

Economic Indicators at a glance – March 2014

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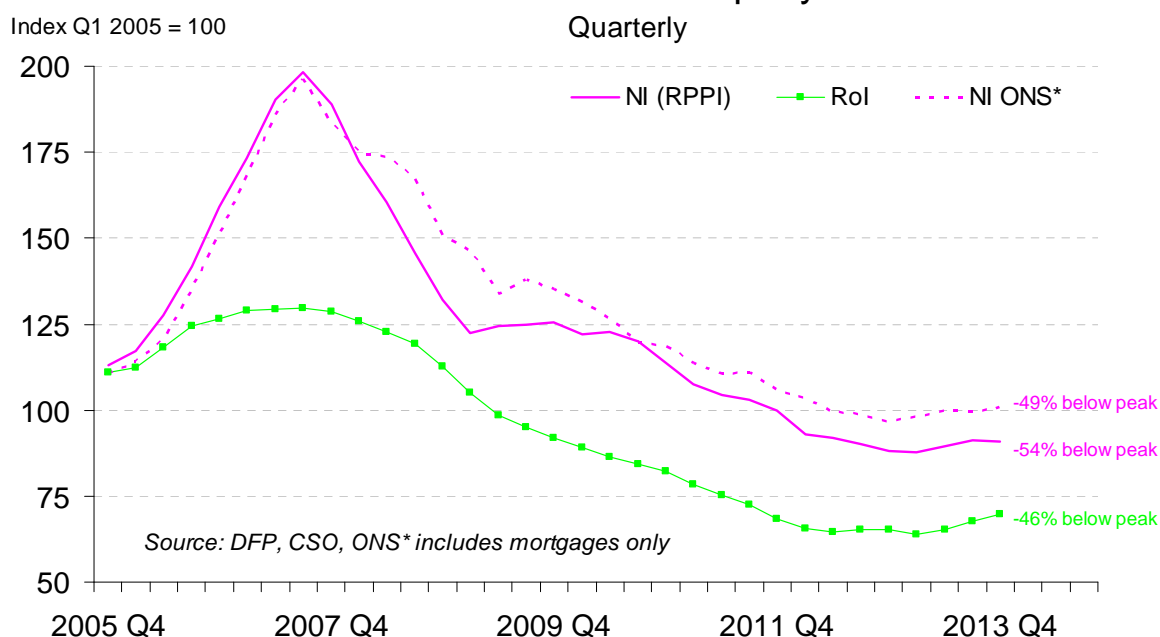
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Northern Ireland residential property prices post a 4% y/y rise in Q4 2013

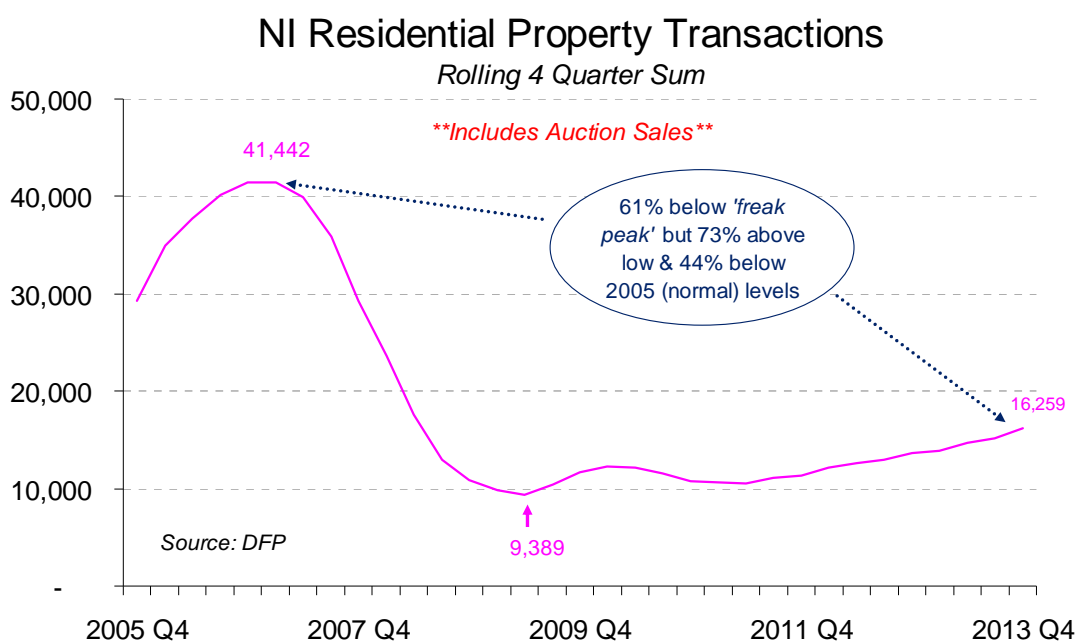
According to DFP's Residential Property Price Index (RPPI), property prices remained unchanged in Q4 2013 but were 4% higher than the corresponding quarter in 2012. This represents only the second quarter in 6 years that Northern Ireland (NI) residential property prices have posted a year-on-year increase. Despite this growth, the residential property price index decreased by almost 1% in 2013 relative to 2012. However, the latter represented the smallest decrease in prices in 6 years. Two of the five areas within NI (*Belfast & Outer Belfast*) recorded a quarterly rise in Q4 2013 of 1% whilst prices in the *East of NI* remained unchanged. Meanwhile the *North of NI* and the *West & South of NI* both reported 1% q/q declines in the latest quarter. To date, Belfast has recorded the strongest house price recovery with prices up almost 8% since Q1 2013. Following the latest figures, NI's standardised residential prices (*housing & apartments*) remain some 54% below the Q3 2007 peak. This compares with a peak-to-trough fall of 56% between Q3 2007 and Q1 2013. An alternative residential property price index produced by the *Office for National Statistics (ONS)* includes only properties purchased via a mortgage (*excludes auction / cash sales*). This survey revealed a rise of 1.5% q/q and 4.4% y/y in Q4 2013. Using this ONS survey, NI's average house prices in Q4 were almost 49% below their Q3 2007 peak. The latest surveys suggest that NI's residential house prices have entered a much needed period of stabilisation. We anticipate a 5% increase in residential property prices in 2014. This would represent the first annual increase in 7 years. It is noted that the Republic of Ireland's residential property price index (RPPI) posted its third successive quarterly increase in Q4 2013. The RoI's RPPI increased by 2.6% q/q and 6.4% y/y in Q4 2013. Furthermore, residential property prices in Q4 2013 were over 9% higher than the trough recorded in Q1 2013. Despite these recent increases, the RoI's residential property prices remain just over 46% below their Q3 2007 peak. However, as far as the economic recovery is concerned, increasing levels of transactions are much more important than rising prices.

NI & RoI Residential Property Prices



NI residential property sales rise by 28% y/y in Q4 2013

The new NI Residential Property Price Index (RPPI) covers all sales picked up by the HMRC, it provides the best measure of housing transactions of all the local house price surveys. In Q4 2013 there were 4,827 residential property transactions. This represented an increase of 16% q/q and was 28% higher than the corresponding quarter in 2012. The Q4 2013 outturn also represented the highest level of transactions since Q3 2007. For 2013 as a whole, there were 16,259 residential property transactions which is 19% above the 2012 outturn and some 73% above the low posted in the four quarters to Q2 2009 (9,389). However, this still remains 61% below the 'freak peak' recorded over the four quarters to Q1 2007 (41,442). Given that 2006 was something of an abnormal peak in transactions, 2005 is a more useful gauge to benchmark 'normal' activity. It is noted that that the number of property transactions during 2013 was just over half (56%) of 2005's outturn (29,232). All parts of NI posted strong rates of growth in transactions in Q4 2013 with *Outer Belfast & Belfast* recording the strongest rates of growth at 35% and 30% respectively.

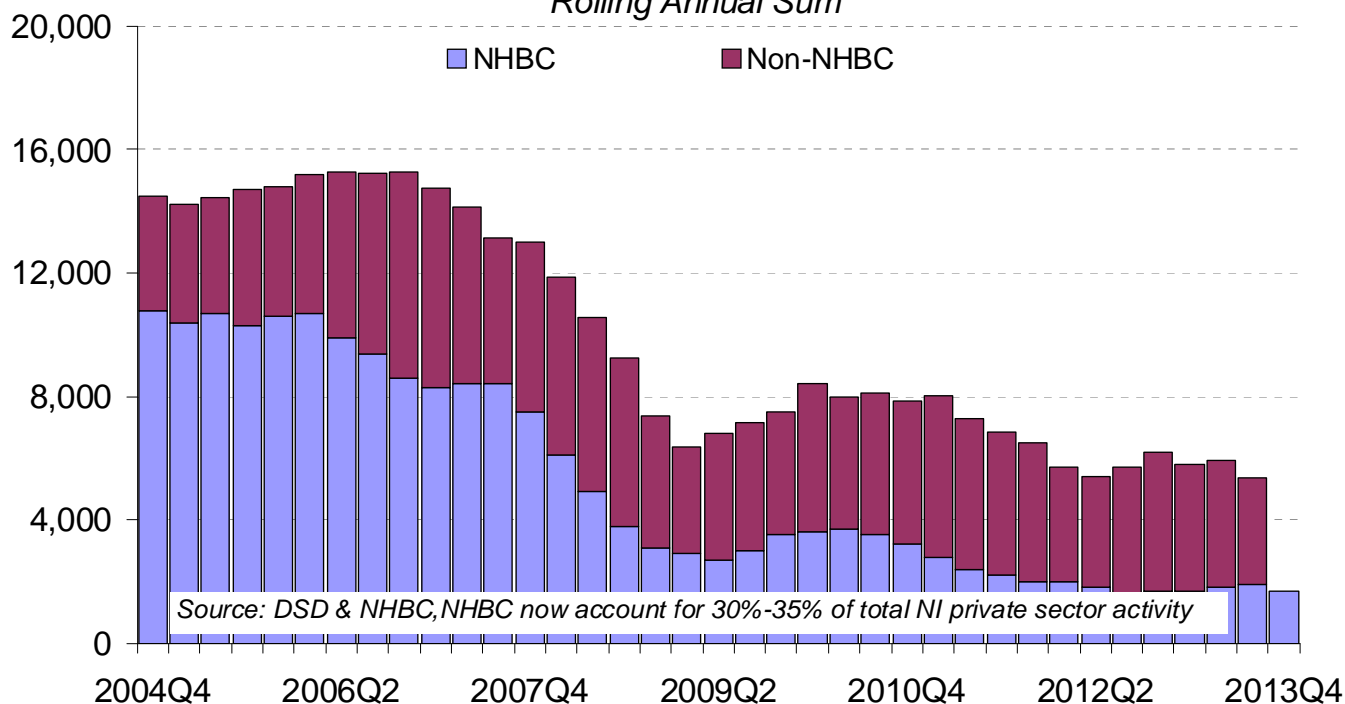


Northern Ireland is still waiting for a recovery in housing starts

Northern Ireland's housing market recovery has become increasingly evident in terms of house prices and property transactions. Furthermore, the number of housing units completed has rebounded from 2011's low with two successive rises in 2012 and 2013. However, these rises are due to the completion of a backlog of mothballed stock rather than the completion of recent housing starts. The latter has fallen in each of the last two years. It is estimated that fewer than 5,500 housing units were started last year which is just over one third of the peak in 2006 (15,260) and less than half of the projected need (12,000). 2014 is set to become the seventh year in a row of 'under-building' with this trend set to continue thereafter. This has the potential to store up social and economic problems in the future. Addressing this house building deficit, which is supporting house price growth in the short-term, is a key challenge going forward, particularly with the local banking system already over-exposed to this sector. Innovative thinking from all stakeholders is required to ensure that the conditions, including access to finance, are in place to support a recovery in house-building.

NI House Starts

Rolling Annual Sum



Richard Ramsey,
24th February 2014

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