

## Economic Indicators at a Glance: NI Housing Market Q1 2012

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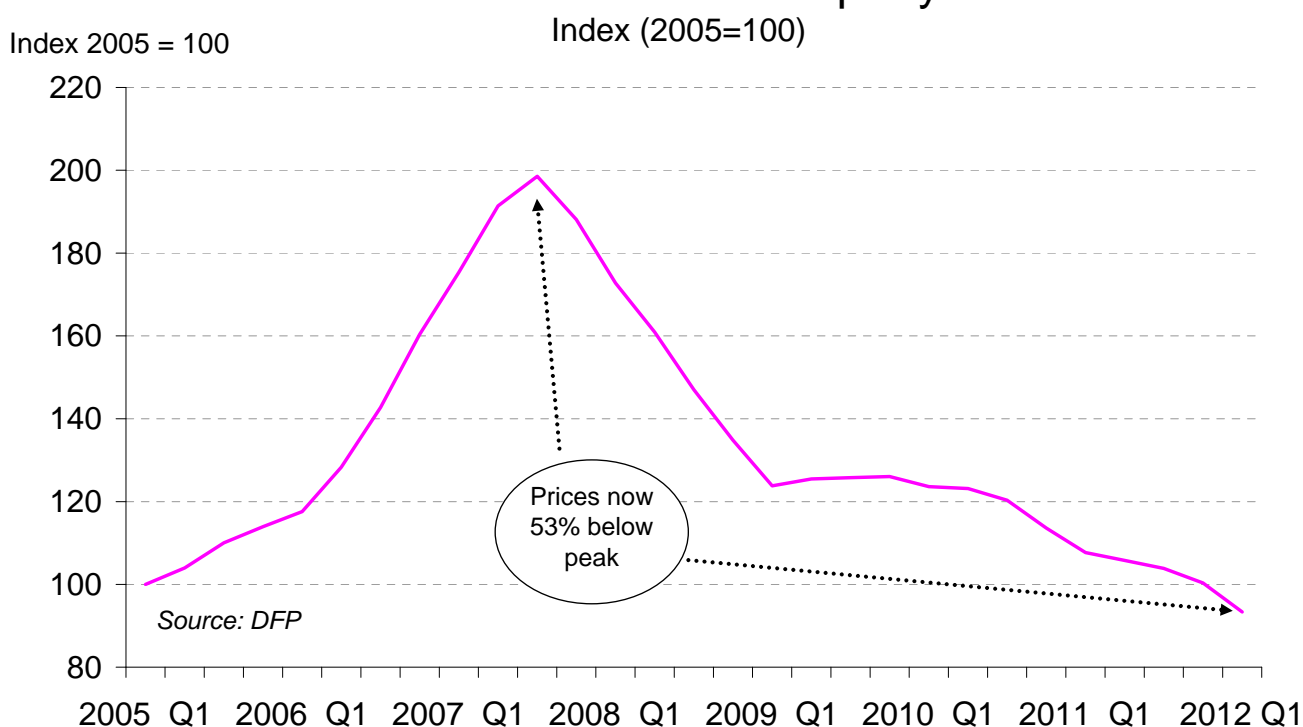
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### ***New house price survey provides greater clarity on house price correction***

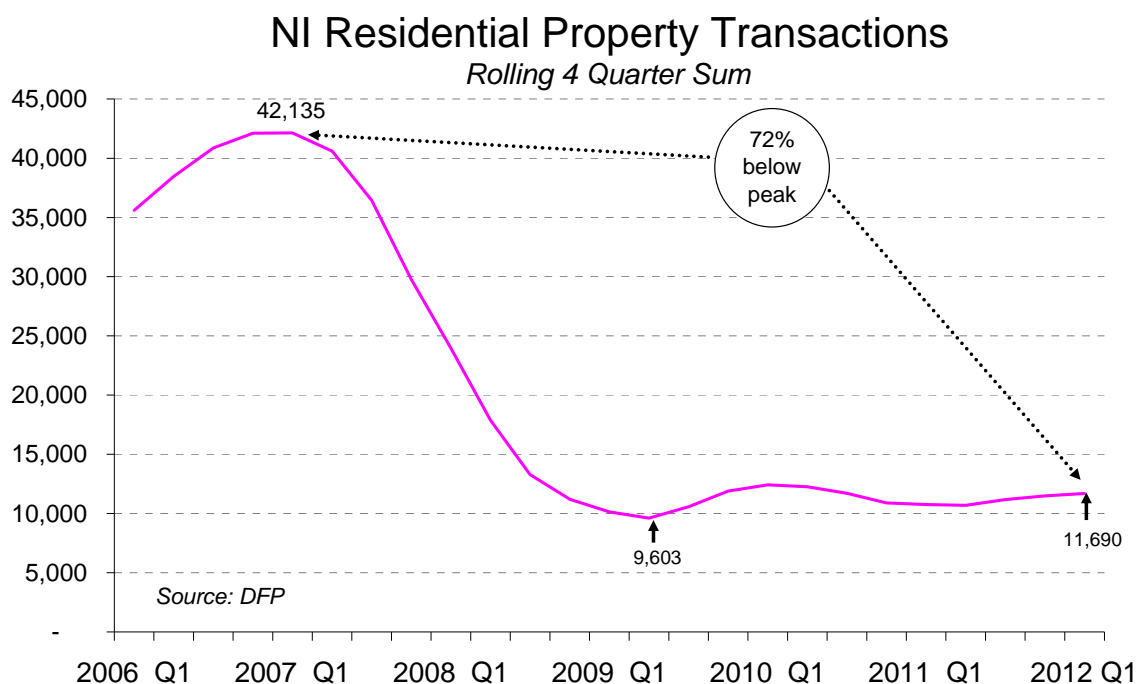
Over the last five years a variety of house price surveys have documented the most significant property correction in UK history. Until last month, there were six surveys that provided slightly different views on either the average house price or the direction of house prices. On the 23<sup>rd</sup> May the Department of Finance & Personnel (DFP) added a 7<sup>th</sup> survey to what would appear to be a crowded market place. The latest addition, however, 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 the complete set of residential property transactions from cash sales (including auctions) to house purchases via a mortgage. 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 an 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. Over the year to Q1 2012, Northern Ireland house prices have fallen by 13%. Meanwhile, since the peak in Q3 2007, house prices have fallen by 53%.

## Northern Ireland Residential Property Price Index



### **Northern Ireland residential property sales remain over 70% below peak**

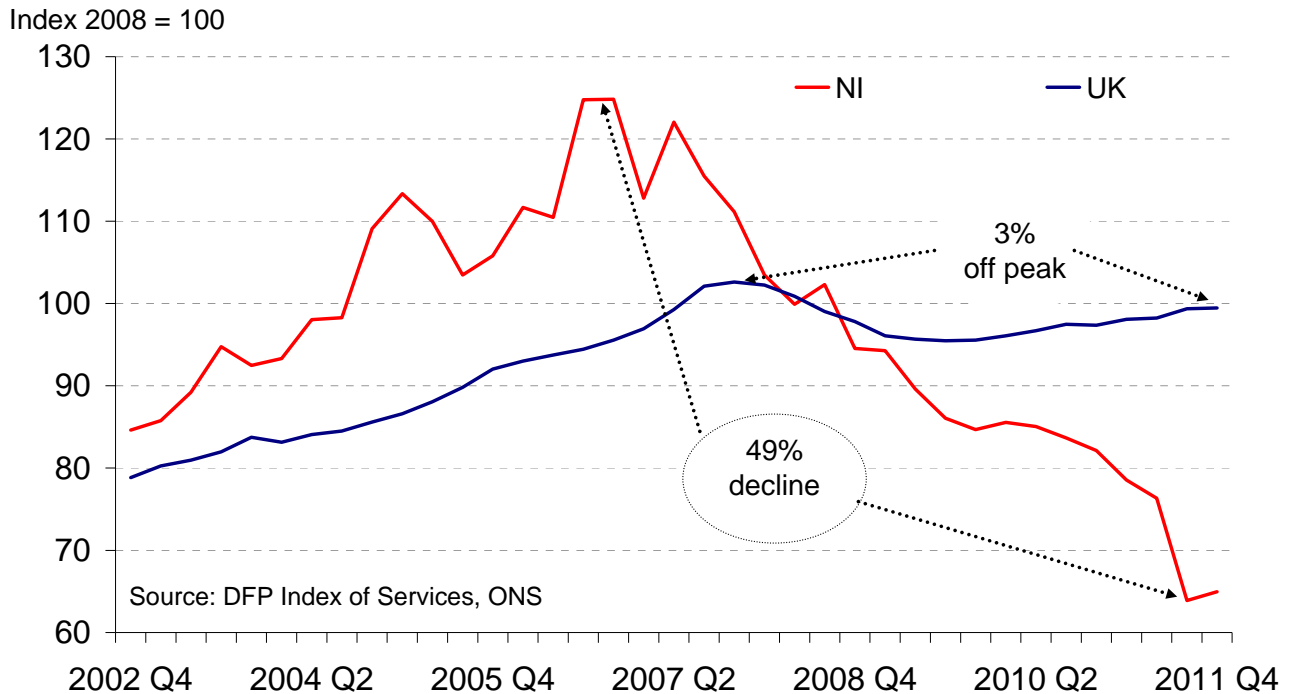
Outside of price the other key consideration when analysing a property market is the level of sales activity. Given that the new NI RPPI survey covers all sales picked up by the HMRC, it provides the best measure of housing transactions. Previously the two surveys with the largest sample sizes are the Department for Communities & Local Government (*DCLG*) and the University of Ulster Quarterly House Price Index. Their sample sizes for Q1 2012 were 957 and 925 respectively. By comparison, the new NI RPPI included 2,646 residential property sales. The latter represented a rise of almost 9% relative to Q1 2011 and was 29% above the series low posted in Q1 2009. Despite these recent increases, the levels of transactions remain significantly below the levels prevailing in 2006/07. Over the 12 months to Q1 2012 there were 11,690 residential property sales. This represented a fall of 72% relative to the peak of 42,135 in the year to Q1 2007.



### **The performance of the housing market all too apparent within service sector**

The performance of the local property market is the key factor explaining why Northern Ireland's service sector has diverged with the UK. The largest sector within private sector services is the *Business Services and Finance* category and it accounts for 35% of private sector services. This sub-sector includes: banking, finance, accountancy, legal services (*e.g. conveyancing*), estate agency, quantity surveying, consultancy, advertising and recruitment. Clearly, the steep decline in the number of residential (& commercial) property transactions has triggered a huge in fall in activity within the *Business Services & Finance* sector. Despite an increase in Q4 2011, the level of output in Northern Ireland's Business services and Finance sector remains almost halve of that recorded at its Q4 2006 peak. Meanwhile, the level of output in Q4 2011 for the equivalent sector within the UK was 3% below its Q4 2007 peak.

## Business Services & Finance Output Levels



Richard Ramsey,  
30th May 2012

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