

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

January 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 0.5% in December – contributing to 4.4% average growth over 2013 up from -0.3% in 2012.
- Resurgent demand and dwindling supply have the defining themes of the housing market in 2013.
- Lower mortgage rates, pent up demand and more positive news on the economy created the potential for recovery, with the launch of the Help to Buy scheme providing the catalyst for sustained growth in demand in the second half of 2013.
- The outlook for the market in 2014 depends on three key factors: whether the increase in demand can be sustained, whether the strength of growth in the London market can be sustained and the outlook for mortgage rates.
- Momentum in house price growth is expected to spill over into 2014 supported by a continued lack of supply and rising demand. However, a broader based recovery in the housing market is dependent upon growth in the real economy, jobs and household incomes.

Local House Prices

- Between November 2012-2013, Average House prices were up by as much as £16,092 in Southend.
- Between November 2012-2013, Lower Quartile (LQ) house prices were up in Rochford and Thurrock +£8k, Southend +£7.5k, Castle Point +£6k, and Basildon +£1k.
- LQ Prices are still down from the 2007/8 peak in Basildon -£2.5k, Rochford -£2k, but up in Southend +£9.5, Castle Point +£3.5k and Thurrock +£0.005k.
- In November 2013, the highest overall LQ property price was in Rochford £193k, followed by Castle Point £175k, Southend £157.5k, Basildon £156.5k and Thurrock £150k.
- Castle Point had the highest LQ priced 1, 2 bed flats, whilst for 2, 3 bed houses it was Rochford and 4 bed houses it was Southend.

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 was most expensive in Castle Point and Thurrock at £138, followed by Basildon £137, Rochford £132 and Southend £123 per week.
- Between November 2012-2013, rent per week had risen in Rochford +£6, Castle and Thurrock +£1, remained static in Basildon but declined in Southend -£1.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Rochford 46% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 71% for those wishing to purchase a terraced property and 85% for a detached property.
- The latest ratio between LQ house prices and LQ household disposable income averages 10:1 for TGSE Local Authorities, while for east London authorities it is as high as 15.1.

National Trends

75% of housing markets registered price gains in 2013. The Director of Research at Hometrack, Richard Donnell commented:

“Resurgent demand and dwindling supply have been the defining themes of the housing market in 2013.

Demand for housing grew at its fastest rate for 3 years rising by 25% over the year while the supply of homes for sale increased by just 6%, the lowest on record, as rising sales volumes eroded stock levels.

Average house prices grew by 4.4% over 2013, up from -0.3% growth in 2012.

Low mortgage rates, pent-up demand and more positive news on the economy created the potential for a bounce in demand. The year got off to a strong start but the launch of the Help to Buy scheme was the catalyst for sustained growth in demand over the second half of 2013.

The outlook for the market in 2014 depends on three key factors. Whether the increase in demand can be sustained, whether the strength of growth in the London market can be sustained and the outlook for mortgage rates.

We expect the momentum in house price growth to spill over into 2014 supported by a continued lack of supply and rising demand. The strongest market conditions and impetus for price inflation is set to remain focused on southern England in 2014. A broader based recovery in the housing market is dependent upon growth in the real economy, jobs and household incomes.”

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 November 2012 and November 2013 over a ten year time-span, prices rose in all five TGSE Local Authority areas by as much as £16,092. The highest price was recorded in Rochford, followed by Basildon, Southend, Castle Point and Thurrock.

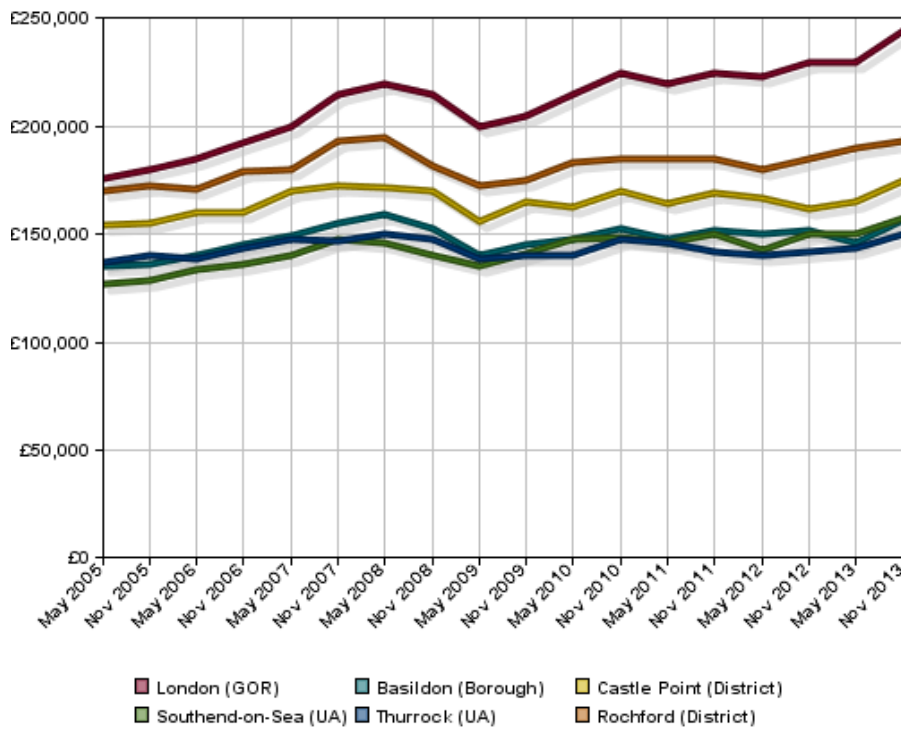
Change in Average House Prices Nov 2012 – November 2013

| Local Authority | November 2012 | November 2013 | Change |
|-----------------|---------------|---------------|------------|
| Basildon | 235,091 | 250,085 | +£14,994 ↑ |
| Castle Point | 218,148 | 230,763 | +£12,615 ↑ |
| Rochford | 249,718 | 254,444 | +£4,726 ↑ |
| Southend | 223,415 | 239,507 | +£16,092 ↑ |
| Thurrock | 188,267 | 196,007 | +£7,740 ↑ |

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.

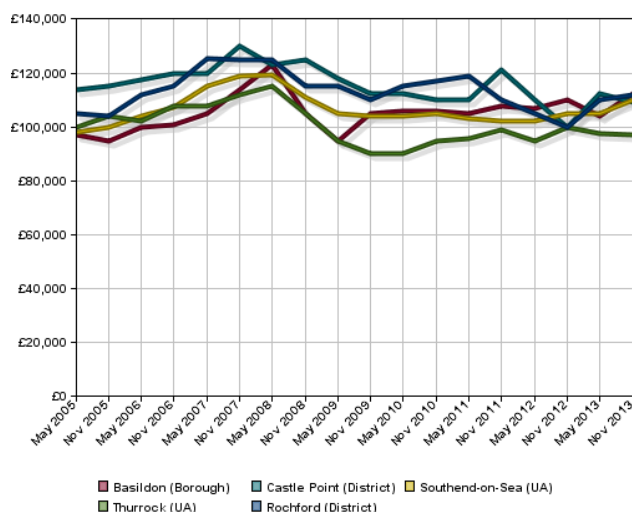
Lower Quartile Price – Overall



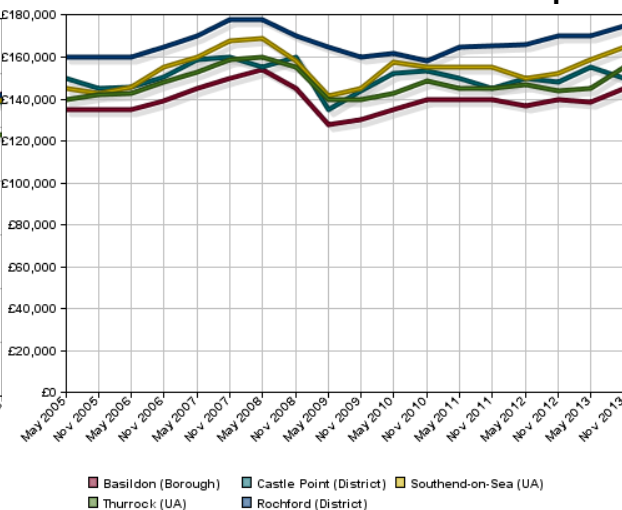
The above chart shows the partial recovery in house prices since the noticeable dip in 2008/9. Prices first fluctuated, then, began recovering from May 2012. In November 2013, the highest overall lower quartile property price was in Rochford £193k, followed by Castle Point £175k, Southend £157.5k, Basildon £155.5k and Thurrock £150k. Prices were cheaper compared with the London region by as much as £95k.

When compared with pre recession prices in 2008/09 where they peaked across the sub region, current prices are still down in Basildon -£2.5k and Rochford -£2k, whilst up in Southend +£9.5k, Castle Point +£3.5k and Thurrock +£0.005k (see Appendix 2). Previously, in January 2013, only Southend had shown a positive figure, now the majority of TGSE LAs are recording positive figures.

Lower Quartile Price – Flat / Maisonette



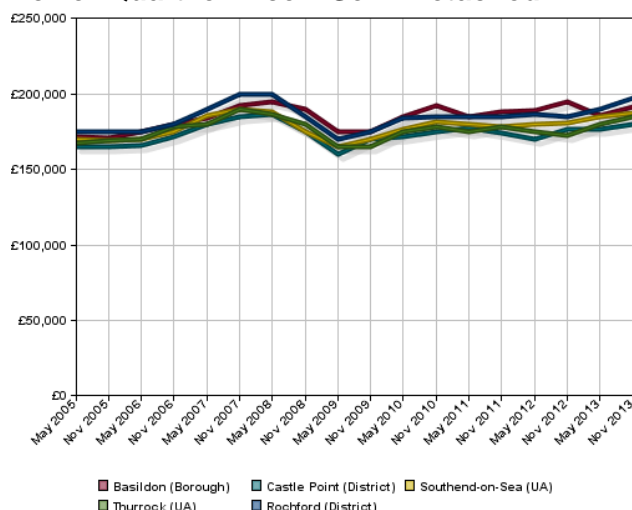
Lower Quartile Price – Terraced Properties



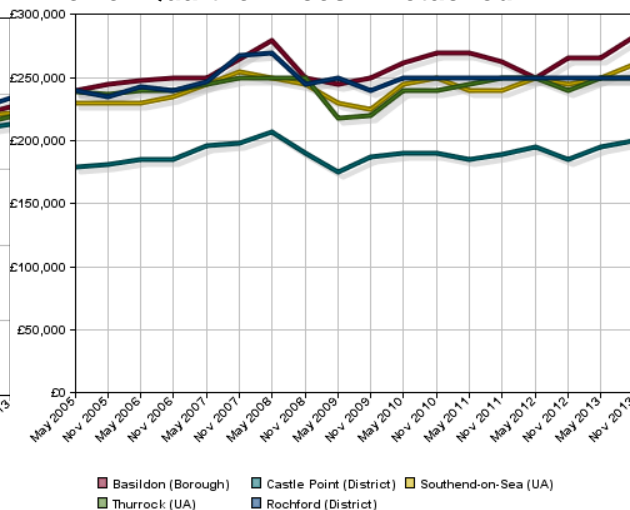
The above charts show a mixed picture. Prices of flat / maisonette property have been more volatile in past years. Since November 2012 prices rose in all TGSE LAs apart from Thurrock where they began drifting downwards.

For terraced properties, since November 2012 prices have all moved upwards in a similar trend apart from Castle Point where prices fell back from May 2013.

Lower Quartile Price – Semi Detached



Lower Quartile Prices – Detached



Since November 2012, prices of semi-detached properties had similarly all edged upwards apart from Basildon mainly due to a previous spike.

For detached properties, since November 2012 prices had risen steadily in Basildon, Southend and Castle Point but remained stable in Thurrock and Rochford. Prices have remained lower in Castle Point by as much as £82k.

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 begun edging upwards.

Annual Turnover by Broad Type and Age

| | Rochford | | | |
|------|----------------------|---------------------|-----------------------|----------------------|
| | 2nd Hand House Sales | 2nd Hand Flat Sales | New Build House Sales | New Build Flat Sales |
| 2009 | 868 | 97 | 26 | 21 |
| 2010 | 898 | 89 | 21 | 5 |
| 2011 | 960 | 79 | 17 | 5 |
| 2012 | 906 | 106 | 30 | 11 |
| 2013 | 789 | 83 | 20 | N/A |

As a Proportion of Overall Property

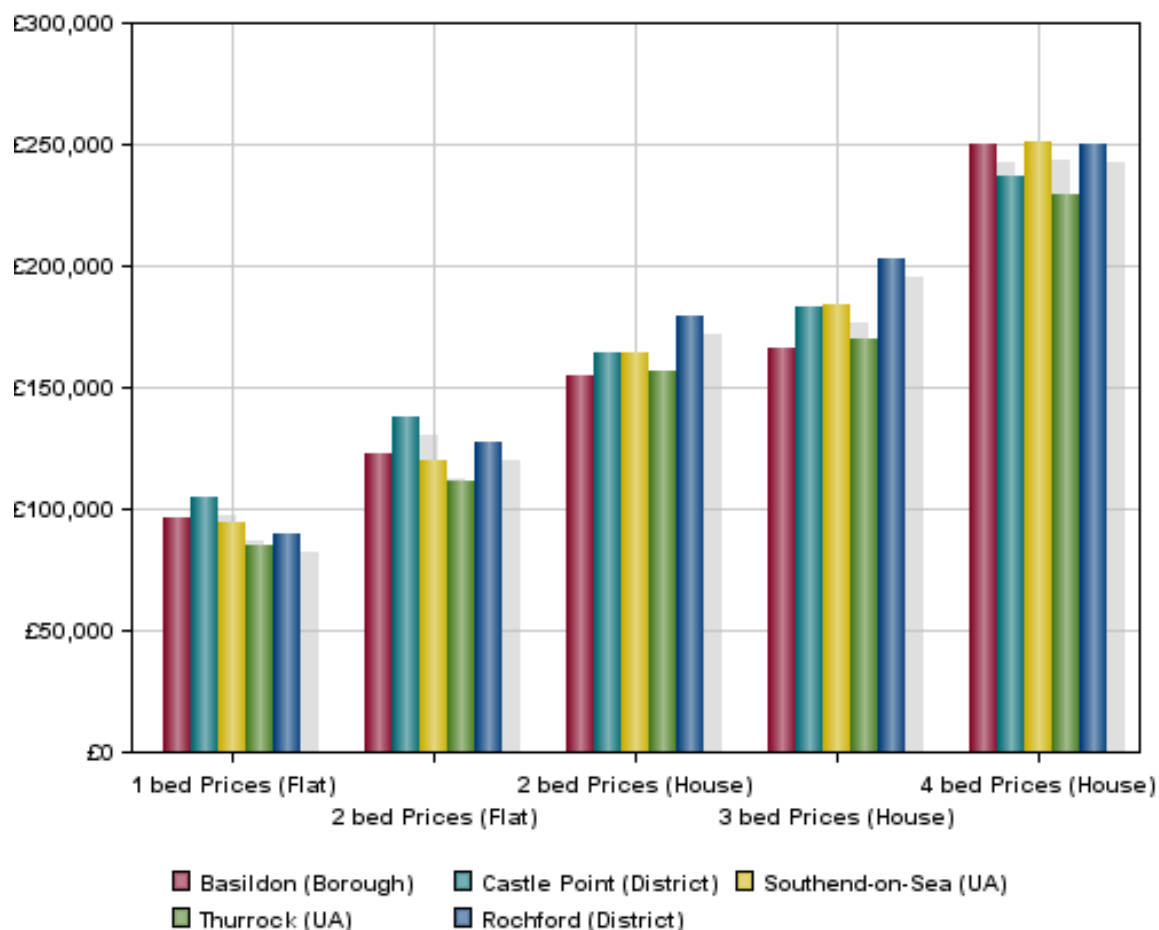
| | Rochford | |
|------|------------------------------|--|
| | Overall property price bands | |
| 2009 | 2.90% | |
| 2010 | 2.90% | |
| 2011 | 3.10% | |
| 2012 | 3.10% | |
| 2013 | 2.60% | |

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

Between 2011 and 2012, the sale of 2nd hand flats, new build houses / flats rose, whilst the sale of 2nd hand houses fell; suggesting signs of a recovery in the house building sector.

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 5.8% in 2007 (see TGSE Housing Market Trends Quarterly Report July 2011).

Lower Quartile Price of Property by Bed Count (August 2013)

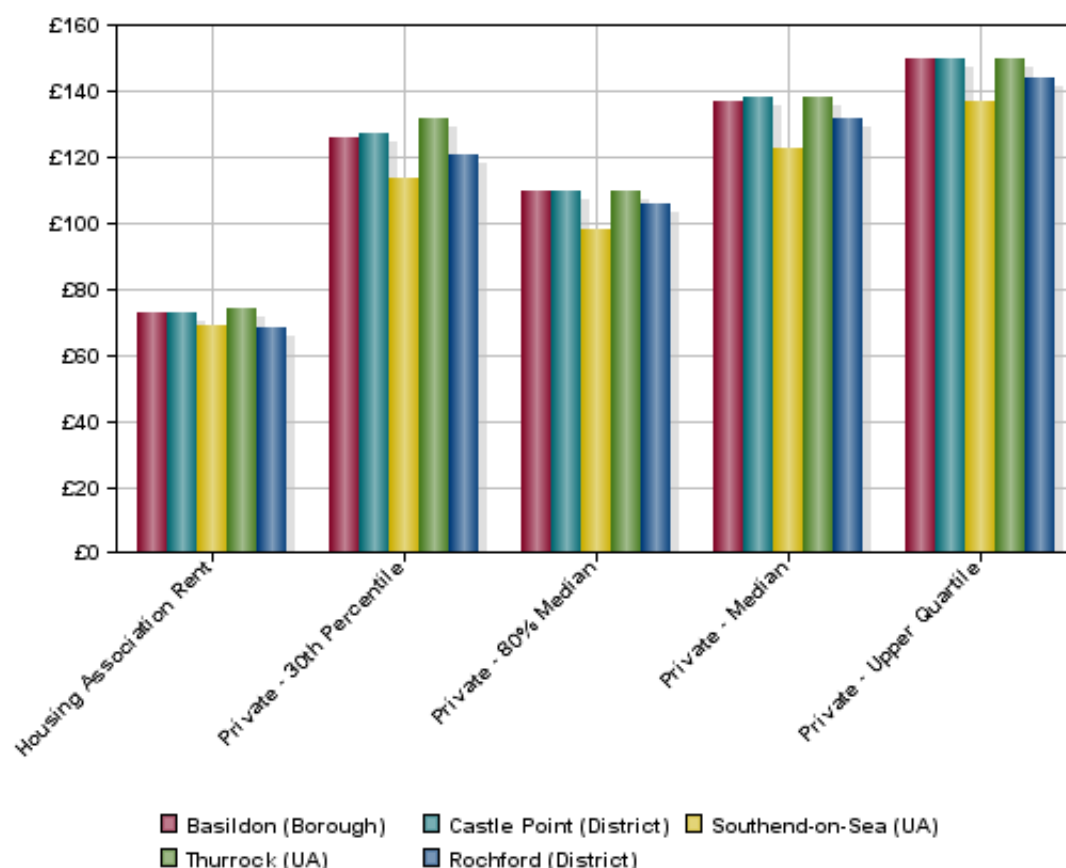


Latest Data Only For Comparison LQ (November 2013)

| | Basildon (Borough) | Castle Point (Borough) | Southend- on-Sea (UA) | Thurrock (UA) | Rochford (District) |
|----------------------|-----------------------|---------------------------|--------------------------|------------------|------------------------|
| 1 bed Prices (Flat) | 96,500 | 105,000 | 95,000 | 85,000 | 89,995 |
| 2 bed Prices (Flat) | 123,000 | 138,000 | 120,000 | 112,000 | 127,498 |
| 2 bed Prices (House) | 155,000 | 165,000 | 165,000 | 157,500 | 180,000 |
| 3 bed Prices (House) | 166,500 | 183,875 | 184,000 | 170,000 | 203,625 |
| 4 bed Prices (House) | 250,000 | 237,500 | 251,250 | 230,000 | 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 2013 figures. For 1 and 2 bed flats Castle Point had the highest priced property, for 2 and 3 bed houses it was Rochford and for 4 bed houses it was Southend. Previously, Rochford and Basildon consistently held the top spot for having the highest priced 4 bed houses. 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



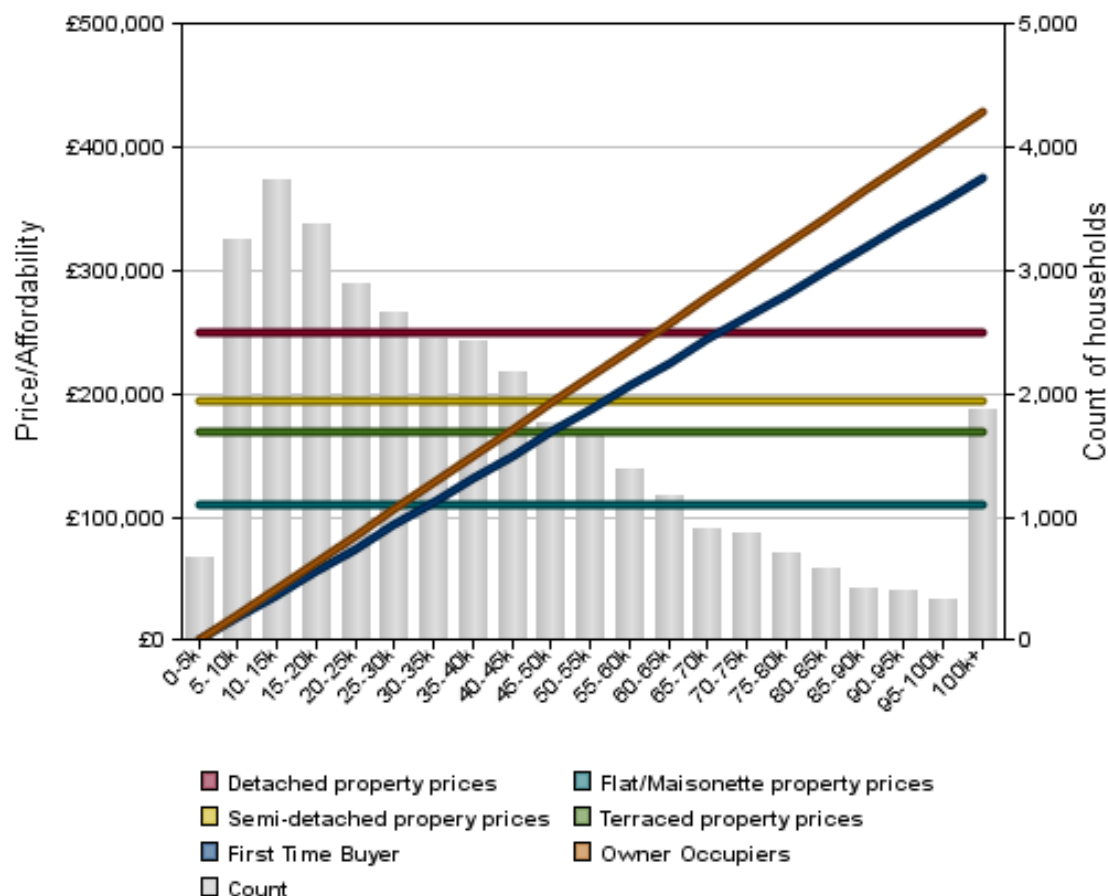
| | Basildon (Borough) | Castle Point (Borough) | Southend-on-Sea (UA) | Thurrock (UA) | Rochford (District) |
|--|-----------------------|---------------------------|-------------------------|------------------|------------------------|
| Housing Association Rent | 72.9 | 73.1 | 68.8 | 74 | 68.2 |
| Private - 30th Percentile | 126 | 127 | 114 | 132 | 121 |
| Private - 80% Median | 110 | 110 | 98 | 110 | 106 |
| Private – Median (figures for Nov 12) | 137 | 138 | 123 | 138 | 132 |
| | 137 | 137 | 124 | 137 | 126 |
| Private - Upper Quartile | 150 | 150 | 137 | 150 | 144 |
| Difference between 80% Median and HA rent | 37.1 | 36.9 | 29.2 | 36 | 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 November 2013 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) was most expensive in Castle Point and Thurrock at £138, followed by Basildon at £137, Rochford £132 and Southend at £123 per week.

Between November 2012 and November 2013, rent per week had risen in Rochford by £6, Castle Point and Thurrock by £1, remained static in Basildon but declined in Southend by £1.

Affordability: 3.0 times income
Sample Area: Rochford



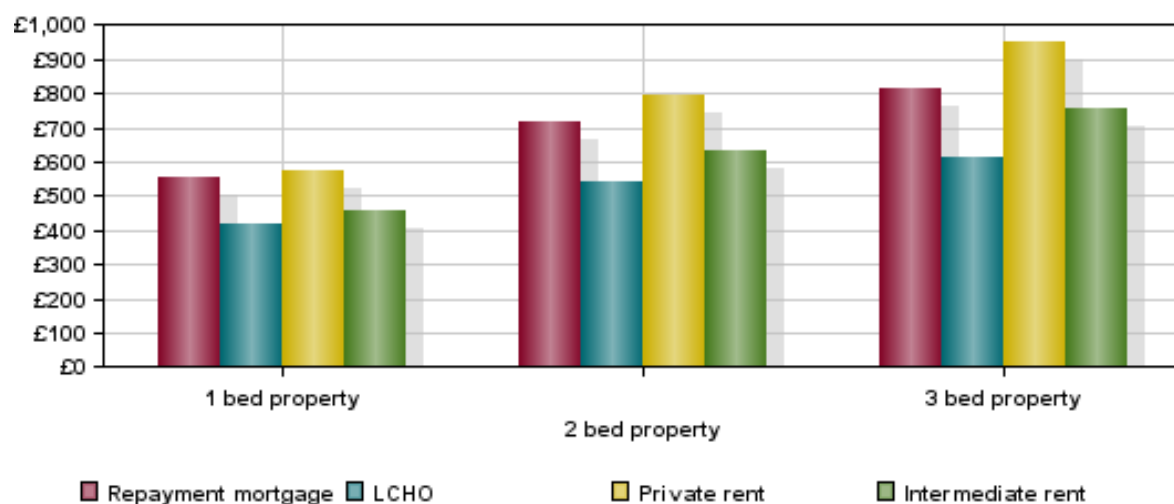
This above chart shows the number of households in different household income bands in Rochford compared to the minimum price for different property types in the same area (horizontal lines). The diagonal lines rising from left to right show the value of property that can be afforded at different income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

The chart demonstrates that a significant proportion of residents in Rochford are priced out of the property market. For example, 46% 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 71% for those wishing to purchase a terraced property and 85% for a detached property.

However in comparison with the neighbouring authority; Southend, where 52% of households were priced out of the market for flats, rising to 89% for detached properties, properties in Rochford are relatively more affordable, albeit, only marginally.

Affordability can also be measured in terms of the ratio between house prices and household disposable income. In November 2013, the average lower quartile ratio was 10:1 compared to east London (Postal Area E) 15.1. 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.

Affordability Calculator for Rochford



| | Average price | Repayment mortgage | LCHO | Private rent | Intermediate rent |
|----------------|---------------|--------------------|------|--------------|-------------------|
| 1 bed property | £108,125 | £553 | £419 | £572 | £458 |
| 2 bed property | £140,000 | £716 | £542 | £793 | £634 |
| 3 bed property | £159,000 | £814 | £615 | £949 | £759 |

Affordability calculator for Rochford

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).

For Rochford; 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 Rochford, information can be readily made available for the other TGSE local authority areas on request.

Market Indicators

In this quarter's issue; the 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, December 2013.

75% of housing markets register price gains in 2013

Prospects for London and mortgage rates key to market outlook in 2014

| Summary | Oct-13 | Nov-13 | Dec-13 | Change |
|--|--------|--------|--------|--------|
| Monthly price change (%) | 0.5 | 0.5 | 0.5 | ► |
| % change in new buyers registering with agents | 2.0 | 3.0 | -0.3 | ▼ |
| % change in volume of property listing | -1.6 | -3.5 | -4.9 | ▼ |
| % change in sales agreed | 4.2 | 13.0 | -0.2 | ▼ |
| Average time on the market (weeks) | 8.3 | 8.4 | 8.0 | ▼ |
| % of the asking price being achieved | 95.2 | 95.0 | 95.4 | ▲ |
| % postcode districts with price increase over month | 35.9 | 45.8 | 38.9 | ▼ |
| % postcode districts with price decrease over month | 1.6 | 3.2 | 2.9 | ▲ |

Results at a glance

- Resurgent demand and dwindling supply have been the defining themes of the housing market in 2013.
- Demand for housing grew at its fastest rate for 3 years rising by 25% over the year while the supply of homes for sale increased by just 6%, the lowest on record, as rising sales volumes eroded stock levels.
- Average house prices grew by 4.4% over 2013, up from -0.3% growth in 2012.
- Demand fell for the first time in 10 months in December on seasonal factors. However, house price momentum continued with average prices up 0.5% over the month.
- Low mortgage rates, pent-up demand and more positive news on the economy created the potential for a bounce in demand. The year got off to a strong start but the launch of the Help to Buy scheme was the catalyst for sustained growth in demand over the second half of 2013.
- 75% of postcodes ended the year with higher prices than at the start (20% in 2012).
- 15% of postcodes saw prices move lower while a further 10% were unchanged over 2013 highlighting the fragility of the market in many parts of the country.
- London and the South East registered the highest growth in 2013, up 9.1% and 5% respectively. All other regions registered below average growth with prices in the North falling by 0.5% over 2013.
- The outlook for the market in 2014 depends on three key factors. Whether the increase in demand can be sustained, whether the strength of growth in the London market can be sustained and the outlook for mortgage rates.
- We expect the momentum in house price growth to spill over into 2014 supported by a continued lack of supply and rising demand. The strongest market conditions and impetus for price inflation is set to remain focused on southern England in 2014. A broader based recovery in the housing market is dependent upon growth in the real economy, jobs and household incomes.

Figure 1

House prices are up across 75% of postcodes and down in 15% on a national basis.

There are some wide regional variations with more areas in the North region experiencing price falls rather than price increases in 2013.

% postcodes registering higher and lower prices over 2013

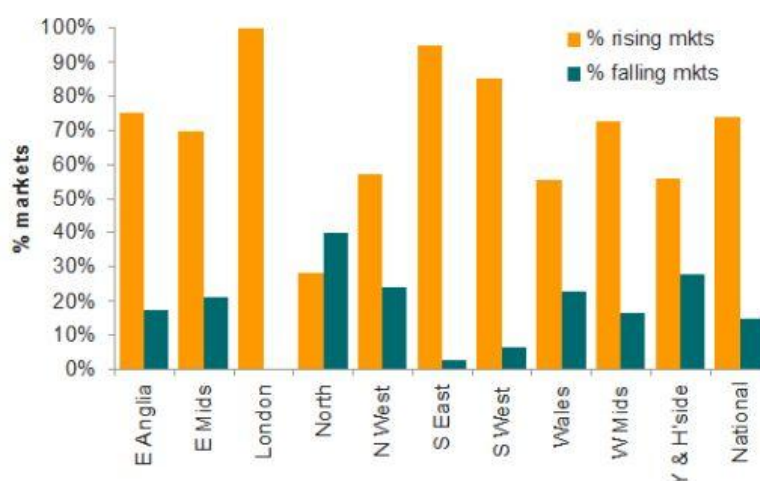


Figure 2

The chart shows that while the majority of postcodes within regions registered higher prices over 2013 the level of actual house price appreciation varied significantly.

% rising markets and annual house price growth over 2013

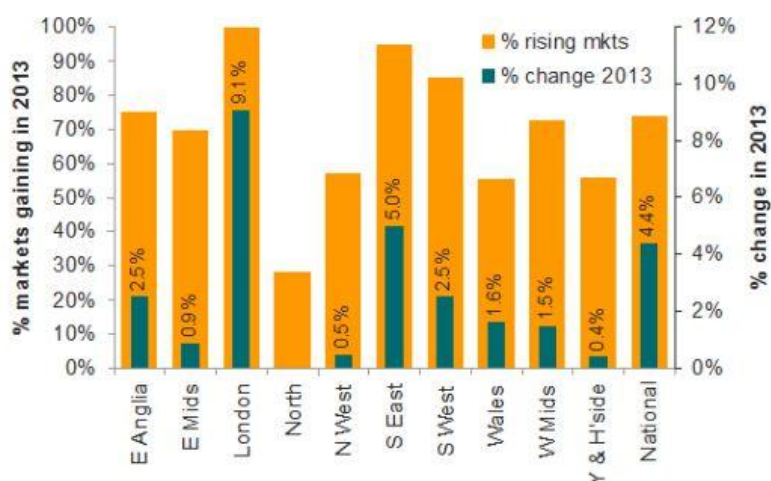
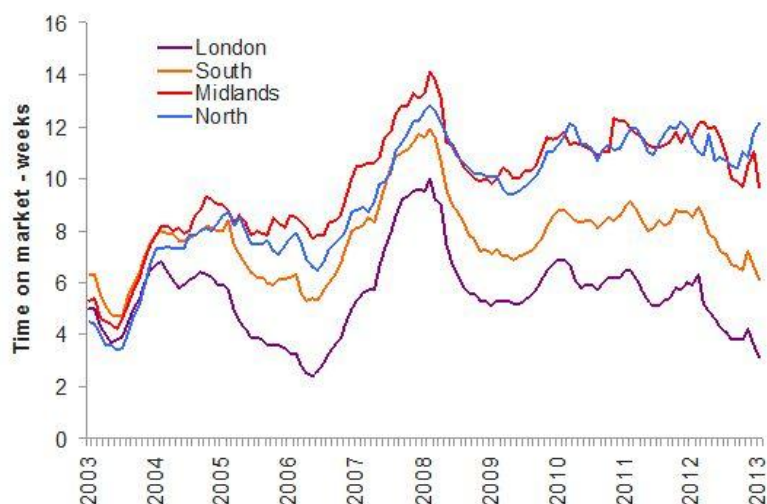


Figure 3

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 |
| May-05 | 135,000 | 154,500 | 127,000 | 136,995 | 170,000 |
| Nov-05 | 136,000 | 155,000 | 129,000 | 140,000 | 172,500 |
| May-06 | 140,000 | 160,000 | 133,500 | 139,000 | 171,000 |
| Nov-06 | 145,000 | 160,000 | 136,000 | 144,000 | 179,500 |
| May-07 | 149,500 | 170,000 | 140,500 | 148,000 | 180,000 |
| Nov-07 | 155,000 | 172,500 | 148,000 | 147,000 | 193,000 |
| May-08 | 159,000 | 171,500 | 146,000 | 149,995 | 195,000 |
| Nov-08 | 153,000 | 170,000 | 140,000 | 148,048 | 182,000 |
| May-09 | 140,000 | 156,000 | 135,000 | 139,000 | 173,000 |
| Nov-09 | 145,000 | 165,000 | 141,000 | 140,000 | 175,000 |
| May-10 | 147,500 | 163,000 | 148,000 | 140,000 | 183,000 |
| Nov-10 | 153,000 | 170,000 | 149,000 | 148,000 | 185,000 |
| May-11 | 148,000 | 164,000 | 146,000 | 146,000 | 185,000 |
| Nov-11 | 151,500 | 169,000 | 150,000 | 142,000 | 185,000 |
| May-12 | 150,000 | 167,000 | 142,500 | 140,000 | 180,000 |
| Nov-12 | 152,000 | 162,000 | 150,000 | 142,000 | 185,000 |
| May-13 | 146,000 | 165,000 | 150,000 | 144,000 | 190,000 |
| Nov-13 | 156,500 | 175,000 | 157,500 | 150,000 | 193,000 |
| Change Nov 12 Nov 13 | 5,000 | 6,000 | 7,500 | 8,000 | 8,000 |
| Change Peak – Nov 2013 | -2,500 | 3,500 | 9,500 | 5 | -2,000 |

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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