



Northern Ireland

Quarterly House Price Index

For Q4 2015 Report Number 125

Housing
Executive

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Introduction

This survey analyses the performance of the Northern Ireland housing market during the fourth quarter of 2015, 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 2014, as a measure of annual change, and with the third 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 1,951 sales in the fourth quarter of the year. The volume of transactions, although lower than third quarter, is strong suggesting that good trading conditions prevailed into the final part of the year.

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 aggregated statistics showing average prices across the whole of 2015, for information purposes.



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House Prices and Housing Supply

The latest figures emerging from Ulster University's quarterly house price report for Q4, 2015 provide further confirmation that Northern Ireland's housing market has made substantial progress on the road to recovery. The overall average price of homes sold in Q4, 2015 was £154,685, the highest it has been since Q2, 2010, and reflects an annual (weighted) increase of 9.0 per cent and a quarterly (weighted) increase of 4.7 per cent.

This is the highest annual rate of increase recorded since the market slumped in 2007/08, but still leaves the average dwelling price nearly 40 per cent below its 2007 peak. There is no doubt that improving labour market conditions and a greater willingness on the part of lenders to provide higher loan to value mortgages help explain this higher than expected rise in house prices, but it is also pertinent to ask whether it is to a certain extent reflective of a shortage in the supply of new housing coming onto the market.

Indeed the recent report emerging from the recently published Housing Supply Forum's Report and Recommendations (January 2016) provides a timely and very useful contribution to the debate. The report quite rightly highlights that there has been a significant underprovision of new housing in Northern Ireland in recent years and makes a number of specific recommendations to address this issue. It also quite rightly refers readers to the most recent NISRA household projections which indicate the need for a significant downward revision of the overall housing requirement of 11,200, as set out in the current Regional Development Strategy's Housing Growth Indicators.

Work is currently underway by the Department of Regional Development to revise the Housing Growth Indicators for Northern Ireland, and while in no way trying to pre-empt the outcome, the analysis of demographic and housing stock related data undertaken last year by the Housing Executive in its strategic housing needs assessment role (and published in its most recent Review & Perspectives document, May 2015) would indicate that approximately 8,500 would be an appropriate annual figure for the current ten year intercensal period (2001-11).

This is of course considerably lower than the figure of 11,200 in the current Regional Development Strategy, but also significantly higher than the average new housing output over the last four years of approximately 5,500.

Basic economics would therefore indicate that undersupply is an issue which is impacting on rising house prices. It is of course impossible to quantify the extent of this impact, but there is little doubt that if undersupply continues, the open market prices of homes coming onto the market will continue to rise well above the Retail Price Index, particularly in popular higher demand areas.



The Housing Supply Forum's report also quite rightly highlights that there is therefore a potential for this shortage in overall supply to create a new house price bubble (p.10). However, at this juncture, this looks unlikely as some key market drivers of the early and mid-2000s are no longer anywhere near as powerful:

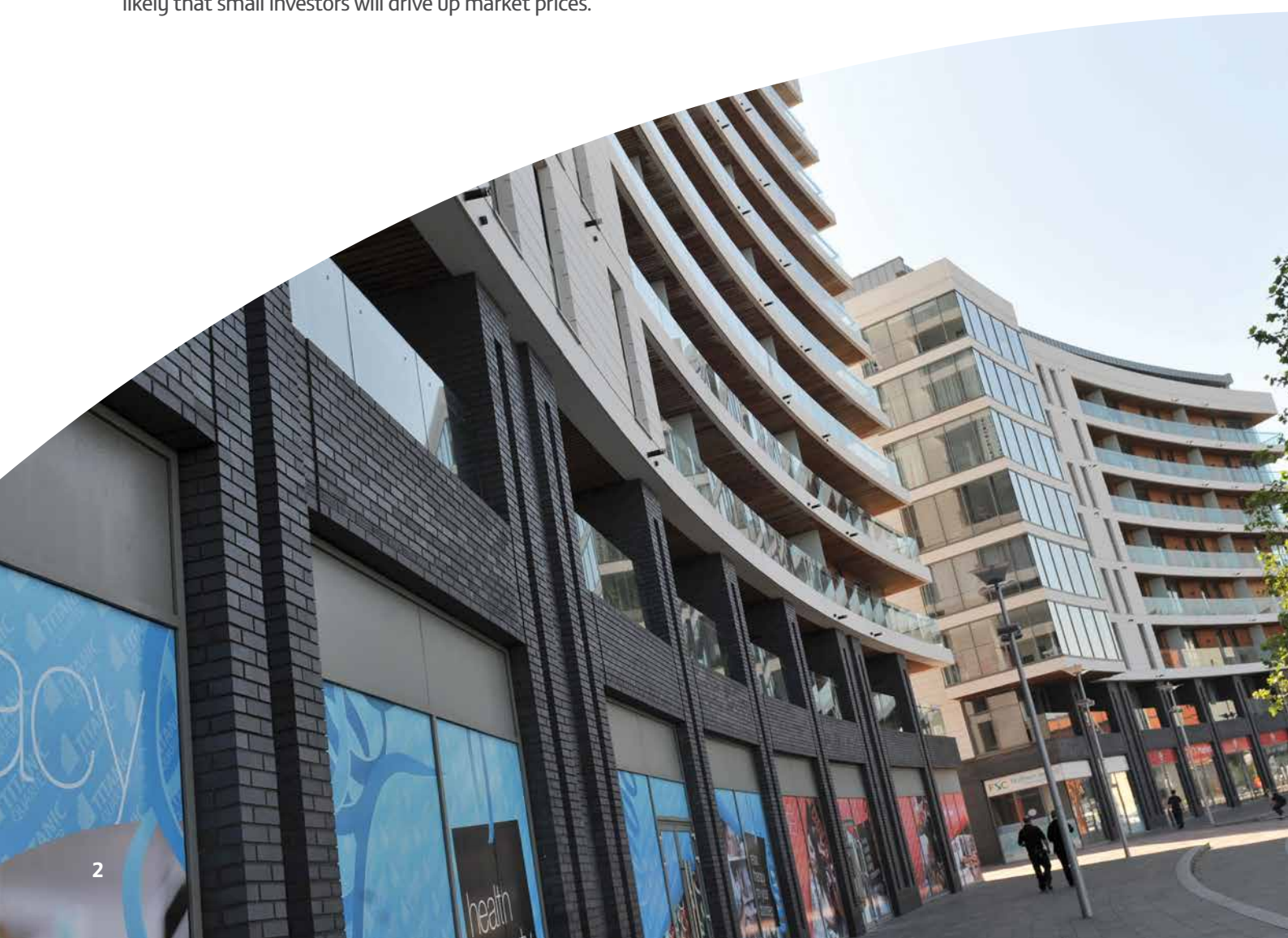
- There is no sign that the substantial in-migration of workers (mainly from Eastern Europe) will be repeated in the foreseeable future – a key driver of investment in the private rented sector in many parts of Northern Ireland.
- The labour market has changed significantly with a greater preponderance of lower paid and less secure posts, compounded most recently by significant numbers leaving the public sector through a voluntary exit scheme.
- Austerity is finally starting to bite in Northern Ireland and although banks are relaxing their lending criteria to a certain extent, the memories of the housing market crash are still too raw to assume 100 per cent plus loan to value mortgages becoming common place.
- Tighter buy to let lending criteria also make it less likely that small investors will drive up market prices.

For all these reasons a bubble created by unsustainable price increases reflecting a lack of effective demand looks very unlikely. The most likely trajectory for the near future is one of sustainable growth in house prices. However, history teaches us that there are always ups and downs in the market. So at some stage it is inevitable that in tandem with wider economic forces the market will turn down again. Nonetheless, there is every reason to believe that this time the downturn will follow a much more sustainable upswing and will therefore not have anything like the detrimental consequences of the housing market slump of the mid 2000s.

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General Market Trends

This survey indicates that strong market conditions prevailed in the final quarter of 2015 allowing the Northern Ireland housing market to finish the year in a buoyant manner.

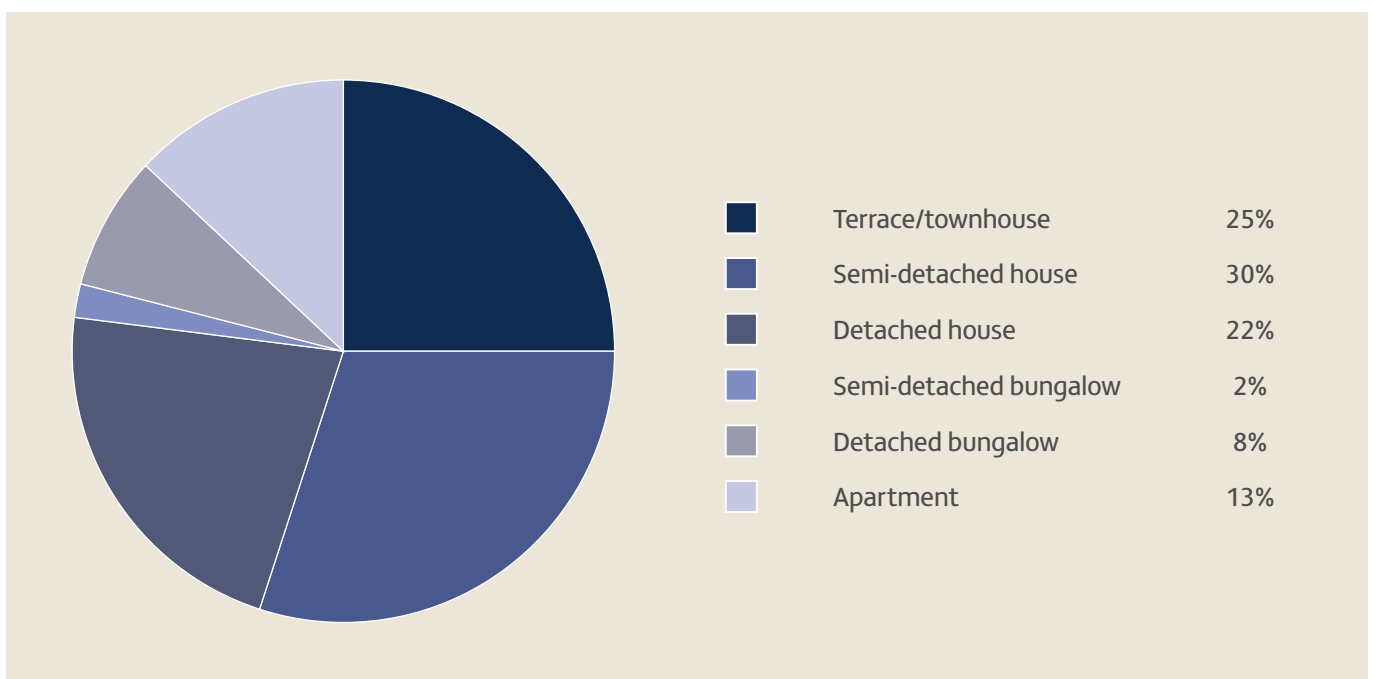
This latest survey of the Northern Ireland housing market indicates a strong market in terms of price and the level of trading activity. It seems that the market has been spurred along by the optimistic picture that prevailed in third quarter with agents still reporting good though somewhat variable local market conditions towards the back end of the year.

In relation to price performance, the overall average price (£154,685) for the fourth quarter of 2015 is up over both the annual and quarterly time-frames. In simple percentage terms there has been a 7.7% rise over the year maintaining the strong growth in annual price levels observed in the third quarter. However, over the quarter there has been little movement in overall average price, up by only 0.2%. 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 somewhat higher at 9.0% and similarly the short-term quarterly weighted increase is higher at 4.7%.

The distribution of sale prices highlights that an affordable market still exists in Northern Ireland, in spite of these price increases. For this survey, the percentage of properties sold at or below £100,000 is slightly higher at 32% and the percentage of properties sold at or below £150,000 is slightly lower, 62% compared to 63% in

the previous survey. For the higher price bands, 79% of transactions are at or below £200,000, 88% of properties sold at or below £250,000 and 92% at or below £300,000. These figures indicate a high degree of consistency in the price structure of the Northern Ireland market suggesting no major discernible shifts.

The market share by property type remains broadly consistent with recent surveys. Semi-detached houses remain the dominant property type (30%, n=584) though dropping back in relative terms. In contrast, the representation of the terrace/townhouse sector (n=485) has increased taking 25% of transactions. The sample size for detached houses at 22% (n=432) is lower and the market share of detached bungalows (8%, n=162) is slightly down. Semi-detached bungalows with 2% of the sample (n=37) again take the smallest market share. In contrast, the apartment market has increased its market share in both relative and absolute terms (13%, n=251). The share taken by newly built property (n=366 or 19%) is highly consistent with the previous survey indicating a steady increase in private sector housing development.





Performance by Property Type

The strong property market during the final quarter of the year is reflected in higher average prices across most property types.

Annual performance provides a snapshot comparing the current average price with corresponding statistics for the fourth quarter of 2014. In terms of annual performance, all property types, apart from semi-detached bungalows (£100,707) which are down by 2.7%, have increased in average sale price over the year. In this survey, the highest rate of annual increase is for terraced/townhouses (£102,571), up by 19.3% compared to the final quarter of 2014. Similarly, semi-detached houses (£146,162) show strong annual growth up by 12.6% over the year. Detached bungalows (£179,083) are up by 13.9% on average but detached houses (£241,699) are characterised by lower annual growth of 1.7%. Apartments, average price £117,663, are up by 8.0%. Reflecting these collective changes by individual property type, most notably the strong performance of property types with the greatest number of transactions, namely the terraced/townhouse and semi-detached house sectors, the overall weighted annual increase is 9.0%.

Short-term performance considers average price levels against those for the third quarter of 2015. A similar picture to that for the annual level is apparent with all property types experiencing higher average price levels with the exception of semi-detached bungalows which are down by 10.4%. In contrast, the average price of terrace/townhouses is up by 15.4%, a high quarterly swing. Apartments perform well over the quarter, up by 4.2%, likewise semi-detached houses up by 4.1% and detached bungalows by 4.0%. Detached houses are up by 1.6% reflecting their more subdued relative performance this quarter.

Market sector	Annual % change	Quarterly % change	Average Price Q4 2015	Average Price Q1 -Q4 2015
Terrace/townhouse	19.3%	15.4%	£102,571	£90,508
Semi-detached house	12.6%	4.1%	£146,162	£136,728
Detached house	1.7%	1.6%	£241,699	£231,935
Semi-detached bungalow	-2.7%	-10.4%	£100,707	£109,517
Detached bungalow	13.9%	4.0%	£179,083	£169,097
Apartment	8.0%	4.2%	£117,663	£112,048

Region	All	Terrace	SD House	Detached House
Northern Ireland	£154,685	£102,571	£146,162	£241,699
Belfast	£169,817	£113,116	£172,494	£293,072
North Down	£180,894	£125,019	£161,428	£277,608
Lisburn	£198,354	£150,150	£153,351	£287,245
East Antrim	£102,826	£75,035	£109,095	£162,891
L'derry/Strabane	£90,451	£62,368	£101,739	£143,576
Antrim/Ballymena	£130,192	£72,784	£113,164	£176,684
Coleraine/Limavady/North Coast	£147,853	£129,471	£118,787	£227,367
Enniskillen/Fermanagh/South Tyrone	£121,440	£57,098	*	£201,473
Mid Ulster	£124,095	£86,117	£114,297	£185,491
Mid and South Down	£154,114	£99,656	£122,925	£201,709
Craigavon/Armagh	£127,870	£61,162	£111,544	£177,130

Region	SD Bungalow	Detached Bungalow	Apartment
Northern Ireland	£100,707	£179,083	£117,663
Belfast	£117,700	£226,998	£136,933
North Down	*	£191,679	£115,428
Lisburn	*	£161,031	£102,340
East Antrim	*	£142,477	£68,206
L'derry/Strabane	*	*	*
Antrim/Ballymena	*	£162,497	£113,954
Coleraine/Limavady/North Coast	£107,980	£158,539	£122,045
Enniskillen/Fermanagh/South Tyrone	*	£136,034	£117,845
Mid Ulster	*	£137,954	*
Mid and South Down	£94,790	£197,260	£95,944
Craigavon/Armagh	*	*	*

Performance by Region

At the regional level, a more variable picture is apparent across market areas reflecting the different circumstances of the housing market.

Belfast

The Belfast market has performed strongly throughout 2015, the current average price (£169,817) represents a 8.4% increase over the year though quarterly performance is more modest with a 0.6% growth in average price. In this respect the Belfast market is following a similar pattern to the overall Northern Ireland market. Reflecting the previous reports for second and third quarter, a high level of price increase is again apparent for apartments (£136,933) with average sale price strengthening by 22.3% compared to the fourth quarter of 2014. Terrace/townhouses (£113,116) are also up significantly across the year by 21.8% boosted by a strong growth in average price in fourth quarter. Detached bungalows (£226,998) which take a small proportion of the Belfast market are also up significantly relative to average price for the fourth quarter of 2014. Detached houses (£293,072) are down on average over the year but have a slightly higher price for the quarter. Semi-detached houses (£172,494) which have strong presence in the Belfast market are up on average by 12.6% over the year, similar to the annual price increase quoted last quarter.

South Belfast (£209,927) maintains its status as the highest priced sub-market in the city. The average price of terrace/townhouses has increased to £160,681, semi-detached houses to £218,976 while the average price of detached houses is now £364,370. Apartments continue to perform well with the average price £168,692. The average price (£191,465) in East Belfast is higher with terraced/townhouses rising to £109,876, semi-detached houses £195,740, detached houses £315,700 and apartments £128,148. In West Belfast, the overall average price (£118,461) is up from the previous quarter with both terrace/townhouses (£93,775) and semi-detached houses (£134,879) increasing but detached houses (£185,256) and apartments (£108,634) have somewhat lower prices. For North Belfast the overall average price (£101,223) has dropped back from the higher third quarter price, though terraced/townhouses have a higher average price (£71,242) whilst semi-detached houses (£103,885), detached houses (£164,152) and apartments (£67,613) are all characterised by lower average sale prices compared to third quarter.

Belfast Metropolitan Area

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

For North Down, the previous report highlighted that third quarter was an extremely buoyant period for the local market, while maintaining such a level of market buoyancy can be difficult the current survey suggests a degree of consolidation with the overall average price (£180,894) largely unchanged, down by 0.4% over the year and by 1.3% for the quarter. The best performing sectors by property type

compared to the average price in the final quarter of 2014 were terrace/townhouses (£125,019) up by 10.0%, semi-detached houses (£161,428) up by 16.4% and apartments (£115,428) up by 14.3%. The average price in the detached house (£277,608) and detached bungalow (£191,679) sectors has reduced back but both still command high prices well above the Northern Ireland average for these property types.

For Lisburn, the overall average price (£198,354) has increased significantly over the year by 24.1% benefitting from a strong final quarter performance. In this survey terraced/townhouses (£150,150) have an unprecedented high average price arising from a relatively high representation of newly built properties. This has contributed significantly to the increase in the overall average price for this market area. Other property types have also performed well with semi-detached houses (£153,351) up by 10.6%, detached houses (£287,245) up by 22.0% and detached bungalows (£161,031) by 21.1%.

In East Antrim, the strong performance of earlier in the year is not as apparent in final quarter of 2015 with the overall average price reduced back to £102,826, though performance is variable by property type. Terraced/townhouses (£75,035) for example go against the trend with an increase in the average sale price by 7.4% compared to the final quarter of 2014. Semi-detached houses (£109,095) and detached houses (£162,891) are characterised by lower average sale price over the year and also in comparison to third quarter are down by 1.0% and 4.6% respectively. Detached bungalows (£142,477) are similarly down over the year but have an increased average price compared to third quarter, up by 5.0%.

The North and North West

The overall picture in the North and North West of Northern Ireland is rather variable with evidence of a general consolidation of the market.

For Antrim/Ballymena the overall average price (£130,192) builds upon the stronger performance in third quarter with the overall average sale price up by 15.1% compared to the final quarter of 2014. However, performance is highly variable by property type. Both semi-detached houses (£113,164) and detached houses (£176,684) have increased average prices of 14.6% and 14.4% respectively over the year. In contrast, terrace/townhouses (£72,784) have dropped back from their strong third quarter performance leaving average price down by 6.6% over the year. Apartments (£113,954) typically take a small proportion of the market and this quarter are characterised by an unusually high average price due to the strong representation of recent or newly constructed properties in this sector.

The Coleraine/Limavady/North Coast market has largely maintained the strong market conditions discussed for third quarter with the overall average price (£147,853) easing back slightly by 0.8% over the quarter. Whilst the overall increase in average price is unchanged over the year (up by 0.1%) most property types have shown significant rates of price increase with terraced/townhouses (£129,471) leading the way with 29.2% growth. Likewise a strong performance is apparent in the detached house sector (£227,367) and for detached bungalows (£158,539) up by 14.9% and 15.1% respectively over the year. The average price of apartments (£122,045) remains high and influenced by specific developments. In this survey, the price of apartments is lower over the year but up by 14.5% compared to third quarter.

In the Derry/Strabane market, the overall average price (£90,451) has reduced back from the much stronger performance levels apparent earlier in the year. This may reflect some short-term local market variability in fourth quarter. The picture is not consistent across all property types with the average price of terraced/townhouses (£62,368) increasing over both the annual and quarterly time periods. The average price of semi-detached houses (£101,739) typifies local market volatility down by 7.1% over the year but up by 7.8% compared to the average price in third quarter. The lower price structure of detached houses (£143,576) in the current survey is an important further factor in reducing the overall average sale price.

The West

The two markets in the West of Northern Ireland demonstrate contrasting performance over fourth quarter.

In Mid Ulster, the average price (£124,095) has continued to rise over the year, up by 8.7% compared to the final quarter of 2014 and up by 6.2% over the quarter. These headline statistics suggest that the Mid Ulster market has experienced a renaissance over 2015 which is supported by performance at an individual property level. This is illustrated by average prices for terraced/townhouses (£86,117) up by 5.6% over the year, semi-detached houses (£114,297) up by 14.6%,

detached houses (£185,491) up by 10.3% and detached bungalows (£137,954) with a 5.5% annual increase.

The Enniskillen/ Fermanagh/ South Tyrone market for this quarter has an average price of £121,440 representing a 2.6% decrease in average price over the year compared to the more buoyant market and levels of price increase reported in third quarter. However, once again the small sample size for this market area is an important consideration and one which can influence these changes in market fortune. For example in this survey the lower representation of detached houses serves to reduce the overall average price for this market area yet individually this property type has performed strongly with the average price (£201,473) significantly higher.

The South

In the South of Northern Ireland the two market areas continue to show significant growth in average price.

For Craigavon/Armagh, the overall average price (£127,870) is significantly higher than that for the fourth quarter of 2014 representing an annual uplift of 27.0% and continuing the high rates of annual increase reported upon in the previous quarterly report. Analysis by property type indicates a strong performance by semi-detached houses (£111,544) with average price up by 23.5% and a quarterly increase of 6.6%. In contrast, detached houses (£177,130) have a much lower rate of annual increase of 3.5% and indeed have eased back over the quarter whereas terraced/townhouses (£61,162) have a slightly lower average price annually but are up over the quarter.

In Mid & South Down, the overall average price (£154,114) is significantly higher over the year up by 13.1% relative to the price level for the fourth quarter of 2014 maintaining the growth levels reported in third quarter. All property sectors show uplifts in average sale price over the year. Terrace/ townhouses (£99,656) are up by 12.9% over the year, semi-detached houses (£122,925) by 16.1% and detached houses (£201,709) by 11.0%. Likewise, price levels have firmed-up over the quarter across all sectors with exception of detached houses for which the average price has reduced slightly.

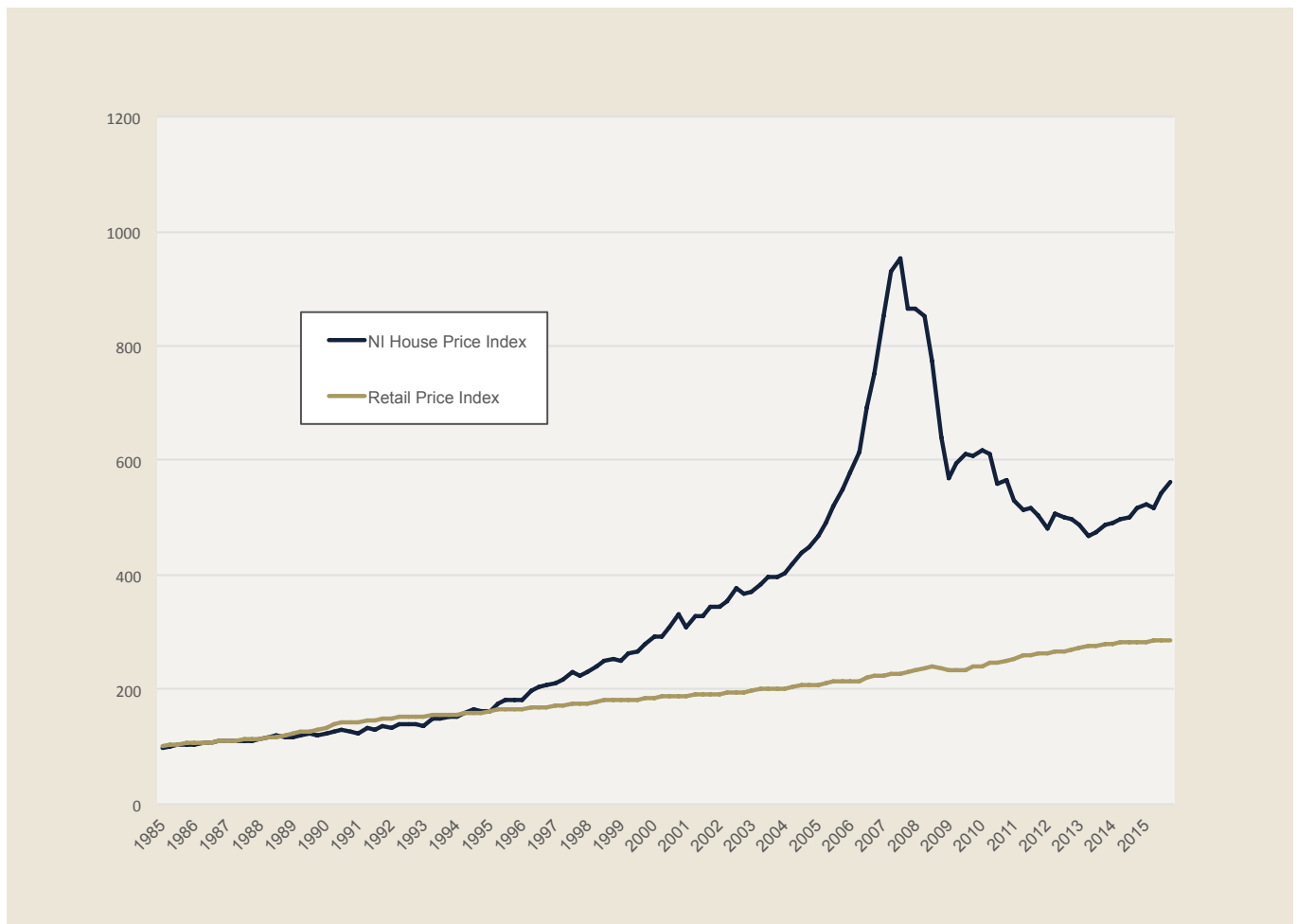
Location	Average Price Q4 2015	Average Price Q1-Q4 2015	Location	Average Price Q4 2015	Average Price Q1-Q4 2015
Northern Ireland - All	£154,685	£149,449	East Antrim	£102,826	£119,637
Belfast-All	£169,817	£159,709	L'Derry/Strabane	£90,451	£105,131
North Belfast	£101,223	£100,595	Antrim Ballymena	£130,192	£123,774
South Belfast	£209,927	£199,347	Coleraine/Limavady/North Coast	£147,853	£148,691
East Belfast	£191,465	£174,766	Enniskillen/Fermanagh/S.Tyrone	£121,440	£136,575
West Belfast	£118,461	£120,203	Mid Ulster	£124,095	£123,994
North Down	£180,894	£177,296	Mid and South Down	£154,114	£146,360
Lisburn	£198,354	£182,355	Craigavon/Armagh	£127,870	£125,491



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 560.96 has risen appreciably this quarter reflecting the strong market conditions during fourth 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, a trend that has been reinforced by the strong market conditions in the second half of 2015.



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