

LSL Property Services/Acadametrics
Wales

House Price Index

MAY 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 24TH JULY 2013



Welsh house price sink £2,935 in the past year

- Prices fall a further £1,552 from April
- May's monthly fall the biggest since January 2012

House Price	Index	Monthly Change %	Annual Change %
£150,376	233.3	-1.0	-1.9

Oliver Blake, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: "The Welsh housing market is still caught in the clutches of restricted mortgage availability. Prices have fallen by almost £3,000 over the past 12 months, and £1,552 in the last month. It's a sharp contrast with England, and particularly with London, which is starting to fire on all cylinders. Buyers in Wales are struggling to get mortgage financing, which is clogging the whole property chain.

"But things are looking up. The lending environment is slowly improving for first-time buyers, who are able to access a wider and cheaper range of mortgage deals. Low interest rates are helping, and more affordable options are surfacing that are boosting activity from the bottom end of the market. But deposit requirements remain the sticking point, with plenty of buyers unable to get together enough savings, while inflation stays high and wages remain suppressed. Wealthier buyers and equity-rich retirees represent the largest slice of buying power: this is sustaining sales levels, and propping up prices.

"On a regional level, prices tend to vary prominently depending on the distribution of wealthier buyers. Prices have fallen at poorer ends of the spectrum in areas with more first-time buyers. The sinking prices are bucking the normal summer trend of rising sales over the summer - sales figures are below average historically, by almost half what they were in 2007.

"But given how difficult it is to get a mortgage at the moment, the small rise in house sales is a cause for celebration. Sales have increased by 6.2% compared to May 2012, reflecting the improvement in first-time buyers flocking to the market, many of whom have been supported by improved lending conditions.

"The property market could do with a spark to boost its rate of recovery. The good news is that the Welsh Government plans to up its game, having recently announced the drafting of a new Housing Bill which will focus on the quality and supply of housing, as well as on homelessness and the private rented sector. This bodes well for the future, while the long-term effects of the Funding for Lending scheme and Help to Buy feed through into the market. Hopefully this combination will drive the Welsh property market into safe territory as the year progresses."

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 May 2012 – May 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
May	2012	£153,311	237.8	-0.3	3.0
June	2012	£152,699	236.9	-0.4	2.4
July	2012	£152,030	235.8	-0.4	1.4
August	2012	£151,380	234.8	-0.4	-0.2
September	2012	£151,976	235.7	0.4	0.0
October	2012	£152,620	236.7	0.4	-1.5
November	2012	£152,596	236.7	0.0	-1.3
December	2012	£152,369	236.3	-0.1	-0.8
January	2013	£151,593	235.1	-0.5	-0.3
February	2013	£153,124	237.5	1.0	0.6
March	2013	£152,496	236.5	-0.4	-0.7
April	2013	£151,928	235.7	-0.4	-1.2
May	2013	£150,376	233.3	-1.0	-1.9

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

The average price of a house in Wales was £150,376 in May, a decrease of £1,552 (-1.0%) since April and of £1,217 (-0.8%) since the start of the year. Prices have now declined in each of the three last months, and in 8 of the last 12 months. On an annual basis, prices have fallen -1.9% which we can compare with the rise of +3.0%, just 13 months ago.

Comparing Wales with other regions, on an annual basis, the price fall in Wales is now greater than in any other region of England & Wales; it is followed by the North at -1.1%, the South-West at -0.8%, Yorks & Humber at -0.5% and East Midlands at -0.2%. The comparative rate in Scotland is -1.3%. However, the biggest contrast is once more with Greater London, where the annual rate of change is +7.9%.

The Council of Mortgage Lenders (CML) reports that a total of 2,000 loans were advanced to first time buyers (FTBs) in Wales in Q1 2013, which represents an increase of 5% over the same period in 2012. Compared with Q4 2012, however, transactions fell 20%, accounted for by seasonal factors. The CML continues to suggest a more favourable climate for FTBs in Wales in terms of affordability. This group borrowed an average of 3.07 times income, compared to a ratio of 3.23 in the UK generally. They spent 18.3% of income in initial mortgage payments in Q1, the comparative figure for the UK being 19.5%. The loan-to-value ratio for Wales remained at 85% in Q1, 5% higher than the 80% figure in the UK as a whole.

It is also worth commenting on home-movers: CML figures show that lending to this group fell in Q1 to some 2,600 loans (£310 million), representing a 13% fall compared with Q1 2012, and a 28% decrease on Q4 of 2012.

The Chair of CML Wales (Peter Hughes) has commented: "The desire to move into home-ownership in Wales is strong but there are still a number of barriers in the housing market stopping people from buying or moving, which is why we are working with key stakeholders on initiatives aimed at boosting the housing market in Wales".

Turning to anecdotal evidence from the RICS members in Wales, average agreed sales per surveyor for the month are well below the 3-month average for the country, as are new vendor instructions. However, sales expectations are reported as above average. Stocks per surveyor are the highest in England & Wales, and more than four times the figure for London. It is also interesting to note that on the lettings front, rent expectations as reported by RICS members are the lowest in England & Wales, and over four times lower than the equivalent figure for the South East.

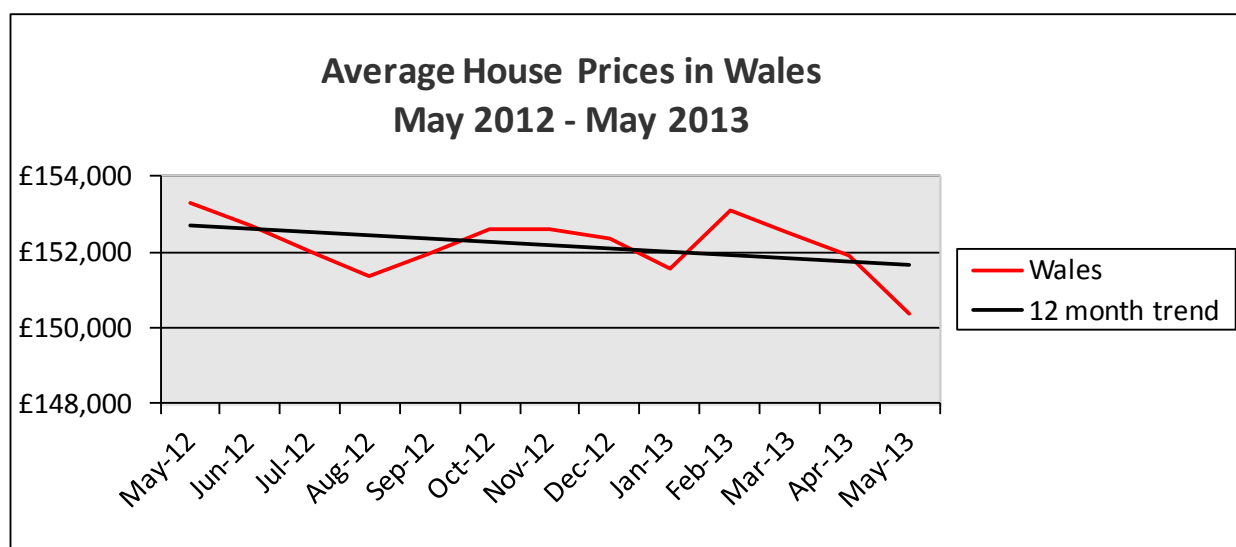


Figure 1. Average house prices in Wales, May 2012 – May 2013

[link to source Excel](#)

Figure 1 above shows the average house price in Wales for the period May 2012 to May 2013. Whereas last month the average price appeared to be on the 12 month trend, in May it fell significantly. This decline further solidifies the negative changes in 8 of the last 12 months. But the volatility in average monthly prices when volumes are low is shown by the fact that the 1.0% rise in February has been erased by this month's -1.0% fall.

More generally, the Welsh Government has announced the drafting of a new Housing Bill, which is expected to cover the quality and supply of housing, as well as homelessness and the private rented sector. This Bill is to be based on consultations already completed and is expected to be considered by the National Assembly in the autumn of this year.



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

[link to source Excel](#)

RANK BY PRICE PRIOR YR		RANK BY PRICE		UNITARY AUTHORITY	May-12	Apr-13	May-13	Monthly % Change	Annual % Change
2	1	1	2	MONMOUTHSHIRE	223,963	219,189	213,481	-2.6%	-4.7%
1	2	2	3	THE VALE OF GLAMORGAN	224,845	207,349	210,149	1.4%	-6.5%
4	3	3	4	CARDIFF	182,142	185,283	182,894	-1.3%	0.4%
6	4	4	5	POWYS	174,777	184,260	179,334	-2.7%	2.6%
3	5	5	6	CEREDIGION	193,284	178,290	175,942	-1.3%	-9.0%
8	6	6	7	ISLE OF ANGLESEY	156,517	164,366	169,115	2.9%	8.0%
5	7	7	8	PEMBROKESHIRE	175,449	166,797	163,602	-1.9%	-6.8%
9	8	8	9	GWYNEDD	154,565	153,244	155,083	1.2%	0.3%
10	9	9	10	FLINTSHIRE	153,577	152,706	152,309	-0.3%	-0.8%
7	10	10	11	CONWY	160,231	151,340	151,033	-0.2%	-5.7%
11	11	11	12	WREXHAM	153,131	154,009	149,083	-3.2%	-2.6%
12	12	12	13	SWANSEA	152,573	148,226	147,158	-0.7%	-3.5%
13	13	13	14	NEWPORT	148,822	149,191	143,711	-3.7%	-3.4%
14	14	14	15	BRIDGEND	135,986	137,682	139,769	1.5%	2.8%
15	15	15	16	DENBIGHSHIRE	134,355	139,987	139,255	-0.5%	3.6%
16	16	16	17	CARMARTHENSHIRE	129,200	139,794	130,353	-6.8%	0.9%
17	17	17	18	TORFAEN	127,815	124,575	126,144	1.3%	-1.3%
18	18	18	19	CAERPHILLY	123,828	116,012	115,522	-0.4%	-6.7%
20	19	19	20	RHONDDA CYNON TAFF	106,251	106,501	106,457	0.0%	0.2%
19	20	20	21	NEATH PORT TALBOT	109,279	108,297	105,504	-2.6%	-3.5%
21	21	21	22	MERTHYR TYDFIL	104,677	104,412	103,407	-1.0%	-1.2%
22	22	22		BLAENAU GWENT	86,930	83,804	87,687	4.6%	0.9%
				WALES	153,311	151,928	150,376	-1.0%	-1.9%

Average prices for the 22 unitary authorities in Wales are shown in Table 2 above, along with the % change on both a monthly and an annual basis. This month, prices have risen in 7 of them, and fallen in 15 (compared with 10 and 12 respectively last month), further emphasising the overall decline.

The unitary authority with the highest annual increase by a wide margin was Isle of Anglesey, at 8.0%. The monthly figure for this authority of +2.9% is also the second highest, after Blaenau Gwent at +4.6%. Denbighshire scored an annual increase of 3.6%, Bridgend 2.8% and Powys 2.6%. All the other positive changes were less than 1.0%. The biggest falls on an annual basis were Ceredigion at -9.0%, Pembrokeshire -6.8%, closely followed by Caerphilly at -6.7% and The Vale of Glamorgan at -6.5%. Other falls were smaller: Conwy -5.7%, Monmouthshire -4.7%, Neath Port Talbot and Swansea -3.5%, Newport -3.4% and others around the -1.0% mark.

The north/south divide remains evident. The average annual change across the 14 southernmost Authorities is now a fall of -2.3%, whilst that across the 6 northernmost areas is an increase of +0.5%. The two central areas (Powys and Ceredigion) have experienced an average annual fall of -3.2%. The equivalent monthly average figures for May are -0.9% (south), 0% (north) and -2.0% (central).

It is hard to recognise any particular pattern in these statistics. No doubt the Welsh Government's Housing Bill initiative, already mentioned, combined with a reported increase in overall optimism in the UK as a whole, will finally have a positive effect on the housing market in the Principality.

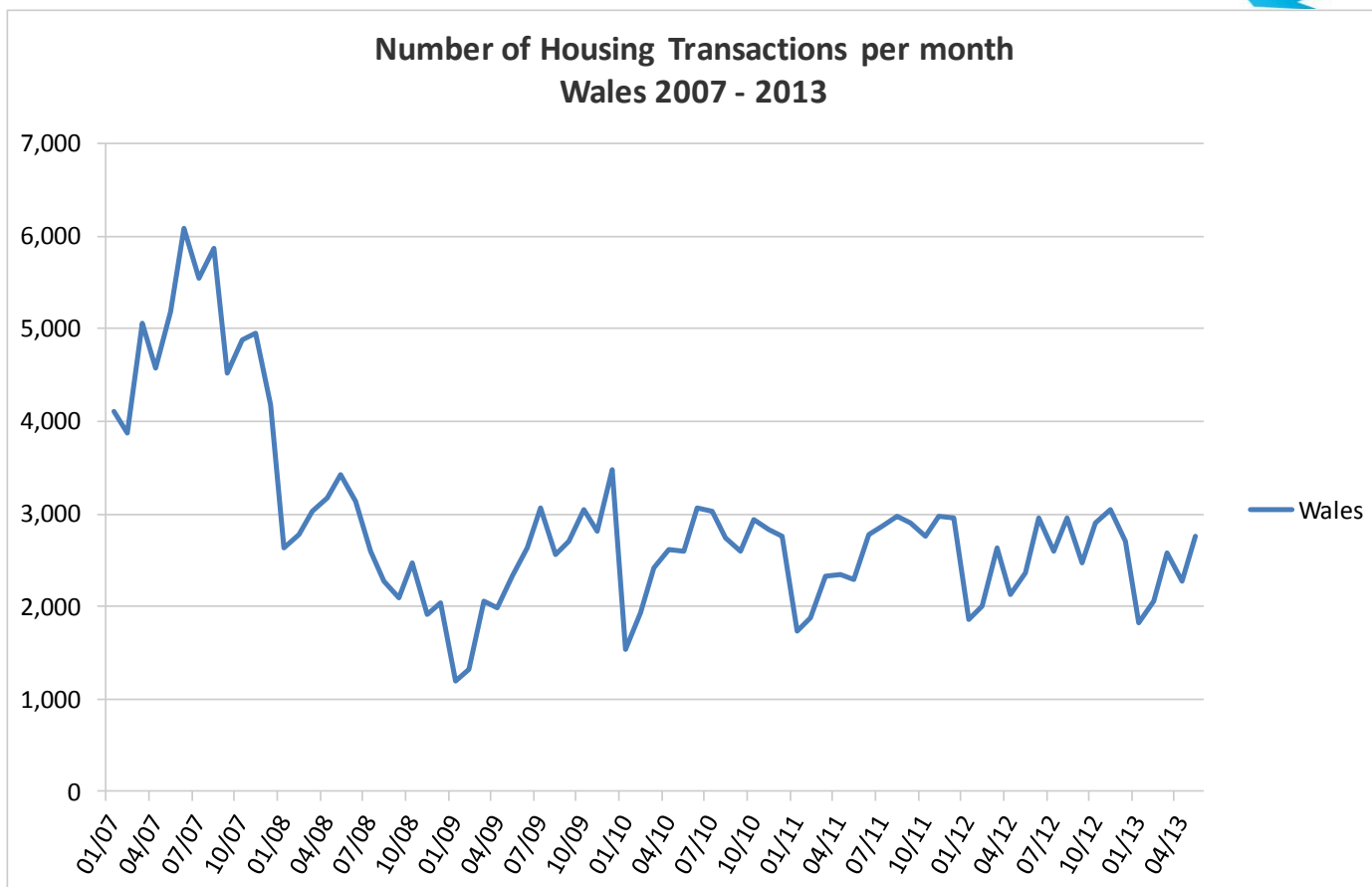


Figure 2. The number of housing transactions by month in Wales, 2007 - 2013 (not seasonally adjusted)

[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 May 2013, without seasonal adjustment.

As should be expected at this time of the year, the number of transactions in Wales has increased, to an estimated total of 2,514. This figure is still well below the average of 3,617 over the ten years to the end of May 2013, but does represent an increase of 6.2% from the figure of 2,367 at May 2012.

Our property type data show that, despite the improving climate for FTBs and perhaps surprisingly, fewer flats were sold during the first five months of this year (806), compared with the equivalent period in 2012 (928). In fact, semi-detached houses saw the largest increase amongst property types over the period with 3,312 sales this year, compared with 3,179 in the same period last year (+4.2%). Detached property sales for the January/May period this year were 3,269 (3,258 in 2012, a +0.3% change), and terraces 3,693 this year, 3,637 last (+1.5%).

Of course, at property type level, volumes are small especially within unitary authorities. Thus, Cardiff saw the most noteworthy monthly increase in the sale of flats but the actual numbers were 37 sales in April and 59 this month (+59%). Again on a monthly basis, there was a significant difference between April and May as far as the sale of detached properties goes; the figures were up by +170% in Neath Port Talbot (from 10 to 27), up by 138% in Wrexham (from 16 to 38), by 95% in Cardiff (from 22 to 43), and by 52% in the Isle of Anglesey (from 25 to 38). Semi-detached transactions rose by +32% from April in Cardiff (from 73 to 96) and by +30% in Carmarthenshire (from 40 to 52). Flintshire saw a rise from 33 to 46 (+40%), and Gwynedd an increase of 73% (11 to 19). Merthyr Tydfil was up 57% (7 to 11). Falls were noted in Rhondda (50 in April, 40 this month, down -20%), in Pembrokeshire (26 last month, 17 this month, down -35%) and in Denbighshire -30% (30 in April, 21 in May). Notable differences in the sale of terraces in May compared to April were in Blaenau Gwent up 46% (24 to 35), Flintshire up +57% (14 to 22), and Caerphilly up +32% (47 to 62). Falls were seen in Denbighshire, down -75% (16 in April, 4 this month), in Pembrokeshire at -19% (37 to 30), Torfaen (-14%) and Isle of Anglesey (-10%).

But again note the tiny total number of local transactions, particularly in Ceredigion (56) and Merthyr Tydfil (40).



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

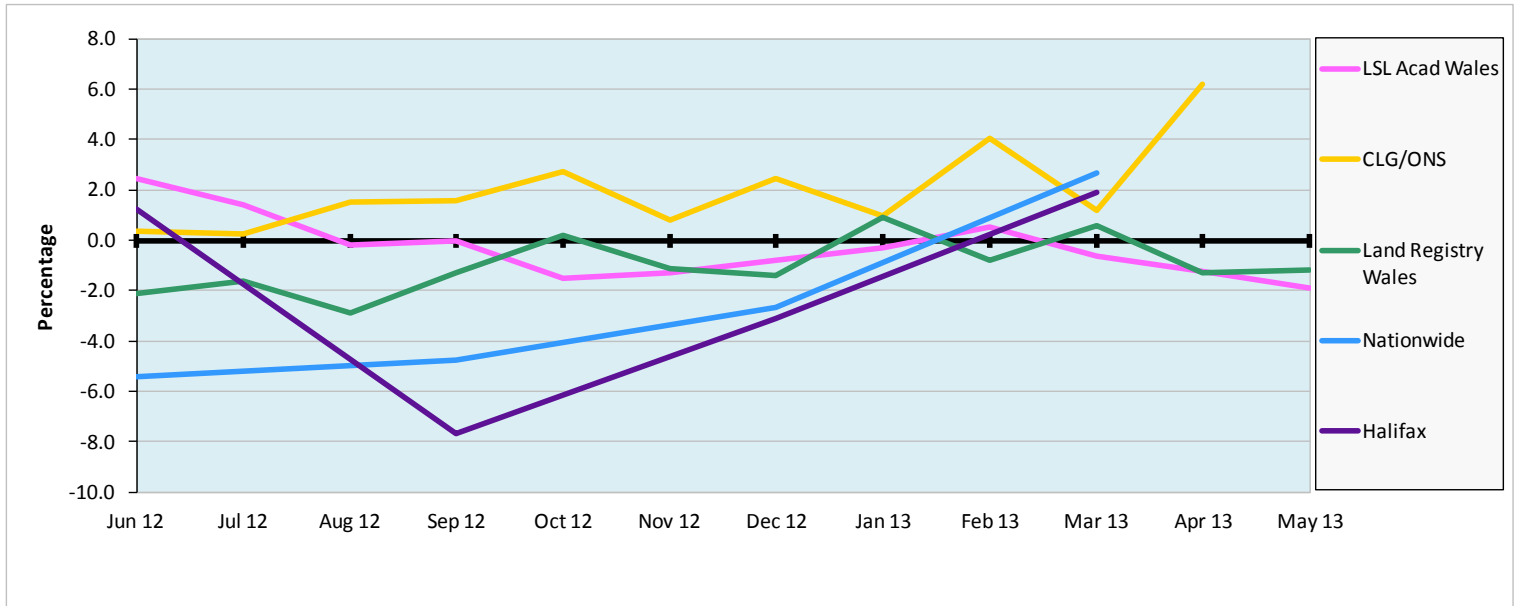


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

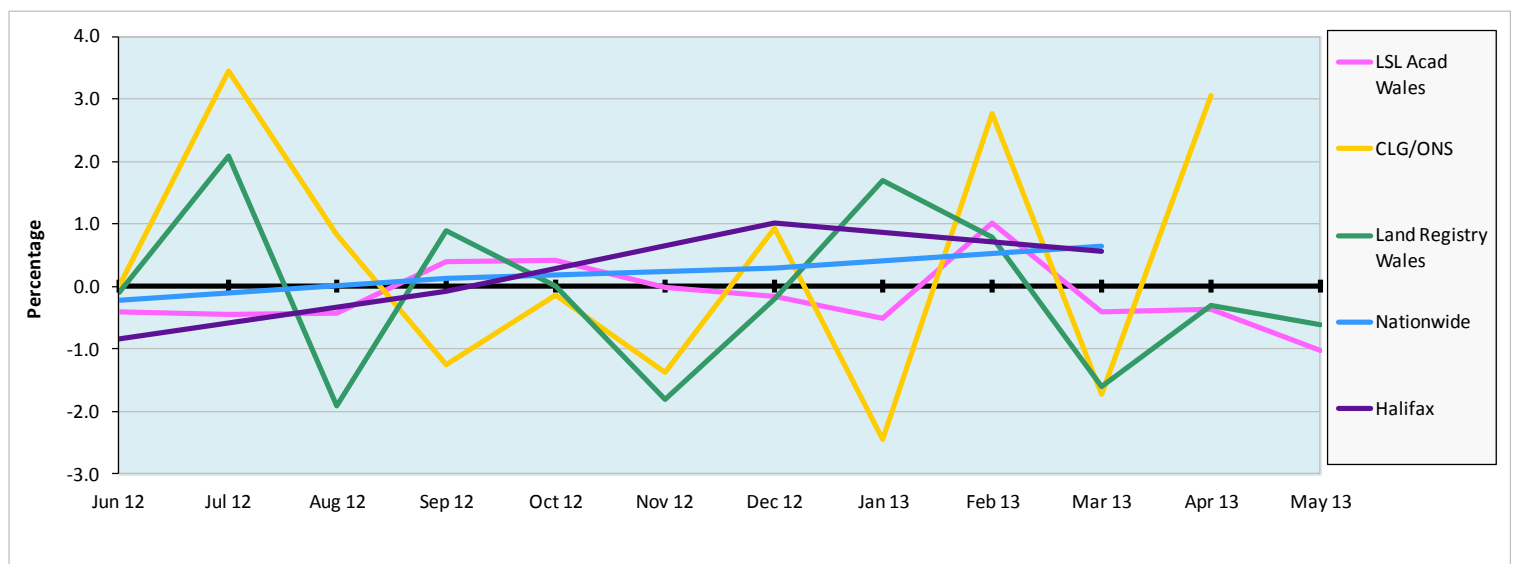


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[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.

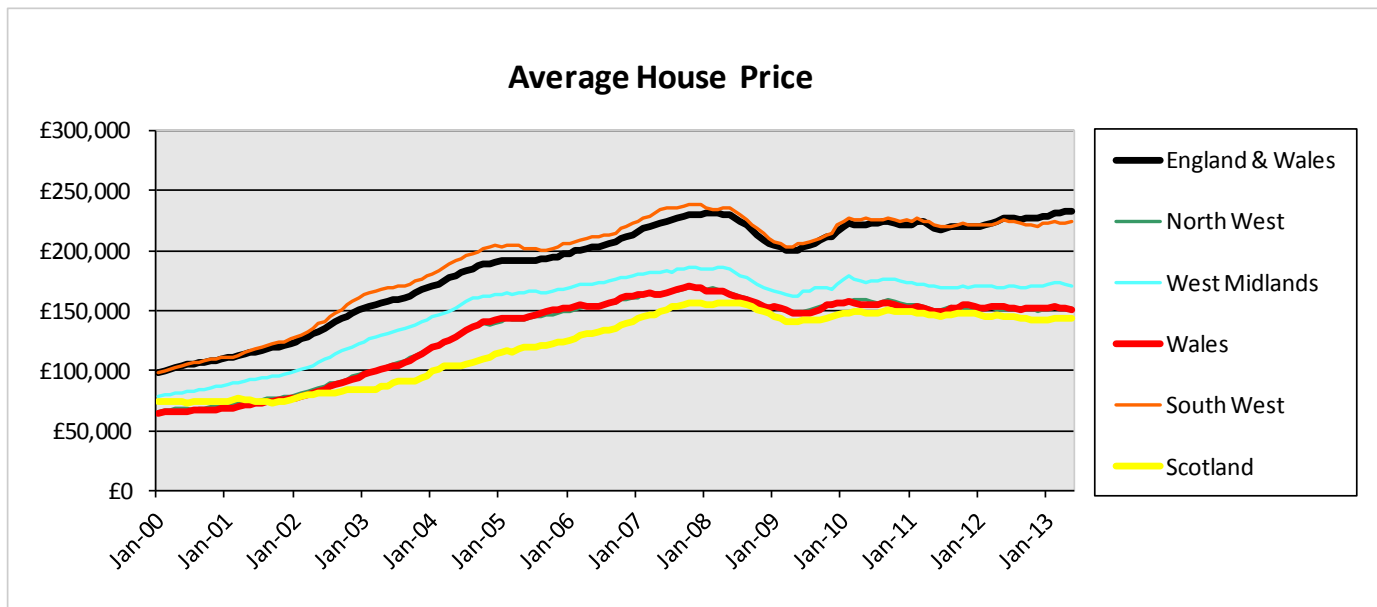


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 – May 2013 [link to source Excel](#)

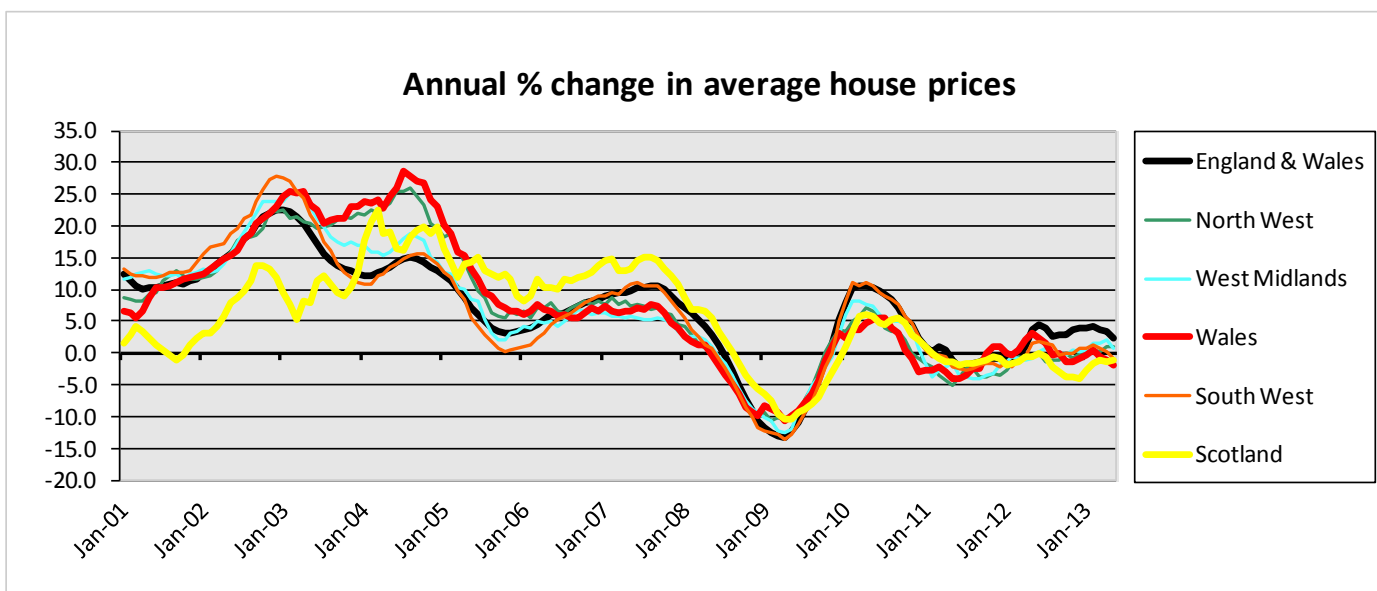


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 – May 2013 [link to source Excel](#)

Nine unitary authorities in Wales

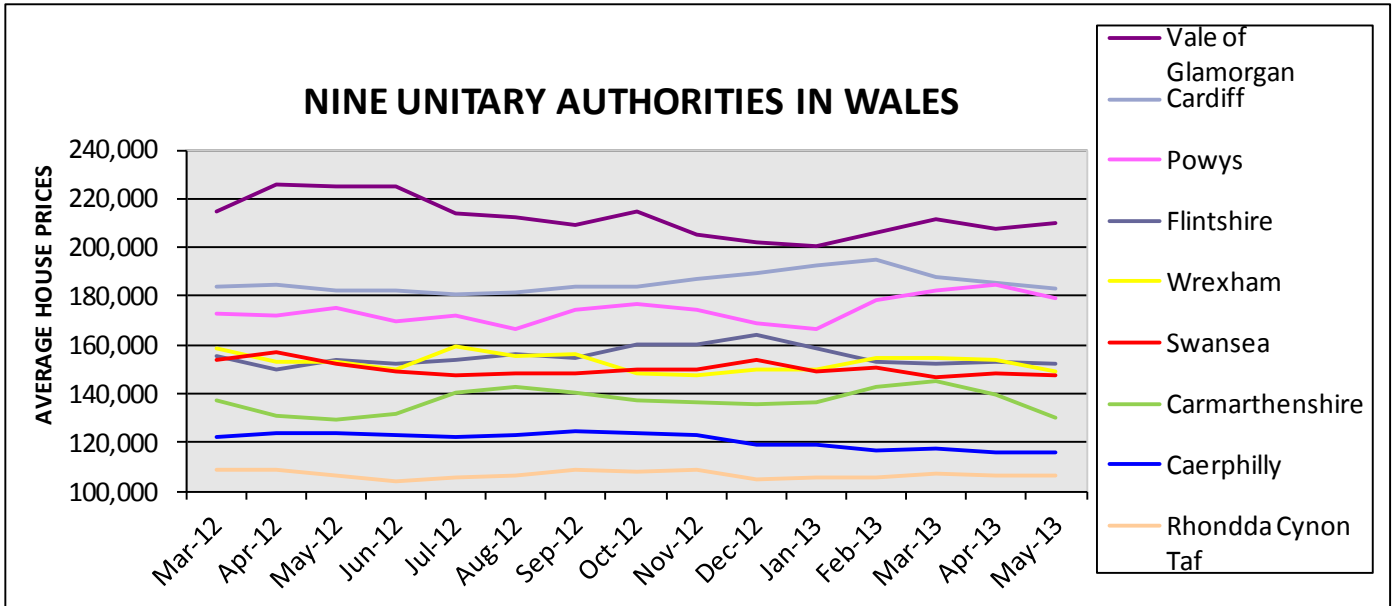


Figure 7. Average house prices for nine unitary authorities in Wales from March 2012 – May 2013

[link to source Excel](#)

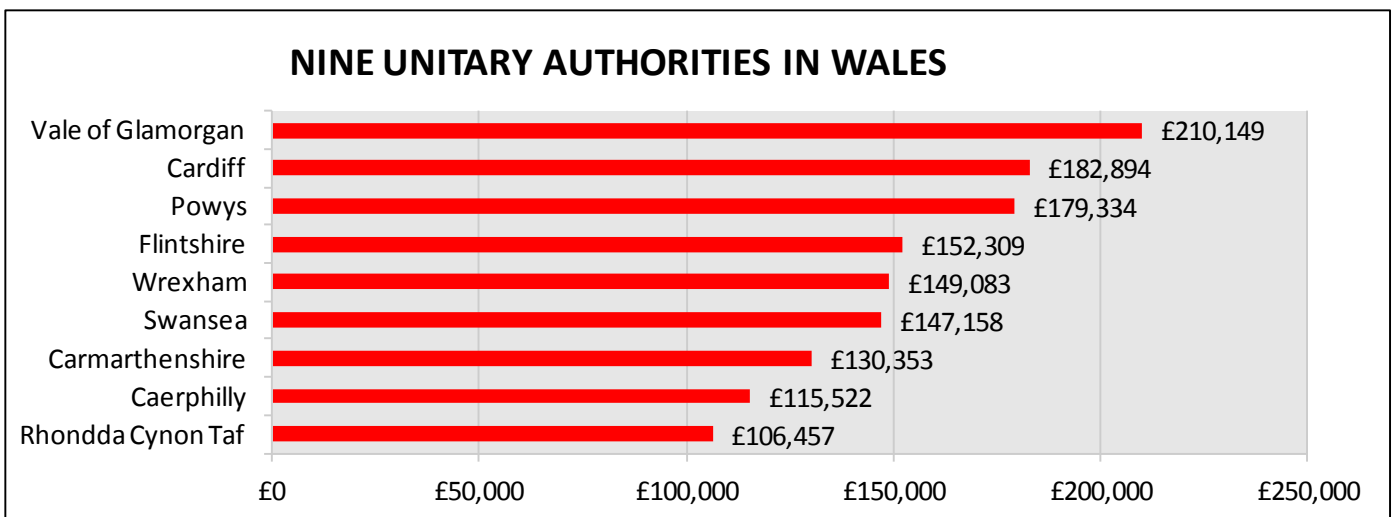


Figure 8. Average house prices for nine unitary authorities in Wales May 2013

[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