

HOUSE PRICE
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Principality Building Society House Price Index Wales, Q4 2020

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Record house prices in Wales despite successive lockdowns

Average house prices in Wales in 2020 topped £200,000 for the first time, with record high house prices seen across most parts of Wales and all property types. The average house price now stands at £209,723, however, overall transactions were down 21% in 2020 compared to 2019. Annual house price inflation was 8.2% last year, the strongest in 15 years, with double-digit percentage increases in prices in a third of local authorities.



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

“The strength of the housing recovery in the second half of

2020 is striking, and this reflects both the stimulus provided by the Welsh Government in terms of the time-limited Land Transaction Tax holiday, the pent-up demand which built up during the first lockdown, and the race for space to buy bigger properties with larger gardens. In Q4, all local authority areas were reporting house prices higher than a year earlier.

This increased demand has been driven by increased savings in many households during the lockdowns coupled with continued historic low mortgage rates. There has probably been some additional demand from buyers across the border with England, with house prices more affordable in Wales in relative terms.

The recent UK HM Treasury review of independent forecasts for 2021 showed wide divergences in house price expectations for the year. With so many unknowns it is impossible to offer a forecast with any reasonable accuracy. However, once there is more clarity on the containment of the virus and on the full re-opening of the economy, it will become easier.”

Market Snapshot

At the end of 2020, there was clear evidence of a widespread household preference for larger properties: detached home prices were 11% higher than a year ago and this compared with just 5-6% for most other types of property.

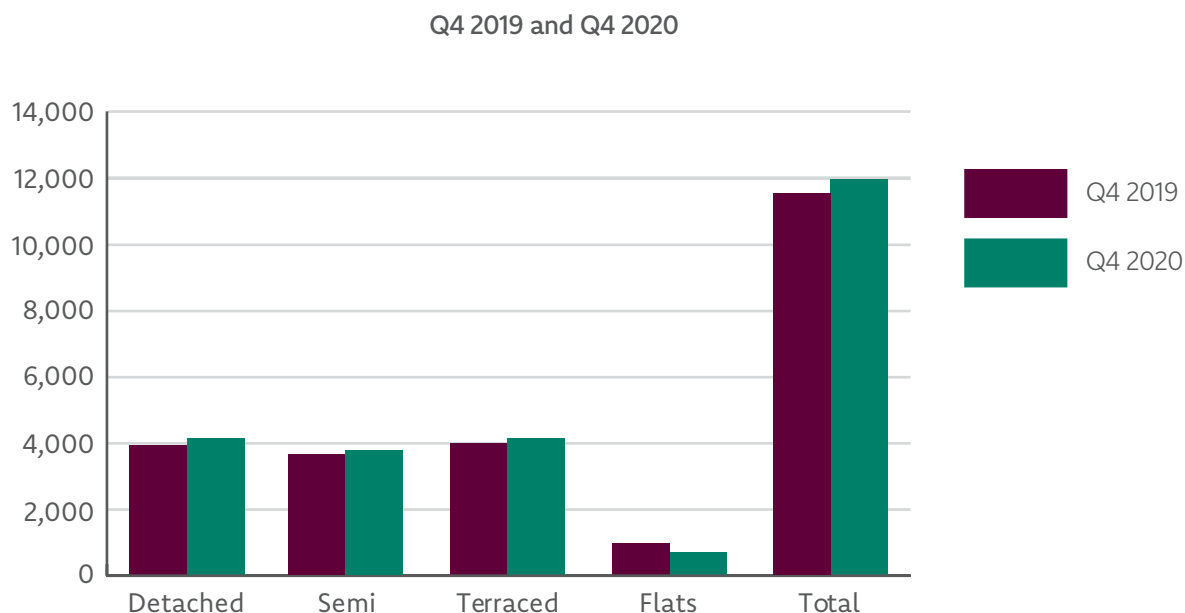
There may be several explanations for this but certainly one of them will be the so-called “race for space” prompted by the pandemic – where they could afford it, households were seeking out bigger homes with more internal and external space and in less densely populated areas.

There is some uncertainty as to the behaviour of flat prices. The price of flats had been languishing in comparison to other property types since April 2020. Whilst the underlying picture is undoubtedly more positive, we should caution that there have only been a limited number of sales in selective locations, and that may be skewing the metrics and thus the true trajectory for flat prices.

Putting this aside, the evidence is that all property types are, on average, showing record prices at end of 2020, a clear indication of the buoyant market across Wales.

A third of local authorities reported double-digit percentage increases in prices compared with a year ago, with Ynys Môn (Anglesey) (16.0%), Monmouthshire (14.2%), Conwy (13.7%) and Flintshire (13.3%), along with the City of Newport (12.1%) and Wrexham (10.2%) being particularly strong. Eighteen local authorities hit new record highs in the prices recorded. Merthyr Tydfil recorded the strongest rise on a quarterly basis – 18.2% – but this may be exaggerated by relatively modest sales data. The areas that didn’t record peak prices were Bridgend, Ceredigion, Gwynedd and the Vale of Glamorgan.

Quarterly transactions by property type, Wales



Wales has not experienced the usual seasonal slowdown, with December sales continuing at the high levels seen in the months of October and November. Indeed, with the Land Transaction Tax holiday due to end in the spring of 2021 there was a considerable stimulus effect in place with buyers clamouring to complete and exchange as soon as possible.

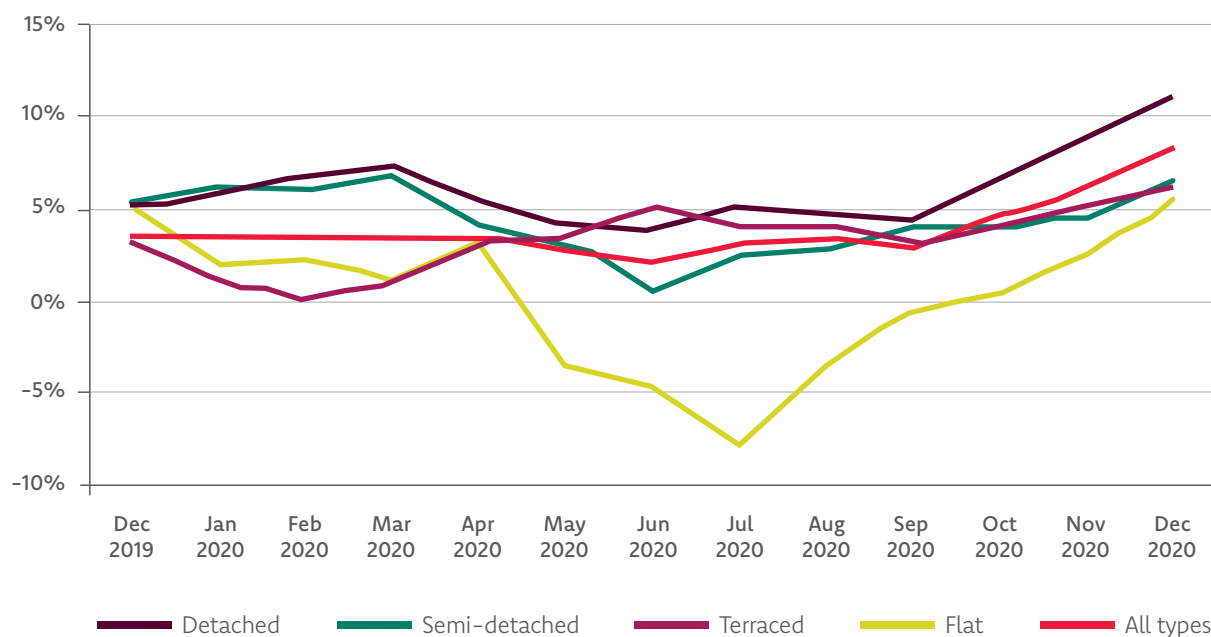
The recent December RICS housing market survey indicated that buyer interest in Wales has been stronger and persisted for longer than in other parts of the UK. On a range of metrics – buyer enquiries, instructions to sell, agreed sales, activity per surveyor and sales to stock ratio, Wales was equal to, or outperformed, the most active of English regions.

There had been a strong spike in agreed sales after the first lockdown was lifted, and while actual sales in Q3 were still a third below the levels of a year earlier, we estimate that transactions climbed to 12,000 in Q4. Overall transactions were down by 21% in 2020 compared to 2019, undoubtedly as a result of the impact the pandemic has had on the economy.

As the chart also shows when broken down by property type we have modest quarterly increases (compared to a year earlier) in the sales of detached, semi-detached and terraced homes, up 5%, 4% and 1% respectively. However, by contrast, flat sales in the fourth quarter of 2020 were down 21% compared to the same quarter in 2019, an indicator of shifting preferences in the housing market.

Annual change in average monthly house prices by property type, Wales

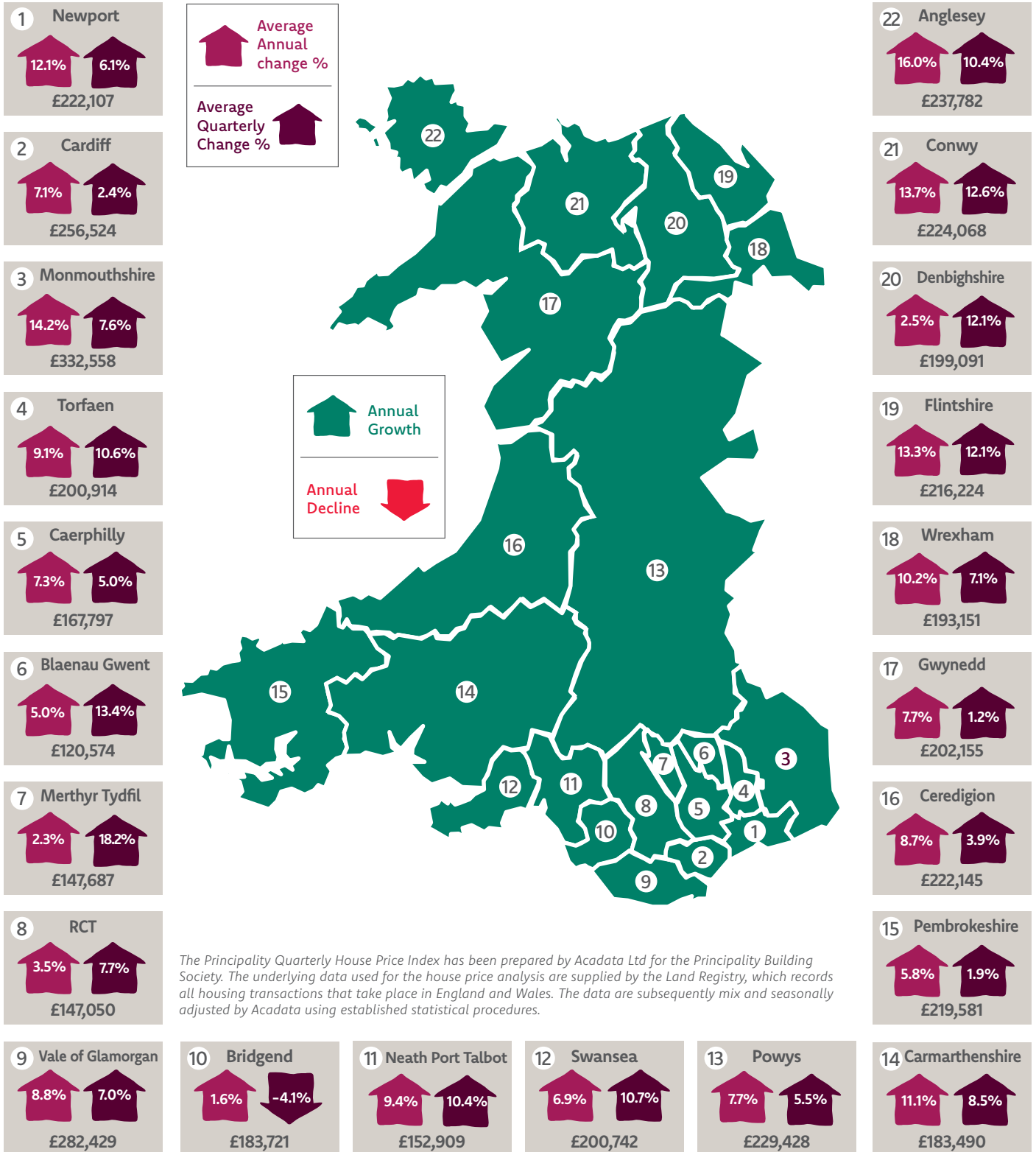
December 2019 to December 2020



These latest figures mark the strongest annual and quarterly rates of house price inflation – 8.2% and 6.9% respectively – that have been recorded over the last 15 years and since the boom and then bust in 2005–2009.

The chart above shows price changes on the previous quarter, and underlines the recent sharp upwards spike in price pressures. In both the March and June quarters in 2020, prices dipped a little below the level of the preceding quarter, but by the third quarter in September prices were 2.2% stronger before catapulting to 6.9% in the fourth quarter at the end of the year.

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.