

Housing recovery, but legacy of boom lives on

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As we approach the 10th anniversary of Northern Ireland's house price peak (and subsequent correction), we've been seeing some encouraging signs in the housing market across a range of indicators. Despite the ongoing recovery over the last few years, though, it is fair to say that this does not mean we are 'recovered'. Indeed, 'a recovery' in house prices / house building back to the freak peaks of 2006/2007 is neither expected nor viewed as desirable.

Following almost five-and-a-half years of house price falls, house price rises have now become the norm in Northern Ireland. Q4 2016 marked the fifteenth successive quarterly rise, with a cumulative gain of 29 percent (or around £28k) in the standard home value since the low in Q1 2013. Local house prices ended 2016 some 5.7 percent higher (+£6,700) than Q4 2015. At £125,500, Northern Ireland house prices are the lowest of all the UK regions.

This is no bad thing if you are trying to coax workers back from the overpriced property markets of London and the South East. Currently you can almost buy four average priced homes in Northern Ireland for one in London. Northern Ireland's lower cost of living, in terms of housing affordability and lack of school fees clearly should form part of a more prominent sales and marketing strategy to encourage workers to come to live and work in Northern Ireland.

Alongside, rising prices, residential transactions and mortgage activity are also on the rise. 2016 saw Northern Ireland notch up its fifth consecutive year of mortgage growth. According to the Council of Mortgage Lenders (CML), there were 13,800 loans advanced for house purchase last year. This represented a rise of over five percent year-on-year, with last year's total representing the most mortgages advanced since 2007.

Despite a rise of 80 percent since 2008 though, mortgage volumes in Northern Ireland are still only half of what they were a decade ago. The number of first-time buyers in Northern Ireland hit a 10-year high last year (8,000). However, this is still over 10,000 fewer than 2001's peak.

The recovery in the mortgage market has been more marked within the first-time-buyer (FTB) segment than the home-mover market. The latter's recovery has been somewhat disappointing and a meaningful recovery is likely to be years away.

In 2016, there were only 5,800 mortgages advanced in the home mover market; this was just one-third of the volume of activity in 2006 and on a par with 1980/81. Lack of supply of certain property types and the legacy of negative equity are hampering this market.

The latest housebuilding statistics for Northern Ireland are littered with multi-year highs. Housing starts and completions (which lag starts by around nine-months) hit a six-year high in 2016. Almost 6,400 houses / apartments were completed last year, but this is still less than half the number built a decade ago. That said, the mid-noughties marked a period of overbuilding, as perceived housing demand exceeded reality.

The last seven years have been lean as far as building is concerned, with supply consistently undershooting the stated need (demand) for 7,200 units per annum. Given the pick-up in housing starts, the era of 'underbuilding' should come to an end in 2017. Building the right property types in the right areas is the key.

Overall, when we look at house prices, mortgage activity and house building, there are clear signs that a housing market recovery is well under way. However, it is also clear that the legacy of the housing boom and correction continues to be felt. And it will be some years before it is completely out of the system. But we are moving in the right direction, and there are positives, such as affordability, that should be better used to Northern Ireland's economic advantage.

Richard Ramsey
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