

HOUSE PRICE  
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# Principality Building Society House Price Index Wales, Q3 2023

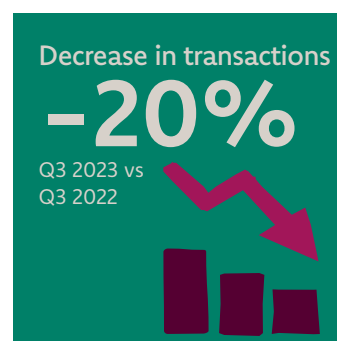
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# Average house price in Wales continues to fall

The average price of a home in Wales has fallen to £239,378 in Q3 2023, the first time in a decade prices have dropped year-on-year.

This is the first year-on-year drop in Wales since 2013 and comes following three consecutive quarterly falls this year. With a quarterly drop of 1.1% and an annual drop of 2.6%, the new average house price is now almost £10,000 down from its peak of just over £249,000 in the fourth quarter of 2022.

Housing market conditions continue to be challenging across Wales, with most local authorities reporting price falls in the latest quarter.



## Shaun Middleton, Head of Distribution at Principality Building Society said:

**“The downward trend in house prices has continued into the third quarter. Economic pressures over recent months, paired with higher interest rates than we’ve become used to, means that affordability remains a problem for many buyers. This has put pressure on the housing market, which remains subdued, when compared to recent years when record average prices across Wales were seen.**

The picture across Wales shows us that more local authorities have been reporting price decreases rather than increases, translating into year-on-year falling house prices. This is a clear indication of the broad-based nature of the market’s retreat over recent months.

Amid the general decline is a positive note that price gains in the Vale of Glamorgan and Conwy meant those local authorities reached new record highs in the third quarter.

Transaction activity levels have picked up noticeably in the third quarter, but – reflecting the UK generally – continue to trail levels seen this time last year.

The Bank of England’s decision to leave base rate unchanged at 5.25% in September, on the back of easing inflationary pressures, has prompted better mortgage deals in recent weeks, although affordability in Wales remains stretched and the overall benefit for consumer confidence may be limited by a growing awareness that interest rates look set to remain higher for longer. This suggests that transactions levels may continue to disappoint for some time.

There has been much discussion about a possible recession across the UK. Unemployment has been rising in Wales and elsewhere, albeit from a low base, as have mortgage arrears and possessions. If there was a significant economic downturn, this would increase the pressures in the housing market and extend the time before a sustained recovery. There remains, however, an undersupply of homes across the UK

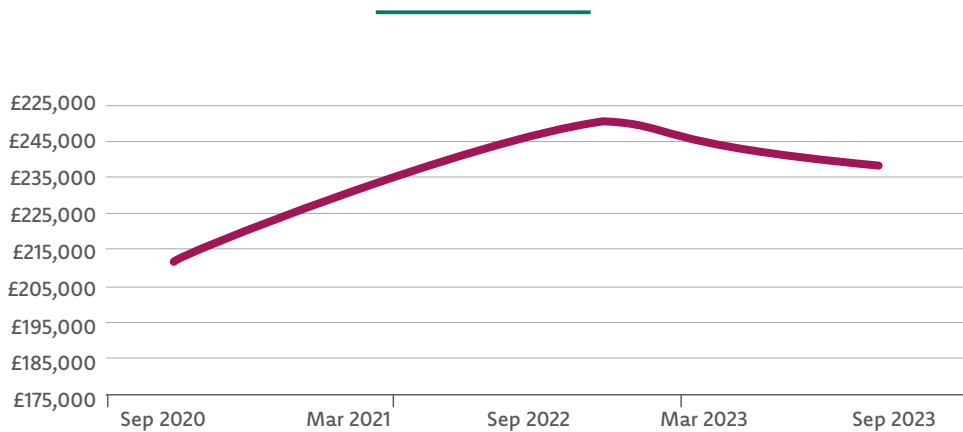
relative to demand, which underpins prices in the long term.

Alongside the macroeconomic factors influencing the housing market in Wales, there continues to be significant policy intervention. Councils have now been given powers, such as a higher rate of council tax and planning permission requirements, aimed at curbing second home ownership, and five councils – Anglesey, Gwynedd, Conwy, Flintshire and Powys – have increased the premium charged for second homes in 2023–24.

At the same time, the Welsh Government has continued to carry forward important reforms perhaps at a pace not seen in England. Late in 2022, the Renting Homes (Amendment) (Wales) Act 2021 came into force, giving new protections to tenants and requirements on landlords. This was followed by the National Empty Homes programme announced in early 2023 making £50m available in grants to bring back into use some of the estimated 20,000 empty homes in the country. The Help to Buy scheme has also been extended to March 2025.

It is evident that housing remains an important issue in Wales, and we can expect further developments in both the market and policy.”

## Average house price in Wales, September 2021 to September 2023



Source: Acadata, mix and seasonally adjusted

There have been three consecutive quarters of falling average prices since they peaked in Wales at a little above £249,000 at the end of last year. The price of homes fell by nearly £3,000 in the third quarter to £239,400. This is about 4%, or £10,000, below their recent peak.

This latest reversal means that prices are 2.6% less than a year ago, the first year-on-year decrease since mid-2013, and the weakest reading since mid-2011. This is a relatively modest decline in nominal terms, but a much greater adjustment in real terms, that is after adjusting for the sharp increase in inflationary pressures.

## House price inflation

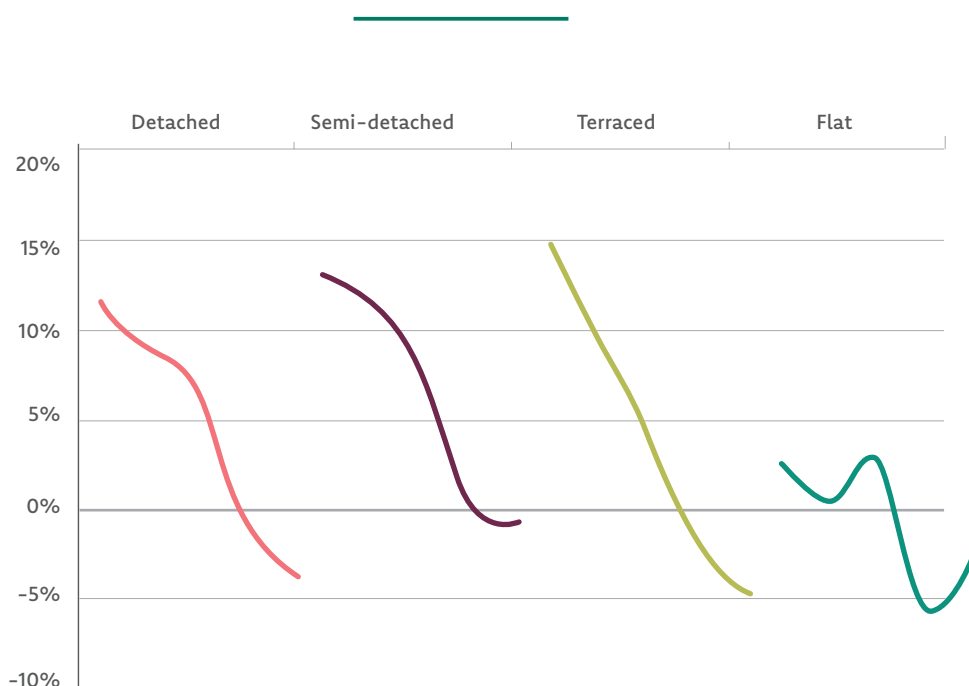


Source: Acadata, mix and seasonally adjusted

Quarterly % change in average prices, Wales, September 2020 to September 2023

As noted earlier, this is the third quarter in a row of house price falls. While the 1.1% decline in prices was marginally less than in the previous quarter, and gentler than in Q1, it is hard to believe that the current market reversal has now run its course.

## Annual % change in prices by property type, Wales, 12 months to September 2023



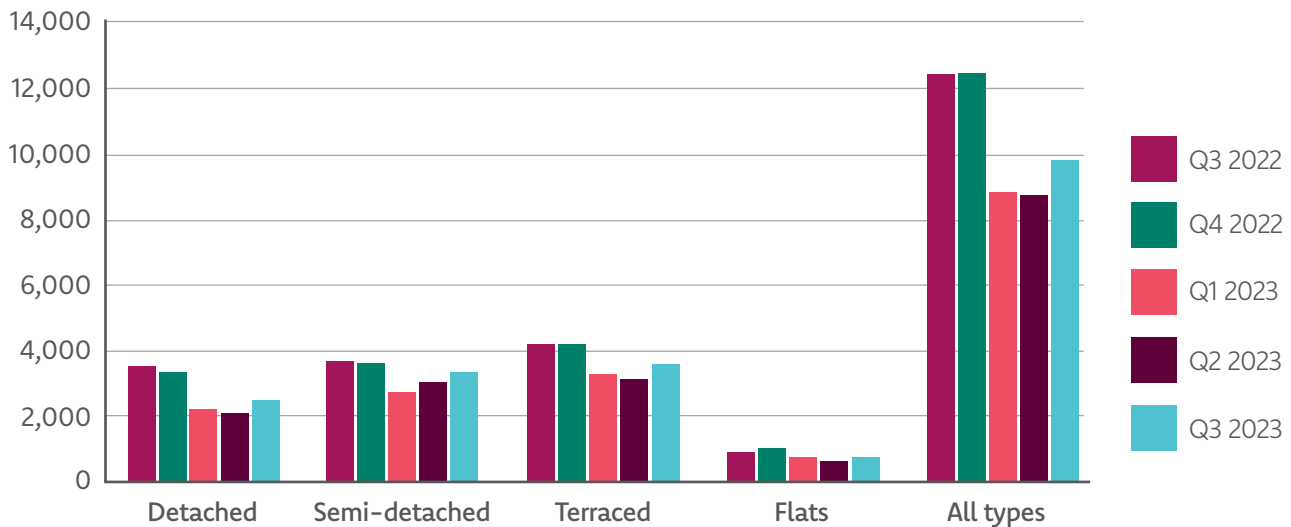
Source: Acadata, mix and seasonally adjusted

Given the significant pressures facing the housing market and wider economy, it is no surprise that all property types have been adversely affected by market conditions.

Looking at price movements by property type (see above chart), the different property types are currently between 1% and 4% below their respective levels a year previous.

While all property types have seen pronounced slowdowns, it is worth noting that semi-detached properties have shown a degree of resilience – down just 1% on the year and less than 3% below their March 2023 peak.

## Quarterly transactions by property type, Wales, Q2 2022 to Q2 2023

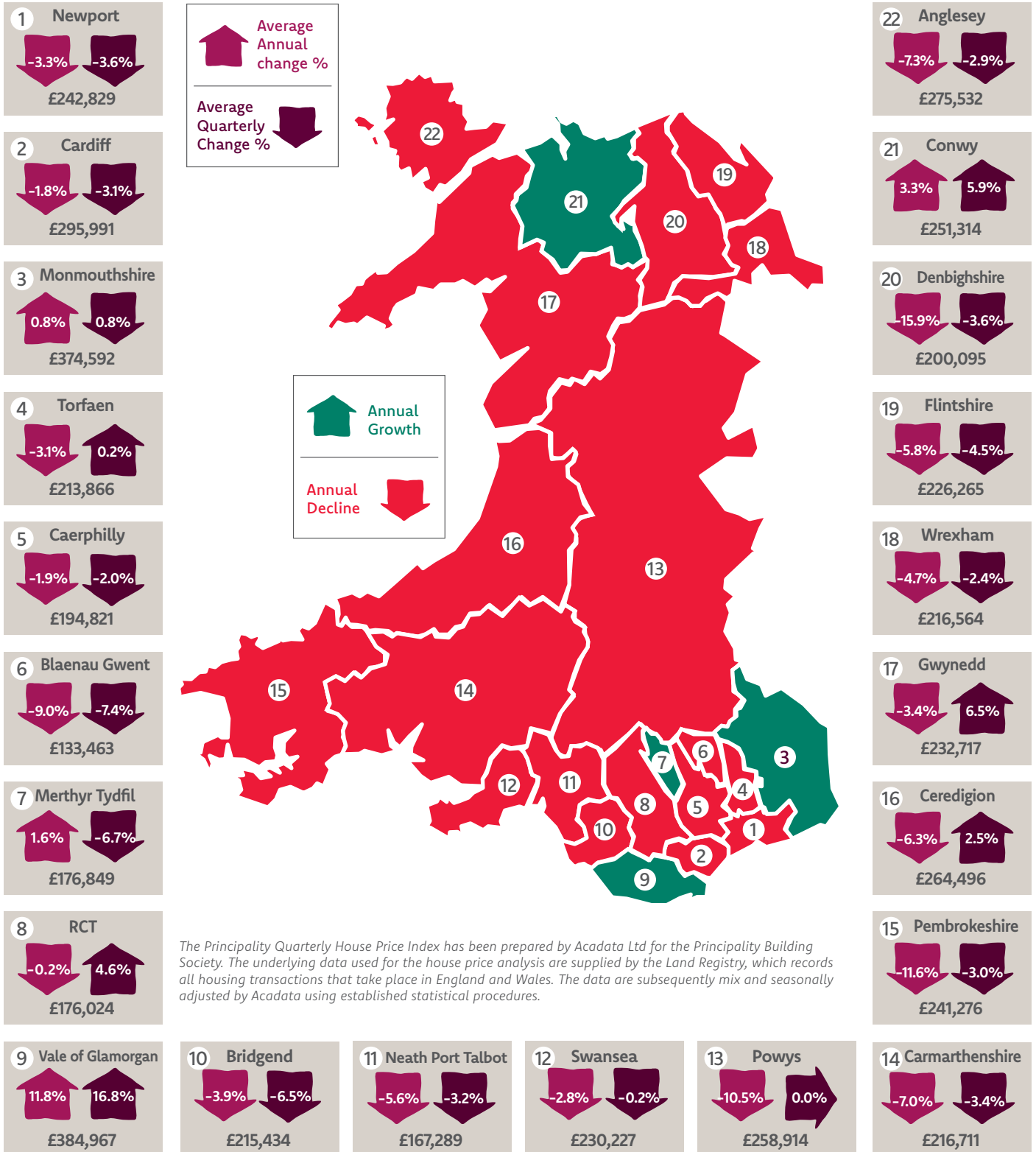


Source: HM Land Registry and Acadata estimates

We estimate that there were nearly 10,000 transactions in Wales in Q3, a much better showing than in the first two quarters of the year, but down 20% on a year ago. The more sluggish nature of activity primarily reflects the much higher interest rates over the past year, and is being experienced in much of the rest of the UK as well.

As can be seen in Chart 4, the year-on-year decline in sales has been across all property types. However, sales of detached properties continues to trail significantly below the previous year levels (28% lower on a year ago). This seems to be part of a longer-term trend, which has also seen flat sales fairing relatively well. In the last 12 months, sales of flats have only been about 8% lower than a year earlier, whereas detached sales have dropped by 25%.

# Average annual and quarterly change by local authority



[Click here](#) to view Principality's interactive HPI map for Wales