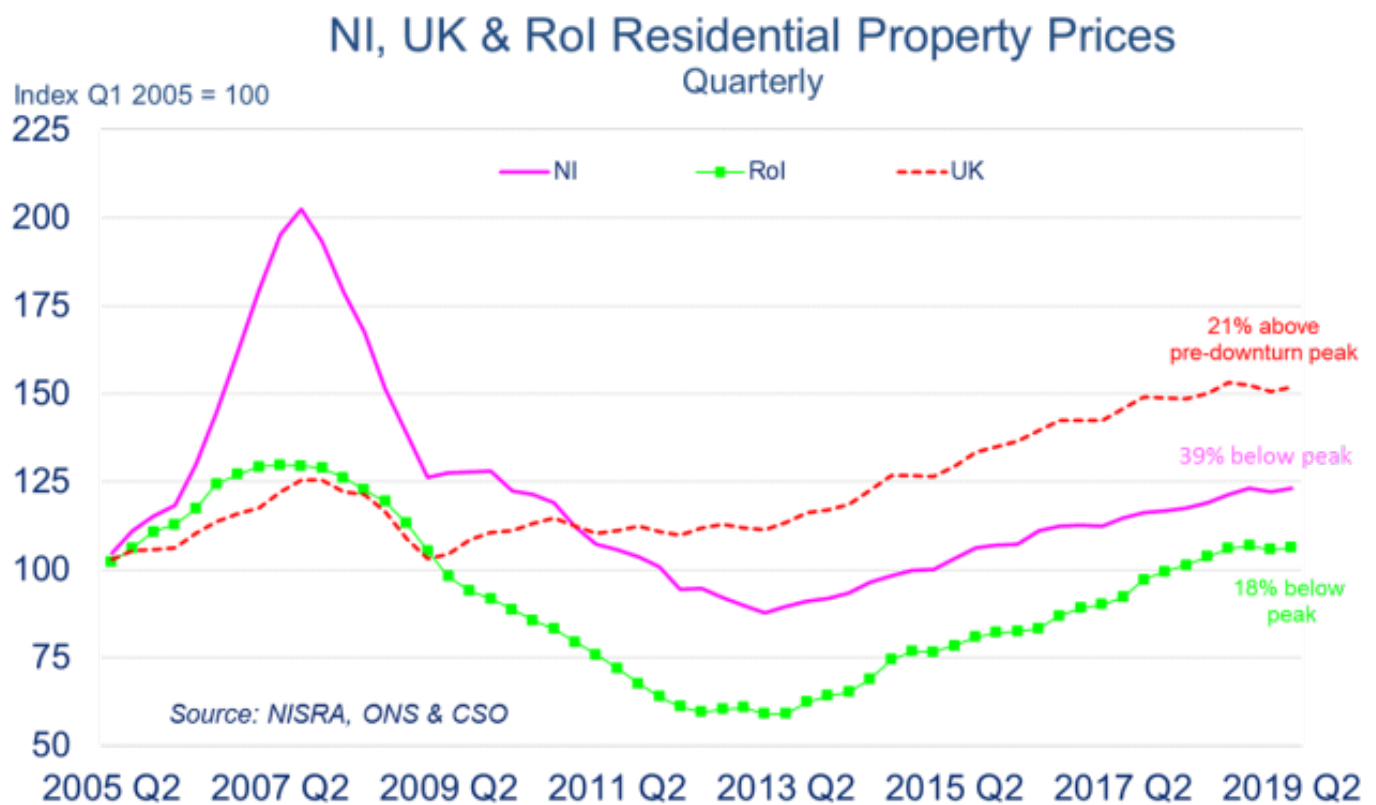
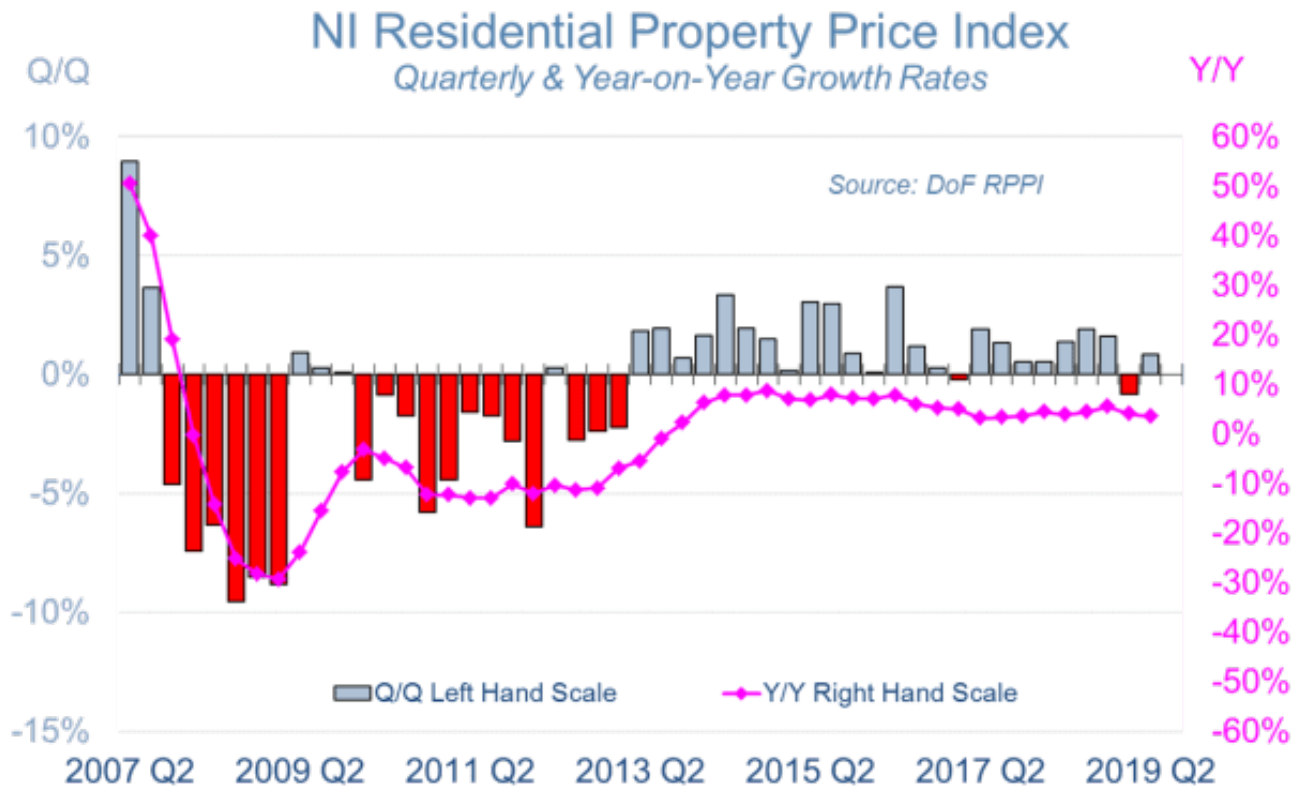


One direction. Northern Ireland's house price recovery is six-years old. For twenty-three of the last twenty-five quarters residential property prices have gone one way – up! Despite this significant run of steady price rises, less than one-third of the 57% drop in prices that occurred between Q3 2007 and Q1 2013 has been recouped so far. As of Q2 2019, local house prices were still 39% below Q3 2007's 'freak peak'.



Stutter. The latest Northern Ireland Residential Property Price Index (NIRPPI) revealed a 0.8% q/q price gain in Q2 2019. This represents a reversal of the 0.8% q/q decline in Q1 which was the first significant stutter in house price growth in six years. As a result, at the halfway point of 2019, prices are no higher than when they started the year. Nevertheless, the standardised price in Q2 of £136,767 is up 3.5% year-on-year.



Outperforming. Despite the annual rate of house price growing slowing to a seven-quarter low, Northern Ireland's house price gains compare favourably with elsewhere. After Wales, Northern Ireland posted the second fastest annual house price rise in Q2. Slower rates of price growth are a key theme within the UK and the Republic of Ireland residential property markets. UK annual house price inflation eased to just 1.1% in Q2 2019. That marks the lowest annual price increase since Q4 2012. Similarly, the Republic of Ireland's residential property price inflation has slowed to 2.5% y/y – the weakest pace since Q2 2013 – with prices almost grinding to a halt in Dublin over the last year (+0.2%).

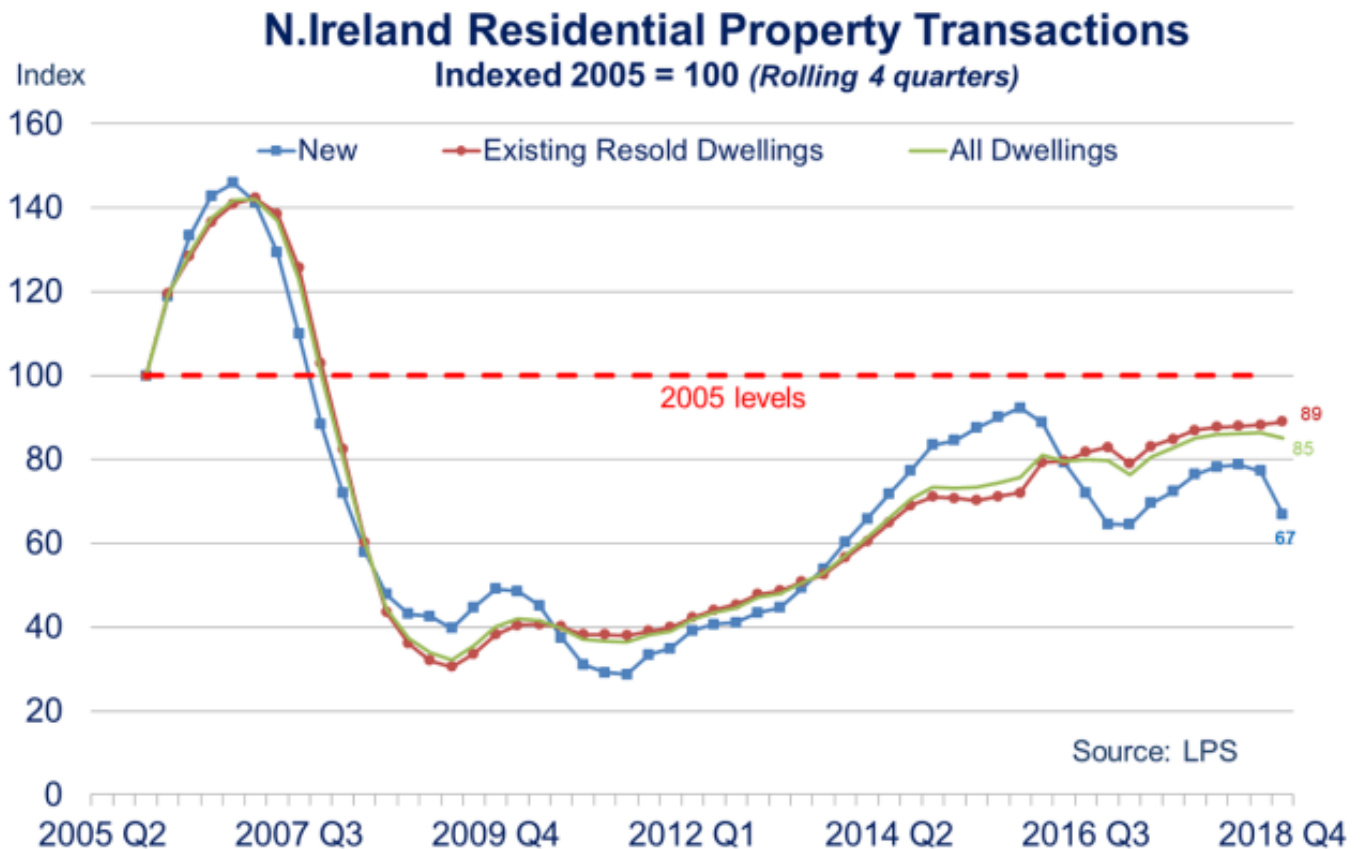


Sub-regional differences. Within Northern Ireland, most Local Government Districts (LGDs) have seen the trend in rising prices falter in recent quarters. Two LGDs – Newry, Mourne & Down and Lisburn & Castlereagh – saw their prices rise to nine-and-a-half year highs in Q2 while Ards & North Down prices touched an eight-and-a-half year high. Newry, Mourne & Down recorded the fastest rate of growth over the last year (+9% y/y) followed by Mid Ulster at 4.2% y/y. Meanwhile Fermanagh & Omagh posted the slowest rate of annual growth amongst Northern Ireland’s LGDs at +1.4%.

Levelling-off. At dinner parties and barbecues prices remain the key metric when discussing the housing market. However, from an economic perspective, other indicators are more insightful. These include transactions and housing starts / completions. In relation to these measures, it is clear that a housing market slowdown is already underway.

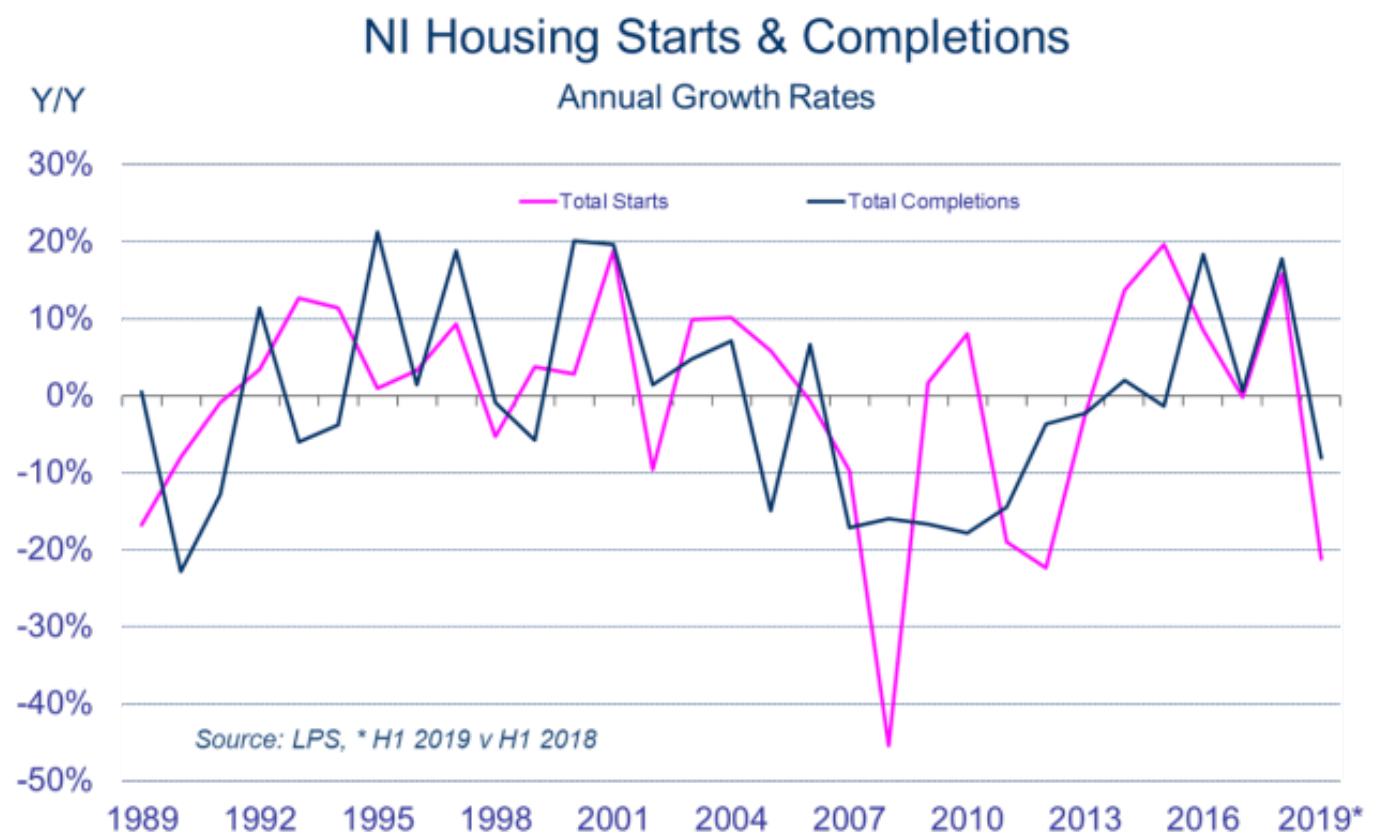
Residential property sales hit an 11-year high of 24,656 transactions in 2018. However,

sales growth was flat with just three more sales relative to 2017. 2019 could well bring to an end the eight-year winning streak of transactions growth.



Housebuilding slowdown underway. Local housebuilders have been in expansion mode in recent years with the number of housing starts rising above 8,000 last year for the first time since 2007. The number of completed dwellings, which lags starts by around nine months, hit a nine-year high of 7,644 in 2018. However, **looking at the starts and completions for the first-half of 2019 reveals that a significant slowdown in the housebuilding sector is well underway.** Housing starts fell by 30% y/y in Q2 and are down over one-fifth for H1 2019 relative to H1 2018. Indeed, so far 2019 marks the weakest H1 in four years. The reduction in activity on building sites will feed through to fewer completed properties in 2019 / 20. Completions fell by 23% y/y in Q2, marking the steepest rate of decline in eight years. A reduction in housing supply looks to be a key theme going forward which in turn

will be supportive of property prices. Housebuilders and the wider construction industry, like other sectors of the economy, also face significant challenges (e.g. supply chain disruption, access to labour) linked to Brexit. Needless to say a no-deal Brexit will have a negative impact on the housebuilding sector.



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