

LSL Property Services/Acadametrics
Wales

House Price Index

JANUARY 2012

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 21ST MARCH 2012



Welsh house prices fall by 1.0% in January

- But prices are up marginally (0.1%) on last year
- Transactions over the last six months 6% higher than last year

| House Price | Index | Monthly Change % | Annual Change % |
|-------------|-------|------------------|-----------------|
| £152,200 | 236.1 | -1.0 | 0.1 |

Nigel Favas, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “House prices tend to drop in the winter months as potential buyers resuscitate their personal finances after Christmas. But this year, prices are static compared to 2011, indicating the housing market is treading water. However, a flat market is nothing to be sniffed at - the English and Scottish markets are struggling to keep their heads above the waterline.

“There has been a marked increase in activity over the last six months, but the suspicion remains that it may only be fleeting - driven largely by first time buyers rushing to beat the end of the stamp duty deadline on 24th March. Its impending expiry will be the true litmus test. Purchases of cheaper homes could dip sharply once the tax break ends, and the effects would reverberate higher up the market.

“There are some reasons to be hopeful. It has been older and wealthier buyers who have sustained activity over the past year. These types of buyers will be unaffected by the end of the stamp duty deadline, and will continue to take advantage of low mortgage rates. The majority of first-time buyer properties are likely to fall under the £125,000 threshold and, therefore, to still be exempt, which should tempt a steady flow of new buyers. Mortgage rates are still low by historic standards, and the start of the New Buy scheme should sustain some of the momentum of the stamp duty stampede.

“The encouraging national average shouldn’t mask the strong regional disparities. While prices have shown strong annual improvement in areas like Cardiff and Glamorgan, these contrast against strong falls in areas like Neath Port Talbot. The regional performance of housing markets will be strongly tied to performance of local economies, with banks and building societies more likely to lend to areas which they believe are resilient to problems in the labour 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 February 2011 – January 2012

| | | House Price | Index | Monthly Change % | Annual Change % |
|------------------|-------------|-------------|-------|------------------|-----------------|
| February | 2011 | £152,798 | 237.0 | 0.5 | -2.9 |
| March | 2011 | £152,582 | 236.7 | -0.1 | -2.2 |
| April | 2011 | £150,614 | 233.6 | -1.3 | -3.0 |
| May | 2011 | £148,837 | 230.9 | -1.2 | -4.0 |
| June | 2011 | £149,017 | 231.2 | 0.1 | -4.2 |
| July | 2011 | £149,869 | 232.5 | 0.6 | -3.5 |
| August | 2011 | £151,773 | 235.4 | 1.3 | -2.5 |
| September | 2011 | £151,979 | 235.7 | 0.1 | -2.4 |
| October | 2011 | £154,752 | 240.0 | 1.8 | -0.1 |
| November | 2011 | £154,243 | 239.3 | -0.3 | 0.7 |
| December | 2011 | £153,796 | 238.6 | -0.3 | 1.2 |
| January | 2012 | £152,200 | 236.1 | -1.0 | 0.1 |

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@lsps.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:

January is the quietest month of the year for house purchases in Wales, mainly due to the seasonal influence of the Christmas period, when potential buyers are conspicuous by their absence. This year, we are estimating that January sales in Wales will total just under 2,000 properties. In general, when transaction numbers are low, price movements show a higher volatility; if this is applicable, by reporting a fall in the average house price of -1.0% in January, we could be overstating what would otherwise have been a minor downward trend if seen in a more active month.

On an annual basis, average house prices in Wales are just 0.1% higher than in January 2011, indicating a relatively static market at the national level. However, as our analysis on page 4 shows, this single statistic masks much larger movements in prices at the more local level. For example, house prices in the Vale of Glamorgan have increased by 10.9% over the year, whilst those in Neath Port Talbot have fallen by -7.3%. We have also seen differences in price movements by property type, with the average price of a flat falling by some -5% over the year, whilst the prices of detached and semi-detached homes have been increasing by an average 2% to 3%.

Our Transactions graph on page 5 demonstrates three factors that are currently influencing today's property market. The first is that the number of properties sold from January 2008 onwards is at a far lower level than the number of transactions seen during the period 2000 – 2007. Thus, we estimate that total sales in 2011 were 48% lower than in 2007, which was not in itself an 'exceptional' year for the period. The main reason for this fall in sales volumes is the absence of first time buyers, who are finding it exceedingly difficult to raise the level of deposits currently required by the lenders.

Secondly, we are perhaps witnessing a new 'norm' in the level of housing transactions, with monthly sales in 2009 - 2011, except for January of each year, lying between 2,000 and 3,000 properties per month. The major exception to this observation was in December 2009, when transactions totalled 3,500 properties. This surge in sales in December 2009 occurred just prior to the cessation of the stamp duty holiday on all properties valued at between £125,000 and £175,000. The tax holiday ceased on 31st December 2009, having been in place since September 2008. Clearly, a significant number of purchasers sought to beat the tax deadline before stamp duty was re-introduced.

Lastly, there appears to be some indication that housing transactions have been marginally increasing, year on year, with sales over the last six months (August 2011 - January 2012) being up some 6% over the similar period in 2010 - 2011. One of the questions that at present remains unanswered relates to another change in stamp duty. Currently, first time buyers can enjoy a stamp duty holiday on properties costing between £125,000 and £250,000, but this concession is to be withdrawn on 24th March 2012. The question is, therefore, to what extent has this stamp duty holiday assisted in the recovery of the market over the last six months, and what will happen to the housing market once it disappears? Most housing analysts agree that some of the increase in sales over the last six months has been a result of the tax break for first time buyers, but they also see an improvement in the terms of the mortgage products being offered by the lenders, and an increase in activity in the buy-to-let sector of the market, which have also had an influence on the observed increase in sales. It will be interesting to see whether there will be a significant drop-off in housing transactions in April, following the withdrawal of the tax holiday for first time buyers.



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

AVERAGE HOUSE PRICES IN WALES BY UNITARY AUTHORITY AREAS

(Mix adjusted)

| RANK BY PRICE | PRIOR YR RANK | LOCAL AUTHORITY AREA | Jan-11 | Jan-12 | % Change |
|---------------|---------------|-----------------------|---------|---------|----------|
| 1 | 1 | MONMOUTHSHIRE | 208,333 | 219,467 | 5.3% |
| 2 | 3 | THE VALE OF GLAMORGAN | 187,223 | 207,554 | 10.9% |
| 3 | 4 | CARDIFF | 181,753 | 186,013 | 2.3% |
| 4 | 2 | CEREDIGION | 190,275 | 182,965 | -3.8% |
| 5 | 5 | POWYS | 181,629 | 179,871 | -1.0% |
| 6 | 6 | PEMBROKESHIRE | 171,657 | 170,150 | -0.9% |
| 7 | 7 | ISLE OF ANGLESEY | 168,096 | 165,923 | -1.3% |
| 8 | 11 | GWYNEDD | 152,154 | 159,939 | 5.1% |
| 9 | 8 | CONWY | 162,249 | 157,801 | -2.7% |
| 10 | 10 | FLINTSHIRE | 156,386 | 152,555 | -2.4% |
| 11 | 9 | WREXHAM | 160,248 | 150,935 | -5.8% |
| 12 | 12 | NEWPORT | 148,442 | 148,137 | -0.2% |
| 13 | 13 | SWANSEA | 148,063 | 143,777 | -2.9% |
| 14 | 14 | DENBIGHSHIRE | 143,984 | 140,959 | -2.1% |
| 15 | 15 | CARMARTHENSHIRE | 142,087 | 137,398 | -3.3% |
| 16 | 16 | BRIDGEND | 137,846 | 136,969 | -0.6% |
| 17 | 17 | TORFAEN | 126,157 | 129,917 | 3.0% |
| 18 | 18 | CAERPHILLY | 124,474 | 121,257 | -2.6% |
| 19 | 19 | NEATH PORT TALBOT | 116,752 | 108,184 | -7.3% |
| 20 | 20 | RHONDDA CYNON TAFF | 105,073 | 105,215 | 0.1% |
| 21 | 21 | MERTHYR TYDFIL | 100,815 | 94,325 | -6.4% |
| 22 | 22 | BLAENAU GWENT | 73,898 | 82,060 | 11.0% |
| | | WALES | 152,099 | 152,200 | 0.1% |

Table 2 shows the average price of a house in the 22 unitary authority areas in Wales, for both January 2011 and 2012. This month the highest increase in price has been seen in Blaenau Gwent, although this statistic is based on only 41 transactions, which, given the small size of the market, can lead to volatile changes in price movements. Despite the 11.0% increase in average price Blaenau Gwent still remains the lowest priced area in Wales in which to buy a home. In terms of price movements, following closely behind Blaenau Gwent is the Vale of Glamorgan, which has seen average property prices increase by 10.9% over the year. The Vale of Glamorgan is now the second most expensive area in Wales in which to purchase a home, having overtaken Cardiff and Ceredigion to establish this position.

This month we have 15 unitary authority areas witnessing price falls, compared with 9 areas last month. This relatively simple statistic tends to give an early indication of price movements at the national level, i.e. we can expect to see further price falls in the national statistic over the next few months, although we would again caution that the January statistics are based on a relatively small number of housing transactions. The steepest fall in price over this last year has been in Neath Port Talbot at -7.3%.

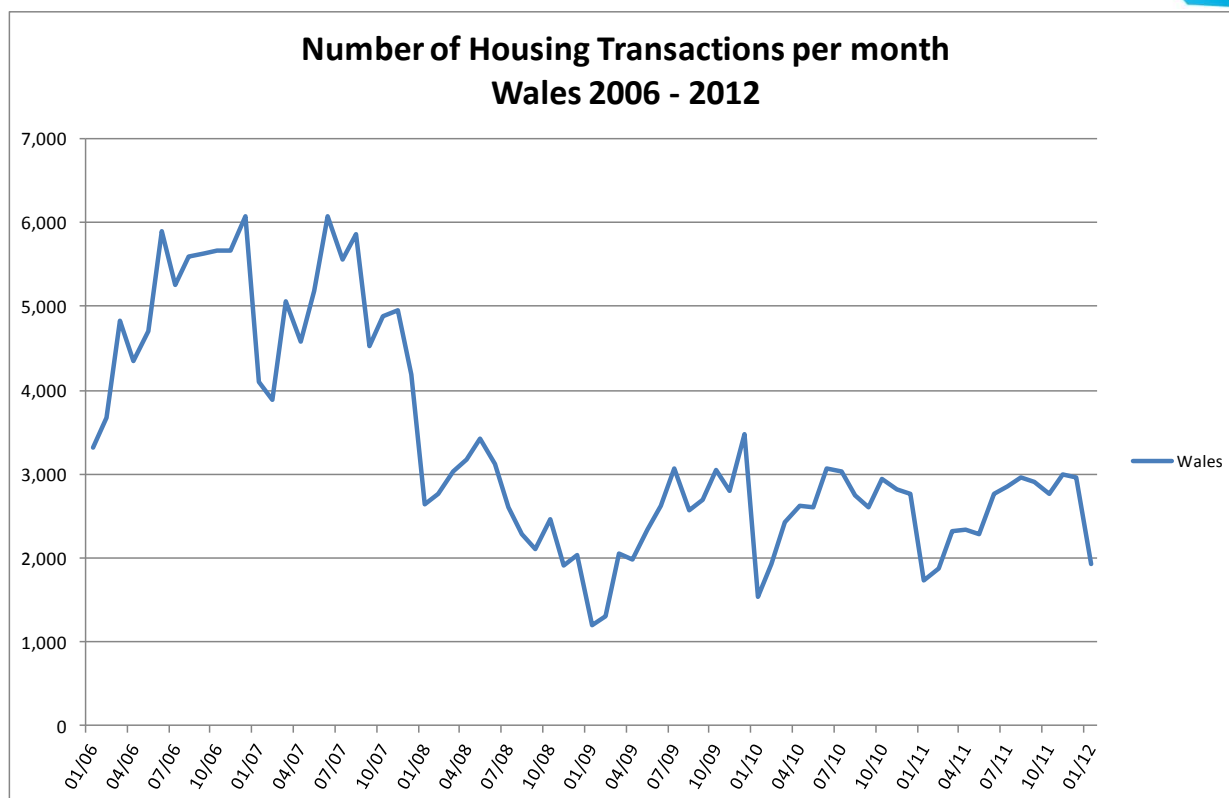


Figure 1. The number of housing transactions by month in Wales, 2006 - 2012 (not seasonally adjusted)

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 January are the lowest of all months of the year, and are typically down 40% on December sales volumes. The fall in sales in January is a prominent feature of the above graph with troughs visible for each of the years featured above. Since January 2009, each successive trough appears to be placed higher up the graph, indicating some slow improvement in the market, although there were still 48% fewer sales in 2011 compared with 2007. The main reason why sales are now at these lower levels is due to the lack of first time buyers, who continue to experience difficulties in raising the increased level of deposits now required by the lenders.

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

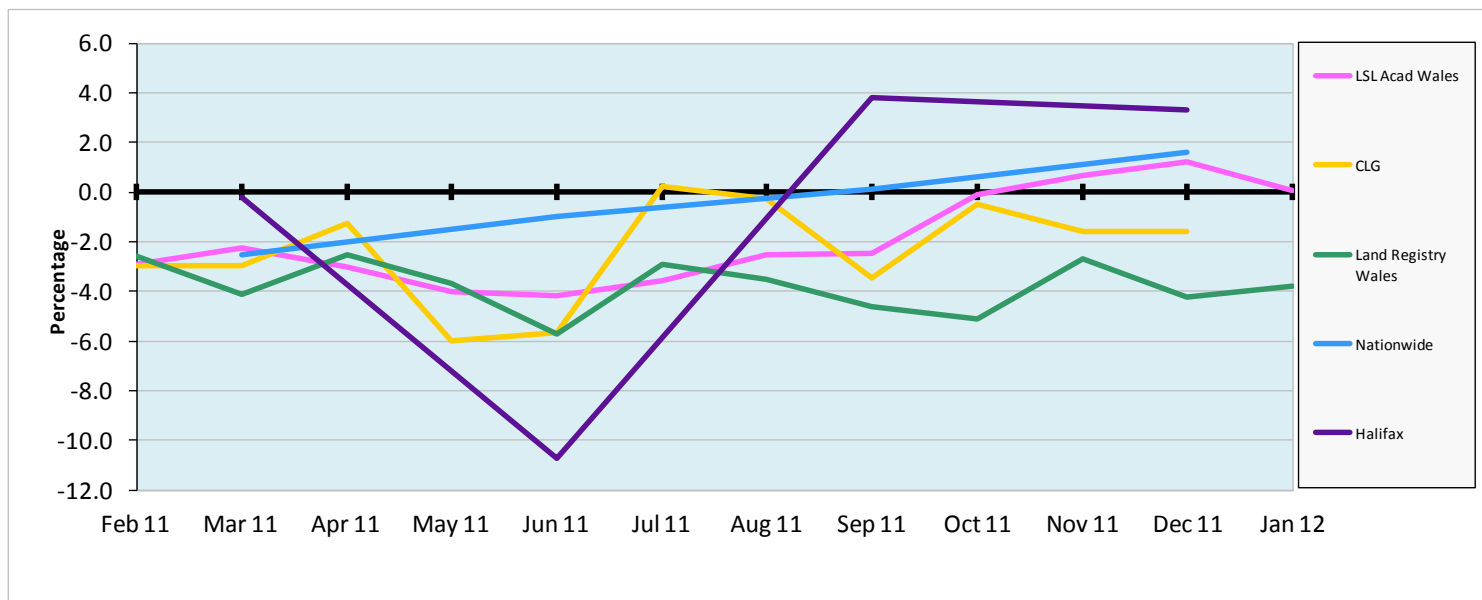


Figure 2. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

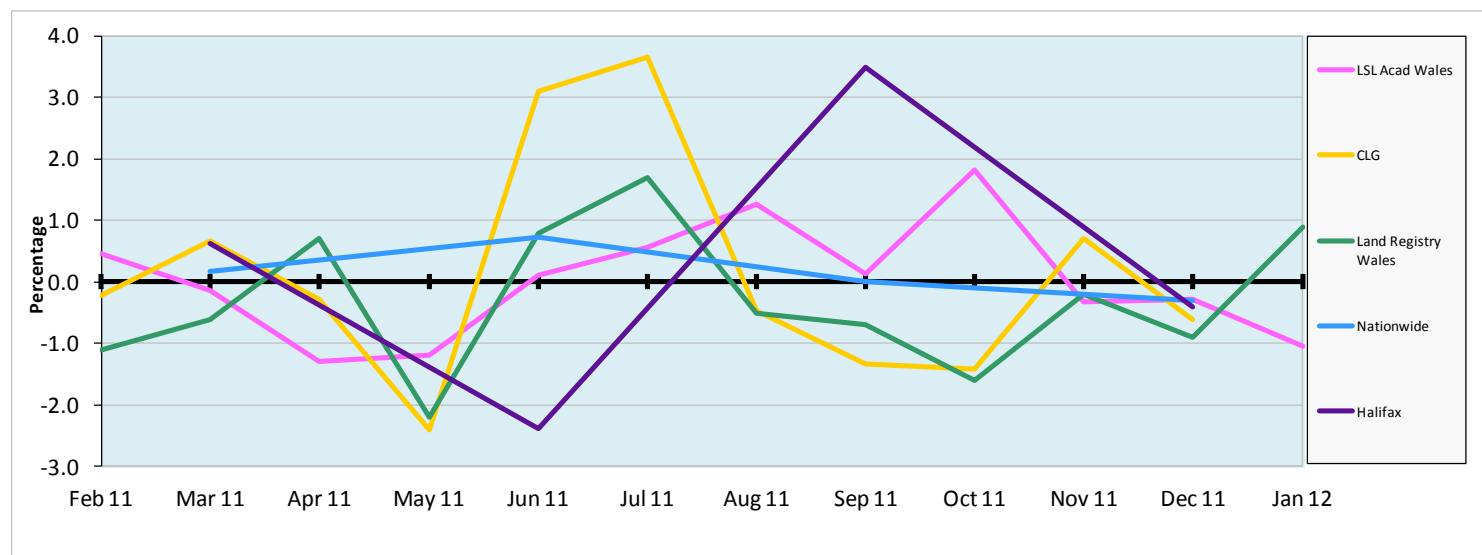


Figure 3. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

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.

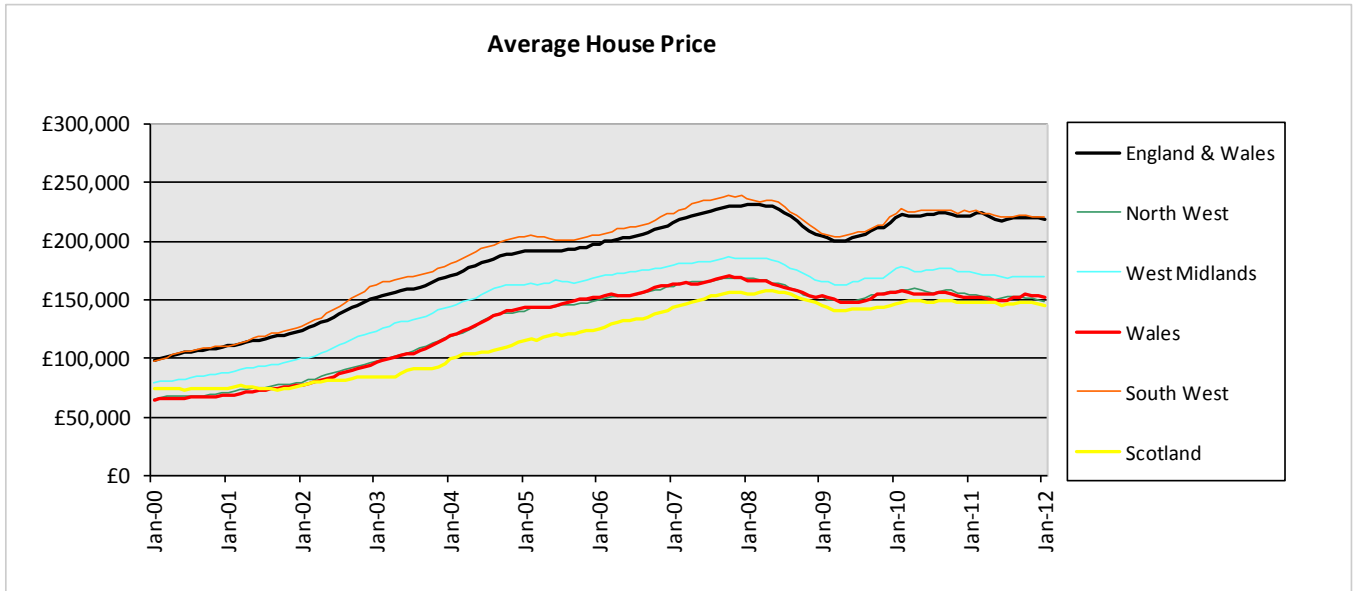


Figure 4. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period Jan 2000 - Jan 2012

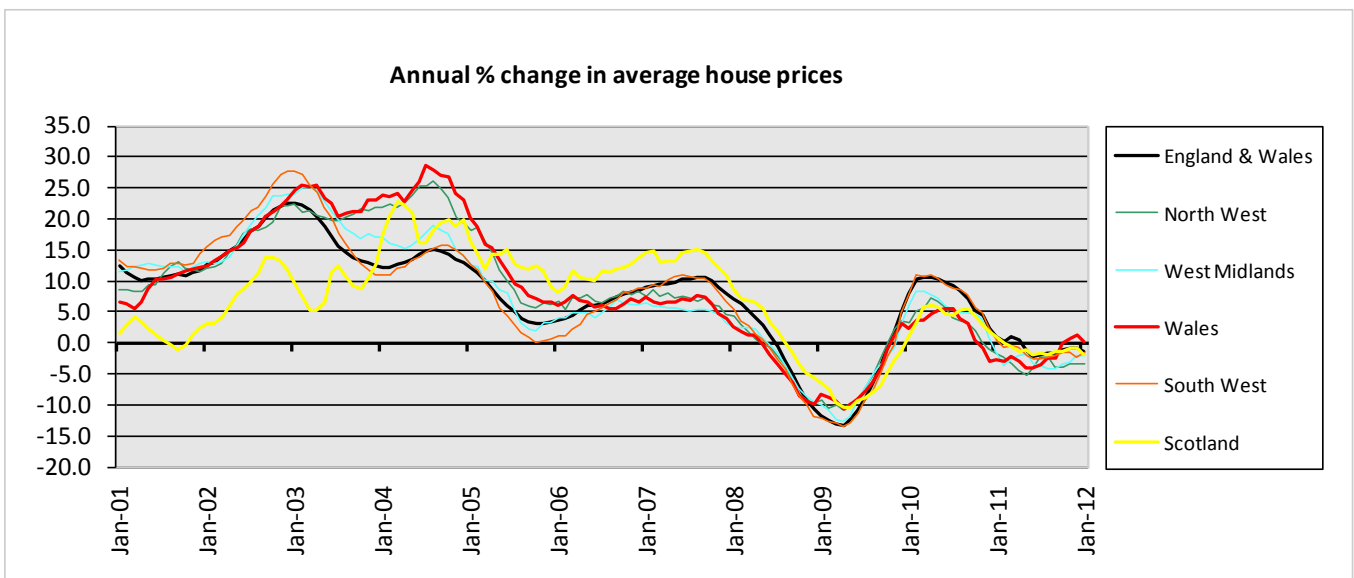


Figure 5. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period Jan 2001 - Jan 2012

Nine unitary authorities in Wales

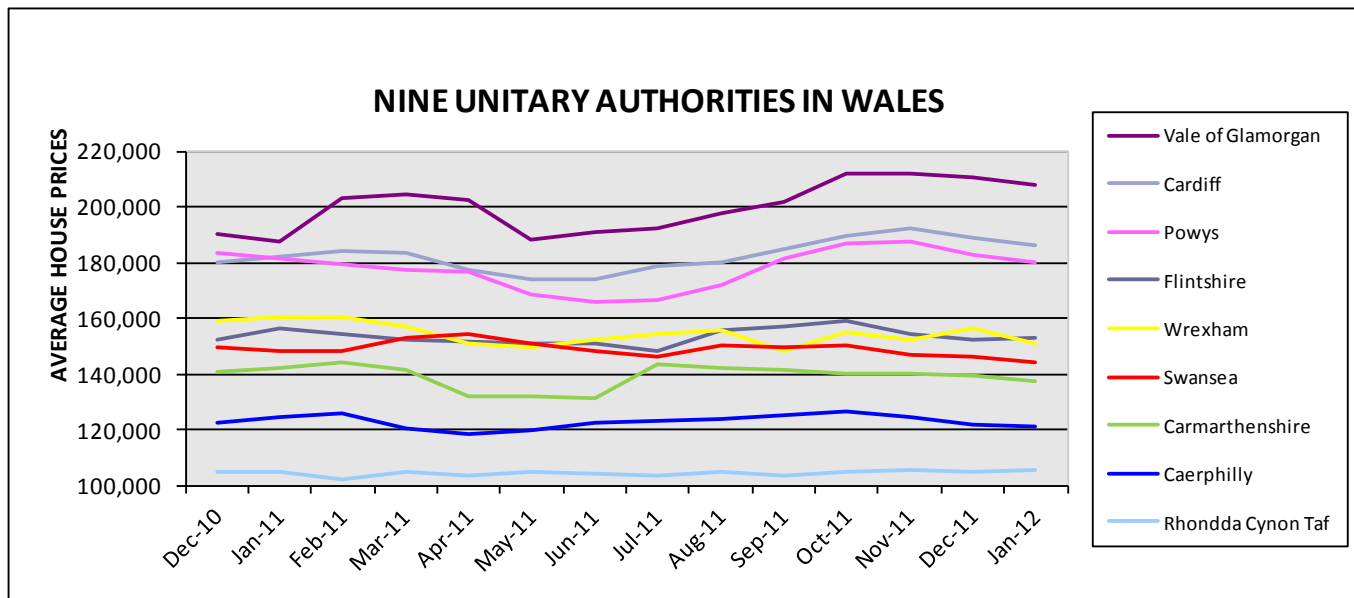


Figure 6. Average house prices for nine unitary authorities in Wales from November 2010 - January 2012

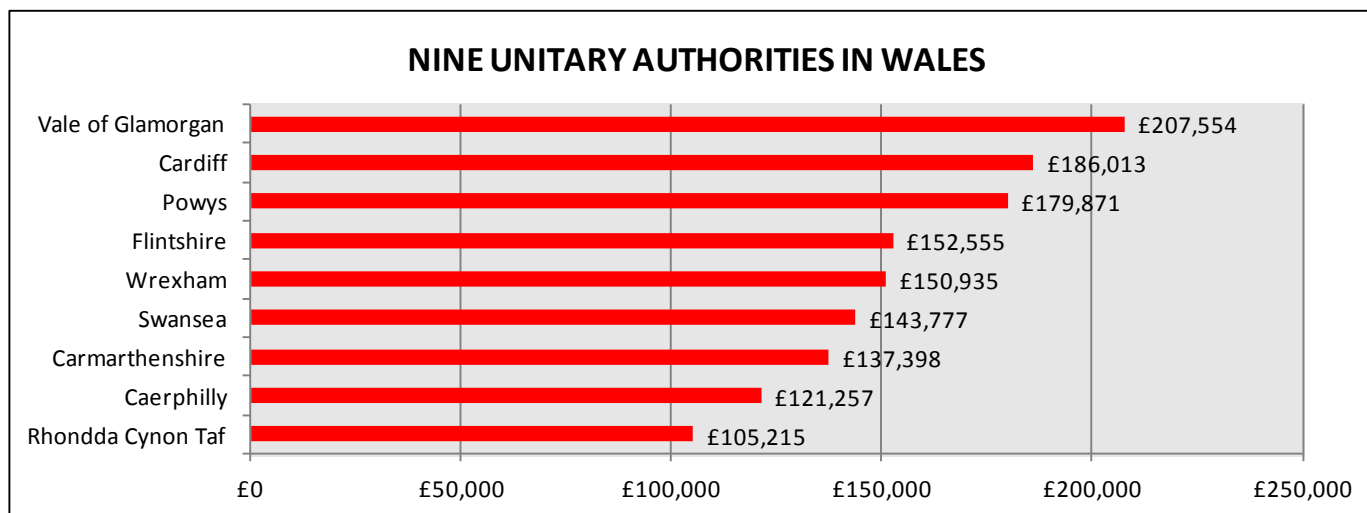


Figure 7. Average house prices for nine unitary authorities in Wales January 2012



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