

LSL Property Services/Acadata Wales House Price Index

OCTOBER 2013

STRICTLY UNDER EMBARGO UNTIL 00.01 WEDNESDAY 18TH DECEMBER 2013

Welsh house prices rise by £1,125 in October

- Average house prices up £3,137 since start of 2013
- Sales at highest level since December 2007
- New record average price in Cardiff, up 7.4% annually

House Price	Index	Monthly Change %	Annual Change %
£154,696	240.0	0.7	1.4

Oliver Blake, Managing Director of Reeds Rains estate agents, who has branches in Wales comments: “The housing market in Wales has turned over a new leaf and is clearly entering a new phase, with pent up demand and strong competition driving house price growth and rising sales. The market is moving ahead, with prices increasing by £1,125 compared to September - this represents the third consecutive monthly price rise, and prices are up by £3,137 since January 2013. New buyer enquiries, sales and price expectations are all above the three-month average, illustrating the strong headway being made.

“Sales in particular are now standing at the highest level since December 2007, and momentum is building further - thanks to the boost in consumer confidence and the improving economic picture. Now that mortgage rates have dropped to record lows, aspiring homeowners have more chance to put together the money required for a deposit. As a result, first-time buyers are entering the market more enthusiastically, and with Wales seeing a higher loan-to-value ratio than elsewhere in the UK. There is also an improvement in the home movers sector of the market.

“First-time buyer homes are proving particularly popular in Cardiff. Prices in the capital are up 7.4% on the year, setting a new record price, while many other parts of Wales remain more subdued. Without doubt, Cardiff is different from London, and South Wales is no South East England, but as a whole the housing market in Wales is progressing well nonetheless. Regionally, however, some areas do differ more than others in terms of performance due to their local economies. Wage growth is still slow, and across Wales this will prevent prices from rising too quickly.

“What's key is that we see steady house price growth to ensure sustainable growth. When it launches on 2nd January, the Help to Buy Wales shared equity scheme will provide a new opportunity for first-time buyers and existing home owners on new-build properties. But as the scheme is geared up for new-build properties - which represent only a smaller proportion of total housing sales - we expect the scheme will not drastically affect overall prices.

“However house-building in Wales is still below pre-recession levels and supply remains an area that needs to be addressed in order to continue the positive growth. While the UK Government’s decision to withdraw the Funding for Lending scheme indicates that the more recently announced Help to Buy schemes are offering significant support to the sector, more can be done. In the coming year much will be determined by the development of the jobs market in Wales.”

For comment by Dr Peter Williams, housing market specialist and Chairman of Acadata, see page 3.

House price index: historical data



Table 1. Average House Prices in Wales for the period October 2012 – October 2013

[link to source Excel](#)

		House Price	Index	Monthly Change %	Annual Change %
October	2012	£152,616	236.7	0.4	-1.5
November	2012	£152,550	236.6	0.0	-1.3
December	2012	£152,343	236.3	-0.1	-0.8
January	2013	£151,559	235.1	-0.5	-0.3
February	2013	£153,409	238.0	1.2	0.7
March	2013	£152,785	237.0	-0.4	-0.5
April	2013	£152,594	236.7	-0.1	-0.8
May	2013	£151,614	235.2	-0.6	-1.1
June	2013	£150,944	234.1	-0.4	-1.1
July	2013	£151,326	234.7	0.3	-0.4
August	2013	£151,887	235.6	0.4	0.4
September	2013	£153,571	238.2	1.1	1.0
October	2013	£154,696	240.0	0.7	1.4

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

The average price paid for a house in Wales in October was £154,696. This represents an increase of £1,125 compared to September, and of £3,137 since the beginning of this year. On an annualised basis, prices have now risen in the last three months, with the rate of increase also higher at 1.4% in October. The last time that prices were in excess of £154,000 was in November 2011.

Comparing the annual change figure, Wales remains in the bottom three of regional changes at +1.4% (the other two being the North at +1.3% and Scotland at +1.0%), and is some way below the equivalent overall annual figure for England & Wales of 4.4%.

On a regional comparison basis however, the Wales monthly rise at +0.7% was in the top three (after East and West Midlands at +0.9% and +0.8% respectively): this excludes Greater London, but even that figure was only +1.0% in October. It also puts Wales very near the England & Wales monthly average of +0.6%.

Figure 1 below shows the average house price in Wales for the period October 2012 to October 2013 on a seasonally adjusted basis. This is a significant change from the charts we have seen in recent months, particularly since the trend line is now rising rather than falling. We can also see that this month's rise more than compensates for the decrease in June, and that the current growth in prices is above the trend.

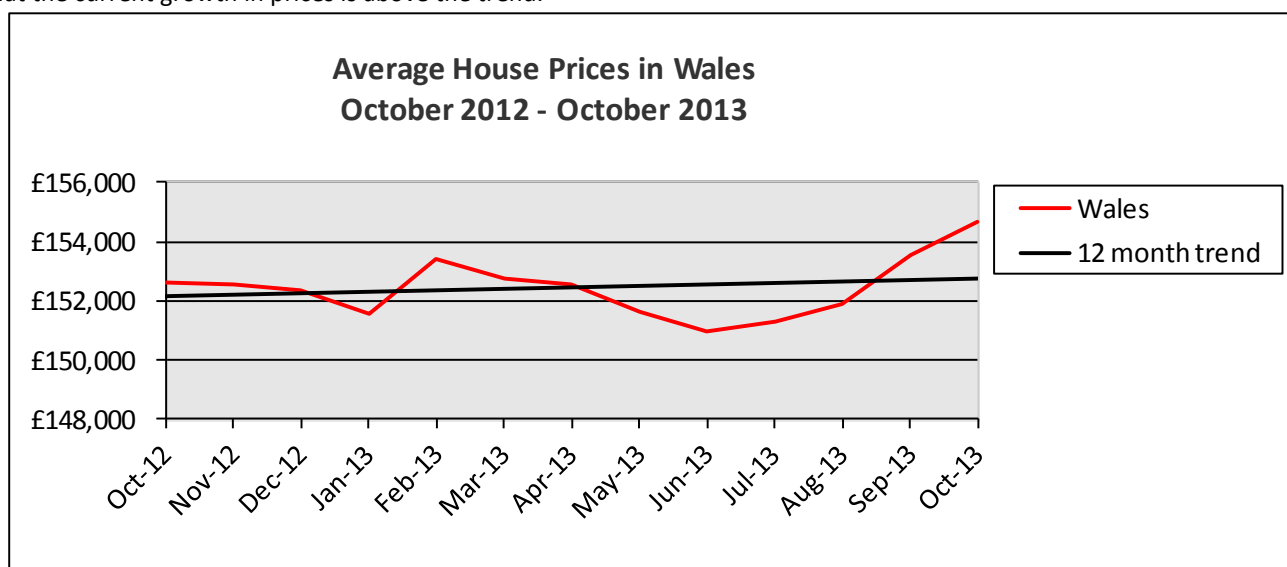


Figure 1. Average house prices in Wales, October 2012 – October 2013

[link to source Excel](#)

The other positive trend this month is the number of transactions, which at an estimated 3,600 is the highest since December 2007: indeed, the number of transactions in each of the last six months has exceeded 3,000, and apart from last month has risen in each of those months.

The positive news continues with the Council of Mortgage Lenders reporting that more loans (2,900 in number) were advanced to first time buyers in the third quarter of 2013 than in any quarter since 2007. This represents an increase over the 2,600 loans made to first time buyers in the second quarter and is up from 2,200 in the third quarter of 2012. The value of third quarter loans was £290 million, which figure is 38% higher than in the equivalent period in 2012. The average value of these loans was £94,500. Wales is however seeing a higher loan-to-value ratio than elsewhere in the UK - typical deposits of first time buyers in Wales are 15%, as opposed to 20% typically in the rest of the country.

Growth in the home movers sector of the market is also positive, but not as strong as that for the first timers: the volume was up only 3% on the same third quarter period last year.

Overall, total house purchase lending is up both on a quarterly basis, as well as annually, with 6,500 loans being made in the third quarter - up 12% on the second quarter of this year.

It will be interesting to see what effect the Welsh Equity Loan Scheme (to be introduced by the Welsh Government in the New Year) has on the market.

Turning to the empirics of the RICS members in Wales, all the indicators are again positive - the following are all above the three-month average figures: new buyer enquiries, new vendor instructions, agreed sales and price expectations. Indeed, sales expectations among the RICS members are well above the rolling three-month average for the UK as a whole, and are



in fact second highest (after the North West) of all the regions in the UK. One other telling statistic is the sales-to-stock ratio, which is reported as being below the average. However, in the face of all this, some RICS members are reporting that buyers are now bargaining and sellers being forced to reduce their prices.

The previous two months had seen a relatively even spread of purchases across all sectors of the market - however, that trend has not continued this month - and as we will see below, the swing has definitely been away from the detached end of the market towards the flats sector.

Table 2. The average house price in Wales, by unitary authority area, October 2012 and September and October 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	Oct-12	Sep-13	Oct-13	Monthly % Change	Annual % Change
1	1	MONMOUTHSHIRE	219,064	214,626	213,543	-0.5%	-2.5%
2	2	THE VALE OF GLAMORGAN	214,349	208,224	207,032	-0.6%	-3.4%
3	3	CARDIFF	184,132	193,752	197,730	2.1%	7.4%
5	4	CEREDIGION	172,831	180,828	182,881	1.1%	5.8%
4	5	POWYS	176,535	175,150	173,966	-0.7%	-1.5%
6	6	PEMBROKESHIRE	170,208	172,908	170,751	-1.2%	0.3%
10	7	CONWY	155,545	162,398	162,725	0.2%	4.6%
7	8	ISLE OF ANGLESEY	166,243	161,617	159,622	-1.2%	-4.0%
9	9	NEWPORT	156,125	154,011	157,708	2.4%	1.0%
11	10	GWYNEDD	152,857	152,774	156,316	2.3%	2.3%
13	11	WREXHAM	148,186	153,943	153,962	0.0%	3.9%
12	12	SWANSEA	149,811	148,393	151,746	2.3%	1.3%
8	13	FLINTSHIRE	160,601	146,275	147,654	0.9%	-8.1%
14	14	DENBIGHSHIRE	140,230	144,124	144,378	0.2%	3.0%
16	15	BRIDGEND	134,522	142,023	143,631	1.1%	6.8%
15	16	CARMARTHENSHIRE	137,243	131,955	134,907	2.2%	-1.7%
17	17	TORFAEN	126,797	127,048	124,982	-1.6%	-1.4%
18	18	CAERPHILLY	123,344	124,108	124,662	0.4%	1.1%
19	19	RHONDDA CYNON TAFF	107,883	106,347	106,911	0.5%	-0.9%
20	20	NEATH PORT TALBOT	103,487	105,857	105,199	-0.6%	1.7%
21	21	MERTHYR TYDFIL	95,909	100,975	99,703	-1.3%	4.0%
22	22	BLAENAU GWENT	77,393	83,084	79,695	-4.1%	3.0%
		WALES	152,616	153,571	154,696	0.7%	1.4%

Table 2 above shows the average price in each of the 22 unitary authorities in Wales in October 2012, September 2013 and October 2013. It also shows the rates of change in house prices in each area for the month and for the year. We can see that there were rises in 12 (18 last month), falls in 9 (4 last month) and no change in one this month. On an annual basis, there were rises in 14 and falls in 8, both figures the same as last month. It is hard to draw any conclusion from the monthly changes, particularly since none of them were particularly large, and the Blaenau Gwent figure of -4.1% almost matches the figure of +4.8% in this area last month.

Bearing all that in mind, the largest upward monthly swing was in Newport at 2.4%, and the largest fall, as noted above, was in Blaenau Gwent at -4.1%. On an annual basis, we can note a fall of -8.1% in Flintshire which does follow a decrease of -6.1% last month - however, we need again to caution the effect on apparent volatility which relatively smaller numbers of transactions can have on percentage changes in these areas.

The annual changes spanned a larger range however, with the biggest rise being in Cardiff at +7.4%, followed by Bridgend at +6.8% and Ceredigion at +5.8%. On the negative side, the fall of -8.1% in Flintshire - noted above - was the highest, followed by Isle of Anglesey at -4.0%. It is nevertheless apparent from these figures over the last two months that the considerable volatility seen in the market for some time before that has dampened, as indeed has the difference between the north and south of the Principality.

As was the case last month, the monthly variations compared on a north/south basis are almost identical, substantiating the evenness of the improvement in the market. In addition, the annualised variation north/south is also decreasing, with only a 1% difference overall (compared with differences in excess of 6% earlier in the year).



Looking at the various sectors of the market, detached property prices fell on average by -0.4% over the month, the largest fall being in Monmouthshire at -3.9%, followed by Vale of Glamorgan at -3.4% and Conwy at -3.1%. Overall, there were falls in 12 of the 22 areas. The highest rise in detached properties was in Newport at +6.5%, thereafter Gwynedd at +4.0% and Carmarthenshire at +3.7%. Semi-detached properties saw an average fall of -1.6%: the biggest fall was -19.3% in Blaenau Gwent, followed by Powys at -7.3% and Wrexham with -6.2%. The rises were all below +2%, except Ceredigion at +4.0% and Gwynedd at +3.4%. Terraced properties also saw an average fall of -1.3%, with Conwy falling by -10.7%, Pembrokeshire -9.3% and Isle of Anglesey -7.7%. The biggest rises were in Ceredigion with +14.7% and Wrexham with +10.7%. The flats sector rose by an average of +3.0%, with the highest increase being +23.5% in Caerphilly, followed by Rhondda Cynon Taff at +16.3% and Conwy at +8.0%.

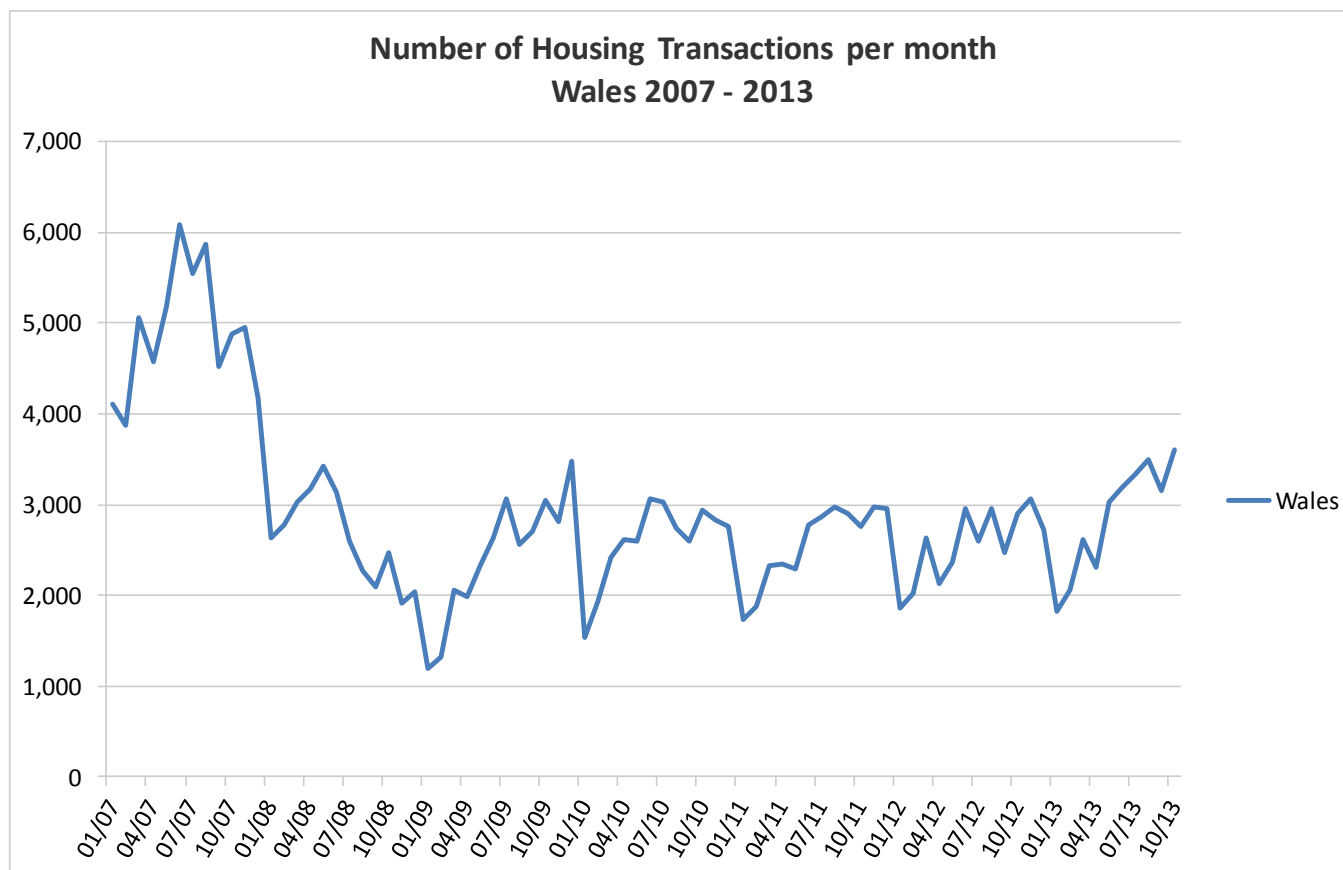


Figure 2. The number of housing transactions by month in Wales, 2007 - 2013 (not seasonally adjusted)

[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 Acadata for the period January 2007 to October 2013, without seasonal adjustment.

There were an estimated 3,600 transactions in Wales in October, an increase of 450 over September. This in itself is the highest number of transactions recorded since December 2007 (when the number was 4,184). It takes the year-to-date volume to 28,600, compared with 24,900 over the same ten month period in 2012. It also means that - with the exception of September - transaction numbers have risen each month since May last.

Whereas the transaction numbers were roughly the same across all property sectors in September, that is not the case this month. There were significant falls in the number of detached property transactions in Wrexham (-29.2%), Rhondda Cynon Taff (-27.8%), Cardiff (-27.0%) and Monmouthshire (-23.8%). However, in the Vale of Glamorgan the sector rose by +44.4% and in the Isle of Anglesey by +35.3%. For semi-detached properties, the fall was -61.1% in Blaenau Gwent, -36.0% in Ceredigion and -28.0% in the Vale of Glamorgan. Again in the Isle of Anglesey there was a rise of +30.8% and in Swansea of +24.2%. Terraced properties saw an average rise of +4.6% in transaction numbers: Monmouthshire at +87.5%, Isle of Anglesey at +64.7%, Bridgend at +29.7% and Torfaen at +26.5%. The highest average rise was in the flats sector, at +8.9% overall - however, we must again suggest caution in reading these figures, since as we point out regularly, the percentage calculation can appear distorted where the volume numbers are small. Nevertheless, it is clear that the balance is at the lower end of the market, and this merely substantiates the earlier comments from the Council of Mortgage Lenders.



There can be little doubt that the market is picking up, and although there are month-to-month variations, a head of steam does appear to be building. There are other factors to consider, however, not least the effect over the next three to four years of the various regulations which are apparently to be introduced, and which will make building in Wales more expensive than elsewhere. Knight Frank calculates that by 2016 it will cost an average £13,000 more to build a 1,000 sq ft house in Wales than in England. Much will also depend on the way in which the job market develops in the Principality, and the degree to which the scrapping of the Funding for Lending scheme will impact on the market - the RICS believe that this may well dampen the improvement of the past months.

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. Acadata 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

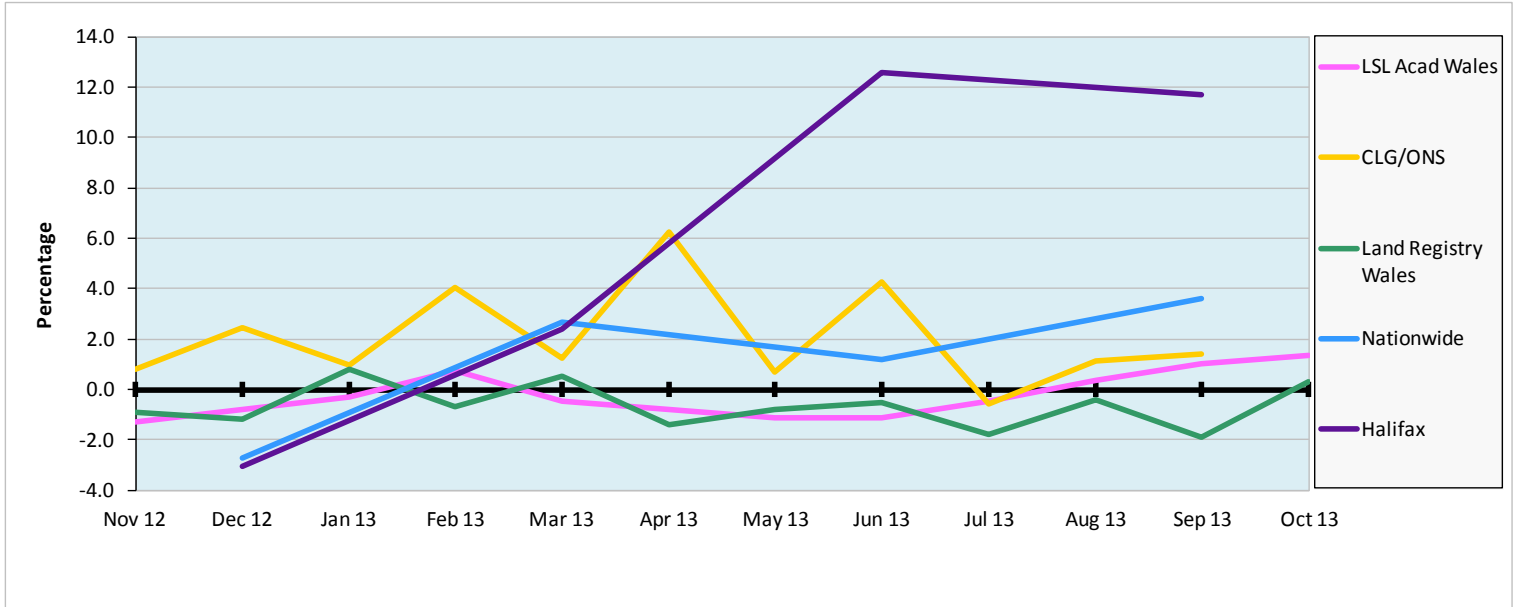


Figure 3. ANNUAL CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[link to source Excel](#)

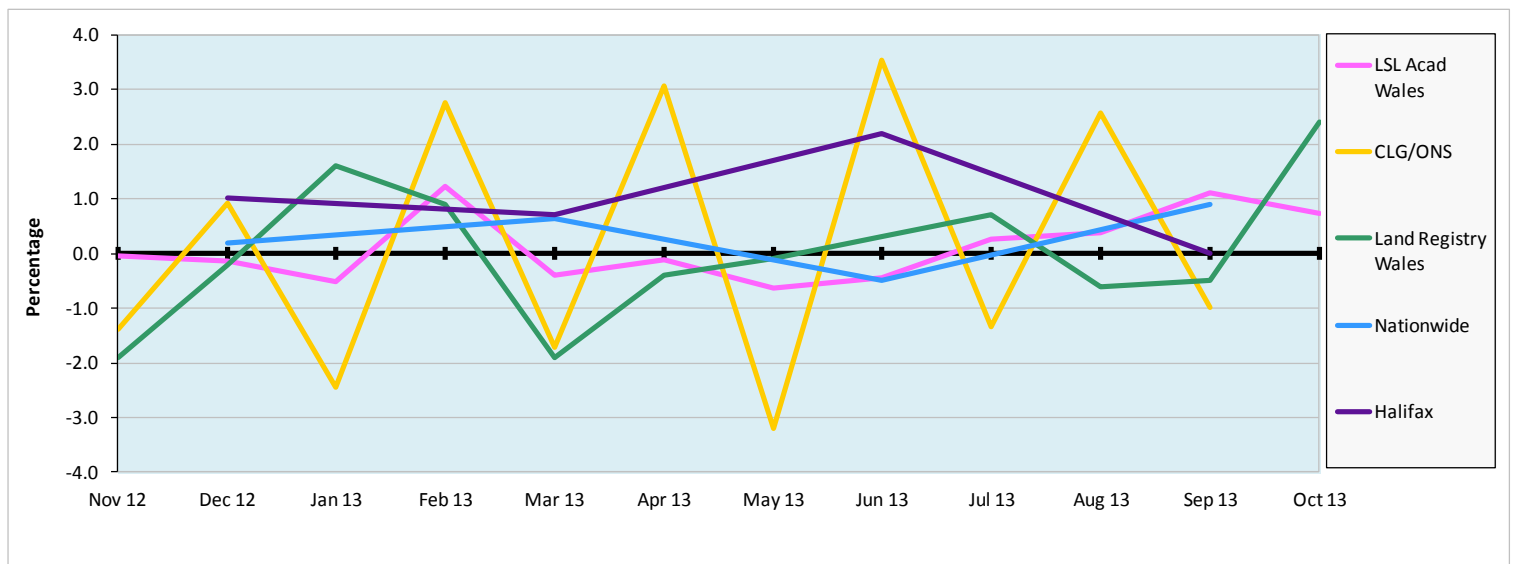


Figure 4. MONTHLY CHANGE IN HOUSE PRICES - COMPARISON OF INDICES

[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.

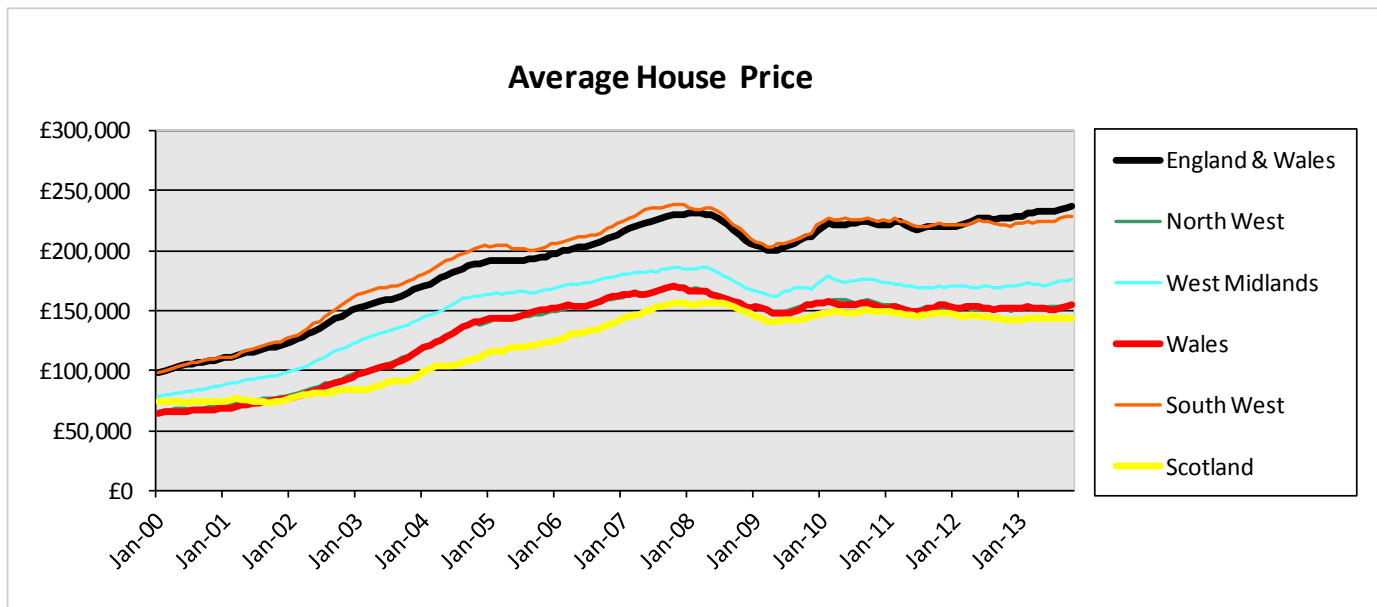


Figure 5. Wales house prices, compared with England & Wales, Scotland and regions bordering Wales for the period January 2000 – October 2013 [link to source Excel](#)

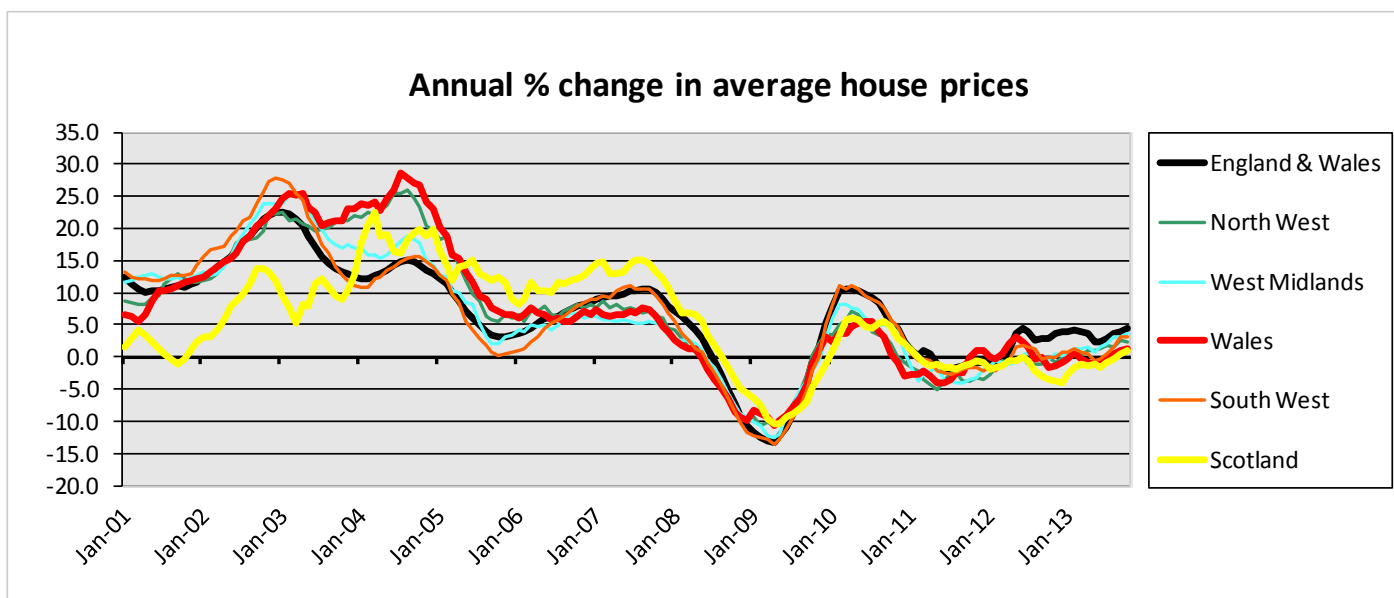


Figure 6. A comparison of the annual change in house prices in Wales, England & Wales, Scotland and regions bordering Wales for the period January 2001 – October 2013 [link to source Excel](#)

Nine unitary authorities in Wales

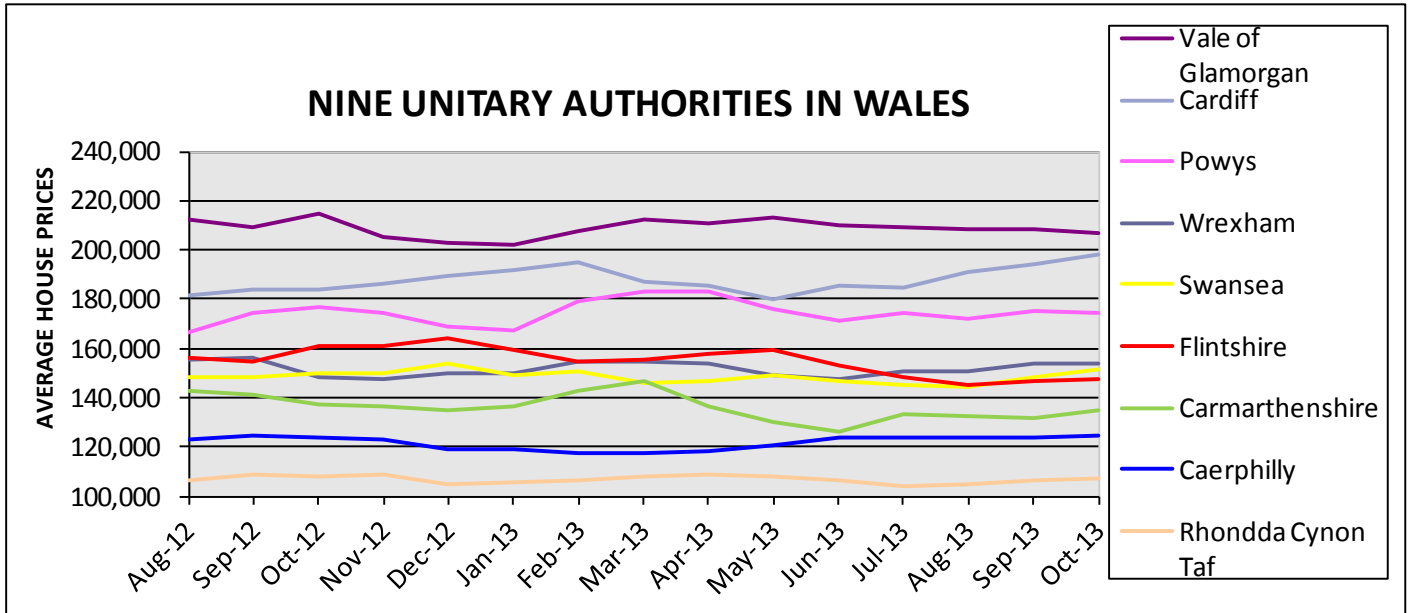


Figure 7. Average house prices for nine unitary authorities in Wales from August 2012 – October 2013

[link to source Excel](#)

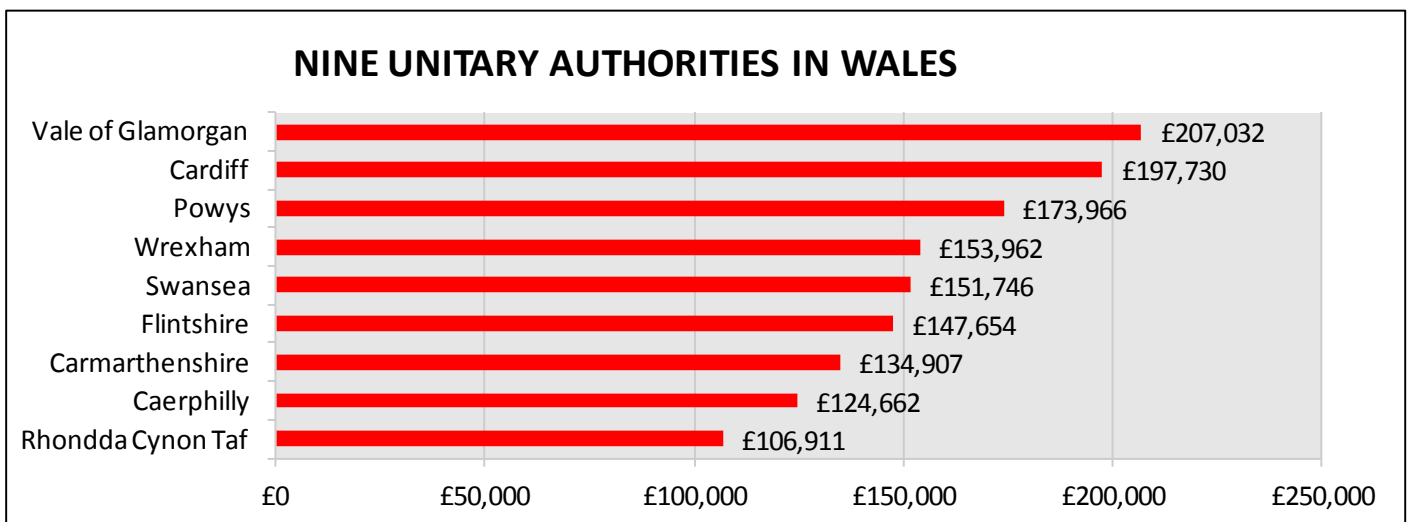


Figure 8. Average house prices for nine unitary authorities in Wales October 2013

[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 ONS HPI, can be prepared only when the prices at which properties have been transacted have been recorded at LR (LSL Acad Wales HPI) or when firm prices at mortgage completion have been made available by lenders (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 comprise nationally 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 centre month smoothed (cms) price at region/county level, lagged by one month, provided by LSL Acad E&W HPI. Hence, 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 were reported in a specific area, were in-filled using the same procedure used in LSL Acad E&W and, by Eurostat, in preparing seasonal data.

5. LSL Acad Wales HPI is unable to identify different prices according to e.g. numbers of bedrooms; the lender hedonic indices and the ONS mix adjusted HPI do so. LR data 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”; Acadata does not guarantee the accuracy of the LSL Acad Wales HPI results and neither LSL nor Acadata 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 Acadata. Permission is required for any commercial use of the data.

7. The monthly, smoothed, average LR prices at county and unitary authority level provided by property type, which underlie LSL Acad Wales HPI, together with historic data, can be purchased from Acadata.

8. LSL Acad E&W HPI was published under the name FTHPI from September 2003 until December 2009. Until the October 2013 LSL Acad E&W HPI was published, it was prepared by Acadametrics as was the LSL Acad Wales HPI. Acadametrics has now changed its name to Acadata to reflect a focus entirely upon house price indices and data following its agreement to sell its 50% holding in MIAC Acadametrics to MIAC Analytics over a 4 year period.

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