The Daft.ie House Price Report
An analysis of recent trends in the Irish residential sales market for 2017 Q2

Introduction by Ronan Lyons, Assistant Professor of Economics at Trinity College Dublin and author of the Daft Report.
The figures from this latest Daft.ie House Price Report show a sharp increase in prices around the country, for the second quarter in a row.

The national average list price in June was 8.8% higher than in December. To put that in perspective, prices rose by 8% in the whole of 2016 – and by 8.5% in 2015. If the first half of 2017 is anything to go by, price increases are likely to match or exceed those in 2014, when they rose by 14%.

That year, it was Dublin that drove those trends, with prices in Dublin rising by 21% during 2014, compared to 9% elsewhere in the country. And it seems as though the same pattern is re-emerging in the 2017 market. As shown in the graph accompanying this article, annual inflation in the Dublin market exceeds the rate elsewhere in the country for the first time since early 2015.

What took the steam out of the Dublin market in early 2015 was the introduction of the Central Bank’s mortgage rules. They were designed to anchor housing prices to the real economy, in other words to reflect supply and demand – especially household incomes.

Before those rules were mooted, there was next to nothing – other than collective memory of how bad the last bubble was – to stop another credit-fuelled bubble from happening. Expectations about future house price increases are central to bubbles and, as of late 2014, those expectations were high. In Dublin, for example, survey respondents in late 2014 expected prices to increase by 12% in the following year.

The Central Bank rules, though, by requiring a minimum deposit in particular, took the sting out of a potential housing bubble. Expectations of price increases fell dramatically from 12% to just 3%. The effect was obvious, especially in the Dublin market. Price inflation fell from almost 25% to 1%.

What has changed? In terms of the underlying market fundamentals of supply and demand, very little. As outlined in my commentary to the January report, the country still needs at least 40,000 and probably closer to 50,000 homes of all types every year. And still it gets just a small fraction of that – with perhaps just 3,000 new homes added by the professional construction sector in 2016.

All of this would point to prices rising as fast as is consistent with the Central Bank rules. But what happens when those rules change? This is what happened late last year. The rules were changed in quite a specific way: all first-time buyers now face a...
10% deposit, rather than the 20% faced by the rest of the market on anything over €220,000.

This means that first-time buyers buying expensive homes have seen the biggest reduction in the deposit required. To give an example, someone buying a property in Dublin worth €250,000 has seen the required deposit fall by just over 10% (from €28,000 to €25,000). But someone buying a property worth €660,000 has seen their deposit required fall by 40% (from €110,000 to €66,000).

Therefore, we would expect the change in the Central Bank rules to have the largest effect on the most expensive markets in the country. And, by and large, this is what we have seen in the last six months. Prices in Connacht and Ulster have risen by 6% in the last six months. But prices in Dublin have risen by 10% in just six months. In Dublin 2 and Dublin 8, two of the country’s most expensive markets, prices are up by 16% since the start of the year.

Some might argue that what we are seeing is the effect not of the change in Central Bank rules, but rather the almost contemporaneous Help-to-Buy scheme brought in by the Government in the last Budget. There have simply not been enough new homes sold in the first half of 2016 for this to explain such market-wide trends, however.

There have been about 1,200 sales of new homes in Dublin in the first half of 2017, compared to about 1,500 in the second half of 2016. This represents about one fifth of the overall market in the capital – which is probably too small a tail to wag the dog that is the second-hand market. (In a more health market, the new-home segment would constitute close to half of all sales.)

More importantly, though, the Help-to-Buy scheme would have had opposite effect across cheaper and dearer markets. Its caps were such that its impact would be greatest in the cheaper segments of the market. Those buying new homes above €400,000 have a smaller percentage rebate, while those buying above €600,000 have none at all.

Thus, we are left with the conclusion the changes in the Central Bank rules had precisely the effect predicted of them. There is some solace in that: the Central Bank rules are perhaps the single most important brake on housing prices. When those rules are relaxed, prices rise, as supply is simply not sufficient to meet demand. But if they are maintained in their current form, the current spike in house price inflation will prove to be just that.

The primary focus of policy efforts in the housing market over the last 18 months has been to further stimulate demand and prices. As I have written on a number of occasions in the last year, what we need is a focus on supply and quantities. When obsolescence, falling household size, natural increase and net migration are factored in, the country needs 50,000 homes a year. It is not getting that, and supply has not been meeting demand since 2011, meaning we have also a backlog to meet.

The principal reason why so few homes are being built is the high cost of construction. Hopefully the new Housing Minister will focus on reducing the hard costs of construction. This will have beneficial effects for both market and social housing. Combined with a strategy for using vacant homes, using land better and reform of housing subsidies, it is entirely possible for this country to have a healthy housing system.

Market Survey

Each quarter, Daft.ie surveys over 1,000 property market participants, asking them about their sense of the market as a whole, and their own intentions. Below are some of the headline results.

**Expected price change this year**

- **Perceptions of value**
  - Fewer than 10% of respondents believe property prices in Dublin represent good value currently, down from 42% in late 2012. Elsewhere in the country, the fraction believing prices represent good value has fallen from 49% to 26% since late 2015.

**Expected price-income ratio reaches new high in Dublin**

- Nationwide, the average expected price-income ratio is stable at 4.4 - and outside Dublin is stable at 4.2. In the capital, however, the ratio has reached 4.8, the joint highest on record (with 2015Q4).
Prices up 46% from their lowest point

Nationally, the average asking price reached its lowest point in the third quarter of 2013 and has risen 46.2% - or just under €76,000 - since then. In Dublin, however, the bottom was reached in the second quarter of 2012 and prices have risen by an average of 60% - or €132,500 - since that time. The last part of the country to see prices level off was Limerick - in both Limerick city and county, prices only reached their lowest point in the final quarter of 2014 but prices have risen by 49% in the city (and by 30% in the county) since then.
Strong rises in prices continue

The rise of 4.3% in the average list price seen in the second quarter of 2017 matches the rise in the first quarter, which was the largest since early 2015.

Inflation in Dublin now exceeds rate elsewhere

For the first time in over two years, the annual rate of inflation in Dublin (12.3%) exceeds the rate elsewhere in the country (11.3%).

Largest number of new listings since mid-2008

May 2017 saw over 6,000 properties listed for sale nationwide, the largest monthly total in almost 9 years.

Two in five properties sell within two months

40% of properties listed currently find a buyer within four months, up from 35% a year ago.

The Daft.ie Asking Price Index is based on asking prices for properties posted for sale on Daft.ie. An index based on asking price, as opposed to closing price, is a measure of future expectations. Figures are calculated from econometric regressions, which calculate changes in price that are independent of changes in observable measures of quality, such as location, or bedroom number.
### Average Asking Prices Across Ireland (€000s), and Annual Change (%), 2017 Q2

#### Daft.ie Snapshot of Asking Prices Nationwide

**Average asking prices across Ireland (€000s), and annual change (%), 2017 Q2**

<table>
<thead>
<tr>
<th>Region</th>
<th>1 bed apartment</th>
<th>2 bed terraced</th>
<th>3 bed semi-d</th>
<th>4 bed bungalow</th>
<th>5 bed detached</th>
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#### Cork, Limerick, Galway

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**Note:** Data as of [date] for [2017 Q2].
Dublin

Strong price gains continue into second quarter

Double-digit rises in most of city
Twenty of Dublin’s 25 markets saw prices increase by at least 10% in the year to June - the highest number since early 2015.

Stock on market down year-on-year
There were 3,250 properties for sale in Dublin in June, higher than three months previously (2,700) but lower than a year ago (3,800).

Half sell within 2 months
50% percent of Dublin properties find a buyer within two months - up from 41% a year ago.

Transaction volumes reach new high
There were 3,550 transactions in Dublin between January and March, the highest first-quarter total since the start of the Price Register in 2010.

How fast are properties in Dublin selling?

How have house prices changed?
How fast are properties in Leinster selling?

- **Within 2 months**
- **Within 4 months**
- **Within 6 months**

Leinster

Sharp increase in prices in second quarter

Double-digit rises across the province
Shraps increases in prices between March and June across Leinster mean that prices are between 11% (Wicklow) and 24% (Longford) higher than a year ago.

Stock on market down year-on-year
There were almost 5,500 properties for sale in Leinster in June, higher than three months previously (5,000) but lower than a year ago (5,900).

Two thirds sell within 4 months
64% percent of Leinster properties find a buyer within four months - up from 58% a year ago.

Transaction volumes reach new high
There were 2,800 transactions in Leinster (excluding Dublin) between January and March, the highest first-quarter total since the start of the Price Register in 2010.

How have house prices changed?

- **Dublin Commuter Counties**
- **West Leinster**
- **South-East Leinster**

Munster

Munster prices, outside cities, rise sharply in second quarter

Urban-rural trend reverses
Unlike in previous quarters, where Munster’s three cities saw the strongest quarterly prices increases, between March and June, it was the rural parts of the province that saw the biggest increases.

Limited supply persists
There were 7,650 properties on the market in Munster in June, up roughly 500 from three months previously - but a thousand fewer than a year previously.

Over half sell in 4 months
Over half (54%) of all properties in Munster find a buyer within four months, up slightly from a year ago (50%).

Transaction volumes steady
There were 2,600 transactions in Munster in the first quarter of 2017, similar to the total for the same three months in both 2015 and 2016.

How fast are properties in Munster selling?

How have house prices changed?

Dublin Commuter Counties
West Leinster
South East Leinster

Connacht/Ulster

Price increases cool in the region

Return to single digit increases
In late 2016, Connacht-Ulster had the fastest house price growth in the country (12%, compared to 5% in Dublin) - it now has the slowest (8%, and 12% in Dublin).

Limited supply persists
There were just over 6,000 properties on the market in Connacht-Ulster in June, up from 5,700 three months previously - but well below the level a year ago (6,900).

Fewer than half sell in 4 months
Just under half (48%) of all properties in Connacht-Ulster find a buyer within four months, down somewhat from a year ago (54%).

Recovery in transaction volumes
There were almost 1,750 transactions in Connacht-Ulster in the first quarter of 2017, up from 1,670 in the same period in 2016 - but still below the figure for 2015 (1,900).

How fast are properties in Connacht/Ulster selling?

How have house prices changed?
Over the last number of years, Daft.ie has collected a vast amount of data on the Irish property market. Each year tens of thousands of properties for sale or rent are advertised on the site.

About the Report
The goal of the Daft Report is to use this information to help all actors in the property market make informed decisions about buying and selling. In addition, because it is freely available, the Daft Report can help inform the media, the general public and policymakers about the latest developments in the property market.

This is the Daft.ie House Price Report, the partner to the Daft.ie Rental Report, which will be issued next month. Together, they give house-hunters and investors more information to help them make their decisions. These twin reports mean that Daft is the only objective monitor of trends in both rental and sales markets on a quarterly basis, making the report an essential barometer for anyone with an interest in the Irish property market.

The Daft Report was first launched in 2005. It has already become the definitive barometer of the Irish rental market and is being used by the Central Bank, mortgage institutions, financial analysts and the general public alike. The Daft.ie House Price report is Ireland’s longest running house price report, combining information from the Daft.ie archives with data from Ireland’s Residential Property Price Register.

Methodology and Sample Size
The statistics are based on properties advertised on Daft.ie for a given period. The regressions used are hedonic price regressions, accounting for all available and measurable attributes of properties, with a Cook’s Distance filter for outliers.

The average monthly sample size for sale properties is 5,000. Indices are based on standard methods, holding the mix of characteristics constant.

About Daft.ie
Daft.ie is Ireland’s largest property website with over 2.5 million unique visitors generating over 228 million page impressions each month.

Disclaimer
The Daft.ie Report is prepared from information that we believe is collated with care, but we do not make any statement as to its accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the indices, snapshots or analysis at any time for regulatory or other reasons. Persons seeking to place reliance on any information contained in this report for their own or third party commercial purposes do so at their own risk.

Credits
Economic Analysis: Ronan Lyons
Marketing and Communications: Martin Clancy
Layout and Design: William Tector & Dara Gannon

Steal the Spotlight!
The ultimate way to promote the launch of new builds

Stand out from the crowd with unrivalled placement on Daft.ie’s homepage
Stay top of mind Prominent agent branding is guaranteed
Maximise interest in your property, drive more enquiries and instructions

Why you should build your brand on Daft.ie
• 85% of the property audience in Ireland are on Daft.ie
• 40% of people visiting Daft.ie would like to buy a property in the next 12 months
• 32% of people visiting Daft.ie already own a property

Source: Comscore and Sentiment Survey H2 2016

For more information contact your account manager on: 01 421 8700
At Daft.ie our audience are your customers.

More people view properties on Daft.ie than on any other property platform in Ireland. No matter where people are in their life journey, they are visiting Daft.ie to make their property dream a reality.

An extensive audience
- 2.5m people visit Daft.ie every month
- 50% are searching properties for sale
- 33% are searching properties to rent

An active audience
- 40% seeking to buy within 12 months - active buyers
- 32% already own a property - potential sellers
- 55% of our audience are aged 35 years+

A focused audience
- 1000+ property searches carried out every minute
- ~8 minutes spent per visit
- 76% are returning to Daft.ie

*Source: Google Analytics Jan 2017, Log Files Jan 2017, Sentiment Survey H2 2016
Coming next:
The Daft.ie Rental Report, 2017 Q2.

The Daft.ie Rental Report will be published in August and will include a review of the performance of Ireland's rental market, plus all the usual indices, snapshots, trends and rental yield analysis, providing analysts, tenants, landlords, students and the public with the most up-to-date information on Ireland's rental market.

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