

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

October 2014

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

- House prices are unchanged in September following an 18 month run of rises.
- The balance between supply and demand has narrowed rapidly in the last five months and is now negative - pointing to a slowdown in house price growth.
- Demand for homes fell by 2.1% September and the number of new buyers registering with agents has now fallen every month of this quarter.

Local House Prices

- In August 2014, the highest overall Lower Quartile (LQ) house price was in Rochford at £210k, followed by Castle Point £181k, Basildon, Southend £162k and Thurrock £157k.
- Prices were cheaper compared with the London region by as much as £113k.
- When compared with pre-recession prices in 2008/9 when they peaked, prices are now consistently higher for the second quarter running cross the sub region in Southend by £17k, Rochford £15k, Thurrock £7k, Castle Point £6k and Basildon £4k.
- In London, LQ pre-recession house prices were up by £70k, more than seven times the average increase (£9.8k) in 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 and Thurrock at £144, followed by Basildon at £138, Rochford £132 and Southend at £126 per week.
- Private median renting in London was twice as high when compared with TGSE rental prices.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Basildon 57% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 70% 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 fell marginally compared with the previous quarter to 9.95 in TGSE Postal area SS, compared to 15.74 in east London Postal area E.
- The time to sell fell considerably in October 2013, however, more recently it has been fluctuating with Basildon recording a moderate rise.

National Trends

House prices remain unchanged in September, marking the first time in 19 months (January 2013) that prices have not registered an increase in a month according to Hometrack's residential property analyst.

The balance between supply and demand has narrowed rapidly in the last five months and is now negative: pointing to a slowdown in house price growth.

Demand for homes fell by 2.1% in September. The number of new buyers registering with agents has now fallen every month of this quarter, and by 4% over the last four months.

The London market continues to cool: it registered a price fall of -0.1% in September, with 5% of the capital registering price falls compared to less than 1% seeing higher prices.

Average time on the market remains at 6.3 weeks for the second month in a row; however London and the South East are registering an increase in the time on the market (most marked in the Capital).







Commenting on the trends in the market, Richard Donnell, Director of Research at Hometrack, said:

"There's a distinct chill in the air this month: after a strong run over the last 18 months, the momentum of house price rises has started to turn with growth now at a standstill for the first time since January 2013.

"While this slowdown can be attributed partly to seasonal factors – including a slight hangover from a slow August – it's clear that agents are wary about the direction of the market as a result of weaker demand and lower sales volumes..."

Local Housing Indicators

Overall Change in Average House Prices August 2013 – August 2014

Local Authority	August 2013	August 2014	Change
London	446,287	504,836	+£58,549 
Basildon	241,481	252,038	+£10,557 
Castle Point	223,364	244,340	+£20,976 
Rochford	255,057	275,663	+£20,606 
Southend	233,054	246,221	+£13,167 
Thurrock	193,017	207,885	+£14,868 

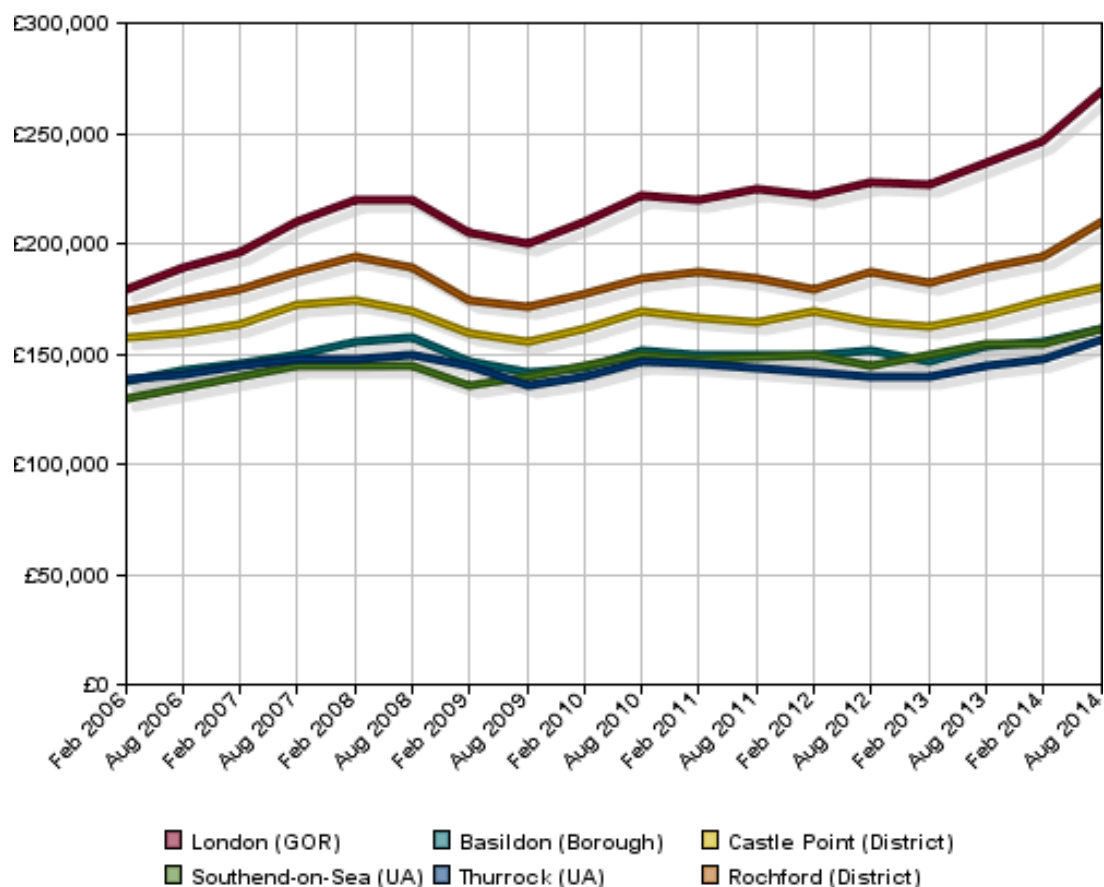
Looking at the overall change in average house prices in the TGSE sub region and London between August 2013 and August 2014 (over a ten year time-span), prices rose in all five TGSE Local Authority areas by as much as **£20,976**. The highest price rise in TGSE was in Castle Point, closely followed by Rochford, then Thurrock, Southend and Basildon.

However, prices in London rose by **£58,549** nearly three times higher than in TGSE.

Focusing on Lower Quartile Prices

The charts below 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 London. This analysis is based on data from Hometrack's Automated Valuation Model.

Lower Quartile Price – Overall



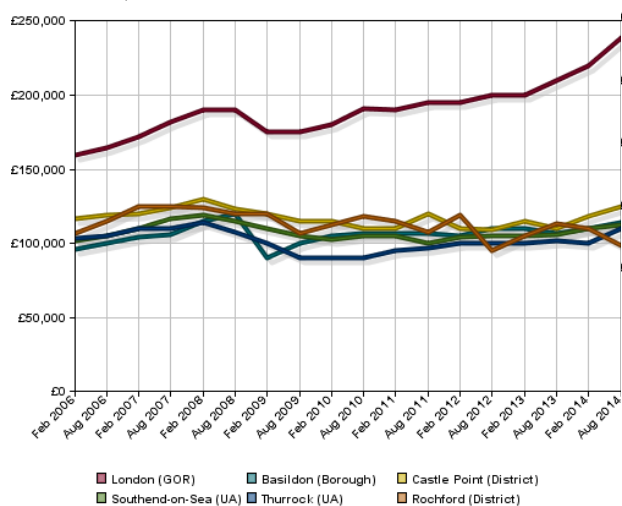
The graph shows the partial recovery in house prices since the noticeable dip in 2008/9. Prices began recovering in August 2009, but then dipped a year later, before a more sustained recovery began from February 2013.

In August 2014, the highest overall lower quartile property price in TGSE was in Rochford at **£210k**, followed by Castle Point **£181k**, Basildon, Southend **£162k** and Thurrock **£157k**. Prices were cheaper compared with the London region by as much as **£113k**.

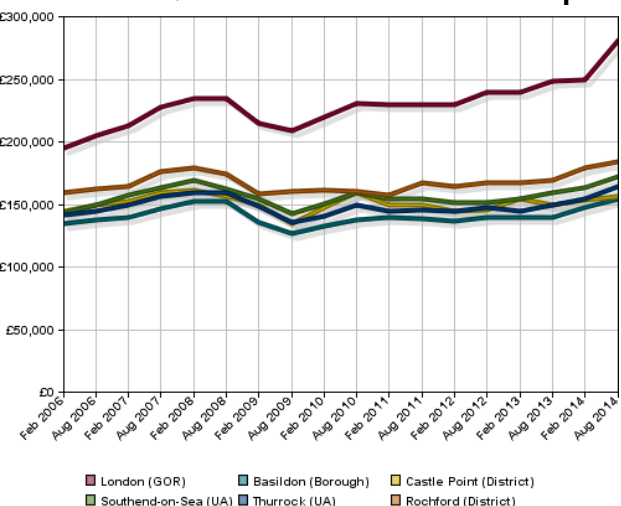
When compared with pre recession prices in 2008/09 where they peaked across the sub region, current prices are now consistently up across all five TGSE local authority areas for the second quarter running in Southend by **£17k**, Rochford **£15k**, Thurrock **£7k**, Castle Point **£6k** and Basildon **£4k**.

In comparison with London, LQ prices were up by **£70k**, more than **seven times** the average increase (£9.8k) in TGSE; almost half of which was achieved in the past year alone (see Appendix 2).

Lower Quartile Price – Flat / Maisonette



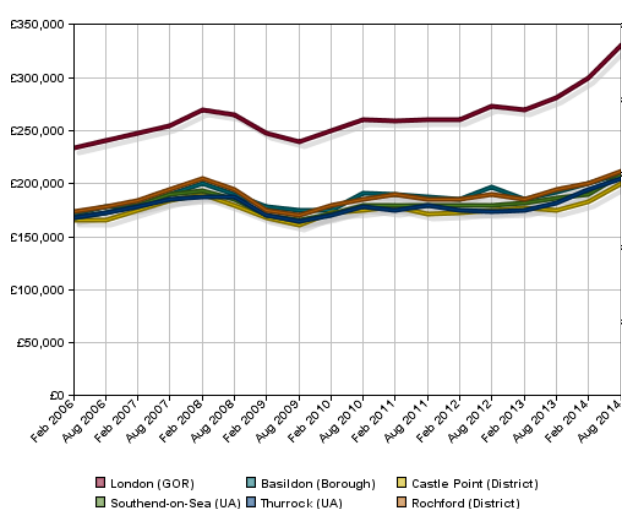
Lower Quartile Price – Terraced Properties



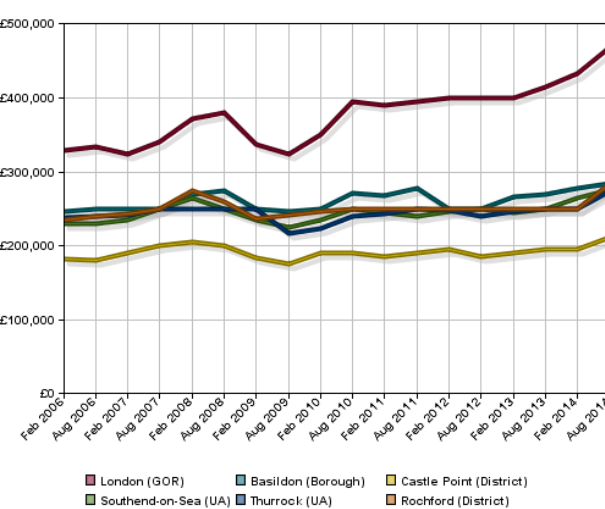
The above charts show a mixed picture. Prices of flat / maisonette property have been more volatile in past years; with only moderate price rises, apart from Rochford where they actually fell in the past year.

For terraced property, prices have all risen since August 2013. In comparison with London, prices rose more sharply.

Lower Quartile Price – Semi Detached



Lower Quartile Prices – Detached



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

For detached properties, since February 2014 prices have all consistently risen, with Rochford and Thurrock experiencing the sharpest rise.

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, London has seen the biggest and sharpest increases.

Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

Basildon					Basildon	
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales		Overall property price bands
2010	1,554	242	63	111	2010	2.70%
2011	1,502	248	146	79	2011	2.70%
2012	1,570	228	252	143	2012	3.00%
2013	1,911	272	177	156	2013	3.40%
2014*	1,177	228	61	52	2014*	2.10%

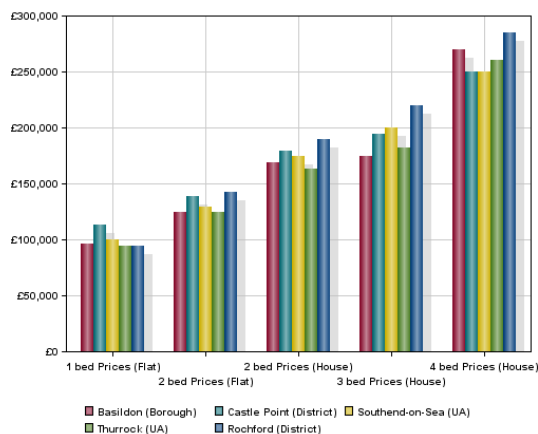
*2014 January - August only

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

Annual turnover since 2010 has increased across all housing types. Whilst figures for 2014 are only for the period up to August; for new build properties the numbers appear to be below average for the time of year compared with sales in the previous year.

The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover has increased and was **3.40%** in 2013. However, it is still significantly down from pre 2008 figures where it was **5.4%** in 2007 (see TGSE Housing Market Trends Quarterly Report, October 2010).

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

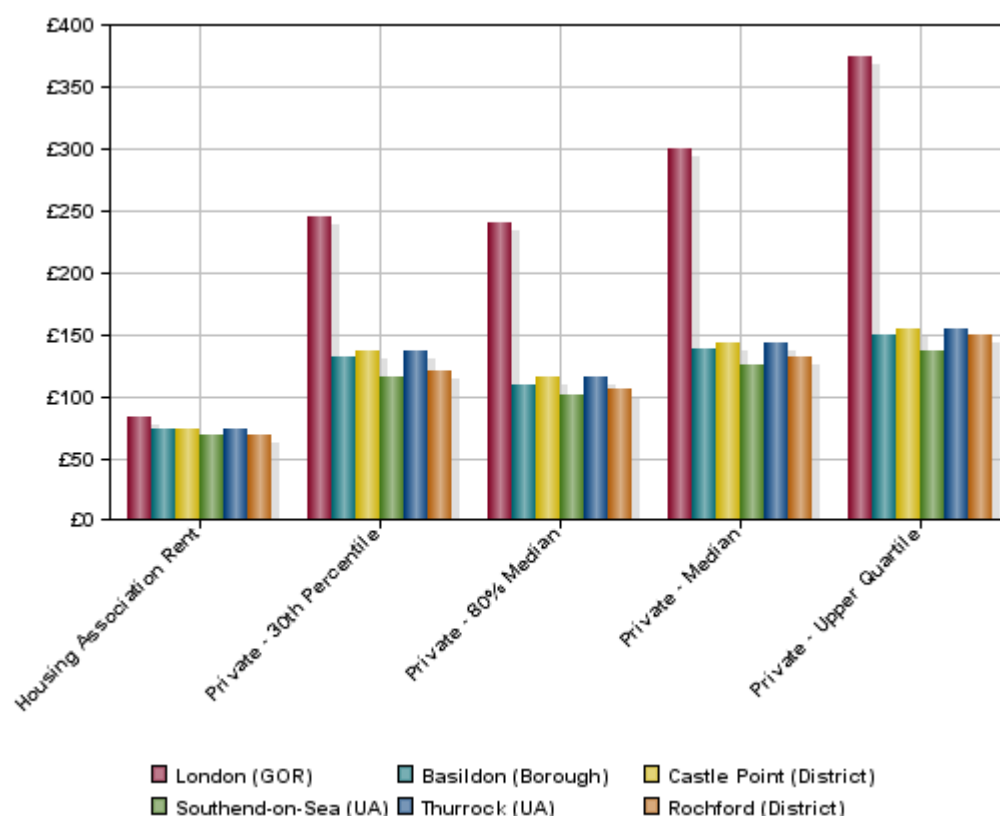


Latest Data Only For Comparison LQ (May 2014)

	Basildon	Castle Point	Southend-	Thurrock	Rochford
1 bed Prices (Flat)	96,750	114,000	100,000	95,000	94,750
2 bed Prices (Flat)	125,000	138,750	129,995	125,000	142,500
2 bed Prices (House)	169,500	180,000	175,000	164,000	190,000
3 bed Prices (House)	175,000	195,050	200,000	182,500	220,000
4 bed Prices (House)	270,000	250,000	250,000	260,625	285,000

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

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



	London	Basildon	Castle Point	Southend	Thurrock	Rochford
Housing Association Rent	83	72.9	73.1	68.8	74	68.2
Private - 30th Percentile	245	132	137	115	137	121
Private - 80% Median	240	110	115	101	115	106
Private – Median (figures for Aug 13)	N/A	137	138	121	138	132
(figure for Aug 12)	N/A	132	137	122	132	126
Private - Upper Quartile	375	150	155	137	155	150
Difference between 80% Median and HA rent	157	37.1	41.9	32.2	41	37.8

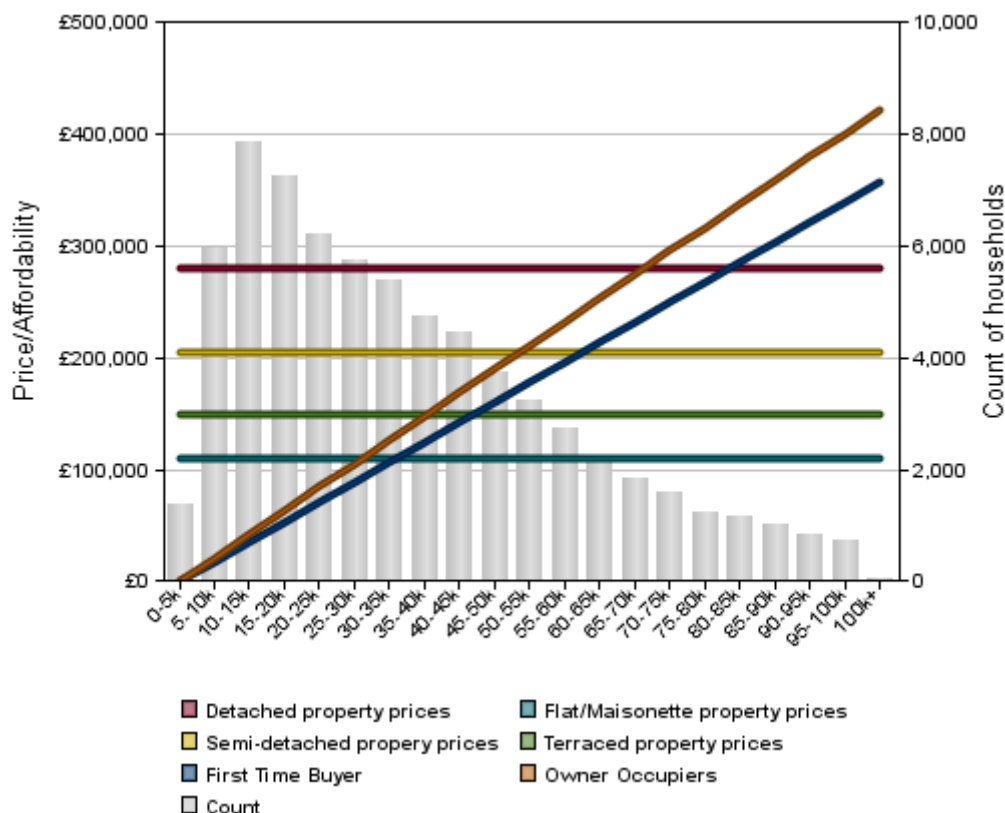
The above table and graph show the weekly cost of renting a one bed room property across a range of quartiles based on August 2014 prices. Importantly, it allows a comparison to be made between Housing Association Rent and Affordable Rent at 80% of market rent.

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

Between, August 2012 - 2014, rent per week had risen in Thurrock by **£12**, Castle Point by **£7**, Rochford / Basildon by **£6** and Southend by **£4**.

In comparison with London, costs are significantly higher across all tenures except Housing Association Rent, with private median rent being more than **twice** that of the highest TGSE private rent. The difference between the 80% median rent and HA rent was more than **three times** higher in London.

Affordability: 3.0 times income
Sample Area: Basildon

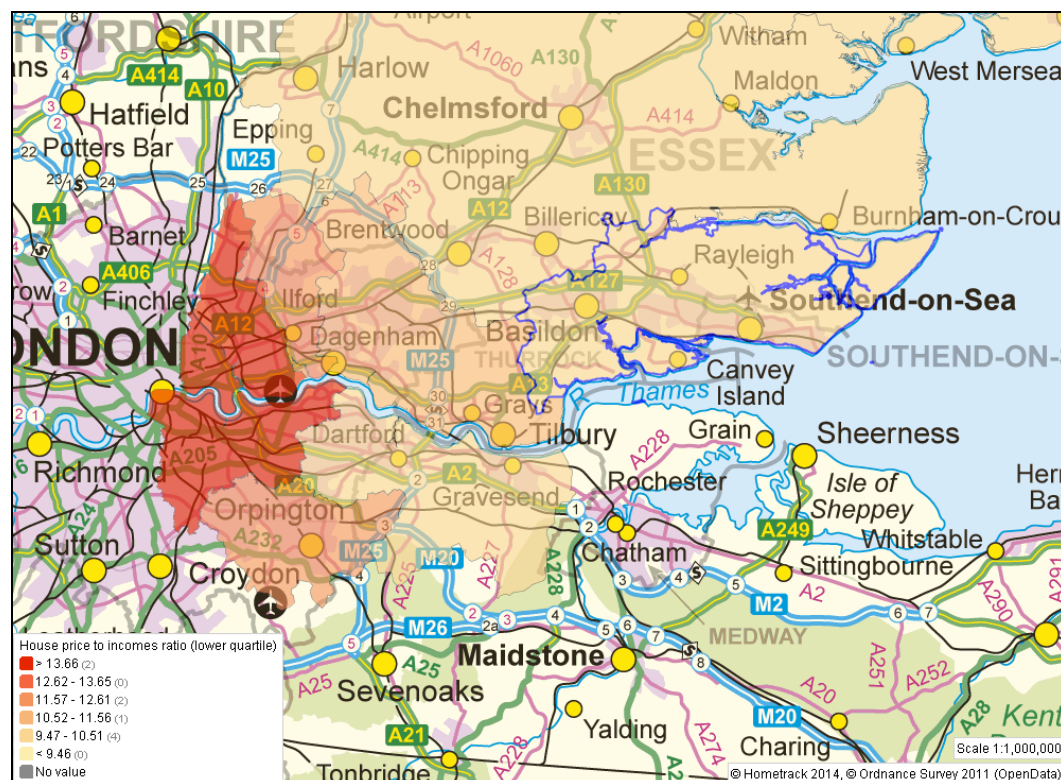


This above chart shows the number of households in different household income bands in Basildon compared to the minimum price for different property types in the same area (horizontal lines). The diagonal lines rising from left to right show the value of property that can be afforded at different income multiples by a first time buyer and former owner-occupier.

The chart demonstrates that a significant proportion of residents in Basildon are priced out of the property market. For example, **57%** 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 **70%** for those wishing to purchase a terraced property and **94%** for a detached property.

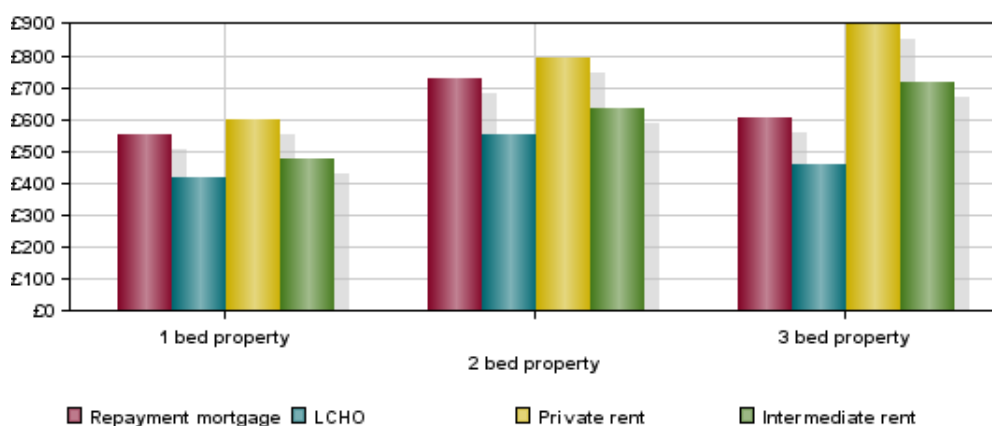
Affordability can also be measured in terms of the ratio between house prices and household disposable income. In August 2014, the average lower quartile ratio was **9.95** (TGSE Postal Area SS) compared to **15.74** in east London (Postal Area E). Previously in May 2014, it was 11.1 and 16.1 respectively. 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. Over the last quarter, the ratio has marginally reduced both in London and TGSE sub region (but proportionally more in TGSE), suggesting that the housing market is cooling off.

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 the postal districts of East London with outer London districts.

Affordability Calculator for Basildon



	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£108,000	£553	£418	£598	£478
2 bed property	£142,500	£729	£552	£793	£634
3 bed property	£118,000	£604	£457	£897	£718

Affordability calculator for Basildon

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 Basildon; Low Cost Home Ownership consistently remained the cheapest form of tenure across 1, 2 and 3 bed properties, whilst private rent was the highest.

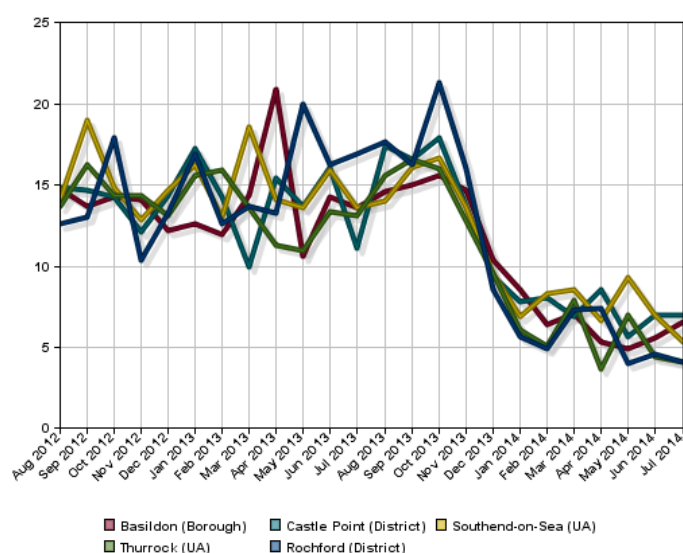
Given the price range between different tenures and products, this illustrates the value of undertaking comparison checks when considering affordability.

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.

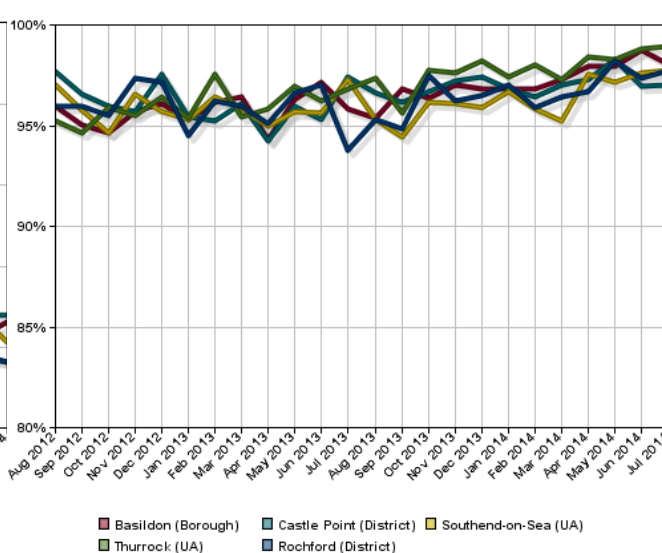
Market Indicators

Included in this report are two new datasets which were added in August 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

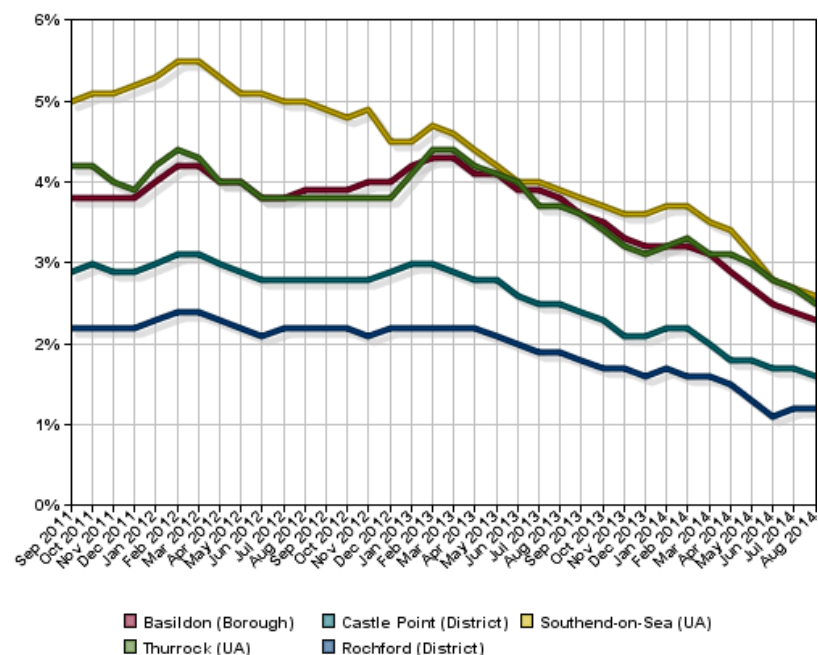


The above graph shows that since October 2013 the time to sell in weeks fell dramatically in all five TGSE Local Authorities, however more recently, they have been fluctuating and for Basildon the sales period began increasing from May 2014.

The sales to asking price have been rising across all five TGSE Local Authorities, although again in Basildon the percentage has begun to fall.

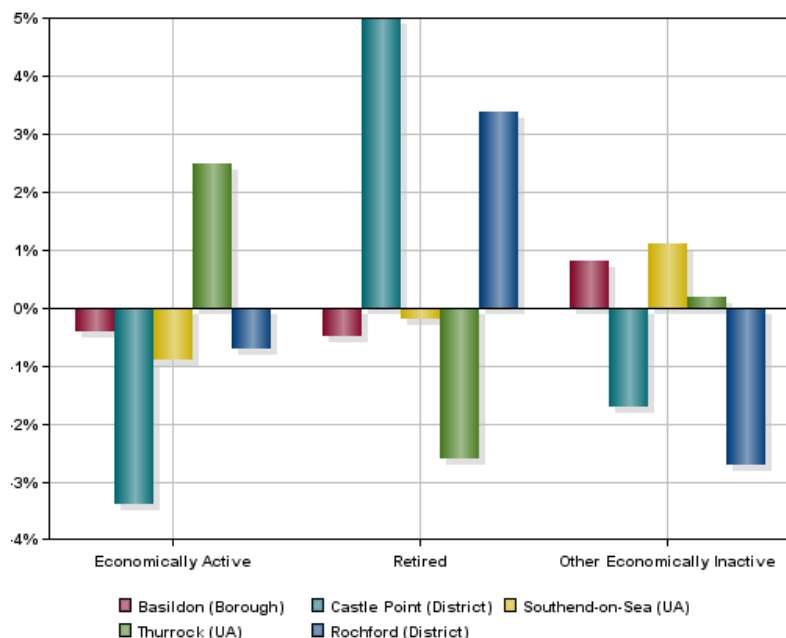
Economic indicators

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.

Appendix 1 –Snapshot of Housing Market in England & Wales Hometrack residential property analyst, September 2014.

Hometrack Housing Survey records “zero house price growth in September for first time in 19 months.”

Summary	July-14	Aug-14	Sept-14	Change
Monthly price change (%)	0.1	0.1	0.0	▼
% change in new buyers registering with agents	-0.9	-0.9	-2.1	▼
% change in volume of property listing	1.6	0.1	-0.3	▼
% change in sales agreed	-0.3	0.5	-1.6	▼
Average time on the market (weeks)	6.0	6.3	6.3	►
% of the asking price being achieved	96.1	95.9	95.8	▼
% postcode districts with price increase over month	23.7	19.3	6.1	▼
% postcode districts with price decrease over month	1.5	4.2	1.2	▲

Results at a glance

- Hometrack’s September National Housing Survey has revealed zero house price growth this month – the first time house prices have not increased for 19 months. The market has been cooling since May, but growth has now completely stalled.
- Continued weakness in demand is behind the loss of momentum in price growth (demand fell by 2.1% this month), but also comes from a reduction in pent-up demand, which previously drove the market and was compounded by the launch of Help to Buy in early 2013. The balance between supply and demand has moved into negative territory in the last three months, further reducing upward pressure on prices.
- While the impetus for house price growth has dissipated across all parts of the country, London is experiencing a pronounced slowdown in market activity, with continued declines in the proportion of asking prices being achieved. London was the only region to record a price fall in September - of just -0.1% – with further modest price falls likely in the months ahead.

Further commentary on the trends by Richard Donnell, Director of Research at Hometrack:

“.....This loss of momentum in price growth comes at the end of a very strong run of 18 months, in which the market was fuelled by pent-up demand, with Help to Buy fanning positive market sentiment. That surge of demand has now receded, bringing the latest cycle to an end with no equivalent buyer ‘push’ or ‘pull’ on the horizon.

“Although the lead indicators suggest that buyers will start to gain the upper hand, there are many home owners who don’t need to sell and won’t bother unless it’s financially beneficial to do so. The net result is a likely drop-off in activity in the coming months. As the build up to the election in 2015 draws imminent and political parties use the conference season to delineate their views, we anticipate an impact on market activity.”

Appendix 2 – Overall House Price by Local Authority Area over a 10 year period compared to London

	London (GOR)	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
Feb-06	180,000	138,000	158,000	130,000	139,000	170,000
Aug-06	190,000	143,000	160,000	135,000	141,000	175,000
Feb-07	196,950	146,000	164,000	140,000	145,000	179,995
Aug-07	210,000	150,000	173,000	145,000	147,900	188,000
Feb-08	220,000	156,000	174,950	145,000	148,000	195,000
Aug-08	220,000	158,000	170,000	145,000	150,000	190,000
Feb-09	205,000	147,500	160,000	136,000	145,000	175,000
Aug-09	200,000	142,000	156,000	140,000	136,000	172,000
Feb-10	210,000	144,000	162,000	145,000	140,000	177,950
Aug-10	222,000	152,000	170,000	150,000	147,000	185,000
Feb-11	220,000	150,000	166,500	148,000	146,000	188,000
Aug-11	225,000	150,000	165,000	149,000	144,000	185,000
Feb-12	222,000	150,000	170,000	150,000	142,000	180,000
Aug-12	228,000	152,000	165,000	145,000	140,000	187,500
Feb-13	227,500	147,000	163,000	150,000	140,000	182,500
Aug-13	237,500	154,000	167,500	155,000	145,000	190,000
Feb-14	247,000	156,000	175,000	155,000	148,500	195,000
Aug-14	270,000	162,000	181,000	162,000	157,000	210,000
Change Aug 13 Aug 14	32,500	8,000	13,500	7,000	12,000	20,000
Change Peak – Aug 2014	70,000	4,000	6,050	17,000	7,000	15,000

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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