RESIDENTIAL MARKET REVIEW Q1

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REPORT COMPiled BY
DNG RESEARCH 2019

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The first quarter of 2019 has started relatively strongly for the residential sector with improved viewing levels and sales actively being recorded across our network compared to the last quarter of 2018.

New homes launches have been successful with sales being recorded across all DNG new homes schemes in the capital, which is an encouraging start to the year.

Second hand sales in our network are slightly ahead of last year for the first quarter of 2019 as the market continues on its slow road to recovery.

Property prices this quarter were more or less level, with the only increases being experienced in the entry level price ranges.
The first quarter of 2019 has started relatively strongly for the residential sector with improved viewing levels and sales actively being recorded across our network compared to the last quarter of 2018. New homes launches have been successful with sales being recorded across all DNG new homes schemes in the capital, which is an encouraging start to the year.

Second hand sales in our network are slightly ahead of last year for the first quarter of 2019 as the market continues on its steady but slow road to recovery.

Property prices this quarter were more or less level, with the only increases being experienced in the entry level price ranges. This is very good news for buyers, and indeed the market, as the double-digit price growth of the past number of years was neither welcome nor sustainable.

The number of residential property transactions per thousand population still remains low compared to our UK neighbours and still lags Northern Ireland by 17% and Wales and Scotland both by 42%. One would have hoped that at this juncture the gap in transactions recorded would have narrowed further between Ireland and the UK. However, negative equity, borrowers in arrears and the large volume of assets still under the control of funds continues to slow recovery in the residential market.

New housing output is certainly showing strong signs of ramping up at present, and this will continue in the medium term. Official figures report that 18,000 homes were built in Ireland last year, of which 7,000 were in Dublin. Our own internal analysis calculates that 11,000 of these were sold on the market, an increase of 1,620 or 17.5% on the year before.

In the capital, 4,800 new homes were sold on the market in developments of three or more units in the last year, up only 770 units on 2017. In one form or another, NAMA continues to play a major role in new housing development across the city, having being involved in 30% of new homes sales in 2018. Only seven schemes in Dublin completed more than 100 sales in any one development last year. However, we anticipate strong growth in this sector over the next few years which is being helped by a wider availability of funding from new entrants such as Activate Capital, Castlehaven and the newly opened Home Building Finance Ireland along with the main banks.

The demand for block sales appears unyielding with existing and new entrants purchasing large apartment blocks and now portfolios of houses across Dublin. This trend is now spreading to some of the other main cities across Ireland, as investors are attracted to relatively attractive yields compared to those available across other European capital cities. The recent announcements and now construction projects for the likes of Google, Facebook, LinkedIn, Salesforce and We Work who collectively have let or purchased 1,750,000 sq.ft. of office space in recent times, is giving renewed confidence to the mid to high end rental sector and many employees in these firms are attracted to the rental sector.

We believe that assuming an orderly Brexit is achieved, the property market will remain robust for the rest of this year with stronger sales volumes anticipated for the first half of 2019 compared to 2018. However, the Help to Buy scheme is due to cease at the end of this year and in order for new homes output to continue its road to recovery it is imperative that this measure is extended in Budget 2020.
DNG HOUSE PRICE GAUGE Q1 2019
HEADLINE RESULTS - THE KEY FINDINGS

0% PRICES REMAIN STATIC ACROSS DUBLIN DURING THE FIRST THREE MONTHS OF THE YEAR

0.9% ANNUAL RATE OF INFLATION FALLS TO 0.9% OVER THE TWELVE MONTHS TO MARCH

€454,510 AVERAGE PRICE OF A RESALE HOME IN THE CAPITAL REMAINS AT €454,510

-36.6% PRICES ACROSS THE CAPITAL REMAIN 36.6% BELOW THEIR PREVIOUS PEAK LEVELS ON AVERAGE

QUARTERLY RESULTS

The latest results recorded by the DNG House Price Gauge (HPG) show that prices remained unchanged during the first three months of the year with 0% change in prices recorded by the HPG. This is the second consecutive quarter in which prices have remained static in the capital for the overall HPG, and the latest quarterly results are in stark contrast to the corresponding period in 2018 when prices rose by 1.9%.

The latest quarterly results show that the average price of a resale residential property in the capital remained unchanged at just over €454,000 at the end of the first quarter of 2019.

FIGURE 1: QUARTERLY PERCENTAGE CHANGE IN DUBLIN RESIDENTIAL PROPERTY PRICES
Over the last twelve months, the rate of growth has eased back substantially. As shown in figure 2 below, the annual rate of price inflation continued to decline in the twelve months to March 2019. In the year to the end of quarter one, prices across the capital remained virtually unchanged, increasing by just 0.9%. Over the last twelve months the rate of growth has eased back substantially, and the latest results are in marked contrast to the twelve months to March 2018, when the HPG record an annualised rate of price inflation of 9.4%.

Although asset price inflation has seen values rise by 87% since the market low point in 2012, it is still the case that on average, current prices are still 36% below the peak levels of 2006 at the top of the last cycle.
The DNG HPG records the change in the average price of a residential property according to location within Dublin as shown in Table 1.

West Dublin saw a modest increase in prices during the first quarter of the year, whilst the rest of the capital recorded very modest declines on the overall HPG. In effect, prices remained fairly constant over the period across the city. On an annualised basis all areas saw a slight increase in prices but not at any significant level. Prices in west Dublin are 26% below their previous peak levels, having recovered over 94% of their value since the market low point. In contrast, prices in south Dublin remain over 40% below the previous peak, as measured by the HPG.

### TABLE 1: PRICE CHANGES BY LOCATION

<table>
<thead>
<tr>
<th>Area</th>
<th>Q1 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>-0.2%</td>
<td>0.4%</td>
<td>-41.3%</td>
<td>84.9%</td>
</tr>
<tr>
<td>NORTHSIDE</td>
<td>-0.3%</td>
<td>1.0%</td>
<td>-33.1%</td>
<td>88.2%</td>
</tr>
<tr>
<td>WESTSIDE</td>
<td>1.1%</td>
<td>2.0%</td>
<td>-26.3%</td>
<td>94.7%</td>
</tr>
</tbody>
</table>
The DNG HPG measures the movement in prices for different price brackets of property within the sample as shown in table 2 below.

As has been the trend in the last few quarters, prices at the entry level to the market continue to see the strongest rate of price inflation compared to properties with higher prices as outline in table 2. In the year to the end of March, properties values at under €300,000 saw an increase in values of 3.3% on average, whilst those valued above €500,000 recorded almost no change. Indeed, in the first quarter of 2019, the average price at the upper end of the market declined marginally, reflecting a slight correction in pricing for some of the most expensive properties on the market.

### TABLE 2: PRICE CHANGES BY PRICE BRACKET

<table>
<thead>
<tr>
<th>Price Bracket</th>
<th>Q1 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>0.7%</td>
<td>3.3%</td>
<td>-29.2%</td>
<td>126.5%</td>
</tr>
<tr>
<td>€301,000 to €500,000</td>
<td>0.4%</td>
<td>0.9%</td>
<td>-26.2%</td>
<td>91.9%</td>
</tr>
<tr>
<td>Over €500,000</td>
<td>-0.5%</td>
<td>0.1%</td>
<td>-43.9%</td>
<td>75.5%</td>
</tr>
</tbody>
</table>

3.3% Properties valued below €300,000 on the HPE saw an average rate of price inflation of 3.3% during the year to March.
DNG HPG & CSO RESIDENTIAL PROPERTY PRICE INDEX COMPARISON DUBLIN

Figures 3 and 4 below and overpage show 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 3:
QUARTERLY PERCENTAGE CHANGE - DNG HPG & CSO RPPI DUBLIN RESIDENTIAL PROPERTY

Interestingly, the CSO Residential Property Price Index for all Dublin properties recorded a decline in prices in the three months to January 2019 (the latest data available at the time of writing). However, it should be noted that in the first nine months of 2018 the CSO record an increasing rate of inflation in the market when it was clear from the DNG HPG that prices had started stabilising on a quarterly basis (see figure 3 above) so the latest data could therefore be something of a correction in the statistics.

Note: The CSO RPPI figure shown in Q3 2018 above relates to the 3 months to the end of January 2019 only, the latest data available at time of publication.
As figure 4 shows below, on an annualised basis the DNG HPG and the CSO RPPI continue to follow a very close trend and it is evident from the graph that the rate of growth in prices in the capital has eased substantially over the last eighteen months but remains positive on an annualised basis on both measures.

Note: The CSO RPPI figure shown in Q1 2019 above relates to the 12 months to the end of January only, the latest data available at time of publication.
### ANNUAL % CHANGE IN SECOND HAND HOUSE PRICES

#### ANNUAL PERCENTAGE CHANGE IN SECOND HAND HOUSE PRICES 2001 - 2018

<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>+0.6%</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>
</tbody>
</table>
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 will analyse price movements in different areas (Central, North, South and West) and by the number of bedrooms the property contains.

QUARTER ONE RESULTS

The Dublin apartment market also continues to see a moderation in the rate of price growth as outlined in figure 5 below.

The average price of an apartment in the capital increased by a modest 0.3% in the first three months of the year. This follows no change in prices recorded by the APG in the final quarter of 2018, in line with the House Price Gauge reflecting the current market conditions prevailing. The rate of growth recorded by the APG has moderated substantially with each successive quarter over the last fifteen months as shown below.

FIGURE 5: QUARTERLY PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES
ANNUAL RESULTS

Equally, the annual percentage change in apartment prices in the capital has fallen back with each successive quarter as shown in figure 6 below. From a peak rate in excess of 14% at the end of 2017 the latest results of the APG confirm an annual rate of growth in the order of 1.4% in the year to the end of March 2019. As a result, the average price of a resale apartment in the capital now stands at €330,000, a moderate and sustainable increase from a level of €325,00 one year ago.

FIGURE 6:
ANNUAL PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES
RESULTS BY AREA

As part of the DNG APG series, prices in the apartment market are analysed by geographical location across Dublin. Table 3 shows the rate of change in prices over the last three and twelve months.

Prices in Central Dublin eased back slightly during the opening three months of the year, falling by -1.2% in the period, due to an increase in supply coming onstream. As a result, prices in the year to March in the Central area also fell marginally, at -0.9%.

All other areas of the capital saw small levels of growth during quarter one and recorded positive values for annual price inflation in the year to March, with the North Dublin market delivering the strongest performance at +4.0%. South Dublin recorded the strongest growth in quarter on at +1.0% and apartment prices in this area have increased in value by 1.9% in the twelve months to March according to the APG.

Table 3:
Price Changes by Area

<table>
<thead>
<tr>
<th></th>
<th>% Change Q1 2019</th>
<th>Annual % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>-1.2%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>North Dublin</td>
<td>0.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td>South Dublin</td>
<td>1.0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>West Dublin</td>
<td>0.3%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>
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 aggregated for the whole Dublin area.

One and two bedroom apartments saw a small increase in value across the city in the first three months of the year, rising on average by +0.3% and +0.6% respectively during the period. As a result, both one and two bedroom apartments rose by 1.7% in the year to March.

Three bedroom apartments saw a slight correction in prices during quarter one, with the average price falling by -0.4% in the period. In the year to the end of March this sector of the market also saw a marginal decline in values in the order of -0.4% also.

### TABLE 4:
PRICE CHANGES BY NO. OF BEDROOMS

<table>
<thead>
<tr>
<th></th>
<th>% CHANGE Q1 2019</th>
<th>ANNUAL % CHANGE 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>ONE BED APARTMENT</td>
<td>0.3%</td>
<td>1.7%</td>
</tr>
<tr>
<td>TWO BED APARTMENT</td>
<td>0.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>THREE BED APARTMENT</td>
<td>-0.4%</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>
DNG APG & CSO RESIDENTIAL PROPERTY PRICE INDEX COMPARISON

Figure 7 below shows the comparison between the Central Statistics Office Dublin Apartment Price Index and the DNG APG on a quarterly basis whilst figure 8 shows both indices on an annualised basis.

FIGURE 7:
DNG APG & CSO RPPI - DUBLIN APARTMENT PRICE INDEX

Note – The CSO data reported above in the period Q1 2019 relates to the 3 months to January 2019 only. The latest available data at time of writing.
Whist the full quarter one statistics are not yet available for the first quarter of the year, it is evident that the DNG APG and CSO Apartment Price Index are recording slightly different trends. The CSO data shows prices falling at an increasing rate at the end of 2018 and in the three months to January 2019. It is worth noting that the CSO’s statistics also recorded a decrease in prices in the first quarter of a year of 2018, only to immediately return to significantly stronger growth in quarters two and three.

Perhaps the more reliable guide to what is happening in the capital’s apartment market can been seen figure 8 below. Both the DNG APG and the CSO recorded positive growth rates for the year to December and of a similar magnitude, with the APG recording price appreciation of +4.0% and the CSO +3.5% over the course of 2018 as a whole.

**FIGURE 8:**
**ANNUAL PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES**

Note - The CSO data reported above in the period Q1 2018 - Q1 2019 relates to the 12 months to January 2019 only. The latest available data at time of writing.
CASH / NON-MORTGAGE TRANSACTIONS – FULL YEAR 2018

- 57% of all residential property transactions were financed by cash or non-Banking Payments Federation Ireland related lending in 2018 (by value).
- For 2018 as a whole there was a 13.5% increase in purchase mortgage drawdowns compared to 2017 in value terms, and a 9% increase in volume terms.
- Total residential transaction numbers rose by 5% in 2018 compared to 2017 and the value of those transactions increased by 16.2% over the same period.
- In Quarter 4 2018 there were 9,613 purchase mortgage drawdowns valued at €2,166 million in the Irish market.

*DNG Research - BPFI & Property Price Register (Figures exclude Re-mortgages & Top-ups) December 2018.*
TRANSACTION LEVELS IRELAND V’S UK

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.

QUARTERLY CHANGE IN HOUSING TRANSACTIONS

Housing transactions per thousand population increased again in quarter four compared to quarter three 2018 as outlined in figure 9. Ireland and Dublin both experienced a proportionately larger increase in the number of transactions per head of population than any UK region during the final three months of the year, and in England the number of transactions only increased marginally compared to other areas.

FIGURE 9:
HOUSING TRANSACTIONS PER 000 POPULATION

Source: UK HM Revenue & Customs; Residential Property Price Register, Ireland.
Ireland continues to lag behind the UK in terms of the number of transactions per thousand population as shown in figure 10 below where the UK saw an average of 5 transactions per thousand population in the fourth quarter compared to 3.6 in Ireland. More significantly, the number of transactions continued to increase with each successive quarter throughout 2018, in contrast to previous years when the number of transactions per thousand population dipped in the final quarter of the year.

Figure 10:
Transactions per 1,000 Population – UK and Ireland

[Graph showing transactions per 1,000 population for UK and Ireland from Q1 2015 to Q4 2018.

Source: UK HM Revenue & Customs; Residential Property Price Register, Ireland.]
Looking at the average number of transactions recorded per quarter in 2018, Ireland recorded the lowest number of any region analysed at 2.7. The figure in Dublin was marginally better at 3.2 and Northern Ireland 3.6. All other areas of the UK averaged over 4 transactions per thousand population.

**FIGURE 11:**
AVERAGE NO. OF TRANSACTIONS PER QUARTER 2018 (PER THOUSAND POPULATION)

Source: UK HM Revenue & Customs; Residential Property Price Register, Ireland.
Secondly affordability in the Dublin market remains an issue, particularly for first time buyers looking to enter the market. As such, the Help to Buy initiative which improves affordability for first time buyers of new properties relative to comparable resale properties has shifted an element of demand into that sector of the market. In addition, the Central Bank’s mortgage lending rules continue to restrict the amount which buyers can borrow in order to finance their home purchase to a loan to income ratio of 3.5 times income, unless an exemption can be obtained.

Prices across the capital are however being underpinned by the continued shortage of overall accommodation available in the market place across the ownership and private rental sectors, however there is evidence that the availability of resale properties is improving slowly with property portal Myhome.ie recording a 13% increase in Dublin listings during the first quarter of 2019 compared to the previous year.

In addition, the main economic indicators continue to underpin demand in the market. The seasonally adjusted unemployment rate fell to a new low of 5.6% in February 2019, and employment levels in the economy continued to rise during 2018. The increase in total employment of 50,500 in the year to Q4 2018 included an increase in full-time employment of 48,200 (+2.7%) which is significant for underlying demand in the property market.

Looking ahead, it is likely that the current period of stability in the market will continue for a number of months, as housing output continues to edge upwards, redressing the supply demand imbalance, and mortgage lending levels remain somewhat constrained by the Central Bank mortgage lending rules. That said it is clear that demand will continue to run ahead of supply in the short term as the projected level of housing output is still well short of the estimated 35,000 units per annum required to satisfy demand in the market, which continues to be driven by household formation, population growth and the replacement of obsolete housing stock.
DNG NATIONWIDE PRESENCE

76 BRANCHES NATIONWIDE
ADDITIONAL SOURCES USED IN COMPILING THIS REPORT:

- Residential Property Price Index Central Statistics Office - February 2019
- AIB Irish Economic Update AIB Treasury ERU - March 2019
- AIB Housing Market Bulletin AIB Treasury ERU - December 2018
- Banking and Payments Federation Ireland - Housing Market Monitor Q4 2018
- Banking and Payments Federation Ireland - Mortgage Drawdowns Report Q4 2018
- Central Statistics Office - New Dwelling Completions Q4 2018
- Central Statistics Office - Labour Force Survey Q4 2018
- HM Revenue & Customs - Monthly Property Transactions February 2019
- MyHome.ie Q4 2018 Property Report
- Residential Property Price Register, Ireland