

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

April 2016

House Prices, Affordability & Market Indicators

www.tgessex.co.uk

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 includes some initial analysis of the government's proposed Starter Homes Initiative. The report acts as a supplement to the data in the TGSE Strategic Housing Market Assessment (currently under review but latest assessment due for publication on 9 May). Changes in house prices for TGSE local authority areas are tabled in Appendix 1.

Key trends**National Trends**

- Annual house price growth in March was up 10.1%.
- The quarter change was 2.9% and the average price was £214,811.
- Supply remains very low despite more sales instructions.
- Flat prices have risen more sharply (57%) than prices for other property since 1980.

Local House Prices

- The annual house price growth in February for TGSE was 11.35%.
- The highest overall Lower Quartile (LQ) house price was in Rochford at £247k, followed by Castle Point £215k, Basildon £195k, Thurrock £188k, and Southend £175k.
- Compared with pre-recession prices in 2007/8 when they peaked, prices are now consistently higher for the eighth successive quarter; in Rochford by £51k, Castle Point £41k, Thurrock £40k, Basildon £37k and Southend £29k.

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 £75 and the lowest in Rochford at £65.
- Private renting (median) is now most expensive in Thurrock and Castle Point at £155, followed by Basildon at £150, Southend at £144 and Rochford £137 per week.
- Between, February 2013-16, rent per week rose in Thurrock by £30, Basildon by £27, Southend by £23, Castle Point by £17 and Rochford by £12.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Thurrock 56% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 82% for those wishing to purchase a terraced property and 94% for a detached property.
- The latest ratio between LQ house prices and LQ household disposable income in six wards of Thurrock were in excess of 13.28, compared to 16.42 being the average for the London region.

National Trends

According to the Halifax House Price Index; **the annual house price growth in March was up 10.1%**, the quarterly change was 2.9% and the average price was £214,811. House prices rose by 2.6% between February and March, marginally lower than the rise in February of 3.0%. **Flat prices have risen more sharply than prices for other property since 2008** according to recent separate Halifax research. The 57% increase in the average price of a flat is significantly higher than the 37% rise for all residential properties over the period. Detached homes recorded the smallest rise (20%). Terraced and semi-detached houses saw price rises of 38% and 34% respectively. The sharp rise in flats can partly be attributed to London where half of sales are for flats with prices rising by 62%.

Mortgage approvals are on an upward trend being 4% up from December to February compared to the previous three months and 19% compared with the same period a year ago.

Supply remains very low despite more sales instructions. New instructions by home sellers increased for the third successive month in February following ten monthly falls in a row. This rise, however, was not sufficient to prevent the stock of second-hand properties for sale falling as sales increased. The stock for sale remains close to record low levels.

South Essex local authority house prices are shown below using data from Hometrack.

Local Housing Indicators

Hometrack's Housing Intelligence System allows house prices to be viewed at a local authority or even ward or super output area.

Overall Change in Average House Prices February 2015 – February 2016

Local Authority	Feb 2015	Feb 2016	Change	%
Basildon	260,164	289,215	+£29,051 ↑	+ 11.17% (10.61)
Castle Point	256,614	286,882	+£30,268 ↑	+ 11.80% (11.37)
Rochford	287,716	322,019	+£34,303 ↑	+ 11.92% (10.18)
Southend	250,451	278,103	+£27,652 ↑	+ 11.04% (12.13)
Thurrock	222,554	246,620	+£24,066 ↑	+ 10.81% (10.42)

Annual % price rise for November 2014 – November 2015 shown in brackets

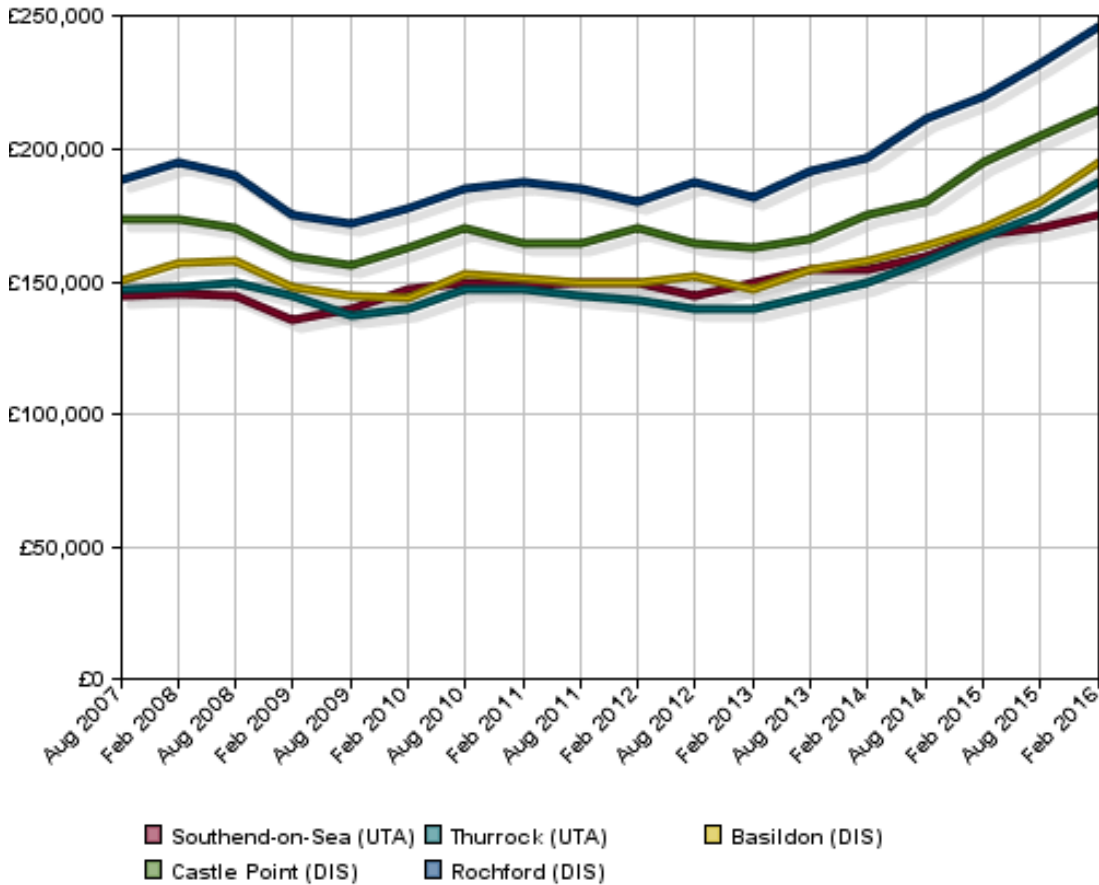
Looking at the overall change in average house prices in the TGSE sub region between February 2015 and February 2016 (taken over a ten year time-span), prices rose in all five TGSE Local Authority areas by as much as **£34,303 or 11.92%** (averaging 11.35%). The highest price rise was in Rochford, followed by Castle Point, Basildon, Southend and Thurrock.

Annual house price growth fell marginally in Southend but went up in the remaining local authority areas from the previous reporting period in January.

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

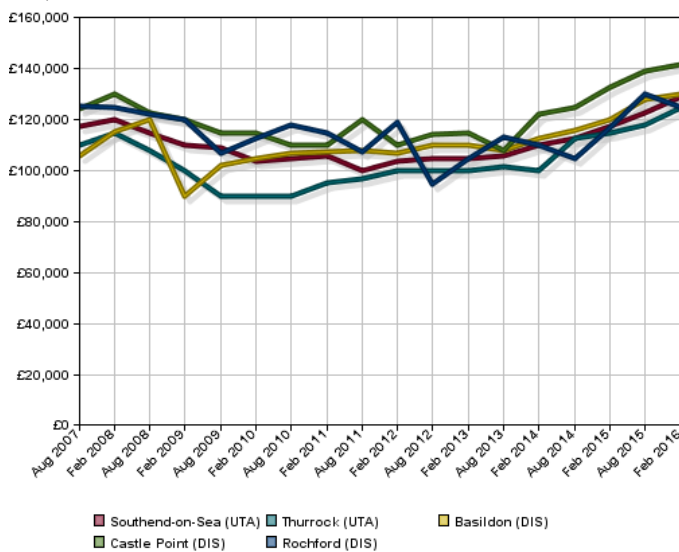


The graph shows the sustained recovery in house prices since the recession in 2008/9.

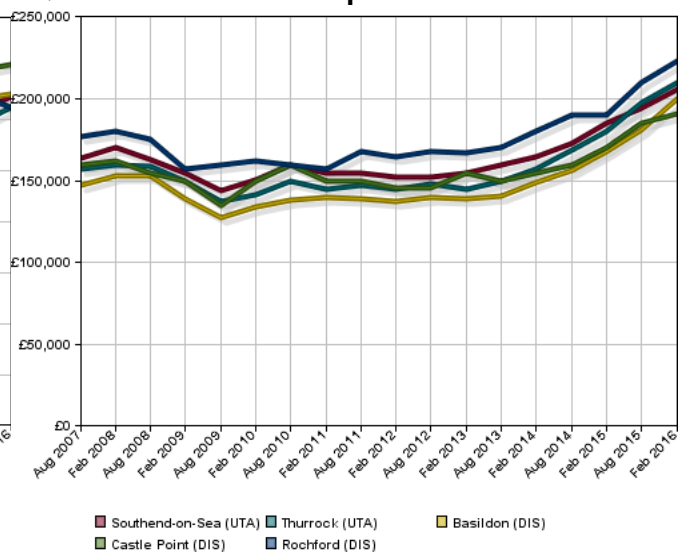
In February 2016, the highest overall lower quartile property price in TGSE was in Rochford at **£247k**, followed by Castle Point **£215k**, Basildon **£195k**, Thurrock **£188k** and Southend **£175k**.

When compared with pre recession prices in 2007/08 where they peaked across the sub region, current prices are consistently up across all five TGSE local authority areas for the eighth quarter running; in Rochford by **£51k**, Castle Point **£41k**, Thurrock **£40k**, Basildon **£37k** and Southend **£29k**.

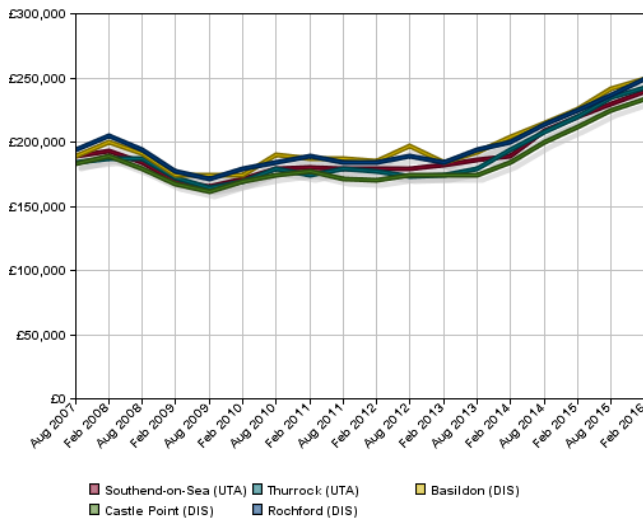
LQ Price – Flat / Maisonette



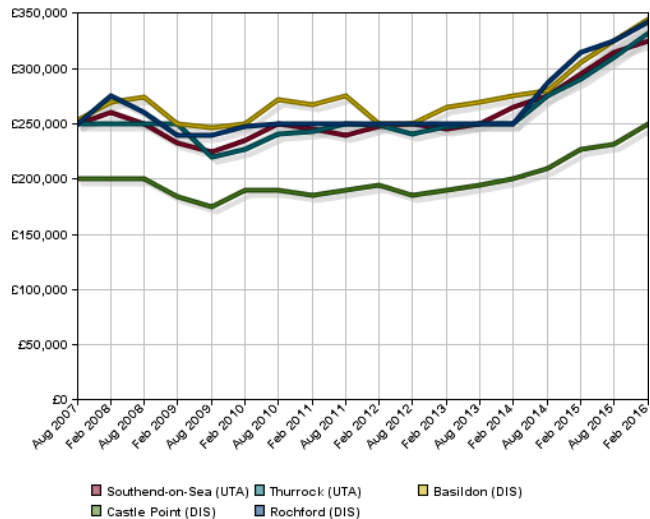
LQ Price – Terraced Properties



LQ Price – Semi Detached



LQ Prices – Detached



Prices can also be shown across a range of housing types with semi detached prices showing the most consistent trends. **Prices across all housing types have begun rising more sharply from February 2014, although prices of flats and terraced properties in Rochford have fluctuated and actually fell by £5k in the last six months leading up to February 2016.** Castle Point has the highest priced flatted properties by as much as £12k. For detached properties all TGSE LAs recorded prices at or in excess of £325k, apart from Castle Point, where prices have been lagging behind.

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	Overall property price bands
2011	1,251	200	87	77	3.10%
2012	1,237	274	97	114	2.70%
2013	1,497	319	115	113	3.20%
2014	1,880	572	154	71	4.20%
2015	1,730	603	159	72	4.00%

The above table shows the total volume of housing turnover in Thurrock, as the sample area, split between houses / flats and second hand / newly built houses.

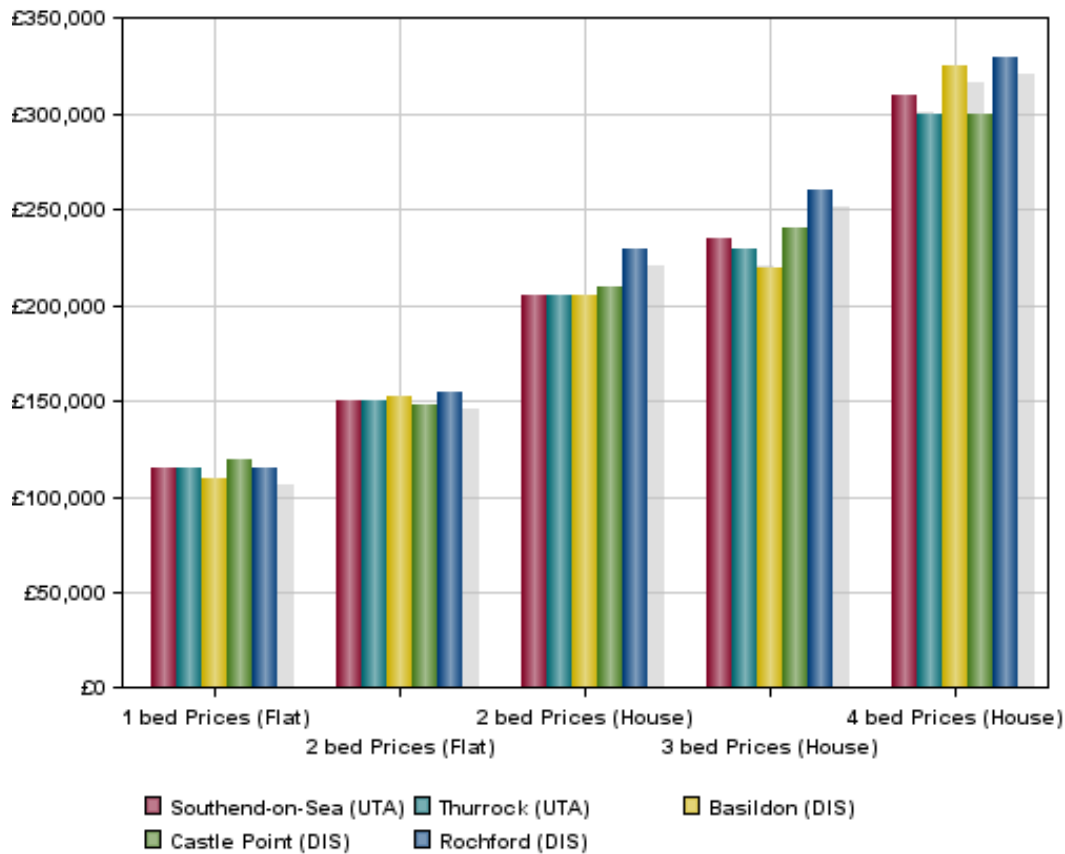
Annual turnover between 2011 and 2015 has increased for 2nd hand flats and new build house sales, however, the supply of new build flat and 2nd hand house sales have remained steady.

The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover has been slow to increase and was **4.0%** in 2015; down from the pre recession figures of **6.6%** in 2007 (see TGSE Housing Market Trends Quarterly Report, October 2011).

Overall, turn-over remains relatively low, which continues to create a shortage of supply and upward pressure on house prices.

Lower Quartile Price of Property by Bed Count (February 2016)

	Southend	Thurrock	Basildon	Castle Point	Rochford
1 bed Prices (Flat)	115,000	115,000	110,000	119,000	115,000
2 bed Prices (Flat)	150,000	150,000	152,250	148,125	155,000
2 bed Prices (House)	205,000	205,000	205,000	210,000	230,000
3 bed Prices (House)	235,000	230,000	220,000	240,000	260,000
4 bed Prices (House)	310,000	300,000	324,995	300,000	330,000



The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on February 2016 figures. **For 1 bed flats; Castle Point had the highest priced property whilst for all other house sizes it was Rochford** (denoted in red).

Weekly cost for 1 bed property for rent and purchasing across a range of quartiles

	Southend	Thurrock	Basildon	Castle Point	Rochford
Renting (Local Authority)	65	75	67	74	68
Renting (Housing Association)	69	74	73	73	68
Renting (intermediate) - 80%	115	124	120	124	110
Renting (private)					
Feb 2016	144	155	150	155	138
Feb 2015	126	150	144	150	137
Feb 2014	125	144	137	138	132
Feb 2013	121	137	137	138	126
Local Housing Allowance	117	128	128	117	128
Gap between LHA and renting (private)	-27	-27	-22	-38	-10
Buying a lower quartile resale	131	125	123	137	126
Buying an average resale	148	141	139	148	146
Buying 40% share through Help to Buy	99	95	97	100	99
Buying a lower quartile new build	228	165	162	183	196
Buying an average new build	231	169	169	187	196
Starter Homes Initiative at 80%	185	135	135	150	157

The above table shows the weekly cost of renting or purchasing a one bed room property across a range of quartiles based on February 2016 prices.

TGSE Private renting (median) is now most expensive in Thurrock and Castle Point at **£155**, followed by Basildon at **£150**, Southend at **£144** and Rochford **£137** per week.

Between, February 2013-16, rent per week rose in Thurrock by **£30**, Basildon by **£27**, Southend by **£23**, Castle Point by **£17** and Rochford by **£12**.

The Local Housing Allowance (LHA) from April 2016 was set at £128 in the SW Essex Broad Rental Market Area (BRMA) and £117 in the Southend BRMA, resulting in a gap of between **£38 in Castle Point and £10 in Rochford** between the LHA and private median rent.

The cost of lower quartile new build is only marginally lower than for an average new build; suggesting there is not a big range or choice of property in this sector in terms of cost.

Shared ownership through Help to Buy at 40% sits comfortably between HA rent and private renting or buying.

Whilst the exact details of the new Starter Homes Initiative (SHI) product has not been agreed by the government, if it was introduced at 80% of the average new build rate, the starting price could be £135 per week. A further analysis of SHI including affordability is set out in the next section.

Affordability / Starter Home Initiative (SHI)

Hometrack has undertaken some initial analysis of the Starter Homes Initiative (SHI), but given the current uncertainty regarding the exact details of the product their findings are being reviewed. However, some of the implications being considered are set out below:

National picture

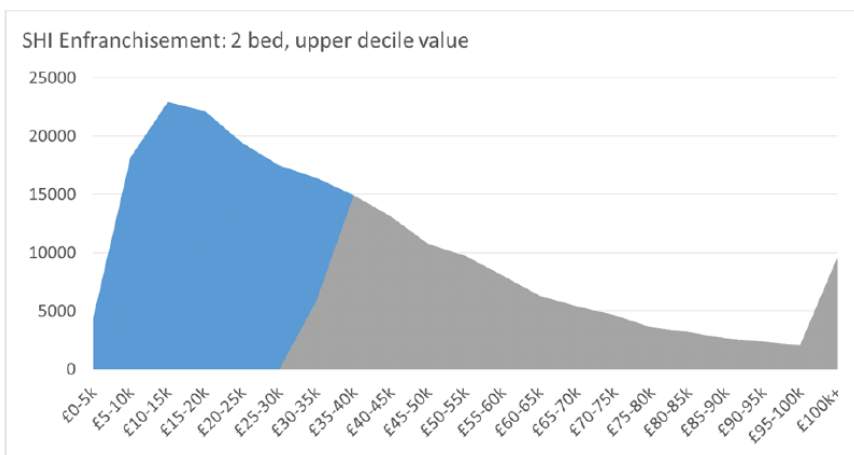
The price cap on the SHI (£250k outside London) could limit the market coverage especially in areas adjacent to London. Building smaller properties (1-2 bed) would definitely capture more of the market.

Combining SHI with Help to Buy (HTB) would open up demand but the more stringent mortgage requirements might limit access to larger (3 bed properties). However for smaller (1-2 bed properties) SHI and HTB would price in more households, including private renters, on typical incomes of £32,250.

However, SHI with HTB is likely to generate excess demand relative to supply which might in turn drive up house prices further. This will present a challenge to policy makers in terms of how the scheme is going to be marketed / administered and to house builders in terms of the number, size and location of properties they wish to market under the scheme.

Affordability: Local Picture

Southend, Thurrock & Basildon



- C. 217,000 households
- C. 100,000 households upper decile properties will be affordable

In Southend, Thurrock and Basildon (as sample areas) the above graph show that 217,000 (68%) households will be priced out of the market for Starter Homes.

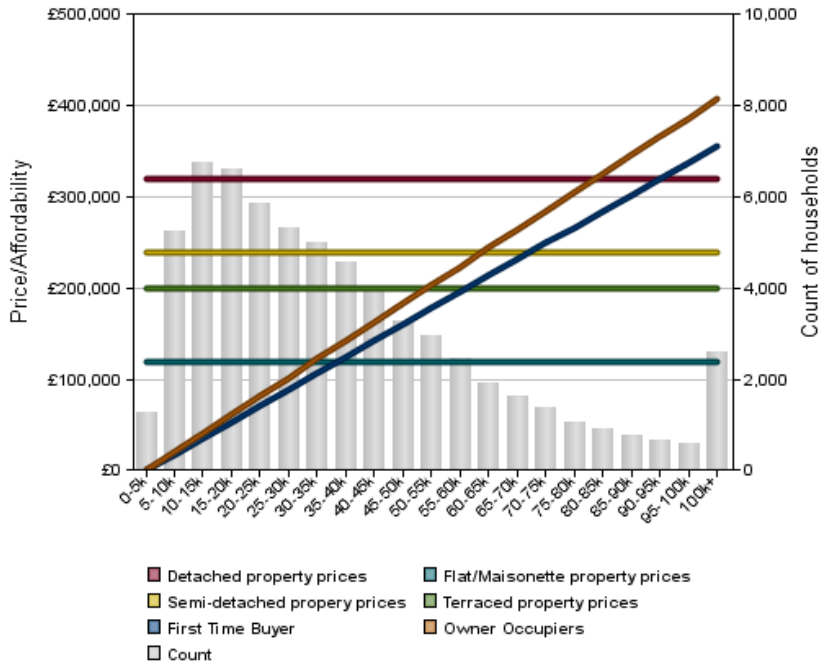
Income required to purchase or rent at upper decile for 2 bed

	Local Authority	U.Decile Income
SHI	Southend-on-Sea	£38,250
	Thurrock	£31,750
	Basildon District	£36,000
SHI + HTB	Southend-on-Sea	£33,750
	Thurrock	£28,000
	Basildon District	£31,750
LCHO	Southend-on-Sea	£36,500
	Thurrock	£30,250
	Basildon District	£34,500
Private Rent	Southend-on-Sea	£46,000
	Thurrock	£46,250
	Basildon District	£49,500

- The table shows the likely income thresholds for a typical FTB purchasing a home at a median price of £156,000
- It illustrates that through the combination of SHI plus HTB, FTB on salaries ranging from £28k in Thurrock to £33.75k in Southend could be attracted to the new housing product
- Hometrack is looking to develop its affordability tool to enable further analysis of SHI compared to other choices facing FTB.

Source: Hometrack Housing Intelligence System & CACI

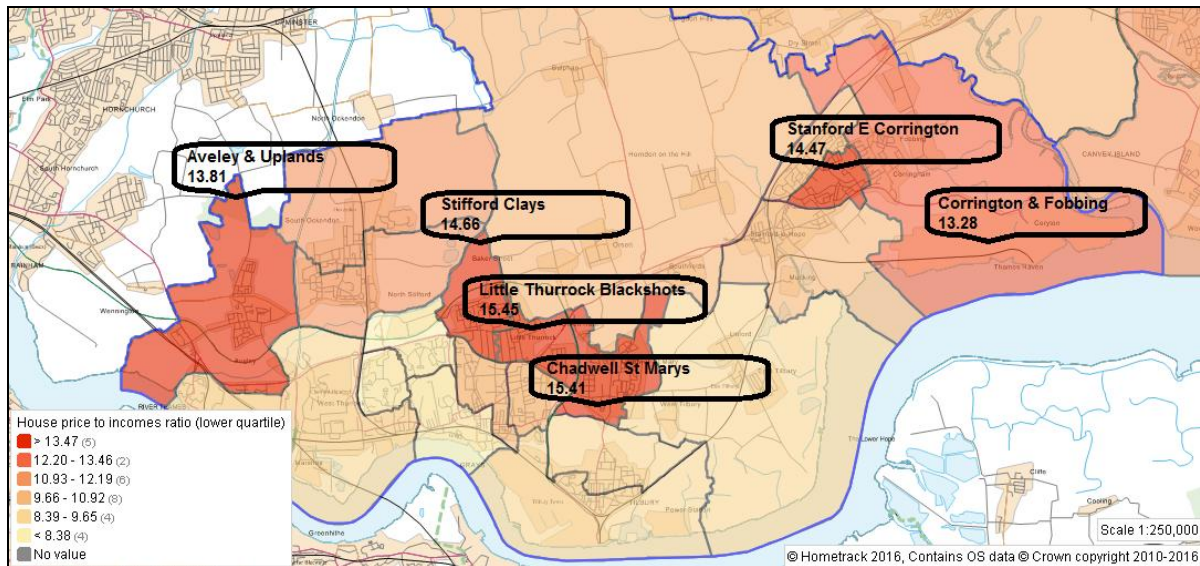
Affordability: 3.0 times income
Sample Area: Thurrock



Looking at the wider affordability issues in Thurrock both by income band and spatially; the above chart shows the number of households in different household income bands 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, **56%** 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 **82%** for those wishing to purchase a terraced property and **94%** for a detached property.

LQ House price to income ratio Thurrock wards



The heat map compares the Lower Quartile house price to income ratios across individual wards in Thurrock. The wards of Aveley & Uplands, Stifford Clays, Little Thurrock Blackshots, Chadwell St Marys, Stanford East Corrington and Corrington & Fobbing all had ratios in excess of 13.28 highlighting the issue of affordability. The uplift in these areas could partly be attributed to recent house building / sales. However, in comparison with neighbouring region of London, the ratio was 16.42.

Appendix 1 – Overall House Price by Local Authority Area over a 10 year period

	Southend-on-Sea (UA)	Thurrock (UA)	Basildon (Borough)	Castle Point (Borough)	Rochford (District)
	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile
Aug-07	145,000	147,000	150,500	173,500	188,772
Feb-08	146,000	148,000	157,000	174,000	195,000
Aug-08	145,000	150,000	158,000	170,000	190,000
Feb-09	135,500	145,000	148,000	160,000	175,000
Aug-09	140,000	137,000	145,000	156,000	172,000
Feb-10	147,000	140,000	144,000	163,000	178,000
Aug-10	150,000	147,500	153,000	170,000	185,000
Feb-11	149,000	147,000	151,000	165,000	187,500
Aug-11	149,995	145,000	150,000	165,000	185,000
Feb-12	150,000	142,995	150,000	170,000	180,000
Aug-12	145,000	140,000	152,000	165,000	187,500
Feb-13	150,000	140,000	147,000	163,000	182,000
Aug-13	155,000	145,000	154,995	166,000	192,000
Feb-14	155,000	149,500	158,000	175,000	197,000
Aug-14	160,000	158,000	164,000	180,000	212,000
Feb-15	167,500	167,000	170,000	195,000	220,000
Aug-15	170,000	175,000	180,000	205,000	232,000
Feb-16	175,000	187,500	195,000	215,000	246,495
Change Feb 15 Feb 16	7,500	20,500	25,000	20,000	26,495
Change Peak – Feb 16	29,000	39,500	37,000	41,000	51,495

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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