Introduction

This survey analyses the performance of the Northern Ireland housing market during the second quarter of 2016, the months of April, May and June. The report is concerned with trends and spatial patterns in the housing market drawing comparisons with the second quarter of 2015 as a measure of annual change, and with the first quarter of 2016, as an indicator of quarterly change. The report is produced by Ulster University in partnership with the Northern Ireland Housing Executive and Progressive Building Society.

The price statistics are based on market evidence from a sample of 1,970 sales in the second quarter of the year. The volume of transactions in the survey has remained at a high level suggesting an active market in a traditionally strong quarter for the housing market.

In this report, information is presented on the residential property market for Northern Ireland, with an analysis of average 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.

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Northern Ireland’s housing market: short-term uncertainty, longer term stability

Ulster University’s most recent quarterly house price report shows that the average price of homes in Northern Ireland during Q2, 2016 was £158,528, representing an annual weighted increase of 12.2 per cent and an 8.8 per cent increase compared to Q1, 2016. However, while this seems to be a remarkable rate of growth, it has to be seen in the context of the significant reduction in the average price between Q4, 2015 and Q1, 2016. Overall the average price of a dwelling has increased by only 2.4 per cent over the first six months of 2016, a figure which is broadly in line with the Housing Executive’s estimate that the average price of homes in Northern Ireland over the year as a whole will increase by around 5 per cent.

This overall volatility, which can sometimes herald a change in a market’s general direction of travel, is apparent at sub-regional level too, for although increases are recorded in most house price regions, some have experienced a decline (North Belfast, Mid & South Down and East Antrim).

There is no doubt that the elections to the Northern Ireland Assembly and, more recently, the contradictory economic prognosis issued during the “Brexit” referendum campaigns will have exacerbated market uncertainty. However, it is important to remember that housing markets in advanced economies – in line with overall business activity – tend to experience cycles of approximately 10 years. These housing market cycles are of course strongly influenced by developments in the world economy.

In its April 2016 forecast, the International Monetary Fund (IMF) had noted that growth in most advanced economies remained “lacklustre”, although prospects for some major emerging economies, such as Brazil and Russia, had improved. In July, following the the “Brexit” vote, it revised its forecast for global growth downwards (although only by a very modest 0.1 percentage points for both 2016 and 2017) to 3.1 and 3.4 per cent respectively, citing the outcome as an “important downside risk” for the world economy, because of the expected impact on confidence and investment.

In the United States, Q1, 2016 growth was weaker than expected, with the result that the IMF revised its 2016 forecast downwards. The euro area economy, on the other hand grew by a higher than expected 2.2 per cent, leading to a marginal upward revision for 2016, although the expected fall-out from the Brexit vote triggered a downward revision of 0.2 percentage points for 2017. In 2015, the UK economy grew by 2.2 per cent, but the July forecast by IMF sees this falling to 1.7 per cent in 2016 and 1.3 per cent in 2017. However, the UK economy experienced a stronger than expected performance in Q2, 2016 of 0.6 per cent, in the run-up to the referendum. This is expected to slow during what the Chancellor has termed a “period of adjustment”, and there is considerable speculation that the Bank of England’s Monetary Policy Committee will announce a package of measures including a further reduction in the cost of borrowing and a resumption of the Quantitative Easing programme designed to encourage lending to businesses and consumers.

While the overall economic context for Northern Ireland’s housing market appears somewhat gloomy it is important not to be overly pessimistic. Downturns in the economic cycle and the housing market vary in depth for a variety of reasons, often reflecting the intensity of the preceding boom. Unlike in the mid-2000s, Northern Ireland has over the past few years only experienced steady, sustainable growth. It is therefore unlikely that the expected downturn in the UK housing market will impact significantly on house prices in Northern Ireland.

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Northern Ireland’s economy is continuing to experience slower growth than the UK as a whole. The most recent figures published by NISRA estimate that it grew by only 0.7 per cent between Q1, 2015 and Q1, 2016, driven mainly by the services sector. It also noted the impact of the reduction in public sector employment and in manufacturing. Overall Northern Ireland’s economy is still 7.3 per cent smaller than at its pre-2008 banking crisis peak.
Foreword from Progressive Building Society

Rising House Prices and Stable Volumes Equals Sustainable Growth

The main finding of the Ulster University Quarterly House Price Index report is that the strong housing market has prevailed into the second quarter of 2016 in terms of price performance and was underpinned by continued buoyant transaction levels.

House Prices

Overall, the average house price increased by £12,000 to £158,528 in the second quarter of 2016 – the highest average level for six years since June 2010. This contrasts with the first quarter in 2016 which saw a reduction of £8,000 in the average house price; the findings reflect the general level of volatility that existed in the housing market during the first half of the year as a result of the uncertainty in the run-up to the EU Referendum vote, the local Assembly elections and the changes to Stamp Duty.

Although the drivers of much of the volatility experienced in the first half of the year are now behind us, we face new challenges as a result of the decision to leave the EU. The general level of economic uncertainty will undoubtedly have an impact on the local housing market in the short term. However some basic economic fundamentals remain strong for house buyers, with low interest rates continuing to support, and have a positive impact on, affordability in Northern Ireland, particularly in relation to the rest of the UK.

The UUQHPI highlights that the highest property prices and volumes continue in the Greater Belfast area, but increases are noted across most areas of Northern Ireland. This is backed up by our own experience where each of our twelve branches have been extremely busy servicing the needs of our borrowing members throughout Northern Ireland.

Housing Market Volumes

The volume of housing transactions remained high in the second quarter of the year, despite falling 4% from the previous quarter to 9,790 sales. This slight reduction in transactions was due to the changes in Stamp Duty effective from April inflating the number of investment properties purchased in the first quarter of the year. House sales around 2,000 in the UUQHPI are reflective of a positive housing market locally. At Progressive, we predominantly lend on owner-occupied residential properties and we have not witnessed lending volumes reductions in the second quarter of the year. Indeed, our experience has been one of significant increases in lending volumes in the second quarter.

Local estate agents are telling us that they are seeing sales proceeding as normal and have not seen buyers pulling out of purchases or renegotiating their offers as has been witnessed in other parts of the UK.

A lack of supply of new houses has been a feature of the local housing market but the recent announcement of several large residential housing developments demonstrates confidence in the market and will go some way to alleviate the supply issues.

Interest Rates

The Bank of England held its bank Base Rate at 0.50% in July despite considerable speculation that the rate would be cut. The bank Base Rate is important for the housing market as financial institutions use it when calculating interest rates for mortgage products.

More post-Brexit data will be available to the Bank of England when its Monetary Policy Committee (MPC) meets in August. Minutes from the July meeting show most of the MPC members thought looser monetary policy was likely to be needed at the August meeting. Most economists consider that a cut of 0.25% is most likely.

In relation to performance, the overall average price (£158,528) represents a significant uplift compared to the first quarter of 2016. The magnitude of this price increase is reflected by the weighted house price index which shows a 12.2% increase overall and an 8.8% increase over the quarter. In percentage terms, the rates of increase are 9.0% annually and 8.2% quarterly. These rates of growth, while providing evidence for a buoyant market, also suggest that the market is rather volatile particularly compared to the first quarter statistics. However, most residential estate agents were generally optimistic about the market, though views did vary across the province with those agents in Belfast generally the most positive. As the outcome of the Referendum vote was considered to have made little impact on the second quarter performance. Nevertheless, a number of agents expressed concern that the increased uncertainty stemming from the referendum may impact on the market over the coming quarters.
Performance by Property Type

The strong performance of the residential market in the second quarter is reflected across each of the property types though performance is highly variable.

Annual performance provides a snapshot comparing the current average price with corresponding statistics for the second quarter of 2015. In terms of annual performance, all property types show an increase in average price but there is not a uniform increase across the market with rates of price growth varying appreciably. Terraced/townhouses (£102,197) show a remarkable increase in average sale price over the year, up by 27.3%. In part this reflects the low average price of this property type in the second quarter of 2015 but more significantly captures the strong first-time buyer market facilitated by growth in the number of mortgages to first-time buyers. Likewise, the apartment sector (£125,145), up by 18.9%, and semi-detached houses (£149,553) up by 14.3% have experienced a high rate of annual growth pointing towards strong demand in these entry points to the housing market and also property types that attract investment activity.

Detached bungalows (£183,737), up by 8.6%, and detached houses (£242,176) up by 5.0% while experiencing an appreciable rate of annual price increase lag behind the other sectors of the market. Semi-detached bungalows (£115,801) have the slowest rate of annual price increase, 1.5%.

Reflecting these differential changes and the differing volumes of transactions in these market sectors, the overall weighted annual increase relative to the second quarter of 2015 is 12.2%.

Short-term performance considers average price levels against those for the first quarter of 2016. Reflecting the uplift in the market as a whole, all property types show an increase in average price. Over this shorter time period, the greatest rates of increase are for detached bungalows (13.3%), semi-detached houses (11.6%) and semi-detached bungalows (10.2%). Apartments have an 8.2% increase in average sale price, detached houses a 7.1% increase and terrace/townhouses, although showing the highest rate of increase over the year, are characterised by a more modest 4.2% quarterly increase. The weighted quarterly increase stands at 8.8%.

## Northern Ireland Quarterly House Price Index

<table>
<thead>
<tr>
<th>Region</th>
<th>All</th>
<th>Terrace</th>
<th>SD House</th>
<th>Detached House</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Ireland</td>
<td>£158,528</td>
<td>£102,197</td>
<td>£149,153</td>
<td>£242,176</td>
</tr>
<tr>
<td>Belfast</td>
<td>£169,577</td>
<td>£113,198</td>
<td>£178,943</td>
<td>£288,506</td>
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<tr>
<td>North Down</td>
<td>£192,156</td>
<td>£125,031</td>
<td>£167,475</td>
<td>£259,927</td>
</tr>
<tr>
<td>Lisburn</td>
<td>£189,397</td>
<td>£142,891</td>
<td>£156,975</td>
<td>£248,743</td>
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<tr>
<td>East Antrim</td>
<td>£119,369</td>
<td>£69,638</td>
<td>£124,862</td>
<td>£196,782</td>
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<tr>
<td>L’Derry/Strabane</td>
<td>£106,664</td>
<td>£73,379</td>
<td>£113,060</td>
<td>£180,306</td>
</tr>
<tr>
<td>Antrim/Ballymena</td>
<td>£138,025</td>
<td>£84,905</td>
<td>£109,071</td>
<td>£220,483</td>
</tr>
<tr>
<td>Coleraine/Limavady/North Coast</td>
<td>£148,962</td>
<td>£91,625</td>
<td>£136,378</td>
<td>£205,280</td>
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<tr>
<td>Enniskillen/Fermanagh/South Tyrone</td>
<td>£144,159</td>
<td>£57,750</td>
<td>£122,970</td>
<td>£185,501</td>
</tr>
<tr>
<td>Mid Ulster</td>
<td>£140,298</td>
<td>£99,442</td>
<td>£118,948</td>
<td>£210,638</td>
</tr>
<tr>
<td>Mid and South Down</td>
<td>£147,327</td>
<td>£91,829</td>
<td>£119,068</td>
<td>£213,919</td>
</tr>
<tr>
<td>Craigavon/Armagh</td>
<td>£127,910</td>
<td>£74,487</td>
<td>£117,425</td>
<td>£185,501</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market sector</th>
<th>Annual % change</th>
<th>Quarterly % change</th>
<th>Average Price Q2 2016</th>
<th>Average Price Q1-Q2 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terrace/townhouse</td>
<td>27.3%</td>
<td>4.2%</td>
<td>£102,197</td>
<td>£100,759</td>
</tr>
<tr>
<td>Semi-detached house</td>
<td>14.3%</td>
<td>11.6%</td>
<td>£149,153</td>
<td>£141,984</td>
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<tr>
<td>Detached house</td>
<td>5.0%</td>
<td>7.1%</td>
<td>£242,176</td>
<td>£233,533</td>
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<tr>
<td>Semi-detached bungalow</td>
<td>1.5%</td>
<td>10.2%</td>
<td>£115,801</td>
<td>£109,920</td>
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<tr>
<td>Detached bungalow</td>
<td>8.6%</td>
<td>13.3%</td>
<td>£183,737</td>
<td>£172,755</td>
</tr>
<tr>
<td>Apartment</td>
<td>18.9%</td>
<td>8.2%</td>
<td>£125,145</td>
<td>£120,254</td>
</tr>
</tbody>
</table>
Performance by Region

At the regional level, a similar picture emerges with most of the housing market areas characterised by higher average price levels.

Belfast

The Belfast market reflects the overall Northern Ireland perspective of higher average prices over both the annual and quarterly time periods. Annual performance has been strong with the current average price (£165,377) up by 11.1%. All the major property types have experienced appreciable increases in average price with terraced/townhouses (£113,198) and apartments (£137,572) demonstrating the highest growth rates followed by semi-detached houses (£178,943), detached houses (£288,506) and detached bungalows (£208,442). Likewise, quarterly performance reinforces the strength of the Belfast market with an overall increase in average sale price of 5.0%. In common with the annual performance, the strongest growth is apparent in the terrace/townhouse, semi-detached house and apartment sectors.

South Belfast (£217,948) maintains its status as the highest priced sub-market in the city. The average price of terrace/townhouses has increased to £171,072, semi-detached houses to £228,163 and detached houses to £364,916. For apartments the average price is £162,984. In East Belfast, the average price (£180,423) is significantly higher than the first quarter average. The average price of semi-detached houses (£111,060), detached houses (£196,743), detached bungalows (£281,159) and apartments (£136,725) respectively. In West Belfast, the overall average price (£187,027) is significantly higher, up by 5.5% reflecting the previous survey, however on a positive note the average price has recovered significantly from the first quarter low by 11.2%. Furthermore, analysis by individual property types also provides a more encouraging perspective with the average price of terraced/townhouses (£73,379) up over the year by 1.2%, semi-detached houses (£113,060) up 10.6% and detached houses (£180,306) also up, in this case by 9.3%. Likewise, over the quarter these property types all demonstrate significant levels of price growth suggesting more buoyant conditions in the local market during the second quarter of the year.

The North and North West

For market areas in the North and North West of Northern Ireland the picture is one of variable performance. For Antrim/Ballymena the overall average price (£138,025) remains relatively stable with a slight drop in average price over the year by 1.2%. This reflects the more variable market that has prevailed in East Antrim over recent surveys. However, performance by individual property types suggests that there is a stronger underlying market with most sectors showing significant rates of price increase over the year. For example, the average price of terraced/townhouses (£69,638) is up by 7.6%, semi-detached houses (£124,866) by 20.4% and detached bungalows (£165,145) by 3.4%. Overall, a more variable picture emerges across the property types and reflecting this, the overall average price is down by 1.1%.

The Enniskillen/ Fermanagh/ South Tyrone market has an average price of £144,159 representing a 6.8% increase over 2015 and the first quarter of 2016. This trend is reflected in a healthy annual growth rate of 9.2% and a quarterly increase of 5.0%. The current strength of the local market appears to be driven by the detached house sector (£201,638) with the average price up by 25% over the year, terraced/townhouses (£99,442) up by 20.2% annually and a lesser extent by semi-detached houses (£111,894) which have an annual increase price of 8.5%. The Enniskillen/ Fermanagh/ South Tyrone market has an average price of £144,535 representing a 6.8% increase over the year and quarterly growth of 1.8% pointing to a change in market fortune from first quarter. However, the picture varies by property type and is influenced by the strong performance of detached houses (£220,483) relative to the slightly smaller semi-detached houses (£167,475) in a relatively small sample of properties for this market area. In contrast, terraced/townhouse properties (£57,750), which were characterised by a high average price, have dropped back in this survey indicating the variable nature of the housing market.

The South

In the South of Northern Ireland, the two local market areas both show significant rates of annual price growth. For Craigavon/Armagh, the overall average price (£127,910) has increased by almost the annual and quarterly time horizons contrasting with the position during the first quarter of 2016, with respective rates of price growth of 13.2% and 10.4% respectively. This improved market perspective is apparent across the differing property types with terraced/townhouses increasing to an average price of £74,487, semi-detached houses to £117,425, detached houses to £185,501 and detached bungalows to £143,454. In Mid & South Down, the overall average price (£147,327) is up by 9.6% over the year but has slipped back slightly by 2.1% compared to the first quarter figure. Analysis by property type shows a consistency of performance with all sectors showing increases in average price. The detached bungalow sector (£189,211) is characterised by a significant uplift in average price over the year maintaining the high price level reported in the first quarter. Likewise, terraced/townhouses (£91,829) are up appreciably over the year and have also consolidated on the first quarter performance. Detached houses (£213,919) likewise show considerable price growth, further consolidated by a quarterly increase. Semi-detached houses (£119,068) and apartments (£101,350) have increased average price levels but are characterised by slower rates of annual growth relative to other sectors.
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, standing at 572.58, has risen appreciably reflecting the strong performance of the market this 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 performance this quarter.

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Templeton Robinson
Tim Martin & Co.
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Vision Property Agents
William Porter & Son
Wylie Estate Agents
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*Source: Research Excellence Framework 2014.
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