

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

July 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). 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 price growth stalled in June with prices remaining unchanged after three consecutive months of price rises.*
- *Economic uncertainty and the beginning of the seasonal summer slowdown saw new buyer registrations record the first month-on-month decline for five months.*
- *The supply of homes for sale continues to grow, albeit at a slowing pace. The growth in supply has outpaced the rise in demand for each of the last three months.*

Local House Prices

- *Between May 2011 and May 2012, lower quartile house prices were up in Castle Point by £5k, Basildon by £1.5k, but down in Southend by £1k, Thurrock by £4k and Rochford by £3k.*
- *In May 2012, the highest overall lower quartile property price was in Rochford £182k, followed by Castle Point £170k, Basildon £148.5k, Southend £145k and Thurrock £143k.*
- *Rochford now has the highest priced 1, 2, 3 & 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 Castle Point and Thurrock at £74 and the lowest in Rochford at £68.*
- *Private renting is most expensive in Castle Point at £137, followed by Basildon and Thurrock at £132, Rochford at £126 and Southend at £121.*
- *The average "head room" between 80% market rent and housing association rent for a 1 bed property ranges between £36 in Castle Point and £28 in Southend.*
- *Between May 2009-2012 private renting rose across the sub region with the largest increase in Southend at £29 per week.*

Affordability

- *Lack of affordable housing remains a significant issue across the sub region, where for example in Southend 48% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 73% for those wishing to purchase a terraced property and 90% for a detached property.*

Market Indicators

- *Since April 2012, the time to sell and viewings per sale have generally improved in Rochford and Southend but worsened in the rest of the sub region suggesting an east west split.*
- *With the percentage change in newly listed properties and registered buyers generally declining since January 2012, this indicates that the market will continue to flatten in the sub region.*

National Trends

House price growth stalled in June with prices remaining unchanged after three consecutive months of price rises.

Economic uncertainty and the beginning of the seasonal summer slowdown saw new buyer registrations record the first month-on-month decline for five months. Overall demand fell by 0.5% in June.

The supply of homes for sale continues to grow, albeit at a slowing pace. The growth in supply has outpaced the rise in demand for each of the last three months.

The Director of Research at Hometrack, Richard Donnell commented that “the over-riding story is of a fragile, lackluster housing market where buyers remain concerned by the UK economy and wider Euro zone. This echoes the ‘large black cloud of uncertainty’ comments by Bank of England Governor Mervyn King in his recent Mansion House speech”.

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 March and May 2012, it shows house prices in Southend and Rochford rising particularly in the 90th percentile and upper quartile ranges, remaining relatively steady in Castle Point and Basildon but falling in Thurrock. Price variations between different TGSE Local authority areas are summarised in the table below:

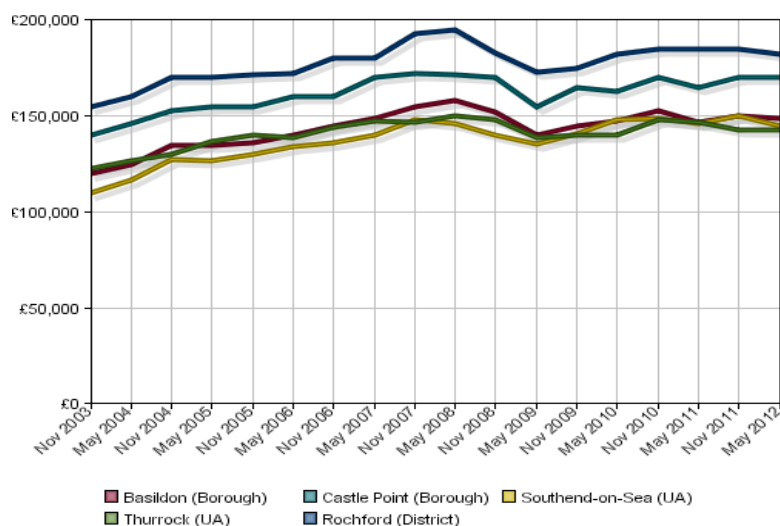
Change in House prices March – May 2012

Local Authority	90 th percentile	Upper Quartile	Average	Lower Quartile
Basildon	-£3,954 ↓	+£834 ↑	+ £3,272 ↑	+£4,667 ↑
Castle Point	+£2,334 ↑	£0 ↔	+£2,590 ↑	-£2,500 ↓
Rochford	+£35,000 ↑	+£16,833 ↑	+£11,323 ↑	+£5,000 ↑
Southend	+£41,666 ↑	+£36,666 ↑	+£6,905 ↑	+£2,500 ↑
Thurrock	-£10,833 ↓	-£166 ↓	-£3,328 ↓	+£334 ↑

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



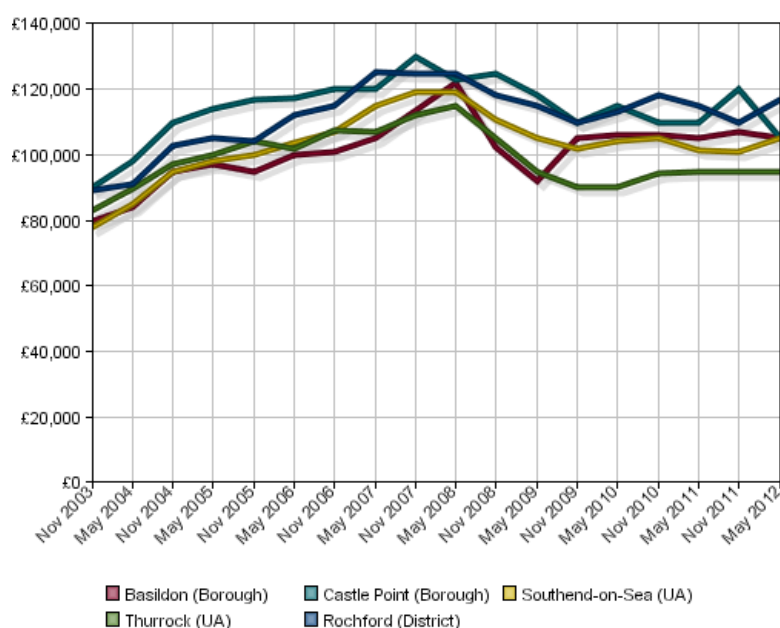
The above chart shows the partial recovery in house prices since the noticeable dip in spring of 2009. However, prices stalled again in November 2010 and have been flat lining with the possible exception of Castle Point.

In May 2012, the highest overall lower quartile property price was in Rochford £182k, followed by Castle Point £170k, Basildon £148.5k, Southend at £145k and Thurrock at £143k.

Between May 2011 - 2012, lower quartile house prices were down in Thurrock by £4k, Rochford by £3k, Southend by £1k but up in Castle Point by £5k and Basildon by £1.5k.

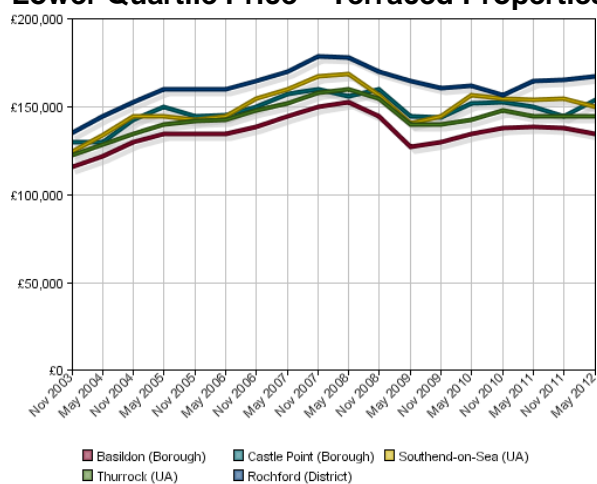
When compared with pre recession prices in 2007/08 where they peaked across the sub region, current prices are still down in Rochford by £13k, Basildon by £9.5k, Thurrock by £7k, Southend by £3k and Castle Point by £2k (see Appendix 2).

Lower Quartile Price – Flat / Maisonette



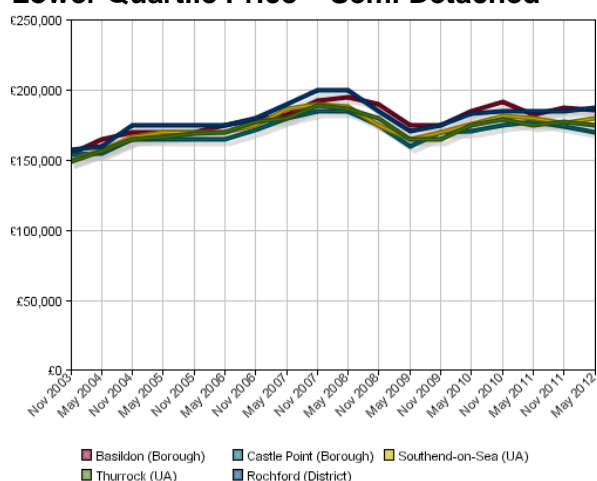
The above chart shows a mixed picture with lower quartile prices for flat / maisonette properties rising since November 2011 in Southend (£4k) and Rochford (£7k) but falling in Castle Point (£15k), Basildon (£2k) and remaining static in Thurrock. This could suggest an east / west split in property prices or could be the result of different stock being sold on the market.

Lower Quartile Price – Terraced Properties



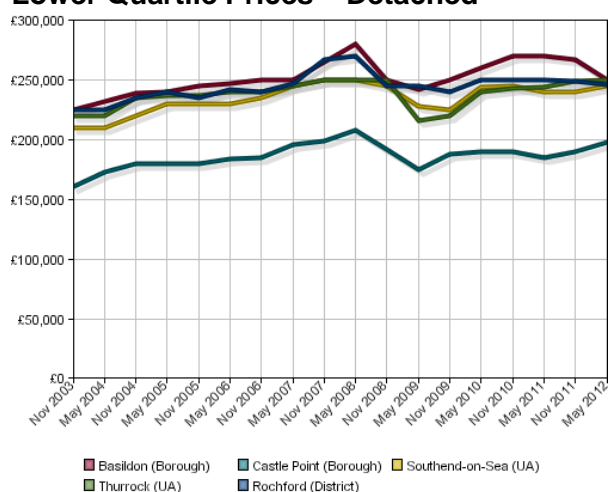
Since November 2011, the prices of lower quartile terraced properties rose in Rochford and Castle Point, fell in Basildon and Southend and remained static in Thurrock.

Lower Quartile Price – Semi Detached



Since November 2011, the price of semi-detached properties fell in Basildon and Castle Point but remained static in the remaining three local authority areas.

Lower Quartile Prices – Detached



Since November 2011, the price of detached properties rose in Castle Point and Southend but fell in the remaining three 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

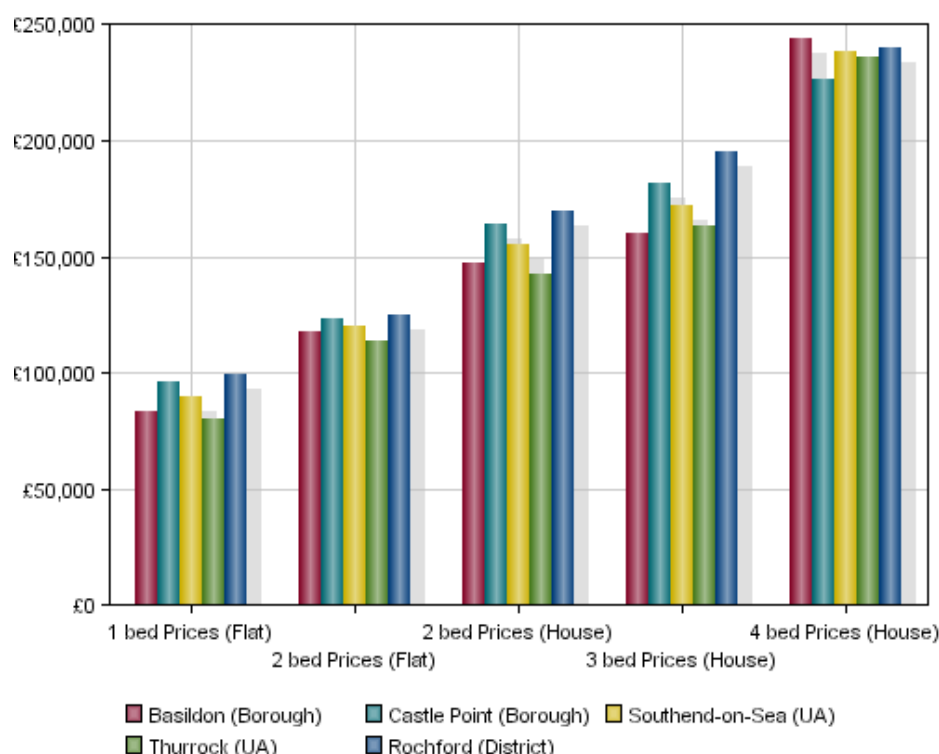
As a Proportion of Overall Property

	Southend			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2008	1,400	745	28	113
2009	1,572	581	36	57
2010	1,570	684	36	24
2011	1,647	663	51	31
2012	423	163	6	Not Available

	Southend	
	Overall property price bands	
2008	3.10%	
2009	3.00%	
2010	3.10%	
2011	3.20%	
2012	0.80%	

The above tables show the total volume of housing turnover in Southend, 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 3.10%, however, it is still significantly down from pre 2008 figures which were in excess of 6% (see TGSE Housing Market Trends Quarterly Report April 2010).

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

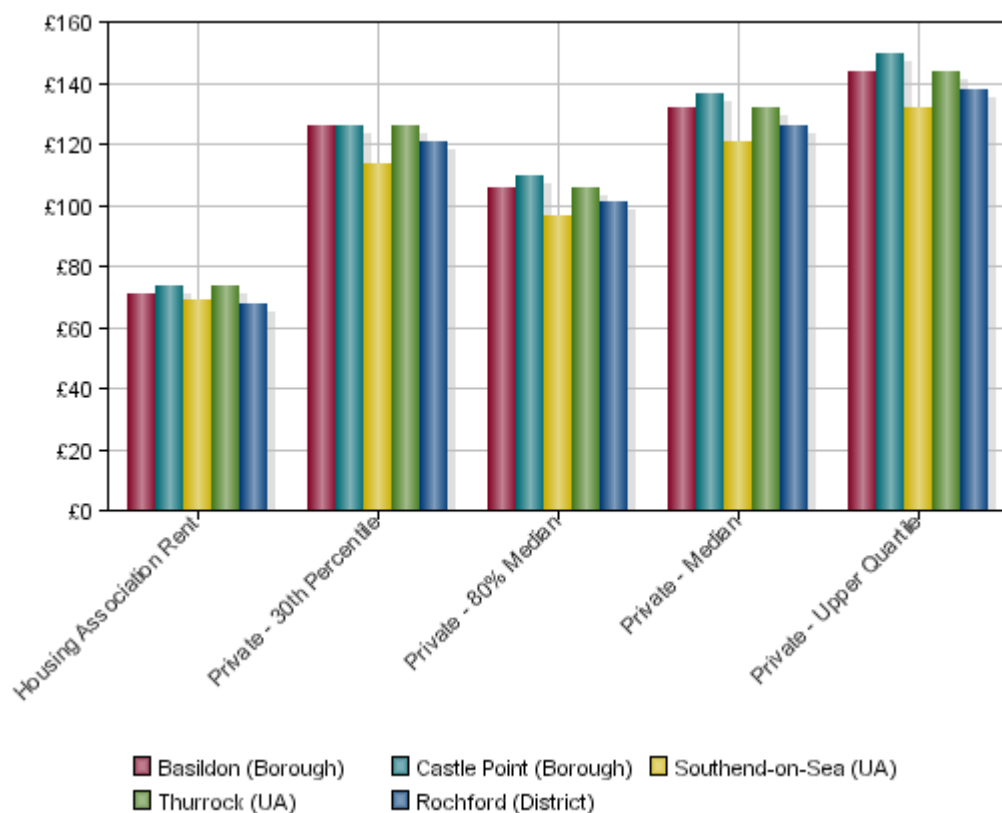


Latest Data Only For Comparison LQ (May 2012)

	Basildon (Borough)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	90,000	102,500	90,000	85,000	91,000
2 bed Prices (Flat)	122,750	119,250	120,000	118,000	125,000
2 bed Prices (House)	144,625	164,500	156,500	147,500	169,250
3 bed Prices (House)	153,500	180,000	170,000	165,000	197,000
4 bed Prices (House)	240,500	240,000	232,000	224,000	249,621

The graph and table over page show the lower quartile price of property by bed count in the TGSE sub region based on May 2012 figures. For all bed sized properties the highest prices were recorded Rochford, in the previous quarter Basildon recorded the highest priced 4 bed properties.

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

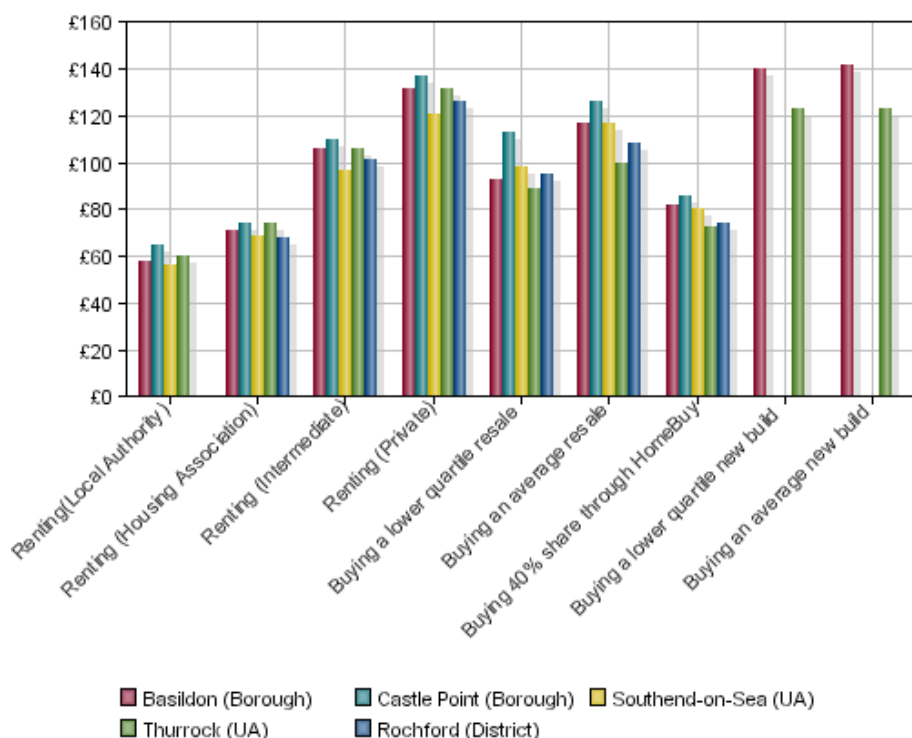


	Basildon (Borough)	Castle Point (Borough)	Southend- on-Sea (UA)	Thurrock (UA)	Rochford (District)
Housing Association Rent	71	74	69	74	68
Private - 30th Percentile	126	126	114	126	121
Private - 80% Median	106	110	97	106	101
Private - Median	132	137	121	132	126
Private - Upper Quartile	144	150	132	144	138
Difference between HA and 80% Median	35	36	28	32	33

The above graph and table shows the weekly cost of renting a one bed room property across a range of quartiles based on May 2012 prices. 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 remains 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 lower quartile resale property in all five local authority areas than to privately rent. Buying an average or even lower quartile resale property is most expensive in Castle Point
- Private renting is most expensive in Castle Point at £137, followed by Basildon, Rochford and Thurrock at £132 and Southend at £121

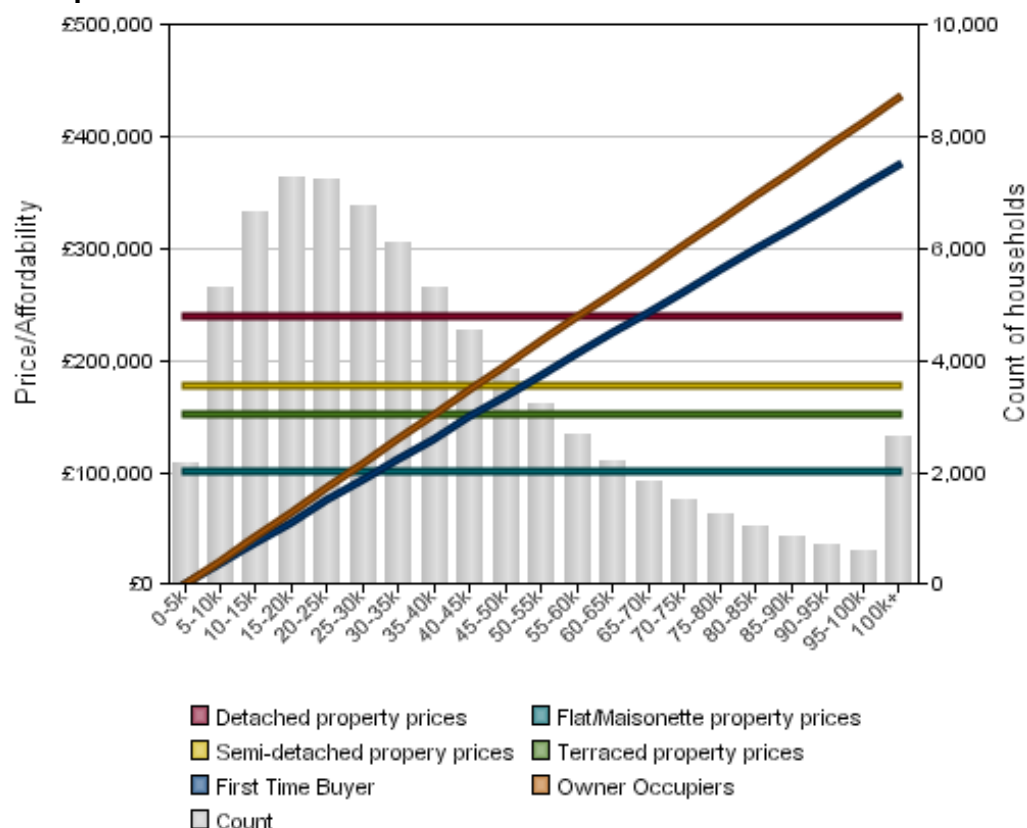
Weekly cost of renting (1 bed property) over time

Renting July 2009-12	Basildon	Castle Point	Southend	Thurrock	Rochford
Housing Association					
July 2012	71	74	69	74	68
July 2011	75	83	73	91	66
July 2010	N/A	N/A	N/A	78.0	65
July 2009	60	N/A	N/A	N/A	70
Private Median					
July 2012	132	137	121	132	126
July 2011	132	138	121	126	131
July 2010	132	132	114	121	144
July 2009	132	132	92	126	126

The above table shows the weekly cost of renting a 1 bed room property from both a housing association and privately between July 2009 and July 2012. Whilst not all the HA information is available, HA rent went up in Basildon but declined in Rochford over the period. Private median rent increased in Castle Point, Southend and Thurrock but remained stable in Basildon and Rochford (with some variation) over the period. Private renting increased the most in Southend by as much as £29 per week.

Affordability: 3.0 times income

Sample Area: Southend

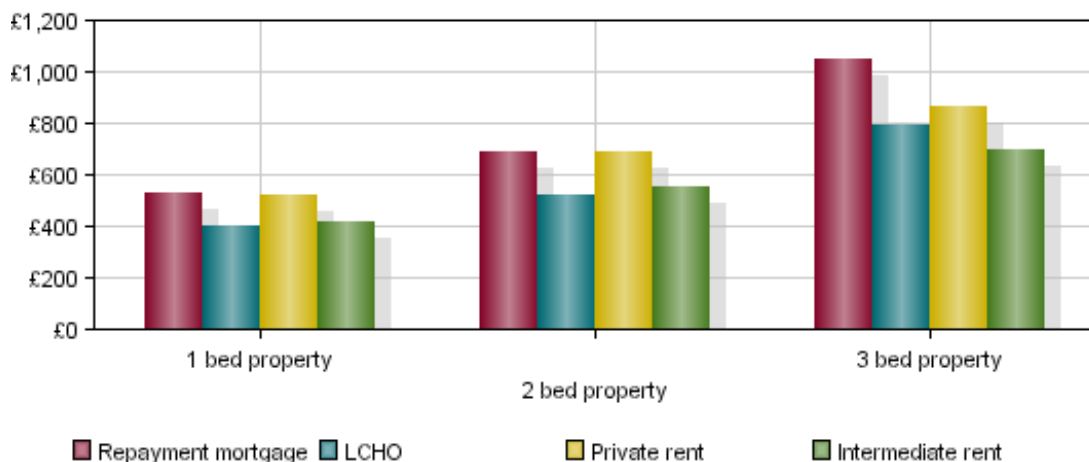


This above chart shows the number of households in different household income bands in Southend (bars) compared to the minimum price for different property types in the same area (horizontal lines). The diagonal lines rising from left to right show the value of property that can be afforded at different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

The chart demonstrates that a significant proportion of residents in Southend are priced out of the property market. For example, 48% of households 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 73% for those wishing to purchase a terraced property and 90% for a detached property.

Affordability Calculator for Southend

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



Average price Repayment mortgage LCHO Private rent Intermediate rent

	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£104,500	£535	£405	£524	£419
2 bed property	£135,000	£691	£523	£693	£555
3 bed property	£204,950	£1,049	£793	£871	£697

Affordability calculator for Southend-on-Sea (UA)

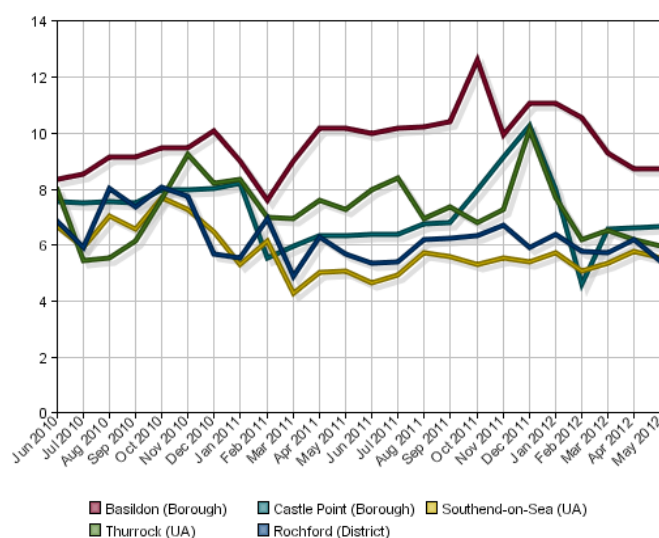
The information above is based on the average price for 1, 2 and 3 bedroom properties using a combination of sales and valuations data as well as open market and intermediate rental values. The data is calculated using the assumptions set within an Affordability menu (available on the Housing Intelligence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

The assumptions can be changed by moving the slider bars. For Southend, the information shows that for 1 and 3 bed properties a repayment mortgage is most expensive, whilst for 2 bed properties private renting is most expensive.

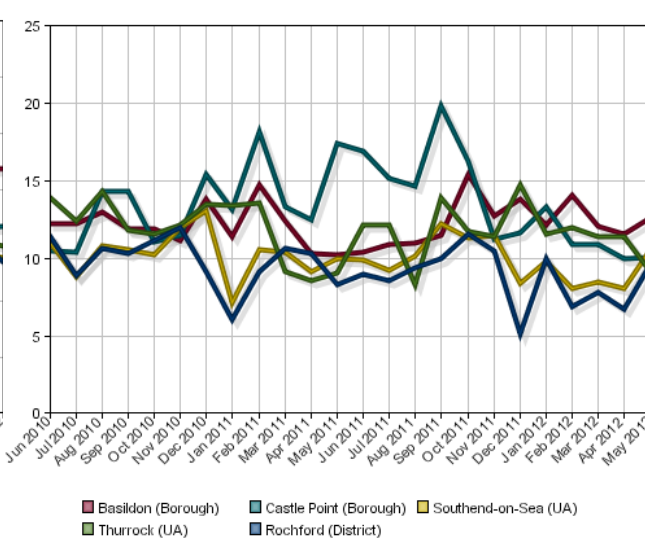
Whilst the sample area for this Quarterly Report is Southend, information can be readily made available for the other TGSE Local Authorities areas on request.

Market Indicators

Time to sell weeks

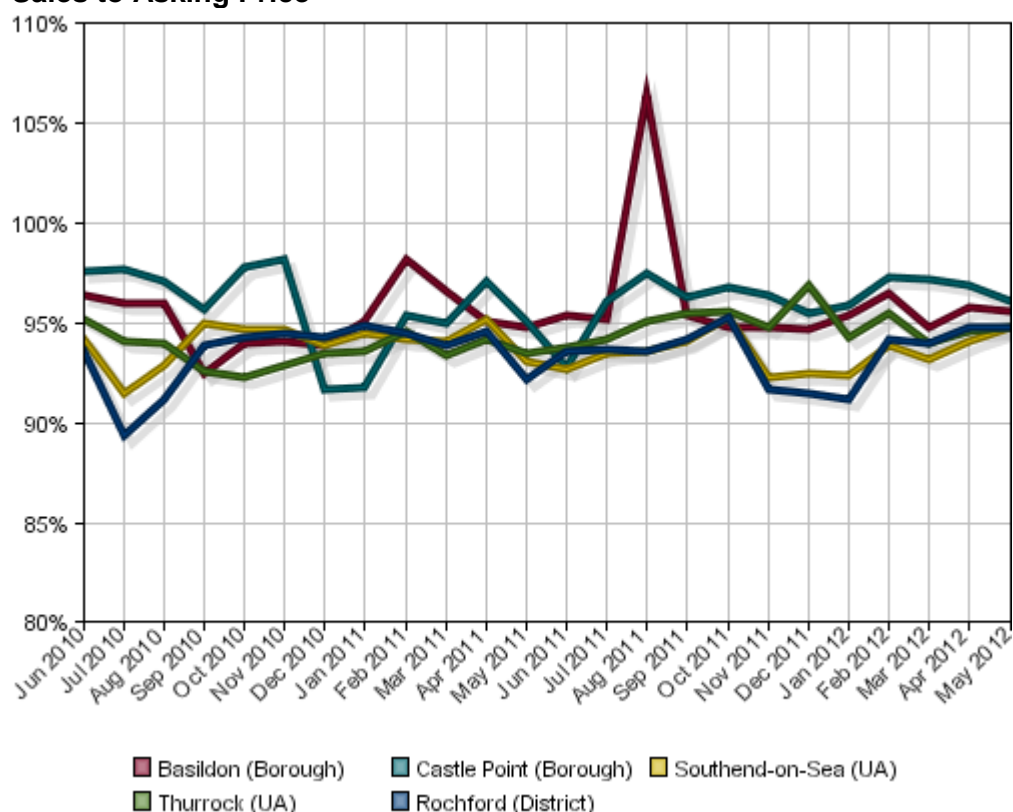


Number of viewings per sale



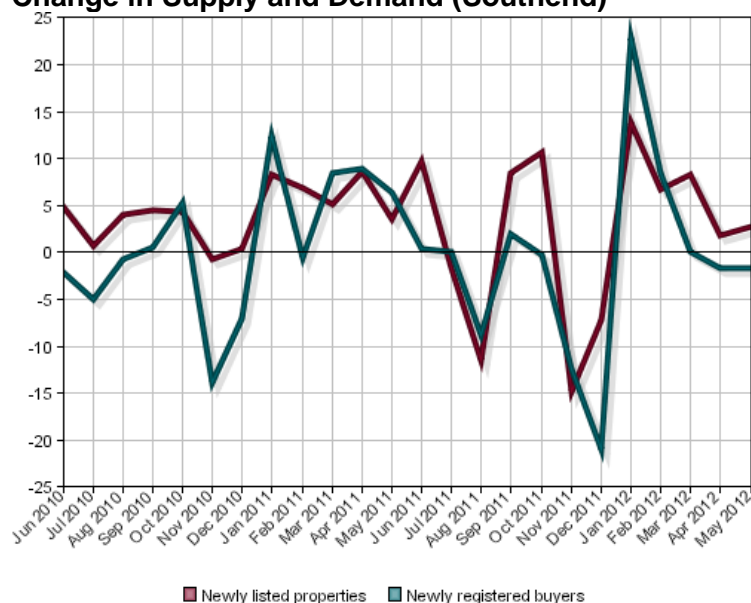
The above graphs shows that since April 2012 the time to sell has worsened in Castle Point, improved in Rochford, Southend and Thurrock, but remained the same in Basildon. Conversely, viewings per sale have worsened in Thurrock and Castle Point but improved in the remaining three Local Authority areas. This suggests that over this limited sales period the market had improved in Rochford and Southend but remained at best static in the three remaining Local Authority areas.

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 2010. Since April 2012, the percentage had increased in Basildon and Castle Point but declined in the remaining three Local Authority areas.

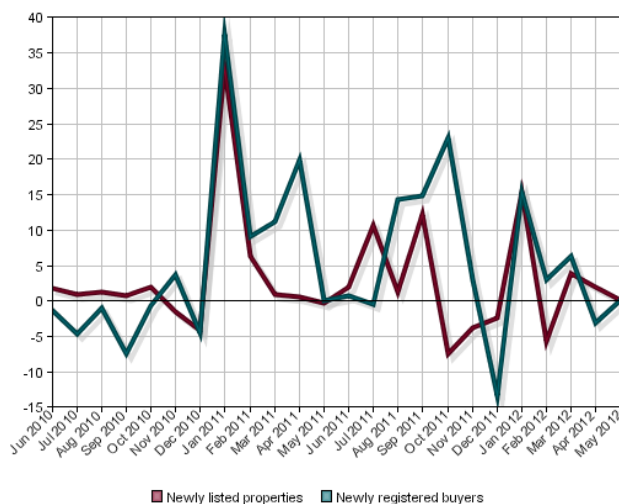
Change in Supply and Demand (Southend)



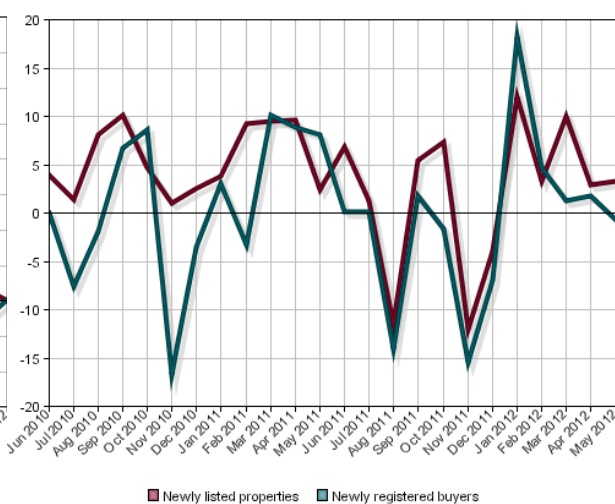
This graph compares the percentage change in the number of new properties being registered for sale each month against the percentage change in the number of new buyers registering for Southend.

Between December 2011 and January 2012 there was a large seasonal increase in the number of newly registered buyers and sellers, bigger than in the previous year. However, both indicators fell back in since January 2012, suggesting a general slowing down in the housing market and lack of activity. Newly registered buyers are now falling and with only a small increase in the number of new properties coming onto the market, this indicates that the market is flattening.

Castle Point



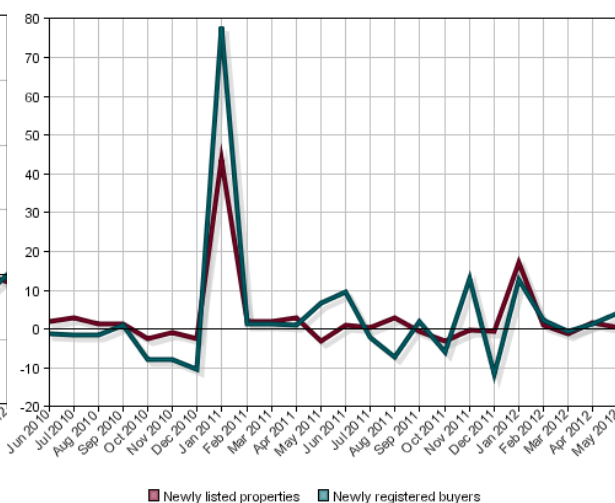
Rochford



Basildon



Thurrock



The picture for the rest of the sub region shows a similar trend with the percentage change in newly registered buyers falling away, albeit with a small increase being registered in Castle Point, Basildon and Thurrock since April 2012 and decline in newly listed properties, with the exception of Rochford.

Price rises stall in June on weaker demand and Euro zone fears

Summary	Apr-12	May-12	Jun-12	Change
Monthly price change (%)	0.1	0.2	0	▼
% change in new buyers registering with agents	2.1	0.4	-0.5	▼
% change in volume of property listing	4.8	2.2	1.5	▼
% change in sales agreed	10.1	3.8	7.3	▲
Average time on the market (weeks)	9.3	9.3	9.4	▲
% of the asking price being achieved	93.1	93.2	93.1	▼
% postcode districts with price increase over month	13.7	11.6	10.8	▼
% postcode districts with price decrease over month	12.4	12.1	23.4	▲

Results at a glance

- House price growth stalled in June with prices remaining unchanged after three consecutive months of price rises.
- Economic uncertainty and the beginning of the seasonal summer slowdown saw new buyer registrations record the first month-on-month decline for five months. Overall demand fell by 0.5% in June.
- The supply of homes for sale continues to grow, albeit at a slowing pace. The growth in supply has outpaced the rise in demand for each of the last three months (see figure 2).
- Demand is set to decline further over the summer as the seasonal slowdown begins to kick in. As a result the balance between supply and demand is set to widen, putting further downward pressure on prices.
- Headline month-on-month price falls have been avoided due to the relative strength of the London market. London was the only region to register a price increase in June - up 0.3%.
- What is becoming clearer from the survey is that the impetus for price growth in regions outside London is starting to fade on weaker demand. Prices were down in seven regions in June compared to three in March (see figure 3).
- The extent of price falls jumped in June with 23% of the country registering falls over the month compared to 12% for each of the last two months. The increase has been seen in southern regions outside London.
- On a regional basis, market fundamentals, as measured by the time on the market, remain weakest in northern regions where the average time to sell is over 11 weeks. In southern regions the time on market is eight weeks on a rising trend while in London it remains at a recent low of five weeks.
- The over-riding story from the 1,500 respondents to the survey is of a fragile, lackluster housing market where buyers remain concerned by the UK economy and wider Euro zone. This echoes the 'large black cloud of uncertainty' comments by Bank of England Governor Mervyn King in his recent Mansion House speech.

Figure 1

The proportion of the asking price achieved has moved up to 93.0%. Increases would indicate some recovery of prices.
The time on the market has registered another small decrease to 9.7 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.

Supply demand balance leads price changes by 3 months

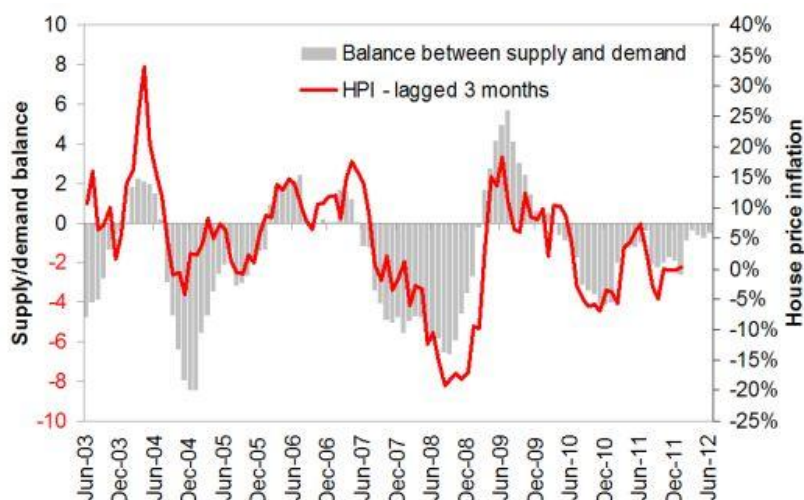
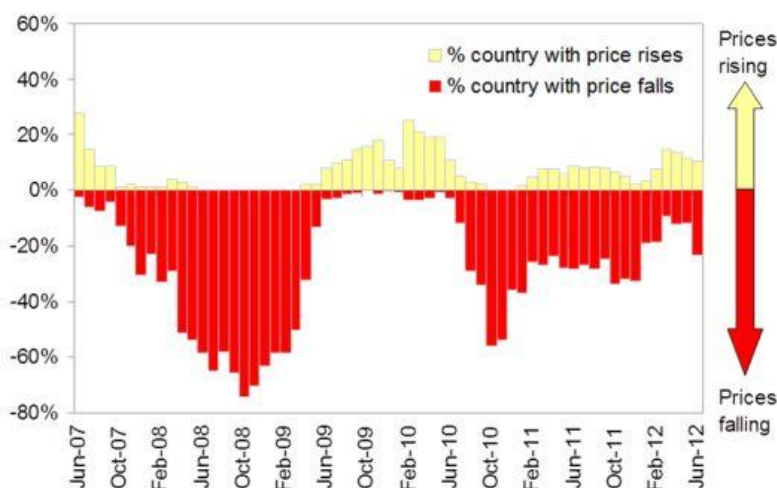


Figure 3

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 23.4% of postcodes in June 2012.

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
Nov-03	120,000	140,000	110,000	122,500	155,000
May-04	125,000	146,000	116,500	127,000	160,000
Nov-04	134,500	153,000	127,500	130,000	170,000
May-05	135,000	154,995	127,000	137,000	170,000
Nov-05	135,995	155,000	130,000	140,000	171,500
May-06	140,000	160,000	134,000	139,000	172,000
Nov-06	145,000	160,000	136,000	144,000	179,995
May-07	149,000	170,000	140,001	147,500	180,000
Nov-07	155,000	172,000	147,995	147,000	193,000
May-08	158,000	171,500	146,000	150,000	195,000
Nov-08	152,000	170,000	140,000	148,048	183,000
May-09	140,000	155,000	135,500	138,636	173,000
Nov-09	145,000	165,000	141,000	140,000	175,000
May-10	147,500	163,000	148,000	140,000	182,500
Nov-10	153,000	170,000	149,000	148,000	185,000
May-11	147,000	164,995	146,000	147,000	185,000
Nov-11	150,000	170,000	150,000	142,500	185,000
May-12	148,500	170,000	145,000	143,000	182,000
Change May 11 May 12	1,500	5,005	-1,000	-4,000	-3,000
Change Peak – May 2012	-9,500	-2,000	-2,995	-7,000	-13,000

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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