● Tight supply and great demand are driving growth in market to peak levels

WAYNE O'CONNOR

'Perfect storm' for record house prices

Property experts warn that house price growth will be sustained over the next 12 months amid reports of rises of up to 33pc since pandemic restrictions eased this year.

They say prices have not reached current levels since 2007 but these are expected to grow by a further 7-8pc in the next year.

House prices had already increased significantly since the pandemic began.

Recent CSO data shows these rose by 4.5pc in April, but agents and industry experts have noticed significantly higher increases in sections of the market since Christmas.

A lack of supply, significant pent-up demand, and the availability of saving and fixed rates on mortgages are seen as factors supporting the price growth. However, agents across the country are reporting competitive bidding as a huge driving force behind the rising cost of some homes.

In a four-week spell in Limerick across March and April, competitive bidding was a factor in two homes increasing in price by more than €70,000.

Co-founder and chief commercial officer of Offr, a firm enabling people to buy and sell property online, Philip Farrell said agents have noticed a shift in trends.

He said prices were always likely to recover to peak levels at some point, but the market is likely to be less volatile now than it was during the Celtic Tiger period.

"It is 14 years since we were last at these levels," he said. "At some point it had to come back. We know 2007 was before its time but who is to say the values today are not the correct values.

"Of course there will be a correction. What goes up must come down. We would all be millionaires if we could predict when that will happen but all the signs are increases could be more than 5pc over the next 12 months. It could be 7pc or 8pc."

Institute of Professional Valuers and Auctioneers (IPAV) chief executive Pat Davitt said prices have risen about 10pc already this year. However, increases for more exclusive properties have seen even higher price jumps.

"Anything on the water or has a sea view could have gone up by 20pc or 25pc because they are something of a one-off," he said.

"There is trend showing prices have been increasing and I think that has been there since last December. Not being able to view properties for the couple of months has added to this.

"People were bidding on properties they could not see until they bought them, and others were not putting their properties on the market. That left a greater shortage of property and hence the prices moved on.

"Now, when we are able to view properties and there are more houses coming to the market, those prices are being maintained or are going up. Since Christmas, we have seen house prices go up by about 10pc."

Mr Farrell said: "If I was selling my property I wouldn't have put it on the market early in the pandemic because there was too much uncertainty.

"Nobody knew what was coming next or what announcements were going to be made. Meanwhile, the buyers still needed a home and wanted to buy. That is why this is a trend across the world, not just in Ireland. The same is happening in the US and Canada."

Mr Davitt and Mr Farrell said supply and demand were driving price rises.

"If you have one-third less property coming to market, and the same number of people looking to buy, and then as you move that forward those people are in a stronger position to buy because of their savings they are likely to be able to pay more," Mr Farrell said.

"Most building sites were closed for months by Covid, so that also stemmed supply. Building costs are also going through the roof and that itself is going to have an effect. "There is an element of, dare I say, a perfect storm."

Mr Davitt said there is some reassurance for buyers as the mortgage market has changed significantly in recent years.

"The terrible thing we remember from years ago is watching the 6pm news hearing mortgage prices are going to rise. People would think, 'Jesus, how much money is that going to cost me?'

"Whatever bit of extra money you thought you had was gone because it went on the mortgage repayment. But thank God for this generation – if they take the advice and the fixed mortgage, that won't happen any more."

WHAT'S THE SOLUTION?
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'Definitely a seller's market': Five agents give their view

KEN MacDONALD
Managing director of Hooke & MacDonald

"House prices are rising and most of the money available is for the top end of the market," said Ken MacDonald.

He pinpointed "big houses in Glasnevin, Drumcondra, Clontarf, Glasnevin and Raheny on the northside of Dublin and Mount Merrion, Blackrock and Donnybrook on the southside" as attracting particularly strong interest.

"There is a good volume of money available for houses in these locations and serious demand, so it is impacting on prices."

He said the shortage of houses is "pushing up prices by 3pc to 5pc on average per year" but "in the locations I named" it would be in the 5pc to 7pc bracket, "where homes are particularly mature and very popular".

"Many are trying to buy homes in the neighbourhoods they grew up in. People who were brought up in north Dublin like to stick to north Dublin and people who were brought up in south Dublin like to stick to south Dublin."

However, he would encourage buyers to look elsewhere for the medium term.

"I would tell people to buy now, if they can find a property. I think by focusing solely on the areas that they really fancy they are excluding themselves from the possibility of a home in maybe a location that is not their preferred location.

"They can move in five or six years' time to the area they want. But I think it's a mistake for people just to focus on a small location and I would say they should take a wider perspective."

On whether prices would continue to rise, he said: "It's all down to the shortage and demographics. I saw Leo Varadkar said last week that the new target he wants to put forward is 40,000 homes a year, but what we have been saying is 50,000 new homes are needed each year and economists Ronan Lyons and Brian Hughes and Davy's are all saying the same.

"The big difference between now and the Celtic Tiger is at that stage 87,000 new homes were being built per year, whereas now we are building a quarter of that, 20,000.

"That's the safety valve we have. We are also not building the volume of homes that were being built in parts of Ireland where there was no demand. Now the opposite is the case and that is the safety valve for the market."

DUBLIN

FERGAL LEONARD
Director at DNG Maxwell Heaslip and Leonard, Galway

When the pandemic struck last year Fergal Leonard had to return 90pc of the deposits held for properties that had gone sale agreed because of uncertainty in the market.

With three months of income wiped out immediately, he was concerned about keeping the office open, but pent-up demand prevented the market from "falling off a cliff", he said.

"Within three months, all bar two properties were resold again for the same price," he said.

Since then, prices have continued to increase steadily, with agents and builders struggling to meet demand.

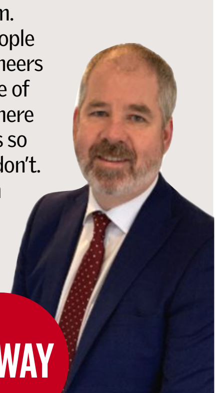
"Prices in some areas are up 10pc in the past six months. Three-bedroom semi-detached homes in Knocknacarra, west of the city, which sold for between €325,000 and €335,000 two years ago, recently changed hands for €392,000.

"There is a significant number of cash buyers looking for homes at the upper end of the market, with the levels of debt being taken on much lower now than in the past.

"Demand for new homes is substantial. First-time buyers can avail of the Help to Buy scheme if they purchase a new home, but other buyers know they can also make savings by buying new. However, this is a problem because there is little supply to meet this demand after Covid-19 halted construction.

"A 2,000 square foot house will cost you €2,500 per year to run for electricity and heat. People realise if they can afford to buy new they can save on bills in the long term.

"Some people think auctioneers love this type of a market, where everything is so frantic. We don't. The problem now is we can't get enough stock."



GALWAY

LISA KEARNEY
Director and head of residential and new home sales at Rooney Auctioneers, Limerick

LIMERICK

The property market in Limerick is far from perfect, Lisa Kearney admits. There are plenty of reasons why some prices rose by up to a third inside the space of a month earlier this year, but very few short-term solutions. Supply is an issue, as is the density of new developments that she feels downsizers are reluctant to consider.

"It's a bit of a perfect storm at the moment," Ms Kearney said of a very "congested" market rife with competitive bidding.

In March a three-bed end-of-terrace near the Ennis Road, to the north of the city centre, came to market at €298,000. It was viewed by 33 people and sold for €370,000 a month later. Around the same time, a small 1920s home in the city centre came to market at €230,000 and sold for €308,000 in April.

"When people hear that a property has been bid up by €70,000 or €80,000 over the asking price, that should make them realise we have to do something about supply," she said.

"In our job you know a house might be valued at about €270,000 but is going to end up at €370,000 because of bidding and lack of supply. It's very hard.

"The part I hate is having to ring a young couple and say, 'it has now gone up again'. It's a nightmare.

"It is scaring people and the more afraid they get the more they rush and get into bidding situations.

"They need to take this frantic bidding and viewing out of it."

OWEN REILLY Director at Owen Reilly Estate Agents

Houses in Dublin's suburbs could reach Celtic Tiger levels by Christmas, according to Owen Reilly.

"Unfortunately from a buyer's point of view, it's looking like values are going to rise in Dublin this year by at least 10pc," he said. It is "possible" prices will rise to Celtic Tiger levels by December.

"Different locations are seeing varying trends. There is a big difference between the city centre urban market and the suburban housing market. The city centre apartment market is not seeing anything like the same level of demand that suburban houses are. So there are only certain types of properties that are going to go up at least 10pc this year.

"We are talking about houses close to the city centre in the suburbs — houses along the canals and in the suburbs of Dublin 4, Dublin 6, Dublin 8. Everyone is looking for more space."

In Dublin's most sought-after suburbs "a lot of buyers are looking for the same type of house on the same roads".

As a result, he said, "values of certain houses on certain roads" are "up by 10pc to 20pc" in some cases since lockdown ended.

"I put a house recently on the market for €2m in Dublin 4 and I thought if we got €2m it would be a very good result. That house was agreed at about 15pc above asking price.

"Normally when sellers see this level of demand it encourages them to sell, but that's not happening now. They say 'it's all well and good that it's a great market for selling but where am I going to go?'

"The only way it's going to settle down is if more houses come on the market."

Mr Reilly said despite rising prices it's not all good for estate agents.

"From an agent's point of view we would prefer to see a more normal market, with no price inflations but more transactions. Our transactions are down 30pc for the year because of the low supply. So we are working really hard but transactions are still down significantly from the same period last year."

KEVIN BARRY
Managing director of Barry Auctioneers and Valuers, Cork

"It's definitely a seller's market at the moment and a fantastic time to sell," according to Kevin Barry.

Like in other parts of the country, demand is outstripping supply, but the upper end of the market is particularly acute.

Price increases this year are most notable among three-bedroom semi-detached houses in Cork city's suburbs. One such home in Glanmire sold for €260,000 last March.

"A similar type three-bed house in the same estate went on the market two weeks ago. We have had over 30 viewings so far and the current offer is over €300,000," he said.

"Another example is an apartment in Ballinlough which we had agreed last year for €310,000 and fell through due to Covid-19. It sold recently for €337,500.

"At the higher end of the market, the €800,000-plus houses, there is a severe shortage and there are currently only eight houses at this price and above listed on Daft.ie in Cork city and suburbs."

He said the market has been extremely busy since the lockdown restrictions eased, with many people who had saved money over the previous 12 months adding to the already heightened demand.

He said extending the Help to Buy scheme to include second-hand homes might help the supply issue here, as more first-time buyers might consider opting for second-hand homes.

"There is a section of the market for which the pandemic has not affected their wages and the people in turn have saved in their household spending, so they can afford a bigger mortgage."

CORK

Brace yourselves, we are fast approaching Celtic Tiger levels

● Online viewings during pandemic and tax breaks for investors have created this mess

Martin O'Mahony

The property market in Ireland has made headlines for many years, and will probably continue to do so for many years to come. Some people are considered to be experts in property matters, from the local estate agent to the guy beside you on a bar stool in any pub in Ireland on a Saturday night. But who are the *real* property experts — is it the estate agent, the guy in the bar, or our politicians in government?

Reading last week's *Sunday's Independent* noting that experts are warning house prices are to hit Celtic Tiger levels, it was interesting to see comments regarding current prices, where they are going, and the Government's role in the market. I am of the view that when politicians start interfering in the property market, it can lead to substantially more problems than may actually exist.

I have looked at property records for the period from 2004–2007, and found that current property prices are rapidly approaching Celtic Tiger levels. The question is why would prices start to head back to these levels so soon? Is it just normal market forces, or does government have a part to play?

One example of government interference in the property market goes back to 2012, when Michael Noonan, then finance minister, introduced capital gains tax (CGT) exemption for investors who bought residential or commercial property, and retained ownership of the properties for seven years (later reduced to a period of four years). These investors would pay no capital gains tax when they sold the properties at a later date.

This CGT exemption was introduced at a time when many wealthy investors had substantial cash reserves lying in bank accounts, and were not getting any real return because interest rates were so low. It made perfect sense for these investors to take advantage of this generous incentive. However, there were no such incentives for other property buyers.

Our office had residential properties on the market for sale at the time, and the majority of first-time buyers had no chance of competing with investors who could easily add another €10/€20/€30,000 to their bid to ensure they clinched the deal. First-time buyers just stood back and watched, because there was nothing they could do.

Government at the time were impressed with their work so much so they decided to extend the exemption again for another year in the following budget, thus ensuring other buyers were going to have a tougher hill to climb. This government decision to introduce CGT exemption created inflation in the property market, particularly for first-time buyers, but for cash-rich investors it was a godsend.

In my opinion this government move was the wrong one and property prices increased because of that intervention.

During the 2020/2021 Covid crisis, more problems were thrown at house buyers when the second lockdown was announced, and estate agents were instructed by the PSRA (Property Services Regulatory Authority) that house buyers could only view houses online.

In addition 'in person' viewings could only happen when the property had gone sale agreed, and contracts were drafted. This meant house buyers were encouraged to bid on houses they had not visited physically, and could only visit after they had outbid the competition and gone sale agreed.

Would it not have been more reasonable to stop physical viewings altogether until after lockdown, instead of creating hysteria and bidding wars over the phone, as some agents did. My office decided not to engage in this ridiculous way of conducting property transactions.

A more sensible approach would have been to resume normal 'in person' viewings after the lockdown ended with everyone on a level playing field. The decision taken to only allow online viewing has created an unnecessary frenzy among buyers, and has helped to push property prices artificially higher.

Covid understandably has accounted for a shortfall in supply, as many sellers are reconsidering their move, and many do not want footfall through their home in a pandemic — they can always sell later.

Another difficulty that is currently in the marketplace is that when sellers achieve their dream sale price and go to buy again they are discovering that all they can really afford is something very similar to what they are selling — so what is the point in moving?

> **Is it just market forces or does government have a role in all this?**

What doesn't help the understanding of the property market are the inaccurate statistics such as "Prices increase by Xpc in May" regularly making headlines. These 'statistics' cause concern to potential buyers and just cannot be true as actual sale prices achieved are only available from the property price register, which can take several months to appear after the sale of a property closes.

As long as there is more demand than supply then prices will continue to rise. This has always been the case and will always be the case — it is the nature of the free market.

Considering the above it is no wonder that we are now revisiting Celtic Tiger price levels in the property market.

Martin O'Mahony is the founder of O'Mahony Auctioneers, Goatstown, Dublin