

LSL Property Services/Acadametrics
Wales

House Price Index

OCTOBER 2012

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 19TH DECEMBER 2012



Welsh house prices fall for a sixth consecutive month

- The average price of a house fell by £4,465 in 12 months
- But house sales up 23% in October compared with September as more first time buyers get a mortgage

House Price	Index	Monthly Change %	Annual Change %
£150,512	233.5	-0.3	-2.9

Nigel Favas, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “The Welsh housing market is struggling due to the lack of mortgage finance for lower income borrowers, caused largely by strict lending criteria, and this contributed to house prices sinking for the sixth month in a row in October. Although sales activity increased by 23% between September and October, this says as much about the subdued number of sales in September as it does an improvement in the market. It is sobering that we are currently seeing lower house prices and this is the case in 18 of the 22 local authority areas in Wales.

“If we dig a bit deeper a slightly more positive picture emerges for first-time buyers. By and large, first-time buyers have been at the prickly end of a dysfunctional mortgage market since 2008. Yet unlike other parts of the UK, Wales has seen an overall boost in activity at this end of the market, although it is from a comparatively low base. The number of loans advanced to first-time buyers rose in the third quarter by 10% and on average, first-time buyers in Wales were able to use smaller deposits to secure a mortgage than in the UK overall. Welsh buyers have an extra advantage, particularly compared to their English counterparts, due to first-time buyer property in Wales being cheaper than other parts of the UK, meaning the necessary deposits that need to be set aside are smaller.

“A long term recovery in house prices depends on a substantial, structural improvement in the ability of banks to lend to first-time buyers. Lenders need more help to actually lend. Banks are in a tough place at the moment; feeling pressure to safeguard a certain level of capital that has led to strict lending criteria which in turn has stifled the lower end of the market. The Welsh government is taking steps in the right direction, with plans of new and affordable housing in Wales as part of a new strategy to encourage greater activity in the housing market. The launch of the mortgage indemnity scheme should help people to access higher loan-to-value mortgages from Spring next year. The government’s Funding for Lending scheme is expected to have an impact in the early months of 2013 but it will take some time before we can assess its true impact.”

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 November 2011 - October 2012

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
November	2011	£154,541	239.7	-0.3	0.9
December	2011	£153,611	238.3	-0.6	1.1
January	2012	£152,069	235.9	-1.0	0.0
February	2012	£152,263	236.2	0.1	-0.4
March	2012	£153,429	238.0	0.8	0.5
April	2012	£153,768	238.5	0.2	2.1
May	2012	£153,455	238.0	-0.2	3.1
June	2012	£152,815	237.0	-0.4	2.5
July	2012	£152,109	235.9	-0.5	1.5
August	2012	£151,178	234.5	-0.6	-0.3
September	2012	£150,907	234.1	-0.2	-0.7
October	2012	£150,512	233.5	-0.3	-2.9

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Further commentary by Dr Peter Williams

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

The average price of a house in Wales in October was £150,512; a decrease of £395 or 0.3% from September. Prices have been going down for six months now such that the total fall over the period amounts to -2.2% and the overall trend of monthly decreases thus far continues.

Of significance is the fact that the annual rate of change now stands at -2.9%. This is the third consecutive month in which the annual rate is negative. By contrast, the equivalent rate in October 2011 was -1.4%, a result which we reported at the time of a then slow but steady increase in mortgage provision by the lenders.

Looking back, we can see that year on year house price inflation growth started to run out of steam in the early part of 2012, with an early summer pick-up which has not been sustained in recent months. The annual price fall of -2.9% contrasts with the rate for England & Wales as a whole, which lies at +2.3%.

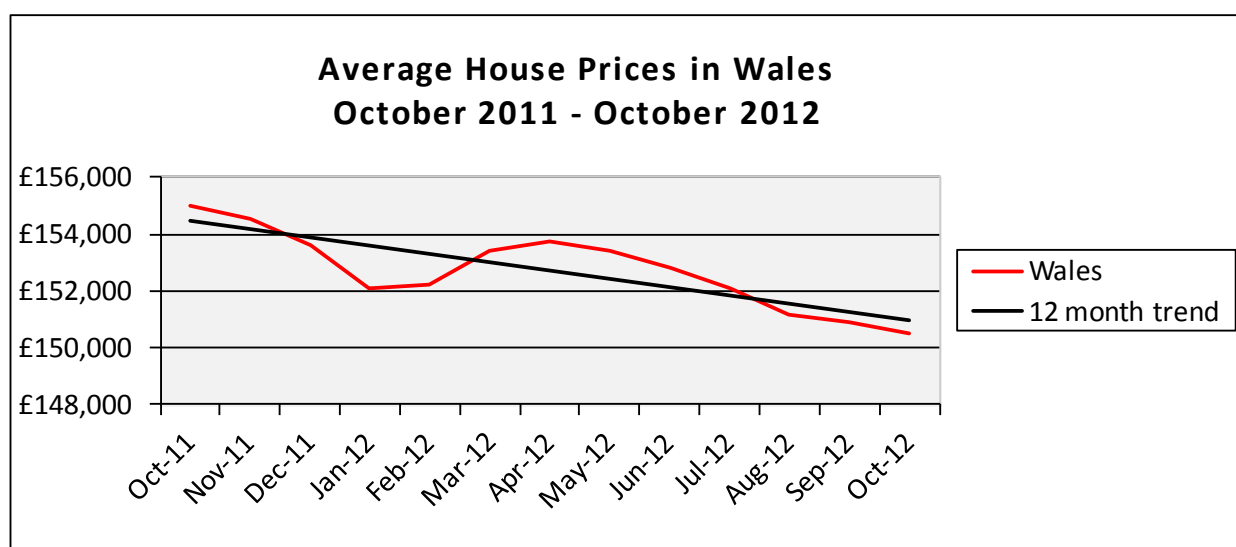


Figure 1. Average house prices in Wales, October 2011 – October 2012

[link to source Excel](#)

September saw a decrease in the number of transactions, accounted for to a degree by the lingering effects of the Olympics. We suggested then that there could well be a pick-up in the number of transactions in October and indeed these rose by just over 23% for the month to 3,050, almost the same as in October 2009. Whether or not this trend continues is a matter of conjecture - whether it does so or not it is unlikely, however, to indicate a revitalisation of the market, given the overall economic conditions.

Although the CML reports that the number of loans was up by 5% in the third quarter of 2012 for England & Wales as a whole, mortgages are still 5% lower than the same period in 2011 and the total value of these loans was down by 3% overall when compared with 2011, again mirroring the monthly experience as demonstrated by our charts.

We discussed last month the attention being given by the authorities in Wales to new and affordable housing and it appears that this trend is being manifested in reality. Lending to first-time buyers rose by some 10% in the third quarter of 2012 to £220 million, with an average loan to value (LTV) ratio of 85%. This compares with a typical 80% LTV figure in the country as a whole for a similar grouping, and with a 71% LTV ratio for home movers (as opposed to first-time buyers).

Generally, it is too early to draw any definite conclusions of the effect of the Funding for Lending scheme, or of the likely effect of the Mortgage Indemnity scheme from Spring next year, but sentiment suggests that we can expect to see a positive influence from both of these to some degree.



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

[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	Oct-11	Oct-12	% Change
1	1	MONMOUTHSHIRE	221,763	212,740	-4.1%
2	2	THE VALE OF GLAMORGAN	212,312	208,842	-1.6%
3	3	CARDIFF	189,644	182,088	-4.0%
4	4	POWYS	187,068	175,261	-6.3%
5	5	CEREDIGION	178,176	173,153	-2.8%
6	6	PEMBROKESHIRE	173,440	166,018	-4.3%
8	7	ISLE OF ANGLESEY	164,121	163,016	-0.7%
10	8	FLINTSHIRE	158,236	157,100	-0.7%
7	9	CONWY	165,978	156,595	-5.7%
11	10	WREXHAM	155,301	151,435	-2.5%
9	11	GWYNEDD	161,833	150,522	-7.0%
13	12	NEWPORT	146,608	150,309	2.5%
12	13	SWANSEA	150,734	144,827	-3.9%
14	14	CARMARTHENSHIRE	140,101	139,962	-0.1%
15	15	DENBIGHSHIRE	138,520	138,633	0.1%
16	16	BRIDGEND	137,733	133,706	-2.9%
18	17	CAERPHILLY	126,009	124,149	-1.5%
17	18	TORFAEN	127,526	123,221	-3.4%
20	19	RHONDDA CYNON TAFF	105,149	105,912	0.7%
19	20	NEATH PORT TALBOT	109,041	100,965	-7.4%
21	21	MERTHYR TYDFIL	95,163	95,411	0.3%
22	22	BLAENAU GWENT	84,924	76,109	-10.4%
		WALES	154,977	150,512	-2.9%

In Table 2 we can see the average price of a house in the Welsh unitary authority areas for the month of October in both 2012 and 2011. Across Wales as a whole, the average price on an annual basis has fallen 2.9%; this compares with the 1.3% fall reported in September.

Prices have decreased this month in 18 of the 22 local authority areas (compared with 16 last month). Exceptions were Newport, showing a 2.5% rise, and Denbighshire, Rhondda and Merthyr Tydfil all with a rise of under 1%. This is a significant change from last month, when prices rose by 7.7% in Wrexham and by 3.8% in Merthyr Tydfil. So we are seeing more unitary authority areas showing more consistent falls, suggesting that prices in Wales may be declining more than elsewhere in the UK, with the exception of Northern Ireland.

If we now look at what type of property is providing the price impetus in say Newport, where the largest increase has occurred, we see that flats have seen an increase of some 11%, followed by semi-detached properties at 10%.

Over the three months August to October, there has been a 5.8% increase in property completions in Wales as a whole compared with the period July to September, and a 2% decline compared with the same three months in 2011. These figures concur with the RICS findings which suggest a slight improvement over the last few weeks, with some hope of further movement in the New Year.

However, it is hard to escape the comparison with the rest of the country where there is an uneven but definite gap appearing between the top and bottom ends of the market. The factors contributing to this are various. Perhaps we are seeing the "squeeze on middle England". In any event, it is hard to see how the market is going to re-establish itself on a more even footing in the near future.

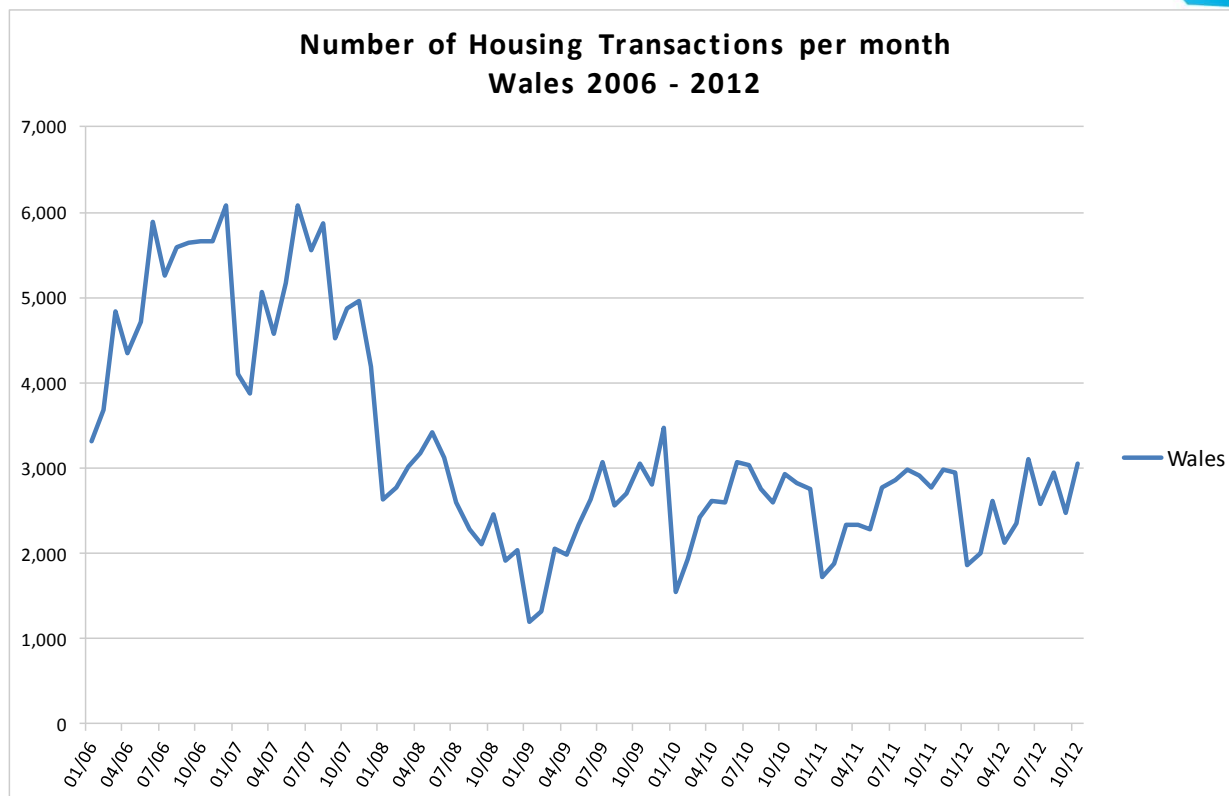


Figure 2. The number of housing transactions by month in Wales, 2006 - 2012 (not seasonally adjusted)

[link to source Excel](#)

Figure 2 above shows the number of monthly transactions in Wales recorded by the Land Registry for the period January 2006 to October 2012, without seasonal adjustment. Looking back over recent years, we see that sales have been lower in September than in August, with a slight pick-up in October. This September's drop can be explained by the summer holiday period and the Olympics with far fewer viewings in August having a knock-on effect on September completions. Only now is the effect of the Olympics beginning to diminish. This and the poor level of sales in July, caused by the record levels of rainfall, continue to affect the average number of transactions in the year.

Sales over the 12 month period November 2011 to October 2012 are marginally above the same period 12 months earlier, and are still only roughly half those which took place in 2006. Financing difficulties, including both mortgage funding as well as high deposit requirements, coupled with the strict criteria being applied by the lending institutions, continue to exert braking pressure on what is in any case a weak market.

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

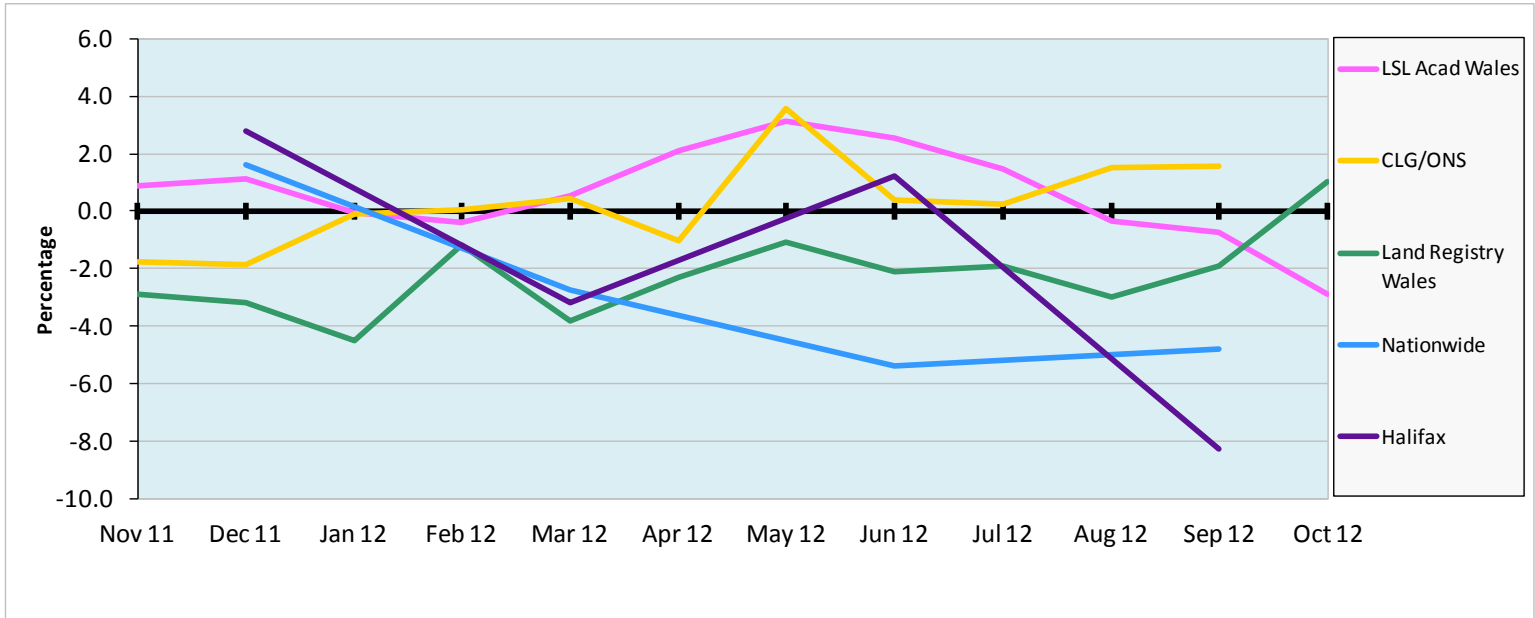


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

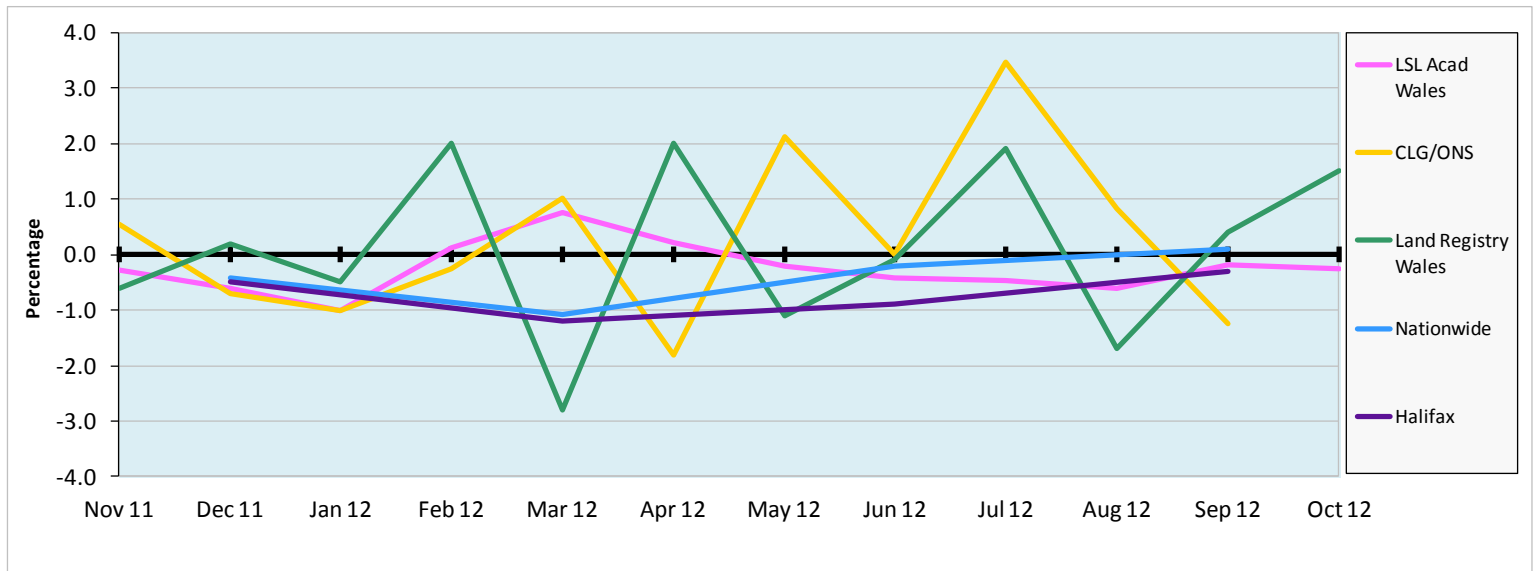


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[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.

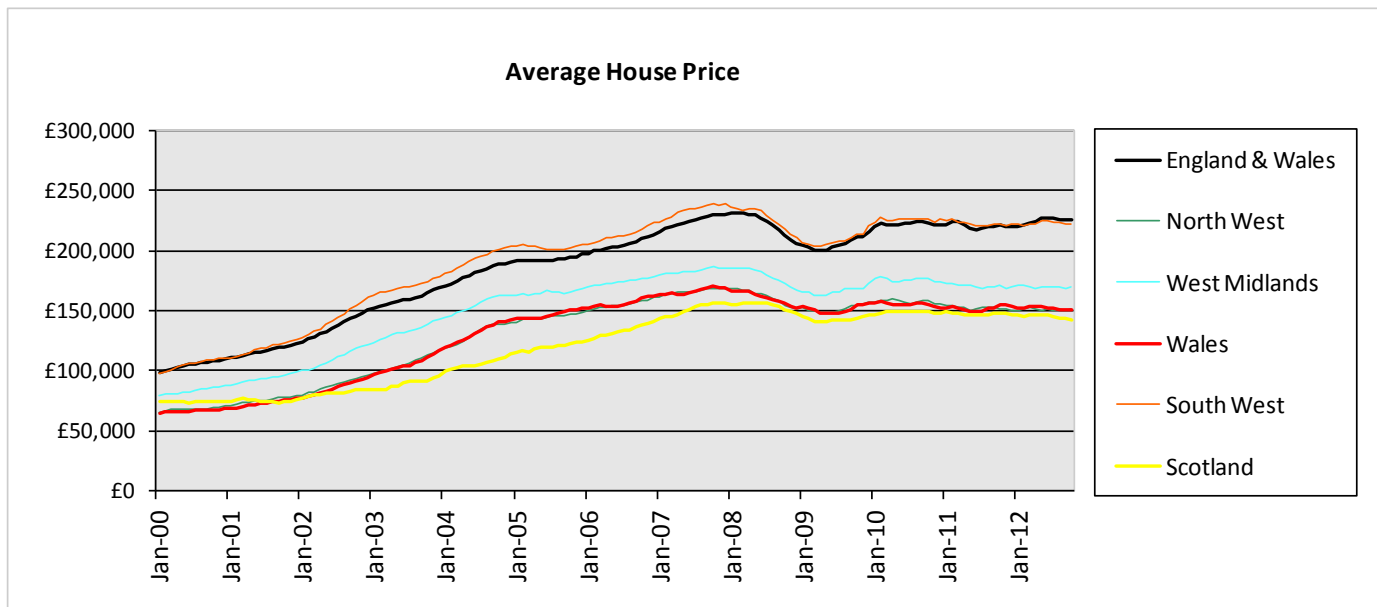


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 - October 2012 [link to source Excel](#)

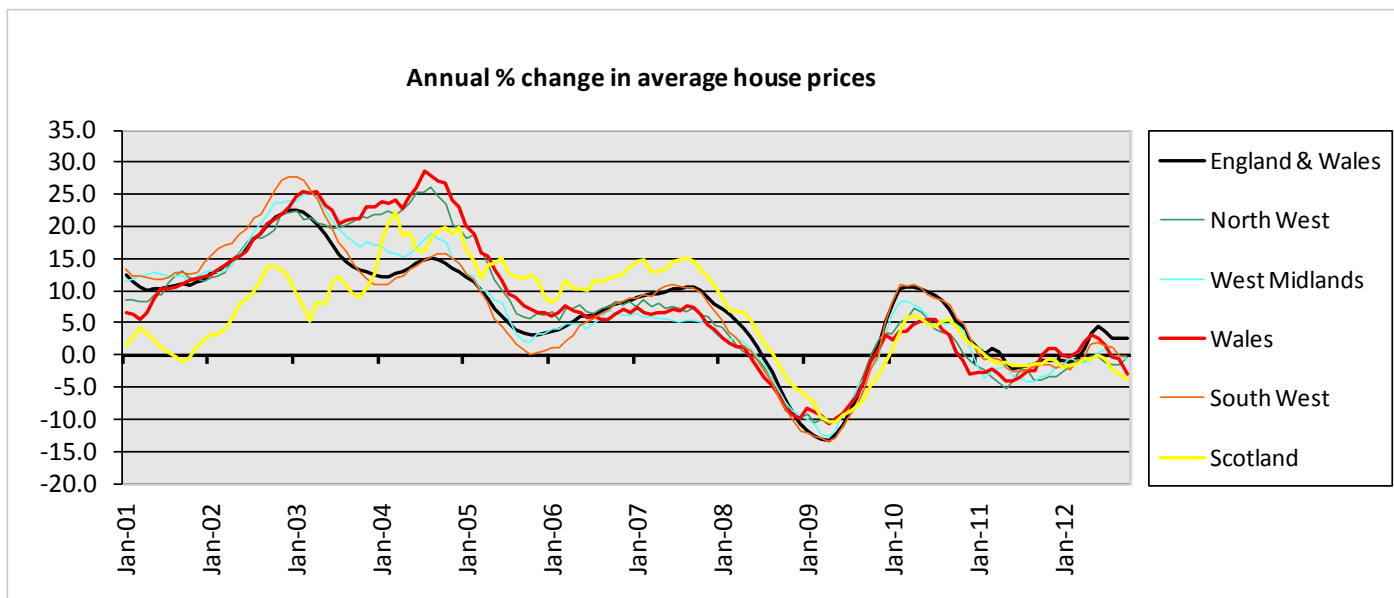


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 - October 2012 [link to source Excel](#)

Nine unitary authorities in Wales

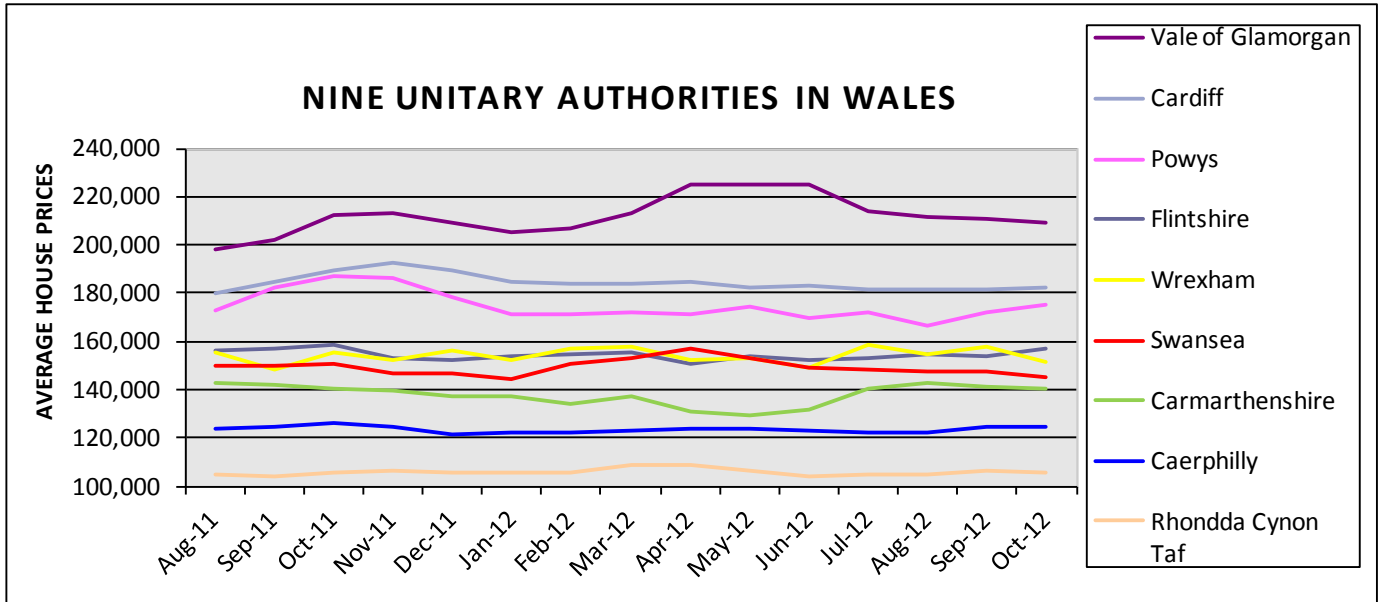


Figure 7. Average house prices for nine unitary authorities in Wales from August 2011 - October 2012

[link to source Excel](#)

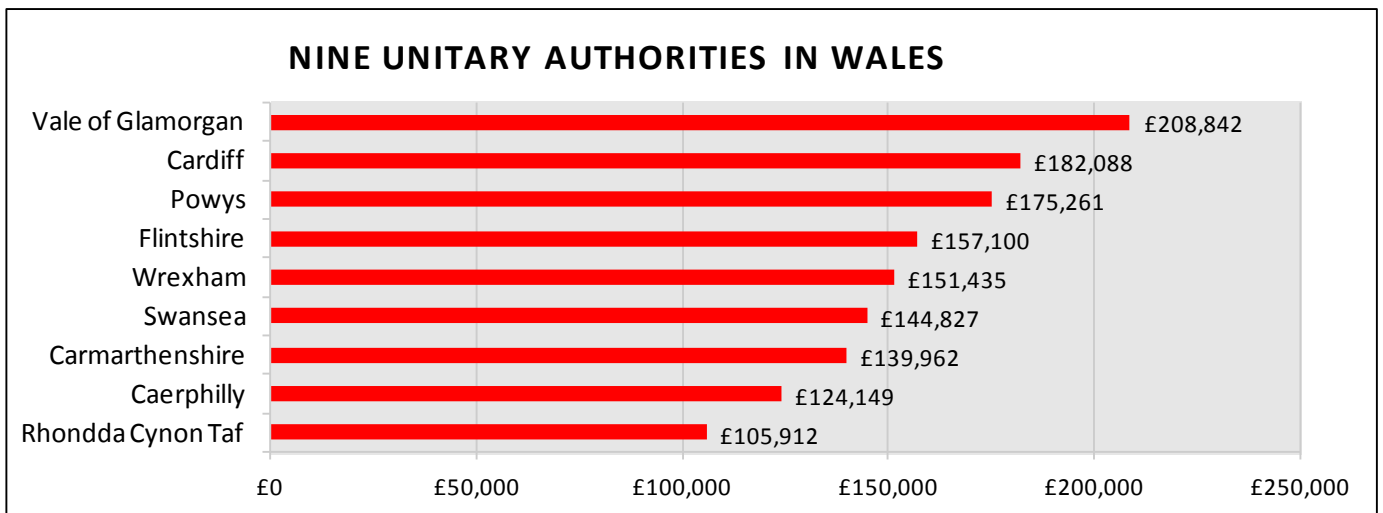


Figure 8. Average house prices for nine unitary authorities in Wales October 2012

[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