

LSL Property Services/Acadametrics
Wales

House Price Index

APRIL 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 26TH JUNE 2013

Fall in Welsh house prices continues: now £2,048 in a year

- Prices now stand 1.3% lower than last year
- Average price almost back to the start of the year

House Price	Index	Monthly Change %	Annual Change %
£151,821	235.5	-0.1	-1.3

Oliver Blake, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “Unlike the rest of Britain, the Welsh housing market remains in slow reverse. Wales has seen the biggest annual average house price fall of any region: prices plummeted £2,048 in the past year. However, outside of Wales, only Londoners saw their houses rise significantly in value in April. Sales in Wales are depressed compared to England, but London is the exception, not the rule, so the dramatic comparison is unclear.

“The torpor in the Welsh market is due to inadequate mortgage availability for first-time buyers. Encouragingly, more Welsh buyers are making enquiries – and plans for new estate agency businesses are also rumoured, so the interest is there. It’s the inaccessibility of mortgage finance for the average buyer that’s reining in demand. High rents and growing inflation are reducing the amount first-time buyers can set aside to meet the large deposit requirements required by lenders.

“This has led to the fall: average prices rolled backwards by £219 in the last month. Despite the positive start to this year prices now stand a long distance away – 10.8% lower – from their record peak in 2007. Even by historic standards it’s poor. And the sinking prices are bucking the usual summer trend of sales rising as the summer season begins. House sales are low, especially at the bottom end of the market. And strict mortgage requirements and lenders’ caution have made it tough to boost sales activity substantially, which has also slowed down activity at the higher end of the market.

“The future performance of house prices at a local level will depend to a large extent on how local economies and labour markets perform. Banks and building societies are more likely to lend in areas which they believe will be better protected from both house price falls and job losses. In April house prices fell in 12 of the 22 unitary authorities. Within the country, there is a clear north/south divide. The 14 southernmost areas of Wales saw prices fall almost 19%, standing in stark contrast to the rise of 2.2% in prices in the six northernmost areas. Not only does this point to the population variations in different parts of the country, it also shows parts of Wales remain in post-industrial decline.

“The lending picture is in need of a blast of colour to help clear weak points in the Welsh housing market. Indigenous lenders are doing their bit but wider support from the mainstream sector is also needed for a sustained recovery. Voices are also calling out for the Welsh government to do more to help first-time buyers. The Help to Buy scheme is a step in the right direction, but wealthier buyers will continue to have an overly large impact on the market and house prices as the year goes on. Hopes are high that the Government’s new initiatives will put the Welsh housing market back on course.”

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 April 2012 – April 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
April	2012	£153,869	238.7	0.2	2.1
May	2012	£153,457	238.0	-0.3	3.1
June	2012	£152,797	237.0	-0.4	2.5
July	2012	£152,086	235.9	-0.5	1.5
August	2012	£151,399	234.8	-0.5	-0.2
September	2012	£151,937	235.7	0.4	-0.1
October	2012	£152,583	236.7	0.4	-1.6
November	2012	£152,506	236.6	-0.1	-1.3
December	2012	£152,366	236.3	-0.1	-0.8
January	2013	£151,511	235.0	-0.6	-0.4
February	2013	£152,665	236.8	0.8	0.3
March	2013	£152,040	235.8	-0.4	-1.0
April	2013	£151,821	235.5	-0.1	-1.3

Press Contacts:

Melanie Cowell, LSL Property Services
David Pickles, Acadametrics
Adam Jones, Wriglesworth PR

01904 715 326
020 8392 9082
020 7427 1403

melanie.cowell@lslps.co.uk
david.pickles@acadametrics.co.uk
a.jones@wriglesworth.com



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

The average price of a house in Wales was £151,821 in April, an increase of £310 (0.2%) from January, but a fall of £219 from last month. Earlier in the year there had been some hope that the overall downward trend was being reversed. However, the evidence of the last two months suggests that this is not the case. Indeed, prices are now £18,465 or 10.8% below their historic 2007 peak of £170,286. The annual rate of change at -1.3% is also greater than last month's.

Wales does indeed seem to be a market apart, with a year on year fall greater than that in both the North (-0.5%) and in Yorks & Humber (-0.7%), the only other regions with negative annualised figures. The contrast with Greater London is stark (+10.1%), as well as with other regions all showing positive annualised growth rates of between +0.3% (South West) and +4.2% (East Anglia).

In the face of the continuing falls in Welsh prices, it is interesting to note the results of a recent YouGov survey (undertaken in March 2013), which suggest that 84% of adults in Wales want to become property owners in the next decade. This figure compares with 79% in Great Britain as a whole. The same survey also reported that 47% of adults in Wales want to buy a first, or subsequent, home in the next two to three years.

Other statistics remain positive. The CML reports that lending in Q1 2013 to first time buyers (FTBs) in Wales increased by 6% (£190 million) compared to the same period in 2012. This sector of the market also accounted for some 44% of all house purchases in The Principality, up from 41% in Q4 of 2012, and 39% in Q1 of 2012. The loan to value (LTV) ratio in Wales for FTBs is 85%; higher than the 80% figure for the UK overall. Is it perhaps conceivable that we are witnessing a correction to more stable, realistic pricing, bearing in mind that some commentators regard the market as being overheated in any case.

The RICS statistics for April report that new buyer enquiries are more than twice their three month average, with new vendor instructions being around their normal average. In addition, RICS members report an "agreed sales" statistic for the month of almost five times the average. The average stock i.e. the number of houses for sale for each estate agent in the RICS survey is up as well. Stocks at estate agents in Wales were the second highest of those in England & Wales as a whole, after the North West.

Figures released by the Welsh Government show that the number of new dwellings started in the year to March 2013 was up 6% on the previous twelve months, although still well below the level seen prior to the economic downturn. During Q1 2013, the number of completed dwellings rose by 3% compared with Q1 2012. There is however a significant variation between the houses completed in Q1 2013 for Registered Social Landlords (up 65%) and those for the private sector (down by 5%).

Anecdotal evidence from RICS members in Wales does indeed point to a more positive view, with buyers looking for realistic rather than fanciful pricing. The overall picture however remains less than clear. Perhaps pertinent is the comment by one RICS member this month who said that the Welsh housing market is very much like the weather "unpredictable".

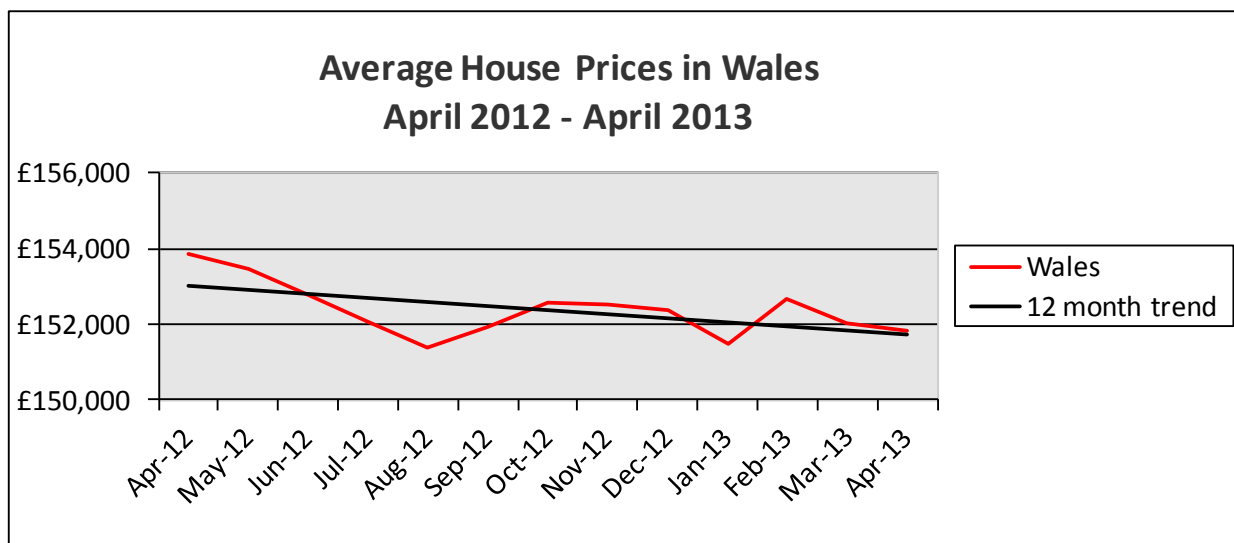


Figure 1. Average house prices in Wales, April 2012 – April 2013

[link to source Excel](#)



Figure 1 above shows the average house price in Wales for the period April 2012 to April 2013. We can see that the red line showing the month's average price is settling more closely to the black trend line, emphasising the general fall in prices. There has been a negative change now for nine of the past twelve months, with the size of the monthly falls being greater in numeric % terms than the rises, with the exception of February's increase of +0.8%. Overall, the decline which started in October last year is being maintained, with January's fall and February's rise almost negating each other.

We have already noted that Wales now has the distinction of being the region in England & Wales with the largest annualised average house price fall at -1.3%, the only others being the North at -0.5%, and Yorks & Humber at -0.7%. It is also worth remembering that these annual % statistics are not subject to underlying seasonal trends, and so can be compared directly year on year. Moreover, taking the effects of inflation into account (April RPI 2.9%), the actual monthly fall becomes -4.2%.

Table 2. The average house price in Wales, by unitary authority area, April 2012 and April 2013

[link to source Excel](#)

AVERAGE HOUSE PRICES IN WALES BY UNITARY AUTHORITY AREAS

(Mix adjusted)

RANK BY PRICE PRIOR YR	RANK BY PRICE	LOCAL AUTHORITY AREA	Apr-12	Apr-13	% Change
1	1	MONMOUTHSHIRE	228,478	216,151	-5.4%
2	2	THE VALE OF GLAMORGAN	226,295	207,962	-8.1%
4	3	CARDIFF	184,848	186,243	0.8%
5	4	POWYS	171,414	183,545	7.1%
3	5	CEREDIGION	186,259	177,289	-4.8%
6	6	PEMBROKESHIRE	168,081	167,625	-0.3%
7	7	ISLE OF ANGLESEY	160,447	164,984	2.8%
11	8	WREXHAM	152,981	157,155	2.7%
10	9	GWYNEDD	155,664	153,315	-1.5%
12	10	FLINTSHIRE	150,020	152,084	1.4%
9	11	CONWY	156,480	150,348	-3.9%
13	12	NEWPORT	146,412	149,756	2.3%
8	13	SWANSEA	156,985	146,182	-6.9%
17	14	CARMARTHENSHIRE	130,728	143,817	10.0%
14	15	DENBIGHSHIRE	138,680	139,694	0.7%
15	16	BRIDGEND	138,655	137,457	-0.9%
16	17	TORFAEN	132,630	123,110	-7.2%
18	18	CAERPHILLY	123,615	114,682	-7.2%
19	19	NEATH PORT TALBOT	110,547	105,947	-4.2%
20	20	RHONDDA CYNON TAFF	108,742	105,331	-3.1%
21	21	MERTHYR TYDFIL	97,287	104,644	7.6%
22	22	BLAENAU GWENT	82,444	85,598	3.8%
		WALES	153,869	151,821	-1.3%

Average prices in April 2012 and 2013 are shown in Table 2 above for each of the 22 unitary authorities in Wales, along with the % change over the twelve months. We can note increases in 10 of them, and falls in the remaining 12. These figures compare with 7 rises and 15 falls last month.

Looking first of all at the country overall, a north/south divide is apparent. If we take the 14 southernmost areas of Wales, we see a negative change of almost -19%, compared to a rise of +2.2% in the 6 northernmost counties. The equivalent figure for the middle counties of Powys and Ceredigion is +2.2%. It is interesting that prices in these southern areas fell last month (by -9.0%), as did those in the north (by -12.1%), as did the central counties (by -5%).

Over the year 2013 to date, only Blaenau Gwent, Cardiff, Newport and Merthyr Tydfil have not seen any negative change in annualised prices, with the largest fall being in Ceredigion at -13% (in February), and the largest rise being in Carmarthenshire (this month) at 10%.

Once again we must caution that these percentage swings can appear exaggerated where the transaction numbers are relatively small in the less well-populated areas.

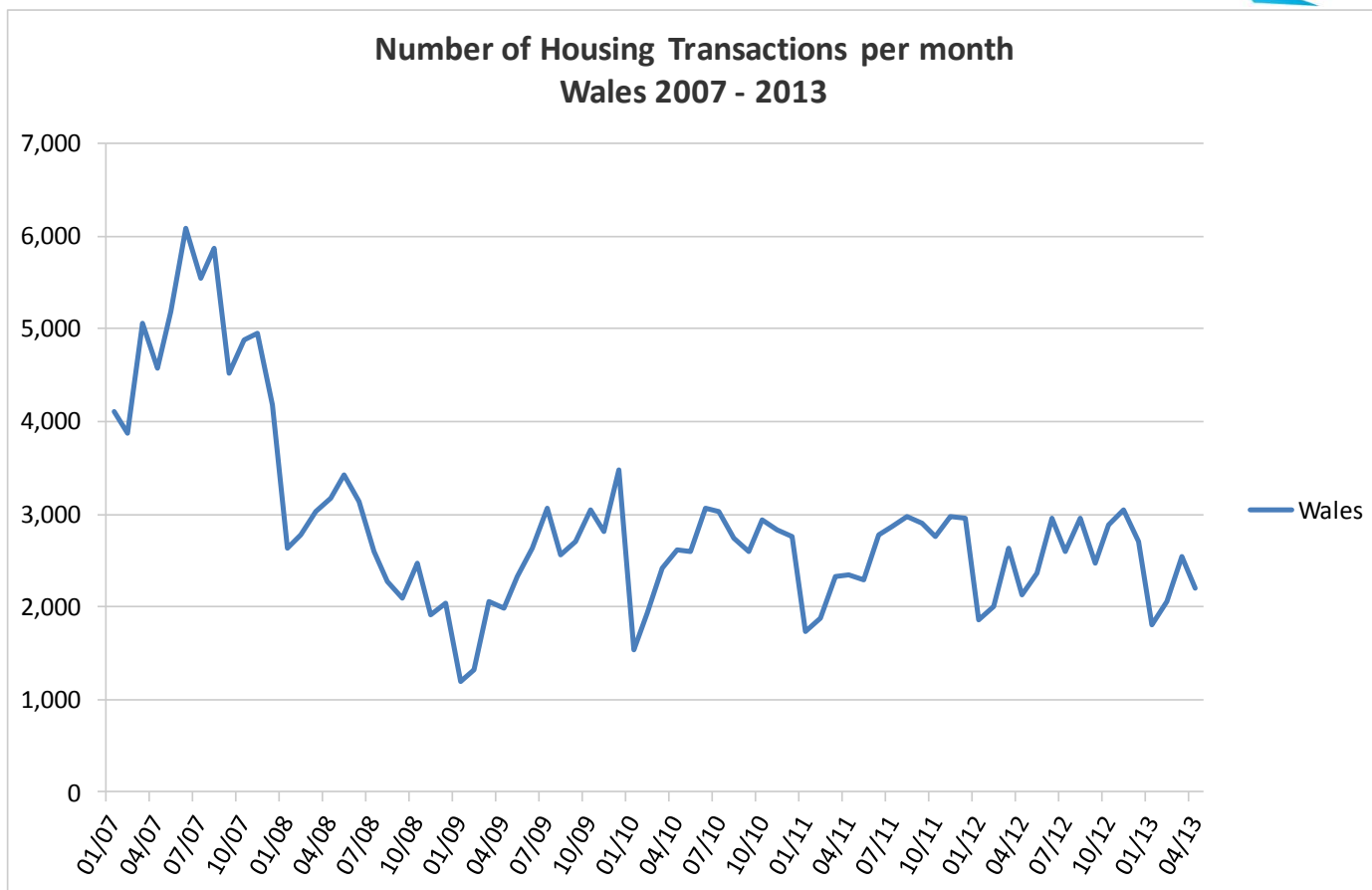


Figure 2. The number of housing transactions by month in Wales, 2006 - 2013 (not seasonally adjusted)

[link to source Excel](#)

Figure 2 above shows the number of monthly transactions in Wales recorded by the Land Registry and as estimated by LSL Acadametrics for the period January 2007 to April 2013, without seasonal adjustment.

Whilst we might have expected to see an increase in the number of transactions this month (the usual trend is upwards as the summer season begins) it seems that Wales has bucked this trend. April transactions at 2,200 were down by -14% compared with our estimated March figure of 2,550. And again we see a north/south divide. Taking the first four months of 2013, there were estimated totals of 1,607 transactions in the 14 northern areas, compared with 4,713 in the south. Over and above these figures, Ceredigion and Powys in the middle added a further estimated 436 transactions since January of this year. Note that these figures are estimated, and will rise somewhat as the Land Registry data emerge.

Over the past ten years to the end of April, the average number of transactions per month has been 3,636, with a peak at the end of December 2006 of more than 6,000. This month's figure of 2,200 represents a fall of around 39% against the ten year average, and slightly more than 12% against the monthly average of 2,509 over the twelve months to end April 2013.

The CML reported a seasonal fall in lending for house purchases in Q1 2013 comprising 4,500 loans, 8% lower than in Q1 2012 and 26% lower than in Q4 2012. Whilst the CML total excludes April, our total transaction estimate suggests that this trend has been continued.



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.

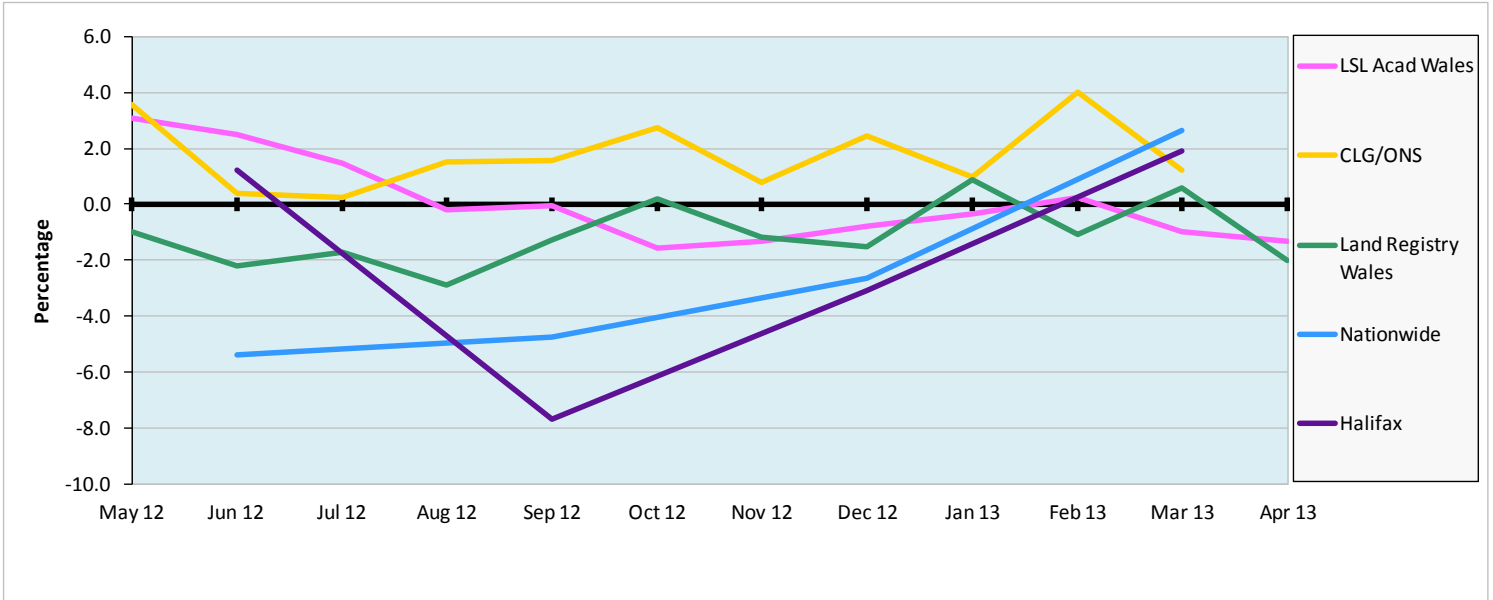


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

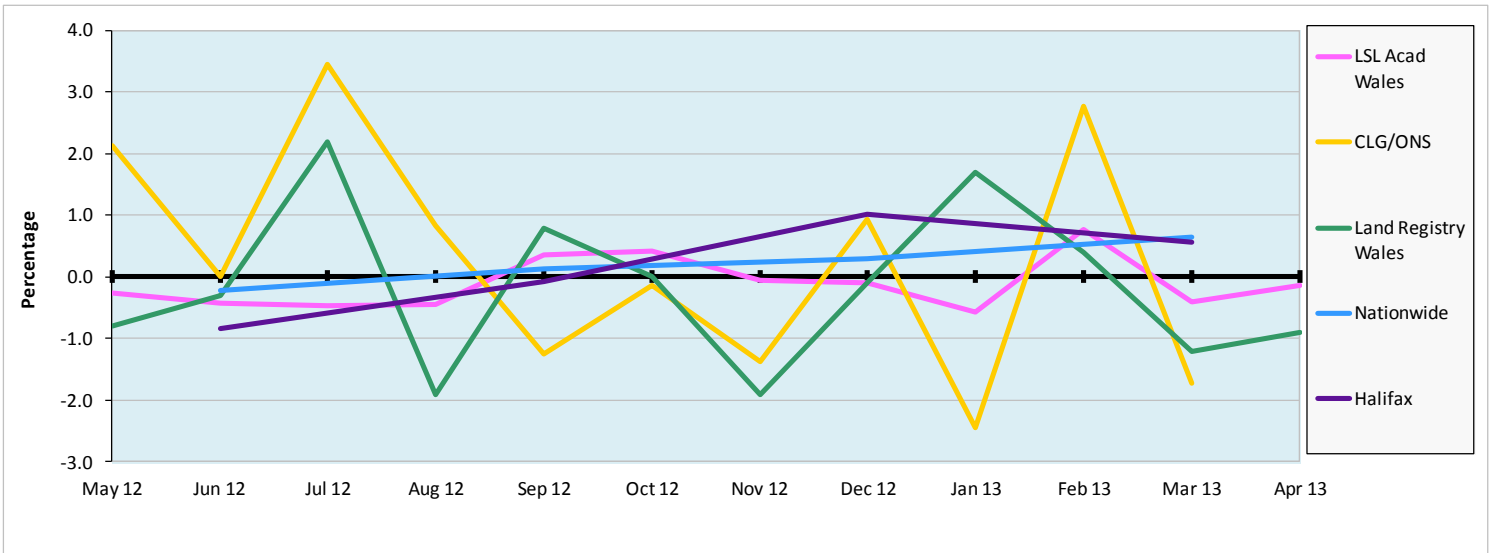


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

The above charts compare the main indices published 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.

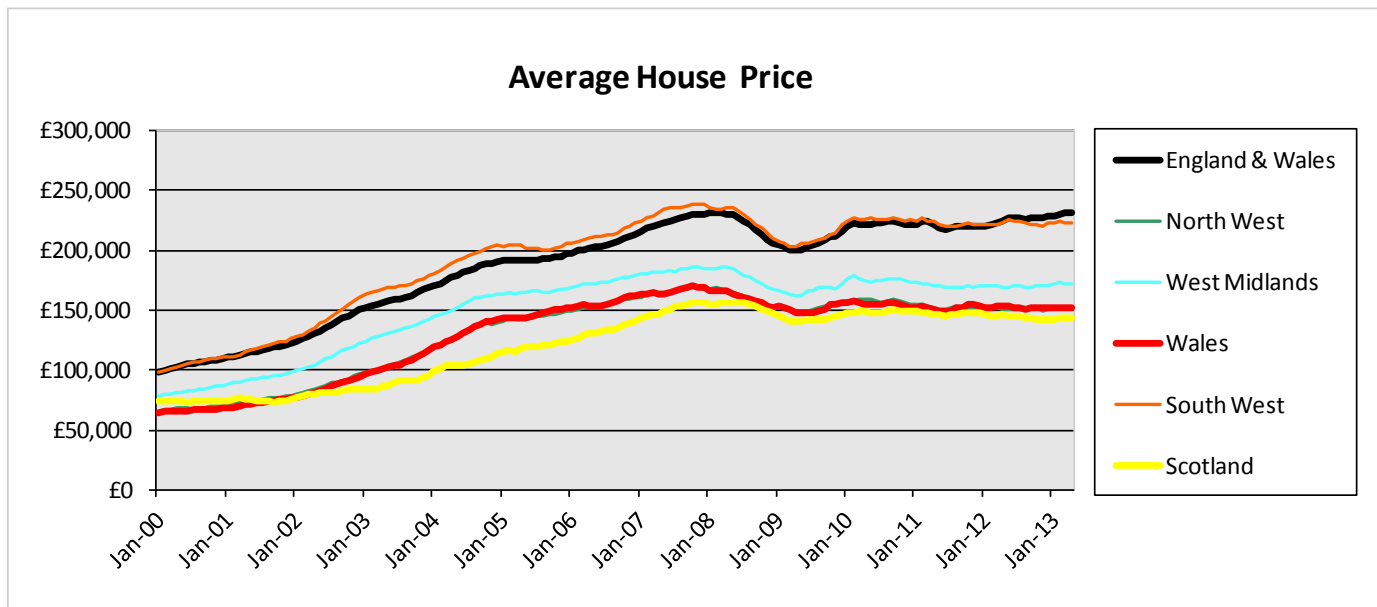


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 – April 2013 [link to source Excel](#)

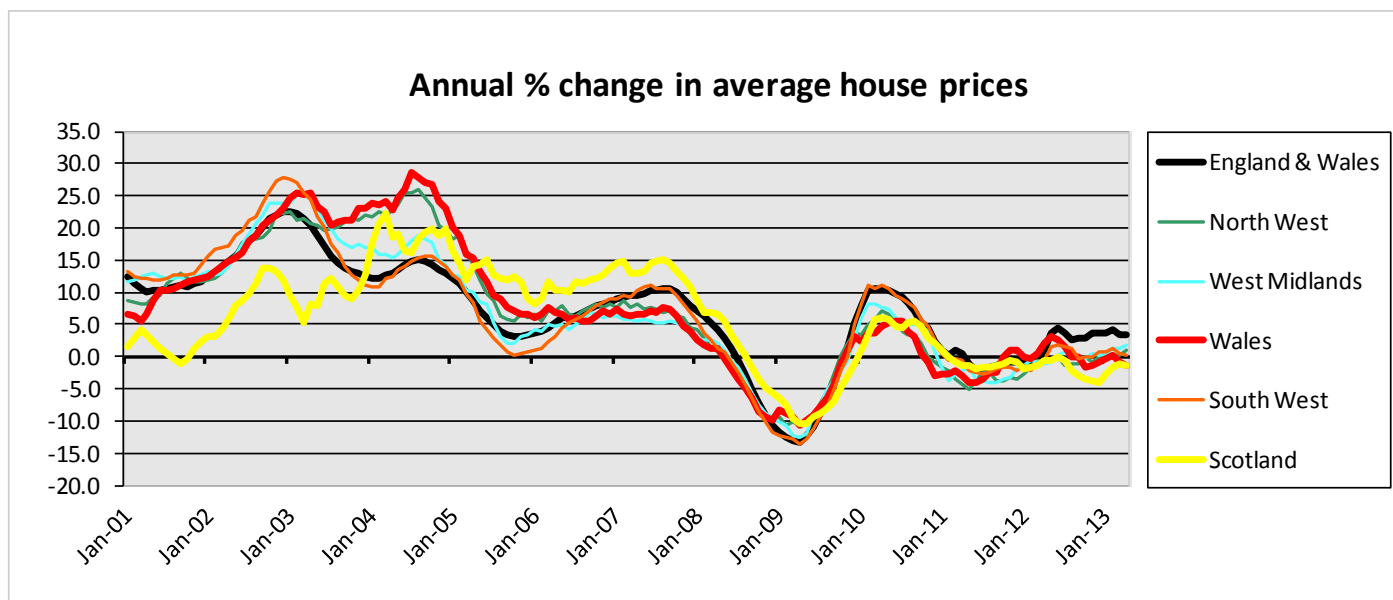


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 – April 2013 [link to source Excel](#)

Nine unitary authorities in Wales

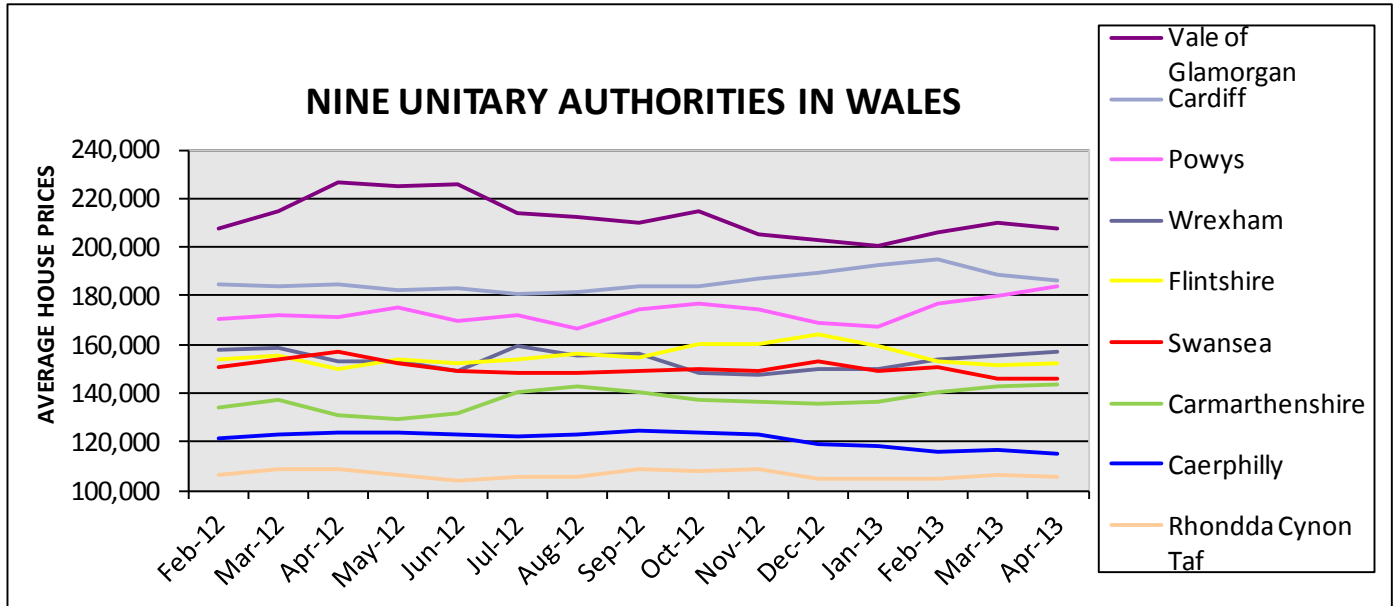


Figure 7. Average house prices for nine unitary authorities in Wales from February 2012 – April 2013 [link to source Excel](#)

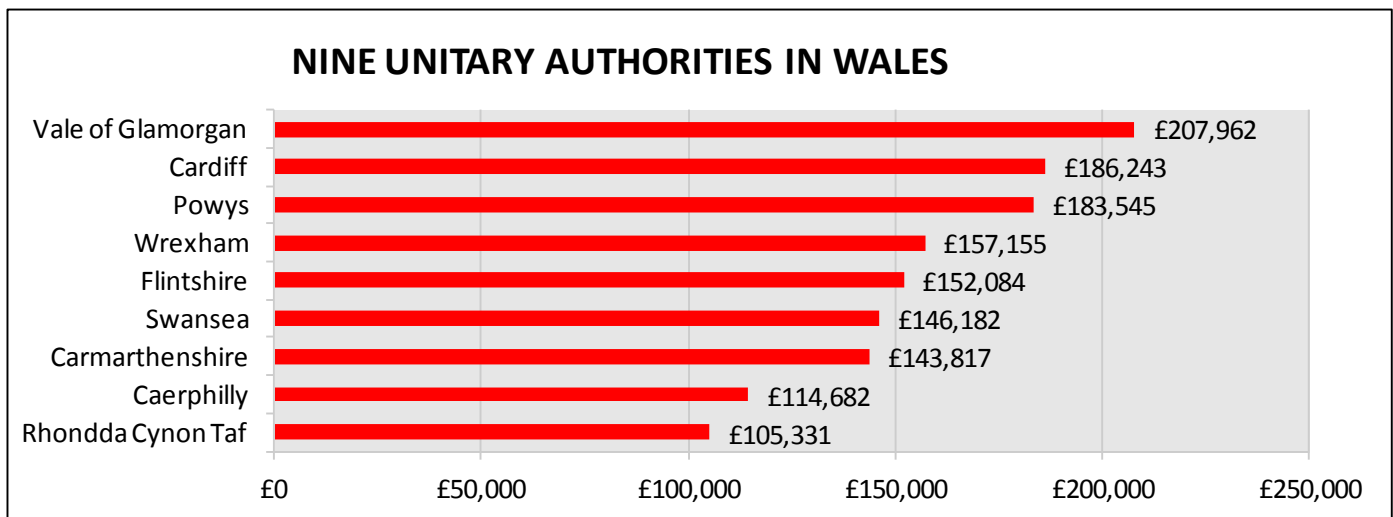


Figure 8. Average house prices for nine unitary authorities in Wales April 2013 [link to source Excel](#)



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
- LR monthly data comprises some 88% of the transaction for the current month and c.96% for the prior month

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.

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