

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

October 2011

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

- Average house prices in England and Wales fell by 0.1% in September 2011.
- Between August and September sales volumes were up by 2%, but with weaker demand, this is likely decline, along with house prices.

Local House Prices

- Between August 2010 and August 2011, lower quartile house prices rose in Southend by £3k, but fell in Basildon and Rochford by £7.5k, Castle Point by £7k and Thurrock by £5k.
- In August 2011, the highest overall lower quartile property price was in Rochford £187.5k, followed by Castle Point £167k, Basildon, Southend at £150k and Thurrock at £145k.
- Castle has the highest priced 1 bed properties, Rochford has the highest priced 2 and 3 bed properties and Basildon has the highest priced 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 £91 and the lowest in Rochford at £66.
- Private renting is most expensive in Castle Point at £137, followed by Basildon, Rochford and Thurrock at £132 and Southend at £121.

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

- Local indicators suggest that since July 2011 market sentiments were declining with the time to sell and viewings per sale increasing. In addition, some local authorities have seen a marked fall in the number of buyers and sellers registering property on the market.
- Continuing economic uncertainty both at home and in the Eurozone is likely to see a further dent in consumer confidence, leading to a possible new phase of re-pricing across the market.

National Trends

September saw the third consecutive fall in house prices across the country. This is in contrast to the first half of the year when demand had been steadily rising.

Hometrack's Director of Research, Richard Donnell, commented that:

Falling demand marks change in fortunes for house prices where a shift in the balance between supply and demand is beginning to emerge. On the supply side, the number of new properties coming to the market in the 9 months up until September grew by 22%, compared to an 11% increase in demand.

Continuing economic uncertainty both at home and in the Eurozone is likely to dent consumer confidence further. This can only result in demand slipping further over the final months of the year.

As the gap between supply and demand widens, we are likely to see an acceleration in the level of price falls as we head towards the end of the year.

Prices fell by 0.1% over September and were down across 25% of the country.

Whilst sales volumes were up by 2% over September, weaker demand combined with less attractive housing stock is likely to result in lower sales volumes. This combined with price reductions suggests the start of a new phase of re-pricing across the market.

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 June and August 2011, it shows house prices remaining buoyant in Castle Point, Rochford and Southend, but falling in Thurrock across all percentiles and in Basildon in the 90th percentile range. Price variations between different TGSE Local authority areas are summarised in the table below:

Change in House prices June 2011 – August 2011

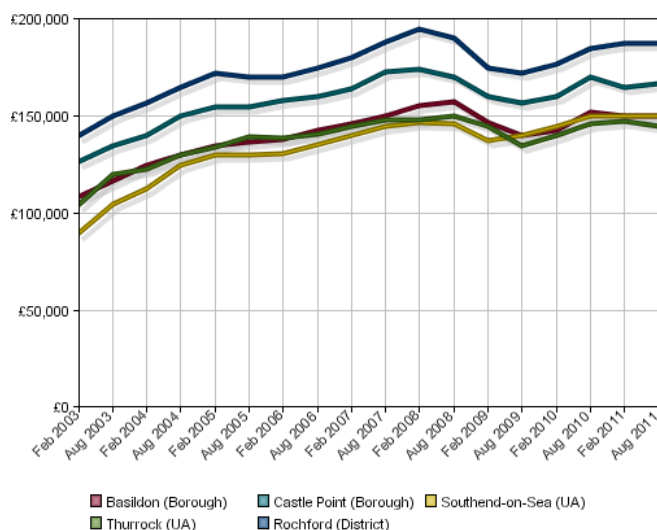
Local Authority	90 th percentile	Upper Quartile	Average	Lower Quartile
Basildon	-£25,665 ↓	+£10,000 ↑	+£4,734 ↑	+£9,666 ↑
Castle Point	+£39,833 ↑	+£9,000 ↑	+£8,419 ↑	+£3,000 ↑
Rochford	+£20,000 ↑	+£9,217 ↑	+£8,736 ↑	+£11,167 ↑
Southend	+£16,667 ↑	+£7,166 ↑	+£2,478 ↑	+£7,000 ↑
Thurrock	-£1,000 ↓	-£2,167 ↓	-£140 ↓	-£4,167 ↓

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



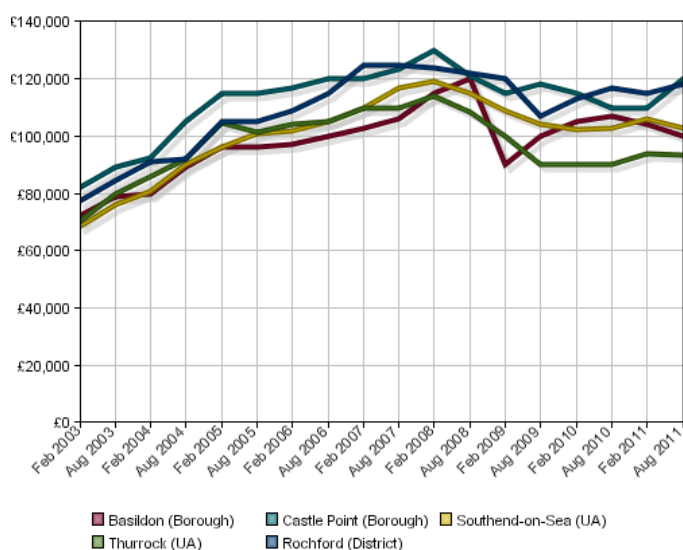
The above chart shows a general upward trend in prices suggesting a partial recovery, despite the noticeable dip in prices in summer of 2009 and the more recent weakening of house prices in Thurrock.

In August 2011, the highest overall lower quartile property price was in Rochford £187.5k, followed by Castle Point £167k, Basildon, Southend at £150k and Thurrock at £145k.

Between August 2010 and August 2011, lower quartile house prices were up in Southend by £3k, but down in Basildon and Rochford by £7.5k, Castle Point by £7k and Thurrock by £5k (see Appendix 2).

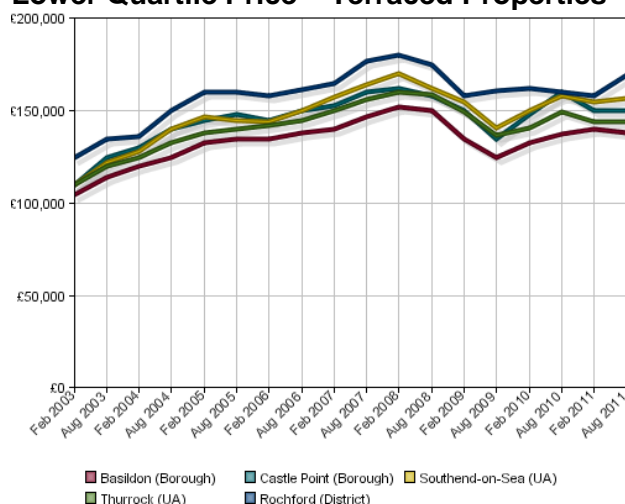
When compared with pre recession prices in 2007/08 where they peaked across the sub region, current prices are still down by £7.5k in Basildon and Rochford, £7k in Castle Point and £5k in Thurrock. However, prices in Southend have regained their pre recession values.

Lower Quartile Price – Flat / Maisonette



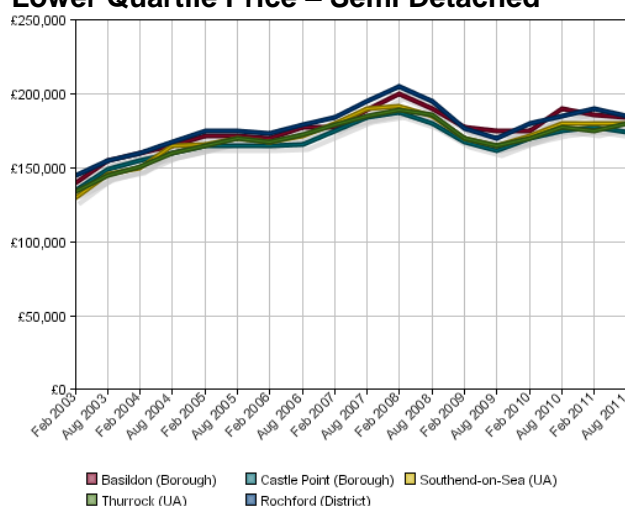
The above chart shows lower quartile prices for flat / maisonette properties. Since February 2011, prices have risen in Castle Point and Rochford, but fallen in the three remaining authorities. For the majority of authorities it suggests that the price of smaller properties remain suppressed in the sub region.

Lower Quartile Price – Terraced Properties



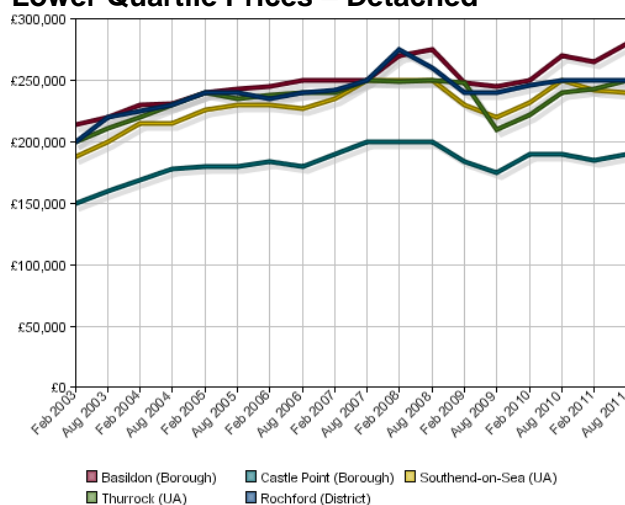
Since February 2011, the prices of lower quartile terraced properties rose in Rochford but remained static in the remaining four local authority areas.

Lower Quartile Price – Semi Detached



Since February 2011, the price of semi-detached properties have remained static in Southend but fallen in the remaining four local authority areas, suggesting that the prices are suppressed.

Lower Quartile Prices – Detached



Since February 2011, the price of detached properties fell in Southend, remained static in Rochford but rose 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.

Annual Turnover by Broad Type and Age

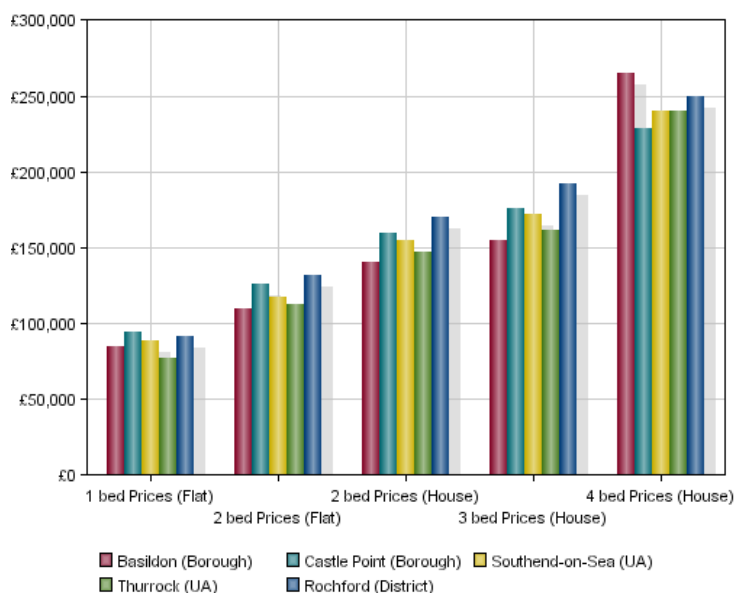
As a Proportion of Overall Property

	Thurrock			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2007	2,710	927	70	192
2008	1,115	421	25	40
2009	1,024	183	11	25
2010	1,212	288	42	39
2011	582	84	27	4

	Thurrock
	Overall property price bands
2007	6.60%
2008	2.70%
2009	2.10%
2010	2.70%
2011	1.20%

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 turnover since 2007 from 6.60% to 2.70% in 2010.

Lower Quartile Price of Property by Bed Count (August 2011)



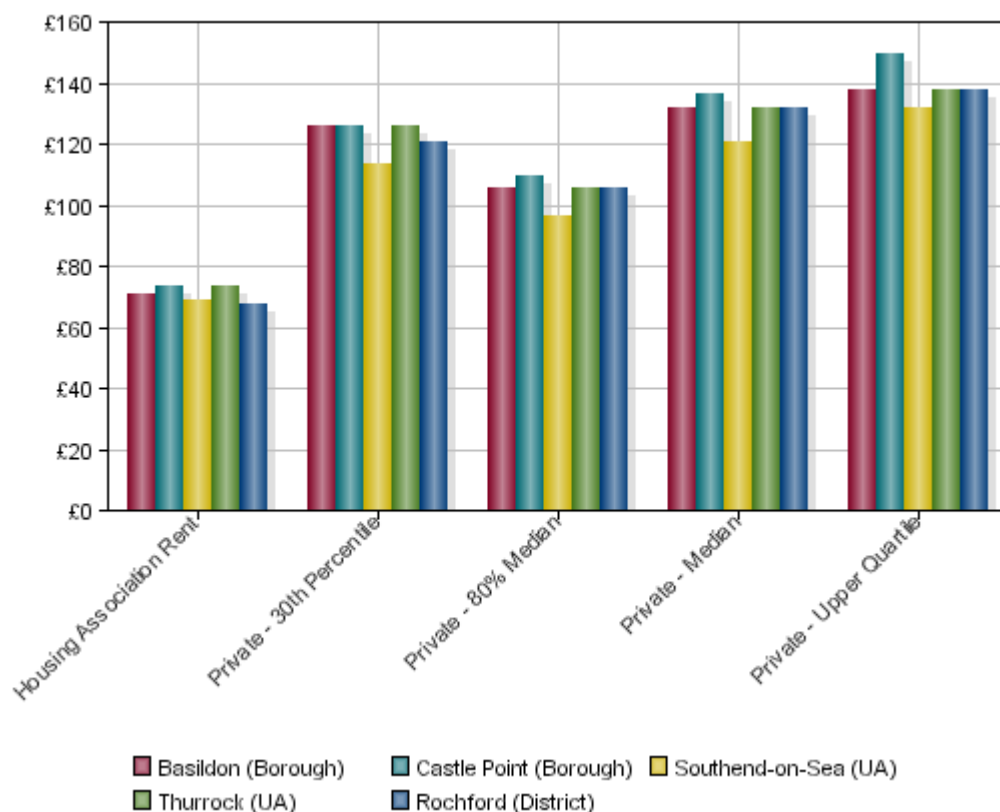
Latest Data Only For Comparison LQ (August 2011)

	Basildon (Borough)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	85,250	94,000	88,500	77,000	92,000
2 bed Prices (Flat)	110,000	126,250	117,750	112,500	131,750
2 bed Prices (House)	140,000	160,000	155,000	146,750	169,996
3 bed Prices (House)	155,000	176,250	172,125	161,400	192,000
4 bed Prices (House)	265,000	228,500	240,000	239,750	250,000

The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on August 2011 figures. For 1 bed properties the highest prices were recorded in Castle Point, whilst for 2 and 3 bed properties it was Rochford and for 4 bed properties Basildon now has the highest prices (previously it was Rochford).

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

Weekly Cost (1 bed property)

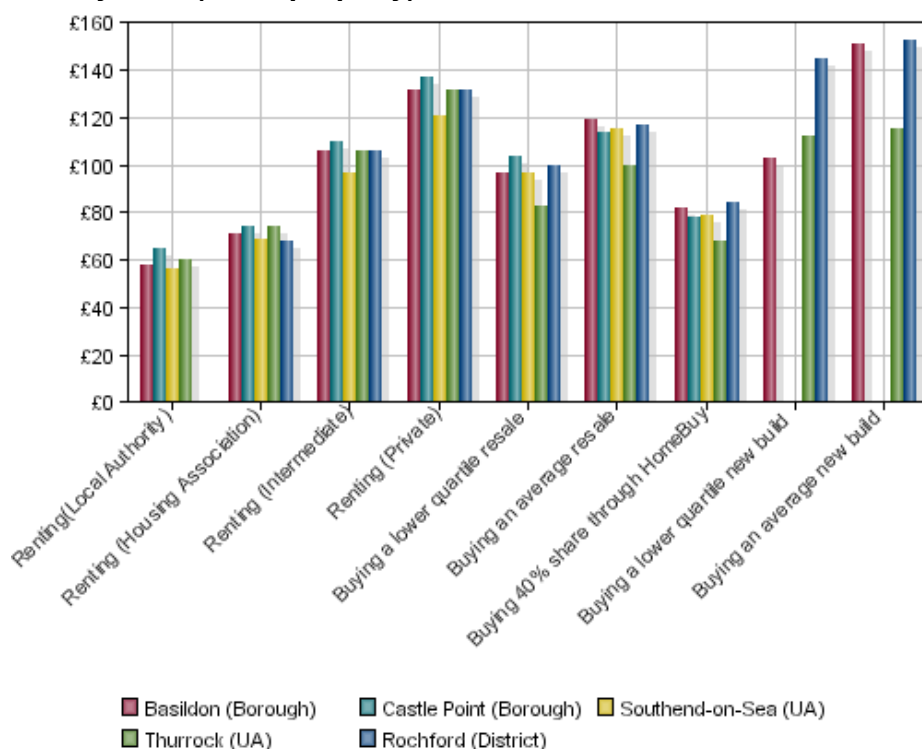


	Basildon (Borough)	Castle Point (Borough)	Southend- on-Sea (UA)	Thurrock (UA)	Rochford (District)
Housing Association Rent	71.1	73.8	69.4	73.6	67.8
Private - 30th Percentile	126	126	114	126	121
Private - 80% Median	106	110	97	106	106
Private - Median	132	137	121	132	132
Private - Upper Quartile	138	150	132	138	138
Difference between HA & 80% Median Rent	34.9	36.2	27.6	32.4	38.2

The above graph and table shows the weekly cost of renting a one bed room property across a range of quartiles. 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)

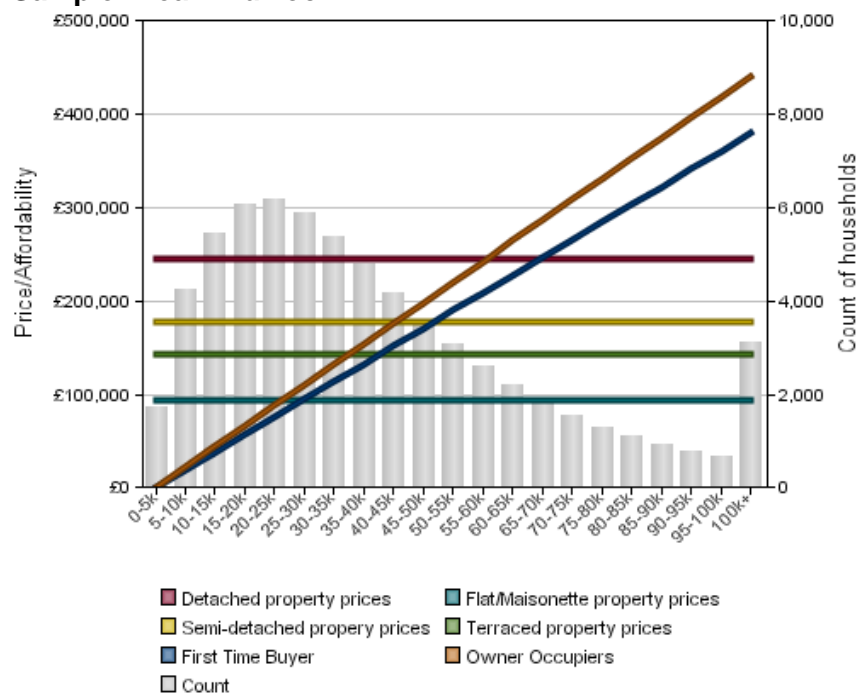


The chart compares the weekly cost of a one bed property across different tenures and has been analysed as follows:

- It is cheaper to buy a 40% share of a property through HomeBuy in Castle Point and Thurrock, than to rent via a housing association.
- It is cheaper to buy a property in Thurrock than to privately rent.
- Private renting is most expensive in Castle Point at £137, followed by Basildon at £132, Rochford at £132, Thurrock at £132 and Southend at £121.

Affordability: 3.0 times income

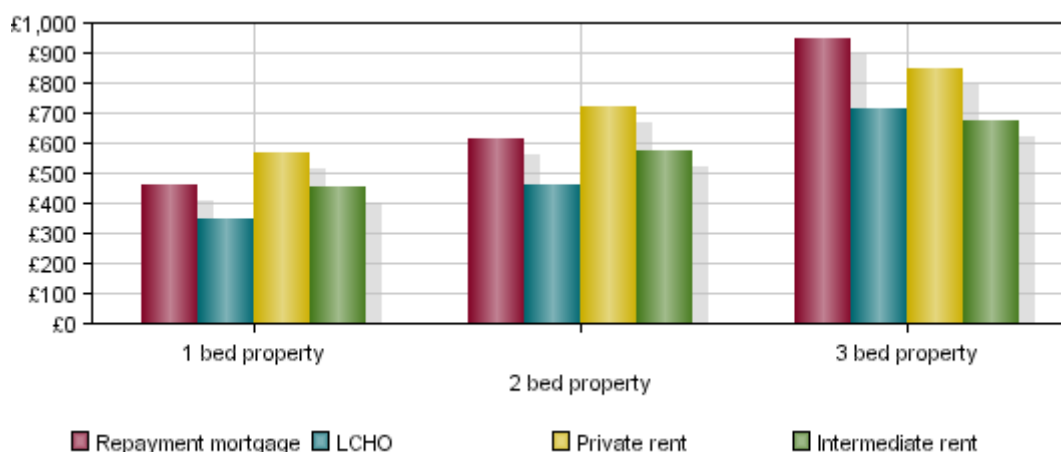
Sample Area: Thurrock



This chart over page 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% of households (32,788) 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 62% for those wishing to purchase a terraced property and 87% for a detached property.

Affordability Calculator for Thurrock



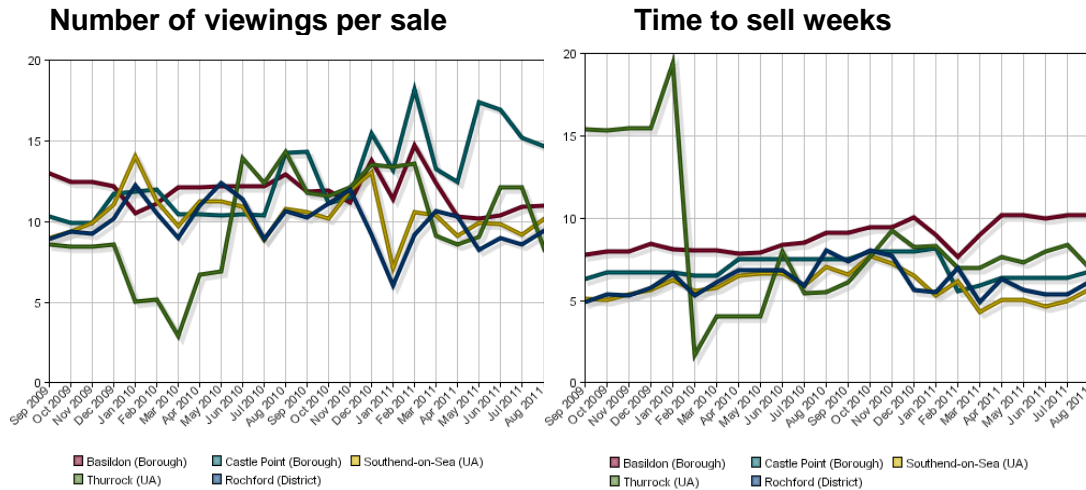
	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£90,000	£460	£348	£572	£458
2 bed property	£120,000	£614	£465	£724	£579
3 bed property	£185,000	£947	£716	£849	£679

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 a standard repayment mortgage is most expensive.

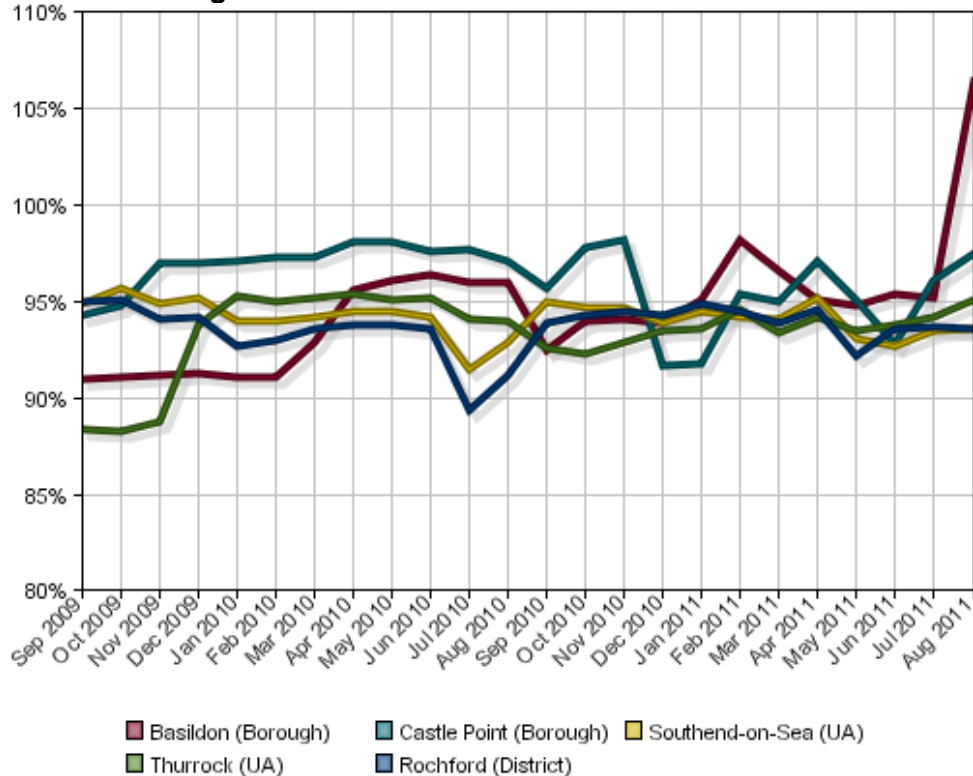
Whilst the sample area for this Quarterly Report is Thurrock, information can be readily made available for the other TGSE Local Authorities on request.

Market Indicators



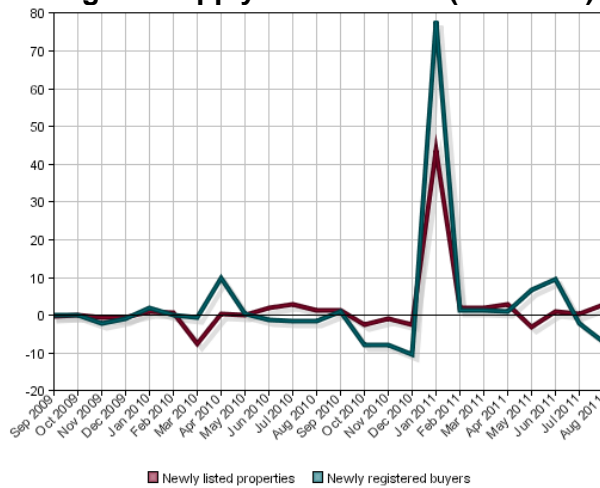
The above graphs suggest that the market position since July 2011 is worsening in Basildon, Southend and Rochford with viewings per sale and the time to sell in weeks increasing.

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 2009. Since July 2011, the percentage has increased in Castle Point and Basildon but remained broadly steady in the remaining three local authority areas. A small sample size and unusual circumstances might best describe the high percentage in Basildon.

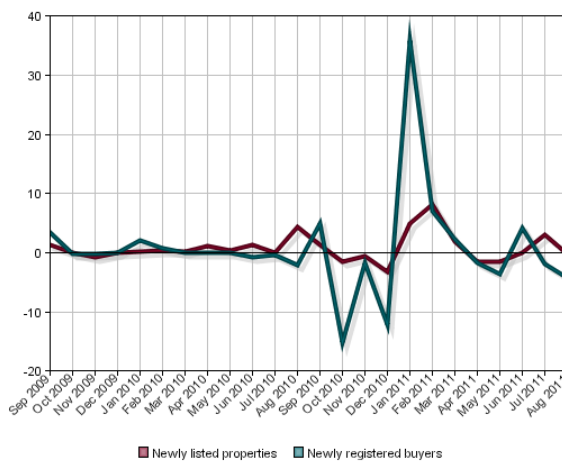
Change in Supply and Demand (Thurrock)



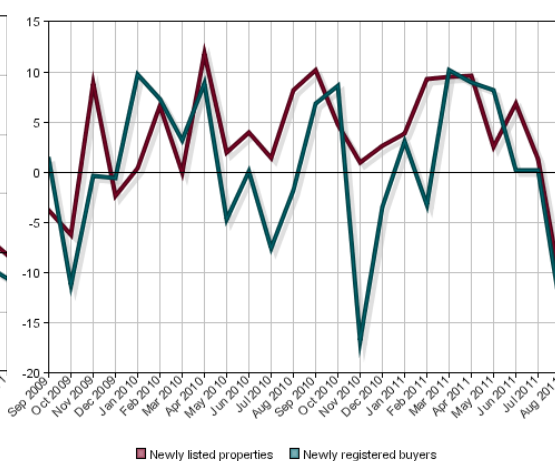
This graph compares the percentage change in the number of new properties being registered for sale each month against the percentage change in the number of new buyers registering for Thurrock.

Between December 2010 and February 2011 the number of newly registered buyers rose significantly partly due to a seasonal fluctuation for this period. Newly listed properties also increased but not by the same percentage increase. However, both indicators fell back in March, suggesting a general slowing down in the housing market and lack of activity. Newly registered buyers are now falling with a small increase in the number of properties coming on to the market, suggesting that the market is flattening.

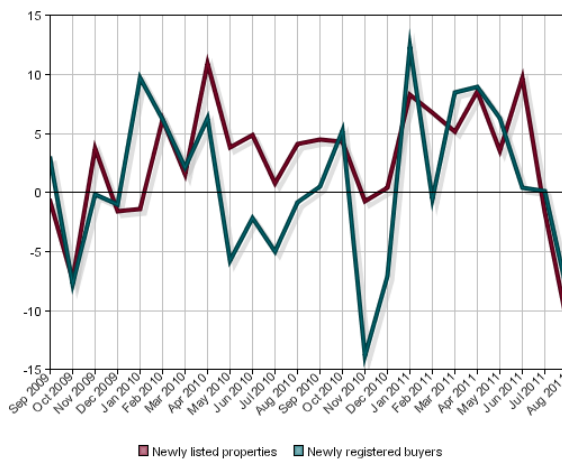
Basildon



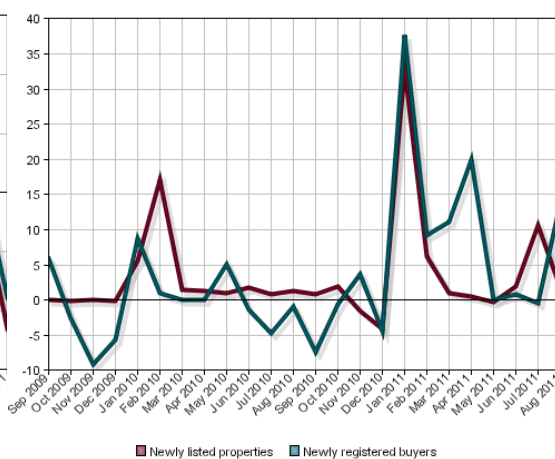
Rochford



Southend



Castle Point



In comparison with the rest of the sub region Rochford and Southend have seen a sharp decline in both supply and demand, less so in Basildon. The most active market appears to be in Castle Point.

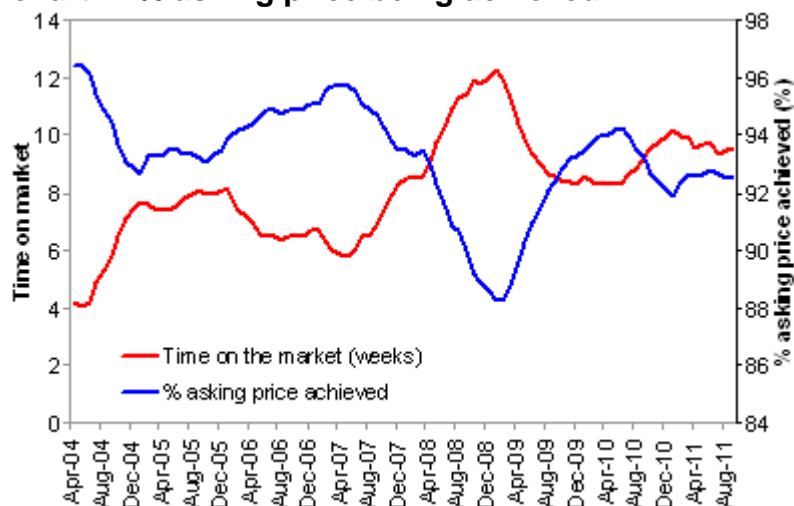
Appendix 1 –Snapshot of Housing Market in England & Wales by Richard Donnell, Director of Research, Hometrack, October 2011.

Summary	July-11	Aug-11	Sept-11
Monthly price change (%)	-0.1	-0.1	-0.1
% change in new buyers registering with agents	1.1	-1.2	-2.6
% change in volume of property listings	1.9	1.7	-0.6
% change in sales agreed	9.6	3.6	2.0
Average time on the market (weeks)	9.4	9.5	9.6
% of the asking price being achieved	92.7	92.5	92.6
% postcode districts with price increase over month	8.0	9.0	8.0
% postcode districts with price decrease over month	27.0	28.0	25.0

Results at a glance

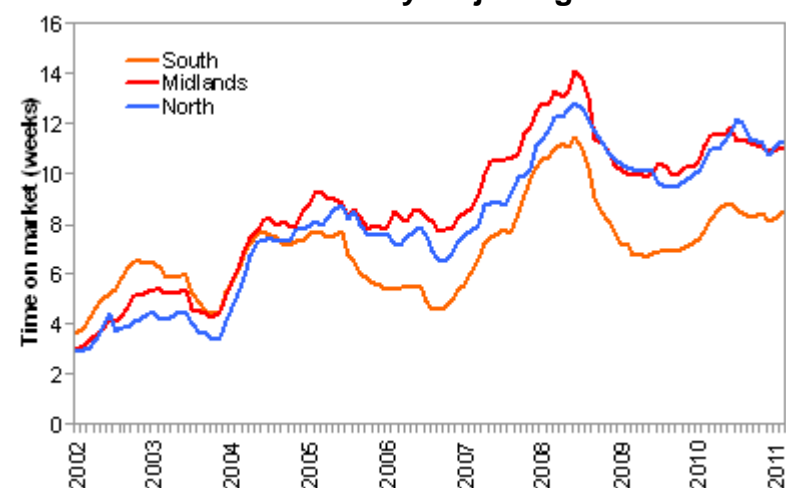
- A shift in the balance between supply and demand is beginning to emerge. September saw the number of buyers fall for the third month in a row. This is in contrast to the first half of the year when demand had been steadily rising.
- On the supply side, the number of new properties coming to the market in the 9 months up until September, grew by 22%, compared to an 11% increase in demand.
- Continuing economic uncertainty both at home and in the Eurozone is likely to dent consumer confidence further. This can only result in demand slipping further over the final months of the year.
- As the gap between supply and demand widens, we are likely to see an acceleration in the level of price falls as we head towards the end of the year.
- The percentage of asking price being achieved is weakest in northern England where achieved prices are around 9% lower than asking prices. In the short-term this is likely to result in above average price falls in the north of the country.
- Prices have fallen for 15 consecutive months (since July 2010). The level of price falls was highest over the second half of 2010 averaging -0.5% per month compared to -0.1% over the last 6 months.
- London – where growth has averaged +0.2% per month – continues to act as a support to prices.
- Prices fell by 0.1% over September and were down across 25% of the country.
- The time on the market remains highest in the north, midlands and Wales. Here houses are averaging 11 weeks on the market before going under offer, compared to 8 weeks in southern England and just over 6 weeks in London.
- Sales volumes were up by 2% over September, but weaker demand combined with less attractive housing stock is likely to result in lower sales volumes. This combined with price reductions suggests the start of a new phase of re-pricing across the market.

chart 1: % asking price being achieved



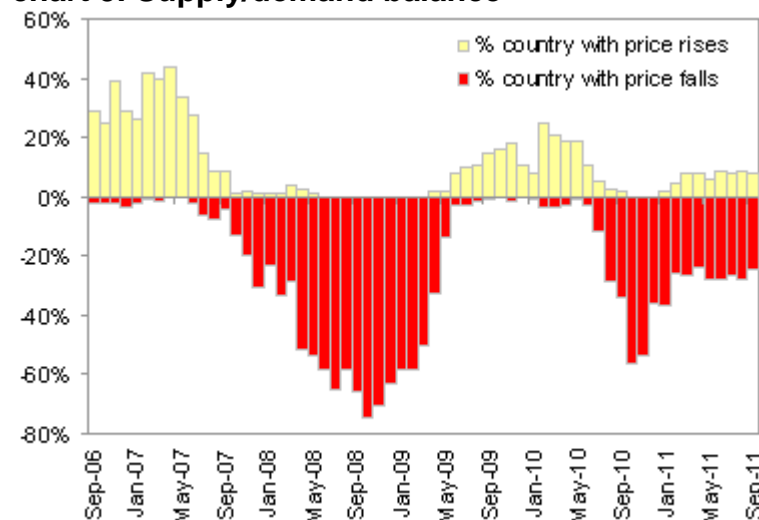
"The proportion of the asking price achieved has started to slip back and stands at 92.5%. The further it falls the greater the decline in prices. The time on the market has registered a small increase to 9.5 weeks with some major regional variations."

chart 2: Time on market by major region



"Figure 2 shows the time on the market for aggregated regions and the clear differential between southern England the rest of the country."

chart 3: Supply/demand balance



"Figure 3 shows the proportion of postcodes registering higher and lower prices over time. 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 25% of postcodes in September 2011."

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
Feb-03	108,640	126,500	90,000	105,000	140,000
Aug-03	117,000	135,000	105,000	120,000	150,000
Feb-04	125,000	140,000	113,000	123,000	157,000
Aug-04	130,000	150,000	125,000	130,000	165,000
Feb-05	135,000	154,950	129,995	134,000	172,000
Aug-05	136,500	155,000	130,000	139,250	170,000
Feb-06	138,000	158,000	131,000	139,000	170,000
Aug-06	142,500	159,995	135,500	141,000	175,000
Feb-07	146,000	164,000	140,000	145,000	179,995
Aug-07	150,000	173,000	145,000	148,000	188,000
Feb-08	155,500	174,000	147,000	148,200	195,000
Aug-08	157,500	170,000	146,000	150,000	190,000
Feb-09	147,000	160,000	137,500	145,000	175,000
Aug-09	140,000	157,000	140,000	135,000	172,000
Feb-10	143,000	160,000	145,000	140,000	177,000
Aug-10	152,000	170,000	149,995	146,000	185,000
Feb-11	150,000	165,000	150,000	147,500	187,500
Aug-11	150,000	167,000	150,000	145,000	187,500
Change Aug 2010- Aug 2011	-2,000	-3,000	5	-1,000	2,500
Change Peak – Aug 2011	-7,500	-7,000	3,000	-5,000	-7,500

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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