

BASILDON RESIDENTIAL MARKET

Future Trends in Demand

November 2011

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Introduction

Purpose

The purpose of this report is to support Barratt's final preparation of its Basildon town centre regeneration masterplan. The primary aim is to identify any emerging trends in the housing market. To inform our findings we consider;

- Current housing market activity
- Current developments and anticipated future supply pipeline; and
- Future demand and supply trends

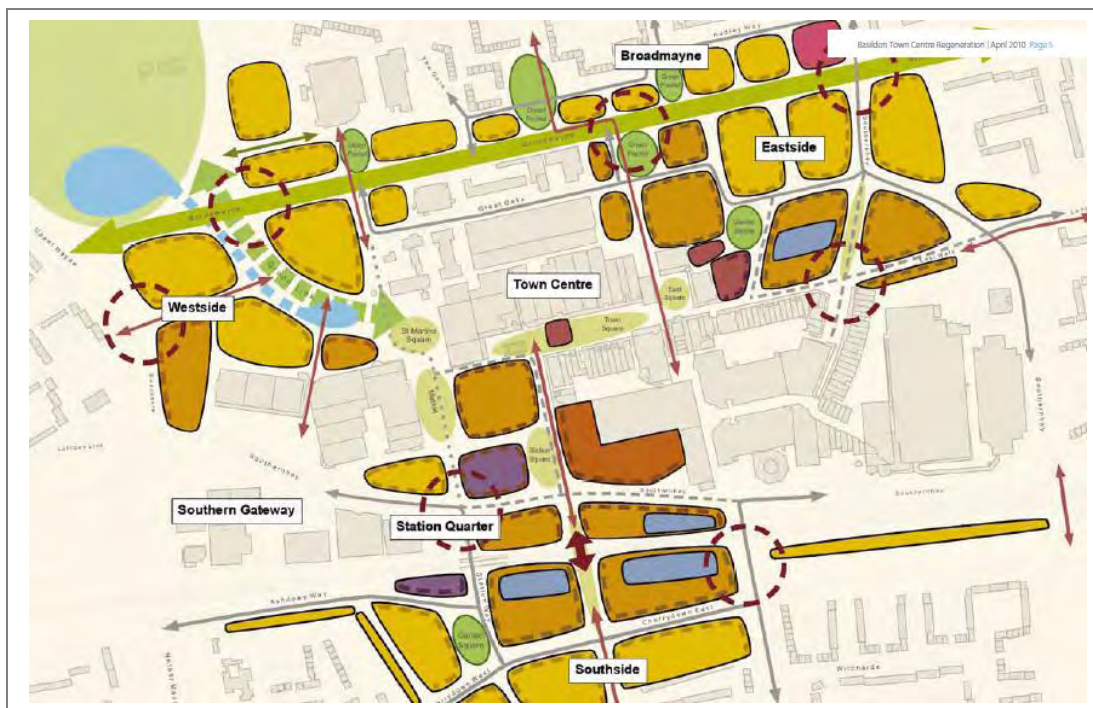
Overview

Basildon Town Centre Regeneration

Following extensive, detailed and structured discussions, the plan to regenerate Basildon Town Centre is now likely to come to fruition. The first phase is due to start this Autumn and the final phase due to complete in 2030. The designs to date, as outlined in Barratts tender document, are comprehensive, identifying a wide array of problems and offering a wide array of solutions, aside from the commercial and residential buildings themselves. Creating a strong sense of place will be essential to success of these buildings, and to delivering a long-lasting vibrancy for the town centre.

The town will be split into a number of pockets, each with their own set of objectives; for example, the station quarter will aim to provide a more welcoming environment for visitors, as well as create a commercially vibrant space. Elsewhere, Broadmayne will aim to become more pedestrian and 'people-friendly', rather than be dominated by heavy vehicular use; in this respect, a tree-lined urban boulevard will help encourage a better flow of human traffic. To greater and lesser extents, commercial, community, retail, leisure and residential space will be provided in each zone. In terms of residential, Barratt's tender indicate that a minimum of 2,600 dwellings could be achieved overall. This is based on current market conditions and therefore, Phase 2 onwards could vary.

Map 1: Development Framework Plan, Basildon Town Centre



Source: Barratt

Both the Development Framework Interpretation Plan and Barratt's regeneration proposals recognise the importance of the residential offering within these wider ambitions. Establishing the right mix, type, location, size and price point are vital, not just for the commercial viability of the units themselves, but of the wider project. The early 'pioneer' residents, in particular, will set the tone for the rest of the development. Their presence will create a footfall for retail and leisure occupiers, their behaviour will provide proof and

Overview

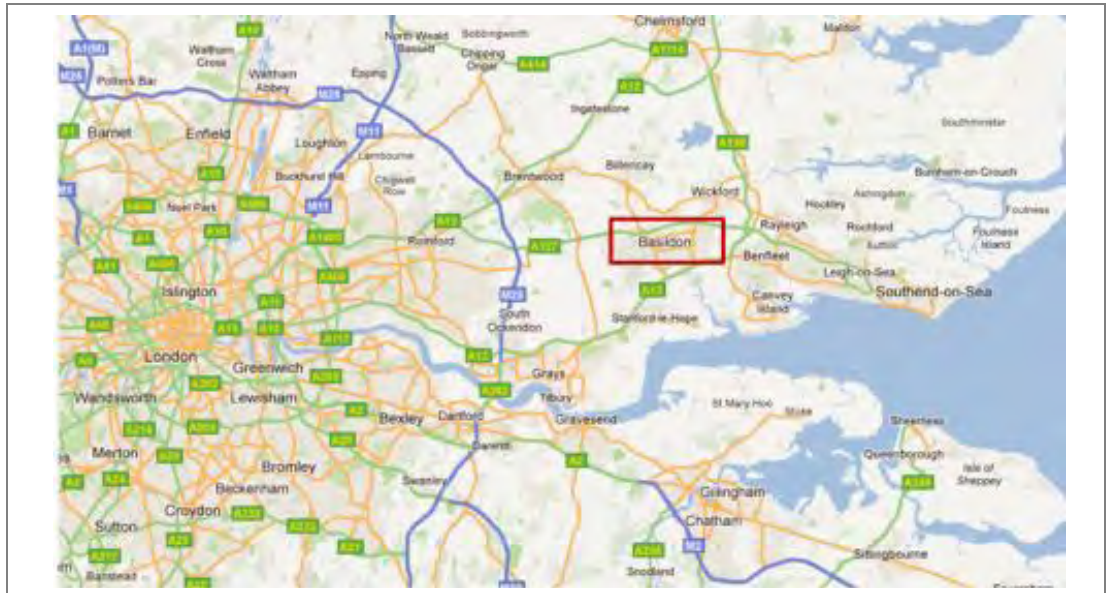
precedent that certain areas can be re-engaged with other areas, and their enjoyment of the space will instil confidence in the town centre going forward.

It is clearly important to crystallise the understanding of the type of housing that is required in the town centre now, and over the twenty-year delivery period. This will in part be determined by demographics, but also affordability.

Basildon

Basildon District is located in the South of Essex, just 30 miles east of London. It lies 25.6 miles (41km) east of Central London, and 11 miles (18km) south of the county town of Chelmsford. The borough lies in the heart of the Thames Gateway Essex area. It is a key employment, retail and commuter hub within south Essex. Covering an area of 42.5 sq m, 70% of the district is rural. It includes the towns of Basildon, Billericay and Wickford.

Map 2: Location of Basildon



Source: *Googlemaps*

Basildon has excellent road and rail links into London and to the rest of the country. It is only seven miles from the M25, while the Channel Tunnel and various ports are also within easy reach. Stansted Airport is 45 minutes drive away, and Gatwick just over an hour.

Basildon Town is served by the London (Fenchurch Street) to Shoeburyness line. There are train stations at Laindon, Basildon and Pitsea. Rail services from Billericay and Wickford travel into Liverpool Street. The area is also served by a number of different bus operators.

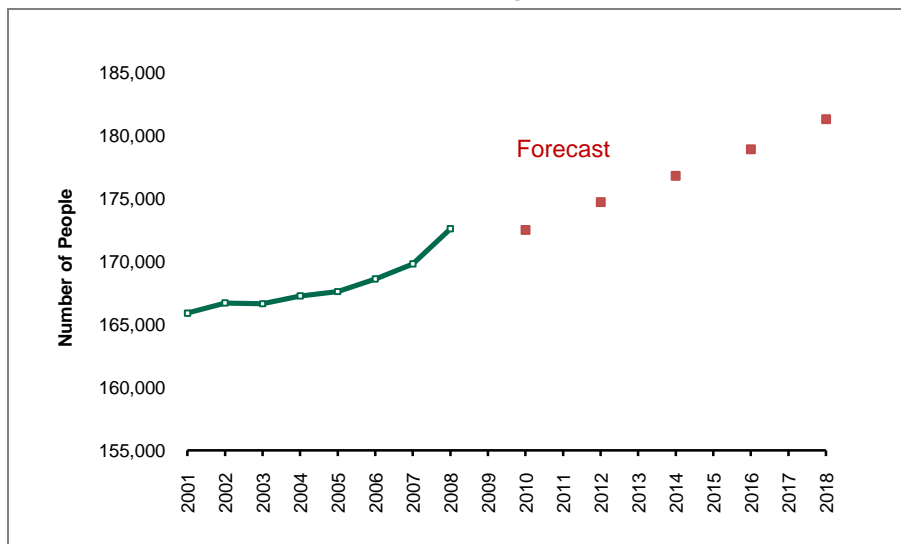
Literature Review and Analysis: Demographic Backdrop

Overall Population

In 2008, the total population for Essex was estimated to be around 2,792,700 (ONS). The total population of the five Thames Gateway South Essex sub-region (TGSE) authorities in 2008 was estimated to be 661,500. This follows an increase of 14,000 from 2006. The overall trend indicates a gradual increase in each district (GVA Grimley).

The District of Basildon covers an area of 110 sq km and has a population of 170,400 (ONS, 2008). There is one main town (Basildon, with a population of 105,400), and two smaller towns (Wickford, with a population of 27,500 and Billericay, with a population of 34,000), as well as a number of villages scattered throughout the rural area (Basildon District Local Strategic Partnership, 2008). The population of Basildon has grown by 4% since the 2001 census.

Chart 1: Estimated and Forecast Population Growth, Basildon



Source: ONS

Across the sub-region, there is stability in the natural change in population (i.e. births and deaths), but significant changes relating to net-inward migration from 2006 onwards, which is driving population growth. This trend became more pronounced between the 2008 SHMA and 2010 SHMA. The average net in-migration exceeds 7,000 people per annum. This is therefore a huge driver for population growth and will affect demand for housing.

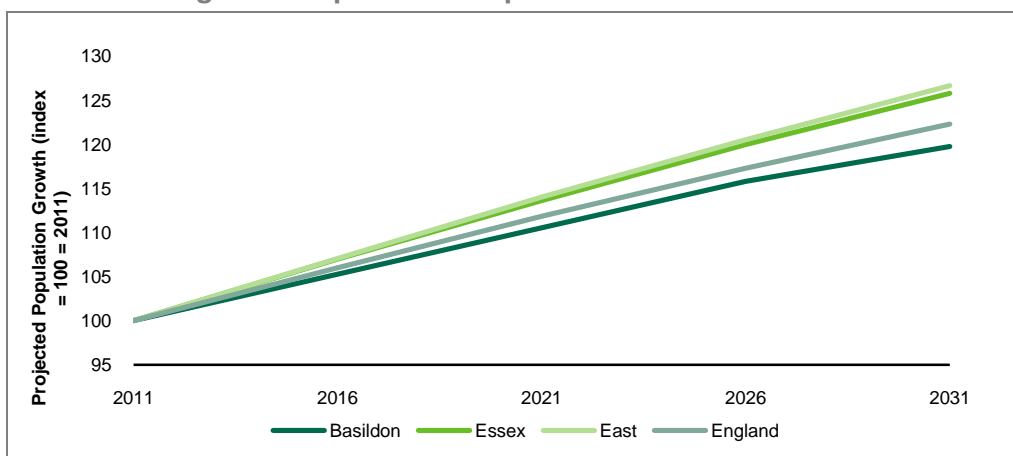
The inflow is from both domestic regions – particularly from East London boroughs – and also increasingly from international locations. The NHS Central Health Register data identifies a continued net in-migration trend from East London to the TGSE sub-region. The underlying reasons for this typically include the difference in house prices in East London boroughs compared with the sub-region, improved value for money, the relative improvements in quality of life derived from moving out, employment opportunities across South Essex, and finally, the high level of accessibility into Central London via public transport (GVA Grimley).

Literature Review and Analysis: Demographic Backdrop

Population Projections

The ONS have estimated that the population of Basildon will reach 181,300 by 2018, suggesting a marked increase of 6.4% over the ten year period, or an additional 10,900 people in real terms. Over a longer time-frame, the population within the district is expected to growth by 20% between now and 2031, which would mean an additional 15,000 persons over the twenty year period. This is slightly behind regional and national growth, which is expected to be closer to 27% and 22% respectively.

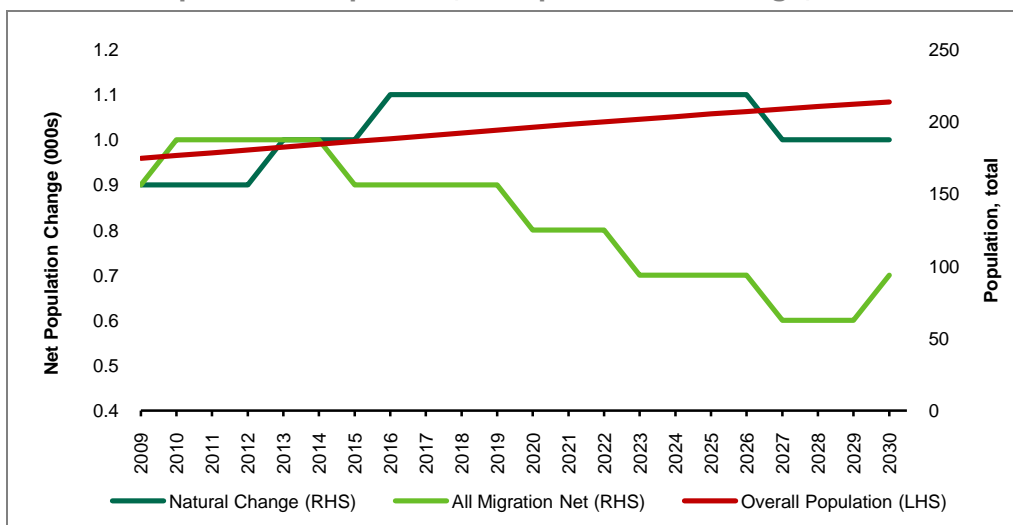
Chart 2: Long Term Population Projections



Source: ONS

The growth in population will come from both natural changes, with an increase of births over deaths (equating to an additional c22,700 people), as well as an increase in net inward migration (equating to an additional c18,100 people).

Chart 3: Population Projections, Components of Change, Basildon



Source: ONS



Literature Review and Analysis: Demographic Backdrop

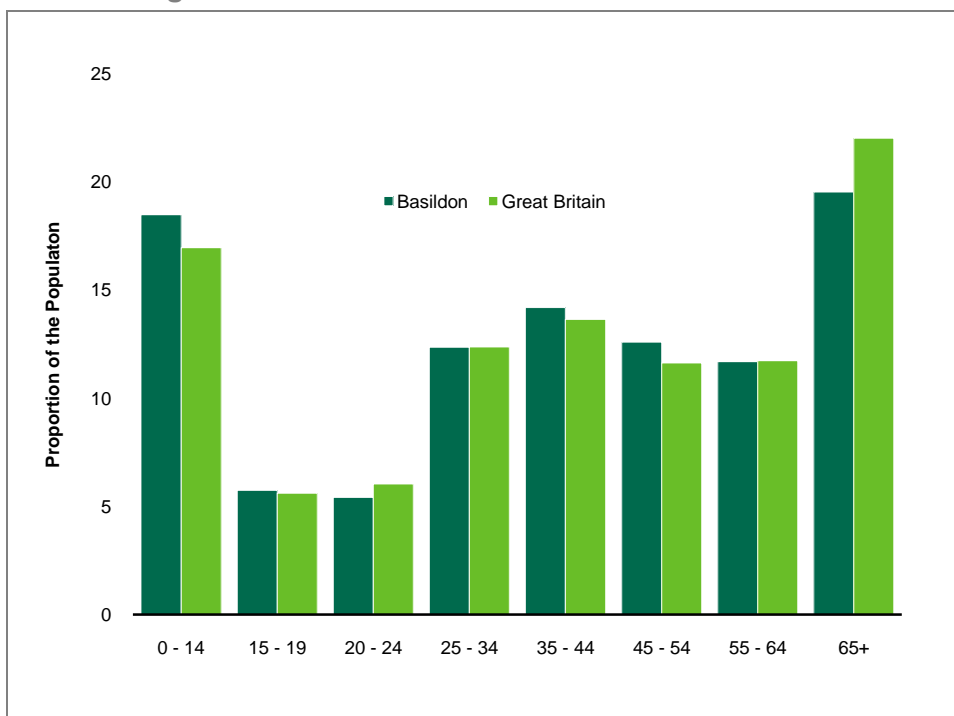
Age Structure

The district’s population has a higher proportion of children, at 19%, compared with the national average of 17%. There is a prominent working-age population, particular those aged between 25 and 54, but there is a markedly lower proportion of people over 65.

Over the last few years, there has been a slight decline in the number of children and young people, falling from 26,931 in 2007, to 26,587 in 2009. The Population Survey states that, even with the proposed increase in dwellings, this trend is likely to continue in the immediate term. It is expected that there will be 24,847 young people in the district in 2012, a decline of 7.8% (Basildon District Council – Population Survey, June 2009)

The ONS estimate the over-85 age group has grown by 32% since the 2001 census. The highest increase has occurred in the 60-64 age group, who now account for around 6%, up from 4.7% in 2001.

Chart 4: Age Profile of Basildon



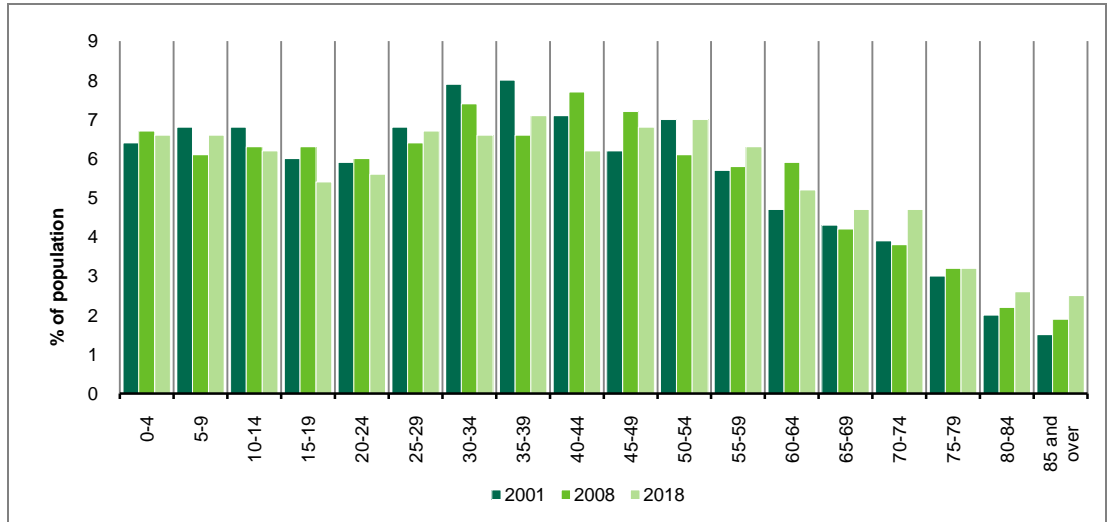
Source: ONS

However, in line with national and sub-regional trends, the local population is ageing. In 2010, those aged over 65 years represented 17% of the total sub-regional population, with those in advanced old age (over 85 years) comprising 2.4% of the total population. It is anticipated that these figures will rise to 23% and 4.2% respectively.

Basildon too has an aging population; the 2009 Population Survey anticipated that the largest increase in the immediate term would be among the 65-84 year age group, which is forecast to grow by 11.4%, or an additional 2,600 people, between 2007 and 2012. The over-85 group was expected to grow by 20%, or an additional 600 people, over the same time period.

Literature Review and Analysis: Demographic Backdrop

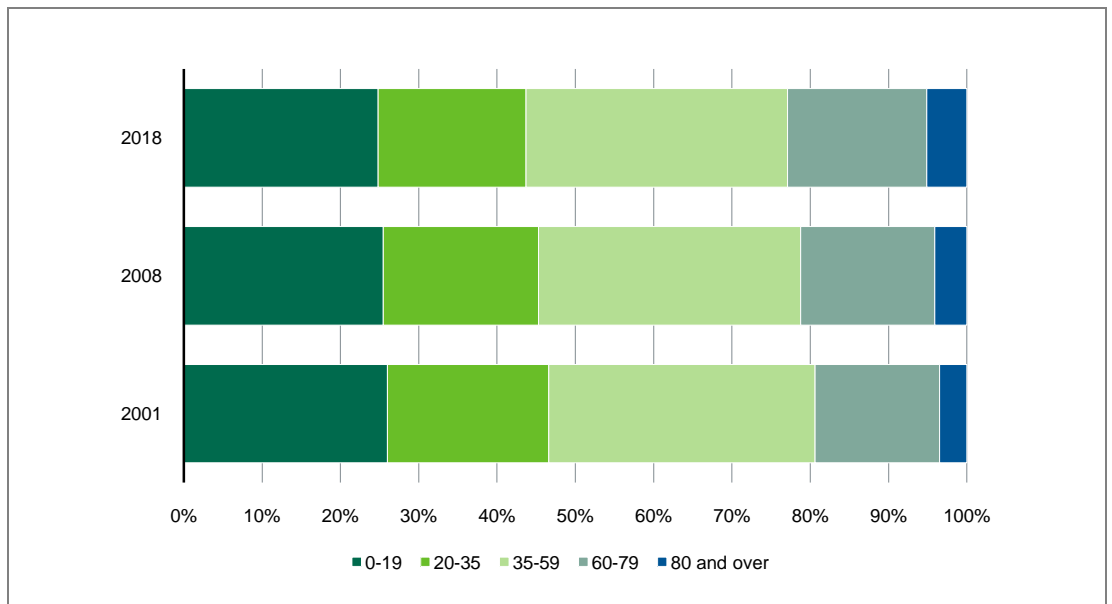
Chart 5: Change in Population Profile, Basildon



Source: ONS

The older cohort will inevitably account for a greater proportion of the overall population of Basildon.

Chart 6: Change in Population Profile, Basildon



Source: ONS

It is expected that the older – particularly very old – cohort will continue to grow rapidly. This creates a need for greater flexibility and choice in the older persons’ housing market and further raises the issue of under-occupation of housing stock; larger homes may not meet the individual’s need if they are in advanced old age (GVA Grimley).

Furthermore, GVA Grimley’s report reveals that most districts expect a modest increase in pre-school age and older family cohorts, but a decrease in the school age and family-

Literature Review and Analysis: Demographic Backdrop

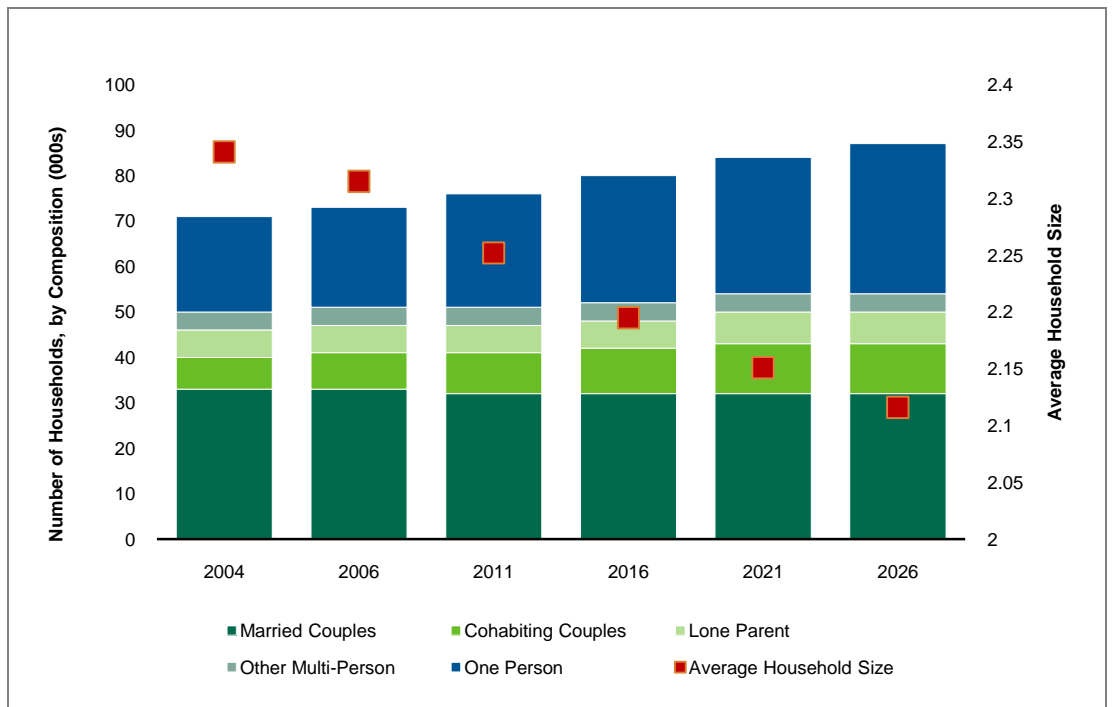
maker groupings, both of which will inherently have implications for future household formation.

The population is ageing, and this has implications for housing demand resulting from strong expected growth in single person older households. This may support demand for appropriate smaller housing, which allows households to downsize or tenure models which support the release of equity. A declining 20-34 cohort, according to current trends, may influence rates of new household formation.

Household Composition

In 2004, the average household size was 2.341 persons. The average household size is expected to fall to an estimated 2.116 persons by 2026, with single person households projected to show the greatest increase, particularly amongst the 65+ year olds, but also single parent families (Basildon District Council – Population Survey, June 2009)

Chart 7: Population Projections, by Household Composition

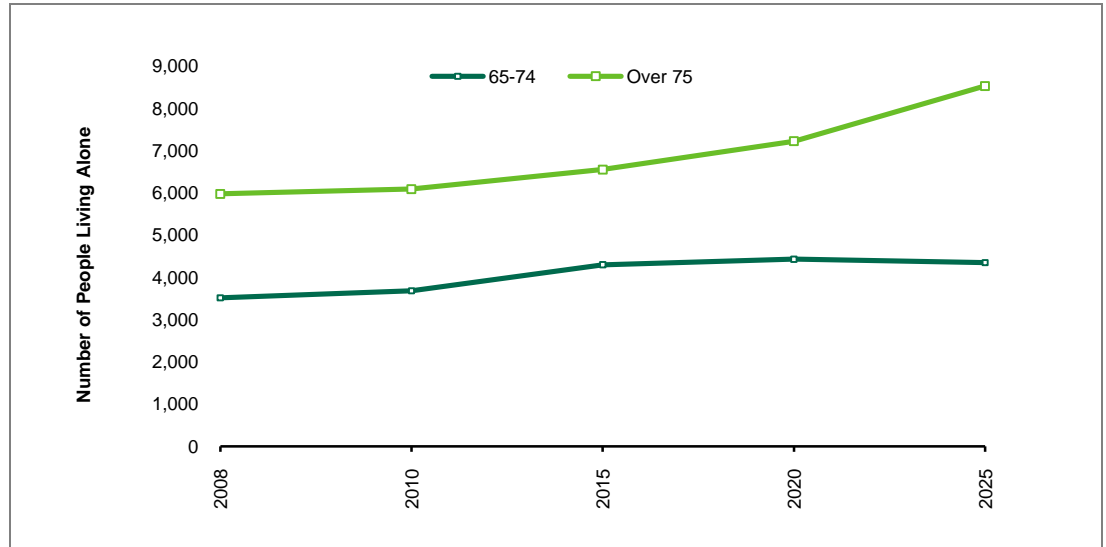


Source: HOPS Report, Basildon District Council, Population Survey 2009

Furthermore, the volume of older people living alone is expected to increase considerably, particularly among the very old.

Literature Review and Analysis: Demographic Backdrop

Chart 8: Growth of Old People Living Alone, Basildon



Source: ONS

Implications for Housing Need

In 2008, there were 262 people officially registered as unintentionally homeless and in priority need. A further 182 were homeless but were classed as not-in-priority-need, intentionally homeless or ineligible. The largest proportion was under 44 years old and tended to be single parent family households (Basildon District Council – Population Survey, June 2009).

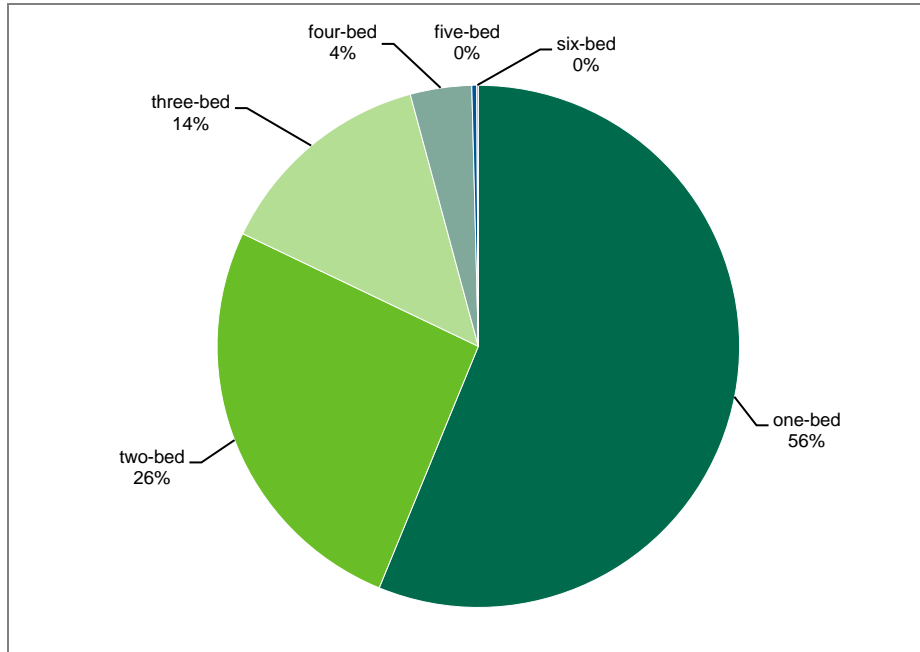
The Basildon District has also seen an increase in demand for social housing from 3,200 people on the housing register in June 2008 to 4,600 by March 2009. It is estimated that there are 30-40 applications a day for social housing (Basildon District Council – Population Survey, June 2009)

The need for greater provision for supported and extra care housing across the sub-region was also identified in the SHMA 2010 report. There is a clear role for specialist housing provision, particularly that which is able to support older households to remain in their homes for longer (GVA Grimley).

The increase in older people is clearly had an impact on demand for sheltered housing, but this type of property has also been increasingly sought-after by younger single residents aged 18-40 years. This is due to affordability issues, both in the private rented sector and sales market. Demand for sheltered housing is weighted highly towards one-beds;

Literature Review and Analysis: Demographic Backdrop

Chart 9: Demand for Social Housing, by Property Type



Source: Basildon District Council, Housing Department

Demand has also increased for private sector housing in terms of shared properties, multi-occupancy housing, bedsits etc. Demand in the private sector is dictated by population trends, as well as affordability. We will discuss the latter in the forthcoming housing section.

Literature Review and Analysis: Economic Backdrop

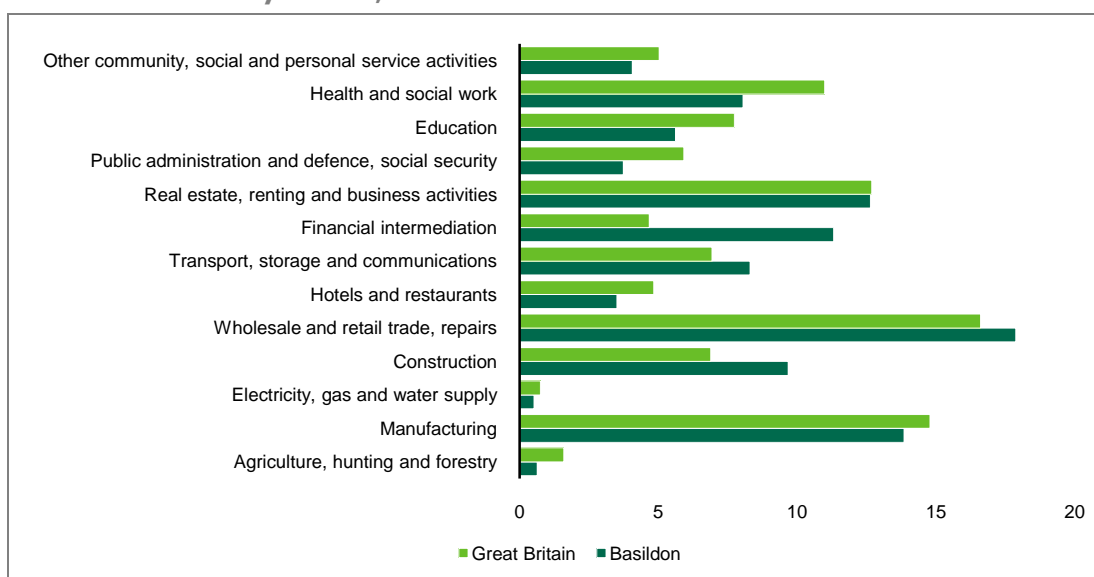
Economic Profile

Rather than just become a feeder for London, Basildon has developed its own economy with particular manufacturing specialities. It has the second largest economy in the Thames Gateway outside of Canary Wharf and employs over 77,000 people. It is an important economic driver in Essex and has been identified as a business hub within the Thames Gateway South Essex sub-region (Basildon Economic Assessment, 2009/10).

There are some significant multi-national companies based in the district, including Ford Motor Company, SELEX Galileo, New Holland Agriculture etc. Although these unquestionably lift the local economy, there is also some concern that its high level of dependency could leave the district vulnerable to changes in the global markets (Basildon Economic Assessment, 2009/10).

Within the Basildon District, employment is concentrated within wholesale / retail, manufacturing and distribution, and hotel / restaurant sectors. There are approximately 3,800 businesses in Basildon, employing around 68,400 people (Basildon District Local Strategic Partnership, 2008).

Chart 10: Industry Profile, Basildon



Source: Census

According to both the 2008 and 2010 SHMA, Basildon’s economy is of significantly higher value than others in the sub-region, closely followed by Thurrock. (Note those that have lower productivity, like Castle Point, also show the highest residents’ earnings, implying a high proportion of commuters)

Recent economic growth has not been confined to the A127 corridor. Since 2011, substantial numbers of new jobs have been created within the health and retail sectors. These have grown off the back of new hospital facilities, increased investment into primary care, and in the growing town centres (Basildon Borough Council, 2010, *Annual Monitoring Report*).

Literature Review and Analysis: Economic Backdrop

According to the 2010 SHMA, the economic picture across the TGSE sub-region is volatile and mixed, with economic activity rates rising in Castle Point and Rochford, and modest declines in Southend. Basildon has seen a fairly significant decline from 83% to 78% between December 2007 and June 2009 (GVA Grimley, 2010).

Employment Profile

Approximately 75,000 people are employed in the Basildon Borough. Around 45% of the workforce (roughly 35,000 people) work in the A127 corridor, where there is over 15m sq ft of commercial floor space, covering more than 650 ha (Basildon Borough Council, 2010, *Annual Monitoring Report*). The level of employment in the sub-region is below the number of working-age residents. This underlines the assumption that the TGSE supports commuters from London.

In Basildon itself, 71% of those active are employed, marginally ahead of the national figure. Employment rates have increased across all five districts in the sub-region. Going forward, employment levels are projected to increase between 2010 and 2030, from some 225,000 to 255,000 in the sub-region. This implies that the regional target of 55,000 new jobs between 2001 and 2021 remains realistic, albeit more challenging now on account of the lower baseline (GVA Grimley, 2010).

The district’s economy has so far proved relatively flexible to the changing economic climate. New jobs have been created at a rate considerably faster than any of its competing districts nearby. The district has already met its RSS target of 11,000 new jobs by 2021. There are no figures available on how this figure has changed since 2009.

Table 1: Employment Profile

	EMPLOYED (%)	UNEMPLOYED (%)	AVERAGE EARNING (£)
Basildon	71.4	7.6	£37,532
East	73.4	6.6	£38,390
England and Wales	70.3	7.6	£36,075

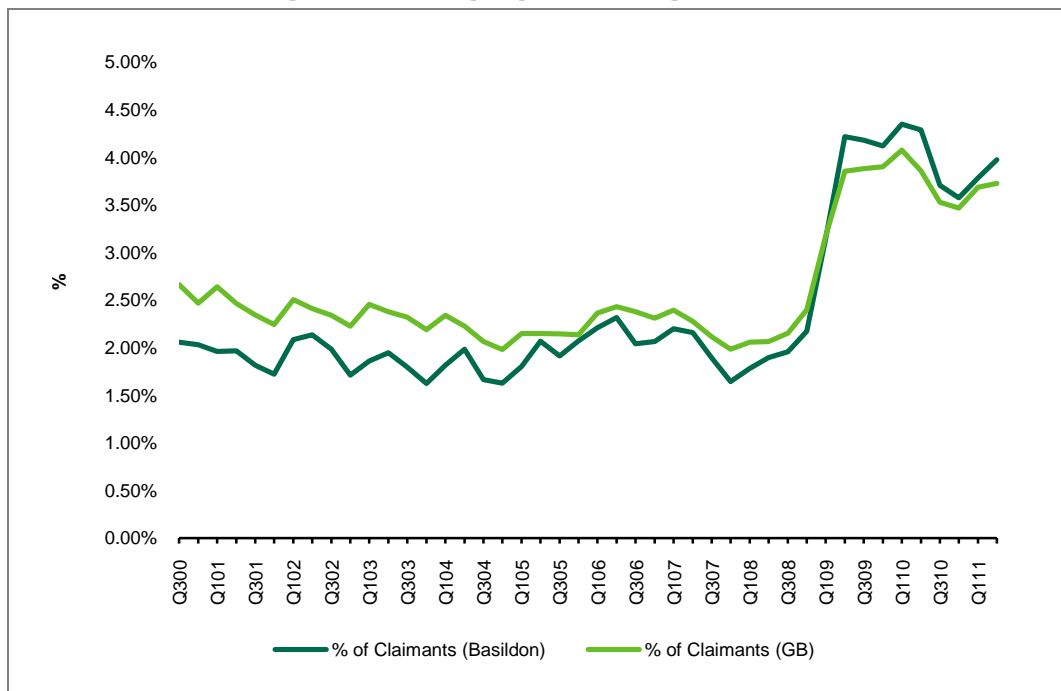
Source: *NOMIS (wages are based on average male full-time mean)*

According to NOMIS data for April 2010 and March 2011, unemployment in Basildon is now at 7.6%, in-line with the national average. According to the local council, there have been some high profile redundancies, namely at Visteon, DHL and Woolworths. These are typically following decisions made at a national or international level (Basildon Economic Assessment, 2009/10).

We understand that there has been a steady increase in the number of people attending job centres, as well as a shift in the profile of people seeking employment. The proportion of those of working age who are claiming Job Seekers’ Allowance (JSA) in Q2 2011 was 3.97%. This is marginally higher than the national average of 3.72%. It shows a significant increase since the impact of the credit crunch and subsequent recession. The long-running average up to 2007 was 1.93%, but this soon escalated, in-line with wider trends, to a peak in Q1 2010 at 4.35%.

Literature Review and Analysis: Economic Backdrop

Chart 11: Percentage of Working Age Claiming JSA



Source: Experian

Average earnings are slightly higher than the national average, most likely as a result of the proportion of commuters. The average Basildon resident earns £37,532, slightly higher than the average for the workforce, which is £35,655.

There are high levels of out-commuting, where some 47% of residents of the working age go outside the district to work every day (Basildon Economic Assessment, 2009/10). According to Basildon District Local Strategic Partnership, the majority is to London; 28% of the district’s workforce commutes into the capital (2008).

Despite the district’s strengths, there are pockets of deprivation; for example, one particular issue is a form of educational deprivation where the qualification levels in the district are lower than national and regional averages. There is a skills shortage, as a result of low aspirations and low educational attainment. The skills shortages have been identified in business / public administration, education, social care / health, financial services, sports, engineering and construction. (Basildon District Local Strategic Partnership, 2008).

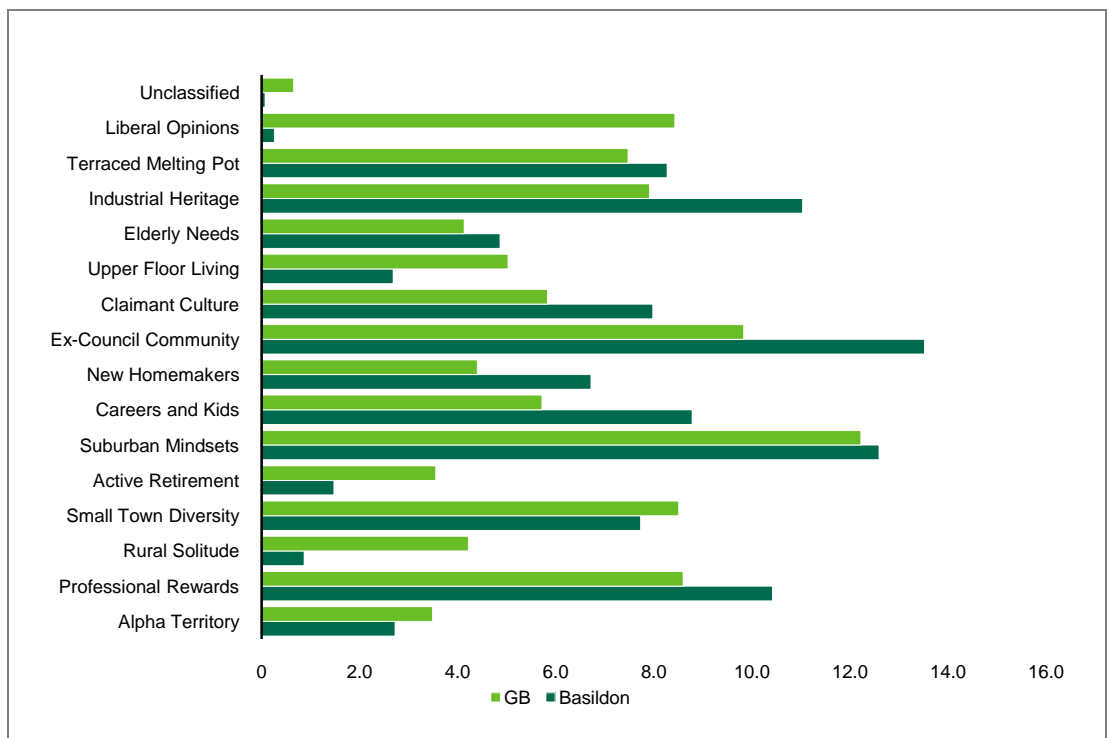
According to Experian, the largest proportion of the local population is considered to be ‘Ex-Council Community’, at 14%, compared with 10% at a national level. Experian state that people who are described as ‘Ex-Council Community’ have relatively low levels of formal education but, through persistence and hard work, have created a comfortable lifestyle for themselves and their families. Many live on council estates which, because they were comparatively well built and pleasantly laid out, have had a large proportion of their properties purchased under the right-to-buy legislation. A large number are now owner occupiers.

Literature Review and Analysis: Economic Backdrop

This group is followed by a high proportion of ‘Suburban Mindsets’, ‘Professional Rewards’ and ‘Industrial Heritage’. This reflects the broad mix of people, with a substantial volume of people in low skilled labour with low incomes, a large amount of families enjoying traditional suburban life. ‘Suburban Mindsets’ are mostly married people of middle age, living together with their children in family houses built between the 1930s and the 1960s. Typically these homes conform to one of a limited number of design for semi-detached houses which were popular during the inter-war years or during the period between 1945 and 1960. The people who have replaced the original pioneers are still typically middle class and skilled working class families looking for a comfortable house in which to bring up a families, one that is affordable, reasonably accessible to where they work and in a neighbourhood that is relatively free from social problems.

To a large extent, the ‘Professional Rewards’ group no doubt accounts for the outflow of London commuters. Professional rewards contains swathes of Britain’s executive and managerial classes who have worked diligently to build up a comfortable lifestyle and a significant financial asset base. Often in their 40s, 50s and 60s, some may be owners of small or medium sized business while others will have risen to senior positions in large national or international businesses.

Chart 12: Mosaic Profile of Residents, Basildon



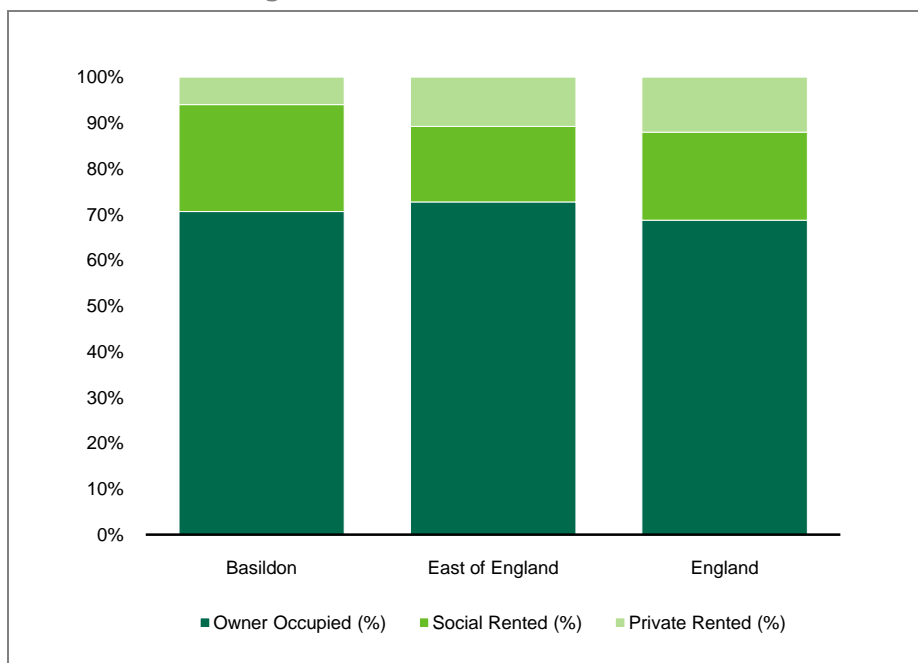
Source: Experian

Literature Review and Analysis: Housing Market

Housing Character

Basildon has a higher level of social rented accommodation compared with regional and national trends, at nearly a quarter of all housing. Subsequently, there is a much smaller private rented sector, indicating that affordability is potentially an issue in the market as a whole, not just in the sales market.

Chart 13: Housing Tenure



Source: Neighbourhood Statistics

The housing in Basildon is marginally more dense than it is across the rest of the country, with a higher proportion of compact terraced housing. The district is certainly much more urban than its more rural surroundings, with lower levels of detached and semi-detached properties than the regional average.

Table 2: Housing Stock

	DETACHED	SEMI-DETACHED	TERRACED	FLATS
Basildon	22.3	25.6	36.3	15.5
East of England	30.2	31.2	23.5	14.5
England	22.5	31.6	25.8	19.7

Source: Neighbourhood Statistics

The housing offer in Basildon New Town is fairly narrow compared to the other towns, and should be developed. Across the sub-region, the flatted and urban living offer, which generally appeals to younger households, is under-developed (GVA Grimley, 2010).

Literature Review and Analysis: Housing Market

Housing Market

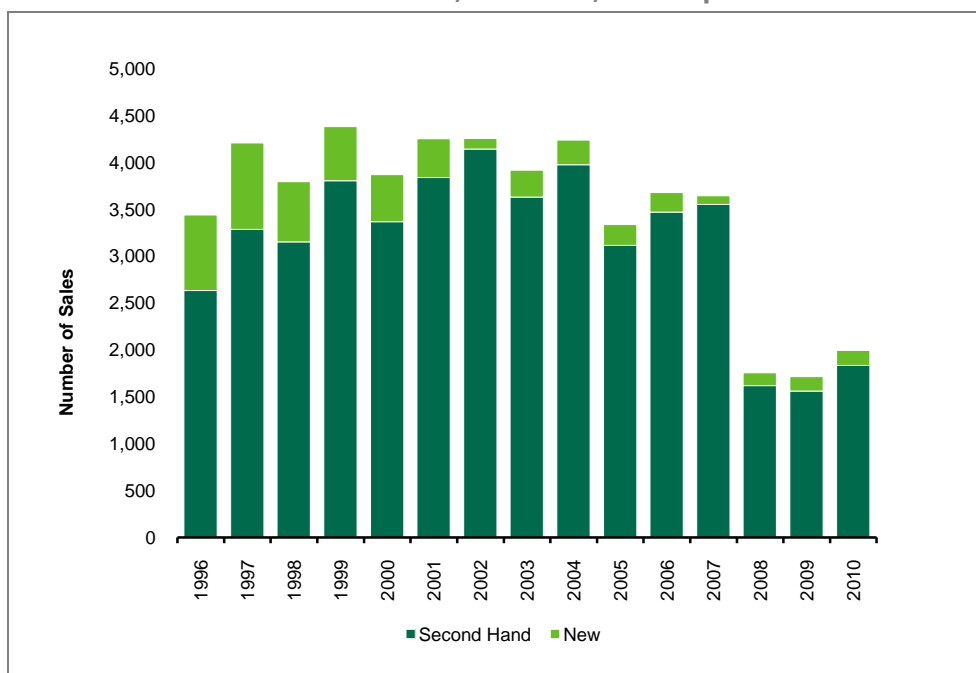
Both the 2008 and 2010 SHMA recognised that there are strong inter-dependencies between the towns in the South Essex sub-region in terms of household movement and travel to work patterns. In this respect, the identification and analysis of the sub-regional housing market, where possible, is appropriate. Furthermore, London also has a strong influence on the sub-regional housing market, with 28% of working residents employed in London and significant movement of households from London and East London, to the sub-region (GVA Grimley, 2010).

The main housing submarkets can be identified based on the larger urban areas of Basildon, Southend-on-Sea and Thurrock. Purfleet and Aveley, Billericay and Wickford fall within areas of overlap with surrounding housing markets. Within the sub-regional housing market, different areas play different roles in providing housing choice. There are clear relationships between the three primary urban areas (Basildon, Thurrock and Southend) and the smaller settlements and rural areas. These provide a different, and to some degree complementary, housing and quality of place offer (GVA Grimley, 2010).

In line with wider trends, the economic climate has had a significant impact on the level of transactions in the sub-region. In 2009, sales levels were a third of their 2007 level. Thurrock and Basildon have seen the most substantial fall in sales. However, despite this, agents reported a growing interest in property viewings through 2009, according to the 2010 SHMA (GVA Grimley, 2010).

In Basildon itself, transaction levels plummeted in 2008, to roughly half their long-term average. They have remained around 1,500 – 2,000 per annum, despite a slight pick-up last year.

Chart 14: Level of Transactions, Basildon, All Properties



Source: Land Registry

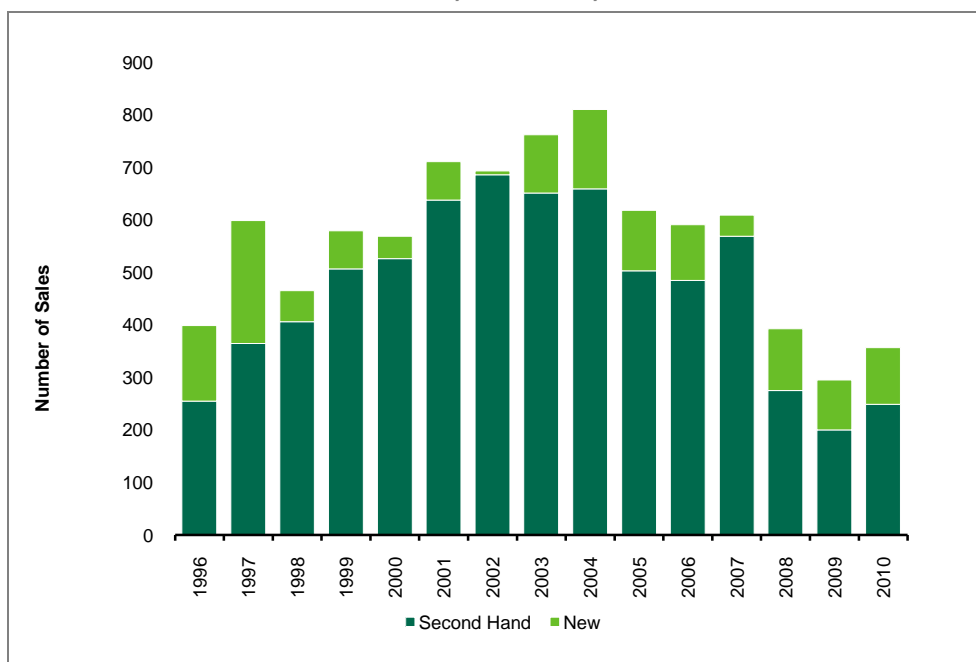


Literature Review and Analysis: Housing Market

According to the GVA Grimley SHMA, it seems that – at least across the sub-region – there has been a higher decline in transactions at the lower end of the market, most likely as a result of more prominent constraints on first time buyers. Across the sub-region, sales of flats are almost one fifth their 2007 levels, compared with sales of semi-detached, which are 40% of their 2007 levels. They now make up 35% of property transactions, compared with 27% in 2007 (GVA Grimley, 2010).

As the chart below indicates, new-builds have accounted for a higher proportion of overall sales in the flat market in Basildon, compared with the wider market, mostly as a reflection of the type of development that has occurred over recent years.

Chart 15: Level of Transactions, Basildon, Flats



Source: Land Resigtry

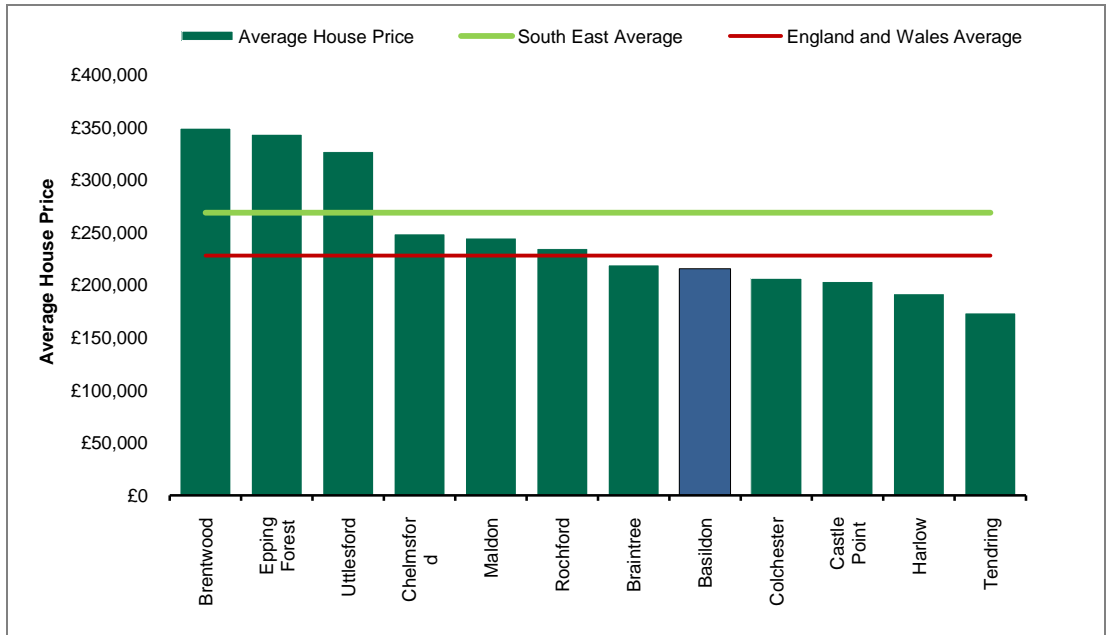
House Prices

In terms of local house prices, there are some particularly expensive areas in Essex, that benefit both from their proximity to London, as well as being attractive places in their own right. Average house prices in Brentwood, Epping Forest and Uttlesford, for example, are all well in excess of both the south East average, as well as the national average. Average house prices (across all types) are between £325,000 and £350,000.

Average house prices in Basildon are much more typical of the wider Essex region, sitting somewhere in the middle. They currently stand at £215,832. The cheapest district by some margin is Tendring, where average prices are around £175,000.

Literature Review and Analysis: Housing Market

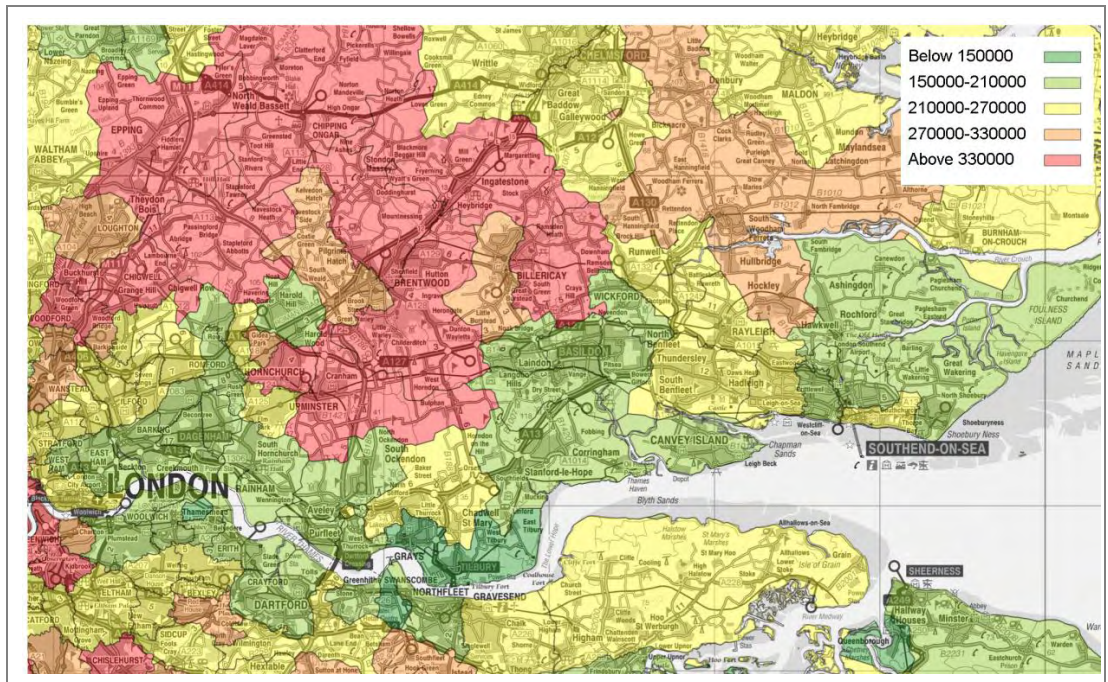
Chart 16: Average House Prices in Essex, by District, Q2 2011



Source: Land Registry

As the map below illustrates, Basildon town centre has amongst the lowest house prices in the area, at below £150,000. This in part reflects the stock, with smaller houses and flats in the town, compared with a higher proportion of semi-detached and detached in the more rural surroundings; this will inevitably impact upon capital values. However it is also a reflection of genuinely lower values.

Map 3: Average House Price Range, South Essex, Q2 2011

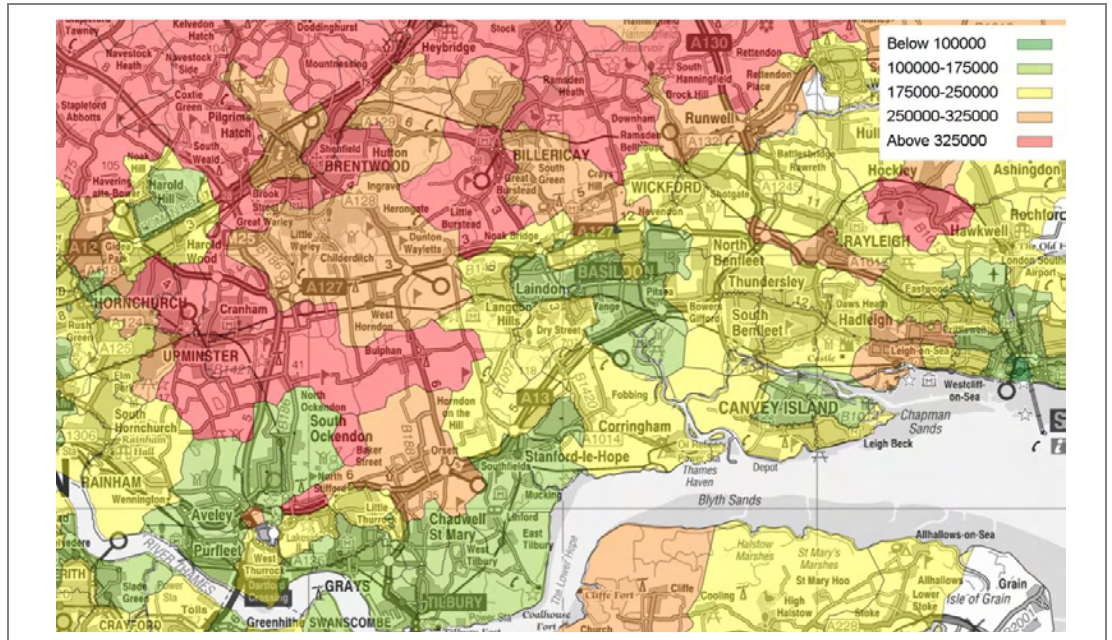


Source: Land Registry

Literature Review and Analysis: Housing Market

The map below shows the Basildon area in greater detail and highlights the depreciation of house prices closer to Basildon town centre.

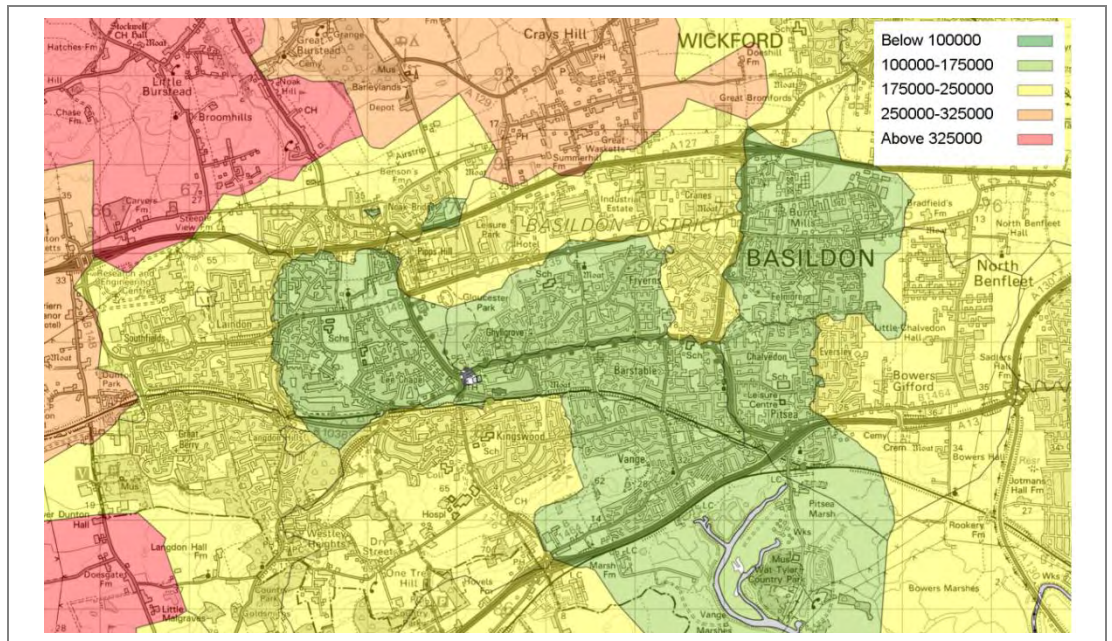
Map 4: Average House Price Range, Basildon Area, Q2 2011



Source: Land Registry

The contrast between the low house prices in the town centre and higher prices in very close-by villages, such as Little Burstead, is clear. Again, this is in part due to the stock in each respective area.

Map 5: Average House Prices, Basildon, Q2 2011

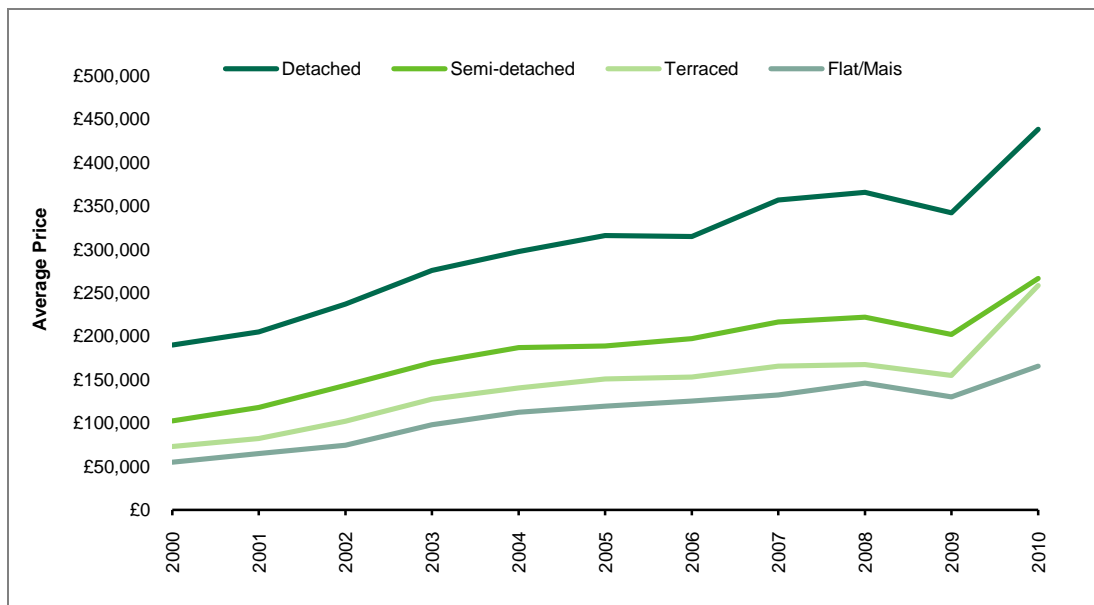


Source: Land Registry

Literature Review and Analysis: Housing Market

Over the last ten years, average house prices have increased by 110%. Over the last five years, they have grown by 18%, or £34,662. The greatest increases over this five year term have been with terraced properties, where values have gone up by over 70%.

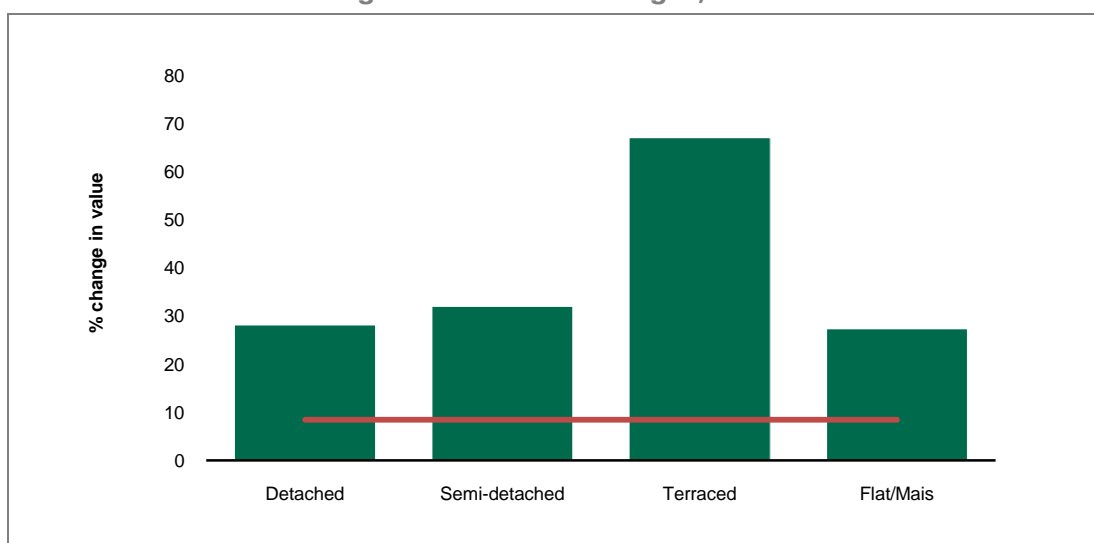
Chart 17: Average House Price Growth



Source: Land Registry

All property types appear to have picked up over the last year (between 2009 and 2010), by an overall average of 8%. The greatest increases have still been in the terraced market; most likely these are the largest properties, often with outside space, for the most affordable price.

Chart 18: Annual Average House Price Changes, 2009-2010



Source: Land Registry

Literature Review and Analysis: Housing Market

According to the 2010 SHMA, there had been an upturn in the housing market across the sub-region in late 2009, following a significant decline in 2008, but nearly all districts were still below their peak. Rochford was particularly affected by the onset of the credit crunch, with house prices falling 6% between December 2007 and December 2009. In contrast, Basildon was the only town to see marginal growth in this period, at 1% (GVA Grimley, 2010).

According to the Thames Gateway South Essex (April 2011), lower quartile house prices rose by £5,000 in Basildon between February 2010 and February 2011. In February 2011, the highest overall lower-quartile property price in the region was in Rochford (£190,000). This is followed by Castle Point (£168,000), Basildon (£152,000), Southend (£150,000) and Thurrock (£148,000). (Thames Gateway South Essex, April 2011).

There has been weaker growth in traditionally more expensive areas and more pronounced growth in areas with a lower base point, suggesting that the gap between the most and least expensive areas is narrowing. This might also be explained by a slower rate of growth in the lower quartile house prices since around 2004 and as such, has not seen the more dramatic realignment that the upper end of the market has seen (GVA Grimley, 2010).

The lowest quartile broadly represents the point in the housing market at which many first time buyers would be able to join. Following a fall in house prices and an increase in wages, affordability conditions have actually improved across the sub-region since 2007 (GVA Grimley, 2010). Rochford is now the least affordable place for local residents to enter the housing market.

The Thames Gateway South Essex quarterly update report indicates that the market has picked up in the January / February 2011 period, with the time properties are taking to sell generally reducing. In addition, the proportion of sales to asking price is increasing and the number of viewings per sale is also increasing. However, this will in part be driven by a seasonable fluctuation in the market for this period (Thames Gateway South Essex, April 2011).

Affordability

House prices in the Thames Gateway South Essex area are relatively low in a regional context and this has traditionally supported movement of both first time buyers and households looking to step up the housing ladder to the sub-region. However, despite being more affordable than other areas nearby, as well as marginal reductions in average house prices, and improvements in terms interest rates, affordability is still an issue. Price to earnings ratios are still higher in the sub-region than the national average, at eight times the annual wage levels. This is considerably higher than most mortgage lenders will allow, in addition to the fact that onerous deposit requirements will create the greatest obstruction (GVA Grimley, 2010).

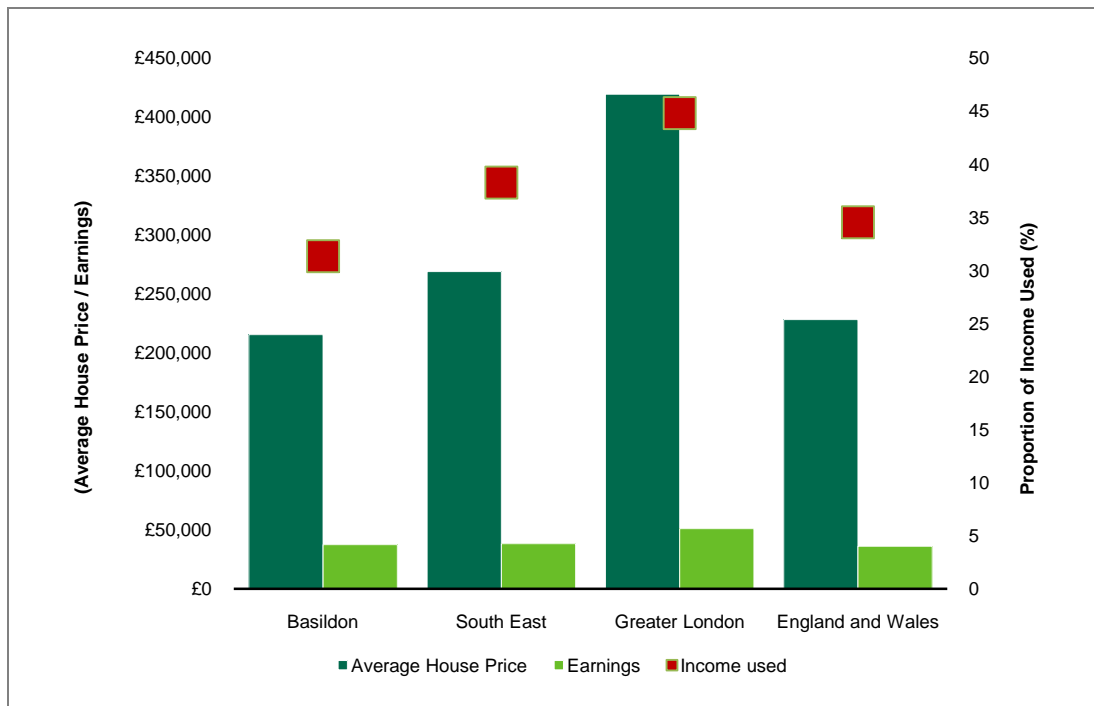
According to the 2010 SHMA, 60% of households within the sub-region are unable to buy or rent without support of some kind. This is highest in Castle Point, where 66% are unable to buy and 68% are unable to rent, based on average incomes. In Basildon, 69% are unable to buy and 51% are unable to rent (GVA Grimley, 2010).

Our calculations indicate that the average resident in Basildon that was buying a property now, would have to spend 31% of their monthly income on mortgage payments. This compares with 38% across the rest of the region and 35% across the rest of the country.

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Despite much higher average earnings in Greater London, at just over £50,000 per annum, affordability is much more of an issue. Our calculations indicate that the average resident would have to pay up to 45% of their monthly income towards their mortgage payments. This will be in addition to much higher deposit payments; after all, 10% of the average property price of £419,091 is just over £40,000. This underlines why so many people have to look to places like Basildon if they want to buy a property, especially one where they would have room for a family.

Chart 19: Affordability Ratios



Source: Land Registry / ASHE / CBRE

The lack of affordability of market housing means that a decreasing number of first-time buyers are able to participate in the market, reinforcing the demand of privately rented or social housing. The severity of the tightening of lending conditions, as well as the time period this is likely to take place over, is much more relentless than originally thought, potentially putting considerable pressure on other tenures going forward. Any decreases in prices will be off-set in the ongoing tightening of lending criteria (Tribal, 2010).

An increase in demand for intermediate housing is likely, specifically of comprising sub-market rent and shared ownership. The increasing rate of demand for this tenure has been more pronounced than that for social rented and private rented, particularly among younger households who are experiencing issues accessing the open market.

Literature Review and Analysis: Housing Market


Current New Build Schemes


We have identified seven schemes that are currently, or have recently been marketed in and around Basildon town centre. Altogether, these will deliver over 700 additional units;

Table x: Comparable Schemes, Basildon

MAP REF 1	AXIS	BARRATT HOMES	70 UNITS
	<p>This development has now completed. It is located in the centre of the town, and is finished to a good specification. It comprises 70 apartments, 67 of which have sold. We are informed that the scheme only launched in January 2011, which therefore reflects a very positive sales rate of 6-7 units per month. It has sold well to a mixture of first time buyers (usually with the help of First-Buy), investors and downsizers. Parking is included. Good entry level price points, with one-beds starting at £122,995 and two-beds available at £159,995.</p>		
MAP REF 2	BEECHWOOD VILLAGE	SWANN NEW HOMES	42 UNITS
	<p>This scheme is located just north of the town centre, and offers one and two-bed apartments and two, three and four bed homes, all finished to an attractive spec. Again, the price point makes it attractive to first time buyers and investors; one-bed apartments range £86,000 - £102,500 (£190 - £200 psf), two-beds range £118,000 - £122,500 (£158 - £180 psf). There are number of schemes on offer that are designed to help facilitate purchase, including FirstBuy, Partex and Ezibuy (where buyers can own 100% of home for 85% of the value, applies to houses only)</p>		
MAP REF 3	MORELLO QUARTER	WESTON HOMES	C 425 UNITS
	<p>This is part of a larger development called the Cherry Down Estate, which is around 425 units in total. The first launch took place in October 2009 and it has been released in phases. Of the current phase, Phase 2, only nine units are left. Again, prices offer good entry points and has subsequently been selling well to locals, first time buyers, downsizers, divorcees, investors. One beds range £125,000 - £139,000, while two-beds are £143,000 - £161,000.</p>		
MAP REF 4	CHURCH PARK	PERSIMMON	55 UNITS
	<p>Church Park is located close to the town centre and comprises 55 houses, all fairly standard in spec and design. However, there is a relatively good range within the scheme itself in terms of design. Two-bed houses range £150,000 - £170,000, three-beds range £200,000 - £220,000 and four-beds range £245,000. The scheme is selling well with help from schemes like part exchange, first buy</p>		
MAP REF 5	OAKWOOD GRANGE	BELLWAY	41 UNITS
	<p>One of the higher end developments that are currently on the market, this is located just north east of the town centre. New homes are available from £159,995 for a two-bed flat, but go up to £190,000 for a two-bed terrace, £230,000 for a three-bed detached, £225,000 for a three-bed terraced, £265,000 for a four-bed terrace. The scheme launched in September 2010. There is no data on numbers sold.</p>		

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MAP REF 6	ARCHERS FIELD	BELLWAY	41 UNITS
	<p>The scheme launched in September 2010, and offers a selection of two, three, four and five bed properties. Prices start at £199,995 for a two-bed, while three-bed homes start at £239,995, four-bed homes start at £269,995 and go up to £324,995, while five beds are around £375,000.</p>		

MAP REF 7	HAWKS PARK	BELLWAY	62 UNITS
	<p>This is yet another Bellway scheme, just west of the town centre. It is fairly simply in terms of architecture and specification. Prices start at £199,995 for a two-bed apartment and fo up to £299,995 for a three-bed.</p>		

Map 6: Current New Build Schemes, Basildon



Source: Ordnance Survey, Various

Rental Market

The private rented sector is expanding, as an increasing proportion of potential purchasers struggle to access owner occupation. As discussed, affordability issues remain a real problem, as house prices have risen well in excess of average earnings, and now more directly as a result of the contraction of the mortgage market.

Both the RICS Letting Survey and ALRA members survey have reported an increase in achievable rent levels over the last six months on all types of rented property. Both surveys highlight the regional disparity between London and rest of the country; rents in the capital and the South East continue to accelerate at a greater pace than in all other regions. However, it is significant that, according to the RICS rents improved across all regions in the three months to April.



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According to LSL Property Services, buy-to-let rents also reached new record highs last month, as the fourth successive months of increases. The buy-to-let index recorded annual rent inflation at 4.4%.

ALRA state that, compared with three months ago, average weighted returns for houses have fallen very slightly from 5.2% to 5.0%, but that this change merely reverses the change seen three months ago. Average weighted rental returns for flats are up for the second time in succession, this time from 5.1% to 5.2%. On balance, ARLA members report increased achievable rent levels over the last six months on all types of rented property. The average proportion of respondents across all property types now saying they thing achievable rent levels have increased over the last six months has risen from 53% to 56%.

Table 4: Change in Average Rents, Flats

GEOGRAPHIC REGION	Q1 2011			Q2 2011		
	WEEK	MONTH	YEAR (000S)	WEEK	MONTH	YEAR (000S)
Central London	£681	£2,951	£35.4	£691	£2,993	£35.9
Rest of London	£298	£1,293	£15.5	£326	£1,411	£16.9
Rest of South East	£176	£764	£9.2	£180	£778	£9.3
South West	£180	£780	£9.4	£167	£726	£8.7
Midlands	£108	£468	£5.6	£111	£483	£5.8
North West	£140	£608	£7.3	£139	£603	£7.2
North East	£122	£528	£6.3	£112	£487	£5.8
Scotland / Wales / NI	£142	£616	£7.4	£139	£603	£7.2

Source: ARLA Members Survey of the Private Rented Sector, Q2 2011

According to Findaproperty.com, average rental levels in Basildon are currently;

One-bed flat	£ 575 pcm
Two-bed flat	£ 700 pcm
Three-bed flat	£ 800 pcm
One-bed house	£ 655 pcm
Two-bed house	£ 765 pcm
Three-bed house	£ 820 pcm
Four-bed house	£1,225 pcm
Five-bed house	£1,405 pcm

The Thames Gateway South Essex report notes that private rented accommodation is most expensive in Castle Point at £138 pw, followed by Basildon and Rochford, both at £132 pw. These weekly costs have generally been increasing from previous quarter across all regions. The highest weekly cost of renting a one-bed property through a Housing Association in the sub-region is in Thurrock, at £91, while the lowest is in Rochford, at £66 (Thames Gateway South Essex, April 2011).

Literature Review and Analysis: Housing Market

Implications for Housing Need

The affordability constraints in the area (most likely akin to all other areas across the country) continue to influence housing need. The net annual housing need in the TGSE sub-region has increased by 317 dwellings per annum, with the largest rise recorded in Basildon, of 208 per annum in 2008, to 356 per annum in 2010. Overall, the TGSE sub-region has a 78% affordable housing need requirement, following an increase from 61% in the 2008 SHMA (GVA Grimley, 2010).

Measured in proportional terms, the percentage of affordable housing need against the total housing requirement continues to show an extensive and acute affordable housing need requirement in each of the five districts in the sub-region. Despite stating a marked increase in need, the GVA Grimley report also states that Basildon shows amongst the most modest requirement.

Overcrowding is an issue in some areas; for example, 16% of households in the social housing market are over-crowded and 14% in the private rented market, compared with 6% across all tenures.

GVA Grimley's 2010 SHMA makes clear recommendations relating to the quantum of housing choice, quality and mix in the sub-region. These recommendations were also apparent in the 2008 SHMA. It also confirms that the housing targets adopted in the RSS remain relevant, if the South Essex sub-region is to be able to continue to operate as a functional housing market. It suggests that, with signs of modest recovery and relief from the recession now appearing, housing demand in the sub-region should not be overly affected beyond the immediate short-term (GVA Grimley, 2010).

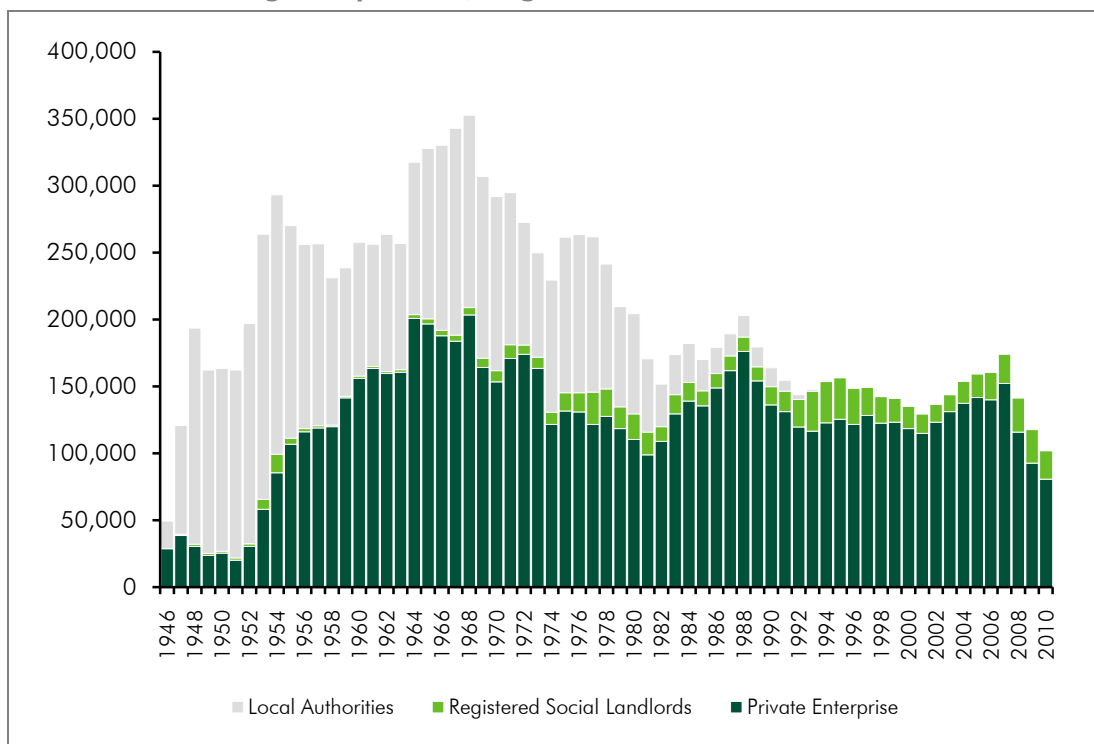
Aside from a shortage in housing, the quality and range of current housing stock continues to be mis-matched to existing and future forecasted sectors of employment (GVA Grimley, 2010). The demographic patterns indicate a need for smaller units, particularly in the form of sheltered housing for older people, but there is also a marked need for family housing. In the last thirty years, the population of Basildon has increased to accommodate many people, particularly families, moving to the district. However, according to the Basildon District Local Strategic Partnership, there remains a considerable shortage of attractive family housing in the urban area (2008).

Literature Review and Analysis: Housing Market

Housing Supply – National Picture

Since the onset of the recession, developers have been forced to delay projects until better market fundamentals return. A lack of access to funding, potential sales, loss of land value and general uncertainty has stunted development across the country. House-building starts have fallen considerably.

Chart 20: Housing Completions, England



Source: CLG

A number of government funded schemes have helped provide some stimulus over the past couple of years. In addition, a slight pick-up in sentiment and lending allowed an improvement in sales, which has injected some spur back into the development market. However, development remains muted and it is likely to be some considerable time before house-building rates return to their previous levels, and even more time for them to reach the levels required to meet actual demand across the UK.

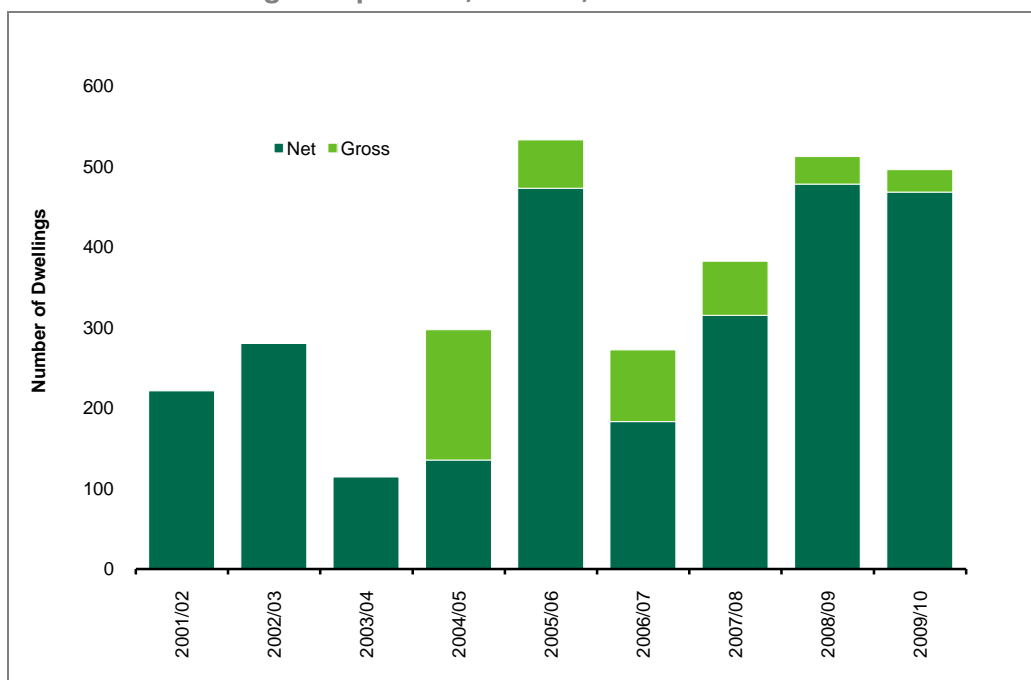
The problems facing the development market, which were predominantly financial, were not helped last year by further uncertainty in the planning system. Eric Pickle’s letter to councils that dissolved the role of regional planning bodies and as a result, revoked Regional Spatial Strategies and their inherent targets, effectively left a planning vacuum. Councils became paralysed with confusion and were hesitant to act, prior to a decision being made on the legality of Pickles’ actions. Although this has in part been resolved, there remains a considerable degree of perplexity within the planning system, particularly with regards to how the principals of localism will come into effect in reality. To add to this, councils are becoming increasingly stretched in terms of resources. Although there is some progress, in terms of creating clarity, all these factors have been causing additional delay to development, which is already below required levels.

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Housing Supply – Basildon

Both the 2008 and 2010 SHMAs noted a downward trend in housing completions across the sub-region over the last decade, but this situation varies across all five districts. In contrast to the wider region, Basildon and Southend-on-Sea had increases in housing completions between 2007/08 and 2008/09. In particular, Basildon has shown significant increases each year with 183 completions in 2006/07 and 478 in 2008/09 (GVA Grimley, 2010).

Chart 21: Housing Completions, to date, Basildon



Source: Basildon Borough Council, Annual Monitoring Report 2010

In terms of sustainable development, planning policy encourages the re-use and redevelopment of previously developed land (PDL). In 2009/10, almost 85% of the dwellings completed in Basildon were built on PDL.

Table x: Where Developments are Being Built, 2009-10

Site Type	Gross number of Dwellings
- On Greenfield	76
- On PDL	416
- Total	492
% on PDL	84.55%

Source: Basildon Borough Council, Annual Monitoring Report 2010

According to the AMR, 99.6% of all (net) dwellings delivered in the last monitoring report, 99.5% of these were in 30 mins Public Transport Time (PTT) from an Employment Centre (500+). PTT includes travel by walking, cycling and bus.

Literature Review and Analysis: Housing Market

Affordable Housing Supply

There has been considerable variation in the performance of each local authority, with regards to the development of affordable housing. Basildon and Southend have both seen a significant uplift in the number of affordable units completed.

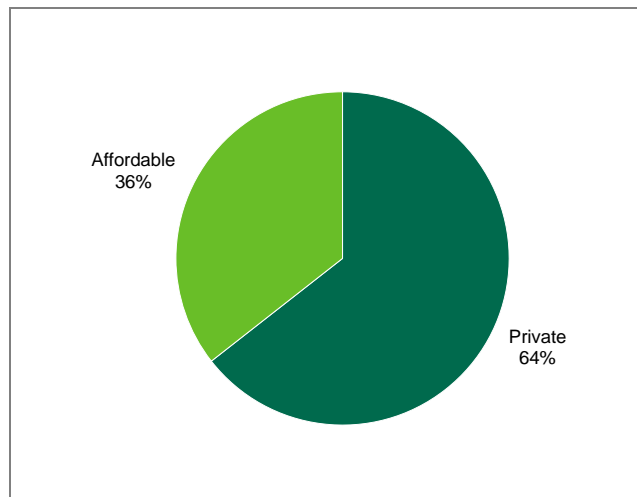
The provision of affordable housing in the TGSE starts from a relatively low base, which makes it particularly difficult to meet local need in the current climate. 15% of stock in the TGSE area is social housing, compared with 19% across England as a whole. The provision of affordable housing differs across the sub-region; for example, it accounts for 6% of total stock in Castle Point and 23% in Basildon (Tribal, 2010).

In terms of recent delivery of housing, and in particular social housing, there has been a slight downward trend across the TGSE area in the last ten years. There was very limited provision between 2001 and 2004, although it did increase during the three years after this point, up to a peak of 8% in 2007. The greatest levels of provision have taken place in Thurrock, Southend and Basildon. Castle Point still has relatively low levels in comparison with other areas (Tribal, 2010).

According to the Tribal 'Housing Viability Support Research Report', Basildon council require that 30% affordable housing is delivered on all sites of more than ten dwellings. Basildon and Wickford town centres are exceptions, where only 10% affordable housing should be provided on the site, which the balance of the 30% being either provided off-site or in the form of a commuted sum (Tribal, 2010).

The majority of development in Basildon over the last monitoring period was private, at around 65%.

Chart 22: Development Tenure, 2009/10



Source: Basildon Borough Council, Annual Monitoring Report 2010

Going forward, it is felt that the fall in house prices is likely to have a detrimental impact on the level of house-building in the sub-region, particularly of affordable stock. Many schemes, especially on larger sites, will be re-phased, or even mothballed. Higher risk areas, such as those in town centres or on regeneration programmes, are particularly affected. In addition, many developers are looking for higher profit margins, to allow some

Literature Review and Analysis: Housing Market

cushion for market risk; more marginal schemes are considered unviable in the current climate. This is having an impact on discussions with developers relating to their affordable housing contributions (Tribal, 2010).

Future Supply

In a regional context, going forward, there is considerably more development anticipated in neighbouring Colchester. According to the Essex Partnership Proposed Trajectory, which will most likely replace the RSS housing targets, Basildon is expected to deliver around 1,020 dwellings over the next three years and in total, 5,250 dwellings by 2026/27.

Table x: Housing Delivery Expectations, 3-year Targets

KEY AREA OF CHANGE	(ACTUAL FOR) 2008/09	2009/2010	2010/11	3-YEAR TOTAL
LAA Year	1	2	3	
Basildon	478	310	234	1,022
Chelmsford	638	400	350	1,388
Colchester	1,041	800	650	2,491
Harlow	241	200	200	641
Total	2,398	1,710	1,434	5,542

Source: Basildon Borough Council, Annual Monitoring Report 2010

Table x: Housing Delivery Expectations, 19-year Targets

KEY AREA OF CHANGE	2008/09 – 2010/11	2011/12 – 2016/17	2017/18 – 2026/27	TOTAL
LAA Year	1 - 3	4 - 9	10 – 19	
Basildon	1,022	2,348	1,881	5,251
Chelmsford	1,388	6,499	6,725	14,612
Colchester	2,491	4,676	6,452	13,619
Harlow	641	3,284	2,650	6,575
Total	5,542	16,807	17,708	40,057

Source: Basildon Borough Council, Annual Monitoring Report 2010

These figures for Basildon are the base point for new proposed interim local housing targets, in the view of Government's proposals.

Under the remaining housing supply target for the sub-region, 66% is to be provided in Thurrock and Basildon. In this respect, the SHMA predicts an upward trend in housing delivery in Basildon and Thurrock, with a broadly stable projection of housing completions in Castle Point, Rochford and Southend. These delivery assumptions incorporate the ongoing uncertainty and lack of developer appetite for substantial projects.

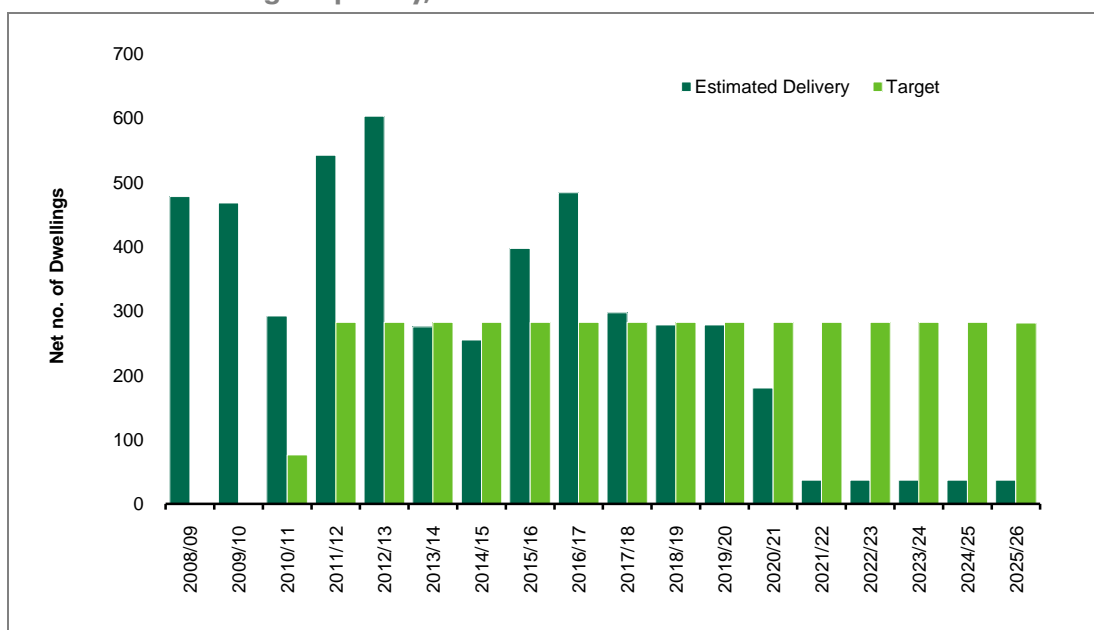
Given that the regional housing targets are likely to be abolished in the near future, the local AMR 2010 uses the LAA housing target as an interim measure of performance, until locally determined housing targets have been agreed. This target has been annualised for the period 2011/12 to 2025/26 to cater for potentially uncertain economic circumstances in the future.

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For the planned housing period (1st April 2008 to 31st March 2026), the provisional target for the borough is 5,251 dwellings.

The housing trajectory below indicates how it is envisaged these be delivered over the plan period, with a target typically of around 282 per annum. All those dwellings in the housing trajectory are net, to account for any potential demolitions of residential property as a result of site redevelopment. The next five year trajectory is predominantly made up of sites with planning permission.

Chart 23: Housing Trajectory, Basildon



Source: Basildon Borough Council, Annual Monitoring Report 2010

A 2.5% discount rate has been applied to allow for developments not going ahead. The number of planning permission expiries for the past five years was also calculated. The highest rate of expiries was rounded up to the nearest 0.5%, giving a discount 2.5%. In addition, there has been no allowance for windfall sites included in the five year trajectory.

Most of the development will come from large sites;

Table x: Five Year Housing Supply, Basildon

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	TOTAL
Year of Trajectory	0	1	2	3	4	5	
Contribution from large Sites	260	444	591	272	247	276	2,090
Contribution from small sites	40	107	25	8	-8	0	172
Sites allocated within the Local Plan	0	0	0	0	0	100	100
Sites identifies without planning permission (2010)	0	0	0	0	20	32	52
Total after % discount	292	542	603	275	255	397	2,364

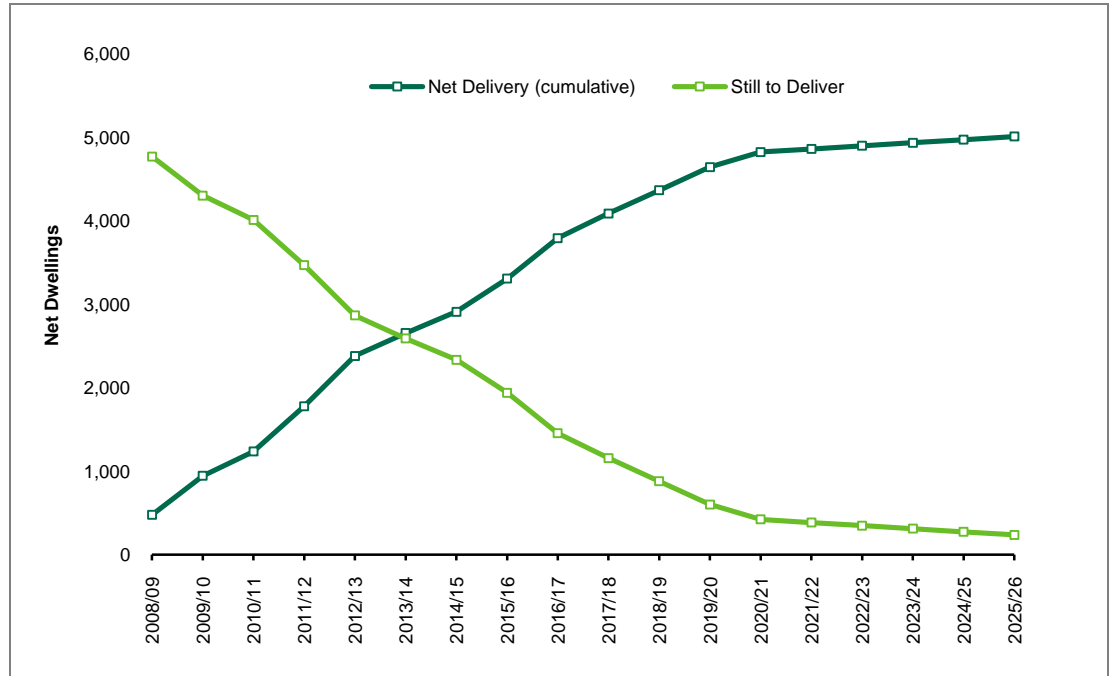
Source: Basildon Borough Council, Annual Monitoring Report 2010



Literature Review and Analysis: Housing Market

Delivery rates are expected to be much steeper in the next ten year period of the longer-term plan, and broadly speaking level-off post-2020.

Chart 24: Cumulative Delivery of Housing



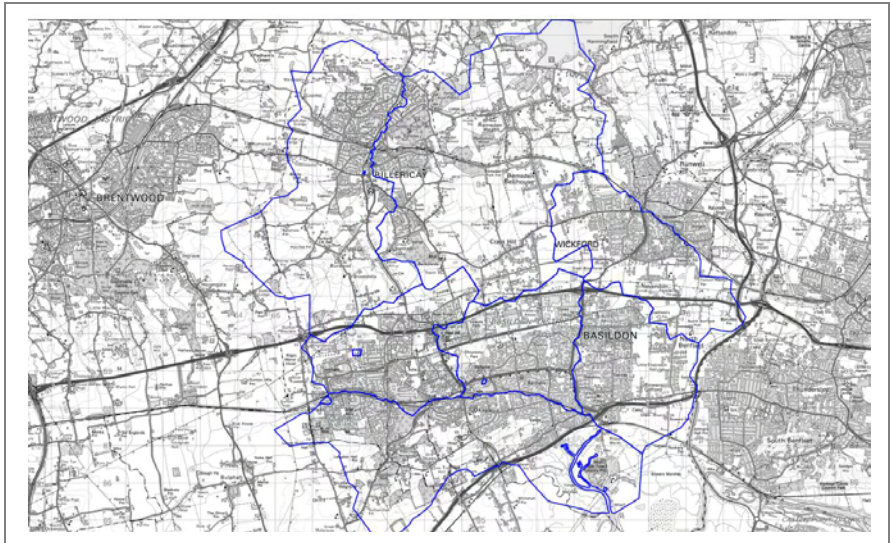
Source: Source text

Supply and Demand Analysis

In addition to the main supply and demand indicators that we have looked at so far, we will now broaden our parameters by incorporating data from Digital Property Group. This provides a more focused analysis of the supply and demand balance in finite areas of Basildon.

We will take each post code district in turn, clearly stating current demand for and supply of various types of properties within each district. This is based on the criteria that potential purchasers enter into web search engines, as well as the properties that are listed. This captures all agents. Clearly, this analysis only focuses on the private sale and private rented markets; demand for affordable property is no doubt more extensive.

Map 7: Post Code Districts in Basildon



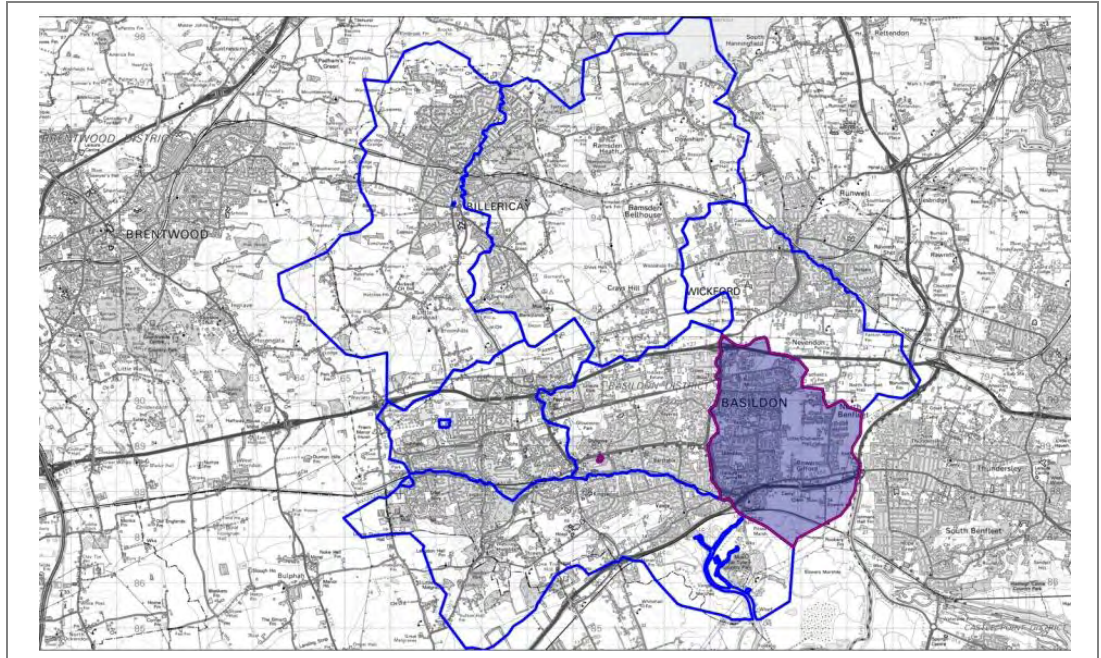
Source: Ordnance Survey

For the most part, Basildon town centre falls over three post code districts; SS13, SS14 and SS15. We will look at SS13 first, which is the eastern part of the town.

Supply and Demand Analysis

SS13

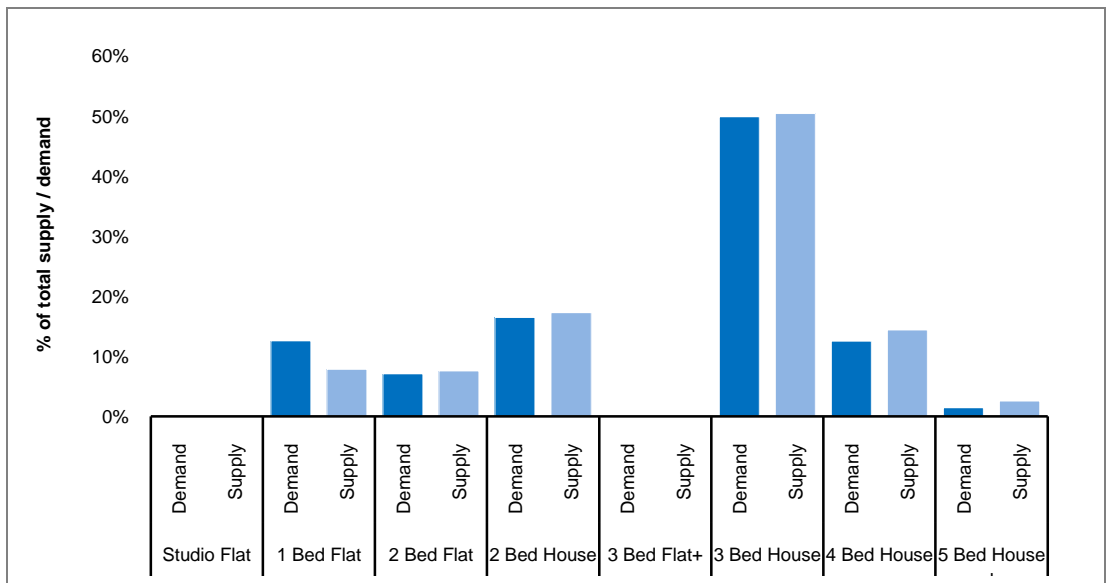
Map 8: Location of SS13



Source: Ordinance Survey

In SS13, the most pronounced demand for property is clearly for three-bed houses, though this type of property is also best supplied. There is most likely a significant volume of affordable terraced properties in this area.

Chart 25: Supply and Demand for Property, by Type, SS13 - SALES

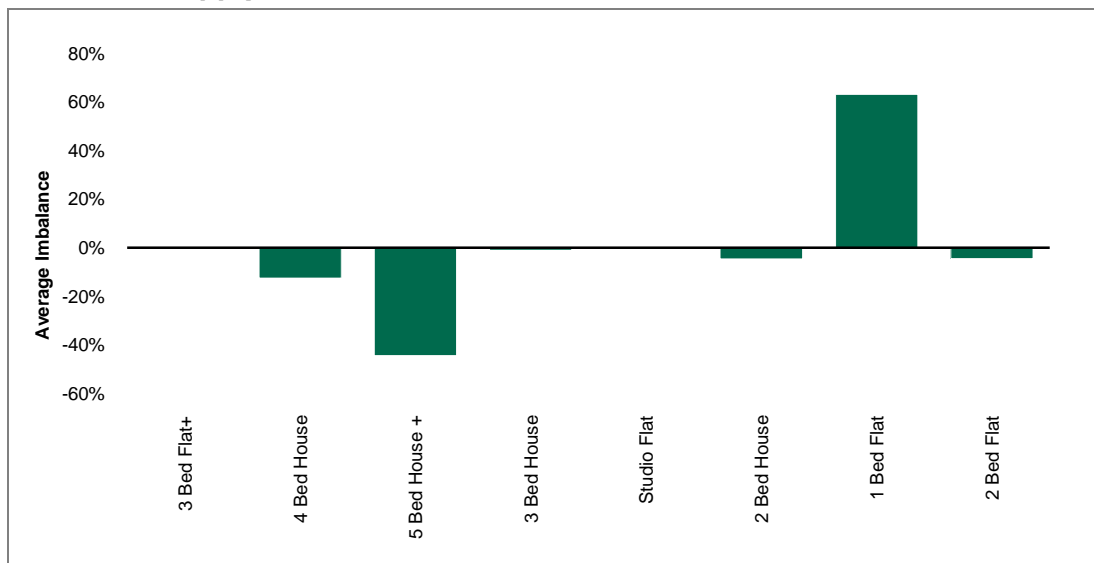


Source: Digital Property Group

Supply and Demand Analysis

In these instances, it can sometimes be that potential purchasers know that there is a good supply of this type of accommodation in that area, hence why they will look there and why demand is subsequently focused there. This perhaps explains why the supply and demand levels at first seem broadly in-line. The chart below highlights where these are not in-line and in this regard, there appears to be a lack of one-bed flats for sale in the area. In contrast, there is an oversupply of larger homes, namely four and five-bed houses.

Chart 26: Supply / Demand Imbalance, SS13 - SALES



Source: Digital Property Group

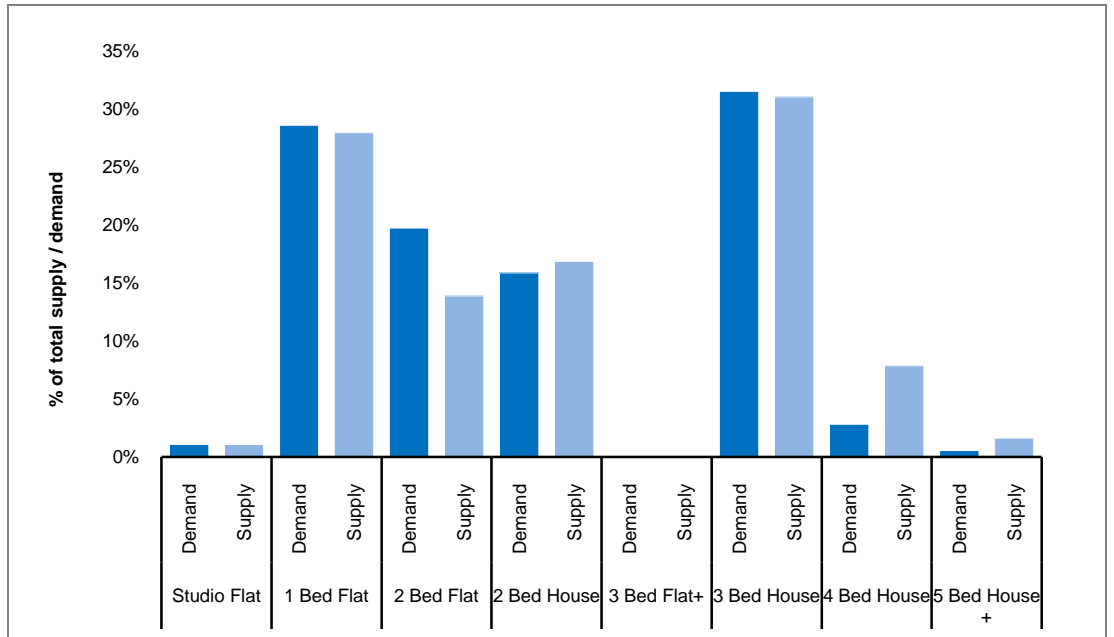
To a large extent, the rental market mirrors the sales market, as there are high levels of demand for three-bed houses, though these seem to be met by high levels of supply.

There are also high levels of demand for smaller units, albeit not as small as studios. Just over half of potential renters in this area are looking for one and two bed flats. However, it represents 44% of available stock, hence there is a slight imbalance. This is mostly prevalent in the two-bed market, where there is a mis-match of nearly 40%.

In contrast, there is a fairly significant over-supply of larger units; roughly 10% of stock that is listed on the rental market are four or five bed properties, but only 3% of searches are for this type of property.

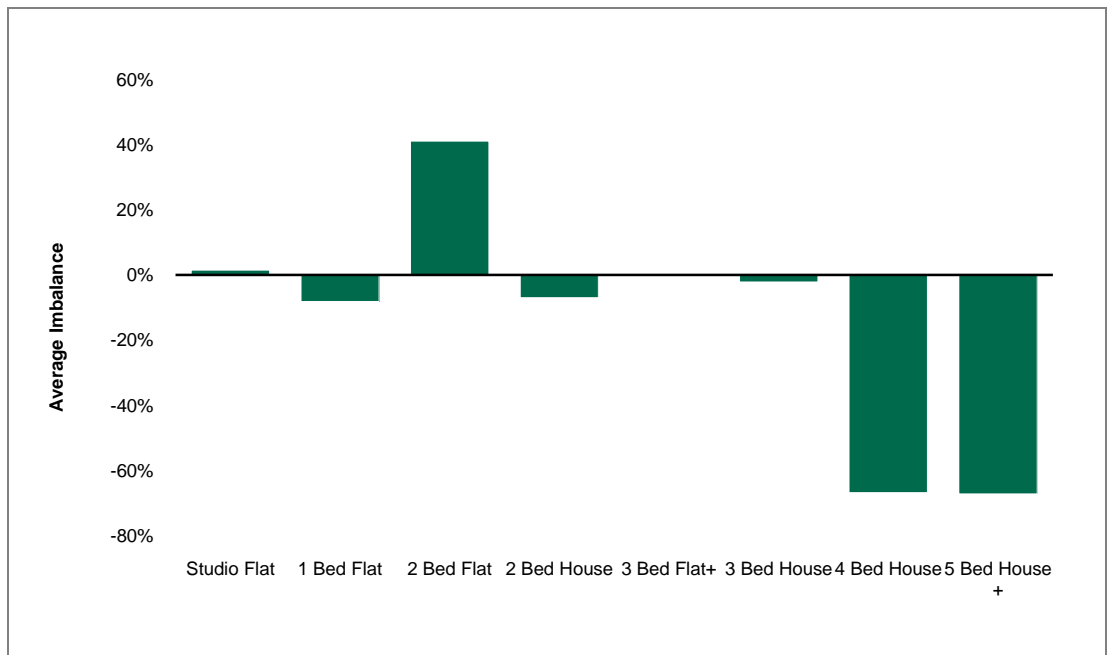
Supply and Demand Analysis

Chart 27: Supply and Demand for Property, by Type, SS13 - RENTAL



Source: Digital Property Group

Chart 28: Supply / Demand Imbalance, SS13 - RENTAL



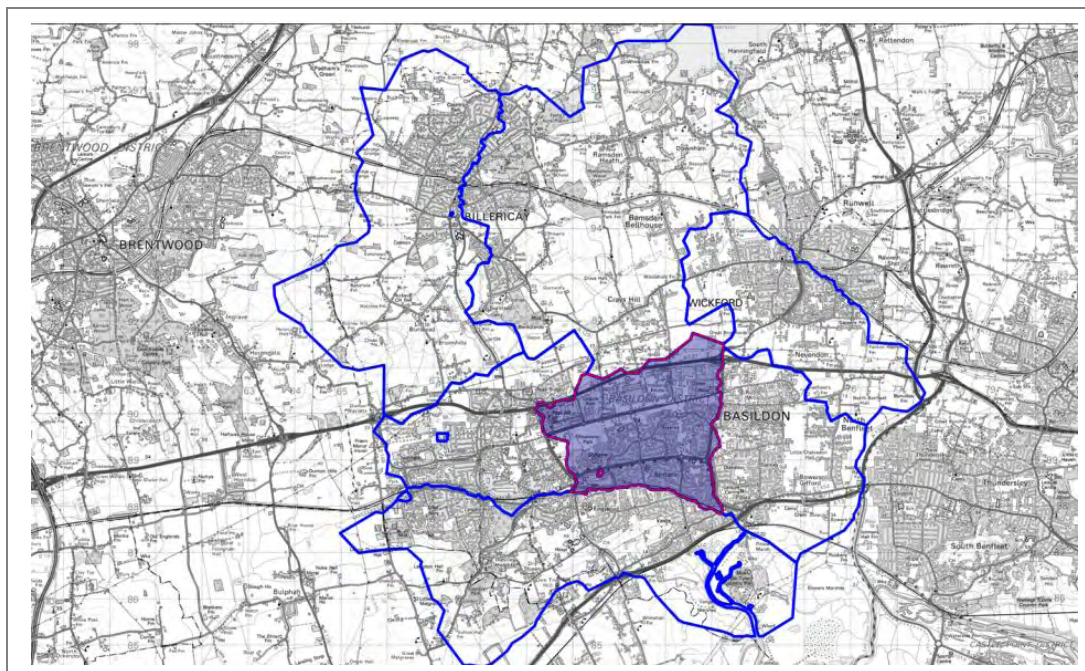
Source: Digital Property Group

Supply and Demand Analysis

SS14

The post code district SS14 covers much of the town centre of Basildon, including the potential redevelopment area.

Map 9: SS14



Source: Ordnance Survey

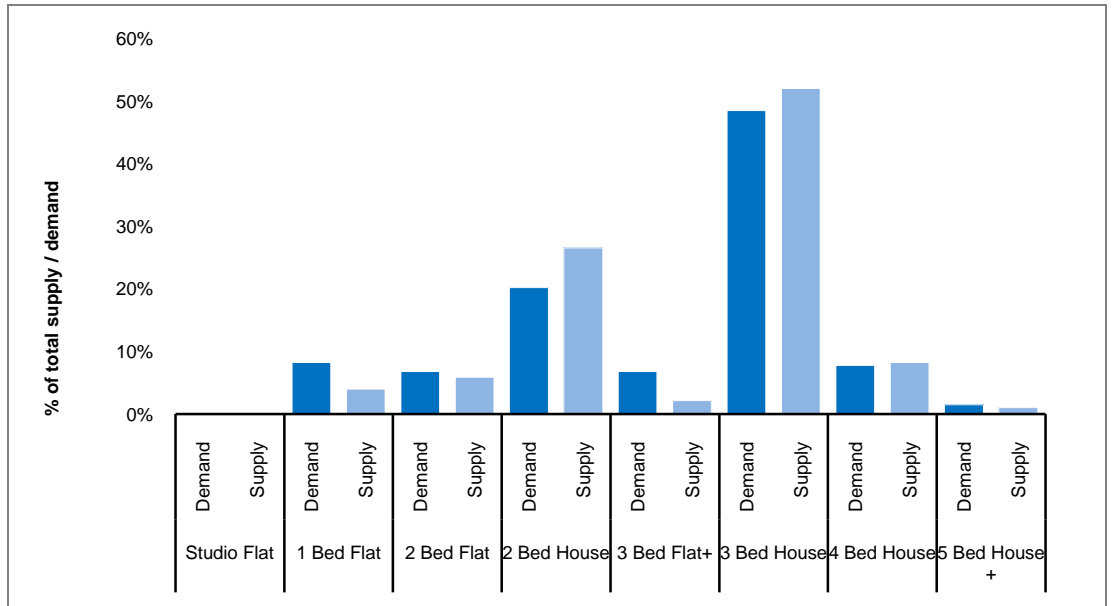
Again, demand in this area is focused on three-bed properties, and mostly three-bed houses. Nearly half of all enquiries were in relation to three-bed houses, but this might reflect the fact that just over half of all properties on the market are three-bed houses. In terms of *unmet* demand, this is more prevalent in relation to three-bed flats; 7% of all enquiries were for three-bed flats but this type reflects only 2% of stock for sale, creating an imbalance of over 200%.

There is also a shortage of one-bed flats for sale, given that 8% of applicants are looking for this type of property but the available stock is half this; essentially, there are two potential purchasers for every one property of this kind.

In terms of oversupply, there is a very acute imbalance with regards to the smaller houses, namely two and three-bed properties. This is marginally more prevalent among two-bed homes. However, this slight mis-match is somewhat misleading and could be due to some seasonal variations, given that these types of properties are still the most sought after. Roughly 70% of applicants are still looking for two or three-bed houses, although it reflects 80% of stock.

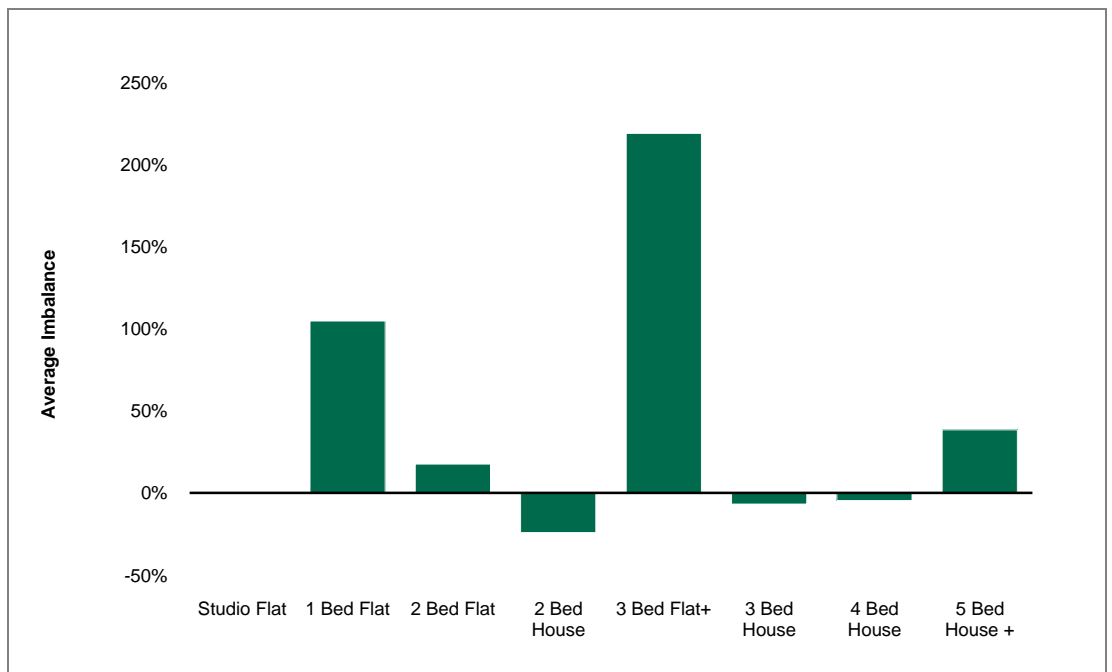
Supply and Demand Analysis

Chart 29: Supply and Demand for Property, by Type, SS14 - SALES



Source: Digital Property Group

Chart 30: Supply / Demand Imbalance, by Type, SS14 - SALES

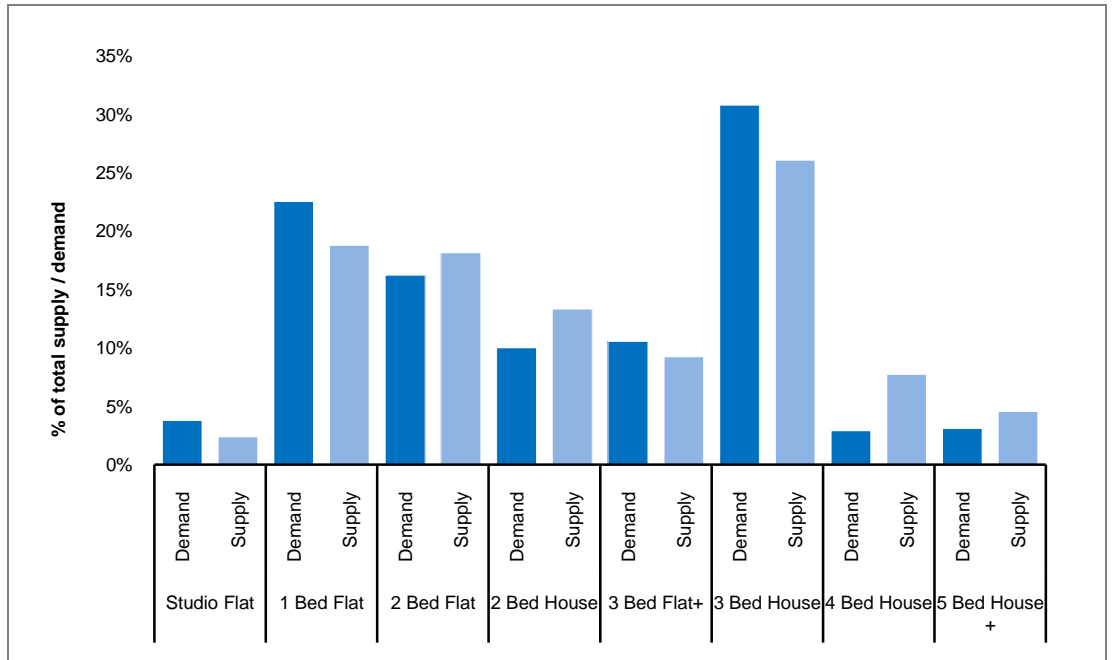


Source: Digital Property Group

Similarly in the rental market, the most pronounced demand (and supply) is for three-bed houses; this reflects around a third of the overall market. However, there is a much more even spread of demand for smaller units and subsequently, a slight undersupply of studios and one-bed properties.

Supply and Demand Analysis

Chart 31: Supply and Demand for Property, by Type, SS14 - RENTAL



Source: Digital Property Group

As with SS13, there is an oversupply of larger homes, namely four and five bed houses; although these types account for 6% of demand, they account for 12% of supply. However, it should be noted that although this is a marked imbalance, with effectively two properties of this kind for every one potential buyer, it does not make up a huge part of the overall market.

Chart 32: Supply / Demand Imbalance, by Type, SS14 - RENTAL



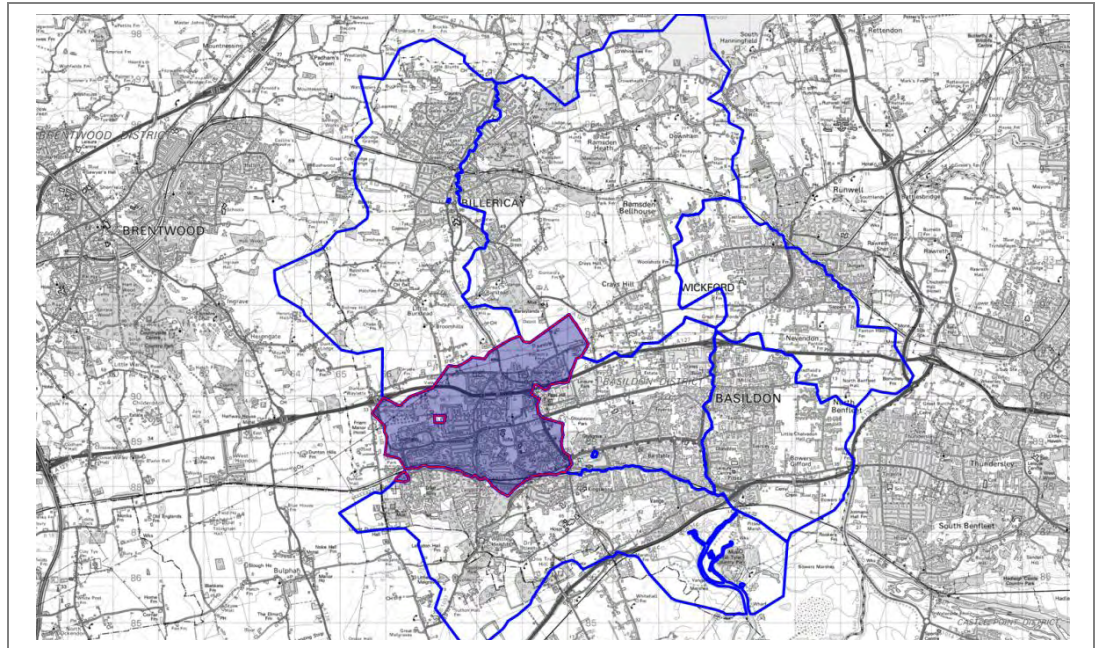
Source: Digital Property Group

Supply and Demand Analysis

SS15

SS15 also covers Basildon town centre, over the western area.

Map 10: SS15



Source: Ordnance Survey

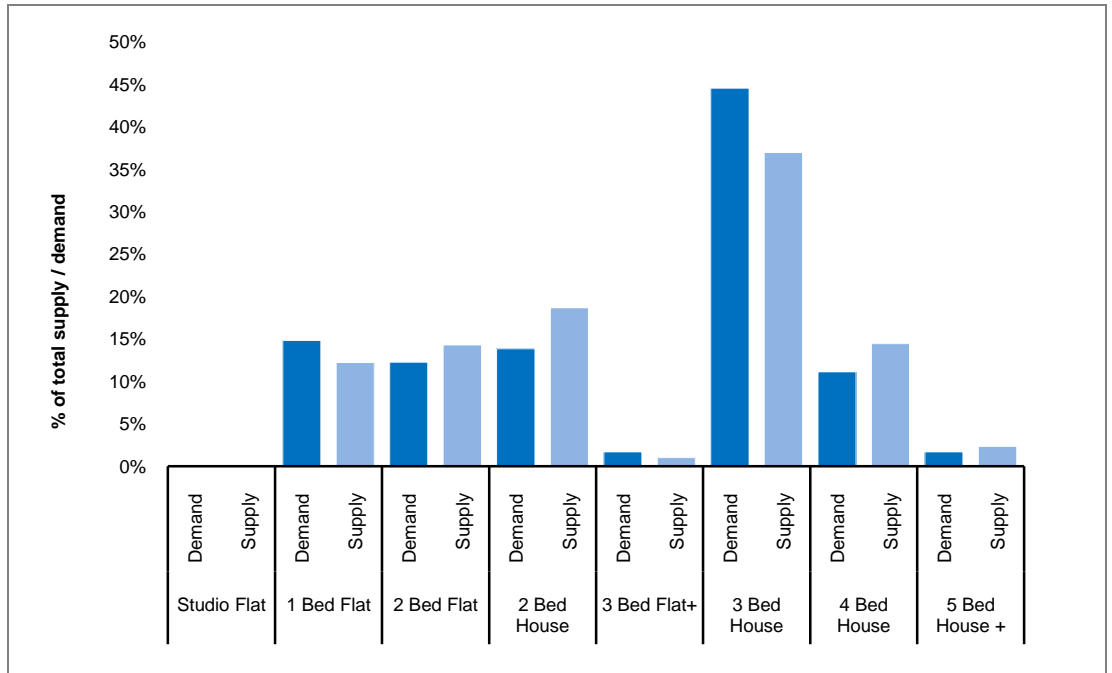
In line with the neighbouring areas, the most pronounced demand is for three-bed houses. This accounts for 45% of all applicants, even though it only accounts for 37% of available stock. There is also demand for three-bed flats, for which there is not sufficient available stock, creating a mismatch of 60%. This is by far the most marked imbalance across all property types, though it should be noted that it still only accounts for a very small portion of the market; only 2% of applicants are actually looking for three-bed flats.

Demand is spread fairly evenly over other small to mid size properties; 15% of potential buyers are looking for one-bed flats, 12% for two-bed flats, 14% for two-bed houses and 11% for four-bed houses. The main area where this is not being met by supply is one-bed flats, where demand accounts for around 2-3% more of the market.

Again, there is a slight oversupply of larger four and five-bed houses, where there are simply not the buyers at the moment, in this area. However, this still accounts for a very small portion of the overall market in this area.

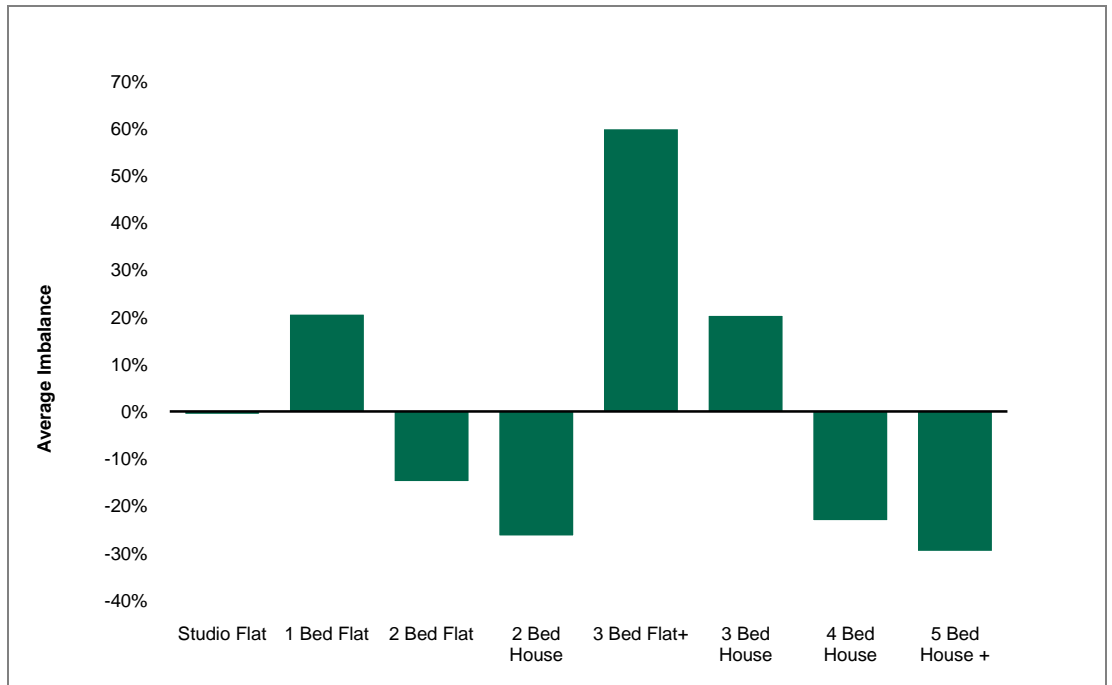
Supply and Demand Analysis

Chart 33: Supply and Demand for Property, by Type, SS15 - SALES



Source: Digital Property Group

Chart 34: Supply / Demand Imbalance, by Type, SS15 - SALES



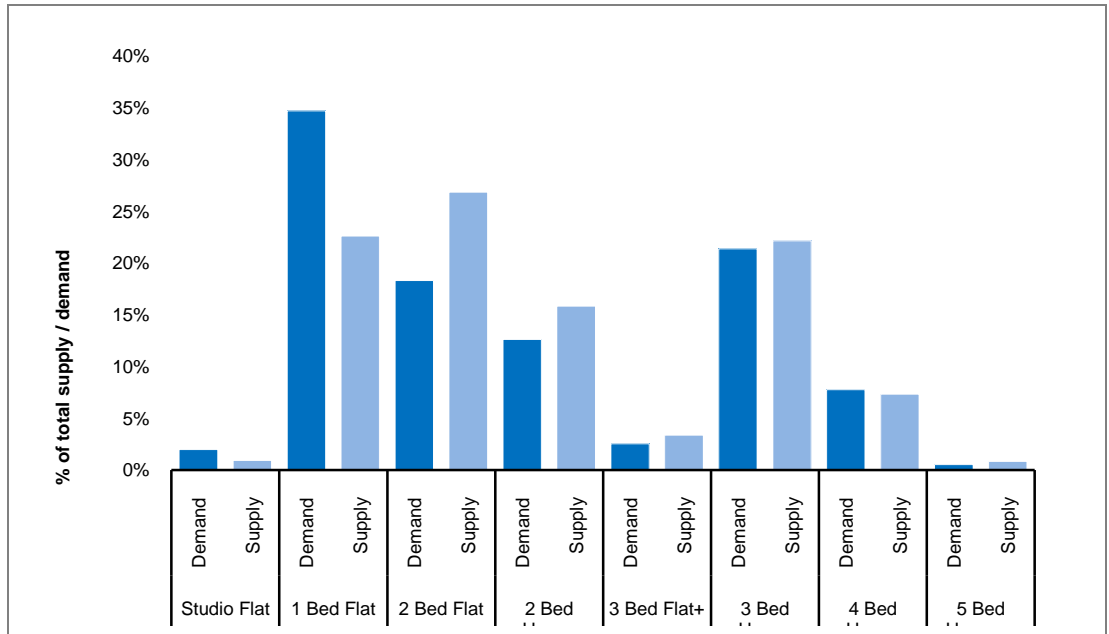
Source: Digital Property Group

The profile of the rental market in this area differs slightly from the sales market in that it leans much heavier towards the smaller units; the most popular units, by some margin are one-bed flats. Although **Chart x** indicates that the most significant imbalance within the market is among studios, at 108%, this only accounts for 2% of demand. 35% of those

Supply and Demand Analysis

looking for rental property are looking for one-bed flats. Although two-bed and three-bed properties are also highly sought after, there is also adequate supply of them in the rental market.

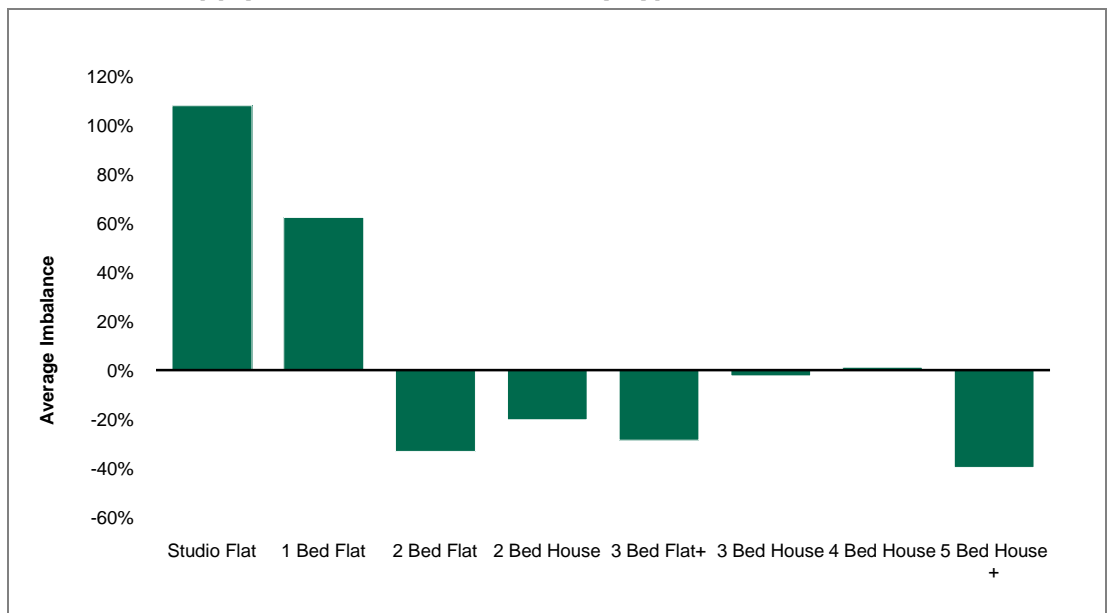
Chart 35: Supply and Demand for Property, by Type, SS15 - RENTAL



Source: Digital Property Group

Mirroring the situation in the sales and rental markets in the other districts around the town centre, there is an acute oversupply of largest five-bed homes, although again, this is only a very small portion of the overall market.

Chart 36: Supply / Demand Imbalance, by Type, SS15 - RENTAL



Source: Digital Property Group

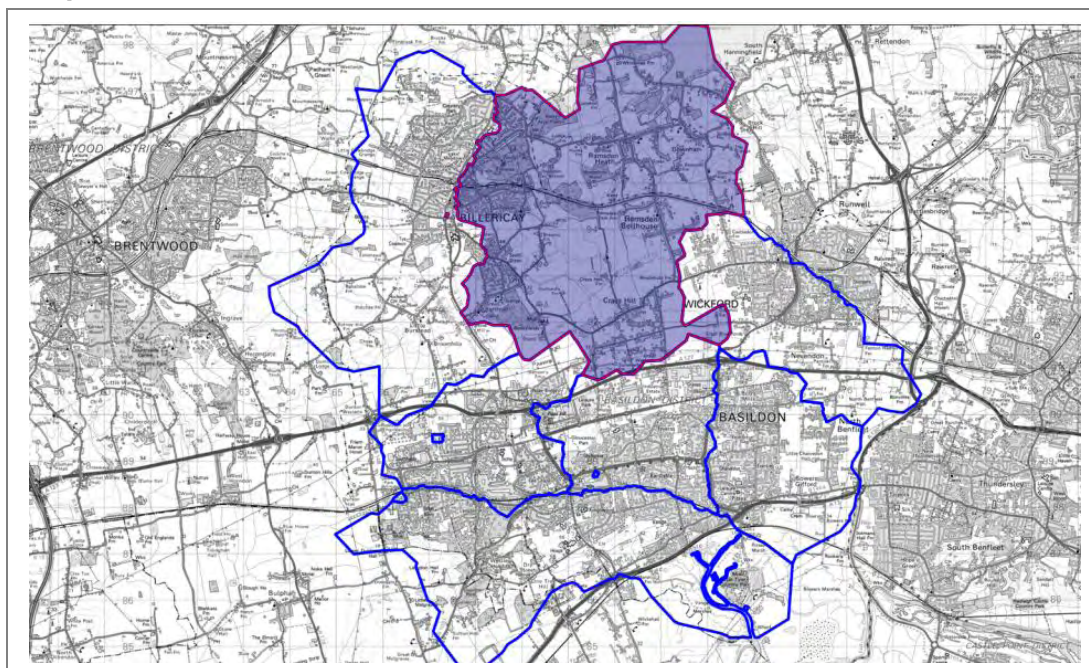
Supply and Demand Analysis

CM11

The area to the north of Basildon town centre, CM11, incorporates half of Billericay, as well as some of the surrounding villages, such as Ramsden Heath, Ramsden Bellhouse and Stock.

The area inherently has a much lower level of density, with clusters of housing within a generally more rural environment. The character of housing in these areas will naturally be different to the aforementioned districts, and this will be reflected in the type of stock that is currently on the market, as well as what people will be looking for in this area.

Map 11: CM11



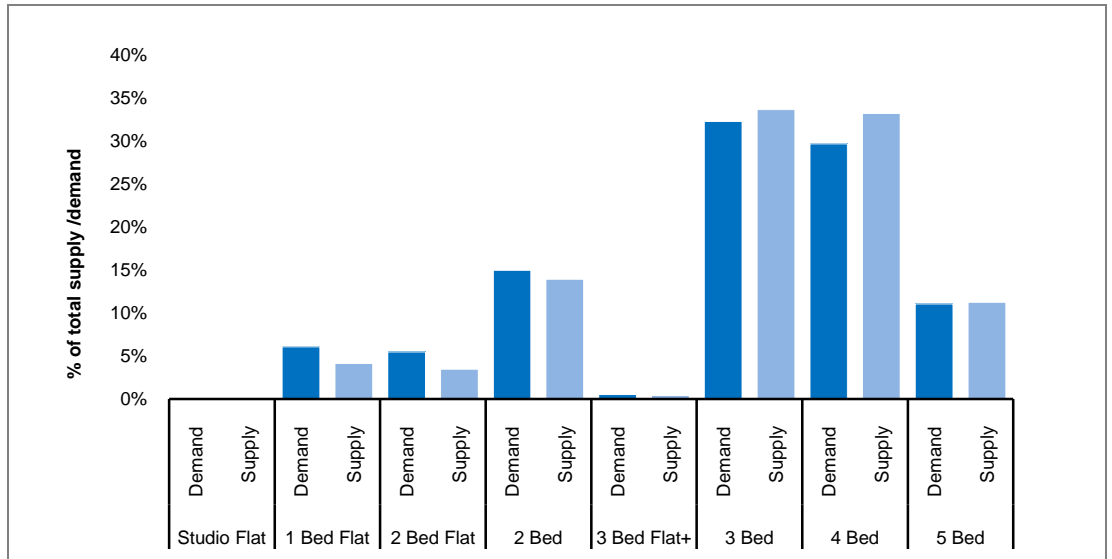
Source: Digital Property Group

The majority of demand for property in the sales market is for housing; 73% of buyers are looking for three, four or five-beds. There is sufficient stock to meet this demand, as 78% of properties on the market of this kind. There is a very slight over-supply of the three and four-bed houses, but we do not consider this a huge issue, given the substantial proportion of the market that it accounts for. A slight oversupply will afford buyers some degree of choice, while not impacting upon price drastically.

The most prominent supply and demand imbalance exists in the market for smaller properties, mostly one and two-bed flats, as well as two-bed houses.

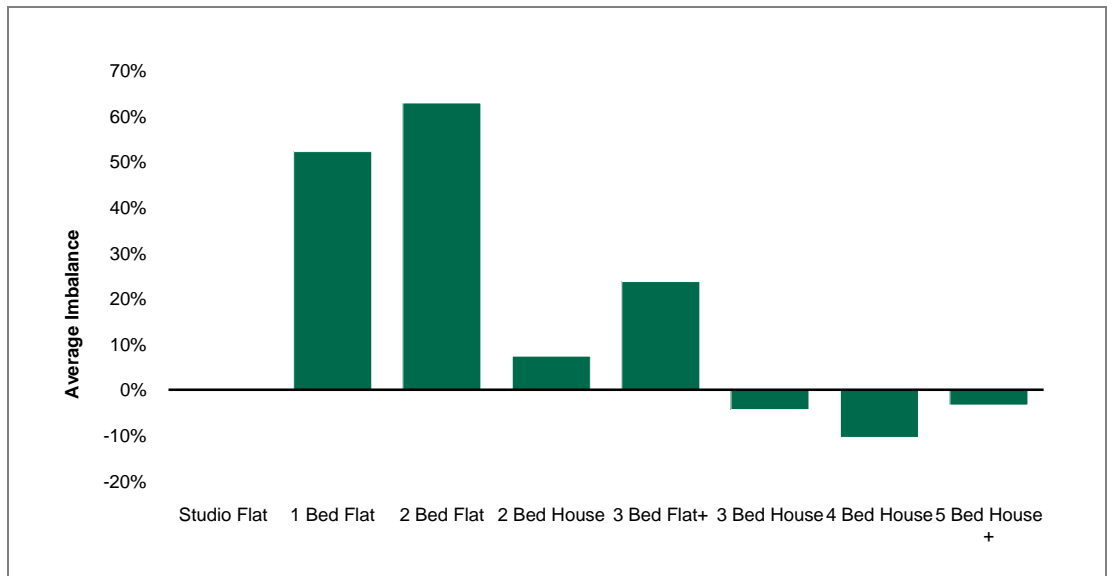
Supply and Demand Analysis

Chart 37: Supply and Demand for Property, by Type, CM11 - SALES



Source: Digital Property Group

Chart 38: Supply / Demand Imbalance, by Type, CM11 - SALES



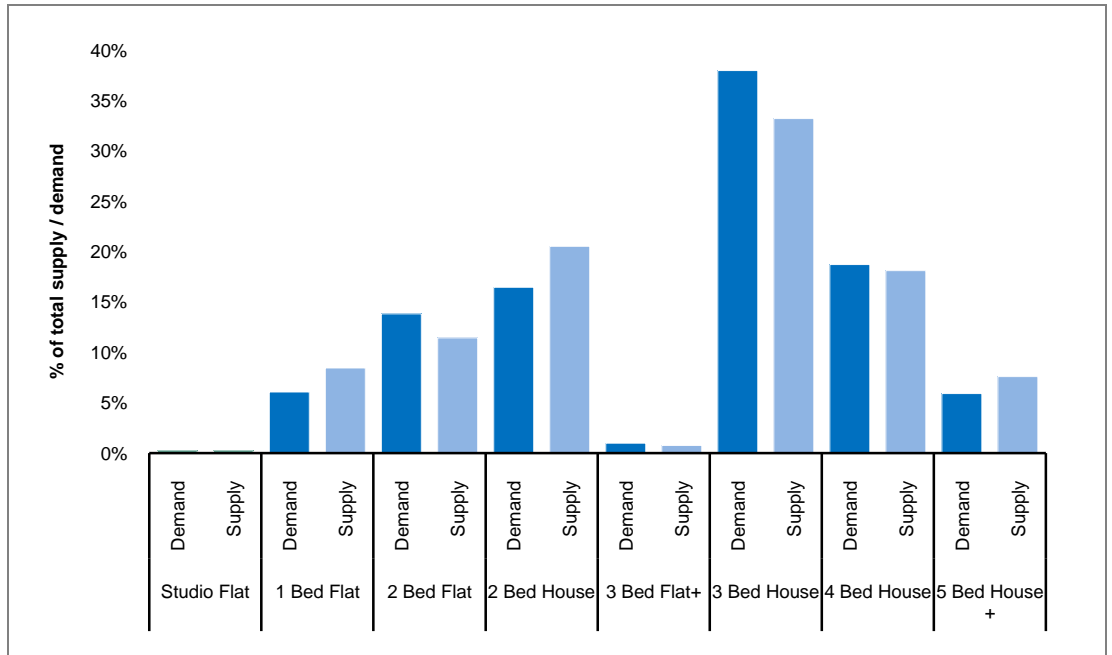
Source: Digital Property Group

Again, the rental market is also geared more towards housing in this area rather than smaller flats, reflecting the type of stock that naturally exists here. The most sought after rental property is a three-bed house, which accounts for 38% of all demand, yet 33% of all stock.

There are very few three-bed flats on the market and as a result, there would appear to be a very slight undersupply. However, this is in-part a reflection of the fact that there is just not a lot of this type of stock in the area. In addition, it indicates that, where possible, people would prefer a house to a flat. This is not only illustrated by the popularity of three-bed houses, but also two-bed houses, where demand is slightly in excess of that for two-bed flats.

Supply and Demand Analysis

Chart 39: Supply and Demand for Property, by Type, CM11 - RENTAL



Source: Digital Property Group

Chart 40: Supply / Demand Imbalance, by Type, CM11 - RENTAL



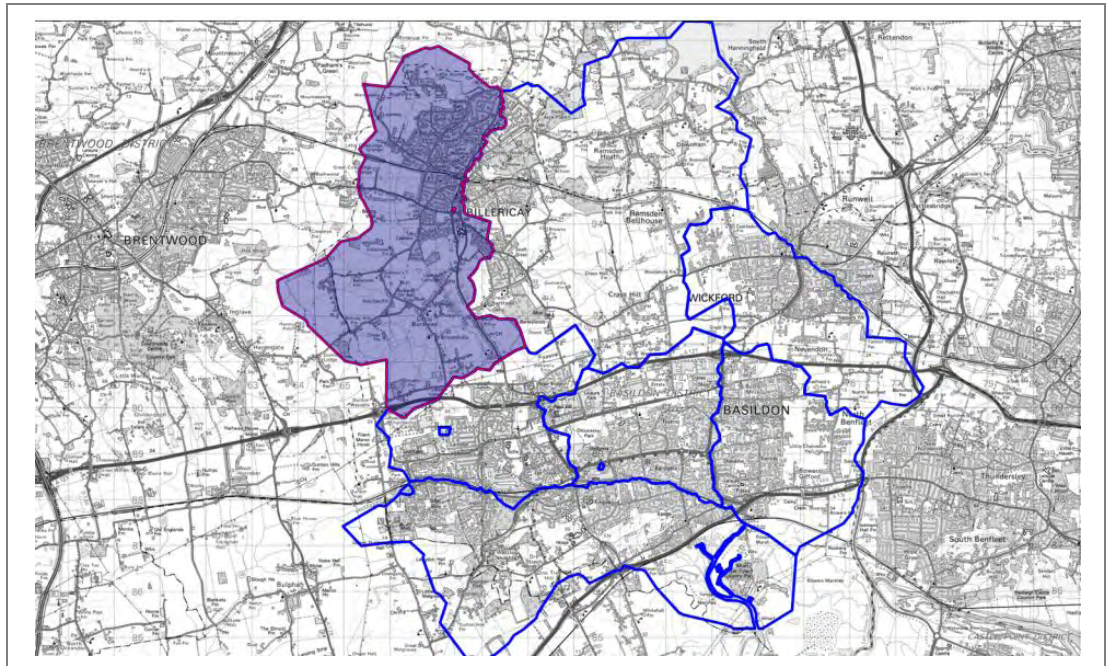
Source: Digital Property Group

Supply and Demand Analysis

CM12

CM12 is one of the most rural areas around Basildon; it incorporates half of Billericay, the village of Little Burstead, as well as more informal clusters of properties in what is predominantly countryside.

Map 12: CM12



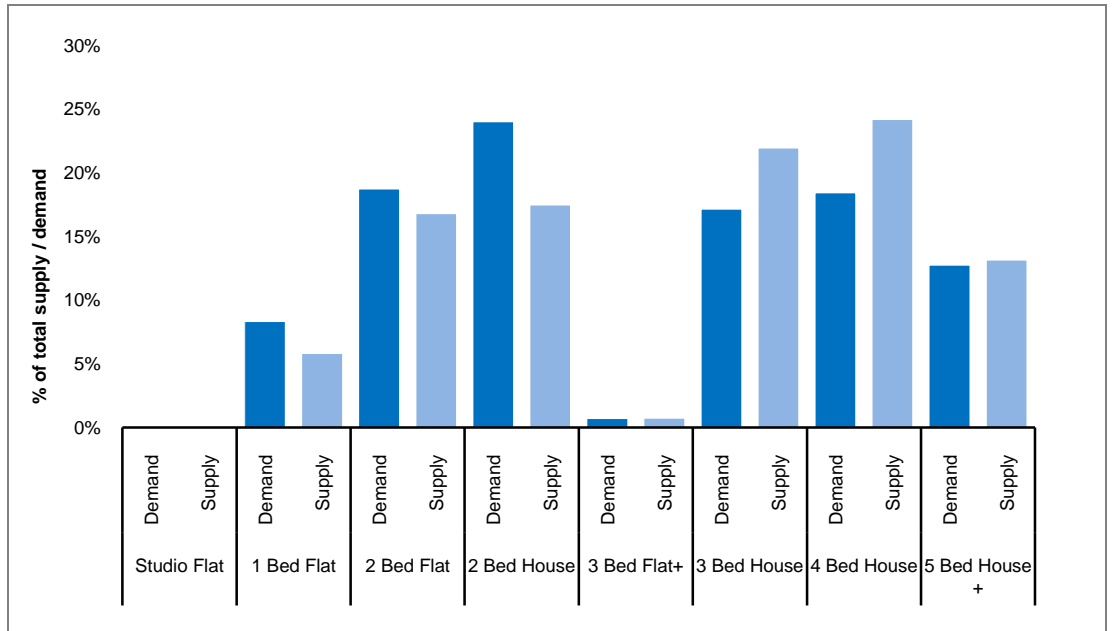
Source: Ordnance Survey

Broadly speaking, the main concentration of activity is in the middle of the market, for two-bed flats and houses, and three and four-bed houses. Approximately a quarter of all buyers are looking for two-bed flats.

In more detail, the mix of housing in the area reflects its half-town and half-rural character. The split between one and two-bed units, and three-bed plus houses is roughly half and half. In slight contrast, the smaller units only make up 40% of all homes on the market, whereas the larger houses make up 60%. In this respect, the most distinct supply and demand mis-matches occur on one-bed flats, two-bed flats and two-bed houses. Subsequently, three and four bed houses are slightly oversupplied.

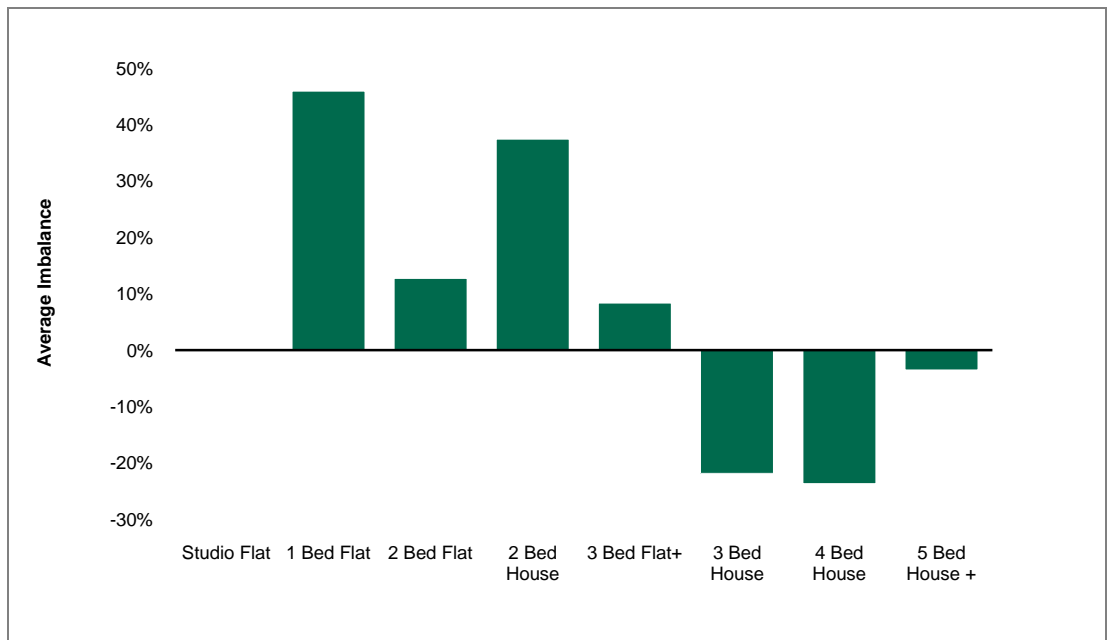
Supply and Demand Analysis

Chart 41: Supply and Demand for Property, by Type, CM12 - SALES



Source: Digital Property Group

Chart 42: Supply / Demand Imbalance, by Type, CM12 - SALES



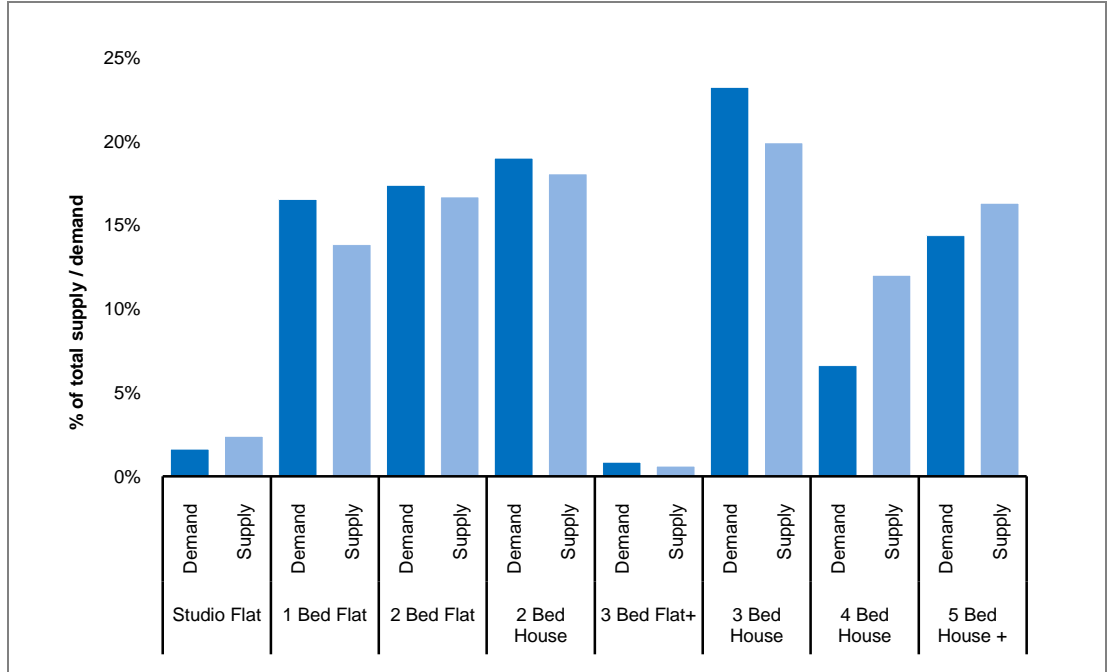
Source: Digital Property Group

The spread of demand for rental property is again similar to that in the sales markets, with perhaps a slightly heavier leaning towards smaller properties, particularly one and two-bed flats. A third of all potential renters are looking for one and two bed flats. This rises to just over half when two-bed houses are including. The largest proportion of the demand is focused on three-bed houses, at 23%.

Supply and Demand Analysis

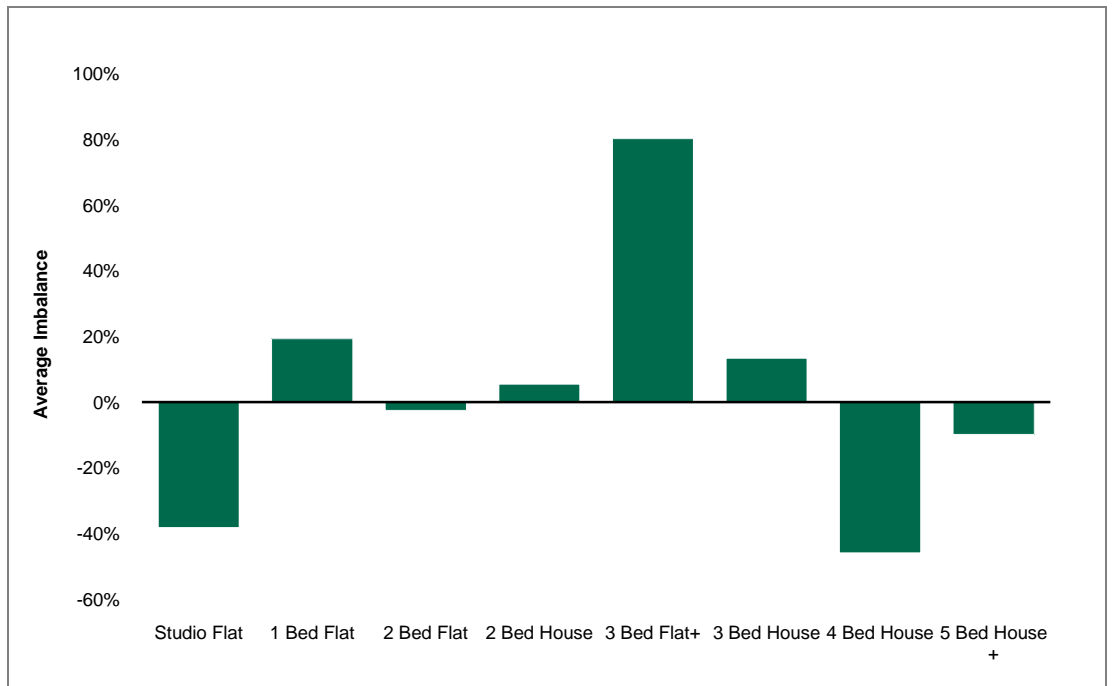
Across all these types, there is a lack of supply. It is most pronounced where three-bed houses are concerned, where there is a 13% mismatch. Again, there is a slight oversupply of larger properties, particularly four-bed houses.

Chart 43: Supply and Demand for Property, by Type, CM12 - RENTAL



Source: Digital Property Group

Chart 44: Supply / Demand Imbalance, by Type, CM12 - RENTAL



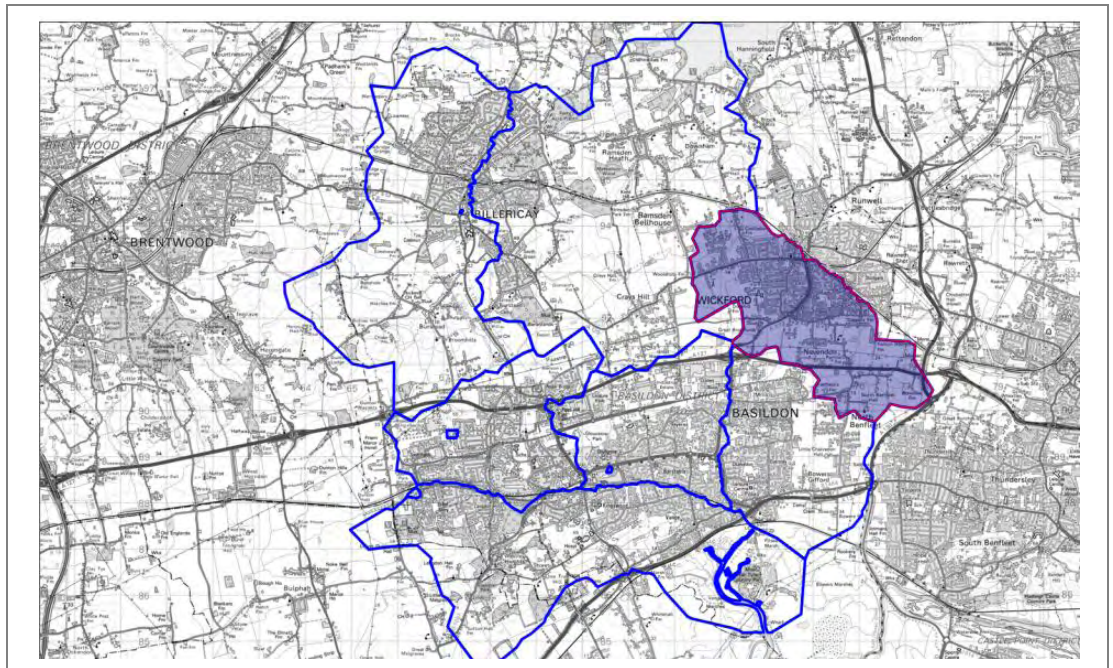
Source: Digital Property Group

Supply and Demand Analysis

SS12

SS12 covers the eastern part of Basildon, including the village of Nevendon, and half of Wickford. It is half-town, half-countryside in character.

Map 13: SS12



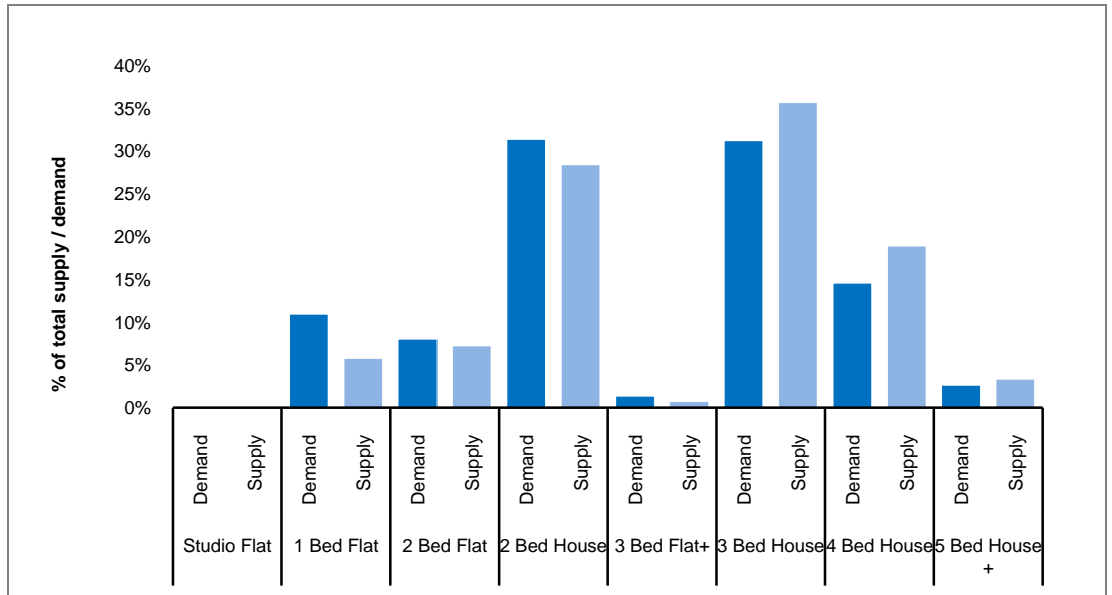
Source: Ordnance Survey

There is a much more marked preference in SS12 for mid-sized properties in this area; about a third of all prospective buyers are looking for two-bed houses and a further third for three-bed houses. The remaining third is pretty evenly spread over the other property types.

Broadly speaking, there is a lack of supply in terms of smaller homes, namely one and two-bed flats, and a slight oversupply of larger homes, mostly four and five-bed houses. The most distinct supply / demand imbalance appears to be for three-bed flats, at 85%, but this is such a small part of the overall market; only 1.3% of potential purchasers have been looking for this type of property.

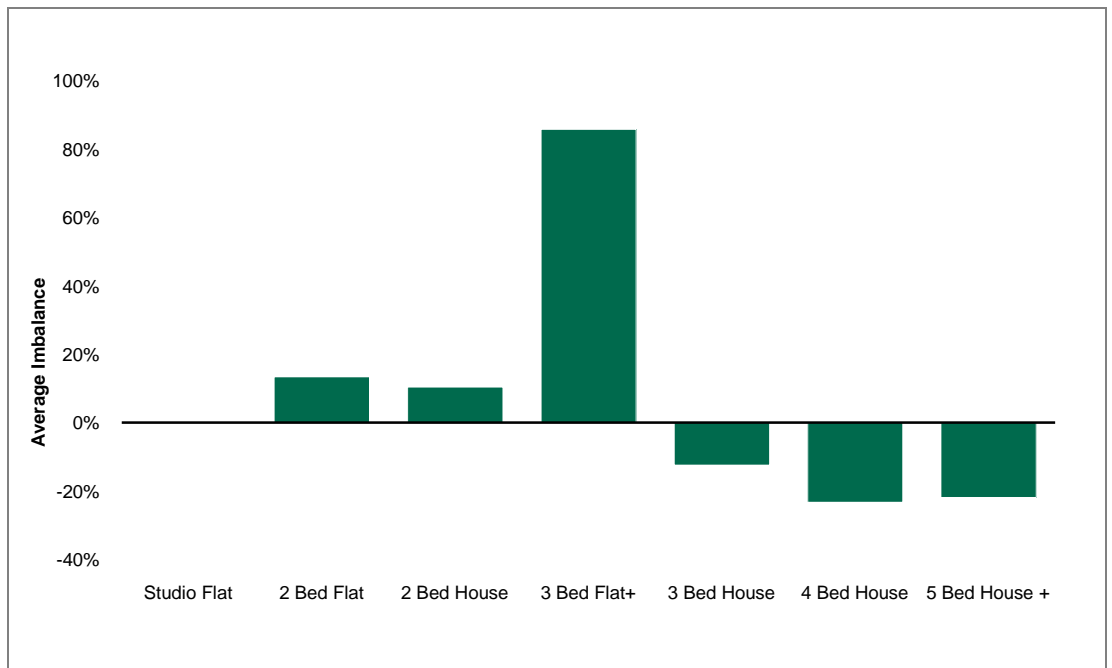
Supply and Demand Analysis

Chart 45: Supply and Demand for Property, by Type, SS12 - SALES



Source: Digital Property Group

Chart 46: Supply / Demand Imbalance, By Type, SS12 - SALES



Source: Digital Property Group

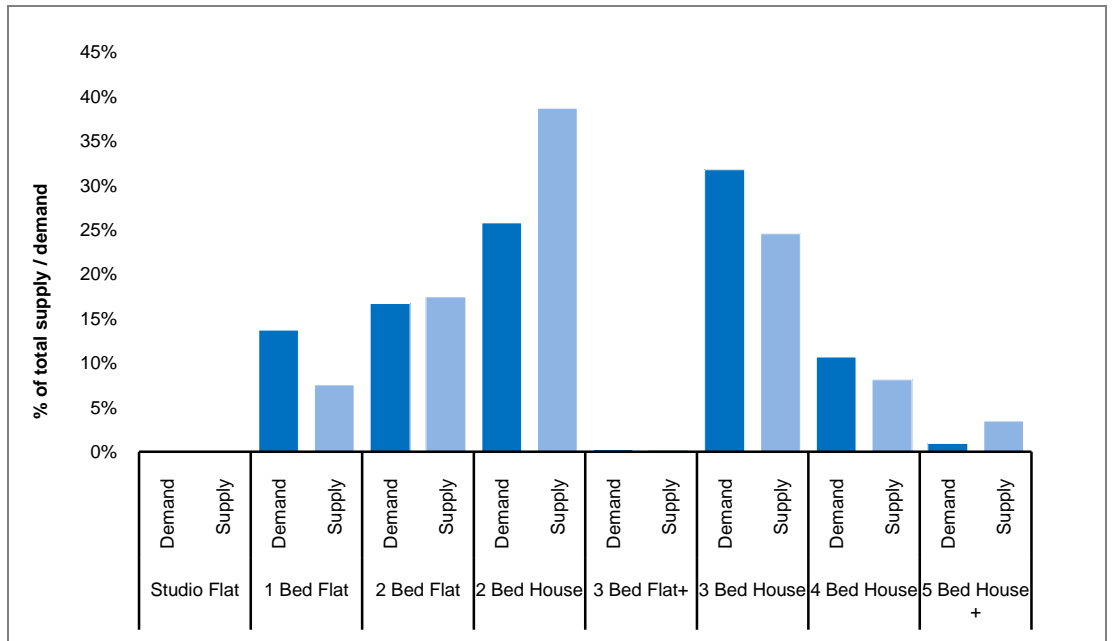
The rental market also concentrates on mid-size properties, with 75% of the market looking for two and three-bed properties. However, in contrast to what we have seen in other parts of the district, there actually seems to be an undersupply of the larger properties, with the exception of five-bed houses that again a very slightly over supplied. There are insufficient three bed flats, houses and four bed houses on the market. Although it is also worth pointing out that the undersupply of three-bed flats is slightly misleading; this only amounts

Supply and Demand Analysis

to a very tiny portion of the market, given that there is probably not much of this type of stock at all.

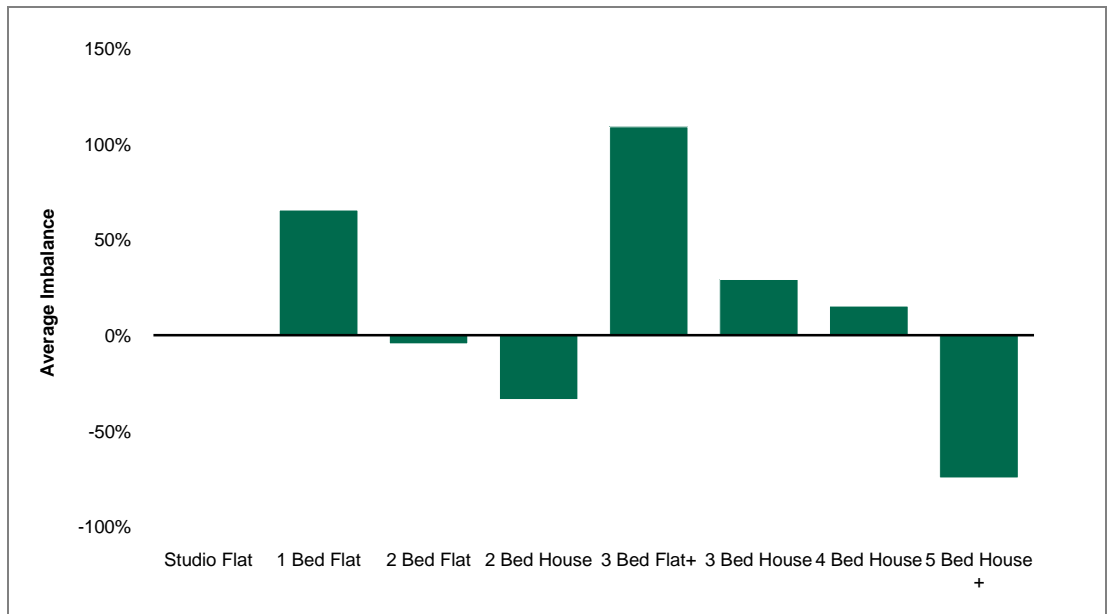
There is a genuine undersupply of one-bed flats; demand for this type of property amounts of 14% of overall demand but only 7% of overall supply.

Chart 47: Supply and Demand for Property, by Type, SS12 - RENTAL



Source: Digital Property Group

Chart 48: Supply / Demand Imbalance, SS12 - RENTAL



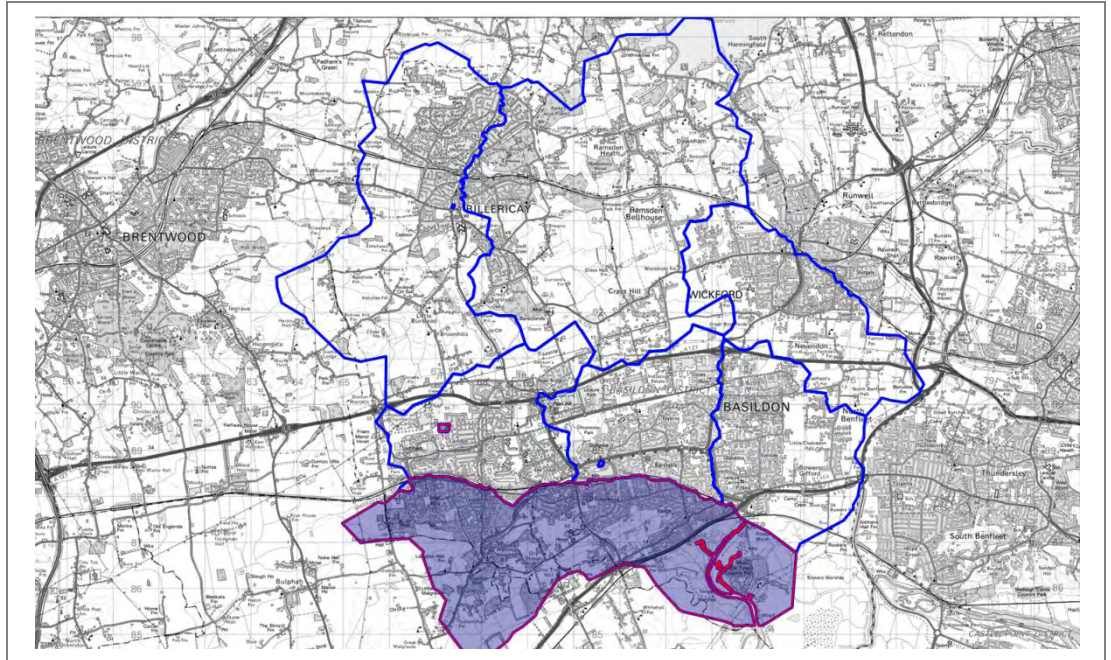
Source: Digital Property Group

Supply and Demand Analysis

SS16

This area accounts for the southern part of Basildon town centre.

Map 13: SS16



Source: Ordnance Survey

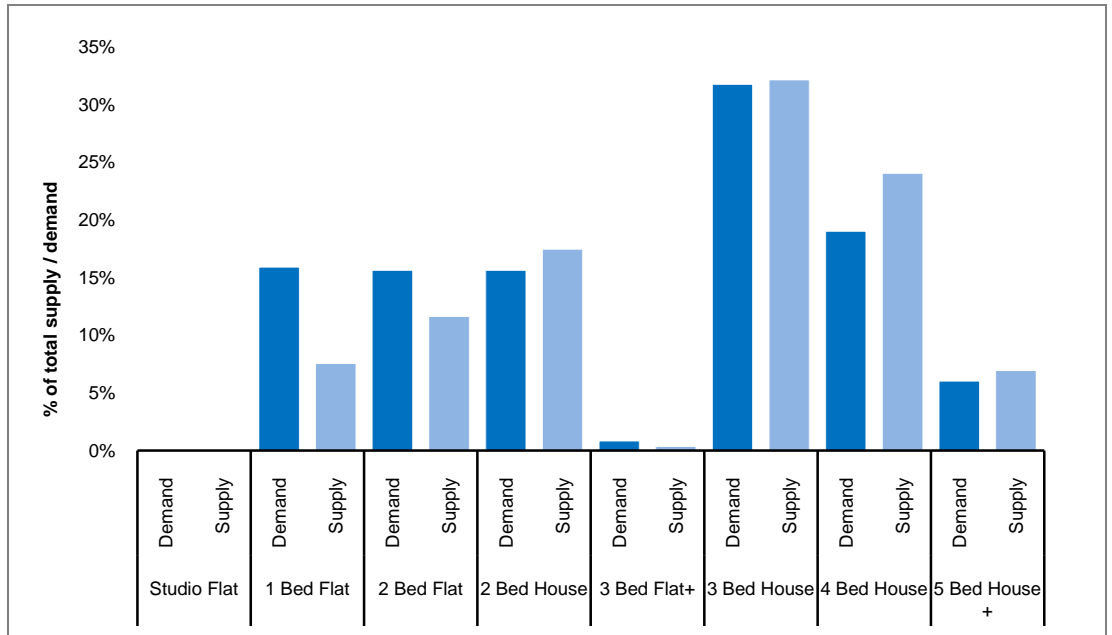
The most popular types of property to buy in this area are three-bed houses, which accounts for a third of all applicants. Thereafter, there is a fairly even spread of demand across one-bed flats, two-bed flats and two-bed houses, with each one accounting for around 15% of market demand.

There is insufficient supply for these smaller units; for example, although 15% of potential buyers are looking for one-bed flats, this type of property reflects only 7.5% of what is on the market.

Again, there is very little demand for five-bed homes or larger and again, whatever demand that exists is easily met with what is currently offered on the market.

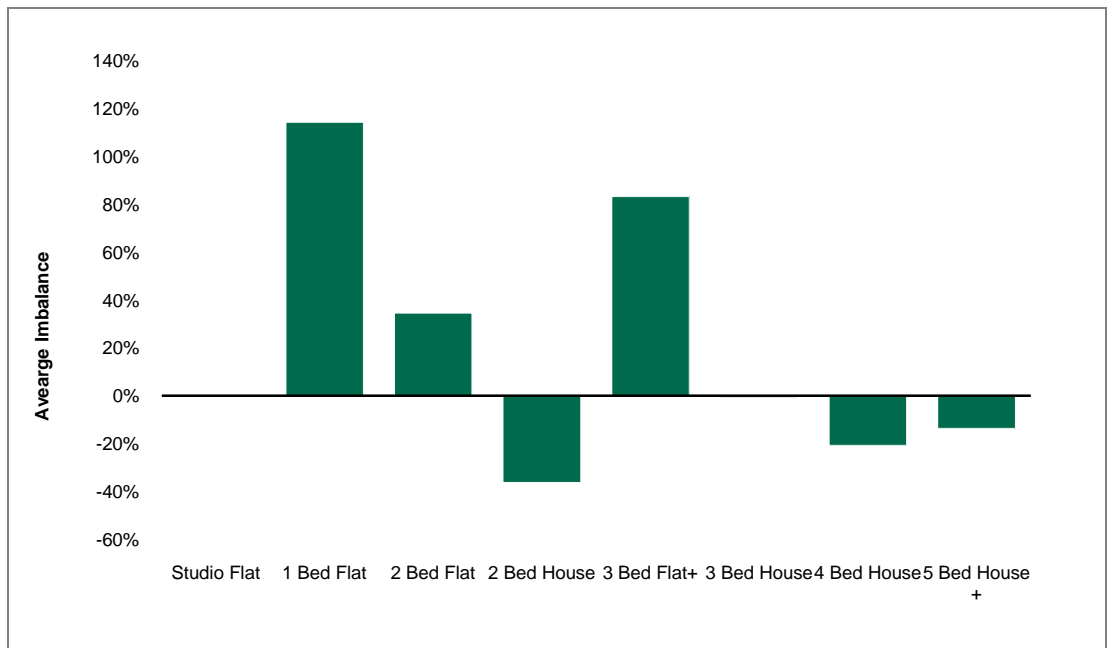
Supply and Demand Analysis

Chart 49: Supply and Demand for Property, by Type, SS16 - SALES



Source: Digital Property Group

Chart 50: Supply / Demand Imbalance, by Type, SS16 - SALES



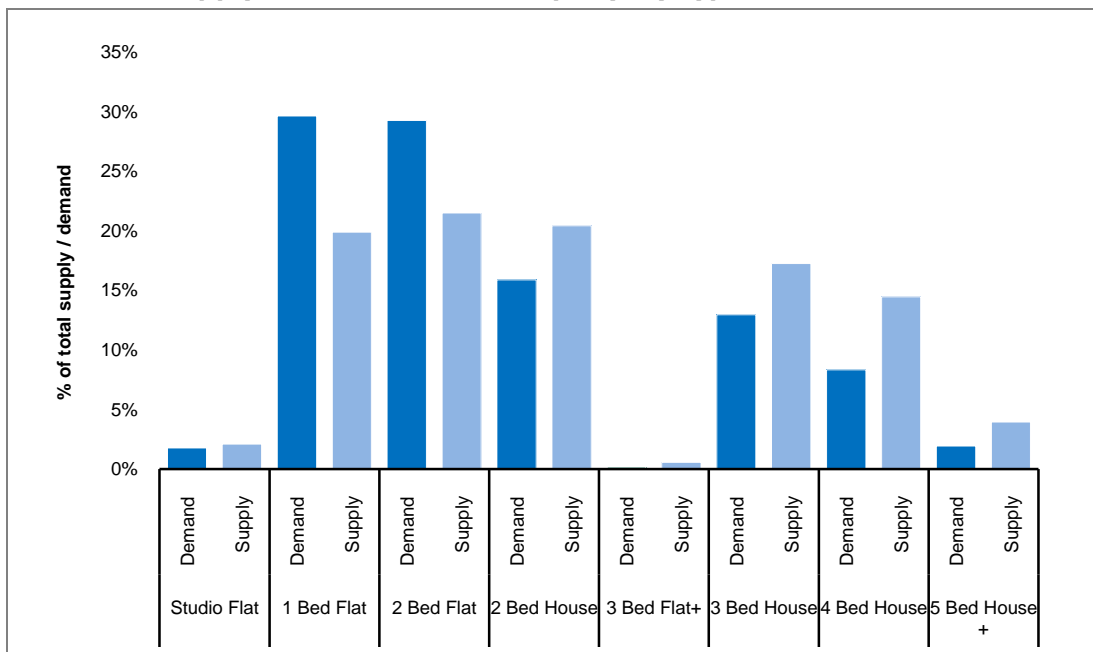
Source: Digital Property Group

A much larger proportion of renters are also looking for smaller properties in this area and, as with the sales market, there is a lack of supply. Although two-thirds of potential renters are looking for one and two-bed flats, this reflects only 40% of what is on the market. At the other end of the spectrum, there is an oversupply of larger properties, namely four and five-bed houses. As with the other examples, the imbalance in relation to three-bed flats is

Supply and Demand Analysis

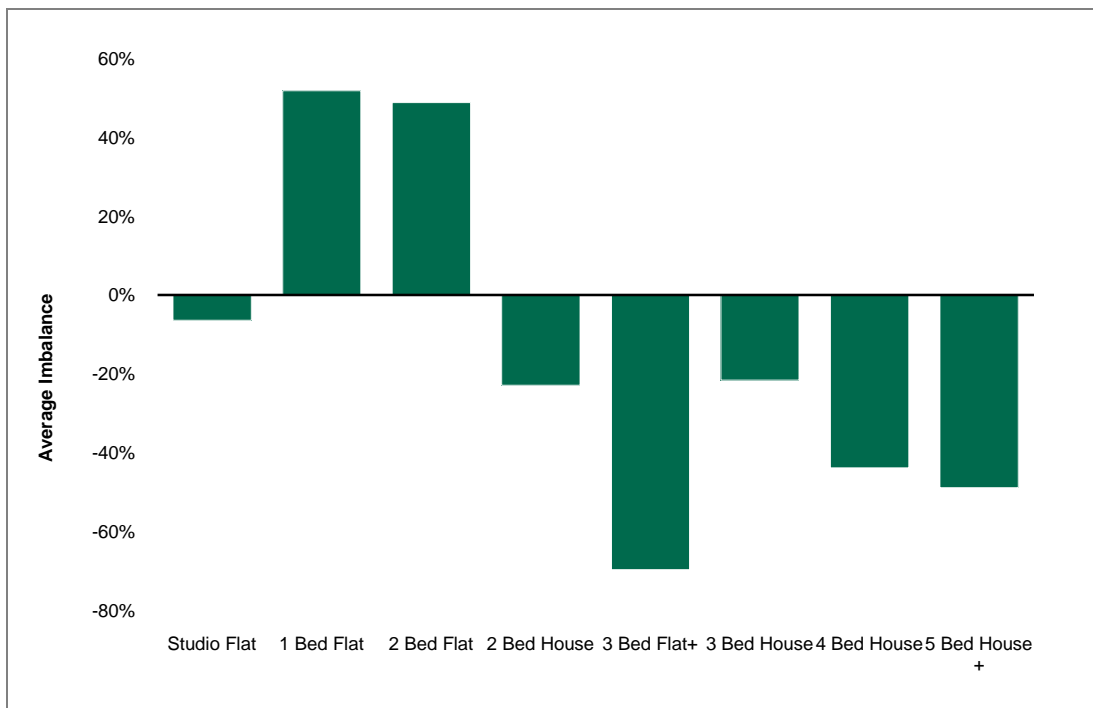
slightly misleading as this represents such a small portion of the market and can therefore not be relied upon as a true indication of the market.

Chart 51: Supply and Demand for Property, by Type, SS16 - RENTAL



Source: Digital Property Group

Chart 52: Supply / Demand Imbalance, by Type, SS16 - RENTAL



Source: Digital Property Group

Future Residential Market Demand

At a very fundamental level, there is perennial underlying demand for housing in Basildon, which is not being met by supply. In line with national trends, house-building rates have not matched the expansion in population and the even more pronounced growth in the volume of households. This has, over the course of the course of the last twenty years, manifested itself in house price growth well ahead of average wage increases, and increasingly burdened housing waiting lists.

Ongoing levels of demand are reflected in the fact that house prices have remained resilient during the last few years; this permanent floor under prices suggests that, despite the fact that affordability conditions have not eased to a meaningful degree for many, there is still enough demand from both local residents and those that have been squeezed out of London. Affordability is clearly the main constraint on demand, and will play a prominent role in the type of housing that would best be delivered in the area.

In addition, there are significant expectations placed on Basildon to deliver a substantial quantum of housing to support economic growth across the wider region over the next twenty years.

For all housing types

The underlying level of un-met demand in Basildon will intensify as the local population increases over the next twenty years and there will be pressure on housing supply across all types and tenures.

The population of Basildon is expected to increase by 6.4% by 2018, meaning that an additional 10,900 people will need accommodation. This increase is more marked over the longer term, at closer to 20%, which would mean an additional 15,000 people between now and 2031. This is a substantial increase, incurred by both natural change and inward migration, which will have significant impact on housing needs in terms of pure quantum over the regeneration time period.

Expected population growth suggests a need well in excess of the 2,600 proposed units resulting from the regeneration of Basildon Town Centre.

For sheltered housing

The age structure of local residents is likely to shift slightly towards the older generation, with an increase in retirees more than likely. This ageing population will be apparent across the whole sub-region. The over-65 age group account for 17% of the total sub-regional population, and those in advanced old-age (over 85) account for 2.4%. These proportions are expected to increase to 23% and 4.2% respectively.

The increases in the older cohorts will require an increase in suitable housing stock, particularly specialist sheltered housing. This will need to be well located so that the older residents can easily reach local amenities and / or public transport. It may be suitable for some of the schemes in the town centre that are likely to be quieter, but still within walking distance of appropriate retail units, post office etc.

This expansion of this group will not only put pressure on the volume of appropriate stock, but will also drive a need for greater choice and flexibility, especially given that people are living to a much older age. This may involve adapting existing properties or providing other

Future Residential Market Demand

extra case solutions that will enable residents to stay in their own home for longer, as well as developing new forms of accommodation that can house people into their very old age.

For smaller properties

The ageing population is also having an impact on overall volumes of households; the average household size is still decreasing and this is in part because of the growth in single older person households. This will drive demand for appropriate smaller housing, which allows households to downsize, or tenure models that might support the release of equity.

Smaller properties will inherently be more popular in the town centre compared with the outskirts. The more transient population that is attracted to the transport links and opportunities of the centre will be more amenable to rent over buy, which naturally tends to lean towards smaller one or two bed properties; the private rented sector, for instance, is less appealing to large families.

The most pronounced demand for one and two-bed flats is in the town centre, where supply is not currently meeting demand. This applies to both the sales and rental market. In some cases, demand for a one-bed flat accounts for twice the proportion of overall demand, as it does overall supply.

For family housing

Although there will be modest increases in the pre-school age and older family cohorts, this could be mitigated by a decrease in the school age and family maker groups, which might lead to appropriate housing types freeing up. Although we expect family housing to still be in demand, we do not expect an overly pronounced increase over the plan period.

The fluctuation in house prices among different types of properties has highlighted a more pronounced demand for terraced properties. We believe a high proportion of these are three-bed. Overall, average house prices have risen by 18% over the last five years, yet terraced houses have increased by 70% over the same timeframe. This type have still outperformed the other property types over the last year; most likely because they provide the best value for money, with more space (and often outside space) for the most affordable price. This is particularly important to attract new residents to the area, if they cannot find this level of value of money elsewhere.

For aspirational properties

Given the relative levels of affordability in Basildon, there is a significant opportunity to attract more people from the wider region, particularly London, where home ownership is only becoming more out of reach for most households. The plans to regenerate the town centre of Basildon, particularly in a wider placemaking capacity, can really rejuvenate confidence in the town and build a better reputation. Good quality housing should play a key part of this. Indeed, some high-end development – of which there is currently very little – could play a key role in not only attracting new residents, but also retaining the more highly skilled, affluent population in the town itself. Offering a wider choice in housing, including at the high end, could help nurture a more prosperous local population. A good

Future Residential Market Demand

location for this would be in the Westside, where developers could leverage off views of the pond and wider park landscape to create highly sought-after accommodation.

For affordable housing

There is a very strong underlying need for affordable housing, which has been largely recognised by the local authority but, although development rates have been good compared with neighbouring districts, this need is not being met. Basildon District Council state that they saw an increase in demand for social housing from 3,200 people on the housing register in June 2008, to 4,600 in March 2009. The council estimate that there are 30-40 applications for social housing a day.

The need will most likely increase, as affordability issues intensify.

Despite affordability being marginally more favourable than other parts of the country, it is still very much an issue in the area. According to the SHMA, 60% of households within the sub-region are unable to buy or rent without support of some kind. In Basildon, 69% are unable to buy and 51% are unable to rent.

In this respect, an increase in demand for intermediate housing is likely, specifically comprising sub-market rent and shared ownership tenures. The increasing rate of demand for this tenure has been more pronounced than that for social rented and private rented, particularly among younger households who are experiencing issues accessing the open market.

Risks

Although the local economy has, to date, been relatively resilient to the difficult economic climate, this could change. The local employment base is highly reliant on a small number of large international employers, the success of which is beyond local control. If these are forced to close on account of the wider recessionary conditions, this could have a knock-on effect on other local economies. This could, in time, translate into an issue for the owner occupation market, if home-owners are not offered housing benefits to help with their mortgage payments. However, this situation is clearly difficult for anyone to predict and would indeed be the worst case scenario.

Given the constraints on mortgage lending in the current market, demand for new build property has been translated into 'real' demand by a number of schemes, most notably the government backed HomeBuy, or now FirstBuy. This has helped first time buyers purchase new build properties. Rent to Buy schemes will also be popular with this market. Other schemes have involved part exchange, and Ezibuy, where buyers can own 100% for 85% of the value of the property. These programmes are critical in current market conditions, to enable the latent demand to access the market, at least until mortgage lending conditions improve.

Both these factors could increase the demand for social housing or private rental housing.

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