

BLEND

NORTHERN IRELAND

It may be a
bear market,
but it's not
a panic

BLEND Property Market Pulse

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CONTENTS

SPOTLIGHT

01

HARD TO
WATCH

02

STRUCTURAL
PROBLEMS

+

AUTHORS

SPOTLIGHT

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BLEND is an active development finance lender to housebuilders in Northern Ireland. We've long been deeply committed to Northern Ireland and have supported countless property developers across the region access funding.

RECENT PROJECT

BLEND recently provided a development finance loan to an experienced property developer to develop a site in Hillsborough, Lisburn. The scheme consists of building a luxury £1,350,000 GDV, 5-bed property all with ensembles which extends to a home office, cinema room and gym incorporating a sauna.



The borrower behind this scheme is a highly experienced property developer, entrepreneur and former MD of Ireland's largest sawmill and the UK's largest manufacturer of biomass wood pellets. We were delighted to support him.



01

HARD TO WATCH

Downturn or Correction

Over the past three months, the housing market has been hard to watch, tough to predict and frankly painful. As a result of economic and political unrests, the market has been toying with a looming downturn for weeks, if not months.

And while analysts seem to be competing on putting out the most bearish outlook, we beg to differ. It may be a bear market, but it's not a panic. Specially in Northern Ireland, the market appears to be more resilient than initially expected.

We believe the market correction will be relatively mild and heavily localised, as opposed to sharp and nationwide. More crucially, we believe there are bright spots and (many) opportunities, especially in mature areas with good transport links that will continue to remain resilient.

Right now, the Northern Irish market appears to be one of those bright spots and a reason we are keen to continue lending in the region.

Indeed, the Northern Irish housing market has remained incredibly resilient over the past year. Figure 1 shows the house price moves across Northern Ireland over the past 12 months in both relative (percentage) and absolute (monetary) terms.

While house prices increased in all eleven Government Districts, they rose the most in Lisburn and Castlereagh where annual house price inflation is 12.9%, Causeway Coast and Glens (12.0%), and Newry Mourne and Down (11.8%). Lisburn is where we funded one of our most recent schemes.

That said, the UK's autumn headwinds and market turbulences have also impacted the Northern Irish property market. Our conversation with agents suggests that the period of post-lockdown housing market buoyancy has ended, and that the behaviours of home owners and prospective purchasers are likely to be

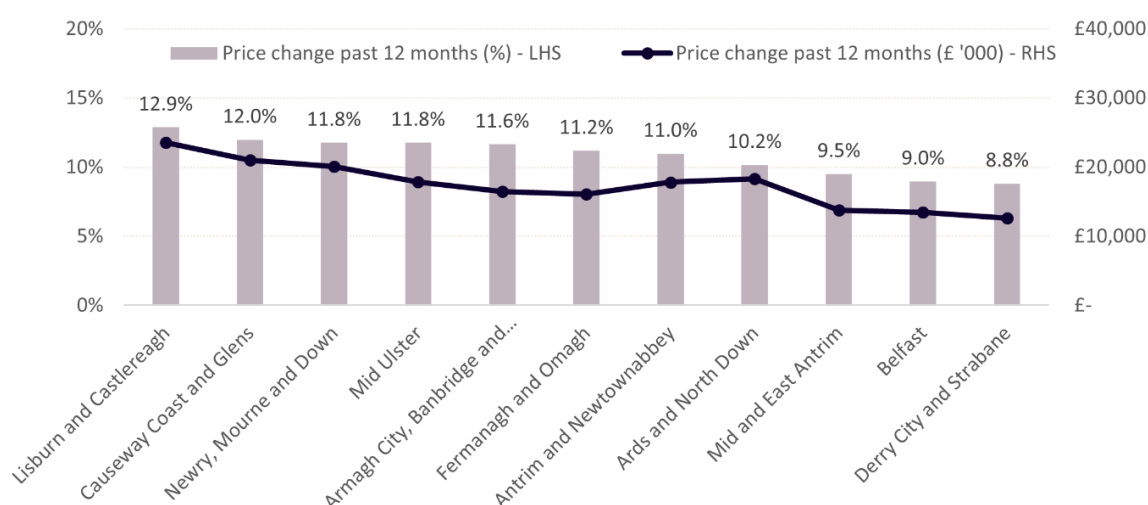
more strongly influenced by financial considerations than housing preferences in the months ahead.

With that in mind, we expect a more subdued outlook for the housing market in coming months. According to the Northern Ireland Quarterly House Price Index, produced by Ulster University in partnership with the Northern Ireland Housing Executive and Progressive Building Society, at least a proportion of prospective purchasers are likely to postpone or review their plans in light of financial pressures.

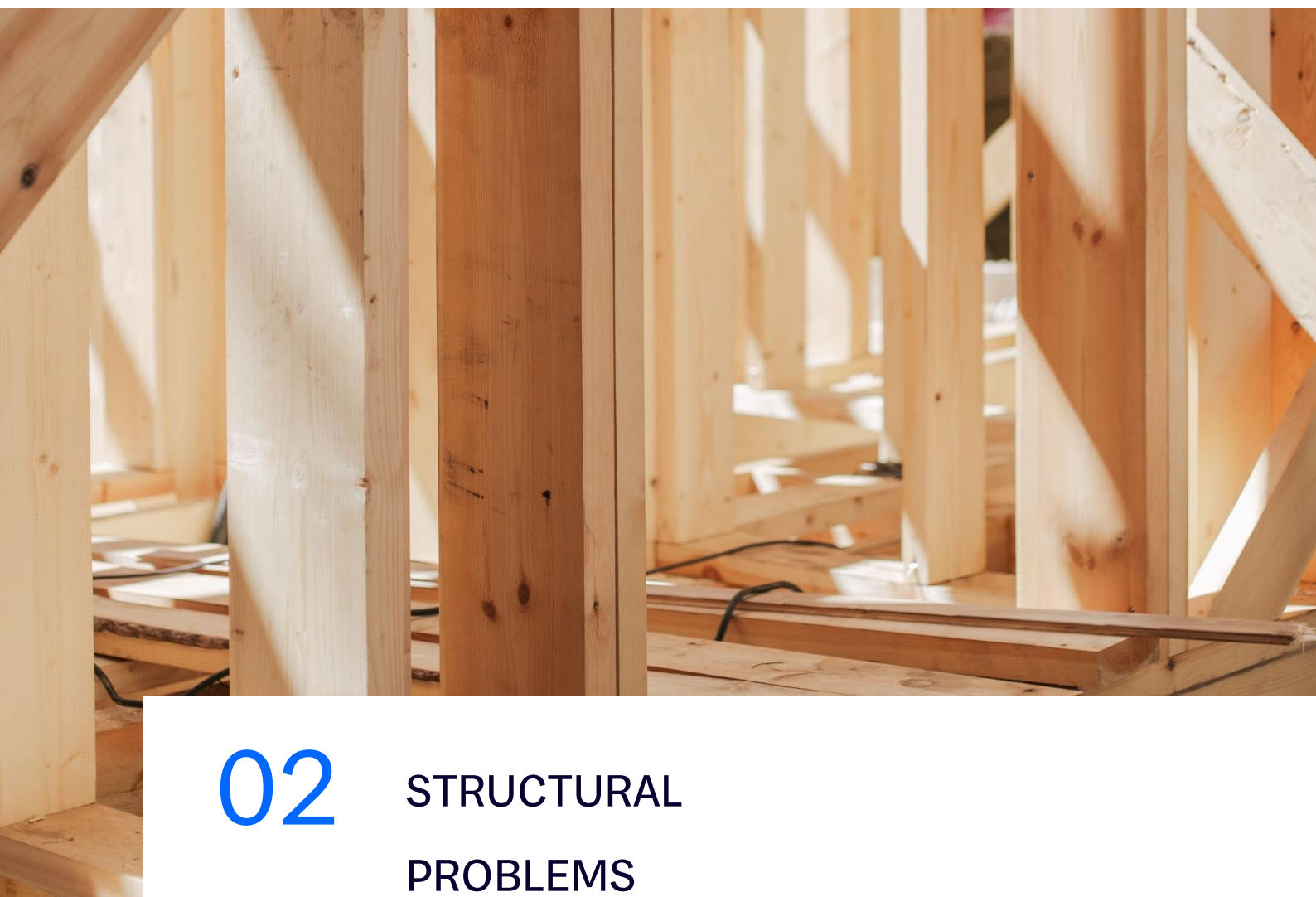
However, in line with our own view that the downturn is likely to be highly localised, the research also notes that demographic trends will continue to exert an influence on housing market need and demand over the longer term.

Exhibit 1

Northern Ireland house price moves over the past year



SOURCE: Twindig, BLEND



02 STRUCTURAL PROBLEMS

Missing budgets

The reality is that the UK, and Northern Ireland in particular, suffer from a structural undersupply of housing and the current tightening of credit supply will only worsen that lack of supply, thus supporting prices in the medium to long term. Northern Ireland has consistently missed on its annual housing build targets over the past few years.

Last year, the former Minister for Communities Deirdre Hargey spoke of the need to deliver 100,000 homes over a 15-year period to 2037, which equates to just under 7,000 new homes per year.

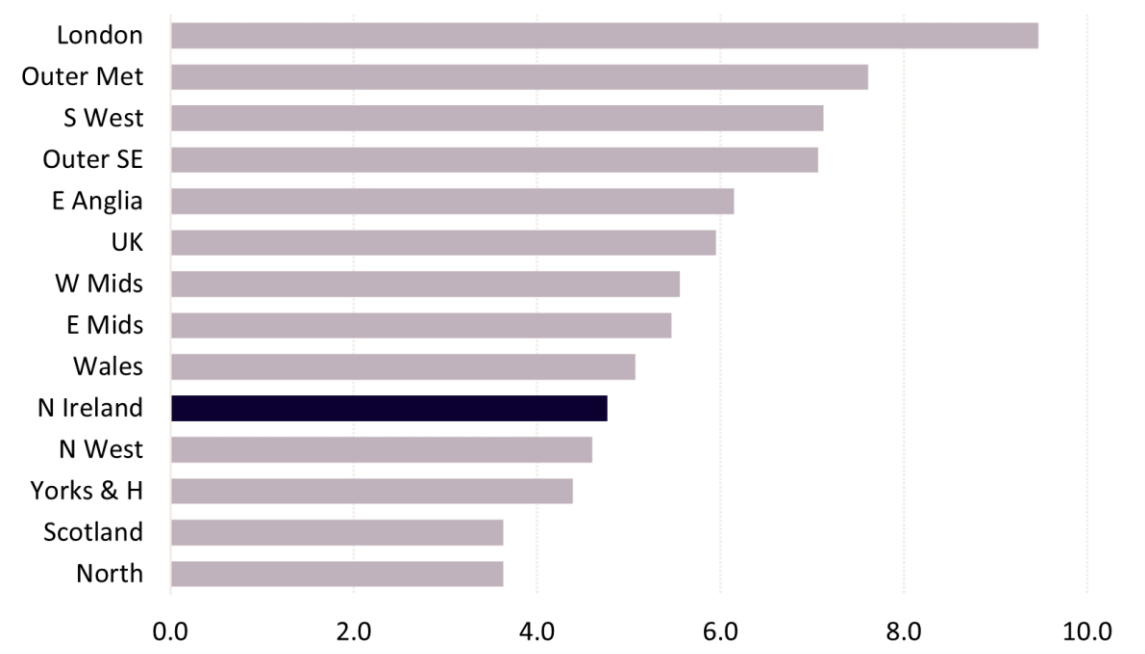
However, in the decade from 2010 to 2020, the average annual number of private-owner housing completions in Northern Ireland was 5,336 and the average annual number of social-development housing completions were 954, both largely below the targets.

In the first 9 months of this year, the total number of new housing completions plummeted to 4,934 units and is expected to further slow. Land and Property Services data on

new dwelling completions suggests that between 2008 and 2019, a deficit of 27,000 new homes was accumulated, equal to three years' worth of housebuilding target.

Exhibit 2

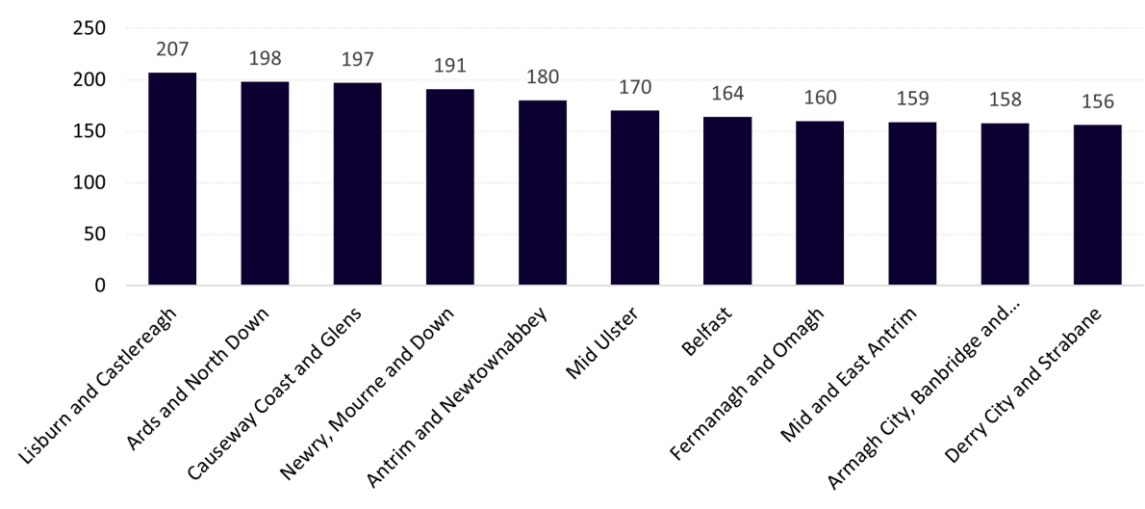
UK house price to earnings ratio



SOURCE: Nationwide House Price Index, Blend

Exhibit 3

Average house prices (£ '000)



SOURCE: Twindig, BLEND

AUTHORS

BLEND is a specialist development finance lender providing experienced property developers with development finance and bridging loans of up to £10m.

BLEND has been actively lending across Northern Ireland and supporting mid-size property developers in places such as Lisburn, Holywood, Dundonald and Bangor in County Down, Derrycrin and Omagh in County Tyrone, and Ballinderry and Limavady in County Londonderry.

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