



Ireland's Biggest Property Website

The Daft.ie Report

Quarter 4 2005

An analysis of trends in the Irish property market

Introduction by Austin Hughes, Chief Economist, IIB Bank



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Introduction



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The Daft.ie survey provides a very clear picture and some particularly helpful detail on what is a very healthy housing market in Ireland at present. It suggests activity levels in both the purchase and rental sectors remain buoyant as demand and supply continue to grow at far stronger rates than most commentators had expected.

This report introduces the Daft House Price Index. It seems that house purchase demand has strengthened further of late which has prompted an acceleration in Irish house price inflation. The Daft House Price Index suggests that property price inflation is now running at a rate in the mid-teens. This is somewhat faster than many other house price indicators but it is consistent with anecdotal evidence emerging from the market itself of late pointing to notable pick up in demand of late. It is important to note that, the Daft.ie index is an indicator of offered prices rather than sales prices. As market sentiment has improved of late, it is to be expected that prospective sellers would scale up their expectations of what price they could achieve.

The regional breakdown of house price trends suggests that even in a generally buoyant market, variations in local demand and supply growth remain important. Limited supply and the persistence of strong demand mean Dublin house price growth continues to outpace the rest of the country. Galway reflects the same influences, albeit to a slightly less intense degree. A somewhat slower pace of price increases elsewhere reflects the particular strength of new supply in many areas.

The looming maturity of SSIA's represents a major support for the house purchase market. However the impact on the rental sector is more ambiguous. In general, the flow of SSIA's through the economy will generate more employment and as a result, more demand for rented accommodation. However, to the extent that maturing SSIA's are used to fund property investment, the supply of rented accommodation is likely to increase. This would be expected to restrain the pace of increase in rents. Arguably this influence is already in evidence both in the Daft Rent Index and in the rise in time to let and vacancy rates also seen in this report. However the recent trend in these measures also owes much to normal seasonal patterns.

If the pace of increase in rents is more modest than in house prices, it is still the case that the rented market is growing at a healthy pace. The tentative signs of recovery in rents that were highlighted in the Daft Rent Index a year ago continued throughout 2005. It is understandable that record levels of house building are now dampening the pace of rent increase. However the fact that rents are continuing to rise suggests how strong demand is. As a result a broad balance has been established in the rented sector.

With purchase demand buoyant and the supply of rental properties also increasing sharply it is not surprising that rental yields remain under pressure. Significant variations in rental yield typified by the gap between a 5.6 per cent yield on a 3-bedroom property in Dublin city centre against a 3.2 per cent yield on a 3-bedroom property in south Dublin may reflect the substantial differences in the mix between owner occupier and investor demand in these areas. They also reflect a much greater reluctance to 'pay up' for locational differences when renting than when purchasing property.

Signs of strong and rising house price inflation in the face of another record year for house building underscores just how strong the demand for property is in Ireland. In general terms, this reflects the health of the economy but there are a couple of important factors at work that have ensured the housing market remains notably stronger than most other economic sectors.

Ireland's population profile remains particularly supportive. Numbers in the key 25-34 age grouping are increasing at almost 5 per cent per year. This is in stark contrast to other Euro area countries where numbers in the key household formation age groups are growing by around a quarter of a percent. The recent surge in immigration suggests this divergence will remain a uniquely favourable support for the Irish housing market in coming years. The exceptional trend in demand should also be seen in the context of a still relatively low housing stock in Ireland. The number of dwellings per 1,000 inhabitants at 404 is now 30 below the European average.

Daft.ie House Price Index

Daft.ie House Price Index (Residential Sales)

Base: 2005 = 100

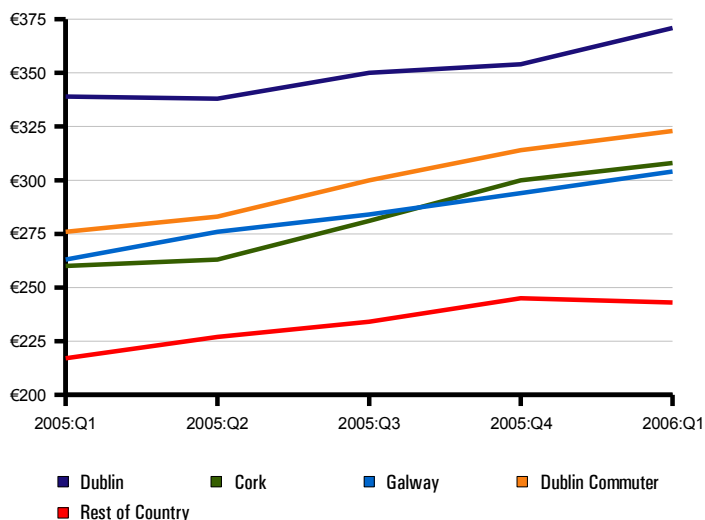
	2005	2006
January	95.0	111.5
February	95.1	112.3
March	95.6	
April	96.8	
May	97.8	
June	99.8	
July	100.1	
August	100.4	
September	100.9	
October	103.2	
November	104.6	
December	110.7	

Highlights:

- » Growth in house prices accelerated towards the end of 2005 and this has continued to grow for the first two months of 2006.
- » Average quarterly growth rose from 1% in Q3 2005 to 5½% for the final quarter of the year.
- » Figures from February indicate that asking prices for houses have risen a further 1.4% compared to the December figures.

Trends in House Prices Nationwide

Average house price, 2005



- » In 2005, properties in Limerick sold for approximately €60,000 less than similar properties in Cork and Galway.
- » Rural properties in Munster, Connacht and Ulster have grown approximately 12% over the last year but in recent months growth in prices for such properties has levelled off.
- » Properties in Dublin city are on average more than 60% more expensive than those in the counties surrounding Dublin, if accounting for difference in property size and features.

Introducing the Daft.ie House Price Index:

The index is based on asking prices for properties advertised for sale on Daft.ie. The sample size is approximately 5,500 properties per month (and growing fast). An index based on asking price (as opposed to sale price) is essentially a measure of expectations in the market and thus confidence.

While sale prices are often more than asking prices this does not affect the index since it is only a measure of trends (i.e. if asking prices go up it is likely that sale prices will follow). The benefit of this Index is that trends in the market are visible up to three months ahead of the other indices, due to the time it takes to close a sale and the time it takes for a mortgage to be approved.

If there was any change in the confidence of the market this would be reflected first in a drop in asking prices, thus appearing first in the Daft.ie House Price Index.

Daft.ie Rent Index

Daft.ie Rent Index (Residential Lettings)

Base: 2005 = 100

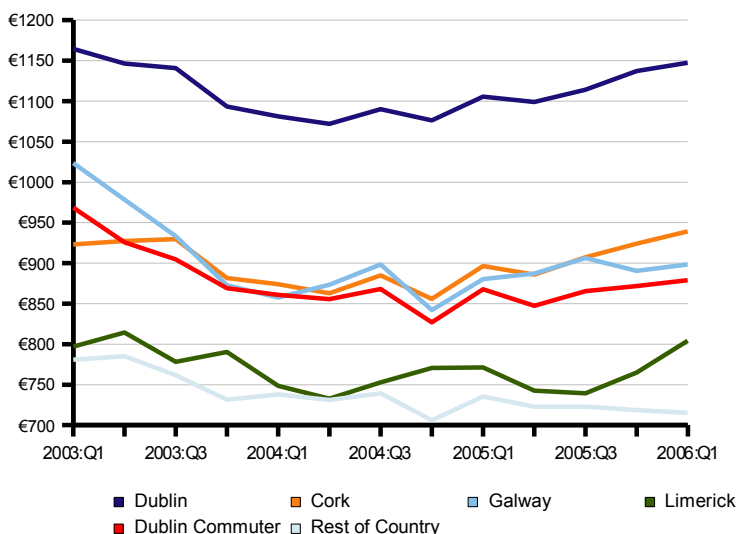
	2002	2003	2004	2005	2006
January	115.6	101.2	95.7	97.7	103.3
February	113.5	102.0	94.9	97.5	102.6
March	109.6	102.3	94.6	98.6	
April	111.6	102.7	95.0	98.4	
May	111.7	101.3	95.4	99.0	
June	110.1	100.5	95.8	99.0	
July	108.5	100.4	96.9	99.9	
August	108.1	100.3	97.9	100.4	
September	107.1	99.9	98.5	100.2	
October	105.1	97.9	98.4	102.0	
November	103.3	96.6	97.6	102.9	
December	101.0	95.9	97.2	104.4	

Rental Market Activity:

- » The final quarter of 2005 and start of 2006 have shown a continuation in the trend of increasing rents, with particularly strong year-on-year growth from November onwards.
- » Although rents fell from January to February, this reflects seasonal factors. The February figures show a 5.2% increase on the February 2005 figures.
- » February marks the 17th successive month of year-on-year growth in rents. Rents are now at their highest point in over three years.

Trends in Rents Nationwide

Average trends, 2003-2006



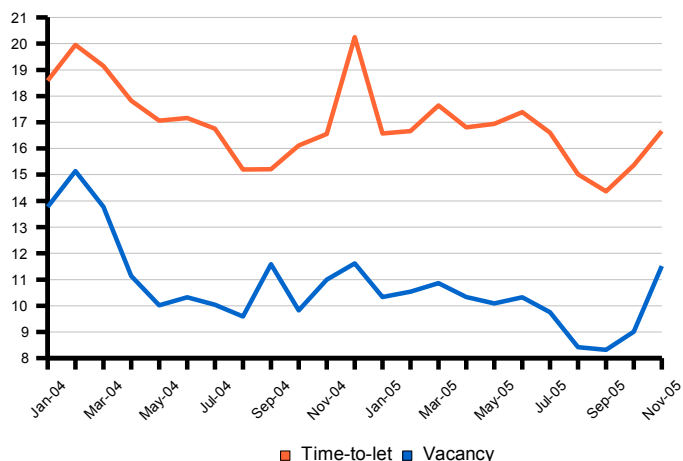
- » Rents in the major cities and Dublin Commuter Counties are rising steadily while rents outside these regions are falling steadily albeit slowly. The table below shows average rents by region and the year-on-year change from Q1 2005 to Jan-Feb 2006.

Dublin	€1,147	3.8%
Cork	€939	4.8%
Galway	€898	2.1%
Limerick	€804	4.3%
Dublin Commuter Counties	€879	1.3%
Rest of Country	€715	2.8%

- » Cork City currently has the fastest growing rents in the country.

Time-To-Let and Vacancy

Average Time-To-Let and vacancy, by number of days



- » The national average for Time-To-Let (TTL) and vacancy periods fell to a record low in September of 14.4 and 8.3 days respectively.
- » The rise in TTL in November and October reflects seasonal demand effects. In fact, in year-on-year terms both TTL and vacancy is falling which is a good indicator of continued health in the rental market.
- » The fastest place to let is currently Dublin City Centre with a TTL of 9.8 days. The slowest places are Limerick and Galway with TTLs of 20.4 and 22.3 days respectively.

Market Snapshots

Residential Sales Market Snapshot

A breakdown of average house prices by area and bedroom number. Also included is the average Time-to-Sell (TTS) by area.

Thousands (000)	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	TTS
Dublin Centre	€262	€375	€455	-	-	46
North City	€315	€352	€395	€618	€719	43
South City	€307	€360	€425	€633	€902	43
North County	€234	€285	€334	€502	€888	42
South County	€372	€460	€553	€843	€1,261	47
West Dublin	€240	€279	€325	€403	€567	41
Commuter Towns*	€246	€309	€394	€488	€725	47
Commuter Counties	-	€221	€269	€393	€511	77
Cork	-	€259	€313	€386	€421	54
Limerick	-	€200	€222	€246	-	51
Galway	-	€273	€284	€403	€456	46
Rest of Country	-	€188	€225	€304	€348	53

Sales Market Highlights:

- » The most expensive place to buy property is in South County Dublin for all types of properties.
- » Properties in North Kildare are on average €100,000 more expensive than similar properties in South Kildare.
- » Detached houses are selling for an average of €75,000 more than semi-detached. Meanwhile terraced houses sell for €30,000 less than semi-detached.
- » The fast-selling properties are currently in West Dublin where the average Time-to-sell (i.e. The duration the property is advertised) is 41 days.
- » Properties in Dublin City are on average 60% more expensive than those in the surrounding counties.

Residential Lettings Market Snapshot

A breakdown of average rents by area and bedroom number. Also included is Time-To-Let (TTL) & Vacancy by area.

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	TTL	Vacancy
Dublin Centre	€937	€1,324	€2,124	-	-	9.8	5.4
North City	€845	€1,145	€1,324	€1,567	€1,888	13.9	8.3
South City	€908	€1,248	€1,483	€2,028	€3,322	11.7	6.9
North County	€846	€1,053	€1,183	€1,475	€1,961	11.7	6.9
South County	€964	€1,262	€1,479	€2,338	€3,610	12.9	7.6
West Dublin	€841	€1,042	€1,178	€1,367	€1,586	15.8	8.9
Commuter Towns*	€801	€1,033	€1,165	€1,300	€1,596	20.0	13.3
Commuter Counties	€669	€800	€901	€1,067	€1,189	20.4	14.2
Cork	€698	€900	€990	€1,224	€1,561	15.1	9.6
Limerick	€568	€665	€762	€893	-	22.3	15.3
Galway	€619	€842	€921	€1,037	€1,121	14.4	8.7
Rest of Country	€522	€652	€720	€800	€948	15.3	9.6

Rental Market Highlights:

- » The areas with the fastest growing rents in 2005 were Smithfield at 16%, followed by Ranelagh at 9.3% and the areas around Blackrock at 9%.
- » Properties with dishwashers enjoy a rent of €50 more per month than similar properties with no dishwasher. Since a typical dishwasher costs around €300, this represents a 100% return on investment over the course of the year!
- » The most expensive property to let in 2005 was a 5 bed house located on Ailesbury Road, Ballsbridge. The rent was €15,000 per month (a total of €180,000 per year!)
- » Properties advertised by estate agents are on average €50 more expensive than similar properties advertised by landlords.

Notes:

a) The snapshots cover the period from October 2005 to January 2006. The number of properties included in each snapshot is between 15,000 and 20,000. Areas where there was insufficient sample size to be statistically significant are denoted '-'

b) The snapshots are a highly generalised view of the market. They should only be used as an indicator of house prices or rents and not as a definitive guide as there are many factors not included above that affect prices

* Dublin Commuter Towns includes Celbridge, Naas, Leixlip, Bray, Maynooth and Greystones. Commuter Counties includes Louth, Meath, Kildare and Wicklow but excludes the aforementioned commuter towns.

Investor Analysis

Rental Yields

Yield is the internal rate of return of a buy-to-let property investment, not accounting for capital appreciation. Using the sales and lettings snapshots on the previous page, the percentage value is calculated as the annual rent you would expect to earn, after having made a property investment. Higher yield means a better investment. Investing in property based on buy-to-let yield figures only, can be compared to putting your money in a high yielding savings account, a government bond or any coupon yielding asset.

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Average
Dublin Centre	4.3%	4.2%	5.6%	-	-	4.5%
North City	3.2%	3.9%	4.0%	3.0%	3.2%	3.8%
South City	3.5%	4.2%	4.2%	3.8%	4.4%	4.1%
North County	4.3%	4.4%	4.3%	3.5%	2.7%	4.1%
South County	3.1%	3.3%	3.2%	3.3%	3.4%	3.3%
West Dublin	4.2%	4.5%	4.4%	4.1%	3.4%	4.3%
Commuter Towns	3.9%	4.0%	3.6%	3.2%	2.6%	3.5%
Commuter Counties	-	4.3%	4.0%	3.3%	2.8%	3.6%
Cork	-	4.2%	3.8%	3.8%	4.5%	4.5%
Limerick	-	3.6%	4.7%	4.4%	-	4.4%
Galway	-	3.7%	3.9%	3.1%	2.9%	3.4%
Rest of Country	-	4.2%	3.9%	3.2%	3.3%	3.5%
National Average	4.3%	4.2%	4.0%	3.2%	3.2%	3.7%

- » Three bed properties in Dublin City Centre currently command the highest yields (5.6%).
- » In general, the higher the number of bedrooms in a property the lower the yield (see final row of yields table).
- » The area with the lowest yields is South County Dublin. This is due to the fact that South County Dublin is also the most expensive place to buy property.

Investment Affordability Calculator

In table 1 below, using the residential sales snapshot, the price of a property is expressed as a monthly mortgage repayment. The calculation is done using an interest only mortgage, with an APR of 3.8 percent. For simplicity, we assume a 100% mortgage but in reality 100% finance may not be available. This calculation enables you to compare the monthly cost of purchasing a property to the monthly income from rent.

1. Typical Monthly Mortgage Cost:

Cost of purchasing a property expressed as a monthly mortgage repayment. (100%, interest Only, 3.8% APR)

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed
Dublin Centre	€831	€1,187	€1,440	-	-
North City	€850	€1,062	€1,229	€2,102	€3,975
South City	€920	€1,140	€1,313	€1,982	€2,512
North County	€741	€901	€1,057	€1,591	€2,811
South County	€1,177	€1,455	€1,750	€2,668	€3,993
West Dublin	€760	€883	€1,028	€1,276	€1,797
Commuter Towns	€779	€979	€1,246	€1,544	€2,296
Commuter Counties	-	€699	€853	€1,245	€1,619
Cork	-	€820	€990	€1,224	€1,332
Limerick	-	€632	€614	€779	-
Galway	-	€863	€900	€1,277	€1,445
Rest of Country	-	€595	€711	€962	€1,101

2. Monthly Rental Income - Monthly Cost Mortgage:

The typical monthly rent minus the monthly cost of a mortgage (i.e. The net monthly profit from purchasing a property.)

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed
Dublin Centre	€106	€136	€684	-	-
North City	-€5	€83	€94	-€534	-€2,087
South City	-€12	€108	€170	€46	€811
North County	€105	€151	€127	-€116	-€850
South County	-€213	-€193	-€271	-€330	-€383
West Dublin	€81	€159	€149	€91	-€211
Commuter Towns	€22	€54	-€81	-€244	-€700
Commuter Counties	-	€101	€48	-€179	-€429
Cork	-	€80	-€1	€1	€229
Limerick	-	€33	€148	€113	-
Galway	-	-€21	€20	-€239	-€324
Rest of Country	-	€57	€9	-€162	-€153

Notes:

- a) The sales and rental figures are, naturally, based on different samples. While the model corrects for observable differences in quality, e.g. number of bedrooms/bathrooms, etc., differences in quality may remain. Therefore, yield figures can only be regarded as indicative.

First-Time-Buyer Analysis

First-Time-Buyer Affordability Calculator

Many first time buyers rent out individual rooms in their property to help reduce their monthly mortgage repayments. If you are considering this option, this page will help you calculate how much it will cost you to purchase a property as a monthly payment.

In table 1, using the residential sales snapshot, property prices are expressed as a monthly mortgage repayment. The calculation is done using a 100% mortgage over 35 years with an APR of 3.8 percent. Table 2 shows the average monthly rent of single and double bedrooms in shared accommodation broken down by area. Table 3 presents the monthly mortgage repayments less the amount of rent from renting out all but one bedroom (i.e. the net monthly cost of purchasing a property).

1. Typical Monthly Mortgage Cost:

Cost of purchasing a property expressed as a monthly mortgage repayment. (100% Mortgage, 35 years, 3.8% APR)

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed
Dublin Centre	€1,130	€1,615	€1,959	-	
North City	€1,156	€1,445	€1,673	€2,859	€5,409
South City	€1,252	€1,551	€1,787	€2,696	€3,417
North County	€1,008	€1,227	€1,438	€2,165	€3,825
South County	€1,601	€1,980	€2,381	€3,631	€5,433
West Dublin	€1,034	€1,201	€1,399	€1,736	€2,445
Commuter Towns	€1,060	€1,332	€1,696	€2,101	€3,124
Cork	€740	€1,116	€1,348	€1,665	€1,813
Galway	€944	€1,174	€1,225	€1,737	€1,966
Limerick	-	€860	€835	€1,060	
Rest of Country	-	€809	€968	€1,309	€1,498

2. Accommodation Sharing Market Snapshot

Average monthly rent for a room in shared accommodation

	Single Room	Double Room	TTL	Vacancy
Dublin Centre	€450	€540	12.1	5.8
North City	€360	€445	13.9	6.8
South City	€398	€497	12.9	5.9
North County	€323	€406	16.8	8.2
South County	€386	€492	14.3	6.0
West Dublin	€311	€405	16.6	8.8
Dublin Commuter	€328	€405	19.7	12.3
Cork	€286	€344	16.7	10.4
Galway	€279	€335	19.3	12.2
Limerick	€224	€261	18.7	13.0
Rest of Country	€252	€298	23.1	15.0

3. Monthly Mortgage Cost – Rent from Spare Rooms

This table shows an estimate of the amount you would have to pay per month if you rented out all but one bedroom in your house. We make the following assumptions: A 2 bed property would receive income on one double room; a 3 bed property would receive income on one double and one single room; a 4 bed would receive rental income from one double and two single rooms.

	2 Bed	3 Bed	4 Bed
Dublin Centre	€1,075	€969	-
North City	€1,000	€868	€1,694
South City	€1,054	€892	€1,403
North County	€821	€709	€1,113
South County	€1,488	€1,503	€2,367
West Dublin	€796	€683	€709
Commuter Towns	€927	€963	€1,040
Cork	€772	€718	€749
Galway	€839	€611	€844
Limerick	€599	€350	€351
Rest of Country	€511	€418	€507

Notes:

- a) On average it is 2.5 times more expensive per month to buy than to rent. At the top end of the scale are 3 bed properties in Dublin commuter towns where it is approximately 3.2 times more expensive.
- a) Income from renting out spare rooms is tax-free under the 'Rent-a-Room' scheme up to a maximum of €7,620 per annum.

About the Report

About the Daft Report:

Over the last 9 years Daft.ie has collected a vast amount of data on the Irish property market (approximately 200,000 properties were advertised on Daft last year). The goal of the Daft Report is to use this data to help investors and in particular first-time-buyers make informed decisions about purchasing.

The Daft Report is now one year old. It 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. With the addition of the Daft.ie House Price Index this quarter, the report is becoming an increasingly useful tool to anyone with an interest in the Irish property market.

Circulation:

We are pleased to announce that last quarter's report (Q3, 2005) was read by over 45,000 people.

Methodology and Sample Size:

The statistics are based on properties advertised on Daft.ie for a given month or quarter, using monthly and quarterly regressions. Only coefficients with a high degree of consistency are used. The average sample size for a month over the period 2002-2005 is 11,214 properties. Indices are based on standard methods, holding the mix of characteristics constant, with the annual average of 2005 used as the base. The method by which the rent index is produced has changed completely from previous reports as such there may be slight changes in trends. A commentary on the new methodology will be published on www.daft.ie/report

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.

Coming in the Next Daft Report:

The next report will be released mid April '06. The Daft.ie Report is published quarterly, with feature sections on yield spreads, rental sharing, commercial property, first-time-buyer's market, and overseas investment.

Credits:

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About Daft.ie

Daft.ie is Ireland's biggest property website with over 1.2 million visits a month and in excess of 30,000 properties on the website at any one time.

In the last year traffic to Daft.ie has tripled. The majority of the growth has been for first-time-buyer properties and investment properties both home and abroad.

Although started in 1997 as a lettings website, in recent years Daft has grown up with its audience. This is because the people who were renting in 1997 have become the people buying in 2006. Over the last 12 months there has been a major shift in our visitor demographics. At present over 60% of all visitors to Daft are interested in purchasing property as opposed to renting.

Further to the move into residential sales, Daft recently launched an overseas property section which now boasts over 15,000 properties from around the world. This international initiative saw Daft being named as one of the top five e-businesses in the world by the UN at the 2005 World Information Society Summit in Tunisia.