

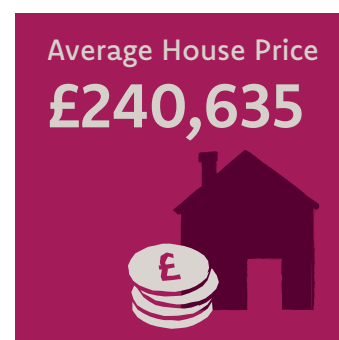
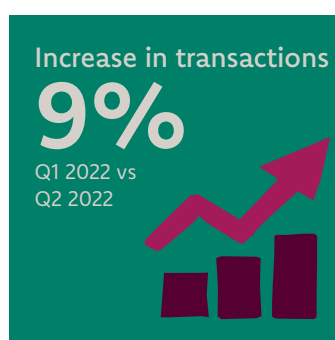
HOUSE PRICE
INDEX

Principality Building Society House Price Index Wales, Q2 2022

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House prices show strong first half amid gathering headwinds

Wales continues to experience some of the strongest property price increases across the UK as the average price of a property rose to more than £240,000 for the first time ever. Average prices in the second quarter were up 11.5% annually, and 3.1% on the quarter. Prices in the majority of local authorities were higher than a year earlier, and at, or close to, record levels. Half of local authorities reported double digit percentage price increases in the second quarter of 2022. Activity levels remain strong and continue well above corresponding pre-Covid levels, as sales increased by 9% between Q1 and Q2. Comparisons with a year ago would indicate a 20% reduction, but this mainly reflects some market distortion that resulted from the end of the Land Transaction Tax holiday in Q2 2021.



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

“Against the backdrop of significant cost of living pressures, with food, fuel and energy prices continuing to spiral, higher interest rates anticipated from the Bank of England, and the collapse in confidence levels across companies and households, there is a growing expectation that the wider economy will enter recession over the coming quarters.

Across the UK, these cost of living pressures have begun feeding through into lenders’ affordability calculations, whilst higher mortgage rates might affect the ability and willingness of households to borrow.

Such changes appear modest for now, but they are cumulative in nature, and their eventual impact will be influenced by the ultimate extent of rate increases, the resilience of the jobs market and the ability of households to increase income.

The housing market in Wales starts from a strong position, as prices have been steadily rising post-Covid restrictions but is not immune to these macro-economic challenges, and the likelihood is that housing demand and property price inflation will ease over the coming quarters.”

Market Snapshot

Property prices were up in all local authority areas compared with a year earlier, except for Denbighshire where prices were nearly 3% lower. However, price increases in several authorities – including Conwy and Merthyr Tydfil are relatively modest, and these authorities will have experienced drops in real terms after taking into account the prevailing rate of consumer price inflation. At the other extreme, several authorities – Blaenau Gwent, Carmarthenshire and the Vale of Glamorgan – continue to report annual price increases of more than 15%.

Market conditions appear calmer, with fewer instances of large quarterly price changes in either direction,

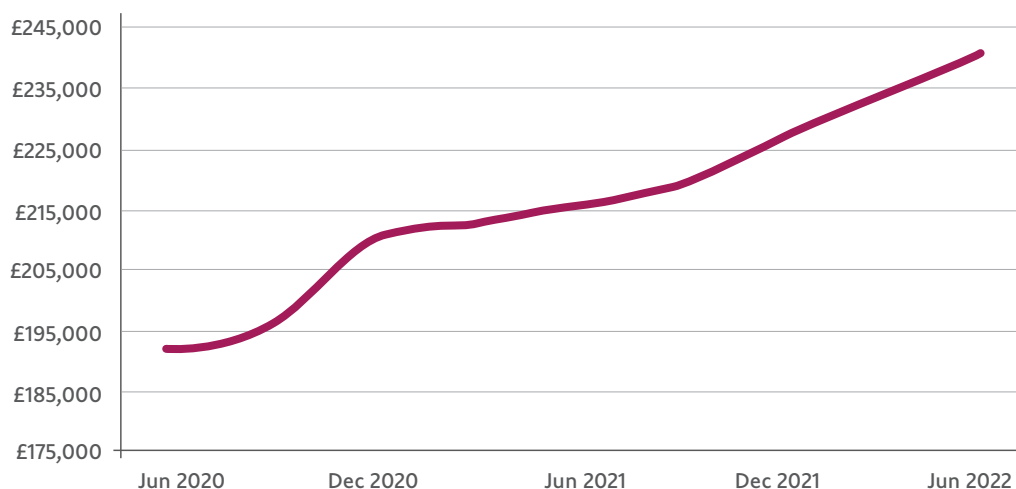
notwithstanding the fact that Powys, Bridgend, Flintshire and Swansea posted quarterly increases of 5% or more. All told, 18 local authorities reported quarterly rises in Q2, up from 14 in the previous quarter. Nearly all these authorities reported new peak levels as of June. Where this was not the case, typically prices had dipped in Q1 from peak levels in December. The number of authorities recording price falls on a quarterly basis in Q2 was four. Anglesey and Pembrokeshire were 2% lower, whilst Gwynedd and Monmouthshire were each down by less than 1%. All four of these local authorities recorded peak prices within the last two quarters.

In recent months, the Welsh Government has taken decisive steps to influence the impact on local communities of

second homes, as well as of holiday and other short-term lets. It is soon to change planning regulations so that local authorities can influence the mix of main homes, second homes and short-term holiday accommodation in their areas. This change comes on top of those taking effect from April 2023 which will mean less generous tax rules for holiday lets, along with the flexibility for local authorities to increase council tax premiums on second homes and long-term empty properties to 300%.

Such changes may shrink the popularity of second homes and short-term holiday lets in key holiday areas, and this may affect the way in which the local housing markets of Anglesey, Pembrokeshire, Gwynedd, Conwy and Ceredigion evolve.

Average house prices in Wales, June 2020 to June 2022



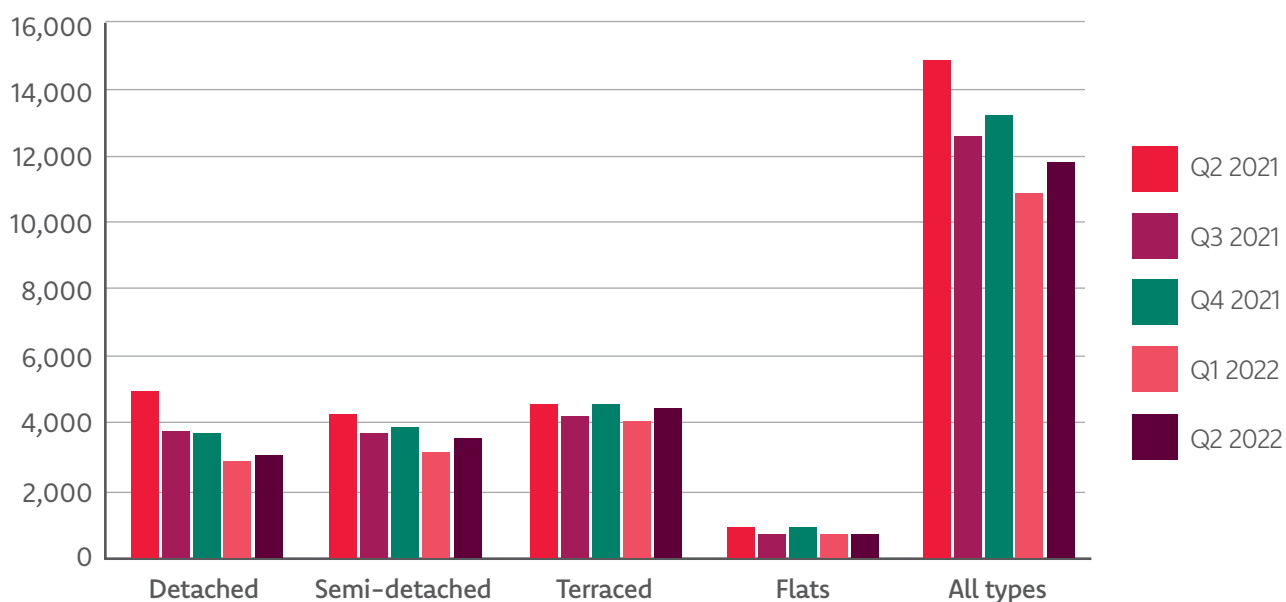
Source: Acadata, mix and seasonally adjusted

We estimate that there were as many as 11,900 transactions in Wales in Q2, 9% higher than in Q1 and well above corresponding levels in 2019, pre-Covid.

Monthly sales have been falling year-on-year since December 2020, but this mostly reflects the unwinding of Land Transaction Tax holiday distortions. Activity for the whole of Q2 was 20% below the second quarter of 2021, but the latter includes June 2021 – the month of peak Land Transaction Tax holiday numbers.

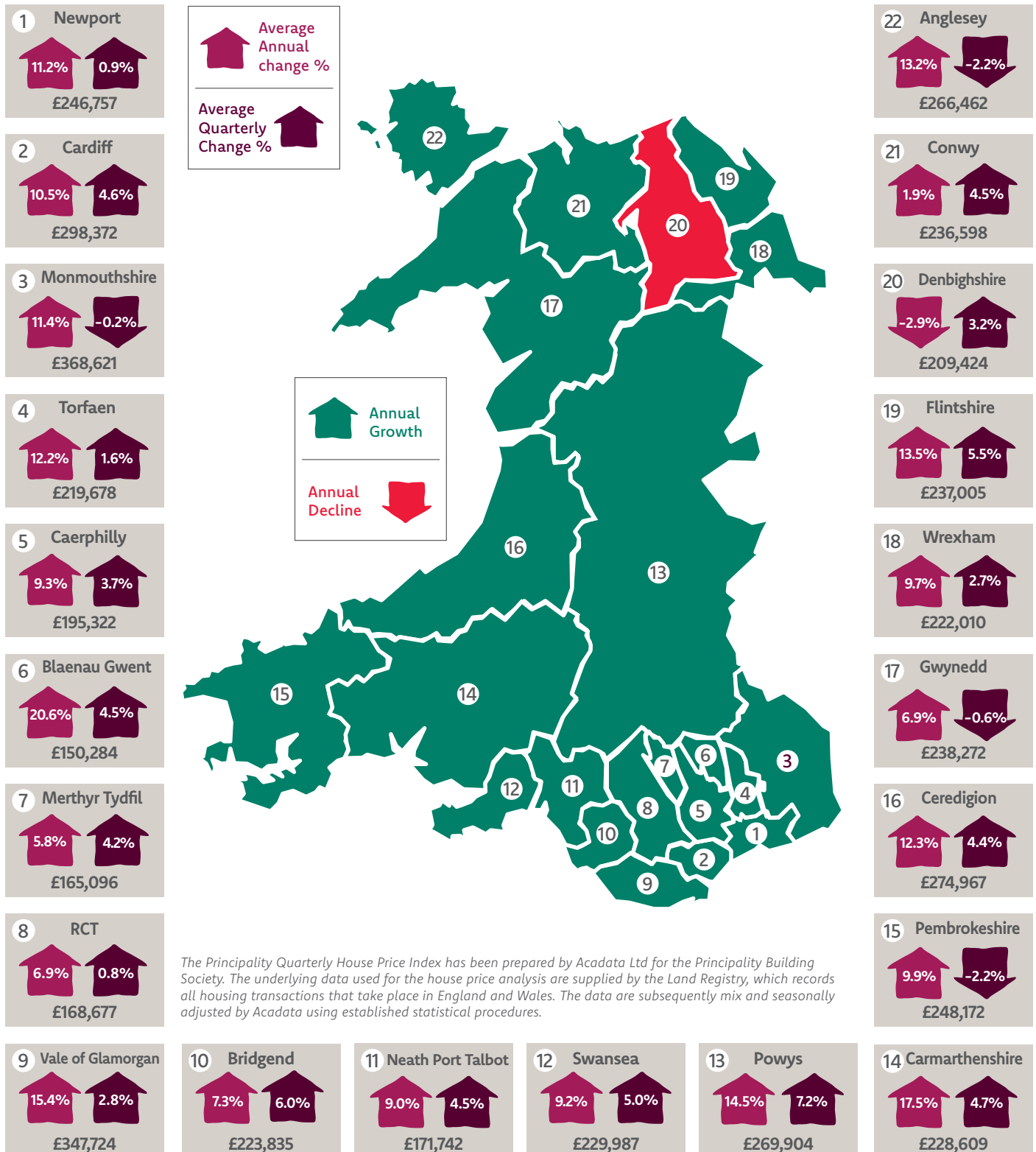
Such unwinding effects have also affected the mix of properties being transacted. In particular, there has been a significant drop in sales of detached properties to 3,100 in the latest quarter, compared with 5,000 a year earlier (see chart 2). Taking the year to mid-2022, sales of detached homes are down nearly a fifth, semis are a little lower, but sales of terraced properties and flats are 13-14% stronger. Whilst much of this will reflect unwinding effects, it may also be the case that affordability pressures have begun to steer some households towards smaller properties.

Quarterly transactions by property type Wales, Q2 2021 to Q2 2022



Source: HM Land Registry and Acadata estimates

Average annual and quarterly change by local authority



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