrates the value of undertaking comparison checks when considering affordability.

Whilst the sample area for this Quarterly Report is Thurrock, information can be readily made available for the other TGSE local authority areas on request.

Unemployment



Economic Active



The above graph indicates how there has been a steady improvement in the TGSE economy since the recession with unemployment declining.

The number of economic active compared to those retired or inactive varies across the sub region when compared against the regional average. At the two ends of the spectrum; Castle Point and to a lesser extent Rochford have a much higher proportion of both economic inactive and retired people compared to Thurrock. Basildon and Southend are closer to the regional norm.

Market Indicators

In this quarter's issue; the local housing market indicators are not available from Hometrack as they are upgrading their site. Future reports will incorporate new demand information. Please refer to the general update in Appendix 1.

Appendix 1 –Snapshot of Housing Market in England & Wales by Richard Donnell, Director of Research, Hometrack, March 2014.

Buyers paying highest % of asking price since 2004 as demand outstrips supply - London buyers paying over 99%

Summary	Jan-14	Feb-14	Mar-14	Change
Monthly price change (%)	0.3	0.7	0.6	▼
% change in new buyers registering with agents	-4.4	17.1	6.6	▼
% change in volume of property listing	-6.6	11.2	1.9	▼
% change in sales agreed	-8.1	28.2	14.0	▼
Average time on the market (weeks)	8.0	8.0	7.9	▼
% of the asking price being achieved	95.3	95.8	96.2	▲
% postcode districts with price increase over month	30	51	50	▼
% postcode districts with price decrease over month	5	0.4	0.2	▼

Results at a glance

- House prices increased by 0.6% in March, down from 0.7% in February on lower growth in London and the South East.
- Demand for housing continues to grow faster than supply. Demand grew by 6.6% in March with supply increasing by just 1.9%. The gap between supply and demand remains extended and shows no sign of changing in the short term.
- While much has been made of the impact of Help to Buy the real driver of higher house prices is record low mortgage rates and strong demand from first time buyers and investors who have no property to sell.
- Mortgage rates at 3%, compared to over 5% before the downturn, create additional buying power and are now being priced into the market on improved buyer confidence.
- House prices increased across half the country in March, the second month in a row.
- The impetus for price rises is spreading across the country. All regions registered higher prices in March and the year on year rate of growth is positive across all regions for the first time since September 2007.
- The time on the market has fallen below 8 weeks (7.9) for the first time since October 2007.
- The proportion of the asking price achieved is at its highest level for 10 years at 96.2%
- In London the proportion of asking price being achieved is over 99% as strong demand from a broad base of buyers chase scarce supply of homes for sale.
- The scale of price rises over the next 12-18 months will be dictated by the ability and willingness of owner occupier households and investors to further bid up the price of housing.

Figure 1

The chart shows the balance between markets registering price rises and falls on a 3 month rolling average basis.

All regions are registering a positive balance of price change. This shows the degree to which the recovery in house prices is more broad-based than recently.

Balance between price rises and price falls (3mma)

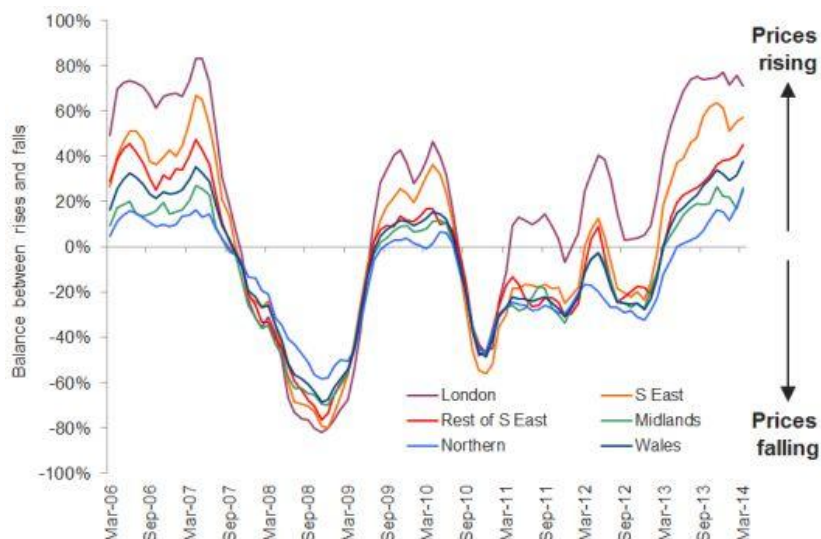


Figure 2

The balance between supply and demand leads underlying house price changes by 3 months.

The supply/demand balance has opened up in the last five months pointing to continued price appreciation in the first half of 2014.

Supply demand balance leads price changes by 3 months

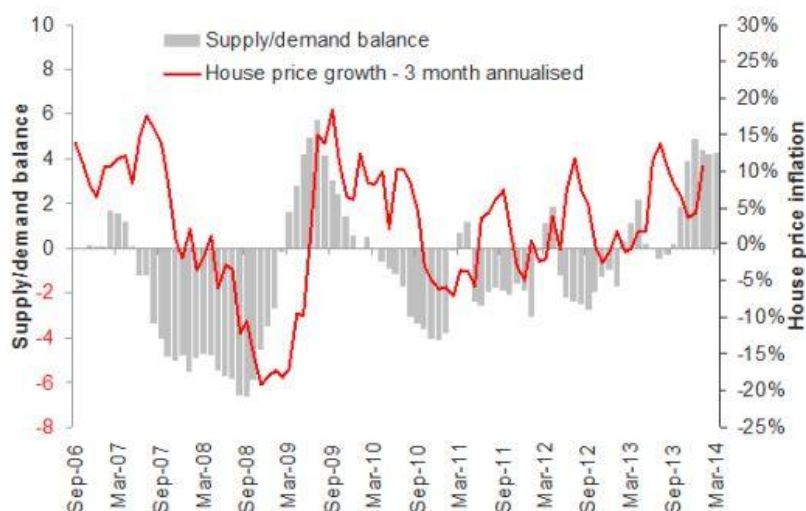
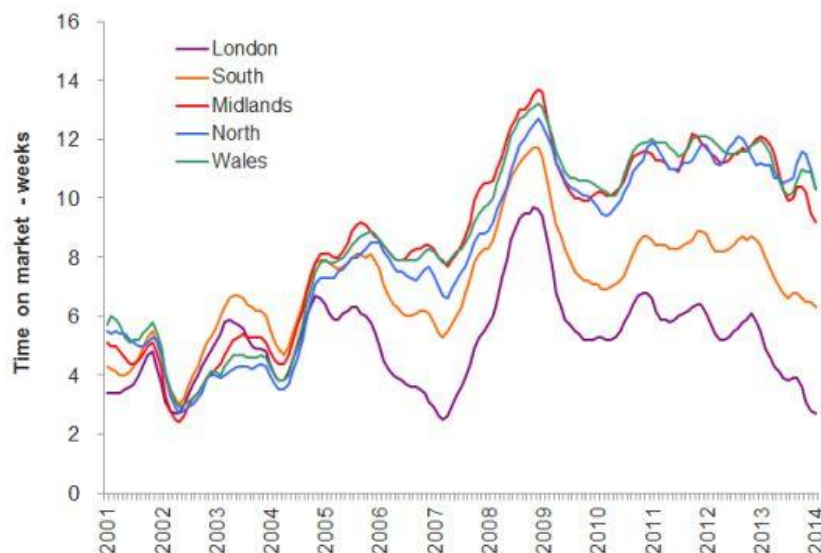


Figure 3

The time on the market is the ultimate guide to the strength of the housing market. In London and Southern regions the time to sell is low and falling further.

In contrast in the Northern and Midlands regions the time to sell remains extended highlighting a small supply/demand imbalance and greater price sensitivity.

Time on market by large region



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-05	136,500	155,000	128,250	139,000	170,000
Feb-06	138,000	158,000	130,000	139,000	170,000
Aug-06	143,000	160,000	135,000	141,000	175,000
Feb-07	146,500	164,000	140,000	145,000	179,995
Aug-07	151,000	174,000	145,000	147,500	188,000
Feb-08	156,000	175,000	145,000	148,000	195,000
Aug-08	158,000	170,000	145,000	150,000	190,000
Feb-09	147,500	160,000	136,000	145,000	175,000
Aug-09	141,000	156,000	140,000	136,000	172,000
Feb-10	144,000	160,000	145,000	140,000	178,000
Aug-10	151,000	170,000	150,000	147,000	185,000
Feb-11	150,000	165,000	148,000	146,000	187,500
Aug-11	150,000	165,000	149,000	143,500	185,000
Feb-12	150,000	170,000	150,000	142,000	180,000
Aug-12	152,000	165,000	145,000	140,000	187,000
Feb-13	145,500	163,000	150,000	142,000	182,500
Aug-13	150,000	167,500	155,000	147,500	194,000
Feb-14	157,000	175,000	155,000	150,000	194,500
Change Feb 13 Feb 14	11,500	12,000	5,000	8,000	12,000
Change Peak – Feb 2014	-1,000	0	10,000	0	-500

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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