

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

July 2011

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 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

- Average house prices in England and Wales fell by 0.1% in June 2011.
- Between May and June there was a 10.7% increase in sales agreed.

Local House Prices

- Between May 2010 and May 2011, lower quartile house prices rose in Thurrock by £10k, Rochford by £3k, Southend by £2.5k, Castle Point and Basildon by £2k.
- In May 2011, the highest overall lower quartile property price was in Rochford £185k, followed by Castle Point £165k, Basildon, Southend and Thurrock all at £150k. Rochford also has the highest priced properties across a range of bed sizes 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 £91 and the lowest in Rochford at £66.
- Private renting is most expensive in Castle Point at £138, followed by Basildon at £132, Rochford at £131, Thurrock at £126 and Southend at £121.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Rochford 51.31% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income.

Market Indicators

- Local indicators suggest that there was a seasonal fluctuation in January to March 2011 where the market sentiments improved. Between April and May, indicators such as the decline in sales to asking price suggest that sellers are being more realistic about what they might achieve in terms of house prices.
- If national trends for June are anything to go on, sale volumes are on the increase. However, if the listing of new property declined but the number of registered buyers remains buoyant then this could exert an upward pressure on house prices.

National Trends

June has seen a turnaround in the fortunes of the housing market with the volume of sales agreed by agents rising 10.6%. The number of applicants registering with agents also rose.

Hometrack's Director of Research, Richard Donnell, commented that:

The improvement in sales volumes is largely the result of a bounce back in activity following a subdued May market. But it is also a reflection of lower prices and greater realism by sellers over achievable pricing levels.

Agents are keen to ensure prices are at a level where transactions can take place to support revenue. Greater realism by sellers is supporting sales but volumes are only half the story and pricing levels remain under downward pressure. Average prices fell by 0.1% in June.

The supply of homes for sale continues to grow well ahead of demand.

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 March and May 2011, it shows house prices bouncing back notably in Basildon, Rochford and Southend. Price variations between different TGSE Local authority areas are summarised in the table below:

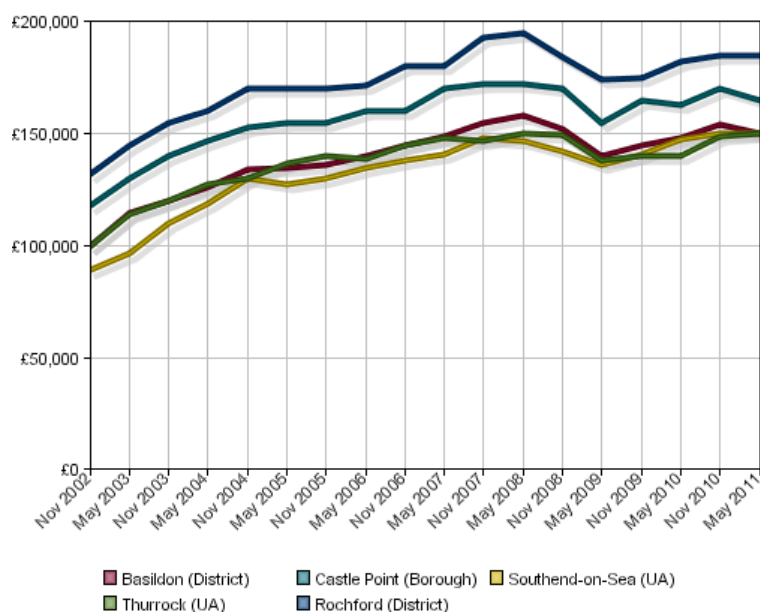
Change in House prices March 2011 – May 2011

Local Authority	90 th percentile	Upper Quartile	Average	Lower Quartile
Basildon	+£76,333 ↑	+£54,667 ↑	+£33,081 ↑	+£7,498 ↑
Castle Point	+£13,334 ↑	-£1,633 ↓	+£5,781 ↑	+£6,000 ↑
Rochford	+£39,667 ↑	+£13,333 ↑	+£15,947 ↑	+£3,667 ↑
Southend	+£28,334 ↑	+£15,333 ↑	+£7,072 ↑	+£4,333 ↑
Thurrock	+£8,333 ↑	+£3,000 ↑	-£597 ↓	+£2,000 ↑

Focusing on Lower Quartile Prices

To gain a truer reflection on the change in house prices, it is best to view these over a longer time period of up to ten years and at six month intervals as the next set of charts depict. The 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



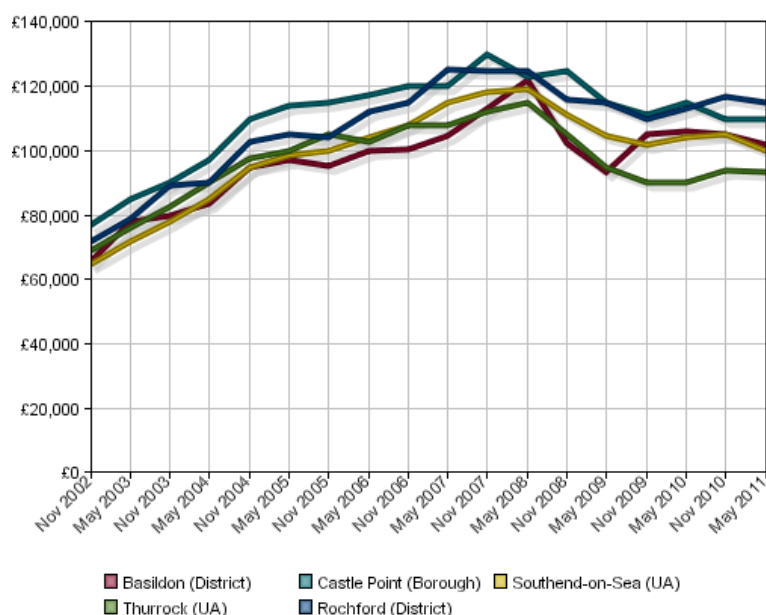
The above chart shows a general upward trend in prices suggesting a partial recovery, despite the noticeable dip in prices in May 2009 and the more recent weakening of house prices in Castle Point and Basildon.

In May 2011, the highest overall lower quartile property price was in Rochford £185k, followed by Castle Point £165k, Basildon, Southend and Thurrock all at £150k.

Between May 2010 and May 2011, lower quartile house prices rose in, Basildon and Castle Point by £2k, Southend by £2.5k, Rochford by £3k and Thurrock by £10k (see Appendix 2).

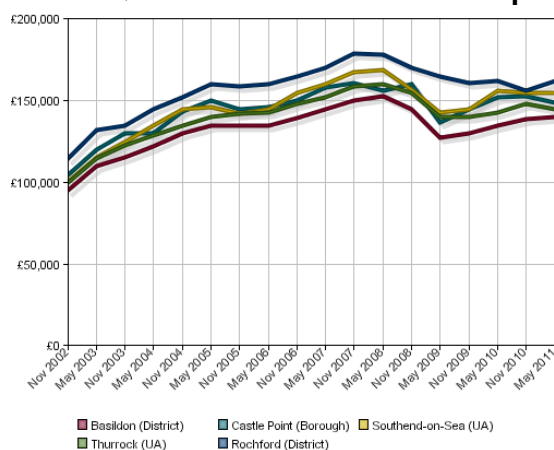
When compared with pre recession prices in May 2008 where they peaked across the sub region, current prices are still down by £-5k in Basildon, £-7k in Castle Point and £-10k in Rochford. However, prices in Southend and Thurrock have regained their pre recession values.

Lower Quartile Price – Flat / Maisonette



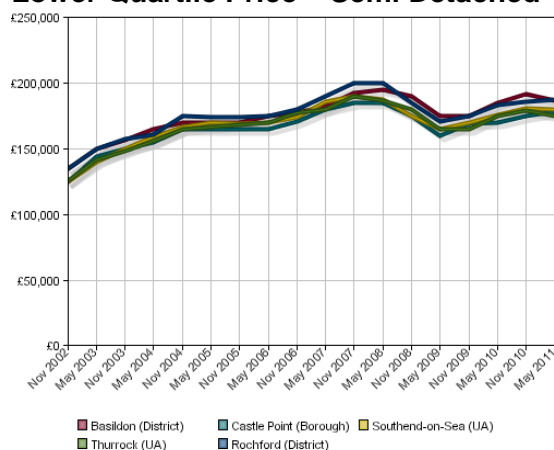
The above chart shows lower quartile prices for flat / maisonette properties. Since November 2010, prices at best remained static in Castle Point but fell in all four other authorities suggesting that the price of smaller properties remain suppressed in the sub region.

Lower Quartile Price – Terraced Properties



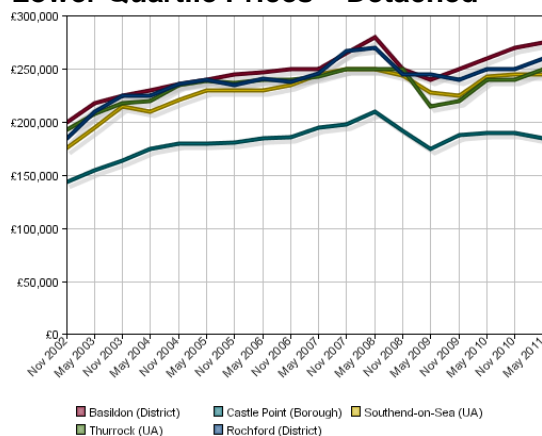
Since May 2010, the prices of lower quartile terraced properties remained static in Thurrock but increased in the remaining local authority areas.

Lower Quartile Price – Semi Detached



Since May 2010, the price of semi-detached properties in all five local areas rose showing a consistent picture across the sub region. But since November 2010, prices in Basildon, Southend and Castle Point fell back.

Lower Quartile Prices – Detached



Since May 2010, the price of detached properties fell marginally in Castle Point but rose in all the remaining local authority areas.

In summary, the changes across different house types by local authority areas show that house prices continue to fluctuate especially when monitored over the three month period. Prices of flatted and terraced properties have seen a more pronounced fall compared to other house types.

Annual Turnover by Broad Type and Age

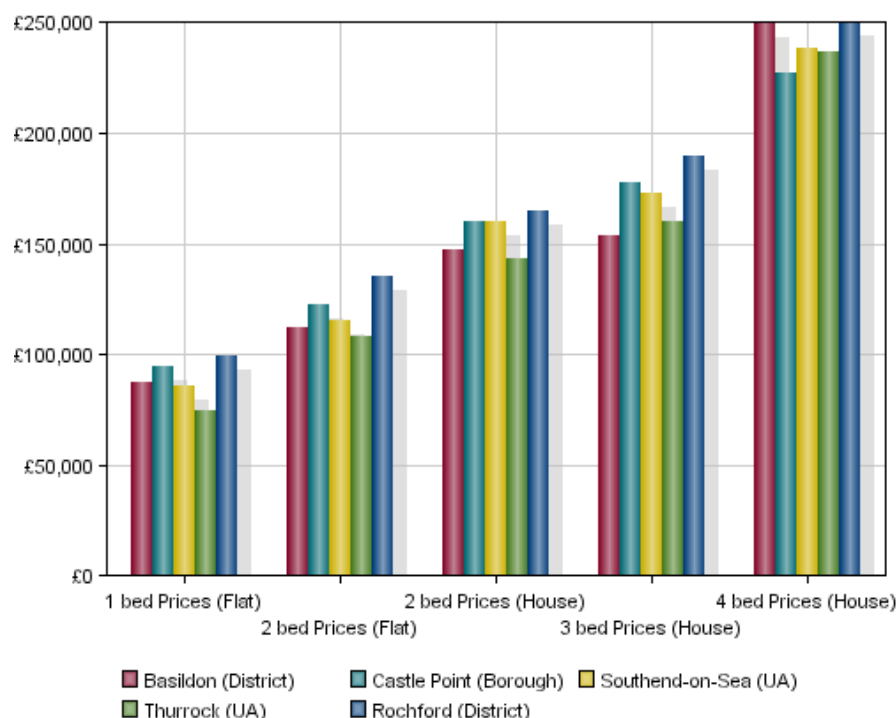
As a Proportion of Overall Property

	Rochford (District)			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2007	1,523	230	56	87
2008	748	97	20	57
2009	872	98	24	21
2010	907	90	18	5
2011	181	17	4	2

	Rochford (District)	
	Overall property price bands	
2007	5.80%	
2008	2.80%	
2009	3.10%	
2010	3.10%	
2011	0.60%	

The above tables show the total volume of housing turnover in Rochford, 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 turn over since 2007 from 5.80% to 3.10% in 2010.

Lower Quartile Price of Property by Bed Count (May 2011)

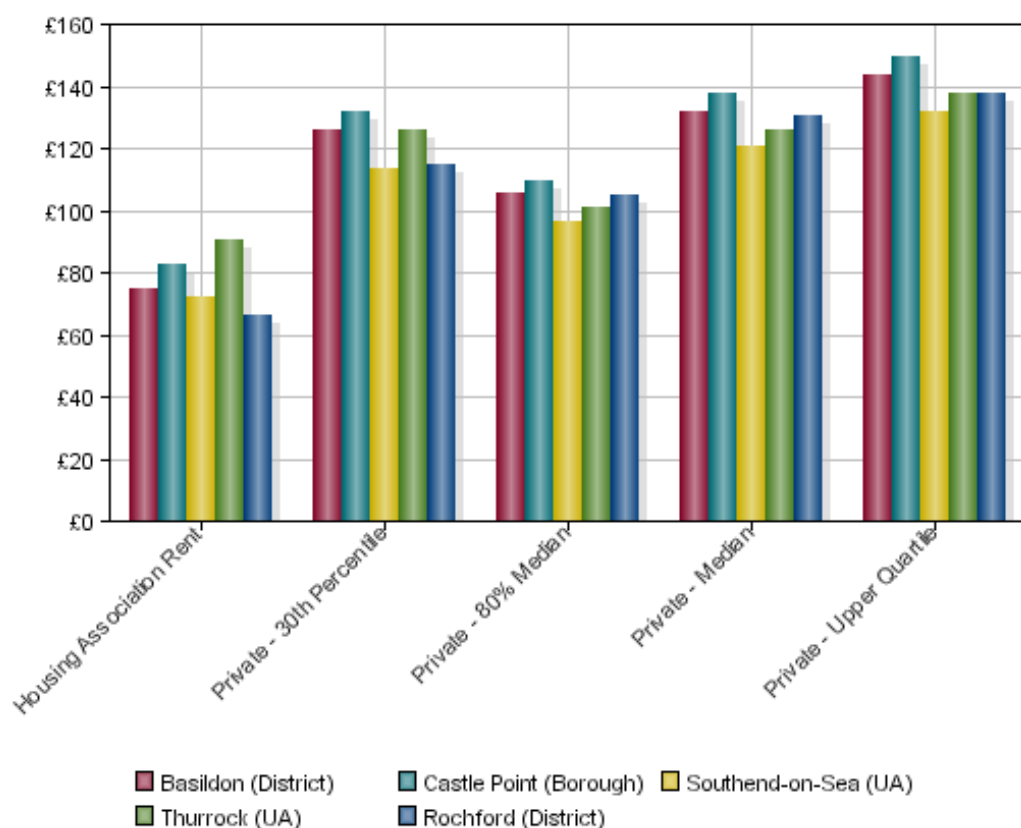


Latest Data Only For Comparison LQ (May 2011)

	Basildon (Borough)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	87,750	94,500	86,250	75,000	99,500
2 bed Prices (Flat)	112,000	122,998	115,500	108,500	135,000
2 bed Prices (House)	147,000	160,000	160,000	143,625	165,000
3 bed Prices (House)	153,625	177,375	173,000	160,000	190,000
4 bed Prices (House)	249,624	227,250	238,750	236,498	250,000

The above graph and table show the lower quartile price of property by bed count in the TGSE sub region based on May 2011 figures. Rochford consistently had the highest prices for all bed sizes.

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

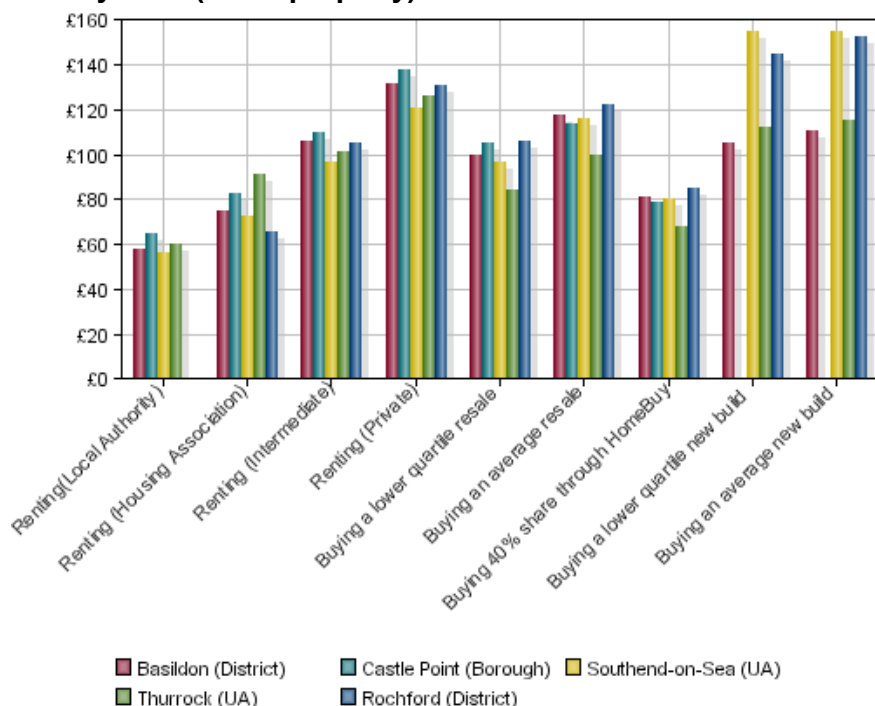


	Basildon (Borough)	Castle Point (Borough)	Southend- on-Sea (UA)	Thurrock (UA)	Rochford (District)
Housing Association Rent	74.8	83.1	72.6	90.9	66.3
Private - 30th Percentile	126	132	114	126	115
Private - 80% Median	106	110	97	101	105
Private - Median	132	138	121	126	131
Private - Upper Quartile	144	150	132	138	138
Difference between HA & 80% Median Rent	31.2	26.9	24.4	10.1	38.7

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

The 30% percentile figures look unusually high being in excess of the 80% Median rent. This is because the individual rents are closely banded and show little variation. Average rental figures at borough level can sometimes mask local variations in rental values. It is often better to look at rents at ward level to show where these variations exist. (Further information can be sought from the Thames Gateway South Essex Strategy Coordinator).

Weekly Cost (1 bed property)

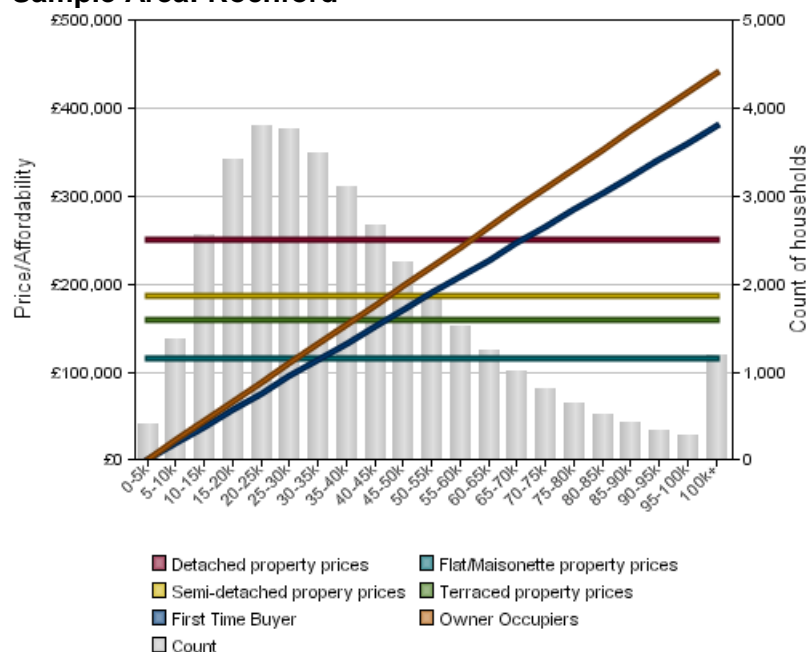


The chart compares the weekly cost of a one bed property across different tenures and has been analysed as follows:

- It is cheaper to buy a 40% share of a property through HomeBuy in Castle Point and Thurrock, than to rent via a housing association.
- It is cheaper to buy a property in Thurrock than to privately rent, while in Basildon, Southend and Rochford the reverse is true.
- Private renting is most expensive in Castle Point at £138, followed by Basildon at £132, Rochford at £131, Thurrock at £126 and Southend at £121.

Affordability: 3.0 times income

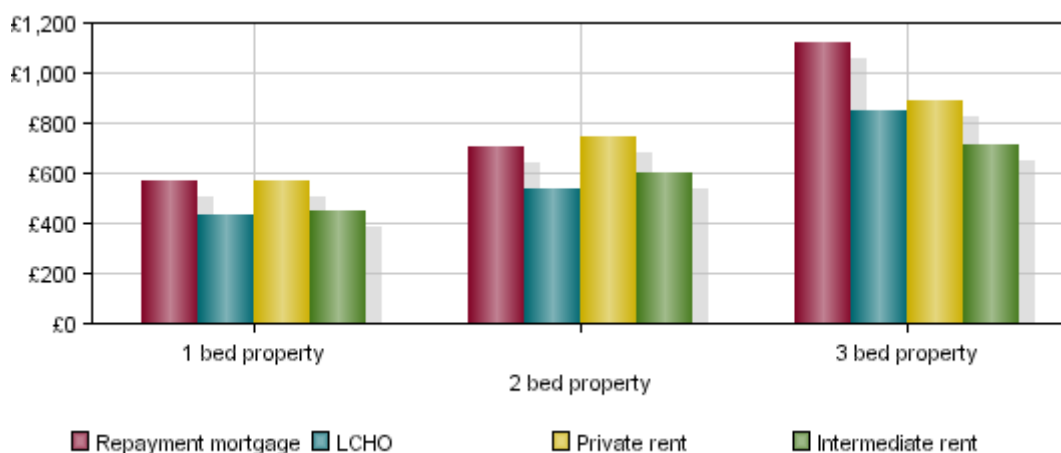
Sample Area: Rochford



This chart shows the number of households in different household income bands in Rochford (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 Rochford are priced out of the property market. For example, 51.31% or approximately 18,872 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 Rochford



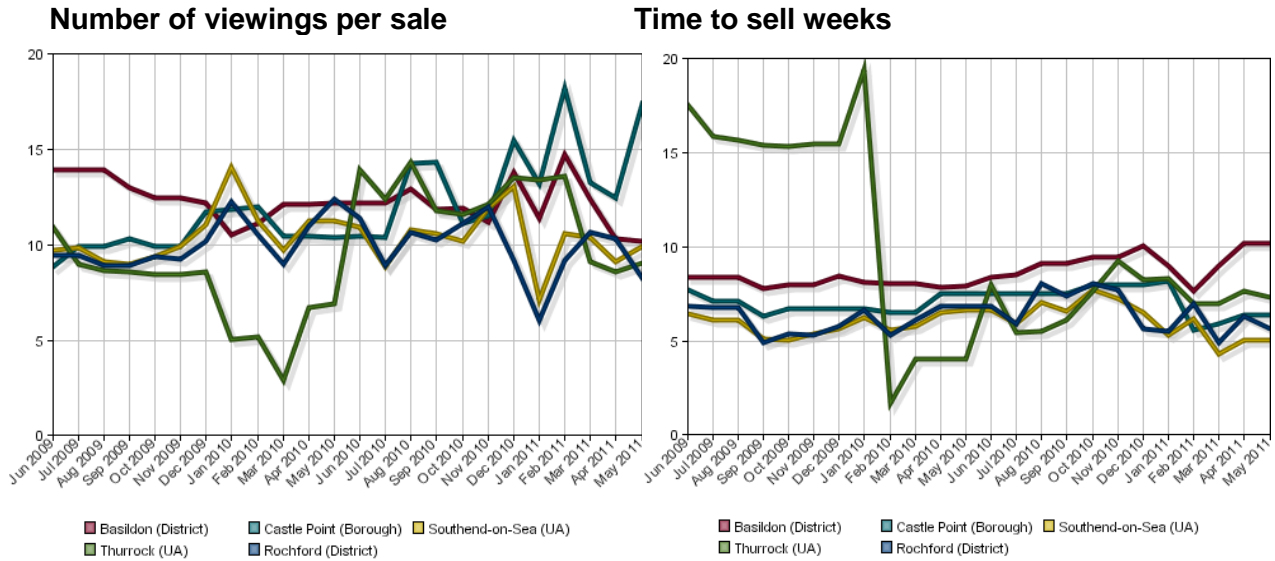
	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£112,000	£573	£434	£568	£454
2 bed property	£139,000	£711	£538	£750	£600
3 bed property	£220,000	£1,126	£852	£893	£714

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 Rochford, 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.

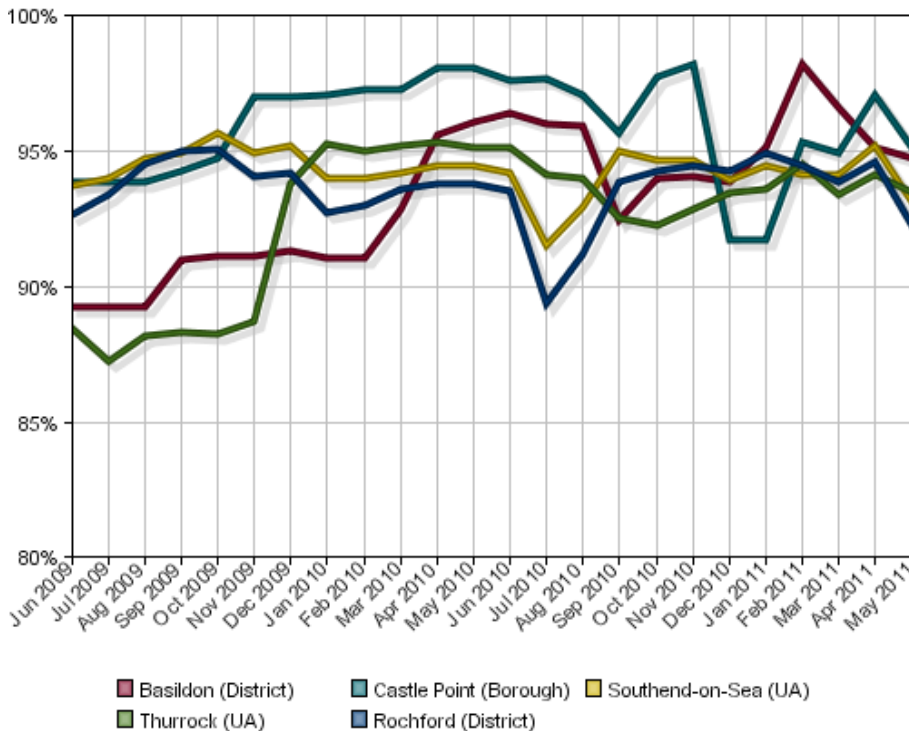
Whilst the sample area for this Quarterly Report is Rochford, information can be readily made available for the other TGSE Local Authorities on request.

Market Indicators



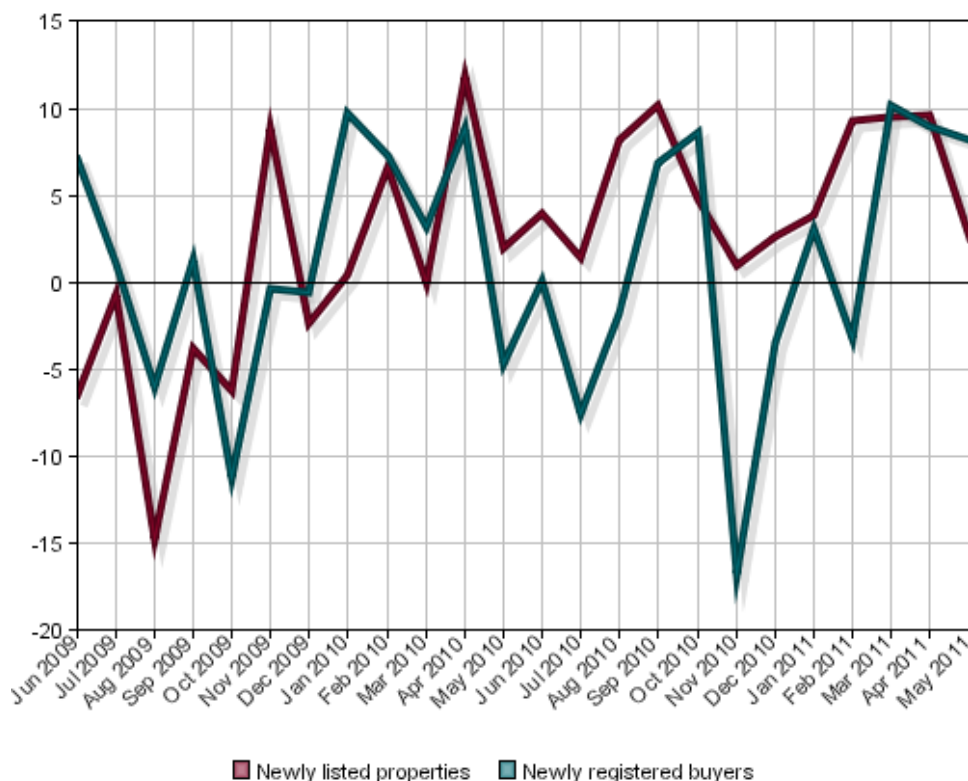
The above graphs suggest that the market position since April 2011 has been improving with viewings per sale in weeks increasing for all Local Authority areas apart from Rochford and Basildon and the time to sell generally improving.

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 June 2009. Since April 2011, the percentage has declined across all five local authority areas suggesting a greater realism by sellers and softening of prices.

Change in Supply and Demand (Rochford)



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 Rochford.

Between November 2010 and March 2011 the number of newly registered buyers rose significantly partly due to a seasonal fluctuation for this period. Newly listed properties also increased but not by the same percentage increase. However, both indicators fell back in May, suggesting a general slowing down in the housing market and lack of activity. If newly registered buyers remain positive and the number of newly listed properties coming onto the market continues to fall away, this could lead to further price rises in Rochford.

Appendix 1 –Snapshot of Housing Market in England & Wales by Richard Donnell, Director of Research, Hometrack, June 2011.

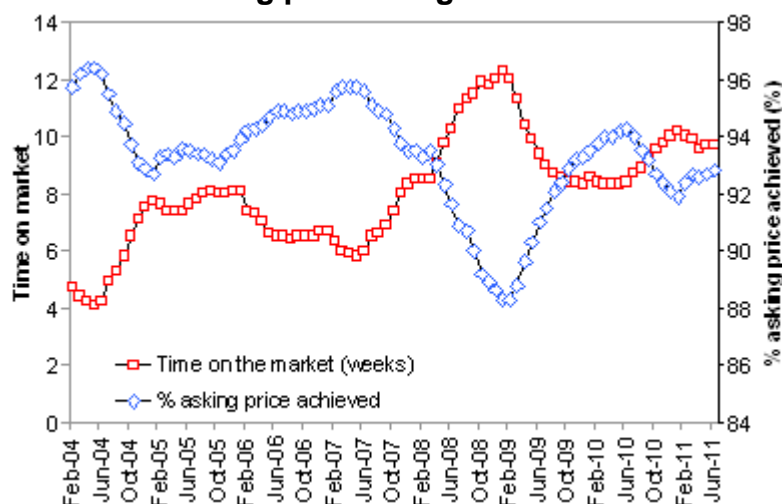
Summary	Apr-11	May-11	June-11
Monthly price change (%)	0.0	-0.1	-0.1
% change in new buyers registering with agents	2.8	-0.5	1.9
% change in volume of property listings	5.5	3.0	3.5
% change in sales agreed	8.0	1.6	10.7
Average time on the market (weeks)	9.6	9.7	9.7
% of the asking price being achieved	92.6	92.7	92.8
% postcode districts with price increase over month	7.7	5.6	8.7
% postcode districts with price decrease over month	24.0	28.0	28.0

Results at a glance

- June has seen a turnaround in the fortunes of the housing market with the volume of sales agreed by agents rising 10.6% - the highest monthly increase since March 2011 (12.6%).
- The number of applicants registering with agents also rose from -0.5% in May to 1.9% in June.
- The improvement in sales volumes is largely the result of a bounce back in activity following a subdued May market. But it also a reflection of lower prices and greater realism by sellers over achievable pricing levels.
- Agents are keen to ensure prices are at a level where transactions can take place to support revenue. Greater realism by sellers is supporting sales but volumes are only half the story and pricing levels remain under downward pressure. Average prices fell by 0.1% in June.
- The supply of homes for sale continues to grow well ahead of demand although at the same time improved sales volumes are eroding the stock of property for sale.
- The number of properties for sale on agents' books grew by 3.5% in June following a 3% increase in May.
- Looking across the first half of 2011, the housing market is holding up better than many had expected albeit at low transaction levels.
- Average prices may have slipped back by 1% over the first half of the year, but sales volumes have increased as demand has improved and sellers become more realistic about the prices they are able to achieve. That said average prices today are 3.9% lower than at the same time last year.
- At a local level the market remains highly polarized with the average time on the market ranging from a low of 6 weeks in London to 14 weeks in Wales.
- It is the demand side of the equation that has the greatest impact on market activity and pricing. Supply has grown by a broadly similar amount across all regions in the first 6 months of the year yet the expansion in demand has been far more varied over this period.

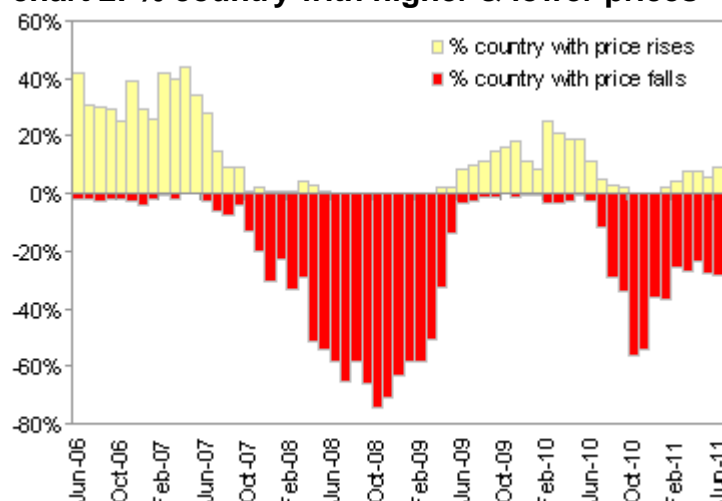
This month's survey was based upon responses from 5,000 agents and surveyors across all 2,300 postcodes in England and Wales.

chart 1: % asking price being achieved



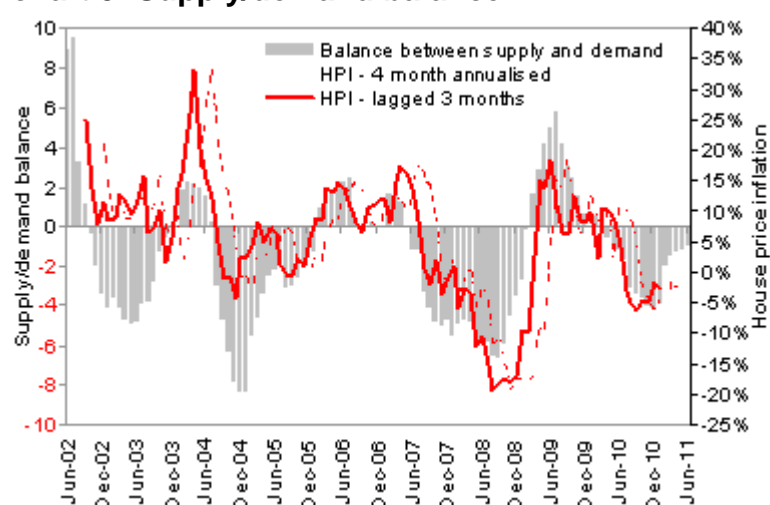
"The proportion of the asking price achieved has improved over recent months and currently stands at to 92.7%. The time on the market has also registered a small fall to 9.7 weeks."

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 swung into negative territory over the autumn of 2010 but the extent of price changes has slowed as supply has tightened. Prices were down across 28% of postcodes in June 2011."

chart 3: Supply/demand balance



"There is a close relationship between the changing balance of supply and demand and price changes which tend to lag by 3 months. Figure 3 plots a rolling 6 month balance between supply and demand against changes in house prices expressed on a rolling 4 month annualised basis."

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

	Basildon (Borough)	Castle Point (Borough)	Southend-on- Sea (UA)	Thurrock (UA)	Rochford (District)
	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile
Nov-02	100,000	118,000	89,000	100,000	132,000
May-03	115,000	130,000	96,500	114,075	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	129,995	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	170,000
May-06	140,000	160,000	135,000	139,000	171,500
Nov-06	145,000	160,000	138,000	144,660	179,995
May-07	149,000	170,000	140,500	148,000	180,000
Nov-07	155,000	172,000	148,000	147,000	193,000
May-08	158,000	172,000	147,000	150,000	195,000
Nov-08	152,000	170,000	142,000	149,809	184,000
May-09	140,000	155,000	136,000	138,000	174,000
Nov-09	145,000	165,000	141,000	140,000	175,000
May-10	148,000	163,000	147,500	140,000	182,000
Nov-10	154,000	170,000	149,995	149,000	185,000
May-11	150,000	165,000	150,000	150,000	185,000
Change May 2010- May 2011	2,000	2,000	2,500	10,000	3,000
Change Peak – May 2011	-£5,000	-£7,000	+£2,000	£0	-£10,000

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



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