

Thames Gateway South Essex

Housing Market Trends

Quarterly Report

July 2013

House Prices, Affordability & Market Indicators

www.tgessex.co.uk

Basildon Council
BASILDON - BILLERICAY - WICKFORD

castlepoint
Suffolk - Essex - Hertfordshire - London

Rochford
District Council

**southend
onseal**
SOUTHEND DISTRICT COUNCIL

THURROCK COUNCIL
www.thurrock.gov.uk

& partner RPs

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 (currently under review) 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 were up 0.4% in June – the highest increase in a single month since June 2007.
- This momentum over the first half of the year has been driven by a widening imbalance between supply and demand.
- A seasonal slowdown in demand is expected over the summer months.

Local House Prices

- Between May 2012 - 2013, Lower Quartile (LQ) house prices were up in Rochford £10k, Southend £7.5k, Thurrock £5k, Castle Point £3k but down £3.5k in Basildon.
- In May 2013, the highest overall LQ property price was in Rochford £190k, followed by Castle Point £170k, Southend £150k Basildon and Thurrock £145k.
- Prices were still down when measured against the pre recession peak in 2007/08 in Basildon £13.5, Rochford £10k, Thurrock £5k, Castle Point £2.5k but up in Southend £2.5k.
- Castle Point had the highest priced LQ 1 bed flatted properties, whilst for 2, 3 & 4 bed properties it was Rochford.

Cross Tenure (for a one bed property)

- The highest weekly cost of renting a one bed property through a Registered Provider is in Thurrock at £74 and the lowest in Rochford at £68.
- Private renting was most expensive in Castle Point and Thurrock at £138, followed by Basildon £132, Rochford £129 and Southend £121 per week.
- Weekly rents have increased between May 2012-13 by £6 in Thurrock, £3 in Rochford, £1 in Castle Point and remained static in Basildon and Southend.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Basildon 48% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 62% for those wishing to purchase a terraced property and 77% for a semi detached property.

Market Indicators

- Apart from Basildon, properties are selling quicker in TGSE than the average for England at 8.8%.
- Viewings per sale fell in Basildon but rose in the remaining 4 local authority areas.
- The proportion of sales to asking price rose in Thurrock but decreased otherwise.
- The number of newly registered buyers / newly listed properties has fallen since April 2013 following a seasonal increase in all TGSE local authorities apart from Thurrock.

National Trends

House prices increased by 0.4% in June, matching the growth in May which was the highest increase in a single month since June 2007. The Director of Research at Hometrack, Richard Donnell commented:

“The momentum in house price growth over the first half of the year has been driven by a widening imbalance between supply and demand. The gap stabilised in June with slower growth in demand (up 1.6%). A seasonal slowdown in demand is to be expected as we approach the summer.

Two factors are adding to the pressure on supply – first is an increase in numbers of first time buyers who add to demand but have no property to sell. Secondly, existing owners are looking to secure a property to buy before putting their homes on the market.











Looking ahead we expect prices to increase, though at a slower rate, as we move into the summer months. While demand is improving buyers remain price sensitive and aggressive pricing of stock is the most likely factor to curtail house price growth in the coming months”.

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 one year period between May 2012 and May 2013, average house prices rose in all five TGSE local authority areas by as much as £17,093. Likewise, Lower Quartile percentile house prices also rose across the sub region notably in Rochford and Southend by as much as £14,833. This has implications for affordability where properties had become less affordable over the twelve month period.

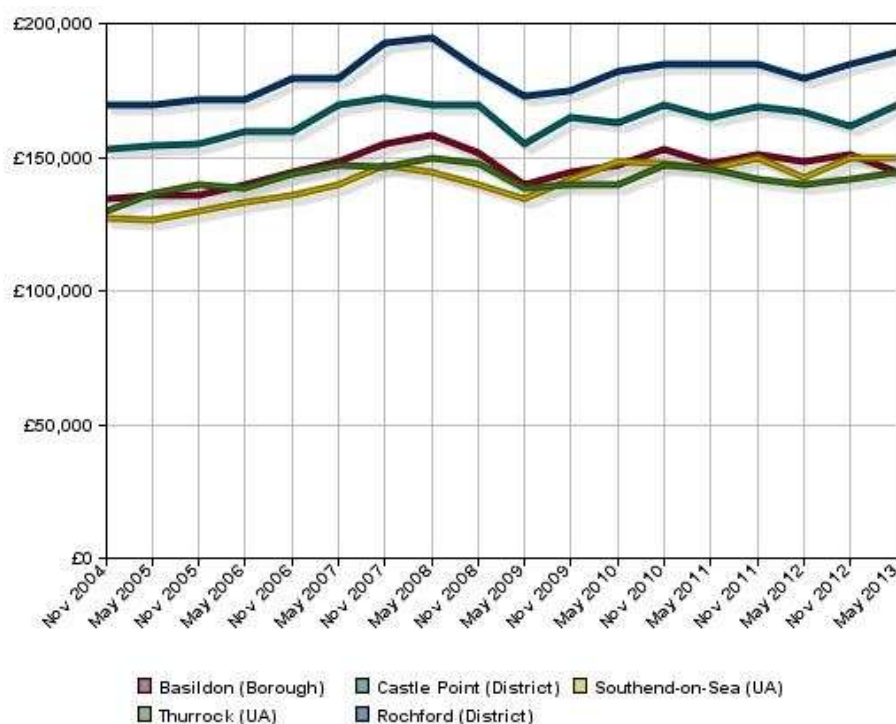
Change in House prices May 2012 – May 2013

Local Authority	Average	Lower Quartile
Basildon	+£13,192 	+£4,332 
Castle Point	+£3,456 	+£7,334 
Rochford	+£5,827 	+£14,333 
Southend	+£17,093 	+£14,833 
Thurrock	+£11,338 	+£9,667 

Focusing on Lower Quartile Prices

The charts (over page) 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.

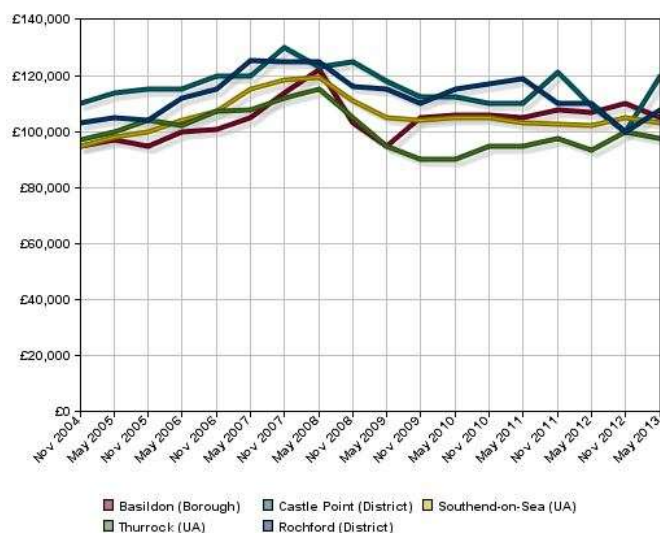
Lower Quartile Price – Overall



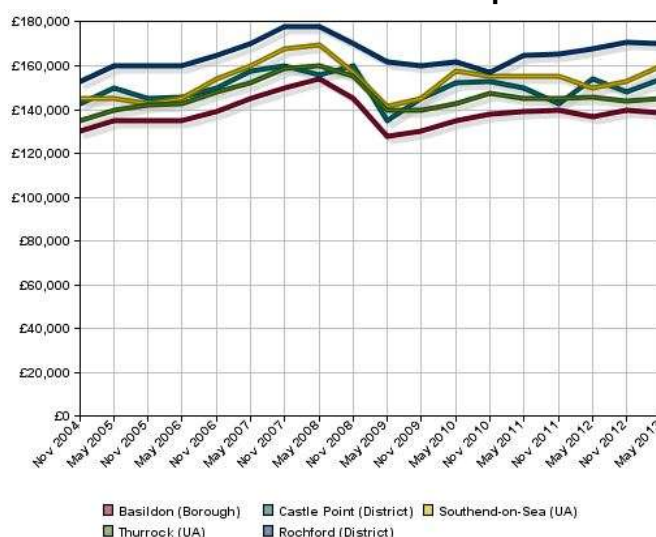
The above chart shows the partial recovery in house prices since the noticeable dip in 2008/9. However, prices stalled again in November 2011, before recovering in May 2012. In May 2013, the highest overall lower quartile property price was in Rochford £190k, followed by Castle Point £170k, Southend £150k, Basildon and Thurrock £145k.

When compared with pre recession prices in 2007/08 where they peaked across the sub region, current prices are still down in Basildon by £13.5k, Rochford £5k, Thurrock £5k, Castle Point £2.5k, but up in Southend £2.5k (see Appendix 2).

Lower Quartile Price – Flat / Maisonette



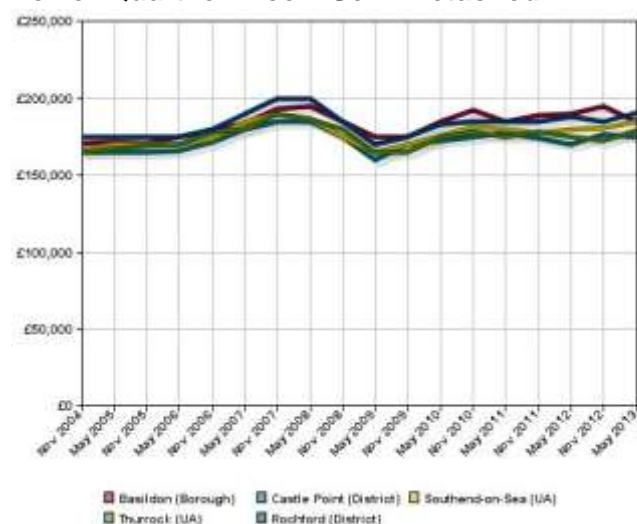
Lower Quartile Price – Terraced Properties



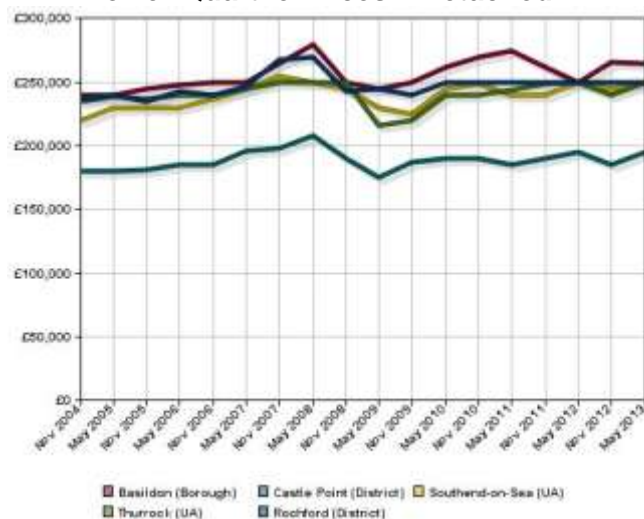
The above charts show a mixed picture. Prices of flat / maisonette property have been more volatile in past years. Since May 2012 prices have risen significantly in Castle Point (£20k) in part due to a shortage of supply, but remained relatively static in the remaining three local authority areas.

For terraced properties, since May 2012 prices have risen less dramatically in Southend (£10k) but remained relatively static in the other three local authority areas.

Lower Quartile Price – Semi Detached



Lower Quartile Prices – Detached



Since May 2012, prices of semi-detached properties had declined in Basildon but risen in the remaining TGSE local authority areas.

For detached properties, since May 2012 prices had risen in Basildon, but remained stable in the other TGSE local authority areas. Prices have remained lower in Castle Point by on average £65k.

In summary, the prices for flatted properties have fluctuated more so across the sub region especially when monitored over the six to twelve month period. Prices of semi detached and detached properties have generally been more stable. Prices have been stronger in the eastern compared to the western half of the sub region.

Annual Turnover by Broad Type and Age

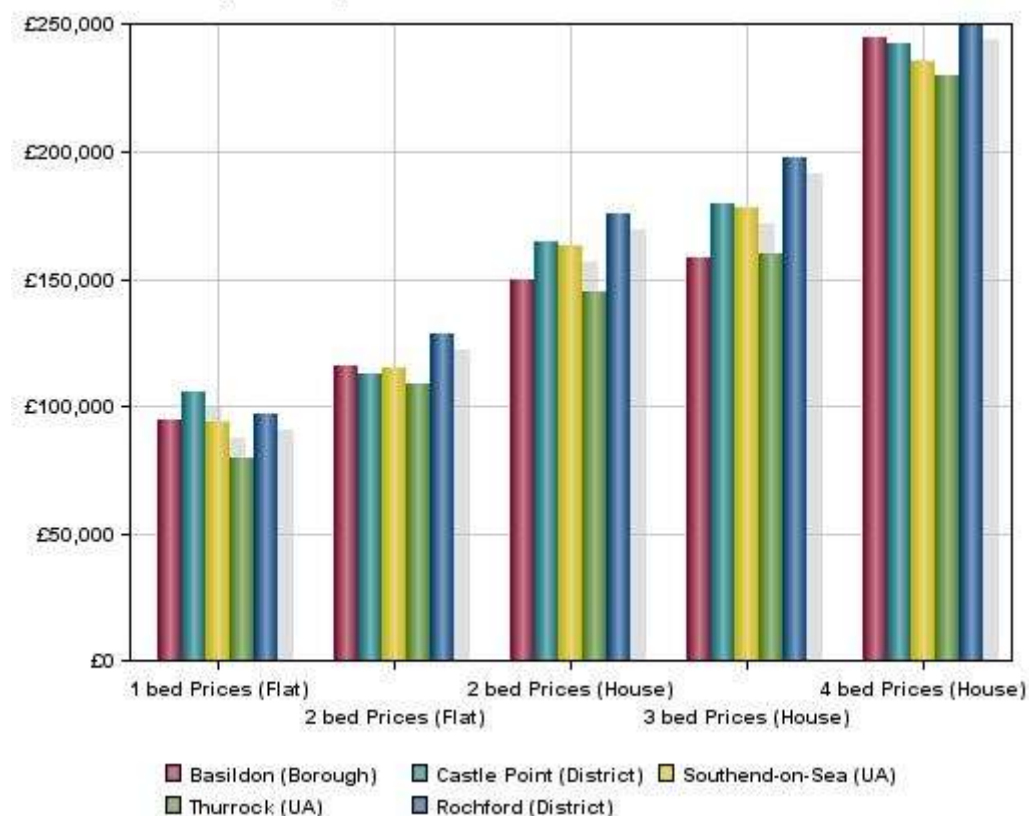
	Basildon			
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales
2009	1367	200	78	96
2010	1569	242	61	110
2011	1518	247	141	80
2012	1569	230	240	140
2013	369	50	29	26

As a Proportion of Overall Property

	Basildon
	Overall property price bands
2009	2.4%
2010	2.7%
2011	2.7%
2012	2.9%
2013	0.6%

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. The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover increased marginally and was 2.9% in 2012. 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 (May 2013)

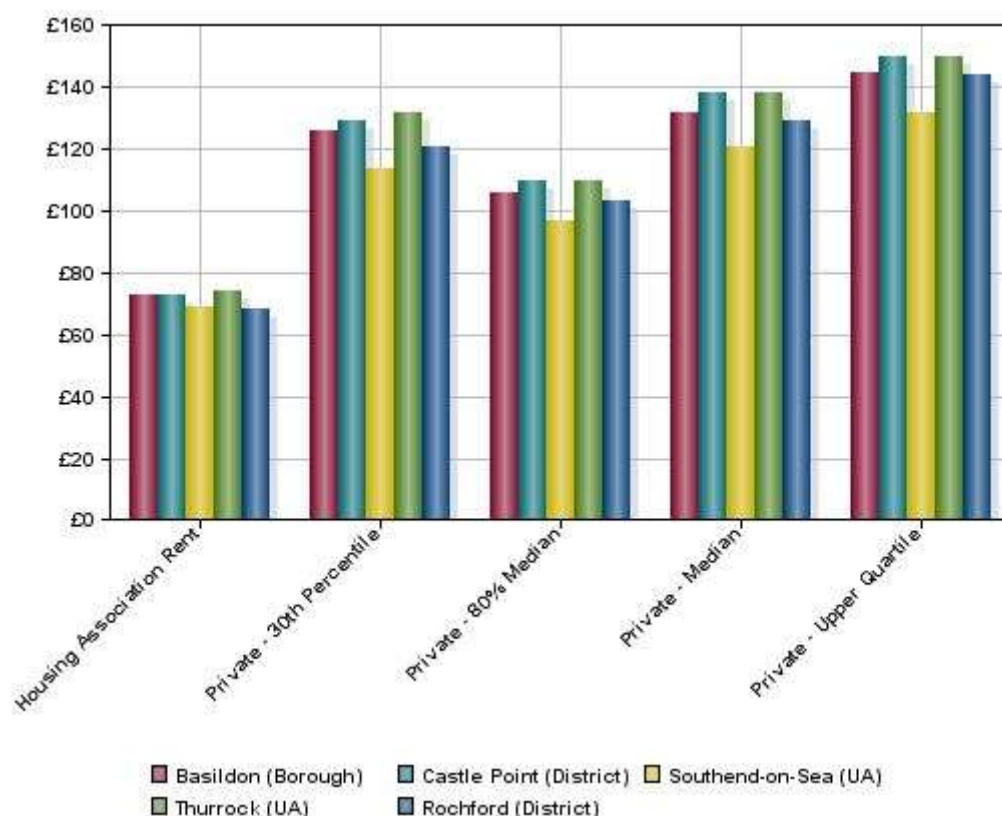


Latest Data Only For Comparison LQ (May 2013)

	Basildon (Borough)	Castle Point (Borough)	Southend- on-Sea (UA)	Thurrock (UA)	Rochford (District)
1 bed Prices (Flat)	94,875	106,000	93,750	80,000	97,000
2 bed Prices (Flat)	115,875	112,499	115,000	108,750	128,625
2 bed Prices (House)	149,713	165,000	163,374	145,000	176,000
3 bed Prices (House)	158,500	180,000	178,000	160,000	197,500
4 bed Prices (House)	245,000	242,500	235,750	230,000	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 2013 figures. For a 1 bed flatted property the highest price was in Castle Point (previously Rochford), for a 2 bed flatted property it was in Rochford (previously Castle Point), for 2, 3 and 4 bed properties it was in Rochford. Thurrock generally has the lowest priced property in the sub region.

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



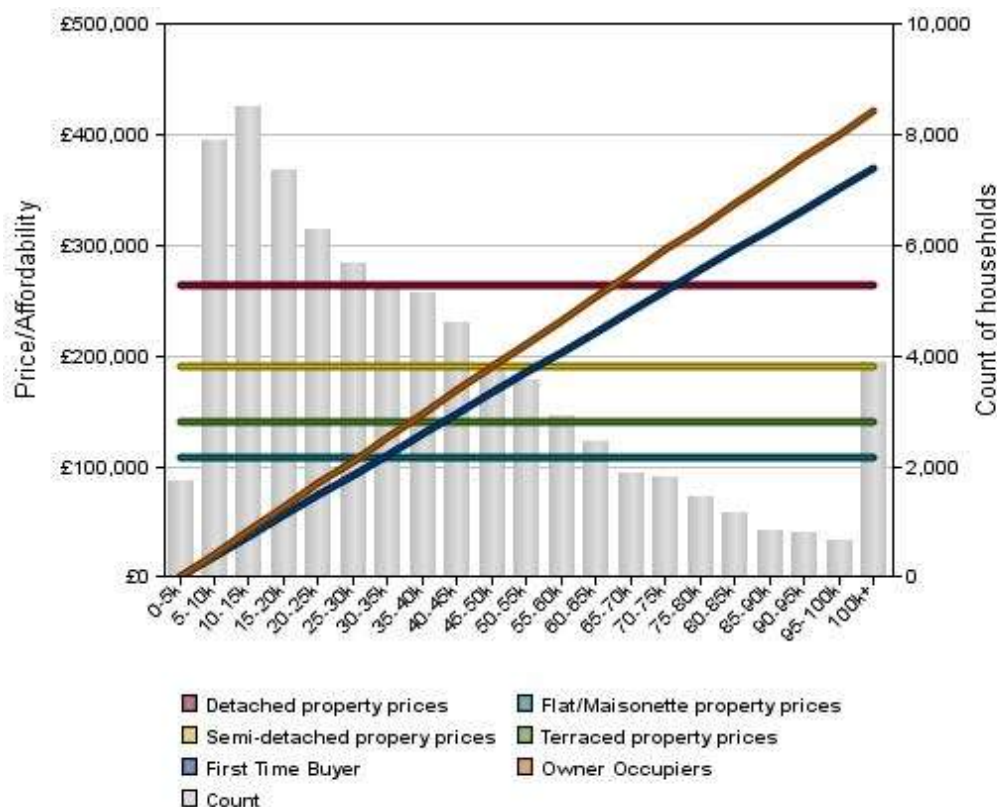
	Basildon (Borough)	Castle Point (Borough)	Southend-on-Sea (UA)	Thurrock (UA)	Rochford (District)
Housing Association Rent	72.9	73.1	68.8	74	68.2
Private - 30th Percentile	126	129	114	132	121
Private - 80% Median	106	110	97	110	103
Private – Median May 2012/13	132/132	137/138	121/121	132/138	126/129
Private - Upper Quartile	145	150	132	150	144
Difference between 80% Median and HA rent	33.1	36.9	28.2	36	34.8

The above table and graph show the weekly cost of renting a one bed room property across a range of quartiles based on May 2013 prices. Importantly, it allows a comparison to be made between Housing Association Rent and the New Affordable Rent at 80% of market rent.

Private renting (median) is most expensive in Castle Point and Thurrock at £138, followed by Basildon at £132, Rochford £129 and Southend at £121 per week.

Rents have increased from May 2012 per week by £6 in Thurrock, £3 in Rochford, £1 in Castle Point and remained static in Basildon and Southend.

Affordability: 3.0 times income
Sample Area: Basildon

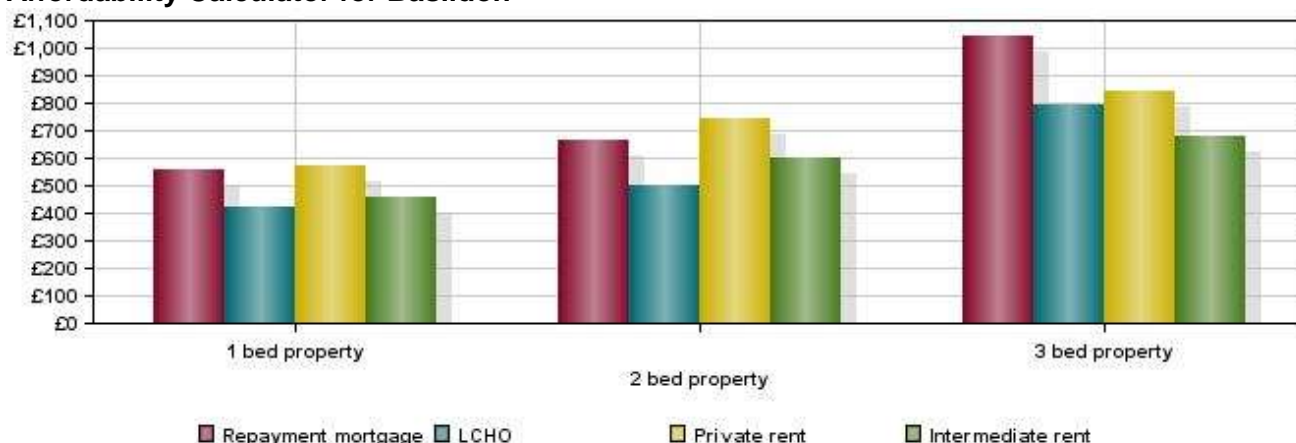


This above chart shows the number of households in different household income bands in Basildon (bars) compared to the minimum price for different property types in the same area (horizontal lines). The diagonal lines rising from left to right show the value of property that can be afforded at different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

The chart demonstrates that a significant proportion of residents in Basildon are priced out of the property market. For example, 48% of households cannot afford to purchase a flat as a first time buyer on a mortgage at 3.0 times their income. This rises to 62% for those wishing to purchase a terraced property and 77% for a semi detached property.

In comparison with Castle Point (see TGSE Housing Market Trends report April 2013), smaller properties were less affordable with 57% of households not being able to afford a flat, whilst for terraced and semi detached properties the figure was closer to Basildon.

Affordability Calculator for Basildon



	Average price	Repayment mortgage	LCHO	Private rent	Intermediate rent
1 bed property	£110,000	£563	£426	£572	£458
2 bed property	£130,000	£665	£503	£750	£600
3 bed property	£205,000	£1,049	£794	£849	£680

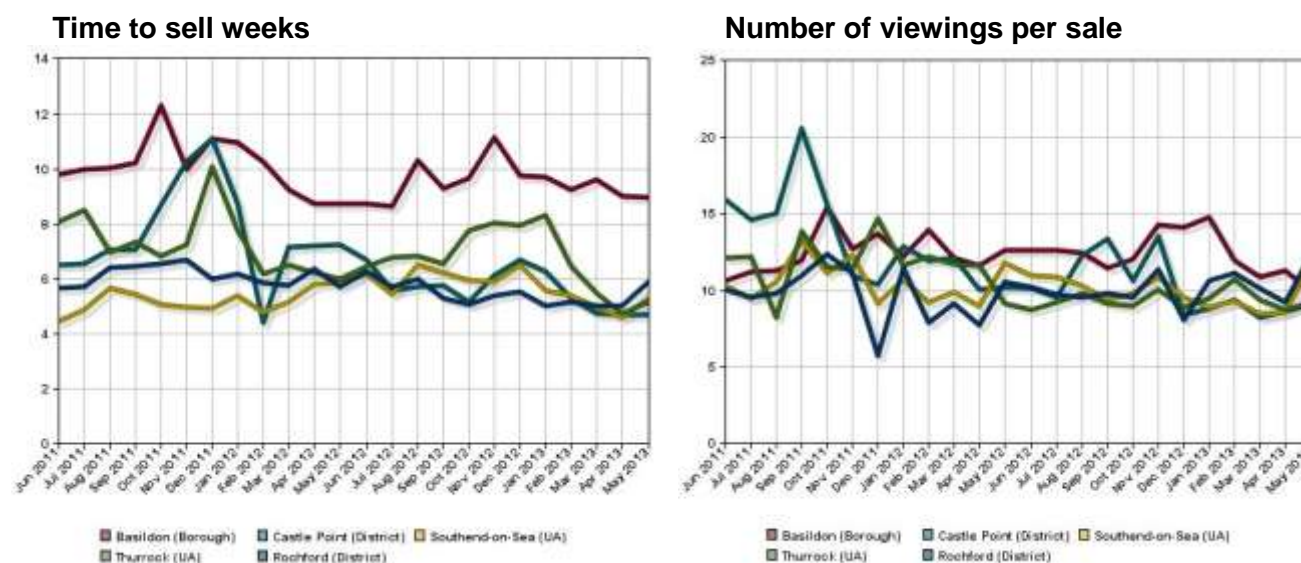
Affordability calculator for Basildon

The information above and on the previous page 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 Basildon, private rent is the most expensive form of tenure for 1 and 2 bed properties whilst for 3 bed properties it is a repayment mortgage. Whilst Low Cost Home Ownership remained the least expensive tenure for 2 bed properties; for 3 bed properties it was Intermediate rent.

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.

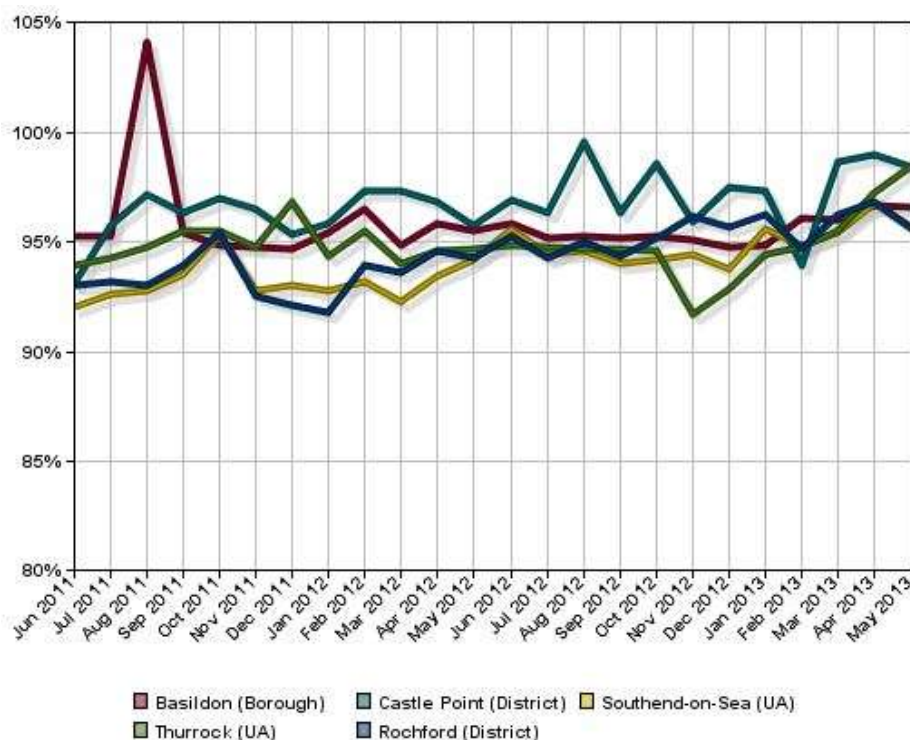
Market Indicators



The above graphs show that since January 2013 the time to sell had increased in Rochford but fallen in the remaining TGSE local authority areas. Further, apart from Basildon, properties are selling quicker than the average for England at 8.8%.

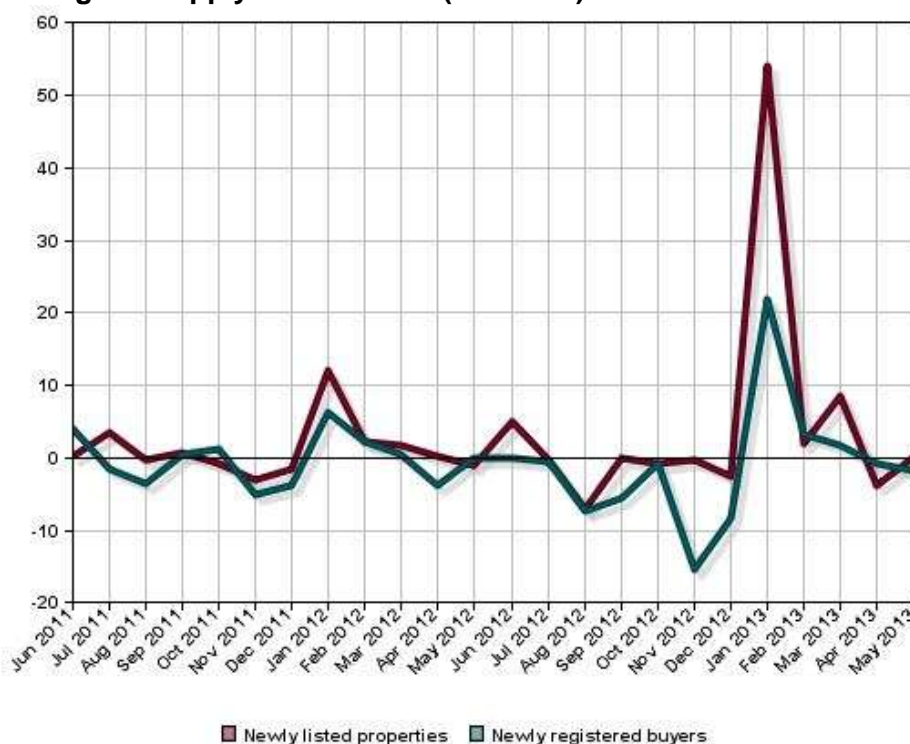
In terms of viewings per sale, they fell in Basildon but rose in the remaining 4 local authority areas.

Sales to Asking Price



This graph shows the typical proportion of the asking price that has been achieved for all sales agreed over the month since June 2011. Since April 2013, the percentage change has increased in Thurrock but decreased in the other remaining TGSE local authority areas. Indicating a slowing down in the housing market as the summer approached.

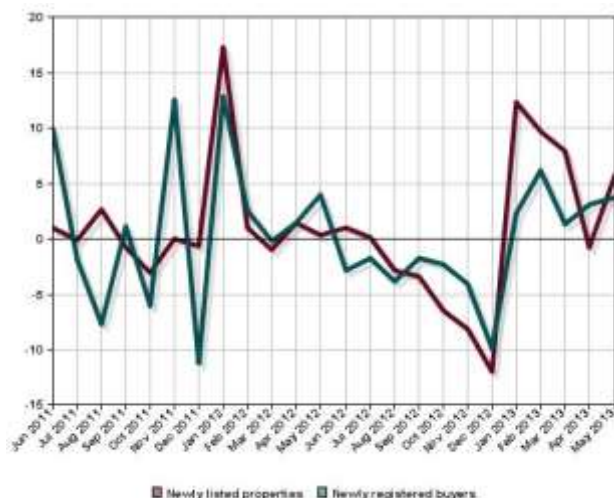
Change in Supply and Demand (Basildon)



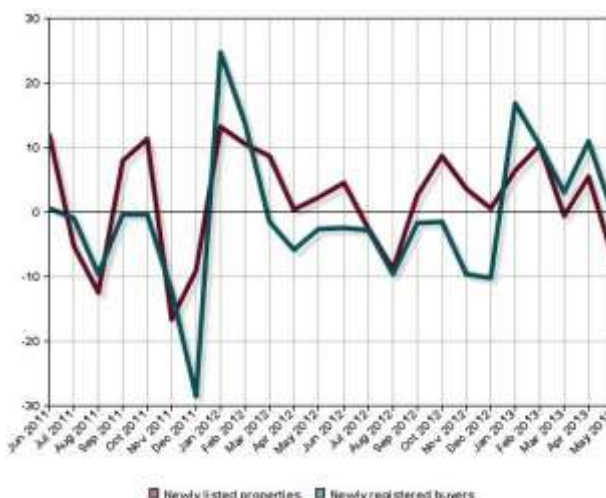
This graph compares the percentage change in the number of new properties being registered for sale each month against the percentage change in the number of new buyers registering in Basildon. Between December 2012 – January 2013 there was a seasonal increase in both new buyers and sellers,

however since February the buyers declined along with the sellers but to a lesser extent. The number of newly registered properties has remained low, suggesting a relatively inactive housing market.

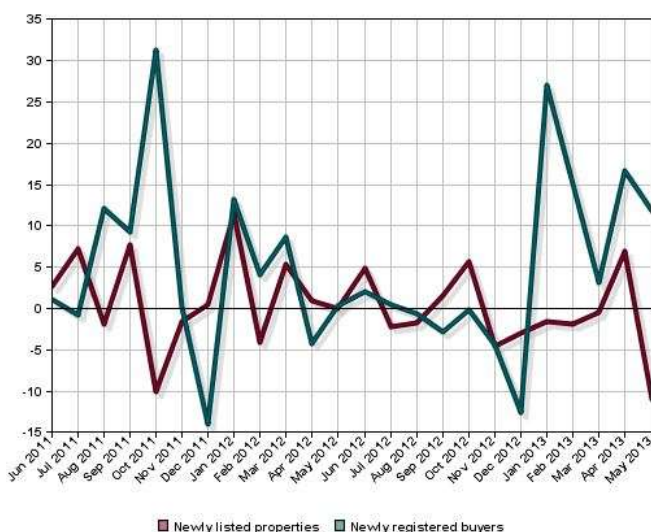
Thurrock



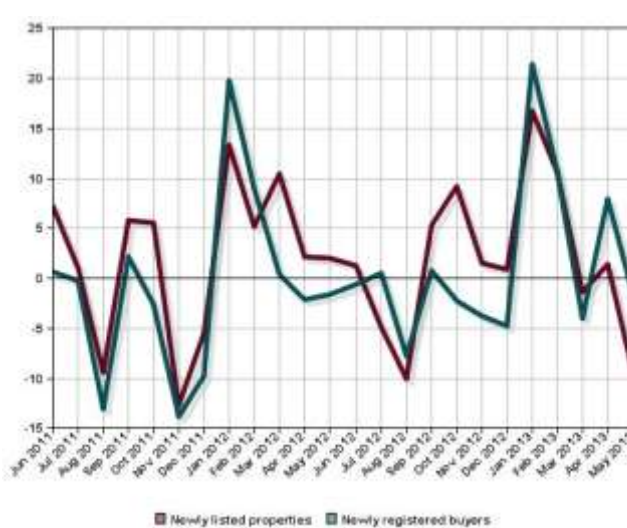
Southend



Castle Point



Rochford



The picture for the rest of the sub region shows both similarities and differences; since April 2013 following the Christmas seasonal increase both the percentage change in newly registered properties and registered buyers fell in Southend, Castle Point and Rochford. Contrastingly, in Thurrock both sellers and to a lesser extent buyers rose.

Scarcity of supply and rising demand boost prices

Summary	Apr-13	May-13	Jun-13	Change
Monthly price change (%)	0.3	0.4	0.4	►
% change in new buyers registering with agents	3.1	2.5	1.6	▼
% change in volume of property listing	2.8	2.8	1.6	▼
% change in sales agreed	7.1	8.2	6.0	▼
Average time on the market (weeks)	9.1	8.8	8.4	▼
% of the asking price being achieved	93.7	93.9	94.2	▲
% postcode districts with price increase over month	21.6	28.5	31.4	▲
% postcode districts with price decrease over month	4.6	4.4	3.1	▼

Results at a glance

- A lack of housing for sale remains an important feature of the market and key driver of price increases.
- House prices increased by 0.4% in June, matching the growth in May which was the highest increase in a single month since June 2007.
- The momentum in house price growth over the first half of the year has been driven by a widening imbalance between supply and demand. The gap stabilised in June with slower growth in demand (up 1.6%). A seasonal slowdown in demand is to be expected as we approach the summer.
- Two factors are adding to the pressure on supply – first is an increase in numbers of first time buyers who add to demand but have no property to sell. Secondly, existing owners are looking to secure a property to buy before putting their homes on the market.
- Prices grew across 31% of postcodes in June – this is the highest level since September 2007. Prices fell in just 3.1% of postcodes, the lowest level for 3 years (June 2010).
- London registered the strongest growth in June with prices rising by 0.9% for the second month in a row.
- While market conditions have improved house prices remained unchanged in four out of ten regions.
- The time on market has fallen to 8.4 weeks on a national basis. In London it is half the national rate at 4.1 weeks - the lowest since September 2007. In the midlands and northern regions the time on market is improving slowly but still stands at over 10 weeks on average.
- The proportion of the asking price achieved is an important lead indicator for house prices. In recent months it has been rising across all regions as market conditions improve. In London the percentage is over 96%, the highest for six years (June 2007).
- Looking ahead we expect prices to increase, though at a slower rate, as we move into the summer months. While demand is improving buyers remain price sensitive and aggressive pricing of stock is the most likely factor to curtail house price growth in the coming months.

Figure 1

The time on the market has declined steadily in the last few months and averages 8.6 weeks.

There is a wide regional variation with an average of just over one month in London (4.1 weeks) and 6.5 weeks in the South East.

In the north and midlands the time on the market has improved but still averages over 10 weeks.

Time on market – aggregated regions

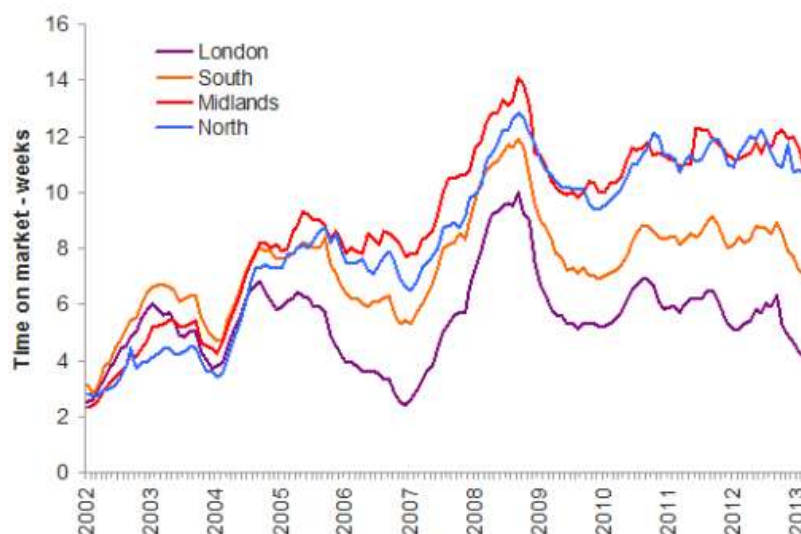


Figure 2

The balance between supply and demand leads underlying house price changes by 3 months.

The supply/demand balance has opened up in the last 4 months pointing to price appreciation.

Supply/demand balance and HPI (3 month annualised)

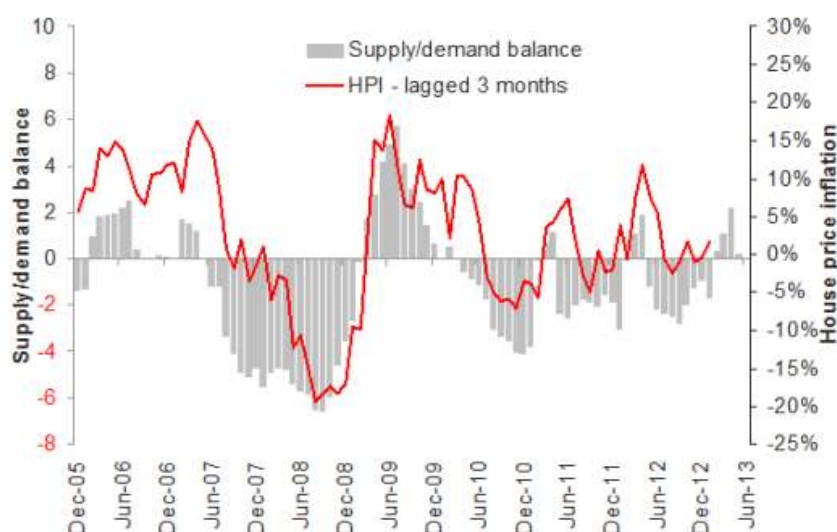
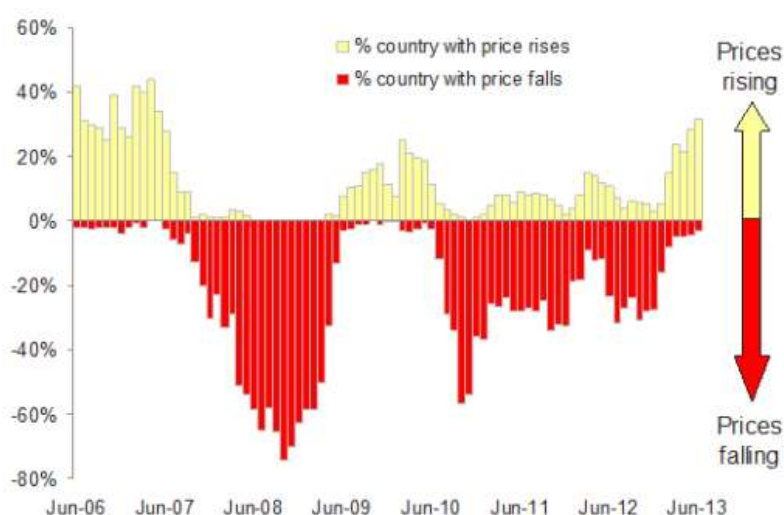


Figure 3

Shows the proportion of postcodes registering higher and lower prices over time.

The balance between markets posting price rises and price falls shows a clear positive trend.

% country registering price rises and price falls (m/m)



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-04	135,000	153,000	127,500	130,000	170,000
May-05	135,995	154,500	127,000	136,500	170,000
Nov-05	136,000	155,000	129,995	140,000	172,000
May-06	140,000	160,000	133,500	139,000	172,000
Nov-06	145,000	160,000	136,000	144,000	179,995
May-07	149,000	170,000	140,000	147,500	180,000
Nov-07	155,000	172,500	147,500	147,000	193,000
May-08	158,500	170,000	145,000	149,995	195,000
Nov-08	152,000	170,000	140,000	148,000	183,000
May-09	140,000	155,000	135,000	139,000	173,000
Nov-09	145,000	165,000	142,000	140,000	175,000
May-10	147,500	163,000	148,500	140,000	182,500
Nov-10	153,000	170,000	148,000	147,500	185,000
May-11	148,000	164,995	146,000	146,000	185,000
Nov-11	151,000	169,000	150,000	142,000	185,000
May-12	148,500	167,000	142,500	140,000	180,000
Nov-12	151,500	162,000	150,000	142,000	185,000
May-13	145,000	170,000	150,000	145,000	190,000
Change May 12 May 13	-3,500	3,000	7,500	5,000	10,000
Change Peak – May 2013	-13,500	-2,500	2,500	-4,995	-5,000

Red – Denotes peak prices before recession

Source: Hometrack Housing Intelligence System



For further information, please contact:

Alastair Pollock - TGSE Strategy Coordinator
 C/o Castle Point Borough Council
 Kiln Road, Thundersley
 Benfleet, Essex, SS7 1TF
 Tel: 01268 882270
apollock@castlepoint.gov.uk