



# The Daft.ie House Price Report

An analysis of recent trends in the Irish residential sales market

**2007 in Review**

Introduction by Prof. Frances Ruane, Director of the ESRI



# Introduction

Prof. Frances Ruane, Director, ESRI

## Falling prices and rising stocks point to adjustments in the housing market in 2007 and 2008

As we enter 2008, to make sense of the Irish housing market during 2007, it is necessary to consider fundamentals. There are two markets to which all of us relate very strongly – the labour market and the housing market. The labour market determines how we fare – what incomes we earn, what conditions of employment we have, how easy it is to change jobs. The housing market impacts strongly on our standard of living as a major expense in our budget and, in the case of home-ownership, it impacts on the value of one of our major assets. These markets are important to the economy as a whole – the labour market determining employment and influencing unemployment, while the health of the housing market is often seen as reflecting the overall health of the economy.

### **Good house price increases versus bad ones**

When both the housing stock and house prices grow gradually over time, this is seen as a positive indicator of economic well-being. This usually occurs in an environment of income growth and population growth. When house prices rise rapidly and unsustainably, the situation changes, as has happened in the Irish house market over the past decade. For many potential home-owners, houses became unaffordable. So, for example, while many parents have enjoyed real increases in the value of their housing asset, their adult children have felt excluded from the market as prices rose to impossible levels. From the perspective of the economy, high and rising prices brought about further increases in housing supply. This was positive up to a certain point, after which the effect turned negative, as resources drawn into the sector grew to unsustainable levels.

It is not surprising then that the overall reaction to the slowdown in the housing market in 2007 was mostly one of relief, as some level of normality was seen as returning to house price increases. This period has seen a significant shift in expectations about house prices - reflected in both Daft's asking price index, which measures changes in the prices sellers were looking for when placing their houses on the market, and the ESRI/permanent-tsb house price index, which measures the changes in the agreed prices at which houses are sold. While the two indices measure different things, it is possible to compare them - Figure 1 shows the two indices together, with the average for 2007 set to 100.

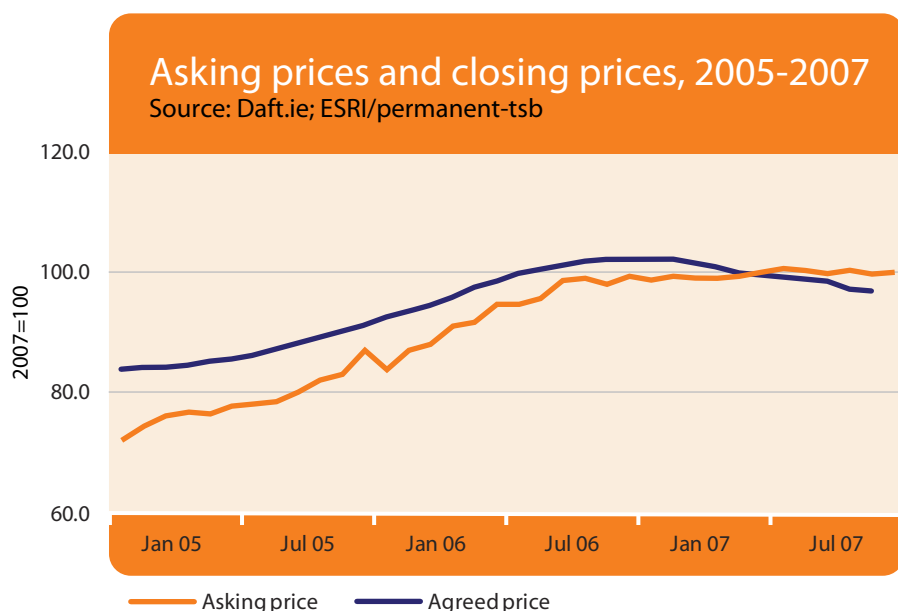
### **Asking prices and closing prices compared**

As the graph shows, back in early 2005 there was a significant gap in the relative price indices, compared with their late 2007 levels. The agreed price index was above the asking price index, showing that the price that sellers typically achieved was above what they initially sought. The increase in asking-prices began to slow down in 2006, and asking prices have been pretty static since late 2006. Meanwhile, the index for agreed prices continued to rise until early 2007 and since then has been in decline. In effect, prior to 2007, the market increase was beating what sellers were expecting to get, whereas in recent times this pattern has reversed. The different patterns suggest that sellers' expectations have moved more steadily to the present levels than have actual market prices. This is consistent with anecdotal evidence that people were expecting to get more than the asking price up to 2007 and now expect to get less.

# Introduction

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## Falling prices and rising stocks point to adjustments in the housing market in 2007 and 2008



### Large increases in stocks around the country

A key addition to the Daft report this quarter is the information on stocks and flows of houses onto the market for each month in 2007. These data give us some insight into the 'time to sale' of houses on the market. They show that the stock of houses for sale rose in all areas over the period – so that by January 1 2008 there were on average around 62 percent more houses on the market than in January, with the lowest increase experienced in Connacht/Ulster (51%).

### Interest rates and job prospects hold key to buyer confidence

What of the prospects for 2008 and beyond? To the extent that the recent changes in stamp duty are seen as reducing uncertainty, they should lead to increased confidence. Economic growth rates will be lower than in previous years but not low relative to the rest of the EU, and taken with the growth in the population seeking housing should have a positive effect on demand. The labour market is forecast to grow slowly in 2008, with both incomes and employment rising but at a much slower rate than in recent years. On the other side, threats of increases in the ECB rate have not gone away, and this will lead buyers to be cautious. Furthermore, buyers may be affected by the credit tightening as banks seek to strengthen their loan portfolios. In terms of market prices and volumes, the behaviour of builders and developers in releasing stocks for sale will also be important in certain parts of the market. The ESRI's Winter Quarterly Economic Commentary anticipates that house prices will stabilise during 2008. While many factors influencing the housing market remain positive, it is the level of confidence consumers feel over the course of the year that will be crucial in determining the final outcome. ■



# Percentage year-on-year change in asking prices across Ireland, Q4 2007





# Daft.ie Asking Price Index

## 0.4%

With asking prices for properties broadly static during the last three months of the year, year-on-year inflation in asking prices is now just 0.4%. Asking price inflation is now at its lowest rate since the index began in January 2006.

### Asking Prices, Residential Sales (Base = 2007)

	2005	2006	2007
January	72.4	84.0	99.0
February	74.7	87.2	99.7
March	76.3	88.4	99.5
April	76.9	91.5	99.2
May	76.8	91.9	99.8
June	78.1	95.0	100.2
July	78.4	95.1	101.0
August	78.6	96.1	100.5
September	80.2	99.1	100.1
October	82.3	99.3	101.3
November	83.3	98.2	100.1
December	87.2	99.5	99.9

## Asking Prices remain at just over €350,000 in fourth quarter

The average asking price for the fourth quarter of 2007 was €353,000, just under €500 less than the average price for the third quarter of 2007.

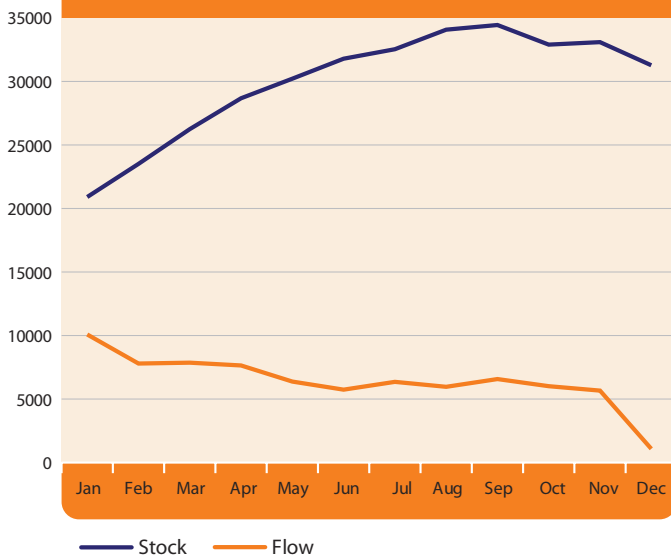
## Prices now static compared to last year and to last quarter

Asking prices are now not noticeably different compared to this time last year (up 0.4%) or to last quarter (down -0.1%).

## Stock of properties falls 10% in last quarter, after large gains in first three quarters

In the first nine months of the year, the stock of properties listed for sale increased by over 60%. Since the start of October, though, the stock for sale has fallen 10%, reflecting the fall in new properties coming on to the market.

### Stock of properties on Daft.ie (start of month) and flow of properties, 2007



*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 Snapshot of Asking Prices Nationwide



## What can I ask for? Can I afford it?

Average house prices across Ireland, by county and bedroom number, Quarter 4 2007

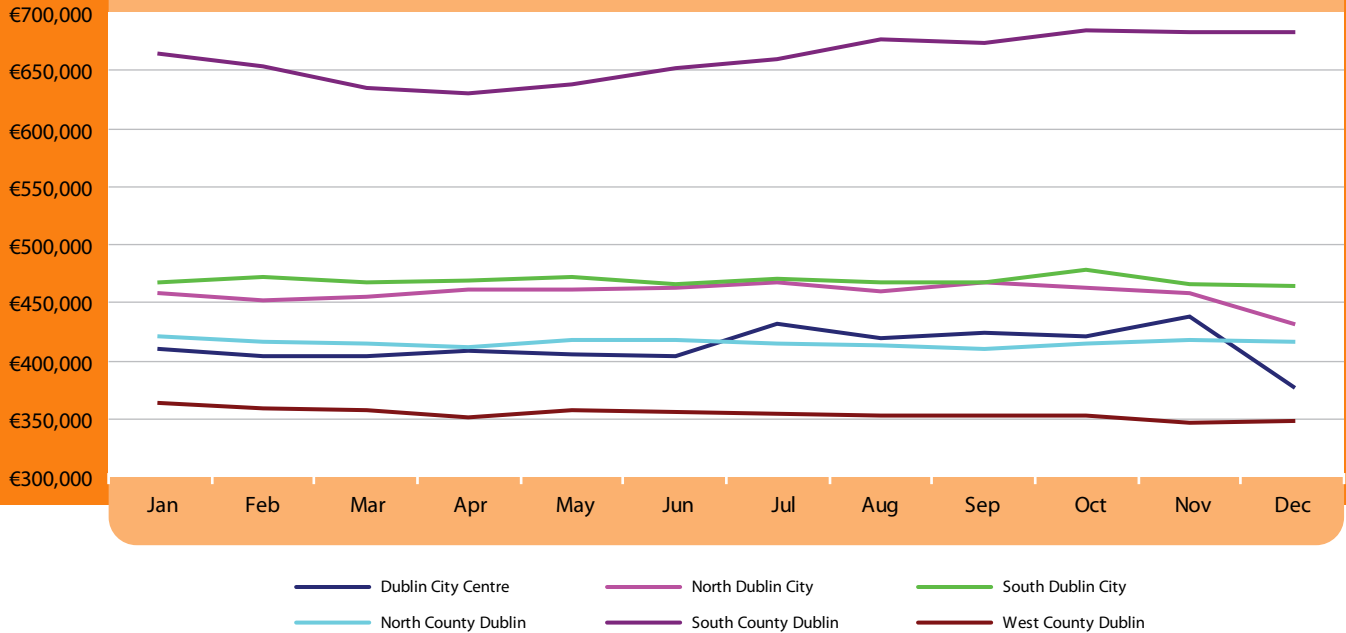
Daft.ie Snapshot of Asking Prices Nationwide (figures in thousands)		1bed	2bed	3bed	4bed	5bed	
Dublin	City Centre	€312	€477	€640	*	*	
	North City	€297	€391	€481	€665	€1,127	
	South City	€332	€410	€463	€595	€1,425	
	North County	€279	€345	€399	€615	€1,174	
	South County	€396	€523	€634	€1,063	€1,827	
	West County	€255	€316	€361	€473	€590	
Leinster	Meath	€254	€294	€324	€395	€521	
	Kildare	€242	€267	€311	€426	€583	
	Wicklow	€336	€384	€431	€619	€848	
	Longford	*	€172	€222	€292	*	
	Offaly	*	€207	€269	€360	€458	
	Westmeath	€205	€285	€274	€342	€348	
	Laois	*	€213	€255	€341	€394	
	Louth	€232	€273	€308	€411	€532	
	Carlow	*	€218	€270	€406	€471	
	Kilkenny	€200	€241	€273	€397	€476	
	Wexford	*	€231	€278	€404	€503	
	Munster	Co. Waterford	€158	€215	€279	€402	€486
		Waterford City	€199	€205	€241	€370	€447
Kerry		*	€224	€258	€328	€529	
Co. Cork		€205	€262	€293	€406	€498	
Cork City		€294	€328	€348	€479	€607	
Clare		€218	€230	€268	€368	€406	
Co. Limerick		€156	€197	€224	€338	€457	
Limerick City		*	€219	€250	€304	€411	
Tipperary		*	€191	€236	€332	€412	
Connaught	Co. Galway	€180	€242	€260	€333	€432	
	Galway City	€252	€259	€305	€382	€416	
	Mayo	€151	€203	€221	€298	€388	
	Roscommon	€130	€172	€202	€288	€367	
	Sligo	*	€216	€237	€311	€344	
	Leitrim	€126	€172	€228	€288	€329	
Ulster	Donegal	€151	€181	€250	€296	€344	
	Cavan	€178	€201	€227	€349	€371	
	Monaghan	*	€209	€244	€342	€429	



# Dublin Trends

An analysis of recent trends in the Dublin residential sales market

## Trends in house prices across Dublin, 2007



## Stock of properties for sale in Dublin up 65%

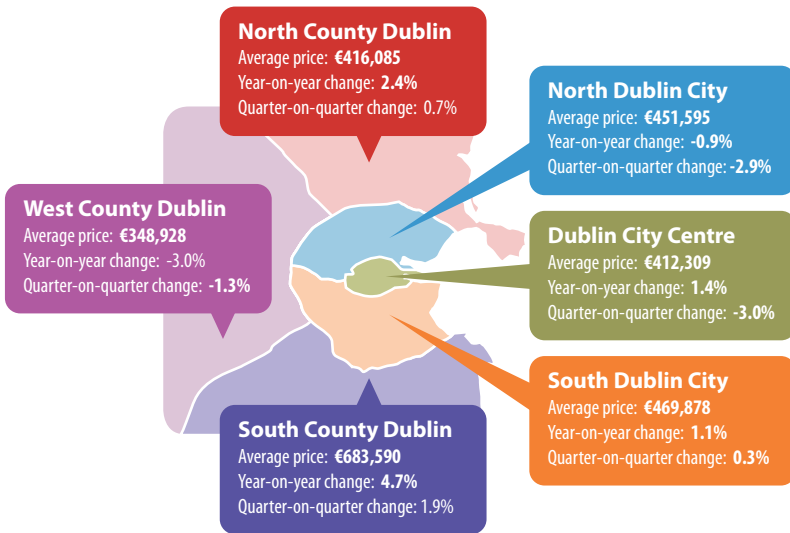
Driven by a rapid increase in stock in the first quarter of the year, the number of properties for sale in the capital increased by almost 65% throughout the year. With the flow of new properties on to the market slowing, stock levels have fallen back to May levels in recent months.

## South County Dublin continues its recovery

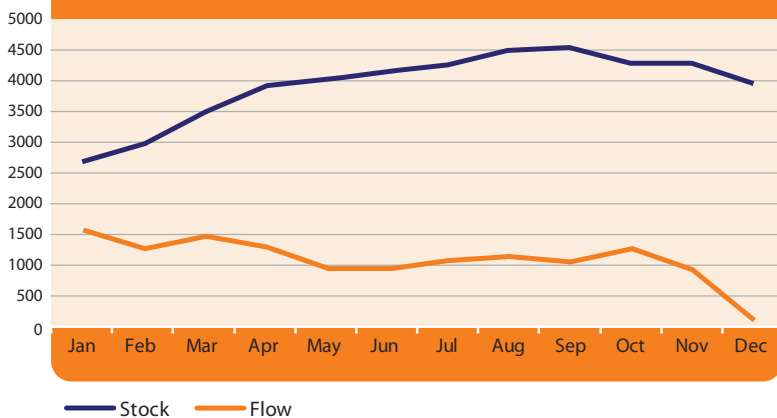
Having fallen steadily for six months at the turn of the year in the midst of uncertainty over stamp duty, asking prices in South County Dublin rose again in the fourth quarter and now stand almost 5% higher than they did this time a year ago.

## West Dublin continues its slide

Having averaged close to €360,000 at the start of 2007, average prices in West Dublin slipped again in Q4 and at less than €350,000 now stand 3% below where they did this time a year ago.



## Stock Flow Figures for Dublin

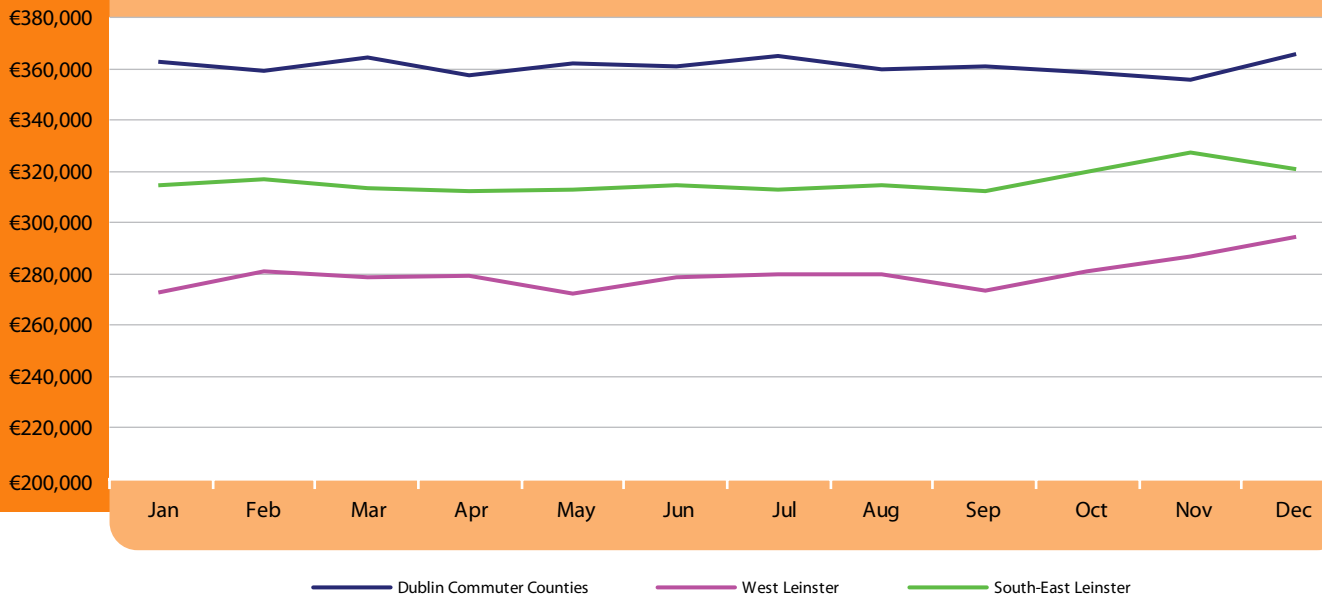




# Leinster Trends

An analysis of recent trends in the Leinster residential sales market

## Trends in house prices across Leinster, 2007



## Stock of properties for sale in Leinster increases more than 80% in 2007

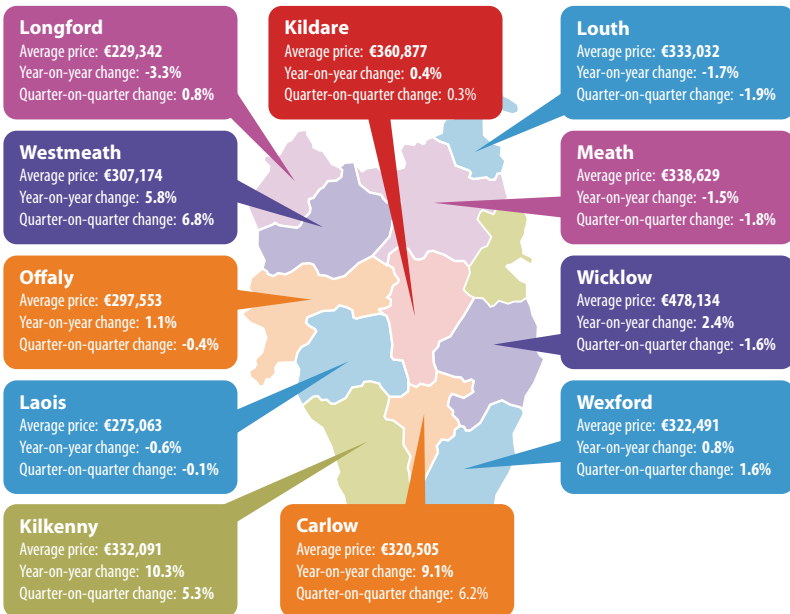
Like Dublin, there was a huge increase in the stock of properties for sale in the rest of Leinster during 2007, driven in particular by a doubling of properties for sale in South-East Leinster and in the Dublin Commuter Counties in the first nine months of the year. A fall in stock in the final quarter leaves the year-on-year change in stock at 87% in South-East Leinster and 76% in the Commuter Counties. The increase in West Leinster was less but still significant (56%).

## Asking prices now static in Dublin Commuter Counties

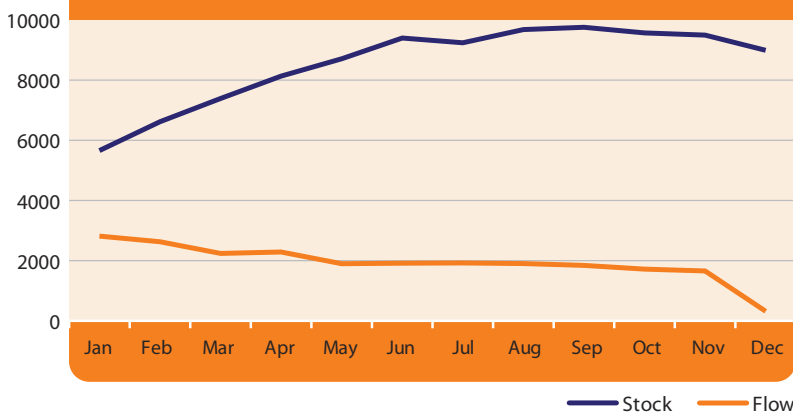
Falling slightly in the fourth quarter, asking prices in Dublin's commuter counties are now no higher than where they were this time last year.

## Asking prices in West and South-East Leinster rebound in quarter 4

Having been static throughout the year, asking prices increased by 3% or more on average in South-East and West Leinster, where prices are cheaper than prevailing prices in Dublin's Commuter Counties.



## Stock Flow Figures for Leinster

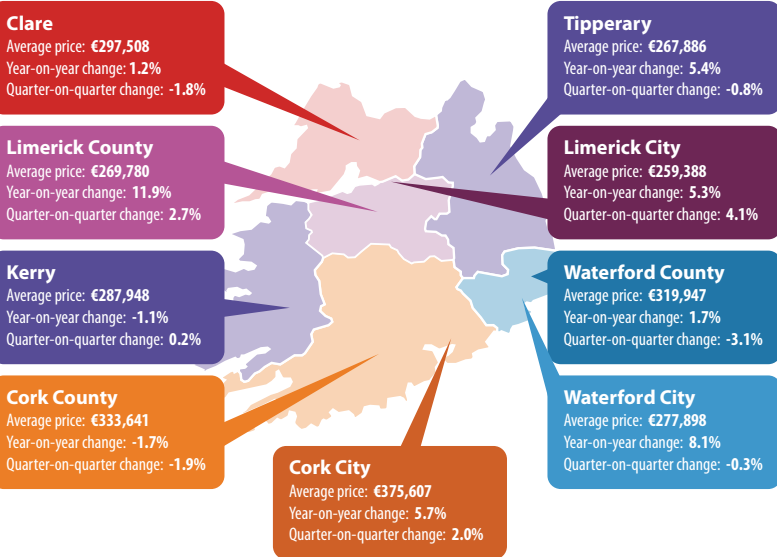
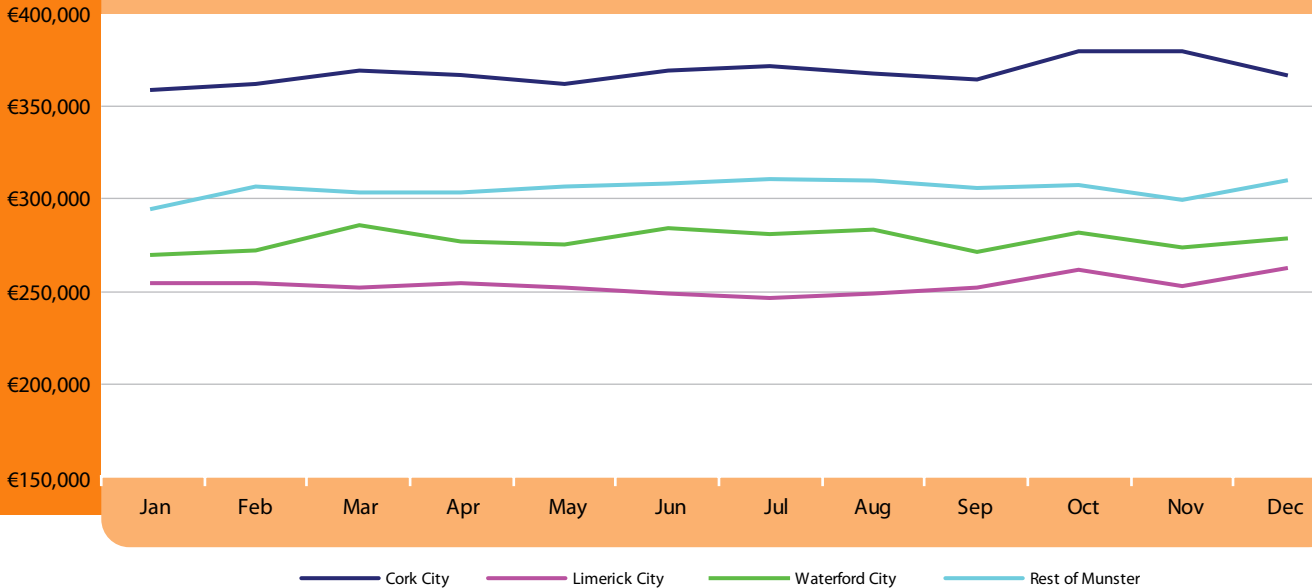




# Munster Trends

An analysis of recent trends in the Munster residential sales market

## Trends in house prices across Munster, 2007



## Stock of properties for sale in Munster increases 64% during 2007

Driven by a surge in properties coming on to the market in early 2007, the stock of properties for sale in Munster increased 64% during 2007. The increases in stock were highest in Limerick and Waterford cities, where stock more than doubled. Overall, with a dwindling flow of new properties, stock levels fell back to mid-year levels by 1 Jan 2008.

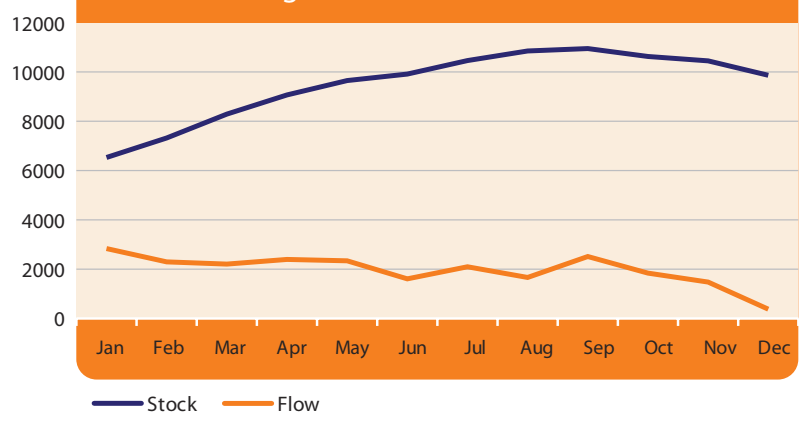
## Asking prices in Munster's cities remain higher than a year ago

Compared to the same quarter last year, asking prices in Munster's three cities remain between 5% and 8% higher, with a late push in asking prices in Limerick in particular.

## Outside the cities, prices now static

With asking prices increasing in the first quarter of the year and then remaining static in the summer, the 1% fall in asking prices in quarter 4 means that asking prices are now just 1% higher than they were at the end of 2006. The main exception to this is Limerick County, where prices were cheapest and have increased by most in the last 12 months.

## Stock Flow Figures for Munster

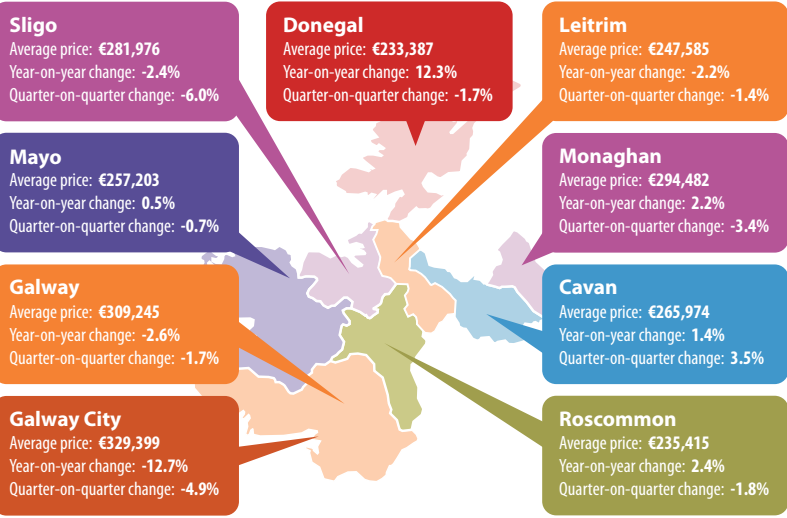
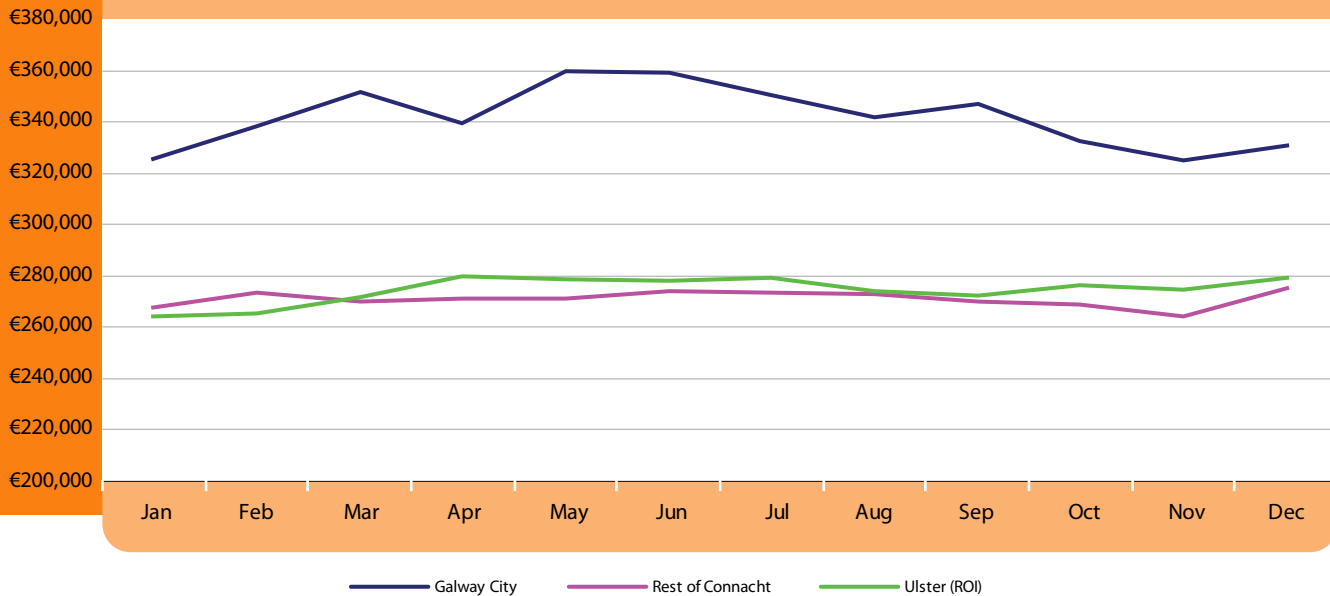




# Connacht & Ulster Trends

An analysis of recent trends in the Connacht & Ulster residential sales market

## Trends in house prices across Connacht & Ulster, 2007



## Increase in stock of properties on the market smallest in Connacht

Compared to increases of 65% and more elsewhere, the year-on-year increase of 51% in the stock of properties on the market in Connacht and Ulster, while still large, was the smallest in the country. This is driven by Connacht, as the increase in Ulster was close to 80%. As elsewhere, the stock peaked at the end of September and has fallen back to mid-year levels since then.

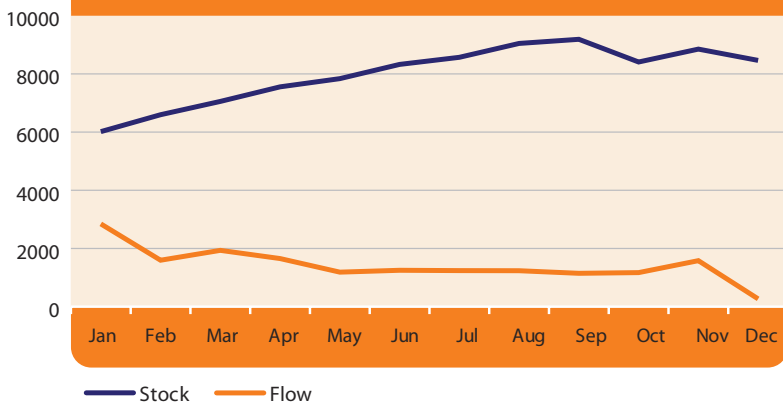
## Galway prices fall from summer peaks

Asking prices in Galway city have taken a hit since peaking around election time, falling 5% in the last quarter alone and now more than 10% below where they were a year ago.

## Outside Galway city, asking prices generally static throughout second half of the year

Asking prices in Connacht outside Galway have turned negative in year-on-year terms, falling over 1% in the last quarter. In Ulster, though, asking prices still remain 8% higher now than a year ago, driven by Donegal, which still remains the cheapest county in Ireland on average.

## Stock Flow Figures for Connacht & Ulster





# About the Report

Over the last 10 years, Daft.ie has collected a vast amount of data on the Irish property market. In 2007 alone, more than 315,000 properties were advertised on the site.

## About Daft.ie

Daft.ie is Ireland's largest property website. In 2007, over €60 billion worth of Irish property alone was listed on the site. The latest audited report from ABCe (Sept 2007), shows traffic of 59 million page impressions (pages of information received) and 813,288 unique users. This makes Daft.ie Ireland's busiest website.

## Circulation

We are pleased to announce that the average readership of the 2007 reports was over 50,000 people.

## 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.

The Daft Report is now three years old. The rental report has already become the definitive barometer of the Irish rental market and is being used by the Central Bank, mortgage institutions, financial analysts and the general public alike. Since its introduction at the start of 2006, the Daft.ie Asking Price Index is also being recognised as the earliest available reliable indicator of developments in house prices and seller confidence in Ireland.

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.

## 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 monthly sample size for sales during 2006 was over 13,000. 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 Rental Report, 2007 in Review In early February

The Daft.ie Rental Report will be published in early February and will include a review of the 2007 rental market, 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 housing 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.

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