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Northern Ireland

Quarterly House
Price Index

For Q2 2003



produced in partnership with



Bank of Ireland

**Housing
Executive**

Introduction

This survey analyses the performance of the Northern Ireland housing market during the period April to June 2003. The second quarter of the year is generally considered to be a period of peak activity in the housing market. Compiled by the University of Ulster, in partnership with Bank of Ireland and supported by the Northern Ireland Housing Executive, the results in this report are based on a sample of 2,618 open market transactions. Information is presented on property performance for the overall market, for different property types at a regional level, and for market areas throughout the province.

The overall performance of the housing market is measured by a mix-adjusted index, weighted to reflect the market share of each property type. Production of an index captures the various movements in the market and allows changes over time to be tracked.

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Fresh Peaks!

Even a casual examination of the latest findings from our Quarterly House Price survey reveals a couple of outstanding messages:

- (i) Residential property in Northern Ireland remains a safe and solid investment, somewhere to 'Nest and Invest'.**

The three month snapshot for the period to the end of June has again shown the annual rate of house price inflation close to the middle of the expected 5 to 10% range, consistent with the broader trends in an economy with a proportionately large public sector offering greater security of employment and incomes at a time of overall economic uncertainty.

Of course, it is fair to say that the performance of the local market remains some way off the red-hot pace which continues in Britain but while some may care to disagree, I think this is essentially a good thing, arguably providing a more sustainable picture which renders us less exposed to the risks of a painful correction in prices later on.

The Spring and early Summer period is usually regarded as the peak season for housing market activity and it is perhaps fitting that the latest survey shows that both the average price (now nearly £102,000) and the weighted index (after appearing to plateau in recent quarters), scaling new peaks.

On the broader perspective, it is also interesting to note that since the Bank of England last raised interest rates in February 2000, average house prices in Northern Ireland have risen by over 30%, about half the rate of GB but outstripping the rise in the general price level (as measured by the RPI) by a factor of 4 and all in the context of a 35% drop in the stockmarket (as measured by the FTSE 100). Over the period, residential property returns also compare very favourably with the typical total return before tax on a high interest deposit account of 12 to 15%.

- (ii) When you delve a little deeper into the report, you will notice the relevant consistency of performance between the main property types but considerable variation in the rates of price growth across Northern Ireland. ie a geographical dimension.**

Generally, in Belfast and in the Belfast Metropolitan area where average prices already top the £100,000 mark, the rate of house price inflation is relatively sedate in comparison with the double digit growth recorded in the lower density areas, particularly west of the Bann.



This may be a commentary to some extent on issues of housing stock supply, relative affordability, value for money perceptions and sub-regional catch-up but the growth in commuter traffic along the M1 and M2 corridors is perhaps evidence of consumer life-style choices i.e. an increasing number seem prepared to trade off higher transport costs and longer journey times to work in the greater Belfast area against cheaper housing 35-40 miles plus outside Belfast.

Looking ahead, we cannot divorce the outlook for the property market from interest rate expectations since the access to and availability of the cheapest housing finance since the 1950s has no doubt been the key factor fuelling demand. I note that the latest survey covers a period sandwiched between the last two Bank of England rate cuts but, judging by their responses, the main mortgage lenders are beginning to 'run out of road' in terms of passing on the full magnitude of these rate cuts.

The real test of the resilience of the market will surely come when mortgage rates begin to rise, perhaps sometime in 2004 as economic recovery gathers momentum. Indeed close observers of the mortgage market will have already discerned a tightening in longer-term rates over the summer and the withdrawal of many of the super attractive fixed rate products.

Overall, we should remain positive but realistic in our expectations.

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General Market Trends

The main finding from this latest survey is a further growth in house prices with the average price of a property remaining above the £100,000 threshold. The annual increase relative to the same quarter in 2002, weighted by property type, is 8.09%

The overall average price of residential property is now £101,759, beating the previously highest level set for the first quarter of 2003 (£100,755) when, for the first time ever, the average price exceeded £100,000.

The similarity of average price between these surveys emphasises the consistency of price performance that has been a characteristic of the market over the past year. This confirms the trend towards more sustainable rates of growth with continuing capital appreciation for homeowners while maintaining prices at relatively affordable levels. Hence the housing market is still vibrant across most sectors of the market.

However at a sub-regional level there is considerable variation in prices with distinct differences between market locations throughout the province. Prices of properties in this survey start at £16,000, 7% of the sample sold for under £50,000 while, in contrast, 38% sold for more than £100,000. Only 5% of properties were in excess of £200,000.

In this survey, the growth rate compares price movements between the second quarter of 2003 and the corresponding figures for the same quarter of 2002 to enable annual trends to be analysed. Quarterly change reflects the differences between the current prices and those for the first quarter of 2003. This report also presents statistics for the half-yearly performance by property type (see table on page 3).



The housing market is still vibrant across most sectors of the market



The overall average price of residential property is now
£101,759

Performance by Property Type

All sectors of the market have experienced significant growth in price levels on an annual basis but with less variability of performance between the main property types.

Annual performance compares average price level for quarter two with the corresponding statistics for the second quarter of 2002. On this basis of comparison, the sector with the highest rate of price increase is detached bungalows. The current average price (£130,586) represents an 11.61% rise, which is significantly above the weighted performance for the overall market (8.09%) and that for the other sectors. However in terms of market share, detached bungalows (9%) have a relatively low representation and hence exert less influence on the price index. In contrast, the detached house market has a greater impact on the index. For this sector the overall average price has increased to £153,362. The rate of price growth for detached houses at 7.97% is highly consistent with that for the overall market.

The sector with the highest rate of price increase is detached bungalows

Terraced houses, average price £73,930, have performed better in this survey with a rate of increase (8.81%) slightly above that for the province off-setting the relatively weaker rate of growth in the previous survey. In the semi-detached sectors, the average rate of price increase is similar over the year. For semi-detached houses (average price £92,849) annual price growth is 7.36% and for semi-detached bungalows (average price £83,181) 7.88%, in both cases just below the weighted figure for Northern Ireland. Indeed, a characteristic of this survey is the consistent rates of price increase across the main sectors of the market namely: terraced houses, semi-detached houses and detached houses.

Apartments (average price £96,092) continue to fluctuate in terms of price level with the current average price representing an increase of 4.26% over the year. While this figure is below the price growth in the overall market, it is important to stress that apartment prices are still on the increase. Price levels in the apartment sector underline the wider range of product in the market and the targeting of several new development schemes towards the first-time buyer.

Short-term performance looks at change over the past quarter. Over this period the strongest performing sector is the terraced house market with average price level up by 5.48%. In the detached market the average price of houses has increased by 3.67% and for bungalows by 3.05%. The rate of growth for semi-detached houses is of similar magnitude, 3.02%. However in both the semi-detached bungalow and apartment sectors, the average price is lower this quarter. For the former, price is down by 5.01% inferring that the high price recorded in first quarter has been difficult to sustain. In the case of apartments, the average price is slightly below (1.80%) the first quarter figure but as noted previously the average price in this sector reflects the characteristics of particular new build schemes and their locations.

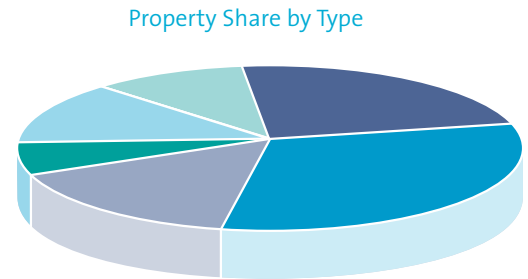
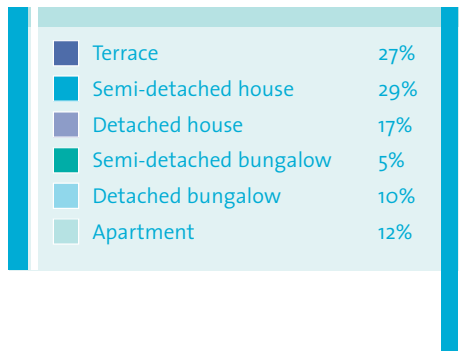
Annual % increase and average price

	Annual Change	Average Price Quarter 2	Average Price Half Year Figures
Terraced House	8.81%	£73,930	£72,342
Semi-detached House	7.36%	£92,849	£91,719
Detached House	7.97%	£153,362	£150,946
Semi-Detached Bungalow	7.88%	£83,181	£85,185
Detached Bungalow	11.61%	£130,586	£128,692
Apartment	4.26%	£96,092	£97,038

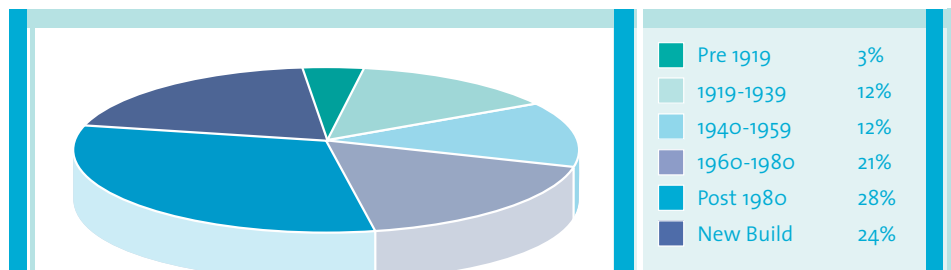
Market Share by Type and Age of Property



The composition of the sample is highly consistent between survey periods. The two dominant property types are semi-detached houses accounting for 31% (n=806 properties) of transactions in this sample and terraced houses with 29% (n=755) of the sample. Detached houses constitute 18% (n=475). Apartments 8% (n=223) of the sample, detached bungalows 9% (n=245) and semi-detached bungalows 5% (n=114) have the smallest market share.



In terms of age profile, the majority of properties in this survey (51%) were constructed after 1960. The survey also incorporates a highly significant number of newly built properties sold for the first time; these constitute a further 21% of the sample. Older properties, pre-1919 construction, have a small representation, 4% of this survey and those of inter-war origin take 10% in keeping with previous reports. A higher proportion of properties were built in the period 1960-80.



Property Share by Age



Average price by region and property type

Region	All	Terrace	SD House	Detached House
Northern Ireland	£101,759	£73,930	£92,849	£153,362
Belfast	£100,647	£79,028	£106,069	£172,490
North Down	£115,485	£82,139	£94,850	£184,955
Lisburn	£111,641	£84,072	£95,084	£171,938
East Antrim	£90,320	£56,384	£78,642	£140,471
Londonderry/Strabane	£83,191	£50,632	£73,358	£141,897
Antrim/Ballymena	£98,521	£56,886	£83,617	£142,038
Coleraine/Limavady/North Coast	£113,721	£78,273	£94,074	£161,011
Enniskillen/Fermanagh/South Tyrone	£94,121	£75,839	£78,670	£117,906
Mid Ulster	£92,257	£81,162	£84,074	£114,114
Mid and South Down	£114,251	£81,291	£89,514	£148,021
Craigavon/Armagh	£88,692	£50,481	£75,658	£124,629

Region	SD Bungalow	Detached Bungalow	Apartment
Northern Ireland	£83,181	£130,586	£96,092
Belfast	£100,383	£149,575	£94,053
North Down	£90,344	£150,746	£77,275
Lisburn	£103,071	£146,877	£83,031
East Antrim	£84,775	£118,294	£95,742
Londonderry/Strabane	£72,629	£91,050	*
Antrim/Ballymena	*	£137,667	*
Coleraine/Limavady/North Coast	*	£115,179	£142,571
Enniskillen/Fermanagh/South Tyrone	*	£130,167	*
Mid Ulster	*	£109,000	*
Mid and South Down	£84,167	£149,269	£103,583
Craigavon/Armagh	£72,329	£104,037	*

Performance by Region

Location is a fundamental issue in any consideration of property markets. In the residential sector there is considerable variation in price level and performance trends across the province.

Belfast

In Belfast the overall average price (£100,647) is up over the year by 4.02%, an increase which is consistent with that reported in the previous survey suggesting that the market is continuing to grow but at a much reduced rate. The quarterly performance confirms this trend with prices up on average by 1.32%. For the Belfast market, the highest rates of annual increase are for semi-detached houses (9.56%) and apartments (5.83%). In the terraced house market (£79,028) average price is up by 3.77% over the year and by 6.38% for the quarter suggesting some volatility in this sector. The detached house market (£172,490) reflects the slowing-down in the rate of growth with average price increase 2.00% over the year and 1.22% for the quarter. The highest priced location remains the **South Belfast** market (£126,532). Within this area all property types have significantly higher price levels for example the average price of terraced houses is £113,466, semi-detached houses £130,736, detached houses £181,144 and apartments £105,813. **East Belfast** with an overall average price of £109,867 is the next highest-priced location but comparable prices on a type basis are appreciably below those of the south of the city. For **East Belfast**, terraced houses have an average price of £78,008, semi-detached houses £116,148 and detached houses £170,757. Price levels are lower in **West Belfast** (average price £83,905) and **North Belfast** (£80,310). On a property type basis, in the west of the city terraced houses average £69,668 and semi-detached houses £102,147 compared to the respective figures of £58,057 and £84,547 in the north of the city.

Belfast Metropolitan Area

Within the Belfast Metropolitan Area, the highest overall average price for this survey is now in **North Down** (£115,485) followed by **Lisburn** (£111,641). In **East Antrim**

(£90,320) the pattern of lower price levels is consistent with previous market reports. All three market areas show an increase in average price level over the year and in common with the Belfast market the rates of increase are below the annual figure for the whole of Northern Ireland. For **North Down**, the overall annual rate of increase is 3.82% though individual sectors of the market all perform better suggesting that differences in sample composition is lowering the overall rate. For example detached houses (average price £184,955) have increased by 12.33% over the year and terraced houses (£82,139) by 9.30%. In the **Lisburn** market, the overall rate of increase is 5.13% but again certain sectors have significantly higher rates of annual increase. For example, terraced house (£84,072) are up by 9.85% on average and detached houses (£171,938) by 13.84%. The **East Antrim** market has a slightly higher rate of overall annual price increase than the other two commuter regions (5.58%). In common with trends noted for the latter, high rates of growth are apparent in the terraced sector (£56,384) up by 11.16% and for detached houses (£140,471) up by 8.82%. The semi-detached house market (£78,642) in **East Antrim** also shows significant rates of price increase up by 9.46%.

The North and North West

For market areas in the North and North West of the province differing patterns of performance are apparent with seemingly high rates of house price growth being maintained. In **Antrim/Ballymena** the overall average price has increased to £98,521 sustaining the increased price level apparent over recent quarters, equivalent to an annual rate of growth of 19.54%. The best performing sectors are for detached houses with the overall average price now £142,038 and terraced houses (£56,886) for which there has been significant rates of price increase over both annual

and quarterly time-scales. For the **Coleraine/Limavady** and **North Coast** area the average price (£113,721) likewise has risen significantly, equivalent to an 11.86% annual rate of increase. This market area has also seen a considerable strengthening in price levels in the detached house (£161,011) and terraced house (£78,273) sectors. For **Derry/Strabane** average house price is now £83,191 representing an increase of 19.16% over the year. In common with the other market areas in the north of the province, a significant part of this increase is due to the strong performance of detached houses, the average price of which has increased to £141,897. Other sectors of the market such as semi-detached houses (£73,358) have experienced more modest rates of price increase.

The West

Property markets in the West of the province also are characterised by significant increases in price levels. House prices in the **Mid-Ulster** market are up by 14.42% per annum but the overall average price (£92,257) is lower for the quarter. Within this market area, which encompasses a number of towns with localised sub-markets, price levels have increased appreciably with the highest annual rates

of growth for semi-detached houses at 18.16% (average price £84,074) and for terraced houses (£81,162). In the detached market the rate of increase is lower, 9.09% for detached houses (£114,114) and 7.19% for detached bungalows (£109,000). The **Enniskillen/Fermanagh/South Tyrone** market, overall average price £94,121, likewise shows significant price growth with on average a 9.14% rate of increase. For this survey the average price of detached bungalows has risen sharply to £130,167 with terraced houses also showing a strong rate of price growth (average price £75,839). Over the quarter, there has been little change in the overall average price though the semi-detached house sector has performed well in comparison to first quarter figures (average price £78,670).

The South

In the South of the province, average price levels have continued to increase but with a variable pattern of performance between the two market areas. For **Craigavon/Armagh**, the overall average price level has increased to £88,692 representing a modest annual increase of only 0.93% and a 0.45% decline over the quarter. However, at a disaggregated level by property type distinct differences are apparent in the rate of increase by property type. In particular sharp upward increases have occurred in the terraced (£50,481) and semi-detached housing markets (£75,658) over the year while quarterly performance is indicative of a stabilisation in the market though semi-detached houses also rose substantially in price level over the quarter. **Mid & South Down** with an average price of £114,251 is again one of top priced markets within Northern Ireland. Over the annual time-scale, significant rates of price growth have occurred across the whole spectrum of the market with price levels up on average by 15.07%. The strongest performing property types are semi-detached houses and terraced houses with the respective average price levels now £89,514 and £81,291. Significant price increases have also occurred in the detached bungalow sector (£149,269) though detached houses are only up by 5.63% for the year (£148,021). Over the quarter the price increase across all property types is 0.51% but with higher rates of increase for terraced houses and detached bungalows.

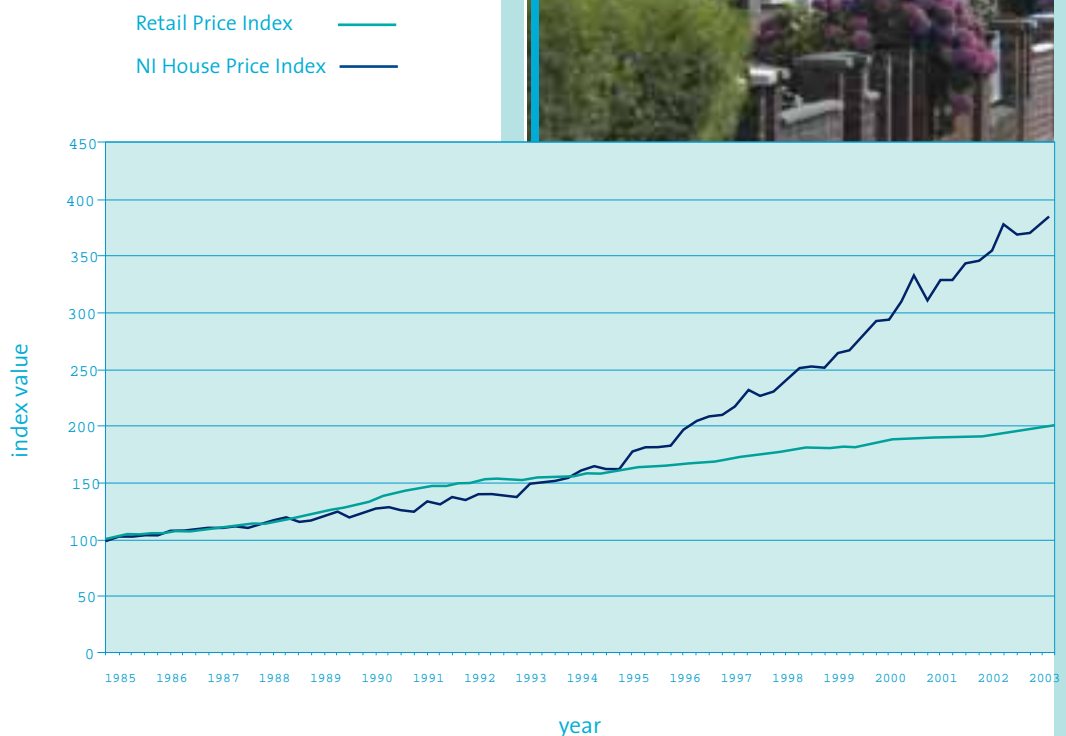
Average house price by region

	Average Price
Northern Ireland – All	£101,759
Belfast – All	£100,647
1. North Belfast	£80,310
2. South Belfast	£126,532
3. East Belfast	£109,867
4. West Belfast	£83,905
5. North Down	£115,485
6. Lisburn	£111,641
7. East Antrim	£90,320
8. Londonderry/Strabane	£83,191
9. Antrim/Ballymena	£98,521
10. Coleraine/Limavady/N. Coast	£113,721
11. Enniskillen/Fermanagh/S. Tyrone	£94,121
12. Mid Ulster	£92,257
13. Mid & South Down	£114,251
14. Craigavon/Armagh	£88,692

The House Price Index

The value of the index, which is calculated relative to the base quarter for the survey in 1984, is now 383.72 representing a new peak figure. The previous peak value (377.23) was set for the third quarter of 2002.

The index has increased following successive quarters in which there had been relatively little movement. Comparison between the house price index, which measures nominal growth, and trends in the Retail Price Index indicates that house price growth within Northern Ireland continues to be significantly above the general rate of inflation. As illustrated by the time series graph a high degree of divergence occurs between the two index series. Residential property compared to other assets has performed well and as the index highlights is still providing return through capital growth.



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