

Box 6

RECENT HOUSE PRICE DEVELOPMENTS IN THE EURO AREA

According to the ECB's residential property price indicator¹, the annual rate of change in residential property prices in the euro area was -1.5% in the second quarter of 2012 (see the chart). Since the fourth quarter of 2010, when it stood at around 2%, it has moderated gradually, entering negative territory in the last quarter of 2011. This moderation has taken place against the background of tensions in several euro area financial markets.

The contributions to recent developments in euro area house price growth vary considerably across countries. Prices have continued to decline in year-on-year terms in many countries, particularly in some southern European countries (e.g. Greece, Spain and Portugal), but also in Ireland and the Netherlands (see the table). In most of these countries, the declines were

Nominal residential property prices
in the euro area

(index: 2007 = 100; annual percentage changes)



Sources: National data and ECB calculations.
Note: Footnote 1 in the main text provides information on the compilation of the nominal index.

1 In 2010 the ECB started to compile its residential property price indicator for the euro area on a quarterly basis. For further details, see the box entitled "Recent housing market developments in the euro area", *Monthly Bulletin*, ECB, Frankfurt am Main, December 2010.

Residential property prices (nominal) in the euro area

(annual percentage changes)

	Weight (percentage)	Average over 1999-2011	2010		2011		2012		2011				2012	
			2010	2011	H1	H2	H1	Q1	Q2	Q3	Q4	Q1	Q2	
Belgium ¹⁾	3.8	6.5	5.4	3.1	3.3	2.9	3.2	3.1	3.4	3.8	2.1	3.8	2.7	
Germany ²⁾	26.7	-	0.5	2.6	2.7	2.5	3.0	3.1	2.3	2.7	2.3	2.5	3.5	
Estonia ³⁾	0.2	-	0.1	9.9	6.4	13.4	10.2	2.2	10.7	14.4	12.4	13.8	6.8	
Ireland ²⁾	1.8	3.1	-13.1	-13.2	-11.8	-14.7	-16.3	-11.1	-12.4	-13.5	-15.8	-17.2	-15.4	
Greece ³⁾	2.6	5.1	-4.7	-5.4	-5.3	-5.6	-9.7	-5.4	-5.1	-4.6	-6.5	-9.3	-10.1	
Spain ²⁾	11.7	6.5	-2.0	-7.4	-5.5	-9.3	-13.5	-4.1	-6.8	-7.4	-11.2	-12.6	-14.4	
France ¹⁾	21.3	7.4	5.1	5.9	7.0	4.9	0.9	7.0	7.1	6.2	3.7	1.9	-0.1	
Italy ²⁾	17.0	4.6	0.1	0.7	0.9	0.5	-0.9	0.6	1.1	0.9	0.3	-0.3	-1.7	
Cyprus ²⁾	0.2	-	-1.3	-4.1	-3.2	-5.0	-5.4	-3.1	-3.4	-4.3	-5.7	-4.9	-5.9	
Luxembourg ³⁾	0.4	-	4.5	4.1	4.0	4.2	4.8	2.4	5.7	1.9	6.5	5.4	4.3	
Malta ²⁾	0.1	5.2	1.1	1.3	-1.3	3.9	-	-2.6	0.0	1.8	6.2	5.5	0.1	
Netherlands ¹⁾	6.4	4.1	-2.0	-2.3	-1.6	-3.0	-4.4	-1.2	-1.9	-2.7	-3.4	-3.8	-5.0	
Austria ²⁾	3.1	2.2	5.7	4.1	2.6	5.6	-	3.9	1.4	5.7	5.5	10.7	-	
Portugal ²⁾	1.9	2.2	1.8	-0.2	0.4	-0.8	-1.6	0.6	0.2	-0.8	-0.8	-1.5	-1.8	
Slovenia ²⁾	0.4	-	0.1	2.7	3.7	1.7	-6.4	4.1	3.2	2.1	1.4	-7.1	-5.7	
Slovakia ¹⁾	0.7	-	-3.9	-3.1	-2.7	-3.5	-2.3	-2.5	-2.8	-4.3	-2.7	-2.3	-2.3	
Finland ¹⁾	1.9	4.7	8.7	2.7	3.7	1.8	0.8	4.2	3.2	2.7	0.9	1.1	0.5	
Euro area	100	4.2	1.0	1.0	1.6	0.4	-1.2	1.8	1.3	1.1	-0.3	-0.8	-1.5	

Sources: National data and ECB calculations.

Notes: Weights are based on nominal GDP in 2009.

1) Existing dwellings (i.e. houses and flats); whole country.

2) All dwellings (i.e. new and existing houses and flats); whole country.

3) All flats; whole country.

somewhat steeper in the first half of 2012 than in the second half of 2011. Furthermore, in the first half of 2012 the annual rate of growth in house prices entered negative territory in Italy, but accelerated somewhat in Belgium, Germany and Luxembourg.

In the second quarter of 2012 the residential property price indicator for the euro area was around 3% lower than it was in mid-2008. This suggests little unwinding in absolute terms, but should be viewed against developments in the affordability of residential properties and the prices of alternatives to owner-occupied housing. For example, commonly used valuation indicators suggest that the degree of misalignment of house prices with fundamentals that had built up in a number of euro area countries has declined significantly since the onset of the crisis, but has not been eliminated entirely.²

² See the box entitled “Tools for detecting a possible misalignment of residential property prices from fundamentals”, *Financial Stability Review*, ECB, Frankfurt am Main, June 2011.