



# Northern Ireland

Quarterly House Price Index

For Q1 2003

produced in partnership with



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## Introduction

This survey analyses the performance of Northern Ireland's housing market during the first quarter of 2003 (January to March), a period in which the market can be subject to a lower level of activity due to seasonal influences. Compiled by the University of Ulster, in partnership with Bank of Ireland and supported by the Northern Ireland Housing Executive, the results and price statistics produced are based on a sample of 2,089 open market transactions. Information is presented on property performance for the overall market, for different property types at a regional level, and for market areas throughout the province.

The overall performance of the housing market is measured by a mix-adjusted index, weighted to reflect the market share of each property type. Hence, semi-detached houses with a 27% market share have a proportionally greater influence on the index than apartments which take 12% of the sample. In providing a single measurement of performance for Northern Ireland, the index captures the various movements in the market and allows changes over time to be tracked.

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## House Price Growth "Flatlining"

June 2003

The latest snapshot from the local housing market contains few surprises: as predicted in the last survey, the average price of a property in Northern Ireland has topped the £100,000 barrier while the annual rate of house price inflation is running at a steady, if unspectacular 7.5%. Overall, the latest survey is something of a "curate's egg" with average prices only marginally higher on Q4 2002 (+ 0.4%) as the market continues to perform at a less frenetic pace and certainly below the peaks of late summer 2002.

The latest statistics from The Council of Mortgage Lenders would support such a view with remortgaging now accounting for over 50% of activity, equity withdrawal continuing at a pace and the number of first-time buyers falling back. Of course, if this trend continues, it will contribute to a loss of momentum from the bottom of the housing ladder.

Interestingly, a closer look at the latest survey reveals that the two segments at the extremes of the market in terms of average prices (terraced and detached houses, with a combined weighting of 44% of the survey) have registered small price falls during the quarter. Reflecting on the recent history of the House Price Survey this feature has not been commonplace and will be monitored closely over the next few quarters.

Arguably, the present rate of house price inflation in Northern Ireland is consistent with the context of economic growth, income growth and retail inflation all in the region of between 2% and 3%. Furthermore, the data also seems compatible with a dip in consumer confidence in the run up to the war in Iraq and the pre-announced tax changes in April, particularly the rise in National Insurance. Locally, we can also detect greater job insecurity in the private sector with the loss of hundreds of jobs, particularly West of the Bann and only partially offset by the boost to public spending and employment concentrated in the Greater Belfast area.

In terms of UK regional disparities, the Northern Ireland housing market now finds itself somewhere in mid range as we see something of a reversal of the traditional north/south divide. London and the Southeast which had seen the biggest gains during the boom, are now seeing the worst declines, reflecting the "shake-out" in City jobs and lower bonus payments while prices in the North of England, the Midlands and parts of Wales show prices rising quite strongly.

Looking ahead for the next few quarters, I would not be surprised if the high "base effects" from Q2 and Q3 2002 show the year-on-year comparison in a rather unflattering light and we could see the annual rate of house price inflation locally dip below 5%. While such an outcome may attract one or two headlines, careful interpretation will be required. Overall, the supply/demand fundamentals remain broadly positive and in terms of affordability the interest rate picture remains very benign. Unlike other parts of the industrialised world, the UK is presently experiencing some transient inflationary impulses but these should not preclude another small cut in interest rates in an international context where deflation concerns are increasing with worries that the Eurozone in particular looks increasingly vulnerable to catching the so-called "Japanese Disease".



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## General Market Trends

Housing markets throughout the United Kingdom have seen considerable price growth over recent years although predictions suggest slower rates of growth during 2003. This survey reveals that the average price of a house in Northern Ireland has for the first time exceeded £100,000. The annual increase, compared to the same quarter last year, is 7.57%.

The overall average price of residential property is now £100,755 exceeding the previously highest level set for the third quarter of 2002 (£99,787). Consistency of price performance has been a characteristic of the market over recent months with the current rate of annual increase highly comparable to that in our previous survey. This suggests that the market is holding firm in terms of price levels and gains made but with more modest growth rates. However, the housing market continues to exhibit considerable variation in price level and distinct differences are apparent between property sectors and locations throughout the province. Prices of properties in this survey start at £15,000, though only 7% sold for under £50,000 while, in contrast, slightly over one-third sold for more than £100,000.

In this survey, the annual growth rate compares price movements between the first quarter of 2003 and the corresponding figures for the first quarter of 2002 to enable annual trends to be analysed. Quarterly change reflects the differences between the current prices and those for the final quarter of 2002.



The overall average house price in Northern Ireland has passed £100,000.

The breaking of the £100,000 barrier is a significant milestone for the Northern Ireland market.

## Performance by Property Type

Analysis by property type demonstrates the complexity of housing and the difference in performance that exists at any point in time between the main sectors of the market.

Over the year the highest rate of price growth is for semi-detached bungalows. In terms of market share, this is now the smallest sector of the market but the rate of price increase has been substantial over the course of the year (17.97%) and clearly outperforms all other property types. Part of this price growth may reflect an element of catch-up with other sectors of the market. Indeed even with this rapid increase semi-detached bungalows (£87,566) are still on average priced below semi-detached houses (£90,130). For the latter the annual rate of price increase at 9.32% compares favourably with the overall market growth of 7.57%.

In the detached market, contrasts are again apparent with a similar picture emerging in terms of higher growth rates in the bungalow sector. Thus we see the situation that detached bungalows which on average are priced lower (£126,716) than detached houses (£147,927) have much stronger price growth over the year: the respective rates of increase are 11.37% and 4.03%. Indeed for detached houses the percentage increase is the lowest of all the property types and considerably less than the rate for the overall market. Terraced houses (£70,088) in recent years have experienced substantial price growth but for the period covered by this particular survey have a below average rate of price increase (4.90%) suggesting that the high rate of capital value growth in this sector may have passed.

Apartments (£97,855) continue to fluctuate in terms of price level with the current average price representing an increase of 8.46% over the year. This figure is highly comparable to the price growth in the overall market suggesting that across the year apartments have performed in line with wider market trends. The current average price of apartments is below that for the housing market as a whole and is indicative of the increased targeting of particular schemes towards the first-time buyer. It is significant that apartments are continuing to

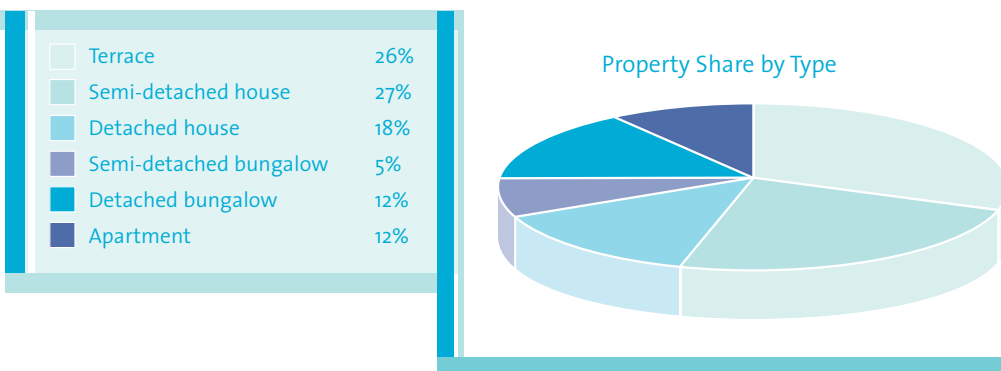
take a relatively high market share, for this survey 12% of the sample.

Short-term performance looks at change over the past quarter. Particularly significant trends include the good performance of apartments over the first quarter of the year with average price level up by 8.46% compared to the final quarter of 2002, though as discussed this can reflect the particular character of new development schemes. Over the quarter reasonably strong price growth is apparent for semi-detached bungalows up by 3.24%, semi-detached houses up by 2.89% and detached bungalows with a 2.46% increase. However in both the detached house market and the terraced sector average price levels are below those for the fourth quarter of 2002. In the case of detached houses, the average price level is down by 3.98% and by 2.35% for terraced houses. The lower price structure for these two sectors reflects their relatively weaker annual performance.

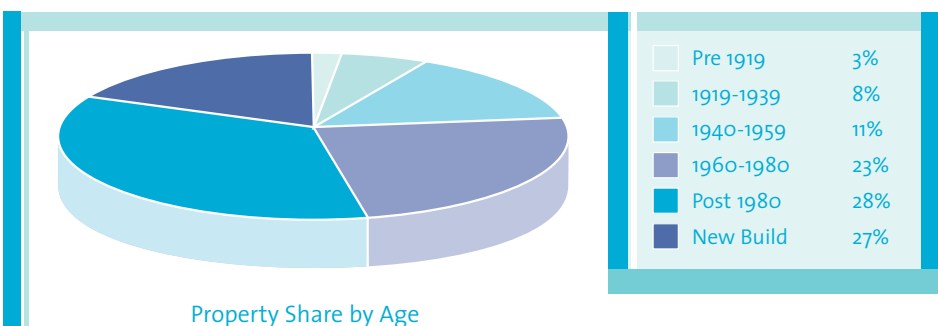
Northern Ireland property prices are growing at a rate of 7.6% a year.



The composition of the market is highly consistent between survey periods. The two dominant property types are semi-detached houses accounting for 27% (n=573 properties) of transactions in this sample and terraced houses with 26% (n=532) of the sample. Detached houses constitute 18% (n=380) and apartments 12% (n=258) of the sample. Detached bungalows also take 12% (n=250) and semi-detached bungalows with 5% (n=96) have the smallest market share.



In terms of age profile, the majority of properties in this survey (51%) were constructed after 1960. The survey also incorporates a highly significant number of newly built properties sold for the first time; these constitute a further 27% of the sample. Older properties, pre-1919 construction, have a small representation, 3% of this survey and those of inter-war origin take 8%.



Average price by region and property type

Region	All	Terrace	SD House	Detached House
Northern Ireland	£100,755	£70,088	£90,130	£147,927
Belfast	£99,331	£74,289	£104,997	£170,410
North Down	£112,056	£81,713	£95,632	£173,160
Lisburn	£125,378	£95,929	£88,386	£157,910
East Antrim	£89,458	£53,817	£79,769	£142,509
L'derry/Strabane	£86,916	£57,338	£74,007	£129,293
Antrim/Ballymena	£88,949	£49,553	£73,833	£133,455
Coleraine/Limavady/North Coast	£103,029	£55,539	£86,833	£122,500
Enniskillen/Fermanagh/South Tyrone	£93,890	£54,370	£67,192	£129,104
Mid Ulster	£96,250	£67,883	£79,807	£128,771
Mid and South Down	£113,674	£71,412	£83,558	£161,223
Craigavon/Armagh	£89,094	£62,639	£69,118	£121,160

Region	SD Bungalow	Detached Bungalow	Apartment
Northern Ireland	£87,566	£126,829	£97,855
Belfast	*	£185,700	£91,417
North Down	£94,054	£151,484	£73,568
Lisburn	£94,429	£152,600	£136,833
East Antrim	£79,721	£121,231	£86,515
L'derry/Strabane	£77,462	£94,179	*
Antrim/Ballymena	*	£112,822	*
Coleraine/Limavady/North Coast	£76,750	£126,071	£141,435
Enniskillen/Fermanagh/South Tyrone	*	£94,895	£90,942
Mid Ulster	*	£105,300	£93,080
Mid and South Down	*	£129,058	£134,500
Craigavon/Armagh	£76,345	£109,310	£66,028

South Belfast is still the most expensive place to buy a house.



## Performance by Region

Location is a fundamental issue in any consideration of property markets. Indeed the analysis shows that local areas can show distinct variations reflecting the differing character of their markets.

### Belfast

In Belfast the overall average price (£99,331) is up over the year but only by 4.18% adding to the evidence of a slow down in the housing market. Quarterly performance very much reflects the annual picture with prices up on average by 1.46%. The two dominant sectors - terraced and semi-detached houses - show contrasting trends with average price levels lower for terraced houses (£74,289) but higher in the semi-detached house market (£104,997). Apartments are a growing sector of the Belfast market and have shown growth over the year with price levels up on average by 7.50% though the price of apartments within the city (£91,417) lags behind that for the province (£97,855) suggesting a greater focus upon affordability within Belfast.

Significant differences in average price are apparent within the city. The highest priced area remains South Belfast but the average sale price this quarter (£132,493) is lower, possibly reflecting a reduced representation of detached property in the sample. Nevertheless, high price levels prevail in this part of the city with the average price of terraced houses £105,760 and semi-detached houses £139,166. The next highest location is East Belfast with an overall average price of £106,641 but comparable prices on a sector basis are significantly below the south of the city. For East Belfast, terraced houses have an average price of £73,003 and semi-detached houses £105,177. Price levels are lower in West Belfast (average price £80,458) and North Belfast (£77,292). In the west of the city terraced houses average £72,114 and semi-detached houses £96,296 compared to the respective figures of £54,199 and £77,719 in the north of the city.

### Belfast Metropolitan Area

Within the Belfast Metropolitan Area the highest average prices are now apparent in Lisburn (£125,378) compared to North Down (£112,056) with East Antrim having a lower price (£89,458). Lisburn has shown highly significant growth over the year, most notably for terraced houses, with the average price (£95,929) reflecting a number of new build sales. Lisburn also has a very strong detached bungalow market (average price £152,600) with price levels increasing in this sector by 18.11% over the year. For North Down, although the overall average price level shows little annual change, certain sectors have performed well over the year notably detached houses up on average by 10.86% (average price £173,160) and semi-detached bungalows up by 14.49% with an average price of £94,054 compared to £95,632 for semi-detached houses. The East Antrim market historically has a lower price structure than the other two commuter regions though price levels have advanced appreciably over the year with a strong performance in the detached house (average price £142,509) and detached bungalow (£121,231) sectors. Strong growth is also apparent for terraced property though the price level in this sector (£53,817) still lags behind most other market areas.

### The North and North West

For market areas in the North and North West of the province differing patterns of performance are apparent. In Antrim/Ballymena the overall average price has risen to £88,949 sustaining the increased price level noted in the previous report. However over the year a more variable performance is apparent with the average price of detached houses (£133,455) largely unchanged and modest levels of growth in the price of detached bungalows (£112,822) and semi-detached houses (£73,833). For the Coleraine/Limavady and North Coast area the average price (£103,029) has risen

significantly both annually and over the quarter. While the annual growth rate across the market averages 10.5% most of this growth is apparent in the strong performance of detached bungalows (average price £126,071) and to a lesser extent semi-detached houses (average price £86,833). This market area has also seen a significant growth in apartments, the high price (£141,435) reflecting upmarket schemes in coastal locations. For Derry/Strabane average house price is now £86,916, a figure that represents highly significant growth in the local market over the past year and indeed one that is carried through into the first quarter of 2003. Price increases are apparent over most property types most notably detached houses (average price £129,293), semi-detached houses (average price £74,007) and terraced property (average price £57,338). However in spite of strong growth rates, average prices in general remain below those for the province as a whole pointing towards better affordability in the northwest of the province.

### The West

Property markets in the West are also characterised by variable trends. House prices in the Mid-Ulster market centred on Omagh, Cookstown, Magherafelt and Dungannon continue to show substantial rates of increase

reinforcing the strong performance apparent in the previous report. Over the year all sectors of the market show price growth with the average price this quarter (£96,250) outperforming the neighbouring market in Fermanagh. Mid-Ulster has seen significant price growth in the detached house (average price £128,771) and detached bungalow (£105,300) markets. Terraced houses also show a significant increase in sale price (£67,883). The Enniskillen/Fermanagh market in comparison has not performed as well with an increase in overall sale price over the year (£93,890) but lower on the basis of quarterly comparisons. Detached houses have performed strongly in comparison to price levels at the start of 2002 with average price now £129,104. The detached bungalow sector also shows price growth over the year (£94,895) but price levels in this sector lag behind most other market areas.

### The South

In the South of the province the housing markets continue to perform well with very strong growth in price levels across the year which has been maintained during the first quarter of 2003. For Craigavon/Armagh, normally one of the lowest priced market areas, the overall average price level has increased sharply to £89,094 thereby closing the price gap with other areas in the province. Growth in price levels is particularly apparent in the terraced house market for which average price is now £62,639, substantially above previous prices in this sector. Detached bungalows are a particular strength of the Craigavon/Armagh market, with an average price of £109,310. However for detached houses the average price (£121,160) is still the lowest of any of the market areas in the province. Mid & South Down with an average price of £113,674 is again one of top priced markets within Northern Ireland. Significant rates of price growth have been maintained over both the annual and quarterly time-scales. A key characteristic of this market is the high price of detached houses (£161,223) with the average price in this sector up 18.40% over the year. Likewise, detached bungalows command a high average price level (£129,058) and apartments are a growing sector with the average price (£134,500) significantly greater than the Northern Ireland average.

Average house price by region

Location	Average Price
Northern Ireland -All	£100,755
Belfast - All	£99,331
1. North Belfast	£77,292
2. South Belfast	£132,493
3. East Belfast	£106,641
4. West Belfast	£80,458
5. North Down	£112,056
6. Lisburn	£125,378
7. East Antrim	£89,458
8. L'derry/Strabane	£86,916
9. Antrim/Ballymena	£88,949
10. Coleraine/Limavady/N. Coast	£103,029
11. Enniskillen/Fermanagh/S.Tyrone	£93,890
12. Mid Ulster	£96,250
13. Mid & South Down	£113,674
14. Craigavon/Armagh	£89,094

## The House Price Index

The value of the index, which is calculated relative to the base quarter for the survey in 1984, is now 370.21. The index reflects the current price and historic trends over the past two decades. For this survey the index has increased slightly from the fourth quarter figure of 368.85 but is still below the peak figure (377.23) recorded for the third quarter of 2002.

The relatively consistent value of the index over the past two quarters is a reflection of the overall stability in the market at a macro-level. Comparison between the index, which measures nominal growth, and trends in the Retail Price Index indicates that house price growth within Northern Ireland continues to be significantly above the general rate of inflation. As illustrated by the time series graphs a high degree of divergence occurs between the two index series. Although rates of increase have slowed-down, residential property compared to other assets has performed well and as the index highlights is still providing capital growth. The low interest rate environment is also keeping the market relatively accessible for most purchasers.



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