

# Annual Residential Market Report

Review & Outlook 2019

Connought/  
Ulster



# Key Highlights

## SALES



Aging population growth leading to a changing profile of buyers and the need for smaller but more age-friendly housing supply.

The average time taken to sell a property from receipt of instructions to closure of sale is five and a half months.

90% of SCSl agents expect prices to rise in 2019, none of whom are expecting prices to fall, marking an increase on expectations in 2018.

Marketing new homes in Connaught - 47% of agents expect to market new homes in 2019, compared to 23% in 2018.

National house prices to increase by 4% in 2019, down from an average of 8% last year.

Connaught prices to increase by 5% in 2019 - down from 8% as reported in 2018.

77% of agents reported Vendor price expectation increased nationally compared to 92% 12 months ago.

58% of agents reported an increase in market activity compared to 71% in 2017.

## RENTS



National average rents to increase by 5%

78% of agents reported an increase in tenant demand in the past 12 months.





# Foreword

I am delighted to launch our 36th Annual Residential Property Review & Outlook Report, compiled on the expertise of our auctioneering & estate agency members across the country. 2018 was a busy year for many, although not evenly experienced across the regions and we are encouraged to hear from members that activity has and is continuing to increase year-on-year.

The Irish economy continued to grow strongly in 2018. Most of the key economic indicators which impact the residential housing market point to continued positive performance in the sector. There are clear challenges in 2019 and, apart from obvious ones like Brexit, the threat of higher interest rates, increasing mortgage payments and general affordability may become a factor sooner rather than later.

Nonetheless, the Central Bank, ESRI and other commentators have optimistic outlooks for economic performance of c. 4.5% GDP in 2019. All projections, however, are based on the assumption (or hope!) that an acceptable deal between the UK and EU will be agreed to avoid a hard Brexit, as our economic wellbeing is highly dependent on a favourable outcome.

The Central Bank's mortgage lending rules have had the intended effect of containing property price rises. Although new housing delivery increased, as viability improved in more locations, new apartment and house delivery costs remain challenging, with tender price inflation a significant factor for the market. We hope that newly formed Land Development Agency will quickly increase the supply of State-owned land to the market to support supply at affordable levels.

We engaged extensively with policymakers in 2018 on how to better use existing buildings for residential use and we are pleased to see these proposals being put into action. The last Census report over 2 million housing units in Ireland, many of which are unused or underutilised. So while new supply is important in many locations, finding better ways to use our existing stock can also improve supply, rejuvenate areas and revitalise communities. The Government's recent report - Bringing back homes - Manual for the reuse of Existing buildings - outlines what supports are now available to undertake this much needed renewal. We published our 'Rejuvenation of Ireland's Small Town Centres' report last year, and strongly recommended the reuse of existing buildings on high streets to tackle the decline of our towns and villages. We are

pleased to note that Vacant Housing Officers have been appointed in many local authority areas to streamline the development process.

The residential rental sector has experienced further rent inflation in 2018. Our members accurately predicted the annual rent inflation rates as reported by the RTB of 5.4% for existing tenancies and 8% for new tenancies. The SCSJ prediction for 2019 is that rent inflation will be 8% in the Connaught/Ulster region.

Attracting and retaining skilled staff has been an ongoing challenge for businesses. It's encouraging to see that the increased number of school-leavers considering property as a career choice. The CAO points for most third-level property courses are on the rise and the prospects for those new entrants looks very positive. In our 'Employment Opportunities and Skills Requirements 2018 Report', the demand for qualified property professionals is considered to remain high, even in periods of lower economic growth, due to the continued undersupply of graduates during the downturn and the increased demand for professional services from corporate, institutional and statutory agencies. Encouragingly, many students identify the achievement of chartered status as their goal, with global recognition as an additional benefit.

I would like to thank our members for taking the time to complete our survey and provide their expert insights, which have proved uncannily prescient in previous years. We appreciate your continued support and commitment during 2018 and very much look forward to working with you in 2019

*Yours Sincerely*

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Kinatoohy, Killadoon,  
Westport, Co. Mayo sold in  
June 2018 for €350,000

# National Economic Trends





Unemployment

**5.3%**  
December 2018

Down from

**16%**  
January 2012



Mortgage Approvals\*  
Value

**€8.46 b**  
Dec 17 - Nov 18

Up from

**€2.37 b**  
Year 2012



Employment

**2,273.2<sup>(ooo)</sup>**  
Q3 2018

Up from

**1,863.2<sup>(ooo)</sup>**  
Q1 2012



Mortgage  
Drawdowns\* Value

**€7.04 b**  
Q4 17 - Q3 18

Up from

**€2.09 b**  
Year 2011

\* House Purchase only



Consumer Expenditure

**€25,542 b**  
Q3 2018

Up from

**€21,781 b**  
Q1 2012

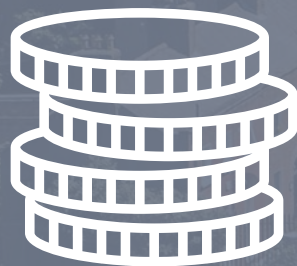


House Completions

**17,161**  
Q4 17 - Q3 18

Up from

**4,575**  
Year 2013



VAT

**€14.1 b**  
Year 2018

Up from

**9.7 b**  
Year 2011



Residential Prices  
(Index)

**107.9**  
October 2018

Up from

**58.7**  
March 2013





# Population Trends in Connaught/ Ulster

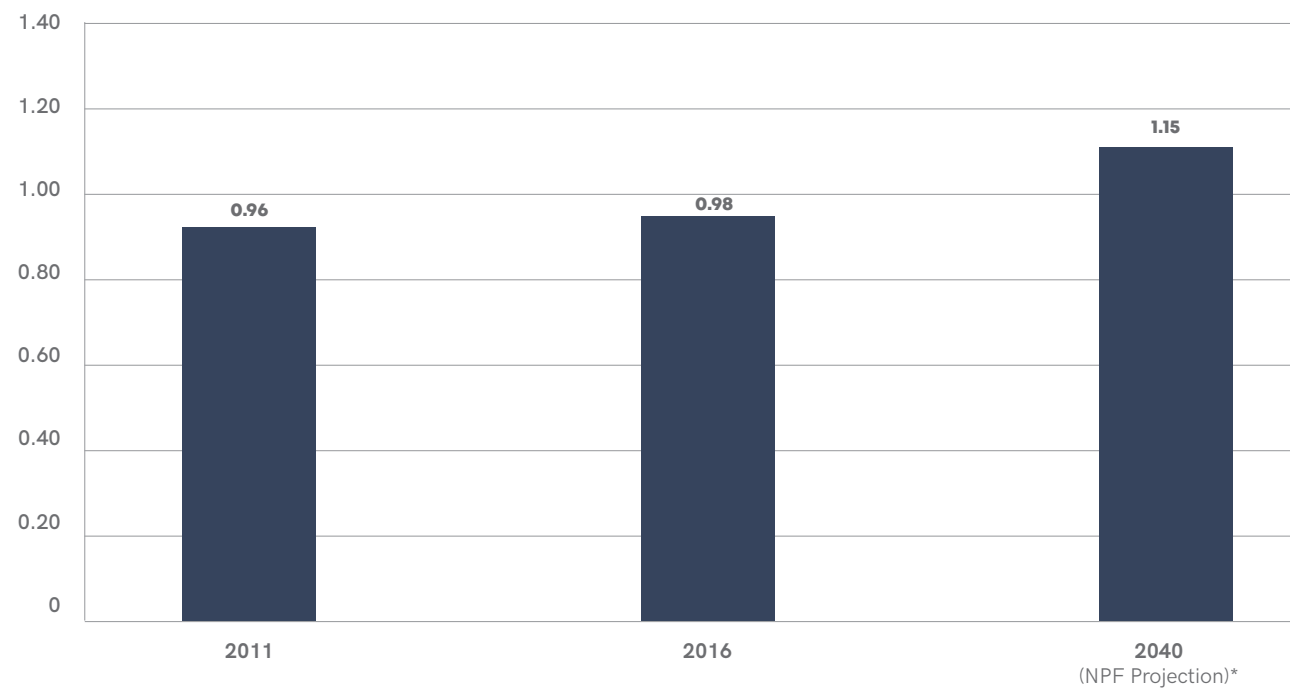


# POPULATION TRENDS IN CONNAUGHT/ULSTER

The population of the combined West and Border regions grew by over 16,000 between 2011 and 2016 (just 1.7%). This rate of growth was among the lowest in the country.

The National Planning Framework, published in February 2018, projects a population growth for these regions combined from 2016 to 2040 of approximately 174,000. This is based on the assumption that the national population growth is shared 50:50 between the East and Midlands Regions and the rest of the country. Based on this projection and on the expected household size, it suggests a significant demand for housing in the region.

Chart 1 – Expected Population (million) growth in Connaught - Ulster



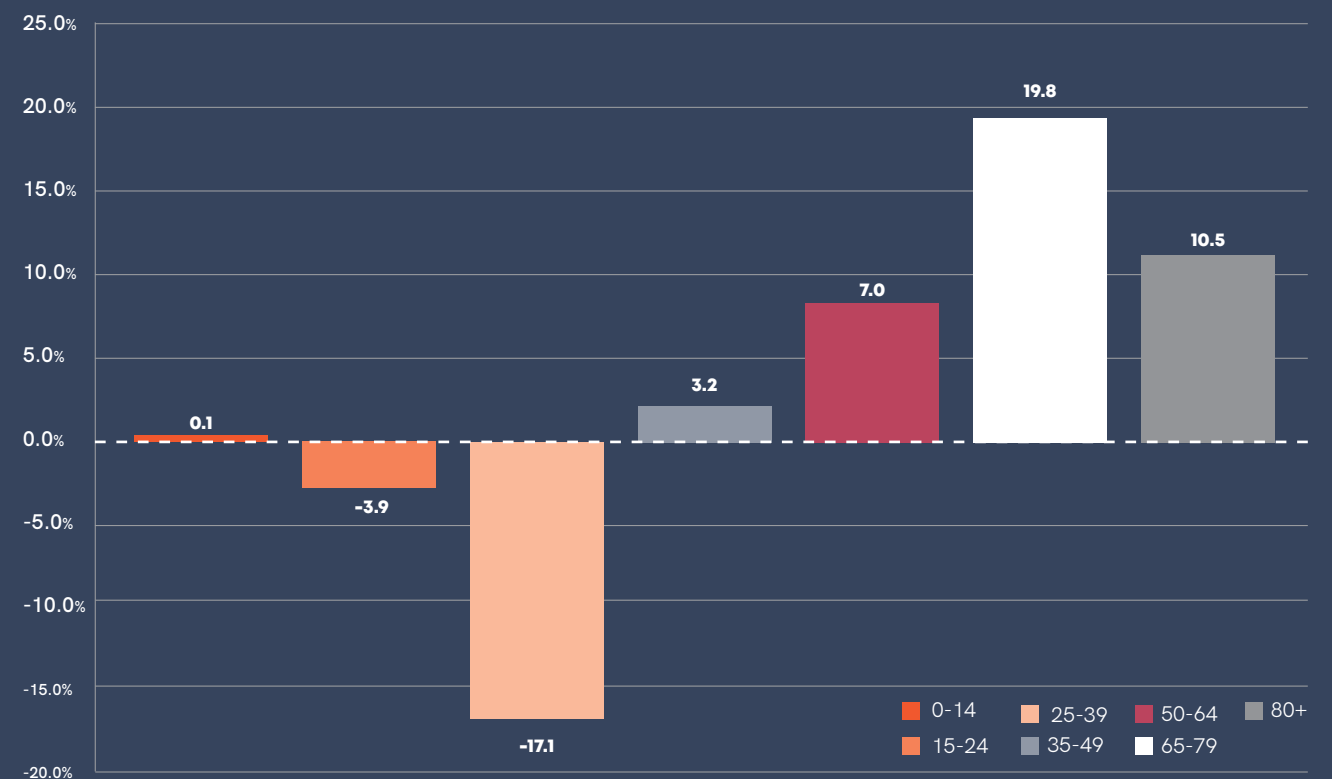
Source: CSO. \* Connaught -Ulster is made up of the West and Border regions, Co Louth is included for consistency with other reports and data sources. Projection by ESRI assuming the national population growth is shared equally between the Eastern and Midlands regions and the rest of the country.

# CHANGING AGE PROFILE OF POPULATION IN 2016

Chart 2 shows the changing age profile of the West and Border regions combined population. Similarly to the rest of the country, the population is ageing. The proportion of the population in the key house buying age of 25-34 decreased by over 17%, while the next younger age group of 15 - 24-year olds fell by almost 4%.

A noteworthy feature of the population changes in the 2011 - 2016 period is the significant ageing of the population, with the greatest growth taking place on the over 65s and over 80s. This will give rise to a changing profile of buyers as trading-down is likely to become a greater part of the market and the need for smaller but more age-friendly houses will impact on the type of supply required.

Chart 2 – Connaught - Ulster Population: Percentage change by Age Group 2011-16

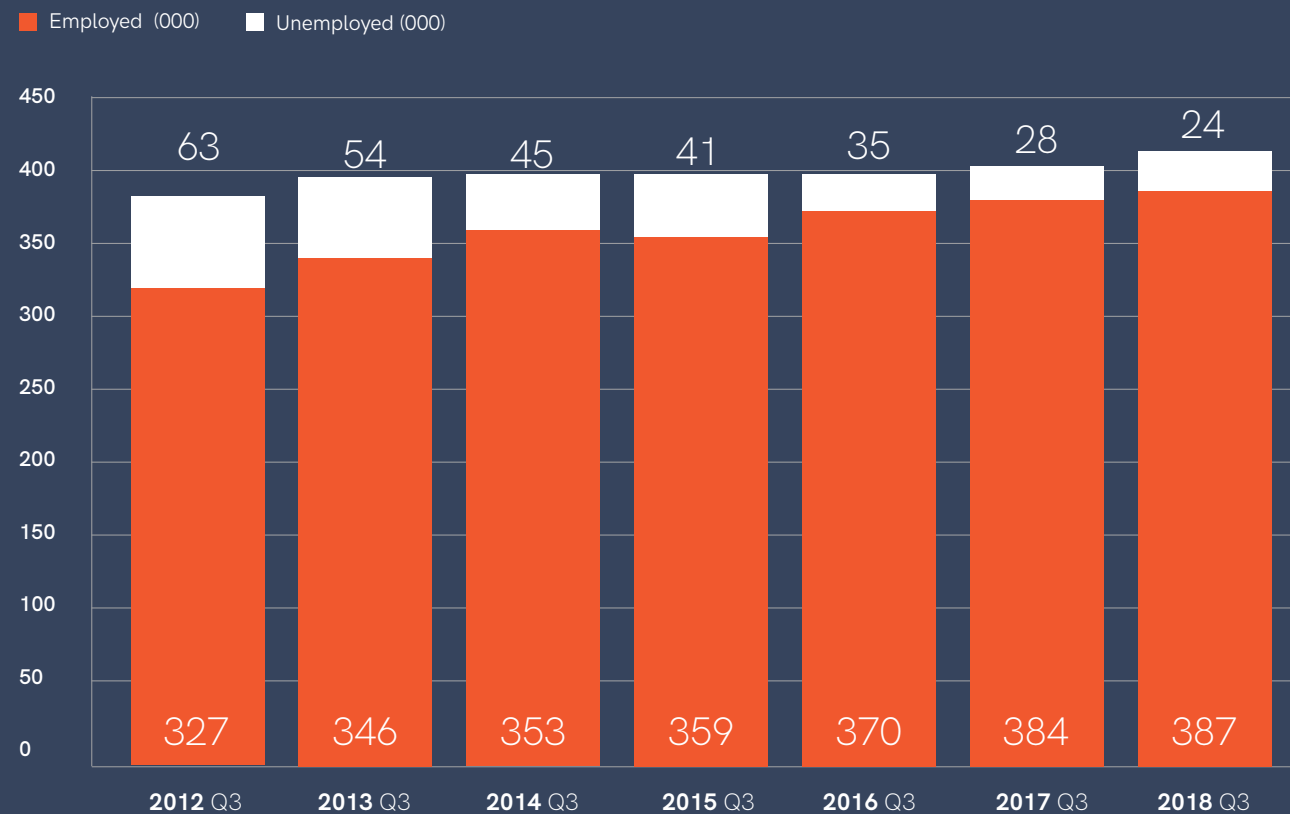


# EMPLOYMENT AND UNEMPLOYMENT LEVEL AND TREND

Unemployment in Connaught / Ulster fell by approximately 4,000 in the last year, a fall from 6.8% to 5.8% of the labour force. Employment increased by 3,000 over the same period. Unemployment has fallen by 39,000 in the past 6 years while employment has grown by 60,000 in that time.

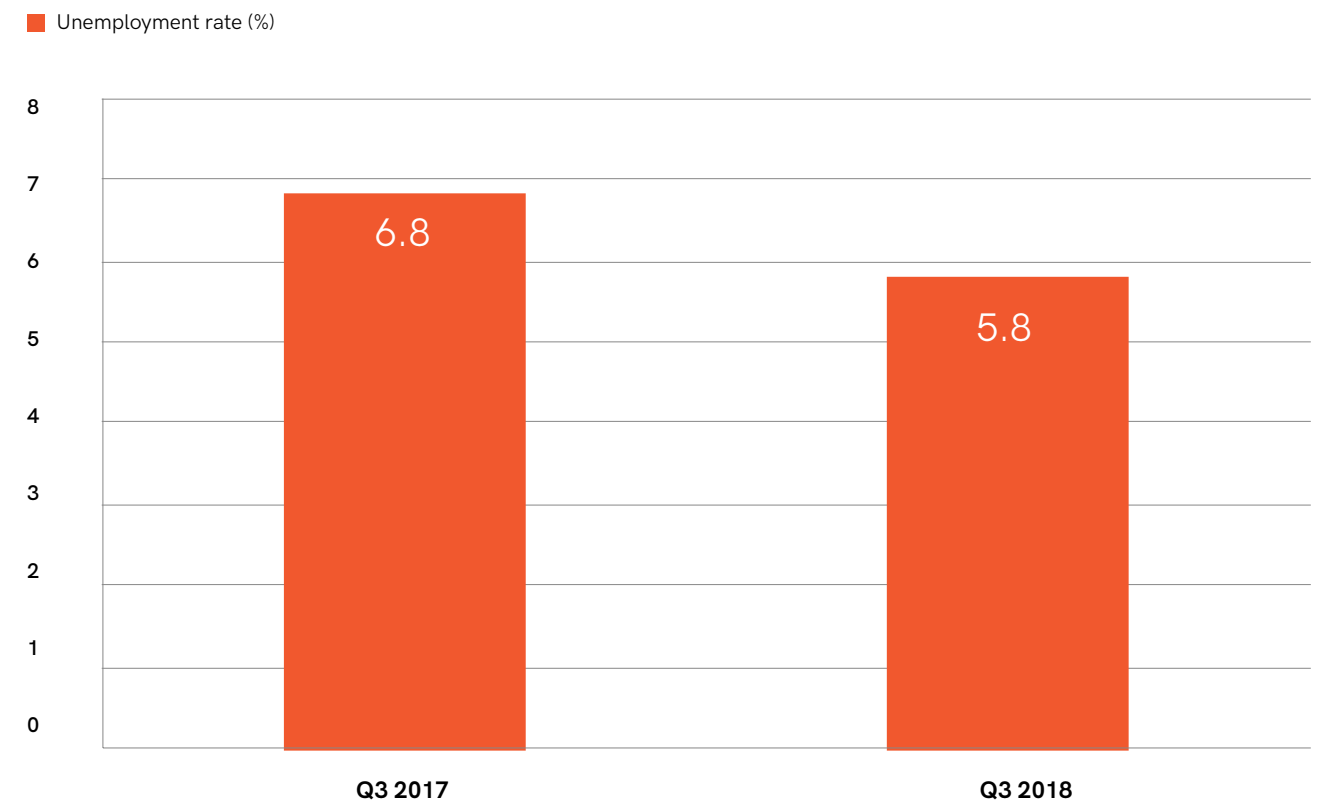
The unemployment rate has fallen from 16.2% in Q3 2012 to 5.8% in Q3 2018, marking the continued growth and declining unemployment rates in the Eurozone indicating a sustained economic recovery.

Chart 3 Employment & Unemployment - Connaught - Ulster Q3 2012 - Q3 2018



Source: CSO

Chart 4 - Unemployment rate - Connaught/Ulster Q3 2017 - Q3 2018



Source: CSO

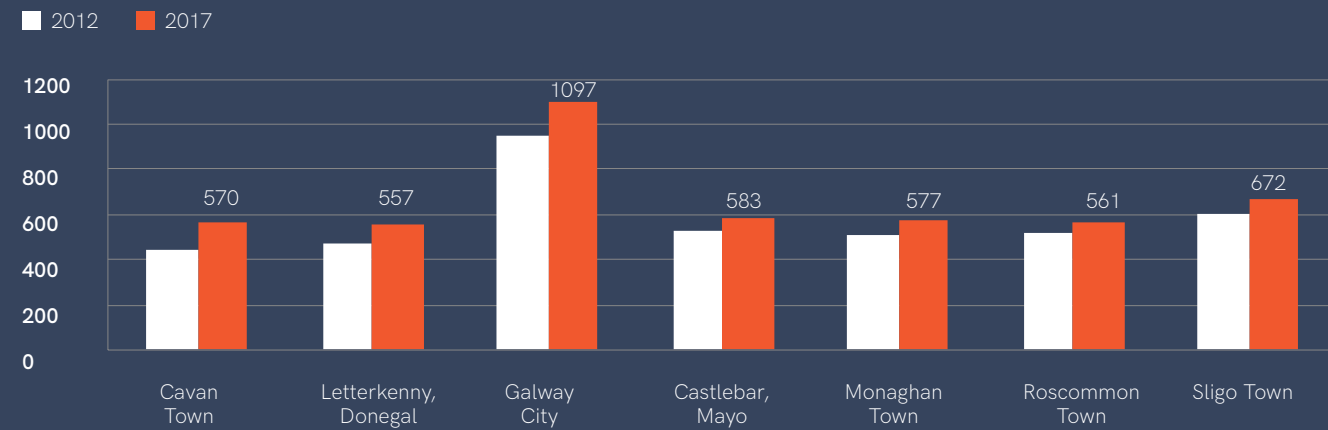


2 Cluian Abhainn, Westport, Co. Mayo sold in Oct 2018 for €475,000



# RENTAL LEVEL AND TREND

Chart 5 Connaught-Ulster Average Monthly Rent (€) for 3-bed semi-detached house 2012 and 2017 - Selected locations

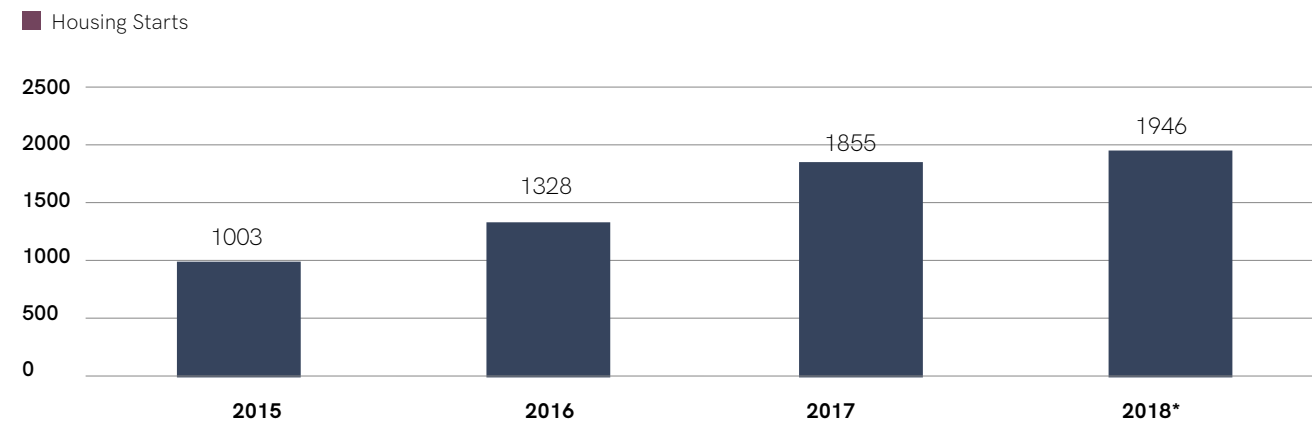


Source: RTB/CSO

# HOUSE STARTS - LEVEL AND TREND

The level of housing starts has grown significantly in the past three years, continuing a trend of further growth in building and construction activity.


Chart 6 House Starts Connaught - Ulster



Source: Department of Housing, Planning and Local Government







House at Attymass, Ballina,  
Co. Mayo sold in Sep 2018  
for €320,000

# Our Market Survey Results

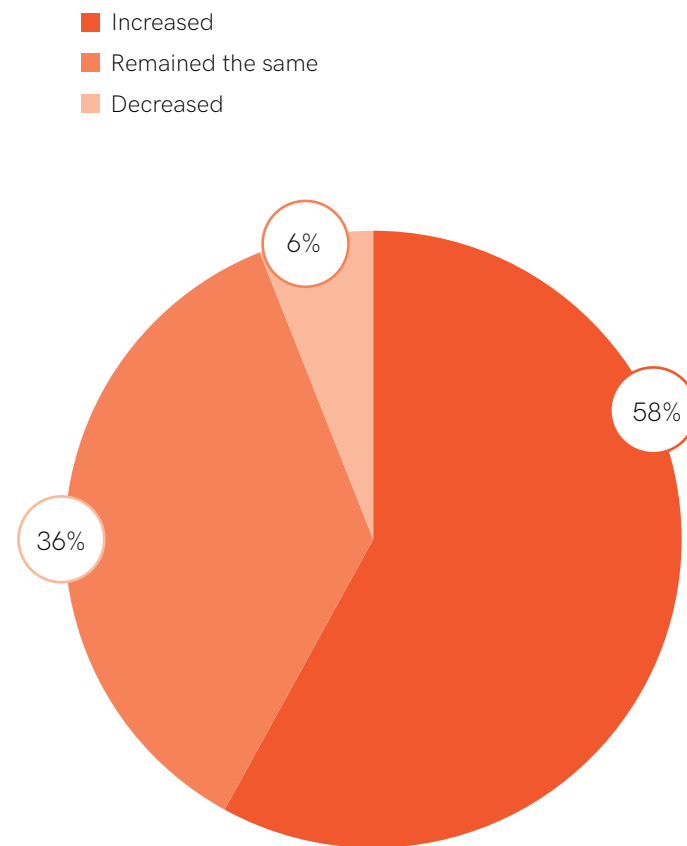


# OUR MARKET SURVEY RESULTS

## MARKET ACTIVITY

Close to 60% of SCSi agents reported increased levels of activity in 2018, with just 6% reporting a fall in activity.

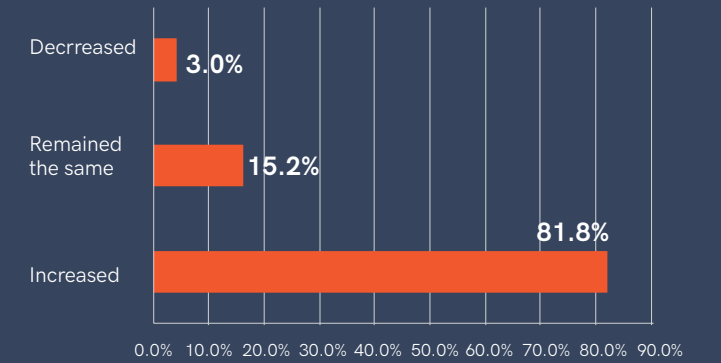
Chart 7 Level of activity in 2018 reported by SCSi agents, Connaught - Ulster



# VENDOR PRICE EXPECTATIONS

Over 80% of SCSi agents indicated that vendor price expectations had increased in 2018 with just 3% reporting that they had decreased and the remainder indicating that they had stayed the same.

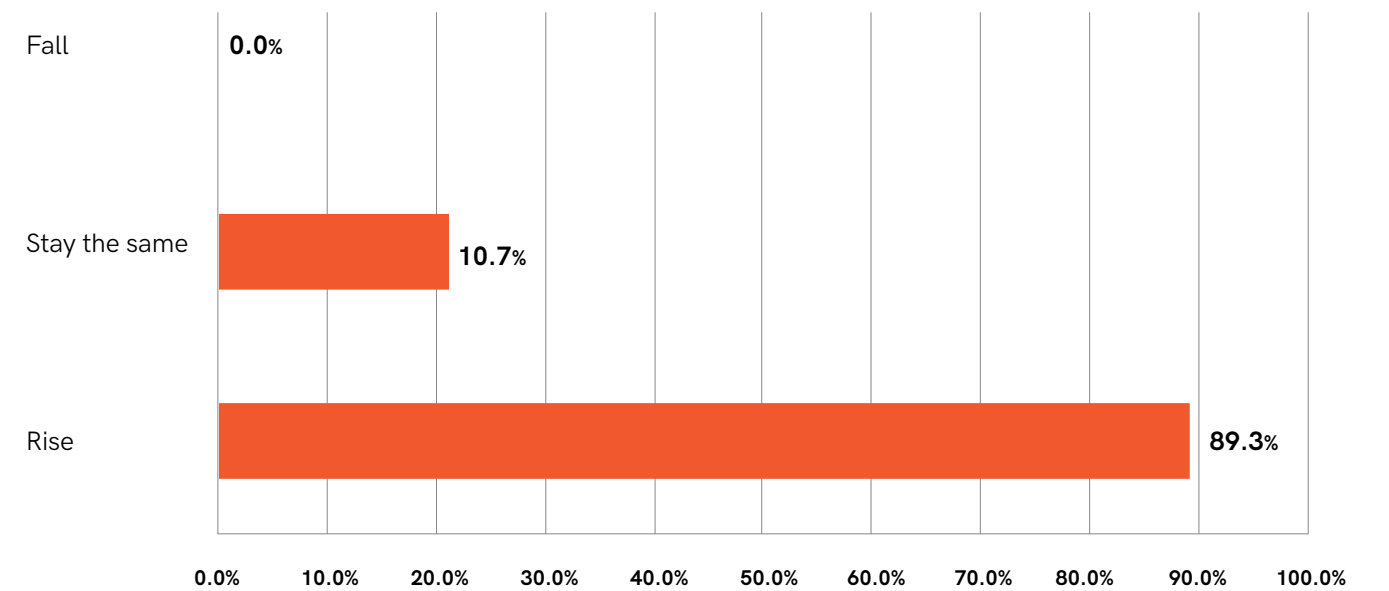
Chart 8 - Vendor Price Expectations in 2018, Connaught - Ulster



# PRICE EXPECTATIONS 2019

Just short of 90% of SCSi agents expect prices to rise in 2019, none of whom are expecting prices to fall, marking an increase on expectations last year. The maximum expected price change by any respondent is 10%, while the largest expected price fall by any respondent is 5%.

Chart 9 - Price Expectation 2019 - Percent of SCSi agents expecting



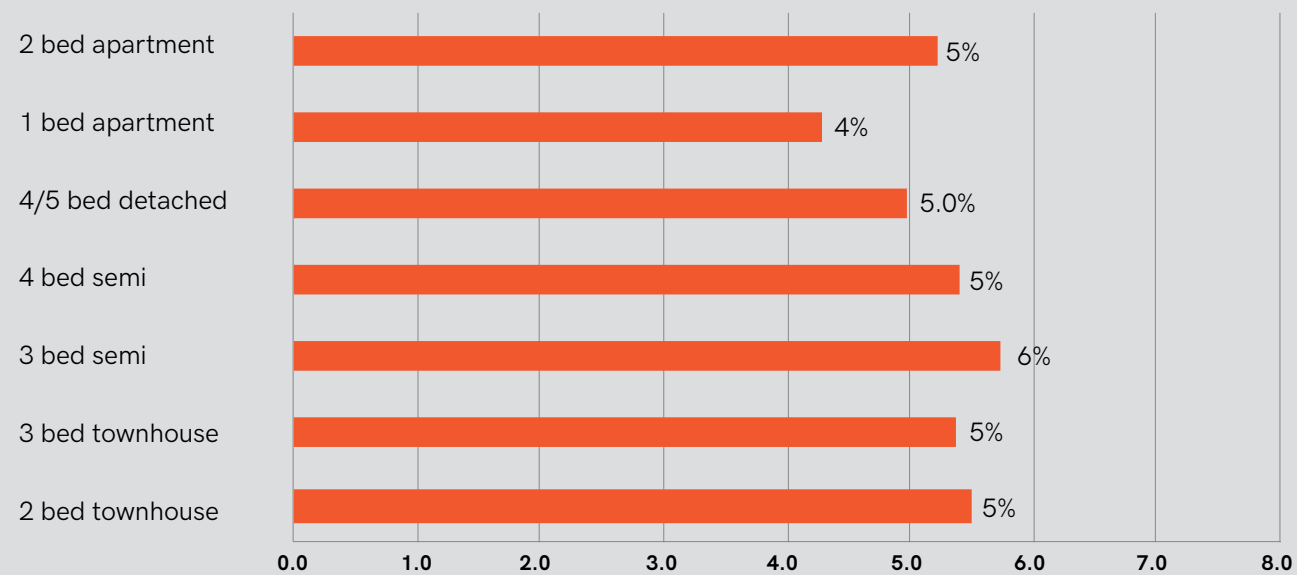


## SECOND-HAND PROPERTIES - EXPECTED PRICE CHANGE 2019

Each of the identified segments of the second hand residential market are expected to show price rises in 2019, ranging from 4% for 1-bed apartments to 6% for 3-bed semi-detached houses.

Chart 11 - Average Expected Price Change 2019: 2nd-hand units

■ Average expected price change 2019: 2<sup>nd</sup> hand units

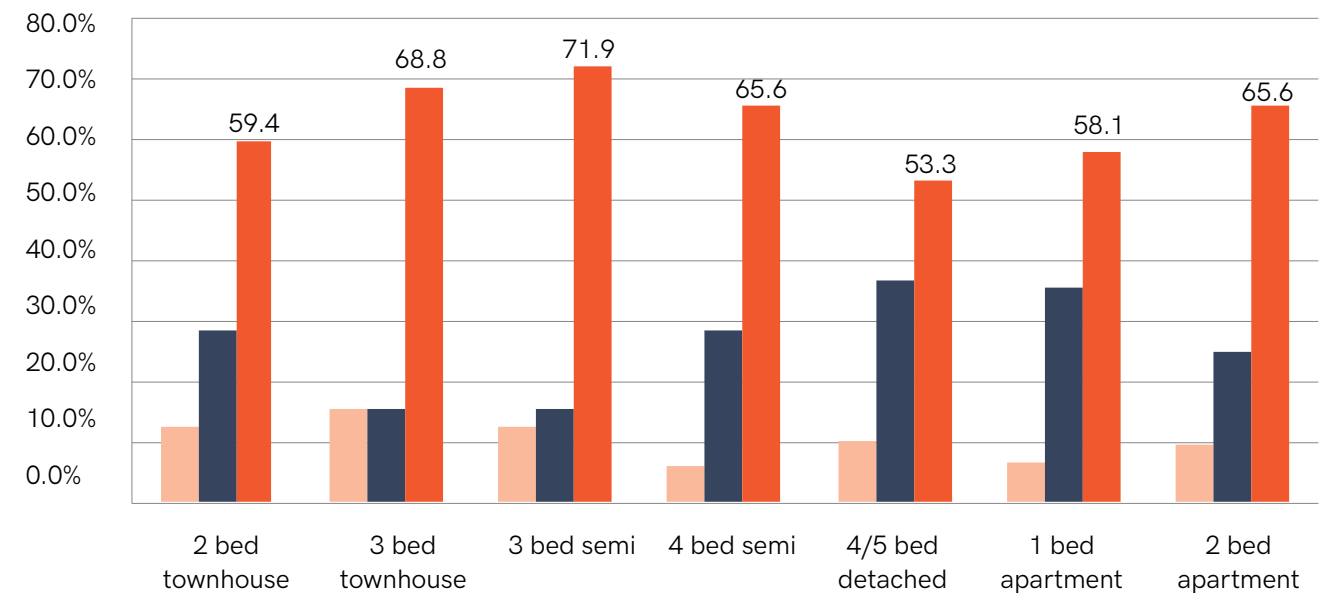


## EXPECTED RELATIONSHIP BETWEEN SUPPLY AND DEMAND: SECOND-HAND PROPERTIES

The rise in residential prices in recent years has been, in part, attributed to an imbalance of supply and demand. SCSi agents surveyed expect this to continue in all segments of the market, as shown in Chart 12.

Chart 12 - Expected relationship between supply and demand 2019: 2nd hand units. Percentage of SCSi agents expecting that supply will be:

■ Greater than demand ■ Equal to demand ■ Less than demand



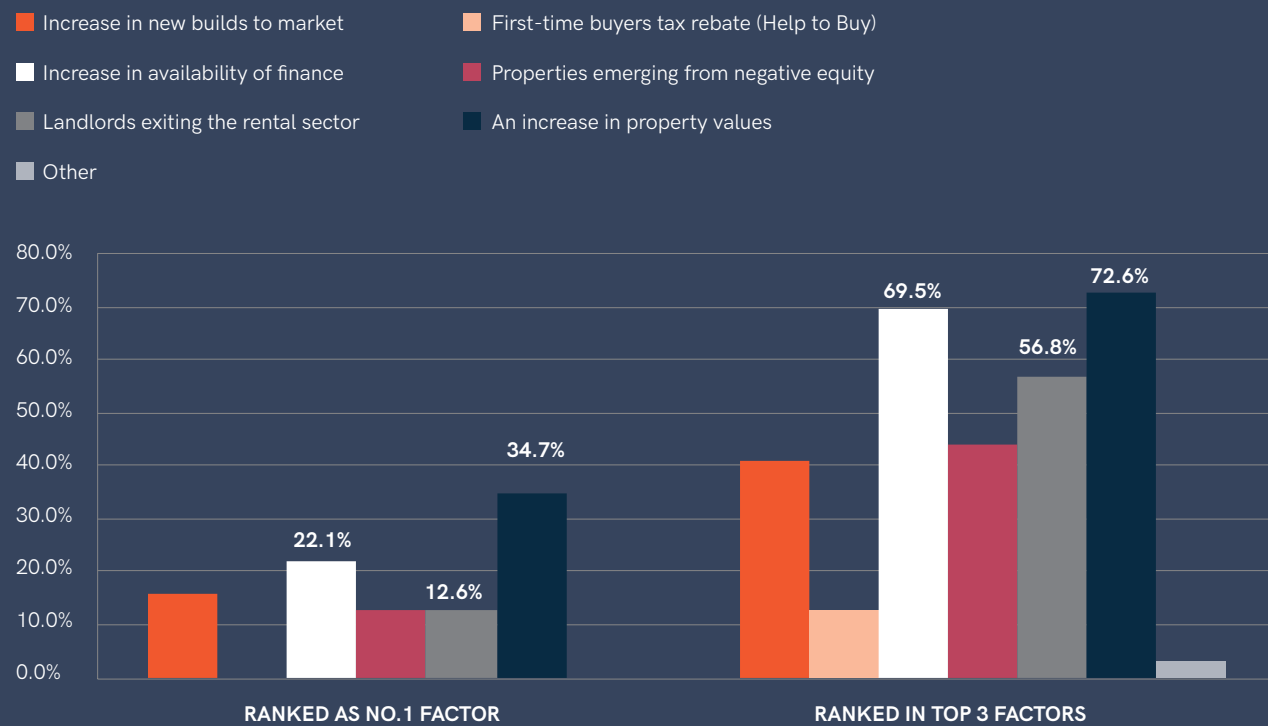


# RANKING OF FACTORS LIKELY TO INFLUENCE SUPPLY OF 2ND-HAND UNITS IN 2019

The three most important factors likely to have an impact on the supply of 2nd-hand residential units in 2019 was, according to responding SCSi agents an increase in property values which was ranked number 1 by 35% of SCSi agents, and ranked in the

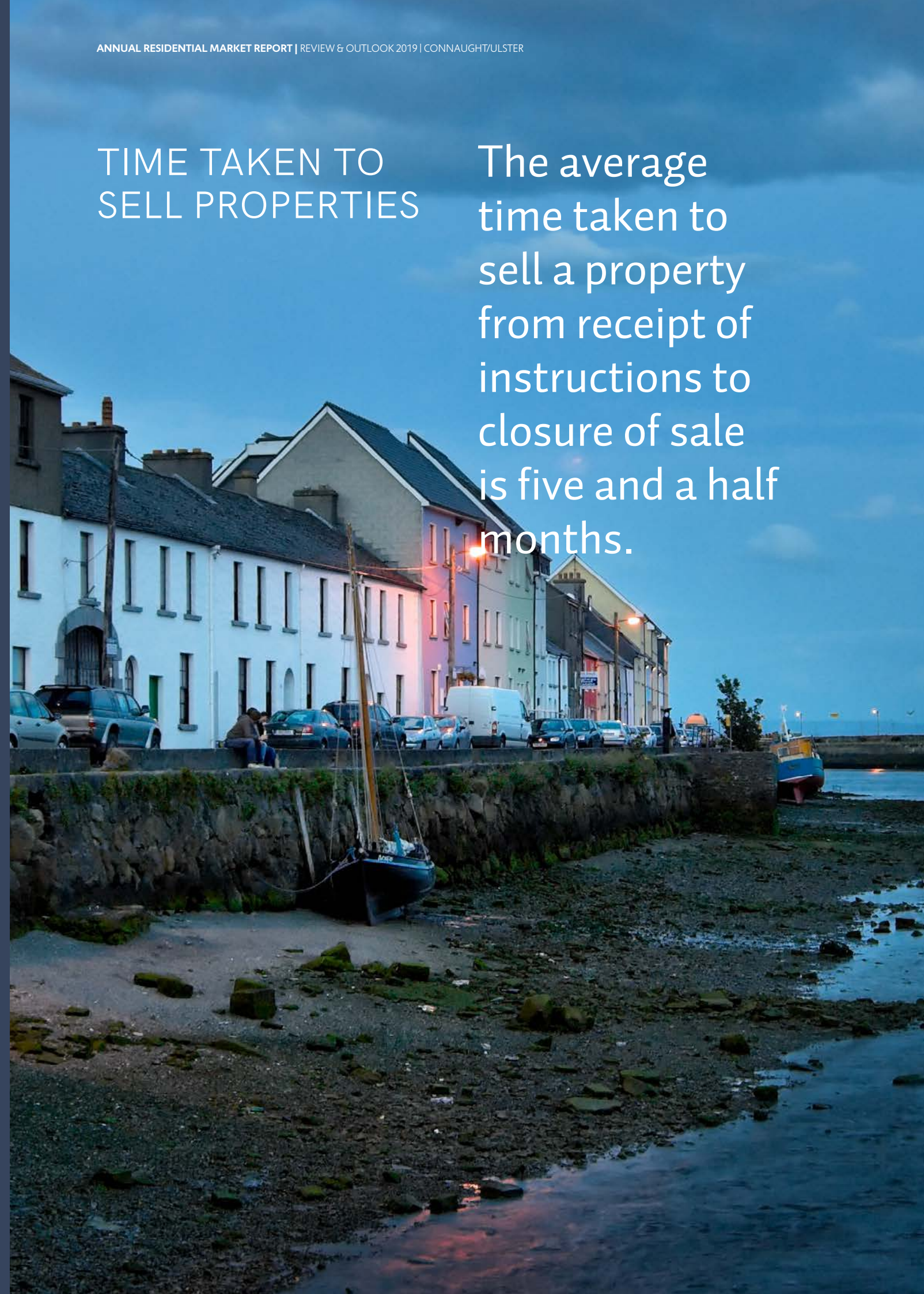
top 3 by 73% of respondents. Secondly, an increase in the availability of finance ranked in the top three by 70% of SCSi agents and finally, landlords exiting the rental sector ranked in the top 3 by 57% of respondents.

Chart 13 - Percentage of SCSi agents ranking of factors likely to influence supply of 2nd-hand units in 2019



# TIME TAKEN TO SELL PROPERTIES

The average time taken to sell a property from receipt of instructions to closure of sale is five and a half months.



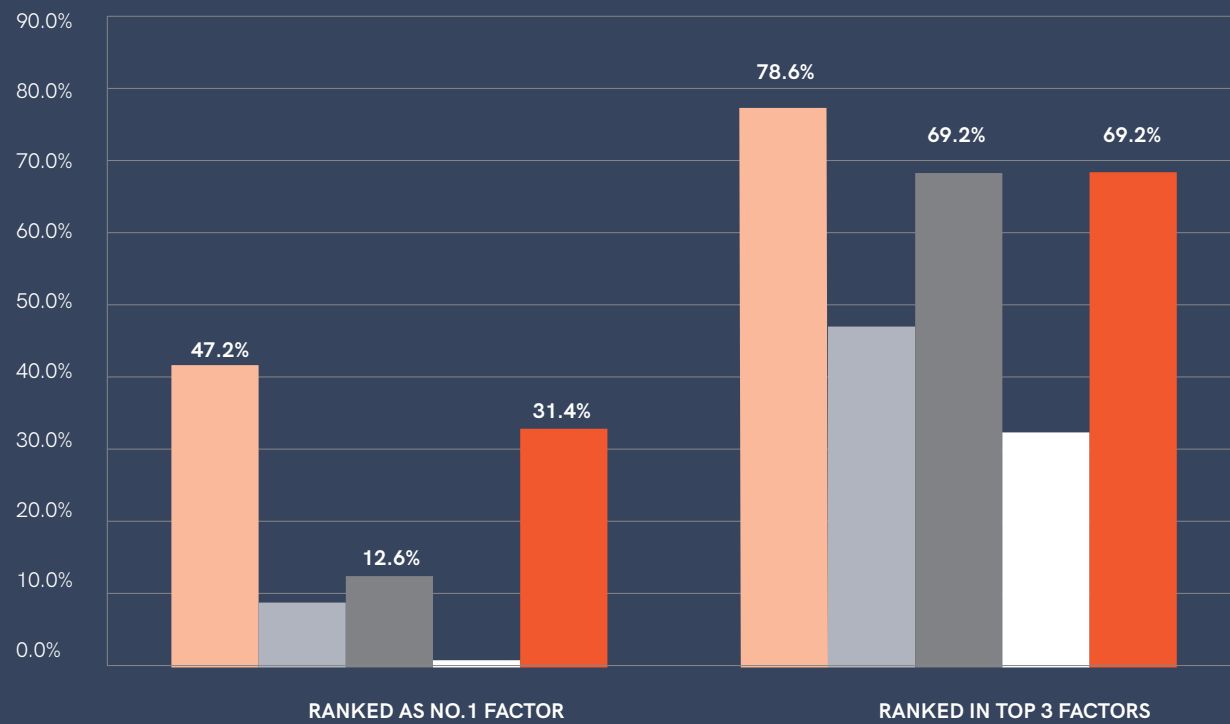


# REASONS WHY PROPERTIES MAY NOT SELL

The single most important reason for failure of properties to sell is Concern following building survey, ranked first by 47% of SCSi agents and in the top 3 for 79%. Vendor's price expectations are not met, was ranked first by 31% of respondents and in the top 3 by 69% of respondents. Mortgage issues was also ranked in the top 3 by 69% of respondents, but only topped ranked by 13%.

Chart 14 - Reasons why property may not sell

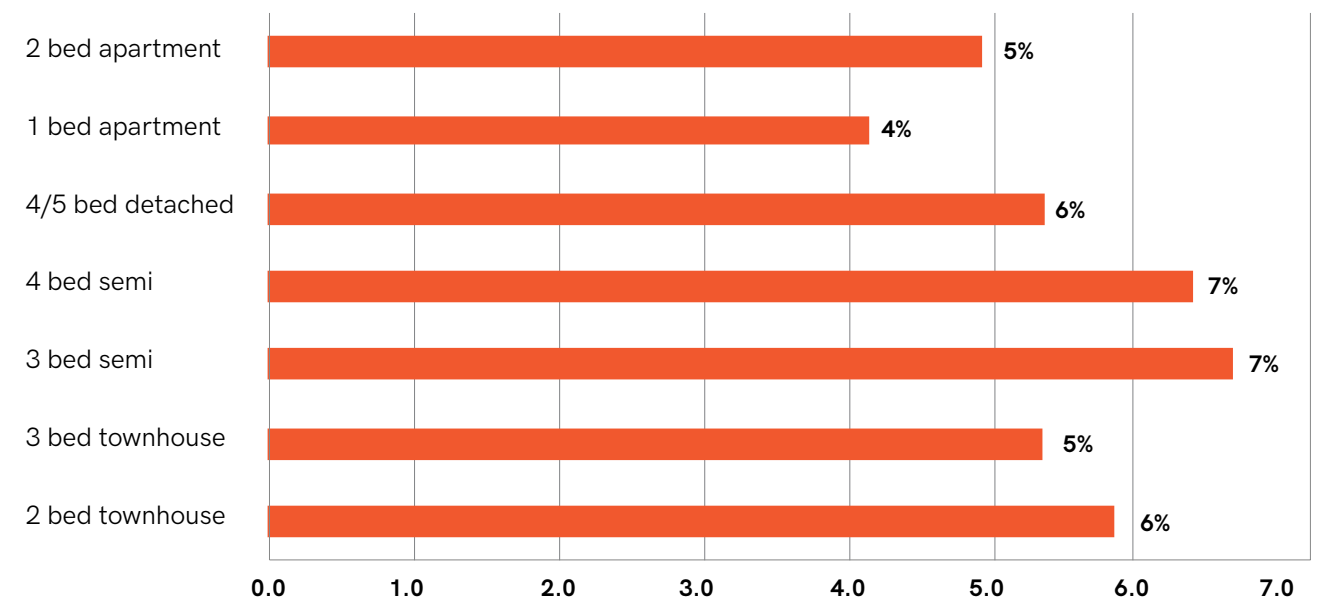
- Concern following building survey
- Purchaser finding another property
- Mortgage issues
- Vendor decides not to sell for reasons other than price
- Vendor's price expectations are not met



# NEW PROPERTIES - EXPECTED PRICE CHANGE 2019

Each of the identified segments of the new residential market are expected to show price rises in 2019, ranging from 4.1% for 1-bed apartments to 6.6% for 3-bed semi-detached houses.

Chart 15 - Average Expected Price Change 2019 - New units

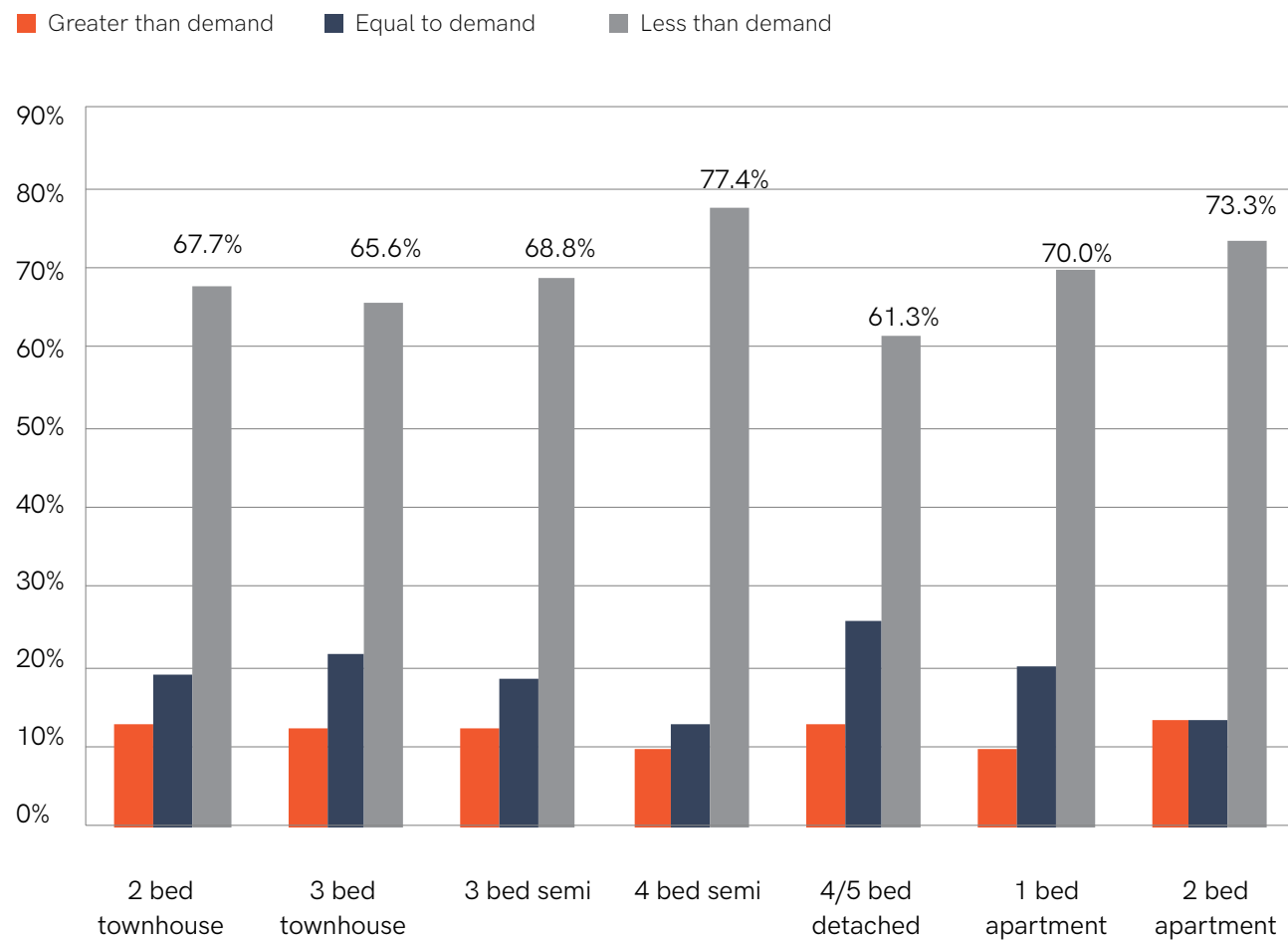




# NEW PROPERTIES: EXPECTED RELATIONSHIP BETWEEN SUPPLY AND DEMAND

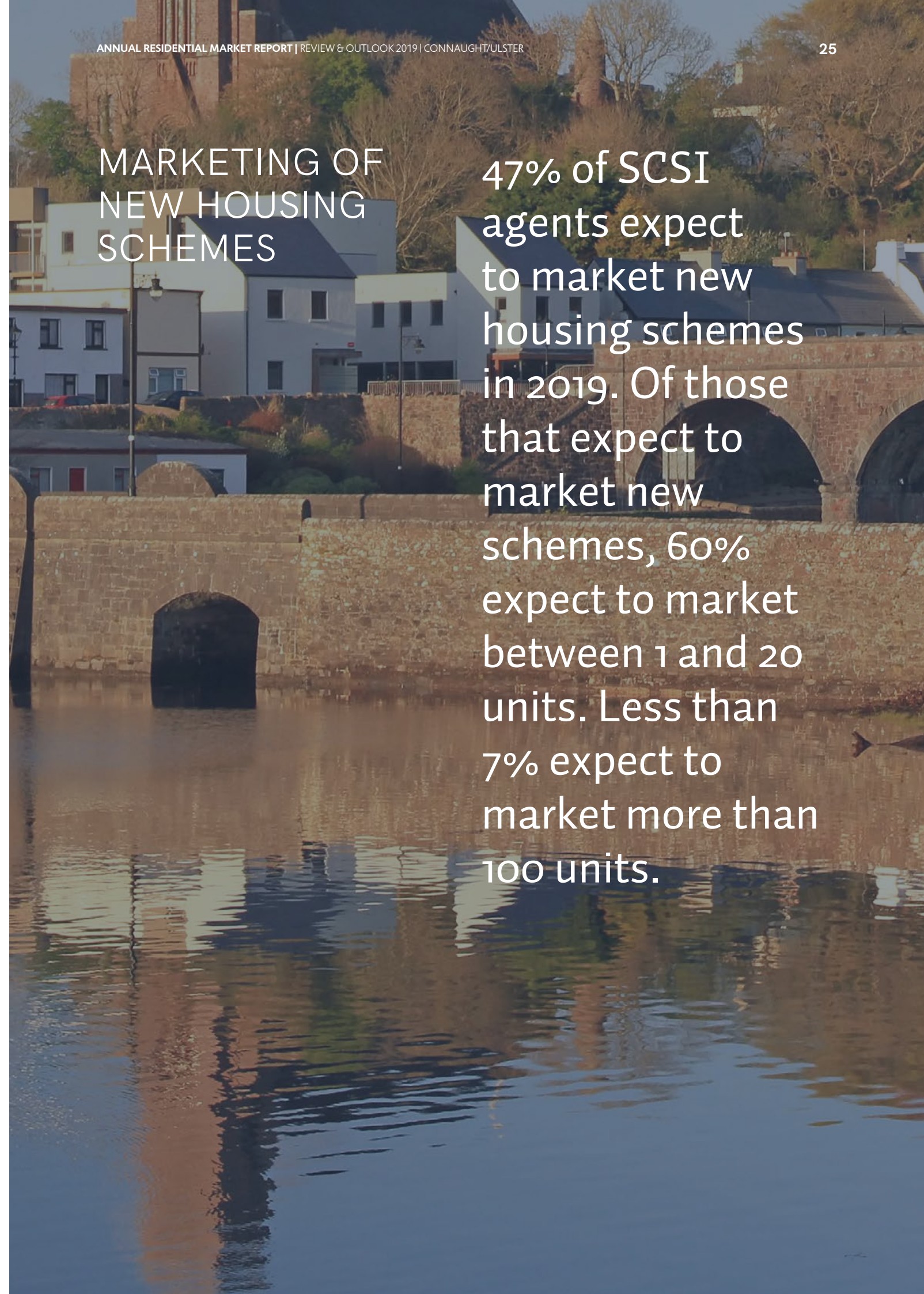
In all segments of the market, SCSi agents expect demand to exceed supply. The percentage of SCSi agents expecting demand to be greater than supply ranges from 61% for 4/5-bed detached houses to over 77% for 4-bed semi-detached houses.

**Chart 16 - Expected relationship between supply and demand 2019: New units.**  
Percentage of SCSi agents expecting that supply will be:



# MARKETING OF NEW HOUSING SCHEMES

47% of SCSi agents expect to market new housing schemes in 2019. Of those that expect to market new schemes, 60% expect to market between 1 and 20 units. Less than 7% expect to market more than 100 units.

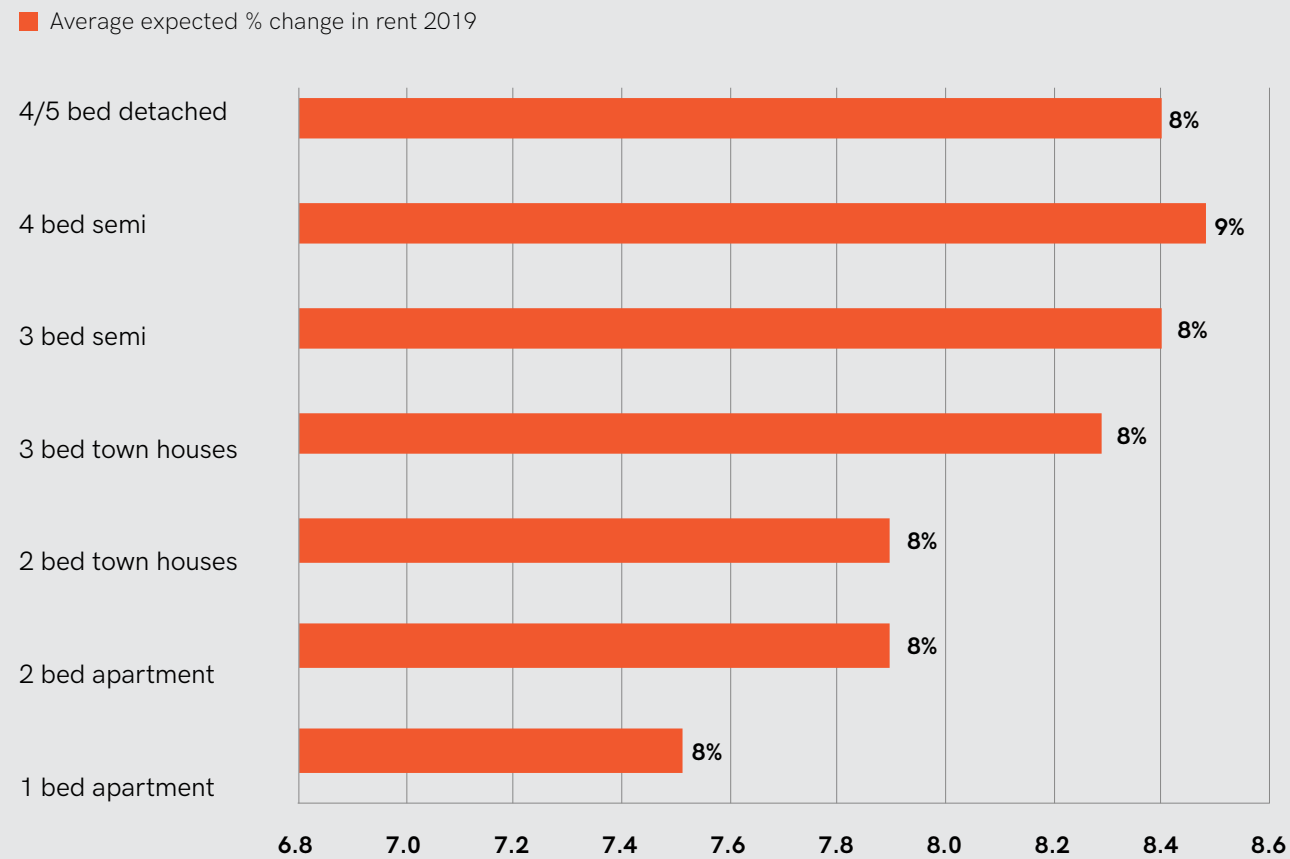






# RESIDENTIAL RENTS

Chart 17 - Average Expected % Change in Rent 2019

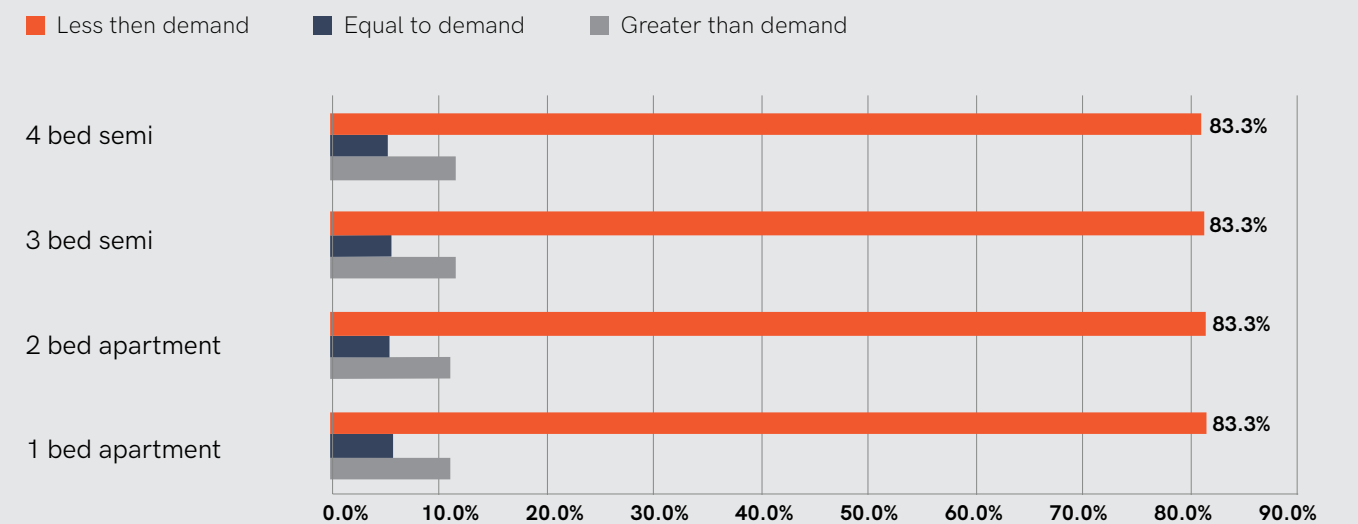


# EXPECTED RELATIONSHIP BETWEEN SUPPLY OF AND DEMAND FOR RENTAL PROPERTIES IN 2019

In each of the four identified sectors, over 80% of respondents expect demand to exceed supply.

Chart 18 - Expected relationship between supply and demand 2019: Rental Properties.

Percentage of respondents expecting that supply will be:



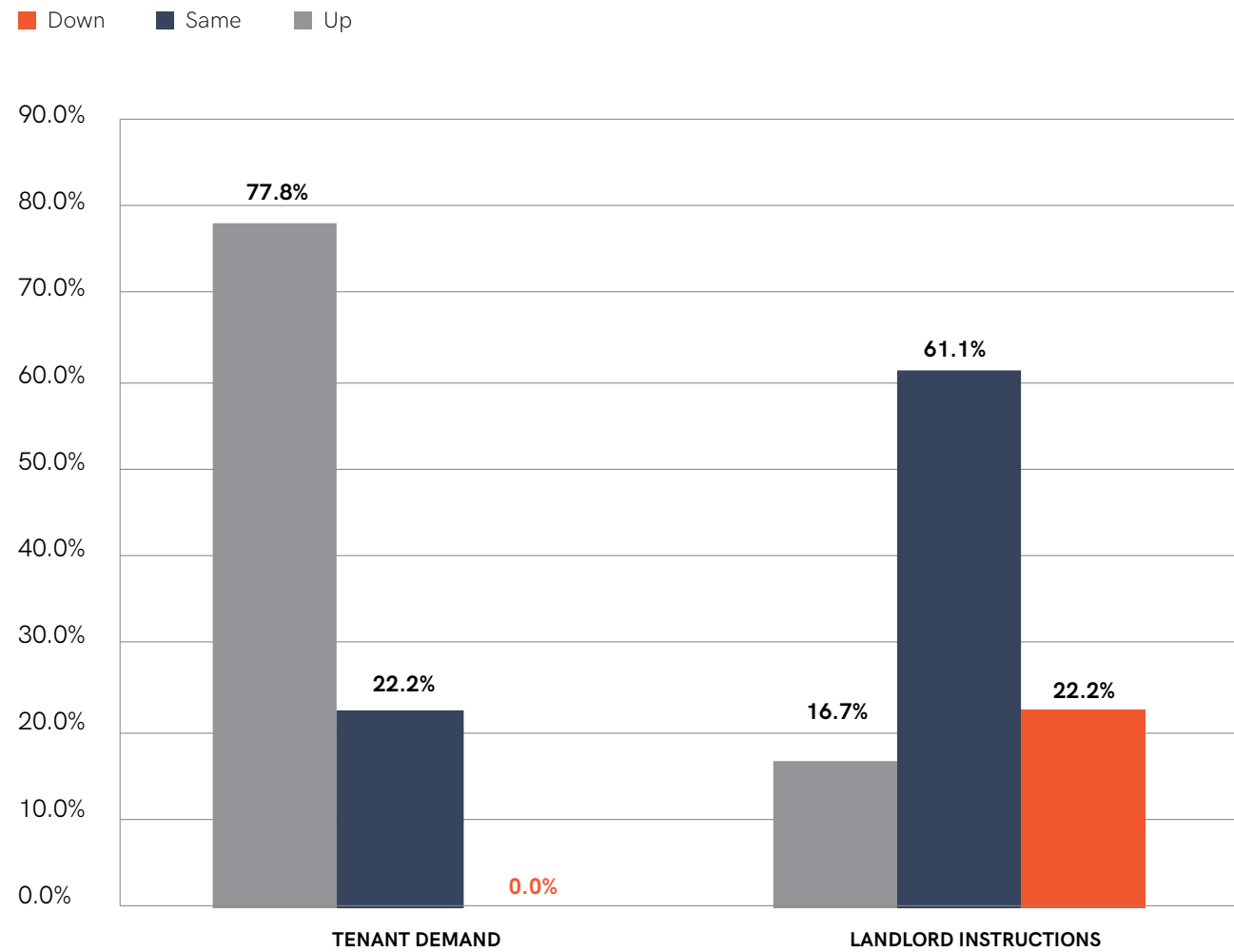


# ACTIVITY INDICATORS IN THE RENTAL SECTOR

Over three-quarters of SCSi agents report an increase in tenant demand in 2018. This reflects the supply and the affordability problems that many people face in relation to house purchase, partly based on the Central Bank lending constraints.

Over 20% of SCSi agents report a decrease in landlord instructions. While this is lower than in other regions, it may reflect the reported trend of landlords exiting the rental market.

Chart 19 - Activity Indicators: Change over past 12 months  
Percentage of respondents reporting that activity will be:







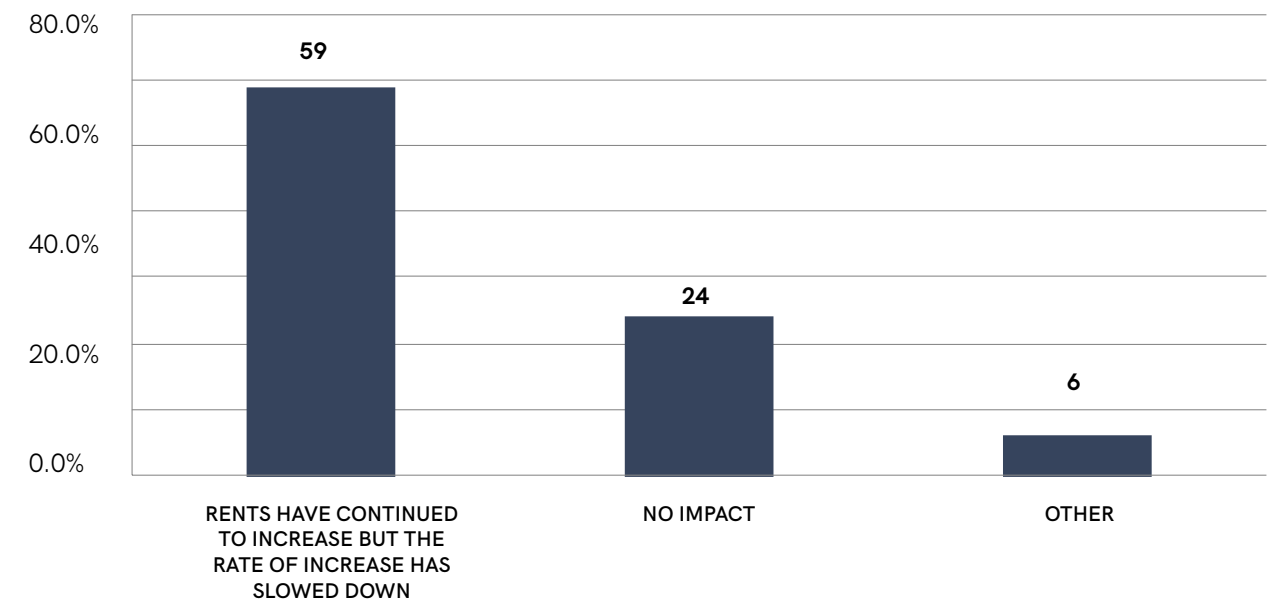
Impact of  
Government  
Intervention  
in the market



# IMPACT OF GOVERNMENT INTERVENTION IN THE MARKET

The Government introduced Rent Pressure Zones (RPZs) and maximum percentage increases in rent in December 2016. The dominant view (59% of SCSI agents) was that while rents have continued to rise, the impact of the Government intervention has slowed the rate of inflation.

Chart 20 - Impact of Government intervention in the market:  
Percentage of respondents indicating:







Key issues  
impacting the  
Market



# KEY ISSUES IMPACTING THE MARKET

SCSI agents were asked to specify factors that impacted on their business in 2018, either positively or negatively. There were a limited number of responses to this question. Of those that answered, the dominant issue was Brexit.







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