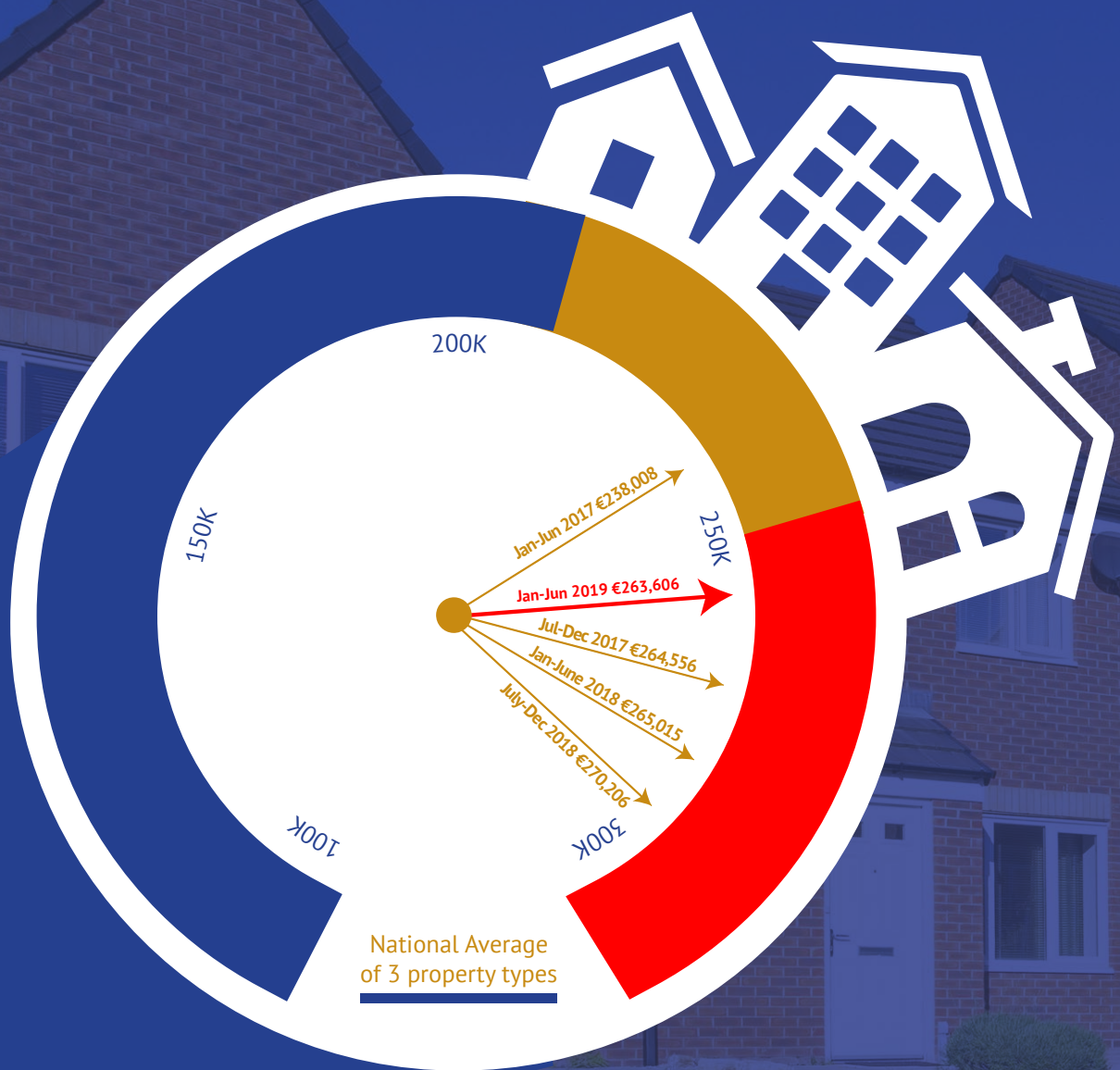


IPAV Residential Property Price Barometer | Results for Jan-June 2019



House Prices - Wavering towards the negative but broadly in Equilibrium

by Pat Davitt IPAV Chief Executive



Our latest Residential Property Price Barometer charting average prices achieved by auctioneers in the first six months of 2019 for the three bestselling property types - three and four-bed semis and two-bed apartments - shows, for the first time, the price of the average of the three types of property is slightly lower by €1,410 than in the previous six months and now stands at €263,606. While there are variations it averages -1.34pc for 3-bed semis and -1.68pc for 4-bed semis. Two bed apartments have, on the other hand, seen an average increase of 1.35pc, with the cities of Cork, Galway and Kilkenny experiencing a much higher increase for this property type.

The emergence of this price trend was first captured in our study for the final six months of 2017 and published in February 2018. It recorded a price correction in several of the more expensive areas of the country. Surprising the market, as such data always does, in hindsight the narrative became 'that should have surprised no one' given how quickly prices had ramped up in the preceding four year period with many areas experiencing double digit growth.

The factor that led to the quick ramping up of prices is the same one that is now prompting would-be buyers to hold back. Its name is 'confidence', or on the flip side 'fear' - the confidence to buy at a reasonable price or before prices increase further, and the fear of paying too much and getting caught in negative equity, a sentiment that runs very deep and has become intergenerational since the financial crisis. But market corrections spell opportunities for the brave.

The buying and selling of property, particularly residential property, is a deeply emotional transaction with people working decades of their lives to fund. They, rightly, want value, they want to know their investment will deliver over time. Even with the drop in many areas and the small decrease in our national Barometer figure we are, I believe, still in a sellers' market. Our members confirm it's taking slightly longer to sell properties.

That brings us to the fundamental economic and policy issues underpinning prices and involving: supply and demand - lending levels; demographics and economic outlook; not to mention the recent global phenome-

non involving the 'financialisation' of housing where major international funds are investing in residential property in Ireland, along with many other countries.

Member feedback would indicate that it will be hard to reach 20,000 new housing completions this year. With the Central Bank mortgage lending rules and a risk averse attitude to mortgage lending by banks themselves it looks like the pillar banks will struggle to lend €9 billion in mortgages for the year when switchers, re-mortgage and top-up loans are excluded. So clearly there is no question of excessive lending, or a lending bubble. On the contrary.

Demographics is a bit more nuanced and it appears the State doesn't have anywhere near a precise handle on who exactly is leaving and who is entering our country, an important consideration in housing planning. We do know, however, that following the major outflow of native Irish during the financial crisis - a key indicator of demand - in the year to April 2017 when the economy had rebounded 30,800 Irish people emigrated outnumbering Irish people returning by 3,400. Regardless there is undoubtedly quite a degree of unmet demand.

There is a short window to the 31st October Brexit deadline and one way or another it's going to impact property prices, positively if there is a good outcome and negatively if the feared hard Brexit becomes a reality.

Overall, in terms of property pricing I take the view that while there are unknowns that should be known by the State, such as the precise cost inputs into building and developing homes, and thereby prices to home buyers, while prices are currently wavering towards the negative, we are broadly in equilibrium.

Across the following pages you will find the detail of our nationwide study along with a full analysis of the findings by Donal Buckley.

I thank most sincerely all members who contributed to this latest Barometer. Your work is making an important and proven market leading contribution.

House Prices Slip in Many Areas but Apartment Prices Increase in 20 Locations

By Donal Buckley



House prices across a majority of Irish markets showed falls in the first six months of the year but apartment prices in most areas increased. These are among the interesting findings in the latest National House Price Barometer survey undertaken by the Institute of Professional Auctioneers and Valuers (IPAV) among its members for houses sold between January and June this year compared to the previous six months.

The latest survey also shows that with continued growth in the regional counties some of these are narrowing the price gap with a number of Dublin areas.

In as many as 27 of the national markets surveyed, three bedroom semi-detached houses saw price falls while 11 markets showed price increases. Two markets showed no change in price.

A similar picture was seen for four bedroom semi-detached houses with 28 showing falls although 13 markets showed increased prices for these types of houses.

In contrast as many as 21 markets saw prices for two bedroom apartments increase and five saw them unchanged. However 15 markets, nine of them in Dublin, saw prices fall for apartments.

Change Factors

These contrasting trends show that Central Bank controls on mortgages is hitting demand and sales of houses in many areas and suggest that the bank is pushing buyers to purchase apartments or to locate in areas with comparatively lower prices.

The increased prices for apartments is also a reflection of how low prices for these have languished especially in regional counties. Indeed even with the latest rise in prices, many of them are being purchased at way below prices that would be charged were a developer to try to recover the cost of building such apartments at current construction costs.

Contrasting Dublin Trends

In the three bedroom semi-detached house sector the sharpest fall was seen in Dublin 4, down 7.89%. Nevertheless at an average price of €875,000 this area,

which stretches from Sandymount to Ballsbridge and Donnybrook, is still the most expensive for this type of house. So it may seem surprising then that its neighbouring area of Dublin 6, which includes Ranelagh, Rathmines and Rathgar, saw the second strongest rise in price – up 5.04% to an average of €726,500. Thus it continues as the second most expensive area of the country in which to buy a three bedroom semi.

In the four bedroom semi-detached sector there is a repetition of the contrasting trends between Dublin 4 and 6. Yet again Dublin 4 suffered the sharpest fall with a 12.5% drop to €1.05 million. The difference over the six months means that the average four bedroom semi in the area dropped in value by as much as €150,000 which is what it would cost to buy a three bedroom semi in Mayo, Sligo or Tipperary.

Indeed over the last two years since the second half of 2017, there has been a 23.6% fall in the price of an average four bedroom semi in Dublin 4 and an 11.4% fall in the price of three bedroom semis in the area, according to the IPAV Barometer.

In contrast to Dublin 4, the neighbouring Dublin 6 has been holding up well and indeed performed strongly with a 6.73% increase in the price of a four bedroom semi to an average of €925,000 during the first six months of this year.

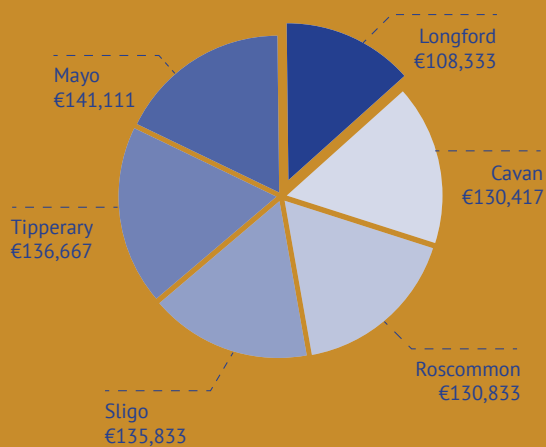
Perhaps a factor may be that the Luas service to Dublin 6 has helped to reduce the advantage that the Dart used to have for Dublin 4.

On the basis of price comparison the lower prices in Dublin 6 suggest that house hunters may be opting for the Dublin 6 houses because they perceive better value. Then they may well be surprised to learn that the IPAV survey dispels this impression as, on a price per square metre basis, Dublin 4 dwellings cost less for all three types of property.

It appears that Dublin 4 homes have bigger floor areas and its four bed semis cost an average of €4,250 per sq m versus €6,418 per sq m in Dublin 6. Dublin 4 three beds costs €4,823 per sq m compared to €6,875 in Dublin 6 and two bed apartments in Dublin 4 average €2,940 per sq m compared to €6,187 in Dublin 6.

Top 6 Least and Most Expensive Locations

Results for Q1 and Q2 2019



Top 6 Least Expensive Locations - Results for Jan-June 2019

These figures are an average across the three types of properties.

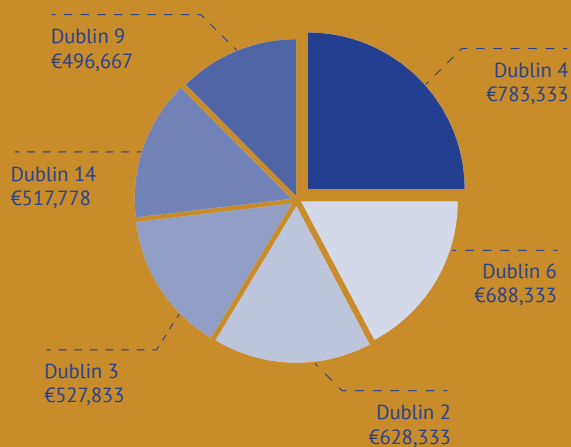
Similar contrasting trends are seen between two neighbouring middle-class districts within the Dun Laoghaire Rathdown County Council area. There the Dublin 18, which stretches from Sandyford to Shankill and includes Foxrock, saw prices increase while its neighbour Dublin 14 which includes Dundrum, saw prices fall.

Dublin 18 was one of only two Dublin areas to show an increase in prices for three bedroom semis as these rose 2.13% to an average of €480,000. In the four bed market Dublin 18 prices showed the fourth strongest growth in the country – up 3.51% to an average €590,000.

In contrast Dublin 14 four bedroom semis suffered the second sharpest price fall in this house type – down 8.11% to €641,667 while three bedroom semis in Dublin 14 fell 6.61% to an average of €541,667.

As we remarked when commenting on previous surveys, this contrast seems to suggest that the increased supply of new houses further out the Luas Green Line such as Park Development's Clay Farm project near Ballyogan, Dublin 18, may be reflected in the differing trends in Dublin 14 and 18.

Dublin 2, which is Dublin's third most expensive market across all three dwelling types, also suffered some of the highest falls in the capital. In the two bedroom apartment sector prices in this city centre district fell 5.88%, the second sharpest fall in this house type, to an average of €400,000. In the four bedroom semi sector, Dublin 2 prices fell by 5.56%, the fourth sharpest fall in the country and these dwellings now sell for €850,000. A more modest fall of 2.31% was seen in Dublin 2 for three bedroom semis to an average of €635,000.



Top 6 Most Expensive Locations - Results for Jan-June 2019

Expanding Commuter Belt

County Wexford saw the strongest price growth in the whole survey for three bedroom semis – up 6.73% to an average of €185,000 indicating that the combination of affordable prices and demand is again pushing the commuter belt to expand beyond the three mid-east counties of Wicklow and Kildare. Indeed these two saw falls: Wicklow by 1.52% to €304,109 and Kildare by 3.89% to €288,334 for three bedroom semis.

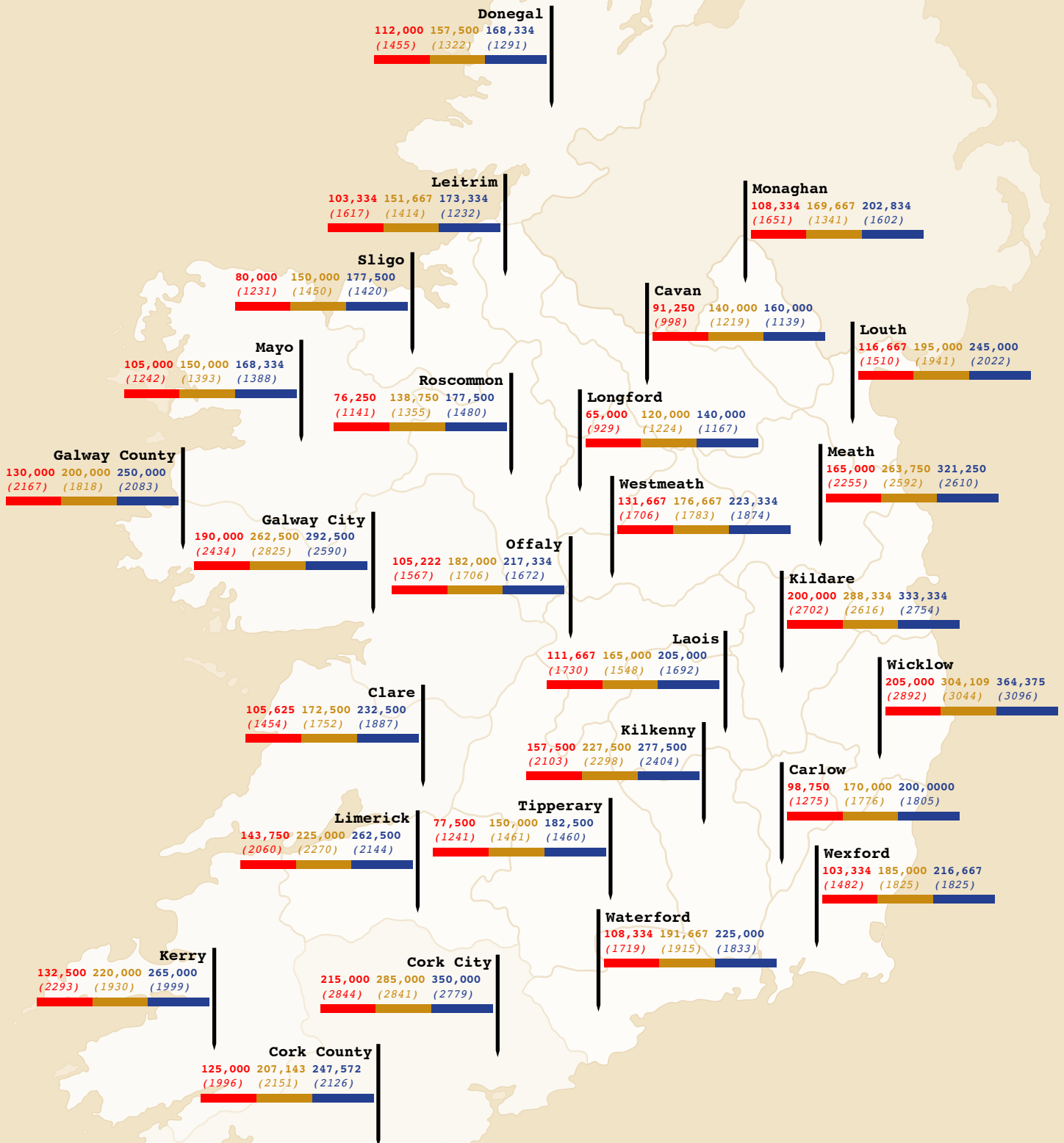
Indeed as many as 12, or all but two, of the Dublin postal districts surveyed showed price falls for three bedroom houses. Other areas of Dublin to show sharp falls were Dublin 24, which includes Tallaght, down 7.08% to an average of €295,806. Dublin 9, which includes Glasnevin and Drumcondra saw the average fall 5.17% to €550,000.

On the other hand the catch up seen in a number of markets has helped to reduce the impact on average national prices so that the average price of a three bedroom semi-detached house across all markets fell by only 1.34% over the six months.

Similarly with four bedroom semis, the recovery of some areas alleviated the impact of falls in 28 districts so that the average price fall across the country was confined to only 1.68%. Again the comparatively lower prices of North County Dublin saw it perform strongly as it showed the second fastest growth of 4.73% to an average of €516,667.

Countrywide Price Breakdown

Price comparison across all counties



■ 2 Bed Apt ■ 4 Bed Semi
■ 3 Bed Semi (Square Metre)

Regional Volatility

Longford, perhaps because of the arrival of Center Parcs combined with the county's already very keen prices, rose 3.7% to €140,000. While this is the third strongest price growth, nevertheless as it comes from a very low base, Longford still offers the cheapest four bedroom semis in the country.

Likewise while Longford three bedroom semis showed the fourth strongest price growth at 4.35% these are also the cheapest three bedroom semis at an average of €120,000 each. Two bedroom apartments in Longford were unchanged at an average of €65,000 also the cheapest in the country.

Likewise in neighbouring Leitrim three bedroom semis recorded the third strongest price growth of 4.6% to an average of €151,667 and four bedroom semis in the county rose by 2.97% to €173,334. As a result Leitrim has leap frogged a number of other western counties to rise from being the second weakest to the seventh lowest price for three beds in the country. Its four beds also rose in the ranks to be the fifth weakest.

However its rise in the ranks is not solely attributable to its price growth. It is also partly attributable to falls in prices in neighbouring counties. Most notably four bedroom semis in Donegal fell by 4.72% to €168,334 although three bedroom semis in Donegal rose 2.72% to €157,500.

Neighbouring three bedroom semis in Cavan suffered the fourth sharpest fall as they dipped 6.04% to €140,000 while Roscommon three bedroom semis fell 5.13% to an average of €138,750.

Apartment Trends

In the two bedroom apartment sector, Wexford also led the way recording the strongest price growth for two bedroom apartments – up 14.81% to an average of €103,333. Nevertheless these are still ranked the 37th in the 44 strong national price league for two bedroom units, an honour it shares with Leitrim. This suggests that buyers are responding to the apparent good value in the sunny south-east. When it came to the larger four bedroom family houses, Wexford prices rose by a more modest 1.56% to €216,667.

Interestingly Mayo apartments also performed strongly, with the second strongest growth of 14.55% over the six months to an average of €105,000. They were followed by Cork City with a 10.97% increase to an average of €215,000.

Again contrasting neighbouring trends saw Wicklow two bedroom units fall the sharpest, 8.58% to an average of €205,000. As we remarked above Dublin 2 suffered the second sharpest fall for these units.

Dublin 12, an area that stretches from Perrystown to Bluebell, saw apartment prices fall 5.56%, the third sharpest fall for these units. If this were sustained it would not be very encouraging for those who are hoping to see the transformation of industrial properties in areas such as Walkinstown and Longmile Road into residential developments.

City Scapes

In the other cities and their surrounding counties performances have varied. Cork City saw price growth for four beds, 1.08% to €350,000 and two beds 10.97% to €215,000. Its three beds marked time with a 0.87% slip to €285,000. Cork County saw falls ranging between 3.98% and 5.63% across all three dwelling types.

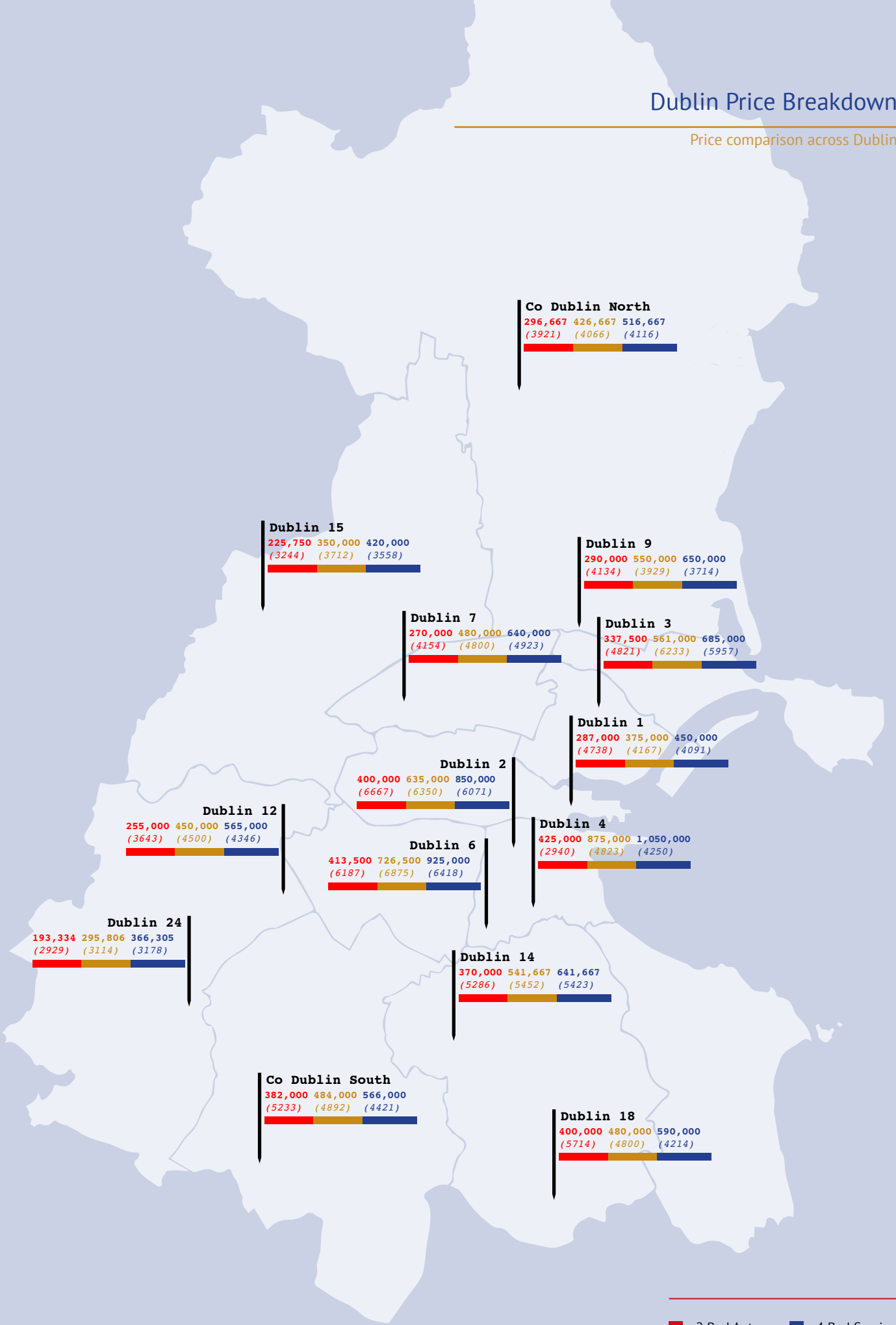
Galway City apartment prices rose 5.56% to €190,000 but its semis slipped by 1.87% for three beds and 2.5% for four beds to €262,500 and €292,500 respectively. Galway County prices rose by 2.04% for four beds semis to €250,000 but its other house types were unchanged.

Limerick city and county saw gains of about 1% across two and three bedroom house types but four bedroom semis slipped 0.47% to an average of €262,500.

Waterford city and county continued its recovery across all three house types with a 10.17% rise for two beds to €108,334, a 2.68% rise in three beds to €191,667 and a 3.05% rise in four bedroom prices to €225,000.

Dublin Price Breakdown

Price comparison across Dublin



■ 2 Bed Apt ■ 4 Bed Semi
■ 3 Bed Semi (Square Metre)

The figures in the barometer are the average price achieved over a six month period, January to June 2019, completed by 108 selected members of IPAV throughout the 26 counties of Ireland. ©



Paul McCartney, Editor



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