

Dublin house prices appear to be stabilising with the DNG House Price Gauge recording a modest 0.4% rise for the first quarter of 2015 following an increase of just 2.2% in the final quarter of 2014. Property prices are now 14.4% higher than what they were last March and property prices still remain 47% below peak levels. The highest rate of house inflation in Dublin was for property priced under €250,000 which was rose by 1.4% in the first quarter of 2015. It is likely that this trend will continue in the year ahead. Property priced in the €350,000 - €500,000 price category dropped by -0.3% in the same period and property priced over €500,000 rose by 0.3%.

This moderation in house price inflation in Q4 2014 and Q1 2015 was somewhat inevitable due to the very strong price growth experienced in the first 9 months of last year leading to property prices rising by an average of 23.5% for the year as a whole.

Last year's strong price inflation was largely driven by investors who were paying exceptionally strong prices relatively speaking for assets particularly in the capital in order to beat the December 2014 deadline to qualify for Capital Gains Tax (CGT) Exemption Scheme. Any properties purchased last year for investment purposes whereby the buyer holds the property for seven years or more are exempt from CGT on the sale of the property. This also led to a substantial spike in the number house sales with over 43,000 transactions recorded on the Property Price Register last year up from 30,000 the year before. Transaction levels will do well to match this figure in the year ahead.

The Central Bank recently introduced new mortgage regulations in the form of mortgage restrictions on all lenders. It is too early to evaluate the effect of these on the market. However, some modest price inflation for properties in the sub €220,000 category can be expected, as a good proportion of entry level priced properties in Dublin and homes in the majority of areas outside the capital fall into

this bracket. It is likely to have little effect on mid-priced and premium value property where the speed of price recovery had already started to moderate. It is our opinion, that whilst the new regulations will be beneficial in the long run, their implementation at this stage was mistimed and premature as the market was naturally levelling out itself towards the end of last year. We would have preferred to have seen a more sustained property market recovery prior to the Central Bank introducing restrictions and for property prices to have established fair market values without intervention.

IT IS NOTEWORTHY THAT THE ESRI, LAST WEEK, STILL MAINTAIN THAT PROPERTY PRICES ARE "SOMEWHAT UNDERVALUED" WHICH WE WOULD CONCUR WITH.

The Central Bank have also set out a new requirement for lenders that a valuation of the property to be mortgaged must be carried out not earlier than a period of two months before the date on which the advance under the housing loan is made by the lender. This means that most buyers will now require a second valuation prior to completing their home purchase as many house sales do not complete within an eight week period. This could cause problems if the value of the property has changed in the intervening period and reduce uncertainty to sellers. For this reason, we have called for the Central Bank to remove this restriction.

Overall, the residential property market is still strong but there is still some uncertainty as to the market effect of the new Central Bank measures. Property prices in some asset classes have repositioned themselves slightly as they increased quickly prior to Christmas due to the investor rush to purchase properties last year. We still maintain that property prices are likely to rise by between 5-10% in the capital over the year ahead.

KEITH LOWE
CHIEF EXECUTIVE DNG

MARKET REVIEW Q1 2015

Q1

KEY FINDINGS

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QUARTERLY RESULTS

ANNUAL PERCENTAGE CHANGE

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ANALYSIS & COMMENT

DOUGLAS NEWMAN GOOD
DNG

KEY FINDINGS



DUBLIN RESIDENTIAL PROPERTY PRICES INCREASE BY A MODEST **0.4%** IN FIRST QUARTER



ANNUAL RATE OF PRICE INFLATION SLOWS SIGNIFICANTLY TO **14.4%** IN THE YEAR TO MARCH



PROPERTY VALUED BELOW **€250,000** SHOWS STRONGEST PRICE RISE AT 1.4% IN THE QUARTER



AVERAGE PRICE OF A HOME IN THE CAPITAL STANDS AT **€375,630**

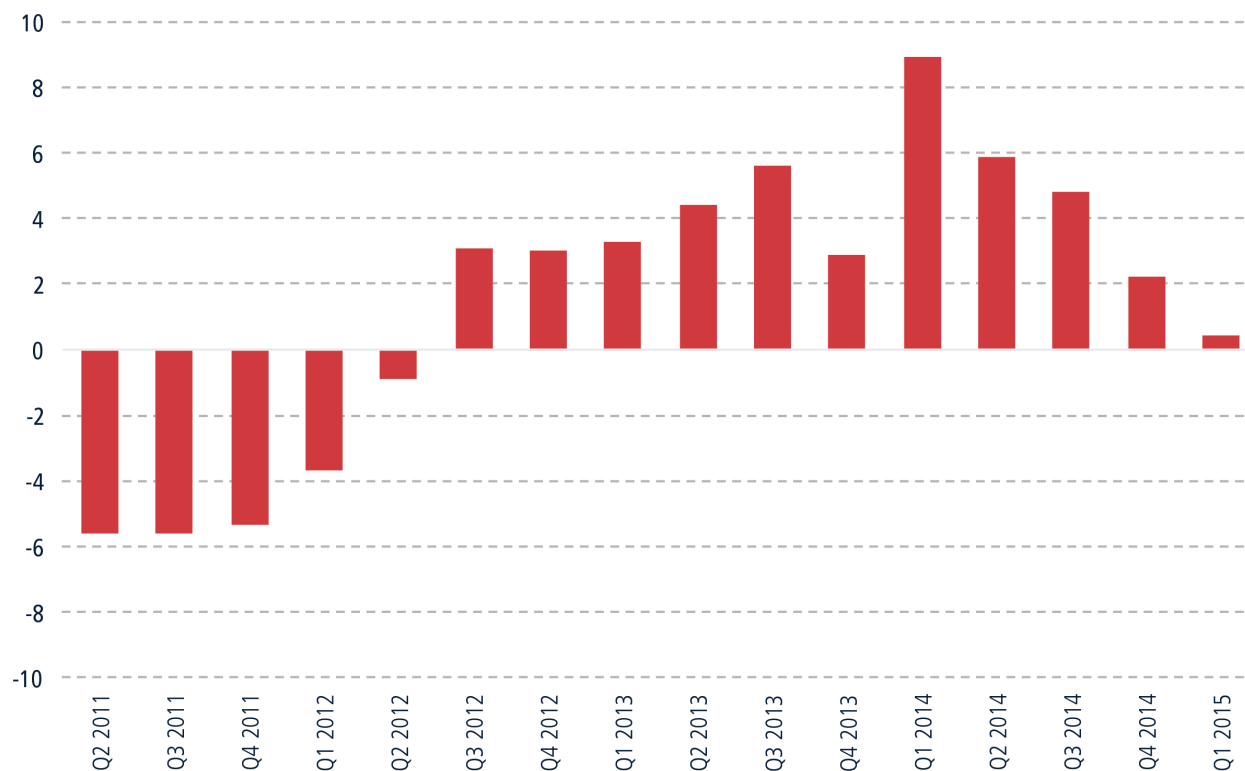
QUARTERLY RESULTS

The first three months of the year saw residential property prices rise by just 0.4% in Dublin, the smallest quarterly increase since prices began rising in 2012. The latest results of the DNG House Price Gauge (HPG) confirm the trend of a moderation in the rate of price increase experienced in the capital since the beginning of 2014.

The results for the first quarter of the year stand in contrast to the final quarter of 2014 when prices rose by 2.2% on average. Following ten consecutive quarters of strong growth in prices, the latest results indicate a pause in price inflation across Dublin since the turn of the year. The average price of a resale property in Dublin remained relatively unchanged in the quarter and now stands at €375,630 compared to €373,981 the end of last year.

HEADLINE RESULTS 2015

Q1 2015	
Average Dublin Second Hand Price	€375,630
Percentage Change Q1 2015	0.4%
Annual Percentage Change	14.4%
% Change Since Low (Q2 2012)	55.1%
% Change From Peak (Q3 2006)	-47.6%

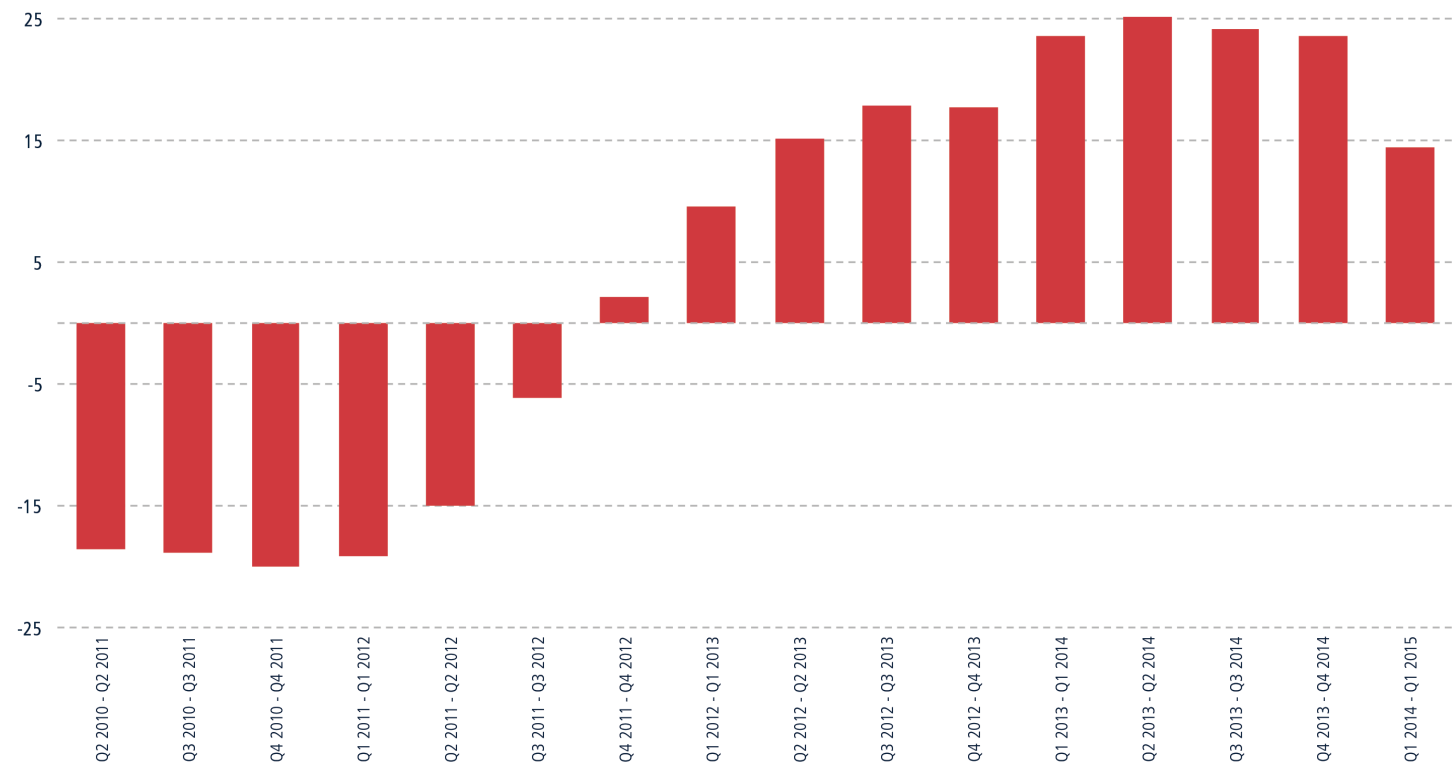


QUARTERLY PERCENTAGE CHANGE IN DUBLIN RESIDENTIAL PROPERTY PRICES

ANNUAL PERCENTAGE CHANGE

The rate of annual price inflation decreased significantly in the year to the end of March, falling to 14.4% for that period. This is in stark contrast to the figures for the year to the end of December when prices rose by 23.5% on average. The latest results however are very much in line with the recent trend of a decline in the annual rate of property price inflation experienced in the capital, but the latest results do indicate a marked slowdown in price growth on an annualised basis.

The latest DNG HPG results mean that residential property prices in the capital remain 47% below their peak levels, as the market continues to recover particularly in the capital and since the floor of the market in 2012, prices have now risen by 55% since that low point in the cycle.



ANNUAL PERCENTAGE CHANGE IN DUBLIN RESIDENTIAL PROPERTY PRICES

PRICE CHANGES BY LOCATION

All areas of the capital saw positive growth in the average price of a home during the first three months of the year. As shown in table 1. The Northside experienced the highest quarterly increase at 0.9% whereas the south and west sides of the city saw increases more in line with the average for the city as a whole (0.2% and 0.3% respectively).

Over the last twelve months all areas of the city saw annual price inflation around the average for Dublin as a whole, however the Westside did see slightly higher than average growth at 16.3%. In part, this is explained by the predominance of cheaper housing stock in this area where price inflation remained higher than at other price levels during the first quarter of the year. (See table 2) As a result west Dublin has seen the smallest decline since the peak of the market (-39%) and the strongest growth in prices since recovery began in 2012 (60%)

	Q1 2015	ANNUAL % CHANGE	FROM PEAK (Q3 06)	FROM TROUGH (Q2 2012)
SOUTHSIDE	0.2%	13.0%	-51.6%	52.1%
NORTHSIDE	0.9%	14.4%	-44.4%	53.8%
WESTSIDE	0.3%	16.3%	-39.4%	60.2%

TABLE 1: PRICE CHANGES BY LOCATION

PRICE CHANGES BY PRICE BRACKET

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

Significantly, the average price of a residential property valued between €351,000 and €500,000 declined slightly during the first three months of the year, by -0.3%. This is the first time there has been any decrease in prices in any sector of the market since Q2 2012 according to the DNG HPG. Prices at all other levels in the market saw an increase over the same period with the strongest rate of price inflation evident at the entry level to the market where prices increased by 1.4% on average. However, this rate of increase is still less than half the rate seen in this price bracket in the final quarter of 2014 when prices rose by 3.1%. In the twelve months to the end of March the entry level price bracket up to €250,000 saw average price growth in excess of the overall DNG HPG average as prices increased by 24.6%. At all other price levels, inflation was more in line with the overall average of 14.4% with the exception of the upper end of the market which saw slower than average price growth at 10.5% over the last twelve months.

DNG HPG & CSO RPPI DUBLIN

A comparison of the DNG House Price Gauge and the CSO Residential Property Price Index (RPPI) compiled by the Central Statistics Office, reveals a very similar trend in the pattern of quarterly residential property price changes as shown in figure 3.

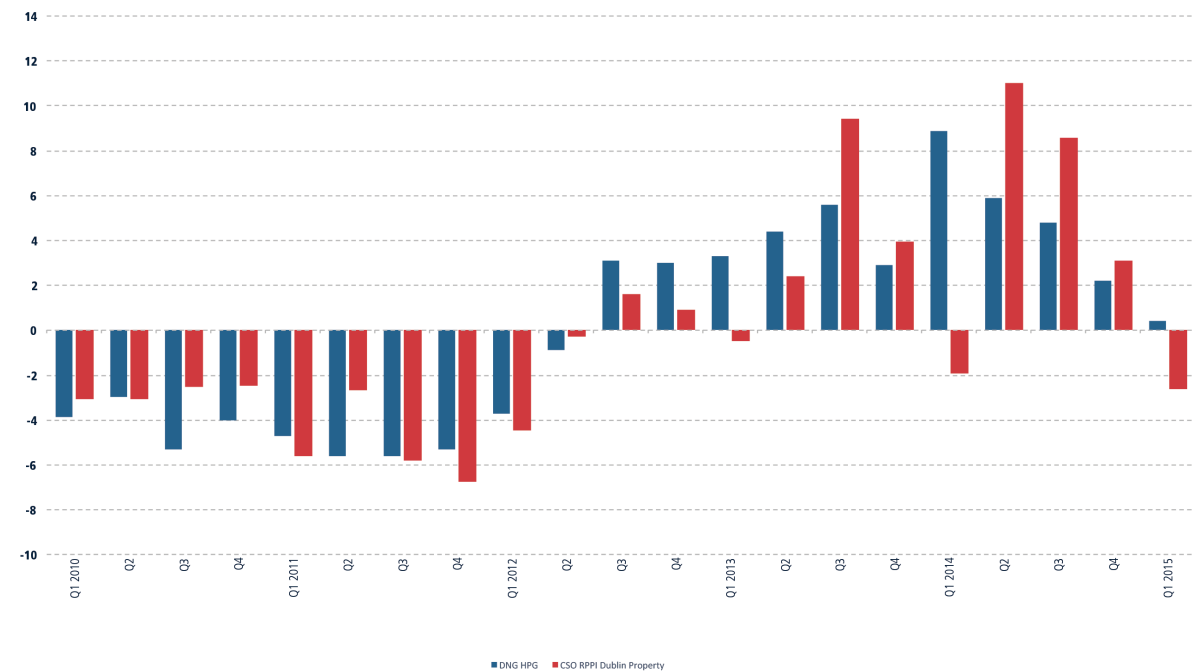
Significantly however, the figures for Q1 2015 do show a more divergent trend with the DNG HPG recording a small increase in prices during the period (0.4%) whilst the CSO RPPI has recorded a decline in values in January and February of -2.6% for Dublin residential property.

It remains to be seen how the final figures for the first quarter compare across the two indices when the CSO release full first quarter figures towards the end of April, but unless it records a price increase of around 3% in March alone, a difference in the two measures will remain for the quarter.

Interestingly this will not be the first time that the DNG HPG has shown a quarterly gain whilst the CSO RPPI has recorded a quarterly decrease in values, indeed the CSO RPPI has recorded a decrease in Dublin property prices in the first quarter of each of the last two years, namely 2013 and 2014 but for the remainder of both those years positive price inflation has been recorded. At the same time the DNG HPG recorded growth it the market during the same periods (see figure 3)

	Q1 2015	ANNUAL % CHANGE	FROM PEAK (Q3 06)	FROM TROUGH (Q2 2012)
UP TO €250,000	1.4%	24.6%	-48.6%	67.6%
€251,000 TO €350,001	0.8%	15.9%	-38.7%	57.4%
€351,000 TO €500,000	-0.3%	11.7%	-40.9%	53.7%
OVER €500,000	0.3%	10.5%	-53.5%	50.0%

TABLE 2: PRICE CHANGES BY PRICE BRACKET



DNG HPG & CSO RPPI

Note: the CSO RPPI Q1 2015 data only relates to the months of January and February 2015

ANALYSIS & COMMENT

In terms of price increases, the first quarter of 2015 saw a pause in the market for the first time in almost three years as the average price of a resale property in the capital showed little change in value during the period. This is in contrast to the previous 2 years which saw a rapid acceleration in residential property values driven primarily by an excess of demand over supply across the capital. Whilst this imbalance still persists and will do for some time, the key changes affecting the market in quarter one compared to the final quarter of 2014 was firstly, the rapid price inflation as a direct result of large numbers of investors competing to purchase limited numbers of properties before the CGT exemption deadline expired at the end of 2014, and secondly, the new Central Bank of Ireland lending rules which restrict loan to value ratios for certain classes of borrowers thereby making the amount of deposit required for purchase larger.

In Dublin the level of recorded transactions was 35% higher in the first two months of 2015 than it was in the same period of 2014, but 48% lower than was the case in the final two months of 2014. Undoubtedly the higher level of transactions towards the end of last year represented a keenness for investors to purchase property before the expiration of the CGT Exemption Scheme. The latest data available from the Banking & Payments Federation Ireland for Q4 2014 also shows high double digit growth in mortgage approvals, mortgage drawdowns and transactions and it looks likely for the year as a whole that again cash transactions accounted for approximately 50% of all transactions in 2014, however this figure is unlikely to be as high in the year ahead.

Given that the smallest impact of the changed lending rules will be felt by first time buyers of properties valued at less than €220,000, it is no surprise that in the DNG HPG results, the strongest level of price growth occurred in prices up to €250,000, compared to other price levels in the market. It is likely that this trend will continue for the remainder of the year driving prices up faster in this sector than any other.

The drivers underpinning the Dublin residential market continue to remain positive, with job creation in the region continuing, employment levels rising and unemployment falling. The latest Live Register statistics from the CSO show a further decline in unemployment to 10.1%, its lowest level since February 2009. In addition interest rates remain at historic low levels, with no indication of any increase being on the horizon, and inflationary pressure in the wider economy remains subdued and is set to weaken further in line with lower oil and energy costs, which will boost spending and improve consumer confidence across the whole economy. Residential construction output too shows signs of growth over the course of 2015.

The latest results of the DNG HPG clearly demonstrates a moderation in residential property price growth in the capital which overall is a positive development in the market and will hopefully set the Dublin property market on a stable and sustainable trajectory into the future.

DNG RESEARCH Q1 2015

ADDITIONAL SOURCES USED IN COMPILING THE REPORT:

Central Statistics Office Residential Property Price Index February 2015

Davy Research Irish Economy Report - February 2015

Banking & Payments Federation Ireland Housing Market Monitor - Q4 2014

Property Services Regulatory Authority Property Price Register, www.propertypriceregister.ie

Central Statistics Office, Live Register Statistics - February 2015

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NATIONWIDE PRESENCE

DUBLIN

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

CARLOW

Carlow
Tullow

CAVAN

Virginia

CLARE

Ennis

CORK

Mallow
Blackpool
Kinsale
Bandon
Clonakilty
Douglas
Glanmire
Youghal
Cobh

DONEGAL

Donegal Town
Letterkenny
Killybegs
Falcarragh

GALWAY

Kinvara
Oranmore
Athenry
Oughterard
Galway City
Portumna

KERRY

Killarney
Kenmare
Tralee

KILDARE

Naas
Clane
Maynooth

KILKENNY

Kilkenny City

LAOIS

Portarlinton

LEITRIM

Carrick on Shannon

LIMERICK

Limerick City
Abbeyfeale

LONGFORD

Longford Town

LOUTH

Drogheda
Dundalk

MAYO

Castlebar
Claremorris
Ballina

MEATH

Stamullen
Ratoath
Navan

MONAGHAN

Castleblayney

OFFALY

Birr
Tullamore

ROSCOMMON

Roscommon Town

SLIGO

Sligo Town

TIPPERARY

Nenagh
Roscrea
Tipperary Town

WATERFORD

Dungarvan
Waterford

WESTMEATH

Mullingar
Athlone

WEXFORD

Bunclogh
Wexford Town

WICKLOW

Arklow