

# RESIDENTIAL MARKET REVIEW Q2 2017

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## HEADLINE RESULTS Q2 2017

Annual Percentage Change

**11.0%**

Average Dublin Second Hand Price

**€425,633**

% Change Since Low (Q2 2012)

**75.8%**

Percentage Change Q2 2017

**3.4%**

% Change From Peak (Q3 2006)

**-40.6%**

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# RESIDENTIAL MARKET REVIEW Q2

REPORT COMPILED BY  
DNG RESEARCH 2017

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# NEW HOMES CONSTRUCTION - THE KEY TO RECOVERY

KEITH LOWE  
CHIEF EXECUTIVE DNG



**The number of house sales in Ireland is set to rise by 10% this year compared to 2016 if the trend prevalent in the first four months of this year continues. Interestingly this increase is being experienced nationwide and not just in Dublin.**

**Prices this quarter have risen by a further 3.4% in the capital and on an annualised rate they have now reached double figures at 11% as measured by the DNG House Price Gauge. Notwithstanding these rising house prices and increased transaction numbers, property prices in Dublin still remain 40.6% below their peak value.**

In assessing the property markets performance, however, the overall number of transactions countrywide, while rising, falls well short of where they should be in comparison to similar housing markets in the United Kingdom (UK). The number of transactions in Ireland for the first quarter of 2017 was measured at 2.3 per 1,000 population according to DNG Research. In the UK, the average number of transactions currently stands at 4.2 per 1,000 population for the same time period which is 45% higher than Ireland. Interestingly, there is still a higher number of transactions per population in Northern Ireland compared to the Republic which I believe indicates we are still some way off a normal operating market.

The new homes market through increased construction numbers remains under constant scrutiny as it is seen as the silver bullet that will remedy the current social housing and rental sector crises and at the same time stabilise house prices.

The government introduced the Help to Buy scheme last year for the new homes sector in the form of a first-time buyers grant (based on a tax refund scheme) allowing buyers to qualify for a 5% grant off the purchase price of a newly built home up to a maximum allowance of €20,000 on a property priced under €500,000. This has been a major success as it has firstly assisted first time buyers to get on the housing ladder and it has provided increased confidence to builders and their funders. It has also led to a sharp increase in development land sales, increased new homes starts and it continues to free up much needed rental accommodation.

DNG carried out a survey of First Time Buyers in the third week of June who have either purchased a new home since the Help to Buy Scheme was introduced or are currently on the waiting list for one of four first time buyer's developments soon to be released to the market by our firm. 59% of those polled stated that they would not have the required deposit to be able to purchase a new home at the moment without the grant or financial assistance from another source. Over half of these respondents also indicated that they would be saving for over another 12 months to raise the necessary deposit. 66% of all respondents are currently in rental accommodation.

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DNG also carried out a review of house prices on four schemes currently being marketed by DNG. In three out four of these schemes property prices rises in the second-hand market has exceeded those in the new homes sector proving that the Help to Buy scheme has not overly inflated house prices in new developments.

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The government have already commenced a review of the Help to Buy Grant Scheme through an independent economic advisory company. If the scheme was to be discontinued it would be our view that this would be seen as a regressive move and lead to a falloff in new home construction.

New homes construction numbers have increased by 72% in Dublin in the first quarter of 2017 compared to the same quarter in 2016 as measured by data available from the Property Price Register. Whilst this numerically is a large increase it is from a low base, but if the trend continues it will prove the effectiveness of the Help to Buy Scheme as without it new home construction numbers would, without question, be recovering at a slower pace.

NAMA continue to be an important influence on the new homes market backing developments which account for just over 30% of all completed scheme sales in the first quarter of 2017 as measured on the Property Price Register. NAMA's role remains important to the sector as funding is still a major challenge even though there are a number of funders which include Activate Capital, AIB, Bank of Ireland, Castlehaven and Lotus who are supporting residential builders.

Ireland's property market continues its road to recovery. A critical element is the new homes market and it is imperative that government policy remains coherent and consistent that the government maintain the Help to Buy scheme in its current format as changing plans so soon after its inception cannot be seen as wise.





# DNG HOUSE PRICE GAUGE

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## 3.4%

RATE OF PRICE INCREASE STABILISES  
DURING Q2 AT 3.4%.

## 11.0%

ANNUAL RATE OF INFLATION INCREASES  
TO 11% IN THE YEAR TO JUNE 2017.

## 75%

THE AVERAGE PRICE OF A HOME IN  
DUBLIN HAS NOW RISEN BY 75% SINCE  
THE LOW POINT IN 2012 ACCORDING TO  
THE HPG.

**RATE OF INCREASE  
IN RESIDENTIAL  
PRICES CONTINUES TO  
STRENGTHEN FOR THE  
FIFTH CONSECUTIVE  
QUARTER.**



## QUARTERLY RESULTS

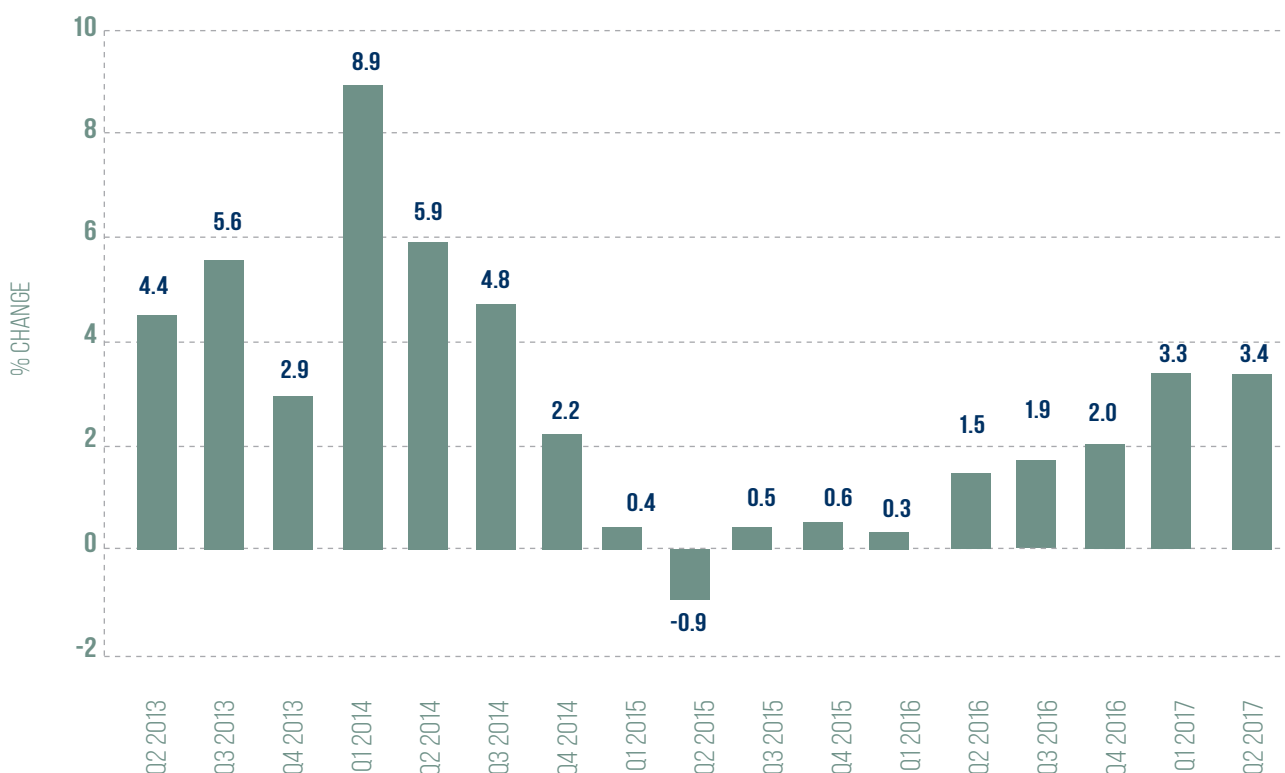
The DNG House Price Gauge (HPG) recorded an increase in the average price of a residential property in Dublin of 3.4%, in the three months to the end of June. The quarterly rate of increases has remained constant at around 3% throughout the year after increasing steadily over the previous five quarters. The latest statistics reveal, however, that the rate of increase in quarter two was over double the rate seen in the same period in 2006.

As a result, the average price of a residential property in Dublin has increased to €425,633, an increase of €27,000 or 6.8% since the start of the year.

# 3.4%

According to the latest results from the DNG House Price Gauge (HPG) the rate of price increase stabilises during Q2 at 3.4%.

FIGURE 1: QUARTERLY PERCENTAGE CHANGE IN DUBLIN RESIDENTIAL PROPERTY PRICES



## ANNUAL PERCENTAGE CHANGE

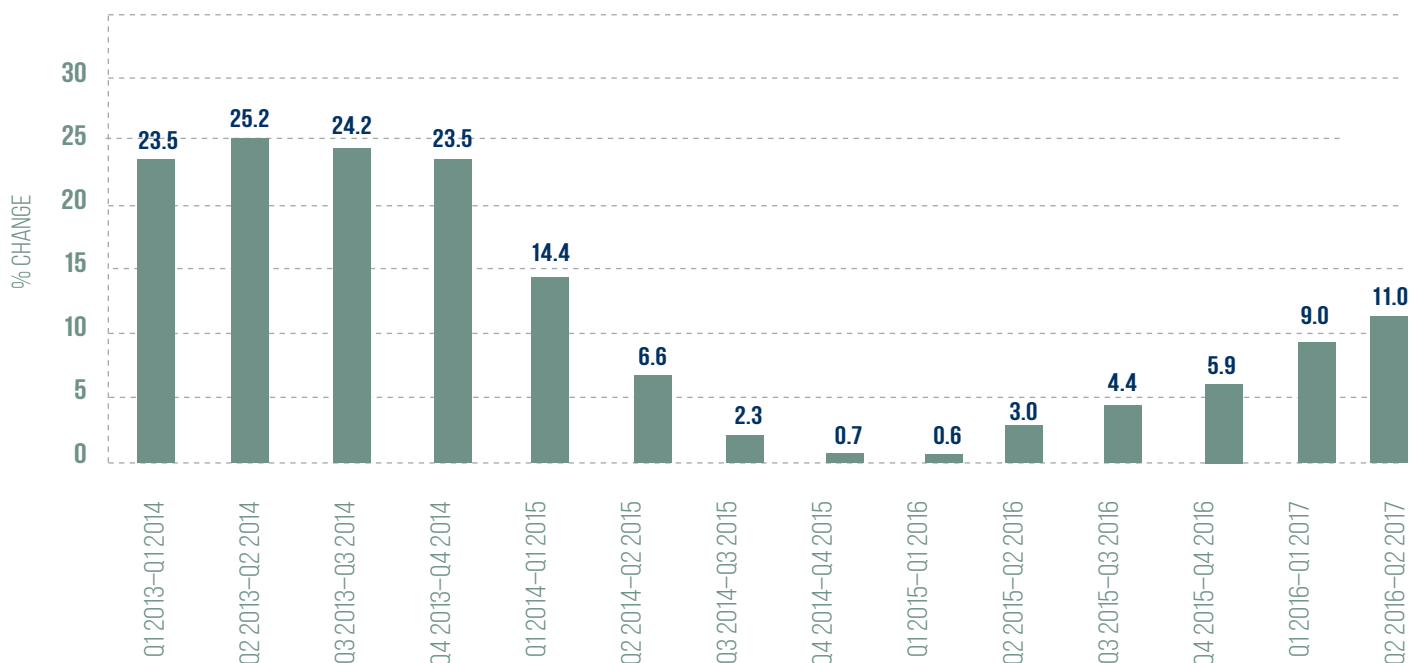
The latest quarterly results mean that in the year to June, the average price of a home in the capital has increased by 11%. However, the annual rate of change in prices, measured over the preceding twelve months, continues to accelerate, and has risen sharply over the last three quarters.

Residential property prices in the capital have now increased by 75% since the market low point at the end of 2012 with prices increasing in every quarter bar one since that point. It is worth remembering that the average price of a home in the capital is still 40% below the peak level measured by the HPG in Q3 2006. The large percentage increase seen over the last five years has come off a very low base and whilst the previous peak average should in no way been seen as a target it is still the case that current prices remain substantially lower than during the boom, according to the HPG.

# 11.0%

Annual rate of increase continues to rise however, with average prices in the capital rising 11% in the year to June..

FIGURE 2: ANNUAL PERCENTAGE CHANGE IN DUBLIN RESIDENTIAL PROPERTY PRICES



# PRICE CHANGES BY LOCATION

Q2 South Dublin

**2.9%**

Q2 West Dublin

**3.6%**

Q2 North Dublin

**4.1%**

**The DNG HPG records the change in the average price of a residential property according to location within Dublin as shown in Table 1.**

During the second quarter, north Dublin saw the strongest increase in prices at 4.1% whilst the average increase in south Dublin was slightly slower at 2.9%. With only a small variance in the rate of quarterly increase between areas, it is perhaps not surprising that across all areas of the city prices increased by 10-11% in the year to the end of June 2017.

Prices in west Dublin have increased in the order of 80% on average since the market low point recorded in 2012, but prices in the area are still one third lower than their peak in 2006. In north and south Dublin prices have increased in the region of 75% since 2012.

In north and south Dublin prices have increased in the region of 75% since 2012.

TABLE 1: PRICE CHANGES BY LOCATION

	Q2 2017	ANNUAL % CHANGE	FROM PEAK (Q3 06)	FROM LOW (Q2 2012)
<b>SOUTHSIDE</b>	2.9%	11.5%	-44.6%	74.5%
<b>NORTHSIDE</b>	4.1%	10.7%	-37.5%	75.8%
<b>WESTSIDE</b>	3.6%	10.3%	-32.2%	79.8%



## PRICE CHANGES BY PRICE BRACKET

# 4.8%

Prices at the entry level to the market saw above average increases in quarter one, rising by 4.8% according to the HPG.

**The DNG HPG measures the movement in prices for different price brackets of property within the sample as shown in Table 2 below.**

According the latest results, the average price at the entry level to the market, as measured by the HPG, has doubled since its lowest point in 2012. Not surprisingly prices at the top end of the market have seen their average value rise by 65% over the same period.

# 78%

Prices at the top end of the market have seen their average value rise by 78% since it's lowest point in 2012.

Over the last twelve months prices have also accelerated quickest at the entry level to the market, rising by 15.6% on average. The rest of the market has also seen strong price growth over the period, in the 10-11% range.

TABLE 2: PRICE CHANGES BY PRICE BRACKET

	Q2 2017	ANNUAL % CHANGE	FROM PEAK (Q3 06)	FROM LOW (Q2 2012)
UP TO €250,000	4.8%	15.6%	-38.8%	103.2%
€250,001 TO €350,000	3.6%	11.6%	-32.8%	83.6%
€350,001 TO €500,000	3.6%	11.5%	-30.6%	78.3%
OVER €500,000	2.9%	9.4%	-47.5%	65.9%

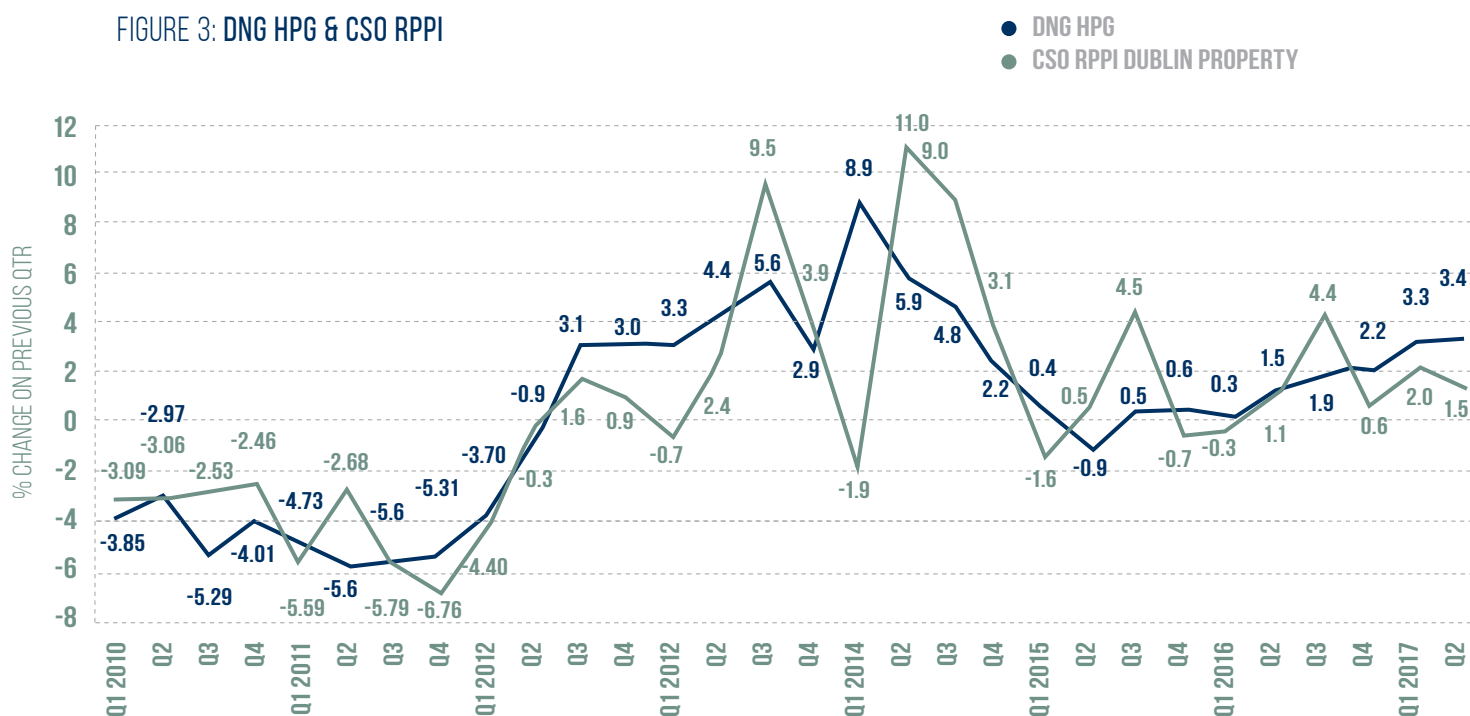
# DNG HPG & CSO RPPI DUBLIN

Figure 3 below shows the quarterly change in Dublin residential property prices as measured by both the DNG HPG and the CSO Residential Property Price Index (RPPI) for all Dublin residential property.

Figure 4 shows the annual percentage change in Dublin residential property prices as measured by the two indices.

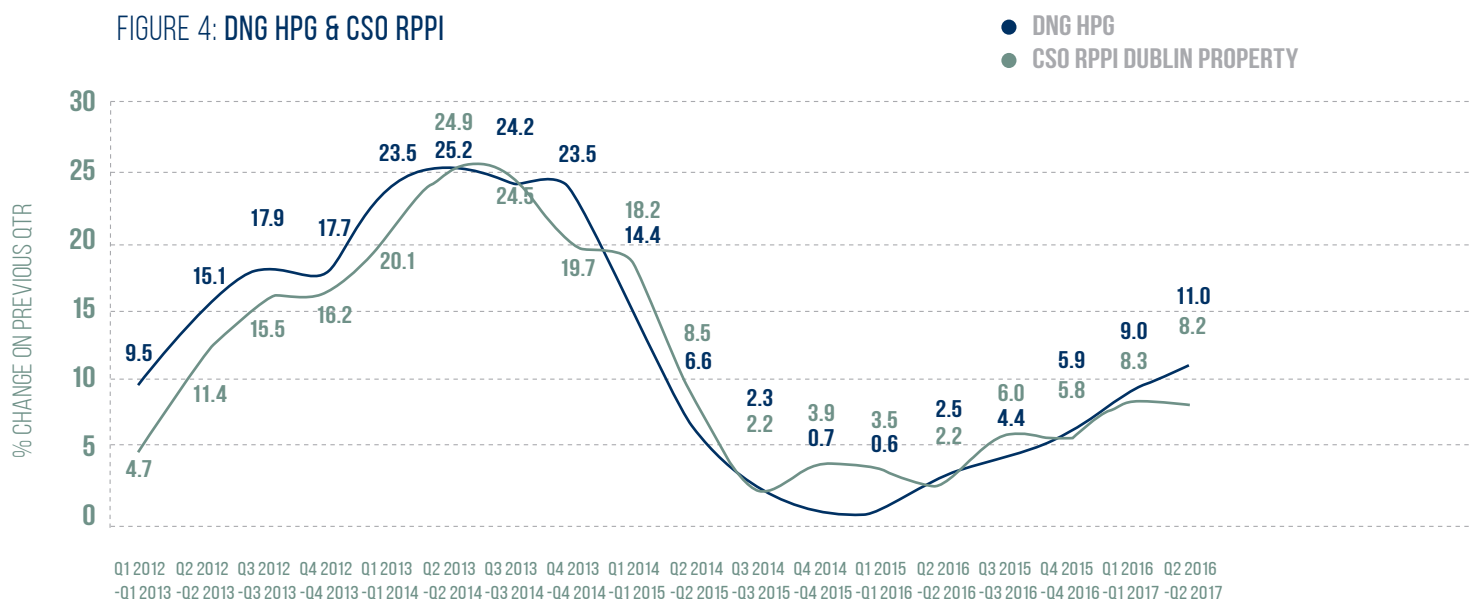
There is a very strong correlation between the two different measures of residential property price changes on both a quarterly and annualised basis, as show in the two graphs below. Both indices have seen a very similar set of results stretching back over the last five years.

FIGURE 3: DNG HPG & CSO RPPI



Note: The CSO RPPI figure shown in Q1 2017 above relates to the 12 months to the end of January 2017 only.

FIGURE 4: DNG HPG & CSO RPPI



# THE ONLY SOLUTION TO THE EXCESS OF DEMAND OVER SUPPLY IN THE RESIDENTIAL MARKET IS TO BUILD MORE UNITS, PARTICULARLY IN DUBLIN.

**The true state of the current market is perhaps more difficult to assess than the bare results of the House Price Gauge would indicate.**

Currently, there are many shifting variables at play in the market, which are all influencing prices to some degree however, the extent to which any one single measure, policy or economic factor is dominating is unclear. Part of the problem is that the last two years have seen a whole raft of initiatives announced and implemented which aimed to influence both the sales and rental markets, either on the supply or demand side.

The extent to which such measures are successful will not become clear in the short term and ultimately their effectiveness will only be proven when we see a market characterised by sustainable rates of price growth in the sales market, a properly functioning rental market and sufficient supply to meet demand in both markets. Most would agree that this scenario still remains a long way off.

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# €425,633

The average price of a second hand home in Dublin.

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In addition, the changing political environment will also influence the market going forward as new personnel review previously implemented policies and decisions including the Help To Buy Scheme. As the new Minister for Housing, Eoghan Murphy, recently acknowledged in the media,

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“We’re going to look at everything and see if we can do more. Our focus is very much on the supply side, on how we can get vacant homes available again, getting new homes built.”

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As a result, it is more difficult to forecast the longer term direction of prices in the residential sales market in the capital, but in the short term it is clear that the lack of available supply combined with stronger demand, will continue to underpin price growth.

Barring a major policy reversal or shock to the economy in the remainder of the year, price inflation will again be in double digit levels for the year as a whole. Whilst the pace of house price inflation remained constant in the second quarter of the year when compared to the first, the average price of a residential property in the capital is now rising at an annual rate in excess of 10%.

The current market is clearly not functioning in a ‘normal’ manner, however the constraints on lending imposed by the Central Bank are undoubtedly helping to suppress the rate of inflation in the Dublin housing market at a time when the supply of available property continues to remain at a very low level.

It is interesting to note that a recent Daft.ie report recorded a fall in the number of properties listed for sale in Dublin for the sixth consecutive quarter in the first quarter this year.

In saying that, new housing output continues to increase steadily, albeit from a very low base, with the volume of housing completions rising above 15,000 on an annualised basis for the first time since 2010. The supply side response will take time to become reality, but one thing is clear, the focus of any future Government policy should be to make sure that as many new housing units are commenced and completed as quickly as possible.

# DNG APARTMENT PRICE GAUGE

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The DNG Apartment Price Gauge (APG) analyses the movement of apartment prices in Dublin. The APG measures the change in value of a representative sample of apartment dwellings across Dublin on a quarterly basis. Within the Dublin apartment market the APG analyses price movements in different areas (Central, North, South and West) and by the number of bedrooms the property contains.

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## QUARTERLY RESULTS

Slight easing in the pace of apartment price inflation during Q2. Down to 3.7% from 4.9% in Q1.

However, average price of an apartment in the capital rose by 8.8% during first half of year.

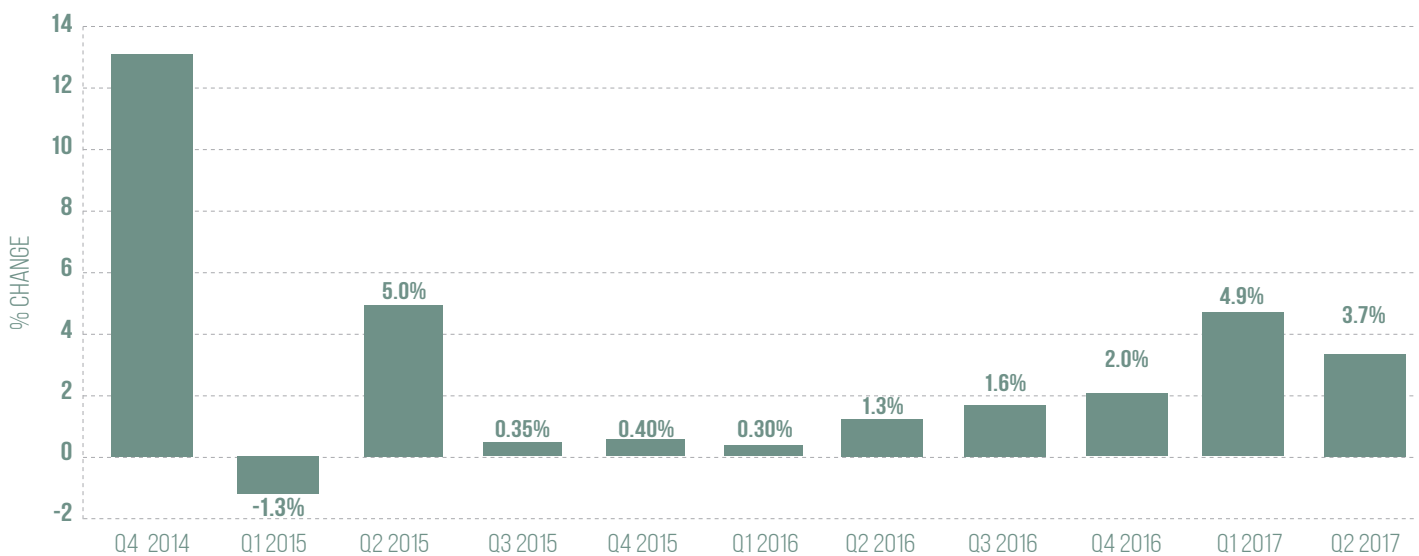
Annual rate of inflation accelerates to 13.9% in the year to June.

Supply continues to run below demand in the market, driving prices upwards.

# 3.7%

In Q2 the average increase recorded by the APG was 3.7%.

FIGURE 1: QUARTERLY PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES



# ANNUAL PERCENTAGE CHANGE

Annual rate of inflation in the apartment market continues to increase.

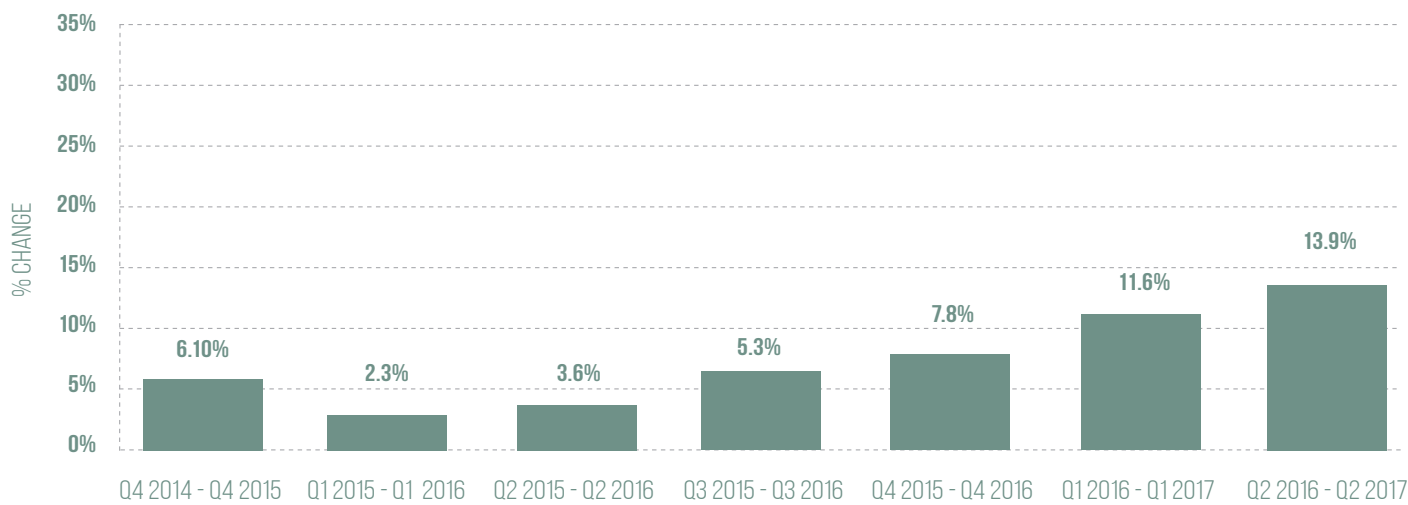
In the twelve months to June, the average price of an apartment increased by 13.9%

The annual rate of price increase has risen steadily over the last two years as the market gained momentum quarter on quarter.

13.9%

In the twelve months to June, the average price of an apartment increased by 13.9%

FIGURE 2: ANNUAL PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES



## APG RESULTS - AREAS

As part of the DNG APG series, prices in the apartment market are analysed by geographical location across Dublin. Table 1 shows the rate of change in prices over the last three and last twelve months.

- The city centre again saw the strongest growth in prices during Q2.
- The average price of an apartment in the central city rose by 16.5% in the year to June.
- Prices in west Dublin grew at a slower rate than average in Q2, but have still risen by 12.5% over the last twelve months.

TABLE 1: PRICE CHANGES BY AREA

	% CHANGE Q2 2017	ANNUAL % CHANGE
CENTRAL	4.2%	16.5%
NORTH DUBLIN	3.8%	12.6%
SOUTH DUBLIN	3.8%	13.5%
WEST DUBLIN	2.7%	12.5%

## APG RESULTS - BY NUMBER OF BEDROOMS

The results of the DNG APG are analysed based on the price movements of apartments, as defined by the number of bedrooms the property contains. The results are for the whole Dublin area covered by the APG.

- One and two bedroom apartment prices rose by around 4% in the three months to June, in line with the overall average.
- The year to June saw strong demand for one bedroom apartments with the average price rising by 16.3% over the period.
- More sustainable growth in three bedroom apartment prices, increasing by 8.8% on average year on year.

TABLE 2: PRICE CHANGES BY NO. OF BEDROOMS

	% CHANGE Q2 2017	ANNUAL % CHANGE
ONE BED APT	3.9%	16.3%
TWO BED APT	4.0%	14.2%
THREE BED APT	2.0%	8.8%

\* Annual Percentage Change shows change in value over previous 12 months

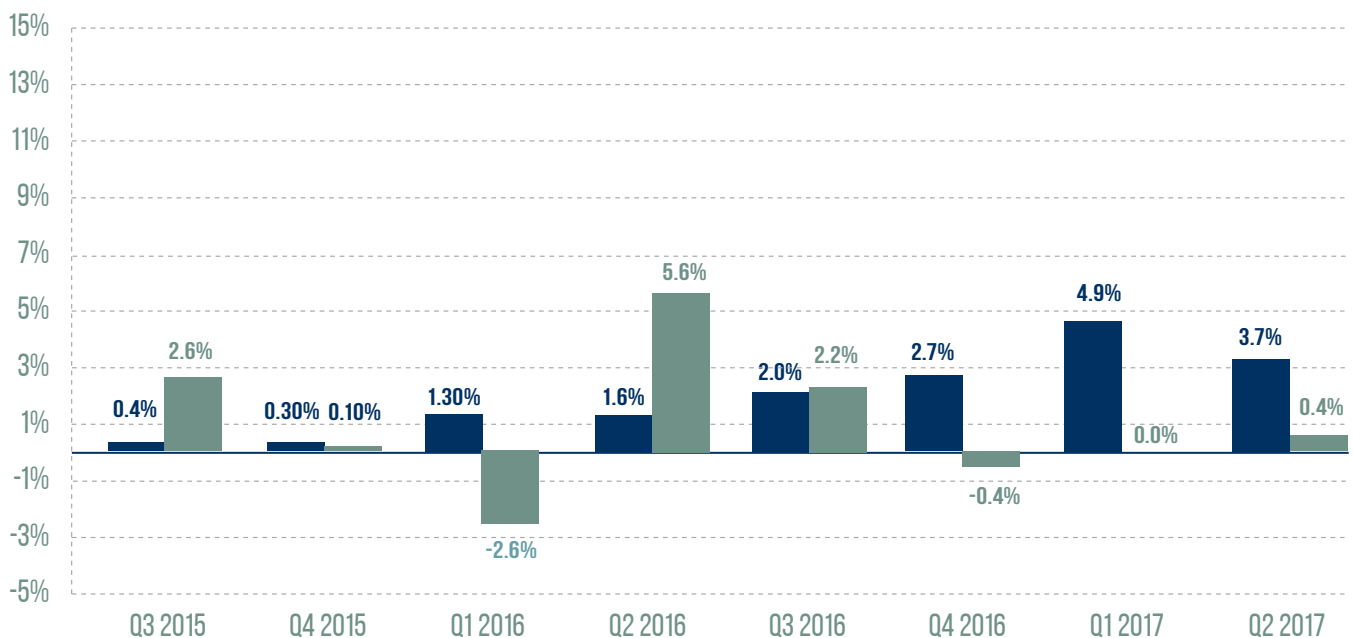
## DNG APG & CSO RPPI COMPARISON

Figure 3 below shows the comparison between the Central Statistics Office Dublin Apartment Price Index and the DNG APG.

The annual rate of increase recorded by the APG continues to accelerate however the CSO RPPI for Dublin apartments has not followed that trend so far in 2017. However the APG did record a more moderate rate of growth during Q2 when compared to Q1 so some evidence of a moderation in the rate of price inflation.

FIGURE 3: DNG APG & CSO RPPI - DUBLIN APARTMENT PRICE INDEX

● DNG APG  
● CSO DUBLIN APARTMENT INDEX



**Note:** The CSO data reported in the period Q2 2017 relates to the 3 months to April 2017 only. Data for May and June 2017 not available at time of writing.

# THE AVERAGE PRICE OF AN APARTMENT IN THE CAPITAL NOW STANDS AT JUST OVER €300,000 COMPARED TO €256,541 AT THE END OF 2015.



The apartment market continues to be characterised by an excess of demand over supply, particularly in the city centre, and this means prices continue to rise at the fastest rate in the central area.

The annual rate of price inflation in the market continues to accelerate, and recorded by the APG since 2015.

However there are early signs that the rate of increase in apartment prices is starting to moderate slightly.

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# €300,720

The average price of an apartment in Dublin.

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## DNG APG RESULTS Q2 2017

Prices of apartments continue to rise faster than houses as apartments price recovery was slower to commence.

Average Price of an Apt. in Dublin

**€300,720**

% Change Q2 2017

**3.7%**

Annual % Change

**13.9%**

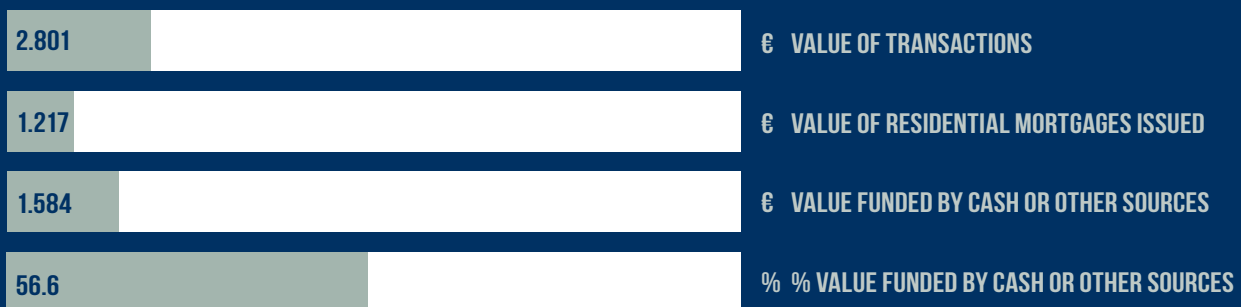


# CASH/ NON-MORTGAGE TRANSACTIONS Q1 2017

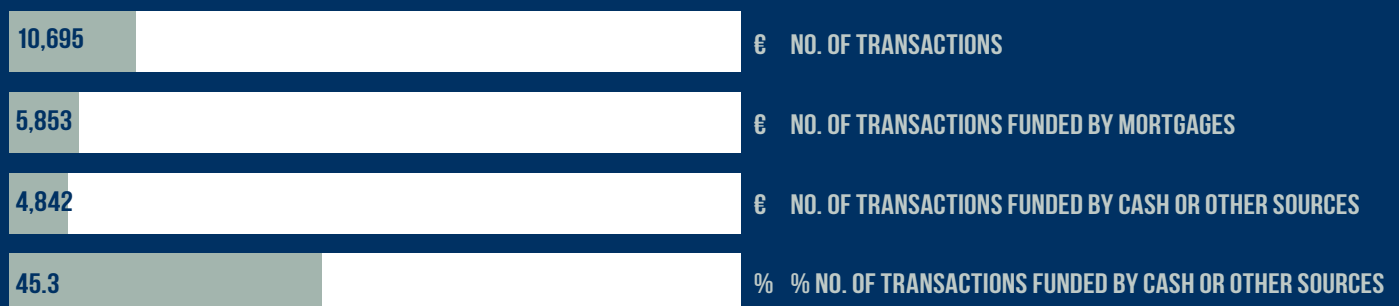
- Cash/ non-mortgage transactions are running at 45.3% in volume terms and at 56.6% of value.
- Total transactions numbers are up by just over 9.4% and value of transactions are up by 20% compared to Q1 2016.
- Mortgages excluding top-ups & re-mortgages also down 24% in number terms for Q1 2017 compared to Q4 2016 down and down 23% in value terms.

\*DNG Research – BPFI & Property Price Register  
(Figures exclude Re-mortgages & Top-ups) June 2017

## Q1 2017 VALUE OF TRANSACTIONS BY EURO (BILLION)



## Q1 2017 BY NUMBER OF TRANSACTIONS



# TRANSACTION LEVELS

## IRELAND V'S UK

**DNG Research tracks the numbers of transactions across Great Britain and Ireland on a quarterly basis. Results are shown as housing transactions per thousand population for each country.**

### QUARTERLY CHANGE IN HOUSING TRANSACTIONS

- Ireland and Dublin both see slight increases in the volume of transactions per thousand population compared to the same period last year.
- In all areas of the UK volumes decreased in Q1 2017 compared to Q1 2016, with England showing a -24% decline.
- Ireland continues to run significantly behind all of our nearest neighbours despite the widespread decline in transaction numbers.

### HOUSING TRANSACTIONS PER '000 POPULATION

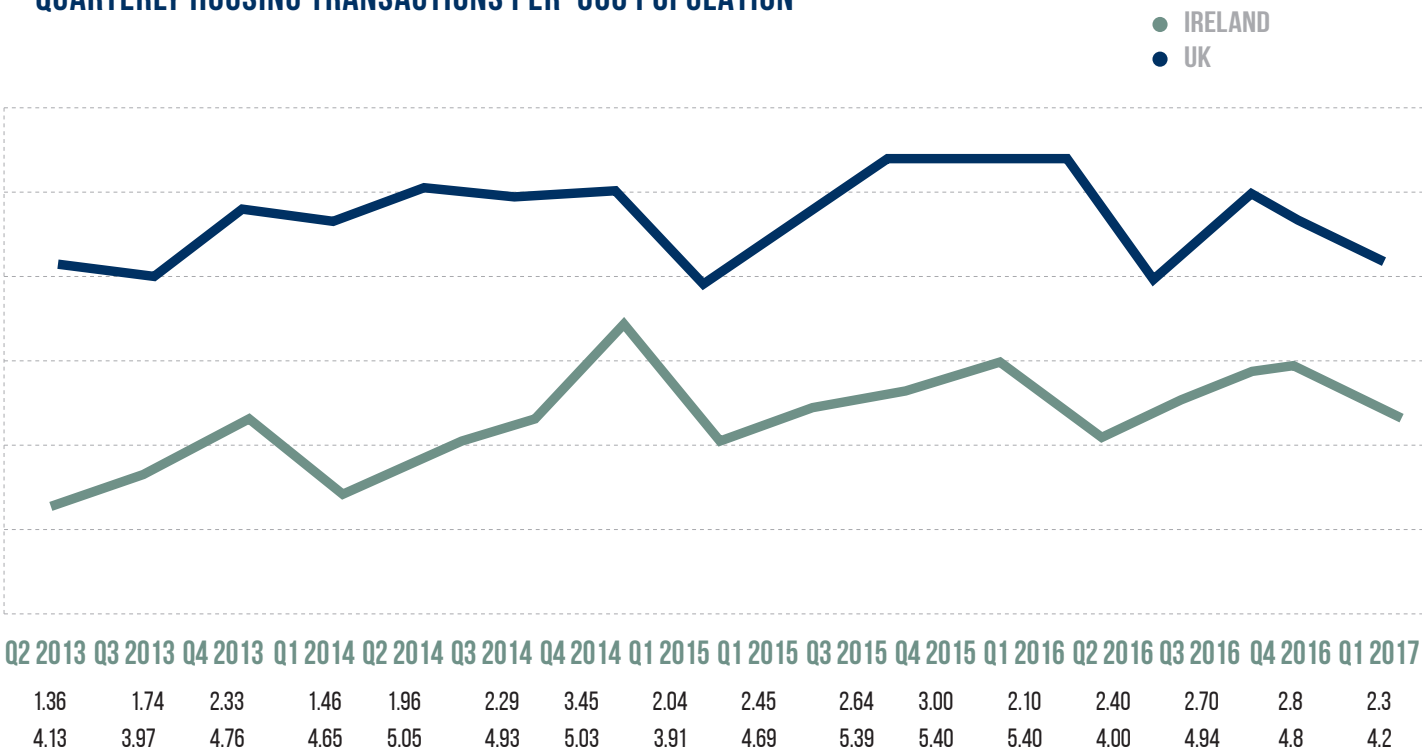
● Q1 2016  
● Q1 2017



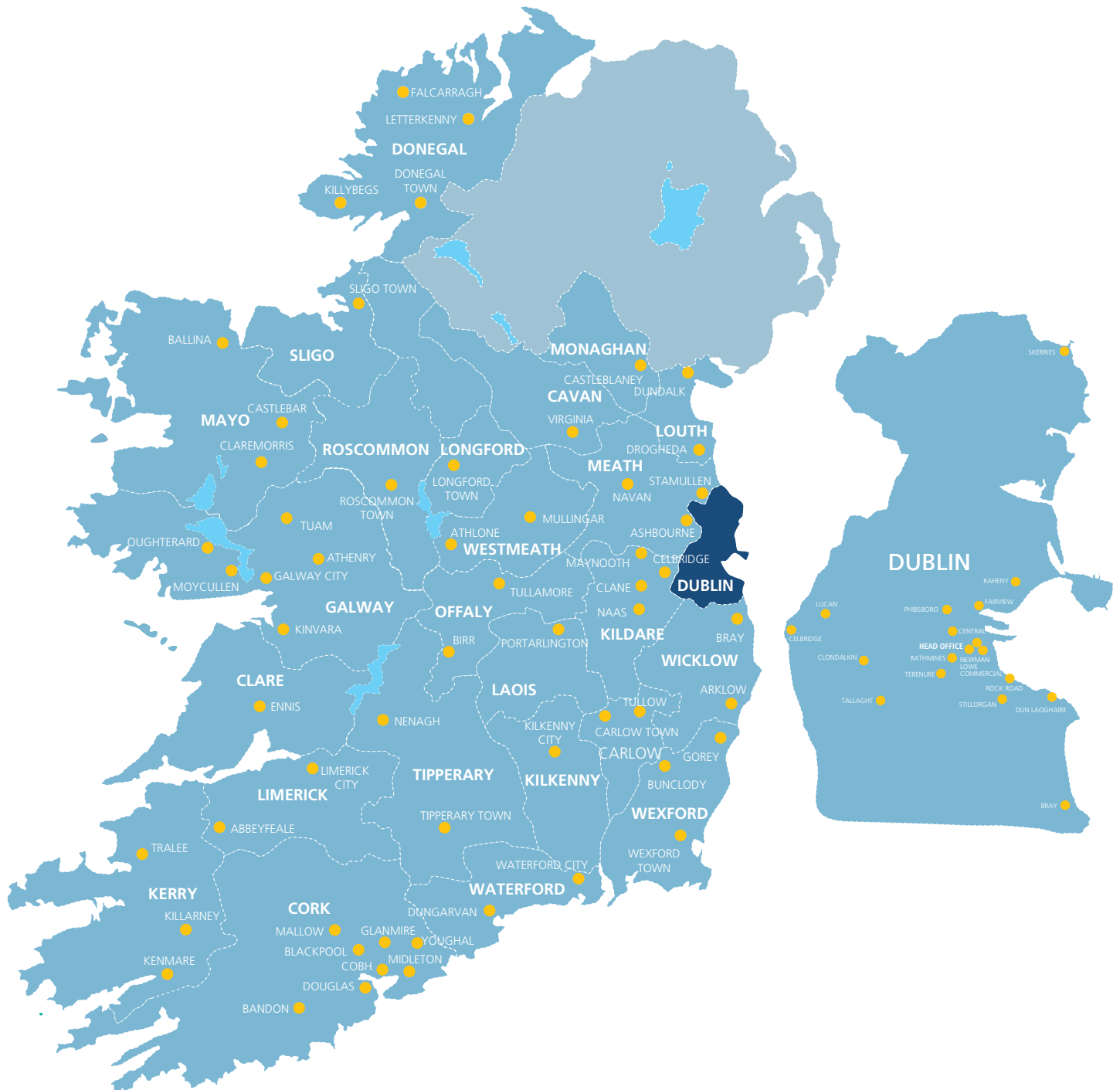
## QUARTERLY HOUSE TRANSACTIONS PER THOUSAND POPULATION

- Q1 2017 saw a continued decline in Irish transaction levels and remains nearly half the rate seen in the UK.
- UK markets relatively level after the dip in the second quarter of 2016, however, the true impact of the Brexit vote will only be realised process of exiting the EU progresses.
- Ireland is still off reaching 'normal' level of transactions, making no appreciable gains in the last two years.

## QUARTERLY HOUSING TRANSACTIONS PER '000 POPULATION



# DNG NATIONWIDE PRESENCE



DOUGLAS NEWMAN GOOD  
**DNG**



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**Additional Sources used in compiling the report:**

Thejournal.ie news report 18/06/17

AIB Treasury Research - Housing Market Bulletin March 2017

CSO Ireland - Residential Property Price Index April 2017

Banking and Payments Federation Ireland Housing Market Monitor Q1 2017

CSO Dublin Apartment Price Index, April 2017

CSO StatBank



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