

Principality

House Price Index

Wales

Q3 2017

Data provided by **aca**data

The average house price in Wales is **£176,316**

#WalesHPI

House Prices in Wales recover over the summer

Annual house price growth

3.5%



Quarterly change Q3

1.4%



House sales 2017

-4%



Modest growth expected in 2017



House prices in Wales have risen again during the summer following a slight dip in the second quarter of the year. The average house price in Wales has increased by £5,889, or

3.5%, over the last twelve months after a surge in house purchases in August. The average house price in Wales is £176,316, beating the previous record set in March 2017.

Tom Denman, Chief Finance Officer at Principality Building Society, said: "We saw a clear bounce back in the housing market across Wales as people continue to take advantage of favourable low interest rates and high employment. There are record levels of first time buyers across the UK and it is clear that while areas such as London are seeing a drop in house prices, the Welsh market has been stable.

"However, sluggish wage growth and the Bank of England's broad hints that it will increase interest rates in November, means there is still a prevailing sense of caution that the market will continue the modest growth we have seen during the past couple of years."

Current Market

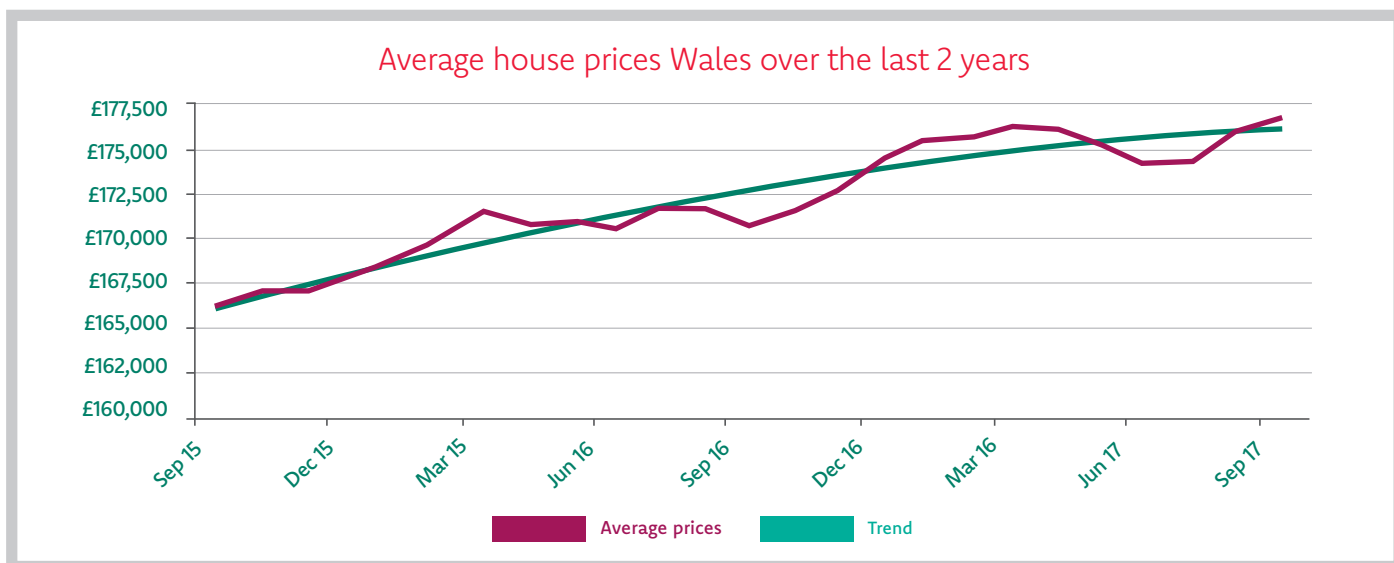
House prices in Wales increased in each month of this last quarter, as first-time buyers and home movers continued to take advantage of the low rates of interest currently available on home loans. A good start to 2017 is evident, with transactions during the first six months being the highest of the last five years, save for March 2016 when there was a surge of property purchases ahead of the introduction of the 3% surcharge in stamp duty on second homes and buy-to-let properties. Housing sales slowed in July 2017, against trend, but probably caused by a sense of uncertainty prevailing at the time of the general election in June. However, sales rebounded in August to the highest level since August 2007, but appear subsequently to have fallen back to a lower rate in September 2017.

Historically low interest rates and high employment levels-remain in place, which are both key drivers in the demand for houses. Unemployment levels in Wales are also equivalent to those in England at 4.3%, however, *CPI inflation was 2.9% in August, which means consumers have steadily had their spending power eroded during the course of 2017.

*(Source: Office for National Statistics Consumer Price Index September 2017).

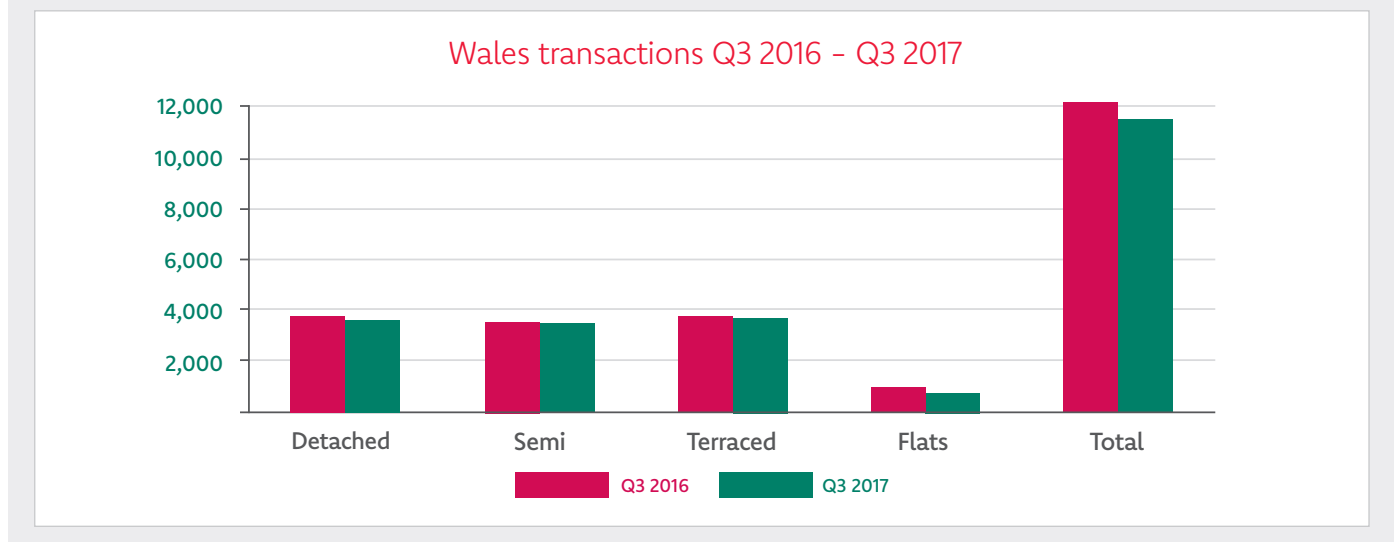
Market trends

Nineteen local authorities have seen a rise in annual house price growth over the last year, while 8 of the 22 local authorities have seen a fall in house price growth during the last quarter. As the graph below shows house prices have climbed steadily in Wales during the past couple of years, although growth has slowed in the past 12 months.



Housing sales

Overall, the chart indicates an estimated fall of 4% in transactions between Q3 2016 and Q3 2017. The type of property sales in Q3 are broadly the same but the number of flats sold during this period is 24% lower in 2017 than the previous year. This may be an indication that buy-to-let landlords are beginning to react to the changes in stamp duty and tax relief.

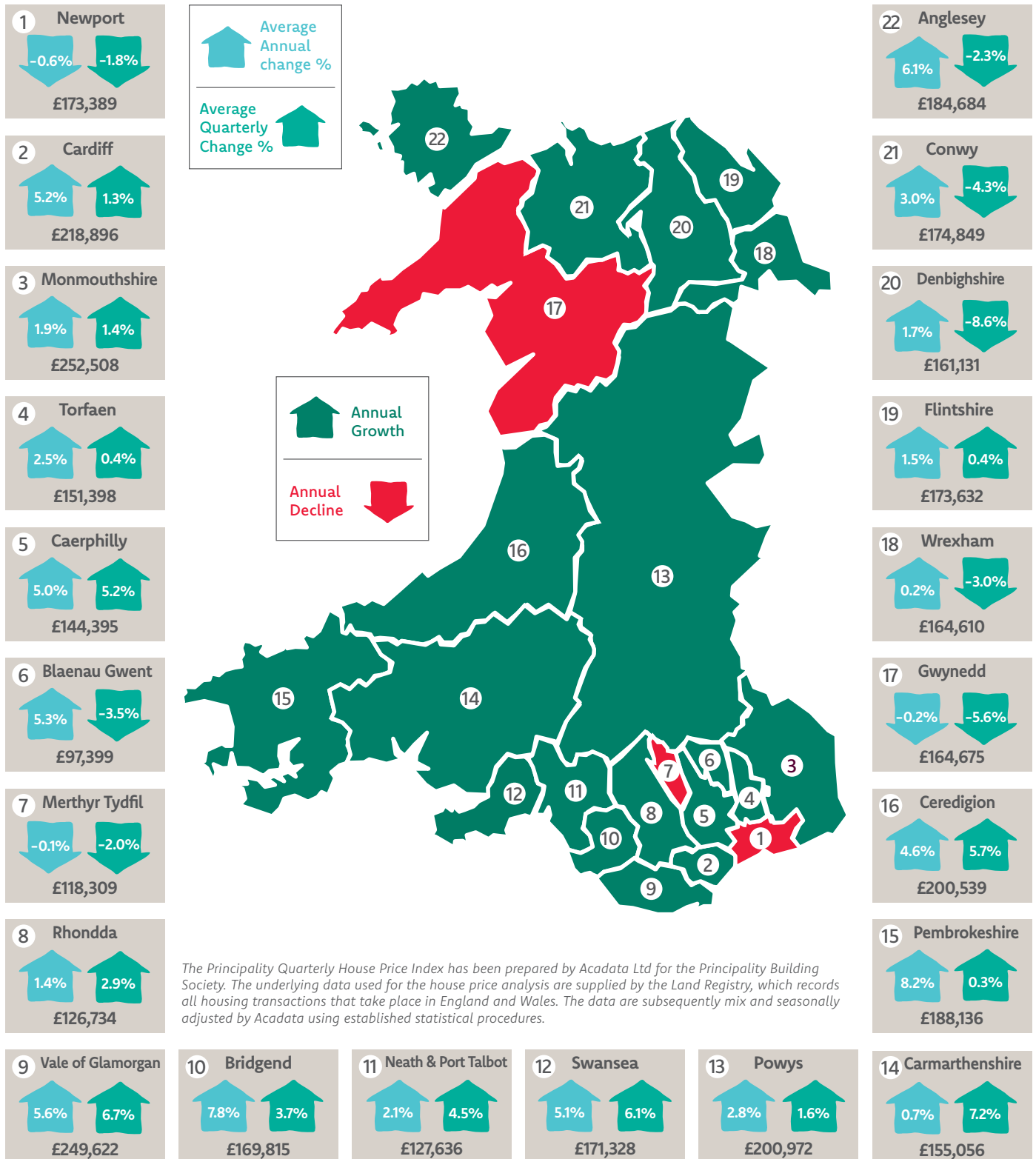


Additional Stamp Duty in 2018

Earlier this month the Welsh Government announced details of the Welsh Land Transaction Tax. There will be no stamp duty on primary properties up to £150,000 to try and encourage first time buyers to get on to the property ladder. However, stamp duty will increase up to £17,500 for sales of homes that cost between £400,000 and £925,000, which could result in a slowdown of sales at that end of the market.

The Principality House Price Index for Wales is prepared from dataset provided by Acadata using its methodology. It is published as a secondary source of economic information, but is not intended to be relied on for any commercial or personal decisions and no responsibility is assumed by Principality or Acadata if it is used contrary to that intention.

Average annual and quarterly change by local authority



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