

Property Markets

The Bank of England base lending rate has not had anywhere much to go, sitting at 0.5% since March 2009. Despite recent short term inflationary pressure the Monetary Policy Committee is currently resisting raising interest rates. Meanwhile, UK GDP output growth was negative throughout much of 2009, with green shoots at last appearing at the beginning of 2010. The national press has been relatively silent on the matter of housing in the UK throughout the year, perhaps because (as with interest rates) the market has been moribund, with small drops in July (0.5%) and August (0.9%) and flat in September. However, in October 2010, commentators expressed consternation that house prices fell faster than expected (0.7%), and with the third quarter change on the previous quarter also being negative at -0.9% (Figure 2). A press release from the Halifax¹ (10th January 2011) stated that UK houses prices had fallen 1.6% over the year, 0.9% over the final quarter of 2010, with a fall of 1.3% between November and December. Regional figures are not yet available for the final quarter of 2010.

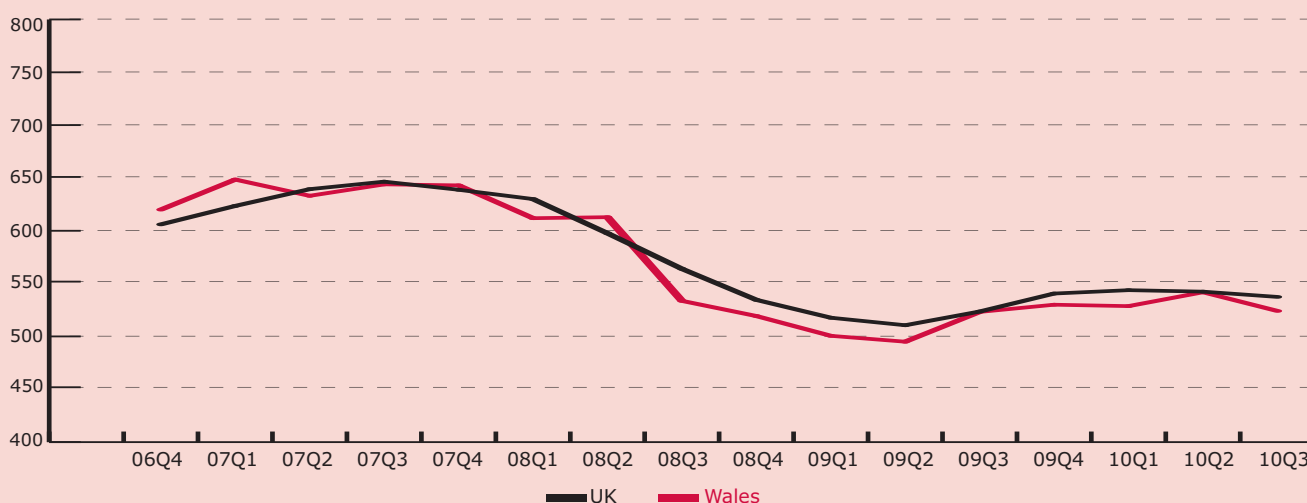
The current market reflects a combination of (largely negative) conditions: low growth in wages, the prospect of rapidly rising unemployment, higher taxes, generally poor consumer confidence, and more particularly, persistently unfavourable lending conditions. With, as ever, too

few homes, it will only take a small easement in lending to free up the market. Probably though, a more radical downward market correction is still needed to return to more acceptable price earnings ratios. House price movements over 2011 are likely to be very slight for the UK as a whole.

Figure 3 shows that lending had bottomed-out in the early part of 2009 with no sign then of easement in conditions.

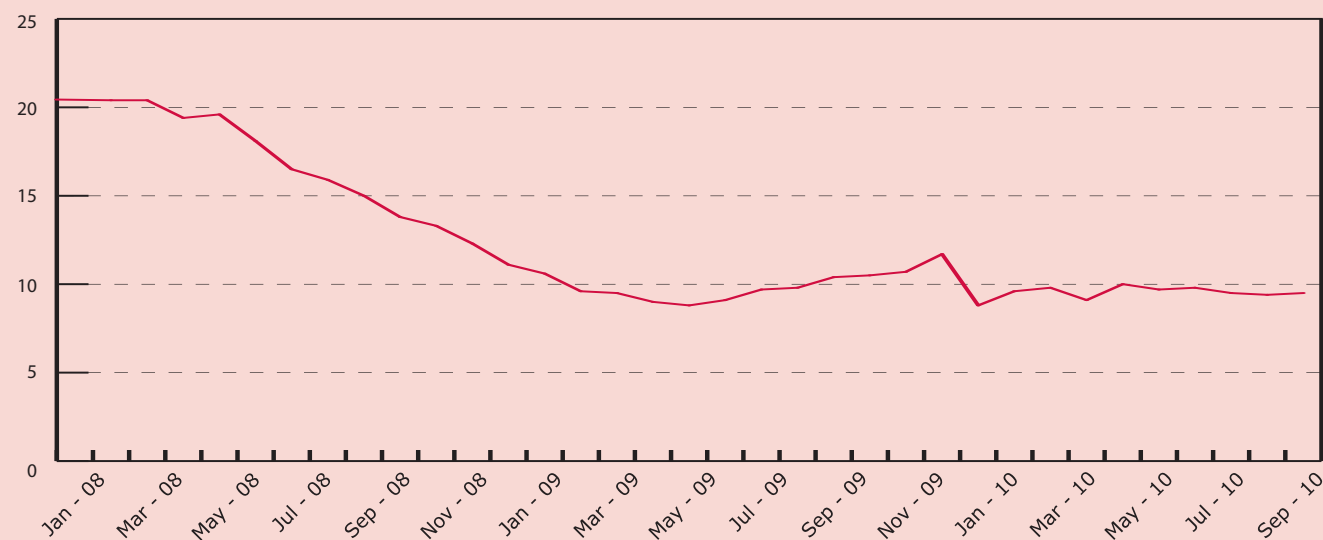
In 2009 Q2 the standardised average house price (based on sales) in the UK was £156,944 having dropped by 15%

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



Source: Halifax House Price Index

Figure 3: Gross Mortgage Lending by the major UK Lenders (seasonally adjusted) £ billions.



Source: Bank of England

Table 10: All Houses, All Buyers (Seasonally Adjusted) 3rd Quarter 2010, Quarter Averages.

Region	2010 Q3 Standardised Average Price £	2010 Q3 Annual Change %	Change 2010 Q3 -2000 Q3 %
North	125,415	-1.2	126
Yorkshire & the Humber	124,152	4.6	122
North West	122,181	-5.0	98
East Midlands	145,701	8.9	109
West Midlands	153,923	2.1	94
East Anglia	155,391	-0.5	85
South West	195,371	10.6	101
South East	223,983	3.1	68
Greater London	259,749	4.8	74
Wales	135,624	0.1	117
Northern Ireland	127,881	-13.1	85
Scotland	121,165	-3.6	94
UK	166,035	2.6	95

Source: Halifax 2010

Table 11: Average House Price by Welsh Local Authority, 12 months to November 2010.

Local Authority	Average house Price (£) November 2010	% Monthly Change	% Annual Change*
Blaenau Gwent	74,144	6.1	-6.4
Bridgend	126,241	-0.2	5.1
Caerphilly	106,240	0.9	7.7
Cardiff	146,263	-0.2	3.3
Carmarthenshire	113,384	-0.7	-2.0
Ceredigion	174,432	-1.8	0.2
Conway	136,998	-0.6	-1.2
Denbighshire	120,651	-1.4	-3.0
Flintshire	130,937	-0.2	0.1
Gwynedd	148,805	0.5	1.7
Isle of Anglesey	135,464	-2.0	1.9
Merthyr Tydfil	78,491	2.6	11.3
Monmouthshire	180,693	-2.2	1.7
Neath Port Talbot	92,320	1.9	2.5
Newport	121,491	-0.6	1.8
Pembrokeshire	152,967	0.2	2.8
Powys	161,449	0.9	2.3
Rhonda Cynon Taff	80,815	-0.3	1.3
Swansea	115,771	-1.2	-0.2
The Vale of Glamorgan	161,828	-0.5	1.5
Torfaen	106,788	-4.1	-1.7
Wrexham	123,646	-2.1	3.4
Wales	125,131	0.3	2.2

* 12 months to November 2010

Source: Land Registry 2010

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

over the year (the corresponding figure for Wales was £127,876, an annual fall of 19.5%). Since then UK house prices have bumped along the bottom, though over the year to Q3 experiencing a small rise of 2.6%. Table 10 shows marked variations across the regions, with house prices in Northern Ireland down by 13.1% in contrast to gains in the south west of 10.6%. The final column in Table 10 shows the percentage change *over the decade*, with UK property values being up by 95%, and again with markedly different experiences across the regions. From albeit a lower base, the North and Yorkshire and Humber have experienced value gains of 126% and 122%, with Wales just behind them at 117%. Meanwhile, Greater London and the South East were up 68% and 74% respectively.

Unitary Authority data for Wales is sourced from the Land Registry which is not comparable with the Halifax data². Table 11 shows that average house prices in Wales show great variability. Lowest house prices are found in Merthyr Tydfil (£78,491) with the highest prices to be found in Monmouthshire some 2.3 times higher (£180,693). In the last property report the highest prices were to be found in Ceredigion (£172,288); around 1.8 times higher than the lowest (Merthyr £70,347). At the moment then conditions in Wales are conspiring to

widen existing local differences. Demand for housing is typically strong in Monmouthshire, Caerphilly, Cardiff and the Vale, and the annual figures reflect this strength. Meanwhile, Merthyr Tydfil experienced the highest *annual* price change in November, with a movement of 11.3 per cent, and Blaenau Gwent experienced the strongest *monthly* growth with an increase of 6.1 per cent. Torfaen had the highest *monthly* price fall during November with a movement of -4.1 per cent. On the whole though, the picture in Wales is more optimistic than that reported in the last *Review*, in which the % annual change was negative across the board.

Construction News

The hard winter of 2009/10 hampered the construction industry. However, new house building activity during the three months to the end of February 2010 was up by 89% on the same period in the previous year. Of the 927 registrations (of new homes) 78% were private sector related builds.

Figures released by the Welsh Assembly Government over a period from 2000-01 to 2008-09 show that total stock increased from 1,274,500 to 1,338,490 (+5%). Owner-occupied stock increased from 904,514 to 954,710 dwellings (+5.5%), while the rise in private rentals was 28% (albeit from a small base).

Community Housing Cymru figures for 2009 suggest that the holding by registered social landlord (RSLs) is more likely to be in excess of 112,000 (compared with the 2008-9 estimate of almost 107,000, shown in Table 12). A goal has been set to add 6,500 new homes to social housing stock in Wales during the period 2008 to 2011.

The Comprehensive Spending Review has tempered the mood of the construction industry in Wales, and a number of commentators (among them the Royal Institute of Chartered Surveyors, the construction company Wilmott Dixon, and trade credit assurance firm Atradius) are keen to highlight the need for banks to increase their lending. The protection afforded to the construction industry by public sector spending in Wales is no longer guaranteed, even though it is its most important client. Order books are down on the year, and in such a competitive environment, quality will inevitably be under threat.

The inability of Metrix to pare down their costs on the St Athan training college has meant that this project will be scrapped, as has the tidal Severn estuary barrage. If this is the pattern of things to come, then the optimism felt earlier in 2010 should be substantially moderated.

Notes:

- 1 http://www.lloydsbankinggroup.com/media1/research/halifax_hpi.asp?WT.ac=015
- 2 For interest, on 28th September 2010 the Land Registry reported an average UK house price of £167,423, with an August monthly change of 0.3% (fifth in a row showing a positive movement) and an annual change of 6.7%.

Table 12: Dwelling Stock Estimates, by tenure, 2000-01 and 2008-09.

Type of Tenure	2000-01	2008-09
Local Authority	187,720	112,996
Registered Social Landlord (RSL)	54,999	106,891
Owner-Occupied	904,514	954,710
Privately Rented	127,267	163,893
All Tenures	1,274,500	1,338,490

Source: Stats Wales