

SOUTH ESSEX
HOUSING GROUP

South Essex Housing Market Trends

Quarterly Report

October 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 September was up 7.3%.
- In the latest quarter (July – September) house prices were 3.3% higher than the previous quarter.
- The average house price is now £249,870 up from June's figure of £237,616.
- Much of the demand is being driven by home working and a desire for more space, while the stamp duty holiday is incentivising vendors and buyers to close deals before the break ends March 2021.
- According to Hometrack's Director of Research "UK house price growth is to remain around +2% over the next quarter with any downward pressure not being felt until later in 2020".
- The strength of demand is not uniform, a gap is opening between existing home-owners and FTBs.

Local House Prices

- Average house price growth in South Essex was up 4.97% in August 2020, up from 3.39% in the previous reporting period May 2019-20.
- House prices have remained resilient to downward market pressure due to COVID-19 (first wave) restrictions; rising by as much as £24,330, suggesting South Essex among other areas is becoming a more sought-after place to live.

Price of property by bed count

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

Cross Tenure (for a one bed property)

- Since May 2020, the weekly cost of private rents increased in Southend, Thurrock and Basildon but remained stable in Rochford and Castle Point.
- The gap between private renting and the latest Local Housing Allowance (LHA) still remains significant in all SE Local Authorities ranging between £12 and £34 per week.
- As more people are affected by the impact of the Covid-19 second wave, affordability could worsen.
- Data now shows that the LHA is now sufficient to cover the cost of Intermediate Rent (at 80% market rent) in all five SE local authority areas.

Affordability

- Three wards in Rochford, namely; Hullbridge, Roch North & Rural and Wheatley all had ratios between LQ house prices and LQ household disposable income of more than 12.5:1.
- In comparison with the neighbouring region of London, the ratio was 16.4:1 and for the East of England 10.3:1.

Comparables Module

- The new comparables module allows valuations to be undertaken at street or individual house level. Using Rochford as the sample area, an example shows how the average house price for recently built homes north of Hall Road close to the Town Centre had a premium of 14.8%.

House price growth continues to beat expectations as mortgage applications surge to 12-year high



£249,870

Average price

+1.6%

Monthly change

+3.3%

Quarterly change

+7.3%

Annual change

According to the **Halifax House Price Index**; house prices in the three months to September 2020 were 7.3% higher than in the same period a year ago. In the latest quarter (July – September) house prices were 3.3% higher than the previous quarter and monthly house prices were also 1.6% higher. The average house price is now £249,870.

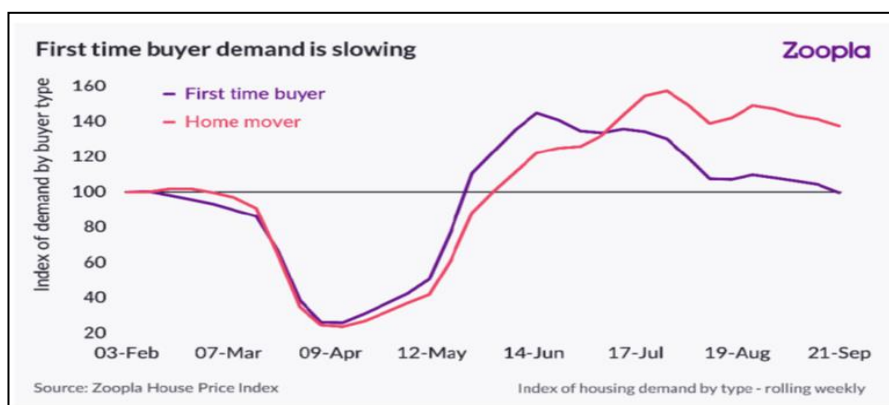
Russell Galley, Managing Director, Halifax commented “The average UK house price is now approaching £250,000 after September saw a third consecutive month of substantial gains. The annual change at 7.3%+ was the strongest since mid-2016, however, context is important with the annual comparison as September 2019 saw much political uncertainty weighing on the market.

Much of the demand is being driven by home working and a desire for more space, while the stamp duty holiday is incentivising vendors and buyers to close deals before the break ends March 2021.

Economic impact of the pandemic is likely to result in a significant downward pressure on house prices.”

Richard Donnell, Research and Insight Director, Hometrack / Zoopla said “we expect UK house price growth to remain around +2% over the next quarter. We do not see any downward pressure on prices materialising 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 for sale is 15% lower than a year ago. This will support prices in short-term, but demand is starting to fall off a high base and we expect it to decline further over the summer months and into the autumn.”

The strength of demand driving housing sales is not uniform across buyer groups. Tracking demand by purchaser type on a rolling weekly basis since February 2020 shows a gap opening between existing home-owners and FTBs, see chart below.



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 August 2019 – August 2020

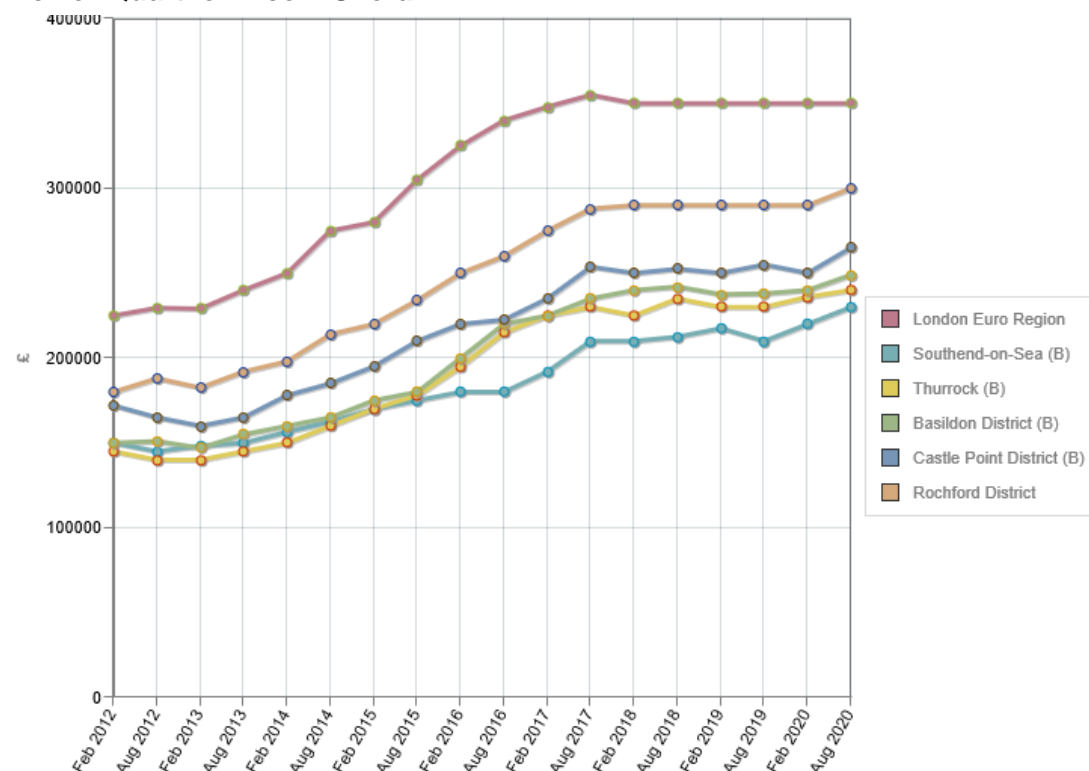
| LA | London | Southend | Thurrock | Basildon | Castle Point | Rochford |
|-----------------|---------|----------|----------|----------|--------------|----------|
| Aug 2019 | 571,004 | 326,614 | 295,527 | 334,889 | 330,516 | 386,082 |
| Aug 2020 | 585,240 | 350,944 | 307,696 | 356,246 | 347,898 | 392,359 |
| CHANGE | 14236 | 24330 | 12169 | 21357 | 17382 | 6277 |
| % | 2.49% | 7.45% | 4.12% | 6.38% | 5.26% | 1.63% |

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 August 2019 and August 2020 (taken over a ten-year time-span), prices had all remained fairly resilient to market downward market pressure due to COVID-19 (first wave) lock-down restrictions, with Southend seeing the biggest gain of £24,330 followed by Basildon at £21,357. Rochford experienced the smallest gain at £6,277, but this was from a relatively high base. Prices in London also rose but at a slower rate than South Essex, apart from in Rochford. Average house price growth in South Essex was up **4.97%** in August 2020, up from **3.39%** in the previous reporting period May 2019-20.

Focusing on Lower Quartile Prices

The charts below focus 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

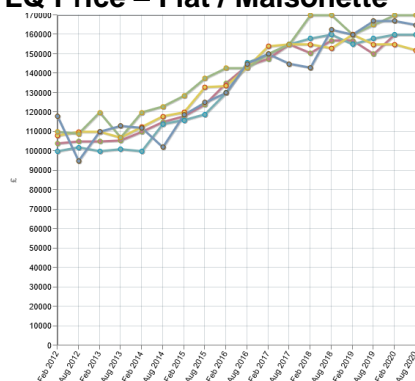


The graph shows the steady and continued recovery in Lower Quartile (LQ) house prices since February 2013 across South Essex area. Whilst LQ house price growth in the London region rose rapidly too, it flattened off from 2017 onwards.

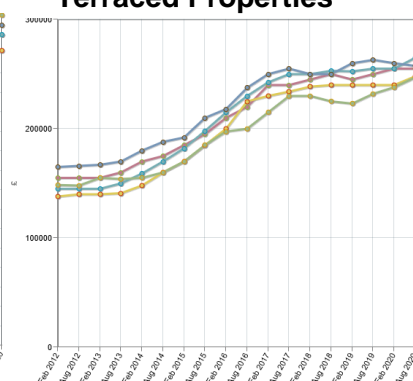
In August 2020, the highest overall lower quartile property price in SE was in Rochford at **£300k**, followed by Castle Point at **£265k**, Basildon at **£249k**, Thurrock at **£240k**, and Southend **£200k**. Annual LQ house price growth in August was up across all five SE Local Authorities by as much as **£20k** in Southend (see appendix 1, page 9), suggesting South Essex among other areas is becoming a more sought-after place to live following lock-down. Data also shows house prices as being resilient during the Covid-19 first wave, in part due to the in balance between supply and demand.

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 **£112k**.

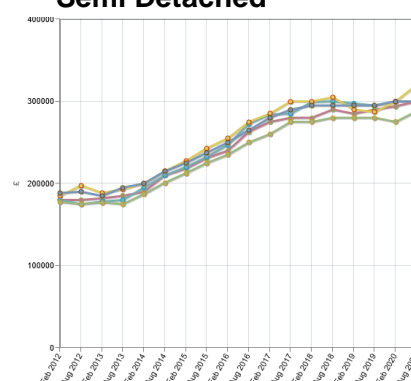
LQ Price – Flat / Maisonette



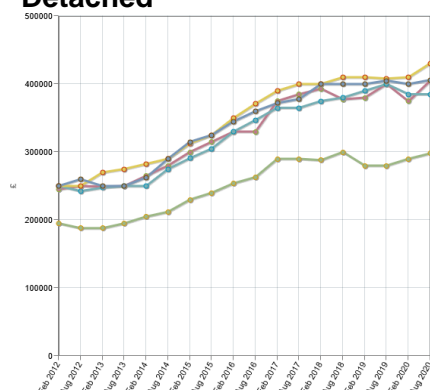
Terraced Properties



Semi Detached



Detached



Since February 2020, house prices of flats / maisonette have either remained stable (Southend and Castle Point) or fell. For terraced properties most areas experience a rise apart from Rochford. For semi and detached properties, they have generally all risen, apart from Thurrock (detached).

Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

| | Rochford DC | | | | |
|------|----------------------|---------------------|-----------------------|----------------------|------------------------------|
| | 2nd Hand House Sales | 2nd Hand Flat Sales | New Build House Sales | New Build Flat Sales | Overall property price bands |
| 2016 | 1,183 | 167 | 71 | NA | 4.1% |
| 2017 | 1,146 | 160 | 155 | 8 | 4.3% |
| 2018 | 1,100 | 124 | 135 | 9 | 4.0% |
| 2019 | 1,054 | 115 | 50 | 22 | 3.6% |
| 2020 | 399 | 49 | 2 | NA | 1.3% |

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



Turn-over figures for second-hand house and flat sales have remained fairly stable throughout 2016-19. For new build flat sales, they rose in 2019, while for new build house sales they fell from a peak in 2017.

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 4%, but again falling in 2019. The rate remains down from the pre-recession figure of 5.8% in 2007 (see TGSE Housing Market Trends Quarterly Report July 2011).

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

| | Southend | Thurrock | Basildon | Castle Point | Rochford |
|----------------------|----------|----------|----------|--------------|----------|
| 1 bed Prices (Flat) | 135,000 | 140,000 | 139,500 | 145,250 | 130,000 |
| 2 bed Prices (Flat) | 180,000 | 180,000 | 185,000 | 187,500 | 200,000 |
| 2 bed Prices (House) | 255,000 | 255,000 | 250,000 | 250,000 | 267,375 |
| 3 bed Prices (House) | 287,870 | 280,000 | 265,000 | 285,000 | 310,000 |
| 4 bed Prices (House) | 400,000 | 361,604 | 395,000 | 355,075 | 400,000 |

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

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

| August 2020 | Southend | Thurrock | Basildon | Castle Point | Rochford |
|----------------------------------|----------|----------|----------|--------------|----------|
| Renting (LA) | 78 | 76 | 76 | 83 | 0 |
| Renting (HA) | 95 | 101 | 95 | 92 | 92 |
| Renting - 80% | 125 | 142 | 138 | 138 | 129 |
| Renting (private) August 2020 | 156 | 178 | 173 | 172 | 162 |
| 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 | -18 | -17 | -12 | -34 | -24 |
| Buying LQ resale | 148 | 146 | 149 | 156 | 144 |
| Buying av resale | 167 | 161 | 171 | 171 | 159 |
| Buying LQ new build | NA | NA | NA | NA | NA |
| Buying av new build | 227 | 201 | 217 | 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 August 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**. Since May 2020, private rents increased in Southend, Thurrock and Basildon but remained stable in Rochford and Castle Point.
- The gap between private renting and the latest LHA still **remains significant in all SE Local Authorities ranging between £12 and £34 per week**. The gap has increased in Southend, Thurrock and Basildon where it doubled from £6 to £12 per week. As more people are affected by

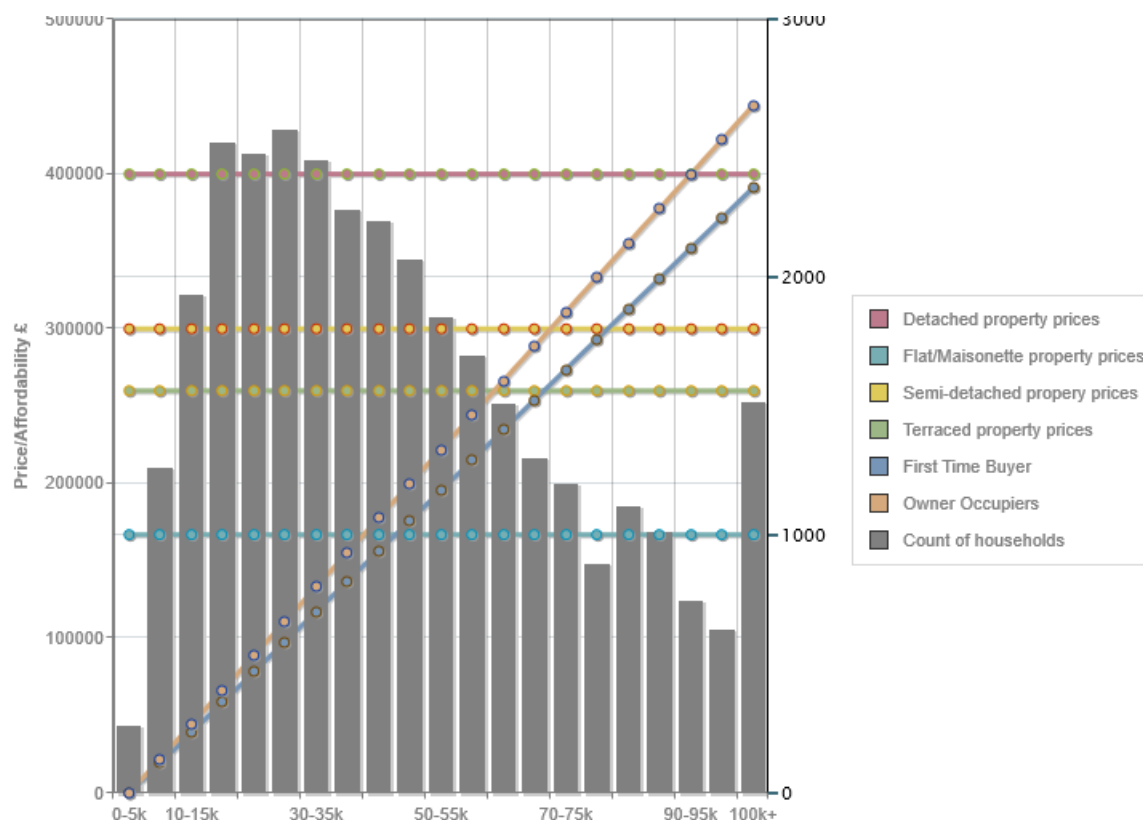


the impact of the Covid-19 second wave, there is a likelihood that affordability may worsen over the next few months.

- On the more positive side, it would appear that the Local Housing Allowance is now sufficient to cover the cost of Intermediate Rent (at 80% market rent) in all five SE local authority areas.

Affordability: 3.0 times income

Sample Area: Rochford



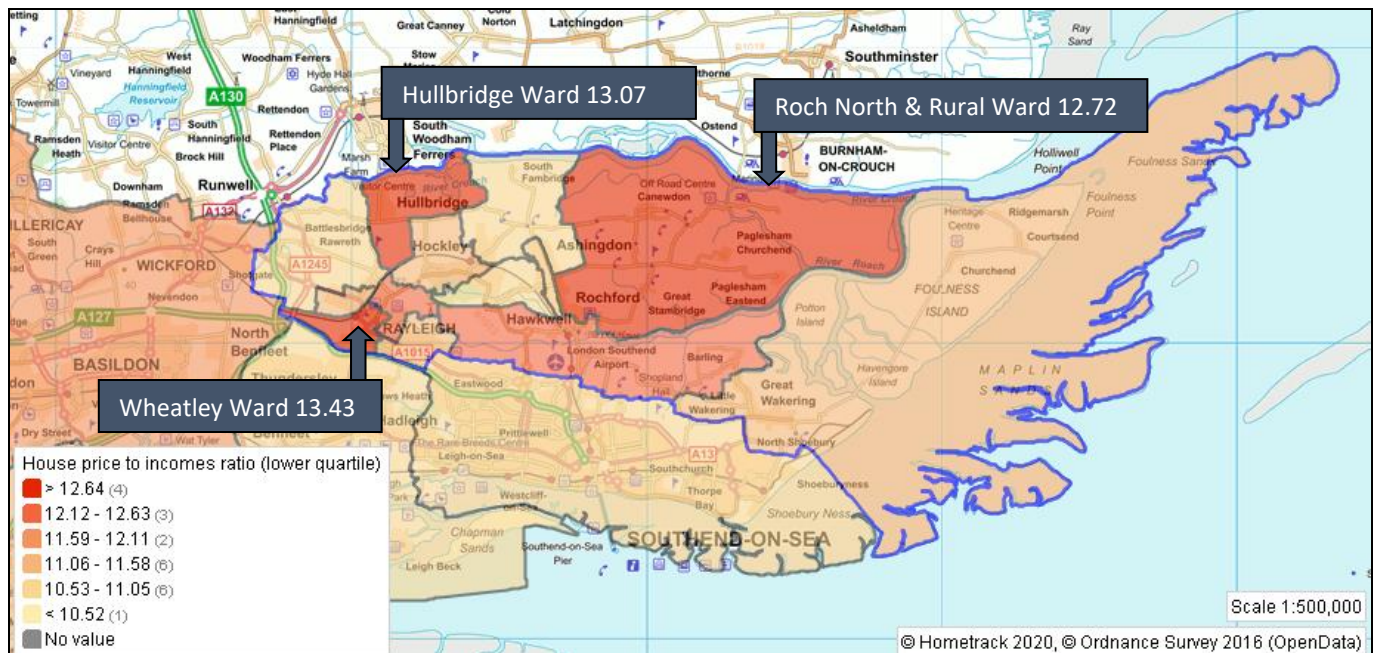
Looking at the wider affordability issues in **Rochford** both by income band and spatially; the above chart shows the number of households in different household income bands compared to the minimum price for different property types in the same area (horizontal lines). The diagonal lines rising from 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 **Rochford** are priced out of the property market. For example, **53.66%** 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 **78.79%** for those wishing to purchase a terraced property and **85.02%** for a semi-detached property.

Percent of households priced out of market Rochford

| | |
|---------------------------------------|---------|
| FTB households - Flats | 53.66% |
| FTB households - Terraced houses | 78.79% |
| FTB households - Semi-detached houses | 85.02% |
| FTB households - Detached houses | 100.00% |
| Owner occupier - Flats | 47.03% |
| Owner occupier - Terraced houses | 70.40% |
| Owner occupier - Semi-detached houses | 78.79% |
| Owner occupier - Detached houses | 93.58% |

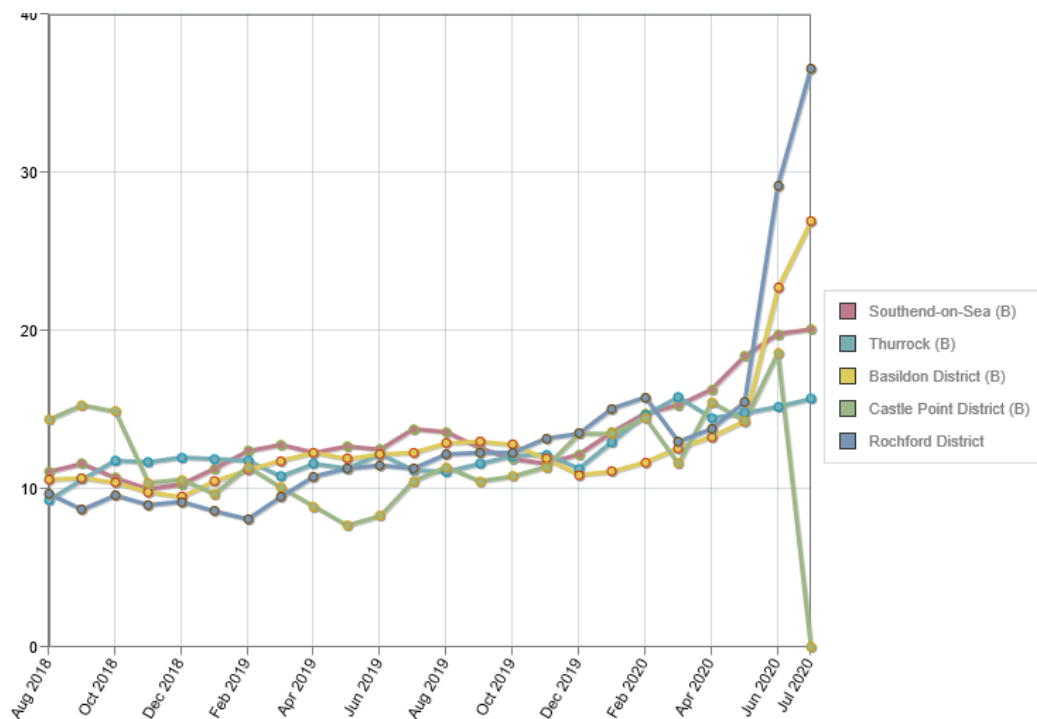
LQ house price to income ratio Rochford wards



The heat map compares the Lower Quartile house price to income ratios across individual wards in Rochford. The wards of Hullbridge, Roch North & Rural and Wheatley all had ratios of **12.5:1** or more.

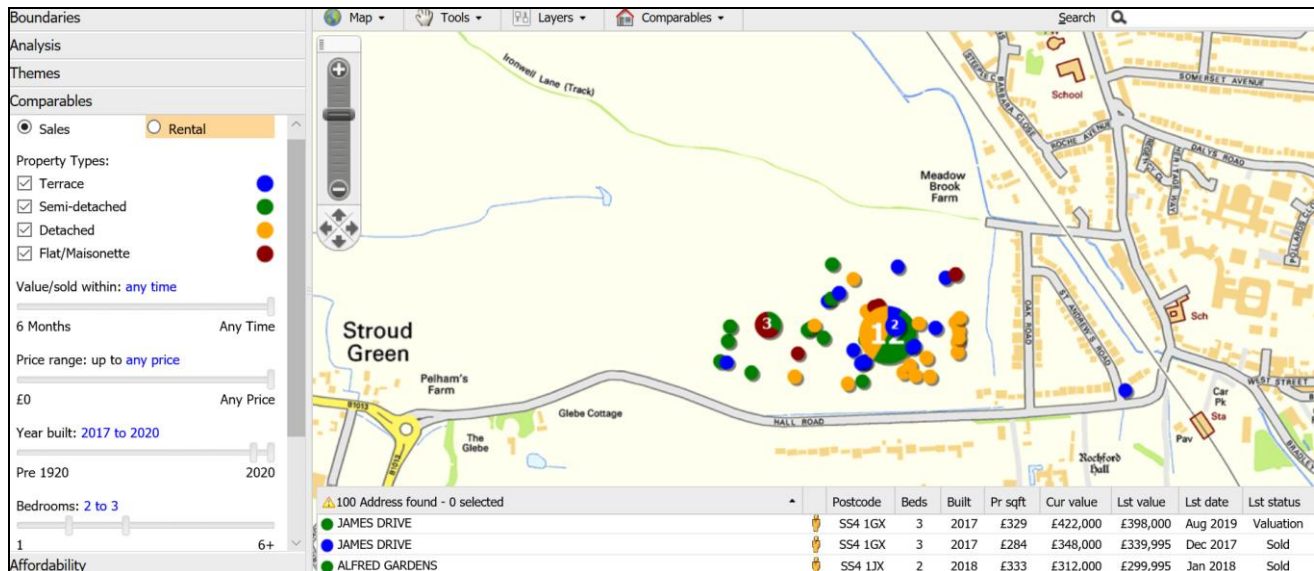
In comparison with the neighbouring region of London, the ratio was **16.44:1** and for the East of England **10.31:1**.

Market Indicators - total time to sell – weeks



Since June 2020 the time to sell increased in Rochford and Basildon and less so in Southend and Thurrock. In Castle Point it reduced sharply suggesting increased market activity.

Comparables Module - Recently built property prices in Rochford

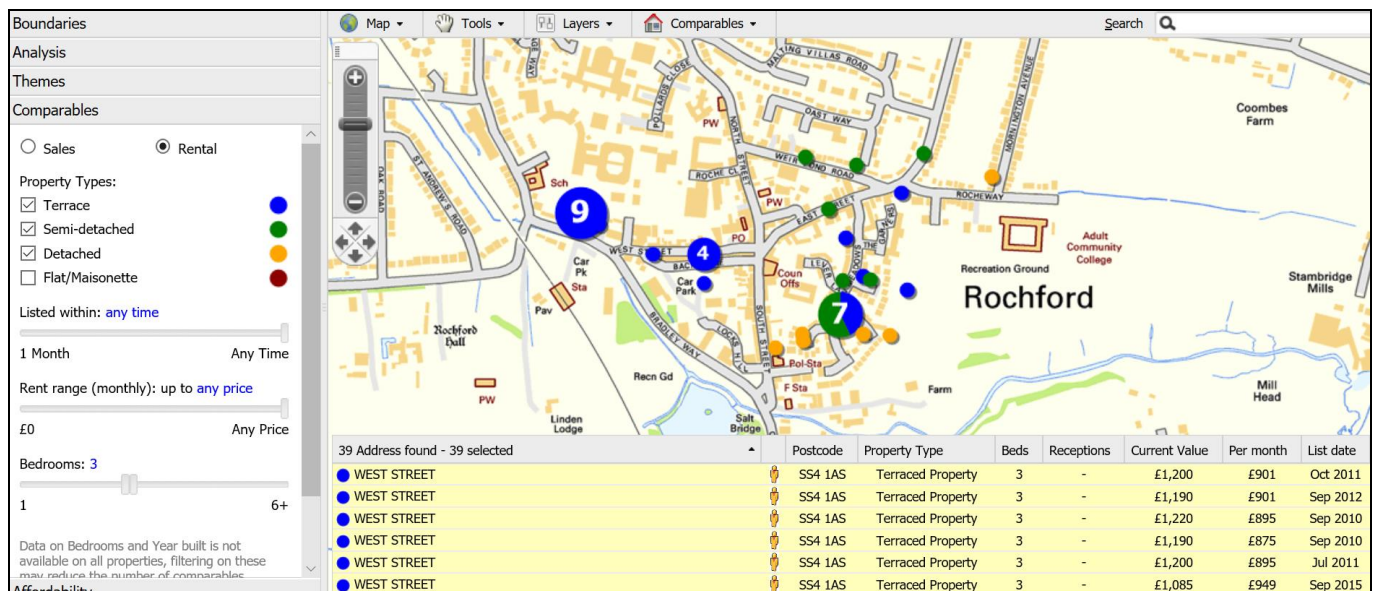


Using the Comparables Module it is possible to focus in on a chosen area and compare areas. In this example, the focus area was new build 2-3 bed properties located north of Hall Road close to Rochford Town Centre.

A detailed list of some 63 properties showing for example street name, post code, property type, current values was then exported in excel for further analysis.

The average selling price of a new build property was then calculated as **£385,419**, which when compared with the average overall price of property in Rochford District of **£336,008**, showed that new builds in this location close to the town centre had a premium of 14.8%.

New build property rental figures v overall average rental figures



Similar comparisons can be made with rent, comparing one area / street with another. In this example the average rent for a 3-bed property in Rochford Town Centre was calculated at **£1,212**. This can then be compared with the average overall rent for 3-bed properties at District level at **£1,196**, showing there is still a premium for town centre living.



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 |
| Feb 2012 | 150,000 | 144,995 | 150,000 | 172,000 | 180,000 |
| Aug 2012 | 145,000 | 140,000 | 151,000 | 165,000 | 188,000 |
| Feb 2013 | 148,250 | 140,000 | 147,000 | 160,000 | 182,500 |
| Aug 2013 | 150,000 | 145,000 | 154,995 | 165,000 | 192,000 |
| Feb 2014 | 156,500 | 150,000 | 160,000 | 178,000 | 198,000 |
| Aug 2014 | 162,500 | 160,000 | 165,000 | 184,995 | 214,000 |
| Feb 2015 | 170,000 | 170,000 | 175,000 | 195,000 | 220,000 |
| Aug 2015 | 175,000 | 178,000 | 180,000 | 210,000 | 234,000 |
| Feb 2016 | 180,000 | 195,000 | 200,000 | 220,000 | 250,000 |
| Aug 2016 | 180,000 | 215,000 | 220,000 | 222,500 | 260,000 |
| Feb 2017 | 192,000 | 225,000 | 225,000 | 235,000 | 275,000 |
| Aug 2017 | 210,000 | 230,000 | 235,000 | 253,700 | 288,000 |
| Feb 2018 | 210,000 | 225,000 | 240,000 | 250,000 | 290,000 |
| Aug 2018 | 212,500 | 235,000 | 242,000 | 252,500 | 290,000 |
| Feb 2019 | 217,500 | 230,000 | 237,500 | 250,000 | 290,000 |
| Aug 2019 | 210,000 | 230,000 | 238,000 | 255,000 | 290,000 |
| Feb 2020 | 220,000 | 236,000 | 240,000 | 250,000 | 290,000 |
| Aug 2020 | 230,000 | 240,000 | 249,000 | 265,000 | 300,000 |
| Change Aug 19 Aug 20 | 20,000 | 10,000 | 11,000 | 10,000 | 10,000 |
| Change Aug 2012 Aug 2020 | 85,000 | 100,000 | 98,000 | 100,000 | 112,000 |

Source: Hometrack Housing Intelligence System



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