

'Lower property prices can be good for economy'

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THE Stormont Finance Minister has said that lower property prices might be beneficial to Northern Ireland, but a sudden correction must be avoided.

Sammy Wilson was clarifying his recent comments that the Irish toxic loans bank – Nama – must not damage Northern Irish interests, by resulting in a firesale of Ulster assets that might further depress property prices.

These remarks had prompted Jonathan Davis, a City of London financial expert who predicted the Northern Ireland property crash two years ago, to challenge Mr Wilson to explain whether he thought falling property prices were a bad thing — and if so why.

Mr Davis believes that Ulster property is over-valued, and a fall in prices would be welcomed by many. He says that too many commentators and politicians talk as if an increase in house prices is to be welcomed.

Mr Wilson responded that he also believed that lower property prices were potentially a good thing.

"Having average house prices at six times the average local salary is not sustainable nor does it encourage first-time buyers," he told the News Letter.

"A gradual correction of Northern Ireland property prices would be beneficial to the Northern Ireland economy as well as potential new house buyers.

"However, a Nama 'firesale' could induce a very sharp fall in house prices, which would instantly put many more homeowners into negative equity and undermine an already fragile consumer and business confidence.

"It would also increase the local banks' reluctance to lend and prolong the current economic downturn. That is why a Nama 'firesale' must be avoided."

Mr Davis welcomed Mr Wilson's clarification, and said that lower property prices were good for many people and businesses.

Among those who benefited were first-time buyers "who would like to buy but quite simply can't", he said.

"And younger families who would prefer to live in larger properties. They have to borrow a great deal more debt if property prices are high.

"Similarly, many businesses benefit from lower commercial property prices through lower rents."

Mr Davis added: "When politicians say we have got to support the housing market, they are missing out on helping large swathes of the population."