

HOUSE PRICE
INDEX

Principality Building Society House Price Index Wales, Q1 2021

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Average house prices reach new record

Average house prices in Wales continue to set new records as they reached £212,751, with annual house price inflation climbing to 10.1% in Q1, the first double-digit percentage increase since 2005. Lockdown-inspired changes in housing demand and government policy interventions around Land Transaction Tax (LTT) have boosted prices and activity, with sales up by 40% on the same period last year. The prices of detached, semi-detached and terraced homes are 10% or more above year-earlier levels.

Annual change

10.1%



Quarterly change

1.4%



Rise in transactions

40%

Q1 2020 vs Q1 2021



Average House Price

£212,751



Market Snapshot

It is clear that the extension of LTT holiday announcements have had a big impact on sales as well as on prices. Alongside households rethinking their housing requirements during lockdown, the tax holiday- which includes all owner-occupied homes up to £250,000- has been a major incentive, given that it typically covers up to about 80% of sales in Wales in recent years.

Understandably, some would-be sellers/buyers remain cautious about moving house despite all the potential benefits, leading to a shortage of homes on the market in comparison with the increased demand.

All local authorities reported rises on an annual basis as at Q1. Swansea, Anglesey, Vale of Glamorgan and Carmarthenshire led the field, underlining the Covid-induced “race for space”, these being popular choices for city dwellers to move to (whether from Wales or England).

It was a mixed picture in terms of quarterly performance, with prices lower in seven areas – the sharpest falls being seen in Monmouthshire (down 5.8%), Conwy (down 4.5%) and Gwynedd/Neath Port Talbot (both down 3.5%), albeit in all cases on the back of record prices in the previous quarter.

Eight authorities posted new record highs during Q1, these being Bridgend (£191,810), Cardiff (£269,826), Carmarthenshire (£196,422), Denbighshire (£201,091), Newport (£228,876), Swansea (£213,819), Vale of Glamorgan (£303,807), and Wrexham (£198,944).

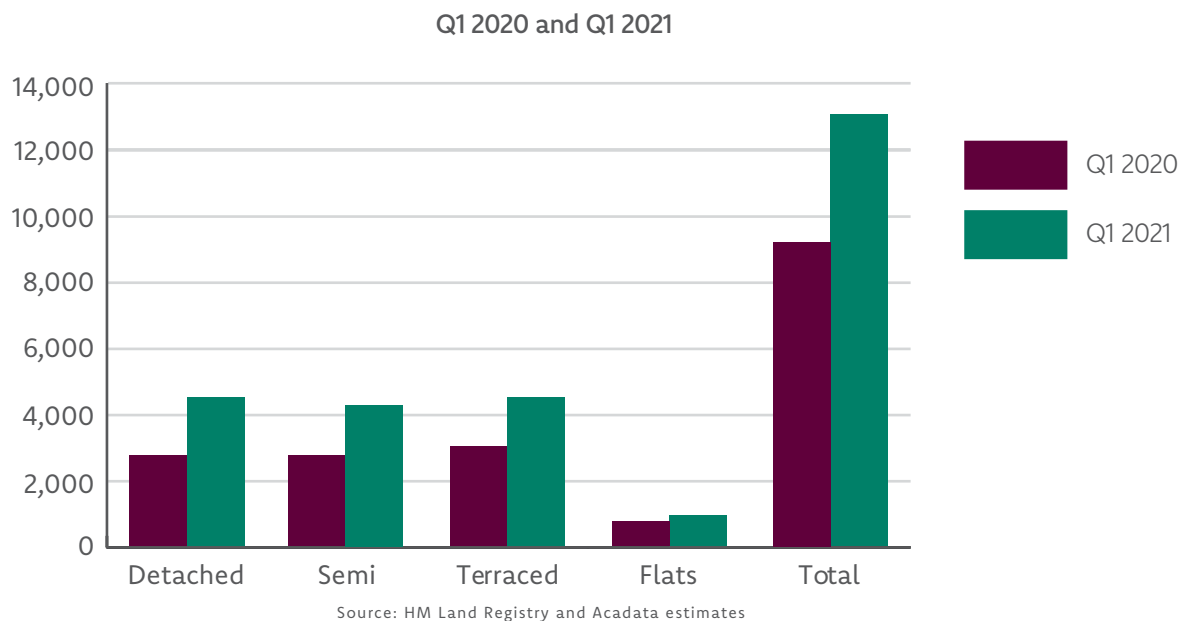
Although prices are at a record average high in Wales, if we adjust for the changes in the general cost of living, in “real” terms, average prices in Wales are 6% below their pre-global financial crisis high of 2007/8.



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

“The bounce back of the housing market during the pandemic has been stronger than some had anticipated, and if that momentum is maintained, it may be that the strong housing market recovery will continue through the rest of the year and into 2022. Pent-up demand due to a shortage of houses on the market, continuing low interest rates, wage growth for those in work, plus the incentive of the Land Transaction Tax, has led to this new record peak of average house prices. Looking further forward this growth could be impacted by the end of the LTT holiday and the furlough scheme, but much will depend on the overall recovery on the economy.”

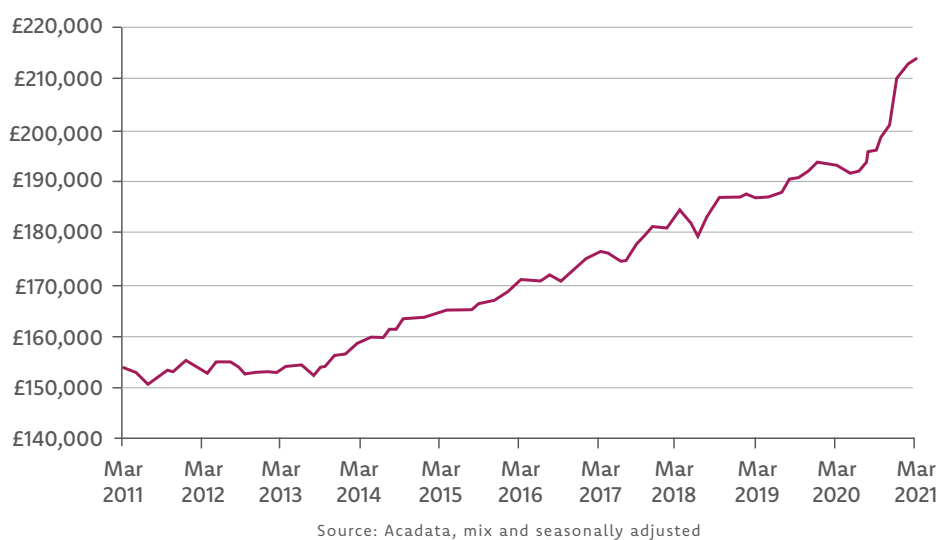
Quarterly transactions by property type, Wales



Estimated sales in Q1 were up 40% on the same period last year, albeit with a clear demarcation between house and flat sales.

Looking at the most recent monthly data from HMRC, there were 3,880 sales in January, 4,610 in February and a staggering 8,170 in March – clear evidence of the incentive effects of the LTT holiday. With the subsequent extension of the LTT holiday to the end of June we might expect to see further sales being brought forward, with again some bunching in the last month. History tells us that sales would slowly return to more normal levels.

Average house prices in Wales in last 10 years



The positive sentiment now widespread in Wales in terms of successfully tackling Covid follows a similar but more deeply established trend across the country's housing market. Building on record increases in Q4 2020, prices have continued to rise, on average by £3,000 in Q1 to a new record high of nearly £213,000, up over 10% – the first double digit rise since 2005. The chart above shows the average price of homes in Wales over the past decade, suitably adjusted for the mix of property types and seasonal effects.

Average annual and quarterly change by local authority

