

DOUGLAS NEWMAN GOOD



HOUSE PRICE GAUGE 2004



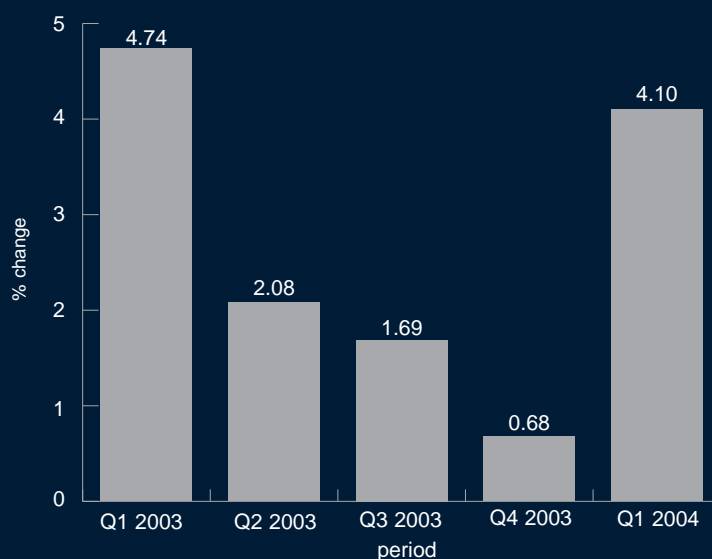
**Douglas  
Newman  
Good**

## Overall change in Dublin second hand residential property prices Q1 2004

| Ave price end Q1 2004 | Ave price end Q4 2003 | Ave price end Q1 2003 | % change in Q3 2003 | Annual % change * |
|-----------------------|-----------------------|-----------------------|---------------------|-------------------|
| €353,671              | €339,749              | €325,108              | 4.10%               | 8.79%             |

### Q1 QUARTERLY ANALYSIS

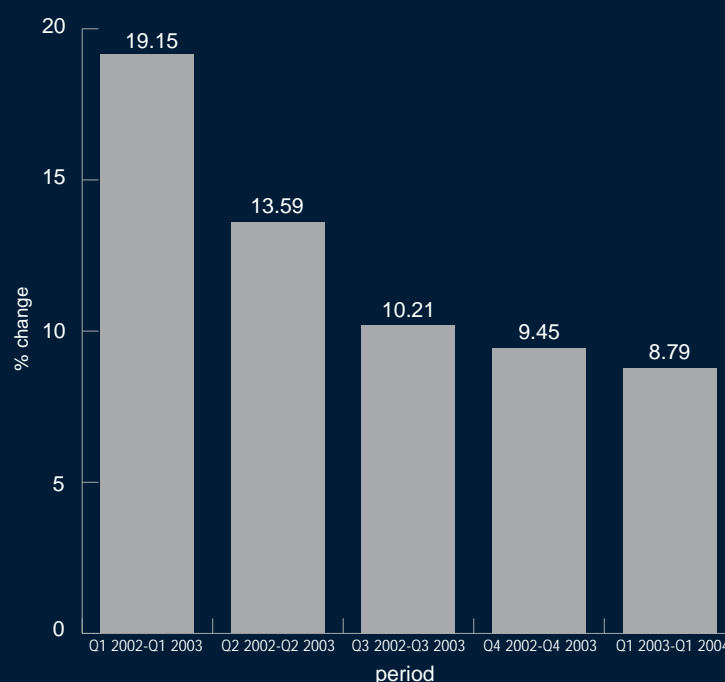
The Douglas Newman Good House Price Gauge (HPG) recorded a quarterly increase in the average price of second hand residential property in Dublin of 4.1% during the period January to March 2004. This increase is in stark contrast to the fourth quarter of 2003, when prices rose by a more modest 0.7%. The results were slightly ahead of expectations due to the strong performance of the residential market which began in the early weeks of January and continued throughout the period. The increase in prices during Quarter 1 2004 was slightly lower than the same period in the past two years when prices rose by an average of 4.74% (2003) and 6.5% (2002). The 4.1% increase during Quarter 1 means that the average price of a second hand property in Dublin has increased to €353,671 at the end of March, compared to €339,749 at the end of December 2003.



QUARTERLY CHANGE IN DUBLIN SECOND HAND HOUSE PRICES

### Q1 ANNUAL % PRICE CHANGES

In the twelve months to the end of March the average price of second hand residential property in Dublin increased by 8.79%, compared to an increase of 9.45% in the twelve months to December 2003. This reduction in the annual percentage change in Dublin's residential property prices shows that the gradual stabilisation of the market is continuing, and even though prices are still rising year on year, they are doing so at slower pace. Twelve months ago the average price of a property in Dublin was just over €325,000 and this has now risen to over €350,000 as the quarterly analysis shows. This lower level of annual price growth is far more sustainable in the long term than the rates of increase witnessed in previous years, and is a significant decrease from the 19% increase in the twelve months to January 2003.



ANNUAL % CHANGE IN DUBLIN SECOND HAND HOUSE PRICES

\* Annual Percentage Change in House Prices refers to a 12 month period i.e. the level of price change in January 2000 compared with January 2001; June 2000 compared with June 2001 and so forth.

## MARKET Q1 ANALYSIS

The second hand residential market in Dublin returned a strong level of performance in terms of both price increases and transactions in the market place and whilst it was anticipated that prices would rise by a greater amount than in the final quarter of last year, the increase of 4.1% was slightly ahead of expectations. Demand remained robust at all levels of the market as purchasers continued to benefit from the low interest rate environment which has seen mortgage lending continue to increase at record levels. With the ECB contemplating a possible further reduction in rates in the coming months it seems likely that rates will, at the very least, remain close to current levels or thereabouts for the foreseeable future and this will underpin demand in the market going forward.

The average increase of 4.1% during quarter one hides some relatively large disparities in the performance of different sectors of the residential market as the table below shows.

Prices at the lower end of the market, often referred to as the First Time Buyer market, increased at about half the rate of the average, rising 2.2%. Whilst demand, particularly from First Time purchasers remained strong supply levels proved to be high and whilst

houses sold relatively quickly, the amount of choice available to purchasers meant that price increases were somewhat suppressed. In contrast, higher up the scale, prices rose by much more than average, especially at the upper end of the market where the average increase was 8.74%. Supply in this sector, comprising mainly larger detached and semi-detached family homes in established suburbs remained low during the period but demand increased markedly as many people felt it was an appropriate time to trade up from smaller starter homes which had built up equity in recent years. This factor combined with the low interest rate environment meant that larger mortgages were as affordable as they had been for some time, and the imbalance between supply and demand led to higher than average price rises in this sector. As a corollary, with many smaller homes coming to the market as people traded up, supply increased in the lower price bracket and this helped prevent large price increases in this sector which can only be welcome news for those people trying to get onto the property ladder for the first time.

## AUCTION MARKET Q1

In addition, the auction market has proved particularly strong during the early part of the year as many of the people trading up tried to secure larger houses which were auctioned because demand far outstripped supply. In the first three months of this year over 70% of houses auctioned sold on the day of auction, either under the hammer in the salesroom, or in negotiations immediately after auction. A further 5% were sold privately prior to auction, meaning that three-quarters of homes put up for auction sold immediately if not before. In the same period last year, 64% of properties auctioned sold either before or on the day of auction.

QUARTER 1 2004  
AVERAGE PRICE CHANGE BY PRICE BRACKET

| HOUSE PRICE RANGE    | % CHANGE Q 1 |
|----------------------|--------------|
| UP TO €350,000       | 2.2%         |
| €351,000 TO €500,000 | 4.8%         |
| €501,000 TO €700,000 | 6.1%         |
| €701,000 UPWARDS     | 8.74%        |

## Q1 SUMMARY

As a result of the higher than anticipated increase in prices during quarter one, it would seem that overall asset price inflation in 2004 is likely to exceed 10%, not dissimilar to last year's rate of increase of 9.45%. Any remaining doubts over a market crash have now been banished and although prices are increasing steadily on an annualised basis the rate of growth is still half the level seen two years ago. Whilst it is accepted that prices cannot continue to grow at 10% ad infinitum without corresponding wage rises and job creation, the current market remains on a relatively strong footing. As the year progresses expect to see lower average price rises with the bulk of the increase occurring in the first six months of the year.



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