

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

January 2011

House Prices, Affordability & Market Indicators

www.tgessex.co.uk

Basildon Council
BASILDON • BILLERICAY • WICKFORD

castlepoint
benfleet | canvey | hadleigh | thundersley

Rochford
District Council

southend
on sea
BOROUGH COUNCIL

THURROCK COUNCIL
www.thurrock.gov.uk

and partner RSLs

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 housing 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

- Overall average house prices in England and Wales fell by 1.6% in 2010.
- An imbalance between supply and demand continues to characterise the housing market.

Local House Prices

- Between November 2009 and November 2010, lower quartile house prices rose in Rochford by £15k, Basildon, Southend, Thurrock by £10k and Castle Point by £7.5k.
- In November 2010, the highest overall lower quartile property price was in Rochford £190k, followed by Castle Point £172.5k, Basildon £155K, Southend and Thurrock £150k.
- Castle Point has the highest priced 1 bed flat properties whilst Rochford has the highest priced 2, 3 and 4 bed properties in the sub region.

Cross Tenure (for a one bed property)

- The highest weekly cost of renting a one bed property through a Housing Association is in Thurrock at £78 and the lowest in Rochford at £65.
- Private renting is most expensive in Rochford at £150 per week followed by Thurrock at £138, Castle Point at £136, Basildon at £132 and Southend at £114.
- Private renting is the cheapest in Southend by as much as £23, at £114 per week.
- The weekly cost of renting privately has increased from previous quarters.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Castle Point 44.86% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income.

Market Indicators

- Time to sell and viewings per sale have increased since July 2010 indicating a gradual slowing down in the housing market.

National Trends

Overall house prices in England and Wales fell by 1.6% over 2010.

Hometrack's Director of Research, Richard Donnell, commented in December that: 71% of the country saw prices end lower than at start of 2010, although the South East and London (including parts of South Essex) have seen a rise in house prices. Average house prices forecast to fall by 2% in 2011.

In the last three months October to December 2010, demand fell by -4.8%, the sixth month in a row as did supply (-1.5). The proportion of asking price achieved fell to a 16 month low (92.1%).

An imbalance between supply and demand continues to characterise the housing market over the last 12 months. The first half of the year saw an overall price rise of 1.3%, but as the second half of the year began, supply and demand moved in opposite directions and prices between June and December fell by -2.3%.

Looking ahead to 2011, house prices are likely to remain under downward pressure for the first half of the year. Weak demand and falling supply will be the defining features of the market. Lack of mortgage finance and falling consumer sentiment are trends that will continue into 2011.

Hometrack expects house prices to fall by -2% in 2011. Factoring in limited growth in real household incomes, Hometrack see house prices tracking sideways for the foreseeable future.

Local Housing Indicators

Overall change in house prices

Looking at the overall change in house prices in the Thames Gateway South Essex sub region over a three month period between September and November 2010, it would appear that average house prices continue to be more resilient when compared to the national picture of falling house prices. However, the trends vary locally, notably with Basildon and Southend experiencing a steady growth in prices across all ranges whilst Castle Point seeing a fall more in line with the national trend. Price variations between different TGSE Local authority areas are summarised in the table below:

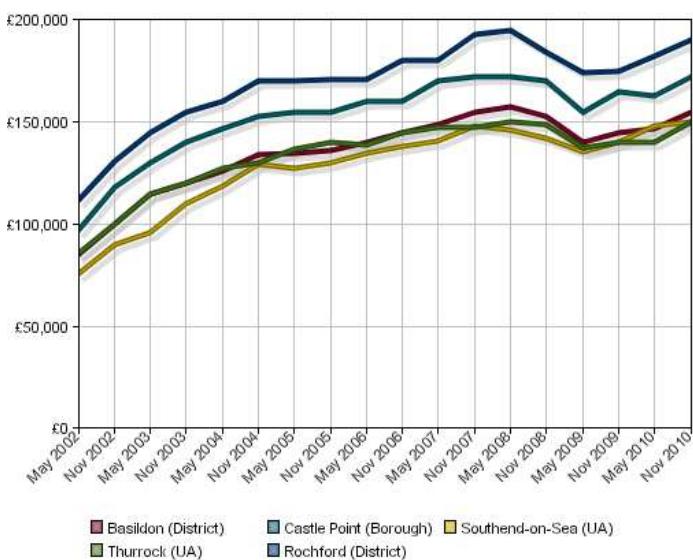
Change in House prices September 2010 – November 2010

| Local Authority | 90 th percentile | Upper Quartile | Average | Lower Quartile |
|-----------------|-----------------------------|----------------|---------------|----------------|
| Basildon | +£40,834 ↑ | +£16,000 ↑ | +£14,361 ↑ | +£10,500 ↑ |
| Castle Point | -£12,667 ↓ | -1,999 ↓ | -£3,106 ↓ | +£1,666 ↑ |
| Rochford | -£10,334 ↓ | +£12,666 ↑ | +£14,666 ↑ | +£10,666 ↑ |
| Southend | +£15,017 ↑ | +£167 ↑ | -£368 ↓ | +£2,668 ↑ |
| Thurrock | +£8,834 ↑ | +£8,500 ↑ | +£6,088 ↑ | +£4,250 ↑ |

Focusing on Lower Quartile Prices

The next set of charts focus on the lower quartile property price, based on sales and valuations, for overall 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

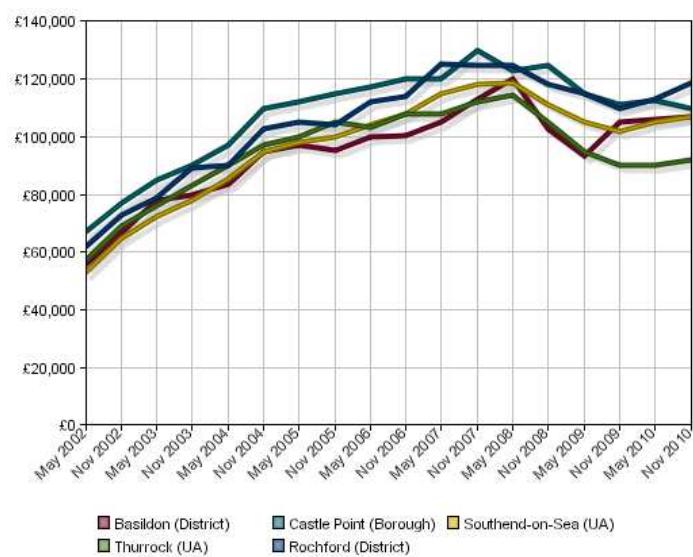


The above chart shows the overall lower quartile property prices by local authority area in the Thames Gateway South Essex sub region. Despite the recent fall in some of the quartile house prices, there has been an overall upward trend in house prices since May 2009.

In November 2010, the highest overall lower quartile property price was in Rochford £190k, followed by Castle Point £172.5k, Basildon £155K, Southend £150k and Thurrock £150k.

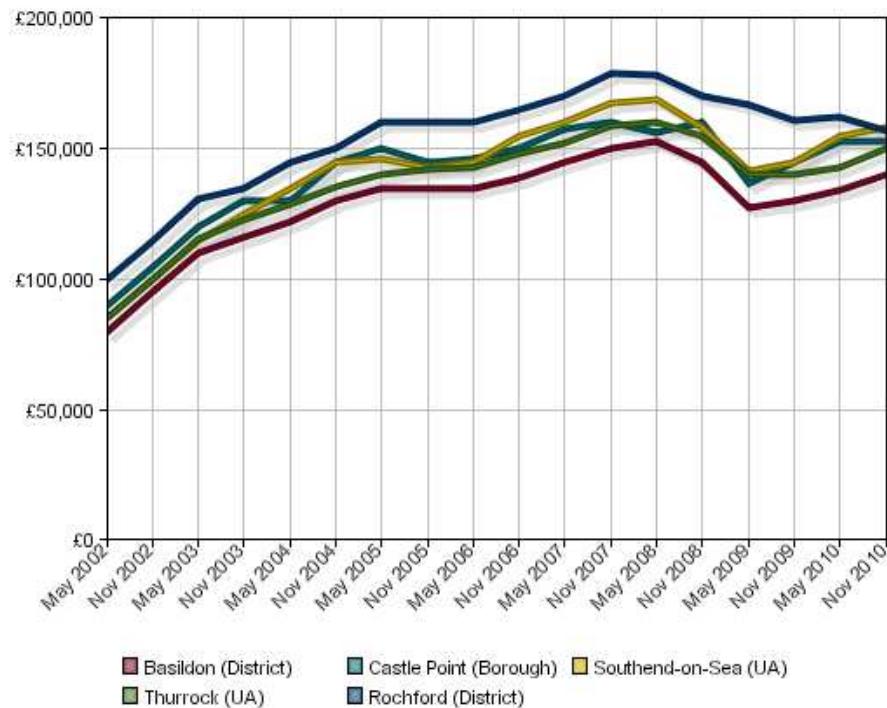
Between November 2009 and November 2010, lower quartile house prices rose in Rochford by £15k, Basildon, Southend, Thurrock by £10k and Castle Point by £7.5k (see Appendix 2). Prices are up from previous years and actually peaked in Castle Point, Southend and Thurrock when compared to 2007/08 prices.

Lower Quartile Price – Flat / Maisonette



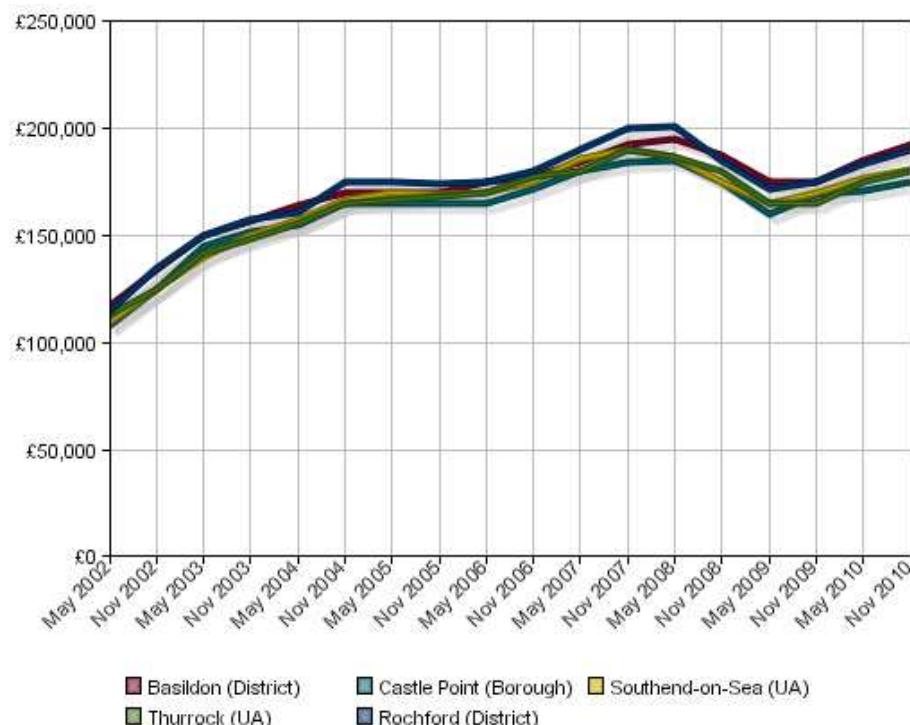
The above chart shows lower quartile prices for flat / maisonette properties. Since May 2010, prices fell in Castle Point, but rose in the remaining three authorities.

Lower Quartile Price – Terraced Properties



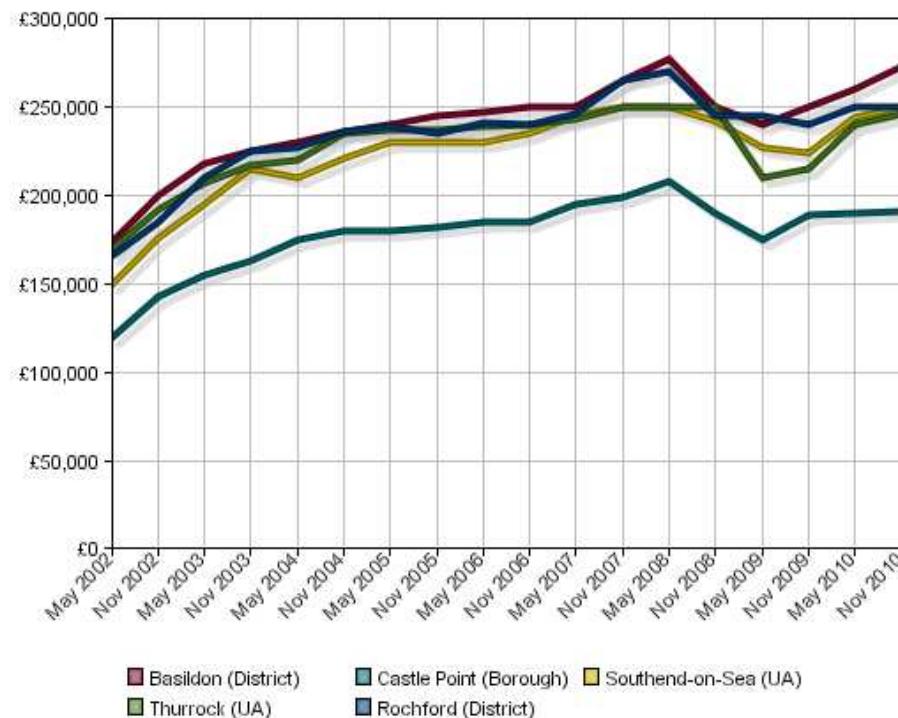
Since May 2010, the prices of lower quartile terraced properties fell in Castle Point and Rochford but rose in the remaining three local authority areas.

Lower Quartile Price – Semi Detached



Since November 2009, the price of semi-detached properties in all five local authority areas has risen showing a consistent picture across the sub region.

Lower Quartile Prices – Detached



Since May 2010, the price of detached properties marginally fell in Rochford, but continued to rise in the remaining four Local Authority areas albeit at a slower rate.

In summary, the changes across different house types by local authority areas demonstrates that house prices in South Essex have been more resilient in the face of a national fall in prices.

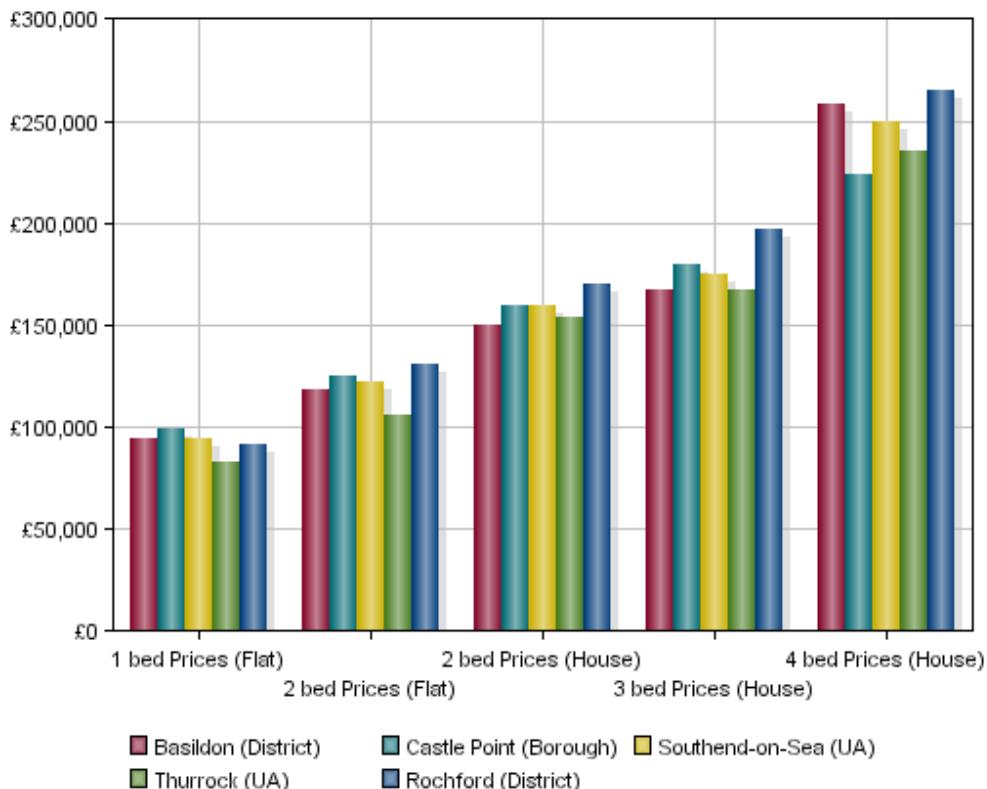
Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

| | Castle Point (District) | | | | Castle Point (Borough) | Overall |
|------|-------------------------|---------------------|-----------------------|----------------------|------------------------|---------|
| | 2nd Hand House Sales | 2nd Hand Flat Sales | New Build House Sales | New Build Flat Sales | | |
| 2006 | 1,668 | 149 | 27 | 97 | 2006 | 5.40% |
| 2007 | 1,755 | 175 | 20 | 28 | 2007 | 5.50% |
| 2008 | 794 | 95 | 8 | 27 | 2008 | 2.60% |
| 2009 | 895 | 79 | 9 | 30 | 2009 | 2.80% |
| 2010 | 693 | 51 | 4 | 6 | 2010 | 2.10% |

The above tables show the total volume of housing turnover in Castle Point, as the sample area, split between houses / flats and second hand / newly built houses. The total turnover is also shown as a proportion of overall property, based on Land Registry data. It shows the marked drop off in turnover since 2007 from 5.5% to 2.1%.

Lower Quartile Price of Property by Bed Count (November 2010)

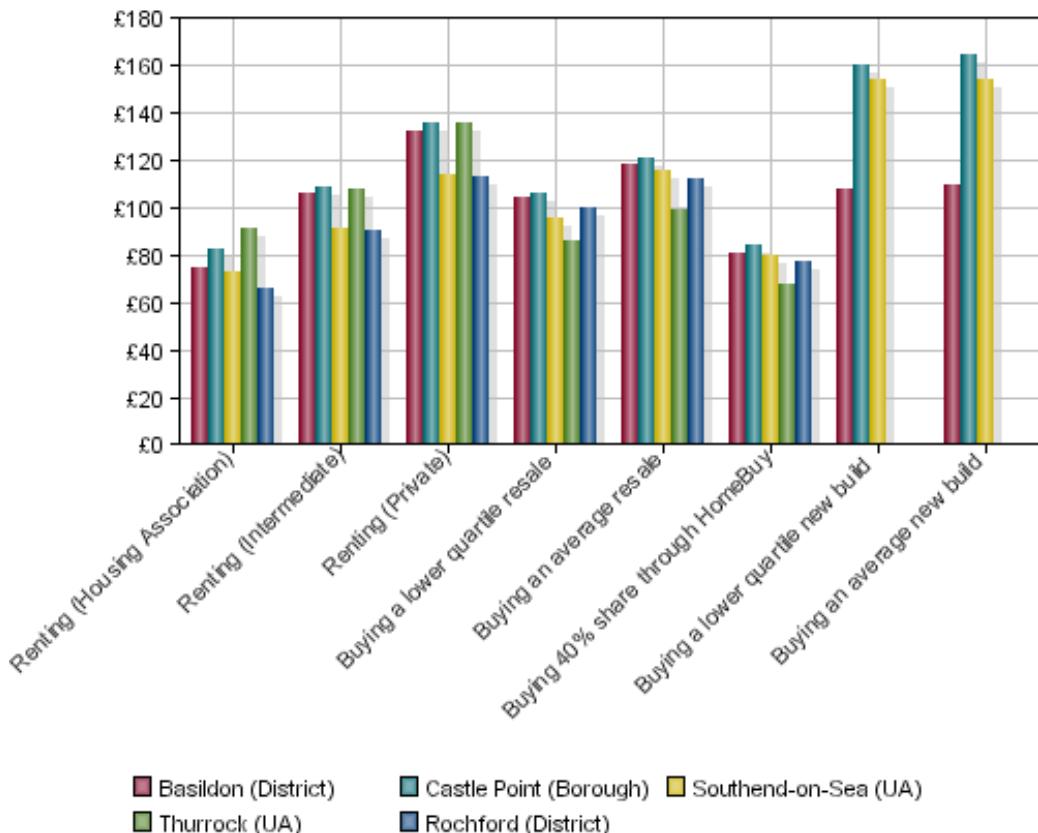


Latest Data Only For Comparison LQ (November 2010)

| | <i>Basildon (District)</i> | <i>Castle Point (Borough)</i> | <i>Southend-on-Sea (UA)</i> | <i>Thurrock (UA)</i> | <i>Rochford (District)</i> |
|----------------------|----------------------------|-------------------------------|-----------------------------|----------------------|----------------------------|
| 1 bed Prices (Flat) | 94,750 | 98,750 | 94,000 | 82,499 | 91,250 |
| 2 bed Prices (Flat) | 118,000 | 125,000 | 122,000 | 106,000 | 131,000 |
| 2 bed Prices (House) | 150,000 | 160,000 | 159,995 | 153,375 | 170,000 |
| 3 bed Prices (House) | 167,500 | 180,000 | 175,000 | 167,000 | 196,750 |
| 4 bed Prices (House) | 258,000 | 223,750 | 250,000 | 235,000 | 265,000 |

The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on November 2010 figures. For 1 bed flat properties, the highest price was recorded in Castle Point, while for 2 bed flat properties and 2, 3 & 4 bed houses the highest prices were all recorded in Rochford.

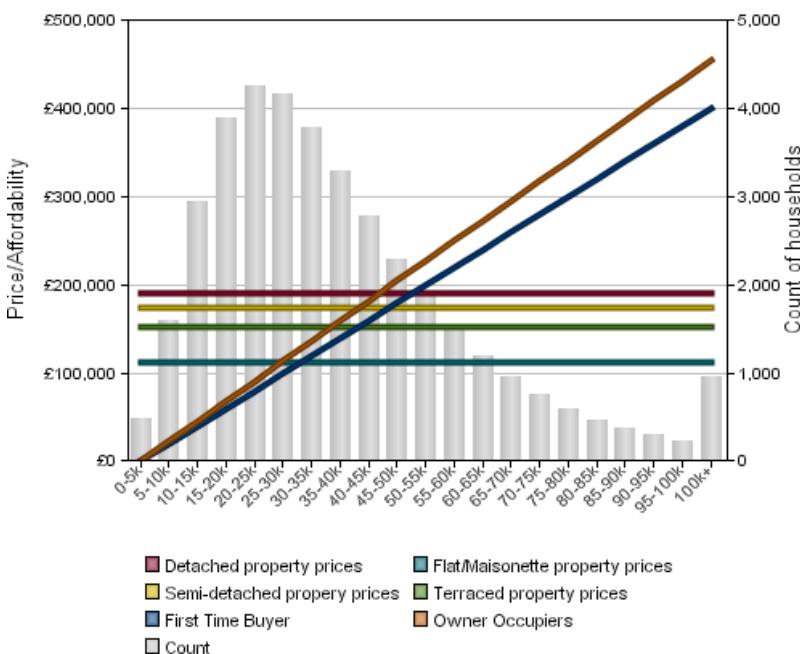
Weekly Cost (1 bed property)



The chart compares the weekly cost of a one bed property across different tenures and has been analysed as follows:

- The weekly cost of renting from a Housing Association is generally lower than other tenures with the highest rent in Thurrock at £91 and the lowest in Rochford at £66.
- Intermediate renting is more expensive in the TGSE sub region than buying a 40% share Homebuy property.
- Private renting is most expensive in Thurrock and Castle Point at £136 per week followed by Basildon at £132 and Southend at £114.
- Private renting is the cheapest in Rochford by as much as £23, at £113 per week.
- Whilst the weekly cost of renting from a Housing Association has remained the same from previous quarters, the weekly cost of renting privately has increased.

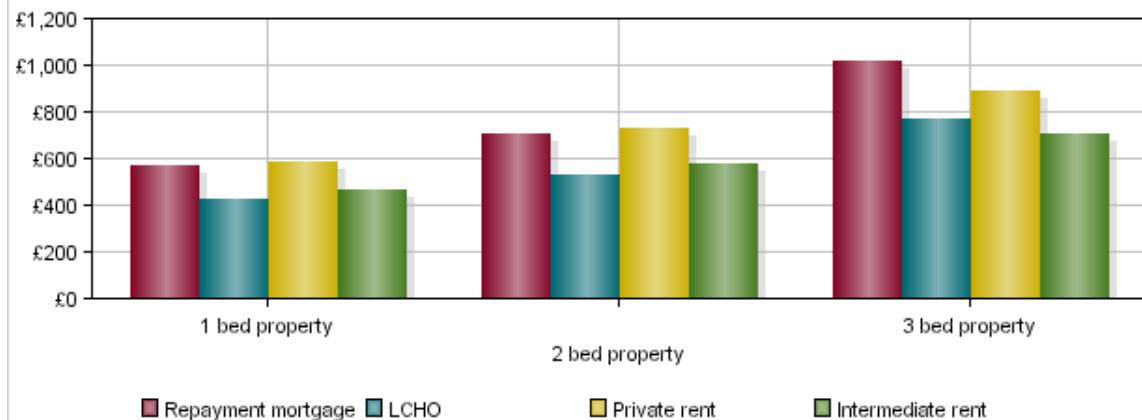
Affordability: 3.0 times income Sample Area: Castle Point



This chart shows the number of households in different household income bands in Castle Point (bars) 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 Castle Point are priced out of the property market. For example, 44.86% or approximately 17,369 households cannot afford to purchase a flat or maisonette as a first time buyer on a mortgage at 3.0 times their income.

Affordability Calculator for Castle Point

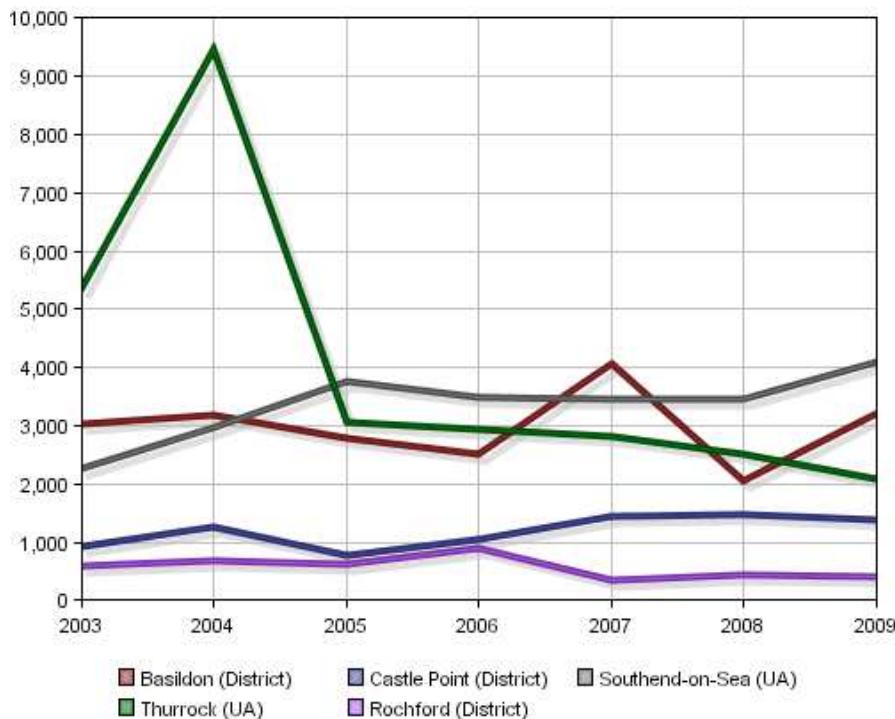


| | Average price | Repayment mortgage | LCHO | Private rent | Intermediate rent |
|----------------|---------------|--------------------|------|--------------|-------------------|
| 1 bed property | £111,250 | £569 | £431 | £589 | £471 |
| 2 bed property | £137,500 | £704 | £532 | £728 | £582 |
| 3 bed property | £200,000 | £1,023 | £774 | £888 | £711 |

The information above 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).

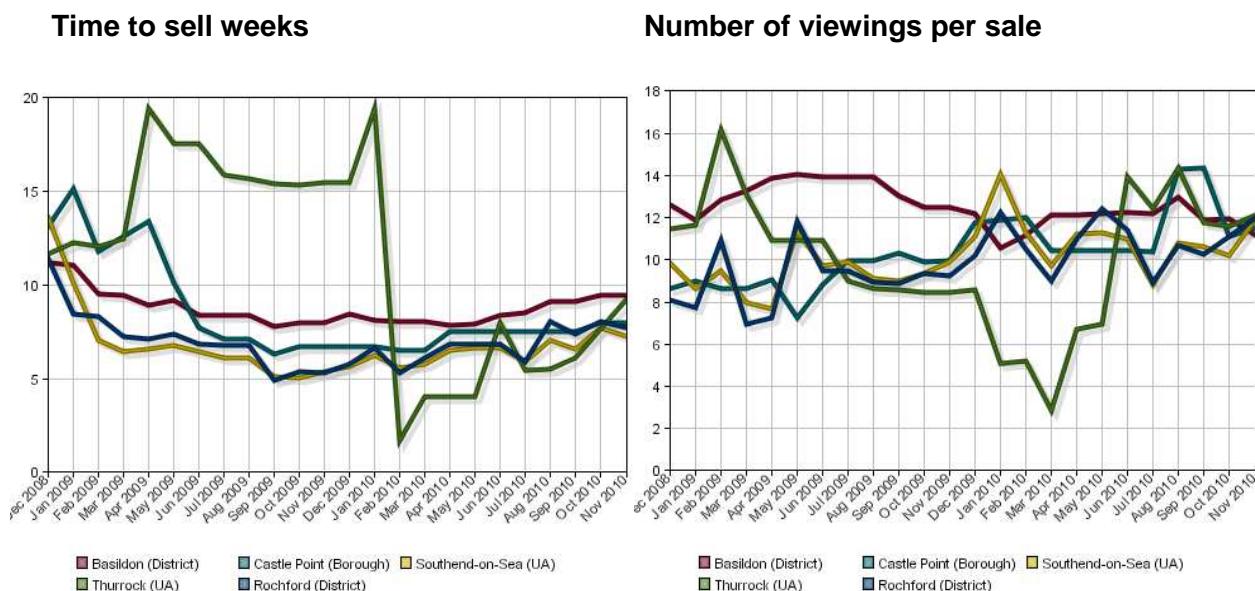
The assumptions can be changed by moving the slider bars. For Castle Point, the information shows that for one and two bed properties; private renting is the most expensive, while for a 3 bed property a standard repayment mortgage is most expensive.

People on the Housing Register



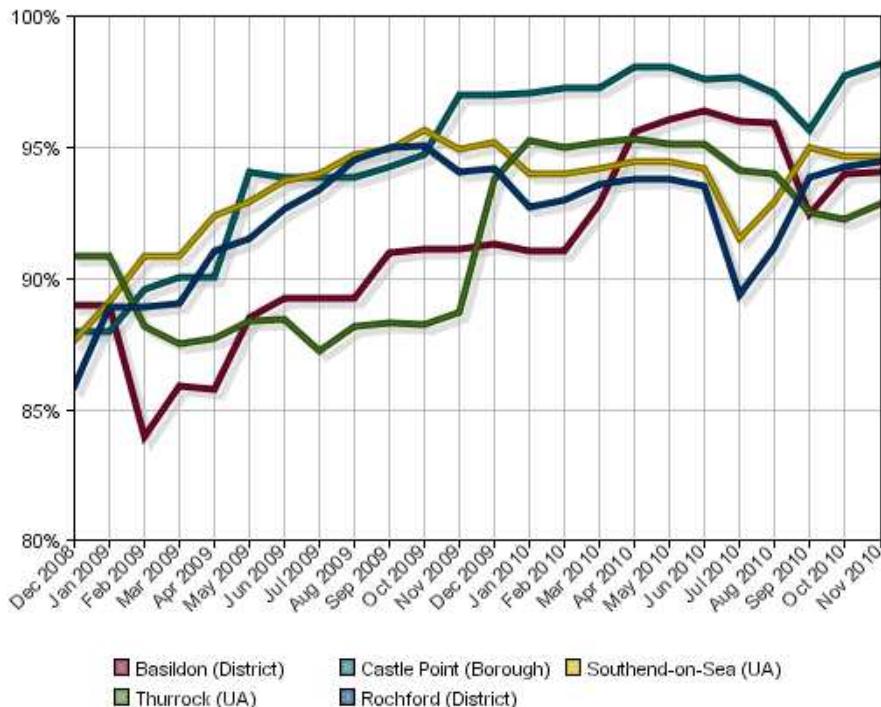
The above graph shows the number of people on the Housing Register for each year. Since 2008, the Register in Southend and Basildon has risen whilst in Thurrock it has fallen and in Castle Point and Rochford it has remained broadly static.

Market Indicators



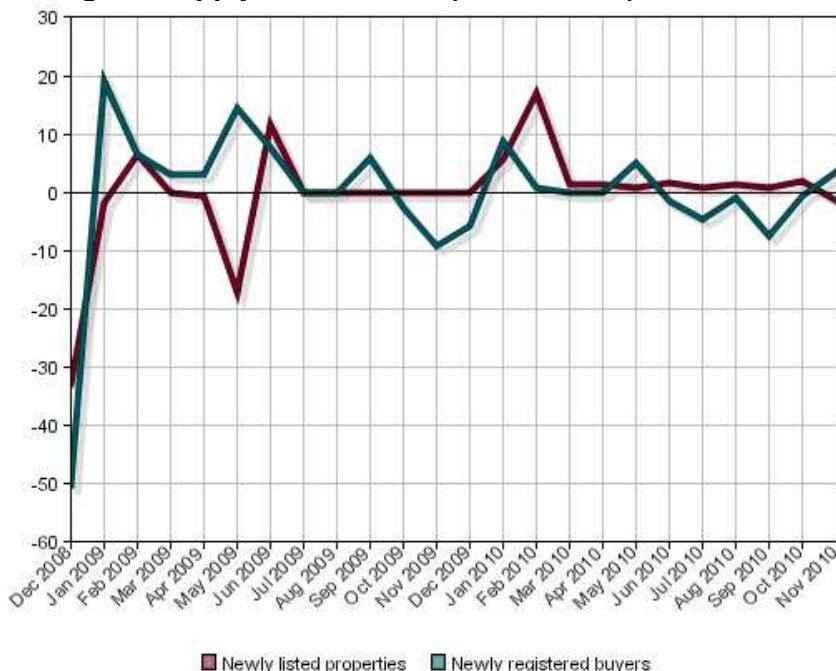
The above graphs show the average time to sell a property in weeks and the number of viewings per sale. Since March 2010, the time to sell has increased indicating a slowing down in the housing market. The fluctuation in Thurrock is likely to be due to a small data sample. The general trend is also reflected in the data showing number of viewings per sale, which has generally been rising.

Sales to Asking Price



This graph shows the typical proportion of the asking price that is achieved for all sales agreed over the month since December 2008. Since September 2010, the percentage has increased in all five Local Authority areas, apart from Southend.

Change in Supply and Demand (Castle Point)



This graph compares the percentage change in the number of new properties being registered for sale each month against the percentage change in the number of new buyers registering for Castle Point. Between September and November 2010 the number of newly registered buyers has turned positive whilst newly listed properties have declined. It demonstrates a slowing down in the housing market and general lack of activity.

Appendix 1 –Snapshot of Housing Market in England & Wales by Richard Donnell, Director of Research, Hometrack, November 2010.

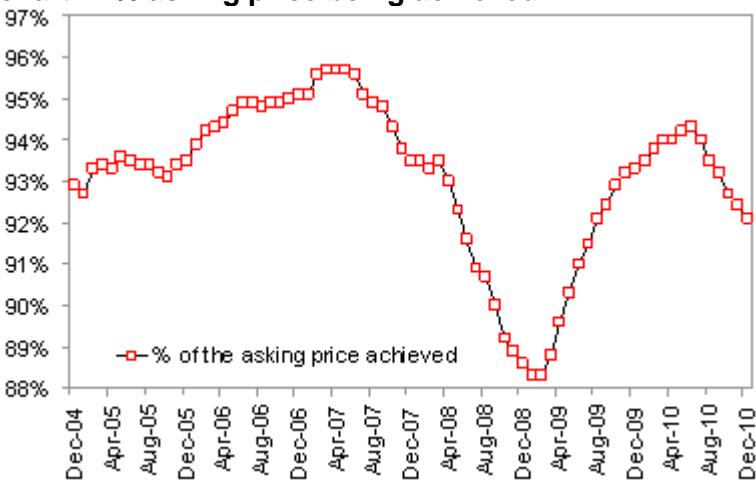
71% of the country sees prices end lower than at start of year Average house prices forecast to fall by 2% in 2011

| Summary | Oct-10 | Nov-10 | Dec-10 |
|--|--------|--------|-------------|
| Monthly price change (%) | -0.9 | -0.8 | -0.4 |
| % change in new buyers registering with agents | -2.0 | -4.3 | -4.8 |
| % change in volume of property listings | 1.9 | -0.4 | -1.5 |
| % change in sales agreed | 3.8 | 0.1 | 1.0 |
| Average time on the market (weeks) | 9.6 | 9.8 | 10.0 |
| % of the asking price being achieved | 92.7 | 92.4 | 92.1 |
| % postcode districts with price increase over month | 0.1 | 0.1 | 0.8 |
| % postcode districts with price decrease over month | 56.0 | 54.0 | 36.0 |

- The latest survey of over 5,100 agents and surveyors recorded price falls across 36% of the market during December. Overall house prices fell by -1.6% over 2010.
- 71% of the country saw prices end lower than at the start of the year.
- Demand fell by -4.8%, the sixth month in a row as did supply (-1.5). The proportion of asking price achieved fell to a 16 month low (92.1%).
- The time taken to sell increased over the month to 10 weeks - the longest period since April 2009. The time on the market is now over 3 months for three regions - East Midlands, North West and Wales.
- An imbalance between supply and demand has characterised the housing market over the last 12 months. The first half of the year saw an overall price rise of 1.3%, but as the second half of the year began, supply and demand moved in opposite directions and prices between June and December fell by -2.3%.
- Over the course of the year, the supply of homes for sale grew by 24% while demand fell by 7%. In the final 6 months of the year, demand fell by 18%.
- Prices tracked lower across 36% of the country in December. But across 15% of the country - notably London and the South East - prices in December are higher than they were at the start of the year.
- Looking ahead to 2011, house prices are likely to remain under downward pressure for the first half of the year. Weak demand and falling supply will be the defining features of the market. Lack of mortgage finance and falling consumer sentiment are trends that will continue into 2011.
- Hometrack expects house prices to fall by -2% in 2011. Factoring in limited growth in real household incomes, Hometrack see house prices tracking sideways for the foreseeable future.

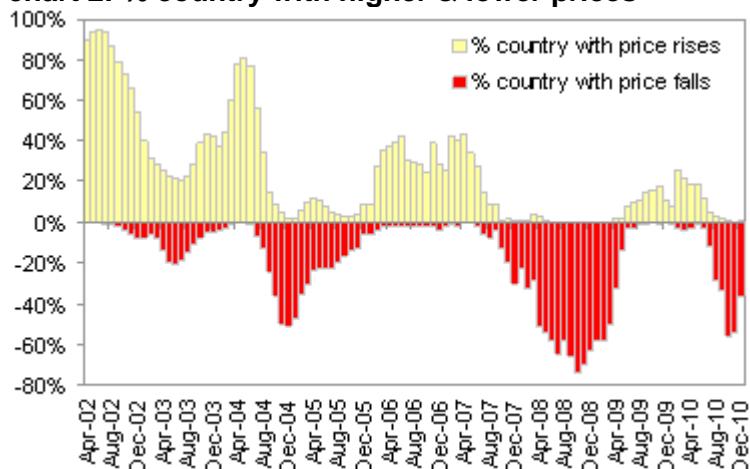
This month's survey was based upon responses from 5,100 agents and surveyors across all 2,300 postcodes in England and Wales.

chart 1: % asking price being achieved



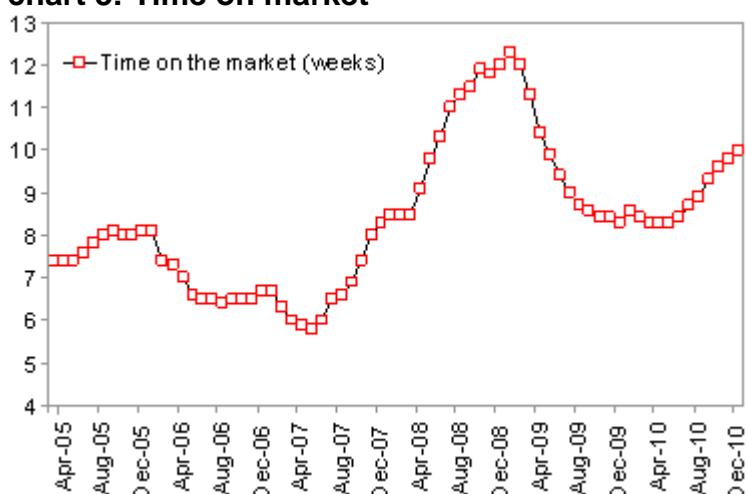
"The proportion of the asking price is starting to fall as growth in sales volumes falters and the mismatch between supply and demand widens. The measure has dropped from a high of 94.3% to 92.1% over recent months."

chart 2: % country with higher & lower prices



"Figure 2 shows the proportion of postcodes registering higher and lower prices over time. The balance of change is swinging into negative territory with prices down across 36% of postcodes in December 2010."

chart 3: Time on market



"Figure 3 shows the proportion of postcodes registering higher and lower prices over time. The balance of change is swinging into negative territory with prices down across 36% of postcodes in December 2010."

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

| | Basildon (District) | Castle Point (Borough) | Southend-on-Sea (UA) | Thurrock (UA) | Rochford (District) |
|---------------------------------|--------------------------------|-----------------------------------|---------------------------------|----------------------|--------------------------------|
| | Lower Quartile | Lower Quartile | Lower Quartile | Lower Quartile | Lower Quartile |
| May-02 | 85,000 | 97,000 | 76,000 | 85,950 | 112,000 |
| Nov-02 | 100,000 | 118,000 | 89,950 | 100,000 | 131,000 |
| May-03 | 115,000 | 130,000 | 96,000 | 114,500 | 145,000 |
| Nov-03 | 120,000 | 140,000 | 110,000 | 120,315 | 155,000 |
| May-04 | 126,000 | 147,000 | 119,000 | 127,500 | 160,000 |
| Nov-04 | 134,000 | 153,000 | 129,500 | 130,000 | 170,000 |
| May-05 | 135,000 | 155,000 | 127,500 | 137,000 | 170,000 |
| Nov-05 | 136,000 | 155,000 | 130,000 | 140,000 | 171,000 |
| May-06 | 140,000 | 160,000 | 135,000 | 139,000 | 171,000 |
| Nov-06 | 145,000 | 160,000 | 138,000 | 144,500 | 179,995 |
| May-07 | 149,000 | 169,995 | 141,000 | 147,500 | 180,000 |
| Nov-07 | 155,000 | 172,000 | 148,000 | 147,500 | 193,000 |
| May-08 | 157,500 | 172,000 | 146,000 | 150,000 | 195,000 |
| Nov-08 | 153,000 | 170,000 | 142,000 | 149,000 | 184,000 |
| May-09 | 140,000 | 155,000 | 135,500 | 137,500 | 174,500 |
| Nov-09 | 145,000 | 165,000 | 140,000 | 140,000 | 175,000 |
| May-10 | 147,000 | 163,000 | 148,000 | 140,000 | 182,000 |
| Nov-10 | 155,000 | 172,500 | 150,000 | 150,000 | 190,000 |
| Change Nov 2009- Nov 2010 | +10,000 | +7,500 | +10,000 | +10,000 | +15,000 |

Source: Hometrack Housing Intelligence System