

**DOUGLAS NEWMAN GOOD**



**HOUSE PRICE GAUGE**  
**RESULTS & ANALYSIS Q1 2006**



**Douglas  
Newman  
Good**

DNG Nationwide

## Results and Analysis

### Quarterly Analysis

The first three months of the year saw an exceptional rate of increase in second hand house prices in Dublin with the average price of such homes rising by 10.46% from January to March. The quarterly increase was the highest rise in prices in any quarter since the Douglas Newman Good House Price Gauge began, and was double the rate of increase for any given quarter during 2005 as figure 1 illustrates. In the corresponding quarter of 2005, prices rose by 4.98% on average.

### Annual Percentage Change in Prices

As a result of the strong growth in prices during quarter one the annual rate of inflation in the Dublin second hand market increased to 25.8% for the year to March 2006 from 22% for the year to December 2005 as figure 2 illustrates. As figure 2 graphically displays, the annual rate of house price inflation has been creeping ever higher since a low of 8.8% in 2003, reflecting 2 years of favourable economic conditions and low interest rates which have characterized the market.

### Analysis by Market Sector

Tables 1, 2 and 3 provide a more detailed analysis of the market by looking at the price changes during quarter one 2006 by property type, price bracket and by area. Detached properties saw the largest increase in prices, which rose in value by 12.4% in Q1, coincidentally the Southside of Dublin also saw prices rise on average by 12.4% during the same period possibly reflecting the overall higher concentration of larger detached properties in that locality. Table 1 indicates that, generally speaking, the larger the home for sale, the higher the rate of price increase during the first three months of the year. This is backed up in Table 2 by the fact that the largest rate of increase for any particular price bracket came at the upper end of the market where homes valued at €700,000 or more, increased by 10.5%. The exception to the rule was the entry level to the second hand market (up to €350,000 price bracket) where

prices increased by 9.2% reflecting the strong demand from investors and in particular first time buyers looking to get onto the property ladder.

### .....a further strengthening of demand

The trend towards even higher levels of demand in the market can be seen in figure 3 which shows a breakdown of the time it took to agree a sale on a property from when it was first offered for sale. Overall the average number of days to agree a sale fell by 4 days, from 59 days in 2005 to 55 days during quarter one of 2006. During the first three months of the year the percentage of sales that were agreed within 30 days rose significantly from 43% in 2005 to 47% in quarter one. The percentage of sales which took between 31 and 60 days to agree fell slightly from 29% to 27.8% as did the percentage of sales which took 61-90 days to agree. This is perhaps not surprising given that the increase in the percentage agreed within 30 days rose by 4 points. These results indicate that demand was stronger than last year with more buyers keen to agree sales as quickly as possible to avoid potentially paying higher prices in the future. Indeed it is a good early market indicator that purchaser's expectations are for higher prices in the future. If the market was in any way softening then you would expect the overall average number of days to agree a sale to be increasing and the percentage being agreed in the shortest time period to be falling.

### Market Comment

Quarter one was characterized by very strong demand and a shortage of supply in the market compared to the same period in previous years. Supply was low very early in the year because very little sales stock was carried forward into the New Year from the end of 2005 as the majority of homes for sale during quarter four last year were mopped up during an unseasonally strong final three months of last year. In addition investors, who regularly account for approximately one fifth of properties for sale under normal

circumstances, were not releasing the usual volumes into the market because of their rising confidence in the residential property market. At the same time investors continued to be active on the demand side which contributed to the overall strong level of demand which characterized the market. First time buyers continued to purchase whatever properties were available below €350,000 with anecdotal evidence showing high viewing levels and remarkably strong bidding on properties within their price range. Reports of properties on the market for €270,000 to €280,000 quickly rising to €317,500 and above at the opening viewing were commonplace. On the evidence provided, it appears that the ECB's move to tighten monetary policy by raising interest rates last December and again in March this year, by one quarter point on each occasion had absolutely no dampening effect on the market whatsoever although there did appear to be a trend amongst lenders offering First Time Buyers "interest only" type loans in order to reduce the percentage of disposable income required to meet the monthly loan repayment.

### Looking ahead.....

We do not anticipate the exceptional price increases of quarter one to be sustained throughout the rest of the year and if, as expected, interest rates rise by a further 0.5% during the remainder of 2006 this should help return house price inflation to more sustainable levels, particularly in the second half of the year. Prices will continue to rise but at a slower rate than we have seen and second hand house price inflation for 2006 as a whole is expected to come in at around the 18% - 20% mark, an upward revision from our forecast at the beginning of 2006 of around 12%.

Table 1

| Price change by Property Type |                       |                       |                  |
|-------------------------------|-----------------------|-----------------------|------------------|
|                               | Average Price Q4 2005 | Average Price Q1 2006 | % Change Q1 2006 |
| Detached                      | €975,000              | €1,095,539            | 12.4%            |
| Semi-detached                 | €540,323              | €592,274              | 9.6%             |
| Terrace                       | €515,447              | €561,907              | 9.4%             |
| Apt                           | €337,554              | €365,716              | 8.3%             |
| Duplex                        | €369,786              | €396,000              | 7.1%             |

Table 2

| % Price Change by Price Bracket |       |
|---------------------------------|-------|
| UP TO €350,000                  | 9.2%  |
| €350,001 TO €500,000            | 8.2%  |
| €500,001 TO €700,000            | 8.8%  |
| €700,001 UPWARDS                | 10.5% |

Table 3

| % Price Change by Area |        |
|------------------------|--------|
| Southside              | 12.40% |
| Northside              | 7.51%  |
| Westside               | 9.26%  |

# QUARTERLY ANALYSIS

Fig. 1

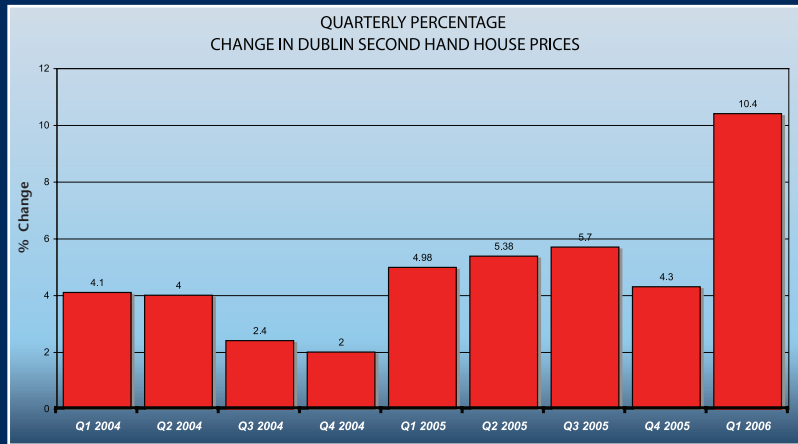


Fig. 2

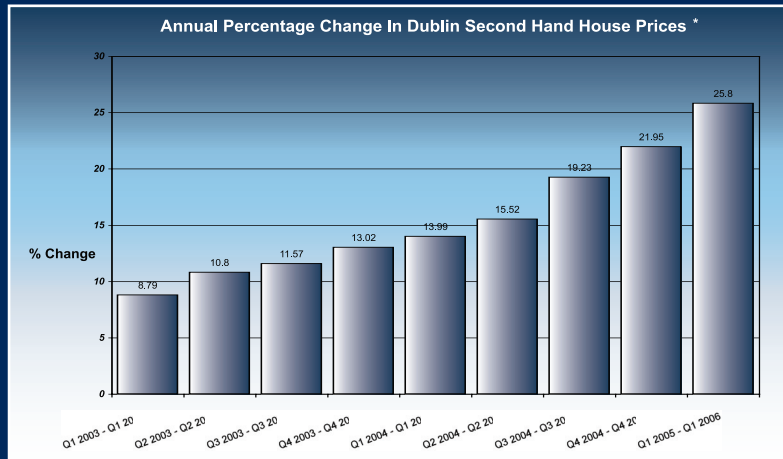
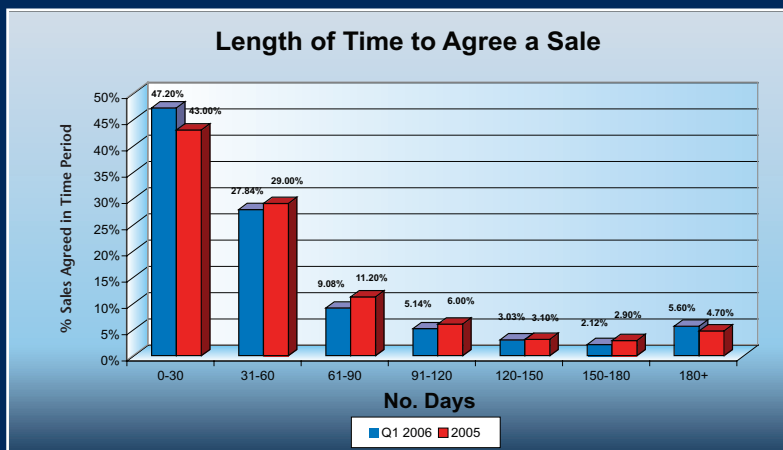


Fig. 3



\* 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.



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