

LSL Property Services/Acadametrics
Wales

House Price Index

SEPTEMBER 2011

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 23RD NOVEMBER 2011

No movement in house prices in Wales during September

- House prices maintain equilibrium in September following a summer bounce
- Transactions over the summer are up 4.5% on last year

Nigel Favas, Managing Director of Reeds Rains estate agents, who has branches in Wales commented:

“House prices are showing remarkable resilience given the current state of the European economy. Mortgage lenders are offering cheap fixed rate deals to wealthier buyers and buy-to-let landlords, which is encouraging more investment in property. Affluent buyers are supporting prices.

“On the flip side, the overall market remains subdued, thanks to the ongoing struggles of first time buyers. Credit conditions are restricted, and the major UK banks are shrinking their assets in a bid to mitigate the affects of the crisis in the Eurozone. This is hampering their ability to lend, and is encouraging them to demand increasingly big deposits from borrowers. This is freezing out the majority of first time buyers and leaving the bottom end of the property ladder in a state of protracted gridlock.

“With public sector cuts set to bite hard, and economic growth stalling, demand at the lowest end of the market is likely to fall further over the winter. This climate of uncertainty is creating a domino effect as would-be buyers who might be able to buy are staying put and biding their time. On the demand side, potential sellers are sitting tight to weather the current economic storm, hoping that prices rise from their subdued levels.”

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 October 2010 - September 2011

		House Price	Index	Monthly Change %	Annual Change %
October	2010	£154,922	240.3	-0.5	0.4
November	2010	£153,187	237.6	-1.1	-1.0
December	2010	£151,890	235.6	-0.8	-3.0
January	2011	£152,059	235.9	0.1	-2.7
February	2011	£152,754	236.9	0.5	-2.9
March	2011	£152,500	236.6	-0.2	-2.3
April	2011	£150,530	233.5	-1.3	-3.1
May	2011	£148,714	230.7	-1.2	-4.1
June	2011	£148,931	231.0	0.1	-4.2
July	2011	£149,918	232.5	0.7	-3.5
August	2011	£151,099	234.4	0.8	-3.0
September	2011	£151,082	234.4	0.0	-3.0

Press Contacts:

Melanie Cowell, LSL Property Services
David Pickles, Acadametrics
Adam Jones, Wriglesworth PR

01904 715 326
020 8392 9082
020 7427 1403

melanie.cowell@slps.co.uk
david.pickles@acadametrics.co.uk
a.jones@wriglesworth.com

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 has remained static at 0.0%, following three months of price increases over the summer totaling 1.6%. Typically the property market over the summer period sees an increase in prices of between 3% and 4% but it should be noted that we seasonally adjust our figures to make allowance for this known factor. The increase of 1.6% that we report for June – August is, therefore, the level of growth in excess of what one would usually expect for the time of year.

“On an annual basis, house prices have fallen by -3.0%, despite the summer bounce. We anticipate that the housing market in Wales will finish the year some 2.5% lower than at the end of 2010, which infers a minor improvement in prices over the next three months, when compared to the same period in 2010.

“In the short to medium term, there are four main factors which are currently affecting the level of house prices in Wales. On the demand side, interest rates are at an historically low level with building societies beginning to offer more competitively priced products, especially to the buy to let sector of the market. These products are beginning to tempt those with equity, either in existing properties or the bank, to commit to the purchase of properties, which are currently attractively priced, especially when compared to potential rental yields. However, counteracting this position is the reluctance by the lenders to provide mortgages to individuals who do not have the high deposit levels required.

“The demand for properties is also currently being influenced by reduced employment prospects and the economic outlook, which is deterring a significant element of the population from making the decision to purchase a home, especially as this is likely to be one of the most significant investments of their lives.

“On the supply side, those who already own property and have seen a decline in its value, are likely to stay put and wait for price improvements, rather than trading-in their homes at what many perceive to be a depressed stage of the market. Consequently, it is only those home-owners whose circumstances have changed who are likely to be putting their houses up for sale.

“The observed result of these different factors is that of a subdued market, with transactions, as we report on page 4, being only 50% of their long term levels and house prices remaining relatively static.

“In the long term, we believe that prices are likely to increase due to a rising population, as well as a trend for more singular households, with little evidence that new homes will be built in sufficient numbers to offset these pressures.”

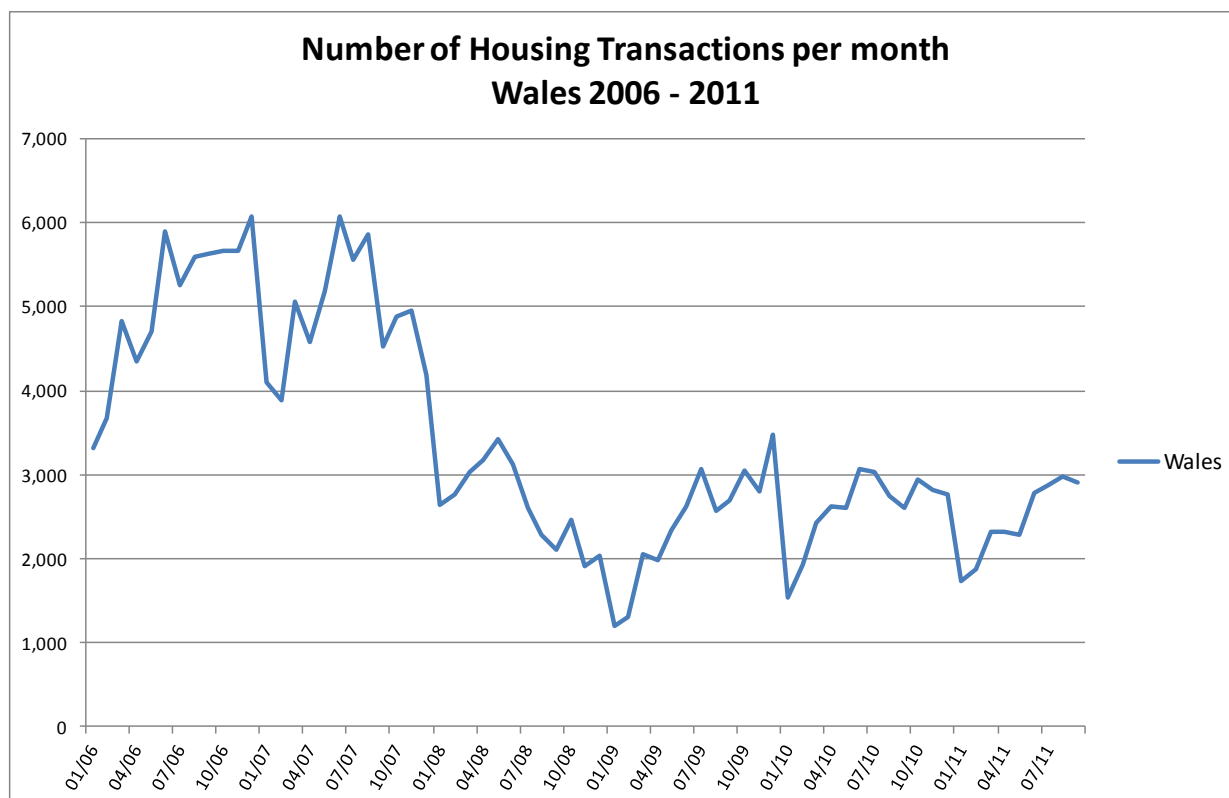


Figure 1. The number of housing transactions by month in Wales, 2006 - 2011 (not seasonally adjusted)

The above graph shows the number of monthly transactions recorded by the Land Registry (LR) for the period January 2006 to September 2011, without seasonal adjustment. Traditionally, transactions dip over the period January-March, with the market being strongest in the summer months July-September. The graph shows how the market has fallen since 2006/2007, with 51% fewer sales in the first nine months of this year compared with 2007. It should perhaps 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. We estimate that the number of properties sold in September 2011, at 2,900, is some 12% up on 2010 levels, reflecting an increase in activity in the property markets which took place over the summer months. We will watch with interest whether this increased activity can be sustained over the next few months.

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

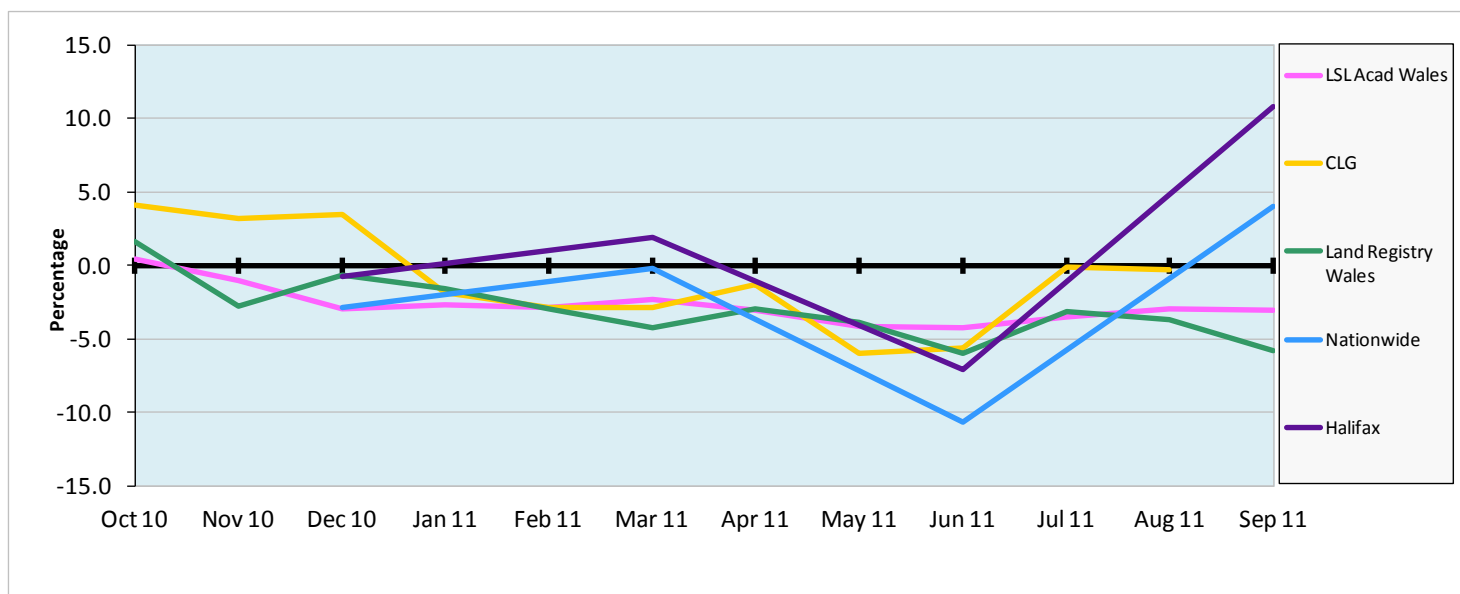


Figure 2. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

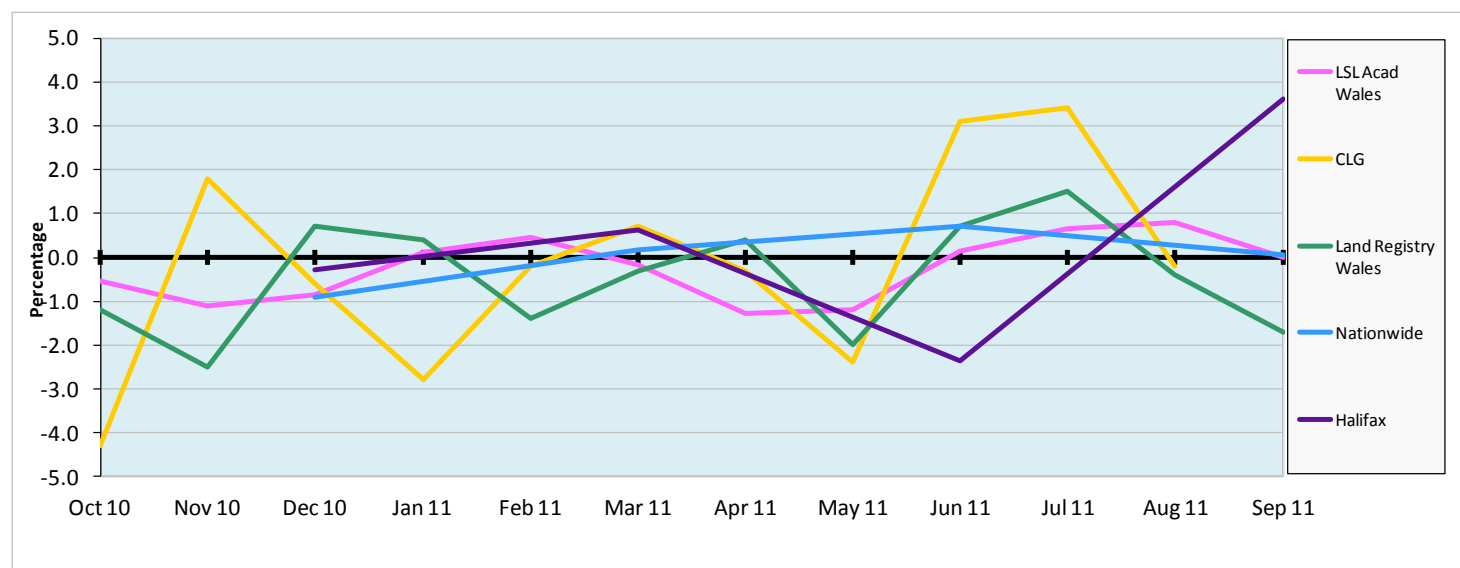


Figure 3. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

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.

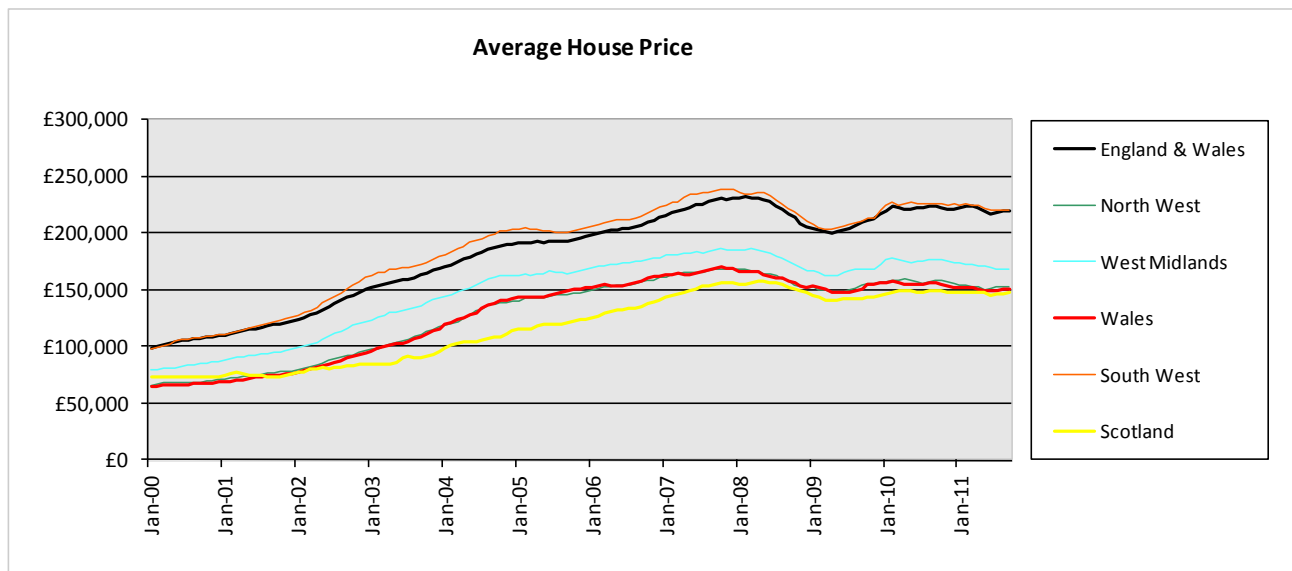


Figure 4. Wales house prices, compared with England & Wales, Wales and regions bordering Wales for the period Jan 2000 – Sep 2011

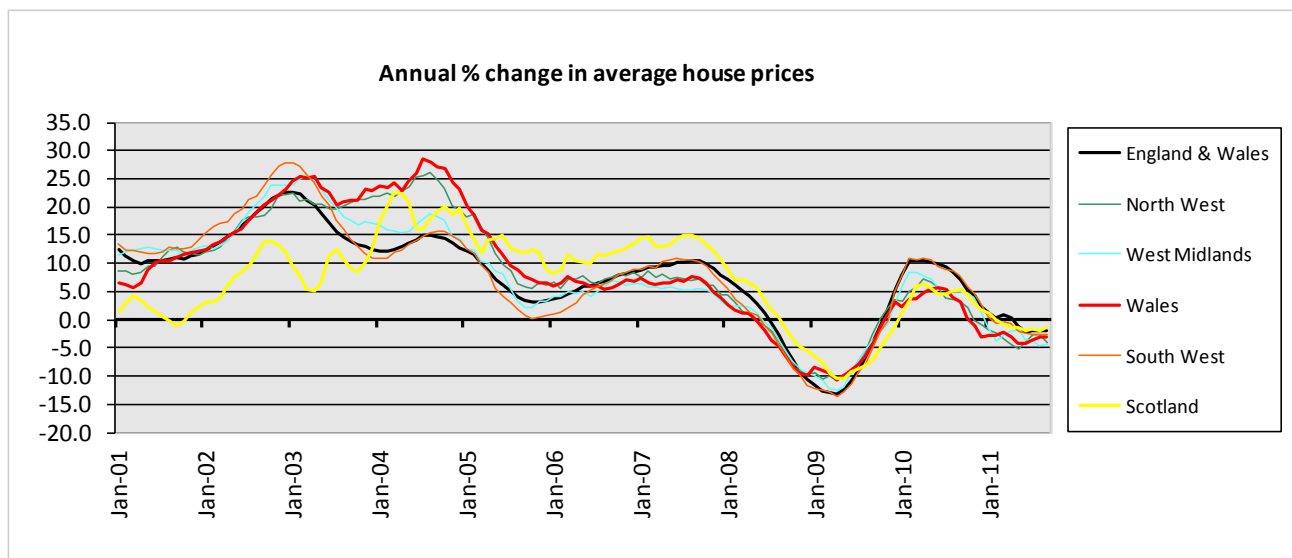


Figure 5. A comparison of the annual change in house prices in Wales, England & Wales, Wales and regions bordering Wales for the period Jan 2001 – Sep 2011

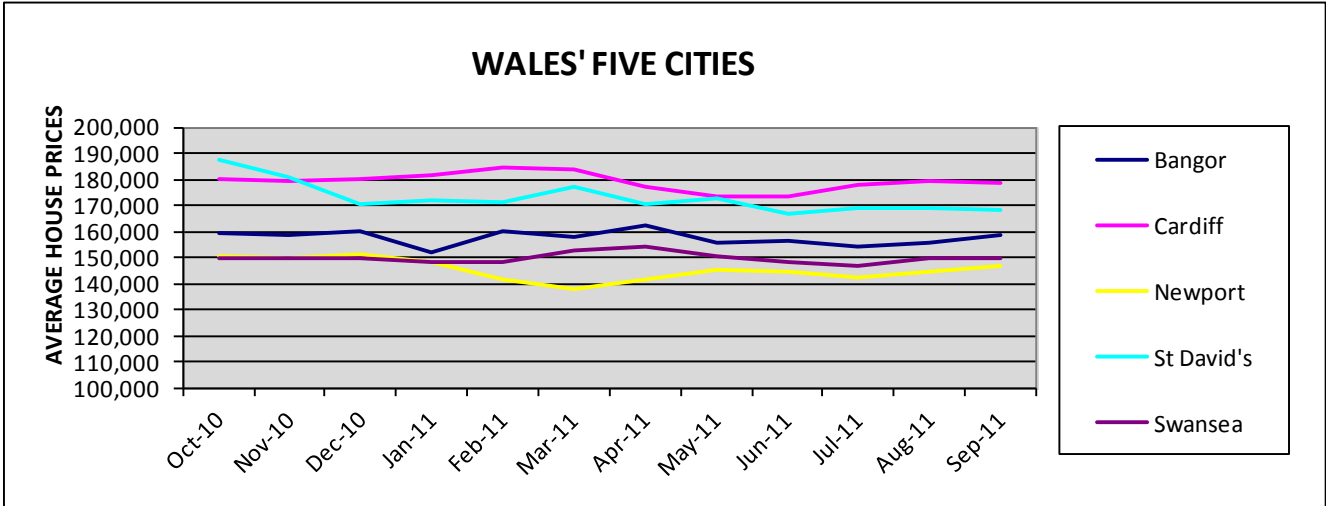


Figure 6. Average house prices for Wales' five cities from October 2010 - September 2011

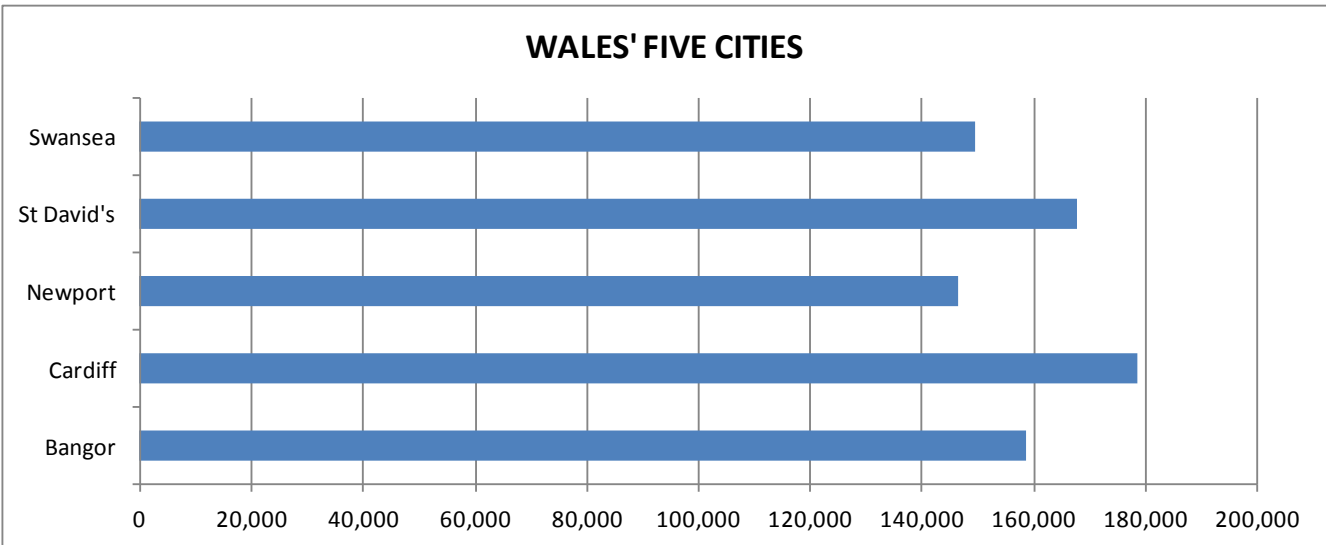


Figure 7. Average house prices for Wales' five cities September 2011



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