Thames Gateway South Essex

Housing Market Trends

Quarterly Report

October 2010

House Prices, Affordability & Market Indicators

www.tgessex.co.uk

and partner RSLs

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 average house prices in England and Wales fell by 0.4% in September 2010.
- The volume of buyers registering with agents has fallen while the supply of homes has been slowing.

Local House Prices

- Between August 2009 and August 2010, lower quartile house prices rose in Rochford by £15k, Basildon by £14k, Castle Point by £13k, Southend and Thurrock by £10k.
- In August 2010, the highest overall lower quartile property price was in Rochford £187k, followed by Castle Point £170k, Basildon £154K, Southend £150k and Thurrock £145k.
- Castle Point has the highest priced 1 bed flatted properties whilst Rochford has the highest priced 2, 3 and 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 Thurrock at £78 and the lowest in Rochford at £65.
- Private renting is most expensive in Rochford at £150 per week followed by Basildon and Castle Point at £132 and Thurrock at £125.
- Private renting is the cheapest in Southend by as much as £36, at £114 per week.
- The weekly cost of renting privately has increased in Rochford and Thurrock by as much as £6 over the last quarter.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Basildon 44.85% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income.

Market Indicators

- Time to sell and viewings per sale have increased since July 2010 indicating a gradual slowing down in the housing market.

National Trends

Overall average house prices in England and Wales fell by 0.4% in September 2010.

Hometrack's Director of Research, Richard Donnell, commented in September that:
"House prices fell across all regions for first time since April 2009 and Growth in new supply is set to moderate which will limit the scale of falls".

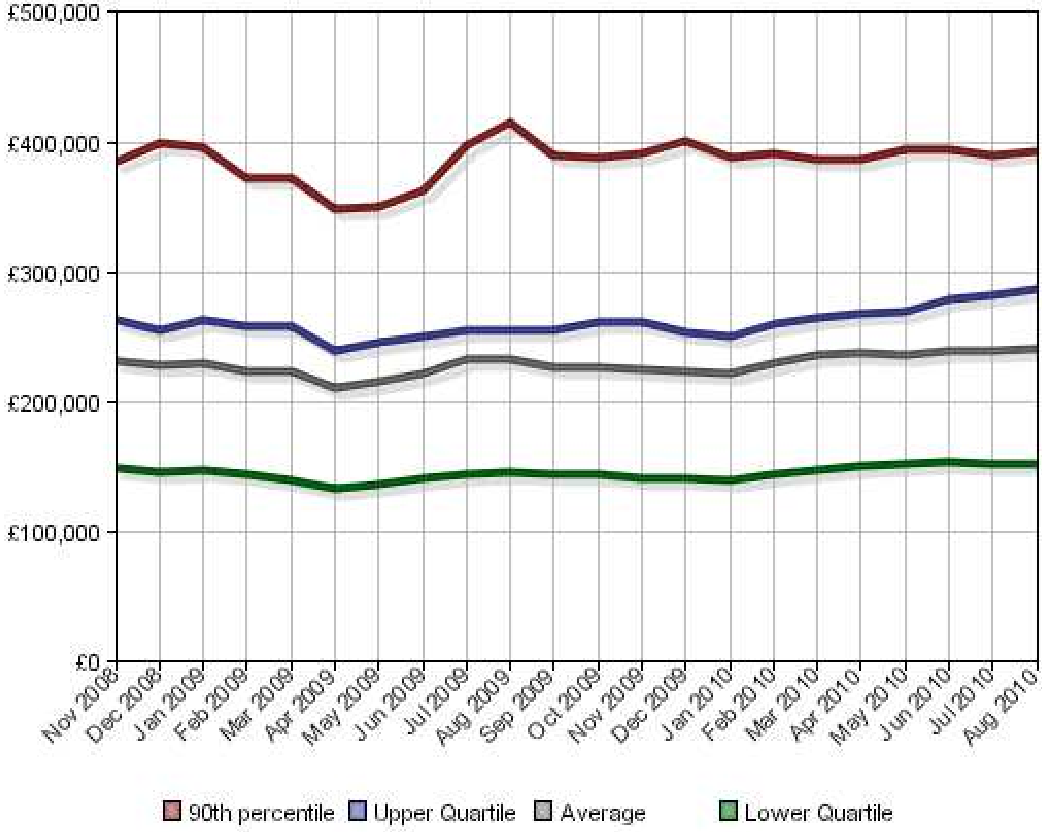
In the last 3 months, the volume of buyers registering with agents has fallen while the supply of homes has been slowing.

Reports of falling house prices and weaker trading conditions have discouraged would-be sellers from putting their homes on the market. This will limit the scale of price falls in the coming months.

The widening gap between supply and demand has resulted in the average time on the market rising to 9.3 weeks - the highest level for over a year.

Local Housing Indicators

Overall change in house prices – Basildon only



The chart shows the average property price over time for all types of housing using Basildon 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, it would appear that average house prices in the sub region have been more resilient when compared to the national picture of falling house prices. However, growth has slowed down and in some quartiles has fallen, notably in Basildon and Rochford. Price variations between different TGSE Local authority areas is summarised in the table over page:

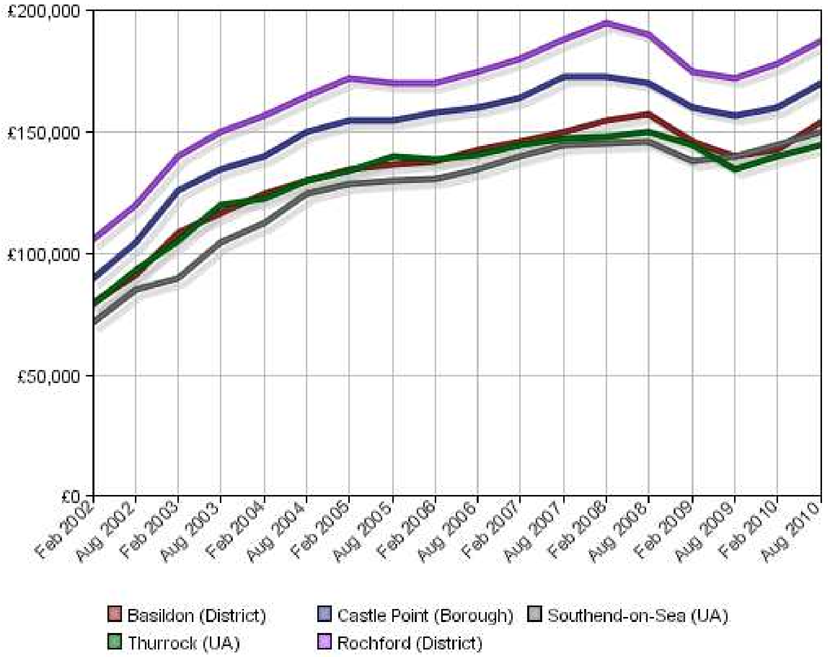
Change in House prices June 2010 – August 2010

Local Authority	*90th percentile*	*Upper Quartile*	*Average*	*Lower Quartile*
Basildon	-£2,334	+£8,334	+£1,634	-£333
Castle Point	+£5,000	-1,000	-£1,564	+£8,333
Rochford	+£11,384	-£6,667	+£94	+£2,500
Southend	+£11,334	+£9,500	+£3,550	+£2,333
Thurrock	+£334	+£1	+£4,717	+£5,584

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.

Lower Quartile Price – Overall

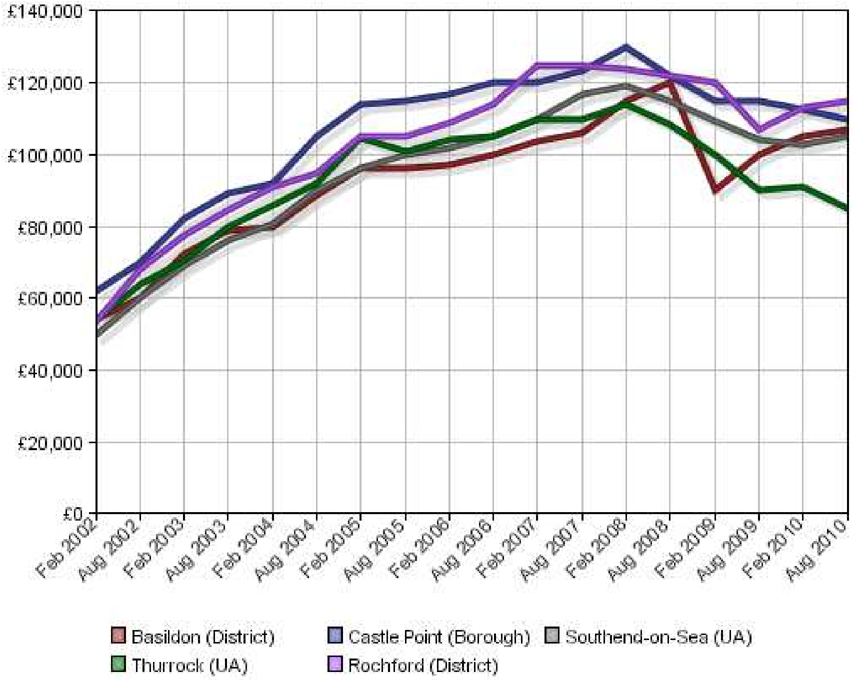


The above chart shows the overall lower quartile property prices by local authority area in the Thames Gateway South Essex sub region. Despite the recent fall in some of the quartile house prices, there has been an overall upward trend in house prices since August 2009. As before, lower quartile prices have generally been slower to respond to changes in the overall housing market compared to upper quartile and 90th percentile.

In August 2010, the highest overall lower quartile property price was in Rochford £187k, followed by Castle Point £170k, Basildon £154K, Southend £150k and Thurrock £145k.

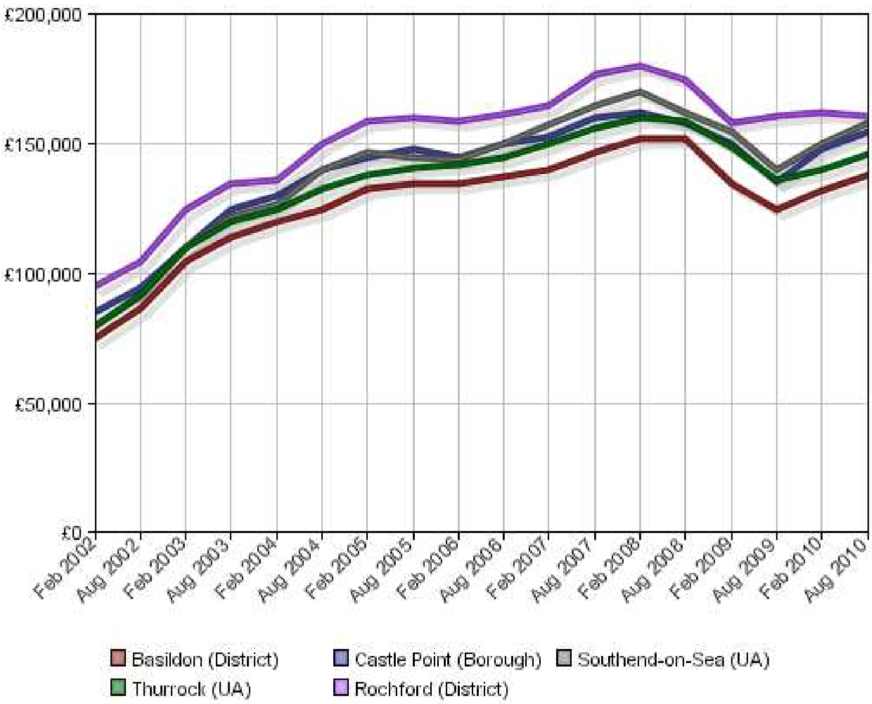
Between August 2009 and August 2010, lower quartile house prices rose in Rochford by £15k, Basildon by £14k, Castle Point by £13k, Southend and Thurrock by £10k. (See Appendix 2). Whilst prices are up from the previous years, apart from Southend, they have not reached the peak house prices experienced in 2007/08.

Lower Quartile Price – Flat / Maisonette



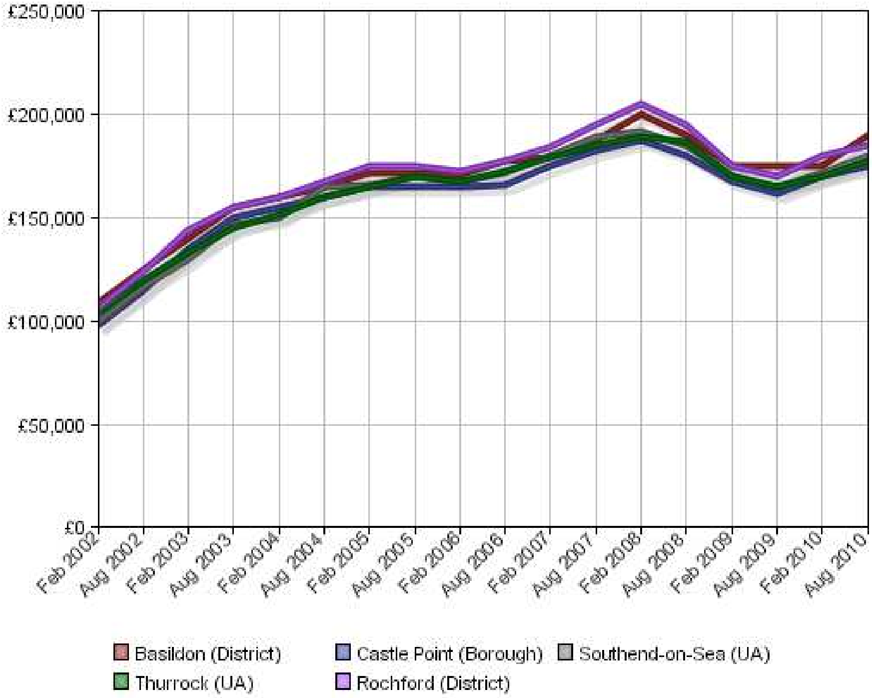
The above chart shows lower quartile prices for flat / maisonette properties. Since February 2010, prices fell in Basildon and Castle Point, but rose in the remaining three authorities.

Lower Quartile Price – Terraced Properties



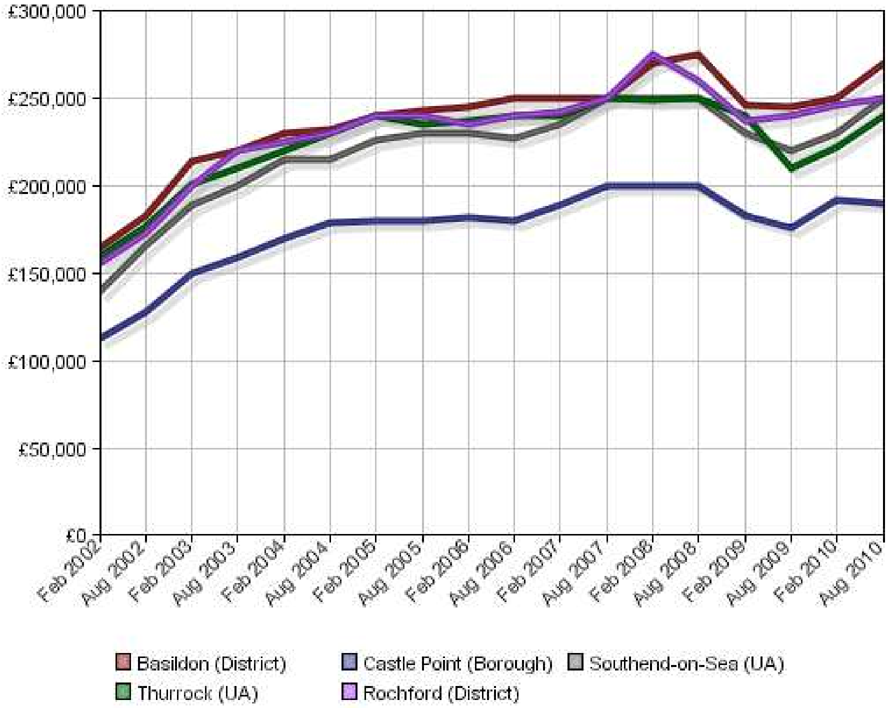
Since February 2010, the prices of lower quartile terraced properties fell marginally in Rochford but rose in the remaining four local authority areas.

Lower Quartile Price – Semi Detached



Since February 2010, 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



Since February 2010, the price of detached properties fell in Castle Point, but continued to rise in the remaining four Local Authority areas.

In summary, the changes across different house types by local authority areas demonstrates that house prices in South Essex have been more resilient in the face of a national fall in prices.

Annual Turnover by Broad Type and Age

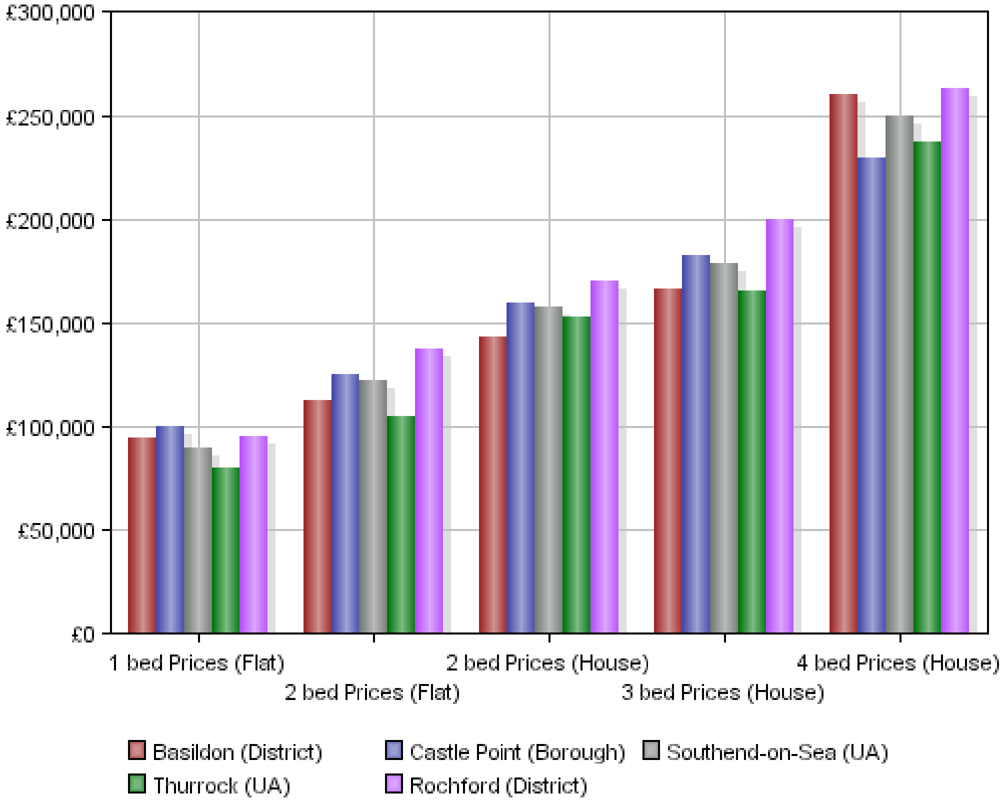
	Basildon (District)			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2006	2,976	514	128	118
2007	3,060	596	86	46
2008	1,309	270	29	119
2009	1,361	204	73	91
2010	734	106	19	55

As a Proportion of Overall Property

	Basildon (District)
	Overall property price bands
2006	5.30%
2007	5.40%
2008	2.40%
2009	2.40%
2010	1.30%

The above tables show the total volume of housing turnover in Basildon, 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 turn over since 2007 from 5.4% to 2.4%, however, new build house and flat sales have shown signs of a possible recovery but there remains a question mark as to whether this will continue into 2010.

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

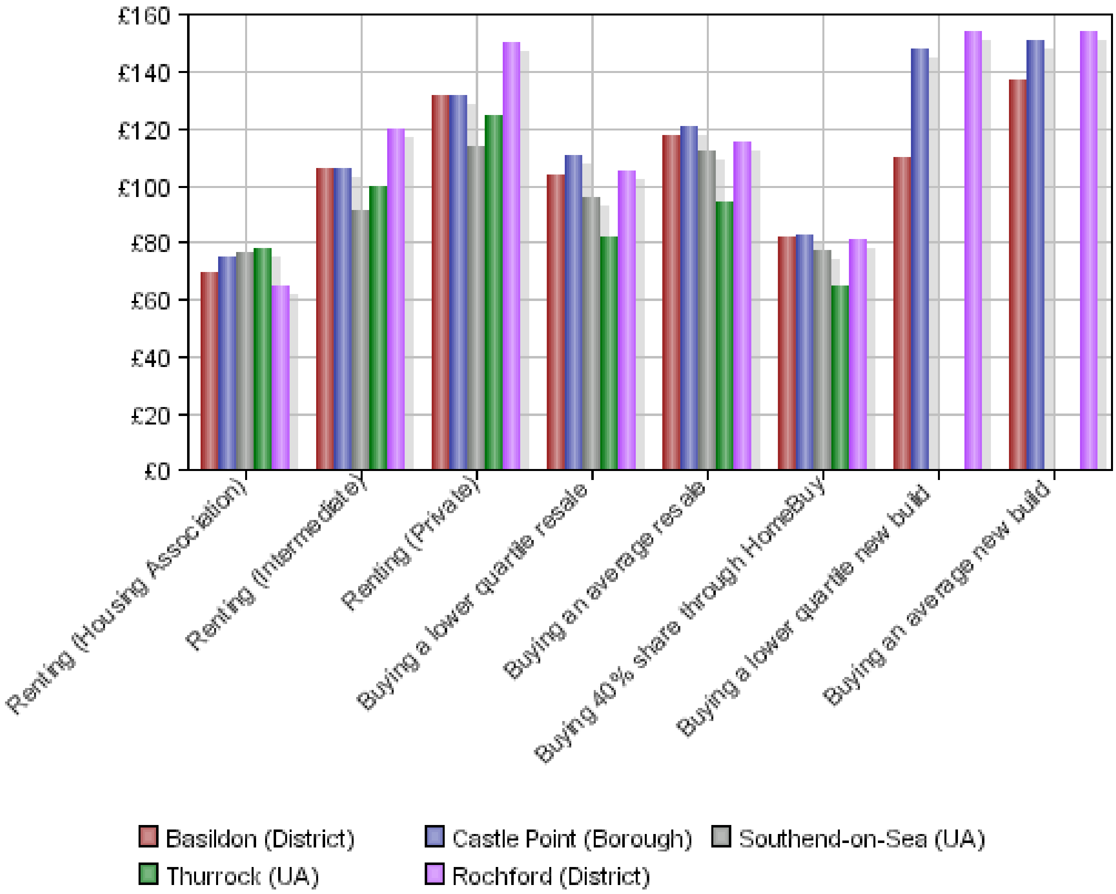


Latest Data Only For Comparison LQ (August 2010)

	Basildon (District)	***Castle Point (Borough)***	***Southend-on-Sea (UA)***	***Thurrock (UA)***	***Rochford (District)***
1 bed Prices (Flat)	94,000	100,000	90,000	79,995	95,500
2 bed Prices (Flat)	113,000	125,000	122,500	105,000	137,992
2 bed Prices (House)	143,000	160,000	157,500	152,500	170,000
3 bed Prices (House)	166,750	183,000	178,625	165,000	200,000
4 bed Prices (House)	260,000	230,000	250,000	237,000	263,500

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

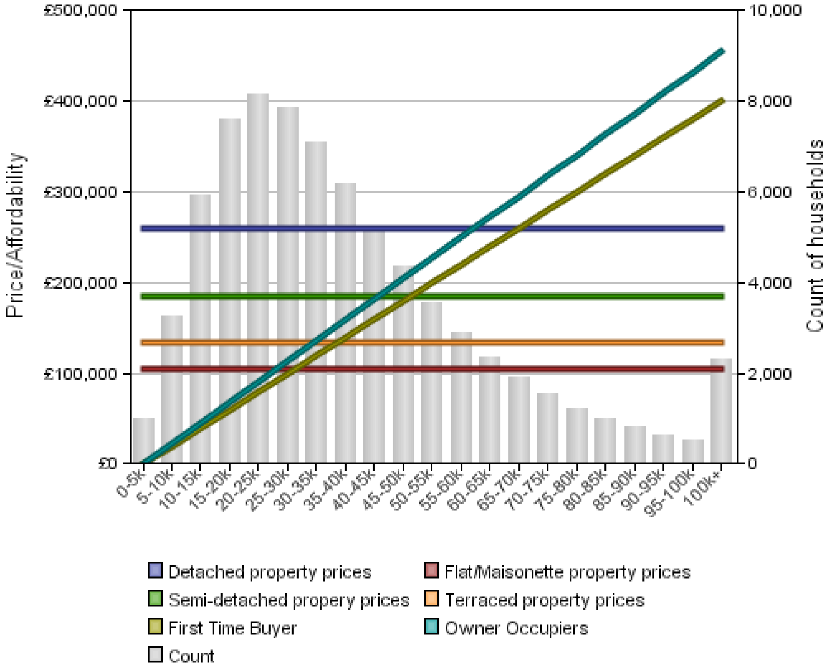
Weekly Cost (1 bed property)



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 and the lowest in Rochford at £65.
- The exception to the above is in 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 £150 per week followed by Basildon and Castle Point at £132 and Thurrock at £125.
- Private renting is the cheapest in Southend by as much as £36, at £114 per week.
- Whilst the weekly cost of renting from a Housing Association has remained the same from the previous quarter, the weekly cost of renting privately has increased in Rochford and Thurrock by as much as £6.

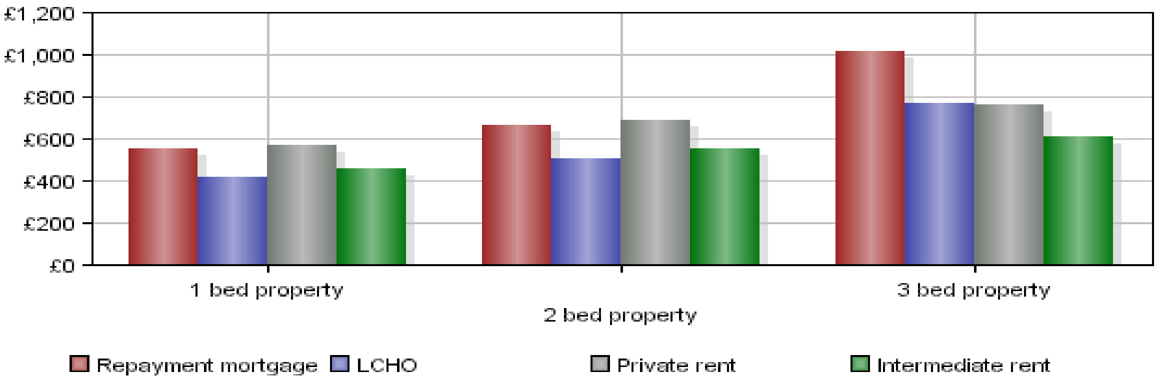
Affordability: 3.0 times income
Sample Area: Basildon



This chart shows the number of households in different household income bands in Basildon (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 Basildon are priced out of the property market. For example, 44.85% or approximately 24,016 households cannot afford to purchase a flat or maisonette as a first time buyer on a mortgage at 3.0 times their income.

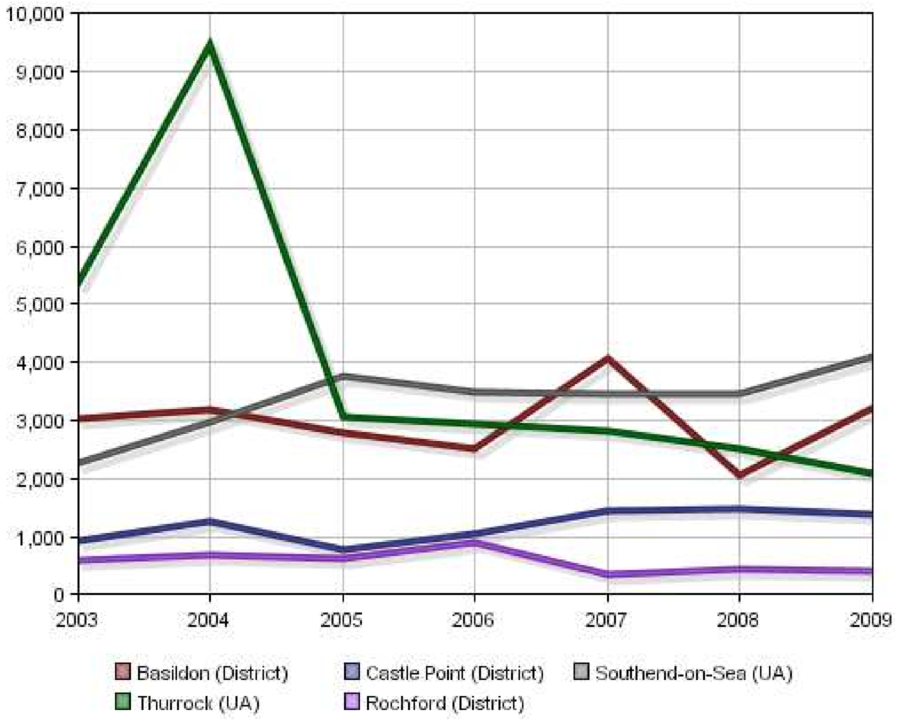
Affordability Calculator for Basildon



	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£109,000	£558	£422	£572	£458
2 bed property	£131,000	£670	£507	£693	£555
3 bed property	£200,000	£1,023	£774	£767	£614

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

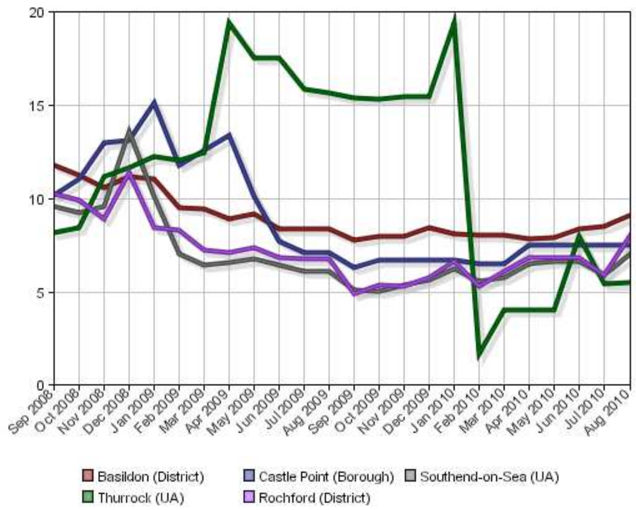
People on the Housing Register



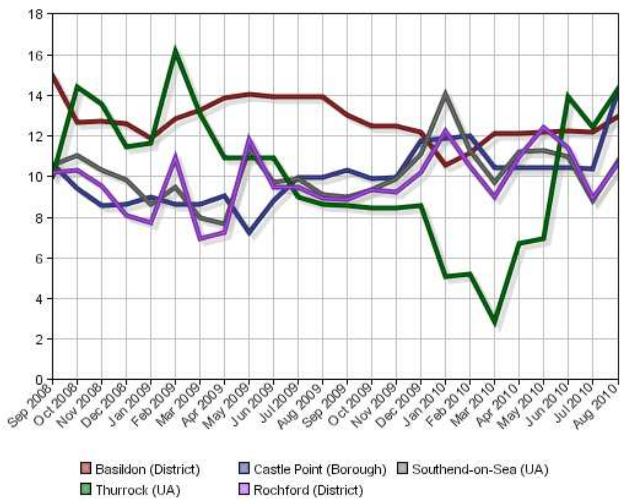
The above graph shows the number of people on the Housing Register for each year. Since 2008, the Register in Southend and Basildon has risen whilst in Thurrock it has fallen and in Castle Point and Rochford it has remained broadly static.

Market Indicators

Time to sell weeks

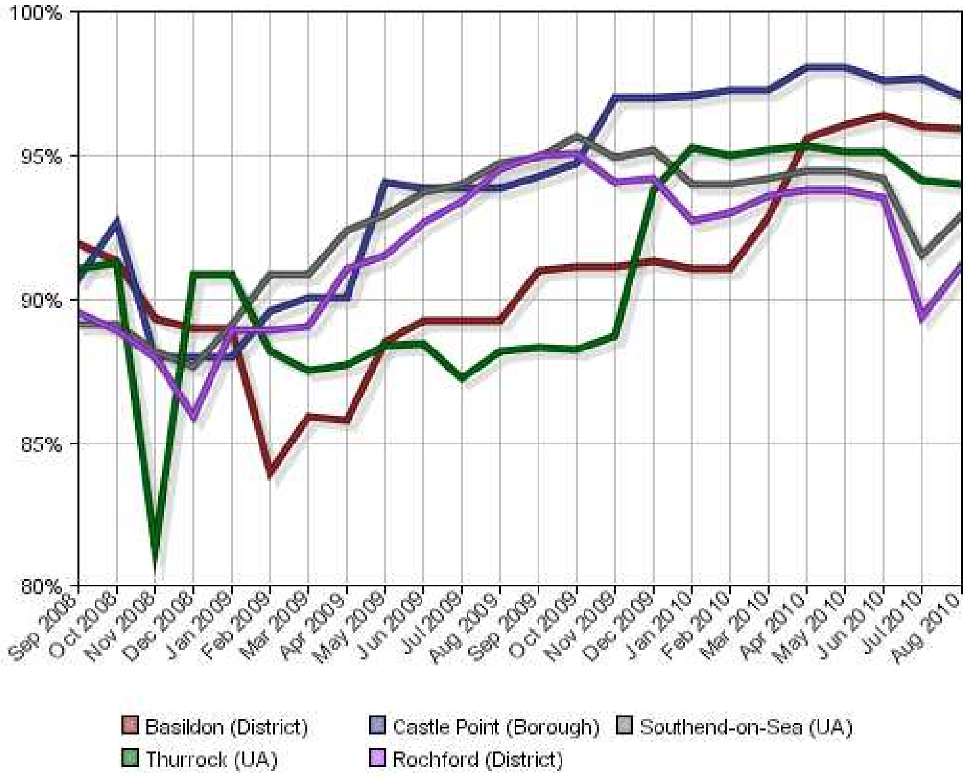


Number of viewings per sale



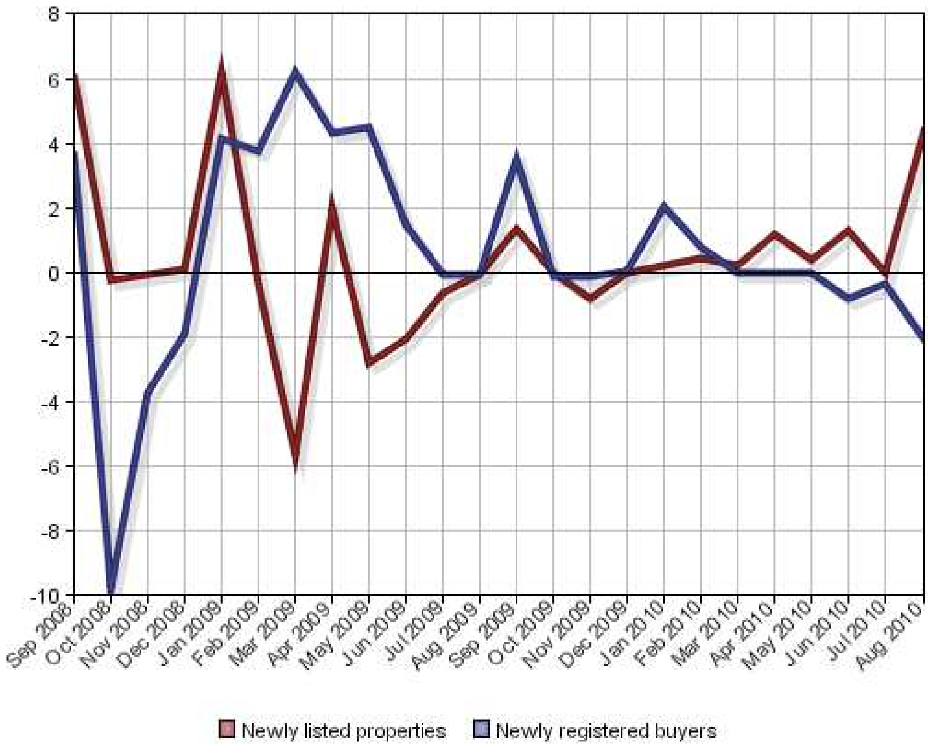
The above graphs show the average time to sell a property in weeks and the number of viewings per sale. Since July 2010, the time to sell has increased indicating a slowing down in the housing market. The fluctuation in Thurrock is likely to be due to a small data sample. The general trend is also reflected in the data showing number of viewings per sale, which has risen sharply since July 2010.

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 September 2008. Since July 2010, the percentage has increased in Southend and Rochford but decreased in the three remaining Local Authority areas.

Change in Supply and Demand (Basildon 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 Basildon. Between July and August 2010 in Basildon there has been a fairly significant rise in the number of newly listed properties but conversely a reduction in newly registered buyers. 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.

House prices fall across all regions for first time since April 2009 Growth in new supply set to moderate and limit scale of falls

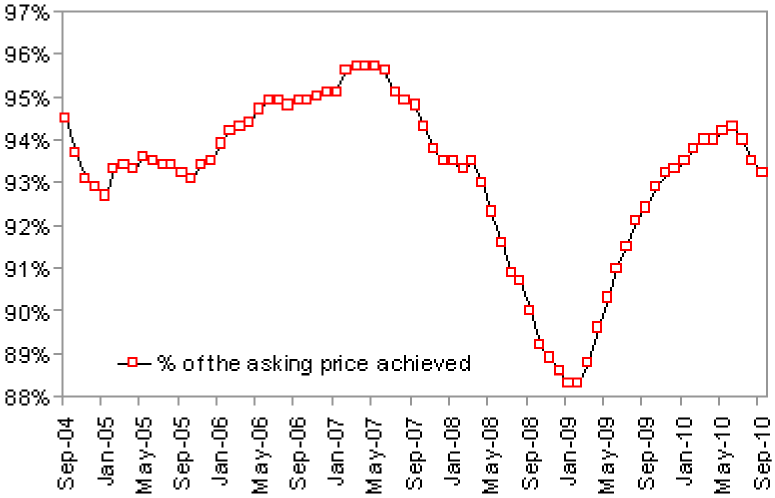
Summary	**Jul-10**	**Aug-10**	**Sept-10**
Monthly price change (%)	-0.1	-0.3	**-0.4**
% change in new buyers registering with agents	-1.3	-2.2	**-2.9**
% change in volume of property listings	3.6	2.4	**1.2**
% change in sales agreed	3.7	0.8	**-0.1**
Average time on the market (weeks)	8.7	8.9	**9.3**
% of the asking price being achieved	94.0	93.5	**93.2**
% postcode districts with price **increase** over month	5.2	3.3	**2.3**
% postcode districts with price **decrease** over month	12.0	30.0	**34.0**

Results

- This latest monthly survey of over 5,100 agents and surveyors shows that house prices have fallen across all regions for the first time since April 2009.
- Demand for housing dropped by -2.9% in September. This is the third month in a row that demand has fallen.
- In the last 3 months, the volume of buyers registering with agents has fallen by 6.5%.
- While the supply of homes coming to the market has grown by 7.2% over the past 3 months, the rate of growth has been slowing. Supply rose by 1.2% in September compared to an average growth of 3.3% per month over the last 6 months.
- Reports of falling house prices and weaker trading conditions have discouraged would-be sellers from putting their homes on the market. This will limit the scale of price falls in the coming months.
- The extent of house price falls increased over September with prices down across 34% of the country compared to 30% in August and 12% in July.
- The widening gap between supply and demand has resulted in the average time on the market rising to 9.3 weeks - the highest level for over a year.
- The proportion of the asking price being achieved has dropped to 93.2% from a recent high of 94.3% in June 2010.
- Overall, average prices fell by 0.4% in September. The South West posted the largest monthly decline of 0.6% followed by -0.5% in the South East and East Anglia.
- Looking ahead we expect the supply of homes coming to the market to slow, limiting the potential scale of price falls in the next 12 months.

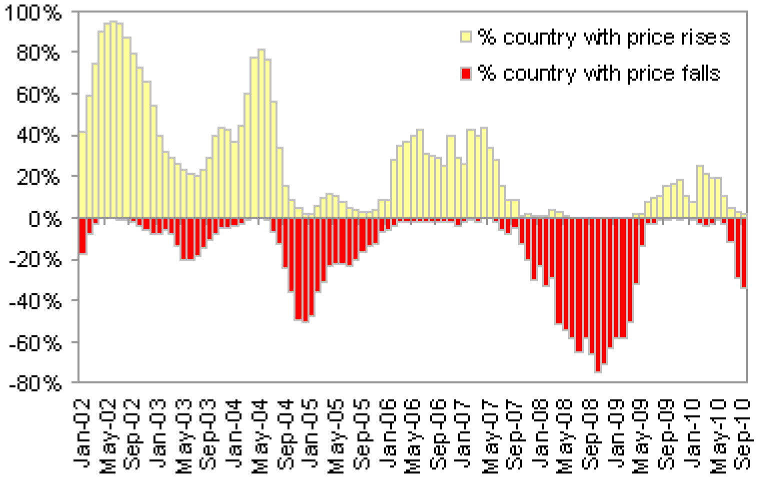
This month's survey was based upon responses from 5100 agents and surveyors across all 2,300 postcodes in England and Wales.

chart 1: % asking price being achieved



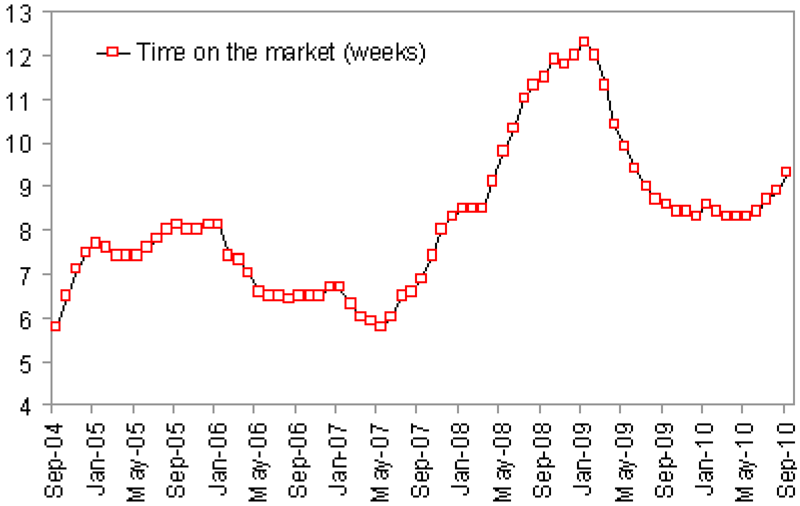
"The proportion of the asking price is starting to fall as growth in sales volumes falters and the mismatch between supply and demand widens. The measure has dropped from a high of 94.3% to 93.2% over the last 3 months."

chart 2: % asking price by region



"Figure 2 shows the proportion of postcodes registering higher and lower prices over time. The balance of change is swinging into negative territory with prices down across 34% of postcodes in September 2010."

chart 3: Time on market



"The time on the market has risen for the last four consecutive months and stands at 9.3 weeks in September. This is the longest time on the market for over a year."

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
Feb-02	80,000	90,000	72,000	79,500	106,000
Aug-02	91,500	105,000	84,995	93,500	120,000
Feb-03	108,640	126,000	90,000	105,595	140,000
Aug-03	117,000	135,000	105,000	120,000	150,000
Feb-04	125,000	140,000	112,500	123,000	157,000
Aug-04	130,000	150,000	125,000	130,000	165,000
Feb-05	135,000	155,000	129,000	134,000	172,000
Aug-05	137,000	155,000	130,000	139,950	170,000
Feb-06	138,000	158,000	131,000	139,000	170,000
Aug-06	142,500	159,995	135,000	141,000	175,000
Feb-07	146,000	164,500	140,000	145,000	179,995
Aug-07	150,000	172,995	145,000	147,500	188,000
Feb-08	155,000	173,000	145,500	148,000	195,000
Aug-08	157,500	170,000	146,000	150,000	190,000
Feb-09	146,000	160,000	138,000	145,000	175,000
Aug-09	140,000	157,000	140,000	135,000	172,000
Feb-10	142,500	160,000	145,000	140,000	177,950
Aug-10	154,000	170,000	150,000	145,000	187,500
Change Aug 2009-Aug 2010	+14,000	+13,000	+10,000	+10,000	+15,500

Source: Hometrack Housing Intelligence System