



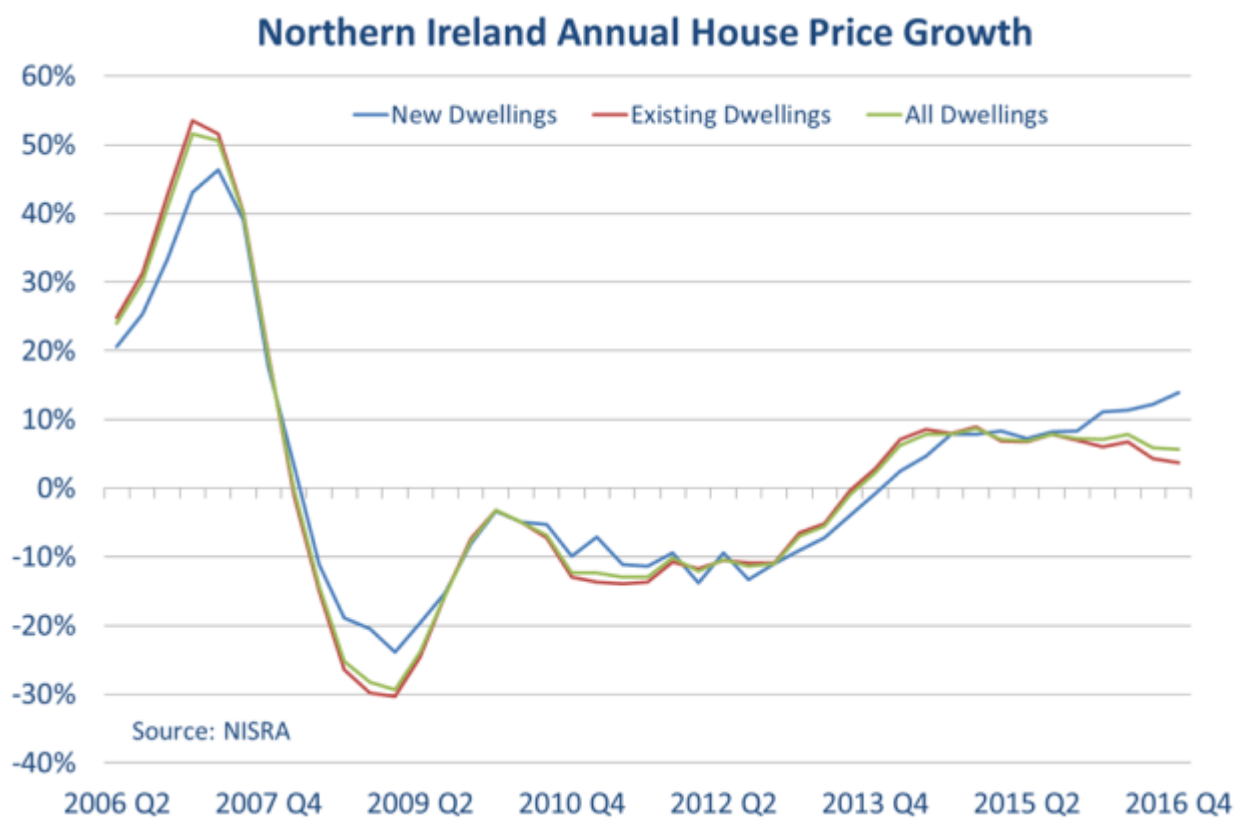
This year will mark the tenth anniversary of Northern Ireland's house price peak which heralded the start of a sustained period of collateral damage for the wider economy and not just the housing market. Residential property prices peaked in Q3 2007 and subsequently troughed in Q1

2013, down a whopping 57% some 5½ years later. Since then the housing market has been in recovery mode with three successive years of house price growth. For many homeowners the last ten years has represented a lost decade with aspirations blighted by negative equity. However, the combination of house price growth and time (*assuming repayments*) has seen the incidence of negative equity recede.

According to the latest Northern Ireland house price index for Q4 2016, the standardised house price notched up its fifteenth consecutive quarterly rise. However, the pace of growth (+0.6%) was half the rate recorded in the previous quarter. On an annual basis, the pace of house price growth eased from 5.9% in Q3 to 5.7% in Q4 2016. The standardised price of a house in Q4 2016 stood at £125,480 - almost £100k or 44% below the corresponding figure in Q3 2007.



Northern Ireland house prices have rebounded by 29% since their Q1 2013 low and have recouped just over one-fifth of their peak-to-trough declines. The headline figures from the latest report conceal a significant difference between the new dwellings and existing (or 'second-hand') markets. Over the last two years the price of new dwellings has increased by 23%, twice the increase recorded for the existing market (+11%).



More recently, the two markets have been diverging with the price rises of new dwellings accelerating while the corresponding gains for existing homes have been slowing. In Q4 2016 new dwellings recorded an annual price increase of almost 14% which represented the fastest rate of growth since the tail end of the boom in Q4 2007. Meanwhile the price of existing homes slowed to 3.7% y/y in Q4 - its weakest rate of growth in 3-years.

Dwelling Type	Index (Quarter 4 2016)	Percentage Change on Previous Quarter	Percentage Change over 12 months	Standardised Price (Quarter 4 2016)
New	121.1	3.8%	13.9%	£158,828
Existing Resold	111.2	-0.1%	3.7%	£117,958
All	113.1	0.6%	5.7%	£125,480

House prices are a function of supply and demand. The relative shortage of new dwellings has supported house price growth. It is noted that the provisional number of transactions in Q4 2016 was down a hefty 17.5% year-on-year. It should be noted that these figures are provisional and won't incorporate all the sales in the quarter. As a result, the scale of the decline is expected to be revised up in due course. Nevertheless, the underlying trend in transactions (particularly new dwellings) appears to be one of slower growth.

Looking ahead, the Northern Ireland housing market will be impacted by a squeeze on living standards. The combination of accelerating inflation coupled with a benefits freeze until 2020 will impact on affordability. House price growth is expected to continue albeit at a slower pace in 2017.

The full report can be found on the [Northern Ireland Statistics and Research Agency website](#).

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