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Wales property market update

January 2018



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Report Headlines



LSL Acadata HPI

"Vale of Glamorgan sees highest increase in annual prices as Wales rises up the table."



Barry Waterfront in the Vale of Glamorgan, which has seen the biggest increases in Wales. Image: © Lukysluky s | Dreamstime.com

Wales	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Market low +/- versus market height	Latest month's data Oct-17	How much higher/lower are latest prices vs height in 2007/8	How much higher/lower are latest prices vs 2009 low	Year on year change in price in Oct 17	Annual average increase since 2000	Highest yearly average increase since 2000	
									Date	% Increase
All property types	£150,316	£123,104	-18.10%	£153,316	2.0%	25%	4.5%	6.6%	Jul-04	33.4%
Detached	£222,036	£182,883	-17.63%	£232,632	5%	27%	5.0%	6.3%	Aug-04	29.0%
Semi Detached	£141,649	£116,208	-17.96%	£147,751	4%	27%	5.0%	6.6%	Jul-04	33.8%
Terraced	£118,573	£95,946	-19.08%	£117,344	-1%	22%	3.4%	6.8%	Jul-04	38.5%
Flat	£115,918	£93,007	-19.76%	£112,457	-3%	21%	5.7%	6.2%	Mar-03	32.7%

Source: UK HPI

Asking prices			Mortgaged only prices			Sold prices inc cash sales			Sold prices inc cash sales & new builds		
Rightmove Average Price Dec-16	Rightmove Average Price Dec-17	Rightmove % Change YoY	Nationwide Average Price Q4 16	Nationwide Average Price Q4 17	Nationwide % Change YoY	LSL Acadata HPI Average Price Oct-16	LSL Acadata HPI Average Price Oct-17	LSL % Change YoY	UK HPI Average Price Oct-16	UK HPI Average Price Oct-17	UK HPI % Change YoY
£170,210	£173,342	1.8%	£146,049	£150,885	3.3%	£173,124	£178,791	3.3%	£146,658	£153,316	4.5%



KATE FAULKNER COMMENTS ON PRICES

“ The first thing that strikes me with the Welsh data is what cracking value properties are here! My family originates from central Wales – near Rhayader in the Elan Valley – and when I visited recently, I found the chance of being able to live in such a beautiful place at these prices very tempting!

However, what we know about property prices is they are restricted regionally based on people’s wages and equity wealth and the reality is high paying jobs aren’t that common in Wales, so prices tend to be

boosted in tiny areas through second homes and in some of the posher areas of towns and cities such as Cardiff, which do have ‘top jobs’.

What you can also see from the data is that prices have struggled to recover from the recession and are only just now doing so. For first time buyers, this does mean it is still a great time to buy as effectively prices are exceptional value in real terms, with inflation taken into account. You can take your time as, in the main, prices are rising at a lower rate than they have been growing annually since 2000.

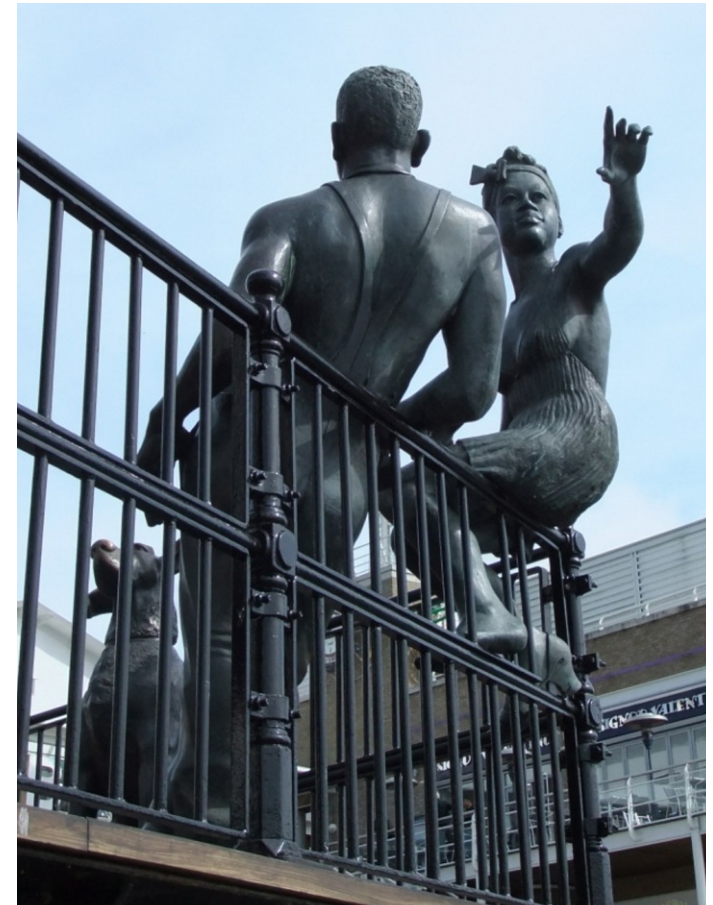
Wales Towns & Cities	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Market low +/- versus market height	Latest month's data Oct-17	How much higher/lower are latest prices vs height in 2007/8	How much higher/lower are latest prices vs 2009 low	Year on year change in price in Oct 17	Annual average increase since 2000	Highest yearly average increase since 2000	
									Date	% Increase
Cardiff	£170,496	£139,651	-18.09%	£199,747	17%	43%	5.5%	6.8%	May-03	30.7%
Swansea	£152,581	£127,441	-16.48%	£143,117	-6%	12%	4.3%	5.9%	Jul-04	41.1%

Source: [UK HPI](#)

City	Current price	%yoy Nov 17	Price rel. to 2007 peak
Cardiff	£202,200	5.0%	15%

The People Like Us sculpture at the vibrant Mermaid Quay in Cardiff.

Image: © publicdomainstockphotos | Dreamstime.com



Source: [Hometrack](#)

LSL Acadata HPI

“Wales has moved up the league table of regions to fourth place with 3.3% growth. As recently as June it was bottom of the table. The Vale of Glamorgan (up 9.6% - the biggest annual increase of any unitary authority), Bridgend (8.6%) and Caerphilly (8%) have all grown particularly strongly in the last year.” (Nov 17)

Hometrack

“Solid gains were reported in Wales. With regards to the near term outlook for house prices, three month expectations are now more or less flat at the national level as the net balance moved to -5% from -10% in the previous month but in contrast to this, contributors are confident that prices will rise in Wales during the three months ahead.” (Dec 17)

Table 2 First-time buyers: Average price, loan and deposit by region, 2017

	Average House Price (£s)	Average Mortgage (£s)	Average Deposit (£s)	Deposit as % of purchase price
Wales	136,103	118,910	17,193	13%

Source: [Halifax/CML](#)

FTB average paid	£132,074	Source: UK HPI
Trading up average price paid	£178,185	
Cash purchase average price paid	£149,636	
New build average price	£205,859	

Affordability in Wales in great!

Affordability for first-time buyers in Wales remained better than for the UK overall. They typically borrowed £109,250 (£139,500 in the UK overall), the same as in the preceding quarter. The average household income was £33,904 (£41,009 in the UK overall), down from £34,096. The typical income multiple in Wales of 3.32 (compared to 3.31 in the preceding quarter) also compared favourably to the UK average of 3.61.

Home movers borrowed an average of £137,565 in this quarter (£180,995 in the UK overall), up from £135,000 in the previous quarter. The average household income of a home mover was £47,327 (£55,865 in the UK overall), up from £46,629. This meant that the typical home mover income multiple in Wales was 3.02, compared to 3.01 in the previous quarter and the UK average of 3.39.

cml.org.uk



KATE FAULKNER COMMENTS ON TOWN AND CITY PRICE DIFFERENCES

“ Those national reports telling FTBs they can’t get on the ladder and they will need £60,000 or to save for decades for a deposit are simply not true for the Welsh market. An average FTB price of £132,000 means a 5% deposit requires £6,600 and between two people that’s just £3,300.

Saving via the Help to Buy/Lifetime ISA means that you actually need to save UNDER £5,000! Your monthly mortgage at 4% would be less than £670 per month, of which £418 would be interest to the lender, so anyone paying less rent than this is also getting a very good deal.

Even new builds are averaging at £206,000 which, with the 5% Help to Buy Scheme, means you can get a brand new property for £10,300 deposit (or £7,725 with your 25% government ISA top-up) AND a free 20% loan under Help to Buy which means a mortgage of £156,560.

These are terrifically affordable for many people, especially if buying as a couple or as two, or even three, friends. And bear in mind these are averages; people are buying for a lot less too, so property in Wales is truly affordable in many places.

Property Price Forecasts	Savills 2018 (Nov 17)	Savills 5 Yr compound growth (Nov 17)	Knight Frank 2018 (May 17)	Knight Frank 5 Yr Forecast (Dec 17)	Countrywide 2018 (Summer 17)	Chestertons 2018 (Nov 16)	Chestertons 2016-20 growth (compounded) (Nov 16)	NAEA 2018 (Dec 15)	YoY % Increase	Actual UK HPI Oct-17	Actual Nationwide Q3 17
UK	1.0%	14.2%	2.5%	14.2%						4.5%	2.2%
Great Britain					2.0%						
England & Wales						6.0%	31.9%				
England										4.7%	
London	-2.0%	7.1%	2.0%	13.1%	2.5%	6.0%	37.6*	£626,133	6.2%	2.1%	-0.6%
South East	0.5%	11.5%	2.0%	14.2%	2.5%	6.0%	35.6%	£435,031	6.8%	-0.5%	3.9%
South West	1.0%	14.2%	2.0%	14.2%	2.0%	4.5%	25.8%	£292,435	2.8%	0.2%	4.8%
East of England	0.5%	11.5%	2.5%	15.9%	2.0%	6.0%	36.9%	£372,139	8.2%	6.1%	3.9%
East Midlands	1.0%	14.8%	3.0%	14.2%	2.0%	4.5%	25.8%	£209,613	2.7%	7.0%	5.1%
West Midlands	1.0%	14.8%	3.0%	14.8%	2.0%	4.0%	22.8%	£218,218	2.5%	5.2%	4.6%
North East	1.5%	17.6%	2.5%	14.8%	1.0%	3.0%	14.8%	£174,780	4.3%	2.4%	2.5%
North West	1.5%	18.1%	2.0%	16.4%	2.0%	4.0%	23.4%	£206,046	3.7%	3.9%	2.8%
Yorks & Humber	1.5%	17.6%	3.0%	12.6%	1.5%	4.0%	21.1%	£208,358	3.8%	3.3%	0.4%
Wales	1.0%	15.9%	2.0%	13.1%	2.0%			£182,162	1.8%	4.5%	2.6%
Scotland	1.5%	17.0%	2.3%	12.0%	2.0%			£218,474	4.6%	2.8%	1.9%



KATE FAULKNER COMMENTS ON PRICE FORECASTS



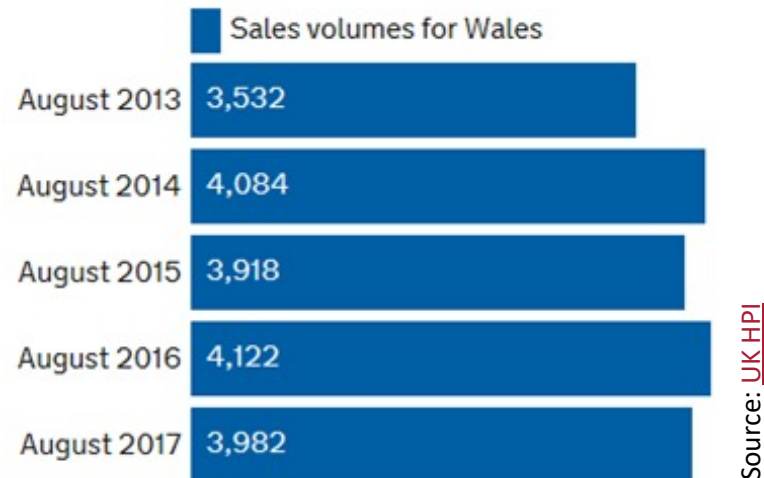
With the forecasts showing tiny increases over the next 12 months and even over the next five years, affordability of Welsh properties could potentially even be easier if wages keep growing in excess of expected house price growth. Just 1% growth is expected in 2018 by Savills and 2% by Countrywide, which means that 15 years from the

recession, property prices are hardly rising at all. As a result, people have time to save without worrying that prices will run away from them. Taking advantage of Help to Buy schemes means buying a home in Wales is truly possible and the affordability issues often highlighted in the papers are far less relevant for many in this area.

Sales volumes by local authority/county

Local authority/ county	Sales volume Sep 15-Aug 16	Sales volume Sep 16-Aug 17	Sales volume YoY %
Swansea	3464	3367	-2.8%
Cardiff	5642	5305	-6.0%

Source: [UK HPI](#)



Source: [UK HPI](#)

SUPPLY AND DEMAND

The data below comes from Agency Express and gives an indication over a three-month period of what's happening to supply (new listings) and demand (properties sold over time).

	New listings		Properties sold	
	Sep-Nov 17	Sep-Nov 16	Sep-Nov 17	Sep-Nov 16
Wales	-10.4	-8.5	-5.4	-3.2

Source: [Agency Express](#)



RICS

"With the exception of Wales and Northern Ireland, where sales rose quite firmly, transactions were either a flat or negative across most other areas." (Dec 17)



KATE FAULKNER COMMENTS ON PROPERTY TRANSACTIONS, DEMAND AND SUPPLY



This shows that despite incredible affordability in Wales, people are still not buying at the levels they perhaps have in the past. In areas such as London, prices over the last 10 years have seen 40-80% growth in comparison, but in Wales – where affordability is possible – sales volumes aren't at anywhere near this level and we need to

understand why they aren't performing better. It is clear to me that cultural changes are playing a part, perhaps due to a higher desire to rent than buy to retain a flexible roof over people's heads rather than risking putting money into property, especially when people aren't seeing prices grow at levels they have in the past.

LSL Average Monthly Rent Oct-16	LSL Average Monthly Rent Oct-17	LSL % Change YoY	Homelet Average Monthly Rent Nov-16	Homelet Average Monthly Rent Nov-17	Homelet % Change YoY	Belvoir Average Monthly Rent Nov-16	Belvoir Average Monthly Rent Nov-17	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Nov-17
£559	£591	5.7%	£599	£610	1.8%	£642	£710	10.6%	1.4%

Belvoir - the unusually high YoY increase is statistical and chiefly down to a change in the mix of properties let, coupled with a number of premium properties having been advertised during the last quarter.



Belvoir

“Swansea and Mumbles office report rental increases for a good proportion of property sizes and types, with Wrexham reporting rental increases for two to four bed houses, with larger increases on the three/four bed detached houses, but static rents on all flats and five+ bed houses. Tenant demand has also increased.” (Sep 17)

Yields

Region	Rents Sept (£) 2017	One month change	Yields Sept 2017
Wales	£591	0.22%	4.7%

Source: [LSL](#)



KATE FAULKNER COMMENTS ON THE RENTAL MARKET



With FTBs being able to buy a property for £670 a month mortgage (of which £418 would go to the lender in ‘dead money’ in interest), the average rental costs of £600-£700 per month – which don’t include money for the likes of maintenance and property upkeep – make renting great value versus buying.

And with property prices not rising at too high a rate, this means that tenants shouldn’t feel guilty or worried about renting and not necessarily getting a foot on the ladder, especially in the next year

when prices aren’t really expected to rise at all.

With Wales being one of the few countries in the UK that now has to have suitable qualified people managing rental properties, it is also to be hoped that tenants should be treated far more fairly than some are in England where – for now at least – anyone can be landlord or agent.

It will be interesting over the next few years to see if this makes a difference to tenants, and in what way.

Location	2018	2019	2020	2021	2022	5-year compound growth
UK	2.5%	2.5%	3.0%	3.5%	3.5%	15.5%
London	3.0%	3.0%	3.5%	3.5%	3.0%	17.0%
UK excl London	2.0%	2.0%	3.0%	3.5%	3.5%	15.0%
Wages	3.0%	3.0%	3.0%	3.5%	3.5%	17.0%
CPI	2.0%	1.5%	2.0%	2.0%	2.0%	9.5%

Source: [Savills](#)

Auction data

September 2017 to November 2017		
	Residential	
Lots Offered	449 (518)	▼ 13.3%
Lots Sold	333 (373)	▼ 10.7%
Percent Sold	74.2% (72.0%)	▲ 3.1%
Total Raised	£28M (£32M)	▼ 12.7%

Source: [EJ Group](#)



KATE FAULKNER COMMENTS ON THE INVESTMENT MARKET

“ Wales could be a good income earner moving forward as yields can be quite robust, but anyone operating HMOs needs to be careful – there are already reports of oversupply in some areas of Swansea for example, pushing rents down substantially.

However, with little capital growth expected, investors will need to buy ‘at a bargain’ or build the growth in from the start through adding value.

If becoming a landlord, you need to be aware of the huge difference between renting legally in Wales as opposed to other parts of the country.

It’s essential to use a qualified agent or become a member of an organisation such as the [Residential Landlords Association](#) to ensure you sign up to the property management course which you have to pass to be able to legally let in the country.



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