

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

January 2015

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. Changes in house prices for TGSE local authority areas are tabled in Appendix 1.

Key trends

National Trends

- National house price growth is running at 8% and has fallen from its peak.
- The rate of growth in quarter 3 was 0.3% and is likewise falling.
- Analysis points to a continued slow down in the rate of growth in the coming months.

Local House Prices

- In November 2014, the highest overall Lower Quartile (LQ) house price was in Rochford at £215k, followed by Castle Point £190k, Southend £168k Basildon £166k, and Thurrock £164k.
- Prices were cheaper compared with the Chelmsford Borough by as much as £54k.
- When compared with pre-recession prices in 2007/8 when they peaked, prices are now consistently higher for the third quarter running across the sub region in Southend and Rochford by £20k, Castle Point £17k, Thurrock £14k, and Basildon £7k.
- In Chelmsford, LQ pre-recession house prices were up by £35k, compared with £55k for London and £16k being the average for Thames Gateway South Essex (TGSE).

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 (median) is now most expensive in Castle Point at £150 followed by Thurrock at £144, Basildon at £138, Rochford £132 and Southend at £126 per week.
- Between, November 2013-14, rent per week had risen in Castle Point by £12, Thurrock by £6, Southend by £3, Basildon by £1 and remained the same in Rochford.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Southend 59% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 76% for those wishing to purchase a terraced property and 92% for a detached property.
- The latest ratio between LQ house prices and LQ household disposable income was 10.25 in TGSE Postal area SS, compared to 15.74 in east London Postal area E.

National Trends

According to the Halifax House Price Index; house price growth in December 2014 was running at 8% per annum; falling from its peak of 10% in July.

Likewise, the rate of growth is now 0.3% higher than in the previous three months with the quarterly rate of growth declining for the fifth consecutive month.

This analysis points to a slowdown in the rate of house price growth in the coming months.

Local Housing Indicators

In the last TGSE Housing Market Trends report the focus was on the London market. This quarter a comparison will be made with Chelmsford Borough Council as a sample neighbouring authority.

Overall Change in Average House Prices November 2013 – November 2014

Local Authority	November 2013	November 2014	Change	%
Chelmsford	282,648	314,453	+£31,805 ↑	+11.3
Basildon	243,299	255,208	+£11,909 ↑	+4.9
Castle Point	229,571	252,750	+£23,179 ↑	+10.1
Rochford	253,877	282,598	+£28,721 ↑	+11.3
Southend	233,981	249,877	+£15,896 ↑	+6.8
Thurrock	197,560	217,115	+£19,555 ↑	+9.9

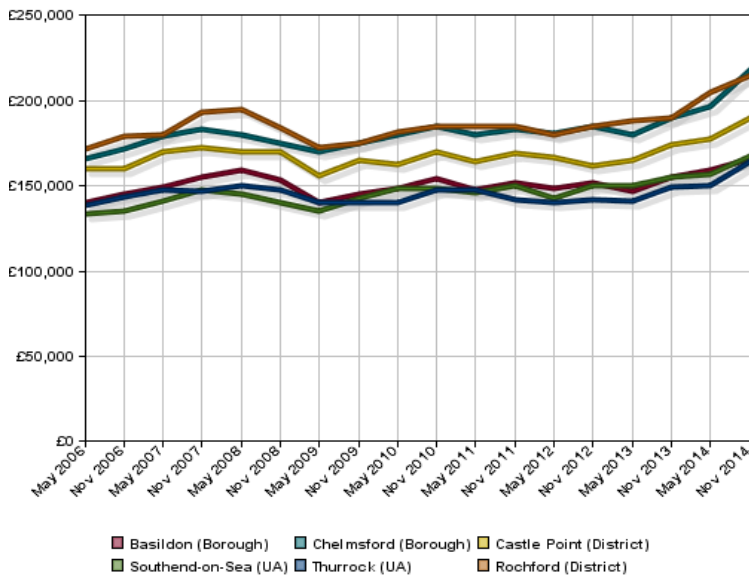
Looking at the overall change in average house prices in the TGSE sub region and Chelmsford between November 2013 and November 2014 (over a ten year time-span), prices rose in all five TGSE Local Authority areas by as much as **£28,721 or 11.3%**. The highest price rise in TGSE was in Rochford, followed by Castle Point, Thurrock, Southend and Basildon.

In comparison with the neighbouring authority of Chelmsford Borough Council; prices rose by **£31,805**; significantly higher than most TGSE authorities.

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 and Chelmsford. This analysis is based on data from Hometrack's Automated Valuation Model.

Lower Quartile Price – Overall



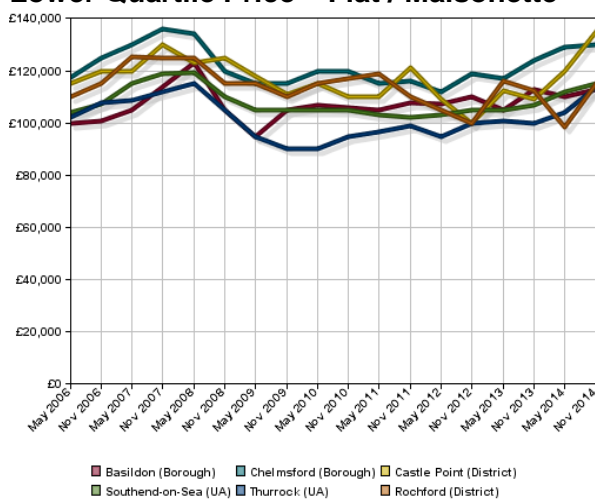
The graph shows the sustained recovery in house prices since the recession in 2008/9.

In November 2014, the highest overall lower quartile property price in TGSE was in Rochford at **£215k**, followed by Castle Point **£190k**, Southend **£168k**, Basildon **£166k**, and Thurrock **£164k**. Prices were cheaper compared with Chelmsford Borough by as much as **£54k**.

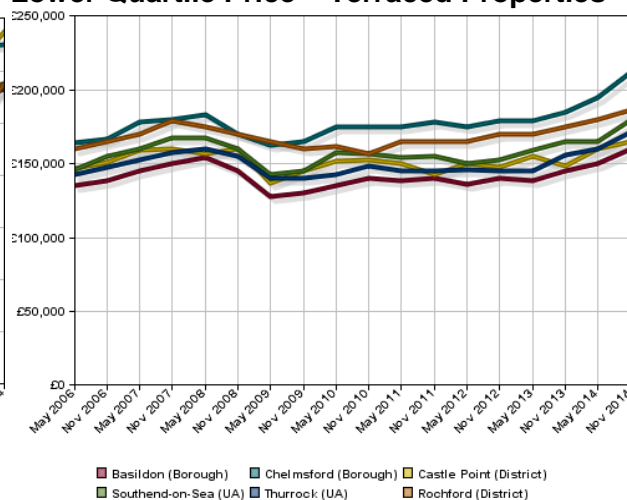
When compared with pre recession prices in 2007/08 where they peaked across the sub region, current prices are now consistently up across all five TGSE local authority areas for the third quarter running; in Southend and Rochford by **£20k**, Castle Point **£17k**, Thurrock **£14k**, and Basildon **£7k**.

In comparison with Chelmsford, LQ prices were up by **£35k**, compared with **£55k** for London and **£16k** being the average for TGSE (see Appendix 2). This demonstrates the different housing markets operating in London and the greater South East.

Lower Quartile Price – Flat / Maisonette



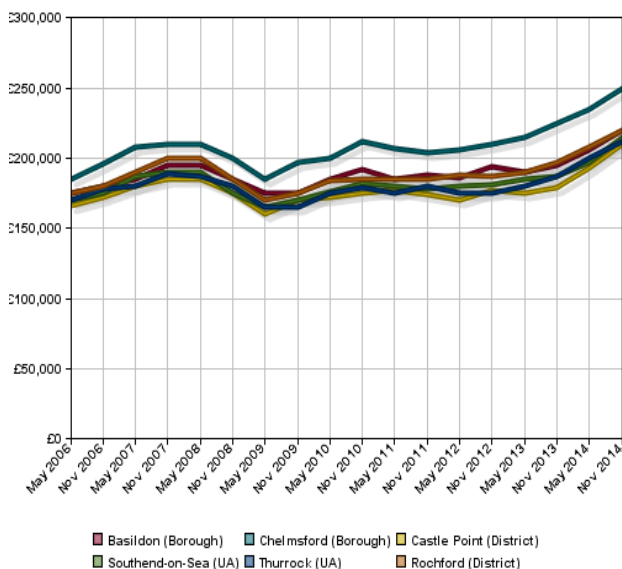
Lower Quartile Price – Terraced Properties



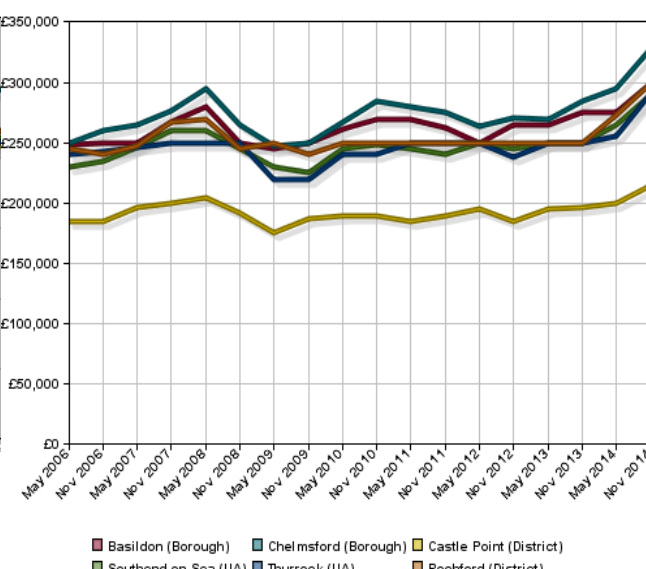
The above charts show a mixed picture. Prices of flat / maisonette property have risen sharply in Castle Point and Rochford suggesting a shortage of supply. In fact, Castle Point had the highest prices, exceeding Chelmsford. Prices in Basildon and Southend have experienced more moderate rises.

For terraced property, prices have all risen since November 2013. In comparison with Chelmsford; the highest TGSE price in Rochford was lower by £25k with the gap appearing to be widening setting Chelmsford apart from TGSE authorities.

Lower Quartile Price – Semi Detached



Lower Quartile Prices – Detached



Since May 2013, prices of TGSE semi-detached properties had risen consistently; all breaking the **£200k** price mark.

For detached properties, since May 2014 prices have all risen sharply but less so in Castle Point where prices have remained more constant.

Prices compared to Chelmsford have all been consistently lower, again suggesting a different market.

In summary, the prices for smaller flatted properties have fluctuated more so across the sub region. Prices of terraced, semi detached and detached properties have all risen consistently. However, house prices in Chelmsford have been higher.

In comparison with a wider selection of neighbouring boroughs; Brentwood had the highest prices, followed by Havering and then Chelmsford, while Maldon’s prices fell slightly below the TGSE average (further details of these comparisons can be provided on request).

Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

	Southend				Overall property price bands
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales	
2010	1,542	683	39	24	2.90%
2011	1,636	664	67	56	3.10%
2012	1,631	671	70	25	3.00%
2013	1,832	867	36	44	3.50%
2014*	1,734	813	23	17	3.30%

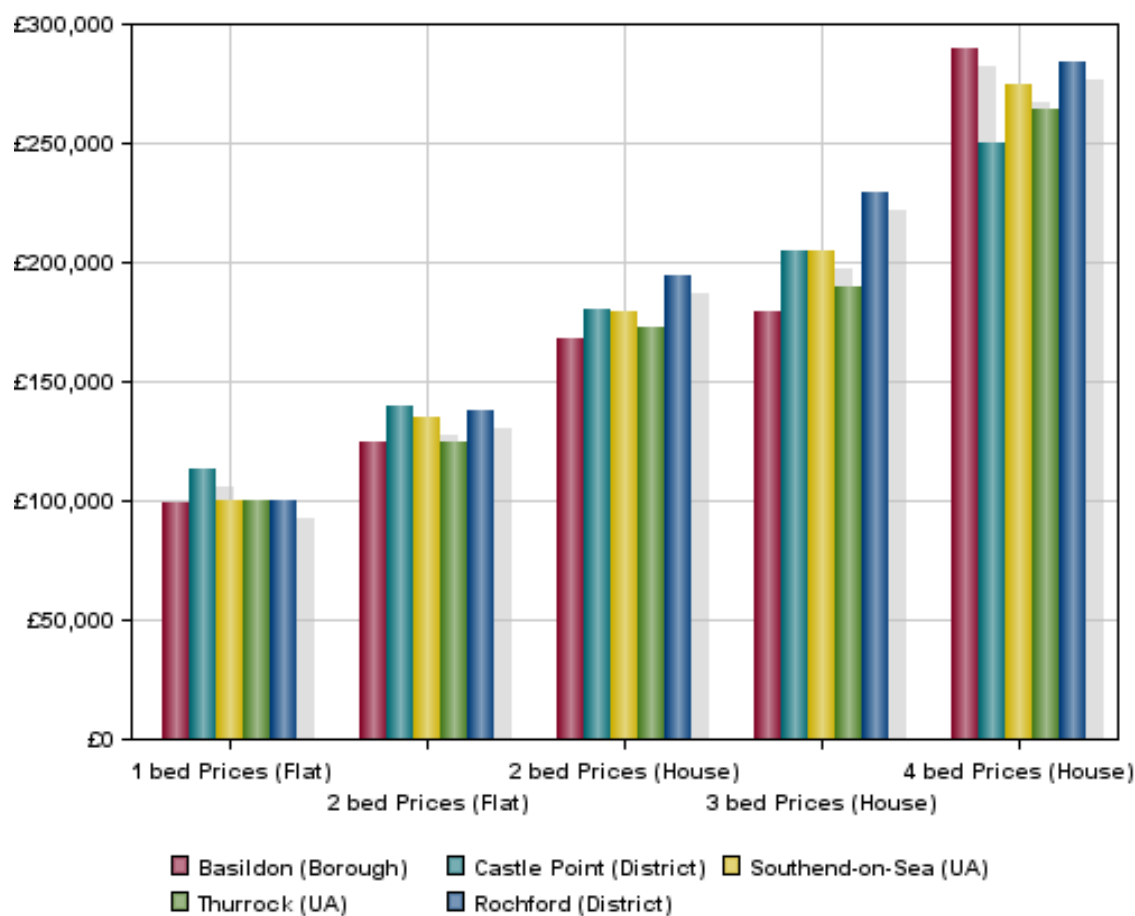
*2014 January – November only

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.

Annual turnover since 2010 has increased across all housing types.

The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover has increased and was **3.50%** in 2013. However, it is still significantly down from pre 2008 figures where it was **6.3%** in 2007 (see TGSE Housing Market Trends Quarterly Report, April 2010).

Lower Quartile Price of Property by Bed Count (November 2014)

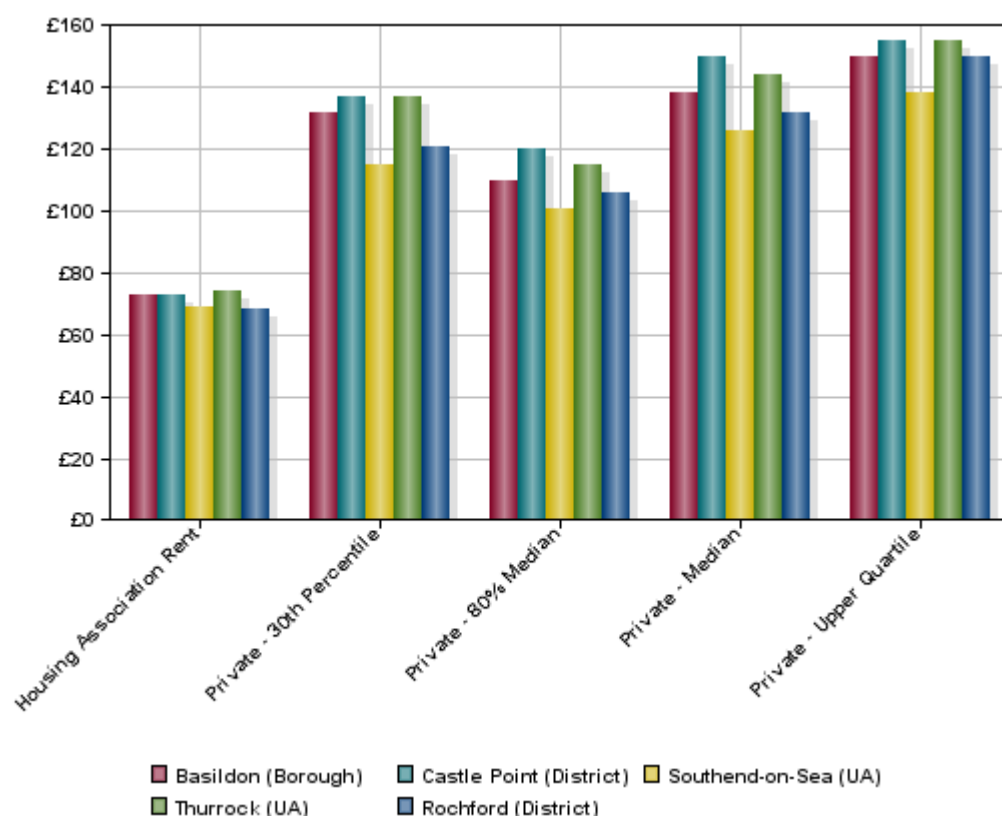


Latest Data Only For Comparison LQ (November 2014)

	Basildon	Castle Point	Southend	Thurrock	Rochford
1 bed Prices (Flat)	99,838	114,000	100,000	100,000	100,000
2 bed Prices (Flat)	125,000	140,000	135,000	125,000	137,984
2 bed Prices (House)	168,500	181,000	180,000	173,000	195,000
3 bed Prices (House)	180,000	205,000	205,000	189,995	230,000
4 bed Prices (House)	290,000	250,000	275,000	265,000	284,000

The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on November 2014 figures. For 1 and 2 bed flats; Castle Point had the highest priced property; for 2 and 3 bed houses it was Rochford and for 4 bed houses it was Basildon (previously Rochford).

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



	Chelmsford	Basildon	Castle Point	Southend	Thurrock	Rochford	
Housing Association Rent	71.7	72.9	73.1	68.8	74	68.2	
Private - 30th Percentile	137	132	137	115	137	121	
Private - 80% Median	115	110	120	101	115	106	
Private – Median <i>(figures for Nov 13)</i>	144	138	150	126	144	132	
<i>(figure for Nov 12)</i>	N/A	137	138	123	138	132	
	N/A	137	137	124	137	126	
Private - Upper Quartile	155	150	155	138	155	150	
Difference between 80% Median and HA rent		43.3	37.1	46.9	32.2	41	37.8

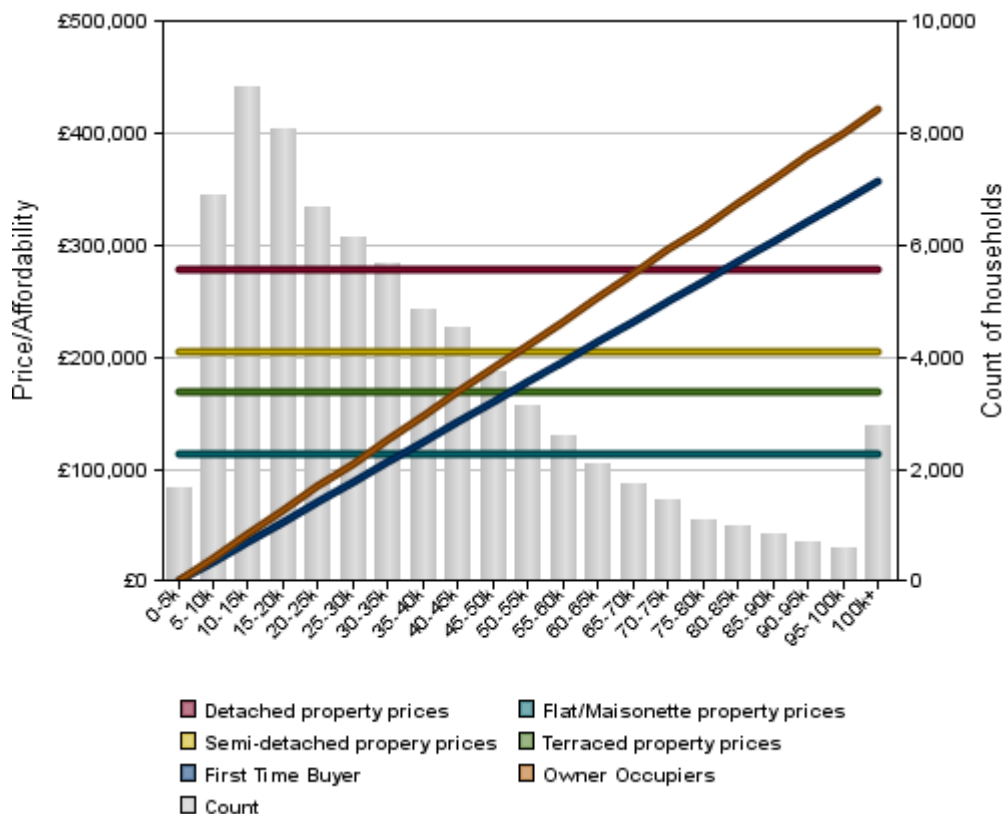
The above table and graph show the weekly cost of renting a one bed room property across a range of quartiles based on November 2014 prices. Importantly, it allows a comparison to be made between Housing Association Rent and Affordable Rent at 80% of market rent.

TGSE Private renting (median) is now most expensive in Castle Point at **£150**, followed by Thurrock at **£144**, Basildon at **£138**, Rochford at **£132** and Southend at **£126** per week.

Between, November 2013-14, rent per week had risen in Castle Point by **£12**, Thurrock by **£6**, Southend by **£3**, Basildon by **£1** and remained the same in Rochford.

In comparison with Chelmsford costs are not too dissimilar to the average costs in TGSE sub region.

Affordability: 3.0 times income
Sample Area: Southend

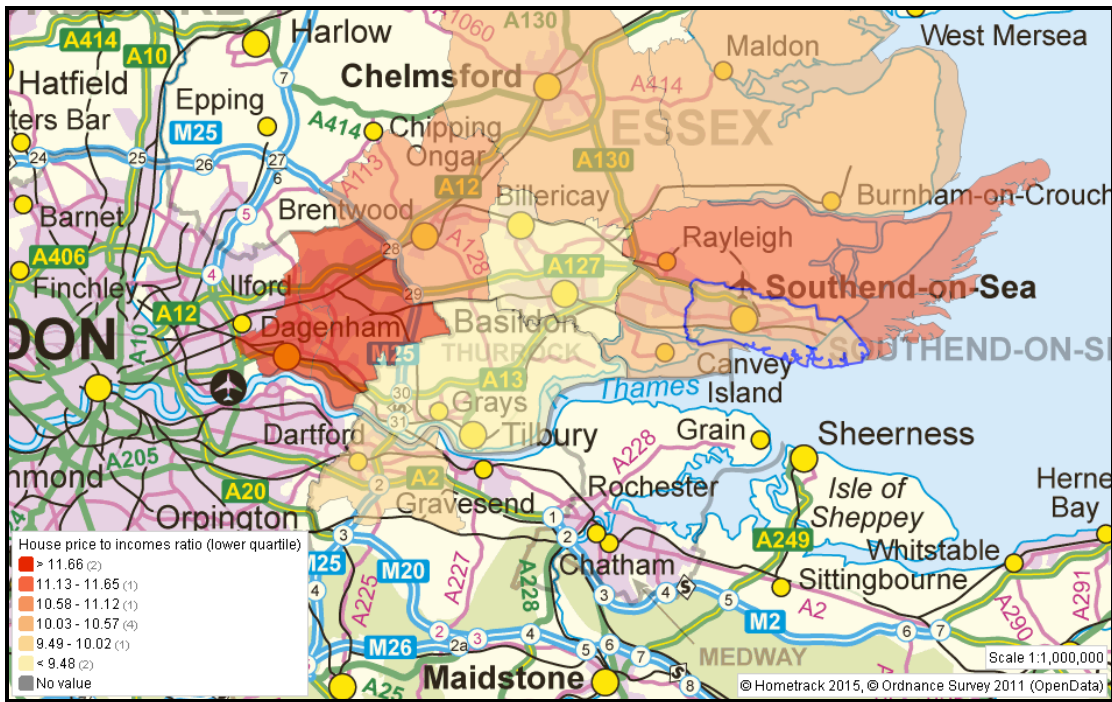


This above chart shows the number of households in different household income bands in Southend compared to the minimum price for different property types in the same area (horizontal lines). The diagonal lines rising from left to right show the value of property that can be afforded at different income 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, **59%** 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 **76%** for those wishing to purchase a terraced property and **92%** for a detached property.

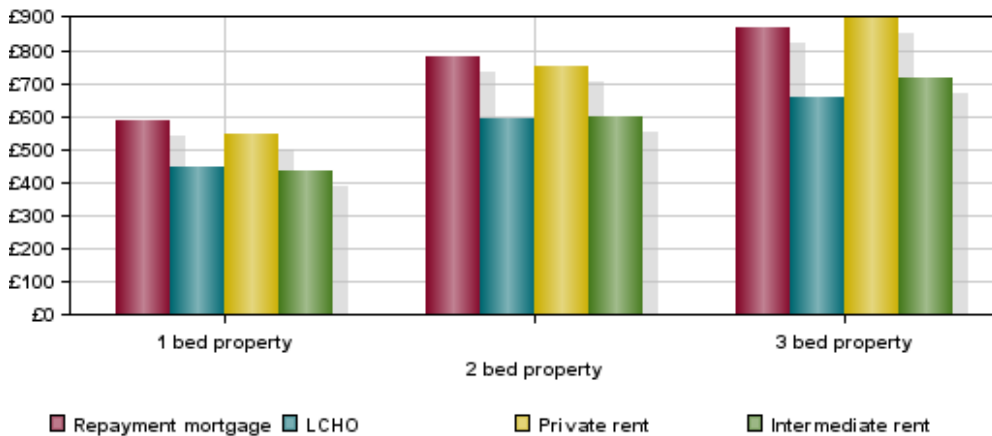
Affordability can also be measured in terms of the ratio between house prices and household disposable income. In November 2014, the average lower quartile ratio was **10.25** (TGSE Postal Area SS) compared to **15.74** in east London (Postal Area E) and **10.46** in Chelmsford. This demonstrates how property prices in the TGSE sub region remain relatively cheap compared to London and to a lesser extent Chelmsford but not always affordable locally because of lower household disposable income.

House price to income ratio (Lower Quartile)



The position is illustrated in the above map which compares the Lower Quartile house price to income ratio across East London and Essex / Kent authorities.

Affordability Calculator for Southend



	Average Price	Repayment Mortgage	LCHO	Private Rent	Intermediate Rent
1 bed property	£115,000	£588	£445	£546	£437
2 bed property	£153,000	£783	£592	£750	£600
3 bed property	£170,000	£870	£658	£897	£718

Affordability calculator for Southend

The above graph and table 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).

For Southend; Intermediate Rent was the cheapest form of tenure for 1 bed properties, for 2 & 3 bed properties it was Low Cost Home Ownership.

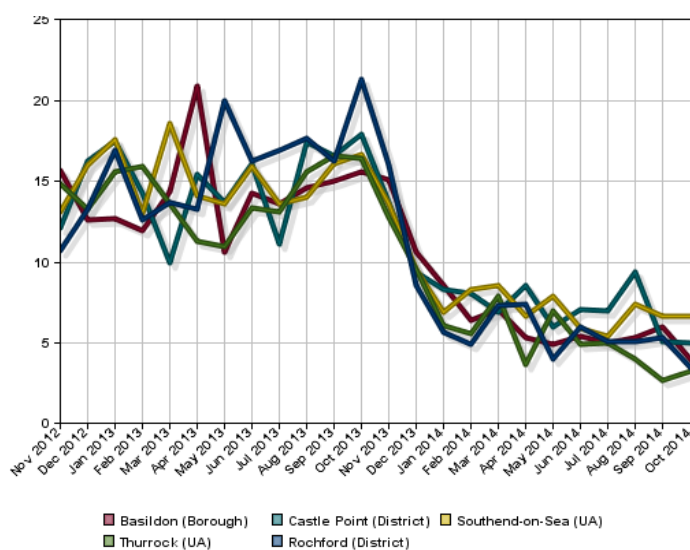
Given the price range between different tenures and products, this illustrates the value of undertaking comparison checks when considering affordability.

Whilst the sample area for this Quarterly Report is Basildon, information can be readily made available for the other TGSE local authority areas on request.

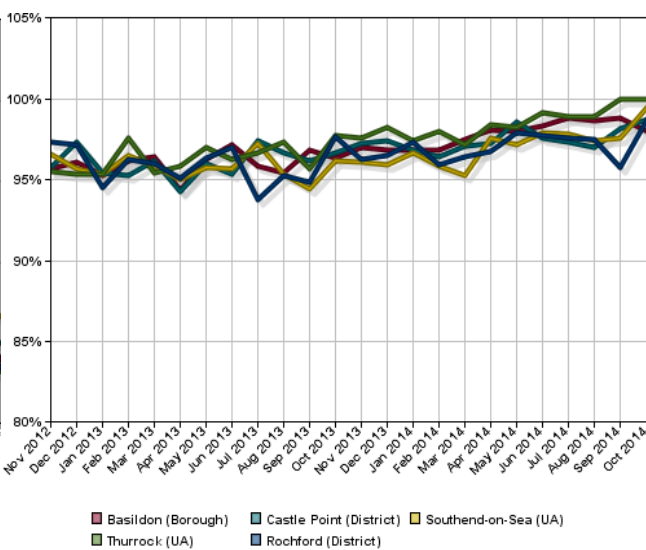
Market Indicators

Included in this report are two relatively new datasets which were added in August 2014 using data from the online portal Zoopla to calculate time to sell and sales to asking price, these new displays will eventually totally replace the Hometrack Estate Agent data that is also currently in the system.

Time to Sell (weeks)



Sales to Asking Price

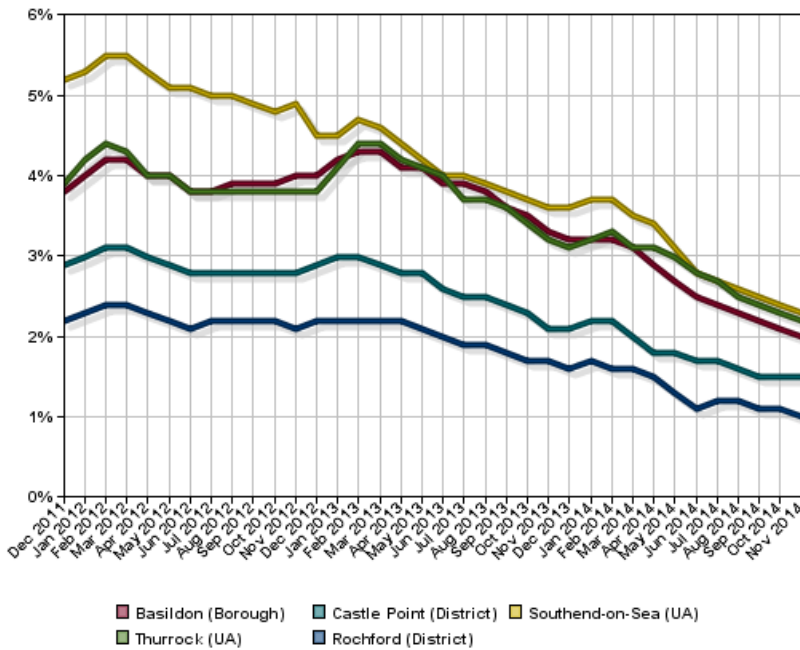


The above graph shows that since October 2013 the time to sell in weeks fell dramatically in all five TGSE Local Authorities, however more recently, they have been fluctuating.

The sales to asking price have been rising across all five TGSE Local Authorities, apart from Basildon where it fell marginally in September / October.

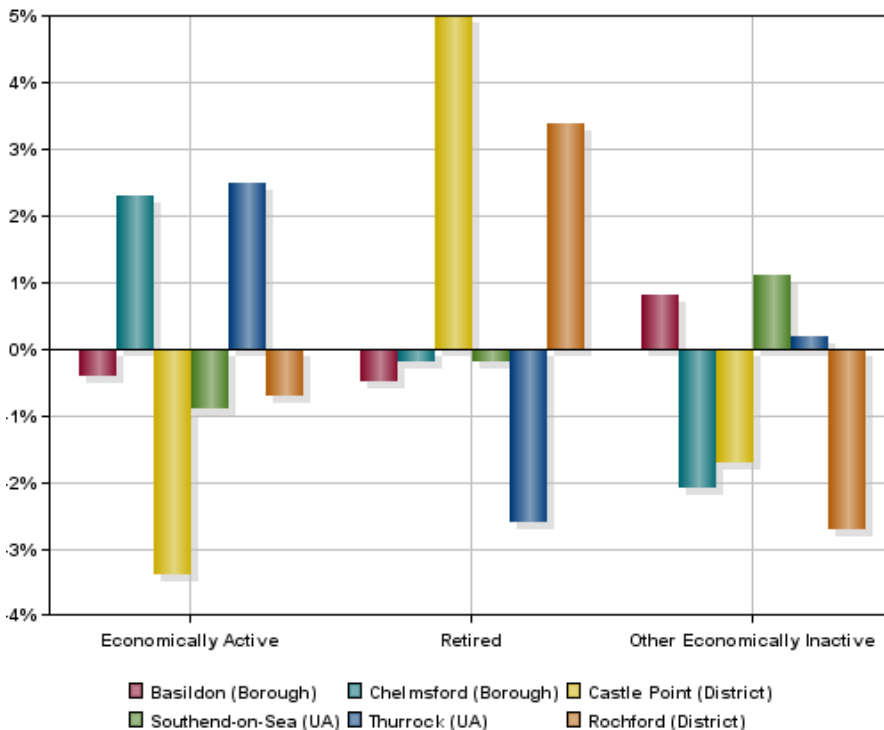
Economic indicators

Unemployment



The above graph indicates how there has been a steady improvement in the TGSE economy since the recession with unemployment declining in line with the recently announced national trends.

Economic Active



The number of economic active compared to those retired or inactive varies across the sub region when compared against the regional average. At the two ends of the spectrum; Castle Point and to a lesser extent Rochford have a much higher proportion of both economic inactive and retired people compared to Thurrock. Basildon and Southend are closer to the regional norm. Chelmsford has similar above average economically active rates compared to Thurrock, but less people in retirement and considerable less recorded as economically inactive.

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

	Chelmsford (Borough)	Basildon (Borough)	Castle Point (Borough)	Southend- on-Sea (UA)	Thurrock (UA)	Rochford (District)
	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile
May-06	166,000	140,000	160,000	134,000	139,000	171,500
Nov-06	171,700	145,000	160,000	135,500	144,000	179,500
May-07	178,947	149,500	170,000	141,000	148,000	180,000
Nov-07	183,000	155,000	173,000	148,000	146,995	193,000
May-08	180,000	159,000	170,000	145,500	150,000	195,000
Nov-08	175,000	153,500	170,000	140,000	148,000	184,000
May-09	170,000	140,000	156,000	135,000	140,000	173,000
Nov-09	175,000	145,000	165,000	143,000	140,000	175,000
May-10	180,000	149,000	163,000	148,500	140,000	182,000
Nov-10	185,000	154,000	170,000	149,000	148,000	185,000
May-11	180,000	148,000	164,000	146,000	147,500	185,000
Nov-11	183,500	151,500	169,000	150,000	142,000	185,000
May-12	181,000	148,500	167,000	143,000	140,000	180,000
Nov-12	185,000	152,000	162,000	150,000	142,000	185,000
May-13	180,000	147,000	165,000	150,000	141,000	188,000
Nov-13	190,000	155,000	174,000	155,000	149,500	190,000
May-14	197,000	159,000	177,500	157,000	150,000	205,000
Nov-14	218,000	166,000	190,000	168,000	164,000	215,000
Change Nov 13 Nov 14	28,000	11,000	16,000	13,000	14,500	25,000
Change Peak – Nov 2014	35,000	7,000	17,000	20,000	14,000	20,000

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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