

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

July 2010

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 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

- Overall house prices in England & Wales have increased over the last year by 2.1%.
- Since March 2010 the supply of property has grown three times faster than demand.

Local House Prices

- Average house prices rose by £9,500 across the TGSE sub region over the last 3 months.
- Between March and May 2010, Lower Quartile (LQ) house prices rose in Southend by £13.6k, Rochford, Basildon, Castle Point by £10k and Thurrock by £6k.
- In May 2010 the highest overall LQ property price was in Rochford £185k, followed by Castle Point £165k, Basildon / Southend £150k and Thurrock £143k.
- Castle Point has the highest priced 1 bed flatted properties, Rochford has the highest priced 2, 3 and 4 bed properties and Basildon has the highest priced 4 bed properties in the sub region.

Cross Tenure (for a one bed property)

- Buying 40% Homebuy property in Thurrock is the cheapest form of tenure in the sub region.
- Otherwise, the cost of renting from a Housing Association is lower than other tenures.
- Private renting is most expensive in Rochford at £144 per week followed by Basildon and Castle Point at £132 and Thurrock at £121.
- Private renting is the cheapest in Southend by as much as £30, at £114 per week.
- Intermediate renting is more expensive in TGSE sub region than purchasing a 40% share Homebuy property.

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.

Market Indicators

- The percentage of the asking price being achieved has increased but so has the time to sell indicating both firmer pricing and a gradual slowing down in the housing market.

National Trends

Overall house prices in England and Wales rose by 0.1% in June 2010 and the year on year rate of growth now stands at 2.1%.

Hometrack's Director of Research, Richard Donnell, commented that "Since March supply has grown three times faster than demand. Six out of ten regions see fall in demand during June.

New buyer registrations ground to a virtual standstill (+0.1%) in June. Growth in demand has been slowing for the last four months. But property listings continue to grow - rising by 2.9% over June.

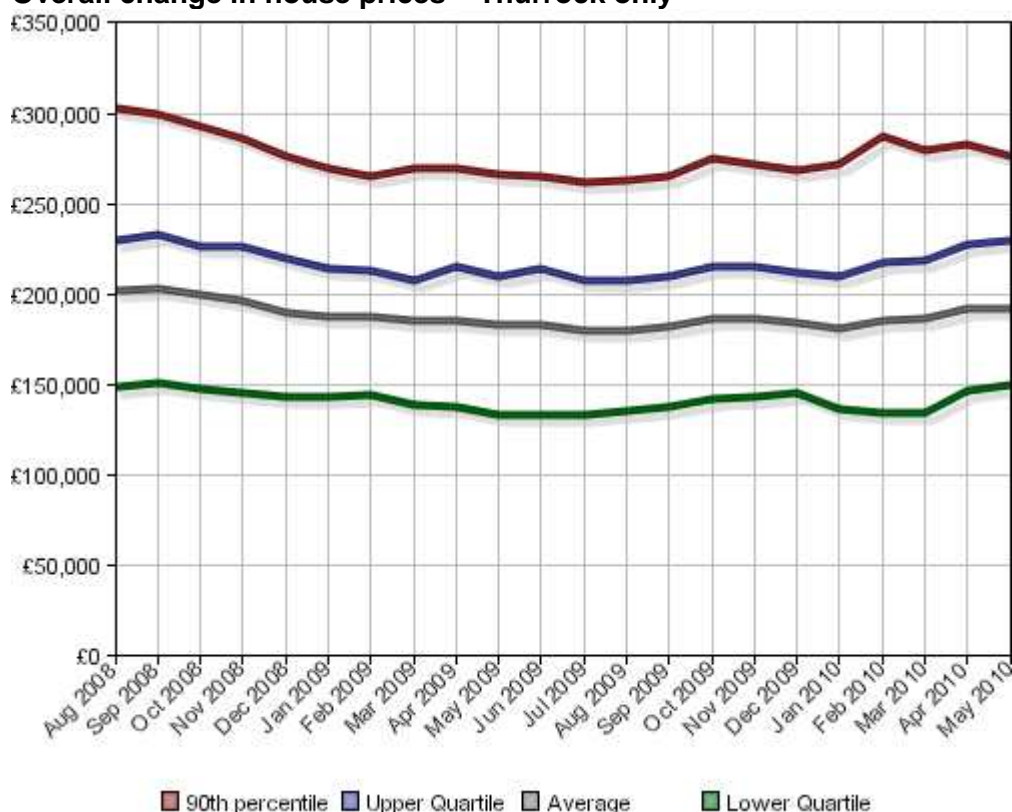
Despite the mismatch between supply and demand, sales volumes are still growing albeit off a very low base. Cash buyers and low loan to value borrowers remain the key participants in the market.

Thin volumes are supporting prices despite the changing supply/demand balance.

Seasonal factors and faltering consumer confidence may result in falling demand over summer. The upshot could be some modest price falls but low transaction volumes and a lack of forced sellers is likely to limit the scale of any declines. Looking further ahead, higher interest rates are likely to be the primary catalyst for a material change in market conditions."

Local Housing Indicators

Overall change in house prices – Thurrock only



The chart shows the average property price over time for all types of housing using Thurrock Borough Council as a sample area. It compares the lower quartile house price to the average price, the upper quartile price and the price at the 90th percentile over time.

Overall, house prices have continued to increase over the last three months across the five TGSE Local Authorities, although Thurrock has seen a decline in prices in the 90th percentile range. Price variations between different TGSE Local authority areas as summarised in the table over page:

Change in House prices March 2010 – May 2010

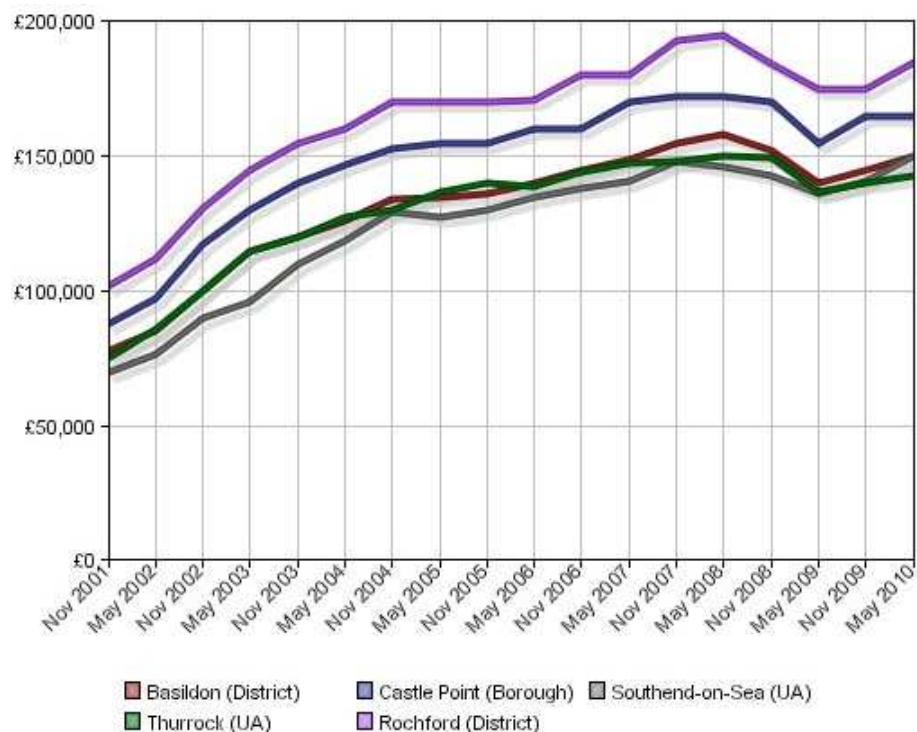
Local Authority	90 th percentile	Upper Quartile	Average	Lower Quartile
Basildon	+£17,500 ↑	+£10,333 ↑	+£5,109 ↑	+£8,667 ↑
Castle Point	+£14,166 ↑	+£10,001 ↑	+£10,302 ↑	+£9,000 ↑
Rochford	+£16,333 ↑	+£21,083 ↑	+£13,776 ↑	+£3,334 ↑
Southend	+£16,334 ↑	+£15,333 ↑	+£12,130 ↑	+£6,000 ↑
Thurrock	-£2,834 ↓	+£10,834 ↑	+£6,261 ↑	+£15,167 ↑

Focusing on Lower Quartile Prices

The next set of 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.

The increase in house prices are now reflected in the graphs, although, lower quartile prices have generally been slower to respond to changes in the overall housing market compared to upper quartile and 90th percentile.

Lower Quartile Price – Overall

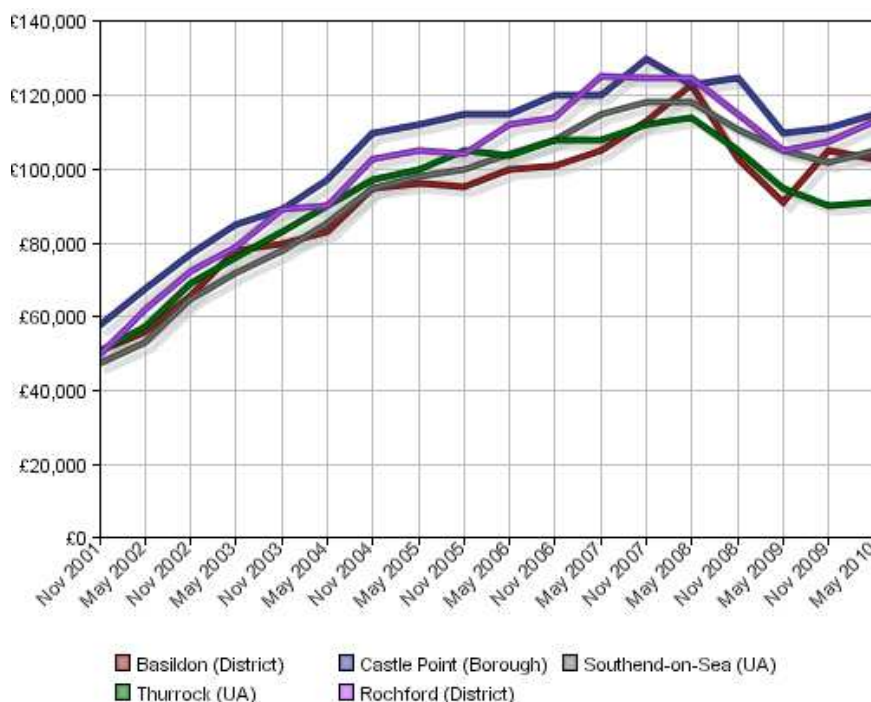


The above chart shows the overall lower quartile property prices by local authority area in the Thames Gateway South Essex sub region.

In May 2010, the highest overall lower quartile property price was in Rochford £184k, followed by Castle Point £165k, Basildon and Southend £150k and Thurrock £143k.

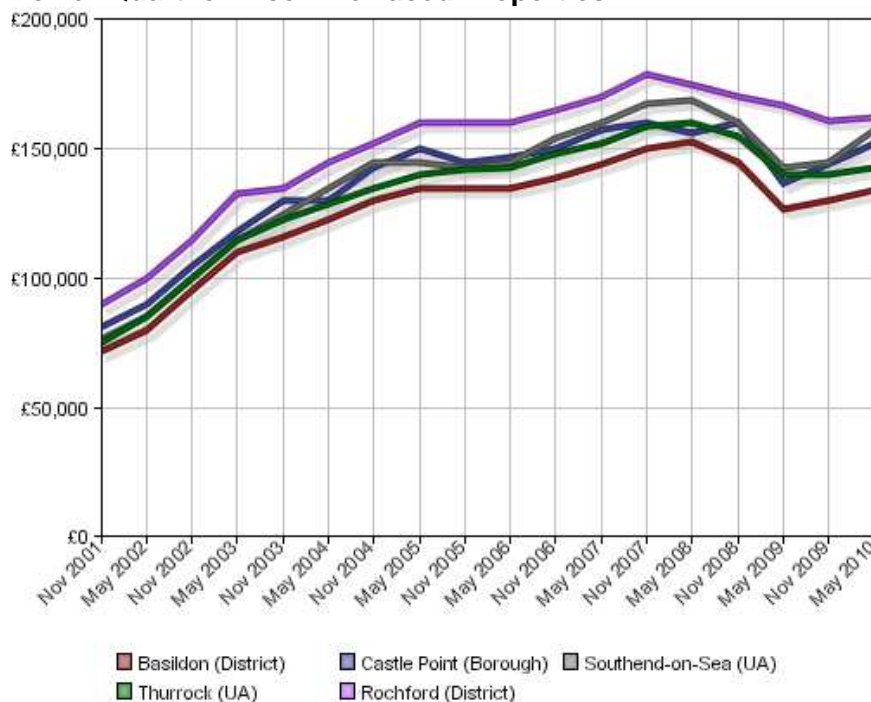
Between May 2009 and May 2010, lower quartile house prices rose in Southend by £13.5k, Rochford, Basildon, Castle Point by £10k and Thurrock by £6k. (See Appendix 2). Whilst prices are up from the previous years, apart from Southend, they have not reached the peak house prices experienced in 2007/08.

Lower Quartile Price – Flat / Maisonette



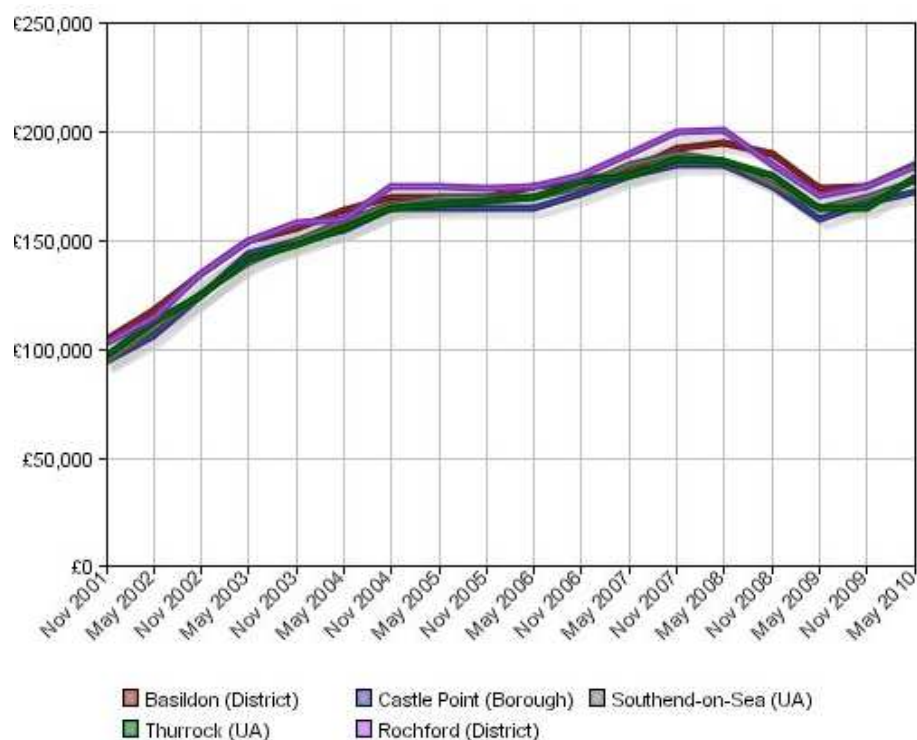
The above chart shows lower quartile prices for flat / maisonette properties. Since November 2009, prices fell back in Basildon, but rose in the remaining four authorities.

Lower Quartile Price – Terraced Properties



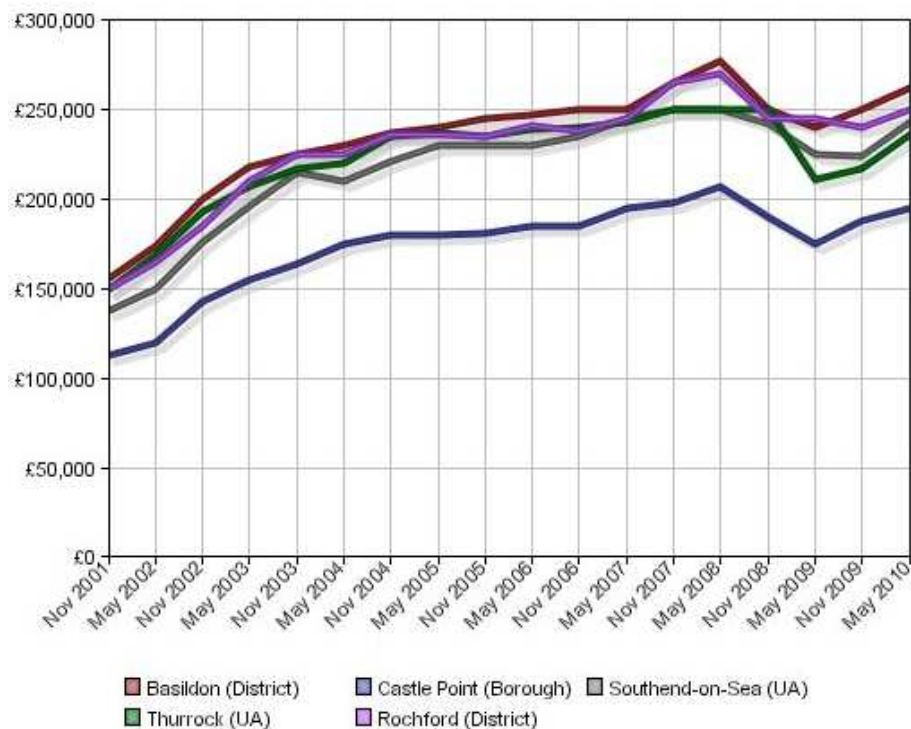
Since November 2009, the prices of lower quartile terraced properties have risen in all five local authority areas, although less so in Rochford. The downward trend in house prices appears to have reversed.

Lower Quartile Price – Semi Detached



Since November 2009, the price of semi-detached properties in all five local authority areas has risen showing a consistent picture across the sub region.

Lower Quartile Prices – Detached



Again, the graph shows price rises in all five local authority areas, with prices in Thurrock, Southend and Basildon accelerating at a faster rate.

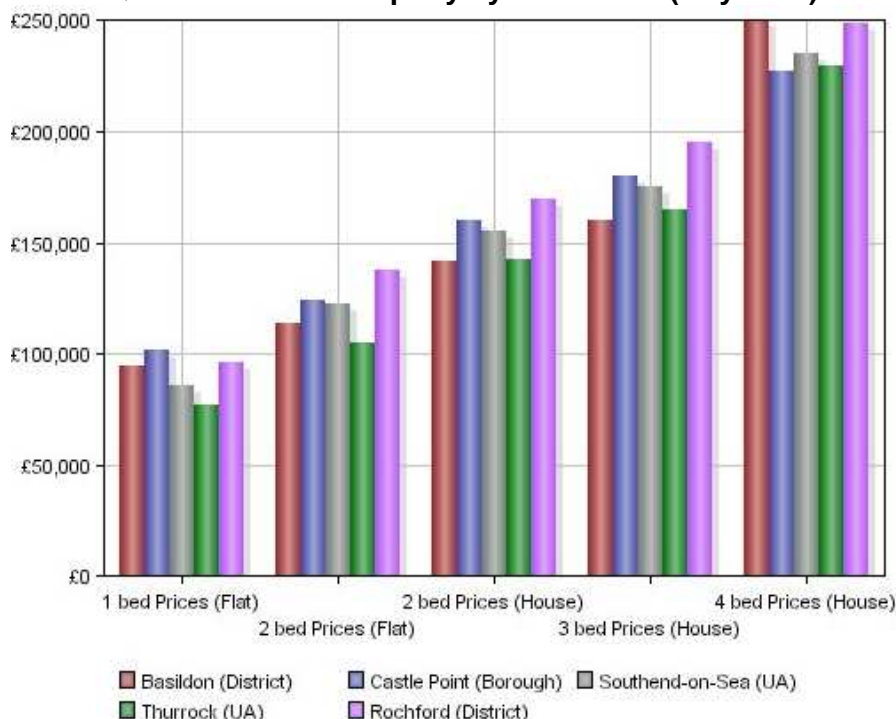
Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

Thurrock (UA)					Thurrock (UA)	
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales	Overall property price bands	
2006	2,482	753	128	464	2006	6.40%
2007	2,715	921	65	191	2007	6.60%
2008	1,111	421	26	40	2008	2.70%
2009	1,028	180	7	18	2009	2.10%
2010	208	66	2		2010	0.50%

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. It shows the marked drop off in sales in 2008, which has continued into 2009 and 2010. Total turnover is also dramatically down from a 6.60% peak in 2007.

Lower Quartile Price of Property by Bed Count (May 2010)

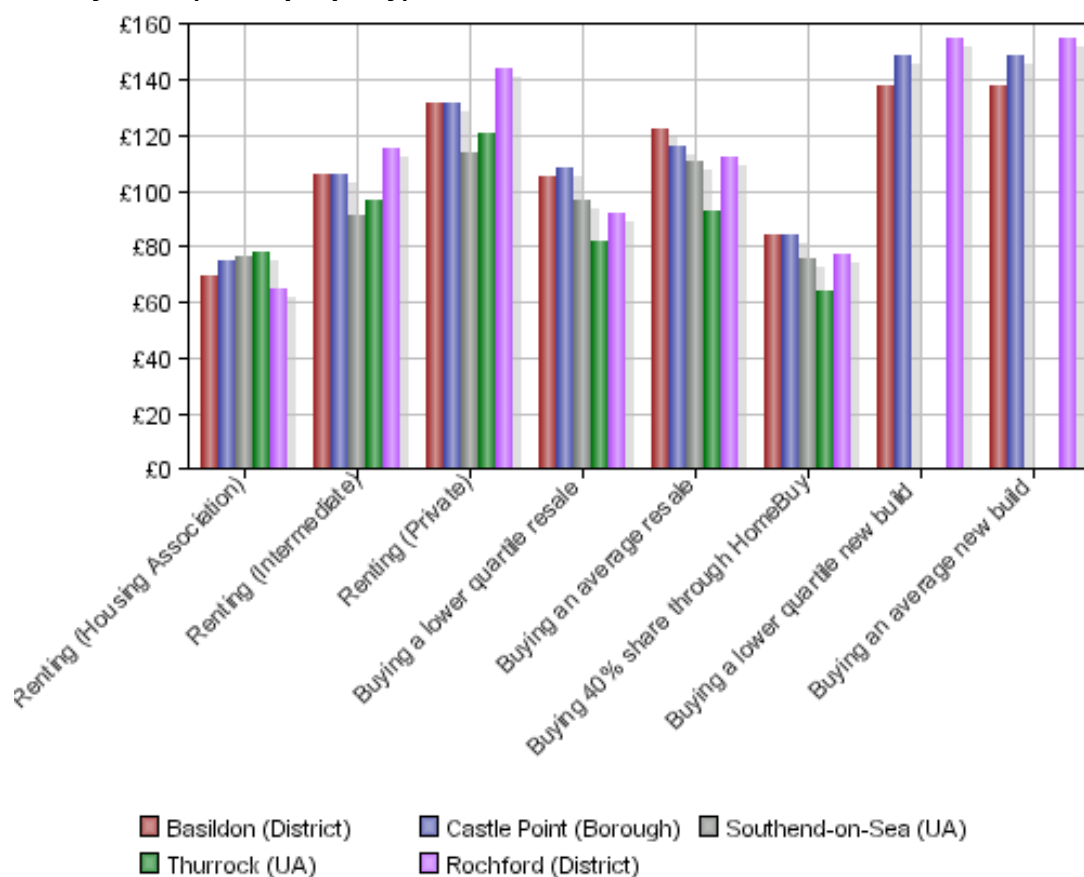


Latest Data Only For Comparison LQ (May 2010)

	Basildon (District)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	95,000	102,000	86,000	77,475	96,000
2 bed Prices (Flat)	114,000	124,000	123,000	105,000	138,000
2 bed Prices (House)	142,000	160,000	155,000	142,287	170,000
3 bed Prices (House)	160,000	180,000	174,998	165,000	195,000
4 bed Prices (House)	250,000	227,500	235,000	230,000	249,000

The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on March 2010 figures. For 1 bed flatted properties, the highest price was recorded in Castle Point, while for 2 bed flatted properties and 2 & 3 bed houses it was in Rochford. For 4 bed houses the highest price was recorded in Basildon.

Weekly Cost (1 bed property)

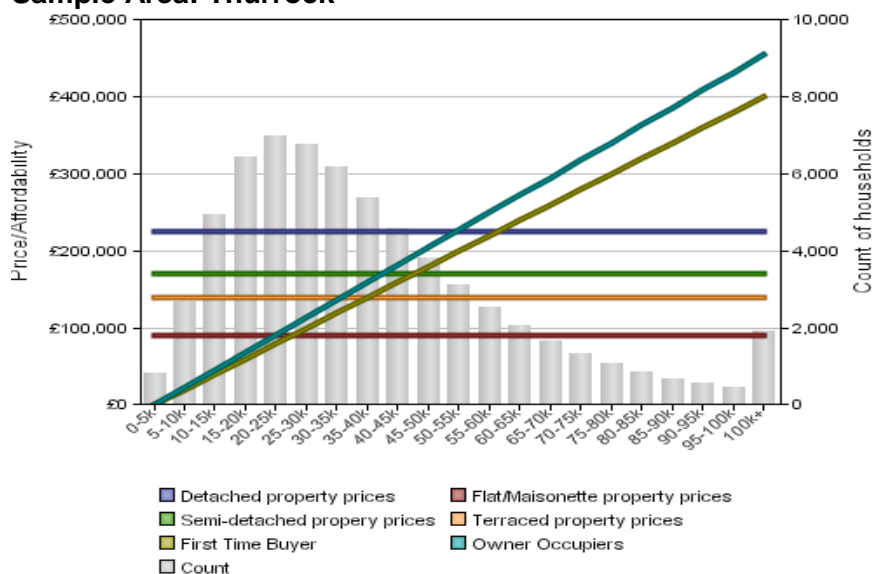


The chart compares the weekly cost of a one bed property across different tenures and has been analysed as follows:

- The weekly cost of renting from a Housing Association is generally lower than other tenures with the highest rent in Thurrock at £78.04 and the lowest in Rochford at £64.60, apart from Thurrock where it is cheaper to purchase a 40% share Homebuy property.
- Intermediate renting is more expensive in the TGSE sub region than buying a 40% share Homebuy property.
- Private renting is most expensive in Rochford at £144 per week followed by Basildon and Castle Point at £132 and Thurrock at £121.
- Private renting is the cheapest in Southend by as much as £30, at £114 per week.
- The weekly cost of renting either from a Housing Association or privately has increased across the sub region from the previous quarter.

Affordability: 3.0 times income

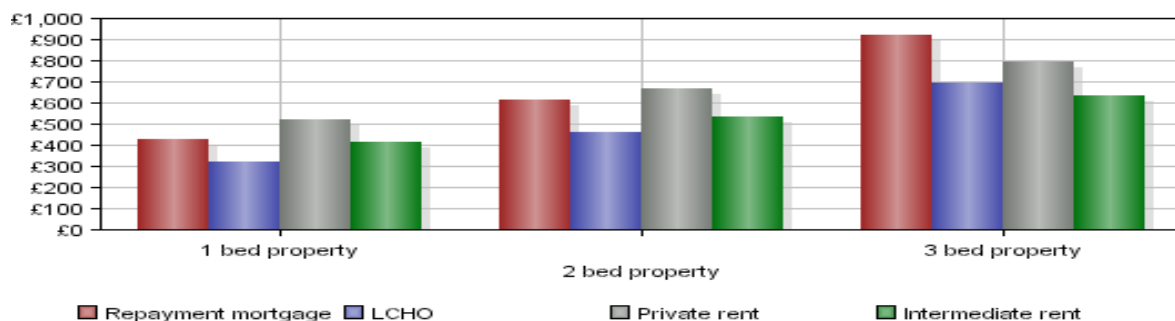
Sample Area: Thurrock



This 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, 34% or approximately 14,892 households cannot afford to purchase a flat or maisonette as a first time buyer on a mortgage at 3.0 times their income.

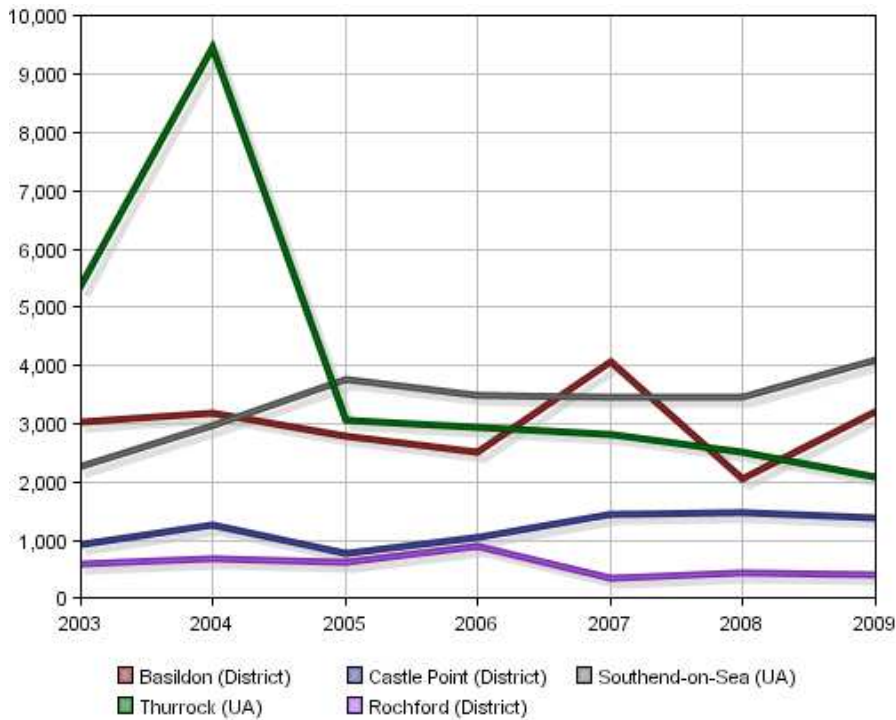
Affordability Calculator for Thurrock



	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£84,000	£430	£325	£524	£419
2 bed property	£120,000	£614	£465	£667	£534
3 bed property	£180,000	£921	£697	£797	£638

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 Thurrock, the information shows that for one and two bed properties; private renting is the most expensive, while for a 3 bed property; it is a standard repayment mortgage.

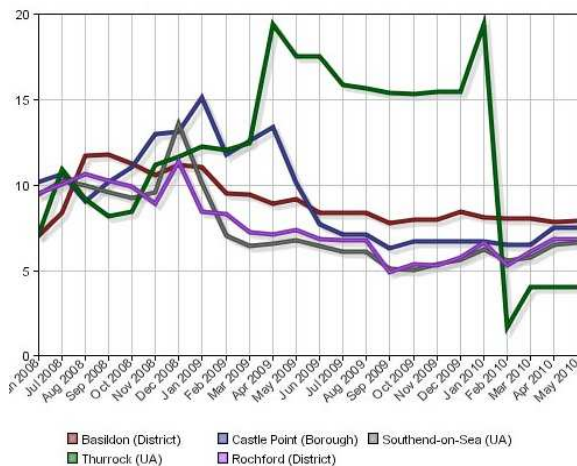
People on the Housing Register



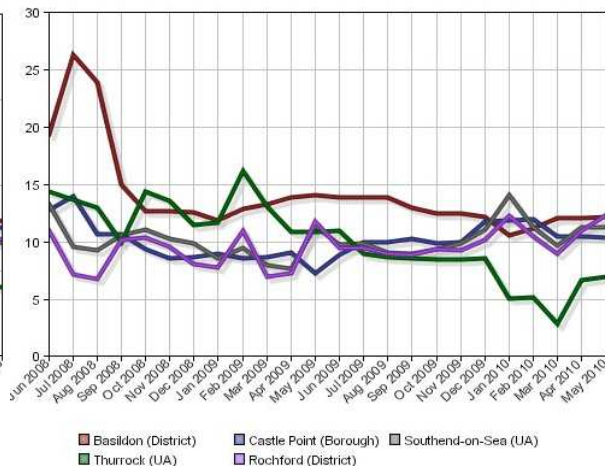
The above graph shows the number of people on the Housing Register for each year. Since 2008, the Register in Southend and Basildon has risen whilst in Thurrock it has fallen and in Castle Point and Rochford it has remained fairly static.

Market Indicators

Time to sell weeks

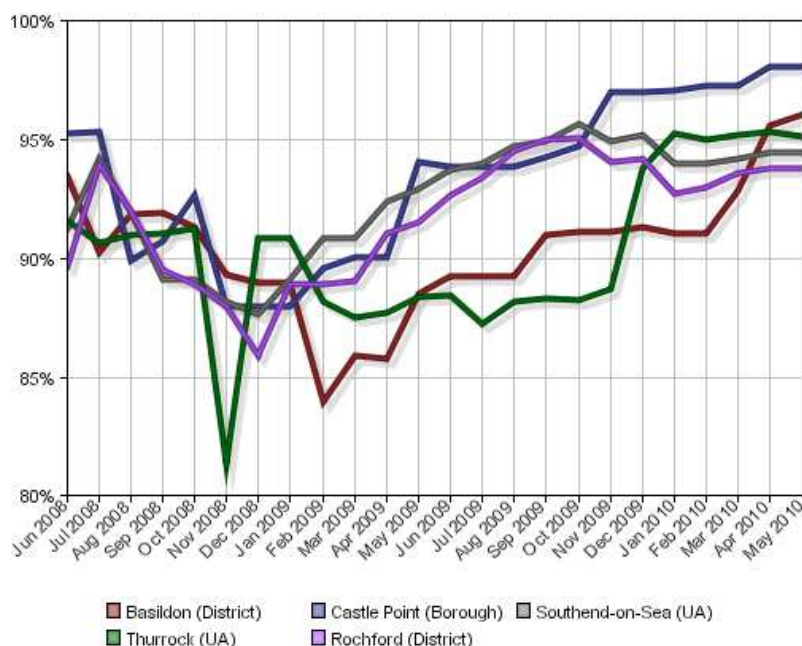


Number of viewings per sale



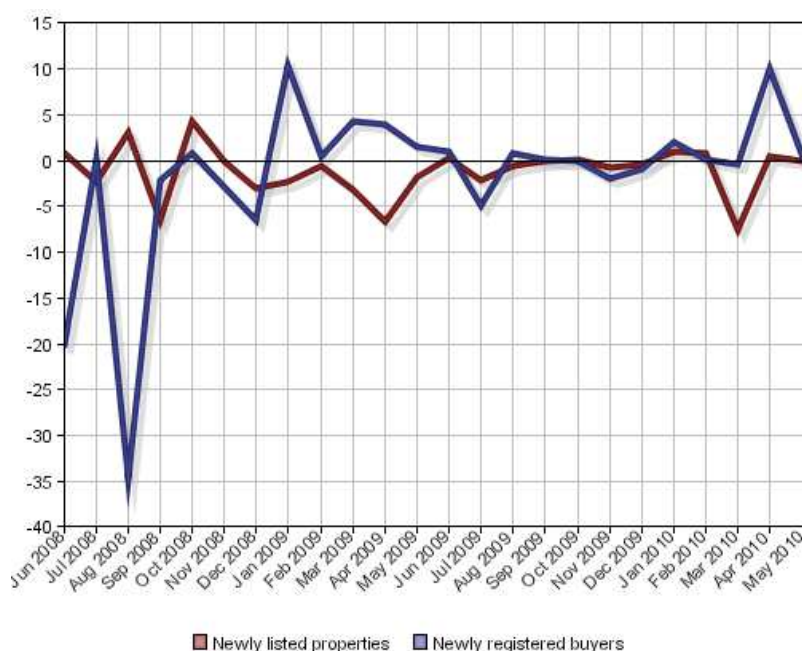
The above graphs show the average time to sell a property in weeks and the number of viewings per sale. Since March 2010, the time to sell has begun to increase or at best level out indicating a gradual slowing down in the housing market. The fluctuation in Thurrock is likely to be due to a small data sample. The general trend is also reflected in the data showing number of viewings per sale and the sales to asking price and new buyer registrations.

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 June 2008. There has been a general improvement in the level of asking price being achieved since October 2009 demonstrating improved market resilience and firmer pricing.

Change in Supply and Demand (Thurrock only)



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 Thurrock.

Between March and May 2010 there has been an excess of newly registered buyers over newly listed properties. However, since May, newly registered buyers have reduced in number while there has been a small increase in percentage terms in newly listed properties coming onto the market. It demonstrates a slowing down in the housing market and general lack of activity.

Appendix 1 –Snapshot of Housing Market in England & Wales by Richard Donnell, Director of Research, Hometrack, June 2010.

Since March supply has grown three times faster than demand six out of ten regions see fall in demand during June

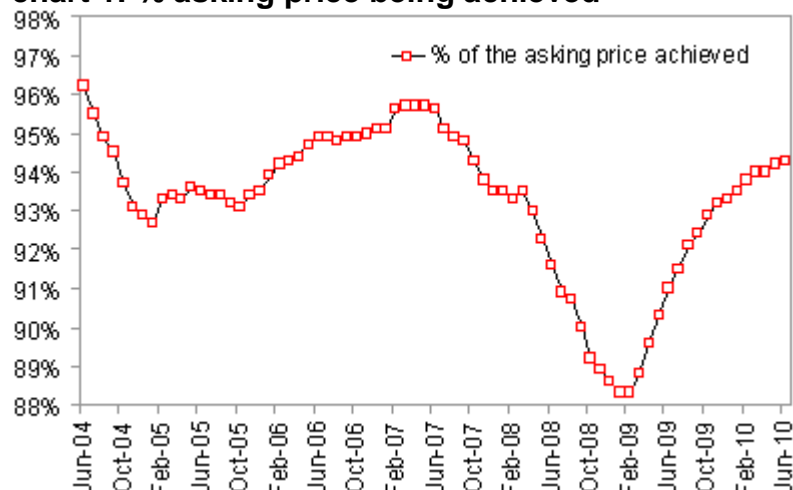
Summary	Apr-10	May-10	Jun-10
Monthly price change (%)	0.2	0.2	0.1
12 month price change (%)	1.8	2.0	2.1
% change in new buyers registering with agents	1.0	0.5	0.1
% change in volume of property listings	3.7	1.8	2.9
% change in sales agreed	6.3	2.0	2.8
Average time on the market (weeks)	8.3	8.3	8.4
% of the asking price being achieved	94.0	94.2	94.3
% postcode districts with price increase over month	19.4	18.6	11.4
% postcode districts with price decrease over month	2.7	0.8	2.6

Results

- New buyer registrations ground to a virtual standstill (+0.1%) in June.
- Six out of ten regions registered falls in new buyer registrations - London posted the largest decline over the month (-0.9%).
- Growth in demand has been slowing for the last four months. The run up to the Election, pre-budget talk of austerity measures and a continuing lack of mortgage finance have all contributed to market uncertainty.
- Demand has slowed but property listings continue to grow - rising by 2.9% over June.
- Over the last four months the supply of homes for sale has grown three times faster than demand - new supply has grown 15% compared to a 4.9% increase in demand.
- Speculation over changes to Capital Gains Tax and the abolition of Home Information Packs (HIPs) have been the drivers of supply growth.
- Despite the mis-match between supply and demand, sales volumes are still growing albeit off a very low base. Cash buyers and low loan to value borrowers remain the key participants in the market.
- Thin volumes are supporting prices despite the changing supply/demand balance. Prices grew by 0.1% over the month. The year on year rate of growth stands at 2.1%.
- While prices have risen over June, the extent of price rises has declined. Price increases are now limited to just 11% of the market. Price falls were identified across 2.6% of the market.
- Seasonal factors and faltering consumer confidence may result in falling demand over summer. The upshot could be some modest price falls but low transaction volumes and a lack of forced sellers is likely to limit the scale of any declines.
- Looking further ahead, higher interest rates are likely to be the primary catalyst for a material change in market conditions.

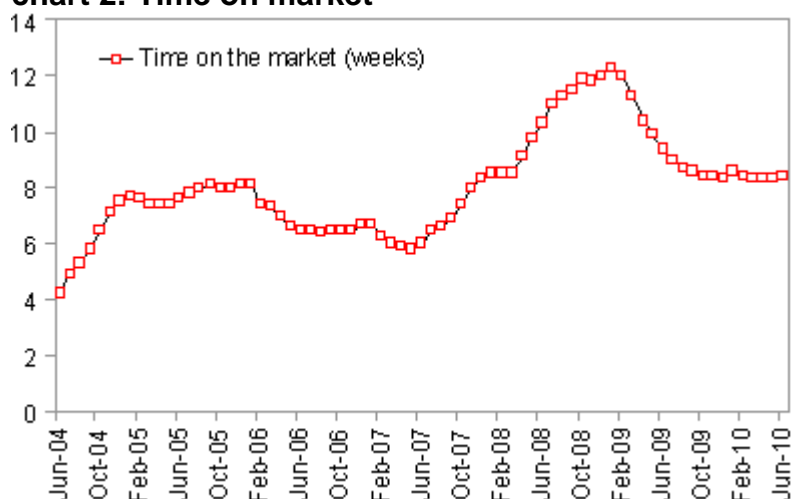
This month's survey was based upon 5,712 responses from 1,507 agents and surveyors across all 2,300 postcodes in England and Wales.

chart 1: % asking price being achieved



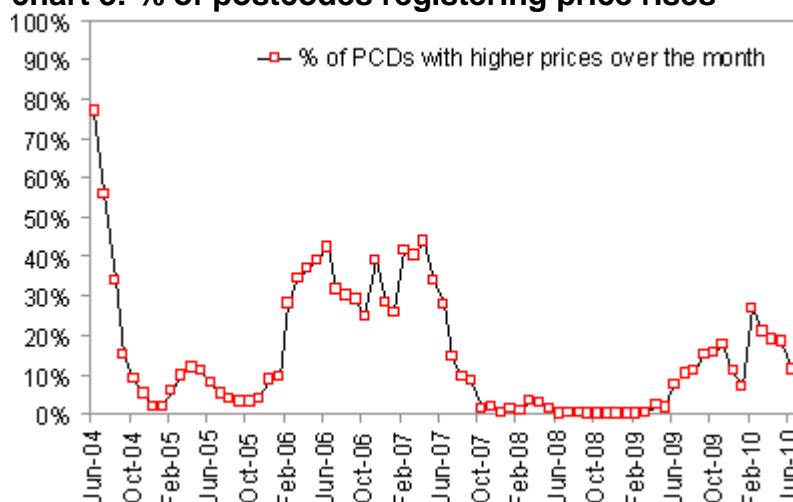
"The proportion of the asking price has bounced back over the last 12 months from a low of 88% in February 2009 to a current level of 94.3%."

chart 2: Time on market



"The time on the market has been falling since early 2009 from a high of 12.3 weeks seen in January 2009 to a current level of 8.4 weeks."

chart 3: % of postcodes registering price rises



"A decline in sales and new buyer registrations, together with firmer pricing has resulted in a fall in the proportion of areas registering high prices over the last few months. In January price rises were registered across just 7% of the market rising to 26% in February but falling back to 21% in March and 19% in April and May. The proportion has fallen back to 11% in June."

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

	Basildon (District)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile
Nov-01	77,995	88,000	70,000	75,000	102,000
May-02	85,000	97,000	76,500	86,000	112,000
Nov-02	100,000	117,500	89,995	99,995	131,000
May-03	115,000	130,000	96,000	114,390	145,000
Nov-03	120,000	140,000	110,000	120,315	155,000
May-04	126,000	147,000	119,000	127,500	160,000
Nov-04	134,000	153,000	129,500	130,000	170,000
May-05	135,000	155,000	127,500	137,000	170,000
Nov-05	136,000	155,000	130,000	140,000	170,480
May-06	140,000	160,000	135,000	139,000	171,000
Nov-06	145,000	160,000	138,000	144,000	179,995
May-07	148,500	170,000	140,500	147,500	180,000
Nov-07	155,000	172,000	148,000	147,995	193,000
May-08	158,000	172,000	146,000	149,995	195,000
Nov-08	152,000	170,000	142,500	149,500	184,000
May-09	140,000	155,000	136,425	137,000	174,950
Nov-09	145,000	165,000	141,000	140,000	175,000
May-10	150,000	165,000	150,000	143,000	184,995
Change May 2009- May 2010	+10,000	+10,000	+13,575	+6,000	+10,045

Source: Hometrack Housing Intelligence System