



South Essex Housing Market Trends

Quarterly Report

January 2021

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 December was up 6%.
- In the latest quarter (October – December) house prices were 2.6% higher than the previous quarter.
- The average house price is now £253,374 up from October's figure of £249,870.
- The monthly rise of 0.2% was the lowest seen during this period and significantly down on the 1.0% increase in November.
- Richard Donnell, Research and Insight Director, Hometrack / Zoopla said "we expect UK house price growth to slow to around +1% by end of 2021 as demand starts to weaken.
- Market conditions have remained strong with 40% more demand for housing in 2020 than in 2019 but net new supply has only been 4% higher.
- Sales agreed continues to be strong especially in the South East with price growth for houses is more than double than flats, where buyers are prioritising homes with private outdoor space.

Local House Prices

- Average house price growth in South Essex was up 7.76% in November 2020, up from 4.97% in the previous reporting period August 2019-20.
- House prices have remained resilient to downward market pressure due to COVID-19 (second wave) restrictions; rising by as much as £33,268, 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 had the highest prices.

Cross Tenure (for a one bed property)

- Since May 2020, private rents increased in all areas apart from Castle Point where they remained stable.
- The gap between private renting and the latest Local Housing Allowance (LHA) still remains significant in all SE Local Authorities ranging between £17 and £34 per week.
- Data continues to show 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 Castle Point, namely; Victoria, Canvey Island North, South and Central, all had ratios of 12.0:1 or more.
- In comparison with the neighbouring region of London, the ratio was 16.6:1 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 Castle Point as the sample area, an example shows how the average house price for recently built homes north of Kiln Road had a premium of 50% of average house prices.



House prices end 2020 at record high, but pace of growth has slowed



£253,374

Average price

+0.2%

Monthly change

+2.6%

Quarterly change

+6.0%

Annual change

According to the **Halifax House Price Index**; house prices in the three months to December 2020 were 6.0% higher than in the same period a year ago. In the latest quarter (October – December) house prices were 2.6% higher than the previous quarter and monthly house prices were also 0.2% higher. The average house price is now £253,374.

Russell Galley, Managing Director, Halifax commented “average houses prices rose again in December, stretching the current run of continuous gains to six months. However, the monthly rise of 0.2% was the lowest seen during this period and significantly down on the 1.0% increase in November.”

“In the near-term, there may be enough residual strength in the market to sustain prices up to the deadline for the stamp duty holiday and the scaling back of Help to Buy at the end of March. However, with the pace of the UK’s economic recovery expected to be constrained by the renewed national lockdown, and unemployment widely predicted to rise in the coming months, downward pressure on house prices remains likely as we move through 2021.”

Richard Donnell, Research and Insight Director, Hometrack / Zoopla said “we expect UK house price growth to slow to around +1% by end of 2021 as demand starts to weaken. Market conditions remain strong with 40% more demand for housing in 2020 than in 2019. In comparison, the flow of net new supply onto the market has only been 4% higher. This mismatch between supply and demand explains why house price growth has been increasing.

Sales agreed continues to be strong especially in the South East. Price growth for houses is more than double for flats, where buyers are prioritising homes with private outdoor space”.



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 November 2019 – November 2020

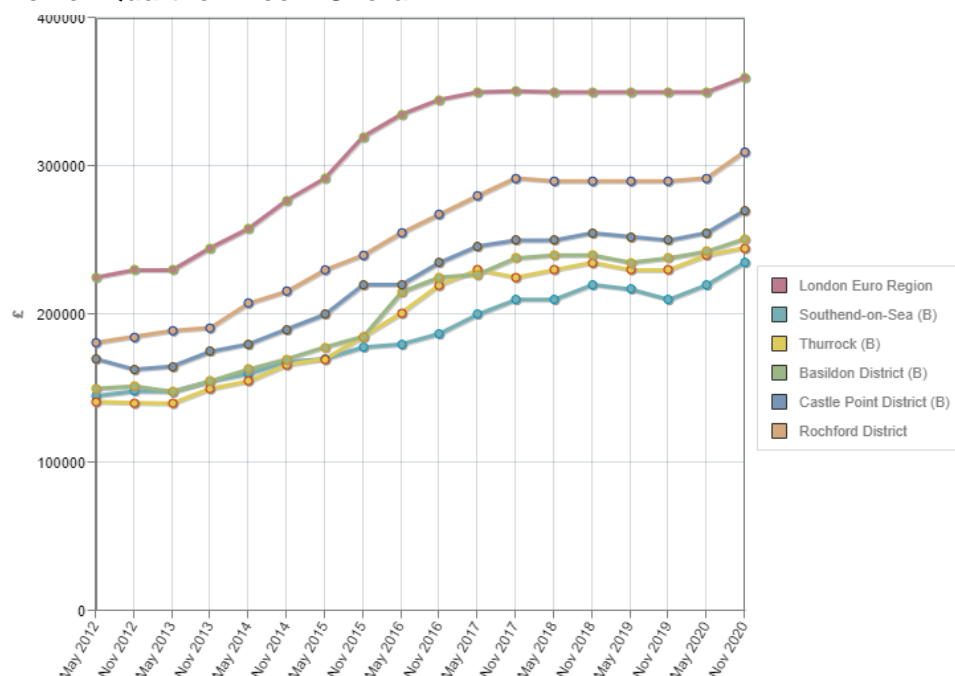
LA	London	Southend	Thurrock	Basildon	Castle Point	Rochford
Nov 2019	573,221	326,198	298,446	335,669	333,547	387,029
Nov 2020	594,433	356,456	315,337	368,937	357,498	413,285
CHANGE	21,212	30,258	16,891	33,268	23,951	26,256
%	3.70%	9.28%	5.66%	9.91%	7.18%	6.78%

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 November 2019 and November 2020 (taken over a ten-year timespan), prices have remained resilient despite restrictions imposed from successive national lockdowns. Basildon saw the biggest gain of £33,268 followed by Southend at £30,258. Thurrock experienced the smallest gain at £16,891. Prices in London also rose but at a slower rate than South Essex, apart from Thurrock. Average house price growth in South Essex was up **7.76%** in November 2020, up from **4.97%** in the previous reporting period August 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 May 2013 across South Essex area. Whilst LQ house price growth in the London region rose rapidly too, it flattened off between 2017-19 onwards, before beginning to rise again from May 2020.

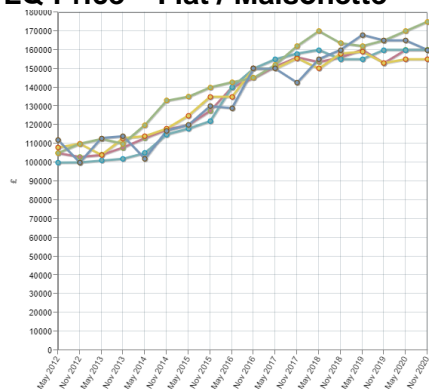
In November 2020, the highest overall lower quartile property price in SE was in Rochford at **£310k**, followed by Castle Point at **£270k**, Basildon at **£251k**, Thurrock at **£245k**, and Southend **£235k**.



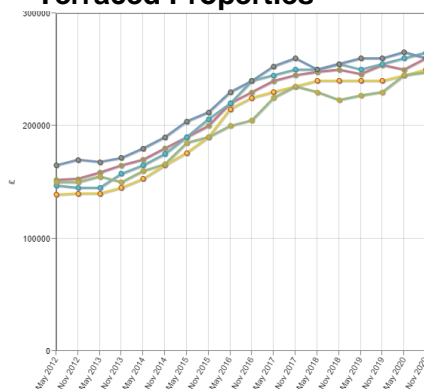
Annual LQ house price growth in November was up across all five SE Local Authorities by as much as **£25k** in Southend (see appendix 1, page 9), suggesting South Essex among other areas is becoming a more sought-after place to live following lock-down. Data also shows house prices as being resilient during the Covid-19 first wave, in part due to the in balance between supply and demand, further boosted by the stamp duty holiday and extension to Help to Buy.

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 **£125k**.

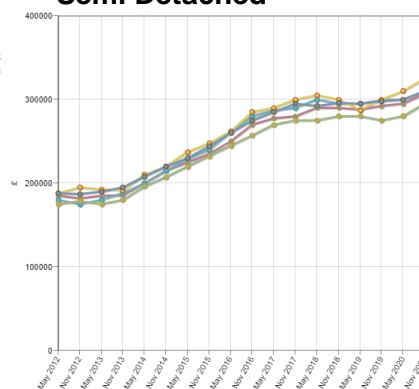
LQ Price – Flat / Maisonette



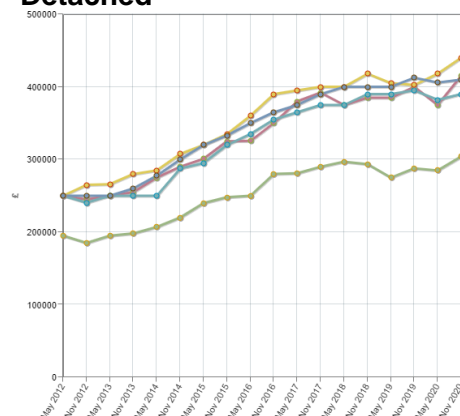
Terraced Properties



Semi Detached



Detached



Since May 2020, house prices of flats / maisonette actually fell in Rochford and remained broadly stable elsewhere apart from Castle Point where they have grown. For semi and detached property, prices have grown with Basildon experiencing the highest growth breaking the £300k threshold. A shortage of supply especially in Castle Point and growth in demand especially for out of town properties with space would perhaps explain the spike in house prices.

Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

Castle Point Borough Council					
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales	Overall property price bands
2016	1,342	150	14	19	4.1%
2017	1,237	121	52	25	3.8%
2018	1,153	120	12	26	3.5%
2019	1,238	109	2	5	3.6%
2020	704	68	NA	1	2.1%

The table on the previous page 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.

Turn-over figures for second-hand house and flat sales declined somewhat between 2016-19. For new build house sales, they peaked in 2017 and then declined sharply with only 2 sales recorded in 2019. For new build flats they rose steadily between the same period but again fell sharply to just 5 sales in 2019.

The total turnover is also shown as a proportion of overall property, based on Land Registry data. Turnover declined somewhat between 2016-19. The rate remains down from the pre-recession figure of 5.5% in 2007. (See TGSE Housing Market Trends Quarterly Report, January 2011).

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

	Southend	Thurrock	Basildon	Castle Point	Rochford
1 bed Prices (Flat)	135,000	143,000	140,000	149,375	112,500
2 bed Prices (Flat)	180,000	185,000	182,300	190,000	200,000
2 bed Prices (House)	252,500	254,500	250,000	250,000	275,000
3 bed Prices (House)	290,000	285,000	270,000	285,000	320,000
4 bed Prices (House)	415,000	364,000	410,000	369,250	410,000

The table above shows the lower quartile price of property by bed count in the SE area based on November 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 Southend.

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

November 2020	Southend	Thurrock	Basildon	Castle Point	Rochford
Renting (LA)	78	76	76	83	0
Renting (HA)	95	101	95	92	92
Renting - 80%	127	142	142	138	131
Renting (private)					
November 2020	159	178	178	172	164
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	-21	-17	-17	-34	-26
Buying LQ resale	144	149	149	149	138
Buying av resale	166	170	165	170	165
Buying LQ new build	NA	214	223	239	NA
Buying av new build	NA	223	239	239	NA

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

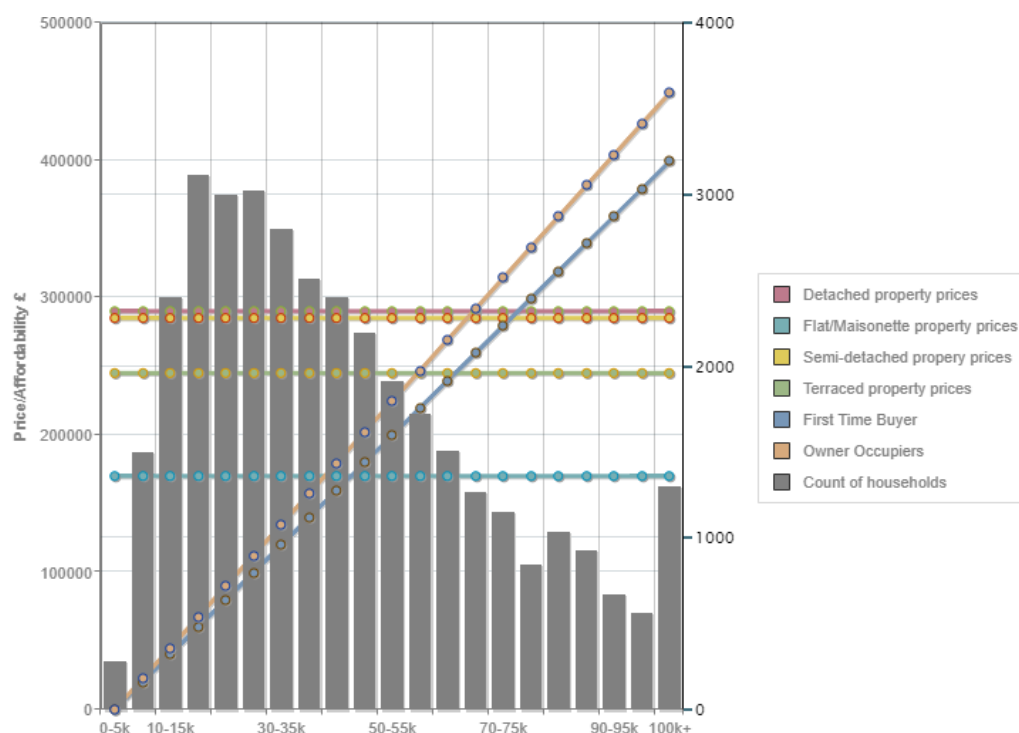
- The weekly cost of private renting (one bed property) whilst **stabilizing** following a sharp increase in 2017-18, **began to edge up** last year. Since May 2020, private rents increased in all areas apart from Castle Point where they remained stable.



- The gap between private renting and the latest LHA still **remains significant in all SE Local Authorities ranging between £17 and £34 per week**. The gap has increased in Southend, Basildon and Rochford but remained stable elsewhere. As more people are affected by the impact of the Covid-19 third national lockdown, there is a likelihood that affordability may worsen over the next few months.
- The **Local Housing Allowance continues to be 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: 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.

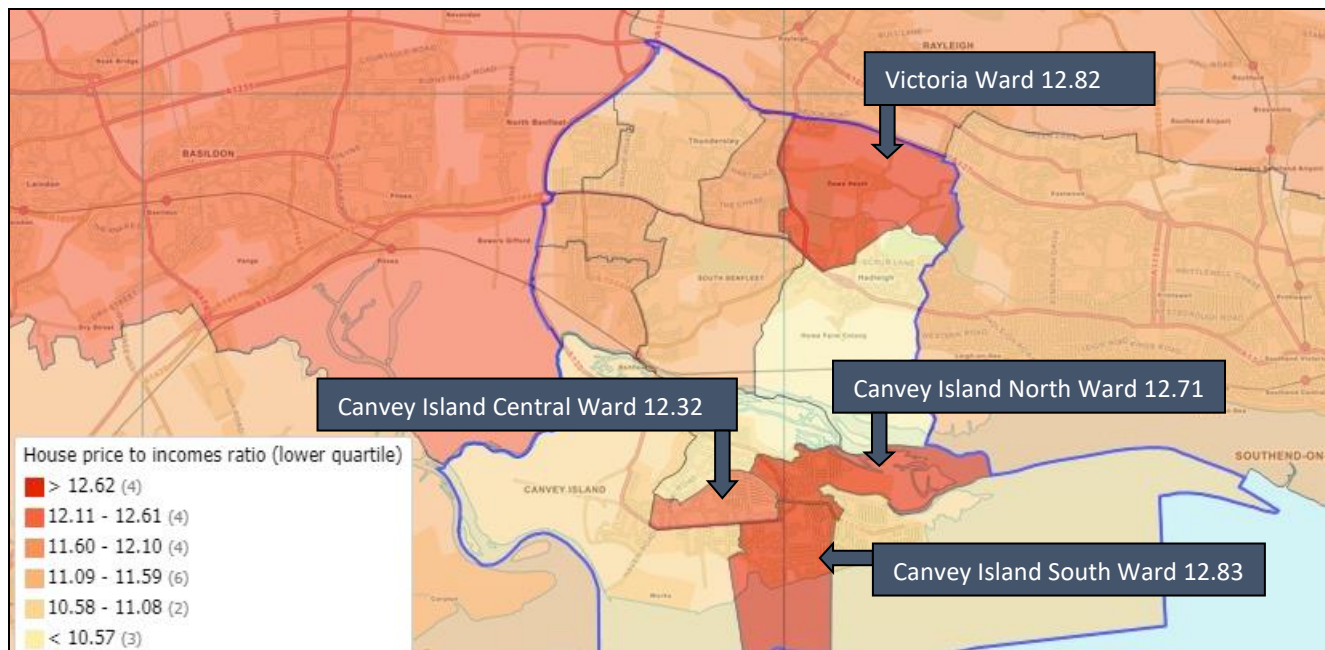
The chart demonstrates that a significant proportion of residents in **Castle Point** are priced out of the property market. For example, **58.22%** of households were priced out of the market (i.e. cannot afford to purchase a flat as a first-time buyer on a mortgage at 3.0 times their income). This rises to **78.52%** for those wishing to purchase a terraced property and **85.23%** for a semi-detached property.

Percent of households priced out of market Castle Point

FTB households - Flats	58.22%
FTB households - Terraced houses	78.52%
FTB households - Semi-detached houses	85.23%
FTB households - Detached houses	85.23%
Owner occupier - Flats	51.56%
Owner occupier - Terraced houses	69.58%
Owner occupier - Semi-detached houses	78.52%
Owner occupier - Detached houses	78.52%



LQ house price to income ratio Castle Point wards

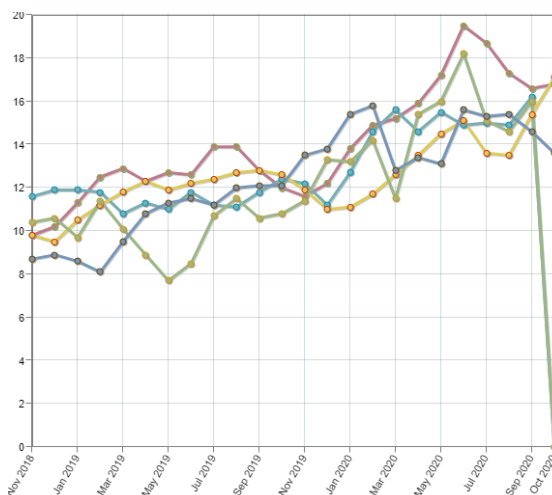


The heat map compares the Lower Quartile house price to income ratios across individual wards in Castle Point. **The wards of Victoria, Canvey Island North, South and Central, all had ratios of 12.0:1 or more.**

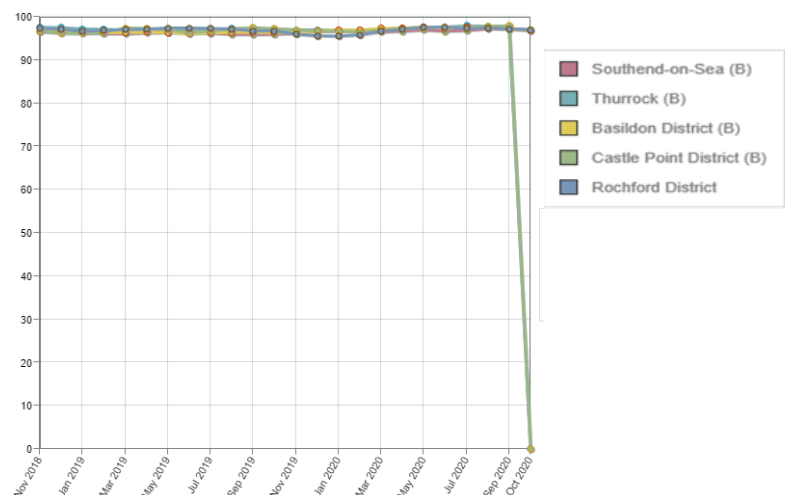
In comparison with the neighbouring region of London, the ratio was **16.58:1** and for the East of England **10.31:1**.

Market Indicators

total time to sell – weeks



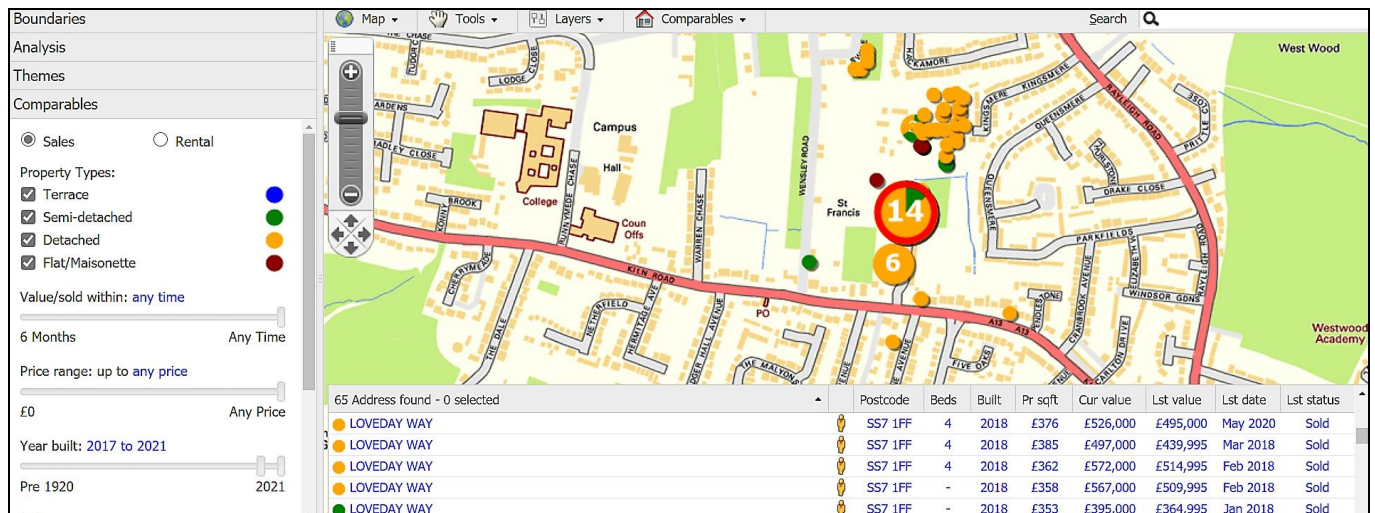
Sales to asking price – Percentage



Since May 2020 the time to sell fell in Southend, Castle Point and Rochford but rose in Basildon. Sales to asking price remains steading in South Essex*.

*Please note that in light of the Covid Pandemic the Housing Demand: Time to Sell (weeks) and Sales to Asking Price are not available for Thurrock and Castle Point and some data points might be volatile due to low Land Registry sample counts. A lag in reporting of transactions is also possible, and as more data is added in the coming months, the metrics will be re-published.

Comparables Module - recently built property prices in Castle Point v overall average prices

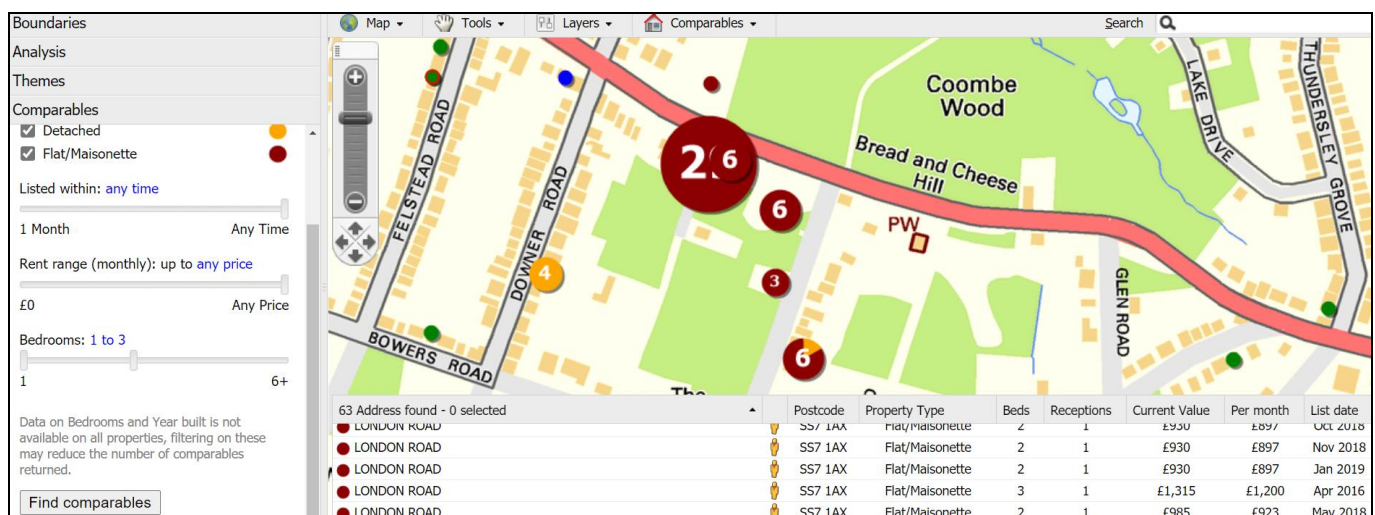


Using the Comparables Module it is possible to focus in on a chosen area and compare areas. In this example, the focus area was new build houses from 2017 located north of Kiln Road, close to the Council offices. A detailed list of 65 properties showing for example street name, post code, property type, current / previous values, was then exported into excel for further analysis.

The average sales price or valuation of the properties was then calculated as £536,831 which when compared with the average overall price of property in Castle Point Borough of £357,498 showed that new builds in this location had a premium of just over 50%.

Further analysis showed the impact of house price inflation, by comparing those properties (45 in total) which had been valued in 2017 at £503,700 with current values in November 2020 at £563,160; an increase of 12%. In comparison with the change in borough wide house prices between the same period; the increase was just 7%.

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 monthly rent for recently developed 1,2 and 3 bed-room properties on Bread and Cheese Hill in Castle Point was calculated at **£1,013**. This can then be compared with the average overall rent for 1,2 and 3 bedroom properties at District level at **£963**, showing that the recently built properties have a small premium over average rents, but not as significant as the above example of recently built properties for sale over North of Kiln Road compared with the borough wide average house price.

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 2012	145,000	140,995	150,000	170,000	181,000
Nov 2012	148,250	140,500	151,500	163,000	185,000
May 2013	148,000	140,000	148,000	165,000	189,000
Nov 2013	155,000	150,000	155,000	175,000	191,000
May 2014	160,000	155,000	163,000	180,000	207,500
Nov 2014	168,000	166,000	170,000	190,000	215,500
May 2015	170,000	170,000	178,000	200,000	230,000
Nov 2015	178,000	185,000	185,000	220,000	240,000
May 2016	180,000	201,000	215,000	220,000	255,000
Nov 2016	187,000	220,000	225,000	235,000	267,600
May 2017	200,000	230,000	227,000	246,000	280,000
Nov 2017	210,000	225,000	238,000	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	217,000	230,000	235,000	252,500	290,000
Nov 2019	210,000	230,000	238,000	250,000	290,000
May 2020	220,000	240,000	242,500	255,000	292,000
Nov 2020	235,000	245,000	251,000	270,000	310,000
Change Nov 19 Nov 20	25,000	15,000	13,000	20,000	20,000
Change Nov 2012 Nov 2020	86,750	104,500	99,500	107,000	125,000

Source: Hometrack Housing Intelligence System



For further information, please contact:

Alastair Pollock - Strategy Coordinator
C/o Castle Point Borough Council
Kiln Road, Thundersley
Benfleet, Essex, SS7 1TF
Tel: 01268 882270

apollock@castlepoint.gov.uk
<https://www.housingessex.org/>



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