

## Box 5

**RECENT HOUSE PRICE DEVELOPMENTS IN THE EURO AREA**

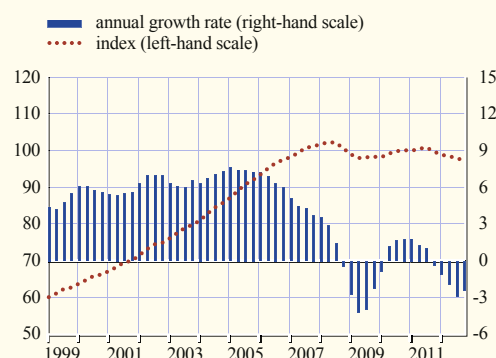
According to the ECB's residential property price indicator, the annual rate of change in euro area house prices was -2.4% in the fourth quarter of 2012, after -2.9% in the third quarter (see the chart).<sup>1</sup> This suggests a halt to the negative trend in annual house price growth observed since the end of 2010. In 2012 as a whole growth was -2.1%, down from 1.0% in 2011.

<sup>1</sup> The ECB's quarterly residential property price indicator for the euro area is described in the box entitled "Recent housing market developments in the euro area", *Monthly Bulletin*, ECB, Frankfurt am Main, December 2010. In January 2013 Eurostat, the statistical office of the EU, started publishing quarterly house price indices for the EU. According to the April 2013 release, house prices in the euro area decreased by 2.2% in the third quarter of 2012 and by 1.8% in the fourth quarter, as compared with the same quarter one year earlier. These indices are compiled in accordance with Commission Regulation (EU) No 93/2013 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 concerning harmonised indices of consumer prices, as regards establishing owner-occupied housing price indices. However, gaps in recent data for Germany, Greece, Cyprus and Austria indicate where further improvements to these indices are needed in order to comply with high statistical standards in terms of representativeness, comparability and timeliness. Until such improvements have been made, the ECB will continue to publish its own residential property price indicator for the euro area, referring also to some non-harmonised indicators.

The contributions to developments in euro area house price growth vary substantially across countries (see the table). In Germany, Austria and Finland, annual house price growth rose in the fourth quarter of 2012, from already positive rates, while in Slovakia it turned positive after previously having been in negative territory. In Ireland, Spain and the Netherlands, house prices continued to fall in annual terms in the fourth quarter, but at a somewhat slower pace than in the previous quarter. By contrast, house price growth moderated in Belgium, Estonia and Luxembourg, although remaining at positive levels, and fell further from already negative levels in Greece, France, Italy, Malta, Portugal and Slovenia.

### 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.

At the end of 2012 the euro area residential property price indicator was 4.8% lower than it was at its peak in mid-2008. When compared with developments in income or rental prices, commonly used house price valuation indicators<sup>2</sup> suggest that euro area-wide house prices have adjusted to levels that are more closely in line with fundamentals. While there may hence be little further downward pressure on house prices from an unwinding of pre-crisis excesses, growth is likely to remain contained in view of the expected gradual economic recovery.

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.

### Residential property prices (nominal) in the euro area

(year-on-year change; percentages)

	Weight (percentage)	Average over 1999-2011	2011		2012		2012					
			2011	2012	H1	H2	H1	H2	Q1	Q2	Q3	Q4
Belgium <sup>1)</sup>	3.8	6.5	3.1	2.5	3.3	2.9	3.3	1.7	3.8	2.7	2.0	1.4
Germany <sup>2)</sup>	26.7	-	2.6	3.0	2.7	2.5	3.0	3.1	2.5	3.5	2.7	3.4
Estonia <sup>3)</sup>	0.2	-	9.9	8.0	6.4	13.4	10.2	5.9	13.8	6.8	6.5	5.3
Ireland <sup>2)</sup>	1.8	3.1	-13.2	-12.8	-11.8	-14.7	-16.3	-9.0	-17.2	-15.4	-11.7	-6.1
Greece <sup>3)</sup>	2.6	5.1	-5.5	-11.7	-5.3	-5.7	-10.5	-12.9	-10.2	-10.8	-12.6	-13.2
Spain <sup>2)</sup>	11.7	6.5	-7.4	-13.7	-5.5	-9.3	-13.5	-14.0	-12.6	-14.4	-15.2	-12.8
France <sup>1)</sup>	21.3	7.4	5.9	-0.5	7.0	4.9	0.8	-1.7	1.9	-0.3	-1.6	-1.7
Italy <sup>2)</sup>	17.0	4.5	0.8	-2.7	0.9	0.6	-1.1	-4.2	-0.2	-2.1	-3.8	-4.6
Cyprus <sup>2)</sup>	0.2	-	-4.1	-	-3.2	-5.0	-5.4	-	-4.9	-5.9	-	-
Luxembourg <sup>3)</sup>	0.4	-	4.1	5.1	4.0	4.2	4.8	5.3	5.4	4.3	7.0	3.8
Malta <sup>2)</sup>	0.1	5.2	1.3	0.5	-1.3	3.9	2.7	-1.7	5.5	0.1	-1.2	-2.2
Netherlands <sup>1)</sup>	6.4	4.1	-2.4	-6.3	-1.6	-3.1	-4.8	-7.9	-4.1	-5.4	-8.4	-7.4
Austria <sup>2)</sup>	3.1	1.7	4.0	6.1	3.2	4.7	4.7	7.4	4.6	4.8	6.1	8.7
Portugal <sup>2)</sup>	1.9	2.2	-0.2	-2.2	0.4	-0.8	-1.6	-2.7	-1.5	-1.8	-2.6	-2.7
Slovenia <sup>2)</sup>	0.4	-	2.7	-6.9	3.7	1.7	-6.4	-7.4	-7.1	-5.7	-6.0	-8.8
Slovakia <sup>1)</sup>	0.7	-	-3.1	-1.1	-2.7	-3.5	-2.3	0.1	-2.3	-2.3	-0.6	0.9
Finland <sup>1)</sup>	1.9	4.7	2.7	1.6	3.7	1.8	1.0	2.2	1.1	0.9	1.7	2.8
Euro area	100	4.2	1.0	-2.1	1.6	0.4	-1.5	-2.7	-1.1	-1.9	-2.9	-2.4

Sources: National sources and ECB calculations.

Notes: Weights are based on nominal GDP in 2009.

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

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

3) All flats; whole country.