

# Thames Gateway South Essex

## Housing Market Trends

### Quarterly Report

### January 2012

*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](http://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

- Average prices moved downwards by 2.1% over the year, this compared to a 1.6% decline in 2010. The strength of the London market, where prices were up 1% and by more than 5% in the most affluent postcodes, has flattered the national picture.
- Demand fell by 11% in the last six months as uncertainty over the economic outlook grew.

### Local House Prices

- Between November 2010 and November 2011, lower quartile house prices rose in Southend and Rochford by £2k, but fell in Basildon by £3k, Thurrock by £2.5k and Castle Point by £1k.
- In November 2011, the highest overall lower quartile property price was in Rochford £187k, followed by Castle Point £169k, Basildon, Southend at £150k and Thurrock at £145k.
- Castle Point has the highest priced 1 and 2 bed flatted properties, Rochford has the highest priced 2 and 3 bed properties and 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 Thurrock at £91 and the lowest in Rochford at £66.
- 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 Castle Point 54.65% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income.

### Market Indicators

- Since October 2011, the sales to asking price have decreased across all five local authority areas, suggesting a general weakening in the housing market. This is supported by the decline in viewings per sale and rising time to sell.
- Nationally, low interest rates and housing turnover will continue to act as a support to prices but the overall trend will be downwards.

## National Trends

"Affluent areas of London only locations to buck price falls in 2011 - National housing market set for 3% price falls in 2012". Hometrack's Director of Research, Richard Donnell, commented that:

Average prices moved downwards by 2.1% over the year, this compared to a 1.6% decline in 2010.

The strength of the London market, where prices were up 1% and by more than 5% in the most affluent postcodes, has flattered the national picture.

Following a weak end to 2010, demand over the first half of 2011 bounced back with the number of new buyers rising by 14%. Over the second half of the year new buyer registrations (demand) fell by 11% as uncertainty over the economic outlook grew. New buyer registrations fell by 6.3% in December.

Overall the supply of housing for sale grew by 19% over 2011 – with all the growth coming out of the first half of the year. But with mounting uncertainty over the economic outlook, the number of would-be buyers prepared to sell has fallen. In December the number of homes coming to the market fell by 3.4%.

As we head into 2012 low interest rates and housing turnover will continue to act as a support to prices but the overall trend will be downwards. We expect house prices to fall by 3% by December 2012. But there will be continued demand for rental properties; we forecast rental values to rise by 2% over the next 12 months.

## 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 September and November 2011, it shows house prices remaining buoyant in Castle Point, Rochford and Southend, but falling in Basildon and Thurrock but only in the upper quartile range. Price variations between different TGSE Local authority areas are summarised in the table below:

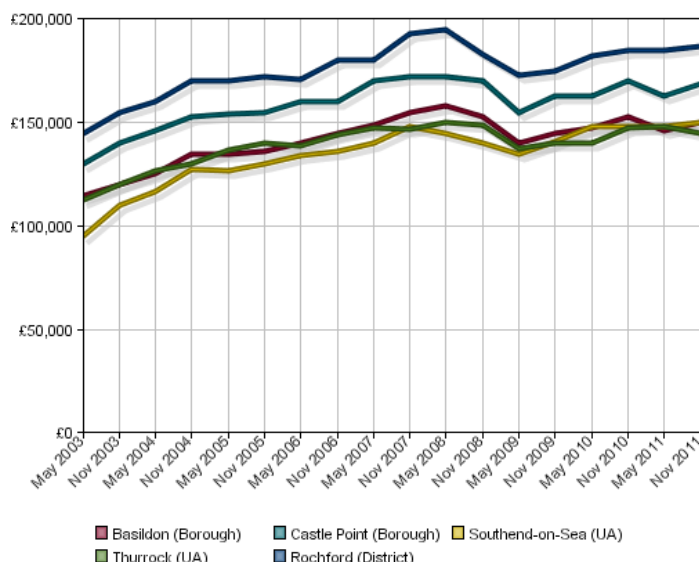
### Change in House prices September 2011 – November 2011

Local Authority	90 <sup>th</sup> percentile	Upper Quartile	Average	Lower Quartile
Basildon	-£13,333 ↓	-£3,667 ↓	-£6,343 ↓	+£3,833 ↑
Castle Point	+£16,000 ↑	+£5,516 ↑	+£1,856 ↑	+£8,000 ↑
Rochford	+£63,667 ↑	+£19,333 ↑	+£16,481 ↑	+£6,833 ↑
Southend	+£24,667 ↑	+£6,667 ↑	+£13,932 ↑	+£5,667 ↑
Thurrock	+£6,666 ↑	-£3,833 ↓	+£2,199 ↑	+£4,998 ↑

### 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



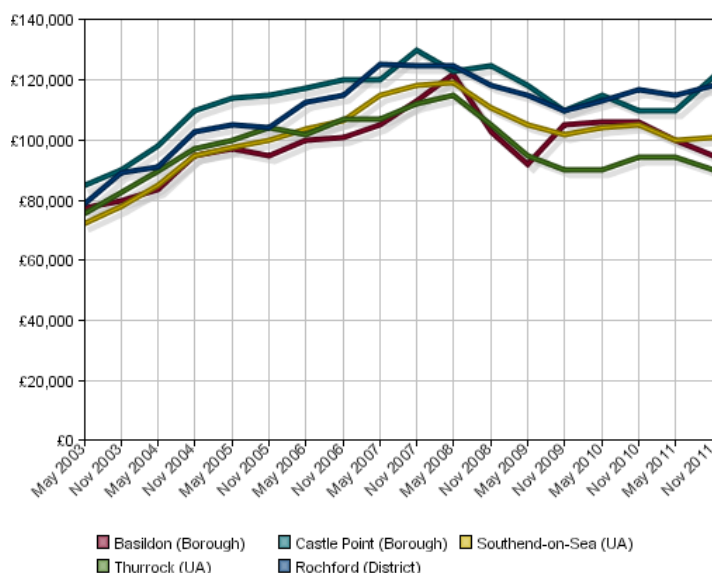
The above chart shows a general upward trend in prices suggesting a partial recovery, despite the noticeable dip in spring of 2009 and the more recent weakening of house prices in Thurrock.

In November 2011, the highest overall lower quartile property price was in Rochford £187k, followed by Castle Point £169k, Basildon, Southend at £150k and Thurrock at £145k.

Between November 2010 - 2011, lower quartile house prices were up in Southend and Rochford by £2k, but down in Basildon by £3k, Thurrock by £2.5K, and Castle Point by £1k (see Appendix 2).

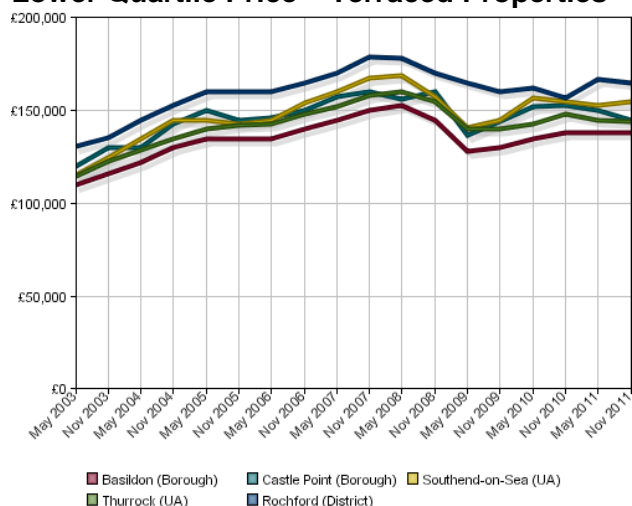
When compared with pre recession prices in 2007/08 where they peaked across the sub region, current prices are still down by £8k in Basildon and Rochford, £3k in Castle Point and £5k in Thurrock. However, prices in Southend have regained their pre recession values and are up by £2k.

## Lower Quartile Price – Flat / Maisonette



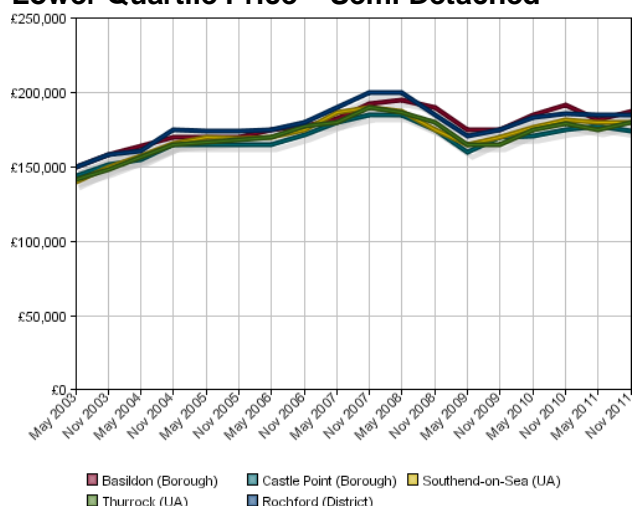
The above chart shows lower quartile prices for flat / maisonette properties. Since May 2011, prices have risen relatively sharply in Castle Point (by as much as £11k), less so in Rochford (by £3k) and Southend (by £1k), but fallen in the two remaining authorities of Basildon and Thurrock by as much as £5k. Basildon has seen a more pronounced fall of £10k since November 2010. This could suggest an east / west split in property prices or could be the result of different stock.

### Lower Quartile Price – Terraced Properties



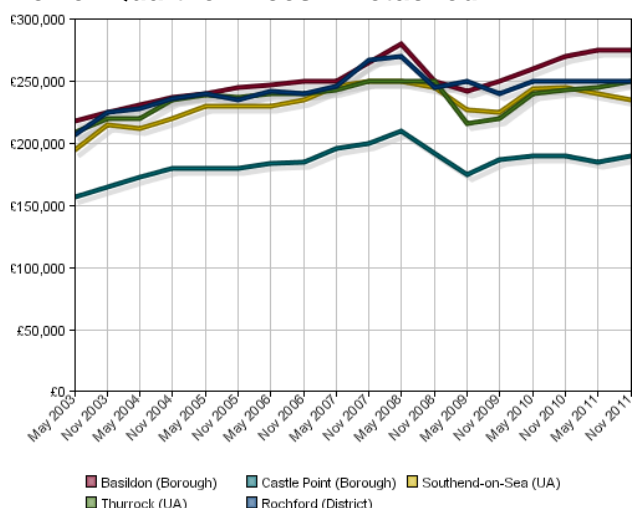
Since May 2011, the prices of lower quartile terraced properties rose marginally in Southend, remained static in Basildon but fell in the remaining three local authority areas.

### Lower Quartile Price – Semi Detached



Since May 2011, the price of semi-detached properties have remained generally static in Southend, Castle Point and Rochford but gone up by as much as £5k in Basildon and Thurrock.

### Lower Quartile Prices – Detached



Since May 2011, the price of detached properties fell in Rochford and Southend, remained static in Basildon but rose in Thurrock and Castle Point local authority areas.

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

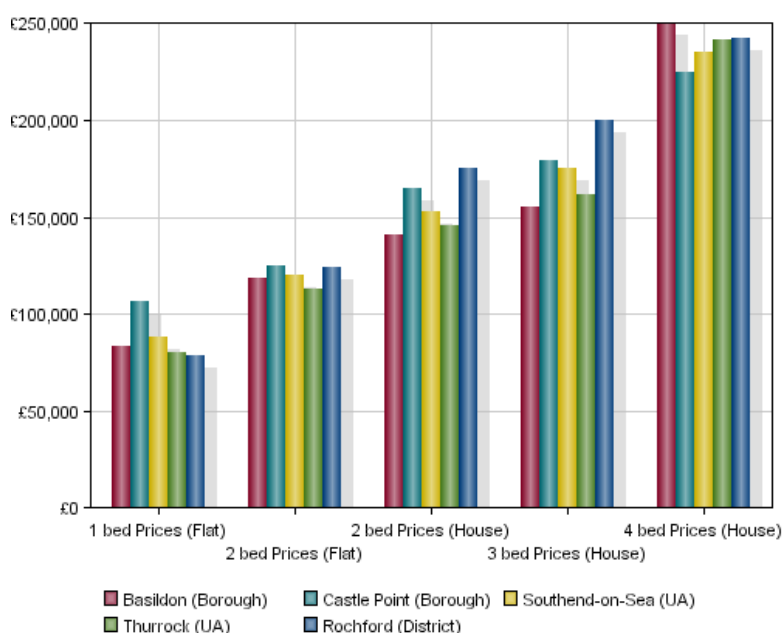
### As a Proportion of Overall Property

	Castle Point			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2007	1,757	181	28	32
2008	793	97	14	31
2009	901	79	10	35
2010	925	78	8	23
2011	651	49	9	7

	Castle Point	
	Overall property price bands	
2007	5.60%	
2008	2.60%	
2009	2.90%	
2010	2.90%	
2011	2.00%	

The above tables show the total volume of housing turnover in Castle Point, 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. It shows the marked drop off in turnover since 2007 from 5.60% to 2.00% in 2011.

### Lower Quartile Price of Property by Bed Count (November 2011)

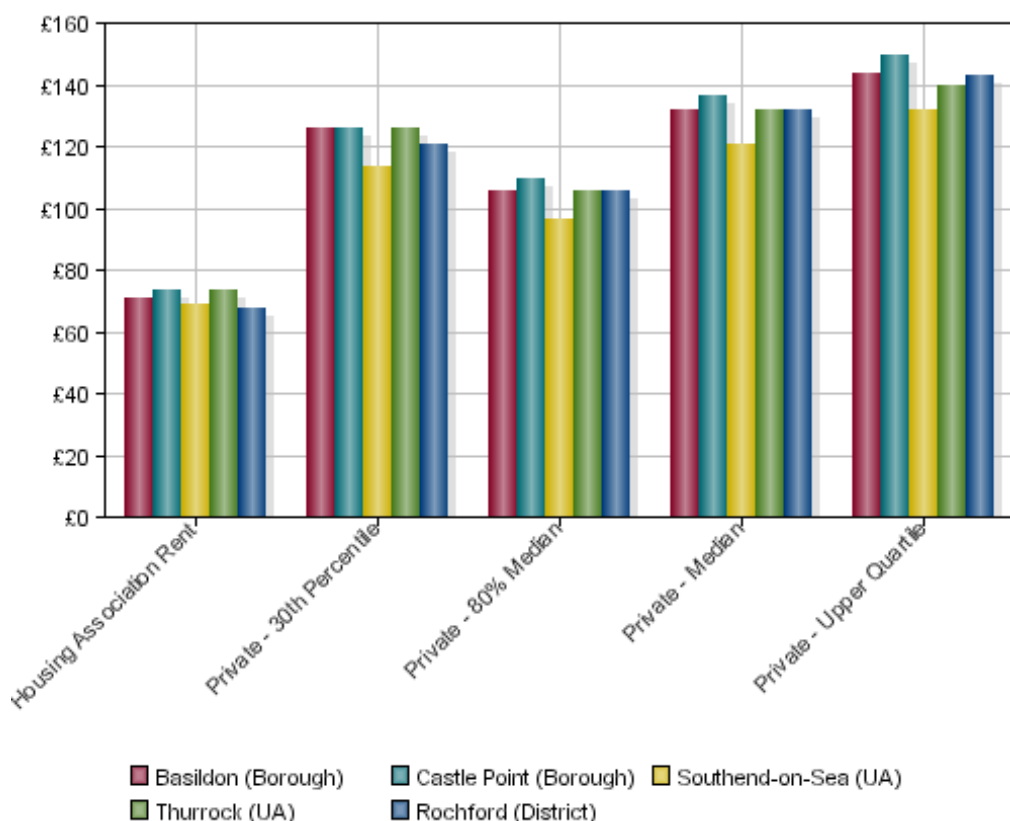


### Latest Data Only For Comparison LQ (November 2011)

	Basildon (Borough)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	83,500	106,500	88,000	80,000	79,000
2 bed Prices (Flat)	118,500	124,995	120,000	113,000	124,375
2 bed Prices (House)	141,000	165,000	153,000	146,000	175,000
3 bed Prices (House)	155,000	179,000	175,000	162,000	200,000
4 bed Prices (House)	250,000	225,000	235,000	241,500	242,750

The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on November 2011 figures. For 1 and 2 bed flatted properties the highest prices were recorded in Castle Point, whilst for 2 and 3 bed houses it was Rochford and for 4 bed properties Basildon still has the highest prices (previously it was Rochford).

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

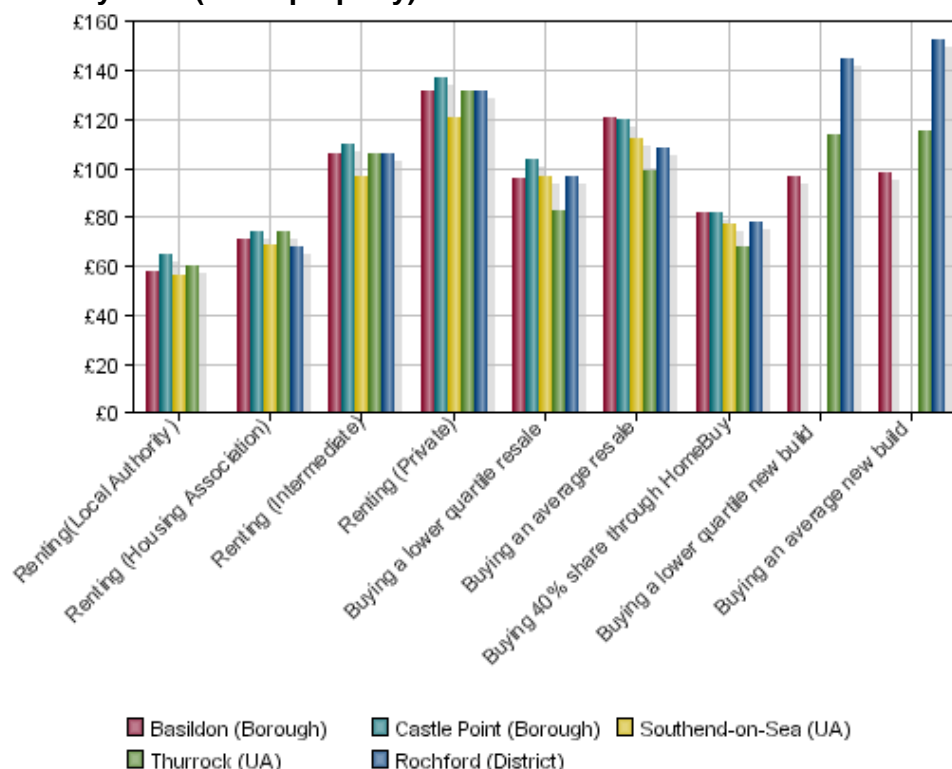


	Basildon (Borough)	Castle Point (Borough)	Southend- on-Sea (UA)	Thurrock (UA)	Rochford (District)
Housing Association Rent	71.1	73.8	69.4	73.6	67.8
Private - 30th Percentile	126	126	114	126	121
Private - 80% Median	106	110	97	106	106
Private - Median	132	137	121	132	132
Private - Upper Quartile	144	150	132	140	143
Difference between HA and 80% Median	<b>34.9</b>	<b>36.2</b>	<b>27.6</b>	<b>32.4</b>	<b>38.2</b>

The above graph and table shows the weekly cost of renting a one bed room property across a range of quartiles. 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)

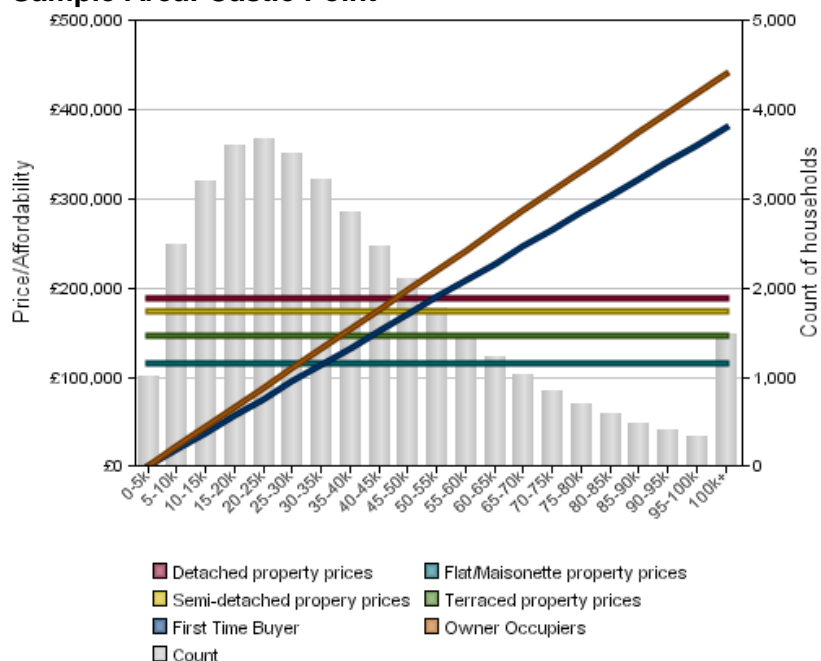


The chart compares the weekly cost of a one bed property across different tenures and has been analysed as follows:

- 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 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: Castle Point



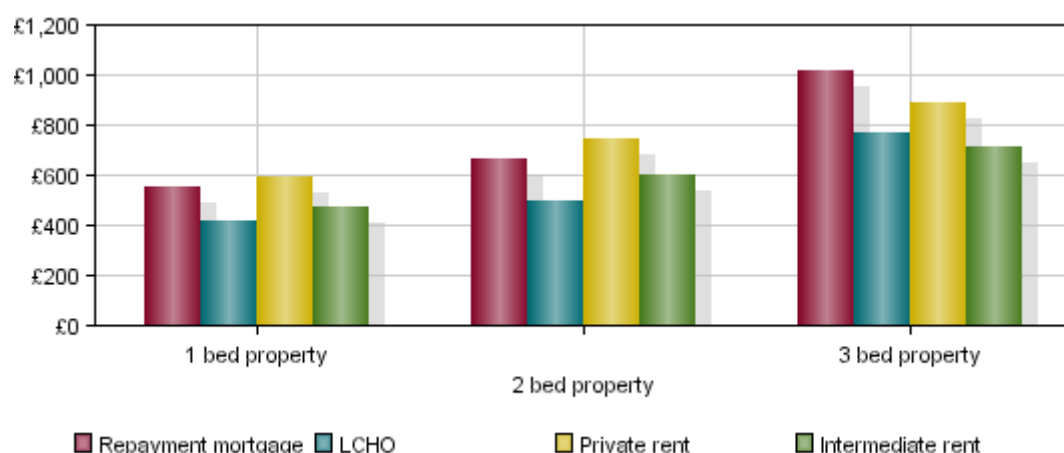


This chart over page shows the number of households in different household income bands in Castle Point (bars) compared to the minimum price for different property types in the same area (horizontal lines). The diagonal lines rising from left to right show the value of property that can be afforded at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

The chart demonstrates that a significant proportion of residents in Castle Point are priced out of the property market. For example, 54.65% of households (21,162) 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 63% for those wishing to purchase a terraced property and 76% for a detached property.

## Affordability Calculator for Castle Point

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



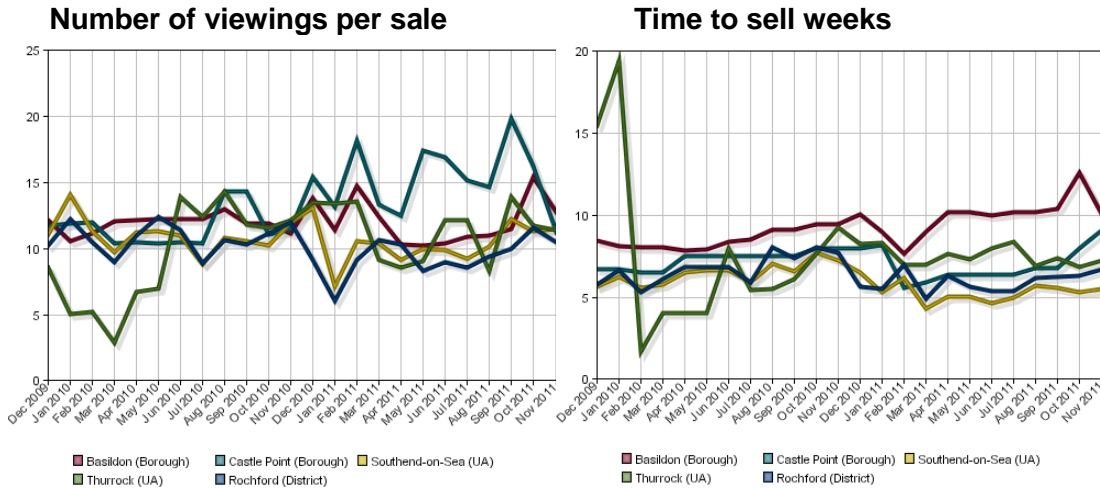
	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£108,250	£554	£419	£594	£475
2 bed property	£130,000	£665	£503	£750	£600
3 bed property	£200,000	£1,023	£774	£893	£714

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 Castle Point, 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.

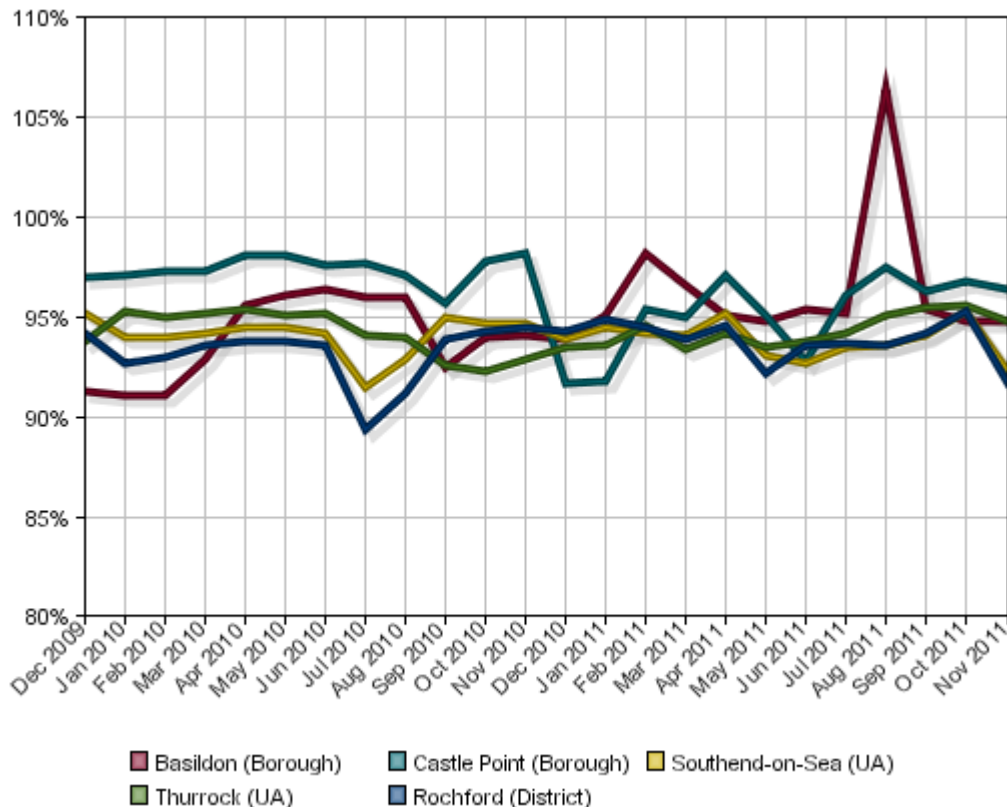
Whilst the sample area for this Quarterly Report is Castle Point, information can be readily made available for the other TGSE Local Authorities on request.

## Market Indicators



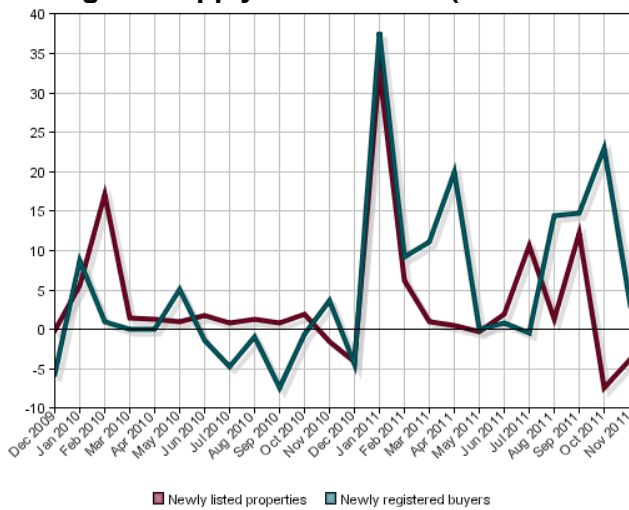
The above graphs suggest that the market position since October 2011 is worsening in all five local authorities in terms of viewings per sale which are falling and time to sell which is rising in all five local authorities, apart from Basildon.

## 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 December 2009. Since October 2011, the percentage has decreased across all five local authority areas, suggesting a general weakening in the housing market.

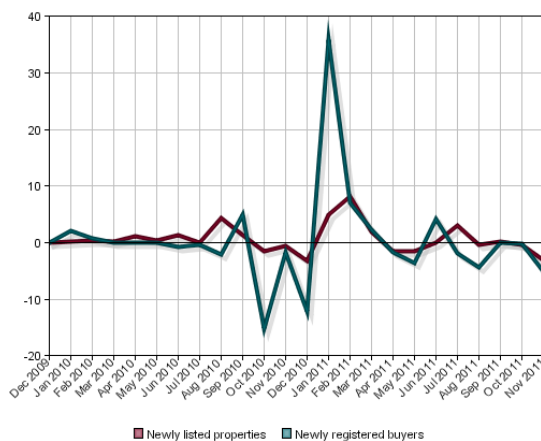
## Change in Supply and Demand (Castle Point)



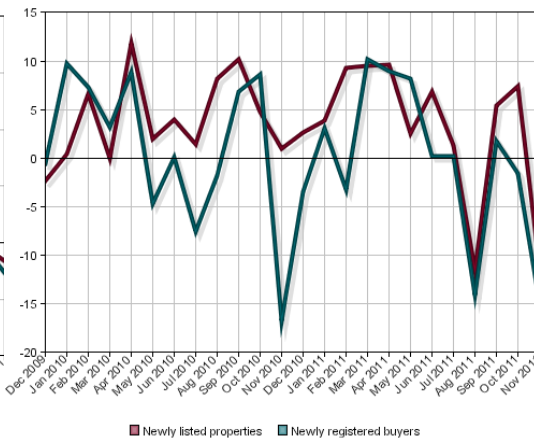
This graph compares the percentage change in the number of new properties being registered for sale each month against the percentage change in the number of new buyers registering for Castle Point.

Between July 2011 and September 2011 the number of newly registered buyers rose significantly partly due to a seasonal fluctuation for this period. Newly listed properties also increased but not by the same percentage increase. However, both indicators fell back in October, suggesting a general slowing down in the housing market and lack of activity. Newly registered buyers are now falling but with only a small increase in the number of properties coming on to the market, suggesting that the market is flattening.

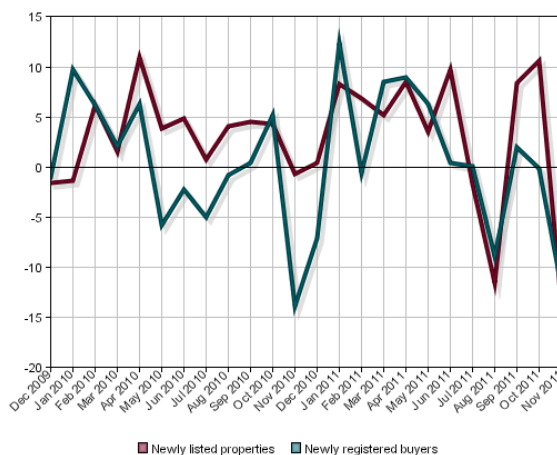
### Basildon



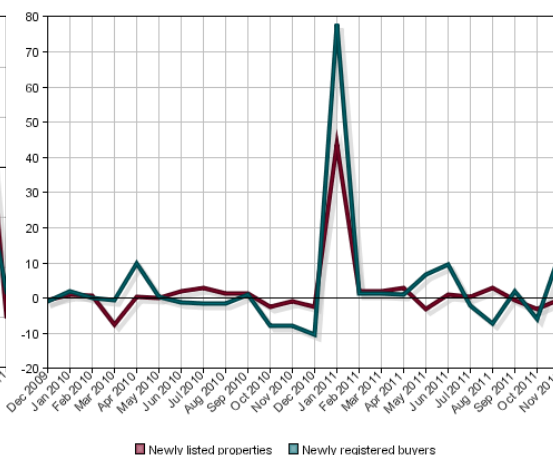
### Rochford



### Southend



### Thurrock



In comparison with the rest of the sub region Rochford and Southend have seen a sharp decline in both supply and demand, less so in Basildon and Thurrock.

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

Summary	Oct-11	Nov-11	Dec-11	Change
Monthly price change (%)	-0.2	-0.2	-0.2	►
% change in new buyers registering with agents	-0.2	-2.2	-6.3	▼
% change in volume of property listing	1.3	-0.8	-3.4	▼
% change in sales agreed	6.3	4.6	-0.9	▼
Average time on the market (weeks)	9.8	9.9	10.1	▲
% of the asking price being achieved	92.4	92.5	92.3	▼
% postcode districts with price <b>increase</b> over month	6.5	5.0	2.0	▼
% postcode districts with price <b>decrease</b> over month	34	32	33	▼

**Results at a glance**

- Average prices moved downwards by 2.1% over the year, this compared to a 1.6% decline in 2010. The strength of the London market, where prices were up 1% and by more than 5% in the most affluent postcodes, has flattered the national picture.
- Over the last 12 months 78% of postcodes across the country have registered price falls. This in contrast to London where, over the same period, prices have risen across 43% of the capital.
- Following a weak end to 2010, demand over the first half of 2011 bounced back with the number of new buyers rising by 14%. Over the second half of the year new buyer registrations (demand) fell by 11% as uncertainty over the economic outlook grew. New buyer registrations fell by 6.3% in December.
- Overall the supply of housing for sale grew by 19% over 2011 – with all the growth coming out of the first half of the year. But with mounting uncertainty over the economic outlook, the number of would-be buyers prepared to sell has fallen. In December the number of homes coming to the market fell by 3.4%.
- The time on the market has been increasing for the last five months and currently stands at 10.1 weeks, up from a recent low of 9.4 weeks (July 2011).
- Around country, the time taken to sell ranges from 6.5 weeks in London to a high of 13 weeks in the East Midlands.
- The proportion of the asking price achieved has remained largely unchanged over the year tracking in the range of 92% - 93%. But in the North of the country it has started to move lower – suggesting an above average acceleration in price falls over 2012.
- As we head into 2012 low interest rates and housing turnover will continue to act as a support to prices but the overall trend will be downwards. We expect house prices to fall by 3% by December 2012. But there will be continued demand for rental properties; we forecast rental values to rise by 2% over the next 12 months.

**Figure 1**

“The proportion of the asking price achieved has started to slip back and stands at 92.3%. The further it falls the greater the decline in prices.

The time on the market has registered a small increase to 10.1 weeks with some major regional variations.”

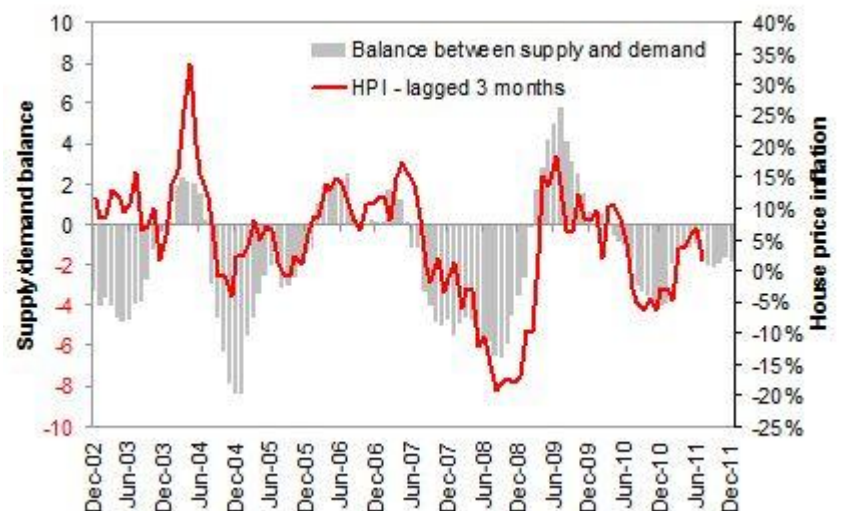
**Time on market and % asking price achieved**



**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 moving into negative territory suggesting a pick up in price falls in the months ahead.”

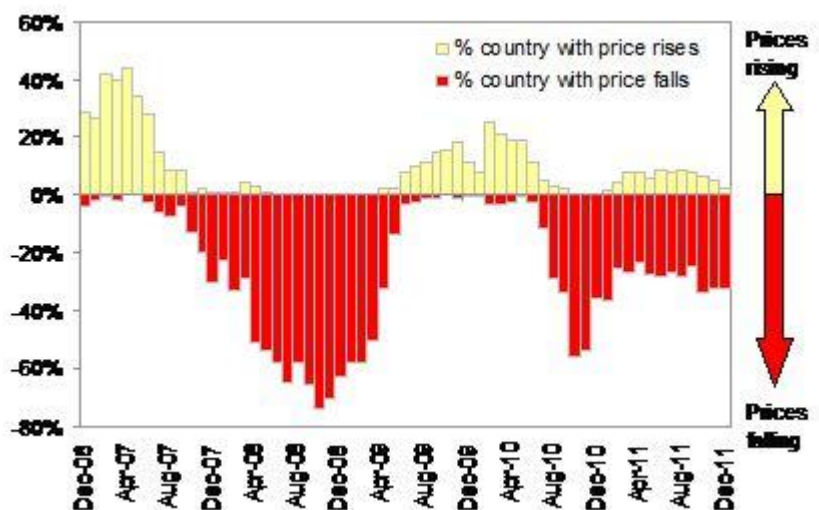
**Supply demand balance leads price changes by 3 months**



**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 33% of postcodes in December 2011.”

**Proportion of country registering higher and lower prices**



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

	<b>Basildon (Borough)</b>	<b>Castle Point (Borough)</b>	<b>Southend-on- Sea (UA)</b>	<b>Thurrock (UA)</b>	<b>Rochford (District)</b>
	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile
May-03	114,500	130,000	95,000	113,000	145,000
Nov-03	120,000	140,000	110,000	120,000	155,000
May-04	125,500	146,000	117,000	127,000	160,000
Nov-04	134,500	153,000	127,500	130,000	170,000
May-05	135,000	154,500	126,936	136,500	170,000
Nov-05	136,000	155,000	130,000	140,000	172,000
May-06	140,000	160,000	134,000	139,000	171,000
Nov-06	145,000	160,000	136,000	144,000	179,950
May-07	149,000	169,995	140,000	147,500	180,000
Nov-07	155,000	172,000	148,000	147,000	193,000
May-08	158,000	172,000	145,000	150,000	195,000
Nov-08	153,000	170,000	140,000	149,000	183,000
May-09	140,000	155,000	135,000	137,500	173,000
Nov-09	145,000	163,000	141,000	140,000	175,000
May-10	147,500	163,000	148,000	140,000	182,500
Nov-10	153,000	170,000	148,000	147,500	185,000
May-11	146,000	163,000	148,000	148,000	185,000
Nov-11	150,000	169,000	150,000	145,000	187,000
<b>Change Nov 2010- Nov 2011</b>	-3,000	-1,000	2,000	-2,500	2,000
<b>Change Peak – Nov 2011</b>	-8,000	-3,000	2,000	-5,000	-8,000

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 881294  
 Alastair.Pollock@tgessex.co.uk