Property Markets

In the year to October 2004, the Bank of England's Monetary Policy Committee raised interest rates by 1 percentage point to 4.75%. The delicacy of the adjustments over the year appear to be communicating only a gentle warning to a housing market which has split the nation across its middle. The Halifax pointed out in their third quarter (2004) reports that 9 out of the top 10 property hotspots over the past year have been outside southern England. The highest UK county-level house price inflation this year was found in Gwynedd (40%), and West Glamorgan (38%), whilst Merthyr Tydfil (53%) and Bingley in West Yorkshire (46%) were the 'hottest' towns.

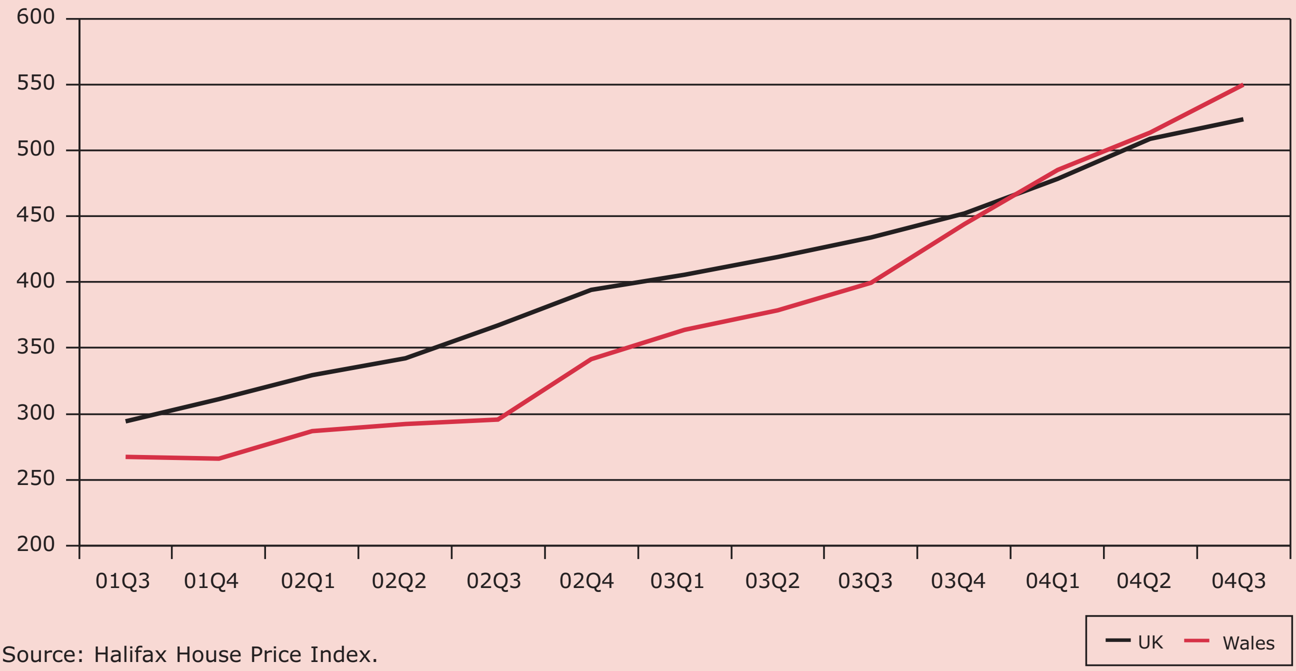
Meanwhile the smallest rises were experienced in the counties of Cambridgeshire (6%), East Sussex and Essex (7%). Nine out of ten of the counties recording the lowest inflation rates were in the south of England. It is hoped that there may now follow a period of relatively stable house price inflation rather than nudging deflation.

The effect of catch-up is that the percentage difference between the average house price in London and the rest of the UK has fallen to a 6 year low, narrowing the north-south divide; the average London home is now only one and a half times as expensive as the national average. With this narrowing, newcomers to the housing market north of the divide are now experiencing the same problems young hopeful purchasers in the south have been familiar with for some time. The latter, meanwhile, may at last be poised for purchasing in a slowing market.

Despite average house price inflation of 37.5% compared to 20.5% in the UK, the average (seasonally adjusted) price of a house in Wales, at £142,388 is currently below the UK average of £161,746. Halifax present an overall synopsis of a slowing in the market across the UK to around 16% with house price growth also easing in Wales, while remaining slightly higher at 19% in Q42004 (Halifax, 2004).

Table 6 shows average house prices by

Figure 3: House Prices Index. All Houses – All Buyers (Seasonally Adjusted) (1983=100).



Source: Halifax House Price Index.

Table 6: Average House Price by Welsh County, 12 months to September 2003 and September 2004.

County	Average House Price (£) 2003	Average House price (£) 2004	% change
Clwyd	114,349	141,914	24
Dyfed	110,814	141,549	28
Gwent	107,916	133,033	23
Gwynedd	96,166	134,854	40
Mid Glamorgan	87,463	113,639	30
Powys	150,447	174,282	16
South Glamorgan	141,444	161,815	14
West Glamorgan	87,865	121,404	38

Source: Halifax, 2004.

Welsh county. As with Table 7 the data is assembled for houses on which a mortgage has been granted, and is a simple (non-weighted) arithmetic average. The highest value houses are found in Powys and South Glamorgan, while the lowest are in neighbouring Mid-Glamorgan. According to Martin Ellis, Chief Economist at the Halifax, Cardiff *'is the jewel in the crown of the Welsh housing market'*. Yet, Cardiff has experienced a much more modest growth in house prices (13% over the year) than that of Wales as a whole.

Table 7 shows average prices by type of house in Wales. Pre-1919 detached houses commanded the highest prices, and similarly the oldest semi-detached homes were more valuable than those built post 1919. Meanwhile, the average price of post 1960 terraces was higher than older pre-1919 terraced homes.

Halifax comment that the buy-to-let market is strong in Cardiff and particularly so for student accommodation (Halifax Welsh House Price Index, Second Quarter, 2004). There are a number of perspectives to this. Buy-to-let investors take out housing stock which would otherwise go to meeting first time home buyer demand, hence fuelling house price inflation. However, a *saturated* buy-to-let market is bound to cause disappointment to property investors at some point as tenants become harder to find. In this market rental prices may drop and/or tenants may demand better quality rentals for the same money. Downward pressure on financial returns on rental properties and a slowing market may cause exits, perhaps easing the situation for first time buyers sometime in the future. 'To Let' signs close to the university appear to persist longer these days (although some landlords never remove these), and into this picture must be placed new student halls of residence completed or nearing completion. For example, the new 64 bedroom, 4 storey halls at Birchwood Lane in Cardiff are based on a module system developed by Ove Arup Partners and took only four months to build. The interior fittings, delivered flat-packed from the factory, required only assembly and final connection of services.

In August 2004, coinciding with A level results announcements, the Halifax released figures on house price performance for the top twenty UK university towns/cities (Guardian Education university guide, 25/05/04). The top 15 are reproduced in Table 8. The table shows the gains that parents may have made over the last 5 years had they bought investment properties for their children. Note that London University's occupy rankings 3 through to 7, reflecting a historical market which has now slowed.

Construction News

New residential construction activity continues to be strong, and with prospects still upheld by strong demand, particularly in Cardiff. In the Bay, Bellway Homes (Prospect Place, apartments), Redrow (Windsor Village), Persimmon (The Plaza, apartments), Wimpey, and Westbury (Century Wharf)

Table 7: Average House Price in Wales by type and age of house 2004Q3.

Type/£	Pre 1919	1919-45	1946-60	Post 1960 (not new)	New	All
Terrace	103,024	111,370	94,972	110,271	*	106,747
Semi	151,130	142,358	108,111	127,063	*	131,506
Detached	265,420	*	*	217,873	208,279	228,888
Bungalow	*	*	*	151,410	*	157,456
Flats	*	*	*	95,878	*	105,204
All	131,421	148,917	114,307	151,201	185,667	144,566

* insufficient sample.
Source: Halifax, 2004.

Table 8: Average House Prices by Town/City for Top 15 Universities ranked by Guardian Performance League Table.

	University	Average Price (£)		Increase	
		1999	2004	£	%
1	University of Cambridge	118,405	237,225	118,820	100
2	University of Oxford	141,495	281,670	140,175	99
3-7	London Colleges+	177,410	288,862	111,452	63
8	University of York	80,634	185,360	104,726	130
9	University of Warwick	67,576	144,226	76,650	113
10	University of Nottingham	67,765	146,884	79,119	117
11	University of Manchester	61,202	128,786	67,584	110
12	University of Durham	72,010	146,044	74,034	103
13	Aston University Birmingham	67,396	136,946	69,550	103
14	University of St Andrews	59,868	97,009	37,141	63
15	University of Edinburgh	84,044	179,315	95,271	113

Notes: 3^{rd} to 7th places occupied by the following London Colleges in order, Imperial, SOAS, LSE, UC, Kings.

are active projects. Other large residential developments are taking place at Greyfriars Road, and at Atlantic Wharf, Future Inns is constructing a new 200 bed hotel.

In the north of the city new infrastructure has been developed by the university. Cardiff University opened its new Biosciences building in Cathays in 2004, and the university is also constructing a new building for its Optometry Department. The merger between Cardiff University and the College of Medicine is likely to stimulate further development.

A report from DTZ in Cardiff during the final quarter of 2003 suggested that the take up of office space in Cardiff was on the increase, and with office take up around 40% greater than the previous year. Cardiff Gate Business Park, Greenmeadow Springs Business Park and Celtic Gateway accounted for the largest proportion of new transactions. The report highlighted strong demand for offices in business parks, but with some concerns about the health of city centre property markets in line with a fall in new enquiries during last year.

Work started on the new £5m Department of International Politics at University of Wales Aberystwyth in September. The original department was the first of its kind, established in 1919. It now has over 650 undergraduates and over 50 academic and support staff. The building is scheduled to be completed by the end of 2005. Also in Aberystwyth, Swansea developers Liberty Property along with Mercian developments of Shrewsbury are to undertake a 78,000ft development scheme on the site of the former livestock market involving extensions to the existing retail offer.

Wales' latest technium building at the Baglan Energy Park in Neath Port Talbot is for Sustainable Technologies; identified as a fast growing sector with huge potential. Construction began on the £8.6m project in Spring 2004 and is expected to be completed by April 2005.

Swansea City Football Club and the Neath Swansea Ospreys rugby team are expected to take up 'residence' next season in the new £24m state-of-the-art stadium in Morfa, Swansea.