
Northern Ireland Housing Market Update

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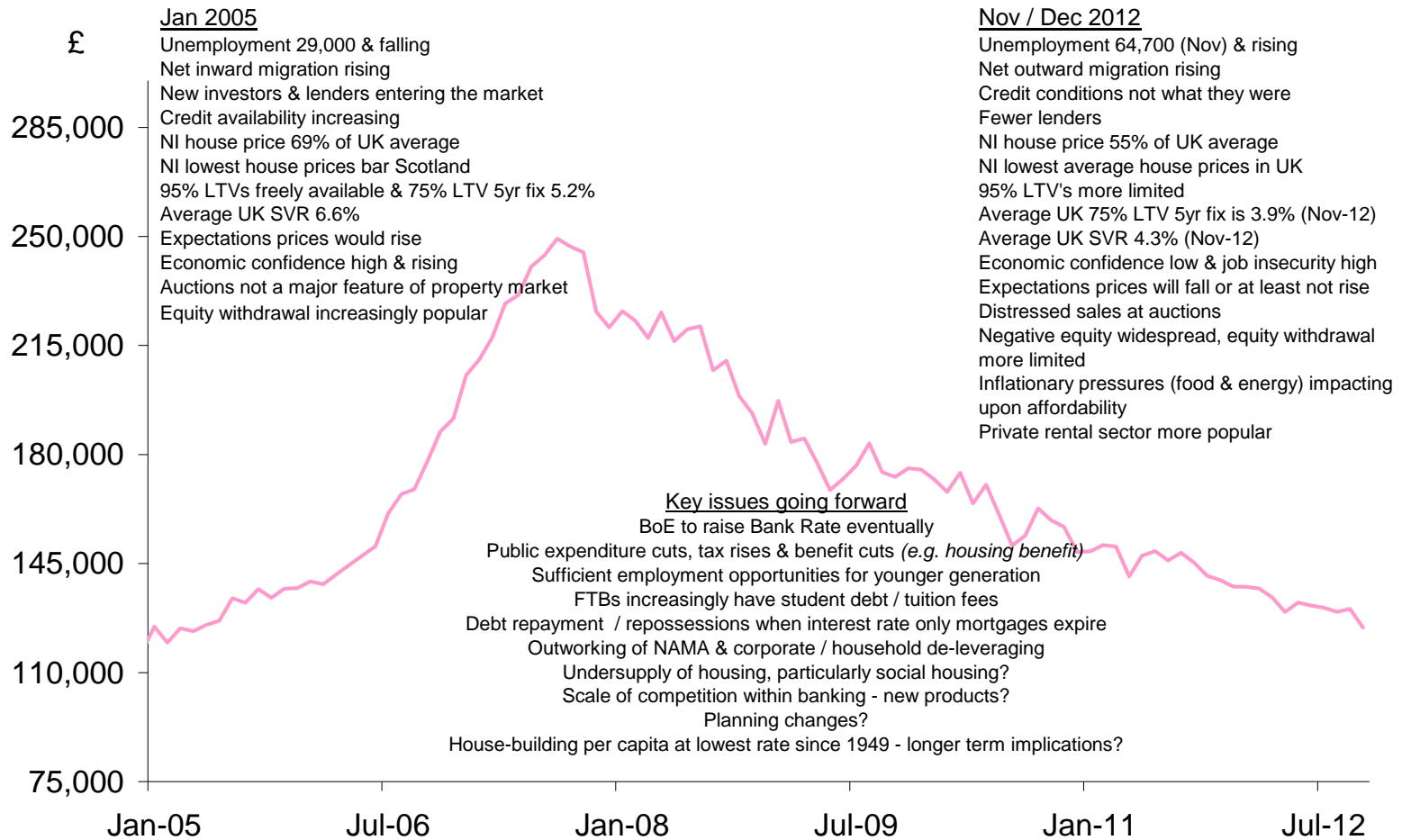


Contents

	Slide Numbers
1. Housing Market Summary	3-6
2. House Price Performance	7-19
3. UK & NI Regional House Price Performance	20-32
4. Mortgage Activity & Residential Property Transactions	33-60
5. Housing Starts & Completions	61-76
6. Housing Affordability & Interest Rates	77-92

*Northern Ireland
Housing Market
Summary*

Summary of Pre & Post boom housing market conditions



NI Housing Market Summary (1)

- ❑ House price surveys are still reporting house price falls for Northern Ireland (NI) with 2012 marking the 5th successive year of house price declines. Depending on the surveys used, average house prices in NI have fallen by 46-55% peak-to-trough (PTT). Eventually a PTT house price correction of 60% is anticipated.
- ❑ According to DFP's Residential Property Price Index the property types that have witnessed the steepest house price declines are Apartments (-61%) followed by Semi-detached houses (-59%). By area, the North, West & South of Northern Ireland have witnessed average house price falls in excess of 55%.
- ❑ Not only has NI experienced the steepest peak to trough decline of all the UK regions, it is the only UK region yet to experience a house price recovery. NI's average house prices are currently the lowest of all the UK regions.
- ❑ According to DFP's NI Residential Property Price Index, transactions increased by 12% q/q in Q3 2012 and were 7% higher than the corresponding quarter in 2011. The RPPI uses data from the HMRC and includes mortgages and sales through auctions. There were 12,747 property transactions in NI in over the year to Q3 2012. This represents a 15% rise on the previous 4 quarter period and is 36% above the low in Q2 2009.
- ❑ Despite this increase in activity, the total level of NI property transactions in the 4 quarters to Q3 2012 was 69% below the Q1 2007 peak (41,441). In value terms, the peak-to-trough fall has been 82% or £5.7bn. The steep fall in property transactions has seen activity within the Business Services & Finance sector fall by 51% since Q3 2006.
- ❑ According to the Council of Mortgage Lenders (CML), mortgage activity increased by 21% q/q in Q3 2012. However, the number of mortgages in Q3 2012 was 4% below the corresponding quarter in 2011. Over the last 4 quarters to Q3 2012, there were 8,800 mortgages in NI. This compares with 8,700 over the year to Q3 2011 and 27,000 in 2006. As a result, mortgage activity in NI is running at one third of 2006 levels and 75% 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%).
- ❑ According to the NHBC, the sale of new houses hit a series low in Q2 2012. New house sales over the year to Q2 2012 were 80% below 2006 levels.

NI Housing Market Summary (2)

- ❑ The NI FTB mortgage market is expected to hit a 5-yr high in mortgage completions for 2012. Nevertheless, FTB mortgage activity over the year to Q3 2012 remains 45% below 2006 levels. This is broadly in line with the UK. The FTB segment accounted for 58% of the mortgage market (*UK=39%*) over the year to Q3 2012 – its highest share since 2001.
- ❑ Meanwhile, unlike within the UK, there has been no recovery in NI's 'home mover' market whatsoever. Mortgage completions within NI's 'home mover' market over the year to Q3 2012 had fallen almost 79% 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 over the year to Q3 2012.
- ❑ NI's remortgage market has plummeted over the last five years. During the year to Q3 2007, there were 32,900 remortgages in Northern Ireland. In the five years to Q3 2012, there were 27,300 fewer (or -83%) remortgages.
- ❑ In 2011 there were just 6,977 house completions – the lowest outturn since 1994. The corresponding figure for 2012 is estimated at 5,800 – 68% below the 2006 peak (18,000). A seventh successive annual decline is anticipated in 2013 as we forecast 5,500 units. In the UK house completions are 35% below their pre-crisis peak whilst the RoI is 91% below its peak.
- ❑ NI is currently building fewer houses per capita than at any time since 1949. At its peak (2006), NI was building 10.3 housing units per 1,000 population. 2012's estimate is 3.2 with 3.1 forecast for 2013.
- ❑ 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 post-tax income after necessities (*food & energy*) is also important.
- ❑ 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' (*known as base rate*) remains at its lowest level since 1694 and can only go up. The BoE is expected to keep rates on hold into 2015. Longer-term interest rates have also recently hit record lows with the 5-yr swap rate sub-1% last month. Meanwhile 10-year swap rates hit a record low of 1.78% in November too.

*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 2012		Year-on-Year Change Q3 2012		Change relative to pre-downturn peak	
	NI	UK	NI	UK	NI	UK
Nationwide	-2.3%	-0.5%	-9.3%	-1.6%	-53.2%	-11.8%
Halifax	18.8%	-0.5%	13.8%	-1.2%	-46.3%	-19.7%
DCLG	-0.6%	1.8%	-11.0%	1.9%	-49.6%	-2.6%
DFP Residential Property Price Index	-1.0%	N.A	-12.0%	N.A	-55.0%	N.A
University of Ulster / Bank of Ireland	-0.5%	N.A	-0.5%	N.A	-46.3%	N.A

Latest Surveys Average House Prices

Average House Prices - All Property Types Q3 2012

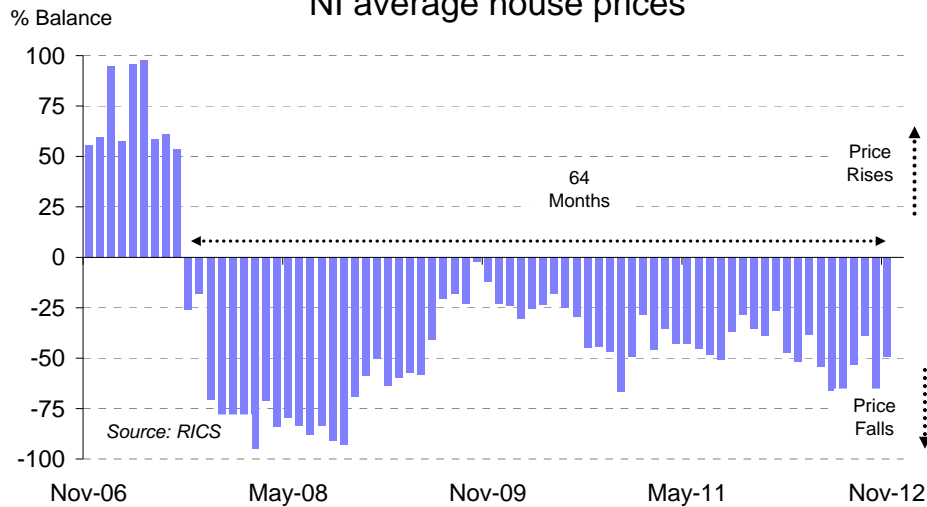
Survey	Survey Coverage	Sample Size	NI	UK
DCLG	Mortgages Only Most Providers	Low	£130,000	£233,000
Nationwide	Nationwide Mortgages Only	Very Low	£107,719	£163,910
Halifax	Halifax Mortgages Only	Very Low	£123,174	£160,345
University of Ulster / Bank of Ireland	Mortgages & Cash Sales	Low	£138,966	-
DFP NI Residential Property Price Index (RPPI)	Mortgages, Cash Sales & Auctions	Very High		
NI RPPI Mean <i>(simple average)</i>	"		£115,240	-
NI RPPI Median*	"		£100,000	-
NI RPPI Standardised Price**	"		£94,895	-

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

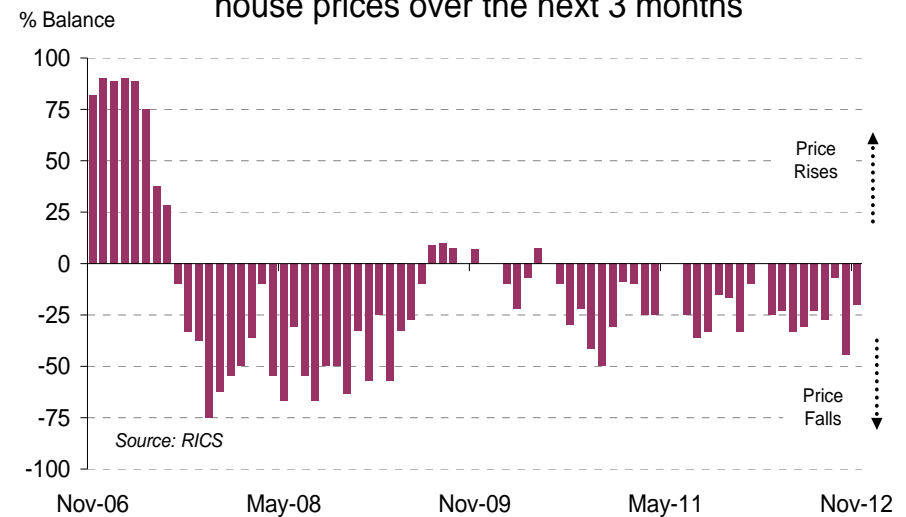
** Standardised Price is preferred method for measuring house price changes as it takes account the different type and characteristics (e.g. size, location)

NI surveyors reporting house price declines each month for the last 64 months. Prices expected to fall over next 3 months

Net balance of surveyors reporting a fall / rise in NI average house prices

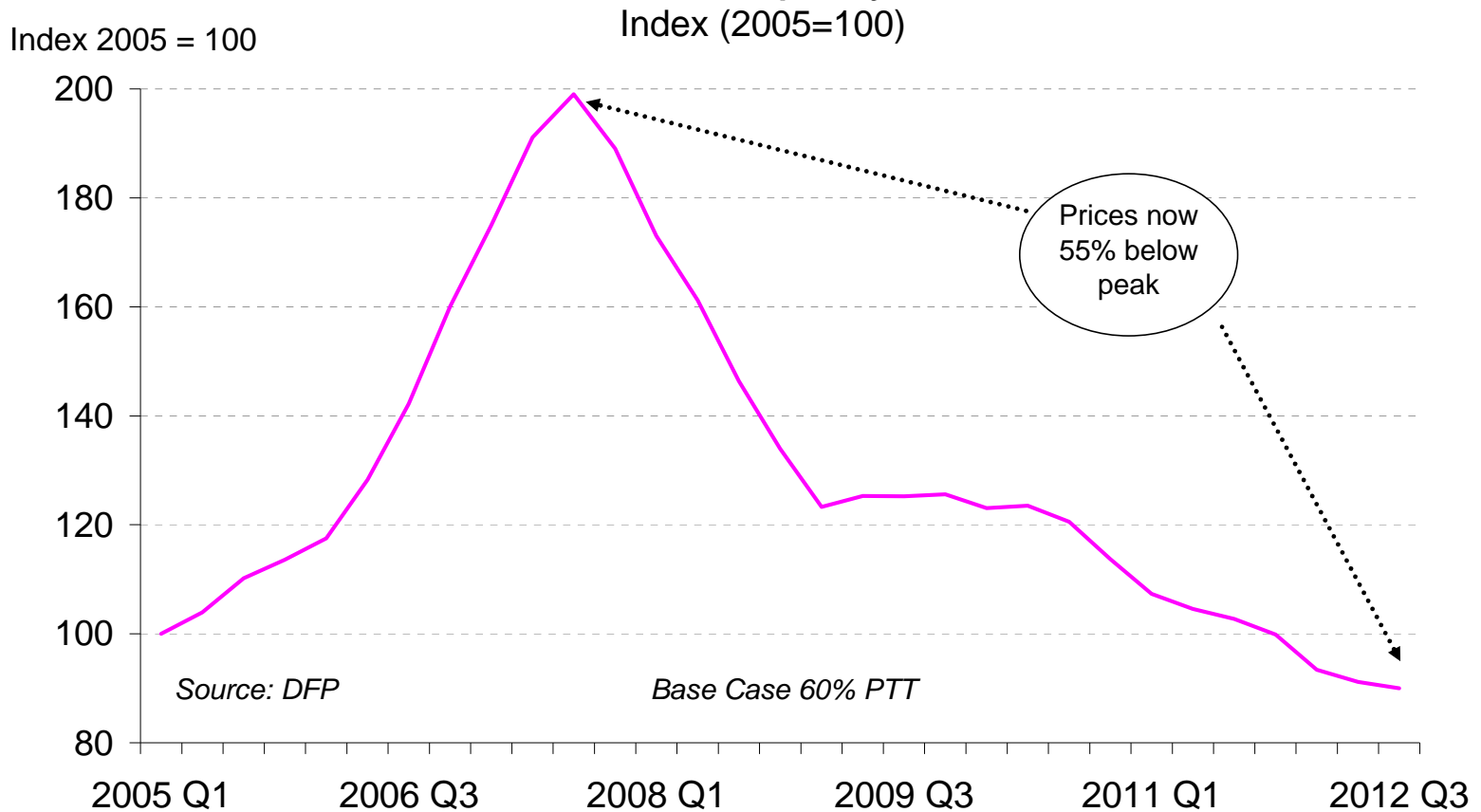


Net balance of surveyors' expectations of NI house prices over the next 3 months



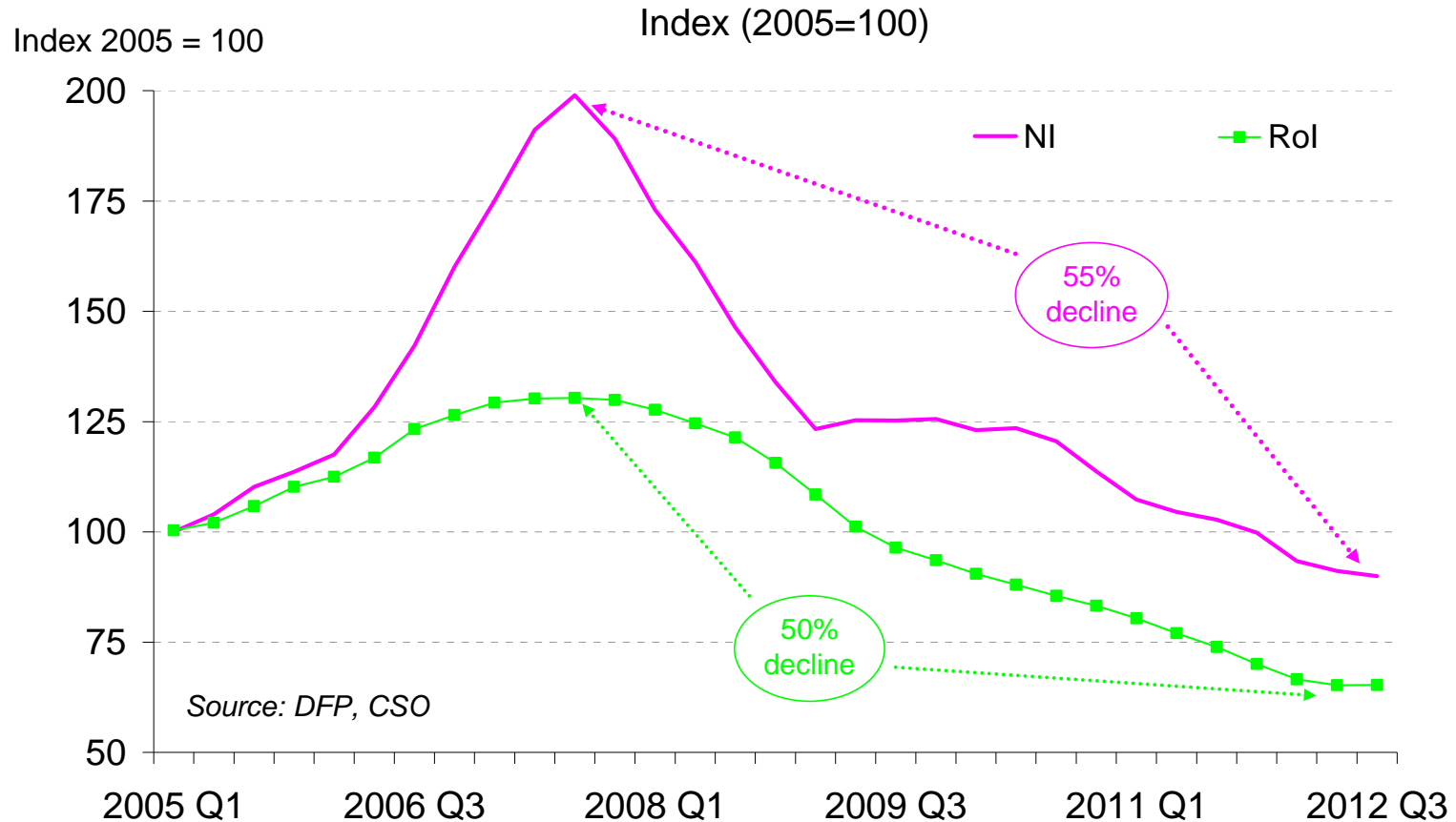
NI's residential property prices have fallen 55% peak-to-trough (61% in real terms) . A 60% PTT decline is expected

NI Residential Property Price Index



Rol house prices have fallen by 50% but unlike DFP's RPPI survey the CSO data does not include auction sales

N.Ireland & Republic of Ireland House Prices

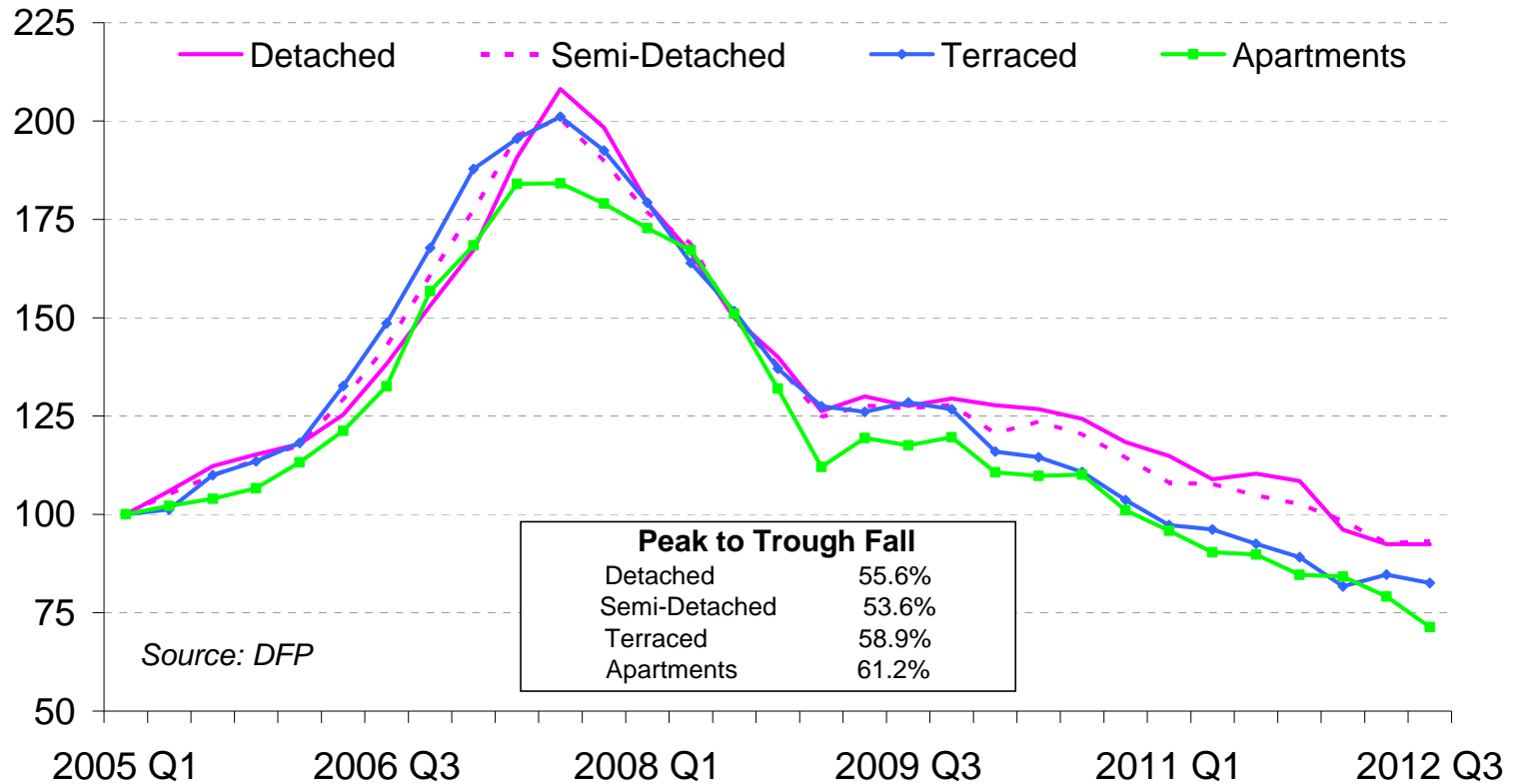


Apartments have posted the sharpest falls so far – 61%

Northern Ireland Residential Property Prices

Index 2005 = 100

Index (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	102
2005 Q3	110	112	110	110	104
2005 Q4	114	115	114	113	107
2006 Q1	118	118	118	118	113
2006 Q2	128	125	129	133	121
2006 Q3	142	138	143	149	133
2006 Q4	160	153	161	168	157
2007 Q1	175	167	177	188	168
2007 Q2	191	191	196	196	184
2007 Q3	199	208	200	201	184
2007 Q4	189	198	190	193	179
2008 Q1	173	179	177	179	173
2008 Q2	161	166	169	164	167
2008 Q3	146	150	150	152	151
2008 Q4	134	140	138	137	132
2009 Q1	123	126	125	128	112
2009 Q2	125	130	128	126	119
2009 Q3	125	128	127	128	118
2009 Q4	126	129	128	127	120
2010 Q1	123	128	121	116	111
2010 Q2	123	127	124	115	110
2010 Q3	121	124	120	111	110
2010 Q4	114	118	114	104	101
2011 Q1	107	115	108	97	96
2011 Q2	105	109	108	96	90
2011 Q3	103	110	105	93	90
2011 Q4	100	108	103	89	85
2012 Q1	93	96	98	82	84
2012 Q2	91	92	93	85	79
2012 Q3	90	92	93	83	71
Q/Q Change	-1%	0%	0%	-2%	-10%
Y/Y Change	-12%	-16%	-11%	-11%	-21%
Fall from Peak	-55%	-56%	-54%	-59%	-61%

Source: DFP NI RPPI August 2012

Residential Prices in the North, West & South of N.Ireland have witnessed average price falls in excess of 55%

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

Regional Area	Index (Quarter 3 2012)	% Change on Previous Quarter	% Change over 12 months	Q3 2012 relative to Peak	Standardised Price (Quarter 3 2012)
Belfast	89	-1%	-12%	55%	£91,529
Outer Belfast	97	0%	-9%	52%	£110,080
East of N.Ireland	90	-2%	-14%	55%	£93,764
North of N.Ireland	84	-4%	-14%	57%	£85,274
West & South of N.Ireland	84	2%	-14%	57%	£87,037
Northern Ireland	90	-1%	-12%	55%	£94,895

Source: DFP NI RPPI November 2012

Median, Mean & Standardised Residential Property Prices

NI Average Sales Prices Q1 2005 - Q3 2012

Quarter	Simple Mean	Simple Median	Standardised Price (RPPI)
2005 Q1	£116,320	£100,000	£105,455
2005 Q2	£120,231	£105,000	£109,628
2005 Q3	£128,885	£115,000	£116,179
2005 Q4	£129,528	£117,000	£119,791
2006 Q1	£132,985	£120,000	£123,930
2006 Q2	£145,292	£130,000	£135,260
2006 Q3	£163,764	£145,000	£149,978
2006 Q4	£179,081	£160,000	£168,827
2007 Q1	£197,651	£175,000	£184,547
2007 Q2	£216,525	£192,975	£201,554
2007 Q3	£233,984	£200,000	£209,857
2007 Q4	£231,319	£192,250	£199,391
2008 Q1	£211,430	£175,000	£182,476
2008 Q2	£188,456	£165,000	£169,983
2008 Q3	£175,766	£152,000	£154,346
2008 Q4	£161,644	£144,887	£141,256
2009 Q1	£146,103	£130,000	£129,998
2009 Q2	£148,778	£132,000	£132,129
2009 Q3	£149,314	£135,000	£132,074
2009 Q4	£151,462	£137,000	£132,437
2010 Q1	£148,215	£124,000	£129,753
2010 Q2	£142,728	£125,000	£130,228
2010 Q3	£140,777	£125,000	£127,121
2010 Q4	£135,035	£120,000	£119,900
2011 Q1	£127,090	£111,750	£113,171
2011 Q2	£124,403	£112,000	£110,249
2011 Q3	£125,951	£111,500	£108,347
2011 Q4	£121,351	£106,000	£105,299
2012 Q1	£115,093	£100,000	£98,484
2012 Q2	£111,551	£97,000	£96,133
2012 Q3	£115,240	£100,000	£94,895

Source: DFP NI RPPI November 2012

Standardised NI Residential Property Price

Quarter	Detached	Semi-Detached	Terraced	Apartment
2005 Q1	£153,470	£102,230	£79,746	£95,552
2005 Q2	£162,635	£107,540	£80,735	£97,651
2005 Q3	£172,283	£112,284	£87,714	£99,365
2005 Q4	£176,888	£116,367	£90,510	£101,897
2006 Q1	£181,017	£120,190	£94,230	£108,233
2006 Q2	£192,395	£132,105	£105,776	£115,842
2006 Q3	£212,126	£145,964	£118,475	£126,717
2006 Q4	£234,982	£164,394	£133,758	£149,786
2007 Q1	£257,178	£180,114	£149,486	£158,943
2007 Q2	£293,429	£199,448	£155,597	£173,705
2007 Q3	£320,161	£203,637	£160,018	£173,852
2007 Q4	£305,061	£192,852	£153,208	£169,003
2008 Q1	£278,613	£177,851	£140,422	£158,798
2008 Q2	£258,806	£169,913	£128,390	£153,611
2008 Q3	£233,036	£150,626	£118,809	£138,777
2008 Q4	£217,781	£138,814	£107,370	£121,308
2009 Q1	£194,618	£125,555	£101,421	£112,213
2009 Q2	£200,326	£128,393	£100,261	£119,593
2009 Q3	£196,611	£127,666	£102,181	£117,700
2009 Q4	£199,550	£128,556	£100,791	£119,796
2010 Q1	£196,606	£124,910	£94,499	£118,829
2010 Q2	£195,109	£127,945	£93,298	£117,879
2010 Q3	£191,348	£124,593	£90,226	£118,222
2010 Q4	£182,159	£118,525	£84,443	£108,508
2011 Q1	£175,883	£111,306	£78,033	£105,288
2011 Q2	£166,741	£110,904	£77,136	£99,239
2011 Q3	£168,920	£107,922	£74,245	£98,632
2011 Q4	£166,060	£105,629	£71,529	£92,971
2012 Q1	£148,028	£102,072	£65,254	£87,120
2012 Q2	£142,346	£96,350	£67,620	£81,914
2012 Q3	£142,227	£96,615	£65,938	£73,885

Source: DFP NI RPPI November 2012

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

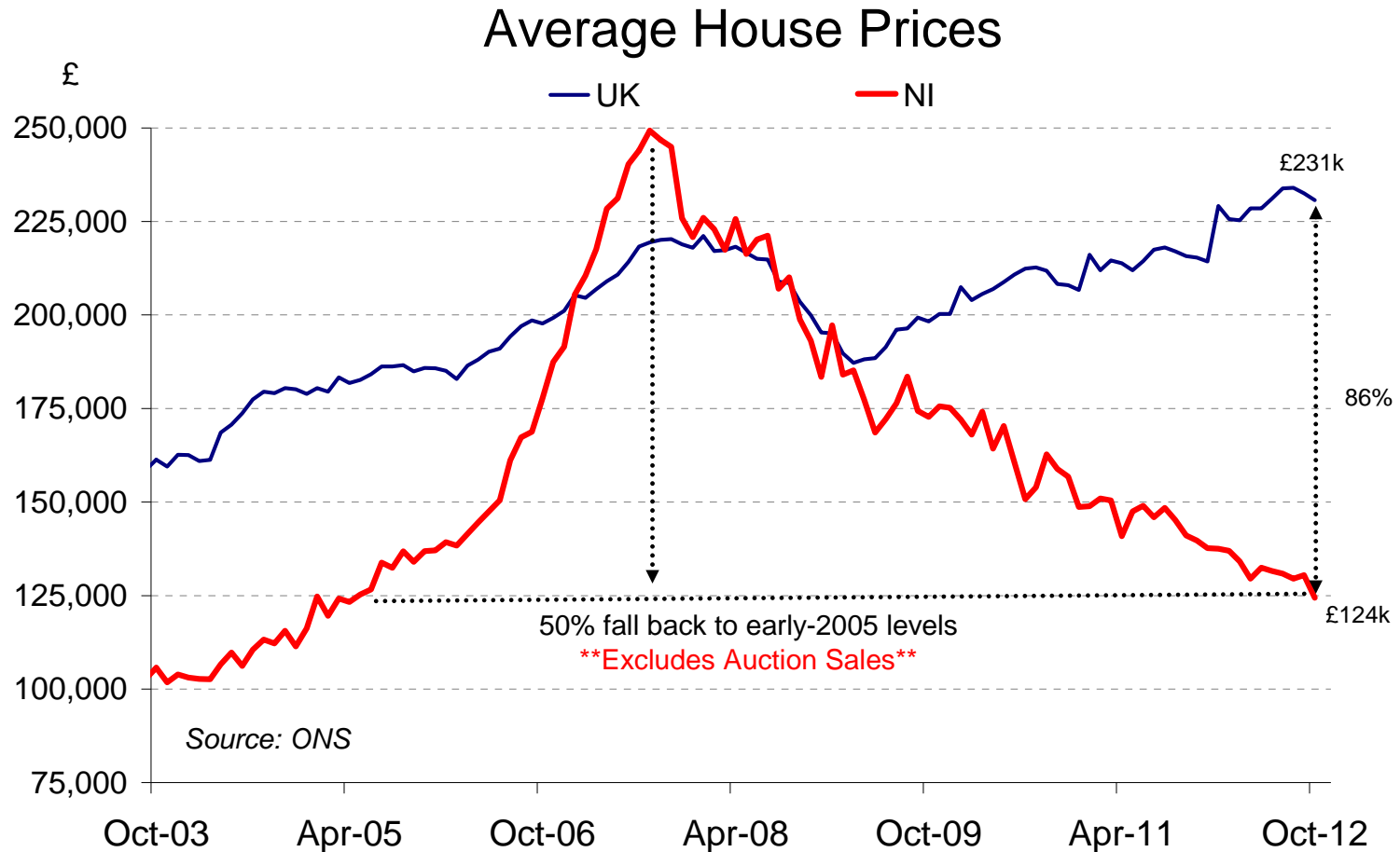
**Median Sale Price of Residential Properties Sold between
October 2011 - September 2012 By Property Type & Location**

Local Government District	Detached	Semi-Detached	Terrace	Apartment
Antrim	£160,000	£114,000	£60,000	£70,000
Ards	£180,000	£110,000	£70,000	£70,500
Armagh	£122,750	£80,000	£60,000	N/A
Ballymena	£160,500	£100,000	£60,000	£74,250
Ballymoney	£121,500	£85,500	£57,750	N/A
Banbridge	£150,000	£90,000	£62,500	N/A
Belfast	£225,000	£122,000	£65,000	£89,350
Carrickfergus	£151,250	£108,000	£60,000	£85,000
Castlereagh	£188,250	£127,250	£82,500	£80,000
Coleraine	£149,475	£97,000	£84,000	£110,000
Cookstown	£137,500	£85,000	£69,000	N/A
Craigavon	£125,500	£81,000	£49,250	N/A
Derry	£140,500	£101,500	£60,000	£52,500
Down	£152,250	£102,500	£70,250	£90,750
Dungannon	£128,000	£90,000	£60,000	N/A
Fermanagh	£140,000	£93,000	£60,500	£100,000
Larne	£135,000	£88,500	£55,750	£65,500
Limavady	£122,500	£90,500	£53,000	N/A
Lisburn	£169,500	£114,500	£73,000	£75,000
Magherafelt	£135,000	£85,000	£71,000	N/A
Moyle	£145,000	£114,000	£95,000	N/A
Newry & Mourne	£152,000	£97,000	£64,000	£60,000
Newtownabbey	£160,000	£106,500	£60,000	£76,000
North Down	£190,000	£118,750	£84,000	£85,250
Omagh	£132,500	£90,000	£57,500	N/A
Strabane	£112,500	£72,000	£54,500	N/A

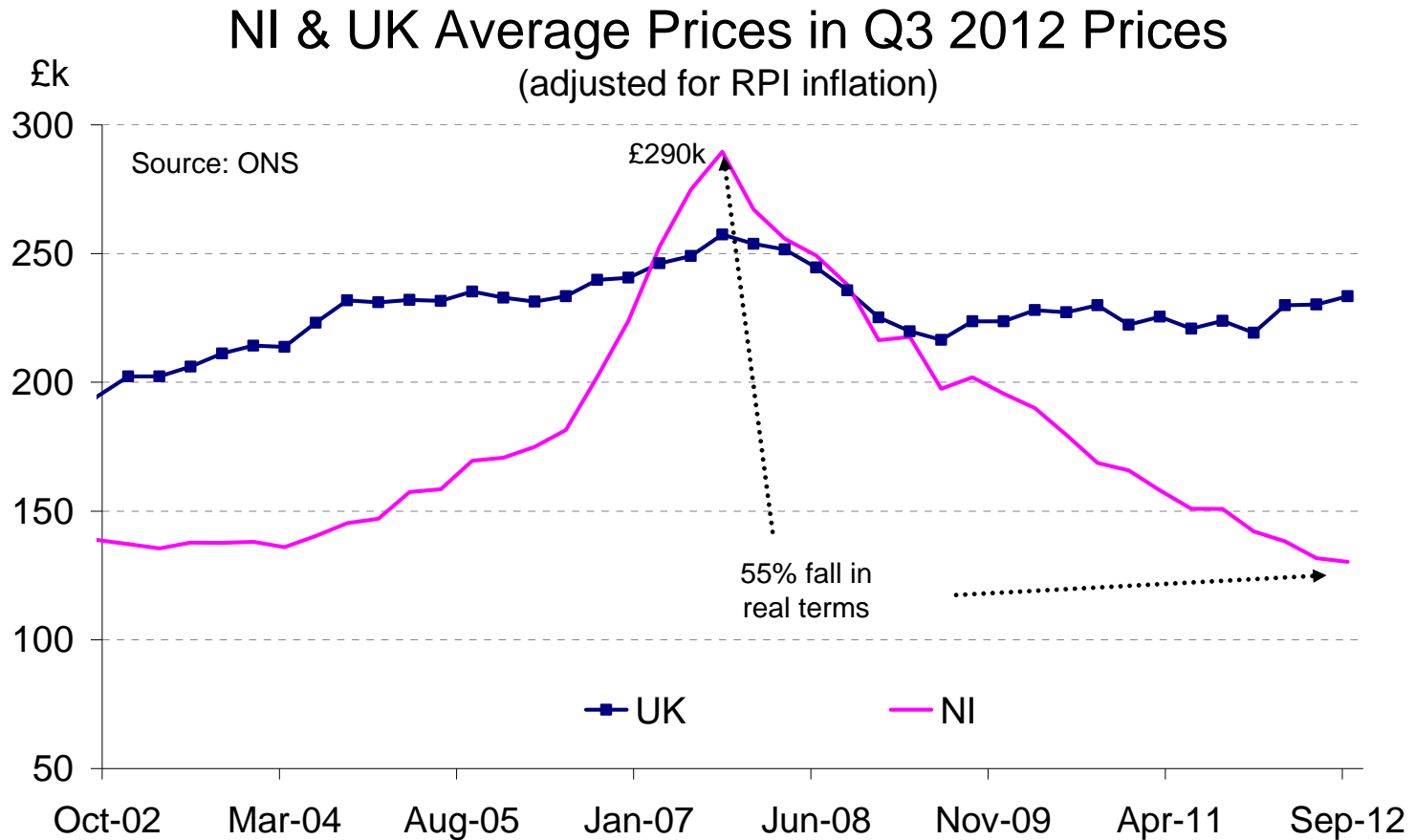
Source: DFP NI RPPI November 2012

*UK & NI Regional
House Price
Performance*

According to DCLG survey average house prices have fallen 50% from peak but this excludes auction sales

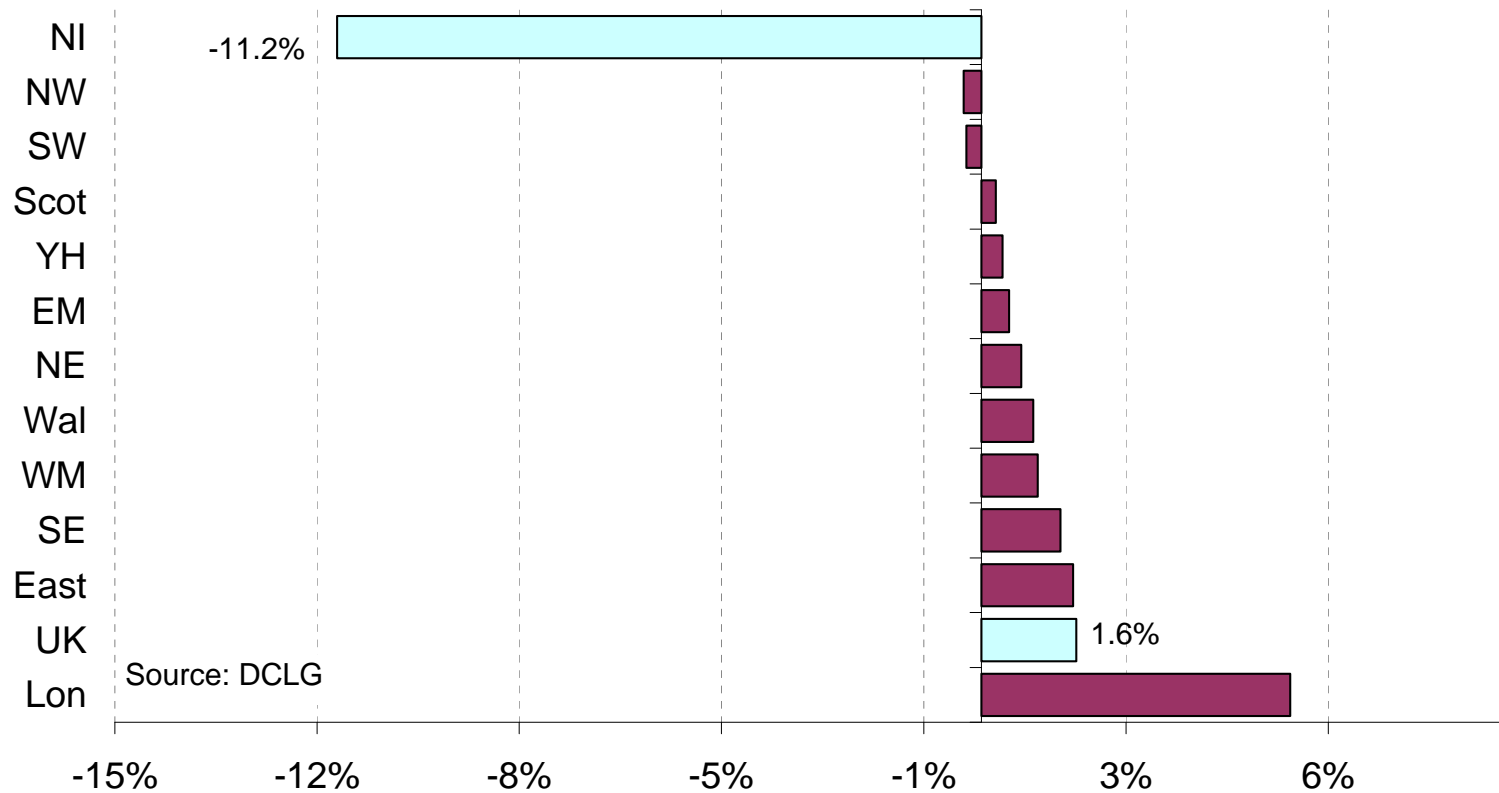


House price falls in real terms have been even greater



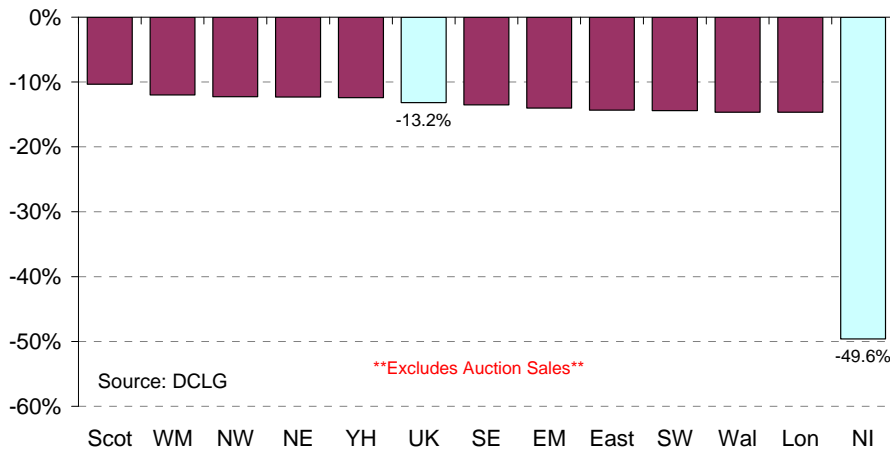
Most UK regions (outside Northern Ireland) posted year-on-year house price growth in Q3 2012

Annual Average House Price Growth - Q3 2012
Y/Y

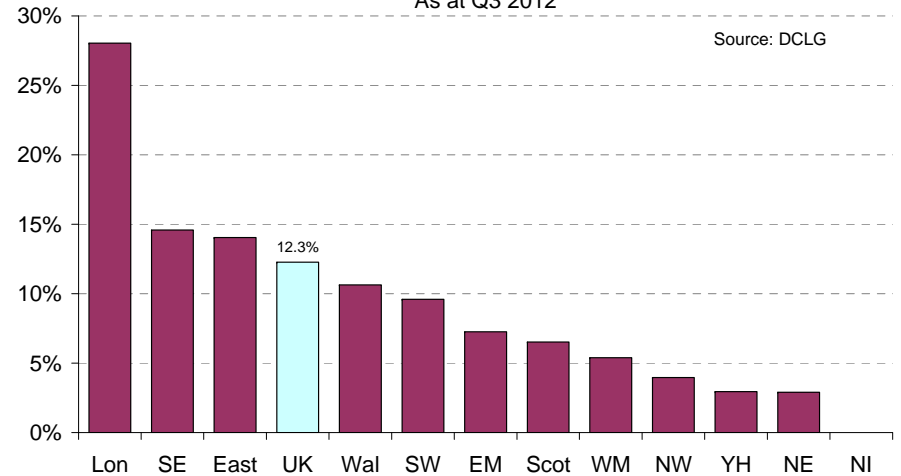


NI experiences biggest peak-to-trough decline of all UK regions and remains the only region waiting for a recovery

Peak to Trough in UK Regional House Prices
Q3 2012



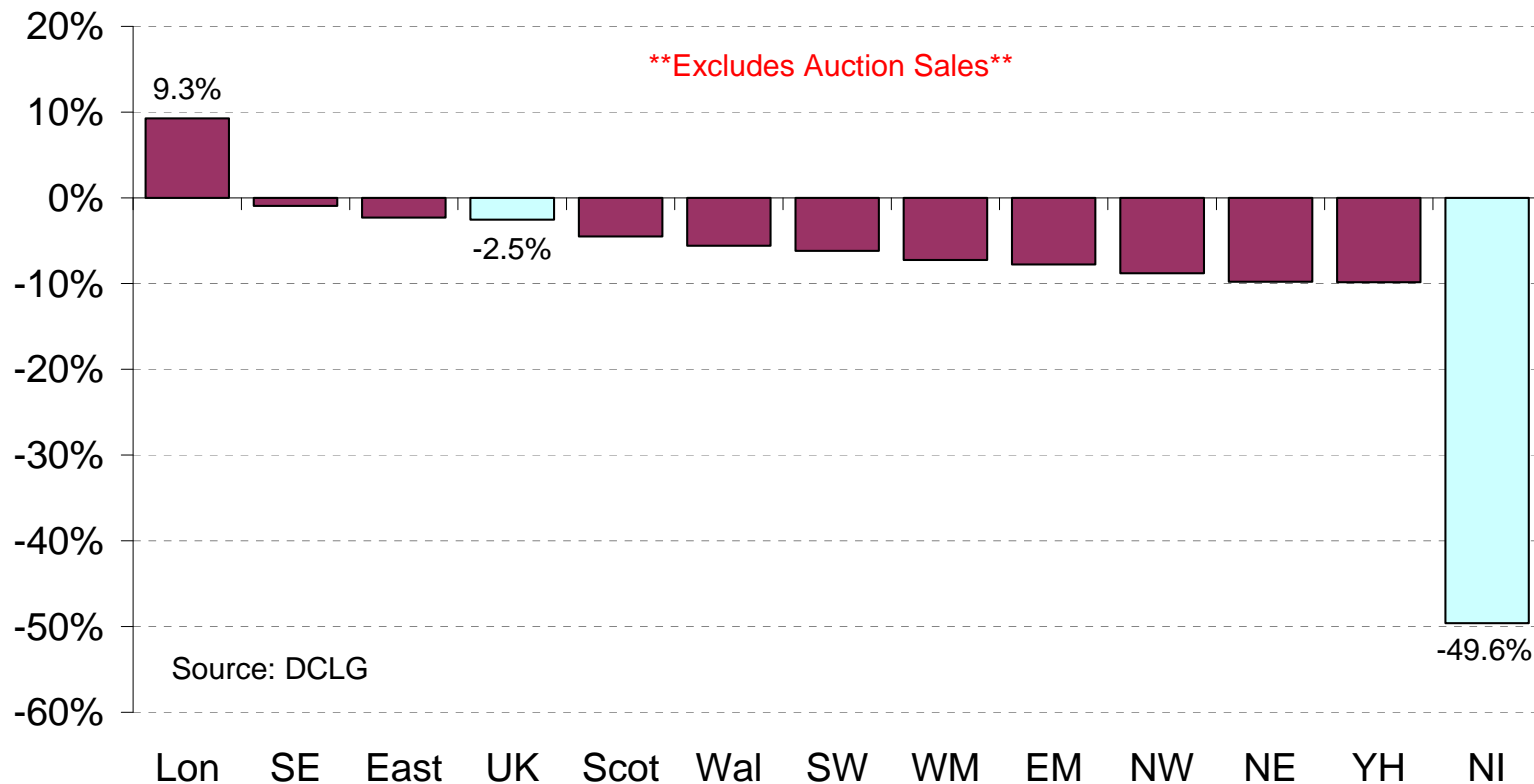
House Price Recovery - % Rise Relative to Trough
As at Q3 2012



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

House Prices Relative to Pre-Downturn Peak

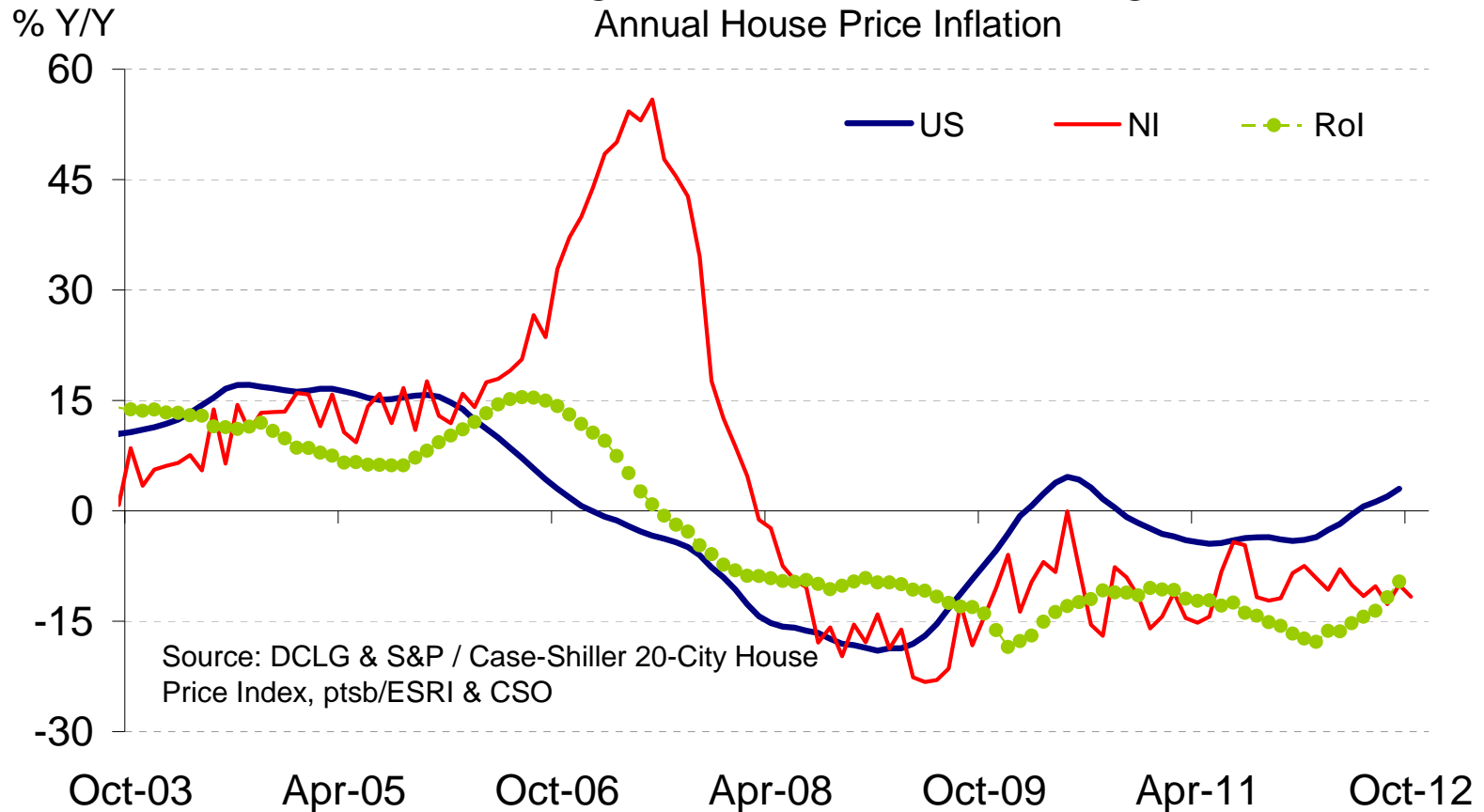
Q3 2012



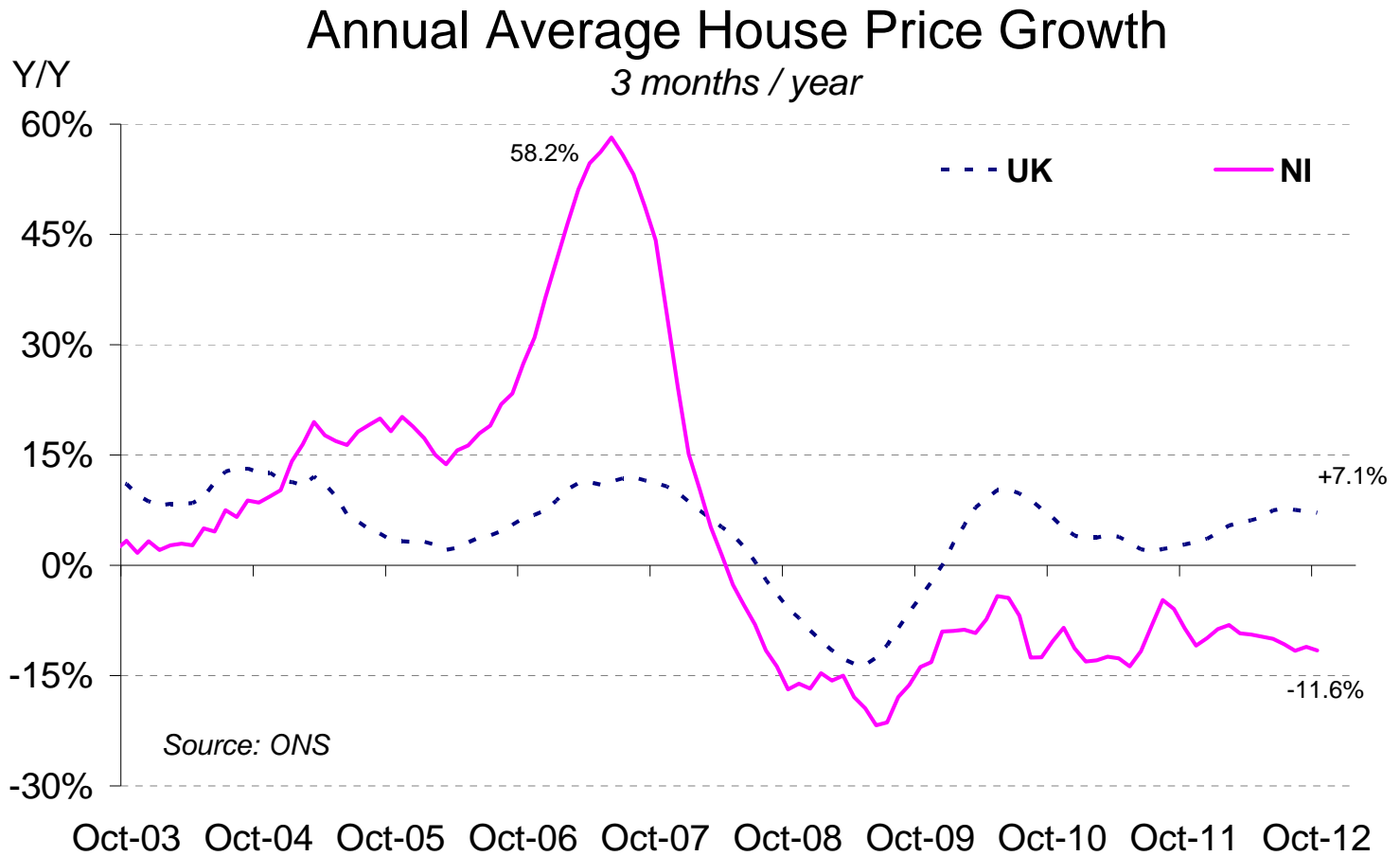
NI's housing boom & bust has followed a different trajectory to both the US & RoI.....

Housing boom has been and gone

Annual House Price Inflation



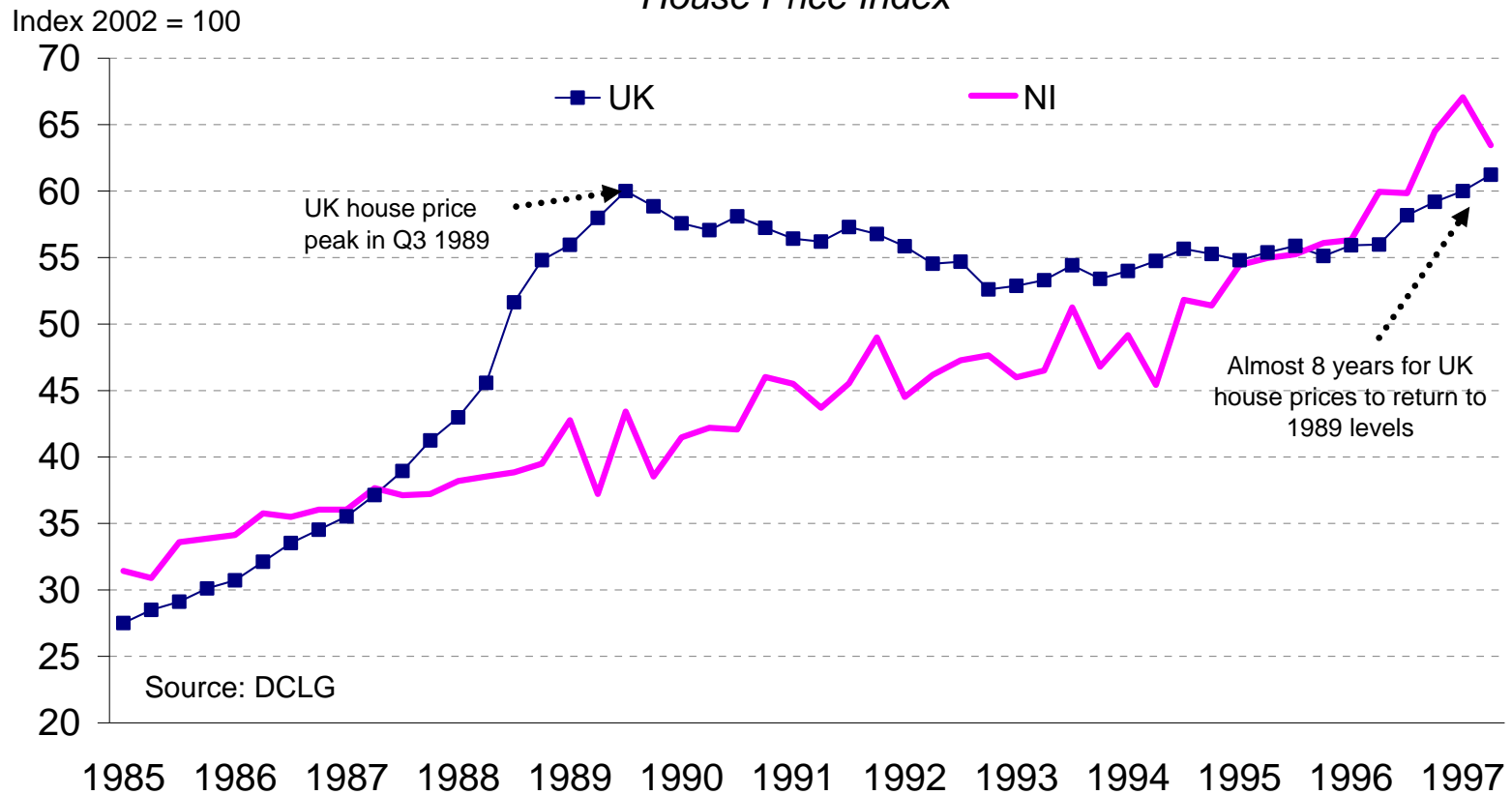
.....and significantly the UK



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

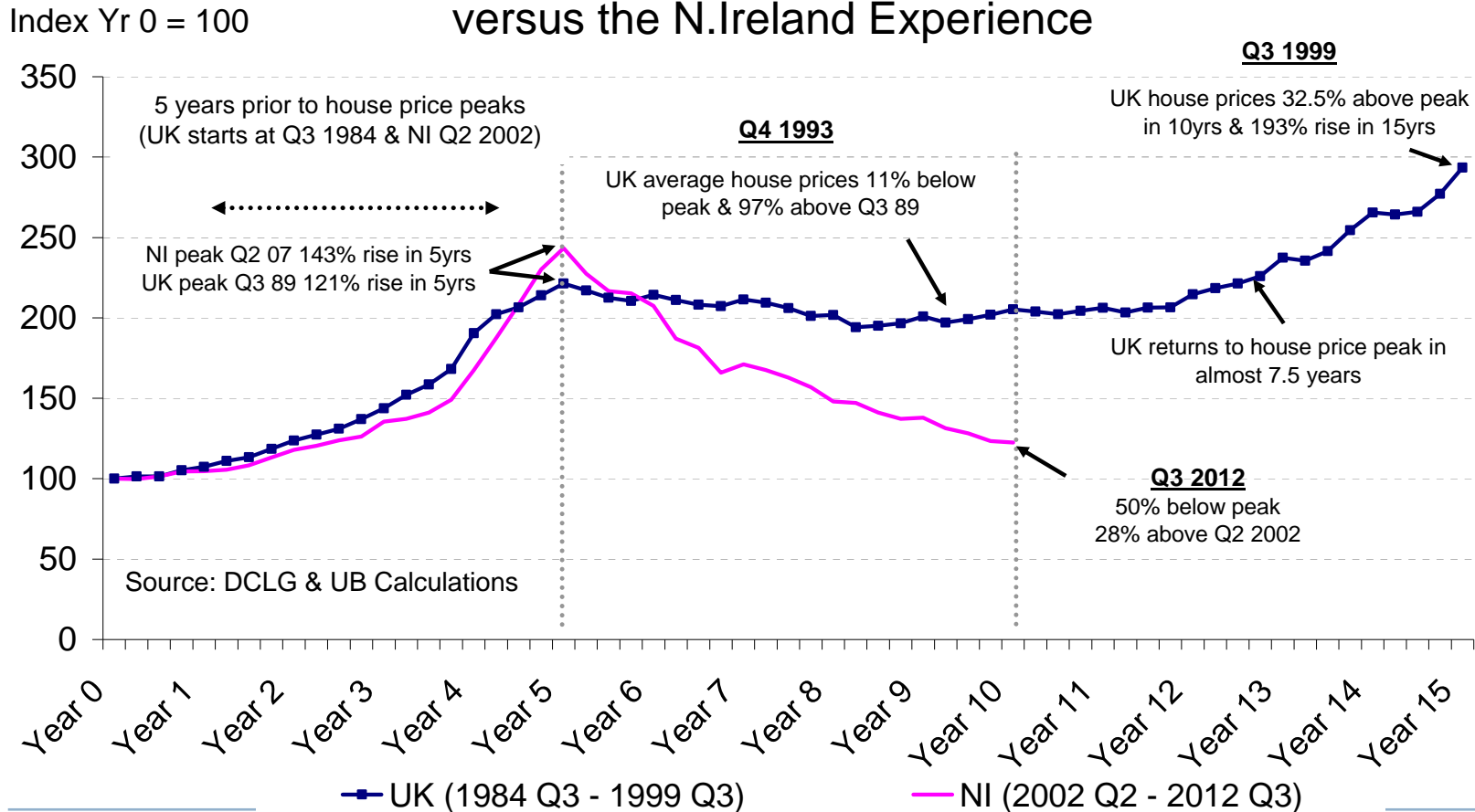
UK's Boom & Bust of the 1980s & early 1990s

House Price Index

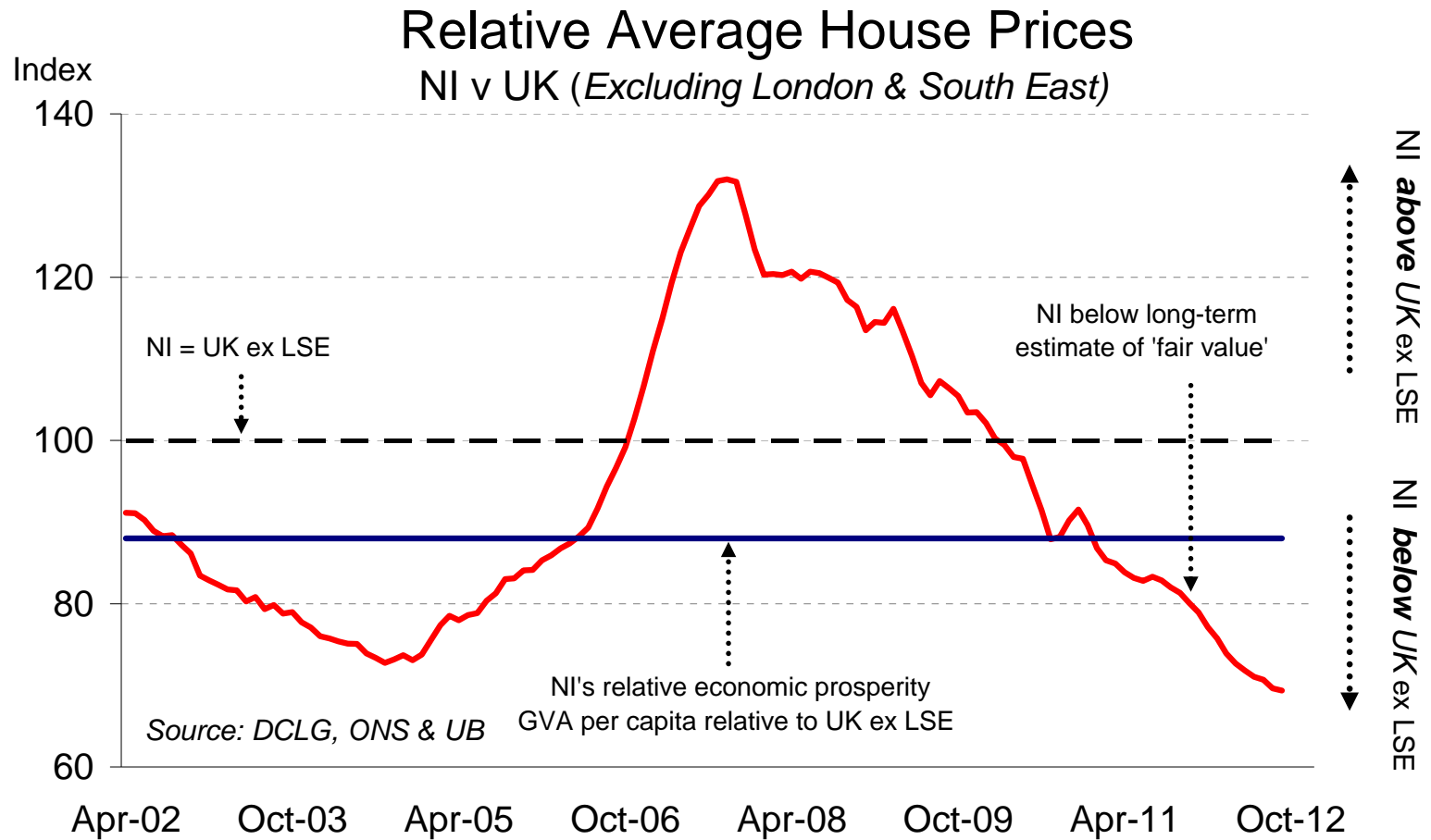


...the UK's housing boom & bust of the 1980s & 1990s was mild relative to the NI variety of the noughties

The UK's Housing Boom, Bust & Recovery (1980s & 1990s) versus the N.Ireland Experience

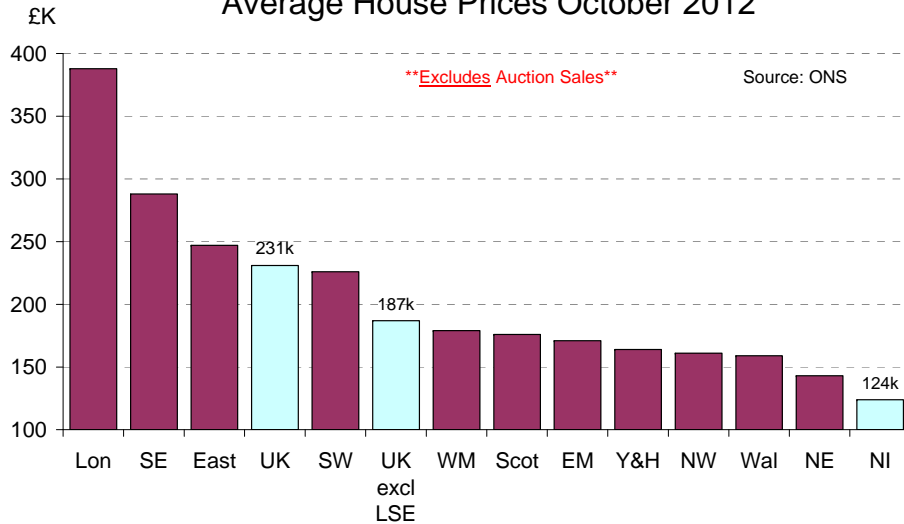


Longer-term NI's relative house prices will track relative economic prosperity (UK excl. London & the South East)....

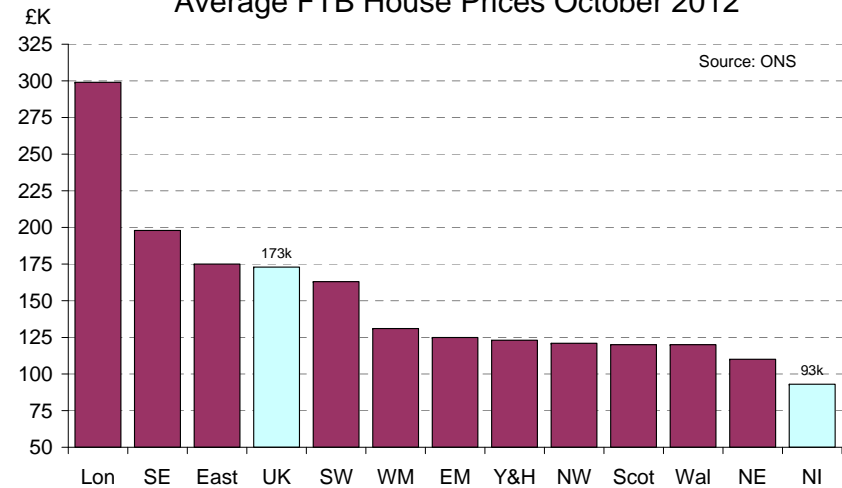


...indeed NI has already returned to the bottom of the UK regional house price table....

Average House Prices October 2012



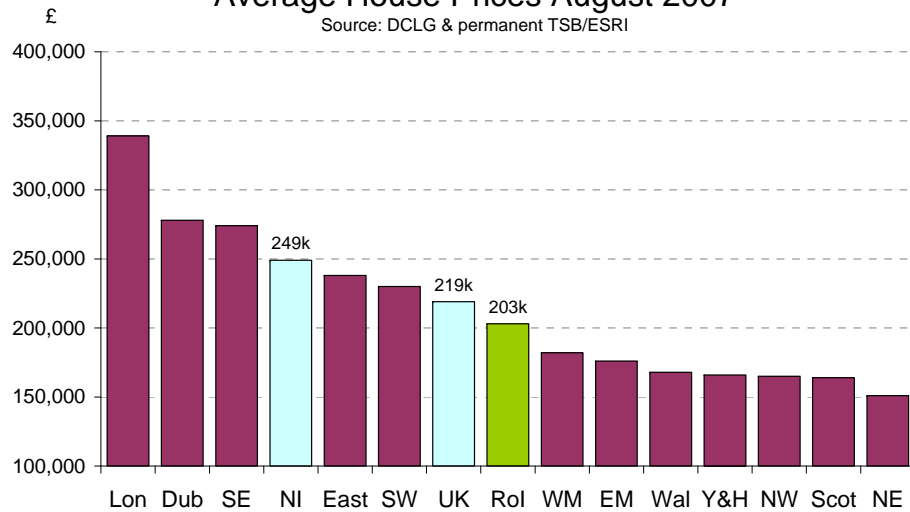
Average FTB House Prices October 2012



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

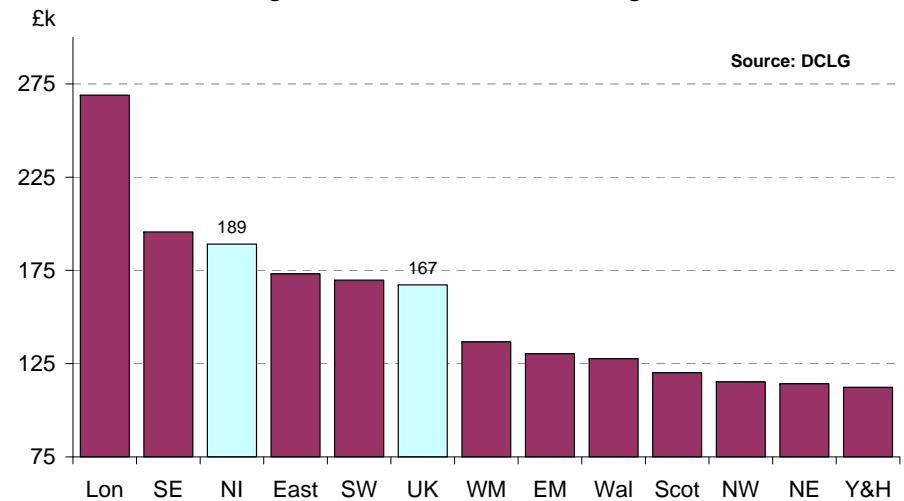
Average House Prices August 2007

Source: DCLG & permanent TSB/ESRI



Average FTB House Prices August 2007

Source: DCLG



*Mortgage Activity /
Housing
Transactions*

HMRC residential property transactions (Quarterly)

Northern Ireland Residential Property Transactions

	All Transactions	Detached	Semi-Detached	Terraced	Apartments
2005 Q1	3,009	829	918	1,062	200
2005 Q2	8,056	2,240	2,502	2,829	485
2005 Q3	8,497	2,314	2,675	2,971	537
2005 Q4	9,667	2,515	3,017	3,512	623
2006 Q1	8,694	2,221	2,676	3,209	588
2006 Q2	10,888	2,851	3,258	3,907	872
2006 Q3	10,900	2,997	3,146	3,909	848
2006 Q4	10,902	2,787	3,147	4,099	869
2007 Q1	8,751	2,213	2,482	3,364	692
2007 Q2	9,378	2,337	2,707	3,601	733
2007 Q3	6,828	1,936	1,894	2,476	522
2007 Q4	4,329	1,162	1,227	1,514	426
2008 Q1	3,038	788	883	1,128	239
2008 Q2	3,347	824	1,036	1,166	321
2008 Q3	2,271	609	691	795	176
2008 Q4	2,255	620	722	746	167
2009 Q1	2,015	536	674	628	177
2009 Q2	2,846	737	1,028	851	230
2009 Q3	3,262	871	1,126	1,036	229
2009 Q4	3,600	998	1,243	1,108	251
2010 Q1	2,539	650	807	859	223
2010 Q2	2,711	745	928	851	187
2010 Q3	2,719	712	909	964	134
2010 Q4	2,817	827	844	937	209
2011 Q1	2,417	664	774	820	159
2011 Q2	2,623	763	812	817	231
2011 Q3	3,212	962	1,029	950	271
2011 Q4	3,084	900	990	932	262
2012 Q1	3,156	937	968	1,013	238
2012 Q2	3,073	895	965	977	236
2012 Q3	3,434	1,090	1,092	1,003	249
Q/Q Change	12%	22%	13%	3%	6%
Y/Y Change	7%	13%	6%	6%	-8%
Last 4 Quarters	12,747	3,822	4,015	3,925	985

Source: DFP NI RPPI November 2012

HMRC residential property transactions (Rolling Annual Sum)

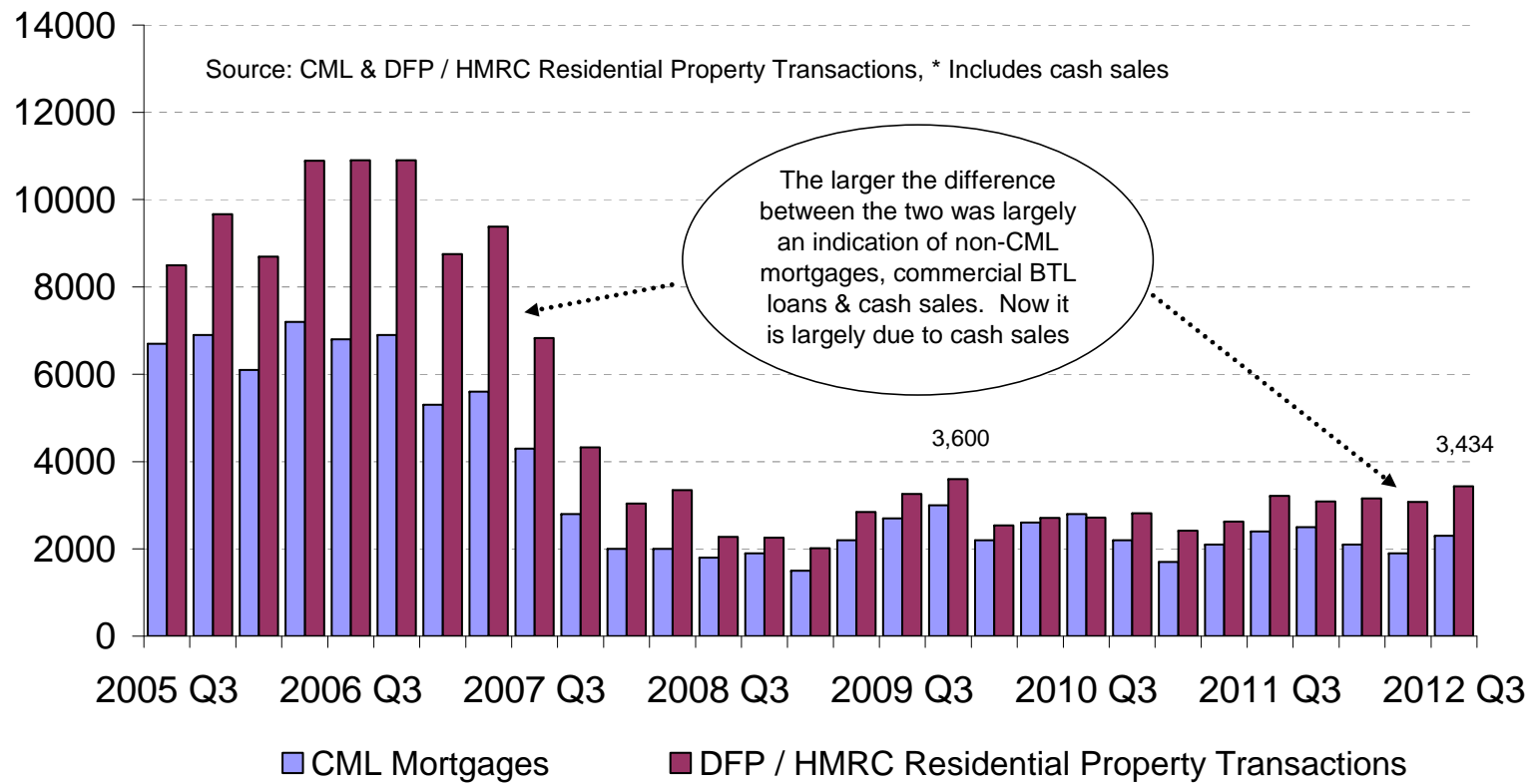
Northern Ireland Residential Property Transactions 4 Quarter Rolling Sum

	All Transactions	Detached	Semi-Detached	Terraced	Apartments
2005 Q4	29,229	7,898	9,112	10,374	1,845
2006 Q1	34,914	9,290	10,870	12,521	2,233
2006 Q2	37,746	9,901	11,626	13,599	2,620
2006 Q3	40,149	10,584	12,097	14,537	2,931
2006 Q4	41,384	10,856	12,227	15,124	3,177
2007 Q1	41,441	10,848	12,033	15,279	3,281
2007 Q2	39,931	10,334	11,482	14,973	3,142
2007 Q3	35,859	9,273	10,230	13,540	2,816
2007 Q4	29,286	7,648	8,310	10,955	2,373
2008 Q1	23,573	6,223	6,711	8,719	1,920
2008 Q2	17,542	4,710	5,040	6,284	1,508
2008 Q3	12,985	3,383	3,837	4,603	1,162
2008 Q4	10,911	2,841	3,332	3,835	903
2009 Q1	9,888	2,589	3,123	3,335	841
2009 Q2	9,387	2,502	3,115	3,020	750
2009 Q3	10,378	2,764	3,550	3,261	803
2009 Q4	11,723	3,142	4,071	3,623	887
2010 Q1	12,247	3,256	4,204	3,854	933
2010 Q2	12,112	3,264	4,104	3,854	890
2010 Q3	11,569	3,105	3,887	3,782	795
2010 Q4	10,786	2,934	3,488	3,611	753
2011 Q1	10,664	2,948	3,455	3,572	689
2011 Q2	10,576	2,966	3,339	3,538	733
2011 Q3	11,069	3,216	3,459	3,524	870
2011 Q4	11,336	3,289	3,605	3,519	923
2012 Q1	12,075	3,562	3,799	3,712	1,002
2012 Q2	12,525	3,694	3,952	3,872	1,007
2012 Q3	12,747	3,822	4,015	3,925	985
Y/Y Change	15%	19%	16%	11%	13%
2012 Q3 v Peak	-69%	-65%	-67%	-74%	-70%
Rise from Low	36%	53%	29%	30%	43%

Source: DFP NI RPPI November 2012

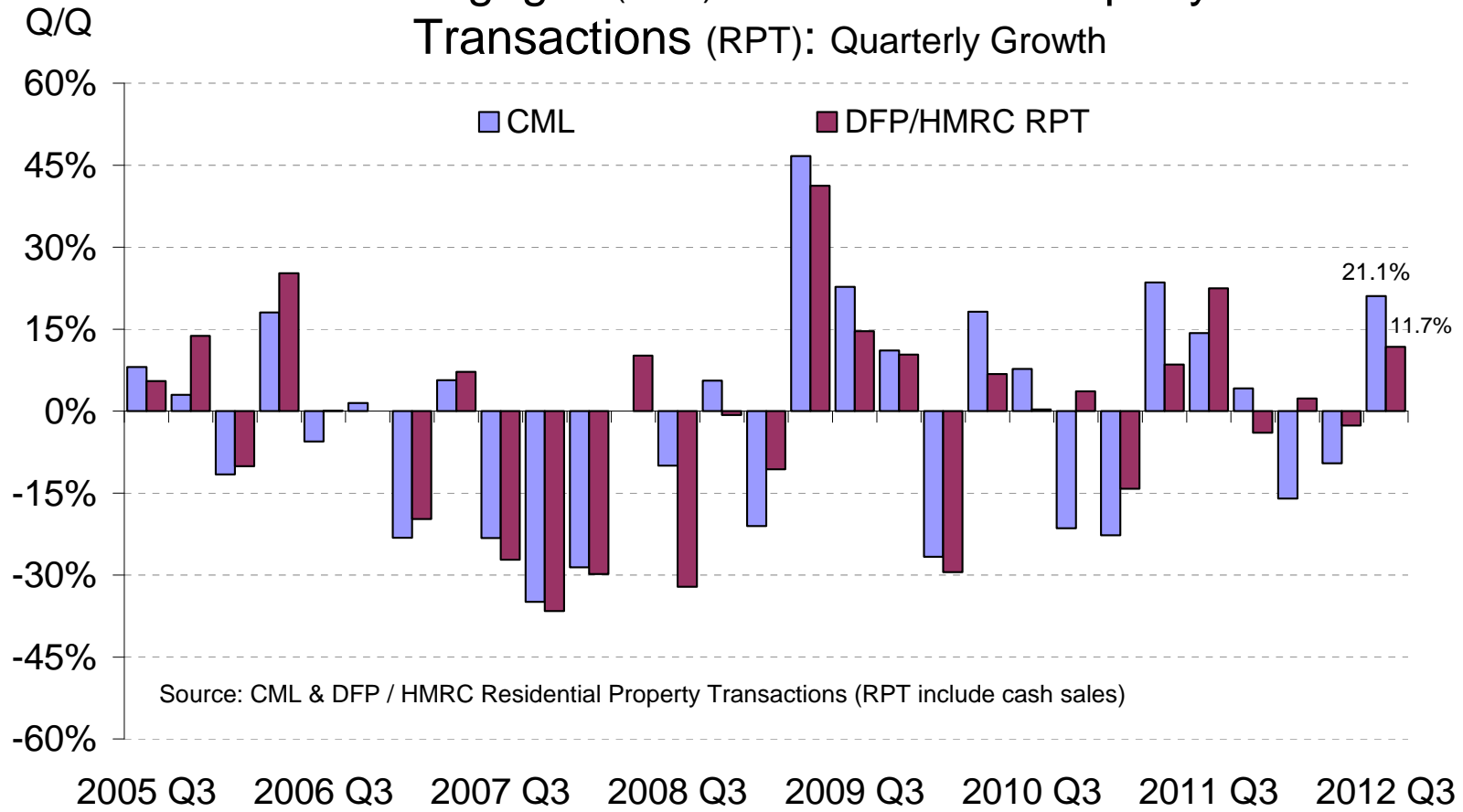
Property transactions in Q3 2012 hits highest level since Q4 2009, largely due to cash sales / auctions

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



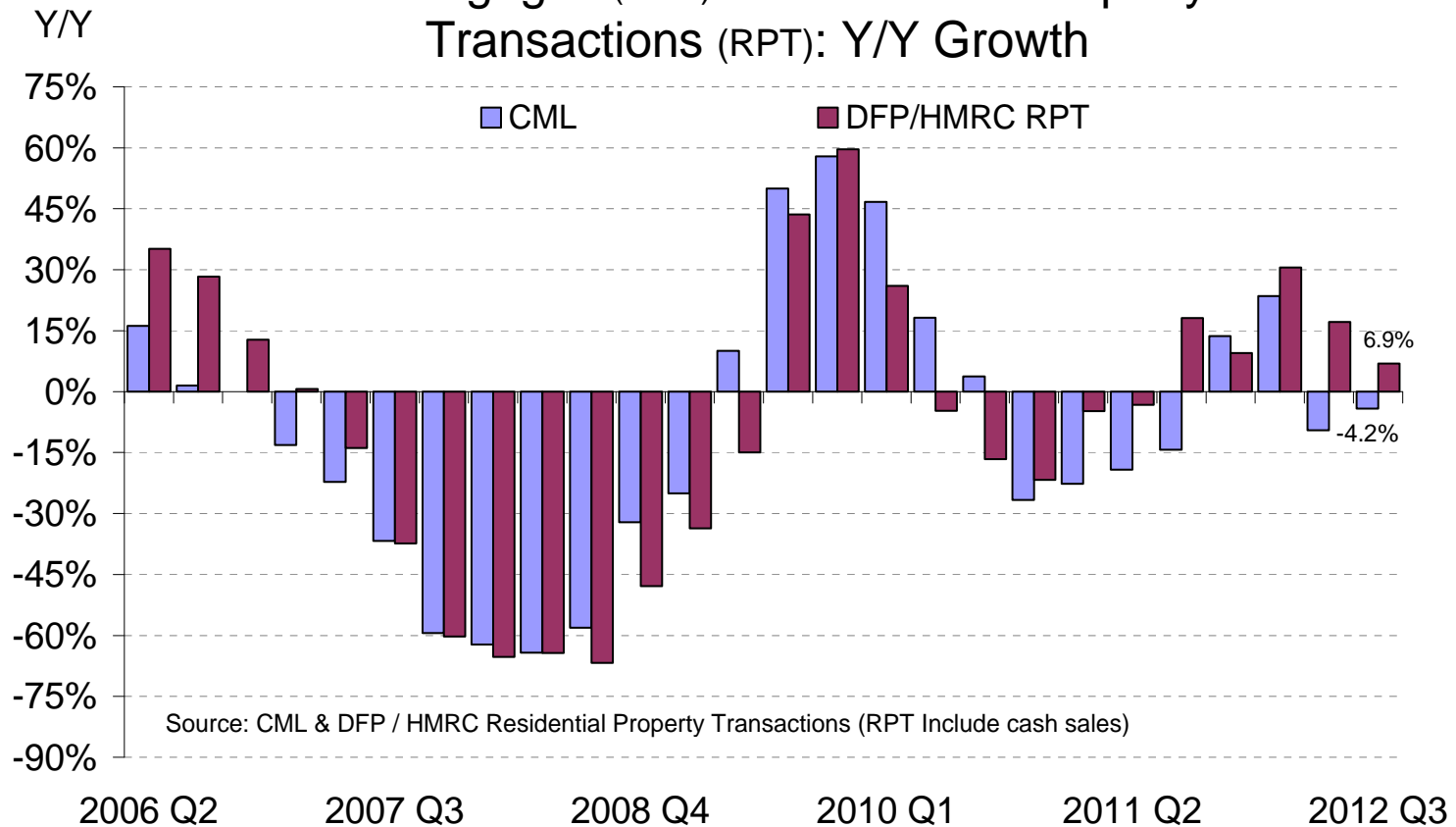
NI mortgage activity increases by 21% q/q in Q3

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

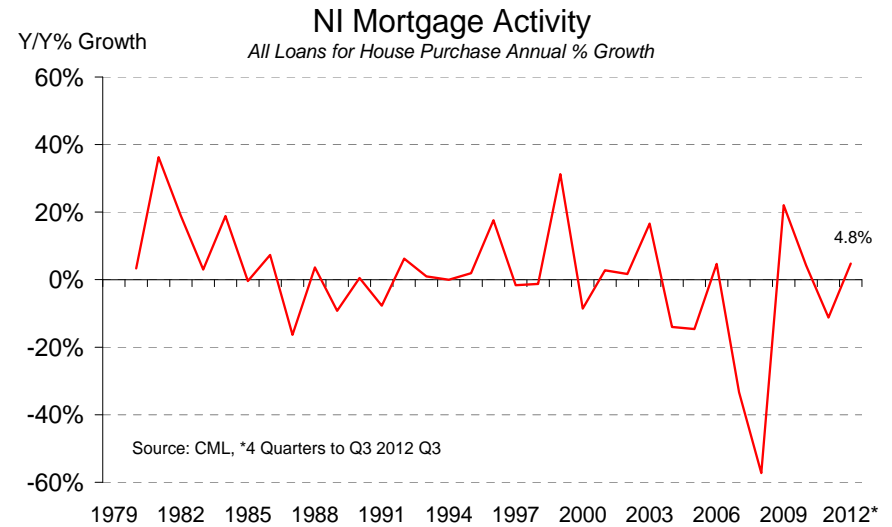
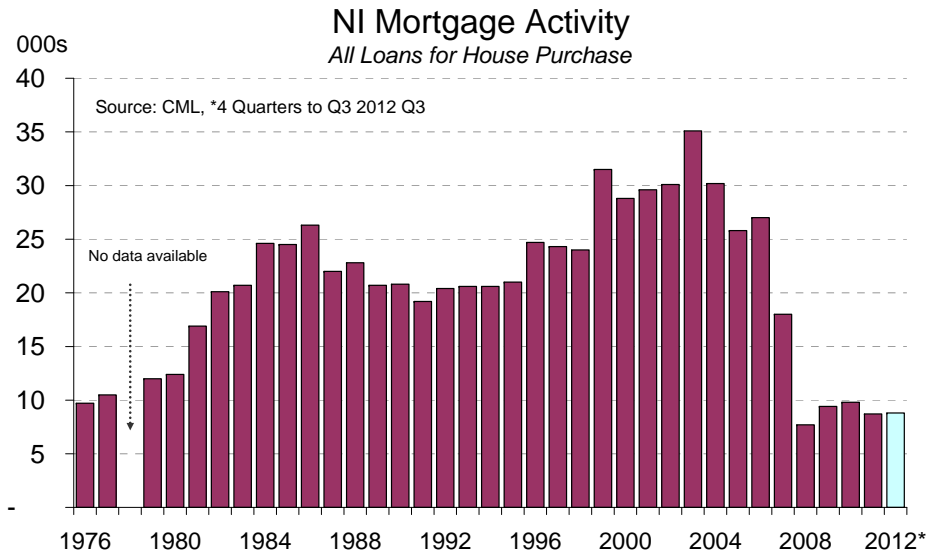


Mortgage activity down 4% y/y in Q3 but overall transactions up 7% y/y (due to rise in auction / cash sales)

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

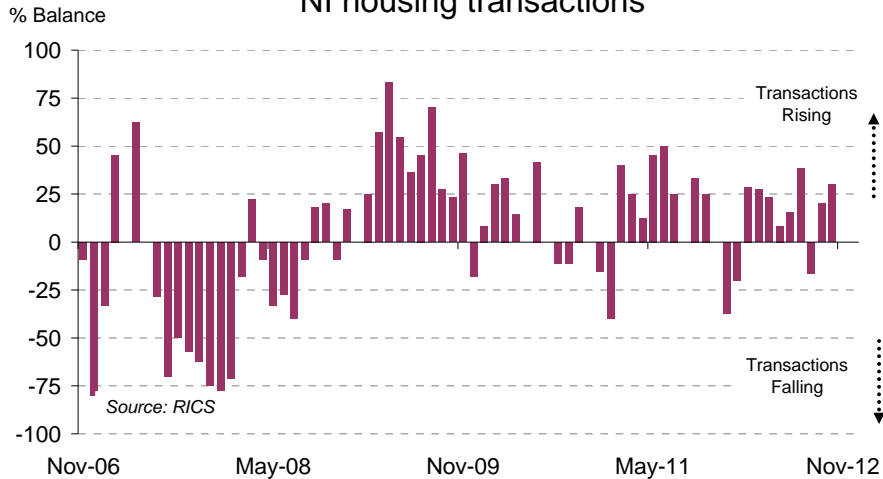


8,700 NI mortgages for house purchase over the year to Q3 2012. Up 5% y/y & 14% above 2008 low...

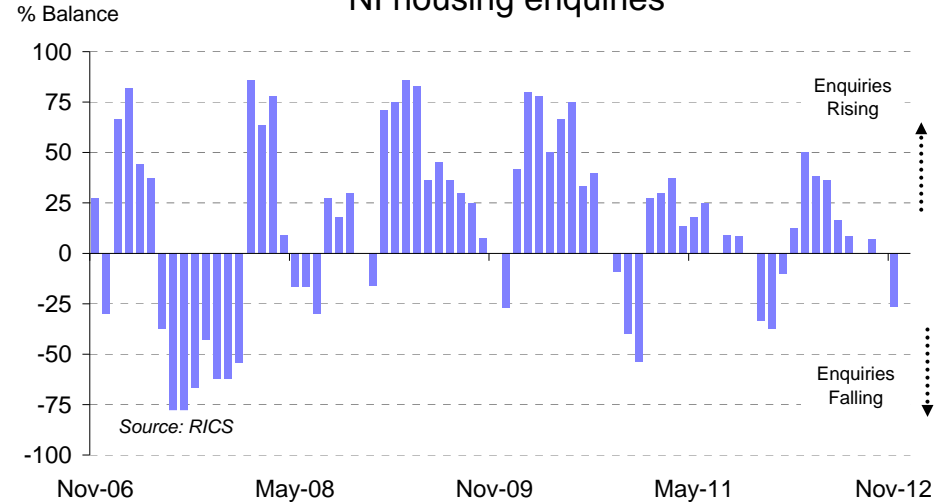


RICS surveyors reported a pick-up in transactions in 8 of the last 10 months but flat in November

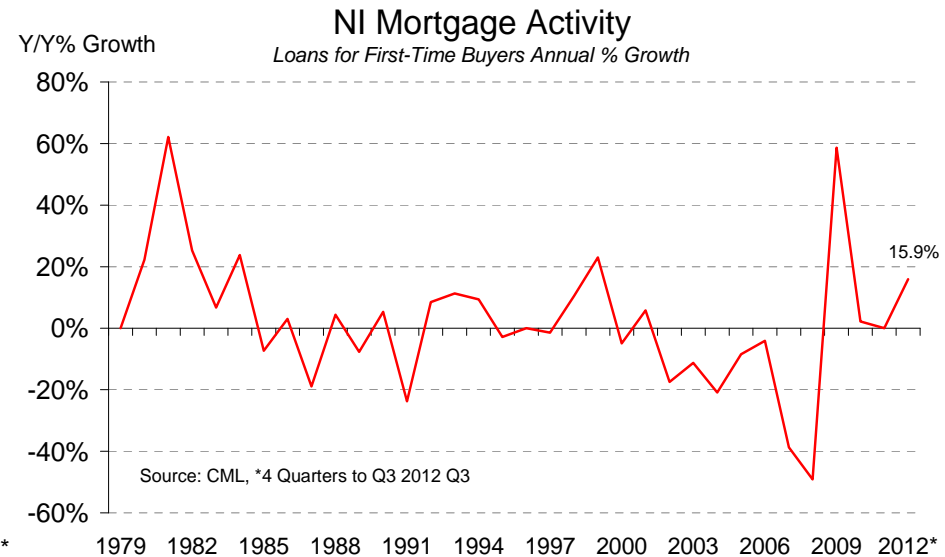
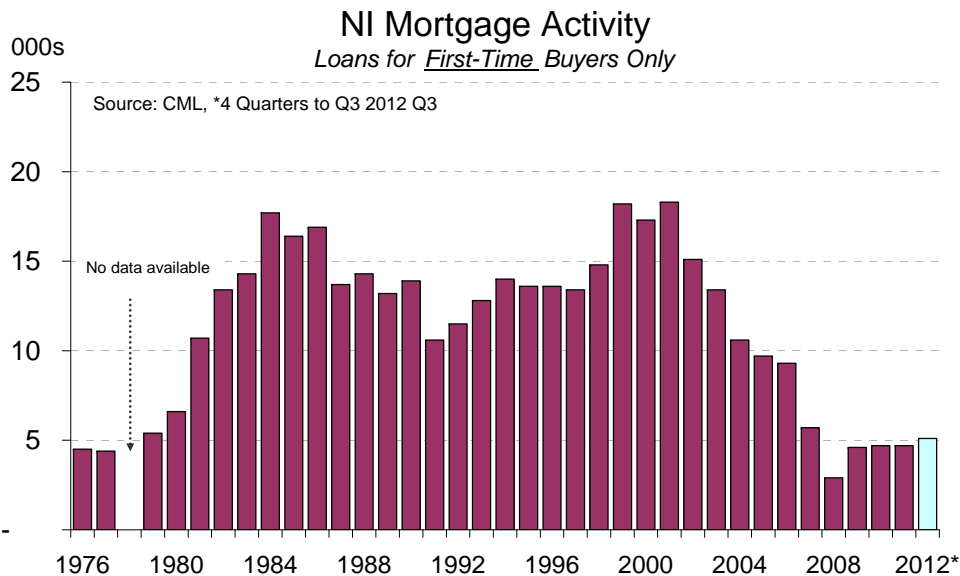
Net balance of surveyors reporting a fall / rise in NI housing transactions



Net balance of surveyors reporting a fall / rise in NI housing enquiries



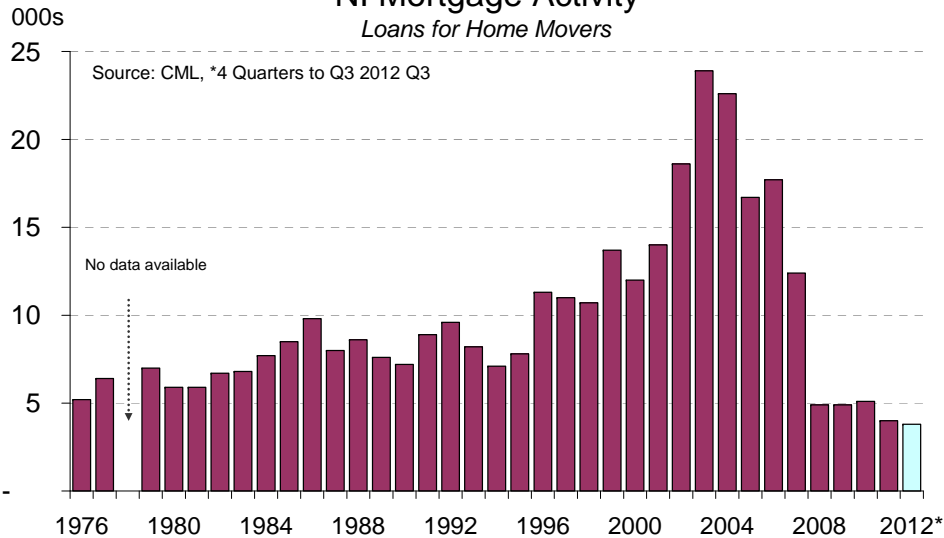
...but first-time buyer market posts a rise with 5,100 loans in the 4 quarters to Q3 2012. 76% above 2008 low...



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

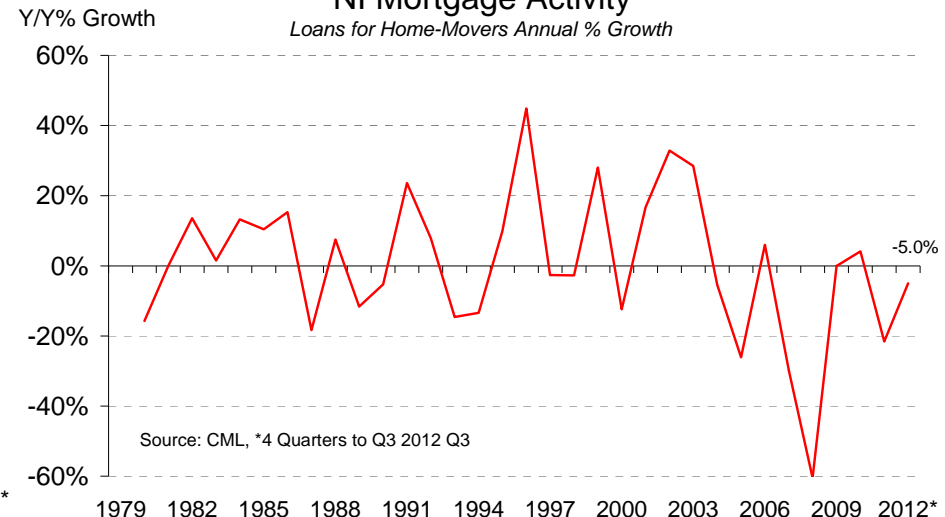
NI Mortgage Activity

Loans for Home Movers

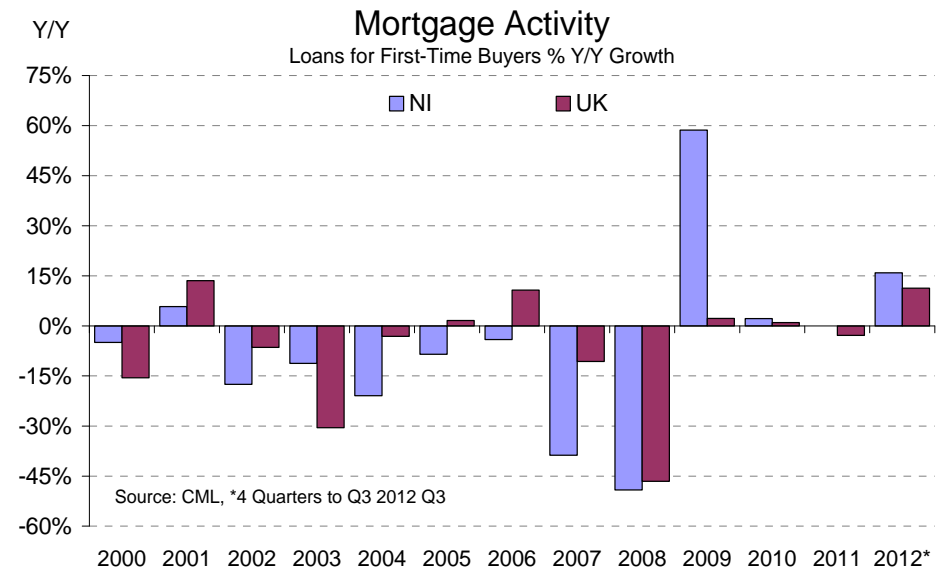
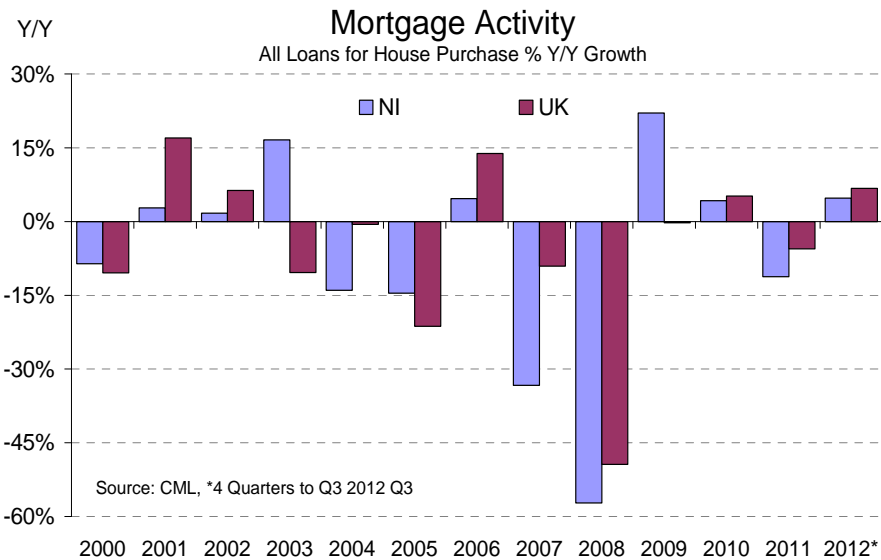


NI Mortgage Activity

Loans for Home-Movers Annual % Growth

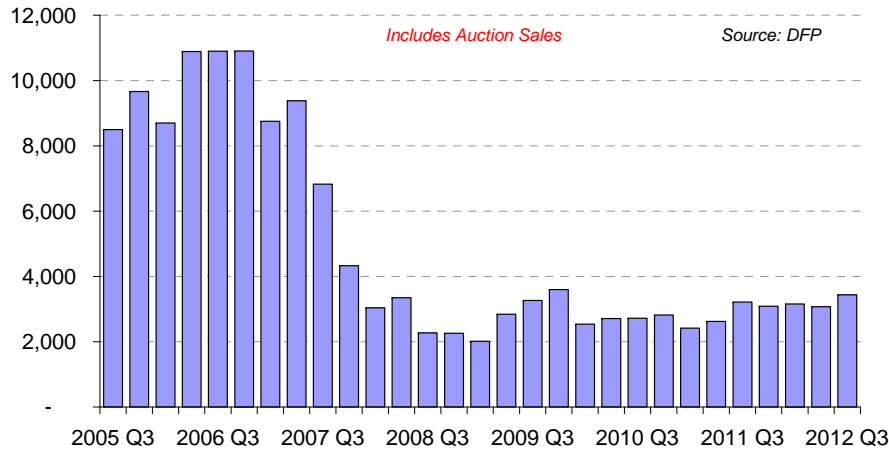


...NI outperformed the UK in terms of FTB mortgage growth but not for the mortgage market as a whole...

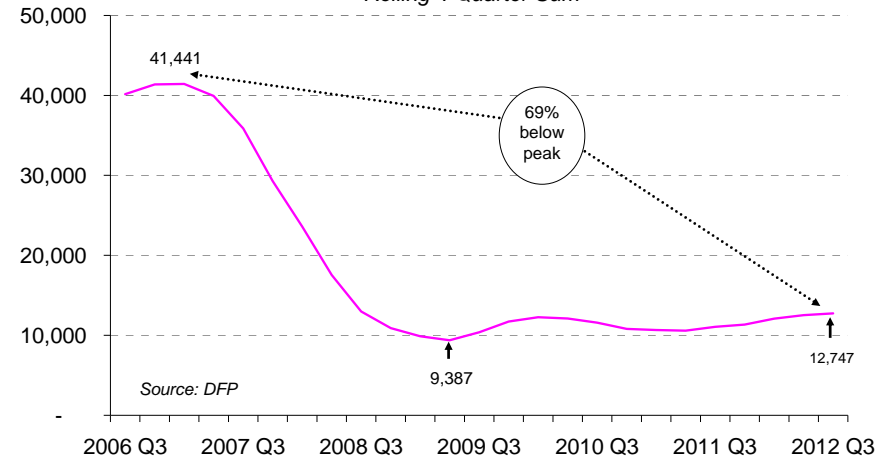


Residential property transactions up 12% q/q in Q3 but volumes over the year to Q3 are 69% below 2006 levels

All NI Residential Property Transactions
Quarterly

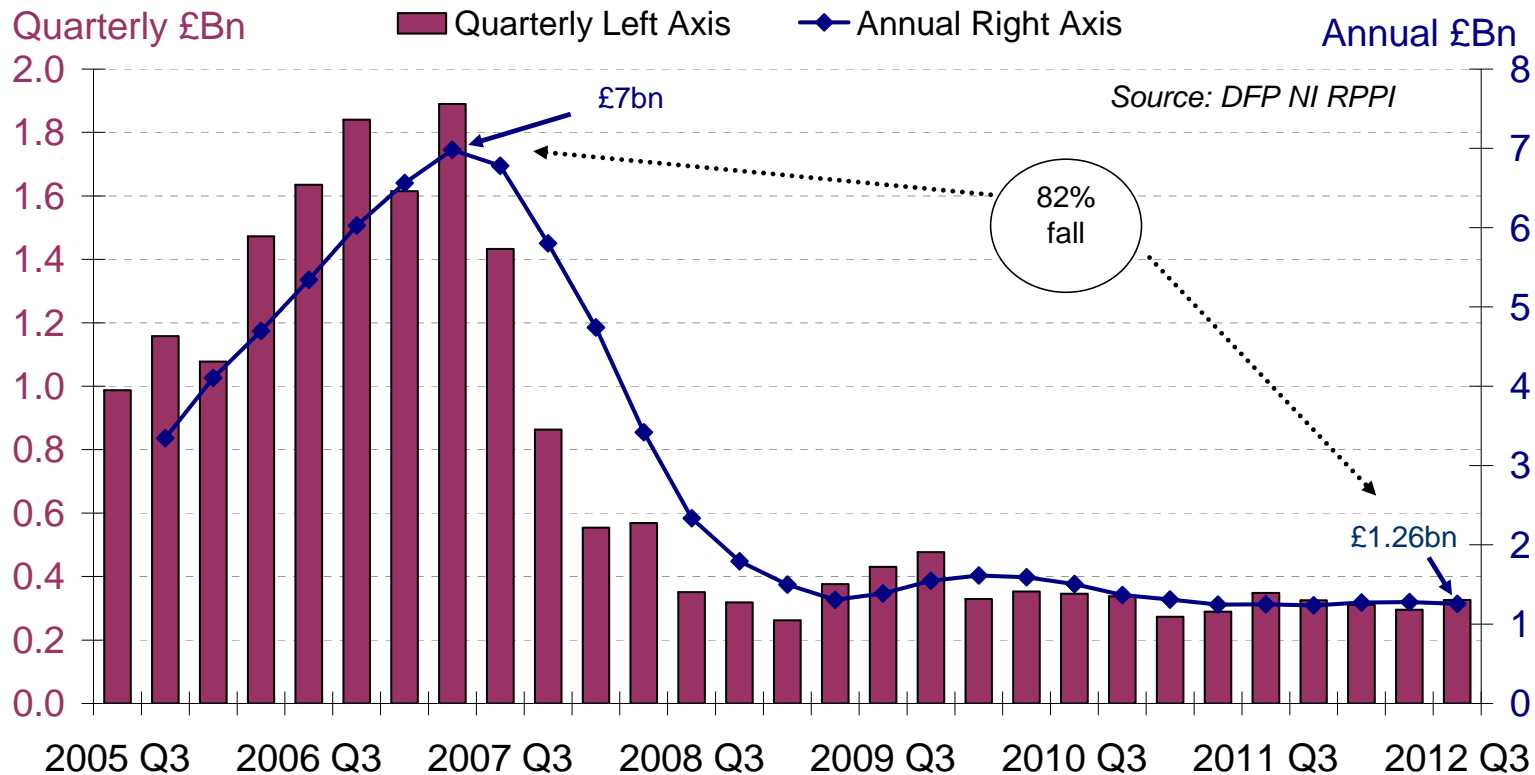


NI Residential Property Transactions
Rolling 4 Quarter Sum



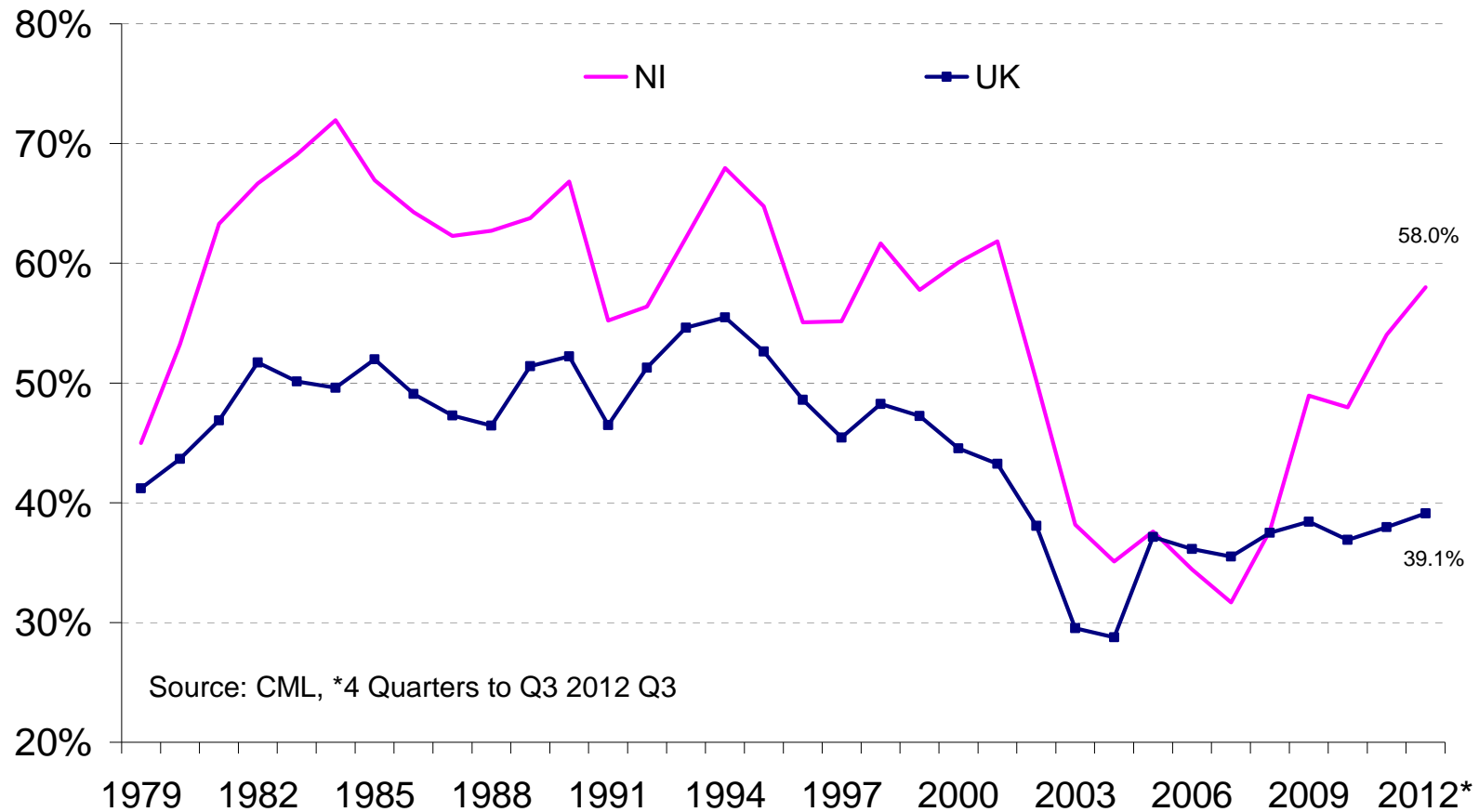
The value of NI's property transactions has fallen by **£5.75bn (82%)** relative to peak

Value of NI's Residential Property Transactions (Transactions x Standardised Price)

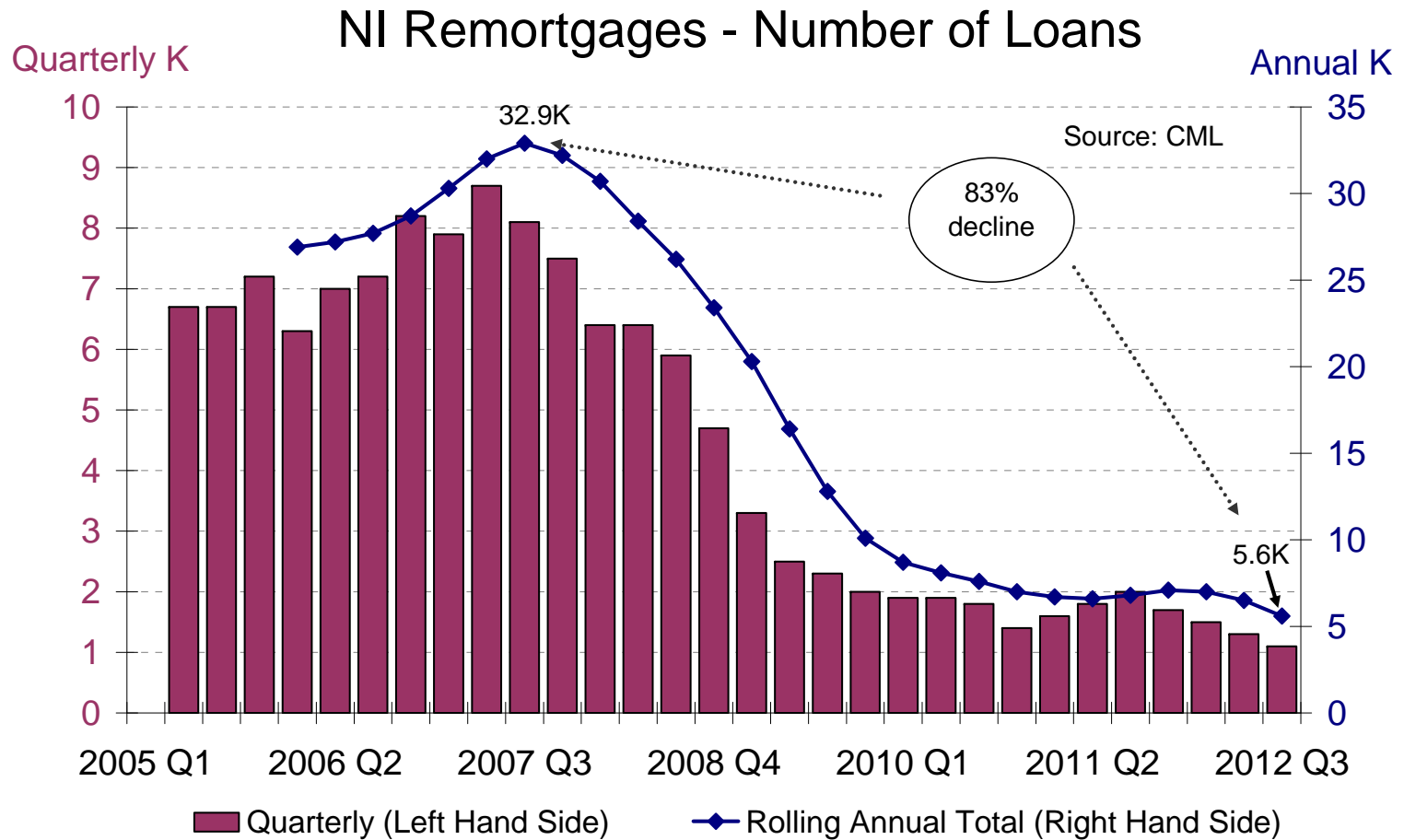


...with the FTB market accounting for almost 60% of all NI mortgage activity – its highest share since 2001

First-Time Buyer Share of the Market



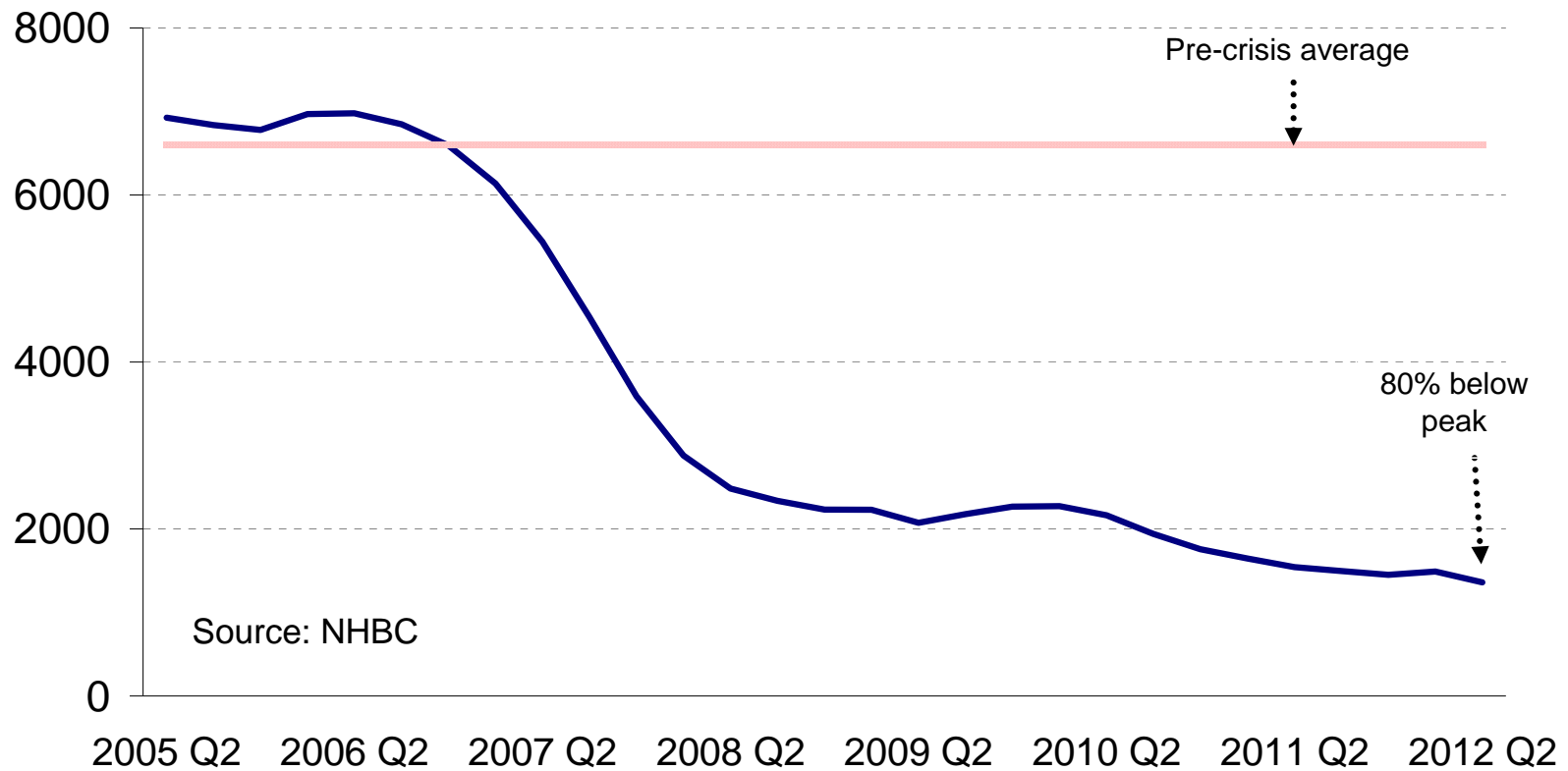
...with the number of NI remortgages plummeting as well



New house sales following a downward trajectory with sales 80% below 2006 levels

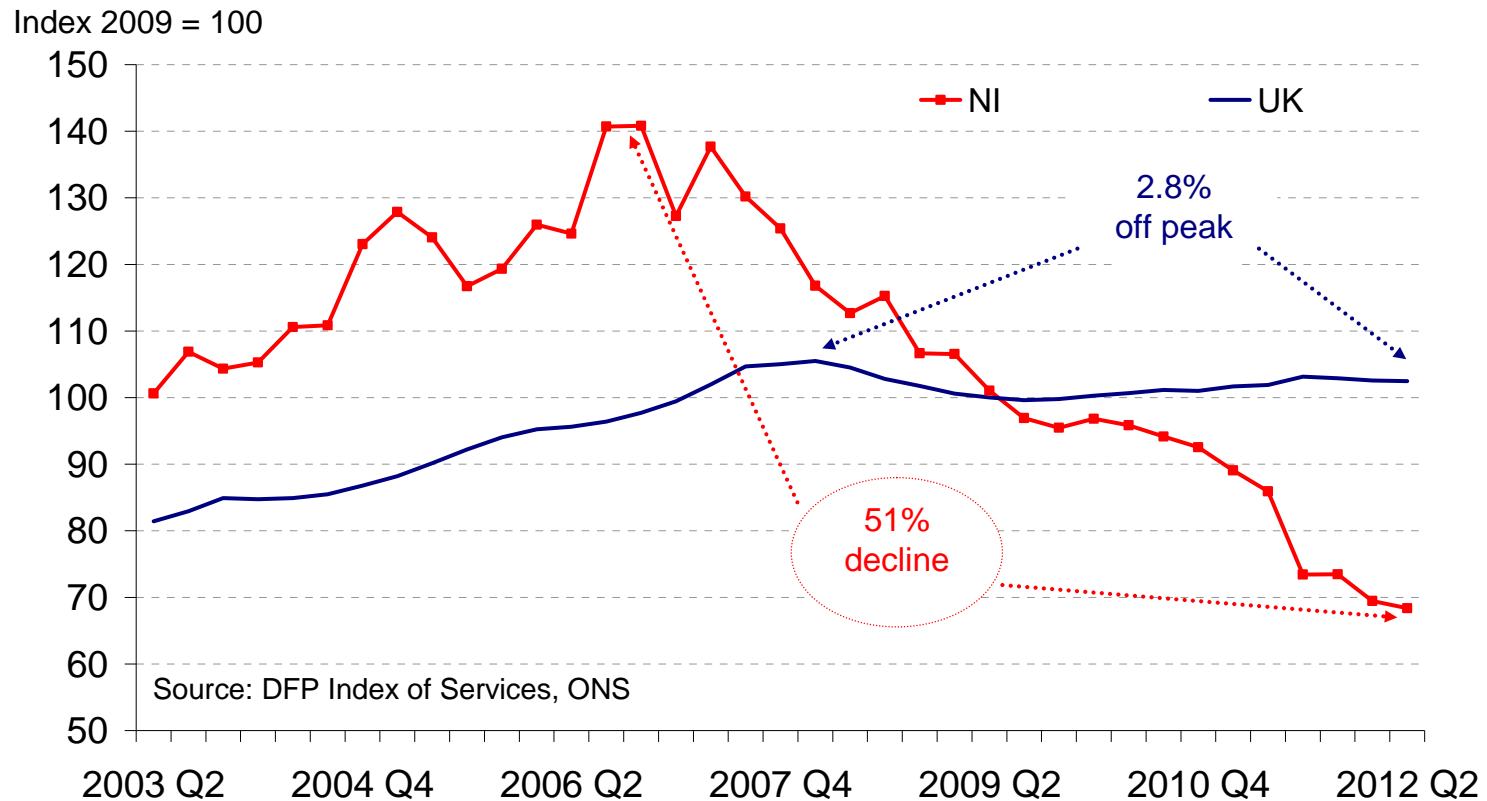
NI New House Sales

Rolling Annual Sum

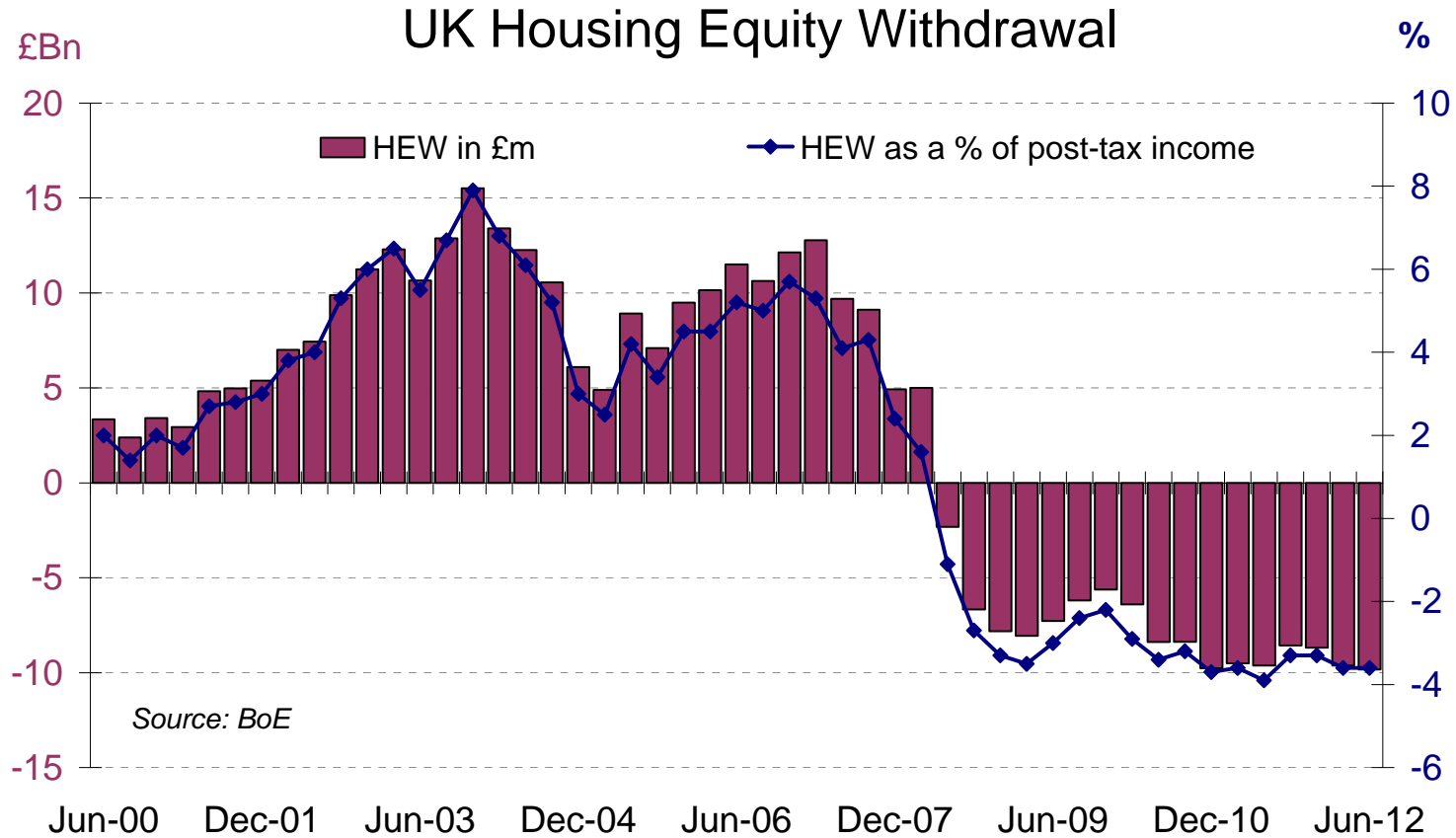


...property legacy explains why NI's *Business Services & Finance* output is some 51% below its Q2 2007 peak...

Business Services & Finance Output Levels

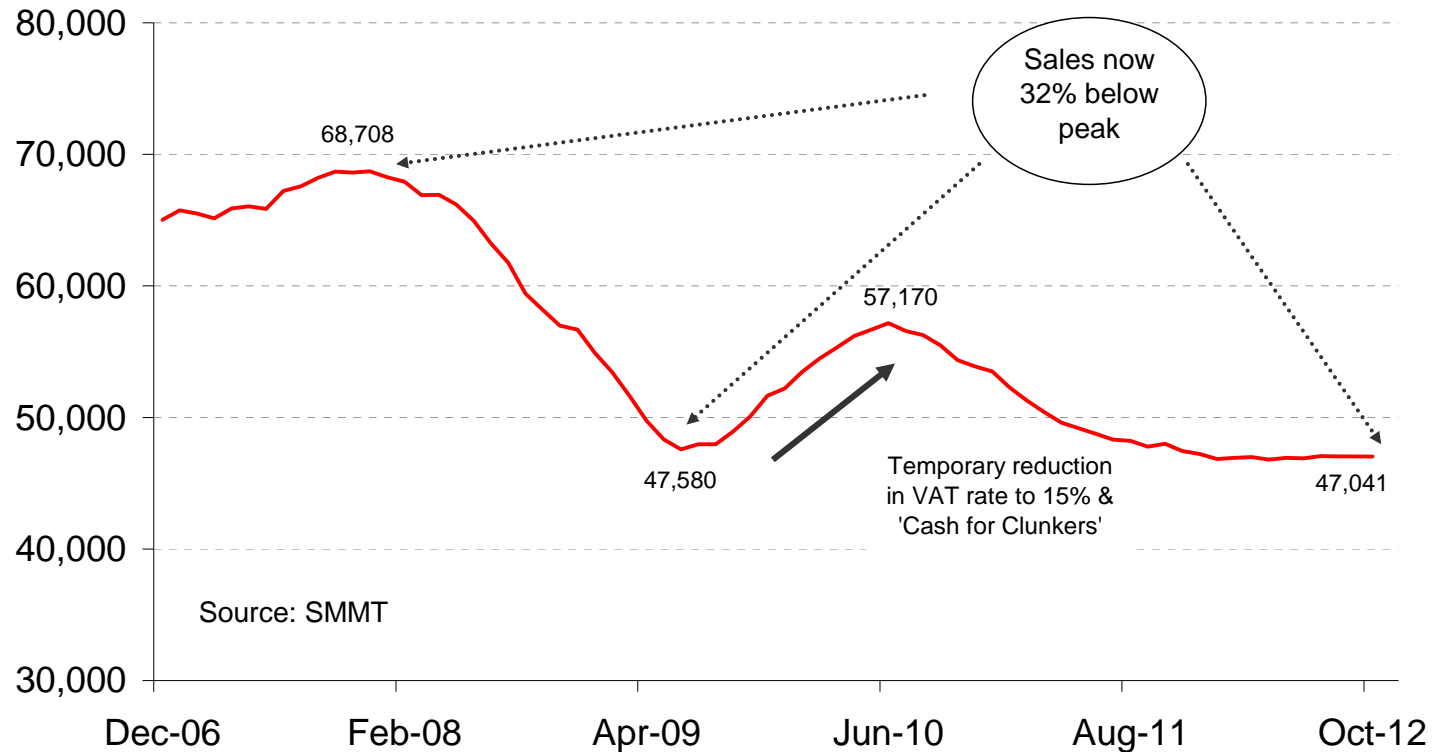


...the rise of remortgaging was accompanied by a rise in housing equity withdrawal for spending on 2nd homes....



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

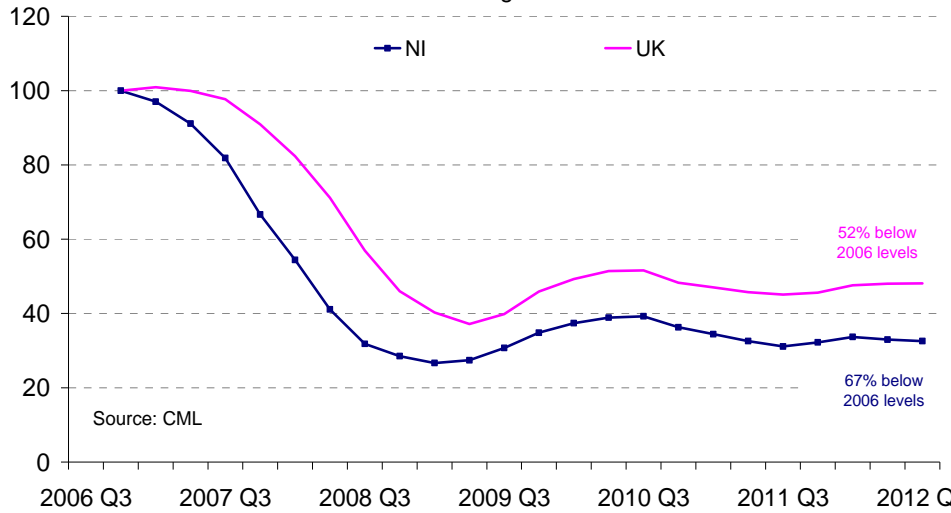
21,700 fewer new car sales relative to 2007 peak
12 Month Rolling Sum



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

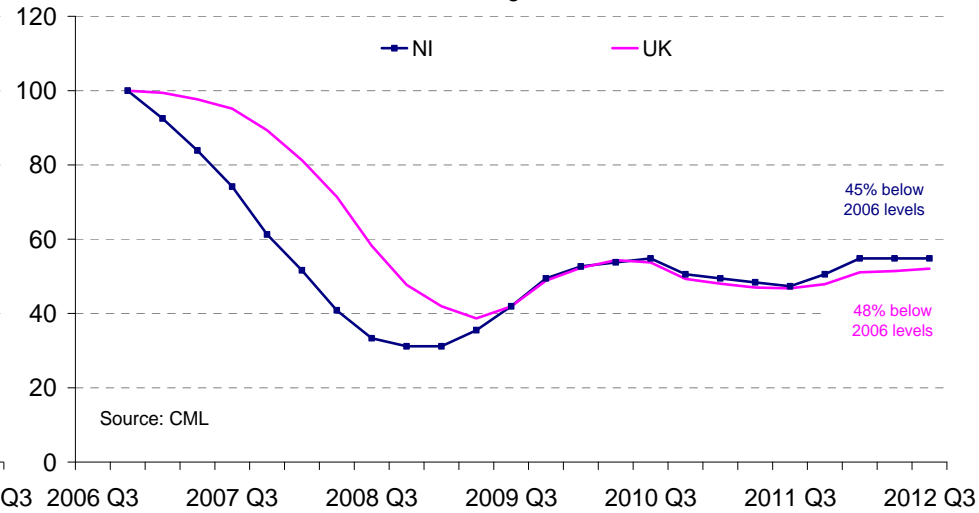
NI & UK Mortgage Activity Levels: All Loans

2006 = 100 Rolling 4 Quarter Total



NI & UK Mortgage Activity Levels: First-Time Buyers

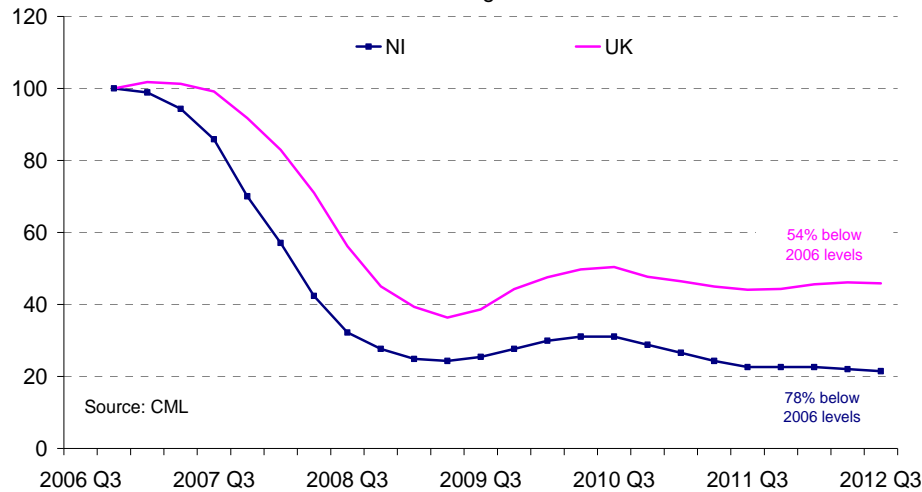
2006 = 100 Rolling 4 Quarter Total



...and the 'Home Movers' segment has seen no recovery whatsoever. FTBs more likely to go for new builds rather than 2nd hand dwellings

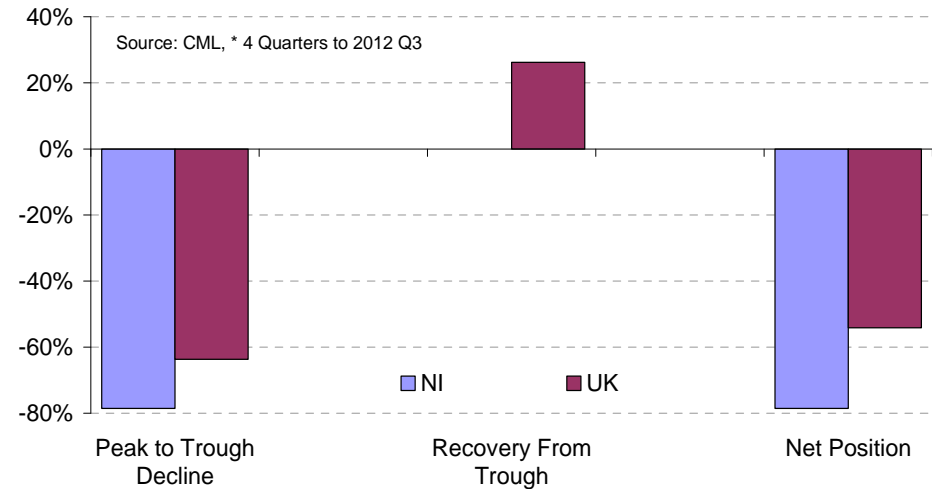
NI & UK Mortgage Activity Levels: Home-Movers

2006 = 100 Rolling 4 Quarter Total



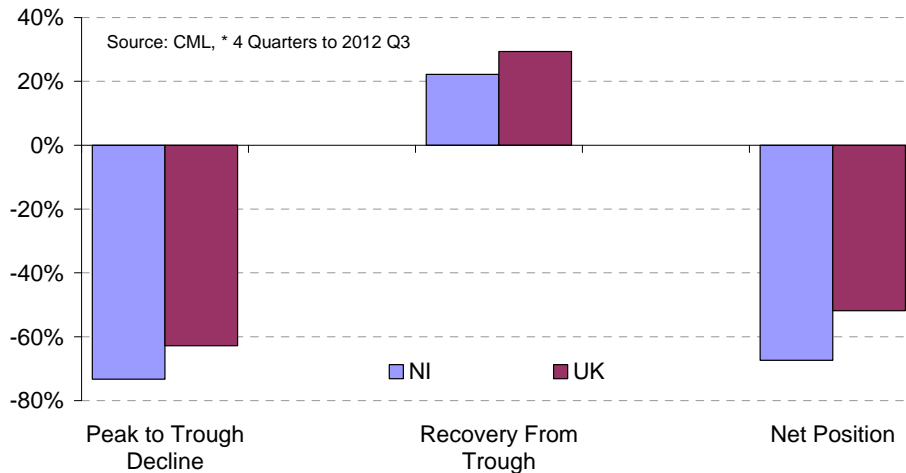
Mortgage Activity (*Home Movers*) 2012 Q3*

Relative to Pre-Credit Crunch Levels (2006)

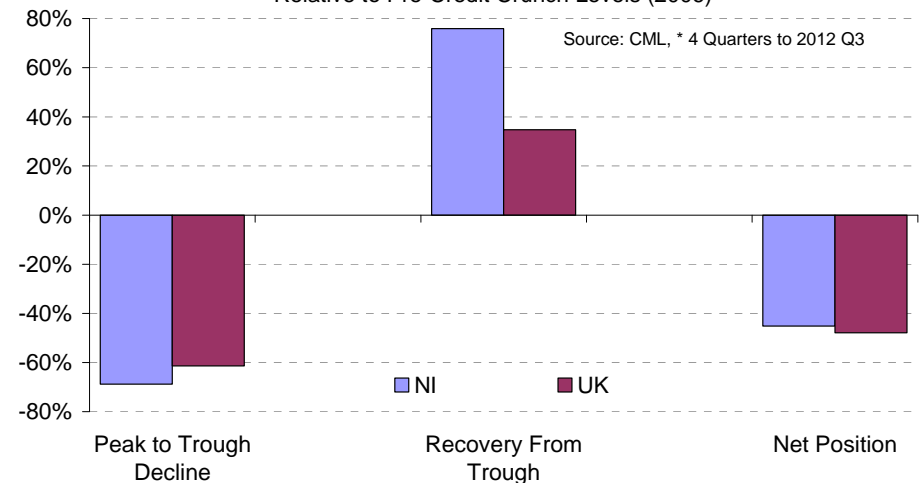


NI posted steeper decline & stronger recovery than UK in FTB market but their net position is similar

Mortgage Activity (All Loans) 2012 Q3*
Relative to Pre-Credit Crunch Levels (2006)



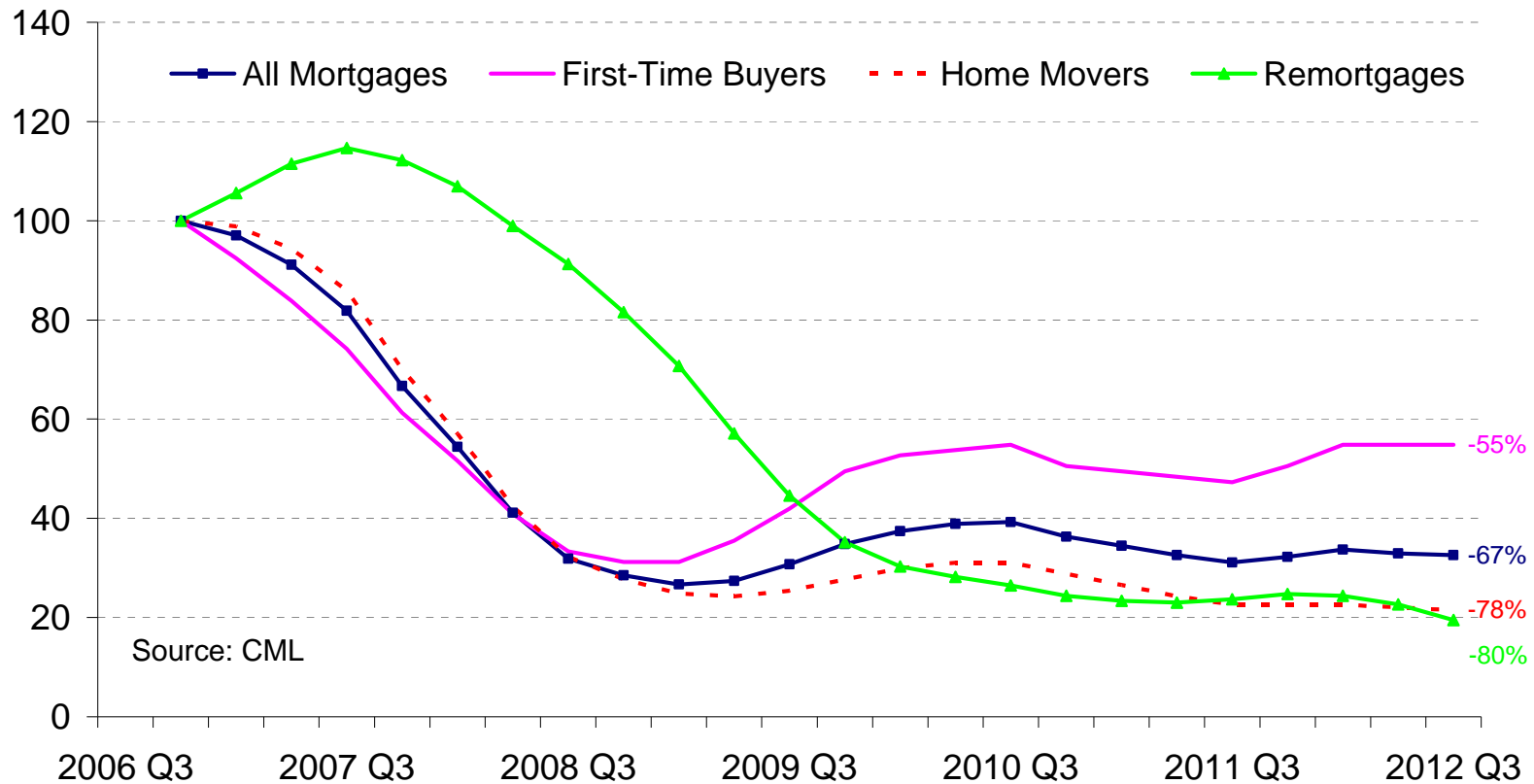
First-Time Buyer Mortgage Activity 2012 Q3*
Relative to Pre-Credit Crunch Levels (2006)



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

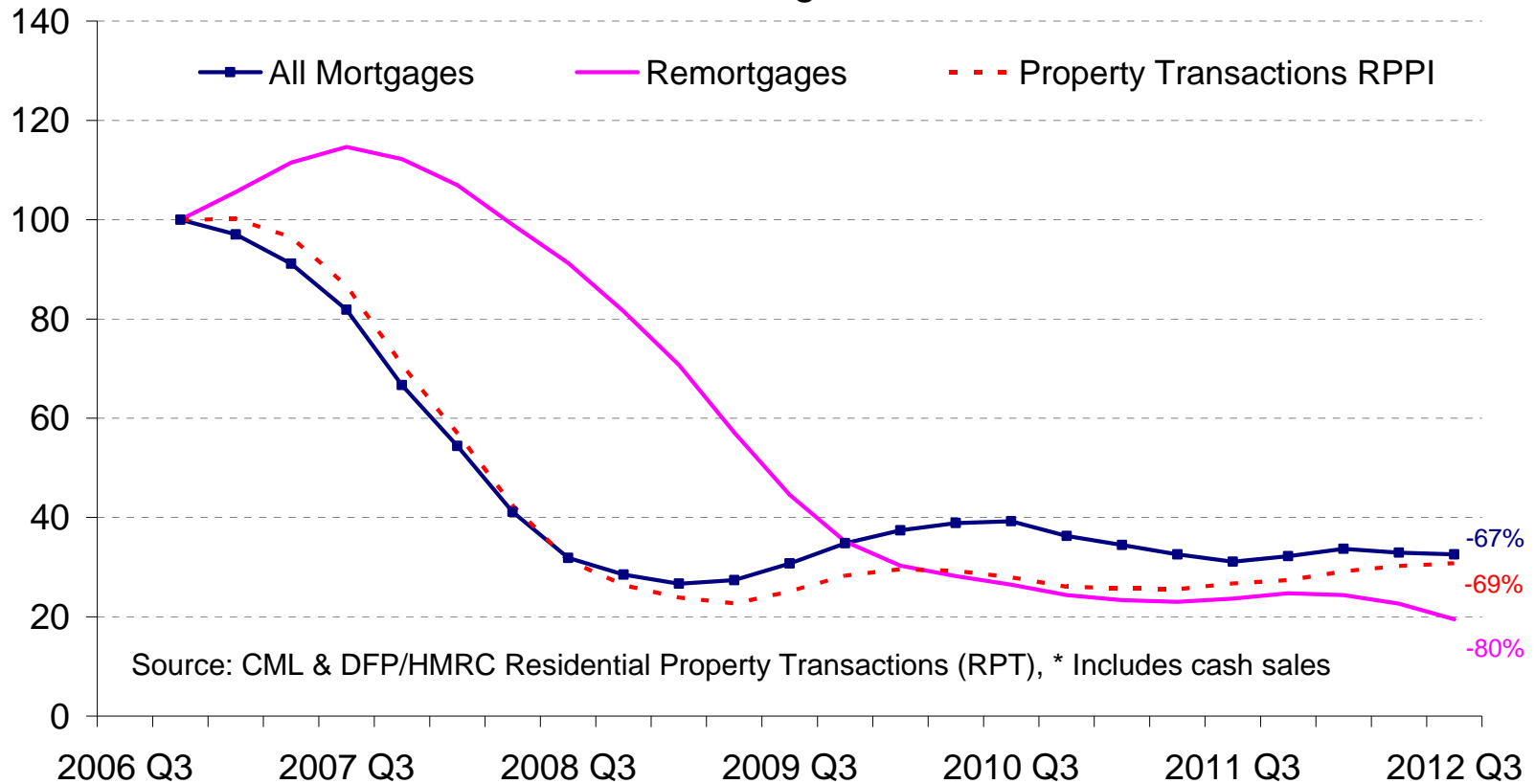
N.Ireland Mortgage & Remortgage Activity Levels

2006 = 100 Rolling 4 Quarter Total

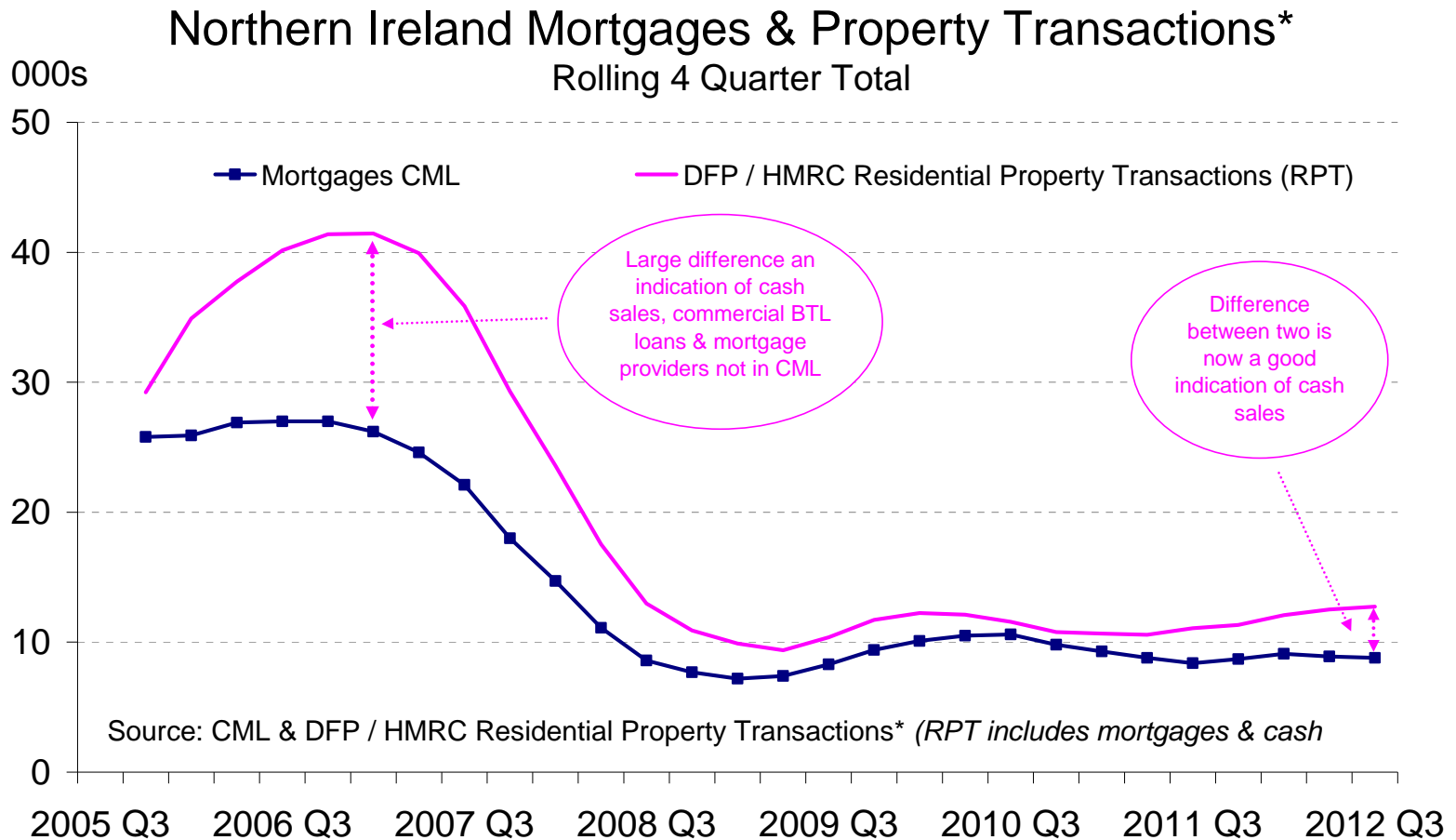


Residential property transactions (mortgages & cash sales) down 69% since 2006

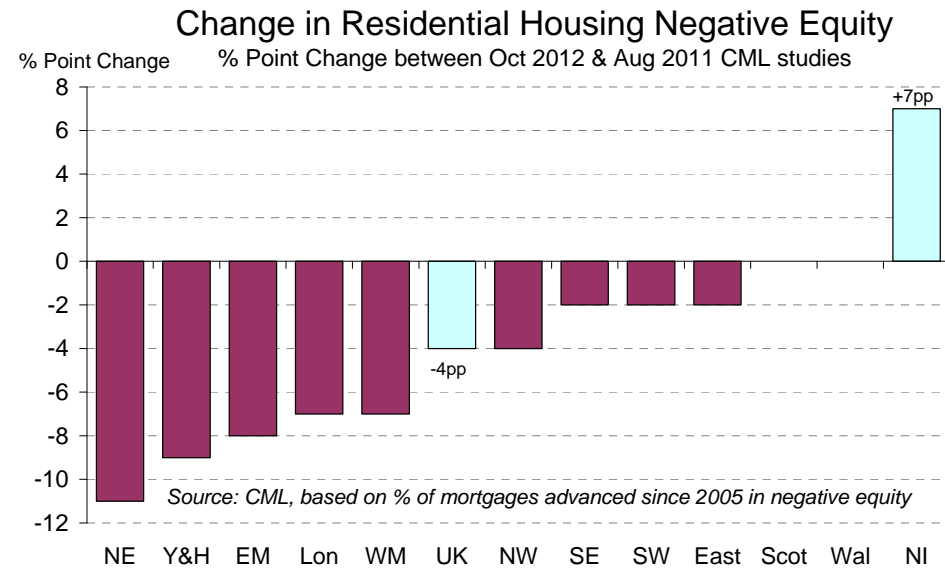
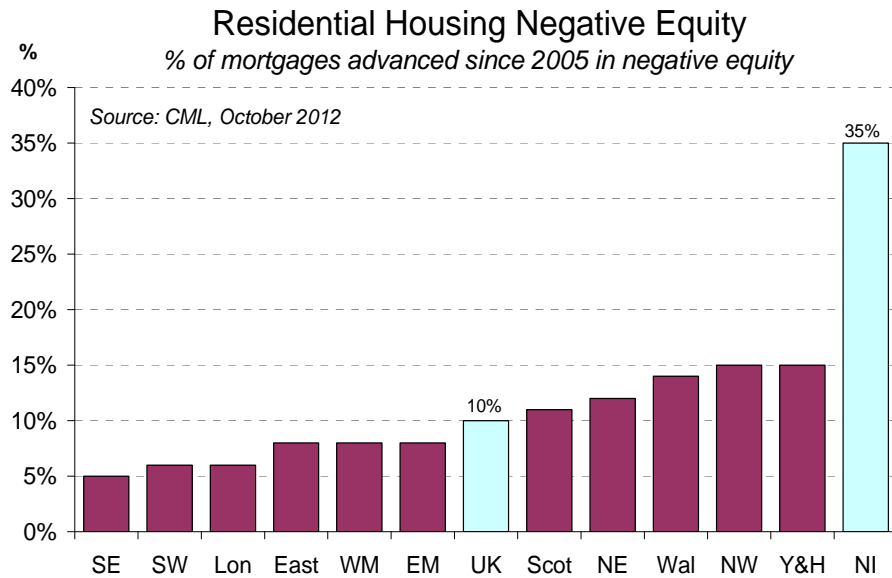
NI Residential Property Transactions* Levels
2006 = 100 Rolling 4 Quarter Total



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



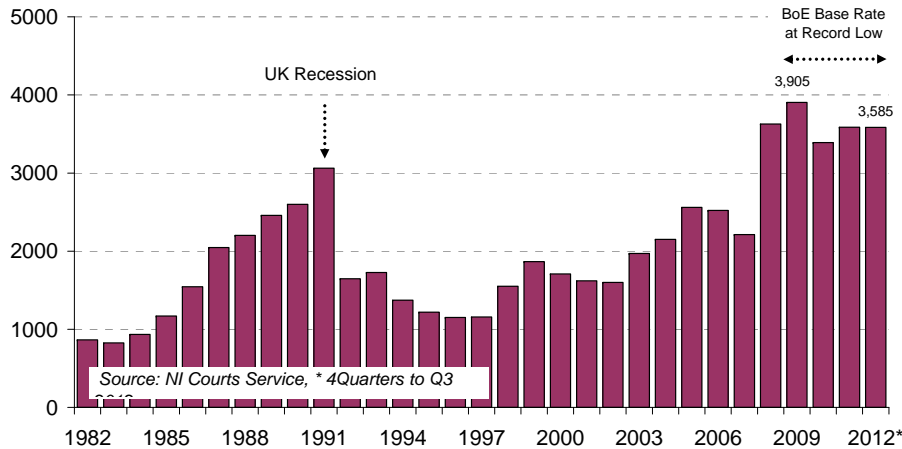
The incidence of negative equity has been growing in N.Ireland but falling in most other UK regions



Mortgage possession orders hit a new high over the year to Q3 2012

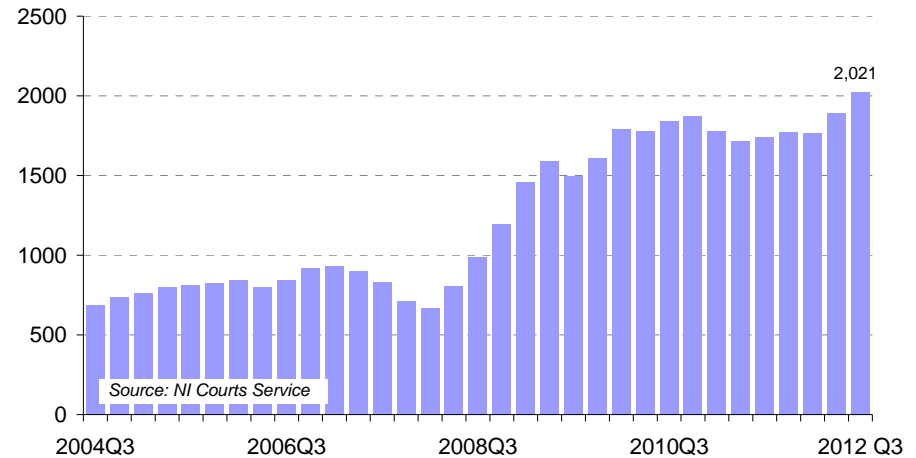
NI Mortgage Arrears

(Writs & Originating Sumonsses in respect of mortgages)



NI Mortgage Possession Orders

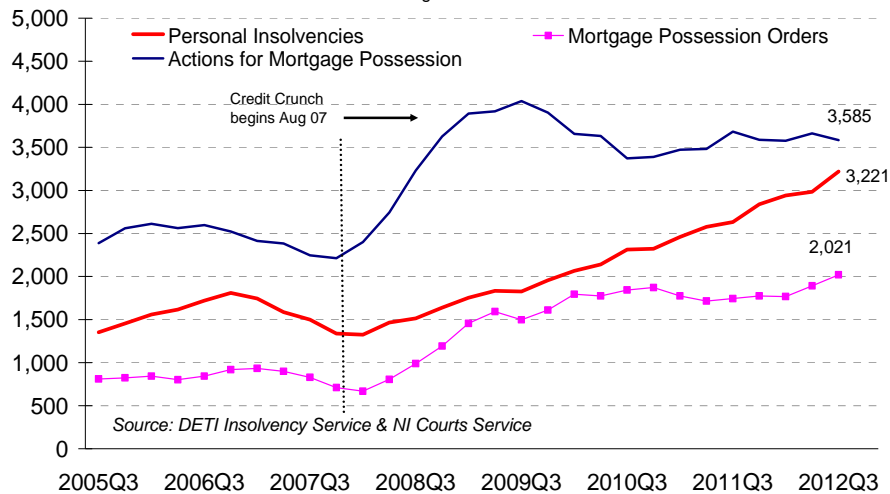
Rolling Annual Average



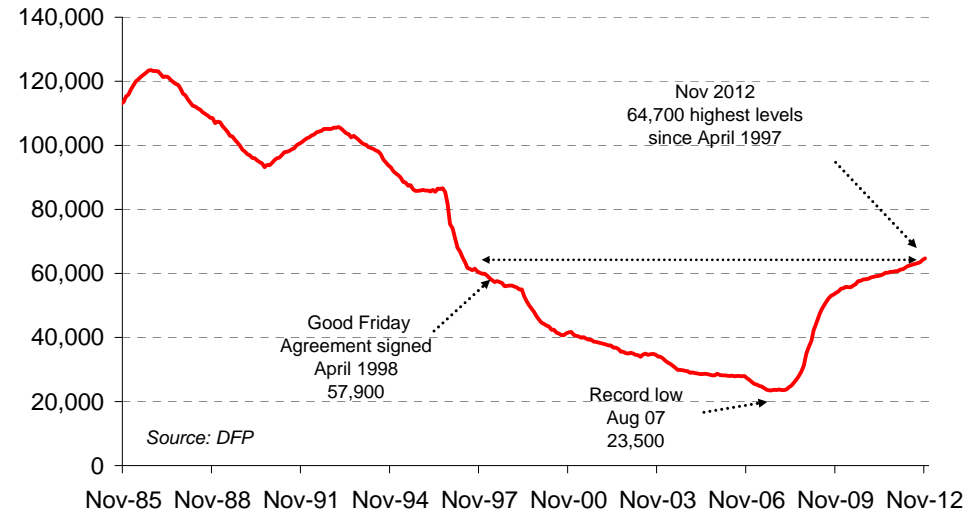
Consumer stress will remain a major issue with the two legacies of unemployment and debt still to unwind

NI Consumer Stress

Rolling 4 Quarter Total

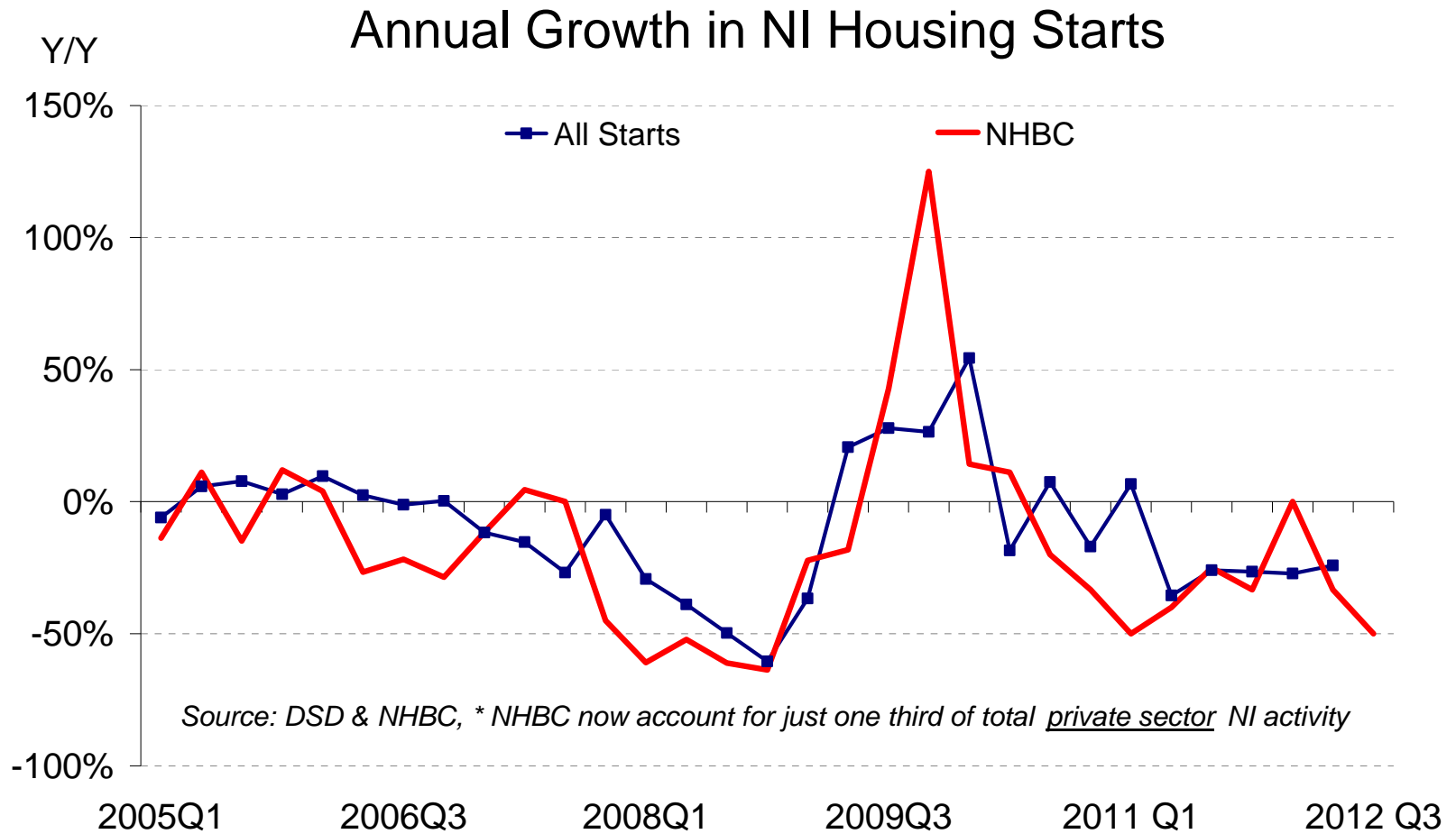


NI Unemployment Claimant Count Levels



*Housing Starts /
Housing
Completions*

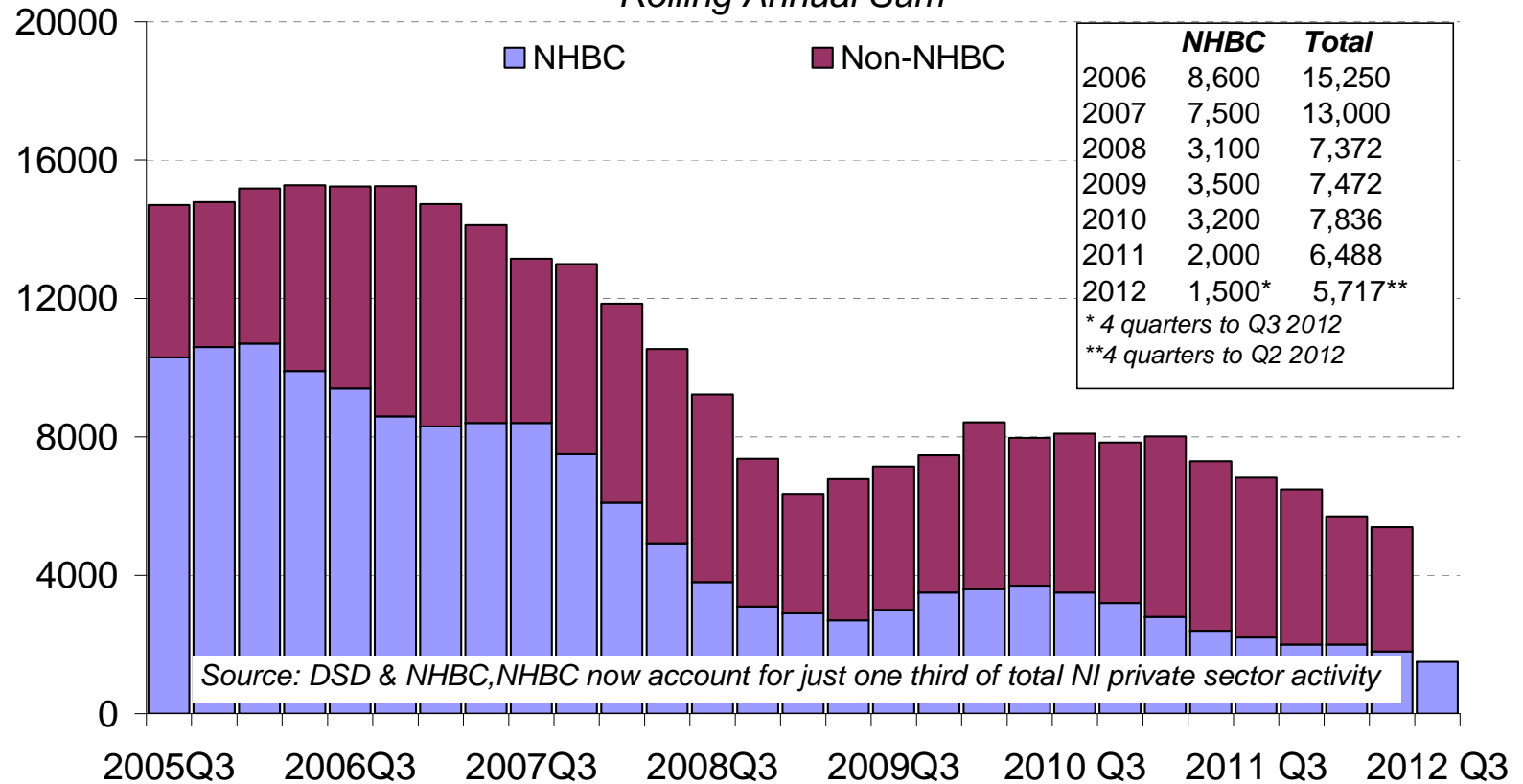
Northern Ireland housing starts following a downward trajectory after a brief pick-up in 2009



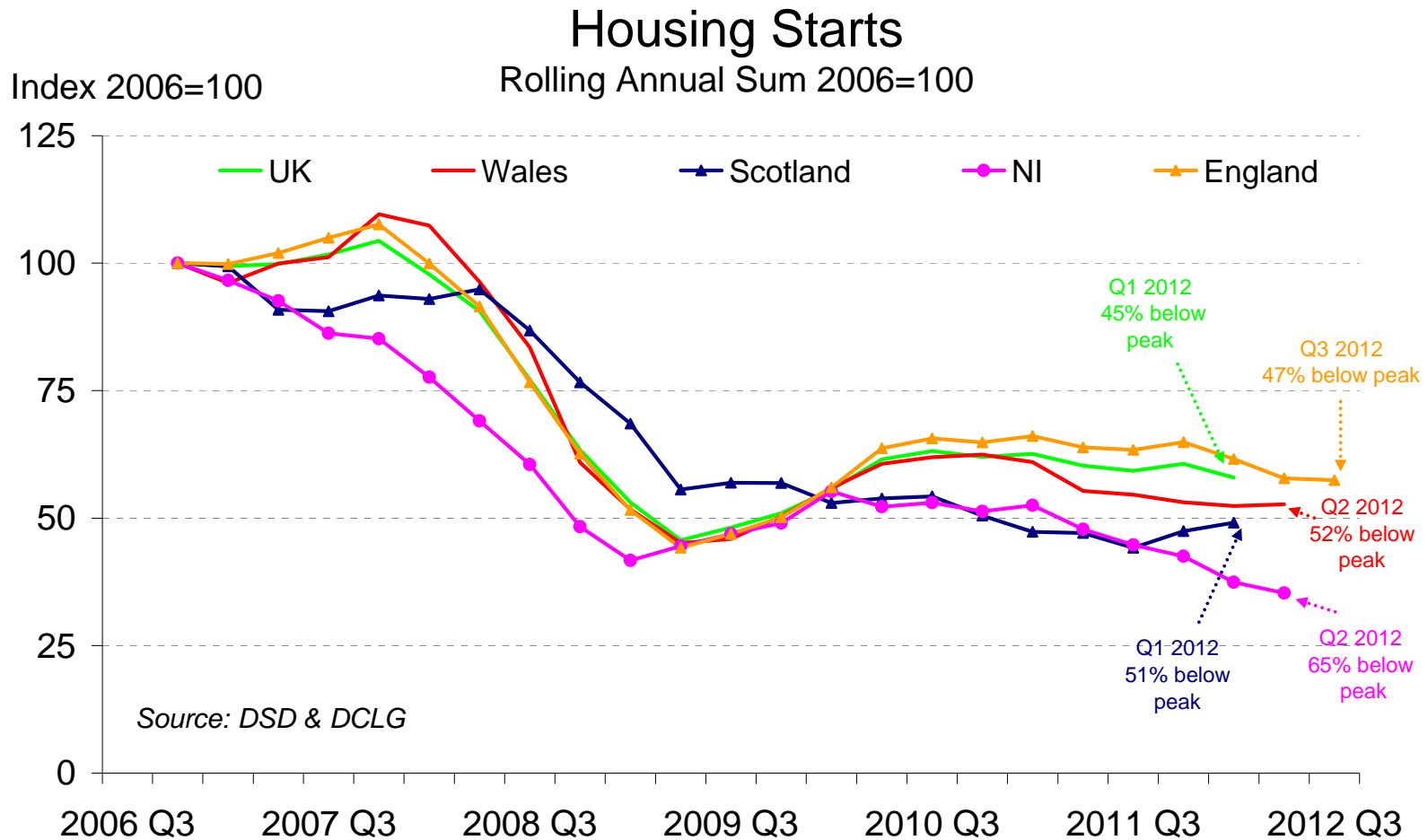
Rate of house building still falling with starts 2012 pushing towards just 5,000 units

NI House Starts

Rolling Annual Sum

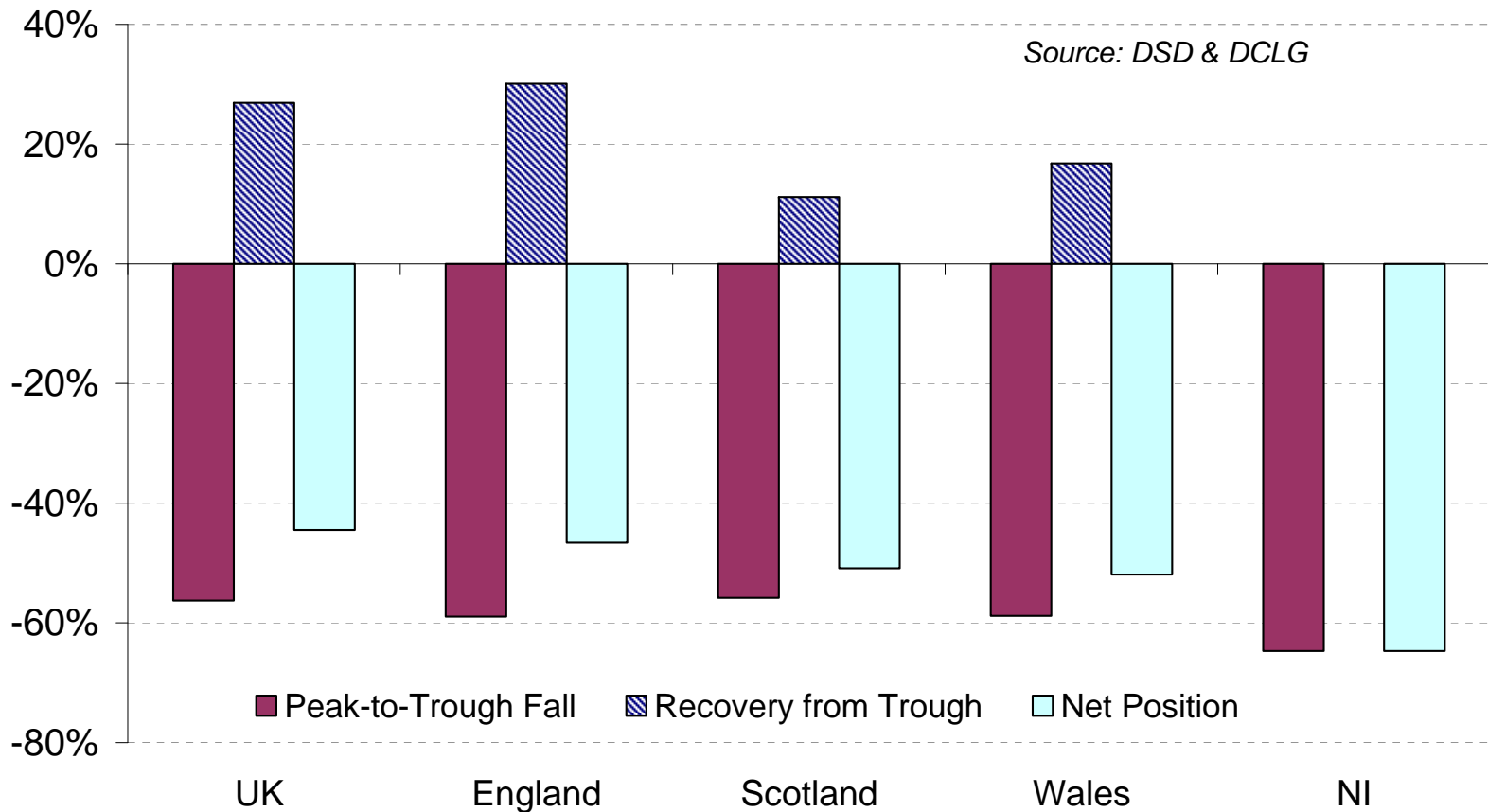


Over the last 5 years housing starts in Northern Ireland have fallen further than elsewhere in the UK ...



...although peak-to-trough falls were similar

Housing Starts



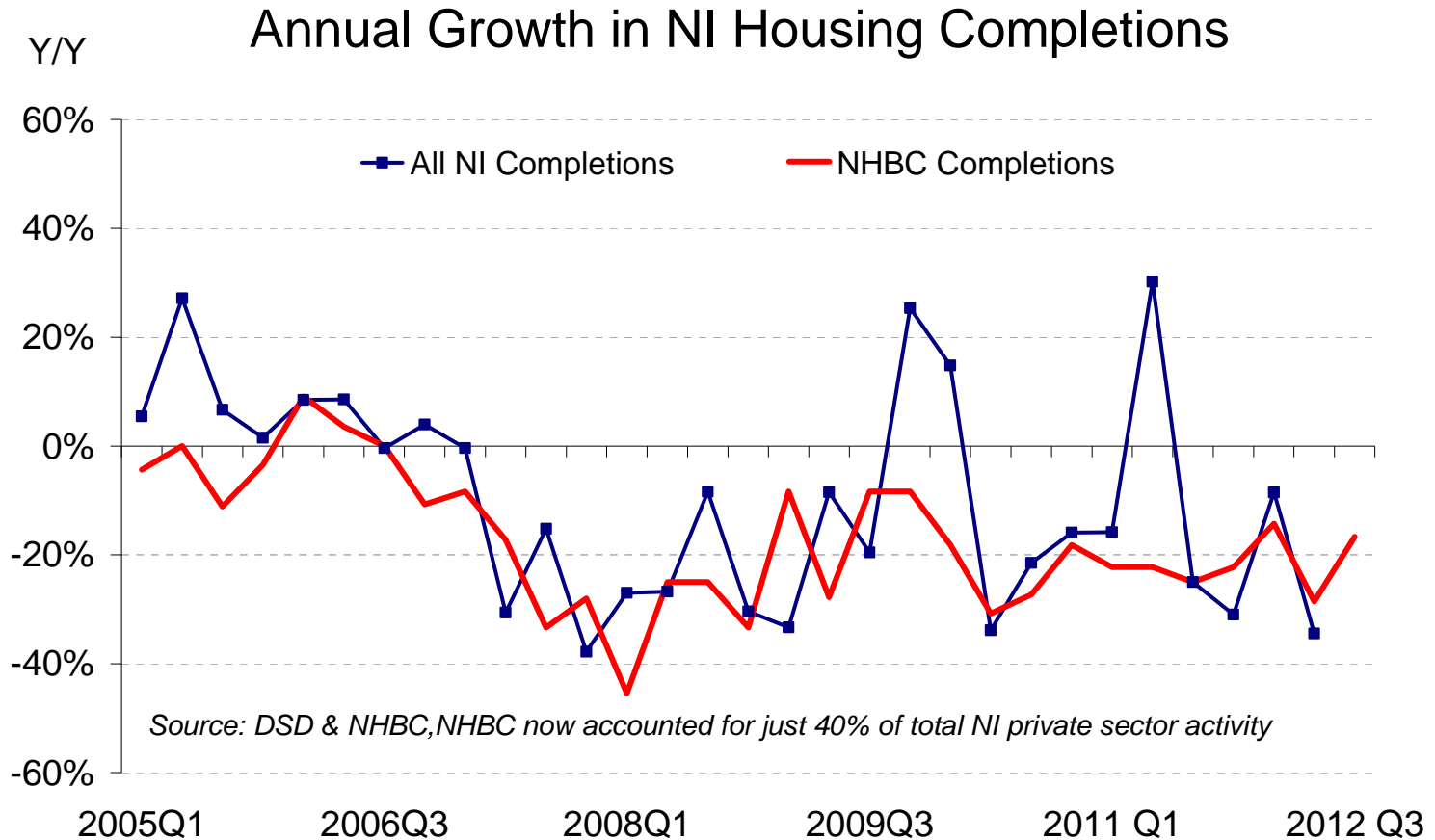
But the difference is NI has witnessed no recovery

Housing Starts

	Peak-To-Trough*	Recovery-from-Trough	Net Position**
UK <i>(as of Q1 2012)</i>	-56.2%	26.9%	-44.5%
England <i>(as of Q3 2012)</i>	-59.0%	30.1%	-46.6%
Scotland <i>(as of Q1 2012)</i>	-55.8%	11.2%	-50.9%
Wales <i>(as of Q2 2012)</i>	-58.8%	16.8%	-51.9%
Northern Ireland <i>(as of Q2 2012)</i>	-64.7%	0.0%	-64.7%

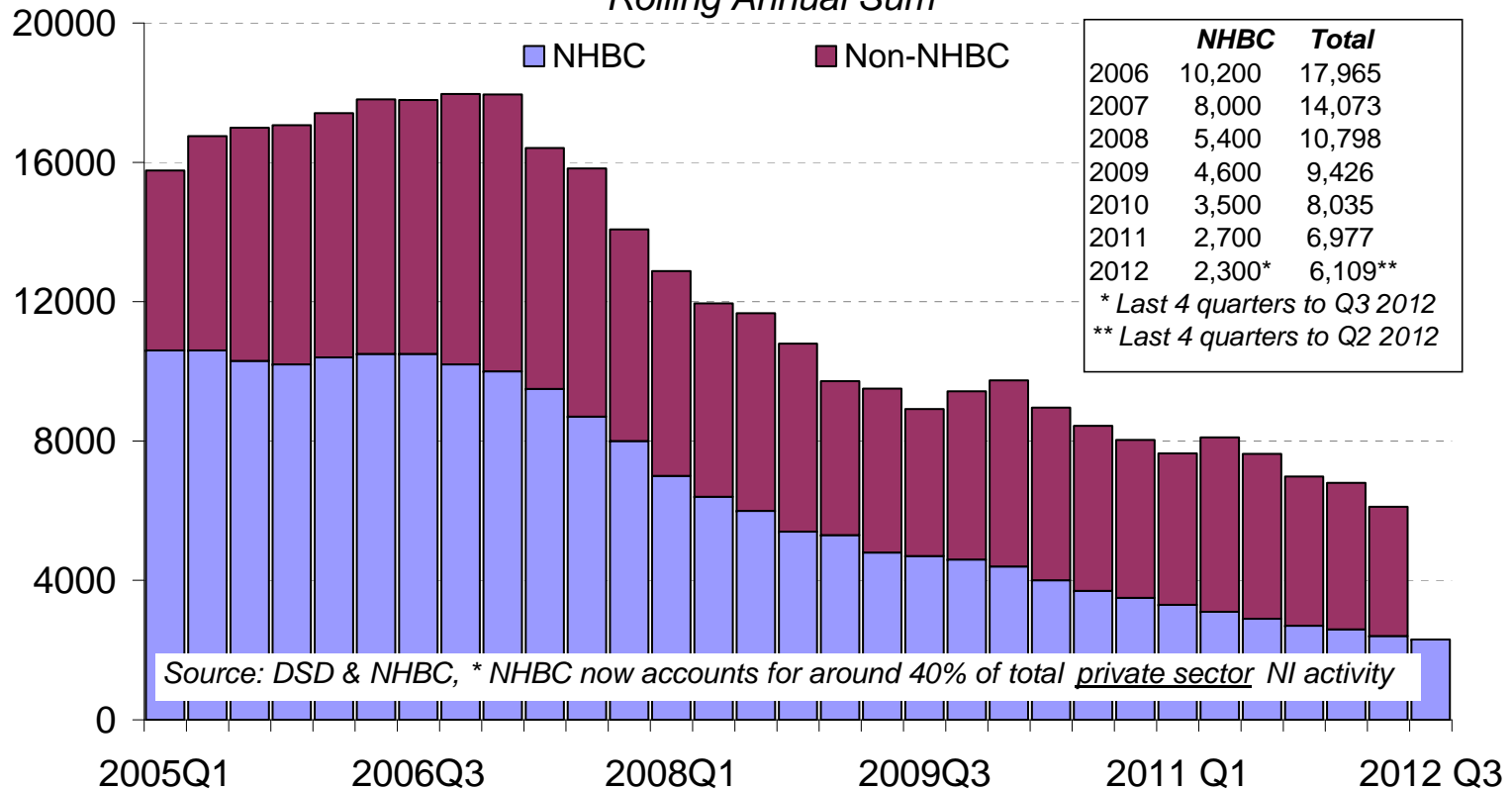
Source: DSD & DCLG, *pre-recession peak to trough over a 4 quarter period, ** latest position (last 4 quarters) relative to pre-recession peak

Annual rate of growth in house completions back in negative territory with NHBC signalling a 17% y/y fall in Q3 2012...

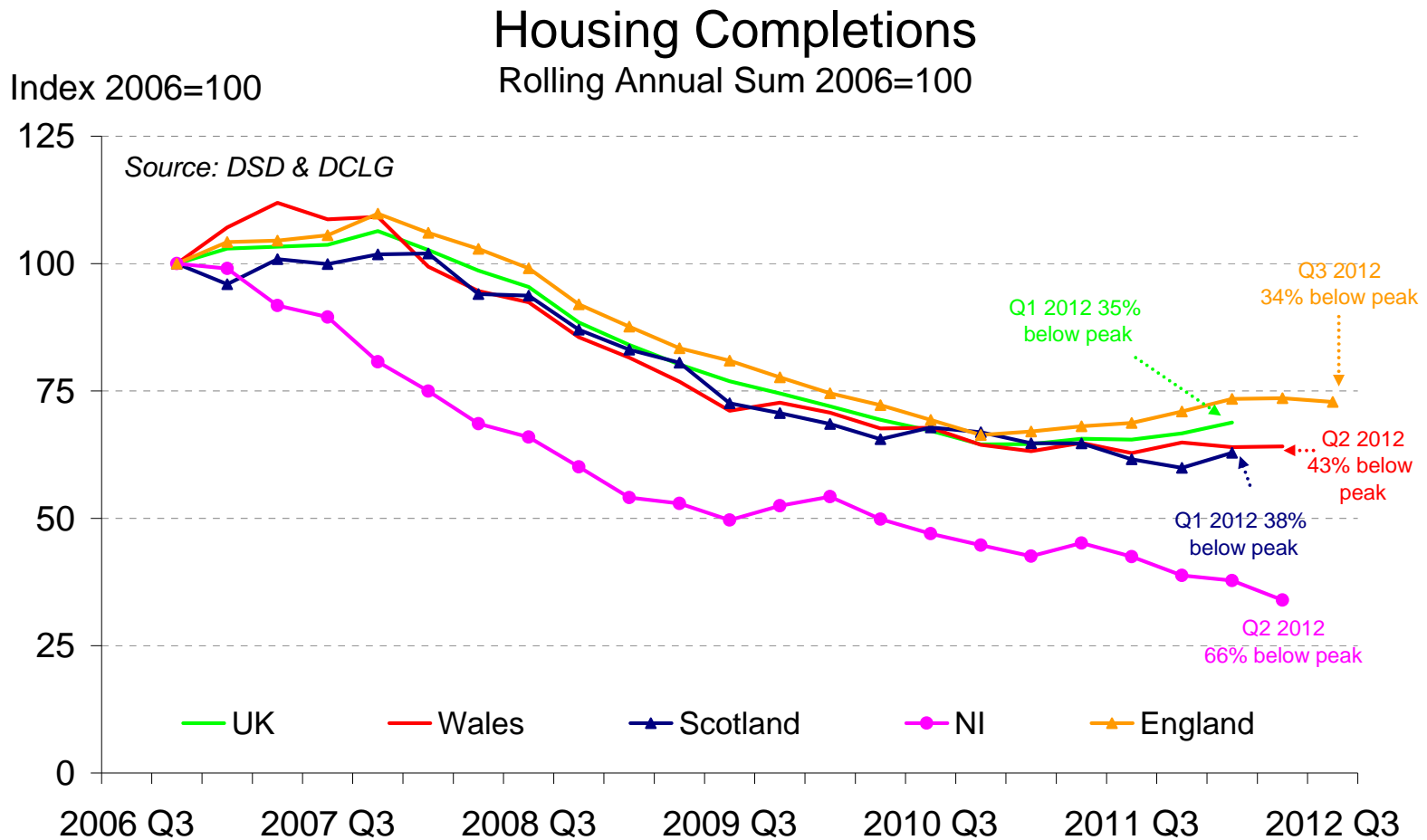


....leading to fewer completed housing units

NI House Completions Rolling Annual Sum



NI has witnessed steeper declines than other parts of the UK

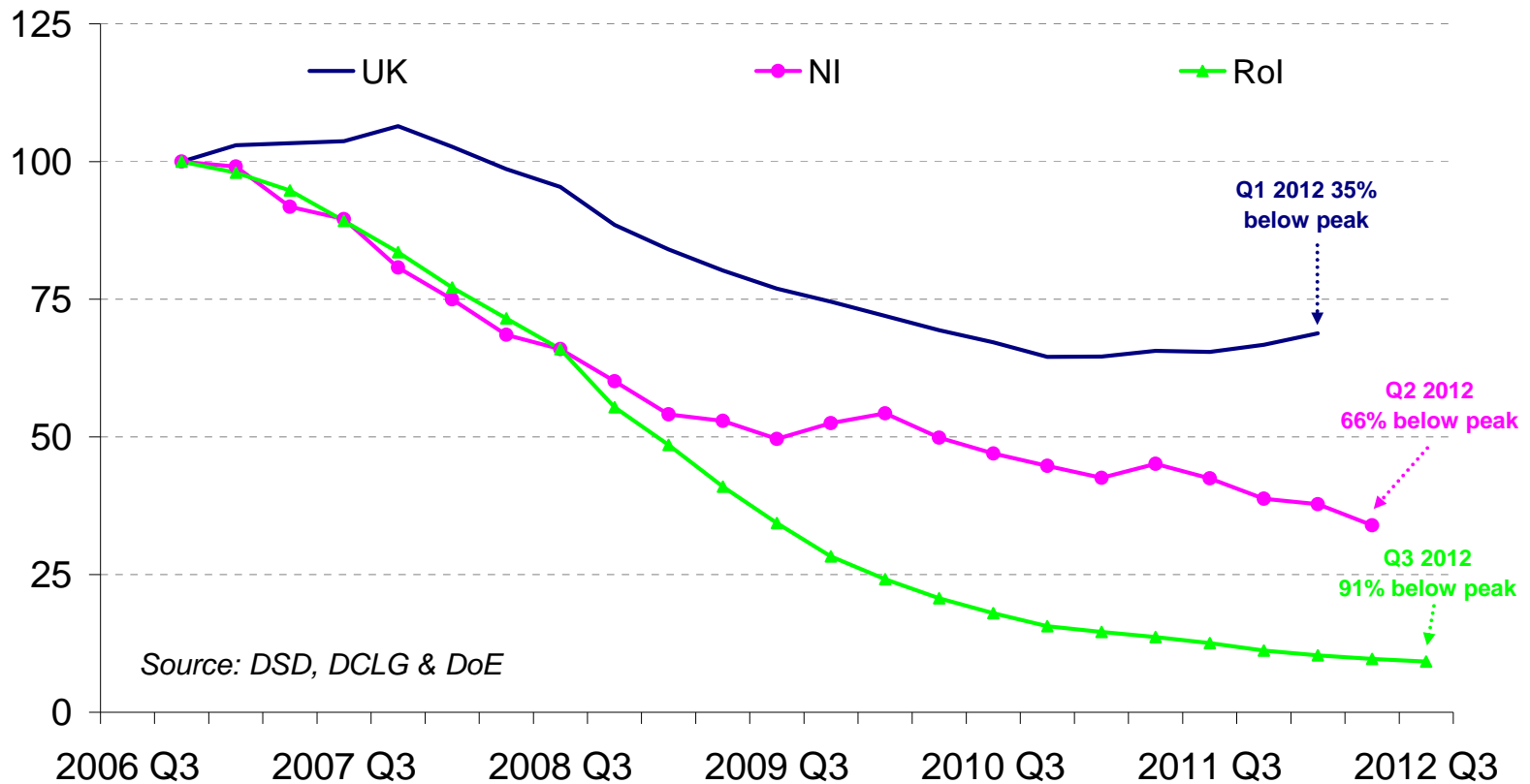


... but not as bad as the Republic of Ireland

Housing Completions

Index 2006=100

Rolling Annual Sum 2006=100



Rol house completions have fallen 91% below their pre-crisis peak which compares with 67% & 35% for NI & the UK

House Completions



Rol & NI house-building sectors have experienced steepest declines and no recovery to date

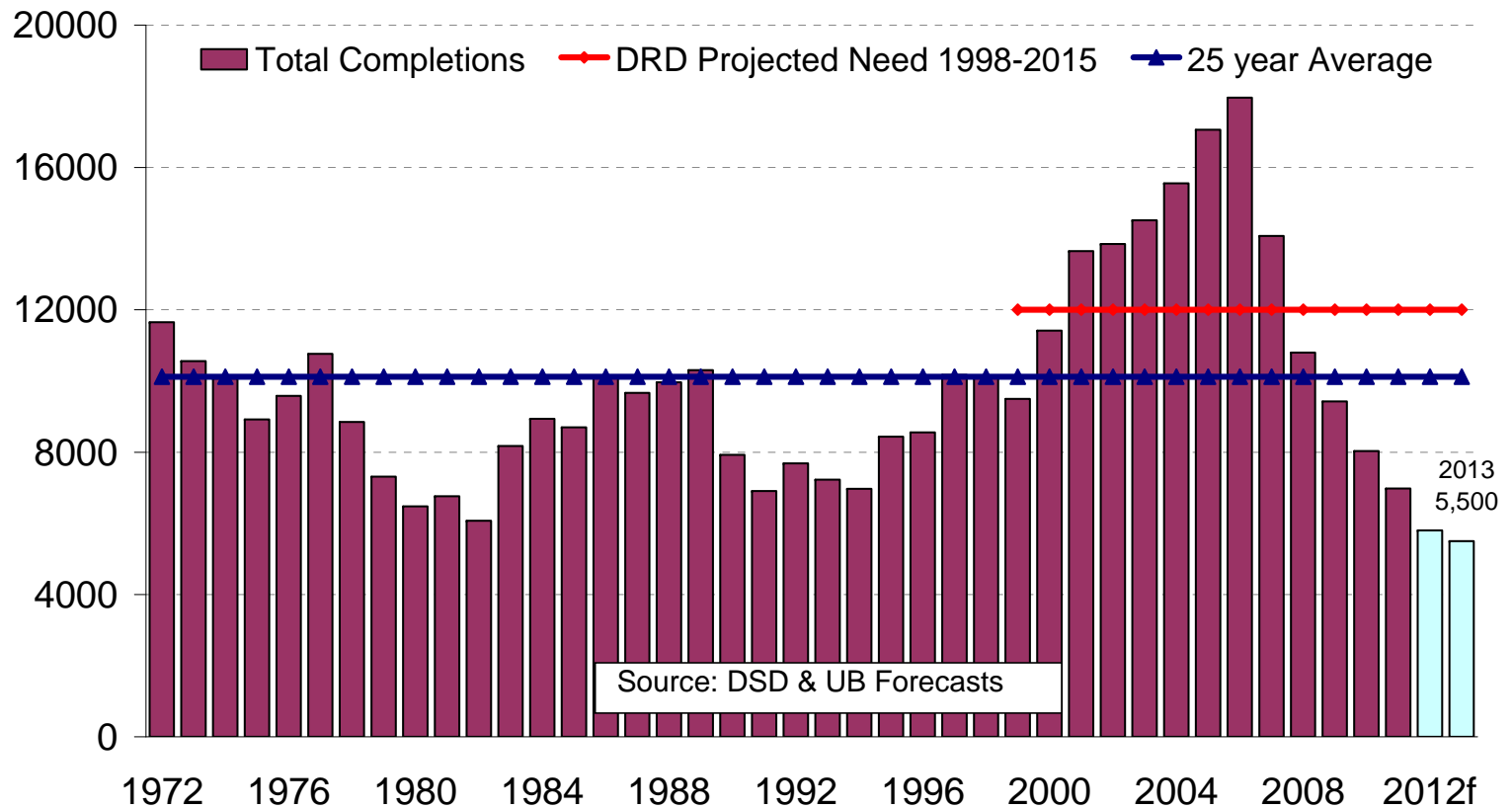
Housing Completions

	Peak-To-Trough*	Recovery-from-Trough	Net Position**
UK (<i>as of Q1 2012</i>)	-39.4%	6.7%	-35.3%
England (<i>as of Q3 2012</i>)	-39.6%	9.8%	-33.7%
Scotland (<i>as of Q1 2012</i>)	-41.3%	5.0%	-38.3%
Wales (<i>as of Q2 2012</i>)	-43.9%	2.0%	-41.3%
Northern Ireland (<i>as of Q2 2012</i>)	-66.6%	0.0%	-66.6%
Republic of Ireland (<i>as of Q3 2012</i>)	-90.8%	0.0%	-90.8%

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

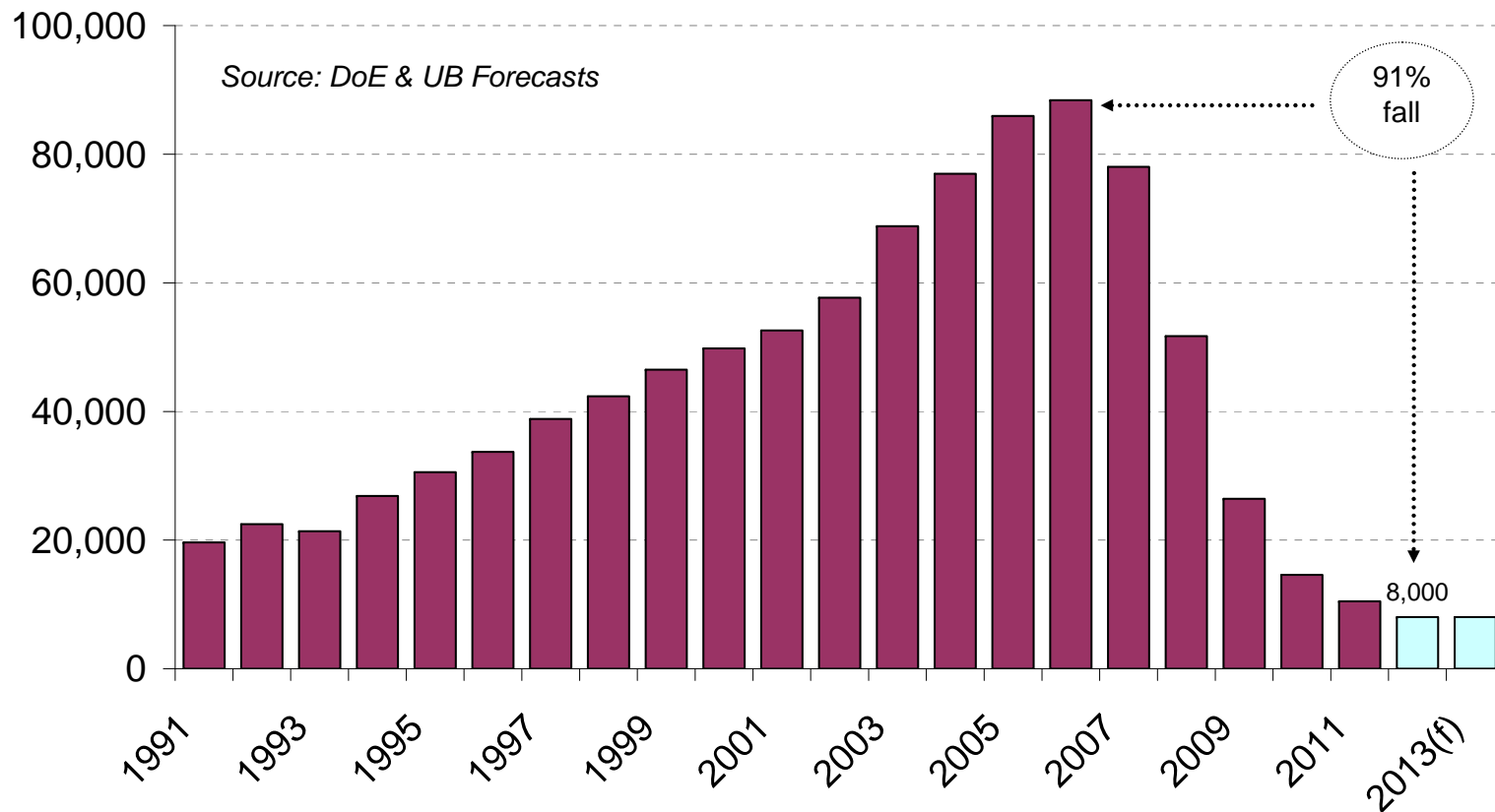
NI house completions down an estimated 68% (12,200 units) between 2006 & 2012 with further declines in 2013

NI Housing Completions



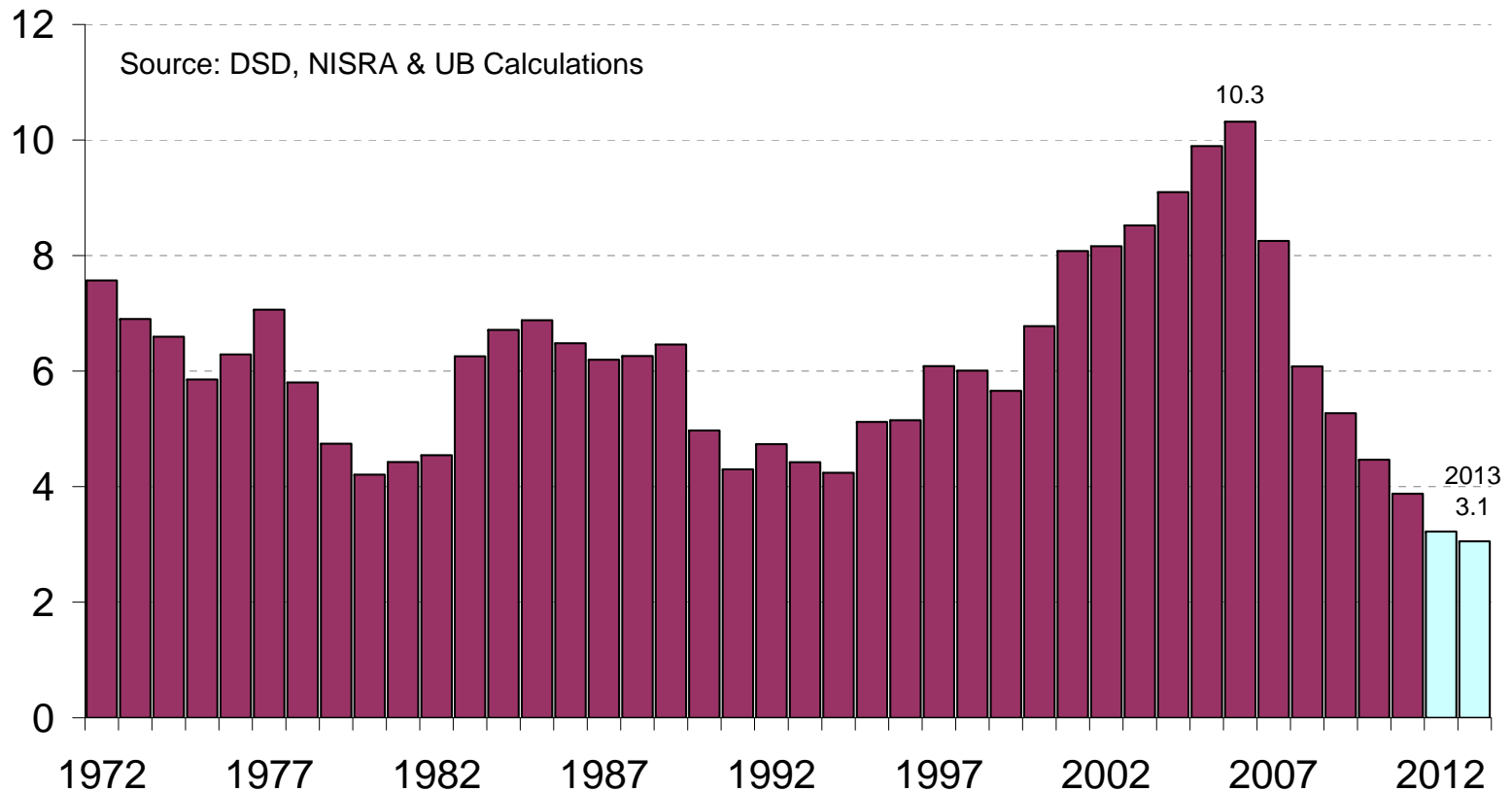
...but spare a thought for the RoI. Northern Ireland does not have the same overhang of stock as the RoI...

Republic of Ireland Housing Completions



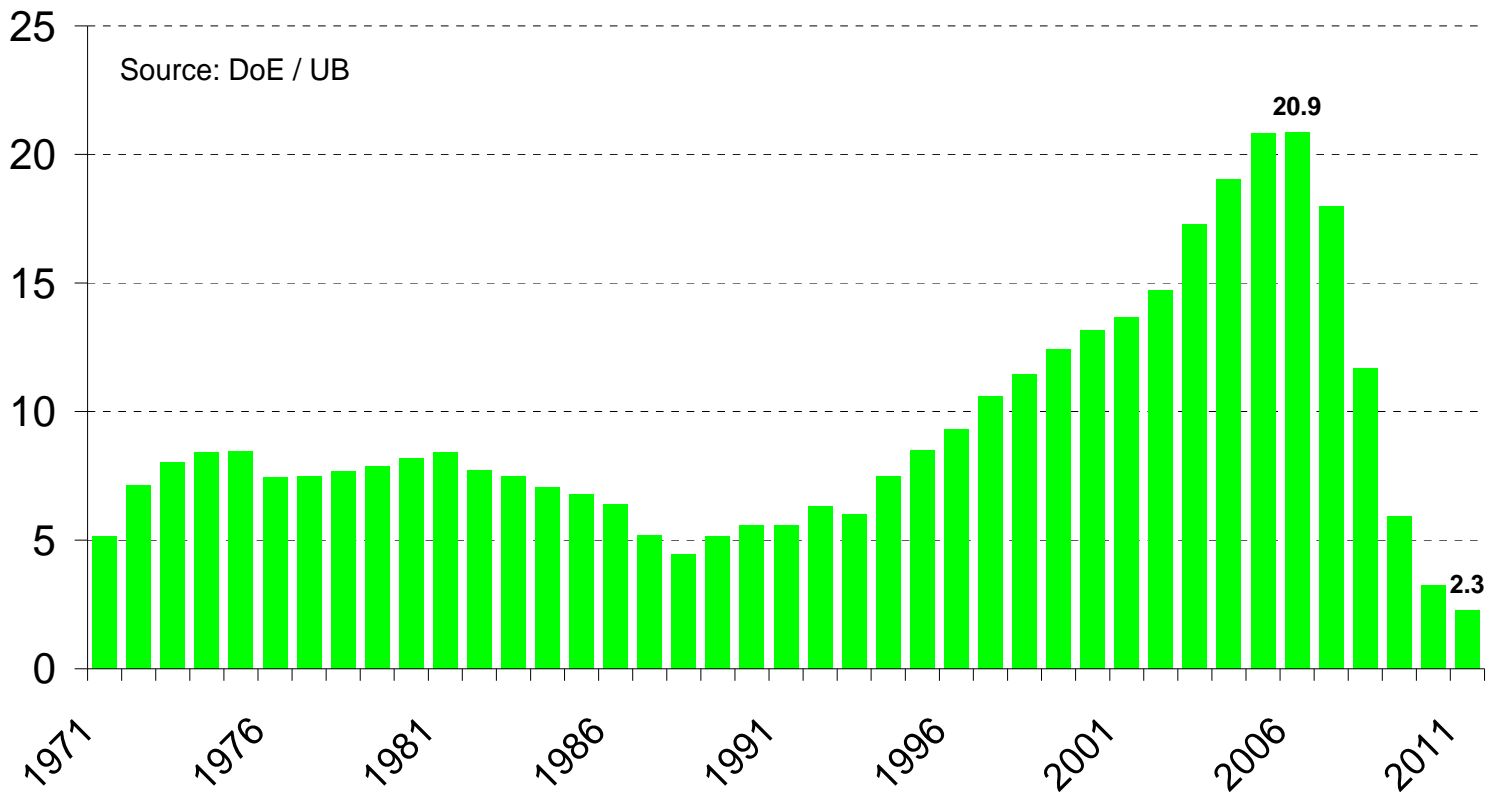
...but NI is building fewer houses per capita than at any time since 1949...longer-term implications??

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



*Housing
Affordability /
Interest Rates*

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

Median Gross Weekly Earnings 2012

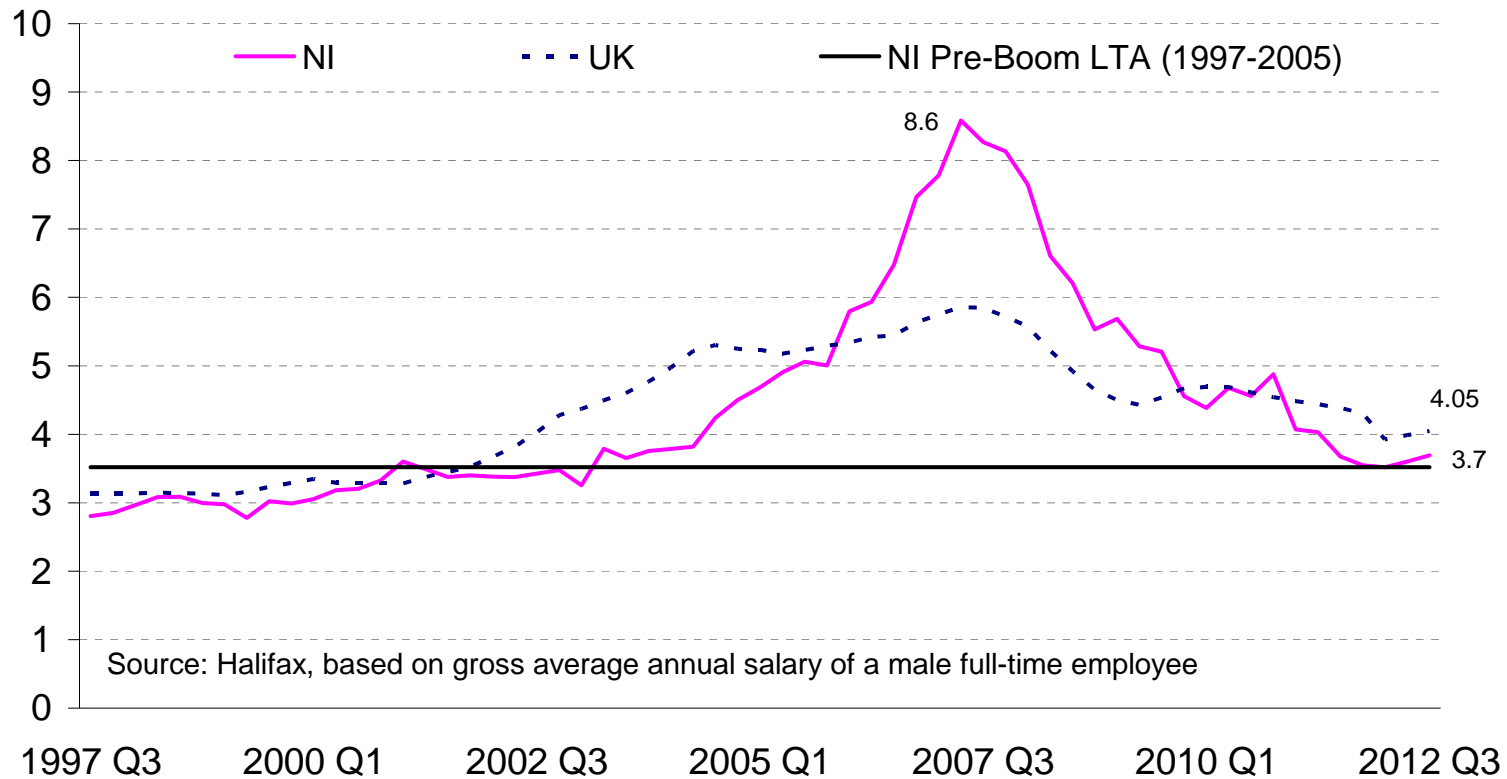
All Employees Full-Time



NI's HPE ratio has returned to the pre-boom long-term average (1997-2005)...

Halifax House Price to Earnings Ratio

All Houses & All Buyers

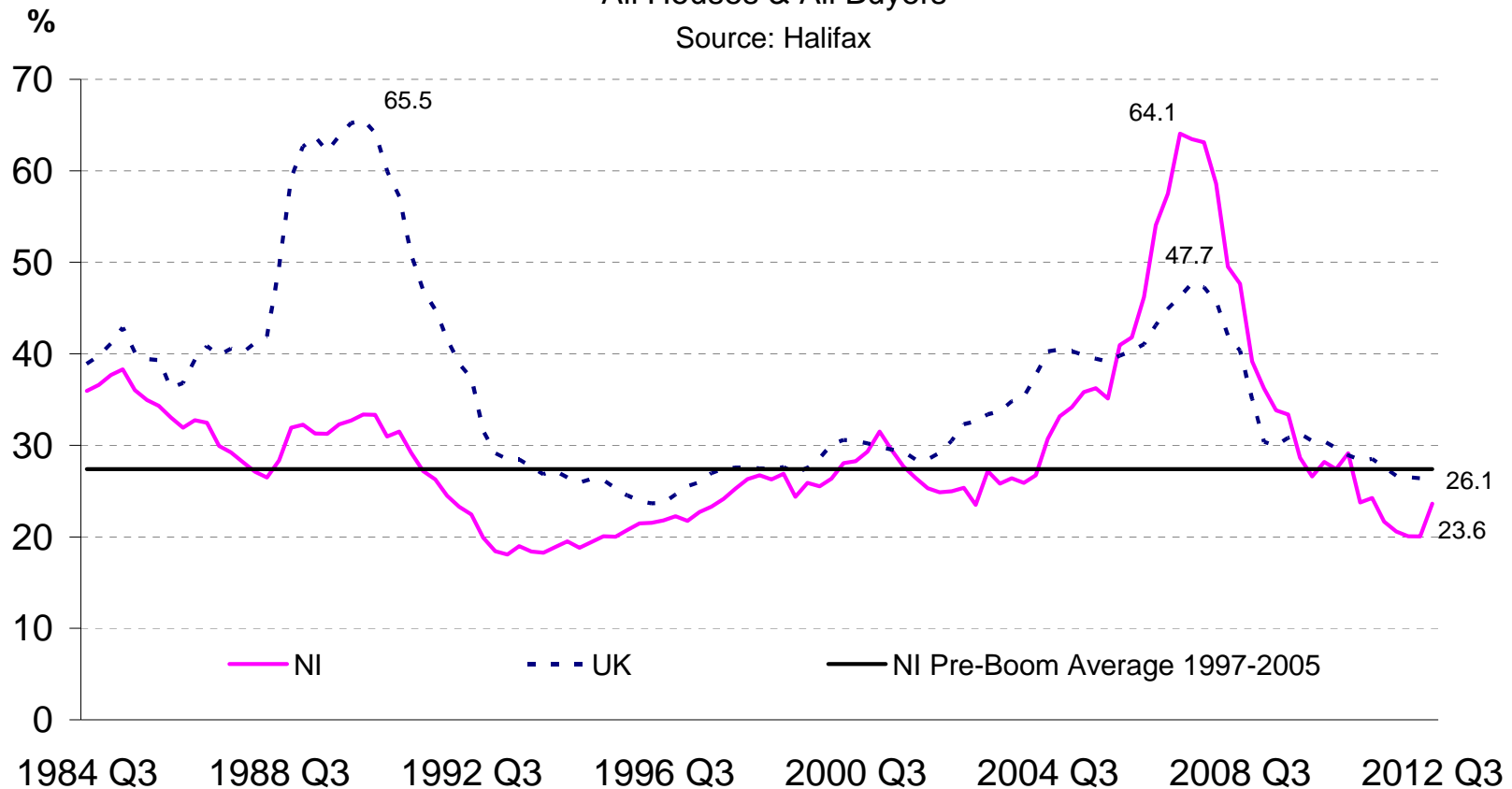


...and NI mortgage payments as a % of disposable income have fallen well below the pre-boom average (1997-2005)

Mortgage Payments as a % Average Disposable Income

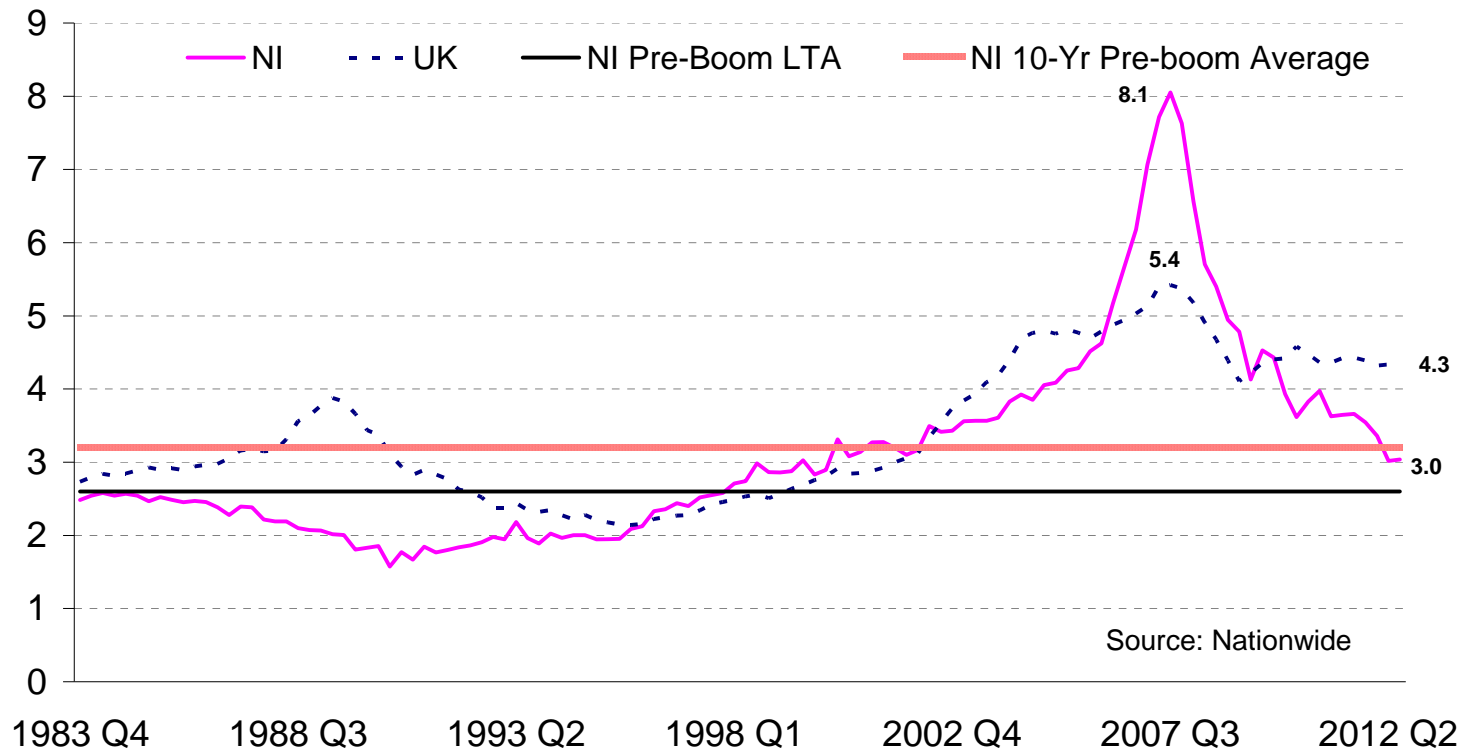
All Houses & All Buyers

Source: Halifax



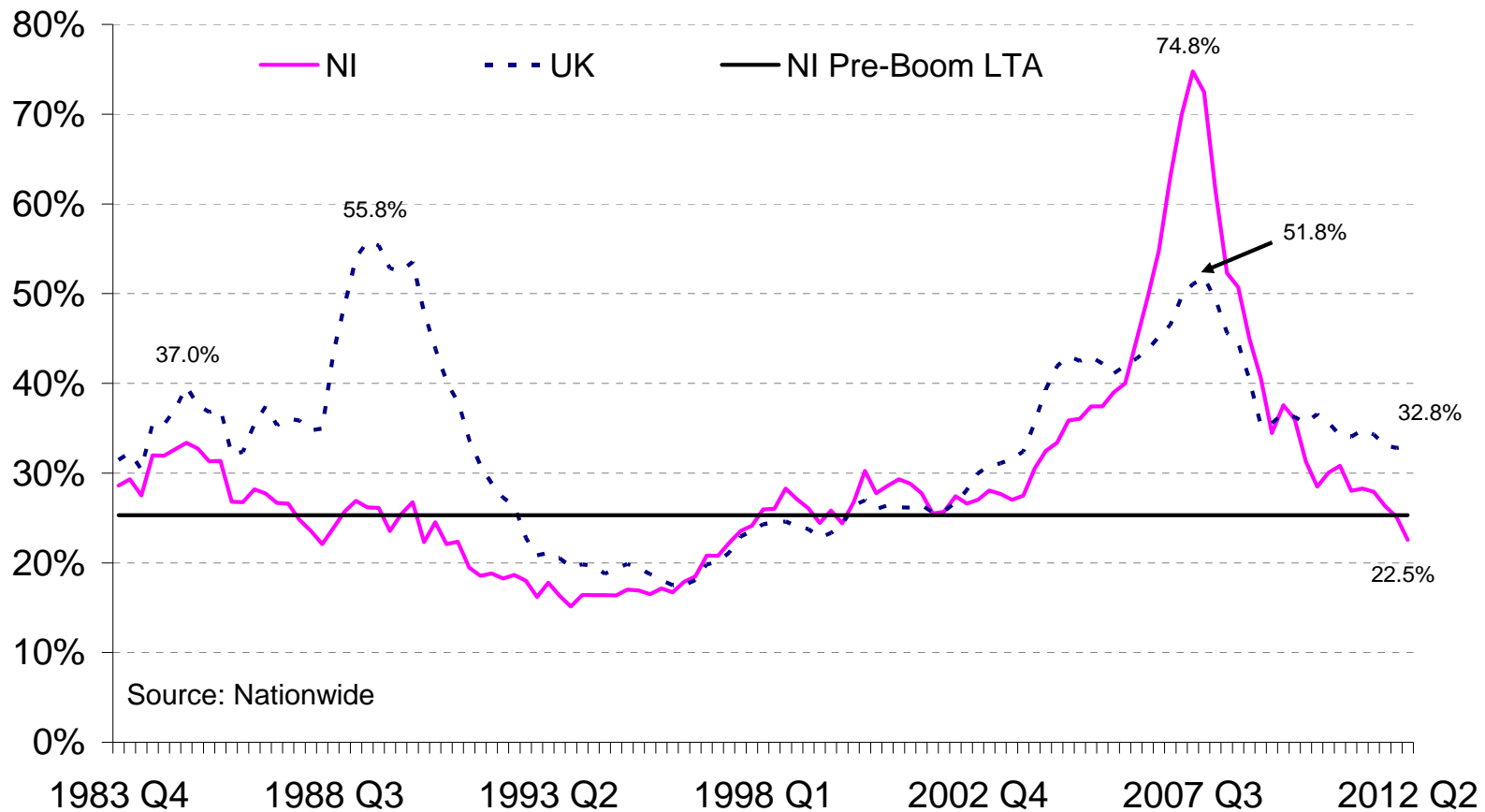
NI's HPE ratio for first-time buyers has dipped below the pre-boom 10-yr average of 3.2...

Nationwide FTB House Price to Earnings Ratio



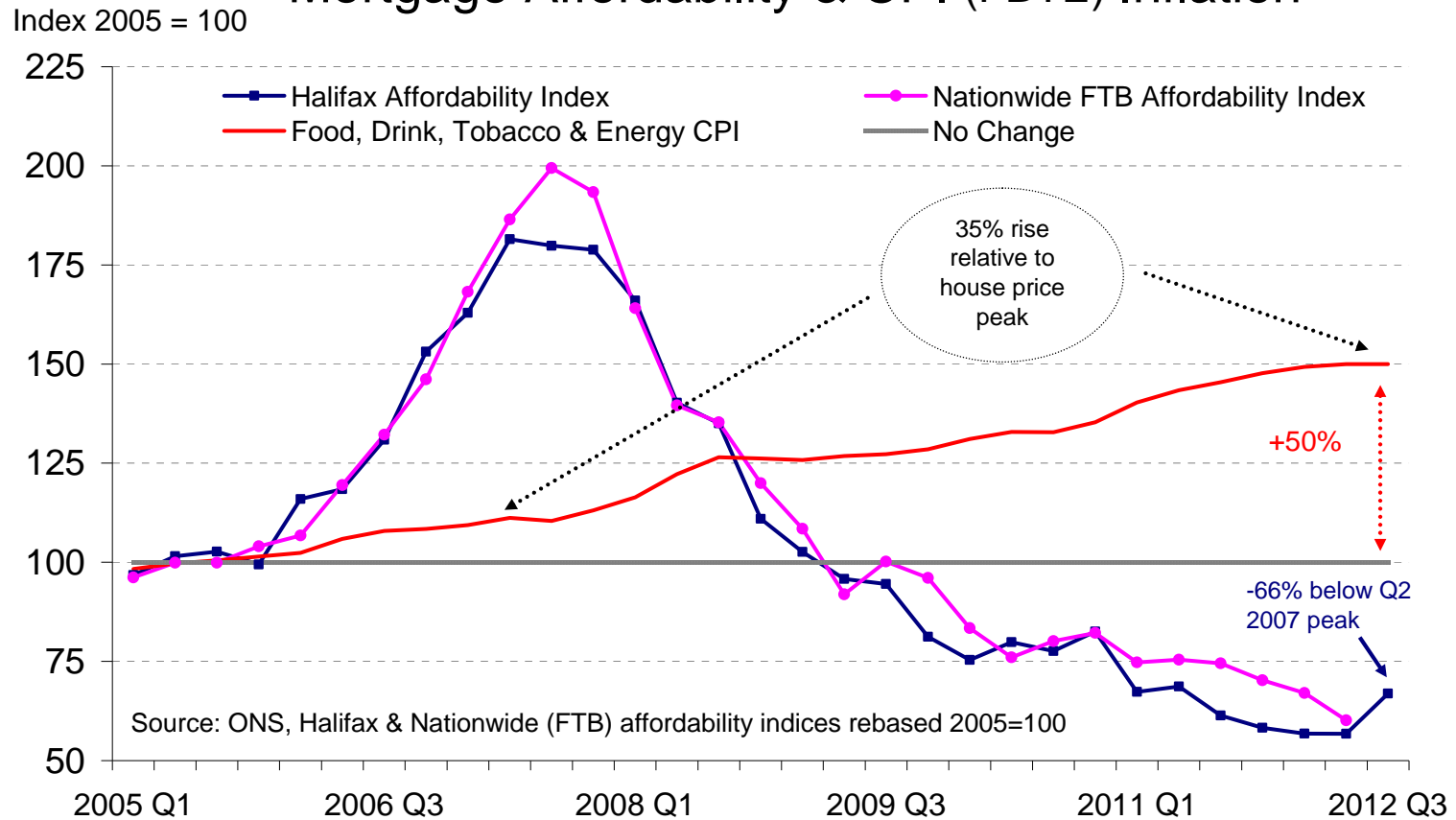
NI FTB affordability index hits a 15-year low

FTB Mortgage Payments as a % of Mean Take Home Pay



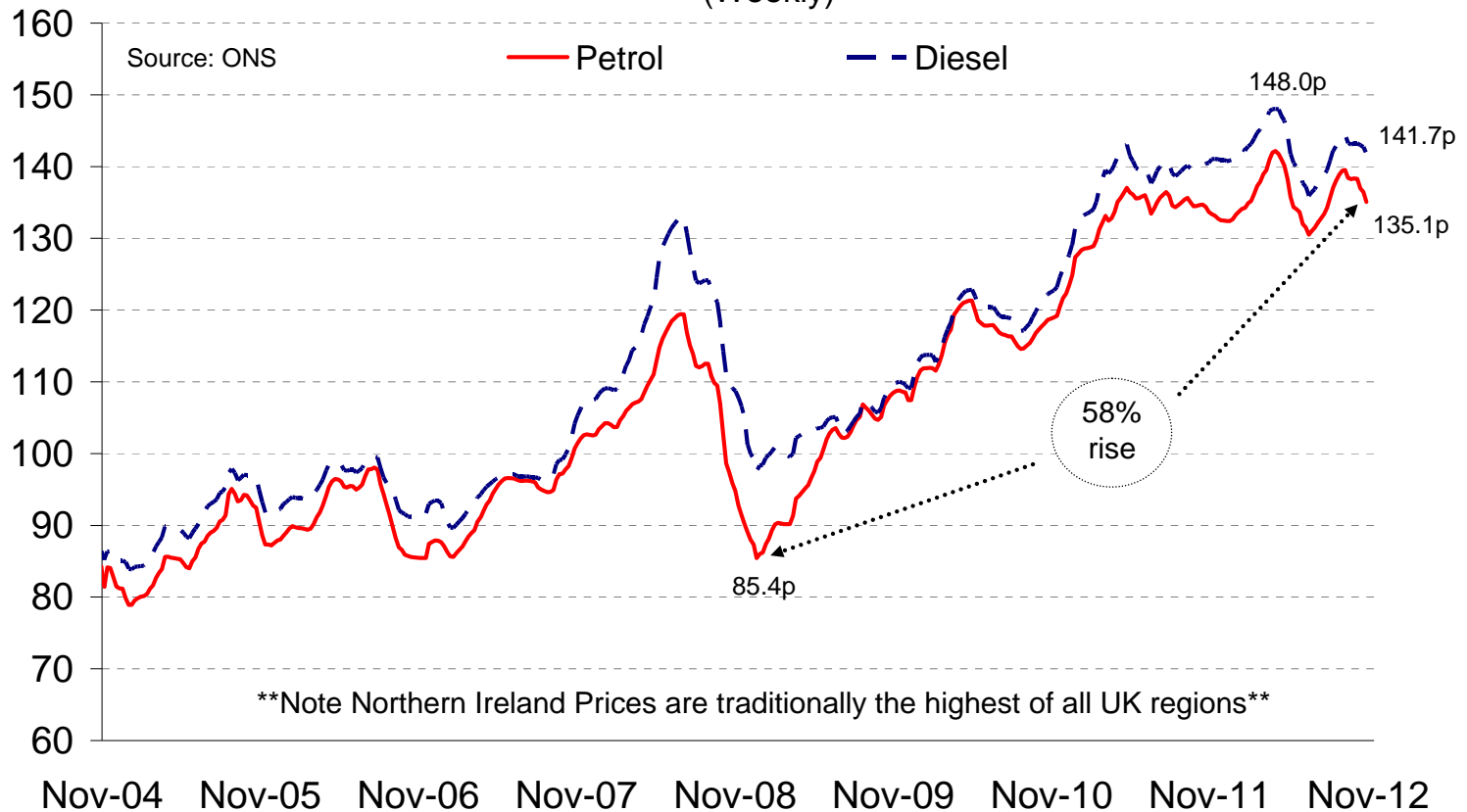
...but its not just after tax income that is important. Post-tax income after necessities (*food & energy*) is important

Mortgage Affordability & CPI (FBTE) Inflation

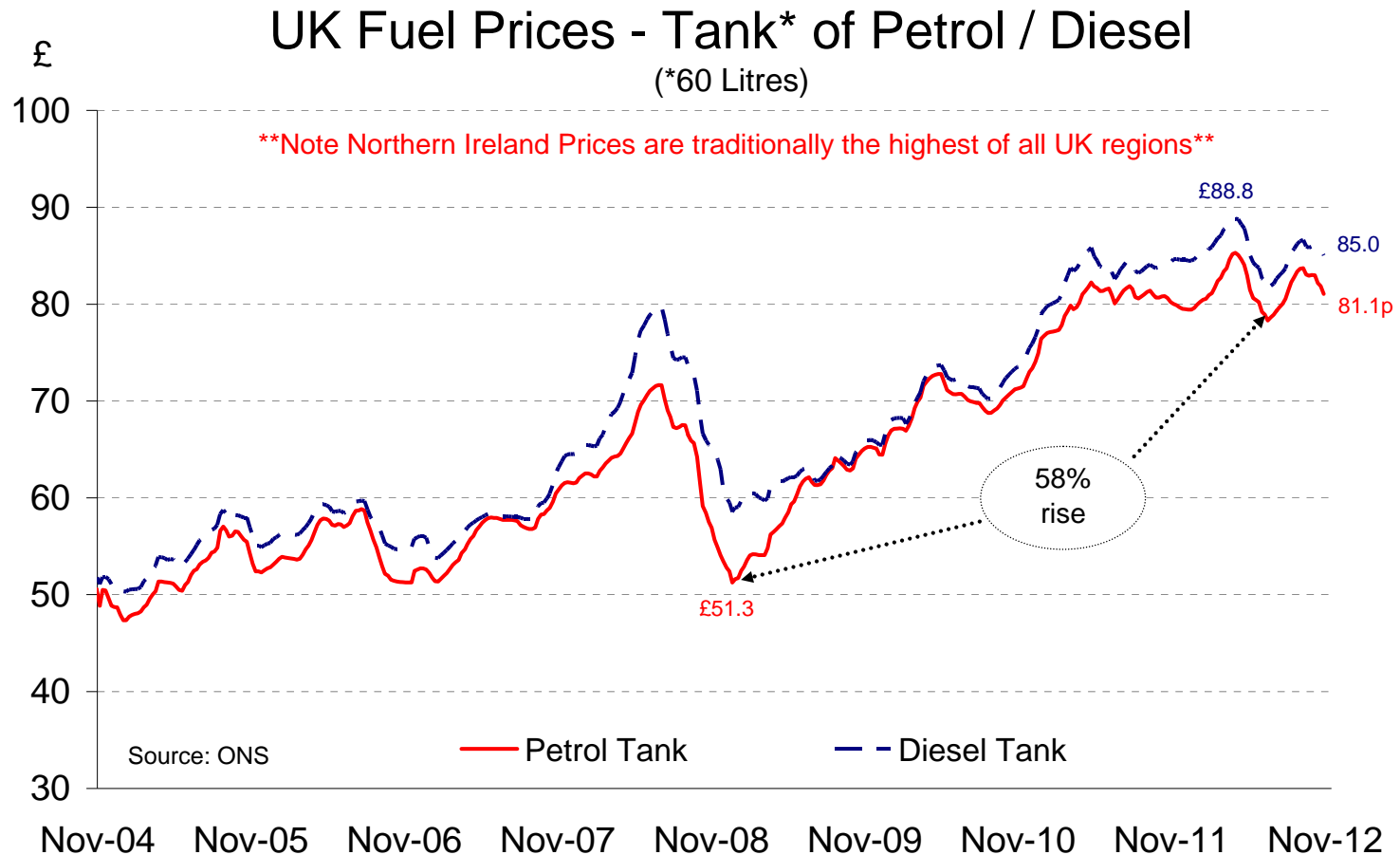


Between Q2 2007 & November 2012 the price of a tank of petrol / diesel has risen from £57/58 to £81/85 (42-47% rise)

UK Fuel Prices - Pence per litre (Weekly)

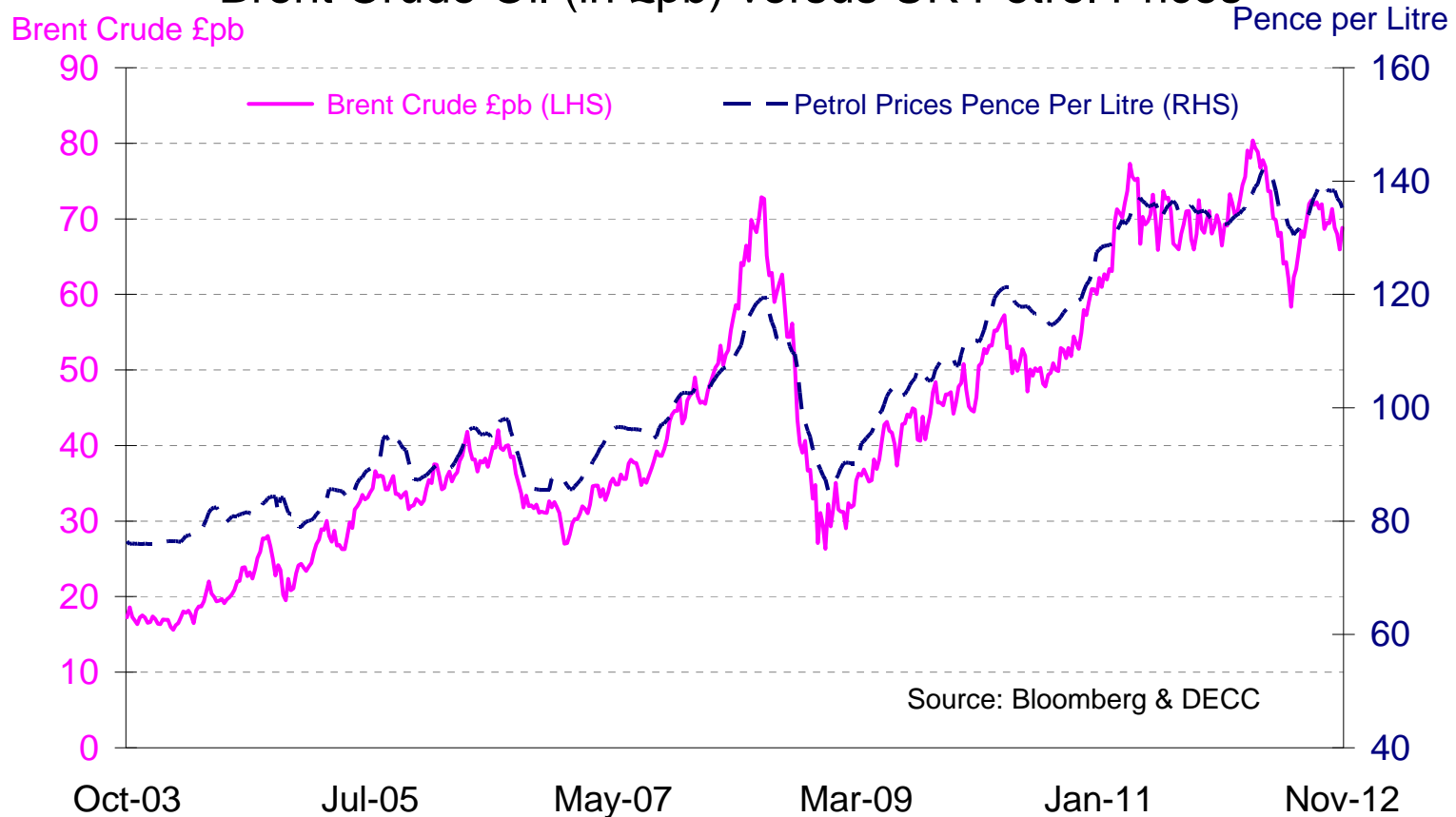


Between Q2 2007 & November 2012 the price of a tank of petrol / diesel has risen from £57/58 to £81/85 (42-47% rise)

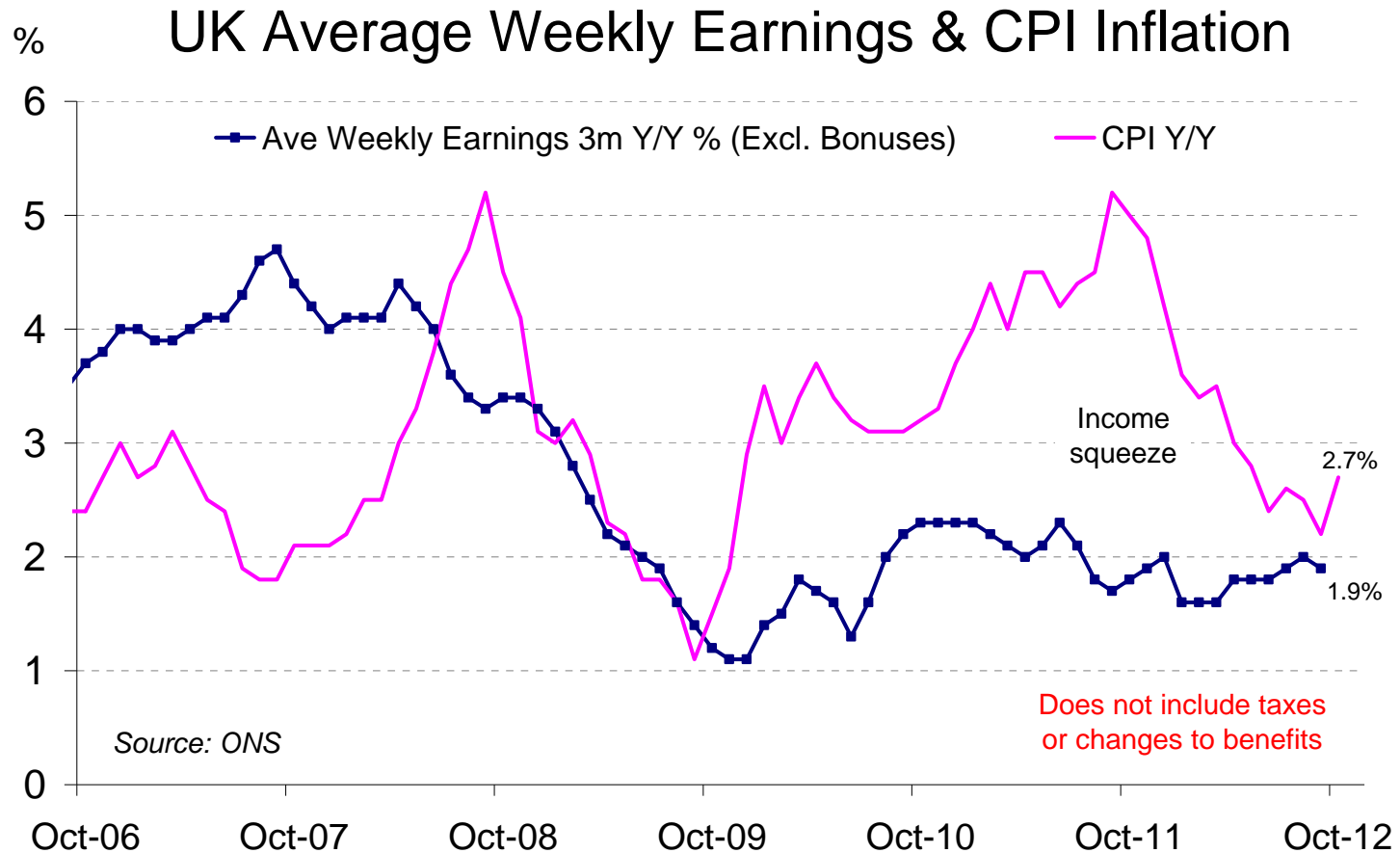


Between Q2 2007 & November 2012 the price of a barrel of Brent Crude oil in £ has risen from £34.7 to £70 (+100%)

Brent Crude Oil (in £pb) versus UK Petrol Prices

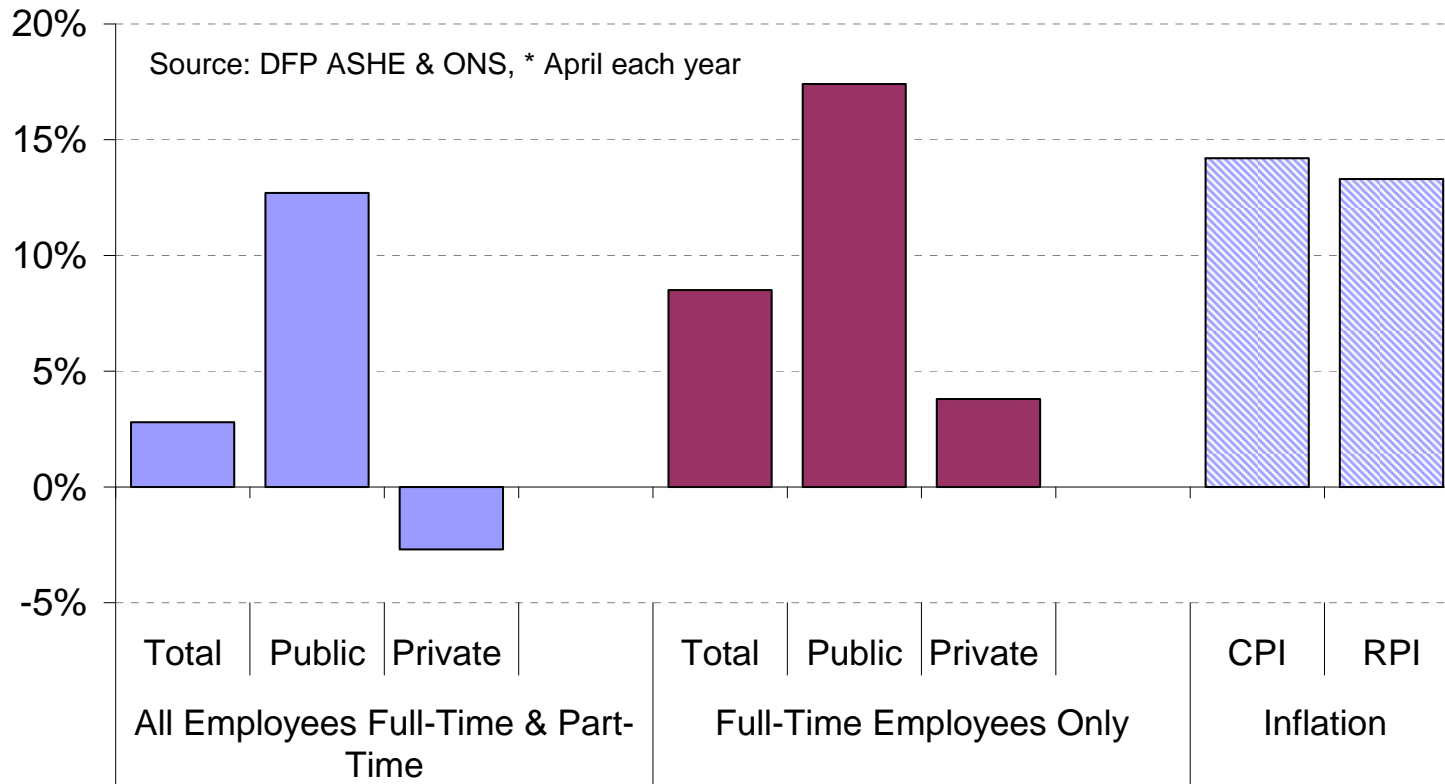


Inflation has contributed to income squeeze which in turn has deferred the deleveraging of household debt...

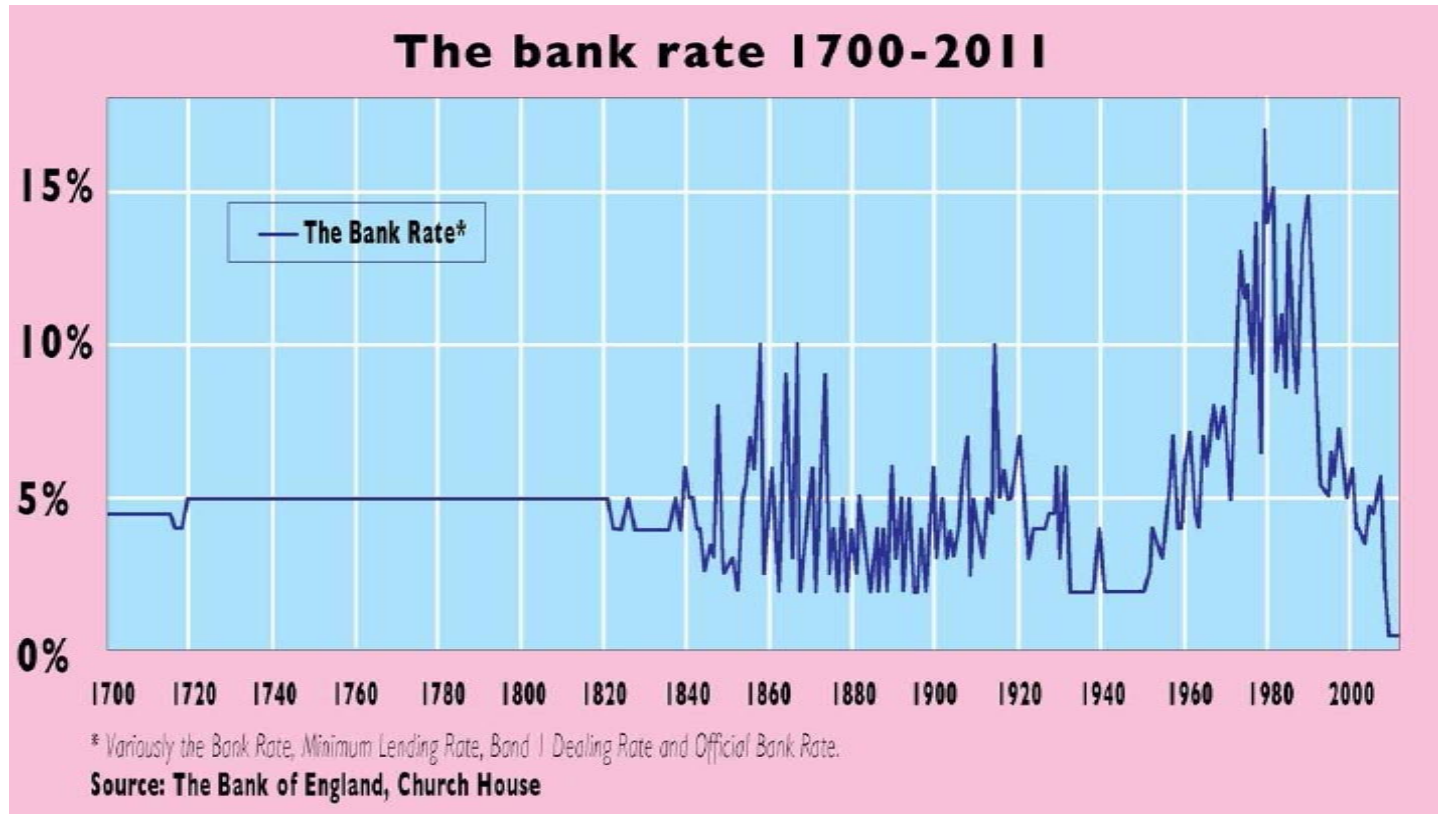


In NI, the rate of inflation has outpaced earnings growth for most individuals

% Change in N.Ireland Median Wages v UK Inflation Cumulative Increase 2008-2012*

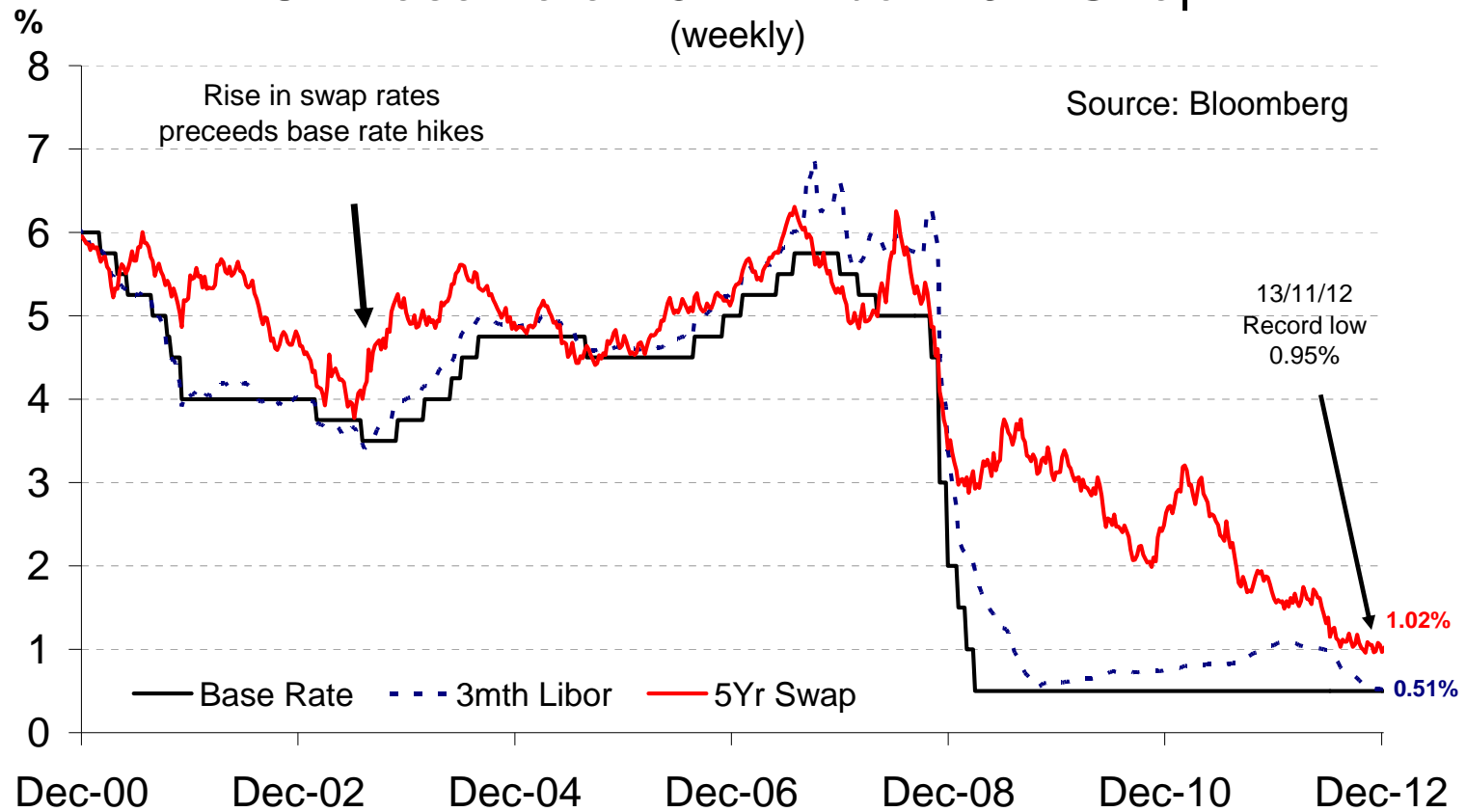


The Bank of England will not keep its bank rate at a record low forever...



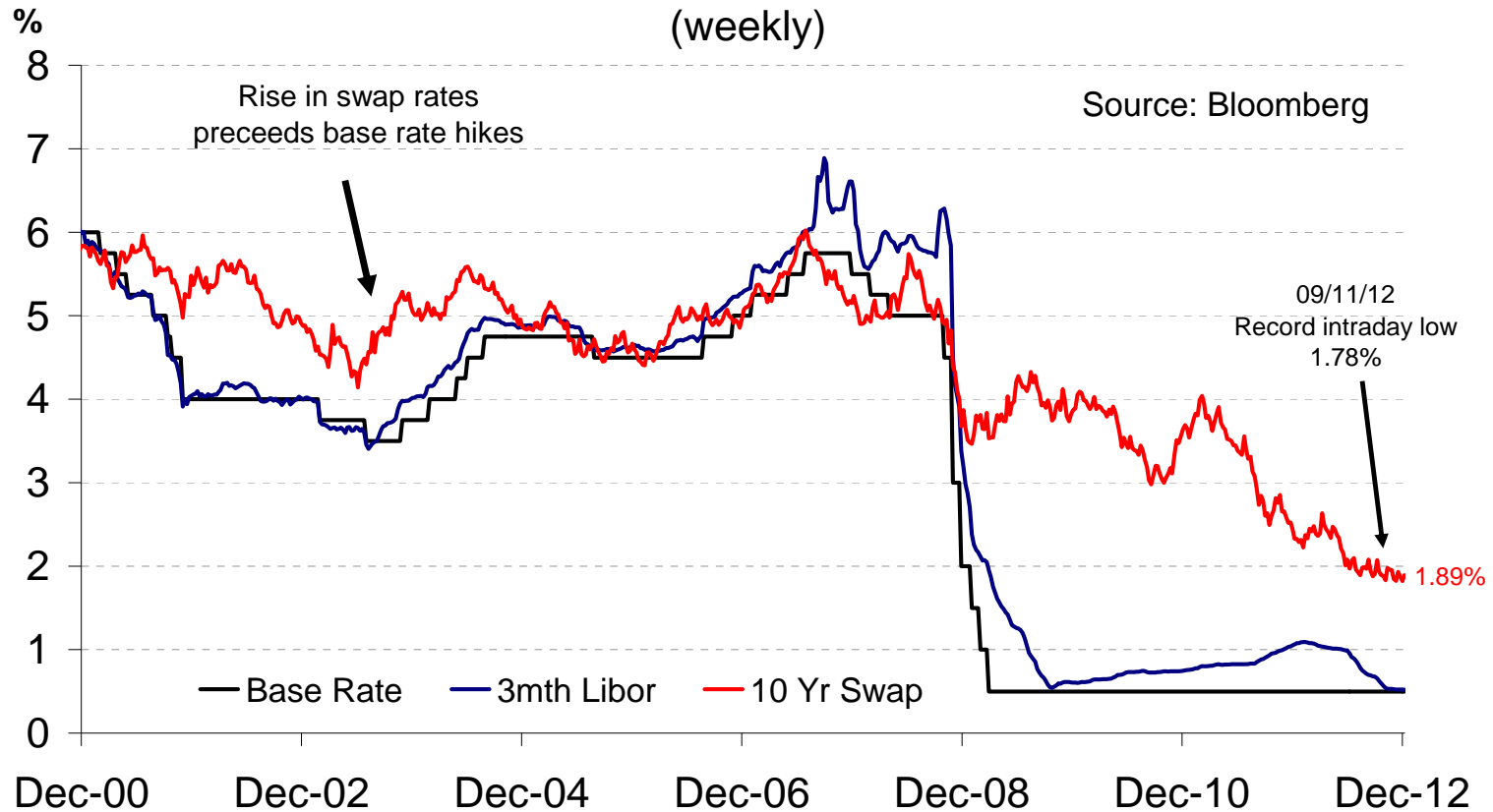
...record low in 5-yr swap rates are a further indication of rates staying lower for a lot longer enjoy it while you can...

UK Base Rate v 3mth Libor v 5Yr Swap (weekly)

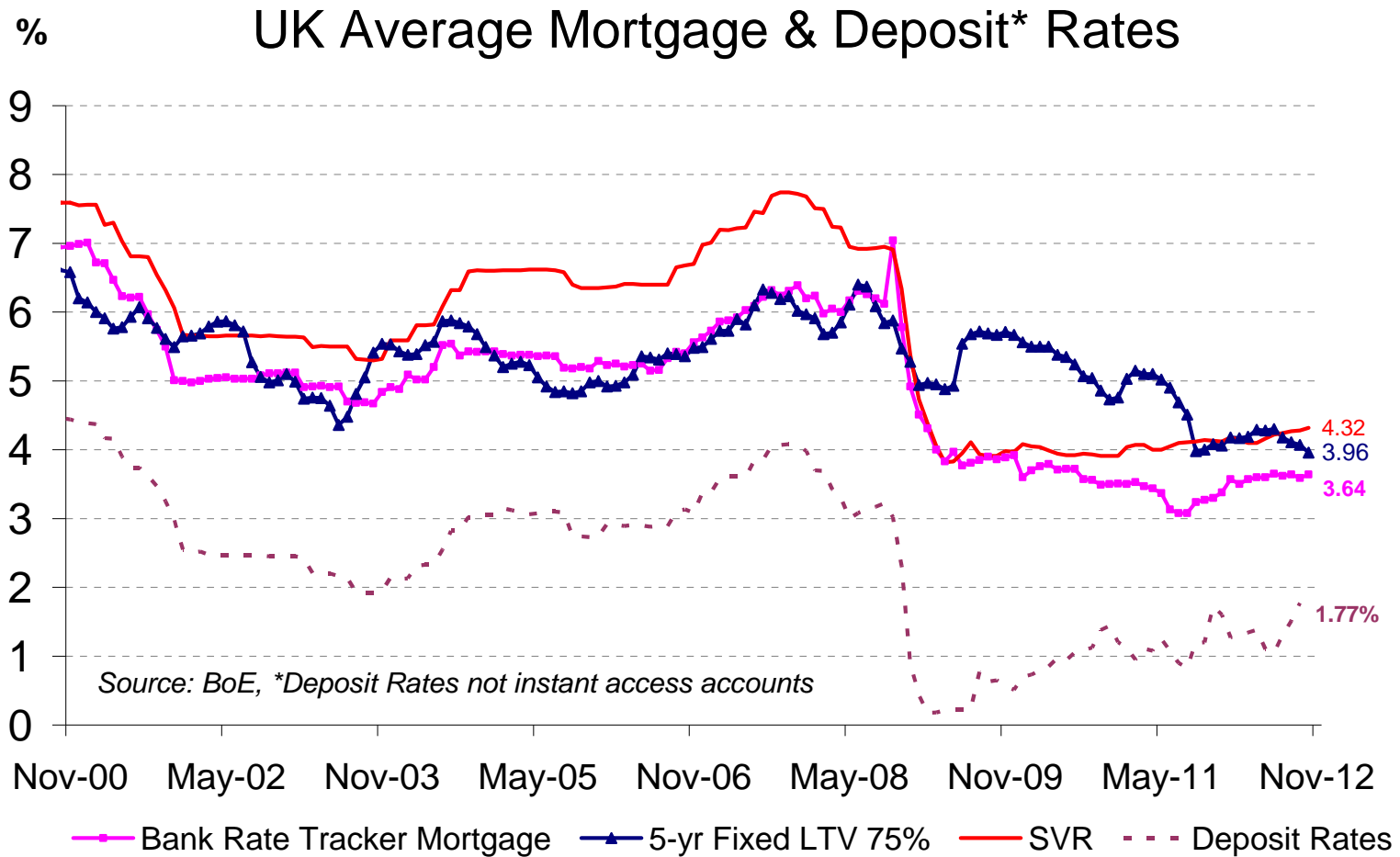


... also 10-yr swap rates hit a record intraday low of 1.78% last month

UK Base Rate v 3 month Libor v 10Yr Swap (weekly)



Average interest rate on 5-yr fixed rate mortgages (75% LTV) falls to a record low of 3.96%



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