

market analysis

The rate of increase in second hand residential prices continues to slow, as was forecast in this commentary earlier in the year, reflecting further moves to a more stable market environment and more sustainable levels of asset price growth. The more moderate rate of increase has occurred through a combination of factors that have prevailed throughout most of the year. On the supply side, the number of houses being offered for sale in the majority or areas across Dublin has increased by 35-40% compared to last year, which has served to dampen excessive price increases through a greater choice available to purchasers in the market. In saying this, activity in the market has remained very strong throughout the year to date, driven on by low interest rates and demographic factors translating into high but not excessive demand. Had it not been for the sustained increase in supply in the market, second hand house price increases would have been far higher than the 8.7% that we have seen for the nine months so far this year. All this is a far cry from the potential crash the market was predicted to experience this year and signifies the continued progress towards equilibrium of supply and demand in the market.

LOCATION, TRANSPORT & CONGESTION

In terms of the greater Dublin market, ease of access to the city centre, transportation links and associated congestion continue to be very influential factors in determining demand and therefore prices, with some of the strongest price increases in areas close to the city centre, notably in Dublin 2,4,6, 6w and 12 where demand for family homes continues to outstrip supply and price increases in Quarter 3 were above the average recorded for the city as a whole. Further evidence of this has been the strong performance of the auction market for well appointed family houses in these areas with many higher than expected sales prices being achieved.

In addition, the figures for quarter three showed the first signs of the impact of the opening of the new M1 motorway on property prices. Above average increases were recorded in areas of North County Dublin such as Donabate, Rush,

Lusk and Balbriggan, areas which because of price differentials compared to more central Dublin suburbs are already popular with first time buyers. Reduced journey times to both the city centre and areas around the M50 ring have reinforced demand in these areas, and this is likely to continue in the medium term

RESIDENTIAL AUCTION MARKET UPDATE

The auction market moved up into full swing in September with 89 properties offered for sale by public auction during the month, a similar figure to September 2002 when 86 properties were offered for sale. The results during the month proved strong, continuing the good performance of the market from the spring selling season and providing reassuring signals to those whose properties are due for auction during the remainder of the year. At the time of writing results had been recorded for 76 of the 89 auctions with 54% of properties selling on the day of auction. As at the end of September, 28% more properties have been offered for auction than in the same period of 2002 indicating the strength of this years market and an increased confidence in the auction method of sale.

SUMMARY

The latest figures from the Dublin second hand residential market show that whilst prices continue to rise, the rate at which they are increasing is definitely slowing back to a more sustainable level. Our outlook for 2003 stated that prices in the second hand residential market in the capital could realistically be expected to rise between 8% and 10% this year and in the nine months to date we have seen an average increase of 8.7%, well within the forecast range. Despite the mediocre performance of the domestic and global economies, demand has remained consistently strong throughout the year, underpinned by the demographic structure of the population and converted in to real demand for property by low interest rates which have facilitated record levels of mortgage lending to consumers. The equilibrium in the market has been maintained by increased levels of supply, particularly in the second and third quarters and this has stopped the high levels of demand pushing prices up still further. With interest rates unlikely to change much by the end of this year.

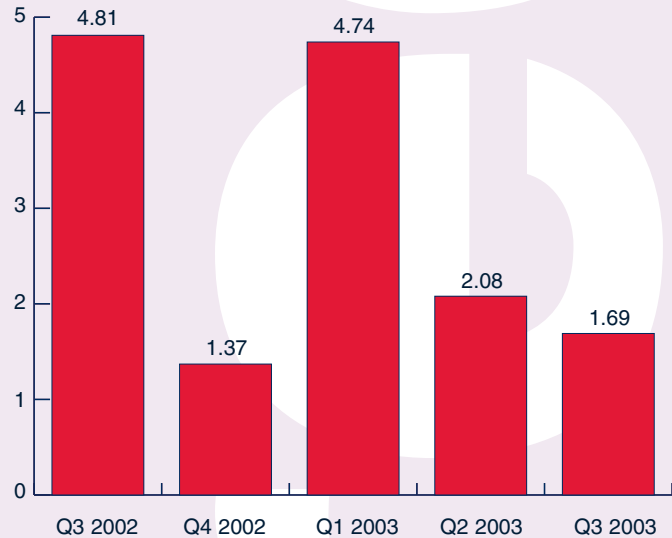
* Annual Percentage Change in House Prices refers to a 12 month period i.e. the level of price change in January 2000 compared with January 2001; June 2000 compared with June 2001 and so forth.

Overall change in Dublin second hand residential property prices Q3 2003

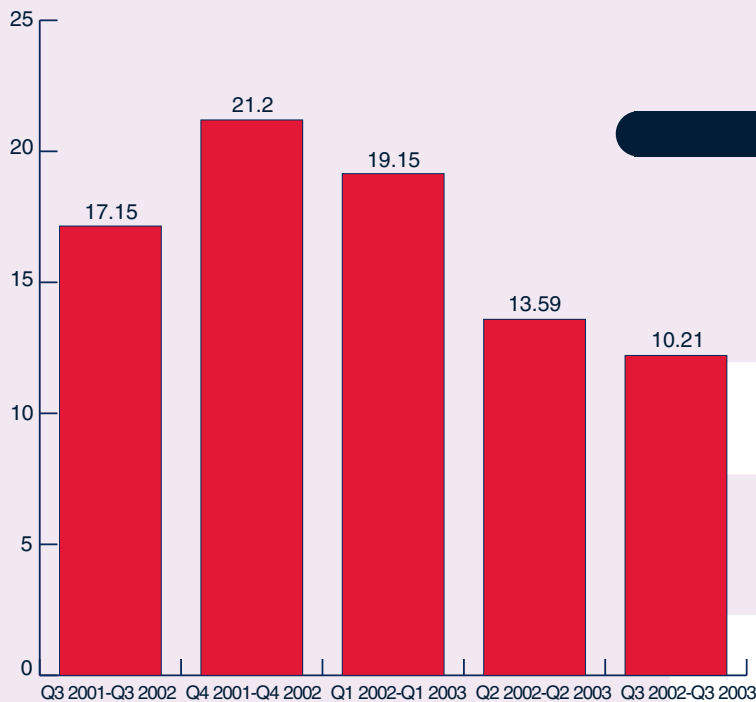
Ave price end Q3 2003	Ave price end Q2 2003	Ave price end Q3 2002	% change in Q3 2003	Annual % change *
€337,467	€331,863	€306,207	1.69%	10.21%

QUARTERLY PERCENTAGE PRICE CHANGE

The Douglas Newman Good House Price Gauge (HPG) recorded a quarterly increase in the average price of second hand residential property in Dublin of 1.7% during the period July to September 2003. This increase is in stark contrast to the third quarter of 2002, when prices rose by 4.8%, and is the third consecutive quarter in which the rate of price increases in the second hand residential market has continued to moderate. The 1.7% increase during Quarter 3 means that the average price of a second hand property in Dublin has increased to €337,467 at the end of September, compared to €331,863 at the end of June



QUARTERLY CHANGE IN DUBLIN SECOND HAND HOUSE PRICES



ANNUAL % CHANGE IN DUBLIN SECOND HAND HOUSE PRICES

ANNUAL PERCENTAGE PRICE CHANGE

In the twelve months to the end of September the average price of second hand residential property in Dublin increased by 10.2%, compared to an increase of 13.6% in the twelve months to June 2003. As the graph clearly shows, even though prices are still rising year on year, it would appear that the upward spiral of accelerating price inflation is now in reverse and although prices continue to rise they are doing so at a slower rate with each passing quarter, thus driving the annual increase in prices down. 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 change from the 17% increase in the twelve months to September 2002. The increase in the previous twelve months means that the average price of a second hand house in Dublin has risen by €31,000 during that period.