

Northern Ireland

Quarterly House Price Index

For Q4 2012



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Introduction

This survey analyses the performance of the Northern Ireland housing market during the fourth quarter of 2012, the months of October, November and December.

The report is concerned with trends and spatial patterns in the housing market drawing comparisons with the fourth quarter of 2011, as a measure of annual change, and with the third quarter of 2012, as an indicator of quarterly change. The report is produced by the University of Ulster in partnership with Bank of Ireland UK and the Northern Ireland Housing Executive.

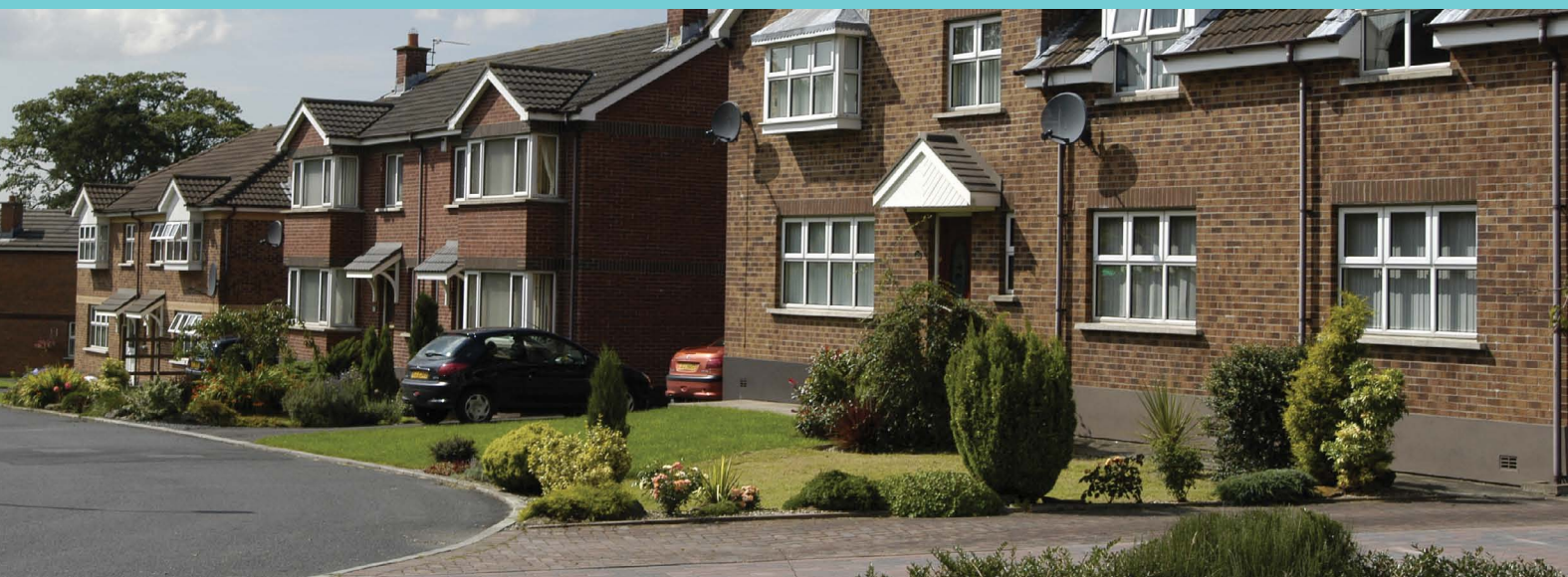
The price statistics are based on market evidence from a sample of 1357 properties. The sample size represents a substantial increase in the volume of transactions and is the highest quarterly number of sales captured by this survey since the final quarter of 2007.

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. The simple average percentage change is also reported. Regional analysis considers trends in market areas throughout Northern Ireland. The report also presents for further information annual statistics based on average prices across the full twelve months of 2012.



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February 2012

Sales show signs of a mini-revival



Two broad headlines are evident in this latest quarterly review of the local residential market – signs of some uplift in transaction volumes during the final months of 2012 (sample size the highest since Q4 2007) and, after 5 consecutive years of decline, stability in average prices across the region, both on short-term and annual comparisons. It is to be hoped that such trends can be repeated during the traditionally busier home-buying spring and early summer season which would be positive for the broader “housing economy” on which so much local activity depends.

As is often the case with surveys, the real stories lie behind the headlines and it is worth repeating the caution to readers that quarterly price movements in specific locations can be erratic and influenced by sample size and the mix/profile of sales – the revival in activity levels and stability in prices has not been a uniform experience across the region and local market performance remains quite variable. The advice to consider this market in segments still holds true.

Generally speaking, turnover is higher in the Greater Belfast and neighbouring areas, supporting a rise in overall prices in the last 12 months. However, even within Belfast there are some interesting features – with average prices significantly below the £100,000 level in both the north and west of the city, this may be further confirmation of relatively few higher-priced, detached property sales in these areas at the present time.

The picture in Mid-Ulster, parts of the North West and East Antrim has been patchier with evidence that prices have weakened relative to Q4 2011. In part this may also be a commentary on wider regional economic trends, particularly in more rural communities. 2012 was a tougher year for agriculture and provincial retailing while the construction sector has faced continued difficulties with subdued levels of new house building and public expenditure constraints on larger scale projects.

It is also worth noting that for consecutive quarters, resale properties have accounted for a larger proportion of transactions compared to previous years. This is likely to reflect both the diminishing stock of new build units for sale and the discounting of older properties to clear at the lower end of the market.

Peak-to-current comparisons

A comparison of the latest (Q4 2012) data with the peak of the market (Q3 2007) now reveals a decline in average prices of around 45% with the index itself back at mid 2005 levels. However, the peak-to-current movement has not been the same in every location, varying from -40% in North Down to -65% in Mid-Ulster. This would support the view that geographically, the level of “stress” in the market is not spread evenly.

In terms of property types, it comes as no surprise to see the biggest declines coming in the terraced/townhouse (-57%) and apartment (-50%) segments, arguably where the degree of “overheating” was greatest. Detached properties have been more resilient, helped by a recovery in average prices of over 5% in the last 12 months although the magnitude of the decline overall is still significant (-39%).

2013 - More of the same?

Our central planning assumption for 2013 is for average UK house prices to remain broadly flat overall, with London & the SE market expected to be stronger in the context of supply constraints, while some of the other regions, including Northern Ireland, are expected to record low single digit % declines.

The backdrop for the housing market remains challenging - both national and regional economies are still struggling to find the elusive path to return to sustained growth while Northern Ireland faces a number of regional-specific headwinds – the local labour market has proved less resilient than the UK overall and private sector job creation remains weak while the legacy of the boom period of 2006-07 is still with us in terms of a higher incidence of negative equity and more significant levels of arrears and possessions, relative to other UK regions.

Such issues are not only manifest in measures of confidence and sentiment but can also act as a drag on mobility within the market and spending levels, as households look to repair balance sheets.

More positively, there are signs that the UK Funding for Lending Scheme (FLS) introduced by the Government and Bank of England is slowly beginning to reinvigorate what essentially has been a dormant mortgage market. FLS is expected to gain greater traction as the year progresses but the initial impact has included a revised range of mortgage products and softer interest rates, both for borrowers and savers. We should note that any stimulus from FLS is likely to be time-bound – under current arrangements, drawdowns under the scheme are planned to cease from early 2014.

The medium term outlook for the local housing market will ultimately be dependent upon a stabilisation in household incomes and positive labour market developments. In this sense, nothing has changed.

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General Market Trends

The key finding of this report is one of a stabilising Northern Ireland housing market. The overall average price has remained at a consistent level and the volume of transactions is significantly higher.

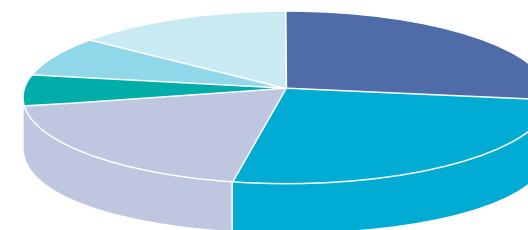
This report provides evidence of improved performance that gives some confidence that the housing market may now be entering a more sustained period of recovery.

The overall average price of residential property in Northern Ireland for the fourth quarter of 2012 is £138,969, a figure that is virtually identical to that for the third quarter (£138,966) and highly comparable to the second quarter price mean (£139,633). The consistency between these figures implies a stabilisation of the housing market. In simple percentage terms there has been minimal change over the quarter and, more significantly, a 1.3% rise relative to the average price for the final quarter of 2011 (£137,219). The weighted index, the preferred measure for this survey, which takes into consideration the respective change for each property type and their weighting, shows no change over the quarter but a slight decline over the year by 1.4%.

The distribution of prices again illustrates the affordable price structure for housing in Northern Ireland with 38% of properties in the survey sold at or below £100,000 (41% in the previous survey) suggesting that considerable value exists in the local market. The price profile maps closely that of the previous quarter with 69% of sales at or below £150,000 and 84% at or below £200,000. Overall 92% of properties sold were exchanged at or below £250,000 and 95% at or below £300,000.

The market share by property type is consistent with previous surveys but with some evidence of a minor change in the sample mix. The terrace/townhouse sector (26%, n=347) has an increased representation which is more in keeping with its historic market share. Semi-detached houses have a slightly lower relative representation in the sample (25%, n=340). Detached houses (23%, n=315) have maintained their increased market share and detached bungalows have a higher representation at 11% (n=153) share. Semi-detached bungalows with 3% of the sample (n=45) remain the smallest property type and as such exert little influence on the weighted property index. Apartments have maintained a significant share of the market 12% (n=157 properties). The new build sector (n=213) is again slightly lower with 18% share of the market.

Market share by type of property



Terrace	26%
Semi-detached house	25%
Detached house	23%
Semi-detached bungalow	3%
Detached bungalow	11%
Apartment	12%



Performance by Property Type

Performance by property type remains variable with mixed message concerning price trends.

Annual performance provides a snapshot comparing the current average price with corresponding statistics for the fourth quarter of 2011. The trend across property types captures the somewhat thin markets that have characterised the residential sector over the year with variable patterns of evidence emerging. The strongest annual performance has been for detached houses (£224,868) with the overall average price up by 5.7%. The apartment sector (£103,539) has also performed better over the year up by 1.9%. However, on the downside, the average price (£104,686) of semi-detached bungalows, is lower by 11.8%, semi-detached houses (£127,152) down by 5.7% over the year and terraced/townhouses (£84,971) by 10.8%. Detached bungalows (£157,283) have a largely unchanged price structure with the average price for the year down by 0.3%.

Short-term performance considers average price levels against those experienced in the third quarter of 2012. The quarterly perspective, in common with the annual picture, is characterised by considerable variability, and emphasising the uncertain nature of the market produces trends at variance with the annual picture. For this time scale, higher average prices are apparent for the terrace/townhouse sector up by 6.5%, semi-detached houses up by 3.8%, detached bungalows by 6.5% and apartments, (the price structure of which is impacted more than any other property type by new development) up by 9.1% relative to the weak market structure noted in the previous survey. In contrast, both detached houses, which had a very high average price in the third quarter, are down by 7.1% over the quarter and semi-detached bungalows have an average price level 13.7% lower over the quarter. Reflecting these collective changes, the overall picture is a weighted decline of 1.4% over the quarter.

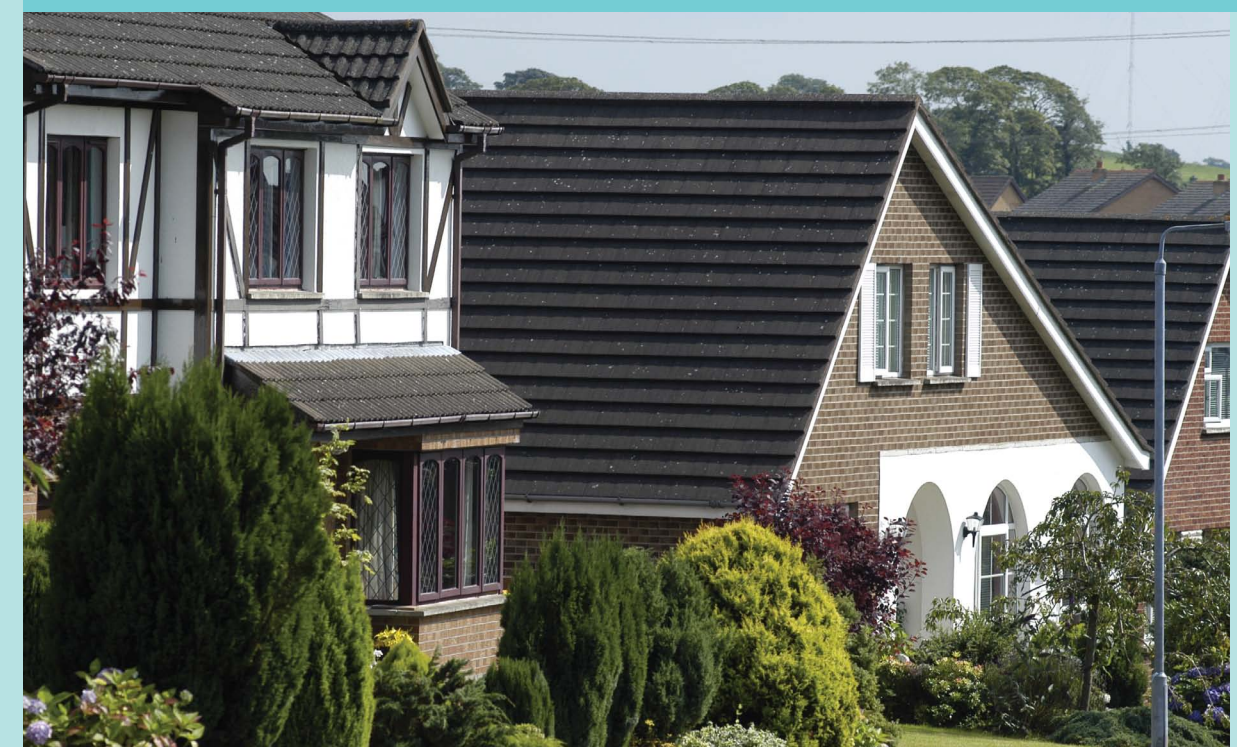
Annual % change and average price

Market sector	Annual Change	Average Price Quarter 4 2011	Average Price 2012
Terraced/townhouse	-10.8%	£84,971	£82,114
Semi-detached house	-5.7%	£127,152	£128,835
Detached house	5.7%	£224,868	£225,235
Semi-detached bungalow	-11.8%	£104,686	£119,398
Detached bungalow	-0.3%	£157,283	£146,602
Apartment	1.9%	£103,539	£101,996

Average price by region and property type

Region	All	Terrace	SD House	Detached House
Northern Ireland	£138,969	£84,971	£127,152	£224,868
Belfast	£149,156	£91,200	£156,490	£269,668
North Down	£167,581	£94,866	£132,703	£252,369
Lisburn	£161,732	£131,144	£123,831	£226,477
East Antrim	£126,974	£89,330	£112,104	£223,623
Lderry/Strabane	£86,986	*	£83,500	*
Antrim/Ballymena	£124,769	£73,155	£107,229	£214,987
Coleraine/Limavady/North Coast	£121,053	£102,602	£116,497	£141,850
Enniskillen/Fermanagh/South Tyrone	£108,023	*	£88,000	£182,719
Mid Ulster	£102,400	£67,513	£86,023	£136,560
Mid and South Down	£133,106	£59,148	£99,837	£220,038
Craigavon/Armagh	£111,418	£50,607	£97,017	£204,998

Region	SD Bungalow	Detached Bungalow	Apartment
Northern Ireland	£104,686	£157,283	£103,539
Belfast	£98,250	£181,971	£111,607
North Down	£124,993	£173,709	£125,765
Lisburn	*	£200,833	£85,017
East Antrim	*	£141,878	£80,461
Lderry/Strabane	£96,300	£111,500	£113,600
Antrim/Ballymena	*	£137,418	*
Coleraine/Limavady/North Coast	*	£138,871	£119,343
Enniskillen/Fermanagh/South Tyrone	*	*	£77,800
Mid Ulster	*	£107,792	*
Mid and South Down	*	£192,278	£94,611
Craigavon/Armagh	*	£114,286	*



Performance by Region

At the regional level, trends are again highly variable with some markets showing signs of uplift but other areas experiencing a downward movement in prices. For certain regions, prices and variability of price trends tend to be a function of a constrained evidence base and thin markets in terms of transaction evidence.

Belfast

In **Belfast**, the improving performance of the market that has been observed during 2012 is again apparent though there remains considerable variability by property type. The overall average price (£149,156) is up over the year by 5.7%, a rate of increase that is highly comparable with that reported for the third quarter (5.6%). However there have been some shifts in relative performance with both semi-detached houses (£156,490) up by 1.9% and apartments (£111,607) up by 4.1%. However, detached houses (£269,668) are characterised by a lower average price this quarter but still command price levels well in excess of that for the overall Northern Ireland market. Over the quarter the average price has reduced slightly by 0.7%, however for terrace/townhouses (£91,200) the average price has increased relative to third quarter by 4.9%.

The variability in price levels is again apparent across the geographical sectors of the Belfast market. **South Belfast** (£185,137) is again the highest priced sub-market in Belfast, with the average price of terraced/townhouses £115,429, semi-detached houses £185,299, detached houses £305,945 and apartments £134,458. The average price in **East Belfast** is now £142,963, with terraced/townhouses £96,769, semi-detached houses £148,160, detached houses £249,933 and apartments £97,222. The average price for **West Belfast** is £91,404, with terraced/townhouses £61,473, semi-detached houses £118,879, detached houses £148,308 and apartments £96,107. **North Belfast** (£88,473) has a slightly lower average price than West Belfast with terraced/townhouses £77,431, semi-detached houses £96,786 and apartments £72,350.

Belfast Metropolitan Area

Within the commuter zone of the **Belfast Metropolitan Area**, the three local markets are characterised by considerable variation in performance between sectors and over the annual and quarterly time-scales.

For **North Down**, the overall average price (£167,581) is up over the year by 3.7%. However, variability between property sectors is still a characteristic of the local market. Over the annual time-scale the best performing property type is detached houses (£252,369), a sector which is still very much the driver of the local market though the average price is lower for the fourth quarter. The average price for the terrace/townhouse sector (£94,866) and semi-detached houses (£132,703) are lower suggesting that there is still considerable fluidity in the local market. This trend is apparent for the fourth quarter for which average price levels have not been sustained at the higher levels achieved during the third quarter possibly reflecting some seasonality in the market.

For **Lisburn**, the overall average price of £161,732 is much more consistent with previous evidence for this local market relative to the lower average price for the third quarter. Indeed on an annual time-scale, the average price for Lisburn is highly similar to that for the fourth quarter of 2011, up by 0.9%. Lisburn, like other market areas, is characterised by variable performance across the property sectors with detached houses (£226,477) leading the market over both the annual and quarterly time-scales. Terrace/townhouses (£131,144) and detached bungalows (£200,833) both show improved price performance over the past quarter.

In **East Antrim**, the overall average price (£126,974) while still lower over the year is much higher than for the third quarter demonstrating the variability that is still apparent in the local market. In common with other market areas, the detached house sector (£223,623) has performed well over both the annual and quarterly time periods and is a particular strength of the local market. Over the quarter, terrace/townhouses (£89,330) and semi-detached houses (£112,104), sectors which are the mainstay of the local market have both performed well with a significant improvement in average price.

The North and North West

The overall picture for markets in the **North and North West** is one of generally consolidating price levels though performance patterns are still subject to variability.

In **Antrim/Ballymena**, the average price £124,769, has consolidated upon the improving market noted in the previous survey with average price up by 2.9% over the year. Detached houses, (£214,987) demonstrate a much improved price structure in this survey and like-wise the terraced/townhouse sector (£73,155) is up significantly over the year with an average price highly similar to the third quarter. Semi-detached houses (£107,229) have a largely unchanged price level over the year but an improved quarterly performance.

For the **Coleraine/Limavady/North Coast** market, the overall average price (£121,053) is largely unchanged over both the annual (down by -0.3%) and quarterly (up by 0.2%) time-scales pointing towards consolidation of price levels and greater stability in the local market. However, at a property sector level there is still considerable variability of performance. The terrace/townhouse (£102,602) sector has an improved performance. Likewise both semi-detached houses (£116,497) and detached bungalows (£138,871) have increased average price levels up by 3.7% and 2.1% respectively over the year.

In **Derry/Strabane** the improving market apparent in the previous survey has not been maintained with the overall average price level reduced to £86,986. The trend for lower average prices is reflected in the semi-detached house sector (£83,500), semi-detached bungalows (£96,300) and detached bungalows (£111,500). However the lower sample size, unlike other market areas this quarter, would seem to be influencing the statistics, hence it is difficult to draw any further conclusions on the state of the local market apart from the inference that the momentum arising from the third quarter does not seem to have been retained.

The West

The two markets in the West of Northern Ireland are still characterised by fluctuating house prices coupled with small sample sizes leading to a lack of market consistency.

The **Mid-Ulster** market with an overall average price of £102,400 has not sustained the price increases reported in the third quarter. Indeed all sectors of the market are characterised by reduced price levels. For example the average price of detached houses (£136,560) and detached bungalows (£107,892) are significantly lower with the same pattern prevailing over both the annual and quarterly time scales. Semi-detached houses (£86,023) follow a similar pattern of lower average prices.

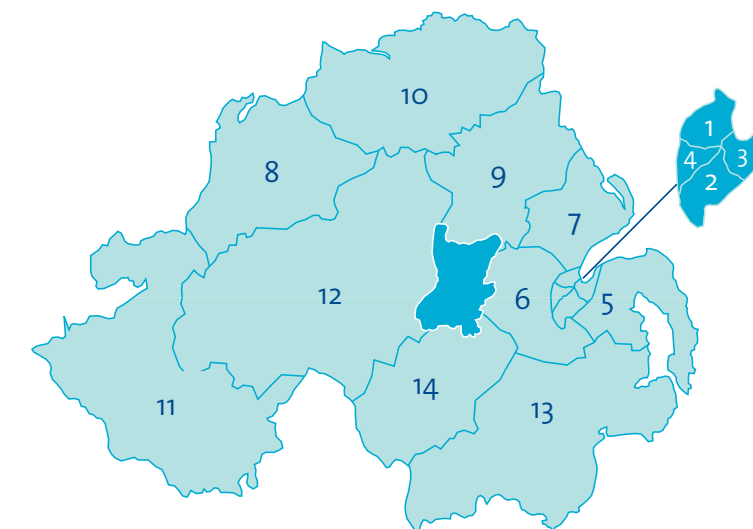
The **Enniskillen/Fermanagh/South Tyrone** market, by contrast demonstrates an element of stability this quarter. The overall average house price (£108,023) represents a slight increase over the year of 1.4% and is more reflective of the long-term position in this sub-area relative to the weaker average price in third quarter. As in other market areas there is variability by property type with semi-detached houses (£88,000) down on average by 4.5% but detached houses (£182,719) are up by 4.1%.

The South

The market picture for the South of Northern Ireland is one of improving performance this quarter.

For **Craigavon/Armagh**, the overall average price (£111,418) is up by 4% relative to the final quarter of 2011 with a considerably improved position over this quarter. However, performance is highly variable by property type with the average price of terraced/townhouses (£50,607) down by 6.8%, whereas both semi-detached houses (£97,017) and detached houses (£204,998) have average prices up by 3.5% and 13.7% over the year.

For **Mid & South Down**, the overall average sale price (£133,106) is highly consistent with that for the third quarter (£134,191) and up over the year by 3.9% on average. However, individual property types are subject to considerable variability in performance with both the terraced/townhouse sector (£59,148) and semi-detached houses (£99,837) displaying much reduced average prices whereas detached houses (£220,038) and detached bungalows (£192,278) are up over the year.



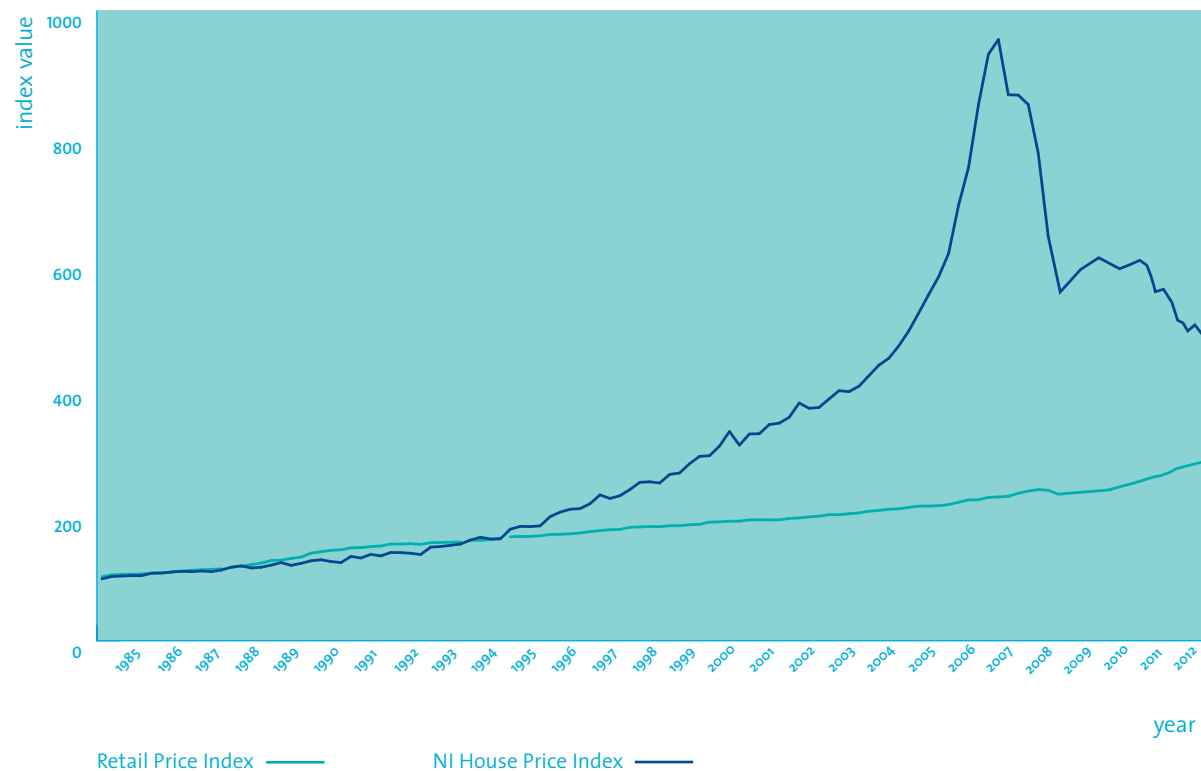
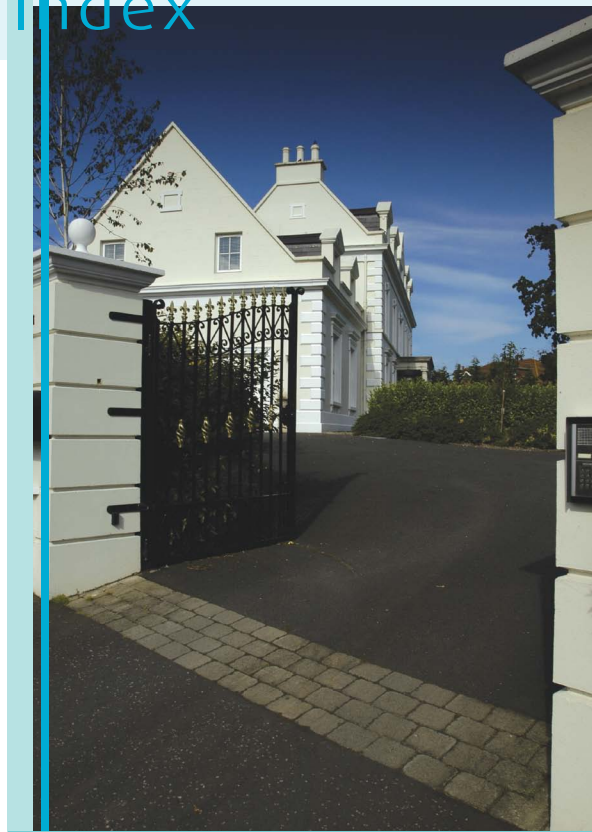
Location	Average Price Quarter 4	Average Price 2012
Northern Ireland - All	£138,969	£138,147
Belfast - All	£149,156	£151,624
1. North Belfast	£88,473	£84,066
2. South Belfast	£185,137	£207,017
3. East Belfast	£142,963	£147,223
4. West Belfast	£91,404	£103,281
5. North Down	£167,581	£181,424
6. Lisburn	£161,732	£137,031
7. East Antrim	£126,974	£116,400
8. Derry/Strabane	£86,986	£109,640
9. Antrim/Ballymena	£124,769	£122,169
10. Coleraine/Limavady/N. Coast	£121,053	£124,209
11. Enniskillen/Fermanagh/S. Tyrone	£108,023	£96,078
12. Mid Ulster	£102,400	£119,648
13. Mid & South Down	£133,106	£148,124
14. Craigavon/Armagh	£111,418	£103,966



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, at the final quarter of 1984. The overall index for this survey remains relatively unchanged in this survey and stands at 496.96.

The pattern of the house price index since 2009 is one of uneven performance supporting opinion that recovery in the Northern Ireland housing market is likely to be highly variable. The current survey underlines this contention with the continuation of the rather erratic pattern.



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- Tim Martin & Co.
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