

South Essex Housing Market Trends

Quarterly Report

January 2017

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 South Essex (SE) 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 SE Strategic Housing Market Assessment (SHMA) published May 2016. Changes in Lower Quartile house prices for SE local authority areas are tabled in Appendix 1.

Key trends**National Trends**

- Annual house price growth in December was up 6.5%.
- The quarter change was +2.5% and the average price was £222,484.
- House prices finished the year strongly in 2016.
- The Halifax forecast annual house price growth nationally to slow to 1-4% by the end of 2017.
- Hometrack's UK Cities House Price Index covering twenty cities suggests that house price growth will run at 4% in 2017.

Local House Prices

- The annual house price growth in November for SE was 10.30%. The rate of annual house price growth rose in Basildon and Thurrock but fell in the remaining three SE Local Authority areas.
- The highest overall Lower Quartile (LQ) house price was in Rochford at £260k, followed by Castle Point £225k, Basildon at £220k, Thurrock at £216k and Southend £180k.
- When compared with prices in November 2008, current prices are higher across all five SE Local Authority areas in Rochford by £76k, Thurrock £68k, Basildon £65k, Castle Point £55k, and Southend £40k.

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 Southend at £65.
- Private renting (median) is now most expensive in Rochford at £233, followed by Thurrock at £219, Southend at £196 and Basildon / Castle Point at £184.
- Rents have increased across South Essex, notably in Rochford, Southend and Thurrock.
- The gap between private rent and the Local Housing Allowance has widened by as much as £116 per week in Rochford.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Thurrock 69% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 85% for those wishing to purchase a terraced property and 96% for a detached property.
- Four wards in Thurrock have a ratio between LQ house prices and LQ household disposable income in excess of 15:1, compared to 17.48:1 being the average for the London region and 11.15:1 for the East of England.

National Trends

According to the Halifax House Price Index; **the annual house price growth in December was up 6.5%**, with the **quarterly change +2.5%** and the average price was up £222,484. House prices rose by 1.7% between November and December. **Mortgage approvals** increased by 6% whilst **Home sales have broadly stabilized** compared to previous years.

*“House prices have finished strongly at the end of the year, however, slower economic growth, pressure on employment and a squeeze on spending power, together with affordability constraints, are expected to reduce housing demand during 2017. UK house prices should, however, continue to be supported by an ongoing shortage of property for sale, low levels of housebuilding, and exceptionally low interest rates. Overall, annual house price growth nationally is most likely expected to **slow to 1-4% by the end of 2017.**”*






Hometrack's UK Cities House Price Index covering twenty cities suggests that overall house price growth will **run at 4% in 2017.**

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 November 2015 – November 2016

Local Authority	November 2015	November 2016	Change	% Nov 16	% Nov 15
Basildon	277,727	313,340	+£35,613 	12.82%	10.61%
Castle Point	281,662	308,392	+£26,730 	9.49%	11.37%
Rochford	317,540	343,331	+£25,791 	8.12%	10.18%
Southend	271,651	299,958	+£17,307 	6.37%	12.13%
Thurrock	240,861	276,265	+£35,404 	14.70%	10.42%

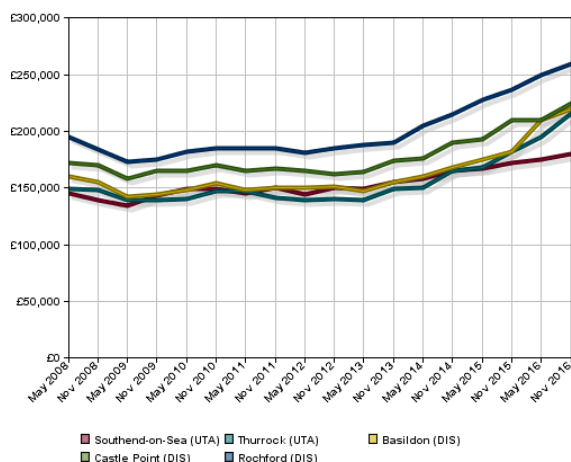
Looking at the overall change in average house prices in the SE sub region between November 2015 and November 2016 (taken over a ten year time-span), prices rose in all five SE Local Authority areas by as much as **£35,613 or 14.70%** (averaging 10.30%). The highest price rise was in Basildon, closely followed by Thurrock.

The percentage change in annual house price growth between November 2015 and November 2016 rose in Basildon and Thurrock but fell in the remaining three local authority areas, suggesting an east west split with prices closer to London growing at a higher rate. Notably, the rate has nearly halved in Southend.

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 SE sub region. This analysis is based on data from Hometrack's Automated Valuation Model.

Lower Quartile Price – Overall

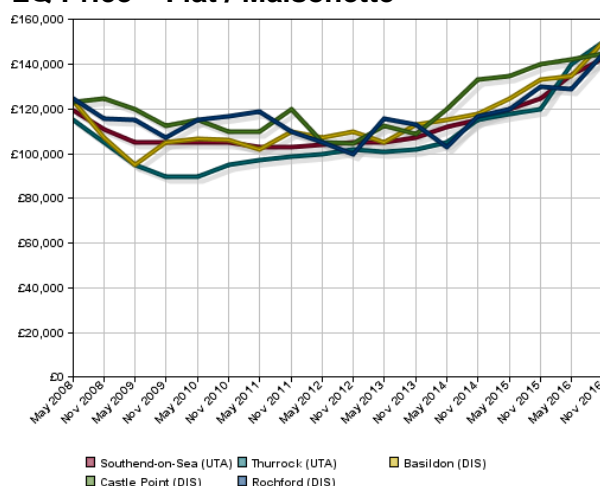


The graph shows the steady recovery in house prices since the recession in 2008/9.

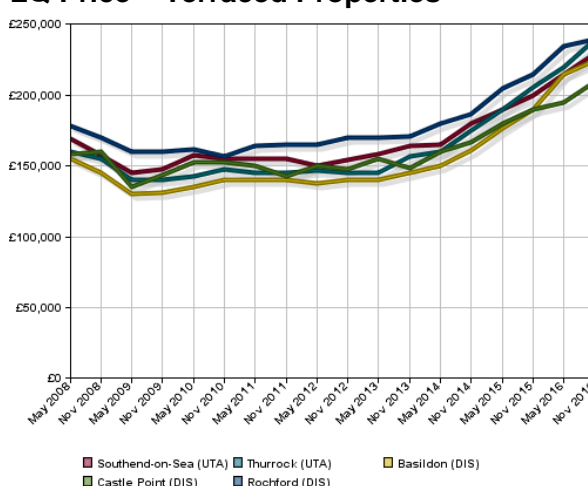
In November 2016, the highest overall lower quartile property price in SE was in Rochford at £260k, followed by Castle Point £225k, Basildon at £220k, Thurrock at £216k and Southend £180k.

When compared with prices in November 2008, current prices are higher across all five SE local authority areas in Rochford by **£76k**, Thurrock **£68k**, Basildon **£65k**, Castle Point **£55k**, and Southend **£40k**.

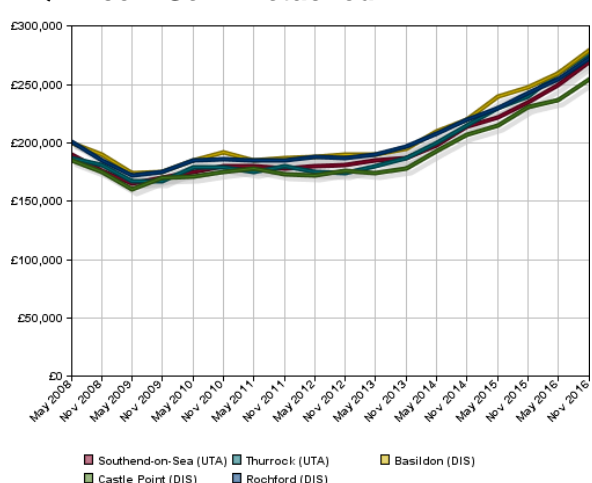
LQ Price – Flat / Maisonette



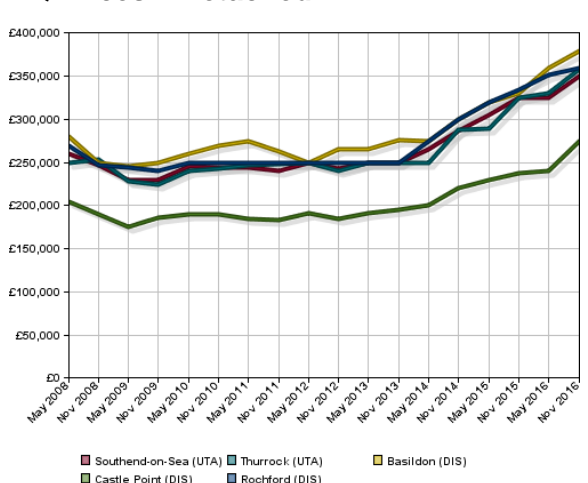
LQ Price – Terraced Properties



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. **Prices continue to rise across all house types.**

Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

	Thurrock				
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales	Overall property price bands
2012	1,228	271	98	113	2.7%
2013	1,495	318	117	114	3.2%
2014	1,876	575	157	73	4.2%
2015	1,773	643	269	111	4.4%
2016*	1,483	603	266	44	3.8%

*January – November only.

The above table shows the total volume of housing turnover in Thurrock, as the sample area, split between 2nd hand and new build sales for houses and flats.

Annual turnover for 2nd hand flats sales and new build house sales rose steadily, whilst 2nd hand houses / new build flat sales remain stable.

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 **6.60%** in 2007. (See TGSE Housing Market Trends Quarterly Report, October, 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 (November 2016)

	Southend	Thurrock	Basildon	Castle Point	Rochford
1 bed Prices (Flat)	125,000	135,000	130,875	124,125	131,625
2 bed Prices (Flat)	163,000	175,000	170,000	160,000	175,000
2 bed Prices (House)	225,000	238,000	229,750	222,500	245,000
3 bed Prices (House)	260,000	260,000	247,500	250,000	275,000
4 bed Prices (House)	351,250	355,000	370,000	330,000	370,000

The above table show the lower quartile price of property by bed count in the SE sub region based on November 2016 figures. **For 1 bed flats; Thurrock has the highest prices, previously it was Castle Point.**

For 2 bed flats; Thurrock and Rochford have the highest prices.

For the remaining house sizes, Rochford has the highest prices, although for 4 bed house this is now shared with Basildon.

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

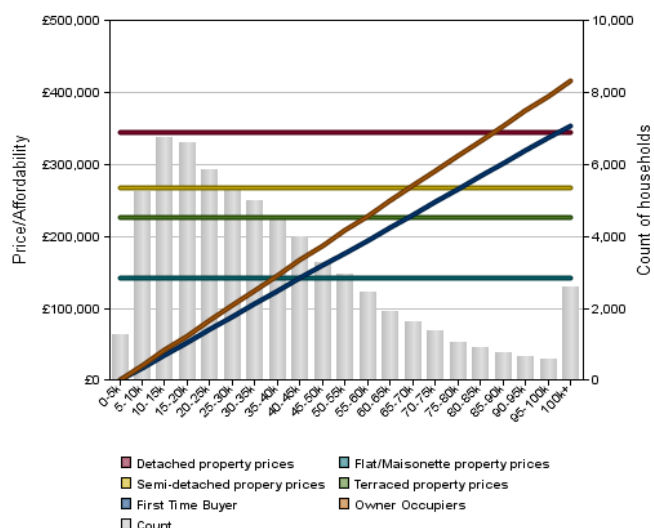
	Southend	Thurrock	Basildon	Castle Point	Rochford
Renting (Local Authority)	65	75	67	74	68
Renting (Housing Association)	69	74	73	73	68
Renting (intermediate) - 80%	157	175	147	147	186
Renting (private) Nov 2016	196	219	184	184	233
Renting (private) Aug 2016	173	167	158	173	167
May 2016	150	161	150	160	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 November 16	-79	-91	-56	-67	-116
Aug 16	-56	-39	-30	-56	-50
May 16	-33	-33	-22	-43	-20
Buying a lower quartile resale	137	142	138	142	142
Buying an average resale	156	159	166	156	156
Buying 40% share through Help to Buy	107	108	113	108	107
Buying a lower quartile new build	179	166	190	176	261
Buying an average new build	182	176	200	184	261
Starter Homes Initiative at 80% Nov 16	146	141	160	147	209

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

- **Private rent continues to rise across South Essex** with increases notably in Rochford by £66 and Southend by £23 per week over the last quarter.
- **Affordability is worsening**, with the gap between the Local Housing Allowance (LHA) and private rent widening significantly over the past year, now **as much as £116 per week**.
- For Starter Homes, assuming they were introduced at 80% of the average new build rate, the starting price could be **£141 per week**.

Affordability: 3.0 times income

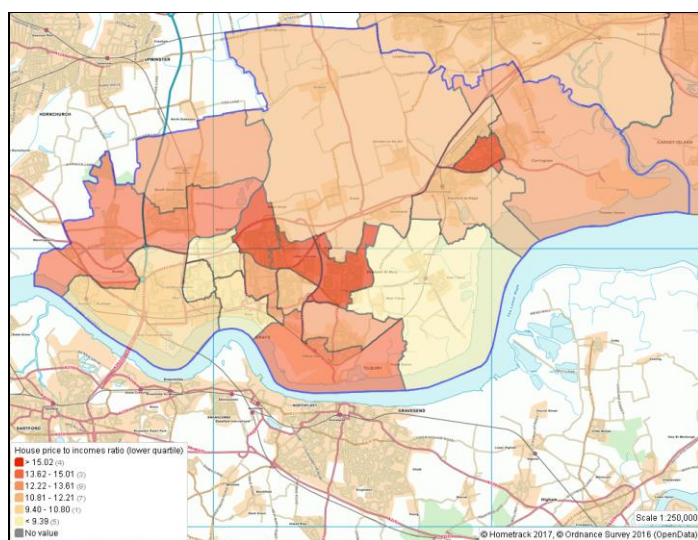
Sample Area: Thurrock



Looking at the wider affordability issues in Thurrock 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 Thurrock are priced out of the property market. For example, **69%** 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 **85%** for those wishing to purchase a terraced property and **96%** for a detached property.

LQ House price to income ratio Thurrock wards



The heat map compares the Lower Quartile house price to income ratios across individual wards in Thurrock. The wards of Little Thurrock Blackshots (17.89), Chadwell St Mary (16.51), Stifford Clays (16.15 and Stanford East and Corrington Town (15.16) all have rates in excess of 15:1.

In comparison with the neighbouring region of London, the ratio was **17.48:1** and for the East of England **11.15:1**.

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
May 2008	146,000	149,995	160,000	172,000	195,000
Nov 2008	140,000	148,048	155,000	170,000	184,000
May 2009	135,000	140,000	143,000	158,000	173,000
Nov 2009	144,000	140,000	145,000	165,000	175,000
May 2010	149,500	141,000	149,000	165,000	182,000
Nov 2010	149,995	148,000	154,000	170,000	185,000
May 2011	146,000	147,500	149,000	164,995	185,000
Nov 2011	150,000	141,500	150,000	167,000	185,000
May 2012	145,000	140,000	150,000	165,500	181,000
Nov 2012	150,000	140,500	151,500	162,000	185,000
May 2013	149,064	140,000	147,500	164,000	188,000
Nov 2013	155,000	149,500	155,000	174,000	190,000
May 2014	158,000	150,000	160,000	176,500	205,000
Nov 2014	165,000	165,000	168,000	190,000	214,995
May 2015	167,500	168,000	175,000	193,500	227,500
Nov 2015	172,500	182,500	181,995	210,000	237,000
May 2016	175,000	195,000	210,000	210,000	250,000
Nov 2016	180,000	216,000	220,000	225,000	260,000
Change Nov 15 Nov 16	7500	33500	38005	15000	23000
Nov 08 change – Nov 16	40000	67952	65000	55000	76000

Source: Hometrack Housing Intelligence System



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