It has long been known that due to affordability challenges, young people have turned to their parents for money to help fund a deposit to buy their first home. But recent figures suggest that the 'Bank of Mum and Dad' (BOMAD) may be running out of cash. Bloomberg's research suggests that while many first-time buyers are still relying on their parents, more and more are turning to their siblings instead. So what does the rise of BOBAS (the Bank of Bro and Sis) tell us about the housing market?

The housing market has certainly been in the news of late with lots of headlines about a slowdown in sales and a drop in average house prices. The cost of borrowing crisis in the form of rising interest rates has been impacting on demand; and it looks like it has been impacting on the appetite of the Bank of Mum and Dad to support their children's home buying aspirations. They are facing their own affordability challenge – not the affordability of buying a new home, the affordability of financing their existing homes with those rolling off fixed-rate deals facing a cliff edge regarding mortgage rates.

At a UK-level, we've heard from a Nationwide survey that house prices fell at their fastest pace in the past year since 2009. House sales are also set for their slowest year since 2012, according to Zoopla. Conversely, rents at a UK-level are rising as rising at a record pace. Meanwhile, in Northern Ireland, the figures for house prices and sales are perhaps not as dramatic as in the UK. But when it comes to rental prices, the figures suggest that Northern Ireland is seeing even stronger growth than the record rates being seen at a UK level.

Regarding prices, NI's residential property prices have remained resilient to strong headwinds. Following two quarters of decline, the local Residential Property Price Index (RPPI), rebounded with a 1.4% quarterly rise in the three months to June. That's just over 1% below Q3 2022's peak and brings the standardised price to £173,898. The annual pace of property price inflation has eased to 2.7% and this marks the slowest rate of growth since before the pandemic (Q4-19). Property crash veterans will be aware prices are still down 23% relative to summer 2007's freak peak. Adjust for inflation, which has risen by 60%, and prices today are over 50% below what they were 16 years ago.

NI's residential property price story differs markedly between new and existing dwellings. The former hasn't yet recorded any price falls in almost 6 years with new build prices rising by 8.5% y/y, five times the rate of the second-hand market. A fall in supply is propping up prices. Completed units fell by 20% y/y in Q2 2023 and are down by a similar margin vis-à-vis the same quarter in 2019. The first six months of the year have seen 1,000 fewer dwellings (-28%) finished than during the same period in 2019. The shrinking supply of new builds' trend is expected to continue with Q2 2023 recording the fewest number of dwellings started in a decade (outside of lockdowns).

Housing supply is going to be a major issue for the years to come. But this is perhaps one aspect of the housing market that perhaps hasn't been getting the attention it deserves. And this is going to have a big impact on the rental market. Indeed, it could be said that there is an assault on rental supply in particular, coming from a range of angles. Private rental stock has shrunk by 50 percent over the last seven or so years according to research from Ulster University. There are a range of factors at play, but the most significant one is the rise of Airbnbs with landlords shifting from long-term rentals to short-term lets. This is feeding into an unprecedented supply and demand dynamic as demand rises at a time when supply has plummeted. According to PropertyPal, the average number of enquiries per rental property before the pandemic was 19, whereas today it is 89 (compares with 10 enquiries per property for sales properties). So even those who have the means to meet record-high private sector rents face the prospect of fierce competition. The question is, where are those other 88 people going to find accommodation? It is perhaps not too dramatic to say that this will have very significant social implications and we can expect those individuals unable to get housed to become more vocal in lobbying their political representatives. The Economy was Northern Ireland’s number one priority before the pandemic and Health became the priority during it. I believe that such are the issues in the rental market that housing will have to become the number one priority for many years ahead.

And the Bank of Bro and Sis definitely isn’t the solution to the problems; it’s a symptom of them. There is no avoiding the fact that the answer is increasing housing supply. But in the current climate, with more and more amateur landlords exiting the market and a shortage of construction skills hampering the ability to build more homes, how can that be done? Unfortunately, the once in a lifetime opportunity for governments / housing associations to borrow at record low interest rates and invest in housing and infrastructure has been missed. Things are going to get worse before they get better. And they will only get better if something is done.

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