

Property Markets

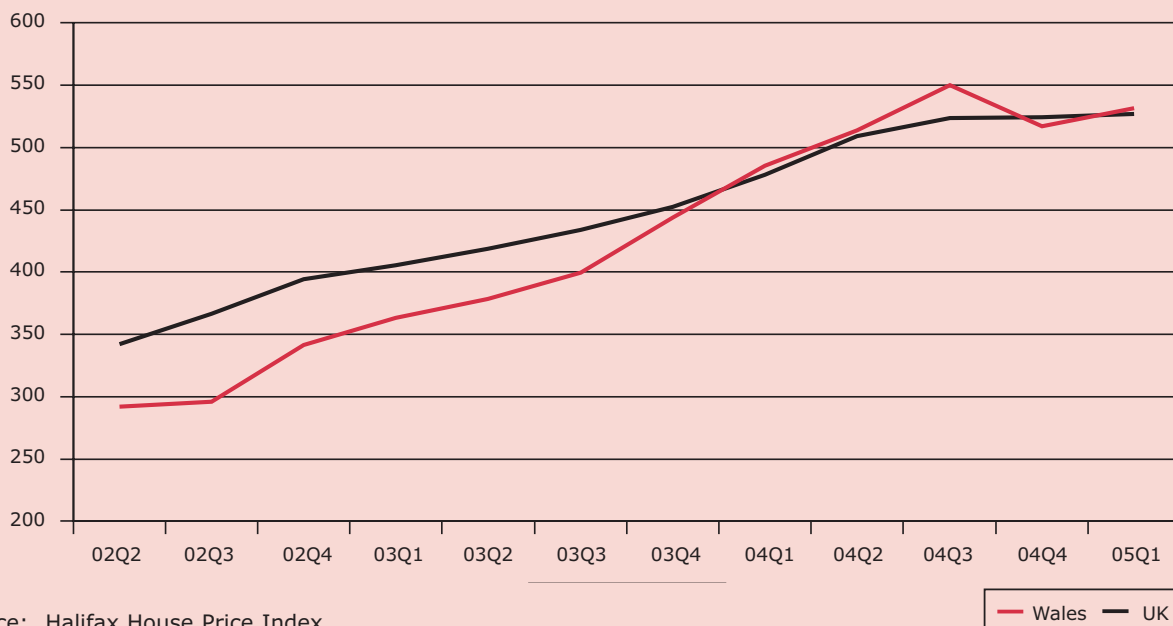
At the March meeting of the Monetary Policy Committee (MPC), members voted to maintain the interest rate at 4.75% (two voters preferred a small rise), amid concerns regarding an apparent slowdown in consumer spending for non-essential goods and in the housing market. Meanwhile, predictions for the UK housing market show some variation. Halifax, The Royal Institute of Chartered Surveyors, and Nationwide all predict that house prices will continue to rise over 2005. Hometrack (a property research company) predicts a stable market and Capital Economics (an independent economic research company) expects house prices to fall over the coming twelve months.

The last quarter of 2004 saw the negative trend in house price inflation set by London establishing itself in the regions with the exception of the North, Yorks and Humber, the North East and Northern Ireland. In fact, the biggest declines in house prices during that quarter were experienced by Wales (-6.2%) and the South East (-1.6%).

House prices for 2005Q1 are shown in Table 8. This indicates that the annual rate of house price inflation is continuing to slow, dropping below 10% in March for the UK as a whole for the first time since November 2001 (Halifax, March 2005). After having declined in the two previous quarters, houses prices in London increased by 0.1% in the latest

quarter, suggesting that the market there is stabilising. Meanwhile, house prices in Wales suffered a slight drop in 2005Q1, while still making a 5.6% gain over the year. The differential in the average house price between London and the UK is now at its lowest (in percentage terms) for seven years. The gap was its smallest in 1995 when the

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



Source: Halifax House Price Index

Table 8: All Houses, All Buyers (Seasonally Adjusted) 1st Quarter 2005

Region	Index 1983=100	Standardised Average Price £	Quarterly Change %	Annual Change %
North	515.4	130,053	-0.6	14.2
Yorks & Humber	532.5	122,946	1.7	15.5
North West	506.4	129,533	0.2	15.3
East Midlands	567.7	148,375	1.6	12.2
West Midlands	561.1	158,354	0.3	9.9
East Anglia	537.6	161,741	-0.9	8.4
Wales	531.6	137,564	-1.2	5.6
South West	549.9	181,826	1.3	4.6
South East	537.3	218,102	0.1	1.1
Greater London	607.6	241,918	2.4	9.9
Northern Ireland	457.6	117,666	6.1	22.9
Scotland	364.4	105,397	3.1	25.0
U.K.	527.0	162,840	0.5	9.7

Source: Halifax House Price Index

Table 9 Average House Price by Welsh County, 2003Q4 and 2004Q4

County	Average House Price - £ 2003*	Average house Price - £ 2004*	% Change
Clwyd	122,083	145,403	19%
Dyfed	119,037	143,344	20%
Gwent	115,443	138,388	20%
Gwynedd	105,866	140,657	33%
Mid-Glamorgan	93,918	115,490	23%
Powys	153,421	183,916	20%
South-Glamorgan	142,951	168,152	18%
West-Glamorgan	95,598	128,135	34%

* 12 months to December. Source: Halifax 2004

average house price in London was a mere 1.25 times the national average.

Table 9 gives a breakdown of average house prices by Welsh county for 2004Q4 (latest available quarter) and 2003Q4. West Glamorgan and Gwynedd experienced the greatest price rises over the year to 2004Q4.

The prolonged period of buoyant house price inflation accompanied by confidence regarding its durability has significantly altered the buy-to-let market in the UK as a whole. A recent report published by the Council of Mortgage Lenders examined the profile and intentions of around 1340 buy-to-let investors (Scanlon and Whitehead, 2005). The market has grown rapidly over the last 5 years. At the end of 2004 there were 526,200 outstanding buy-to-let loans compared to only 73,200 at the end of 1999. Around one quarter of buy-to-let investors owned only one property, another quarter owned three to five properties, with a median of four properties (less than 2% owned more than 50 properties).

Landlords having small portfolios (1-2 houses) estimated their average value to be between £100-200,000. This suggests that they are probably competing with first time buyers. More than two thirds of landlords had another full-time job. Only one fifth of all landlords could be defined as being 'professional' i.e. receiving rental income of at least the national average income, and being able to live off their rental income without selling off realisable assets. The authors of the report concluded that the buy-to-let market was an influential component of the current housing market. It also appeared to be relatively stable, with most landlords having relatively low loan to value ratios. The authors believe this segment of the market is likely to become more important and to be a stabilising factor.

The difficulties faced by first time buyers, certainly exacerbated by buy-to-let investors, have not been lost on the Chancellor of the Exchequer, who announced as part of Labour's election campaign, that he wanted to raise the level of property ownership from 70% to 75%. He hopes to achieve this by releasing more public land for development and by considering a scheme whereby the government helps to finance a share in the equity of purchased houses. This highlights the persistence of the first time buyer problem.

Construction News

A number of construction projects are in prospect in Cardiff, including the £500m St Davids 2 retail development, the £700m International Sports Village, and the re-development of Cardiff City FC stadium and surrounding area at Leckwith. The St Davids 2 project will combine retail stores, restaurants, 300 residential properties, and a new library, to be completed during 2009. The sports village will offer sports, leisure and entertainment facilities with waterfront residences, hotels, casinos, bars, restaurants and retail stores. New stadium plans for Cardiff City FC are progressing and the city council has approved two applications from the retail developers associated with the stadium development, and further retail applications are under consideration.

Work has begun on the second phase of the £14m 60,000 sq ft Fusion Point office development in the city. This is a speculative development, but the developers are confident that Cardiff has sufficient repute as a prime office location. A third phase would deliver a further 45,000sq ft of office accommodation.

Recently completed or ongoing residential schemes include Bellway Homes (Prospect Place, apartments), Redrow (Windsor Village), Persimmon

(The Plaza, apartments), Wimpey, and Westbury(Century Wharf). At Atlantic Wharf, Future Inns has opened its new 200 bed hotel during July of last year. Other large developments nearing completion including the new debating chamber for the Welsh Assembly Government.

Unite, a national student accommodation provider, has recently put up two new student accommodation blocks in Cardiff; Ty Pont Haearn (which it claims is one of the tallest buildings in Cardiff) and Allensbank House, opening fully in September 2005 opposite the University of Wales Hospital. Unite now have student accommodation in twenty six UK cities.

Stretton Estates Queensferry Ltd has purchased four acres of land from the WDA at the Tir Llwyd Enterprise Park in Kinnel bay for the construction of a 50,000 sq ft business unit. The project is being supported by a £1.1m property development grant from the WDA, and is the largest private sector project of its kind in the North Wales Objective 1 area.

A £32m food processing plant has been completed for Dawn Pac at Cross Hands in West Wales. The site is located on a dedicated Food Park being developed jointly by the WDA and Carmarthenshire County Council.

The Anglesey-based property company McCarter Group will undertake its largest project to date in converting the Argyle Hotel in Llandudno into luxury apartments to go on sale in June 2005.

References

Scanlon, K and Whitehead, C (2005) 'The profile and intentions of buy-to-let investors', London, School of Economics for the Council of Mortgage Lenders, March 2005. Available from www.cml.org.uk.