

LSL Property Services/Acadametrics  
Wales

# House Price Index

DECEMBER 2011

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 22ND FEBRUARY 2012



Welsh house prices rise by 0.3% in December

- Wales is the only region in Great Britain other than London where prices have increased annually
- Transactions increase by 1% in December compared to November

House Price	Index	Monthly Change %	Annual Change %
£154,409	239.5	0.3	1.6

**Nigel Favas, Managing Director of Reeds Rains estate agents, who has branches in Wales comments:** “Wales’ housing market is almost in a league of its own in Great Britain, bucking the wider trend of gradual house price decline seen in England and Scotland in 2011. In fact, outside of Wales, only London homeowners also saw their houses rise in value last year.

“But it wasn’t just prices that showed a positive trend at the end of the year – transactions did so too. In December, we already began to see an increase from first-time buyers who had suitable deposits and were looking to buy upper-end properties before the end of the stamp duty holiday in March. This added activity has helped boost transactions, and is likely to continue to filter through into spring activity levels. While the re-imposition of stamp duty has been an added incentive for many to move quickly, it is unlikely to deter first-timers in the medium-term. With much lower average house prices than in many other regions in the UK, the majority of first-time buyer properties are likely to fall under the £125,000 threshold and, therefore, to still be exempt.

“In fact, it is the inaccessibility of mortgage finance for the average buyer that is reining in demand. A combination of strong rents and growing inflation is limiting the amount first-timer buyers can set aside to meet the hefty deposit requirements imposed by lenders. Given lenders’ cautious stance against the financial turmoil on the continent and the UK’s economic malaise, it’s unlikely they will relax criteria in the foreseeable future, as lenders look to guard their balance sheets rather than up their commitment to the lower end of the market.

“Wealthy investors and retirees have been the bedrock of the Welsh housing market in the past year, being able to take advantage of historically low yet increasing house prices, combined with incredibly affordable mortgage rates for those who have enough equity to qualify. With the lending picture unlikely to drastically change, wealthier buyers will continue to have a disproportionately large impact on the market and house prices as the year progresses.

“The encouraging national average shouldn’t mask the strong regional disparities. While prices have shown strong annual improvement in areas like Cardiff and Monmouthshire, these contrast against strong falls in areas like Neath Port Talbot and Denbighshire. It’s sobering to consider that we are still seeing the signal of Wales’ industrial decline in areas that have

# House price index: historical data



yet to reinvent themselves sufficiently to take advantage of the service led economy. The regional performance of housing markets will be strongly tied to resilience of the local economy and labour markets in coming months, with banks and building societies more likely to lend to areas which they believe will be better sheltered from both house price falls and job losses.”

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

Table 1. Average House Prices in Wales for the period January 2011 - December 2011

		House Price	Index	Monthly Change %	Annual Change %
<b>January</b>	<b>2011</b>	£152,094	235.9	0.1	-2.6
<b>February</b>	<b>2011</b>	£152,800	237.0	0.5	-2.9
<b>March</b>	<b>2011</b>	£152,575	236.7	-0.1	-2.2
<b>April</b>	<b>2011</b>	£150,611	233.6	-1.3	-3.0
<b>May</b>	<b>2011</b>	£148,842	230.9	-1.2	-4.0
<b>June</b>	<b>2011</b>	£149,028	231.2	0.1	-4.2
<b>July</b>	<b>2011</b>	£149,877	232.5	0.6	-3.5
<b>August</b>	<b>2011</b>	£151,791	235.5	1.3	-2.5
<b>September</b>	<b>2011</b>	£151,876	235.6	0.1	-2.5
<b>October</b>	<b>2011</b>	£154,297	239.3	1.6	-0.4
<b>November</b>	<b>2011</b>	£153,873	238.7	-0.3	0.4
<b>December</b>	<b>2011</b>	£154,409	239.5	0.3	1.6

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## Further commentary by Dr Peter Williams

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

On a monthly basis, the average house price in Wales rose by 0.3% in December to £154,409. During the year, Wales experienced eight positive and four negative months of house price movements. Within Great Britain, as a whole, only Greater London joined Wales in seeing more monthly increases than falls during 2011. Semi-detached and detached properties, up 3% and 1% respectively, saw the biggest increases in prices over the year. The prices of terraces remained steady, whilst those of flats fell by -6%. However, flats are a relatively small segment of the property sector in Wales - typically representing about 7% of the private housing market.

Looking at all property types, on an annual basis, house prices in Wales have increased by an average +1.6%. Once again, Wales is almost unique in this statistic. All other regions in Great Britain, with the exception of Greater London, are showing house price falls of -1.0% or more over the year. However, as we suggest below, the house price increases seen in Wales over the year may be more to do with a 'correction' in price from subdued levels seen in 2010 rather than an early indication of an upward turn in the Welsh economy.

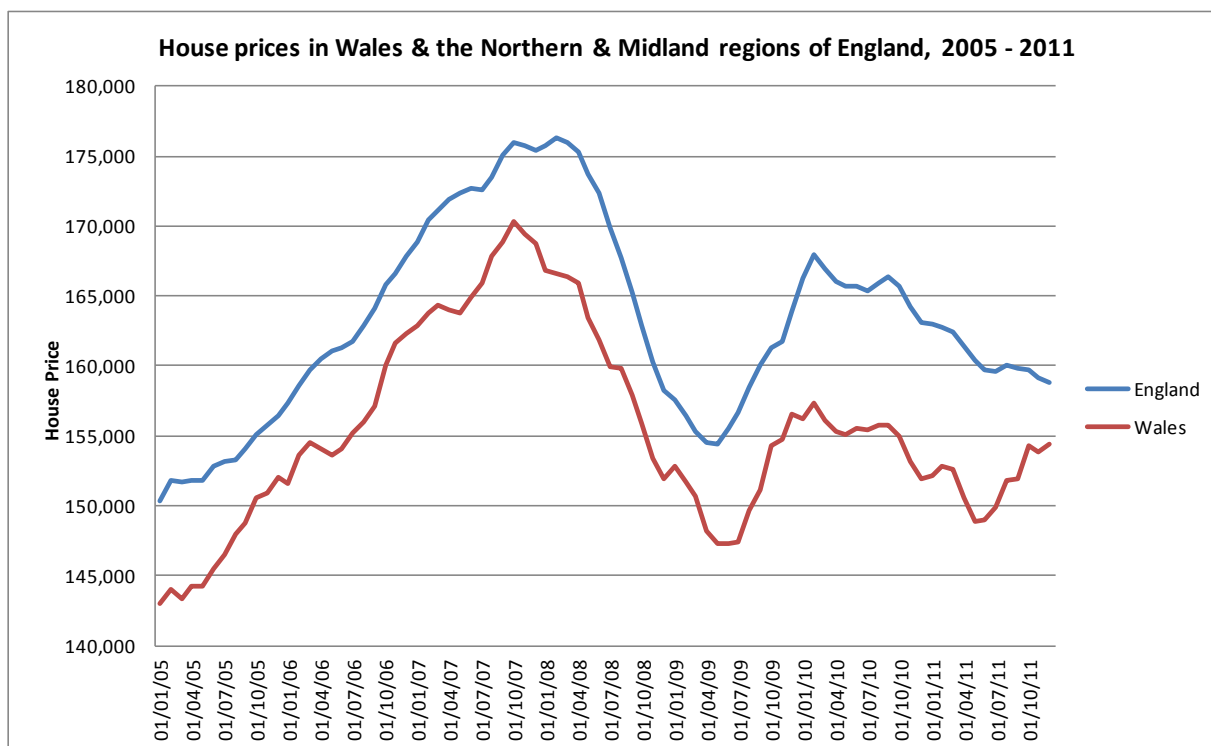


Figure 1 Average House Prices in Wales and the Northern and Midland regions of England, 2005 - 2011.

The above graph compares the average house prices in Wales with those of the Northern and Midland regions of England, for the period 2005 - 2011. As can be seen the pattern of both house price series is broadly similar with prices climbing throughout most of 2000 - 2007, reaching a peak in Wales in October 2007 and in England in March 2008. There was then a sharp decline in prices during 2008, reaching a trough in May 2009 in England and in July 2009 in Wales. The market then climbed to a mini-peak in February 2010 for both England and Wales. Subsequently, prices have fallen, with a more pronounced dip being seen in Wales in May - June 2011. Over the period 2005 - 2009, the difference between house prices in England and those in Wales averaged some £7,000, but from the beginning of 2010 to the end of June 2011 this difference increased to £10,600. From July 2011 to the present, there appears to have been a 'correction' taking place, with the differential in prices between the two returning to more normal levels. Thus, we suggest that the current price increases being seen in Wales are a return to previous differentials, rather than reflecting any unique growth in the Wales housing sector.



Table 2. The average house price in Wales, by Unitary Authority area, Dec 2010 and 2011

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

RANK BY PRICE	PRIOR YR RANK	LOCAL AUTHORITY AREA	Dec-10	Dec-11	% Change	Experian Resilience
1	1	MONMOUTHSHIRE	215,447	222,795	3.4%	1
2	3	THE VALE OF GLAMORGAN	190,049	212,568	11.8%	2
3	5	CARDIFF	180,155	190,561	5.8%	5
4	4	POWYS	183,212	185,756	1.4%	4
5	2	CEREDIGION	192,684	176,302	-8.5%	6
6	6	PEMBROKESHIRE	170,543	173,370	1.7%	12
7	10	ISLE OF ANGLESEY	155,937	167,351	7.3%	17
8	7	CONWY	161,849	166,359	2.8%	8
9	8	GWYNEDD	159,960	159,931	0.0%	13
10	9	WREXHAM	158,934	157,521	-0.9%	11
11	11	FLINTSHIRE	152,470	153,493	0.7%	3
12	12	NEWPORT	150,996	148,362	-1.7%	9
13	13	SWANSEA	149,384	147,082	-1.5%	14
14	15	CARMARTHENSHIRE	140,435	141,394	0.7%	7
15	14	DENBIGHSHIRE	146,542	136,514	-6.8%	16
16	16	BRIDGEND	131,960	136,373	3.3%	10
17	17	TORFAEN	124,320	128,057	3.0%	18
18	18	CAERPHILLY	122,127	121,895	-0.2%	19
19	19	NEATH PORT TALBOT	117,969	108,815	-7.8%	20
20	20	RHONDDA CYNON TAFF	104,968	104,774	-0.2%	15
21	21	MERTHYR TYDFIL	94,667	95,801	1.2%	21
22	22	BLAENAU GWENT	77,519	85,319	10.1%	22
		<b>ALL WALES</b>	<b>151,906</b>	<b>154,409</b>	<b>1.6%</b>	

In January 2012, BBC Wales commissioned Experian to undertake an economic resilience research project for each of the Unitary Authorities in Wales. The Experian rankings are listed in the right hand column of the above table. We, therefore, thought it appropriate to rank each Unitary Authority by its average house price. Looking at the two separate rankings of price and resilience, one can see that there is a fair degree of correlation between the two comparators, with Monmouthshire and the Vale of Glamorgan ranked first and second respectively in both studies.

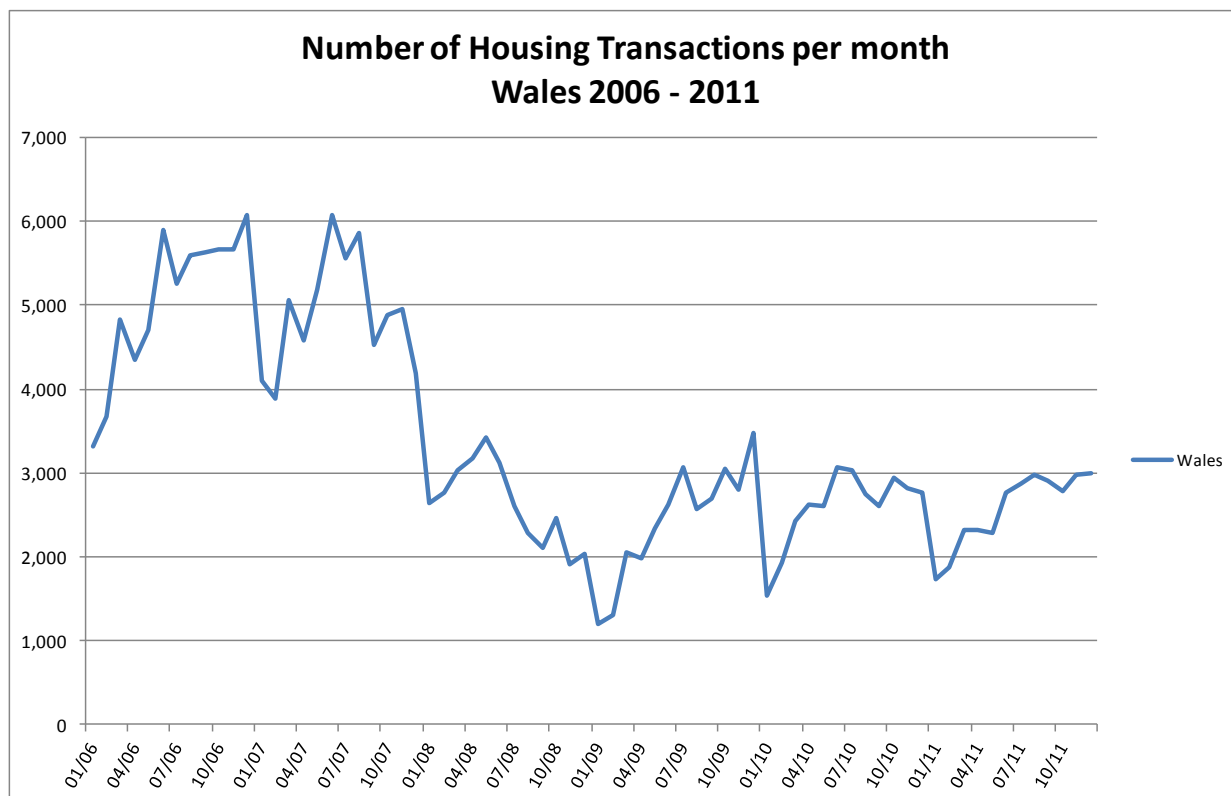


Figure 2. The number of housing transactions by month in Wales, 2006 - 2011 (not seasonally adjusted)

The above graph shows the number of monthly transactions recorded by the Land Registry (LR) for the period January 2006 to December 2011, without seasonal adjustment. Traditionally, there is a slight increase in sales in December, as buyers seek to complete transactions prior to the year end, and 2011 proved no exception, with volumes up 1.0% over November. The above graph shows how the market has fallen since 2006/2007, with 48% fewer sales in 2011 compared with 2007. It should be noted that 2007 was not an exceptional year in historic terms, with similar transaction levels being seen for at least the previous four years. The main reason why sales are now at these lower levels is due to the lack of first time buyers, who continue to experience difficulties in raising the increased level of deposits now required by the lenders.

## 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

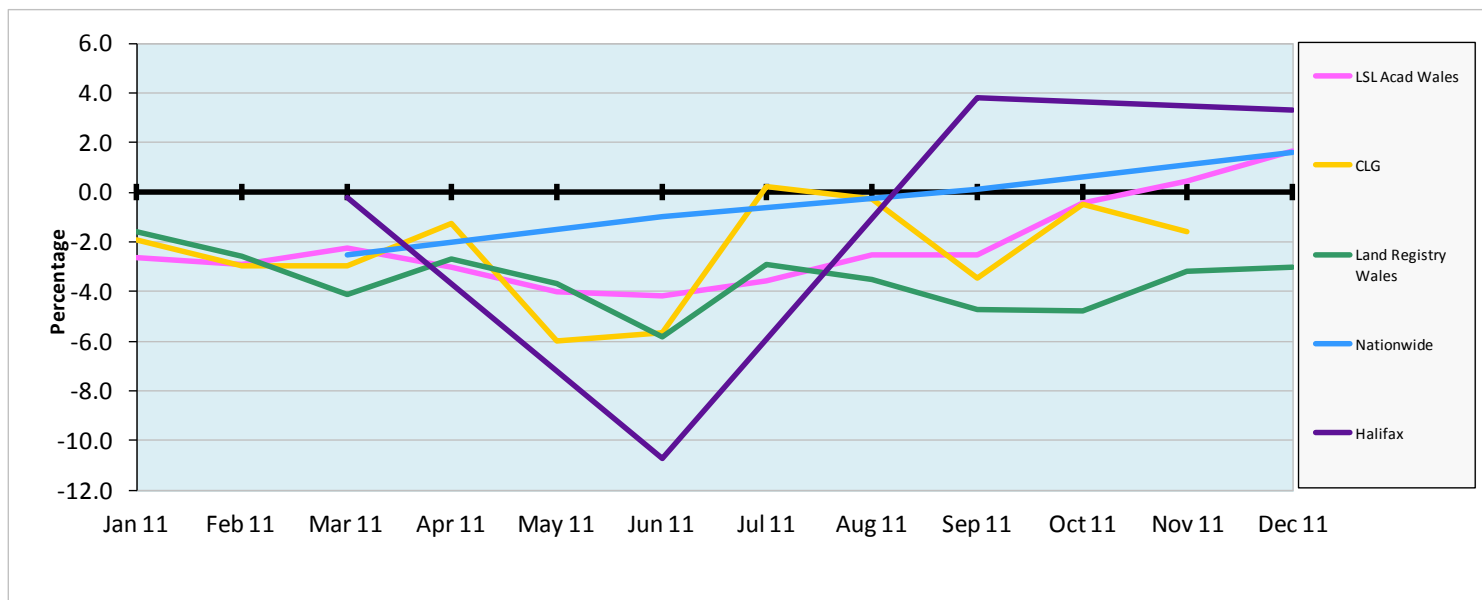


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

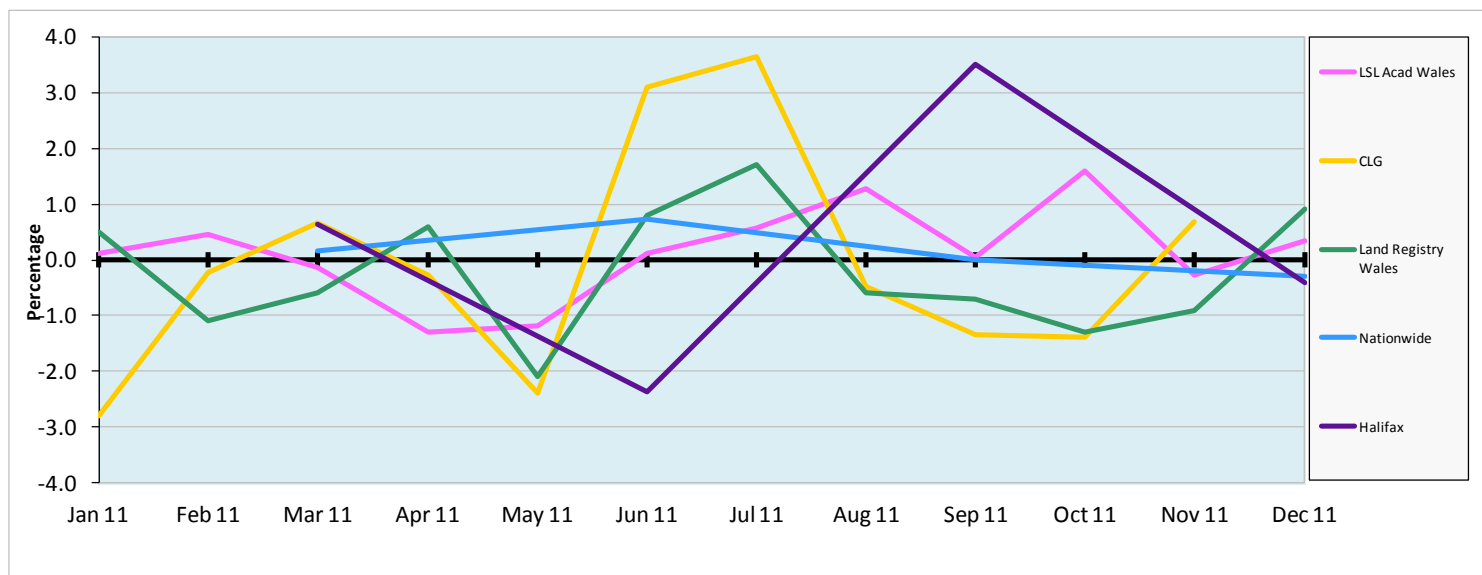


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

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.

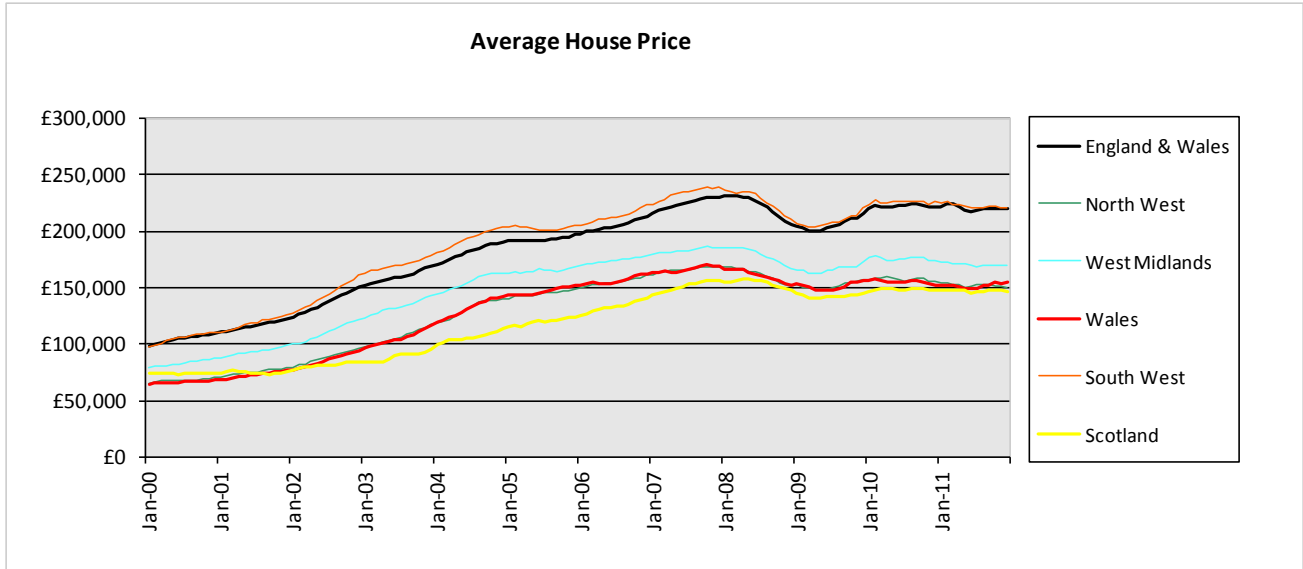


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period Jan 2000 - Dec 2011

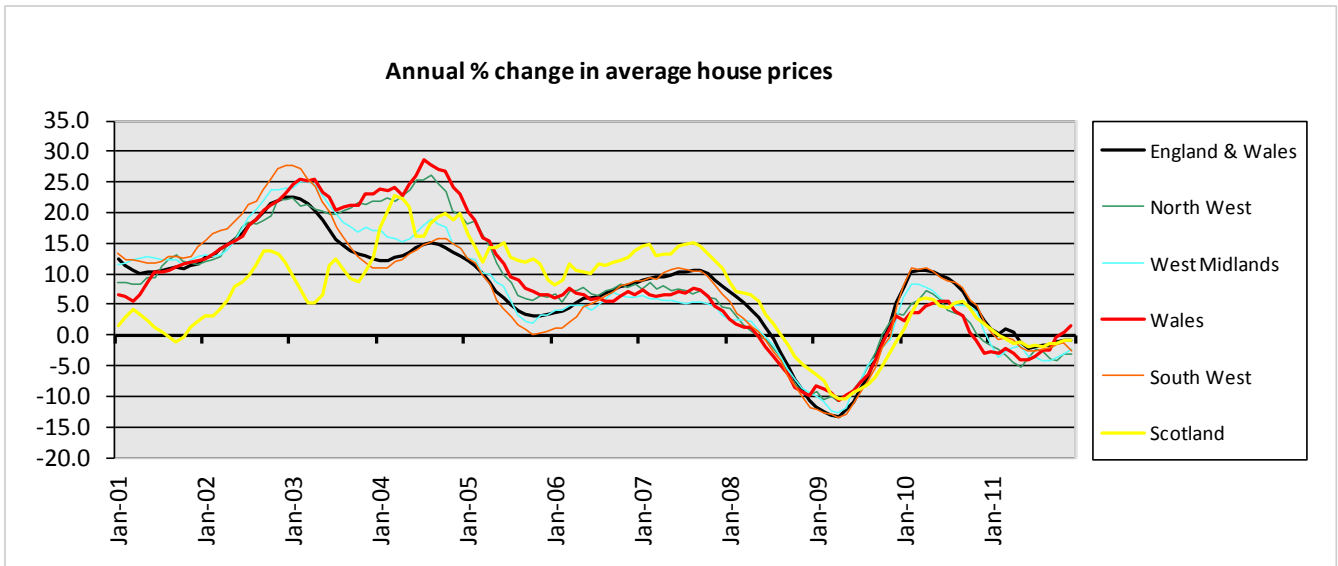


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period Jan 2001 - Dec 2011

# Nine unitary authorities in Wales

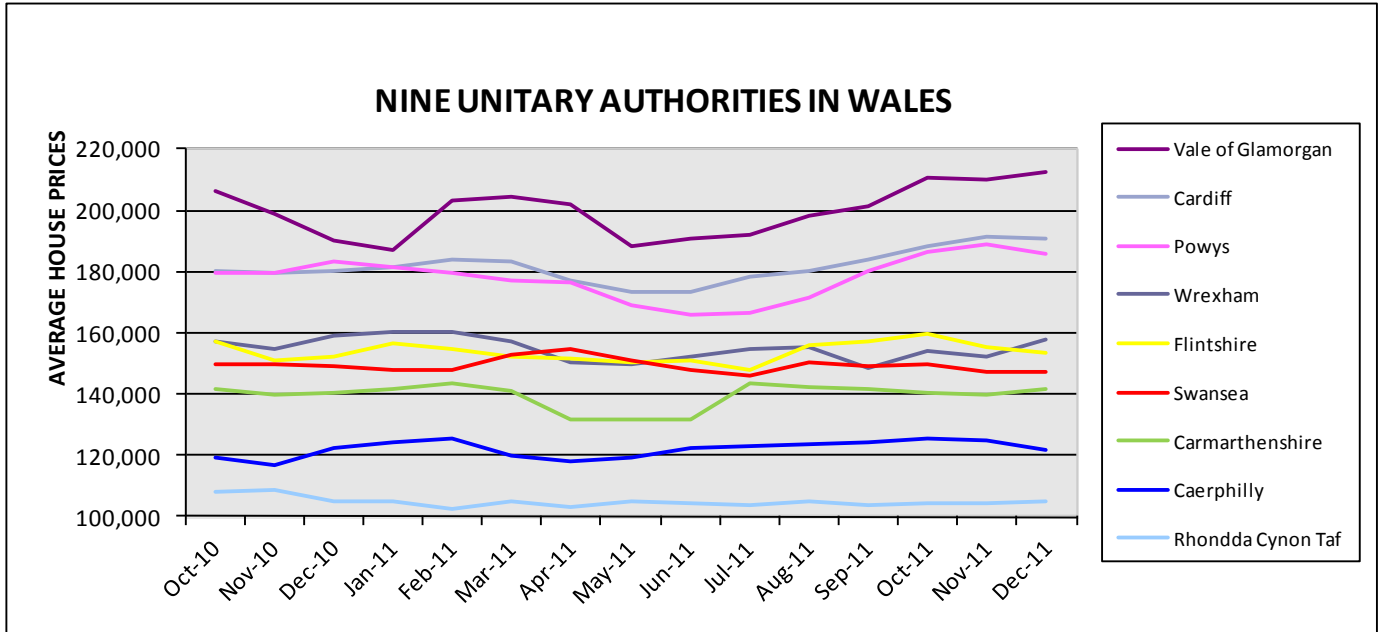


Figure 7. Average house prices for nine unitary authorities in Wales from October 2010 – December 2011

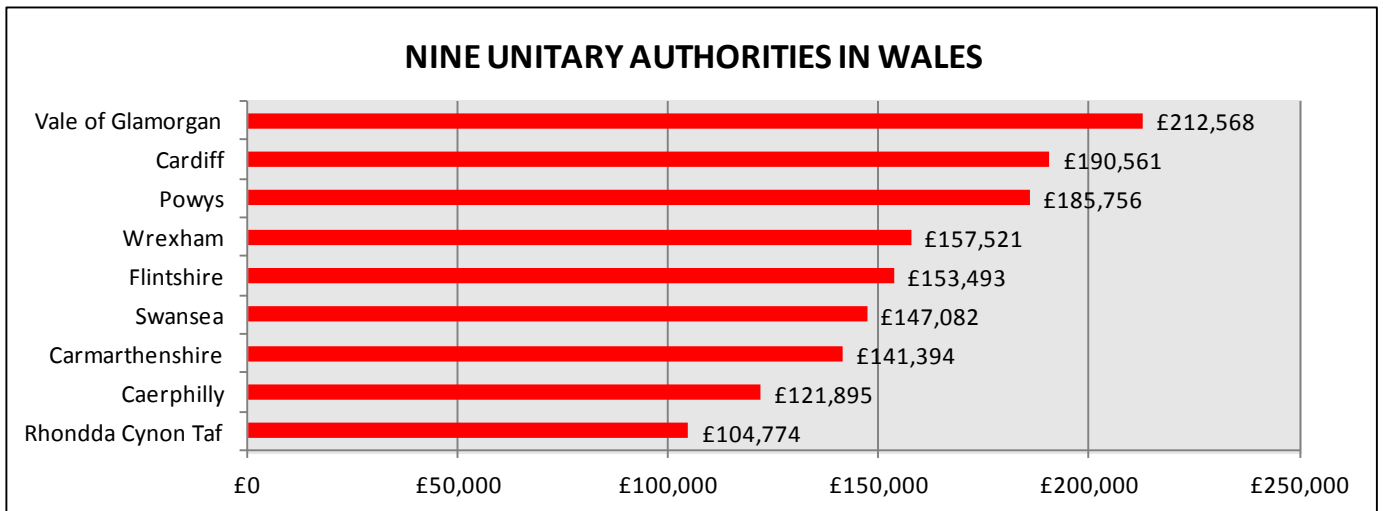


Figure 8. Average house prices for nine unitary authorities in Wales December 2011





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 CLGHPI, 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 (CLGHPI); 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 E&W 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 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](http://www.lslps.co.uk)