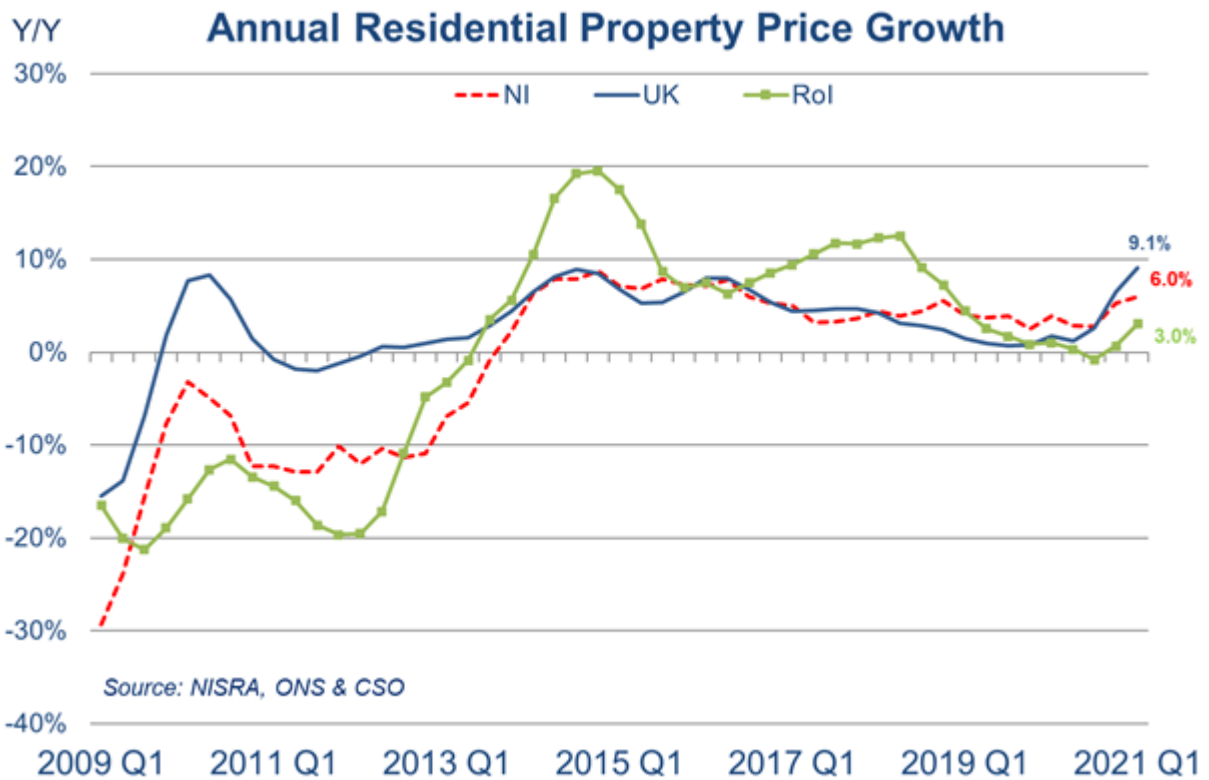
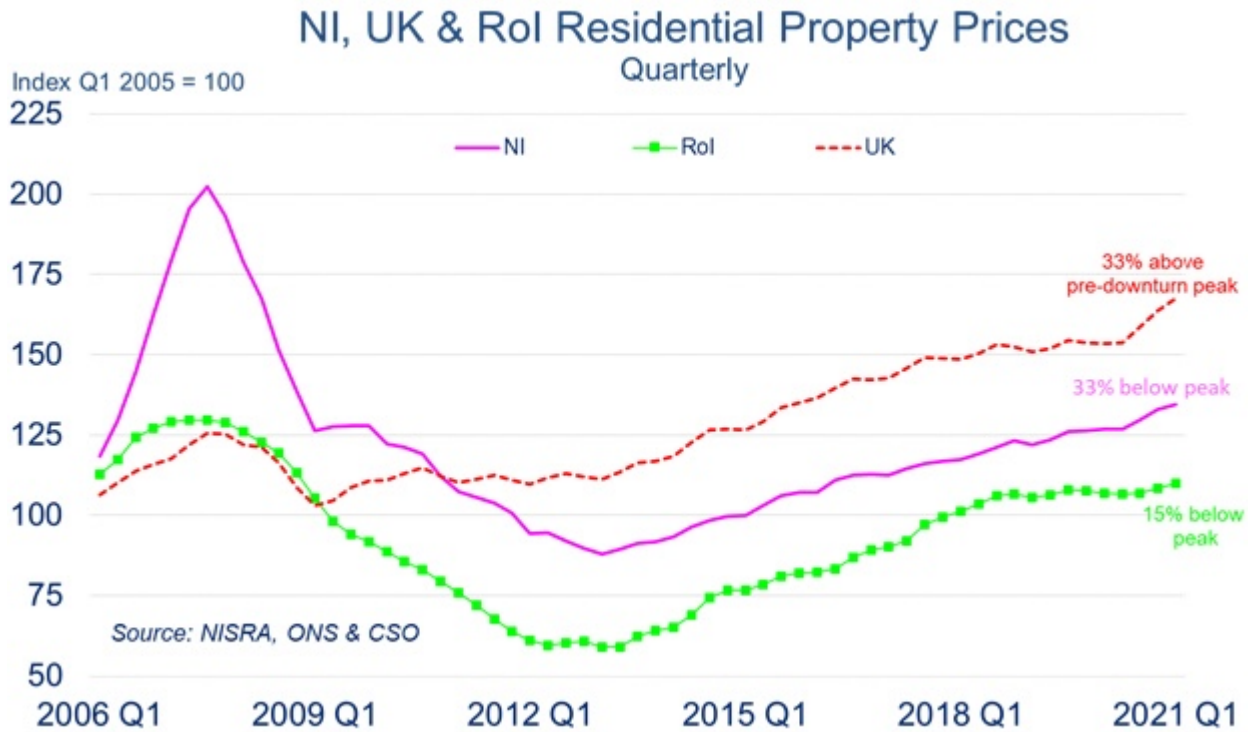


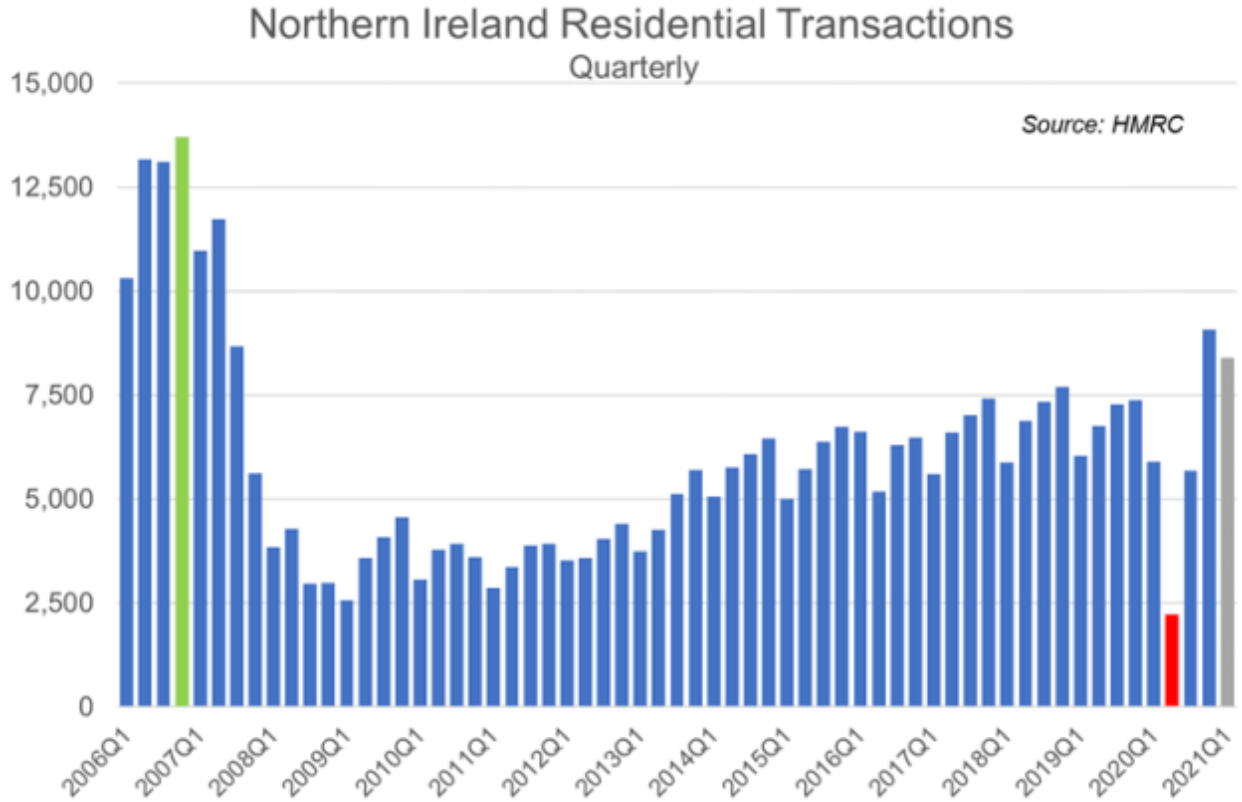
The latest NI housing statistics, transactions, starts and completions for Q1 2021 were released this morning by NISRA.

Property prices, transactions, starts and completions all rose year-on-year in Q1 2021. Estate agents and house builders have experienced a 'V-shaped' recovery but how long will the good times last?

Reality check - Inflation has been the buzzword in recent weeks with cost increases and price rises becoming more apparent amongst businesses and households. UK CPI inflation jumped from 0.7% y/y in March to 1.5% y/y in April. That represents the largest monthly increase since 2009. Residential property prices are rising at an even faster pace and have reached their highest level in 12 years. Northern Ireland's Residential Property Price Index increased by 1.1% q/q in Q1 2021 with prices 6.0% higher relative to the corresponding period a year ago. That marks the largest year-on-year increase since Q3 2016 and is more than double the rise in private sector rents (+2.6% y/y). Northern Ireland's residential property inflation is running at twice that of the Republic of Ireland (+3.0% y/y) but is below that of the UK (+9.1% y/y). The latter represents the fastest rate of residential property price inflation in the UK in 13.5 years. Local residential property prices have now increased by 53% relative to their trough eight years ago. But despite this growth, the standardised residential property price (£149,178) is still one-third below Q3 2007's peak of £224,670. The latter doesn't take account of inflation. Adjusting for inflation, Q3 2007's peak was £301,000 in today's money - double the price of houses some 13.5 years later.

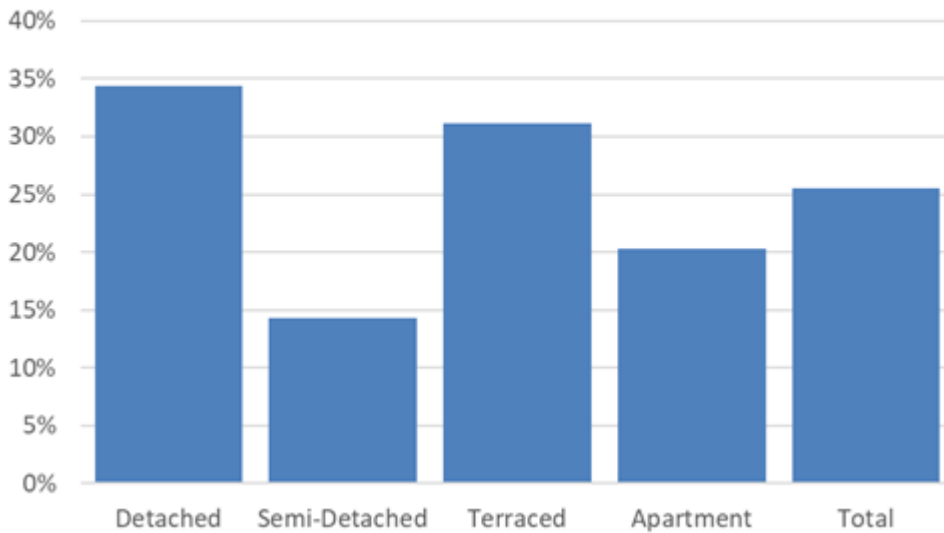


'Race for space' - COVID-19 has acted as a price accelerator particularly amongst the largest homes and certain parts of Northern Ireland. This has been due to what has been dubbed as 'the race for space' with households looking to trade up to larger homes with more space (e.g. incorporating home offices). COVID-19 has awakened a new source of demand with GB homeowners (particularly in London and the South East) looking to sell-up and trade-up to large detached properties in some of Northern Ireland's most expensive postcodes. The new era of working from home is opening up opportunities for NI 'ex-pats' to return home. Detached property prices increased by 7.6% y/y in Q1 which marked the fastest rate of growth in 13 years and are now at a 12.5-year high. Conversely, apartments, which include some of the smallest properties on the market, witnessed the lowest annual price gains (+2% y/y). Sales of detached homes surged by 34% year-on-year in Q1 2021 and accounted for one third of all sales in that quarter. Indeed Q1 2021 was the best start to a year for detached house sales on record.



Increase in NI Sales by Property Type

Q1 2020 - Q1 2021



Gold medal for the Gold Coast - Properties in Ards and North Down - which includes the

so called ‘Gold Coast’ - recorded the steepest annual rise (+10.6%) of all Local Government Districts. This also represented the first double-digit increase in Ards & North Down property prices since Q1 2008. Newry, Mourne and Down (+8.4% y/y); Mid Ulster (+7.8% y/y) and Derry City and Strabane (+6.2% y/y) all saw annual price increases above the NI average of 6.0%. Meanwhile Belfast matched the NI average.

Figure 5.1: Annual Change in HPI by Local Government District Q1 2021

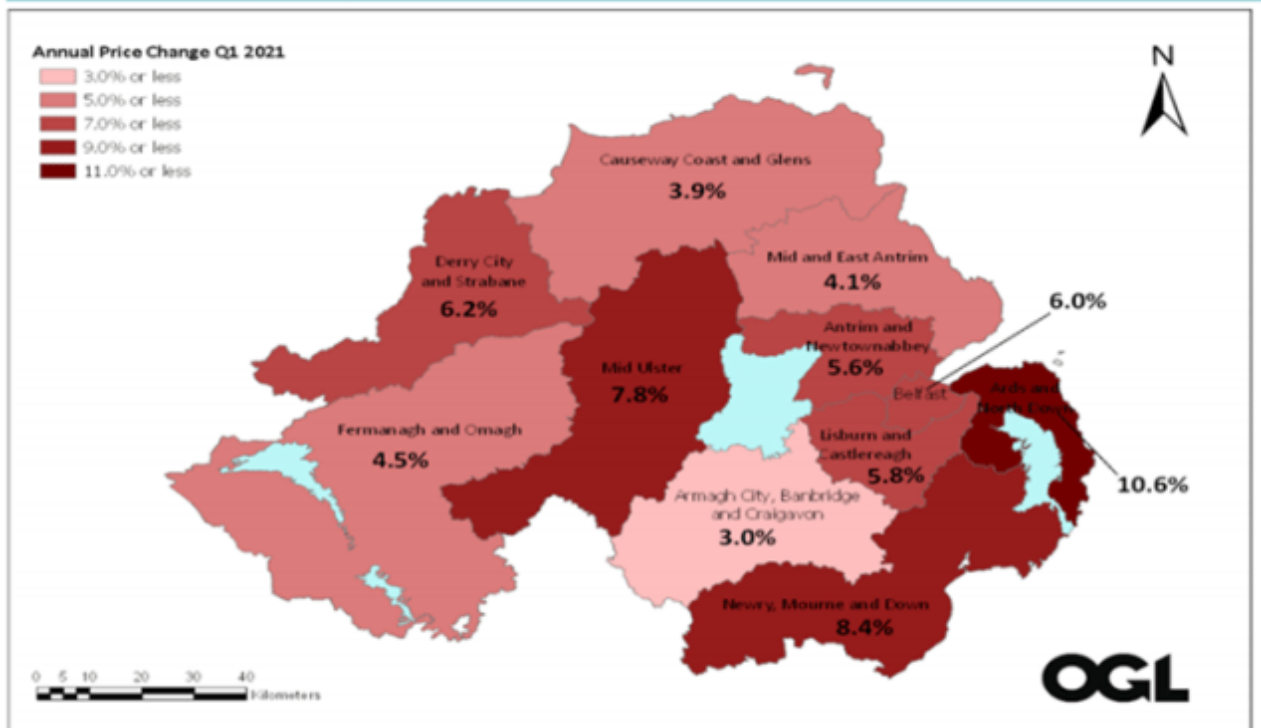


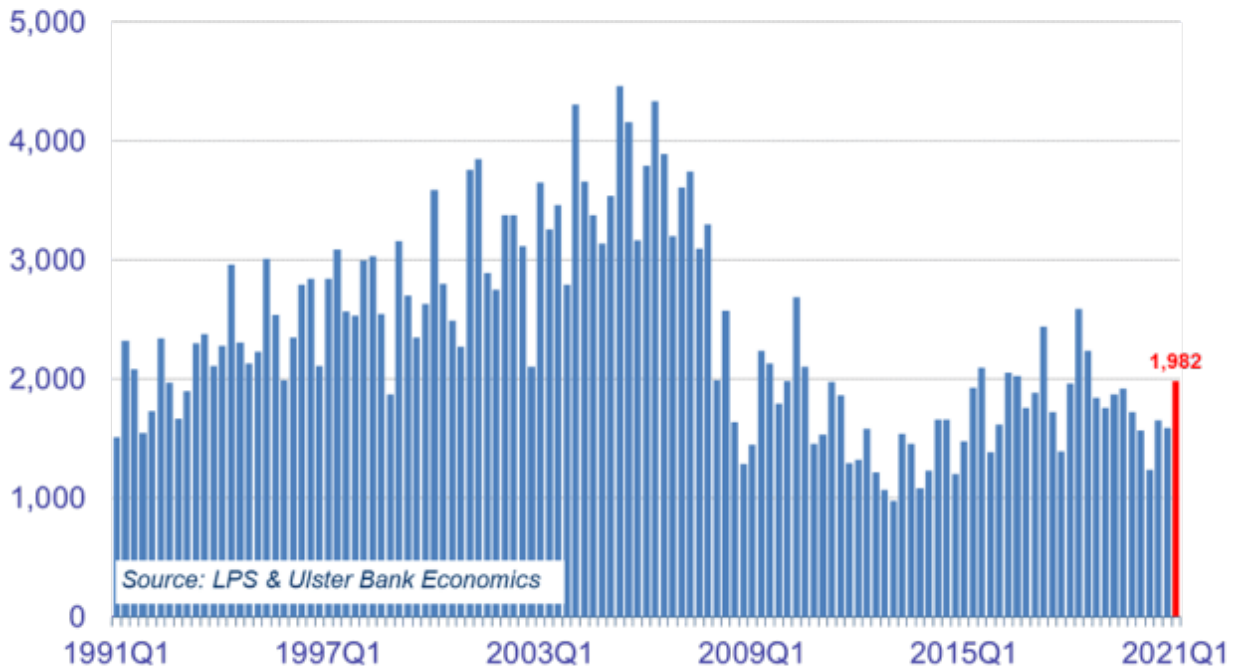
Table 5.1: NI HPI and standardised price by Local Government District (Quarter 1 2021)

Local Government District	Index (Quarter 1 2021)	Percentage Change on Previous Quarter	Percentage Change over 12 months	Standardised Price (Quarter 1 2021)
Antrim and Newtownabbey	133.7	1.9%	5.6%	£153,692
Ards and North Down	128.6	3.8%	10.6%	£172,551
Armagh City, Banbridge and Craigavon	130.2	-0.4%	3.0%	£128,320
Belfast	134.7	1.0%	6.0%	£142,394
Causeway Coast and Glens	147.2	-1.6%	3.9%	£158,917
Derry City and Strabane	141.6	3.4%	6.2%	£134,046
Fermanagh and Omagh	142.1	-0.5%	4.5%	£136,165
Lisburn and Castlereagh	131.0	0.8%	5.8%	£175,813
Mid and East Antrim	130.3	-0.3%	4.1%	£134,955
Mid Ulster	129.9	3.9%	7.8%	£145,244
Newry, Mourne and Down	139.9	0.6%	8.4%	£157,423
Northern Ireland	134.5	1.1%	6.0%	£149,178

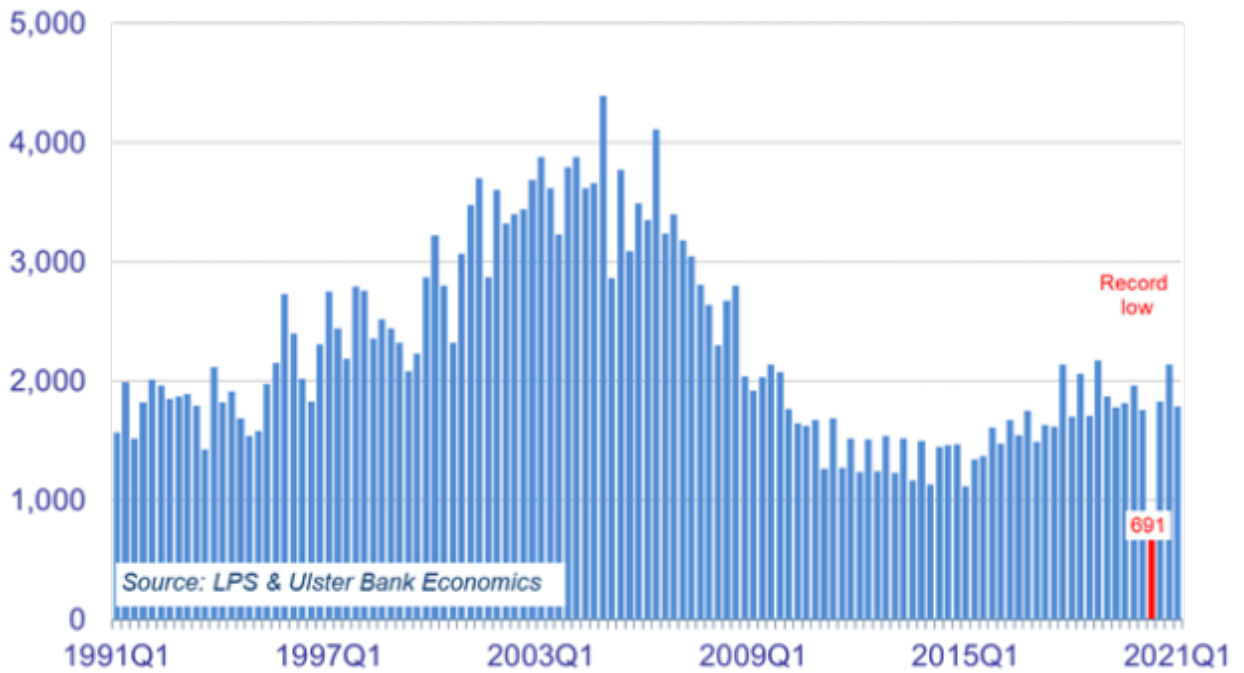
● (Index Q1 2015 = 100)

Supply constraints - Rising prices are a symptom of demand exceeding supply. Lockdowns and the temporary reduction of stamp duty have accentuated the pent-up demand for housing. This explains why Q1 2021 was the best start to the year for residential property transactions since 2007. There is less stock coming on the market - both new build and second hand houses. It is noted that 2020 saw house completions (finished dwellings) fall to a five-year low with 1,000 fewer houses completed than in 2019. There has been a strong recovery since the record slump in completions in Q2 2020 (-61% y/y). Completions are up just 1.6% y/y in Q1 2021. Housing starts are accelerating having hit six-year lows last year. There were 1,982 housing starts during the first quarter. That is over one-quarter higher than Q1 2020 and represents the best start to a year for the housebuilding sector in 11 years. But it will take 9-12 months for these starts to turn into completions. A rebound in housebuilding may also prove more difficult to sustain. Alongside severe skills shortages, the construction and housebuilding sector are severely affected by supply chain disruption. A shortage of building materials, a lengthening of supplier delivery times and significant price rises. All of this acts as a headwind to increasing supply quickly and a tailwind for further price rises.

Northern Ireland Housing Starts



Northern Ireland Housing Completions



Outlook - 2021 is undoubtedly a sellers' market. 2022 is likely to be different when the recessionary painkillers are stopped. The furlough scheme will come to an end and unemployment will rise as a result. Corporate and individual insolvencies are also expected to accelerate in the second half of this year. These factors will all impact on demand and the current sugar rush in demand will fade. But the biggest threat to potential house buyers, in terms of rising house prices, is the lack of supply. That will keep prices higher for longer. How much longer is anybody's guess.

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