

LSL Property Services/Acadametrics
Wales

House Price Index

MARCH 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 22ND MAY 2013



Welsh house prices fall £1,735 in a year

- House prices have sunk by £284 from February
- Prices have fallen back to December 2010 levels as lack of mortgages squashes demand

House Price	Index	Monthly Change %	Annual Change %
£151,780	235.4	-0.2	-1.1

Richard Sexton, director of e.surv, part of LSL Property Services, comments: “The Welsh housing market is being dragged back by a lack of mortgages available to buyers with small deposits. Despite the small rise of £581 since January 2013, houses prices are lower than a year ago and have dropped by £284 in the last month. Prices just haven’t taken off, and have fallen back to their December 2010 levels – a -2.7% fall over three years.

“The crux of the problem is a lack of mortgages. Welsh first time buyers are finding it tough to secure a mortgage at a decent rate and many first-time buyers are being locked out of the market entirely, so are having to stay in expensive rental accommodation. As a result house sales are low, especially at the bottom end of the market. This has stifled activity higher up the property ladder, making the whole chain sluggish. Demand is high, as people are desperate to buy and escape the expensive private rental sector, but they are thwarted by strict mortgage requirements.

“In local terms, the rate of growth in house prices is closely tied to the performance of each region’s economy. Some areas are more exposed to public sector austerity, inflation, a lack of private sector investment and unemployment which suppresses house prices. In March house prices fell in 15 of the 22 unitary authorities. Sales in the most Southerly counties are up by over double those in the North, partly owing to the population size in different parts pointing to the North and South gap.

“The weakness of the Welsh economy means the government is right in trying to give the housing market a shot in the arm. New initiatives geared to boosting the first-time market – like the Help to Buy scheme – should offset some of these chronic weaknesses. The signs for 2013 are more positive. As mortgage rates drop and the range of mortgage deals improve, there is much hope that the housing market will make some great strides towards recovery this year, and we are beginning to see this occur elsewhere in the UK. Traditionally, Wales lags the rest of the UK, but if the country holds true to previous performance, we should now begin to see the green shoots emerge from the Green Grass of Wales in the near future.”

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 March 2012 – March 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
March	2012	£153,515	238.1	0.8	0.6
April	2012	£153,856	238.7	0.2	2.1
May	2012	£153,448	238.0	-0.3	3.1
June	2012	£152,791	237.0	-0.4	2.5
July	2012	£152,106	235.9	-0.4	1.5
August	2012	£151,441	234.9	-0.4	-0.2
September	2012	£152,045	235.8	0.4	0.0
October	2012	£152,688	236.8	0.4	-1.5
November	2012	£152,483	236.5	-0.1	-1.4
December	2012	£152,130	236.0	-0.2	-1.0
January	2013	£151,199	234.5	-0.6	-0.6
February	2013	£152,064	235.9	0.6	-0.1
March	2013	£151,780	235.4	-0.2	-1.1

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

The average price of a house in Wales was £151,780 in March, an increase of £581 (0.4%) from January, but a fall of £284 from last month. Hence any anticipated continuation of last month's upward movement - however small - has not been realised. Prices are now at roughly the same level as in the month of August in both 2012 and 2011, and further back, in December 2010, but having risen to £153,856 in April 2012 in the meantime. Over the three year period, we are therefore looking at a fall of -2.7% since March 2010.

Although the annual rate of decrease had fallen last month to -0.1%, that same statistic is now -1.1%, in comparison with this time last year, when the annual change was positive, and upwards.

New buyer enquiries are slightly higher than the three-month average, with new sales instructions around 25% above the same average. However, price expectations are below average, all according to the RICS monthly survey for March. This is despite the fact that the average stock reported by surveyors in Wales is below the average figure as well, which might be expected to at least help stabilise prices, although could also be indicative of a general lack of confidence in the market, and hence unwillingness to buy or sell property.

We noted last month that some 78% of the RICS members across Wales had reported unchanged prices over a three-month period: this figure has now risen to 84%, similarly over a three-month rolling span.

Generally however, confidence among the RICS members in Wales does seem to be on the increase - typical comments suggest that vendors are being more realistic with price expectations, and that there has been a noticeable positive reaction to the recent better weather.

Our assessment last month that the market overall is still being affected by the general economic conditions, along with availability of finance, remains valid. Not surprisingly, the market exhibits very different dynamics when compared to that in London for instance, and not only in terms of absolute price, but also as far as fluidity goes. One interesting metric is the sales-to-stock ratio (as reported by the RICS members), which in Wales is the lowest in England & Wales.

The degree to which the emphasis put by the Chancellor on how housing across the UK will impact Wales remains to be seen - however, the Welsh Government's 2013/14 budget has allocated an extra £6 million for the Welsh Housing Partnership to support "Investing in Housing" as a priority. In addition, a further £6.5 million is earmarked for the West Rhyl Housing Redevelopment scheme. All of these initiatives ought to have a positive effect on the market, and although such effect will not be immediate, it should help bolster confidence.

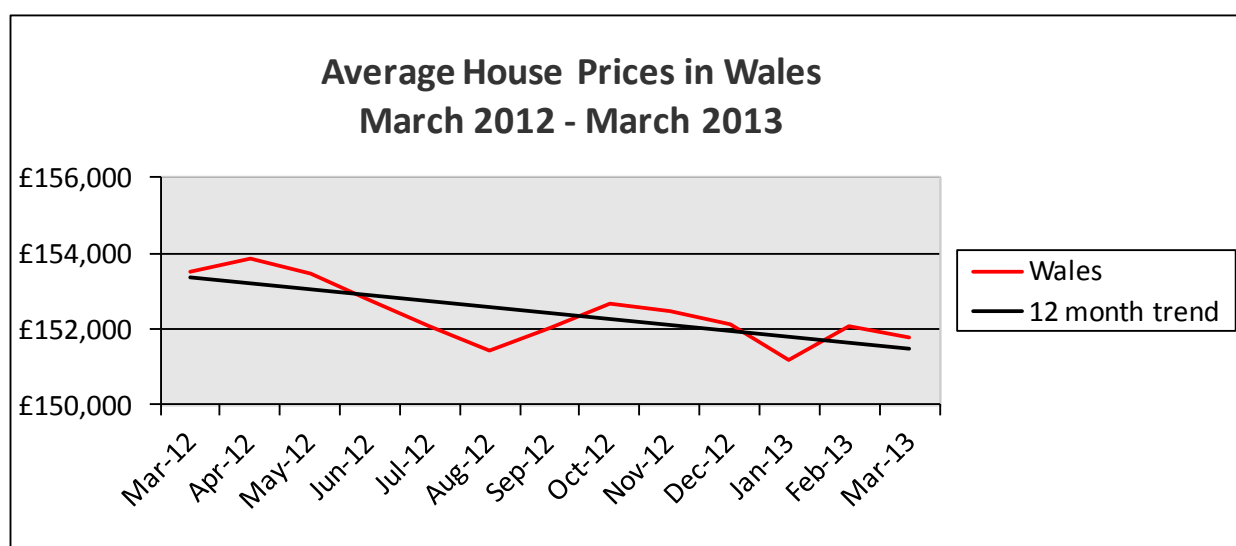


Figure 1. Average house prices in Wales, March 2012 – March 2013

[link to source Excel](#)

In Figure 1 above, we can see that the actual average price for the month, shown in red, is matching the black annual trend line, which it also did from October 2012 until the end of the year. Including March of last year, there have now been 8 months in which the average change has been negative, and although this month's fall is small, it nevertheless means that the downwards movement since October 2012 continues, and indeed negates the notion hinted at last month that possibly the monthly percentage falls might continue to get smaller. By comparison with England & Wales as a whole, where the annual rate of change is an increase of +3.2%, Wales falls well behind at -1.1%. It also remains one of currently three regions with negative annual growth, the others being the North of England at -1.3%, and Scotland at -0.9%.



Table 2. The average house price in Wales, by unitary authority area, March 2012 and March 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	Mar-12	Mar-13	% Change
1	1	MONMOUTHSHIRE	228,145	216,862	-4.9%
2	2	THE VALE OF GLAMORGAN	214,606	204,655	-4.6%
3	3	CARDIFF	184,086	191,872	4.2%
5	4	POWYS	172,002	176,924	2.9%
6	5	PEMBROKESHIRE	168,011	166,645	-0.8%
4	6	CEREDIGION	180,579	166,362	-7.9%
9	7	ISLE OF ANGLESEY	156,259	161,901	3.6%
7	8	WREXHAM	158,157	155,515	-1.7%
10	9	CONWY	156,029	153,628	-1.5%
8	10	GWYNEDD	157,292	152,349	-3.1%
14	11	NEWPORT	143,624	151,325	5.4%
11	12	FLINTSHIRE	155,178	150,289	-3.2%
12	13	SWANSEA	153,550	146,331	-4.7%
16	14	CARMARTHENSHIRE	136,910	141,254	3.2%
13	15	DENBIGHSHIRE	149,040	139,777	-6.2%
15	16	BRIDGEND	138,247	136,903	-1.0%
17	17	TORFAEN	132,911	124,490	-6.3%
18	18	CAERPHILLY	122,637	115,919	-5.5%
19	19	NEATH PORT TALBOT	109,686	107,147	-2.3%
20	20	RHONDDA CYNON TAFF	108,509	105,088	-3.2%
21	21	MERTHYR TYDFIL	95,761	102,477	7.0%
22	22	BLAENAU GWENT	78,802	82,240	4.4%
		WALES	153,515	151,780	-1.1%

Table 2 shows average prices in March 2012 and March 2013 for each of the 22 unitary authorities in Wales, along with the % change over the twelve months. During March, prices increased in 7 of these areas, and fell in 15 of them. By comparison, there were 10 increases and 12 falls last month.

It is interesting to note that the range of variation has decreased somewhat. For example, last month saw changes ranging from -13% (Ceredigion) to +8.8% (Merthyr Tydfil): this month the greatest fall was -7.9% in Ceredigion, with the largest rise being 7.0%, again in Merthyr Tydfil. Cardiff continues its upward overall trend, albeit at a slower rate on an annual basis, but has fallen back -1.4% since last month. Similarly, Bridgend has seen a fall of -2.4% this month (compare +0.2% last month), along with Flintshire at -2.2% (-3.7% in February). Blaenau Gwent, Isle of Anglesey, Carmarthenshire and Newport continue their upward movements. Of course, consideration of these percentage swings must be tempered by the fact that the transaction numbers are relatively small in the less well-populated areas.

We noted last month the anecdotal correlation between the RICS members' comments about the market in Wales and the actual figures - there is nothing in this month's results which suggest that the market has become any more cohesive, with variations continuing across the Principality, and between authorities.

We consider below the transaction numbers in March - however, it is evident that the differential between North and South remains - 3,447 in the Southernmost counties vs 1,379 of those in the North (but excluding Ceredigion and Powys in the middle): however, it is true to say as well that these numbers do correlate with the relative area population statistics.

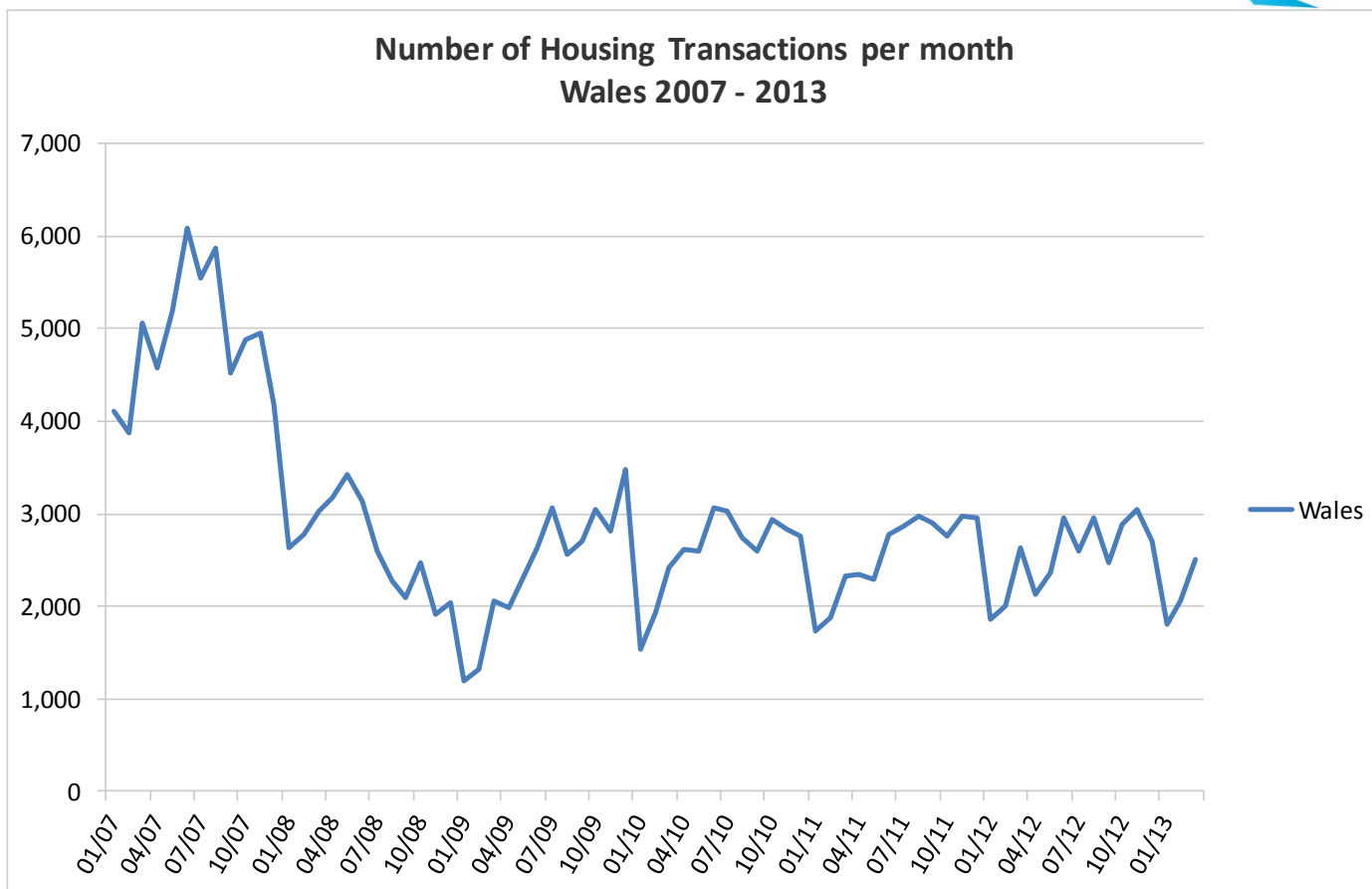


Figure 2. The number of housing transactions by month in Wales, 2006 - 2013 (not seasonally adjusted)

[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 March 2013, without seasonal adjustment.

This month's estimated transaction total is 2,500, an increase of 450 over last month, and brings the first quarter 2013 total to 6,350 sales. This is 144 less than Q1 2012, but an increase over the first quarters of 2011, 2010 and 2009 by 412, 456 and 1,783 respectively. It is however still 2,082 and 6,689 below the totals for the first quarters of 2008 and 2007. The Q1 2013 figure now represents a differential of -51% below that of Q1 2007.

Over a rolling 12-month period March 2012 to March 2013, we see that 917 fewer properties were sold compared with the same period 2011 to 2012. That is a drop of -2.9% and reduces the average over the last year to 2,536 transactions per month compared with 2,612 per month in the 2011 to 2012 period.

Looking at property types on a three-monthly basis, and comparing Q1 2013 with Q1 last year, we see a -3.6% drop in the number of detached sales (from 1,875 to 1,808), drops of -9.4% in both semi-detached and terraces (from 1,928 to 1,747 and 2,152 to 1,950), and a -21.4% drop in the numbers of flats sold (from 515 to 405). This last figure is perhaps significant: last month we compared the apparent increase on a rolling three-month basis in the number of flats being sold in 2012 vs 2013. This might have been indicative of an improvement in the FTB market. However, at -21.4% that figure has fallen away again somewhat, and still does not seem to reflect the emphasis being given to that sector of the market. Indeed, in 8 of the local authority areas, there were no sales of flats at all in March.

At the other end of the scale, and comparing March with January of this year, we see a considerable increase in the sales of detached properties in 4 areas: Carmarthenshire up 96%, Denbighshire up 60%, Cardiff up 68% and Wrexham up 116%.

The variation in local authority area in terms of overall transaction numbers is also considerable - for instance, Torfaen, Caerphilly, Carmarthenshire, Blaenau Gwent, Wrexham and Denbighshire all saw decreases of more than 20% (21.2%, 29.7%, 24.4%, 25.6% 21.1%, 29.3% respectively). The Isle of Anglesey however saw an increase overall of 23.0% and Merthyr Tydfil 33.7%.



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

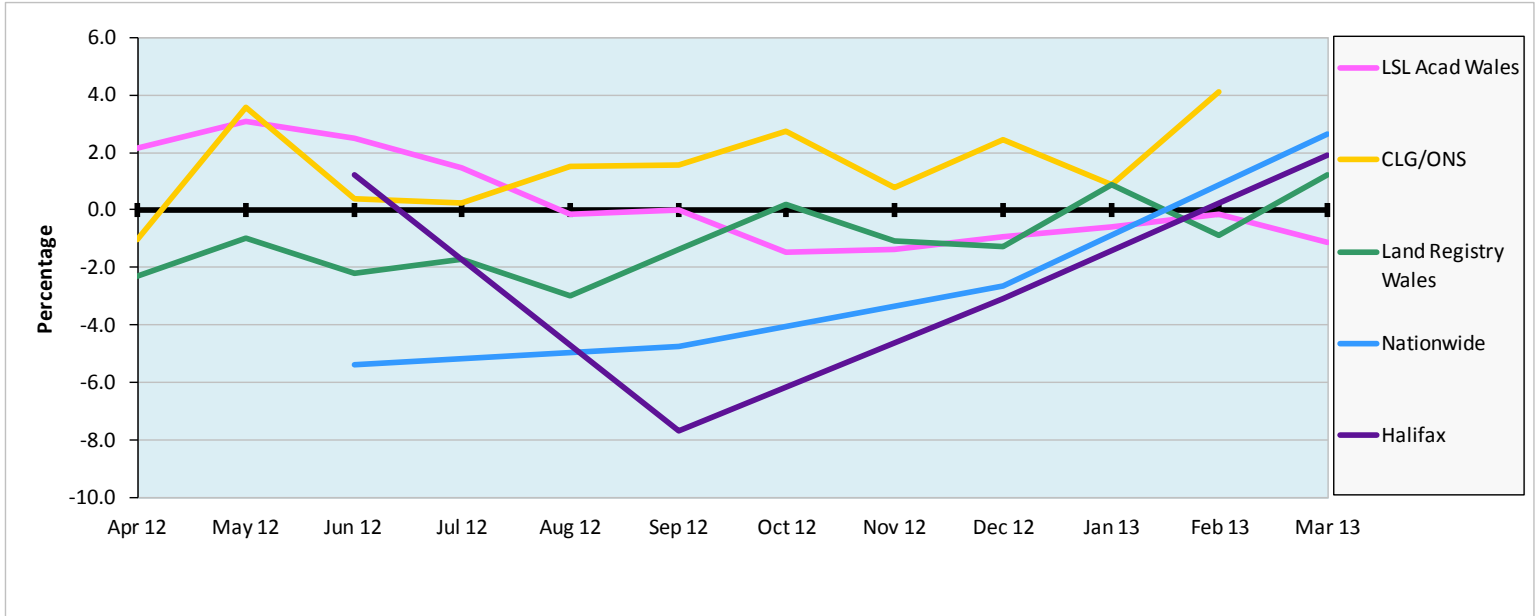


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

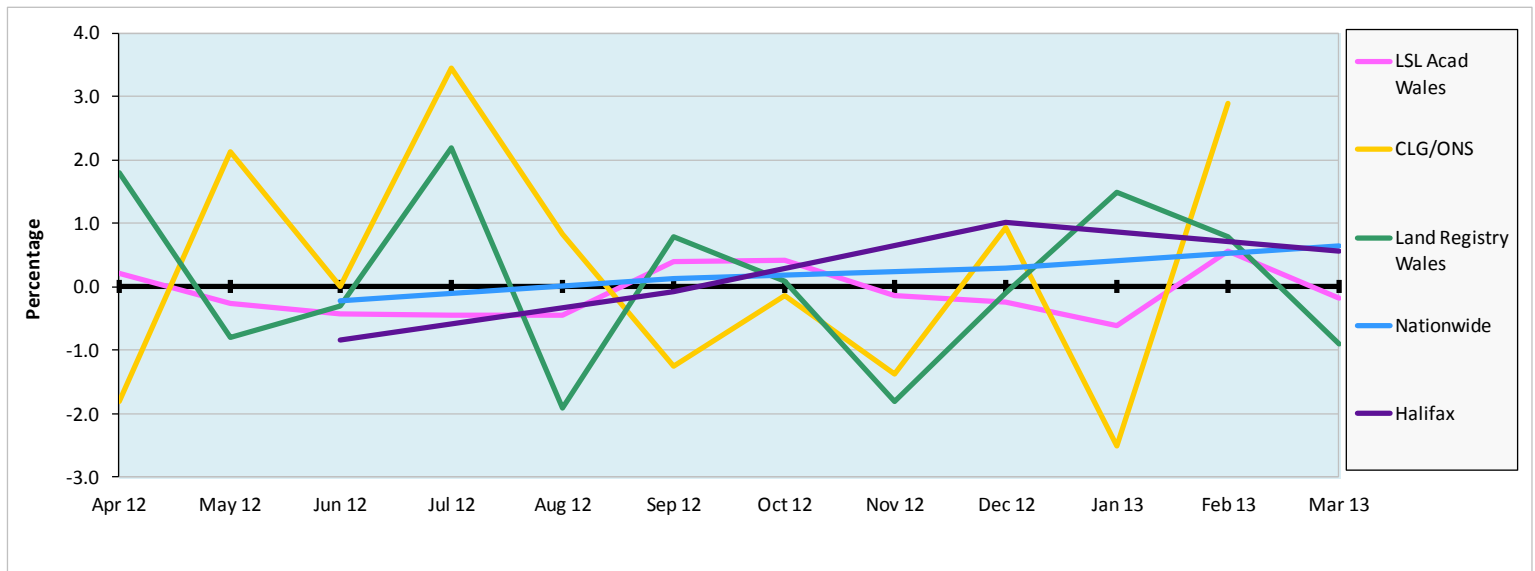


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[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.

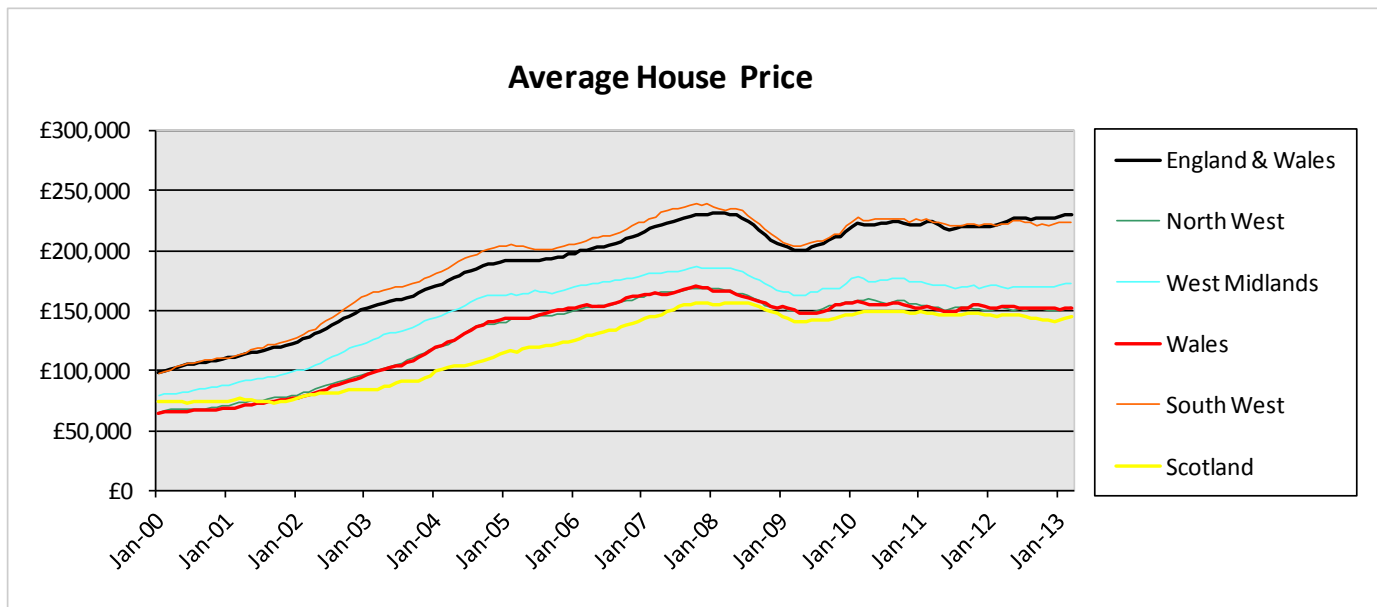


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 – March 2013 [link to source Excel](#)

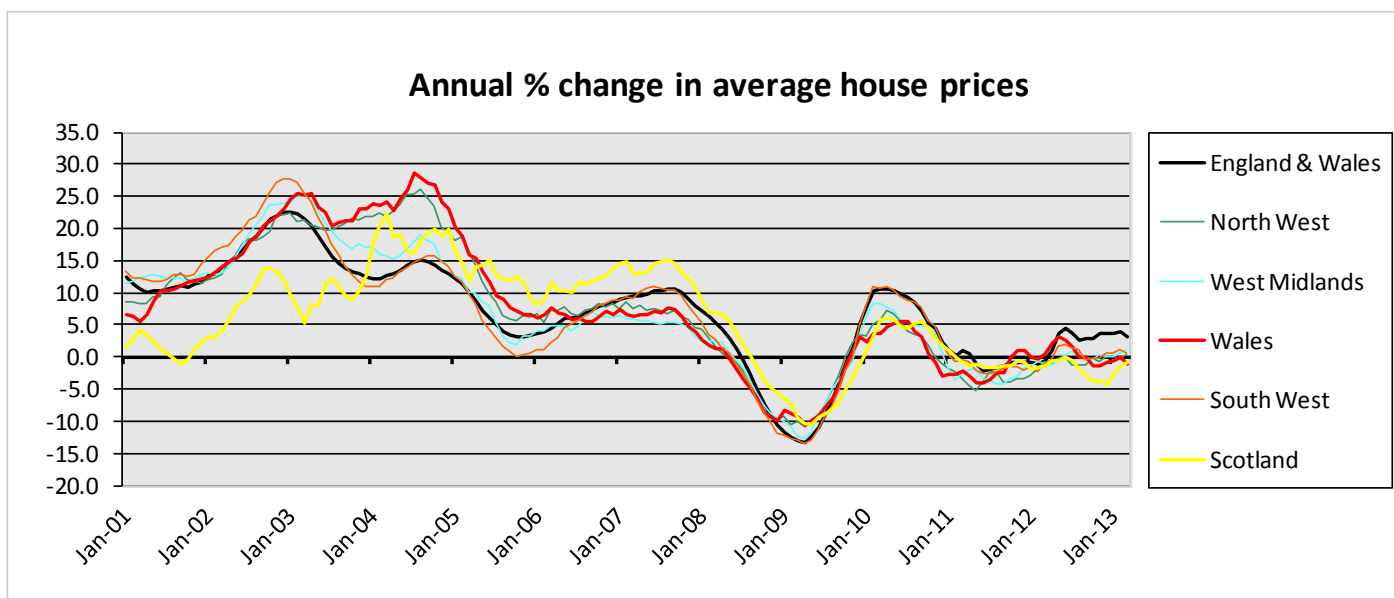


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 – March 2013 [link to source Excel](#)

Nine unitary authorities in Wales

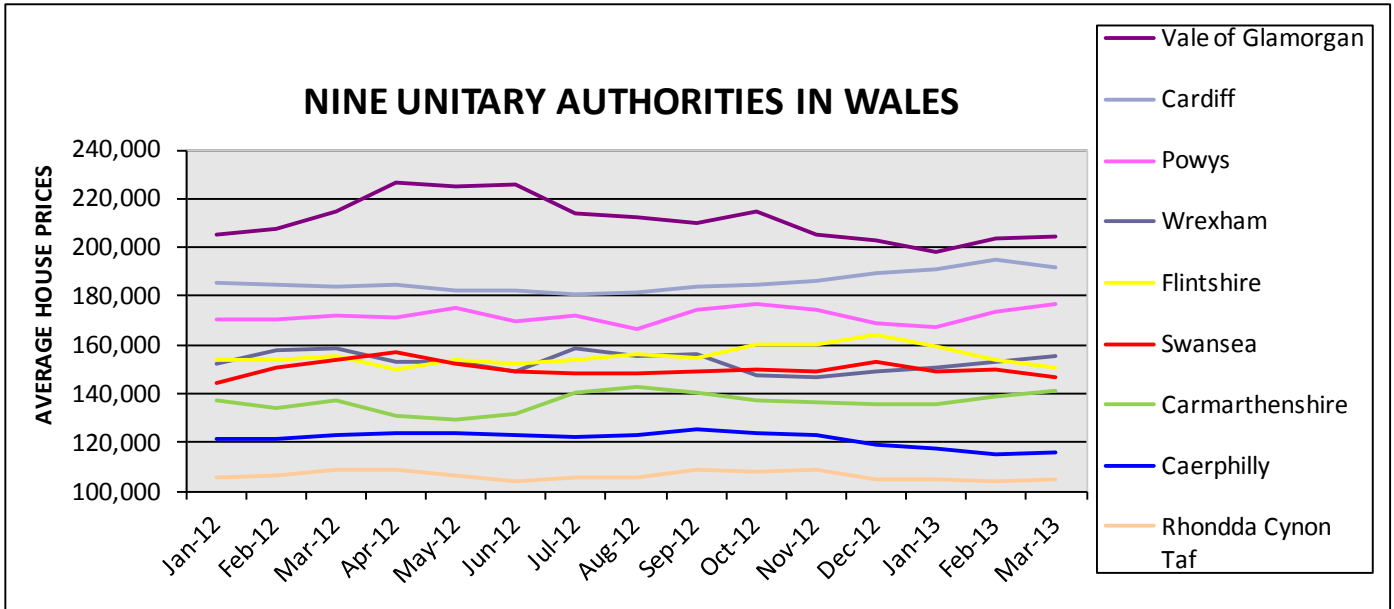


Figure 7. Average house prices for nine unitary authorities in Wales from January 2012 – March 2013 [link to source Excel](#)

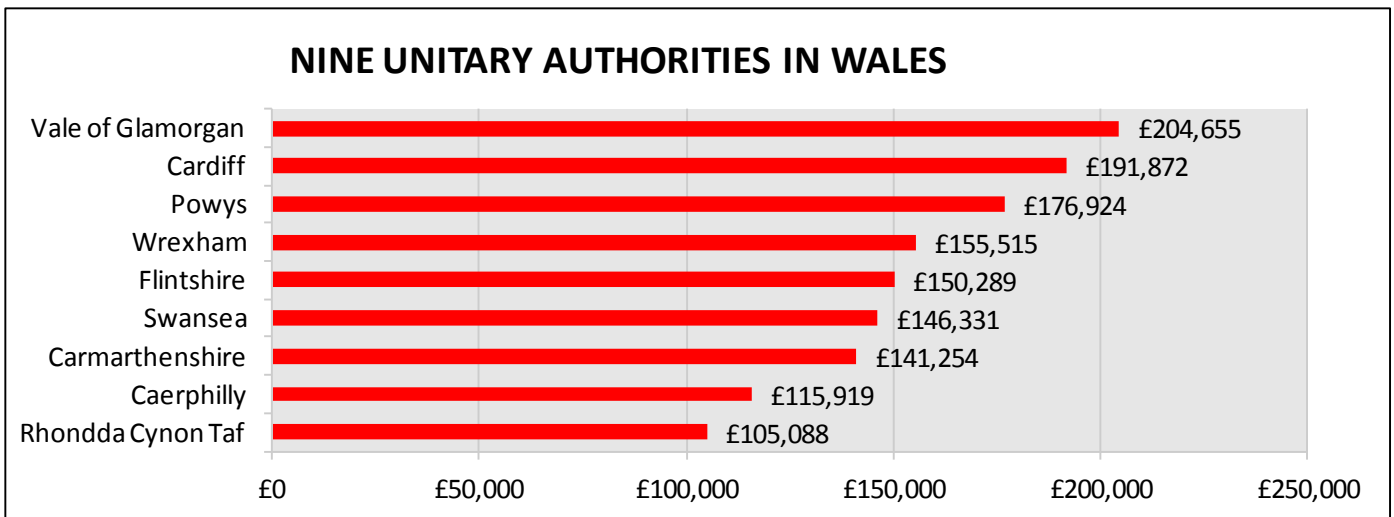


Figure 8. Average house prices for nine unitary authorities in Wales March 2013 [link to source Excel](#)



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.

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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