

Property Markets

Since January 2007 there have been three interest rises of 0.25% each, bringing interest rates to 5.75%. In the August to November period rates were maintained at this level, and the Bank of England minuted that the September decision had been unanimous, whilst only one member of the Monetary Policy Committee wanted a rate cut in October. During September, Mervyn King, the governor of the Bank of England reluctantly fell under a press and Westminster spotlight, having to explain the Bank's robust response to fallout from the collapse of the US sub-prime mortgage lending market. This fallout included a squeeze on Northern Rock's supply of credit to service its mortgage portfolio, which shattered the confidence of its savers, who then launched a run on the bank. This prompted an unprecedented guarantee from the Bank of England, which was most extraordinary because of its reluctant transparency.

The precipitous response of the Bank did avert more serious wobbles in the wider financial markets, although it was criticised as being a let-out from the more extreme consequences of the high risk lending behaviour that has become endemic in the mortgage market. The good thing about this series of events is that the public has perhaps had some very valuable insights into the alarming and growing complexity of the market for debt which means 'it' can be re-packaged, bought and sold, and hedged making it more difficult to establish the real risk attached to it, and therefore its true price.

Even before this 'wake-up' call, the housing market has been gently slowing. According to August 2007 data released by the Land Registry (28th September 2007, www.landregistry.gov.uk) sales volumes for March to June were down by around 6% on the same period in 2006, with data on sales of residential property in August showing a slowing in the growth of house prices in all areas outside London. The Land Registry report an annual change in house prices of 9.4%, bringing the average UK house price to £182,914.

Table 6 shows data from the Land Registry comparing sales volumes between June 2006 and June 2007 by property price range. Sales volumes of properties in the lower price range declined over the period, while the opposite was true for the higher price brackets. Inevitably, part of the explanation for this will lie in the restricted supply of lower priced properties, and demand constraints imposed by the rise in interest rates.

The Halifax reported a fall in house prices in September of 0.6%, even though over the third quarter prices rose slightly (0.9%, Table 7). Annual house price inflation to September was 10.7% (falling from 11.4% in August), and this is expected to decline further, as the strong gains made last autumn drop out of the average calculation. On the whole the economy is held to be in fine fettle, with high employment, (although the new Chancellor presages tougher times ahead), and chronic housing shortages should prevent a wholesale collapse of the market.

Table 7 shows the seasonally adjusted all houses, all buyers average house prices by region. The North and

Northern Ireland are the first of the regions to register a negative quarterly change, although the latter region experienced exceptionally strong growth over the year. Quarterly change was muted across the board, and sets the tenor for the coming months. It will take a sizeable downward adjustment to interest rates to re-embolden the market, also taking into account the effect of the large number of borrowers facing higher mortgage repayments in the coming months (a large proportion of the 1.3 million borrowers who took out mortgages in 2005 would have been for a 2 year fixed-term).

In the third quarter of 2007 house prices increased in Wales by 1.2%, after a drop of 2.8% in the second quarter. Over the year to 2007 Quarter 3, house prices had increased by 9.5%, which was slightly lower than the average for the UK at 10.7%. Currently, the average selling price of houses in Wales stands at £165,472 compared to the UK average of £198,898 (Halifax Figures).

Table 8 shows house price changes at Wales Local Authority level. The fastest growth in house prices was experienced in the Monmouthshire (26%) and

Figure 2: House Prices Index. All Houses – All Buyers Seasonally Adjusted (1983=100).

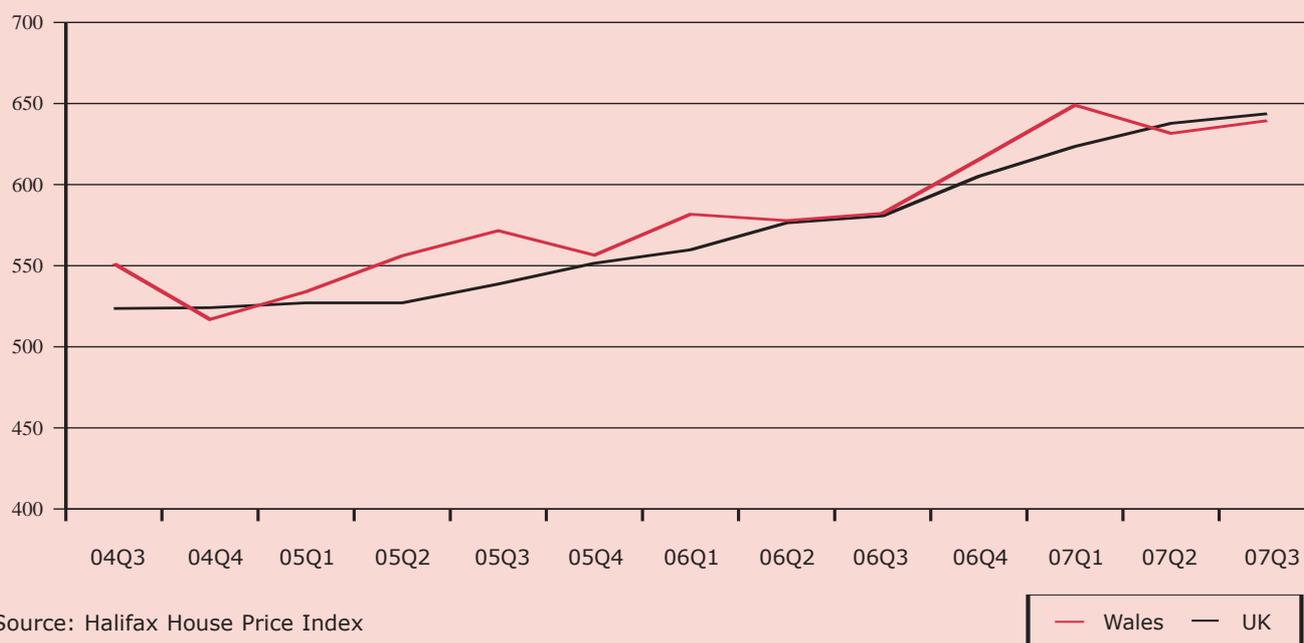


Table 6: Sales Volumes by Price Range (England and Wales)

Price Range (£)	June 2007	June 2006	Difference
Under 50,000	852	1601	-47%
50,000-100,000	12491	16893	-26%
100,101-150,000	26572	34245	-22%
150,001-200,000	24304	29034	-16%
200,001-250,000	17637	19317	-9%
250,001-300,000	7251	7261	0%
300,001-400,000	8605	8445	+2%
400,001-500,000	3688	3624	+2%
500,001-600,000	1314	1277	+3%
600,001-800,000	1460	1364	+7%
800,001-1,000,000	534	477	+12%
1,000,001-1,500,000	373	338	+10%
1,500,001-2,000,000	129	121	+7%
Over 2,000,000	102	105	-3%
Total	105,312	124,102	-15%

Source: Land Registry

Wrexham (22%) areas, according to the Halifax.

Construction News

Outline planning permission for the **Wales Media Park**, a £140m business and residential development by **ITV Wales** at Culverhouse Cross, was submitted to the Vale of Glamorgan County Borough Council.

Work has started on the **Springfield Retail Park** in **Haverfordwest**, a £27m investment by Simons Developments on a 10-acre site.

Completion is expected at Easter 2008 with Homebase, Wickes and Pets at Home amongst the tenants signed up.

Newport County Council has given consent for the **£1bn regeneration** of a 600 acre site formerly part of **Llanwern** steelworks. Developers St Modwen plan to transform the brownfield site by building 4,000 homes and supplying around 1.5 million square feet of office and industrial space, with work expected to start in late 2007. Plans were also submitted for a £15m

waterfront redevelopment off the Southern Distributor Road in **Newport**. The proposed mixed-use scheme by Collingbourne Properties includes residential and leisure components.

The redevelopment of **Stradey Park** in **Llanelli** for housing use was formally approved by the Welsh Assembly Government. The application had been held up by a public inquiry in January 2007 after being approved by Carmarthenshire County Council in July 2006.

Table 7: All Houses, All Buyers (Seasonally Adjusted) Third Quarter 2007, Quarter Averages

Region	Index 1983=100	Standardised Average Price £	Quarterly Change %	Annual Change %
North	602.0	151,898	-2.1	5.4
Yorks & Humber	648.3	149,695	0.4	8.2
North West	596.8	152,650	0.1	5.2
East Midlands	642.9	168,046	1.2	8.2
West Midlands	634.4	179,048	0.1	4.7
East Anglia	646.9	194,627	0.9	11.1
South West	642.4	212,400	0.5	8.0
South East	653.2	265,117	1.8	13.7
Greater London	805.8	320,847	2.3	18.6
Wales	639.4	165,472	1.2	9.5
Scotland	488.0	141,158	0.7	14.2
Northern Ireland	859.4	221,004	-3.2	29.1
U.K.	643.7	198,898	0.9	10.7

Source: Halifax 2007

Table 8 Average House Price by Welsh Local Authority, 2006 and 2007, 12 months to September

Local Authority	Average House Price - £ 2006*	Average house Price - £ 2007*	% Change 2006-2007*
Blaenau Gwent	106,713	109,266	2%
Cardiff**	167,935	174,499	4%
Carmarthenshire	155,744	172,380	11%
Ceredigion	155,488	177,877	14%
Conway	161,113	180,214	12%
Denbighshire	143,539	156,102	9%
Flintshire	158,966	180,746	14%
Gwynedd	144,300	153,581	6%
Isle of Anglesey	160,598	188,869	18%
Merthyr Tydfil	120,533	123,676	3%
Monmouthshire	189,671	238,088	26%
Neath Port Talbot	125,936	135,767	8%
Newport (Gwent)**	146,278	147,742	1%
Pembrokeshire	163,454	180,481	10%
Powys	180,277	184,021	2%
Rhonda Cynon Taff	119,393	133,158	12%
Swansea	147,419	164,514	12%
Vale of Glamorgan	176,932	198,037	12%
Torfaen	129,460	144,134	11%
Wrexham	154,359	189,026	22%

*12 months to September ** Post town information

Source: Halifax 2007

This means that prices can be affected by changes in the sample from one quarter to another.

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.

Outline planning application was submitted for redevelopment of the former Dowlais Ironworks **Merthyr Tydfil**. The new development, known as the **Heartland Project**, would comprise 440 homes. Around 55 of the homes would be 'affordable housing'. The plan was drawn up by RPS project management consultants based in Bristol, and the land is owned by Merthyr Tydfil County Borough Council and the Welsh Assembly Government.

Consultation is beginning on a new

development by Barratt South Wales and Persimmon Homes at the Llandow Airfield Vale of Glamorgan, which would comprise 2,700 new homes, schools, and business units.

Official approval of the masterplan of **"The Works" £300m development in Ebbw Vale** on the former Corus site has been given. It will take ten years to complete, and employment on the site could reach 2,000. The development will include business space, 720 new homes, a hospital (Ysbyty Aneurin

Bevan), plus a learning campus. The first phase of land for residential development would come onto the market in autumn 2007.

Construction began on the delayed **Dragon International Studios** at Llanhillid near Bridgend. Work on the first phase, comprising four film stages and road infrastructure, is expected to be completed in summer 2008 by sub-contractors Dawnus Construction and Alun Griffiths.