



The latest [NI housing statistics](#), transactions, starts and completions for Q3 2021 were released this morning by NISRA.

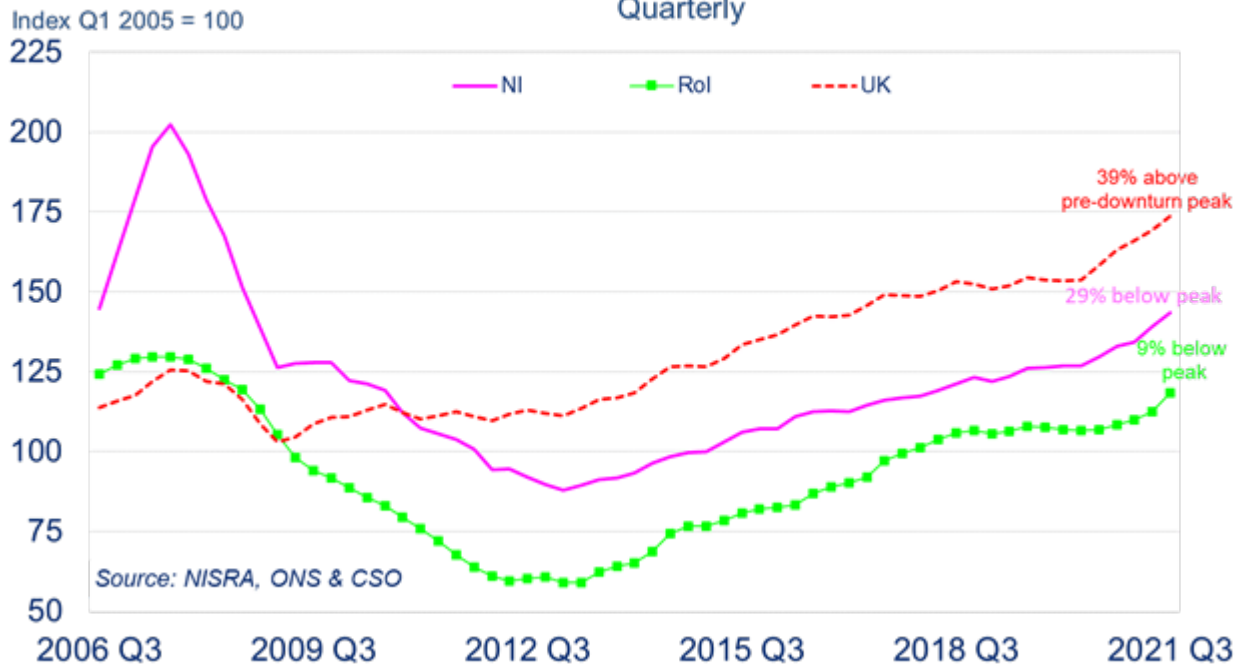
Property prices, transactions and starts all rose year-on-year in Q3 2021. However, there was a modest year-on-year decline in housing completions (refers to house building not sales).

Estate agents and house builders have experienced a 'V-shaped' recovery. But, given the headwinds stemming from a shortage of housing stock, supply chain disruption and significant inflation with building materials, 2021 could well mark a peak in both transactions and house building activity. In 2022, residential property prices may be the only key housing market metric to still be on the rise.

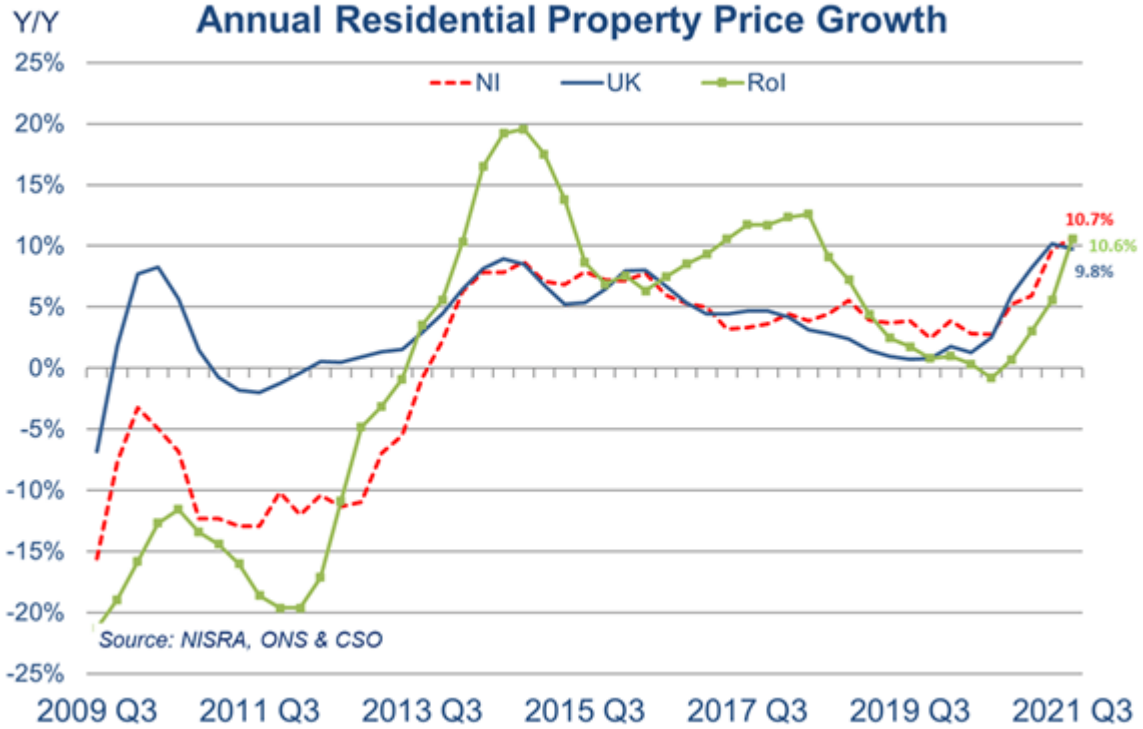
Double-digit - Northern Ireland's Residential Property Price Index (NIRPPI) reported its tenth successive quarter of growth in Q3 2021 with price declines occurring in only two of

the last 34 quarters. We have perhaps become blasé again that prices can only go up given that since the onset of the pandemic the standardised price of a local property has risen by 13.1% or close to £18,400. That equates to an increase of £235 per week. During the three months to September prices increased by 3.0% quarter-on-quarter, taking the standardised price of a residential property in Northern Ireland to £159,109 - a 13-year high. The latest quarter's growth spurt marked the second fastest quarter-on-quarter growth rate in five years, following on from the 3.6% increase in the previous quarter. Meanwhile the annual rate of residential property price inflation accelerated from 9.7% in Q2 2021 to 10.7% in Q3 2021. The latter represented the fastest pace of price growth since the tail end of the last property boom in Q4 2007 and is 2.5 times the rise in local private sector rents over the last year (+4.3% y/y). Northern Ireland's residential property inflation is in line with the Republic of Ireland (+10.6% y/y) and above that of the UK (+9.8% y/y). Local residential property prices have now increased by 63.3% relative to their trough 8½-years ago (Q1 2013). That means just under half of the peak-to-trough fall in prices that happened between Q3 2007 and Q1 2013 has been recouped so far. But despite this growth, the standardised residential property price (£159,109) is still 29% below Q3 2007's freak of £224,670. The latter doesn't take account of inflation. Adjusting for inflation, Q3 2007's peak was £308,000 in today's money - nearly double the price of houses 14 years later.

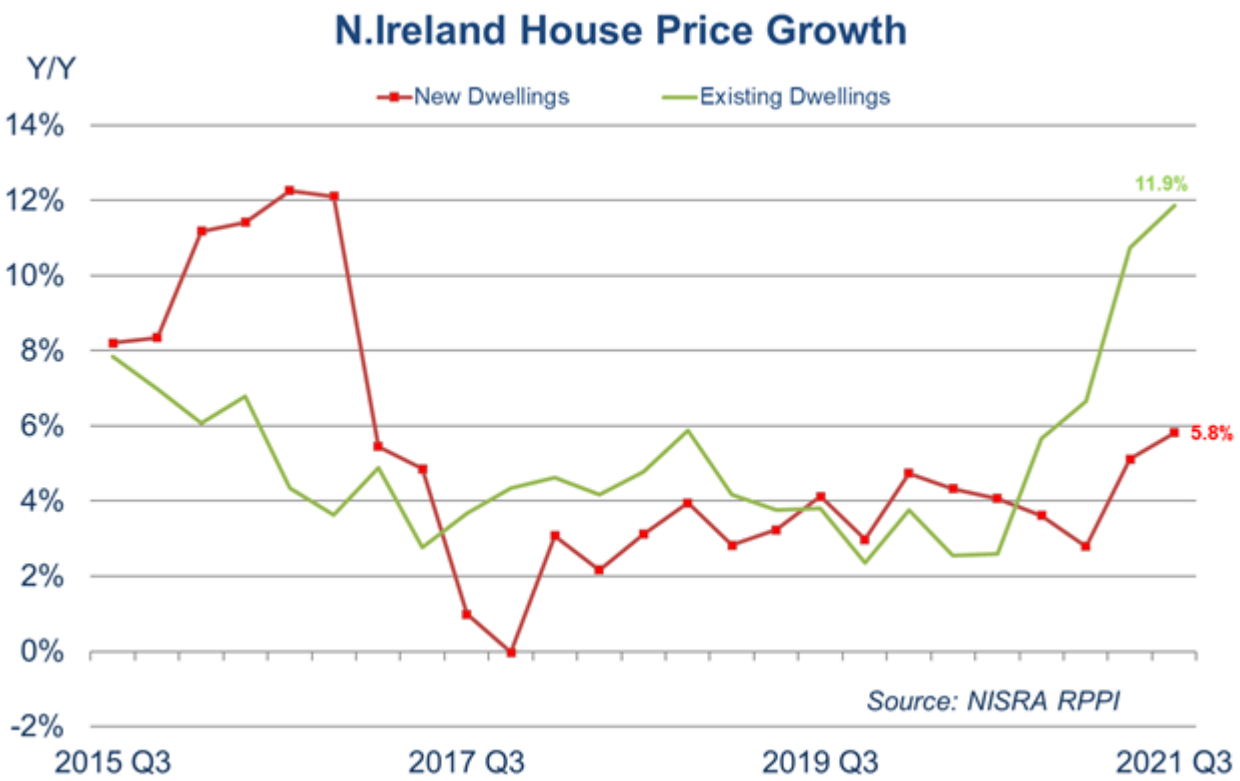
NI, UK & RoI Residential Property Prices

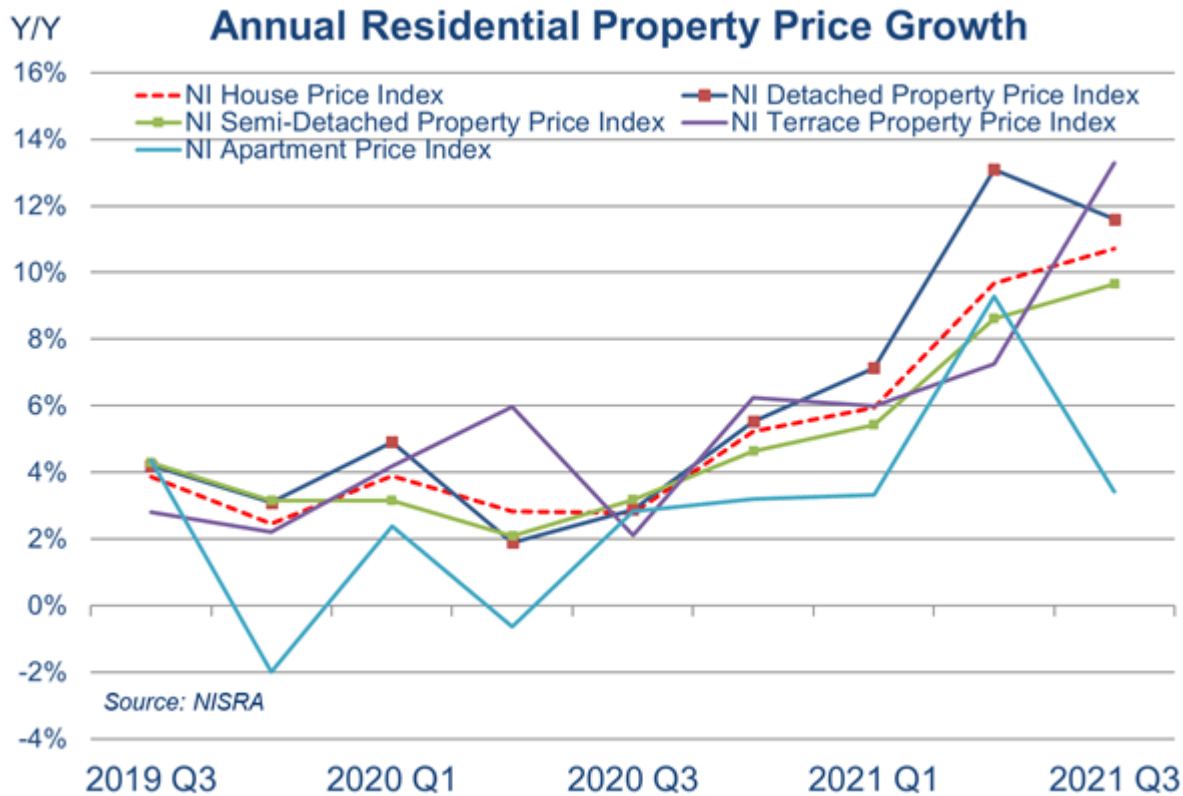


Annual Residential Property Price Growth



Second hand market - Inflation figures today revealed that the UK's second hand car market (+22.8% y/y Oct-21) is dramatically outpacing the new car market (+3.1%). It is a similar story - though less extreme - within the local residential property market. The price of existing properties increased by 11.9% y/y in Q3 which was double the rise for new dwellings (5.8%). Again this was the fastest rise in existing property prices since Q4 2007.

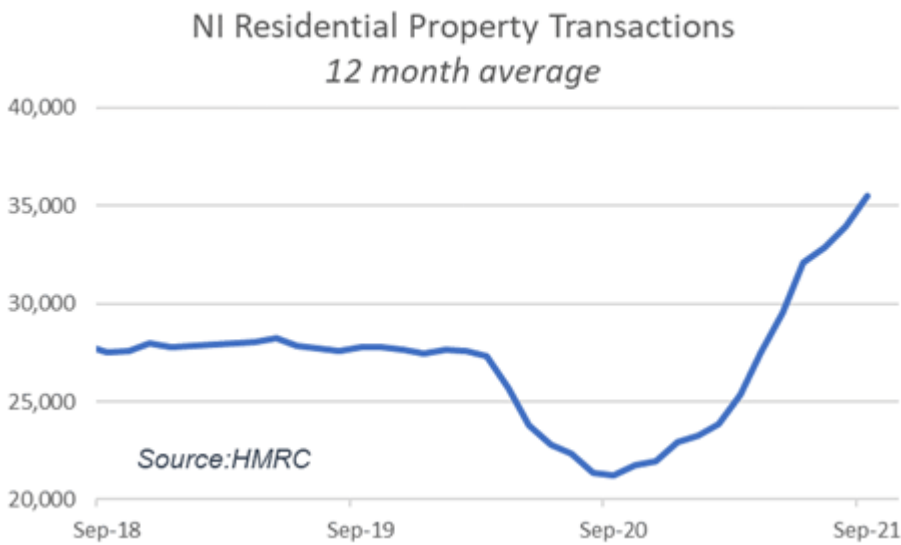


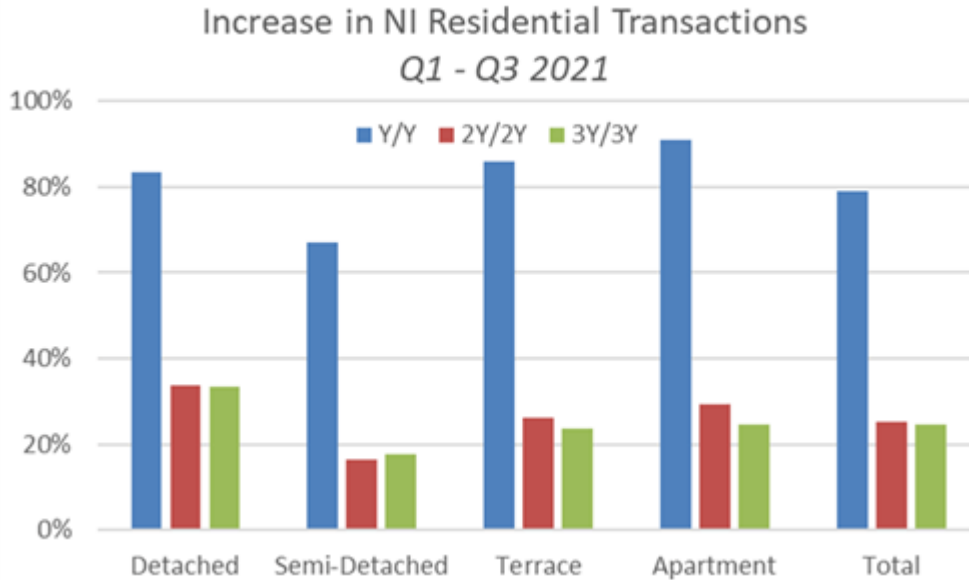


Return of the terrace investor? - The pandemic has acted as a price accelerator particularly amongst the largest homes and certain parts of Northern Ireland in what has been dubbed the ‘race for space’. Detached properties experienced the strongest rates of price growth in recent quarters. However, detached property price inflation has eased from 4.5% q/q in Q2 to 2.1% in Q3. Nevertheless that still keeps the annual price increases in double-digit territory at 11.6% with the standardised price of £239,839 representing a 14-year high. Prices in both the terraced and semi-detached markets accelerated in the latest quarter taking the annual rates of inflation to 13.3% and 9.7% respectively. For both markets this represented the steepest increase in prices since Q4 2007. Meanwhile the apartment market saw its third quarterly decline in the last six quarters with prices falling by 1.5% q/q. That takes the annual rate of price growth to just 3.4% y/y for the apartment sector.

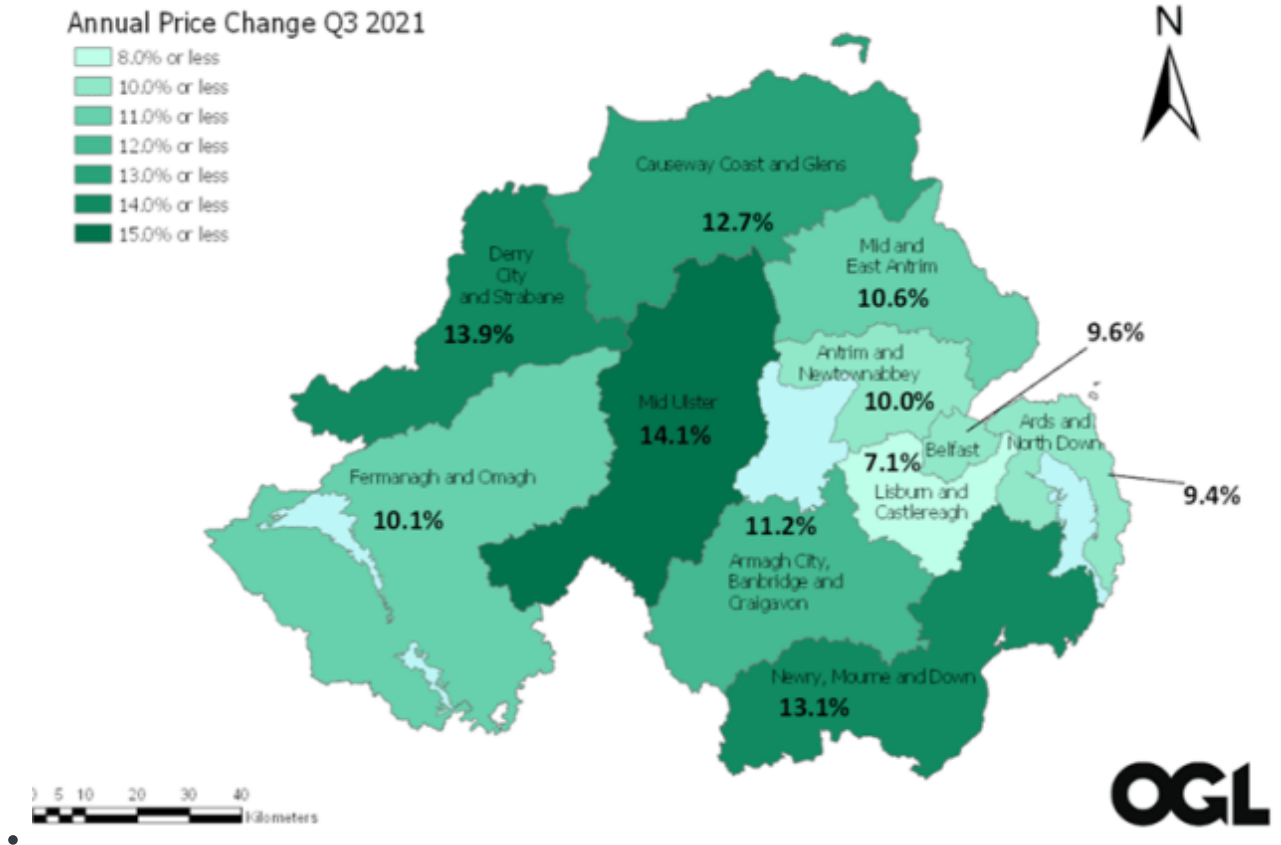
15-year highs - The detached property market has seen transactions during the first three

quarters of 2021 (Q3 still provisional) increase by 83% y/y which marks the best nine-month period in 15 years. All segments of the market reported strong growth with the apartment sector and terrace properties rising by 91% and 86% respectively. Both of these sectors recorded their best nine months for sales in 14 years. The surge in terrace property sales suggests greater interest from the first-time-buyer segment rather than existing home movers. Meanwhile the semi-detached markets increased by 67% and posted its best three-quarter period for transactions in 15 years too. Given last year's figures were marred by Q2's lockdown a strong rebound was expected. It is therefore more meaningful to compare transaction activity with pre-pandemic levels such as 2019 Q1 -Q3. All sectors are well above pre-pandemic levels with the detached market outperforming with sales up 34% over the last two and three years.





Broad-based growth - Derry City and Strabane is one of the cheapest property markets in Northern Ireland, although the North West witnessed the steepest price increases in Q3 at 6.8% q/q. That took the annual price increase to 13.9% which eclipsed Newry & Mourne (13.1%) but was below Mid Ulster (14.1%) - the top performer. Eight of the 11 Local Government Districts posted double-digit y/y increases with the most expensive property market - Lisburn & Castlereagh - recording the smallest year-on-year increase at 7.1%.



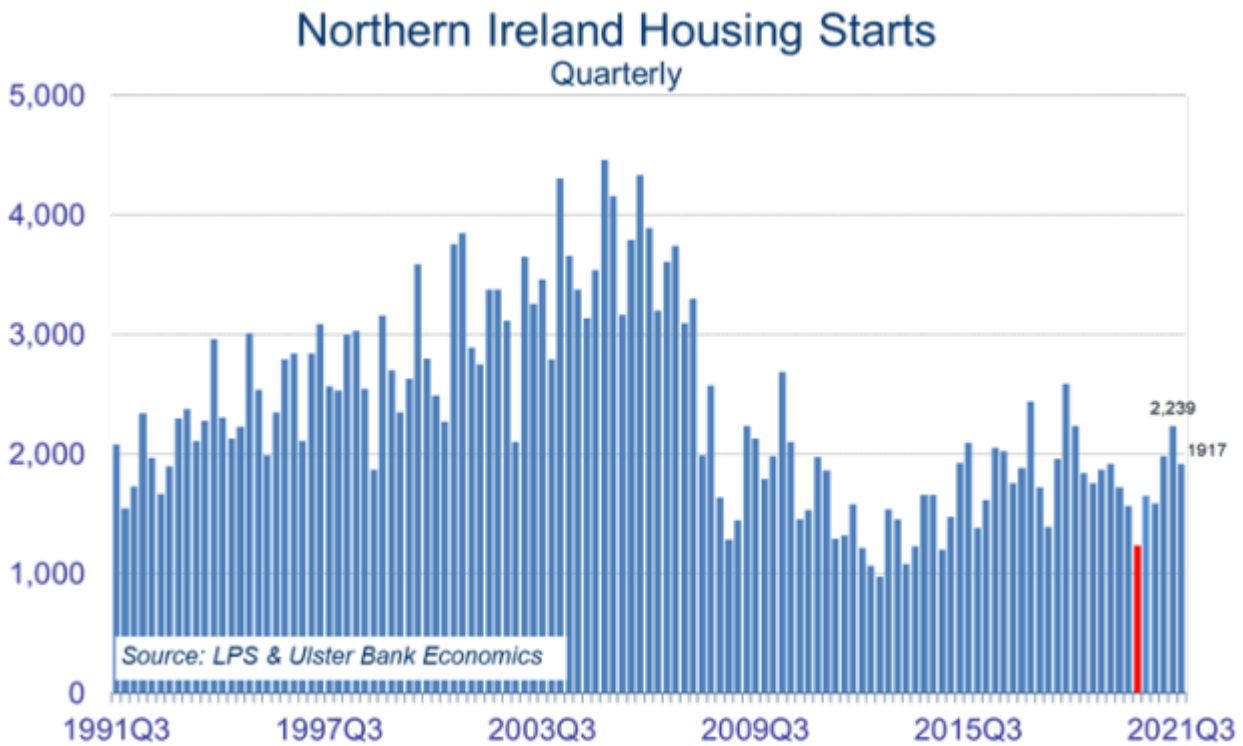
House Price Index and Standardised Prices in each Local Government District in Northern Ireland July - September 2021

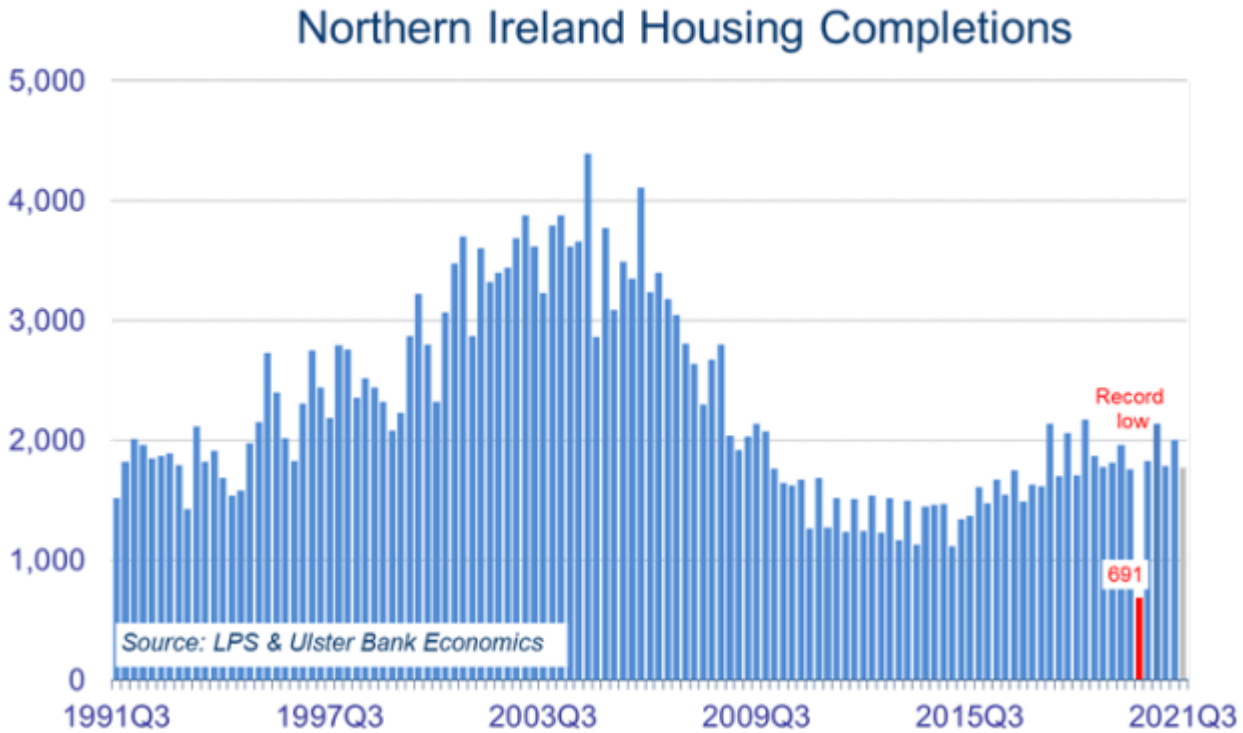
Local Government District	Index (Quarter 3 2021)	Percentage Change on Previous Quarter	Percentage Change over 12 months	Standardised Price (Quarter 3 2021)
Antrim and Newtownabbey	141.8	2.8%	10.0%	£163,057
Ards and North Down	133.8	2.6%	9.4%	£179,557
Armagh City, Banbridge and Craigavon	143.0	4.0%	11.2%	£140,983
Belfast	142.2	2.5%	9.6%	£150,267
Causeway Coast and Glens	161.8	1.7%	12.7%	£174,664
Derry City and Strabane	151.8	6.8%	13.9%	£143,674
Fermanagh and Omagh	149.0	1.7%	10.1%	£142,846
Lisburn and Castlereagh	136.6	1.1%	7.1%	£183,392
Mid and East Antrim	139.8	0.7%	10.6%	£144,737
Mid Ulster	137.3	5.7%	14.1%	£153,549
Newry, Mourne and Down	153.0	5.6%	13.1%	£172,085
Northern Ireland	143.4	3.0%	10.7%	£159,109

Source: NISRA, NI RPPI Q3 2021

Supply constraints - Northern Ireland’s house building statistics for Q3 revealed a 15.8% y/y increase in housing starts. The 1,917 starts in Q3 was on a par with the corresponding quarter in 2019 (1,922 units) but is 14% below Q3 2018 levels (2,235 units). Looking at the year-to-date (Q1-Q3), housing starts (6,138) are up 38% y/y and +11% relative to 2019 Q1-Q3. However, the pace of house building does compare unfavourably (-10%) with the same period in 2018 (6,784 units). Headwinds for the construction industry and house building have intensified in recent quarters. Building materials’ prices have been rising at record rates and the PMI surveys for the UK, Republic of Ireland and Northern Ireland have highlighted that supply delivery times have lengthened to record levels. As a result, the current demand (excess) supply (deficient) mismatch won’t change anytime soon and indeed is likely to get worse. It is arguably the worst time to be building a house in a generation due to the material shortages, inflation and uncertainty / disruption. Housing completions

(finished dwellings) fell by 3.1% y/y in Q3 2021 after a strong Q2. Looking at the first three-quarters of the year there were 5,560 dwellings completed. That’s up 30% y/y and up only 2% relative to the corresponding period in 2019. More encouragingly it is the best Q1-Q3 period for completions since 2009. So far the local house building sector has experienced a ‘V-shaped’ recovery and has quickly rebounded to pre-pandemic levels and beyond. But now inflationary pressures, regarding building materials, are expected to bite. 2021 could well represent the high point with lower levels of activity anticipated in 2022. Longer-term challenges such as the lack of zoned land, inadequate infrastructure (e.g. water sewerage) and delays within the planning system add to the inflationary headwinds.





Outlook - 2021 was a sellers' market and that feature is likely to continue into 2022. Lack of supply alongside robust demand should provide house-price momentum in the local market in the short-term. But prices and rents may be the only housing metrics continuing to rise. Transactions, housing starts and completions are expected to go in the other direction. The evolving cost-of-living crisis and next April's hike in National Insurance Contributions will start to bite on affordability. So will interest rate rises. It remains to be seen whether the Bank of England raises rates as soon as next month. That outcome would be the first December hike in interest rates since 1994. Rate rises are coming it is a question of when not if. All of these factors are expected to moderate demand and residential property price inflation. So don't expect the double-digit increases of 2021 to be with us in 2022.

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