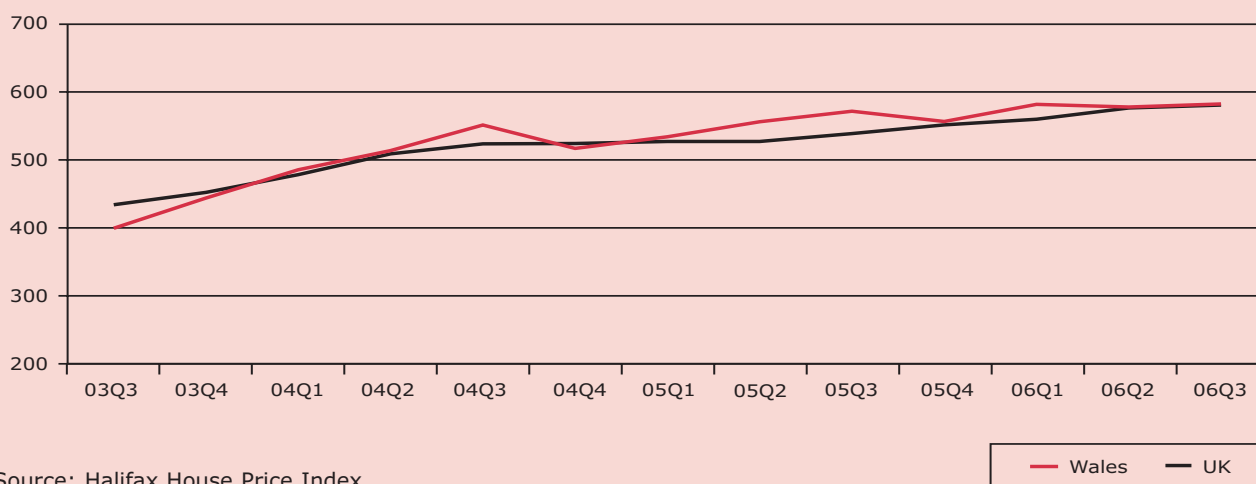


Property Markets

In October, interest rates were maintained at 4.75% for the third month running after a period of sparse and mixed economic news, leaving the Bank of England's Monetary Policy Committee (MPC) with the view that perhaps the effects of the August interest rate rise had not yet had time to work through the economy. Spot oil prices have dropped by 15% since the last MPC meeting to \$60 barrel and falls have been experienced in wholesale gas prices but the latter will not be felt by the consumer for some time. Growth in unsecured lending has fallen but secured lending has remained buoyant; a mixed picture suggesting a period of modest house price growth picking up again next year, subject, of course to continued interest rate stability.

Figure 1: House Prices Index. All Houses – All Buyers Seasonally Adjusted (1983=100).



Source: Halifax House Price Index

Table 6 All Houses, All Buyers (Seasonally Adjusted) Third Quarter 2006

Region	Index 1983=100	2006 Q3 Standardised Average Price £	2006 Q3 Quarterly Change %	2006 Q3 Annual Change %
North	570.6	143,970	1.4	5.5
Yorks & Humber	598.8	138,268	-0.8	7.9
North West	565.3	144,590	1.7	6.4
East Midlands	592.5	154,877	-0.8	5.7
West Midlands	604.2	170,518	0.5	7.1
East Anglia	580.8	174,722	0.2	8.4
South West	592.6	195,930	1.5	7.8
South East	573.2	232,645	1.5	7.7
Greater London	676.1	269,188	1.2	8.5
Wales	582.3	150,687	0.8	2.9
Scotland	423.5	122,511	0.7	14.5
Northern Ireland	650.9	167,391	6.6	30.0
U.K.	580.7	179,425	0.7	8.0

Source: Halifax 2006

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 include properties sold for £1m plus. Houses prices reported at the town or LA level must be interpreted with caution.

For the UK as a whole the annual rate of house price inflation was 8% to the third quarter of 2006, reflecting a generous easing of the market while still outstripping the Halifax's more modest

growth prediction of 3% for the year. In September house prices rose by a mere 1%.

In Wales annual house price inflation

was 2.9% by the end of the third quarter; the lowest of the UK regions, having started the year with an increase of 4.5% in the first quarter which was the highest percentage rise of any

region in the UK. The average house price in the Principality has now increased to £150,687.

With the Halifax still expecting the effect of higher utility bills and interest rates to bite into house price inflation it appears that Wales is currently proving to be a more accurate barometer of the market – small surprise with utilities taking up a higher relative share of personal disposable income.

Table 6 shows how similar the English regions have been; the lowest annual rise in the North which in so many respects echoes Wales, London the highest and with East Anglia just

outstripping the South East. The anomaly lies in the periphery with Wales the lowest in the UK, and yet with Northern Ireland conspicuously the highest. Note small falls in Yorks & Humber, and East Midlands against however a raising trend overall. Another observation relates to signs that the North:South divide which had been closing since 2002 is now opening again.

Table 7 shows house price changes at Wales Local Authority level, with Carmarthenshire and Gwynedd the strongest, followed by Rhonda Cynon Taff. Houses sold in the 12 months to June 2006 on the Isle of Anglesey, Vale of Glamorgan and Pembrokeshire were

on average one percentage point cheaper than those sold in those places in the previous year to June 2005.

Gwynedd has been reported as having the biggest house price rise in Great Britain as a whole over the past three years, recording a rise of 98%, with Durham coming second (78%). Interestingly, the ten top performing counties in Great Britain were all outside South England.

The Halifax also took a special look at seaside towns in Great Britain and found that in Wales Porthcawl and Caernarfon had experienced the 'best' performance with a doubling of average house prices

Table 7 Average House Price by Welsh Local Authority, 2005 and 2006 12 months to June

Local Authority	Average House Price - £		% Change 2005-2006*
	2005*	2006*	
Blaenau Gwent	95,061	95,943	1%
Carmarthenshire	140,922	161,310	14%
Ceredigion	161,218	161,171	0%
Conway	154,564	155,283	0%
Denbighshire	133,080	139,633	5%
Flintshire	157,665	157,511	0%
Gwynedd	134,895	147,948	10%
Isle of Anglesey	156,650	155,422	-1%
Monmouthshire	200,706	199,738	0%
Neath Port Talbot	114,669	121,099	6%
Pembrokeshire	148,355	147,216	-1%
Powys	171,260	175,561	3%
Rhonda Cynon Taff	109,888	118,234	8%
Vale of Glamorgan	170,707	168,420	-1%

* 12 months to June 2006

Source: Halifax 2006

Table 8 Average House Prices in Seaside Towns in Wales 2002 and 2005

Seaside town	Average Price (£)		Increase 3 yr % change
	2002	2005	
Porthcawl	101,120	202,614	228
Caernarfon	66,555	132,812	218
Pwllheli	99,969	190,293	235
Rhyl	66,977	123,626	200
Prestatyn	72,754	134,200	189
Colwyn Bay	87,816	158,073	212
Aberystwyth	95,517	171,658	190
The Mumbles	137,918	247,274	220
Tenby	114,636	198,148	231
Llandudno	100,501	168,870	206
Cardigan	92,284	152,030	229
Barry	85,788	137,367	192

over the last 3 years. The Mumbles is the most expensive seaside town with an average house price of £247,274, while the least expensive town is Rhyl with an average price of £123,626.

Something that might be less of a worry for most homeowners in Wales is the effect of fiscal drag on Inheritance Tax (IHT) thresholds. In September, the Halifax Building Society (www.hbosplc.com) published a press release highlighting increasing numbers of towns having average house prices above the IHT threshold of £285,000. Of the 482 towns in England that were surveyed, in 48 (or one in ten) the average house price was above the threshold. In a 2001 survey only 4% of towns surveyed had an average house price above the IHT threshold which stood then at £242,000. No Welsh towns had a crude average house price over the IHT threshold. Perhaps when Wales registers on this measure, the Chancellor of the Exchequer should reassess this tax.

Another worrisome observation made by the Council of Mortgage Lenders (CML) in their monthly report (the latest relating to August 2006) concerns the rising numbers of first time buyers having to pay stamp duty, the

proportion of which has risen from 48% to 56% over the year to August 2006. Only 15% of August home movers were below this tax threshold compared to 21% in August 2005. CML also note that first time buyers accounted for just over a third of the total number of house purchase loans, which is the lowest since April 2005 when the survey they quote from started. The age of a typical first time buyer has been 29 for the past year.

Construction News

In June construction began on the £15m Westmark housing development adjacent to the sports village site in Cardiff Bay. The scheme is incorporating car park stacking units to address problems of on street parking.

Building also commenced this summer on the £27m Caernarfon dockside regeneration scheme of WJ Developments with the backing of the Assembly Government who will invest £4.3m in the project. The 2.1 hectare site at Victoria Dock, that is to include new housing, business and retail space, is expected to create around 300 jobs.

Detailed planning permission has been granted to property developer JR Smart

for a speculative 65,000sq ft office development at Sanquahar Street, Cardiff. The £12m scheme will comprise of Grade A office space. Meanwhile, work began on another prestige office development in Swansea's SA1 district. On completion the £7.5m Ellipse building will create 42,800sq ft of business accommodation.

Newport City Council has granted permission for three new developments at Celtic Springs Business Park. Approval was given for a 35,000sq ft speculative office development, a 120-bed four-star Crowne Plaza hotel with a conference centre, and a day nursery for children.

In September Dragon 24, a £53m scheme to provide flexible business units in deprived areas of Wales, was launched by joint venture partners RO Developments and the Assembly Government. Work on constructing the initiative's first site at North Dock, Llanelli Waterside is expected to begin in early 2007.