

Principality

House Price Index

Wales

Q3 2018

Data provided by **aca**data

The average house price in Wales is **£184,722**

#WalesHPI

House Prices in Wales set a new peak

Annual house price growth

3.4%



Quarterly house price growth

3.6%



Annual house sales

-3%



Modest house price growth expected in 2018



The average house price in Wales has reached a new peak of £184,722 and is 3.6% higher than June 2018. Most areas have shown a recovery in prices from the ‘artificially’ low levels seen during Q2, a

result of the new Land Transaction Tax rates introduced in April. However, overall house sales in Q3 2018 are down by 4% year on year.

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

“We can see that there has been some fluctuation in the market as prices artificially dipped after the introduction of the land transaction tax but have made a recovery this quarter. However, overall sales volumes are 3% lower in the first nine months of 2018 compared to 2017, which reflects the sense of caution in the market.

We know that numbers of first time buyers is down slightly and it would seem the uncertainty around Brexit negotiations means owners are deciding to stay put rather than move. The buy to let market has also declined due to landlords being put off by tax disincentives. The picture of the market is consistent with the last couple of years and it would appear that this trend is set to continue in the short term.”

Market snapshot

Wales achieved a new peak average house price in September 2018, at £184,772, which was £325 higher than the previous peak seen in March 2018. In Q3 2018, there were 17 local authority areas where prices rose and 5 where prices have fallen. The three areas with the highest increase in prices during Q3 2018 are the Vale of Glamorgan (+8.6%), Swansea (+7.7%) and Powys (+6.6%).

Both Swansea and the Vale were among the top three areas to experience the largest percentage fall in prices during Q2 2018, (-12.6% and -7.1% respectively), so it is perhaps no surprise to discover that they have sprung back by the largest percentage in Q3 2018.

Five areas achieved new record average prices in September 2018 - Vale of Glamorgan (£260,448), Powys (£217,265), Newport (£199,035), Caerphilly (£148,040) and Rhondda Cynon Taf (£136,189).

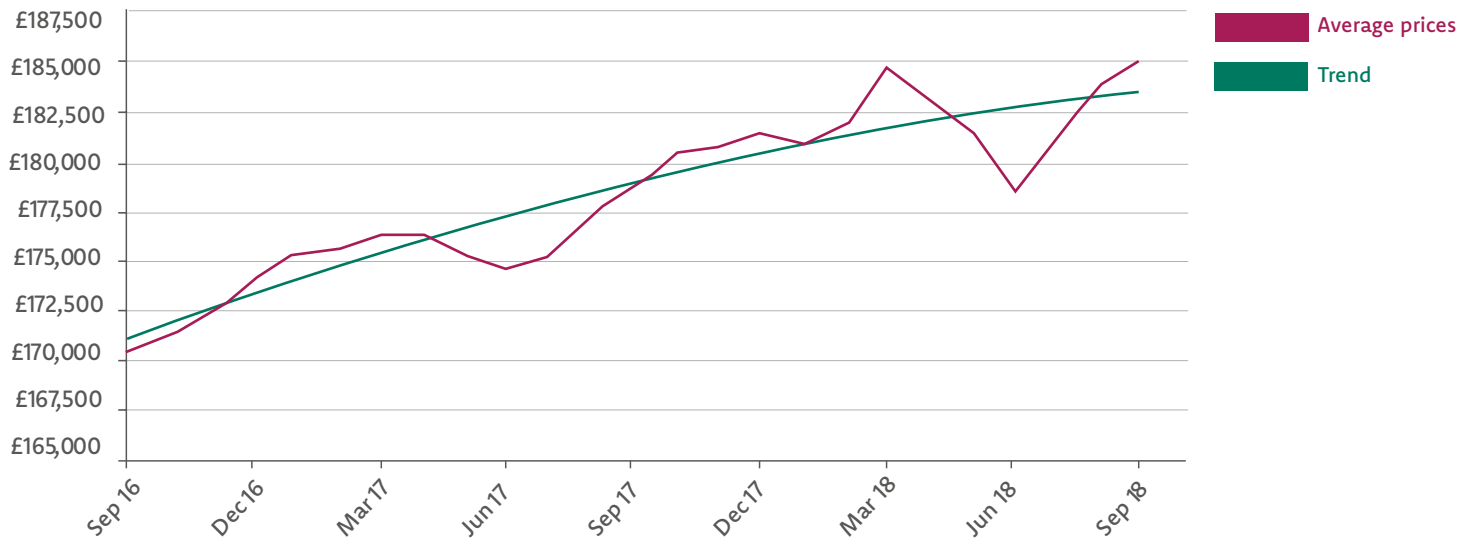
The three areas with the highest increase in prices over the last 12 months are all located in the south-east corner of Wales; Monmouthshire (+11.9%), Newport (+11.1%) and Torfaen (+8.1%).

The concentration of price increases in the south-east corner of Wales leads to the question whether the abolition of the Severn Bridge tolls this December has increased the commuter belt from Bristol. These changes will save daily commuters between Wales and Bristol up to £1,400 per year. The average house price in Bristol is £310,000, with many commuters said to be crossing the bridge to take advantage of lower house prices.

Market trends

Average house prices in Wales have been growing over the last two years, although it has slackened towards the end of the period. Prices have in general been volatile, reacting to the various events that have occurred over the last 24 months involving base rate rises, EU referendum and the General Election.

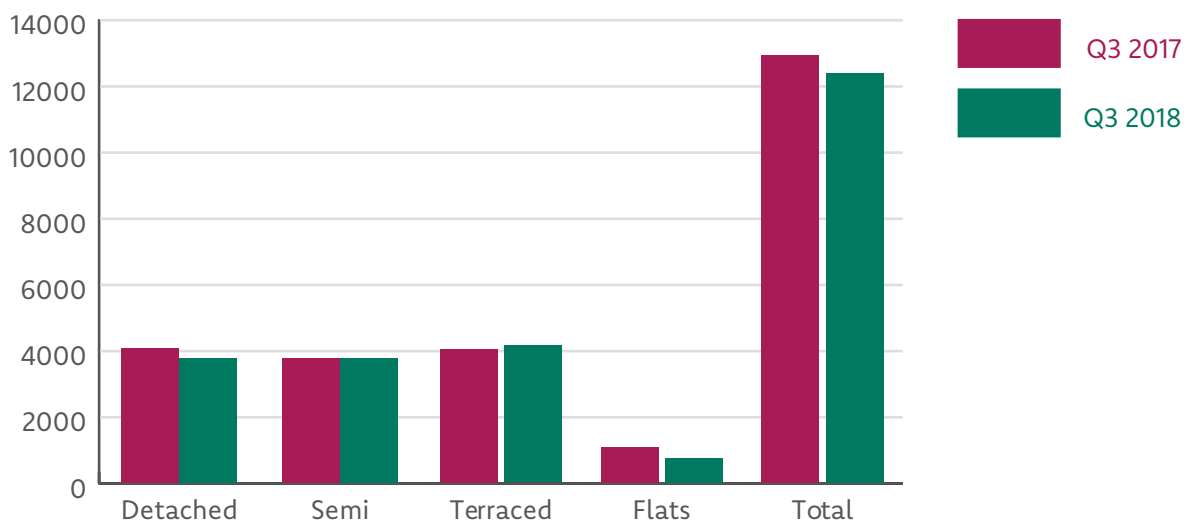
Average House Prices over last 2 years - Wales



Housing sales

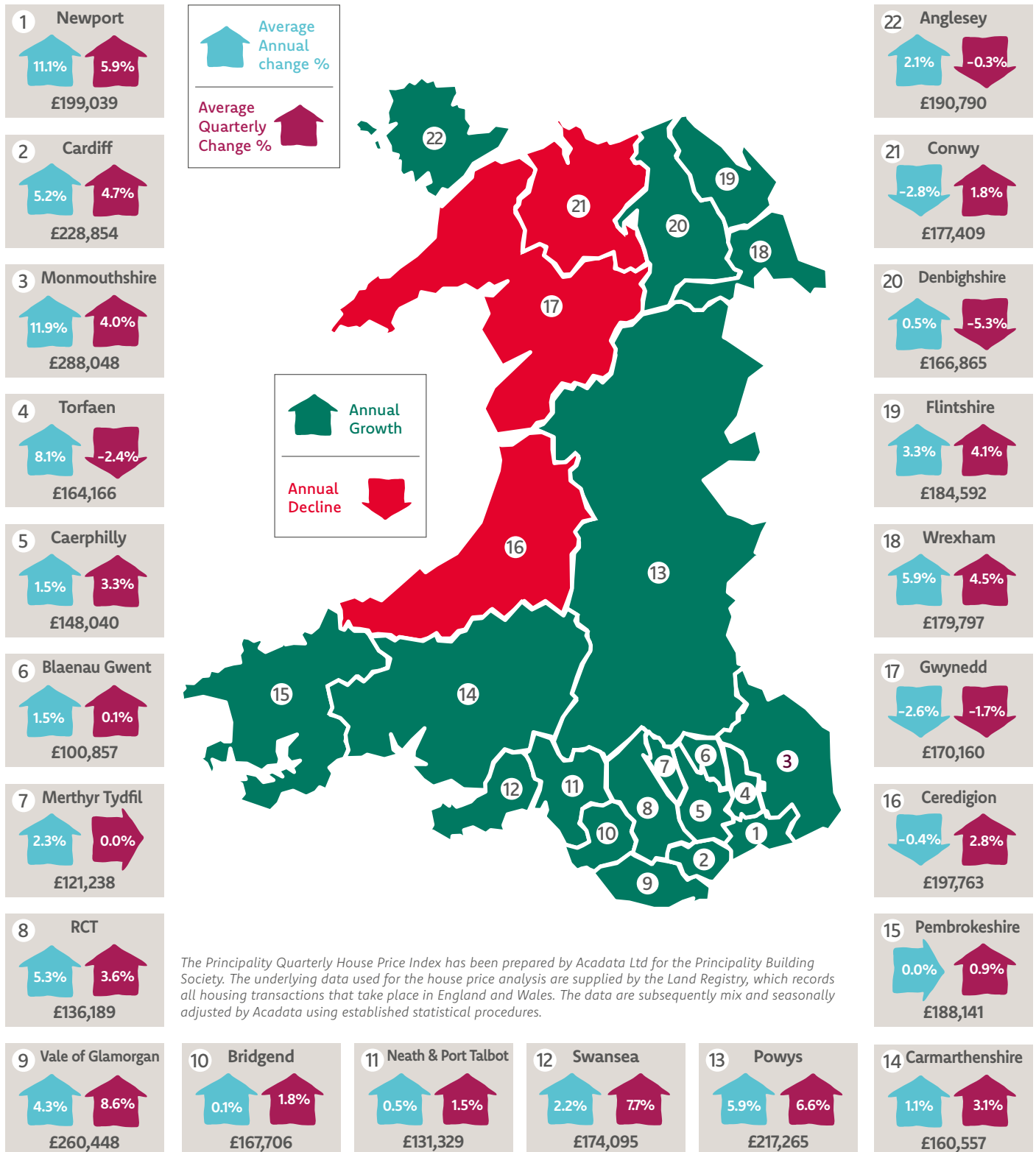
Although transactions in Q1 2018 were above those seen in Q1 2017, sales have slowed during Q2 and Q3 2018 compared to the previous year, such that overall sales volumes are 3% lower during the first nine months of 2018 than one year earlier. Sales have fallen by a substantial amount (22%) in September 2018 compared to the previous month, and by 17% compared to the previous year. The probable causes of the decline in sales volumes in September is likely to be linked to the uncertainties surrounding Brexit, with existing owners reluctant to make a move.

Wales Transactions Q3 2017 v Q3 2018



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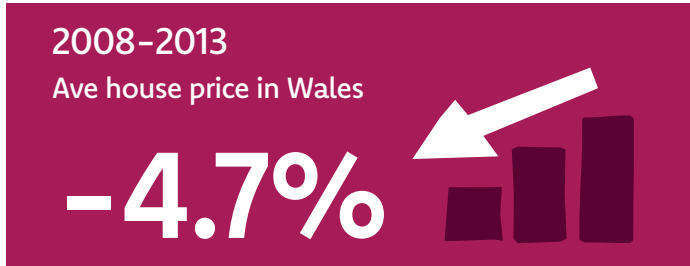
Average annual and quarterly change by local authority



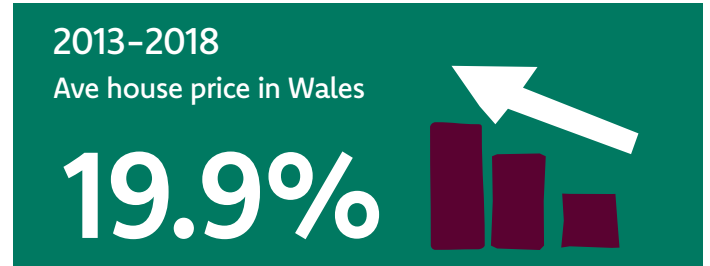
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Ten Years after the collapse

The banking crisis of 2008 and 2009 led to a fall in the provision of credit to the housing markets in the UK and elsewhere across the world. We look at how house prices have performed in Wales, 10 years on from the financial crash.



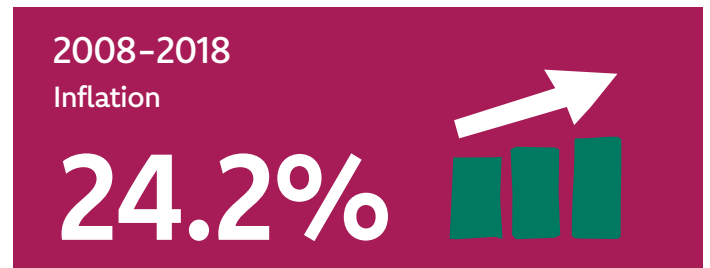
Twenty of the 22 local authority areas in Wales saw their average prices fall over the first five years of the housing crisis starting in September 2008. Overall, the average price in Wales was still 4.7% lower in September 2013 than it had been in September 2008. The two areas that saw prices improve over these five years were the Vale of Glamorgan (+9.5%) and Cardiff (+8.5%).



During the following five years, all 22 local authority areas saw their house prices rise, the percentage change over this period varying from a 36.2% increase in Monmouthshire to just 6.2% growth in Pembrokeshire – with an average increase of 19.9% for Wales overall.



During the 10 years that followed the banking crisis, 20 of the 22 local authority areas have seen their average house prices rise with a Wales average of 14.2%. The largest increase over this period was in the Vale of Glamorgan, up by 36.4%, followed by Cardiff at 31.8% and Newport at 23.9%. The two areas where prices remain below those in September 2008 are Ceredigion, still down by 0.3%, and Pembrokeshire, down by 3.4%.



Between August 2008 – August 2018, the Consumer Price Index (All Items) which measure the rate of inflation in the UK, has risen by 24.2%. On this basis, only Vale of Glamorgan and Cardiff have seen house prices rise in real terms, with all other areas failing to maintain average house prices at the same rate as consumer price inflation.

However, if we do the same calculation for the last five years, i.e. September 2013 – September 2018, then the Consumer Price Index (All Items) has risen by 7.9% over this shorter period. On this basis, all but one of the local authority areas have seen house prices rise at a faster rate than CPI over this period, meaning that house prices have been making gains in real terms for their owners. The one exception is Pembrokeshire, where house prices have risen by 6.2% over the last five years.