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Northern Ireland

Quarterly House
Price Index

For Q4 2003



produced in partnership with



Bank of Ireland

**Housing
Executive**

Introduction

This survey analyses the performance of Northern Ireland's housing market during the period October to December 2003. The focus of this report is upon trends and patterns in the final quarter of the year although, evidence is also drawn for the entire calendar year which smooths out some of the variability that can be apparent on a quarterly set of statistics. The report is produced by the University of Ulster in partnership with Bank of Ireland and supported by the Northern Ireland Housing Executive.

The price statistics in this report are based on a sample of 2,467 open market transactions for the quarter and almost 10,000 sales for the entire year. Information is presented on residential 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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"It's déjà vu all over again"

February 2004

I believe it was Yogi Berra, the famous US baseball coach, who coined the above expression and such a sentiment pervades our latest snapshot of the local housing market with a set of unsurprising results, entirely consistent with much of the anecdotal evidence of the last quarter. Broadly speaking, the survey reinforces the message that the spell of "catch up" or out-performance is over (for the time being at least) and the market is settling to grow at a less spectacular pace, with conditions arguably less given to speculation.

To summarise the key themes,

- Short term performance is relatively flat with average prices virtually static in the last three months.
- Overall, the annual rate of house price inflation remains slightly weighted towards the bottom of our predicted 5 to 10% range
- Sub-regional variations remain prominent with above average price growth outside of Belfast and its immediate environs
- The key growth segment remains the semi-detached properties with average prices just under the £100,000 level. **To a degree, this may be a commentary on Northern Ireland's labour market/income distribution and where market watchers may need to pay increasing attention to affordability measures such as the ratio of mortgage payments to earnings and the rising incidence of dual income households. For example, female employment in NI has risen by 27,000 in the last 5 years.**
- In the detached segment where base prices are typically higher (£150,000+), price growth is just keeping pace with general inflation and earnings growth, again a reflection that the local market is not particularly over-represented in high income occupations. For example, our research indicates just over 2% of employee jobs earn more than £50,000 p.a.

Looking ahead, there are two major UK wide developments which are bound to influence sentiment and activity in the local market – the future path of interest rates and the policy recommendations emanating from the Government sponsored housing market reviews conducted by Prof

David Miles and Kate Barker. Both are under instructions to produce policy recommendations in time for the March 17th budget.

While the latter may usher in a period of change in the longer term, for most homeowners the more pressing issue is the latest interest rate rise announced on February 5. **It is my view that this diet of small rate increases will continue with the Monetary Policy Committee sanctioning another small rise in April or May and possibly another in August. For those with a large mortgage and perhaps high loan to value, it may be prudent to budget for another 0.5% rise in borrowing costs over the next six months.** Perhaps in time homeowners may come to appreciate the Bank of England's "stitch in time" approach if it ensures interest rates peak at a lower level in this cycle.

In what may appear something of an irony, under the Government's new inflation target the MPC isn't obliged directly to take house price inflation into account at all but in practice it has to, given the relationship with domestic borrowing and demand. I note from Bank of England forecasts an expectation that house price inflation in Britain will subside to zero over the next few years but recent data provides precious little evidence of this with some air still left in the so-called bubble.

Locally, it is worth repeating, we remain much less vulnerable to a prolonged spell of zero or even negative price growth having not scaled the same heights as in Britain or the Irish Republic and there seems nothing on the local economic landscape in terms of a significant negative labour market shock or a spike in interest rates beyond our expectations to change this view in the short-term.

For those of us who have got used to the ever-rising price escalator, we should at least find solace in this.

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Your comments are appreciated



General Market Trends

The main finding from this survey is the relatively unchanged position during the final quarter of 2004 in comparison with the previous report, suggesting a consistency of performance for the second half of the year. The message is that house prices are continuing to rise on an annual basis but at a more moderate rate. The annual growth relative to the final quarter of 2002, weighted by property type, is 6.81%.



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The overall average price of residential property for the fourth quarter of 2003 is £105,863.

The overall average price of residential property for the fourth quarter of 2003 is £105,863, a statistic that is virtually unchanged from the third quarter average of £105,779. The consistency of this evidence and the maintaining of average price levels suggests that the province's housing market has entered a new phase of activity in which there is still some real growth in values but at a more sustainable rate of increase. This finding is supportive of evidence from this series of surveys over the past year and marks a movement away from the more volatile rates of growth in previous years. This report confirms that the Northern Ireland housing market has remained vibrant across most sectors although variation is apparent in the rates of annual price growth by property type and at a sub-regional level. The overall weighted increase at 6.81% fits with the pattern observed in recent reports.

Prices of properties in the survey start at £14,000 but only 6% are priced below £50,000 indicating a relatively small pool of low priced properties. Seemingly the main entry point into the market is within the band from £50,000 to £100,000. This constitutes 52% of the sample. In total 42% of properties are above £100,000. The percentage of properties selling above £150,000 is 14% with 5% in excess of £200,000. This price distribution remains relatively unaltered from the previous survey and indicates a clustering of sales in the price bands immediately below and above £100,000.

In determining rates of growth, the survey compares price movements between the fourth quarter of 2003 and the corresponding figures for the same quarter of 2002 thereby maintaining comparisons on a like-to-like basis. Quarterly price change is the difference between the current prices and those for the third quarter of 2003. This particular survey being the final for 2003 also permits the production of statistics for the calendar year. This supplementary evidence can be compared with full year statistics produced for previous years published in past reports.

Performance by Property Type

Each of the principal sectors follows the overall market trend of increased price levels on an annual basis but there is significant variation in the level of performance. In contrast for some property types the average price level has declined over the quarter.

The annual performance compares average price level with the corresponding statistics for the fourth quarter of 2002. On this basis of comparison, the semi-detached house market continues to show the highest rates of increase, with the average price £96,704 up by 10.40%. For this survey the next best performing sector is terraced houses for which the current average price of £78,043 represents an uplift of 8.74% over the year. It is significant that both of these property types are key sectors, with semi-detached houses taking 27% and terraced houses 29% of the Northern Ireland market. Hence their strong performance has helped to maintain the overall level of the house price index.

In contrast to the strong semi-detached house market the performance of semi-detached bungalows is significantly weaker in this survey following price growth in previous surveys. The current average price of semi-detached bungalows is £88,294 up by 4.10% over the year. Semi-detached bungalows have the lowest market share (4%) and hence the performance of this sector has relatively little influence on the house price index.

Performance in the detached sectors is variable. For detached bungalows, the average price for the fourth quarter is £132,208 equivalent to a rate of increase of 6.90% per annum. In terms of market share, detached bungalows (10%) 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 19% share of the market. For this sector the overall average price has increased to £158,942 or by 3.17%.

Apartments (average price £94,995) continue to be the market sector most prone to fluctuation in terms of price level and in many respects differ from the other sectors in being dominated by new development

activity. 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. The current survey includes many apartment units that meet this description. In terms of annual performance the average price of apartments has increased by 5.52% and reflecting the increasing importance of this sector, apartments have an 11% market share.

Short-term performance looks at change over the past quarter. Although the overall average price of properties in this survey (£105,863) has increased very slightly compared to the third quarter, the weighted change shows the opposite effect with a narrow decrease of 0.32%. This variability of performance characterises the price movements of the individual property types which, with the exception of apartments, have moved in a very small band over the quarter. Detached bungalows with a 1.66% increase and detached houses with a 1.41% increase are the sectors with the highest growth rates. Terraced houses have increased in average sale price by 0.31% over the quarter. In contrast, semi-detached houses have declined slightly in price by 0.77% and semi-detached bungalows by 1.44%. The average price of apartments is down by 6.58% reflecting the significant proportion of properties in the survey priced at the first-time market.

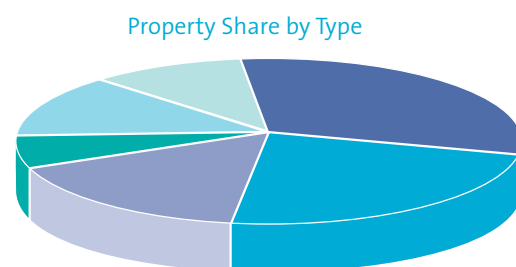
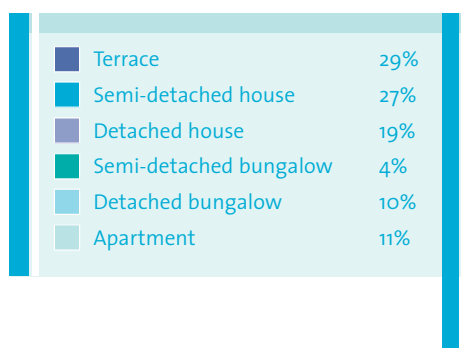
Annual % increase and average price

Market Sector	Annual Change	Average Price Quarter 4	Average Price 2003
Terraced house	8.74%	£78,043	£75,311
Semi-detached house	10.40%	£96,704	£94,458
Detached house	3.17%	£158,942	£154,404
Semi-detached bungalow	4.10%	£88,294	£87,099
Detached bungalow	6.90%	£132,208	£130,252
Apartment	5.52%	£94,995	£98,155

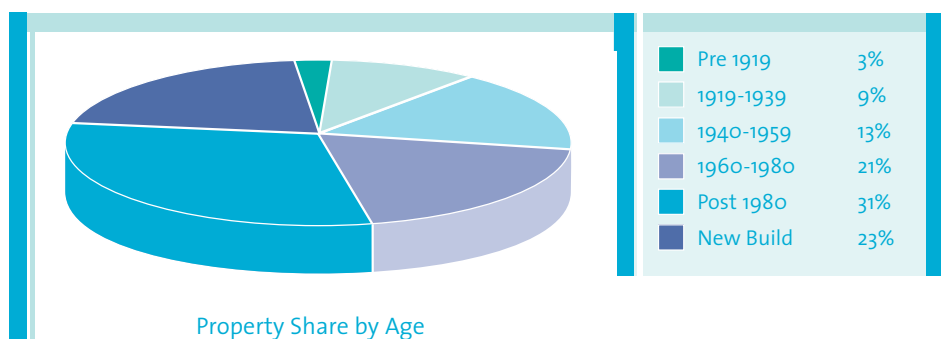
Market Share by Type and Age of Property



The composition of the sample is highly consistent between survey periods. The two dominant property types are terraced houses with 29% (n=708) of the sample and semi-detached houses accounting for 27% (n=673) of transactions. Detached houses constitute 19% (n=457). Apartments with 11% continue to take a higher share of the sample (n=283). Detached bungalows have a 10% representation (n=245) and semi-detached bungalows with 4% (n=101) have the smallest market share.



In terms of age profile, the majority of properties in this survey (52%) 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 23% 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 1940-1959 take 13% of the sample.



Average price by region and property type

Region	All	Terrace	SD House	Detached House
Northern Ireland	£105,863	£78,043	£96,704	£158,942
Belfast	£105,242	£82,976	£114,410	£184,660
North Down	£113,589	£81,053	£98,839	£177,686
Lisburn	£121,532	£88,900	£109,539	£175,020
East Antrim	£90,665	£67,428	£82,923	£137,898
Londonderry/Strabane	£87,408	£60,806	£83,359	£127,274
Antrim/Ballymena	£102,601	£66,225	£81,837	£150,486
Coleraine/Limavady/North Coast	£109,911	£76,568	£95,328	£168,558
Enniskillen/Fermanagh/South Tyrone	£119,193	£79,917	£88,390	£146,747
Mid Ulster	£104,722	£85,597	£87,925	£139,456
Mid and South Down	£117,456	£71,239	£91,538	£155,539
Craigavon/Armagh	£99,577	£66,892	£78,578	£150,776

Region	SD Bungalow	Detached Bungalow	Apartment
Northern Ireland	£88,294	£132,208	£94,995
Belfast	•	£171,762	£96,844
North Down	£93,967	£148,600	£75,915
Lisburn	•	£156,103	•
East Antrim	£85,517	£119,022	£98,406
Londonderry/Strabane	£77,350	£106,292	•
Antrim/Ballymena	£85,171	£132,731	•
Coleraine/Limavady/North Coast	£86,929	£113,589	£106,981
Enniskillen/Fermanagh/South Tyrone	•	•	•
Mid Ulster	•	£107,850	•
Mid and South Down	£95,963	£146,141	£97,100
Craigavon/Armagh	£87,407	£112,325	£78,073



Performance by Region

Analysis at the regional level within Northern Ireland highlights substantial variation in both property price and rates of change in price level across different market areas.

Belfast

In Belfast the overall average price (£105,242) is up over the year by 7.50% however over the shorter quarterly period the average price is virtually unchanged (average price for third quarter £105,704). The overall average price for the Belfast market for the calendar year is £103,312.

For the Belfast market, some sectors continue to show highly significant rates of price increase notably semi-detached houses (£114,410) which have risen by 15.16% over the year and also detached bungalows (£171,762). In the terraced house market (£82,976) the average price is up by 7.82% for the year but is largely unchanged over the past quarter. Detached houses also show significant price growth (£184,660) representing an 8.37% increase over the year and 6.49% for the quarter. The apartment sector (average price £96,844) has performed reasonably well over the year with prices up by 6.19% but slightly lower over the quarter by 1.58%.

Within Belfast, the highest priced location remains the **South Belfast** market (£136,738) although the average price level has remained relatively constant over the past quarter.

East Belfast with an overall average price of £117,570 is the next highest-priced location but comparable prices on a type basis lag those for the south of the city.

Price levels are lower in **West Belfast** (average price £89,367) and **North Belfast** (£83,825).

Belfast Metropolitan Area

Within the Belfast Metropolitan Area, the rate of price growth is variable although property prices are still generally higher than other market areas.

For **North Down**, the overall annual rate of increase is only 0.70% suggesting a weaker performance of the market. Indeed the current average price compares unfavourably with the overall annual figure for 2003 for this market area (£116,803). Nevertheless certain sectors of the market in particular detached houses (£177,686) and semi-

detached houses (£98,839) have experienced significant increases with average prices up by 11.35% and 8.41% over the year.

In the **Lisburn** market, the annual rate of price growth is significantly higher at 8.76% supported by a modest increase of 0.54% over the quarter. For all sectors average price levels have increased over both the annual and quarterly time-scales, in particular high prices are recorded for the terraced houses (£88,900) and semi-detached houses (£109,539). Likewise there has been growth although at a more modest rate in the detached house (£175,020) and detached bungalow (£156,103) sectors. The overall average price this quarter (£121,532) exceeds that for the entire year (£118,704).

For the **East Antrim** market the annual rate of increase in average price at 0.24%. However, analysis on a sector basis provides a different perspective with significant rates of increase occurring across the property types. In particular terraced houses (£67,428) and apartments (£98,406) have advanced significantly in average price with appreciable increases in the semi-detached house (£82,923), semi-detached bungalow (£85,517) and detached bungalow sectors (£119,022). For the East Antrim market there is close correspondence between the average sale price for quarter four (£90,665) and that for calendar year (£89,659).

The North and North West

For market areas in the North and North West of the province high annual rates of house price growth are again apparent with the rates of price increase clearly out-performing those at a province-wide level.

In **Antrim/Ballymena** the overall average price is now £102,601 representing an annual rate of growth of 16.25%. Average price levels are up across all sectors of the market but with particular growth for terraced houses (£66,225), semi-detached houses (£81,837) and detached houses (£150,486). The picture over the last quarter is more variable with the overall average price dropping back by 2.76%. However the average price for the fourth quarter is appreciably above the overall price for the calendar year (£98,493).

For the **Coleraine/Limavady/North Coast** area the average price (£109,911) has risen significantly when compared to that for the final quarter of 2002, up by 19.80% on an annual basis. All property types show significantly increased price levels notably terraced houses (£76,568), semi-detached houses (£95,328), detached houses (£168,558), detached bungalows (£113,589) and apartments (£106,981). Over the past quarter, a more variable picture emerges and although the overall average price for the market area has increased, several property types have lower prices compared to third quarter statistics. The overall price for the calendar year for this region is £109,764.

In the **Derry/Strabane** market a similar pattern is evident with a 16.27% increase in average price level over the year (£87,408) but a slight reduction by 0.98% for the final quarter of 2003. The local market has seen highly significant rates of price increase on a property type basis notably for terraced houses (£60,806), semi-detached houses (£83,359) and detached bungalows (£106,292). Quarterly performance follows the overall pattern for the province with a tendency for somewhat lower average prices, the average price for the fourth quarter exceeds the overall price for the calendar year (£86,806).

The West

Property markets in the West also experience higher rates of annual increase significantly above those for the province.

House prices in the **Mid-Ulster** market are up by 17.20% compared to the final quarter of 2002 with the overall average price now standing at £104,722. The average price in this region for the calendar year 2003 stands at £98,845. The highest annual rates of growth are for terraced houses, up on average by 21.30% over the year (£85,597) largely due to the strong performance in this quarter. Semi-detached houses (£87,925) with a 12.42% increase and detached houses (£139,456) up by 7.91% are the best performing sectors. Quarterly trends with an increase in overall average price of 4.86% suggests that the market is still moving forward, although the pattern is variable across property types.

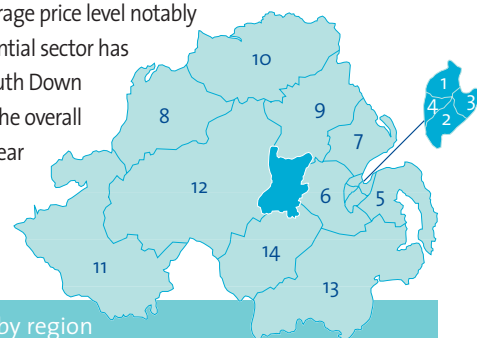
For, **Enniskillen/Fermanagh/South Tyrone**, the overall average price £119,193 reflects significant price growth with on average an 11.85% rate of increase over the past year. This price level makes the region one of the highest priced, although sample sizes are lower and hence prices are subject to potentially higher variation. In this respect the overall average price (£103,170) for the calendar year 2003 may provide a better benchmark. In terms of property type, the average price of terraced houses for the final quarter of 2003 is £79,917 significantly higher over the year but lower than in third quarter. Semi-detached houses have risen to an average price of £88,390 and detached houses now average £146,747.

The South

In the South of the province, as in the West, average price levels in general have continued to increase with evidence of growth over both the annual and quarterly time-periods considered in this report.

For **Craigavon/Armagh**, the overall average price level has increased to £99,577 representing an 18.61% rise compared to the fourth quarter of 2002. The significant growth in price levels is also reflected by the much higher average price for the calendar year of 2003 (£93,830) and the continuing increase in overall average price by 2.71% over the final quarter. All sectors have risen with detached houses performing particularly well; the average price of which is up by 22.84% over the year (£150,776). Likewise there has been a significant increase in the average price of terraced (£66,892) and semi-detached houses (£78,578), although the former have declined in price over the quarter.

Mid & South Down, with an average price of £117,456, is again amongst the top priced markets within Northern Ireland. The current average price represents a 9.70% increase in average price compared to the final quarter of 2002. The best performing sectors are detached bungalows (£146,141) for which the average sale price has increased by 13.58% and semi-detached houses (£91,538). Detached houses (£155,539) have increased in average price level notably over the last quarter. The residential sector has remained buoyant in Mid & South Down over the final quarter of 2003. The overall average price for the calendar year for this region is £112,611.



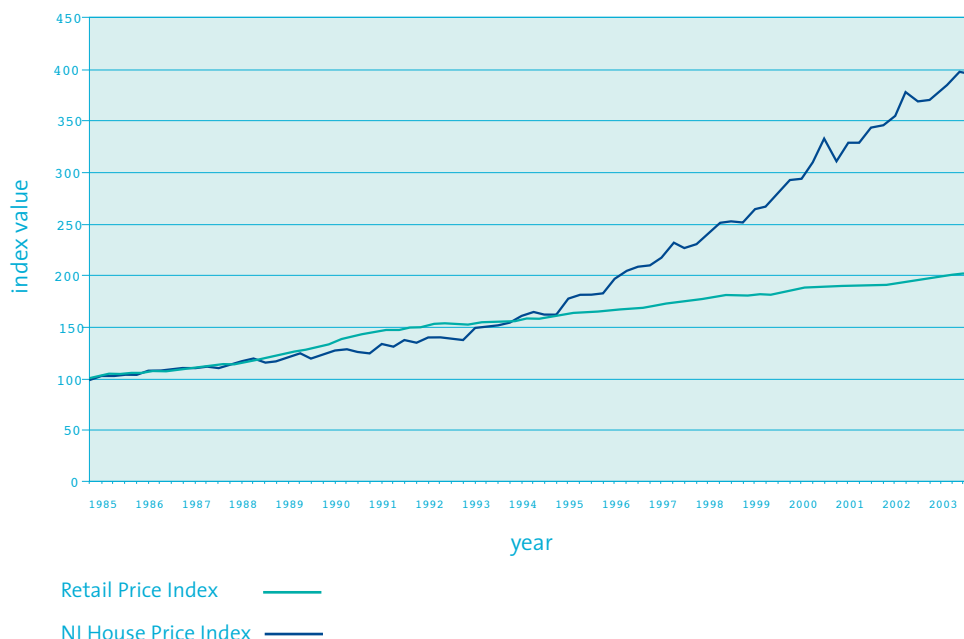
Average house price by region

	Average Price Q4	Average Price 2003
Northern Ireland -All	£105,863	£103,720
Belfast - All	£105,242	£103,312
1. North Belfast	£83,825	£80,106
2. South Belfast	£136,738	£134,171
3. East Belfast	£117,570	£114,354
4. West Belfast	£89,367	£84,097
5. North Down	£113,589	£116,803
6. Lisburn	£121,532	£118,704
7. East Antrim	£90,665	£89,659
8. L'derry/Strabane	£87,408	£86,806
9. Antrim/Ballymena	£102,601	£98,493
10. Coleraine/Limavady/N. Coast	£109,911	£109,764
11. Enniskillen/Fermanagh/S.Tyrone	£119,193	£103,170
12. Mid Ulster	£104,722	£98,845
13. Mid & South Down	£117,456	£112,611
14. Craigavon/Armagh	£99,577	£93,830

The House Price Index

The value of the index, which is calculated relative to the base quarter for the survey in 1984, is now 395.33. This represents a slight decline in the value of the index from its peak recorded in the third quarter of 2003.

The slight decline in the index reflects the more variable performance of the housing market during the final quarter of the year and indeed is more in keeping with the sluggish movement of the index at the end of 2002 and the start of 2003. However, comparison between the house price index, which measures nominal growth, and trends in the Retail Price Index indicates that house prices in Northern Ireland have been growing 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. While the housing market may be entering a slower phase of price growth and with the prospect of further increases in UK interest rates during 2004 it is nevertheless likely that the house price index will advance beyond the 400 mark this year but movements in the index may be more constrained.



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