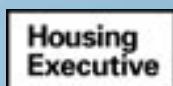




Northern Ireland

Quarterly House Price Index

For Q2 2007



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Bank of Ireland 

Introduction

This survey analyses the performance of the Northern Ireland housing market during the period April to June 2007. The report is concerned with trends and spatial patterns in the housing market during the second quarter of 2007 drawing comparisons with the same quarter of 2006, as a measure of annual change, and with the first quarter of 2007 as an indicator of short-term, quarterly change. The report also includes statistics for the first half of 2007. The report is produced by the University of Ulster in partnership with Bank of Ireland and the Northern Ireland Housing Executive.

The price statistics are based on a sample of 2,206 open market transactions during the second quarter of 2007. Information is presented on the residential property market for Northern Ireland, with an analysis of sale price by different property types. The overall performance of the housing market is measured by a weighted index that reflects the market share of each property type. The index captures various movements within a single statistic and allows changes over time to be tracked. The regional analysis considers trends in market areas throughout the province.

Contents



Still defying gravity!



August 2007

"In time, Q1 2007 may prove to be the high watermark ... it will be a major surprise if we are not reporting a slower rate of inflation in our next survey in late summer" (June 2007).

How premature this remark from my last commentary has proved to be with our latest picture of the Northern Ireland market during the traditionally busy Spring and early Summer season again confounding expectations for some price moderation. The cost of borrowing is rising and house prices are actually falling on the other side of the border but with an annual increase of over 50%, the local market, in the 3 months to the end of June, seemed oblivious to such pressures and influences. With an average price of a house in this region now topping £240,000, in the course of the last 12 months the average property has risen by over £200 a day!

While similar to other reports for the same period, the remarkable aspect of this latest gravity-defying picture is that it seems at odds with much of the anecdotal evidence since Easter indicating, for example, that "for sale" listings were on the rise, the pro-activity of agents in contacting potential buyers had increased, properties were taking longer to sell, the spell of near panic-buying / bidding wars had subsided and investor portfolios were being advertised in local newspapers.

Price Stickiness?

How can we reconcile such an apparent contradiction of a further acceleration in the rate of inflation with other signs more typically associated with a market coming off the boil? Perhaps the first indications of a slowdown are manifest in slower turnover and slower activity rather than softer price pressures and there is some evidence to support this. The number of open market transactions recorded in our latest survey is 3.5% lower than for the same period in 2006 and more than 10% lower than 2005.

To a degree, this may also confirm the pattern of "house price stickiness" in a downward direction ie sellers tend not to respond immediately to signs of slackening demand by lowering prices but rather hold out in the hope or expectation that they will get a buyer at or above the asking price. For the period under review, properties may have been sitting longer on the market but still selling at or above the asking price. This may also be a commentary on the profile of those who have been active in the market in recent months, notably those with significant equity to play with, including some investors and second or third time movers.

Behind The Headlines ...

Closer scrutiny of our latest report pinpoints a number of interesting features including -

- The continuing trend for smaller units of accommodation with terraced / apartment segments now accounting for 47% of transactions v 43% a year ago

- Not all sub-regions are travelling at the same pace with price growth ranging from 60% in East Antrim to 25% in the North West
- Derry/Strabane is now the least expensive location in the survey, partly reflecting the recent catch-up performance of North Belfast
- Indeed, after years in the doldrums and a legacy of image problems, the North of the city is the inflationary hotspot of the survey with average prices up over 75% year on year, a development which may be construed as a vote of confidence in the new political arrangements.
- South Belfast has retaken pole position in the regional league table with the average price breaking through the £300,000 barrier for the first time

Outlook

There is general agreement that the long-term health of the Northern Ireland market would be best served by an orderly cooling off in price growth. This remains our core expectation with a return to a prolonged period of single digit percentage increases on average. Obviously, the price boom has extended far beyond forecasted timeframes and it must be acknowledged that the longer it continues at such a phenomenal rate, the greater the risks that the slowdown, when it inevitably comes, could be quite abrupt and leave a number of casualties.

In terms of residential investment, for some considerable time it has been clear that the economics in terms of yield and cost/income ratio have been increasingly unattractive but this has not stopped activity completely, perhaps reaffirming that in a property market sometimes sentiment and confidence are more important than cold logic. Other investors continue to explore other regions, notably the North of England where there is a perception of better value for money.

Interest Rate Medicine Taking Longer to Work

The spectacular performance of the regional housing market and solid show in the UK overall would suggest that, to date, borrowers have taken the series of interest rate hikes in their stride. Much of this is attributed to the temporary shield afforded by some 2.3 million fixed rate mortgages taken out in late 2005 and early 2006 but as these begin to expire shortly, including several thousand in NI, households face a jump in mortgage rate of between 1.5 and 3% depending on the refinancing terms.

There remains the strong possibility of another 1/4 pt rise before year end and possibly before the Bank of England MPC and Court relocates to Northern Ireland for a week of meetings in October; such developments have the potential to further dampen the market.

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Preliminary findings confirm the boom in private renting

The latest House Price Index which shows an annual growth of 51 per cent in average house prices reinforces the need to understand the dynamics of the local housing market. The preliminary findings from the 2006 House Condition Survey which became available in July provide the statistical evidence for the huge expansion in the private rented sector, which has taken place since the start of the new millennium and is recognised as one of the major factors - if not the major single factor - driving Northern Ireland's house prices. However, it also provides further evidence of a rapidly expanding, higher quality housing stock which reflects a widespread confidence in the housing market.

Northern Ireland's Dwelling Stock and Tenure

In 2006 Northern Ireland's total dwelling stock was approximately 705,000, a net increase of 57,500 (11,500 per annum) since 2001.

	2001 (%)		2006 (%)	
Owner occupied	432,300	66.8	468,800	66.5
Private Rented & Other	49,400	7.6	80,800	11.5
Housing Executive	116,000	17.9	93,400	13.3
Housing Association	17,900	2.8	21,500	3.1
Vacant Dwellings	31,900	4.9	40,400	5.7
TOTAL	647,500	100	705,000	100

Table 1: Northern Ireland's Dwelling Stock by Tenure, 2001 and 2006

Table 1 provides the key tenure related information.

It shows the following:

- Significant growth in the owner-occupied sector with an additional 36,500 dwellings. However as a proportion of the total stock the figure has remained much the same.
- The continued rapid increase in the number and proportion of privately rented dwellings. In 2001 there were 49,400 (7.6%) privately rented dwellings in Northern Ireland. By 2004 this had already increased to 62,500. By 2006 this had risen to 80,800 (11.5% of the total stock), an increase of 18,300 (more than 9000 per annum over the previous two years). Indeed if vacant properties whose previous tenure was private rented, are included, the figure rises to 94,600 (13.4% of the total stock).
- The number of tenanted social dwellings has fallen from 133,900 (20.7%) in 2001 to 114,900 (16.4%) as the Social Housing Development Programme has only replaced approximately one third of the houses sold or demolished.
- The total number of vacant properties increased by approximately 8,500 to more than 40,000 and the vacancy

rate has risen from 4.9 per cent to 5.7 per cent. A high vacancy rate is particularly evident in the private rented sector where 13,800 properties (nearly 15%) are vacant.

Dwelling Unfitness

In 2006 there were an estimated 24,100 unfit dwellings in Northern Ireland, representing a headline rate of 3.4 per cent. This compares with an unfit rate of 4.9 per cent (31,600) in 2001 and 3.8 per cent (25,600 dwellings in 2004).

	2001 (%)	2006 (%)
Owner-Occupied	11,900 (2.8)	7,500 (1.6%)
Privately Rented	4,300 (8.7)	2,100 (2.6%)
Housing Executive	900 (0.8)	500 (0.5%)
Housing Association	400 (2.1)	100 (0.4%)
Vacant	14,000 (43.9)	13,900 (34.5%)
Total Unfit Dwellings	31,600 (4.9)	24,100 (3.4%)

Table 4: Northern Ireland's dwelling stock - unfit by tenure, 2001 and 2006

Between 2001 the unfit rate has been reduced considerably in both the owner-occupied sector - from 11,900 (2.8%) to 7,500 (1.6%) - and private rented sector - from 4,300 (8.7%) to 2,100 (2.6%). In the social sector unfit continues to be minimal. In the private rented sector this reduction in the rate of unfit is associated with the big increase in the number of new buy-to-let properties and the renovation by landlords of older properties in need of significant improvement.

A comparison of District Council unfit figures shows that the highest levels of unfit continue to be in the peripheral rural areas. Fermanagh still has the highest level of unfit (7.4%), although this has reduced from 12.9 per cent in 2001. The other District Councils with unfit rates of more than 5.0 per cent are Ballymoney (5.5%), Moyle (6.5%), Newry and Mourne (5.3%).

Conclusion

The 2006 House Condition Survey confirms the changing tenure structure of Northern Ireland's housing stock with nearly one in seven dwellings now in the private rented sector. The survey also confirms the progress made in improving housing conditions in the five year period 2001 to 2006. The rate of unfit reduced from 4.9% to 3.4%, with concentrations of unfit in peripheral rural areas and associated more and more with vacant dwellings.

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General Market Trends

The main finding of this survey is that the housing market is not yet showing any signs of slowing down in terms of either the price levels achieved or the rate of growth. Indeed, the annual weighted rate of growth has risen to 51% with the quarterly weighted increase of 10.5%.

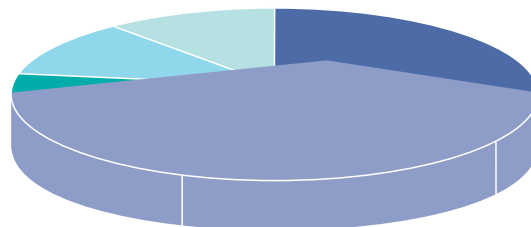
The overall average price of residential property in Northern Ireland for the second quarter of 2007 has risen sharply to £240,408, a weighted rate of price increase of 51% compared to the market in the same quarter of 2006. The persistent high rate of price growth contrasts with expectations in some quarters of a cooling of the housing market, though it is still anticipated that the second half of 2007 will see lower rates of growth. The evidence presented in this report is of a market that in price terms has remained resilient to the increased cost of borrowing, however, the volume of sales activity is lower than usual for the second quarter reflecting observations from estate agents that properties are staying on the market for longer rather than any evidence of vendors dropping their price expectations. The shorter-term, quarterly weighted increase of 10.5% remains consistent with rates of increase noted in the most recent reports: 11.4% for the first quarter of 2007 and 10% for the final quarter of 2006. The consistency of these quarterly rates of growth is a further indicator that there is currently no change in market sentiment with the second quarter evidence still of a strongly priced market.

One of the key indicators of market activity used in recent reports of the Northern Ireland Quarterly House Price Index has been the shrinkage in the number of houses selling at or below £100,000. This survey in agreement with the first quarter of 2007 indicates that there are very few open market sales for property at or below £100,000: less than 1% of this sample. There is also a declining percentage of properties selling within the next price band, £100,000 to £150,000, which now takes only 10% of sales. Indeed, the modal price range has shifted to the £150,000 to £200,000

price band with 30% of all sales, though with the upward shift in price levels, 27% of the sales in this survey are within the next price band from £200,000 to £250,000. The percentage of sales in the price band from £250,000 to £300,000 has increased to 13%, with a further 19% of properties selling for above £300,000.

In terms of market share, the composition of the sample remains consistent with previous surveys though the trend to smaller units of accommodation, with the growth in the terraced/townhouse and apartment sectors is again apparent. The two dominant property types are terraced/townhouses (n=709) accounting for 32% of the sample and semi-detached houses (n=592) representing 27%. Detached houses constitute 15% (n=327) and detached bungalows 8% (n=176). The market share taken by apartments (15%, n=333) is a growing influence on the market. Semi-detached bungalows 3% (n=69) are poorly represented and have the smallest market share. In terms of age profile, newly developed property constitutes 22% of the sample.

Property Share by Type



Performance by Property Type

All sectors of the market show extremely high rates of increase indicating that strong price performance has been spread across the property sectors though semi-detached houses and terraced/townhouses are the market leaders.

Annual performance provides a snapshot comparing the current average price with corresponding statistics for the second quarter of 2006. On the basis of this analysis all property types, in accordance with the overall trend in the housing market, have performed extremely strongly with highly significant increases in average price over the year. However, the survey shows some variation between property types in terms of annual growth rates. The semi-detached house sector (£240,869) with a rate of increase of 62.6% over the year is the market leader followed by terraced/townhouses (£197,681) with a 54.6% rise in average price over the year. In the detached market, the annual rate of price growth is highly comparable with houses (£348,347) up on average by 46.3% and bungalows (£307,360) up by 47%. Semi-detached bungalows (£206,940) continue to take a declining market share though in terms of price growth this sector is up 47.6% over the year. Apartments (£196,506) also show considerable price growth over the year though the rate of appreciation (34.5%) is the lowest of all the property sectors.

Short-term performance considers price levels in the second quarter of 2007 against those for the first quarter of 2007 and is more likely to reflect any changes in market sentiment. The evidence

Annual % increase and average price

Market Sector	Annual Change	Average Price Quarter 2	Average Price Half Year Figures
Terraced house	54.6%	£197,681	£187,019
Semi-detached house	62.6%	£240,869	£228,143
Detached house	46.3%	£348,347	£336,929
Semi-detached bungalow	47.6%	£206,940	£203,492
Detached bungalow	47.0%	£307,360	£290,619
Apartment	34.5%	£196,506	£191,076

from this survey is still one of strengthening price levels in the second quarter of 2007 with a weighted increase across all of the six main property types of 10.5%. Across each of the sectors, average prices have increased significantly with detached bungalows having the highest rate of growth at 14%. Semi-detached houses are up by 12.9% and terraced/townhouses by 11.5% over the quarter. The average price of detached houses is up by 7.9% and apartments by 7%. The lowest rate of quarterly increase is for semi-detached bungalows by 3.8%.



Average price by region and property type

Region	All	Terrace	SD House	Detached House
Northern Ireland	£240,408	£197,681	£240,869	£348,347
Belfast	£239,754	£213,155	£267,831	£381,345
North Down	£257,497	£210,047	£231,740	£371,754
Lisburn	£278,307	£212,437	£252,240	£409,459
East Antrim	£206,117	£169,049	£219,100	£304,289
L'derry/Strabane	£189,515	£134,750	£179,094	£266,400
Antrim/Ballymena	£228,391	£153,833	£200,250	£322,104
Coleraine/Limavady/North Coast	£277,169	£204,107	£231,485	£342,037
Enniskillen/Fermanagh/South Tyrone	£244,068	£162,625	£202,594	£319,762
Mid Ulster	£242,384	£180,073	£229,125	£294,540
Mid and South Down	£242,218	£184,328	£234,219	£340,606
Craigavon/Armagh	£231,514	£164,563	£226,125	£286,923

Region	SD Bungalow	Detached Bungalow	Apartment
Northern Ireland	£206,940	£307,360	£196,506
Belfast	£235,500	£357,556	£200,566
North Down	£221,439	£349,607	£189,027
Lisburn	*	£355,000	£226,500
East Antrim	£205,695	£284,929	£177,176
L'derry/Strabane	£167,900	£259,733	£159,992
Antrim/Ballymena	£209,700	£294,100	*
Coleraine/Limavady/North Coast	*	£321,521	£277,367
Enniskillen/Fermanagh/South Tyrone	*	£259,633	*
Mid Ulster	*	£253,091	*
Mid and South Down	£214,667	£306,553	£179,188
Craigavon/Armagh	*	£307,889	*



Performance by Region

Analysis at the regional level highlights how house prices vary across Northern Ireland. Findings from this survey indicate that across all market areas, average prices continued to increase though there is significant variability by location and property type with evidence of lower rates of growth in market areas outside the greater Belfast area.

Belfast

In Belfast the average price of housing (£239,754) has increased by 49.7% relative to the second quarter of 2006, a rate of annual growth that is highly consistent with the annual increase for Northern Ireland. All sectors of the market have increased in average price though there is variation in the rate of growth. The market leaders are semi-detached houses (£267,831) up by 63.2% and terraced/townhouses (£213,155) up by 60%. For detached houses (£381,345) the average price level is up by 54.5%. In the apartment sector, the average price (£200,566) has progressed significantly, though the rate of increase (36.1%), relative to other sectors, is appreciably lower. Over the quarter, the average price for Belfast is up by 15.5% reflecting a substantial uplift in prices during the spring period. Again strongest growth is apparent for semi-detached houses and terraced/townhouses with average price levels up by 15.5% and 16.5% respectively.

On a geographical basis, the highest priced location within the city is **South Belfast** (£302,436) where the average price of terraced/townhouses is £294,832, semi-detached houses £353,469, detached houses £390,000 and apartments £265,000. **East Belfast** with an overall average price of £259,211 is the next highest-priced location within the city. On a property sector basis, respective average prices are terraced/townhouses £212,141, semi-detached houses £290,569, detached houses £410,974 (higher than South Belfast) and apartments £196,404. Reflecting the strong growth of house prices in Belfast, the average price in **West Belfast** has increased to £200,888 with terraced/townhouses achieving £195,246, semi-detached houses £237,655 and apartments £161,150. For **North Belfast**, the current average price, £198,559 is only slightly behind that of West Belfast and on a property type basis, the mean price of terraced/townhouses is £183,381, semi-detached houses £201,692, detached houses £337,400 and apartments £177,100.

Belfast Metropolitan Area

Within the commuter zone of the Belfast Metropolitan Area house prices have increased significantly with rates of annual price change highly comparable to that for the Northern Ireland level of analysis. In North Down the rate of growth has been 48.6%, 43.1% for Lisburn and 60% for East Antrim.

For **North Down** the overall average price has increased to £257,497 representing a rate of annual growth of 48.6%. Analysis by property type indicates an extremely strong performance for semi-detached houses (£231,740) up on average by 70.6% compared to the second quarter of 2006 and also for terraced/townhouses (£210,047) with a 54.8% increase. In the detached sectors, the rate of price growth relatively speaking is lower but still very strong with bungalows (£349,607) up by 44.9% and detached houses (£371,754) by 42.4%. The apartment market (£189,027) is the one sector experiencing modest growth with a rate of increase of 13.9% over the year. Quarterly performance with an increase of 13.7% indicates a

highly vibrant market during the spring of 2007 with all property types showing highly significant rates of growth.

In **Lisburn**, the average price (£278,307) has increased by 43.1% over the year maintaining this market area as the highest priced location in Northern Ireland, outside of South Belfast. The pattern is of strong price growth for all sectors notably apartments for which the average price has soared to £226,500. Semi-detached houses (£252,240) are up by 60.3%, detached houses for which the average price has now topped £400K (£409,459) up by 49.8%, terraced/townhouses (£212,437) by 47.5% and detached bungalows (£355,000) by 44.4%. Over the quarterly time-scale, the Lisburn market has increased by 7.4%, a lower rate of growth suggesting that for this market area more sustainable price increases are likely to prevail in the future.

For the **East Antrim** market the overall average price is now in excess of £200K (£206,117) indicating a further narrowing in the price gap with the other regions in the Belfast Metropolitan Area and underpinned by an annual rate of increase of 60%. All sectors of the market have performed extremely strongly in East Antrim with the highest rates of growth for terraced/townhouses (£169,049) up by 71.3% over the year and semi-detached houses (£219,100) up by 75.9% continuing the trend of high rates of growth noted in the previous report. In the detached sectors, the average price of houses (£304,289) is up by 63.4% and bungalows (£284,929) by 60%. Semi-detached bungalows (£205,695) have increased by 57.2% and apartments (£177,176) by 57.8%. Over the quarterly time-period, performance has continued to be strong though the rate of increase is now down to single figures (9.7%) suggesting, as in the case of the Lisburn market, that more sustainable conditions are likely to prevail in the second half of the year.

The North and North West

The market areas in the North and North West of the province are characterised by lower rates of growth than that for the Northern Ireland level of analysis. For this survey the annual rate of growth in the Antrim/Ballymena market is 30.2%, for Coleraine/Limavady/North Coast 49.8% and in Derry/Strabane 25.1%, in each of these markets the annual increase is lower than the previous survey.

In **Antrim/Ballymena** the overall average price (£228,391) represents a 30.2% rate of annual increase compared to the second quarter of 2006. All sectors of the market have advanced in average price with the market leader being semi-detached houses (£200,250) up by 48% over the year. For the detached house market, the average price is now in excess of £300K (£322,104) with a rate of annual price increase of 44.3%. Likewise, detached bungalows (£294,100) continue to perform well in this market area up by 39.8% over the year. In contrast, and somewhat surprisingly, the average sale price in terraced/townhouse sector (£153,833) has only increased by 21.7%. Over the quarter, the overall average price has advanced by 9.3%, the second quarter in succession for which the short-term increase has been in single figures. For the quarter the most significant increase is for detached bungalows with the average price level up by 12.2%.

For the **Coleraine/Limavady/North Coast** market, the overall average price is now £277,169 representing an annual rate of price increase of 49.8%, clearly the highest growth rate in the northern part of the province. Most sectors of the market have price increases of similar magnitude with terraced/townhouses (£204,107) having the highest rate of annual growth (55.2%). In the detached bungalow sector (£321,521) average price levels are up by 49.2%, apartments (£277,367) by 47.3% and semi-detached houses (£231,485) by 47%. In contrast, for the detached house sector (£342,037) there has been a much slower rate of price increase of 19.1%. Quarterly performance, in common with a number of other market areas, is seeing price growth in single figures (8.3%) and would have been lower except for the high price of apartments in this survey (up by 20.5% for the quarter). Across the other sectors, the quarterly rate of increase is within the band from 2.3% (detached houses) to 4.6% (terraced/townhouses) indicating the likelihood of slower growth rates during the second half of 2007.

In the **Derry/Strabane** market, the annual rate of price growth at 25.1% remains broadly consistent with the increases observed in the reports for the two previous quarters: 28.5% and 25.7% respectively. The overall average price has increased to £189,515. Across the market, all sectors have shown significant rates of increase in terms of average sale price though in this survey, the performance of terraced/townhouses (£134,750) is weaker with price levels up on average over the year by only 4.9%. In contrast, the other property types all show strong rates of price growth notably detached bungalows (£259,733) up by 54.8% and apartments (£159,992) up by 37.2%. Semi-detached houses (£179,094) are up by 24% and semi-detached bungalows (£167,900) by 20.9%. A similar rate of annual price growth has taken place in the detached house sector (£266,400) up by 22.7%. Over the quarter, price growth in Derry/Strabane at 4.8% is highly comparable with the previous survey (4.2%) suggesting that it is likely that price growth during the second half of 2007 will show more sustainable levels of annual increase.

The West

The two markets in the West of Northern Ireland continue to exhibit significant price increase but with evidence of a declining rate of price growth.

The overall average price for the **Mid-Ulster** market for the second quarter of 2007 is £242,384 representing an annual rate of growth of 36.8%, a high rate of increase but below the extremely high levels of increase reported in previous surveys. In comparison to the second quarter of 2006, there is a variable pattern of price growth across the market. The highest rates of increase are for semi-detached houses (£229,125) up by 47.8% and detached bungalows (£253,091) up on average by 43%. In the terraced/townhouse sector (£180,073) the average rate of price growth over the year has been 29%; a figure that is substantially lower than that quoted in the previous report. For detached houses (£294,540) the rate of annual increase is also appreciably lower, 13.3%. Reflecting the lower rate of annual growth, the quarterly rate of change in Mid-Ulster has been slightly negative with the overall average sale price down by 0.8% compared to the first quarter of 2007 largely due to the lower average price of terraced/townhouses though both semi-detached houses and detached houses have advanced in terms of average sale price over the quarter.

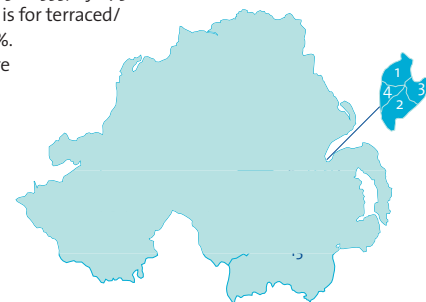
For **Enniskillen/Fermanagh/South Tyrone**, average price levels have risen over the year by 34.3% to £244,068. The most significant growth rates continue to be for semi-detached houses, with average price (£202,594) up by 33.4% and for detached bungalows (£259,633) with average price up by 30.1% over the year. For detached houses, the average price now exceeds £300K (£319,762), up on average by 25.4% for the year. Terraced/townhouses (£162,625) have increased at a slower rate of growth, 10.5%. Quarterly performance indicates a rather variable market, while the overall average sale price is up by 14.3%, some property types such as detached bungalows have declined in average price.

The South

For the South of Northern Ireland average price levels have remained buoyant with high rates of annual increase though with a variable picture between the two market areas.

For **Craigavon/Armagh** the overall average price level (£231,514) represents another major increase in annual house prices of 56.4% compared to the second quarter of 2006. Across the market, there have been major increases in the average price. For semi-detached houses (£226,125) the high rate of annual growth has been maintained with the price of this property type up by 59.2% over the year. Similar growth is also apparent in the terraced/townhouse sector (£164,563) for which the average price level has increased by 51.5% and for detached houses (£286,923) up by 52.8%. For detached bungalows (£307,889), the average price has soared by 85.1% to exceed £300K. Quarterly trends however reveal a more variable market with an overall increase in average sale price of 4% largely due to the continuing high growth in detached bungalows, whereas the average price of terraced/townhouses has declined by 3.2% and detached houses by 1.6% suggesting a change in market circumstances.

The **Mid & South Down** market, average price £242,218, continues to advance with the overall average price of residential property up by 32.3%, a statistic which is highly consistent with that from the previous survey (30.8%) but lower than the rates of increase reported in the surveys for the second half of 2006. Over the year, all sectors of the market have increased significantly in average price with semi-detached houses (£234,219), the market leader, up by 48.5% and detached houses (£340,606) up by 42.6%. Apartments continue to perform well in this market area with the average sale price (£179,188) up by 32.4%. In the bungalow sectors, semi-detached bungalows (£214,667) are up by 33% and detached bungalows (£306,553) by 27.5%. The lowest rate of annual increase is for terraced/townhouses (£184,328) up by 26.0%. The quarterly profile indicates more vibrant conditions than in quarter one with a 10.3% average increase which, however, masks some wide variation in performance amongst the property types, notably the reduced price structure for apartments.

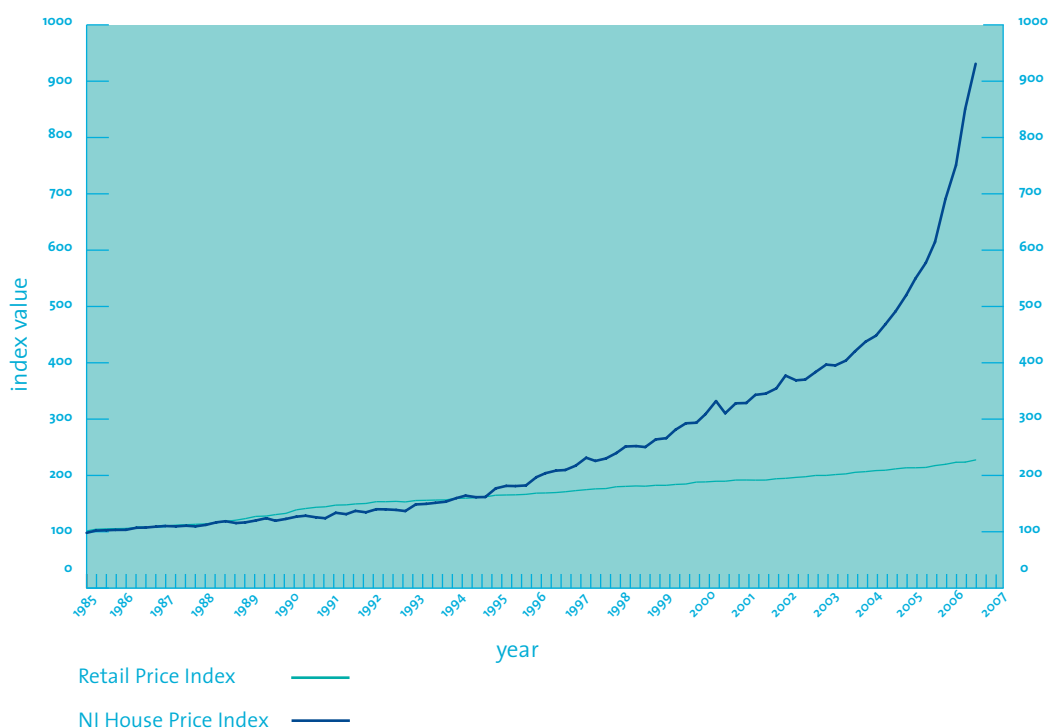


Location	Average Price Quarter 2	Average Price Half Year Figures
Northern Ireland - All	£240,408	£229,021
Belfast - All	£239,754	£224,544
1. North Belfast	£198,559	£187,340
2. South Belfast	£302,436	£283,046
3. East Belfast	£259,211	£244,766
4. West Belfast	£200,888	£190,387
5. North Down	£257,497	£243,642
6. Lisburn	£278,307	£269,298
7. East Antrim	£206,117	£197,634
8. Derry/Strabane	£189,515	£183,972
9. Antrim/Ballymena	£228,391	£226,702
10. Coleraine/Limavady/N. Coast	£277,169	£269,279
11. Enniskillen/Fermanagh/S. Tyrone	£244,068	£229,358
12. Mid Ulster	£242,384	£242,378
13. Mid & South Down	£242,218	£229,226
14. Craigavon/Armagh	£231,514	£225,670

The House Price Index

The house price index reflecting the overall rate of increase in the market and specifically the increases for individual property types has forged onwards to another new peak for the Northern Ireland housing market. The index, which is calculated relative to the base quarter for the survey in 1984, now stands at 930.92

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 increasing at a level that has little relation to the general rate of inflation in the macro UK economy. Indeed the curve for the house price index is taking an exponential form compared to the flat RPI curve. Such growth trends highlight the reason for the high level of investment that has characterised the housing market with the level of capital growth achieved proving to be the key driver in this process.



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