NATIONWIDE PRESENCE

80 BRANCHES NATIONWIDE
CONTENTS

1 INTRODUCTION
3 DNG HOUSE PRICE GAUGE DUBLIN - Q4 2019
9 DNG APARTMENT PRICE GAUGE DUBLIN - Q4 2019
13 DNG NATIONAL PRICE GAUGE - H2 2019
19 CASH / NON-MORTGAGE TRANSACTIONS - Q3 2019
20 TRANSACTION LEVELS IRELAND VERSUS THE UK - Q3 2019
22 SUPPLY SIDE ANALYSIS
24 ANALYSIS & OUTLOOK
INTRODUCTION

By Keith Lowe, Chief Executive

As we enter 2020 and a new decade, we do so reporting data which reflects a reasonably stable property market.

House price inflation across the country has been largely static over the course of 2019, transaction numbers are similar to that of the preceding year and new residential construction, while improving, is still behind all market estimations of what is required. However, this picture of a stable, steady market belies a myriad of issues that still exist in the Irish property marketplace, a serious homelessness problem, persistently rising rents, legacy negative equity difficulties, a growing affordability gap and a prevailing shortage of new homes construction.

There should be little doubt in anyone’s mind but that we are still some way off a ‘normally’ functioning property market. The UK continues to trade at 4.9 property sales per thousand population, whereas the corresponding figure for the Irish market 3.3 with no appreciable gains being made to close this gap over the last couple of years. Notwithstanding England, Ireland still lags behind Northern Ireland, Wales and Scotland when it comes to the number of sales per thousand population, which is disappointing at this stage of the market cycle.

The negative equity trap, created during the financial crisis, still poses great difficulty for many people who might wish to sell their home to move to more suitable accommodation, as average Dublin house prices, for example, are still 37% below the high point of the market in Quarter 2, 2006. New homes construction numbers for 2019 appear likely to be in the order of 21,000 up 10% from 2018 however, many of these homes for the owner occupier market are being built in the commuter belt surrounding Dublin with the higher density apartment developments in the capital being predominantly purchased by the funds and Irish and international investors for use in the higher end rental market. Virtually none of these rental units are aimed at the affordable rental market.

The Central Bank macro prudential lending rules have remained unchanged following a review in late 2019 and are certainly limiting potential buyers from entering the owner-occupier market, some of whom would have a preference to leave more expensive rental accommodation in favour of buying more affordable accommodation. The Central Bank rules are also curtailing house price growth. Existing Government policy is doing little to actively encourage home ownership and I see this as a significant problem for the future.

The solutions to these problems are both difficult to establish and implement, and require an array of responses, the majority of which need to come from our Government. The ongoing difficulty in getting to grips with homelessness is likely the most problematic and complex issue facing the country and the government, whilst high taxes and legacy debt continuing to drive small landlords out of the market. Repossessions and the threat of this escalating also remains a serious challenge. Whilst it is very easy to criticise government policy, I personally believe that their performance has been reasonably good in the last 12 months. They genuinely seem to be making inroads in terms of social housing provision but as we all know too well, more is needed, and there is an urgency now to start bringing significant numbers of new social housing on stream.

The other obvious difficulty arising in the market place is the lack of affordability. For many the struggle in gathering up a sufficient deposit (especially problematic for those that are renting at the same time) and complying with the Central Bank lending rules is leaving these potential buyers...
in a position where purchasing is not a realistic proposition for them. While the Government are introducing a much-needed affordable housing scheme for property built on state lands, I would like to see an affordable housing scheme available for all new homes, whether they are built on state lands or not, as is available in the UK through the home equity loan scheme & other affordable initiatives. Home ownership should not just be reserved for the privileged but must be made available to as many of the population as possible.

There has also been much negative coverage about the funds and REIT’s that have entered the Irish market, especially those targeting new larger scale apartment developments and government policy has favoured these investors with an advantageous taxation regime. However, I believe their presence in the Irish market is welcome, as many of these developments simply would not be constructed without such buyers, due to the limited availability of development finance especially for the larger apartment blocks. The involvement of these large scale investors in the market is certainly adding to the country’s housing stock, and I have little doubt that this increased supply will lead to a much welcome reduction in rent increases in the near future. Nonetheless, the accommodation they provide tends to be at the upper end of the scale and unaffordable for many. It also means that these apartments are not available to individual buyers, some of whom would wish to trade down from larger homes, if the choice was available to them.

Government held development sites have been slow to be released to the market. These lands have the potential to significantly increase the delivery of social, affordable and private housing. I welcome the creation of the Land Development Agency, and believe it will be pivotal in meeting this goal. However, it will take some time to make a significant impact on the delivery side as many of the sites they have in their control are large and take time to be prepared for construction but this a serious move in the right direction. Equally we also welcome the newly opened Office of the Planning Regulator as this is likely to lead to a more fluid and efficient planning system with more of the right properties being built in the most suitable locations.

I truly believe that government needs to do more to encourage home ownership. Tenants will soon realise that long-term renting is not a sensible nor viable solution as once they reach retirement age many will discover that the state pension is not sufficient to cover even the most modest rented home in the capital. I believe that this is a crisis in the making and that government policy should be more in favour of home ownership. Owning a home has always been the key way that the Irish population has accumulated wealth which has passed from generation to generation. The government decision in Budget 2020 to extend the Help to Buy scheme was an important measure to support the new homes market but I also feel that the time is right to reintroduce mortgage interest relief, in an effort to attract those who could afford and would prefer to buy rather than rent. We have estimated that it can be up to €160,000 cheaper to buy rather than rent a standard Dublin starter home over a 20-year period.

All in all, there is more to be done in the Irish property market in order to achieve an ideal situation where all those who wish to rent or buy a home would be in a position to do so whether it be with or without the state’s assistance. I believe that some changes and additions to government policy are required but great strides have been made to date. The very capable Housing Agency are making big inroads into social housing, increased stock in the rental sector will soon subdue rental inflation and house prices have levelled out. Affordability needs to be addressed in both the sale and rental sector and I see this as the next challenge for all.

INTRODUCTION
DNG HOUSE PRICE GAUGE DUBLIN - Q4 2019

KEY FINDINGS

- Prices in the Dublin residential market remain stable during Q4 2019.

- First annual reduction in prices record by the House Price Gauge since 2011.

- Price inflation in west Dublin remained positive in 2019 (+1.2%) but eased in the north and south of the city.

- Values across the capital have seen growth of 85% since the market low point in 2012 but remain 37% below previous peak values (2006).

<table>
<thead>
<tr>
<th>TABLE 1.</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Dublin Second Hand Price</td>
<td>€449,395</td>
</tr>
<tr>
<td>Percentage Change Q3 2019</td>
<td>0.2%</td>
</tr>
<tr>
<td>Annual Percentage Change</td>
<td>-1.1%</td>
</tr>
<tr>
<td>% Change Since Low (Q2 2012)</td>
<td>85.6%</td>
</tr>
<tr>
<td>% Change From Peak (Q3 2006)</td>
<td>-37.3%</td>
</tr>
</tbody>
</table>

Source: DNG Research
**HEADLINE RESULTS**

+0.2%  
The rate of residential property price inflation seen in Dublin in Q4 2019.

€449,395  
The average price of a resale property in the capital at the end of 2019.

**QUARTERLY RESULTS**

The latest quarterly results of the DNG House Price Gauge (HPG) show that prices remained broadly flat in the final three months of 2019, with the HPG recording a marginal increase in the average value of a resale property of 0.2%. The results indicate that prices in the capital’s residential property market are holding their value with the majority of homes neither increasing or decreasing in price during quarter four.

The latest quarterly results mean that the trend of price stabilisation seen over the previous twelve months continued in the fourth quarter and as a result, the average price of a resale property in Dublin remains a fraction below €450,000.
ANNUAL PERCENTAGE CHANGE

As shown in figure 2, the annualised rate of inflation has turned marginally negative over the last two quarters however, the rate at which prices are softening eased slightly in quarter four (-1.1%) compared to the twelve months to September (-1.3%) indicating a stable market environment. The annual rate of inflation has slowed steadily since the end of 2017 and there are indications that the market in the capital is now in or approaching the bottom of the current cycle.

The HPG shows that prices have recovered in value by 85% since the previous market low point in 2012 however, they remain 37% below their previous peak in 2006, and given the recent slowdown in house price inflation, prices are very unlikely to challenge that level again, which is welcome news for the market.

The latest results are in contrast to the same period last year, when prices rose by 2.8% on average.

Source: DNG Research
PRICE CHANGES BY LOCATION

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

<table>
<thead>
<tr>
<th>Location</th>
<th>Q4 2019</th>
<th>Annual % Change</th>
<th>From Peak (Q3 2006)</th>
<th>From Low (Q2 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southside</td>
<td>0.4%</td>
<td>-2.0%</td>
<td>-42.4%</td>
<td>81.7%</td>
</tr>
<tr>
<td>Northside</td>
<td>0.0%</td>
<td>-1.1%</td>
<td>-33.6%</td>
<td>86.7%</td>
</tr>
<tr>
<td>Westside</td>
<td>-0.3%</td>
<td>1.2%</td>
<td>-26.3%</td>
<td>94.8%</td>
</tr>
</tbody>
</table>

Source: DNG Research

House price inflation remained broadly stable across all areas of the city during the fourth quarter as outlined in table 2 above. Prices in south Dublin did rise very marginally in Q4 reversing a trend of marginal declines in the previous three quarters of the year. Overall prices in south Dublin ended the year 2.0% lower than they started.

Prices dipped slightly in the fourth quarter in west Dublin but still saw a modest increase in value of 1.2% over the course of 2019 whilst in north Dublin prices were neither up nor down in Q4 but finished the year marginally lower on an annualised basis, down 1.1%.

PRICE CHANGES BY PRICE BRACKET

The DNG HPG measures the movement in prices for different price brackets of property within the sample as shown in table 3. below.

<table>
<thead>
<tr>
<th>Price Bracket</th>
<th>Q4 2019</th>
<th>Annual % Change</th>
<th>From Peak (Q3 2006)</th>
<th>From Low (Q2 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to €300,000</td>
<td>0.0%</td>
<td>0.3%</td>
<td>-30.0%</td>
<td>124.0%</td>
</tr>
<tr>
<td>€301,000 to €500,000</td>
<td>-0.3%</td>
<td>-1.0%</td>
<td>-27.5%</td>
<td>88.5%</td>
</tr>
<tr>
<td>Over €500,000</td>
<td>0.5%</td>
<td>-1.7%</td>
<td>-45.1%</td>
<td>72.7%</td>
</tr>
</tbody>
</table>

Source: DNG Research

There was a marginal increase in values at the upper end of the market during the final quarter of the year reflecting increased activity in that sector in the final months of the year. This was contrary to earlier in the year when prices in the upper end of the market had eased back slightly. On an annualised basis prices above €500,000 were down 1.7% in the year to December. ±124%

Property priced up to €300,000 has risen by 124% since the low point in Q2 2012.

The entry level to the market saw prices increase marginally in the year to December (+0.3%) and have risen by 124% since the market low point, due to continued strong demand from first time buyers looking to get on the housing ladder and exit the rental sector.
DNG HPG & CSO RPPI DUBLIN

Figures 3 and 4 below show the quarterly and annual 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.

Both the DNG HPG and the CSO RPPI recorded moderate price growth in the final months of 2019, indicating stable prices across the residential sector. Quarterly rates of price inflation have been below 2% on both indices for the past eighteen months reflecting a period of stability in the capitals residential market.

On an annualised basis, both measures show similar trends as shown in figure 4 below. Since the beginning of 2018, the market has stabilised gradually with the annualised rate of price growth easing back with each successive quarter.

FIGURE 3. QUARTERLY PERCENTAGE CHANGE - DNG HPG & CSO RPPI DUBLIN RESIDENTIAL PROPERTY

Note – The CSO data reported above in the period Q4 2019 relates to the 3 months to November 2019 only. The latest available data at time of writing.
Source: DNG, CSO

FIGURE 4. ANNUAL PERCENTAGE CHANGE DUBLIN RESIDENTIAL PROPERTY PRICES - DNG HPG & CSO PRRI

Note – The CSO data reported above in the period Q4 2019 relates to the 12 months to November 2019 only. The latest available data at time of writing.
Source: DNG, CSO
<table>
<thead>
<tr>
<th>Year</th>
<th>Change second hand house price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>▼ -3.5%</td>
</tr>
<tr>
<td>2002</td>
<td>▲ +21.2%</td>
</tr>
<tr>
<td>2003</td>
<td>▲ +9.5%</td>
</tr>
<tr>
<td>2004</td>
<td>▲ +13.0%</td>
</tr>
<tr>
<td>2005</td>
<td>▲ +22.0%</td>
</tr>
<tr>
<td>2006</td>
<td>▲ +19.0%</td>
</tr>
<tr>
<td>2007</td>
<td>▼ -11.3%</td>
</tr>
<tr>
<td>2008</td>
<td>▼ -21.5%</td>
</tr>
<tr>
<td>2009</td>
<td>▼ -24.2%</td>
</tr>
<tr>
<td>2010</td>
<td>▼ -15.1%</td>
</tr>
<tr>
<td>2011</td>
<td>▼ -20.0%</td>
</tr>
<tr>
<td>2012</td>
<td>▲ +2.2%</td>
</tr>
<tr>
<td>2013</td>
<td>▲ +17.7%</td>
</tr>
<tr>
<td>2014</td>
<td>▲ +23.5%</td>
</tr>
<tr>
<td>2015</td>
<td>▲ +0.7%</td>
</tr>
<tr>
<td>2016</td>
<td>▲ +5.9%</td>
</tr>
<tr>
<td>2017</td>
<td>▲ +10.9%</td>
</tr>
<tr>
<td>2018</td>
<td>▲ +2.8%</td>
</tr>
<tr>
<td>2019</td>
<td>▼ -1.1%</td>
</tr>
</tbody>
</table>

Source: DNG Research
The DNG Apartment Price Gauge (APG) analyses the movement of apartment prices across 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.

HEADLINE RESULTS

The average price of an apartment plateaued during 2019 with the DNG APG recording a marginal decrease of 0.4% in prices over the course of the year.

<table>
<thead>
<tr>
<th>TABLE 4. DNG APG Results Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ave. Price of an Apartment in Dublin</td>
</tr>
<tr>
<td>% Change Q4 2019</td>
</tr>
<tr>
<td>Annual Percentage Change</td>
</tr>
</tbody>
</table>

Source: DNG Research

QUARTERLY RESULTS

Apartment prices remained relatively unchanged in the fourth quarter as outlined in figure 6. Indeed, the DNG APG has recorded price changes in the range of +1% to -1% in each quarter since the spring of 2018 and as a result, the average price of an apartment in the capital has remained relatively constant around the €327,000 mark over that period.
As shown in figure 7, there has been a gradual stabilisation in the rate of inflation evident in the Dublin apartment market and the latest annualised results are in stark contrast to the rates in excess of ten percent per annum seen in 2016 and 2017. New apartment supply has increased dramatically over the last two years, particularly in Dublin and the Mid-East region and this has contributed to the slowdown in the rate of price appreciation in the apartment market.
PRICE CHANGES BY LOCATION

As part of the DNG APG series, prices in the apartment market are analysed by geographical location across Dublin. Table 5 above shows the rate of change in prices over the last three and last twelve months.

Apartments in north Dublin and west Dublin saw marginal gains in value during 2019 (+0.9% and +0.3% respectively) whilst prices in the central city and on the southside of the city saw marginal declines in value over the course of the year (-1.5% and -0.6%). There was no change in values of note during the fourth quarter when prices remained relatively unchanged on average.

TABLE 5.

<table>
<thead>
<tr>
<th>By Area</th>
<th>% Change Q4 2019</th>
<th>Annual Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>-0.1%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>North Dublin</td>
<td>-0.1%</td>
<td>0.9%</td>
</tr>
<tr>
<td>South Dublin</td>
<td>-0.4%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>West Dublin</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Source: DNG Research

PRICE CHANGES BY NUMBER OF BEDROOMS

The results of the DNG APG are also 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.

The results of the DNG APG remain flat in the fourth quarter, irrespective of the number of bedrooms the apartment contained.

TABLE 6.

<table>
<thead>
<tr>
<th>By Type</th>
<th>% Change Q4 2019</th>
<th>Annual Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>One bedroom apartment</td>
<td>-0.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Two bedroom apartment</td>
<td>-0.2%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Three bedroom apartment</td>
<td>0.0%</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

Source: DNG Research

Prices for all sizes of apartments performed with a degree of consistency during the fourth quarter and over the course of the year with little change in values record by the APG.
DNG APG & CSO RPPI DUBLIN APARTMENTS

Analysis and comparison of the latest data available from the CSO Residential Property Price Index for Dublin apartments highlights the continued strong correlation between the CSO and DNG’s apartment price statistics as shown in figures 8 and 9 below. On an annualised basis the CSO recorded a decline in apartment prices in the capital of 1.2% whilst the DNG APG recorded a slightly smaller decrease of 0.4% at the end of the year. The trend of an easing in apartment price inflation over the course of the last two years can be seen below and both measures saw apartment price inflation dip into negative territory at the end of last year despite some quarterly variances across the two indices.

**FIGURE 8. QUARTERLY PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES**

![Quarterly Percentage Change in Dublin Apartment Prices](source: DNG Research and CSO.

Note – The CSO data reported above in the period Q4 2019 relates to the 3 months to November 2019 only. The latest available data at time of writing.

**FIGURE 9. ANNUAL PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES**

![Annual Percentage Change in Dublin Apartment Prices](source: DNG Research and CSO RPPI.

Note – The CSO data reported above in the period Q4 2018–Q4 2019 relates to the 12 months to November 2019. The latest available data at time of writing.)
DNG NATIONAL PRICE GAUGE - H2 2019

KEY FINDINGS

-0.2%

At the national level (excl. Dublin) the average price of a second-hand home remained broadly flat during the second half of 2019, decreasing by 0.2%.

+1.5%

In the full year 2019 the average price of a resale home nationally increased by 1.5%.

€213,434

The average price of a home nationally now stands at €213,434 compared to €210,337 at the start of 2019.

The DNG National Price Gauge (NPG) measures the movement in prices of residential property across the country. The results are aggregated at the NUTS III statistical level which comprises seven regions within Ireland excluding the Dublin Region (Border, West, Mid-West, Midlands, Mid East, South East and South West).

The DNG NPG measures the movement in prices of a representative sample of properties drawn from all areas of the country excluding the Dublin region. The sample properties are revalued half yearly in June and December and results are aggregated by property type and by the number of bedrooms the property has.

<table>
<thead>
<tr>
<th>TABLE 7.</th>
<th>% Change in Price H2 2019</th>
<th>Annual % Change 2019</th>
<th>Average Price December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>National (ex Dublin)</td>
<td>-0.2%</td>
<td>1.5%</td>
<td>€213,434</td>
</tr>
</tbody>
</table>
In the six months to the end of 2019, the average price of a resale property nationally remained broadly stable according to the latest results of the DNG National Price Gauge. The welcome moderation in the rate of price growth was a continuation of the trend which started eighteen months ago as shown in figure 10 above. The marginal increase of 0.2% in H2 2019 means that the average price of a resale home nationally (excl. Dublin) remained virtually unchanged compared to June 2019 at €213,434.

At a national level, the DNG National Price Gauge recorded an increase of 1.5% in the year to December 2019.

As shown in figure 11 above, the annual rate of house price inflation continues to moderate, having fallen from a rate of 7.8% in 2017 and 5% in 2018 to 1.5% last year. Price appreciation was noticeably stronger in the first half of 2019 and remained level during the final six months of the year as shown in figure 10.
REGIONAL PRICE CHANGES

The half yearly and annual movement in residential property prices is measured for each region within Ireland and the results are shown in Table 8. below.

The Border region returned the best price performance in H2 2019, with the average price of a resale property in the area increasing by 1.9% during the period. On an annual basis the region also saw the strongest price appreciation during 2019, with prices increasing by 3.3% although it must be noted that this was from a low base.

Across the rest of the country there was no significant price movements recorded by the DNG NPG in H2 of 2019 as prices remained relatively stable as outline in table 8 below however, prices did fall marginally in the Mid-East and South East during the final six months of the year.

The Midlands recorded steady growth in prices throughout 2019, with prices increasing by 2.7% on average whilst the West region recorded growth of 2.4% over the course of the year.

<table>
<thead>
<tr>
<th>Area</th>
<th>% Change in Price H2 2019</th>
<th>Annual % Change 2019</th>
<th>Average Price December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Border</td>
<td>1.9%</td>
<td>3.3%</td>
<td>€166,117</td>
</tr>
<tr>
<td>West</td>
<td>0.3%</td>
<td>2.4%</td>
<td>€210,567</td>
</tr>
<tr>
<td>Mid West</td>
<td>0.6%</td>
<td>2.1%</td>
<td>€185,606</td>
</tr>
<tr>
<td>Mid East</td>
<td>-0.6%</td>
<td>-0.1%</td>
<td>€304,651</td>
</tr>
<tr>
<td>South East</td>
<td>-0.7%</td>
<td>0.4%</td>
<td>€196,930</td>
</tr>
<tr>
<td>Midlands</td>
<td>0.9%</td>
<td>2.7%</td>
<td>€173,734</td>
</tr>
<tr>
<td>South West</td>
<td>0.2%</td>
<td>1.0%</td>
<td>€247,483</td>
</tr>
</tbody>
</table>

Source: DNG Research

FIGURE 12. HALF YEARLY CHANGE IN AVERAGE RESIDENTIAL PROPERTY PRICE BY REGION

Source: DNG Research
As can be seen in figure 12 (previous page), only the Border region recorded accelerating residential property price inflation during H2 2019 whilst the rate of inflation declined in all other regions in H2 compared to H1. Only the Border region recorded growth in excess of 1% in the final six months of the year highlighting just how stable prices were during that period. Even in the Mid-East and South East regions the decline in prices recorded was marginal at less than one per cent. It would appear that prices effectively flatlined during the second half of the year but a sharp decline in prices was avoided as transaction levels were strong enough to sustain current prices.

Equally, for the year 2019 as a whole only the Border region recorded an acceleration in price inflation compared to the year to June 2019, as shown in figure 13 above. The South East region saw the biggest slowdown in price inflation in the year to December, falling from a rate of 2.9% in the year to June to 0.4% in the year to December. The Midlands, West, Border and Mid West regions all recorded price growth in excess of 2% for the year 2019.

**PRICE CHANGES BY PROPERTY TYPE**

The DNG NPG records the change in the average price of a residential property according to property type, as shown in Table 9.

<table>
<thead>
<tr>
<th>Property Type</th>
<th>% Change in Price H2 2019</th>
<th>Annual % Change 2019</th>
<th>Average Price December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detached</td>
<td>0.1%</td>
<td>1.1%</td>
<td>€248,971</td>
</tr>
<tr>
<td>Semi Detached</td>
<td>0.3%</td>
<td>1.6%</td>
<td>€194,154</td>
</tr>
<tr>
<td>Terrace</td>
<td>1.0%</td>
<td>2.9%</td>
<td>€157,254</td>
</tr>
<tr>
<td>Apartment</td>
<td>0.8%</td>
<td>3.2%</td>
<td>€119,917</td>
</tr>
</tbody>
</table>

*Source: DNG Research*
Apartments saw the robust yet eminently sustainable rate of price growth over the course of last year, rising by 3.2% on average, as demand for smaller units and starter homes remained solid across the country. Terraced properties also performed well, with the average price of this type of unit increasing by 1% in H2 and by 2.9% in the full year 2019. Conversely detached properties saw the lowest rate of growth over the year increasing by 1.1%, and effectively remaining unchanged in the final six months of 2019, as outlined in table 8 above.

**FIGURE 14. HALF YEARLY CHANGE IN PROPERTY TYPE**

![Chart showing half yearly change in property type.

**TABLE 10.**

<table>
<thead>
<tr>
<th>Number of bedrooms</th>
<th>% Change in Price H2 2019</th>
<th>Annual % Change 2019</th>
<th>Average Price December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two</td>
<td>0.2%</td>
<td>2.5%</td>
<td>€120,801</td>
</tr>
<tr>
<td>Three</td>
<td>0.5%</td>
<td>1.8%</td>
<td>€178,109</td>
</tr>
<tr>
<td>Four</td>
<td>0.2%</td>
<td>1.3%</td>
<td>€253,086</td>
</tr>
<tr>
<td>Five</td>
<td>-0.1%</td>
<td>0.6%</td>
<td>€311,689</td>
</tr>
</tbody>
</table>

The DNG NPG records the change in the average price of a residential property according to the number of bedrooms a property has, as shown in Table 10 below.

Smaller units saw a relatively strong performance over the course of 2019 however as outlined above, all prices appear to have remained very stable in the latter half of last year. As shown in figure 15 (over page), the rate of price inflation slowed in the final six months of the year compared to the first six months, with the sharpest slowdown evident in properties with two bedrooms according to the NPG, with the average price of a two bedroom property increasing by just 0.2% in H2 compared to a growth rate of 2.3% in H1 2019.
When comparing the results of the DNG National Price Gauge to the Central Statistics Office official measure of property price changes, the Residential Property Price Index (RPPI), (see figure 16 below) the slowdown in the rate of price appreciation recorded by both indices is very evident and occurred since the end of 2018. As a result, both the NPG and the CSO RPPI recorded price appreciation at less than two per cent in the final half of 2019.

Source: DNG Research and CSO.
Note – The CSO data reported above in the period H2 2019 relates to the 3 months to November 2019 only. The latest available data at time of writing.
CASH / NON-MORTGAGE TRANSACTIONS - Q3 2019

- The total value of residential purchase transactions during the first three quarters of 2019 was €12.1 billion up 4.9% on the same period in 2018.

- The value of purchase mortgage issued rose to €5.6bn over the same period, an increase of 3% on the same period in 2018.

- The value of cash / non mortgage funded transactions was €6.5 billion, an increase of 1.6% over the same period 2018.

- 54% of residential transactions were funded by cash / non mortgage finance sources between January and September 2019.

- 40,666 residential transactions took place between January and September 2019 according to the Property Price Register, an increase of 3.5% on the same period in 2018.

- Of these, 41% (16,520) were funded by cash / non mortgage finance sources.

- Over the first three quarters of 2019 24,146 purchase related mortgages were drawn down an increase of 7.3% on the same period 2018.

- The number of cash / non mortgage finance based transactions fell by 1.6% in the period Q1-Q3 2019 compared to the same period 2018. 40.6% of transactions were funded this way during the period.

**VALUE OF TRANSACTIONS**
**Q1 - Q3 2019**

- **€12.1bn** Value of transactions
- **€5.6 bn** Value of residential purchase mortgages issued
- **€6.5bn** Value of purchases funded by cash or other sources
- **53.8%** % value funded by cash or other sources

**VOLUME OF TRANSACTIONS**
**Q1 - Q3 2019**

- **40,666** Number of transactions funded by purchase mortgage
- **24,146** No. of transactions
- **16,520** No. of transactions funded by cash or other sources
- **40.6%** % transactions funded by cash or other sources

Source: DNG Research, BPFI & Property Price Register data. All figures exclude remortgage and top up loans.
TRANSACTION LEVELS IRELAND VERSUS THE UK - Q3 2019

HOUSING TRANSACTIONS PER ‘000 POPULATION

DNG Research tracks the number of housing transactions across the United Kingdom and Ireland on a quarterly basis. Results are presented as the number of housing transactions per thousand head of population for each country for comparison.

FIGURE 17. HOUSING TRANSACTIONS PER ‘000 POPULATION

Source: UK HM Revenue & Customs & Residential Property Price Register
QUARTERLY HOUSING TRANSACTIONS PER ‘000 POPULATION

FIGURE 18. QUARTERLY HOUSING TRANSACTIONS PER ‘000 POPULATION - IRELAND & UK

Source: UK HM Revenue & Customs & Residential Property Price Register

FIGURE 19. AVE. NO TRANSACTIONS PER THOUSAND HEAD POPULATION PER QUARTER - YEAR TO SEPTEMBER 2019

Source: UK HM Revenue & Customs & Residential Property Price Register

- Housing transactions per thousand population increased across the UK and in Ireland in Q3 2019 compared to Q2 2019 following the normal trend each year, with transactions per thousand population expected to fall when the Q4 2019 figures are available.

- Ireland consistently undershoots the UK level of transactions per thousand population as shown in figure 18 signifying a housing market that is still not functioning efficiently and correctly.
RESIDENTIAL PLANNING PERMISSIONS

The pipeline of new residential development continued to show positive signs in the third quarter of 2019 with a total of 10,590 new units being granted permission in the three months to September. The number of apartments granted permission (5,656) also exceeded the number of houses granted permission (4,934) during quarter three and the number of apartments granted permission was up 80% on the same period in Q3 2018 as shown in figure 20 below. Overall the total number of dwelling units granted planning permission increased by 32% compared to Q3 2018. The number of houses granted planning permission remained fairly stable in Q3 2019 when compared to Q3 2018, with a modest increase on 1.1% in the number granted permission.

Source: DNG Research and CSO
NEW HOUSING COMPLETIONS

The total number of new housing completions in Q3 2019 stood at 5,667 up from 4,838 in the second quarter of the year (+17%). The third quarter of the year saw an 81% increase in the number of apartments completed compared to the same period in 2018 with over 1000 new apartments added to the housing stock. This however is still short of the projected number of new apartment units required to cater for demand.

As highlighted in figure 21 below, the vast majority of new construction continues to occur in the main urban areas where it remains economically viable to build new units. Over 80% of new dwelling units completed in Q3 were in urban areas.

In addition, Dublin and the Mid-East Regions continue to see the highest rates of new construction output with 60% of new dwelling completions in Q3 located in these two regions. Approximately 725 of all new apartments were also constructions in these two regions during the same period.

Of the nine local authority areas where schemes of more than 100 units were completed, all were in Dublin and the Mid-East with the exception of Cork City and Cork County, whilst Cork County and Galway County were the only areas to see new dwelling completions of one off houses in excess of 100 units during the period.

FIGURE 21. NEW DWELLING COMPLETIONS BY URBAN-RURAL DIVIDE, Q1 2017 - Q3 2019
ANALYSIS & OUTLOOK

2019 saw house prices nationally and in Dublin hold steady with few notable changes in value seen across the three main indices run by DNG. Prices in the Dublin market fell marginally by 1.1% over the course of last year in a market characterised by some downward pressure on prices at the upper end of the market, counter balanced by stronger demand in the starter homes sector. Conversely prices nationally (excluding Dublin) rose by 1.5% over the course of 2019 but did show some regional variation within the figures. Prices in the Mid-East for example fell by 0.1% whilst prices in the Border area rose by 3.3% and by 2.7% in the Midlands.

Overall prices have remained relatively stable in what, on the face of it, was a fairly challenging backdrop to the market. Brexit provided a constant narrative throughout the year and whilst this appeared to produce a degree of uncertainty and weaker sentiment at various points it did not damage the residential property market to any great degree.

Prices remained resilient and demand levels held up well, leading to a robust market. In fact, it could be argued that Brexit was actually favourable for the residential market in 2019, as a plethora of international companies announced or completed relocation to Ireland’s main urban centres which, in turn, provided additional work opportunities and a subsequent demand for accommodation, in both the private ownership and rental sectors.

Following several years of solid price appreciation in the market it was perhaps no surprise that the cycle of strong house price growth weakened last year, especially given current average prices coupled with the continued restraint placed in the market by the Central Bank lending rules which served their purpose and kept a lid on any further price rises given the excess of demand over supply. With no changes to the lending rules announced by the Central Bank in their review at the end of last year, it would appear likely that 2020 will be another year of price stability with little price appreciation evident in the market overall. That said, the entry level to the market where prices are lowest and demand greatest, could well see positive house price appreciation but in the low single digits. Further up the price ladder price changes will be more muted, all things being equal, as nominal values remain at a ceiling effectively set and controlled by the Central Bank through their lending rules.

The economic mood music underpinning sentiment and effective demand in the market remains undoubtedly positive and this in turn has helped, and will continue to help, underpin prices in the market. The housing market has had and will continue to have a positive impact on economic growth. Mortgage drawdowns increased steadily during the first three quarters of the year with over €12 billion borrowed for residential property purchases, up 4.9% the same period in 2018 and larger increases evident for first time buyers, aided by the Help to Buy Incentive Scheme. It was positive for the new homes market and the continued growth in housing output that the government announced an extension to this scheme in Budget 2020 and this will assist with providing certainty to new homes developers and their funders going forward, which in turn will enable housing output to continue on its upward trajectory. The final number of new dwelling completions in 2019 will likely be around the 20,000 when official figures are released, somewhat short of the projected number forecast this time last year. New dwelling completions should rise again in 2020 given the pipeline of new dwellings in the system as evidenced by planning permissions and housing commencements. It remains the case that the majority of new residential construction activity will again be focussed in Dublin and the Mid-East region again in 2020 as, given current price levels, it remains viable to build new units in these areas. 60% of new dwelling completions in Q3 2019 occurred in Dublin and the Mid-East, highlighting the concentration of all new residential construction activity in these two regions.

Current levels of new supply are still inadequate to meet demand in the market, estimated to be in the region of 35,000 new units per annum. This level of demand is underpinned by a growing population, increased rates of new household formation and new job creation. In the year to April 2019 the population increased by an estimated 64,000 persons bringing the total population of the country close to the 5,000,000 mark. Approximately 33,000 of this increase was due to net immigration underscoring demand levels in the housing market.
It is reasonable to assume that the majority of the people were coming into Ireland as economic migrants in order to take up positions of employment in the rapidly growing economy. Unemployment has fallen to a low of 4.8% which is at or at least close to ‘full employment’ in economic terms. Unemployment decreased by 11.0% in the year to September, the twenty ninth quarter in succession where unemployment has declined on an annual basis according to the Central Statistics Office, which underlines the strength of the domestic economy.

In addition, there was an annual increase in employment of 2.4% or 53,700 in the year to the third quarter of 2019, bringing total employment to 2,326,900, an acceleration on the rate of 2% see in the previous quarter. With low unemployment, additional workers have, and will be required to enter the labour force through migration, and this is proving supportive of demand in the housing market – in both the home ownership and rental sectors.

In summary, the residential property market in Ireland proved to be very resilient over the course of 2019 with prices remaining relatively flat and transactions levels similar to the previous year, bolstered in part, by increased sales in the new homes market. Prices remained subdued due to increased supply in the urban areas coupled with the restrictive nature of the Central Bank mortgage lending rules. Against this demand remained robust across virtually all sectors of the market, with the Help to Buy Incentive Scheme assisting first time buyers in the new homes market and the continued supply-demand imbalance underpinning prices in the resale market. In addition, prevailing economic conditions remained very supportive and sentiment resolute, despite the headwinds brought by Brexit throughout the year.

Looking ahead, 2020 can be expected to deliver similar conditions in the market, with muted levels of price growth but similar levels of transactions as seen in 2019. The housing crisis will continue and in the short term at least Ireland will continue in the grips of an accommodation crisis, struggling to house its growing population in appropriate and affordable accommodation.

Report complied by DNG Research
January 2020

Paul Murgatroyd
Director of Research
& Business Development
ADDITONAL SOURCES USED TO COMPIL THE REPORT:
AIB Treasury Economic Research Unit – Housing Market Bulletin December 2019
AIB Treasury Economic Research Unit – Irish Economy Watch December 2019
Banking and Payments Federation Ireland - Housing Market Monitor Q3 2019
Banking and Payments Federation Ireland – Mortgage Drawdowns Q3 2019
Central Statistics Office - Residential Property Price Index November 2019
  Central Statistics Office – New Dwelling Completions Q3 2019
  Central Statistics Office – Planning Permissions Q3 2019
  Central Statistics Office - Residential Property Price Register
  Central Statistics Office – Labour Force Survey Q3 2019
Central Statistics Office – Population and Migration Estimates April 2019
Economic & Social Research Institute – Quarterly Economic Commentary – Winter 2019
UK HM Revenue & Customs – Monthly Property Transactions November 2019
Disclaimer: Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by DNG and cannot be reproduced without prior written permission of DNG. All charts are created by DNG Research unless otherwise sourced.
RESIDENTIAL PROPERTY
MARKET REVIEW
Q4 2019
+OUTLOOK 2020
ADDITONAL SOURCES USED TO COMPILE THE REPORT:
AIB Treasury Economic Research Unit – Housing Market Bulletin December 2019
AIB Treasury Economic Research Unit – Irish Economy Watch December 2019
Banking and Payments Federation Ireland - Housing Market Monitor Q3 2019
Banking and Payments Federation Ireland – Mortgage Drawdowns Q3 2019
Central Statistics Office - Residential Property Price Index November 2019
Central Statistics Office – New Dwelling Completions Q3 2019
Central Statistics Office – Planning Permissions Q3 2019
Central Statistics Office - Residential Property Price Register
Central Statistics Office – Labour Force Survey Q3 2019
Central Statistics Office – Population and Migration Estimates April 2019
Economic & Social Research Institute – Quarterly Economic Commentary – Winter 2019
UK HM Revenue & Customs – Monthly Property Transactions November 2019