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.

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

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

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

* 12 months to June 2006
Source: Halifax 2006

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