

SOUTH ESSEX
HOUSING GROUP

South Essex Housing Market Trends

Quarterly Report

July 2023

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](#). 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 published [South Essex Housing Needs Assessment, June 2022](#). Changes in Lower Quartile house prices for SE local authority areas are tabled in Appendix 1.

Key trends

National Trends

- Average house price fell by -0.1% in June, a third consecutive monthly decline.
- Annual rate of house price growth fell to -2.6%, from -1.1% in May.
- Typical UK property now costs £285,932 (vs peak of £293,992 last August).
- New build prices more resilient compared to existing homes.
- Southern England sees most downward pressure on property prices.

Local House Prices

- Average annual house price growth in South Essex was up 2.51%, significantly down from 5.59% in the last reporting period February 2023.
- Thurrock still recorded the biggest annual gain at £22,768, while prices in Basildon fell by -£7,084.
- The prices of flat / maisonette properties have become more stable with prices in Castle Point falling in line with average prices, whilst for larger properties the majority authorities have seen a fall in house prices.

Price of property by bed count

- For 1 bed flats; Castle Point / Southend had the highest price, whilst for 2 bed flats it was Thurrock, for 2/3 bed houses it was Rochford, for 4 bed houses Southend continues to top the list.

Cross Tenure (for a one bed property)

- The weekly cost of private renting (one bed property) has increased over the last year by as much as £18 in Thurrock, £17 in Castle Point and Basildon, £11 in Southend and Rochford.
- The gap between private renting and the current LHA remains significant in all SE Local Authorities ranging between -£63 per week in Castle Point and -£45 per week in Southend / Basildon and continues to widen.
- The Local Housing Allowance is now not sufficient to cover the cost of Intermediate Rent (at 80% market rent) in all five South Essex local authorities.
- Private renting is more than twice as expensive than social renting through a Housing Association in all five South Essex local authorities.

Affordability (Lower Quartile house price to income ratios)

- The Castle Point wards of Appleton, St Mary's, Cedar Hall, Victoria, Canvey Island North and Central all had ratios of 13:1 or more.
- In comparison with the neighbouring region of London, the ratio was 15.46:1 and for the East of England 10.84:1.

Comparables Module

- Using Castle Point as the sample area, average property prices of recently built 2-3 bed roomed homes (from 2018) located on Canvey Island at £375,815, were then compared with similar properties on the mainland at £396,633, showing that these properties had a premium of just over 5% compared to the properties on Canvey Island.
- Private monthly rental values of six 1-2 bed roomed properties on Manna Heights, London Road at £932 was then compared with the borough average at £984.



House Price Index



Average house price

£285,932



Monthly change

-0.1%



Quarterly change

+0.3%



Annual change

-2.6%

House prices edge down as market cools amid higher interest rates

- Average house price fell by -0.1% in June, a third consecutive monthly decline
- Annual rate of house price growth fell to -2.6%, from -1.1% in May
- Typical UK property now costs £285,932 (vs peak of £293,992 last August)
- New build prices more resilient compared to existing homes
- Southern England sees most downward pressure on property prices

Kim Kinnaird, Director, Halifax Mortgages, said: "...These latest figures do suggest a degree of stability in the face of economic uncertainty, and the volume of mortgage applications held up well throughout June, particularly from first-time buyers..."

That said the housing market remains sensitive to volatility in borrowing costs. Concerns about persistent inflation have led to a significant increase in the cost of funding. Coupled with base rate rising by another 50bp, this contributed to a big jump in typical mortgage rates over the last month...

How deep or persistent the downturn in house prices will be remains hard to predict. Consumer price inflation is likely to come down in the near term as energy and food prices look set to reverse their steep rises, but core inflation is clearly proving stickier than originally expected. With markets now forecasting a peak in Bank Rate of over 6%, the likelihood is that mortgage rates will remain higher for longer, and the squeeze on household finances will continue to put downward pressure on house prices over the coming year."

Richard Donnell, Director of Research at Hometrack said "Falling mortgage rates over H1 2023 boosted sales and led to small price increases. This is set to reverse in H2 as higher mortgage rates hit buying power at a time when sellers are having to accept larger discounts to asking prices. There has been a jump in proportion of sellers having to accept discounts to asking.

The resilience of the housing market and homebuyers is set to be tested once again as mortgage rates increase over 5%. Firmer pricing this spring shows 4-5% mortgage rates are manageable, but the longer rates stay over 5%, and closer to 6%, the increased hit to buying power will result in lower prices and sales volumes.

There is a large equity buffer to absorb house price falls making the risk of negative equity much smaller than in previous downturns. The bigger challenge for housing activity is the affordability of monthly payments for buyers, and those re-mortgaging, set against the wider increase in other costs of living. Household budgets are being squeezed and we look set for a prolonged period of low nominal house price growth which will result in a steady re-alignment of house prices and household incomes over the next 3-5 years.

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 May 2022 – May 2023

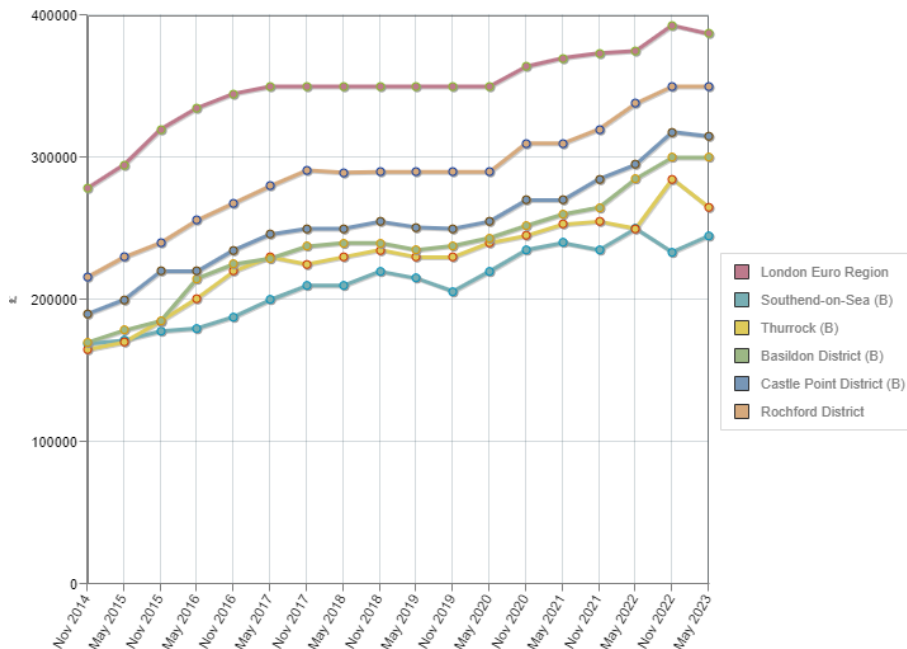
	London	Southend	Thurrock	Basildon	Castle Point	Rochford
May 2022	630,861	392,083	339,414	403,225	399,139	451,540
Nov 2022	653,365	385,921	368,646	410,074	411,820	461,217
May 2023	639,702	393,004	362,182	396,141	419,015	462,269
CHANGE	8,841	921	22,768	-7,084	19,876	10,729
% May 22	1.40%	0.23%	6.71%	-1.76%	4.98%	2.38%
% Nov 22	-2.17%	1.81%	-1.90%	-3.46%	1.80%	0.23%

Average annual house price growth in South Essex was up by **2.51%**, from 5.59% in the last reporting period February 2023 as the housing market continues to cool following the latest hike in interest rates. **Thurrock** had the **biggest gain at £22,768** whilst Basildon prices fell by **-£7,084**. Figures over the last 6 months show the rate of growth falling further with Basildon, London then Thurrock seeing the largest fall in prices.

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

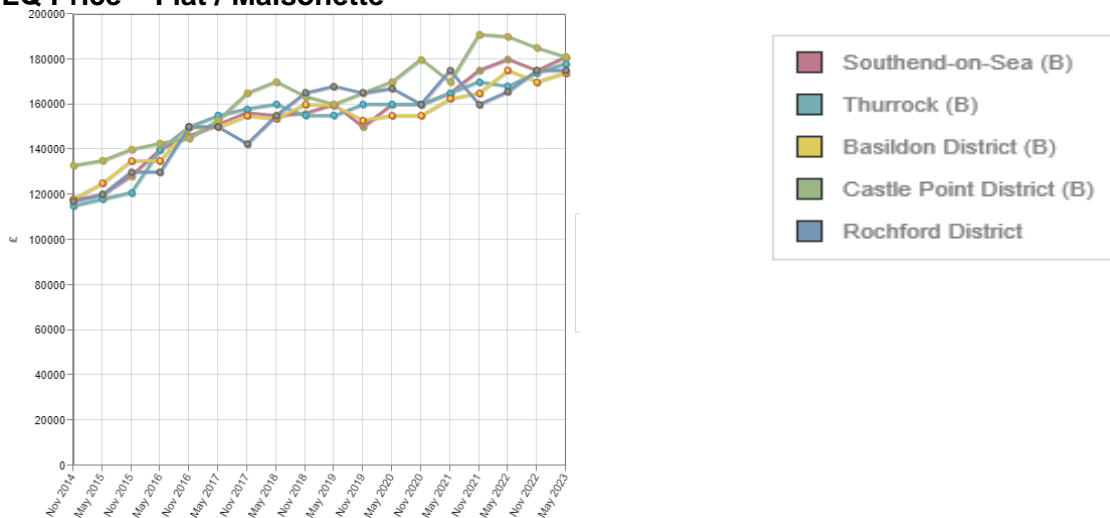


The graph shows Lower Quartile house prices growing steadily since November 2014, until flattening before the onset of the pandemic but then accelerating from May 2020 supported by the Stamp Duty holiday, the “race for space” and Help to Buy. However, since November 2022 **prices have started levelling out or falling**.

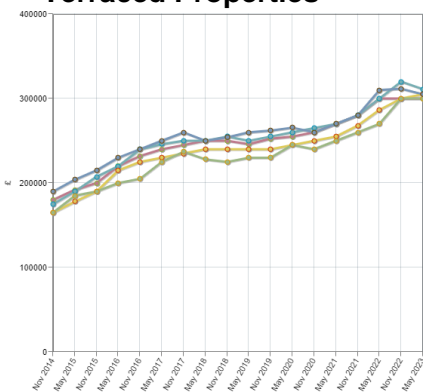
In May 2023, the highest overall lower quartile property price in SE was in Rochford at **£350k**, followed by Castle Point at **£315k**, Basildon at **£300k**, Thurrock at **£265k** and Southend **£245k**.

Annual LQ house price growth in May 2023 was still up by **£20k** in Castle Point, followed by Thurrock and Basildon **£15k**, Rochford **£12k**, but down in Southend **-£5k**, supported by a 2-3 year period of strong year on year growth. House prices are now entering a testing period with prices levelling off and in some areas falling in response to changing market conditions.

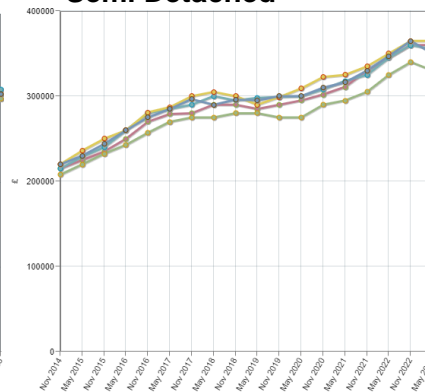
LQ Price – Flat / Maisonette



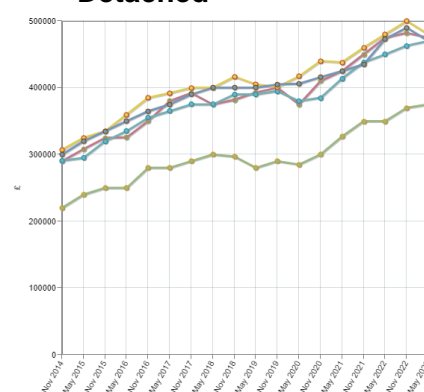
Terraced Properties



Semi Detached



Detached



The prices of **flat / maisonette properties** have become more stable with prices in Castle Point falling in line with average prices.

The more marked change has come from larger properties where the majority authorities have seen a fall in house prices. Previously, prices of larger properties had been growing year on year.

To note, prices for larger properties in Castle Point have consistently lagged behind, this is because prices on Canvey Island are generally lower and therefore drag the average price down.

Annual Turnover by Broad Type and Age

As a Proportion of Overall Property

	Castle Point Borough Council				Source: HM Land Registry
	2nd Hand House Sales	2nd Hand Flat Sales	New Build House Sales	New Build Flat Sales	Overall property price bands
2019	1,240	108	2	5	3.6%
2020	1,144	97	3	8	3.3%
2021	1,612	137	1	13	4.7%
2022	1,033	126	1	4	3.1%
2023	228	27	NA	NA	0.7%

The table overpage 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** whilst peaking in 2021 **remained relatively strong** in 2022. **New build house sales declined** from their peak in 2020-21 and **remain on the low side**. To note: these figures do not reflect the Borough's net completion rates which have been more steady and higher (source: Councils' monitoring / Turley analysis). The difference is likely to be because sales figures do not include affordable housing completions and possible time-lag in reporting.

The total turnover is also shown as a proportion of overall property, based on Land Registry data. **Turnover has remained stable**. However, it is still **down from pre 2008 figures** excess of 5.50% (see TGSE Housing Market Trends Quarterly Report January 2011)

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

May 2023	Southend	Thurrock	Basildon	Castle Point	Rochford
Renting (LA)	78	76	76	83	NA
Renting (HA)	95	101	95	92	92
Renting - 80%	146	166	165	161	147
Renting (private)	183	207	206	201	184
May 2022	172	189	189	184	173
May 2021	161	178	184	184	161
May 2020	155	173	167	172	162
May 2019	150	173	167	167	150
Change May 22- May 23	+11	+18	+17	+17	+11
LHA (as of 1/04/20)	138	161	161	138	138
Gap LHA & renting	-45	-46	-45	-63	-46
Buying LQ resale	239	239	232	247	244
Buying AV resale	278	269	267	278	270
Buying LQ new build	263	NA	436	NA	397
Buying av new build	263	NA	448	NA	423

The above table and graph show the weekly cost of renting or purchasing a one bed-room property across a range of quartiles based on May 2023 figures. Key trends are summarised below.

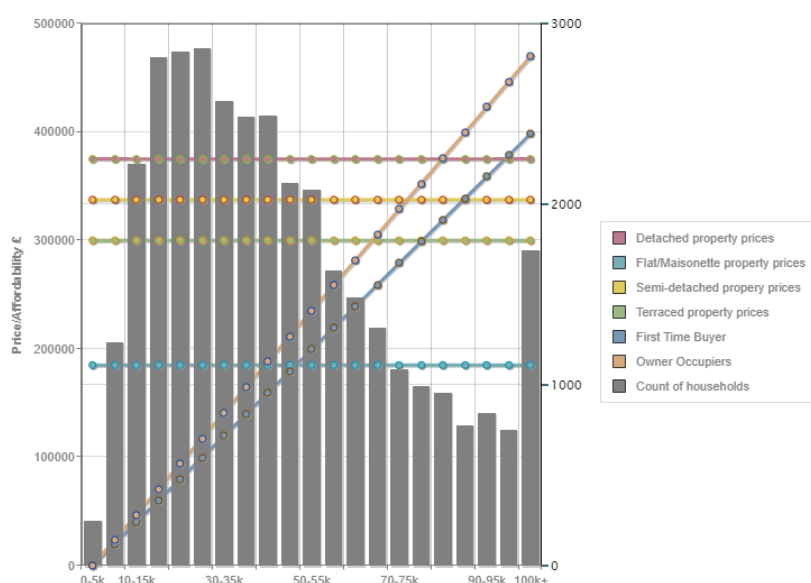
- The weekly cost of private renting (one bed property) has increased over the last year by as much as **£18** per week in Thurrock, **£17** in Castle Point and Basildon, **£11** in Southend and Rochford.
- The gap between private renting and the current LHA remains significant in all SE Local Authorities ranging between **-£63 per week in Castle Point** and **-£45 per week in Southend / Basildon** and **continues to widen** from the previous reporting period in February 2023.
- The Local Housing Allowance **is now not sufficient** to cover the cost of Intermediate Rent (at 80% market rent) **in all five** South Essex local authorities.
- Buying a LQ resale one bed property remains **more expensive** than private renting even at Intermediate Rent (80% market) **in all five** South Essex Local Authorities.
- Private renting is **more than twice as expensive** as social renting through a Housing Association **in all five** South Essex local authorities.

Lower Quartile Price of Property by Bed Count (May 2023)

	Southend	Thurrock	Basildon	Castle Point	Rochford
1 bed Prices (Flat)	162,500	160,000	154,000	162,500	161,750
2 bed Prices (Flat)	200,000	205,000	200,000	200,750	180,000
2 bed Prices (House)	290,000	305,000	300,000	302,500	322,960
3 bed Prices (House)	330,000	345,000	324,000	340,000	360,000
4 bed Prices (House)	465,000	450,000	445,000	440,000	450,000

The above table shows the lower quartile price of property by bed count in the South Essex area based on May 2023 figures. For 1 bed flats; **Castle Point and Southend had the highest price**, whilst for 2 bed flats it was **Thurrock**, for 2 and 3 bed houses it was **Rochford**, but for 4 bed houses **Southend** continues to top the list.

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.

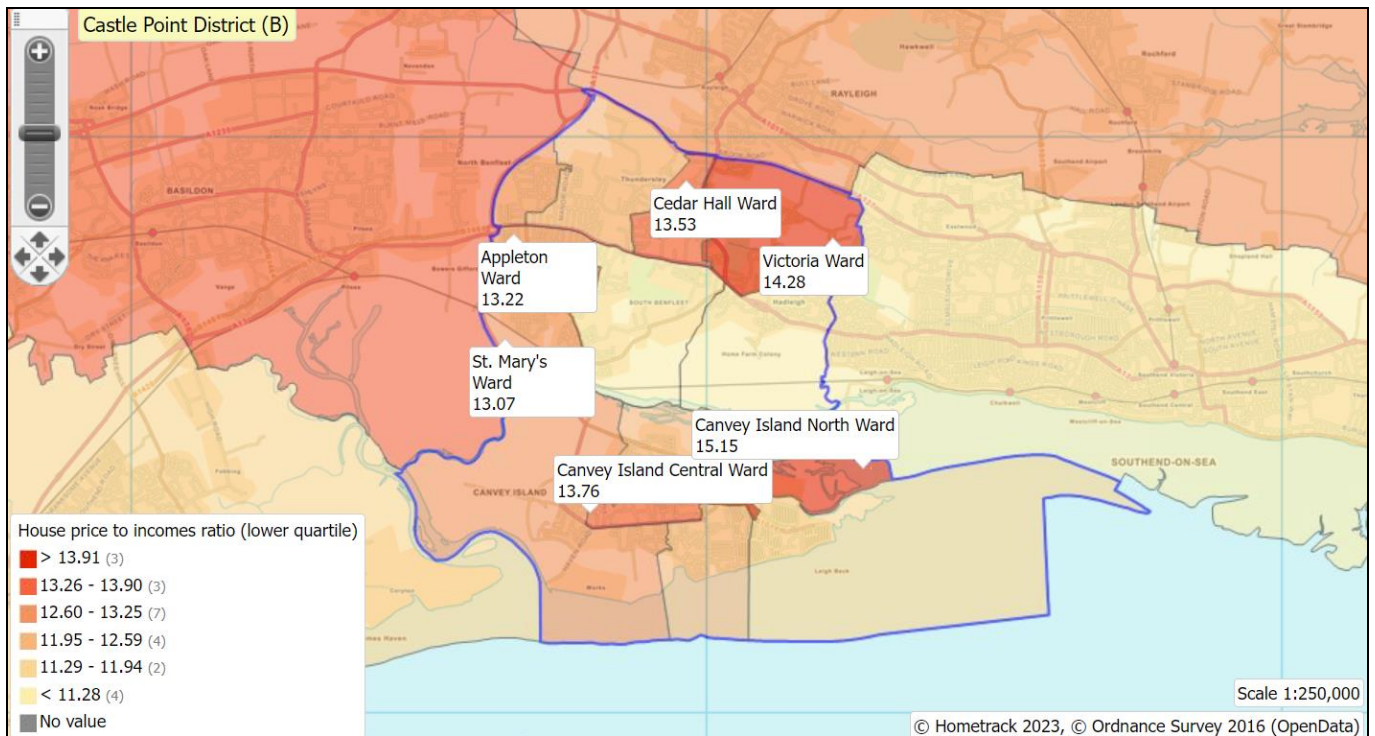
The chart demonstrates that a significant proportion of residents in **Castle Point** are priced out of the property market. For example, **62%** of households were priced out of the market (i.e. cannot afford to purchase a flat as a first-time buyer on a mortgage at 3.0 times their income). This rises to **86%** for those wishing to purchase a terraced property, **88%** for a semi-detached property and **93%** for a detached property.

Percent of households priced out of market – Castle Point

FTB households - Flats	62%
FTB households - Terraced houses	86%
FTB households - Semi-detached houses	88%
FTB households - Detached houses	93%
Owner occupier - Flats	49%
Owner occupier - Terraced houses	76%
Owner occupier - Semi-detached houses	83%
Owner occupier - Detached houses	86%



LQ house price to income ratio in Castle Point Wards

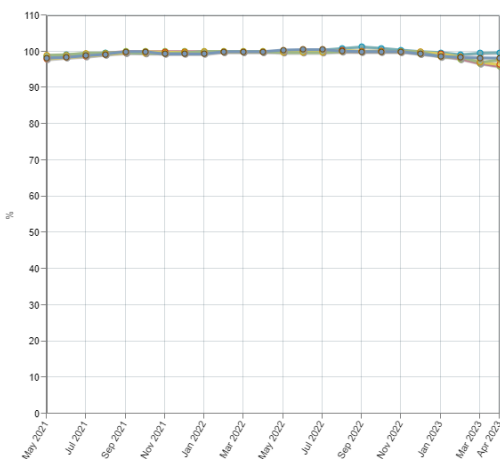


The heat map compares the Lower Quartile house price to income ratios across individual wards in Castle Point. The wards of Appleton, St Mary's, Cedar Hall, Victoria, Canvey Island North and Central all had ratios of **13:1** or more.

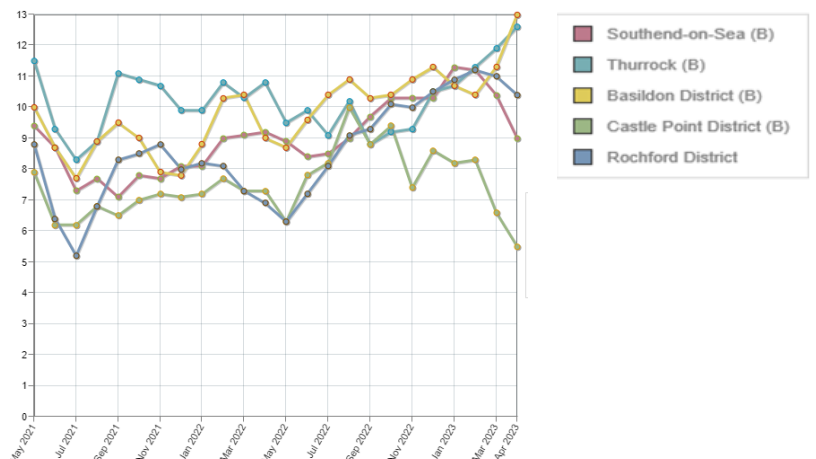
In comparison with the neighbouring region of London the ratio was **15.46:1** and for the East of England **10.84:1**. This shows how prices are still relatively high in London compared to the East of England.

Market Indicators

Sales to asking price – %



Total time to sell – weeks



The sales to asking price (%) whilst remained flat in the **very high nineties** across all five South Essex local authority areas, has declined somewhat since the beginning of the year.

The time to sell (weeks) has fluctuated much more, since January 2023 the time to sell has lengthened in Basildon and Thurrock but improved in Castle Point, Southend and Rochford suggesting an east west split.

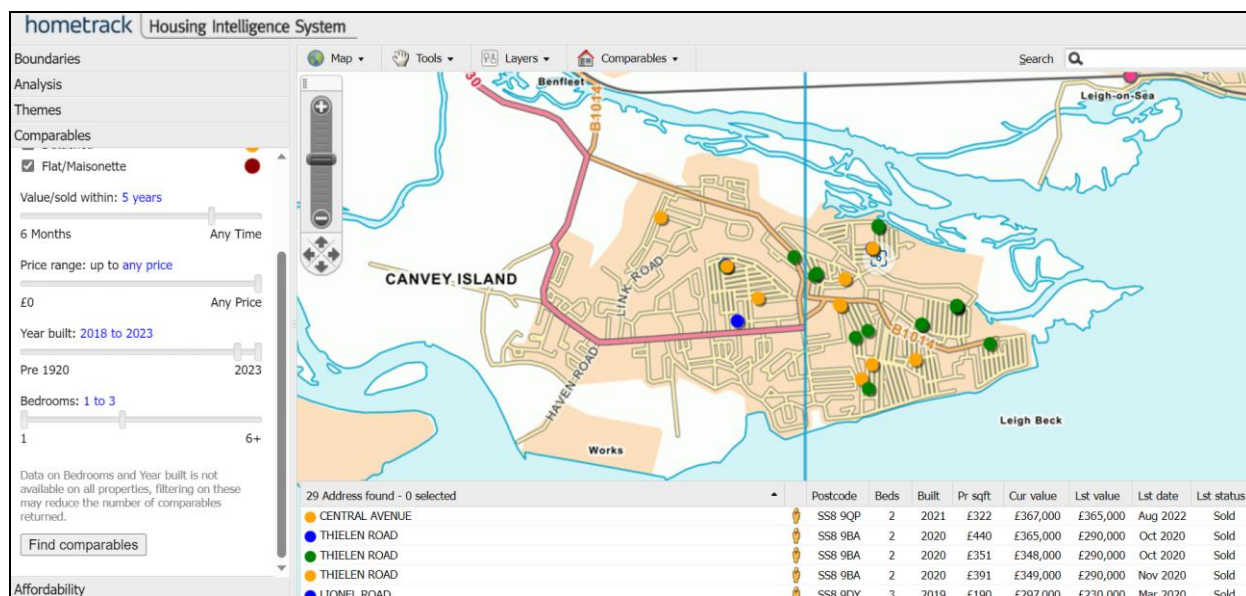
Comparables Module – Canvey Island v Rest of mainland Castle Point

In this example, house prices of recently built 2-3 bedroomed properties (from 2018) located on Canvey Island were compared with similar housing in the rest of mainland Castle Point Borough Council.

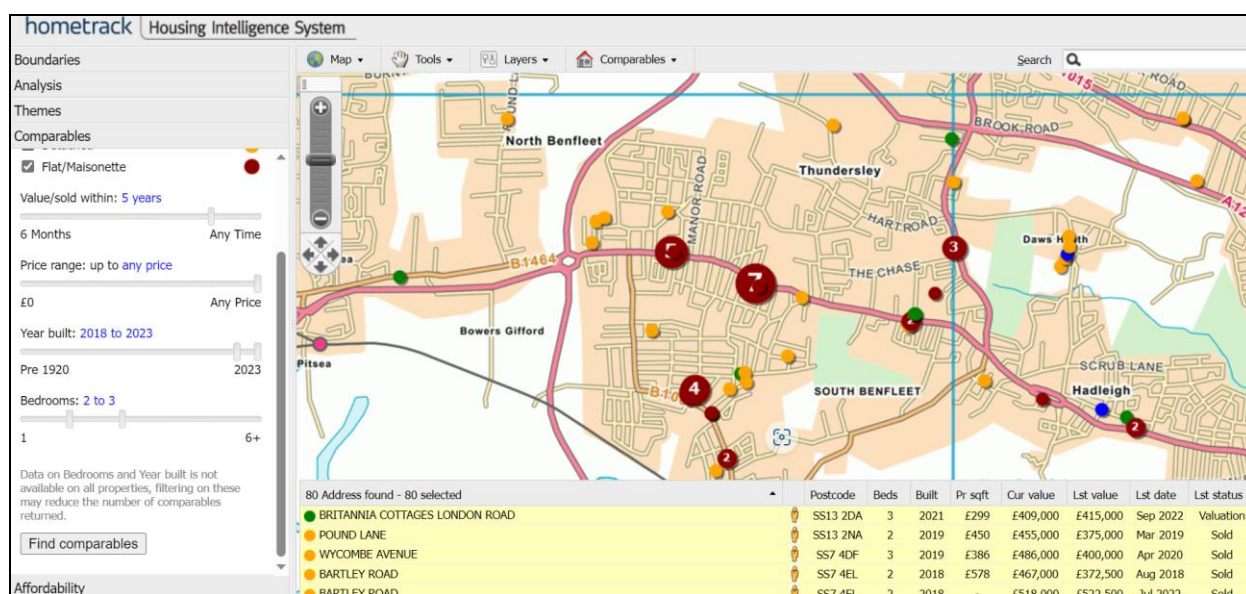
A detailed list of 29 sample properties on Canvey Island showing for example street name, post code, property type, current value, was then exported into excel for further analysis. The average sales price or valuation of the sample 2-3 bedroomed properties was calculated as **£375,815**.

This was then compared with the average price of similar 2-3 bedroomed properties located in rest of mainland Castle Point at **£396,633**, showing that these properties had a premium just over 5% compared to the properties on Canvey Island.

Canvey Island, Castle Point



Mainland, Castle Point



Rental values: Manna Heights v borough average

Similar comparisons can be made across the private rental market. In this example, the average monthly rental value for six 1-2 bedroomed properties on Manna Heights, London Road was calculated at £932. This was then compared with the borough average at £984.

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 2014	169,000	165,000	170,000	190,000	216,000
May 2015	171,500	170,000	178,500	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	256,000
Nov 2016	188,000	220,000	225,000	235,000	268,000
May 2017	200,000	230,000	229,000	246,000	280,000
Nov 2017	210,000	225,000	237,500	250,000	291,000
May 2018	210,000	230,000	240,000	250,000	289,500
Nov 2018	220,000	235,000	240,000	255,000	290,000
May 2019	215,000	230,000	235,000	251,000	290,000
Nov 2019	206,000	230,000	238,000	250,000	290,000
May 2020	220,000	240,000	243,500	255,000	290,000
Nov 2020	235,000	245,000	252,000	270,000	310,000
May 2021	240,000	253,000	260,000	270,000	310,000
Nov 2021	235,000	255,000	265,000	285,000	320,000
May 2022	250,000	250,000	285,000	295,000	338,000
Nov 2022	233,500	285,000	300,000	318,000	350,000
May 2023	245,000	265,000	300,000	315,000	350,000
Change May 22 May 23	-5,000	15,000	15,000	20,000	12,000
Change May 2015 May 2023	73,500	95,000	121,500	115,000	120,000

Source: Hometrack Housing Intelligence System



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