Introduction
Ronan Lyons, Economist, Daft.ie

Taking stock of Ireland’s property market, five years into the crash

Although the first signs of the slowdown in the Irish property market date back to the Daft.ie Report of mid-2006, the start of Ireland’s property market crash is typically dated from when property prices started to fall in the second quarter of 2007. This quarter’s report is Daft.ie’s 50th House Price Report. It marks five years of falling prices and presents an opportunity to take stock on what has happened and what that can tell us about the future.

Ireland in perspective

Already, Ireland’s property crash is recognised as one of the most severe ever experienced by a modern developed economy. OECD research suggests that the typical housing market downturn lasts over four and a half years, so the crash is already longer than the usual one. Not only is it longer, however, it is also sharper. During the typical OECD housing market downturn, the fall in prices is 23%. According to the latest Daft.ie Report, the average fall from the peak nationwide has been 53%.

An average, however, can hide all-important details. For example, in the U.S., the median house price has fallen 20% since 2006. However, to focus on the 20% is to ignore the hugely different experiences across each of 140 metropolitan areas. According to U.S. realtor figures, in 27 cities, including San Antonio and Amarillo in Texas, the median price has actually risen in those six years. Conversely, in high-profile cities such as Phoenix, Orlando, Las Vegas and LA, prices have fallen by more than 50%. In Detroit, the average house price has fallen 66% in the last six years.

Over the last few years, Daft.ie has built up a huge dataset of property listings – over 1.1 million lettings ads and 660,000 sales listings since the start of 2006. Tens of thousands of new listings are used each quarter in the Daft.ie reports on the sales and lettings markets. But the sample in its entirety can also be used to take stock and see what structural changes have happened in the Irish property market since the final stages of the bubble.

Mapping changes in the Irish market

Since the start of the year, I have been working with the National Institute for Regional & Spatial Analysis at NUI Maynooth analysing Ireland’s property market since 2006. The approach involved using the address of each listing to map all the ads as accurately as possible and then breaking the country down into as many zones as possible. These zones were built up from the 4,500 Census districts in the country (enumerator areas in the cities, electoral divisions elsewhere). These districts were added together until each zone had enough listings in both the bubble and crash period to estimate where it fits in the nationwide spread of prices (and rents), both in 2007 and in 2012. Maps of house prices and rents in 2007 and now are available at www.daft.ie/research.

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The models of house prices used – which are explained in more detail in a working paper available from the maps homepage – point to some important adjustments. They also highlight importance differences between the sales market and the lettings market. The obvious difference between prices and rents is that the typical fall in prices (54.5% according to the most thorough model developed) has been almost twice the size of that in the rents (29.4%). As a result, the rent-to-price ratio (or ‘yield’, which is also mapped for each of the 4,500 Census districts) has increased from historic lows in 2007 (3.5% on average) to 5.5% in 2012.

However, that is not the only significant difference between prices and rents. While the spread of rents has narrowed, the spread of house prices has if anything increased. The easiest way to think about this is to look at the premium associated with a particular property size. During the latter stages of the bubble, the average difference between a four-bedroom property and a two-bedroom property in the same location was 45%. Since 2009, though, it has increased to 58%. As shown in the figure below, this increasing premium associated with space holds true for property types (e.g. detached versus apartment) as well as for property sizes.

The increase in the price of space since the bubble ended is the opposite of what has happened in rents, where there has been greater compression in rents. In one sense, this runs counter to people’s intuitions – surely after a bubble, the more expensive properties will be hit most? The figures suggest, though, that the bubble was characterised by what could be termed a “property ladder” effect: people disregarded where they wanted to buy long-term, which pushed up the price of smaller properties, including one and two-bedroom apartments and terraced properties.

**Premium associated with property types and sizes**

National average, by period, relative to semi-detached (type) and three-bedroom (size)

- **2006 - 2007**
- **Whole Period**
- **2009 - 2012**

- Apartment
- Terraced
- Bungalow
- Detached
- 1-Bed
- 2-Bed
- 4-Bed
- 5-Bed

- -40%
- -20%
- 0%
- 20%
- 40%
- 60%
- 80%
What these maps mean for the future

Five years into Ireland’s property market crash, and prices continue to fall. According to the latest Daft.ie Report, the average asking price fell 2.6% in the second quarter of 2012, compared to 1.4% in the first quarter and an average quarterly fall of 4.3% during the period 2008-2011. Dublin prices have fallen by most – but as the maps show, this may be due to smaller properties seeing their prices fall by more on average.

In general, the signs from the Dublin property market are much healthier. The average asking price in Dublin in June (€214,000) was quite close to that in December (€217,000), while the average price outside the major cities fell from €162,000 to €149,000 in the same period. But it is important to remember that recovery in the property market is not about prices – it will take over four decades of “normal” house price inflation of 2% to reach the prices last seen in 2007 – rather, recovery is about activity.

Measures of activity in the Daft Report also suggest that the Dublin market is improving. The stock available for sale in Dublin, at just over 4,600, has fallen 35% from its peak of late 2008 and is only 18% above the levels of early 2007. In June, 34% of properties that were put on the market two months previously had sold – up from 25% last December. All these figures suggest that the Dublin market is closest to being a normal property market again.

Outside the major cities, though, it does not look like the property market adjustment has completed. Not only are prices still falling, oversupply is still an issue: there are still twice as many properties for sale now as in early 2007 (16,000 compared to 8,000). Unlike Dublin, there has been little change in the number of properties selling within two or four months. In Connacht-Ulster, just 12% of properties find a buyer within two months, a fraction that has not changed since the start of the year.

People will want to live near cities, which will drive most jobs growth. This demand-side factor will compound supply-side differences. A large oversupply in some areas and in some property types, such as apartments and terraced homes, will only slowly fade away, while urban areas may need construction of new family homes soon. While confidence and credit are of course important national factors, over coming years, Ireland’s property market will be characterised by these differences. Policymakers, both national and local, ignore them at their peril closest to being a normal property market again.

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Percentage change in asking prices, Q2 2012
The Daft.ie Asking Price Index is based on asking prices for properties posted for sale on Daft.ie. 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.

Asking prices fell 2.6% in the second quarter of 2012, the second smallest fall in four years. The average asking price nationwide is now €172,000, compared to €366,000 at the peak in 2007.

Dublin asking prices largely stable
Having fallen 10% in the second half of 2011, asking prices in the capital fell by less than 1% in the first half of 2012.

Many areas still seeing sharp falls in prices
Leinster has also seen a slow-down in price falls but elsewhere prices have fallen by 7% since January compared to 8% in the second half of 2011.

Stock for sale continues to fall
The total number of properties fell below 53,000 in June, down from a peak of 63,000. Dublin has seen the largest relative decline.

Market conditions improve in Dublin
The proportion of properties selling within two months has risen in Dublin from 25% to 34% since the start of the year.
Daft.ie Snapshot of Asking Prices Nationwide

What can I ask for?
Can I afford it?

Average house prices across Ireland, by county and bedroom number, Quarter 2 2012

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Dublin Trends
An analysis of recent trends in the Dublin residential sales market

How have house prices changed?
Average house price by area, 2006-2012

- North County Dublin
  - Average price: €207,850
  - Year-on-year change: -14.2%
  - Quarter-on-quarter change: -0.8%
  - Change from peak: -52.9%

- Dublin City Centre
  - Average price: €167,172
  - Year-on-year change: -10.2%
  - Quarter-on-quarter change: 0.0%
  - Change from peak: -59.3%

- North Dublin City
  - Average price: €207,779
  - Year-on-year change: -14.8%
  - Quarter-on-quarter change: -0.9%
  - Change from peak: -56.7%

- South Dublin City
  - Average price: €208,451
  - Year-on-year change: -17.7%
  - Quarter-on-quarter change: -3.3%
  - Change from peak: -59.1%

- South County Dublin
  - Average price: €328,959
  - Year-on-year change: -11.3%
  - Quarter-on-quarter change: -2.3%
  - Change from peak: -54.4%

- West County Dublin
  - Average price: €165,598
  - Year-on-year change: -19.0%
  - Quarter-on-quarter change: -3.9%
  - Change from peak: -56.8%

- Prices in the last three months have been largely stable in central and North Dublin.
- In South and West Dublin, prices fell by 2-4% on average during the same period.
- Over one third of properties in Dublin now sell within two months, compared to one quarter last December.
- The number of properties sitting on the market in Dublin continues to fall and is now at its lowest level since early 2007.
Leinster Trends
An analysis of recent trends in the Leinster residential sales market

How have house prices changed?
Average house price by area, 2006-2012

Prices fell sharply in Longford between March and June and the average price in the county is now €100,000.

In South-East Leinster, asking prices were stable and increased by almost 10% in Carlow.

Market conditions have changed little in the province since December, with 32% of properties finding a buyer within four months by June, compared to 30% last December.

The total stock on the market in Leinster continues to fall gradually from a peak of 18,000 and is now below 14,000.
In most of Munster, asking prices were stable between March and June - Limerick city and Clare the only exceptions.

Compared to the peak, prices have fallen by 45% in Kerry, Limerick & Tipperary and 50% elsewhere in the province.

Selling conditions have not improved noticeably since December, with still roughly one in four properties selling within four months.

The total number of properties on the market in Munster has fallen slightly but is still at levels similar to 2008 and 2009.
Connacht & Ulster Trends
An analysis of recent trends in the Leinster residential sales market

Throughout Connacht and Ulster, asking prices fell relatively sharply between March and June.

The fall was less pronounced in Galway city and Sligo, and in Leitrim, average asking prices rose slightly.

Market conditions have not improved noticeably since December, with still roughly one in four properties selling within four months.

The total number of properties on the market has fallen below 16,000 for the first time in four years but remains at a high level.
About the Report

Over the last 10 years, Daft.ie has collected a vast amount of data on the Irish property market. In 2011 alone, over 100,000 properties for sale were advertised on the site.

About Daft.ie

Daft.ie is Ireland’s largest property website. The latest audited report from ABC (Sep 2011) shows monthly traffic of 130 million page impressions (pages of information received) and 1.976 million unique users per month across Daft Media’s property websites (Daft.ie, rent.ie, let.ie, property.ie). This makes Daft.ie the biggest property website in Ireland across all demographics.

Circulation

We are pleased to announce that the average readership of the 2009 reports was over 55,000 people.

About the Report

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.

This is the Daft.ie House Price Report, the partner to the Daft.ie Rental Report, which will be issued next month. Together, they give 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 quarterly basis, making the report an essential barometer for anyone with an interest in the Irish property market.

The Daft Report is now almost seven years old and has become the definitive barometer of the Irish residential property market. It is being used by the Central Bank, mortgage institutions, and by financial analysts at home and abroad, as well as by the general public.

Methodology and Sample Size

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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.

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Kieran Harte

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Coming Next…

The Daft.ie Rental Report 2012 Q2, in August 2012

The Daft.ie Rental Report will be published in August and will include a review of the performance of Ireland’s rental market in Q2 2012, plus all the usual indices, snapshots, trends and rental yield analysis, providing analysts, tenants, landlords and the public with the most up-to-date information on Ireland’s rental market.