

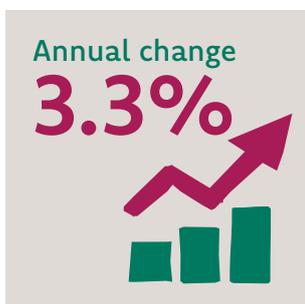
HOUSE PRICE
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Principality Building Society House Price Index Wales, Q1 2020

Where home matters
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House prices in Wales on rise before pandemic crisis

The annual rate of house price growth in Wales (up to February 2020) is 3.3%, which represents a £6,110 rise in the average house price in Wales compared to the same period 12 months ago. The average house price in Wales based on data from December 2019 to February 2020 has increased by £1,825, and now stands at £193,286.



Market Snapshot

As a consequence of the coronavirus epidemic, the production of house price statistics has been suspended by the Land Registry for the time being, while it concentrates on its core registration services. This report is consequently based on Land Registry data up to the end of February 2020, in place of our expected report to March.

In February there were 16 local authority areas in Wales with a positive movement in house price growth, with six areas seeing prices fall. Before the coronavirus crisis started, the improving economic situation, with continuing historically low interest rates and high employment rates, were both conducive to creating a robust housing market. The combination of low cost 'affordable' housing in proximity to areas of relatively high employment has been a big contributor, with Wales seeing the highest increase in the number of first-time buyers of all the regional areas in the UK in Q1.

Bridgend saw the highest annual price increase, at 9.1%, with an increase in the price of detached homes being sold, with the average price rising from £230k in February 2019 to £250k one year later. Porthcawl, a seaside town with seven beaches, has proved to be particularly popular, detached homes typically selling here for £350k - £400k.

Four local authority areas have established new peak prices - Caerphilly, Cardiff, Flintshire and Monmouthshire. Two of these areas, Cardiff and Monmouthshire, are in the top three areas in Wales by house price value - suggesting that the establishment of their new record prices has been assisted by the upswing in consumer confidence following the general election.



Tom Denman,
Chief Financial Officer
at Principality Building
Society
said:

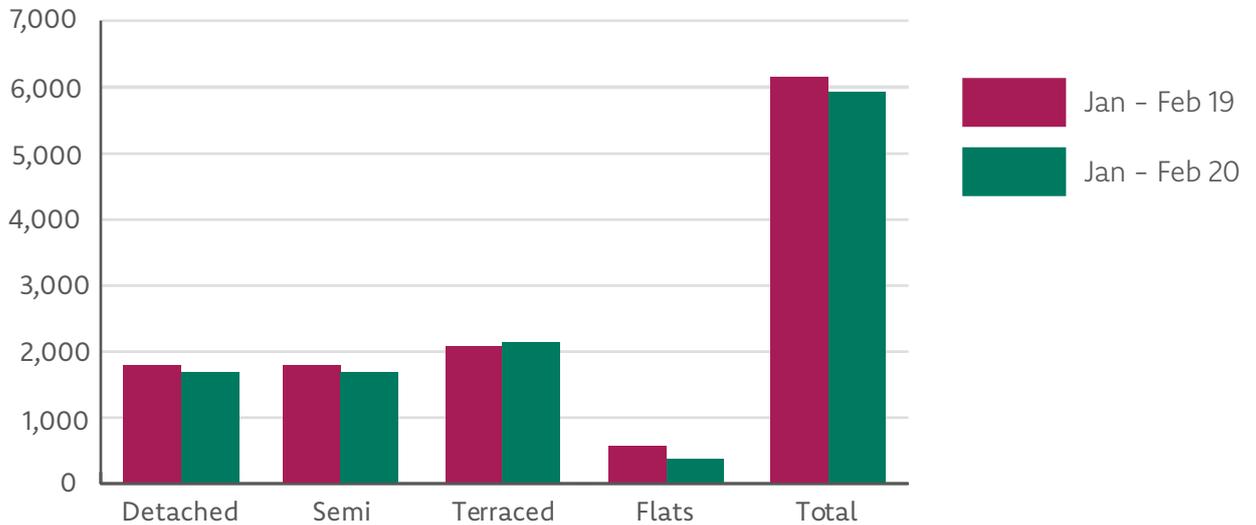
"Although they feel largely irrelevant now, the figures give us a snapshot of the economy and housing market before the COVID-19 pandemic. It is important to note that, while we use three month's worth of data to generate the index, the cut-off point is the end of February for this quarter. This means that following the UK government's lockdown, sales for March will not be reflected in our numbers.

"In the opening months of 2020, before the pandemic struck the UK, the housing market had been steadily gathering momentum. It is evident that price growth was edging up in Wales thanks to a bounce in confidence following the general election, high employment rates, plus low interest rates but transactions were down year on year.

"In the short term it is difficult to say what will happen as there will be a limited number of sales, if any. Most sellers and buyers will remain in homes and closure of estate agencies given the social distancing restrictions will reduce housing transactions. The mortgage market is in partial lockdown, and it is hoped the government's economic package to soften the blow of the pandemic crisis will allow the housing market to come out the other side and operate as normal once the crisis has lifted."

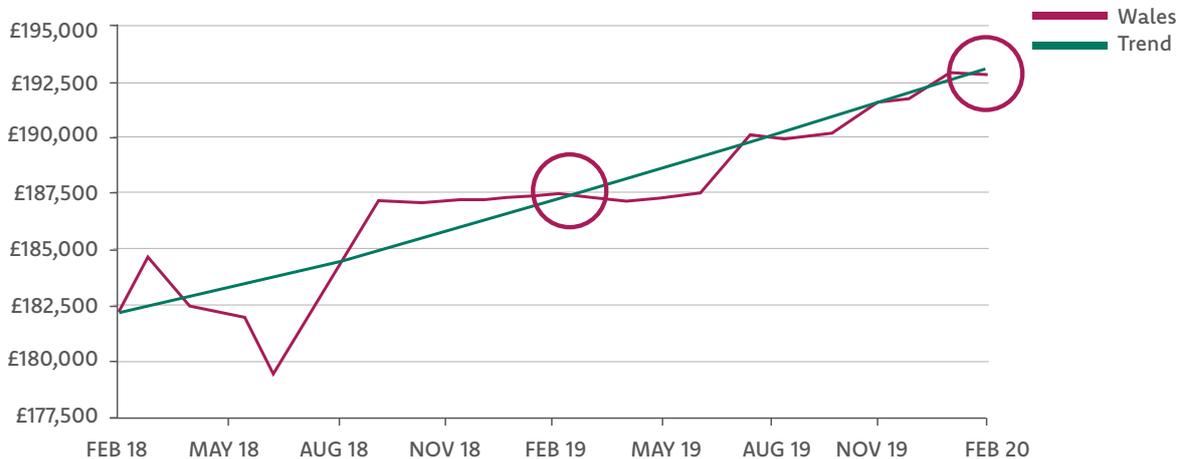
Housing transactions per month -Wales

Wales transactions Jan - Feb 19 vs Jan - Feb 20



Overall, there has been a 3.8% fall in transactions between the first two months of 2020 and the similar period in 2019. Although 2020 started off well with a 5% increase in sales volumes in January compared to the previous year. This was however then followed by a period of storms, heavy rainfall and flooding in February, which saw a 12% reduction in transactions compared to the same month in 2019.

Average house prices Feb 2018 - Feb 2020

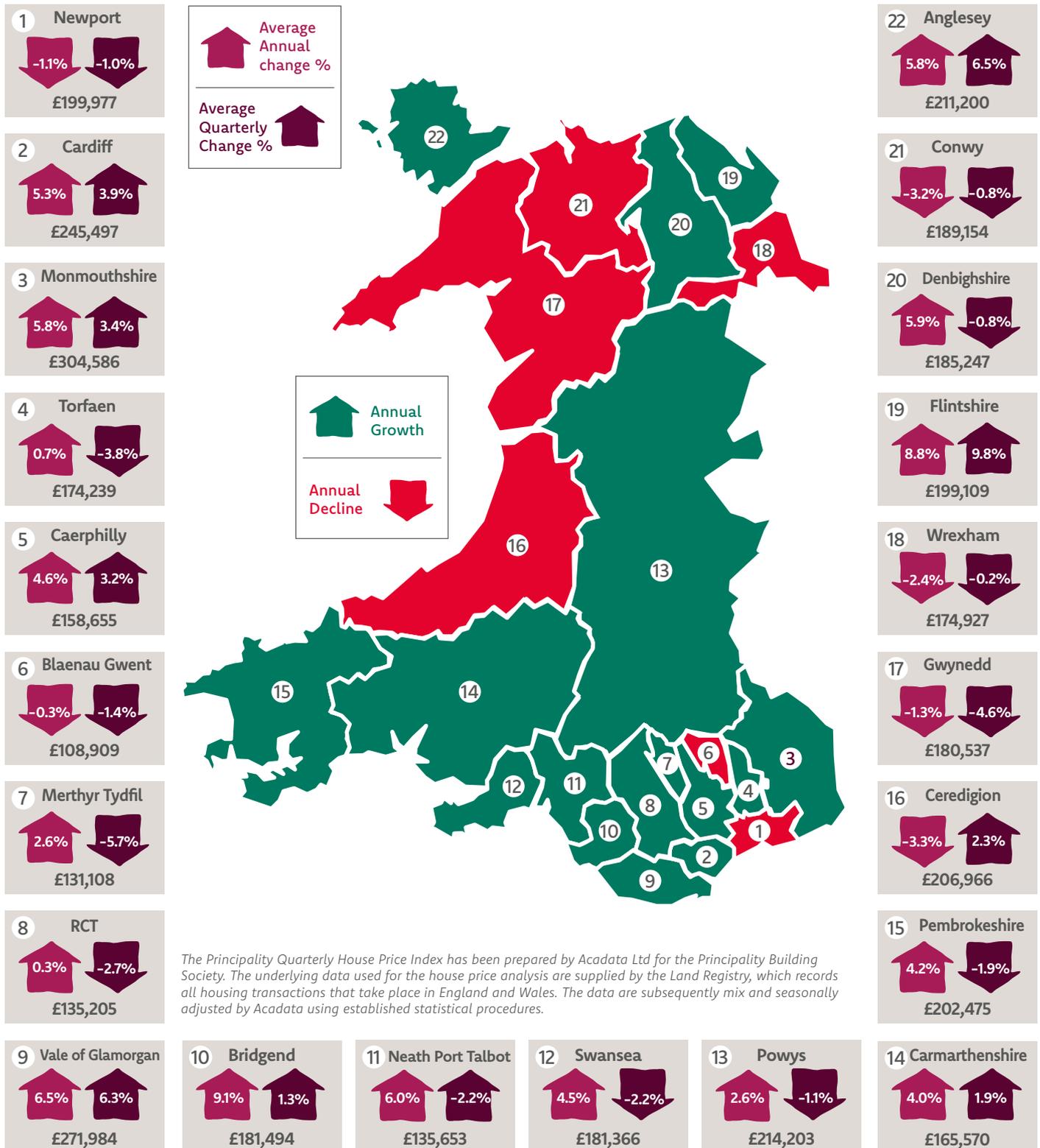


The plum coloured circles highlight the points from which the annual house price growth has been calculated.

The local authority area with the highest rate of house price growth in the three months ending February 2020 was Flintshire, at 9.8%. Sales of homes having a higher average value of £260k - £270k in the first two months of 2020, has resulted in the price growth.

The local authority area with the highest fall in house prices in the three months ending February 2020 was Merthyr Tydfil, at -5.7%.

Average annual and quarterly change by local authority



The Principality Quarterly House Price Index has been prepared by Acadata Ltd for the Principality Building Society. The underlying data used for the house price analysis are supplied by the Land Registry, which records all housing transactions that take place in England and Wales. The data are subsequently mix and seasonally adjusted by Acadata using established statistical procedures.