
Northern Ireland Housing Market Update

Issued 20 December 2012

Richard Ramsey

Chief Economist Northern Ireland

richard.ramsey@ulsterbankcm.com

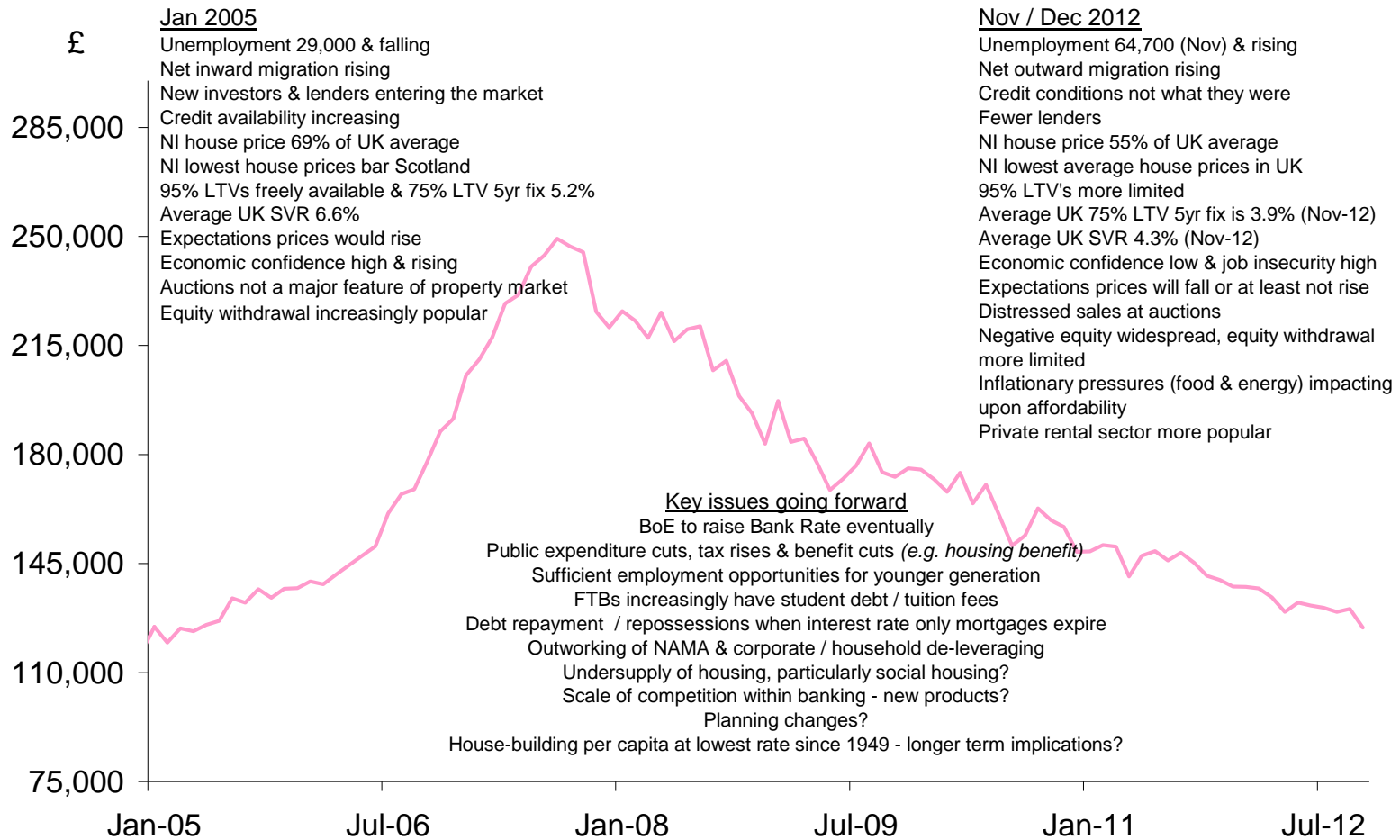


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*Northern Ireland
Housing Market
Summary*

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 | |
|--|-----------------------------|------------|--------------------------------|------------|---|------------|
| | <i>NI</i> | <i>UK</i> | <i>NI</i> | <i>UK</i> | <i>NI</i> | <i>UK</i> |
| 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% | <i>N.A</i> | -12.0% | <i>N.A</i> | -55.0% | <i>N.A</i> |
| University of Ulster / Bank of Ireland | -0.5% | <i>N.A</i> | -0.5% | <i>N.A</i> | -46.3% | <i>N.A</i> |

Latest Surveys Average House Prices

Average House Prices - All Property Types Q3 2012

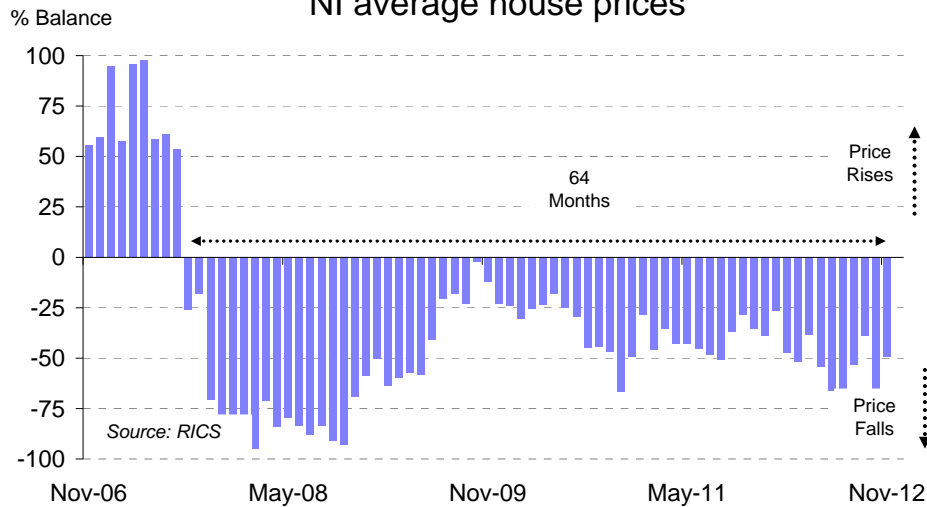
| Survey | Survey Coverage | Sample Size | NI | UK |
|--|----------------------------------|-------------|----------|----------|
| DCLG | Mortgages Only Most Providers | Low | £130,000 | £233,000 |
| Nationwide | Nationwide Mortgages Only | Very Low | £107,719 | £163,910 |
| Halifax | Halifax Mortgages 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

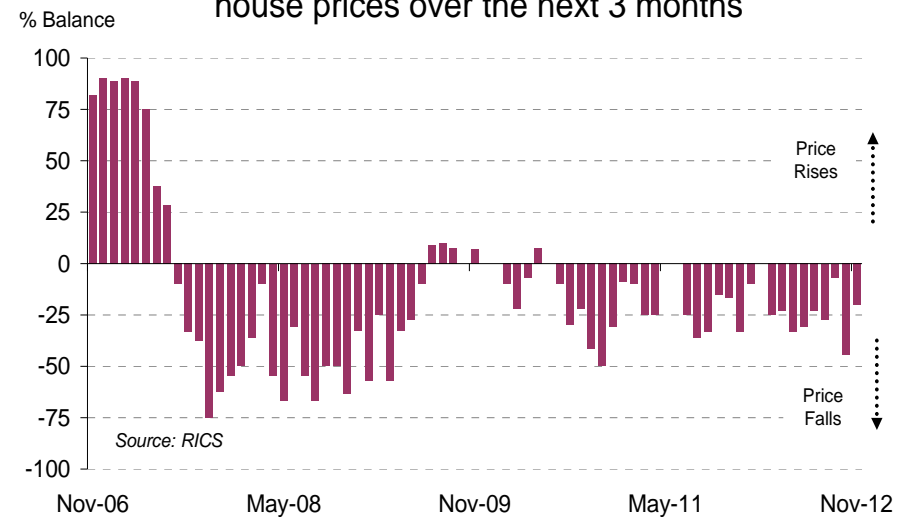
** Standardised Price is preferred method for measuring house price changes as it takes account the different type and characteristics (*e.g. size, location*)

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

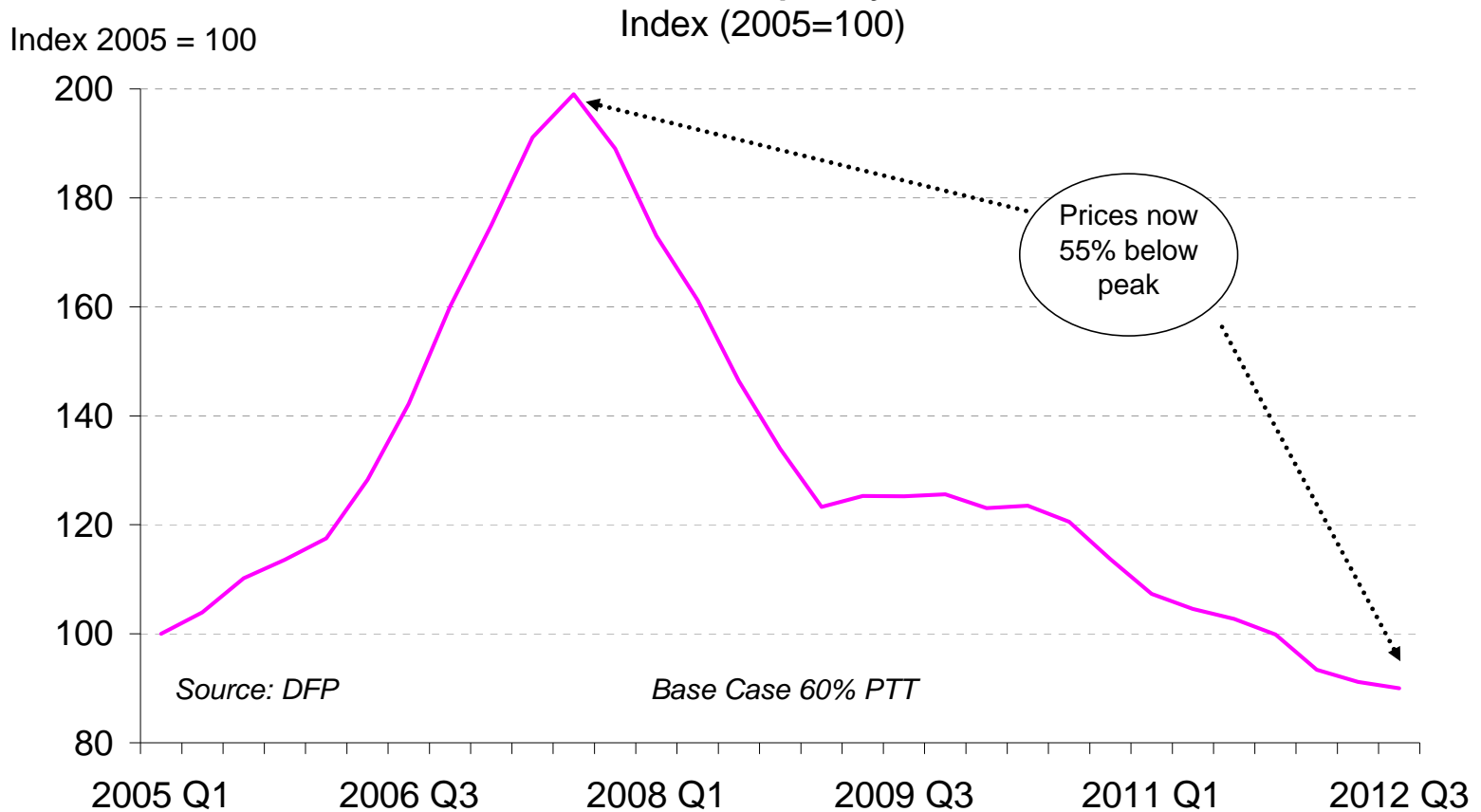


Net balance of surveyors' expectations of NI house prices over the next 3 months



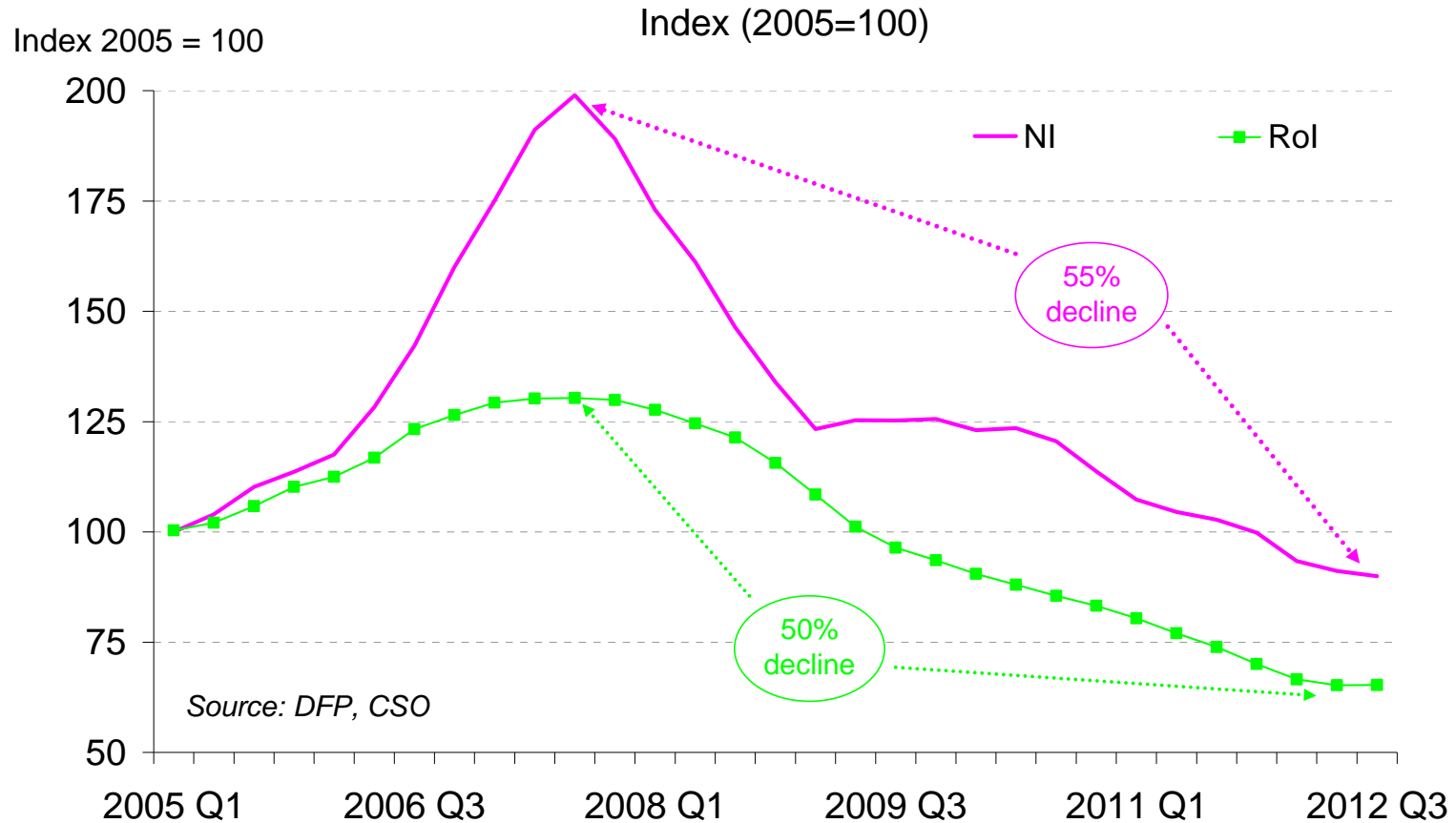
NI's residential property prices have fallen 55% peak-to-trough (61% in real terms) . A 60% PTT decline is expected

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

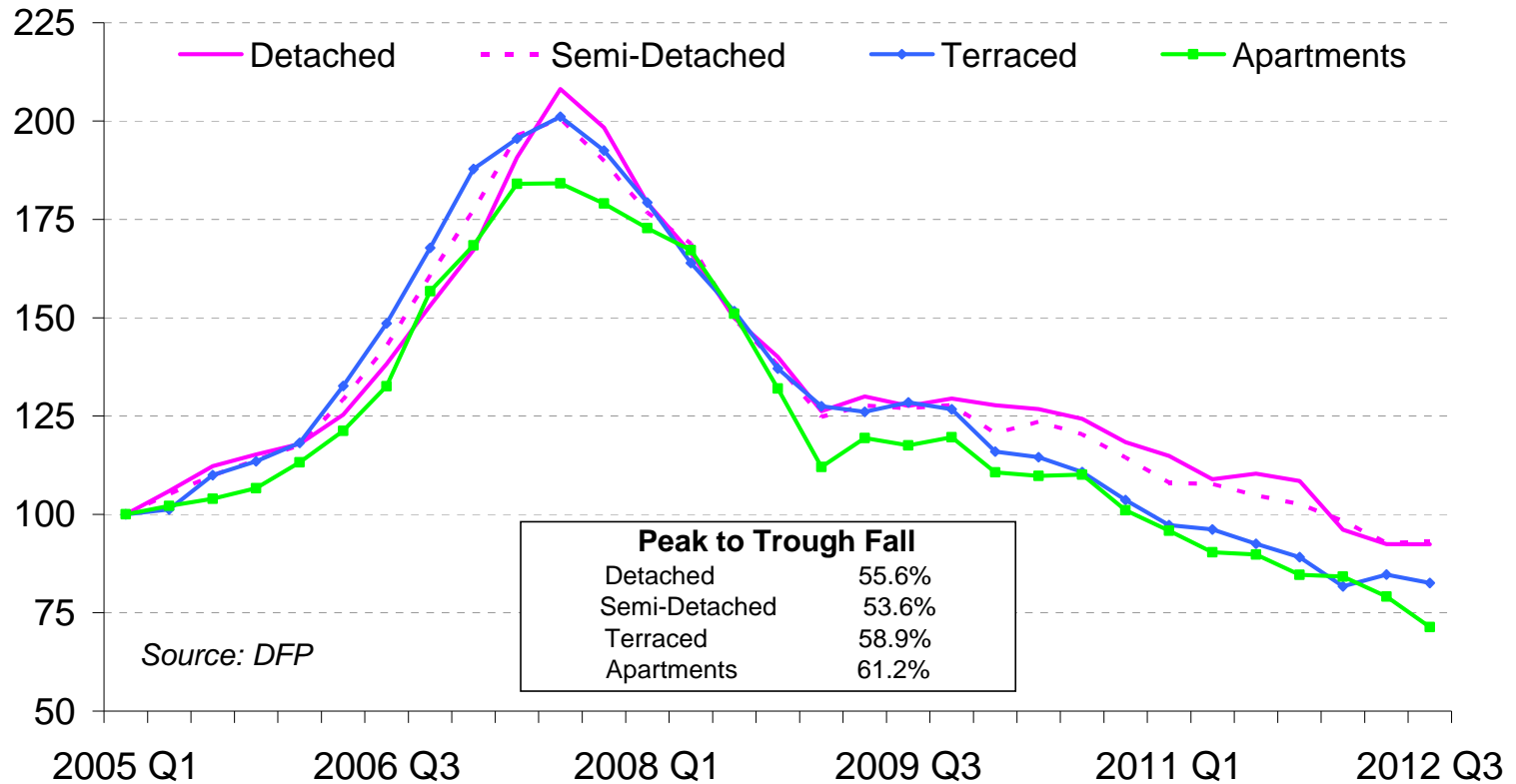


Apartments have posted the sharpest falls so far – 61%

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

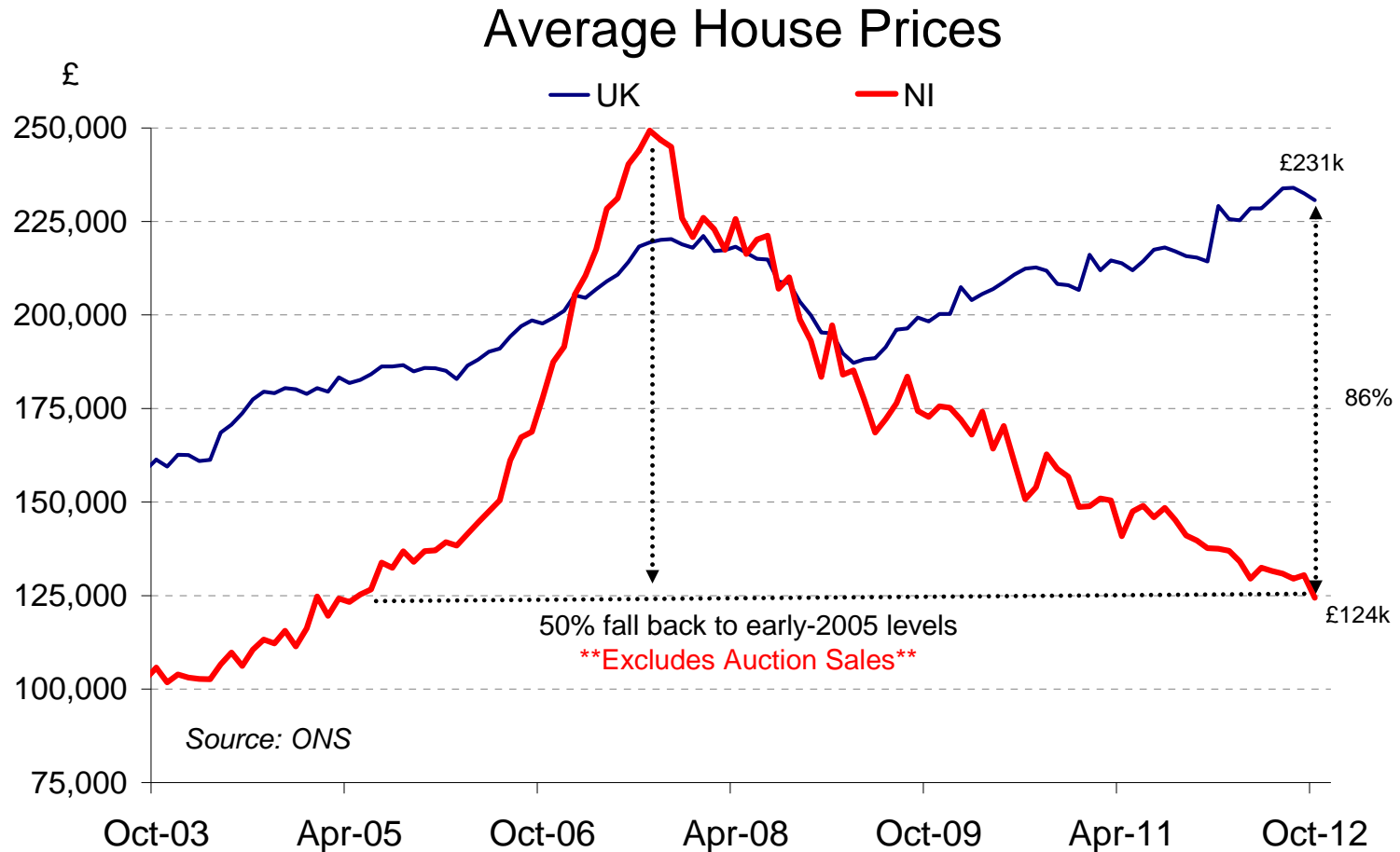
**Median Sale Price of Residential Properties Sold between
October 2011 - September 2012 By Property Type & Location**

| 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 |

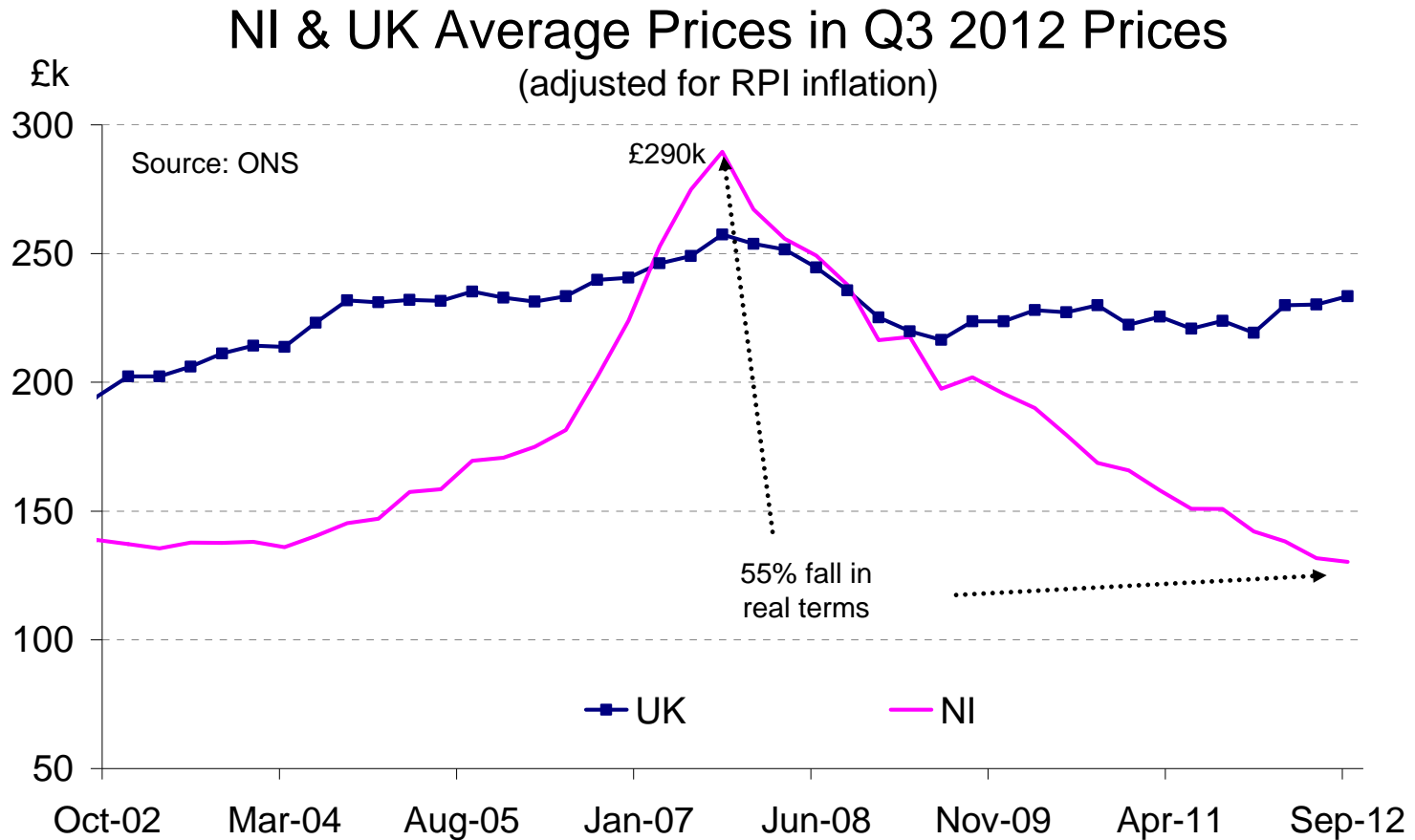
Source: DFP NI RPPI November 2012

*UK & NI Regional
House Price
Performance*

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

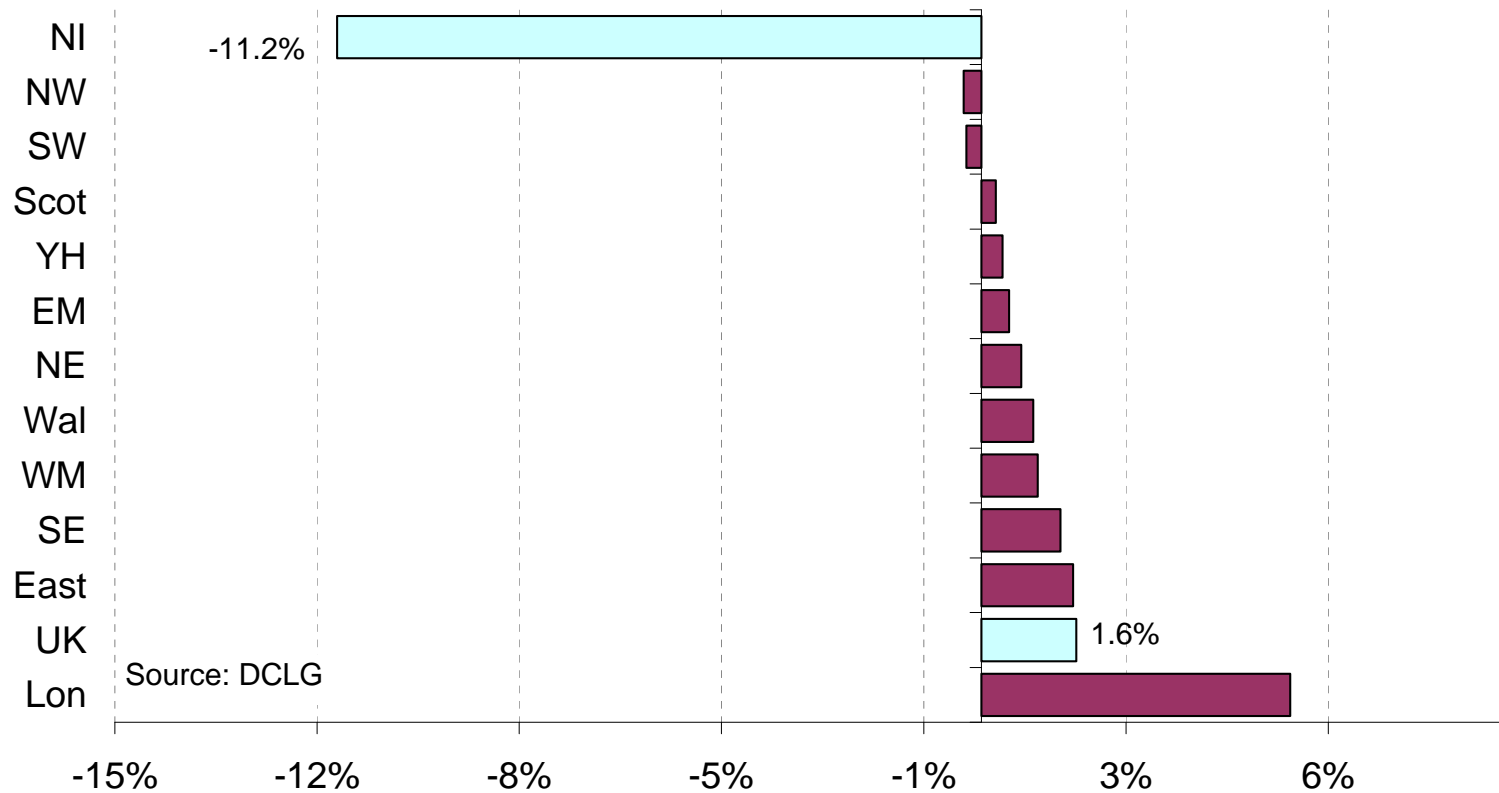


House price falls in real terms have been even greater



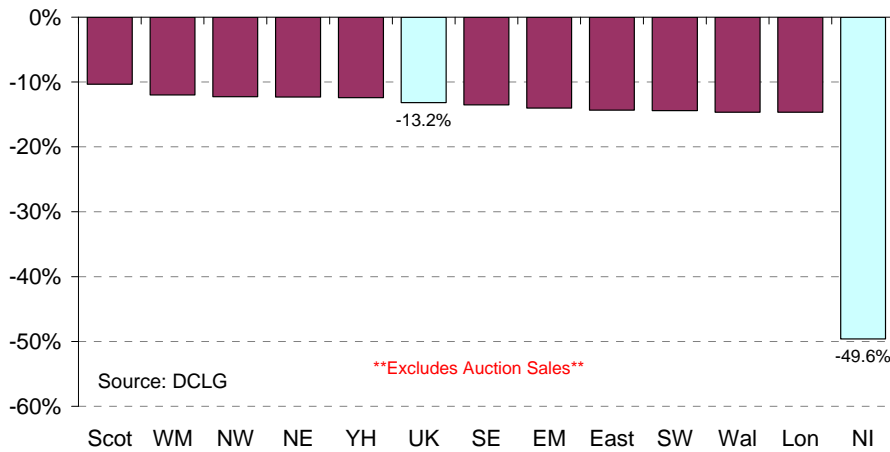
Most UK regions (outside Northern Ireland) posted year-on-year house price growth in Q3 2012

Annual Average House Price Growth - Q3 2012
Y/Y

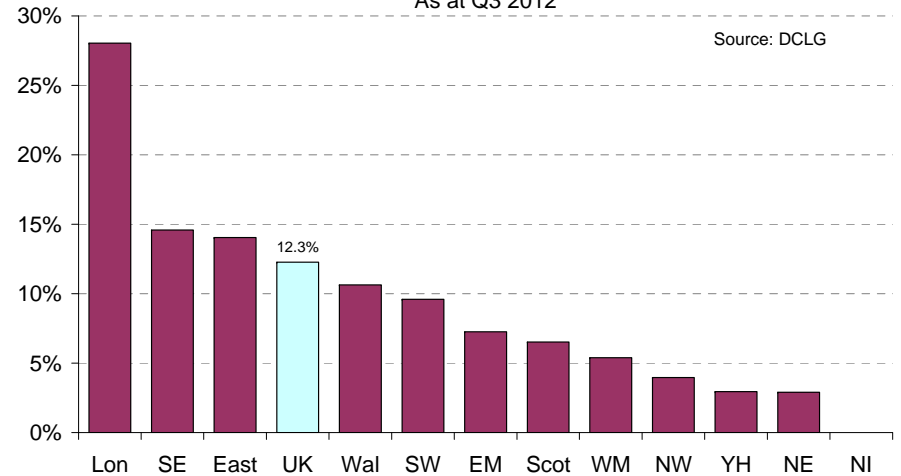


NI experiences biggest peak-to-trough decline of all UK regions and remains the only region waiting for a recovery

Peak to Trough in UK Regional House Prices
Q3 2012

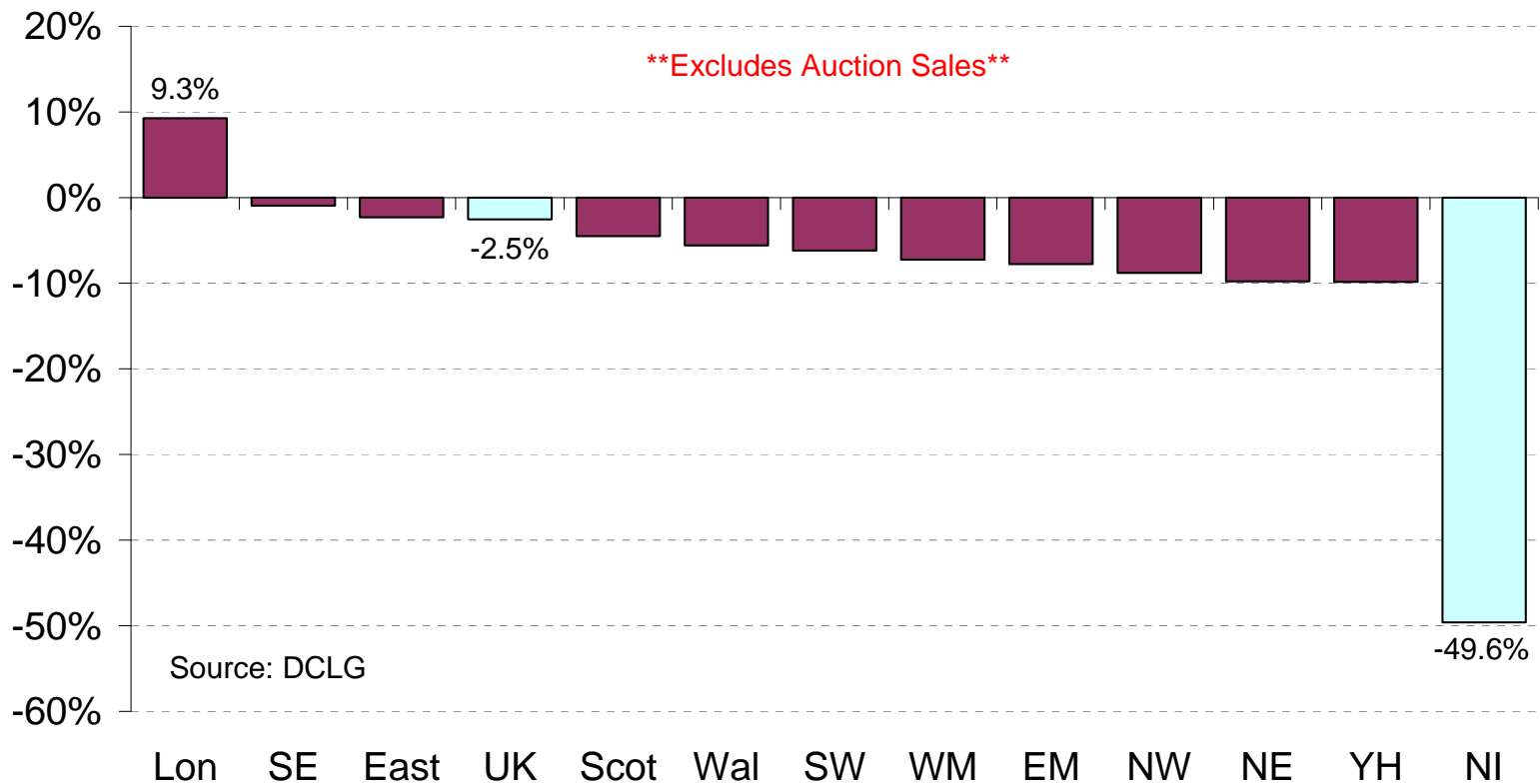


House Price Recovery - % Rise Relative to Trough
As at Q3 2012



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

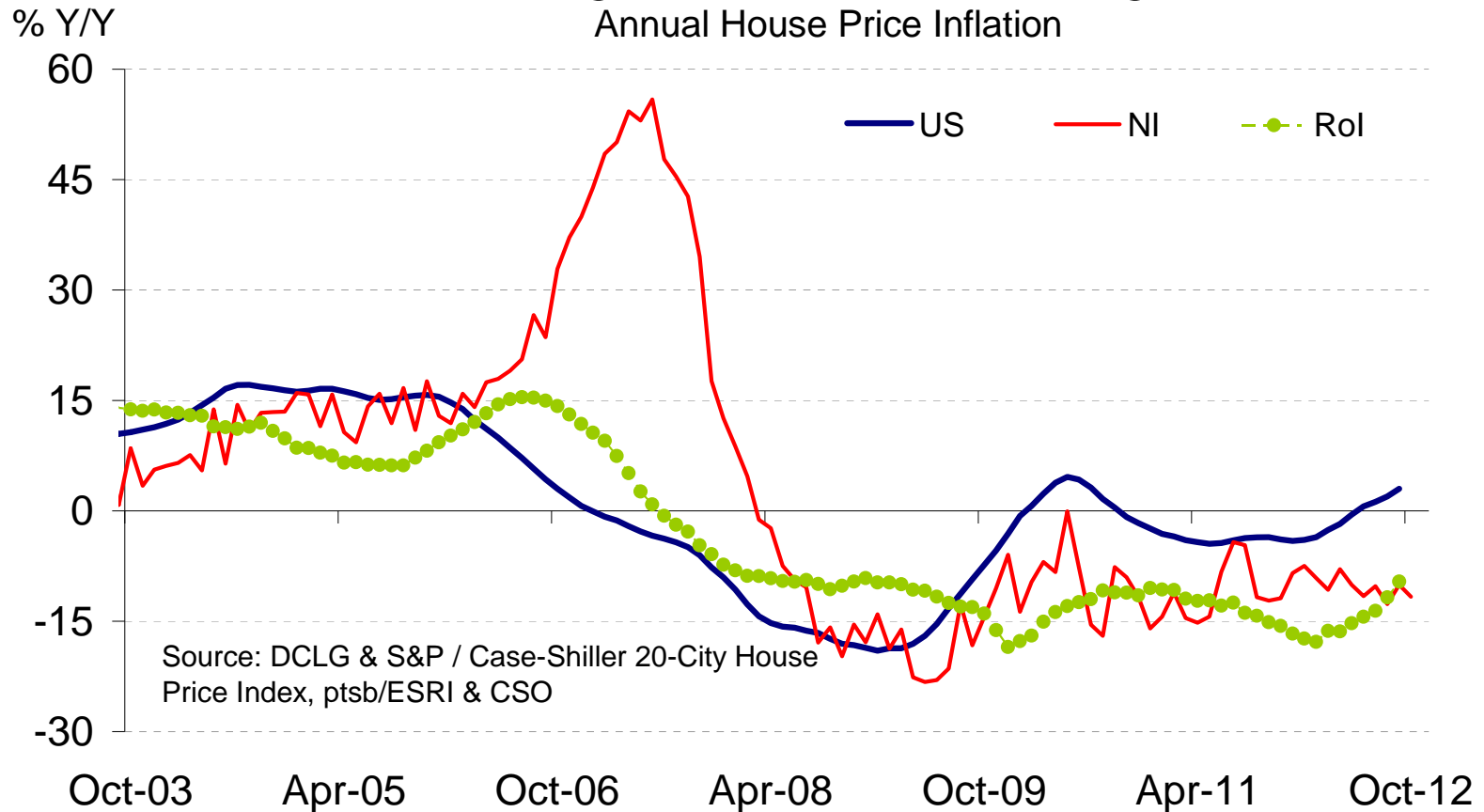
House Prices Relative to Pre-Downturn Peak Q3 2012



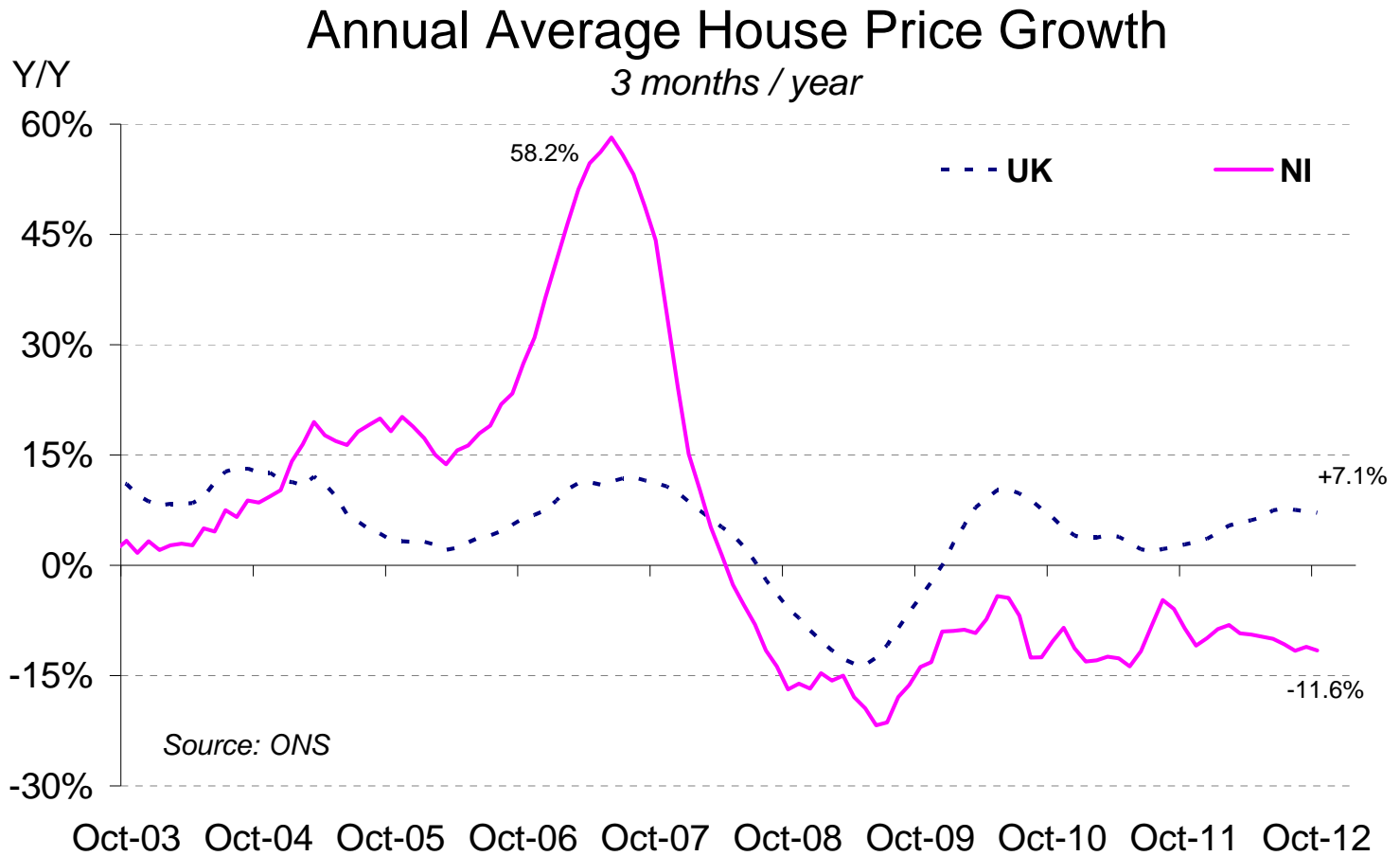
NI's housing boom & bust has followed a different trajectory to both the US & RoI.....

Housing boom has been and gone

Annual House Price Inflation



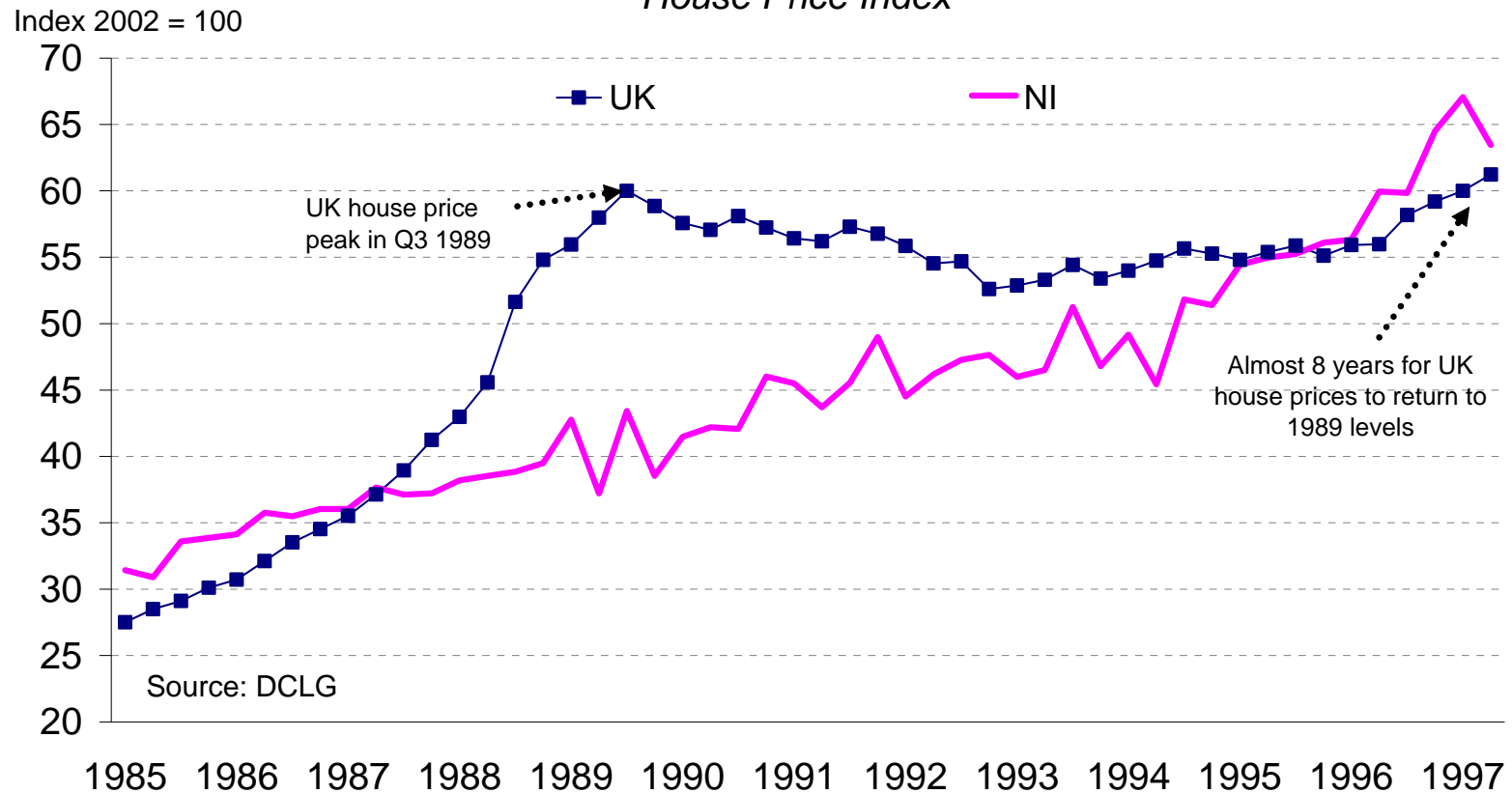
.....and significantly the UK



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

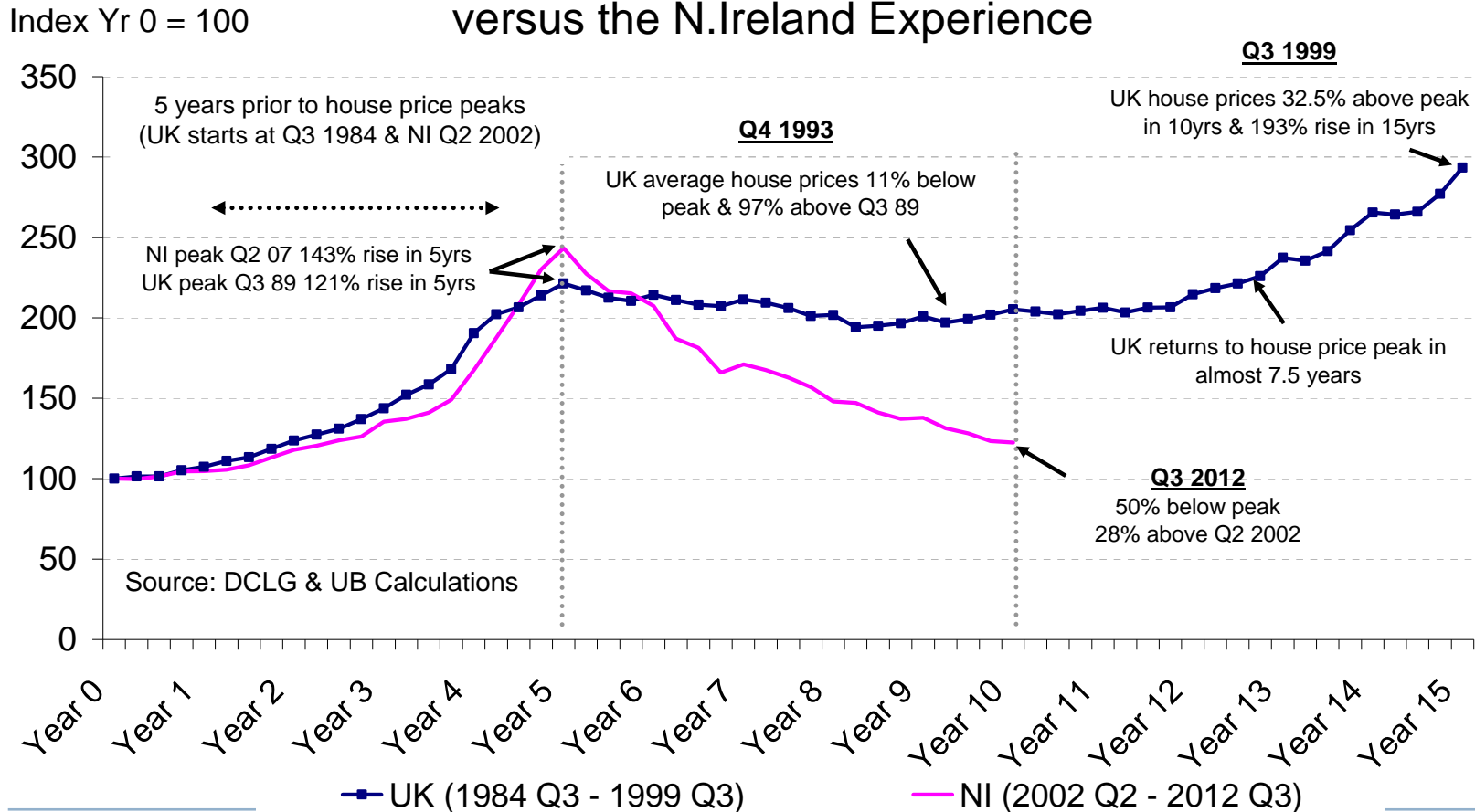
UK's Boom & Bust of the 1980s & early 1990s

House Price Index

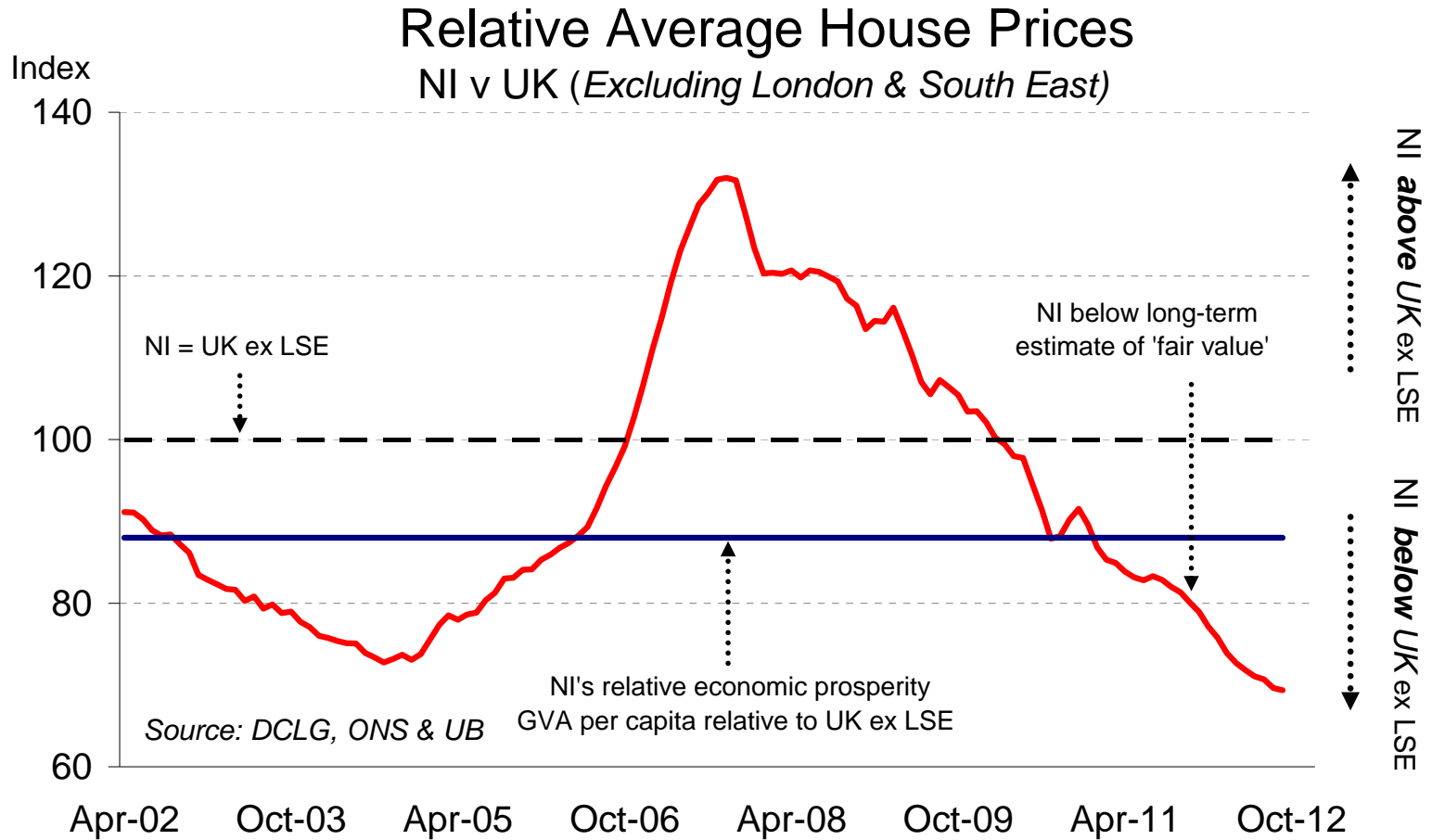


...the UK's housing boom & bust of the 1980s & 1990s was mild relative to the NI variety of the noughties

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

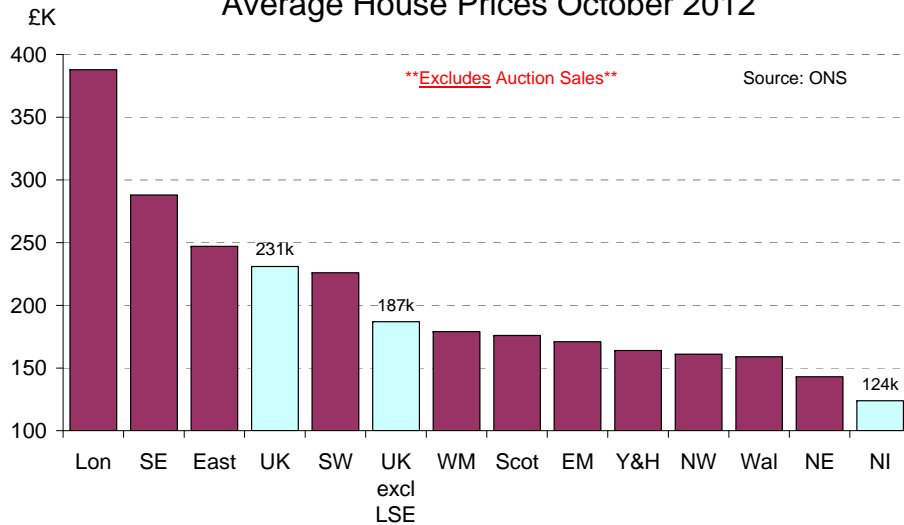


Longer-term NI's relative house prices will track relative economic prosperity (UK excl. London & the South East)....

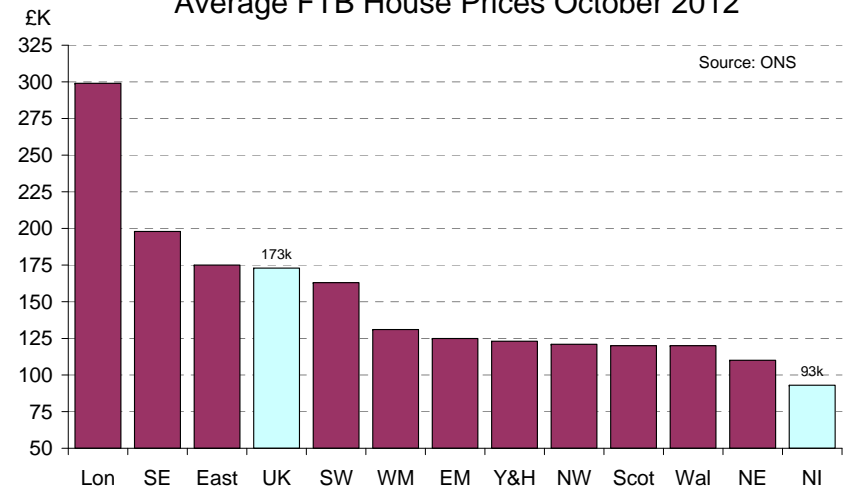


...indeed NI has already returned to the bottom of the UK regional house price table....

Average House Prices October 2012



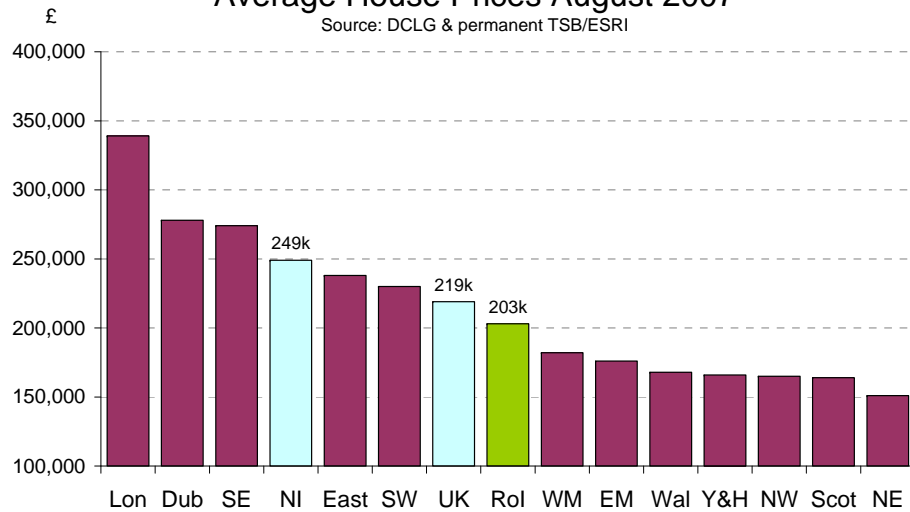
Average FTB House Prices October 2012



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

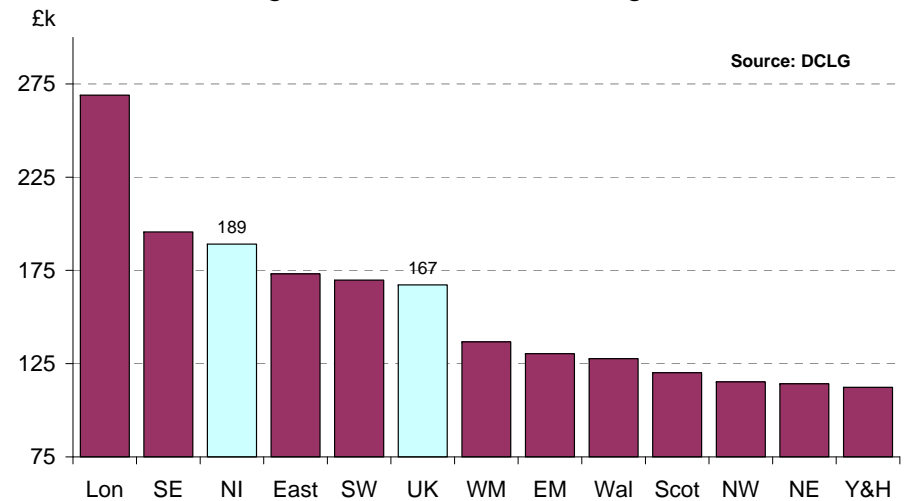
Average House Prices August 2007

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)

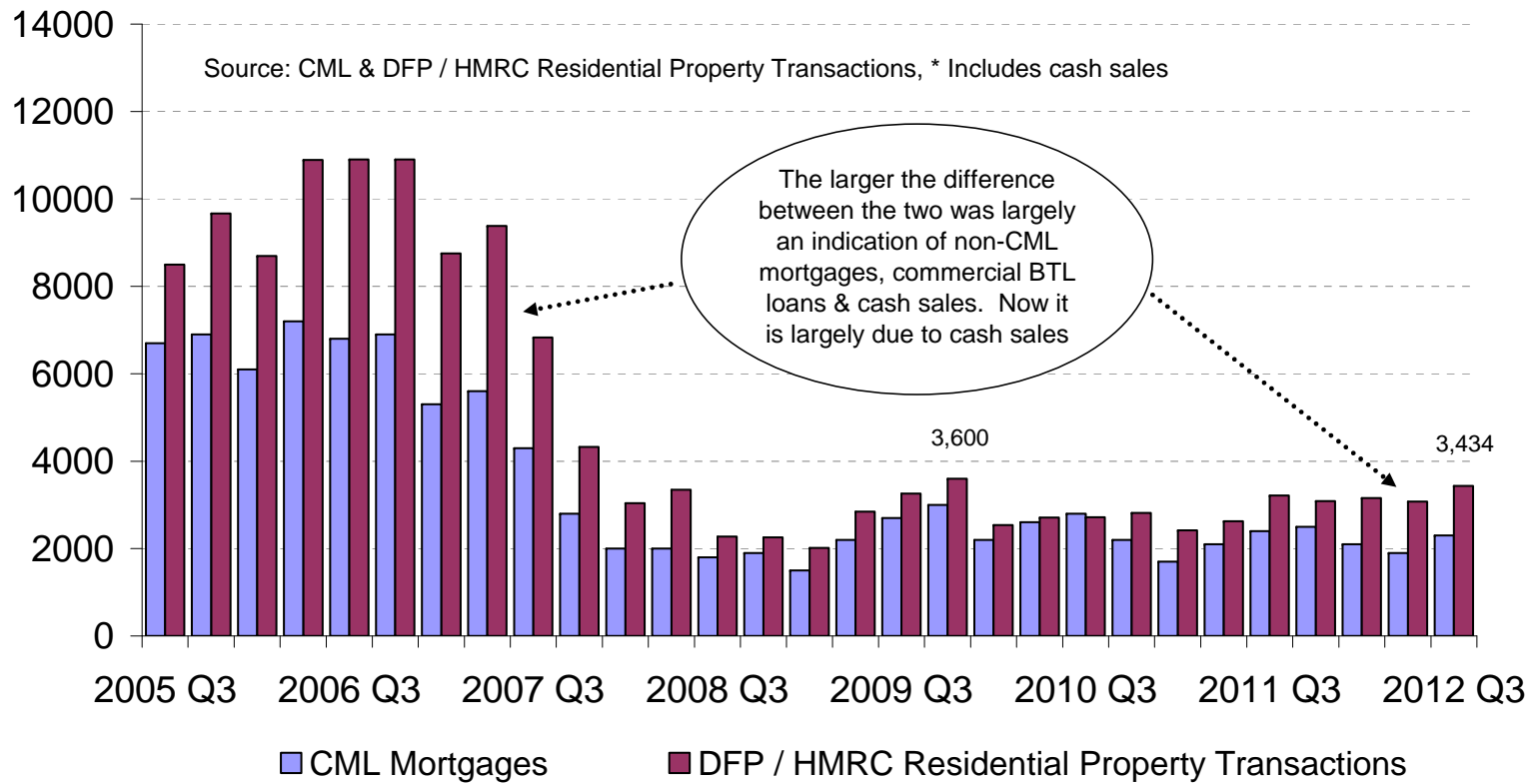
Northern Ireland Residential Property Transactions 4 Quarter Rolling Sum

| | 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

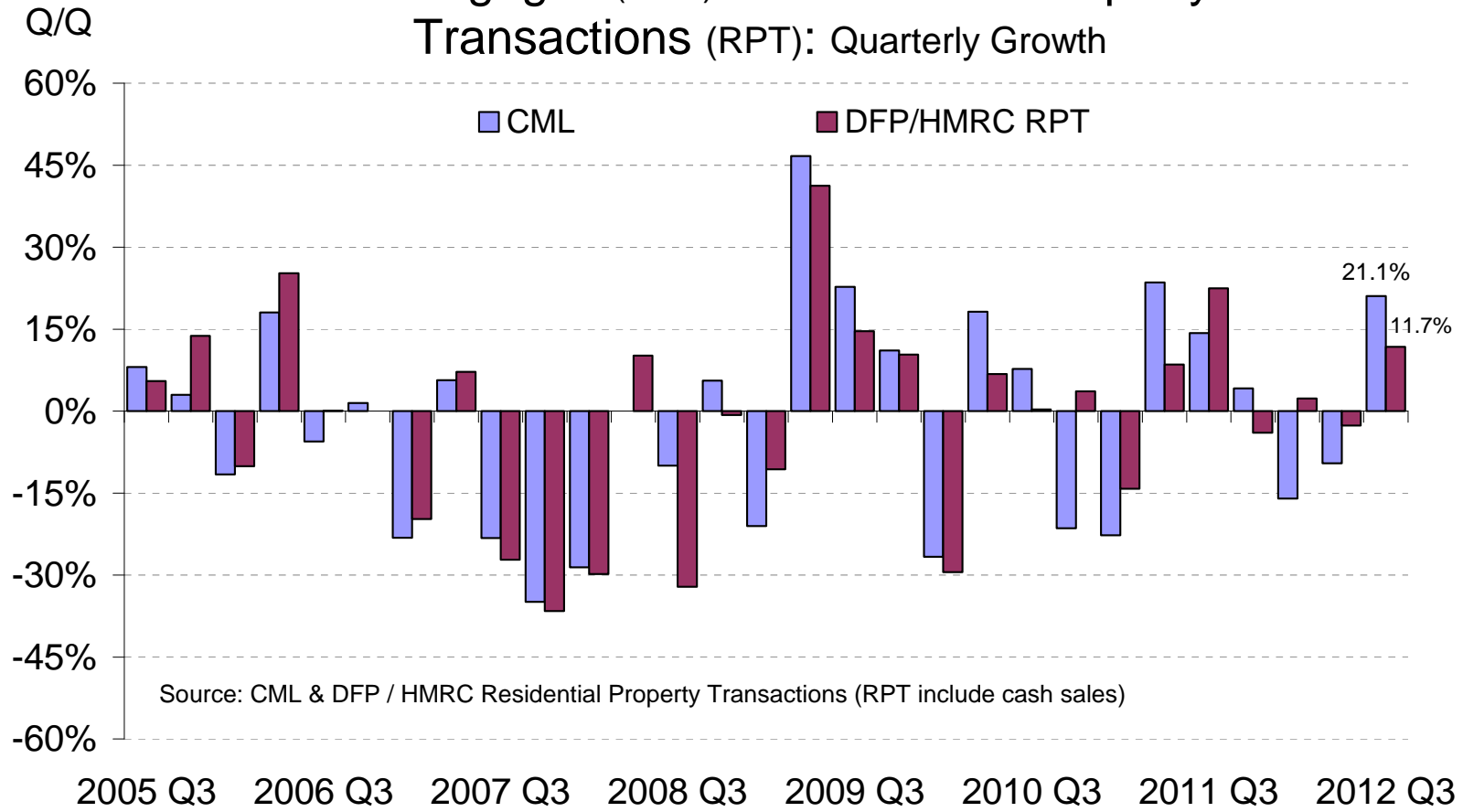
Property transactions in Q3 2012 hits highest level since Q4 2009, largely due to cash sales / auctions

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



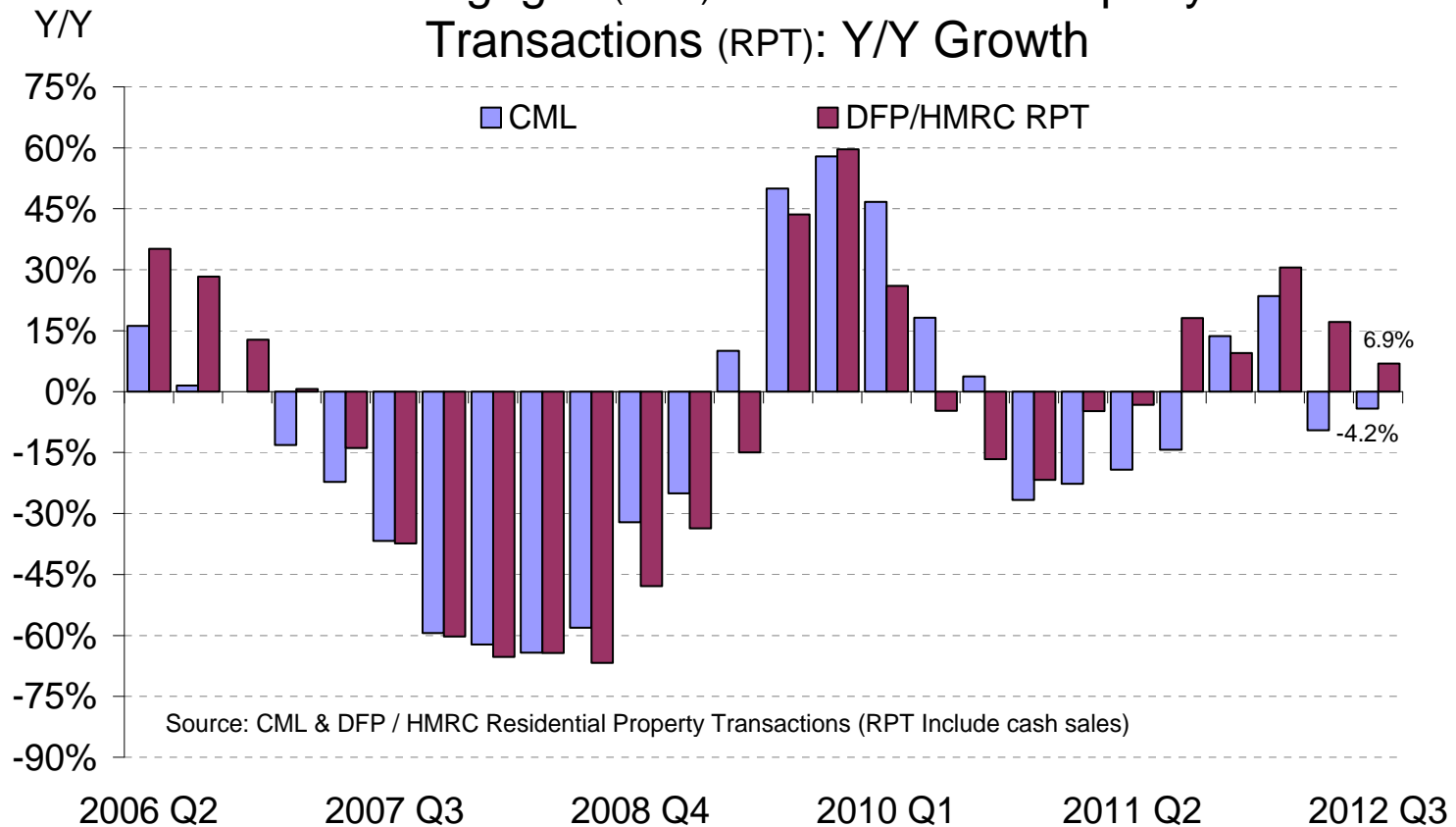
NI mortgage activity increases by 21% q/q in Q3

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

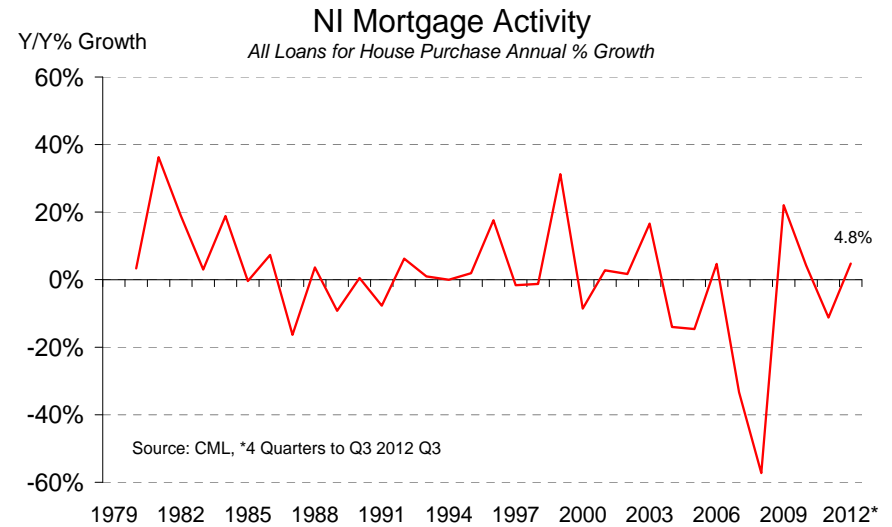
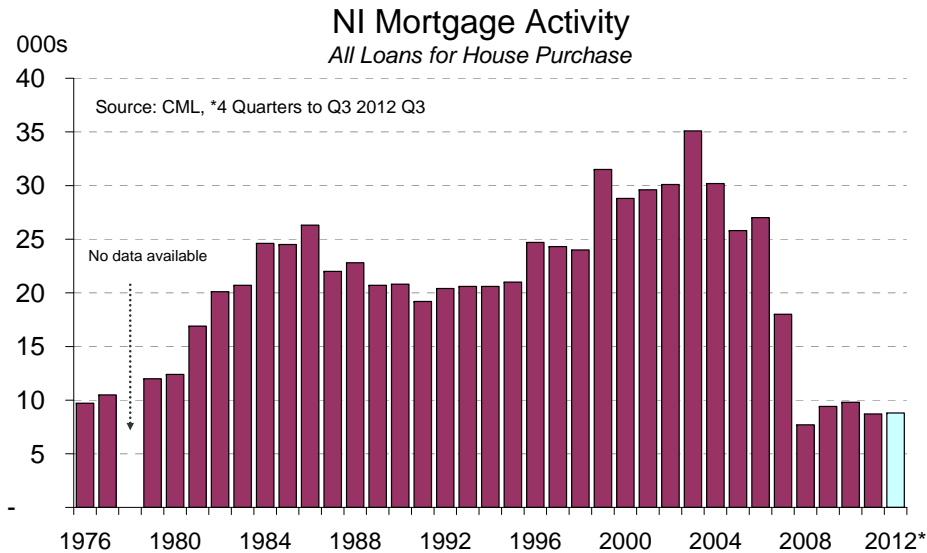


Mortgage activity down 4% y/y in Q3 but overall transactions up 7% y/y (due to rise in auction / cash sales)

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

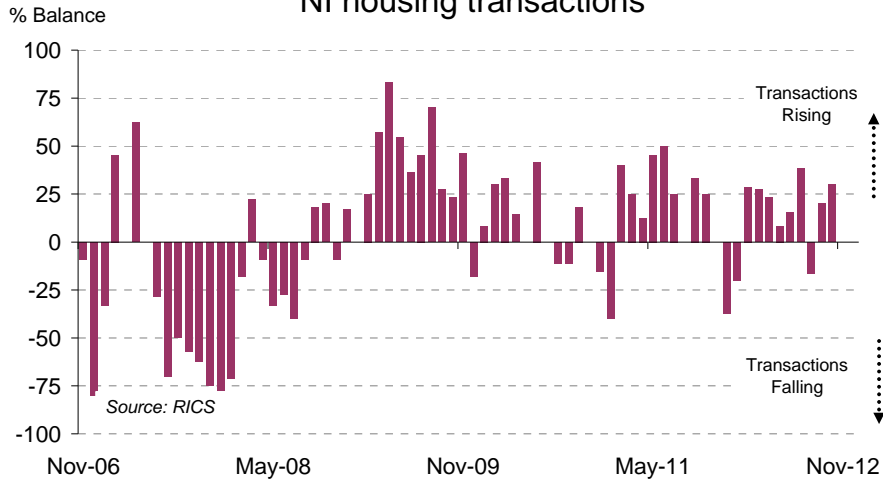


8,700 NI mortgages for house purchase over the year to Q3 2012. Up 5% y/y & 14% above 2008 low...

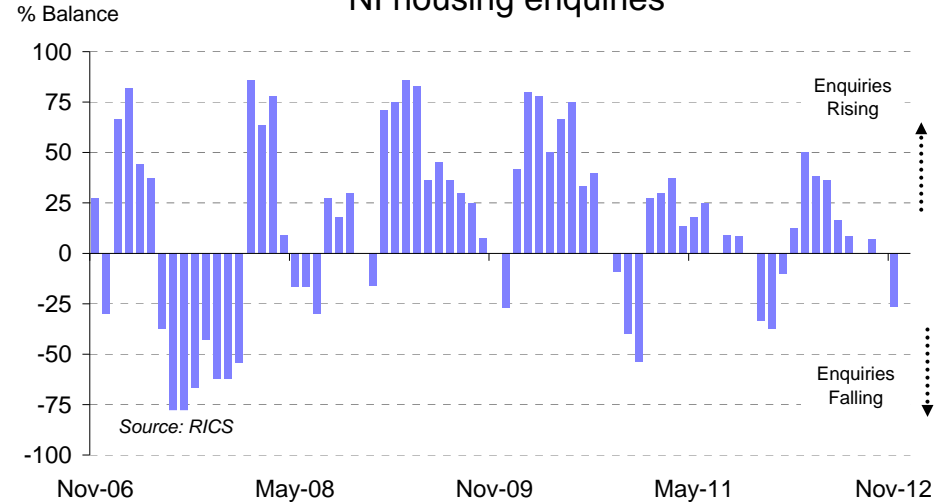


RICS surveyors reported a pick-up in transactions in 8 of the last 10 months but flat in November

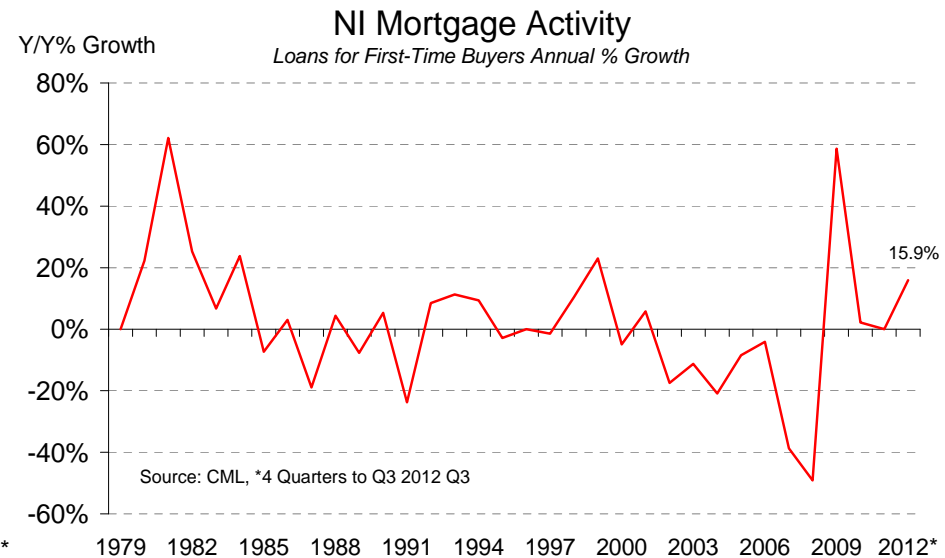
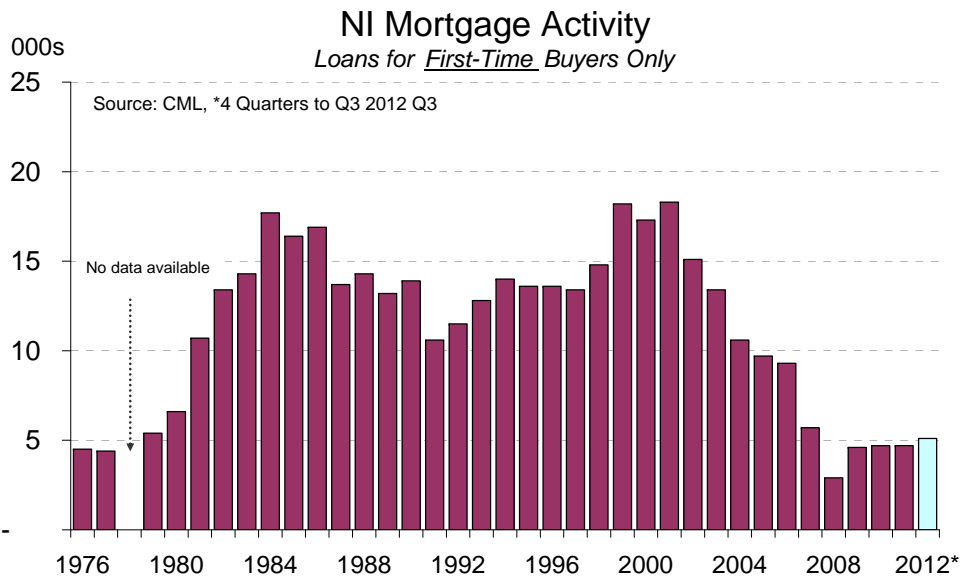
Net balance of surveyors reporting a fall / rise in NI housing transactions



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

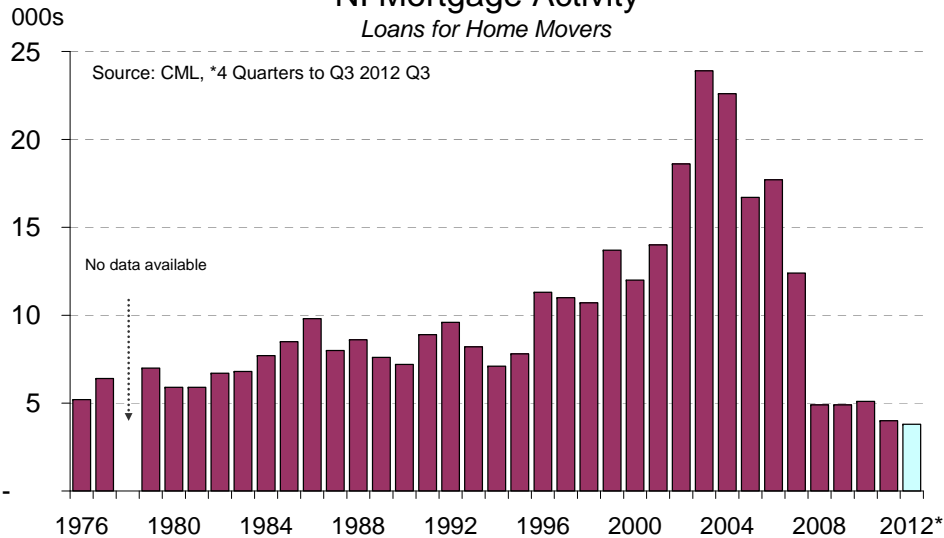


...but first-time buyer market posts a rise with 5,100 loans in the 4 quarters to Q3 2012. 76% above 2008 low...

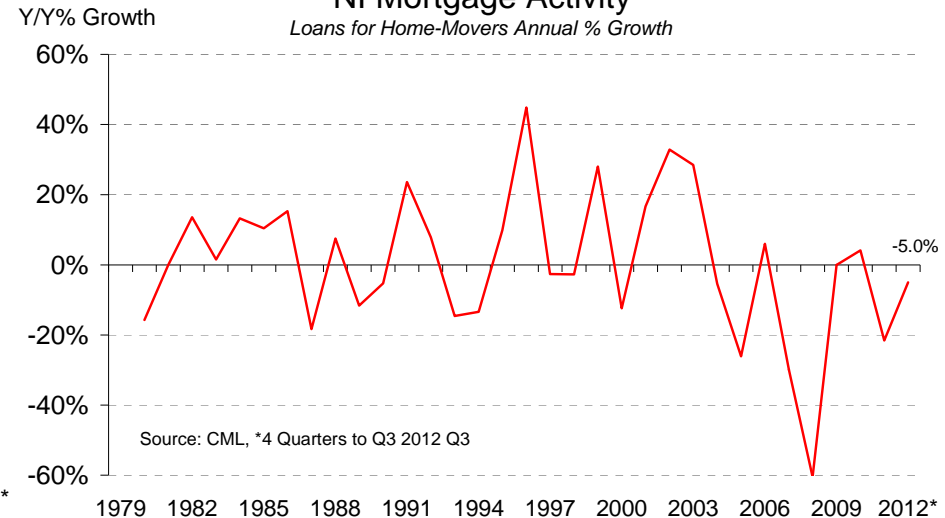


...while second hand market ('Home Movers') experiencing weakest activity since 1974...

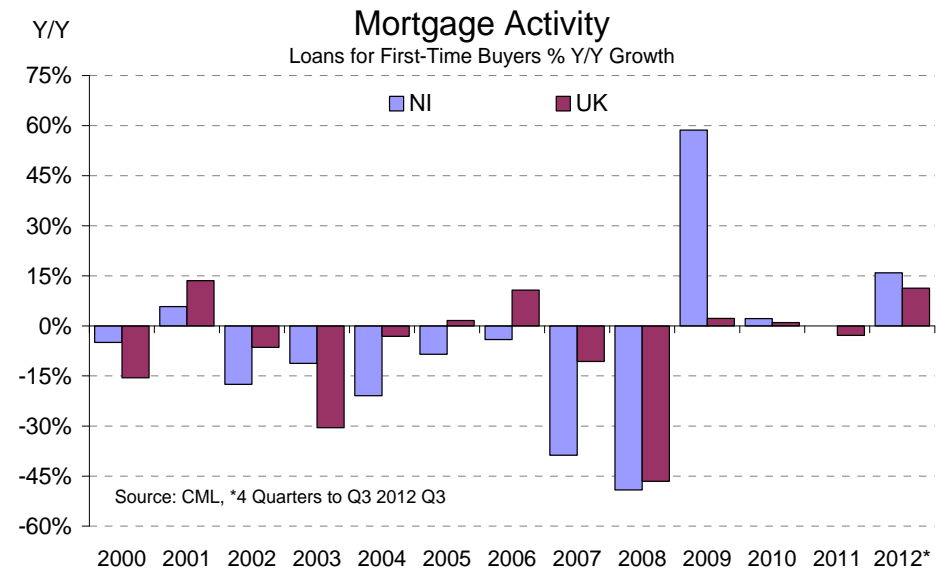
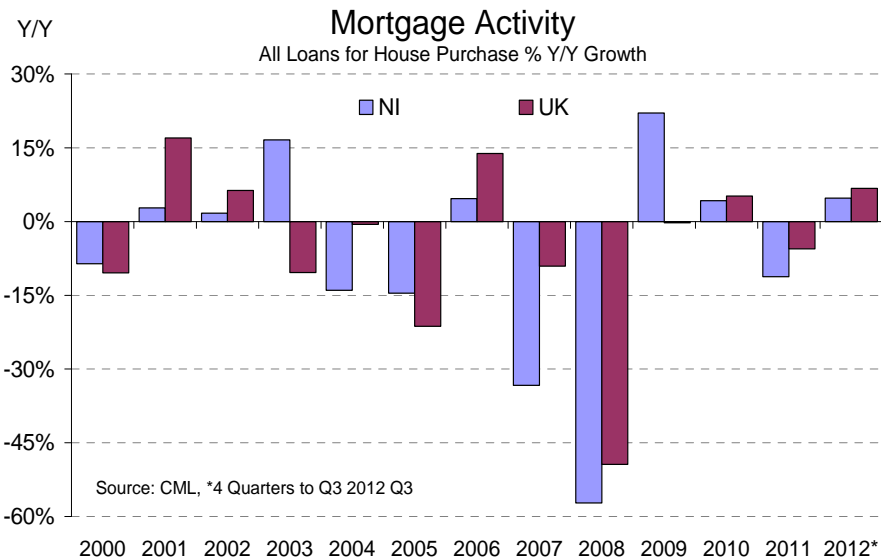
NI Mortgage Activity
Loans for Home Movers



NI Mortgage Activity
Loans for Home-Movers Annual % Growth

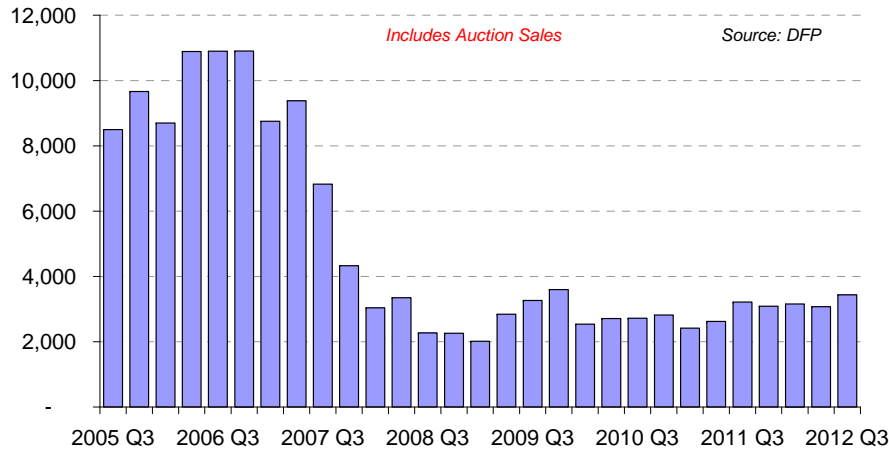


...NI outperformed the UK in terms of FTB mortgage growth but not for the mortgage market as a whole...

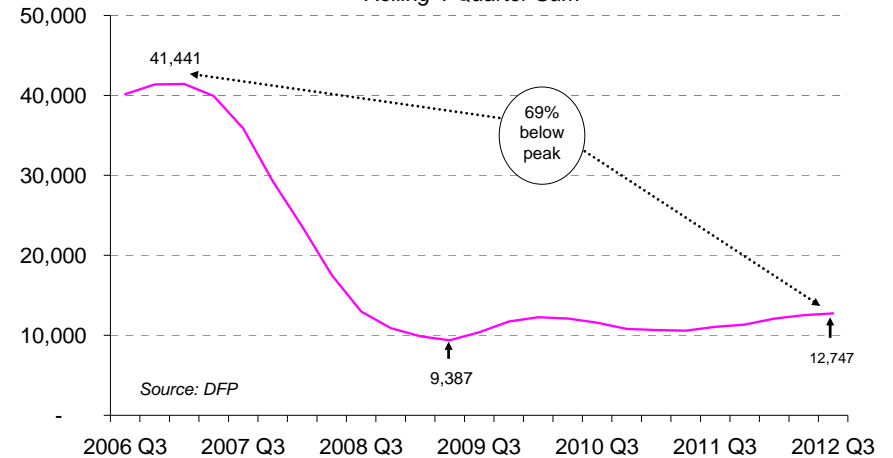


Residential property transactions up 12% q/q in Q3 but volumes over the year to Q3 are 69% below 2006 levels

All NI Residential Property Transactions
Quarterly



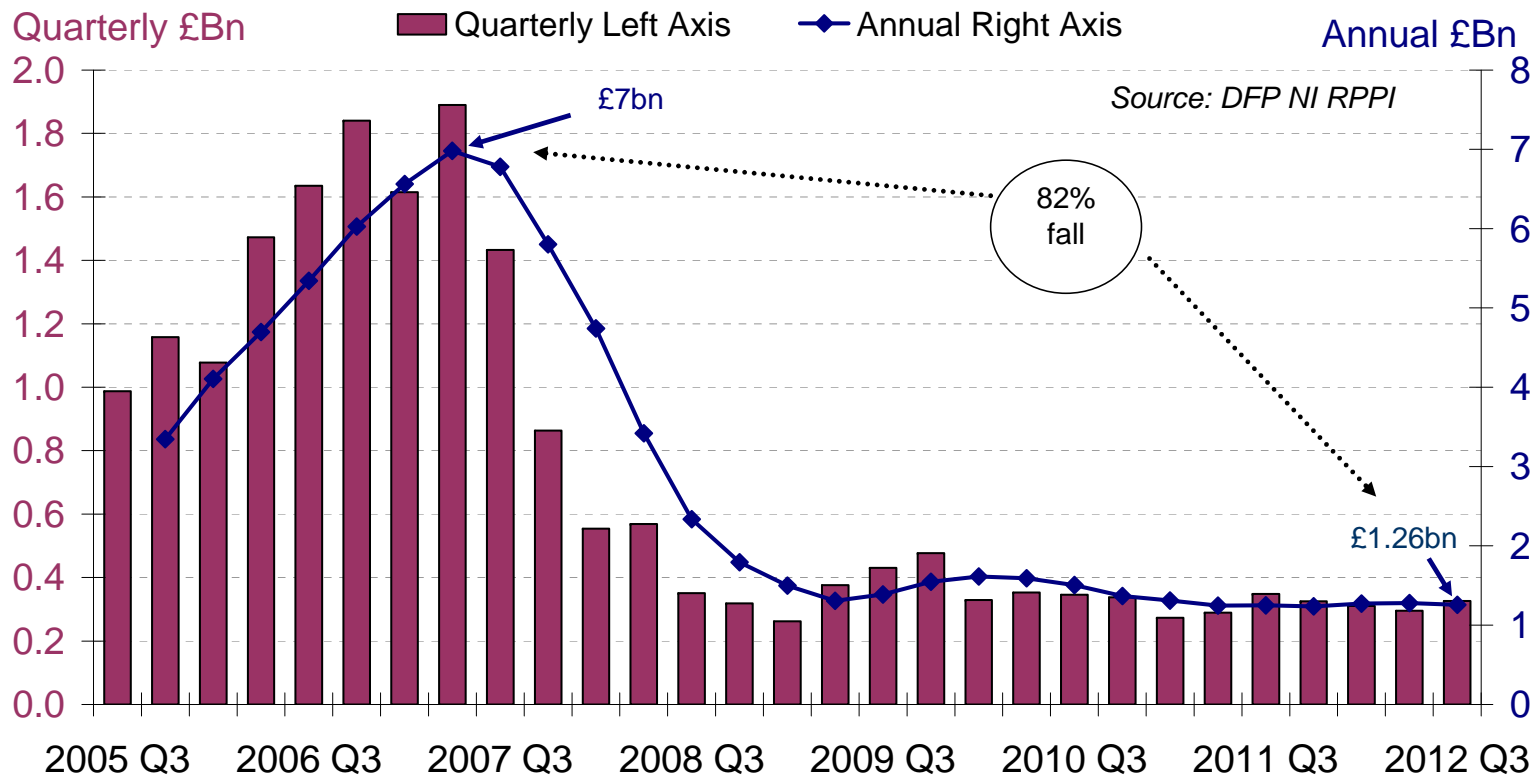
NI Residential Property Transactions
Rolling 4 Quarter Sum



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

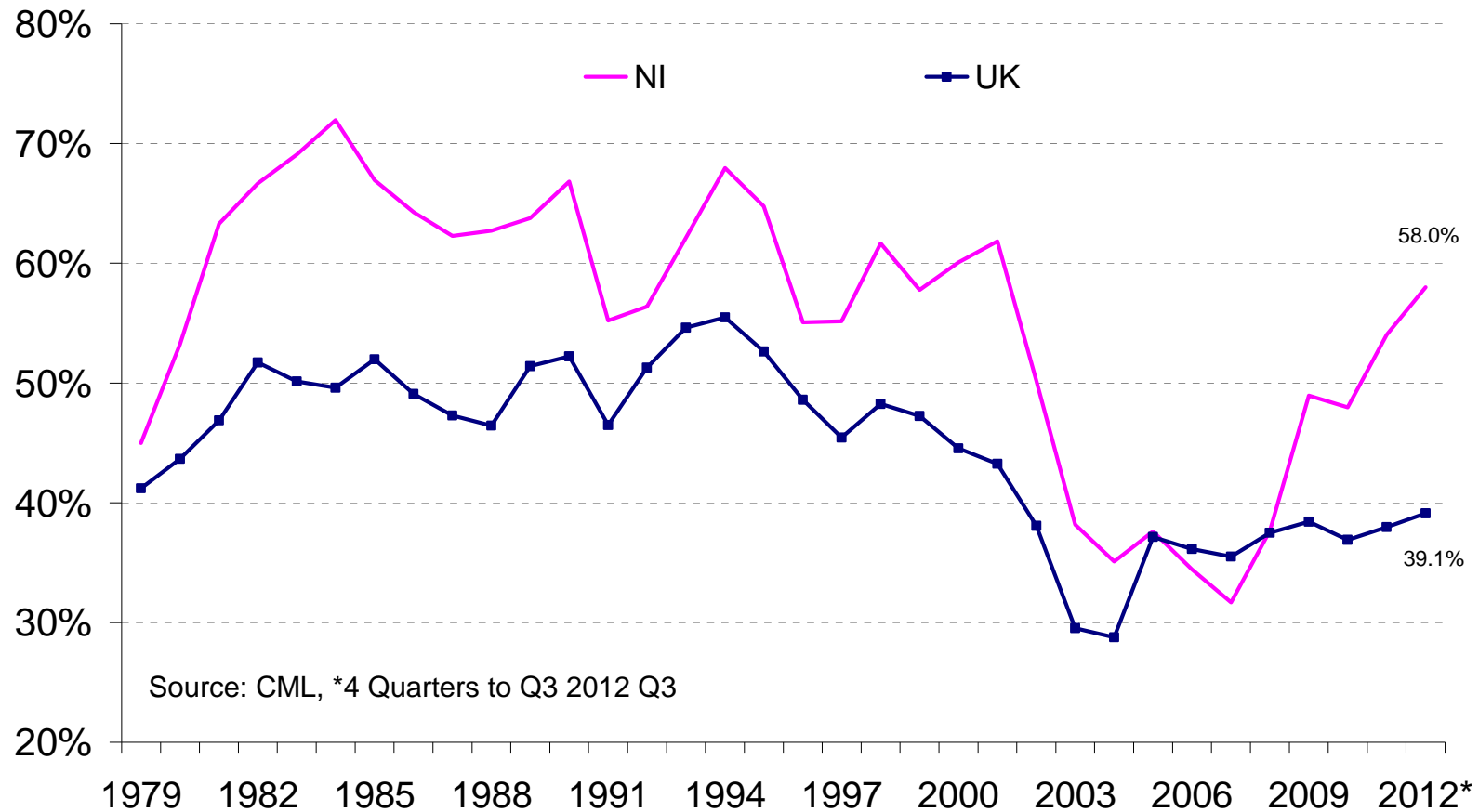
Value of NI's Residential Property Transactions

(Transactions x Standardised Price)

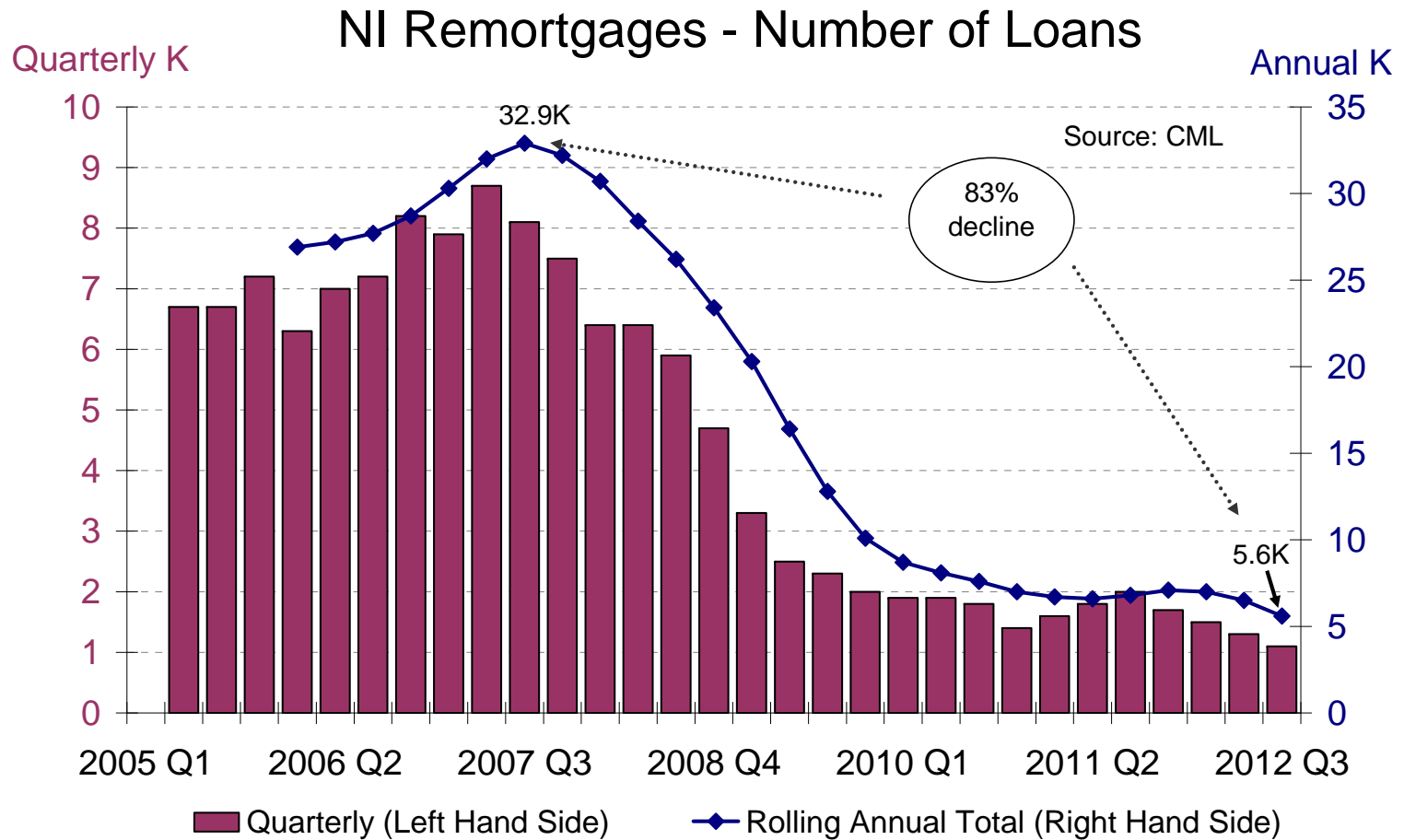


...with the FTB market accounting for almost 60% of all NI mortgage activity – its highest share since 2001

First-Time Buyer Share of the Market

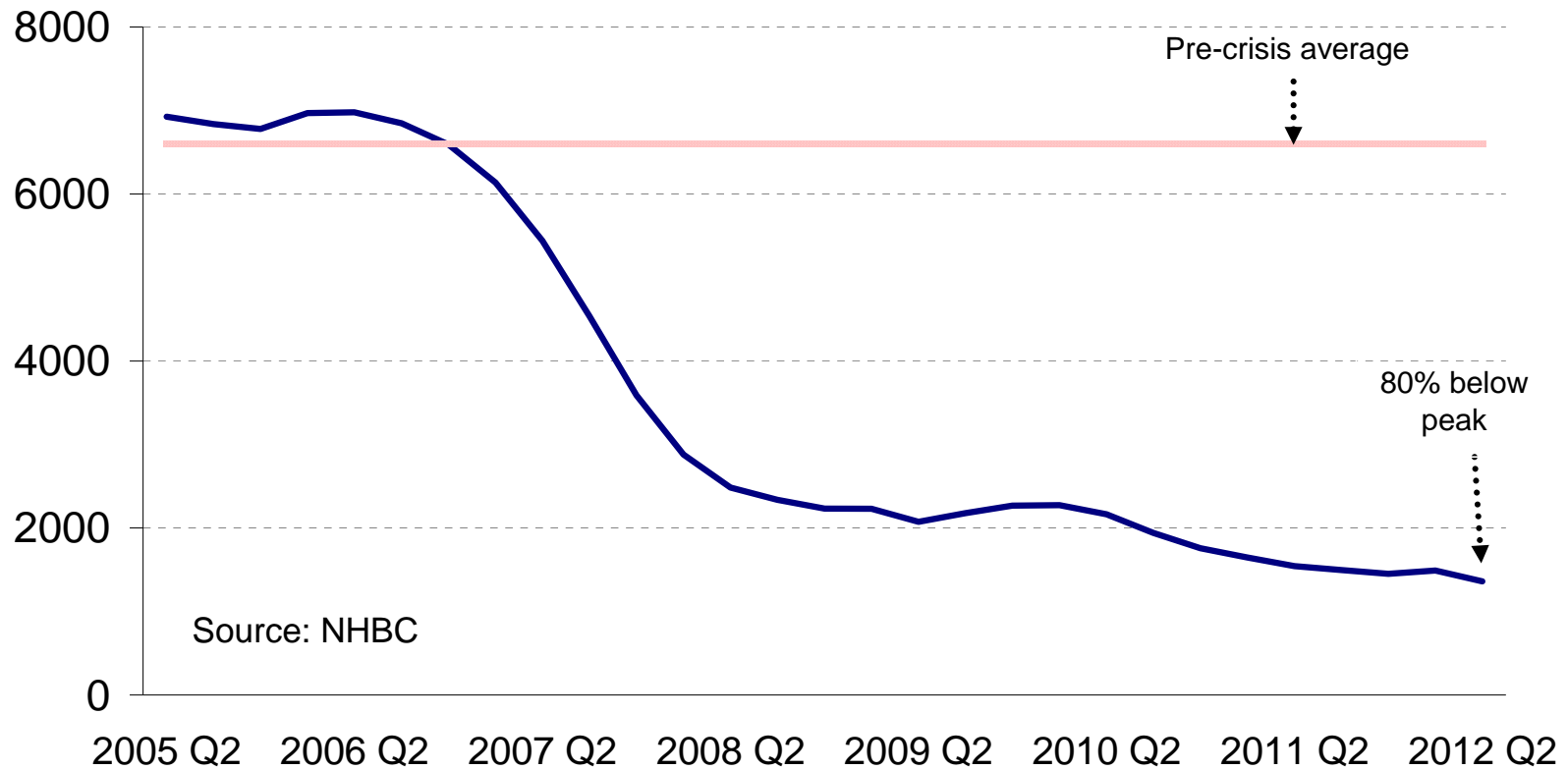


...with the number of NI remortgages plummeting as well



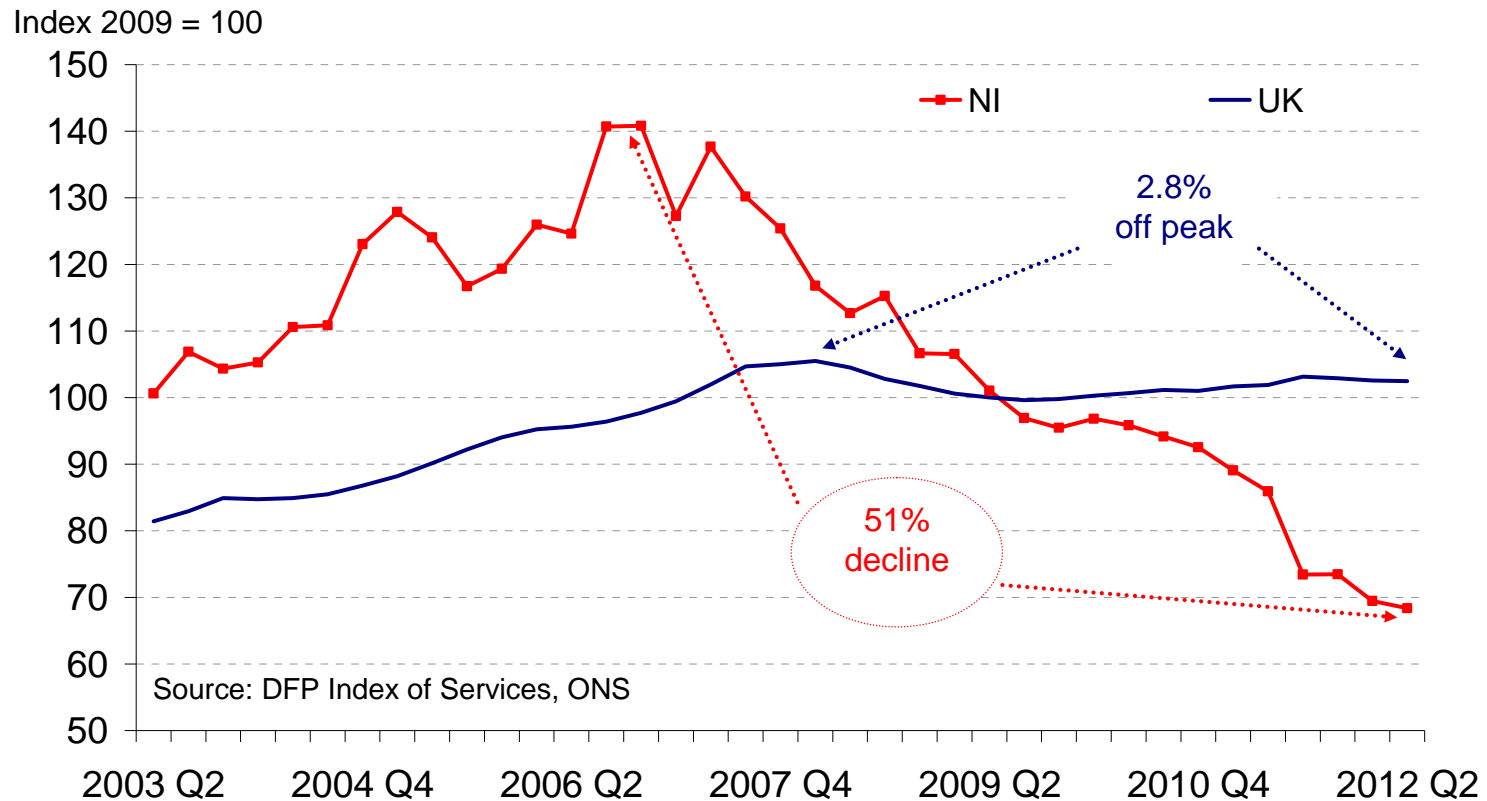
New house sales following a downward trajectory with sales 80% below 2006 levels

NI New House Sales
Rolling Annual Sum

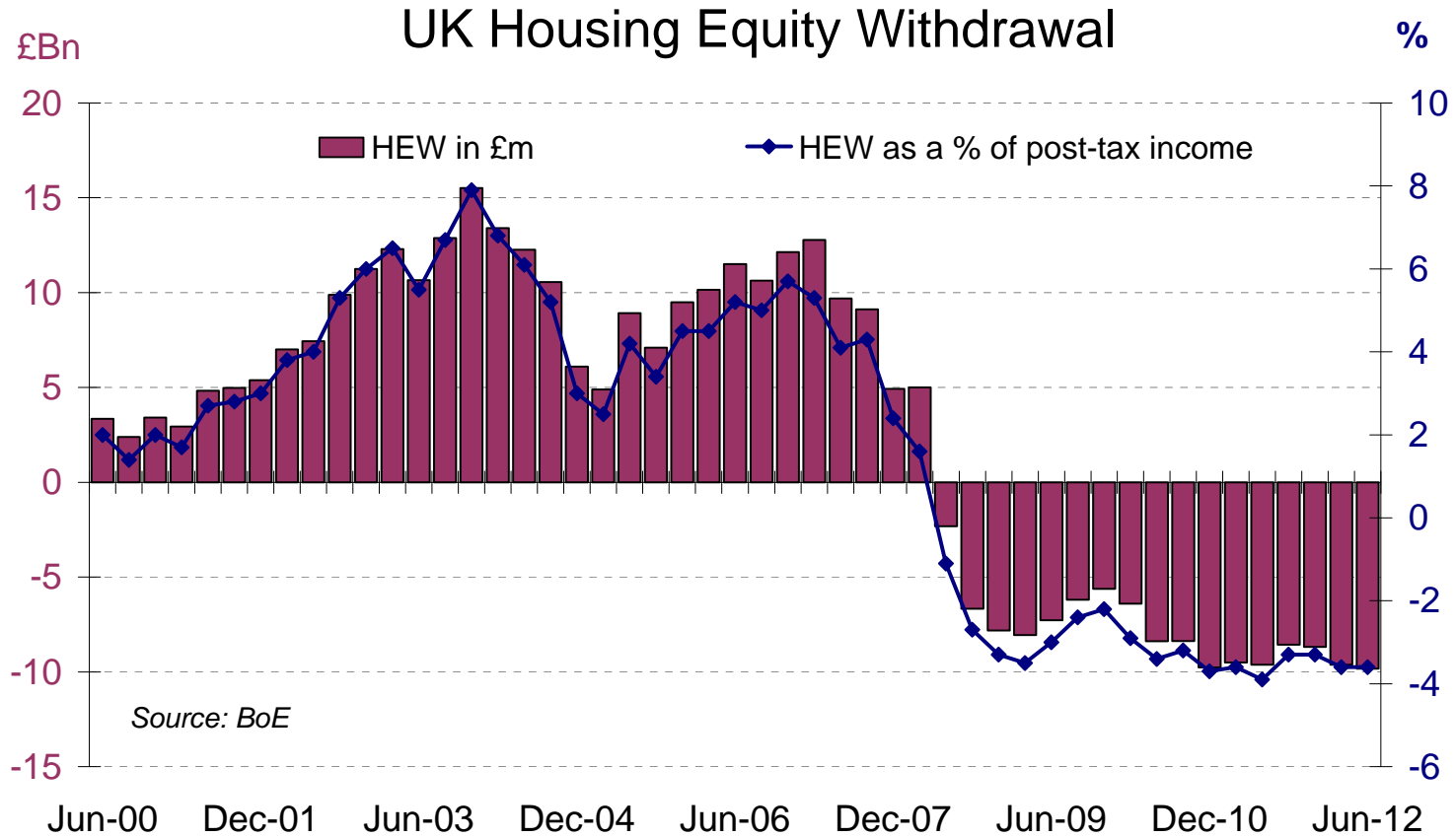


...property legacy explains why NI's *Business Services & Finance* output is some 51% below its Q2 2007 peak...

Business Services & Finance Output Levels

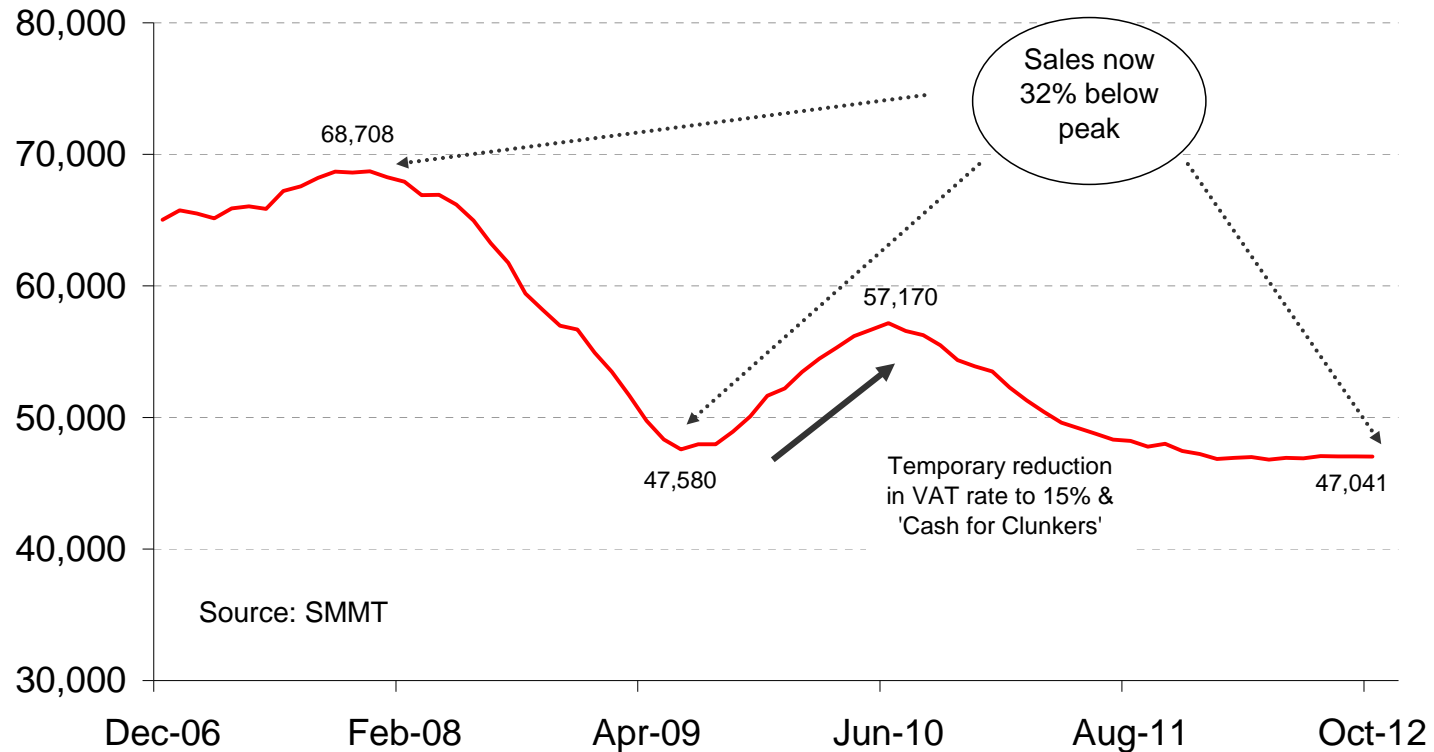


...the rise of remortgaging was accompanied by a rise in housing equity withdrawal for spending on 2nd homes....



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

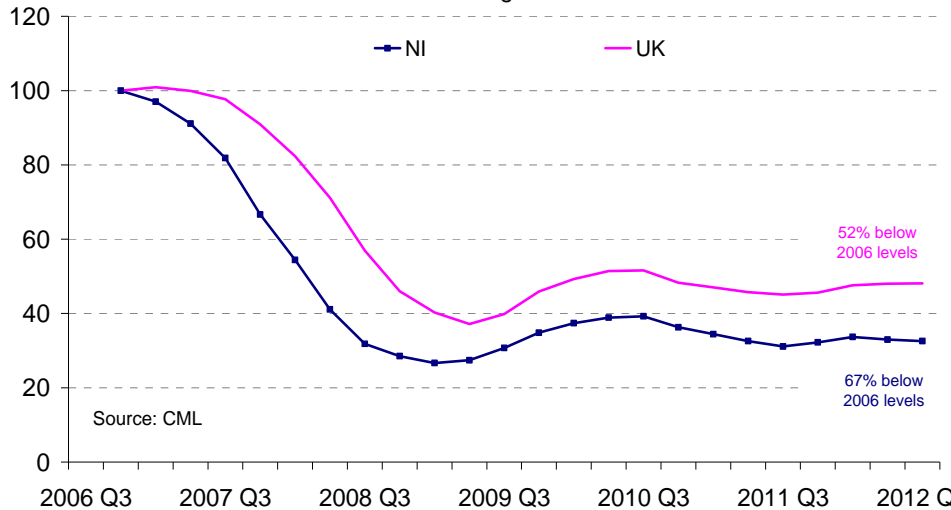
21,700 fewer new car sales relative to 2007 peak
12 Month Rolling Sum



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

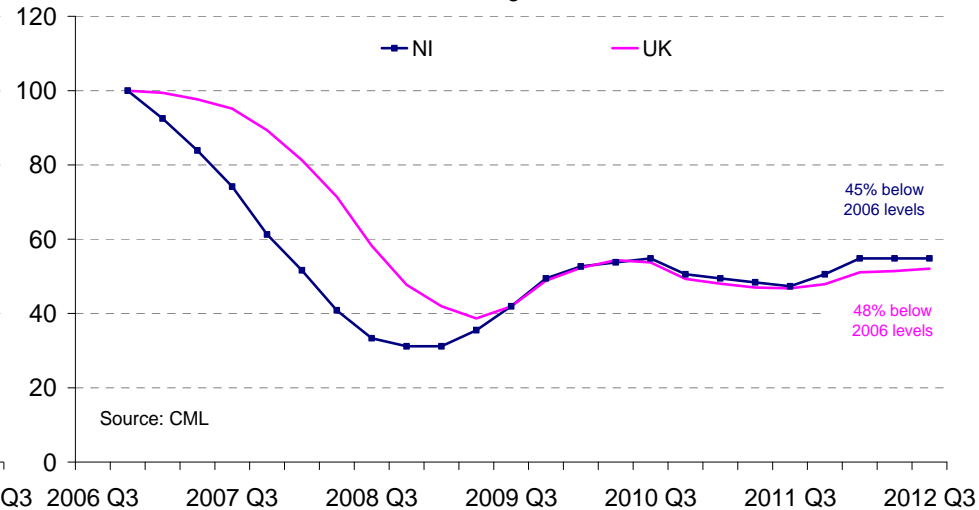
NI & UK Mortgage Activity Levels: All Loans

2006 = 100 Rolling 4 Quarter Total



NI & UK Mortgage Activity Levels: First-Time Buyers

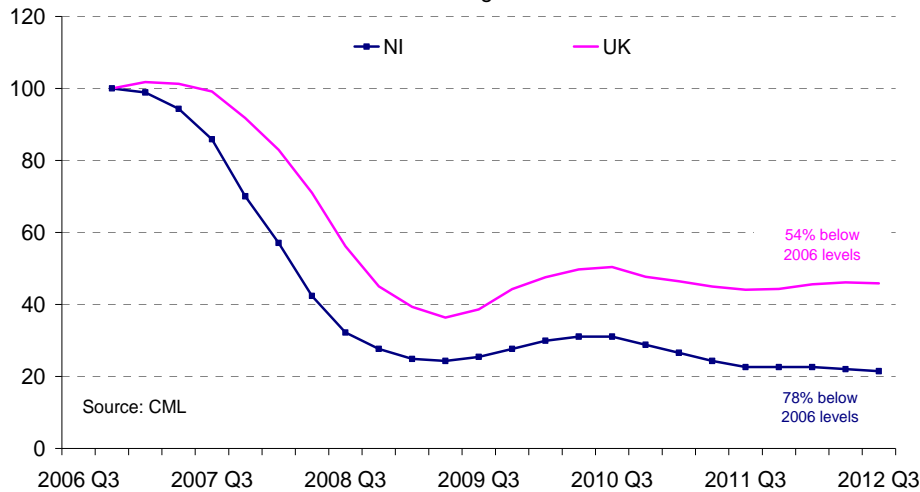
2006 = 100 Rolling 4 Quarter Total



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

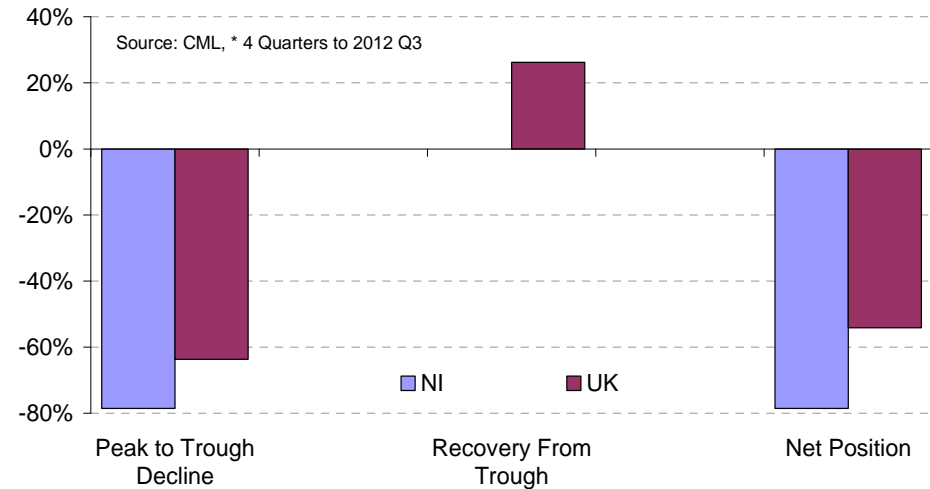
NI & UK Mortgage Activity Levels: Home-Movers

2006 = 100 Rolling 4 Quarter Total



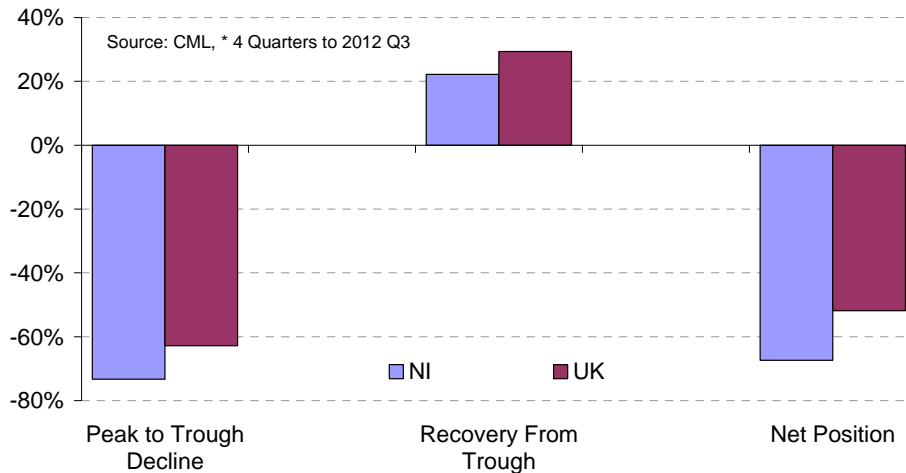
Mortgage Activity (*Home Movers*) 2012 Q3*

Relative to Pre-Credit Crunch Levels (2006)

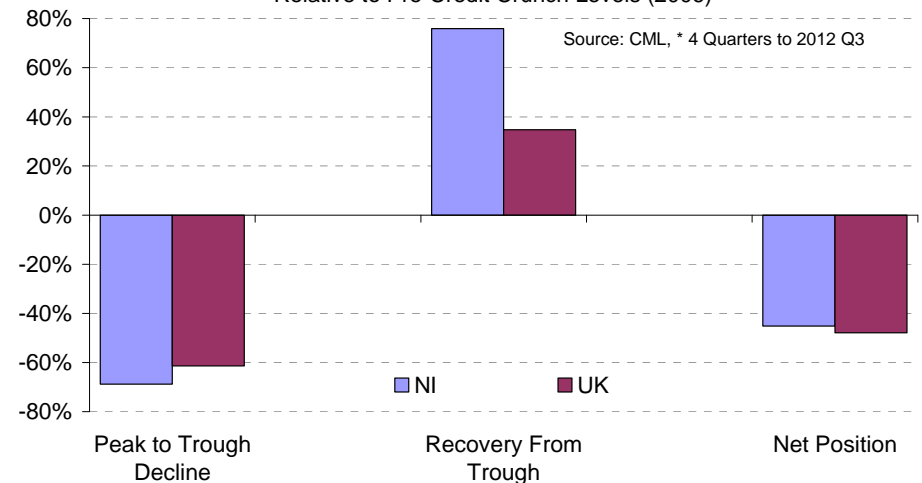


NI posted steeper decline & stronger recovery than UK in FTB market but their net position is similar

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



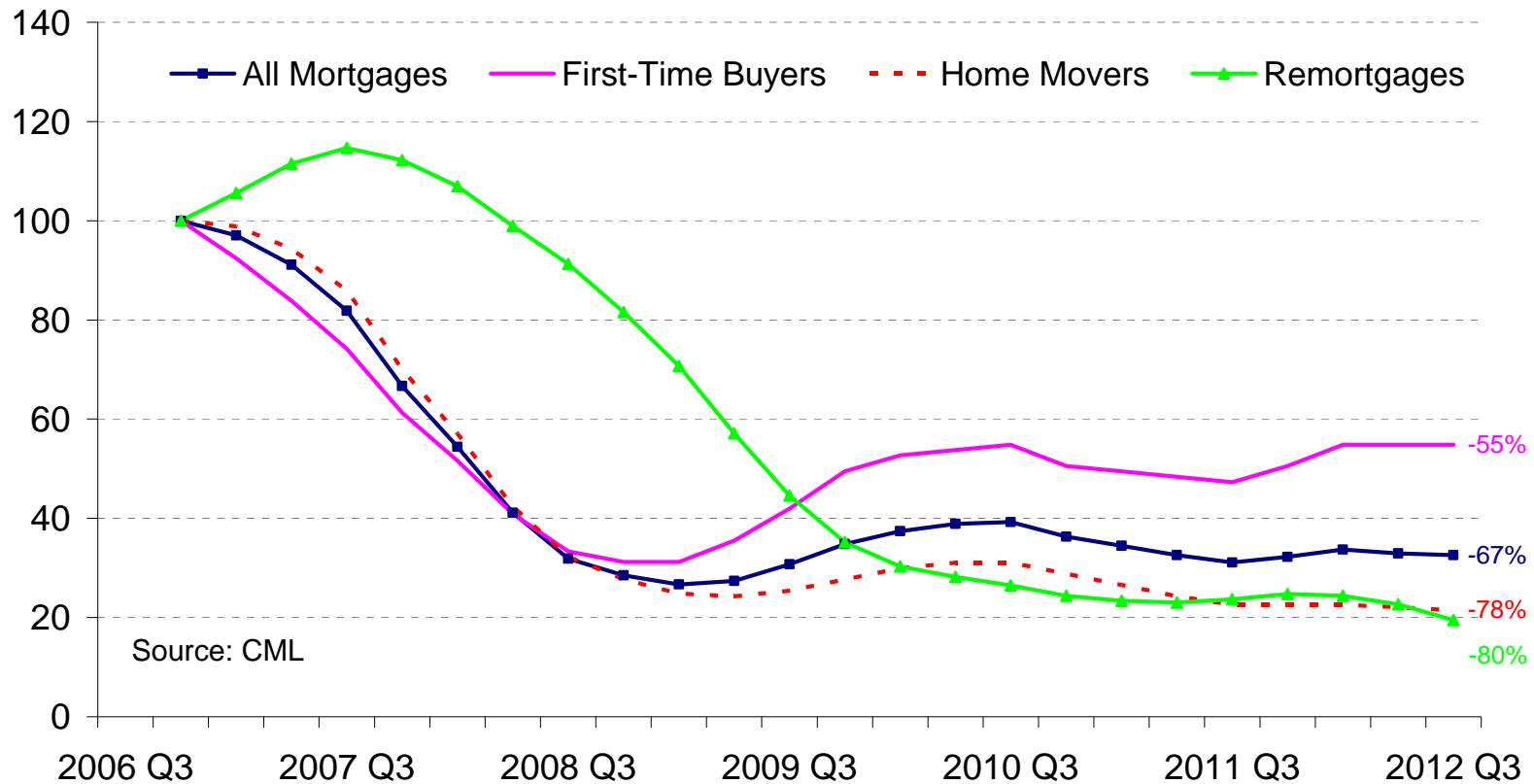
First-Time Buyer Mortgage Activity 2012 Q3*
Relative to Pre-Credit Crunch Levels (2006)



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

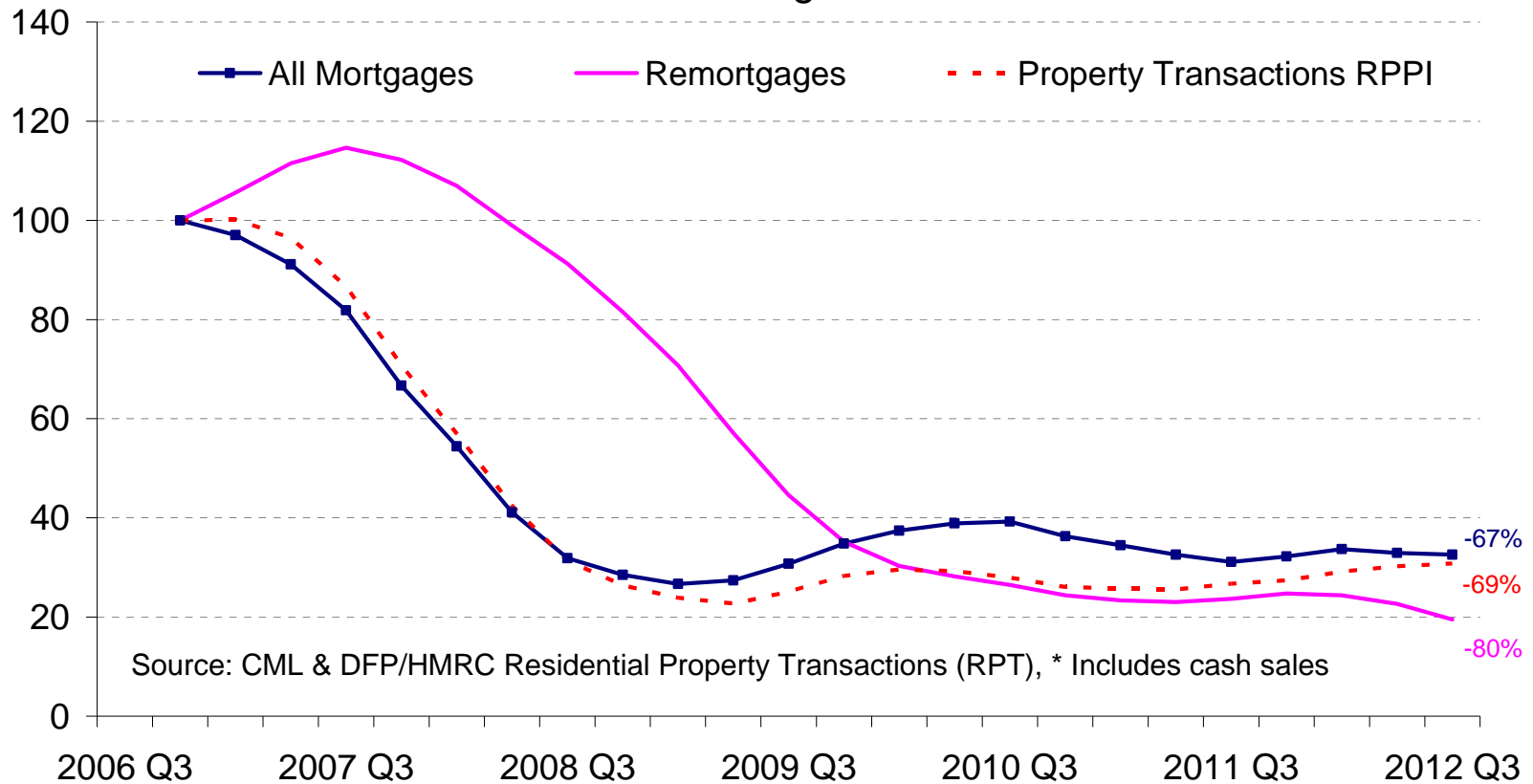
N.Ireland Mortgage & Remortgage Activity Levels

2006 = 100 Rolling 4 Quarter Total

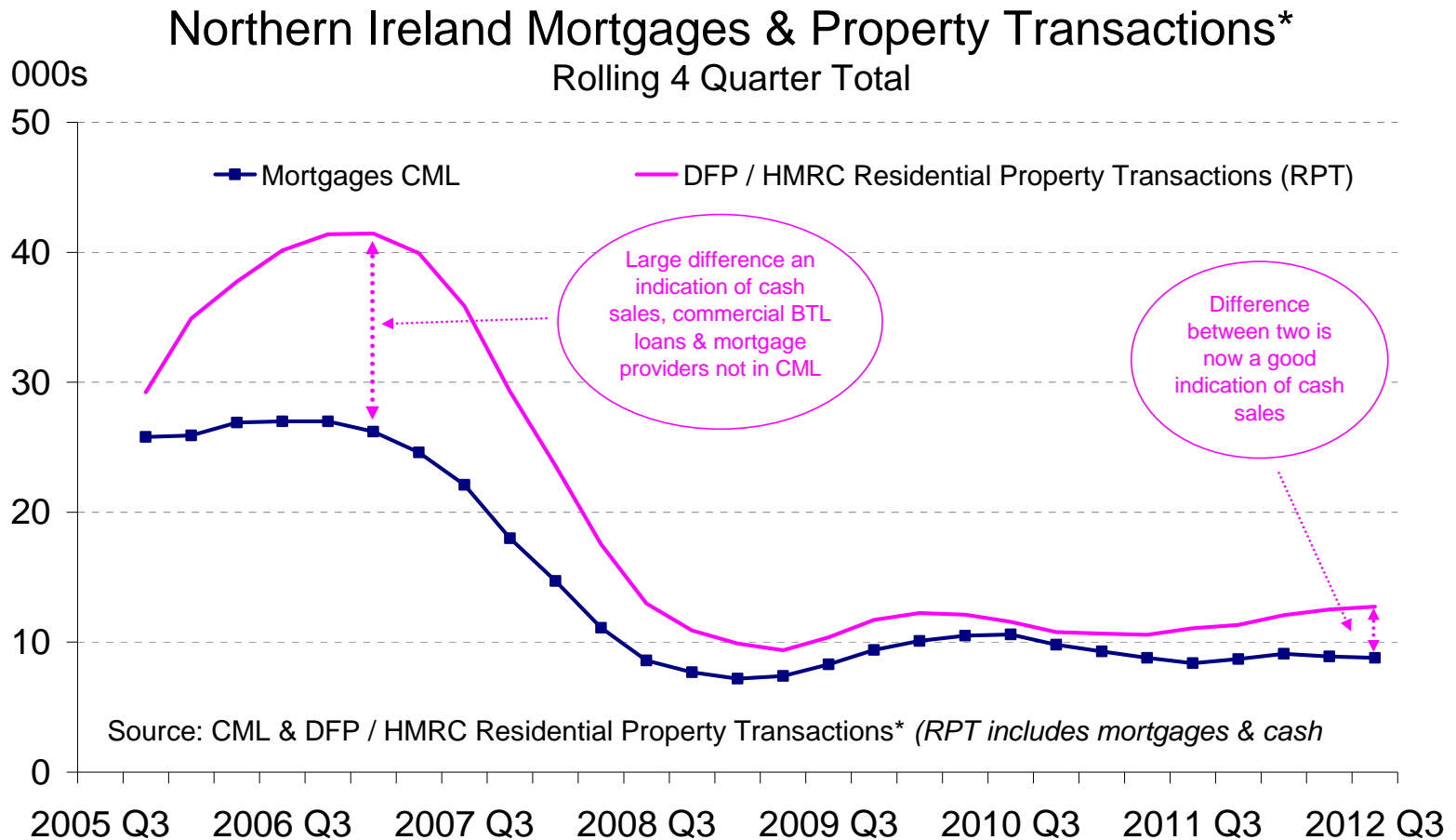


Residential property transactions (mortgages & cash sales) down 69% since 2006

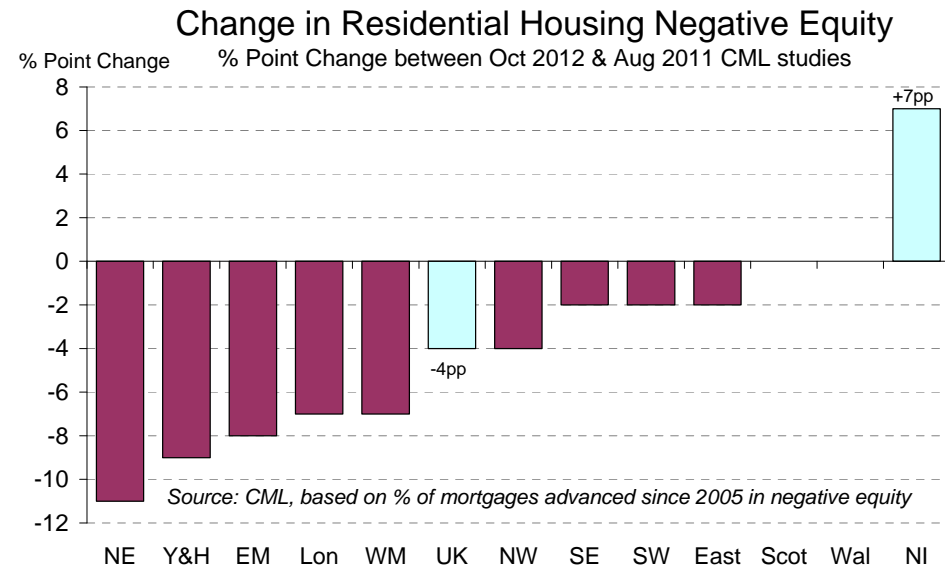
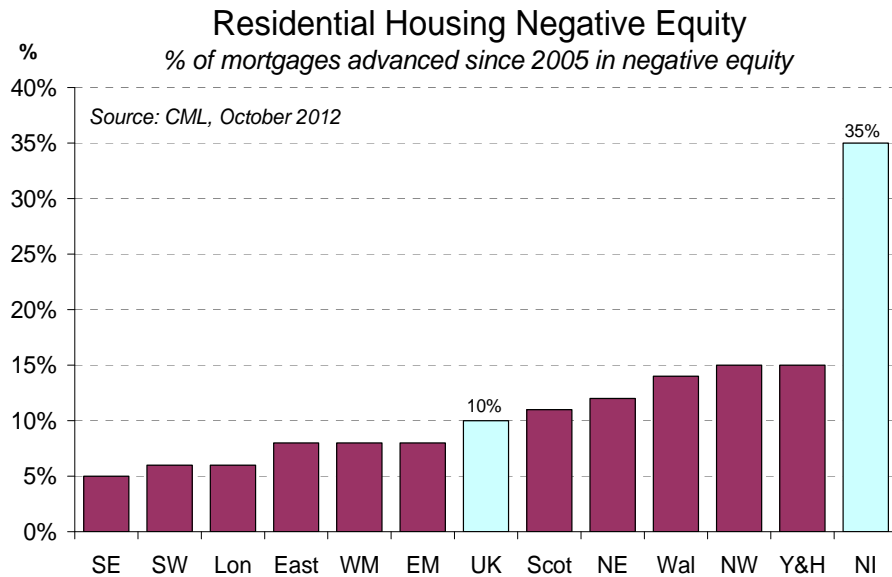
NI Residential Property Transactions* Levels 2006 = 100 Rolling 4 Quarter Total



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



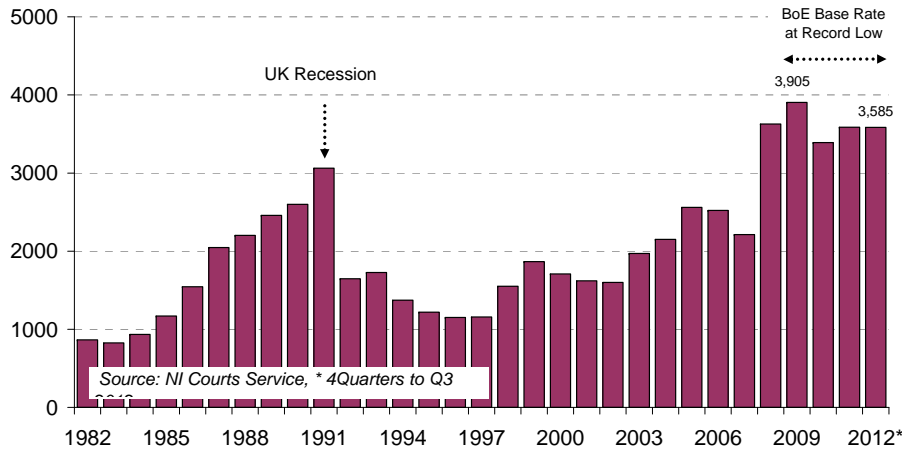
The incidence of negative equity has been growing in N.Ireland but falling in most other UK regions



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

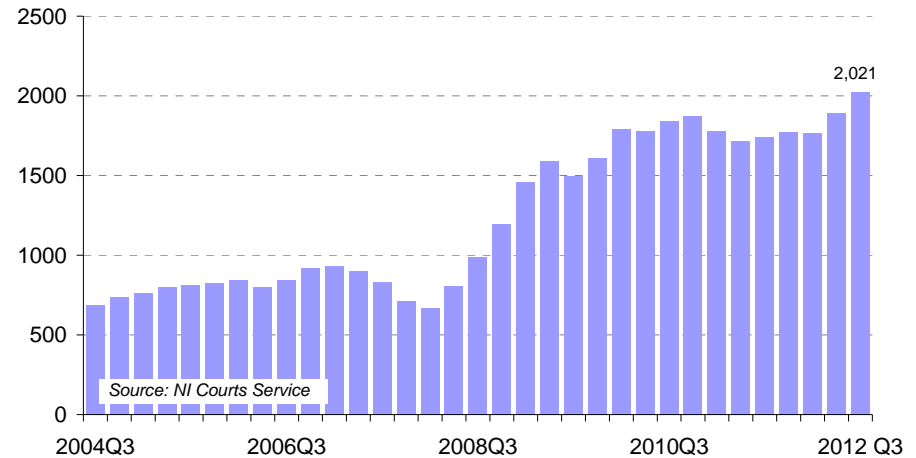
NI Mortgage Arrears

(Writs & Originating Sumonsses in respect of mortgages)



NI Mortgage Possession Orders

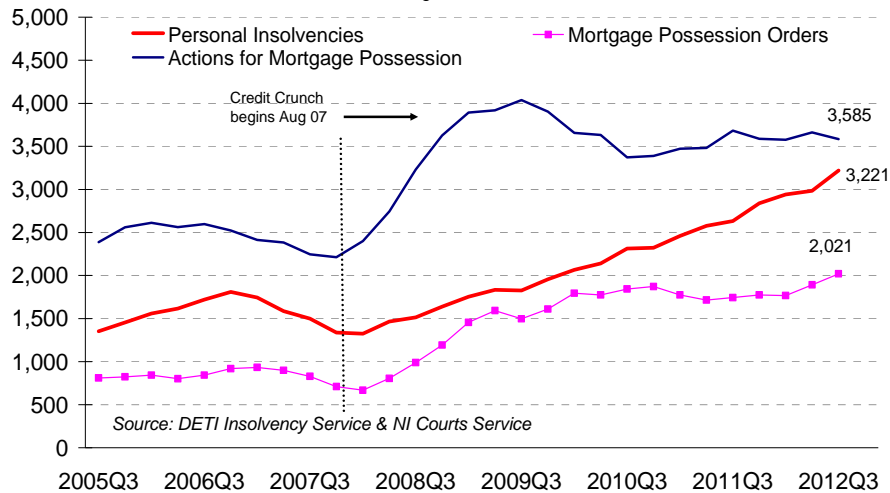
Rolling Annual Average



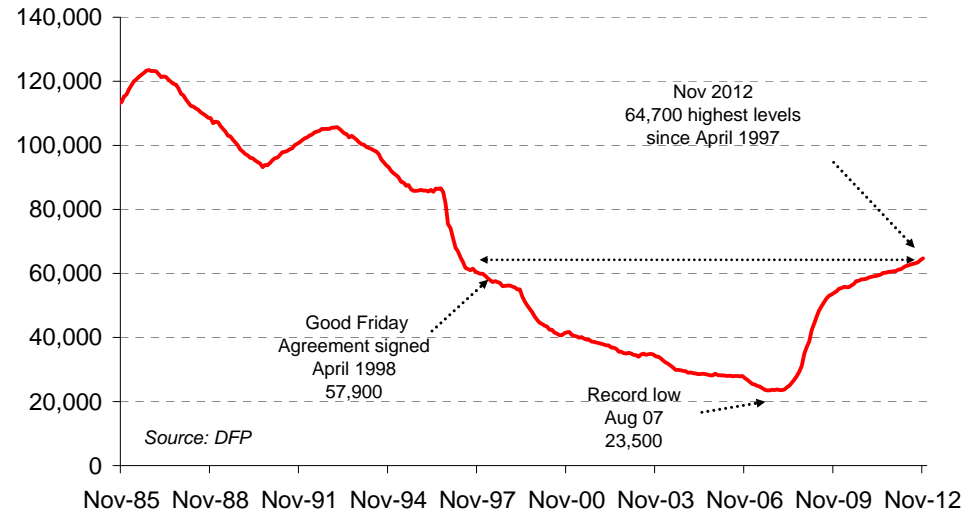
Consumer stress will remain a major issue with the two legacies of unemployment and debt still to unwind

NI Consumer Stress

Rolling 4 Quarter Total

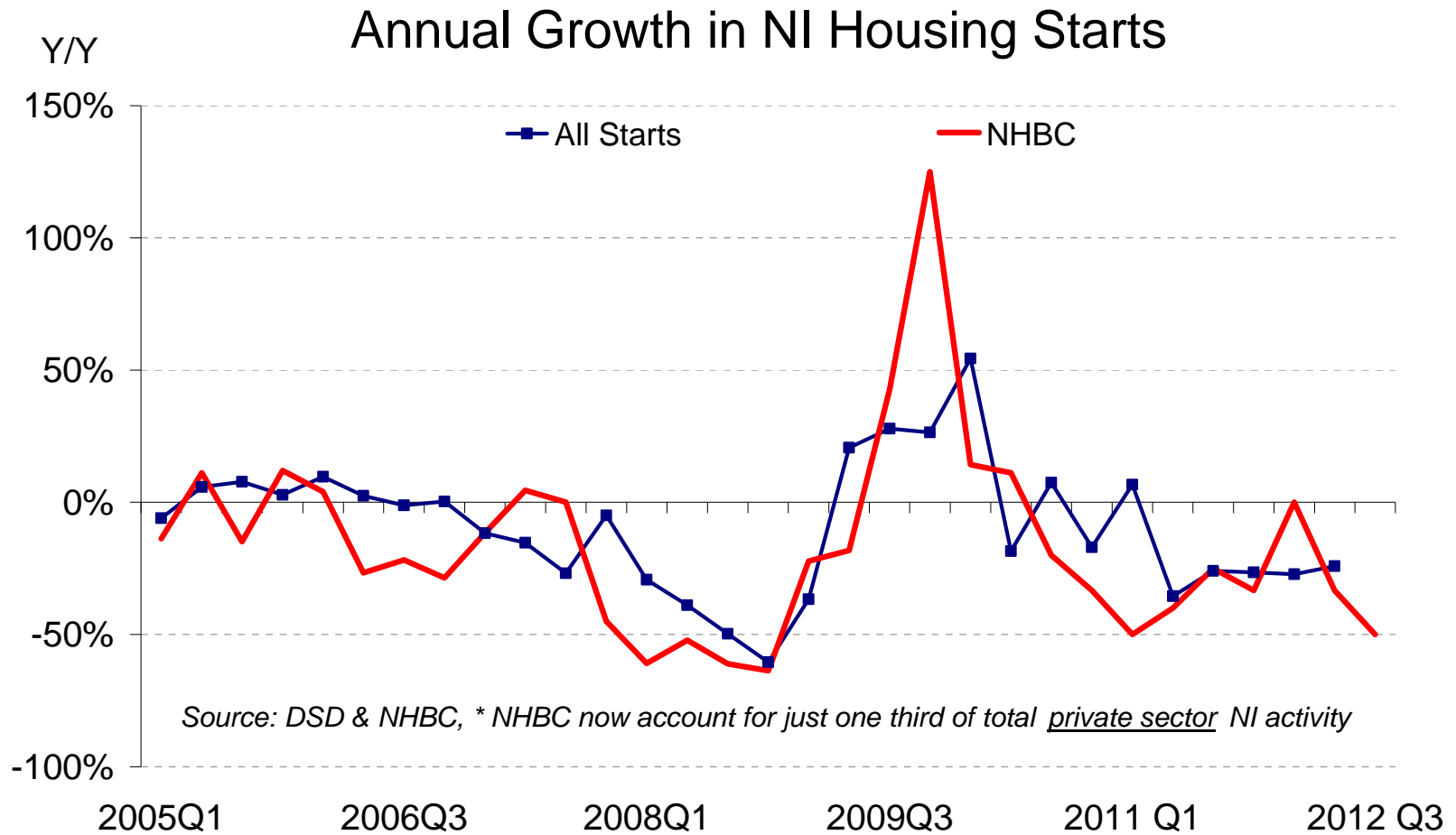


NI Unemployment Claimant Count Levels



*Housing Starts /
Housing
Completions*

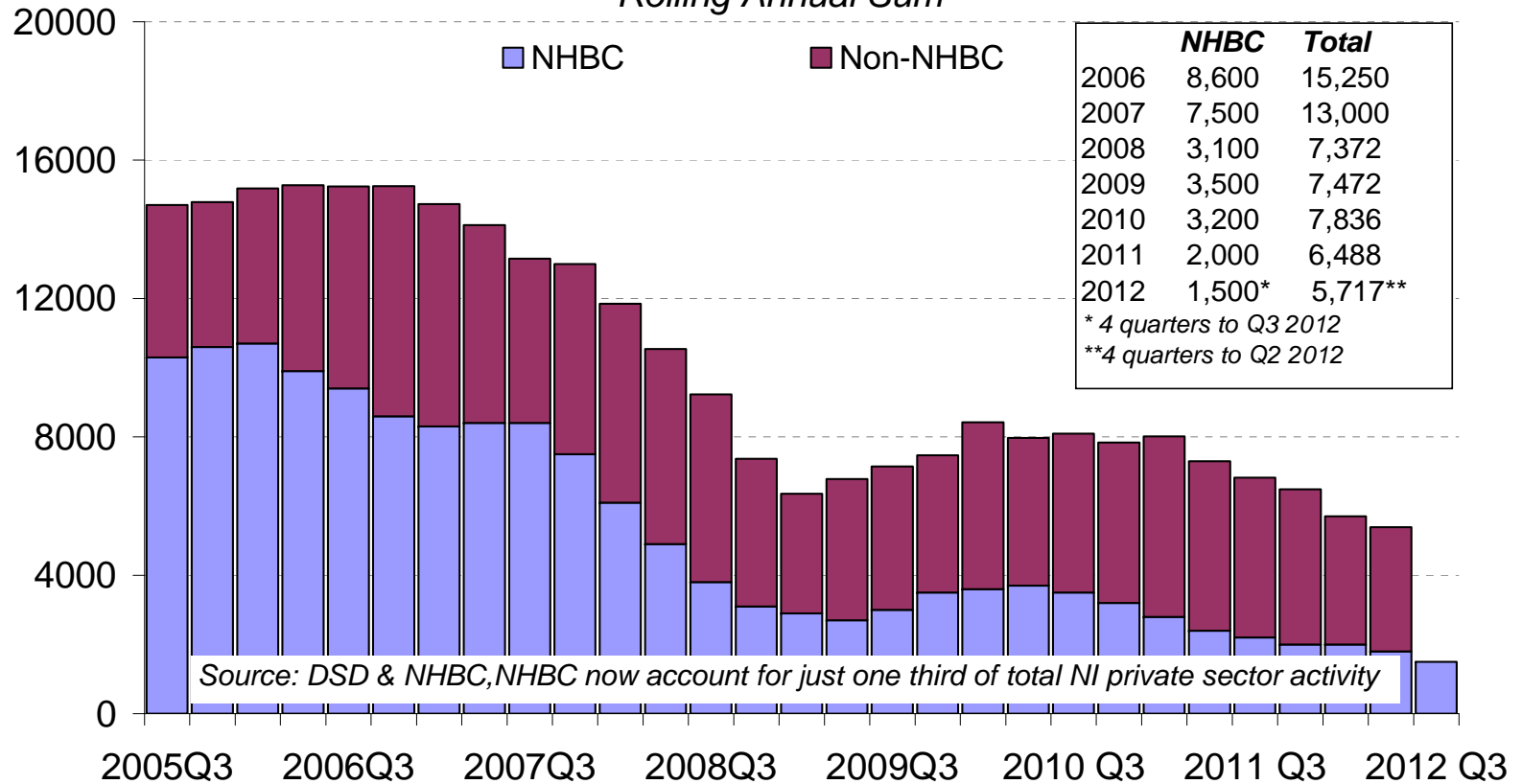
Northern Ireland housing starts following a downward trajectory after a brief pick-up in 2009



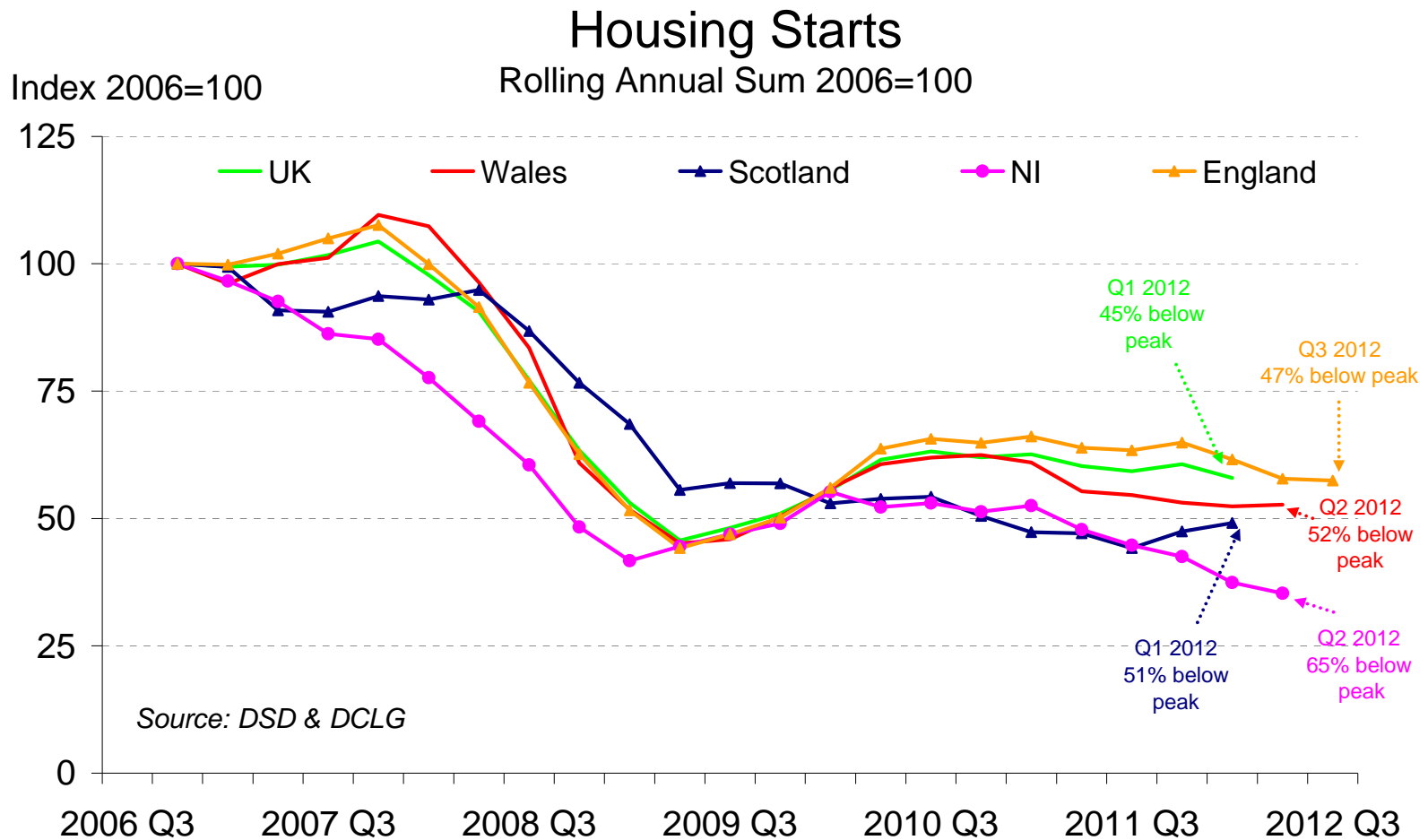
Rate of house building still falling with starts 2012 pushing towards just 5,000 units

NI House Starts

Rolling Annual Sum

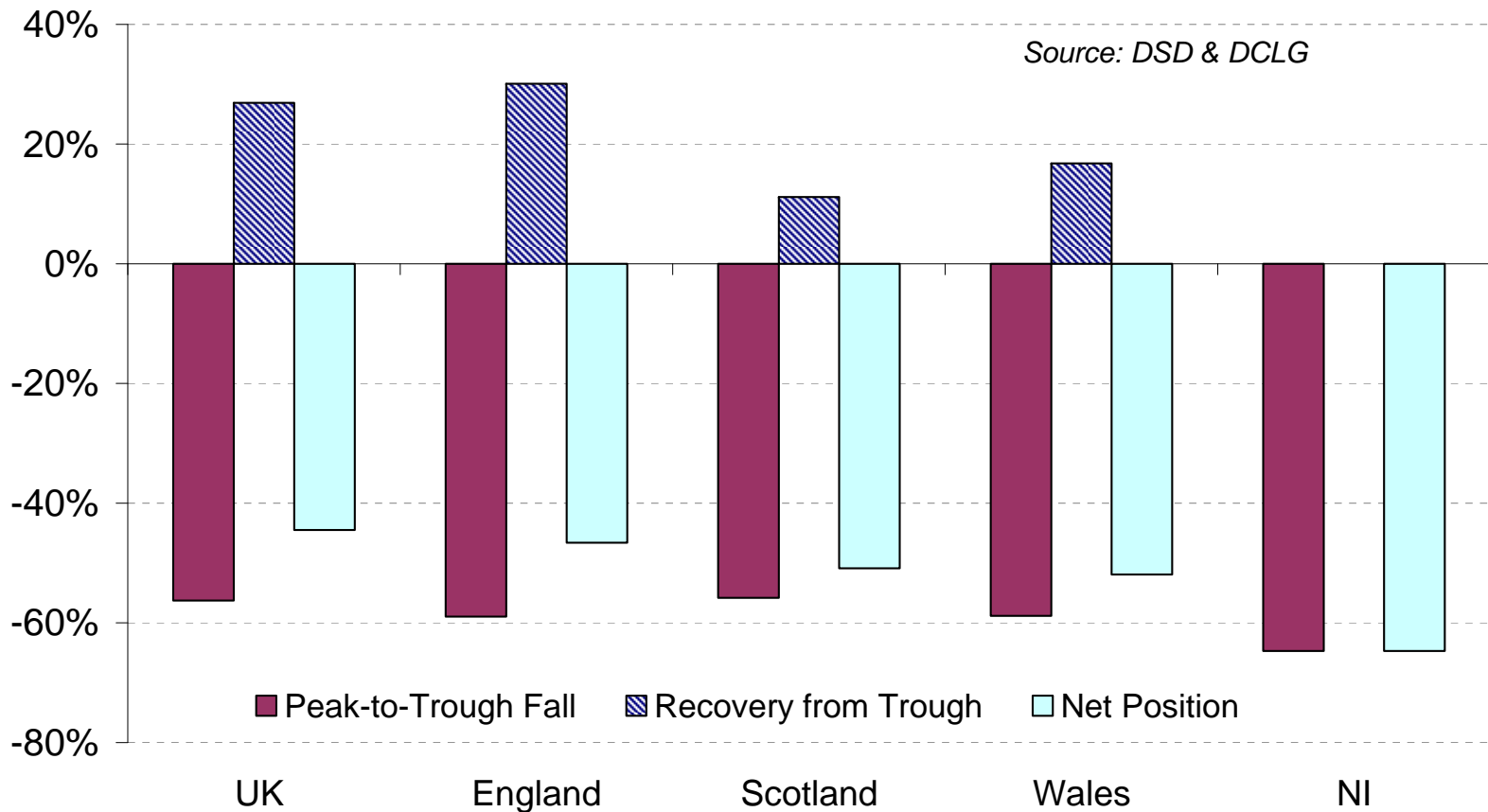


Over the last 5 years housing starts in Northern Ireland have fallen further than elsewhere in the UK ...



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

Housing Starts



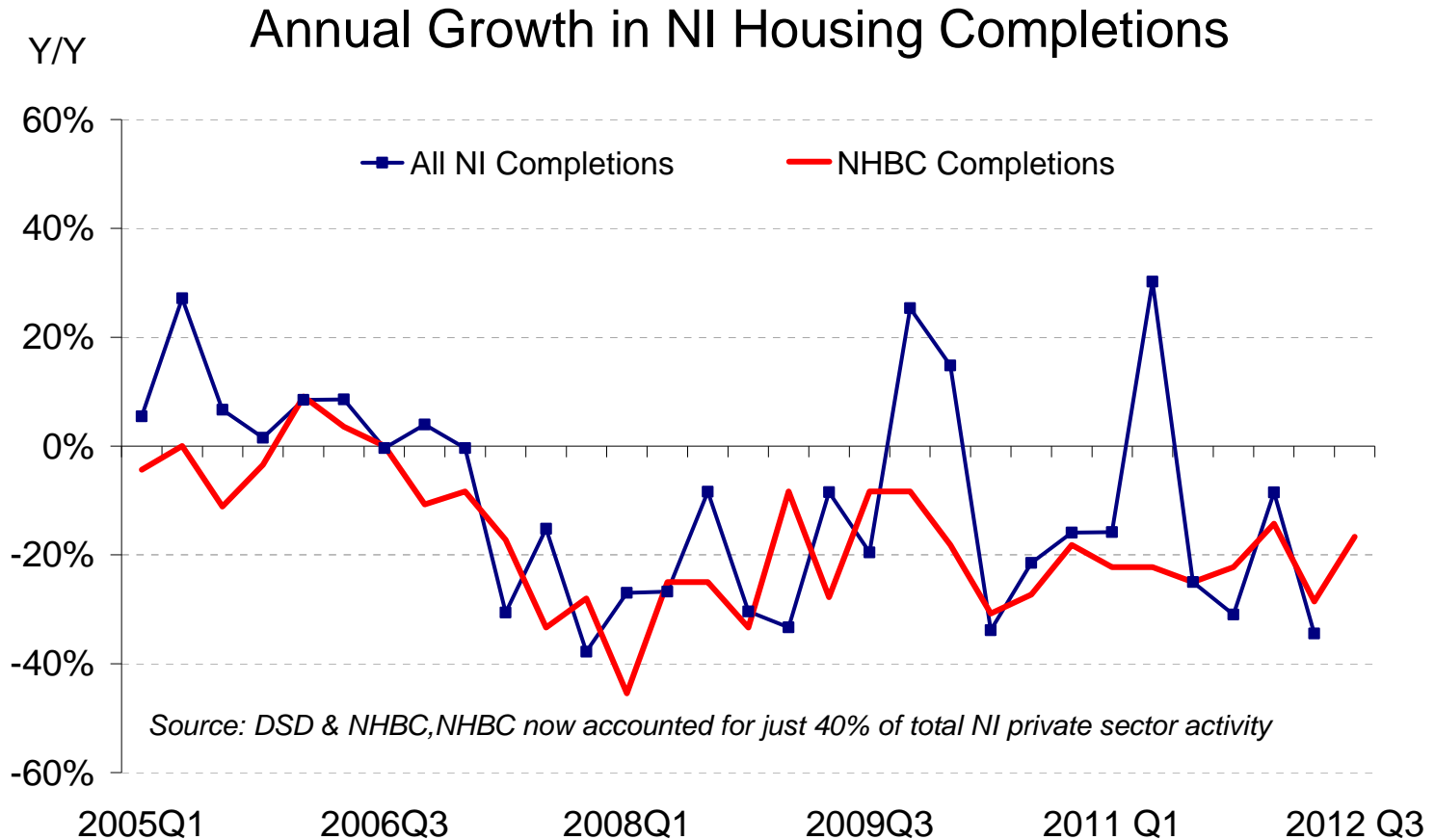
But the difference is NI has witnessed no recovery

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

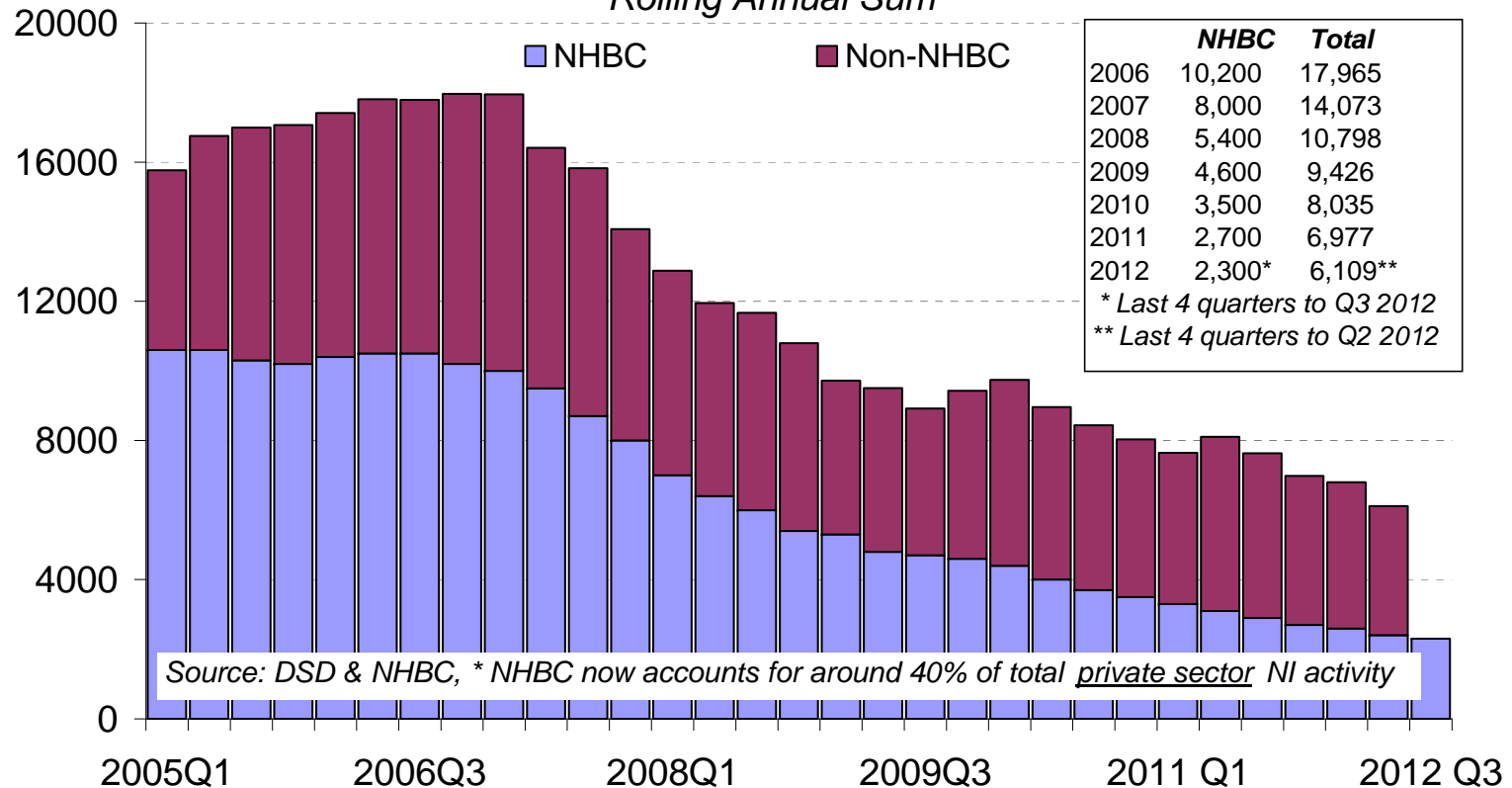
Annual rate of growth in house completions back in negative territory with NHBC signalling a 17% y/y fall in Q3 2012...



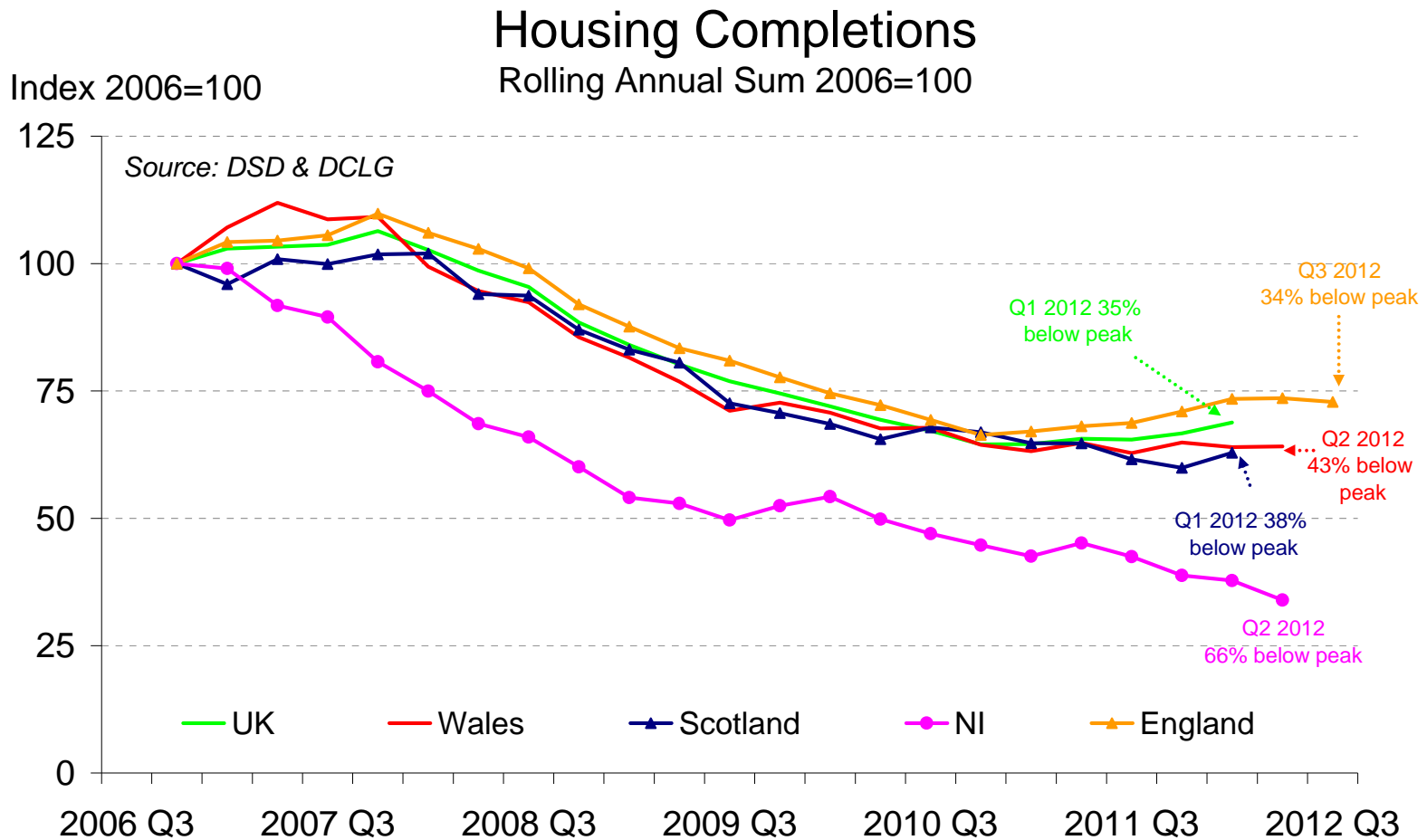
....leading to fewer completed housing units

NI House Completions

Rolling Annual Sum



NI has witnessed steeper declines than other parts of the UK

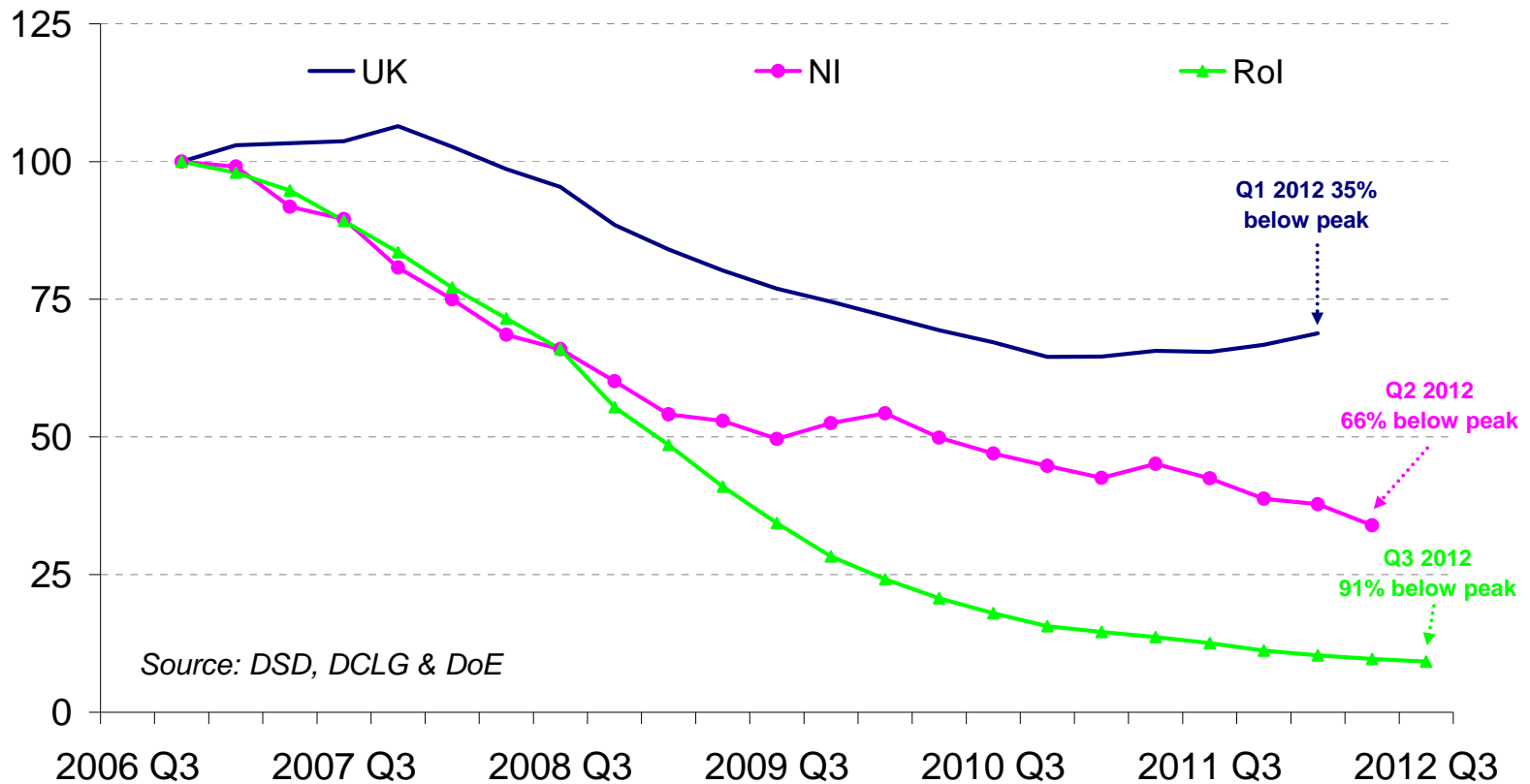


... but not as bad as the Republic of Ireland

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

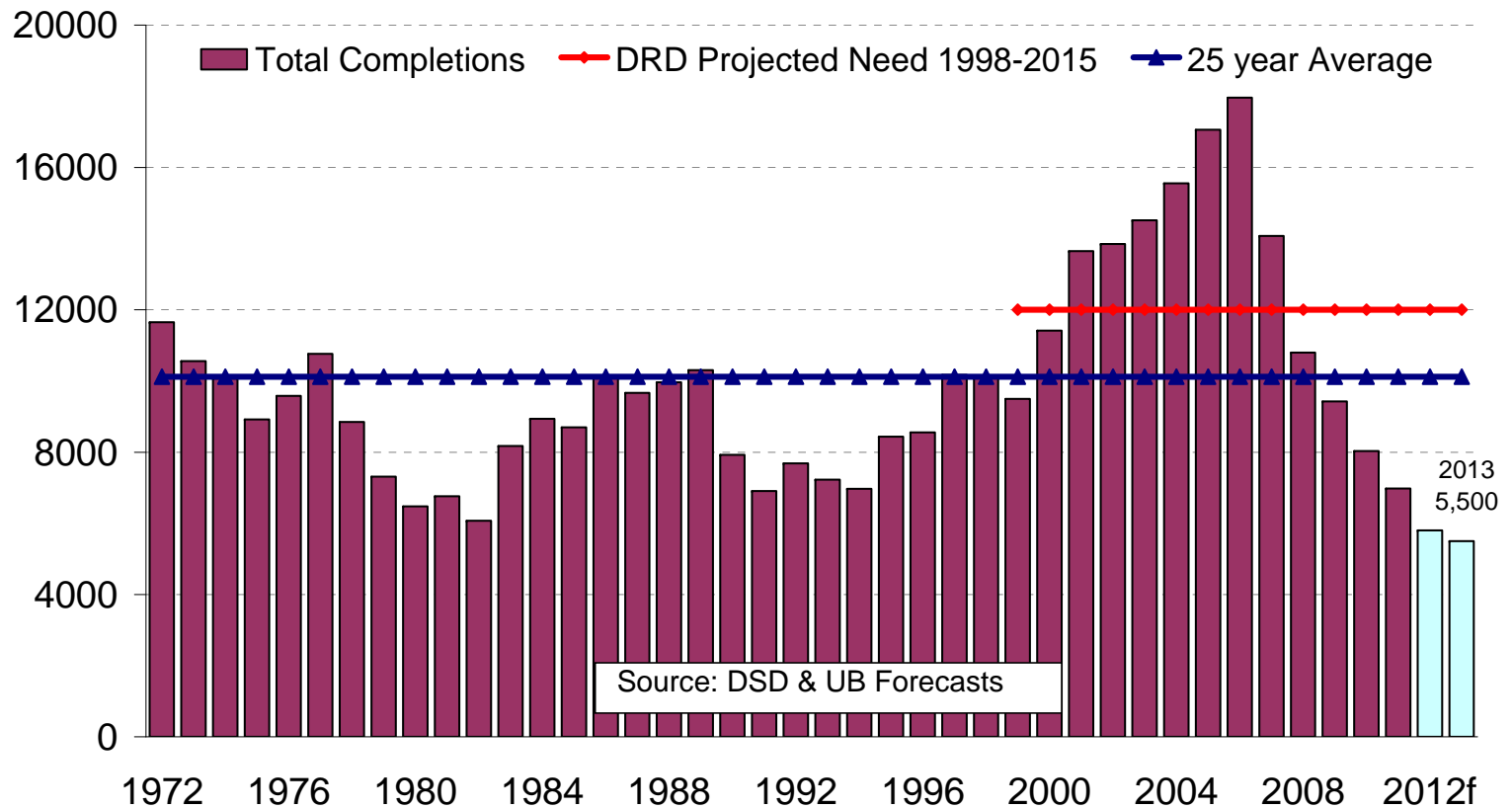
Housing Completions

| | 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

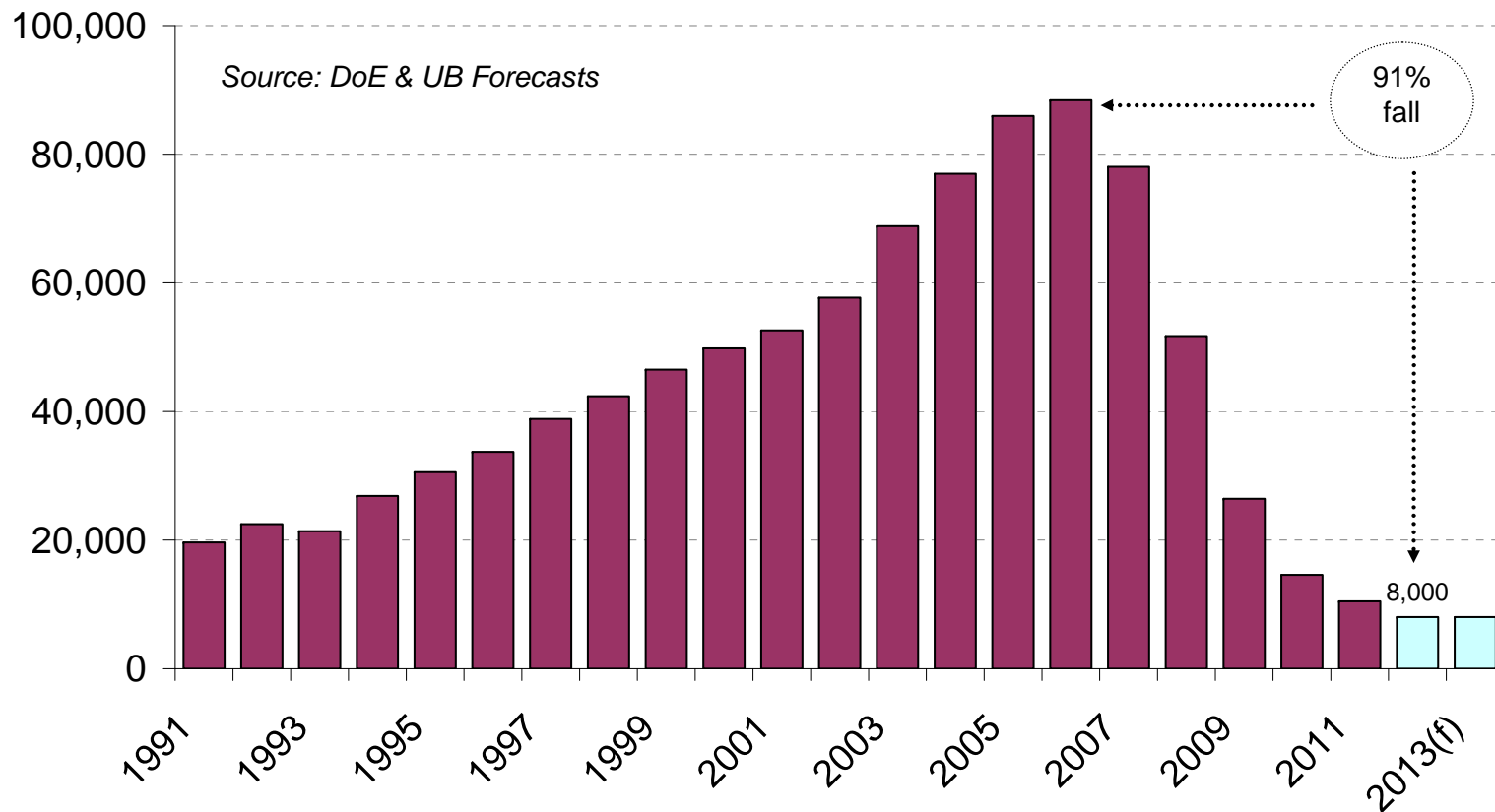
NI house completions down an estimated 68% (12,200 units) between 2006 & 2012 with further declines in 2013

NI Housing Completions



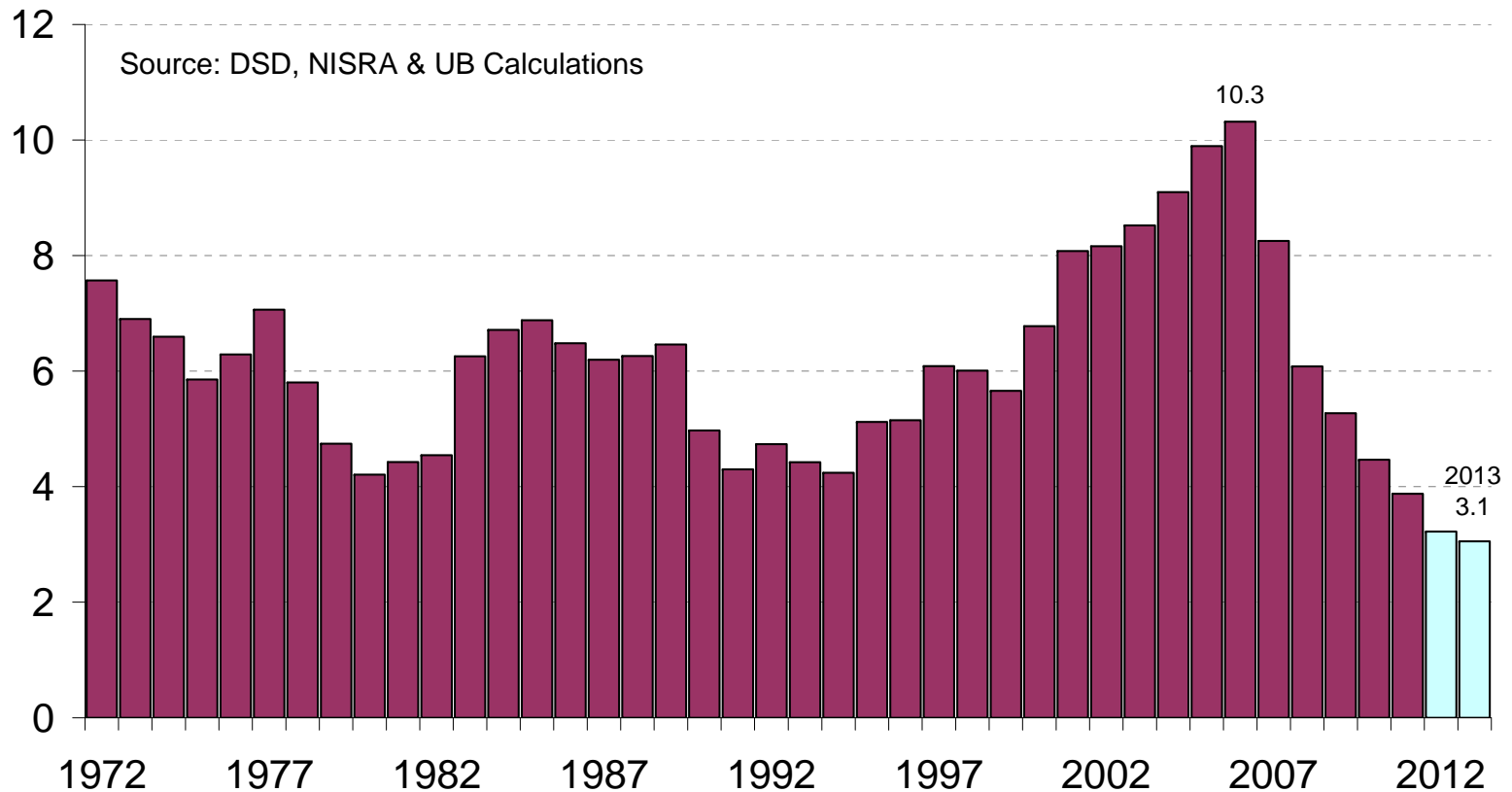
...but spare a thought for the RoI. Northern Ireland does not have the same overhang of stock as the RoI...

Republic of Ireland Housing Completions



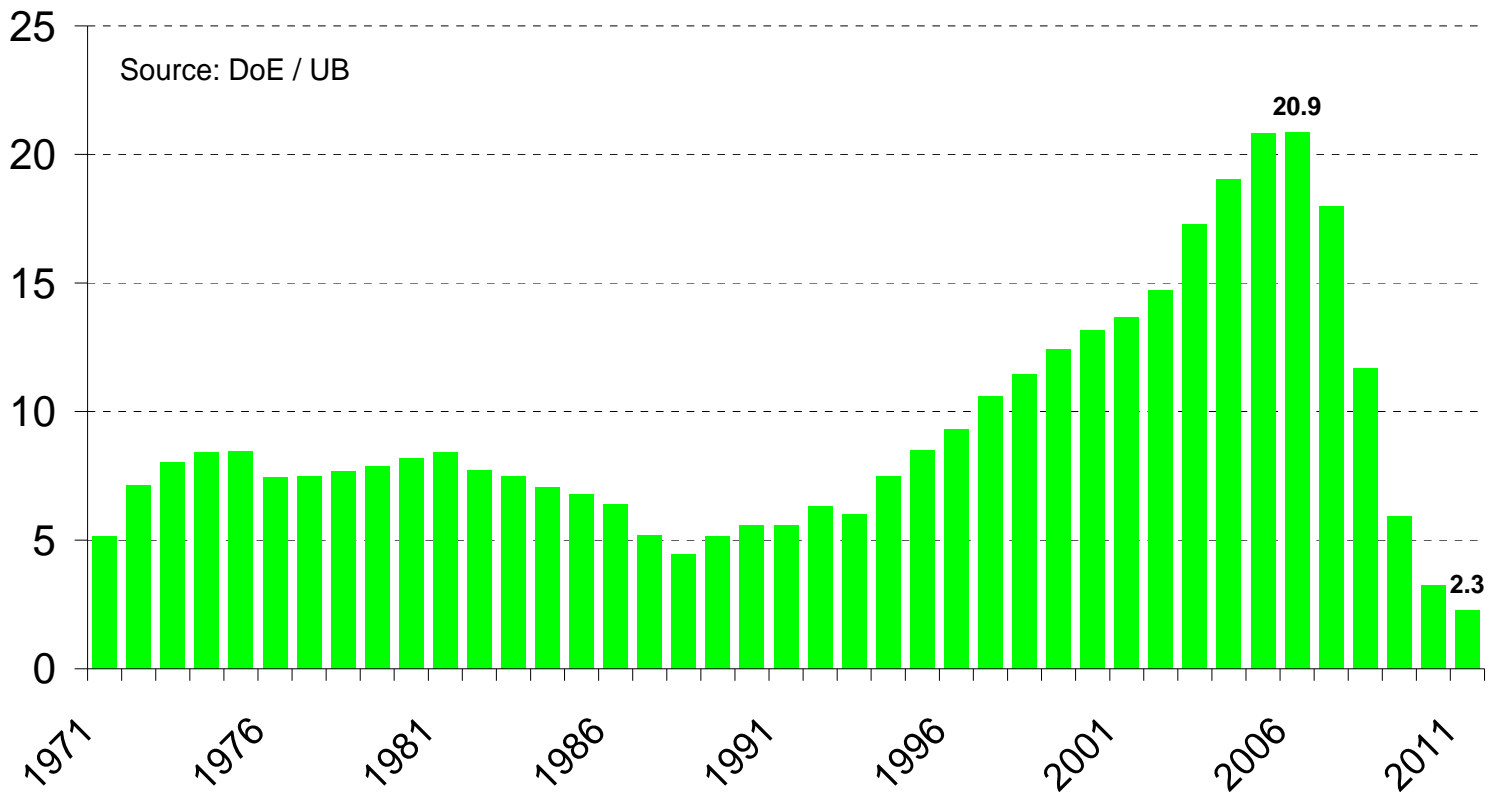
...but NI is building fewer houses per capita than at any time since 1949...longer-term implications??

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

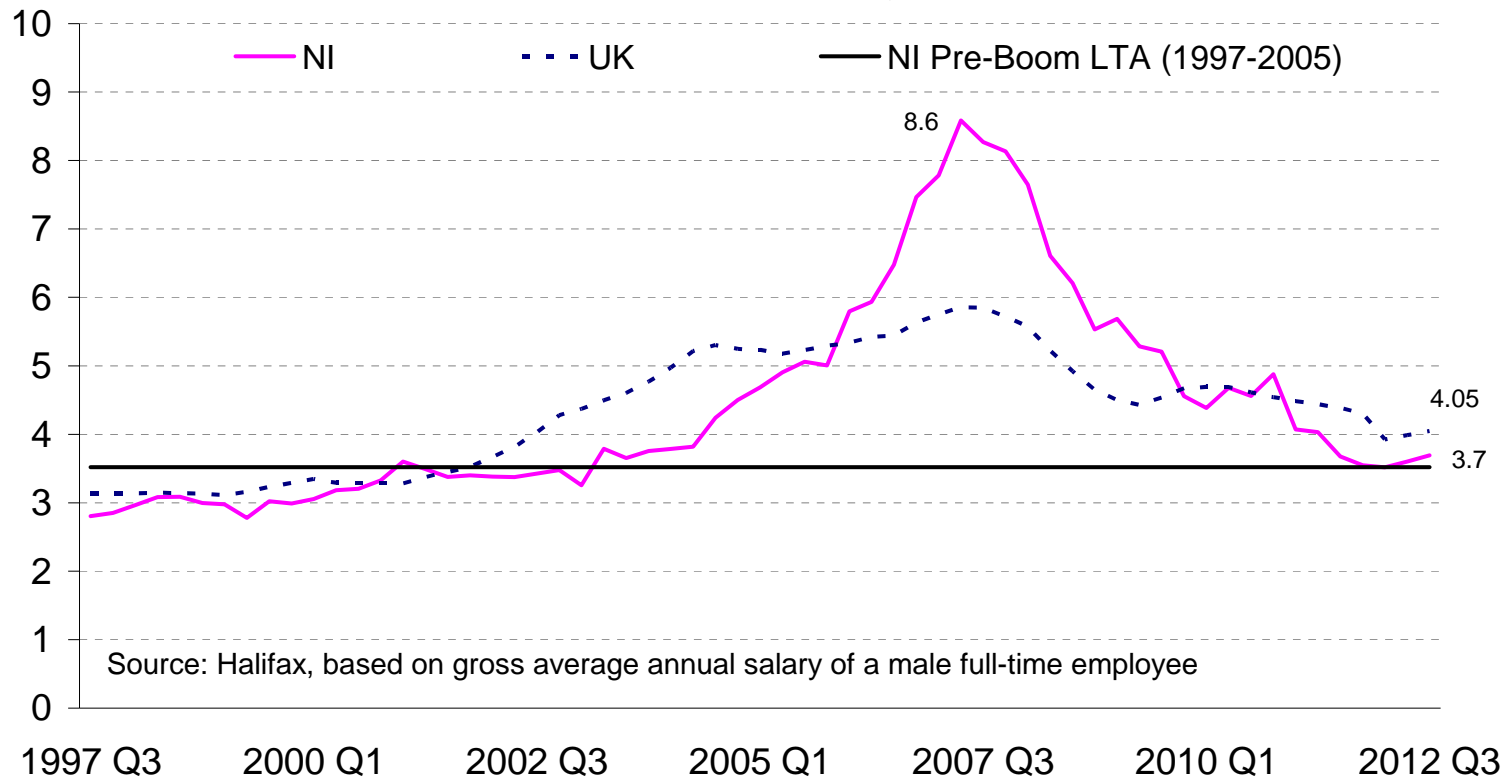
All Employees Full-Time



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

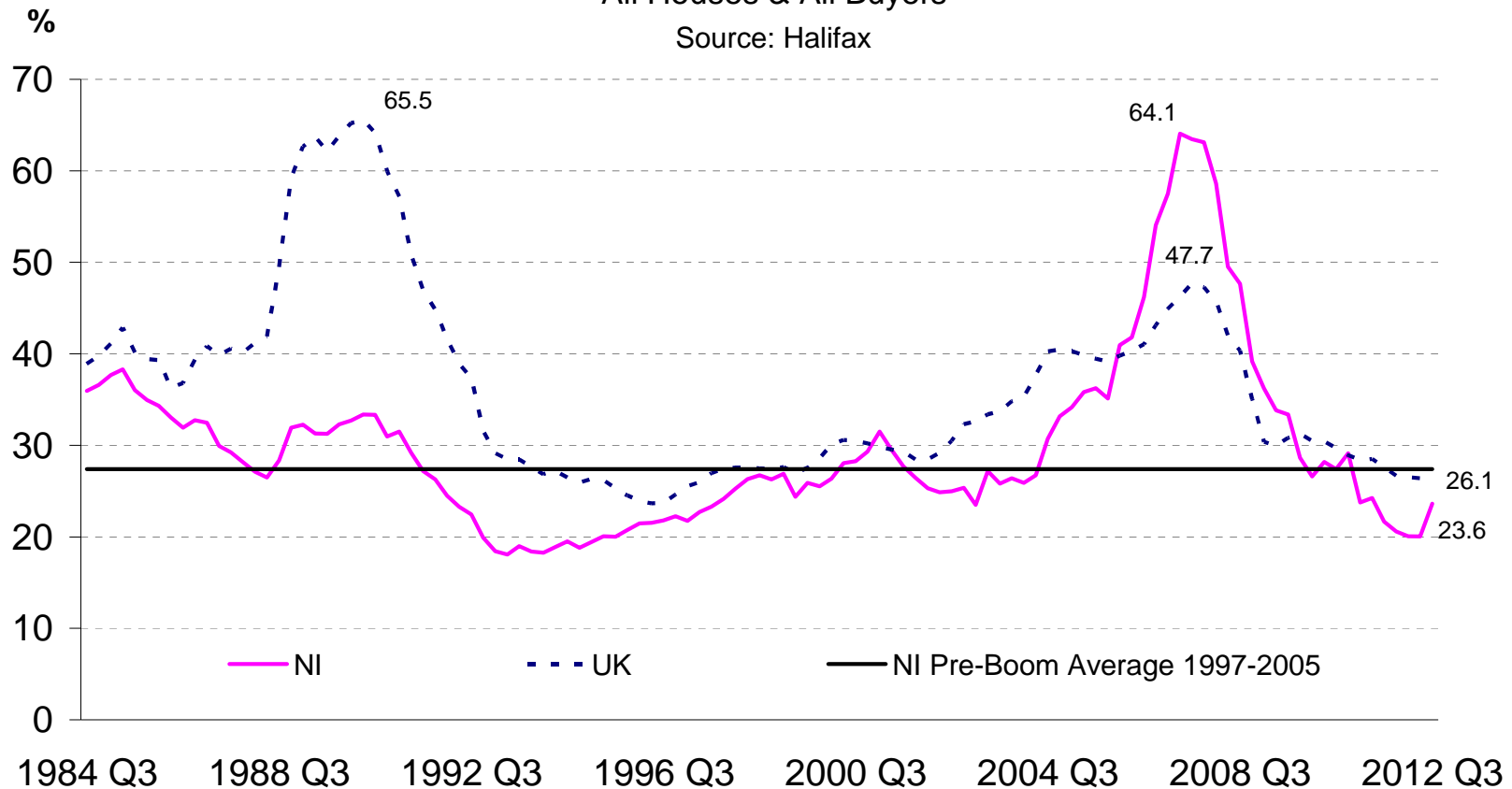


...and NI mortgage payments as a % of disposable income have fallen well below the pre-boom average (1997-2005)

Mortgage Payments as a % Average Disposable Income

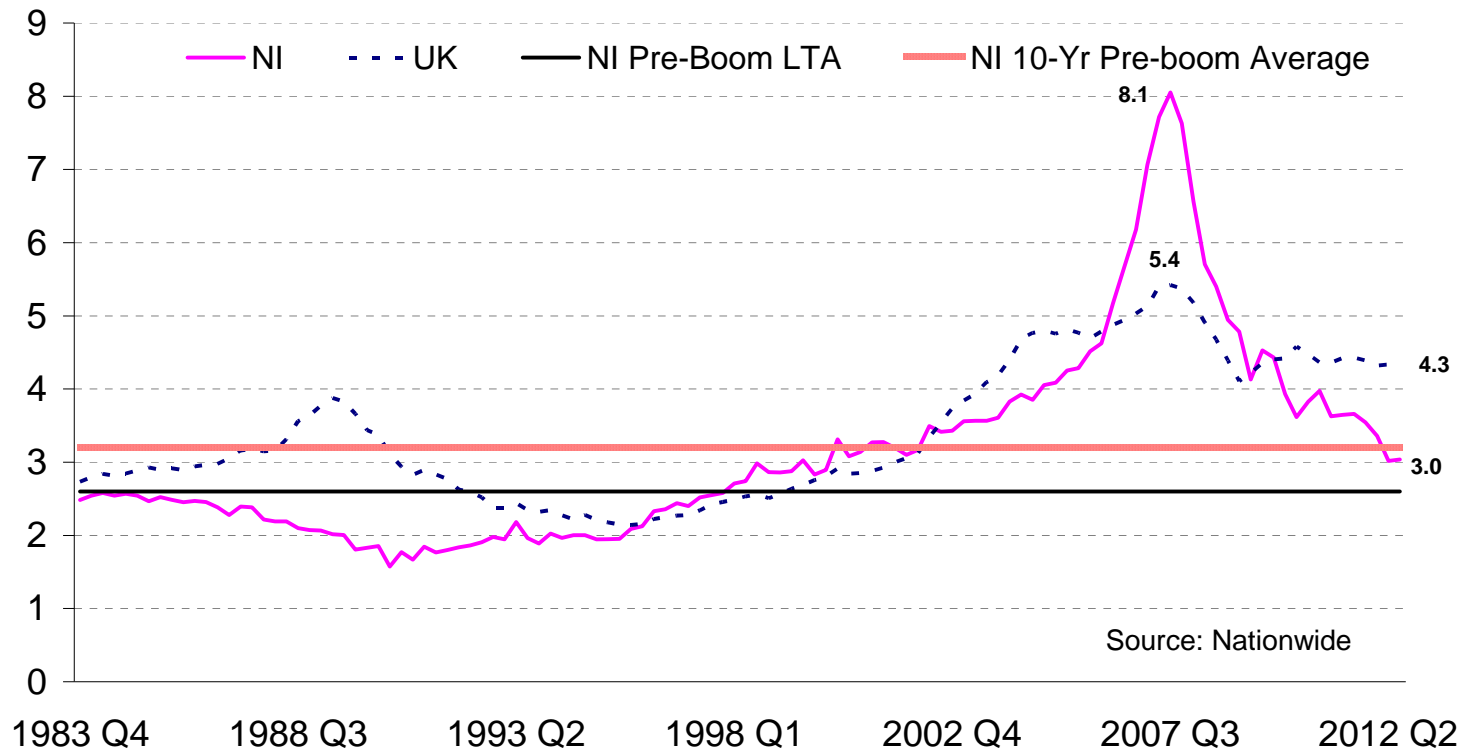
All Houses & All Buyers

Source: Halifax



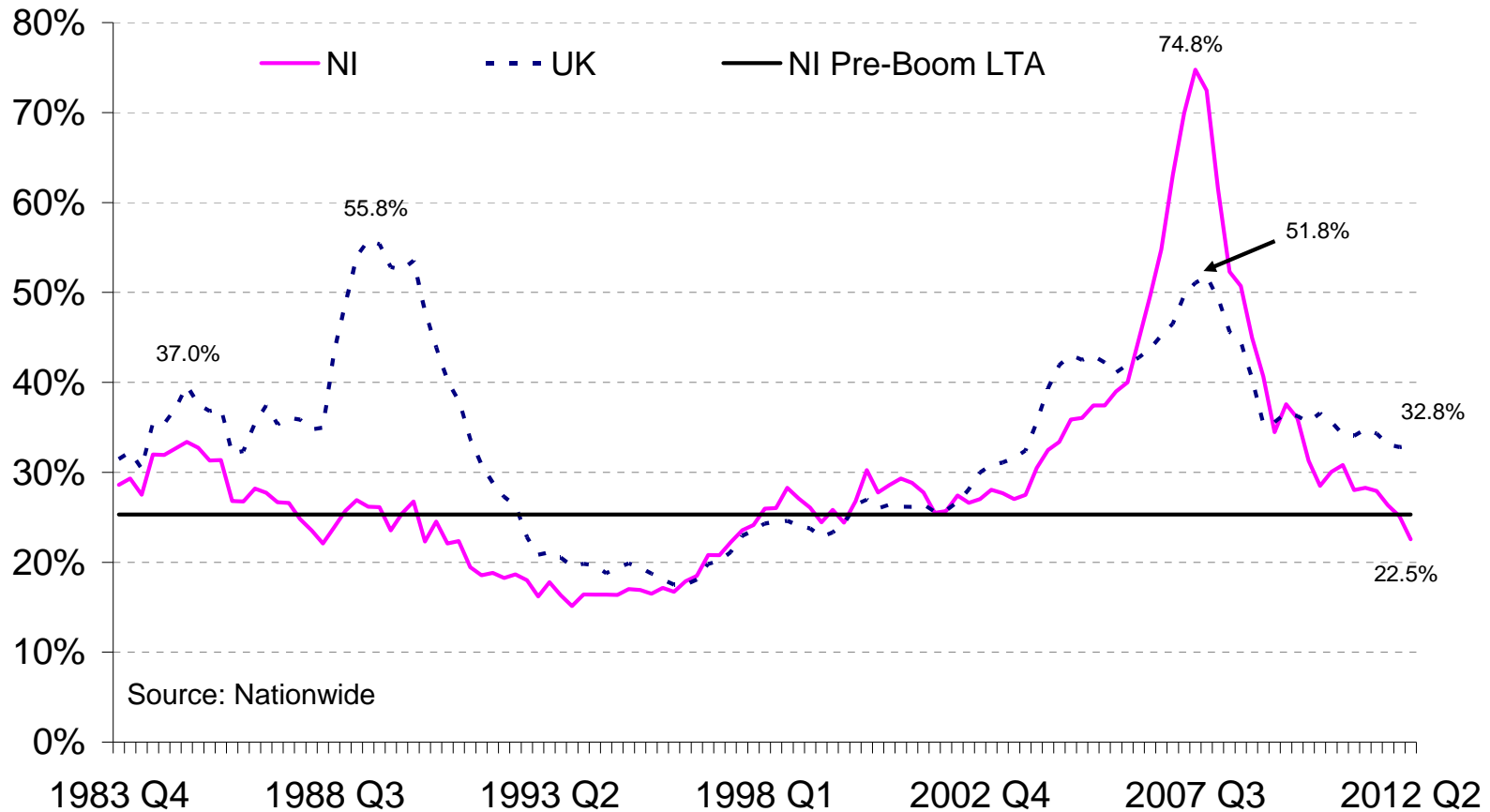
NI's HPE ratio for first-time buyers has dipped below the pre-boom 10-yr average of 3.2...

Nationwide FTB House Price to Earnings Ratio



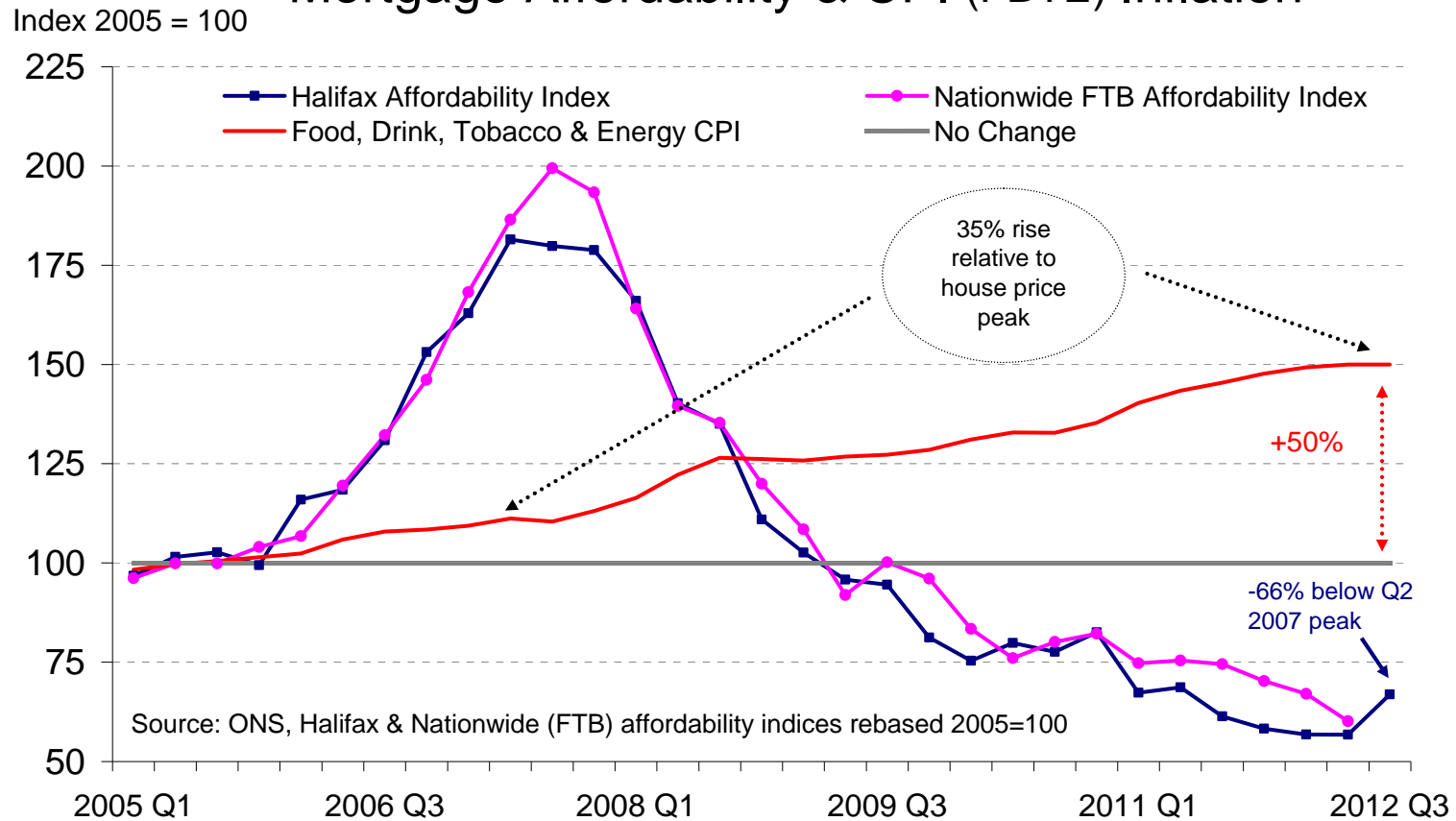
NI FTB affordability index hits a 15-year low

FTB Mortgage Payments as a % of Mean Take Home Pay



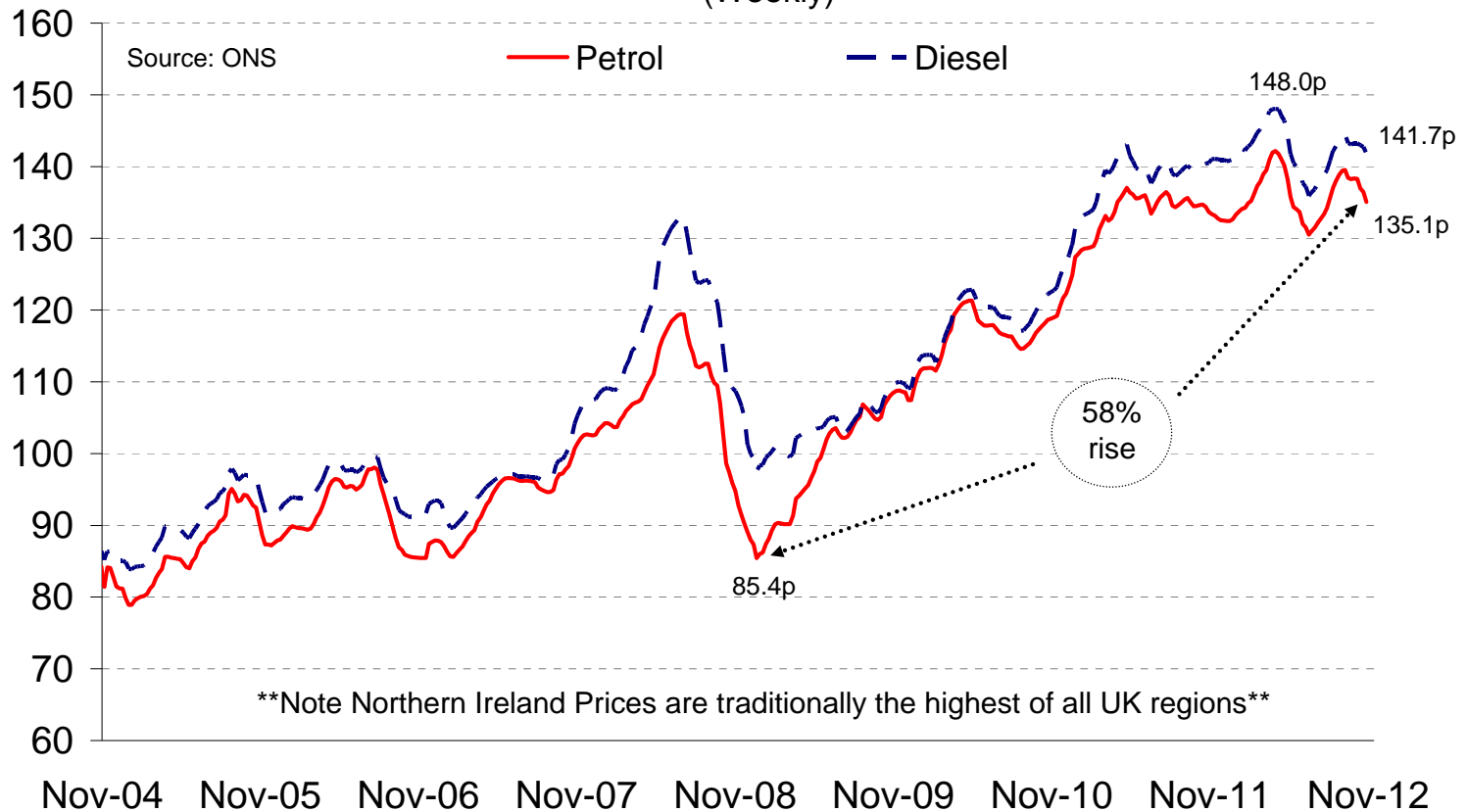
...but its not just after tax income that is important. Post-tax income after necessities (*food & energy*) is important

Mortgage Affordability & CPI (FBTE) Inflation

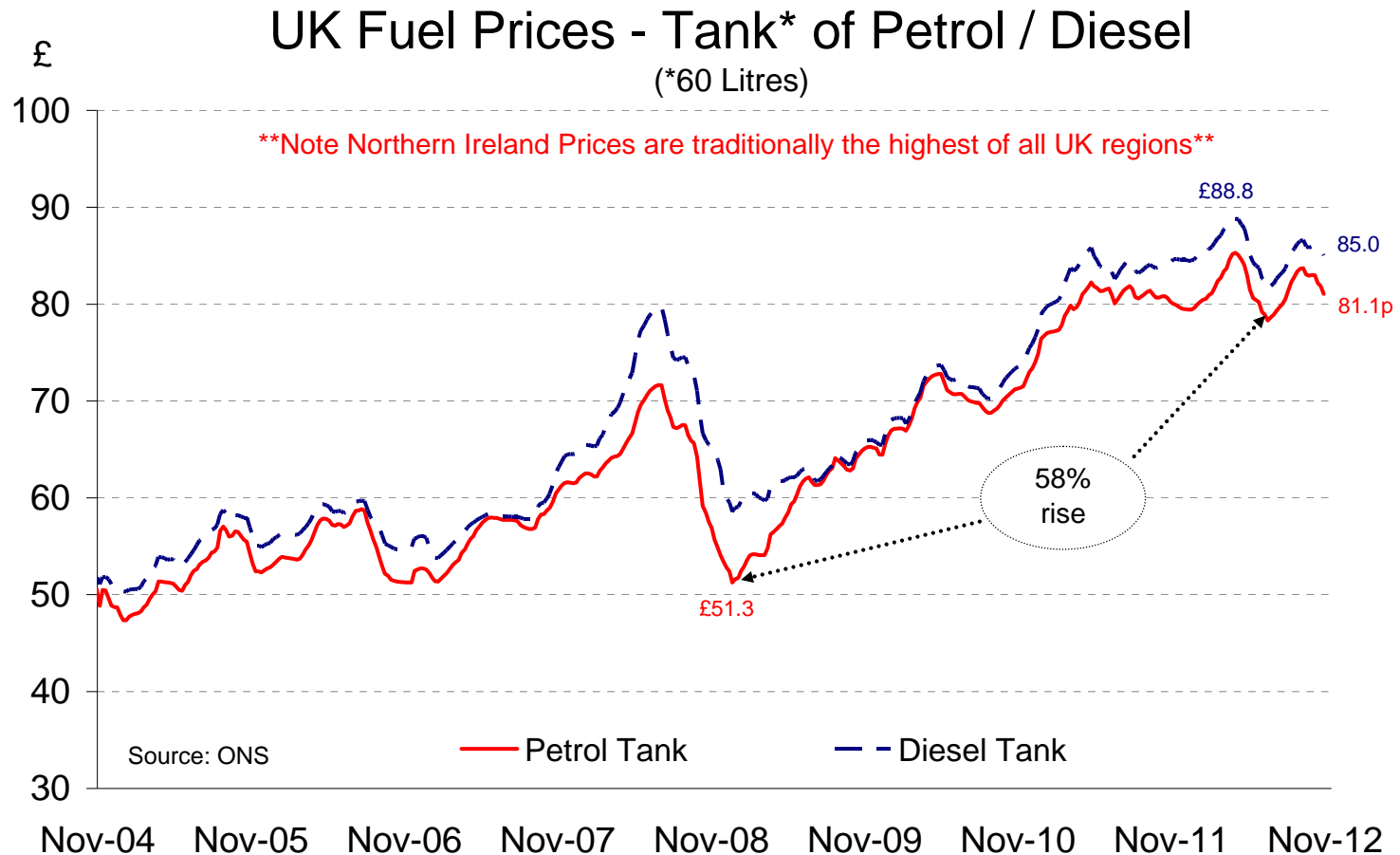


Between Q2 2007 & November 2012 the price of a tank of petrol / diesel has risen from £57/58 to £81/85 (42-47% rise)

UK Fuel Prices - Pence per litre (Weekly)

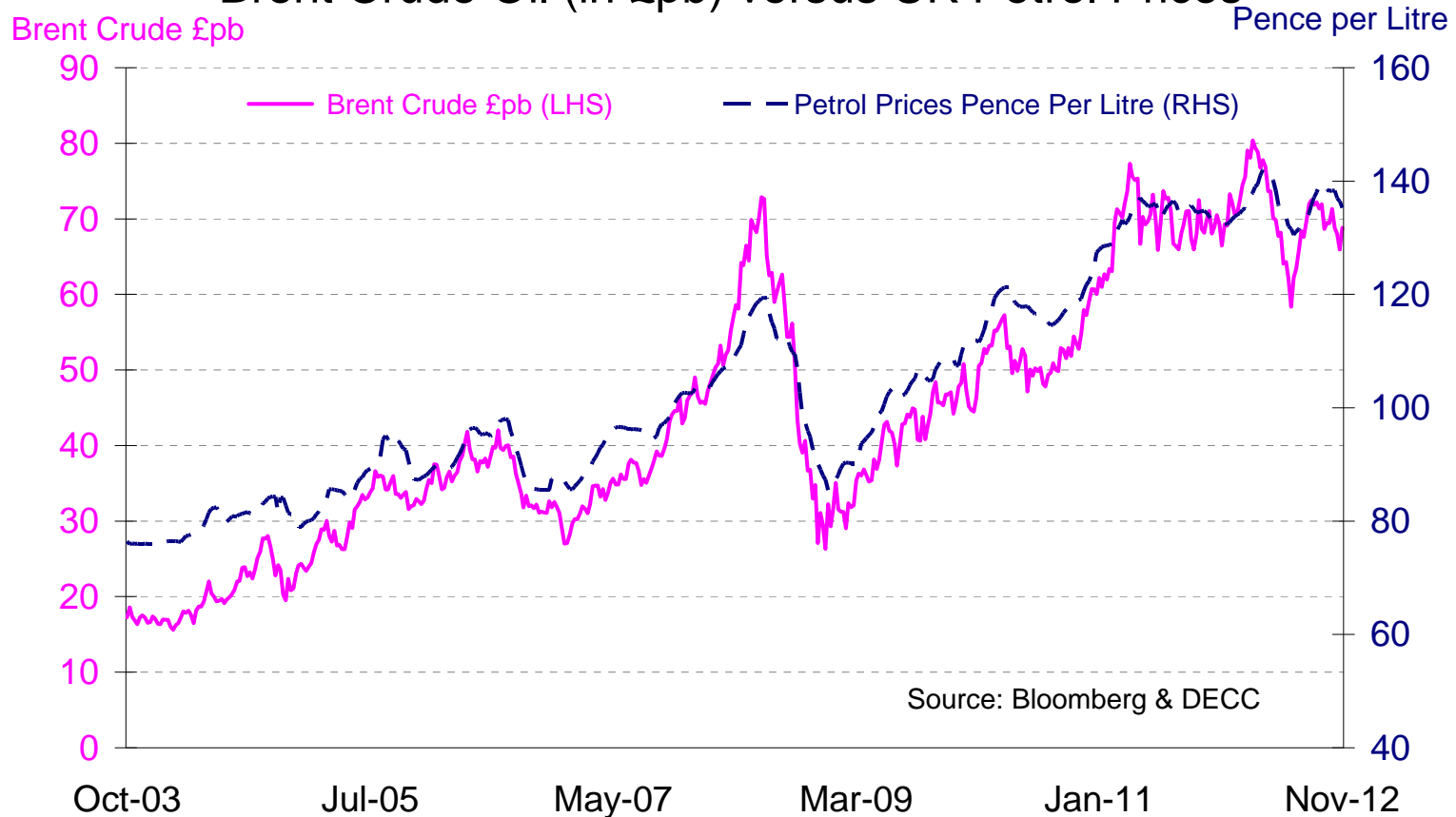


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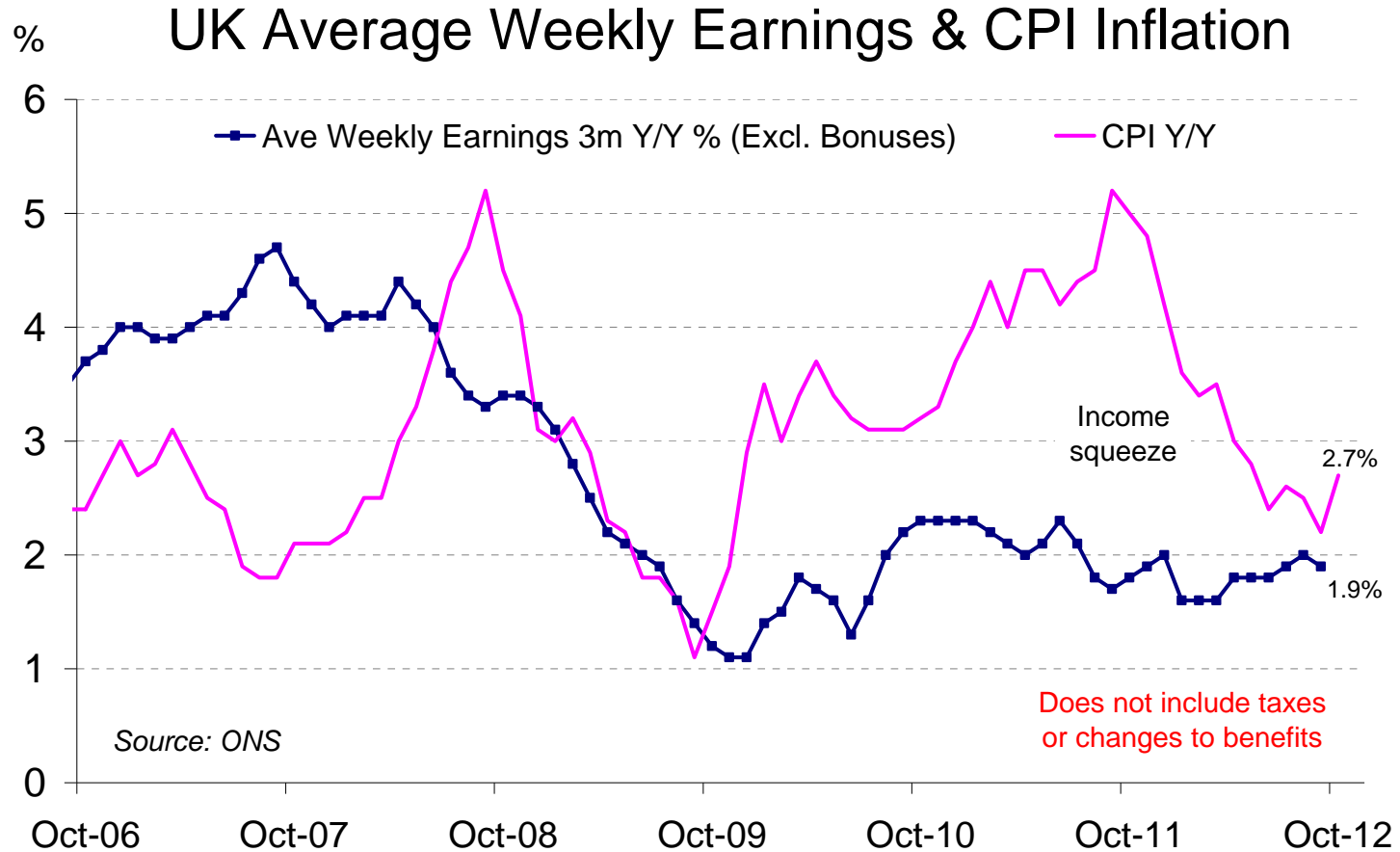


Between Q2 2007 & November 2012 the price of a barrel of Brent Crude oil in £ has risen from £34.7 to £70 (+100%)

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

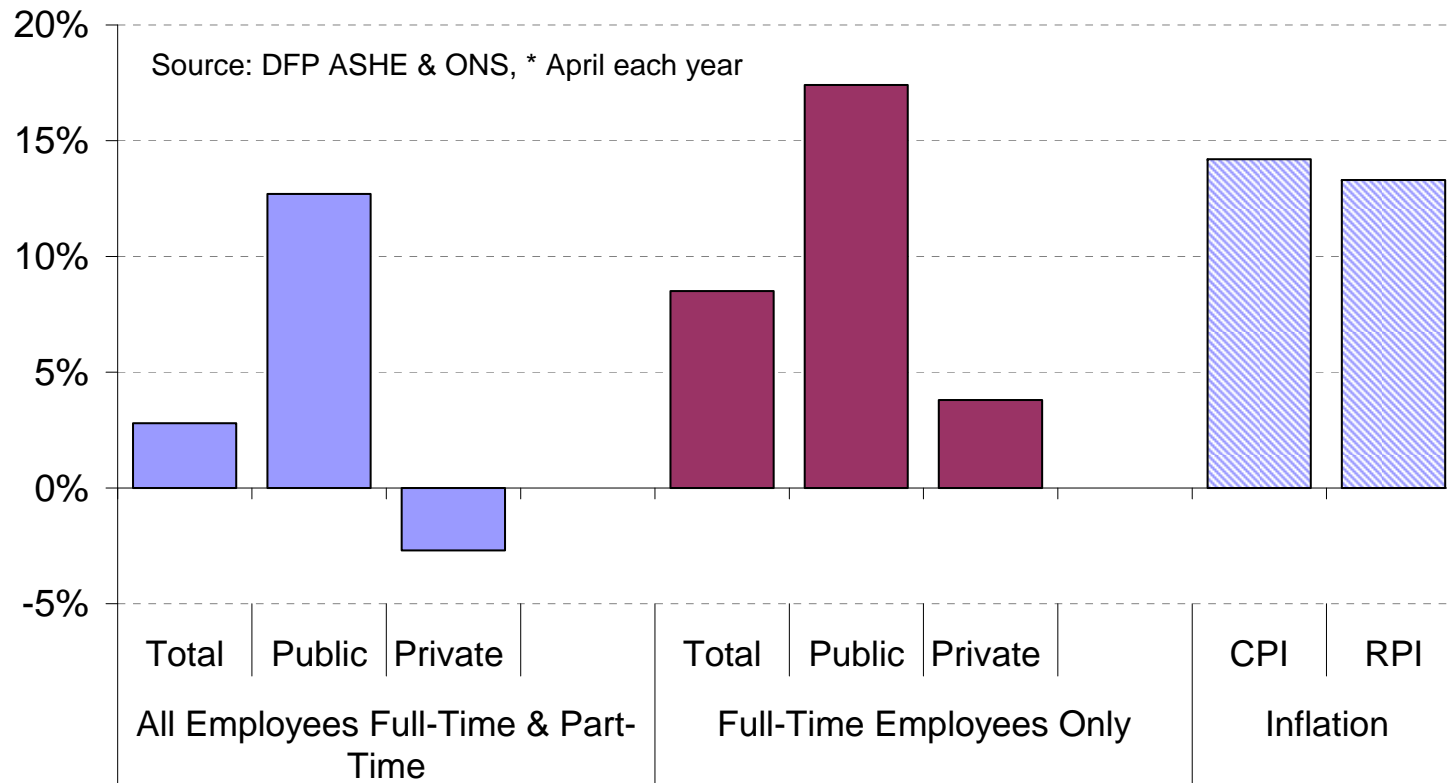


Inflation has contributed to income squeeze which in turn has deferred the deleveraging of household debt...

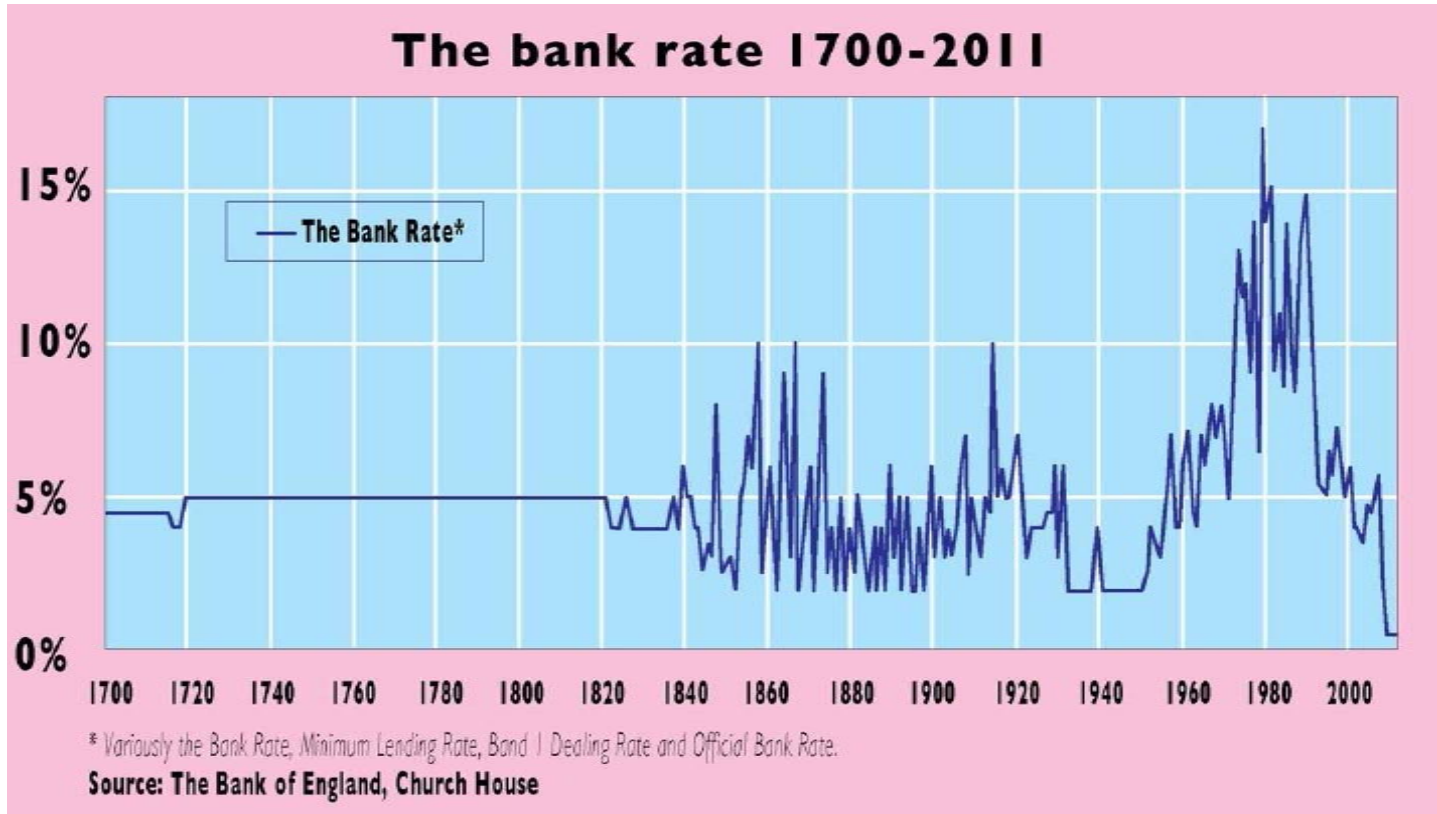


In NI, the rate of inflation has outpaced earnings growth for most individuals

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

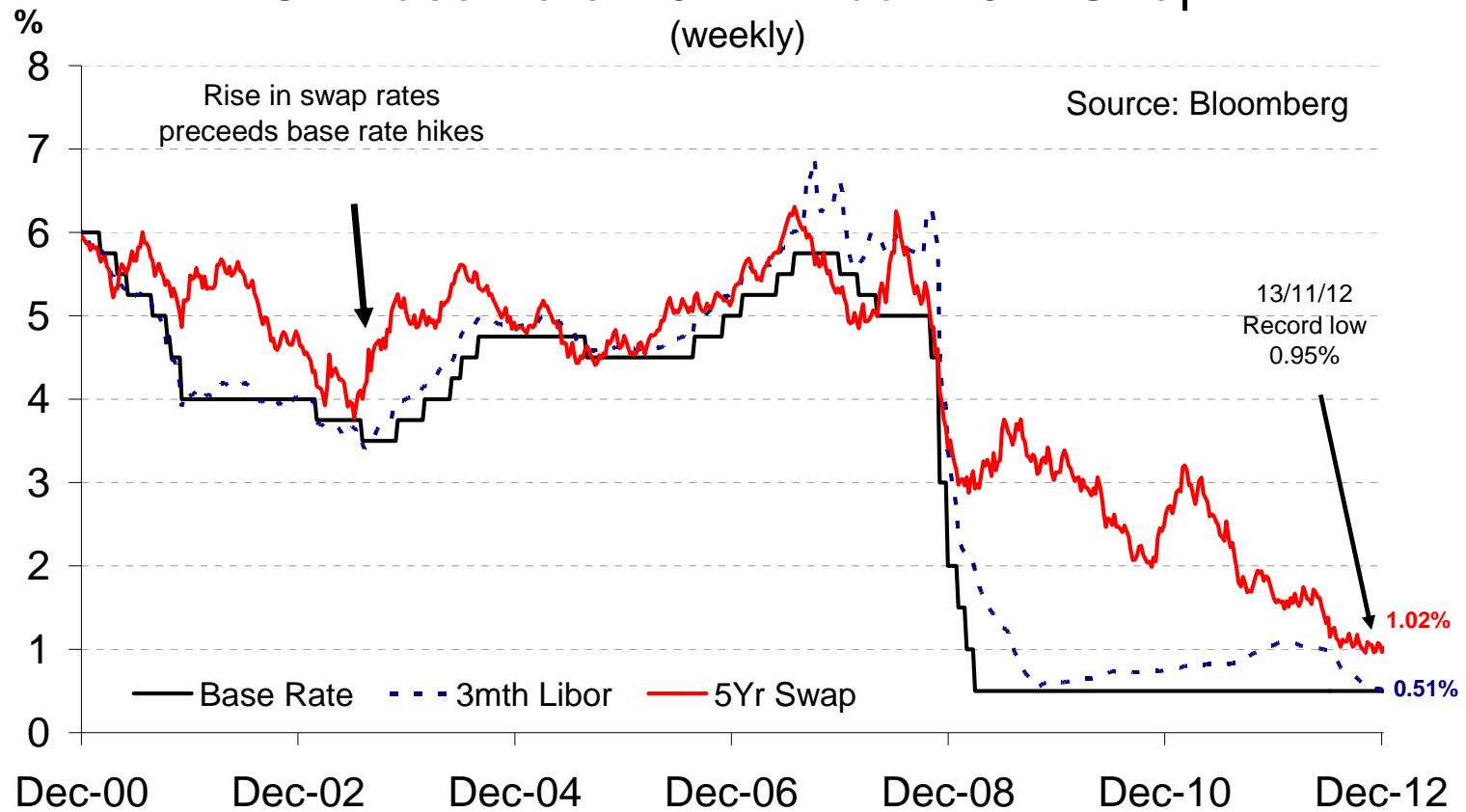


The Bank of England will not keep its bank rate at a record low forever...



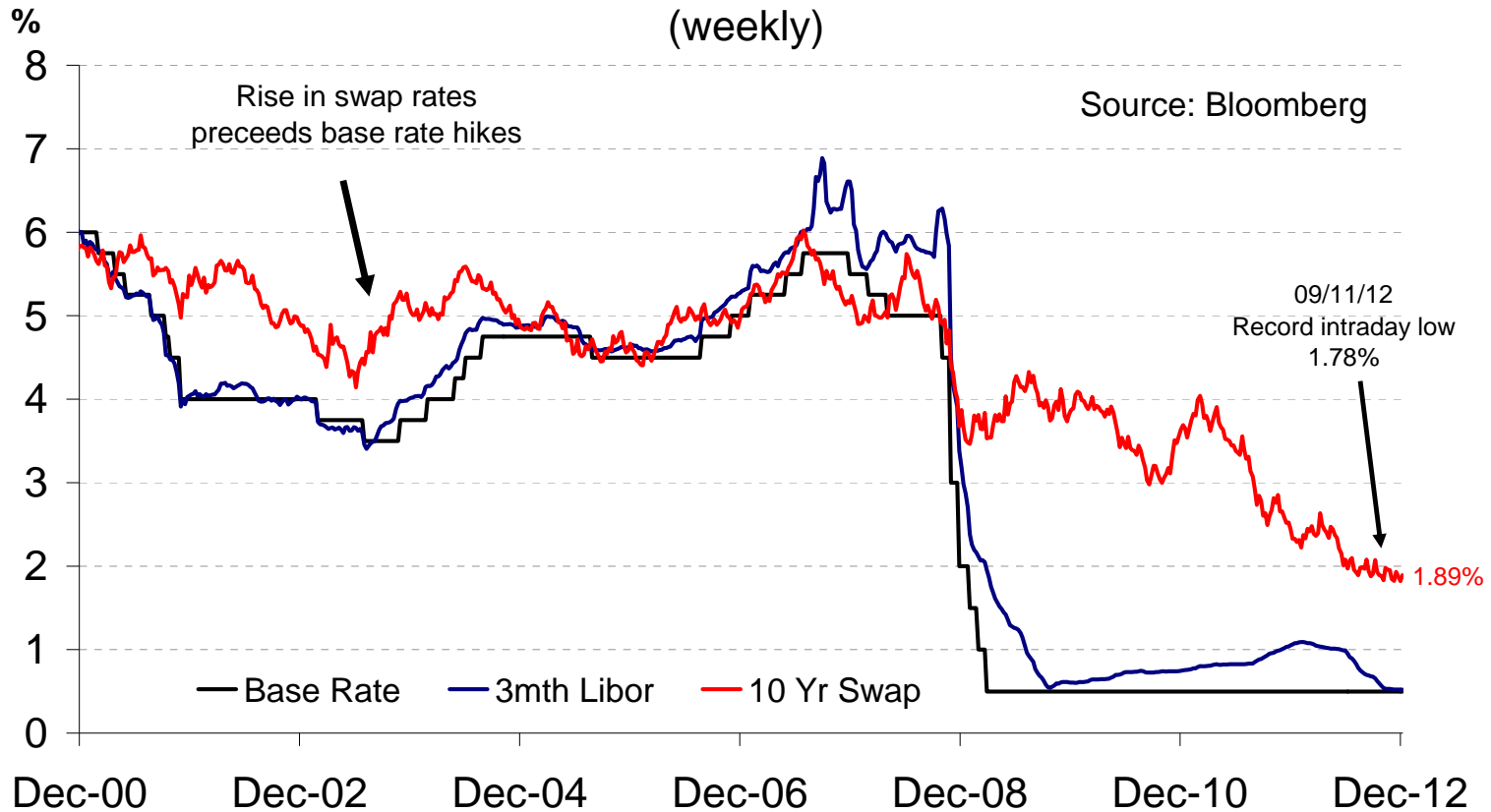
...record low in 5-yr swap rates are a further indication of rates staying lower for a lot longer enjoy it while you can...

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

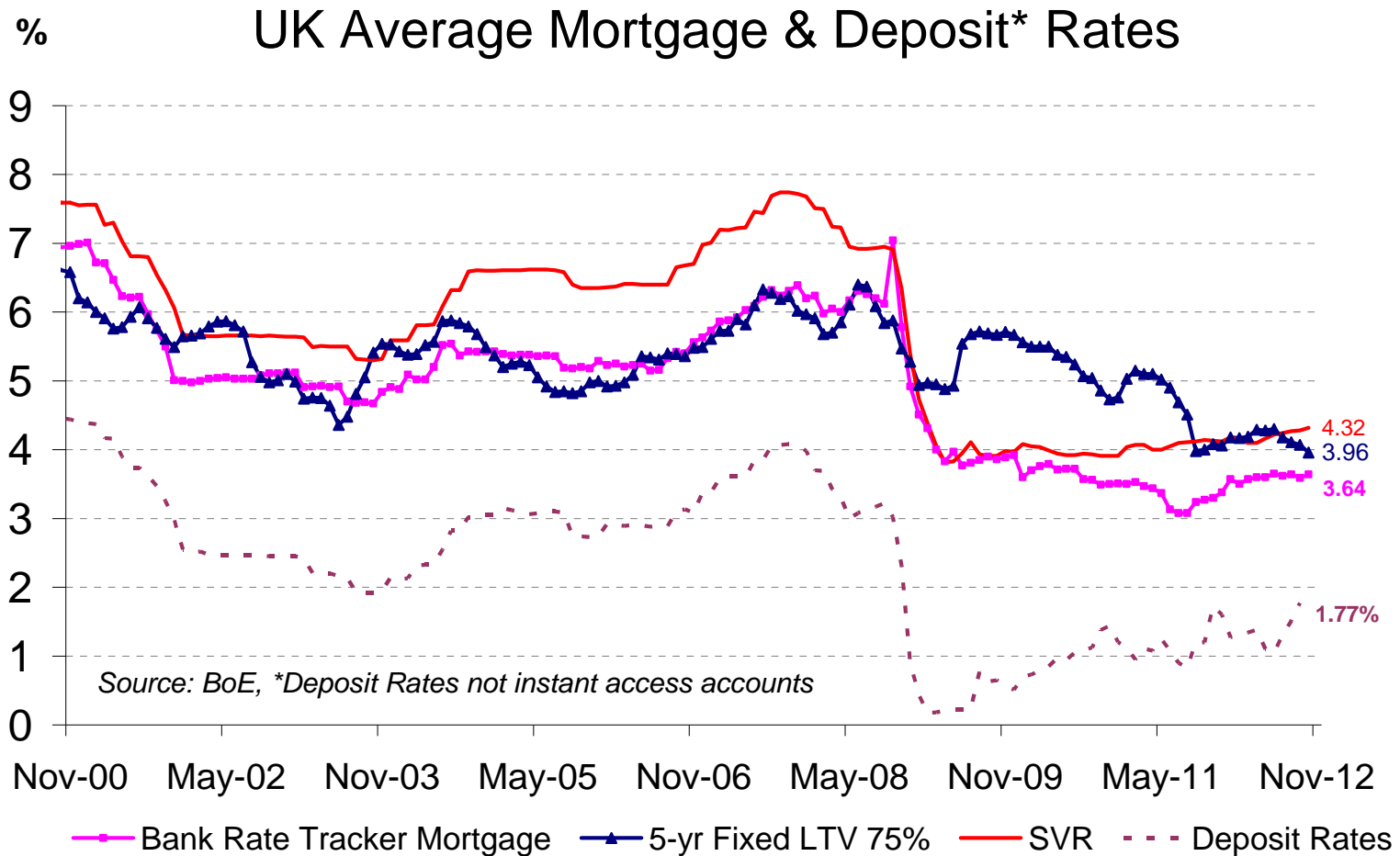


... also 10-yr swap rates hit a record intraday low of 1.78% last month

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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