

LSL Property Services/Acadametrics
Wales

House Price Index

NOVEMBER 2012

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Welsh house prices rise £701 in November

- House prices stabilising after the summer monthly falls
- But average price now £2,458 lower than a year ago

House Price	Index	Monthly Change %	Annual Change %
£152,083	235.9	0.5	-1.6

Oliver Blake, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “Although 2012 was a year of trials and tribulations for the property market, things are looking up for 2013. House prices climbed by £701 in November, signalling a gentle change in direction, following the six months of consecutive falls over the summer. The slight price improvement is comforting but it is only a small step on a long road to recovery. Annual sales levels in November 2012 are half what they were in 2006/2007. While the Welsh market is soldiering on, there is a big imbalance of first-time-buyers to equity rich borrowers with wealthier borrowers dominating activity.

“If we peer beneath the positive headline figure, we see house prices are £2,458 lower than they were this time last year, and prices have fallen in 17 of the 22 local authority areas in Wales. First-time buyers face a tough task in putting together the deposit required to even get a toe near the property ladder. This is taking a toll at a time when rents are high and the cost of living is rising sharply. Weak economic growth is limiting the amount lenders are willing to lend, particularly to lower income borrowers and first-time buyers – who they perceive as higher risk. For this reason there is a lack of mortgages for first-time buyers, which is stifling sales higher up the housing chain.

“2013 offers more hope. The introduction of the mortgage guarantee scheme, which the Welsh housing minister has claimed may add £500 million over a five year period, should improve the availability of mortgages. No doubt this will send a positive wave of confidence through the Welsh property market.”

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 November 2011 - November 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
November	2011	£154,541	239.7	-0.3	0.9
December	2011	£153,605	238.3	-0.6	1.1
January	2012	£152,063	235.9	-1.0	0.0
February	2012	£152,311	236.3	0.2	-0.4
March	2012	£153,469	238.1	0.8	0.5
April	2012	£153,822	238.6	0.2	2.1
May	2012	£153,410	238.0	-0.3	3.1
June	2012	£152,742	236.9	-0.4	2.5
July	2012	£152,024	235.8	-0.5	1.4
August	2012	£151,239	234.6	-0.5	-0.3
September	2012	£151,347	234.8	0.1	-0.4
October	2012	£151,382	234.8	0.0	-2.3
November	2012	£152,083	235.9	0.5	-1.6

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

The average price of a house in Wales in November was £152,083, an increase of £701 or 0.5% from October. Additional September transactions reported for earlier months have given small boosts to the September and October average prices, such that prices have recovered over the last 3 months. A steady fall from the level in the Spring has been stemmed. But, just how much the market has struggled is shown by the fact that this month's average price is barely more than that in December 2008 which was £151,966. A more recent comparison is with the £152,063 average in January 2012.

The November price uplift reduces the annual change rate from -2.3% in October to -1.6% in November. Within the mainland as a whole, only Wales, Scotland (-3.8%) and North West (-0.5%) are still suffering from an annualised price fall. However, the recent monthly price gains, albeit small, suggest that of these Wales may be the first to recover. Even so, small rises will not overtake the real falls in property values represented by a 3.0% rate of inflation.

Figure 1 shows that the average house price rose above trend in November. Are we seeing a price boost in anticipation of the mortgage guarantee scheme to be introduced by the Welsh government in the spring of this year? Will this confidence uplift continue?

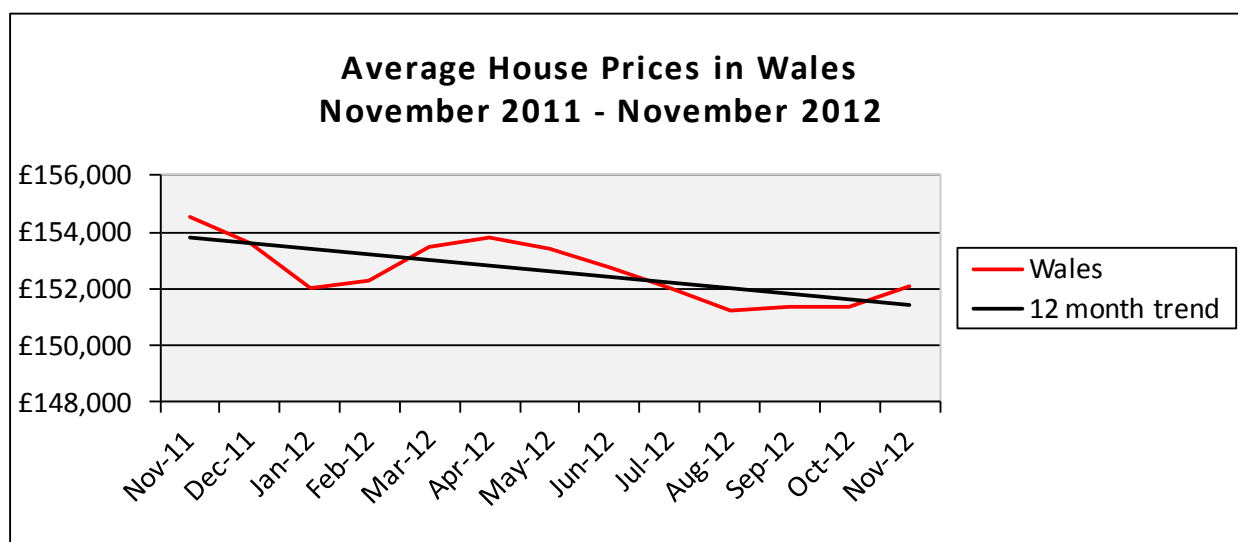


Figure 1. Average house prices in Wales, November 2011 - November 2012

[link to source Excel](#)

The Council of Mortgage Lenders (CML) reported in November that lending for house purchases in England & Wales increased 13% in Q3/12 compared with Q2/12. However, they also reported that Q3/12 lending for remortgages fell 7% compared with Q2/12 and 24% compared with Q3/11.

For Wales, the CML also reported even larger falls in remortgage lending; down some 14% in Q3/12 compared with Q2/12, and down 32% compared with Q3/11. Whilst these falls do not indicate market confidence, the Royal Institution of Chartered Surveyors (RICS) reported a significant increase in buyer interest across the country as a whole in their October UK Housing Market Survey. Such interest, coupled with the growing confidence generated by the mortgage guarantee scheme announced by the Welsh government, presages well for the Principality. The responsible Minister has estimated that the scheme may well inject up to £500 million over a five year period.

This mortgage guarantee scheme is part of the Wales Infrastructure Plan for Growth and Jobs. Incorporating as it will a high LTV lending regime (up to some 95%), this may already have had an encouraging impact on potential first time buyers (FTBs). Will the increase in numbers in this group, 10% last month, be continued?

Prospects for the Welsh housing market exist in the context of economic growth for Wales. Whilst the economist (Professor Minford of Cardiff University) was reported as expecting only slow growth in Wales during 2013, an increase of 143% in the value of commercial property deals in Q3/12 compared with Q2/12 brought the total to £90 million in all. This supports a more positive view of the outlook for growth bringing increasing employment and a potential trickle-through effect into the Welsh housing market.



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

[link to source Excel](#)

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

RANK BY PRICE PRIOR YR	RANK BY PRICE	UNITARY AUTHORITY AREA	Nov-11	Nov-12	% Change
1	1	MONMOUTHSHIRE	226,506	220,950	-2.5%
2	2	THE VALE OF GLAMORGAN	213,026	212,520	-0.2%
3	3	CARDIFF	192,752	185,905	-3.6%
4	4	POWYS	186,531	178,625	-4.2%
5	5	CEREDIGION	176,023	170,888	-2.9%
7	6	PEMBROKESHIRE	172,766	168,795	-2.3%
6	7	ISLE OF ANGLESEY	175,857	163,421	-7.1%
8	8	CONWY	165,001	158,709	-3.8%
10	9	FLINTSHIRE	152,652	156,357	2.4%
13	10	NEWPORT	144,059	156,194	8.4%
9	11	GWYNEDD	156,466	151,178	-3.4%
12	12	SWANSEA	146,822	149,200	1.6%
11	13	WREXHAM	152,003	147,362	-3.1%
14	14	CARMARTHENSHIRE	139,944	139,483	-0.3%
15	15	DENBIGHSHIRE	139,489	136,815	-1.9%
16	16	BRIDGEND	136,350	132,001	-3.2%
18	17	CAERPHILLY	124,631	122,825	-1.4%
17	18	TORFAEN	126,707	120,657	-4.8%
20	19	RHONDDA CYNON TAFF	106,006	108,079	2.0%
19	20	NEATH PORT TALBOT	109,011	100,201	-8.1%
21	21	MERTHYR TYDFIL	94,443	96,240	1.9%
22	22	BLAENAU GWENT	84,036	77,369	-7.9%
		WALES	154,541	152,083	-1.6%

Table 2 shows the average price of a house in the Welsh unitary authority areas for the month of November in both 2012 and 2011. The aggregate -1.6% November fall for Wales compares favourably with the fall of -2.3% last month but less so with the -0.4% fall reported in September.

The fall at all-Principality level arises from price decreases in 17 of the 22 unitary authority areas, compared with 18 last month. Flintshire, Newport, Swansea, Rhonda and Merthyr Tydfil were the exceptions, with rises of 2.4%, 8.4%, 1.6%, 2.0% and 1.9% respectively. But, as indicated last month, price changes in unitary areas appear to be steady with the Isle of Anglesey an exception, showing a fall of over 7% as compared with one of just 0.7% last month; likewise Newport with a rise of 8.4% compared with one of 2.5% in October.

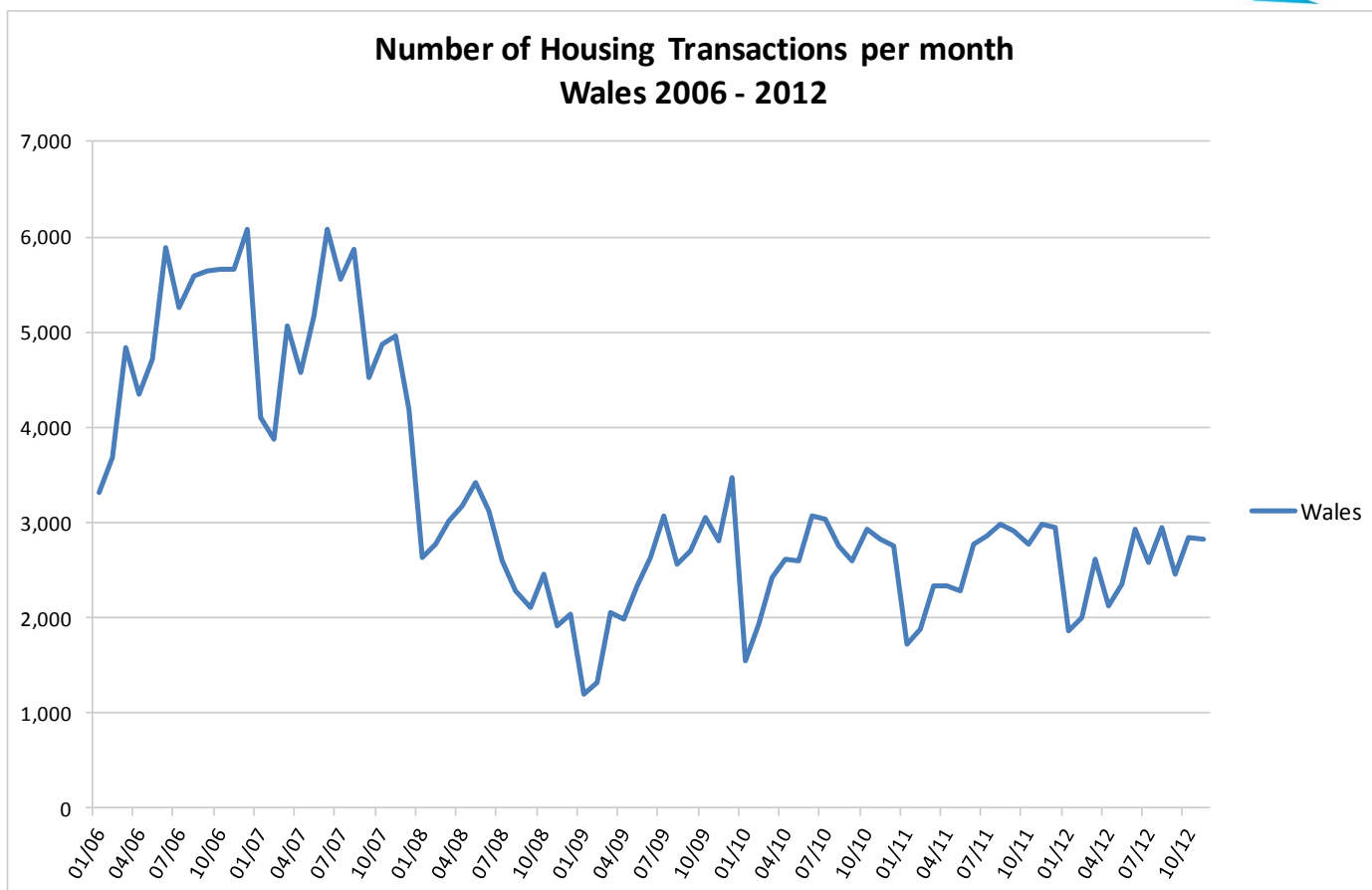


Figure 2. The number of housing transactions by month in Wales, 2006 - 2012 (not seasonally adjusted)

[link to source Excel](#)

Figure 2 above shows the number of monthly transactions in Wales recorded by the Land Registry for the period January 2006 to November 2012, without seasonal adjustment. This month's chart shows that our estimate last month for October transactions proved slightly higher than the factual results now that most October sales have been reported. It also shows that we estimate that sales numbers for November marginally weakened. At 2,825, this estimate is almost identical to the number of transactions in November 2010. Sales over the 12 month period December 2011 to November 2012 were 99 in all below the same period 12 months earlier and remain around half the figure for an equivalent period in 2006/2007.

Whilst, as Figure 2 shows, transaction numbers are volatile from month to month, sales have averaged 2,768 monthly over the past 4 months, a level similar to that reached in the equivalent months in 2010 and 2011. The chart also suggests that the seasonal effect may result in sales falling below 2,000 in January 2013 before the normal spring uplift.

Taking the three month period September to November, we see a decline of 4.0% in property transactions in Wales compared to the three months June to August. Compared to the period September to November 2011, the decrease is 6.1%.

It is a strength of the LSL Acad Wales HPI that it is the only house price index which employs every transaction reported to the Land Registry as opposed to using a sample, such as those based on mortgages which lack data on cash purchases, or solely on repeat sales which represent only 37.5% of all sales. Even so, our estimate of 2,825 transactions in Wales in November (only slightly more than 5% of those in England & Wales in November) shows that data on which to calculate an index are minimal. LSL Acad HPIs therefore calculate prices averaged over rolling 3-month periods. It is important that these averages employ data for the month ahead as well as for prior the month so as to centre the result on the month being reported. Hence our November average price employs c.95% of November, c.99% of October and c.35% (being those reported so far) of December transactions once all sales are reported.

As reported in our LSL Acad E&W HPI for England & Wales as a whole, it is expected that a market recovery in London and the South East will slowly have an effect on other regions, albeit that this will take time. Potentially, the Welsh market should see an effect. Possibly, in the longer term as well, developments such as the expansion of broadband, enabling work



to be undertaken at home, may make the more affordable mortgage repayments in Wales attractive to those struggling with house prices and high monthly charges in the South East and Greater London.

On a speculative note, what if some of the immigrants expected in 2014 from Romania and Bulgaria decide to live in Wales, given the resulting pressure on the national housing market which Eric Pickles Secretary of State for Communities and Local Government anticipates, according to the BBC Sunday Politics programme. House prices in Wales may then be expected to rise to reflect additional demand but so will pressure on the social housing market and other social services.

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

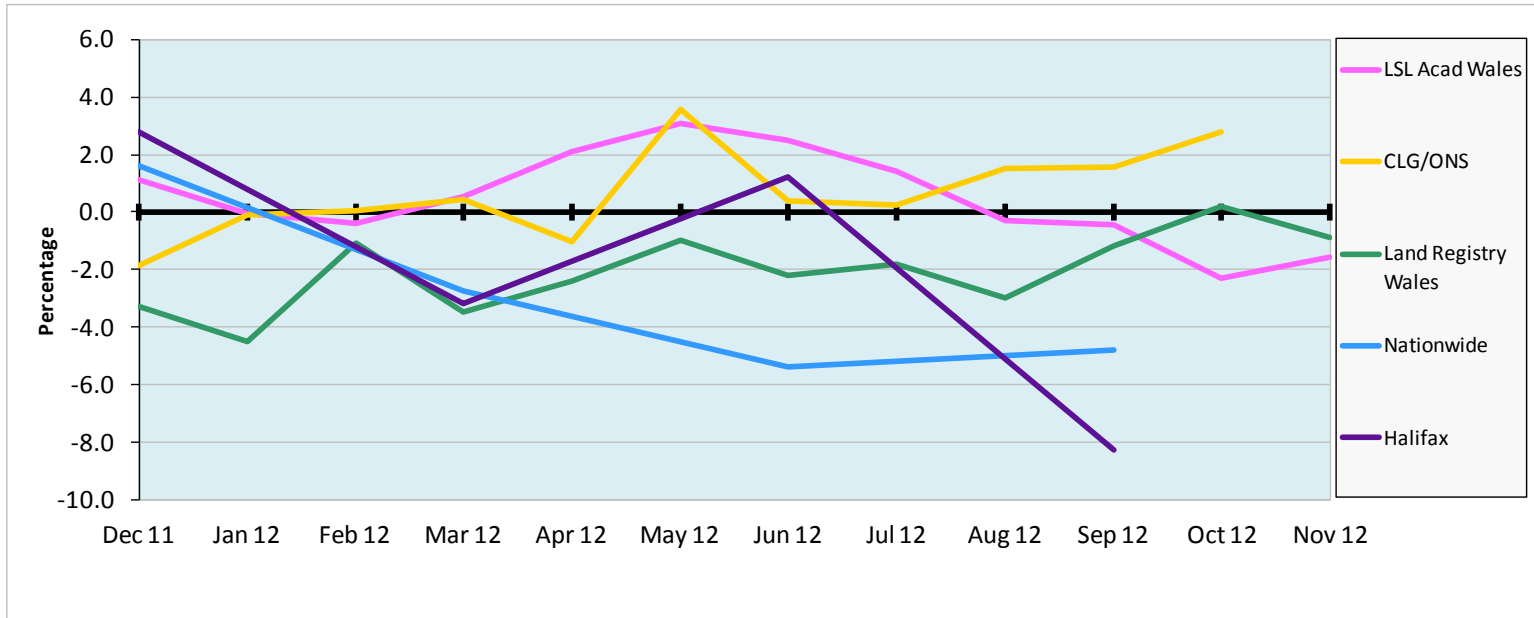


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

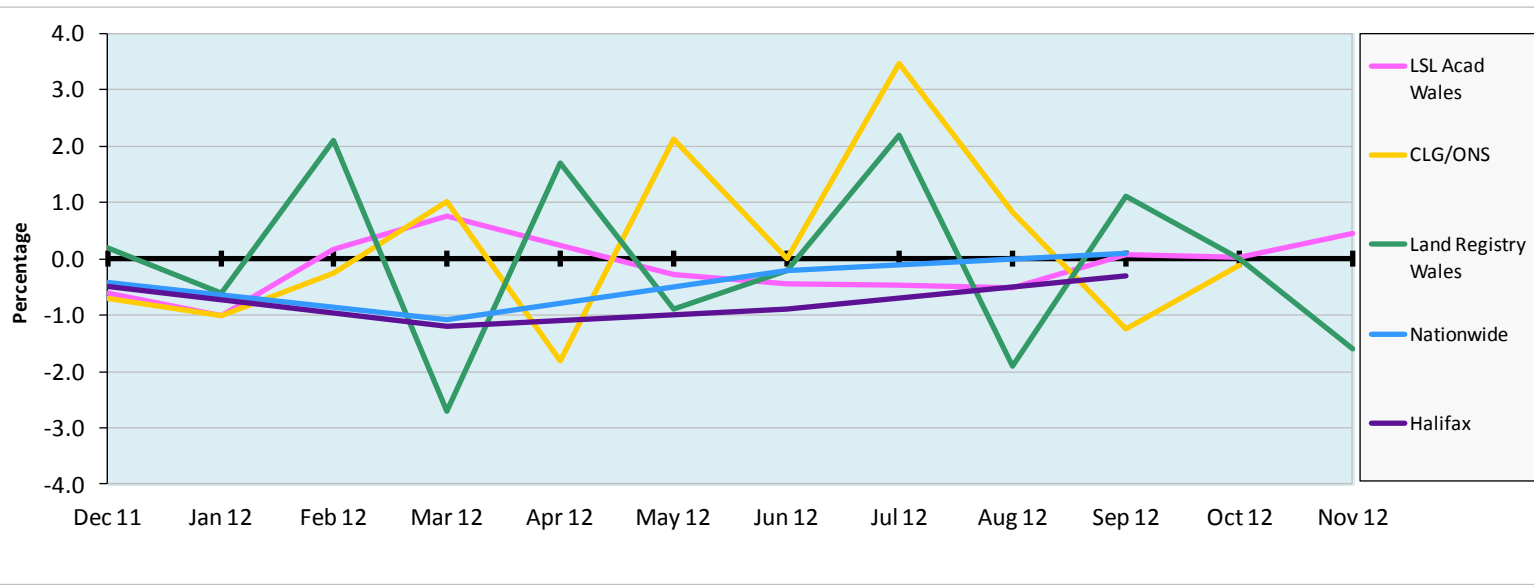


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[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.

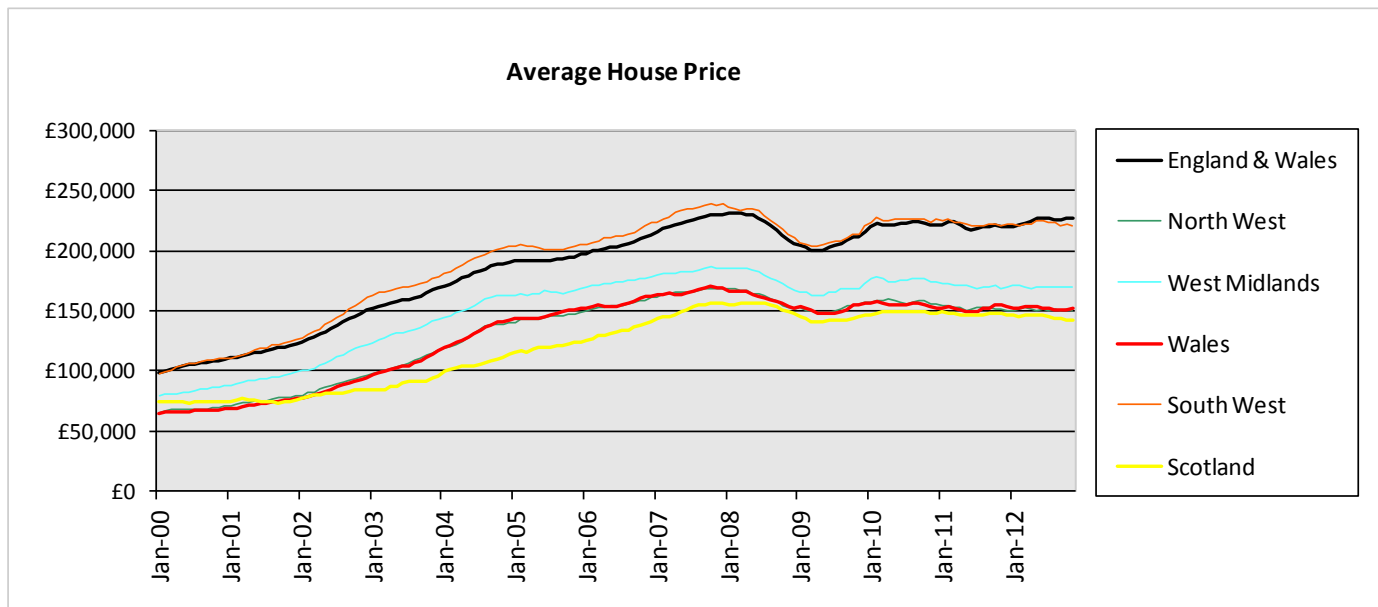


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 - November 2012 [link to source Excel](#)

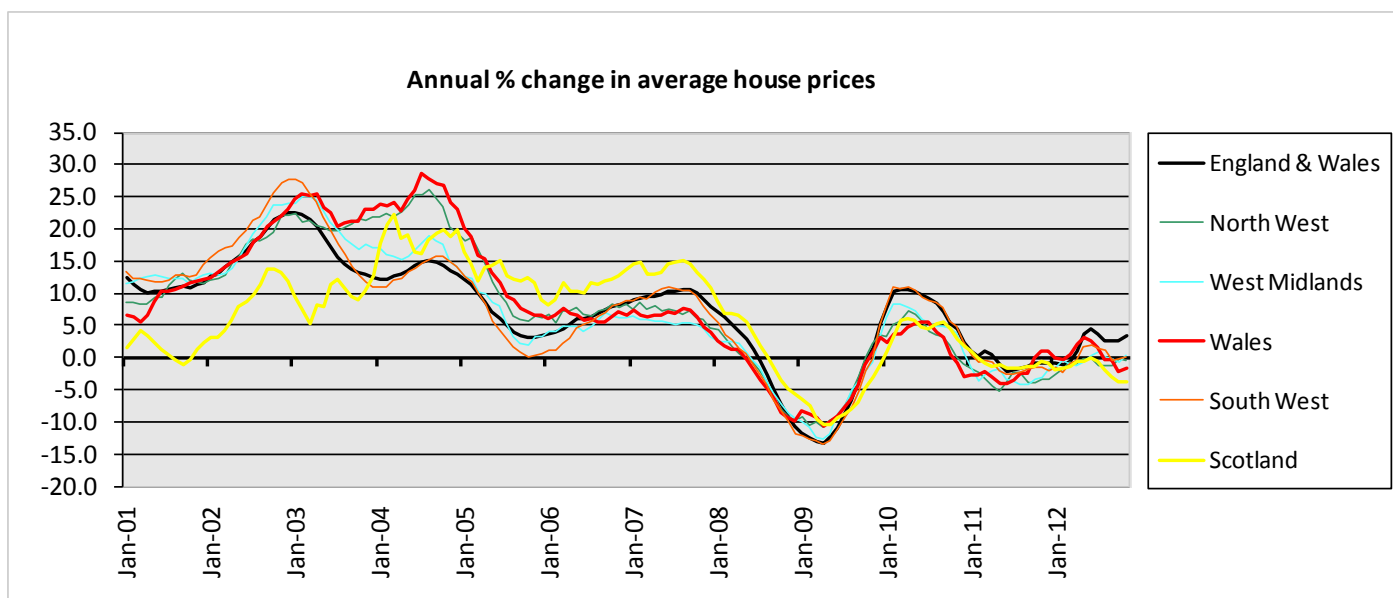


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 - November 2012 [link to source Excel](#)

Nine unitary authorities in Wales

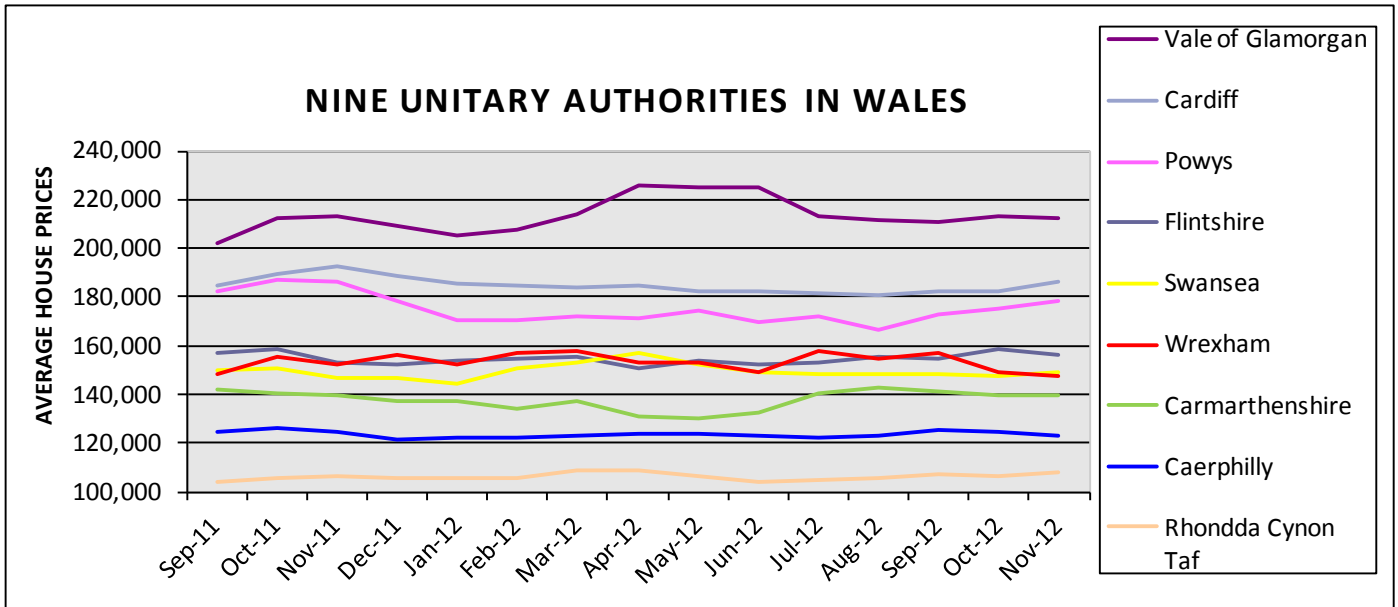


Figure 7. Average house prices for nine unitary authorities in Wales from September 2011 - November 2012

[link to source Excel](#)

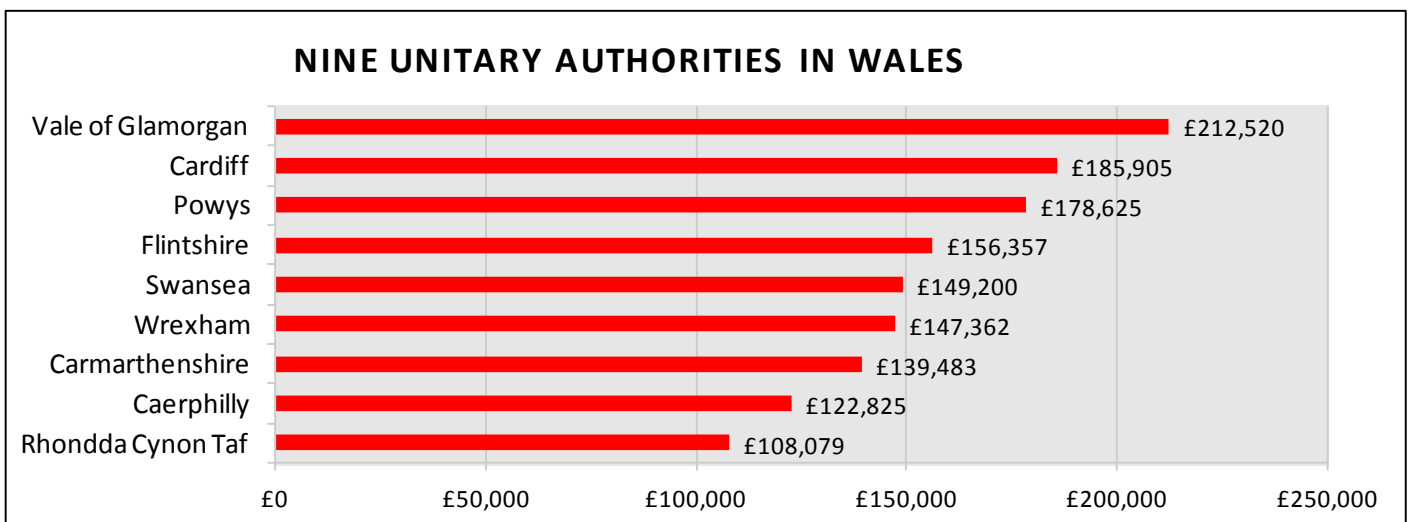


Figure 8. Average house prices for nine unitary authorities in Wales November 2012

[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.

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