Lisney

DUBLIN RESIDENTIAL REPORT

Q4 2020

DUBLIN RESIDENTIAL MARKET IN NUMBERS

SUMMARY

PRICES

+0.7%

THE CSO'S RESIDENTIAL PROPERTY PRICE INDEX FOR DUBLIN **GREW BY 0.7%** IN THE THREE MONTHS TO THE END OF NOVEMBER, BUT **DECLINED BY 0.9% ON AN ANNUAL BASIS**.

(Source: CSO)

SUPPLY

-25%

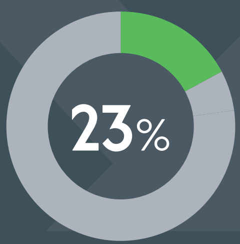
THERE WERE ABOUT 3,050 SECOND-HAND RESIDENTIAL PROPERTIES FOR SALE IN DUBLIN AT THE END OF DECEMBER; **25% FEWER** THAN A YEAR EARLIER

(Source: MyHome.ie)

MORTGAGE DRAWDOWNS

THE NUMBER OF MORTGAGES DRAWN DOWN NATIONALLY IN 2020 WERE

17% FEWER THAN IN 2019.



(Source: Banking & Payments Federation Ireland)

UNITS SOLD

-27%

IN THE 12 MONTHS TO THE END OF NOVEMBER, **27% FEWER** HOMES WERE SOLD COMPARED TO A YEAR PREVIOUS.

(Source: CSO)

NEW CONSTRUCTION

6,080

NEW HOMES COMPLETED CONSTRUCTION IN 2020, JUST **12% FEWER** THAN IN 2019.

(Source: CSO)

Trends and official statistics relating to the overall Dublin residential market do not always correlate with what Lisney agents experience on a day-to-day basis. Lisney is most active in the mid to upper-end markets in specific Dublin locations, and so our data is not always representative of the entire Dublin market. Additionally, trends experienced by agents on-the-ground can take some time, perhaps up to six months, to feed through into official market statistics due to the length of time it takes to conclude a sale. The 'Lisney View' set out in this report relates to our experience in the parts of the Dublin market we operate in.

WESTBURY, WILLOW BANK,
MONKSTOWN, CO. DUBLIN
SOLD

LISNEY VIEW

2020 was a strange and surprising year in the Dublin residential sales market. It started well with steady levels of activity experienced in the first three months; 2,660 second-hand properties sold, a similar level to 2019. Much of this demand was a build-up from late 2019, when purchasers postponed decisions due to Brexit uncertainty. However, the revival of enthusiasm was short-lived and in mid to late March, when COVID-19 became much more serious in Ireland and the first lockdown occurred, uncertainty crept in. The market stalled as potential purchasers could not physically view properties and were relying on virtual viewings. 50% fewer homes were sold in April and Mary compared to the same period of 2019. Simultaneously, there were worries about the health of the economy and the property market with many commentators anticipating a sharp decline in both. Consequently, over the late Spring and early Summer months, some buyers who had or were close to agreeing sales sought to renegotiate prices. Certain sellers were nervous and accepted reductions, keen to conclude sales. Generally, any revisions to prices were between 5% and 10% less, and with the benefit of knowing the market dynamics since, these purchasers have fared well. During this time, purchasers were equally nervous, worried they would not secure finance at a similar amount, or at all, if they needed to reapply for mortgage approval and so demand remained.

Once restrictions eased in June and physical viewing could recommence, albeit with strict safety procedures in place, the market proved to be surprisingly resilient. There was a definite change in many buyers' requirements and properties close to the coast or with a large garden were highly sought after. It was notable that for higher value properties, buyers were willing to put all their effort into acquiring the right family home, symptomatic of living in non-ideal homes without enough space, during the lockdown.

OUR VIEW

Solid demand and robust levels of activity continued in the second half of 2020. Fortunately, physical viewings were permitted during the Level 5 closures from mid-October to the start of December and this kept the market moving. Market sentiment remained firm, much of which was due the fact that the economy and employment was performing better than expected, and because many potential purchasers found themselves in better financial positions, having saved more of their normal discretionary spend and some with savings from childcare. The fact that house prices were relatively steady was also a factor. According to the CSO, monthly price changes in 2020 across all of Dublin ranged between -0.4% and +0.5%; between the end of March and the end of November, prices fell by just 0.2%. In Q4, monthly increases of 0.5% and 0.2% were experienced in October and November.

The key reason for stable prices during 2020 was lack of supply, particularly in Q4. The number of second-hand residential properties available to buy in Dublin remained very low throughout 2020, averaging just 4,000 at any given time (compared to 5,000 in 2019) but ending the year at 3,050 properties. At the end of Q3 and into Q4, even the traditional Autumn selling season (starting in early September) did not bring sufficient additional stock to the market. Part of the reason for this is because many potential vendors were unwilling to put their properties on the market during the pandemic as they did not want purchasers entering their homes with COVID-19 cases high. This also resulted in some off-market sales with limited and targeted potential purchasers.

OUTLOOK

1 For 2021, we believe the first and second half of the year will be different. In the short-term, a third lockdown where properties cannot be physically viewed will have a major impact. The number of sales will fall and supply will remain the key issue. This, combined with pent-up demand and good market sentiment, prices will likely hold firm. As the year progresses and a vaccine is hopefully rolled out in stages, vendors will become more confident. Those holding off selling will move to put their properties on the market, but it will take time for stock levels to build up. The success of sales will depend on the condition and quality of the property, along with the price being quoted.

2 As was the case in 2020, properties in turnkey condition will be most sought after and are likely to have several potential purchasers bidding on them, while properties requiring work will need to be priced accordingly to attract interest. Many executor sales fall into this category. Construction costs for home refurbishments have increased substantially in recent years and bank finance to carry out the works is becoming harder to obtain as part of the mortgage. Additionally, buyers are competing with existing home owners for heavily-in-demand building contractors. In recent months, this has become more prominent as those who decided not to move following lockdown, but need more space, seek to extend or convert part of their home to suit their new agile working life.

3 There will be continued demand from expats, mainly returning from London, the Middle East and China. For these, the pandemic has prompted a lifestyle change, particularly if they have parents and family in Ireland, and if they have children of school-going age. While a return was always on the agenda for most, COVID-19 has accelerated the decision. In the second half of 2020, we found that demand from this cohort was focused on the upper-end of the market and not reliant on mortgage finance. This trend will continue, particularly those returning from the UK due to Brexit.

4 Apartments in suburban village locations were in demand in 2020 and this will continue to be an active part of the market in 2021. Conversely, the city centre apartment market suffered from the start of the pandemic, especially those being purchased by investors. We believe this will be short-lived and into the latter part of 2021, as office occupancy improves and retail trade operates more normally, demand will return from both investors and owner-occupiers.

5 Purchasers will remain sensitive to asking prices throughout 2021. For vendors, properties quoting realistic asking prices from the start of the sales process will garner the greatest attention. Likewise, damage will be done to purchaser interest in homes quoting over-priced figures. Any change in Dublin residential prices in 2021, positive or negative, will be linked to the economy, employment and consumer confidence. The market for properties priced at under €400,000 is likely to be more greatly affected than those above this level. While there will be fluctuations throughout the year, 2021 is likely to finish at similar price levels to the start.

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