

# House Prices – Stability Amongst the Chaos of the Covid-19 Pandemic

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by Pat Davitt IPAV Chief Executive



Our latest Residential Property Price Barometer charts average prices achieved by auctioneers in the first six months of 2020 compared with the last six months of 2019 for the best-selling property types – three- and four-bedroom semi-detached houses and two-bedroom apartments.

This was a time defined by the Covid-19 pandemic with the shutdown of the economy taking place midway through this period and Auctioneers in lockdown for 13 weeks. Despite early predictions by some economists and lenders of a slump in prices arising from the fallout from the virus this has not happened. Prices have remained remarkably stable and decreased overall by -0.07%.

IPAV maintained from the start of this pandemic that property prices would remain firm and pent-up demand would keep prices largely stable. This study has underpinned that view. The rationale is simple - there has already been a recent correction in the Dublin market by about 20% and there are approximately 300,000 too few properties, so it would appear at this juncture there is only one way for prices to go.

A contributing factor into the future is likely to be the introduction by banks of a negative interest rate, which is likely to further fuel interest in property purchase. While the thresholds are set relatively high by banks now, savers believe these thresholds will decrease over time. Mature savers in particular are in fear for their life savings and see themselves as sitting ducks and little joy on the horizon for long- or short-term bank savers.

Nationally and Internationally Ireland is looking like a safe place in Europe with many buyers eyeing the country as a location for a second home. This trend contrasts with the outflow of funds over the years to foreign properties. Many native Irish are now re-discovering Ireland and realising the value and beauty on our doorstep. During Covid-19 people have had an opportunity to consider where their lives are going and what the important things are into the future. With a general lack of enthusiasm for flying and a movement to working from home people are looking afresh at Ireland and like what they see in terms of a new blended lifestyle.

This new wave of purchasers has certainly impacted the price of properties outside our cities, anything with a water view has become much sought after. This study shows prices across several counties have increased and while the barometer does not track one-off housing, if it did, I think we could anticipate much higher price increases.

The entry of a new mortgage bank into the market in September provides an encouraging outlook whereby wider interest rate reductions can be anticipated, bringing us a step closer to our euro area counterparts who have enjoyed much lower interest rates for years. Auctioneers throughout the country know only too well the positive reaction one will receive to a mortgage application if the applicant is in a secure job in the public sector. It is a great pity that policy makers did not heed IPAV's advice and extend at least some part of the Help-to-Buy scheme to second-hand homes in the July stimulus package. It is those on average incomes who will continue to have difficulty raising a mortgage to buy a home. Their situation is likely to worsen if the pandemic is prolonged and, consequently, economic recovery is slowed.

Returning to our study of property prices across the 41 separate market areas it covers, there has been movement upwards and downwards, although not major. In the three-bedroom category the largest increases took place in Longford (7.41pc); Cork County (5.94pc) and Westmeath (5.17pc). On the other side of the equation Dublin 2 was down (-4.17pc), followed by Kilkenny (-3.37pc) and Leitrim (-3.33pc). Whether or not this was due to buyers looking to working from home and seeking locations outside of urban areas remains to be seen.

During the period of the study especially during lockdown there was a falloff in supply of both new and existing homes, although latterly there has been a pick-up in completions which may reach close to 17,000 for 2020, still well behind the 25,000 predicted. The latter is a trend we've become all too accustomed to in recent years, unfortunately.

Figures from the Property Price register for sales up to the 31st July, indicates there were approximately 22,000 registered in comparison to 31,000 for the same period last year. This fall of 9,000 is to be expected given the pandemic. However, agents may well see a pick-up in momentum on these numbers before year end.

More households are competing for fewer available homes. Given demand it is difficult to see property prices moving lower. However, corrections happen in a working market and change has become more the norm rather than the exception which is sometimes good for the market. Yet as you will see in the following pages there are properties selling in many areas of the country for less than the price of construction.

You will find the full detail of our nationwide study along with an analysis of the findings. I thank most sincerely all members who contributed to this latest Barometer. Your work is making an important and proven market leading contribution. Because we analyse prices actually achieved, rather than asking prices, our barometer has become a most reliable data source.

# House prices hold steady across most sectors of the market

By Donal Buckley



House prices in most of the key markets held relatively stable across all three key house types, three- and four-bedroom semis and two-bedroom apartments for the first six months of 2020 compared with the last six months of 2019. This is the main finding in the latest House Price Barometer from the Institute of Professional Auctioneers & Valuers.

In as many as 64 of the market segments monitored by the Barometer prices either increased or were unchanged. In the 55 segments showing declines many of the falls were less than 2%.

Despite the impact of the pandemic on the economy and the uncertainty it is creating, a key factor underpinning prices appears to be the cutback in supply not alone of new homes but also of existing properties. Goodbody stockbrokers reported that housing completions were down by 33% to a total of 3,220 while scheme completions fell by 37% to 1,770 following site closures after lockdown

## Three bedroom sector

The three-bedroom semi-detached house sector of the market continues to be favoured and during the first half of 2020 the number of areas of this market sector showing increased prices exceeded those showing declines. As many as 18 areas in the Irish market saw price increases while 15 suffered falls and seven districts were unchanged.

Longford three-bedroom semis recorded the strongest increase of any sector - up 7.41%. However, at €135,000 for a semi – it is still the cheapest in the country. But the fact that Longford prices are below replacement cost may be a strong constraint on supply and therefore having a knock-on effect on prices.

Value for money is also a factor. For instance, the second strongest increase in three-bedroom semis was seen in County Cork up 5.94% to €228,577. That compares with a 0.44% increase in Cork City to €285,000.

Also playing catch-up was Co Sligo which saw the fourth strongest rise of 4.62% to €162,500

Co Westmeath, one of the counties in Dublin's wider commuter belt, also performed well with the third strongest increase of 5.17% to €193,334.

On the other side of the scales, three-bedroom semis in Dublin 2 showed the sharpest decline down 4.17% to €600,000 which is still the third highest price for a three-bedroom semi in the country.

Its neighbouring area of Dublin 4 also saw a decline but of only 1.21% and its houses are still the most expensive in the country at an average of €827,500.

Its nearest rival market, Dublin 6, saw prices unchanged at an average of €720,000. But although the average price was unchanged in Dublin 6 the value for money appears to have improved as the price per square metre fell from €6,516 per sq. m. to €6,328 per sq. m. This might well be due to an increase in the purchases of larger Dublin 6 semis compared to smaller ones in the last six months of 2019.

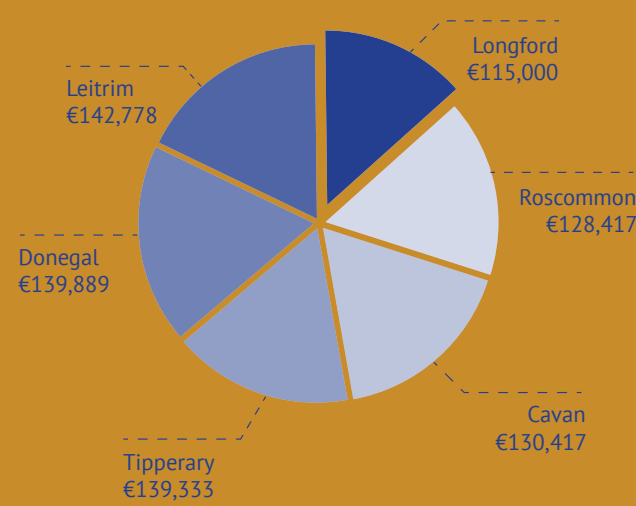
Another notable decline was seen in Kilkenny, down 3.37% to €225,000 and Meath down 2.99% to €251,250.

Roscommon and Leitrim are two of the western counties that have not benefitted from the catch-up trend. Roscommon at €135,000 shares the position with Longford of being the cheapest three-bedroom semis and it fell 1.85%. Leitrim prices fell 3.33% to €150,000, making them the third cheapest in the country.

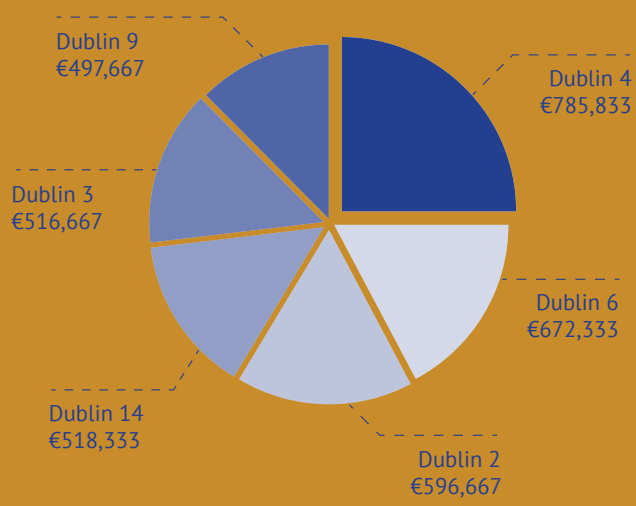
# Top Six Least and Most Expensive Locations

Results for Q1 and Q2 2020

## Least Expensive



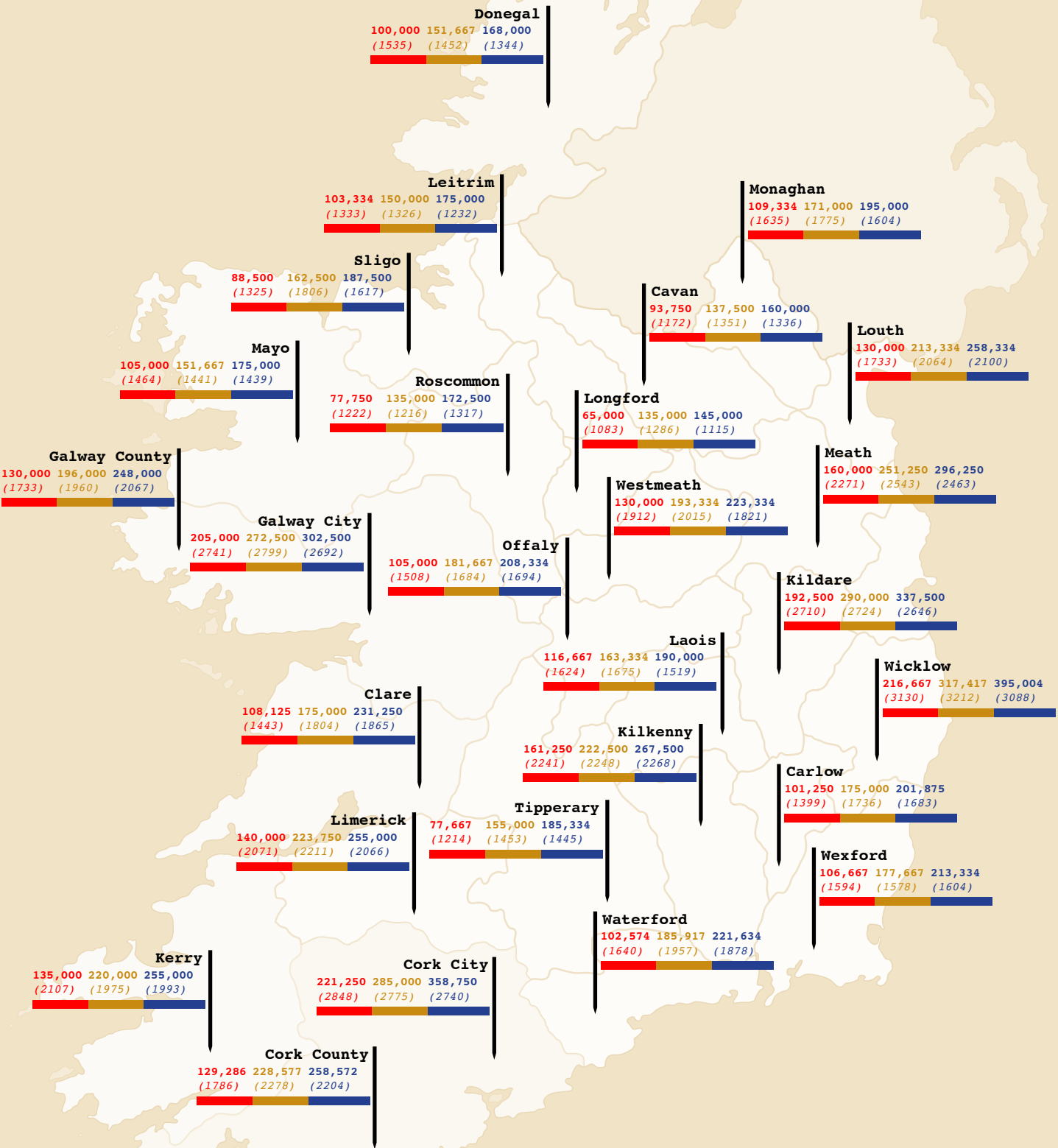
## Most Expensive



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

# Countrywide Price Breakdown

Price comparison across all counties



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



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## Four bedroom sector

Nationwide the market for four-bedroom semi-detached houses was not as strong as for three-bedroom versions. Less than half or 12 areas of the Irish market saw price increases and 21 saw declines. Six areas were unchanged.

This may come as a surprise to those who might have expected that the remote working and its knock-on effect on demand for extra space in the home would be reflected in a willingness to pay a premium for the fourth bedroom which could be turned into a home office.

On the other hand it should be remembered that much of the demand for four bedroom homes traditionally comes from people trading up and in a time of economic and jobs uncertainty those who already have homes and are not under pressure to move up the ladder, as they are unwilling to take on the cost of moving and risk of more expensive mortgages.

The strongest increase for these house types was in Mayo – up 3.81% to €175,000 which is still the fourth cheapest place in the country to buy this type of home. Again, reflecting the catch-up Longford was next strongest with a 3.45% increase to €145,000 and Cork County saw a 3.04% increase to €258,572.

Dublin 24, which stretches from Ballycullen to City West and includes Tallaght, recorded the fifth strongest increase up 2.18% to €362,900 which nevertheless is the cheapest average four-bedroom semi house price in the capital.

Only two other parts of the capital saw increases for this house type. South County Dublin which includes Dun Laoghaire rose by 1.08% to an average of €555,000 while Dublin 3 which includes Clontarf rose by 0.3% to €670,000.

Reflecting the softness in the Dublin 2 market across all three house types, this area recorded a 3.13% decline to an average of €800,000 which is still the third highest price for four-bedroom semis.

Dublin 4 retains its position at the top of the market with an unchanged €1.1 million average followed by Dublin 6, albeit down 0.56% to an average of €895,000.

Co Laois led the declines in this house type prices with a drop of 5.26% to €190,000 followed by Limerick down 3.92% to €255,000. Meath declined 3.80% to €296,250 while Offaly dipped 3.2% to €208,334.

## Two-bedroom apartment market

In the two-bedroom apartment market 14 areas across the nation saw increases while 19 saw declines with seven recording no changes. The largest increases were seen in two Leinster commuter counties with Co Louth leading the away with a rise of 7.69% to €130,000 while those in Co Laois rose by 5.71% to €116,667. They were followed by Mayo with a 3.17% rise to €105,000. But even at these prices all three are well below the cost of construction.

The sharpest decline of 10% was seen for Donegal apartments where they are priced at €100,000. In Monaghan they fell by 5.18% to an average of €109,334. Leitrim apartments dipped 4.84% to €104,838. Unlike the relatively strong rises seen in Longford houses, the midland county's apartment prices were unchanged leaving them anchored at the bottom of the table as the cheapest in the country at an average of €65,000. After a 1.39% fall, Tipperary units are next cheapest at €77,667 followed by Roscommon at €77,750.

Dublin 4 continues to be the location of choice for most expensive apartments at an average of €430,000 which is a 1.16% increase on the second half of last year. It widened the gap on neighbouring Dublin 6 which rose by only 0.5% to €402,000.

The strongest increase in Dublin was the 2.25% rise seen in Dublin 14 which includes Dundrum and Clonskeagh as two-bedroom units there are the fourth most expensive in the country at €385,334.

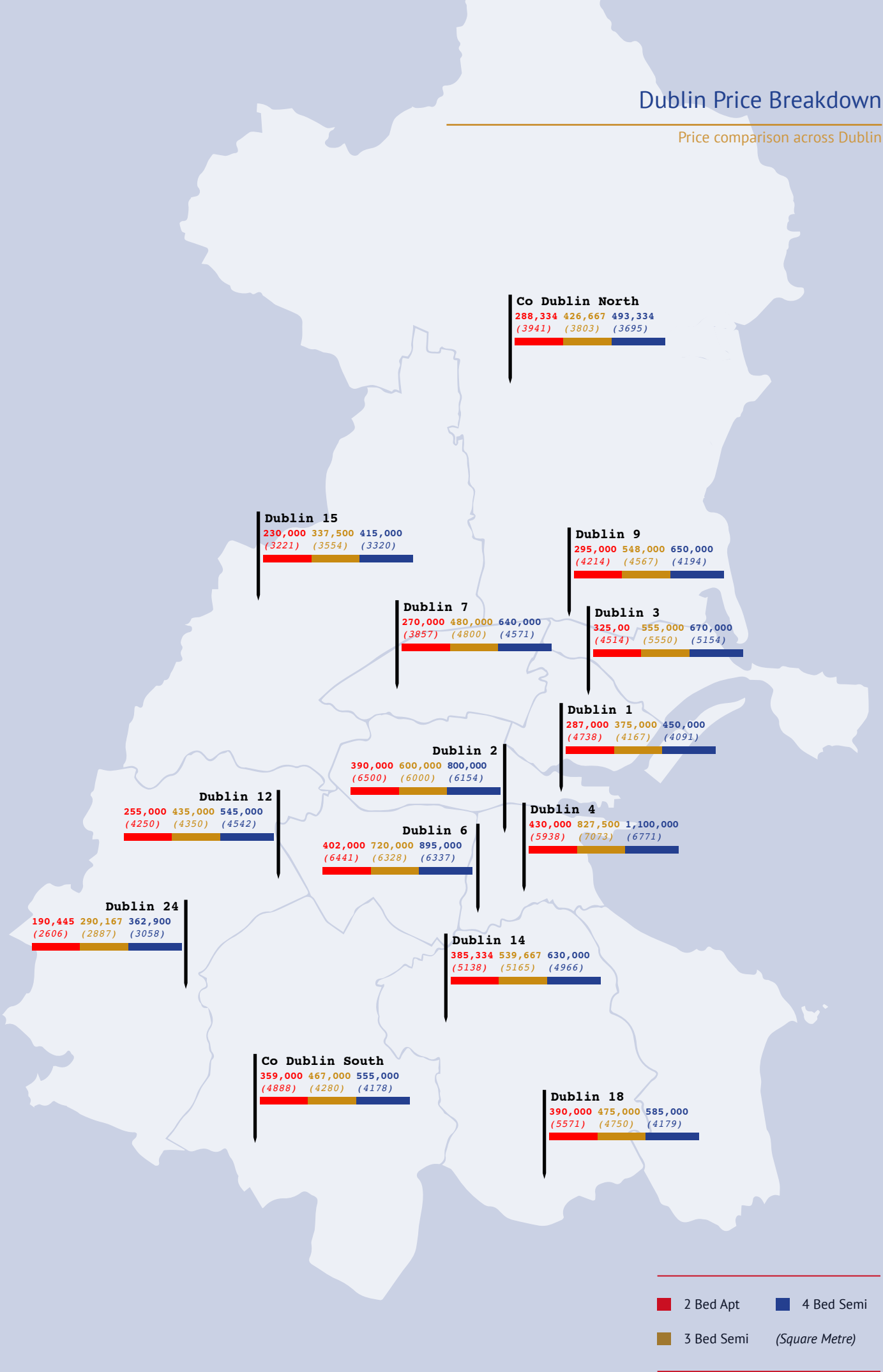
Its increase, coupled with a 2.56% fall in Dublin 2 apartment prices, means that the south Dublin suburb narrowed the gap to less than €500 between Dublin 14 and the city centre area which includes south docklands and most of Dublin's Central Business District and entertainment hot spots.

Considering the chatter about people leaving the city centre, it seems somewhat surprising that the dip in apartment prices in Dublin 2 was less than the falls for seen for houses in the district three-bedroom semis dipped 3.13% four-bedroom semis by 4.17%.

Nevertheless Dublin 2 remains the third most expensive area for apartments in Ireland at an average of €390,000 each - a position which could change before the end of the year if those in Dublin 14 continue to rise.

# Dublin Price Breakdown

Price comparison across Dublin



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



**Paul McCartney, Editor**



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