

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

October 2013

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 (currently under review) 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 0.5% in September – the highest monthly increase since May 2007.
- Improving market sentiment, rising demand, low mortgage rates and falling supply are combining to put upward pressure on house prices.
- In the near term, prices are expected to continue to rise but the market remains very sensitive to changes in demand and especially changing expectations in relation to future mortgage rates.

Local House Prices

- Between August 2012 – 2013, Lower Quartile (LQ) house prices were up in Rochford and Southend +£8k, Thurrock +£6k, Castle Point +£1k, but down in Basildon -£1k.
- LQ Prices are still down from the 2007/8 peak in Basildon and Castle Point -£8k, Thurrock -£4k, but level in Rochford and up in Southend +£8k.
- In August 2013, the highest overall LQ property price was in Rochford £195k, followed by Castle Point £166k, Southend £153k, Basildon £150k and Thurrock £146k.
- Castle Point had the highest LQ priced 1 bed flatted properties, whilst for 2, 3 bed properties it was Rochford and 4 bed properties it was Rochford and 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 was most expensive in Castle Point and Thurrock at £138, followed by Basildon £137, Rochford £132 and Southend £121 per week.
- Between August 2012 – 2013, rent per week had risen in Thurrock +£6, Basildon +£5, Rochford +£4, Castle Point +£1 and but declined in Southend -£1.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Southend 52% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 72% for those wishing to purchase a terraced property and 80% for a semi detached property.
- The latest ratio between house prices and household disposable income averages 9.8:1 for TGSE Local Authorities, while for east London authorities it is as high as 15.1.

Market Indicators

- Properties in all five TGSE LA areas are now selling faster than the average for England at 8.1%.
- Viewings per sale fell marginally in Rochford but rose in the remaining 4 Local Authority areas.
- The proportion of sales to asking price performed better in the western half of the sub region.
- The number of newly registered buyers / newly listed properties fell since June 2013 following a seasonal increase.
- The number of newly registered buyers has consistently remained higher (than newly listed properties), which has been putting further upward pressure on house prices.

National Trends

House prices increased by 0.5% in September, representing the highest monthly increase since May 2007. The Director of Research at Hometrack, Richard Donnell commented:

“Improving market sentiment, rising demand, low mortgage rates and falling supply are combining to put continued upward pressure on house prices.

House price growth is accelerating on the back of a growing coverage of markets registering price rises where over two-fifths (41%) of markets registered higher prices in September, compared to just 6% a year ago.

Demand increased for the eighth month in a row growing by 1.4% in September. The supply of homes for sale fell by 0.3%, the first contraction in seven months.






In the near term we expect prices to continue to rise but the market remains very sensitive to changes in demand and especially changing expectations over the outlook for mortgage rates”.

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 August 2012 and August 2013, prices rose in all five TGSE Local Authority areas by as much as £11,943. The highest price was recorded in Rochford, followed by Basildon, Southend, Castle Point and Thurrock.

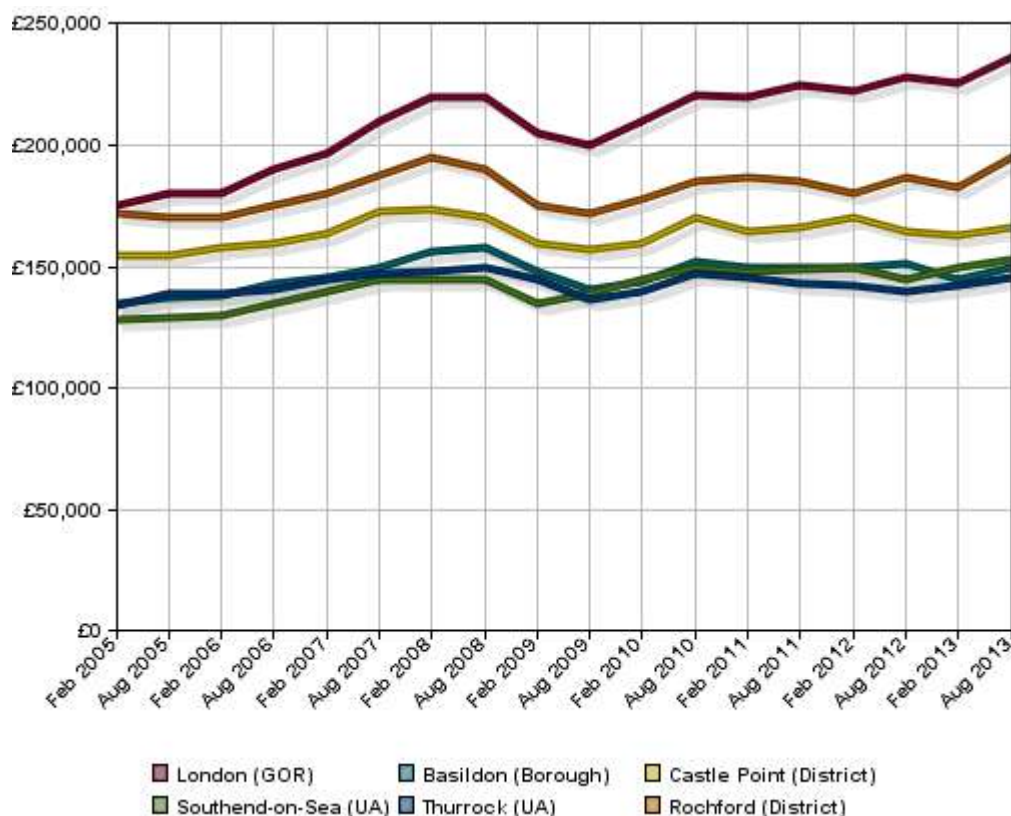
Change in Average House prices August 2012 – August 2013

<i>Local Authority</i>	<i>August 2012</i>	<i>August 2013</i>	<i>Change</i>
Basildon	233,995	240,379	+£6,384 
Castle Point	220,250	223,597	+£3,347 
Rochford	252,613	254,958	+£11,943 
Southend	220,332	232,275	+£11,943 
Thurrock	187,309	192,783	+£5,474 

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.

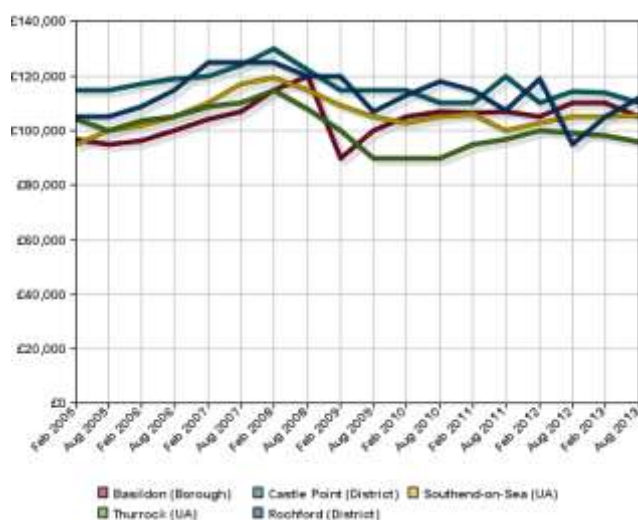
Lower Quartile Price – Overall



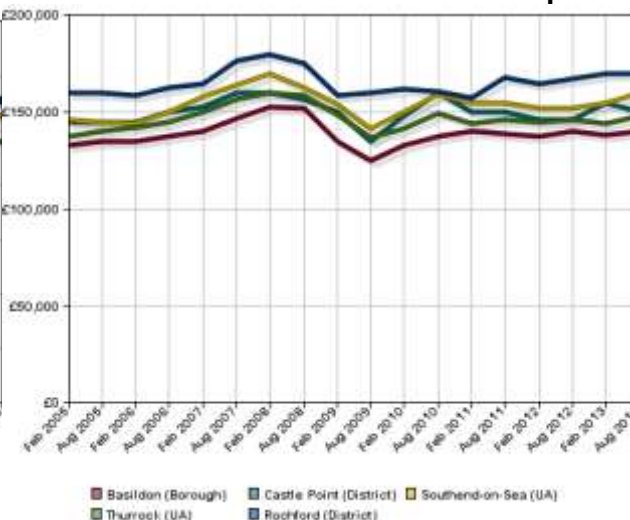
The above chart shows the partial recovery in house prices since the noticeable dip in 2008/9. Prices first fluctuated, then, began recovering from February 2013. In August 2013, the highest overall lower quartile property price was in Rochford £195k, followed by Castle Point £166k, Southend £153k, Basildon £150k and Thurrock £146k. Prices are cheaper compared with the London region by as much as £90k.

When compared with pre recession prices in 2007/08 where they peaked across the sub region, current prices are still down in Basildon and Castle Point -£8k and Thurrock -£4k, whilst being stable in Rochford and up in Southend +£8k (see Appendix 2).

Lower Quartile Price – Flat / Maisonette



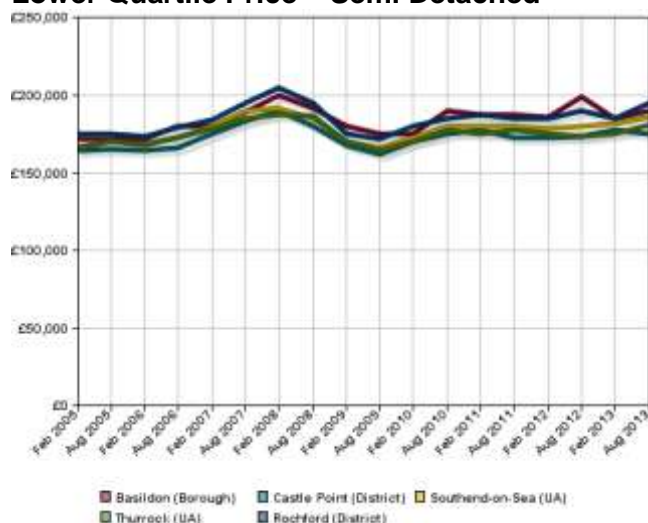
Lower Quartile Price – Terraced Properties



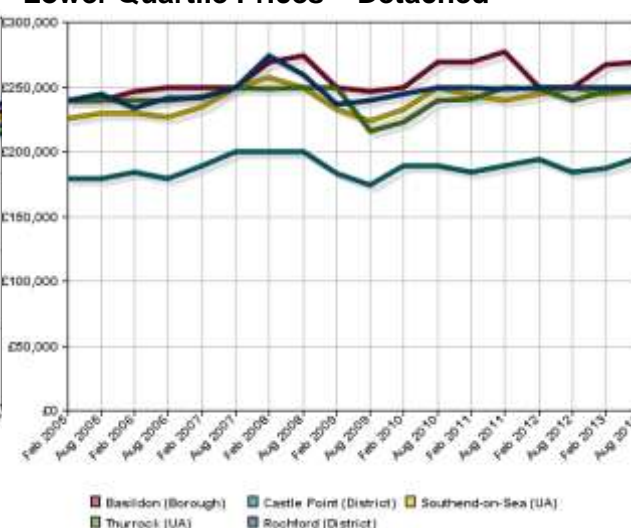
The above charts show a mixed picture. Prices of flat / maisonette property have been more volatile in past years. Since August 2012 prices have risen significantly in Castle Point (£17k) in part due to a shortage of supply, but remained relatively static in the remaining four local authority areas.

For terraced properties, since August 2012 prices have all edged upwards apart from Basildon where they have remained static. This might have been attributed to Basildon's relatively successful new house building programme.

Lower Quartile Price – Semi Detached



Lower Quartile Prices – Detached



Since August 2012, prices of semi-detached properties had similarly all edged upwards apart from Basildon mainly due to a previous spike.

For detached properties, since August 2012 prices had risen in Basildon, Castle Point and Thurrock, but remained stable in Rochford and Southend. Prices have remained lower in Castle Point by on average £65k.

In summary, the prices for smaller flatted properties have fluctuated more so across the sub region especially when monitored over a shorter period. Prices of terraced, semi detached and detached properties have begun edging upwards.

Annual Turnover by Broad Type and Age

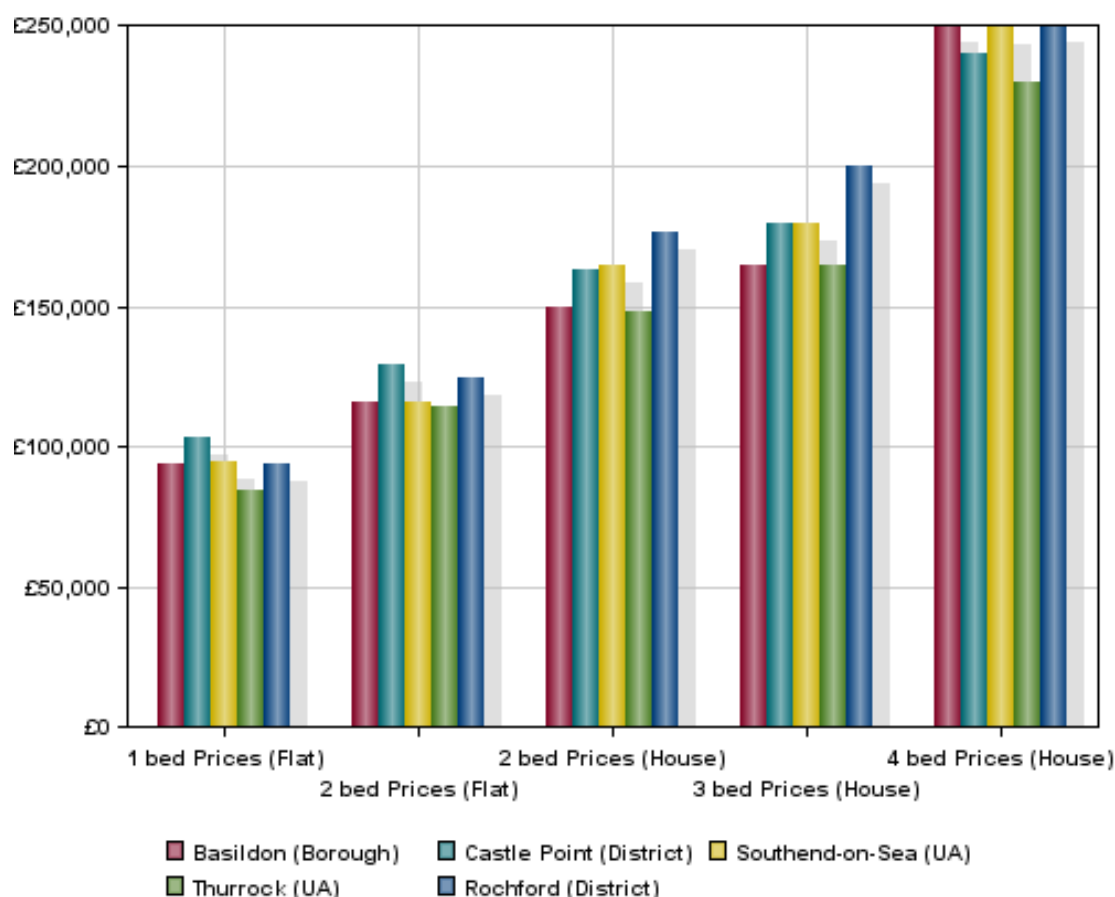
	Southend			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2009	475	713	415	668
2010	515	684	397	710
2011	547	747	416	725
2012	521	750	439	696
2013	294	438	254	459

As a Proportion of Overall Property

	Southend	
	Overall property price bands	
2009	2.90%	
2010	2.90%	
2011	3.10%	
2012	3.00%	
2013	1.80%	

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 has increased marginally and was 3.0% in 2012. However, it is still significantly down from pre 2008 figures where it was 6.2% in 2007 (see TGSE Housing Market Trends Quarterly Report April 2010).

Lower Quartile Price of Property by Bed Count (August 2013)

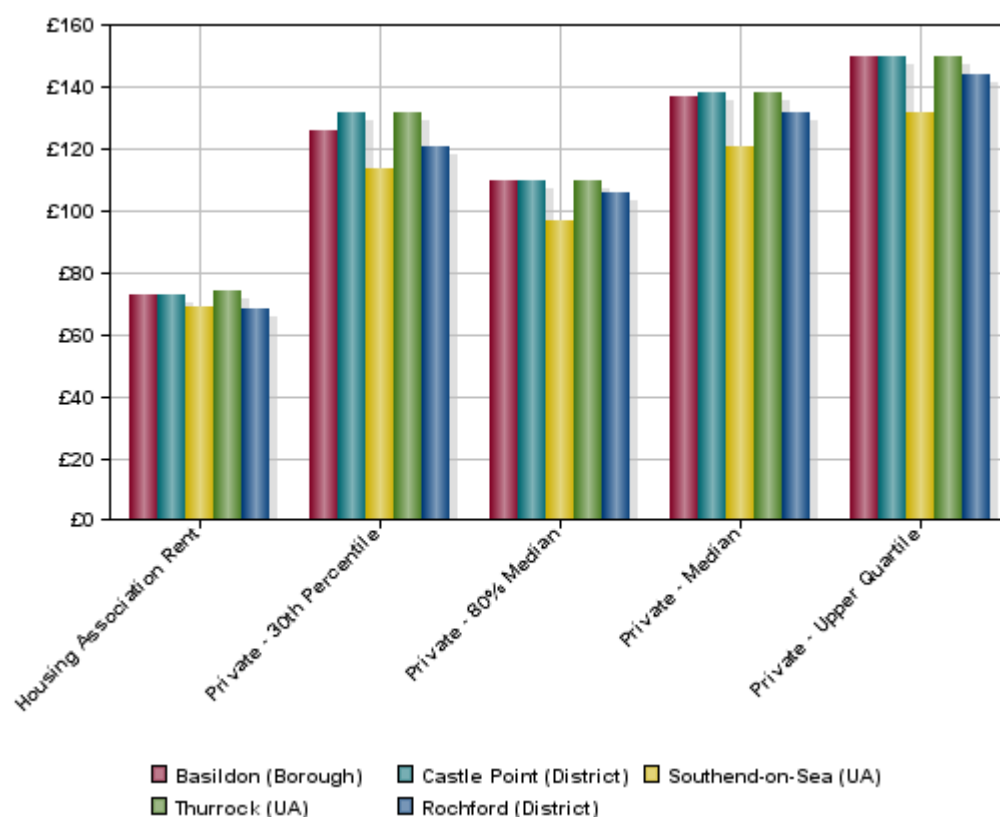


Latest Data Only For Comparison LQ (August 2013)

	Basildon (Borough)	Castle Point (Borough)	Southend- on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	94,250	103,500	95,000	84,250	94,000
2 bed Prices (Flat)	116,000	129,000	116,000	114,000	124,875
2 bed Prices (House)	150,000	163,500	165,000	148,250	176,625
3 bed Prices (House)	165,000	180,000	179,996	165,000	200,000
4 bed Prices (House)	250,000	240,000	249,249	230,000	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 2013 figures. For a 2 and 3 bed house it was Rochford and for a 4 bed property both Rochford and Basildon shared the top spot. Thurrock generally has the lowest priced property 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	126	132	114	132	121
Private - 80% Median	110	110	97	110	106
Private – Median (figures for Aug 12)	137 132	138 137	121 122	138 132	132 126
Private - Upper Quartile	150	150	132	150	144
Difference between 80% Median and HA rent	37.1	36.9	28.2	36	37.8

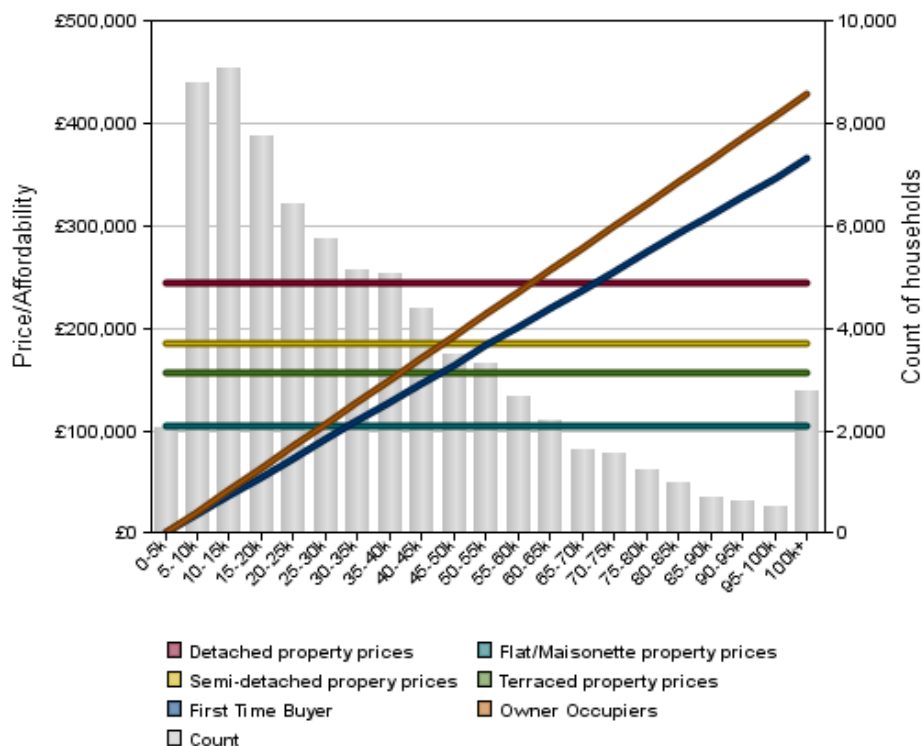
The above table and graph show the weekly cost of renting a one bed room property across a range of quartiles based on August 2013 prices. Importantly, it allows a comparison to be made between Housing Association Rent and the New Affordable Rent at 80% of market rent.

Private renting (median) is most expensive in Castle Point and Thurrock at £138, followed by Basildon at £137, Rochford £132 and Southend at £121 per week.

Between August 2012 and 2013, rent per week had risen in Thurrock +£6, Basildon +£5, Rochford +£4 and Castle Point +£1, but declined in Southend -£1.

Affordability: 3.0 times income

Sample Area: Southend



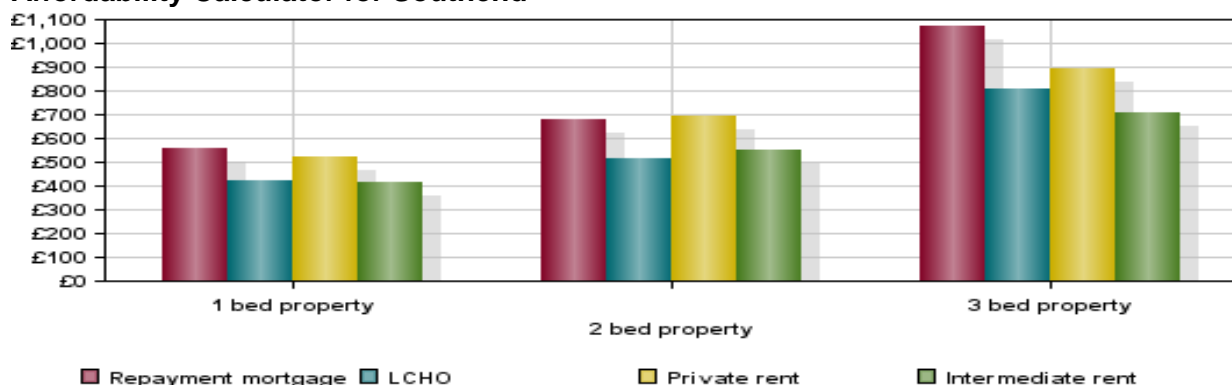
This above chart shows the number of households in different household income bands in Southend compared to the minimum price for different property types in the same area (horizontal lines). The diagonal lines rising from left to right show the value of property that can be afforded at different income 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, 52% 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 72% for those wishing to purchase a terraced property and 80% for a semi detached property.

In comparison with Basildon (see TGSE Housing Market Trends report July 2013), smaller properties were less affordable with 48% of households not being able to afford a flat, whilst for larger properties the figure was closer to Southend.

Affordability can also be measured in terms of the ratio between house prices and household disposable income. In August 2013, the average ratio was 9.8:1 compared to east London (Postal Area E) 15.1. 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.

Affordability Calculator for Southend



	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£109,000	£558	£422	£524	£419
2 bed property	£133,750	£684	£518	£693	£555
3 bed property	£210,000	£1,074	£813	£893	£714

Affordability calculator for Southend

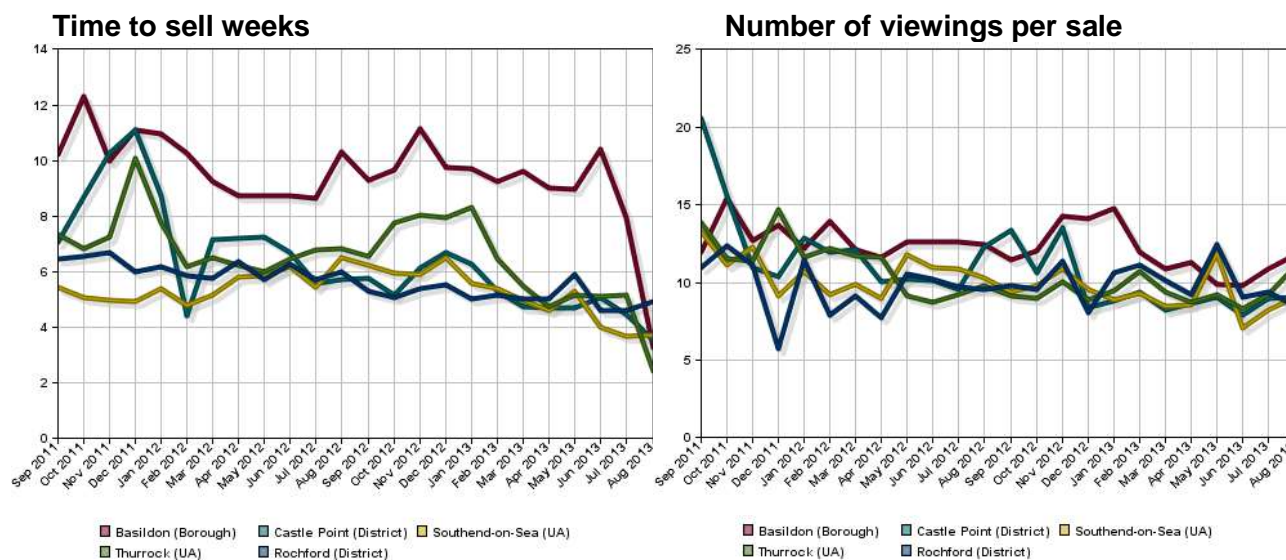
The information above and on the previous page is based on the average price for 1, 2 and 3 bedroom properties using a combination of sales and valuations data as well as open market and intermediate rental values. The data is calculated using the assumptions set within an Affordability menu (available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

The assumptions can be changed by moving the slider bars. For Southend, intermediate rent was the cheapest form of tenure for 1 and 3 bed properties, for 2 bed properties it was low cost home ownership. The most expensive form of tenure for 1 and 3 bed properties was a repayment mortgage and for 2 bed property private renting.

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 Southend, information can be readily made available for the other TGSE local authority areas on request.

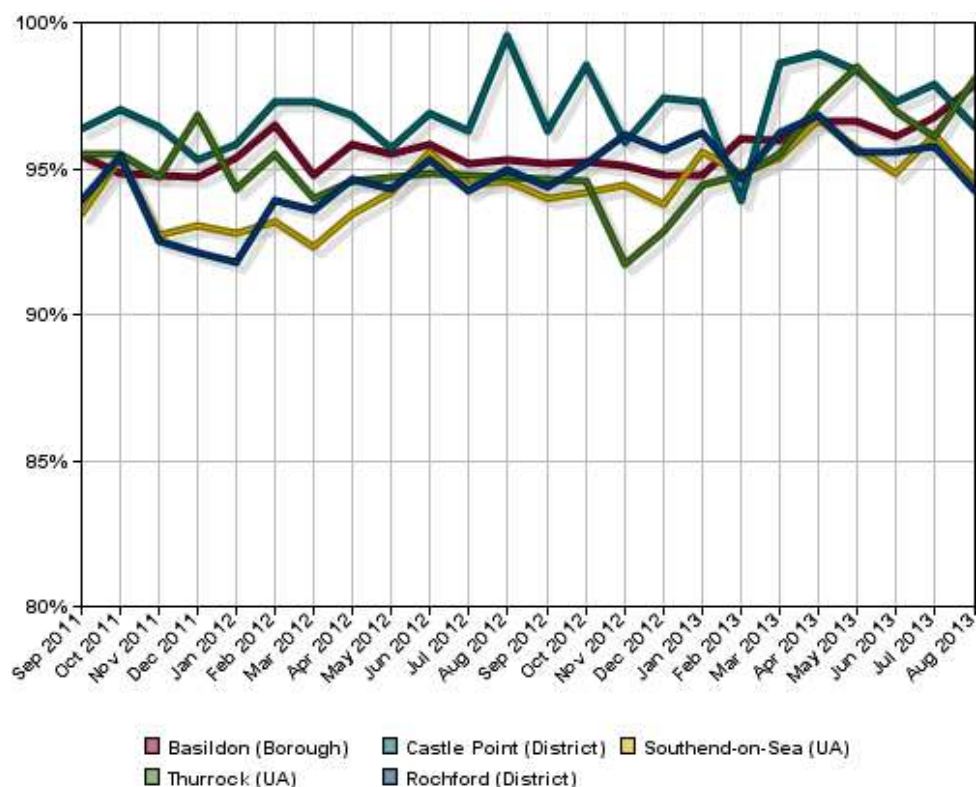
Market Indicators



The above graphs show that since April 2013, the time to sell fell dramatically in Basildon from 10 to 3 weeks. Falls were also experienced in Southend, Thurrock and Castle Point, however, in Rochford the time to sell increased marginally. Properties in all five TGSE LAs are now selling quicker than the average for England at 8.1%.

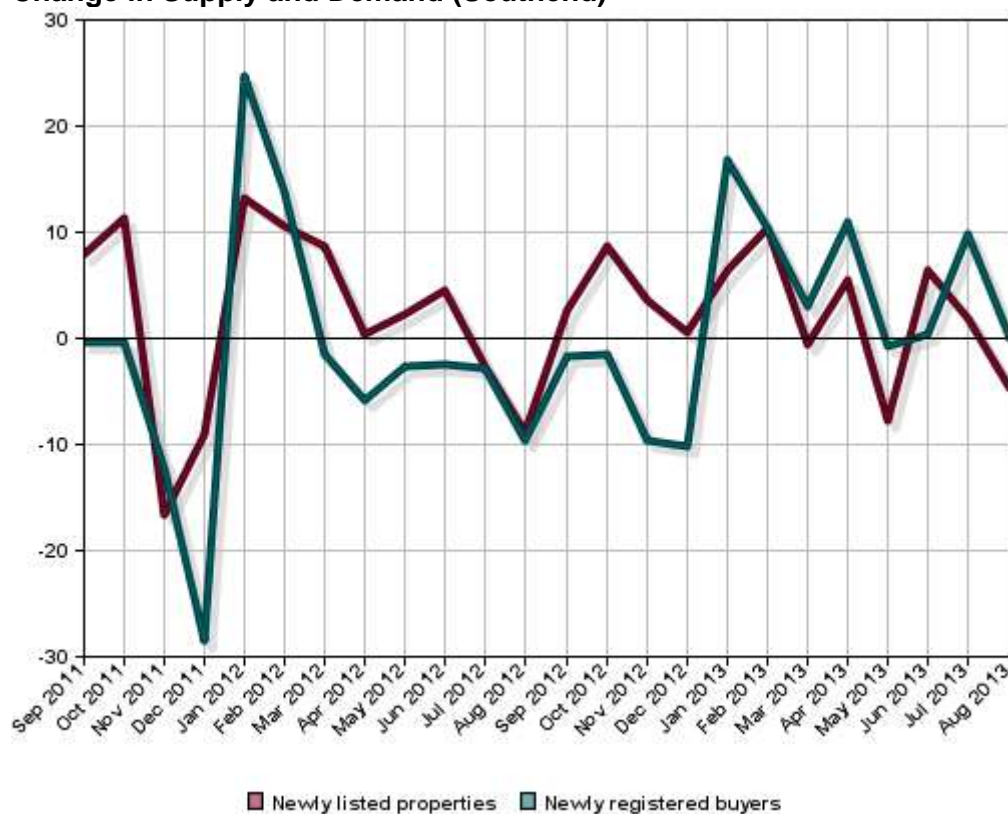
In terms of viewings per sale, they again fell marginally in Rochford, but increased in the remaining four TGSE Local Authority areas.

Sales to Asking Price



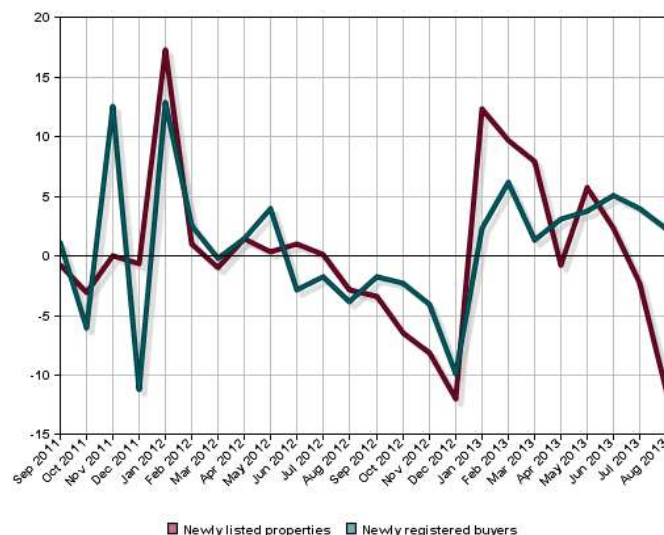
This graph shows the typical proportion of the asking price that has been achieved for all sales agreed over the month since September 2011. Since July 2013, the percentage change has increased in Thurrock and Basildon but decreased in the other remaining TGSE local authority areas. Indicating a generally improving housing market with perhaps the west of TGSE (Thurrock and Basildon) performing better than the east of TGSE (Southend, Rochford and Castle Point).

Change in Supply and Demand (Southend)

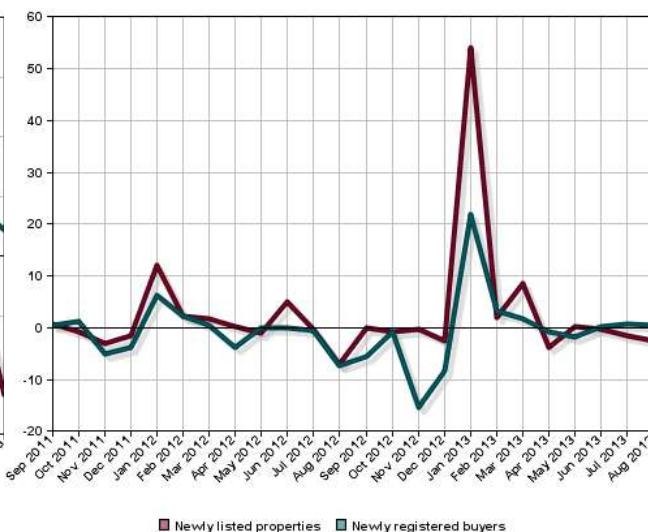


This graph compares the percentage change in the number of new properties being registered for sale each month against the percentage change in the number of new buyers registering in Southend. Between May – July 2013, there was a seasonal increase in both new buyers and sellers, however since July the buyers declined along with the sellers but to a lesser extent. As the number of newly registered properties decline; this will create further upward pressure on house prices in the near future.

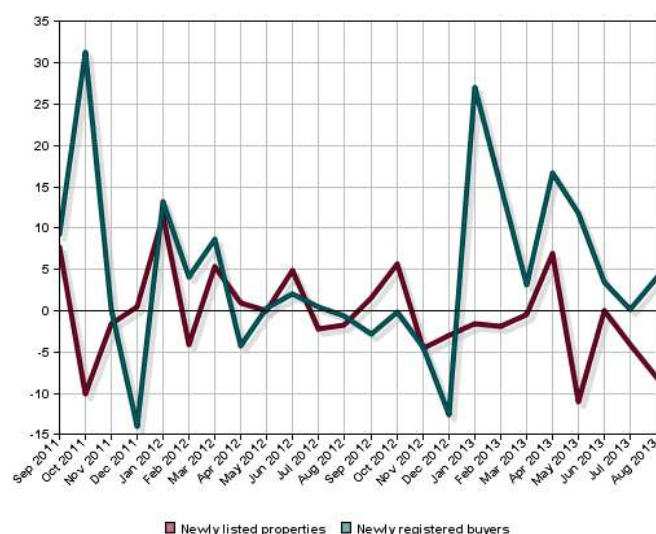
Thurrock



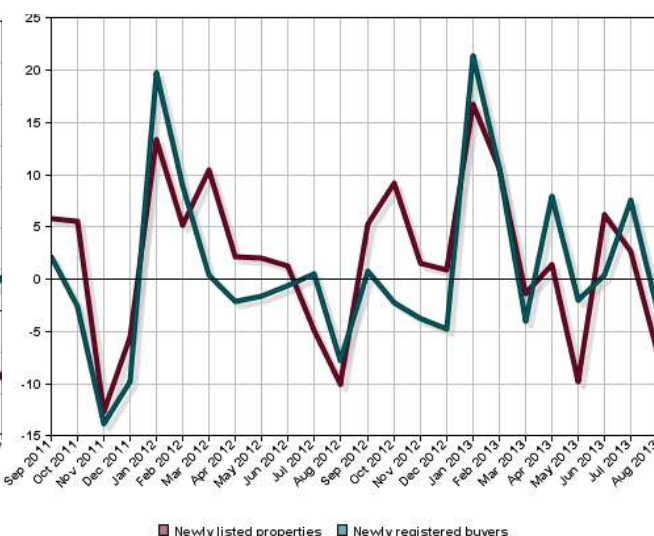
Basildon



Castle Point



Rochford



The picture for the rest of the sub region shows both similarities and differences; since June 2013 following the spring seasonal increase both the percentage change in newly registered properties and registered buyers fell in all five TGSE LA areas. The number of newly registered buyers has consistently remained higher and for Thurrock, Basildon and Castle Point they remained in the positive. This indicates that there is likely to be further upward pressure on house prices as the number of newly listed properties coming on to the market dwindle.

Appendix 1 –Snapshot of Housing Market in England & Wales by Richard Donnell, Director of Research, Hometrack, October 2013.

House prices post strongest increase since May 2007

41% of markets registered price rises in September compared to 6% a year ago

Summary	July-13	Aug-13	Sept-13	Change
Monthly price change (%)	0.3	0.4	0.5	▲
% change in new buyers registering with agents	1.1	1.1	1.4	▲
% change in volume of property listing	2.4	0.8	-0.3	▼
% change in sales agreed	6.5	5.4	4.2	▼
Average time on the market (weeks)	8.2	8.1	7.9	▼
% of the asking price being achieved	94.4	94.6	94.7	▲
% postcode districts with price increase over month	29.3	32.6	40.9	▲
% postcode districts with price decrease over month	1.8	1.7	2.2	▲

Results at a glance

- Improving market sentiment, rising demand, low mortgage rates and falling supply are combining to put continued upward pressure on house prices.
- House prices grew by 0.5% in September, the highest monthly increase since May 2007.
- House price growth is accelerating on the back of a growing coverage of markets registering price rises.
- Over two-fifths (41%) of markets registered higher prices in September, compared to just 6% a year ago.
- Over 70% of markets in London and the South East are registering increases while in all other regions price rises are limited to less than a third of regional markets.
- In many markets outside London this is the first time that prices have started to register positive growth for over 5 years. Prices are rising off a low base and talk of a housing bubble is overstated.
- Demand increased for the eighth month in a row growing by 1.4% in September. The supply of homes for sale fell by 0.3%, the first contraction in seven months.
- There has been a steady contraction in the supply of homes for sale in London and the South East over the last three months. Across other regions improving market conditions has bought increased supply.
- The strongest price rises are in regions where supply is most constrained. Expanding supply is keeping price rises in check in the regions outside London and the South East.
- The proportion of the asking price being achieved marginally increased to 94.7%. When this indicator plateaus and starts to decline the level of price growth will start to moderate.
- In the near term we expect prices to continue to rise but the market remains very sensitive to changes in demand and especially changing expectations over the outlook for mortgage rates.

Figure 1

The gap between asking and achieved prices has been falling across the country.

The gap is narrowing most rapidly in London and Southern England.

Improvements in underlying pricing levels are now feeding through in the northern and midlands regions.

Discount from asking price to sales price by large region

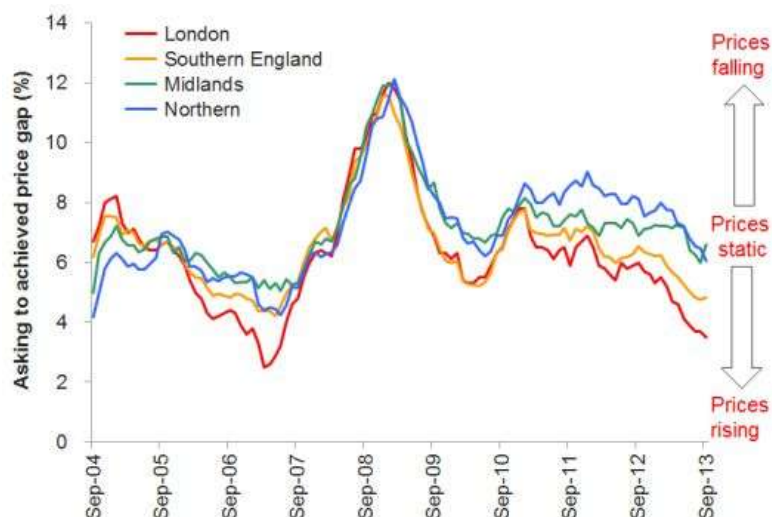


Figure 2

The balance between supply and demand leads underlying house price changes by 3 months.

The supply/demand balance has opened up in the last 4 months pointing to price appreciation.

The improved balance has led to an increase in price growth which is coming through the ONS index.

Supply demand balance leads price changes by 3 months



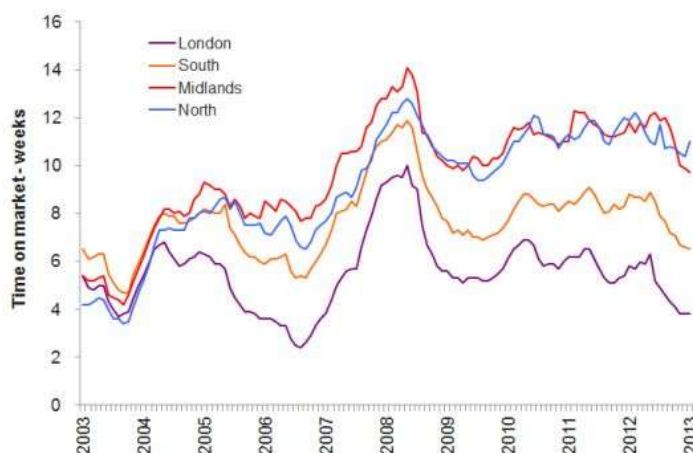
Figure 3

Shows the average time on the market by large region.

London and the South East have the shortest sales periods which have been declining sharply in recent months.

Sales times have shortened in the midlands and northern regions but remain extended.

Time on market by large region



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-05	135,000	154,500	128,000	134,000	172,000
Aug-05	137,000	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	173,000	145,000	147,500	187,500
Feb-08	156,000	174,000	145,000	148,000	195,000
Aug-08	158,000	170,000	145,000	150,000	190,000
Feb-09	148,000	160,000	135,000	145,000	175,000
Aug-09	141,000	157,000	139,000	136,250	172,000
Feb-10	144,000	160,000	145,000	140,000	178,000
Aug-10	152,000	170,000	150,000	147,000	185,000
Feb-11	150,000	165,000	148,000	145,500	187,000
Aug-11	150,000	166,000	149,000	143,000	185,000
Feb-12	150,000	170,000	150,000	142,000	180,000
Aug-12	151,000	165,000	145,000	140,000	187,000
Feb-13	145,000	163,000	150,000	142,000	182,500
Aug-13	150,000	166,000	153,000	146,000	195,000
Change Aug 12 Aug 13	-1,000	1,000	8,000	6,000	8,000
Change Peak – Aug 2013	-8,000	-8,000	8,000	-4,000	0

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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