

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

October 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

- Average house prices fell for the third month in a row as demand weakened.
- The number of sales agreed fell and unsold stock was re-priced.
- The government's Funding for Lending initiative looks set to support a modest increase in mortgage lending, but this will be tempered by the uncertain economic outlook.
- Pricing will remain under slow downward pressure but a tightening in supply will limit the scale price falls in the short term.
- No region registered price increases in September. House prices were static in London and the south west and fell in all other regions.

Local House Prices

- Between August 2011 - 2012, lower quartile house prices were up in Rochford £2k and Castle Point £1k, static in Basildon, but down in Southend £5k and Thurrock £2.5k.
- In August 2012, the highest overall lower quartile property price was in Rochford £187k, followed by Castle Point £167k, Basildon £150k, Southend £144k and Thurrock £140k.
- Prices are still down in Rochford £8k, Basildon & Thurrock £7.5k, Castle Point £7k and Southend £1k when measured against the pre recession peak in 2007/08.
- Rochford has the highest priced 1, 2, 3 & 4 bed houses, whilst Castle Point has the highest priced 1 bed flatted properties in the sub region.

Cross Tenure (for a one bed property)

- The highest weekly cost of renting a one bed property through a Registered Provider is in Thurrock at £74 and the lowest in Rochford at £68.
- Private renting is most expensive in Castle Point £137, followed by Basildon and Thurrock £132, Rochford £126 and Southend £122.
- The average "head room" between 80% market rent and housing association rent for a 1 bed property ranges between £37 in Castle Point and £29 in Southend.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Rochford 51% 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 88% for a detached property.

Market Indicators

- Since July 2012, the time to sell has lengthened in Basildon, whilst reduced in Castle Point.
- The number of viewings per sale has increased in Castle Point but remained generally static in the remaining local authority areas.
- Since June 2012, the percentage change in newly listed properties and registered buyers increased in Castle Point but declined in the remaining four local authority areas, indicating a general slowing down in the housing market and lack of activity.

National Trends

Demand falls across all regions, while supply declines for first time in seven months. The Director of Research at Hometrack, Richard Donnell commented:

“Average house prices fell for the third month in a row as demand weakened, the number of sales agreed fell and unsold stock was re-priced.

The government's Funding for Lending initiative looks set to support a modest increase in mortgage lending, but an uncertain economic outlook, together with affordability pressures will continue to act as a drag on housing market activity.

Pricing will remain under slow downward pressure but a tightening in supply will limit the scale price falls in the short term.

Demand has fallen for the last four consecutive months with September registering the largest fall at - 3.6%. Demand in September fell across all regions.

No region registered price increases in September. House prices were static in London and the south west and fell in all other regions.”

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 2012, it shows average house prices in Rochford and castle Point have declined, whilst risen in the remaining three local authority areas. Price variations between different TGSE Local authority areas and quartiles are summarised in the table below:

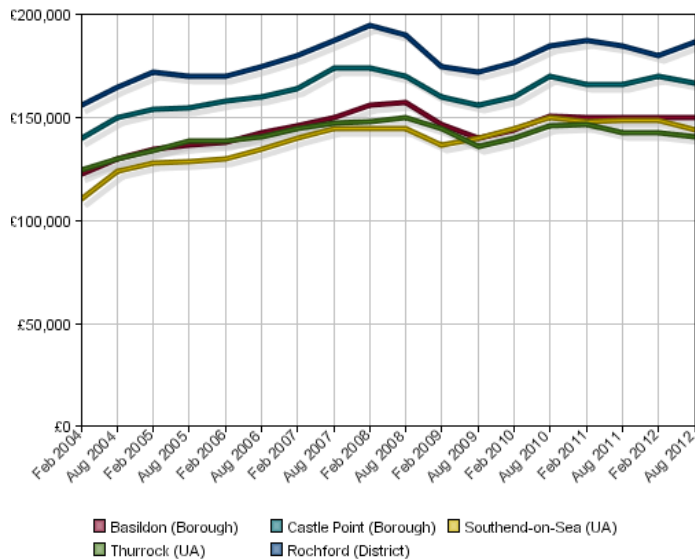
Change in House prices June – August 2012

Local Authority	90 th percentile	Upper Quartile	Average	Lower Quartile
Basildon	+£12,500 ↑	+£13,333 ↑	+ £10,111 ↑	+£1,500 ↑
Castle Point	+£21,666 ↑	-£7,667 ↓	-£1,560 ↓	+£3,833 ↑
Rochford	-£21,666 ↓	-£5,000 ↓	-£2,399 ↓	£0 ↔
Southend	+£41,666 ↑	+£36,666 ↑	+£6,905 ↑	+£2,500 ↑
Thurrock	+£16,000 ↑	+£7,684 ↑	+£8,528 ↑	+£8,167 ↑

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

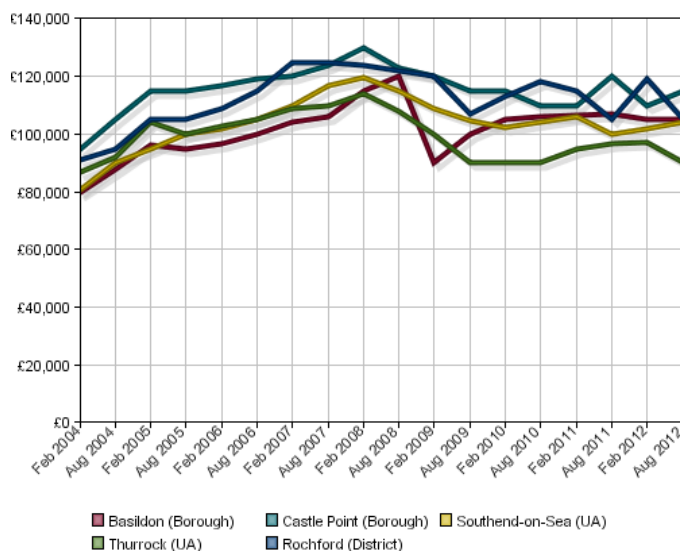


The above chart shows the partial recovery in house prices since the noticeable dip in summer of 2009. However, prices stalled again in the February 2011 and have been flat lining with the possible exception of Rochford. In August 2012, the highest overall lower quartile property price was in Rochford £187k, followed by Castle Point £167k, Basildon £150k, Southend at £144k and Thurrock at £140.5k.

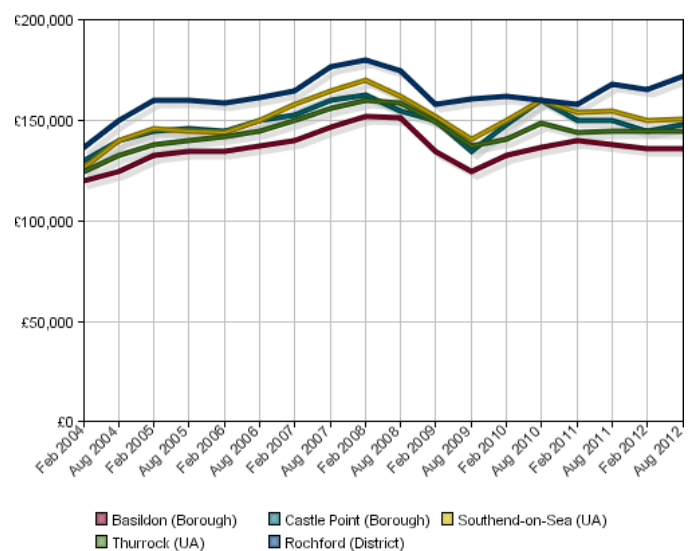
Between Aug 2011 - 2012, lower quartile house prices were up in Rochford £2k, Castle Point £1k remained static in Basildon, but were down in Southend £5k and Thurrock £2.5k.

When compared with pre recession prices in 2007/08 where they peaked across the sub region, current prices are still down in Rochford £8k, Basildon and Thurrock £7.5k, Castle Point £7k and Southend £1k (see Appendix 2).

Lower Quartile Price – Flat / Maisonette



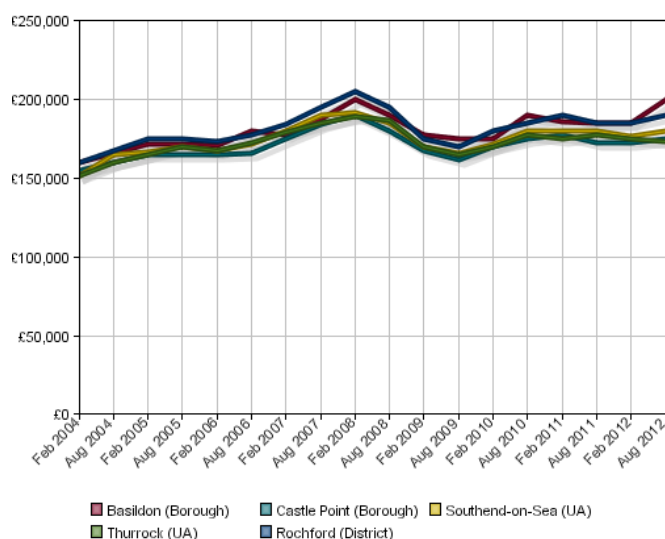
Lower Quartile Price – Terraced Properties



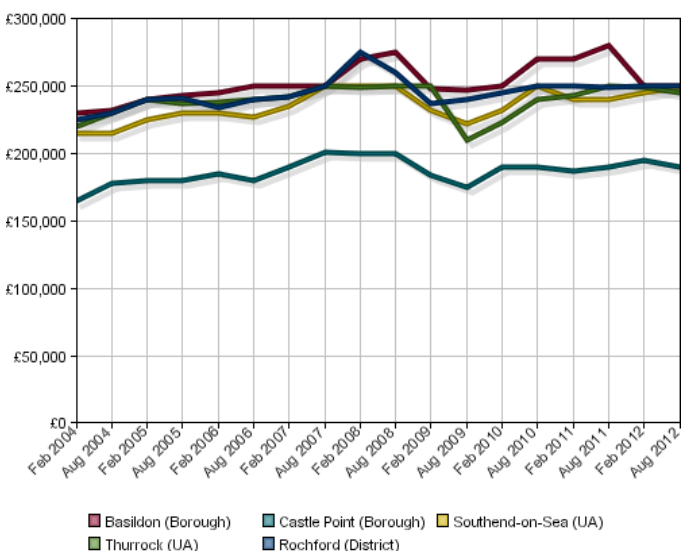
The above charts show a mixed picture. Prices of flat / maisonette properties have been more volatile in Castle Point and Rochford with spikes being experienced in August and February 2012 respectively. Prices have been more stable in Basildon and Southend, whilst in Thurrock they have been declining since February 2012.

For terraced properties, prices have risen in Rochford but have been static in the remaining local authority areas.

Lower Quartile Price – Semi Detached



Lower Quartile Prices – Detached



Since August 2011, prices of semi-detached properties increased in Basildon and Rochford, but remained static in Castle Point and Southend but fell in Thurrock.

Whilst for detached properties, since February 2012, there has been an interesting convergence of house prices in Basildon, Southend, Thurrock and Rochford. But prices have remained lower in Castle Point by as much as £50k.

In summary, the prices for flatted properties have fluctuated more so across the sub region especially when monitored over the six to twelve month period. Prices of semi detached and detached properties have generally been more stable.

Annual Turnover by Broad Type and Age

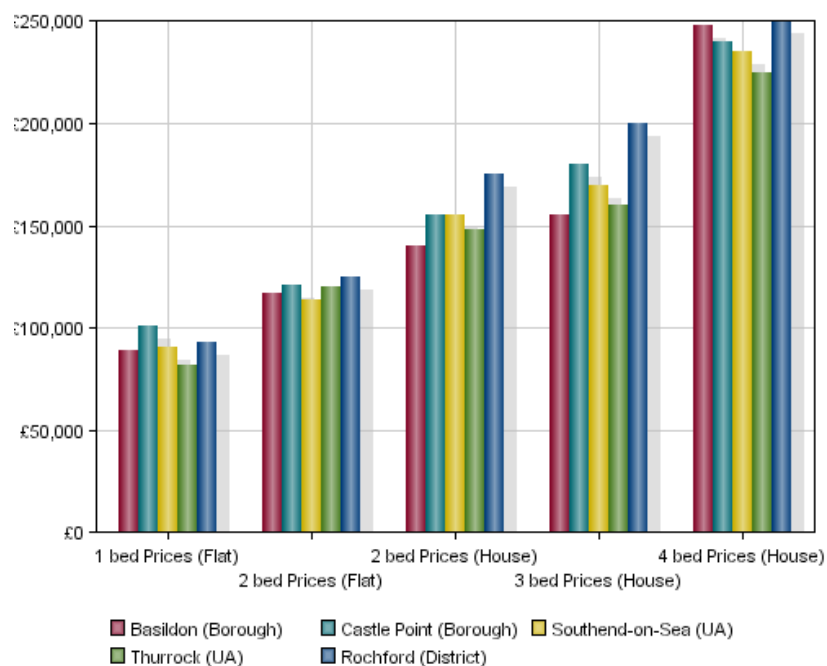
	Rochford			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2008	755	101	21	65
2009	875	98	26	21
2010	902	87	21	5
2011	964	80	17	5
2012	446	52	6	11

As a Proportion of Overall Property

	Rochford
	Overall property price bands
2008	2.90%
2009	3.10%
2010	3.10%
2011	3.30%
2012	1.60%

The above tables show the total volume of housing turnover in Rochford, 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 5.8% (see TGSE Housing Market Trends Quarterly Report July 2011).

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

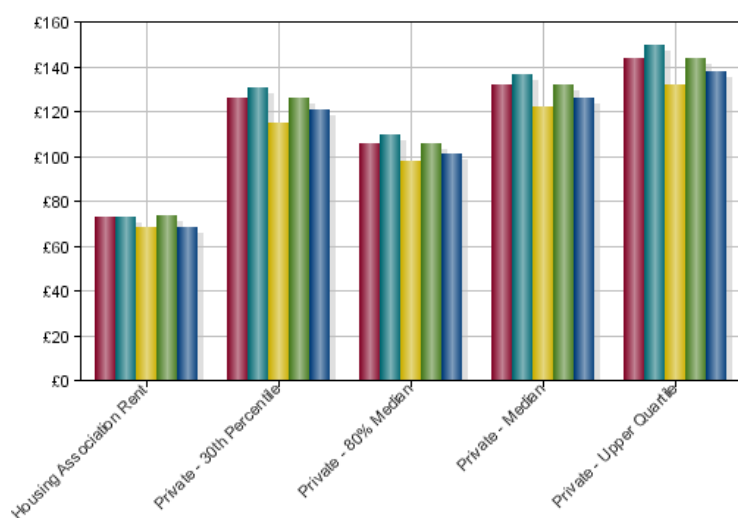


Latest Data Only For Comparison LQ (August 2012)

	Basildon (Borough)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	89,000	101,250	90,500	82,000	93,000
2 bed Prices (Flat)	117,125	120,750	114,000	120,000	125,000
2 bed Prices (House)	140,000	155,000	155,000	148,000	175,000
3 bed Prices (House)	155,000	180,000	170,000	160,000	200,000
4 bed Prices (House)	248,000	240,000	235,500	225,000	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 2012 figures. For 2 bed flatted, 2,3 and 4 bed properties the highest prices were recorded in Rochford, whilst for 1 bed flatted properties the highest price was in Castle Point.

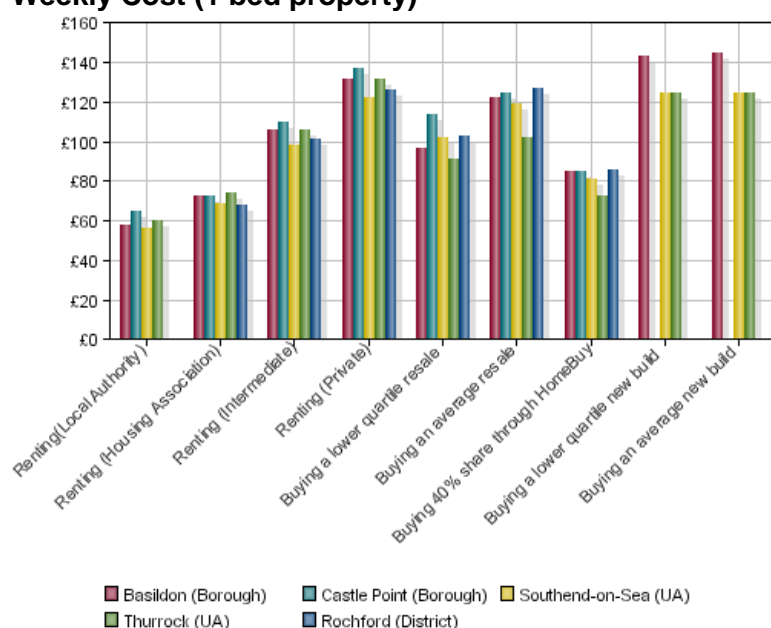
Weekly cost for 1 bed property across a range of quartiles compared to HA rent



	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	126	131	115	126	121
Private - 80% Median	106	110	98	106	101
Private - Median	132	137	122	132	126
Private - Upper Quartile	144	150	132	144	138
Difference between HA and 80% Median	33.1	36.9	29.2	32	32.8

The above table and graph over page shows the weekly cost of renting a one bed room property across a range of quartiles based on August 2012 prices. Importantly, it allows a comparison to be made between Housing Association Rent and the New Affordable Rent at 80% of market rent.

Weekly Cost (1 bed property)

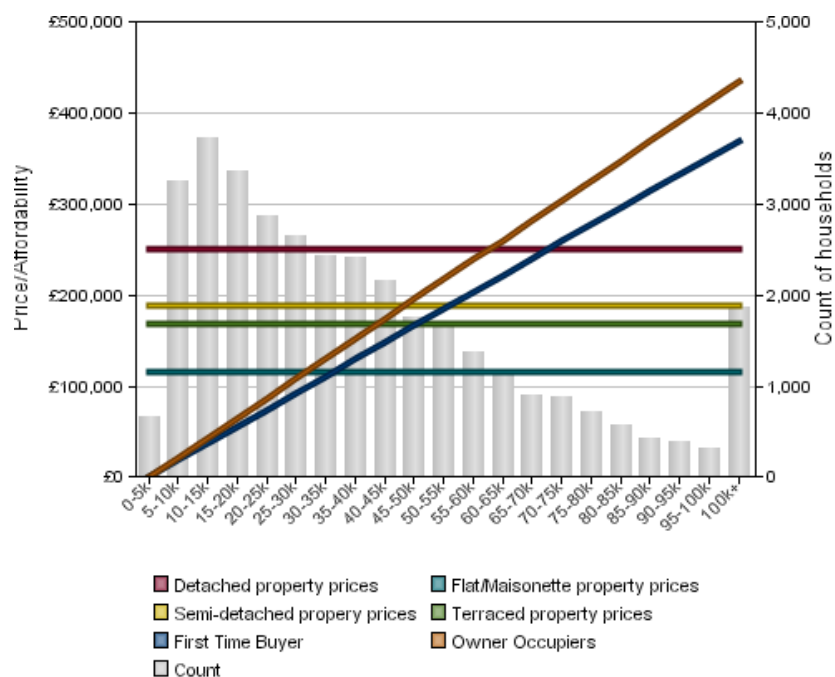


The chart compares the weekly cost of a one bed property across different tenures and has been analysed as follows:

- It remains cheaper to buy a 40% share of a property through HomeBuy in Thurrock at £86 per week, than to rent via a housing association at £74. Renting from the local authority still remains the cheapest form of tenure in all five local authorities
- It is cheaper to buy a lower quartile resale property in all five local authority areas than to privately rent
- Buying an average resale property is most expensive in Rochford at £127 per week
- Private renting is most expensive in Castle Point at £137, followed by Basildon and Thurrock at £132, Rochford at £126 and Southend at £122

Affordability: 3.0 times income

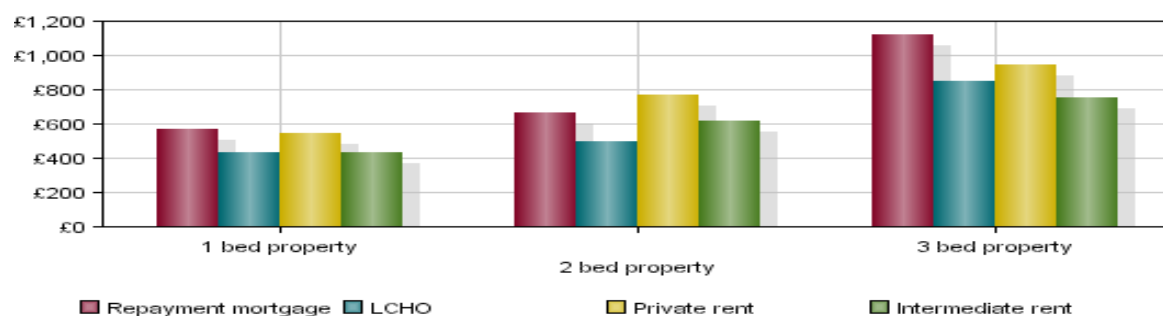
Sample Area: Rochford



This above chart shows the number of households in different household income bands in Rochford (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 Rochford are priced out of the property market. For example, 51% of households cannot afford to purchase a flat 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 88% for a detached property.

Affordability Calculator for Rochford



	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£112,000	£573	£434	£546	£437
2 bed property	£130,000	£665	£503	£771	£617
3 bed property	£219,000	£1,120	£848	£949	£759

Affordability calculator for Rochford

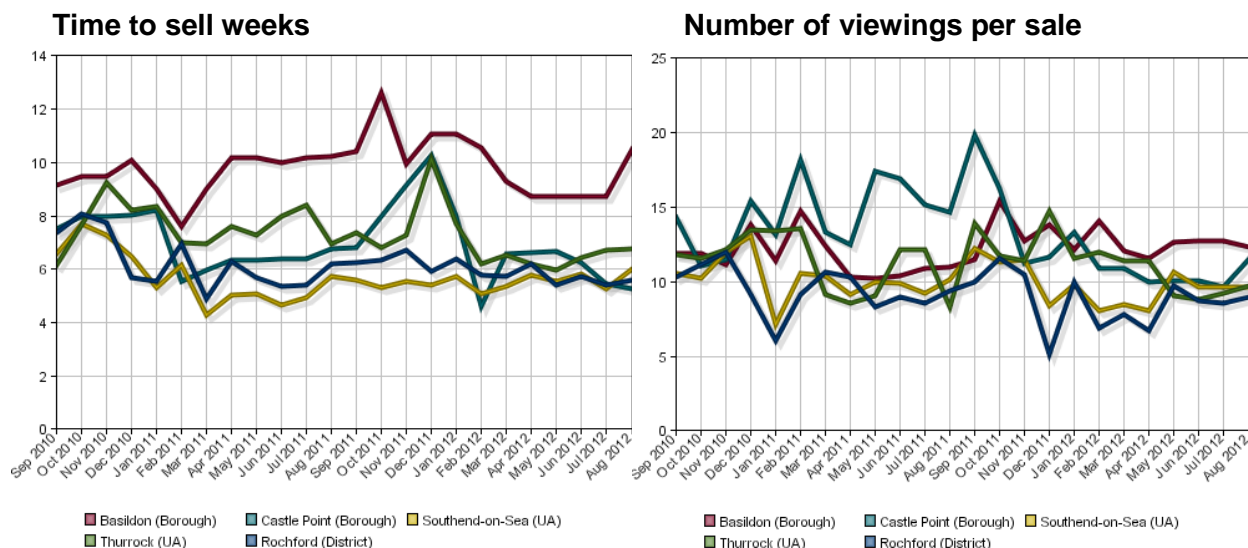
The information above is based on the average price for 1, 2 and 3 bedroom properties using a combination of sales and valuations data as well as open market and intermediate rental values. The

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 Rochford, 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.

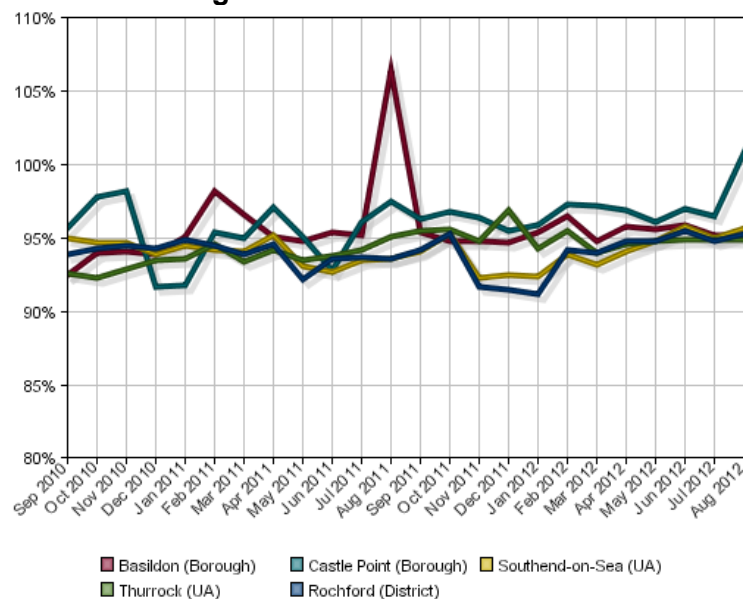
Whilst the sample area for this Quarterly Report is Rochford, information can be readily made available for the other TGSE Local Authorities areas on request.

Market Indicators



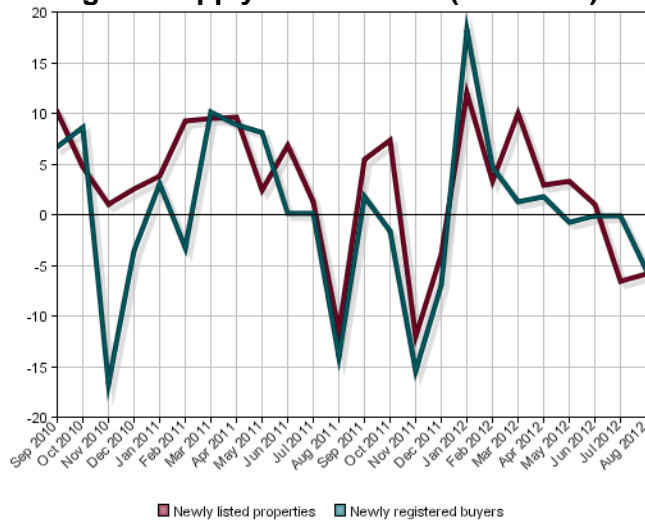
The above graphs shows that since July 2012 the time to sell has lengthened significantly in Basildon, and less so in Thurrock, Southend and Rochford, whilst reduced in Castle Point. The number of viewings per sale have increased in Castle Point but remained generally static in the other local authority 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 September 2010. Since July 2012, the percentage has increased significantly in Castle Point (over 100%) but remained static in the remaining local authority areas.

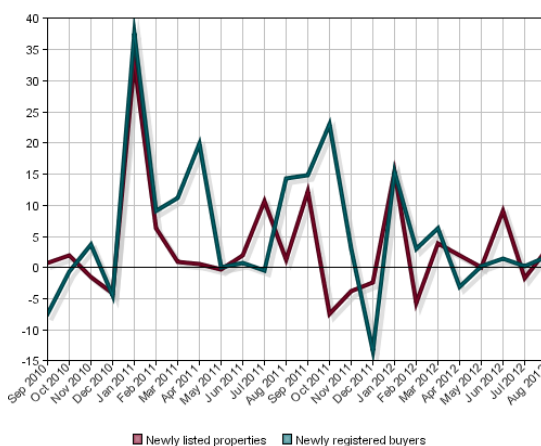
Change in Supply and Demand (Rochford)



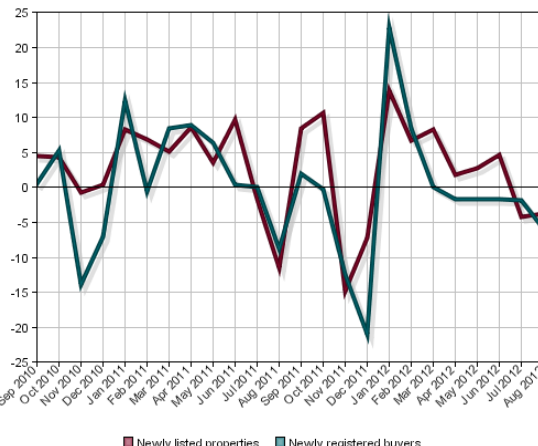
This graph compares the percentage change in the number of new properties being registered for sale each month against the percentage change in the number of new buyers registering for Rochford.

Between June and August 2012 following previous large seasonal fluctuations both the number of newly registered buyers and sellers have fallen away, suggesting a general slowing down in the housing market and lack of activity.

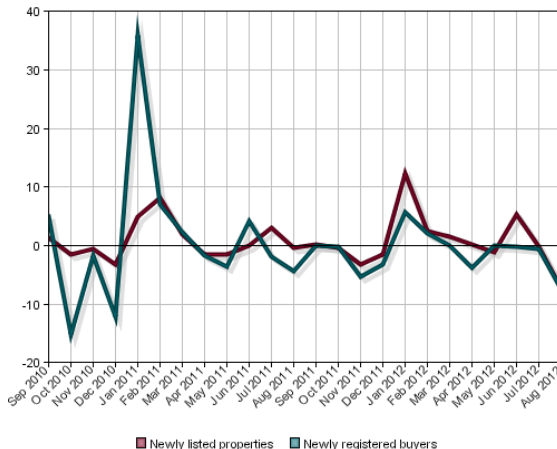
Castle Point



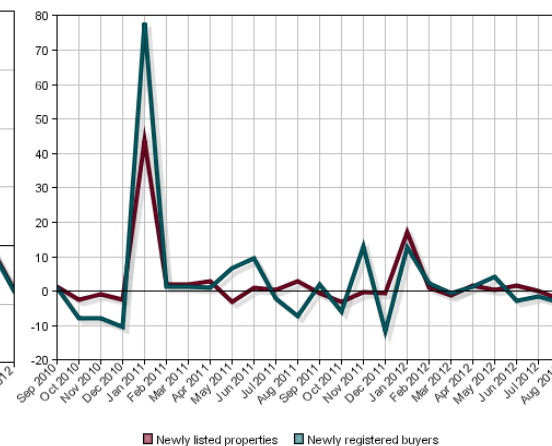
Southend



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 in Southend and Basildon to a similar degree. In Thurrock the decline is less, whilst in Castle Point there has been a small increase recorded.

Time to sell jumps as housing demand weakens

Demand falls across all regions, while supply declines for first time in seven months

Summary	July-12	Aug-12	Sept-12	Change
Monthly price change (%)	-0.1	-0.1	-0.1	►
% change in new buyers registering with agents	-2.1	-1.3	-3.6	▼
% change in volume of property listing	1.4	0.8	-0.9	▼
% change in sales agreed	1.5	6.4	-0.4	▼
Average time on the market (weeks)	9.5	9.5	9.9	▲
% of the asking price being achieved	93.1	93.0	93.0	►
% postcode districts with price increase over month	7.2	3.6	6.0	▲
% postcode districts with price decrease over month	31.6	27.1	23.6	▼

Results at a glance

- Average house prices fell for the third month in a row as demand weakened, the number of sales agreed fell and unsold stock was re-priced.
- The government's Funding for Lending initiative looks set to support a modest increase in mortgage lending, but an uncertain economic outlook, together with affordability pressures will continue to act as a drag on housing market activity.
- Pricing will remain under slow downward pressure but a tightening in supply will limit the scale price falls in the short term.
- Demand has fallen for the last four consecutive months with September registering the largest fall at -3.6%. Demand in September fell across all regions. This is in contrast to the start of the year when between February and May the number of people registering with agents rose by 25%.
- Slowing demand is typically followed by tightening supply. September saw the first monthly decline in supply (-0.9%) following seven months of growth.
- No region registered price increases in September. House prices were static in London and the south west and fell in all other regions – see figure 4.
- The percentage of the asking price achieved remained unchanged at 93%. The greatest gap between asking and achieved prices continues to be in northern regions (8.1%) but the gap is starting to widen in London and the south.
- The time on the market has increased to 9.9 weeks. In the south east the figure has risen by 10% (to 8.8 weeks) since May. The time on the market for three regions now stands at over three months.

Figure 1

The proportion of asking price achieved remained static this month at 93.0%.

The time on the market has increased to 9.9 weeks, a rise from 9.5 (August) with some major regional variations across the country.

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

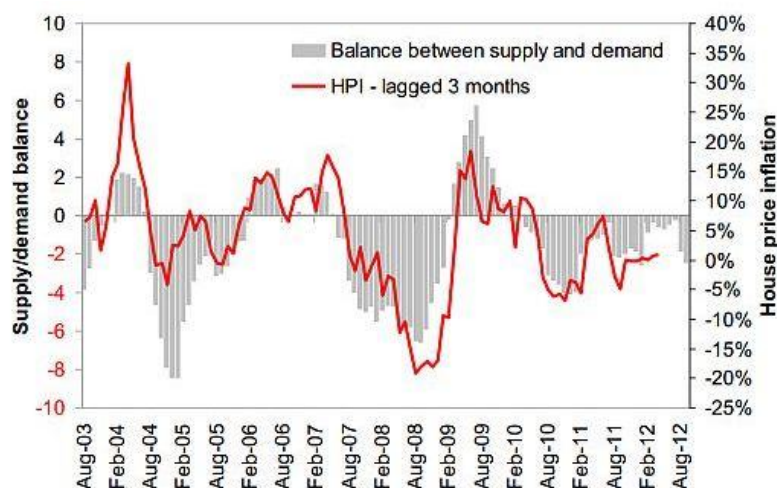
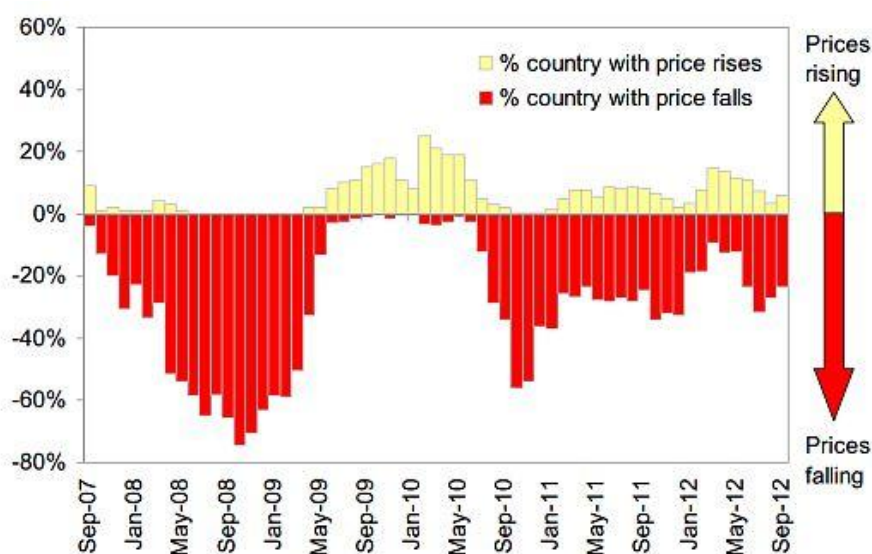


Figure 3

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 23.6% of postcodes in September 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
Feb-04	123,000	140,000	110,501	124,500	156,500
Aug-04	130,000	150,000	124,000	130,000	165,000
Feb-05	135,000	154,500	128,000	134,000	172,000
Aug-05	136,500	155,000	129,000	139,000	170,000
Feb-06	138,000	158,000	130,000	139,000	170,000
Aug-06	143,000	159,995	135,000	141,000	175,000
Feb-07	146,000	164,000	140,000	145,000	179,995
Aug-07	150,000	174,000	145,000	147,500	187,655
Feb-08	156,000	174,000	145,000	148,000	195,000
Aug-08	157,500	170,000	145,000	150,000	190,000
Feb-09	147,000	160,000	136,500	145,000	175,000
Aug-09	140,000	156,000	140,000	136,000	172,000
Feb-10	144,000	160,000	145,000	140,000	177,000
Aug-10	151,000	170,000	150,000	146,000	185,000
Feb-11	150,000	166,500	148,000	146,500	187,500
Aug-11	149,995	166,000	149,000	143,000	185,000
Feb-12	150,000	170,000	149,000	143,000	180,000
Aug-12	150,000	167,000	144,000	140,500	187,000
Change Aug 11 Aug 12	5	1,000	-5,000	-2,500	2,000
Change Peak – Aug 2012	-7,500	-7,000	-1,000	-7,500	-8,000

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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