HEADLINE RESULTS
Q3 2018

AVERAGE DUBLIN SECOND HAND PRICE
€454,662

PERCENTAGE CHANGE Q3 2018
0.4%

ANNUAL PERCENTAGE CHANGE
4.6%

% CHANGE SINCE LOW (Q2 2012)
87.7%

% CHANGE FROM PEAK (Q3 2006)
-36.6%
Employment in Ireland is increasing by around 3% per year which is the equivalent of over 60,000 jobs per annum. Net migration in the year up to April 2018 stood at 34,000 persons, adding demand for an estimated 12,000 additional new housing units.

In addition, the increase in the indigenous population also creates additional housing demand of around 17,500 units per annum presently, so combined with the net migration figure equates to additional demand of at least 29,500 units per annum. On the flipside, there are likely to be around 18,000 new homes built this year meaning demand is continuing to outstrip supply by some distance.

Property prices this quarter have risen by 0.4%, with a predicted annual increase of under 5% for 2018, yet demand seriously exceeds supply in most areas of Ireland. Interestingly, the level of price increase has levelled out over the last two quarters which we put down to the non-availability of mortgage Loan to Income exceptions in recent months. Such exceptions to the macroprudential lending rules, were available up to June this year. It is no coincidence then, that residential property prices have begun to level-out, as affordability for first time buyers remains an issue without such exceptions being available.

DNG have always been in favour of the fiscal rules governing mortgage lending introduced by the Central Bank as a measure of controlling property prices. However, the Central Bank should now allow a further 10% of first time buyers to avail of exceptions from the Loan to Income criteria. At the present time, a
first time buyer couple buying a starter home for €320,000 need a deposit of €32,000 and to be earning over €82,000 per annum. To buy the average price property in Dublin of €450,000, a first time buyer couple require a deposit of €45,000 and income of €115,000 each year, whilst a couple who are non-first time buyers would require a deposit of €90,000 and an income of almost €130,000 per annum. These are very large income levels, earned by a limited number of employees in society and to expect first time buyers to meet this harsh criterion is unrealistic. In addition, the majority of would-be first time buyers are actually paying substantially higher rental levels than the repayment amount on a mortgage for the property they wish to buy.

Buying a property should not just be for those who are privileged, and nor should many be left in rental accommodation for eternity.

Owning a home provides security of tenure, allows buyers to decorate, alter and put their own stamp on their home and also allows a buyer to own an asset at the end of their mortgage term that they can leave to their dependents; it also eliminates the need to be concerned about paying rent following retirement, something that must be a major concern for older long-term tenants at the present time.

DNG make an annual Budget Submission to government and this year for the fourth year in a row DNG have called for the introduction of an Affordable Housing Scheme for purchasers of new houses. This is critical and what we have proposed is a mirror image of that which is operating in the UK under their own Help to Buy Scheme. This would be an important addition for the Irish market and allow many buyers to get on the first rung of the property ladder where, under normal circumstances, they would not be able to do so. This initiative would assist new homes construction, be socially important, and free up much needed rental accommodation as the majority of new homes buyers are in tenanted homes.
DNG
HOUSE PRICE GAUGE - DUBLIN

4.6%
ANNUAL RATE OF PROPERTY PRICE INFLATION IN DUBLIN FALLS BELOW 5% FOR FIRST TIME IN TWO YEARS.

0.4%
PRICES REMAINED RELATIVELY UNCHANGED DURING THIRD QUARTER, INCREASING BY 0.4% ON AVERAGE.

CENTRAL BANK’S MORTGAGE LENDING RULES CONTRIBUTING TO VERY STABLE HOUSE PRICE ENVIRONMENT IN THE CAPITAL.

INCREASED RESIDENTIAL CONSTRUCTION ACTIVITY IN THE CAPITAL CONTRIBUTING TO LOWER INFLATIONARY PRESSURE IN THE SECOND-HAND HOMES MARKET

36%
PRICES REMAIN 36% BELOW THEIR PEAK LEVELS ON AVERAGE, BUT HAVE INCREASED BY 88% SINCE THE MARKET LOW POINT.

ENTRY LEVEL TO THE MARKET CONTINUES TO SEE HIGHER THAN AVERAGE PRICE APPRECIATION.
QUARTERLY RESULTS

The latest results recorded by the DNG House Price Gauge (HPG) confirm that house price inflation in the capital continues to moderate. In the three months to the end of September the average price of a second-hand home in the capital increased by just 0.4%, as shown in figure 1 below. The modest quarterly increase is in line with the rate of price inflation recorded by the HPG in quarter two this year, when prices rose by 0.5% on average.

However, the latest results are in contrast to the same period last year, when prices rose by 2.1% on average. As a result, the average price of a second-hand residential property in Dublin rose marginally over the third quarter to stand at €454,662.

FIGURE 1: QUARTERLY PERCENTAGE CHANGE IN DUBLIN RESIDENTIAL PROPERTY PRICES

The modest quarterly increase in Q3 is in line with the rate of price inflation recorded by the HPG in quarter two this year, when prices rose by 0.5% on average.
The annual rate of house price inflation across the capital is now below 5% per annum for the first time in two years. The latest HPG results are in contrast to the same period twelve months ago, when the HPG recorded an annual rate of growth of 11.1% in the year to September 2017.

With little change in prices during the third quarter, prices across the capital remain some 36% below their peak values in 2006, however prices have risen in excess of 87% since the market low point in 2012.
The DNG HPG records the change in the average price of a residential property according to location within Dublin as shown in Table 1.

All areas of the city saw similar rates of house price growth in the three months to September, in line with the overall average for Dublin. Equally, all areas saw a small decline in the annual rate of price inflation during the third quarter compared to quarter two. The latest results recorded an annual rate of growth that was approximately half the rate recorded in the year to September 2017 when prices were still increasing at double digit rates.

### TABLE 1: PRICE CHANGES BY LOCATION

<table>
<thead>
<tr>
<th>Location</th>
<th>Q3 2018</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>0.3%</td>
<td>4.1%</td>
<td>-41.1%</td>
<td>85.7%</td>
</tr>
<tr>
<td>Northside</td>
<td>0.5%</td>
<td>4.9%</td>
<td>-33.0%</td>
<td>88.4%</td>
</tr>
<tr>
<td>Westside</td>
<td>0.5%</td>
<td>5.5%</td>
<td>-27.2%</td>
<td>92.4%</td>
</tr>
</tbody>
</table>

Property prices in west Dublin have now risen by 92% since the market low point however they remain 27% below their previous peak levels in this area.
Residential properties valued at under €300,000 have seen values increase by 120% since 2012.

Prices at entry level to market have seen increases of 8% on average over last 12 months.

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

Unsurprisingly, prices at the entry level to the market saw the strongest rate of price growth during the third quarter at 1%, whilst further up the ladder prices increased by 0.3% on average. Strong demand from first time buyers undoubtedly contributed to the higher rate of inflation at the level of the market however, affordability issues meant that the rise in prices was relatively limited.

Likewise, in the year to September properties priced below €300,000 recorded an annual rate of growth of 8% in contrast to the upper end of the market where prices increased by a more modest 3.5% on average over the same period.

<table>
<thead>
<tr>
<th>TABLE 2: PRICE CHANGES BY PRICE BRACKET</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UP TO €300,000</strong></td>
</tr>
<tr>
<td><strong>€301,000 TO €500,000</strong></td>
</tr>
<tr>
<td><strong>OVER €500,000</strong></td>
</tr>
</tbody>
</table>
Figures 3 and 4 below 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.

Both measures of house price inflation confirm that the rate of growth in prices is slowing and have recorded increases of less than two percent per quarter in the year to date.

Figure 4 above shows the annual percentage change in Dublin residential property prices as measured by the two indices. On an annualised basis the two indices continue to record very similar trends in the Dublin residential market, with the annual rate of inflation continuing to ease back as this year has progressed.

Note: The CSO RPPI figure shown in Q3 2018 above relates to the 3 months to the end of July 2018 only, the latest data available at time of publication.

Note: The CSO RPPI figure shown in Q3 2018 above relates to the 12 months to the end of July 2018 only, the latest data available at time of publication.
### Annual Percentage Change in Second Hand House Prices 2001 - 2017

<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>
</tbody>
</table>
THE AVERAGE PRICE OF A SECOND HAND HOME IN THE CAPITAL HAS INCREASED BY 2.8% SINCE JANUARY.

The latest results of the DNG House Price Gauge confirm that the rate of residential property price inflation in the Dublin residential market continued to ease back during the three months to September. On average, prices have increased by a modest 0.9% in the last six months and the rate of inflation since the beginning of the year stands at 2.8%. As a result, it is likely that the annual rate of growth for 2018 as a whole will be in the region of 3% and this is good news for those looking to purchase in the second-hand homes market.

The is now little doubt that the Central Bank’s macroprudential lending rules are having the effect of limiting further price growth in the capital. With a tightening of the lending rules implemented in January this year, the effects are now feeding through in to the market and limiting scope for rapid price growth in the second-hand market, particularly in the latter part of the year when the main lenders have less scope to make loan offers outside the Central Bank’s strict criteria. However, with the fundamentals underpinning the market robust and demand exceeding supply, the Central Banks macroprudential lending rules are undoubtedly providing stability in the market which is very welcome.

€454,662

The average price of a second hand home in Dublin.
FUNDAMENTALS UNDERPINNING DEMAND REMAIN ROBUST

Whilst price appreciation in the second-hand market remains stable, the fundamentals underpinning demand remain very robust. Unemployment continues to fall, and stood at 5.6% in August. Employment levels in the economy are continuing to rise and the latest data suggests employment levels growing at around 3% per annum through the remainder of 2018 and 2019. Mortgage drawdowns continue to rise with the volume of drawdowns for property purchase increasing 9.2% in the year to the end of Q2 2018. First time buyers remain a key driver in the market and the volume of mortgages drawn down by this cohort of buyer increased by 14.3% over the same period. In value terms, the growth in mortgages to first time buyers was even greater at 23% in the year to June with rising prices in the market accounting for the increased value of loans taken out. Focussing on the second-hand market specifically, first time buyers drew down 2975 loans to purchase second hand properties in Q2, with a total value of €599 million.

SUPPLY OF NEW HOUSING IMPROVING FROM A LOW BASE.

The supply of new residential properties continues to improve with the latest data from the CSO indicating that 4,419 new dwellings were completed in the second quarter, an increase of 34% on the corresponding period in 2017. The statistics also confirm that the bulk of new builds are concentrated in Dublin and the Mid-East region, with 60.5% of all new dwelling completions completed in this area. Indeed, nine out of the top ten areas with the highest concentrations of new builds in the second quarter were in Dublin and its commuter belt.

With increased construction activity across the capital, and more choice for first time buyers to choose from as a result, it is perhaps not surprising that price growth in the second-hand market has slowed in recent months.

In addition, first time buyers of new properties benefit from the Help To Buy Incentive Scheme and this, combined with the better quality product that new homes deliver, particularly in terms of energy efficiency make them increasingly attractive to first time buyers.

The forward pipeline of new dwelling construction also shows positive increase in supply coming down the line. In the second quarter, planning permissions were granted for the construction of 4,951 houses, an increase of 52% on the same period last year. Planning permissions for apartments increased by 121% in quarter two compared to quarter two 2017.

In summary, the Dublin second hand residential market is seeing more sustainable levels of house price inflation as this year progresses with a likely increase of around 3% forecast for the year as a whole. As prices have increased rapidly over the last 4 years, affordability in the capital has become more of an issue and this is limiting the strength of price growth in the market at present. However, the fundamentals underpinning the market remain positive and demand continues to outstrip supply.
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.

HEADLINE RESULTS Q3 2018

Average Price of an Apt. in Dublin

€328,181

% Change Q3 2018

0.4%

Annual % Change

6.4%
QUARTERLY RESULTS

At 0.4%, the rate of price inflation in the Dublin apartment eased again in Q3 compared to a 0.7% rise in prices in Q2.

Since Q1 2017 the quarterly rate of growth in the capitals apartment market has eased with each passing quarter, with the exception of Q1 2018.

FIGURE 1: QUARTERLY PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES

At 0.4%, the rate of price inflation in the Dublin apartment eased again in Q3 compared to a 0.7% rise in prices in Q2.
ANNUAL PERCENTAGE CHANGE

The annualised rate of price inflation eased again in the year to September, falling to 6.4% from 9% in the year to June 2018.

The average price of an apartment in Dublin now stands at €328,181, an increase of €12,000 since the beginning of the year.

Apartment prices in the capital have remained relatively stable over the last six months, increasing by 0.8% since April.

FIGURE 2: ANNUAL PERCENTAGE CHANGE IN DUBLIN APARTMENT PRICES
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.

Table 1: Price Changes by Area

<table>
<thead>
<tr>
<th>Area</th>
<th>% Change Q3 2018</th>
<th>Annual % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>CENTRAL</td>
<td>-0.1%</td>
<td>6.1%</td>
</tr>
<tr>
<td>NORTH DUBLIN</td>
<td>0.6%</td>
<td>11.3%</td>
</tr>
<tr>
<td>SOUTH DUBLIN</td>
<td>0.6%</td>
<td>4.7%</td>
</tr>
<tr>
<td>WEST DUBLIN</td>
<td>0.3%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

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.

Table 2: Price Changes by No. of Bedrooms

<table>
<thead>
<tr>
<th>Type</th>
<th>% Change Q3 2018</th>
<th>Annual % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>ONE BED APT</td>
<td>0.1%</td>
<td>6.5%</td>
</tr>
<tr>
<td>TWO BED APT</td>
<td>0.5%</td>
<td>6.6%</td>
</tr>
<tr>
<td>THREE BED APT</td>
<td>0.3%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

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

Apartment prices in the central area of the city eased back very slightly in Q3, falling by -0.1%

North and South Dublin were the areas that saw slightly stronger, but sustainable growth in Q3, with prices increasing by 0.6% in both areas.

North Dublin apartments saw the strongest rate of annual increase in prices in the year to September, increasing by 11.3% on average.

South Dublin prices increased by slightly less than the overall index average in the year to September, increasing by 4.7% over the period.

Two-bedroom apartments saw the strongest level of price increase in Q3, rising by 0.5% on average.

One-bedroom apartments saw virtually no change in prices during Q3, increasing by 0.1% on average over the period.

All types of apartment saw sustainable price appreciation in the year to September with increase ranging from 5.2% for three-bedroom properties up to 6.6% for two-bedroom properties.
Figure 3 below shows the comparison between the Central Statistics Office Dublin Apartment Price Index and the DNG APG on a quarterly basis whilst figure 4. shows both indices on an annualised basis.

As 2018 has progressed, a more divergent trend has emerged between the CSO RPPI Dublin Apartment Index and the DNG APG as shown in figure 3. Whilst the CSO recorded a fall in apartment values in Q1 this year, it has since seen quarterly increases at a higher level than the DNG APG. The DNG APG has recorded an easing in the rate of inflation in successive quarters, following a strong increase in prices in Q1.

On an Annualised basis, both the DNG APG and the CSO Dublin Apartment Index have recorded a moderation in the rate of price increases in the market. The trend lines show both indices have followed a very similar pattern over the last three years.

Note – The CSO data reported above in the period Q3 2018 relates to the 3 months to July 2018 only. The latest available data at time of writing.
323 - THE NUMBER OF NEW APARTMENT COMPLETIONS IN Q2 IN DUBLIN WHICH EQUATES TO 65% OF ALL APARTMENT COMPLETIONS IN THE STATE.

The average price of an apartment in the capital continued to rise during the second quarter of the year, albeit at a slower pace than in previous quarters, increasing by 0.4% in Q3.

An increase in the supply of new apartment units in Dublin has served to reduce the rate of price increase in the second-hand apartment market in 2018. Of the 2264 new apartments completed across the State in 2017, 80% of those were constructed in Dublin as apartment development remains financially unviable for developers in many parts of the country.

This trend has continued into 2018. In Q2 2018 there were 323 new apartments constructed in Dublin, which accounted for 65% of all new apartments built during Q2 2018 across the country (the latest available data).

€328,181

The average price of an apartment in Dublin.
Cash/ Non-mortgage transactions accounted for 57% of all transactions in value terms and 44% in volume terms in H1 2018

Total transaction numbers rose by 5.3% in volume and by 21% in value terms H1 2018 compared to same period in 2017, as per the Property Price Register

Mortgages issued (excluding top-ups and re-mortgages) are up in value by 17% and increased by 9% in volume terms in H1 2018 compared to H1 2017

*DNG Research, BPFI & Property Price Register Data
(All figures exclude top-ups and re-mortgages)
DNG Research tracks the number of housing transactions across the United Kingdom and Ireland on a quarterly basis.

**QUARTERLY CHANGE IN HOUSING TRANSACTIONS**

Only Dublin and Northern Ireland saw an increase in the number of transactions per thousand population in Q2 2018 compared to the same period in 2017. All other areas of the UK and Ireland saw a slight decrease in the number of transactions recorded in the period.

Both Ireland and the UK saw a pick up in housing transactions in Q2 compared to Q1 2018, which is to be expected due to the seasonality of the market and the greater levels of sales activity traditionally associated with the spring months.
At 2.5 transactions per thousand population, Ireland remains well below the number of transactions that would be seen in a normally functioning market. So far this year the UK has also seen transactions levels consistently below 5 per thousand population.

According to the raw data from the Property Price Register, in the first six months of 2018 there were 24,587 transactions in Ireland compared to 23,598 in the same period of 2017 - an increase of 4%.

Of the 24,587 transactions in H1 2018, 33% or 8,210 took place in Dublin. This compares to a total of 7,584 in the first half of 2017 - an increase of 8%.
Addional Sources used in compiling the report:

Central Bank of Ireland Macro-Financial Review 2018:1

Central Statistics Office - Residential Property Price Index July 2018

Central Statistics Office - New Dwelling Completions Q2 2018

Central Statistics Office - Unemployment Series August 2018

Banking and Payments Federation Ireland - Housing Market Monitor Q2 2018

AIB ERU - Irish Economic Update September 2018

Property Price Register

HM Revenue & Customs - Monthly Property Transactions August 2018

CSO New Dwelling Completions Q2 2018

CSO Dublin Apartment Price Index, July 2018