

RESIDENTIAL MARKET REVIEW Q3. 2017

HEADLINE RESULTS Q3 2017

Annual Percentage Change

11.1%

Average Dublin Second Hand Price

€434,561

% Change Since Low (Q2 2012)

79.4%

Percentage Change Q3 2017

2.1%

% Change From Peak (Q3 2006)

-35%

RESIDENTIAL MARKET REVIEW Q3

REPORT COMPILED BY
DNG RESEARCH 2017

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DNG NATIONWIDE PRESENCE



RECOVERY - FACT OR FICTION

KEITH LOWE
CHIEF EXECUTIVE DNG



On reading the property supplements, which are now larger than the main broadsheet news sections at 32 pages plus, one would think that we are in boom times again and that the sale of second hand properties which form the bulk of the property advertised in the supplements are back at peak levels. However, the reality is that residential property sales for second hand properties in the capital are virtually at the same levels that they were last year with only a handful of extra transactions registered on the property price register for the first seven months of 2017 compared to the same period last year. In fact, the current volume of sales sits at about half the level we feel would be deemed as normal especially when compared to transaction numbers per head of population in the UK.

The same cannot be said for the new homes market however, with the number of new property transactions rising sharply by 75% with an extra 850 sales recorded so far this year in Dublin. This is very welcome for the new homes sector and a move in the right direction but is coming from an extremely low base. The increased numbers are a result of general recovery in the sector but also as a direct result of the success of the government Help to Buy scheme.

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

The Help to Buy which was introduced as a temporary measure to assist the new homes market and first time buyers and has a limited life span beginning in July 2016 and originally planned to finish at the end of December 2019. The government are currently reviewing this initiative and if it is removed before its natural end, it will be seen as a regressive move and lead to an immediate fall off in sales, confidence and ultimately will slow the recovery of housing output. DNG Research carried out a study on the pricing of four new housing developments in the Greater Dublin area and the results proved that new house prices have risen at a slower rate than second hand prices in the last four years and that the Help to Buy scheme has not let to property prices rising disproportionately in this sector of the market.

Taking into account both new and second hand sales transactions, sales numbers are just 12% higher than last year as recovery remains slow.

The number of transaction not funded by Irish institutions which many class as being 'cash transactions' this quarter have dropped by 10% compared to the same period last year. This is positive and is proof that financial institutions in Ireland are back lending again. New entrants such as Pepper and Dilosk who are also lending into the buy to let market is very welcome and making its mark.

Property prices this quarter have risen by 2.1% in Dublin, with an increase of 11.1 % for the year to date. This represents the lowest quarterly rise of 2017 and levelling out in annual house price growth which I believe should be considered as a positive as no one wishes the market to overheat. The majority of price rises have been at the entry to mid-level market levels with prices at the top end remaining reasonably level. Prices outside Dublin have risen by 10.4% for the year to the end of June, a trend which is likely to continue as demand outstrips supply on a nationwide basis, particularly acute in the main urban centres across the country.

It has been mooted by the Taoiseach and in the media, that the government are going to change the role of NAMA and empower them to assist with housing output and indeed the provision of social and affordable housing. NAMA's role has been significant to the sector over the last few years as funding is still a major challenge even though there are a number of funders which include Activate Capital, AIB, Bank of Ireland, Castlehaven and Lotus who are supporting residential builders.

Whilst government seem to be scrambling for ideas on how to make housing more affordable, DNG continue to advocate that they introduce a Home Equity Scheme Mortgage product. This operates very successfully in the UK with over 100,000 mortgages issued to date. There is no doubt that it led to a sharp increase in housing output in the UK and at the same time addressed the issue of affordability. 100,000 buyers who could not have afforded to purchase a new home in London and indeed all parts of the UK have now been able to purchase. Under the scheme, a buyer comes up with 5% deposit, borrows 75% as a normal mortgage from a high-street bank and the government take a 20% stake in the property. When the property is sold, the government get their stake and any profit (20% of any gain) returned. In London, the government will take up to a 40% stake to take account of higher house prices in the capital. The scheme allows buyers to purchase a property up to £600,000stg. I believe, with the average price of a property in Dublin sitting at just over €430,000 that this type of 'Home Equity Scheme' would hugely assist the Irish new homes market.

All in all, the third quarter of 2017 is positive, transaction numbers are increasing largely as a result of the new homes industry which is a very welcome result and prices appear to be levelling, again a reassuring sign. Ireland's property market continues its road to recovery and supply is the key component. It is imperative that government policy remains coherent and consistent whether for private, affordable or social housing. Negative equity is still a major issue as property prices remain 35% below their peak level and international funds still control tens of thousands of properties and indeed mortgages throughout the state all which is slowing recovery. Every effort must be made by all stakeholders to ensure that a more robust property market is achieved for all concerned.

DNG HOUSE PRICE GAUGE

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2.1%

RATE OF GROWTH IN HOUSE PRICES EASES TO 2.1% IN THIRD QUARTER.

11.1%

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

79%

PRICES HAVE RISEN 79% ON AVERAGE SINCE THE MARKET LOW POINT 5 YEARS AGO.

**AVERAGE PRICE OF A
RESIDENTIAL PROPERTY
IN THE CAPITAL STANDS
AT €434,561.**



QUARTERLY RESULTS

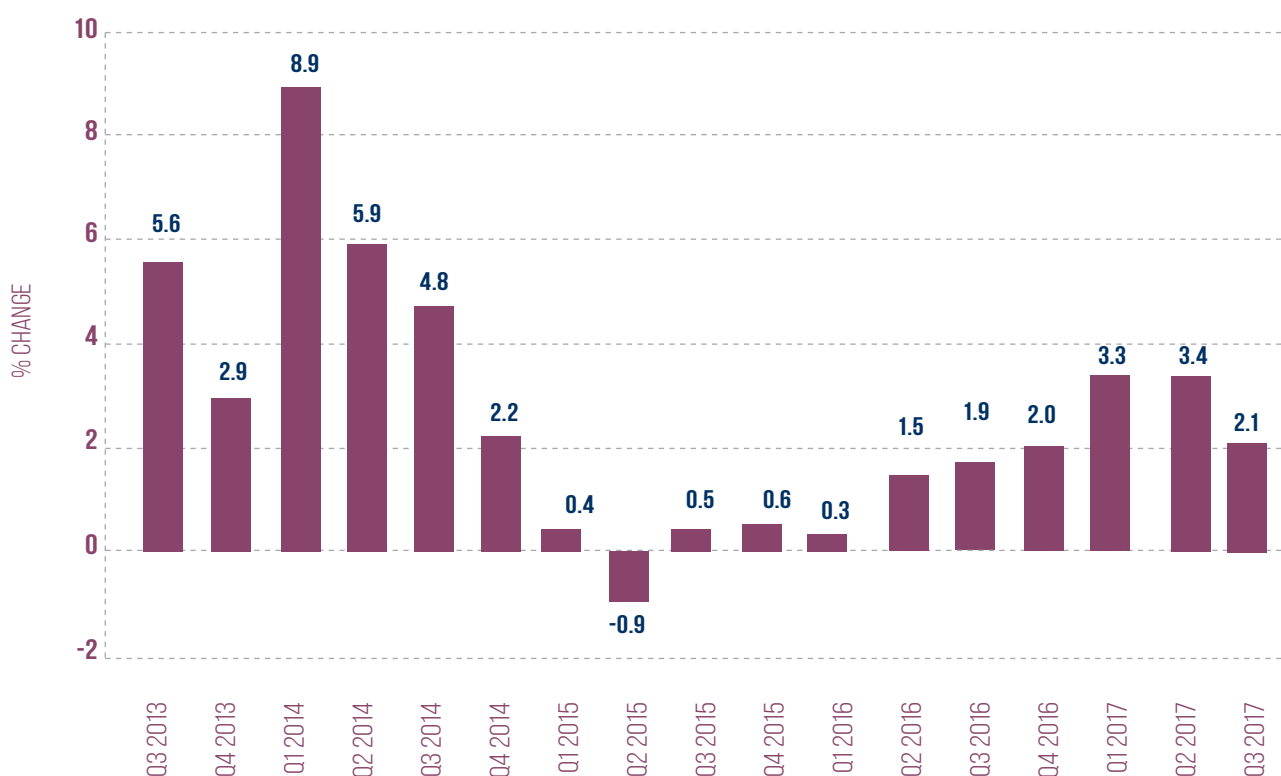
In the third quarter of the year the DNG House Price Gauge (HPG) recorded an average increase of 2.1%. The rate of growth in prices did ease however, when compared to the first two quarters of the year, when prices increased in excess of 3% in each period. The rate of increase was very similar to that seen in quarter three 2016 when prices increased by 1.9% on average.

The latest quarterly rise in prices in the capital means that the average price of a resale residential property in Dublin now stands at €434,561, an increase of €43,000 in the last twelve months.

2.1%

In the third quarter of the year the DNG House Price Gauge (HPG) recorded an average increase of 2.1%.

FIGURE 1: QUARTERLY PERCENTAGE CHANGE IN DUBLIN RESIDENTIAL PROPERTY PRICES



ANNUAL PERCENTAGE CHANGE

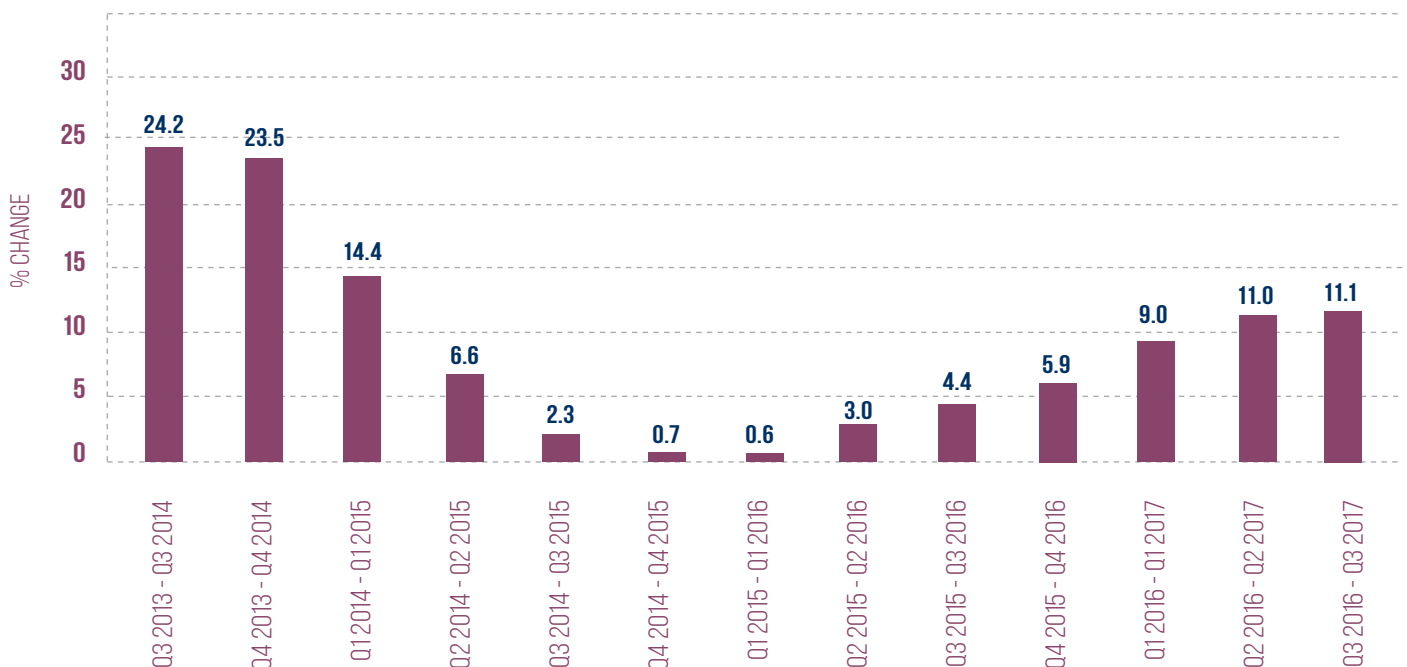
The latest results of the HPG show that the annual rate of price inflation in the capital remained stable during Q3 at 11.1%, following six quarters of consecutive increase in the annual rate.

The slowdown in the rate of price inflation during the third quarter is welcome, as a continued acceleration in the rate of growth would be unsustainable given the current position of the housing market.

11.1%

Annual rate of price inflation in the capital remained stable during Q3 at 11.1%.

FIGURE 2: ANNUAL PERCENTAGE CHANGE IN DUBLIN RESIDENTIAL PROPERTY PRICES



PRICE CHANGES BY LOCATION

Q3 South Dublin

2.9%

Q3 West Dublin

3.6%

Q3 North Dublin

4.1%

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

Prices increased by approximately 2% across all areas of the city in the three months to September and likewise all areas have seen annual increases in the order of 11% over the past year.

In south Dublin prices remain almost 45% lower than at the peak of the previous boom but have risen 78% since the market trough, five years ago.

On the west side of the city, prices are now only 31% below their previous peak and have risen 82% since 2012.

In south Dublin prices remain almost 45% lower than at the peak of the previous boom.

TABLE 1: PRICE CHANGES BY LOCATION

	Q3 2017	ANNUAL % CHANGE	FROM PEAK (Q3 2006)	FROM LOW (Q2 2012)
SOUTHSIDE	2.2%	11.6%	-43.4%	78.4%
NORTHSIDE	2.1%	11.4%	-36.2%	79.5%
WESTSIDE	1.7%	10.0%	-31.0%	82.3%

PRICE CHANGES BY PRICE BRACKET

2.8%

In the third quarter, the largest percentage increase in prices occurred at the entry level to the market, with properties valued at €250,000 and less seeing a 2.8% increase.

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

In the third quarter, the largest percentage increase in prices occurred at the entry level to the market, with properties valued at €250,000 and less seeing a 2.8% increase, whereas properties at the upper levels of the market saw more modest growth at 1.6%.

109%

The average price of property below €250,000 has more than doubled since its lowest point in 2012.

On an annualised basis the same trend is evident, with a 15.5% increase at the entry level over the last twelve months, compared to an average increase of 9.5% for properties valued above €500,000 in the market.

TABLE 2: PRICE CHANGES BY PRICE BRACKET

	Q3 2017	ANNUAL % CHANGE	FROM PEAK (Q3 2006)	FROM LOW (Q2 2012)
UP TO €250,000	2.8%	15.5%	-37.2%	109.5%
€250,001 TO €350,000	2.4%	11.7%	-31.6%	87.2%
€350,001 TO €500,000	2.5%	12.4%	-29.0%	83.1%
OVER €500,000	1.6%	9.5%	-46.3%	79.4%

DNG HPG & CSO RPPI DUBLIN

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

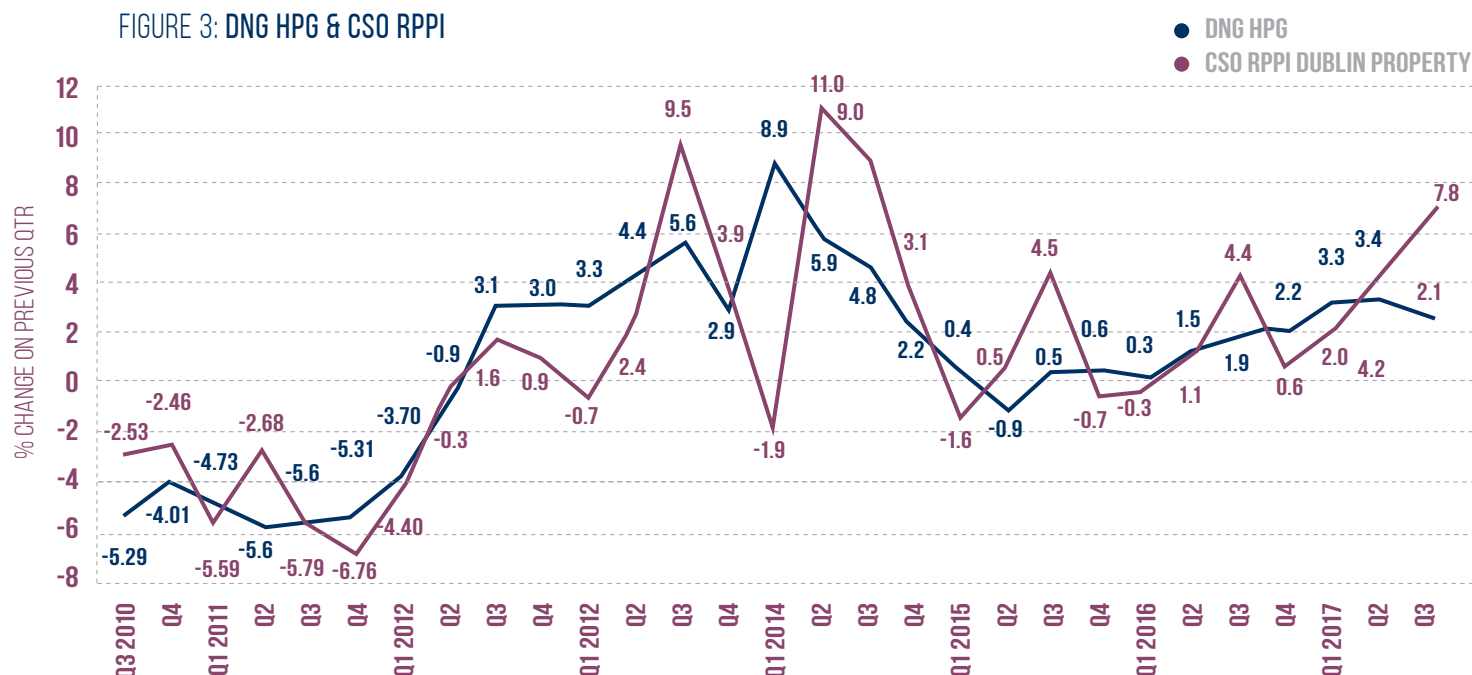
Figure 4. shows the annual percentage change in Dublin residential property prices as measured by the two indices.

Whilst the latest available data from the CSO would indicate an increase in the rate of house price inflation and the DNG House Price Gauge Q3 results

show a slowing the rate of growth, it is evident from the graphs that both measures of the market have followed a very similar trend in recent years. It will be interesting to see if the divergent trend continues as the rest of the year develops and the full Q3 data from the CSO becomes available.

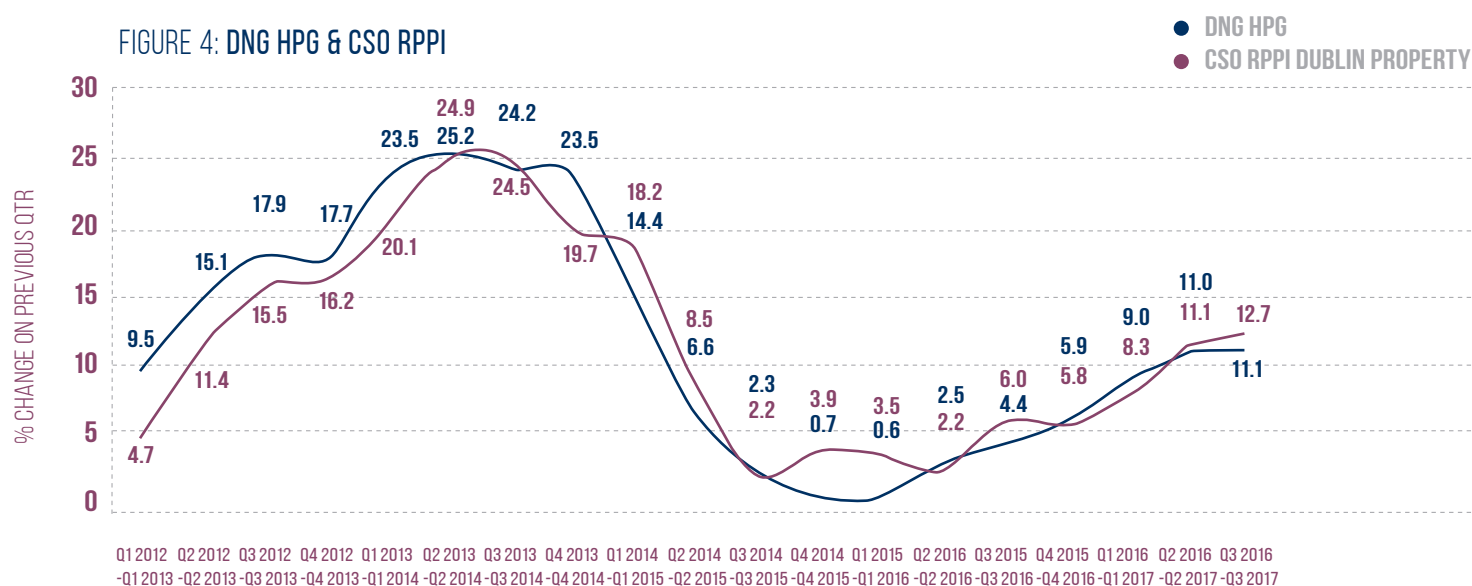
On an annualised basis the statistics also show a very close correlation, however as shown in figure 4 above, the DNG HPG rate of increase is just showing signs of moderating.

FIGURE 3: DNG HPG & CSO RPPI



Note: The CSO RPPI figure shown in Q2 2017 above relates to the 3 months to the end of July 2017 only, the latest data available at time of publication.

FIGURE 4: DNG HPG & CSO RPPI



THE LATEST RESULTS OF THE DNG HPG REVEAL THAT THE UPWARD PRESSURE ON PRICES APPEARED TO EASE SOMEWHAT AFTER A VERY STRONG FIRST HALF OF THE YEAR.

Quarter three saw a slower rate of price increase than was evident over the first two quarters of the year, and as a result the annual percentage change in prices also slowed slightly but remains above 10%.

However, prices are still rising across the capital, primarily due to the continued shortage of supply compared to the demand level evident in the market. As has been noted previously in the HPG analysis, only a significant and sustained increase in the supply of residential property through new construction will be enough to cool the market and keep price inflation at a sustainable level.

Whilst the Government must be commended for announcing initiatives aimed at bringing more accommodation to the market over the last two years, it remains the case, and will do so for some time yet, that there simply isn't enough new housing construction taking place in and around Dublin, to meet the pent up demand that exists.

€434,561

The average price of a second hand home in Dublin.

There are signs however, that more housing stock will come on stream at a faster rate in the years ahead, judging by the latest construction sector data which show increases in the level of planning permissions granted and housing units completed. New housing stock takes time to deliver and the pace of new housing completions will need to accelerate at an even faster rate than currently, in order to have any chance of meeting demand. Critically, the right type of property in the right locations will have to be delivered across the Dublin region so as to ensure continued economic growth.

It is no surprise then that prices continue to rise at a high rate across the capital and we would argue that this is in not in the best interests of the economy, or society in the long term. Paradoxically, it is the relatively strong performance of the economy that is in part contributing to the excess of demand over supply in the housing market.

“The underlying strength of the labour market is underpinning demand for housing, unemployment has fallen to a current level of just 6.1% and employment levels have increased by 15% in the Dublin region over the last five years.”

Furthermore it is positive that permanent employment continues to rise at a faster rate than part time employment according to the latest Quarterly National Household Survey, as this helps underpin the demand for mortgages. This increased demand for property finance is borne out by the latest data for mortgage approvals, which increased by 25% in the year to June. Mortgage draw-downs were 17% higher over the same period.

Given the complexities of the current market, it is clear that the continued shortage of supply over demand will continue to underpin further house price inflation in the short to medium term. Initiatives that have been previously announced, need to be given time in order to demonstrate their effectiveness at delivering affordable accommodation where it is needed most. It is clear is that there is no one solution to Ireland’s current housing crisis and secondly, sustained increases in new housing supply must be seen as a critical part of any solution in the years ahead.

DNG APARTMENT PRICE GAUGE

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.

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QUARTERLY RESULTS

Apartment prices increase by 2.7% on average during Q3 but the pace of growth slows for a second quarter.

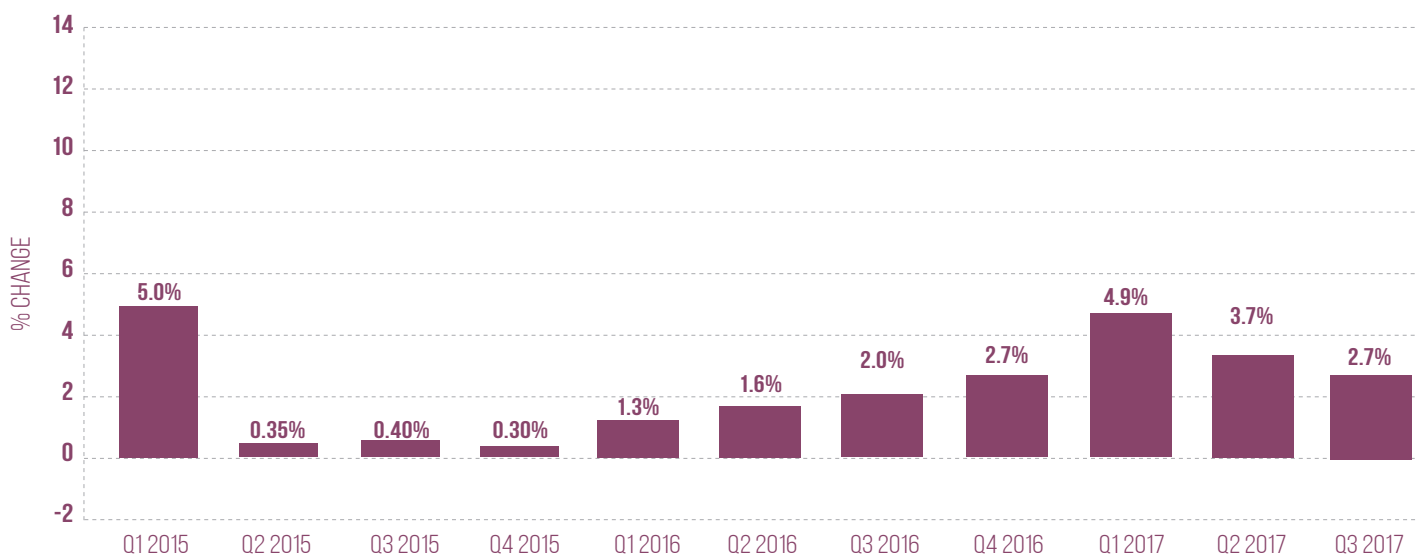
Strong increase in prices over the past year, average rise of 14.7% recorded in the year to September.

Average price of an apartment in the capital increases by €39,000 during the last twelve months.

2.7%

Apartment prices increase by 2.7% on average during Q3 but the pace of growth slows for a second quarter.

FIGURE 1: QUARTERLY PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES



ANNUAL PERCENTAGE CHANGE

Annual rate of inflation in the apartment market continues to increase albeit at a slightly slower rate than previous periods.

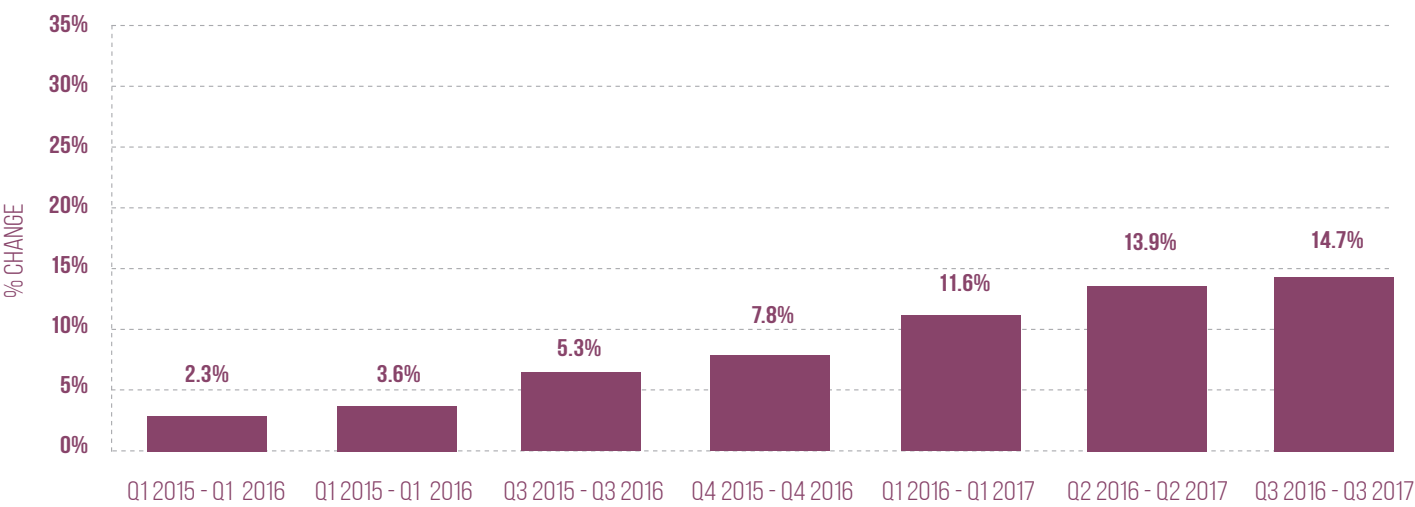
Prices have increased by 14.7% in the year to September as demand remains robust, particularly in the city centre area.

The annualised rate of price inflation has now increased for six consecutive quarters.

14.7%

Prices have increased by 14.7% in the year to September as demand remains robust, particularly in the city centre area.

FIGURE 2: ANNUAL PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES



APG RESULTS - AREAS

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

- The city centre again saw the strongest growth in prices during the third quarter with prices rising 3.5% on average.
- Apartment prices in the central city centre area have now risen by 17.8% on average in the year to September.
- Apartments in west Dublin saw the smallest increase in Q3 at 2.3%.

TABLE 1: PRICE CHANGES BY AREA

	% CHANGE Q3 2017	ANNUAL % CHANGE
CENTRAL	3.5%	17.8%
NORTH DUBLIN	3.1%	13.4%
SOUTH DUBLIN	2.6%	14.6%
WEST DUBLIN	2.3%	12.9%

APG RESULTS - BY NUMBER OF BEDROOMS

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

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

TABLE 2: PRICE CHANGES BY NO. OF BEDROOMS

	% CHANGE Q3 2017	ANNUAL % CHANGE
ONE BED APT	3.1%	16.5%
TWO BED APT	2.5%	14.9%
THREE BED APT	2.5%	10.1%

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

DNG APG & CSO RPPI COMPARISON

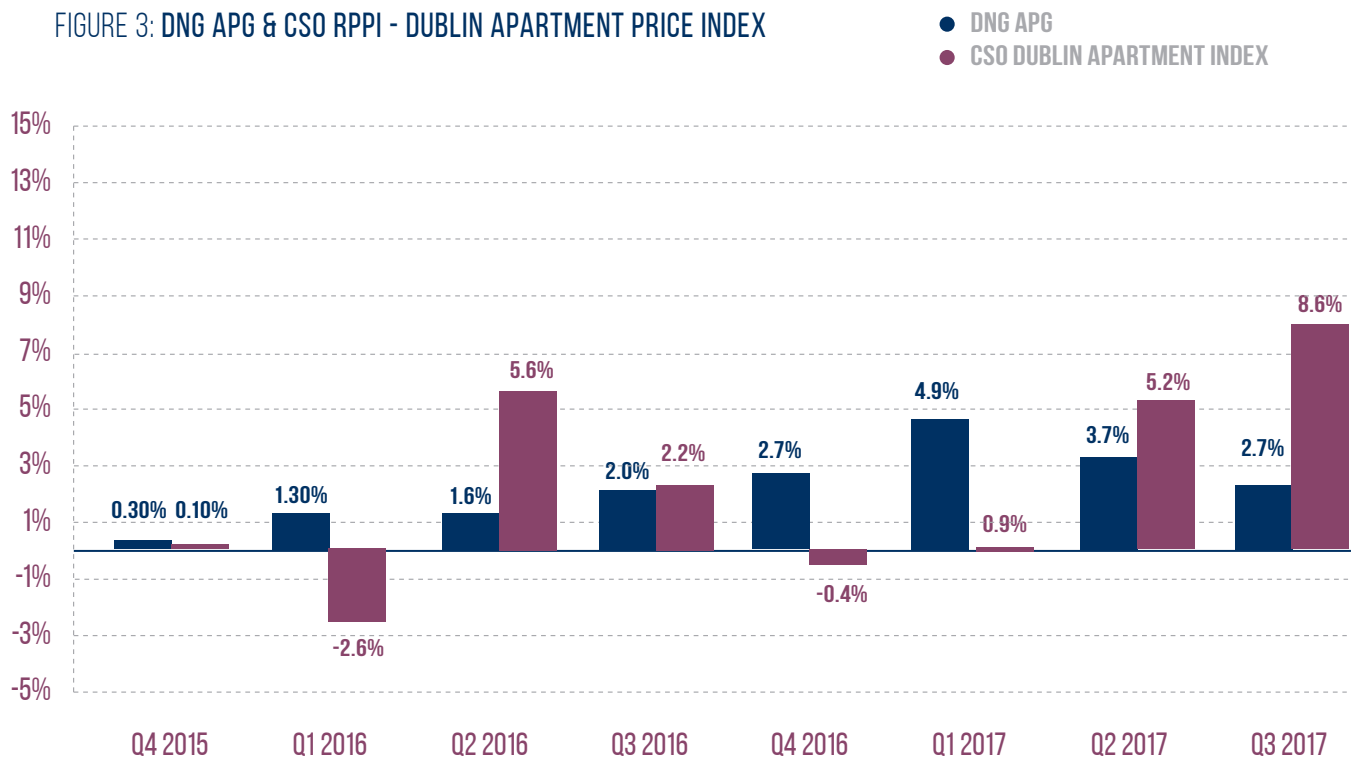
Figure 3 below shows the comparison between the Central Statistics Office Dublin Apartment Price Index and the DNG APG.

Throughout the year to date the CSO Dublin apartment price index has recorded an acceleration in the rate of price inflation whereas the DNG APG has seen an opposing trend with the rate of price increase slowing slightly with each successive quarter this year.

Similarly, the annual rate of price inflation also recorded a divergent trend in recent months with the annual rate of inflation slowing according to the DNG APG, but accelerating according to the CSO Dublin apartment price index.

As such it seems likely that the annual rate of inflation for 2017 will be in the order of 15% as measured by both indices.

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



Note - The CSO data reported above in the period Q3 2017 relates to the 3 months to July 2017 only. Data for August and September 2017 not available at time of writing.

THE OVERALL APARTMENT MARKET IN THE CAPITAL HAS SEEN THE AVERAGE PRICE OF AN APARTMENT INCREASE BY ALMOST 15% YEAR ON YEAR.



The Dublin apartment market continues to show solid growth in prices albeit that the rate of price inflation seems to be easing slightly, according to the APG.

The overall apartment market in the capital has seen the average price of an apartment increase by almost 15% year on year.

As a result the average price of an apartment in Dublin now stands at €308,524

Smaller and cheaper one bedroom apartments have seen the strongest level of demand in excess of supply, driving prices up by 16.5% over the past twelve months.

With limited additional stock of apartments being added to the market due to the costs associated with development, it is likely that current market conditions will prevail, at least in the short term.

€308,524

The average price of an apartment in Dublin.

DNG APG RESULTS Q3 2017

The average price of an apartment in Dublin now stands at €308,524.

Average Price of an Apt. in Dublin

€308,524

% Change Q3 2017

2.7%

Annual % Change

14.7%

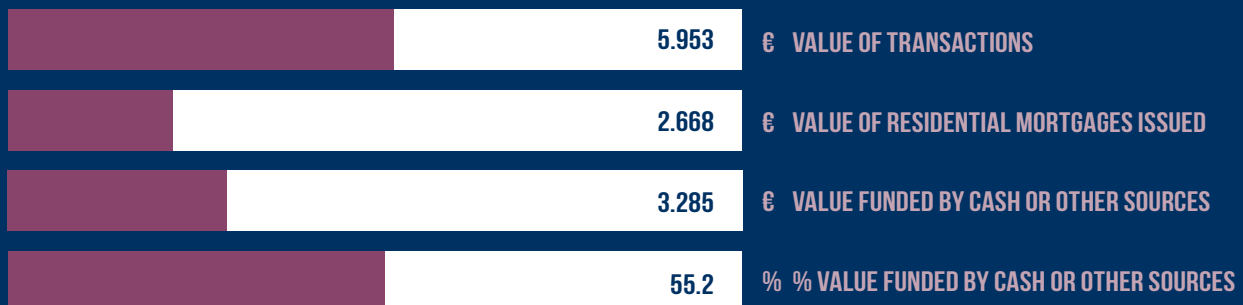


CASH/ NON-MORTGAGE TRANSACTIONS Q1 & Q2 2017

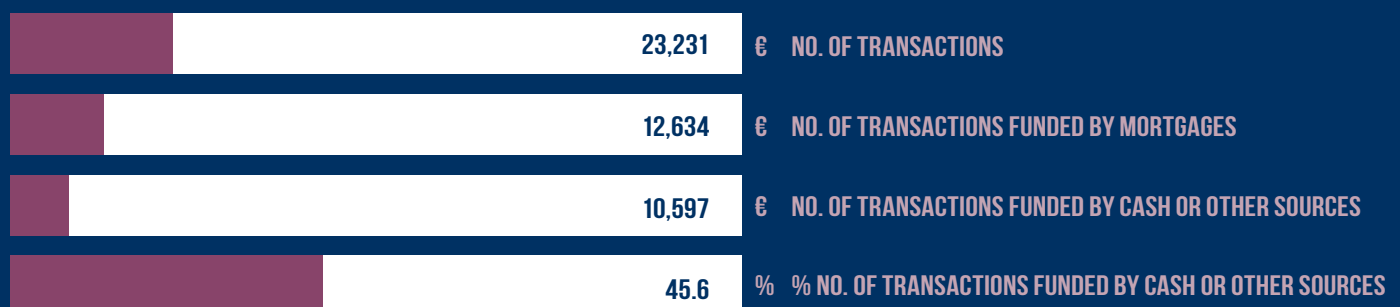
- Cash/ non-mortgage transactions are running at 45.6% in volume terms and at 55.2% of value
- Total transactions numbers are up by just 8.8% and value of transactions are up by approximately 18% compared to the first six months of 2016 as per the Property Price Register
- Mortgages (excluding top-ups & re-mortgages) are up 21% in number terms for Q1 and Q2 2017 compared to the same period in 2016 and up 31% in value terms

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

Q1 & Q2 2017 VALUE OF TRANSACTIONS BY EURO (BILLION)



Q1 & Q2 2017 BY NUMBER OF TRANSACTIONS



TRANSACTION LEVELS

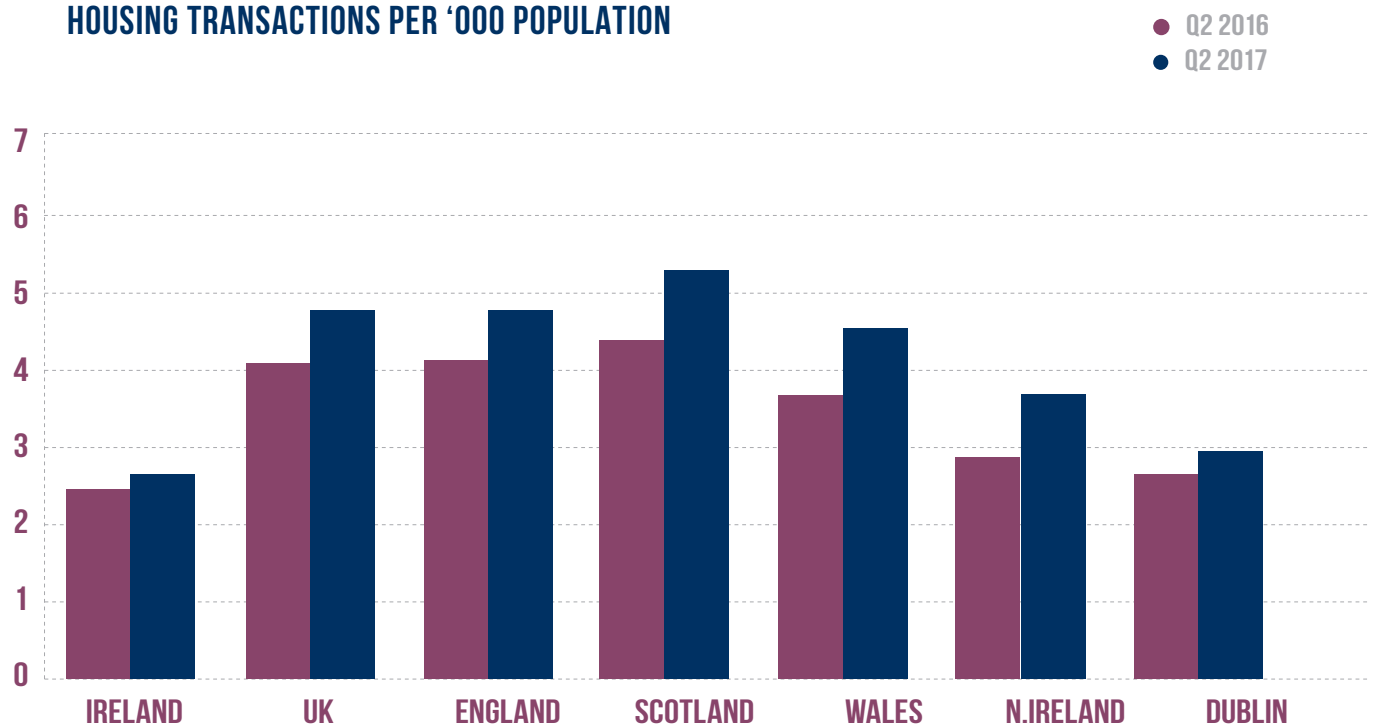
IRELAND V'S UK

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

QUARTERLY CHANGE IN HOUSING TRANSACTIONS

- Ireland and Dublin have recorded small increases in the volume of transactions per thousand population compared to the same period last year.
- In all areas of the UK volumes increased at a greater rate, with the UK up 17% on average compared to the Irish average of 8.3% for Q1 and Q2 2017 versus the same period in 2016.
- Ireland continues to run significantly behind all of our nearest neighbours despite a widespread increase in transaction levels.

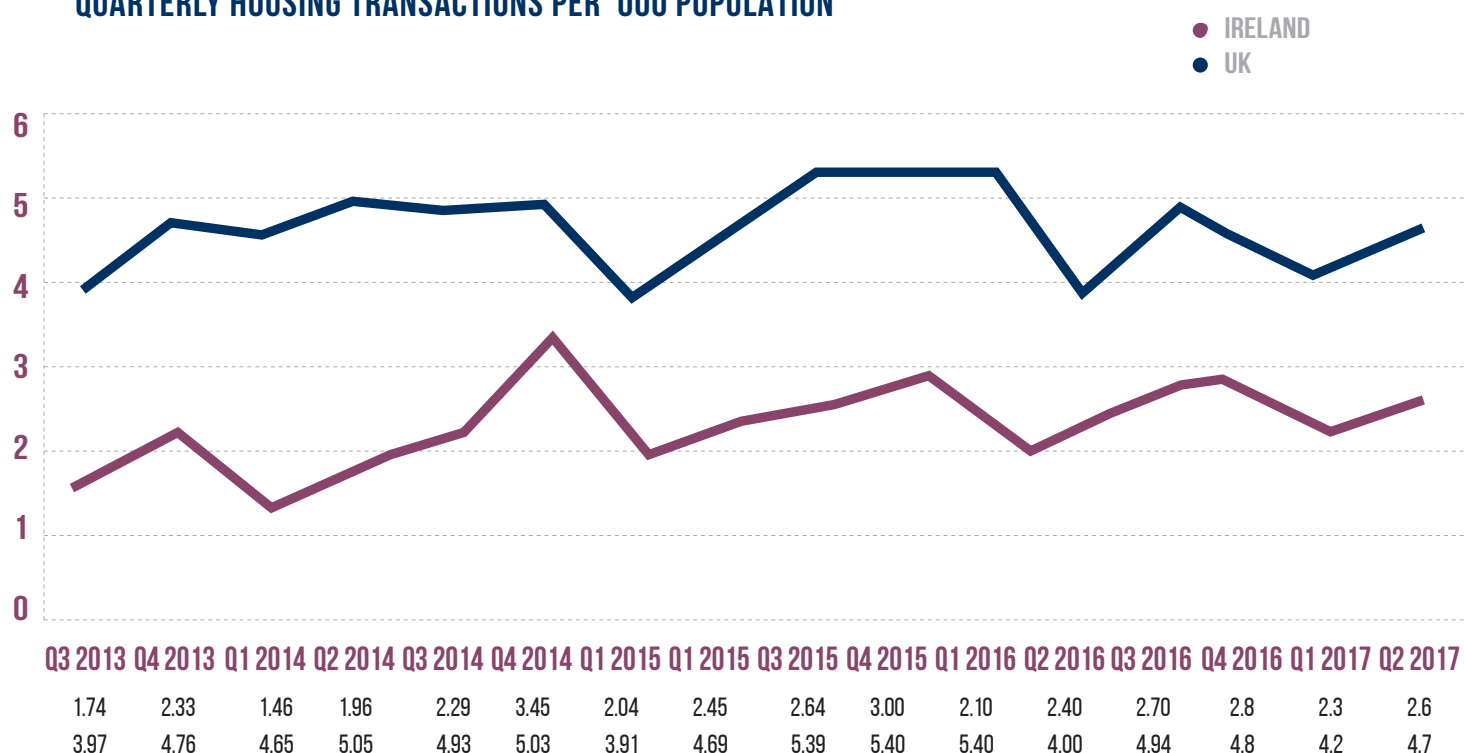
HOUSING TRANSACTIONS PER '000 POPULATION



QUARTERLY HOUSE TRANSACTIONS PER THOUSAND POPULATION

- Q2 2017 saw a pickup in Irish transaction levels but still remains nearly half the rate seen in the UK.
- UK markets improve after a relatively level period since the dip in the second quarter of 2016, however, the true impact of the Brexit vote will only be realised as the process of exiting the EU progresses.
- Ireland is still off reaching 'normal' level of transactions, making no appreciable gains in the last two years.

QUARTERLY HOUSING TRANSACTIONS PER '000 POPULATION



DNG NATIONWIDE NATIONAL PRICE GAUGE (EXCLUDING DUBLIN) SUMMER 2017

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The DNG National Price Gauge (NPG) measures the movement in prices of residential property across the country. (Excluding Dublin)

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.



DNG NATIONAL PRICE GAUGE H1 - KEY FINDINGS

The average price of a residential property rose in value by 5.1% in H1 2017.

In the year to June 2017 the average price of a residential property increased by 10.4%.

Apartment prices saw the strongest rates of increase in H1, increasing by 8.4% on average.

Similarly, two bedroomed properties saw the strongest rate of increase in H1 at 9.6%.

At the national level the average price of a residential property stands at €195,382.

Average Price June 2017

€195,382

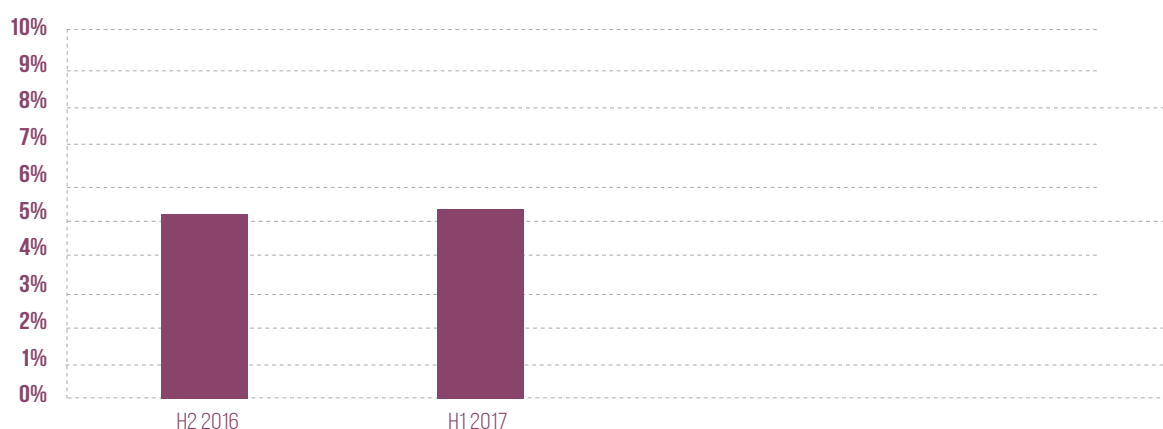
% CHANGE IN PRICE H1 2017

5.1%

Annual % Change

10.4%

HALF YEARLY PERCENTAGE CHANGE IN NATIONAL PRICES (EX DUBLIN)



PRICE CHANGES BY AREA

The half yearly movement in residential property prices is measured for each region within Ireland and the results are shown in Table 1. Below.

Based on the latest results of the DNG NPG, all regions saw a uniform increase in average prices during the first six months of the year, in line with the overall national average of 5.4%. Similarly all regions recorded annual rates of increase in line with the overall average of 10.4% in the twelve months to June 2017.

TABLE 1: PRICE CHANGES BY AREA

	% CHANGE IN PRICE H1 2017	ANNUAL % CHANGE	AVERAGE PRICE JUNE 2017
BORDER	5.8%	10.3%	€150,927
WEST	4.7%	11.9%	€189,041
MID WEST	5.8%	9.9%	€168,147
MID EAST	4.9%	9.3%	€291,393
SOUTH EAST	4.6%	10.8%	€181,554
MIDLANDS	5.3%	11.2%	€149,153
SOUTH WEST	5.4%	10.1%	€229,266

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 2.

Apartment prices saw average increases in excess on the national average during the first six months of 2017, at 8.4%, reflecting increasing levels of demand for smaller starter homes from first time buyers. Conversely detached properties saw a smaller than average increase over the same period, at 4.3%.

In the year to June 2017, both apartments and terraced properties recorded much higher than average rates of growth in prices, at 14.6% and 14.7% respectively. Only detached properties recorded a rate of increase below the overall national average for all residential properties, at 4.3% in H1 and 8.7% in the year to June 2017.

TABLE 2: PRICE CHANGES BY PROPERTY TYPE

PROPERTY PRICE	% CHANGE IN PRICE H1 2017	ANNUAL % CHANGE	AVERAGE PRICE JUNE 2017
DETACHED	4.3%	8.7%	€230,930
SEMI DETACHED	5.8%	12.3%	€176,030
TERRACE	7.6%	14.7%	€138,213
APARTMENT	8.4%	14.6%	€103,805

*Annual Percentage change measures the movement in prices over the previous twelve months

PRICE CHANGES BY NO. BEDROOMS

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 3.

The DNG NPG recorded a wide variance in price changes when the results are examined by number of bedrooms. During the first half of 2017 the average price of a two bedroom property increased by 9.6% whereas the average price of a five bedroom home increased by a more modest 3.6%. The average price of three and four bedroomed properties increased more in line with the overall national average at 5.9% and 4.5% respectively.

When the annual rate of change in prices is examined, a similar picture emerges, as shown in the table above. Two bedroom homes recorded the highest rate of increase in the year to June at 15.9%, and three bedroomed properties recorded the second highest rate of increase over the same period at 12.1%. The results show that as the number of bedrooms a property contains increases, so the rate of increase in prices decreases, indicating stronger demand for smaller homes at the this point in time in the market.

TABLE 3: PRICE CHANGES BY NO. OF BEDROOMS

NO. BEDROOMS	% CHANGE IN PRICE H1 2017	ANNUAL % CHANGE	AVERAGE PRICE JUNE 2017
TWO	9.6%	15.9%	€104,530
THREE	5.9%	12.1%	€159,975
FOUR	4.5%	9.5%	€234,440
FIVE	3.6%	7.4%	€294,009

*Annual Percentage change measures the movement in prices over the previous twelve months

THE LATEST RESULTS FROM THE DNG NATIONAL PRICE GAUGE REVEAL THAT PRICE GROWTH WAS BOTH STRONG AND UNIFORM ACROSS THE COUNTRY IN THE FIRST HALF OF THE YEAR.

All regions saw growth rates in line with the overall average for the country as a whole. Nationally, prices rose on average by 5.1% in the first six months of the year, meaning that in the year to June 2017, the average price of a residential property increased by 10.4%.

The results also confirm that smaller 'starter home' properties, including apartments, saw the strongest level of demand in the market and the largest growth in prices, albeit from what remains a relatively low base. The figures show that the average price of an apartment increased by almost double the overall average at 8.4% in H1 and by almost 15% in the twelve months to June 2017 (see table 3.) Likewise two bedroomed properties were very much in demand, resulting in a rate of price inflation of 9.6% in the first six months of 2017 and 15.9% in the year to June. Larger properties with more bedrooms saw more sustainable rates of price growth in the first half of the year.

The 'Help-to-Buy' government assistance scheme and the looser Central Bank lending rules have both certainly contributed to the strong levels of demand seen at the entry level to the market, and with limited stock available for sale, the result is higher than average increases in values in this sector. In addition, if it wasn't for the existence of the Central Bank's lending regulations, the rate of price growth seen in the market would have been higher

as purchasers potentially could have borrowed higher sums, thus bidding up prices further in some instances.

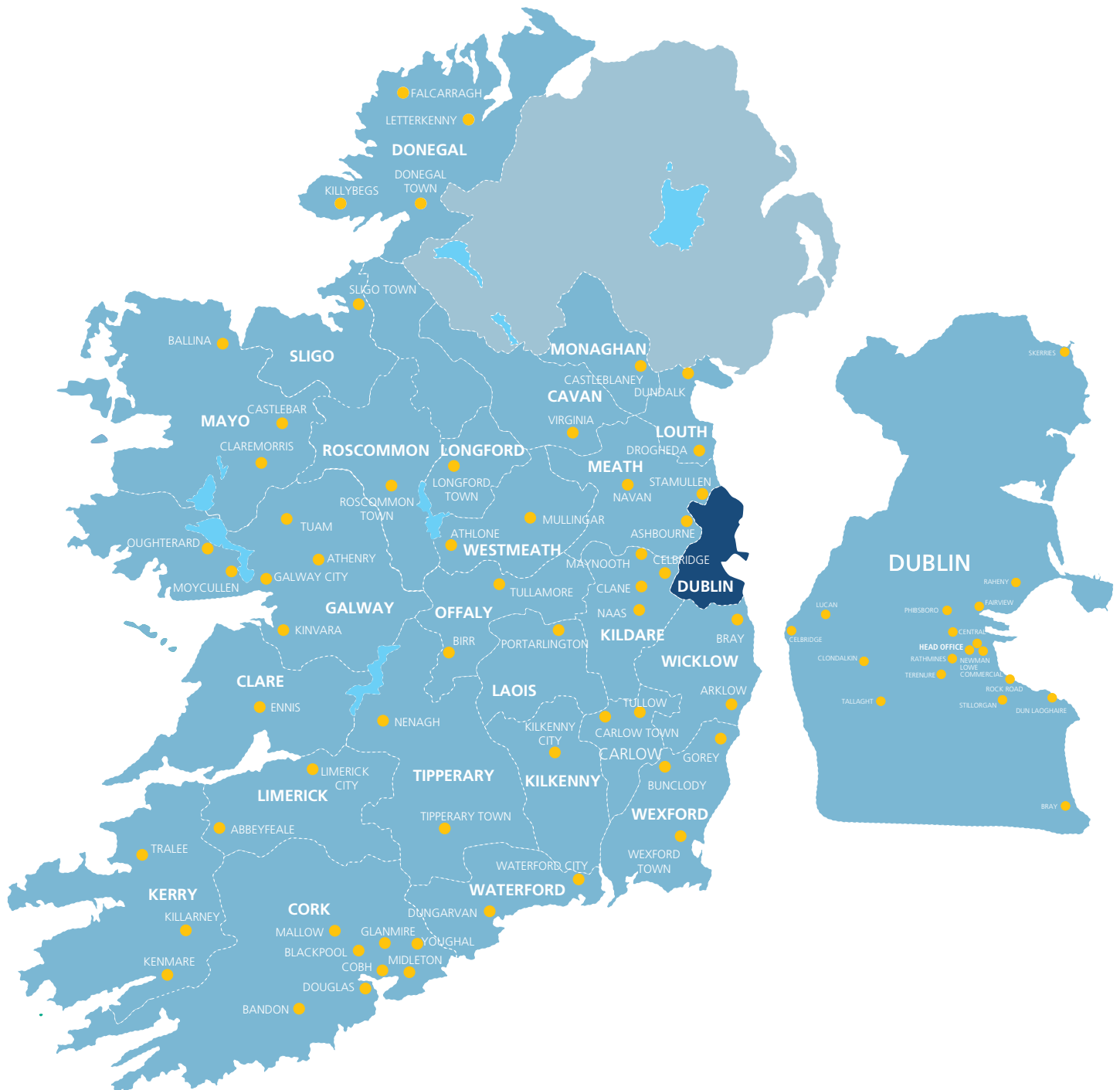
Data from the Banking and Payments Federation Ireland also confirms that the level of demand in the market is increasing, as the volume of mortgage lending continues to increase. Mortgage approvals increased by 48% in the year to March, likewise mortgage drawdowns increased by 27% over the same period. However it should be noted that residential property transactions only increased by 8% over the same period.

Data from the CSO reveals that the volume of existing dwellings purchased was 6.4% higher in June 2017 than a year previously, whilst the number of new dwellings purchased increased by 19.3% over the same period, as new housing output continues to increase.

Across the vast majority of the country the single biggest factor influencing the market is the very low levels of supply and whilst all the lead indicators for housing construction activity remain very positive, the amount of housing output currently being provided is woefully short of the level required to meet current demand. Based on current estimates, it could well be another three to five years before the annual supply of new homes meets demand, offering scope for further price rises in the future. New housing completions are forecast to run at around 18,000 for 2017 as a whole, whereas somewhere in the region of 30,000 new completions are required annually to meet underlying demand.

Looking ahead, it is now likely that the annual rate of growth in prices nationally will exceed 10% for 2017 as demand continues to run ahead of supply, particularly in the main urban centres.

DNG NATIONWIDE PRESENCE



DOUGLAS NEWMAN GOOD
DNG

Additional Sources used in compiling the report:

Quarterly National Household Survey Q2 2017 - Central Statistics Office 22 September 2017

Housing Market Monitor Q2 2017 - Banking and Payments Federation Ireland

Irish Quarterly National Household Survey analysis Q2 2017 -
Ulster Bank Economics, September 2017

Residential Property Price Index July 2017 - Central Statistics Office

Irish Economy Monitor Q2 2017 - Investec.

CSO Dublin Apartment Price Index, Jul 2017.

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BPFI Housing Market Monitor Q1 2017.

AIB Treasury Economic Research Unit Housing Market Bulletin June 2017.

CSO Residential Property Price Index June 2017.

Davy Research Bulletin July 2017.



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