

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

January 2013

House Prices, Affordability & Market Indicators

www.tgessex.co.uk

Basildon Council
BASILDON • BILLERICAY • WICKFORD

castlepoint
Larkel | Cairns | Ludgely | Frankley

Rochford
District Council

**southend
onseal**
BOROUGH COUNCIL

THURROCK COUNCIL
www.thurrock.gov.uk

& partner RPs

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 (currently under review) 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

- Following price falls over the second half of 2012, house prices were unchanged in January.
- New buyer registrations and property listings were down over the month.
- Majority of respondents to Hometrack's survey (79%) are optimistic about the prospects for the spring market – primarily in relation to sales volumes rather than price growth.
- A lack of supply is acting as a support to pricing levels.

Local House Prices

- Between November 2011 - 2012, Lower Quartile (LQ) house prices were up in Thurrock by £1k, static in Basildon, Southend and Rochford but down by -£500 in Castle Point.
- In November 2012, the highest overall LQ property price was in Rochford £185k, followed by Castle Point £168k, Basildon / Southend £150k and Thurrock £143k.
- Prices were still down in Rochford £10k, Basildon £8k, Thurrock £7k, Castle Point £4k but up in Southend by £1k when measured against the pre recession peak in 2007/08.
- Southend now has the highest priced LQ 1 bed flatted properties, Castle Point has the highest 2 bed flatted properties, Rochford the highest 2 and 3 bed and Basildon the highest 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 Registered Provider is in Thurrock at £74 and the lowest in Rochford at £68.
- Private renting was most expensive in Basildon, Castle Point and Thurrock at £137, followed by Rochford £126 and Southend £124.
- Weekly rents have increased from August 2012 by £5 in Basildon and Thurrock, £2 in Southend whilst they have remained level in Rochford and Castle Point.
- The average "head room" between 80% market rent and housing association rent for a 1 bed property ranges between £37 in Basildon and £30 in Southend.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Thurrock 34% 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 89% for a detached property.

Market Indicators

- Since October 2012 the time to sell and the number of viewings per sale has increased in all five TGSE local authority areas.
- The proportion of sales to asking price has reduced in Castle Point and Thurrock whilst remained static in the other three TGSE local authority areas.
- Since October 2012, the percentage change in newly registered buyers fell in all five TGSE local authority areas indicating a general slowing down in the housing market and lack of activity.
- For Basildon, the number of newly registered buyers fell by as much as 15%.

National Trends

Demand falls across all regions, while supply declines for first time in seven months. The Director of Research at Hometrack, Richard Donnell commented:

“Following price falls over the second half of 2012, house prices were unchanged in January.

New buyer registrations and property listings were down over the month, but the majority of respondents to the survey (79%) are optimistic about the prospects for the spring market – primarily in relation to sales volumes rather than price growth.

Fewer postcodes (16.2%) registered price falls in January compared to December 2012 (27.4%) and supply has contracted to its lowest level for three years on a rolling six month change basis.

A lack of supply is acting as a support to pricing levels and is a key theme as we start 2013.











Despite the slow start recorded in the January survey, the housing market looks to be in slightly better shape than at the start of the previous two years.”

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 one year period between November 2011 and November 2012, average house prices rose in Basildon and Southend but fell in the remaining three local authority areas. Changes in the Lower Quartile percentile were less pronounced where prices rose in Thurrock, fell in Castle Point and remained static in Basildon, Rochford and Southend. This has implications for affordability where for example the position appears to have worsened in Thurrock but improved in Castle Point over the twelve month period.

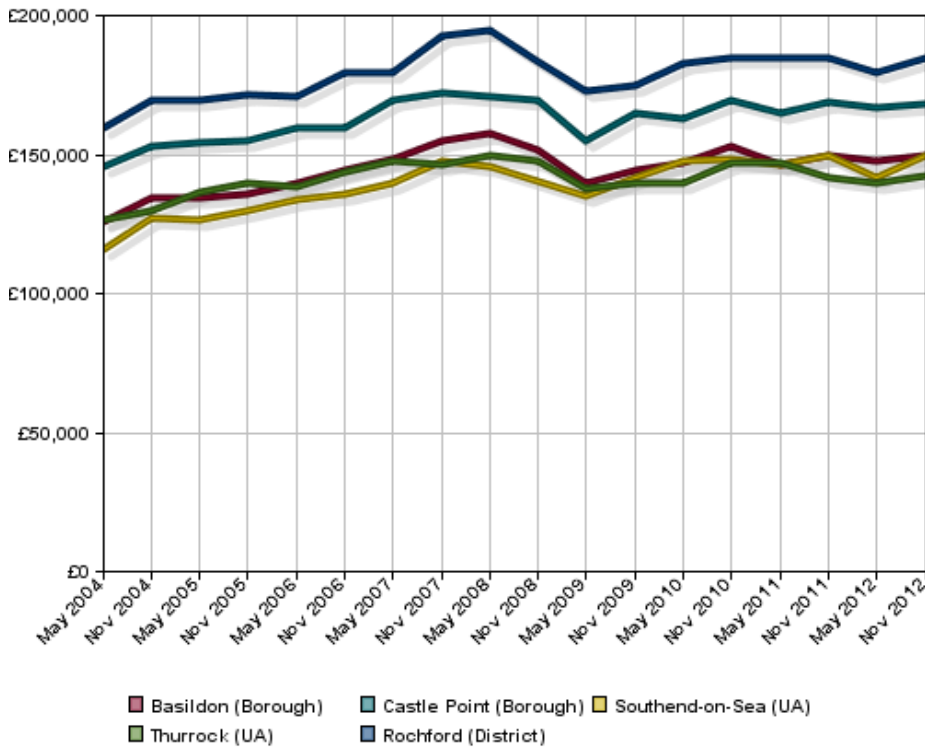
Change in House prices November 2011 – November 2012

<i>Local Authority</i>	<i>Average</i>	<i>Lower Quartile</i>
Basildon	+ £3,361 	£0 
Castle Point	-£5,814 	-£500 
Rochford	-£815 	£0 
Southend	+£1291 	£0 
Thurrock	-£969 	+£1000 

Focusing on Lower Quartile Prices

The charts (over page) 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.

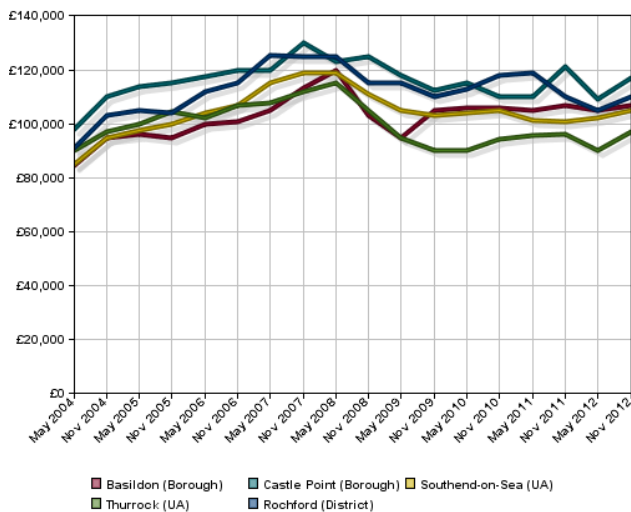
Lower Quartile Price – Overall



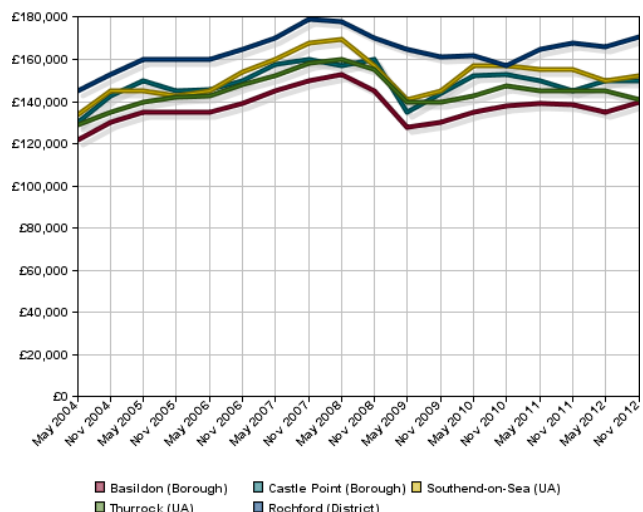
The above chart shows the partial recovery in house prices since the noticeable dip in 2008/9. However, prices stalled again in November 2010 and have been flat lining with the exception of Southend. In November 2012, the highest overall lower quartile property price was in Rochford £185k, followed by Castle Point £168.5k, Basildon, Southend and Basildon at £150k and Thurrock at £143k.

When compared with pre recession prices in 2007/08 where they peaked across the sub region, current prices are still down in Rochford £10k, Basildon £8k, Thurrock £7k, Castle Point £4k, but up in Southend £2k (see Appendix 2).

Lower Quartile Price – Flat / Maisonette



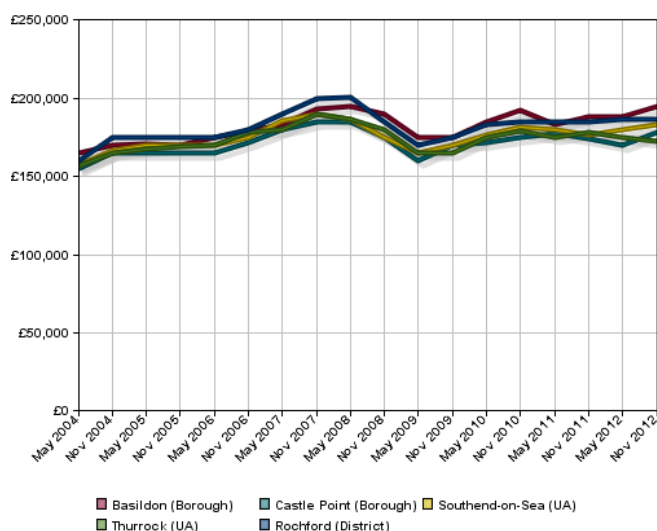
Lower Quartile Price – Terraced Properties



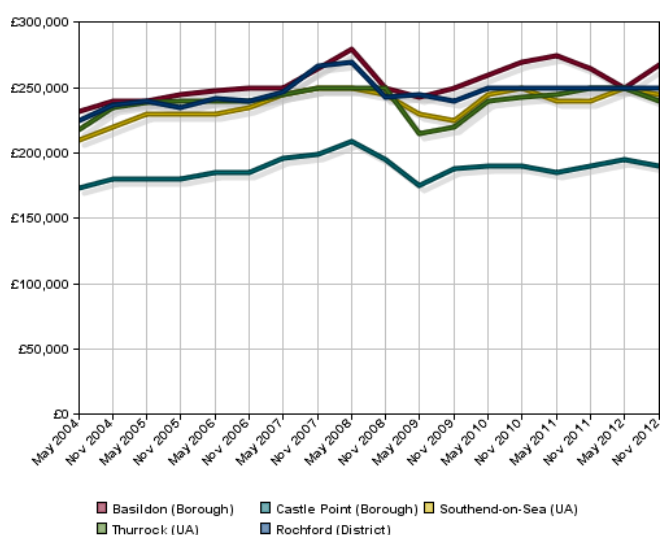
The above charts show a mixed picture. Prices of flat / maisonette property have been more volatile in past years except in Southend where prices have been rising gradually since November 2011. However, prices fell in Castle Point over the same period.

For terraced properties, prices have risen in Rochford and Castle Point but have been relatively static in the remaining TGSE local authority areas.

Lower Quartile Price – Semi Detached



Lower Quartile Prices – Detached



Since November 2011, prices of semi-detached properties declined in Thurrock but rose in the remaining TGSE local authority areas.

Whilst for detached properties, since November 2011 prices have declined in Thurrock but remained more static in the remaining TGSE local authority areas. Prices have remained lower in Castle Point by as much as £50k.

In summary, the prices for flatted properties have fluctuated more so across the sub region especially when monitored over the six to twelve month period. Prices of semi detached and detached properties have generally been more stable. Prices rose in Southend but fell in Thurrock (mainly 3 bed properties) and Castle Point (mainly 1 bed flatted properties).

Annual Turnover by Broad Type and Age

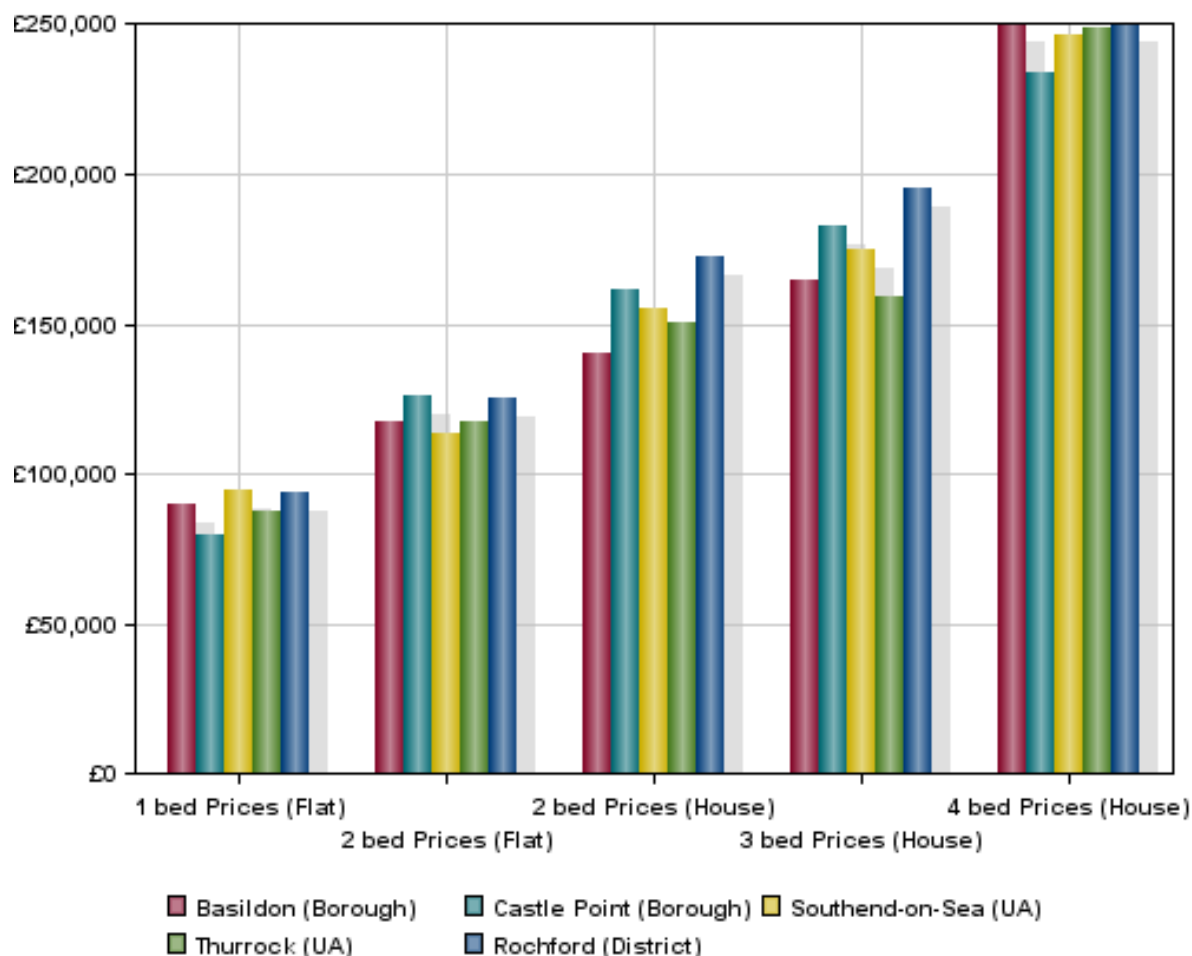
	Thurrock			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2008	1,122	429	26	44
2009	1,018	180	11	27
2010	1,213	288	48	45
2011	1,266	202	77	67
2012	944	204	16	15

As a Proportion of Overall Property

	Thurrock
	Overall property price bands
2008	2.70%
2009	2.10%
2010	2.70%
2011	2.70%
2012	2.00%

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. The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover remains steady at 2.70%, however, it is still significantly down from pre 2008 figures which were in excess of 6.60% (see TGSE Housing Market Trends Quarterly Report October 2011).

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

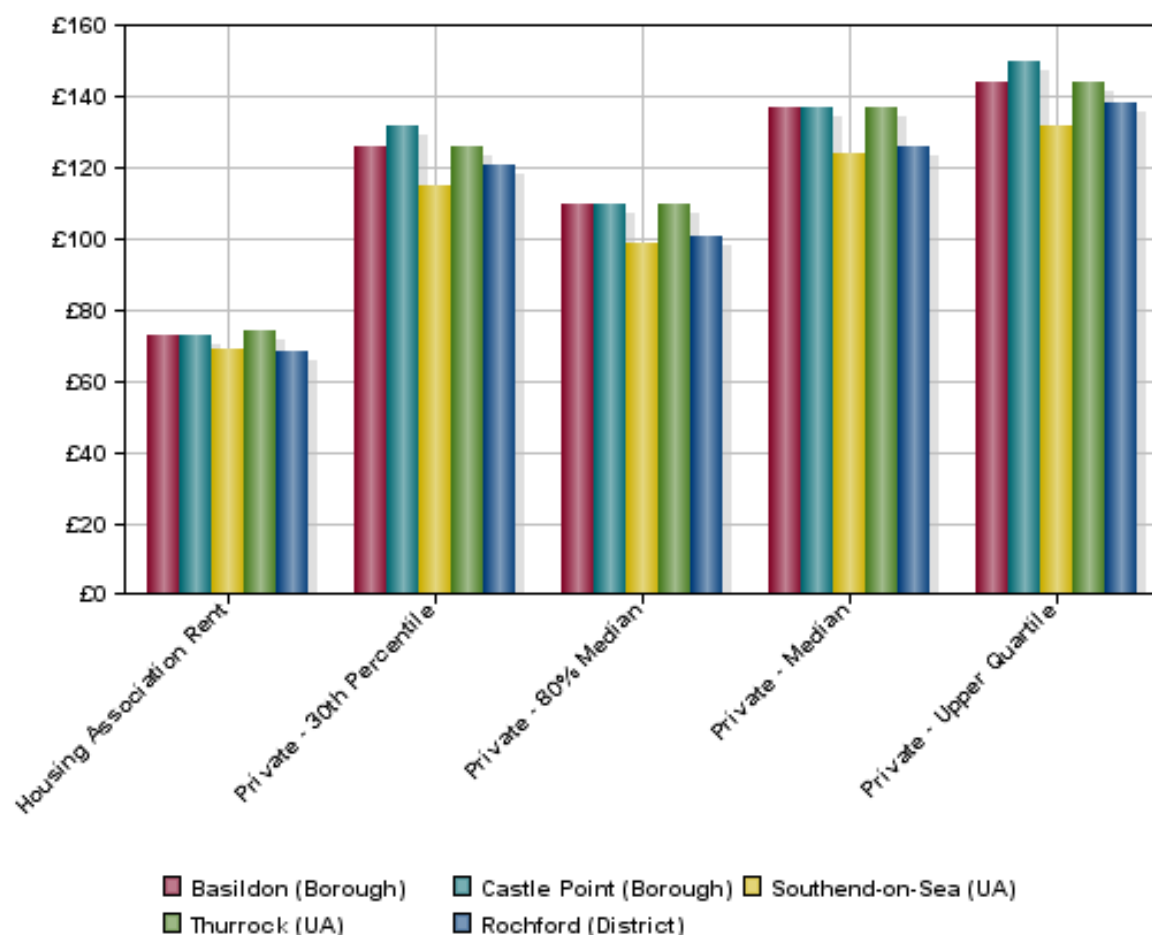


Latest Data Only For Comparison LQ (November 2012)

	Basildon (Borough)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	90,000	80,000	95,000	88,000	93,750
2 bed Prices (Flat)	117,500	126,500	113,500	117,500	125,000
2 bed Prices (House)	140,000	161,500	155,000	150,750	172,500
3 bed Prices (House)	165,000	182,625	175,000	159,000	195,750
4 bed Prices (House)	250,000	233,500	246,250	248,748	250,000

The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on November 2012 figures. For a 1 bed flatted property the highest price was in Southend (previously it was Castle Point), for a 2 bed flatted property it was in Castle Point (previously it was Rochford), for 2 and 3 bed properties it was in Rochford and for a 4 bed property it was in both Rochford and Basildon. The gap between Rochford as having the most expensive properties compared with the rest of the sub region appears to be closing.

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

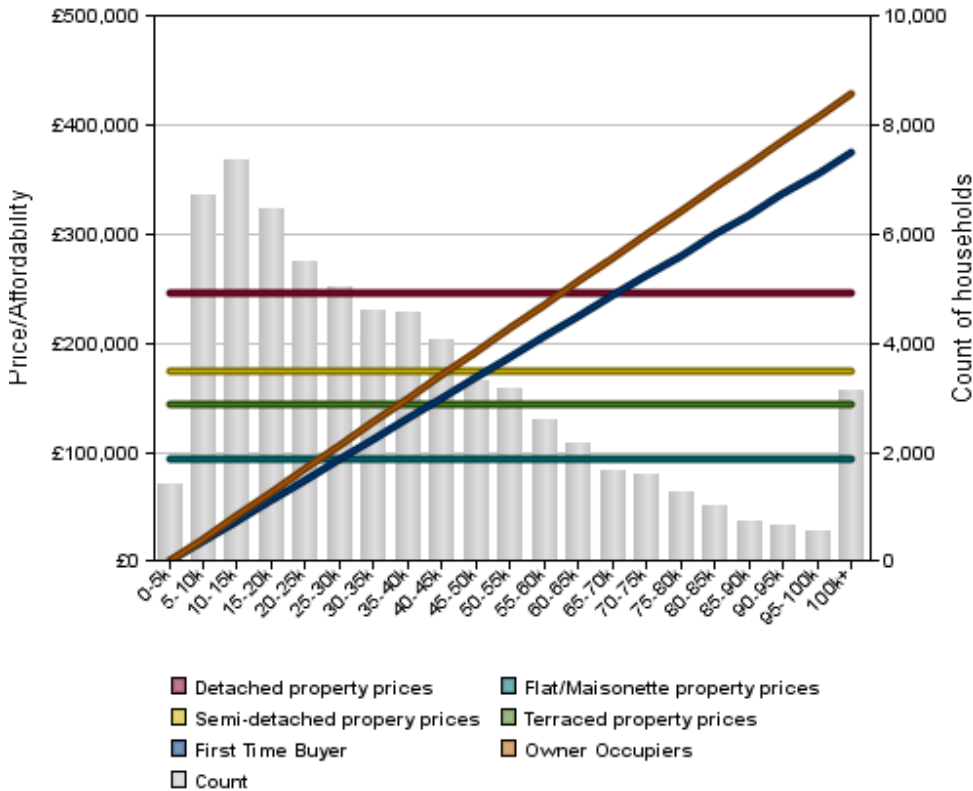


	Basildon (Borough)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
Housing Association Rent	72.9	73.1	68.8	74	68.2
Private - 30th Percentile	126	132	115	126	121
Private - 80% Median	110	110	99	110	101
Private - Median	137	137	124	137	126
Private - Upper Quartile	144	150	132	144	138
Difference between 80% Median and HA rent	37.1	36.9	30.2	36.0	32.8

The above table and graph shows the weekly cost of renting a one bed room property across a range of quartiles based on November 2012 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 most expensive in Basildon, Castle Point and Thurrock at £137, followed by Rochford at £126 and Southend at £124 per week. Rents have increased from August 2012 per week by £5 in Basildon and Thurrock, £2 in Southend whilst they have remained static in Rochford and Castle Point.

Affordability: 3.0 times income
Sample Area: Thurrock

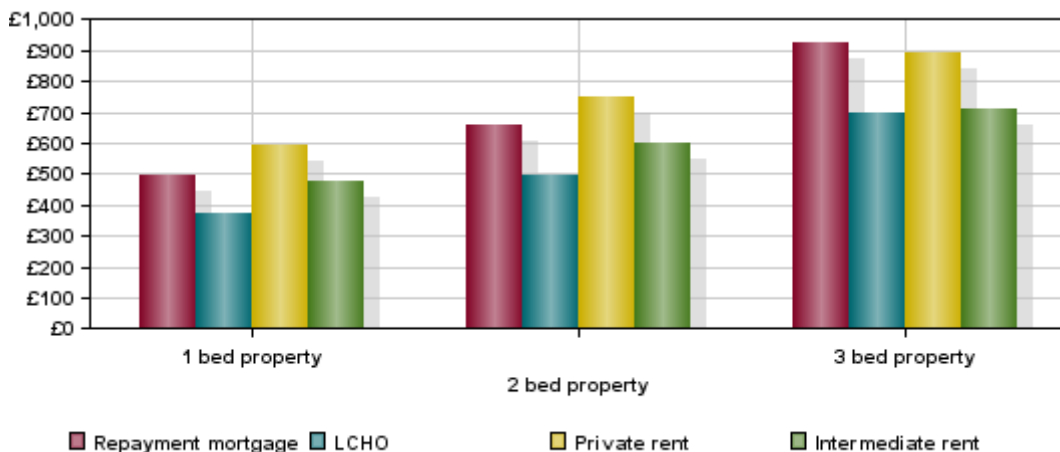


This above chart shows the number of households in different household income bands in Thurrock (bars) compared to the minimum price for different property types in the same area (horizontal lines). The diagonal lines rising from left to right show the value of property that can be afforded at different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

The chart demonstrates that a significant proportion of residents in Thurrock are priced out of the property market. For example, 33.74% of households cannot afford to purchase a flat 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 89% for a detached property.

In comparison with Rochford (see TGSE Housing Market Trends report October 2012), smaller properties are less affordable with 51% of households not being able to afford a flat, whilst for larger properties and in particular detached houses the figure is closer to Thurrock at 88%.

Affordability Calculator for Thurrock



	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£97,000	£496	£375	£594	£475
2 bed property	£129,000	£660	£499	£750	£600
3 bed property	£180,500	£924	£699	£893	£714

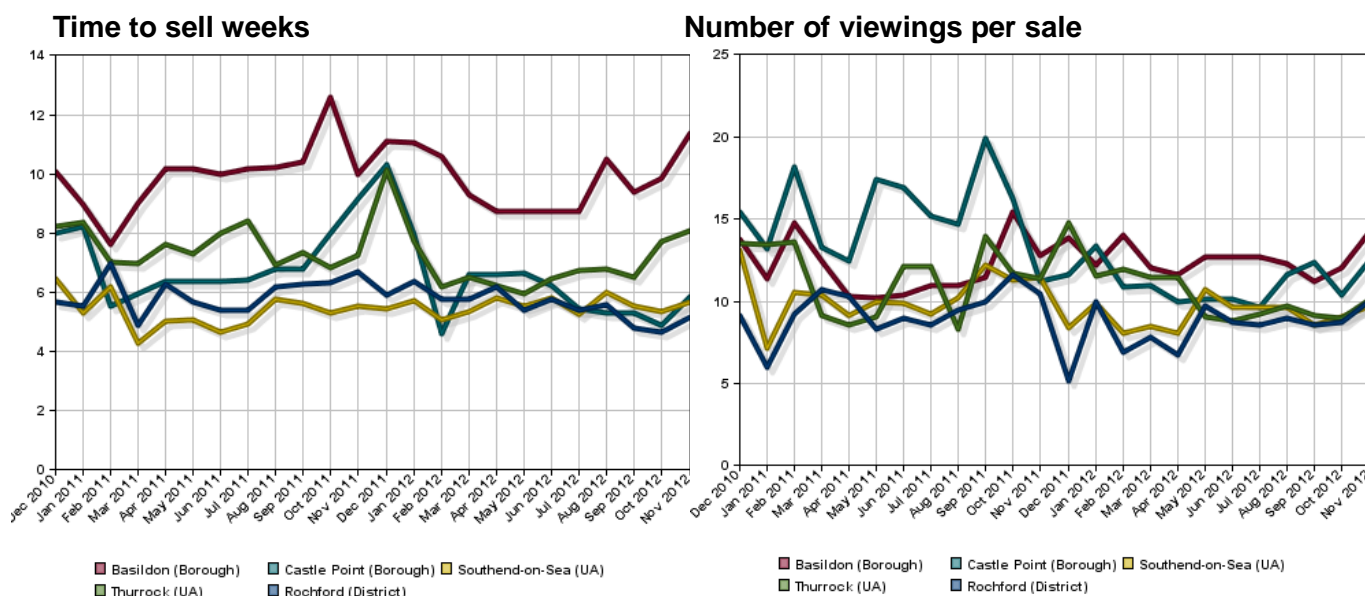
Affordability calculator for Thurrock

The information above and 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).

The assumptions can be changed by moving the slider bars. For Thurrock, private rent is the most expensive form of tenure for 1 and 2 bed properties whilst for 3 bed properties it is a repayment mortgage. Low Cost Home Ownership is consistently the least expensive tenure.

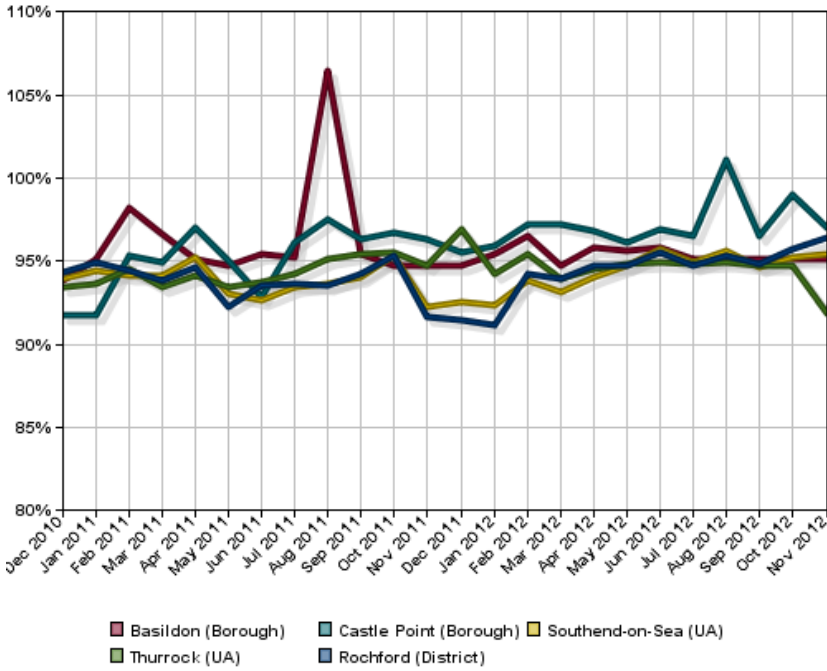
Whilst the sample area for this Quarterly Report is Thurrock, information can be readily made available for the other TGSE Local Authorities areas on request.

Market Indicators



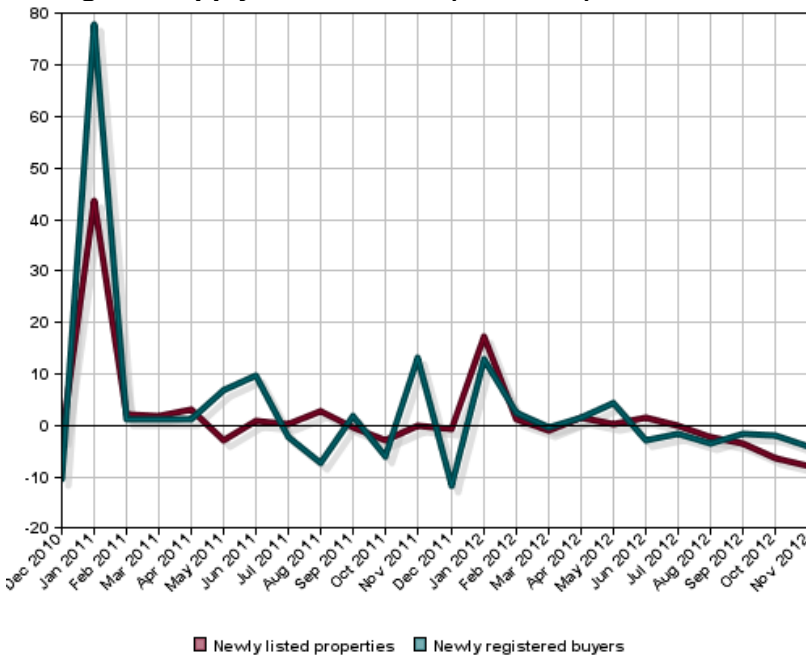
The above graphs show that since October 2012 the time to sell and the number of viewings per sale had increased in all five TGSE local authority areas.

Sales to Asking Price



This graph shows the typical proportion of the asking price that has been achieved for all sales agreed over the month since December 2010. Since October 2012, the percentage had reduced in Castle Point and Thurrock whilst remained steady in the other three TGSE local authority areas.

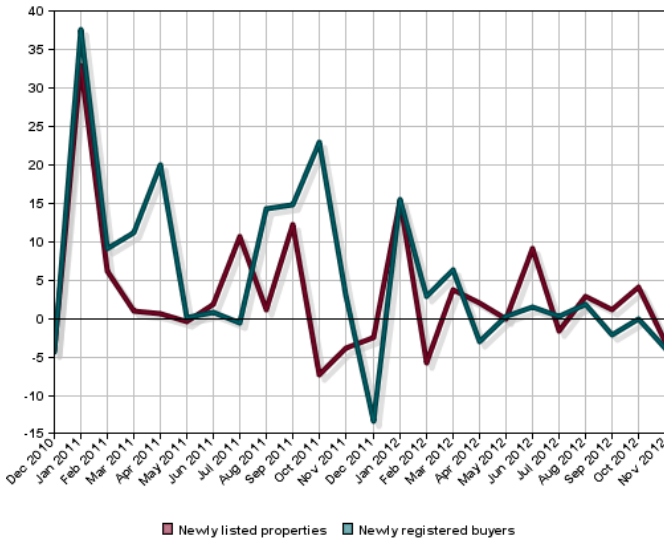
Change in Supply and Demand (Thurrock)



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 in Thurrock.

Since May 2012, following a seasonal fluctuation in January, both the number of newly registered buyers and sellers fell, suggesting a general slowing down in the housing market and lack of activity.

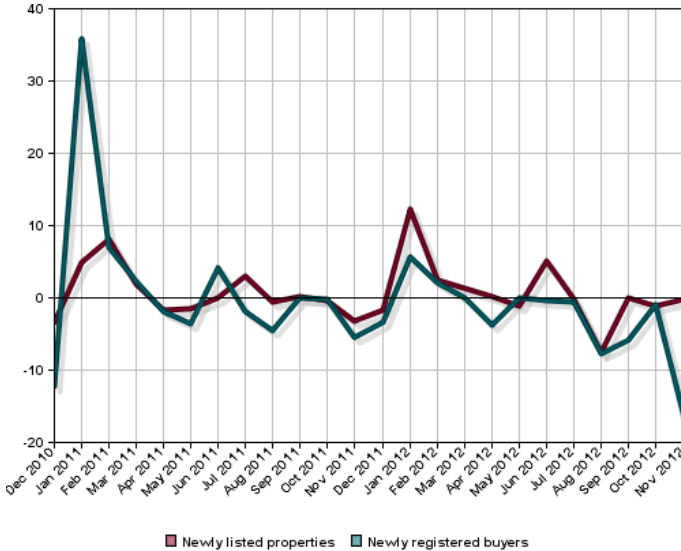
Castle Point



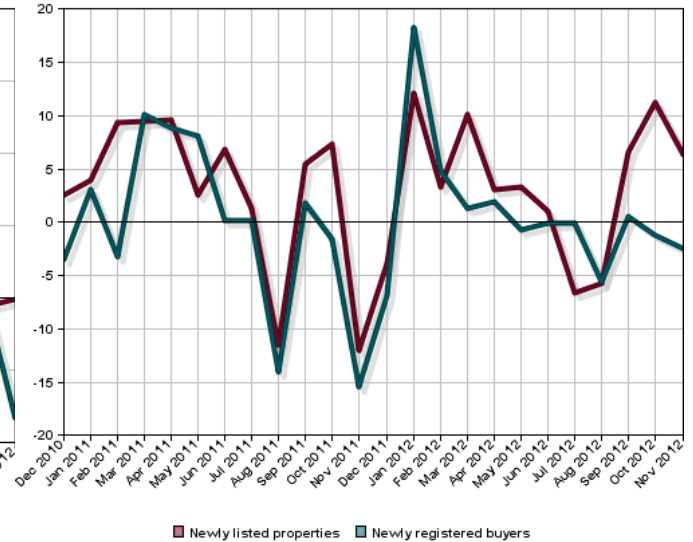
Southend



Basildon



Rochford



The picture for the rest of the sub region shows a similar trend; since October 2012 the percentage change in newly registered buyers fell in Castle Point, Southend and Rochford, although for the latter two local authorities the number of newly registered properties had stayed in the positive. For Basildon, the number of newly registered buyers fell away since October by as much as 15%.

Prices flat in January but 79% of agents optimistic about spring market

Summary	Nov-12	Dec-12	Jan-13	Change
Monthly price change (%)	-0.1	-0.1	0	▲
% change in new buyers registering with agents	-0.8	-4.8	-9.9	▼
% change in volume of property listing	-0.6	-3.1	-6.8	▼
% change in sales agreed	5.4	-0.9	-13	▼
Average time on the market (weeks)	9.8	9.7	9.9	▲
% of the asking price being achieved	93.2	93.2	93.1	▼
% postcode districts with price increase over month	5.3	2.9	5.4	▲
% postcode districts with price decrease over month	27.7	27.4	16.2	▼

Results at a glance

- Following price falls over the second half of 2012, house prices were unchanged in January.
- New buyer registrations and property listings were down over the month, but the majority of respondents to the survey (79%) are optimistic about the prospects for the spring market – primarily in relation to sales volumes rather than price growth.
- Fewer postcodes (16.2%) registered price falls in January compared to December 2012 (27.4%) and supply has contracted to its lowest level for three years on a rolling six month change basis – see figure 1.
- A lack of supply is acting as a support to pricing levels and is a key theme as we start 2013. The beginning of the year follows an above average contraction in supply over 2012.
- Demand for housing remains sensitive to the wider economy and in turn, consumer confidence.
- Despite the slow start recorded in the January survey, the housing market looks to be in slightly better shape than at the start of the previous two years.
- The survey results show a greater realism over pricing by sellers. Compared to this time last year, the percentage of asking price achieved indicator is up across all regions bar two – the East Midlands and North West.
- 79% of survey respondents said they felt more optimistic about the forthcoming spring market than they did this time last year. 21% were more pessimistic.

Figure 1

The proportion of the asking price achieved has decreased to 93.1%. Increases would indicate some recovery of prices.

The time on the market has risen slightly to 9.9 weeks (9.7 weeks in December) but within this headline figure there are some major regional variation.

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.

Supply demand balance leads price changes by 3 months

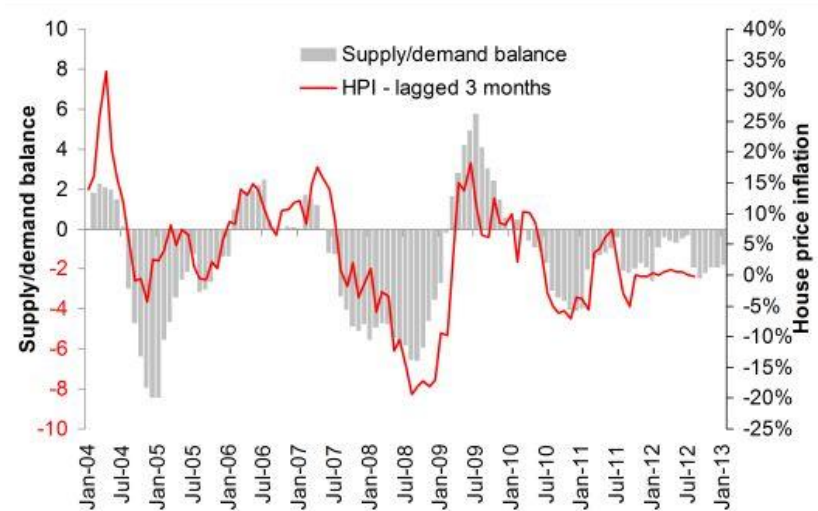
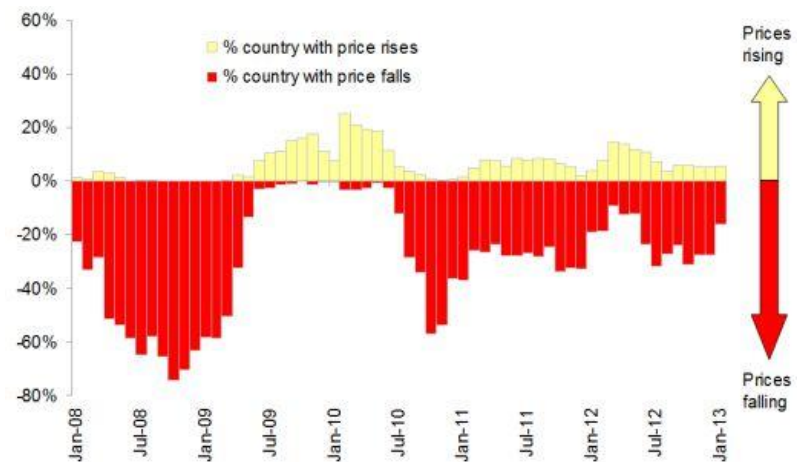


Figure 3

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 16.1% of postcodes in January 2013.

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
May-04	126,000	146,000	116,500	127,000	160,000
Nov-04	134,500	153,000	127,500	130,000	170,000
May-05	135,000	154,500	127,000	136,995	170,000
Nov-05	136,000	155,000	130,000	140,000	172,000
May-06	140,000	160,000	134,000	139,000	171,500
Nov-06	145,000	160,000	136,000	144,000	179,995
May-07	149,000	170,000	140,000	148,000	180,000
Nov-07	155,000	172,500	148,000	147,000	192,950
May-08	158,000	171,500	146,000	150,000	195,000
Nov-08	152,000	170,000	141,000	148,000	183,534
May-09	140,000	155,000	135,500	138,000	173,000
Nov-09	145,000	165,000	142,000	140,000	175,000
May-10	147,500	163,000	148,000	140,000	183,000
Nov-10	153,000	170,000	149,000	147,500	185,000
May-11	147,000	165,000	147,000	147,500	185,000
Nov-11	150,000	169,000	150,000	142,000	185,000
May-12	148,000	167,000	142,000	140,000	180,000
Nov-12	150,000	168,500	150,000	143,000	185,000
Change Nov 11 Nov 12	0	-500	0	1,000	0
Change Peak – Nov 2012	-8,000	-4,000	2,000	-7,000	-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