



Northern Ireland

Quarterly House Price Index

For Q1 2004

produced in partnership with

Bank of Ireland 

**Housing
Executive**

ISSN 1462 - 2351
Report No. 78

Introduction

This survey analyses the performance of Northern Ireland's housing market during the period January to March 2004. The focus of this report is upon trends and patterns in the first quarter of the year, a period in which the market can be at a lower level of activity. 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 are based on a sample of 1,921 open market transactions which represents a smaller sample than more recent quarters but one consistent with previous surveys of the market for the first quarter. 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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Still moving at our own pace!

June 2004

“It is more likely to go hiss than pop in 2005,” the Institute of Directors recently stated, referring to Britain’s red hot housing market which appears to have taken on fresh legs since the turn of the year. With average prices rising by nearly 2% a month or £90 per day, it is hardly surprising that house prices have replaced the weather as the nation’s main topic of conversation again.

From the OECD and IMF to the High Street estate agent or mortgage broker, everyone it seems has an opinion on the likelihood or not of a serious crash in property prices with all the attendant problems. The Bank of England, as you might expect, is a little more circumspect, repeating its expectation of a sharp deceleration in house price inflation over the next two years while acknowledging the near-term uncertainties.

As our latest three month survey confirms, housing market developments on this side of the Irish Sea appear a little semi-detached from the frenzy with further evidence of single digit growth in a market making progress at a more sedate and arguably more sustainable pace. The weighted annual increase of 8.6% for the first quarter of 2004 does represent a slight increase on the final quarter of 2003 (6.8%) while in simple monetary terms the overall average price has risen by nearly £6,000 over the last twelve months. Looking beyond the headlines, we see a couple of by now familiar trends –

- in terms of property type, apartment prices continue to level off with average prices virtually unchanged in the last year but both terraced and semi-detached houses are consistently posting above-average annual performance. The latest snapshot also hints at a pick-up in the detached house segment.
- in terms of geography, prices are rising much faster outside of the Greater Belfast Area with outperformance in the emerging commuter areas of Mid-Ulster and latterly Craigavon / Armagh are worth noting.

Affordability Constraints?

Given the less spectacular performance of the Northern Ireland market compared to the rest of the UK, we are bound to ask if affordability is becoming more of an issue in this region. On the basis of available data it is difficult to reach any firm conclusions other than affordability is certainly not a general problem.

Council of Mortgage Lenders (CML) data does confirm the trend of a decline in the number of First-Time Buyers in Northern Ireland from 19,000 in 2001 to 15,000 in 2002 and 13,000 in 2003 and a rise in the average income multiple of recent borrowers to 2.6, an historic high. Furthermore, with the average house price to income ratio rising to about 5 (compared to a long-term UK average of 3.7 - source: Bank of England), there is clearly room for discussion.



However, CML statistics also reveal that because of cheap borrowing and lower debt servicing costs, average mortgage payments as a percentage of income remain reasonably comfortable at just over 15% (having peaked at over 25% in 1989/90 at the height of the last housing boom). In other words, interest rates would need to almost double from the current level before borrowers faced the same pain as they did in the late 1980s.

In the short-term, I do expect to see another two quarter point percentage rate increases by the end of 2004 and a base rate of 5.0% by early 2005. This time last year, we had a standard variable mortgage rate of c 5.5% - this time next year we could be looking at around 7%, a level last seen in 2001. A practical exercise, particularly for those who have recently stepped on to the ladder in Northern Ireland with a mortgage closer to £100,000, on average incomes and with a number of other financial commitments would be to recalculate their debt-servicing costs on an assumption that rates are 1% higher.

Looking at the local market overall, where the average mortgage size is in the region of £50,000, local house prices would need to fall a very long way before we had a serious problem. We should take comfort in this and maintain our cautious optimism for steady price appreciation in the months ahead.

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Your comments are appreciated.

General Market Trends

The main finding from this survey reflects a more sustainable period of growth in the Northern Ireland housing market with average prices increasing but at a relatively steady pace. The weighted annual growth relative to the first quarter of 2003 is 8.62% and the quarterly increase since the end of 2003 is 2.15%.

The overall average price of residential property for the first quarter of 2004 is £106,574 a figure that is higher than previous surveys but consistent with the price levels for the latter half of 2003 namely £105,863 for the fourth quarter and £105,779 for the third quarter. The current state of the market contrasts with the more volatile rates of growth in previous years and indeed other parts of the UK where high levels of price increase are still being experienced. Nevertheless, the main conclusion from this report is that the Northern Ireland housing market has remained relatively vibrant across most sectors though variable by property type and at a sub-regional level. The overall weighted increase at 8.62% fits the pattern of price growth observed in recent reports.

Prices of properties in the survey start at £14,500 but only 6% are at or below £50,000 indicating a relatively small pool of low priced properties. The main entry point into the market is within the band from £50,000 to £100,000 taking 50% of the sample. In total 44% of properties are above £100,000 whereas the percentage of properties selling above £150,000 is 14% with 5% of the sample in excess of £200,000.

This price distribution remains relatively unaltered from the previous surveys with a clustering of sales in the price bands immediately below and above £100,000. For this survey there is a slightly greater percentage of the sample in excess of £100,000. The consistency of the spread of prices with recent surveys is a further indicator of the more stable market conditions that are prevailing.

In determining rates of growth by property type, the survey compares price movements between the first quarter of 2004 and the corresponding figures for the start of 2003 thereby maintaining comparisons on a like-to-like basis. Quarterly price change is the difference between the current prices and those for the fourth quarter of 2003.

The overall average price of residential property for the first quarter of 2004 is £106,574



The Northern Ireland housing market has remained relatively vibrant across most sectors

Performance by Property Type

Each of the principal sectors of the market follows the overall trend of increased price levels over the year. However, there is significant variation in the level of performance by property type. Over the quarter the average price of terraced houses has declined by 2%.

The annual performance compares average price level with the corresponding statistics for the first quarter of 2003. On this basis of comparison, semi-detached houses are the best performing sector with the highest rates of increase. The average price of semi-detached houses (£100,448) has for the first time exceeded £100,000 with a rate of increase of 11.45%. The strong performance of semi-detached houses and their high representation in the sample (29% market share) has been influential in raising the value of the overall price index. Terraced houses, average price £76,389, also perform well over the annual time-frame with average price up by 8.99%. The significant market share taken by terraced houses (29%) is a further factor contributing to the rise in the house price index. Strong price growth in what are considered to be entry points into the housing market suggests that demand levels remain good reflecting relatively high rates of household formation. In contrast to the strong semi-detached house market the performance of semi-detached bungalows remains weaker over the year. The current average price of semi-detached bungalows (£93,008) is up by 6.21% for the year and in common with recent surveys the proportion of semi-detached bungalows in the survey is declining. This property type has the lowest market share (4%) and as a consequence, performance of this sector has relatively little influence on the house price index.

Performance in the detached sectors is variable though the picture is somewhat changed from the previous survey. Detached houses, average price £163,685, have performed well over the year with a 10.65% increase. In contrast the average price of detached bungalows is appreciably below that for detached houses; the average price for the first quarter of 2004 is £134,084 equivalent to a rate of increase of 5.81% per annum. In terms of market share, detached bungalows (8%) 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.

The apartment sector, average price £98,752, is the property type with the lowest rate of price growth over the year with relatively little difference between the current average

price of apartments and that for the first quarter of 2003. Over the year the average price of apartments is up by less than 1% (0.92%). The lower growth rate reflects the increased targeting of many apartment developments notably in Belfast towards a more affordable product, out of the city centre and within the financial reach the first-time buyer. The current analysis in common with previous surveys includes many apartment units that meet this description. For these reasons apartments should be considered in a somewhat different perspective to the rest of the market. It is important to stress that apartments are taking an increasing share of the market and appealing to a more diversified market. For this survey apartments take around 13% of the sample.

Annual % increase and average price

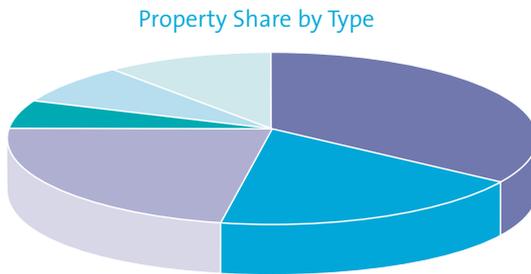
Market Sector	Annual Change	Average Price
Terraced house	8.99%	£76,389
Semi-detached house	11.45%	£100,448
Detached house	10.65%	£163,685
Semi-detached bungalow	6.21%	£93,008
Detached bungalow	5.81%	£134,084
Apartment	0.92%	£98,752

Regarding change over the past quarter, the overall average price of properties in this survey (£106,574) represents a weighted increase of 2.15%. Over the quarterly time-period apartments (3.95% increase), semi-detached houses (3.87% increase) and semi-detached bungalows (5.34% increase) have performed well. Detached houses have increased in price by 2.98% and detached bungalows by 1.42%. In contrast, terraced houses are the only sector for which the average price is below that for the fourth quarter of 2003 with a decline of 2.12%.

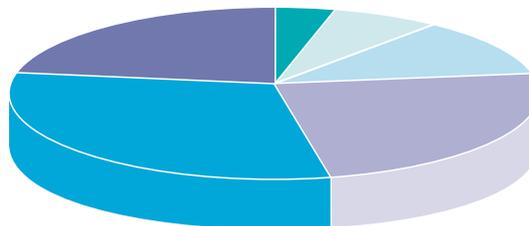
Market Share by Type and Age of Property

The composition of the sample is highly consistent between survey periods. The two dominant property types are terraced houses with 29% (n=551) of the sample and semi-detached houses also accounting for 29% (n=557) of transactions. Detached houses constitute 17% (n=326). Apartments with 13% continue to take a higher share of the sample (n=240). Detached bungalows have an 8% representation (n=159) and semi-detached bungalows with 4% (n=79) have the smallest market share.

Terrace	29%
Semi-detached house	29%
Detached house	17%
Semi-detached bungalow	4%
Detached bungalow	8%
Apartment	13%



In terms of age profile, the majority of properties in this survey (55%) 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, 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 12% of the sample.



Pre 1919	3%
1919-1939	9%
1940-1959	12%
1960-1980	23%
Post 1980	32%
New Build	21%

Property Share by Age

Average price by region and property type

Region	All	Terrace	SD House	Detached House
Northern Ireland	£106,574	£76,389	£100,448	£163,685
Belfast	£105,037	£80,253	£114,608	£190,275
North Down	£114,527	£86,146	£99,796	£163,613
Lisburn	£127,537	£75,130	£99,359	£186,985
East Antrim	£91,616	£59,724	£89,115	£144,506
Londonderry/Strabane	£89,451	£61,618	£83,368	£129,000
Antrim/Ballymena	£102,555	£63,374	£100,515	£137,434
Coleraine/Limavady/North Coast	£102,485	£74,660	£89,296	£148,538
Enniskillen/Fermanagh/South Tyrone	£113,775	£65,235	£86,165	£160,246
Mid Ulster	£112,804	£89,327	£93,487	£176,020
Mid and South Down	£110,308	£85,806	£102,555	£140,567
Craigavon/Armagh	£107,315	£73,605	£88,963	£162,115

Region	SD Bungalow	Detached Bungalow	Apartment
Northern Ireland	£93,008	£134,084	£98,752
Belfast	•	£131,150	£96,116
North Down	£93,706	£149,045	£103,119
Lisburn	£90,000	£178,913	•
East Antrim	£89,664	£117,532	£91,258
Londonderry/Strabane	•	£114,143	•
Antrim/Ballymena	£94,667	£142,375	•
Coleraine/Limavady/North Coast	£89,550	£119,841	£127,557
Enniskillen/Fermanagh/South Tyrone	•	£130,688	•
Mid Ulster	£87,875	£143,000	•
Mid and South Down	£98,000	£118,526	£115,150
Craigavon/Armagh	•	£139,041	•



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 (£105,037) is up over the year by 5.74% however over the shorter quarterly period the average price is virtually unchanged. In comparison to the start of 2003, all the major sectors within the Belfast market have increased in average price level. Terraced houses (£80,253) have experienced an 8.03% rate of price increase, detached houses (£190,275) an increase of 11.66% and semi-detached houses (£114,608) 9.15%. For the apartment sector (average price £96,116) performance is similar to that for the previous quarter with a rate of annual increase of 5.14%.

Within Belfast, the highest priced location remains the **South Belfast** market (£127,987). For the South Belfast market, the average price of terraced houses is now £119,368, semi-detached houses £141,888, detached houses £197,785 and apartments £116,635. All of these sectors have shown a significant rate of increase over the year notably terraced houses up by 12.87%. **East Belfast** with an overall average price of £116,706 is the next highest-priced location. In general price levels lag the south of the city with the average price of terraced houses £76,334, semi-detached houses £121,856, detached houses £195,674 and apartments £91,458. Price levels are lower in **West Belfast** (average price £86,186) and **North Belfast** (£84,567). On a property type basis, in the west of the city terraced houses average £67,065, semi-detached houses £112,944 and apartments which have increased significantly in popularity have an average price of £97,452. In comparison average price levels in North Belfast are less notably for terraced houses, the average price of which is £56,512. For the semi-detached house market the average price in North Belfast is now £88,364. However apartments (£93,197) continue to perform well and as in the west of the city are also a growing sector.

Belfast Metropolitan Area

Within the commuter zone of the Belfast Metropolitan Area, the slower rate of price growth suggested in the previous report is again apparent with the respective annual increases for North Down 2.21%, Lisburn 1.72% and East Antrim 2.41% .

For **North Down**, the current average price of £114,527 compares closely to that for the final quarter of 2003 (£113,589). In terms of annual rates of increase the best performing sectors have been terraced (£86,146) and semi-detached houses (£99,796) up by 5.43% and 4.35% respectively. The average price of apartments (£103,119) is significantly higher. In the detached house sector (average price £163,613) there seems to have been less buoyancy during the first quarter of 2004.

In **Lisburn**, the overall average price (£127,537) is the highest for the various market areas throughout the province. However, over the annual time-scale it is apparent that there has been considerable variability of performance but with strong price growth in the detached house (£186,985), up by 18.41%, and detached bungalow (£178,913), up by 17.24%, sectors.

For the **East Antrim** market the overall average price is £91,616. Over the year the most significant rates of price increase have been for semi-detached houses (£89,115) up by 11.72% and terraced house (£59,724) up by 10.98% and to lesser extent apartments (£91,258) for which the average price is up by 5.48%. In comparison the detached house market, although commanding high price levels (average price £144,505), has experienced a much lower rate of price increase (1.40%).

The North and North West

For market areas in the North and North West of the province a more variable picture emerges. In terms of annual performance there has been a highly significant rate of increase in the overall average price in the Antrim/Ballymena area, indeed one of the highest for this quarter. In contrast the rate of growth in the Northwest of the province in Derry/Strabane has been slower and for the Coleraine/North Coast region the overall average price has remained relatively unaltered over the year.

In **Antrim/Ballymena** the overall average price (£102,555) although significantly higher over the year is little different from that reported (£102,601) for the final quarter of 2003. On an annual perspective, average price levels are up across all sectors of the market compared to the first quarter of 2003 but with particular growth for terraced houses (£63,374), semi-detached houses (£100,515), detached bungalows

(£142,375) and to a lesser extent for detached houses (£137,434).

The average price of residential property for **Coleraine/Limavady/North Coast** is £102,485. In comparison to the first quarter of 2003 (£103,029) the overall average sale price is slightly down, although the difference is not significant. Underlying these figures are considerable variations by property type with the average sale price of terraced houses (£74,660), detached houses (£148,538) and semi-detached bungalows (£89,550) increasing appreciably over the year. In contrast, the rate of price growth for semi-detached houses (£89,296) is less with detached bungalows (£119,841) and apartments (£127,557) having a lower average price compared to the first quarter of 2003.

In the **Derry/Strabane** market there has been a further increase in average house price (£89,451) but the high rate of annual growth reported upon in the last survey has not been sustained. In comparison to the first quarter of 2003, the rate of increase is now 2.92% with a 2.34% increase since last quarter. On an annual basis, the best performing sectors of the market have been semi-detached houses (£83,368) up by 12.65% and terraces (£61,618), which have increased by 7.46%. In comparison the average price of detached houses (£129,000) has remained largely unaltered compared to the first quarter of 2003.

The West

Performance of property markets in the West of the province differs significantly from those in the Belfast region by continuing to experience much higher rates of annual price increase. The picture is similar to that commented upon in the previous survey.

House prices in the **Mid-Ulster market** (£112,804) are up by 17.20% compared to the first quarter of 2003. All sectors of the market have experienced significant increases in average price compared to the first quarter of 2003. The average price for terraced houses has increased to £89,327 and semi-detached houses to £93,487, similarly the detached sectors have experienced substantial increases with the average price of detached houses now £176,020 and detached bungalows £143,000. The pattern of higher prices is replicated for the quarter with an increase of 7.72% in the overall average price for Mid Ulster.

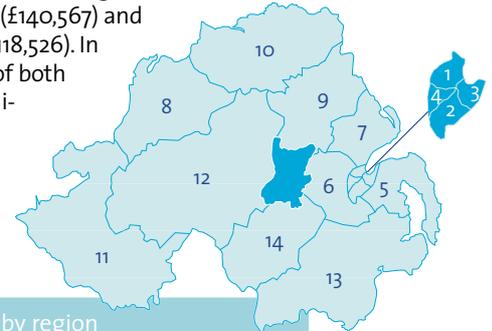
A similar picture is apparent for, **Enniskillen/Fermanagh/South Tyrone**, where the overall average price £113,775 represents a 21.18% increase compared to the first quarter of 2003 though there has been a decrease in the overall price mean relative to the final of 2003. In terms of price levels, the average price of terraced houses for the first quarter of 2004 is £65,235, for semi-detached houses £86,165 and detached houses £160,246.

The South

In the South of the province, a more variable picture emerges with Craigavon/Armagh showing rates of increase similar to the West, while the Mid & South Down market possesses characteristics more akin to market areas within the Belfast commuting zone.

For **Craigavon/Armagh**, the overall average price level has increased to £107,315 representing a 20.45% increase compared to the first quarter of 2003 and a 7.77% growth in price levels since the final quarter of 2003. Over the year all sectors have shown substantial rates of price increase notably in the detached market where average price levels are similar to the Northern Ireland average for detached houses (£162,115) and indeed above the province's average for detached bungalows (£139,041). Both terraced houses (£73,605) and semi-detached houses (£88,963) have risen significantly though average prices for these sectors still lag those at the Northern Ireland level.

Mid & South Down with an average price of £110,308 is again amongst the top priced markets within Northern Ireland though the average price level has declined by 2.96% relative to the first quarter of 2003. Analysis by property type indicates that the lower overall average is due to reduced prices for detached houses (£140,567) and for detached bungalows (£118,526). In contrast the average price of both terraced (£85,806) and semi-detached houses (£102,555) has risen significantly over the year.



Average house price by region

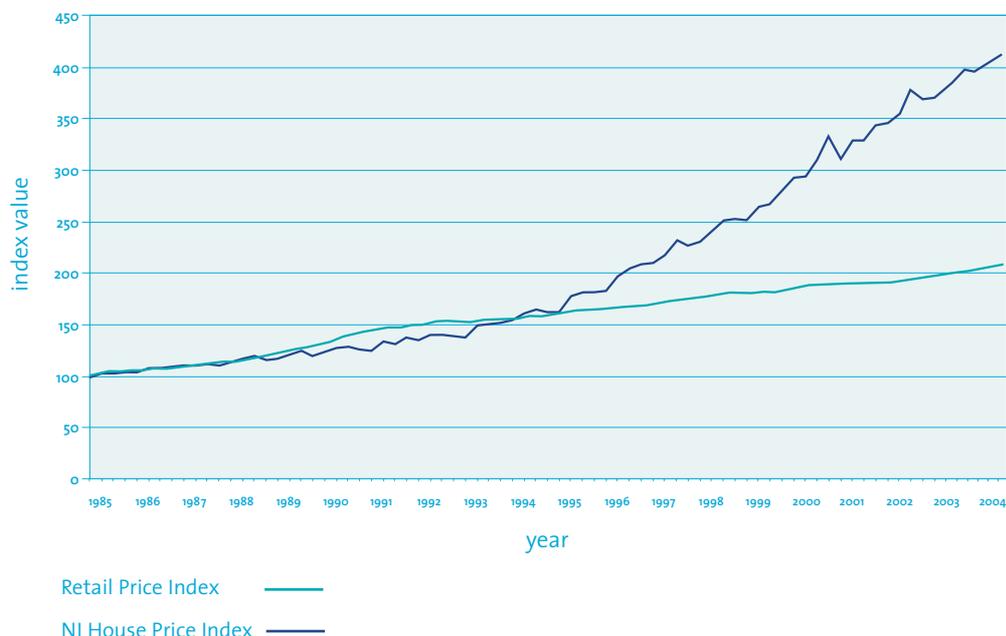
Location	Average Price
Northern Ireland - All	£106,574
Belfast - All	£105,037
1. North Belfast	£84,567
2. South Belfast	£127,987
3. East Belfast	£116,706
4. West Belfast	£86,186
5. North Down	£114,527
6. Lisburn	£127,537
7. East Antrim	£91,616
8. L'derry/Strabane	£89,451
9. Antrim/Ballymena	£102,555
10. Coleraine/Limavady/N. Coast	£102,485
11. Enniskillen/Fermanagh/S.Tyrone	£113,775
12. Mid Ulster	£112,804
13. Mid & South Down	£110,308
14. Craigavon/Armagh	£107,315

The House Price Index

The value of the house price index now exceeds 400. The index, calculated relative to the base quarter for the survey in 1984, is now 403.89. This represents a significant increase in the index and the setting of a new benchmark for the Northern Ireland housing market.

The increase in the index reflects the good performance of the major sectors of the province's housing market over the year. Comparison between the house price index, which measures nominal growth, and trends in the Retail Price Index indicates that house prices in Northern Ireland are still growing at a level significantly above the general rate of inflation.

A high degree of divergence has been maintained between the two index series. While the Northern Ireland housing market is in a generally slower phase of price growth it is likely that the house price index will advance further beyond the 400 mark this year but the scale of movements in the index is likely to be constrained.



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