

# News Letter



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## Farming Life CAP reform – 'devil will be in the detail'

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## Glens win Big Two Shield showdown

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# Rich are no longer buying £1m homes

BY BEN LOWRY  
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WEALTHY homeowners have seen their home values plunge, with former £2m properties now only reaching £850,000, a leading estate agent said yesterday.

The 55 per cent drop in the maximum price achieved for some of Northern Ireland's most prestigious houses shows the full scale of the housing downturn, and shatters any notion that the rich have been immune.

In south Belfast, traditionally the most expensive part of the province, even the best homes fetch a fraction of the sums that they did four years ago, according to Gerry O'Connor, who has sold some of the most sought after homes in the city.

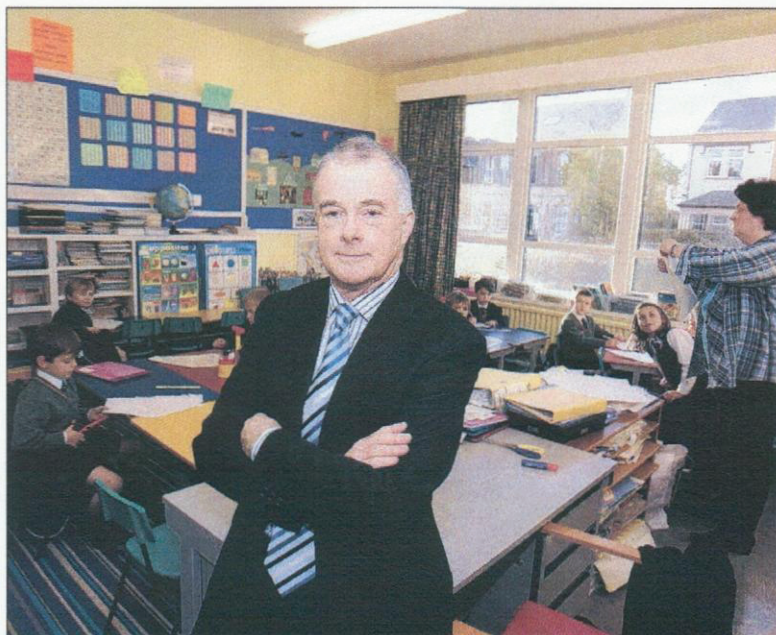
A decade ago headlines reported the first £1m homes, but now the wealthy will not commit that much.

Mr O'Connor emphasised that top houses were still selling, if realistically priced. He was speaking to the News Letter as part of our comprehensive two-page report into the state of house prices across Northern Ireland.

We have combined the four biggest property surveys to find the true state of the market, which is 41.4 per cent down on the 2007 peak. Mid Ulster is the worst affected region, with houses more than halving in value.

But there is good news for first time buyers, as prices across Northern Ireland drop within reach.

See pages 8 and 9



John Ekin, head of Connor House, the prep department of Bangor Grammar School, in one of the classrooms at the prep school which is to be closed next June. See page 3 PICTURE: Jonathan Porter/PressEye

## Third prisoner wrongfully set free in months

BY REBECCA BLACK  
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THE third wrongful release of a prisoner in two months has been branded "shambolic".

It emerged last night that Sean Gerard Cahill, who was convicted of aggravated vehicle taking and sentenced to a month's imprisonment, was wrongfully set free.

The mistake came to light yesterday when Cahill failed to turn up at Lisburn Magistrates Court for a scheduled hearing.

He was released because of the time he spent on remand awaiting trial but should have been returned to custody to face charges of robbery, possession of an offensive weapon and taking a vehicle without the owner's consent.

Justice Minister David Ford has been widely criticised after it emerged Cahill was the third prisoner in two months to be mistakenly released.

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## Councils take over planning

LOCAL councils will take over responsibility for planning for the first time in over 40 years, it was announced yesterday.

Environment minister Edwin Poots said the legislation should be passed before the end of the assembly term in April and would hand powers to the existing 26 councils.

The same powers would then be taken on by the new 11 council model set to be in place by 2015, while new safeguards would also be put in place.

The proposals will now go out to public consultation, with the new powers potentially available from 2012.

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8 House prices

# House prices drop 41 per

## £150k debt, but home is worth £85k

The wife in a young professional couple tells how the housing boom and crash left them in negative equity. She wishes to remain anonymous

WE bought our home in October 2006 for £127,000 and moved in two months later when we had some work completed to upgrade the property, which had been in considerable disrepair.

In total, to buy and get the work done, our mortgage ended up around £150,000 and was re-valued by the bank as such.

We were both in good jobs at that time and had no problem securing a mortgage.

Since then, we have had two children and I have decided to stay at home, as a full-time mother since our first child was born.

We love our little home and the area, but space is at a premium now, with a toddler and a new baby.

Ours is a traditional east Belfast red brick terrace, two-up, two-down so living here is challenging with an ever-growing family.

The main reason we would love to move is to have a garden for our kids, with maybe one further bedroom being an advantage.

We recently phoned an estate agent about a property that was newly for sale on our street to inquire about the asking price.

Much to our disappointment, we were told it was offers around £85,000.

So going by a comparable property on our street you will see we have lost approximately £65,000 of the value of our home in four years.

During the height of the boom houses such as ours in our location were going for anywhere between £130,000 to £190,000 depending on the state of the interior.

For now, we have no choice but to remain where we are.

We cannot move and even if we could sell our property for what we bought it for, I think we would still find it difficult to secure a new mortgage, on one wage and with no deposit.

## 'Now I might be able to buy'

News Letter reporter **REBECCA BLACK** says falling prices have given her hope

SINCE graduating in 2005, the concept of being able to buy a house has seemed as remote as a package holiday to the moon.

While soaring house prices benefited those who are already on the property ladder, to first-time buyers, even modest properties being priced at £200,000 made purchasing an impossible dream.

Even if I could handle the mortgage, the 20 per cent deposit that many banks demanded meant I needed at least £40,000 in savings.

Of my peer group, only those with substantial parental help have been able to buy.

One friend is currently in the process of buying a house. While he managed to grab a bargain by having a cheeky offer accepted in a slow moving market, he and his parents have had to take out substantial loans to meet the huge deposit demanded by his lenders.

But now, collapsing property prices have created the first chink of light in the recession.

Last week, I spotted with awe a flat in Holywood advertised for just £49,950 while a three bedroom terrace house in Comber is on the market for £55,950.

I have been renting for three years but now for the first time I can finally start working towards buying my own little nest.



House price surveys agree on scale of the collapse, writes **Ben Lowry**

HOUSE prices in Northern Ireland have tumbled 41 per cent since their 2007 peak, a detailed News Letter analysis of the statistics confirms today.

Our 'survey of the surveys' gives a comprehensive picture of where house prices presently stand, more than three years after they peaked.

The results have been mapped in the chart on the right hand page, which tracks four major surveys.

All four show that prices took off in 2005 before peaking two years later, and then plunging as sharply as they rose.

Each survey finds that the average home price has now fallen back to 2005 levels.

Although each of the surveys – the University of Ulster, the Nationwide, the Halifax and the Department of Communities and Local Government (DCLG) – shows similar patterns, they differ in the detail.

At points, some surveys recorded rises while others were recording losses, but these contradictory movements cancel each other out.

The Halifax's quarterly survey shows the sharpest fall, down 43.4 per cent from the 2007 peak. The DCLG has recorded the shallowest drop, although at 39.0 per cent it is not far behind.

Combining the four surveys points to an average 41.4 per cent loss.

Some regions have fallen more however, as have certain types of property.

Apartments are the worst hit type of home, down 50 per cent from a peak average of £238,000 to a current average of £120,000. Some observers say that an oversupply of flats will lead to further falls.

Mid Ulster is the most badly affected region, down 55 per cent from £293,000 to £130,000.

Detached homes have been the least hit, down 32 per cent from £370,000 to £253,000.

Mid and South Down have seen the smallest overall drop, also down 32 per cent from £262,000 to £178,000.

Sub categories of region and property type can show marked variations quarter-to-quarter due to small sample size, and need to be treated with caution [see survey story right]. But overall, the story is one of big price drops



that have hit every sector of the market.

One of Belfast's leading estate agents Chris Pooler said that prices appeared to be stabilising in the city at half their peak value, tallying with University of Ulster findings.

Mr Pooler, who is based in east Belfast, said: "There are still some vendors who, understandably, are hanging on to the hope that things will pick up. The reality probably hasn't totally sunk in."

One of the few pundits who in 2007 predicted that booming house prices in Northern Ireland would not merely slow down, but would collapse, Jonathan Davis, believes the

drop was inevitable. "House prices have to be backed by economic fundamentals, such as average incomes."

Mr Davis, a City of London economist and wealth manager, believes that prices in the province remain too high relative to wages.

Earlier this year, a Halifax study found that Northern Ireland was the only region outside London where house prices remained unaffordable to first time buyers in each of the local authority areas within the region.

The province has 26 local authority areas, all of which were too expensive relative to first time incomes, despite large price falls.

## Top buyers will no longer pay £1 million

THE top price paid for a house in Northern Ireland's most exclusive area has plunged to £850,000.

The best properties in south Belfast fetched £2m at the height of the boom in 2007, but this has now fallen by more than half.

Gerry O'Connor told the News Letter that wealthy buyers were careful before lavishing on big homes.

"The top price now in south Belfast is probably £850,000 for a five-bed, all singing, all dancing house with a good garden. And that is top notch – if there are flaws, you work down from that figure."

"Even the really well paid – the surgeons, the barristers – are reluctant to take on a mortgage of £400,000 or £500,000."

"Even people lucky enough to have equity from a previous sale are being very careful with their money. £850,000 is the new £2m."

Mr O'Connor has sold

some of the most desirable homes in the province.

Malone, in the south of the city where he is based, and Cultra in north Down are Ulster's priciest addresses.

A decade ago headlines trumpeted the first £1m homes but Mr O'Connor said that now – apart from rare exceptions – top end buyers would not pay £1m.

"Million pound homes were ten-a-penny four years ago. I saw houses in the best streets sell for £2m that needed hundreds of thousands spent on them – streets like Myrtlefield, Malone Park, Broomhill, Adelaide Park."

Last year the News Letter reported a six-bed Adelaide Park home that had not sold in two years, despite slashing its £1m price to £650,000.

Twelve months later, Kate Bittles' house remains unsold, despite being located on perhaps the second best street after Malone Park.

Unlike neighbouring roads,

the character of Adelaide – a conservation street – has been maintained, and few of the grand properties have been replaced by apartments.

Ms Bittles, who put the house on the market in late 2007 as the credit crunch began, said of the wait to sell: "Spring turns into summer, turns into autumn."

She added: "Everyone is in the same boat, and waiting for their offer. I will not get my original asking price, but my hope is that the house I am interested in should have fallen in price also."

Mr O'Connor said houses are still moving at the top if realistically priced. "We are in uncharted waters for everyone. We are back to realistic lending. Both buyers and sellers have to be realistic. Before people were sure prices would go up, now they are not."

At the other end of the market, £100,000-£125,000, buyers were getting "value for money at last".



Kate Bittles outside her unsold home in Malone Park  
PICTURE: Brian Little

# cent from their 2007 peak



Homing in, a survey has revealed that house prices in the province have tumbled since their peak of three years ago

Analysis: By Ben Lowry

## Price bubble led to ruin

IN 2006 and 2007, something catastrophic happened to the economy in Northern Ireland.

House prices surged to grotesque levels, before bursting with disastrous consequences for individuals and businesses.

Yet these ruinously high prices, which if maintained would have shut a generation out of homeownership, were reported as a good news story.

Read the personal stories to the left. Why is it good news for the younger generation either to be shut out of home ownership or condemned to decades of huge debt so that the older generation would grow rich in their homes?

The myth that 'you can't go wrong with property' encouraged many young people to blunder into disastrous purchases.

Most people thought that the worst that could happen to an overheating market was a so-called soft landing.

No attention was paid to the lessons of Japan, where property prices are 45 per cent down 20 years after they peaked.

Think about that: if the same happens to Northern Ireland, then peak prices will not return in five or 10 or even 20 years. By the late 2020s, they will still remain far below the 2007 peak.

Contrast our attitude to house prices to the furious reaction to the hated public spending cuts, where even the prospect of pay freezes has led to fears of riots.

Yet when many people's monthly outgoings suffered much more devastating losses due to over-priced homes - £150,000 mortgages that ten years earlier would have been £50,000 - it not only failed to prompt any protest, it

was positively celebrated. It seems understandable that much of society wanted high property prices to help fund their retirement.

But in fact few people benefited. An elderly couple might be delighted that their home is worth £400,000, but then find that their two children are struggling to buy flats for £200,000. If house prices halve, the house is worth £200k but the kids only need to fund £100k.

And someone moving up the housing ladder may be mistaken into wanting higher property prices because he feels better able to move.

If his existing house is worth £150,000, and he wants to move to one twice as expensive, at £300,000, he has to fund £150k difference.

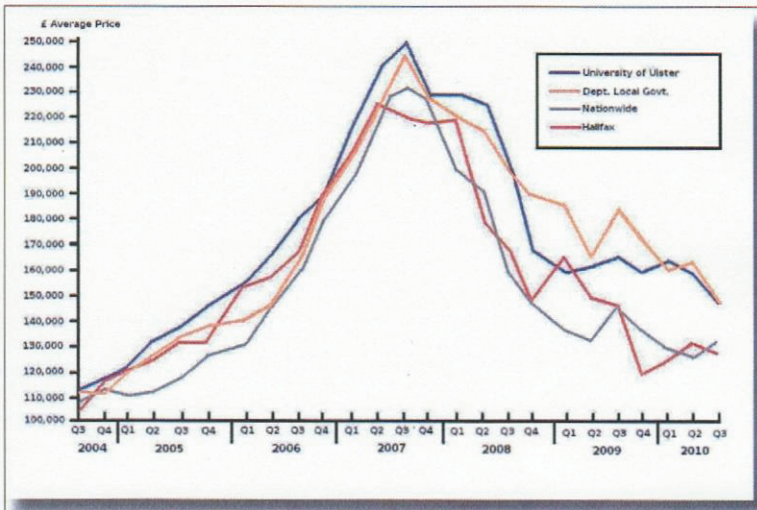
But if house prices halve, his current home is worth £75k while the desired house drops to £150k, meaning that the difference (the bill) also halves to £75k.

The main people who benefit from high property prices are developers, property agents and childless retired folk who want to downsize or move abroad.

There has been little apparent desire to learn from the housing bubble disaster. Stormont, busy proposing motions that offend one community or the other, has not been debating how to prevent a repeat.

You might think that there is little that the assembly could do, given that interest rates are set in London.

But we could all embed this crash in our memories, so that - when prices next surge - we remind the younger generation of that legal warning that you see in the small print of financial ads: 'The value of your investment can go down as well as up.'



## What the property surveys tell us

THE graph above combines four house price surveys to chart the progress of house prices over six years.

They all tell a similar story of surging prices leading up to 2007, followed by collapse.

So why do we hear conflicting reports of rises one quarter, or falls the next?

Look closely at the graph, which was compiled by the News Letter, and you see why it is unwise to read too

much into any one, isolated survey.

Follow the four falling lines on the right side of the chart: after peaking in 2007, each line follows a jagged downward path, with occasional jumps upwards.

House prices tend not to form a smooth pattern, even when clearly travelling in one direction.

At points during this downward or upward journey, prices can briefly turn the other

way, before resuming in the main direction.

Some of the recent upward jumps have been well publicised.

One report read: 'House price crash over.' Another front page headline appeared to celebrate a rise, when it used the words 'at last'.

The most widely publicised rise was the Nationwide 10 per cent quarterly jump in 2009.

But since that and other blips, prices have kept falling.

That is why we have brought all the surveys together, to give readers a sense of the trend.

The panel below includes an overall percentage drop for the province, by averaging the four surveys, and breakdowns by region and house type.

Snapshots can mislead. Mid and South Down rose in the last quarter, so it seems relatively unscathed, but it could drop again in the next.

### AVERAGE NORTHERN IRELAND HOUSE PRICES BY SURVEY

	PEAK PRICE	CURRENT PRICE	CHANGE
University of Ulster	(q3 2007) £250,586	£148,243	down 40.8%
Halifax	(q2 2007) £227,462	£128,731	down 43.4%
Nationwide	(q3 2007) £227,970	£130,877	down 42.6%
DCLG	(q3 2007) £246,785	£150,617	down 39.0%

average drop of all the surveys: 41.4%

\* DCLG (department for communities and local government) produces figures monthly, while the other surveys are quarterly, so we have taken the middle DCLG month of the quarter

### AVERAGE PRICES BY HOUSE TYPE

	PEAK PRICE	CURRENT PRICE	CHANGE
Terraced/townhouse	(q3 2007) £199,392	£107,407	down 46.1%
Semi-detached house	(q3 2007) £243,223	£130,956	down 46.2%
Detached house	(q3 2007) £369,609	£252,581	down 31.7%
Semi-detached bungalow	(q3 2007) £220,796	£131,439	down 40.4%
Detached bungalow	(q4 2007) £335,339	£195,636	down 41.7%
Apartment	(q2 2008) £238,449	£119,716	down 49.8%

\* according to University of Ulster survey

### AVERAGE PRICES BY AREA

	PEAK PRICE	CURRENT PRICE	CHANGE
Belfast	(q3 2007) £258,332	£138,131	down 46.5%
Nth down	(q3 2007) £279,127	£179,263	down 35.8%
Lisburn	(q4 2007) £285,153	£143,170	down 49.8%
East Antrim	(q3 2007) £222,759	£141,082	down 36.7%
L'derry/Strabane	(q2 2008) £221,227	£137,692	down 33.2%
Antrim/Ballymena	(q2 2007) £228,391	£147,602	down 39.8%
Coleraine/Limavady/N coast	(q3 2007) £285,938	£153,884	down 46.2%
Enniskillen/Fermanagh/S Tyrone	(q2 2007) £244,068	£125,451	down 48.6%
Mid Ulster	(q3 2007) £292,931	£130,368	down 55.5%
Mid & Sth Down	(q3 2007) £261,654	£178,177	down 31.9%
Craigavon/Armagh	(q3 2007) £241,410	£145,893	down 39.6%

\* according to University of Ulster survey