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# Property Markets

## House Prices

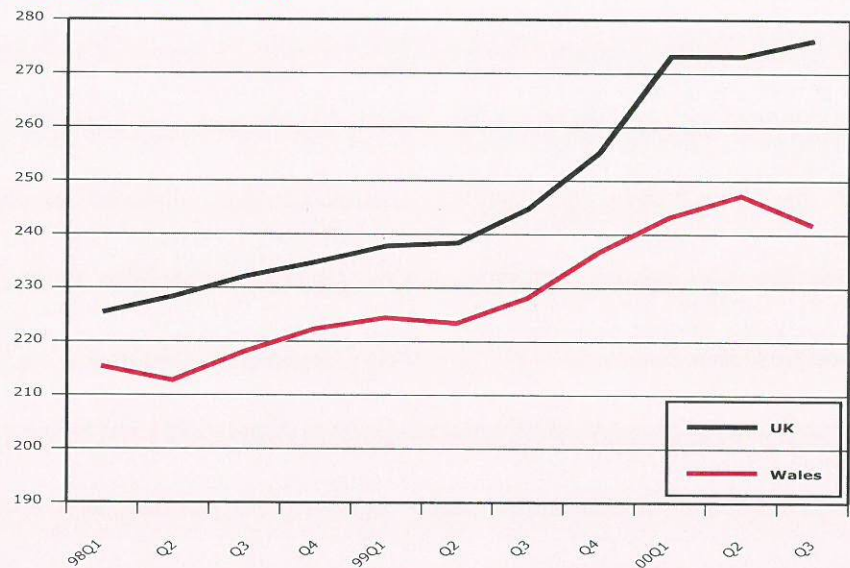
The annual rate of UK house price inflation for the UK for the year to 2000Q1 was 14.5%. This appears to have been a peak in house price inflation. Latest figures show the annual rate of increase to 2000Q2 was 11.3% falling to 8.1% in 2000Q3.

House price data for 2000Q3 showed significant regional variations within the UK. Annual house price inflation was highest for the South East (18.1%), the South West (15.2%), East Anglia (13.5%) and Greater London (13.2%). All other UK regions recorded much lower annual inflation, ranging from 8.5% in the West Midlands to -1.3% in the North. Compared with 2000Q2, Scotland, Greater London and the South East experienced the largest price rises in quarter 3, at 3.1%, 3.0% and 2.8% respectively. Meanwhile prices in Wales fell by 2.1 during the third quarter of 2000.

While the annual rate of house price inflation for London remains among the highest in the UK, growth began to slow in the first quarter of 2000, and by quarter 3 was down to 3.0%. According to the Halifax, this reflects the difficulties experienced by buyers entering the market for the first time, then having the effect of reducing demand. Halifax note that London is the only region where prices are currently above their fifteen year average in relation to earnings, which they consider raises the issue of affordability in the capital (Halifax House Price Index, First Quarter 2000).

Figure 6 plots quarterly changes to the Halifax House Price Index for Wales and the UK, showing a fall in the index of house prices for Wales during the third quarter of 2000, but an increase in the index for the UK as a whole. Overall there is evidence of a slowdown in the

**Figure 6 House Prices Index. All Houses – All Buyers Seasonally Adjusted (1983 = 100)**



Source: Halifax Building Society

UK housing markets. Mortgage interest tax relief (MIRAS) was removed with effect from April 2000, adding £20 per month to the average mortgage bill; an equivalent to a mortgage rate rise of 0.4%. In addition the March 2000 budget raised stamp duty on properties worth more than £250,000. Both of these factors may have contributed to a cooling down of the market in London and the South East. Some are sceptical about this, including the Chief Executive of the National Association of Estate Agents, since duty remained unchanged at 1% on properties between £60,000 and £249,000; a group which comprises over 95% of residential sales, irrespective of region. The third recent change has been access by the purchaser to the price paid by the vendor for a property via the Land Registry, in the interests of greater

openness. One consequence of this change may be the possibility to argue down the price of the prospective purchase and hence exert some anti-inflationary pressure on the market as a whole. However, the new transparency could also confuse. After all, householders add value to their property. The most important impact could be to reduce the scope for price "ramping" especially in market hot-spots, where prices are highly responsive to over-demand. Between September 1999 and February 2000 there have been four mortgage rate increases which will have had the effect of cooling house price inflation.

## Construction and Output Prospects

Table 12 shows value at current prices of contractors output for the last three quarters of 1998 and the first three quarters of 1999. The Summer 1999 edition of the Review reported that 1998 had been a very mediocre year for Welsh construction with a total construction output almost identical to 1997.

The drop of 2.4% for All Work shown in the table compares unfavourably with the smaller decline of 0.1% between 1997 and 1998, and can largely be explained by a substantial decline in the value of infrastructure output and reductions in the value of repairs and maintenance contracts. Meanwhile, other sectors have been more fortunate, including private industrial and commercial work and public new work.

**Table 12 Value at current prices of Contractors Output Q2-4 1998 and Q1-3 1999**

	1998 Q2-4	1999 Q1-3	% change 1998-99
New Housing	257	248	-3.5
Infrastructure	265	212	-20.0
Public New Work	178	196	+10.1
Private industrial	165	188	+13.9
Private commercial	332	372	+12.0
Repairs/Maintenance	811	751	-7.3
All work	1999	1951	-2.4

Source: Housing and Construction Statistics