

'House prices still have further to fall'

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A property expert has warned buyers to be wary of any green shoots in the property market

ULSTER house prices have further to fall — and could even halve from their current levels — according to an expert who predicted the crash.

Jonathan Davis, a financial planner based in the City of London, told the News Letter that property in the Province remained severely over-valued in relation to incomes, and that buyers should be wary of talk of green shoots.

But the Royal Institution of Chartered Surveyors (RICS), who today report increasing stabilisation in house prices, cautioned against "alarming predictions" of major price falls.

Mr Davis, however, pointed out that he is one of the few pundits who forecast the housing crash at the height of the boom when many commentators were predicting continuing growth, or at worst a "soft landing".

Mr Davis said then that prices would plunge 50 per cent, which has nearly happened according to the leading property price surveys.

Average Ulster house prices have plunged at least 40 per cent from the peak, and stand at around 60 per cent of the 2007 peak levels.

Mr Davis dramatically believes that they could halve from current levels, and bottom out at 30 per cent of peak value.

He said: "They laughed at me in February 2007 when I said on The Stephen Nolan Show that house prices would collapse. They have now dropped 40 per cent, well on the way to what I predicted, and indeed I have increased my forecast drop.

"I think that they will halve from current levels so that they are 70 per cent lower than the peak — in other words, they fall to 30 per cent of peak value."

Mr Davis, managing director of Armstrong Davis, said: "House prices may appear to have stabilised in recent months but I believe they will restart their downward trend, which began in late 2007. House prices have to return to economic reality. By 2006 and 2007 they had lost any relationship to reality, such as average salaries and wages.

"Northern Ireland was the most overpriced region in the United Kingdom and that is why it has experienced the biggest fall so far and why it will continue to fall further than any other regions, before it reaches the bottom in 2011 and 2012."

Mr Davis spoke out following the latest survey from the RICS, which found that the proportion of chartered surveyors reporting price falls is at its lowest level in nearly two years. The majority of local chartered surveyors responding to the survey said that prices will remain flat in the three months ahead.

However, RICS Northern Ireland housing spokesman, Tom McClelland, said that it is very unlikely prices will bounce back soon.

In response to Mr Davis's forecast of house prices halving, he told the News Letter: "Nobody knows, but I think his prediction is a bit pessimistic."

He said there were a number of reasons "that caused the bubble to inflate so quickly and deflate so quickly".

"One reason for deflation was that investors left the market, having pushed it up to a level beyond which first time buyers could afford.

"But there is a lot of pent up demand because there is still a big underlying desire for owner occupation which has not been satisfied for several years."

Mr Davis said he was not a "doomsayer".

"People have accused me of being negative: if trying to save people from losing money is being negative, I would disagree. Having more affordable houses is a good thing. If, for example, you are currently renting or a potential first-time buyer living with your parents then it is extremely positive news."

Mr Davis said Northern Ireland was particularly vulnerable as its economy was based on public-sector spending, "which we expect to be cut heavily after the next election".

But Mr McClelland said: "In real terms the cheapest time to buy a house was in the late 80s when average house prices to average earnings were about 2.8 and it is unlikely to go below this. We have a relatively young population and reasonable levels of employment. The public sector is being squeezed but that will be gradual and it will remain significant."