

LSL Property Services/Acadametrics
Wales

House Price Index

AUGUST 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 23RD OCTOBER 2013



Welsh house sales maintain their three-and-a-half year high

- Prices fall but this reflects increased activity by first-time buyers
- Prices down by £1,534 from the start of the year

House Price	Index	Monthly Change %	Annual Change %
£150,016	232.7	-0.2	-0.9

Oliver Blake, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “While the housing market across the UK makes a strong recovery, Wales continues to face an uphill struggle. House prices dropped in August and have fallen in nine out of the last twelve months. They fell by £373 in August and are £1,344 lower than twelve months ago.

“However, there is cause for optimism as sales activity is growing and first-time buyer activity has bounced back, bringing a whole new burst of energy. House sales in Wales have continued to rise, and for the second month running have reached a three and a half year high. It’s hugely positive to see that this increase has been largely universal across all sectors of the market. First-time buyers have unlocked property chains, allowing sales to ripple higher up the ladder.

“First-time buyers are now making up a larger part of the property market in Wales, which has caused the fall in average house prices. More first-time buyers mean more properties have been purchased at the lower end of the market, thereby reducing the average value. In the long term, the rise in first-time buyer activity will make the market healthier, as sales from second-time buyers and home movers will boost levels and help drive prices upwards again.

“At a regional level, Cardiff had the biggest rise in sales in August due to the boost in the sale of detached and semi-detached properties, which is barely the preserve of first time buyers. Demand is rising across the board and it is good to see that there has been an increase in sales across all buyer types. The Government’s Funding for Lending and Help to Buy schemes have stimulated the market significantly. An array of attractive mortgage products have entered the market left, right and centre thanks to increased mortgage supply, and the rise in competition between lenders. The more progress made in the first-time buyer market, the more likely it is that we will see green shoots of recovery and more buyers tempted back into the market.

“The Welsh market needs to focus on house building to give it the shot of adrenaline required to fuel growth and return to a full recovery.”

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 August 2012 – August 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
August	2012	£151,360	234.8	-0.4	-0.2
September	2012	£151,968	235.7	0.4	0.0
October	2012	£152,619	236.7	0.4	-1.5
November	2012	£152,557	236.6	0.0	-1.3
December	2012	£152,329	236.3	-0.1	-0.8
January	2013	£151,550	235.1	-0.5	-0.3
February	2013	£153,380	237.9	1.2	0.7
March	2013	£152,706	236.9	-0.4	-0.5
April	2013	£152,330	236.3	-0.2	-1.0
May	2013	£151,015	234.2	-0.9	-1.5
June	2013	£150,321	233.2	-0.5	-1.5
July	2013	£150,389	233.3	0.0	-1.1
August	2013	£150,016	232.7	-0.2	-0.9

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

The LSL/Acadametrics House Price Index shows that in August the average price paid for a house was £150,016 which represents a decrease of £373 (-0.2%) compared to July, and of £1,534 (-1.0%) since the start of 2013. Nine of the last twelve months have seen a fall in prices, although the rate of decrease has lessened over the last two months.

On an annual basis prices have fallen by 0.9%, with Wales remaining at the bottom of the league in terms of GB regional house price growth: only Scotland at -0.3% is also in negative territory.

Figure 1 below shows the average house price in Wales for the period August 2012 to August 2013 on a seasonally adjusted basis. As can be seen, prices have been oscillating around the trend line. The 1.2% increase in February 2013 was something of an exception, with most other months showing relatively small price declines.

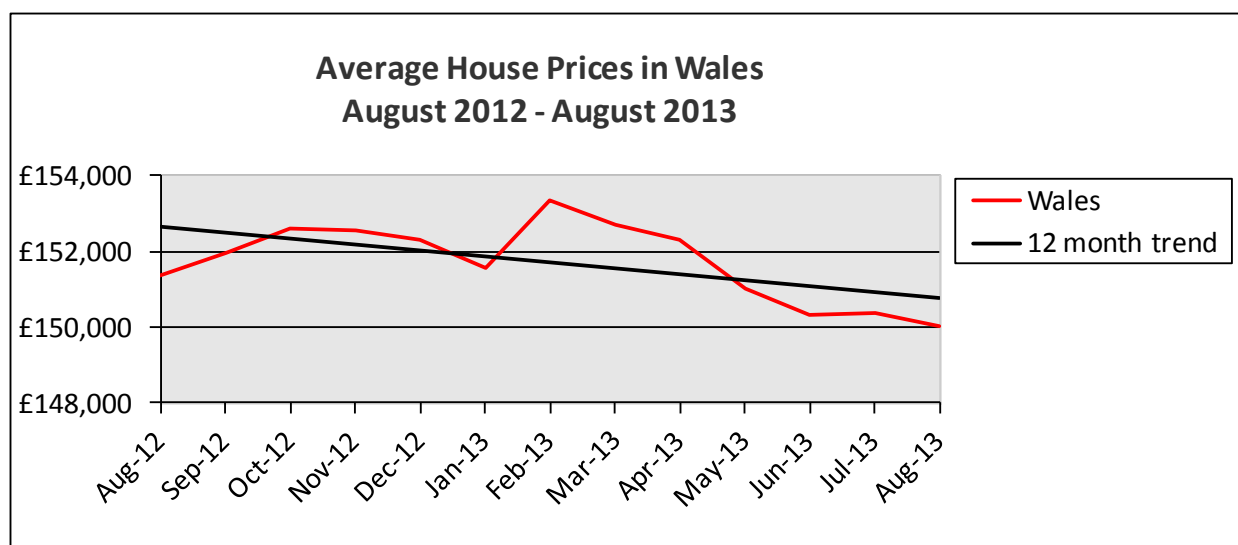


Figure 1. Average house prices in Wales, August 2012 – August 2013

[link to source Excel](#)

Although prices are falling, our analysis of housing transactions on page 5 shows that sales of properties in Wales are continuing to increase. Indeed in August, for the second month running, transaction numbers reached a three and a half year high. However, unlike last month when the main boost to sales was from first time buyers, the increase this month has been largely universal across all sectors of the market. This suggests that first time buyers have had a positive effect on the market by freeing up property chains, allowing transactions to be completed all the way up the property ladder. In Cardiff, for example, the increases in transactions in August were from the sale of detached and semi-detached properties – hardly the preserve of the first time buyer.

Although transaction numbers have increased, property prices have fallen. We believe that a large part of this fall in prices has come about as a result of first time buyers having a larger share of the current property market. In Q2 2013, according to the CML there were 2,700 sales to first time buyers, which represented approximately 32% of all property sales in Wales in the period. However, in Q2 2012 there were only 2,100 sales to first time buyers, which amounted to 26% of all property sales at that time. As the average price paid for a home by first time buyers in Wales in the second quarter of 2013 was £93,453 - which is approximately 40% below the average price of £150,000 for all properties - the increase in the market share of first time buyers has resulted in a fall in the overall average price paid for a property.

It is therefore only when second time buyers and subsequent movers re-enter the market that we are likely to see upward pressure on the average price. However, given the increased activity at the bottom of the housing ladder, it is only a matter of time before there is movement in the number of transactions, as well as possibly price increases, further up the property chain.

One potential dampener to the mild optimism we currently see in the housing market is that of interest rate rises, which are for the moment on a distant horizon. Indeed, Mark Carney, the newly appointed Governor of the Bank of England, recently delivered a warning to home owners about the risks of rising interest rates: that people should check to see if they can still afford the repayments on their home loans, when “rates rise, as they will, when the recovery takes hold”. Few would disagree with that, but it does sit slightly uncomfortably with the push for higher LTV loans under the Help to Buy scheme being promoted by the government.



Table 2. The average house price in Wales, by unitary authority area, August 2012 and July and August 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	Aug-12	Jul-13	Aug-13	Monthly % Change	Annual % Change
1	1	MONMOUTHSHIRE	213,012	217,217	215,415	-0.8%	1.1%
2	2	THE VALE OF GLAMORGAN	212,351	208,464	208,253	-0.1%	-1.9%
4	3	CARDIFF	181,144	181,636	185,289	2.0%	2.3%
3	4	CEREDIGION	183,544	182,746	181,873	-0.5%	-0.9%
6	5	POWYS	166,762	174,182	173,542	-0.4%	4.1%
5	6	PEMBROKESHIRE	169,077	172,315	172,399	0.0%	2.0%
9	7	CONWY	155,449	160,867	160,615	-0.2%	3.3%
7	8	ISLE OF ANGLESEY	157,142	156,541	158,134	1.0%	0.6%
11	9	NEWPORT	152,054	151,004	151,673	0.4%	-0.3%
13	10	GWYNEDD	146,848	151,512	149,335	-1.4%	1.7%
10	11	WREXHAM	155,304	147,867	148,365	0.3%	-4.5%
8	12	FLINTSHIRE	156,032	147,757	143,461	-2.9%	-8.1%
12	13	SWANSEA	147,956	146,645	142,121	-3.1%	-3.9%
16	14	BRIDGEND	134,125	136,854	136,158	-0.5%	1.5%
15	15	DENBIGHSHIRE	141,971	132,182	133,314	0.9%	-6.1%
14	16	CARMARTHENSHIRE	142,330	130,425	129,784	-0.5%	-8.8%
17	17	TORFAEN	127,508	128,277	127,659	-0.5%	0.1%
18	18	CAERPHILLY	122,842	122,961	122,337	-0.5%	-0.4%
19	19	NEATH PORT TALBOT	107,776	104,957	105,904	0.9%	-1.7%
20	20	RHONDDA CYNON TAFF	106,150	104,682	103,388	-1.2%	-2.6%
21	21	MERTHYR TYDFIL	95,508	97,991	96,732	-1.3%	1.3%
22	22	BLAENAU GWENT	77,174	83,352	82,740	-0.7%	7.2%
		WALES	151,360	150,389	150,016	-0.2%	-0.9%

Table 2 above shows the average price in each of the 22 unitary authorities in Wales in August 2012, July 2013 and August 2013. It also shows the rates of change in house prices in each area for the month and for the year. This month, prices fell in 15 authorities and rose in 7. These figures compare with 13 falls and 9 rises last month, so we have seen a further weakening in house prices this month across more than half of the principality.

The area with the highest rise in prices in the month was Cardiff, up 2.0%, followed by the Isle of Anglesey, up 1%. The main increase in prices in Cardiff over the month were in semi-detached properties, up 3%. This was followed by detached properties and terraces, up 2% and 1% respectively, while the average price of flats fell by 3%. We can also report that the number of detached and semi-detached properties sold in Cardiff in August increased when compared to July. Last month we indicated that the increased activity by first time buyers in the second quarter of 2013 was likely to make the market more fluid, allowing those stuck in housing chains further up the property ladder finally to conclude a desired move. The changes in sales volumes and prices seen in Cardiff in August suggest that this phenomenon is beginning to happen.

On an annual basis prices have risen in 11 of the 22 local authority areas in Wales. There does not appear to be a geographic/demographic split in the areas which are seeing price rises or falls. The only possible exception is in the north of Wales with the three adjacent areas of the Isle of Anglesey, Conwy and Gwynedd seeing a positive movement in prices, while Flintshire, Denbighshire and Wrexham are all experiencing strongly negative price growth. In the south we have less clear distinctions with Cardiff seeing an increase in prices, while the neighbouring Vale of Glamorgan is witnessing price falls. Similarly Merthyr Tydfil and Blaenau Gwent have price rises while Rhondda Cynon Taff and Neath Port Talbot have declining prices.

This month, on an annual basis, the largest price increase in percentage terms was in Blaenau Gwent at up 7.2%, but small transaction numbers in the area result in more volatile price movements than in the larger conurbations. The second largest positive change in prices over the year was seen in Powys, up 4.2%, where an increase in semi-detached values helped to increase the average price of properties in the area.

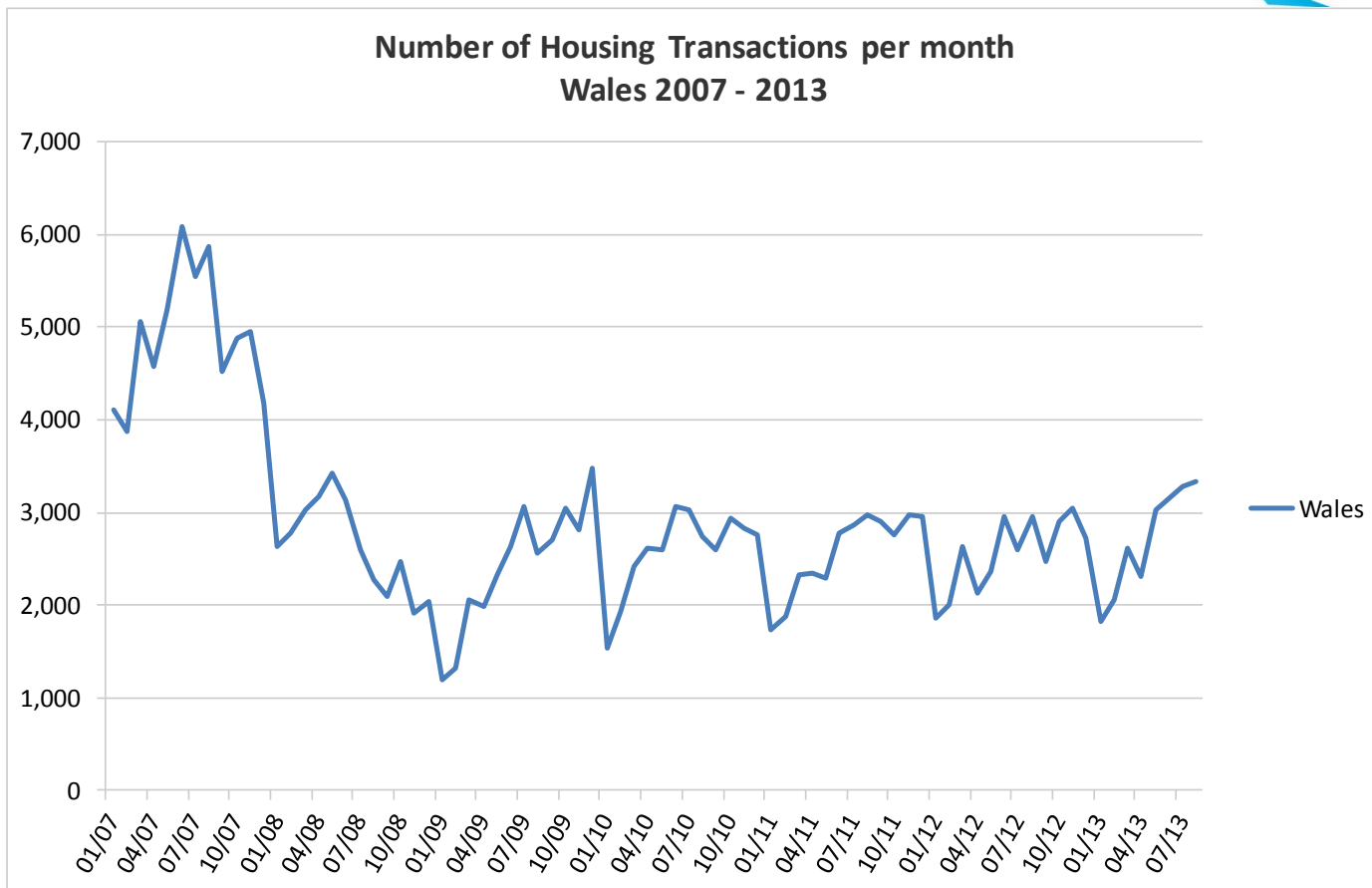


Figure 2. The number of housing transactions by month in Wales, 2007 - 2013 (not seasonally adjusted)

[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 August 2013, without seasonal adjustment.

We estimate that there were a total of 3,325 sales in Wales in August, which represents an increase of 12% over August 2012 sales. Our estimate is in line with the CML (Council of Mortgage Lenders) forecast of an increase of 15% in the number of home loans for house purchase over the same period, but for the UK as a whole. We would point out that our figures are based on the Land Registry statistics, which include cash purchases, whereas the CML only reports on purchases involving a home loan. If our estimate proves to be correct, it will have been the largest number of sales to have taken place in Wales in any month since December 2009, when 3,476 properties were sold.

Although during Q2 2013 the main driver of the increase in house sales was the first time buyer, the latest statistics from the CML show a more uniform increase in sales across purchaser types. The CML estimates that there was a 7% increase in home-owner house purchase lending in August over July, which matches the 7% increase in the number of first time buyers over the same two months. Although these figures are for the whole of the UK, we anticipate that similar percentages will apply in Wales.

Over the last year, based on the three months June - August 2013, when compared to June - August 2012, the area with the highest increase in transactions in absolute terms has been Cardiff, with an additional 150 sales: of these 60 were terraces. Cardiff is followed by Flintshire, which has seen an additional 138 sales, with the majority being semi-detached properties. Flintshire is followed by Rhondda where an additional 131 properties were sold, with 51 of these being semi-detached. The area with the smallest increase in sales was Wrexham, where sales have fallen by 10 properties over the period.

Why is this increase in sales happening now? As we reported last month a combination of low interest rates, tax benefits, more mortgage availability and competitive product pricing - reflecting the impact of FLS and other initiatives - have in combination encouraged more activity. With signs of an entrenched economic upturn, it is no surprise that buyers are being tempted to re-enter the market, no doubt hoping to benefit from further recovery. The demand is consequently growing and sellers are beginning to put their homes up for sale to take advantage of the rising prices. Consequently transaction numbers are up but they are still low by historical standards.



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

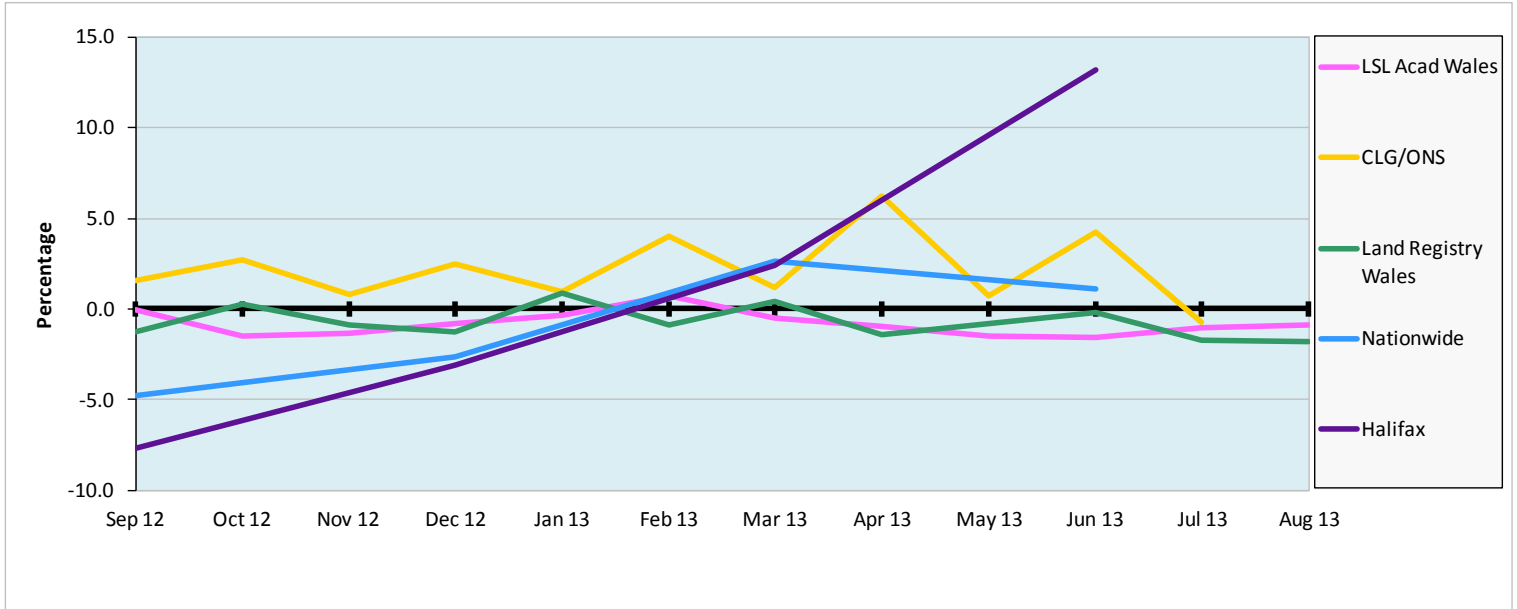



Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

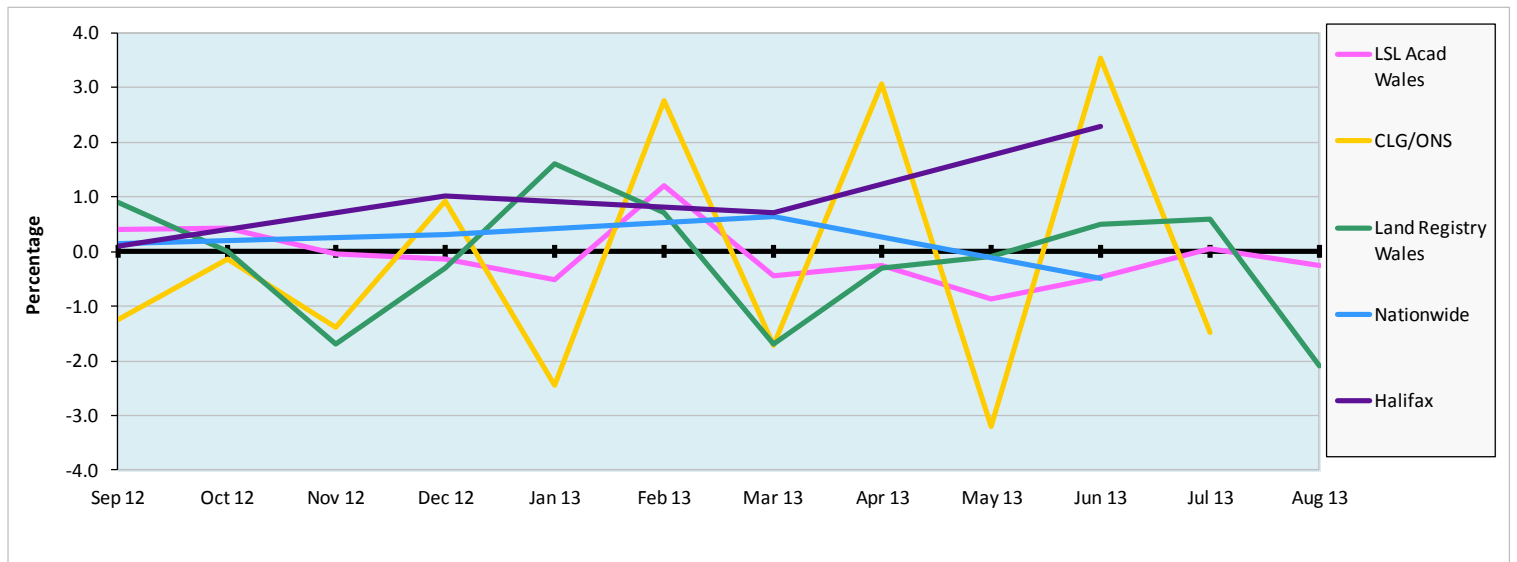


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

The above charts compare the main indices 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.

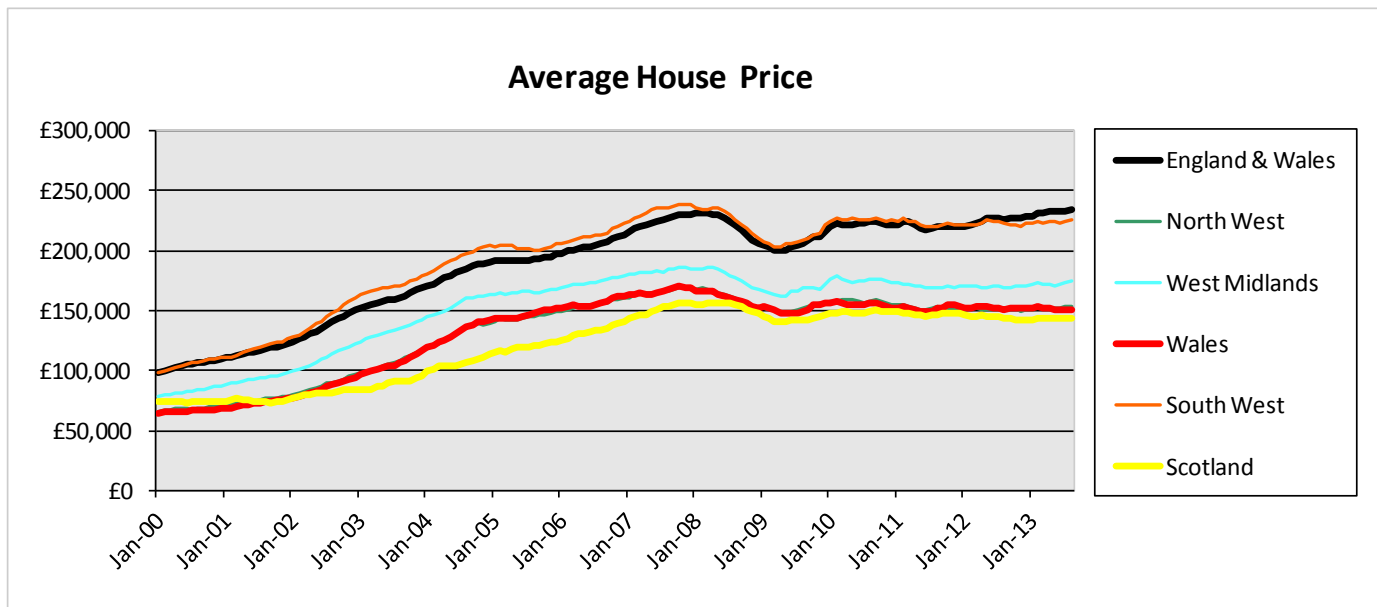


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 – August 2013 [link to source Excel](#)

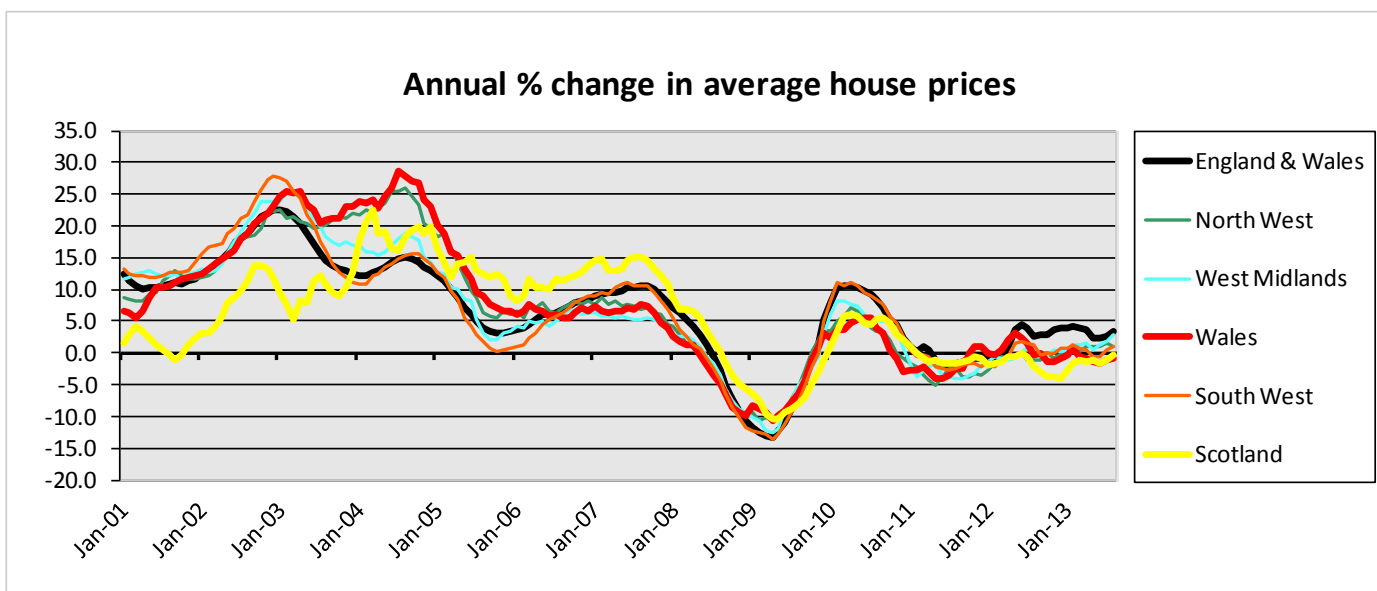


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 – August 2013 [link to source Excel](#)

Nine unitary authorities in Wales

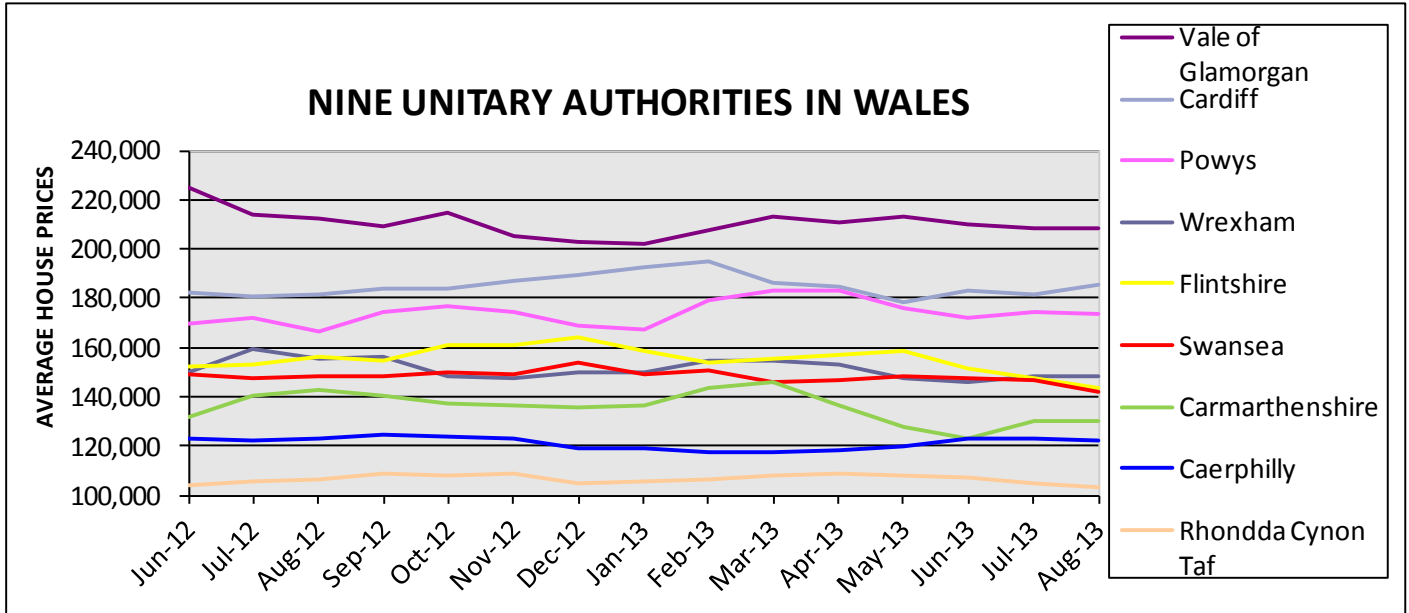


Figure 7. Average house prices for nine unitary authorities in Wales from June 2012 – August 2013

[link to source Excel](#)

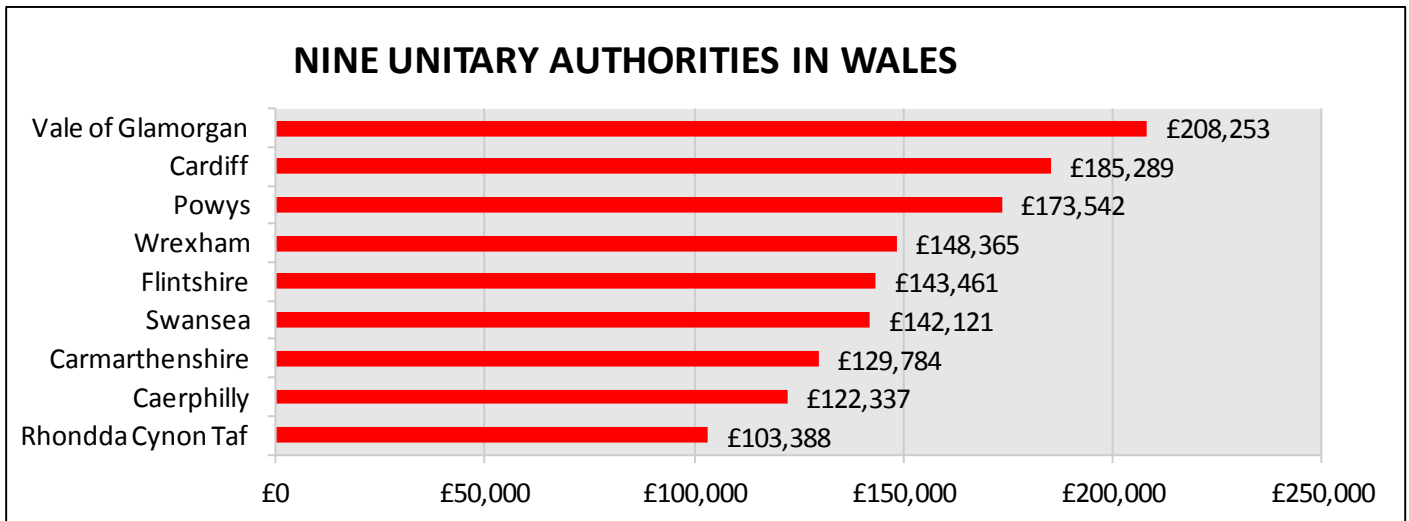


Figure 8. Average house prices for nine unitary authorities in Wales August 2013

[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