Thames Gateway South Essex

Housing Market Trends

Quarterly Report

July 2014

House Prices, Affordability & Market Indicators

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& 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 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 by 0.3% in June but growth has halved over the last quarter, heralding a slowing down in house price growth as demand weakens and buyers become more cautious.
- The proportion of the asking price achieved fell for the first time in four months.
- However, the time on the market decreased from 5.9 weeks in April 2014 to 5.9 weeks currently.

Local House Prices

- In May 2014, the highest overall Lower Quartile (LQ) house price was in Rochford at £204k, followed by Castle Point £178k, Basildon, Southend £160k and Thurrock £150k.
- Prices were cheaper compared with the London region by as much as £100k.
- When compared with pre-recession prices in 2008/9 when they peaked, prices are now (as predicted) consistently higher for the first time across the sub region in Southend by £12k, Rochford £9k, Castle Point £5k, Basildon £1.5k and Thurrock £0.05k.
- In comparison with the previous year in May 2013, prices in Southend were up by +£2.5k, whilst down in the remaining TGSE LAs by as much as -£13.5k in Basildon.

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 (median) is now most expensive in Thurrock at £144, followed by Castle Point, Basildon at £138, Rochford £132 and Southend at £126 per week.
- Private rent has increased between 2009-2014 in Southend by £34, Thurrock by £18 Basildon, Castle Point and Rochford by £6.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Castle Point 57% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 70% for those wishing to purchase a terraced property and 83% for a detached property.
- The latest ratio between LQ house prices and LQ household disposable income has risen to 11.1 in TGSE Postal area SS, compared to 16.1in east London Postal area E.

National Trends

The rate of house price growth halved in the last quarter with average prices rising by 0.3% in June according to Hometrack residential property analyst.

Last month saw a slowdown in house prices as demand weakens and buyers become more cautious over the outlook for the housing market. There was also no growth in new housing demand in June which marks a major turnaround from the trend over last 18 months.

The proportion of the asking price achieved fell for the first time in four months as agents found it harder to sustain price rises.

London has seen the lowest coverage of price rises for 16 months – half the level of the second half of 2013, with the average time on the market also rising as sales take longer to achieve in the face of weaker demand.

The time on the market averages 5.9 weeks, which is a decrease on April 2014 (6.3 weeks) and May (6.5 weeks). The measure has been rising in London for the last two months.

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 May 2013 and May 2014 over a ten year time-span, prices rose in all five TGSE Local Authority areas by as much as £20,500. The highest price was recorded in Basildon, followed by Southend, Castle Point, Rochford and Thurrock.

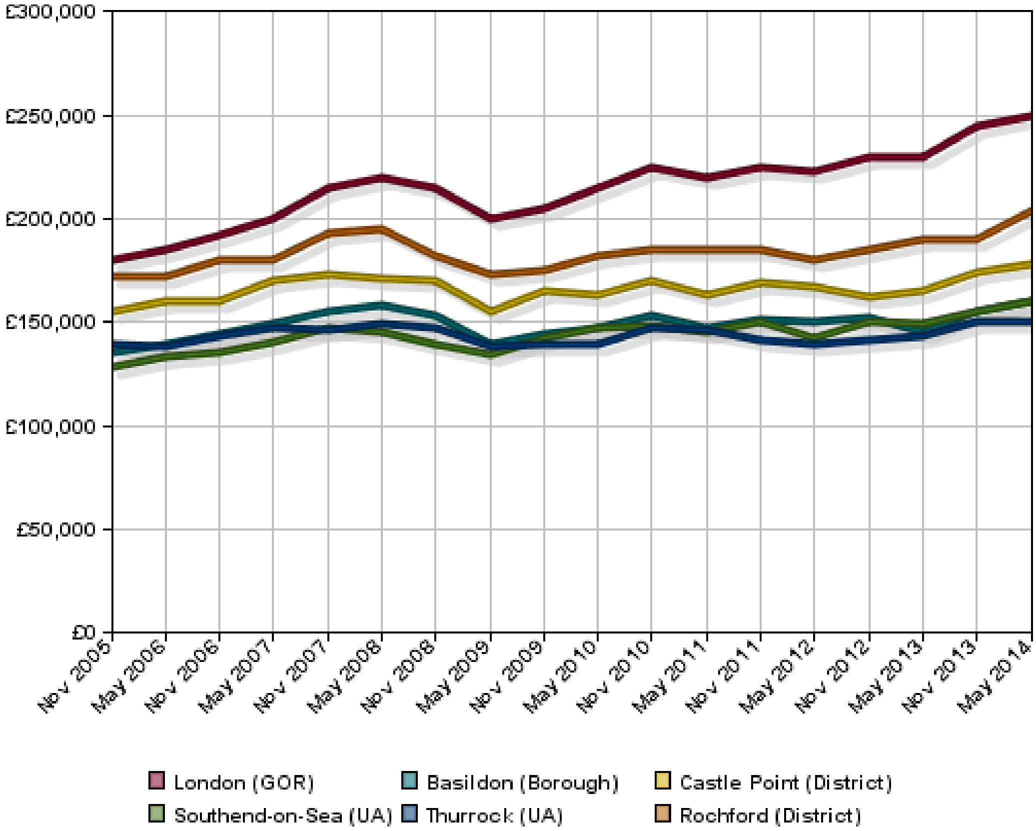
Change in Average House Prices May 2013 – May 2014

Local Authority	*May 2013*	*May 2014*	*Change*
Basildon	226,620	247,136	+£20,516 ⬆
Castle Point	225,728	240,159	+£14,431 ⬆
Rochford	256,372	266,512	+£10,140 ⬆
Southend	226,038	241,432	+£15,394 ⬆
Thurrock	190,935	199,676	+£8,741 ⬆

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.

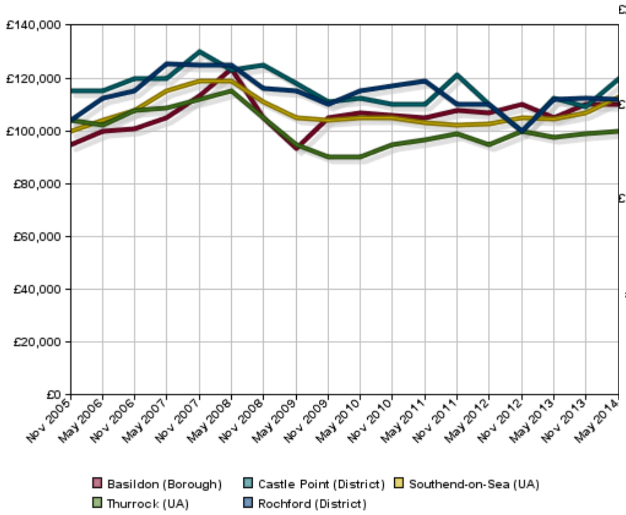
Lower Quartile Price – Overall



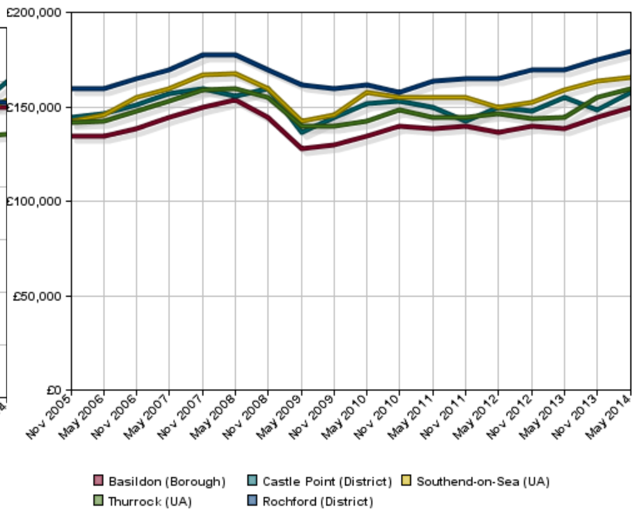
The above chart shows the partial recovery in house prices since the noticeable dip in 2008/9. Prices began to recover in May 2009, but then dipped again before a more sustained recovery began from May 2013. In May 2014, the highest overall lower quartile property price was in Rochford at £204k, followed by Castle Point £178k, Basildon, Southend £160k and Thurrock £150k. Prices were cheaper compared with the London region by as much as £100k.

When compared with pre recession prices in 2008/09 where they peaked across the sub region, current prices are now consistently up (as predicted) across all five TGSE local authority areas for the first time in Southend by £12k, Rochford £9k, Castle Point £5k, Basildon £1.5k and Thurrock £0.05k (see Appendix 2). In comparison with the previous year in May 2013, prices in Southend were up by £2.5k, whilst down in the remaining TGSE LAs by as much as £13.5k in Basildon.

Lower Quartile Price – Flat / Maisonette



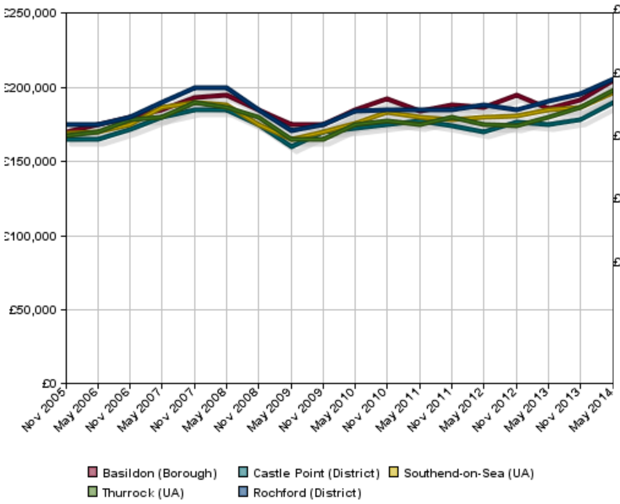
Lower Quartile Price – Terraced Properties



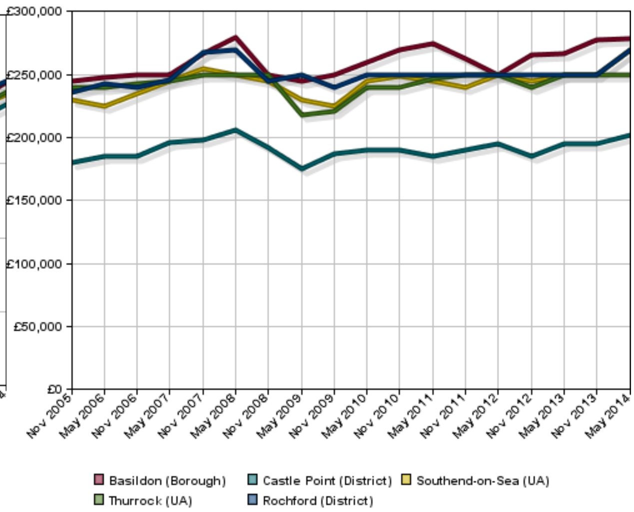
The above charts show a mixed picture. Prices of flat / maisonette property have been more volatile in past years and have only seen marginal price increases since May 2013, apart from Castle Point and

Southend where prices have risen more sharply. For terraced property, prices have all risen since November 2014 with Thurrock followed by Basildon and Rochford experiencing the steepest rise.

Lower Quartile Price – Semi Detached



Lower Quartile Prices – Detached



Since May 2013, prices of semi-detached properties had all moved upwards, by as much as £18k in Thurrock.

For detached properties, since May 2013 prices had risen between £7-11K in Castle Point and Basildon, a full £20k in Southend and Rochford, but remained stable in Thurrock.

In summary, the prices for smaller flatted properties have fluctuated more so across the sub region but recently have been rising. Prices of terraced, semi detached and detached properties have all risen consistently and to a greater degree. Southend and Rochford have seen some of the biggest increases.

Annual Turnover by Broad Type and Age

	Castle Point			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2010	907	79	8	23
2011	870	60	22	11
2012	952	74	13	21
2013	1,192	101	19	5
2014*	321	21	2	1

As a Proportion of Overall Property

	Castle Point
	Overall property price bands
2010	2.70%
2011	2.60%
2012	2.80%
2013	3.50%
2014*	0.90%

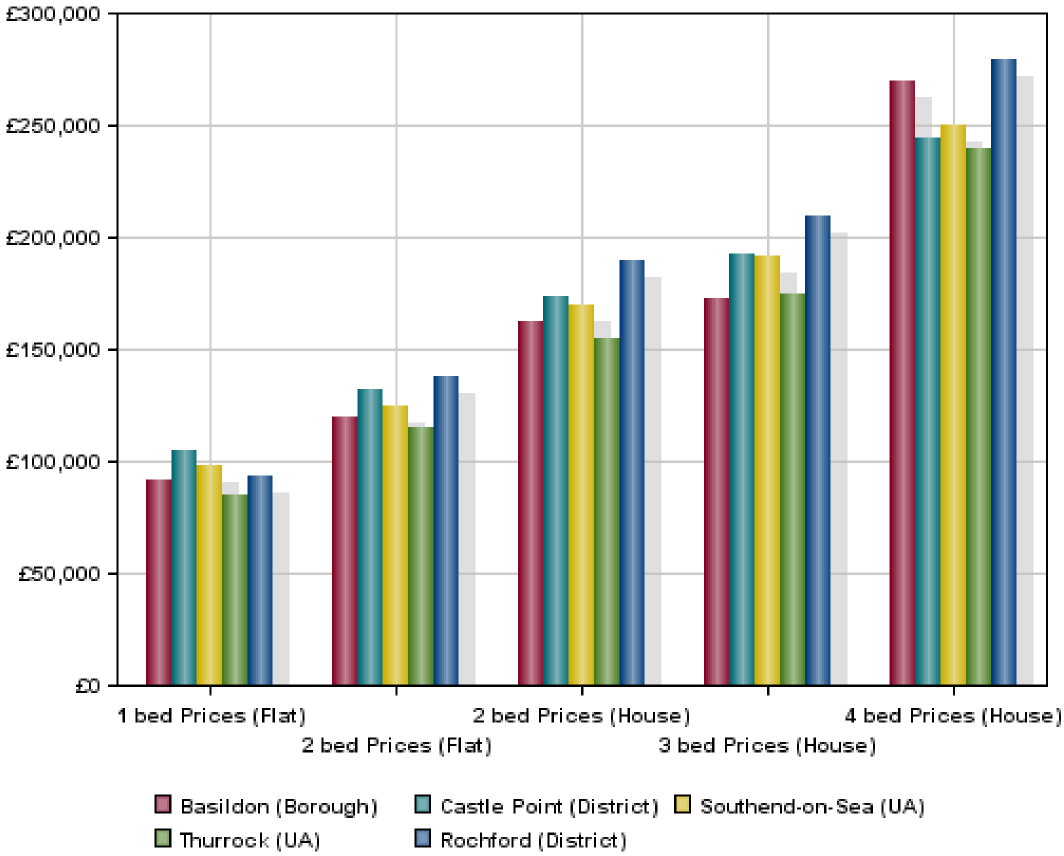
**2014 January - May only*

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.

Annual turnover since 2010 has increased overall in the 2nd hand housing market and new build house sales market, however, it has declined in the new build flat market suggesting that this housing type is not being delivered as yet.

The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover has increased marginally and was 3.50% in 2013. However, it is still significantly down from pre 2008 figures where it was 5.5% in 2007 (see TGSE Housing Market Trends Quarterly Report, January 2011).

Lower Quartile Price of Property by Bed Count (May 2014)

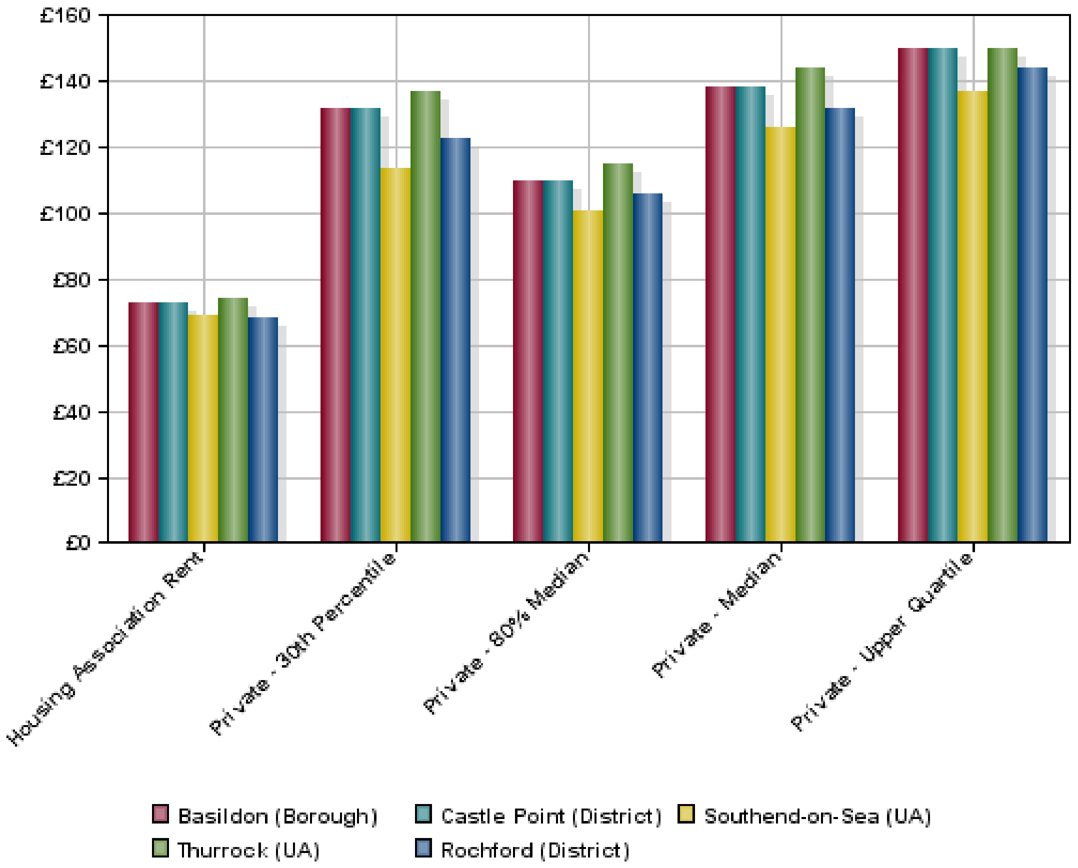


Latest Data Only For Comparison LQ (May 2014)

	Basildon (Borough)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	92,000	105,250	98,250	85,000	94,000
2 bed Prices (Flat)	120,000	132,425	125,000	116,000	138,000
2 bed Prices (House)	162,625	174,375	170,000	155,000	190,000
3 bed Prices (House)	172,750	193,000	192,000	175,000	210,000
4 bed Prices (House)	270,000	245,000	250,000	240,000	280,000

The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on May 2014 figures. For 1 bed flats; Castle Point had the highest priced property; for 2 bed flats, 2, 3 and 4 bed houses it was Rochford. Basildon has some significantly higher priced 4 bed properties 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	132	132	114	137	123
Private - 80% Median	110	110	101	115	106
Private – Median *(figures for May 13)*	138 132	138 138	126 121	144 138	132 129
Private - Upper Quartile	150	150	137	150	144
Difference between 80% Median and HA rent	37.1	36.9	32.2	41	37.8

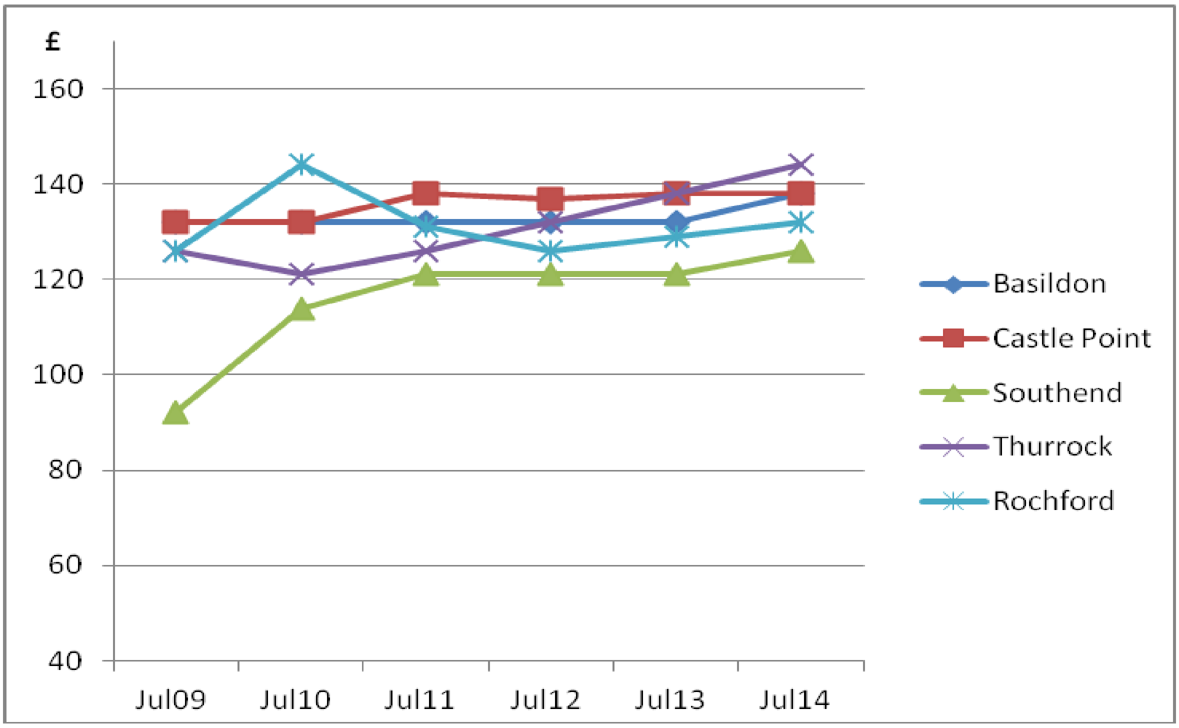
The above table and graph show the weekly cost of renting a one bed room property across a range of quartiles based on May 2014 prices. Importantly, it allows a comparison to be made between Housing Association Rent and the New Affordable Rent at 80% of market rent.

Private renting (median) is now most expensive in Thurrock at £144, followed by Castle Point, Basildon at £138, Rochford £132 and Southend at £126 per week.

Between, May 2013 - 2014, rent per week had risen in Thurrock by £7, Rochford by £6, Southend by £4 but remained static in Basildon and Castle Point.

Change in private median renting over past five years 2009-2014

Renting July 2009-12	Basildon	Castle Point	Southend	Thurrock	Rochford
Jul-14	138	138	126	144	132
Jul-13	132	138	121	138	129
Jul-12	132	137	121	132	126
Jul-11	132	138	121	126	131
Jul-10	132	132	114	121	144
Jul-09	132	132	92	126	126



Source: Hometrack / TGSE Housing Market Trends Reports

The above table and graph show the latest trend data on private renting in the TGSE sub region over the past five years taken from previous TGSE Housing Market Trends Reports.

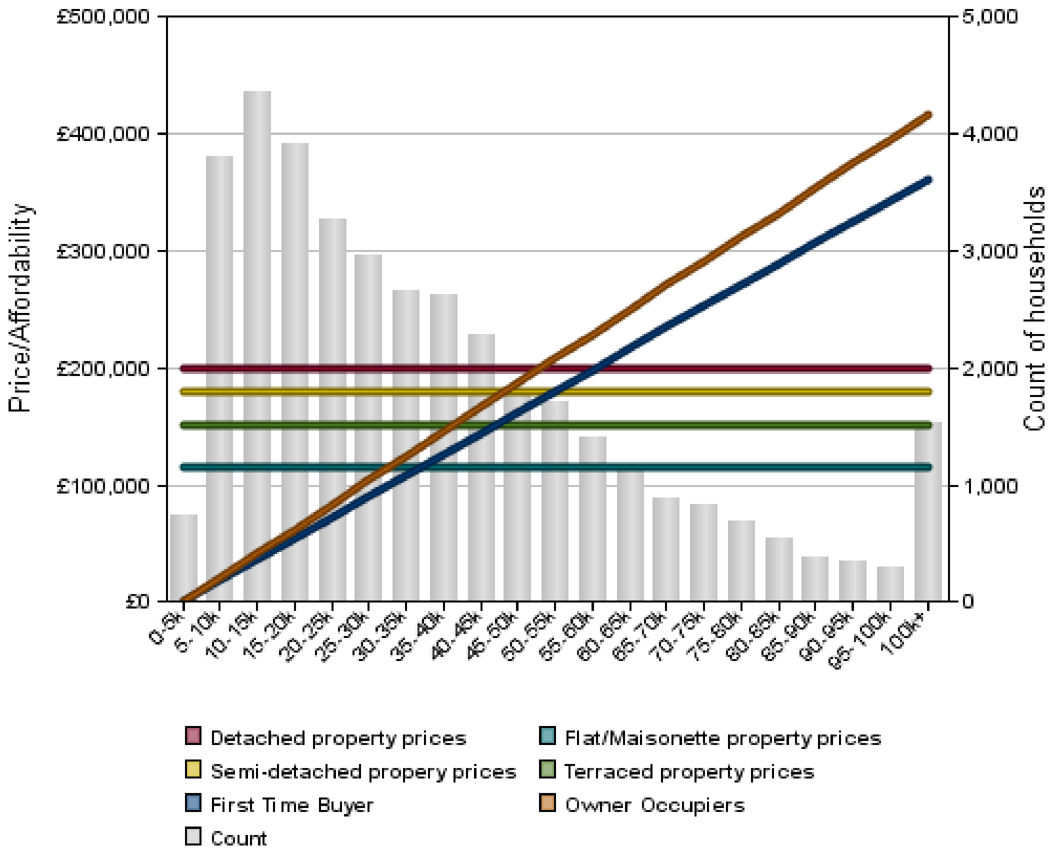
Private rent has increased between 2009-2014 in Southend by £34, Thurrock by £18 Basildon, Castle Point and Rochford by £6.

Consistent with the TGSE SHMA Review 2013, Southend-on-Sea has significantly higher levels of private rented accommodation relative to the other Thames Gateway South Essex authorities.

Rochford, Castle Point and Southend-on-Sea have more private rent than social rent.

All authorities have seen a decline in owner occupation most notably in Southend-on-Sea (down 7%).
All authorities have seen a rise in Private Rent most notably Thurrock and Southend-on-Sea (up 7%).

Affordability: 3.0 times income
Sample Area: Castle Point



This above chart shows the number of households in different household income bands in Castle Point 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.

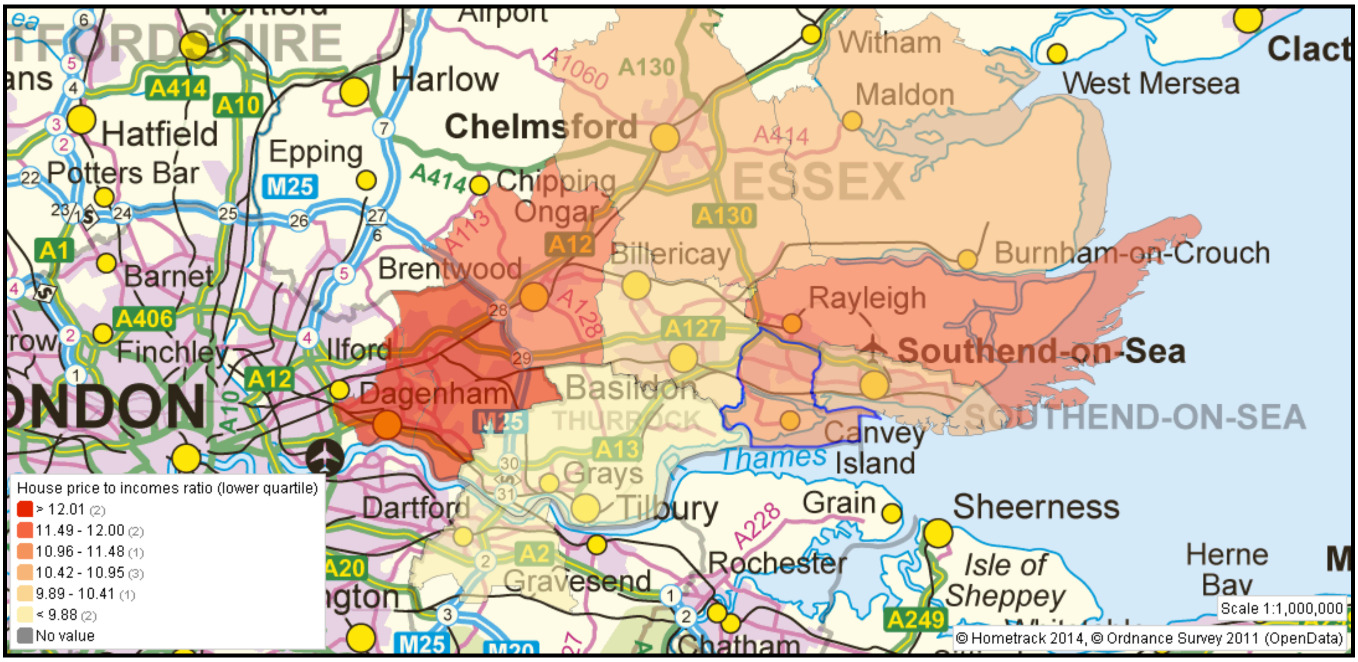
The chart demonstrates that a significant proportion of residents in Castle Point are priced out of the property market. For example, 57% of households were priced out of the market (i.e. cannot afford to purchase a flat as a first time buyer on a mortgage at 3.0 times their income). This rises to 70% for those wishing to purchase a terraced property and 83% for a detached property.

Castle Point - % of households priced out of market	**3.0 times**	**3.5 times**	**4.0 times**
FTB households - Flats	56.84%	49.88%	42.11%
FTB households - Terraced houses	69.68%	63.69%	56.84%
FTB households - Semi-detached houses	78.88%	69.68%	63.69%
FTB households - Detached houses	82.55%	74.42%	69.68%
Owner occupier - Flats	49.88%	42.11%	42.11%
Owner occupier - Terraced houses	63.69%	56.84%	49.88%
Owner occupier - Semi-detached houses	69.68%	63.69%	56.84%
Owner occupier - Detached houses	74.42%	69.68%	63.69%

The above comparison shows how the % of households priced out of the market declines when a mortgage offer is increased from a standard 3 times the household income to 3.5 and 4.0.

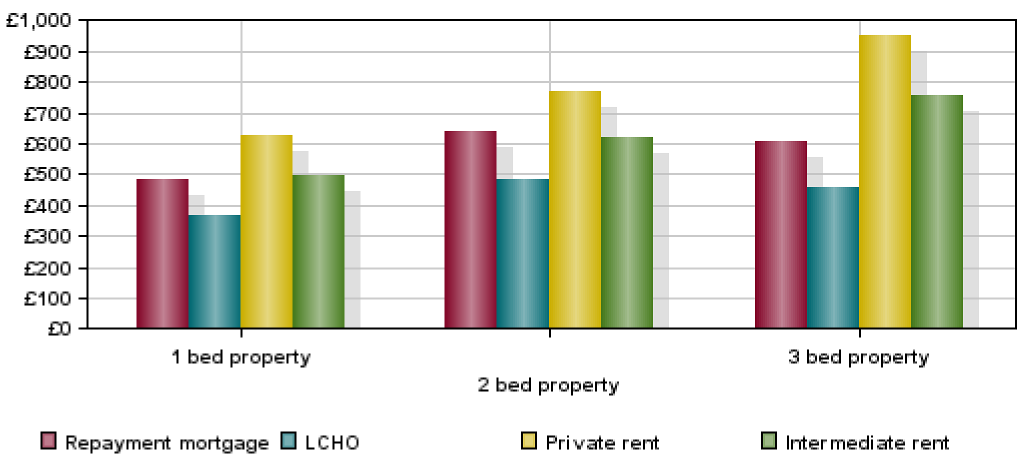
Affordability can also be measured in terms of the ratio between house prices and household disposable income. In May 2014, the average lower quartile ratio was **11.1** (TGSE Postal Area SS) compared to **16.1** in east London (Postal Area E). Previously in February 2014, it was 10.48 and 15.64 respectively. 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. Over the last quarter, the ratio has increased both in London and TGSE sub region.

House price to income ratio (Lower Quartile)



The position is further illustrated in the above map which shows the Lower Quartile house price to income ratio across the sub region including adjoining districts. Thurrock, Basildon, Southend and to a lesser extent Castle Point all have lower ratios compared to Havering, Brentwood, Maldon and Rochford.

Affordability Calculator for Castle Point



	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£109,500	£560	£424	£598	£478
2 bed property	£146,000	£747	£565	£750	£600
3 bed property	N/A	N/A	N/A	£923	£738

Affordability calculator for Castle Point

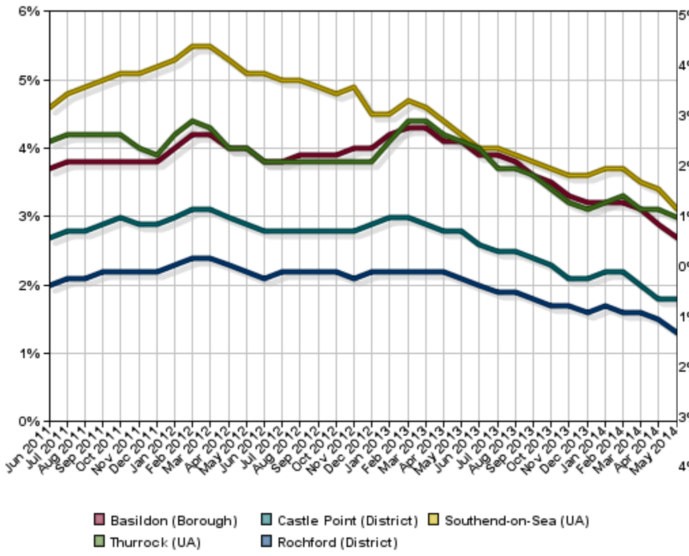
The graph and table on the previous page is based on the average price for 1, 2 and 3 bedroom properties using a combination of sales and valuations data as well as open market and intermediate rental values. The data is calculated using the assumptions set within an Affordability menu (available on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

For castle Point; Low Cost Home Ownership consistently remained the cheapest form of tenure across 1, 2 and 3, whilst private rent was the highest.

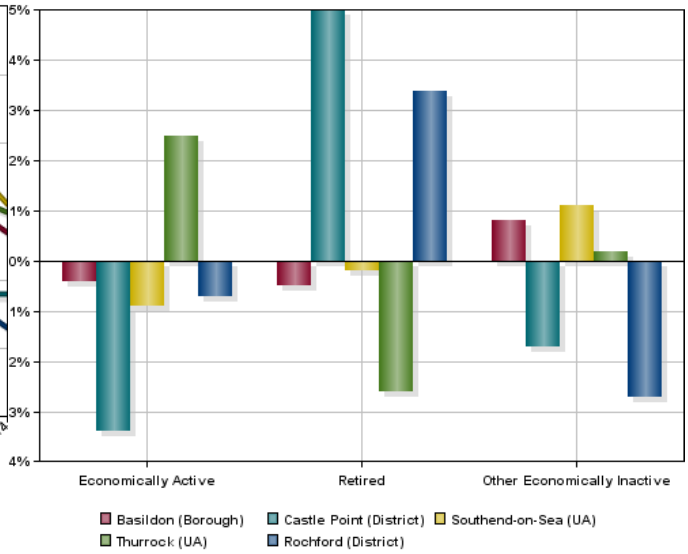
Given the price range between different tenures and products, this illustrates the value of undertaking comparison checks when considering affordability.

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

Unemployment



Economic Active



The above graph indicates how there has been a steady improvement in the TGSE economy since the recession with unemployment declining.

The number of economic active compared to those retired or inactive varies across the sub region when compared against the regional average. At the two ends of the spectrum; Castle Point and to a lesser extent Rochford have a much higher proportion of both economic inactive and retired people compared to Thurrock. Basildon and Southend are closer to the regional norm.

Market Indicators

In this quarter's issue; the local 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 Hometrack residential property analyst, June 2014.

Hometrack Housing Survey shows 'the brakes are on' house price growth.

Summary	Apr-14	May-14	Jun-14	Change
Monthly price change (%)	0.6	0.5	0.3	▼
% change in new buyers registering with agents	3.3	2.0	0.0	▼
% change in volume of property listing	1.9	1.5	1.9	▲
% change in sales agreed	7.2	3.7	3.7	►
Average time on the market (weeks)	6.3	6.5	5.9	▲
% of the asking price being achieved	96.7	96.8	96.6	▼
% postcode districts with price **increase** over month	50	42	32	▼
% postcode districts with price **decrease** over month	0.0	0.0	1.6	▲

Results at a glance

- House prices increased 0.3% in June – the lowest level since January 2014 (0.3%), which represents a halving in the rate of growth in the last quarter

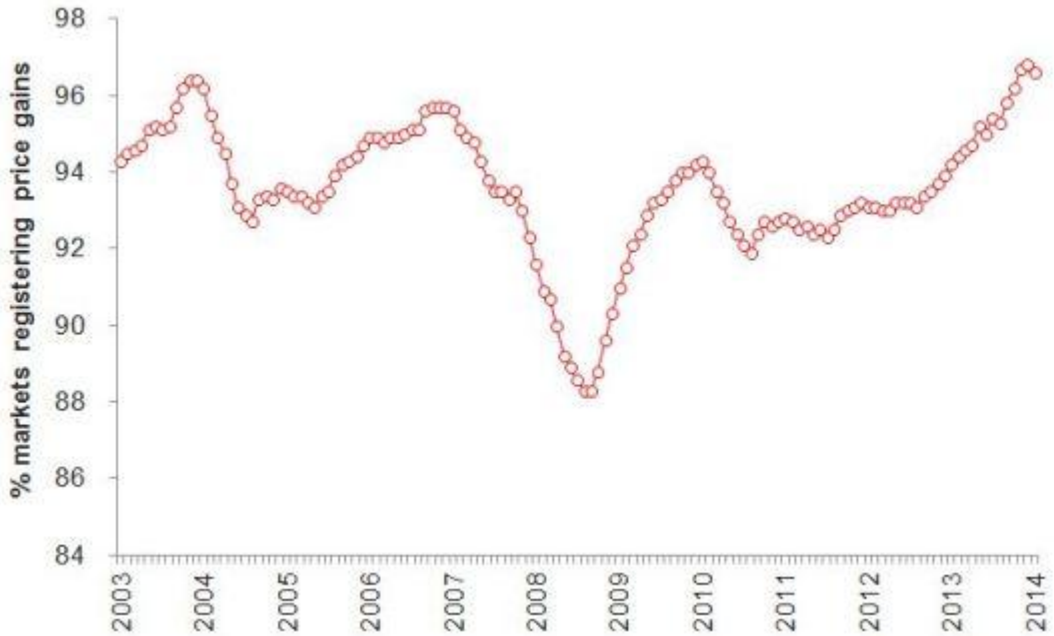
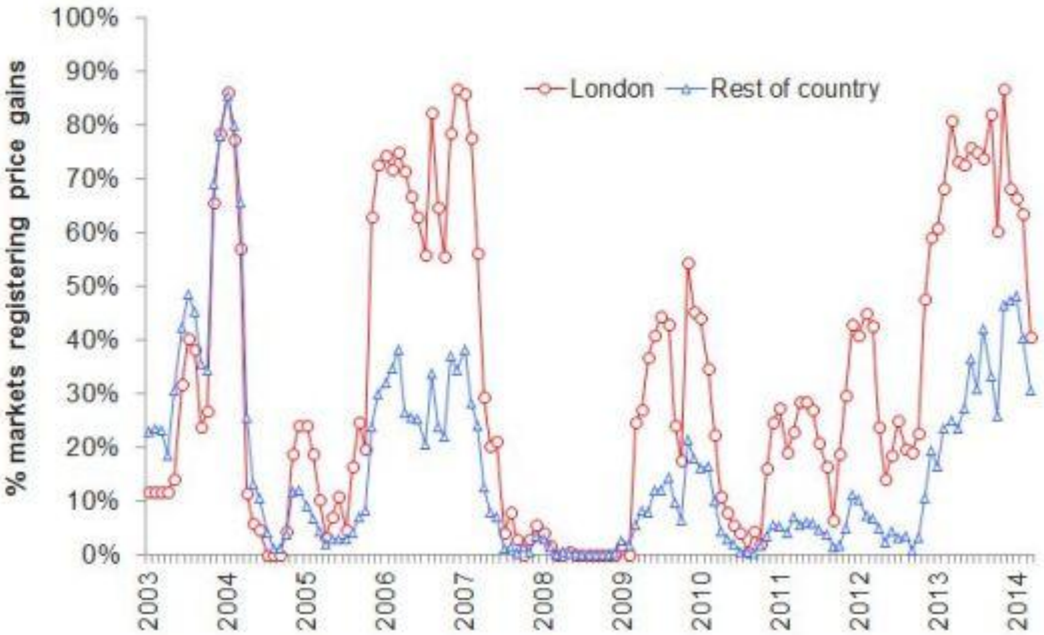
- There was no growth in new housing demand in June which marks a major turnaround from the trend over last 18 months.

- The proportion of the asking price achieved falls for the first time in four months as agents find it harder to sustain price rises

- The coverage of postcode districts with price increases over the month has continued to decline from 50% in April to 32% in June.

- London has seen the lowest coverage of price rises for 16 months – half the level of the second half of 2013, with the average time on the market also rising as sales take longer to achieve in the face of weaker demand

- The time on the market averages 5.9 weeks, which is a decrease on April 2014 (6.3 weeks) and May (6.5 weeks). The measure has been rising in London for the last two months.

Figure 1 The % asking price achieved falls for first time in four months.	**Percentage of asking price being achieved (%, 3mma)**  **prices**
Figure 2 The coverage of postcode districts with price increases over the month has continued to decline from 50% in April to 32% in June.	**Percentage of region registering higher** 

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-05	136,000	155,000	129,000	140,000	172,500
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	149,995	170,000	140,500	148,000	180,000
Nov-07	155,000	172,995	147,995	147,000	193,000
May-08	158,500	171,500	145,500	149,995	195,000
Nov-08	153,000	170,000	140,000	147,500	182,000
May-09	140,000	155,000	135,000	139,000	173,000
Nov-09	145,000	165,000	143,000	140,000	175,000
May-10	148,000	163,000	148,000	140,000	182,500
Nov-10	153,000	170,000	149,000	147,500	185,000
May-11	147,500	163,000	146,000	147,000	185,000
Nov-11	151,750	169,000	150,000	142,000	185,000
May-12	150,000	167,500	143,000	140,000	180,000
Nov-12	152,000	162,000	150,000	142,000	185,000
May-13	146,000	165,000	149,500	144,000	190,000
Nov-13	155,000	174,000	155,000	150,000	190,000
May-14	160,000	178,000	160,000	150,000	204,000
Change May 13 May 14	**14,000**	**13,000**	**10,500**	**6,000**	**14,000**
Change Peak – May 2014	**1,500**	**5,005**	**12,005**	**5**	**9,000**

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