

LSL Property Services/Acadametrics
Wales

House Price Index

AUGUST 2012

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 24TH OCTOBER 2012



House Sales jump up 12% in August

- But house prices fall for the fourth consecutive month
- Average price of a house in Wales has fallen by £416

House Price	Index	Monthly Change %	Annual Change %
£151,004	234.2	-0.3	-0.5

Nigel Favas, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “The negative effects of an anaemic mortgage market caused house prices to fall for a fourth consecutive month in August. Despite this, there is reason to believe the housing market is beginning to take some small steps to recovery. The market is certainly stronger than last year - prices climbed on an annual basis during most months, albeit this climb was followed by a small fall in August. The upside of lower prices is it becomes easier for first time buyers to get a foot on the ladder.

“Although mortgage finance is scarce, and the Welsh economy is weaker than its English counterpart, some solace can be found in the rising number of sales in Wales which have climbed 12% compared to July. Admittedly this reflects as much the weakness of July as it does an improvement in the market.

“Prices vary tremendously on a regional basis. Property prices in affluent areas such as the Vale of Glamorgan are increasing because they are home to a higher number of equity rich buyers who are less constrained by mortgage finance. In areas where prices are lower the reverse is true. In less prosperous parts of Wales there are fewer affluent buyers which keeps sales levels suppressed and drags down house prices. Detached properties are proving to be more popular than other types, such as flats, which are falling sharply in sales. The latter are usually bought by first time buyers, but the lack of mortgage finance for new buyers means fewer are being snapped up.

“The government’s Funding for Lending scheme will begin to flood the mortgage market with cheaper funds, which could help more first time buyers get a mortgage. However, lenders may choose to use the funds to increase lending to lower LTV borrowers, rather than to those with only small deposits.”

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 September 2011 - August 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
September	2011	£152,078	235.9	0.2	-2.4
October	2011	£155,018	240.5	1.9	0.0
November	2011	£154,559	239.7	-0.3	0.9
December	2011	£153,632	238.3	-0.6	1.1
January	2012	£152,091	235.9	-1.0	0.0
February	2012	£152,308	236.3	0.1	-0.4
March	2012	£153,470	238.1	0.8	0.5
April	2012	£153,746	238.5	0.2	2.1
May	2012	£153,159	237.6	-0.4	2.9
June	2012	£152,341	236.3	-0.5	2.2
July	2012	£151,420	234.9	-0.6	1.0
August	2012	£151,004	234.2	-0.3	-0.5

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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 August was £151,004. This figure represents a fall of 0.3% or £416 from July. It is the fourth month in a row during which prices have gone down, albeit at a slower rate - the fall was 0.6% last month. If we consider the year as a whole, prices have risen in five of the twelve months and have fallen in seven of them. However, the actual price falls have exceeded the rises, resulting in a 0.5% fall over the year, with the average price of £151,004 being only slightly higher than the equivalent figure in July 2011.

The annual graph - Figure 1 below - shows how the average price rose until October 2011, but has mainly fallen since then. The small bounces in March-April 2012 can be attributed to the ending in March of the stamp-duty holiday for first-time buyers. The trend is a falling one, starting the year at £153.5K and ending at £152K.

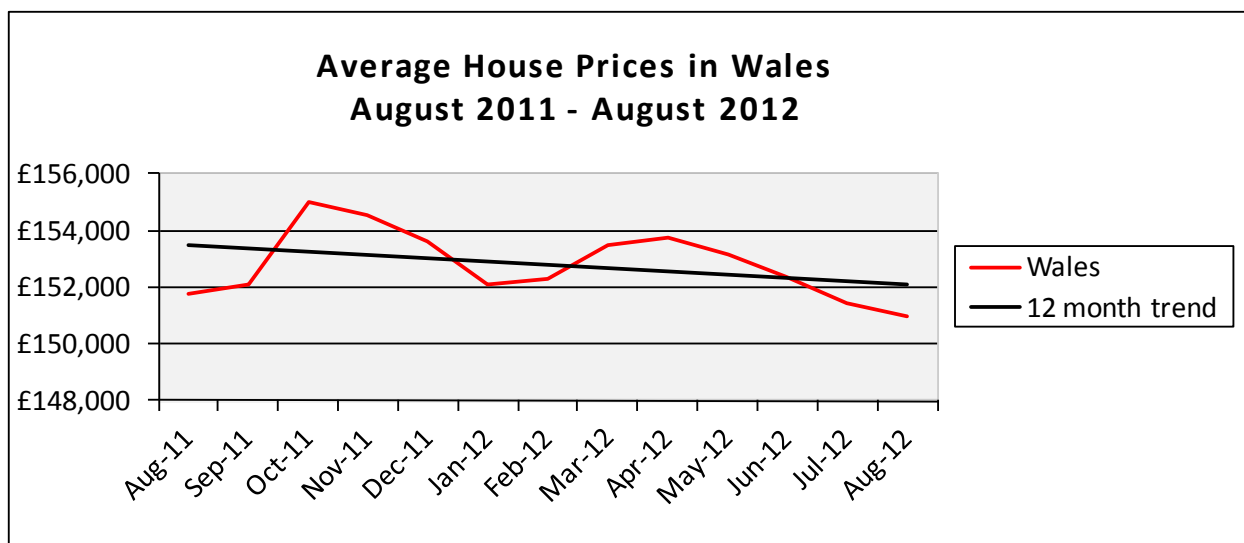


Figure 1. Average house prices in Wales, August 2011 – August 2012

[link to source Excel](#)

As is discussed on page 5, the number of transactions in August returned to more 'normal' levels for the time of year, following a subdued July, with sales over the last 12 months being 2% higher than the previous year. However, in September we anticipate a decline in transactions due to the knock-on effect of the Olympics, assuming that Wales follows the same pattern as England.

All the main parties during the conference season have referred to the housing market as a potential source of economic growth. The government has focused considerable attention on increasing the supply of new homes as an economic multiplier, even though to date the impact of this policy has been limited. There is a definite case for lending more attention to the housing market, and the Labour party proposal for suspending Stamp Duty on homes under £250,000 has some merit here as a market stimulus. As it stands, the market seems destined to drift downwards in terms of prices, with little change in transaction numbers, especially when compared to the pre credit crunch years: this then becomes a self-reinforcing process. The government is promising a new housing strategy in November; it needs to deliver a step change in policy and market activity.

What prospects do we foresee for the remainder of the year? The Funding for Lending Scheme (FLS) should result in a greater supply of cheaper mortgage funding, which otherwise would not have been available. This in turn should stimulate transactions and prices, not least because the supply of credit currently remains constrained. However, there is little in recent figures to support any strong optimism about the market, with a clear consensus indicating that it will remain subdued for the rest of the year.



Table 2. The average house price in Wales, by unitary authority area, August 2011 and August 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	Aug-11	Aug-12	% Change
2	1	THE VALE OF GLAMORGAN	197,826	216,220	9.3%
1	2	MONMOUTHSHIRE	216,708	213,412	-1.5%
3	3	CEREDIGION	181,217	191,346	5.6%
4	4	CARDIFF	179,962	183,190	1.8%
6	5	PEMBROKESHIRE	167,933	171,624	2.2%
5	6	POWYS	172,383	167,955	-2.6%
7	7	CONWY	164,600	160,426	-2.5%
10	8	WREXHAM	155,641	155,699	0.0%
11	9	ISLE OF ANGLESEY	150,645	155,094	3.0%
13	10	NEWPORT	145,602	151,185	3.8%
8	11	FLINTSHIRE	155,945	150,620	-3.4%
9	12	GWYNEDD	155,925	147,790	-5.2%
12	13	SWANSEA	149,991	144,747	-3.5%
14	14	CARMARTHENSHIRE	142,585	139,191	-2.4%
15	15	DENBIGHSHIRE	141,592	134,972	-4.7%
16	16	BRIDGEND	140,509	133,541	-5.0%
17	17	TORFAEN	130,042	122,174	-6.1%
18	18	CAERPHILLY	123,595	119,195	-3.6%
19	19	NEATH PORT TALBOT	110,630	109,587	-0.9%
20	20	RHONDDA CYNON TAFF	104,942	103,559	-1.3%
21	21	MERTHYR TYDFIL	98,920	97,299	-1.6%
22	22	BLAENAU GWENT	85,351	80,568	-5.6%
		WALES	151,757	151,004	-0.5%

Table 2 shows the average price of a house in the 22 unitary authority areas in Wales for both August 2011 and August 2012. As can be seen, although the headline rate of annual change for the Principality as a whole shows a 0.5% fall, there are many differences at a more local level. For the fourth month in succession, the largest rise in prices has been in The Vale of Glamorgan, up by 9.3%, followed by Ceredigion, up 5.6%, while the biggest faller is Torfaen, down 6.1%. This month 15 of the 22 unitary authority areas in Wales are experiencing a decline in average prices over the year, three more than last month.

As can be seen elsewhere in the UK, it is the areas with the higher priced homes that are experiencing price increases, while the areas with the lower priced properties are seeing price falls. As the above table shows, the 7 unitary authority areas in Wales with a positive or zero movement in prices over the year are all ranked within the top 10 areas by property price. The top 11 areas ranked by price are showing an average increase over the year of 1.4%, while the bottom 11 areas have an average price decrease of 3.6%. Areas such as The Vale of Glamorgan, where there are more affluent buyers, have seen the biggest rise in prices because of the higher demand for property. Conversely, less affluent areas have seen prices fall since it is harder for lower income buyers to access mortgage finance, which in turn has reduced demand and dragged down prices.

Comparing transactions across Wales as a whole with the same period in the previous year, there has been a 2% decline in the number of properties sold over the three months June - August 2012. This decline in sales can be ascribed to the exceptionally high levels of rainfall in Wales during the period April to June of this year. Despite the rain there has been a 1% increase in the number of detached properties sold, but a drop in sales of other property types, with a decline in flat sales of 8%. The area with the largest increase in the sale of detached properties has been Carmarthenshire, with 40 more units sold, up 21% over this last quarter compared to the previous year. Cardiff has seen the largest fall in the sale of detached properties, with 27 fewer sales, down -17%. Cardiff has also seen the largest fall in the sale of flats, with 60 fewer units being sold over the three months to the end of August, compared with last year.

The area with the largest increase in property sales over the last three months, compared to the previous year, is Conwy, up by 12%. The area with the greatest fall in sales is Bridgend at the other end of the country, down 10% over the period.

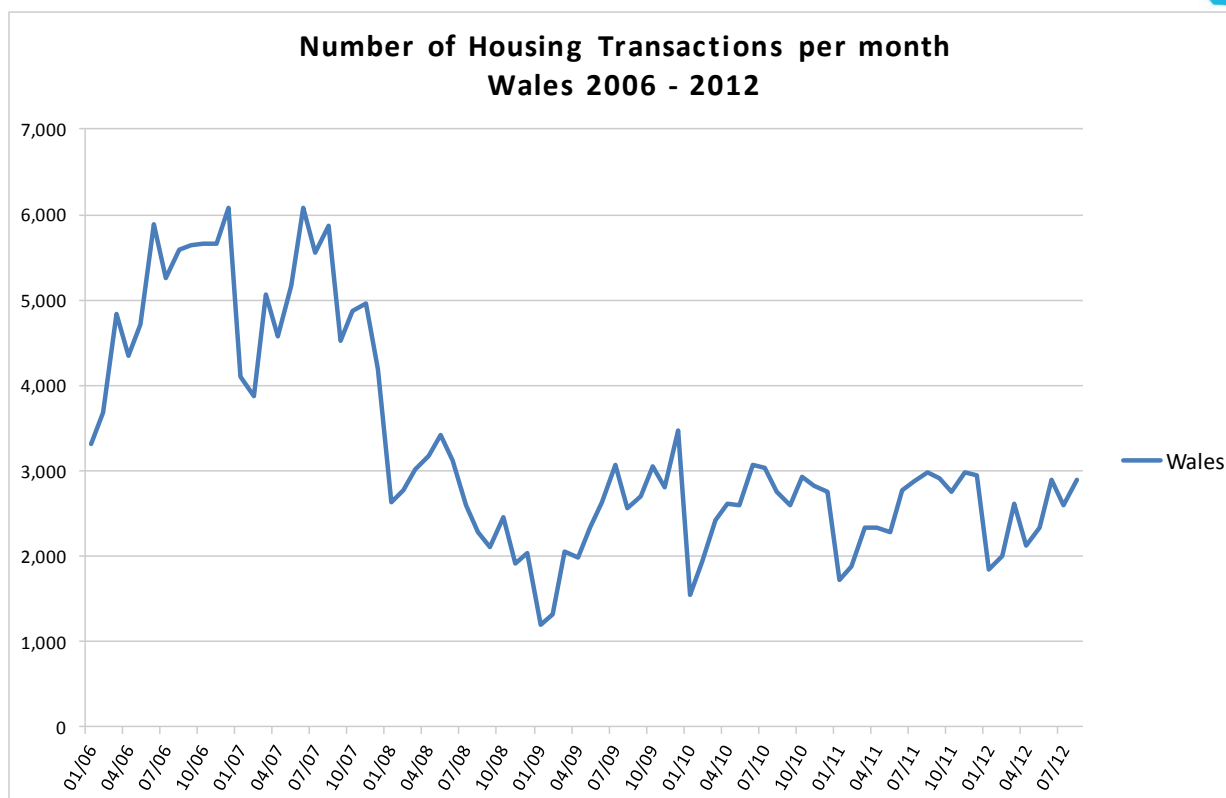


Figure 2. The number of housing transactions by month in Wales, 2006 - 2012 (not seasonally adjusted)

[link to source Excel](#)

The graph above shows the number of monthly transactions in Wales recorded by the Land Registry for the period January 2006 to August 2012, without seasonal adjustment. Traditionally, sales in Wales in August are 2% lower than in July, as families start their summer holidays. However, this year we estimate that sales have increased by some 12% in August over July. This increase had more to do with poor levels of sales in July than with a sudden upsurge in demand during the month, with the level of transactions returning to the current 'norm', equal to that of June. We anticipate that sales will fall in September due to the effect of the Olympics, but will wait until next month to report on that.

Sales over the 12 month period September 2011 to August 2012 are 2% ahead of the equivalent period 12 months earlier, but this current 'norm' still only equates to half the number of transactions that were taking place prior to the credit crunch. The difficulties in obtaining mortgage finance and the current economic uncertainties continue to take their toll on the number of properties being bought and sold in today's market.

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

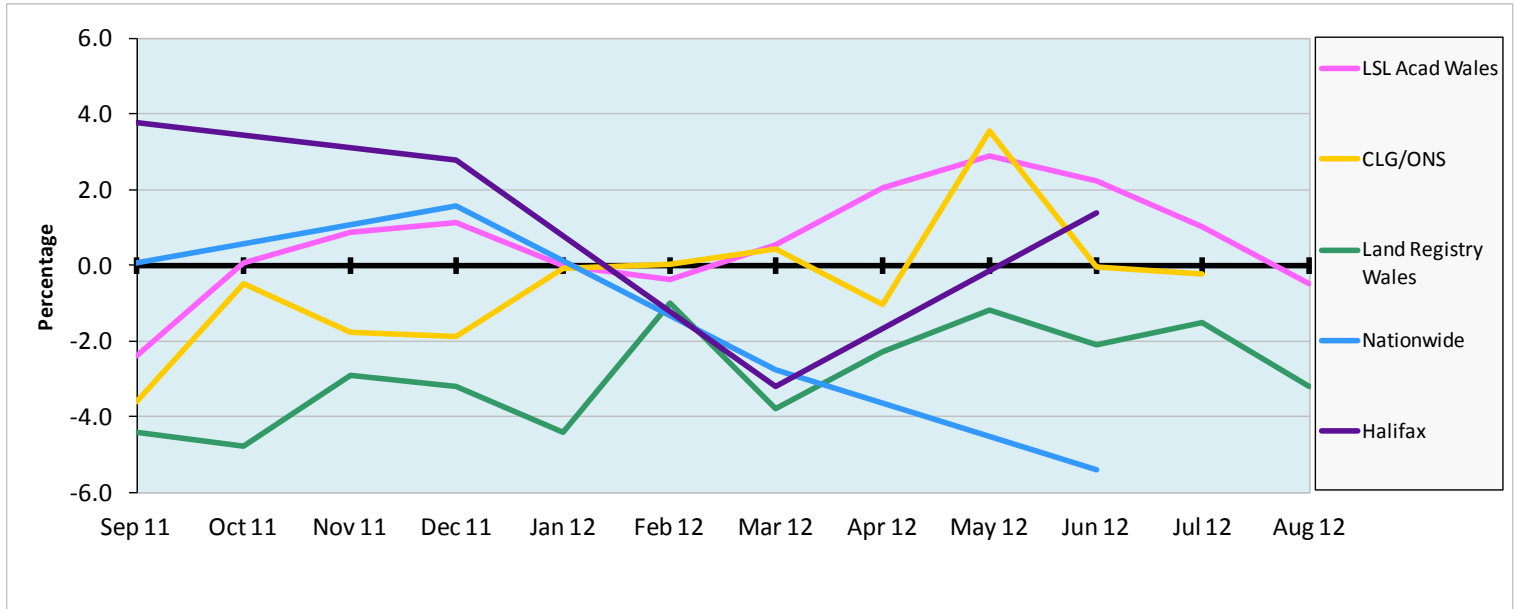


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

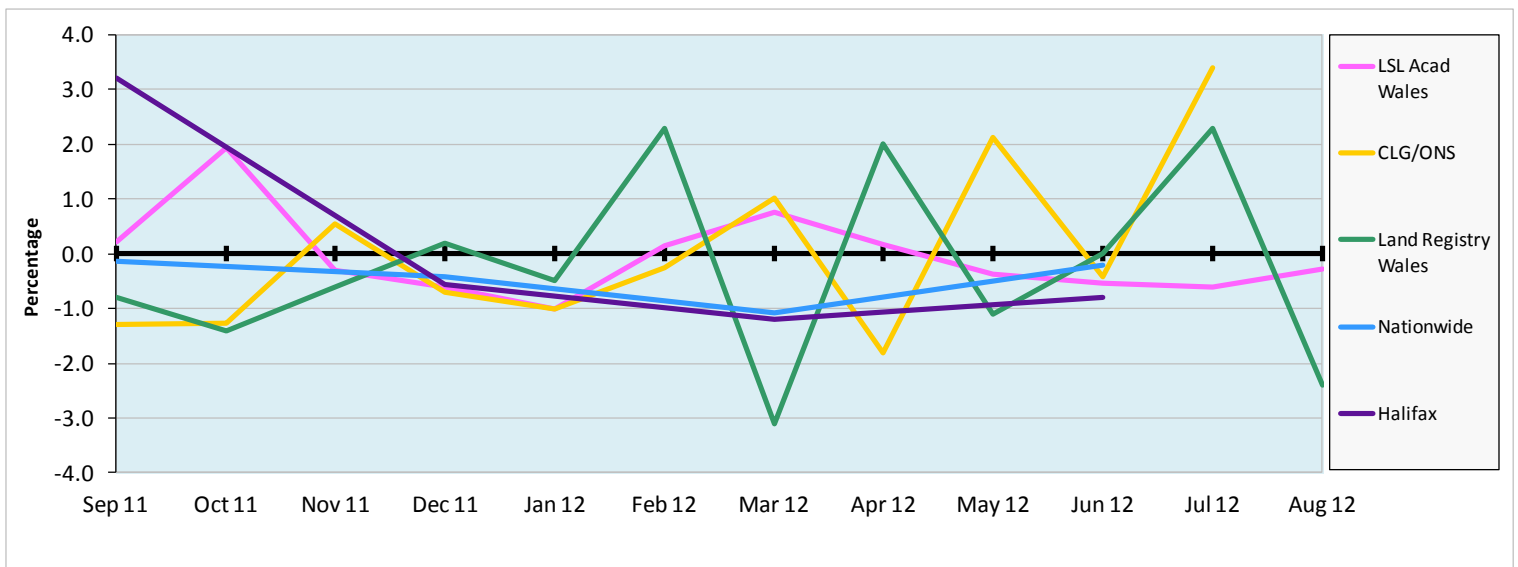


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[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.

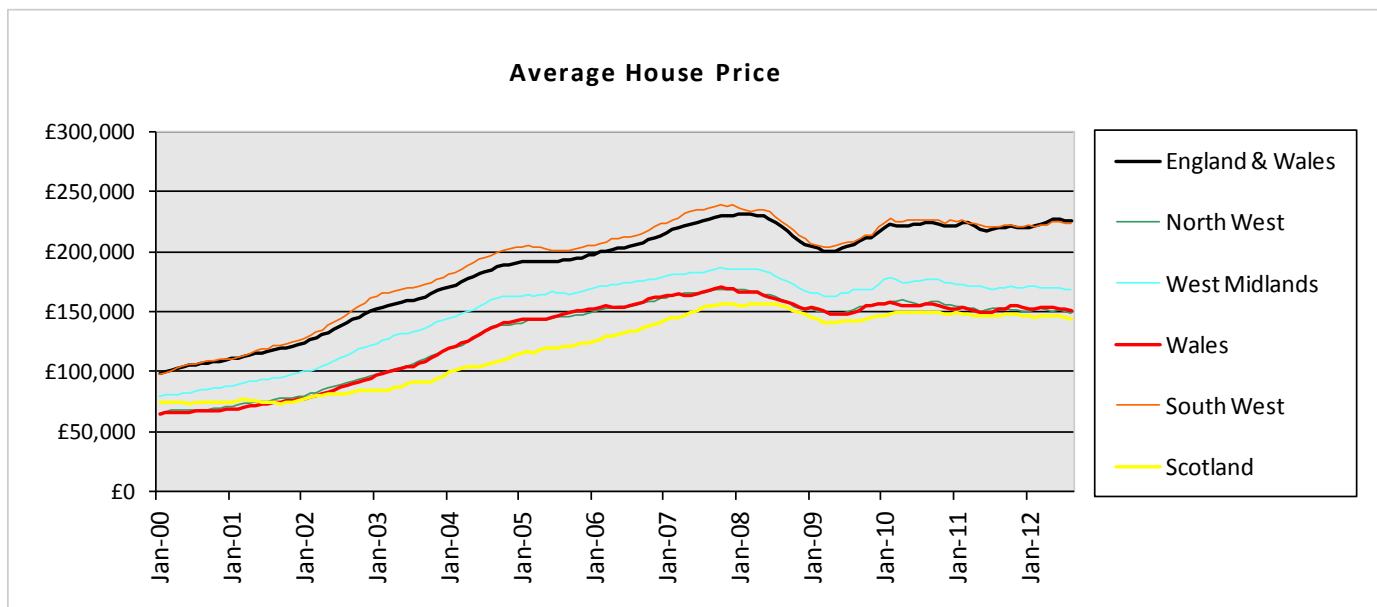


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 - August 2012 [link to source Excel](#)

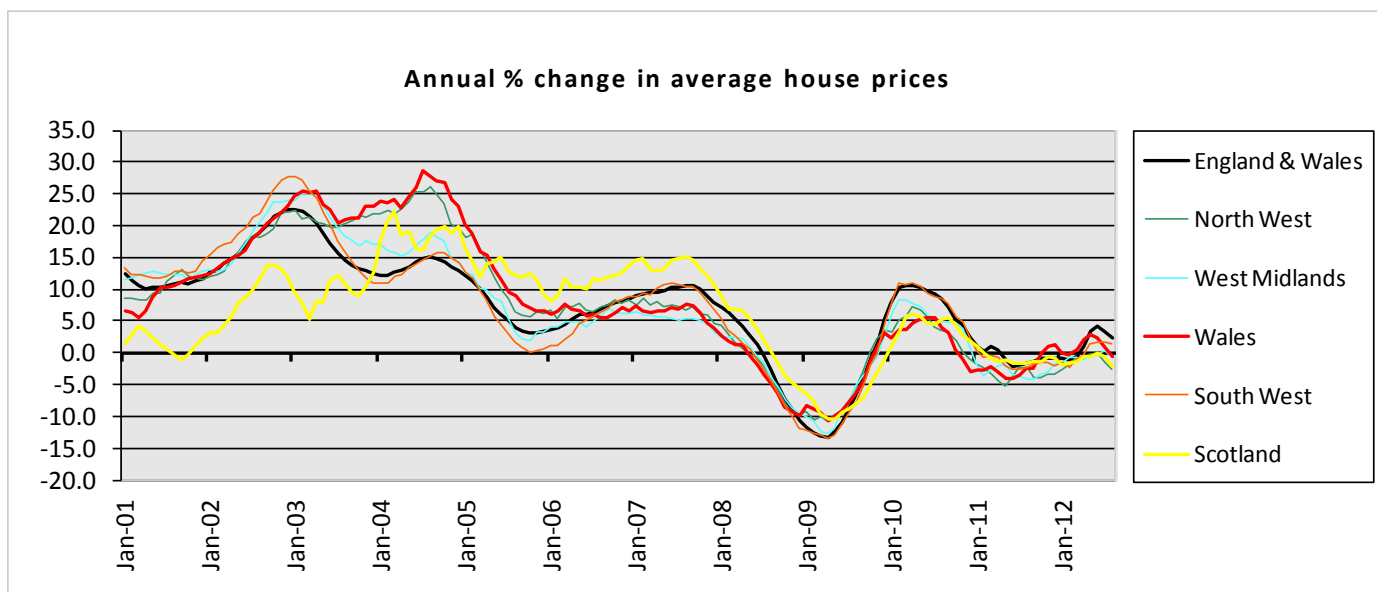


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 - August 2012 [link to source Excel](#)

Nine unitary authorities in Wales

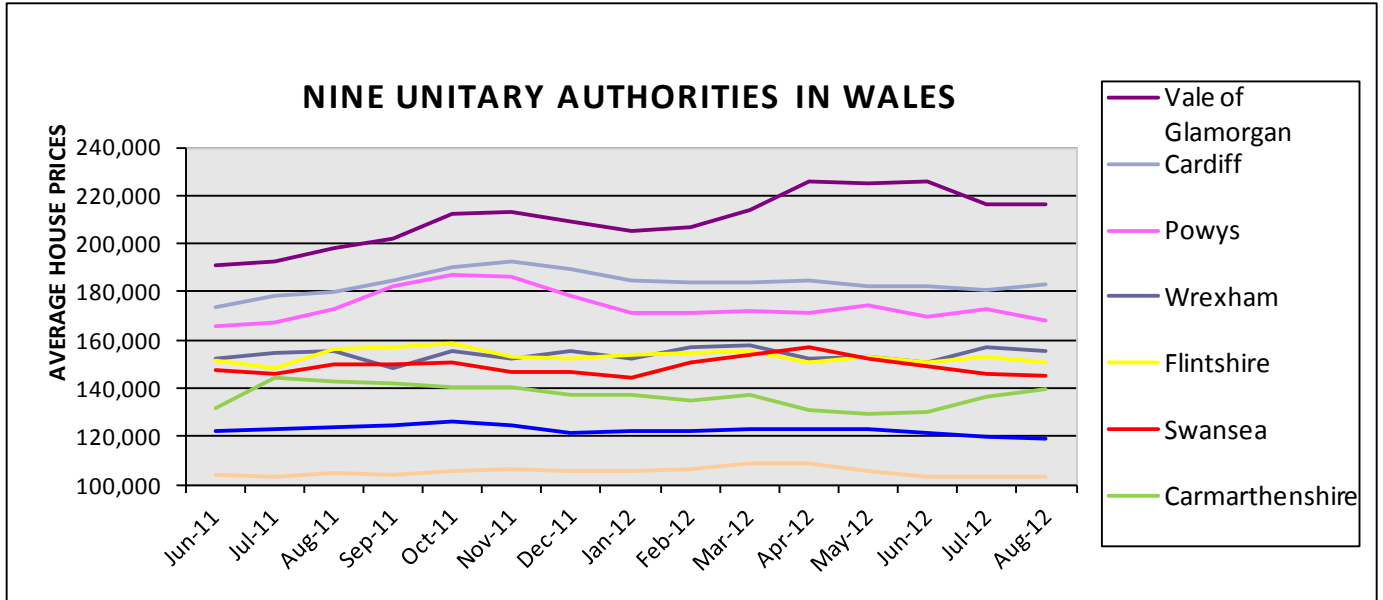


Figure 7. Average house prices for nine unitary authorities in Wales from June 2011 - August 2012

[link to source Excel](#)

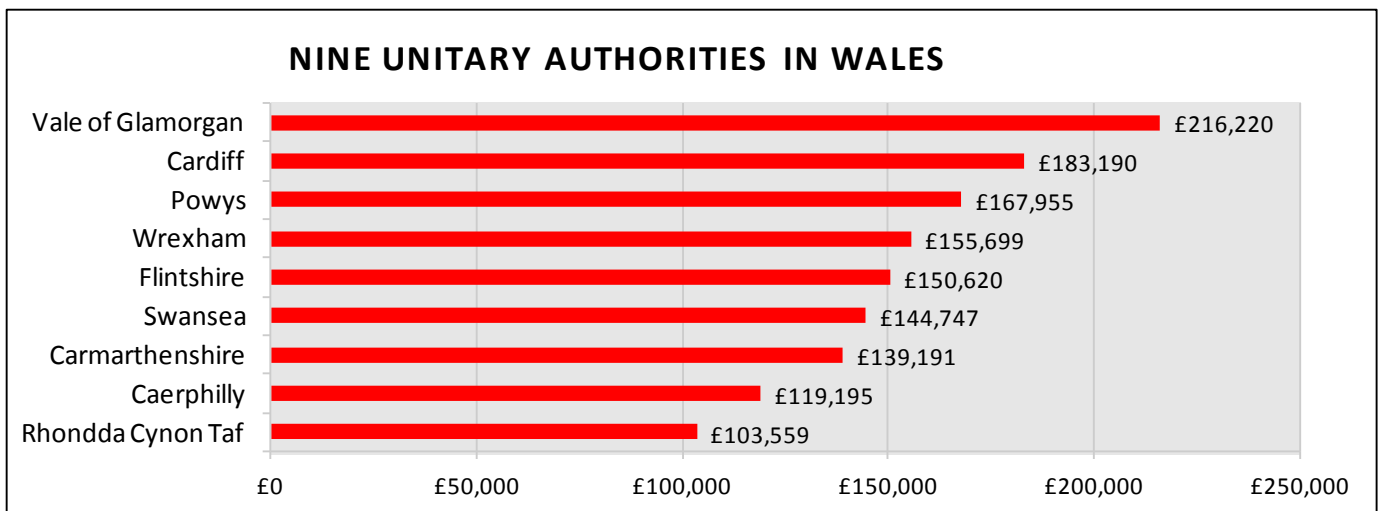


Figure 8. Average house prices for nine unitary authorities in Wales August 2012

[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