

DOUGLAS NEWMAN GOOD HOUSE PRICE GAUGE Q2 2006

“Second Hand House Prices in Dublin continue to grow strongly in Quarter 2”

Main Findings

- **Average price of a second hand house rose by 7.4% between April and June in the capital**
- **During the first six months of the year the prices rose by 17% on average**
- **House Price inflation eased back slightly during the second quarter as interest rate increases impact on First Time Buyers.**
- **Rate of increase in West Dublin, popular with fist Time Buyers was 4.8%**
- **Lowest rate of increase during quarter one came at entry level of the market with 5.3% growth in prices for property valued at less than €350,000**
- **Upper end of the market remains the strongest sector with an average increase of 8.6% for properties worth €7000,000 and above**
- **Average length of time to agree a sale on properties falls from 55days during quarter one to 50 days during quarter two this year**
- **25% increase in the number of homes offered for sale by auction compared to 2005 and a 43% increase in the number of homes sold for over €1 million.**

According to the latest edition of the Douglas Newman Good House Price Gauge released today, second hand house prices continued to rise strongly during quarter two this year, with the average price of a second hand home in the capital rising in value by 7.4% during the period April to June. Although house price inflation continues to run at unsustainable levels in the Dublin market, the rate of increase did ease back from the record level of 10% during the first three months of the year. For the year to date, prices have risen by 17% on average, and on an annualised basis, the rate of house price inflation in the Dublin second hand market has reached 27.8%, a rate of increase not seen in the market in the last ten years.

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Demand continued to strengthen during quarter two, as buyers were keen to agree sales on properties, particularly at the entry level to the market. Indeed the average length of time to agree a sale on a property fell markedly during the second quarter to just 50 days, down from an average of 55 days in quarter one. 81% of all sales were agreed within 60 days during Quarter two up from 75% in Quarter one. This indicates that potential buyers were not deterred from purchasing by higher interest rates, and the reduction in the average number of days suggests that people were still keen to agree sales as quickly as possible in anticipation of prices rising further in the future.

Commenting on the results Paul Murgatroyd, Economist with Douglas Newman Good said “house price inflation remained very strong in the Dublin second hand market during the last three months, continuing an exceptional trend that began at the start of the year. Looking at the headline figures you would think that interest rates are falling rather than rising, but closer examination of the numbers reveals that at the entry level of the market, the average rate of increase was closer to 5% and the evidence suggests that the series of small increases in interest rates since December, are now starting to make their mark on First Time Buyers in the capital.”

He added “In saying this, activity levels in the market remain high and confidence amongst purchasers remains good with the majority having expectations of higher prices in the future. This is shown by the decline in the average length of time to agree a sale from 55 days in quarter one to just 50 days in the last three months.”

The report also shows a very strong first season in the auction market with the volume of property offered for sale by Public Auction up 25% on 2005. In total 992 homes were put for sale by auction compared to 789 in the same period of 2005. The average sale price under the hammer at auction rose by 35% during the first six months of the year, to €2,132,358 compared to €1,573,943 in the first six months of 2005. In the year to date 372 homes sold for €1 million or more, a rise of 43% on the total of 259 for the same period of 2005.

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Commenting on the market Keith Lowe, CEO of Douglas Newman Good said “the first half of the year has been nothing short of exceptional with demand remaining very strong and confidence amongst buyers still high. In the early part of the year supply in the second hand market was low and this led to a rapid rise in prices in the first quarter and although supply did improve in the last three months demand was such that prices continued to rise. At the upper end of the market, which is less sensitive to rising interest rates, premium prices continued to be paid, particularly at auction, but lower down the property ladder first time buyers have definitely started to feel the effect of rising interest rates in most areas.”

He further added “Looking at the remainder of the year, if interest rates continue to rise steadily then it is difficult to see house price inflation running at anything other than a very small amount, as demand is pegged back by the higher cost of borrowing. What we have seen in recent weeks is a very gradual slowdown in the market and given the level of house price inflation in the year to date this is certainly no bad thing, particularly for first time buyers.”

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