



South Essex Housing Market Trends

Quarterly Report

July 2020

House Prices, Affordability & Market Indicators



Introduction

This report monitors the latest trends in house prices, rent and other market indicators based on Hometrack's [online Housing Intelligence System](#). It looks at national trends and local changes in lower quartile house prices across South Essex (SE) by local authority area for different house types. It also compares cross tenure affordability including private rent over time. The report supplements data in the [SE Strategic Housing Market Assessment \(SHMA\)](#) published May 2016 (with an [Addendum update, May 2017](#)). 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 June was up 2.5%.
- Prices were down for the fourth consecutive month (March-June) at -0.1%.
- The average house price is now £237,616 down from February's monthly recorded high of £240,461.
- Activity levels bounced back strongly in June with a sharp spike driven by sales previously put on hold, but Zoopla data show this dropping off over the last few weeks of June.
- House price growth is likely to remain around +2% over the next quarter, with no downward press on prices until much later in 2020.
- The extent of any downward pressure will depend on the success of government support measures and the speed at which the economy can recover.

Local House Prices

- Average house price growth in South Essex was up 3.39% in May 2020, up from 1.64% in the previous reporting period February 2019-20
- Average house prices, between May 2019-20, continued to recover from the last year's fall due to Brexit uncertainty rising by as much as £19,138 in Basildon.
- Data shows house prices as being resilient during the early part of the Covid-19 pandemic and government restrictions; however, data over the next few quarters will show the extent of any impact.

Price of property by bed count

- For 1 bed flats; Castle Point had the highest prices; for 2 bed flats, 2, 3, 4 bed houses it was Rochford.

Cross Tenure (for a one bed property)

- The weekly cost of private renting whilst stabilizing following a sharp increase in 2017-18, has in the last year increased. It should be noted that this data was collected pre Covid-19 restrictions.
- Whilst the gap has reduced between private renting and the recently updated LHA, it still remains significant in all SE Local Authorities ranging between £6 and £34 per week.

Affordability

- Six wards in Southend, namely; Eastwood Park, St Laurence, Belfairs, Southchurch and Blenheim Park all had ratios between LQ house prices and LQ household disposable income of more than 13.00:1.
- In comparison with the neighbouring region of London, the ratio was 16.44:1 and for the East of England 10.19. both these figures are down from the previous quarter.

Comparables Module

- The new comparables module allows valuations to be undertaken at street or individual house level. Using Southend as the sample area, an example shows how the average house price for recently built homes in Shoeburyness had a premium over prices in Central Southend of over 60%.

House prices fall for fourth straight month – but new mortgage enquiries surge



£237,616

Average price

-0.1%

Monthly change

-0.9%

Quarterly change

+2.5%

Annual change

According to the **Halifax House Price Index**, house prices in the three months to June 2020 were 2.5% higher than in the same period a year ago. In the latest quarter (April – June) house prices were 0.9% lower than the previous quarter and monthly house prices were also 0.1% lower. The average house price is now £237,616.

Russell Galley, Managing Director, Halifax commented “House prices have fallen for four months in a row, however, activity levels bounced back strongly in June. New mortgage enquiries were up by 100% compared to May, and with prospective buyers also revisiting purchases previously put on hold, transaction volume rose sharply compared to the previous months.

We do expect greater downward pressure on prices in the medium-term, the extent of which will depend on the success of government support measures and the speed at which the economy can recover”.

Richard Donnell, Research and Insight Director, Hometrack / Zoopla said “house price growth would remain around +2% over the next quarter with no downward pressure on prices until much later in 2020. New sales are back to pre Covid levels, as is the flow of new supply although the stock of homes remain 15% lower than last year.

The bulk of new pricing evidence continues to come from sales agreed before lockdown.

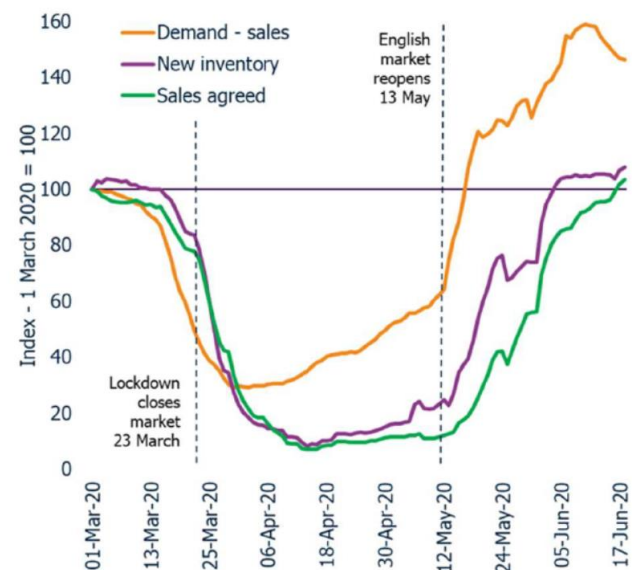
Asking prices for sold homes is 7% higher Than last year on Zoopla, suggesting house Prices will hold up in the near term.

Figure 3, shows how demand has started to weaken over the last two weeks falling 8% since the 11 June. New sales agreed have been lagging behind the spike in demand as the English market reopened.

Rising demand also leads to news supply as households searching for homes will then list their homes for sale.

The message for sellers is not to delay, but list now while market conditions are stronger”.

Fig.3 – Demand starts to fall back off a high base



Source: Zoopla Research – 7 day rolling average - data to 18/6

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. South Essex (SE) authorities and the London region are shown below.

Overall Change in Average House Prices February 2019 – February 2020

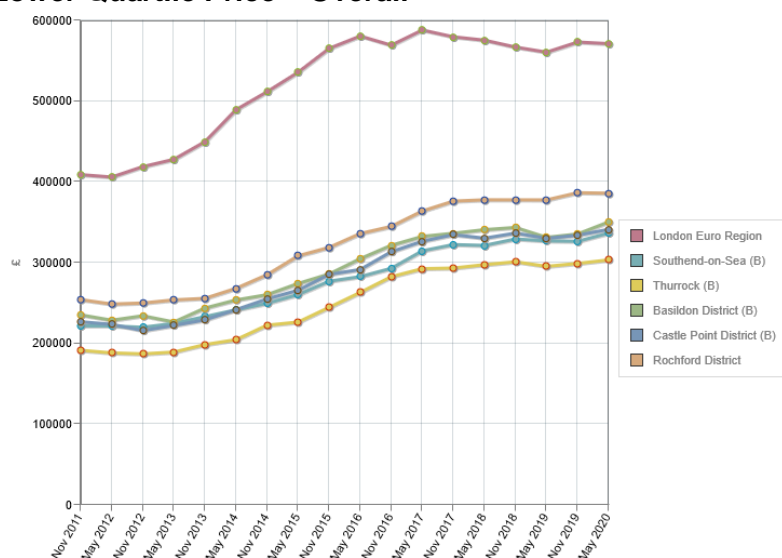
LA	London	Southend	Thurrock	Basildon	Castle Point	Rochford
May 2019	560,660	326,966	295,417	331,335	330,134	377,737
May 2020	571,211	336,575	303,406	350,473	341,204	386,043
CHANGE	10,551	9,609	7,989	19,138	11,070	8,306
%	+1.88%	+2.94%	+2.70%	+5.78%	+3.35%	+2.20%

Looking at the overall change in average house prices in the South Essex area (covering the Local Authorities of Southend-on-Sea, Thurrock, Basildon, Castle Point and Rochford) between May 2019 and May 2020 (taken over a ten-year time-span), prices had all recovered from last quarter's fall due to Brexit uncertainty, with Basildon seeing the biggest gain of £19,138 followed by Castle Point at £11,070. Prices in London also rose but at a slower rate than South Essex. Average house price growth in South Essex was up **3.39%** in May 2020, up from **1.64%** in the previous reporting period February 2019-20.

Focusing on Lower Quartile Prices

The charts below focuses on the lower quartile property price, based on sales and valuations, for property (flats / maisonettes, terraced and detached properties) in the SE area. This analysis is based on data from Hometrack's Automated Valuation Model.

Lower Quartile Price – Overall

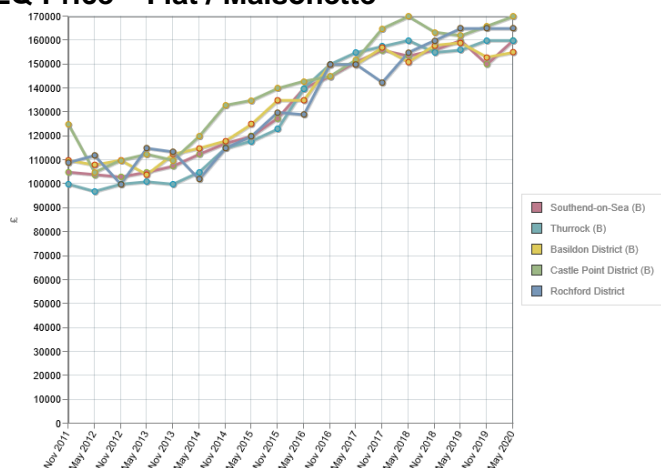


The graph shows the steady recovery in house prices since May 2012, although Lower Quartile house price growth in the London region has been more subdued.

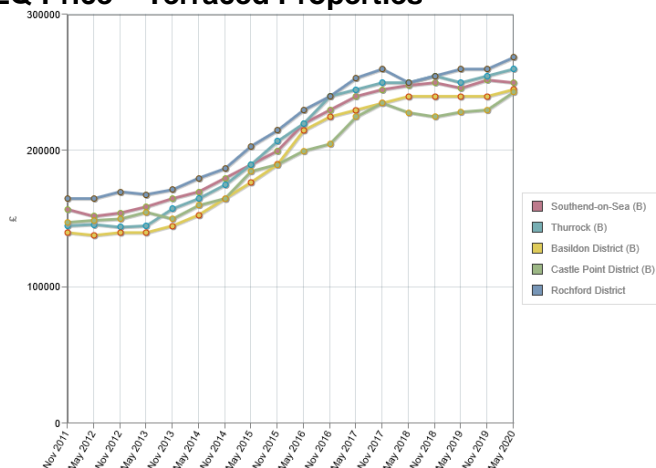
In May 2020, the highest overall lower quartile property price in SE was in Rochford at **£295k**, followed by Castle Point at **£260k**, Basildon at **£245k**, Thurrock at **£240k**, and Southend **£220k**. Annual LQ house price growth in May was up across all five SE Local Authorities by as much as £10k in Basildon (see appendix 1, page 9). Data shows house prices as being resilient during the early part of the Covid-19 pandemic and government restrictions; however, data over the next few quarters will show the extent of any impact.

For now, the context for this period remains the same, over the last ten years, all SE Local Authorities have still experienced significant levels of growth with Rochford seeing the highest growth at **£110k**.

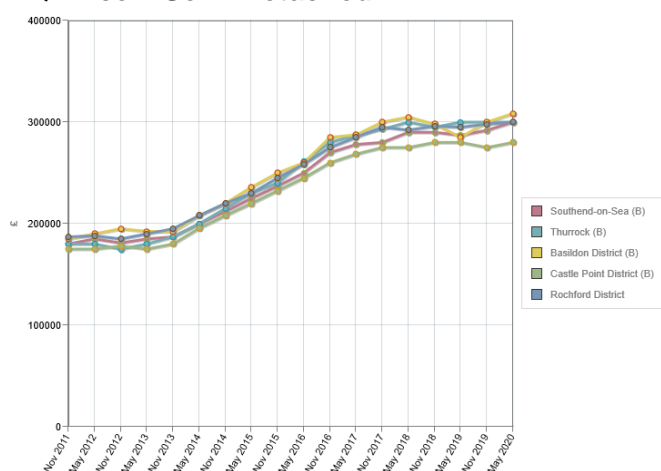
LQ Price – Flat / Maisonette



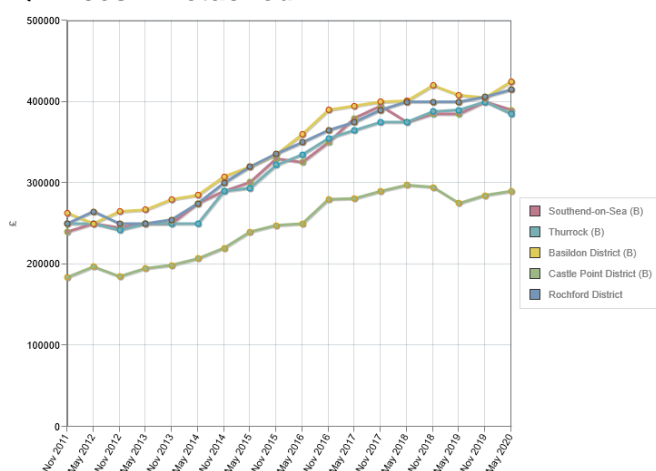
LQ Price – Terraced Properties



LQ Price – Semi Detached



LQ Prices – Detached



Since May 2019, house prices of flats / maisonette have been broadly flat, with the exception of Castle Point where prices rose and Basildon where they fell slightly. Over the same period for terraced and semi-detached properties house prices rose in all South Essex local authorities. Finally, for detached properties prices rose in all SE local authorities apart from Thurrock where they fell marginally.

Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

	Southend BC				
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales	Overall property price bands
2016	1,939	1,293	63	204	4.4%
2017	1,884	1,106	75	68	4.0%
2018	1,930	947	81	246	4.1%
2019	1,812	729	4	48	3.3%
2020	292	114	NA	13	0.5%

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

Turn-over figures for second-hand house sales has remained fairly stable throughout 2016-19, however for the second flat sales they declined. For new build flat sales they peaked in 2018 and then fell sharply in 2019. For new build house sales, they peaked also in 2018 but then fell even more sharply in the



following year than for flat sales. Some further investigation is recommended in the local market to explore why new sales figures fell so sharply in 2019 from the previous year.

The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover has again remained broadly stable over the period of 2016-19 averaging just over 4%, but again it fell in 2019. The rate remains down from the pre-recession figure of 6% in 2007. (See TGSE Housing Market Trends Quarterly Report, April 2010).

Lower Quartile Price of Property by Bed Count (May 2020)

	Southend	Thurrock	Basildon	Castle Point	Rochford
1 bed Prices (Flat)	140,000	140,000	140,000	141,875	135,000
2 bed Prices (Flat)	180,000	190,000	185,000	178,250	195,750
2 bed Prices (House)	247,500	253,597	245,000	240,000	274,000
3 bed Prices (House)	284,000	280,000	265,000	280,000	305,000
4 bed Prices (House)	380,000	365,000	385,000	365,000	395,000

The table above shows the lower quartile price of property by bed count in the SE area based on May 2020 figures. For **1 bed flats; Castle Point had the highest prices, but for 2 bed flats 2, 3 and 4 bed houses it was Rochford.**

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

May 2020	Southend	Thurrock	Basildon	Castle Point	Rochford
Renting (LA)	78	76	76	83	0
Renting (HA)	95	101	95	92	92
Renting - 80%	124	138	134	138	133
Renting (private) May 2020	155	173	167	172	162
February 2019	150	172	167	167	150
February 2018	207	219	196	190	207
February 2017	193	230	188	190	233
February 2016	144	155	150	155	137
LHA (as of 1/04/20)	138	161	161	138	138
Gap LHA & renting	-17	-12	-6	-34	-24
Buying LQ resale	144	144	150	155	150
Buying av resale	166	160	171	163	160
Buying LQ new build	NA	NA	NA	NA	NA
Buying av new build	226	201	208	NA	NA

The above table shows the weekly cost of renting or purchasing a one bed room property across a range of quartiles based on May 2020 prices. Key trends are summarised as follows:

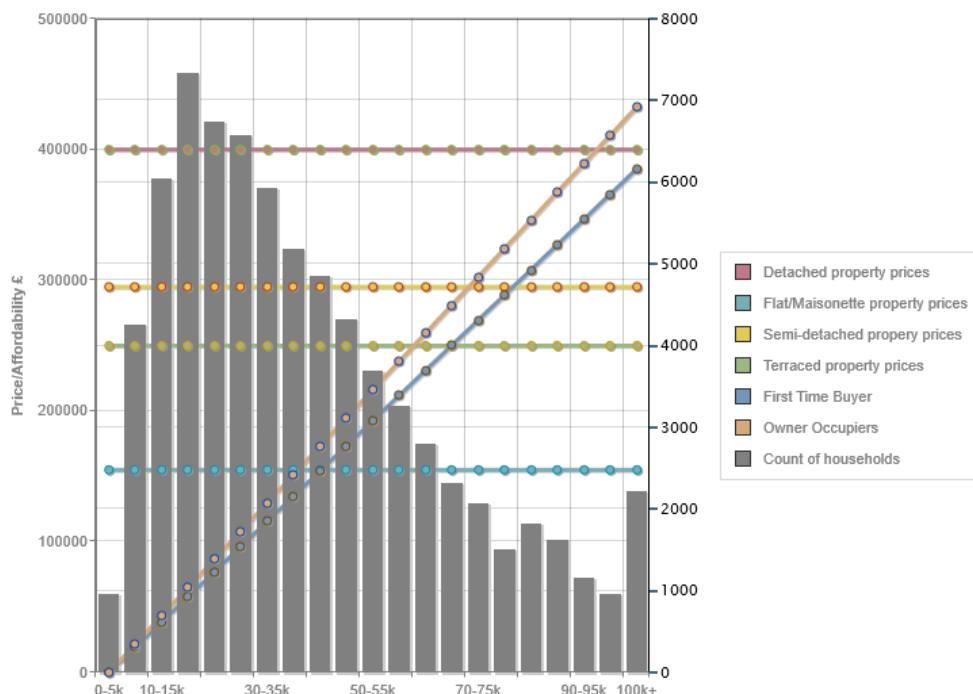
- The weekly cost of private renting (one bed property) whilst **stabilizing** following a sharp increase in 2017-18, has in the **last year increased**. Data shows private rents as being resilient in the early part of the Covid-19 pandemic and government restrictions; however, data over the next few quarters will show what impact this has had on the rental market.
- Whilst the gap has reduced between private renting and the recently updated LHA, it still **remains significant in all SE Local Authorities ranging between £6 and £34 per week**. As more people are affected by the impact of the Covid-19 epidemic, there is a likelihood that affordability may worsen over the next few months.



- Whilst the gap between Local Housing Allowance and Intermediate Rent (at 80% market rent) is smaller, it suggests properties being offered on this type of affordable tenure **will not always be affordable** to those relying on Universal Credit.

Affordability: 3.0 times income

Sample Area: Southend



Looking at the wider affordability issues in **Southend** 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.

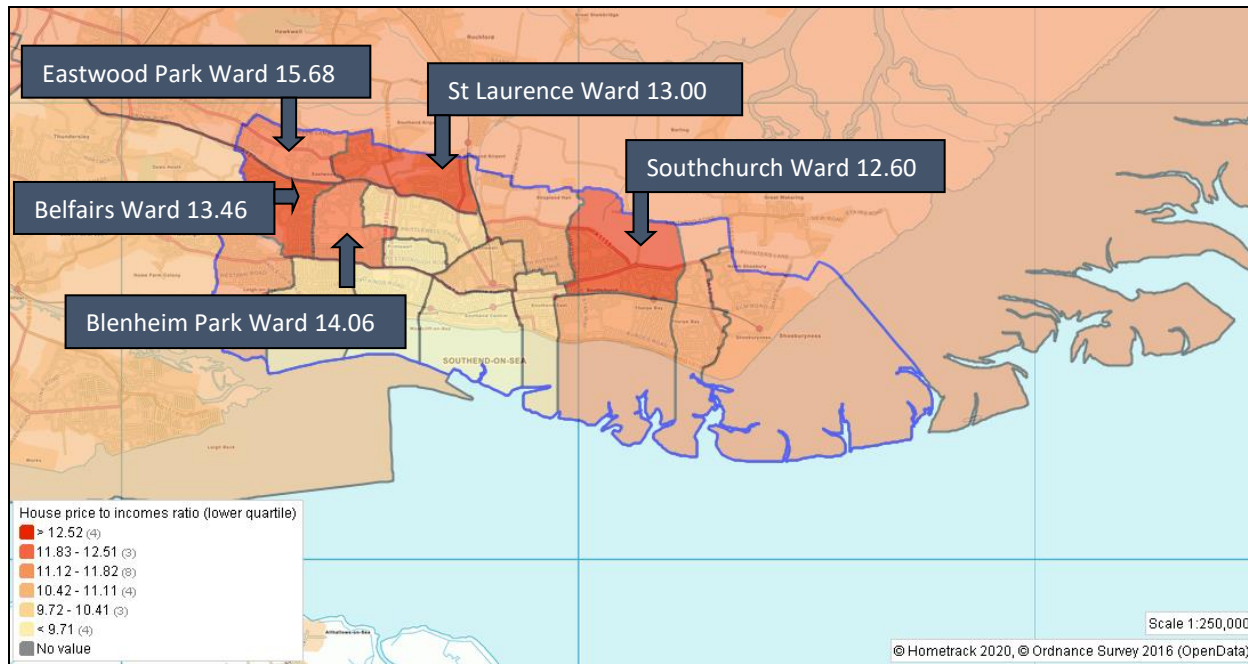
The chart demonstrates that a significant proportion of residents in **Southend** are priced out of the property market. For example, **63%** of households were priced out of the market (i.e. cannot afford to purchase a flat as a first-time buyer on a mortgage at 3.0 times their income). This rises to **81%** for those wishing to purchase a terraced property and **90%** for a semi-detached property.

Percent of households priced out of market

Southend

FTB households - Flats	63.31%
FTB households - Terraced houses	81.91%
FTB households - Semi-detached houses	89.70%
FTB households - Detached houses	100.00%
Owner occupier - Flats	56.90%
Owner occupier - Terraced houses	78.21%
Owner occupier - Semi-detached houses	84.98%
Owner occupier - Detached houses	95.79%

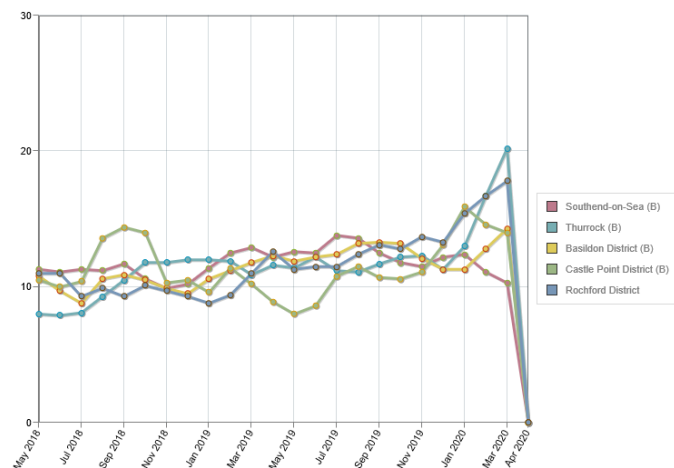
LQ house price to income ratio Southend wards



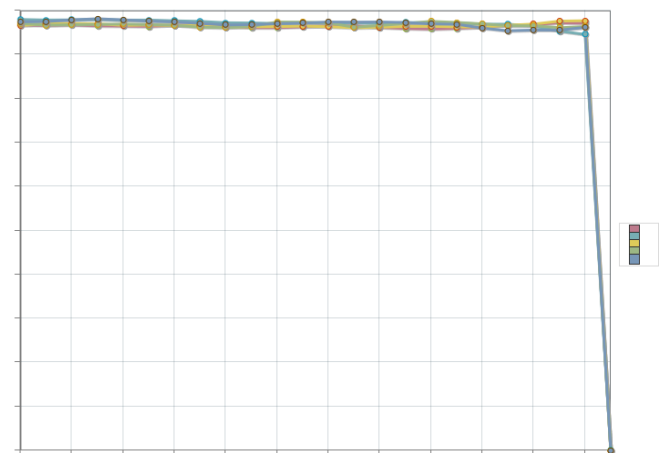
The heat map compares the Lower Quartile house price to income ratios across individual wards in Southend. The wards of Eastwood Park, St Laurence, Belfairs, Southchurch and Blenheim Park all had ratios of **13.00:1** or more.

In comparison with the neighbouring region of London, the ratio was **16.44:1** and for the East of England **10.19:1**, both these figures are down from the previous quarter.

Market Indicators - total time to sell – weeks



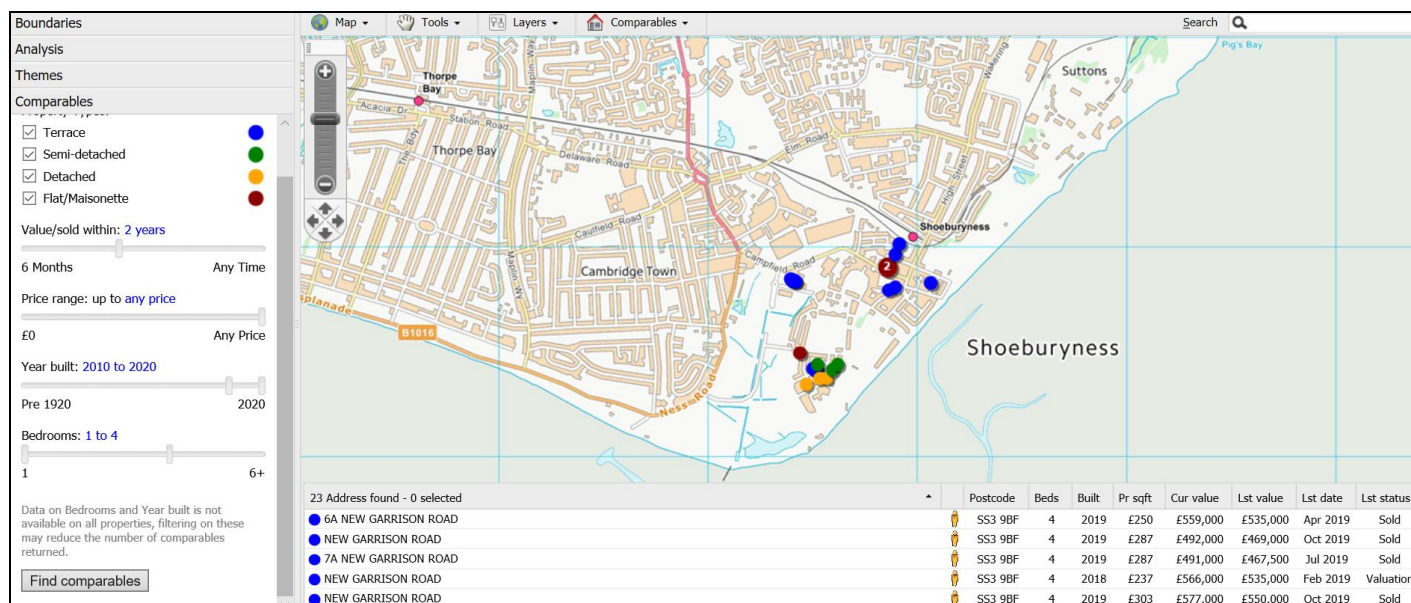
Market Indicators – sales to asking price



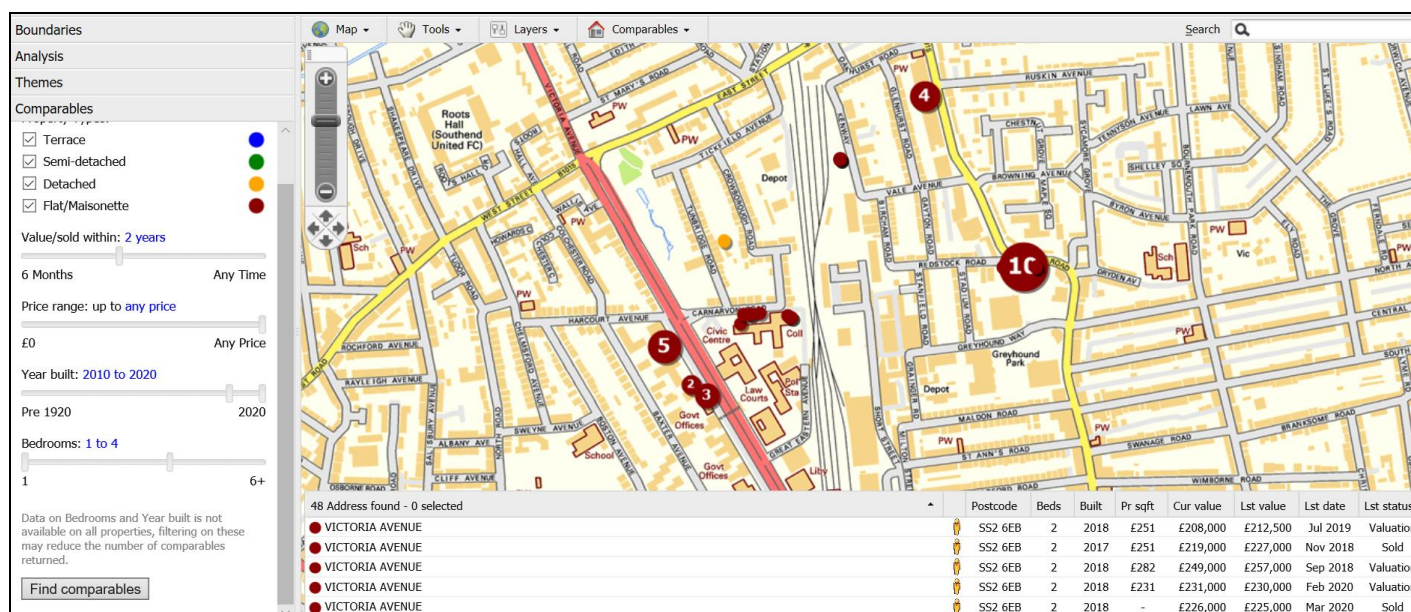
Since March 2020 the time to sell and sales to asking price fell dramatically as the government restrictions in response to the Covid-19 pandemic came in force in March; effectively closing the housing market for the period March to early June. As a consequence, there was no reporting and therefore no figures to show for either indicator.

Comparables Module - Recently built property prices in Southend

Shoeburyness



Central Southend



Using the Comparables Module it is possible to focus in on a chosen area and compare areas. In this example, the focus was on recently built 2-3 bed properties from 2010 located in Shoeburyness compared to 2-3 bed properties in Southend Central built around the same period.

A detailed list of properties showing for example street name, post code, property type, current value, for Shoeburyness and Southend Central were then exported into excel for further analysis.

The average sales price or valuation of 12 sample 2-3 bedroom properties identified in Shoeburyness was then calculated at £345,750 and compared with the average price of 39 sample properties in Southend Central at £215,435, showing that recent new builds in Shoeburyness had a premium of over 60%.



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
Nov 2011	150,000	145,000	151,000	170,000	185,000
May 2012	145,000	140,000	150,000	168,000	182,500
Nov 2012	148,000	140,000	151,500	162,000	185,000
May 2013	147,500	140,000	147,500	164,000	189,000
Nov 2013	155,000	149,995	155,000	175,000	190,000
May 2014	160,000	155,000	163,000	180,000	207,500
Nov 2014	168,000	166,000	170,000	190,000	215,000
May 2015	170,000	170,000	178,000	200,000	230,000
Nov 2015	178,000	185,000	185,000	219,995	240,000
May 2016	180,000	202,000	215,000	220,000	255,000
Nov 2016	185,000	220,000	225,000	235,000	267,500
May 2017	200,000	230,000	227,000	246,000	280,000
Nov 2017	210,000	225,000	238,500	250,000	292,000
May 2018	210,000	230,000	240,000	250,000	290,000
Nov 2018	220,000	235,000	240,000	255,000	290,000
May 2019	218,000	232,500	235,000	252,000	290,000
Nov 2019	210,000	230,000	238,000	250,000	290,000
May 2020	220,000	240,000	245,000	260,000	295,000
Change May 19 May 20	2,000	7,500	10,000	8,000	5,000
Change Nov 2011 May 2020	70,000	95,000	94,000	90,000	110,000

Source: Hometrack Housing Intelligence System



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