

RESIDENTIAL MARKET REVIEW Q1

HEADLINE RESULTS Q1 2016

Annual Percentage Change

0.6%

Average Dublin Second Hand Price

€377,840

% Change Since Low (Q2 2012)

56.0%

Percentage Change Q1 2016

0.3%

% Change From Peak (Q3 2006)

-47.3%

RESIDENTIAL MARKET REVIEW Q1

REPORT COMPILED BY
DNG RESEARCH 2016

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DNG NATIONWIDE PRESENCE



IRELAND'S PROPERTY MARKET IS STILL NOT OPERATING NORMALLY

KEITH LOWE
CHIEF EXECUTIVE DNG



The first three months of 2016 has followed a pattern set last year with good sales numbers but small price appreciation across the capital averaging just 0.3% for the quarter of 2016. It is interesting to note that entry level property prices in the sub €250,000 category were the best performer and rose by just under 1% for Q1. Nevertheless, overall property prices in the capital remain broadly similar to where they stood 12 months ago which might suggest demand is more or less equalling supply in the capital in a normal operating market. Unfortunately, Ireland's property market is still not operating normally.

There still remains a serious shortage of property for the private rented and social housing sectors which continues to make headline news on a daily basis, as the capital's housing crisis deepens. On the private rented accommodation end, Dublin's working population continues to grow with many new technology and other companies setting up in the capital leading to migration from outside the city and from abroad. Yet landlords are continuing to leave this sector as loan book buyers and banks seek the sale of buy to let properties rather than extending forbearance arrangements. This is putting further pressure on the private rented sector and this is likely to become more prevalent as the year progresses. Increased taxes such as USC and Property Tax are also discouraging landlords staying in and entering the sector. When these former buy to lets are offered for sale they tend to be bought by owner occupiers to reside in, which is materially reducing the stock of available rental properties.

5%

We believe that property prices in the capital will potentially increase in the order of 5% for the year, as the supply of new and second hand homes increases and the current mortgage lending rules have the Central Bank's desired effect in the capital.

This can be clearly seen in the number of rental properties available on daft.ie which is down 300 to approximately 1,400 on this time last year. Also, the fact that there is no financial institution with any meaningful appetite to lend for new buy to let mortgages is restricting new entrants in to the sector. Whilst the two year rent freeze is very welcome for tenants it does nothing to assist the supply of rental properties in the market.

The social housing crisis continues to worsen with 790 families currently in homeless accommodation in the capital, 1,616 are children, which is more than double the February 2015 figure. Whilst the government have committed to spend large sums of money on solutions to these issues this is now looking like a vast upward struggle which is going to get significantly worse in the short term as it takes considerable time and further revised government policy to solve. In order to deal with the social and rental crisis it is very clear that housing must be constructed specifically for those areas and a new government policy is urgently required to provide incentive and stimulus to that end.

DNG carried out an in-depth analysis of the number of properties where sales completed in new housing schemes last year. In all there were only 2,521 new homes completed in multiple unit housing developments in Dublin in 2015 and 4,074 nationwide. Whilst nationally the figure is reported as 12,666 properties the majority of these were one off houses or part built schemes being finished out. In the entire of south and west Dublin there were only 12 new developments where more than 10 houses or apartments were completed in any one scheme. The north side of Dublin fared much better where in excess of 10 units were completed in over 38 new housing developments. Credit must also be paid to NAMA who are funding and driving a number of new residential developments in the capital as the position would be far starker without their support.

New homes construction numbers will definitely rise this and next year, given the large number of residential development site sales in recent times, but it does take time for completed units to come to the market.

However, increasing construction numbers in itself is not a solution for the Social and Rental Housing crisis that currently exists in Dublin and which is starting to spread to other key urban areas.

We note that the new Central Bank Governor, Professor Lane, is to review the mortgage lending rules introduced last year this summer with a statement regarding the findings due towards the end of the year. Whilst we are not opposed to the Central Bank regulations, indeed we believe their introduction was prudent, we continue to maintain that they require some modification. In this regard, DNG are calling on the Central Bank to alter their criteria by increasing the multiplier of salary from 3.5 to 4 and to increase the threshold for 90% mortgages from €220,000 to €300,000. We also believe that the Central Bank might consider 85% mortgages between the €300,000-€500,000 price band and 80% over that price. It is noteworthy that the level of deposit required by first time buyers in Dublin in the last quarter of 2014 rose from €37,000 to €51,000. It is an unrealistic expectation for entry level buyers to have to find that level of deposit and this is one of the reasons why we are calling for a modification of the current fiscal rules. There is little doubt in Dublin that some buyers are being forced to purchase their first homes in more peripheral locations and further from centres of employment which in itself are likely to have some further social consequences.

All in all, we consider that the property market will remain reasonably healthy over the course of this year. We believe that property prices in the capital will potentially increase in the order of 5% for the year, as the supply of new and second hand homes increases and the current mortgage lending rules have the Central Bank's desired effect in the capital. Property prices outside the capital will increase by double digit growth in many high population urban areas where there is strong employment. However, some locations may be affected by increased supply if international funds decide to sell down their holdings in some specific areas but overall we anticipate that most locations outside Dublin will not just perform well, but once again this year they will outperform the capital in terms of price recovery.

HOUSE PRICE GAUGE

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QUARTER 1 KEY FINDINGS

0.3%

THE AVERAGE PRICE OF A SECOND
HAND HOME IN THE CAPITAL ROSE
MARGINALLY IN Q1 BY 0.3%

0.6%

ANNUAL RATE OF INFLATION
CONTINUES TO SLOW TO 0.6%
YEAR TO MARCH.

VIRTUALLY NO CHANGE

IN VALUES OVER THE LAST TWELVE
MONTHS AS PRICES REMAINED MORE
OR LESS STATIC.



QUARTERLY RESULTS

The latest results of the DNG House Price Gauge (HPG) reveal a continuing trend of little change in the value of resale homes across the capital, a trend that began at the start of 2015 as shown in figure 1 above. The excessive and unsustainable rates of capital appreciation seen over the period 2012-2013 began to ease in 2014 however since the beginning of 2015 the market has stabilised with no significant change in values evident.

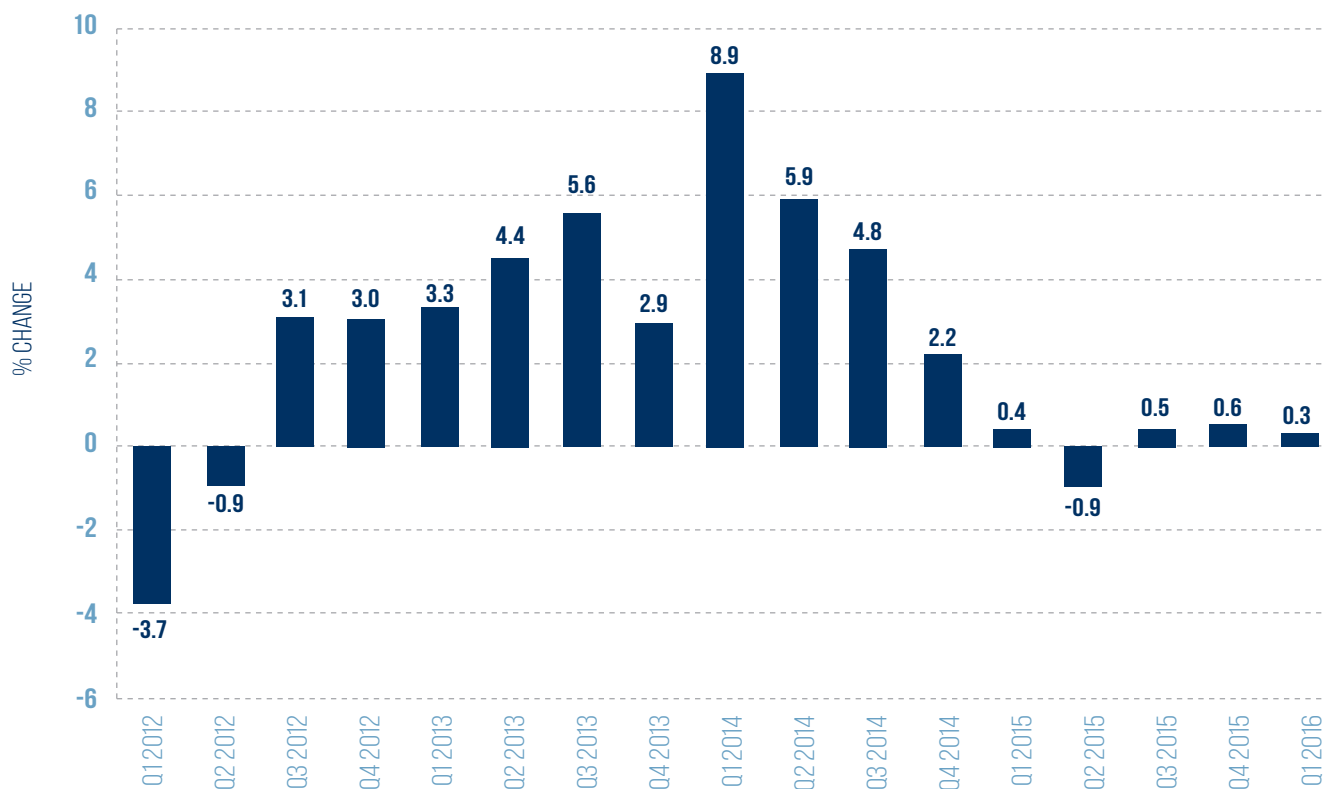
The latest quarterly results are in line with those seen in Q1 2014 when prices increased marginally by 0.4% and are indeed similar to the rate of increase recorded by the HPG in the third and fourth quarters 2015 when prices increased by 0.5% and 0.6% respectively.

The latest quarterly HPG statistics mean that the average price of a resale home in the capital now stands at €377,840 up marginally from €376,555 at the end of 2015.

0.3%

According to the latest statistics, the DNG House Price Gauge (HPG) shows a 0.3% rise in the average price of a resale home during the first quarter of the year.

FIGURE 1: QUARTERLY PERCENTAGE CHANGE IN DUBLIN RESIDENTIAL PROPERTY PRICES



ANNUAL PERCENTAGE CHANGE

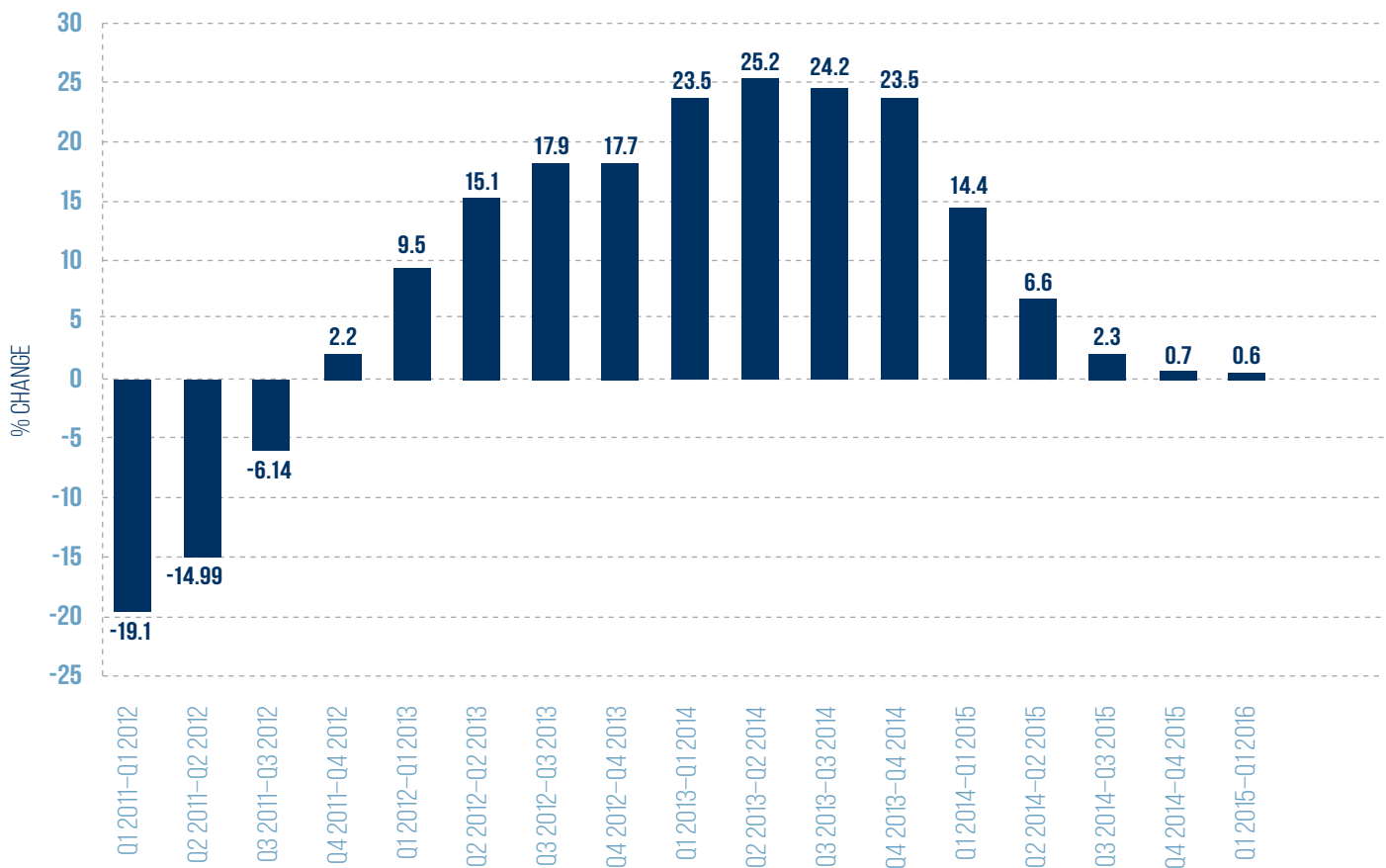
The latest results mean that in the twelve months to the end of March 2016, the average price of a resale residential property increased by just 0.6%, virtually no change over the period. In terms of price inflation the market appears to be somewhat paralysed due to a number of factors, not least the Central Bank's current mortgage lending restrictions which have been in place for the past twelve months.

Prices in the capital remain approximately 50% below their last peak values at the height of the boom however the market has recovered sufficiently to see the current average price now stand at 50% above the lowest point of the cycle in 2012.

0.6%

In the year to the end of March 2016, the DNG HPG recorded a small increase in the average value of a resale property in the Dublin market of 0.6%

FIGURE 2: ANNUAL PERCENTAGE CHANGE IN DUBLIN RESIDENTIAL PROPERTY PRICES



PRICE CHANGES BY LOCATION

Q1 North Dublin

0.3%

Q1 South Dublin

0.4%

Q1 West Dublin

0.5%

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

As can be seen from the figures in the table below, prices remained stable across all areas of the capital both in the quarter and over the last twelve months as a whole. In terms of recovery, west Dublin has seen the strongest rise in values since the market low point, with the average price up 60% and now only 40% below its peak.

However quarterly price fluctuations throughout 2015 mean that there was no change in values in that area over the twelve months to the end of March 2016.

West Dublin has seen the strongest rise in values since the market low point, with the average price up 60% and now only 40% below its peak.

TABLE 1: PRICE CHANGES BY LOCATION

	Q1 2016	ANNUAL % CHANGE	FROM PEAK (Q3 06)	FROM TROUGH (Q2 2012)
SOUTHSIDE	0.4%	0.7%	-51.2%	53.8%
NORTHSIDE	0.3%	0.7%	-44.0%	57.4%
WESTSIDE	0.5%	0.0%	-39.4%	60.1%

PRICE CHANGES BY PRICE BRACKET

0.8%

For the fourth consecutive quarter, properties at the entry level to the market, valued at €250,00 or less in the HPG, saw the largest percentage increase in values.

The DNG HPG measures the movement in prices for different price brackets of property within the sample.

When looking at price changes at different price levels within the market, the statistics are somewhat more revealing. Prices at the entry level to the market, namely those properties valued at €250,000 or less, say by far the strongest increase in values both in the first quarter of 2016 and over the preceding twelve months, rising by 2.6% over that period and by 0.8% in the first quarter of 2016.

Conversely at the upper end of the residential market prices remained much more stable, increasing by just 0.3% in the twelve months to March and showing no change at all in quarter one 2016.

0.3%

Prices at the upper end of the market remained much more stable, increasing by just 0.3% in the twelve months to March and showing no change in Q1 2016.

TABLE 2: PRICE CHANGES BY PRICE BRACKET

	Q1 2016	ANNUAL % CHANGE	FROM PEAK (Q4 06)	FROM TROUGH (Q2 2012)
UP TO €250,000	0.8%	2.6%	-47.0%	56.0%
€250,001 TO €350,000	0.7%	0.2%	-38.6%	56.7%
€350,001 TO €500,000	0.2%	0.1%	-40.3%	53.7%
OVER €500,000	0.0%	0.3%	-54.0%	50.6%

DNG HPG & CSO RPPI DUBLIN

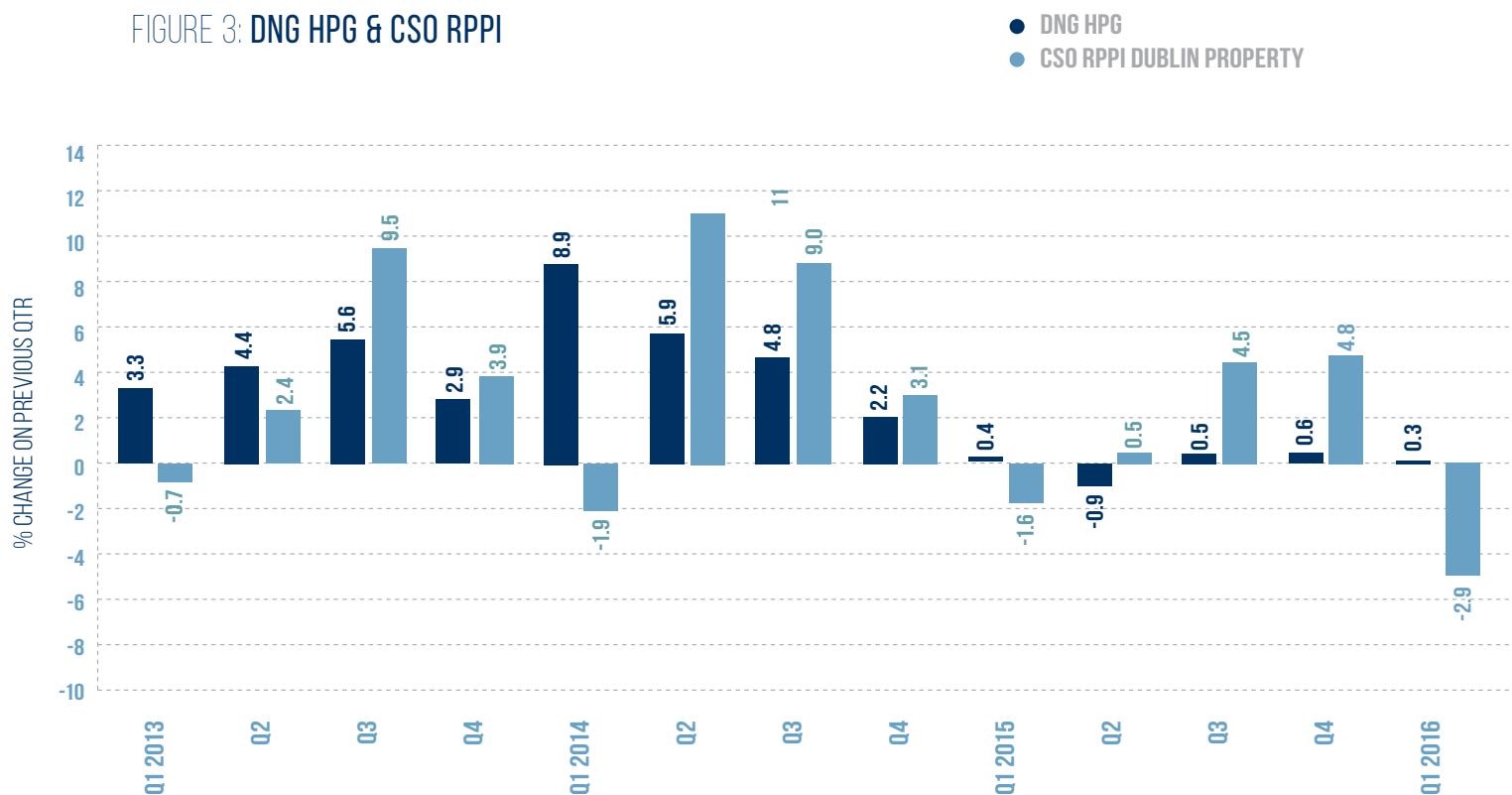
Figure 3 below shows the quarterly change in Dublin residential property prices as measured by both the DNG HPG and the CSO Residential Property Price Index.

Both measures of price change in the Dublin market continue to record similar trends. With the exception of quarter three 2015. The full figures for the period January to March 2016 are not yet available from the CSO Residential Price Index therefore little should be read into the current quarter comparison however it is clear on both measures of residential price movements show above that we are currently in a subdued period of residential property price inflation.

Note: the Q1 2016 CSO RPPI figure covers the 3 months to end of January 2016

Both measures of residential prices show a subdued period of residential property price inflation.

FIGURE 3: DNG HPG & CSO RPPI



CONTINUING TREND OF STABLE RESIDENTIAL PROPERTY PRICES IN DUBLIN

The latest results from the DNG HPG confirm the continuing trend of stable residential property prices in Dublin. This is due to the Central Bank lending rules that are having the desired effect of keeping an artificial cap on price inflation in what is now a dysfunctional housing market. There is little doubt that with a more lax lending environment, prices would be rising at higher levels.

The market is now facing what is referred to as a 'wicked problem' i.e. one that is hard to solve due to the complexity of interdependencies and the size and scale of the factors influencing it. Such problems are very hard, sometimes impossible to solve satisfactorily.

There is no doubt that a start to resolving the pressures that exist across the ownership and rental markets lies in increasing the supply available in the market. Building new units on a sufficient scale over a sustained period will help to relieve pressure points, provide affordable housing solutions at all levels of the market and reinstate a more fluid functioning market able to provide for all.

However, in particular, it is apparent that there must be a specific volume of construction for social and rental accommodation purposes only.

€377,840

The average price of a second hand home in Dublin.

have not increased since mid 2011. This has helped affordability for purchasers in the market, which has remained relatively constant in 2015 due to the little change in prices and no changes in interest rates.

In line with a slower pace of price inflation and the It is no surprise that in the current market, those people at the margins are being squeezed from the capitals property market leading to increased homelessness and rising prices outside the main Dublin area as buyers and renters are forced to seek accommodation further afield.

All other economic indicators point to a solid stable market however with simply too few properties available to house those that demand them, a dysfunctional market continues to prevail. In the short term there is certainly no magic wand, however it is never too late to put in place a strategic long term housing plan that transcends political and other vested interests, in order to deliver the type of housing market that will contribute to, rather than hinder, economic growth, as it will not be long before the current housing crisis starts to impact negatively on the growth and development of the country as a whole.

All other economic indicators point to a solid stable market however with simply too few properties available to house those that demand them, a dysfunctional property market continues to prevail.



APARTMENT PRICE GAUGE

The DNG Apartment Price Gauge (APG) is a relatively new publication that analyses the movement of apartment prices in Dublin. The APG will measure the changes in value of a representative sample of apartment dwellings across Dublin on a quarterly basis. Within the Dublin apartment market the APG will analyse 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

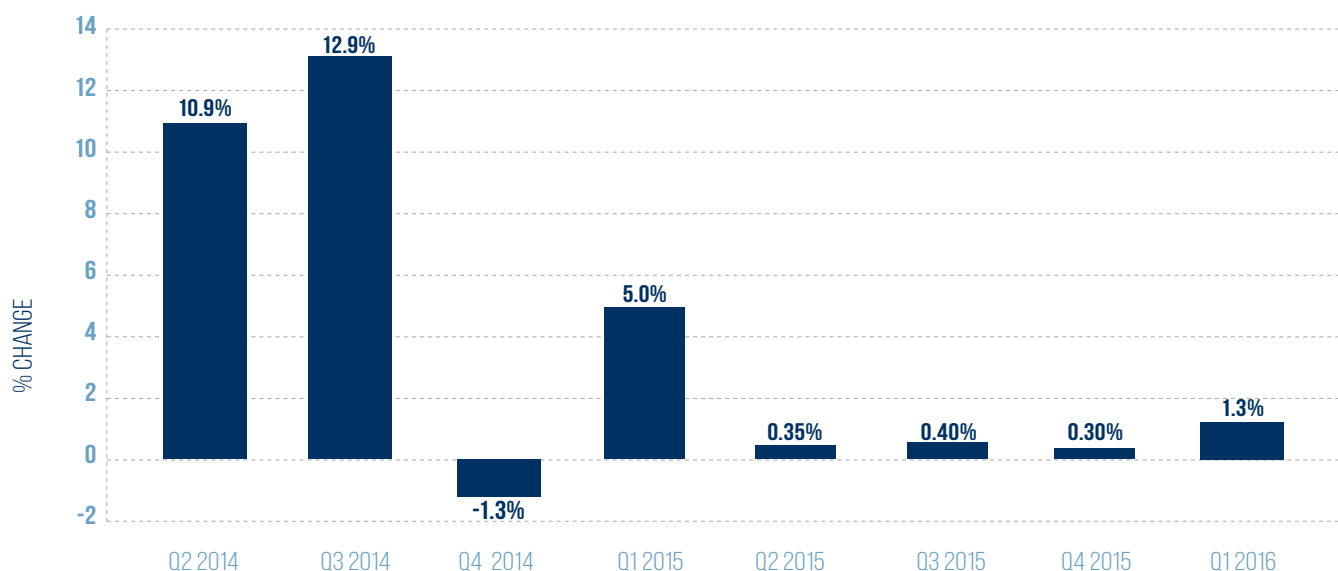
Dublin apartment prices rose by 1.3% on average during the first three months of 2016.

The pace of price increase strengthened when compared to the quarterly growth rates seen throughout the majority of 2015. The average price of an apartment in the capital rose to €259,832 from €256,541 at the end of 2015.

1.3%

According to the latest statistics, the DNG Apartment Price Gauge (HPG) shows a 1.3% rise in the average price of a Dublin apartment in the first 3 months of the year.

FIGURE 1: QUARTERLY PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES



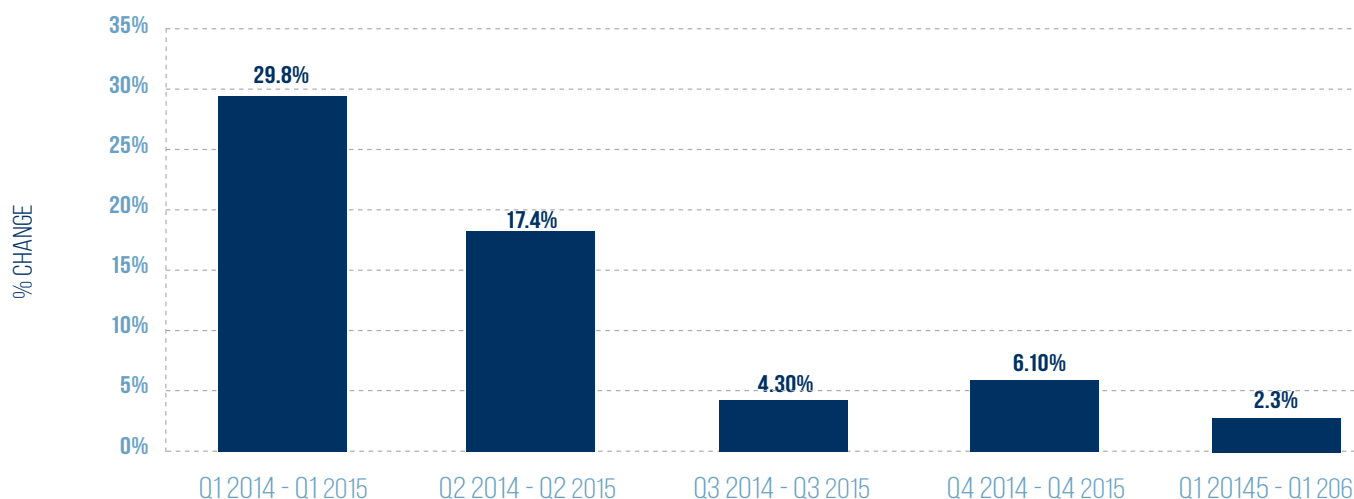
ANNUAL PERCENTAGE CHANGE

The latest quarterly change in prices means that in the year to the end of March 2016, the average price of an apartment in the capital rose by 2.3% on average.

Despite the increased rate of growth recorded in the first quarter, the annual rate of price increase fell in the year to March compared to the period for the twelve months to the end of December 2015 when prices increased by 6.1% on average. The strong price increase seen in Q1 2015 has now fallen out of the annual price change figures leading to a slower rate of annual growth according to the APG

2.3%

The average price of a Dublin apartment rose by 2.3% in the year to the end of March 2016.



APG RESULTS - AREAS

As part of the DNG APG series, prices in the apartment market are analysed by geographical location across Dublin.

- The south Dublin area saw the strongest rate of price increase in Q1 with prices rising by 2% on average in the quarter.
- In contrast, apartment prices in north Dublin remained static during the period.
- During the twelve months to the end of March, apartment prices increased at the strongest rate in the city centre and in west Dublin, rising by 3.9% and 2.5% respectively.
- Based on the latest figures, the annual rate of growth seen in all areas continues to moderate when compared to the results for 2015.

TABLE 1: PRICE CHANGES BY AREA

	% CHANGE Q1 2016	ANNUAL % CHANGE
CENTRAL	0.9%	3.9%
NORTH DUBLIN	-0.1%	1.2%
SOUTH DUBLIN	2.0%	1.7%
WEST DUBLIN	1.4%	2.5%

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 bedroom apartments saw the lowest rate of price increase across Dublin in the first quarter, rising 0.7%. This property type also recorded the lowest rate of annual increase, at 1.1%, in the year to the end of March 2016.
- Two bedroom apartments saw a slightly higher rate increase in the first three months, rising 1.5% on average. In the twelve months to the end of March, the average price of a two bedroom apartment increase by 2.7%

TABLE 2: PRICE CHANGES BY NO. OF BEDROOMS

	% CHANGE Q1 2016	ANNUAL % CHANGE
ONE BED APT	0.7%	1.1%
TWO BED APT	1.5%	2.7%
THREE BED APT	1.4%	2.2%

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

DNG APG & CSO RPPI COMPARISON

A comparison of the Apartment Price Gauge and the latest available Central Statistics Office Residential Property Price Index for Dublin Apartments reveals a slightly divergent trend in the statistics as shown in figure 3 below.

The CSO RPPI for Dublin apartments shows a fall in values in the three months to the end of January 2016 of -2.6% whilst the DNG APG recorded a modest increase in values of 1.3% in the first quarter 2016

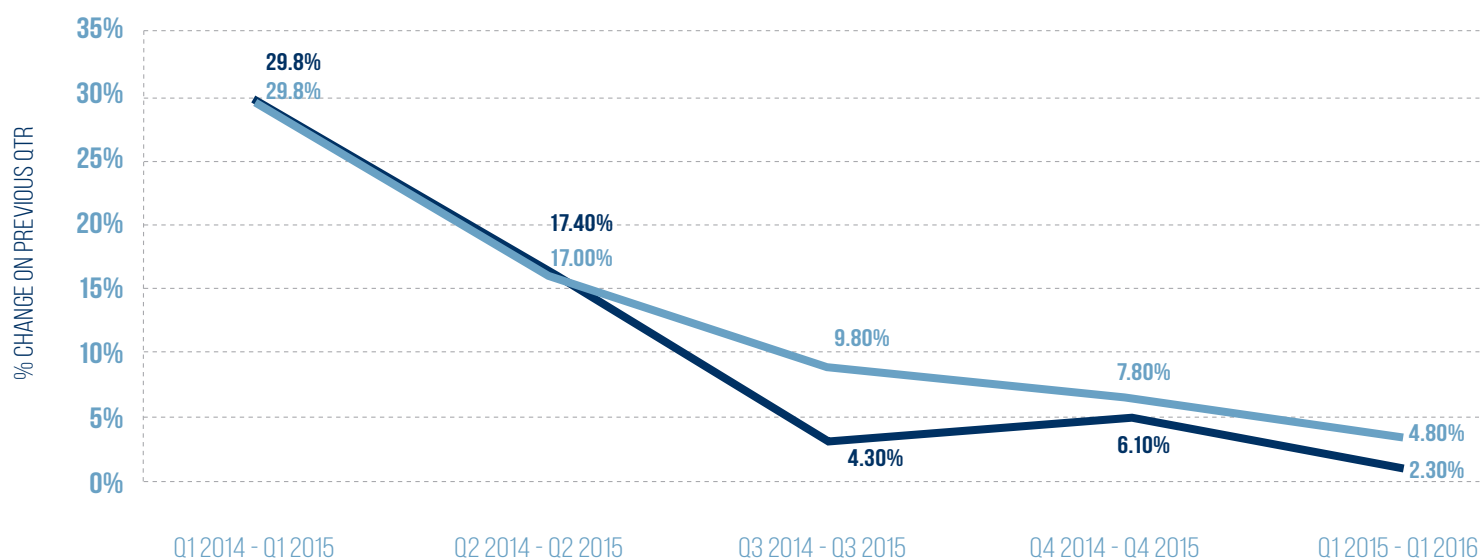
On an annualised basis however, both measures of apartment prices record very similar trends over the past two years as shown in figure 4 below. The annual rate of growth continues to moderate.

Note: Q1 2016 CSO RPPI statistics cover three month period to end Jan 16

A comparison of the Apartment Price Gauge and the latest available Central Statistics Office Residential Property Price Index for Dublin Apartments reveals a slightly divergent trend in the statistics.

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

● DNG APG
● CSO DUBLIN APARTMENT INDEX



THE FIRST QUARTER OF 2016 HAS SEEN A CONTINUATION OF THE MARKET CONDITIONS THAT PREVAILED AT THE END OF LAST YEAR.

Apartment prices continue to increase quarter on quarter, albeit at a very moderate pace.

The latest quarterly results mean that the annual rate of price inflation in the apartment market also continues to moderate after strong growth in the early part of 2016.

The annual rate of increase has fallen to just 2.3% from almost 30% in the year to the end of March 2015.

The Dublin apartment market continues to be dominated by three factors, namely solid demand for properties in line with improving economic conditions, a severe lack of supply in the sales and rental markets, and finally the Central Bank mortgage lending rules which are now proving very restrictive in the marketplace.

€259,832

The average price of a second hand apartment in Dublin.

DNG APG RESULTS Q1 2016

Apartment price increases
out-perform house price rises
in the capital in Q1 2016.

Average Price of an Apt. in Dublin

€259,832

% Change Q1 2016

1.3%

Annual % Change

2.3%

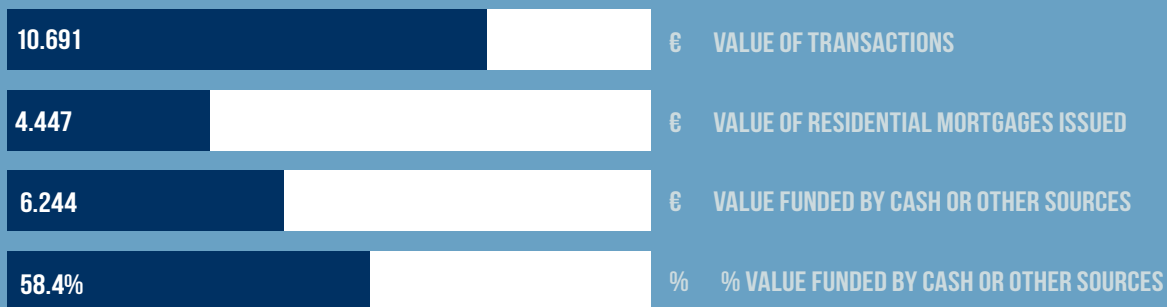


CASH/ NON-MORTGAGE TRANSACTIONS

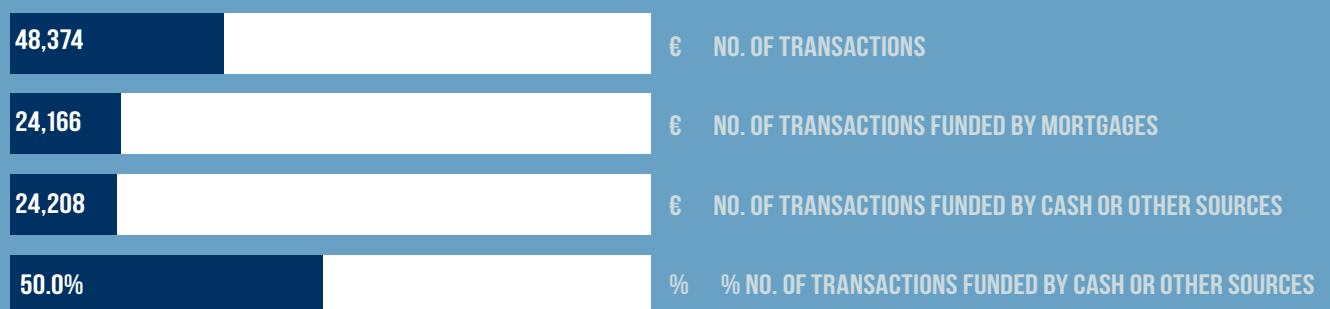
- Total value of transaction up by 14.6% and transactions numbers by 11.5% for 2015 compared to 2014
- Cash/ non-mortgage transactions are running at 50% in volume terms and at in excess of 58% of value
- Approximately 6.5% lower than the corresponding numbers of mortgages 2014 figure
- Significant proportions of these are attributable to block and fund sales – potentially in the order of 15% of transactions numbers
- Cash buyers still likely to account for 35-40% of non-block/ fund sales

*DNG Research – BPFI & Property Price Register
(Figures exclude Re-mortgages & Top-ups) March 2015

2015 VALUE OF TRANSACTIONS BY EURO



2015 BY NUMBER OF TRANSACTIONS



TRANSACTION LEVELS

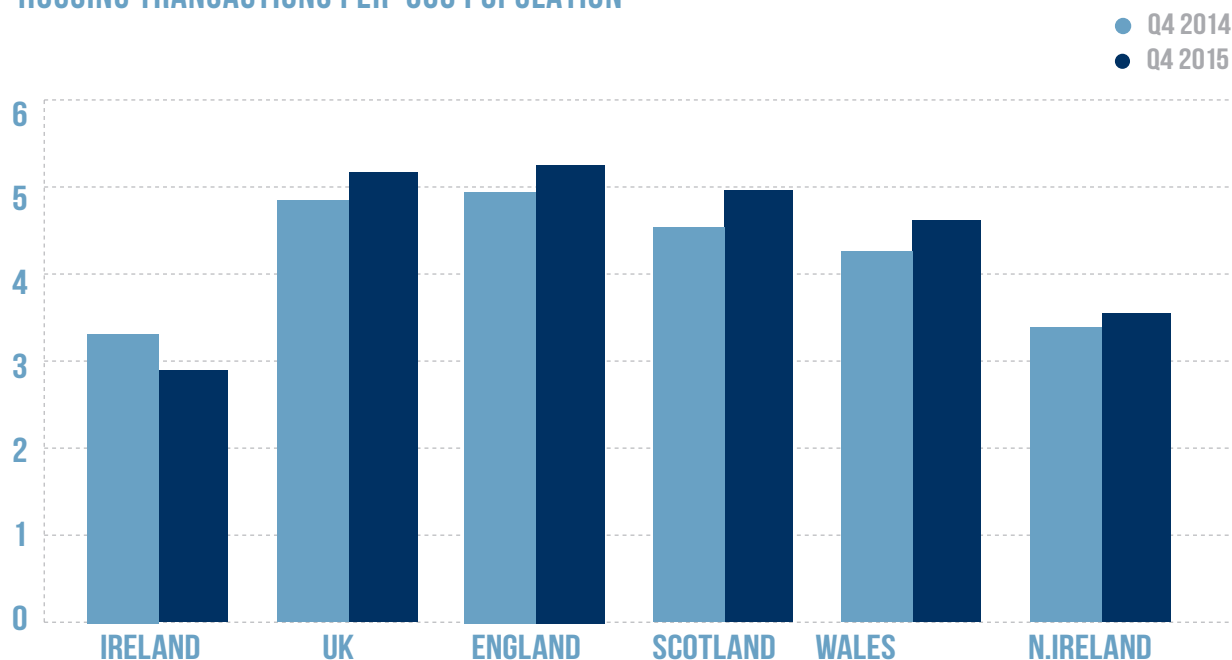
IRELAND V'S UK

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 continues to run behind all of our nearest neighbours
- Q4 2015 when compared to Q4 2014 only Ireland saw a decrease in the number of transactions per thousand
- All UK regions recorded slight increases

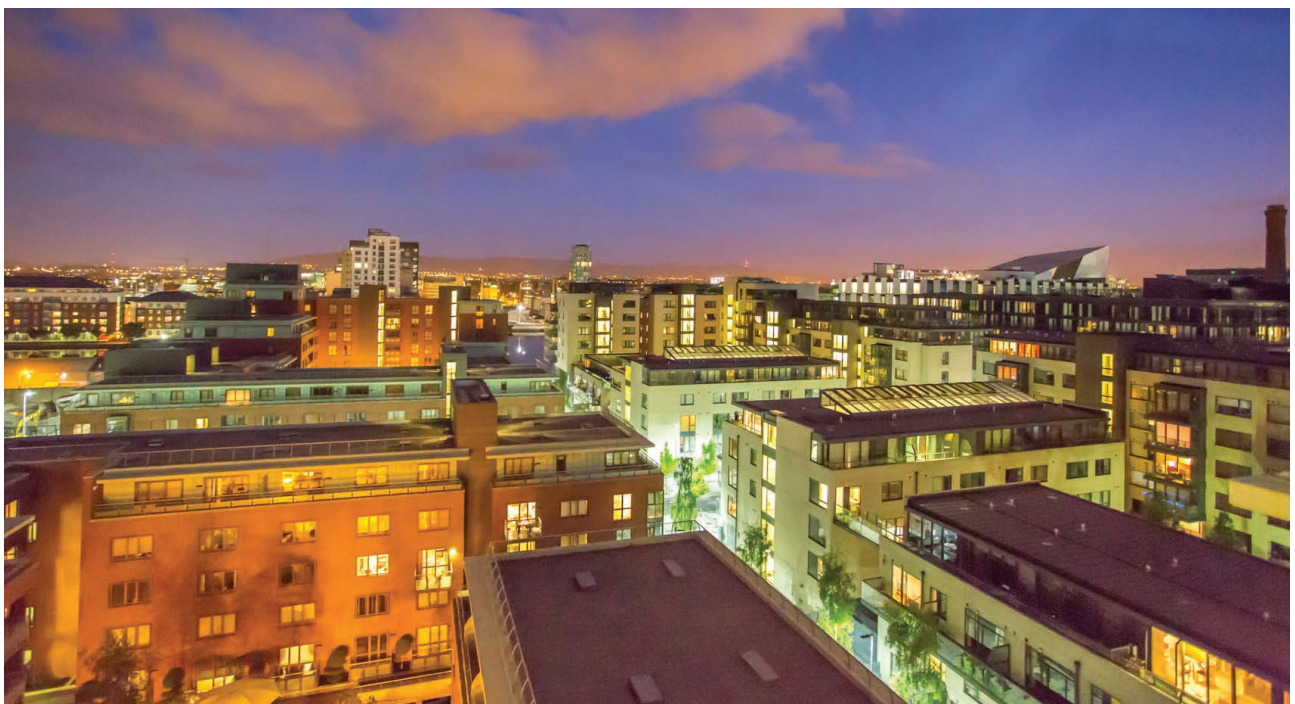
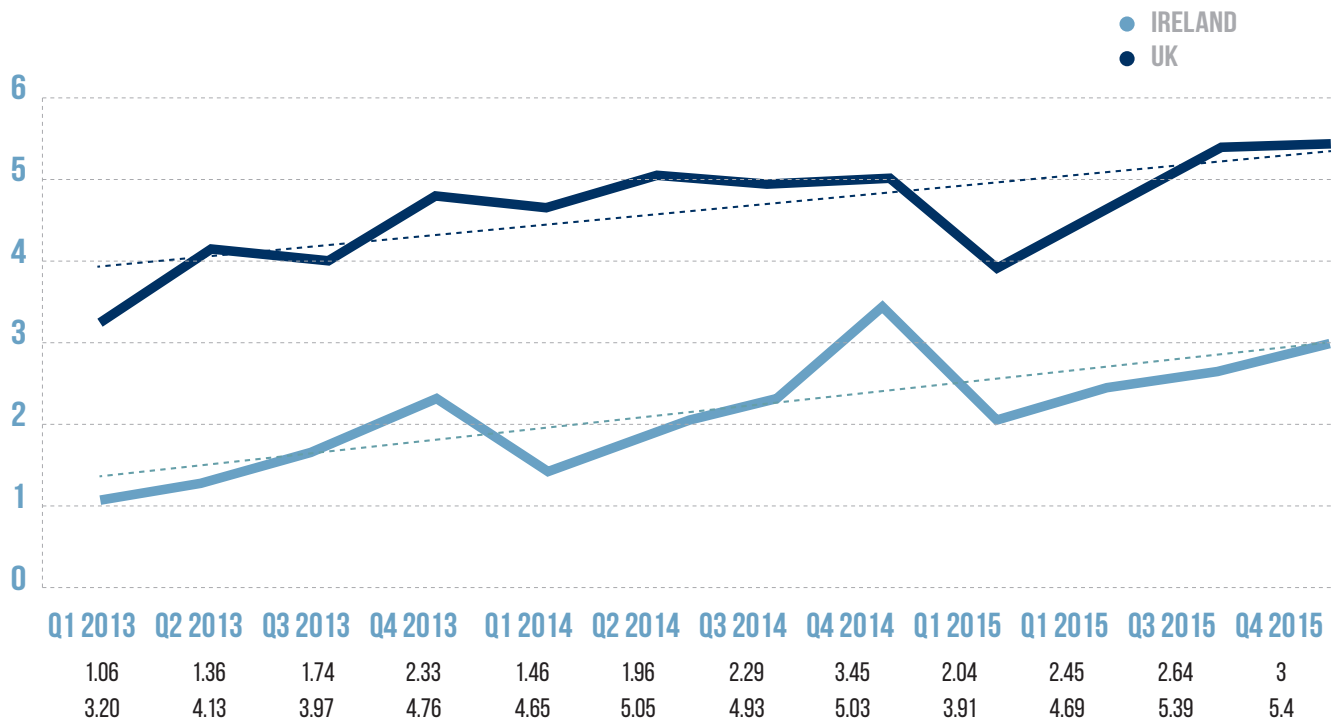
HOUSING TRANSACTIONS PER '000 POPULATION



QUARTERLY HOUSE TRANSACTIONS PER THOUSAND POPULATION

- Both the UK and Ireland have seen the number of transactions per thousand people rise steadily over the last three years in line with the economic recovery
- 2015 has seen a continued improvement over each quarter
- Ireland still some way off 'normal' level of transactions
- The CGT exemption scheme, which ended in Dec 2014, drove numbers to artificial high in Q4, 2014

QUARTERLY HOUSING TRANSACTIONS PER '000 POPULATION



NEW CONSTRUCTION - DUBLIN

DNG Research has collated and analysed the total number of new house sales as noted on the Property Price Register for 2015. The results of which are shown below for Dublin.

NEW HOMES DEVELOPMENTS – SALES 2015**

- 2,151 sales were registered on the PPR as 'New Dwelling House/ Apartment' in 2015
- Approximately 740 were grouped or block sales resulting in just over 1,400 new homes transactions**
- 68 new developments accounted for 1,200 of the total new homes sales
- Only 38 developments recorded more than 10 sales for the year and only 22 sold more than 20 units
- The highest selling northside development was in Swords, southside in Dun Laoghaire and westside in Tallaght

**Note:

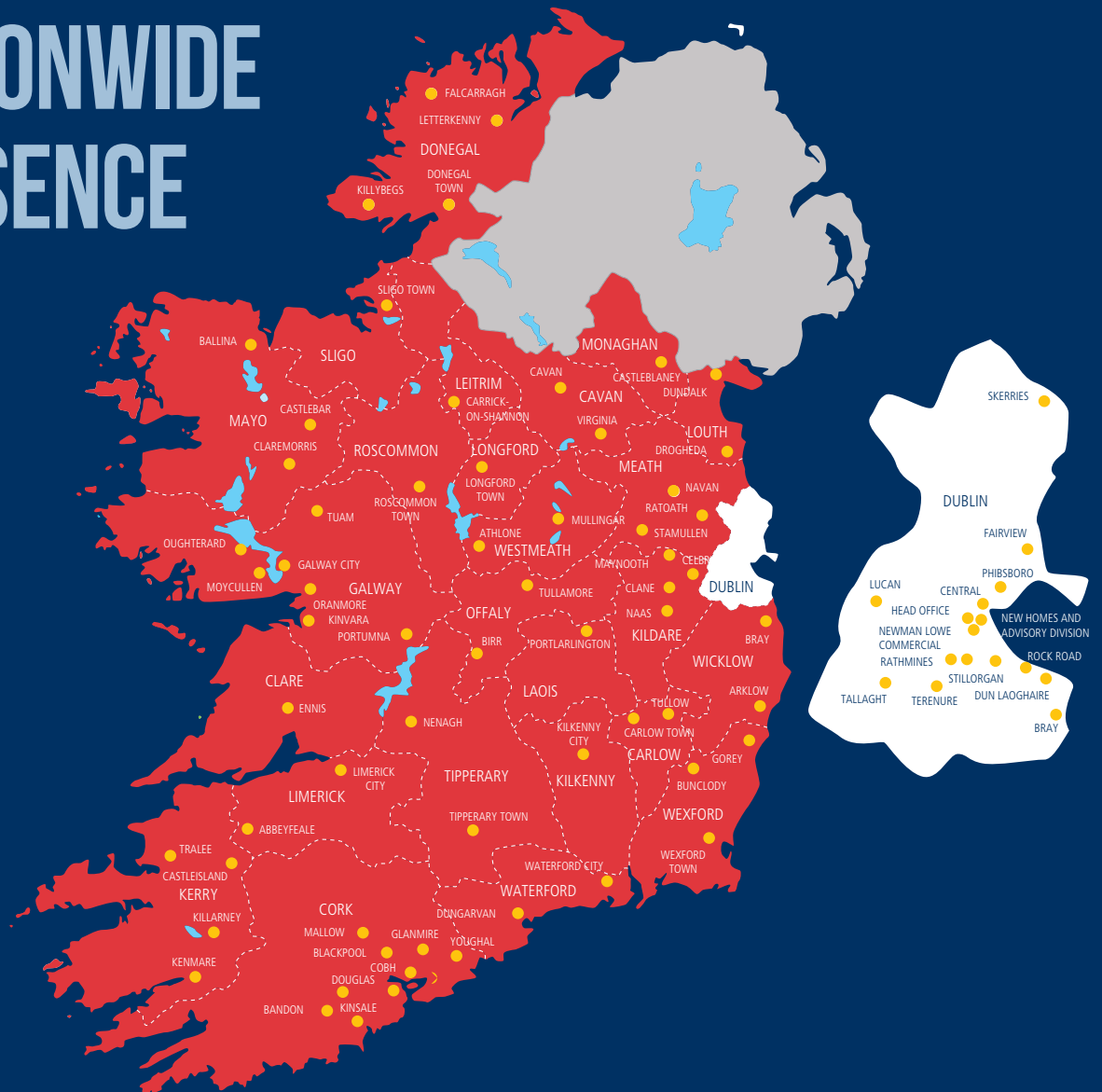
Grouped or block sales in the same development which transacted on the same date have been excluded as they are unlikely to represent normal market day to day transactions.

Schemes selling three or less units have also been excluded.

NEW DEVELOPMENTS SALES 2015

LOCATION	NO. OF DEVELOPMENTS FOR SALE	NO. OF DEVELOPMENTS EXCESS 10 SALES	MAXIMUM NO. OF SALES
SOUTHSIDE	21	6	50
WESTSIDE	8	6	30
NORTHSIDE	39	26	80

DNG NATIONWIDE PRESENCE



DUBLIN

DNG Bray
DNG Celbridge
DNG Central
DNG Advisory
DNG New Homes
DNG Dun Laoghaire
DNG Fairview
DNG Leeson Park
DNG Lucan
Newman Lowe
Commercial
DNG Phibsboro
DNG Gillespie Lowe
Rathmines
DNG Rock Road
DNG McKenna
Healy Skerries
DNG Stillorgan
DNG Tallaght
DNG Terenure

CARLOW

Carlow
Tullow

CAVAN

Virginia

CLARE

Ennis

CORK

Bandon
Blackpool
Clonakilty
Cobh
Douglas
Glanmire
Kinsale
Youghal

DONEGAL

Donegal Town
Falcarragh
Killybegs
Letterkenny

GALWAY

Athenry
Galway City
Kinvara
Moycullen
Oranmore
Oughterard
Portumna

KERRY

Kenmare
Killarney
Tralee

KILDARE

Clane
Maynooth
Naas

KILKENNY

Kilkenny City

LAOIS

Portarlinton

LEITRIM

Carrick on Shannon

LIMERICK

Abbeyfeale
Limerick City

LONGFORD

Longford Town

LOUTH

Drogheda
Dundalk

MAYO

Ballina
Castlebar
Claremorris

MEATH

Navan
Ratoath
Stamullen

MONAGHAN

Castleblaney

OFFALY

Birr
Tullamore

ROSCOMMON

Roscommon Town

SLIGO

Sligo Town

TIPPERARY

Nenagh
Tipperary Town

WATERFORD

Dungarvan
Waterford City

WESTMEATH

Athlone
Mullingar

WEXFORD

Buncloody
Gorey
Wexford Town

WICKLOW

Arklow

Additional Sources used in compiling the report:

CSO Residential Property Price Index. February 2016.

Banking and Payments Federation Ireland Housing Market Monitor. Q4 2015.

AIB Treasury Economic Research Unit Housing Market Monitor. March 2016.

AIB Treasury Economic Research Unit Irish Economy Watch. March 2016.



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