

HOUSE PRICE
INDEX

Principality Building Society House Price Index Wales Q4 2023

Where home matters
principality.co.uk
0330 333 4000*



Data provided by
aca  **data**

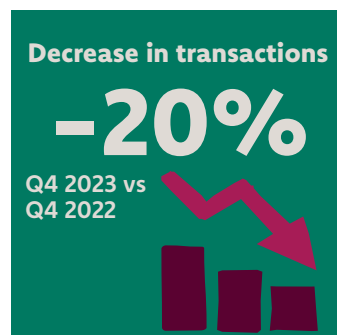
* To help us maintain our service and security standards, telephone calls may be monitored or recorded.
Principality Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, reference number 155998. Principality Building Society, Principality House, The Friary, Cardiff, CF10 3FA. principality.co.uk

Average house price in Wales falls for fourth consecutive quarter

The average price of a home in Wales fell to £234,086 at the end 2023 following continued economic and financial pressures, making this the fourth consecutive quarter that prices have fallen in Wales.

The figures have been released from Principality Building Society's Wales House Price Index for Q4 2023 (October–December), which demonstrates the rise and fall in house prices in each of the 22 local authorities in Wales.

House prices in Wales are now down 6% – or £15,000 – when compared to the same period the previous year when the peak price of £249,076 was recorded. Despite this being the largest year-on-year decline of Wales' average house price since the aftermath of the Global Financial Crisis in 2009, house prices remain 25% higher than five years ago and when comparing against the quarter, the fall is more modest at 2.2%.



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

“ The housing market in Wales has been through a difficult period and given the continued squeeze on the cost of living alongside the higher cost of mortgages – as households came off much lower fixed rates – it is little wonder that some have forecast continuing price falls in 2024, followed by a recovery in 2025.

“However, there are some positive signs including lower inflation and an expectation that the Bank of England rate has now peaked at 5.25% and will fall during 2024. Indeed, financial markets are pricing in several rate cuts, bringing the BoE rate down to 4% later in the year. Mortgage markets have already moved, with lenders cutting rates quite significantly as competition intensifies, and we might expect that to continue.”

While two local authorities – Cardiff and Caerphilly – report record high prices at £308,648 and £207,904 at the end of 2023, the main trend for Q4 is a subdued market with year-on-year price falls recorded in 18 of the 22 local authorities.

Six local authorities – Monmouthshire, Carmarthenshire, Blaenau Gwent, Torfaen, Denbighshire and Merthyr Tydfil all experienced double digit price falls when compared to the same period the previous year, with Merthyr Tydfil reporting the largest fall of 21.2%.

There were around 9,700 transactions in Wales at the end of 2023, just a slight drop on the previous quarter but down by a fifth on a year ago. Although all property types have experienced weaker sales, detached properties – down 27% – continue to trail significantly behind other property types. As in many other parts of the UK, the pressures facing the housing market has had an impact on demand and activity

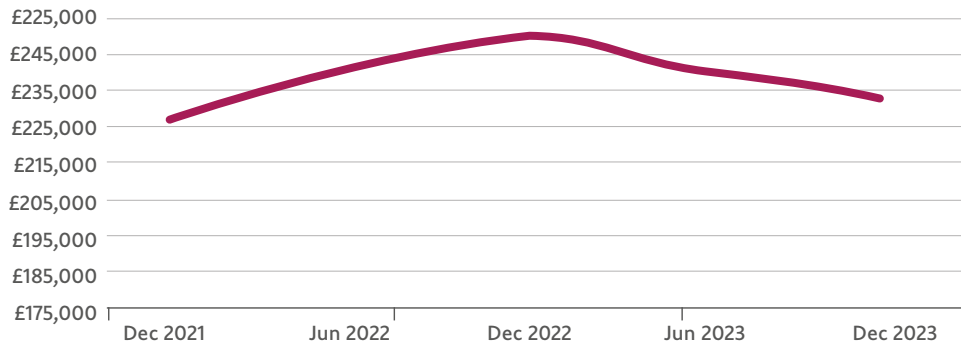
levels. For Wales, quarterly sales transactions have declined year-on-year through the whole of 2022 and 2023.

When looking at price movements by property type, the different property types are currently down between 1% and 7% when compared to year-earlier levels, with flats having fallen the most from peak price in relative terms – down nearly 9% from June 2022.

Shaun continued: “Consumer confidence is becoming less negative, and the same is true of surveyor respondents to the latest RICS Wales housing market survey. More instructions are coming into the market and there is a sense that activity will increase, and on the back of that, prices might stabilise. Some analysts for the overall UK market are now suggesting that while the first quarter might still see prices in negative territory, there will be a steady improvement across the year.

“Without doubt, there will be challenges ahead, but the outlook for 2024 is more of an improving view than it was. Potentially, UK Government Budget measures (due 6 March 2024) might seek to stimulate market activity which would add further momentum, and of course housing will loom large in the manifestos being readied for the approaching General Election when it is called. In summary, it is an improving picture for 2024.”

Average house prices in Wales, December 2021 to December 2023

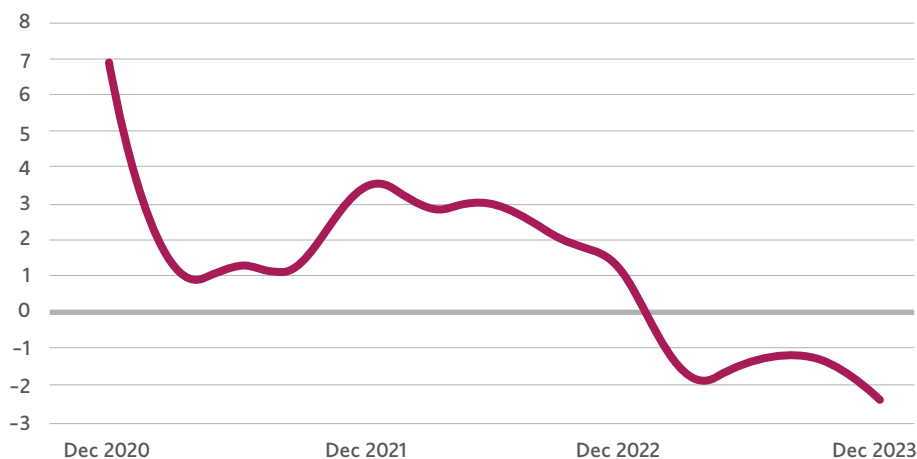


Source: Acadata, mix and seasonally adjusted

There have now been four consecutive quarters of price falls since average prices peaked in Wales at just over £249,000 at the end of 2022. The price of homes fell by more than £5,000 in the fourth quarter of 2023 to a little over £234,000. This is 6% or £15,000 below their recent peak, but still 25% stronger than five years ago.

Nevertheless, it is the weakest period for the Welsh housing market since the aftermath of the Global Financial Crisis in 2009. The 6% year-on-year decline is relatively modest in nominal terms, given some rather more gloomy forecasts, but of course it is a more significant adjustment in real terms after adjusting for inflationary pressures.

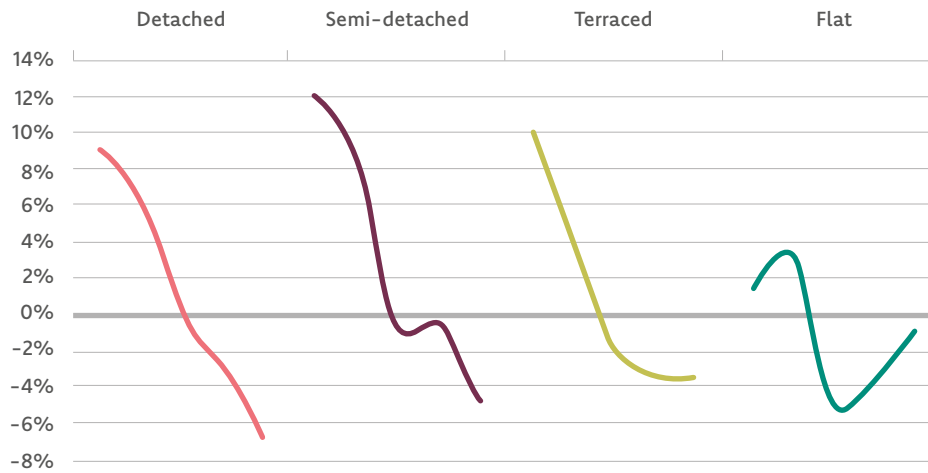
House price inflation



Source: Acadata, mix and seasonally adjusted

The 2.2% decline in prices recorded in the quarter is the largest drop in the period December 2020 to December 2023, but with the jobs market appearing resilient and expectations of Bank of England interest rate cuts during 2024, we are now perhaps moving towards a more positive outlook. Certainly, there are already significant cuts in mortgage rates.

Annual % change in prices by property type, Wales, year to December 2023



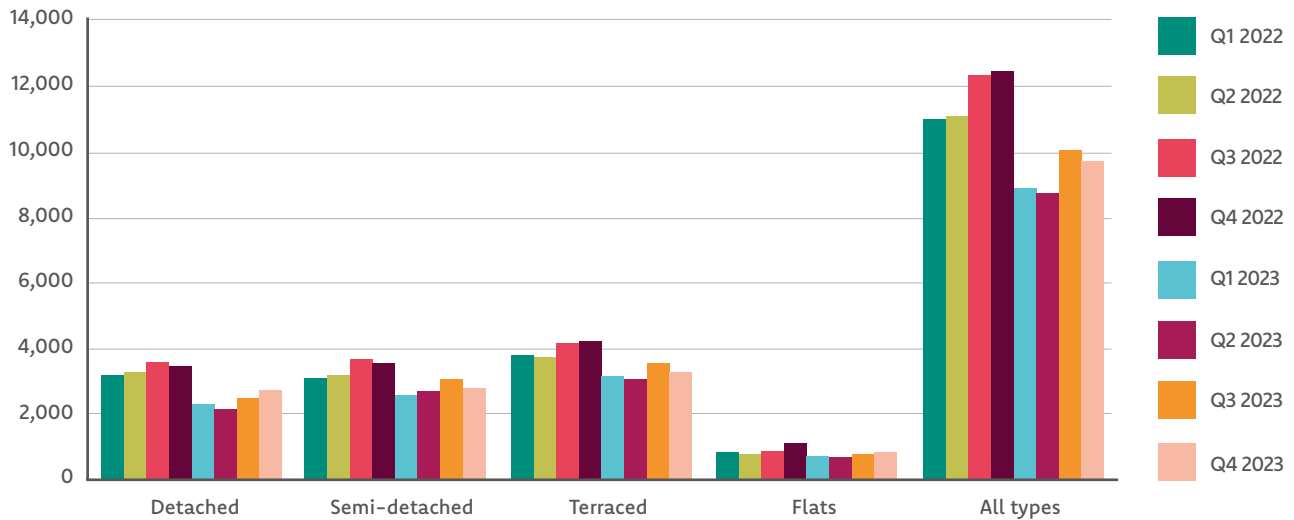
Source: Acadata, mix and seasonally adjusted

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

Looking at movements by property type (see chart above); their prices are currently between 1% and 7% below their respective year-earlier levels.

With flats having fallen the most from their peak in relative terms – down nearly 9% – and with considerable volatility in reported flat prices because of limited sales in many areas, not too much ought to be read into the apparent recent pick-up in these prices. The recent and more adverse picture for detached properties may in part reflect the flip side of the strong demand for such properties post-Covid, and the more discretionary nature of purchases of larger properties.

Quarterly transactions by property type, Wales, 2022 and 2023



Source: HM Land Registry and Acadata estimates

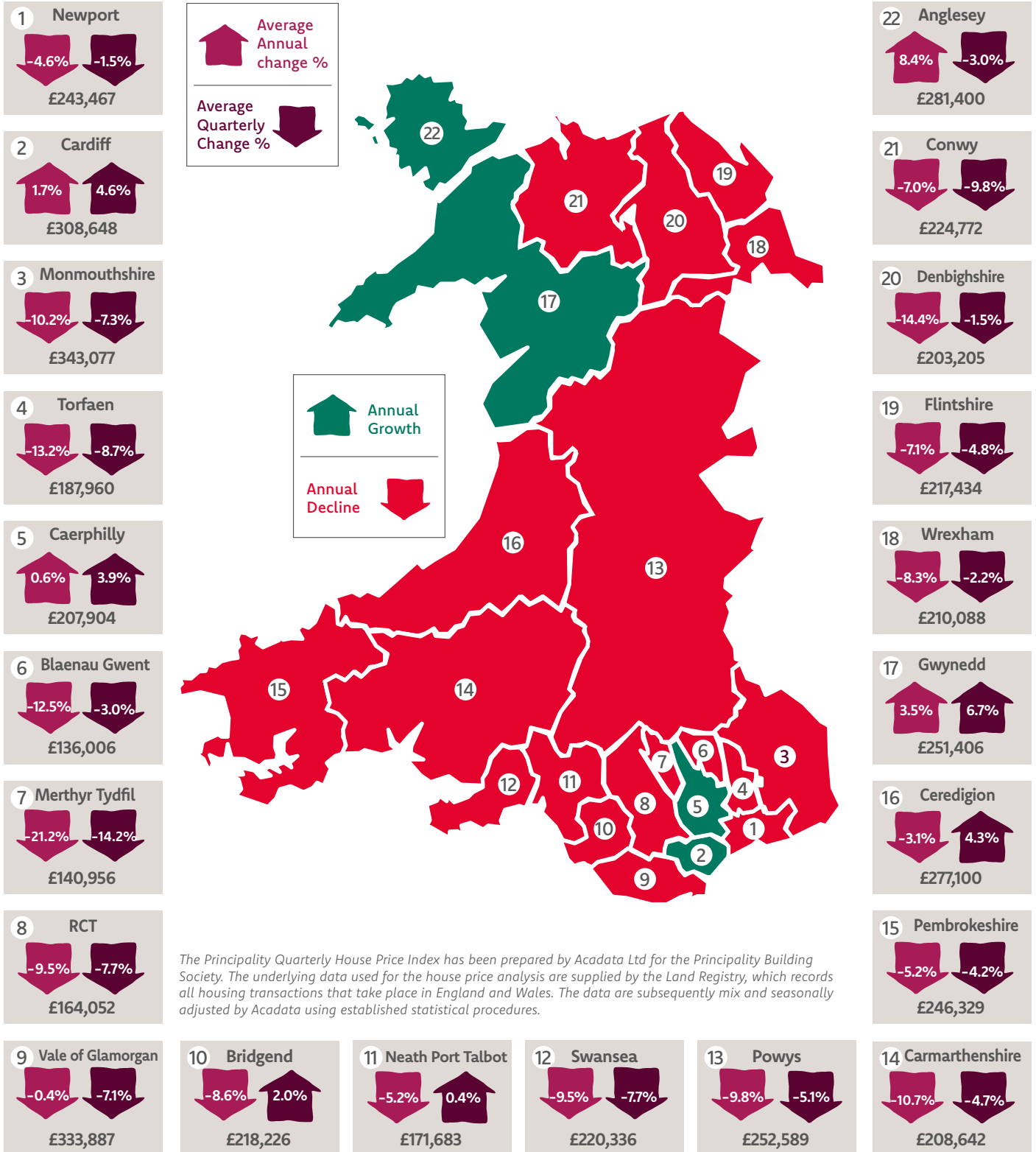
Acadata estimates that there were about 9,700 transactions in Wales in the fourth quarter, slightly fewer than in the third quarter. As in many other parts of the UK, the pressures facing the housing market has had an impact demand and activity levels. For Wales, quarterly sales transactions have declined year-on-year through the whole of 2022 and 2023.

For 2023 sales activity was down by a fifth compared with 2022, itself 13% weaker than 2021.

Although all property types have experienced weaker sales, detached properties – down 27% - continue to trail significantly behind other property types.

Financial market expectations of lower interest rates through 2024 have prompted better mortgage deals in recent weeks, and it is beginning to feel that the tough period is over with in respect to affordability and housing demand. If so, transaction levels may show signs of improvement over the coming quarters.

Average annual and quarterly change by local authority



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