

LSL Property Services/Acadametrics  
Wales

# House Price Index

DECEMBER 2012

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 20TH FEBRUARY 2013



## Welsh house prices drop £2,001 in twelve months

- House prices turn downwards after three months of small gains
- But average prices in Wales fall £597 in December

House Price	Index	Monthly Change %	Annual Change %
£151,573	235.1	-0.4	-1.3

Oliver Blake, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “December figures show the Welsh housing market has regressed back to the low point it was at last September. All of the gains made during autumn have fizzled out and prices have slumped £2,000 in twelve months. Average house price figures show a sluggish trail, as they fall by £597 monthly and slide backwards to where they stood last September. In light of the small uptick in November, disappointingly the small steps of improvement have disappeared. House prices are lower than they were two years ago and are £393 below the average house price in 2008, and that doesn’t even taken inflation into account. The combination of slow economic growth, high rents and the rising cost of living are knocking confidence and putting the brakes on recovery.

“The rise in lending on a national level due to the Funding for Lending scheme has been slow to feed through into Wales as the economy is weaker than in England. First time buyers are struggling to meet the tricky mortgage requirements. Tough capital adequacy requirements will prevent a significant improvement in lending to buyers with small deposits and therefore sales figures are dwindling. Yet at the opposite end of the market equity rich borrowers are able to benefit from the good mortgage deals on offer. There are major discrepancies within the Welsh housing market. The regional variations are uneven: for instance, counter intuitively prices in Cardiff fell slightly by 1.7% but rose by over 2% in Swansea and Newport, while Flintshire saw a rise of 6.6%, suggesting the overall fall of -1.3% is skewed. Low transactions numbers may also be a factor in these apparent trends.

“There have been signs of a recovery but it will be laborious and will depend on how many first time buyers can access mortgage finance. It will take more than just a shot in the arm from the Funding for Lending scheme to boost mortgage availability and return the mortgage market to its previous highs, seen in 2007. On the plus side rates on first time loans are at record lows and there is a wider range of mortgage deals showing life for first time buyers in Wales should improve in the near future.”

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 December 2011 - December 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
December	2011	£153,574	238.2	-0.6	1.1
January	2012	£152,005	235.8	-1.0	-0.1
February	2012	£152,241	236.2	0.2	-0.4
March	2012	£153,476	238.1	0.8	0.5
April	2012	£153,863	238.7	0.3	2.1
May	2012	£153,439	238.0	-0.3	3.1
June	2012	£152,795	237.0	-0.4	2.5
July	2012	£152,115	236.0	-0.4	1.5
August	2012	£151,392	234.8	-0.5	-0.2
September	2012	£151,826	235.5	0.3	-0.1
October	2012	£152,070	235.9	0.2	-1.9
November	2012	£152,170	236.0	0.1	-1.5
December	2012	£151,573	235.1	-0.4	-1.3

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

December saw a fall of £597 or -0.4% in the average price of a house in Wales. Whilst the month saw a resumption of the downward trend in house prices, additional transactions, reported in December for sales that took place since the spring last year, resulted in marginal increases in the average prices for every month from April to November. This affects the monthly changes reported last month only marginally, but does mean that the tender shoots of a price recovery in the three months starting September now appear more tender, with prices rising by only £344 from September to November. This meant that the December fall of £597 took prices back to a level only £253 above September; not enough to give any confidence in the existence of a strengthening market. That said, additional December transactions, not yet reported, may change the picture.

If the -0.4% fall in December prices is confirmed, the average price over the twelve months of 2012 will have fallen -1.3% compared with a rise in 2011 of 1.1%. Irrespective of anything other than a very significant change in the December average house price, it is clear that, over the past two years, the market in Wales stood still. As things stand, at a December level of £151,573, average house prices will have failed to reach even the December 2008 average of £151,966 upon which we commented last month.

Not until 26th February will the Council of Mortgage Lenders (CML) release the Q4/12 new lending data for Wales which will indicate whether the rise in lending during Q3/12, over the level in Q2/12, has been maintained. If so and if the Q3/12 rise in purchases by first time buyers continues in Q1/13, we may expect the downward trend of prices shown in Figure 1 below to stabilise and possibly reverse. In assessing the market, the RICS UK Housing Market Survey published by the Royal Institution of Chartered Surveyors is an important reference document, providing the views of local RICS surveyors. For the UK as a whole, the RICS January UK Housing Market Survey presents a mixed picture of stable prices and increased transactions but states that new buyer enquiries and new instructions are slightly down “partly due to the bad weather seen over the month”. More encouragingly RICS says that “the price outlook continues to improve, especially at the 12 month horizon”. Furthermore, RICS said that, whilst at the regional level, divergence as to prices continues, Wales was one of two regions where the net balance of surveyors reporting price rises was positive. Specifically, of 101 surveyors in Wales reporting, a majority of 11 said that prices rose over the last three months, with a similar result for new buyer enquiries and rises in new vendor instructions and agreed sales. The effect of adverse, in one case “extreme”, weather was noted, the need for sellers to be more realistic as to price and a difficulty in obtaining mortgages and stamp duty thresholds were mentioned as amongst negative effects. Against that a number of surveyors reported a good start to the year despite the weather, including demand from students and first time buyers. Clearly, the market is a patchwork but one showing more rather than less activity.

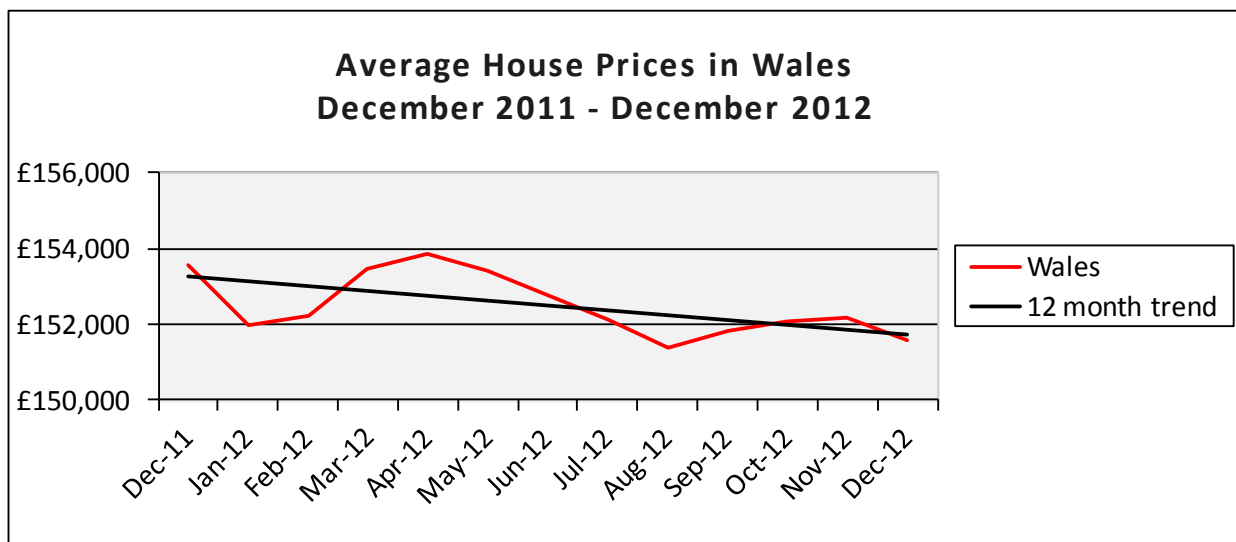


Figure 1. Average house prices in Wales, December 2011 - December 2012 [link to source Excel](#)

Figure 1 shows that the average house price fell marginally below trend in December. The uplift from August evidently ended in December although it is possible that additional December sales, to be reported in February and March, may cause a revision. In any event, the mortgage guarantee scheme to be introduced by the Welsh government in the spring, part of the Wales Infrastructure Plan for Growth and Jobs, with support for high LTV lending for first time buyers cannot but boost confidence.



Table 2. The average house price in Wales, by unitary authority area, December 2011 and December 2012

[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	Dec-11	Dec-12	% Change
1	1	MONMOUTHSHIRE	226,126	223,035	-1.4%
2	2	THE VALE OF GLAMORGAN	208,801	203,749	-2.4%
3	3	CARDIFF	188,977	185,857	-1.7%
5	4	POWYS	178,661	173,197	-3.1%
4	5	CEREDIGION	184,555	169,639	-8.1%
6	6	PEMBROKESHIRE	172,909	169,283	-2.1%
8	7	CONWY	160,016	162,372	1.5%
11	8	FLINTSHIRE	151,848	161,844	6.6%
7	9	ISLE OF ANGLESEY	169,328	158,245	-6.5%
12	10	NEWPORT	149,585	153,394	2.5%
13	11	SWANSEA	146,273	149,520	2.2%
10	12	WREXHAM	155,934	149,248	-4.3%
9	13	GWYNEDD	158,662	145,842	-8.1%
14	14	DENBIGHSHIRE	141,502	138,994	-1.8%
15	15	CARMARTHENSHIRE	137,261	136,726	-0.4%
16	16	BRIDGEND	136,165	131,066	-3.7%
17	17	TORFAEN	129,104	121,606	-5.8%
18	18	CAERPHILLY	120,698	121,322	0.5%
20	19	RHONDDA CYNON TAFF	105,673	106,243	0.5%
19	20	NEATH PORT TALBOT	108,602	105,165	-3.2%
21	21	MERTHYR TYDFIL	96,424	97,117	0.7%
22	22	BLAENAU GWENT	85,755	84,030	-2.0%
		<b>WALES</b>	153,574	151,573	-1.3%

Table 2 shows average prices in 2011 and 2012 and the annual price inflation for each unitary authority in Wales. The % Change column shows that, for Wales as a whole, the December 2012 average price is -1.3% less than it was a year ago. Whilst this is an improvement on the figure for November (-1.6%) and October (-2.3%), it must be remembered that annual inflation rates are very much influenced by the monthly ups and downs of prices a year ago.

Prices fell, year on year, in 15 of the 22 unitary authorities, but rose in 7. This compares with the 17 authorities showing falls last month and 18 in October. We explained in our November LSL Acad Wales HPI News Release how our prices are averaged over rolling three month periods. It will be most helpful, e.g. for unitary authorities, to think of these prices as reflective of Q4/12. The unitary authority results, like the reports from RICS surveyors, indicate a patchwork market. Prices in Cardiff fell -1.7% but rose 2.2% in Swansea and 2.5% in Newport. Gwynedd and Ceredigion saw falls of -8.1%; Flintshire saw a rise of 6.6%. Most unitary authorities saw either very small rises or falls reflective of the overall fall of -1.3%.

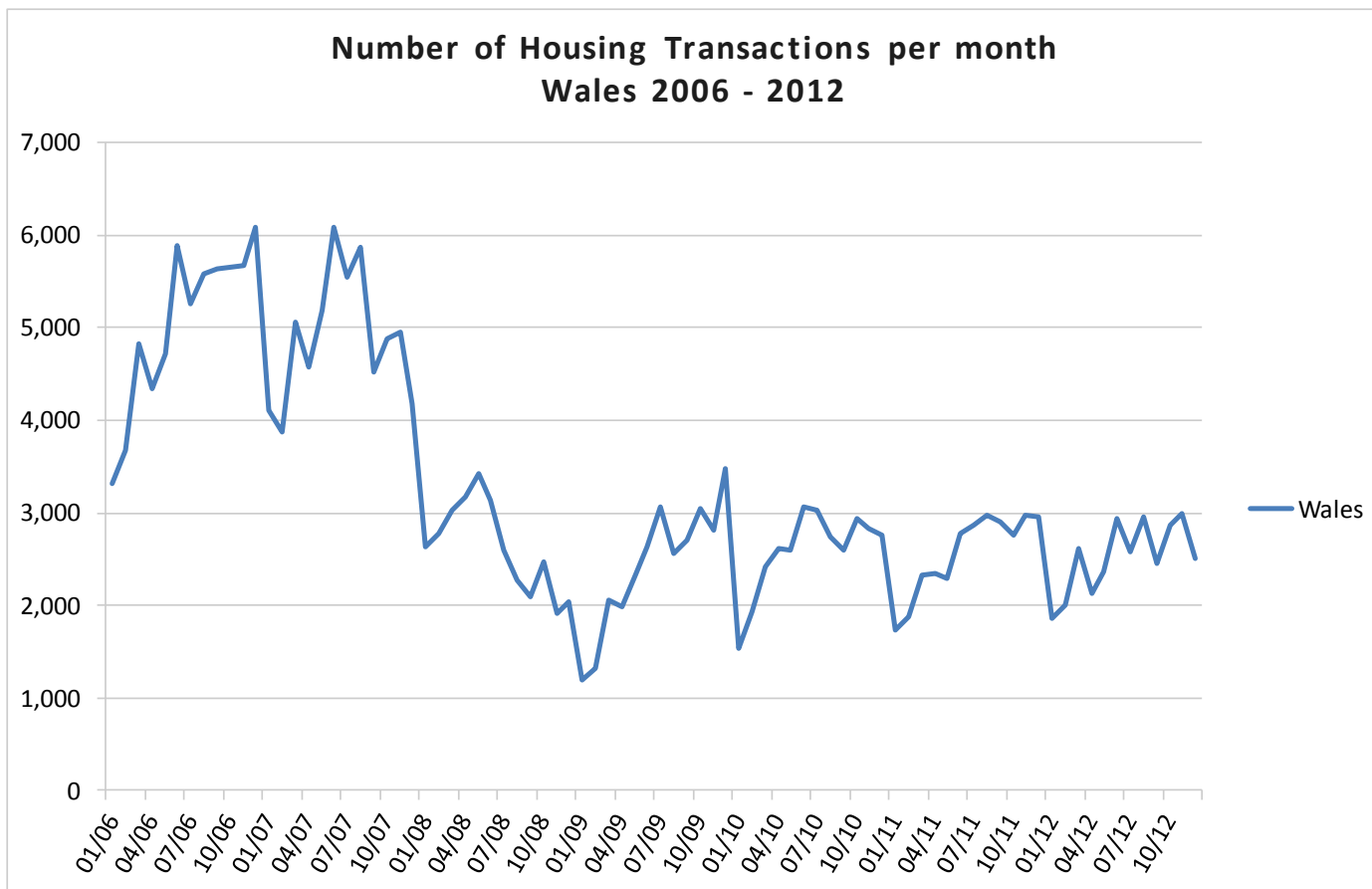


Figure 2. The number of housing transactions by month in Wales, 2006 - 2012 (not seasonally adjusted)

[link to source Excel](#)

Figure 2 above shows the number of monthly transactions in Wales recorded by the Land Registry and as estimated by ourselves for the period January 2006 to December 2012, without seasonal adjustment. We have updated our estimate for November transactions to 3,000 from the 2,825 estimated last month and estimate sales for December at 2,500 based upon our analysis of how final transactions relate to early data shown in the link provided above. At 2,500, sales in December were the lowest for the month since December 2008 (2033) but a far cry from those in December 2007 (4,184). At 30,275 for 2012 as a whole, however, transactions are only 508 fewer than in 2011.

Monthly sales in 2012 average 2,523 compared with an average of 2,565 in 2011. Over the final quarter of 2012, transactions totalled 8,375 compared with 8,691 in 2011. Both comparisons indicate a market that has yet to strengthen.

Comparing the sales by property type in Wales during the last quarter of 2012 with the same period in 2011, we can observe a 1% increase in the number of semi-detached properties sold, no change in sales of detached properties and a 4% decline in the sales of both terraced properties and flats. Wales is the only region in England & Wales that has seen an increase in semi-detached sales, with declines averaging 5% in all other areas.

The unitary authority area with the highest percentage increase in sales in Q4 2012, compared to the same period in 2011, is Ceredigion, up 27% (albeit from a low base), followed by the Isle of Anglesey, up 25%. The unitary authority areas in the south of the Principality, namely Carmarthenshire, Neath Port Talbot, Bridgend, Rhondda and Cardiff all saw a decline in the number of properties sold during the final quarter of 2012 compared to the previous year. Cardiff in particular saw transaction numbers fall, down 13% on the previous year, with sales of semi-detached properties taking the largest fall, down some 21%. It would appear that in the capital the inhabitants of semi-detached properties are staying put for the time-being, with the greatest activity in the market taking place at the top and the bottom ends of the housing ladder.

Finally, one might ascribe the hyperactive appearance of the 2013 chart above, depicting unusual volatility in monthly sales numbers, to the effects of weather and the Olympics.





## 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.

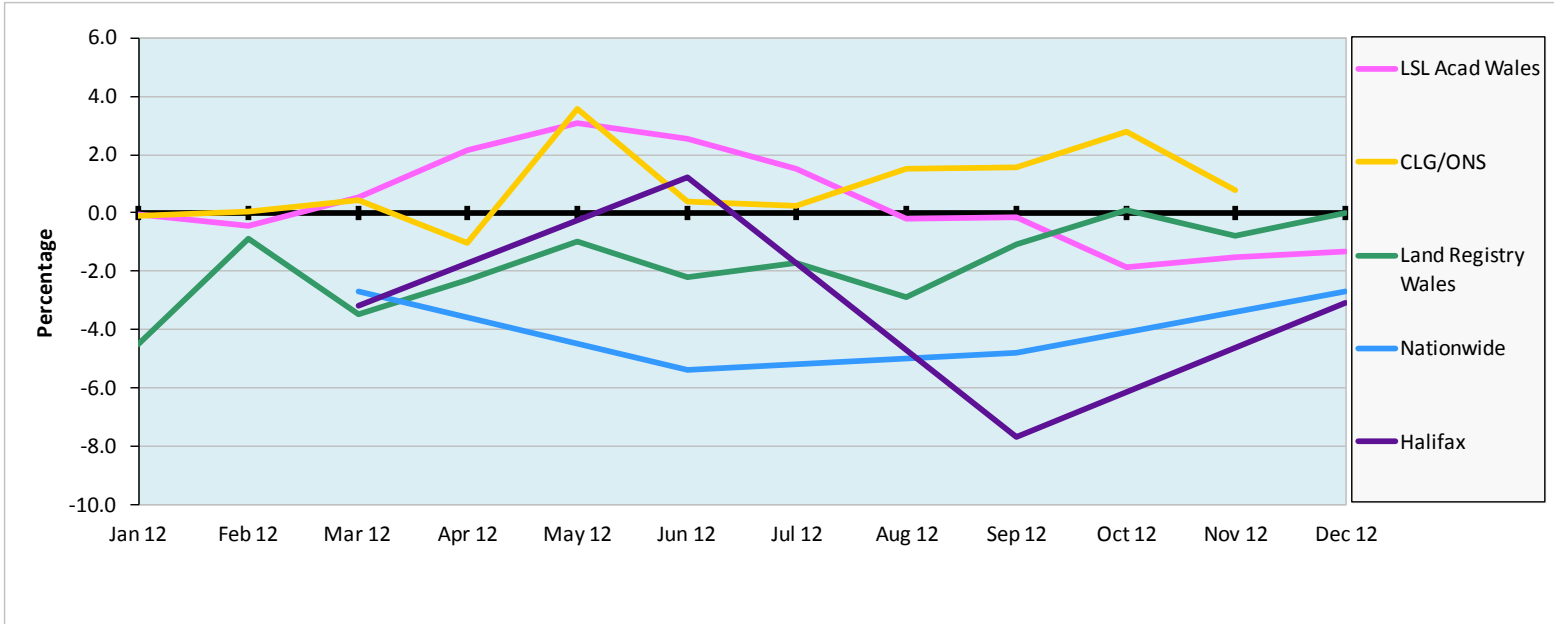


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

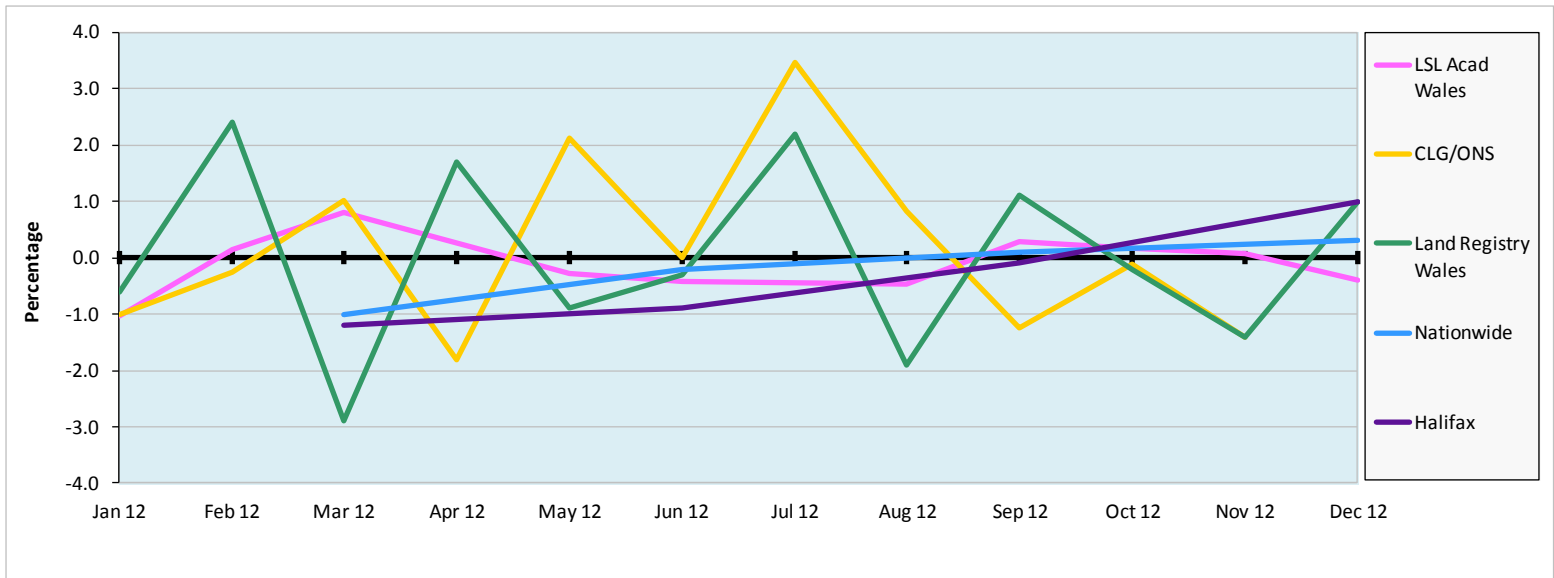


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[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.

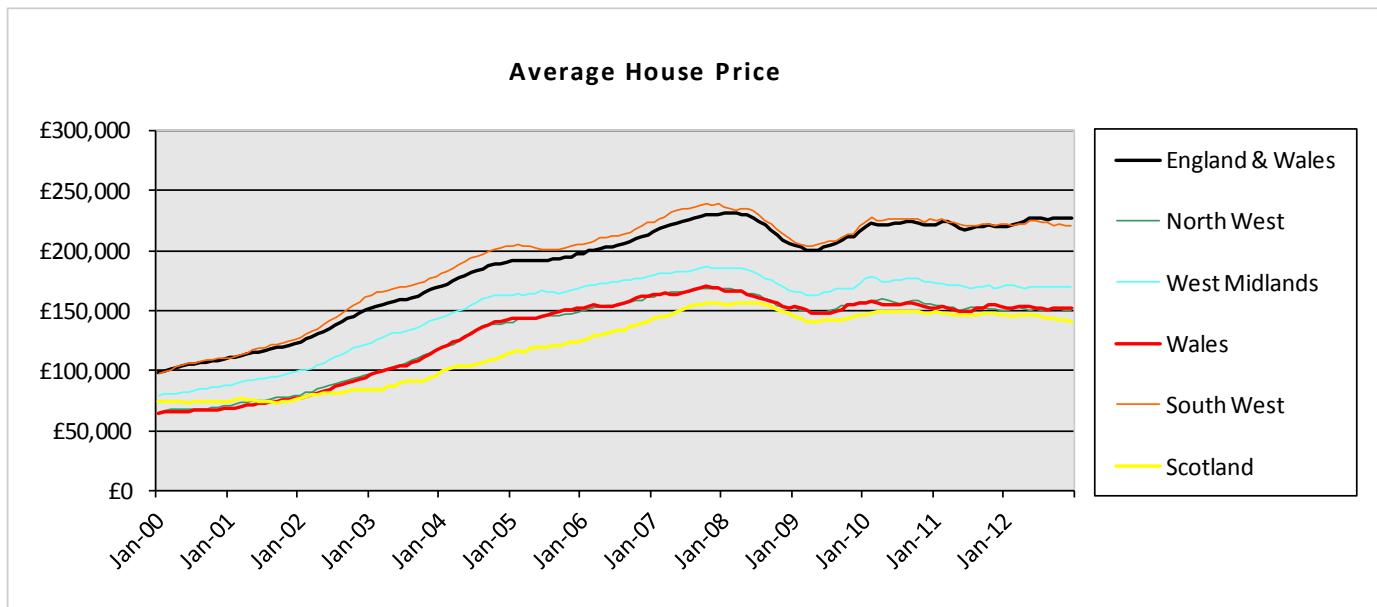


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 - December 2012 [link to source Excel](#)

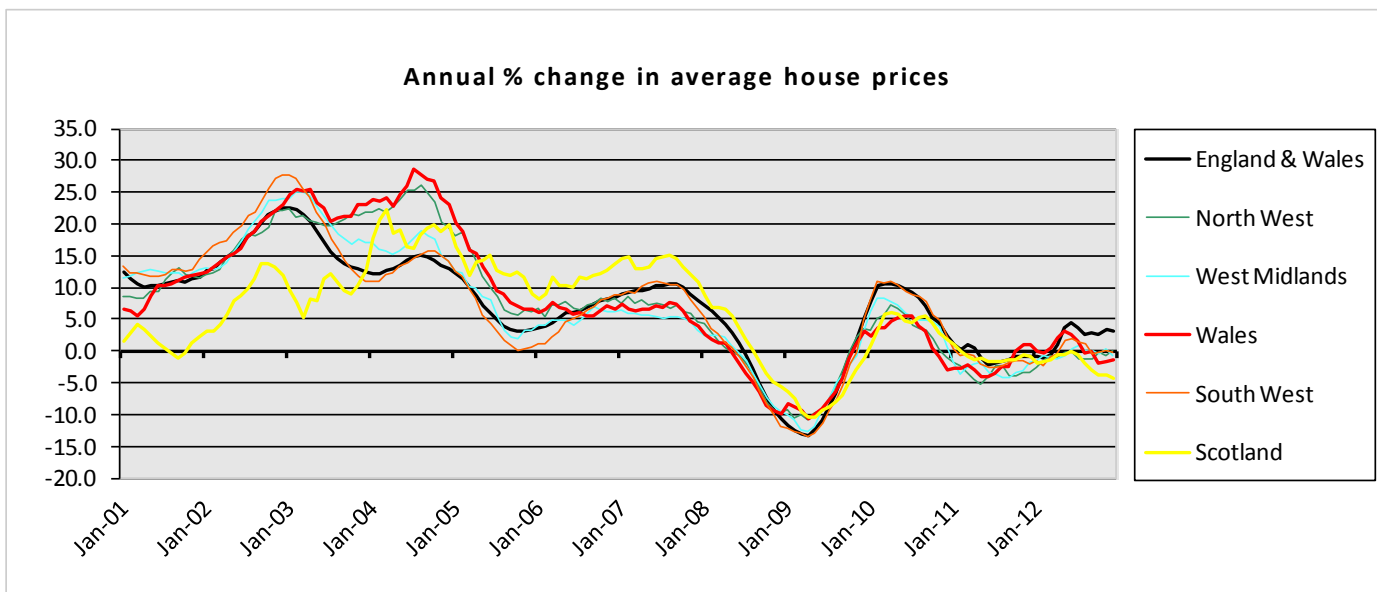


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 - December 2012 [link to source Excel](#)



# Nine unitary authorities in Wales

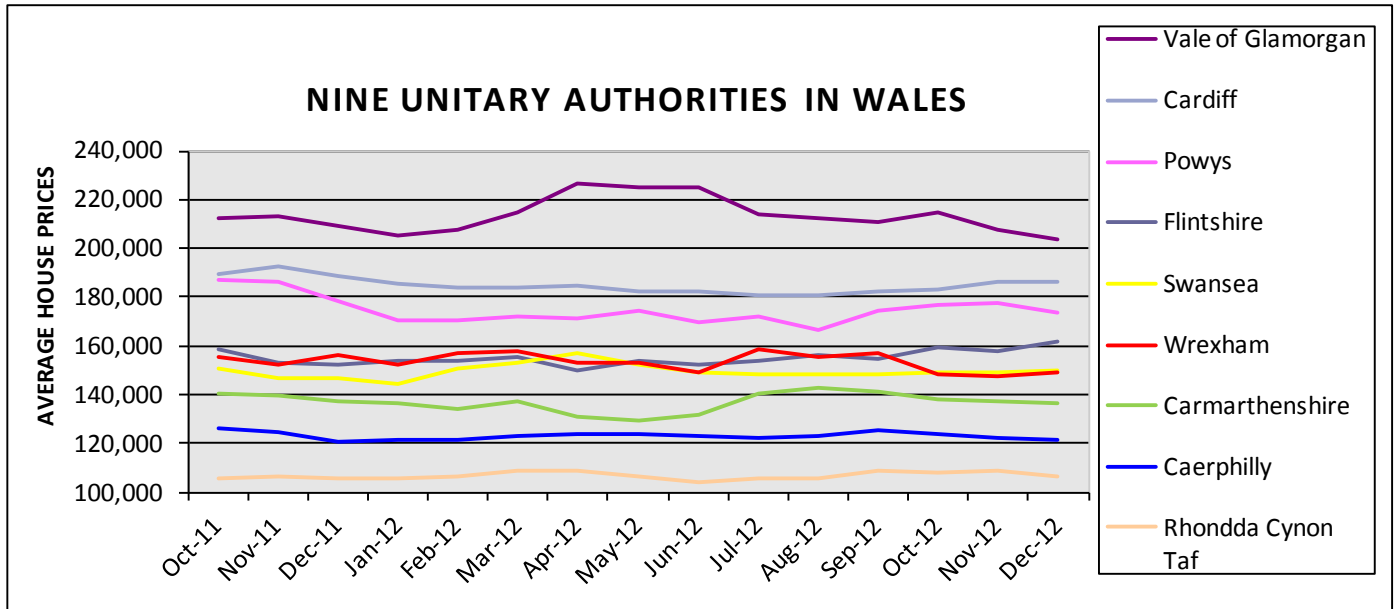


Figure 7. Average house prices for nine unitary authorities in Wales from October 2011 - December 2012 [link to source Excel](#)

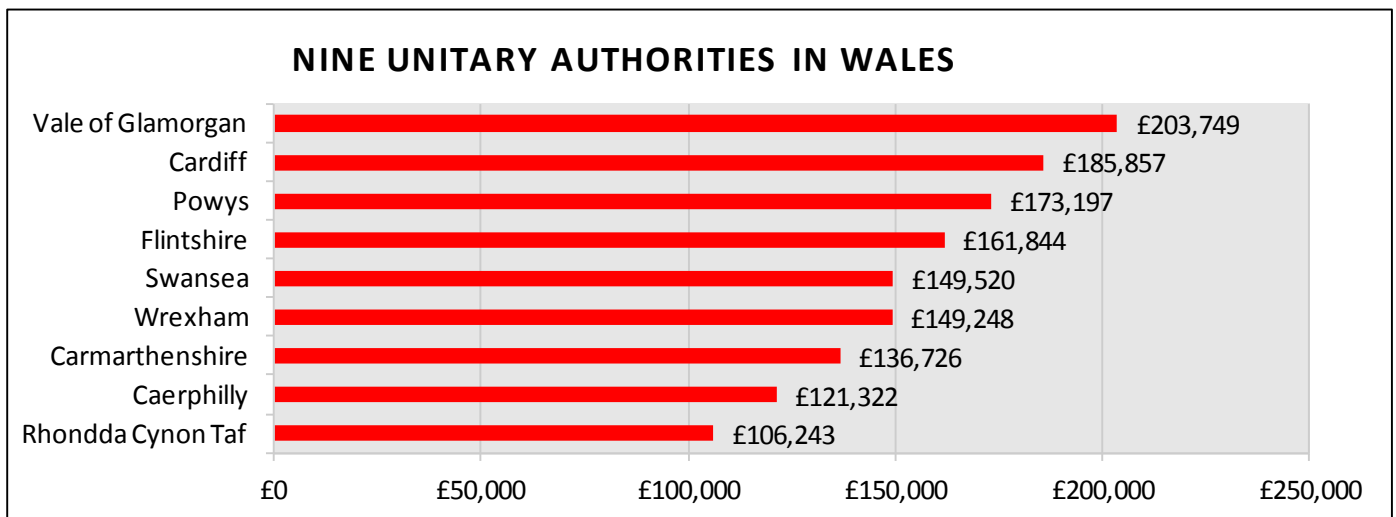


Figure 8. Average house prices for nine unitary authorities in Wales December 2012 [link to source Excel](#)



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](http://www.lslps.co.uk)