

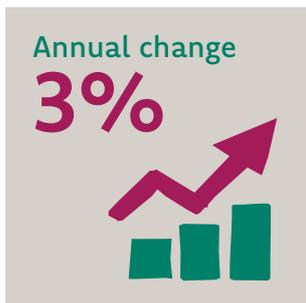
HOUSE PRICE
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Principality Building Society House Price Index Wales, Q3 2020

Where home matters
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Demand for homes after first lockdown sees prices rise

A surge in property sales once lockdown ended in June has pushed the average house price in Wales to £196,165, an annual growth of 3%. Quarterly growth of 2.2% was also reported during Q3 July to September 2020. However, property sales are down by 58% between April and September compared to the same period in 2019.



**Mike Jones,
Chief Risk Officer at
Principality, said:**

“Although it might appear to be somewhat implausible to be reporting rising prices

in the middle of a pandemic, we believe this reflects the increase in demand following the Q2 lockdown. It is also potentially the desire for a lifestyle change for some who during lockdown have realised that it is possible to work from home, avoiding the necessity to travel to work on a daily basis.

The demand for larger homes with additional space, including outdoor areas, has consequently risen however, and with little new supply coming to the market, prices also rose rapidly.

In Wales, the Land Transaction Tax (LTT) concession introduced in July moved the threshold from £180,000, up to a new level of £250,000 until 31 March 2021. It is worth a maximum of £2,450 to people who buy a property for this price and given the relatively low savings that can be obtained on the LTT duty in Wales, we do not consider the impact of the temporary rate will be as significant as it appears to be in England’s housing market. The temporary LTT holiday in Wales does not apply to second homes or buy-to-let properties, where an additional rate of three per cent remains payable.

In terms of outlook for the market, the extension of the furlough scheme and mortgage payment deferral scheme could, in the short term, help offset the impact of weakening economic performance. However, many experts continue to forecast a rise in unemployment during the coming months and that will inevitably impact consumer confidence and the housing market.”

Market Snapshot

The area with the highest change in prices over the last year is Monmouthshire which is also the area with the highest cost of housing in Wales. Detached properties in Monmouthshire have risen from an average £385k in September 2019 to £425k one year later.

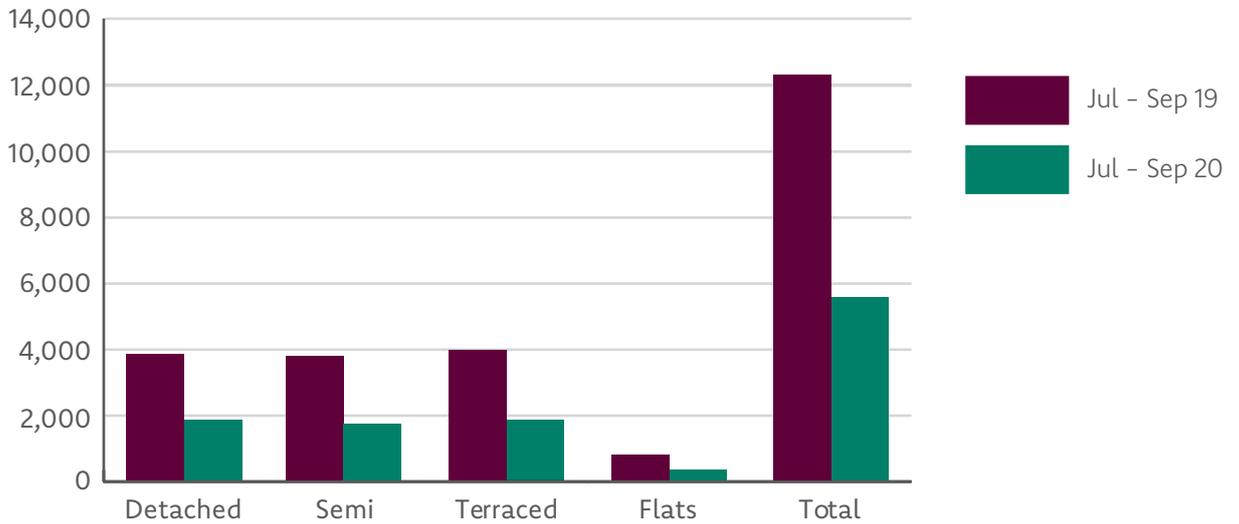
In September 2020, six local authorities reached a new record average house price for the area, being Bridgend, Cardiff, Carmarthenshire, Gwynedd, Newport and Powys. Five of these six areas are included in the top 11 authorities in Wales with the highest proportion of detached or semi-detached properties, i.e. those areas that are likely to appeal to the purchasers of more spacious homes, suited to lockdown living, with Cardiff the exception.

House prices have increased by 2.2% during the last quarter from July to September 2020. During Q3, the area with the highest increase in prices was Gwynedd, where prices increased by 14.6%. In Gwynedd the price of detached homes increased from an average £250k during Q2 2020 to £280k during Q3 2020, this increase in value being assisted by the sale of the area’s highest priced detached home of the calendar year at £1.2 million.



Housing transactions per month -Wales

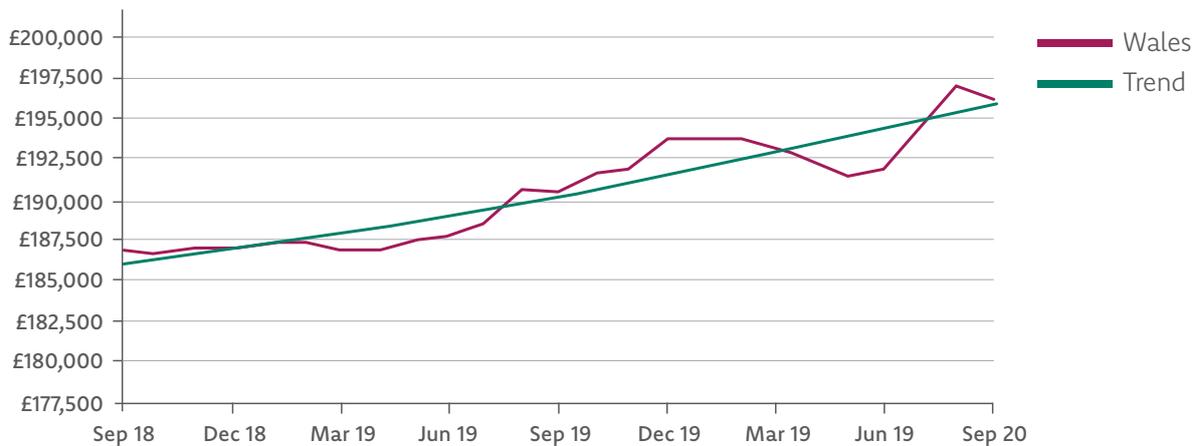
Wales transactions
Jul – Sep 19 vs Jul – Sept 20



The fall in transactions was slightly higher at the start of the pandemic, down by 64% in April 2020, with the least affected month being July 2020, when sales had fallen by 52% compared to July 2019.

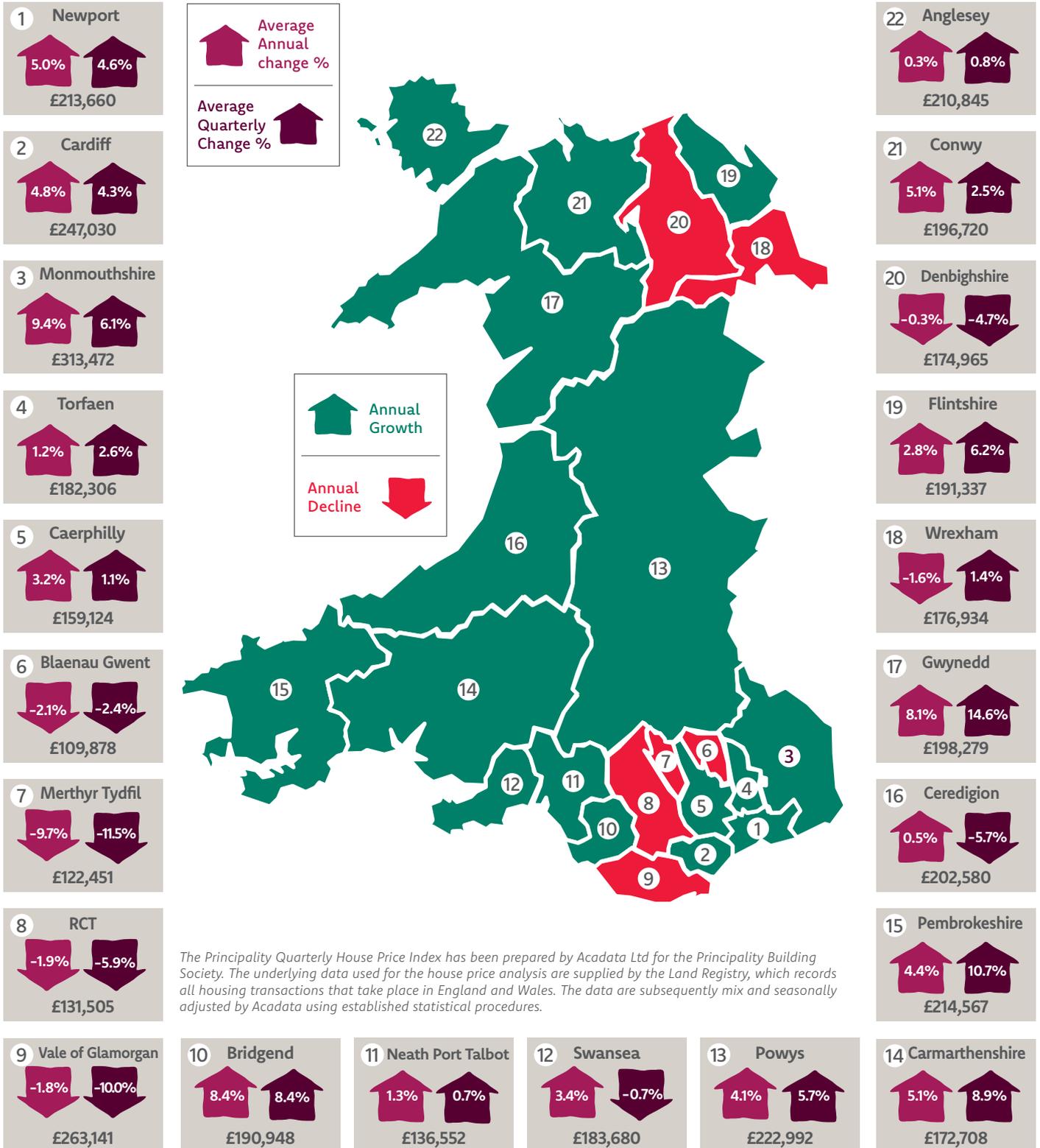
There was a reduction in sales for all property types for the six months from April to September 2020 compared to the previous year, with terraced properties down 55%, semi-detached properties down 57%, detached properties down by 60% and finally, flats down by 63%.

Average house prices over last 2 years - Wales



The top 11 local authority areas with the higher-priced homes have seen annual prices grow by an average 3.9%, while the remaining 11 authorities with lower average priced homes have seen prices rise by a far smaller 0.6%.

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.