

There has been a steady stream of negative news of late about consumer spending and consumer confidence. The latest car sales figures for Northern Ireland reveal that last month was the quietest for car showrooms in eight years. Meanwhile retail sales fell at their fastest pace in almost four years in February, according to the Ulster Bank PMI. And talk of food shortages and potential tariff-induced price rises if a no-Deal Brexit comes to pass will have done little to boost consumer sentiment. However, despite all of this, when we look at figures in relation to housing - the biggest discretionary consumer spending item of all - they appear to be at odds with everything else that is going on.



In terms of the detail, Northern Ireland had the fastest rate of growth in mortgage activity in the UK during 2018. The first-time buyer market, in terms of the number of loans, increased by 9.4 percent year-on-year, almost five times the rate of growth for the UK as a

whole. In terms of the home-mover market, the rate of growth in Northern Ireland was 6.5 percent, compared to a UK fall of almost 2 percent. Indeed, seven of the 12 UK regions saw a drop in home-mover mortgage activity, with London and the south east of England seeing decline of 5 percent. This marked five successive years of decline in London. Northern Ireland also saw the fastest rate of growth in house prices of all the UK regions in 2018.

So why is the housing market in Northern Ireland out of sync with other indicators of consumer spending, as well as being apparently out of sync with other regions?

The first thing to say is it doesn't mean that Northern Ireland's consumer is faring better than consumers elsewhere. Indeed, this is clear when we look at car sales and other indicators. What it does mean is that Northern Ireland is at a different stage of the housing market cycle from other parts of the UK. We must remember that Northern Ireland had the biggest downturn in UK housing market history and has therefore been in recovery mode and continues to play catch-up. The other point is that the Northern Ireland housing market has become much less reflective of consumers as a whole than it was in the past, and cannot be relied on to the same extent as a barometer of consumer spending than it used to be. The average consumer isn't the average house-buyer; indeed despite Northern Ireland being one of the most affordable regions to buy in the UK, it should be remembered that the average 20 or 30-something doesn't actually own their own home, unlike in 2007, and is now more likely to live with parents or in rented accommodation.

A no-deal Brexit could though change everything... it would hit all aspects of consumer spending, including the housing market.

If there is an orderly Brexit, the expectation is that Northern Ireland's housing market will

most likely continue to recover, albeit at a modest rate and not necessarily in a linear way. Remember, Northern Ireland average house prices are still almost 40 percent below where they were in 2007.

If there is a 'no-deal Brexit' however, all bets are off. As the Head of the Civil Service, and many others, have warned, Northern Ireland will be hit harder than almost anywhere else in a 'no-deal' scenario. The manufacturing sector has warned that no-deal will mean that in some areas of the sector, such as agri-food, there will be no trade. And no trade means a big hit to employment. We have had some insight into the impact large scale manufacturing job losses can have on the housing market in Mid and East Antrim. This is the council area that was home to JTI and Michelin who collectively let go more than 1,700 people from well-paid jobs. It is also the worst performing council area in Northern Ireland during 2018 when it comes to house price growth.

Of late, the Northern Ireland manufacturing sector has held up better than other sectors, with further job announcements coming just last week at Terex in the North West. However, it is the sector which perhaps has most to lose from a 'no-deal Brexit', alongside agri-food. These sectors have a disproportionate influence in rural communities, and the impact would therefore be felt harder there. This would impact on consumer spending, the high street, and ultimately the housing market and the various sectors from construction to conveyancing that rely on it for business. In this scenario, would Northern Ireland quickly go from being the best performing in the UK in terms of mortgage lending and house price growth, to being at the other end of the regional league table? Time will tell.

When moving house, the biggest fear of buyers and sellers is being in a complex chain which results in their deal ultimately falling through. When it comes to the complex Brexit process, the housing market and the economy as a whole will be hoping that a satisfactory deal comes to pass and doesn't fall through. The reality is that if there is a no-deal Brexit,

Northern Ireland can't stay put; it and the UK as a whole will have no choice but to move out of the EU, its home for the past 45 years, without a clear, agreed vision of where we are moving to.

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