



Northern Ireland



Quarterly House
Price Index
For Q3 2003



produced in partnership with



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Introduction

This survey analyses the performance of Northern Ireland's housing market during the period July to September 2003. Past evidence indicates that the third quarter is normally a buoyant period with the housing market building upon activity and price growth in the second quarter. This report compiled by the University of Ulster, in partnership with Bank of Ireland and supported by the Northern Ireland Housing Executive confers with the broad trend from previous surveys.

The price statistics in this report are based on a sample of 2,577 open market transactions. Information is initially presented on property market performance at the Northern Ireland level with analysis for different property types and subsequently at a regional level with a consideration of 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. The index captures various movements within a single statistic and allows changes over time to be tracked.

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Take Comfort in Moderation

December 2003

The decision by the Monetary Policy Committee to raise interest rates last month, the first time in almost four years, was well flagged and could hardly be described as a shock. Furthermore, it now seems very likely that we will see another small rise by mid-February and by this time next year homeowners could be paying as much as 1% more on their mortgage.



On a standard 25 year loan of £80,000, at current rates a 1% rise equates to an additional £50 per month in repayments. Conventional wisdom seems to be that the Bank of England is now on the warpath against reckless borrowing, property speculation and the culture of spending money we don't have. An interpretation, incidentally, I do not necessarily share.

It is against this backdrop that I take comfort in the latest Northern Ireland house price data for the three month period to the end of September. The macro picture is one of continuing moderation in the rate of residential property inflation, with price growth trending towards the bottom of our established 5-10% range during the quarter although looking at the year-on-year comparison and allowing for the high base effects from Q3 2002, performance in the last three months was actually quite perky, especially in the semi-detached segment.

Overall comparisons with the market in Britain where average prices are still rising at a rate in excess of 1% a month are inevitable. I believe we should take comfort in a local market less vulnerable to a negative shock. It would appear that the Northern Ireland housing market is already adjusting to a spell of slower growth, evidenced in particular at the top end of the market especially in detached dwellings with values of £150,000+.

We may be confident that homebuyers have already anticipated a slightly less accommodating monetary environment in the next few years as the interest rate cycle begins to turn up; other factors may also be influencing sentiment, including the likelihood of slower income growth in the private sector and the potential for an increased tax burden next year,

at both a central and regional level. For example, the recent Draft Budget for Northern Ireland for 2004/05 indicated an 11% rise in rates next year with most of the burden likely to fall on the domestic sector. This is part of the price to be paid for having access to additional borrowing required to fund much-needed infrastructure improvements.

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Perhaps the real story from the latest snapshot takes place behind the headlines and is contained in the sub-regional data. Again, the pattern of double-digit increases outside the Belfast area in some of the provincial towns and in the West has been repeated. Overall, house price growth in Belfast is barely keeping pace with inflation. It appears that increasing numbers are taking the view that while Greater Belfast may be the place to work, it is not necessarily the place to live. For the same or less money, homebuyers are availing of larger and more attractive properties, 20, 30 or even 40 miles outside the capital. With traffic patterns on the M1 and the M2 confirming the trend, the commuter belt is ever expanding outwards and over time may lead to greater sub-regional price convergence.

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General Market Trends

The main finding from this survey is a continuing rise in house prices coupled with evidence of a further slowing down in the rate of increase. The annual growth relative to the same quarter in 2002, and weighted by property type, is 5.36%. This figure suggests that house price inflation is being gradually pegged back, though the average price of housing in the province has risen to more than £105,000.

The overall average price of residential property for the third quarter was £105,779 exceeding the previously highest level set for the second quarter of 2003 (£101,759). These statistics indicate that the average price for the Northern Ireland market is being maintained at a level in excess of £100,000: a significant price threshold that was surpassed earlier in the year. However, the overall pattern of house price growth confirms the trend towards more sustainable rates of increase. Within this broader context, the housing market has remained vibrant across most sectors though variation is apparent in the rates of annual price growth by property type and at a sub-regional level. The overall increase at 5.36% fits with the pattern observed in recent reports whereby incrementally there has been a steady reduction in the rate of price growth.

Prices of properties in the survey start at £12,500, but only 5% of the sample are under £50,000 while, in contrast, 41% are above £100,000. The percentage of properties selling above £150,000 is 15% with 5% in excess of £200,000. Thus the distribution of price evidence indicates a clustering of sales in the price bands immediately below and above £100,000.

In this survey, the growth rate compares price movements between the third quarter of 2003 and the corresponding figures for the same quarter of 2002 to enable consistency and like-to-like annual trends to be analysed. Quarterly price change is the difference between the current prices and those for the second quarter of 2003.

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All of the principal sectors of the market show an increase in average price level on an annual basis but with evidence of significant variation in the level of performance between the main property types.

The annual performance compares average price level with the corresponding statistics for the third quarter of 2002. On this basis of comparison, the semi-detached market has shown the highest rates of increase over the year, with semi-detached bungalows, average price £89,581, up by 10.85%. However, in terms of market share semi-detached bungalows are currently taking only 3% of the market and thus price change in this sector has relatively little impact on the house price index. In contrast, semi-detached houses are the principal property type in the survey (30% market share). The average price (£97,459) and rate of increase for this sector over the year (9.53%) have a significant impact on the performance of the house price index.

Performance in the detached sectors are similar to each other but have a rate of price increase over the year which is approximately half the growth experienced for semi-detached property. For detached bungalows, the average price for third quarter is £130,052 equivalent to a rate of increase of 5.61% per annum. In terms of market share, detached bungalows (11%) 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 with a 17% share of the market. For this sector the overall average price has increased to £156,730 or by 4.70% over the year. The rate of price growth for the detached sectors broadly reflects the overall increase for the Northern Ireland housing market for this quarter.

In contrast terraced houses, average price £77,805, have over the year performed below the market as a whole with a rate of increase of 2.29% compared to the third quarter of 2002 when a particularly high price prevailed for terraced houses. Furthermore, the average price of terraced houses includes a significant number of newly built town houses; these have helped to maintain the overall price structure in this sector.

Apartments (average price £101,691) continue to fluctuate in terms of price level with the current average price representing an increase of 1.07% over the year. In common with terraced houses, the average rate of annual price increase in the apartment sector is appreciably below

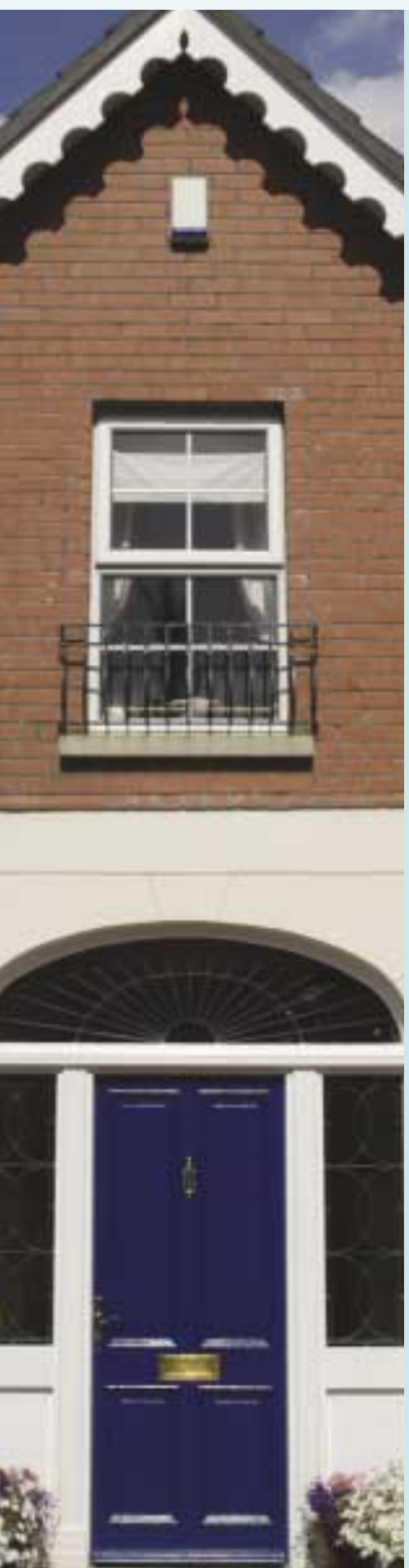
the overall market. However, the apartment market differs from the other sectors in being dominated by new development activity. In this respect, it is important to stress that price levels in the apartment sector reflect a different agenda notably brownfield development and the recent trend within Belfast for developers to concentrate activity towards a more affordable product, out of the city centre and within the financial reach the first-time buyer.

Market sector	Annual change Change	Average Price Quarter 3	Average Price Year to Date
Terraced house	2.29%	£77,805	£74,310
Semi-detached house	9.53%	£97,459	£93,754
Detached house	4.70%	£156,730	£152,977
Semi-detached bungalow	10.85%	£89,581	£86,545
Detached bungalow	5.61%	£130,052	£129,144
Apartment	1.07%	£101,691	£98,750

Short-term performance looks at change over the past quarter for which the weighted rate of increase is 3.74%. For some of the property types performance over the quarter has been better than the overall annual picture. Semi-detached bungalows remain the strongest performing sector with a rate of price increase of 7.69%, whereas for semi-detached houses the quarterly rate of increase is 4.97%. Both the apartment sector with average prices up by 5.83% and terraced houses with a rate of increase of 5.24% perform better over this shorter time-scale. For detached property the average price of houses is up by 2.20% but for bungalows change is negligible with the average price 0.41% below the second quarter price mean.

The strong performance this quarter is also apparent if prices are compared with the year to date figures. For each property type the current average price is appreciably above the combined average for the first three quarters of the year reinforcing observations that the property market has performed well during the third quarter.

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 30% (n=764 properties) of transactions and terraced houses with 28% (n=721) of the sample. Detached houses constitute 17% (n=441). Apartments with 11% take a higher share of this sample (n=280). Detached bungalows also have an 11% representation (n=277) and semi-detached bungalows with 3% (n=94) have the smallest market share.

Terrace	28%
Semi-detached house	30%
Detached house	17%
Semi-detached bungalow	3%
Detached bungalow	11%
Apartment	11%

Property Share by Type



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 22% of the sample. Older properties, pre-1919 construction, have a small representation, 3% of this survey and those of inter-war origin take 9% in keeping with previous reports. Properties constructed in the period 1940-1960 take 15% of the sample.



Property Share by Age

Pre 1919	3%
1919-1939	9%
1940-1959	15%
1960-1980	20%
Post 1980	31%
New Build	22%

Average House Price by Region

Average house price by region

Location	Average Price
Northern Ireland -All	£105,779
Belfast - All	£105,704
1. North Belfast	£77,629
2. South Belfast	£136,994
3. East Belfast	£118,817
4. West Belfast	£83,325
5. North Down	£125,709
6. Lisburn	£120,878
7. East Antrim	£89,071
8. L'derry/Strabane	£88,273
9. Antrim/Ballymena	£105,513
10. Coleraine/Limavady/N. Coast	£108,225
11. Enniskillen/Fermanagh/S.Tyrone	£107,281
12. Mid Ulster	£99,869
13. Mid & South Down	£107,756
14. Craigavon/Armagh	£96,871



Region	All	Terrace	SD House	Detached House	SD Bungalow	Detached Bungalow	Apartment
Northern Ireland	£105,779	£77,802	£97,459	£156,730	£89,581	£130,052	£101,691
Belfast	£105,704	£82,295	£112,657	£173,409	£115,328	£146,042	£98,401
North Down	£125,709	£78,503	£104,042	£176,101	£90,408	£157,244	£106,708
Lisburn	£120,878	£77,673	£92,693	£170,900	£100,338	£149,295	£122,681
East Antrim	£89,071	£56,780	£83,663	£142,519	£82,900	£119,963	£99,645
L'derry/Strabane	£88,273	£76,083	£87,208	£127,200	£82,625	£100,250	£73,456
Antrim/Ballymena	£105,513	£68,903	£81,338	£169,182	*	£141,813	*
Coleraine/Limavady/ North Coast	£108,225	£78,032	£98,310	£143,645	£80,981	£118,484	£129,818
Enniskillen/Fermanagh/ South Tyrone	£107,281	£83,692	£80,040	£144,776	*	£104,500	*
Mid Ulster	£99,869	£72,026	£76,889	£143,860	*	£123,625	*
Mid and South Down	£107,756	£83,804	£87,565	£143,380	£90,044	£120,288	£106,047
Craigavon/Armagh	£96,871	£78,551	£77,349	£129,423	£75,557	£117,954	*

Performance by Region

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

Belfast

In Belfast the overall average price (£105,704) is up over the year by 2.04%, an increase which is largely consistent with that reported in the most recent surveys suggesting that the market is continuing to grow but at a much reduced rate. However, quarterly performance is stronger with prices up on average by 5.02% compared to the second quarter figures. For the Belfast market, the highest rates of increase are for semi-detached houses (£112,657) which have risen by 10.06% over the year and by 6.21% for the quarter. In the terraced house market (£82,295) the average price is slightly down in comparison to the third quarter of 2002 (by 1%) but over the quarter up by 4.13%. The apartment sector (average price £98,401) shows a similar pattern but significantly the average price of apartments is up by 4.62% for the quarter. For detached houses, the average price this quarter (£173,409) is highly comparable with that for the second quarter (£172,490) indicating a stable market for this sector during 2003. The highest priced location remains the **South Belfast** market (£136,994). Within this area of the city demand remains strong with all property types showing significantly increased price levels. In the **South Belfast** market, the average price of terraced houses is now £120,228, semi-detached houses £138,217, detached houses £202,519 and apartments £120,576. **East Belfast**, with an overall average price of £118,817, is the next highest-priced location but comparable prices on a type basis lag those of the south of the city. For **East Belfast**, terraced houses have an average price of £80,675, semi-detached houses £118,640, detached houses £187,225 and apartments £106,531. Price levels are lower in **West Belfast** (average price £83,325) and **North Belfast** (£77,629). On a property type basis, in the west of the city terraced houses average £68,013 and semi-detached houses £103,798 compared to the respective figures of £56,878 and £91,646 in the north of the city.

Belfast Metropolitan Area

Within the Belfast Metropolitan Area, the pattern of higher property prices has been maintained relative to

other parts of the province. However variation is again apparent between the different market areas with the highest overall average price in **North Down** (£125,709) followed by **Lisburn** (£120,878). In **East Antrim** (£89,071) the pattern of lower price levels is in agreement with observations from previous reports. All three market areas have experienced an increase in average price level over the year but there is variability of performance. For **North Down**, the overall annual rate of increase is 9.43% making this market area one of the best performing locations. In terms of individual sectors significant increases in average price are apparent across all property types with the exception of terraced houses for which the average price has declined to £78,503. The best performing sectors of the **North Down** market include detached bungalows (average price £157,244) with a 10.50% rate of increase over the year and a 4.31% quarterly increase. Semi-detached houses (£104,042) also show a significant rate of annual and quarterly price growth and the apartment sector (£106,708) has a much increased price structure this quarter. Detached houses (average price £176,101) are a key component of the **North Down** market but the rate of price increase in this sector is lower (5.83%) with average price level declining over the quarter. In the **Lisburn** market, the annual rate of price growth is 4.92% but quarterly performance is stronger with an 8.27% increase. Across the property sectors, a more variable performance is apparent with semi-detached houses (£92,693) showing the strongest rate of annual price growth (4.09%). Detached houses (£170,900) and detached bungalows (£149,295) are key sectors of the local market but show somewhat variable performance over the annual and quarterly time-periods. The apartment market is relatively small in **Lisburn** but average price is high (£122,681) exceeding the Northern Ireland average. For this survey, the **East Antrim** market has a slightly lower rate of overall annual price increase than the other two commuter regions (3.47%). However analysis on a sector basis provides a different perspective with significant rates of price increase occurring across the market but most notably for semi-detached property with a 13.91% annual increase in the average price of semi-detached houses (£83,663) and a 9.93% increase for semi-detached bungalows (£82,900). Terraced houses

demonstrate an 8.06% increase over the year (£56,780) but the rates of annual increase for detached houses (£142,519) and detached bungalows (£119,963) are lower 3.94% and 2.36% respectively. Apartments in **East Antrim** (£99,645) have a similar average price to that for the province with price increasing over the quarter.

The North and North West

For market areas in the North and North West of the province the high rates of house price growth commented upon in the previous survey are again apparent with rates of price increase clearly out-performing those at a province-wide level. In **Antrim/Ballymena** the overall average price has risen to £105,513 sustaining the increased price level apparent over recent quarters and equivalent to an annual rate of growth of 20.60%. Average price levels are up across all sectors of the market but with particular growth for terraced houses (£68,903), semi-detached houses (£81,338) and detached houses (£169,182). Strong rates of price increase are repeated for both the annual and quarterly time-periods, though the average price of semi-detached houses declined slightly over the quarter. For the **Coleraine/Limavady/North Coast** area the average price (£108,225) has risen significantly on the basis of comparison with a weak third quarter figure for 2002. All property types show significantly increased price levels over the year notably terraced houses (£78,032), semi-detached houses (£98,310), detached houses (£143,645) and detached bungalows (£118,484). Over the past quarter, a more variable picture emerges with only semi-detached houses increasing in average price. For **Derry/Strabane** the average house price has risen substantially to £88,273 representing an increase of 13.16% over the year. Significant rates of price growth are apparent for terraced houses which have risen on average by 15.23% (average price £76,083), semi-detached houses with an increase of 16.12% over the year (£87,208) and detached houses with a 9.66% increase (£127,200). Quarterly performance is also strong in the **Derry** market with prices up on average by 6.11%. Again short-term rates of increase are particularly focussed on the terraced and semi-detached house sectors.

The West

Property markets in the West of the province also experience higher rates of increase maintaining the trend commented upon in the previous survey. House prices in the **Mid-Ulster** market are up by 10.29% per annum with the overall average price now standing at £99,869. Within this market area, which encompasses a number of towns with localised sub-markets, price levels have increased appreciably across most sectors with the highest annual

rates of growth for detached property with houses up on average by 23.39% over the year (£143,860) and bungalows up by 9.73% (£123,625). However price growth in the semi-detached market is lower with houses up by only 2.28% (£76,889) and for terraced houses the average price (£72,026) has declined by 3.34%, relative to the high price recorded for the third quarter of 2002. Hence a variable picture emerges of the market in the **Mid-Ulster** area. For, **Enniskillen/Fermanagh/South Tyrone**, the overall average price £107,281 reflects significant price growth with on average a 14.03% rate of increase over the past year largely due to a strong performance of the market over the past quarter. For this survey the average price of terraced houses has risen sharply to £83,692 with significant rates of annual increase also apparent for semi-detached houses up by 12.96% (£80,040) and detached bungalows (£104,500) up by 13.38% but with a reduced average price compared to the second quarter figure. In contrast, detached houses (average price £144,776) have a significantly higher price level than in second quarter. Thus, in common with other regions, there are mixed messages regarding the performance of the **Enniskillen/Fermanagh/South Tyrone** market.

The South

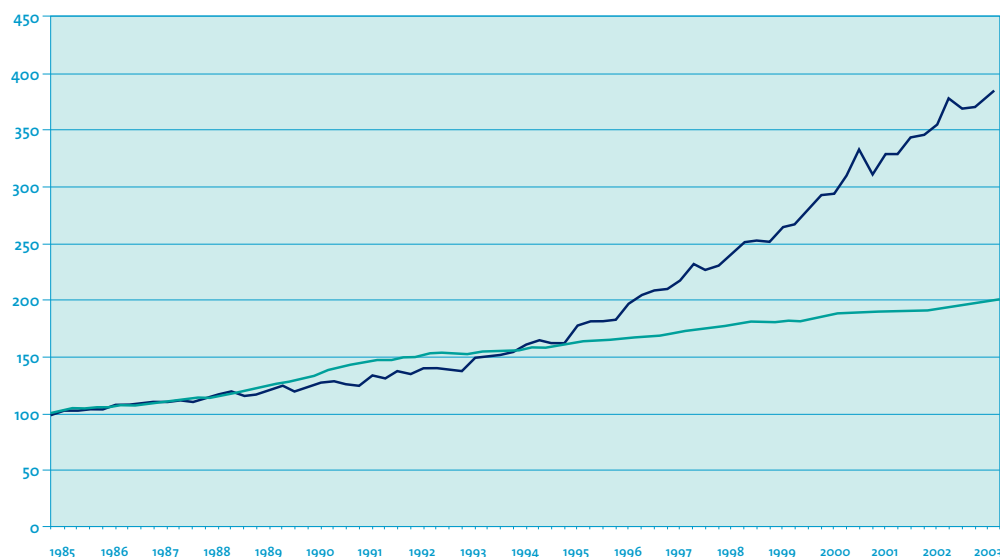
In the South of the province, average price levels in general have continued to increase but with a variable pattern of performance between the two market areas. For **Craigavon/Armagh**, the overall average price level has increased to £96,871 representing a sharp rise compared to third quarter statistics for 2002 and also a significant increase over the past quarter. All sectors of the market have risen with the average price of detached houses standing at £129,423 and detached bungalows £117,954. In the semi-detached market, houses have increased to £77,349 and bungalows to £75,557. While all these sectors and also terraced houses (£78,551) have greatly increased in average price levels, values still lag behind those for the province suggesting a more affordable market in this area. **Mid & South Down** with an average price of £107,756 is again amongst the top priced markets within Northern Ireland though the gap with certain regions has reduced. The current average price represents only a slight increase over the year and is indeed lower than the second quarter statistic suggesting a more variable performance. The most consistently performing sector is terraced houses with the average price (£83,804) up by 12.48% over the year and by 3.09% over the quarter. Semi-detached houses (£87,565) have increased on average by 8.07% over the year but declined by 2.18% over the past quarter. Detached houses (£143,380) have declined slightly in average price level notably over the last quarter and a variable performance is apparent in the detached bungalow sector for which the current average price has declined to £120,288. In this respect **Mid & South Down** seems to be experiencing a more uneven pattern of price change this quarter, an observation also apparent for other market areas.

The House Price Index

The value of the index, which is calculated relative to the base quarter for the survey in 1984, is now 396.76 representing a new peak for the Northern Ireland housing market.

The increase in the index reflects the strong short-term growth in the housing market and builds upon the rise in the index noted in the second quarter following a period of more sluggish movement at the end of 2002 and the start of 2003. Comparison between the house price index, which measures nominal growth, and trends in the Retail Price Index indicates that house prices in Northern Ireland continue to grow at a level significantly above the general rate of inflation. As illustrated by the time series graph a high degree of divergence has been maintained between the two index series. Residential property compared to other assets has performed well, though the headline annual rate of increase is lower for this survey (5.36%) and with the first sign of interest rate increase, with others predicted in the months ahead, the housing market may be entering a slower phase of price growth.

Retail Price Index —
NI House Price Index —



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