

Box 6

RECENT HOUSE PRICE DEVELOPMENTS IN THE EURO AREA

According to the ECB's residential property price indicator, euro area house prices decreased by 2.4% year on year in the second quarter of 2013, and thus by less than in the first quarter (-2.8%).¹ The index level points to tentative signs of a bottoming-out of house prices, following declines since autumn 2011 (see the chart).

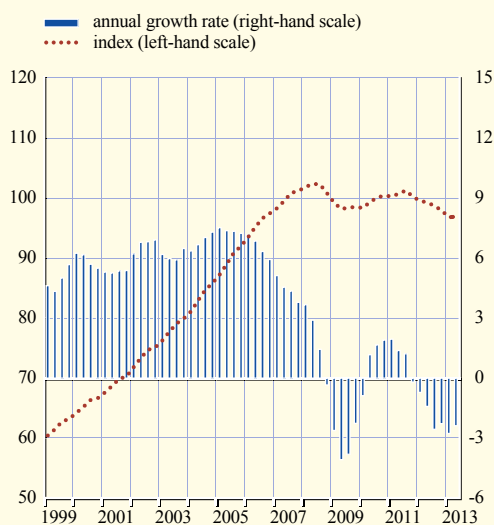
Developments in the euro area residential property price indicator remained characterised by significant heterogeneity across countries (see the table). The dispersion in annual growth rates in the second quarter of 2013 covered a range from -12% in Spain to +12% in Estonia. The group of countries in which house prices continued to decline sharply in annual terms included – in addition to Spain – Greece, Italy, Cyprus and the Netherlands. In Slovenia, Portugal, France and Ireland, the annual declines were less pronounced and, in the case of Ireland, the latest data provide tentative signs of a stabilisation of prices. In contrast to developments in these countries, strong annual increases were recorded in the second quarter of 2013 for Estonia, Luxembourg and Austria, while in Belgium, Germany, Finland and Slovakia, price increases were moderate.

By the second quarter of 2013, the euro area residential property price indicator was around 5% lower than it was at its peak in mid-2008. This modest unwinding should be viewed in the context of developments in affordability, demographics, housing rents and housing supply.

¹ According to Eurostat's House Price Index released in October 2013, house prices in the euro area decreased by 2.4% in the first quarter of 2013 and by 2.2% in the second quarter, compared with the same quarters one year earlier. However, gaps in recent data for Germany, Greece, Cyprus and Austria indicate where further improvements to these indices are needed to comply with the high statistical standards of representativeness, comparability and timeliness. Until such standards are met, the ECB will continue to publish its own euro area residential property price indicator, referring also to some non-harmonised indicators.

Nominal residential property prices
in the euro area

(index: 2007 = 100; annual percentage changes)



Sources: National data and ECB calculations.

Residential property prices (nominal) in the euro area

(year-on-year changes, as a percentage)

	Weight (%)	Average over 1999-2011	2012	2012		2012				2013	
				H1	H2	Q1	Q2	Q3	Q4	Q1	Q2
Belgium	3.8	6.5	2.5	3.3	1.7	3.8	2.7	2.0	1.5	1.7	2.4
Germany	26.7	-	3.0	3.0	3.1	2.5	3.5	2.7	3.4	3.4	3.3
Estonia	0.2	-	8.0	10.2	5.9	13.8	6.8	6.5	5.3	7.8	12.0
Ireland	1.8	3.1	-12.8	-16.3	-9.0	-17.2	-15.4	-11.7	-6.1	-3.0	-0.4
Greece	2.6	5.1	-11.7	-10.7	-12.8	-10.5	-10.8	-12.6	-13.0	-11.3	-11.6
Spain	11.7	6.5	-13.7	-13.5	-14.0	-12.6	-14.4	-15.2	-12.8	-14.3	-12.0
France	21.3	7.4	-0.5	0.8	-1.8	1.9	-0.3	-1.6	-2.1	-2.0	-1.7
Italy	17.0	4.4	-2.8	-1.1	-4.5	-0.2	-2.1	-3.8	-5.2	-6.0	-5.9
Cyprus	0.2	-	-5.4	-5.4	-5.3	-4.9	-5.9	-5.8	-4.8	-5.3	-5.9
Luxembourg	0.4	-	4.2	4.3	4.1	4.6	4.1	4.4	3.8	4.2	5.1
Malta	0.1	5.2	0.5	2.7	-1.7	5.5	0.1	-1.2	-2.2	-0.6	1.1
Netherlands	6.4	4.1	-6.3	-4.8	-7.9	-4.1	-5.4	-8.4	-7.4	-8.3	-8.5
Austria	3.1	2.2	12.4	13.1	11.7	10.7	15.6	11.9	11.5	4.8	5.0
Portugal	1.9	2.2	-2.2	-1.6	-2.7	-1.5	-1.8	-2.6	-2.7	-3.8	-3.7
Slovenia	0.4	-	-6.9	-6.4	-7.4	-7.1	-5.7	-6.0	-8.8	-4.3	-4.6
Slovakia	0.7	-	-1.1	-2.3	0.1	-2.3	-2.3	-0.6	0.9	0.4	0.2
Finland	1.9	4.7	1.6	1.0	2.2	1.1	0.9	1.7	2.8	2.0	2.1
Euro area	100	4.1	-1.7	-1.1	-2.4	-0.7	-1.4	-2.6	-2.3	-2.8	-2.4

Sources: National data and ECB calculations.

Notes: Existing dwellings (houses and flats), whole country: BE, FR, NL, SK and FI. All dwellings (new and existing houses and flats) whole country: DE, IE, ES, IT, CY, MT, AT, PT and SI. All flats, whole country: EE, GR and LU.

A range of commonly used valuation approaches² suggests that the level of residential property market prices in the euro area, as a whole, are now broadly in line with fundamentals. However, misalignments at the country or regional level may still exist.

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.