

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

October 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 including private rent over time. The report acts as a supplement to the data in the TGSE Strategic Housing Market Assessment published May 2016. Changes in Lower Quartile house prices for TGSE local authority areas are tabled in Appendix 1.

Key trends**National Trends**

- Annual house price growth in September was up 5.8%.
- The quarter change was -0.1% and the average price was £214,024.
- Annual house price growth fell from 10.00% peak in March to 5.8% in September.
- Affordability issues continue to restrain demand, however, very low mortgage rates and shortage of properties for sale should support price levels over the coming months.

Local House Prices

- The annual house price growth in May for TGSE was 8.87%. Annual growth in Southend nearly halved, fell less significantly in the remaining authorities but remained stable in Thurrock.
- The highest overall Lower Quartile (LQ) house price was in Rochford at £255k, followed by Castle Point and Basildon £215k, Thurrock £200k, and Southend £175k.
- Compared with pre-recession prices in 2008/9 when they peaked, prices are now consistently higher for the ninth successive quarter; in Rochford by £60k, Basildon £57k, Thurrock £50k, Castle Point £40k and Southend £30k.

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 Rochford 57% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 84% for those wishing to purchase a terraced property and 94% for a detached property.
- Four wards in Rochford have a ratio between LQ house prices and LQ household disposable income in excess of 14:1, compared to 17.21:1 being the average for the London region and 10.94:1 for the East of England.

National Trends

According to the Halifax House Price Index; **the annual house price growth in September was up 5.8%**, however the **quarterly change was -0.1%** and the average price was down £214,024. House prices rose by 0.1% between August and September, but were down in the two previous months.

Supply remains at a record low, falling for the third month in a row. Markets have experienced a lengthy period where house prices have risen more rapidly than earnings putting pressure on affordability and thereby constraining demand. Very low mortgage rates and a shortage of properties available for sale should, however, help support price levels over the coming months.

Mortgage approvals are on a **steady downward trend** falling for the third consecutive month.






Home sales remain stable in August at £97,660, however they are 6% lower than in August 2015.

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 August 2015 – August 2016

Local Authority	August 2015	August 2016	Change	% Aug 16	May 16	Feb 16	Nov 15
Basildon	237,648	303,676	+£30,028 	+ 10.97%	11.56	11.17	10.61
Castle Point	273,920	293,925	+£20,005 	+ 7.30%	7.81	11.80	11.37
Rochford	311,805	340,424	+£28,618 	+ 9.18%	9.54	11.92	10.18
Southend	265,760	277,474	+£11,714 	+ 4.41%	8.32	11.04	12.13
Thurrock	232,237	261,197	+£28,960 	+ 12.47%	12.47	10.81	10.42

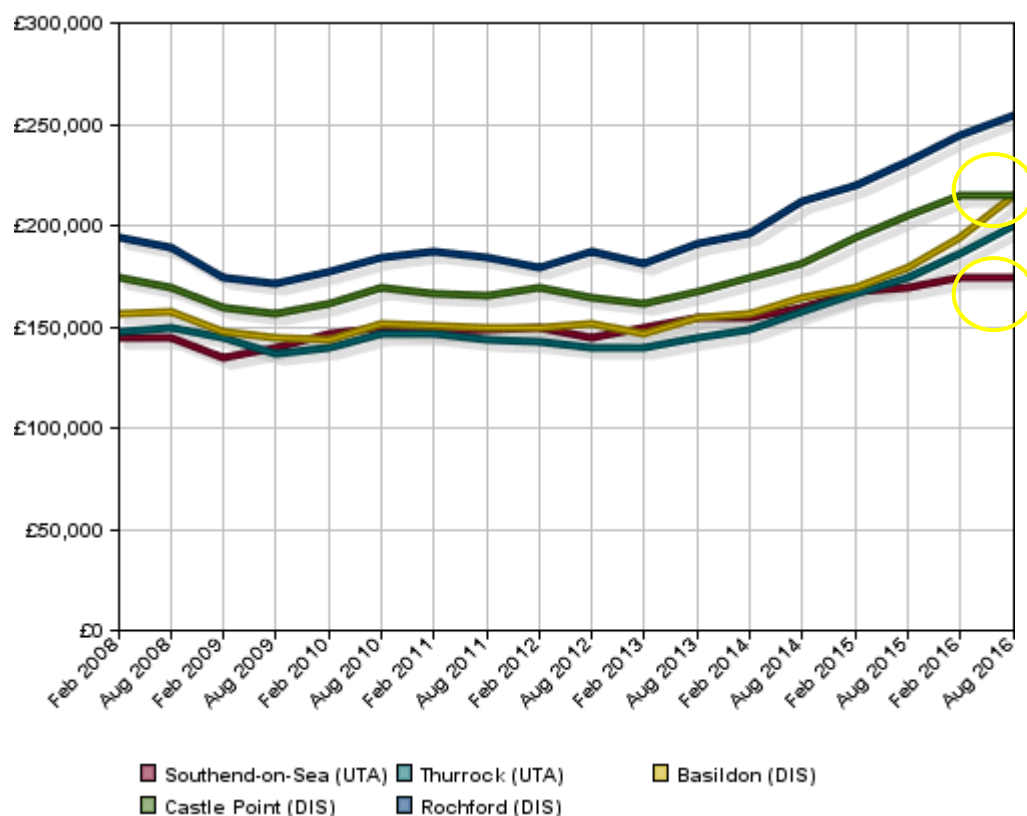
Looking at the overall change in average house prices in the TGSE sub region between August 2015 and August 2016 (taken over a ten year time-span), prices rose in all five TGSE Local Authority areas by as much as **£30,028 or 12.47%** (averaging 8.87%). The highest price rise was in Thurrock followed by Basildon, Rochford, Castle Point and Southend.

Annual house price growth nearly halved in Southend and fell less significantly in the remaining South Essex Local Authorities apart from in Thurrock where they were stable.

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



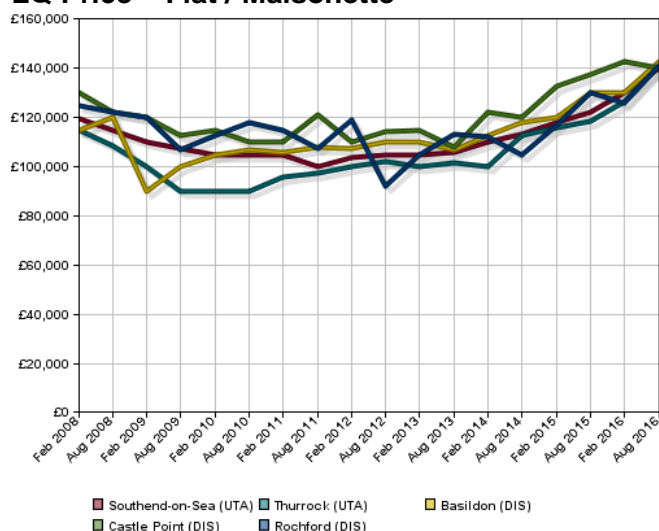
The graph shows the steady recovery in house prices since the recession in 2008/9.

In August 2016, the highest overall lower quartile property price in TGSE was in Rochford at **£255k**, followed by Castle Point and Basildon at **£215k**, Thurrock **£200k** and Southend **£175k**.

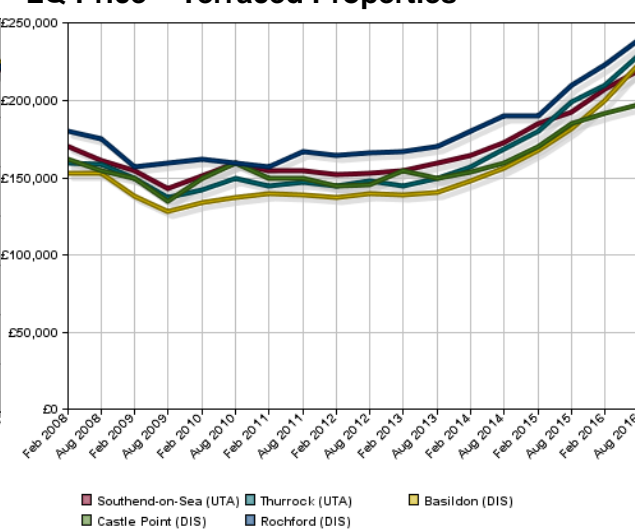
When compared with pre recession prices in 2008/09 where they peaked across the sub region, current prices are consistently up across all five TGSE local authority areas for the tenth quarter running; in Rochford by **£60k**, Basildon **£57k**, Thurrock **£50k**, Castle Point **£40k**, and Southend **£30k**.

From February 2016 house price growth has flattened off in Southend and Castle Point but continued to grow in the remaining Local Authority areas.

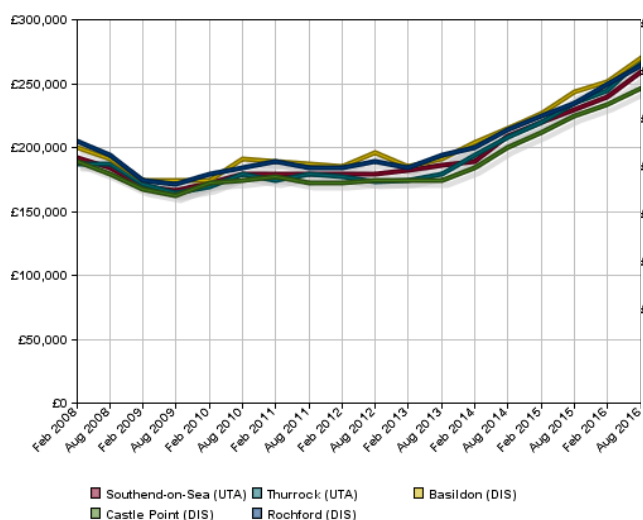
LQ Price – Flat / Maisonette



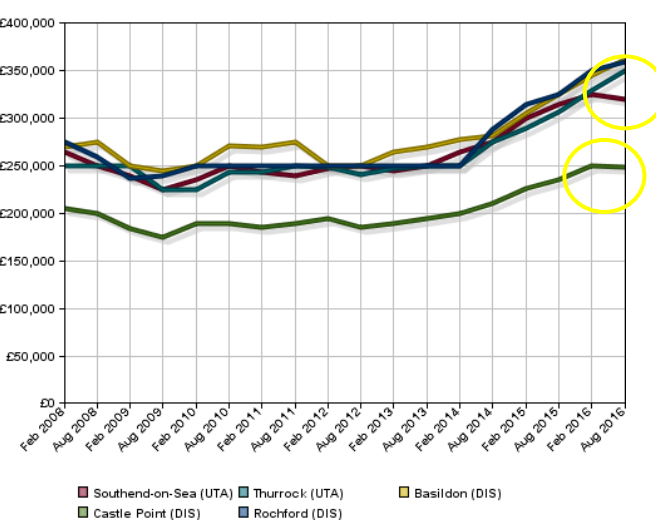
LQ Price – Terraced Properties



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. **Price of flats fell in Castle Point from February 2016**, albeit from a peak price of nearly £143k; and are now similarly priced across all five Local Authority areas. For larger detached properties **prices in Southend and Castle Point fell** consistent with the overall trends for these Authorities.

Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

	Rochford				
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales	Overall property price bands
2012	902	110	31	10	3.1%
2013	1,091	121	52	19	3.7%
2014	1,216	152	143	2	4.4%
2015	1,218	160	109	15	4.4%
2016*	626	77	29	NA	2.1%

*January – August only.

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

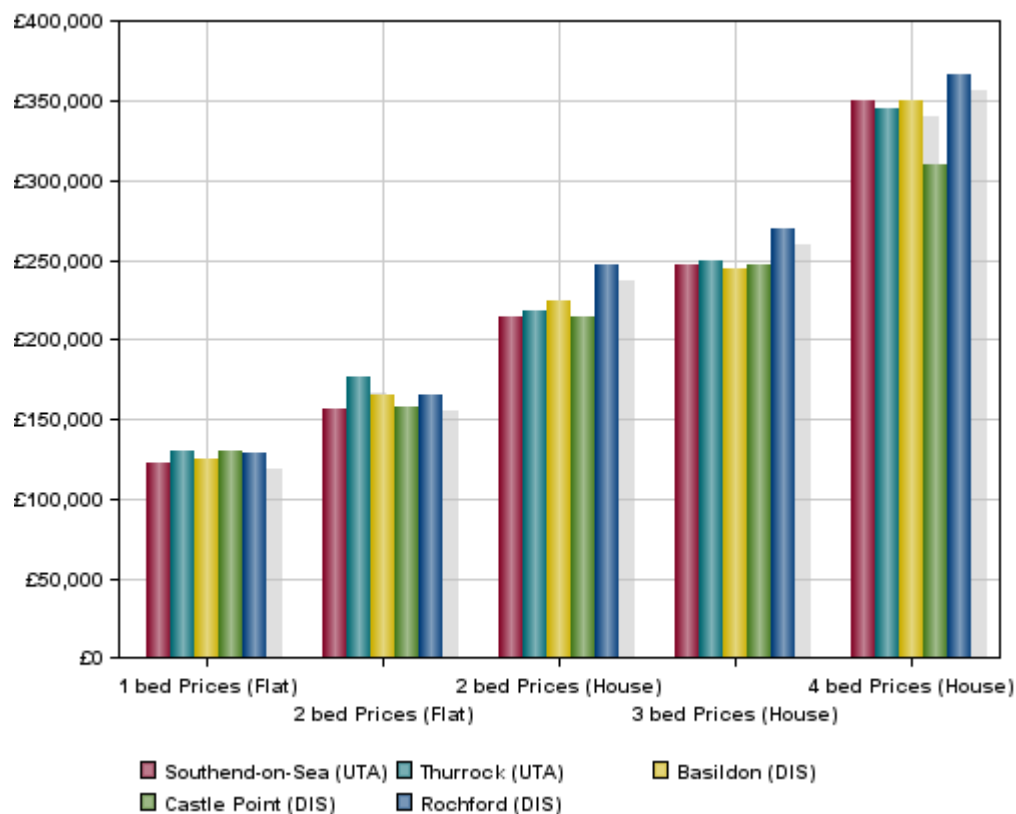
Annual turnover for 2nd hand houses / flats sales rose steadily, although house sales may have reached a plateau. For new build house sales they increased significantly from 2012, then fell away.

The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover has been steady at **4.4%** in 2015; however, this is down from the pre recession figures of **5.8%** in 2007. (See TGSE Housing Market Trends Quarterly Report, July, 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 (August 2016)

	Southend	Thurrock	Basildon	Castle Point	Rochford
1 bed Prices (Flat)	122,750	130,000	125,000	130,000	128,750
2 bed Prices (Flat)	157,000	176,250	165,000	157,500	165,000
2 bed Prices (House)	215,000	217,625	225,000	215,000	247,000
3 bed Prices (House)	246,750	250,000	245,000	246,875	269,996
4 bed Prices (House)	350,000	345,000	350,625	310,000	367,000



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; Thurrock now equals Castle Point** with the highest prices. Prices are also fairly consistent in this bed size.

For 2 bed properties; Thurrock now has the highest prices, previously it was shared with Rochford.

For the **remaining house sizes**, it has consistently been **Rochford**. 4 bed house prices in Castle Point appear to have lagged behind.

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

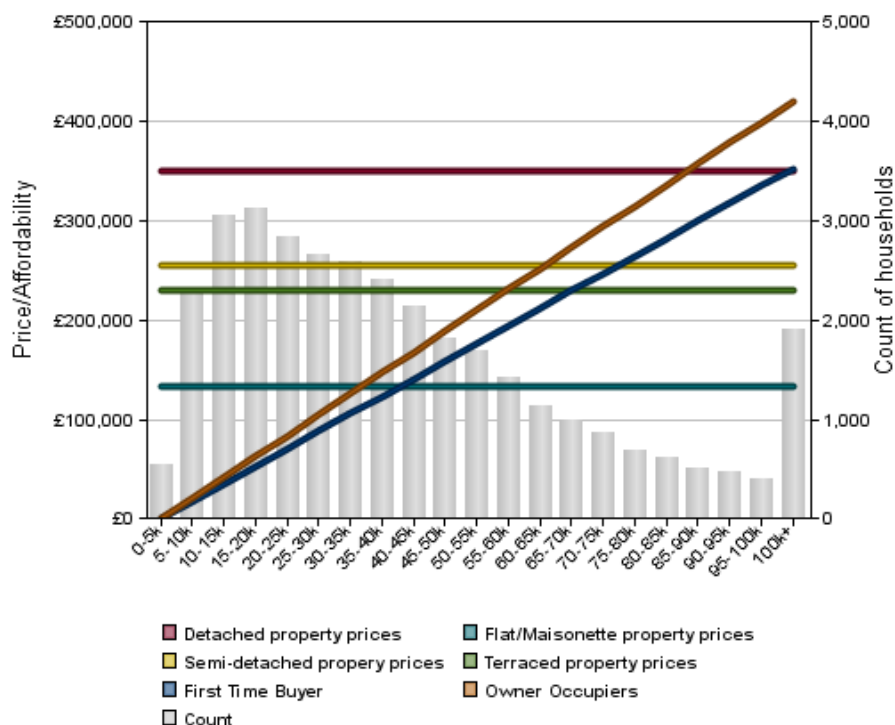
	Southend	Thurrock	Basildon	Castle Point	Rochford
Renting (Local Authority)	65	75	67	74	68
Renting (Housing Association)	69	74	73	73	68
Renting (intermediate) - 80%	138	134	126	138	134
Renting (private)					
Aug 2016	173	167	158	173	167
May 2016	150	161	150	160	137
May 2015	132	150	144	150	138
May 2014	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					
August 16	-56	-39	-30	-56	-50
May 16	-33	-33	-22	-43	-20
Buying a lower quartile resale	135	134	131	142	140
Buying an average resale	154	149	158	149	154
Buying 40% share through Help to Buy	105	102	108	107	104
Buying a lower quartile new build	181	169	163	186	NA
Buying an average new build	186	180	167	194	NA
Starter Homes Initiative at 80%					
August 16	149	144	134	155	NA
May 16	178	137	135	155	

The above table shows the weekly cost of renting or purchasing a one bed room property across a range of quartiles based on August 2016 prices. Key trends are summarised as follows:

- **Private rent continues to rise across South Essex** with increases notably in Rochford by £30 and Southend by £23 per week over the last quarter.
- **Affordability is worsening**, with the gap between the Local Housing Allowance (LHA) private rent also widening significantly over the past year, now **as much as £56 per week**.
- 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.
- 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 **£134 per week**.
- The cost of Buying an average new build at 80% has **reduced in Southend, risen in Thurrock and Basildon but remained constant in Rochford**.

Affordability: 3.0 times income

Sample Area: Rochford



Looking at the wider affordability issues in Rochford 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 Rochford 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 **84%** for those wishing to purchase a terraced property and **94%** for a detached property.

LQ House price to income ratio Rochford wards



The heat map compares the Lower Quartile house price to income ratios across individual wards in Southend. The wards of Hullbridge, Rochford, Whitehouse and Foulness & Great Wakering all had **ratios in excess of 14.17:1**, highlighting the issue of affordability. In comparison with the neighbouring region of London, the ratio was **17.21:1** and for the East of England **10.94:1**.

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
Feb 2008	145,000	148,000	157,000	174,950	195,000
Aug 2008	145,000	150,000	158,000	170,000	190,000
Feb 2009	135,500	145,000	148,500	160,000	175,000
Aug 2009	140,000	137,500	145,000	157,000	172,000
Feb 2010	147,000	140,000	144,000	162,000	178,000
Aug 2010	150,000	147,500	152,000	170,000	185,000
Feb 2011	148,000	147,000	151,000	166,500	187,500
Aug 2011	149,000	144,000	150,000	166,000	185,000
Feb 2012	150,000	143,000	150,000	170,000	180,000
Aug 2012	145,000	140,000	152,000	165,000	187,500
Feb 2013	150,000	140,000	147,000	162,000	182,000
Aug 2013	155,000	145,000	155,000	167,500	192,000
Feb 2014	155,000	149,500	157,000	175,000	197,000
Aug 2014	160,000	158,000	165,000	181,995	212,000
Feb 2015	168,000	167,000	170,000	195,000	220,000
Aug 2015	170,000	175,000	180,000	205,000	232,000
Feb 2016	175,000	187,000	195,000	215,000	245,000
Aug 2016	175,000	200,000	215,000	215,000	255,000
Change Aug 15 Aug 16	5,000	25,000	35,000	10,000	23,000
Change Peak – Aug 16	30,000	50,000	57,000	40,050	60,000

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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