

Bigger Homes and Higher Prices

by Pat Davitt IPAV Chief Executive



Our Residential Property Price Barometer, uniquely, charts actual house prices achieved by auctioneers, for the best-selling property types – three and four bedroom semi-detached houses and two-bedroom apartments.

This, our latest study, analyses property prices in the latter six months of 2020 and compares them with the previous six months.

When, in the late Spring and early Summer of 2020, notable economists and analysts across both the public and private sectors were predicting house price drops, some of the order of 20pc, knowing the feedback from auctioneers our Institute publicly questioned the rationale for such forecasts. We got little hearing at the time. Perhaps given an element of panic around the Covid-19 pandemic and its implications, such predictions appeared to have a ring of credibility around them.

However, they proved to be seriously off the mark. Valuing property, as opposed to speculative forecasting, requires particular expertise. Epidemiologists who when forensically questioned on the airwaves about the particular level of immunity the new vaccines would deliver defer to known facts and hold question marks over anything else. Perhaps a useful parallel when it comes to residential property prices.

There is academic rigour inherent in property valuations. It is crucially important because it impacts, not only the balance sheets of lending institutions and pension funds but the immediate and future choices and options available to our citizens.

Our latest Residential Property Price Barometer has found price increases for the latter half of 2020 over the first six months of the year in the vast majority of the country, with the largest increases taking place in 4-bedroom homes. Galway city topped the list for such homes with a 5.87pc increase, followed by Donegal at 5.16pc. In the three-bedroom category Louth was top at 4.69pc,

followed by Kildare at 4.60pc and for two-bedroom apartments Waterford led the way with a 4.97pc increase followed by Carlow at 4.94pc and Dublin 24 at 4.14pc.

It's likely that housing demand will keep prices elevated for the foreseeable future. Just over a year ago the Central Bank estimated we will need to build 34,000 new homes every year up to 2030 based on an assumption of net inward migration of 30,000 people a year. The 2020 figure for new builds is likely to come in at about 20,000. So demand will continue to outstrip supply for some time.

But supply is not our only problem. There is a huge issue around affordability, particularly for those on average wages, many of whom could afford to service a mortgage, were it not for the overly zealous nature of the Central Bank's macro prudential mortgage rules. At a time when rental levels in most areas of the country remain substantially higher than mortgage repayments for the same property, it's ironic that the Government has had to step in and extend the Help-to-Buy scheme and are now introducing a new Affordable Purchase Shared Equity scheme where the State will provide equity support to those seeking to buy private homes but are unable to secure the full mortgage to do so.

We still await the setting up by the Government of the promised Commission on Housing. It is critical that this body would have input from all stakeholders, so that past mistakes can be avoided and the major impediments that remain to building sufficient homes are addressed.

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

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

Most sectors of the Irish housing market recorded price increases in the second half of 2020

By Donal Buckley



However Dublin 4 saw a softening in the four bedroom and two bedroom segments

Houses prices increased in the vast majority of the Irish market segments in the second half of 2020 as the market advanced from the stable trend seen in the first half of the year. This is the main finding in the latest House Price Barometer from the Institute of Professional Auctioneers & Valuers.

The upward trend appears to be due to a combination of increased savings due to closure of pubs, restaurants' and retail outlets as well as a shortage of supply of new homes coming on stream. Overall the second half trends were stronger than the first half of 2020 as then only about half of the 119 market segments monitored by the Barometer showed prices either increased or were unchanged in the first half.

Except for two counties, Clare and Galway, all other counties saw increases in three bedroom semi-detached house prices.

All but four markets saw rises for four bedroom semi-detached house prices and even after allowing for those falls, then the national average price for these house types increased by 2.13pc across the country. Average price increases for four beds was stronger than the averages recorded for three bedroom semis which was 1.83pc and for two bedroom apartments which was 1pc.

While the pace of recovery was not as widespread in the two bedroom apartment sector nevertheless only 10 of the 41 two bedroom markets saw falls and the sharpest of those was only 3.43pc seen in Tipperary.

FOUR BEDROOM SEMI-DETACHED HOUSES

With regional agents noting increased interest among home buyers seeking larger homes in which to accommodate an office, the barometer reflects this demand with some of the strongest price increases seen among four bedroom semi-detached houses.

Galway City saw the strongest increase with a 5.87pc rise to an average of €320,250 for a four bedroom semi.

It was followed by Donegal where prices rose by 5.16pc to an average of €176,667. But the north west county still has very good value as four bedroom semi-detached there are still the fourth cheapest in the 26 counties. Kerry registered the third highest increase of 4.9pc to an average of €267,500.

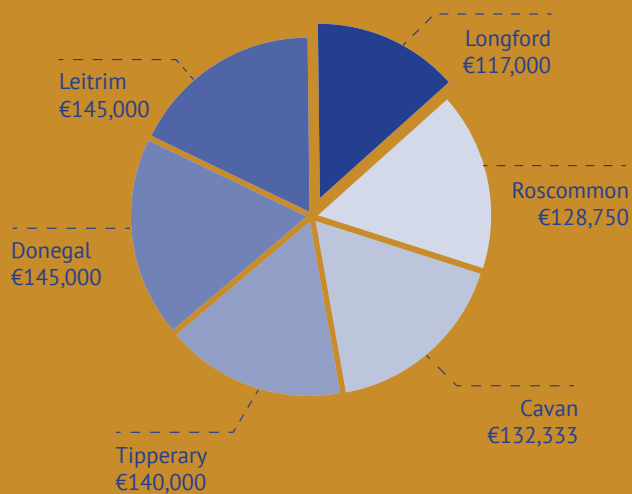
Two of the Dublin suburban markets were also among the top performers with four bedroom semis in Dublin 24, which includes Firhouse and Tallaght, rising 4.25pc to €378,334. North County Dublin which includes Malahide, Swords and Balbriggan, saw prices rise 4.05pc to €513,334.

Dublin 6, which suffered a slight 0.56pc fall in price during the first half of the year more than recovered from this to rise 2.46pc. As a result it has narrowed the gap between it and Dublin 4. Four bedroom semis in Dublin 2 also rose, by 1.25pc, to remain the third highest priced. It was followed by Dublin 3, which includes Clontarf, up 1.49pc to €680,000 and Dublin 9 which ranges from Drumcondra to Ballymun and where four bedroom semis were unchanged at an average of €650,000.

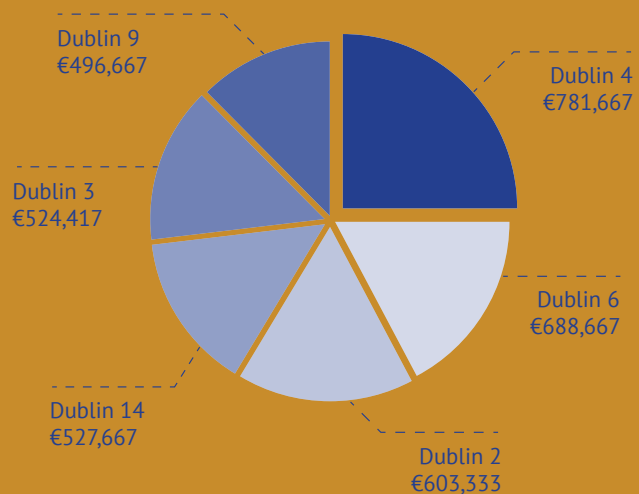
Top Six Least and Most Expensive Locations

Results for Q3 and Q4 2020

Least Expensive



Most Expensive



These figures are an average across the three property types – three and four-bedroom semi-detached houses and 2-bedroom apartments.

Indeed the sharpest fall in this house type was seen in Dublin 4 where prices fell 2.27pc. Nevertheless this area, which includes Ballsbridge and Sandymount, maintained its position for the highest house prices in Ireland with four bedroom semis averaging €1.075 million.

Other markets to see falls in four bedroom semi-detached prices included Wicklow, down 1.01pc to an average of €391,000, and Dublin south county down by 0.72pc to €551,000. Roscommon prices dipped 0.72pc to an average of €171,250 making these the third cheapest in the country.

Longford remains the cheapest although prices there increased by a healthy 3.45pc to €150,000 in the second half of the year on top of a similar increase in the first half of the year.

Cavan four beds are second cheapest at €165,000 despite a 3.13pc increase in the second half bringing to 5.43pc the county's increase seen over the full year.

THREE-BEDROOM SEMIS

In the three-bedroom semi-detached house sector Co Louth put in the strongest performance with a rise of 4.69pc which, on top of the 1.56pc rise in the first half of the year, brought its end of year average price to €223,334.

Second strongest increase was in Kildare which rose by 4.6pc bringing its average end of year price to €303,334. It was closely followed by Galway City with a 4.59pc second half rise so that over the 12 months it has increased by 6.5pc to €285,000.

Limerick saw a strong second half recovery with a 4.19pc rise to €233,125 after a first half set back of 2.23pc.

Dublin 7, which includes Stoneybatter and Phibsboro, saw the fifth strongest growth rate in the three bedroom market with a 4.17pc rise to reach the half a million euro level.

Countrywide Price Breakdown

Price comparison across all counties



2 Bed Apt 3 Bed Semi 4 Bed Semi (Square Meter)

In price terms alone Dublin 4 is still the strongest on this market and a 2.72pc second half rise enabled it to more than wipe out the drop of 1.21pc seen in the first half of the year. Consequently it ended with prices averaging €850,000.

Nevertheless its neighbouring rival of Dublin 6 narrowed the gap thanks entirely to a faster 3.13pc second half rise to an average of €742,500 for a three bed.

Perhaps another reflection of the swing away from city centre property was seen in neighbouring Dublin 2 where prices were unchanged in the second half at €600,000 after a first half fall of 4.17pc.

Dublin 1 prices were unchanged in both halves of the year.

Only two counties saw three bedroom prices drop and these were the neighbouring Clare and Galway. For Clare it was like one step forward and two steps backwards as the Clare first half growth of 0.68pc was more than reversed with a 1.43pc fall in the second half to €172,500.

For Galway county the 1.02pc first half fall continued with a 0.51pc fall in the second half to an average of €195,000.

TWO BEDROOM APARTMENTS

In the two bedroom apartment market Waterford was the best performer with a 4.97pc rise in the second half which more than reversed the 0.74pc fall in the first half. Here prices ended the year with an average of €107,667. Carlow was next best with a 4.94pc rise which also more than reversed the 1.23pc first half fall and it ended the year at €106,250.

Dublin 24, which includes Ballycullen and Kilnamanagh, also bounced back with a 4.14pc rise to €198,334 after a 0.64pc first half dip. But those prices are unlikely to be sufficient of themselves to encourage developers to get work underway on the projects for which they have planning permissions in the Tallaght area.

Louth saw two bed units build on the very strong first half growth of 7.69pc and added a further 3.85pc for a full year gain of 12.5pc at €135,000. It shared the honour of joint fourth

strongest second half growth with Westmeath where, after stabilising in the first half, they also improved 3.85pc in the second half to €135,000.

Yet again Dublin 4, while remaining the most expensive for apartments at an average of €420,000, suffered a 2.33pc set back in the second half after a 1.16pc rise on the first half.

Is this a sign of price resistance, the prospect of increased supply at the IGB and RTE sites or investors cashing in their chips because of concerns about the economic effects of the pandemic?

In contrast its neighbour Dublin 6 continued to record price growth and after its 0.5pc first half rise it further narrowed the gap with a 1.12pc second half jump to average €406,500.

Dublin 2 saw a year of two halves in so far as the 2.56 pc fall in the first half was reversed in the second half and it ended the year unchanged at an average of €400,000.

Dublin 18, which includes Foxrock and Shankill, remains the fourth strongest market for two bedroom apartments although prices there failed to improve in the second half after a 2.56pc fall in the first half. This softness may reflect both the major apartment developments already underway in Cherrywood as well as prospects for major new high density developments in Shankill and Rathmichael.

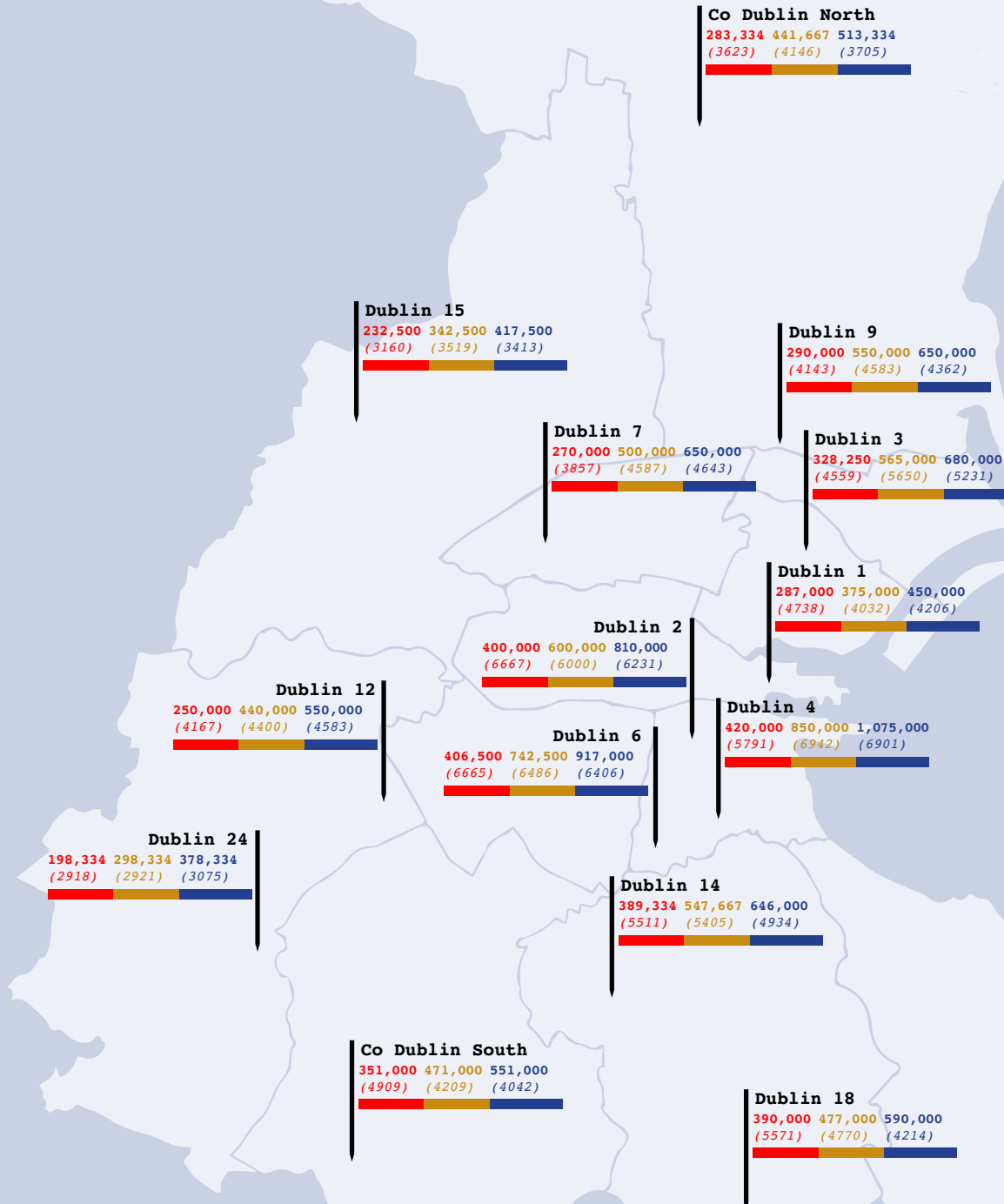
These may also have been a drag on the Dublin South County market which includes Dun Laoghaire as apartment prices there fell 2.23pc in the second half of the year exacerbating the 3.06pc first half decline. So the average ended the year at €351,000.

But new developments have not affected its neighbouring Dublin 14 market where the 2.25pc rise in the first half was enhanced by a 1.04pc second half performance to achieve an average price of €389,334.

Of the 10 apartment markets to record declines Tipperary's was the sharpest with a 3.43pc accelerating the 1.39pc drop seen in the first half. Nevertheless the average €75,000 price in the premier county is still just higher than the €65,500 seen in Longford. But Longford apartments rose 0.77pc in the second half and if both those trends were to continue then Longford might well move off the bottom of the table and overtake Tipperary.

Dublin Price Breakdown

Price comparison across Dublin



2 Bed Apt 4 Bed Semi
3 Bed Semi (Square Meter)

The figures in the barometer are the average price achieved over a six month period, July to December 2020, completed by 108 selected members of IPAV throughout the 26 counties of Ireland. ©



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