

When do the experts think house prices will start to rise again?

It's Your Money



[Louise McBride Twitter](#)

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Although April was the first month this year that house prices rose across the country, homeowners shouldn't crack open the champagne just yet.

House prices across the country are still about 1 per cent lower than they were this time last year - and if you strip out Dublin, prices have fallen by almost 3 per cent over the last year.

Last summer was the first time in about five-and-a-half years that house prices started to pick up - and even then, the increases were monthly.

But January 2008 was the last time an annual increase in national house prices was recorded.

So how long could it be before the Irish property market starts to recover - and annual national house prices

increase again?

The Sunday Independent asked some top property experts when they expect Ireland to kiss goodbye to the worst property crash in its history.

Most of them believe our property market will recover within the next year - in some cases, by the end of this year. Some, however, believe a recovery is another six years away.

BULLS

David Duffy, ESRI

Another year

David Duffy, an economist with the independent think-tank, the Economic and Social Research Institute (ESRI), believes house prices across the country could recover by this time next year.

"It will probably be next year before we see an annual average of positive growth in national house prices," said Duffy. "We would hope that consumer confidence will improve with increased employment and more certainty about the international environment. All of those economic improvements would in turn be reflected in the housing market."

Duffy believes the pick-up in house prices will occur before July 2014, but that prices will continue to be weak for most of 2013.

"If we continue to see the labour market improving and the economy pick up, we may start to see prices improve on a more sustained basis towards the latter part of 2013," he said.

Jim Power, independent economist

Another seven months plus

Jim Power, who runs Jim Power Economic Consultants, believes house prices across the country could pick up in 2014.

"The market has been a bit choppy over the last year but there are signs of stabilisation," said Power. "You could see national prices pick up in 2014. This would really be driven by the economy."

Power pointed to recent developments which he feels could trigger a recovery in the property market.

"There's a little bit more confidence coming back to economic outlook. There's a feeling that the worst of the Budgets is out of the way. There's a little bit of life coming back into the mortgage market. And many people believe prices have fallen to levels which now represent value."

'There's a little bit of life coming back into the mortgage market. And many people believe prices have fallen to levels which now represent value...'

Philip O'Sullivan, Investec

By the end of the year

Investec chief economist Philip O'Sullivan said he "wouldn't be surprised" if national house prices increased later this year. However, this growth would be driven by properties in Dublin and the commuter belt, he added.

"We would anticipate continued downward pressure on prices in rural areas over the coming few months, as high inventory levels act as a barrier to a sustained improvement in prices," said O'Sullivan.

Dermot O'Leary, Goodbody Stockbrokers

By the end of the year

Goodbody's chief economist Dermot O'Leary believes national house prices could increase by the end of the year. "I don't think recovery is that far off," he said.

"The Dublin market will continue to outperform other parts of the country - and that will drag up the rest of the market. You could see a slight increase in annual prices nationally in the second half of this year. It comes down to supply and demand. The supply of properties for sale continues to fall. Nationally there's been a dramatic fall in supply - particularly in Dublin."

However, O'Leary added that it would take longer for properties in the Midlands and border counties to recover. "These counties seem to have the biggest oversupply issues."

BEARS

Alan Gray, Indecon

More than two years

Alan Gray, managing partner of the economic consultants, Indecon, believes prices will remain flat over the next one to two years due to concerns about property taxes, economic uncertainty, and the potential impact of moves to deal with arrears in the buy-to-let market.

"However, over a slightly longer time period, prices are likely to increase as more normal market conditions return," said Gray.

"There is also likely to be significant pent-up demand due to the very high levels of the labour force in rented properties. If one was to give a guess, then perhaps Dublin house prices will increase by between 5 and 10 per cent in 2013, Dublin apartment prices will remain constant and there will be regional differences in other markets."

Dr Brendan Williams, University College Dublin

Another six years

Brendan Williams, a UCD lecturer who co-wrote a major report on Irish ghost estates about three years ago, said it could be another six years before house prices across the whole country recover.

"Some time over the next three years, unemployment will fall below 8 per cent, the population will stabilise - and you could see some of those who emigrated from the country return back home," said Williams.

"It's at that stage that the existing surplus of houses in established parts of Dublin, Cork and Galway will get sold.

"However, some of the western counties, which have a very significant oversupply of properties, will take much longer than three years to recover. It could take at least six years for house prices to recover in those western counties and some properties in those areas will never recover in price."

Any moves by the banks to force the owners of buy-to-let properties to sell their properties could push house prices down further over the next few years - and stall a recovery, warned Williams.

"Almost one in five owners of buy-to-let properties in Ireland was more than 90 days in arrears at the end of last year - and several thousand of these mortgages were in arrears for more than three years," said Williams.

"That's a huge amount of mortgages in arrears. So if there are forced sales in the buy-to-let sector, then that could have a major effect on Irish house prices."

Williams believes it is unlikely house prices will ever return to the prices seen during the boom years.

"Boom-time prices were more a product of a dysfunctional banking system than anything else," he said.

"You would think that with more prudent banking systems, you won't have a return to such dysfunctional banking."

Stephen Kinsella, University of Limerick

Another five years

Stephen Kinsella, a senior lecturer at the University of Limerick, believes it could be five years before the property market recovers.

"International studies show property bubbles take eight to 14 years on average to resolve themselves," he said. "As Ireland is a particularly bad case, I would estimate the upper range of that."

As Irish house prices have been falling for about five-and-a-half years, Kinsella believes it could be another four to five years before the market recovers.

"By recovery, I don't mean pre-boom house prices," he explained. "I mean that a house is sold within six to eight months of being put on the market - rather than sitting there for a year."

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