

South Essex Housing Market Trends

Quarterly Report

April 2017

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 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 March was up 3.8%, BUT down from 5.1% in February.
- The quarter change was 0.1% and the average price was £219,755.
- The annual rate of growth has more than halved over the past 12 months.
- Supply of both new and existing property remains low which combined with very low mortgage rates is likely to support house price levels over the coming months.
- House price growth has generally outperformed in areas where unemployment has fallen since 2007.

Local House Prices

- The annual house price growth in February for SE was 8.62%. The rate of annual house price growth rose in Thurrock but fell in the remaining four SE Local Authority areas.
- The highest overall Lower Quartile (LQ) house price was in Rochford at £270k, followed by Castle Point £230k, Basildon at £220k, Thurrock at £215k and Southend £185k.
- When compared with prices in February 2009, current prices are higher across all five SE Local Authority areas in Rochford by £95k, Basildon by £70k, Thurrock / Castle Point by £69k and Southend by £50k.

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 £230, Southend at £193, Castle Point at £190 and Basildon at £188.
- Compared with the last quarter, rents continued to increase in Thurrock and Castle Point but stabilised in Rochford and Southend.
- The gap between private rent and the Local Housing Allowance has widened by as much as £116 per week, increasing in Rochford more than five-fold from May 2016.

Affordability

- Lack of affordable housing remains a significant issue across the sub region, where for example in Castle Point 66% of first time buyers cannot afford a flat or maisonette based on a mortgage at 3.0 times their income. This rises to 80% for those wishing to purchase a terraced property and 88% for a detached property.
- Four wards in Castle Point have a ratio between LQ house prices and LQ household disposable income in excess of 13:1, compared to 17.52:1 being the average for the London region and 10.69:1 for the East of England.

National Trends

According to the Halifax House Price Index; house prices in the three months to March were **3.8% higher than in the same period a year ago, BUT down from 5.1% in February**. The quarterly change was only 0.1% higher than in the preceding quarter. House prices were unchanged between February and March for the second consecutive month at 219,755. Mortgage approvals fell by 1% between January and February and similarly home sales were down 1% from the previous month.

“House prices in the three months to March were 0.1% higher than in the previous quarter; the lowest quarterly rate of change since October 2016. The annual rate of growth fell further; 3.8% from February’s 5.1%, the lowest rate since May 2013. The annual rate of house price growth has more than halved over the past 12 months. Non-the-less, the supply of both new and existing properties for sale remains low and this together with historically very low mortgage rates is likely to support house price levels over the coming months.”






The Lloyds Banking Group also reported that house price growth had generally outperformed in areas where unemployment has fallen most since 2007. Areas with the largest falls in unemployment saw houses prices soar by almost £100,000 in the past decade. Whilst the 10 areas with the highest unemployment rates recorded average house price growth of just 10%, less than half the national average (25%), since 2007.

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 February 2016 – February 2017

Local Authority	February 2016	February 2017	Change	% Feb 2016-17	% Feb 2015-16
Basildon	292,911	317,220	+£24,309 	8.30%	11.17%
Castle Point	286,430	309,249	+£22,819 	7.97%	11.80%
Rochford	326,739	350,542	+£23,803 	7.29%	11.92%
Southend	276,380	294,493	+£18,113 	6.55%	11.04%
Thurrock	245,682	277,653	+£31,971 	13.01%	10.81%

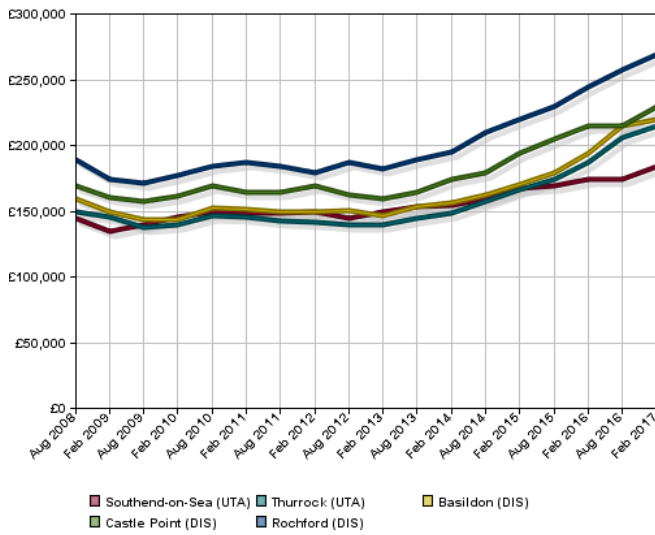
Looking at the overall change in average house prices in the SE sub region between February 2016 and February 2017 (taken over a ten year time-span), prices rose in all five SE Local Authority areas by as much as **£31,971 or 13.01%** (averaging 8.62%). The highest price rise was in Thurrock, followed by Basildon.

The percentage change in annual house price growth between February 2016-17 and February 2015-16 rose in Thurrock but fell in the remaining four local authority areas, suggesting an east west split with prices closer to London growing at a higher rate. The largest fall was 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

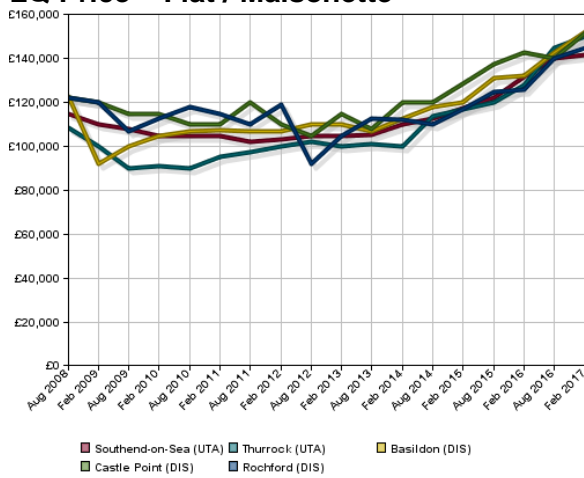


The graph shows the steady recovery in house prices since the recession in 2008/9.

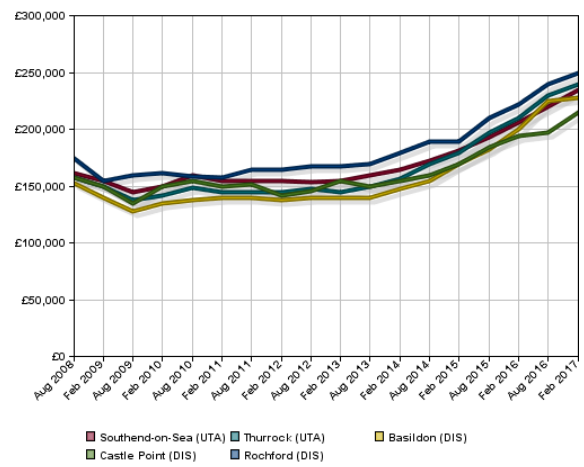
In February 2017, the highest overall lower quartile property price in SE was in Rochford at £270k, followed by Castle Point £230k, Basildon at £220k, Thurrock at £215k and Southend £185k.

When compared with prices in February 2009, current prices are higher across all five SE local authority areas in Rochford by £95k, Basildon £70k, Thurrock / Castle Point £69k, and Southend £50k.

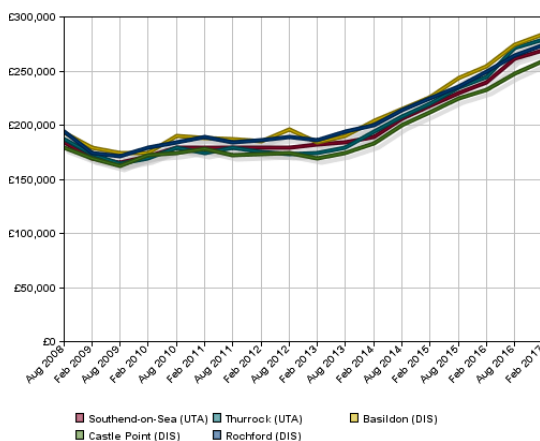
LQ Price – Flat / Maisonette



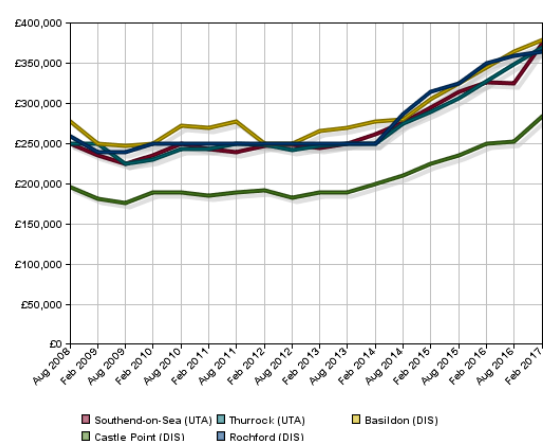
LQ Price – Terraced Properties



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

Castle Point					
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales	Overall property price bands
2012	934	71	13	24	2.8%
2013	1,170	98	28	5	3.4%
2014	1,308	134	56	8	4.0%
2015	1,334	127	80	24	4.1%
2016	1,331	145	17	19	4.0%

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

Annual turnover for 2nd hand house and flat sales has remained stable, while for new build house sales they fell sharply. New build flat sales remain broadly stable.

The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover has been steady at **4.0%** in 2016; however, this is down from the pre-recession figure of **5.50%** in 2007. (See TGSE Housing Market Trends Quarterly Report, January 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 (February 2017)

	Southend	Thurrock	Basildon	Castle Point	Rochford
1 bed Prices (Flat)	128,125	135,000	130,000	136,956	132,500
2 bed Prices (Flat)	163,000	171,750	175,000	161,000	179,996
2 bed Prices (House)	231,000	240,000	230,000	232,500	250,000
3 bed Prices (House)	260,500	260,000	250,000	240,000	285,000
4 bed Prices (House)	350,000	360,000	369,500	332,500	362,500

The above table shows the lower quartile price of property by bed count in the SE sub region based on February 2017 figures. **For 1 bed flats; Castle Point has the highest prices**, previously it was Thurrock.

For 2 bed flats / houses and 3 bed houses; Rochford has the highest prices.

For 4 bed houses, Basildon has the highest prices.

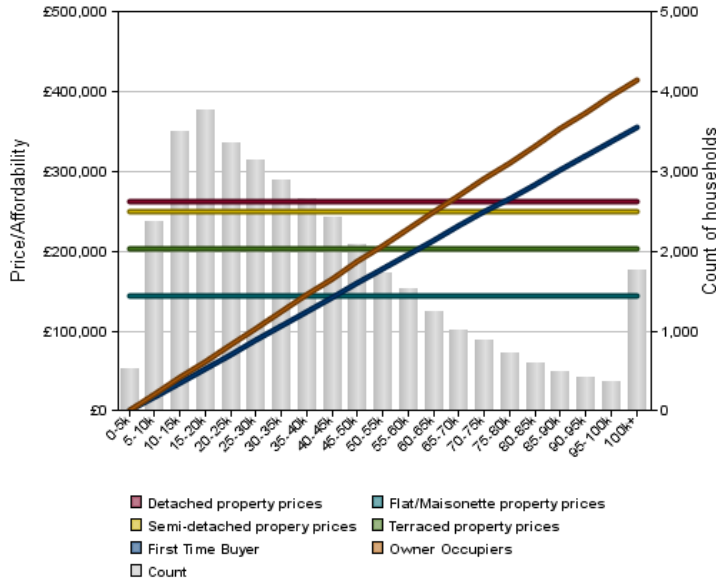
Weekly cost for 1 bed property for rent and purchasing across a range of quartiles

	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%	154	184	150	152	186
Renting (private) Feb 2017	193	230	188	190	233
Renting (private) Nov 2016	196	219	184	184	233
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					
February 17	-76	-102	-60	-73	-116
November 16	-79	-91	-56	-67	-116
August 16	-56	-39	-30	-56	-50
May 16	-33	-33	-22	-43	-20
Buying a lower quartile resale	142	150	144	150	148
Buying an average resale	161	165	170	161	162
Buying 40% share through Help to Buy	111	112	116	109	111
Buying a lower quartile new build	181	166	210	185	265
Buying an average new build	185	173	221	191	265
Starter Homes Initiative at 80% Feb 17	148	138	177	153	212

The above table shows the weekly cost of renting or purchasing a one bed room property across a range of quartiles based on February 2017 prices. Key trends are summarised as follows:

- **Private rent continues to rise across the majority of South Essex authorities** with increases notably in Thurrock by £11 and Castle Point by £6, however, rents fell marginally in Southend by £3 per week and remained stable in Rochford over the last quarter.
- **Affordability is generally 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**. In Rochford, since May 2016, the gap has increased by more than five-fold.
- For Starter Homes, assuming they were introduced at 80% of the average new build rate, the starting price could be **£138 per week**.

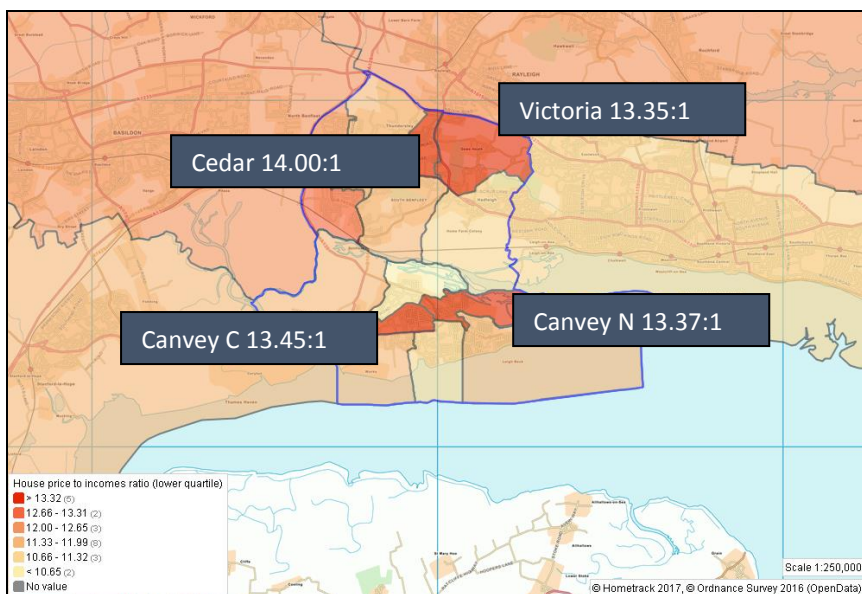
Affordability: 3.0 times income
Sample Area: Castle Point



Looking at the wider affordability issues in Castle Point 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 Castle Point are priced out of the property market. For example, **66%** 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 **80%** for those wishing to purchase a terraced property and **88%** for a detached property.

LQ house price to income ratio Castle Point wards



The heat map compares the Lower Quartile house price to income ratios across individual wards in Castle Point. The wards of Cedar Hall (14.00), Canvey Island Central (13.45), Canvey Island North (13.37) and Victoria (13.35) all have ratios in excess of 13:1.

In comparison with the neighbouring region of London, the ratio was **17.52:1** and for the East of England **10.69:1**.

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
Aug 2008	145,000	150,000	160,000	170,000	190,000
Feb 2009	135,500	146,500	150,000	161,000	175,000
Aug 2009	140,000	138,000	144,000	157,550	171,500
Feb 2010	146,000	140,000	144,000	162,000	178,000
Aug 2010	150,000	147,500	153,000	170,000	185,000
Feb 2011	149,000	146,500	152,000	165,000	187,500
Aug 2011	149,000	143,000	150,000	165,000	185,000
Feb 2012	150,000	142,000	150,000	170,000	180,000
Aug 2012	145,000	140,000	151,000	162,500	187,500
Feb 2013	150,000	140,000	147,000	160,000	182,500
Aug 2013	153,500	145,000	154,250	165,000	190,000
Feb 2014	155,000	149,000	157,000	175,000	196,000
Aug 2014	160,000	158,000	163,000	180,000	210,000
Feb 2015	167,500	167,000	170,500	195,000	220,000
Aug 2015	170,000	175,000	180,000	205,000	230,000
Feb 2016	175,000	187,500	195,000	215,000	245,000
Aug 2016	175,000	206,000	215,000	215,000	258,000
Feb 2017	185,000	215,000	220,000	230,000	270,000
Feb 09 change – Feb 17	49500	68500	70000	69000	95000
Change Feb 16 Feb 17	10000	27500	25000	15000	25000

Source: Hometrack Housing Intelligence System



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