

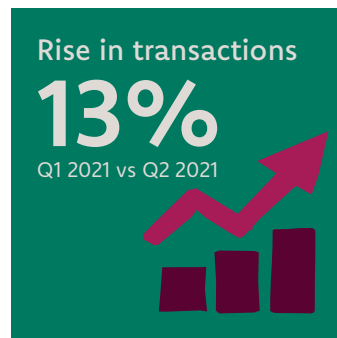
HOUSE PRICE
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Principality Building Society House Price Index Wales, Q2 2021

Where home matters
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Welsh house sales soar as average prices reach new peak

The average price of homes in Wales hit a new peak of £215,810 in June, up 12.5% on a year ago and the strongest rate of growth reported over the past year. There is now some sign that the strong pace of increases seen around the turn of the year has begun to abate, with recent quarterly rate of increase now down to a 1-2% range. This is likely to be a result of the Land Transaction Tax (LTT) holiday coming to an end in June. All property types have posted price increases, although houses continue to outperform flats. The quarterly pace of price growth has slowed a little over the past two quarters and- with the stamp duty holiday now ended- things may step down another gear in the second half.



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

“The scale and strength of the housing market in Wales to date does suggest that this momentum will continue into the final quarters of the year. Clearly, the stimulus effect of the Land Transaction Tax holiday will have disappeared by then, and because some purchases were brought forward to capture that benefit, there will be an inevitable dip in activity.

Alongside this, the furlough scheme ends in September, thus further revealing the underlying state of the economy and employment. Various forecasts suggest that Wales- along with other parts of the UK- will see house price inflation down to just under 5% in 2022 and onwards.

Much will depend on the course of interest rates and the economy, but the mortgage market remains very competitive with rates having fallen in recent months after slightly increasing at the height of the pandemic.”

Market Snapshot

All 22 local authorities reported rises on an annual basis in Q2, repeating the performance of the previous quarter.

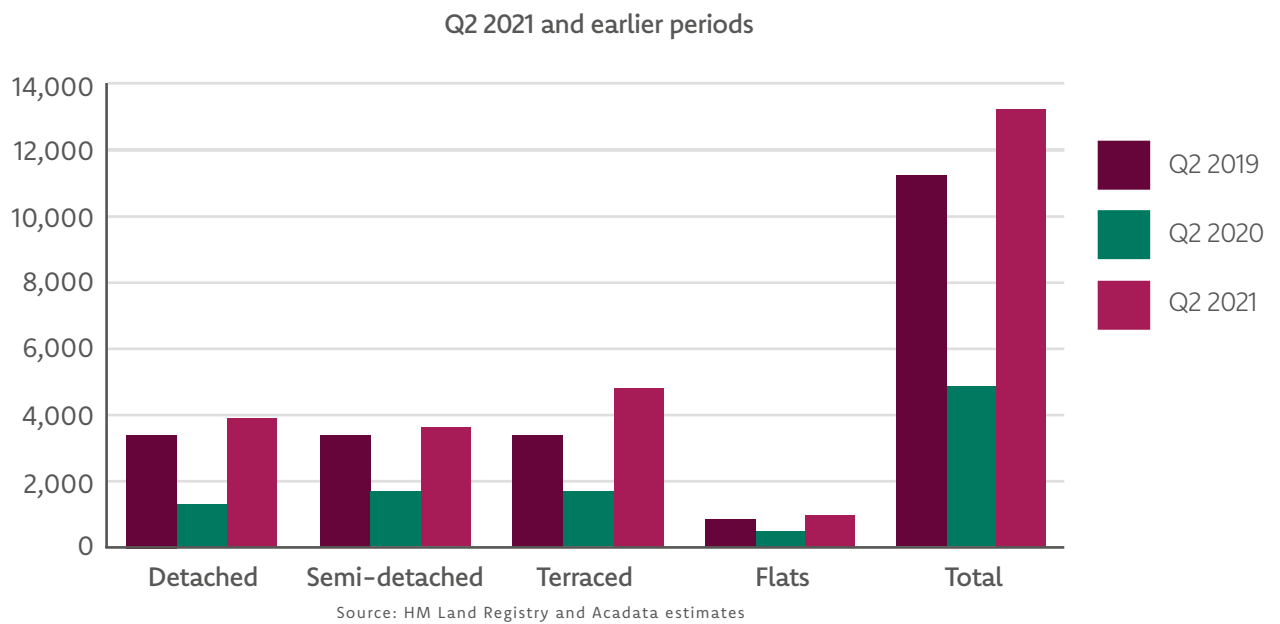
Prices in eight authorities - Conwy, Merthyr Tydfil, Neath Port Talbot, Rhondda, Vale of Glamorgan, Torfaen, Bridgend and Blaenau Gwent - reached fresh peaks in Q2.

The vast majority saw double percentage point rises, with nine local authorities reporting price increases of more than 15% - Blaenau Gwent, Bridgend, Carmarthenshire, Conwy, Gwynedd, Merthyr Tydfil, Neath Port Talbot, Pembrokeshire and the Vale of Glamorgan.

Many of these also reported strong quarterly gains, especially Bridgend (11%) and Merthyr Tydfil (15%). Nevertheless, a small majority of local authorities (12 of the 22) reported quarterly decreases (even though most were minor reductions). This may be a further sign that a gentler period of price inflation lies ahead.

Three major cities, Newport, Swansea and Wrexham, along with Powys all reported quarterly prices around 5% lower.

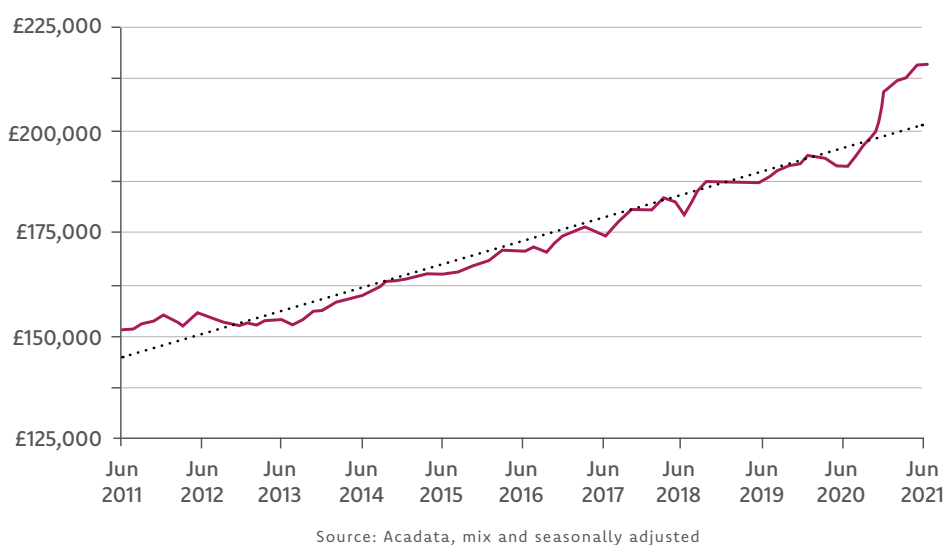
Quarterly transactions by property type, Wales



The transactions data provide perhaps the most dramatic evidence of the impact of the changes in the market as a result of the LTT holiday, the resurgence of demand, and more space in better locations.

We estimate that there were around 13,400 transactions in Q2, nearly treble the Covid-depressed level of a year ago but also significantly higher than the more “normal” period of Q2 2019 (11,000 sales).

Average house prices in Wales to June 2021



Although the maximum value of Land Transaction Tax was only £2,450 in Wales (and so a little over 1% of typical property values), it is likely that it distorted the pattern of transactions and led to long processing backlogs.

Chart 1 above shows the average price of homes in Wales over the past decade, suitably adjusted for the mix of property types and seasonal effects. As can be seen, the underlying trend was for a modest rate of inflation but then a surge from mid-2020.

Average annual and quarterly change by local authority

