



The Daft.ie House Price Report

An analysis of recent trends in the Irish residential sales market

Quarter 4 | 2006

Introduction by Damien Kilberd, Economic Commentator



Introduction

Damien Kiberd, Economic Commentator

Big Regional Variations in more Realistic Property Market

The fourth quarter of 2006 brought a fundamental- and downward- shift in house price expectations among both developers and sellers of individual homes, according to the latest Daft.ie Asking Price Index (API).

The Q4 results suggest that by December 2006 sellers' asking prices were just 3.8% higher than in December 2005, while for the quarter as a whole (Q4 2006 V Q4 2005) asking prices were up by just 4.7%.

The API is the property market's leading edge indicator of changes in sellers' expectations. Some 65,000 properties are detailed on the Daft.ie website at any one time, which allows Daft researchers to base their analyses on statistically significant and reliable sample sizes.

A pronounced flattening out of house prices in Dublin during the third and fourth quarters depressed the national trend in the API, but prices continued to grow outside the capital.

The causes of these trends are clear. In the second-hand market a series of spectacular prices achieved in Q1 2006 flushed out an unprecedented number of would-be sellers, leading to oversupply in Q3 and Q4. Houses not normally put to auction were also offered for sale and by the year end four-fifths of homes on offer in the salesrooms were being withdrawn unsold, leading to adverse psychological effects on the wider market for second-hand homes. The problem of oversupply was compounded by injudicious comments from a senior government minister which held out the prospect of stamp duty cuts in the December budget, thereby causing potential purchasers to delay completing transactions throughout Q3 and into Q4. No duty cuts were actually approved by Minister Cowen.

In the market for new houses and apartments, developers in the Greater Dublin area opted to "hold" asking prices in the second half in order to maintain market share and to ensure their own, and their banks', cash flow. After two years which saw the Daft.ie API rise by close to 25% in Greater Dublin, profits for builders remain strong even with a levelling off in the market.

Developers' expectations were trimmed by the realisation that many potential buyers had reached the limits of affordability: Half of all mortgages now extend to terms of 25, 30 or 35 years and beyond. They were also dampened by six successive increases in the European Central Bank base rate which rose to 3.5%, triggering a welter of negative media predictions concerning house prices.



Introduction

Damien Kiberd, Economic Commentator

Big Regional Variations in more Realistic Property Market

Outside Dublin prices continued to grow in the second half, however, with evidence of supply shortages emerging particularly in Limerick and to a lesser extent in Cork. Daft.ie's data suggests that typical homes in the regional cities and in extended belt of Dublin's "commuter towns" are on average €100,000 dearer than they were in early 2005.

But with the capital gearing up for significant high rise development the appetite for some suburban locations may be on the wane. The Daft.ie API for the second half of 2006 showed a softening of the market in suburbs such as Santry (-4.5%), Clonee (-9.4%) and Maynooth (-8.8%). Very significant competition among developers, particularly in North and West County Dublin where new suburbs are under construction tilted the market balance in favour of buyers, with developers forced to offer "extras" such as top class kitchens, designer planned gardens and "neighbourhood/lifestyle concepts" in order to achieve sales.

Public transport infrastructure developments are also causing geographic variations in "sellability". In early 2006 apartments in Luas served Sandyford, for example, were snapped up. Reflecting this reality both Dublin City Council and Fingal are to impose special development levies along the route of the planned Metro North.

The Daft.ie API analysis suggest that for first time buyers in Greater Dublin the most attractive prices for starter homes can be found in Newcastle, Balbriggan, Mulhuddart and Cherry Orchard where prices are just above the government's stamp duty threshold of €317,500.

Looking into 2007, consensus estimates among economic forecasters and market participants predict the now cliched "soft landing" with prices expected to rise by about 5% across the country. Positive factors supporting prices include Mr. Cowen's decision to address the affordability issue for first time buyers by doubling mortgage interest relief (for them) in Budget 2007. Other positives include the flood of SSIA cash rebates which will peak in April 2007, the ongoing demographic expansion with the labour force growing by 4% annually and overall population up by 2.5%, the raft of new mortgage deals coming on stream from the banks and the general strength of the global economy where all of the big economies are predicting solid growth.

Daft.ie's latest index suggests that a new realism has entered what was a frothy marketplace. The primary casualty of the shake-out may be the auction room with the vast majority of young buyers now testing the market on-line before approaching sellers, developers and estate agents to process a deal. But the underlying market realities do not point to a collapse in prices either in 2007 or beyond ■



Daft.ie Asking Price Index

3.8%

The year-on-year increase in asking prices across Ireland between December 2005 and December 2006 was just 3.8%.

Asking Prices, Residential Sales

(Base: 2005 = 100)

| | 2005 | 2006 |
|-----------|-------|-------|
| January | 89.0 | 101.7 |
| February | 95.1 | 108.3 |
| March | 96.9 | 109.3 |
| April | 97.1 | 110.5 |
| May | 98.3 | 107.8 |
| June | 100.4 | 106.6 |
| July | 100.3 | 106.5 |
| August | 99.7 | 107.6 |
| September | 103.0 | 110.6 |
| October | 104.7 | 111.5 |
| November | 106.5 | 110.5 |
| December | 109.0 | 113.1 |

Inflation slows considerably

Asking price inflation averaged 13% in the first quarter of 2006, but slowed to just 4.7% by fourth quarter.

Summer Dip

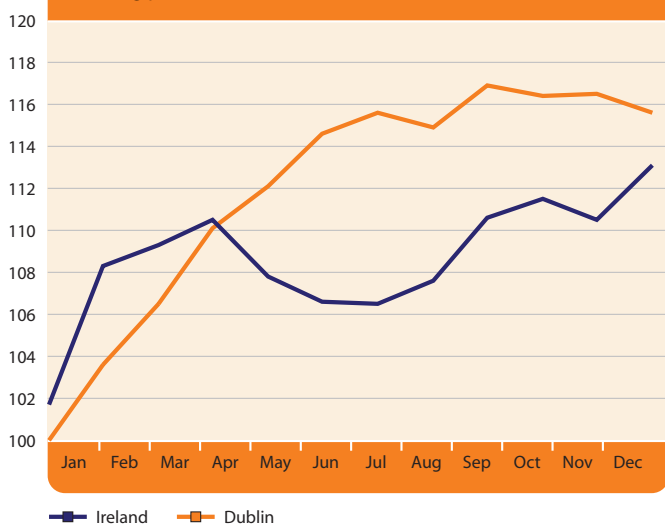
Irish house prices experienced a long summer holiday lasting from April to September, before increasing again by about 6% during the second half of the year.

0% Growth in Dublin

Asking prices for houses in Dublin did not rise at all between July and December 2006.

Dublin City v. Country as a Whole

Asking prices in Dublin and Ireland (2005=100)



The index is based on asking prices for properties advertised 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.

For the trends graph, Dublin Commuter Towns include Celbridge, Naas, Leixlip, Bray, Maynooth and Greystones. Commuter Counties include Louth, Meath, Kildare and Wicklow but excludes the aforementioned commuter towns. West Leinster includes Longford, Offaly, Laois and Westmeath. South East Leinster includes Carlow, Kilkenny and Wexford. Munster excludes Cork and Limerick. Connacht/Ulster excludes Galway, and only includes counties within the Republic.

The snapshots cover the period from October 2006 to December 2006. 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.

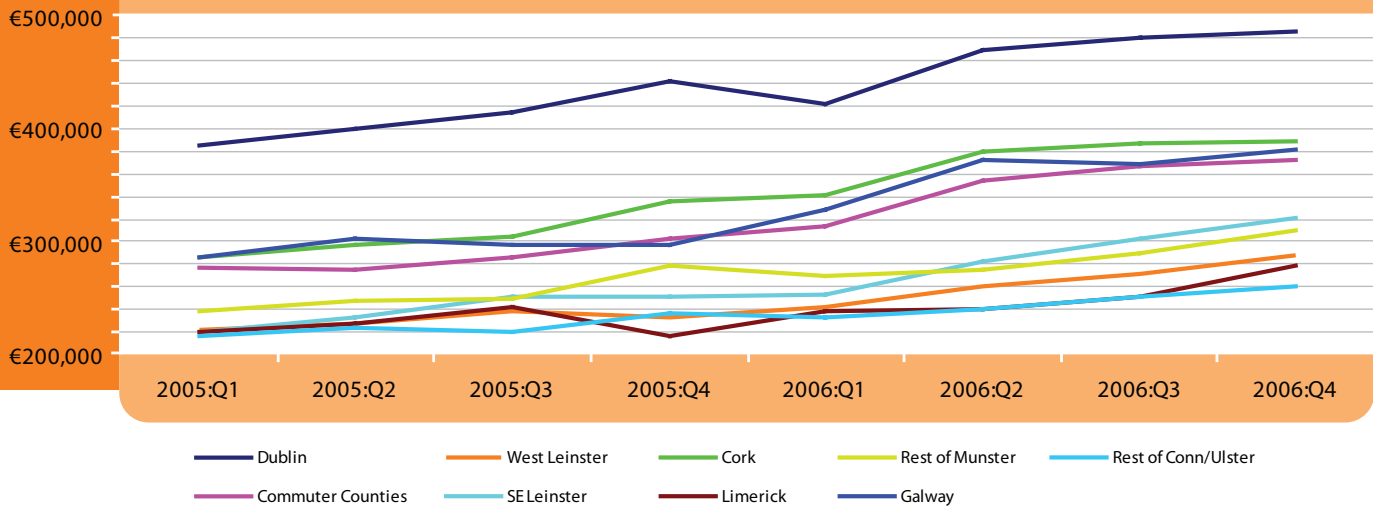


Regional Trends

An analysis of recent trends in the Irish residential sales market

Trends in house prices across the country

Trends in average house prices across Ireland, from 1st quarter, 2005 to 4th quarter 2006



Affordable pads...

10 cheapest areas for 3-bedroom semi-d's in Dublin, December 2006

| | |
|--------------------------|----------|
| Newcastle | €331,990 |
| Balbriggan | €340,322 |
| Mulhuddart | €342,433 |
| Cherry Orchard/Park West | €346,545 |
| Tyrellstown | €357,258 |
| Poppintree | €360,379 |
| Clondalkin | €362,845 |
| Maynooth | €363,210 |
| Leixlip | €370,062 |
| Celbridge | €375,183 |

Limerick

Asking prices in Limerick continued to grow steadily, making it the biggest 'gainers' of the cities. Dublin and Cork both experienced a slow year-end in the property market.

Outside the Cities

Asking prices in Munster grew throughout the second half of the year, as did prices in south-east Leinster, while the Dublin commuter counties of Meath, Louth, Kildare and Wicklow grew by smaller amounts.

Growth in West Dublin

Not all areas in the cities experienced static prices. While still among the most affordable areas in the capital, asking prices for 3-bedroom properties in Mulhuddart and Clondalkin are about 7% higher than at mid-year – bucking the general trend in the capital where prices were static.

Five bedrooms for €500,000

While buying a 5-bedroom detached house that was on the market in late 2006 could cost you up to €3.8m, there were plenty of 5-beds on the market in Dublin for less than €500,000.

Top end of the Market...

10 most expensive areas for 5-bedroom detached houses, December 2006

| | |
|---------------|------------|
| Foxrock | €2,295,663 |
| Dalkey | €2,079,270 |
| Howth | €1,755,172 |
| Boosterstown | €1,691,550 |
| Blackrock | €1,633,282 |
| Rathgar | €1,587,667 |
| Ranelagh | €1,586,924 |
| Monkstown | €1,572,414 |
| Killiney | €1,547,763 |
| Dun Laoghaire | €1,527,805 |

On the up...

5 areas seeing large increases in asking prices since Q2, 2006

| | |
|------------------|-------|
| Sligo | 18.7% |
| Swords | 13.5% |
| Limerick City | 13.0% |
| Cork City Centre | 12.5% |
| Tralee | 11.6% |

Sliding back...

5 areas with falls in asking prices since Q2, 2006

| | |
|------------|--------|
| Skibbereen | -14.8% |
| Clonee | -9.4% |
| Maynooth | -8.8% |
| Santry | -4.5% |
| Kilkenny | -4.3% |



Snapshot of Asking Prices

What is my house worth? Can I afford it?

Average house prices across Ireland, by region and bedroom, Q4 2006.

| Daft.ie Snapshot of Asking Prices Nationwide | | 1bed | 2bed | 3bed | 4bed | 5bed |
|--|----------------|----------|----------|-----------|----------|------------|
| Dublin | City Centre | €320,417 | €412,719 | €536,870 | * | * |
| | North City | €302,439 | €388,672 | €462,312 | €688,159 | €1,107,890 |
| | South City | €311,969 | €420,705 | €437,380 | €632,181 | €1,743,299 |
| | North County | €280,826 | €338,710 | €399,628 | €524,522 | €725,753 |
| | South County | €406,778 | €518,990 | €602,319 | €936,243 | €1,179,916 |
| | West County | €270,178 | €324,613 | € 371,739 | €509,814 | €555,478 |
| | Commuter Towns | €337,913 | €361,412 | €409,809 | €551,365 | €806,883 |
| Leinster | Meath | €269,892 | €274,613 | €327,528 | €407,131 | €524,461 |
| | Kildare | €217,231 | €275,385 | €312,439 | €422,447 | €621,169 |
| | Wicklow | €223,608 | €340,114 | €391,459 | €521,282 | €832,494 |
| | Longford | * | €195,453 | €226,720 | €325,141 | €293,418 |
| | Offaly | * | €245,681 | €256,957 | €359,083 | €454,784 |
| | Westmeath | * | €234,567 | €258,199 | €335,317 | €322,203 |
| | Laois | * | €219,338 | €255,977 | €339,289 | €459,910 |
| | Louth | €260,192 | €272,343 | €305,059 | €424,155 | €459,026 |
| | Carlow | * | €247,031 | €243,596 | €365,348 | €415,704 |
| | Kilkenny | * | €202,362 | €277,404 | €391,892 | €374,508 |
| Wexford | * | €238,182 | €288,214 | €372,362 | €459,965 | |
| Munster | Waterford | €172,255 | €209,516 | €260,602 | €366,595 | €411,125 |
| | Kerry | * | €238,407 | €276,488 | €328,721 | €397,430 |
| | Co. Cork | * | €255,450 | €304,583 | €407,449 | €460,582 |
| | Cork City | €257,440 | €285,372 | €349,413 | €435,632 | €581,197 |
| | Clare | * | €224,299 | €270,281 | €327,485 | €411,456 |
| | Co. Limerick | * | €160,212 | €214,170 | €299,880 | €285,587 |
| | Limerick City | €201,603 | €219,925 | €248,618 | €327,684 | €426,514 |
| | Tipperary | * | €185,035 | €219,953 | €308,846 | €409,231 |
| Connaught | Co. Galway | * | €236,672 | €266,570 | €345,980 | €380,375 |
| | Galway City | €259,534 | €311,180 | €335,008 | €404,750 | €525,767 |
| | Mayo | * | €208,464 | €215,765 | €284,980 | €364,030 |
| | Roscommon | * | €182,634 | €204,115 | €269,550 | €346,917 |
| | Sligo | * | €210,013 | €247,448 | €323,075 | €333,029 |
| | Leitrim | * | €188,049 | €226,631 | €286,606 | €300,727 |
| Ulster | Donegal | * | €182,170 | €204,198 | €255,522 | €317,890 |
| | Cavan | * | €200,163 | €214,137 | €303,366 | €364,919 |
| | Monaghan | * | €213,062 | €230,937 | €328,032 | €370,026 |



About the Report

Over the last 10 years, Daft.ie has collected a vast amount of data on the Irish property market. In 2006 alone, more than 315,000 properties were advertised on the site.

About Daft.ie

Daft.ie is Ireland's biggest website* with almost 600,000 unique visitors a month and in excess of 65,000 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.

* ABC Certified, November 2006

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 over two years 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. Since its introduction in one year ago, the Daft.ie Asking Price Index is also being recognised as the earliest available reliable indicator of developments in house prices in Ireland.

This edition sees the launch of the Daft.ie Sales Report and – next month – the Daft.ie Rental Report, giving 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 monthly basis, making the report is 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 2005 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 in May 2007.

Circulation

We are pleased to announce that the average readership of the 2006 reports was over 43,000 people.

Coming Next...

The Daft Rental Report, March 2007 with a feature on New Homes

The Daft.ie Rental Report will be published in early March and will include a special feature on new homes, as well as the usual indices, snapshots, trends and rental yield analysis.

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.

Credits

Economic Analysis:

Ronan Lyons

Layout and Editing:

Derek Jones | Flavour 9 Design

All data is Copyright © Daft Media Limited. The information contained in this report may only be reproduced if the source is clearly credited.

Please contact Daft.ie on **01-6795040** for further information.