

SUPPLY WILL REMAIN CHALLENGING PREDICTS IPAV CHIEF

Economic growth spreading to the regions would appear to be responsible for a faster pace of growth in house prices for the second half of 2017, although much of it is coming from a low base, with many properties still selling for less than the cost of building them, according to Pat Davitt, Chief Executive of IPAV, the Institute of Professional Auctioneers & Valuers, commenting on his organisation's latest Residential Property Price Barometer.

He says in such areas prices will have to rise above this level before builders will find it viable to construct new properties.

"Sligo experienced the fastest pace of growth in the second half of 2017 with a 25.26pc increase over the year, bringing the price of a 3-bed semi to €145,000, substantially below the cost of construction," he said. Six counties have an average price of less than €134,000.

Outside of Dublin, 12 counties experienced double digit growth in the second half of the year. The pace of growth slowed considerably in a number of Dublin areas, including Dublin 3 and 4 but five areas - Dublin 1, 2, 6, 7 and 9 saw double digit growth.

In Dublin the price of a 3-bed semi now varies from €290,000 in Dublin 24 to almost 3.5 times that in Dublin 4 at €987,000. In Cork city the price is €273,000 and Galway City €268,000. In terms of the Dublin commuter belt, Kildare is growing at the fastest pace, way ahead of other commuter counties at 16.7pc in the second half of 2017. This brings the average price of a 3-bed semi in the county to €280,000.

Mr Davitt said: "In overall terms the lack of supply remains the biggest problem. Latest data from Goodbody indicates that last year a mere 9,513 new homes were issued with a Building Energy Rating, a better indication of new builds than ESB connections. While up 77pc on the previous year it is appallingly low with demand estimated to be running at about 40,000 homes a year."

He said with the new Home Building Finance Ireland agency, which will administer a loan fund of €750m for builders/developers, not due to begin operations until later this year the supply figures will remain "very challenging".

He warned that the interest rate applicable on the loans would be critical. "If it's the mooted 8pc then it will be too high for many SME builders, and may only facilitate those who are already in a position to build in any event." He pointed to the new first-time-buyers Rebuilding Ireland Home Loan scheme. "It's notable that it was brought into effect immediately with interest rates of 2pc to 2.25pc. Those figures would be more realistic for the HBFI loan scheme to be effective."

Mr Davitt also said that today's IPAV Residential Property Price Barometer would indicate that, contrary to some commentary, increased supply does help taper house price growth. "The low rates of price increase for 2-bed apartments and 4-bed semis in South Dublin where new developments have come on stream certainly support that," he said.

"In addition official data on the detailed costs of construction would help in the event of profiteering beginning to emerge. "It's regrettable that although promised since July 2016 it has not emerged to date," he concluded.

Ends

Note to editors: IPAV is the only representative body in Ireland which solely caters for the professional and educational requirements of auctioneers and valuers practicing throughout Ireland. Established in 1971, it has over 1,100 members nationwide.