

LSL Property Services/Acadametrics
Wales

House Price Index

FEBRUARY 2012

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 25TH APRIL 2012



£1,710 wiped off the value of the average Welsh home since December

- Prices 0.6% lower than in February last year
- Annual prices falls in 9 of the past 12 months
- But good news in the long-term: the average Welsh house price has doubled in the last 10 years

House Price	Index	Monthly Change %	Annual Change %
£151,986	235.8	0.0	-0.6

Nigel Favas, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “The average Welsh homeowner has seen £1,710 wiped off the value of their property since December. Prices have fallen in nine of the last twelve months with fiscal austerity and a weak jobs market hitting house prices like a ton of bricks.

“The only people sustaining the housing market are the elderly and the wealthy. The first time buyer market has withered away. These older buyers are the only ones in a position to take advantage of record low mortgage rates, as they have been able to use the equity from their homes to secure cheap deals. This has created a two-tier market and disproportionate reliance on wealthier borrowers.

“While the high end of the market sees a steady flow of activity, the bottom end is in gridlock. Affordable rates are of little consolation to first time buyers who can’t raise the big deposits demanded by banks and building societies. This is suppressing activity and dragging down prices. First time buyer numbers could drop away even further now the stamp duty holiday has passed. What’s more, the cost of funding mortgages is increasing for banks, which will force them to scale back their lending to buyers with small deposits over the spring and early summer.

“Apart from the nation’s recent Grand Slam victory, the only bright spot is over the very long-term, where Welsh house prices have been considerably more buoyant than their Scottish and English counterparts. Wales and London are the only parts of the UK where prices have increased over the past 12 months. On top of that, Wales has seen the highest price rises over the last decade out of any region in the UK.

“And prices have risen in some areas, where spending cuts and the troubled jobs market don’t seem to have affected the local property market. As a result, banks and building societies are more willing to lend to borrowers in these areas.”

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 March 2011 - February 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
March	2011	£152,661	236.8	-0.1	-2.2
April	2011	£150,681	233.7	-1.3	-3.0
May	2011	£148,833	230.9	-1.2	-4.0
June	2011	£149,014	231.1	0.1	-4.2
July	2011	£149,865	232.5	0.6	-3.6
August	2011	£151,752	235.4	1.3	-2.6
September	2011	£152,018	235.8	0.2	-2.4
October	2011	£154,954	240.4	1.9	0.0
November	2011	£154,391	239.5	-0.4	0.8
December	2011	£153,696	238.4	-0.5	1.2
January	2012	£152,020	235.8	-1.1	-0.1
February	2012	£151,986	235.8	0.0	-0.6

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Further commentary by Dr Peter Williams

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

The average price of a house in Wales in February, at £151,986, fell a statistically insignificant £34 from the January price and is, in practical terms, unchanged. By remaining unchanged, however, February saw an end to three prior months (November 2011 to January 2012) of successive price falls, totalling a negative 2.0% loss, over the winter months. Although the Principality, as a whole, saw no change in prices in February, it was a different story at local level. Whilst Wrexham prices rose 2.2% in the month, mainly due to a rise in the average value of semi-detached properties, Carmarthenshire witnessed a -2.6% fall.

Over 12 months, the average price of a house in Wales was -0.6% lower in February 2012 than in February 2011. As with monthly prices, this result at Principality level masks considerable variation, locally, from the -10.2% fall in Merthyr Tydfil to the +11.2% rise in nearby Blaenau Gwent, year on year.

As our LSL Property Services/Acadametrics England & Wales House Price Index regularly shows, the contrast between house price movements, nationally and locally, exists for England & Wales, as a whole. This is true, not merely month on month and year on year, but over one year, five year and ten year periods. Table 2 sets out the results of recent Acadametrics analysis on a regional basis.

Table 2. The change in average house prices in England and Wales over a one, five and ten year period.

[link to source Excel](#)

% Change in average house prices	Dec 2010-2011	Dec 2001-2006	Dec 2006-2011	Total Period 2001-2011
North	-5.3	113.7	-7.6	97.4
North West	-3.5	104.4	-6.8	90.6
East Midlands	-1.2	90.2	-5.3	80.1
West Midlands	-2.0	81.7	-4.8	73.0
Wales	1.2	111.7	-5.3	100.5
Yorks & Humber	-2.0	109.9	-4.9	99.5
South West	-2.4	77.3	-1.2	75.2
East Anglia	-1.5	73.8	-1.2	71.6
South East	-1.5	59.3	3.6	65.0
Greater London	3.1	57.0	21.1	90.1
ALL REGIONS	-0.8	74.4	2.9	79.4

The first column shows how house prices have changed over the last year to December 2011. As can be seen, only two areas in England & Wales have seen a positive movement in prices over the last year, namely Wales and Greater London, with all other regions experiencing falling values. The second column shows the movement in house prices over the five years December 2001 to December 2006, with Wales seeing the second highest rise in prices in England & Wales, with values more than doubling over this period. The third column shows the movement in prices over the last five years, when the change in house prices has been dominated by Greater London. Finally, the last column shows the percentage change in average house prices over the full ten year period to December 2011. What might be of interest to our Welsh readers is to learn that Wales has seen the largest positive change in house prices over this ten year period when compared to the price movements in England, including that of Greater London.

Over the page, we show how house prices have changed in each of the Unitary Authority areas in Wales, over the ten year period to December 2011.



Table 3. The average house price in Wales, by unitary authority area, Dec 2001 and 2011

[link to source Excel](#)

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

RANK BY GROWTH	RANK BY PRICE 10 YEARS PRIOR	RANK BY PRICE CURRENT	LOCAL AUTHORITY AREA	TEN YEAR PERIOD		
				Dec-01	Dec-11	% Change
1	13	7	ISLE OF ANGLESEY	70,236	172,137	145.1%
2	15	9	GWYNEDD	66,697	159,020	138.4%
3	10	6	PEMBROKESHIRE	77,122	173,004	124.3%
4	5	4	CEREDIGION	82,683	182,468	120.7%
5	17	15	CARMARTHENSHIRE	64,022	138,266	116.0%
6	21	21	MERTHYR TYDFIL	44,651	96,404	115.9%
7	22	22	BLAENAU GWENT	39,927	85,249	113.5%
8	8	8	CONWY	78,784	161,986	105.6%
9	11	13	SWANSEA	71,247	145,783	104.6%
10	4	5	POWYS	88,300	180,229	104.1%
11	14	14	DENBIGHSHIRE	68,973	140,254	103.3%
12	20	20	RHONDDA CYNON TAFF	52,226	105,528	102.1%
13	2	2	THE VALE OF GLAMORGAN	104,460	209,669	100.7%
14	19	19	NEATH PORT TALBOT	54,584	108,573	98.9%
15	16	17	TORFAEN	65,914	128,874	95.5%
16	18	18	CAERPHILLY	62,161	121,199	95.0%
17	9	12	NEWPORT	77,611	149,165	92.2%
18	12	16	BRIDGEND	70,931	136,318	92.2%
19	6	10	WREXHAM	80,972	155,296	91.8%
20	1	1	MONMOUTHSHIRE	117,495	224,421	91.0%
21	7	11	FLINTSHIRE	80,078	151,685	89.4%
22	3	3	CARDIFF	102,709	189,190	84.2%
			WALES	76,669	153,696	100.5%

Table 3 shows the average price of a house in the 22 unitary authority areas in Wales, over a ten year period, from December 2001 to December 2011. On average, over this period, house values in Wales have more than doubled, with the biggest increases being seen in the Isle of Anglesey +145.1% and Gwynedd +138.4%, and the smallest in Cardiff at +84.2% and Flintshire +89.4%.

Looking at the change in ranking by price over this ten year period, the Isle of Anglesey and Gwynedd have each moved up six places, with Pembrokeshire up four positions. Of the fallers in rank, Bridgend, Wrexham and Flintshire have each lost four places.

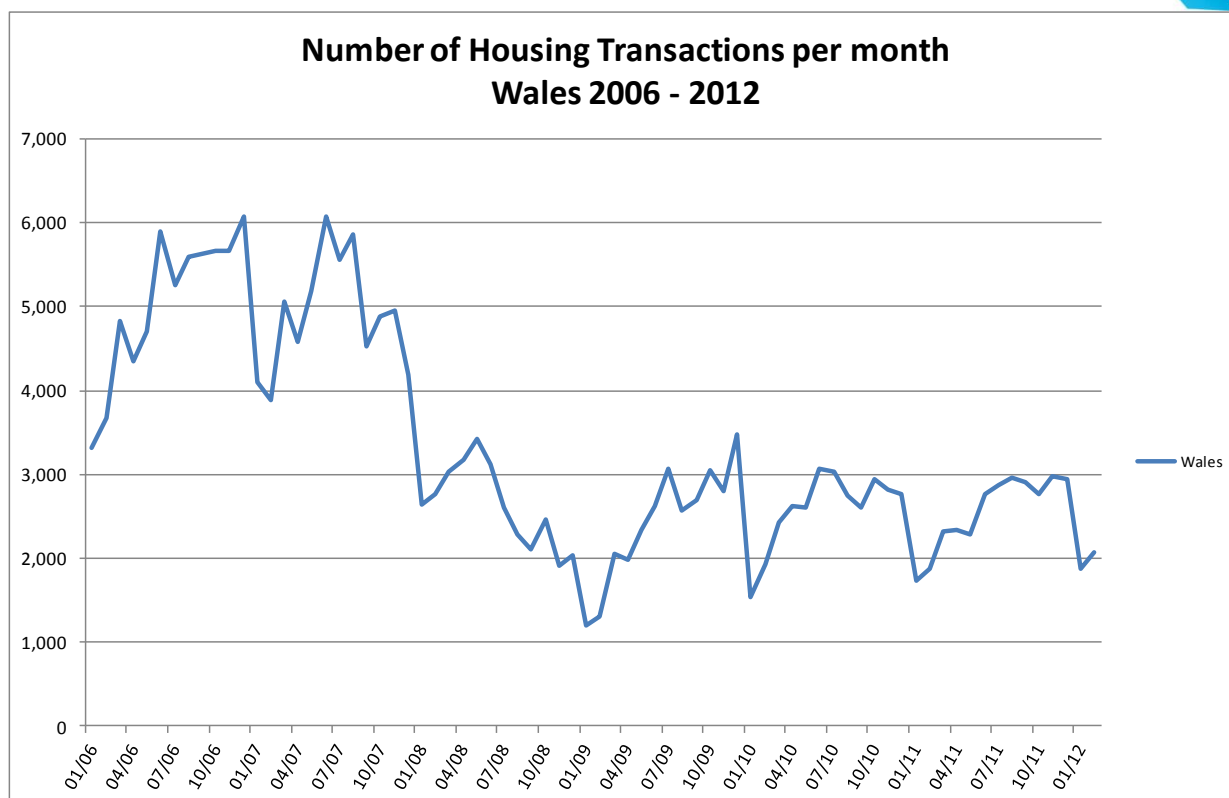


Figure 1. The number of housing transactions by month in Wales, 2006 - 2012 (not seasonally adjusted)

[link to source Excel](#)

The above graph shows the number of monthly transactions recorded by the Land Registry for the period January 2006 to January 2012, without seasonal adjustment. Traditionally, sales in Wales in February are approximately 7% higher than January levels, as the market picks up from the January trough which follows on from the housing inactivity over the Christmas period. This year, we estimate that February has seen a 10% increase in sales over January. This, we believe, reflects a minor strengthening in demand for properties in both the buy-to-let and first-time buyers sectors of the market. We anticipate that the additional data available next month will allow us to provide more detail on this increase in demand in our March LSL Acad Wales HPI News Release.

NOTES

- 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
- 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
- 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.
- all LSL Acad Wales HPI results are subject to change following receipt of updated data from Registers of Wales
- 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

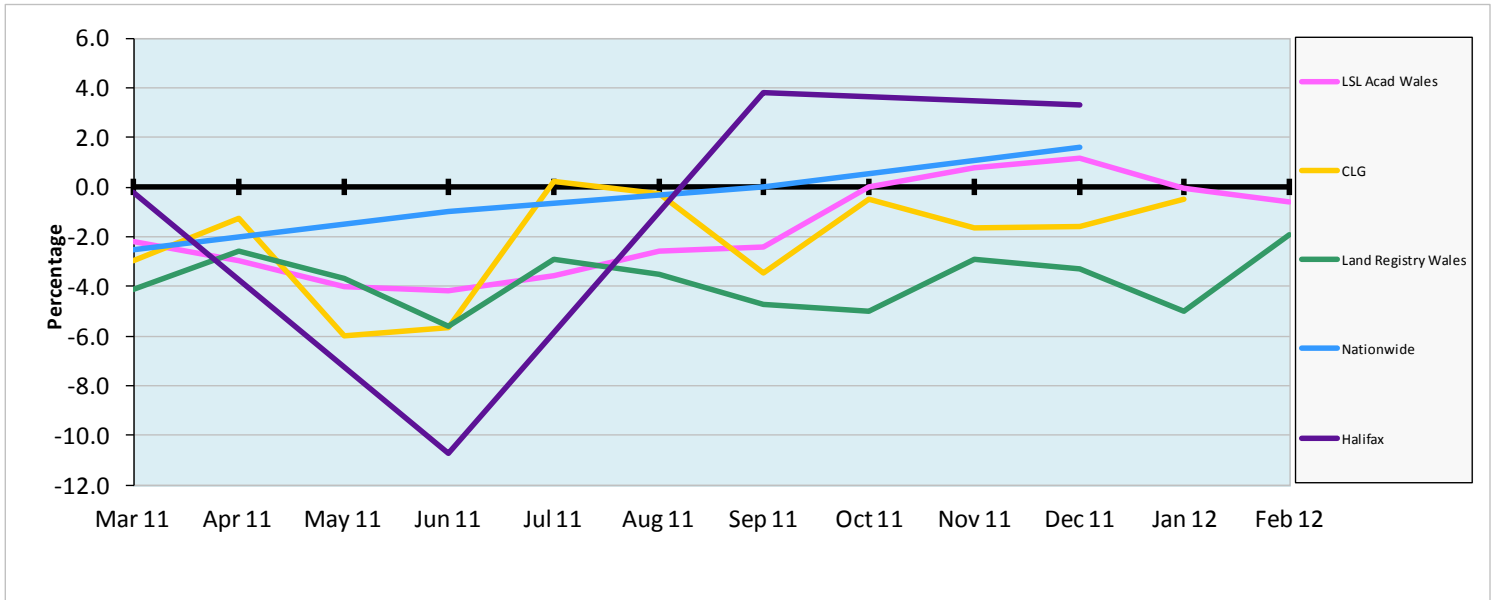


Figure 2. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

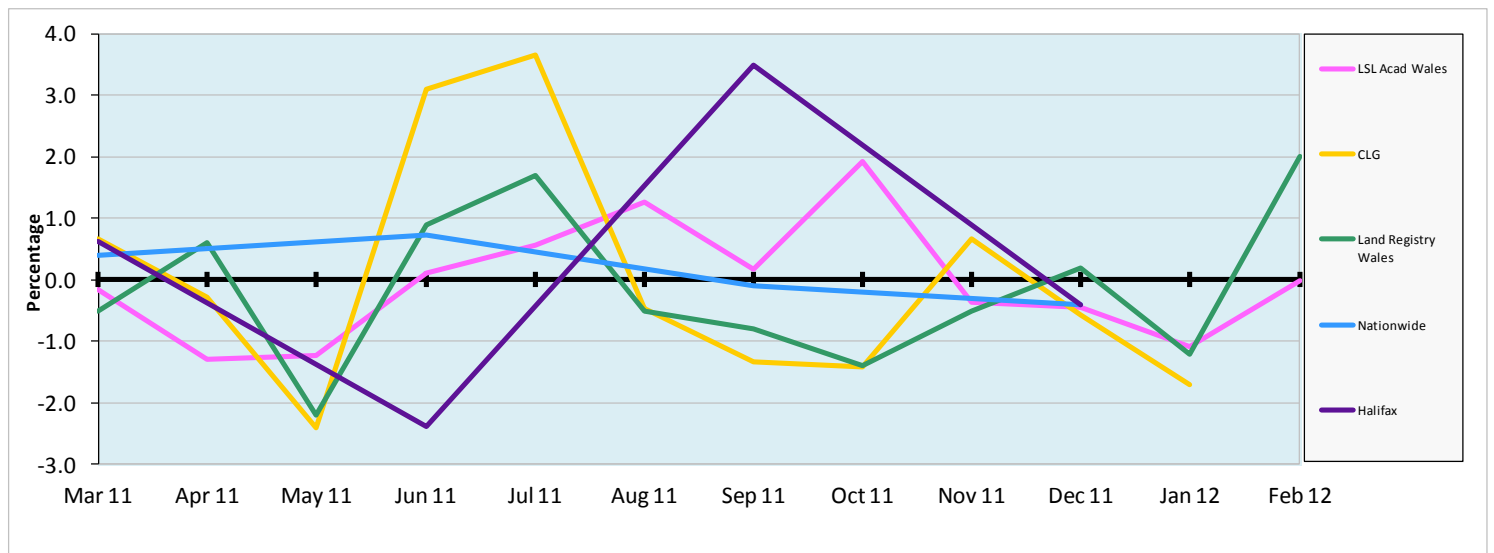


Figure 3. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

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

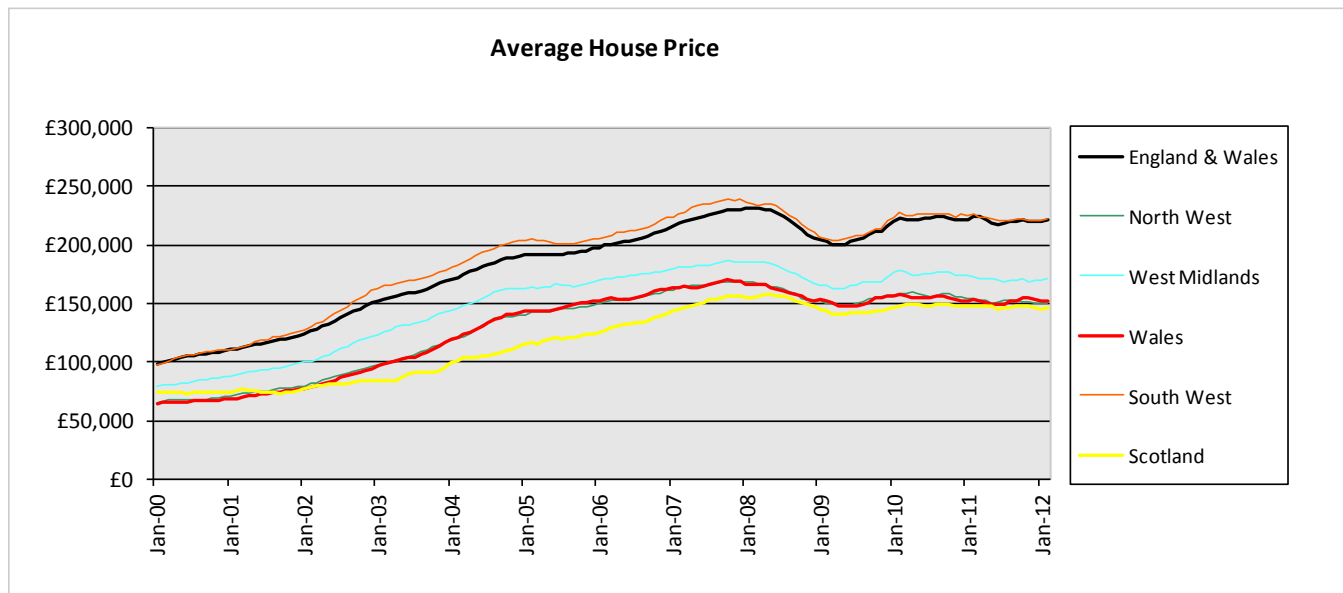


Figure 4. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period Jan 2000 - Feb 2012 [link to source Excel](#)

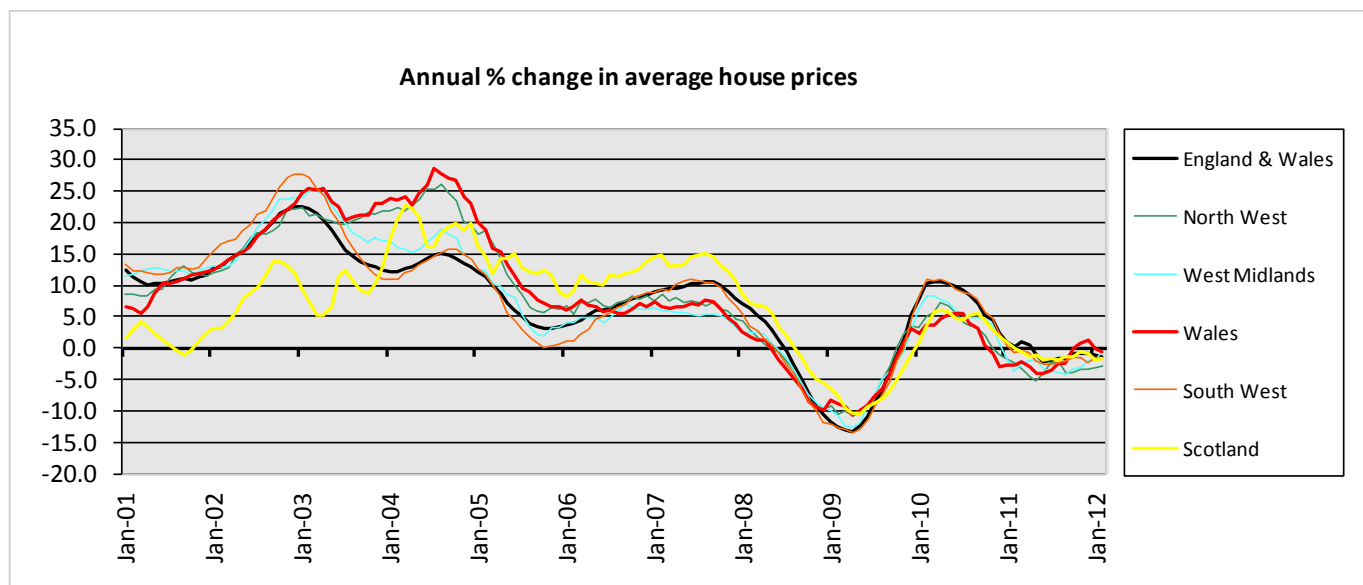


Figure 5. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period Jan 2001 - Feb 2012 [link to source Excel](#)

Nine unitary authorities in Wales

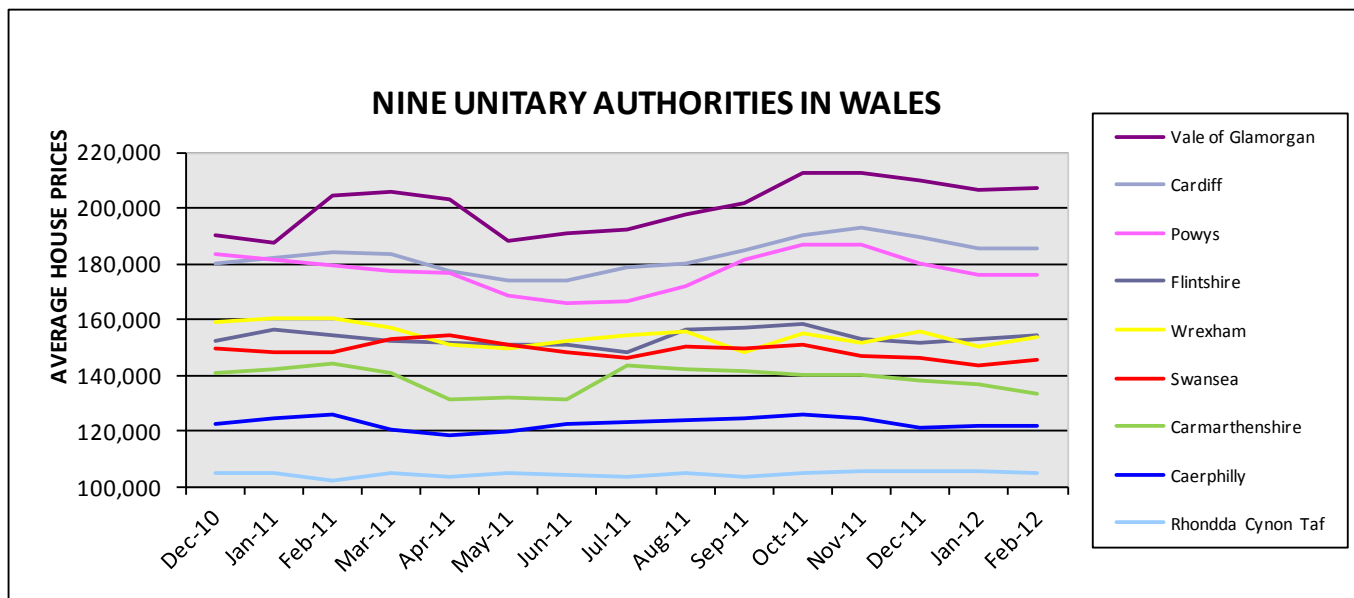


Figure 6. Average house prices for nine unitary authorities in Wales from December 2010 - February 2012

[link to source Excel](#)

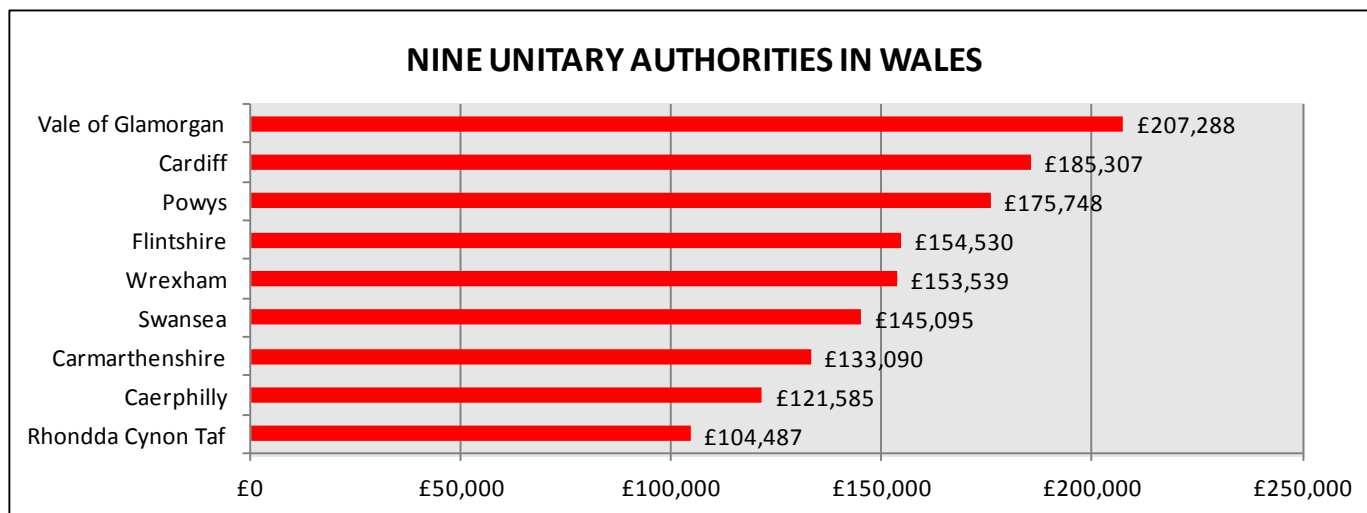


Figure 7. Average house prices for nine unitary authorities in Wales February 2012

[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 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