

Price of flats falling twice as fast as houses 'because of Prescott'

By Stephen Adams

PRICES for flats fell almost twice as fast in February as for any other type of property, according to official figures released yesterday.

The average price of a flat dropped by 2.9 per cent in February, said the Department of Communities and Local Government, compared to an average fall for all property types of 1.6 per cent.

Many industry experts believe that a rash of flat building has led to a dip in the market. Swathes of new inner-city flats have been built across places such as Manchester, Leeds, Nottingham and Birmingham since 2000 – when John Prescott introduced planning guidelines

that forced developers to build more homes on each plot.

Roger Humber, a strategic policy adviser at the House Builders' Association, said: "There's a very deep-seated problem with oversupply of flats.

"At the end of the day it's a direct result of Government planning policy that encouraged local authorities to allow nothing but flats. For several years if you wanted to get planning permission you simply built lots of flats. That inevitably led to an oversupply and as the market turns down, that is the first thing to be hit."

He added that the flats had been aimed at buy-to-let investors, who are the first to be affected by tighter lending conditions and are now trying to



Developers are finding it hard to sell new inner-city flats, such as these in London

sell. The government data said that detached and semi-detached houses fell in value by 1.5 per cent in February, terraced homes by 1.1 per cent, and bungalows by 0.6 per cent.

The statistics also showed that the average cost of a home stood at £217,737 at the end of February – £3,541 less than in the previous month. The annual rate of house price growth fell in 10 of Britain's 12 economic regions, with only the North West and West Midlands seeing a rise.

Vince Cable, the Liberal Democrat shadow chancellor, said: "It is clear that we are now seeing a major and long-overdue correction in the housing market. However, there is a real danger that with rising

personal debt and high inflation, this correction may become a crash."

Another report published yesterday showed that mortgage arrangement fees have risen sharply, with some doubling in a year. Average fees for three-year fixed-rate deals have jumped from £578 to £1,132, said the online mortgage broker mform.co.uk, while fees for two-year fixed deals have risen from £999 to £1,478.

Francis Ghiloni, of mform, said: "After all the panic of recent weeks in the mortgage market people may be tempted to grab the best deal they can and may focus on rates to the exclusion of everything else. They could be in for a nasty shock when it comes to the fee."