

LSL Property Services/Acadametrics
Wales

House Price Index

APRIL 2012

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The Welsh housing market struggles in April as house sales drop off by 17.5 %

- House prices decline £400 month on month
- However prices are up 1.1% on last year

House Price	Index	Monthly Change %	Annual Change %
£152,302	236.2	-0.3	1.1

Nigel Favas, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “A combination of a constrained mortgage market for first-timers and adverse weather conditions dampened housing market activity in April. Several parts of Wales saw twice the normal amount of rain in April, restraining buyers’ enthusiasm for viewing properties, and this has hampered competition for properties on the market. However, the longer-term effect of the absence of thousands of first time buyers - still struggling to secure mortgage finance - continues to be felt throughout Welsh housing market, reining in house sales and keeping prices deflated on a monthly basis. As a result, transactions fell by -17.5%. This is more than three times the seasonal drop we would normally anticipate.

“Lenders are facing strong pressure on their ability to lend, as a result of the ongoing financial crisis abroad, and have adopted an incredibly cautious stance towards those without substantial deposits and spotless credit. As a result, many Welsh first-time buyers may feel that homeownership is a distant reality. Nevertheless, some relief may come from the Bank of England’s new funding for lending, which, if successful, could allow mortgage lenders to pass on more affordable rates to new buyers.

“While house prices in Wales dropped by £400 on a monthly basis, the annual improvement points to resilience in some parts of the market. Wealthier buyers and equity-rich retirees remain a key driving force, with activity at the top end of the market comparing favourably to a year ago, after the trough caused by the new, higher stamp duty on purchases over £1 million.

“The buoyancy of the upper tier of the market was reflected in the regional disparity of annual house price rises. Those with the highest average prices - Monmouthshire and the Vale of Glamorgan - saw the largest increases, while Blaenau Gwent, with the lowest average price, saw the biggest fall - highlighting the two speed nature of the Welsh housing market.”

For comment by Dr Peter Williams, housing market specialist and Chairman of Acadametrics, see page 3.

House price index: historical data



Table 1. Average House Prices in Wales for the period May 2011 - April 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
May	2011	£148,831	230.9	-1.2	-4.0
June	2011	£149,018	231.2	0.1	-4.2
July	2011	£149,857	232.5	0.6	-3.6
August	2011	£151,742	235.4	1.3	-2.6
September	2011	£152,084	235.9	0.2	-2.4
October	2011	£155,052	240.5	2.0	0.1
November	2011	£154,588	239.8	-0.3	0.9
December	2011	£153,615	238.3	-0.6	1.1
January	2012	£152,009	235.8	-1.0	-0.1
February	2012	£151,949	235.7	0.0	-0.6
March	2012	£152,700	236.9	0.5	0.0
April	2012	£152,302	236.2	-0.3	1.1

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Further commentary by Dr Peter Williams

Dr Peter Williams, housing market specialist and Chairman of Acadametrics, comments:

The average house price in Wales was £400 lower in April than March, a fall of -0.3% over the month. However, on an annual basis, prices have risen by +1.1%. To understand why the annual figure is up, whilst the monthly figure is down, we need to look at the housing market in Wales in February, March and April last year. Readers may recall that the Chancellor had announced that the stamp duty on properties costing £1 million or more was to increase by 1% from 6 April 2011. This resulted in buyers at the top end of the market bringing forward their purchases to the early months of 2011. Average prices in February in particular rose against trend by 0.5%. In April 2011, once the tax had been introduced, purchasers of high-priced properties became conspicuous by their absence, with a consequent fall in the average price of a home of -1.3% in the month. By April 2012, the top end of the market had returned to more normal levels, so average prices have increased over the year, particularly when compared to April 2011.

In Figure 1 we show the average house price in Wales over a seven year period, from April 2005 - April 2012. The purpose of this graph is, in part, to place the current housing market in an historic perspective, i.e. to show that the movement in prices in 2011 - 2012 has been relatively minor in comparison to the changes that took place from 2005 - 2009. For example, the peak to trough decline in prices from October 2007 - June 2009 amounted to -13.5%, compared with a decline of -2.0% from October 2011 - February 2012. The graph also shows that the current average price of a house in Wales, at £152,300, was first reached in December 2005, some six and a half years ago. On the next page we explore how prices have changed in the different areas of Wales over this time period.

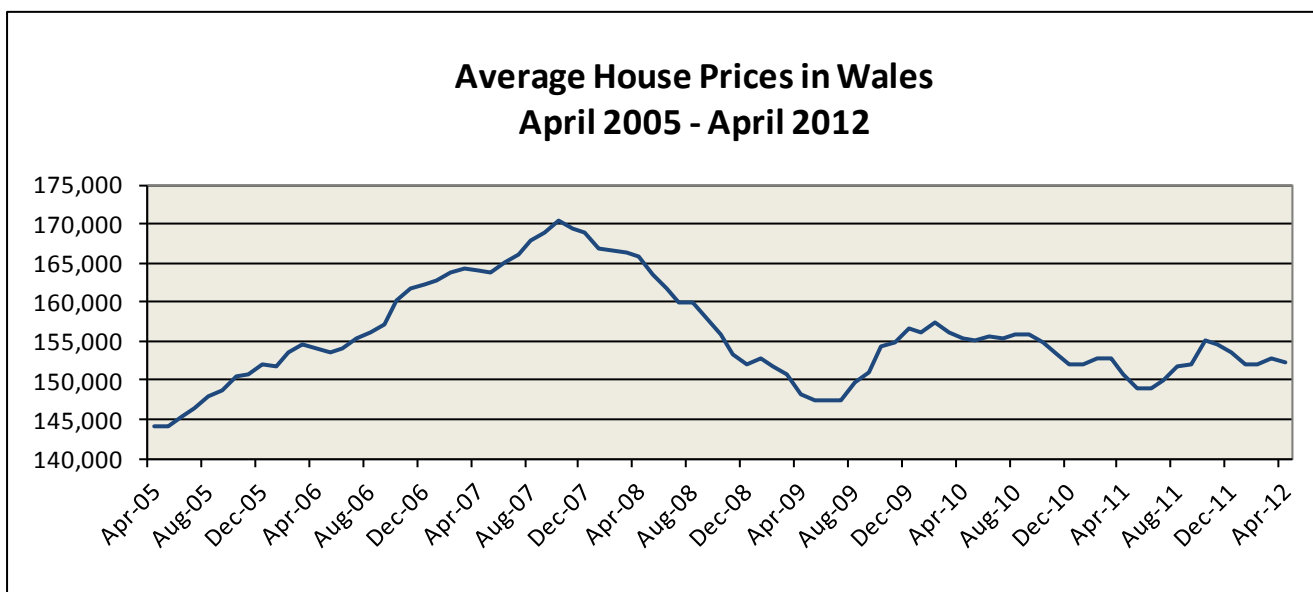


Figure 1. Average house prices in Wales, April 2005 – April 2012

[link to source Excel](#)

One of the features of April in Wales has been a decline in the number of properties sold amounting to a fall of -17.5% from March levels. On a seasonal basis the number of properties sold in Wales typically falls by -5% during April, so this year the market is more subdued than usual. Some of the decline in sales can be explained by an absence of first time buyers, who continue to find it difficult to obtain mortgage finance, which has a knock-on effect all the way up the property chain. The weather in April will also have had an impact on the housing market, with twice the normal amount of rain falling in South Wales and towards the English Border, making April 2012 amongst the wettest Aprils on record.

Looking at the seasonal trends in the Welsh housing market, one can normally expect sales volumes in May to pick up by 10% from April levels. It will be interesting to see whether May, this year, will follow tradition, or whether a more deep seated malaise has taken root. Early indications suggest that activity has increased, but we will have to see whether this has been sustained throughout the month.



Table 2. The average house price in Wales, by unitary authority area, December 2005 and April 2012

[link to source Excel](#)

AVERAGE HOUSE PRICES IN WALES BY UNITARY AUTHORITY AREAS (Mix adjusted)

RANK BY PRICE 6 YRS PRIOR	RANK BY PRICE	LOCAL AUTHORITY AREA	Dec-05	Apr-12	% Change
1	1	MONMOUTHSHIRE	208,215	229,699	10.3%
2	2	THE VALE OF GLAMORGAN	188,579	213,760	13.4%
3	3	CARDIFF	181,837	182,992	0.6%
5	4	CEREDIGION	178,385	181,296	1.6%
6	5	POWYS	178,053	173,748	-2.4%
4	6	PEMBROKESHIRE	178,998	167,027	-6.7%
7	7	ISLE OF ANGLESEY	169,261	156,682	-7.4%
11	8	WREXHAM	158,684	156,206	-1.6%
9	9	GWYNEDD	160,288	155,676	-2.9%
15	10	SWANSEA	140,084	154,847	10.5%
10	11	FLINTSHIRE	160,188	151,773	-5.3%
8	12	CONWY	163,263	150,161	-8.0%
13	13	DENBIGHSHIRE	150,331	146,724	-2.4%
12	14	NEWPORT	152,751	144,666	-5.3%
14	15	BRIDGEND	145,141	135,061	-6.9%
17	16	TORFAEN	129,421	134,843	4.2%
16	17	CARMARTHENSHIRE	135,132	134,248	-0.7%
18	18	CAERPHILLY	118,616	119,643	0.9%
20	19	RHONDDA CYNON TAFF	102,589	107,484	4.8%
19	20	NEATH PORT TALBOT	114,347	106,424	-6.9%
21	21	MERTHYR TYDFIL	94,307	95,169	0.9%
22	22	BLAENAU GWENT	89,858	80,014	-11.0%
		WALES	152,086	152,302	0.1%

Table 2 shows the average price of a house, in the 22 unitary authority areas in Wales, for both December 2005 and April 2012. As can be seen, although the headline rate of change for the Principality as a whole is a +0.1% rise in prices over the six and a half years, there are many differences at the more local level. The biggest rise in house prices has been seen in the Vale of Glamorgan, at +13.4%, followed closely by Swansea and Monmouthshire, up +10.5% and +10.3% respectively.

It is interesting to observe that the two areas in Wales where average house prices are highest, namely Monmouthshire and the Vale of Glamorgan, are in the top three areas in terms of price growth. This is a trend which also applies in England where demand and, hence, prices have been strongest at the top end of the market. Apparently, existing owners are using the equity in their properties to upgrade their homes over the period, whilst new entrants at the lower end of the property market have found it difficult to raise the necessary finance to get started. Hence, the areas with the highest priced homes have tended to see prices rise, or to remain stable, whilst the areas with lower priced homes have continued to see price falls.

In terms of rankings over the last six and a half years, Swansea has moved up five positions, followed by Wrexham up three places. The largest faller is Conwy down four places. Of the 22 local authority areas in Wales, 9 have seen house prices increase over the six and a half years and 13 have seen falls.

In our analysis of average house prices we express growth or decline in money terms. It is perhaps a sobering process to remind oneself that RPI over the period from December 2005 to April 2012 has risen by 25%, so expressed in real terms house prices in Wales have fallen by between -12% and -36%. In real terms, the FTSE 100 has dropped by -24% over this period, indicating that investing in the stock market would have earned similar returns to housing, but without providing a roof over one's head.

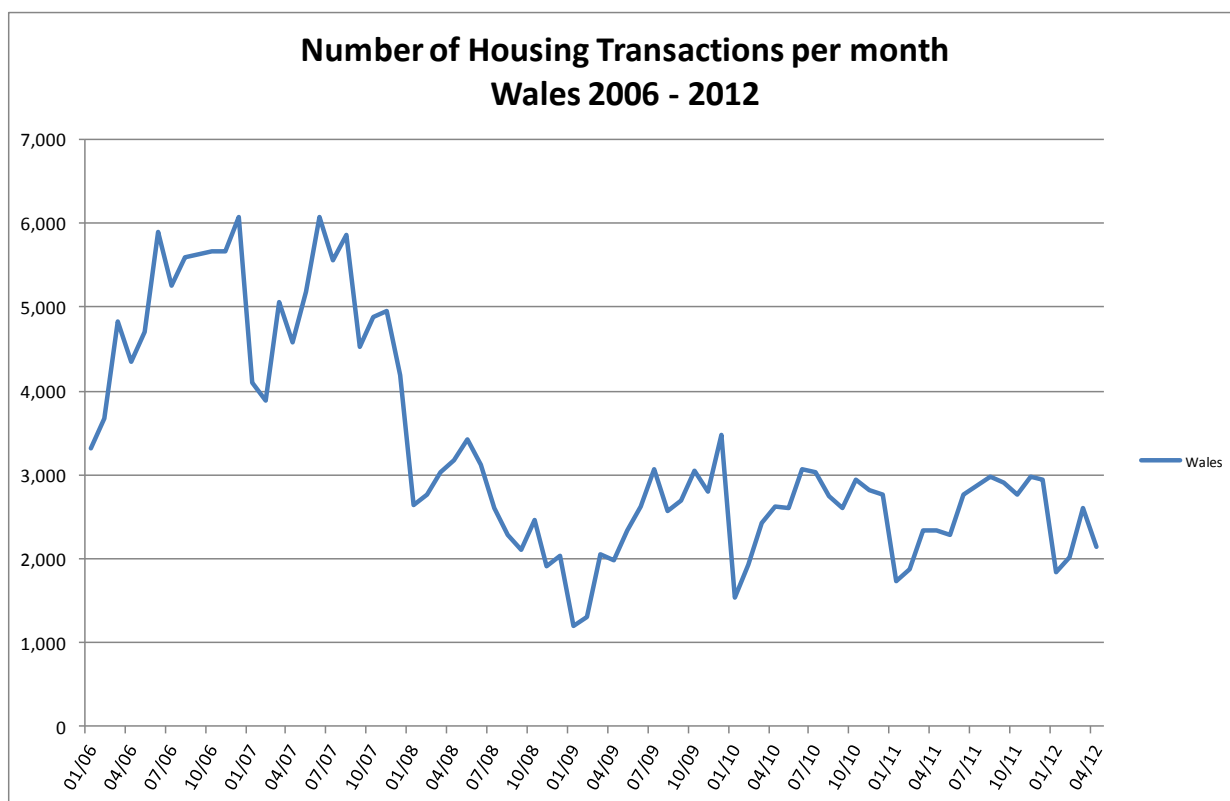


Figure 2. The number of housing transactions by month in Wales, 2006 - 2012 (not seasonally adjusted)

[link to source Excel](#)

The above graph shows the number of monthly transactions recorded by the Land Registry for the period January 2006 to April 2012, without seasonal adjustment. Traditionally, sales in Wales in April are 5% lower than March. This year the percentage fall is 17.5% from March levels, so the market is weaker than average, with a lack of first time buyers and exceptional periods of heavy rain perhaps accounting for the decline.

Activity in the housing market is likely to remain subdued this year for a number of reasons. There is the overall slow down in the economy and associated loss of consumer confidence; the ongoing difficulties in obtaining mortgage finance, with relatively high deposit requirements continuing to act as a barrier to potential purchasers; the rain in April which will have discouraged many from carrying out property searches; and lastly the Queen’s Jubilee and the Olympics which will both put a brake on property sales. We do not therefore foresee the property market in 2012 returning to anything like the levels of activity seen in 2006 and 2007.

NOTES

1. LSL Acad Wales HPI is a price series as opposed to a value series and is the only house price index for Wales to use:
 - the actual prices at which every residential property in Wales was transacted, including prices for properties bought with cash, using the data provided by the Land Registry as opposed to valuation estimates or asking prices
 - the price of every single relevant transaction, as opposed to prices based upon samples
2. the current month LSL Acad Wales HPI is not forecast, unlike the LSL Acad E&W HPI, and the first release of the Wales results lag the first release of those for England & Wales by one month
3. whilst the LSL Acad Wales HPI, like the LSL Acad E&W HPI, comprises a smoothed average of three months’ prices, the LSL Acad Wales HPI average reflects the average price at the month of the index and the prior two months’ prices and is ascribed to the month of the index i.e. it is “end month smoothed” (ems) and not “centre month smoothed” (cms) as applied to the LSL Acad E&W HPI. Since we provide only a national England & Wales average price in our current month LSL Acad E&W HPI and prices at region and lower levels are lagged one month, this procedure means that the LSL Acad Wales HPI prices are contemporaneous with the prices published for the equivalent month for England & Wales, Wales and the regions.
4. all LSL Acad Wales HPI results are subject to change following receipt of updated data from Registers of Wales
5. Acadametrics is an independent privately owned consultancy working with Dr Stephen Satchell, Economics Fellow Trinity College Cambridge, and specialises in the assessment of risk in property and mortgage portfolios.

Comparison of indices

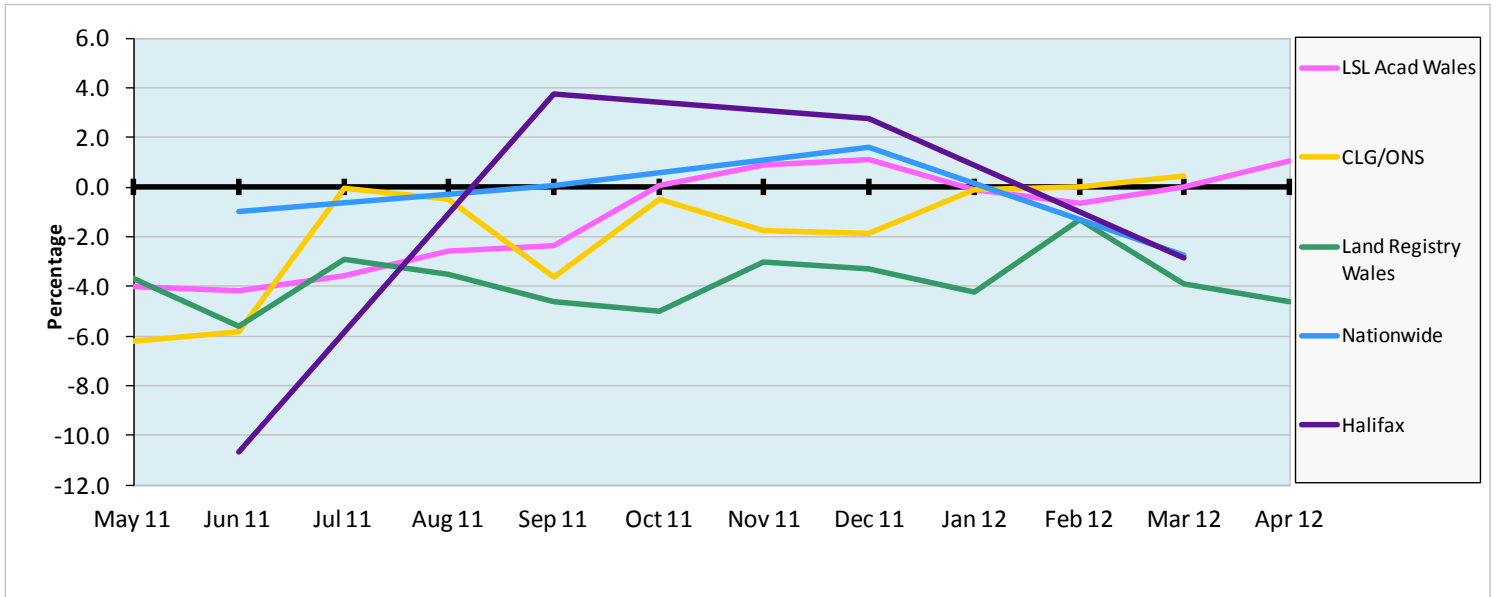


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

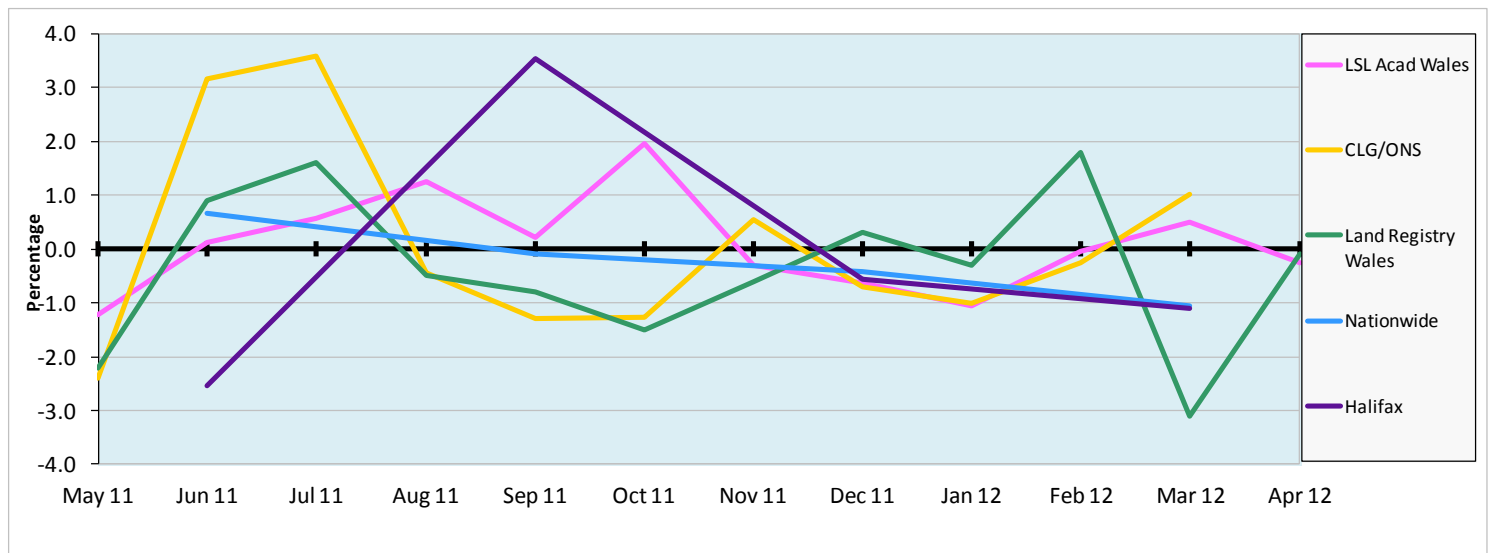


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

The above charts compare the main indices provided for Wales. It should be noted that Halifax and Nationwide provide prices for the Welsh market only on a quarterly basis and we have charted these by interpolating on a straight line basis.

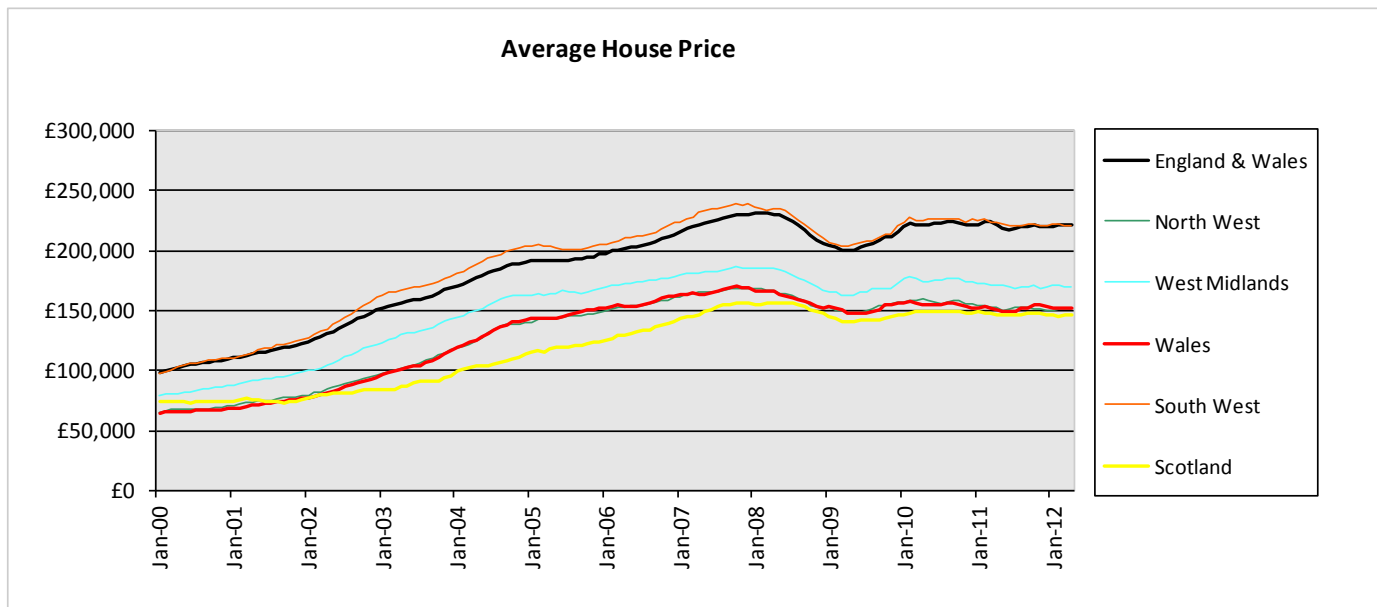


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period Jan 2000 - Apr 2012 [link to source Excel](#)

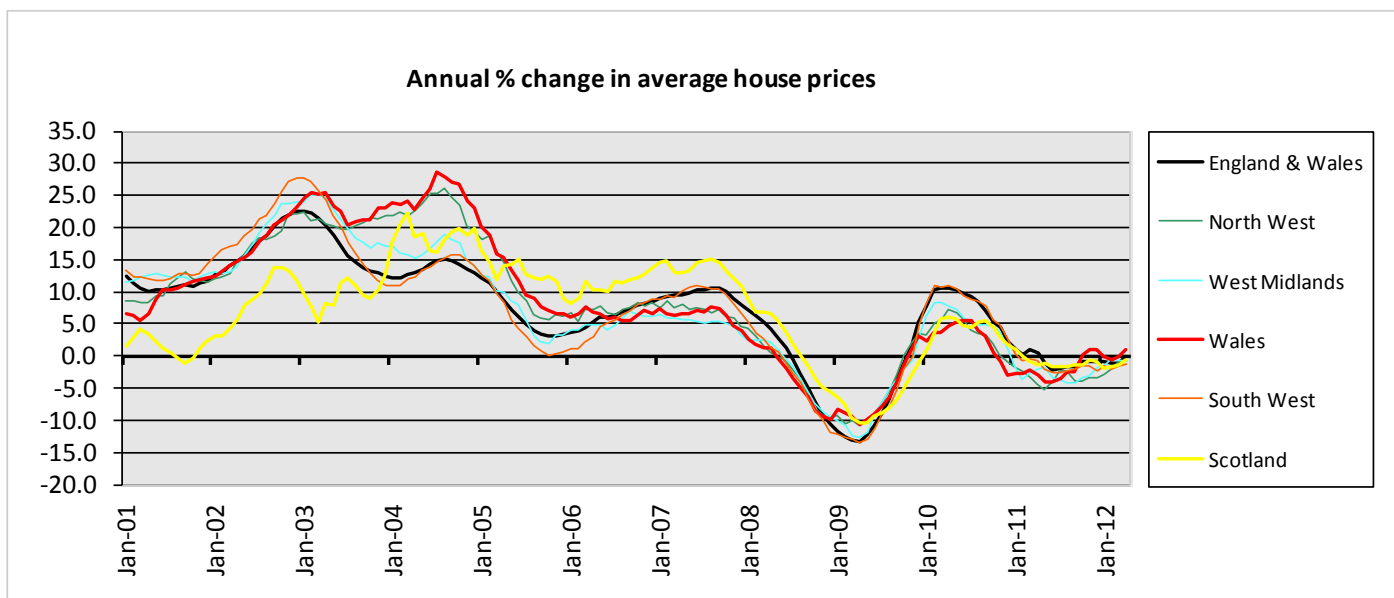


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period Jan 2001 - Apr 2012 [link to source Excel](#)

Nine unitary authorities in Wales

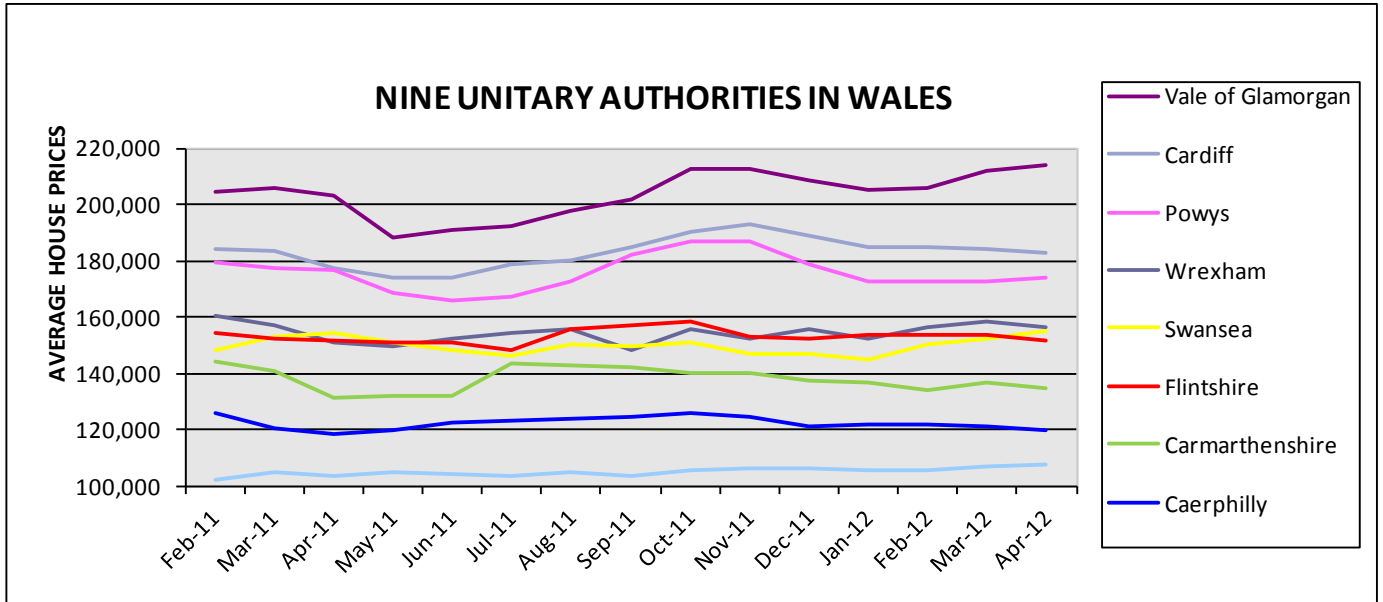


Figure 7. Average house prices for nine unitary authorities in Wales from January 2010 - April 2012

[link to source Excel](#)

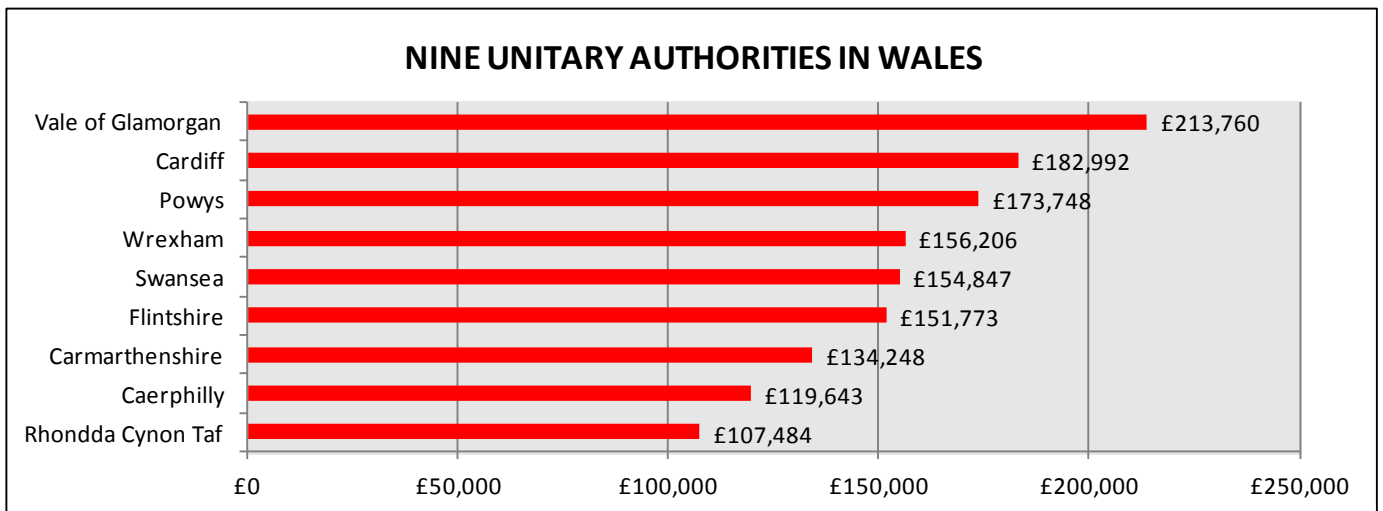


Figure 8. Average house prices for nine unitary authorities in Wales April 2012

[link to source Excel](#)



1. LSL Acad Wales HPI is derived from Land Registry (LR) house price data, seasonally and mix adjusted by property type. © Crown copyright material reproduced with the permission of the Land Registry. The prices are smoothed to show underlying trends. LSL Acad Wales HPI includes cash purchase prices and is the only index based upon the complete, factual, house price data for Wales, as opposed to a sample.

2. most indices employ data available to the provider as a result of its business; index methodologies are designed to exploit the advantages and overcome the disadvantages of each particular dataset; a valuation series (whether the values are professionally estimated at e.g. time of mortgage offer or by an estate agent) is not the same as a price series; a price series, such as LSL Acad Wales HPI or CLG/ONS HPI, can be prepared only when the prices at which properties have been transacted have been recorded at RoS (LSL Acad Wales HPI) or when firm prices at mortgage completion have been made available by lenders (CLG/ONS HPI); valuation series can be prepared whenever the data e.g. asking or mortgage offer prices are available to the provider; publicity accrues to those indices which are released first; indices published at or before month end are likely to employ data for the current and prior months. LSL Acad E&W HPI overcomes delay in the availability of all transactions for any given month from LR with an “index of indices” forecasting model, purpose developed by Dr Stephen Satchell Economics Fellow Trinity College Cambridge and Dr George Christodoulakis, then at the Sir John Cass Business School. Forecasting is assisted by the provision by LR of “emergent data”, being those current month transactions for which LR have received prompt notification.

3. the “emergent” data for Wales necessary to repeat the E&W forecasting methodology have not been employed, such that LSL Acad Wales HPI incorporates no forecasting procedure. Whilst the LSL Acad Wales HPI, like the LSL Acad E&W HPI, comprises a smoothed average of three months’ prices, the LSL Acad Wales HPI average reflects prices at the month of the index and those for the prior two months and is ascribed to the month of the index i.e. the prices are “end month smoothed” (ems) and not “centre month smoothed” (cms) as applicable to the LSL Acad E&W HPI. Please note that:

- we provide only a current month average price for England & Wales as a whole, in our LSL Acad E&W HPI, and that prices at region and lower levels are lagged one month
- RoS monthly data comprises some 95% of the transaction for the current month and c.99% for the prior two months

Hence, a smoothed average price using three months data ascribed to the index month (ems) for LSL Acad Wales HPI provides the equivalent price, to all intents and purposes, to the price at region/county level, lagged by one month, provided by a centre month smoothing (cms) process, as used for LSL Acad E&W HPI. Our intention is to align the procedure for LSL Wales HPI with that used for LSL Acad E&W HPI, as soon as the necessary data may be available. Meanwhile, an ems procedure allows the Wales prices to be placed alongside the contemporaneous prices for E&W as a whole and for Wales, as a whole, and those for the E & W regions for comparison purposes.

4. Like LSL Acad E&W HPI, LSL Acad Wales HPI provides prices from January 2000. The underlying data by property type, for months when no sales of a particular property type, in a particular area, were reported were in-filled using the same procedure used in LSL Acad E&W and, by Eurostat, in preparing seasonal data.

5. note that LSL Acad Wales HPI is unable to distinguish between 3, 4 or 5 bedroom houses or between those with 2, 1 or even no bathroom; the lender hedonic indices and the CLG/ONS mix adjusted index do so. RoS data and, hence, LSL Acad Wales HPI exclude commercial and, thus, auction sales and do not reflect repossession prices on the grounds that such prices do not reflect those between a willing buyer and a willing seller.

6. LSL Acad Wales HPI is prepared from LR data using a methodology designed to provide a “true measure of house price inflation”; Acadametrics does not guarantee the accuracy of the LSL Acad Wales HPI results and neither LSL nor Acadametrics shall be liable for any loss or damage, whatsoever, consequential upon any error, incorrect description of or inadequacy in the data; persons using the data do so entirely at their own risk; LSL Acad Wales HPI is freely provided for publication with due attribution to Acadametrics. Permission is required for any commercial use of the data.

7. the monthly, smoothed, average LR prices at county and unitary authority level provided at property type, which underlie LSL Acad Wales HPI, together with historic data can be purchased from Acadametrics.

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LSL PROPERTY SERVICES PLC

LSL is one of the leading residential property services companies in the UK and provides a broad range of services to a wide range of customers including mortgage lenders together with buyers and sellers of residential properties.

LSL's operations cover four key areas; surveying; estate agency; corporate services; financial services.

Surveying

LSL's [surveying](#) business operates under e.surv Chartered Surveyors, Chancellors Associates and Barnwoods brands. e.surv is one of the largest employers of residential Chartered Surveyors in the UK and is the largest distributor and manager of mortgage valuations and private surveys.

Estate Agency

LSL's [estate agency](#) business operates under the Your Move, Reeds Rains, Intercounty and several independent brands. Your Move is the single largest estate agency brand in the UK.

In January 2010 the acquisition of the Halifax Estate Agency (HEA) business from Lloyd Banking Group saw LSL increase in size to become the second largest UK estate agency network - with around 570 branches. It is also the largest letting agency in the UK.

Corporate Services

LSL Corporate Client Services was launched in 2008 to provide asset management and lettings property portfolio management services to corporate clients. This business has grown through the addition of St Trinity Asset Management - which previously operated as HEA Corporate Services - and Templeton LPA, which LSL acquired in February 2010.

Financial Services

LSL offers financial services across its entire branch network. In May 2010 LSL acquired over 450 advisers from leading financial services network Home of Choice - these advisers now operate under the brand of First Complete.

In October 2010 LSL also announced the acquisition of mortgage distribution company, Advance Mortgage Funding Limited (trading as Pink Home Loans) and its subsidiary business BDS Mortgage Group Limited, (together known as Pink), from Skipton Building Society. It further confirmed LSL's position as one of the largest mortgage advisory businesses in the UK today.

For further information see www.lslps.co.uk