



Northern Ireland

Quarterly House Price Index

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Introduction

This survey analyses the performance of the Northern Ireland housing market during the third quarter of 2015, the months of July, August and September. The report is concerned with trends and spatial patterns in the housing market drawing comparisons with the third quarter of 2014, as a measure of annual change, and with the second quarter of 2015, as an indicator of quarterly change. The report is produced by Ulster University in partnership with the Northern Ireland Housing Executive.

The price statistics are based on market evidence from a sample of 2,158 sales in the third quarter of the year. The volume of transactions is appreciably up with agents reporting increased sales activity in the latter part of the quarter.

In this report, 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 change over time to be tracked. Regional analysis considers trends in market areas throughout Northern Ireland. The report also provides composite statistics showing average prices over the first three quarters of 2015, for information purposes.



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The Rental Sector Continues to Grow

The headline figures emerging from Ulster University's analysis of house prices for Q3, 2015 confirm that the recovery in Northern Ireland's housing market is continuing. The weighted quarterly increase of 5.3 per cent and annual increase of 7.8 per cent is a little higher than the Housing Executive's estimate at the start of the year, which envisaged house prices rising by around 5 per cent during 2015. However, one quarter's figures remain outstanding to complete the picture.

Much of the media analysis of the market continues to focus on the owner occupied sector, and while owner occupancy is still by far the biggest sector of the market, the private rented sector is continuing to grow. The 2011 House Condition Survey estimated that 17 per cent of all properties were occupied by private tenants, and more recently the Family Resources Survey confirmed that approximately 20 per cent of all households were in the private rented sector. Bearing in mind that investor purchases comprise a significant portion of the transactions each quarter, the latest research report on the Performance of the Private Rental Market in Northern Ireland provides some useful insights.

From 2007, bi-annual reports have been produced based on a partnership between the Housing Executive, Ulster University and Propertynews.com. These reports charted average monthly rents and number of lettings, as well as providing analysis by location, property type and number of bedrooms. Until 2013 data limitations meant that this analysis was confined to the Belfast Metropolitan Area. Additional sources of data enabled the analysis to be extended to cover the whole of Northern Ireland.

The most recent analysis covers the period January to June 2015:

During this six month period there were approximately 11,450 new lettings across Northern Ireland. The number of new lettings increased by approximately one per cent compared to the equivalent quarter in 2014. The number of lettings fell compared to the previous six months reflecting the annual cycle which peaks in the autumn when students return to university.

Analysis by property type indicates that the rental market continues to be dominated by terrace/townhouse

(42%) and apartment (31%) property types, accounting for more than three quarters of the properties rented, and as in previous studies two bedroom properties (38%) and three bedroom properties (40%) continue to be the most common properties in terms of the number of bedrooms.

The average monthly rent for January to June 2015 was £553, an increase of 0.7% on the previous six months and likewise a small annual increase of 0.9 per cent compared to January to June 2014, providing further evidence of a slow but gradual increase in rents in Northern Ireland.

More than two-fifths (45%) of the new lettings were in the Belfast City Council area where the level of transactions increased by 3.1 per cent compared to the first six months of 2014. Previous analysis has confirmed the consistent growth of private rental activity in the city. The average rent for Belfast was £594, significantly higher than for Northern Ireland as a whole. Average rents in Belfast declined a little (-1.3%) compared to the first half of 2014, but in Belfast City Centre increased by 4.5 per cent, reflecting growing demand for apartment living in this increasingly popular sub-market.

Analysis of the distribution of the rental market outside Belfast showed that North Down & Ards, Lisburn & Castlereagh, Armagh, Banbridge & Craigavon and Antrim & Newtownabbey are the largest rental markets and collectively account for 61 per cent of all new lettings outside Belfast.

Figure 1 provides an indication of the considerable variation in average rental levels for the new council areas outside Belfast. The highest average rents outside Belfast were found in North Down & Ards (£580) and Lisburn & Castlereagh (£578). Conversely the lowest average rents were found in more peripheral rural areas, including

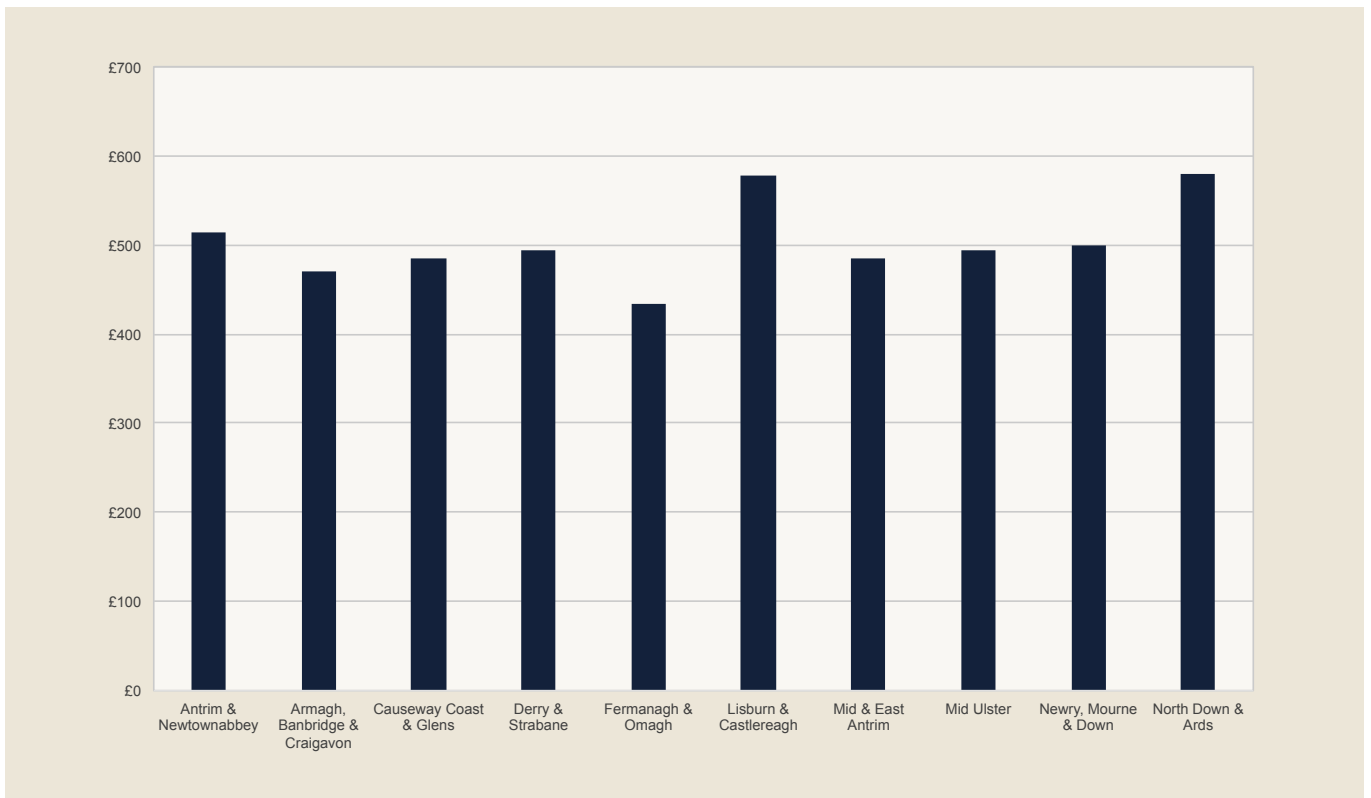


Figure 1: Average Monthly Rent by Local Government District

Fermanagh & Omagh (£435) and Armagh, Banbridge & Craigavon (£471).

The latest analysis of the performance of Northern Ireland's rental market would confirm the longer term prognosis that the private rented sector will continue to grow as house prices rise and first time buyers find it more difficult to enter the owner occupied sector. In addition growing pressure on public resources as a result of ongoing austerity means that waiting lists for social housing will continue to remain high and that Government will increasingly turn to the private

rented sector for help in meeting the needs of lower income families. The prospects for continuing buoyancy in the private rental market therefore look bright.

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General Market Trends

This survey provides a more optimistic picture of the Northern Ireland housing market compared to more cautious conditions in second quarter. For this survey the overall average price is higher and transaction volumes are greater.

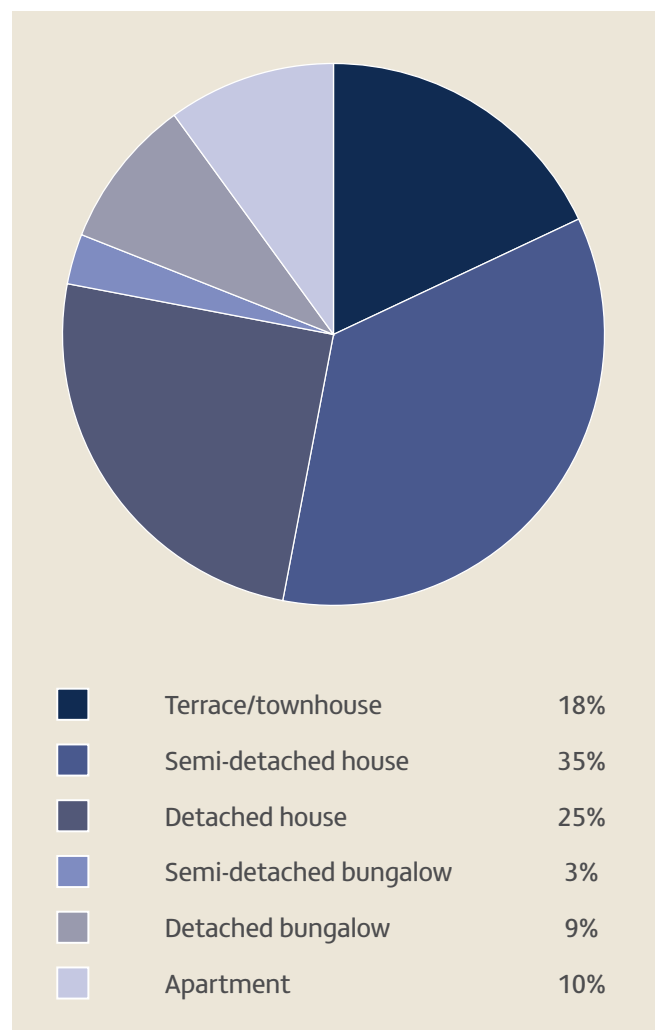
This latest survey of the Northern Ireland housing market indicates a degree of buoyancy and optimism following a more variable second quarter. Indeed in the opinion of estate agents across the province, the third quarter saw an increase in transactions and more realistic price expectations on the part of vendors. In this respect, Northern Ireland appears to be following the growth in mortgage approvals recorded for the UK as a whole by the Council of Mortgage Lenders notably during third quarter. The more competitive mortgage market has acted as a short-term stimulus to the housing market and is reflected by the statistics presented in this report.

In terms of price performance, the overall average price (£154,376) for the third quarter of 2015 is up over both the annual and quarterly time-frames. In simple percentage terms there has been a 9.4% rise over the year and a 6.2% increase compared to second quarter for which performance was below expectations. When allowance is made for the variation in sample mix between the surveys, the weighted rate of annual increase, the preferred measure in these surveys, is slightly lower at 7.8% but still indicative of significant growth in average price levels over the year. Short-term quarterly change captures the strengthened market conditions in this survey with a weighted rate of increase of 5.3%.

The distribution of sale prices highlights the affordable market that exists in Northern Ireland compared to other UK regions. However, there is a perceptible shift in price bands with the percentage of properties sold at or below £100,000 dropping to 30% of the sample down from 34%. The percentage of properties sold at or below £150,000 likewise is lower, 63% compared to 68% in the previous survey. For the higher price bands, 80% of transactions are at or below £200,000, 88% of properties sold at or below £250,000 and 93% at or below £300,000.

The market share by property type remains broadly consistent with recent surveys with semi-detached houses remaining the dominant property type (35%, n=752). In contrast, the representation of the terrace/townhouse sector (n=391) remains unchanged from last quarter with 18% of transactions in percentage terms. The sample size for detached houses at 25% (n=532) is slightly higher as is the market share of detached bungalows (9%, n=199). Semi-detached bungalows with 3% of the sample (n=72) take the smallest market share. Apartments have maintained their market share (10%,

n=208). The share taken by newly built property (n= 378) or 18% is highly consistent with the previous survey indicating a steady increase in private sector housing development.





Performance by Property Type

The improved property market during third quarter is reflected in higher average prices across all property types.

Annual performance provides a snapshot comparing the current average price with corresponding statistics for the third quarter of 2014. In terms of annual performance, all property types have increased in average sale price over the year. In this survey, the highest rate of annual increase is apparent for semi-detached houses (£140,383) which are up by 13.7% over the year. Apartments, average price £112,925, are up by 9.2% and detached bungalows (£172,126) by 11.7%. The terrace/townhouse sector with an average price of £88,876 is up by 3.6% compared to the third quarter of 2014. Detached houses (£237,910) have continued to perform well but like terraced houses are characterised by a slower rate of annual increase relative to the other property types, with a 3.6% rise in average price over the year. Likewise, semi-detached bungalows (£112,433) are also up by 3.6% on average. Reflecting these collective changes, the overall weighted annual increase is 7.8%.

Short-term performance considers average price levels against those for the second quarter of 2015. A more variable performance is apparent over the quarter with all property types experiencing higher average price levels with the exception of semi-detached bungalows which are slightly down by 1.5%. In contrast, the average price of terrace/townhouses is up by 10.7% which, in part, reflects the lower than expected average price for second quarter. Apartments perform well over the quarter, up by 7.3% and likewise semi-detached houses for which there has been a 7.6% increase in average sale price. Detached houses are up by 3.1% over the quarter and the average price of detached bungalows by 1.7%

Market sector	Annual % change	Quarterly % change	Average Price Q3 2015	Average Price Q1 -Q3 2015
Terrace/townhouse	3.6%	10.7%	£88,876	£85,521
Semi-detached house	13.7%	7.6%	£140,383	£134,207
Detached house	3.6%	3.1%	£237,910	£227,033
Semi-detached bungalow	3.6%	-1.5%	£112,433	£111,457
Detached bungalow	11.7%	1.7%	£172,126	£166,218
Apartment	9.2%	7.3%	£112,925	£109,659

Region	All	Terrace	SD House	Detached House
Northern Ireland	£154,376	£88,876	£140,383	£237,910
Belfast	£168,784	£95,517	£171,346	£290,225
North Down	£183,223	£110,077	£148,869	£287,617
Lisburn	£182,328	*	£144,715	£241,591
East Antrim	£115,557	£68,519	£110,148	£170,768
L'derry/Strabane	£109,522	£60,760	£94,362	£193,929
Antrim/Ballymena	£129,515	£78,868	£107,418	£180,564
Coleraine/Limavady/North Coast	£149,116	£104,331	£133,111	£215,401
Enniskillen/Fermanagh/South Tyrone	£148,740	*	*	£192,350
Mid Ulster	£116,869	£67,069	£105,532	£147,295
Mid and South Down	£147,262	£96,713	£118,460	£209,891
Craigavon/Armagh	£124,130	£58,753	£104,660	£190,161

Region	SD Bungalow	Detached Bungalow	Apartment
Northern Ireland	£112,433	£172,126	£112,925
Belfast	£102,830	£186,431	£136,225
North Down	£128,850	£228,645	£109,738
Lisburn	*	*	*
East Antrim	£104,150	£135,729	£81,031
L'derry/Strabane	*	£148,571	*
Antrim/Ballymena	£122,181	£146,602	£68,567
Coleraine/Limavady/North Coast	£116,032	£160,507	£106,582
Enniskillen/Fermanagh/South Tyrone	*	£142,675	*
Mid Ulster	£108,750	£145,958	*
Mid and South Down	*	£166,350	*
Craigavon/Armagh	*	£131,989	*

Performance by Region

At the regional level, the greater buoyancy of the housing market during third quarter is reflected in most market areas either through increased average prices or growth in sales volume.

Belfast

The Belfast market continues to perform strongly building upon the price increases which occurred throughout 2014. The overall average price (£168,784) represents a 9.4% increase over the year and an even higher rise for the quarter by 10.6%, though there is some variability by property type. In line with the previous survey, the highest level of price increase is for apartments (£136,225) with average sale price strengthening by 31.7% compared to the third quarter of 2014. Likewise, semi-detached houses (£171,346) are up by 12.2% over the year. Across the other property types a more stable annual picture is apparent with the average price of detached houses (£290,225) up slightly over the year by 1.4% and by 6.8% compared to second quarter. Terrace/townhouses (£95,517) have an average sale price largely unchanged over the year but significantly higher over the quarter.

South Belfast (£257,886) maintains its status as the highest priced sub-market in the city. The average price of terrace/townhouses has increased to £129,901, semi-detached houses to £214,579, detached houses to £512,602 boosted by a number of high valued properties in this sample and apartments to £154,380. The average price (£179,677) in East Belfast has also increased with terraced/townhouses rising to £94,462, semi-detached houses £176,831, detached houses £285,794 and apartments £138,379. In contrast, the average price for West Belfast (£112,700) is down from the previous quarter but terrace/townhouses (£79,438) are higher, semi-detached houses (£117,255) are lower, detached houses (£233,371) higher and apartments (£113,204) are also up on second quarter. For North Belfast the overall average price (£116,754) is significantly higher than that for second quarter with terraced/townhouses £69,943, semi-detached houses £124,586, detached houses £191,017 and apartments £76,675 all displaying higher average sale prices.

Belfast Metropolitan Area

Within the commuter zone of the Belfast Metropolitan Area, the three local markets show divergent trends for the third quarter of 2015.

For North Down, the third quarter of 2015 was an extremely buoyant period for the local market with evidence of high levels of sales. However, the overall average price (£183,223) is only slightly up over the year, by 0.6%, largely due to a small reduction in the price of detached houses (£287,617) compared to the third quarter of 2014. For the rest of the market all other property types show a considerable increase in average sale price over the year. Terrace/townhouses (£110,077) are up by 9.6%, semi-detached houses (£148,869)

by 16.6%, semi-detached bungalows (£128,850) by 10.9%, detached bungalows (£228,645) by 25.5% and apartments (£109,738) by 4.7% compared to third quarter of 2014.

For Lisburn, the overall average price (£182,328) is slightly down by 1.9% compared to the third quarter of 2014 but up by 3.8% relative to the second quarter of 2015. Detached houses again achieve a high average price (£241,591) but have dropped back by 5.7% in comparison to their strong price structure for the third quarter of 2014. In contrast, semi-detached houses (£144,715) are up by 5.2% over the year building upon their strong performance in previous surveys.

In East Antrim, there has been a strong performance in terms of the volume of transactions though the overall average price (£115,557) has slipped back indicating a more variable picture than might have been expected. Lower average prices are apparent, apart from semi-detached houses (£110,148) which are up by 9.9% over the year and by 6.2% over the quarter. The average price of terrace/townhouses (£68,519), while lower over the year, is up by 6.2% over the quarter and likewise apartments (£81,031) have a strong price structure over the quarter. Detached houses (£170,768) and detached bungalows (£135,729) are characterised by lower average prices this quarter and serve to reduce the overall average price for this period.

The North and North West

The overall picture in the North and North West of Northern Ireland is generally positive with increased sales volumes but some variability in price performance.

For Antrim/Ballymena the overall average price (£129,515) is indicative of a stronger market during the third quarter. Overall the average sale price is up by 10.3% compared to the same time period in 2014 and by 12.8% relative to the second quarter. Across the market all sectors show improved performance over the year with the exception of semi-detached houses (£107,418) for which the average price is largely unchanged (-0.3%). However, terrace/townhouses (£78,868) are up by 9.9%, detached houses (£180,564) by 2.9%, semi-detached bungalows (£122,181) by 8.5%, detached bungalows (£146,602) by 4.9% and apartments (£68,567) by 10.2% though the average price of the latter has dropped back over the quarter.

The Coleraine/Limavady/North Coast market reflects the overall picture namely increased volume of transactions and higher average sale price (£149,116) over the year by

6.1% and by 1.9% over the quarter. Performance by property type is however a little more variable with the average price of semi-detached bungalows (£116,032) and apartments (£106,582) lower whereas terrace/townhouses (£104,331) are up by 10%, detached houses (£215,401) by 7.3% and detached bungalows (£160,507) by 12.9% over the year.

In the Derry/Strabane market, the overall average price (£109,522) is somewhat lower by 2.4% over the year and by 3.0% for the quarter compared to the strong second quarter performance. This may simply reflect a minor statistical re-adjustment as transaction volumes are higher suggesting a relatively buoyant market in third quarter. Over the annual time-scale, the best performing property sectors are detached houses (£193,929) with a strengthening in average price by 16% and detached bungalows (£148,571) up by 14.3%. However both semi-detached houses (£94,362) and terraced/townhouses (£60,760) have lower average prices this quarter.

The West

The two markets in the West of Northern Ireland both demonstrate price growth building upon second quarter performance.

In Mid Ulster, the average price (£116,869) is up over the year by 3.8% but has dropped back relative to the strong second quarter performance. Analysis by property type suggests that a high degree of variability is impacting upon the overall market with for example semi-detached houses (£105,532) up over the year by 8.7% but down for the quarter by 3.7%. Both semi-detached (£108,750) and detached bungalows (£145,958) show strong annual performance but detached houses (£147,295) and terrace/townhouses (£67,069) have lower average sale price.

The Enniskillen/ Fermanagh/ South Tyrone market for this quarter has an average price of £148,740 representing a 15.6% increase over the year and a 10.2% increase over the quarter. However, the smaller sample size for this market area and the strong representation of detached houses in

this survey is somewhat accentuating the scale of price growth. Indeed, detached houses (£192,350) themselves show variable performance with significant price increase over the year but down compared to second quarter.

The South

In the South of Northern Ireland the two market areas are both characterised by an overall increase in average price.

For Craigavon/Armagh, the overall average price (£124,130) is significantly higher than that for the third quarter of 2014 representing an annual uplift of 23.4% mirroring the observation made in the previous survey. However analysis by property type suggests that the strong performance arises in part from a higher representation of detached houses (£190,161) which are characterised by a 10.4% increase in average sale price over the year. Also semi-detached houses (£104,660) have performed well with average price significantly higher. In contrast, the average sale price of terrace/townhouses (£58,753) is basically unchanged over both the year and compared to last quarter.

In Mid & South Down, the overall average price (£147,262) is significantly higher over the year up by 12.6% relative to the price level for the third quarter of 2014 and by 9.5% over the quarter. All property sectors show uplifts in average sale price notably terrace/townhouses (£96,713) for which the average price is significantly above the norm for this market area. Semi-detached houses (£118,460), detached houses (£209,891) and detached bungalows (£166,350) also have significant price increases over the year up by 14.5%, 13.1% and 4.2% respectively largely arising from their strong third quarter performance.

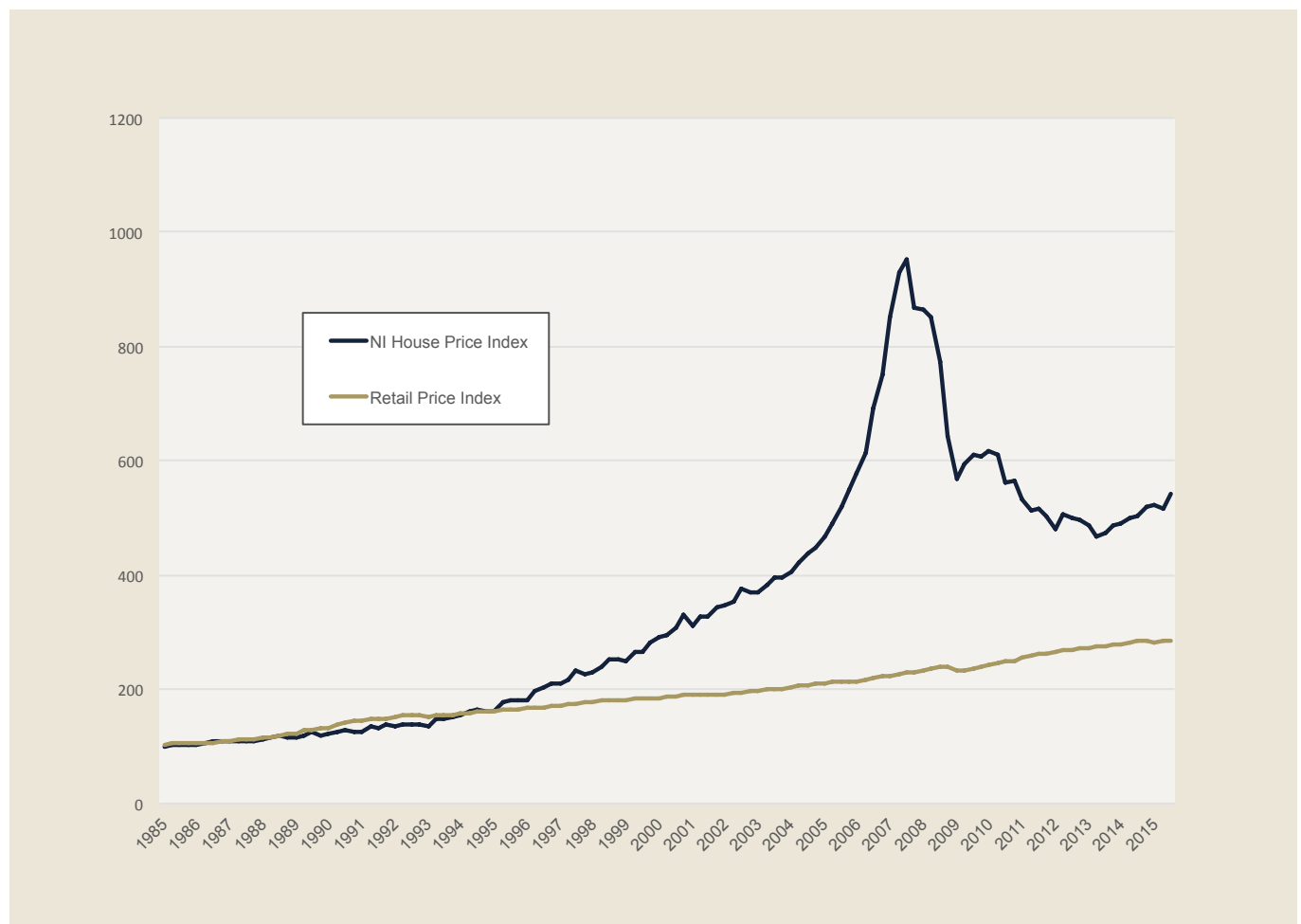
Location	Average Price Q3 2015	Average Price Q1-Q3 2015	Location	Average Price Q3 2015	Average Price Q1-Q3 2015
Northern Ireland - All	£154,376	£147,229	East Antrim	£115,557	£125,008
Belfast-All	£168,784	£154,519	L'Derry/Strabane	£109,522	£109,962
North Belfast	£116,754	£100,368	Antrim Ballymena	£129,515	£122,234
South Belfast	£257,886	£215,655	Coleraine/Limavady/North Coast	£149,116	£148,965
East Belfast	£179,677	£169,469	Enniskillen/Fermanagh/S.Tyrone	£148,740	£141,960
West Belfast	£112,700	£120,788	Mid Ulster	£116,869	£123,961
North Down	£183,223	£175,425	Mid and South Down	£147,262	£143,855
Lisburn	£182,328	£176,921	Craigavon/Armagh	£124,130	£125,218



The House Price Index

The long-term house price index is calculated relative to price levels for each property type at the base quarter for the survey, the final quarter of 1984. The overall index at 542.64 has risen appreciably this quarter reflecting the stronger market conditions during third quarter.

The pattern of the house price index since its rapid fall during 2008-2010 has been one of uneven performance though generally trending downwards over the period 2011-2013. The overall picture for 2014 and 2015 is an upward trajectory for the index.



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