



The Daft.ie House Price Report

An analysis of recent trends in the Irish residential sales market

2013 Q3

Introduction by Ronan Lyons, Assistant Professor at Trinity College Dublin and Economist at Daft.ie



Introduction

Ronan Lyons, Economist, Daft.ie

Supply shortages, not a new bubble, the concern in Dublin

Ronan Lyons is an economic researcher based at Balliol College, Oxford, where he lectures and is undertaking his doctorate in urban economics. He is also Economist with Daft.ie

As we enter the final quarter of 2013, the signals emerging from the housing market have totally changed compared to two years ago. Then, it seemed there was no end to falls in house prices, particularly in Dublin, which at that point had seen asking prices fall 55% from the peak compared to 48% elsewhere.

Now however, even as asking prices continue to fall outside the capital, and at double-digit rates in Munster, there are concerns about a new bubble emerging in Dublin. Such concerns are probably overstated – ultimately bubbles can only emerge with loose credit, and there are few who would argue that the housing market in Dublin is cursed with easy money.

Instead, what we are witnessing is something like the lancing of a boil. For almost five years, a significant chunk of would-be first-time buyers based in Dublin held off making a purchase, enjoying not only falling prices while they did but falling rents for the early years also. And they saved. Then, probably due to a combination of the end of mortgage interest relief, rising rents and starting their own families, they started to buy.

But this backlog of buyers is not limitless. They are two-job couples, working in FDI sectors or related professional services. They have secure incomes and are, for the want of a better word, the darlings of the mortgage market currently. It is this backlog that we are currently witnessing driving in the market. And markets being markets, there is probably an element of momentum emerging, with other transactions occurring as people get caught up in the rush.

The problem for policymakers therefore is not another bubble – it's a scarcity of houses in areas where people want to set up homes. It does not take an economist to point out that jobs are scarce currently and what jobs are being created at the moment are being created disproportionately in Ireland's cities, particularly in Dublin. This is shifting demand towards the capital.

Six months ago, my commentary to the Q1 Report presented figures for the average four-bedroom detached house and one-bedroom apartment in South County Dublin and in Mayo. I mentioned at the time that the ratio of prices between the two areas would be a good signal of pressures in the market. The ratio for both properties is shown in the graph (overleaf). The trend over the last six months is every bit as dramatic as what preceded it: if prices can act as a warning signal, this is the alarm bell ringing.

Introduction

Ronan Lyons, Economist, Daft.ie

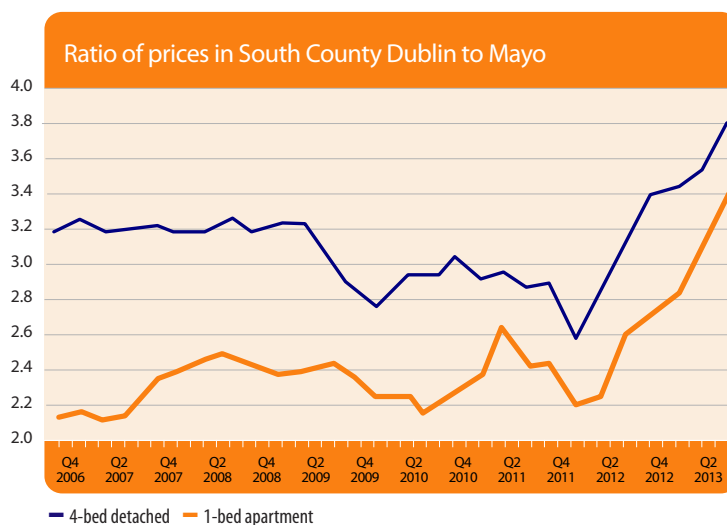
Supply shortages, not a new bubble, the concern in Dublin

Intricately tied up with the shift in prices towards Dublin is the issue of supply. Not only has Dublin almost no backlog from the bubble years, it is also building next to no new homes. A city of almost half a million households is building only slightly more than 1,000 units a year. This is probably one tenth of the number of new homes it needs: available figures suggest that there are about 10,000 first-time mothers in Dublin each year.

Bizarrely, when the topic of new supply is raised, a common response is: "We don't want another bubble." The whole point about bringing new supply of homes is to prevent prices from rising to unaffordable levels, not cause it. As mentioned above, supply of credit increases house prices; supply of dwellings lowers them.

The findings from this report are stark. For the first time since 2007, each of the six regions of Dublin covered in the Daft.ie Report now shows asking prices rising in year-on-year terms. Every single other region in the country shows them still falling. While year-on-year inflation in the capital will ease over the next 6 months, as the last quarters of falling prices fall out of the equation, this should not be taken as the problem going away.

Ultimately, housing near centres of employment needs to be affordable. This sounds like a tall order for Government, something perhaps impossible to get right through tinkering with the market. Policymaking is as much about diagnosis as anything else. Thus, for policymakers, a logical place to start addressing this issue is establishing why builders are currently not building. ■



Year-on-year change in asking prices, Q3 2013





Daft.ie Asking Price Index

-1.5%

Asking prices were 1.5% lower in the third quarter of 2013 than a year previously, the closest to stable asking prices since 2007.

The average asking price nationwide is now €170,400, compared to €378,000 at the peak in 2007.

Asking Prices, Residential Sales (2012 average = 100)

	2006	2007	2008	2009	2010	2011	2012	2013
January	183.7	212.7	209.0	180.2	149.3	127.2	105.3	97.3
February	198.6	214.6	208.1	176.6	148.0	127.1	104.2	96.8
March	196.5	212.9	205.6	172.8	144.7	124.5	102.4	97.2
April	201.8	213.5	204.2	171.4	144.4	121.4	101.8	96.7
May	204.1	214.8	202.1	167.9	142.7	119.9	102.3	97.2
June	205.3	214.2	199.3	164.6	139.9	115.8	99.6	97.7
July	207.6	214.4	197.6	162.4	136.7	115.4	98.0	96.3
August	208.7	213.1	194.8	158.5	136.6	113.6	99.0	96.9
September	212.1	211.3	193.1	156.5	135.2	113.5	97.1	96.6
October	212.9	210.6	189.5	154.2	132.2	108.3	98.4	
November	211.2	208.9	183.5	150.5	129.2	106.0	96.0	
December	213.4	209.7	182.3	148.6	128.4	105.4	95.9	

Dublin asking prices rise 7.7% in 12 months

This is the third quarter in a row that Dublin asking prices has risen in year-on-year terms, with the 7.7% recorded the strongest growth since early 2007.

Prices outside Dublin down 6.7% in year-on-year terms

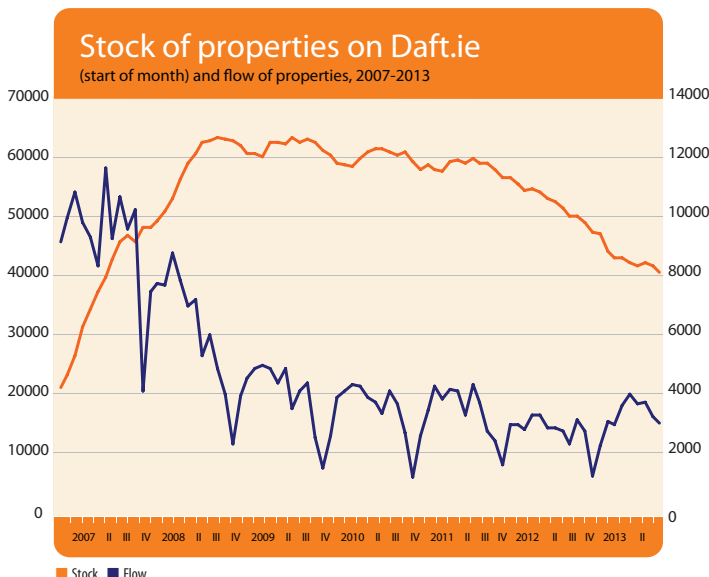
Outside the capital, asking prices continued to fall, although the decline of 6.7% was the smallest since mid-2008.

Stock sitting on the market down 19% in a year

The total number of properties sitting on the market fell from just under 50,000 in mid-2012 to just over 40,000 in mid-2013, the second successive year where it's fallen by 10,000.

Nearly one half of properties sell within four months

The proportion of properties finding a buyer within four months has risen from 37% a year ago to 45% now.



The Daft.ie Asking Price Index is based on asking prices for properties posted for sale on Daft.ie. An index based on asking price, as opposed to closing price, is a measure of sellers' expectations. Figures are calculated from econometric regressions, which calculate changes in price that are independent of changes in observable measures of quality, such as location, or bedroom number.



Daft.ie Price Register Index

1.9%

For the first time since the launch of the Property Price Register, there was a year-on-year increase in the average transaction prices - of 1.9%. The average transaction price nationwide during the third quarter was €156,000.

Transaction Prices, Residential Sales (2012 average = 100)

	2010	2011	2012	2013
January	151.8	132.0	100.0	92.8
February	145.5	127.8	99.9	94.3
March	145.0	120.9	102.5	95.3
April	146.2	122.0	102.3	97.9
May	137.9	117.0	98.3	98.1
June	142.6	115.8	97.4	100.1
July	139.1	119.6	101.8	101.1
August	138.1	114.0	99.5	102.1
September	133.6	111.9	101.7	105.7
October	130.2	108.0	98.0	
November	134.4	108.4	98.0	
December	133.9	108.3	100.6	

Price register points to increasing prices in city areas

In both Dublin (10.4%) and other cities (4.1% on average), transaction prices are higher than a year ago.

In Munster, prices continue to fall sharply

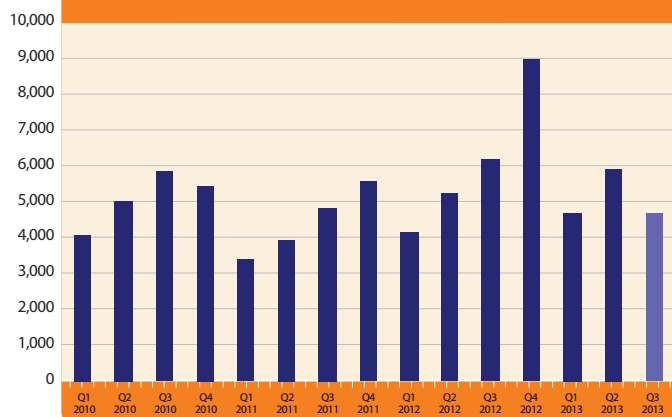
In Munster in particular, however, prices are still falling, down 11.8% compared to the same period last year.

Second-quarter transactions up 13%

There were almost 6,000 transactions in the second quarter of 2013, compared to just over 5,200 a year previously.

Number of housing market transactions, 2010-2013

Source: propertypriceregister.ie



The Daft.ie Price Register Index is based on prices for residential properties recorded on propertypriceregister.ie, for which matches were found in the daft.ie archives. Because these are entered with a lag by solicitors, figures for previous quarters are subject to revision. Figures are calculated from econometric regressions, which calculate changes in price that are independent of changes in observable measures of quality, such as location, type, or size.

Daft.ie Snapshot of Asking Prices Nationwide



What can I ask for? Can I afford it?

Average house prices across Ireland (€000s),
by county and property type, 2013 Q3

Daft.ie Snapshot of Asking Prices Nationwide		1-bed apartment	2-bed terraced	3-bed semi-d	4-bed bungalow	5-bed detached
Dublin	Dublin City Centre	€121	€182	€270	€431	€556
	North Dublin City	€105	€158	€234	€374	€483
	South Dublin City	€120	€180	€268	€428	€552
	North Co. Dublin	€94	€141	€210	€335	€433
	South Co. Dublin	€162	€244	€362	€578	€746
	West Dublin	€77	€115	€171	€274	€353
Other Cities	Cork City	€74	€91	€146	€248	€345
	Galway City	€66	€81	€131	€222	€309
	Limerick City	€58	€71	€115	€195	€271
	Waterford City	€48	€59	€95	€161	€223
Leinster	Meath	€62	€81	€111	€232	€294
	Kildare	€69	€89	€122	€256	€324
	Wicklow	€86	€111	€153	€319	€405
	Louth	€56	€73	€100	€210	€266
	Laois	€33	€42	€58	€121	€154
	Westmeath	€48	€63	€86	€180	€228
	Offaly	€48	€63	€86	€180	€228
	Longford	€43	€56	€77	€161	€205
	Carlow	€45	€58	€80	€168	€213
	Kilkenny	€52	€68	€93	€195	€247
	Wexford	€47	€61	€83	€174	€221
	Waterford county	€54	€68	€99	€202	€231
Munster	Kerry	€52	€65	€94	€191	€219
	Cork county	€55	€69	€100	€205	€234
	Clare	€47	€59	€85	€174	€199
	Limerick county	€49	€62	€89	€182	€208
	Tipperary	€48	€60	€87	€178	€203
	Galway county	€48	€52	€77	€152	€168
Connaught	Mayo	€48	€52	€76	€152	€167
	Roscommon	€36	€40	€58	€115	€127
	Sligo	€48	€52	€77	€152	€167
	Leitrim	€36	€39	€57	€113	€125
	Donegal	€46	€50	€73	€145	€159
Ulster	Cavan	€41	€45	€66	€130	€143
	Monaghan	€48	€53	€77	€153	€169

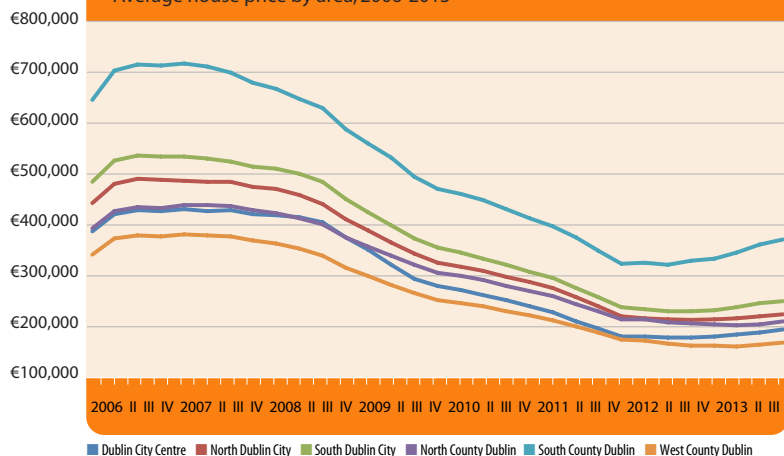


Dublin Trends

An analysis of recent trends in the Dublin residential sales market

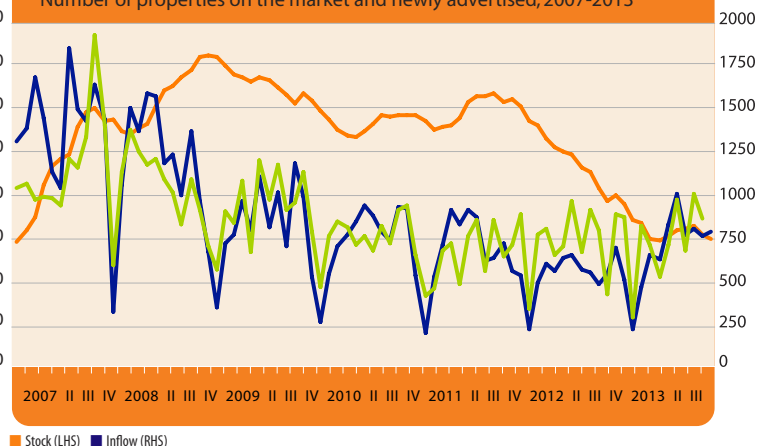
How have house prices changed?

Average house price by area, 2006-2013



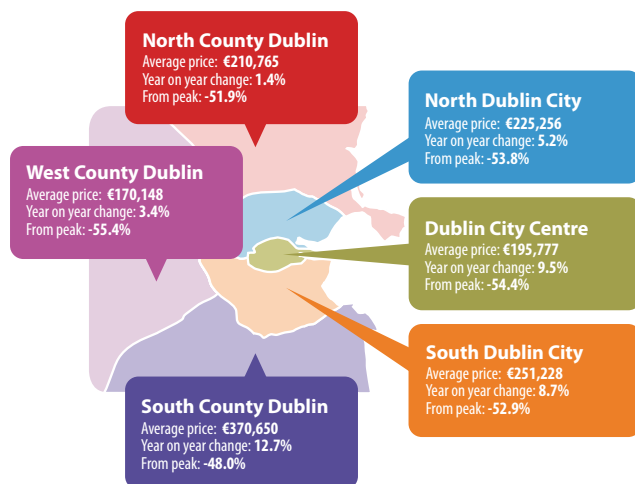
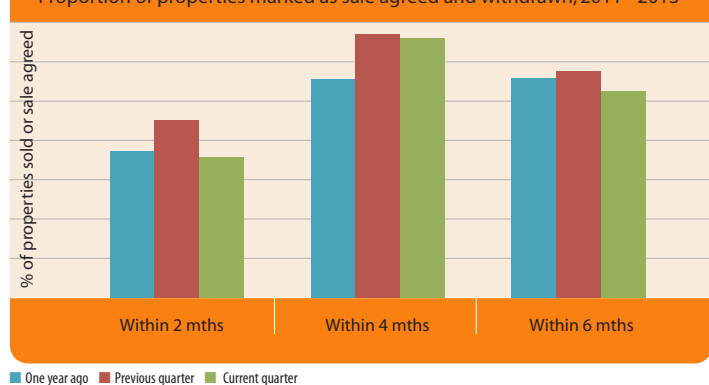
How many properties are on the market?

Number of properties on the market and newly advertised, 2007-2013



How fast are properties selling?

Proportion of properties marked as sale agreed and withdrawn, 2011 - 2013



- For the first time since early 2007, asking prices rose annually in all six regions of Dublin.
- The rate of price rises is greatest in South County Dublin, where the average asking price is 13% higher than a year ago.
- Two-thirds of Dublin properties find a buyer within four months, up from 56% a year ago.
- Stock for sale in Dublin has stabilised since the start of the year, with 6000 properties were listed for sale in the first 8 months of 2013, up almost 25% from 4,700 in 2012.

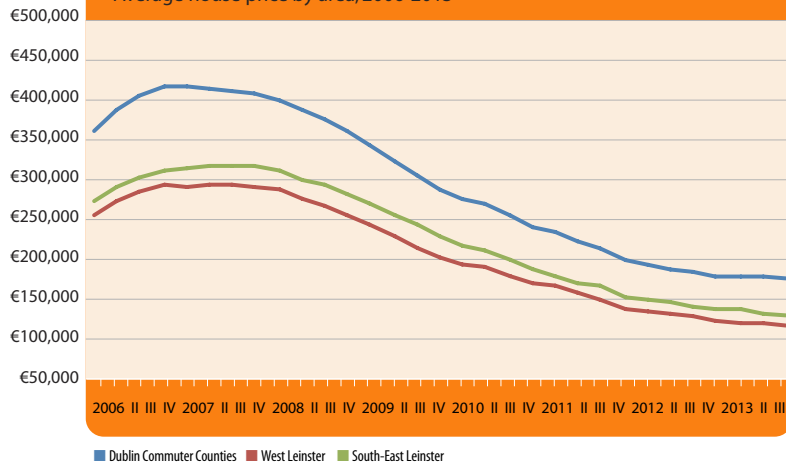


Leinster Trends

An analysis of recent trends in the Leinster residential sales market

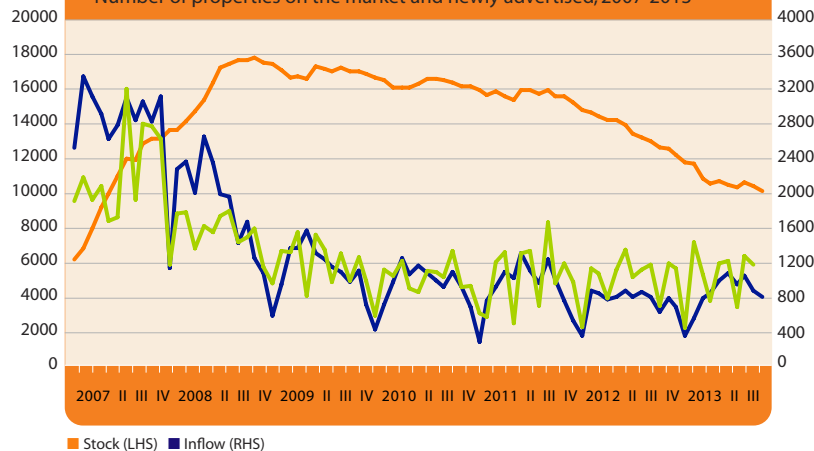
How have house prices changed?

Average house price by area, 2006-2013



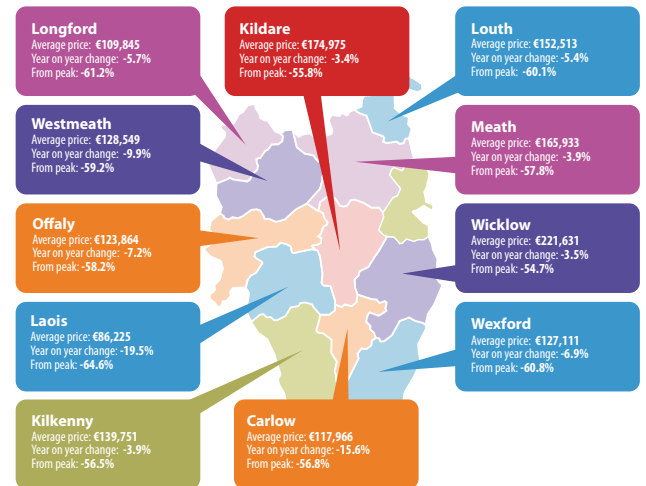
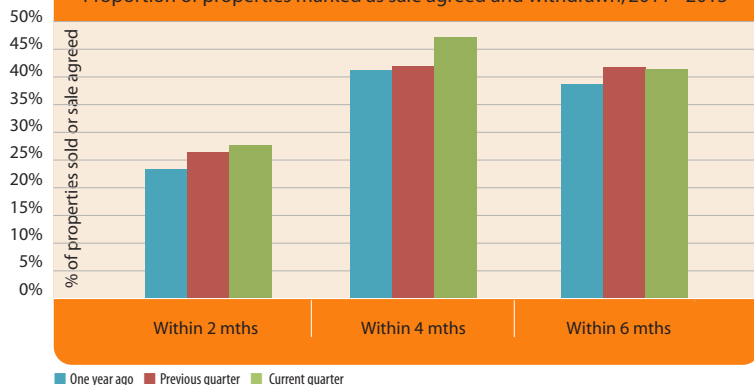
How many properties are on the market?

Number of properties on the market and newly advertised, 2007-2013



How fast are properties selling?

Proportion of properties marked as sale agreed and withdrawn, 2011 - 2013



- For much of Dublin's commuter belt, asking prices are 4% lower than a year ago, the closest to stable they have been since 2008.
- In certain parts of Leinster, however, such as Laois and Carlow, prices are still falling rapidly.
- Just under half (47%) of Leinster properties find a buyer within four months, compared to 41% a year ago.
- The total number of properties for sale in Leinster in September was 10,000, down from 12,600 a year ago.

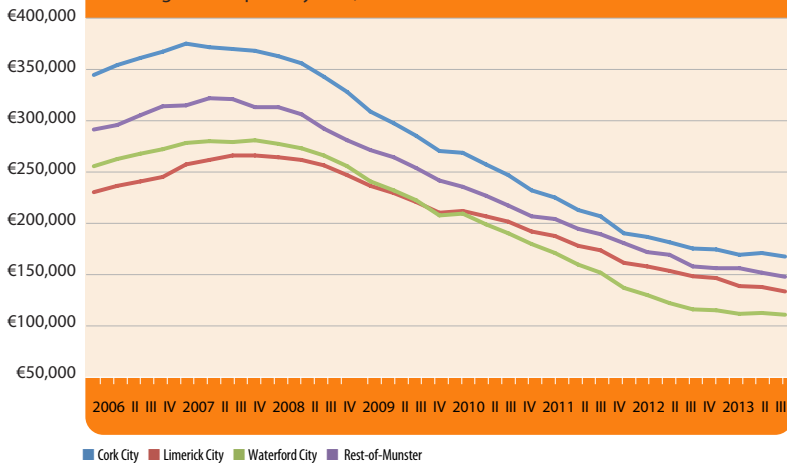


Munster Trends

An analysis of recent trends in the Leinster residential sales market

How have house prices changed?

Average house price by area, 2006-2013



Clare

Average price: €133,129
Year on year change: -8.5%
From peak: -57.0%

Tipperary

Average price: €133,596
Year on year change: -7.0%
From peak: -52.0%

Limerick County

Average price: €131,364
Year on year change: -10.3%
From peak: -50.5%

Limerick City

Average price: €131,364
Year on year change: -10.3%
From peak: -50.5%

Kerry

Average price: €146,783
Year on year change: -7.0%
From peak: -52.4%

Waterford County

Average price: €154,551
Year on year change: -5.9%
From peak: -55.5%

Cork County

Average price: €154,774
Year on year change: -5.3%
From peak: -56.9%

Waterford City

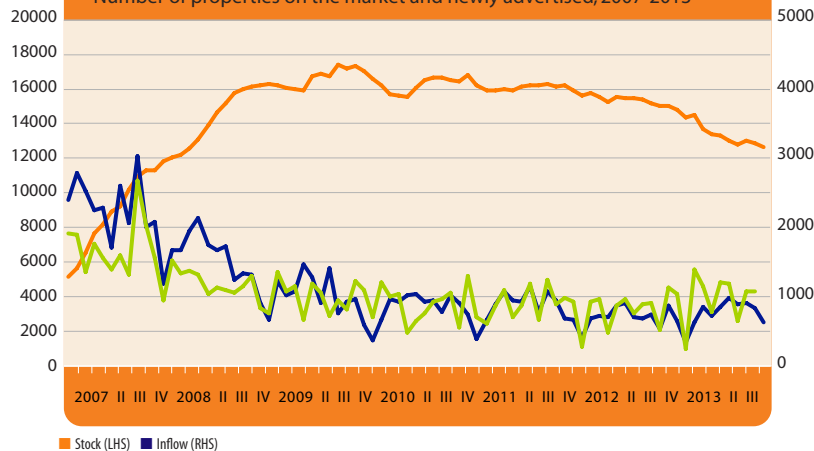
Average price: €108,475
Year on year change: -4.9%
From peak: -61.3%

Cork City

Average price: €165,884
Year on year change: -4.5%
From peak: -55.8%

How many properties are on the market?

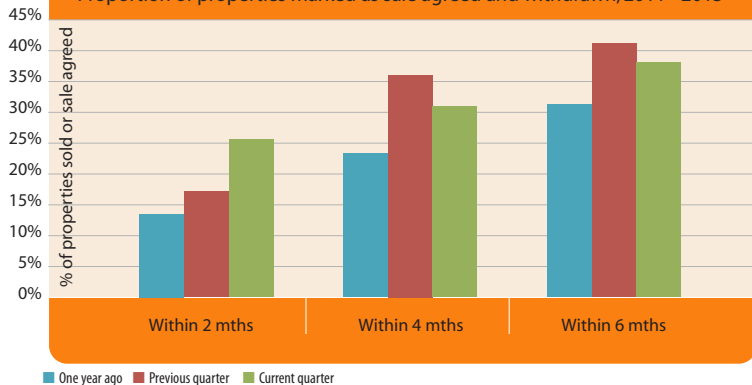
Number of properties on the market and newly advertised, 2007-2013



- In Cork and Waterford cities, prices have fallen by 5% on average in the last 12 months, while in Limerick the fall has been 10%.
- Across Munster outside the cities, asking prices continue to fall, by typically 7% in the last year.
- Just under one third (31%) of Munster properties find a buyer within four months, compared to 23% a year ago.
- The total number of properties available for sale in Munster in September was 12,600, down from 15,000 a year ago.

How fast are properties selling?

Proportion of properties marked as sale agreed and withdrawn, 2011 - 2013



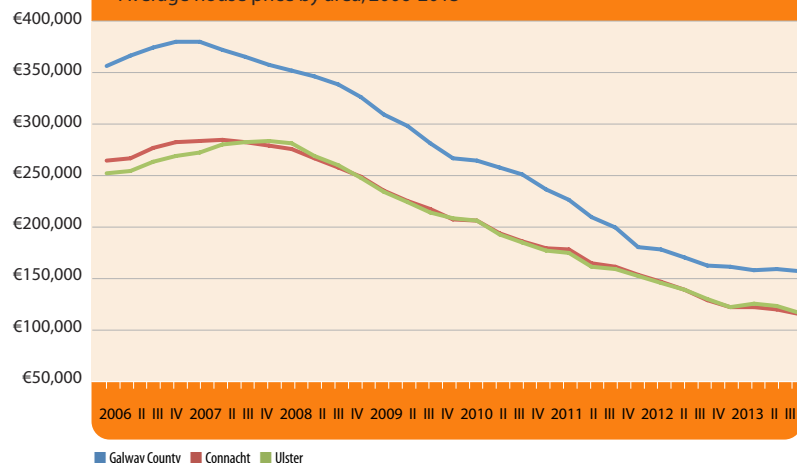


Connacht & Ulster Trends

An analysis of recent trends in the Leinster residential sales market

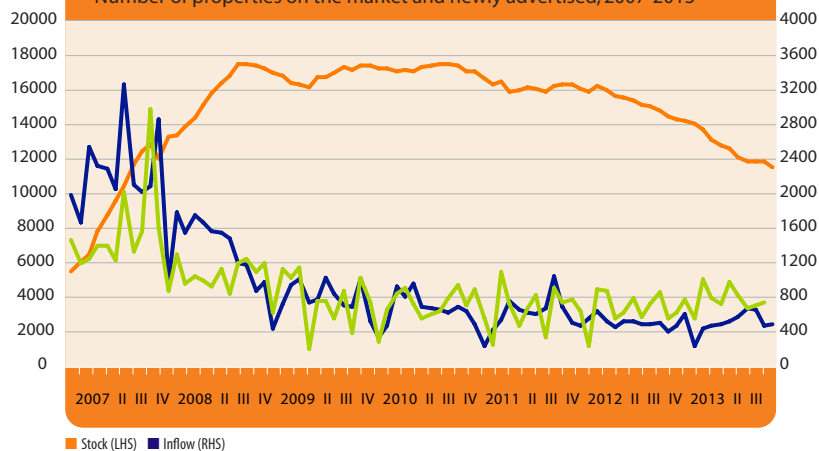
How have house prices changed?

Average house price by area, 2006-2013



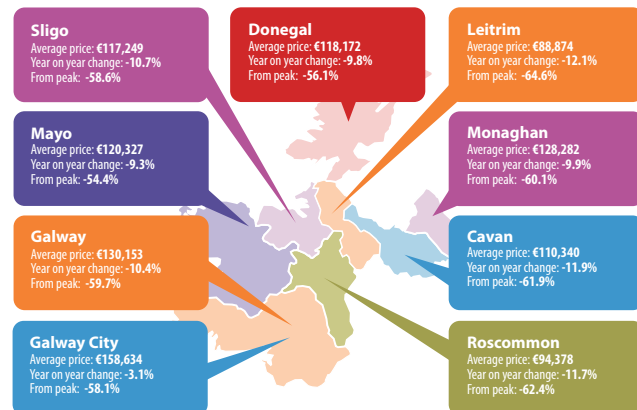
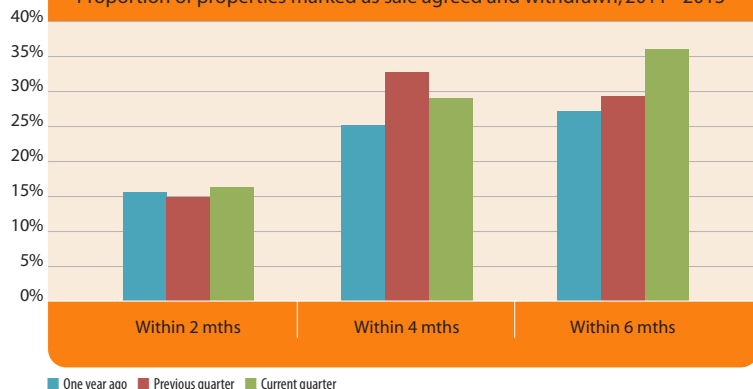
How many properties are on the market?

Number of properties on the market and newly advertised, 2007-2013



How fast are properties selling?

Proportion of properties marked as sale agreed and withdrawn, 2011 - 2013



- In Galway city, prices continue to fall but at a slow rate, 3% in year-on-year terms.
- Elsewhere in Connacht-Ulster, asking prices are typically 10% lower than a year ago.
- Just under one third (30%) of Connacht-Ulster properties find a buyer within four months, compared to 25% a year ago.
- The total number of properties sitting on the market in Connacht-Ulster in September was 11,700, down from 14,700 a year ago.



About the Report

Over the last 10 years, Daft.ie has collected a vast amount of data on the Irish property market. In 2011 alone, over 100,000 properties for sale were advertised on the site.

About Daft.ie

Daft.ie is Ireland's largest property website. The latest audited report from ABC (Sep 2011) shows monthly traffic of 130 million page impressions (pages of information received) and 1.976 million unique users per month across Daft Media's property websites (daft.ie, rent.ie, let.ie, property.ie). This makes Daft.ie the biggest property website in Ireland across all demographics.

About the Report

The goal of the Daft Report is to use this information to help all actors in the property market make informed decisions about buying and selling. In addition, because it is freely available, the Daft Report can help inform the media, the general public and policymakers about the latest developments in the property market.

This is the Daft.ie House Price Report, the partner to the Daft.ie Rental Report, which will be issued next month. Together, they give house-hunters and investors more information to help them make their decisions. These twin reports mean that Daft is the only objective monitor of trends in both rental and sales markets on a quarterly basis, making the report an essential barometer for anyone with an interest in the Irish property market.

The Daft Report is now almost ten years old and has become the definitive barometer of the Irish residential property market. It is being used by the Central Bank, mortgage institutions, and by financial analysts at home and abroad, as well as by the general public.

Methodology and Sample Size

The statistics are based on properties advertised on Daft.ie for a given period.

The regressions used are hedonic price regressions, accounting for all available and measurable attributes of properties and only coefficients with a very high degree of statistical significance ($p < 0.001$) are used.

The average quarterly sample size for sales over the period 2006-2011 was over 34,000. Indices are based on standard methods, holding the mix of characteristics constant, with the annual average of 2007 used as the base. A working paper on the methodologies employed in both rental and sales markets will be published on the Daft.ie website soon.

Stock and flow statistics are calculated using consistent series for the period covered.

Coming Next...

The Daft.ie Rental Report 2013 Q3, in November 2013

The Daft.ie Rental Report will be published in November and will include a review of the performance of Ireland's rental market in mid-2013, plus all the usual indices, snapshots, trends and rental yield analysis, providing analysts, tenants, landlords and the public with the most up-to-date information on Ireland's rental market.

Disclaimer

The Daft.ie Report is prepared from information that we believe is collated with care, but we do not make any statement as to its accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the indices, snapshots or analysis at any time for regulatory or other reasons. Persons seeking to place reliance on any information contained in this report for their own or third party commercial purposes do so at their own risk.

Credits

Economic Analysis:

Ronan Lyons

Layout and Design:

Ciara Mulvany

Data Compilation:

Paul Conroy

Marketing:

Kieran Harte

All data is Copyright © Daft Media Limited. The information contained in this report may only be reproduced if the source is clearly credited.

Please contact Daft.ie on 01-4218700 for further information.