

LSL Property Services/Acadametrics  
Wales

# House Price Index

JUNE 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 21ST AUGUST 2013



**Welsh house prices have dropped almost £2,500 in the past year**

- Prices decrease a further £338 since May and have fallen in 9 of the last 12 months
- But new buyer enquiries reported up

House Price	Index	Monthly Change %	Annual Change %
£150,189	233.0	-0.2	-1.6

**Oliver Blake, Managing Director of Reeds Rains estate agents, who has branches in Wales comments:** “Despite growing optimism regarding the market across the border, the Welsh housing market is still caught in the grip of the credit crunch. House prices have slipped by almost £2,500 compared to a year ago, and have dropped again by £338 in the last month. Prices have fallen in nine of the last twelve months, thanks largely to the ongoing squeeze on personal finances.

“The mortgage market is thawing in England and parts of Scotland but the multiplier effect hasn’t spread to Wales. The Welsh economy is lagging behind the rest of the UK. It is more exposed to public sector cuts, and fewer jobs are being created than in other areas of the UK. Demand has fallen as a result. In June this year sales were 12.6% lower than the same time last year, which has raised eyebrows. In Wales, there is a two-tier market, with an unhealthy reliance on wealthier borrowers. These older buyers are in a stronger position to benefit from the record low mortgage rates, as they have been able to bank on the equity from their homes to obtain cheap deals. Affordable rates are of little comfort for first-time buyers who can’t put down the big deposits required by banks and building societies. And this is continuing to quash activity and push down prices.

“More positively, the number of first-time buyers is improving slightly with reports of new buyer enquiries in Wales shooting up in June to a level that is double the three month average. The Government’s efforts to boost lending to new buyers have been largely successful, thanks to the Funding for Lending and Help to Buy initiatives. The housing market is taking steps in the right direction, but more needs to be done to secure the recovery and increase its momentum.

“The spotlight is on the Welsh Government’s new plans to support the housing market: the Treasury is consulting on passing responsibility for stamp duty to the Welsh Assembly. Only time will tell, but it’s more likely now to gain power over stamp duty - this will result in a good range of new policy responses to help deal with the nation’s housing problems. The stamp duty tax is a hindrance for both home movers and first-time buyers. The Welsh Government needs to reduce the burden of taxation and make it easier for people to move home. The plans to focus on supporting new buyers, with the launch of the Shared Equity Scheme, along with its aims to push demand and encourage a stronger supply of new build properties, will be key in boosting home ownership 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 June 2012 – June 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
June	2012	£152,685	236.8	-0.4	2.4
July	2012	£152,009	235.8	-0.4	1.4
August	2012	£151,360	234.8	-0.4	-0.2
September	2012	£151,978	235.7	0.4	0.0
October	2012	£152,610	236.7	0.4	-1.5
November	2012	£152,588	236.7	0.0	-1.3
December	2012	£152,356	236.3	-0.2	-0.8
January	2013	£151,580	235.1	-0.5	-0.3
February	2013	£153,323	237.8	1.1	0.7
March	2013	£152,729	236.9	-0.4	-0.5
April	2013	£152,248	236.2	-0.3	-1.0
May	2013	£150,527	233.5	-1.1	-1.8
June	2013	£150,189	233.0	-0.2	-1.6

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

The LSL/Acadametrics House Price Index shows that, in June, the average price of a house in Wales was £150,189. This represents a decrease of £338 (-0.2%) since May, and of £1,391 (-0.9%) since the start of 2013. Nine of the last twelve months have seen a fall in price, although the rate of decrease was less in June than in May.

Wales continues to top the league of annual regional GB falls (together with Scotland) this month; both at -1.6%. This figure compares with England & Wales as a whole at +2.2%. We must also make the comparison with the Greater London area, where the increase was +7.1%. This merely serves to emphasise the degree to which the regions outside the capital really are becoming different territories as far as house prices are concerned.

More positively, we noted last month the increase in first time buyer affordability as reported by The Council of Mortgage Lenders (CML), measured in terms of income multiplier and LTV. Continuing this theme, the Treasury is currently consulting on passing responsibility for stamp duty to the Welsh Assembly, at the same time as the Taxpayers Alliance suggest that the duty should be scrapped altogether in Wales. A Plaid Cymru Treasury spokesman is quoted as saying “Property and land taxes are the most appropriate to decentralise from a central authority because they are fixed assets. Power over stamp-duty will allow the Welsh Government to compose innovative policy responses to help deal with the nation’s housing problems.”

The Welsh Finance Minister (Jane Hutt) has also announced the “Housing Finance Grant” to assist the development of over 1,000 homes during the next three years. The grant anticipates support of £4m/year of government funding for the next 30 years.

In addition, the Welsh Government is currently looking at a range of options to support buyers who are struggling to secure finance. The aim is to stimulate demand as well as to encourage a greater supply of new build properties. A fundamental element of these options will be a Shared Equity Scheme, which is to be managed by an external party, and will be launched later this year.

It is interesting to note that new buyer enquiries, as reported by RICS members in Wales, were double the three month average: price expectations were higher as well. These two observations tally with the month’s figures for stock and sales per surveyor, both of which were below average. Despite the month’s fall in stocks, the average stock per surveyor is still shown as the highest of all the regions in England & Wales.

Figure 1 below shows the average house price in Wales for the period June 2012 to June 2013 on a seasonally adjusted basis. Ignoring the marginal fall at the start of 2013, we can split the twelve months into four distinct periods. Firstly, there is the three-month fall from June to August 2012, with a constant rate of decline of -0.4%, which is followed by an almost mirror image rise to October 2012. A largely flat positive period takes us to the end of the year; this precedes a relatively sharp rise of more than 1.0% (again, ignoring the negative January blip). The red line then shows a continued downturn to the present month, averaging around -0.5% monthly. The black trend line is definitely downwards, although the monthly rates of change continue to emphasise the volatility of house prices in the Welsh market.

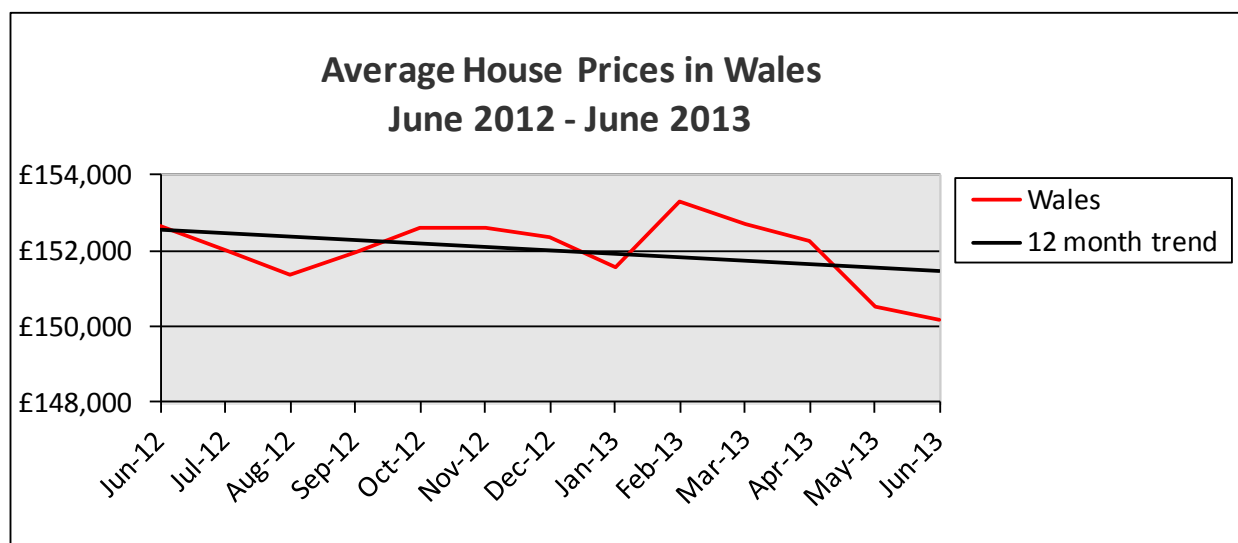


Figure 1. Average house prices in Wales, June 2012 – June 2013

[link to source Excel](#)



Table 2. The average house price in Wales, by unitary authority area, June 2012 and May and June 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	Jun-12	May-13	Jun-13	Monthly % Change	Annual % Change
2	1	MONMOUTHSHIRE	221,748	213,518	216,107	1.2%	-2.5%
1	2	THE VALE OF GLAMORGAN	225,221	210,989	209,082	-0.9%	-7.2%
3	3	CEREDIGION	194,477	177,389	182,731	3.0%	-6.0%
4	4	CARDIFF	182,647	180,520	180,604	0.0%	-1.1%
6	5	POWYS	169,283	178,048	176,579	-0.8%	4.3%
5	6	PEMBROKESHIRE	175,355	164,369	164,945	0.4%	-5.9%
8	7	ISLE OF ANGLESEY	162,668	168,878	160,014	-5.2%	-1.6%
10	8	GWYNEDD	151,919	156,176	156,731	0.4%	3.2%
7	9	CONWY	165,018	153,478	156,489	2.0%	-5.2%
13	10	SWANSEA	148,744	148,758	150,654	1.3%	1.3%
9	11	FLINTSHIRE	152,035	154,478	149,780	-3.0%	-1.5%
12	12	WREXHAM	149,658	147,875	146,579	-0.9%	-2.1%
11	13	NEWPORT	151,050	143,099	145,681	1.8%	-3.6%
15	14	BRIDGEND	134,554	139,461	138,344	-0.8%	2.8%
14	15	DENBIGHSHIRE	134,787	138,329	135,290	-2.2%	0.4%
17	16	TORFAEN	125,914	127,482	129,538	1.6%	2.9%
16	17	CARMARTHENSHIRE	131,499	128,629	122,258	-5.0%	-7.0%
18	18	CAERPHILLY	122,554	117,328	119,829	2.1%	-2.2%
20	19	RHONDDA CYNON TAFF	104,136	107,311	108,003	0.6%	3.7%
19	20	NEATH PORT TALBOT	109,746	106,366	104,201	-2.0%	-5.1%
21	21	MERTHYR TYDFIL	99,316	102,796	101,547	-1.2%	2.2%
22	22	BLAENAU GWENT	83,900	87,867	86,730	-1.3%	3.4%
		<b>WALES</b>	<b>152,685</b>	<b>150,527</b>	<b>150,189</b>	<b>-0.2%</b>	<b>-1.6%</b>

Table 2 above shows the average price in each of the 22 unitary authorities in Wales in June 2012, May 2013 and June 2013. It also shows the rates of change in each area for the month and for the year. This month, prices fell in 11 authorities, rose in 10 and remained static in 1. These figures compare with 15 falls and 7 rises last month. On an annual basis, we see that prices are below last year's levels in 13 unitary authority areas: this is the same number as last month.

The largest monthly fall was in the Isle of Anglesey (-5.2%) followed closely by Carmarthenshire (-5.0%). Flintshire saw a fall of -3.0%, with the other decreases being around or below -2.0%. The highest monthly rise was in Ceredigion at +3.0% with Caerphilly and Conwy at around +2%. Monthly price changes of this order of magnitude reflect both volatility in local markets and average price volatility resulting from small data samples. Monthly price increases in other authorities were at lower levels, with the Cardiff average unchanged from last month.

We comment below on transaction volumes in Cardiff and Swansea this month, where numbers were greater, and monthly and annual price changes smaller than in authorities with fewer sales. Thus, the largest annual change this month is in the Vale of Glamorgan with a fall of -7.2%, followed closely by Carmarthenshire at -7.0%. Other falls of roughly this magnitude are Ceredigion (-6.0%), Pembrokeshire (-5.9%), Conwy (-5.2%), and Neath Port Talbot (-5.1%). The greatest increases on an annual basis were in Powys (+4.3%), Rhondda (+3.7%), Blaenau Gwent (+3.4%) and Gwynedd (+3.2%).

In recent months we have commented on the difference between the northern and southern housing markets in Wales. This difference lessened in June, as far as the annual price change is concerned. Thus, in the 14 southernmost authorities, the average fall on annual basis was -1.3%. This was not a country mile from the average fall of -1.1% in the 6 northernmost authorities. The two central authorities (Powys and Ceredigion) showed annual falls averaging -0.9%.

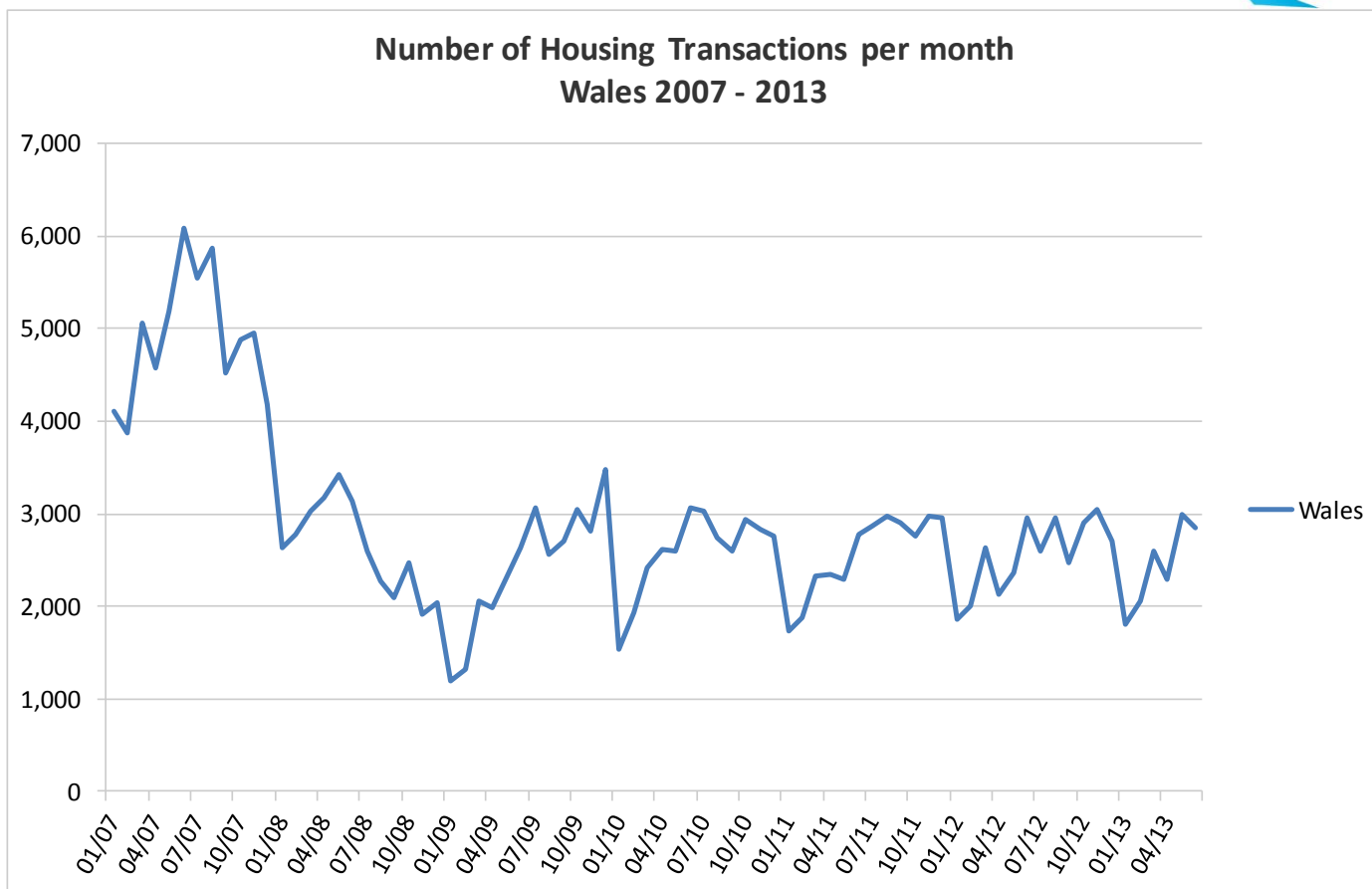


Figure 2. The number of housing transactions by month in Wales, 2007 - 2013 (not seasonally adjusted)

[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 June 2013, without seasonal adjustment.

The month of May saw an increase in the number of transactions. However, perhaps contrary to seasonal expectations and certainly contrary to what is happening in England & Wales as a whole, and in Scotland, the number of transactions fell back in June to an estimated total of 2,583. Comparing this estimated June 2013 total with June 2012, sales decreased from 2,957; a fall of 374 (-12.6%). We can also compare it to the ten year monthly average (June 2003 to June 2013) of 3,613, meaning that June sales were 29% less than the average over the long term.

Turning to property types, there were 62 fewer flats sold in Wales this month, compared with May (a fall of around -32%). Terraced transactions were 65 down (-7.0%), semi-detached 134 down (-15% approx.) and detached down 33 (-4.0%). It is curious that the largest percentage fall was in flats. This statistic is also mirrored in the figure for the first half of the year: 199 fewer flats having been sold in the six months January to June 2013 compared with the same period in 2012 (970 cf. 1,169). A similar comparison for the other property types shows the following increases: terraced 1st half 2013 up 96 from 4,588 to 4,684 (+2.1%), semi-detached up 220 from 4,048 to 4,268 (+5.4%) and detached up 86 from 4,153 to 4,239 (+2.1%).

Both cities as well as other areas saw falls in sales of flats this month. Cardiff recorded a drop of nearly 18% (from 62 in May to 51 this month), and Swansea a fall from 16 last month to 9 this (-44%). Swansea saw the largest quantum increase in detached sales, up 18 from 53 to 71 (+34%), followed by the Vale of Glamorgan up 17 from 29 to 46 (+59%). However, sales of detached properties in Cardiff fell by 14 from 52 to 38 (-27%).

It is not easy to detect any obvious patterns in these variations. However, it is noticeable that, despite the attention being given both nationally as well as regionally to first time buyers, those properties which one might logically have imagined would appeal to such purchasers do not seem to be in demand. Moreover, there is little correlation between the quantum differences, either up or down, and prices. This market has some way to go before it starts to indicate any kind of stability.



## 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

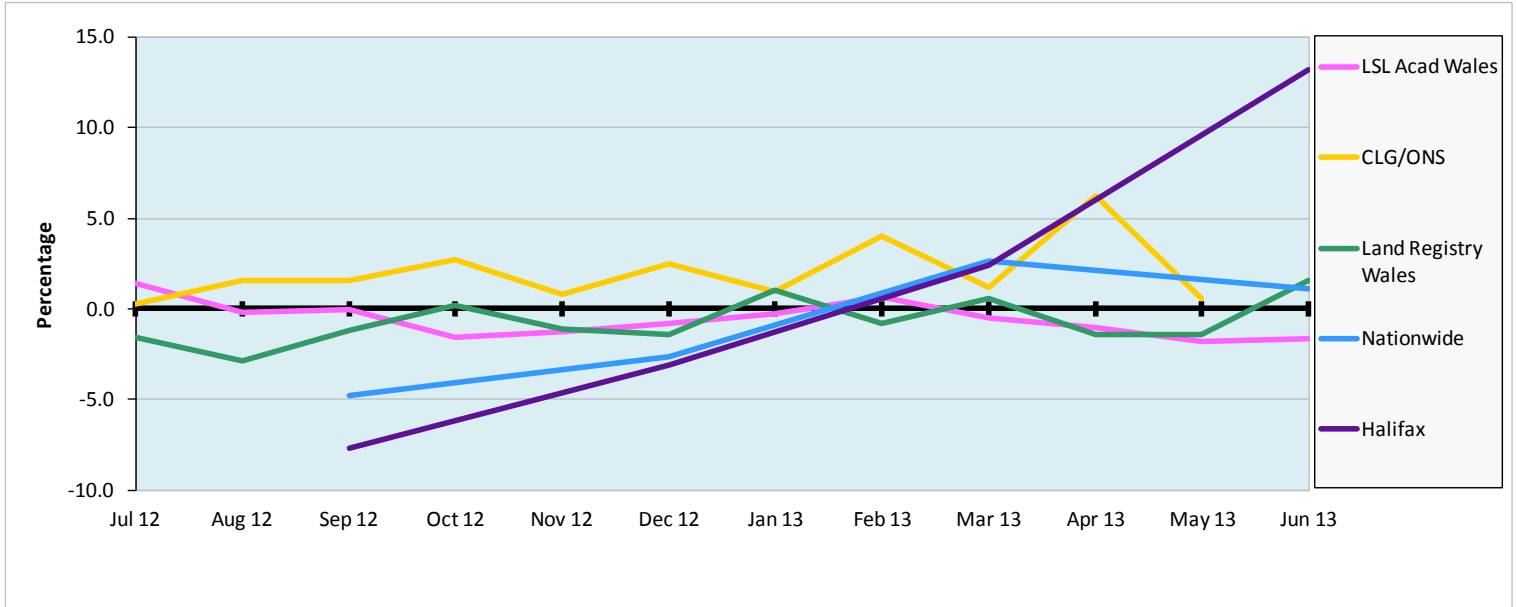


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

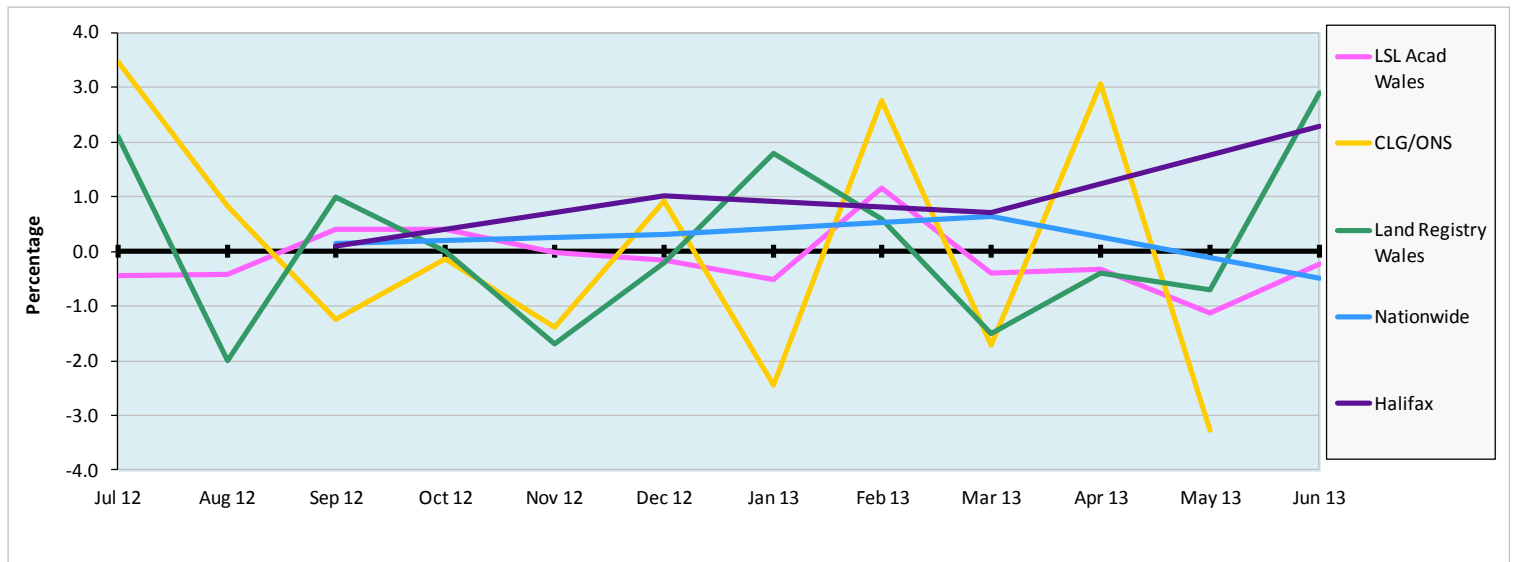


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[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.

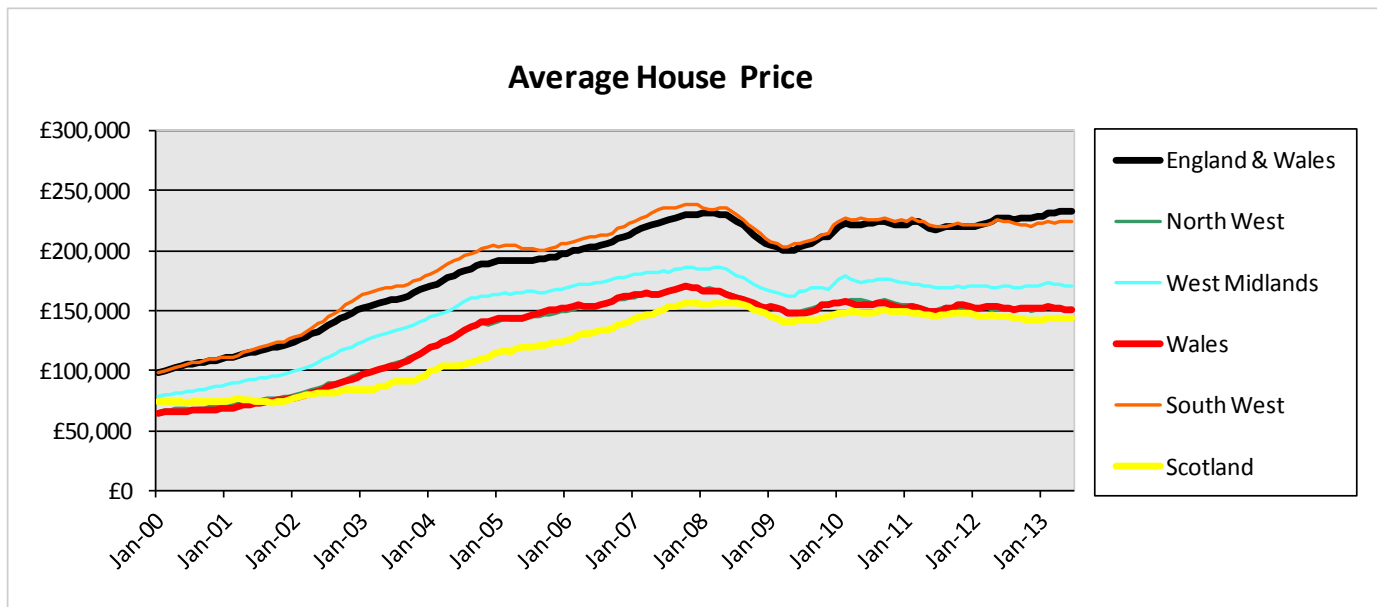


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 – June 2013 [link to source Excel](#)

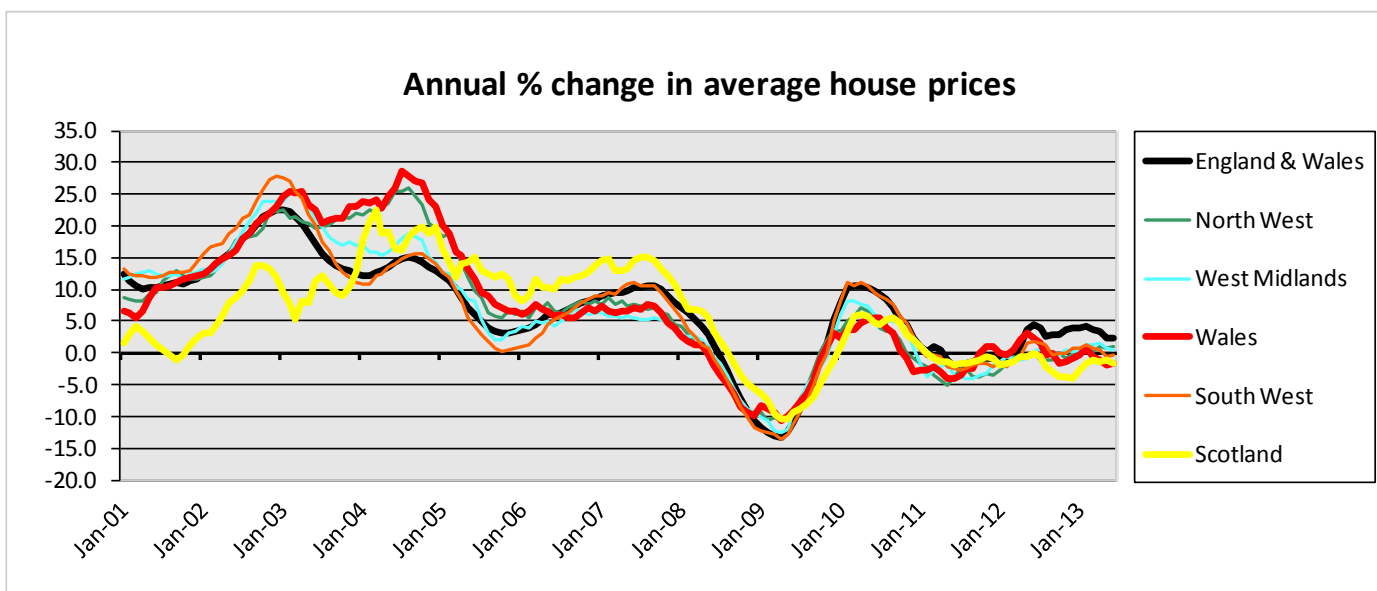


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 – June 2013 [link to source Excel](#)



# Nine unitary authorities in Wales

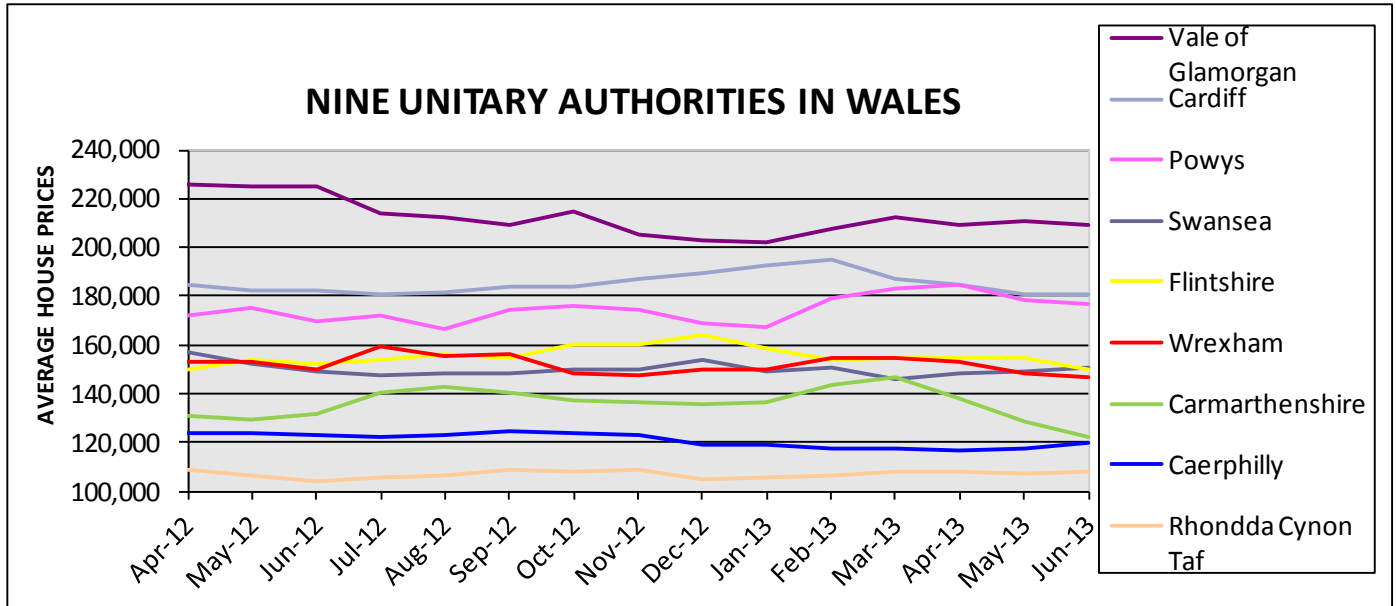


Figure 7. Average house prices for nine unitary authorities in Wales from April 2012 – June 2013

[link to source Excel](#)

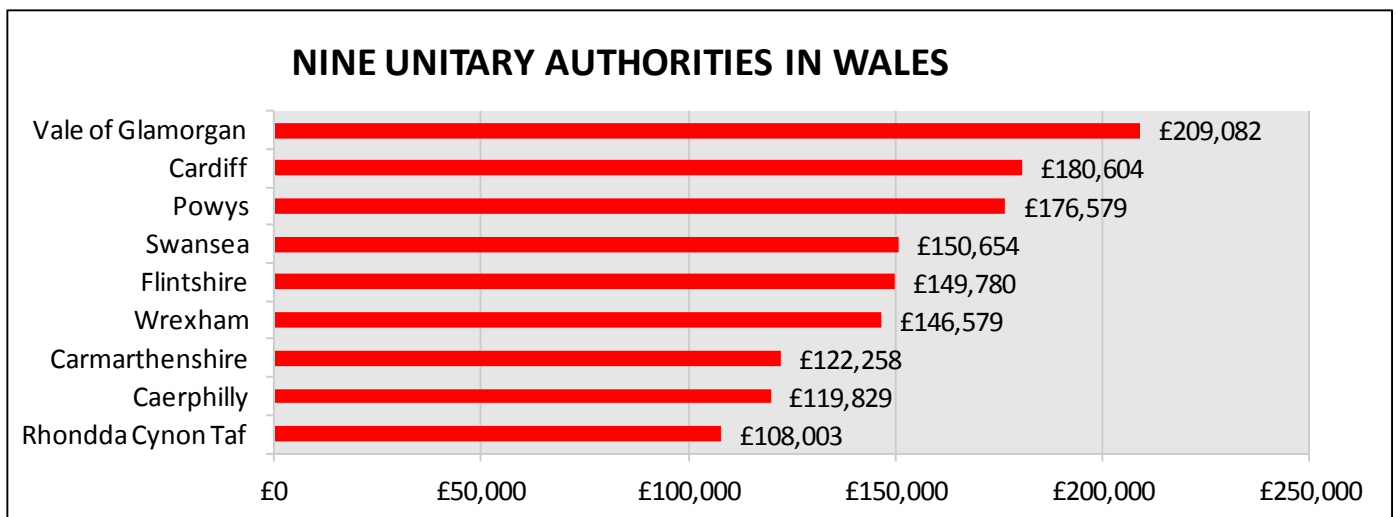


Figure 8. Average house prices for nine unitary authorities in Wales June 2013

[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
- LR monthly data comprises some 88% of the transaction for the current month and c.96% for the prior month

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](http://www.lslps.co.uk)