
Northern Ireland Housing Market Update

Issued 13 December 2013

Richard Ramsey

Chief Economist Northern Ireland

richard.ramsey@ulsterbankcm.com

Twitter @UB_Economics

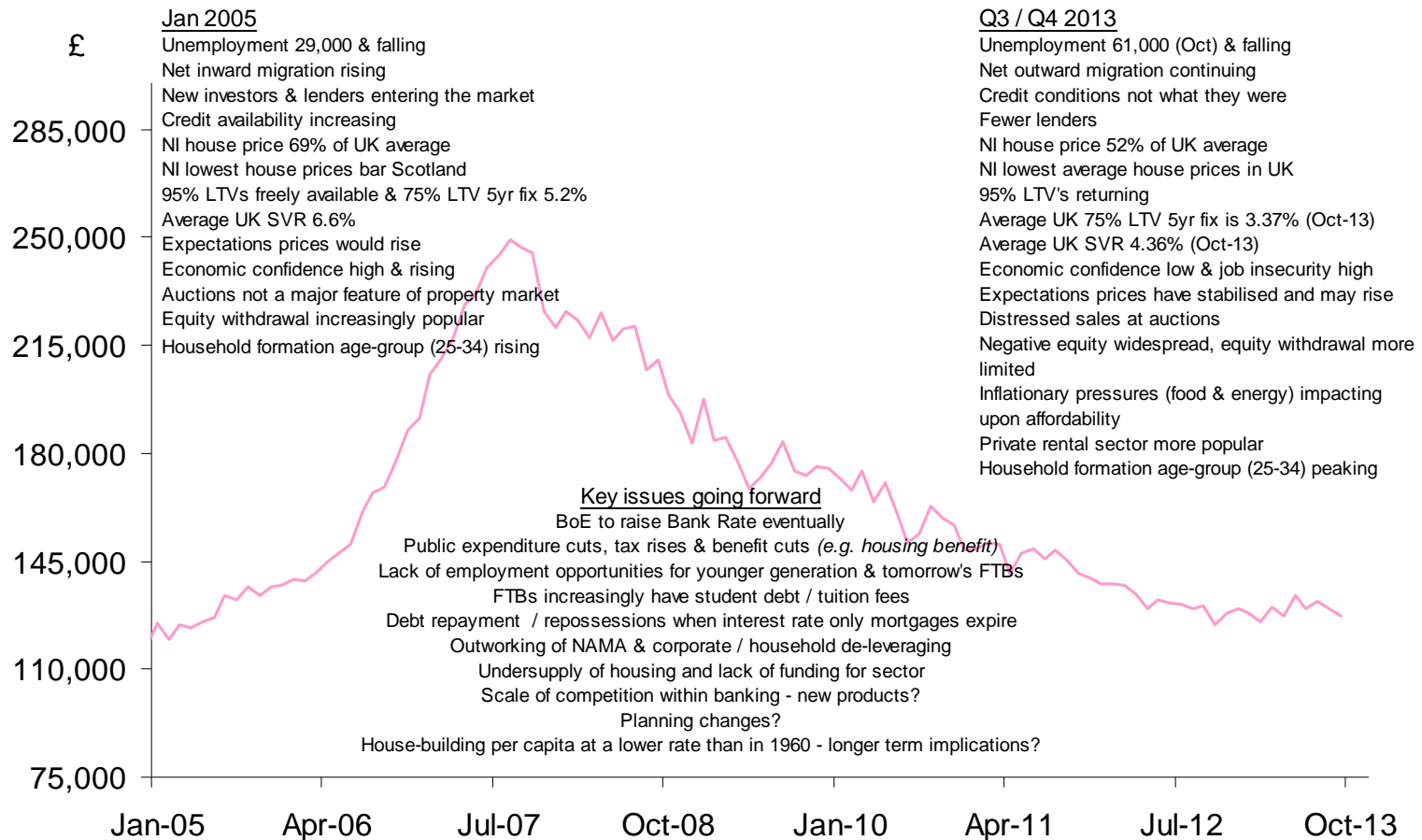
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Northern Ireland Housing Market Summary

Summary of Pre & Post boom housing market conditions



NI Housing Market Summary (1)

- ❑ Residential property prices posted their 2nd successive quarterly rise of 2% q/q in Q3 2013 according to DFP's Residential Property Price Index. Q3 2013 also represented the first quarter in almost 6 years (Q4 2007) that NI residential property prices have posted year-on-year increases. The median residential property prices are now 54% below their peak.
- ❑ According to DFP's NI Residential Property Price Index, transactions increased by 7% q/q in Q3 2013 and were 12% higher than the corresponding quarter in 2012. The RPPI uses data from the HMRC and includes mortgages and sales through auctions. There were 14,919 property transactions in NI in over the year to Q3 2013. This represents a 15% rise on the previous 4 quarter period and is 59% above the low in Q2 2009.
- ❑ The total level of NI property transactions in the 4 quarters to Q3 2013 was 64% below the Q1 2007 peak (41,442). The value of NI's residential property transactions has fallen by £5.7bn (80%) since the Q1 2007 peak. The steep fall in property transactions has seen activity within the Business Services & Finance sector fall (as of Q2 2013) by 51% since Q4 2006. The equivalent sector in the UK is just 0.3% below its pre-downturn peak.
- ❑ According to the Council of Mortgage Lenders (CML), NI mortgage activity increased by 22% q/q and 22% y/y in Q3 2013. Over the last 4 quarters to Q3 2013, there were 9,500 mortgages in NI. This compares with 27,000 in 2006. As a result, mortgage activity in NI is running at 35% of 2006 levels and 73% below the peak in 2003 (35,100).
- ❑ The incidence of negative equity has been growing in NI but falling in most other UK regions. According to the CML, 35% of mortgages taken out since 2005 in NI were in negative equity in October 2012. This was 3.5 times the corresponding rate for the UK (10%). Other studies estimate 20-25% of all NI mortgage holders are in negative equity. This is more than any other UK region and compares with 10.5% of UK mortgage holders in the mid-1990s.
- ❑ According to the NHBC, the sale of new houses hit a series low in Q2 2013. New house sales over the year to Q2 2013 were 84% below 2006 levels.

NI Housing Market Summary (2)

- ❑ The NI FTB mortgage market is expected to hit a 6-yr high in mortgage completions for 2013. Nevertheless, FTB mortgage activity over the year to Q3 2013 remains 37% below 2006 levels. This is broadly in line with the UK (-40%). The FTB segment accounted for 59% of the mortgage market (*UK=449%*) over the year to Q3 2013 – its highest share since 2001.
- ❑ Meanwhile there has been virtually no recovery in NI's 'home mover' market. Mortgage completions within NI's 'home mover' market over the year to Q3 2013 were 78% below 2006 levels. This represents the lowest number of mortgage completions since 1974. By comparison, the UK 'home mover' market is 54% below its 2006 levels.
- ❑ NI's remortgage market has plummeted over the last six years. During the year to Q3 2007, there were 32,900 remortgages in Northern Ireland. Over the year to Q3 2013, there were 28,200 fewer (or -86%) remortgages.
- ❑ In 2011 there were just 6,977 house completions – the lowest outturn since 1994. The corresponding figure for 2012 was 7,920. A second consecutive annual increase is estimated for 2013 with around 8,700 units. This is 52% below the 2006 peak of 18,000 units. House completions in the UK and the RoI are 40% and 91% below their respective pre-crisis peaks.
- ❑ NI is currently building fewer houses per capita than it was in 1960. At its peak (2006), NI was building 10.3 housing units per 1,000 population. 2013's estimate is 4.7 per 1,000 population which is still three times the rate in the Republic of Ireland (1.6) and twice the rate in the UK (2.2).
- ❑ Housing affordability has improved markedly for all house buyers. According to Nationwide, mortgage payments as a percentage of disposable incomes for first-time buyers is at a 15-year low. But disposable income after necessities (*food & energy*) is also important. Food, drink and energy inflation has increased by 42% between Q3 2007 and Q3 2013.
- ❑ Improving mortgage affordability is not all one-way traffic due to tax and benefits changes alongside inflationary pressures. Not least, food and energy inflation.
- ❑ The Bank of England's 'bank rate' remains at its lowest level since 1694 and can only go up. The BoE is expected to keep rates on hold into 2015. Average interest rates on 5-yr fixed rate mortgages (75% LTV) recently hit a record low.
- ❑ NI's household formation category (25-34 years of age) has almost peaked and is expected to fall over the next decade.

House Prices & Performance

Until May 2012 there were 5 house price surveys in NI...

- ❑ **The Halifax House Price Index (*Quarterly*)**
The Halifax produces a UK wide House Price Index based on their own mortgage approvals. A regional index for Northern Ireland is also produced on a quarterly basis.
www.lloydsbankinggroup.com/media1/economic_insight/halifax_house_price_index_page.asp
- ❑ **The Nationwide House Price Index (*Quarterly*)**
The Nationwide produces a UK wide House Price index based on their own mortgage approvals. A regional index is produced for Northern Ireland on a quarterly basis. Indices and average prices for the UK and regions are produced using a updated mix-adjusted House Price methodology. Like the Halifax and NI RPPI this allows 'typical' property to be priced over time on a like-for-like basis.
www.nationwide.co.uk/hpi
- ❑ **Bank of Ireland / Northern Ireland Housing Executive / University of Ulster Quarterly House Price Index**
The Northern Ireland Quarterly House Price Index is produced by the BoI, NIHE & UU. The market evidence is sourced using a sample of estate agents across Northern Ireland. The price statistics are simple arithmetic averages. The index is weighted to reflect the market share of each property type (e.g. *terraced, semi-detached, apartment etc*)

www.bankofireland.co.uk/bank-of-ireland-group/financial-news/boi-house-price-index/
- ❑ **Office for National Statistics UK House Price Index (*Monthly*)**
The ONS House Price Index (HPI), previously published by the Department for Communities and Local Government (DCLG), is a monthly release that publishes figures for mix-adjusted average house price indices for the UK and its regions. The index is calculated using mortgage financed transactions that are collected via the Regulated Mortgage Survey by the Council of Mortgage Lenders. These cover the majority of mortgage lenders in the UK.

<http://www.ons.gov.uk/ons/rel/hpi/house-price-index/october-2012/stb-october-2012.html>
- ❑ **RICS Housing Market Survey, Northern Ireland (*Monthly*)**
The Royal Institution of Chartered Surveyors (RICS) & Ulster Bank Housing Market Survey. Uses a house price balance r diffusion index. The balance = the proportion of surveyors reporting a rise in price minus those reporting a fall.

But an important 6th survey has been added: *NI's Residential Property Price Index (RPPI)*

RPPI Background

Until May 2012, there were 5 surveys that provided slightly different views on either the average house price or the direction of house prices. On the 23rd May the Department of Finance & Personnel (DFP) added a 6th survey.

*The latest addition **has a number of distinct advantages** over the existing set of surveys and is likely to become the one most closely followed.*

*The new **Northern Ireland Residential Property Price Index (NI RPPI)**, unlike the sample-based surveys, includes **all the property transactions notified to Her Majesty's Revenues & Customs (HMRC)** within Northern Ireland. Therefore it includes almost the complete set of residential property transactions from cash sales (including auctions) to mortgages.*

*The NI RPPI includes the simple average and median (i.e. the price below/above which half of properties are sold). However, both of these measures **do not take account the different type and characteristics** (e.g. size, location) of properties sold each quarter.*

*The NI RPPI addresses this issue using **a preferred method that calculates a standardised price**, which is a hypothecated value based on a weighted combination of prices (e.g. 0.5% of a detached house in North Down, 4% of a terraced house in Belfast etc). **This method provides the best measure of an index reflecting pure price changes.***

Latest Surveys: Summary House Price Performance

NI & UK House Price Changes for All Property Types

House Price Survey	Quarterly Change Q3 2013		Year-on-Year Change Q3 2013		Change relative to pre-downturn peak	
	NI	UK	NI	UK	NI	UK
Nationwide	1.1%	2.2%	1.0%	4.3%	-52.5%	-7.9%
Halifax	-0.2%	2.0%	-24.8%	6.2%	-60.4%	-14.7%
DCLG	-0.6%	2.5%	0.4%	3.6%	-49.4%	0.9%
DFP Residential Property Price Index	2.0%	N.A	1.0%	N.A	-54.0%	N.A
University of Ulster / Bank of Ireland	1.3%	N.A	-4.8%	N.A	-49.1%	N.A

The Halifax figures showing a 24.8% y/y decline in Q3 2013 looks to be at odds with all the other surveys

Latest Surveys Average House Prices

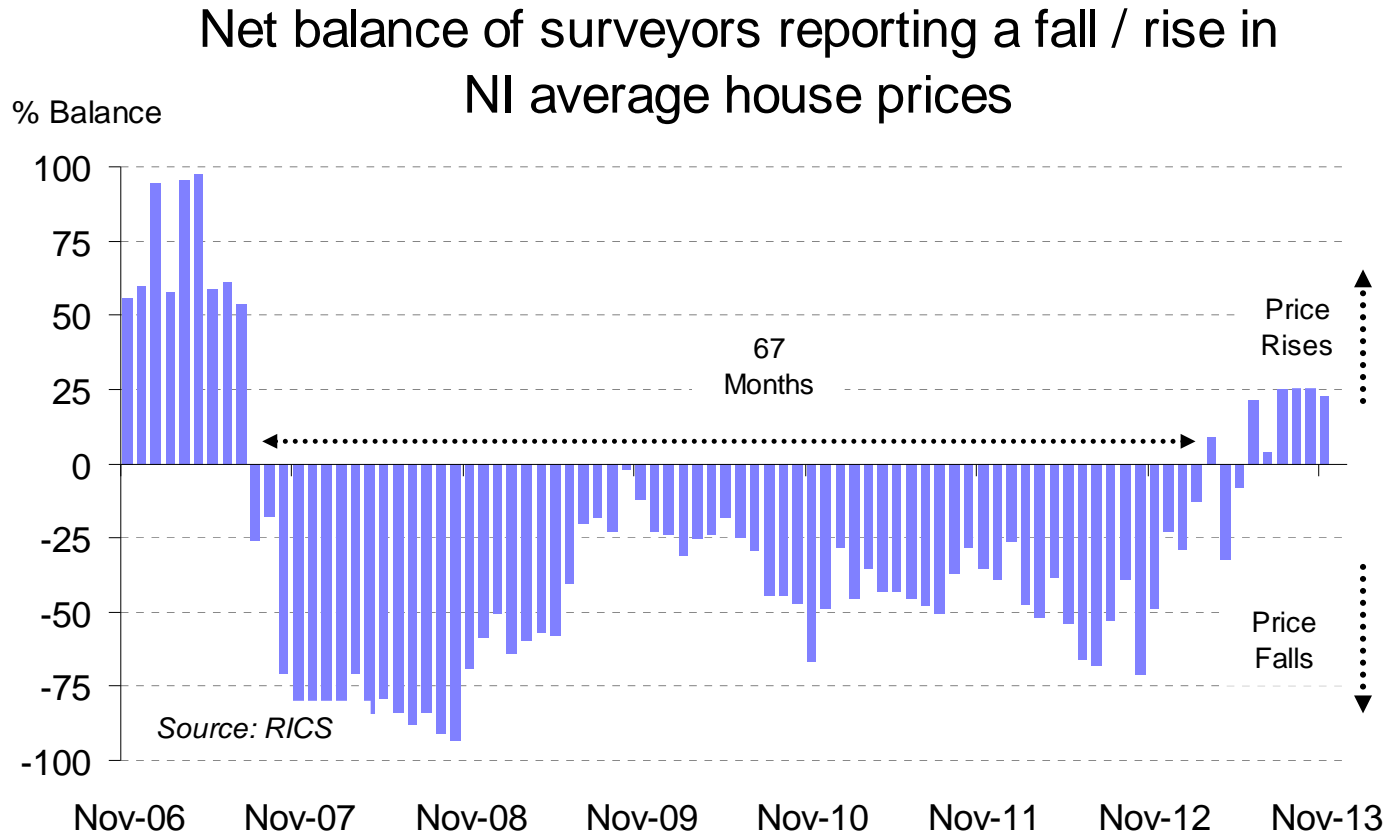
Average House Prices - All Property Types Q3 2013

Survey	Survey Coverage	Sample Size	NI	UK
DCLG <i>(mixed-adjusted average price)</i>	Mortgages Only Most Providers	Low	£130,000	£246,000
Nationwide <i>(mix-adjusted average price)</i>	Nationwide Mortgages Only	Very Low	£108,671	£170,918
Halifax <i>(mix-adjusted average price)</i>	Halifax Mortgages Only	Very Low	£90,951	£170,386
University of Ulster / Bank of Ireland	Mortgages & Cash Sales	Low	£129,777	-
DFP NI Residential Property Price Index (RPPI)	Mortgages, Cash Sales & Auctions	Very High		
NI RPPI Mean <i>(simple average)</i>	"		£115,316	-
NI RPPI Median*	"		£100,500	-
NI RPPI Standardised Price**	"		£98,612	-

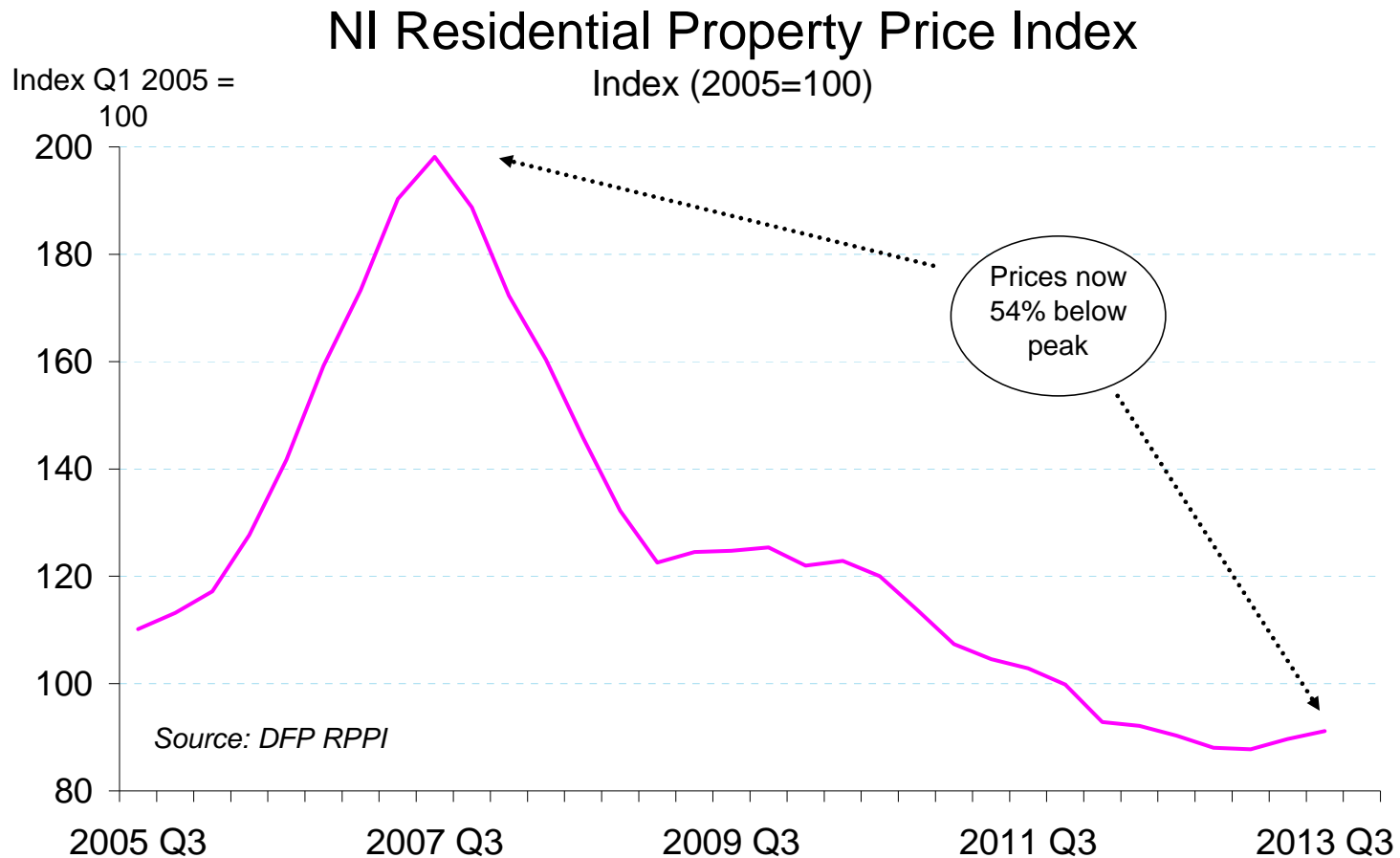
* Median *(i.e. the price below / above which half properties are sold)* removes the distortion on average from v.high / low prices

** Standardised Price is preferred method for measuring house price changes as it takes account the different type and characteristics *(e.g. size, location)*

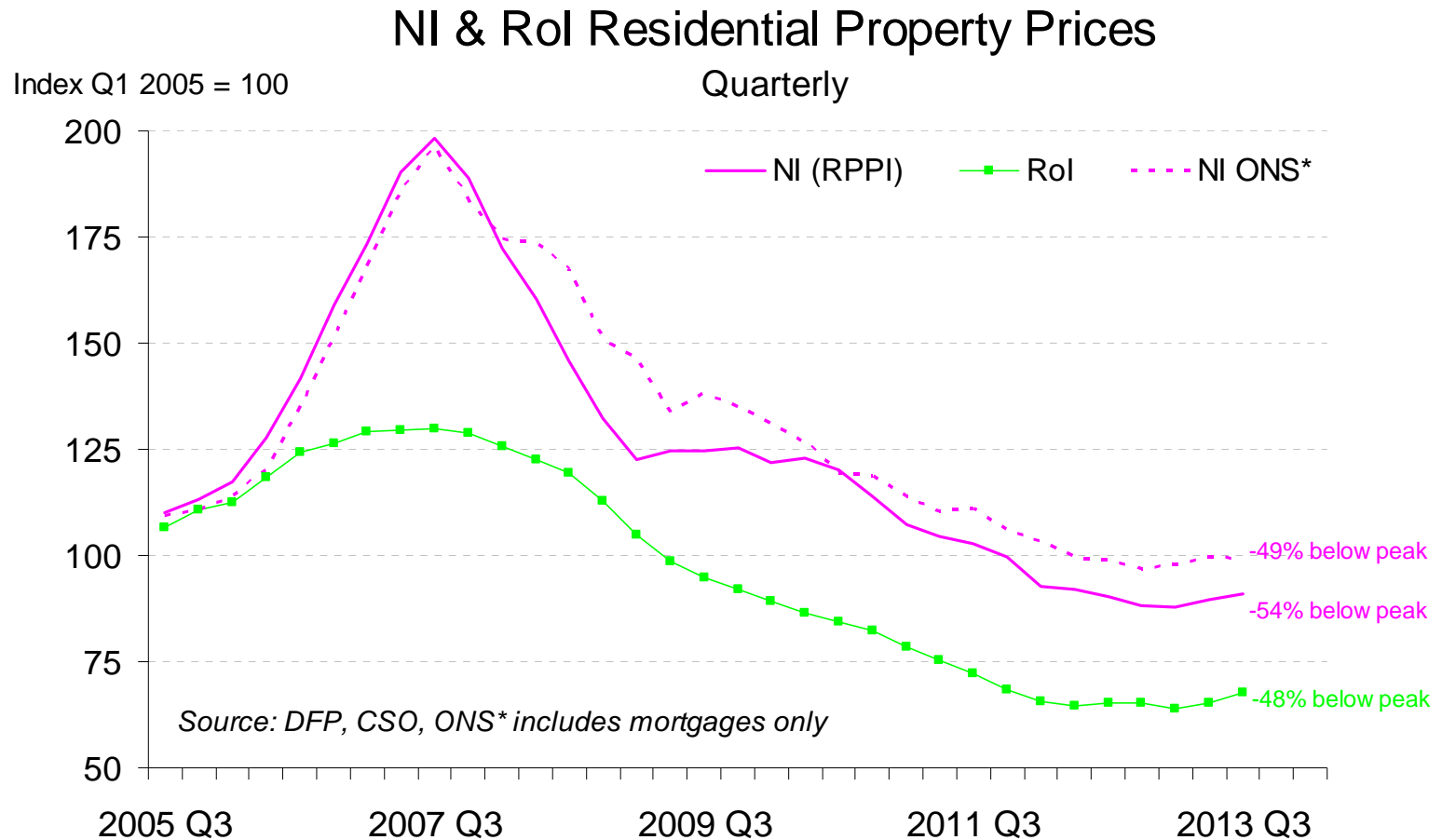
NI surveyors have reported house price growth for 6 consecutive months



Residential property prices have fallen 54% peak-to-trough. Latest survey suggests prices have bottomed out



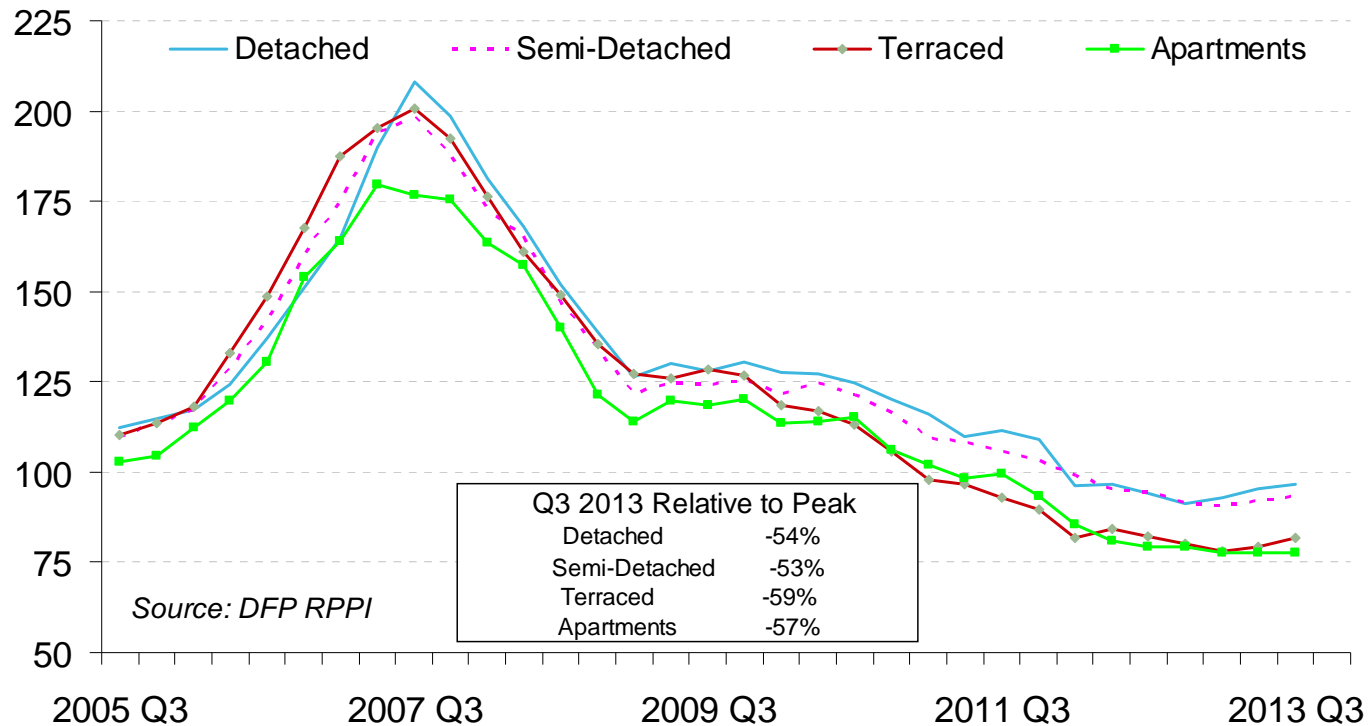
Rol house prices have been rising & now 48% below peak.
Unlike NI RPPI, Rol's CSO data does not include cash sales



In NI, terraced properties (-59%) have fallen the most from peak & Semi-Detached (-53%) the least

Northern Ireland Residential Property Prices

Index Q1 2005 = 100



NI Residential Property Price Index by property type

Northern Ireland Residential Property Price Index
Index 2005 Q1 = 100

	All Property Prices	Detached	Semi-Detached	Terraced	Apartments
2005 Q1	100	100	100	100	100
2005 Q2	104	106	105	101	100
2005 Q3	110	112	110	110	103
2005 Q4	113	115	113	114	104
2006 Q1	117	117	117	118	112
2006 Q2	128	124	129	133	120
2006 Q3	142	137	142	149	131
2006 Q4	159	151	160	168	154
2007 Q1	173	165	174	187	164
2007 Q2	190	190	194	195	180
2007 Q3	198	208	198	201	177
2007 Q4	189	199	188	192	176
2008 Q1	172	181	173	176	163
2008 Q2	160	168	165	161	157
2008 Q3	146	152	147	149	140
2008 Q4	132	139	134	135	121
2009 Q1	123	126	122	127	114
2009 Q2	125	130	125	126	120
2009 Q3	125	128	124	128	119
2009 Q4	125	131	126	127	120
2010 Q1	122	128	122	118	114
2010 Q2	123	127	125	117	114
2010 Q3	120	125	122	113	115
2010 Q4	114	120	116	106	106
2011 Q1	107	116	109	98	102
2011 Q2	105	110	109	97	98
2011 Q3	103	111	106	93	100
2011 Q4	100	109	103	90	94
2012 Q1	93	96	99	82	85
2012 Q2	92	97	95	84	81
2012 Q3	90	94	94	82	79
2012 Q4	88	91	92	80	79
2013 Q1	88	93	91	78	78
2013 Q2	90	95	92	79	78
2013 Q3	91	97	93	82	78
Q/Q Change	2%	1%	1%	3%	1%
Y/Y Change	1%	3%	-1%	0%	-1%
Fall from Peak	-54%	-54%	-53%	-59%	-57%

Source: DFP NI RPPI November 2013, Note % changes are calculated using unrounded figures

Standardised Residential Property Price & Index by NI Region

	Belfast Standardised Price	Belfast RPPI	Outer Belfast Standardised Price	Outer Belfast RPPI	East of N.Ireland Standardised Price	East of N.Ireland RPPI	North of N. Ireland Standardised Price	North of Northern Ireland RPPI	West & South of N. Ireland Standardised Price	West & South of N.Ireland RPPI
2005 Q1	£104,003	100	£114,980	100	£106,397	100	£104,955	100	£109,431	100
2005 Q2	£105,157	101	£119,811	104	£108,027	102	£110,841	106	£118,383	108
2005 Q3	£114,360	110	£125,622	109	£113,994	107	£118,782	113	£124,405	114
2005 Q4	£114,776	110	£128,264	112	£117,352	110	£123,087	117	£130,874	120
2006 Q1	£117,336	113	£130,833	114	£121,886	115	£130,134	124	£137,479	126
2006 Q2	£132,694	128	£143,740	125	£131,595	124	£139,108	133	£147,251	135
2006 Q3	£148,334	143	£160,533	140	£146,126	137	£153,639	146	£160,860	147
2006 Q4	£167,779	161	£181,559	158	£165,535	156	£166,938	159	£179,770	164
2007 Q1	£178,508	172	£199,326	173	£186,351	175	£179,541	171	£192,112	176
2007 Q2	£196,923	189	£219,529	191	£204,953	193	£196,055	187	£210,131	192
2007 Q3	£207,252	199	£230,610	201	£214,788	202	£205,713	196	£208,016	190
2007 Q4	£190,011	183	£227,866	198	£200,846	189	£199,752	190	£199,899	183
2008 Q1	£171,040	164	£203,268	177	£186,905	176	£179,400	171	£187,019	171
2008 Q2	£159,952	154	£190,570	166	£173,660	163	£171,354	163	£167,304	153
2008 Q3	£150,062	144	£166,243	145	£157,575	148	£154,838	148	£156,794	143
2008 Q4	£128,506	124	£149,341	130	£148,102	139	£142,290	136	£143,240	131
2009 Q1	£121,157	116	£137,320	119	£135,413	127	£128,963	123	£136,038	124
2009 Q2	£129,919	125	£141,616	123	£133,312	125	£125,542	120	£139,776	128
2009 Q3	£133,120	128	£142,832	124	£134,815	127	£124,314	118	£135,754	124
2009 Q4	£131,115	126	£141,738	123	£136,499	128	£129,493	123	£137,082	125
2010 Q1	£125,067	120	£140,301	122	£129,659	122	£127,771	122	£134,960	123
2010 Q2	£125,319	120	£143,749	125	£131,373	123	£127,532	122	£132,305	121
2010 Q3	£122,164	117	£142,040	124	£128,437	121	£119,227	114	£131,125	120
2010 Q4	£111,777	107	£131,057	114	£122,871	115	£122,132	116	£124,628	114
2011 Q1	£105,647	102	£126,151	110	£117,006	110	£113,685	108	£116,962	107
2011 Q2	£105,577	102	£122,440	106	£112,857	106	£108,049	103	£112,089	102
2011 Q3	£104,826	101	£121,580	106	£111,979	105	£104,789	100	£108,812	99
2011 Q4	£100,338	96	£119,201	104	£107,039	101	£102,873	98	£105,858	97
2012 Q1	£93,474	90	£111,526	97	£99,458	93	£95,624	91	£97,546	89
2012 Q2	£93,953	90	£111,205	97	£99,178	93	£94,284	90	£94,088	86
2012 Q3	£93,050	89	£110,416	96	£96,437	91	£89,995	86	£93,458	85
2012 Q4	£90,345	87	£107,410	93	£94,262	89	£89,381	85	£89,193	82
2013 Q1	£87,283	84	£107,584	94	£92,842	87	£89,715	85	£92,437	84
2013 Q2	£90,414	87	£108,284	94	£94,693	89	£94,156	90	£92,838	85
2013 Q3	£93,042	89	£109,869	96	£95,727	90	£94,241	90	£95,269	87
Q/Q Change		3%		1%		1%		0%		3%
Y/Y Change		0%		0%		-1%		5%		2%
Fall from Peak		-55%		-52%		-55%		-54%		-55%

Source: DFP NI RPPI November 2013

Residential Prices in Outer Belfast are the highest within Northern Ireland and now 52% below 2007 peak

NI Residential Property Price Index & Standardised Price of Properties Sold in each NUTS3 Area

Regional Area	Index (Quarter 3 2013)	% Change on Previous Quarter	% Change over 12 months	Q3 2013 relative to Peak	Standardised Price (Quarter 3 2013)
Belfast	89	3%	0%	-55%	£93,042
Outer Belfast	96	1%	0%	-52%	£109,869
East of N.Ireland	90	1%	-1%	-55%	£95,727
North of N.Ireland	90	0%	5%	-54%	£94,241
West & South of N.Ireland	87	3%	2%	-55%	£95,269
Northern Ireland	91	2%	1%	-54%	£98,612

Source: DFP NI RPPI November 2013

Median, Mean & Standardised Residential Property Prices

NI Average Sales Prices Q1 2005 - Q3 2013

Quarter	Simple Mean	Simple Median	Standardised Price (RPPI)
2005 Q1	£116,293	£100,000	£108,232
2005 Q2	£120,578	£105,500	£112,279
2005 Q3	£128,901	£115,000	£119,173
2005 Q4	£129,618	£117,000	£122,487
2006 Q1	£133,152	£120,000	£126,844
2006 Q2	£145,478	£130,000	£138,208
2006 Q3	£164,159	£145,000	£153,370
2006 Q4	£179,299	£160,000	£172,285
2007 Q1	£198,072	£175,000	£187,603
2007 Q2	£216,870	£193,000	£205,986
2007 Q3	£234,135	£200,000	£214,477
2007 Q4	£231,717	£192,000	£204,284
2008 Q1	£212,124	£175,000	£186,469
2008 Q2	£188,519	£165,000	£173,561
2008 Q3	£175,782	£152,000	£157,767
2008 Q4	£161,613	£144,887	£143,080
2009 Q1	£146,401	£130,000	£132,654
2009 Q2	£148,977	£132,000	£134,772
2009 Q3	£149,475	£135,000	£135,018
2009 Q4	£151,715	£137,500	£135,699
2010 Q1	£148,220	£124,000	£132,013
2010 Q2	£142,696	£125,000	£132,996
2010 Q3	£141,080	£125,000	£129,887
2010 Q4	£135,204	£120,000	£123,160
2011 Q1	£127,315	£112,000	£116,194
2011 Q2	£124,853	£112,000	£113,130
2011 Q3	£126,082	£111,500	£111,301
2011 Q4	£121,489	£106,000	£108,037
2012 Q1	£115,648	£100,506	£100,483
2012 Q2	£112,113	£98,000	£99,674
2012 Q3	£115,995	£100,000	£97,708
2012 Q4	£112,194	£96,000	£95,295
2013 Q1	£110,234	£94,000	£94,951
2013 Q2	£111,248	£95,000	£97,029
2013 Q3	£115,316	£100,500	£98,612

Source: DFP NI RPPI November 2013

Standardised NI Residential Property Price

Quarter	Detached	Semi-Detached	Terraced	Apartment
2005 Q1	£161,290	£104,899	£80,119	£98,729
2005 Q2	£170,572	£110,189	£81,157	£98,411
2005 Q3	£181,064	£115,112	£88,230	£101,414
2005 Q4	£184,972	£118,977	£90,947	£103,025
2006 Q1	£189,255	£122,910	£94,749	£110,729
2006 Q2	£200,370	£134,898	£106,387	£118,297
2006 Q3	£221,391	£149,205	£119,211	£128,940
2006 Q4	£244,068	£167,883	£134,462	£152,147
2007 Q1	£265,663	£182,988	£150,051	£161,794
2007 Q2	£306,097	£203,650	£156,597	£177,331
2007 Q3	£335,812	£208,014	£160,908	£174,611
2007 Q4	£320,385	£197,022	£154,180	£173,420
2008 Q1	£292,330	£181,197	£141,195	£161,241
2008 Q2	£271,310	£173,138	£129,025	£155,436
2008 Q3	£245,225	£154,094	£119,365	£138,056
2008 Q4	£223,606	£140,210	£108,351	£119,909
2009 Q1	£203,759	£127,922	£102,031	£112,422
2009 Q2	£209,928	£130,855	£100,869	£118,291
2009 Q3	£206,486	£130,432	£102,870	£117,050
2009 Q4	£210,520	£131,654	£101,666	£118,508
2010 Q1	£205,648	£127,745	£94,899	£112,095
2010 Q2	£205,133	£131,028	£93,608	£112,726
2010 Q3	£200,839	£127,507	£90,546	£113,911
2010 Q4	£193,483	£122,200	£84,837	£104,701
2011 Q1	£186,836	£114,618	£78,572	£100,628
2011 Q2	£177,385	£114,021	£77,433	£96,916
2011 Q3	£179,511	£110,813	£74,545	£98,356
2011 Q4	£176,088	£108,450	£71,785	£92,345
2012 Q1	£155,393	£104,180	£65,609	£84,347
2012 Q2	£156,103	£99,860	£67,649	£80,081
2012 Q3	£151,604	£99,041	£65,840	£78,233
2012 Q4	£147,025	£96,204	£64,242	£78,197
2013 Q1	£149,583	£95,430	£62,429	£76,676
2013 Q2	£154,016	£96,803	£63,389	£76,718
2013 Q3	£155,960	£97,887	£65,588	£77,125

Source: DFP NI RPPI November 2013

Strabane, Derry & Limavady Council Areas have the lowest median house prices depending on property type

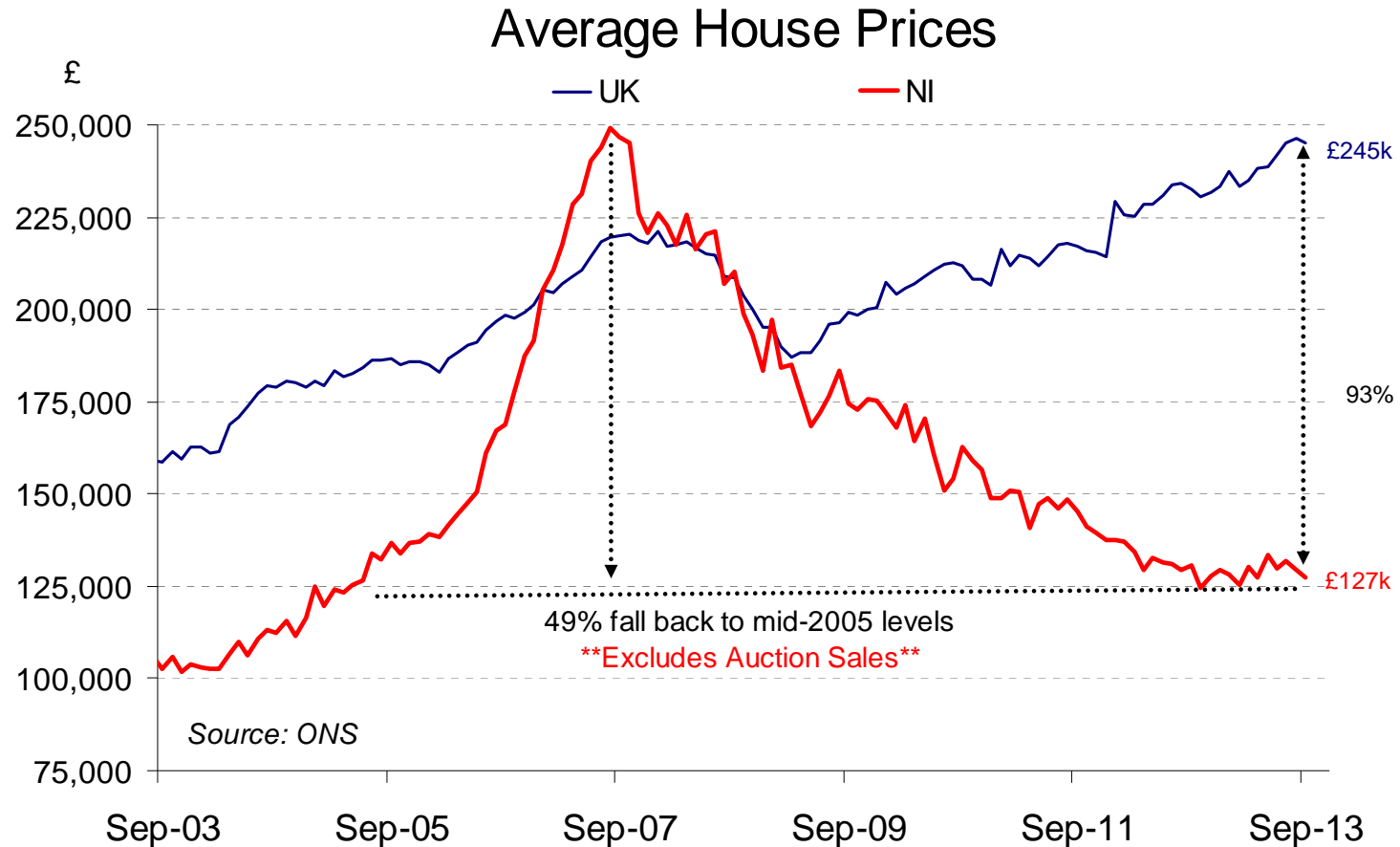
**Median Sale Price of Residential Properties Sold between
October 2012 -September 2013 By Property Type & Location**

Local Government District	Detached	Semi-Detached	Terrace	Apartment	Total
Antrim	£160,000	£105,000	£59,250	N/A	£105,000
Ards	£170,500	£103,750	£65,000	£52,000	£102,000
Armagh	£124,875	£71,250	£46,250	N/A	£77,000
Ballymena	£135,000	£100,000	£63,950	£89,950	£105,000
Ballymoney	£117,500	£73,500	£53,000	N/A	£83,000
Banbridge	£139,500	£90,000	£61,000	£66,000	£93,000
Belfast	£225,000	£116,000	£63,000	£80,000	£85,000
Carrickfergus	£147,500	£105,000	£57,000	£67,000	£95,000
Castlereagh	£185,000	£125,000	£76,000	£80,000	£127,975
Coleraine	£133,750	£95,000	£69,000	£120,000	£115,000
Cookstown	£130,000	£86,500	£62,000	N/A	£93,000
Craigavon	£132,000	£80,000	£49,000	£62,625	£75,500
Derry	£147,250	£95,000	£57,500	£46,375	£83,000
Down	£158,250	£95,000	£70,000	£80,564	£112,000
Dungannon	£121,500	£88,500	£64,000	N/A	£89,375
Fermanagh	£124,750	£81,500	£58,000	£67,500	£90,000
Larne	£134,950	£85,000	£55,000	£62,450	£82,500
Limavady	£118,000	£69,500	£47,500	N/A	£83,625
Lisburn	£181,500	£112,000	£75,000	£70,000	£121,600
Magherafelt	£132,000	£89,950	£64,000	N/A	£103,500
Moyle	£137,500	£90,000	£91,750	N/A	£120,000
Newry & Mourne	£144,200	£90,000	£59,000	£60,850	£95,000
Newtownabbey	£154,375	£99,950	£58,750	£62,252	£99,950
North Down	£185,000	£109,225	£85,500	£80,000	£120,000
Omagh	£124,950	£80,000	£52,000	N/A	£90,000
Strabane	£108,000	£69,000	£50,750	N/A	£78,000

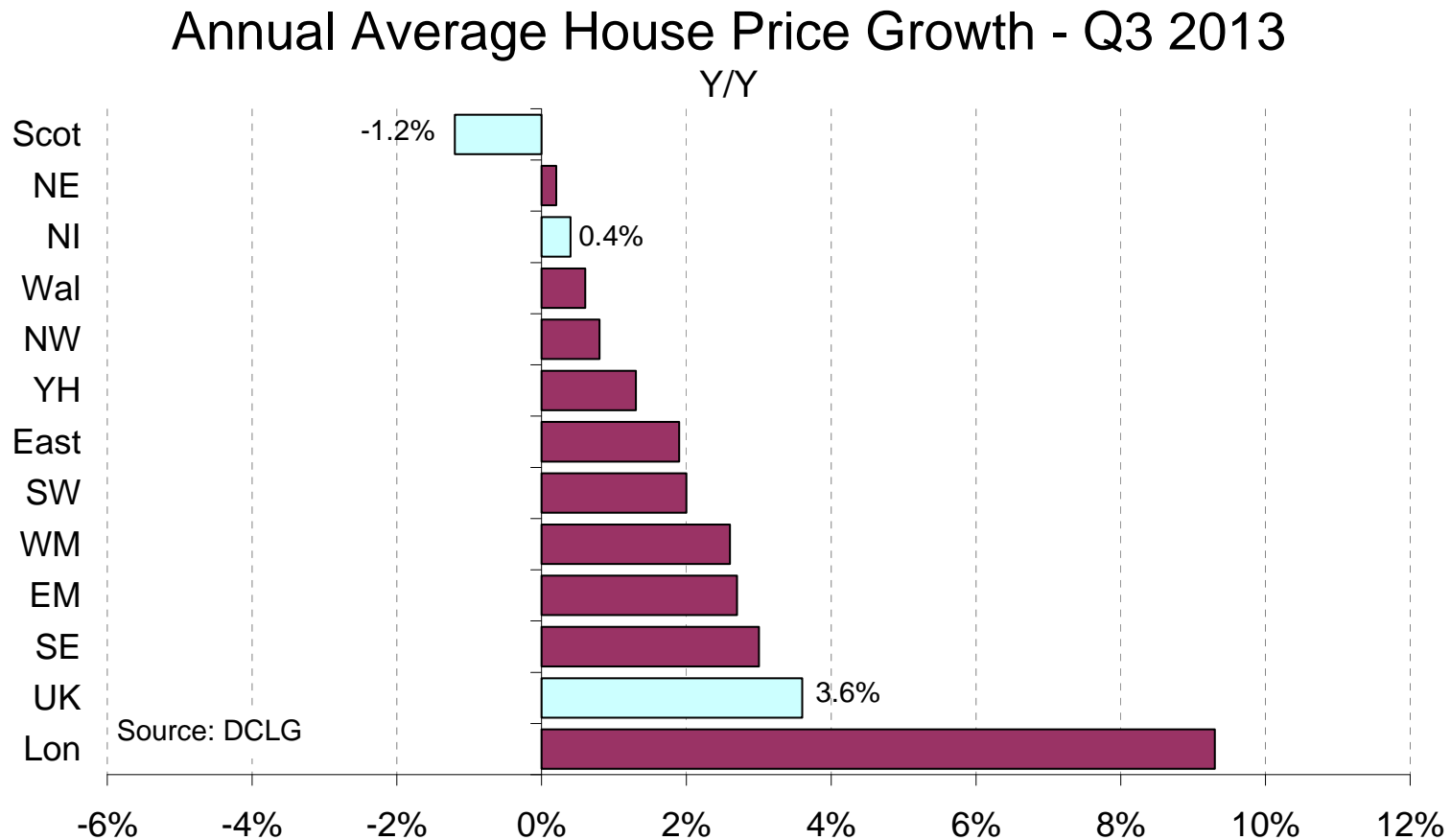
Source: DFP NI RPPI November 2013

UK & NI Regional House Price Performance

According to DCLG survey average house prices are 49% below peak & UK prices are almost twice those of NI



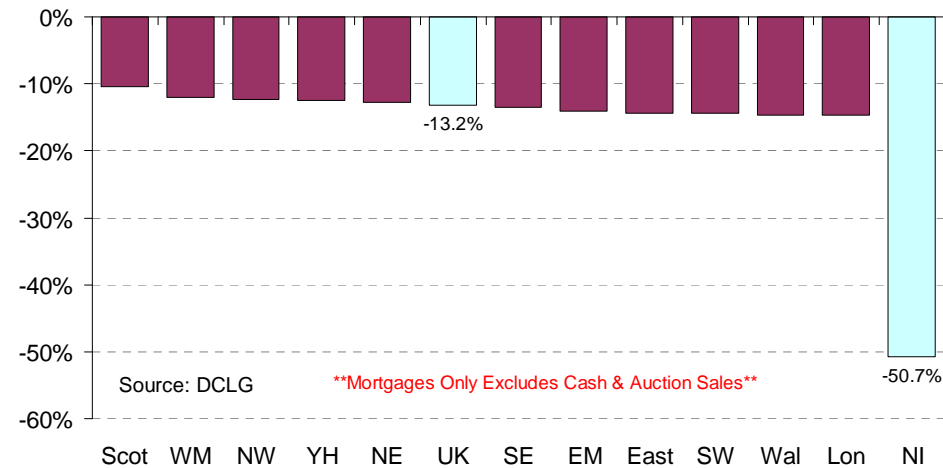
Scotland was the only UK region not to post year-on-year growth in Q3 2013



NI experiences biggest peak-to-trough decline of all UK regions & has experienced the weakest recovery to date

Peak to Trough in UK Regional House Prices

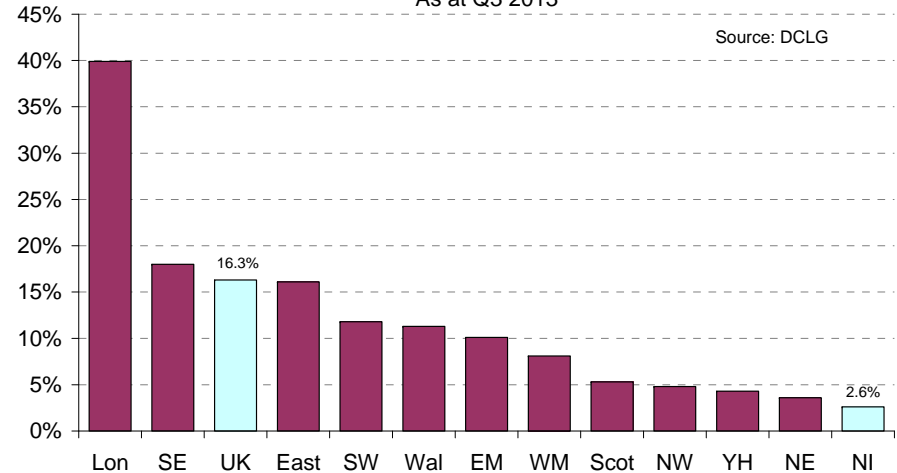
Q3 2013



House Price Recovery - % Rise Relative to Trough

As at Q3 2013

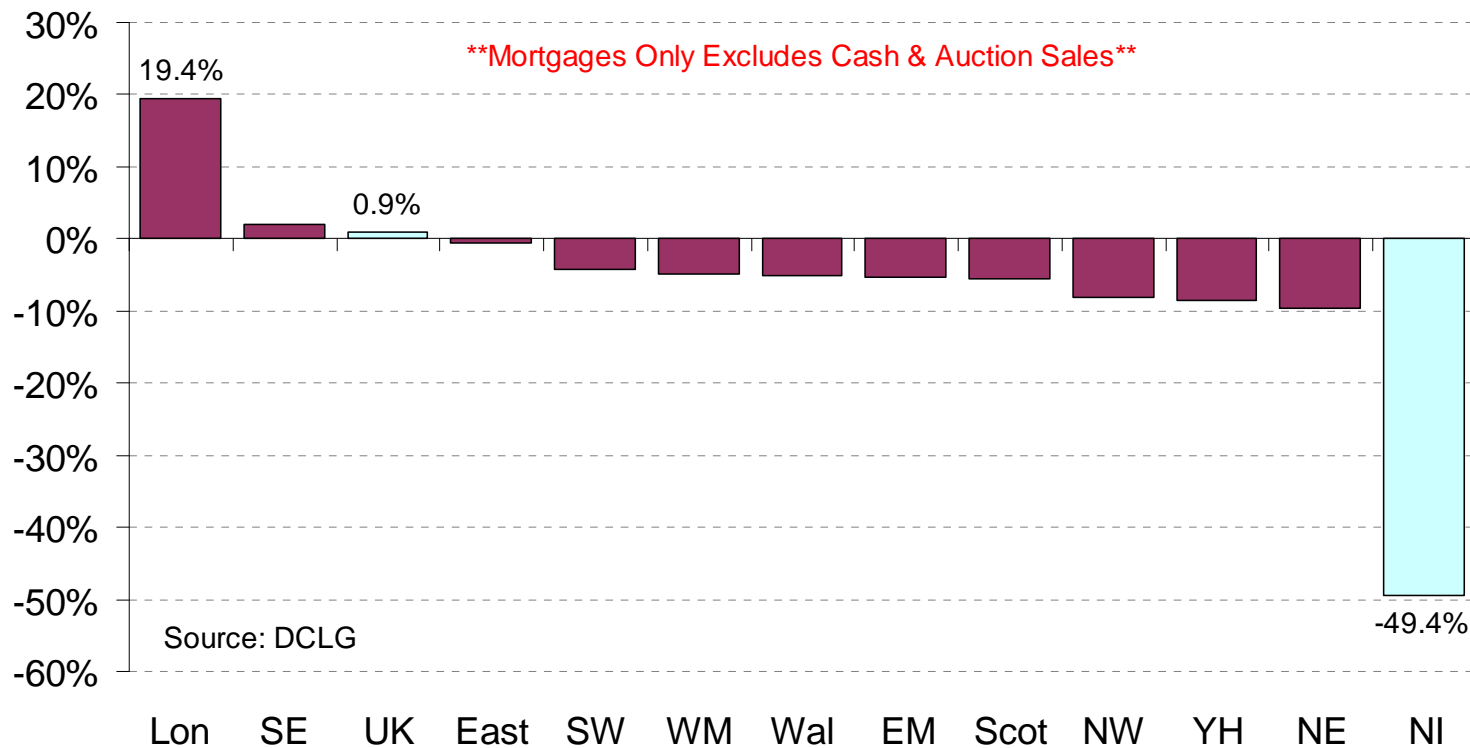
Source: DCLG



The UK has recouped all of its house price falls but this is due to improvements within London & the South East

House Prices Relative to Pre-Downturn Peak

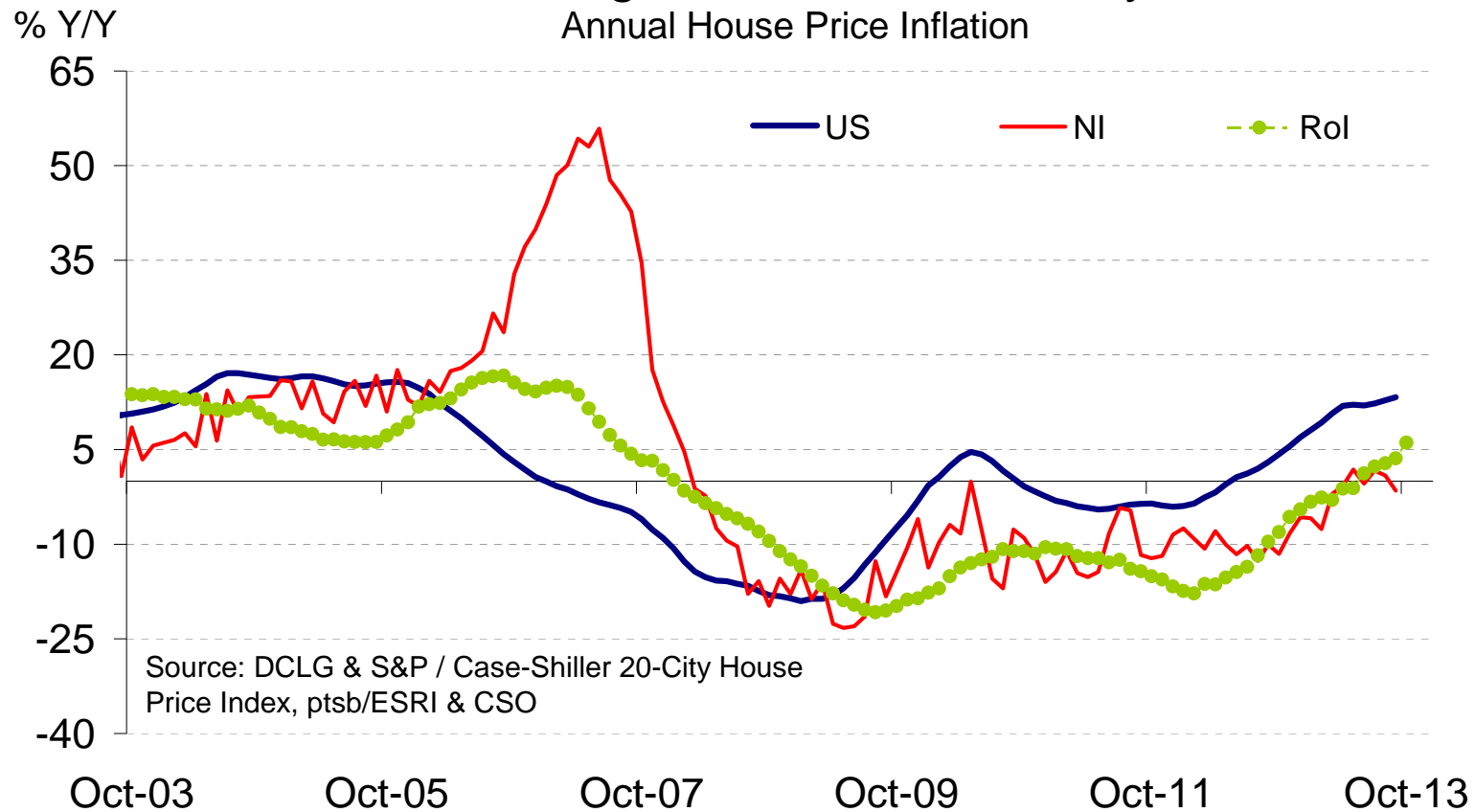
Q3 2013



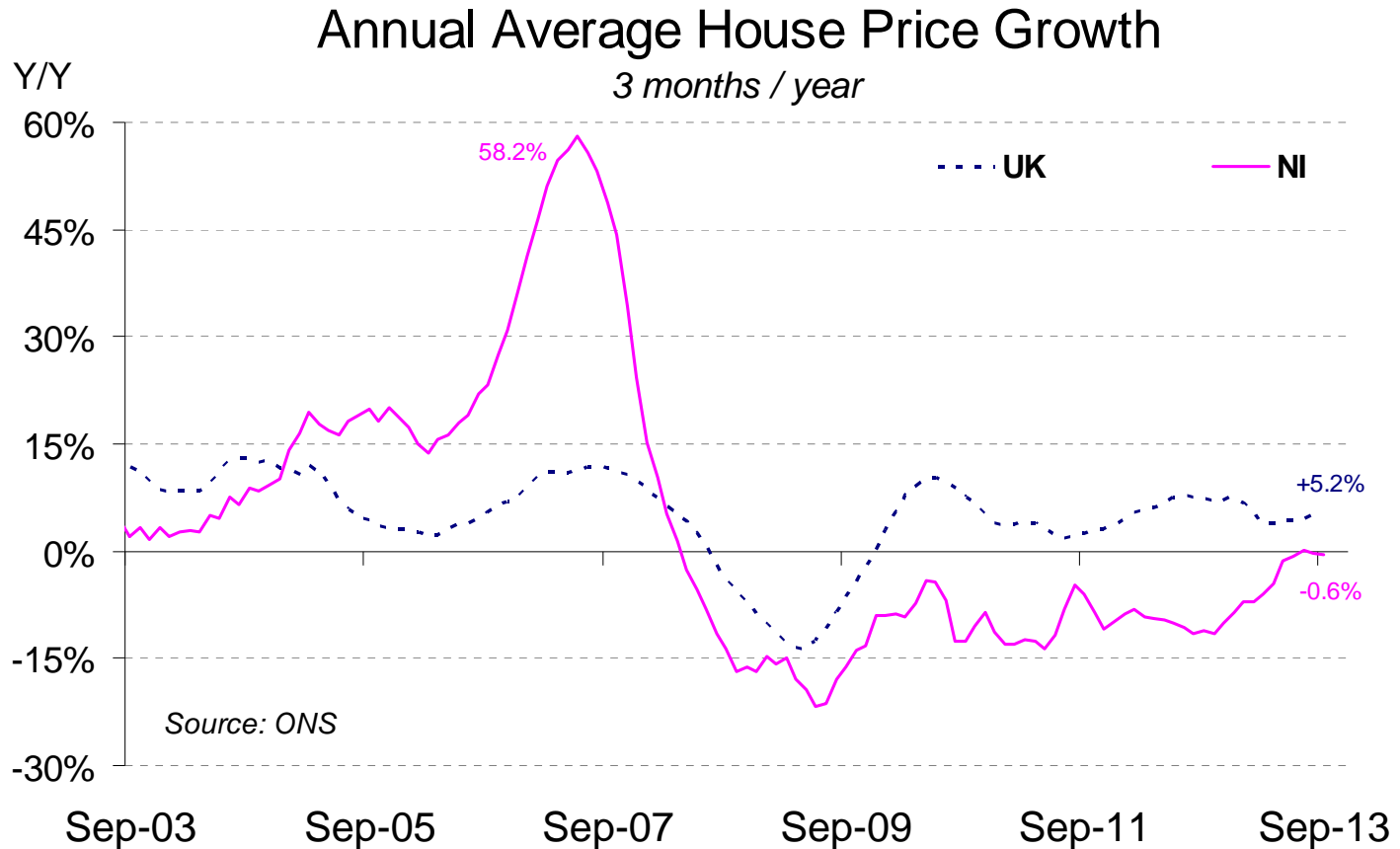
NI's housing boom & bust followed a different trajectory to both the US & RoI.....

Housing recoveries underway

Annual House Price Inflation



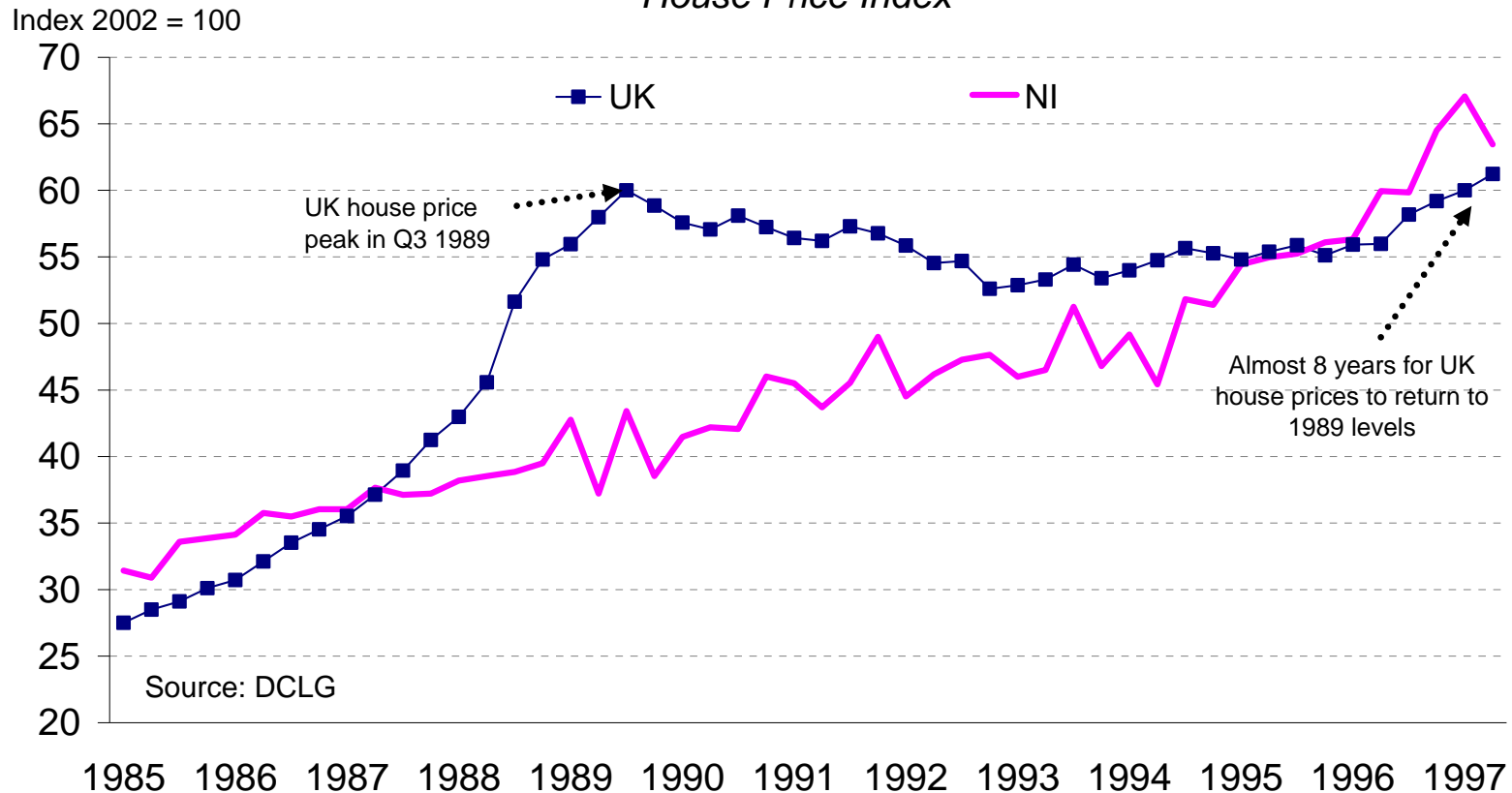
.....and a very different trajectory from the UK



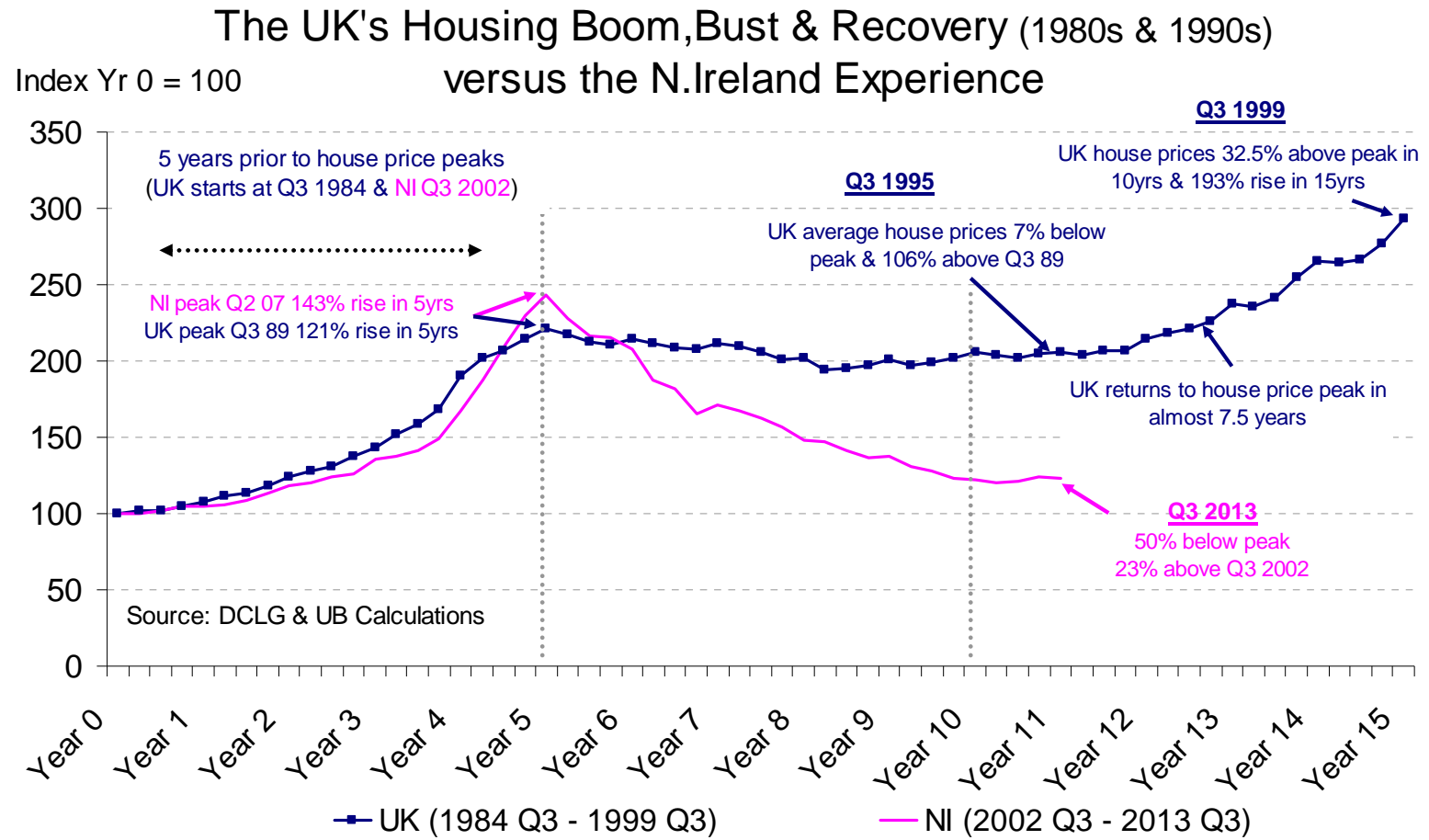
...but then again NI bucked the national trend during the UK's housing boom & bust of the 1980s & 1990s...

UK's Boom & Bust of the 1980s & early 1990s

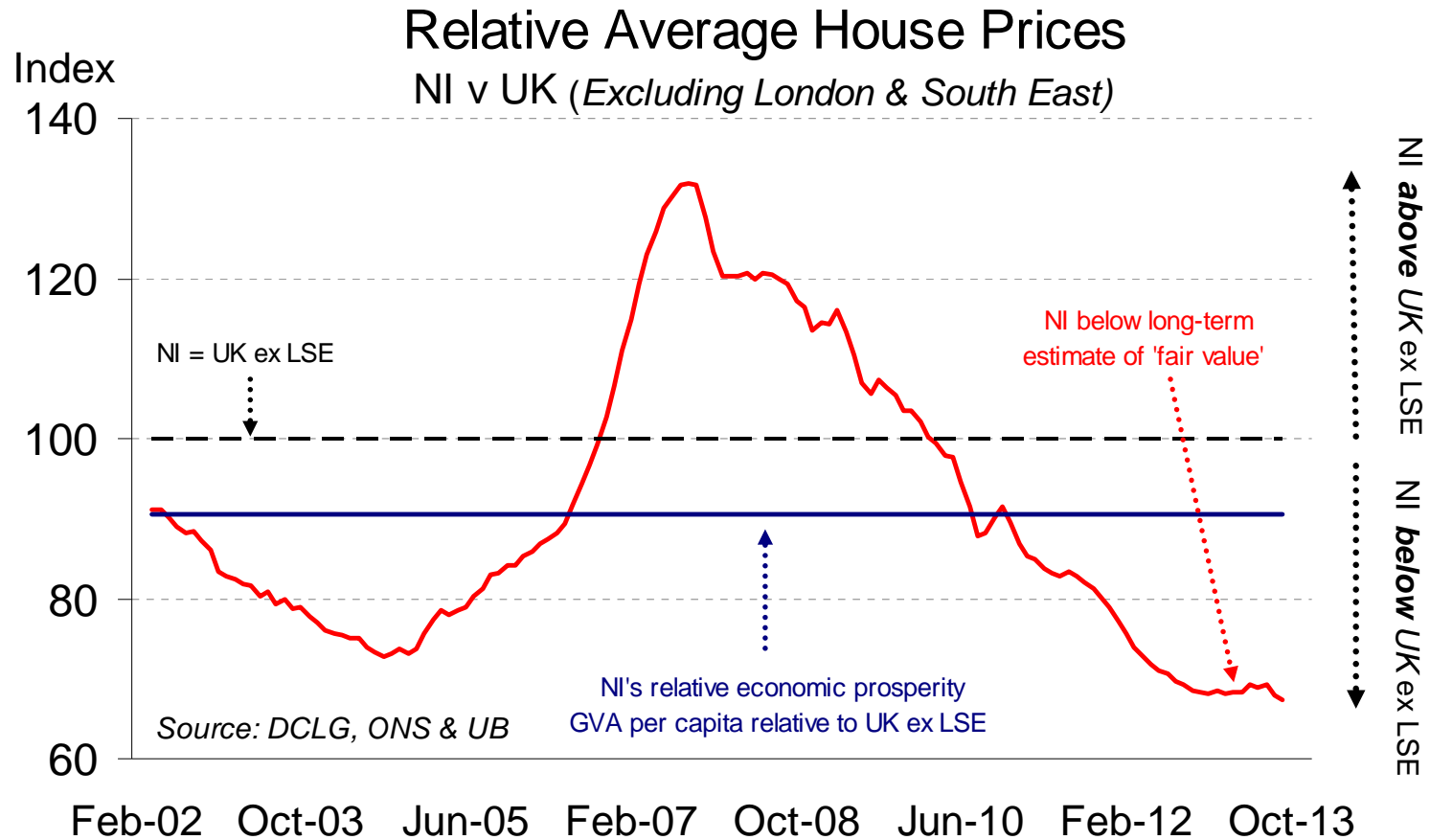
House Price Index



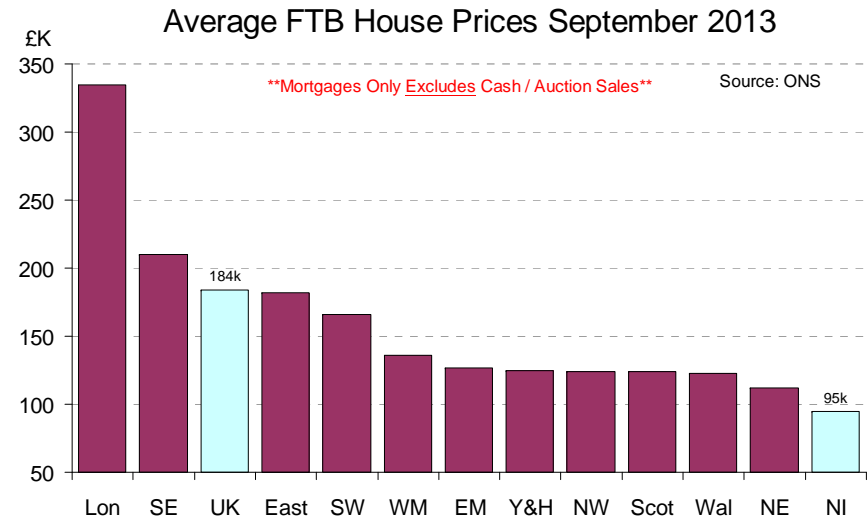
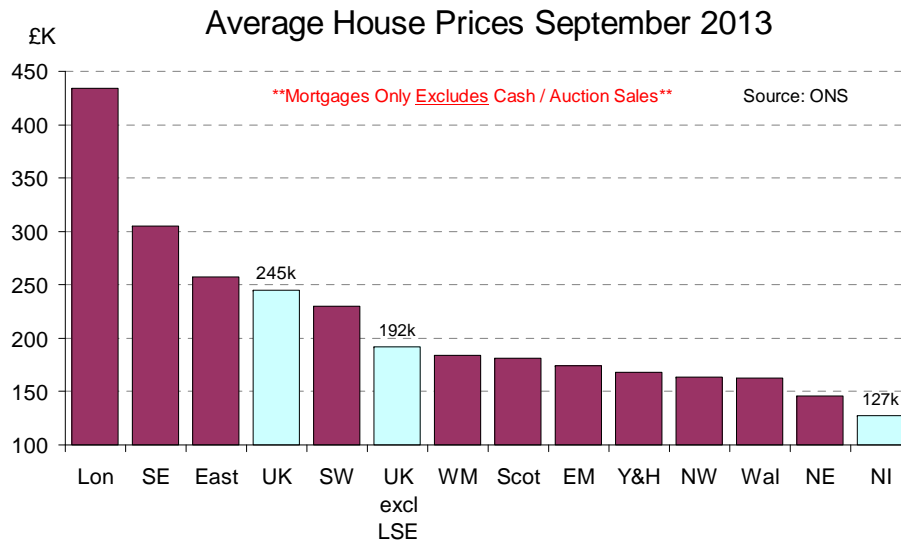
...the UK's housing boom & bust of the 1980s & 1990s was mild relative to the NI variety of the noughties



Longer-term NI's relative house prices should track relative economic prosperity (*UK excl. London & the South East*)...



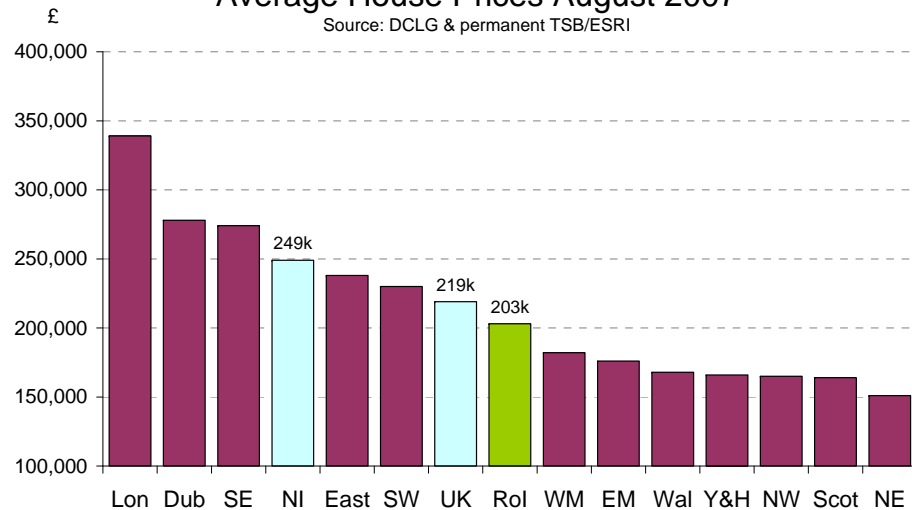
...indeed NI has already returned to the bottom of the UK regional house price table....



.... a far cry from the halcyon days of 2007

Average House Prices August 2007

Source: DCLG & permanent TSB/ESRI



Average FTB House Prices August 2007

Source: DCLG



Mortgage Activity / Housing Transactions

HMRC residential property transactions (Quarterly & Rolling Annual Sum)

Northern Ireland Residential Property Transactions

	All Transactions	Detached	Semi-Detached	Terraced	Apartments
2005 Q1	3,010	829	917	1,062	202
2005 Q2	8,055	2,240	2,502	2,828	485
2005 Q3	8,500	2,314	2,675	2,970	541
2005 Q4	9,667	2,515	3,018	3,511	623
2006 Q1	8,694	2,221	2,676	3,208	589
2006 Q2	10,889	2,851	3,259	3,907	872
2006 Q3	10,901	2,996	3,146	3,910	849
2006 Q4	10,903	2,787	3,149	4,098	869
2007 Q1	8,749	2,212	2,482	3,363	692
2007 Q2	9,378	2,338	2,706	3,599	735
2007 Q3	6,829	1,935	1,893	2,476	525
2007 Q4	4,330	1,162	1,226	1,516	426
2008 Q1	3,039	788	884	1,128	239
2008 Q2	3,347	824	1,036	1,166	321
2008 Q3	2,272	609	691	796	176
2008 Q4	2,255	620	722	746	167
2009 Q1	2,015	536	674	628	177
2009 Q2	2,846	737	1,027	851	231
2009 Q3	3,262	871	1,126	1,036	229
2009 Q4	3,600	999	1,243	1,106	252
2010 Q1	2,538	650	807	859	222
2010 Q2	2,712	744	928	852	188
2010 Q3	2,719	712	909	964	134
2010 Q4	2,819	828	845	938	208
2011 Q1	2,418	664	774	820	160
2011 Q2	2,627	766	812	818	231
2011 Q3	3,216	964	1,029	952	271
2011 Q4	3,085	900	989	933	263
2012 Q1	3,196	947	975	1,024	250
2012 Q2	3,136	902	979	992	263
2012 Q3	3,574	1,122	1,141	1,035	276
2012 Q4	3,778	1,177	1,157	1,178	266
2013 Q1	3,396	1,015	1,059	1,051	271
2013 Q2	3,744	1,149	1,160	1,201	234
2013 Q3	4,001	1,272	1,206	1,241	282
Q/Q Change	7%	11%	4%	3%	21%
Y/Y Change	12%	13%	6%	20%	2%
Last 4 Quarters	14,919	4,613	4,582	4,671	1,053

Source: DFP NI RPPI November 2013

Northern Ireland Residential Property Transactions

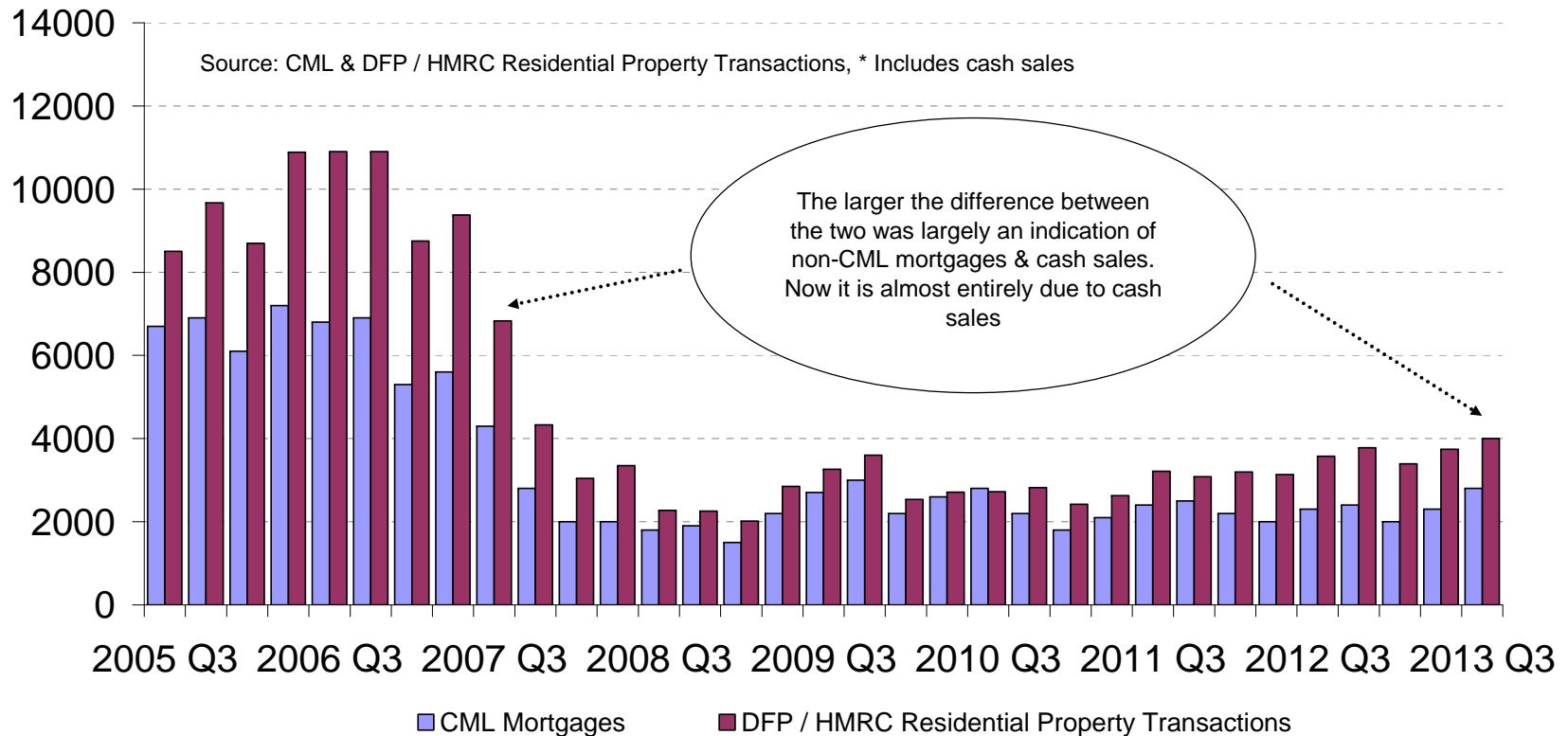
4 Quarter Rolling Sum

	All Transactions	Detached	Semi-Detached	Terraced	Apartments
2005 Q4	29,232	7,898	9,112	10,371	1,851
2006 Q1	34,916	9,290	10,871	12,517	2,238
2006 Q2	37,750	9,901	11,628	13,596	2,625
2006 Q3	40,151	10,583	12,099	14,536	2,933
2006 Q4	41,387	10,855	12,230	15,123	3,179
2007 Q1	41,442	10,846	12,036	15,278	3,282
2007 Q2	39,931	10,333	11,483	14,970	3,145
2007 Q3	35,859	9,272	10,230	13,536	2,821
2007 Q4	29,286	7,647	8,307	10,954	2,378
2008 Q1	23,576	6,223	6,709	8,719	1,925
2008 Q2	17,545	4,709	5,039	6,286	1,511
2008 Q3	12,988	3,383	3,837	4,606	1,162
2008 Q4	10,913	2,841	3,333	3,836	903
2009 Q1	9,889	2,589	3,123	3,336	841
2009 Q2	9,388	2,502	3,114	3,021	751
2009 Q3	10,378	2,764	3,549	3,261	804
2009 Q4	11,723	3,143	4,070	3,621	889
2010 Q1	12,246	3,257	4,203	3,852	934
2010 Q2	12,112	3,264	4,104	3,853	891
2010 Q3	11,569	3,105	3,887	3,781	796
2010 Q4	10,788	2,934	3,489	3,613	752
2011 Q1	10,668	2,948	3,456	3,574	690
2011 Q2	10,583	2,970	3,340	3,540	733
2011 Q3	11,080	3,222	3,460	3,528	870
2011 Q4	11,346	3,294	3,604	3,523	925
2012 Q1	12,124	3,577	3,805	3,727	1,015
2012 Q2	12,633	3,713	3,972	3,901	1,047
2012 Q3	12,991	3,871	4,084	3,984	1,052
2012 Q4	13,684	4,148	4,252	4,229	1,055
2013 Q1	13,884	4,216	4,336	4,256	1,076
2013 Q2	14,492	4,463	4,517	4,465	1,047
2013 Q3	14,919	4,613	4,582	4,671	1,053
Q/Q Change	3%	3%	1%	5%	1%
Y/Y Change	15%	19%	12%	17%	0%
2013 Q3 v Peak	-64%	-58%	-63%	-69%	-68%
Rise from Low	59%	84%	47%	55%	53%

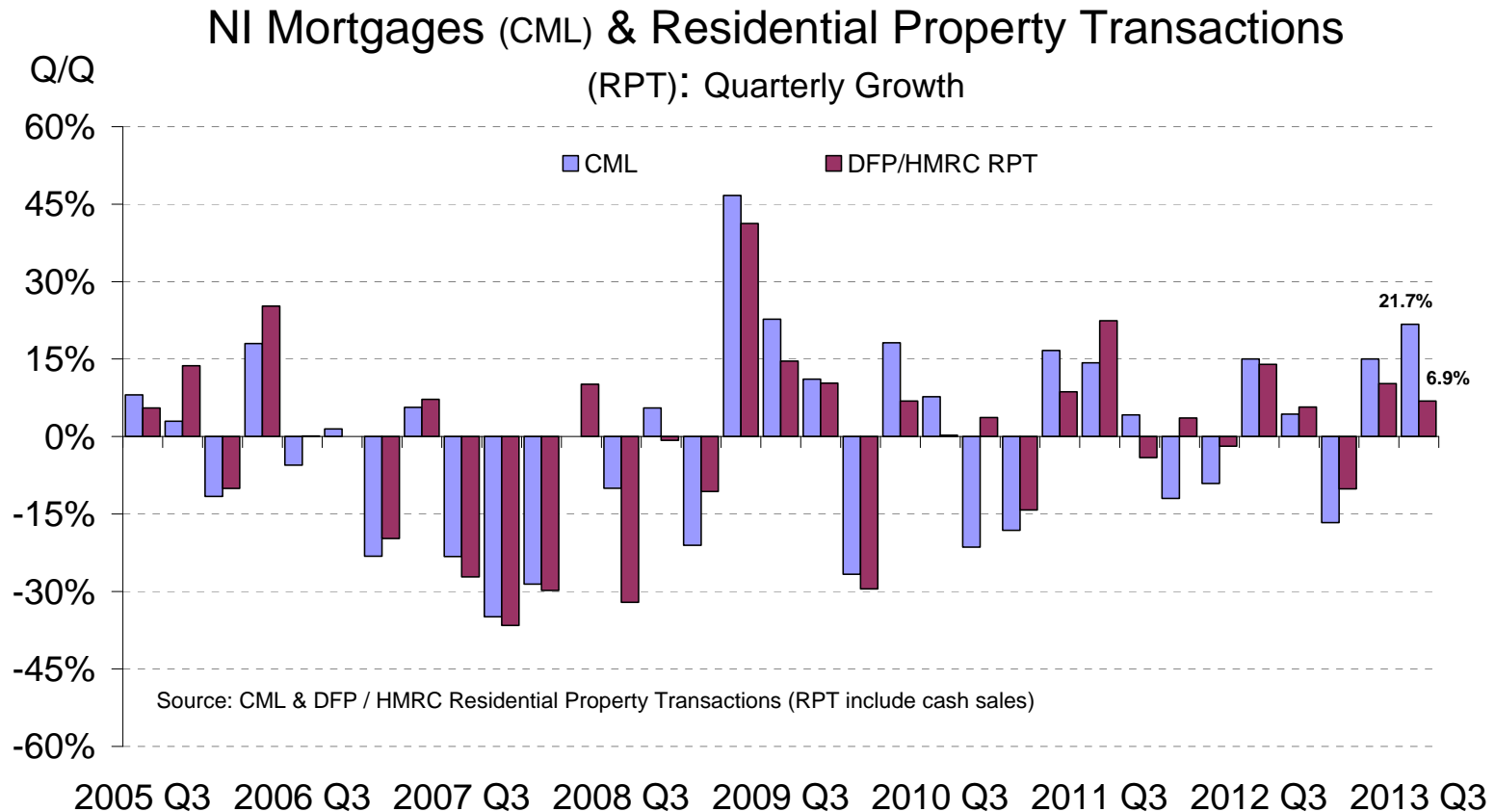
Source: DFP NI RPPI November 2013

Property transactions in Q3 2013 hits highest level since Q4 2007, due to pick-up in cash sales & mortgages

Northern Ireland Mortgages (CML) & Residential Property Transactions* (RPT): Quarterly

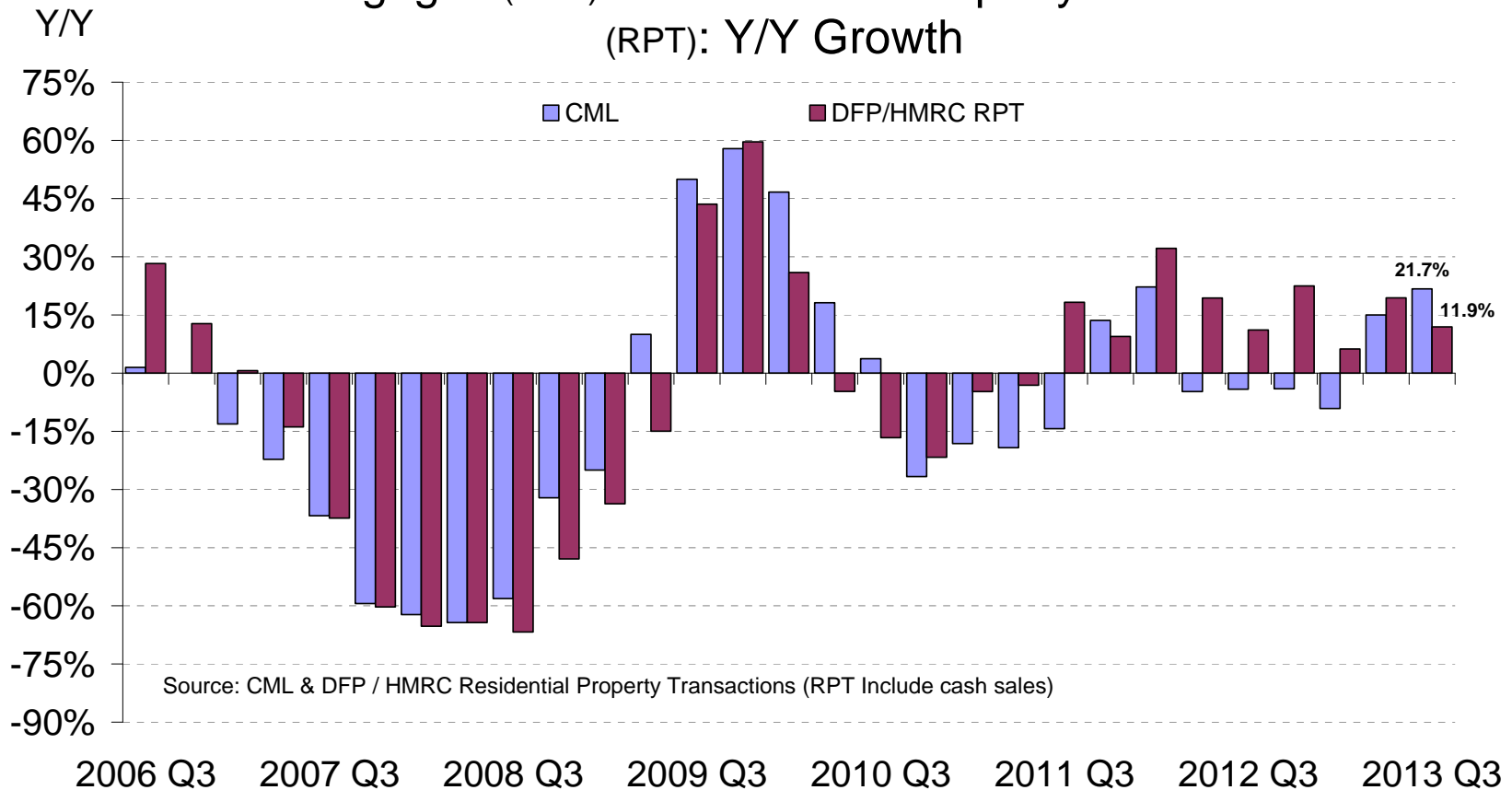


NI mortgage activity increases by 22% q/q in Q3

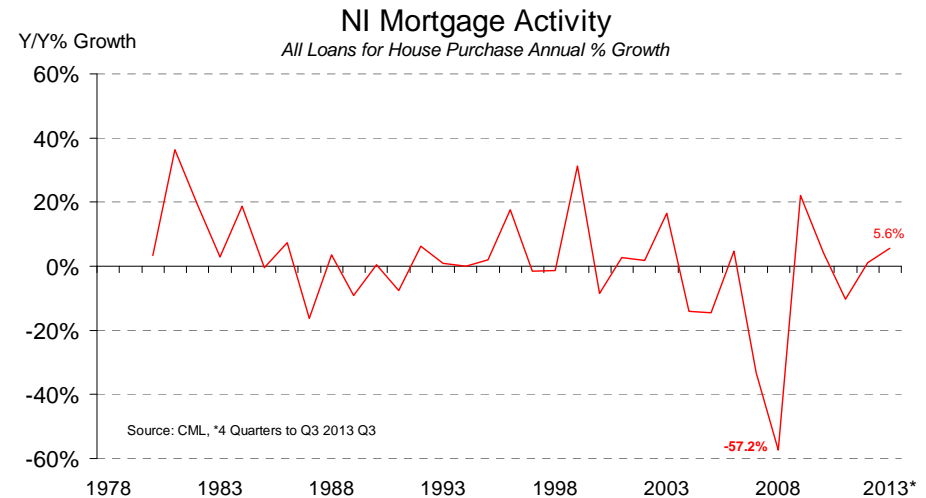
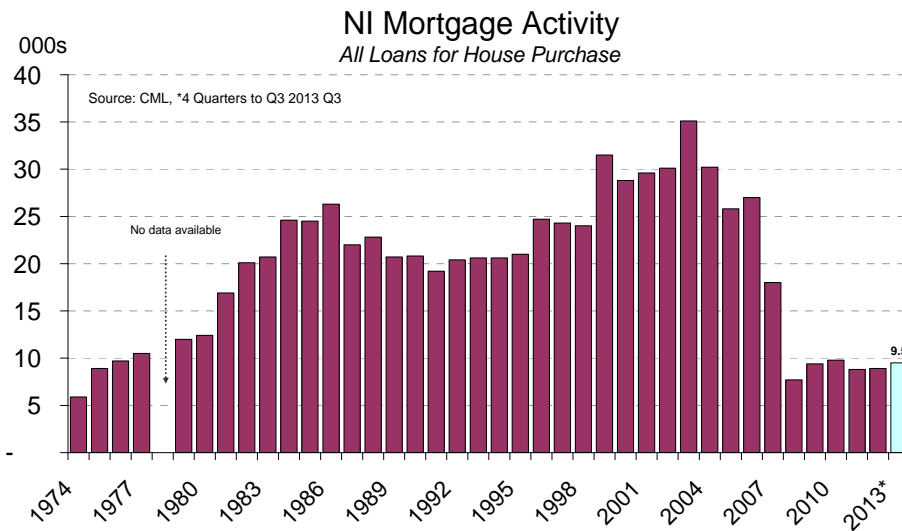


Mortgage activity up 22% y/y in Q3 & overall transactions up 12% y/y (*difference due to rise in auction / cash sales*)

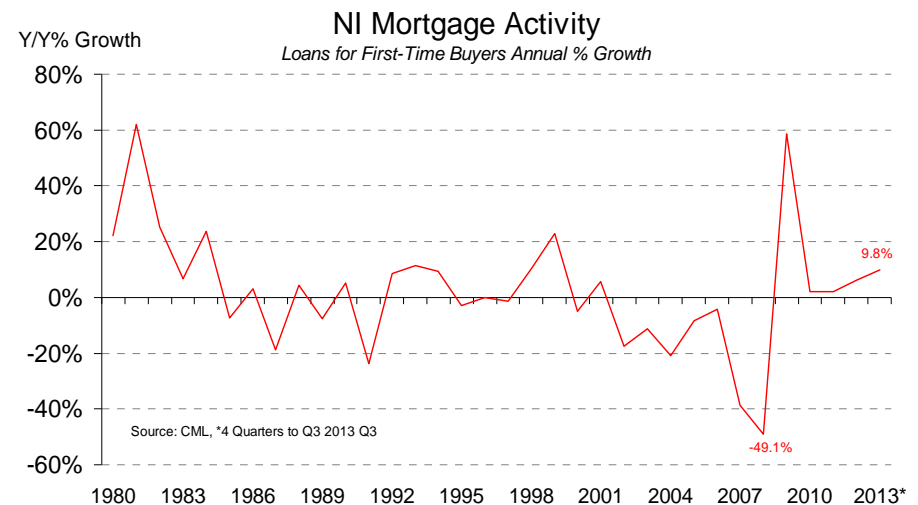
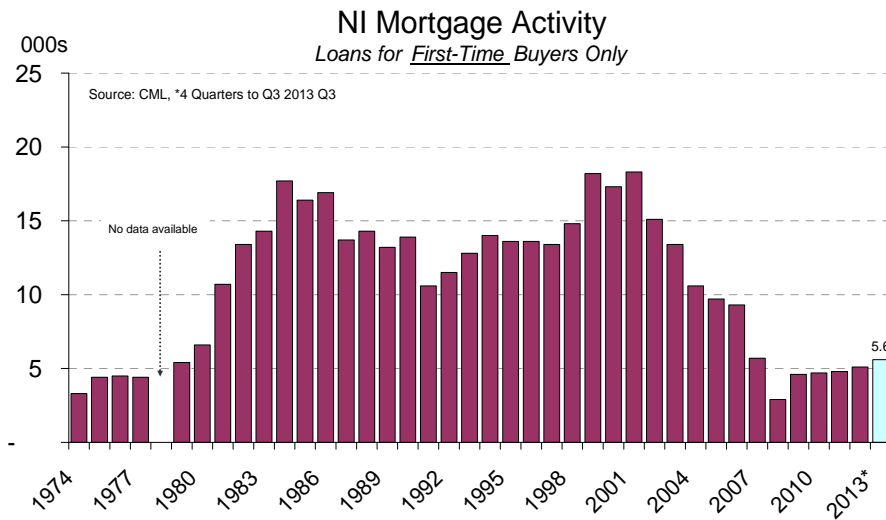
NI Mortgages (CML) & Residential Property Transactions (RPT): Y/Y Growth



9,500 NI mortgages for house purchase over the year to Q3 2013. Up 6% y/y & 23% above 2008 low...

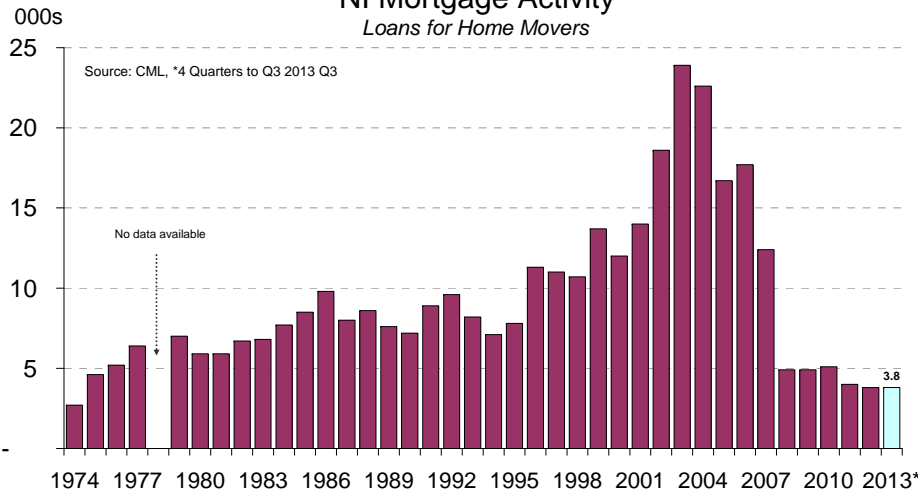


...first-time buyer market posts a larger rise with 5,600 loans in the 4 quarters to Q3 2013. 93% above 2008 low...



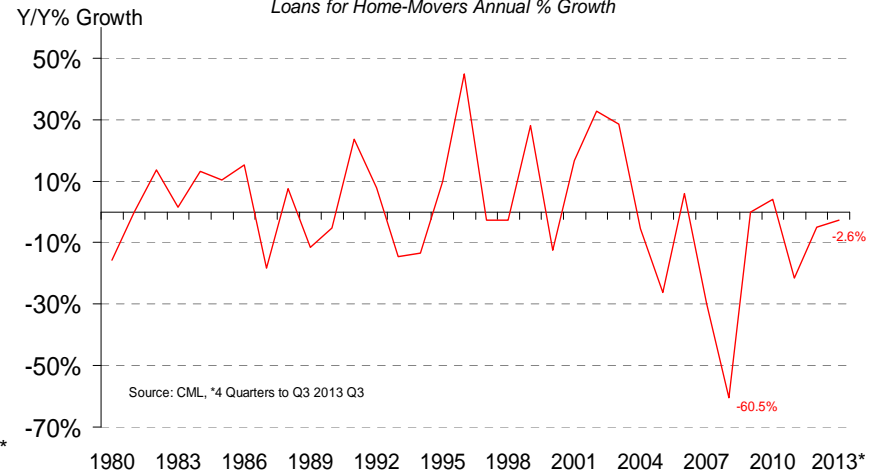
...while second hand market ('Home Movers') still experiencing weakest activity since 1974...

NI Mortgage Activity
Loans for Home Movers

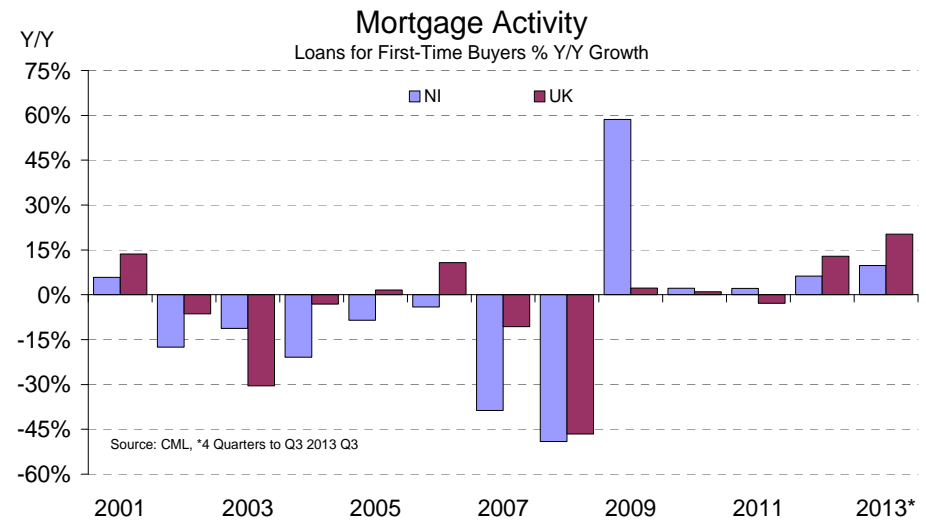
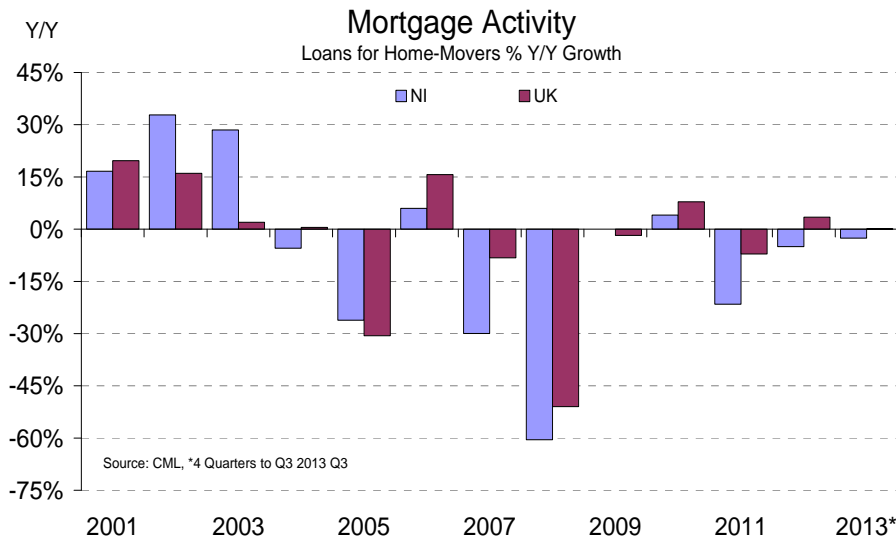


NI Mortgage Activity

Loans for Home-Movers Annual % Growth

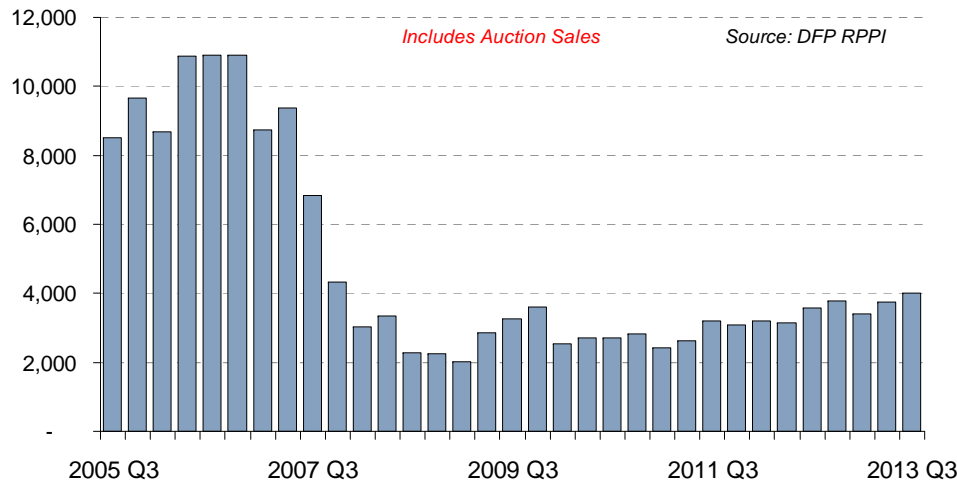


...NI's recovery within the mortgage market continues to lag the UK

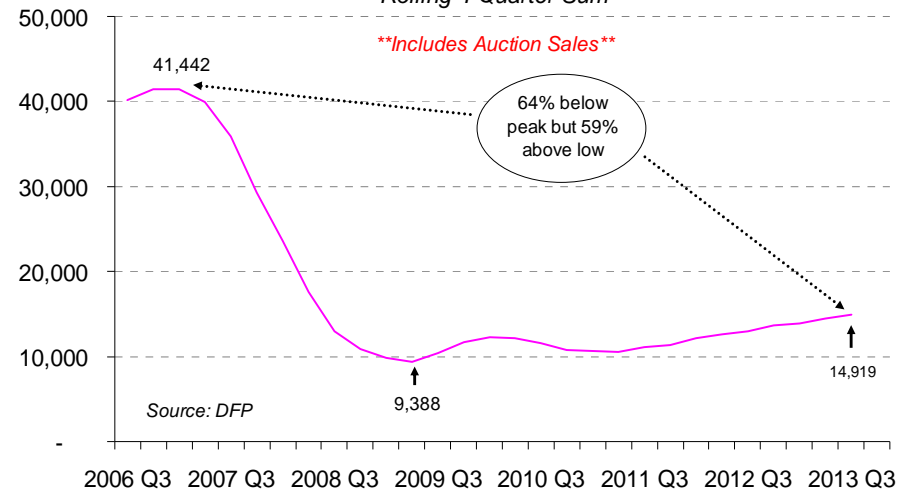


Residential property transactions up 15% y/y in Q3 2013 but volumes over the year to Q3 are 64% below 2006 levels

All NI Residential Property Transactions
Quarterly



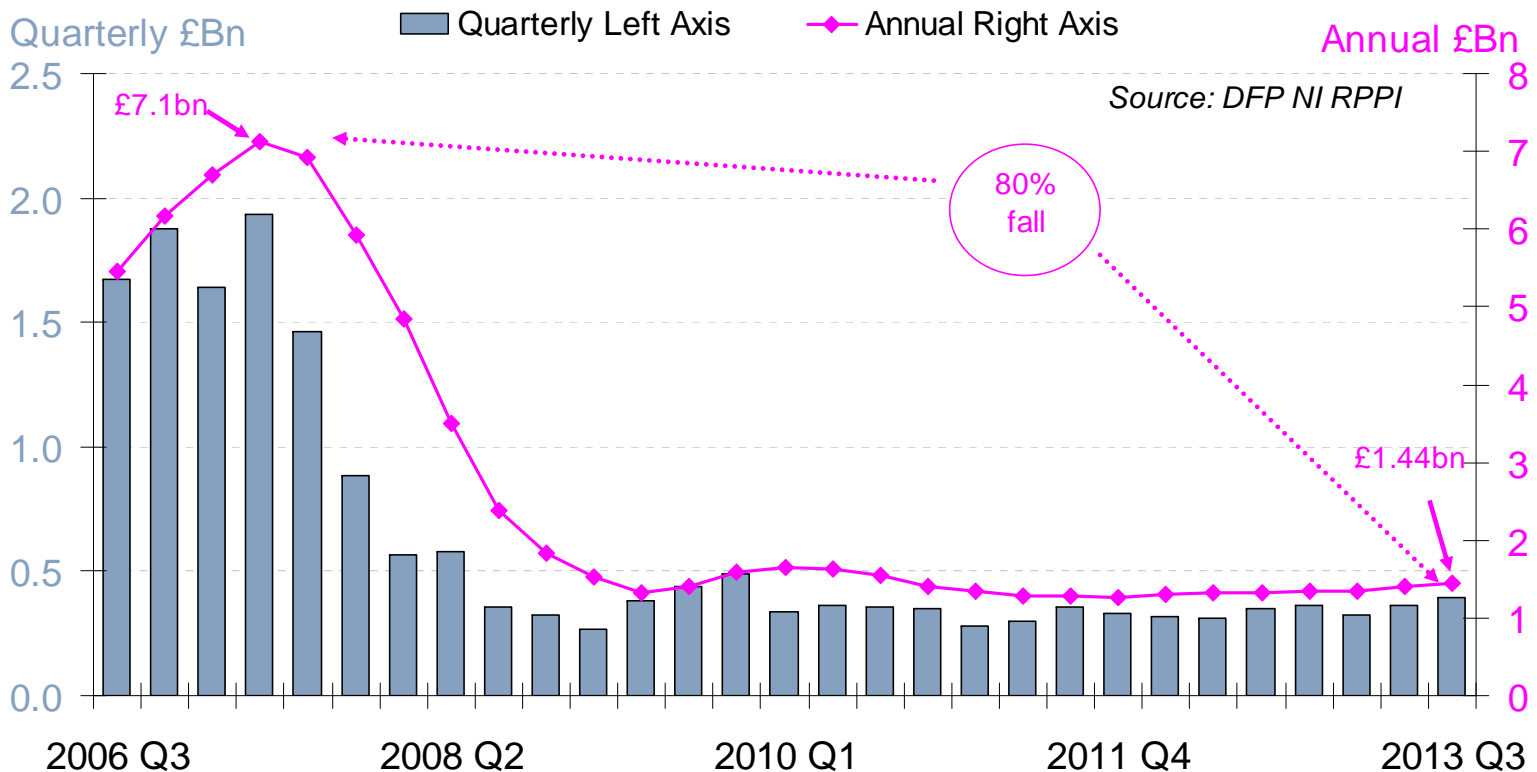
NI Residential Property Transactions
Rolling 4 Quarter Sum



The value of NI's property transactions has fallen by £5.7bn (80%) relative to peak

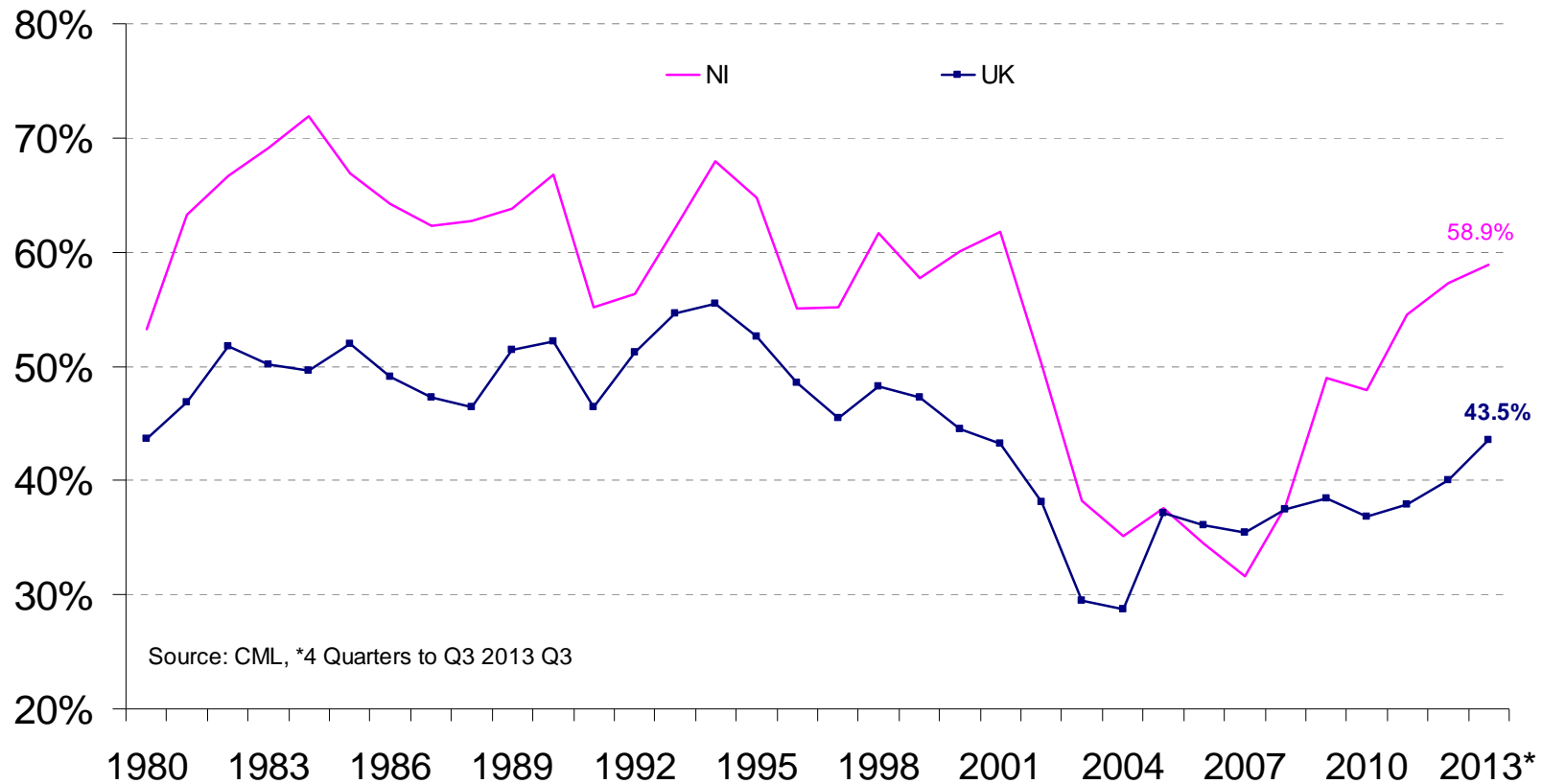
Value of NI's Residential Property Transactions

(Transactions x Standardised Price)

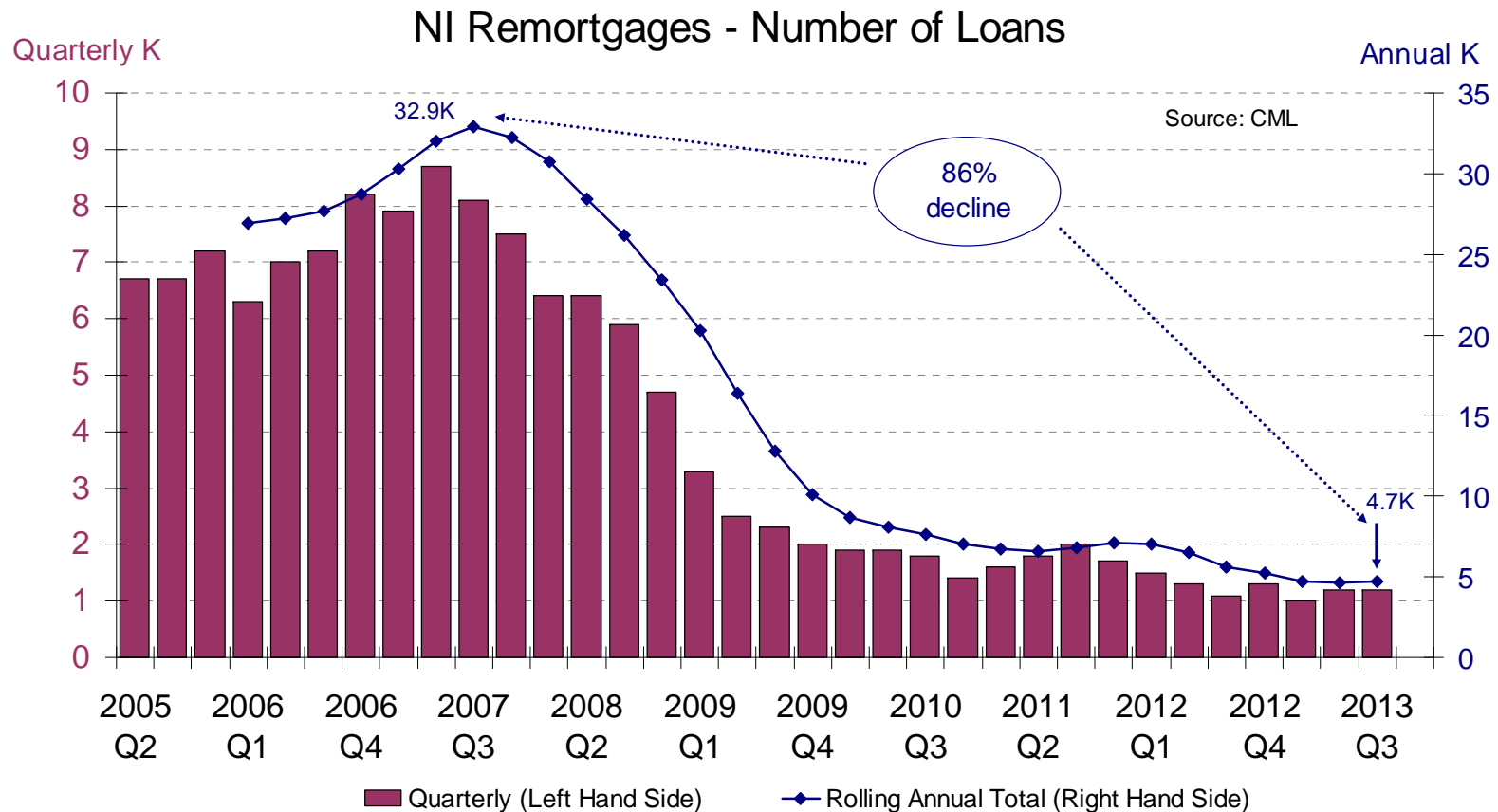


...with the FTB market accounting for almost 60% of all NI mortgage activity – its highest share since 2001

First-Time Buyer Share of the Market

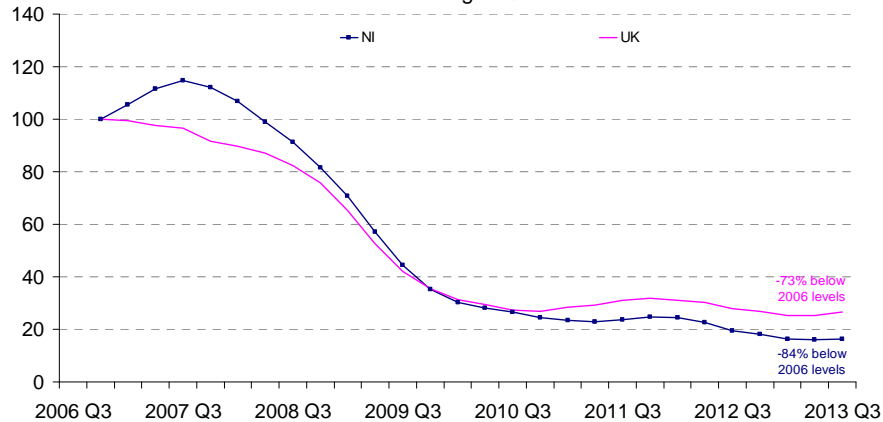


The number of NI remortgages has plummeted as well

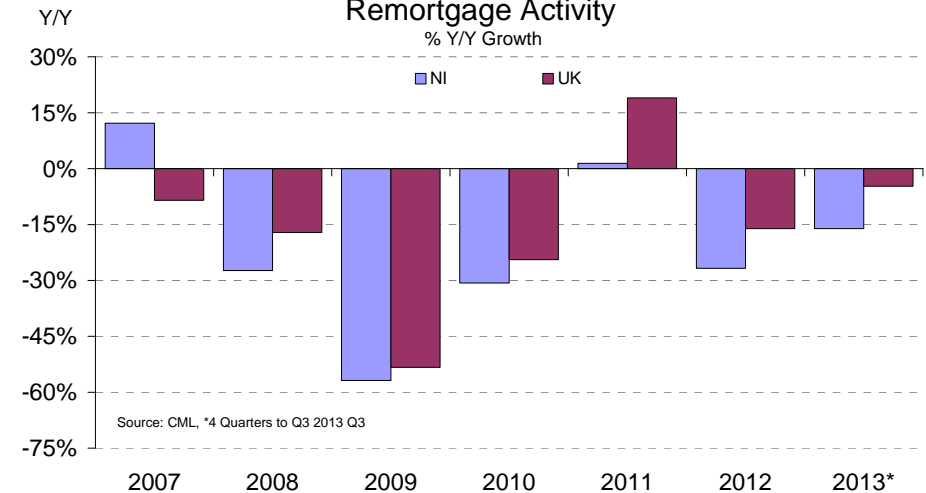


...with the UK remortgage market not faring much better

Remortgage Activity Levels
2006 = 100 Rolling 4 Quarter Total



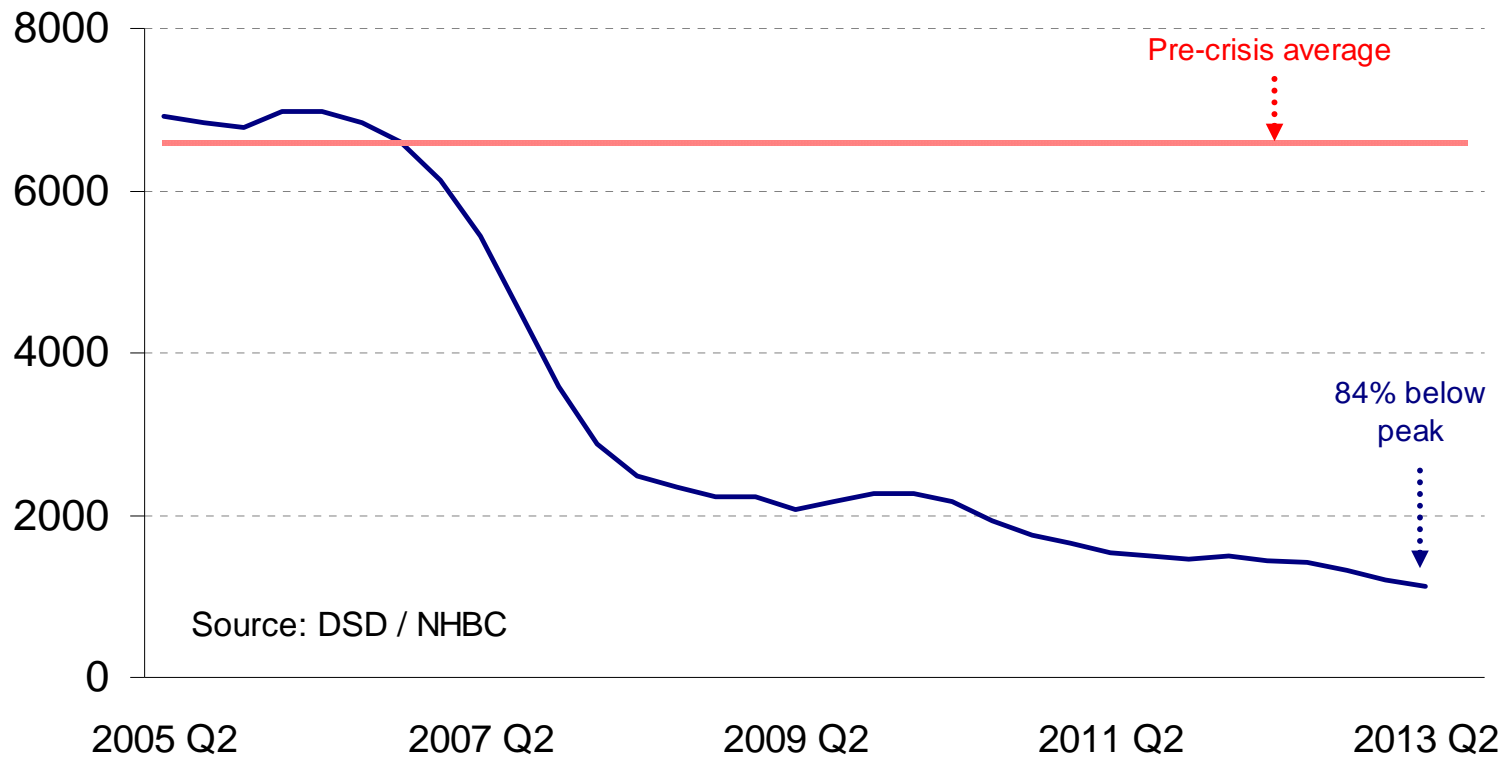
Remortgage Activity
% Y/Y Growth



New house sales in NI still following a downward trajectory with sales 84% below 2006 levels...

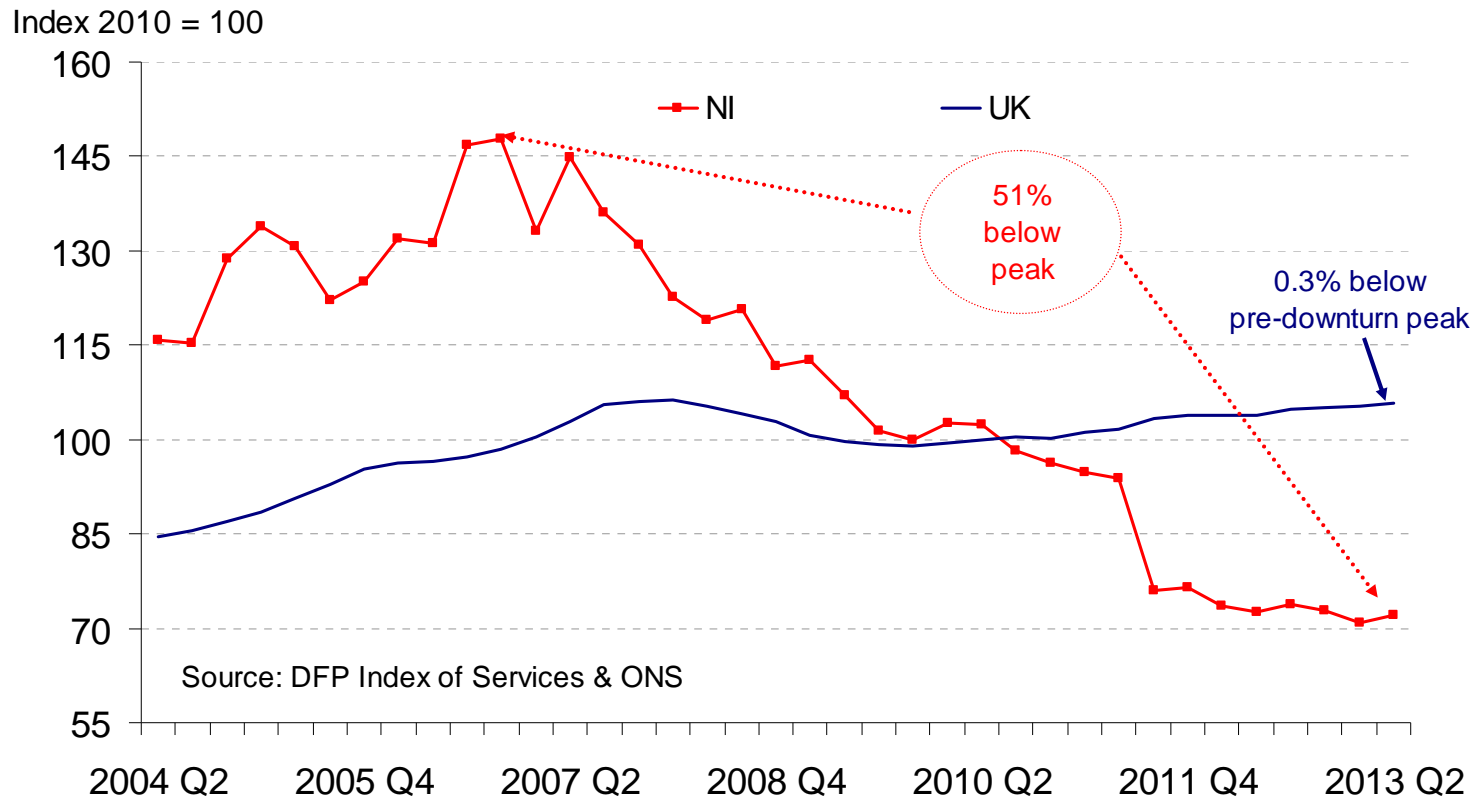
NI New House Sales

Rolling Annual Sum

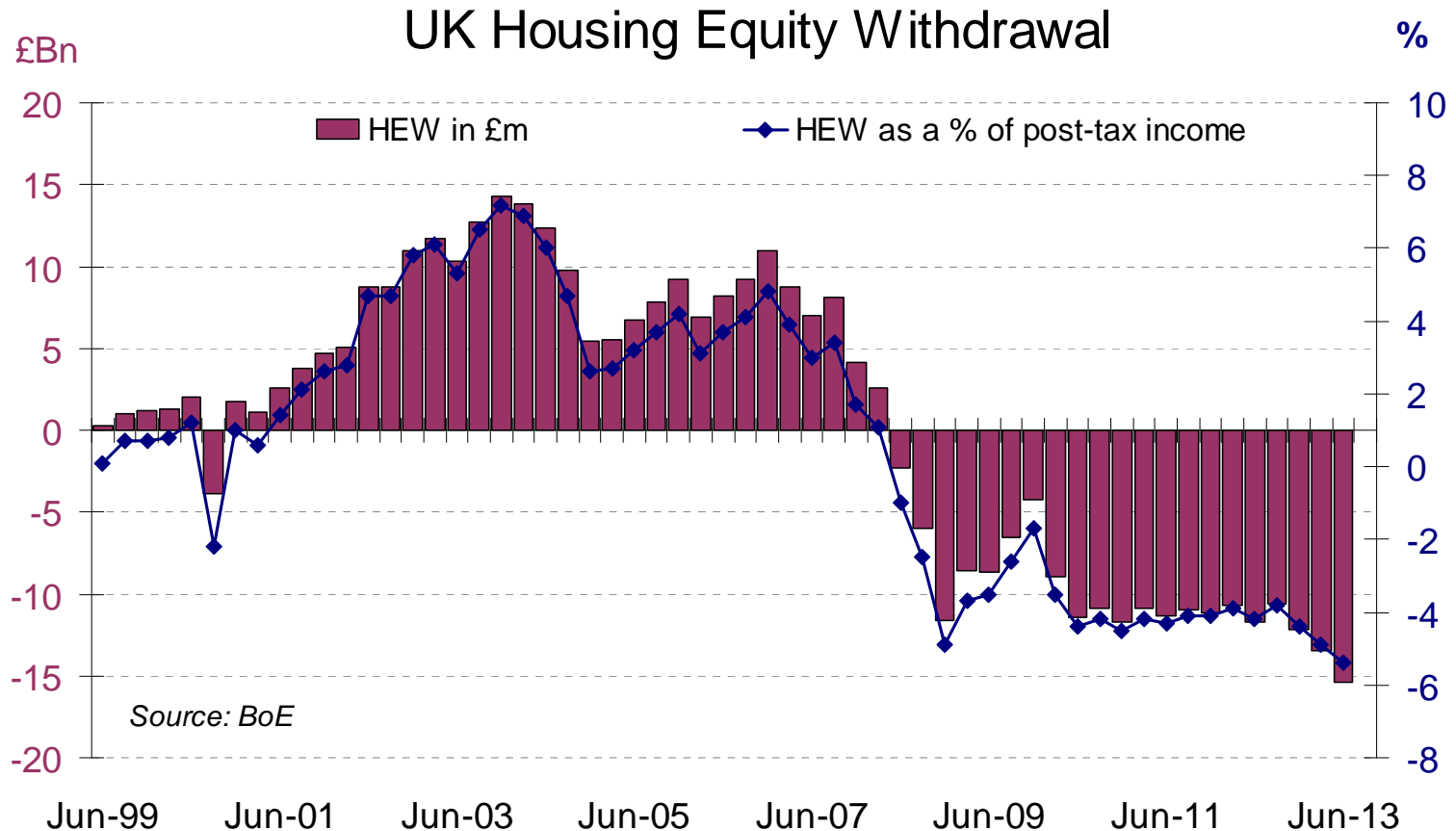


...property legacy explains why NI's *Business Services & Finance* output is some 51% below its Q4 2006 peak...

NI Business Services & Finance Output Levels

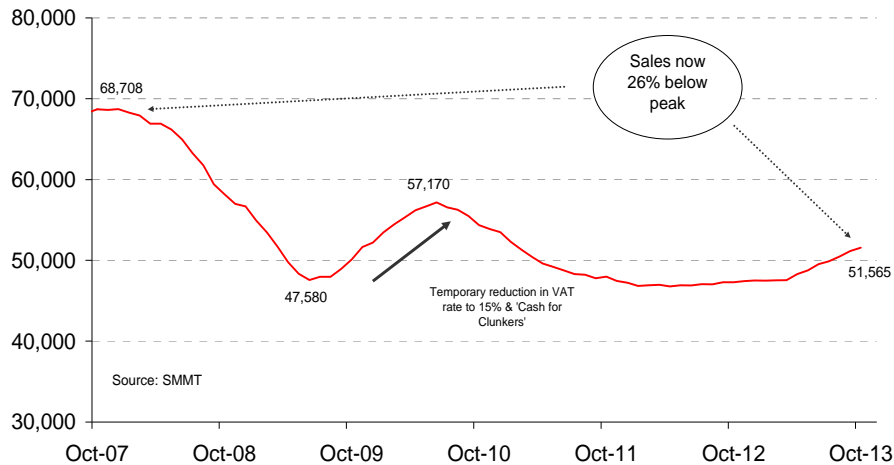


...the rise of remortgaging was accompanied by a rise in housing equity withdrawal for spending on 2nd homes....

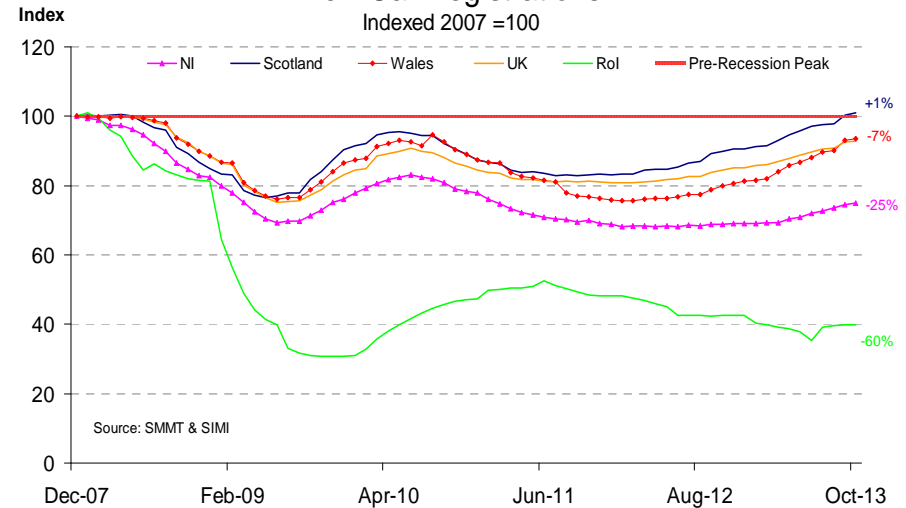


...or a new car. Decreases in remortgaging / equity withdrawal is one factor behind decline in new car sales

17,143 fewer NI new car sales relative to 2007 peak
12 Month Rolling Sum

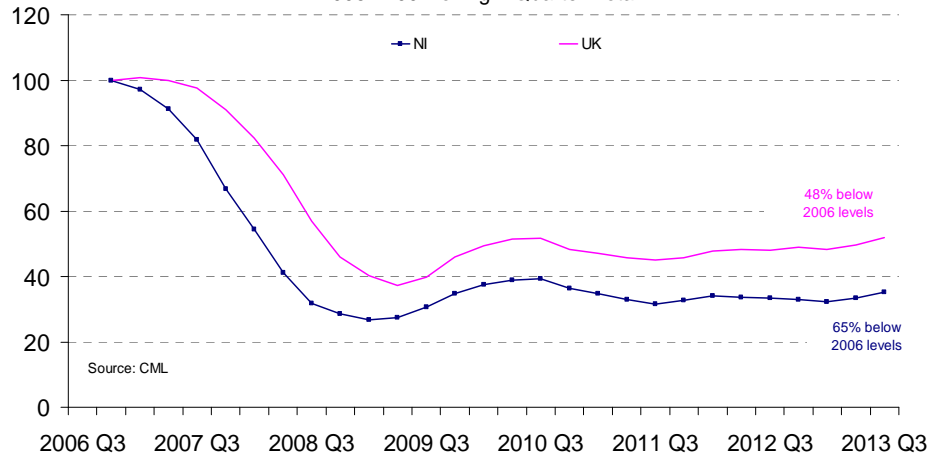


New Car Registrations

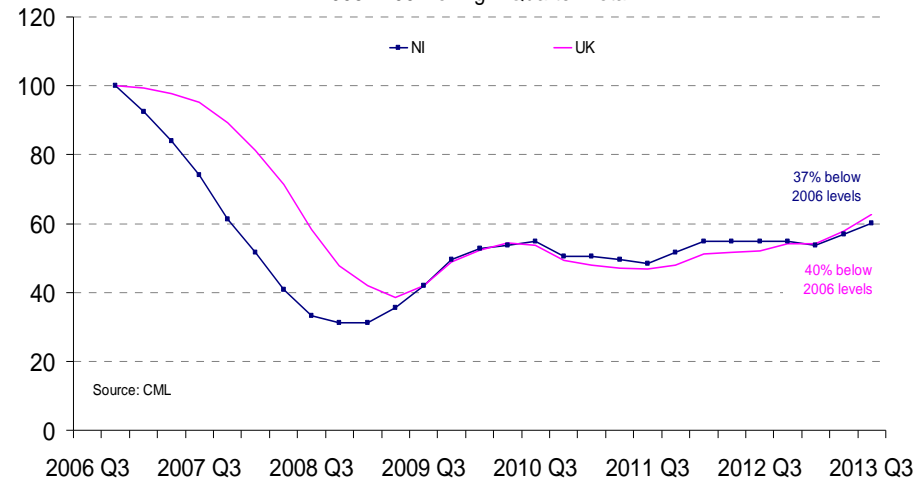


Levels of mortgage activity in both the UK & NI remain well below 2006 (pre-crisis) levels...

NI & UK Mortgage Activity Levels: All Loans
2006 = 100 Rolling 4 Quarter Total

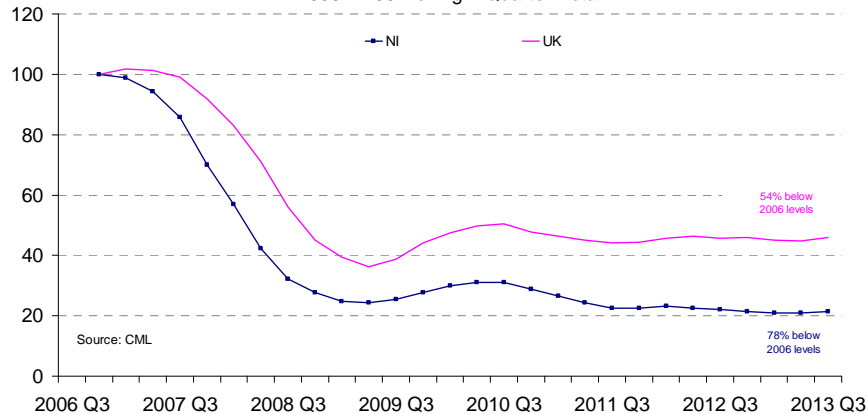


NI & UK Mortgage Activity Levels: First-Time Buyers
2006 = 100 Rolling 4 Quarter Total

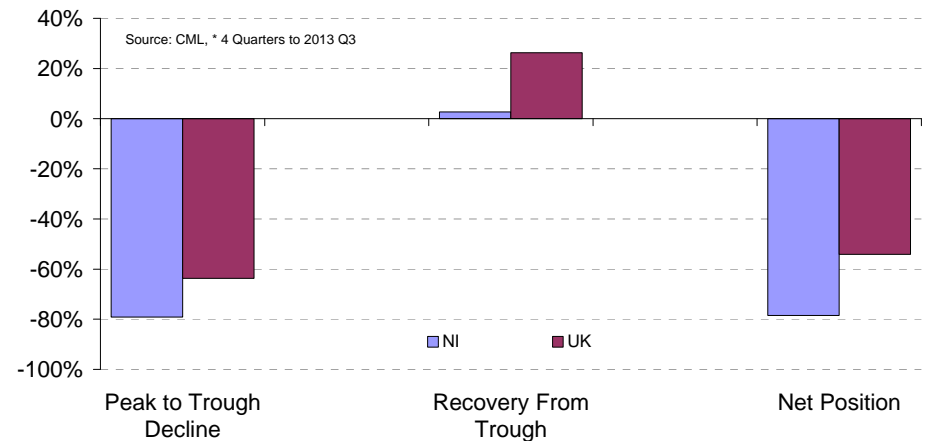


... the 'Home Movers' segment remains virtually stagnant. FTBs more likely to go for new builds rather than 2nd hand dwellings

NI & UK Mortgage Activity Levels: Home-Movers
2006 = 100 Rolling 4 Quarter Total

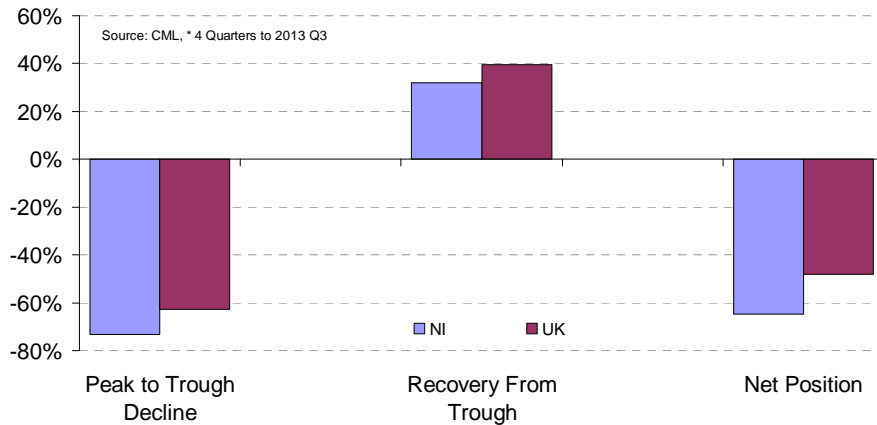


Mortgage Activity (*Home Movers*) 2013 Q3*
Relative to Pre-Credit Crunch Levels (2006)

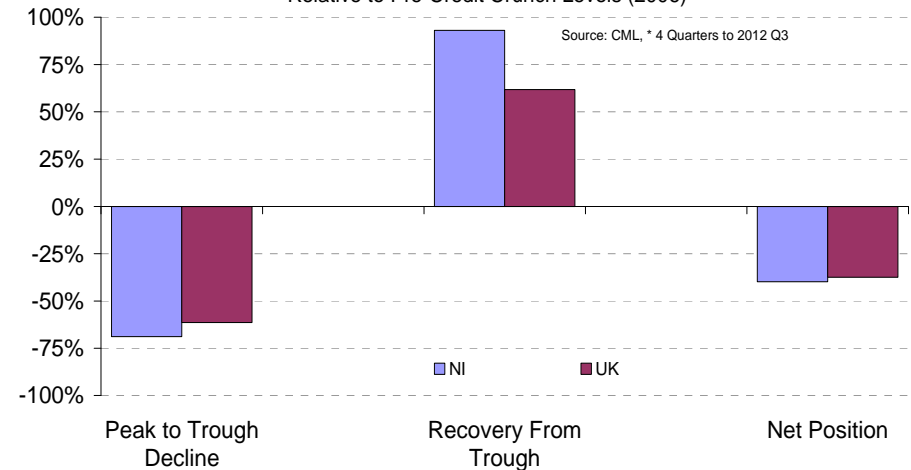


NI posted steeper decline & stronger recovery than UK in FTB market but their net position is similar

Mortgage Activity (*All Loans*) 2013 Q3*
Relative to Pre-Credit Crunch Levels (2006)



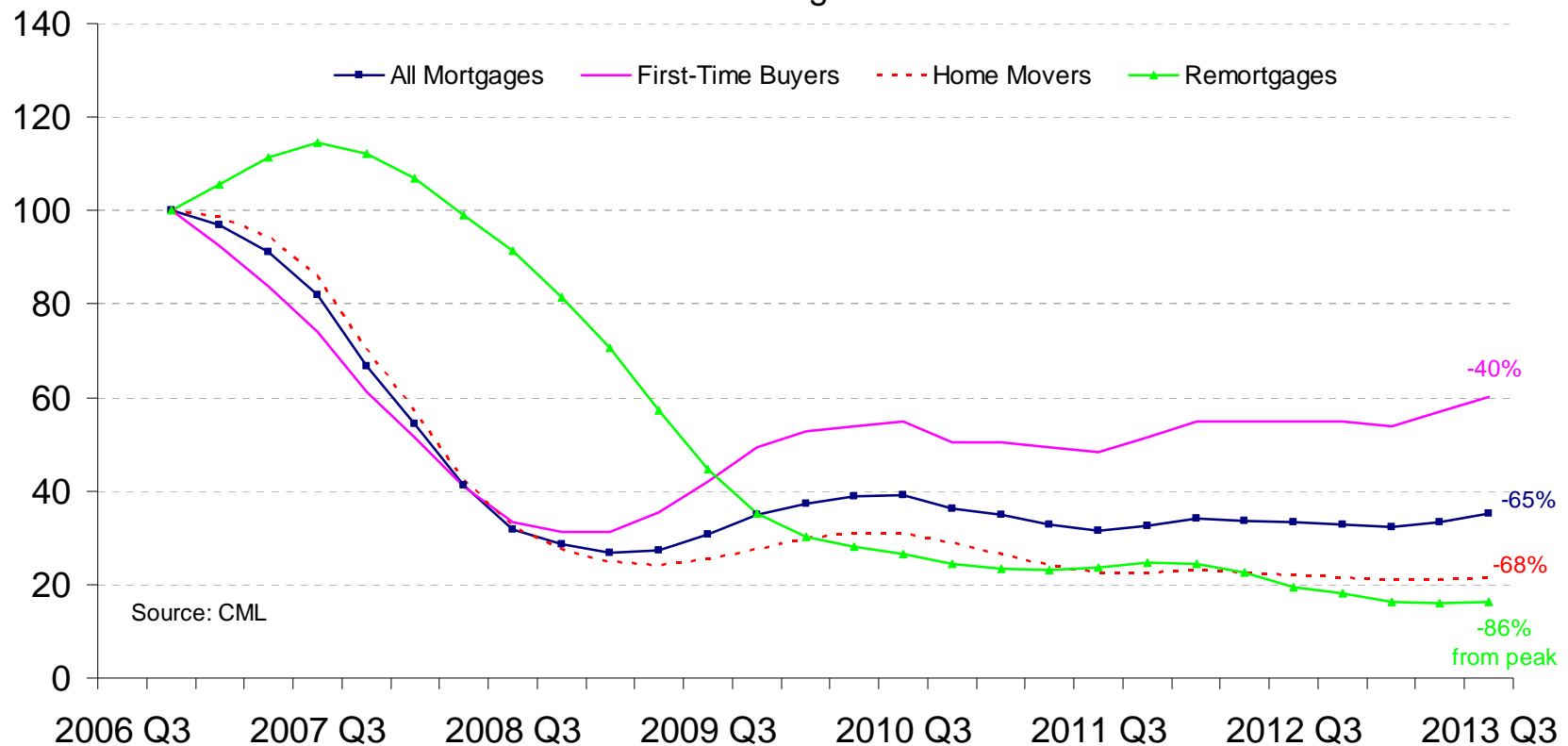
First-Time Buyer Mortgage Activity 2013 Q3*
Relative to Pre-Credit Crunch Levels (2006)



Within Northern Ireland the *Home Mover & Remortgage* markets have fallen the most

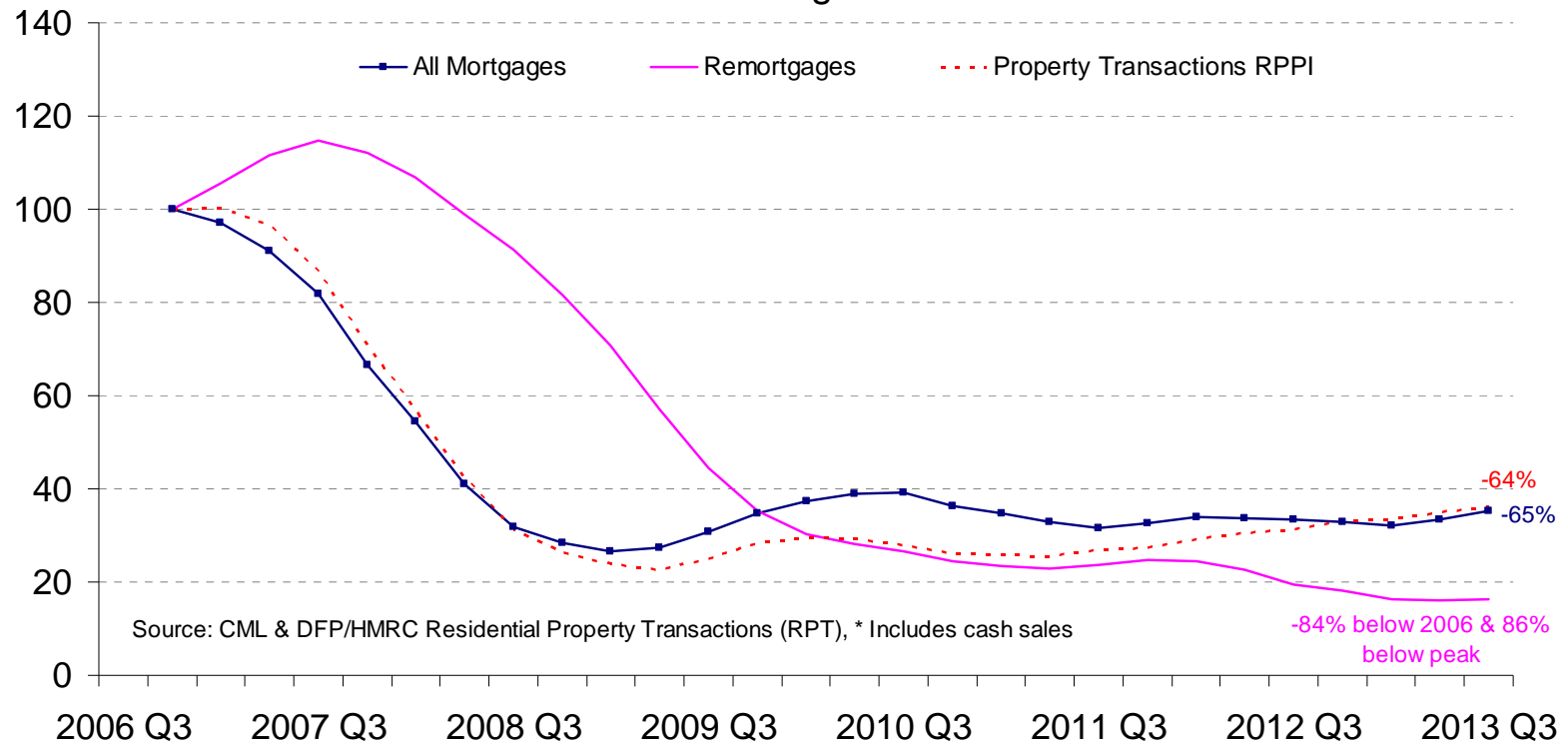
N.Ireland Mortgage & Remortgage Activity Levels

2006 = 100 Rolling 4 Quarter Total

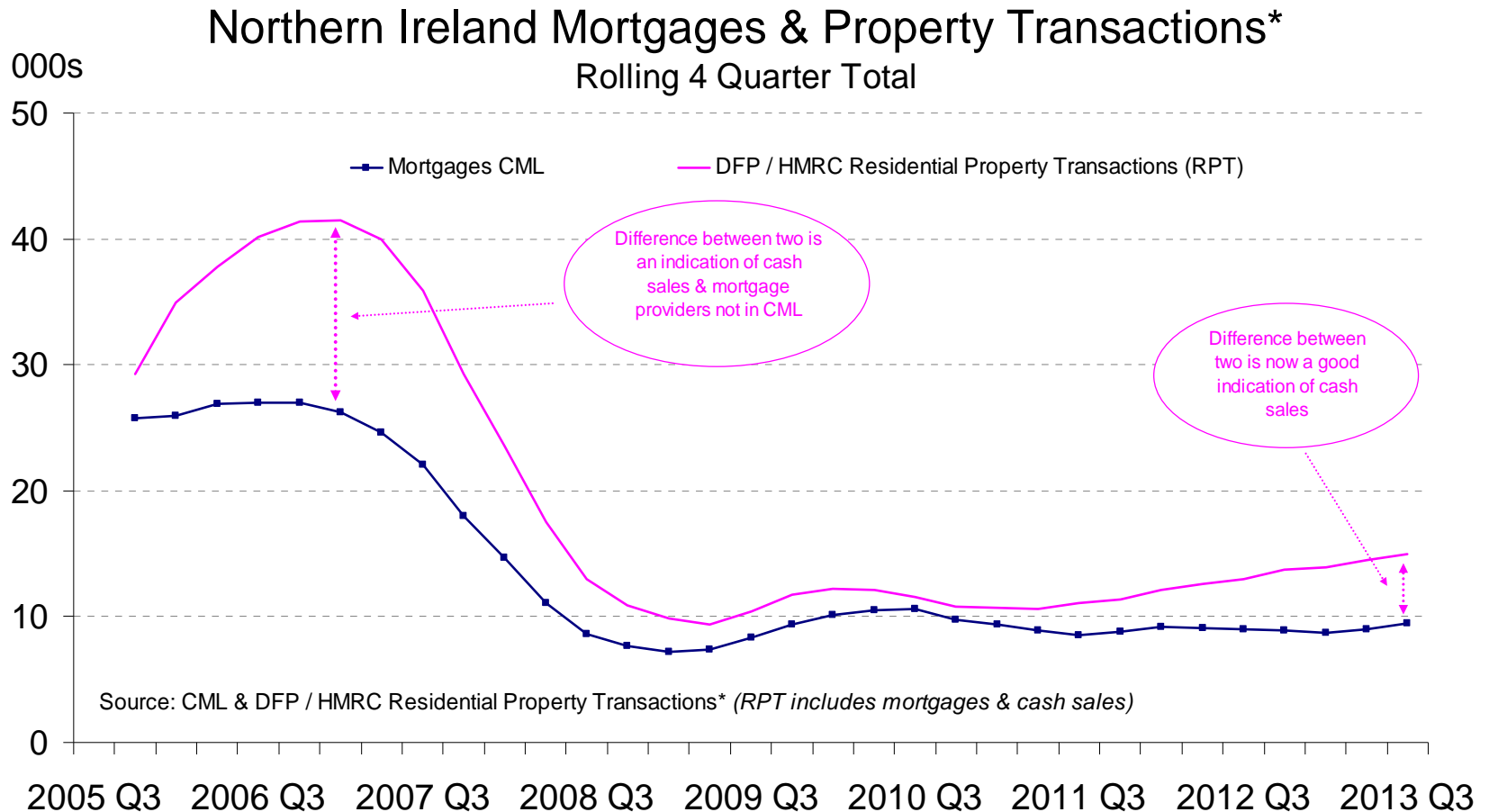


Residential property transactions (*mortgages & cash sales*) down 64% relative to 2006 levels

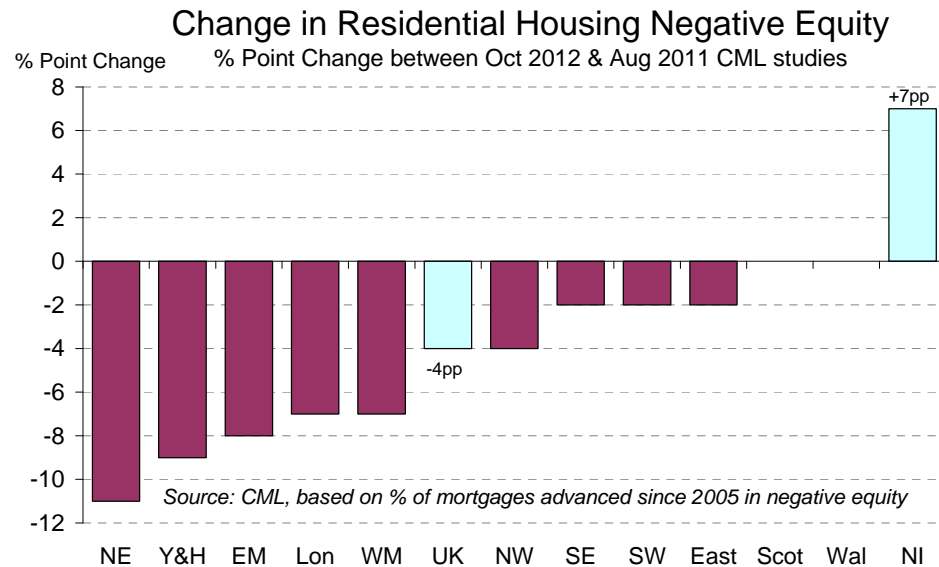
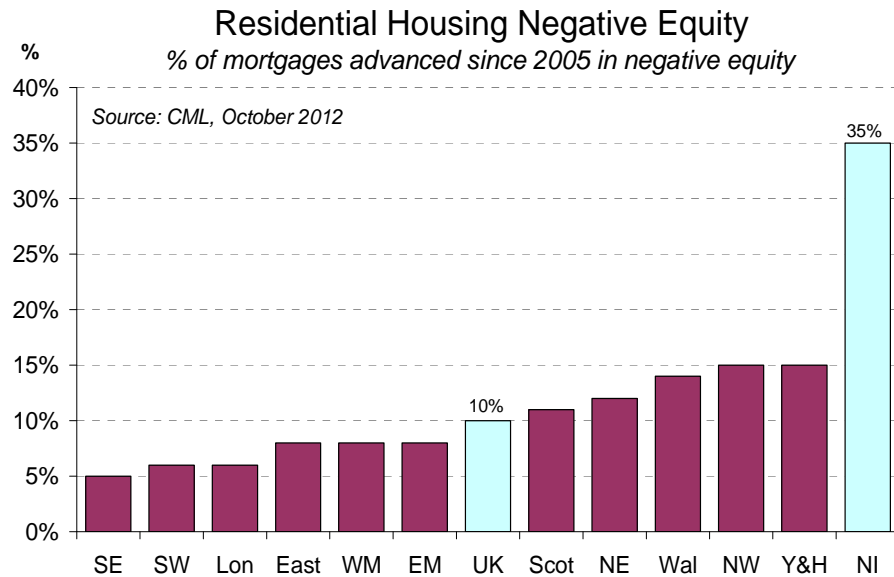
NI Residential Property Transactions* Levels
2006 = 100 Rolling 4 Quarter Total



Comparison between CML & HMRC property transactions suggests 30% of transactions are cash sales

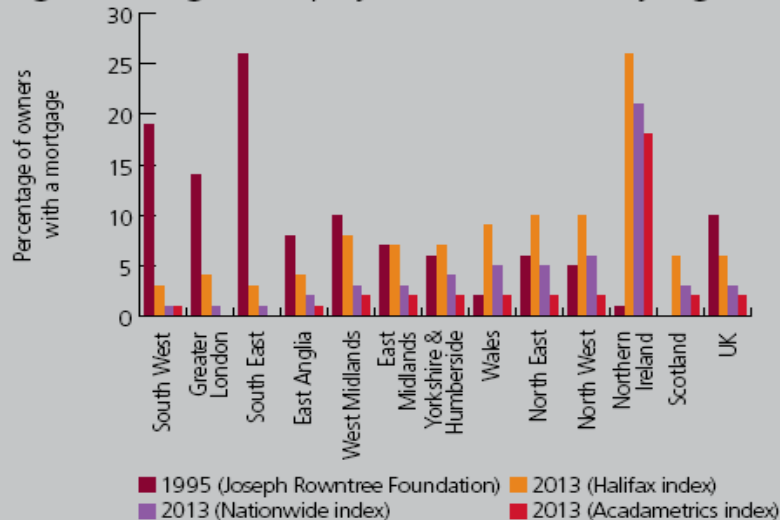


Over 1/3rd of mortgages advanced since 2005 in Northern Ireland were in negative equity in 2012



According to some estimates between 20-25% of all mortgage holders are in negative equity in N.Ireland

Figure 7: Negative equity: 1995 and 2013 by region



Source: Joseph Rowntree Foundation (1995), FSA Calculations (Product Sales Database, Mortgage Market Review Product Sales Database Performance Data), Halifax, Nationwide, Acadametrics

Negative equity affected 10.5% of UK mortgage holders in the mid-1990s and was geographically concentrated in the southern regions of the UK. Today, negative equity is more prevalent in the northern UK regions. NI is the negative equity black spot in the UK.

Source: FCA Risk Outlook 2013 Negative equity assessment made in January 2013

Writs & summonses in respect of mortgages & mortgage possession orders remain at elevated levels

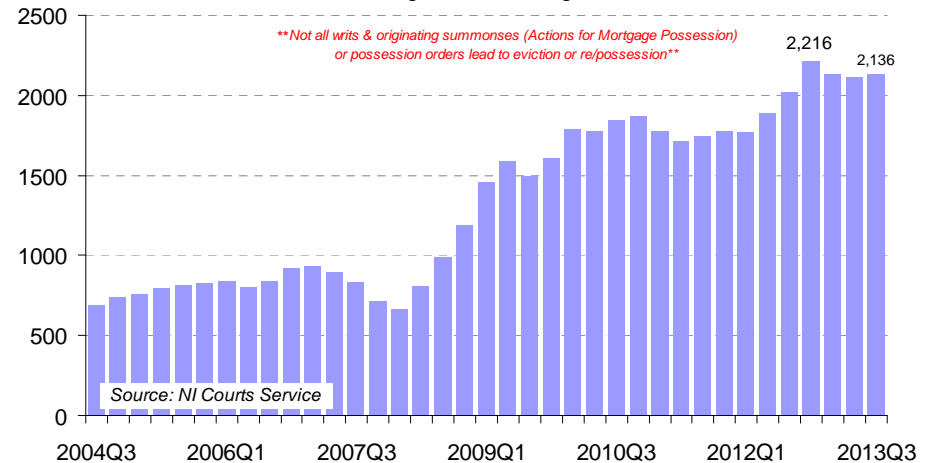
NI Mortgage Arrears

(Writs & Originating Summonses in respect of mortgages)

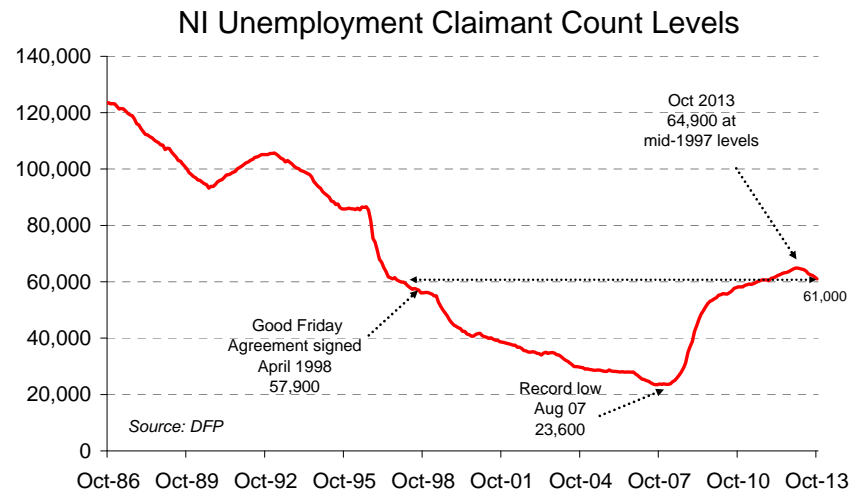
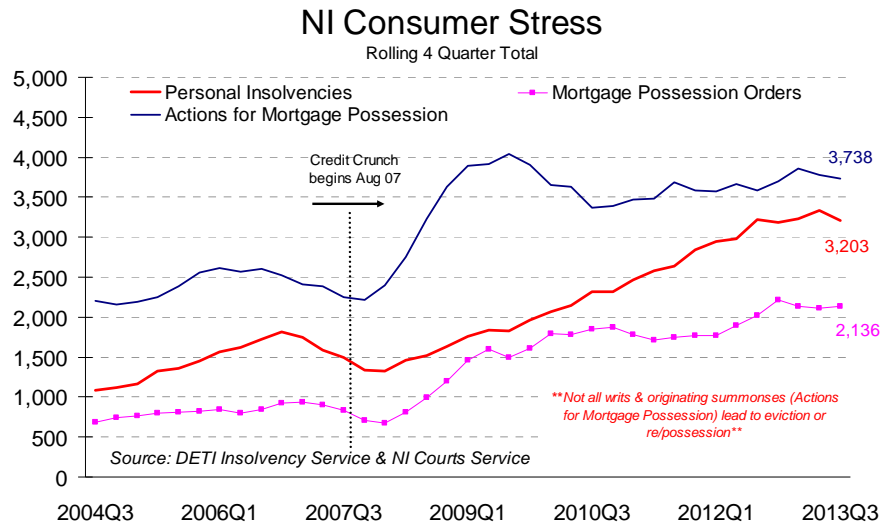


NI Mortgage Possession Orders

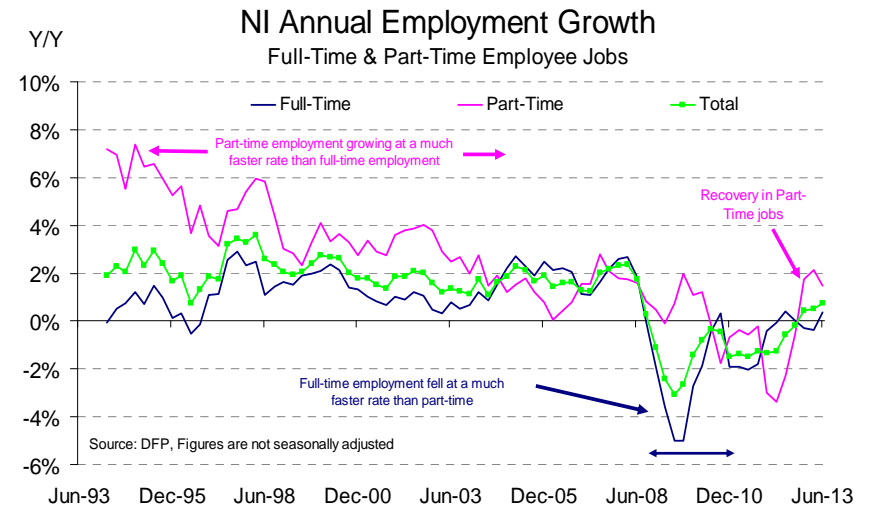
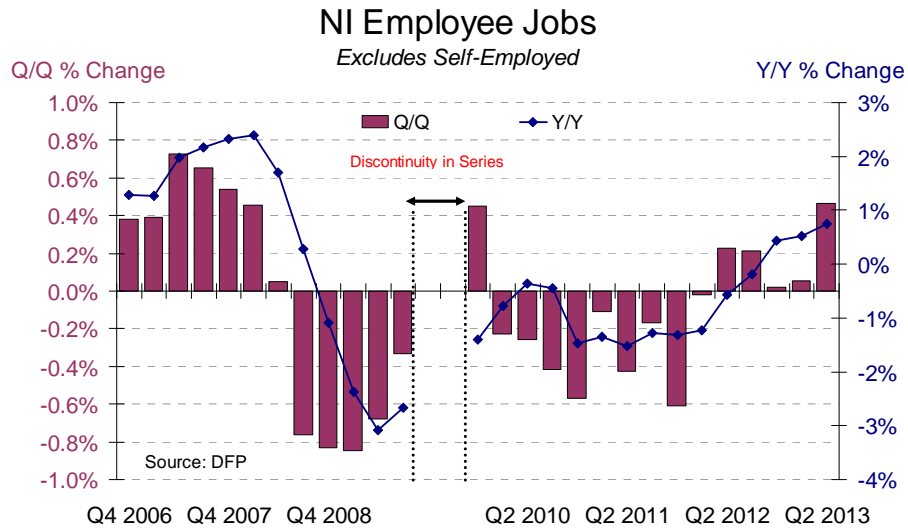
Rolling Annual Average



Consumer stress will remain a major issue with the two legacies of unemployment and debt still to unwind...



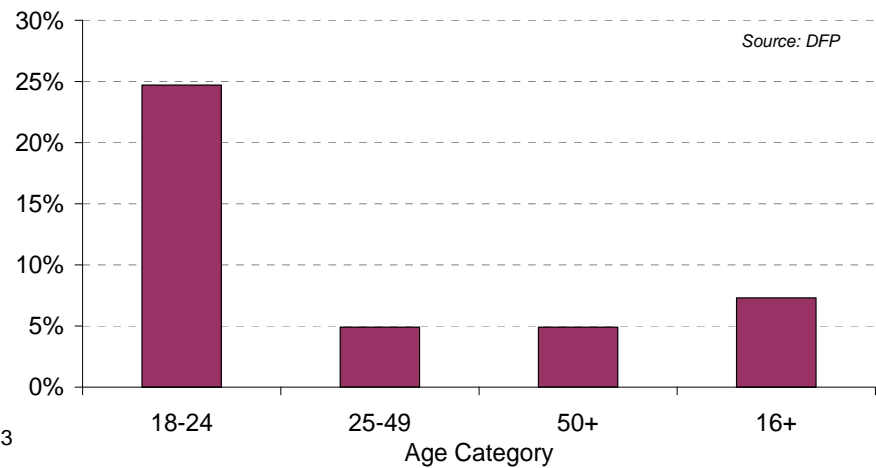
...although employment growth (*including full-time employment*) has returned...



...unemployment has been falling but for the under 25s
(*the first-time buyers of tomorrow*) it remains a big problem

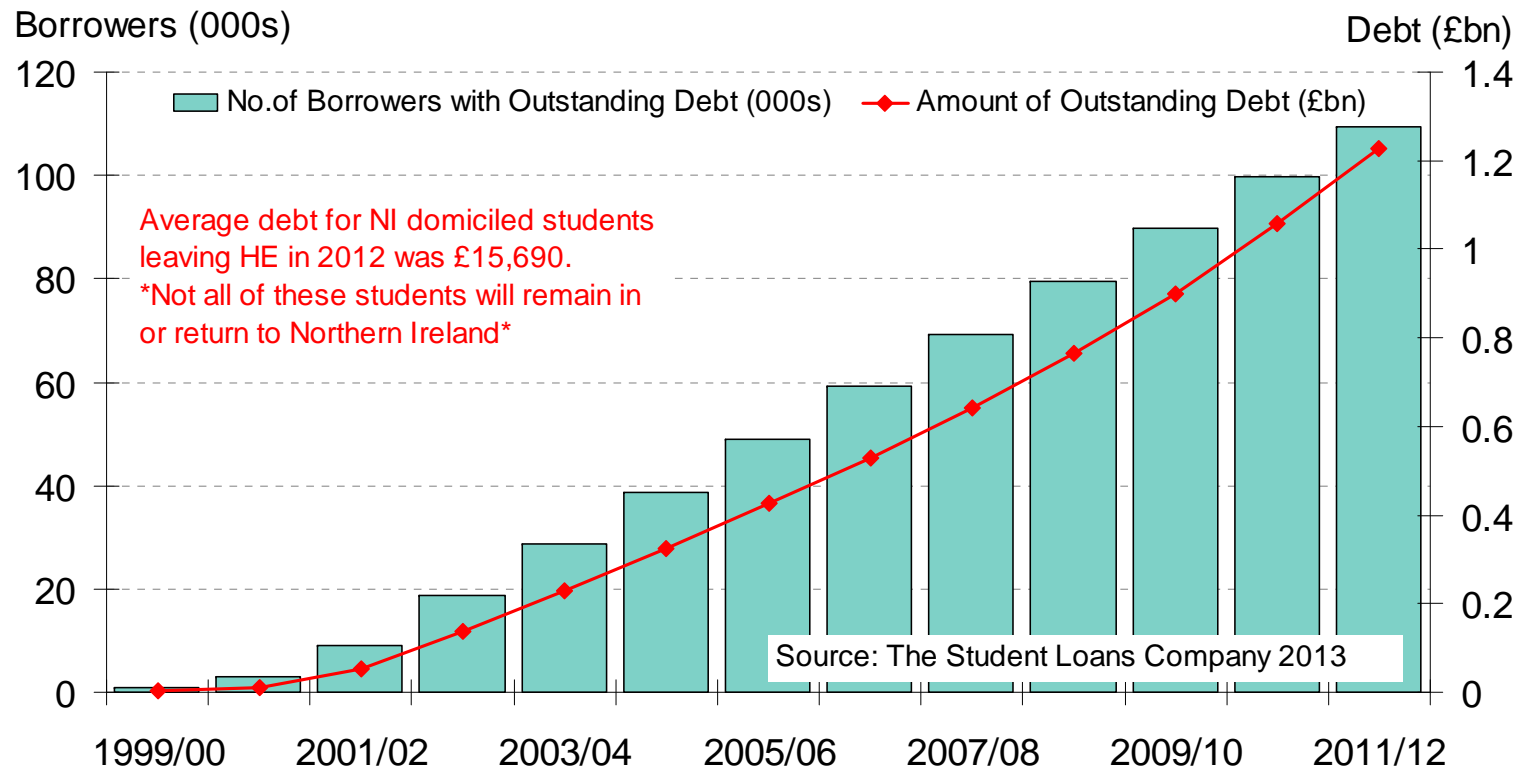


ILO Unemployment Rates by Age-Group
July-September 2013



Student debt will affect FTB affordability. Over 109,000 borrowers with £1.2bn of outstanding student debt

Income Contingent Repayments for NI Domiciled Students Studying in Higher Education in UK & EU

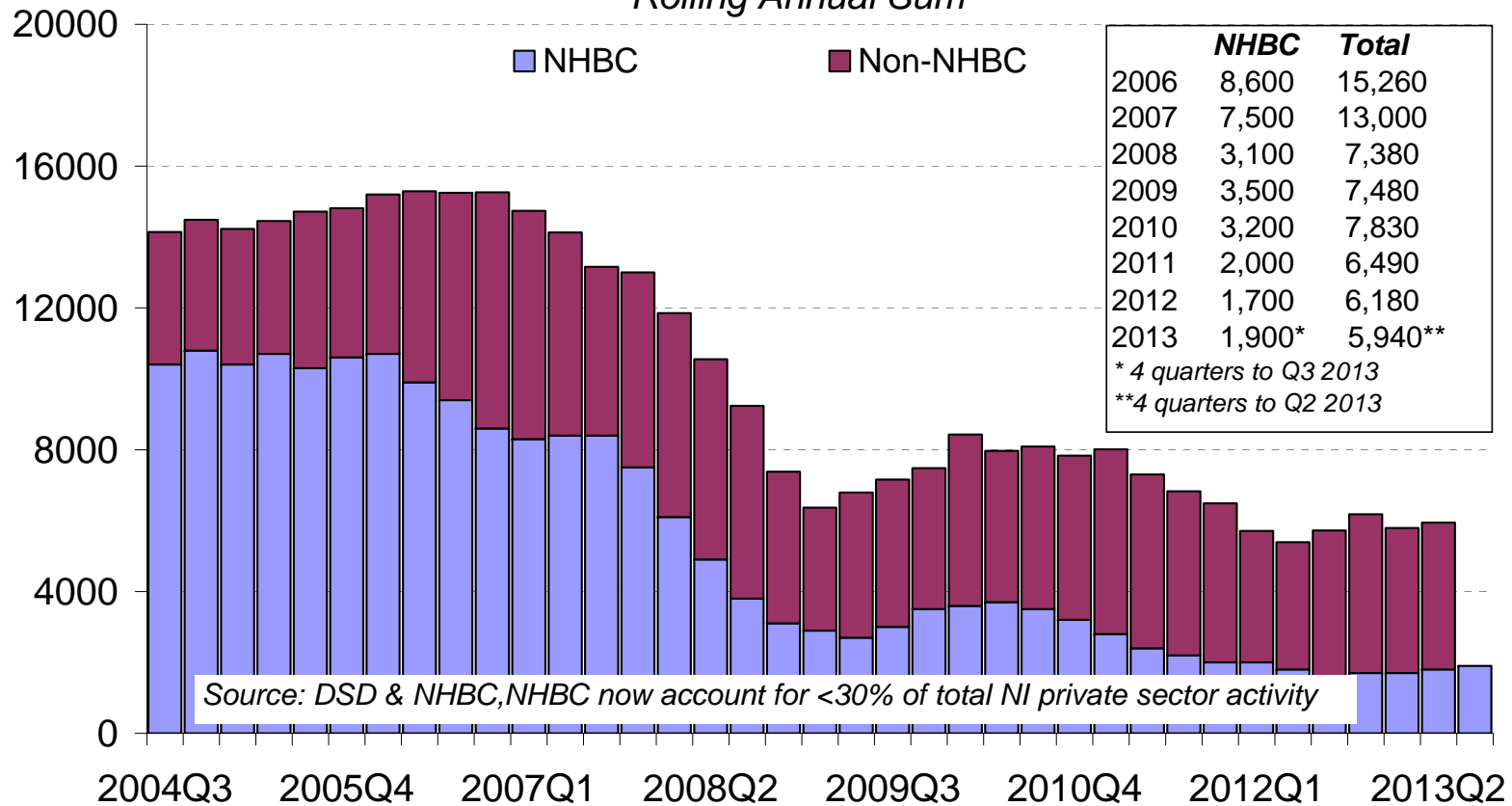


Housing Starts / Housing Completions

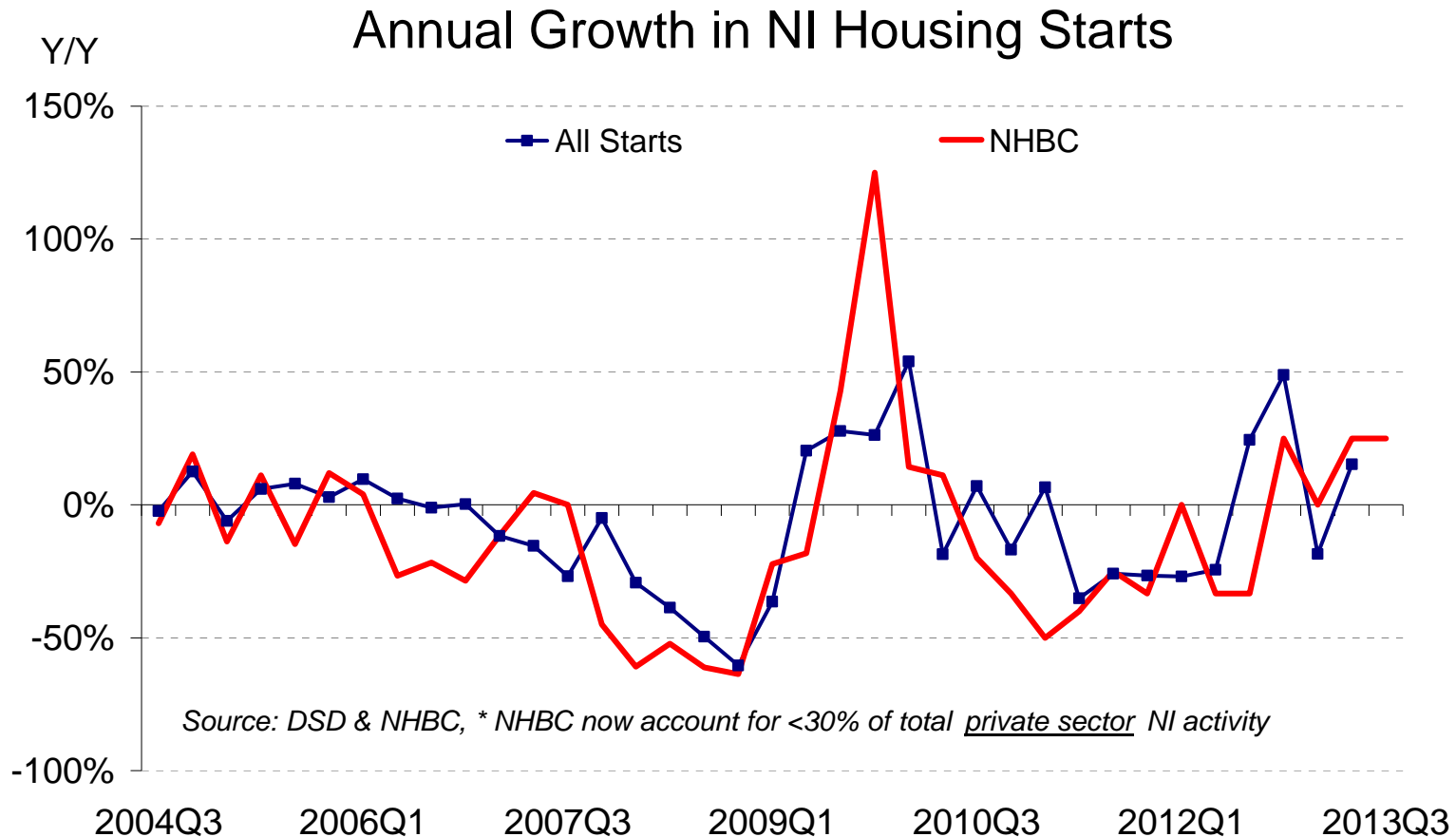
Housing starts were still falling in 2012 but expected to bottom-out in 2013...

NI House Starts

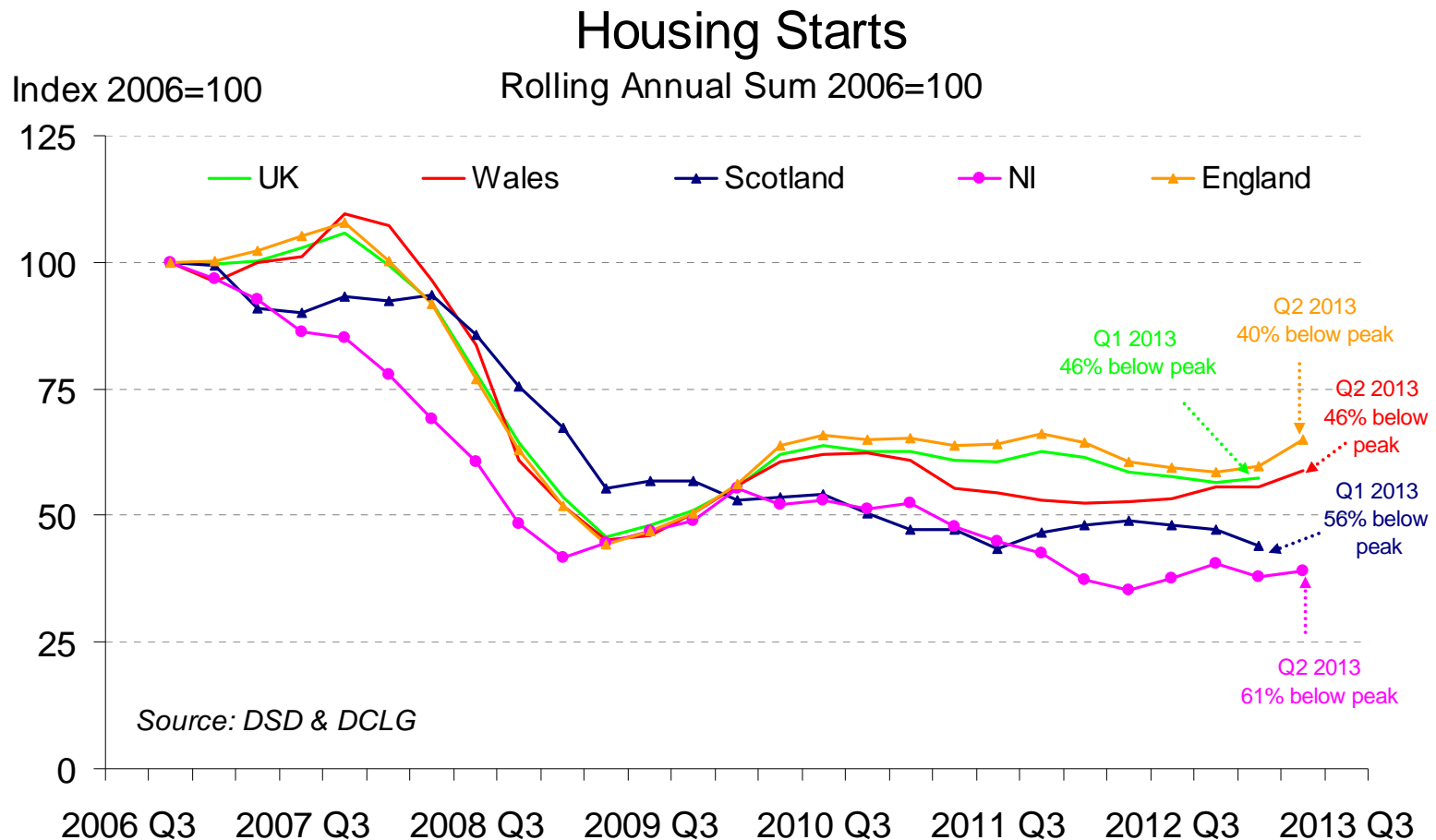
Rolling Annual Sum



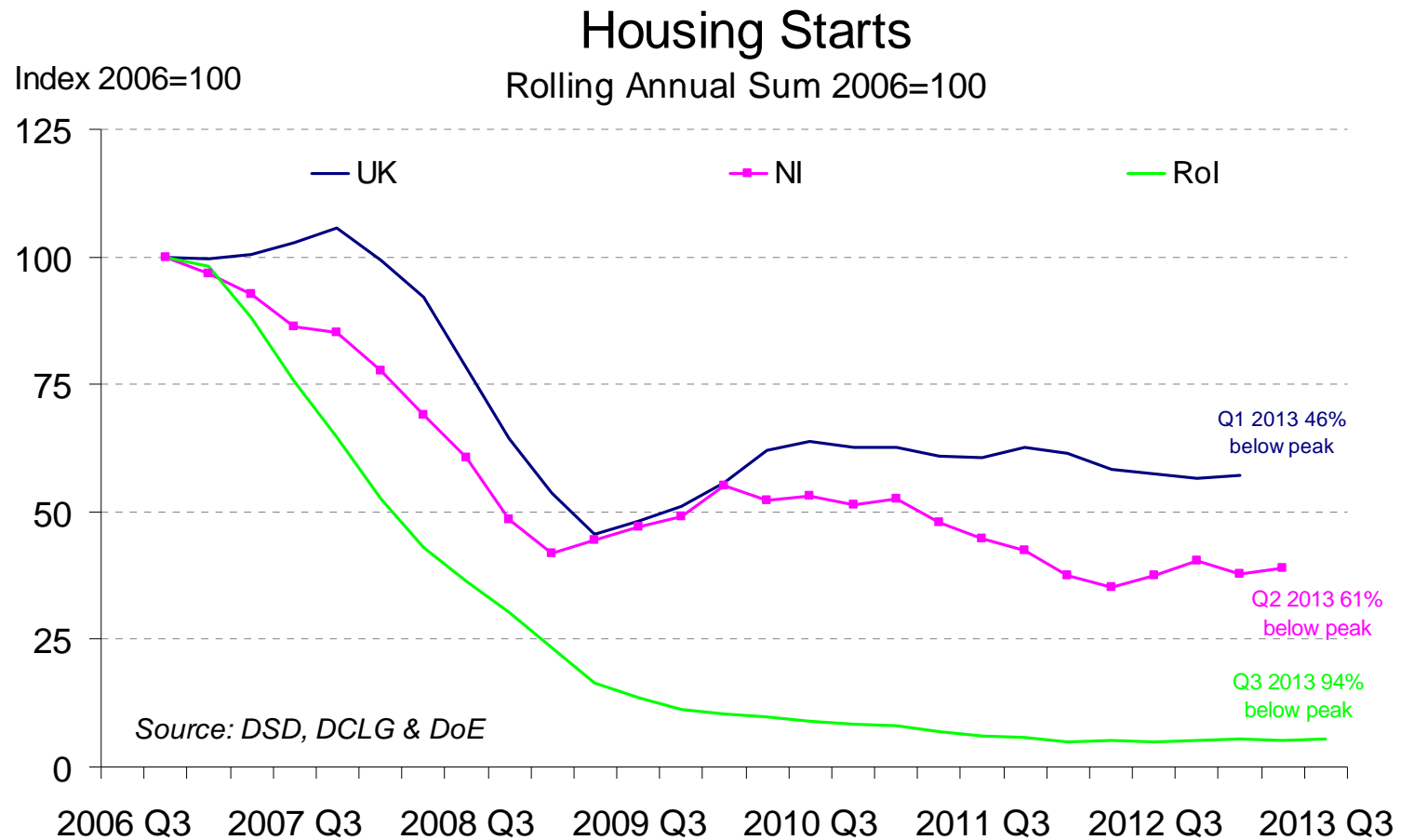
...as the most recent data signals an upward trajectory



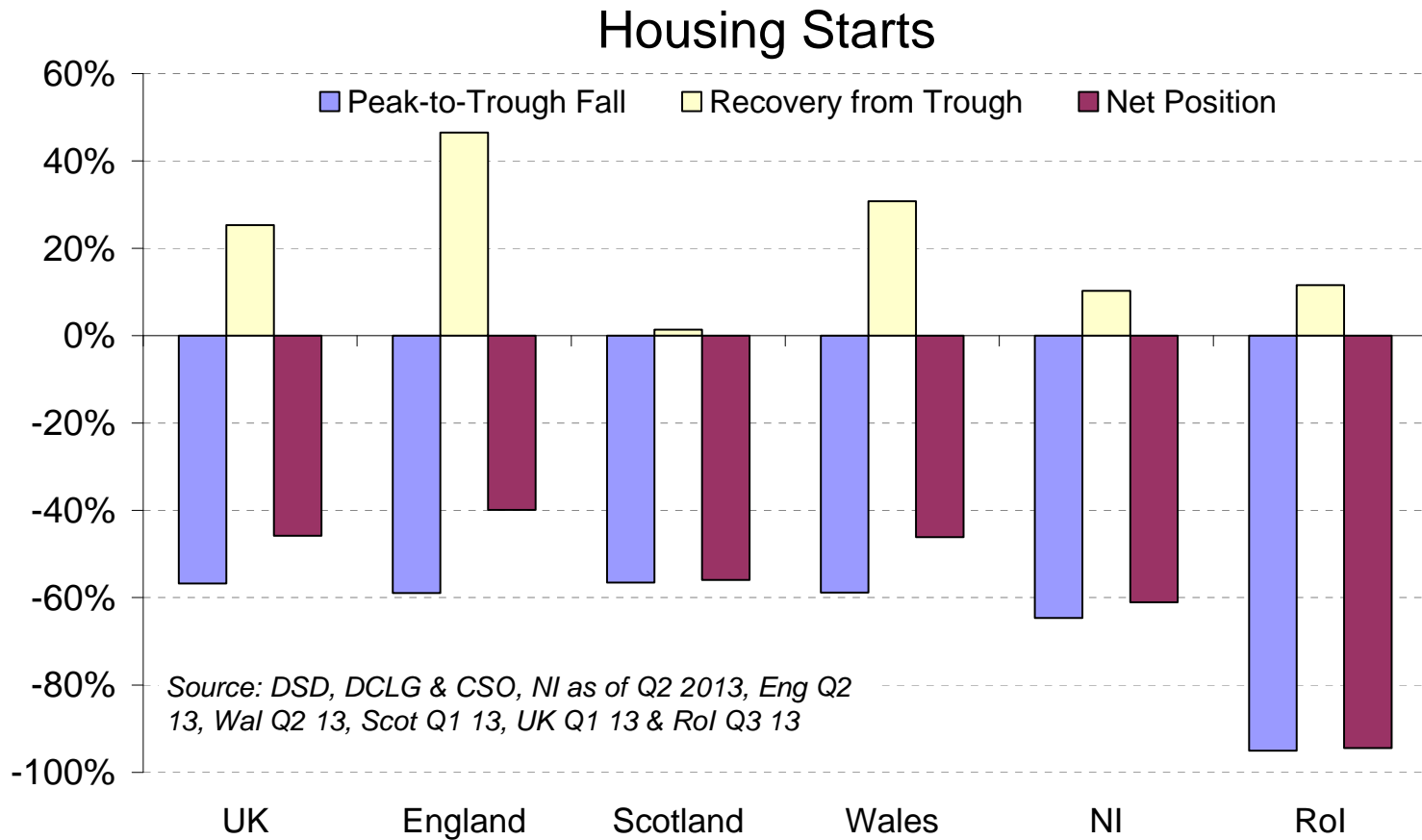
Over the last 6/7 years housing starts in Northern Ireland have fallen further than elsewhere in the UK ...



... but not as bad as the Republic of Ireland



NI & UK have experienced similar peak-to-trough declines



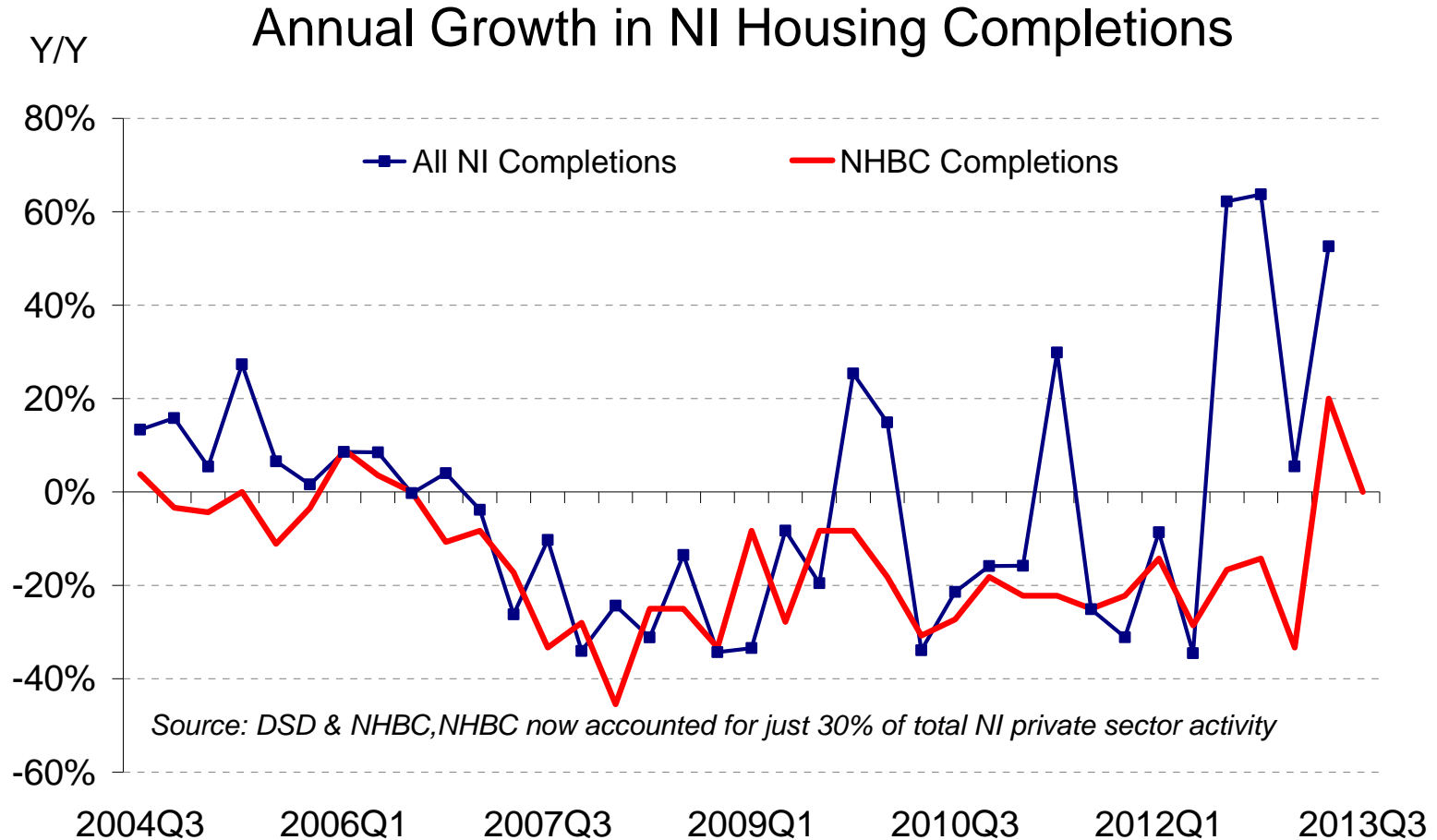
The RoI has experienced the steepest decline in housing starts with England posting the strongest recovery

Housing Starts

	Peak-To-Trough*	Recovery-from-Trough	Net Position**
UK <i>(as of Q1 2013)</i>	-56.8%	25.3%	-45.8%
England <i>(as of Q2 2013)</i>	-59.0%	46.5%	-39.9%
Scotland <i>(as of Q1 2013)</i>	-56.5%	1.4%	-55.9%
Wales <i>(as of Q2 2013)</i>	-58.8%	30.8%	-46.2%
Northern Ireland <i>(as of Q2 2013)</i>	-64.7%	10.2%	-61.1%
Republic of Ireland <i>(as of Q3 2013)</i>	-95.0%	11.5%	-94.4%

Source: DSD & DCLG, *pre-recession peak to trough over a 4 quarter period, ** latest position (last 4 quarters) relative to pre-recession peak

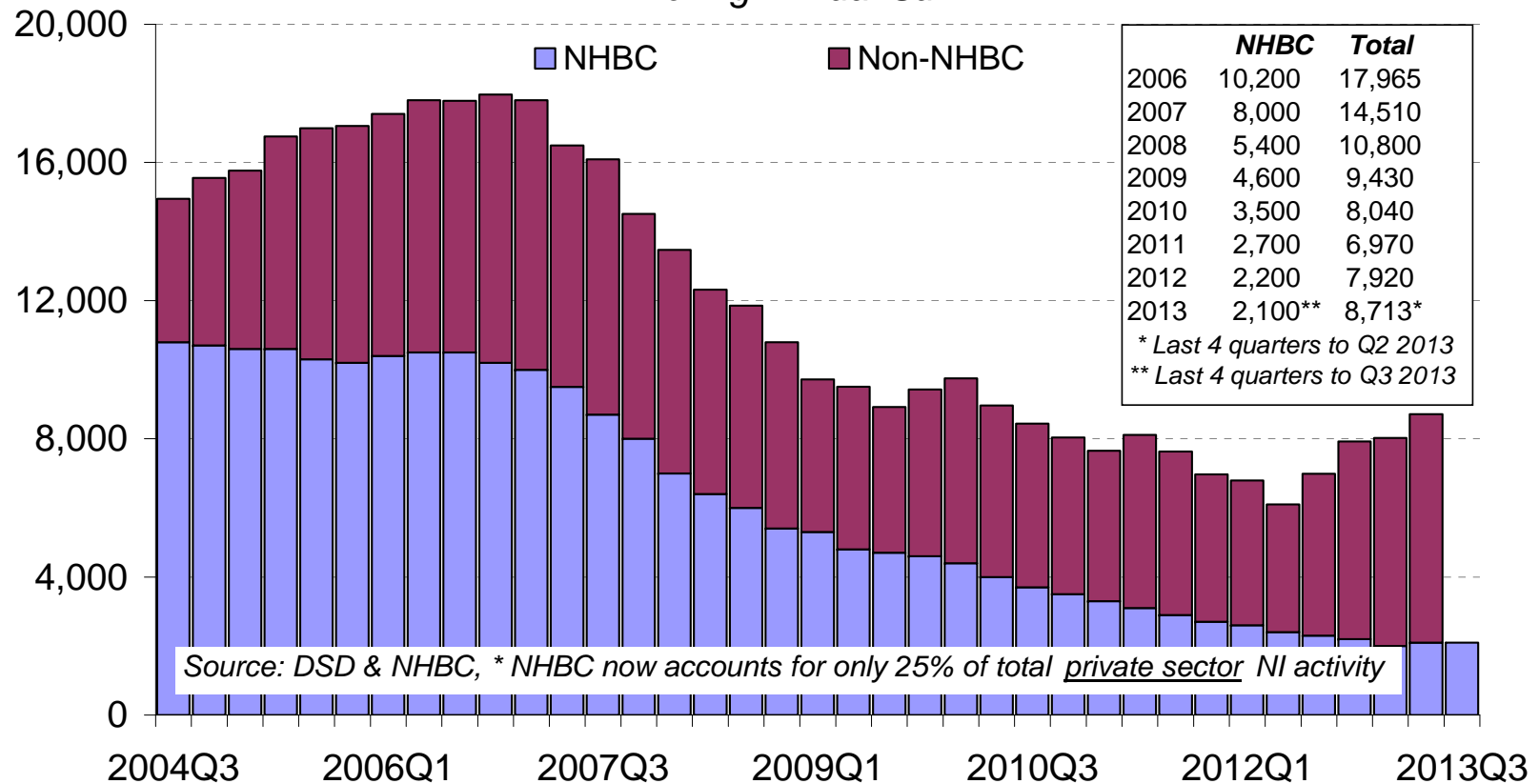
Annual rate of growth in house completions hits 52% in Q2 2013 with NHBC signalling a flat reading in Q3 2013...



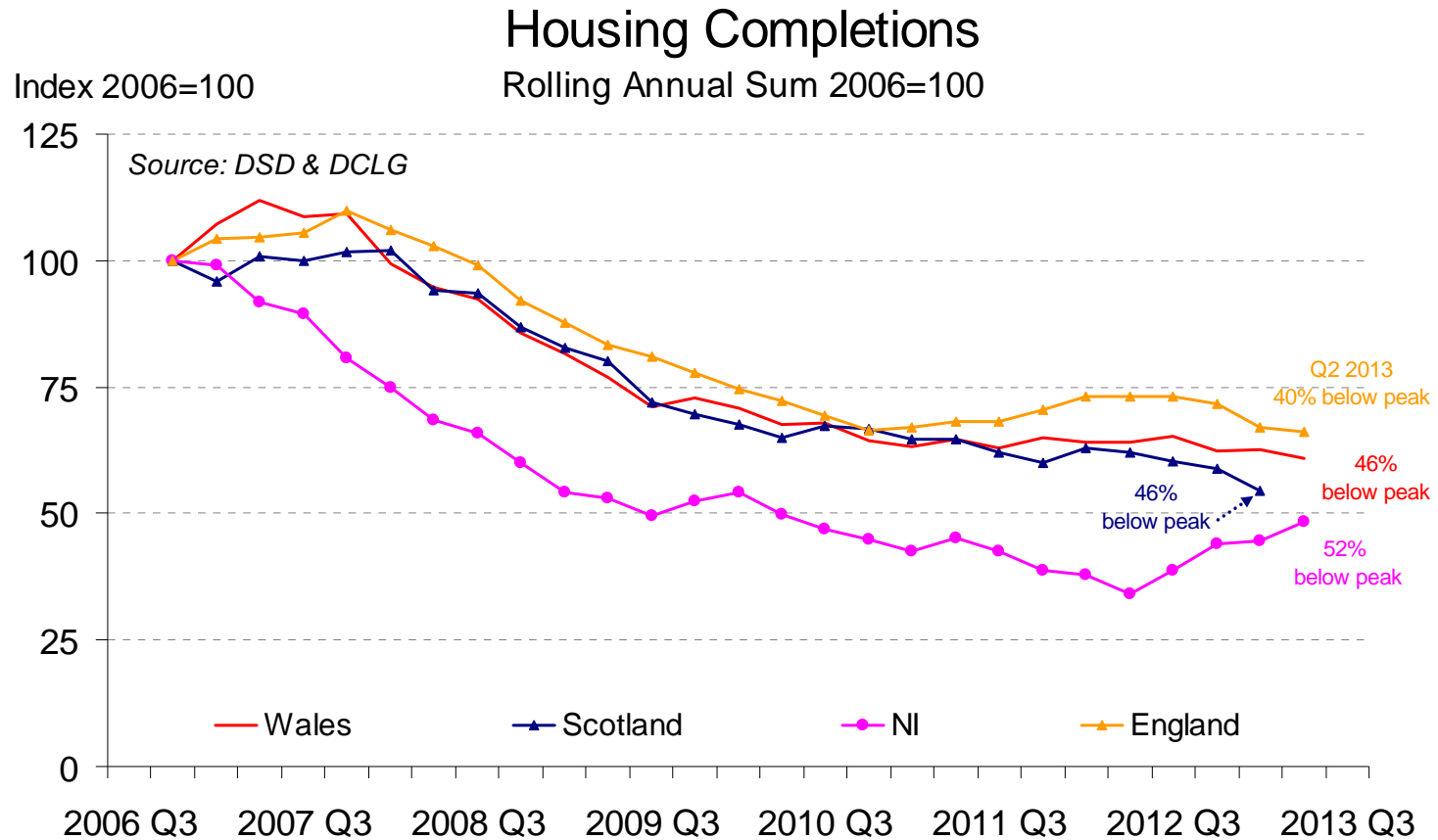
.... 2013 should emerge as the 2nd successive year of growth following 5 years of contraction

NI House Completions

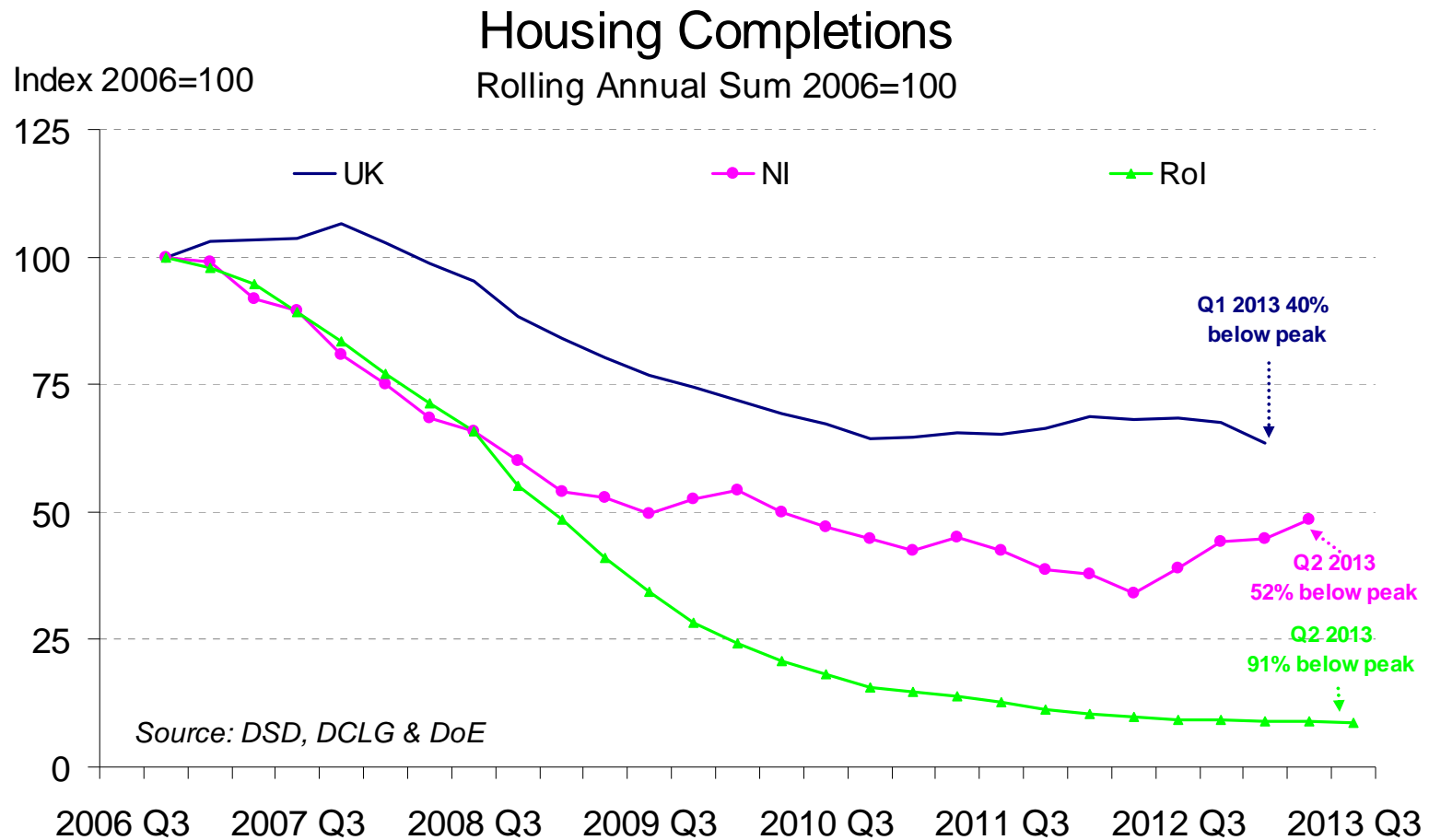
Rolling Annual Sum



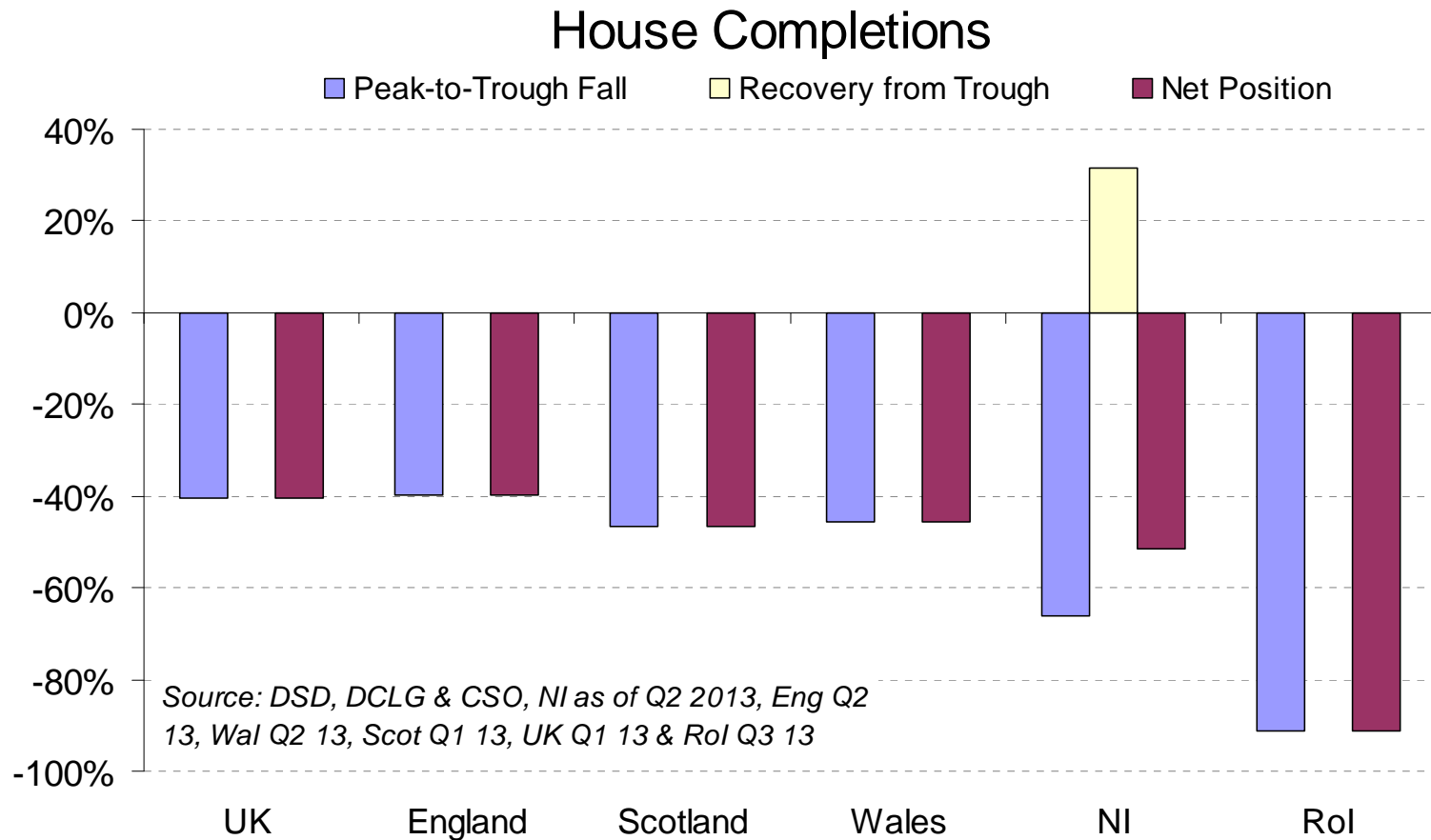
NI has witnessed steeper declines than elsewhere



... but not as bad as the Republic of Ireland



Rol house completions remain 91% below their pre-crisis peak which compares with 52% & 40% for NI & the UK



Rol & NI house-building sectors have experienced steepest declines to date. But NI has shown some recovery

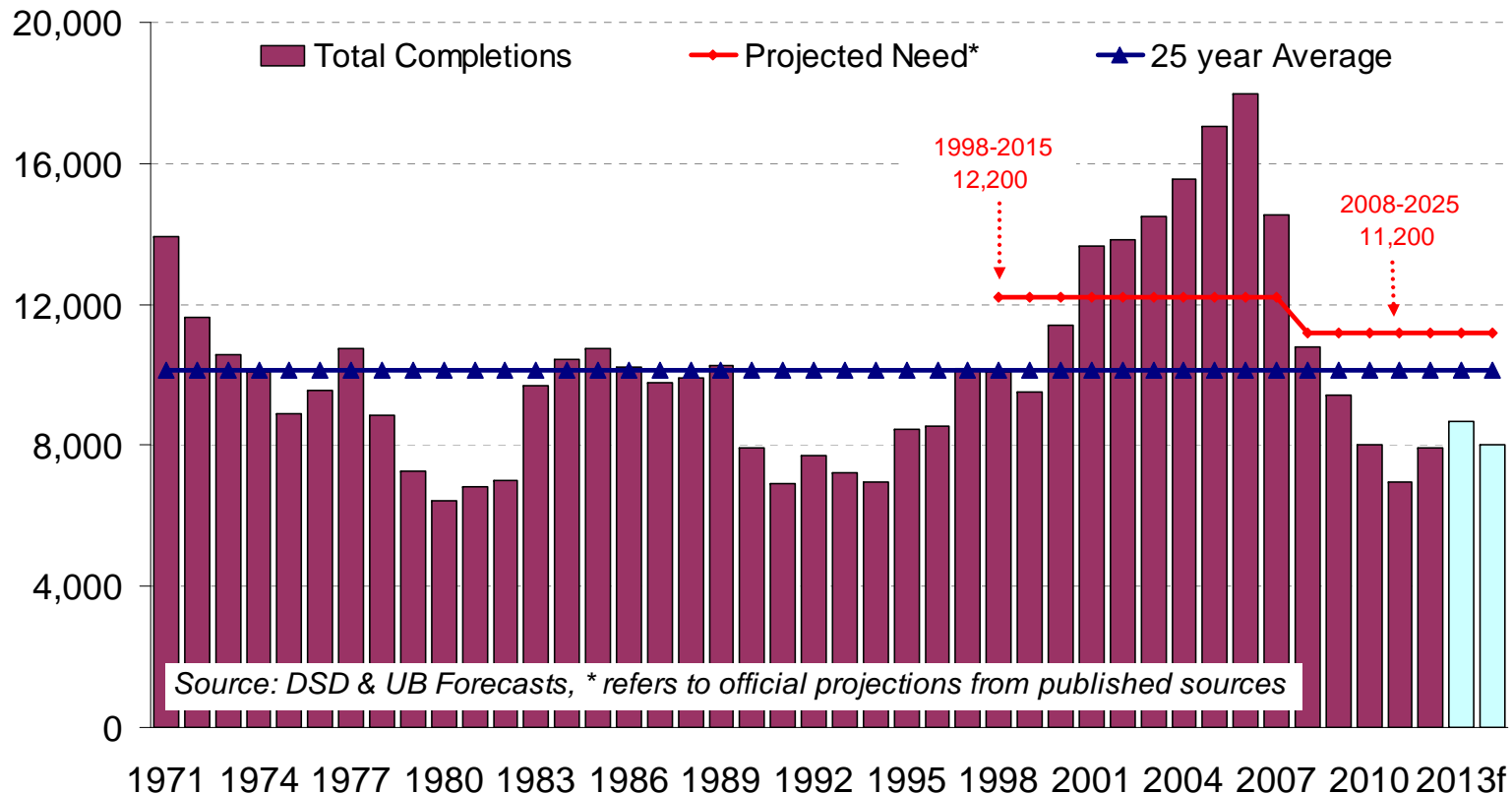
Housing Completions

	Peak-To-Trough*	Recovery-from-Trough	Net Position**
UK <i>(as of Q1 2013)</i>	-40.3%	0.0%	-40.3%
England <i>(as of Q2 2013)</i>	-39.6%	0.0%	-39.6%
Scotland <i>(as of Q1 2013)</i>	-46.5%	0.0%	-46.5%
Wales <i>(as of Q2 2013)</i>	-45.6%	0.0%	-45.6%
Northern Ireland <i>(as of Q2 2013)</i>	-66.1%	31.5%	-51.5%
Republic of Ireland <i>(as of Q3 2013)</i>	-91.3%	0.0%	-91.3%

Source: DSD, DCLG & DoE, *pre-recession peak to trough over a 4 quarter period, ** latest position (last 4 quarters) relative to pre-recession peak

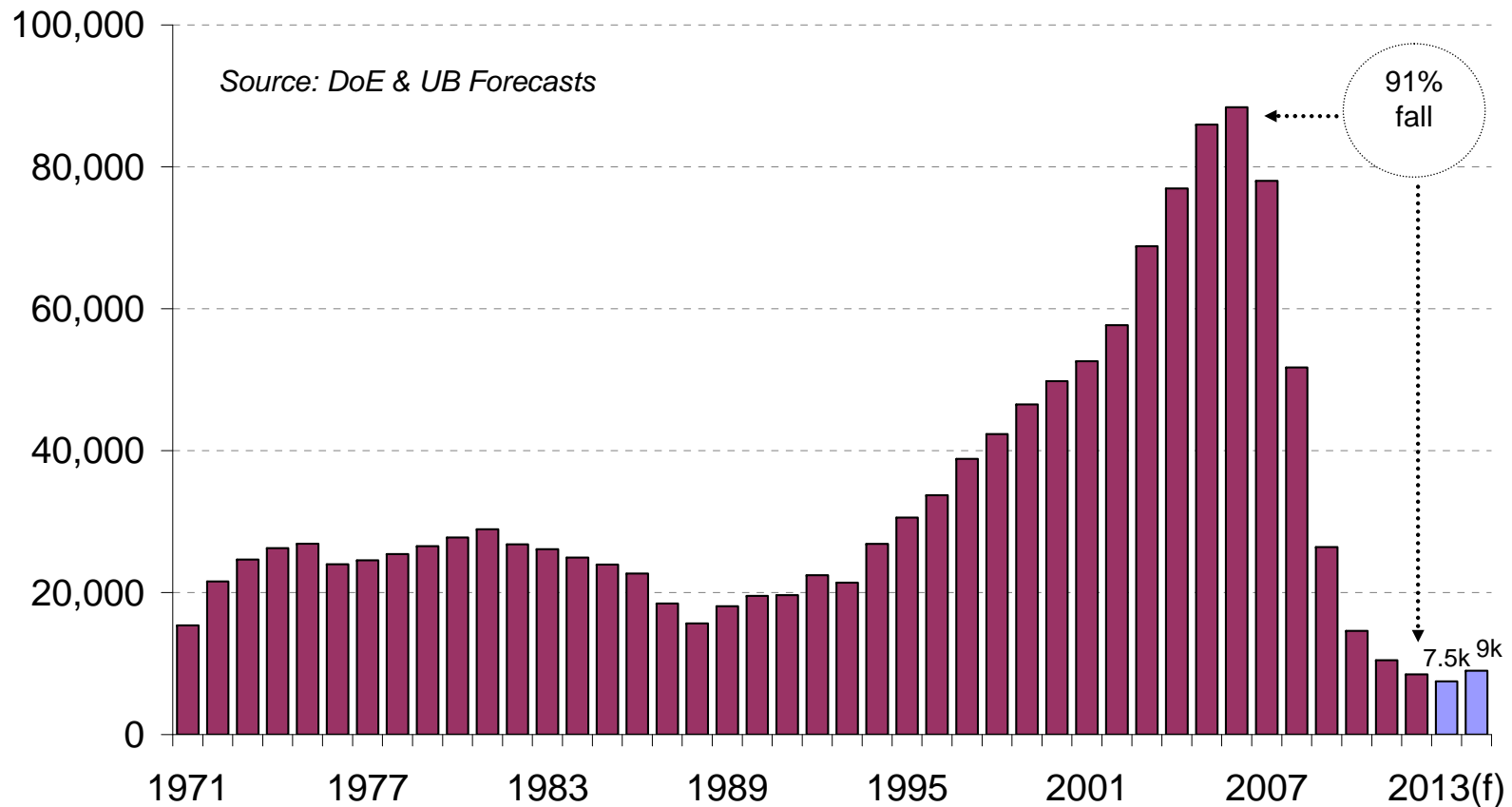
House completions increased in 2012 & 2013 from 2011 low. Rise linked to completion of unfinished stock

NI Housing Completions



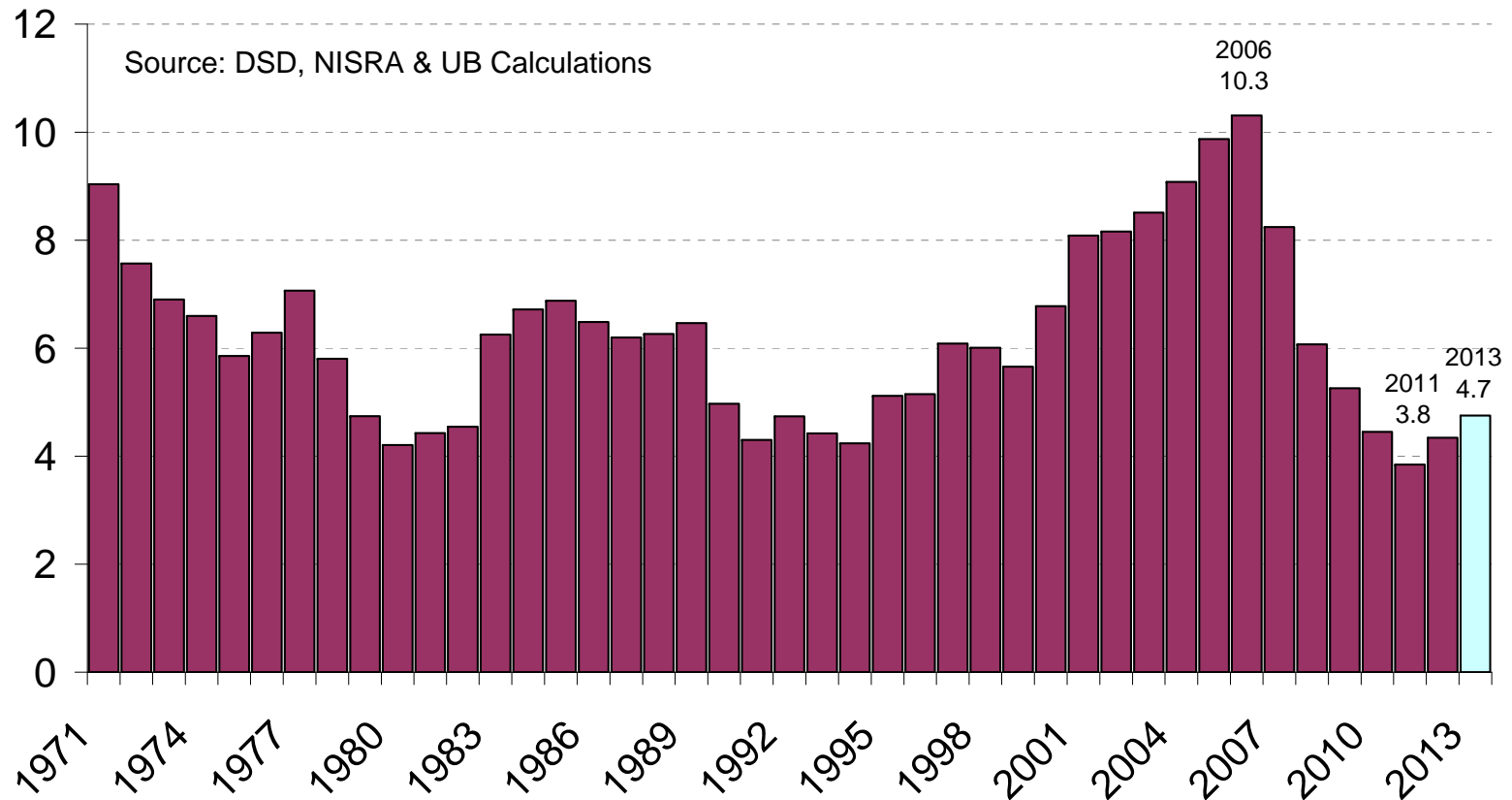
...but spare a thought for the RoI. Northern Ireland does not have the same overhang of stock as the RoI...

Republic of Ireland Housing Completions



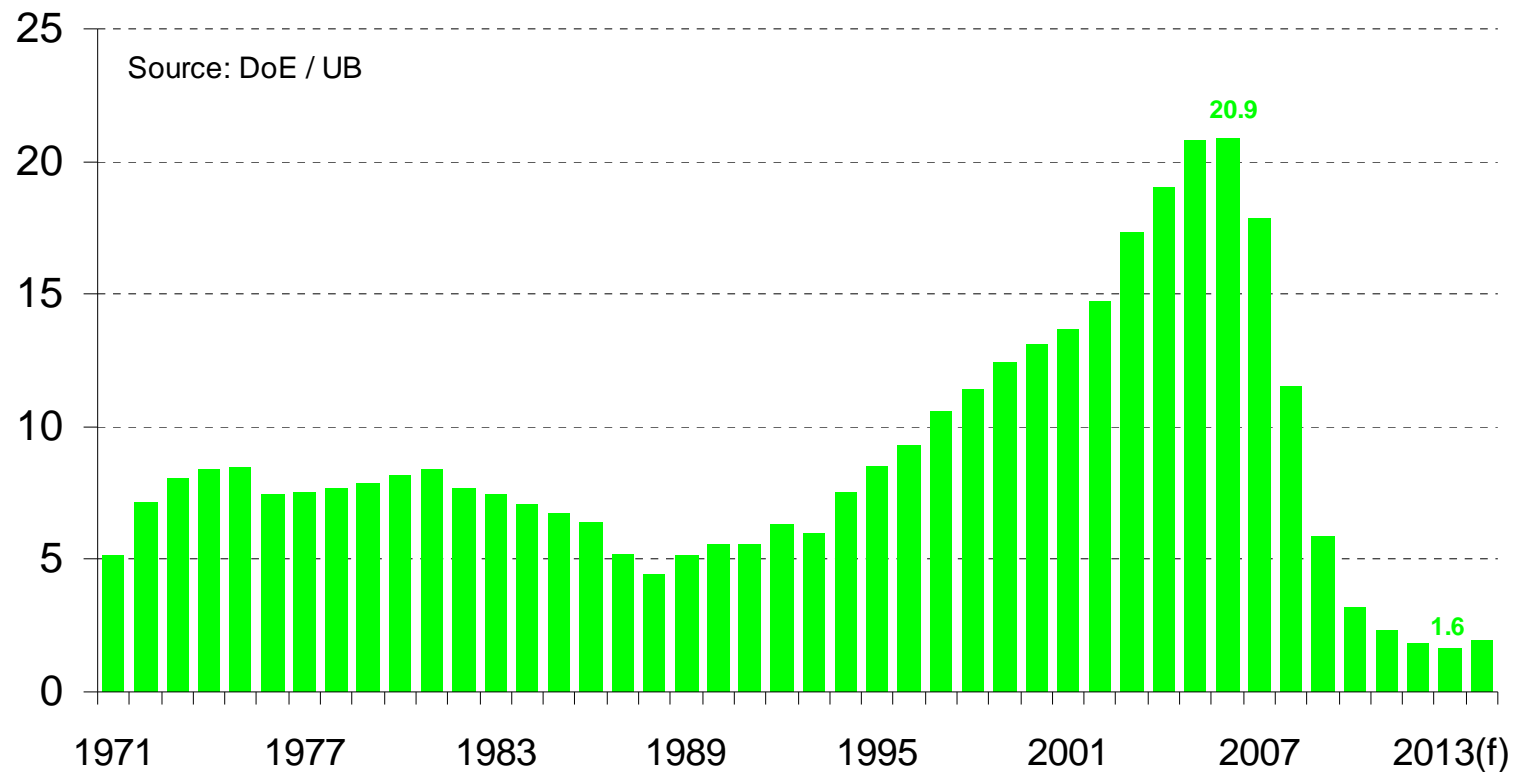
...but NI is still building fewer houses per capita than it was back in 1960...longer-term implications??

NI Housing Completions per 1,000 Population



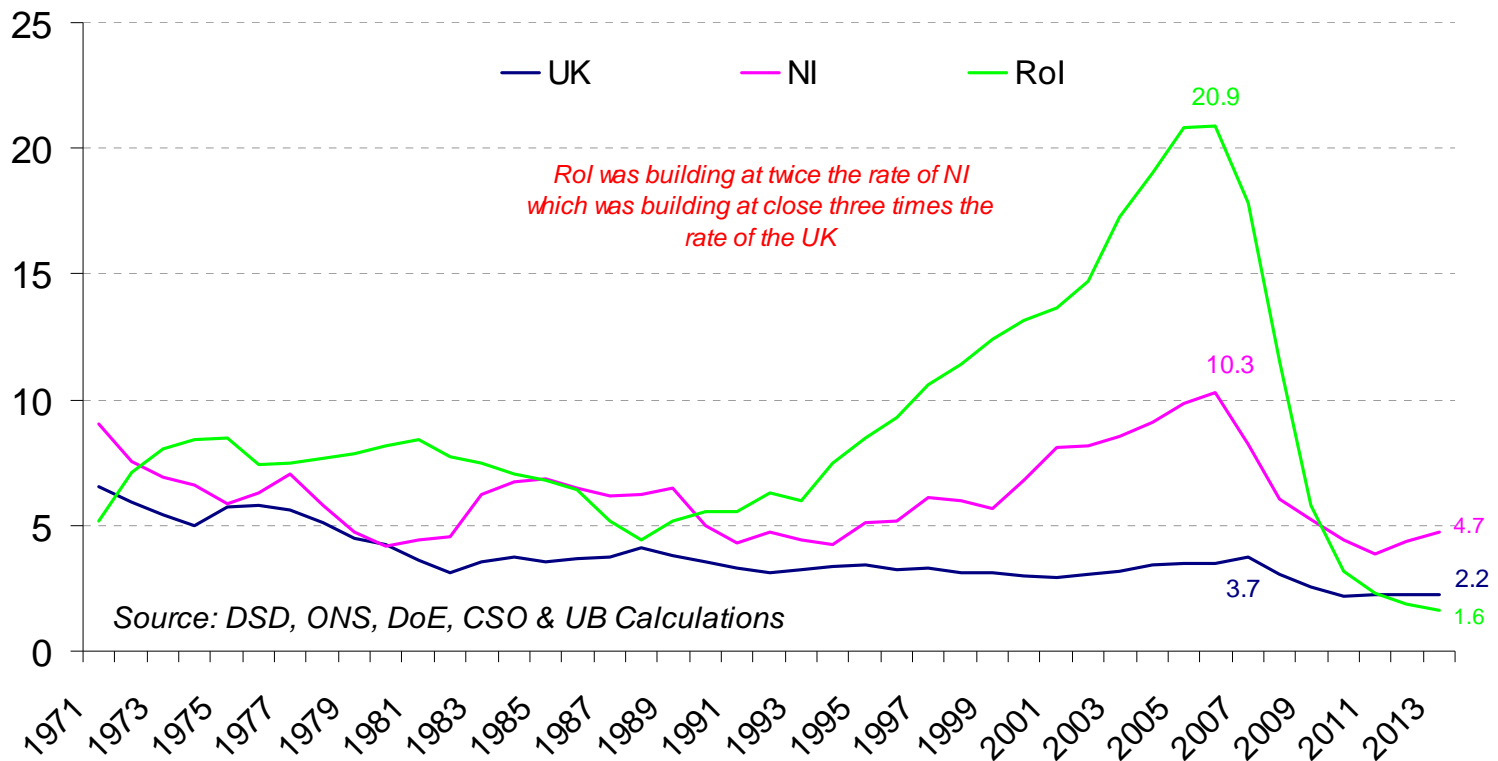
The Republic of Ireland is building even fewer houses per capita as it has an overhang of excess supply

RoI House Completions per 1,000 pop



Despite the slump in house building, NI is building at three times the rate of the RoI & twice the rate of the UK

House Completions per 1,000 Population

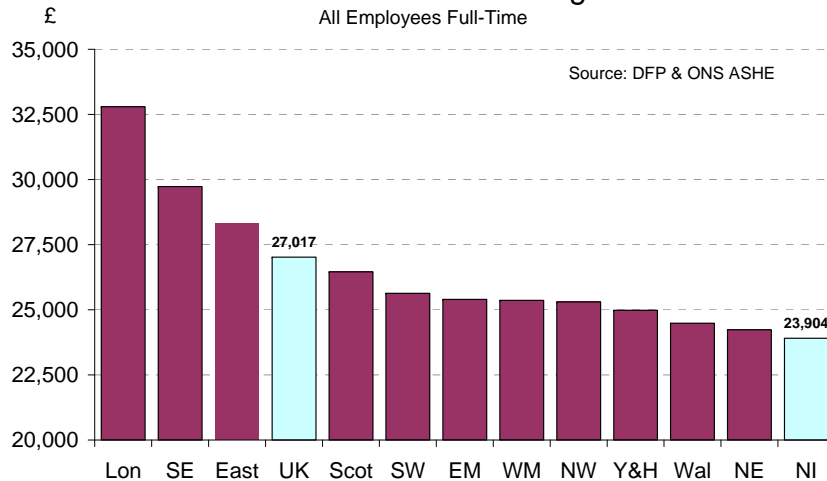


Housing Affordability / Interest Rates

Regional house prices are a function of supply & demand dynamics. But fundamentals such as wages are key

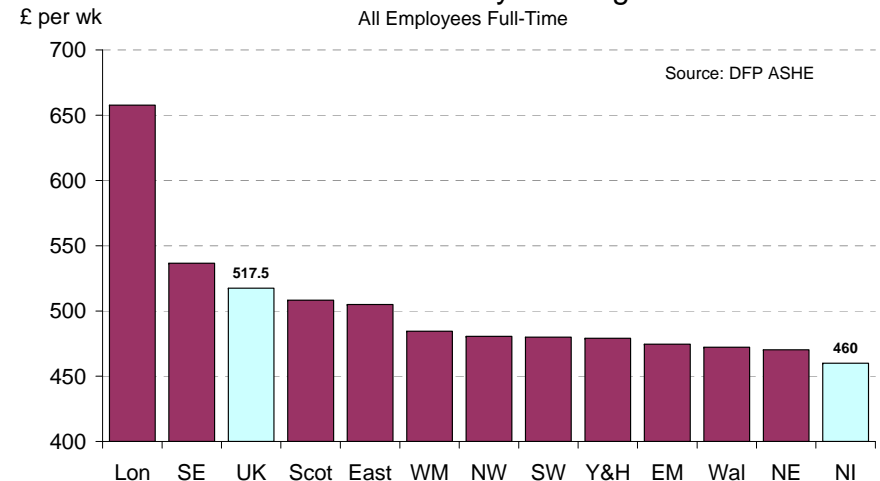
Median Gross Annual Earnings 2013

All Employees Full-Time



Median Gross Weekly Earnings 2013

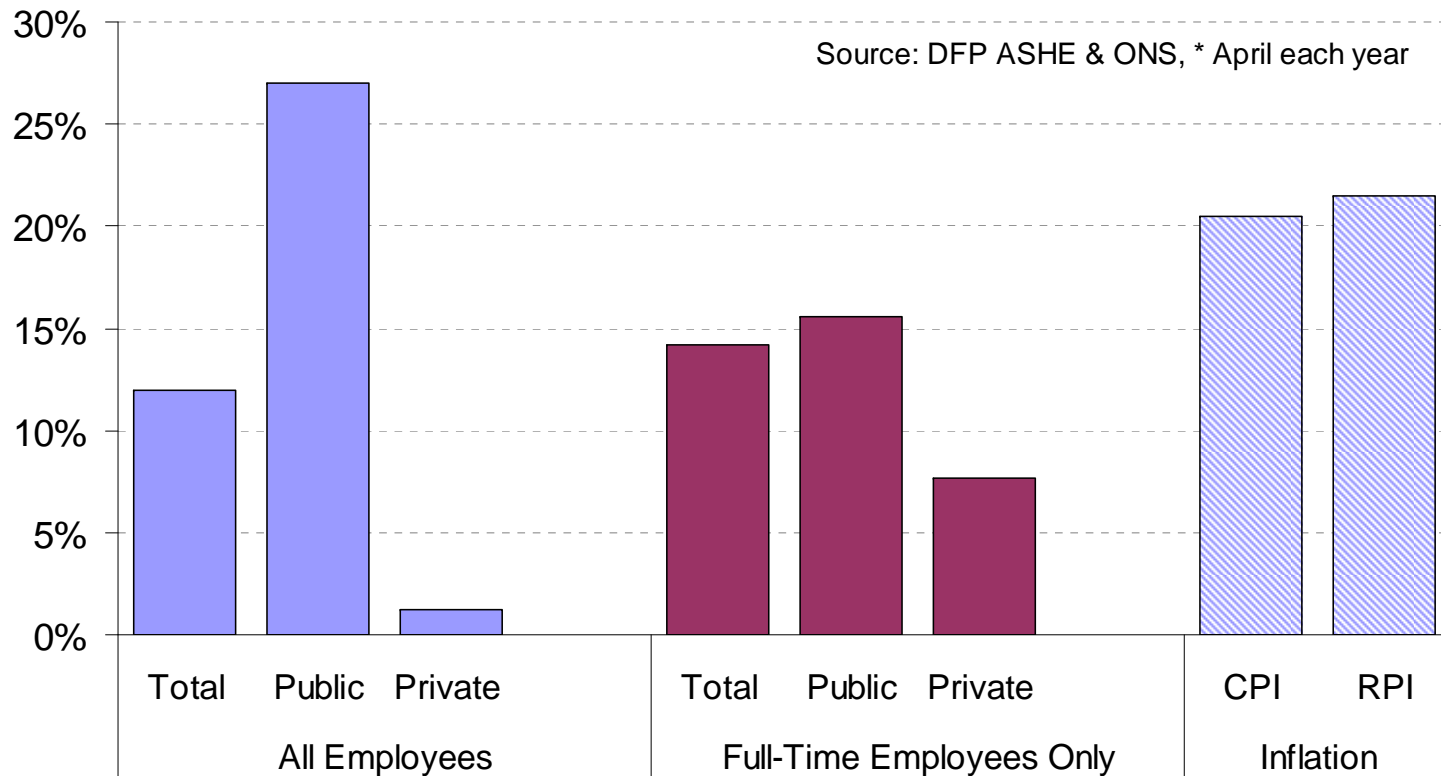
All Employees Full-Time



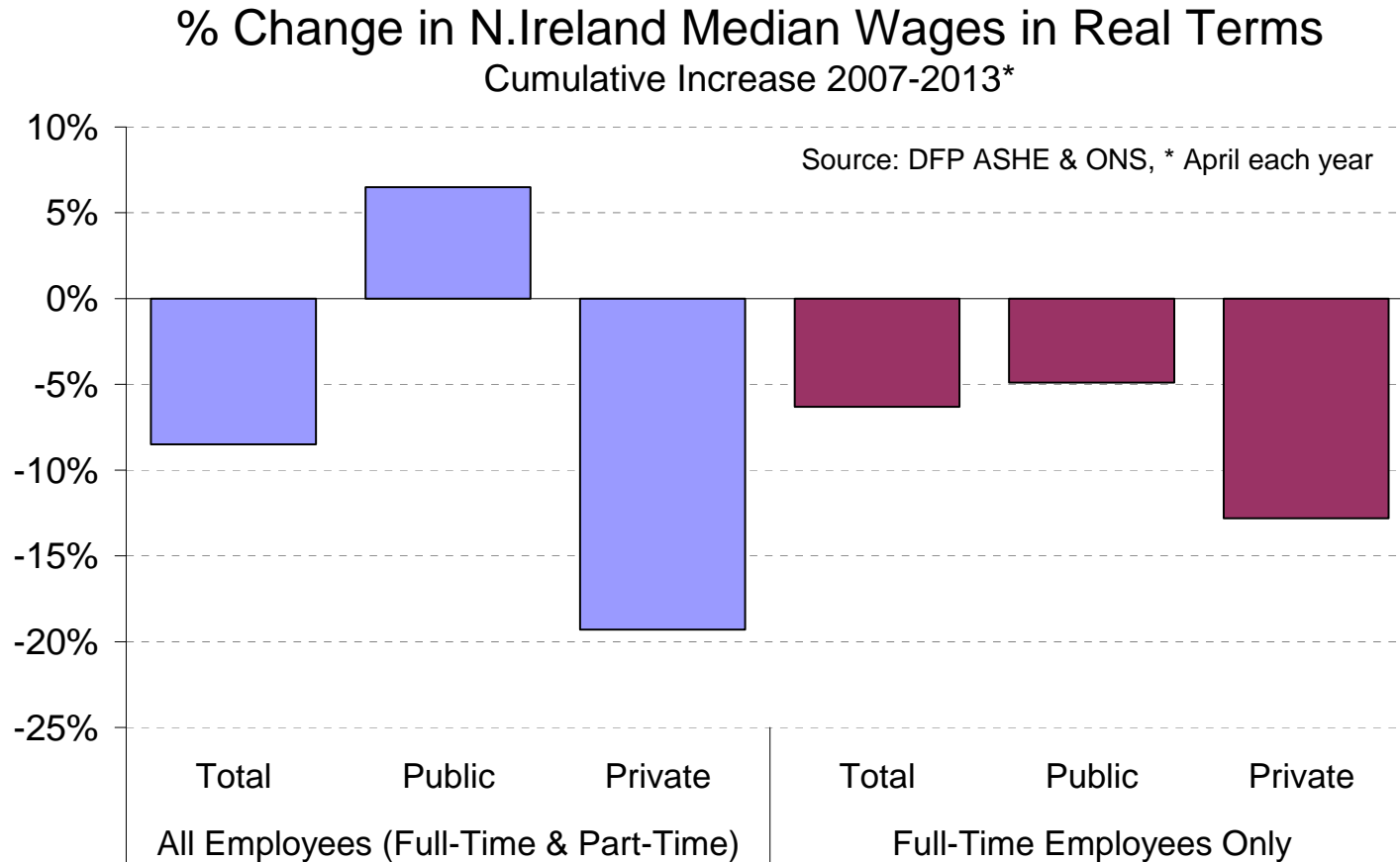
In NI, the rate of inflation has outpaced earnings growth for most individuals

% Change in N.Ireland Median Wages v UK Inflation Cumulative Increase 2007-2013*

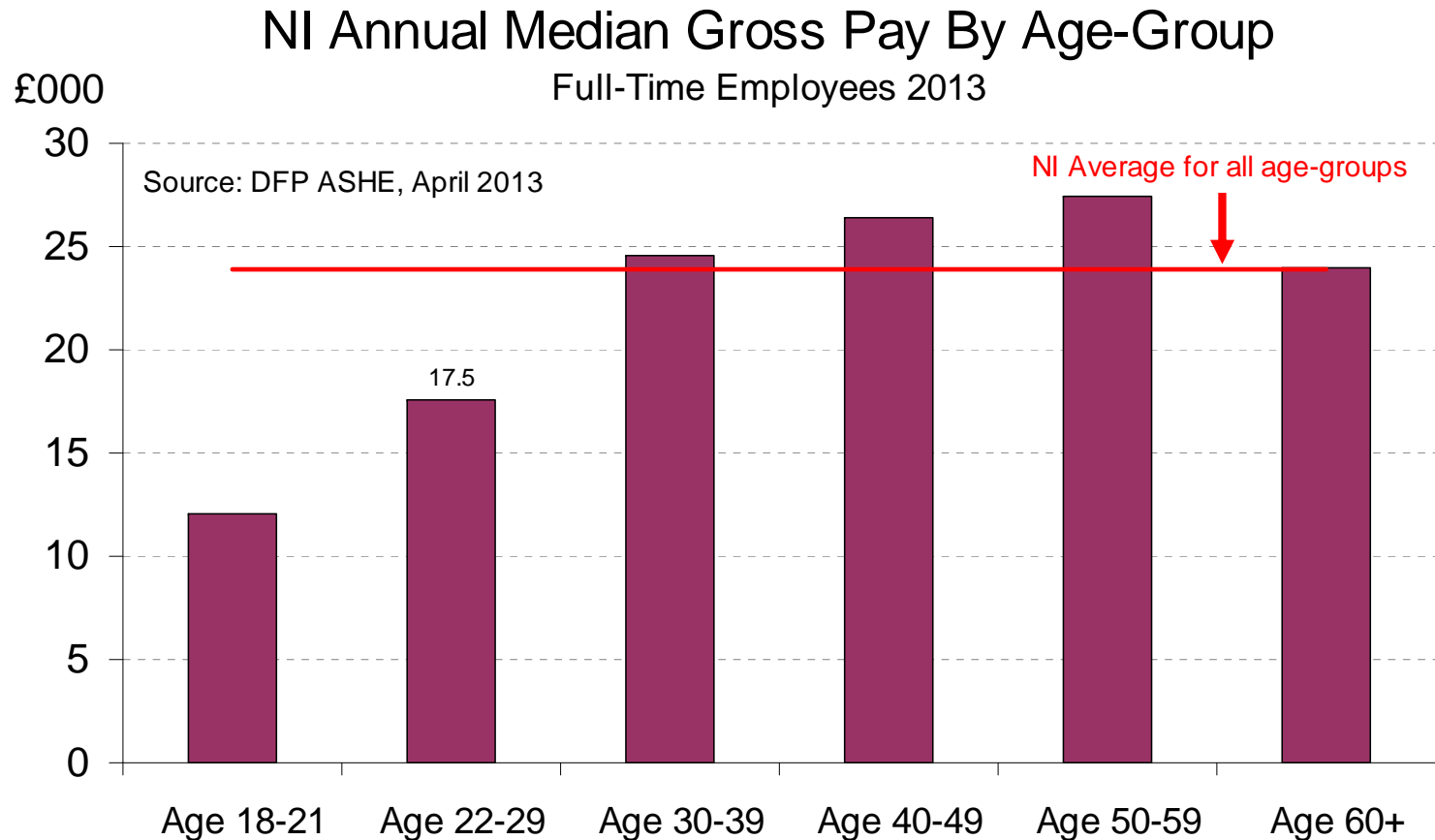
Source: DFP ASHE & ONS, * April each year



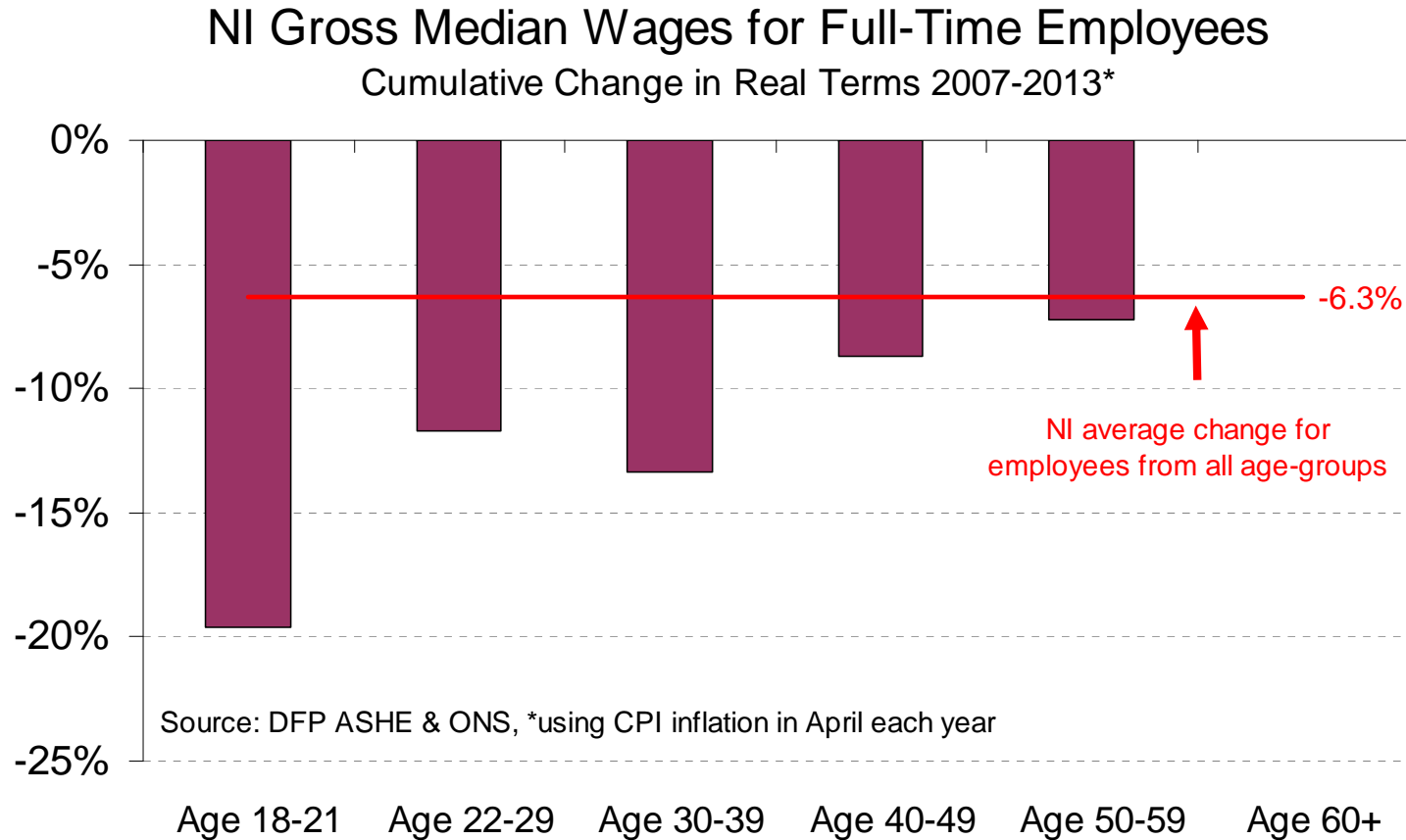
After inflation the median private sector wage has fallen by almost 20% in real terms (*after CPI inflation*)



Those aged under 30 years of age have median earnings below the NI average...

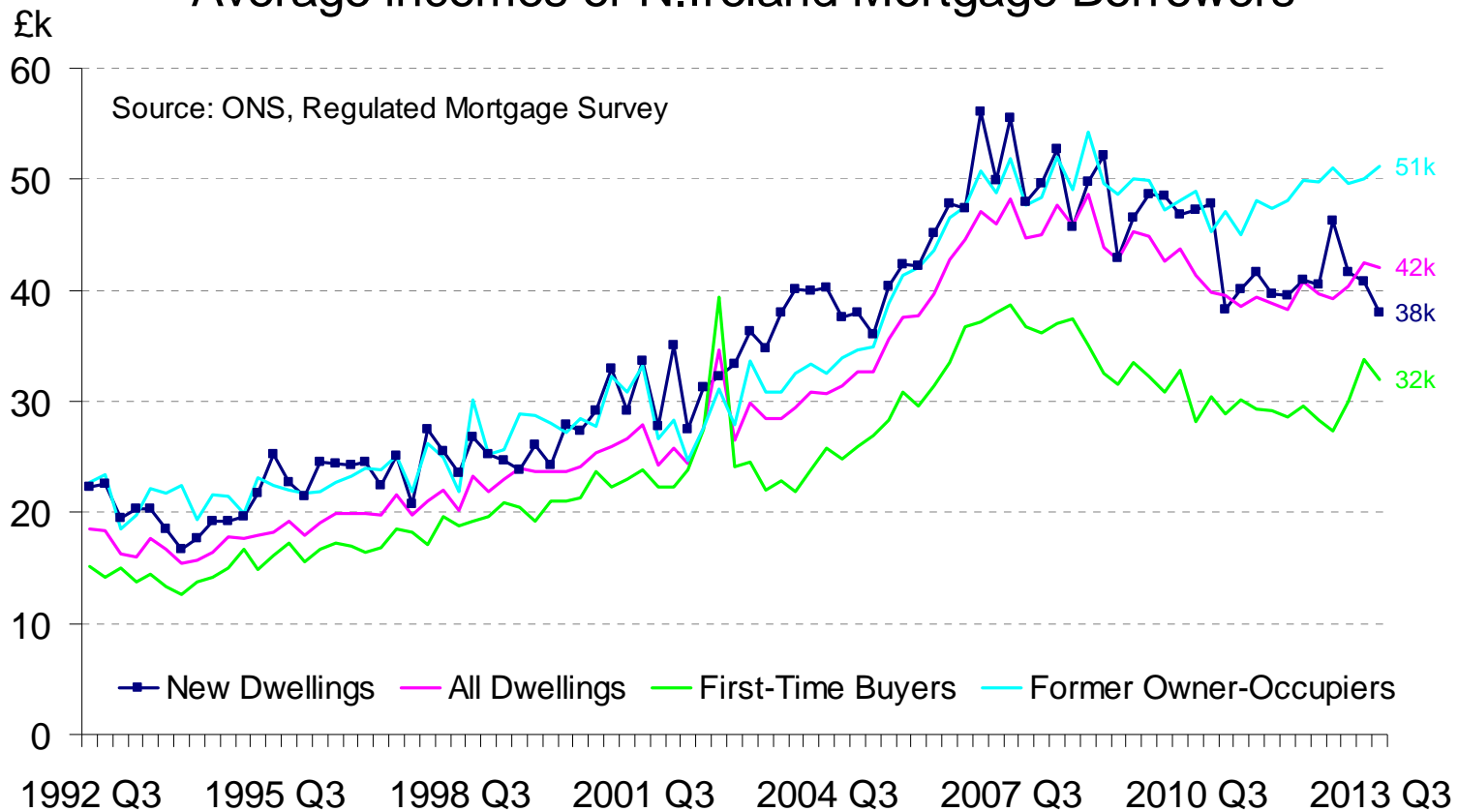


... & those under 40 (including the household formation 25-34 yrs category) have experienced the biggest falls in real earnings

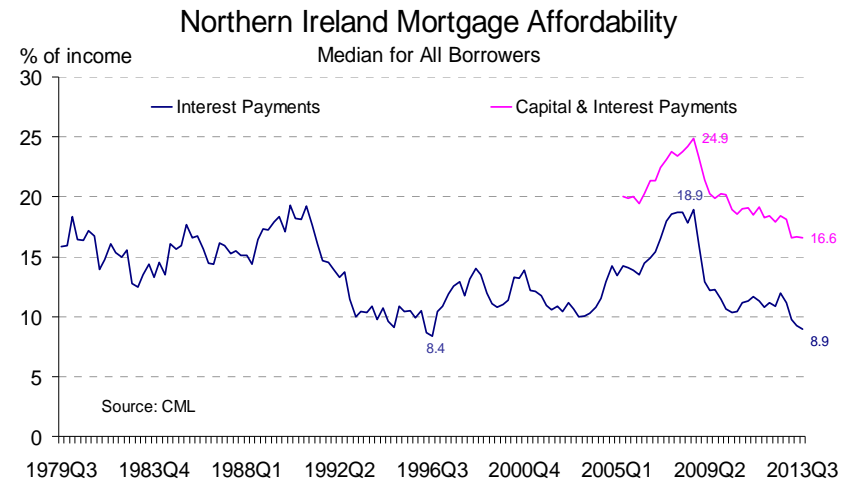
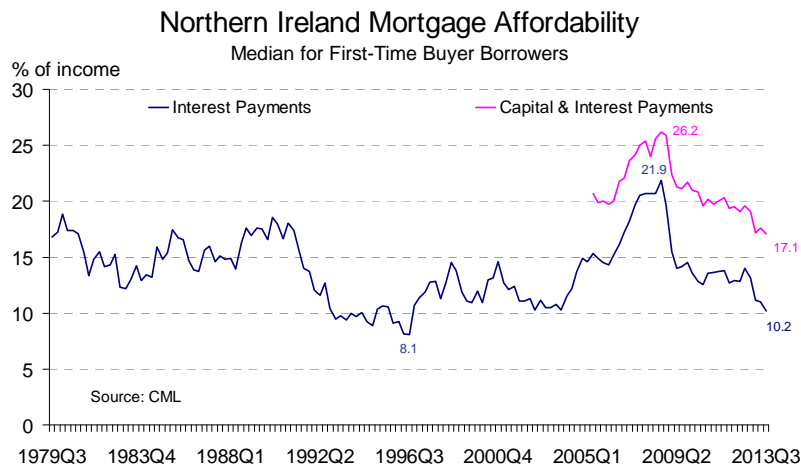


The average incomes of borrowers was £42k in Q3 2013

Average incomes of N.Ireland Mortgage Borrowers



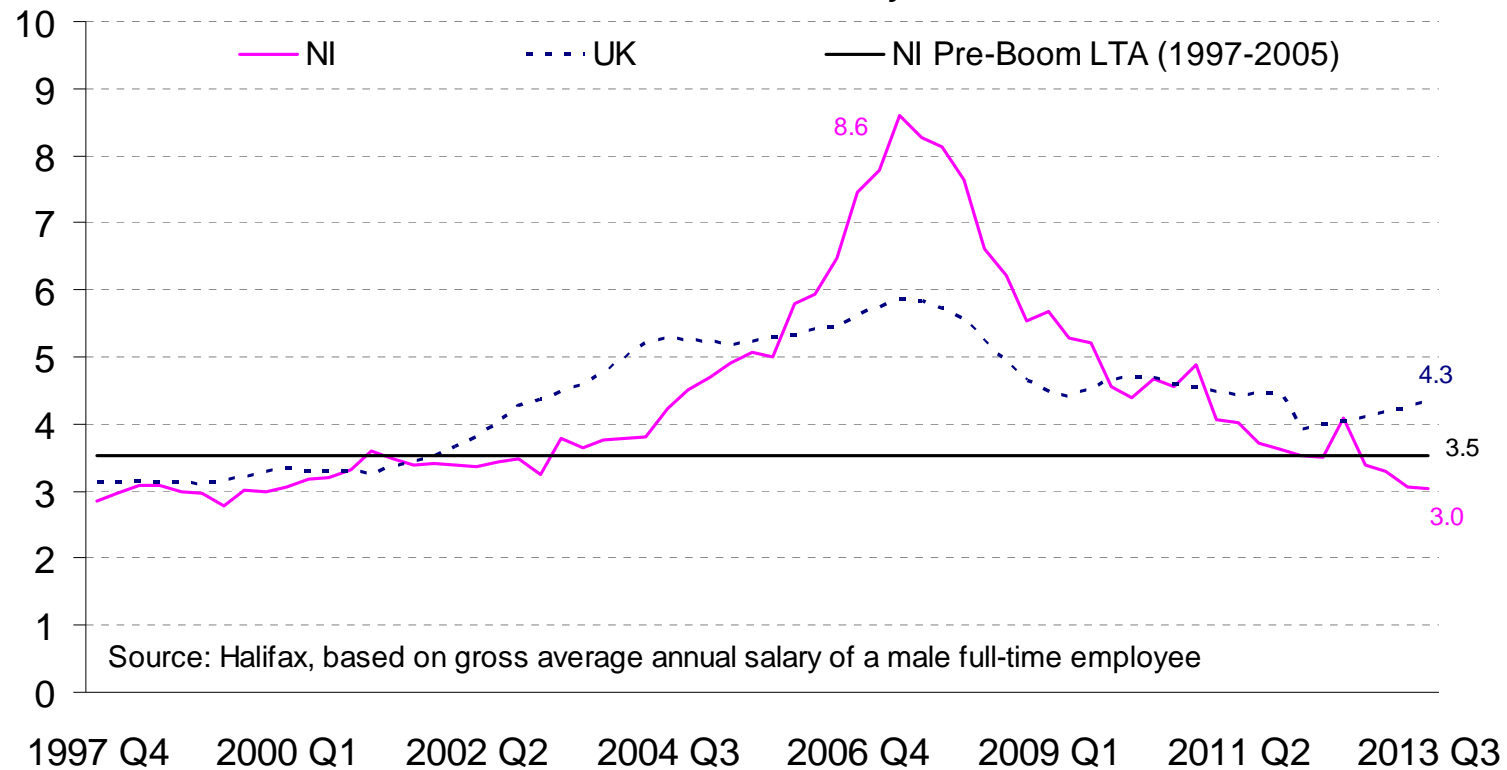
According to the CML mortgage interest payments as a % of income are at their lowest levels since Q3 1996



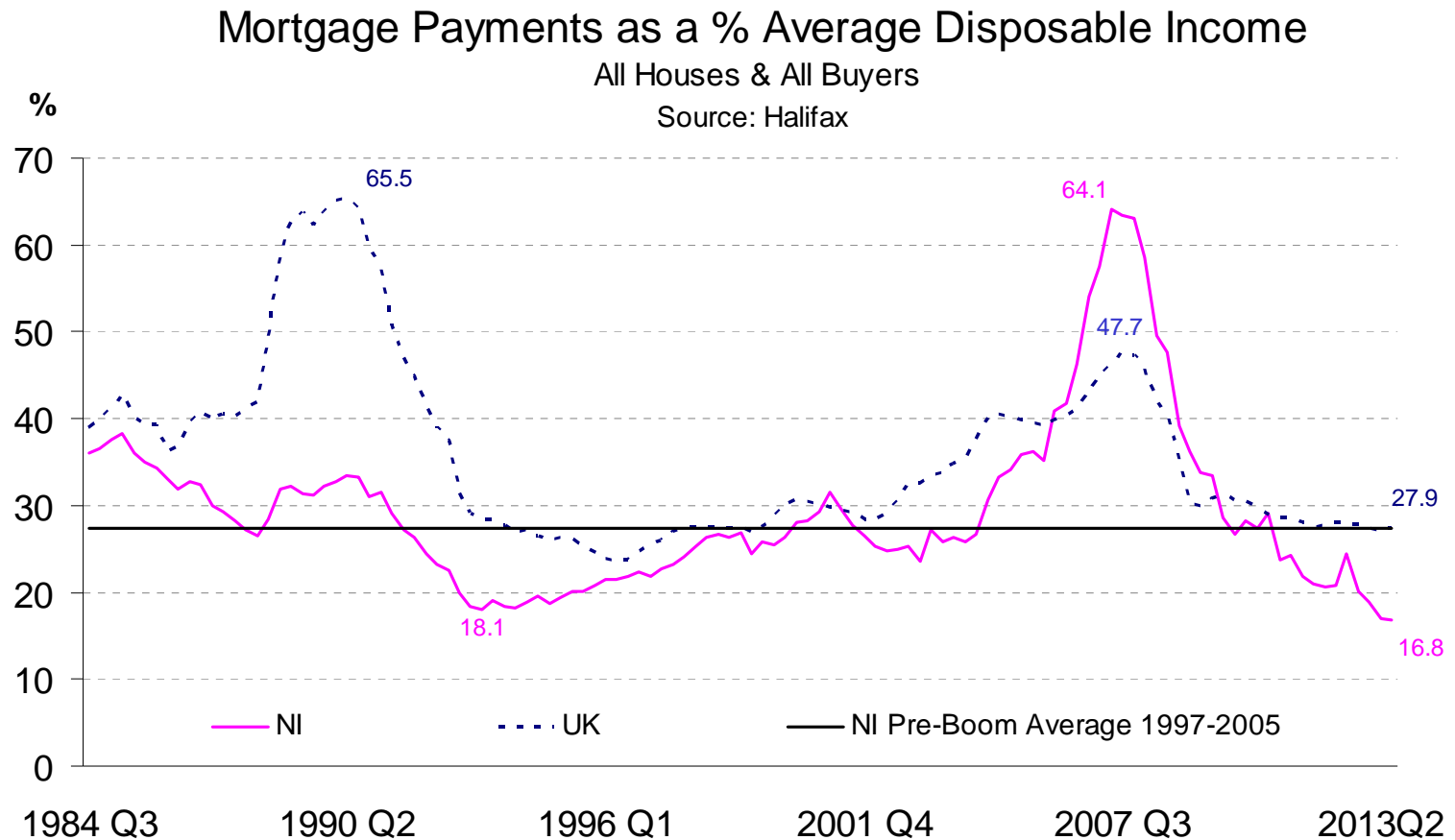
NI's HPE ratio has dipped below the pre-boom long-term average (1997-2005) & is back to late 1990s levels...

Halifax House Price to Earnings Ratio

All Houses & All Buyers

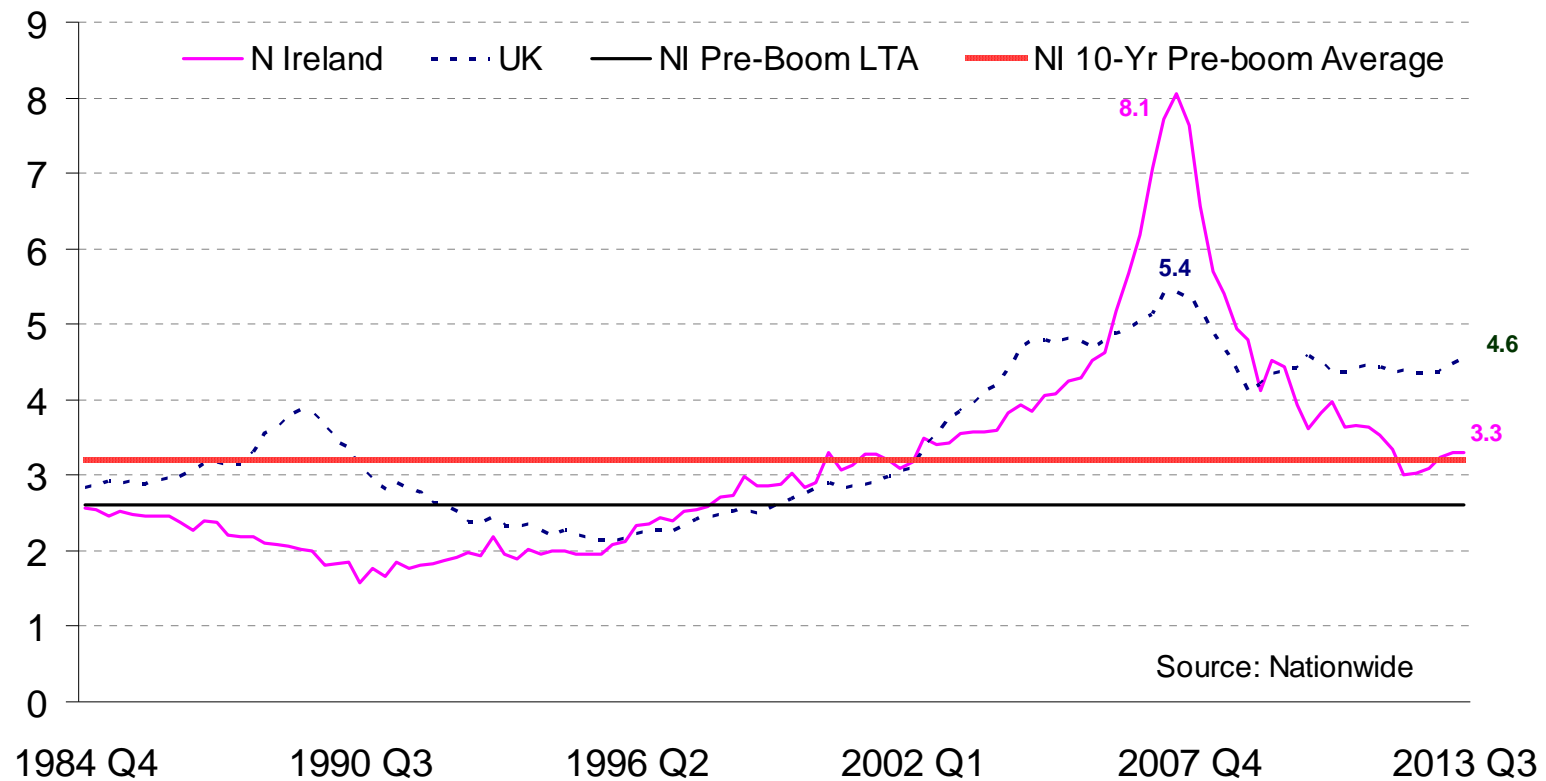


...and NI mortgage payments as a % of disposable income is lower than at anytime in over 30 years



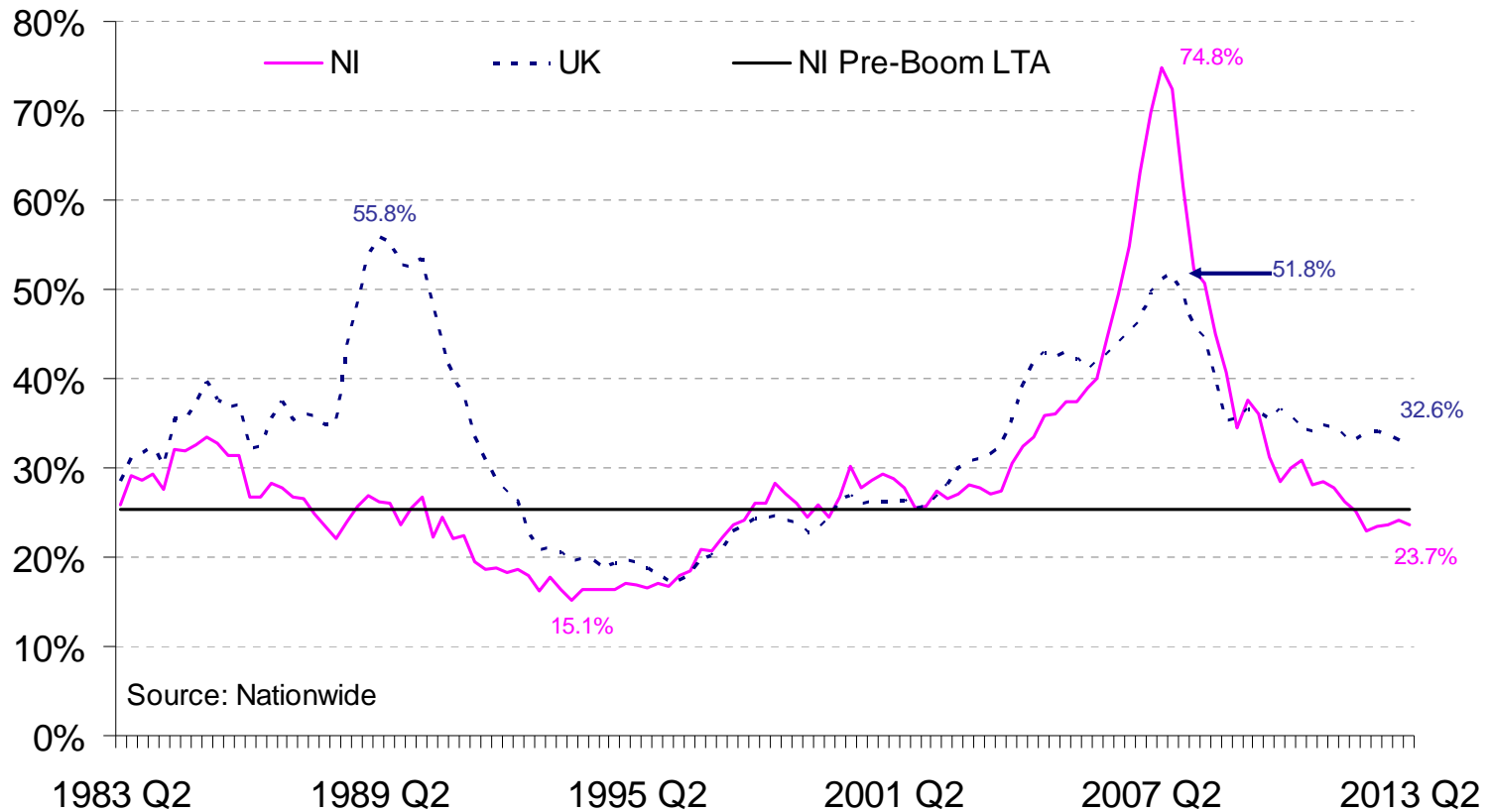
NI's HPE ratio for first-time buyers is in line with the pre-boom 10-yr average of 3.2...

Nationwide FTB House Price to Earnings Ratio



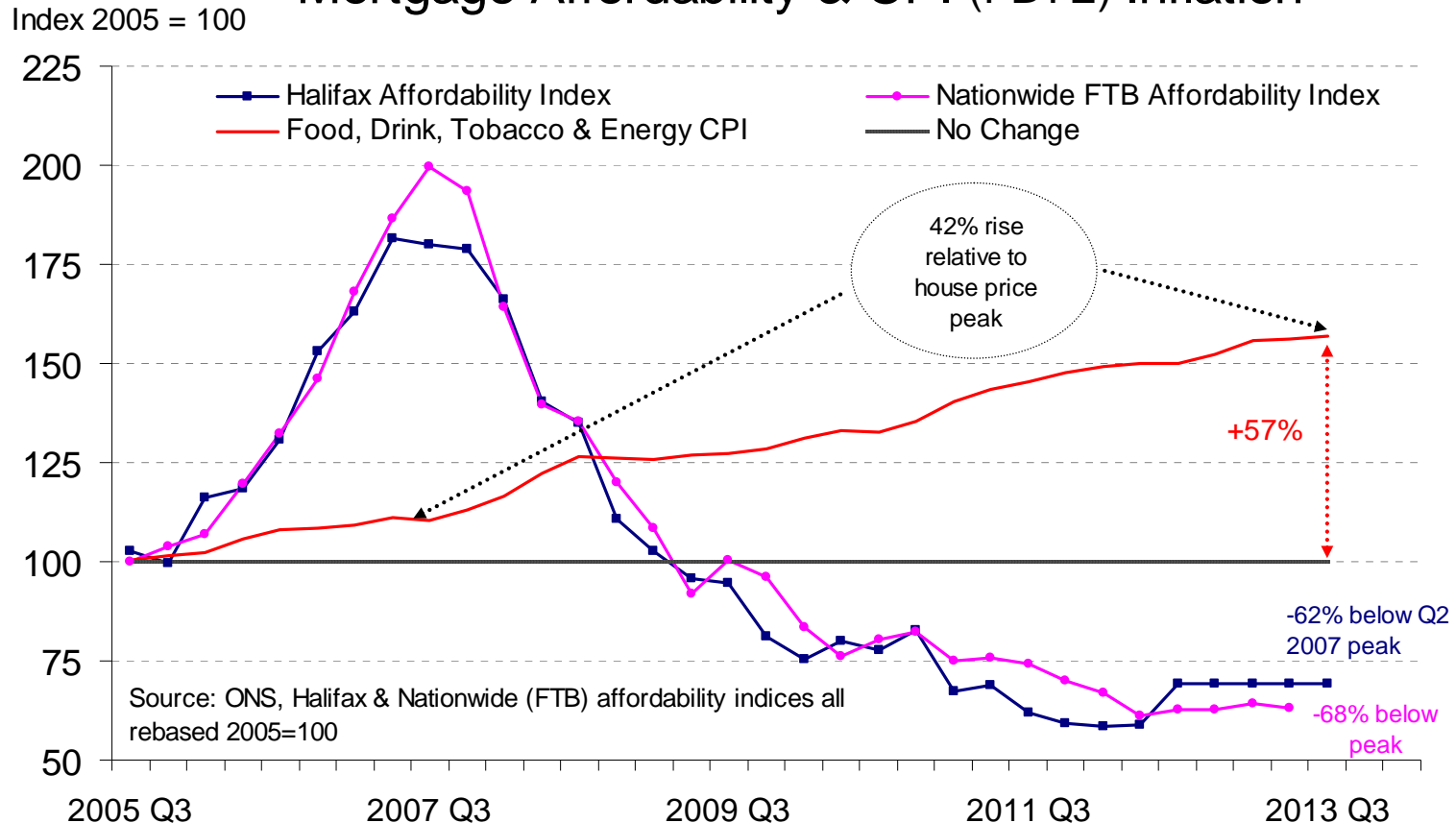
NI FTB affordability index is at Q1 1998 levels

FTB Mortgage Payments as a % of Mean Take Home Pay

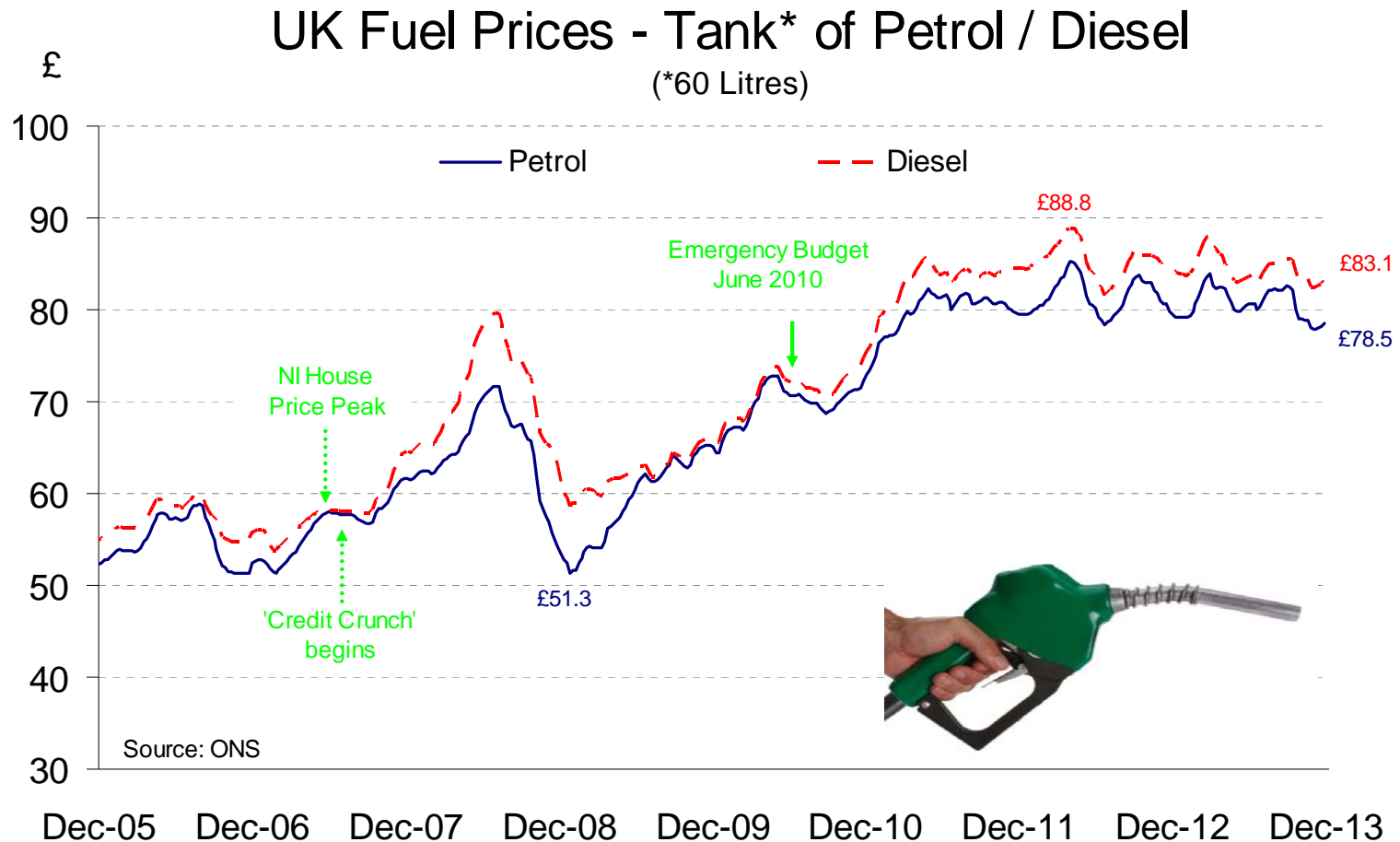


...but its not just after tax income that is important.
Income after necessities (*food & energy*) is important

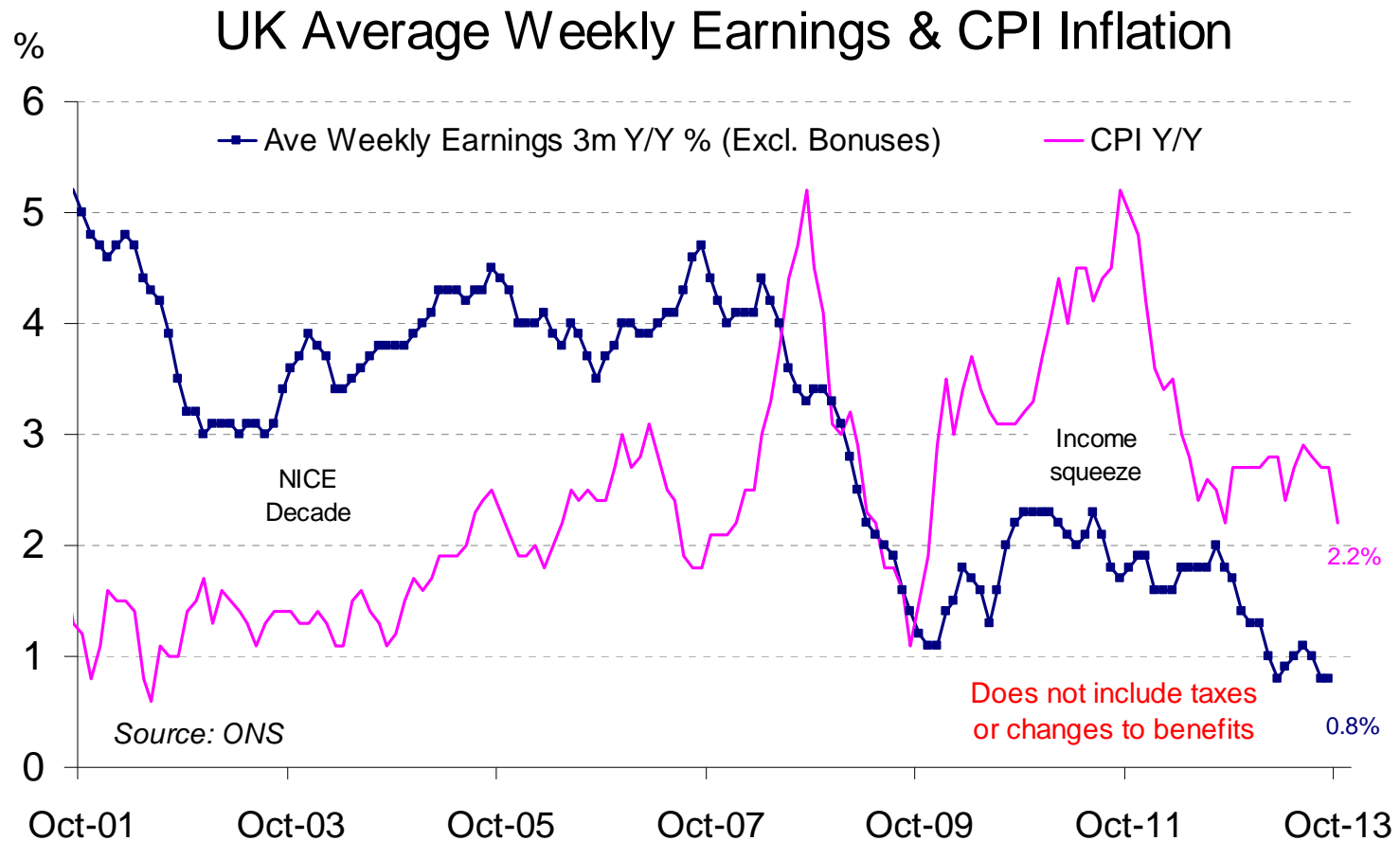
Mortgage Affordability & CPI (FBTE) Inflation



Between Q2 2007 & December 2013 the price of a tank of petrol / diesel has risen from £57/58 to £78/83 (35-43% rise)



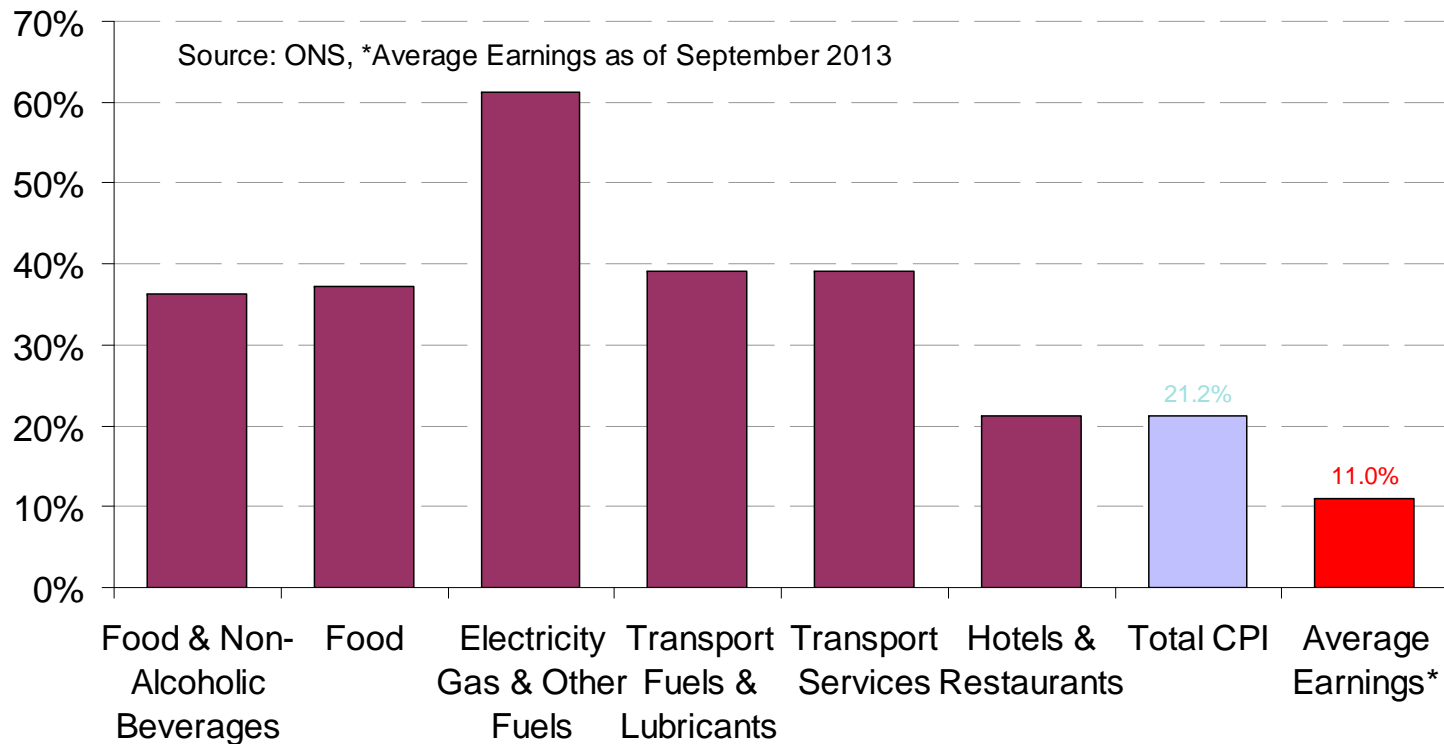
Inflation has contributed to income squeeze which in turn has deferred the deleveraging of household debt...



Since Aug-07 CPI has risen by 21% which compares with a rise in average earnings of 11%

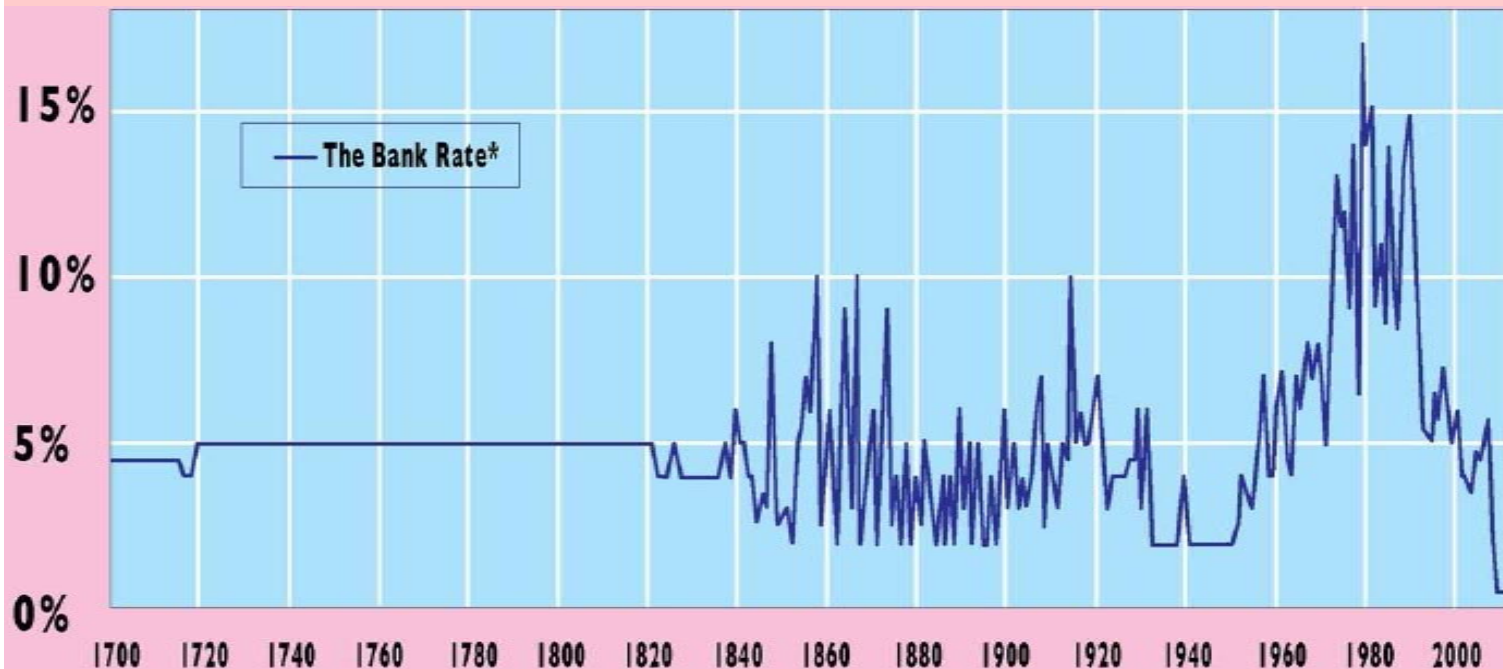
Cumulative % Change in UK Consumer Prices

since 'Credit Crunch' began (Aug 07 to Oct 13)



The Bank of England will not keep its bank rate at a record low forever...

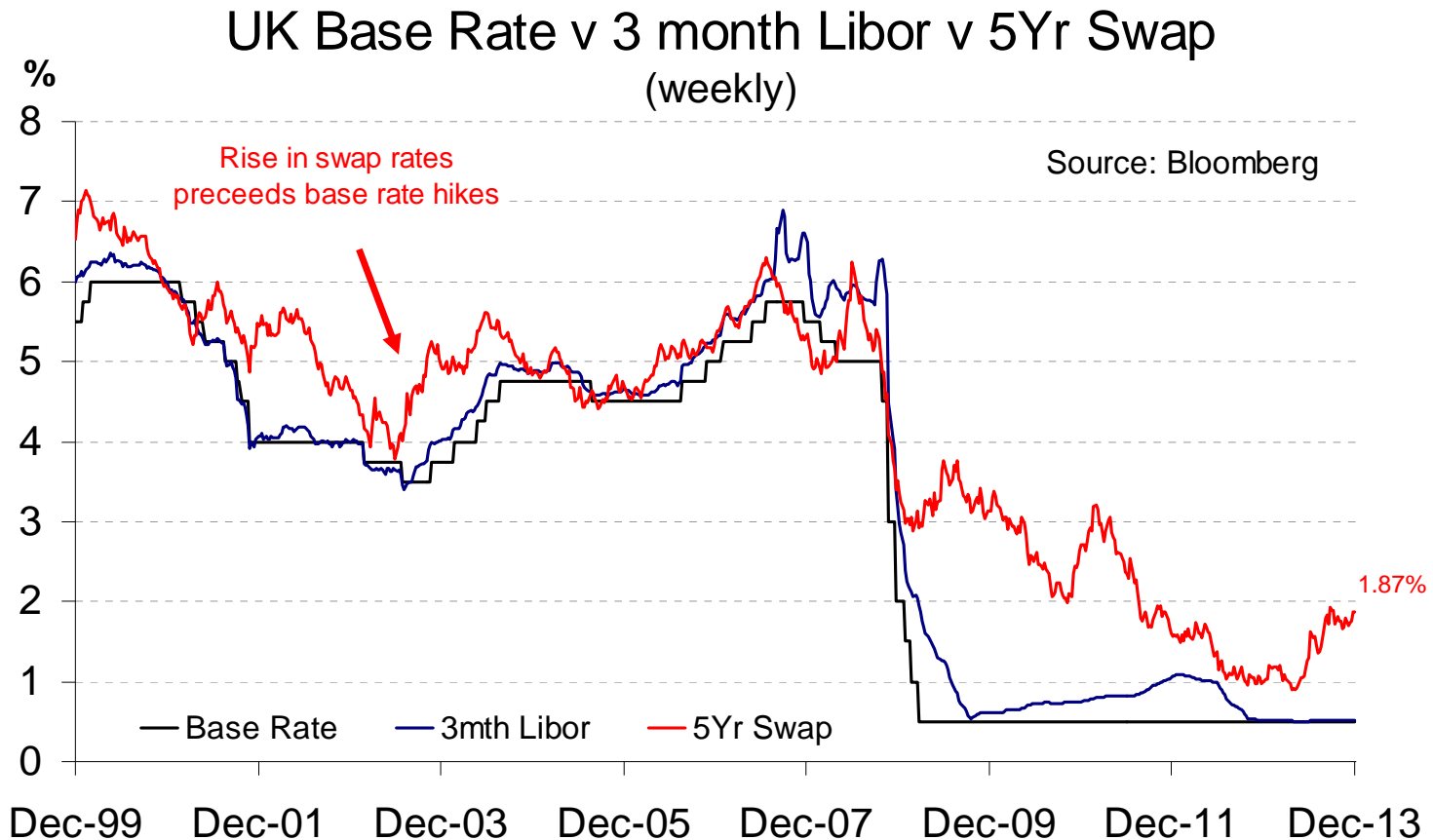
The Bank Rate 1700-2013



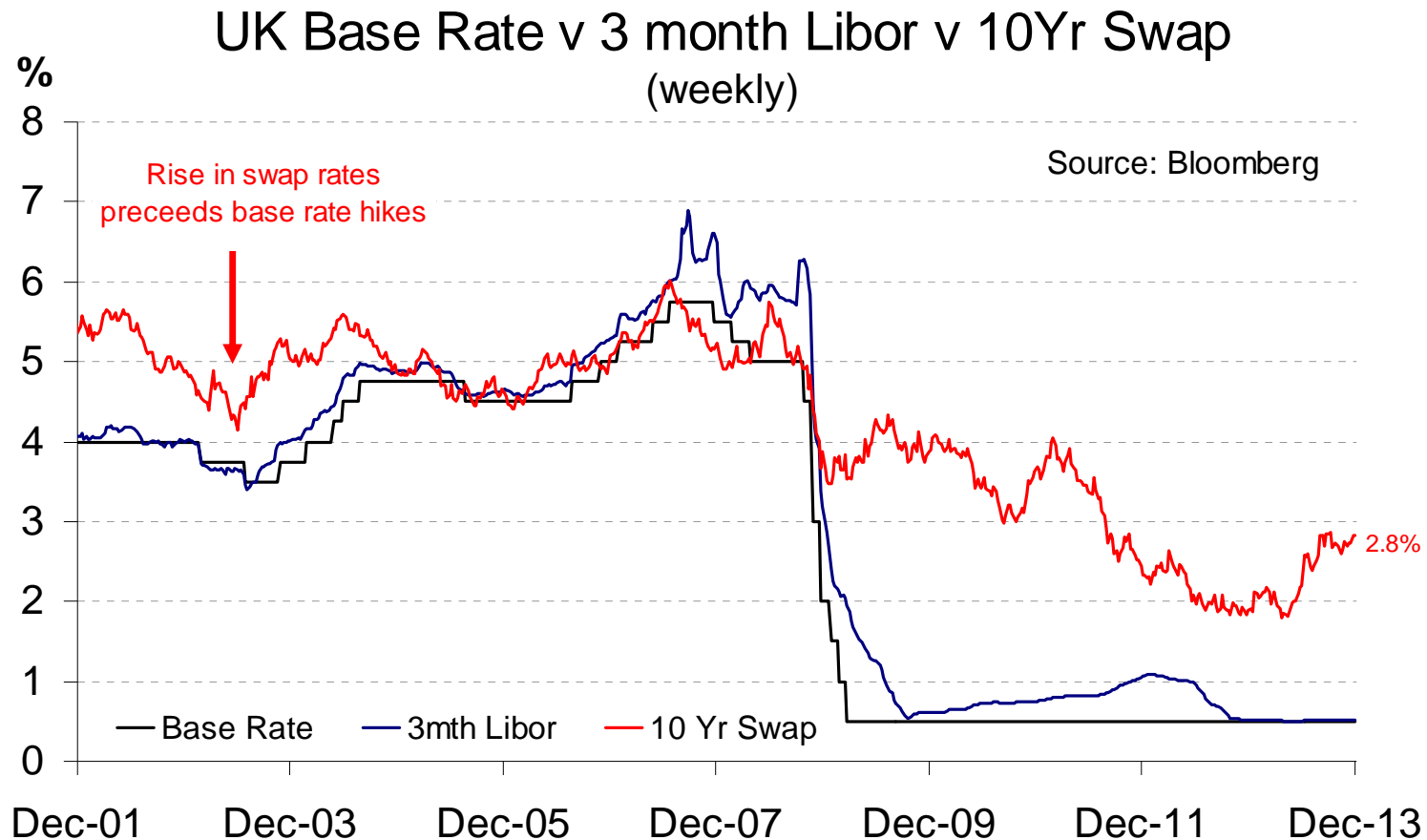
* Variously the Bank Rate, Minimum Lending Rate, Bond / Dealing Rate and Official Bank Rate.

Source: The Bank of England, Church House

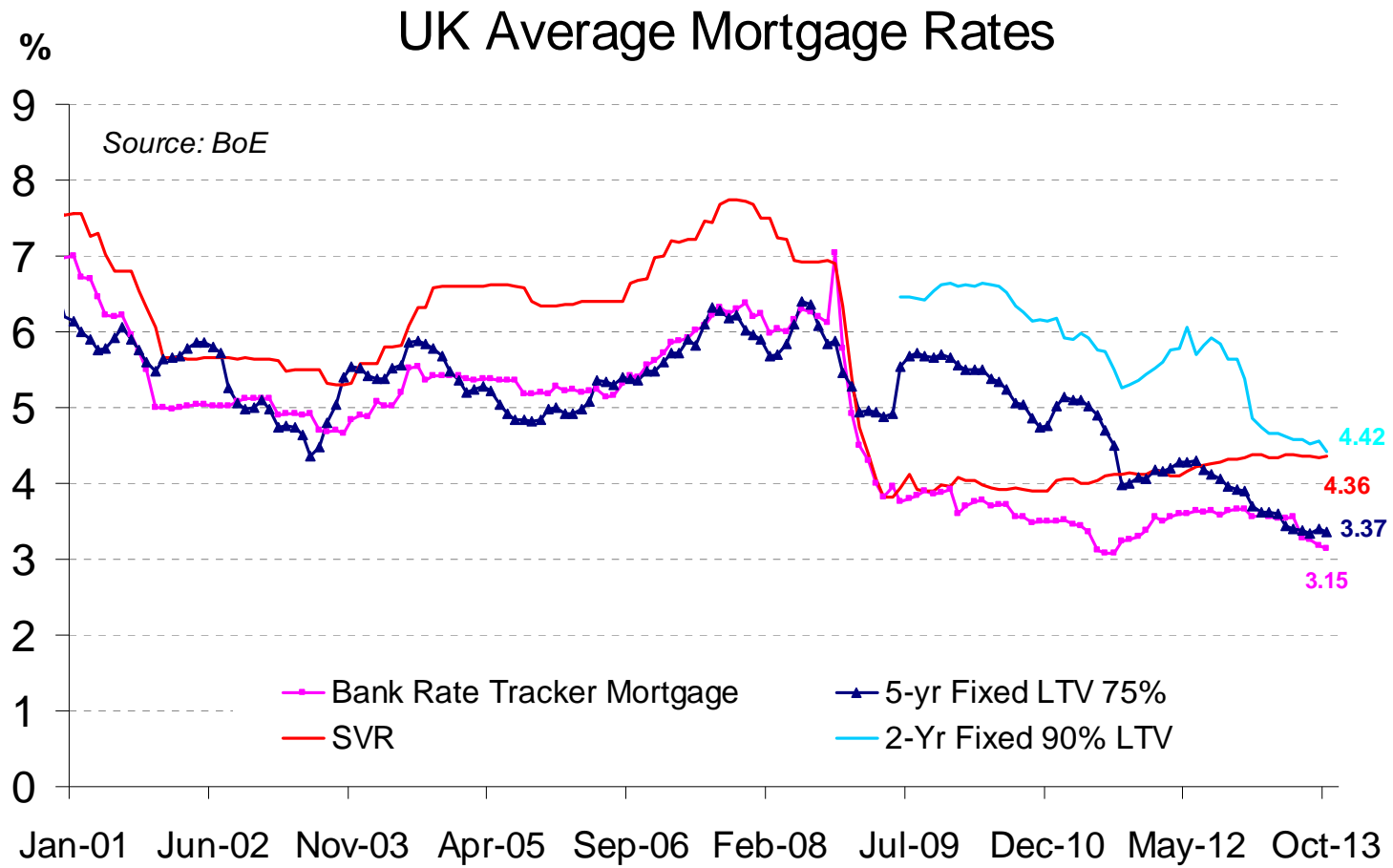
...record low in 5-yr swap rates has been & gone...



... the record low in 10-yr swap rates has also been and gone



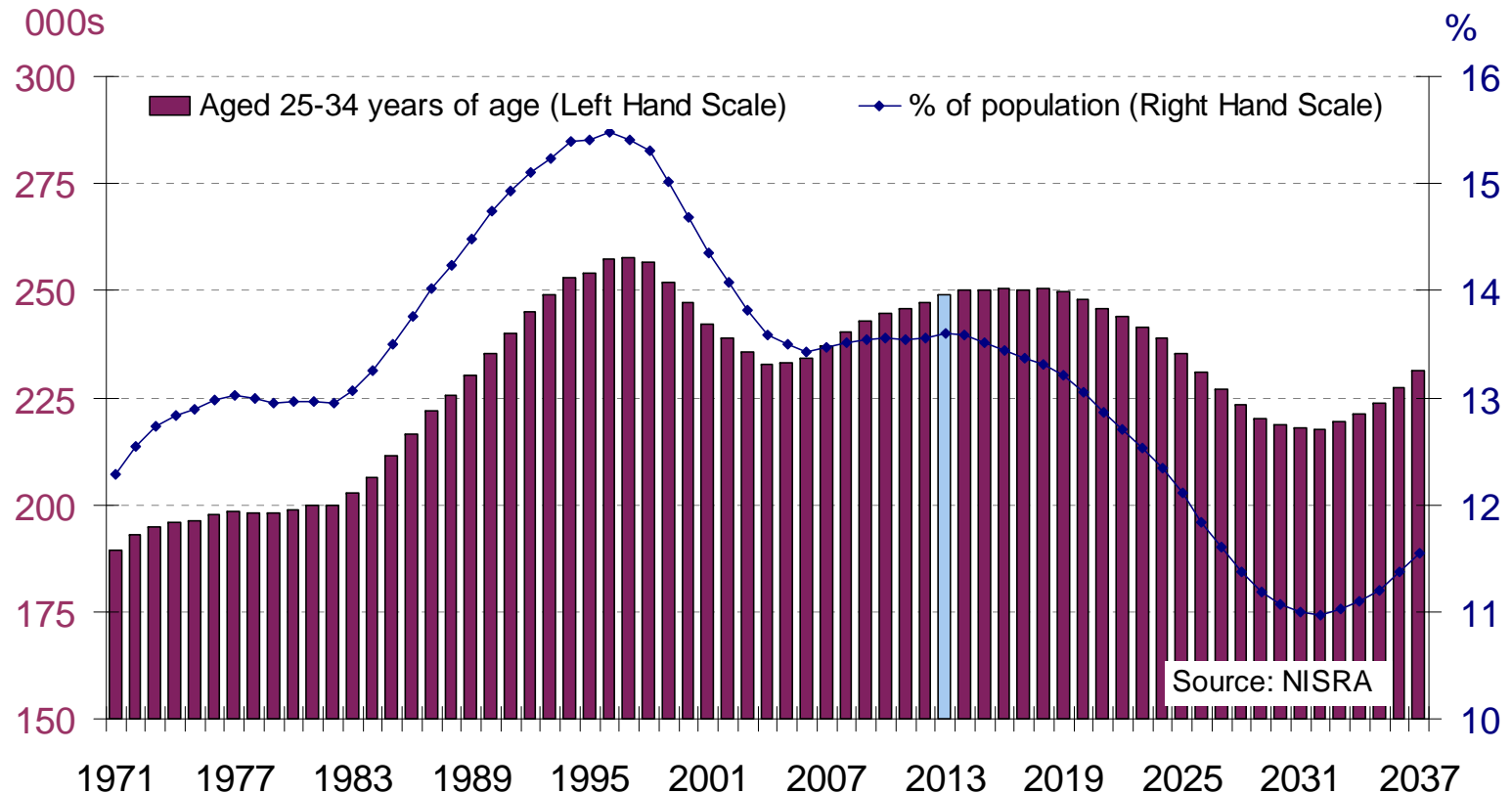
Average interest rate on 5-yr fixed rate mortgages (75% LTV) has recently hit a record low. 2-yr fixes also falling



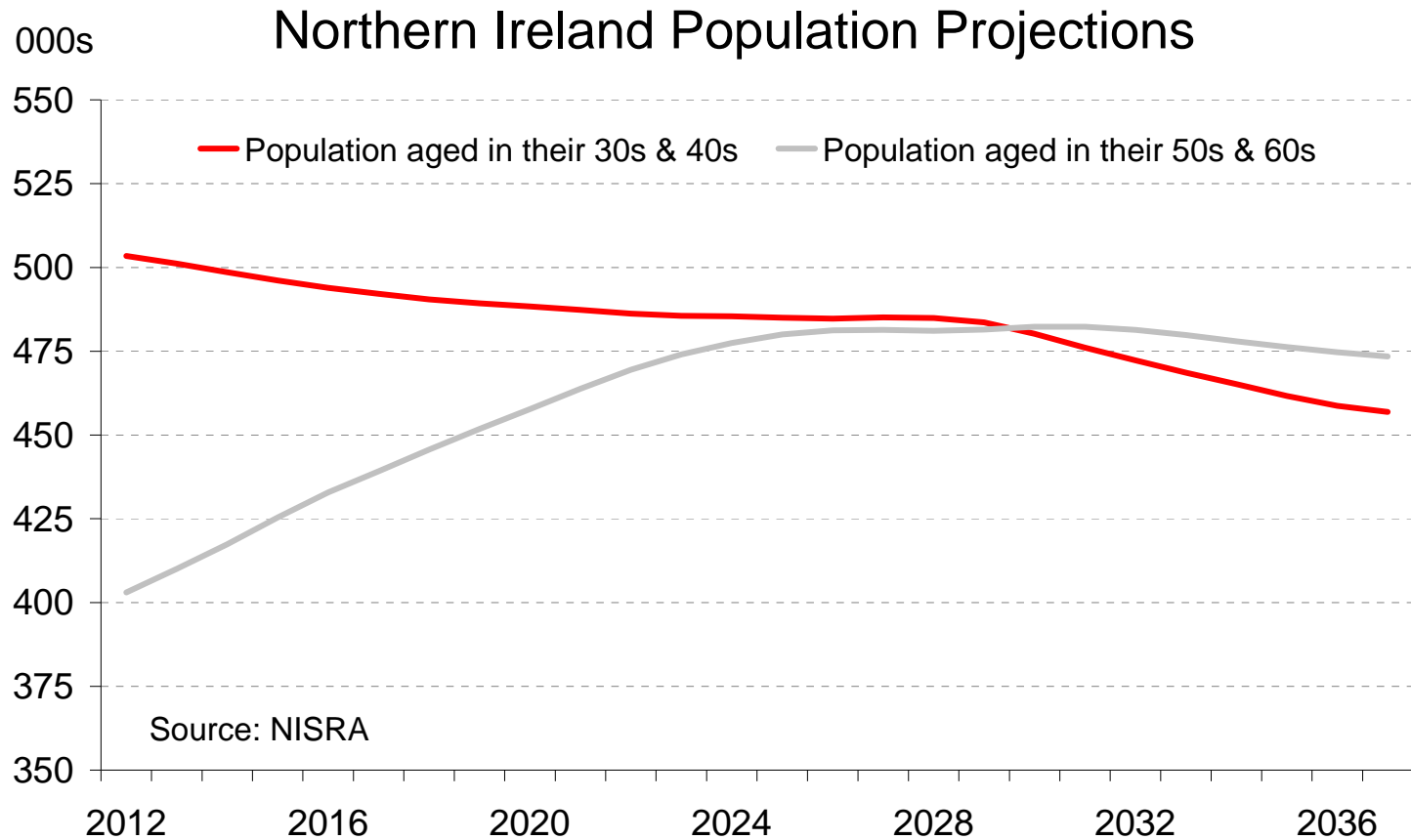
Demographic Trends & Projections

NI's household formation group has almost peaked but is set to fall during the next decade

NI Household Formation Group 25-34 yrs of Age

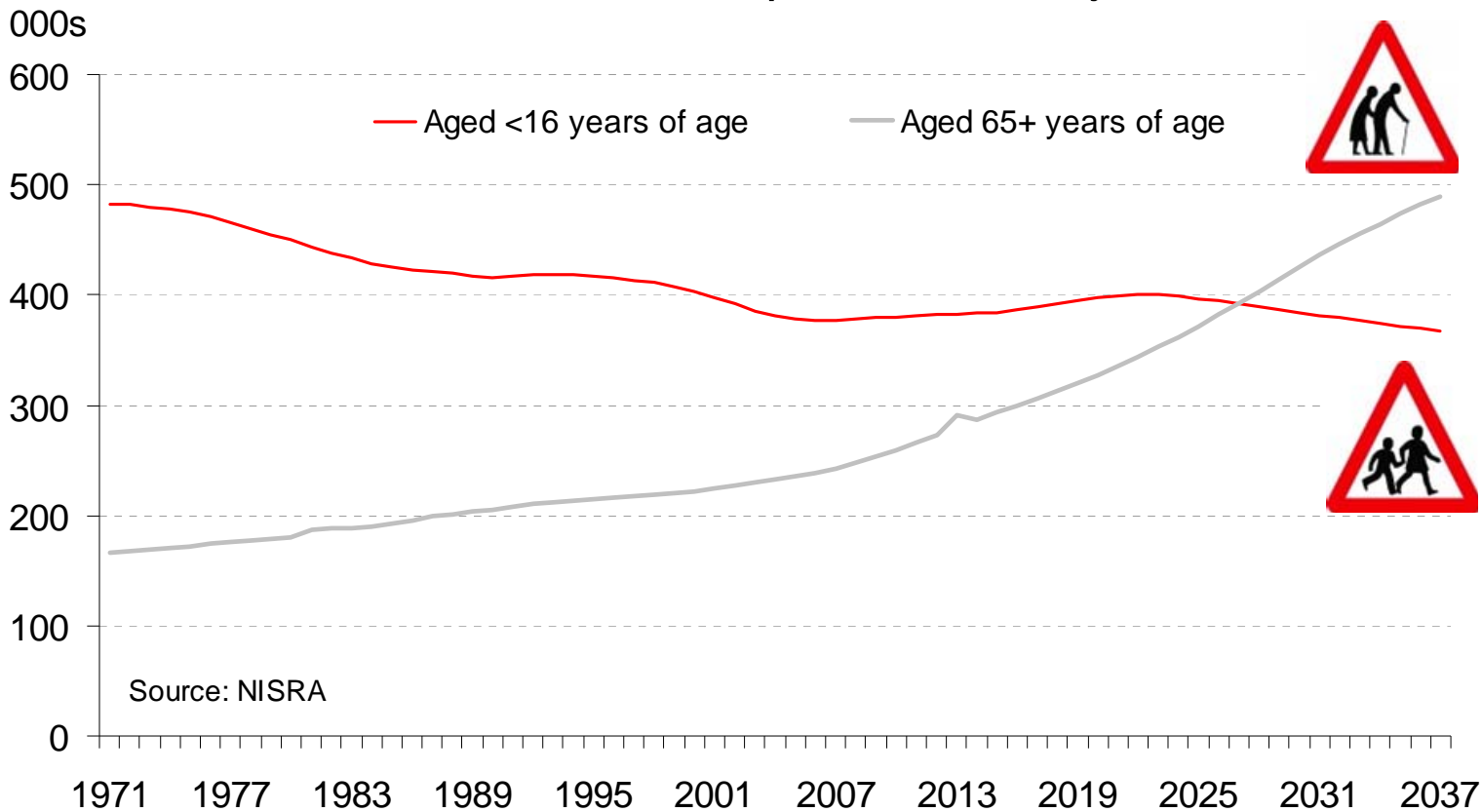


No. of individuals in 30s & 40s set to fall & will be outnumbered by those in 50s & 60s by 2030. Will impact on future demand for upsizing / downsizing



The no. of people aged >65 yrs is set to increase by 200k (+68%) over the next 24 years. How will housing supply adapt to changing demand?

Northern Ireland's Population & Projections



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