

LATEST IPAV HOUSE PRICE STUDY CONFIRMS GROWING APPEAL OF THE COUNTRY

The overall increase in property prices for 2021 was just short of 12pc, (6.25pc in H1 and 5.57pc in H2) with great variations across the country, according to the latest Residential Property Price Barometer by IPAV, the Institute of Professional Auctioneers & Valuers, which captures house prices actually achieved by auctioneers for three and four-bedroom semi-detached homes and two-bedroom apartments.

Providing a county by county breakdown for each property type the latest barometer records prices in the latter half of 2021 and compares them with prices in the first half of the year.

Co. Westmeath saw a 7.2pc increase in the three bedroom category in the latter six months of the year, 11.11pc for 4-bedroom houses and 11.91pc for two-bedroom apartments.

Pat Davitt, Chief Executive of IPAV said during 2021 in particular the differential between asking and achieved prices was crucial, given the intense demand against a scarcity of supply, leading to a trend whereby agreed prices often exceeded asking prices, sometimes to a considerable degree.

“However,” he said, “there is a myriad of factors impacting the market, with many buyers, particularly those with family connections to the country, now seeing living in the country as a realistic, more affordable option given the new hybrid working arrangements.”

He said coastal properties or unique properties are now attracting greater interest. “Hence we are seeing the higher increases this time around in areas like Wexford, Clare, Mayo and Donegal.

And he said while prices are now very close to 2006/7 levels the market is drastically different. “At that time there was no shortage of supply, we were building 93,000 units per year. There was excessive lending with banks often approving several prospective buyers for the same property. They ended up competing against each other, thereby pushing up prices.

“In contrast what we now have is a shortage of supply and very tight lending practices, with the Central Bank of Ireland’s macroprudential mortgage rules. Many properties are being purchased from savings and parents are contributing hugely to deposits for young buyers.”

Mr Davitt said: “Given that rental levels exceed the cost of repaying a mortgage, often to a considerable extent, and that Ireland has finally introduced genuine long-term fixed interest rates of up to 25 and 30 years, where repayments are set for that entire period and cannot fluctuate, regardless of market conditions, those hoping to own their own homes are realising it makes sound financial sense to try and get a mortgage

“He said such mortgages at interest rates of the order of 3 per cent, even though way ahead of the euro area average, are unprecedented.

However, he said scarcity of supply is a real problem. “The current market favours those on higher incomes and those fortunate enough to have family support.”

He said in some cases it’s also preventing potential sellers from placing their properties on the market in case they would not find a suitable home, or that by the time they do, the price they would have to pay may have outstripped their planned budget.

IPAV has sought adjustments to the Central Bank mortgage rules, particularly to assist those on average incomes who could afford to service a mortgage, “if only they could get one.”

Mr Davitt said supply is improving but so far not quickly enough. “We need to see measures that tackle severe planning impediments, the tax take on buying a home where mortgage holders borrow money and pay interest on those borrowings for the lifetime of the mortgage to cover upfront VAT charges.”

“Unless these issues can be dealt with without further delay, the storm clouds of rising inflation could scupper many prospective buyers. While the ECB is not predicting an interest rate rise for 2022 if current high levels of inflation across the EU persevere that situation will no doubt change, hampering the ambitions of some buyers but also impacting house prices, which for now look like continuing on an upward trajectory,” he concluded.

Ends