

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

July 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 published May 2016. Changes in house prices for TGSE local authority areas are tabled in Appendix 1.

Key trends**National Trends**

- Annual house price growth in June was up 8.4%.
- The quarter change was 1.2% and the average price was £216,823.
- Annual house price growth fell from 9.2% in May to 8.4% in June, the lowest since July 2015.
- Evidence suggested that the underlying pace of housing growth may be easing.

Local House Prices

- The annual house price growth in May for TGSE was 11.35%. Western boroughs of Basildon and Thurrock have seen the highest annual rates of growth.
- The highest overall Lower Quartile (LQ) house price was in Rochford at £250k, followed by Castle Point £211k, Basildon £210k, Thurrock £190k, and Southend £175k.
- Compared with pre-recession prices in 2007/8 when they peaked, prices are now consistently higher for the ninth successive quarter; in Rochford by £54k, Basildon £50k, Castle Point £39k, Thurrock £40k, and Southend £27k.

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 at £161, followed by Castle Point at £160, Basildon and Southend at £150 and Rochford at £137 per week.
- Rents have increased across South Essex, notably in Southend and Thurrock. Between, May 2013-16 rent per week rose in Thurrock and Southend by £29, Castle Point by £23, Basildon by £18, and Rochford by £11.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Southend 65% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 83% for those wishing to purchase a terraced property and 95% for a detached property.
- The latest ratio between LQ house prices and LQ household disposable income in the four western wards of Southend were in excess of 14.00, compared to 16.42 being the average for the London region and 10.64 for the East of England.

National Trends

According to the Halifax House Price Index; **the annual house price growth in June was up 8.4%**, the quarterly change was 1.2% and the average price was £216,823. House prices rose by 1.2% between April and June, down from 1.5% in May. There is evidence that the **underlying pace of house growth may be easing**. Whilst house prices continue to increase, albeit at a slower rate, they precede the EU referendum result and it is therefore difficult to determine the impact.

Mortgage approvals rose modestly in May at 1.3%; however this was down from 6% in the previous three months.

Home sales stabilised in May rising slightly by 1.5% at 89,700 in the month, but 16% below the average for the six months to February at 106,750. The introduction of higher stamp duty tax rates for buy to let and a second home caused a sharp increase in sales for March, but was followed by a substantial decline in April.

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 May 2015 – May 2016

Local Authority	May 2015	May 2016	Change	% May 16 Feb 16 Nov 15
Basildon	269,453	300,567	+£31,114 ↑	+ 11.56% (11.17) (10.61)
Castle Point	262,049	282,504	+£20,455 ↑	+ 7.81% (11.80) (11.37)
Rochford	304,157	333,183	+£29,026 ↑	+ 9.54% (11.92) (10.18)
Southend	256,938	278,326	+£21,388 ↑	+ 8.32% (11.04) (12.13)
Thurrock	223,960	251,889	+£27,929 ↑	+ 12.47% (10.81) (10.42)

Annual % price rise for the last two reporting periods of February 15-16 and November 15-16 shown in brackets

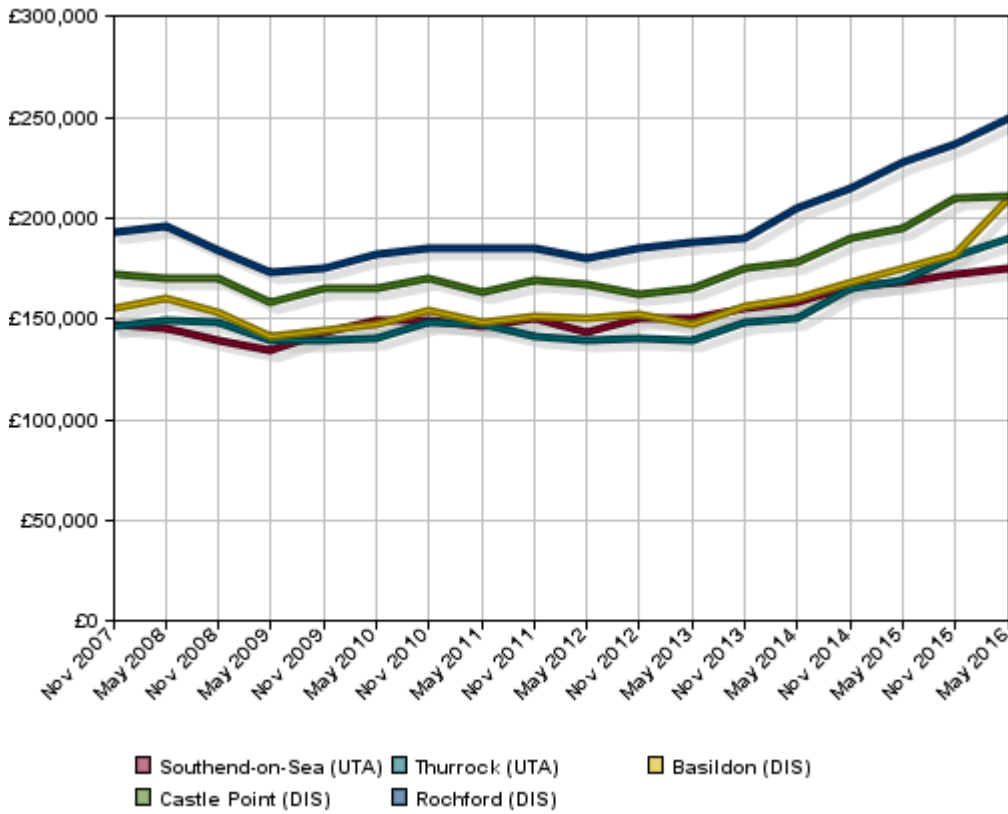
Looking at the overall change in average house prices in the TGSE sub region between May 2015 and May 2016 (taken over a ten year time-span), prices rose in all five TGSE Local Authority areas by as much as **£31,114 or 11.56%** (averaging 11.35%). The highest price rise was in Basildon, followed by Rochford, Thurrock, Castle Point and Southend.

Annual house price growth fell in Castle Point, Southend and Rochford but rose in Basildon and Thurrock from the previous reporting period in February and November suggesting an east west split.

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

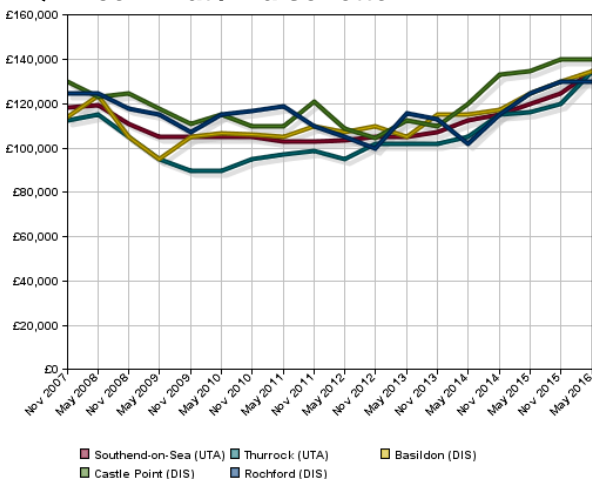


The graph shows the steady recovery in house prices since the recession in 2008/9.

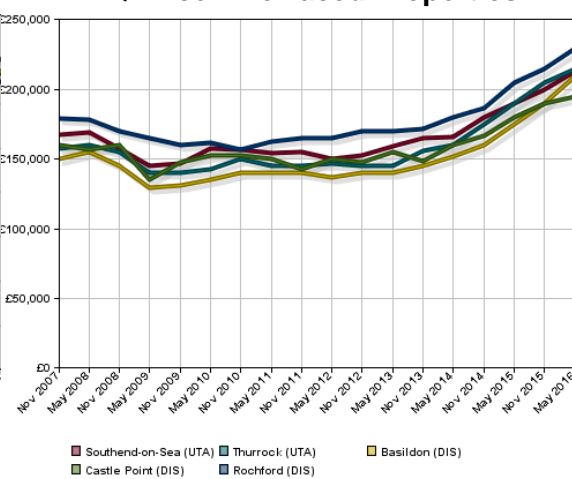
In May 2016, the highest overall lower quartile property price in TGSE was in Rochford at **£250k**, followed by Castle Point **£211k**, Basildon **£210k**, Thurrock **£190k** and Southend **£175k**.

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 ninth quarter running; in Rochford by **£54k**, Basildon **£50k**, Thurrock **£40k**, Castle Point **£39k**, and Southend **£27k**.

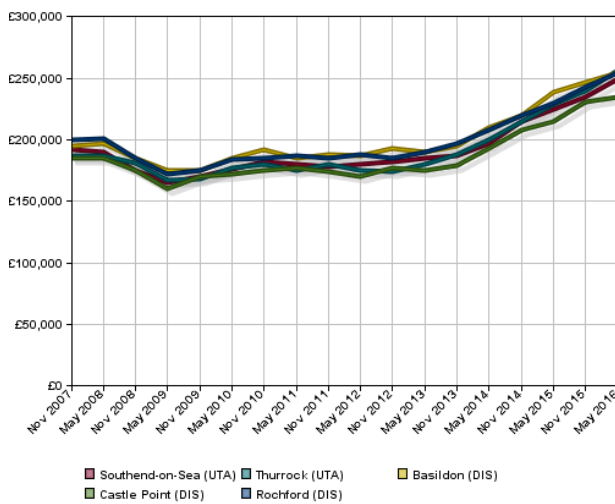
LQ Price – Flat / Maisonette



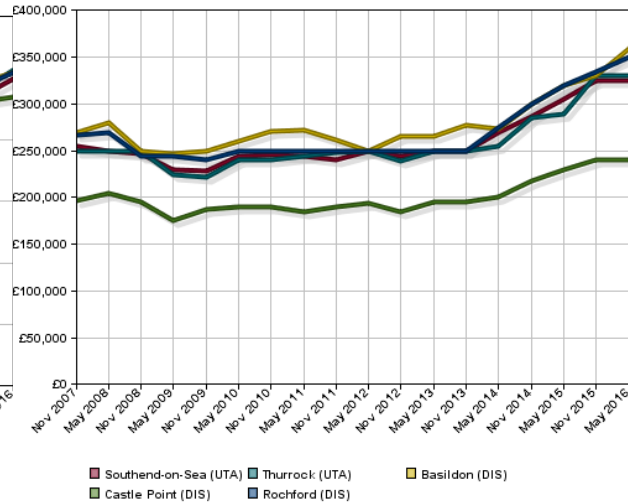
LQ Price – Terraced Properties



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 began rising more sharply from November 2014**, although prices of flats have fluctuated. Castle Point has consistently had the highest priced flatted properties, but the gap is closing. Detached house prices have eased in Castle Point, Southend and Thurrock signally a softening in the housing market.

Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

	Southend				
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales	Overall property price bands
2012	1,625	668	71	26	3.00%
2013	1,825	863	37	44	3.50%
2014	2,137	1,091	35	48	4.20%
2015	2,082	1,192	37	61	4.30%
2016*	647	416	1	21	1.40%

*January – May only.

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

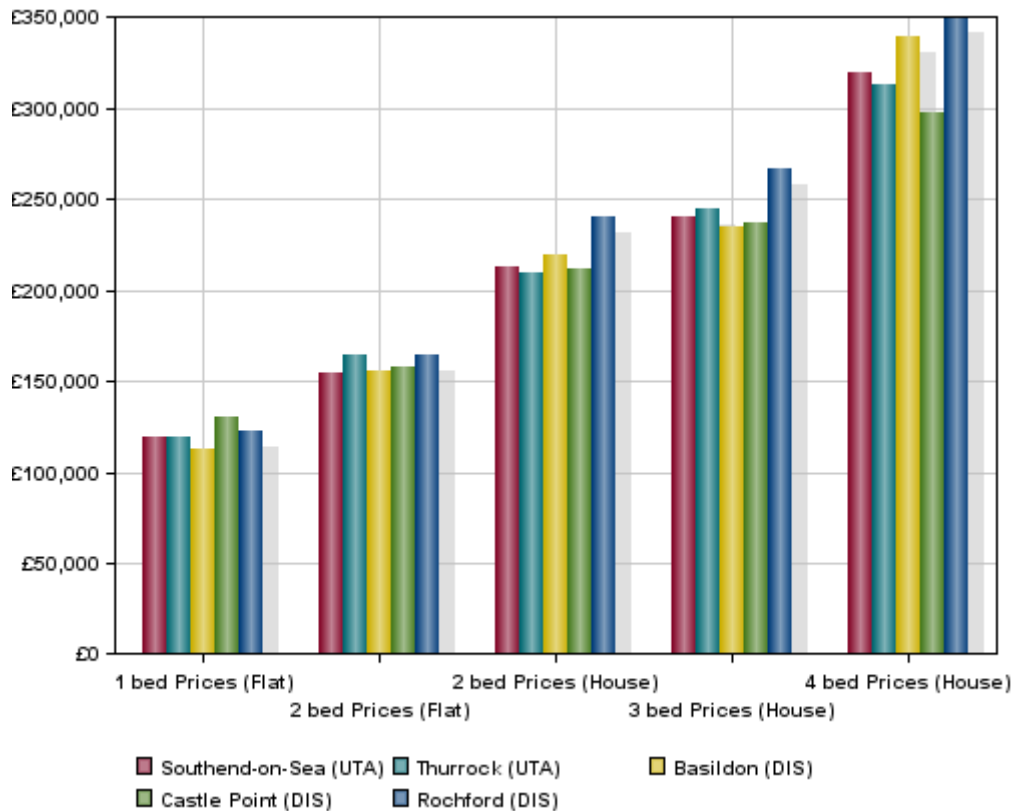
Annual turnover between 2012 and 2015 has increased steadily for 2nd hand flats and houses although for the latter this dropped off slightly in 2015. The sale of new build flats has out performed new build houses which have seen a slow start in 2016.

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 **4.3%** in 2015; down from the pre recession figures which was in excess of **6%**. (See TGSE Housing Market Trends Quarterly Report, April, 2010).

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 (May 2016)

	Southend	Thurrock	Basildon	Castle Point	Rochford
1 bed Prices (Flat)	119,000	119,250	112,625	130,000	123,000
2 bed Prices (Flat)	155,000	165,000	155,500	157,500	165,000
2 bed Prices (House)	213,125	210,000	220,000	212,000	240,000
3 bed Prices (House)	240,000	245,000	235,000	237,625	267,000
4 bed Prices (House)	320,000	313,500	340,000	297,500	350,000



The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on May 2016 figures. **For 1 bed flats; Castle Point had the highest priced property whilst for all other house sizes it was Rochford, although Thurrock now equals Rochford with the highest 2 bed prices (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%	120	129	120	128	110
Renting (private)					
May 2016	150	161	150	160	137
May 2015	132	150	144	150	138
May 2014	126	144	138	138	132
May 2013	121	132	132	137	126
Local Housing Allowance	117	128	128	117	117
Gap between LHA and renting (private)	-33	-33	-22	-43	-20
Buying a lower quartile resale	135	135	126	145	136
Buying an average resale	153	147	147	153	153
Buying 40% share through Help to Buy	102	98	101	102	102
Buying a lower quartile new build	194	170	165	186	NA
Buying an average new build	222	171	169	194	NA
Starter Homes Initiative at 80%	178	137	135	155	NA

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

TGSE Private renting (median) is now most expensive in Thurrock at **£161**, followed by Castle Point at **£160**, Basildon and Southend at **£150**, and Rochford **£137** per week.

Between, May 2013 and May 2016, rent per week rose in Thurrock and Southend by **£29**, Castle Point by **£23**, Basildon by **£18**, and Rochford by **£11**.

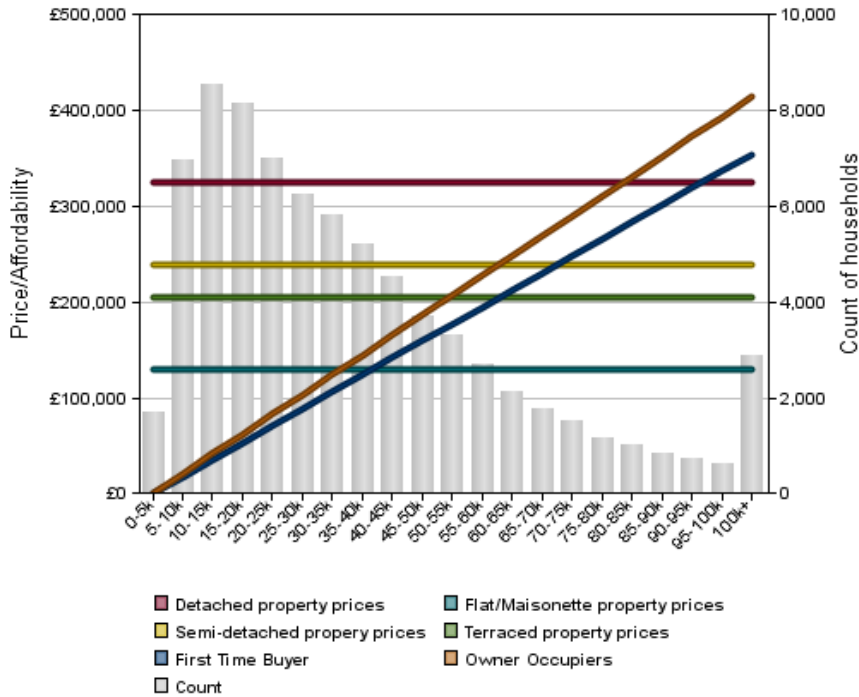
The Local Housing Allowance (LHA) from April 2016 was set at £128 in the SW Essex Broad Rental Market Area (BRMA) and £117 in the Southend BRMA, resulting in a gap of between **£43 in Castle Point** and **£20 in Rochford** between the LHA and private median rent.

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 regulations for Starter Homes have not been published, assuming they were introduced at 80% of the average new build rate, the starting price could be **£135 per week**.

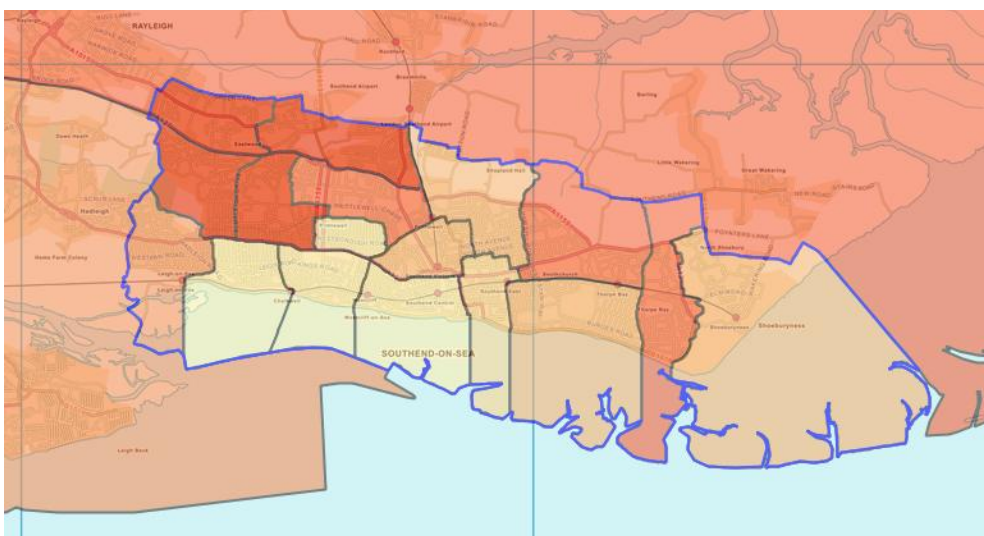
Affordability: 3.0 times income
Sample Area: Southend



Looking at the wider affordability issues in Southend 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 Southend are priced out of the property market. For example, **65%** 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 **83%** for those wishing to purchase a terraced property and **95%** for a detached property.

LQ House price to income ratio Southend wards



The heat map compares the Lower Quartile house price to income ratios across individual wards in Southend. The wards of Eastwood Park, Belfairs, St Lawrence and Blenheim Park clustered to the west of the Borough all had **ratios in excess of 14.01:1**, highlighting the issue of affordability. In comparison with the neighbouring region of London, the ratio was **16.42:1** and for the East of England **10.64:1**.

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
Nov-07	148,000	147,000	155,000	172,000	193,500
May-08	146,000	149,995	160,000	170,000	196,000
Nov-08	140,000	149,000	153,000	170,000	184,000
May-09	135,000	140,000	142,000	158,000	173,000
Nov-09	144,000	140,000	145,000	165,000	175,000
May-10	149,950	141,000	148,000	164,950	182,000
Nov-10	149,995	149,000	154,000	170,000	185,000
May-11	147,000	147,500	149,000	163,000	185,000
Nov-11	150,000	142,000	151,000	169,000	185,000
May-12	144,000	140,000	150,000	167,000	180,000
Nov-12	150,000	140,500	152,000	162,000	185,000
May-13	150,000	140,000	148,000	165,000	188,000
Nov-13	155,000	149,000	156,000	175,000	190,000
May-14	158,000	150,000	160,000	178,000	205,000
Nov-14	166,000	165,000	168,000	190,000	215,000
May-15	168,000	168,995	175,000	195,000	227,500
Nov-15	172,500	181,000	182,000	210,000	237,000
May-16	175,000	190,000	209,995	211,000	250,000
Change May 15 May 16	7,000	21,005	34,995	16,000	22,500
Change Peak – May 16	27,000	40,005	49,995	39,000	54,000

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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