

Property Markets

Since the last *Review* interest rates have risen by a half a percent to 5.25%, with no real prospect of a fall in future months, despite utility price reductions inevitably working through to the consumer. In fact the MPC minutes of the March and April 2007 meetings suggest that by mid summer a further quarter percent rise is expected. Of course, the housing market plays only a small part in the MPC decision process but in March the committee expressed 'concern that the housing market might be slowing' – a concern that flies in the face of the sentiments expressed in the national press. In previous *Reviews* a number of factors have been discussed which have had the effect of underpinning strong house prices including creative new mortgage products, planning regulations which inadvertently restrict or delay supply, increases in the number of single member households and simply the will of the majority who are, in the UK, home owners. However, the psychology of house price drivers is also fascinating. Nigel Farndale of the Telegraph wryly describes how he now longs for a slump in the housing market having sold his house and failing to find the bigger garden near the favoured school. So, the bullish home owner has become a bearish home buyer. He reports that there are 8 buyers to every one house in London, and in some places there are 80 (Nigel Farndale, Sunday Telegraph, March 18 2007). In the UK as a whole, interest rate rises will have had the effect of easing demand. However, supply of new and second hand property remains tight.

Figure 4: House Prices Index. All Houses – All Buyers Seasonally Adjusted (1983=100).



Source: Halifax House Price Index

Table 7 All Houses, All Buyers (Seasonally Adjusted) Fourth Quarter 2006 – Quarter Averages.

Region	Index 1983=100	2006 Q4 Standardised Average Price £	2006 Q4 Quarterly Change %	2006 Q4 Annual Change %
North	576.7	145,519	0.9	3.1
Yorks & Humber	626.2	144,582	4.6	10.0
North West	585.2	149,676	3.2	8.5
East Midlands	619.5	161,930	4.6	8.5
West Midlands	613.4	173,121	1.5	7.2
East Anglia	606.7	182,514	4.1	13.0
South West	607.7	200,931	2.3	10.5
South East	592.8	240,624	3.1	8.8
Greater London	721.2	287,176	6.6	12.2
Wales	615.4	159,246	5.1	10.3
Scotland	437.8	126,639	3.0	12.5
Northern Ireland	765.6	196,874	15.9	52.9
U.K.	605.1	186,954	4.2	9.9

Source: Halifax 2007

Table 7 shows that the annual rate of house price inflation in the UK was 9.9% in the final quarter of 2006, and that the standardised average UK house price was £186,954. In Wales annual house price inflation was 10.3%, the quarterly change being 5.1%. The average house price in the Principality, last reported to be £150,687, increased to £159,246 in the final quarter of last year.

Table 8 shows house prices for selected local authorities and post towns in Wales. The highest house price

increases in the twelve months to December were in Wrexham, at 22%, followed by the Vale of Glamorgan, where house prices increased by 17% to almost £194,000.

The last *Review* drew attention to a Halifax Building Society (www.hbosplc.com) press release highlighting the increasing numbers of towns having average house prices above the inheritance tax threshold of £285,000. This and other observations have fuelled the Halifax's campaign to raise stamp duty

thresholds, and to call for thresholds to be index linked to house price inflation in the future. In the March 2007 budget the Chancellor promised to raise thresholds to £350,000 in stages by 2010. At current rates of house price inflation (which are relatively subdued when compared to recent years) this will merely have the effect of holding the threshold stable at the 2007 level. It would appear that the Chancellor likes this tax very much, and too much to change it, despite appearances.

Table 8 Average House Price by Welsh Local Authority, 2005 and 2006.

Local Authority	Average House Price - £ 2005*	Average house Price - £ 2006*	% Change 2005-2006
Blaenau Gwent	94,069	107,451	14
Carmarthenshire	146,208	157,149	7
Ceredigion	168,575	164,912	-2
Conwy	149,727	168,528	13
Denbighshire	134,308	149,607	11
Flintshire	159,567	159,409	0
Gwynedd	148,299	144,605	-2
Isle of Anglesey	156,580	170,951	9
Monmouthshire	201,142	208,038	3
Neath Port Talbot	117,265	126,992	8
Pembrokeshire	159,188	168,894	6
Powys	171,469	177,644	4
Rhonda Cynon Taff	111,553	121,752	9
Vale of Glamorgan	165,970	193,943	17
Torfaen	118,659	130,294	10
Cardiff**	160,555	169,372	5
Newport (Gwent)**	133,017	150,195	13
Swansea**	136,779	149,064	9
Wrexham**	136,744	166,812	22

* 12 months to December ** Post Town information
Source: Halifax 2007

Note: Prices shown in the table above are arithmetic averages of houses on which an offer of mortgage has been granted. These are not standardised. This means that prices can be affected by changes in the sample from one quarter to another. Figures may include properties sold for £1m plus. Houses prices reported at the town or LA level must be interpreted with caution.

Construction News

Tables 9 and 10 give construction headline indicators for Wales. Unfortunately there is a considerable lag in this data, and it is not possible to report a complete 2006. Data for 2005/06 includes the final quarter of 2005 and three quarters of 2006. The poor house building performance reported in Table 10 reflects weak performance in the fourth quarter of 2005.

Commercial development continues apace in Wales, and has been described

as a '*massive building boom*' in the Western Mail (March 27th 2007). One of the most dramatic commercial phases being undertaken currently is the demolition of a section of Cardiff's retail district in preparation for the St David's 2 development. The environmental cost of replacing the vast tonnage of 1960s concrete is unlikely to have been factored into the final outlay, but it is hoped that the project will have greater architectural appeal than that which preceded it. Other projects in progress elsewhere include Friars Walk shopping centre in Newport, and Eagles Meadow

in Wrexham. Development is still very much underway at SA1 Swansea Waterfront. Current residents of SA1 include Morgan Cole Lawyers, Admiral Insurance, De Vere Village Hotel, as well as various companies housed within the Technium 1 and Technium 2 buildings. This development has already completely transformed the Fabian Way gateway into Swansea. On the outskirts of Swansea, site preparation work has recently commenced on the 800,000 sq ft distribution centre for internet retailer Amazon.

Table 9: Contractors Output and Orders, Wales £m.

	2004	2005	% change
Output			
New housing (public)	48	51	6.2
New housing (private)	800	808	1.0
Housing repairs/maintenance	864	902	4.3
New Orders for:			
Public housing	29	51	7.5
Private housing	535	622	16.2

Source: National Assembly for Wales

Table 10: House building: Permanent dwellings started and completes, by tenure, Wales (number of dwellings).

	2004/05	2005/06	% change
Started			
Private Enterprise	9095	8613	-5.3
Registered Social Landlords	381	359	-5.7
Local Authorities	34	1	-284
<i>All</i>	<i>9510</i>	<i>8973</i>	<i>-5.6</i>
Completed			
Private Enterprise	7986	7883	-1.3
Registered Social Landlords	475	347	-27
Local Authorities	31	27	-13
<i>All</i>	<i>8492</i>	<i>8257</i>	<i>-2.8</i>

Source: National Assembly for Wales