

LSL Property Services/Acadametrics
Wales

House Price Index

FEBRUARY 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 24TH APRIL 2013



House prices in Wales climb £766 since start of 2013

- But prices down compared to last year
- Prices have fallen back to where they were in December 2010

House Price	Index	Monthly Change %	Annual Change %
£151,810	235.5	0.5	-0.3

Richard Sexton, director of e.surv, part of LSL Property Services, comments: “The Welsh housing market received a boost in February, but it is by no means set on the road recovery. House prices rose £766 over the month, but remain £458 lower than February last year. And prices have fallen back to their December 2010 levels – a 3.5% fall over a thirty six month period.

The bad weather may go some way to explaining the lack of sales at the start of the year. Prices continue to fluctuate, as they have done over the past twelve months, and lending conditions remain tough. House sales are still very low by past standards, primarily due to the lack of activity from the bottom end of the market and the difficulty first time buyers are having in getting loans.

Instead, older, wealthier buyers are the ones dominating activity, which is preventing house prices from falling even further. There is an affordability crisis in the property market which is alienating first-time buyers, many of whom are struggling to drum up a big enough deposit. Mortgage lending remains constrained and this is freezing lots of first time buyers out of the market. In fairness to banks, they have their hands tied by strict requirements on the amount of capital they have to hold in reserve, which is limiting their capacity to lend.

The problems in the economy don't help. The Welsh economy is listing. It has taken heavy blows from inflation, weak wage growth, public sector cuts and a lack of private sector investment. These blows haven't sunk it, but they have left it relatively incapacitated. Given these economic problems, the Welsh Assembly's decision to cancel its NewBuy scheme is disappointing, though the UK Help to Buy proposals may ultimately fill this gap.

Thankfully, 2013 is set to be the best year for the housing market since 2007, and brighter days are moving onto the horizon. Mortgage rates are lower and there are a better range of mortgage deals compared to a year ago. And the first time buyer market is slowly picking up – albeit from a very weak base. With the capital's football team set for the Premiership next season, perhaps better days could lie ahead in 2013.”

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 February 2012 – February 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
February	2012	£152,268	236.2	0.1	-0.4
March	2012	£153,511	238.1	0.8	0.6
April	2012	£153,841	238.6	0.2	2.1
May	2012	£153,434	238.0	-0.3	3.1
June	2012	£152,823	237.1	-0.4	2.5
July	2012	£152,140	236.0	-0.4	1.5
August	2012	£151,500	235.0	-0.4	-0.1
September	2012	£152,006	235.8	0.3	0.0
October	2012	£152,665	236.8	0.4	-1.5
November	2012	£152,459	236.5	-0.1	-1.4
December	2012	£151,954	235.7	-0.3	-1.1
January	2013	£151,044	234.3	-0.6	-0.7
February	2013	£151,810	235.5	0.5	-0.3

House price index: historical data



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@lslps.co.uk
david.pickles@acadametrics.co.uk
a.jones@wriglesworth.com

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

February saw the average price of a house in Wales reach £151,810, an increase of £766 (0.5%) from January. This takes the price back to nearly its December 2012 level and almost to the price in August last year. However, this small change may well be the result of a rise in transactions in December which, it had been hoped, would presage an upward swing. But it would be hard to argue any form of more permanent swing into positive territory on the back of this tiny uplift. Indeed, prices are almost where they were in December 2010 and represent a fall of -3.5% over a 36-month period.

At least, the price change is positive and the annual rate of downward change has slowed this month as well. Lending to first time buyers increased during the last quarter of 2012. Against this, RICS reports a fall in new buyer enquiries in February, together with a drop in new vendor instructions. It is also interesting to note that 78% of RICS surveyors reported unchanged prices over a three month period in Wales, with just 4% reporting a rise.

Anecdotally, the RICS members across Wales also report varying experience - from optimism in Cardiff to much less enthusiasm in the North. This does reflect our view of a far from uniform market in the Principality, as we have reported in the past. There is no question though that the weather will have had a significant effect on house sales in the early part of the year and this again is reflected in the RICS members' views.

It is hard to draw any firm conclusions about prices from the present market form. The givens are that the economy is sluggish, unemployment remains a worry and the climate hasn't helped. There appears to be a shortage of affordable property for FTBs and the lending situation has improved. To what extent will the market in Wales be affected by the more positive momentum in the UK as a whole?

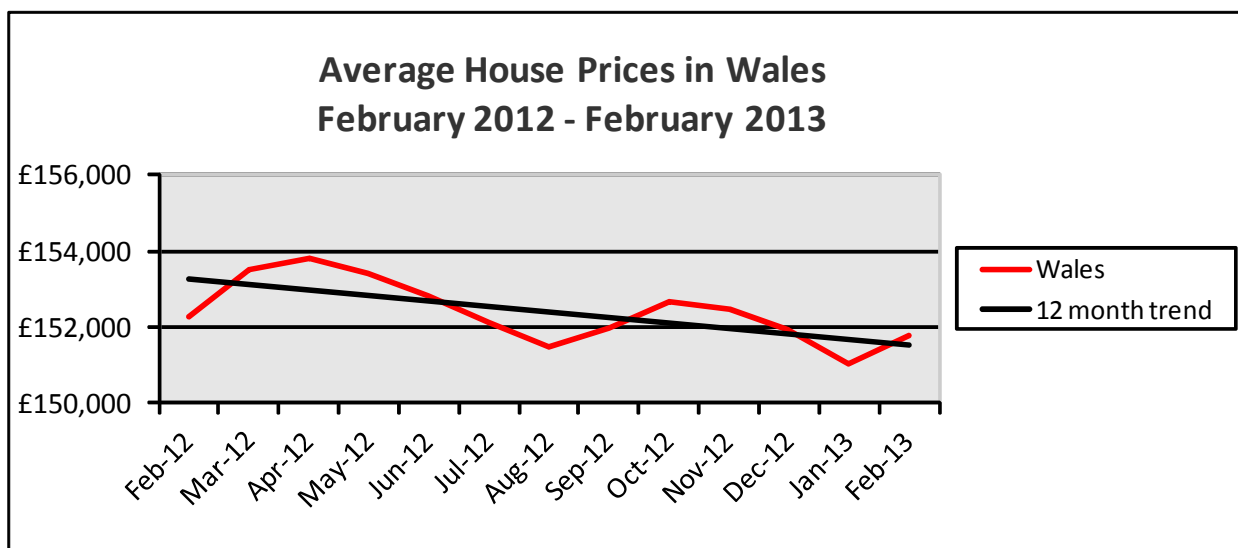


Figure 1. Average house prices in Wales, February 2012 – February 2013

[link to source Excel](#)

Figure 1 shows the small rise of 0.5% in average house prices this month, moving the actual position above the black trend line. However, the trend continues its downwards annual trajectory, although the rate of decline is only -0.3% this month. This compares with the -1.5% rate in October 2012 and it has reduced, to date, month-by-month since then. This is not unlike the similar positive trend in the rate of change in the early part of 2012, but which came to an end in August of that year. Will the positive movement be maintained this time? We can compare with England & Wales as a whole where there was an increase of 3.7% in February on an annual basis.

Nevertheless, this more positive trend moves Wales away from the bottom of the league of regional monthly change, where both the North and Yorks & Humber saw decreases of -0.1% and -0.4% respectively this month.



Table 2. The average house price in Wales, by unitary authority area, February 2012 and February 2013

[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	Feb-12	Feb-13	% Change
1	1	MONMOUTHSHIRE	225,651	219,186	-2.9%
2	2	THE VALE OF GLAMORGAN	207,673	203,314	-2.1%
4	3	CARDIFF	184,488	195,291	5.9%
5	4	POWYS	170,464	171,016	0.3%
6	5	PEMBROKESHIRE	165,906	164,854	-0.6%
9	6	ISLE OF ANGLESEY	157,501	164,819	4.6%
3	7	CEREDIGION	184,996	160,872	-13.0%
11	8	CONWY	153,374	157,737	2.8%
10	9	FLINTSHIRE	153,927	155,670	1.1%
8	10	WREXHAM	157,519	151,537	-3.8%
13	11	SWANSEA	150,572	150,063	-0.3%
7	12	GWYNEDD	158,153	149,873	-5.2%
14	13	NEWPORT	145,673	148,298	1.8%
15	14	BRIDGEND	136,992	141,700	3.4%
12	15	DENBIGHSHIRE	152,370	138,926	-8.8%
16	16	CARMARTHENSHIRE	134,173	134,313	0.1%
17	17	TORFAEN	131,893	125,604	-4.8%
18	18	CAERPHILLY	121,746	113,417	-6.8%
19	19	NEATH PORT TALBOT	106,907	105,283	-1.5%
20	20	RHONDDA CYNON TAFF	105,963	103,872	-2.0%
21	21	MERTHYR TYDFIL	90,124	98,091	8.8%
22	22	BLAENAU GWENT	80,306	85,871	6.9%
		WALES	152,268	151,810	-0.3%

Table 2 shows average prices in February 2012 and February 2013 for each of the 22 unitary authorities in Wales, along with the % change over the twelve months. During this month, prices have increased in 10 of these, and fallen in 12. This compares with January's changes of 9 rises and 13 falls.

We see an average change of -0.3% for Wales as a whole (compare -0.6% last month), but once again there are significant variations across the different authorities. The -13% figure in Ceredigion stands out: but consider the relatively small number of 38 transactions that this is based on. Noteworthy are Cardiff where prices rose nearly 6%, continuing the rise of over 3% last month. Indeed Cardiff is now seeing a peak in its average house prices, exceeding the previous peak price of £194,095 which occurred in December 2007. The Isle of Anglesey reversed last month's fall of -2.6% to show an increase of 4.6%, and in Swansea last month's increase of 3.5% has turned into a fall of 0.3%. Gwynedd continues downward at -5.2%, along with Denbighshire at -8.8%. Merthyr Tydfil and Blaenau Gwent continue to rise with 8.8% and 6.9% respectively. We can only refer back to the "on the ground" assessment of the RICS members in Wales, as mentioned above, whose experiences reflect this lack of cohesion in the market.

As in the case of Ceredigion above, when considering these figures, we must remember that the actual numbers of transactions were small in some areas, notably in Blaenau Gwent (23), Merthyr Tydfil (33) and Torfaen (43), making the headline percentage change less significant statistically.

Logic might suggest that more rural areas would suffer greater and more persistent relative falls in price as a result of the general increase in the cost of living determined by such areas; we touched on this last month. Outgoings including fuel and vehicle costs, public transport fares and so on make living further from a place of work increasingly less affordable and this, in



Further commentary by Dr Peter Williams



turn, ought to be reflected in property prices. Certainly, as we see below, transaction numbers in some of the more heavily populated Southern areas appear to be well below those in the North, which might suggest a desire to stay put as a result of the cost of living effect.

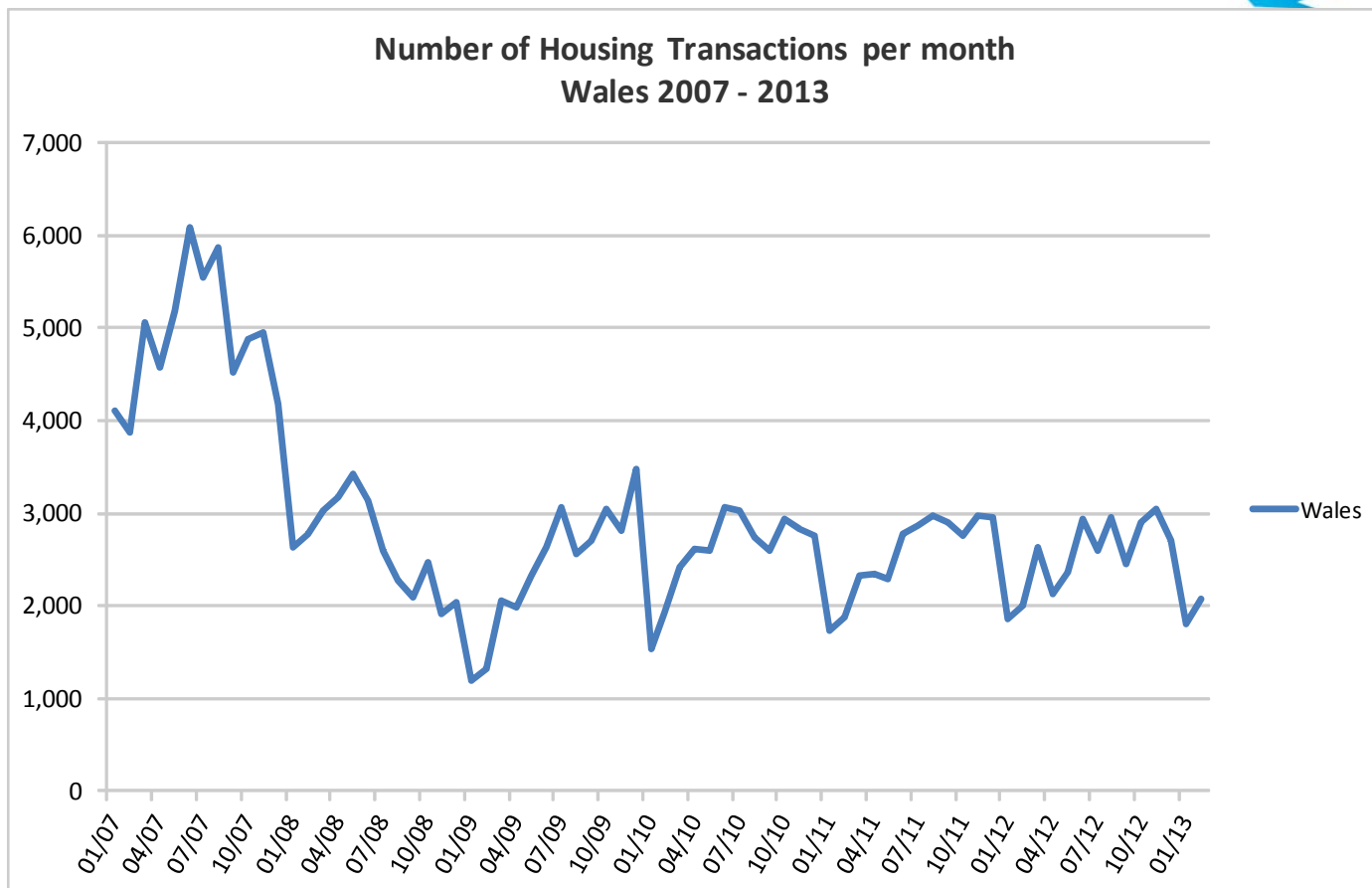


Figure 2. The number of housing transactions by month in Wales, 2006 - 2013 (not seasonally adjusted)

[link to source Excel](#)

Figure 2 above shows the number of monthly transactions in Wales recorded by the Land Registry and as estimated by LSL Acadametrics for the period January 2007 to February 2013, without seasonal adjustment.

At 2,075 this month's estimated total number of transactions is the best February figure since 2010, but remains 46% below the peak in February 2007, when there were 3,876 transactions. If we compare on a rolling 12-month basis, there were 30,590 sales in the 12-month period ending February 28th this year, compared with 31,048 in the 12 months ending February 29th 2012, a decrease of nearly 1.5% or 458. Comparing to the peak year ending February 2008, we see a difference of 45.6%. Put another way, that means that in an average month during the past 12 months, there were 2,139 fewer properties sold, compared to the monthly average for the year ending February 2007/2008.

The full 2012 monthly transaction average of 2,530 compares with an average of 1,937 for the two months so far of 2013 and with 1,804 for a similar period in 2011.

Taking the three months, December 2012, January 2013 and February 2013 and comparing with the equivalent three months in 2011/2012, there is a reduction in sales of all property types, but with the reduction being less at the lower end of the market. The comparison shows a fall of -5.1% in the sale of detached properties, -6.8% in semi-detached, -11.7% in terraces, and -17.9% flats. This last figure compares with the -20.8% reduction seen for the sale of flats in the three months to end January 2013, and might indicate that the FTB market is indeed picking up somewhat. However, both that figure and the one for terraces are worse than might be expected in the light of the emphasis being given to new buyers.

If we look at overall transaction numbers by authority area for the three months ending February 2013, we see significant falls in some areas when compared with the equivalent three months one year ago: Caerphilly (-24.6%), Carmarthenshire (-19.4%) and Blaenau Gwent (-30.9%). Is it significant that these authorities are virtually contiguous in the South? In the North, both Denbighshire and Wrexham saw a double-digit decline in transaction numbers comparing the same three months, at -33.6% and -19.7% respectively. By contrast, numbers in the Isle of Anglesey increased by 15.5% and in Monmouthshire by 11.2%.



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.

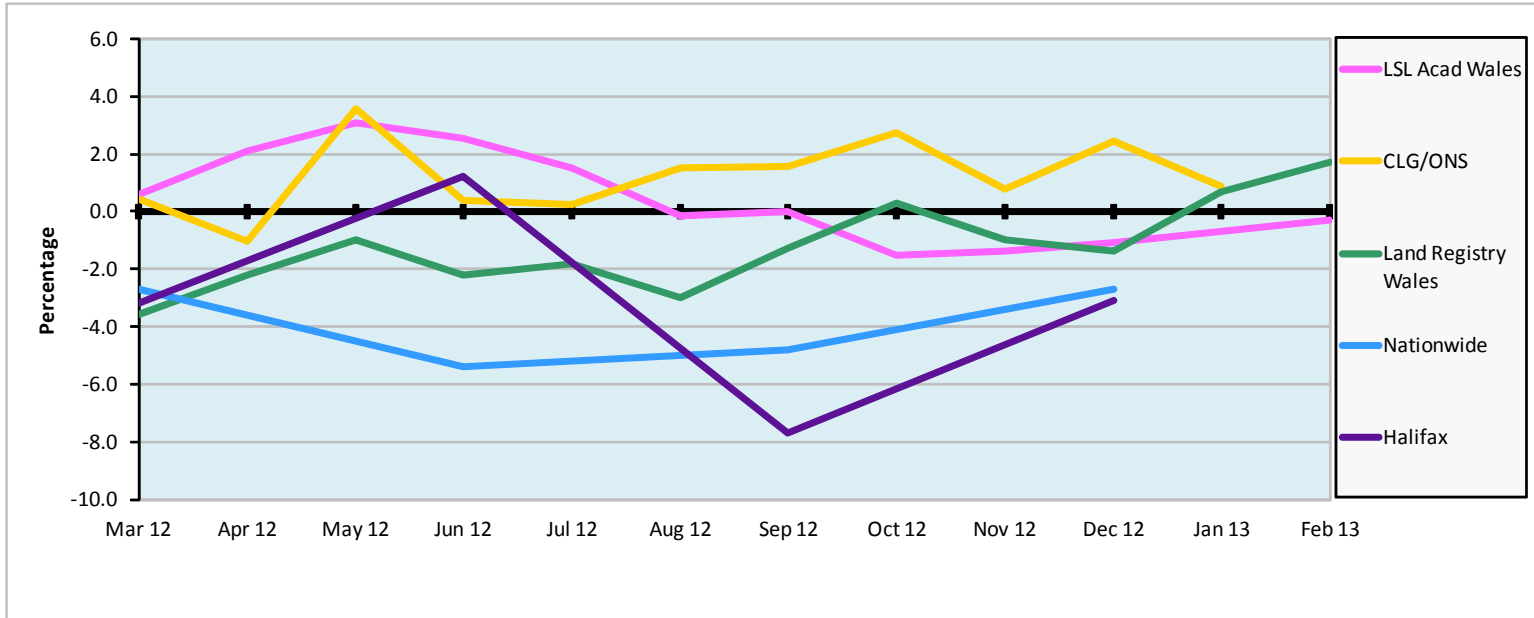


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

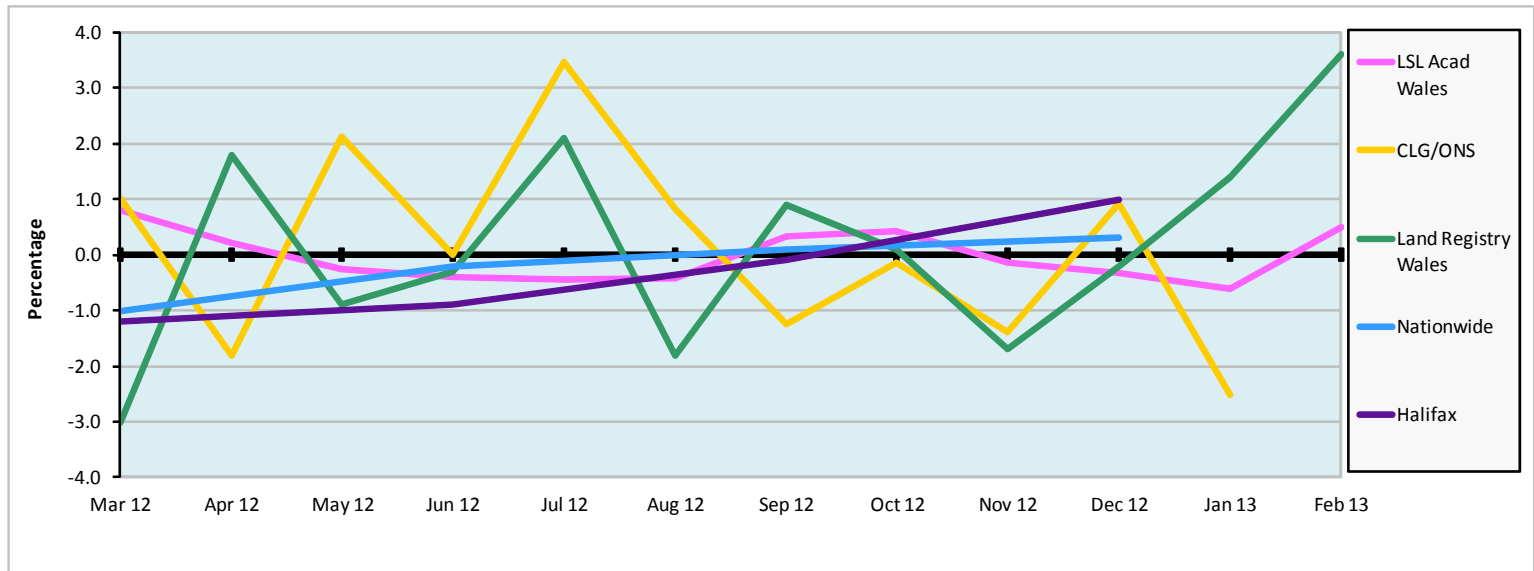


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[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.

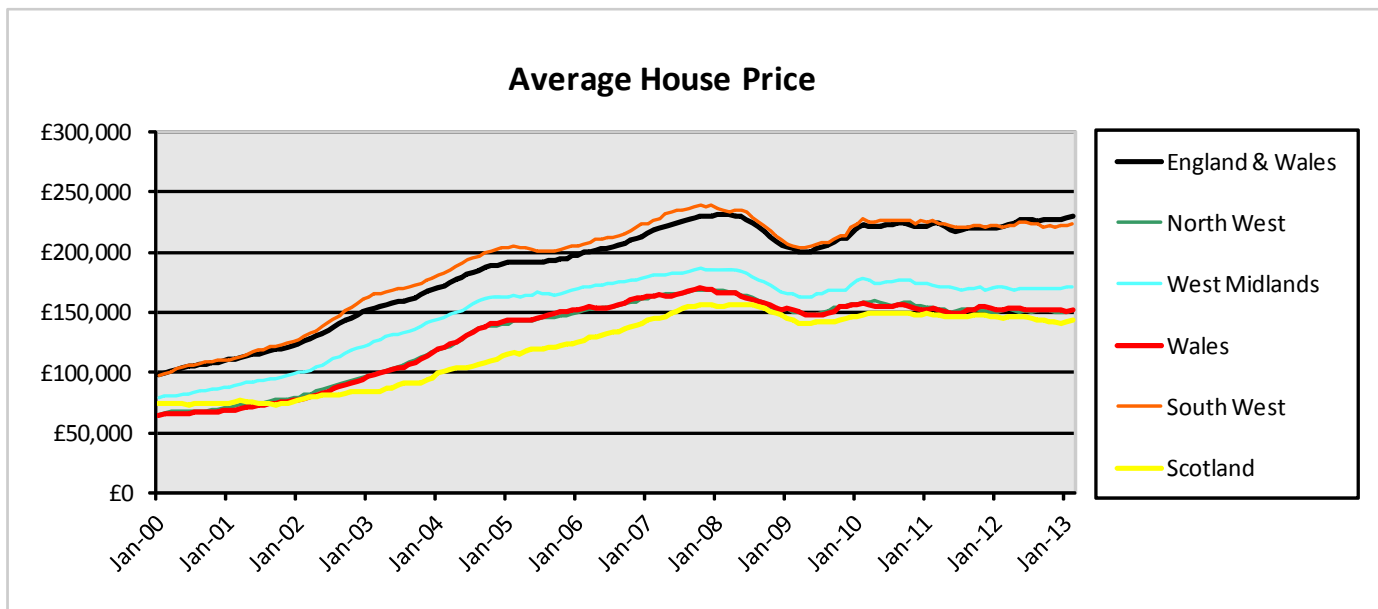


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 – February 2013 [link to source Excel](#)

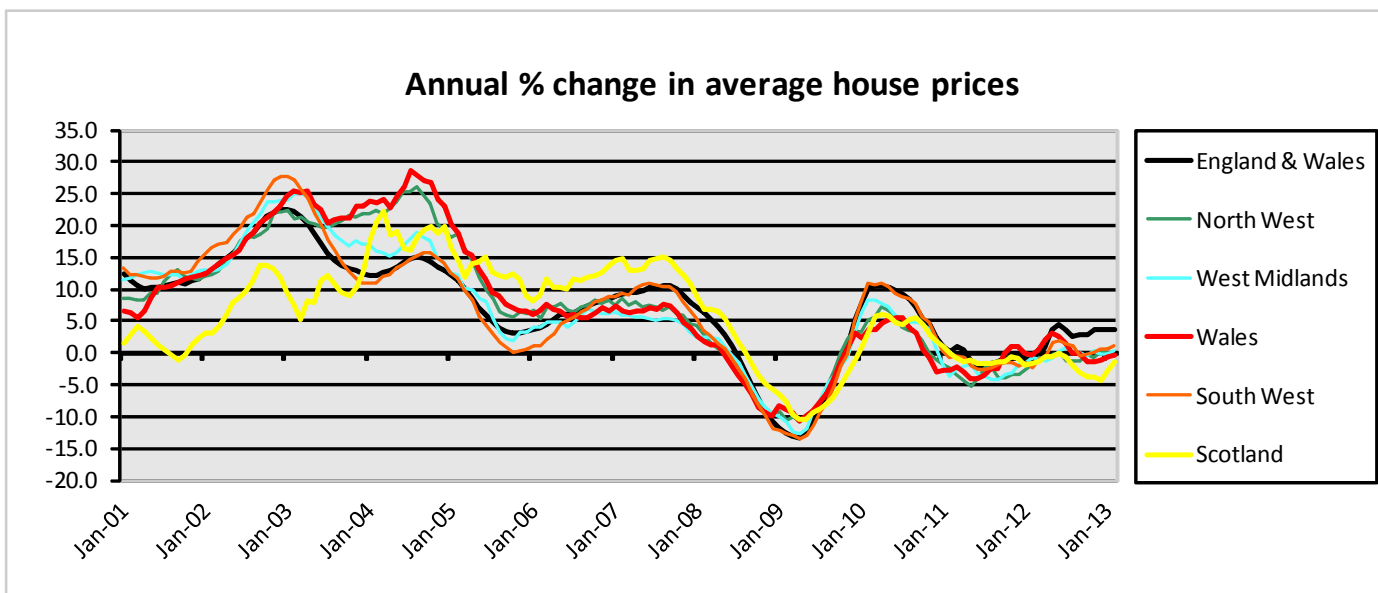


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 – February 2013 [link to source Excel](#)

Nine unitary authorities in Wales

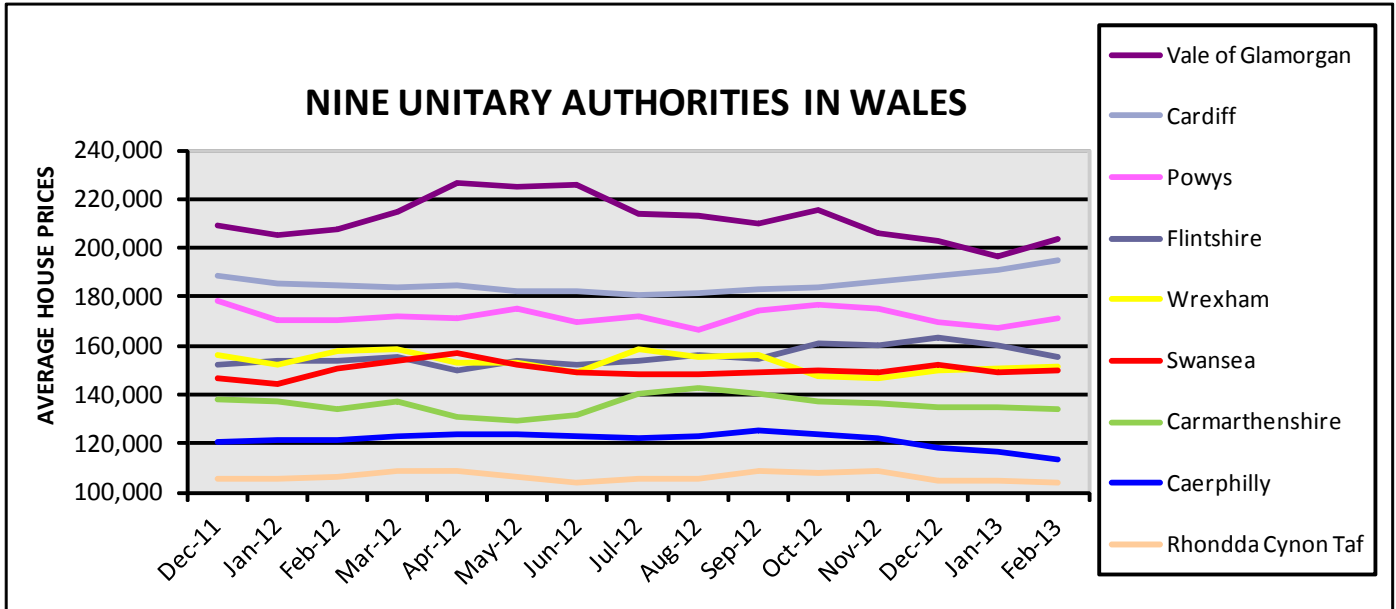


Figure 7. Average house prices for nine unitary authorities in Wales from December 2011 – February 2013

[link to source Excel](#)

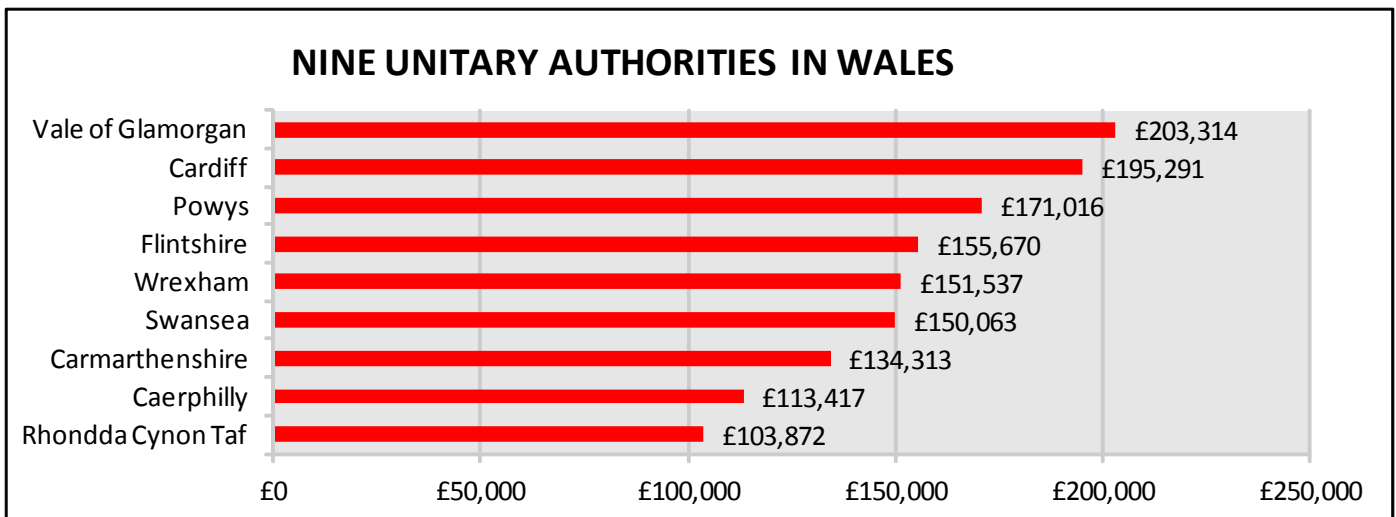


Figure 8. Average house prices for nine unitary authorities in Wales February 2013

[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