



Welsh first time buyers struggle in March as banks reduce mortgage lending

- Transactions 5% lower than normal
- Average house price falls £419 in last 12 months
- Rising inflation means house prices 3.9% lower in real terms since January 2011

House Price	Index	Monthly Change %	Annual Change %
£152,238	236.1	0.3	-0.3

Nigel Favas, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “Many Welsh first time buyers are having real difficulties in securing a mortgage at an affordable rate. The majority of them are being priced out of the market and forced to stay in expensive rental accommodation that is a black hole for their personal finances, making it even harder for them to save for a deposit.

“The lack of new buyers has caused house sales to drop well below their previous levels. It has put the brakes on activity further up the property ladder and caused the whole market to congeal. House prices are falling as a result. Adjusted for inflation, house prices have fallen by almost 4% in real terms since January last year.

“The underlying demand is there. People want to buy, but cannot because mortgage requirements are becoming steadily stricter. Banks are consciously reducing their lending to lower income buyers, hitting Welsh buyers disproportionately, and will continue to do so over the coming months. The eurozone crisis has made it much more expensive for banks to fund mortgages: they are covering off these extra costs by increasing rates and reducing the number of mortgages they grant to buyers with small deposits.

“Things are unlikely to get much better over this year. House prices will be closely tied to events across the Channel. If the problems blighting the eurozone become more pronounced, banks and building societies will have to scale back their mortgage lending even further. This will reduce sales yet further and knock chunks off the average house price.

“On a local level, the fortunes of house prices are heavily dependent on the performance of their immediate economies and, in Wales, this will particularly be influenced by the impact of public sector austerity and the threat of unemployment.”

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 April 2011 - March 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
April	2011	£150,664	233.7	-1.3	-3.0
May	2011	£148,820	230.8	-1.2	-4.0
June	2011	£148,999	231.1	0.1	-4.2
July	2011	£149,863	232.5	0.6	-3.6
August	2011	£151,741	235.4	1.3	-2.6
September	2011	£152,086	235.9	0.2	-2.4
October	2011	£155,038	240.5	1.9	0.1
November	2011	£154,576	239.8	-0.3	0.9
December	2011	£153,713	238.4	-0.6	1.2
January	2012	£152,078	235.9	-1.1	0.0
February	2012	£151,810	235.5	-0.2	-0.7
March	2012	£152,238	236.1	0.3	-0.3

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Further commentary by Dr Peter Williams

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

The housing market in Wales diverged in March from the market in England and saw little evidence of any rush by first-time buyers to purchase a property before the stamp duty holiday came to an end on 24th March 2012. We estimate that residential property transactions in Wales in March totalled some 2,500 sales. Although sales were up on February levels, the rise of 25% is normal for the time of year. Unlike in England, there has been no observable surge in the buying of terraced properties or flats, which are typically the choice of first time buyers.

We suggest two possible reasons why first time buyer activity in Wales saw little if any stimulus in March. The first reason is that the ongoing difficulties for first time buyers in obtaining a mortgage remain the prime barrier. Large deposits and good credit ratings are a pre-requisite in obtaining finance and lenders are likely to look more favourably on applicants in Greater London and areas of the South East, where property prices have continued to rise. The second reason is that there are proportionately a larger number of properties in Wales available at prices below the £125,000-£250,000 price band within which the SDLT tax holiday was applicable, such that the SDLT holiday for these homes is irrelevant.

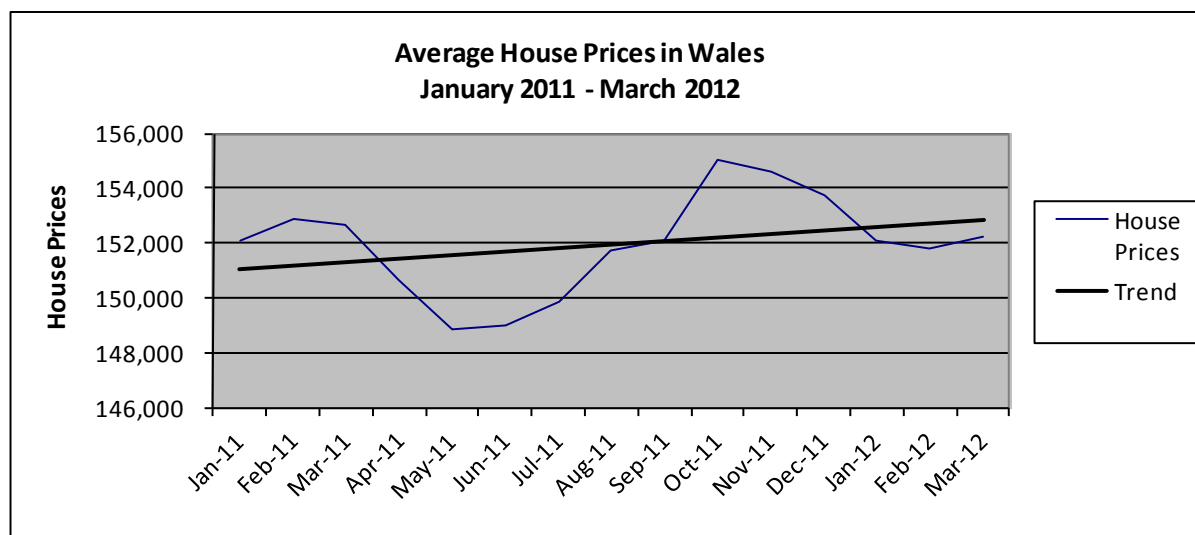


Figure 1. The average house price in Wales, January 2011 to March 2012

[link to source Excel](#)

The headline numbers are that house prices in Wales rose 0.3% in March, from February, but fell -0.3% over the year. Although such statistics will be keenly watched by some, we believe that Figure 1 above provides a better understanding of the current housing market in Wales. The graph depicts the average house prices in Wales for the last fifteen months, over which we have placed a linear trend line. The pattern emerges of house prices oscillating around a gently upward sloping trend. Whilst the average price in March is below the line, the graph shows that prices are moving up towards trend. In nominal (money) terms the trend line increases from approximately £151K to £153K over this period, indicating an increase of 1.3% in nominal house prices, however RPI over this same period has been 5.2%, suggesting a fall in real terms of -3.9%.

Would an investor have been better off buying stocks and shares, rather than property, over this period? The FTSE 100 Index stood at 6,014 at the beginning of 2011 and has subsequently fallen to 5,809 at the end of March 2012, a decline in nominal terms of -3.4%, or in real terms -8.6%. So a Welsh property bought in January 2011 would have provided a higher capital return than would shares. Of course, we must add the standard caveat; past performance is not necessarily a reliable indicator of performance in the future.



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

[link to source Excel](#)
AVERAGE HOUSE PRICES IN WALES BY UNITARY AUTHORITY AREAS

(Mix adjusted)

RANK BY PRICE PRIOR YEAR	RANK BY PRICE	LOCAL AUTHORITY AREA	Mar-11	Mar-12	% Change
1	1	MONMOUTHSHIRE	209,795	224,190	6.9%
2	2	THE VALE OF GLAMORGAN	205,685	210,638	2.4%
4	3	CARDIFF	183,713	184,573	0.5%
3	4	CEREDIGION	191,791	179,510	-6.4%
6	5	POWYS	176,956	171,085	-3.3%
5	6	PEMBROKESHIRE	177,046	166,861	-5.8%
7	7	ISLE OF ANGLESEY	168,393	163,676	-2.8%
9	8	WREXHAM	157,146	158,959	1.2%
10	9	CONWY	154,499	158,323	2.5%
8	10	GWYNEDD	157,788	155,489	-1.5%
13	11	DENBIGHSHIRE	147,225	153,189	4.1%
12	12	FLINTSHIRE	152,182	152,445	0.2%
11	13	SWANSEA	152,777	148,985	-2.5%
15	14	NEWPORT	137,738	144,528	4.9%
14	15	CARMARTHENSHIRE	141,009	134,988	-4.3%
16	16	BRIDGEND	137,664	134,734	-2.1%
17	17	TORFAEN	128,604	133,105	3.5%
18	18	CAERPHILLY	120,142	120,522	0.3%
19	19	NEATH PORT TALBOT	110,016	106,208	-3.5%
21	20	RHONDDA CYNON TAFF	104,993	105,723	0.7%
20	21	MERTHYR TYDFIL	107,544	90,852	-15.5%
22	22	BLAENAU GWENT	80,449	77,913	-3.2%
		WALES	152,657	152,238	-0.3%

Table 2 shows the average price of a house in the 22 unitary authority areas in Wales, for both March 2011 and March 2012. As can be seen, although the headline rate of change for the Principality as a whole is a -0.3% fall in prices over the year, there are considerable differences at the more local level. The biggest rise in house prices has been seen in Monmouthshire, at 6.9%, where the average prices of detached and semi-detached properties have increased by 13%. Monmouthshire is also ranked first in terms of the greatest average price for a home of all the local authority areas in Wales. The steepest decline in prices has been observed in Merthyr Tydfil, down -15.5% over the year, where the average prices of detached and semi-detached properties have fallen by -13%, although we would caution that these statistics for Merthyr Tydfil are based on a very low number of transactions.

Of the 22 local authority areas in Wales, 11 have seen house prices increase over the year and 11 have seen falls. One can possibly discern a trend that prices in North Wales, particularly around Denbighshire, Conwy, Wrexham and Flintshire, have been rising, whilst prices in South Wales, in areas such as Bridgend, Swansea, Neath Port Talbot, Carmarthenshire and Pembrokeshire have seen price falls.

Last month we reported on the change in ranking by price over the last ten years. This showed that the Isle of Anglesey and Gwynedd had each moved up six places, with Pembrokeshire up four places; Bridgend, Wrexham and Flintshire each dropped four positions in the rankings. If we now look at the change in rankings over the last year we find that Gwynedd has dropped back two places, whilst Wrexham has regained a position. There is a theory amongst housing analysts that property prices in an area have a natural level relative to the neighbouring areas, such that if a particular area sees prices rise or fall by more than the average, there will be a tendency for those prices to return to more normal levels over time. Perhaps Gwynedd and Wrexham are evidence of this process in action?

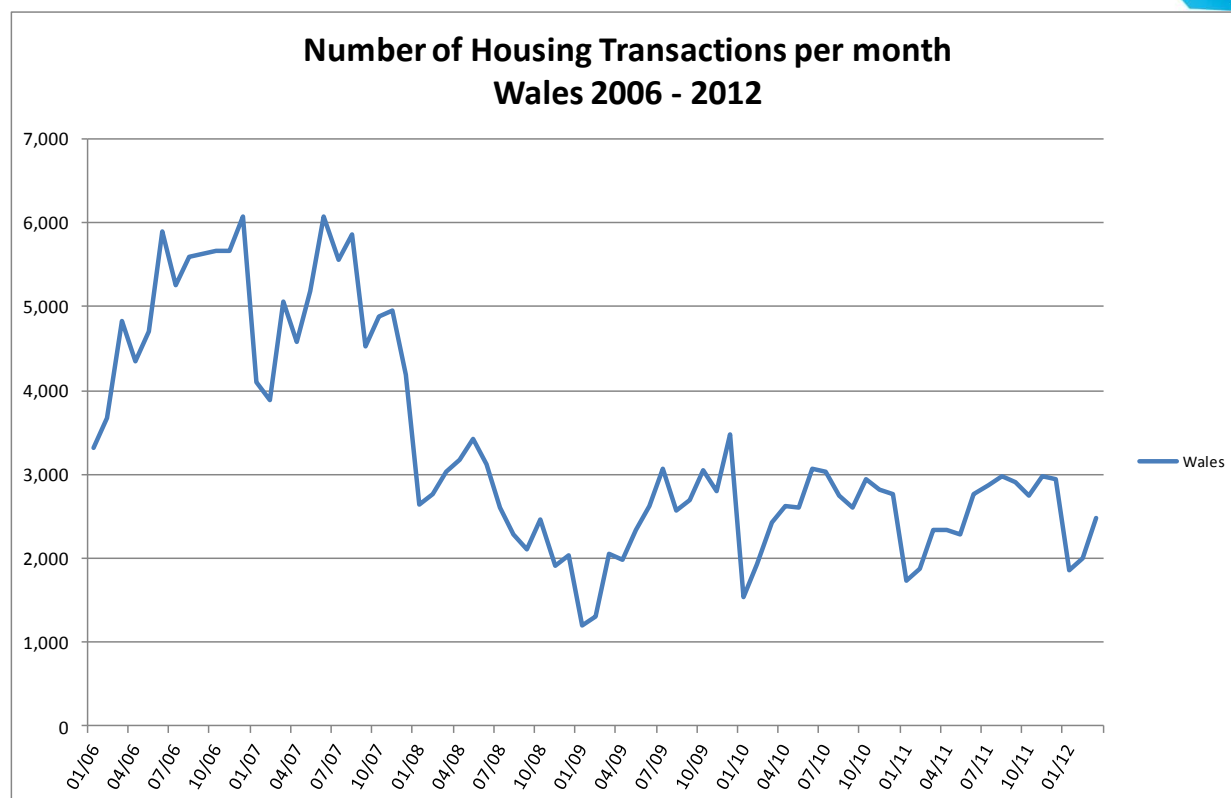


Figure 2. The number of housing transactions by month in Wales, 2006 - 2012 (not seasonally adjusted)

[link to source Excel](#)

The above graph shows the number of monthly transactions recorded by the Land Registry for the period January 2006 to March 2012, without seasonal adjustment. Traditionally, sales in Wales in March pick up by 30% over February levels, with March 2012, at 25%, proving to be slightly lower than average. There is therefore no evidence of an increase in housing activity relating to first-time buyers seeking to take advantage of the SDLT holiday, prior to its cessation on 24th March, as witnessed in some areas in England.

Activity in the housing market is likely to remain subdued this year for a number of reasons. There is the overall slow down in the economy and associated loss of consumer confidence; the ongoing difficulties in obtaining mortgage finance, with relatively high deposit requirements continuing to act as a barrier to potential purchasers; the rain in April which will have discouraged many from carrying out property searches; and lastly the Queen's Jubilee and the Olympics which will both put a brake on property sales. We do not therefore foresee the property market in 2012 returning to anything like the levels of activity seen in 2006 and 2007.

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

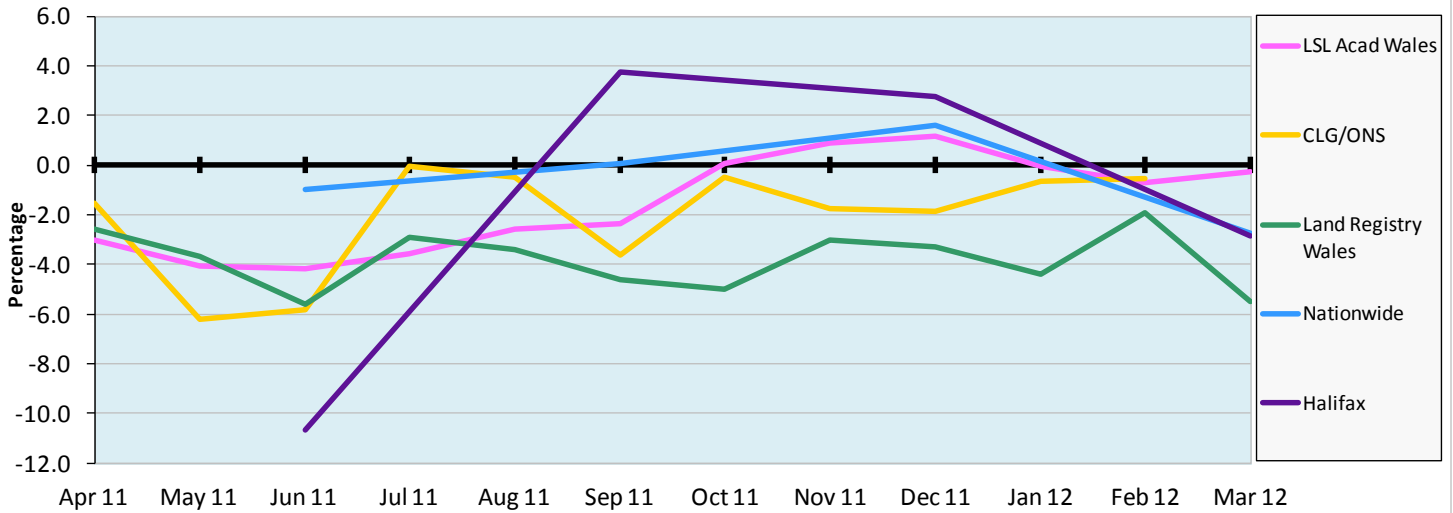


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

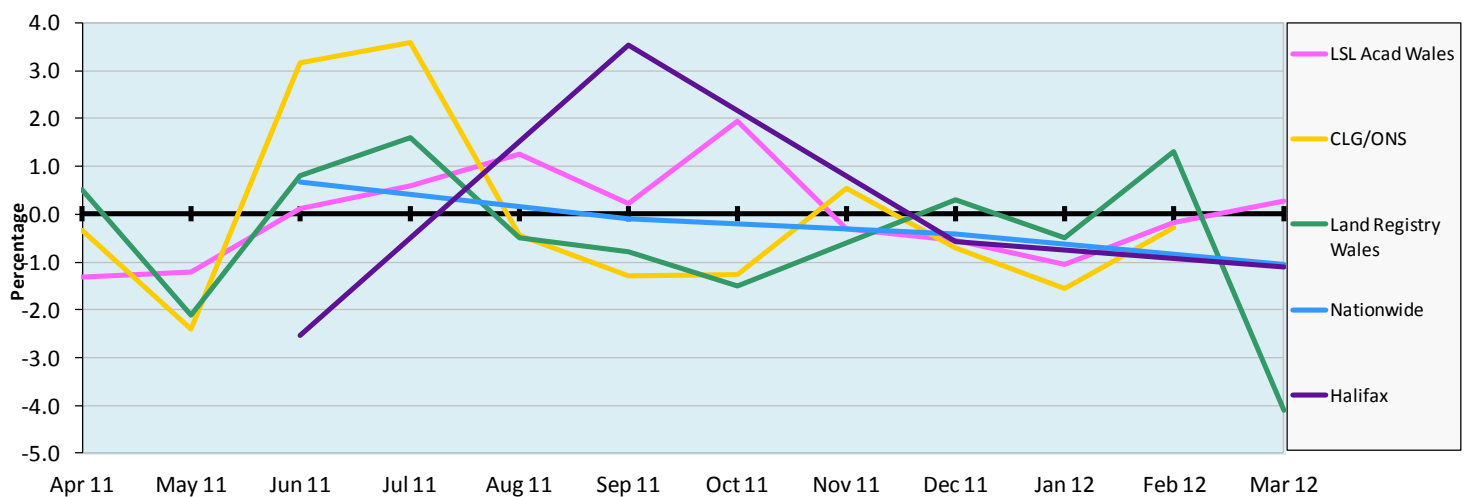


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

The above charts compare the main indices 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.

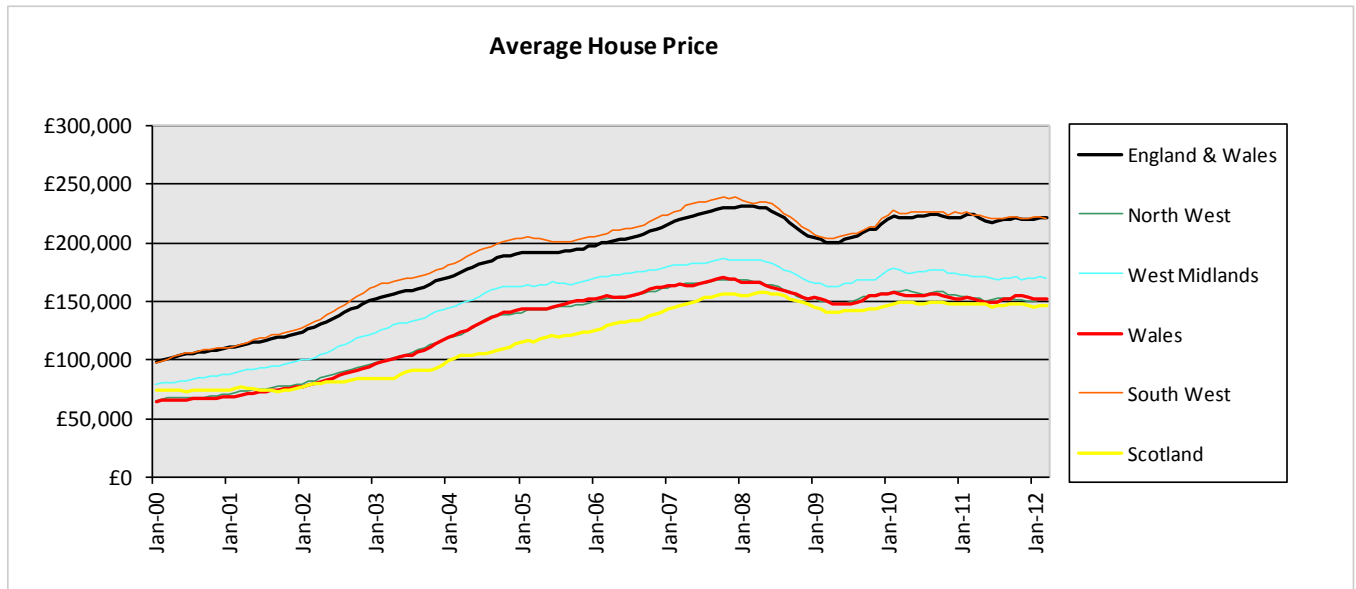


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period Jan 2000 - Mar 2012 [link to source Excel](#)

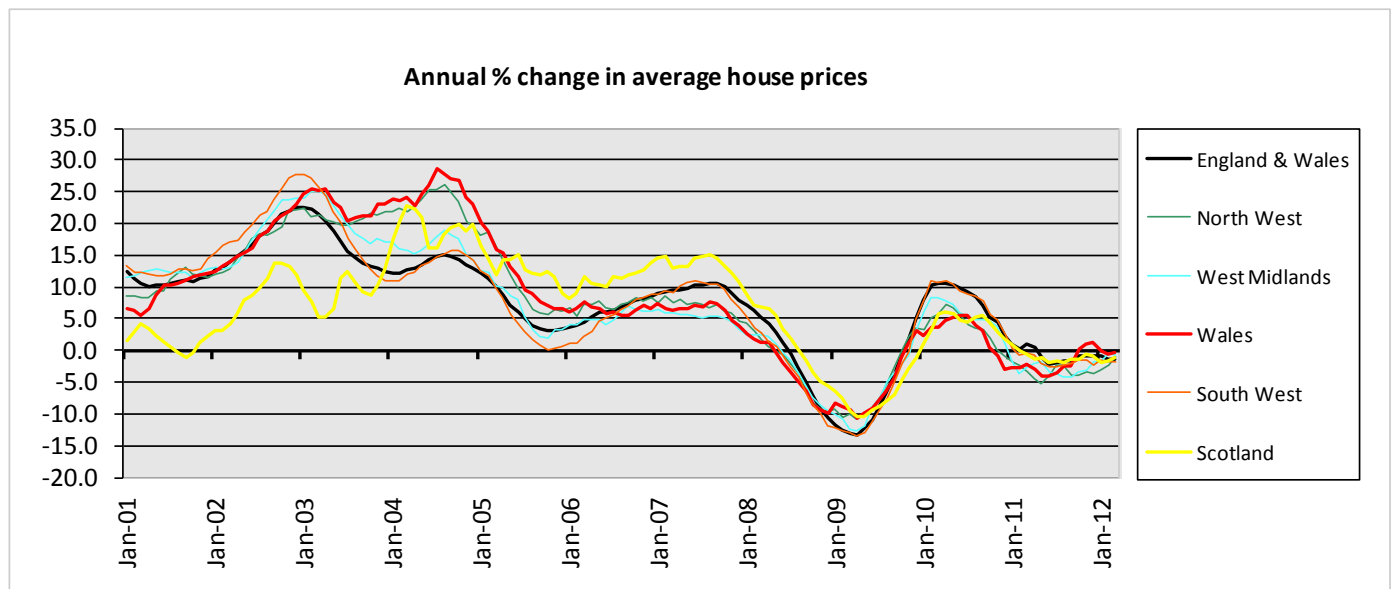


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period Jan 2001 - Mar 2012 [link to source Excel](#)

Nine unitary authorities in Wales

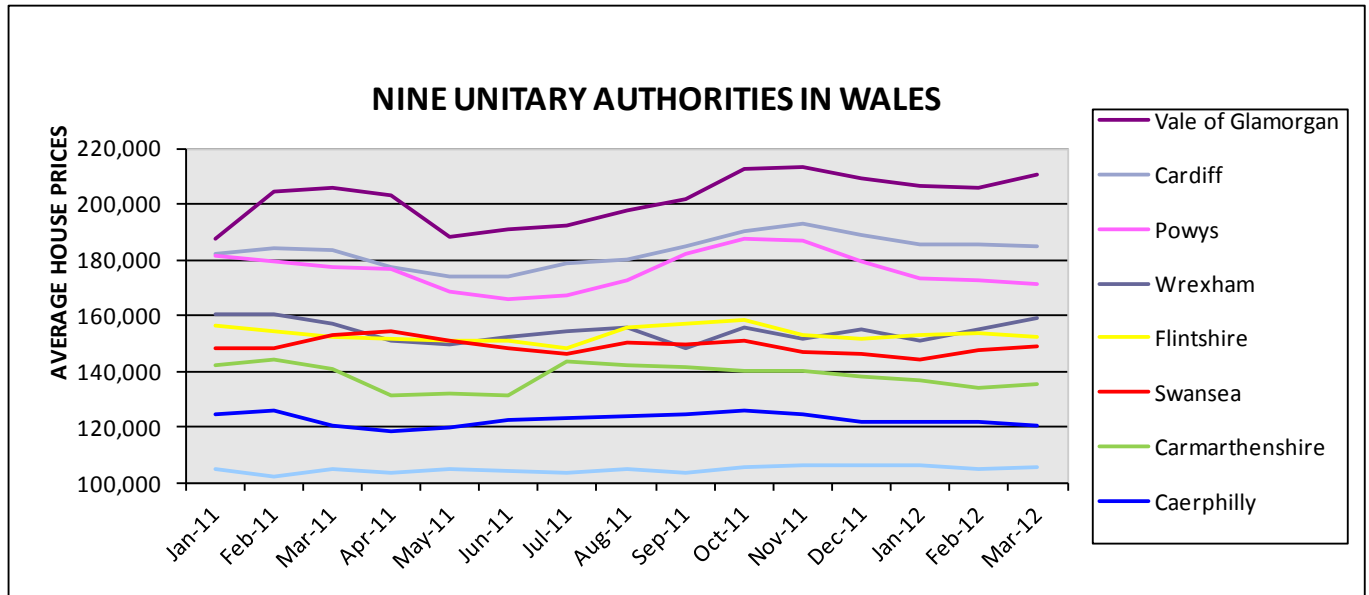


Figure 7. Average house prices for nine unitary authorities in Wales from January 2010 - March 2012

[link to source Excel](#)

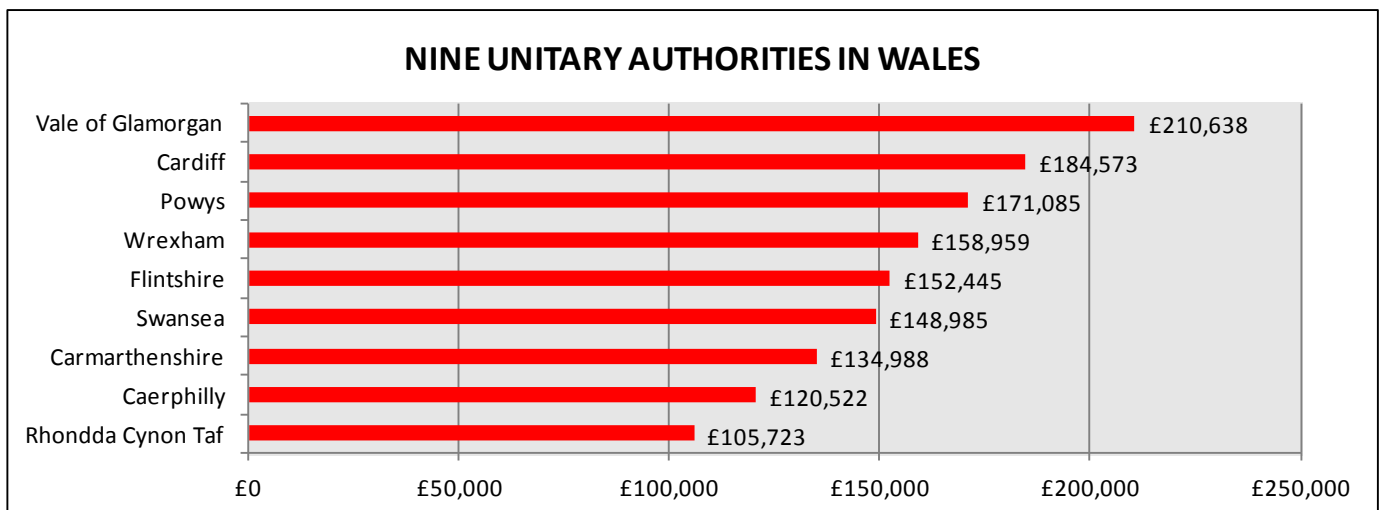


Figure 8. Average house prices for nine unitary authorities in Wales March 2012

[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