

Annual Residential Market Report

Review & Outlook 2019



Rest of

LEINSTER

Key Highlights

SALES



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

Rest of Leinster house prices to increase by 4% in 2019 compared to an 8% average 12 months ago.

80% of agents reported an increase in Vendor price expectations, down from 96% in 12 months.

The ageing of the population will change the profile of buyers and trading-down is likely to become a greater part of the market.

In addition, the falling numbers in the key house buying age category (25 - 34), could reduce the number of potential buyers in the market.

40% of agents reported an increase in market activity, down considerably from the 82% reported 12 months previous.

RENTS



National average rents are expected to increase by 5%

Rest of Leinster average rents expected to increase by 6%

An increase in new builds to market was ranked number 1 by 33% of respondents and ranked in the top 3 by 68% of respondents as a key factor impacting on the market, landlords exiting the rental sector, ranked in the top three by 59% of respondents and an increase in the availability of finance ranked in the top three by 54% of respondents.

78% of agents across Ireland reported an increase in tenant demand, which remains relatively constant with last year's 81%.



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 is expected to be 6% in the Rest of Leinster despite a raft of regulatory changes.

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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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^(ooo)
Q3 2018

Up from

1,863.2^(ooo)
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



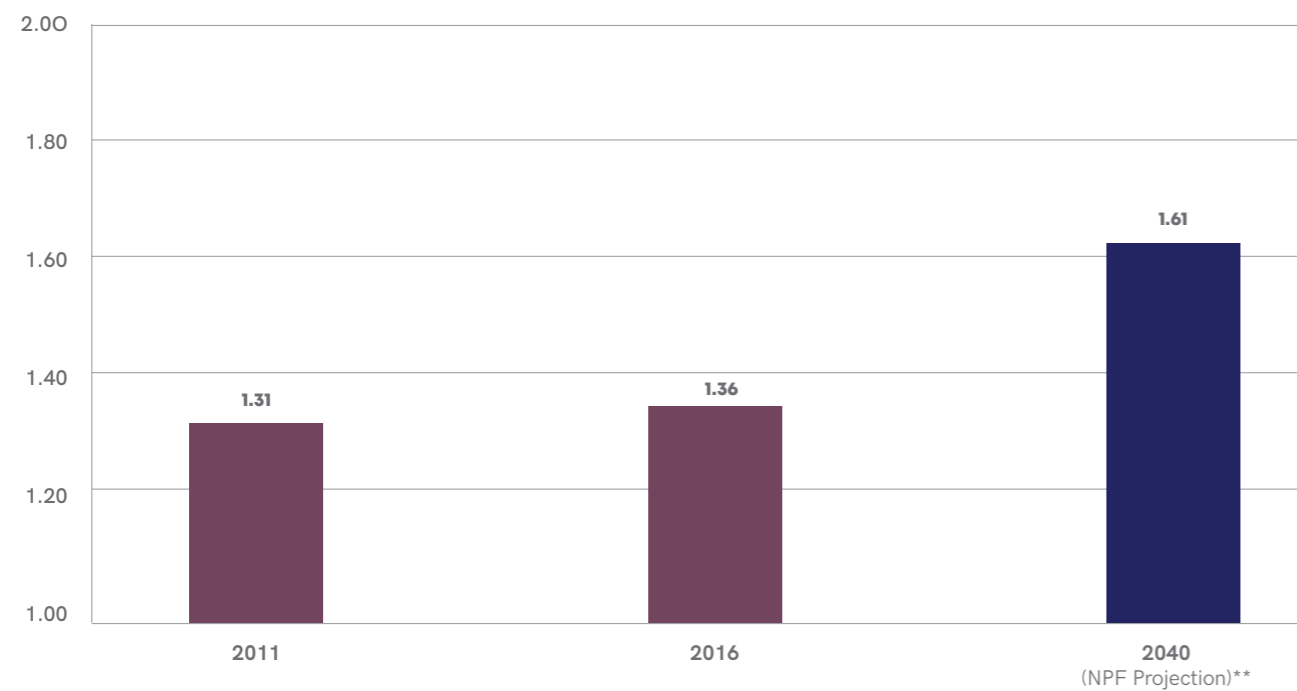
Population
Trends in Rest
of Leinster

POPULATION TRENDS IN REST OF LEINSTER

The population of the combined Mid-East, Midlands and South-East regions grew by over 50,000 between 2011 and 2016 (4%). This rate of growth was among the highest 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 246,000. This is based on an 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 Rest of Leinster



* Rest of Leinster consists of the following regions - Mid-East, Midlands and South-East.

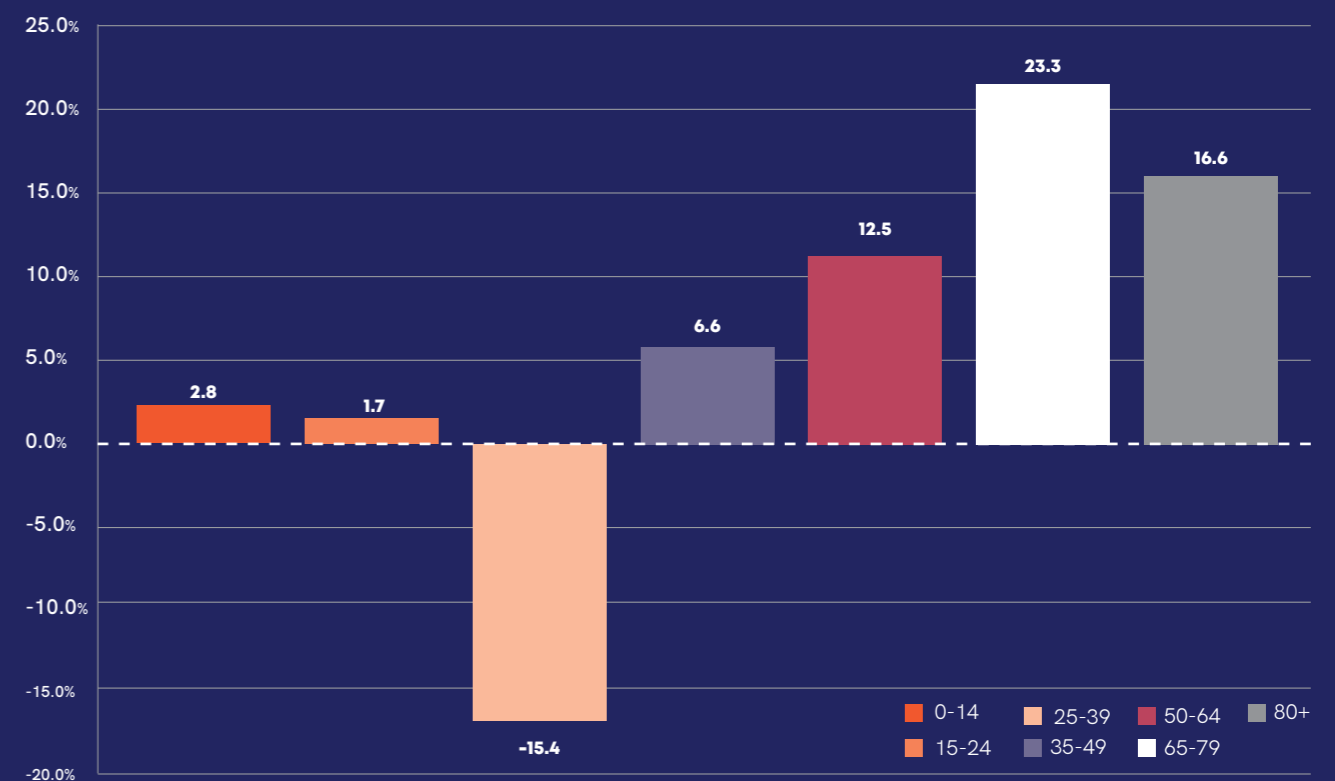
** Projection by ESRI assuming the national population growth is shared equally between the Eastern and Midlands regions and the rest of the country. Projection is based on the old Regional Authority boundaries so data is not fully compatible with Chart 1

CHANGING AGE PROFILE OF POPULATION IN 2016

Chart 2 shows the changing age profile of the three regions combined population. It is clear that the population, similar to the rest of the country is ageing. The proportion of the population in the key house buying age of 25 -34 decreased by over 15%, while the next younger age group of 15 -24 year olds, showed only marginal growth.

A noteworthy feature of the population change 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- Rest of Leinster Population: Percentage change by Age Group 2011-16



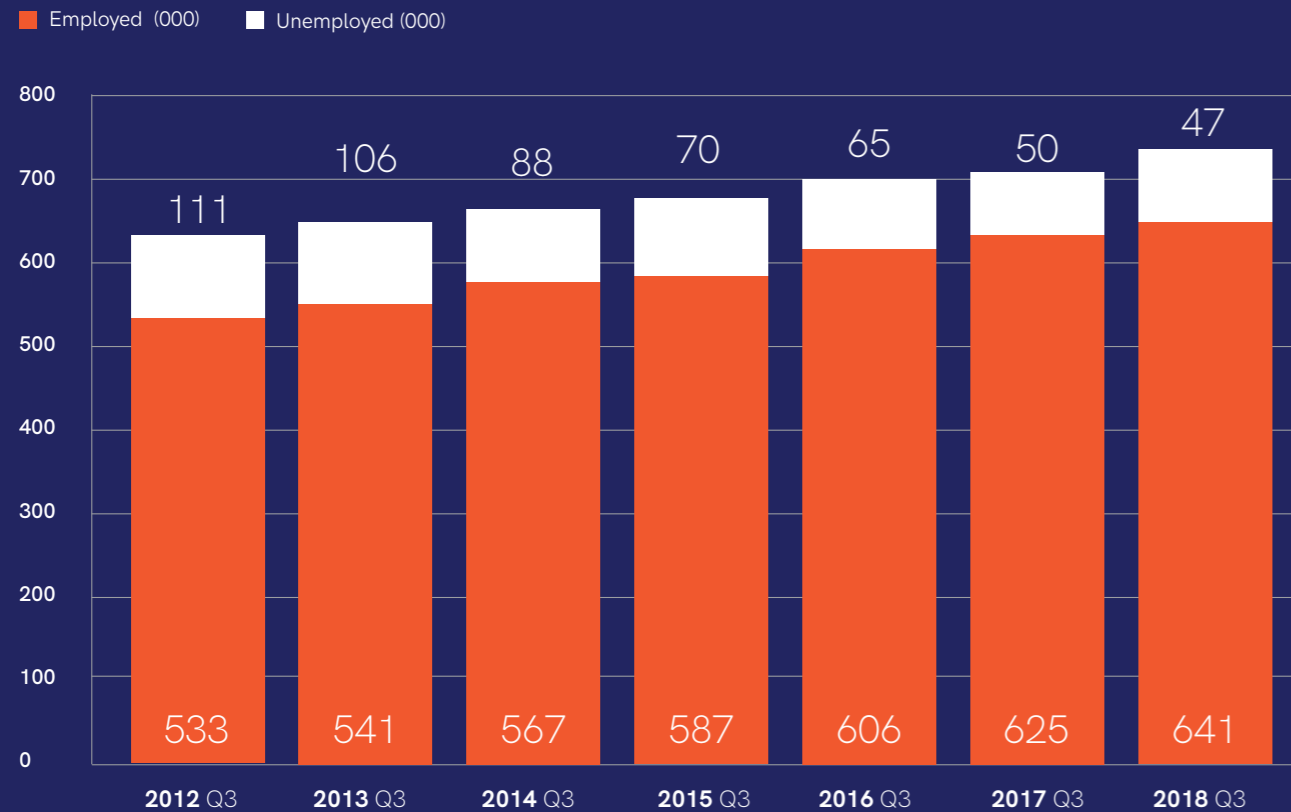
Source: CSO * Mid-East, Midlands and South-East regions

EMPLOYMENT AND UNEMPLOYMENT LEVEL AND TREND

Unemployment in the Rest of Leinster fell by approximately 7,000 in the last year, a fall from 7.4% to 6.9% of the labour force. Employment increased by 15,000 over the same period. Unemployment has fallen by 64,000 in the past 6 years while employment has grown by over 100,000 in that time.

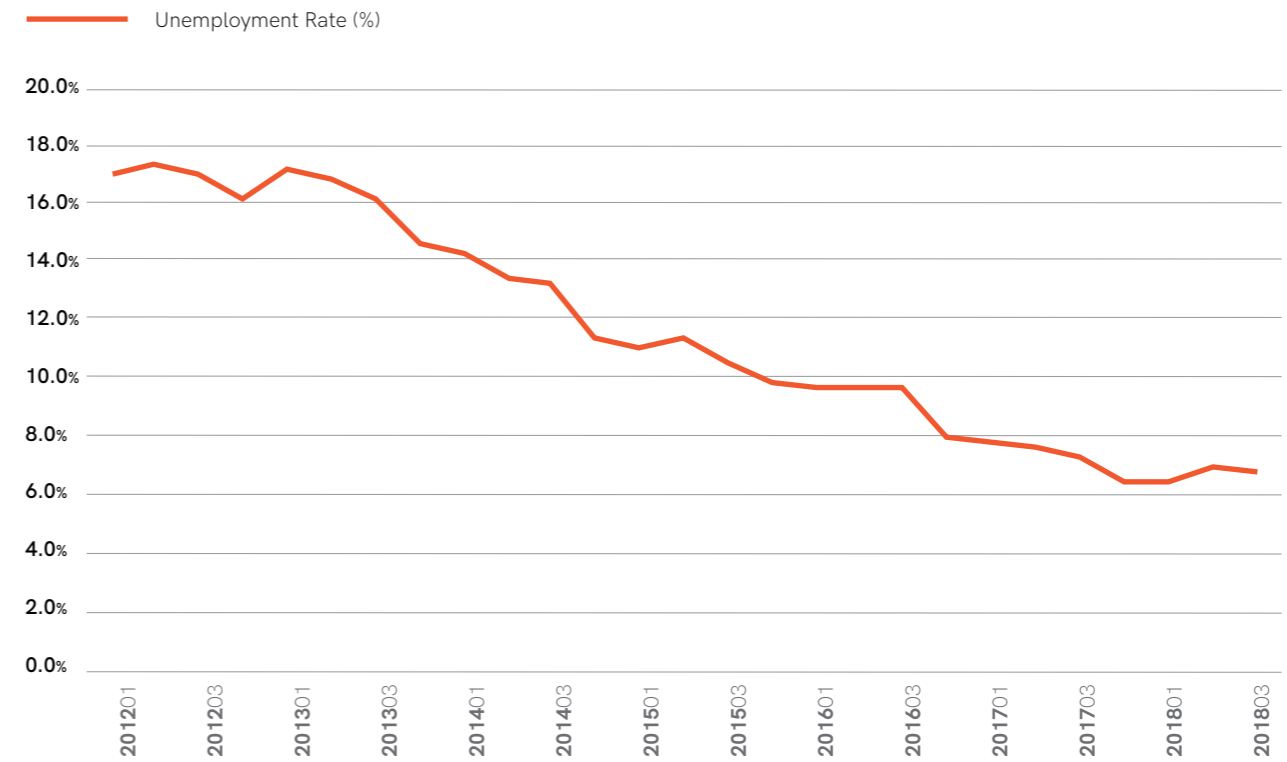
“
The unemployment rate has fallen from 17.2% in Q3 2012 to 6.9% in Q3 2018.

Chart 3 Employment & Unemployment – Rest of Leinster Q3 2012 - Q3 2018



Source: CSO

Chart 4 - Unemployment rate – Rest of Leinster Q1 2012 - Q3 2018



Source: CSO



RENTAL LEVEL AND TREND

Almost all of the locations shown have experienced average rental growth in the 5 year period in excess of 20%, with the highest of those shown being Navan, Co. Meath at 44%

Chart 5 - Rest of Leinster Average Rent (€) for 3-bed semi-detached house 2012 and 2017: Selected locations

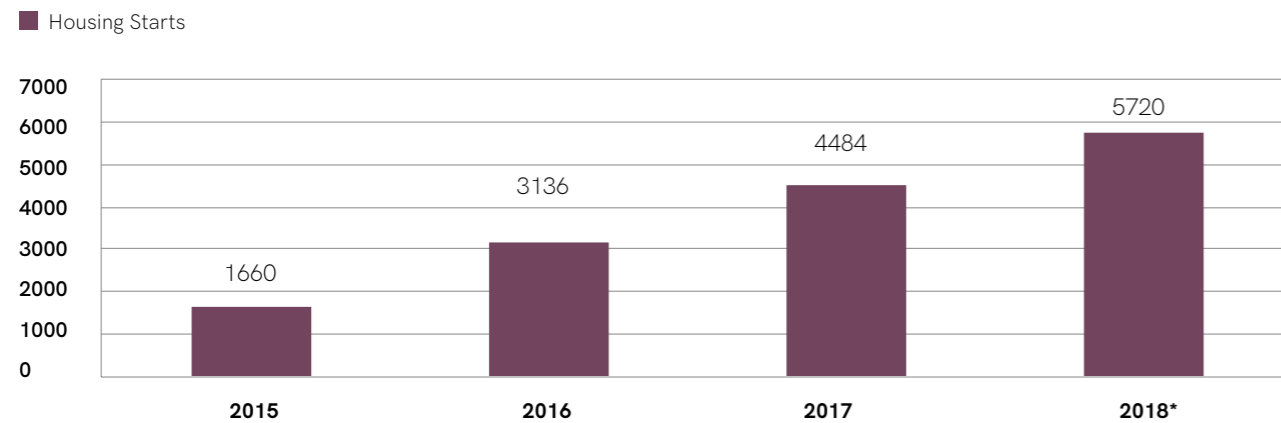


Source: RTB/CSO

HOUSE STARTS - LEVEL AND TREND

The level of housing starts has grown by almost 250% in the past three years, although this was from a low base in 2015

Chart 6 House Starts Rest of Leinster



Source: Department of Housing, Planning and Local Government





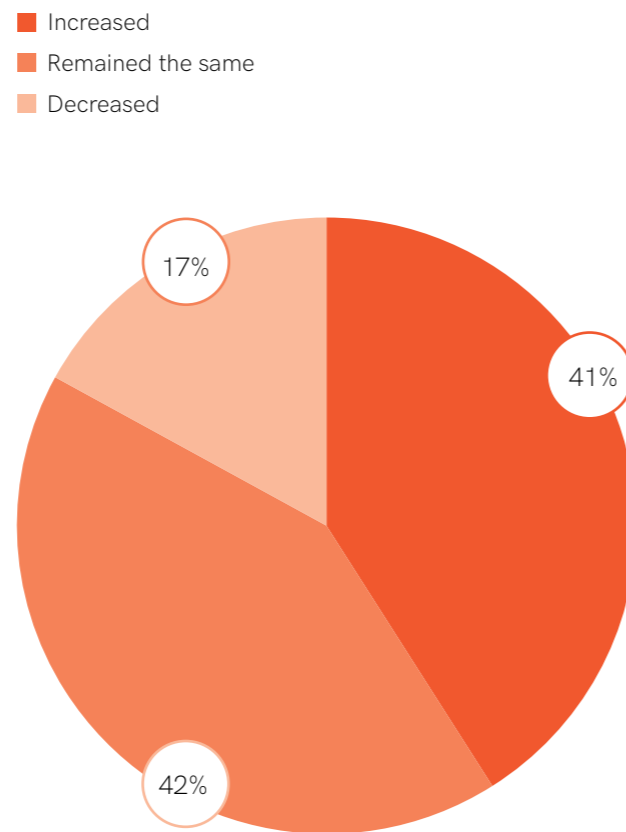
Our Market Survey Results

OUR MARKET SURVEY RESULTS

MARKET ACTIVITY

An equal proportion (40%+) of respondents report that activity increased and remained static in 2018. It is noteworthy that the combined percentage of respondents reporting static or fallen activity levels (almost 60%) is significantly higher than this reporting an increase in activity levels. This may suggest some slowing in the market.

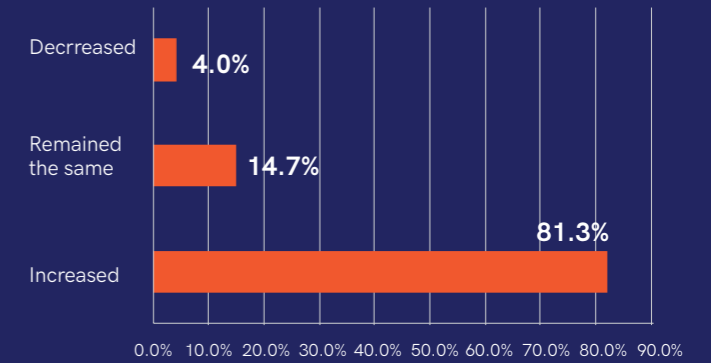
Chart 7 Level of activity in 2018 reported by SCSi agents, Rest of Leinster



VENDOR PRICE EXPECTATIONS

Over 80% of respondents indicated that vendor price expectations had increased in 2018 with just 4% reporting that they had decreased and the remainder indicating that they had stayed the same.

Chart 8 - Vendor Price Expectations in 2018, Rest of Leinster

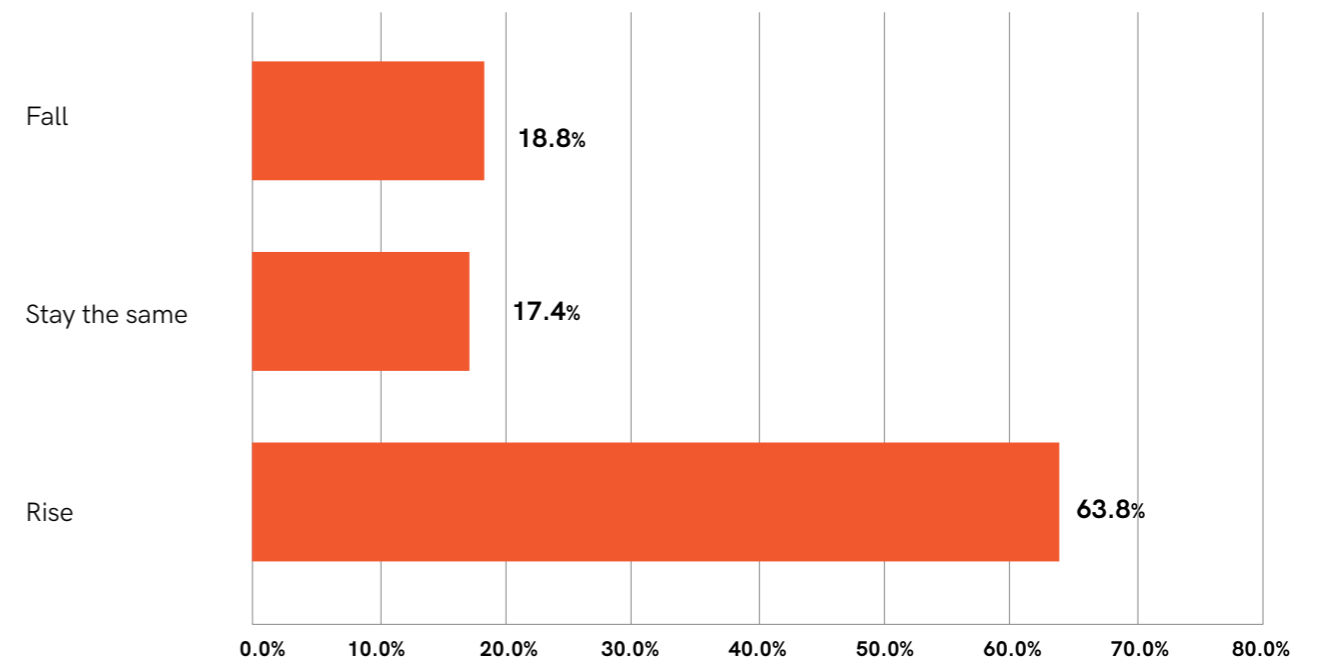


PRICE EXPECTATIONS 2019

Over 60% of respondents expect prices to rise in 2019, with close to 20% expecting prices to fall.

The maximum expected price change by any respondent is 10%, while the largest expected price fall by any respondent is also 10%.

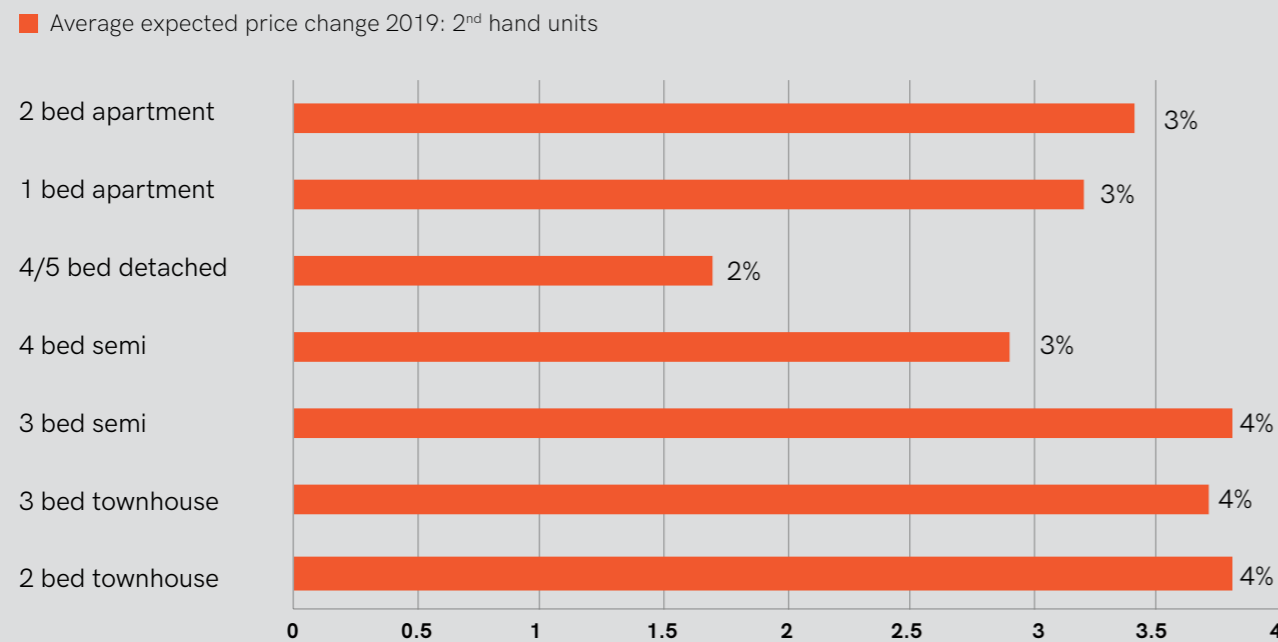
Chart 9 - Price expectations 2019 - Percent of respondents expecting prices to;



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 2% for 4/5-bed detached houses to 4% for 3-bed semi-detached houses and 2-bed townhouses

Chart 10 – Average Expected Price change 2019: 2nd-hand units

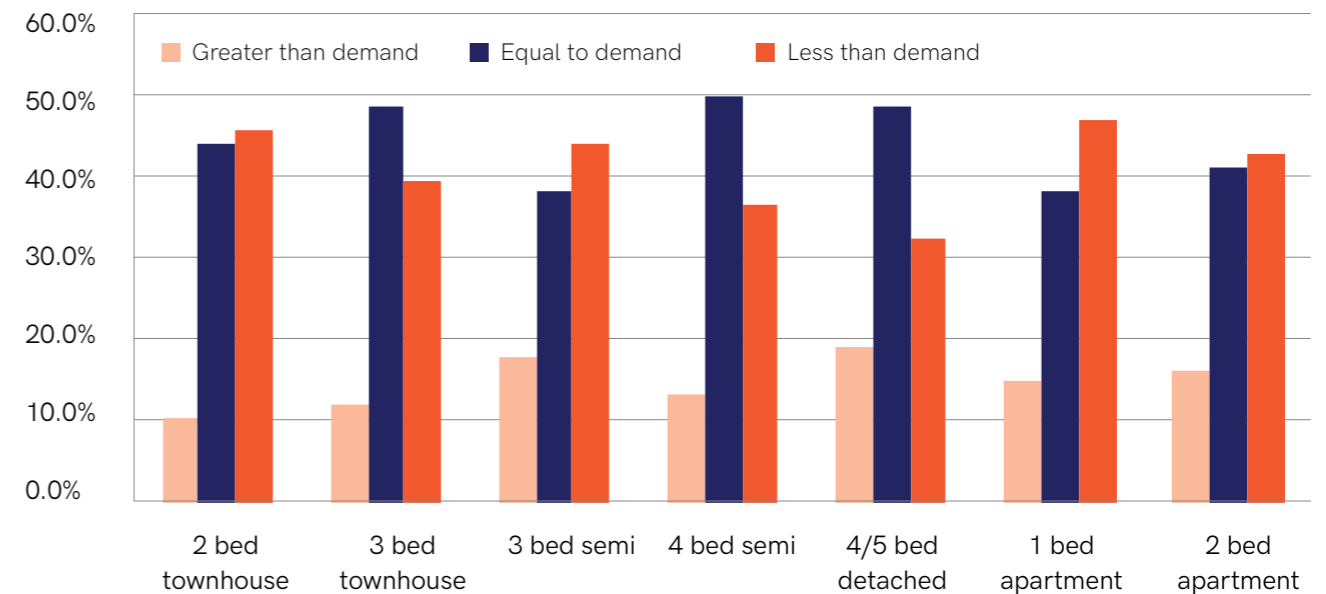


EXPECTED RELATIONSHIP BETWEEN SUPPLY AND DEMAND: SECOND-HAND PROPERTIES

The rise in residential prices in recent years has been, in part, attributed to an imbalance of supply and demand. The survey responses were mixed with more respondents expecting that demand and supply would be in equilibrium in three of the market segments shown

In the other 4 segments, the favoured expectation was that demand would exceed supply but in no market segments was this an overwhelming view.

Chart 11 – Expected relationship between supply and demand 2019: 2nd hand units. Percentage of respondents expecting that supply will be:

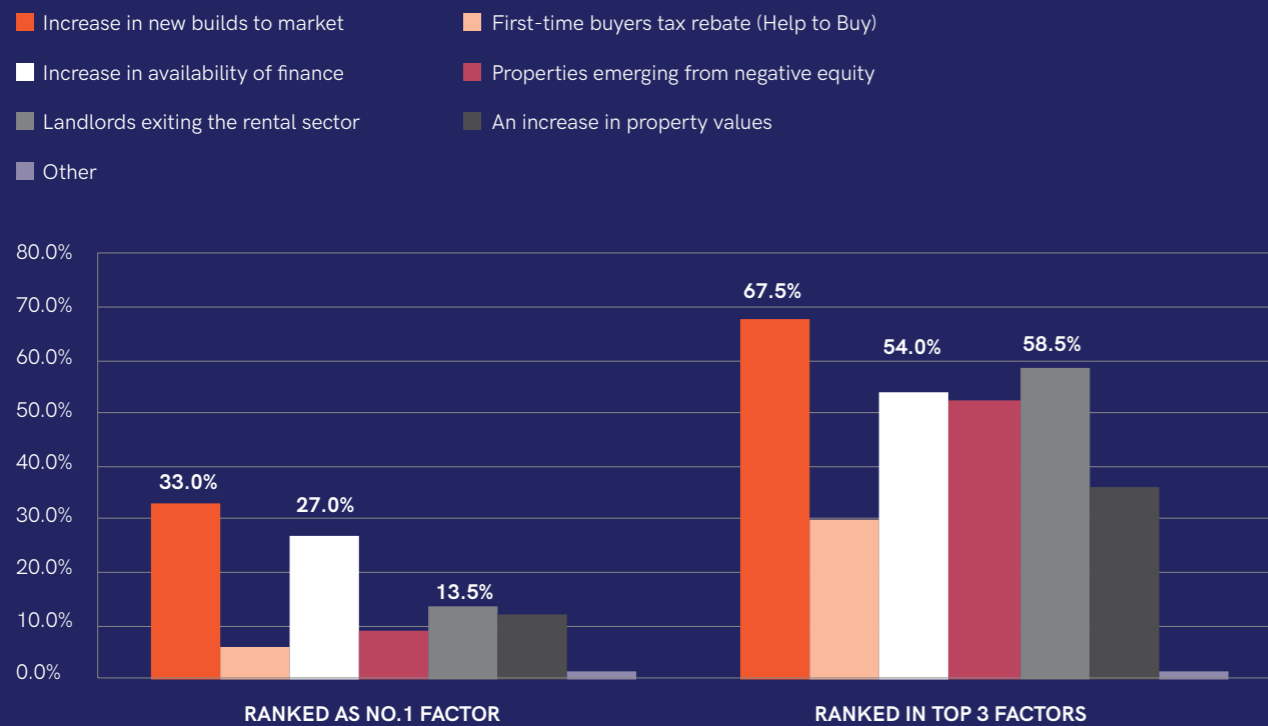


RANKING OF FACTORS LIKELY TO INFLUENCE SUPPLY OF 2ND-HAND UNITS IN 2019

The three most important factors likely to impact on the supply of 2nd-hand residential units in 2019 was, according to the survey respondents, an increase in new builds to market which was ranked number 1 by 33% of respondents and ranked in the

top 3 by 68% of respondents, landlords exiting the rental sector, ranked in the top three by 59% of respondents and an increase in the availability of finance ranked in the top three by 54% of respondents

Chart 12 - Percentage of respondents 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 a little over five months.



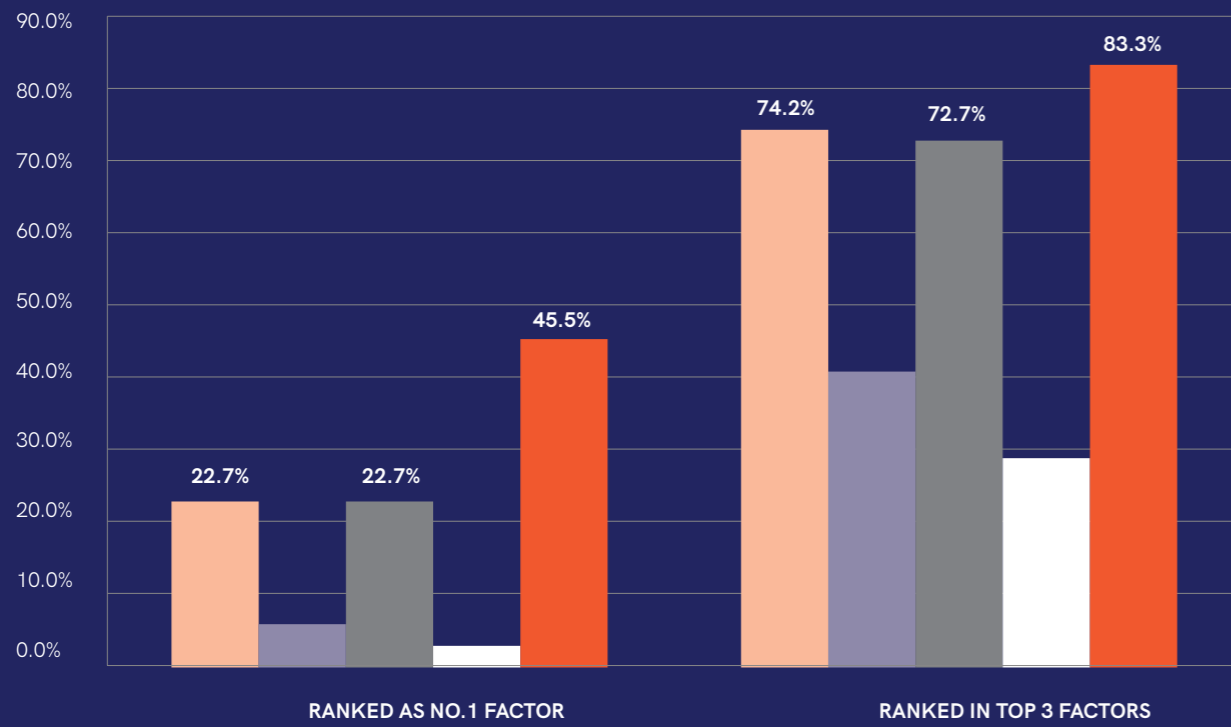
Crossfintan, Ballask, Carne Co. Wexford.
Sold in January 2019 by Menapia Properties

REASONS WHY PROPERTIES MAY NOT SELL

The single most important reason for failure of properties to sell is Vendor's price expectations are not met ranked first by 46% of respondents and in the top 3 by 83%. Concern following building survey was ranked first by 23% of respondents and in the top 3 by 74%. Mortgage issues was also ranked in the top 3 by 73% of respondents, and topped ranked by 23%.

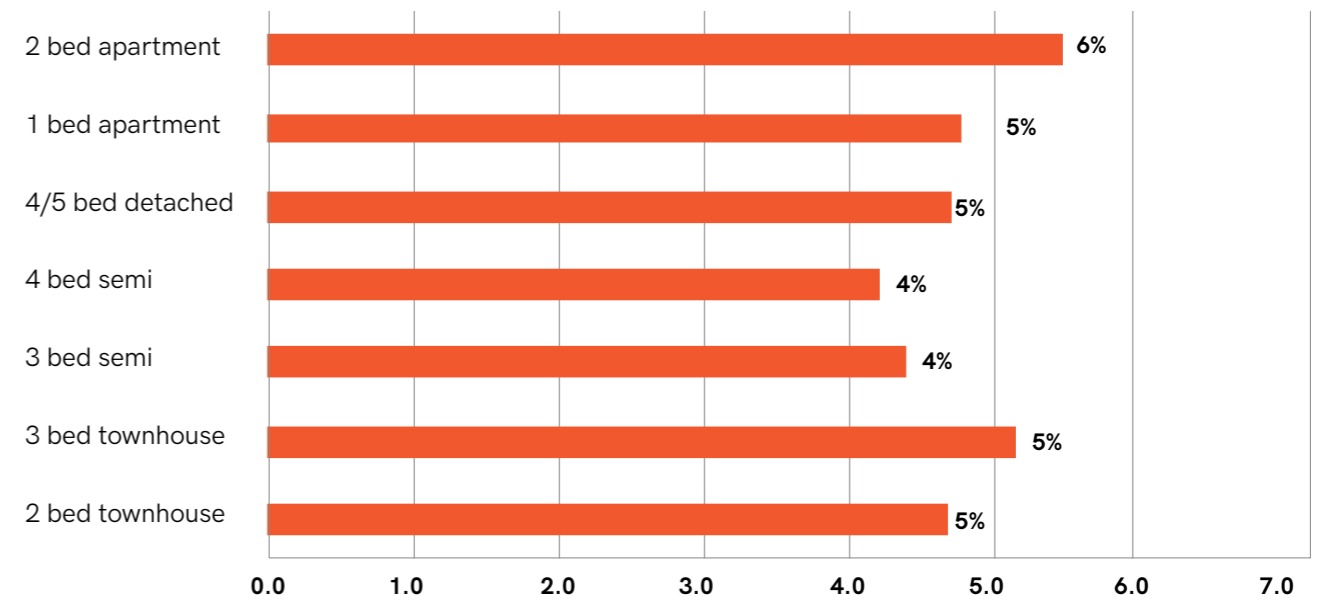
Chart 13 - Reasons why property may not sell

- 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

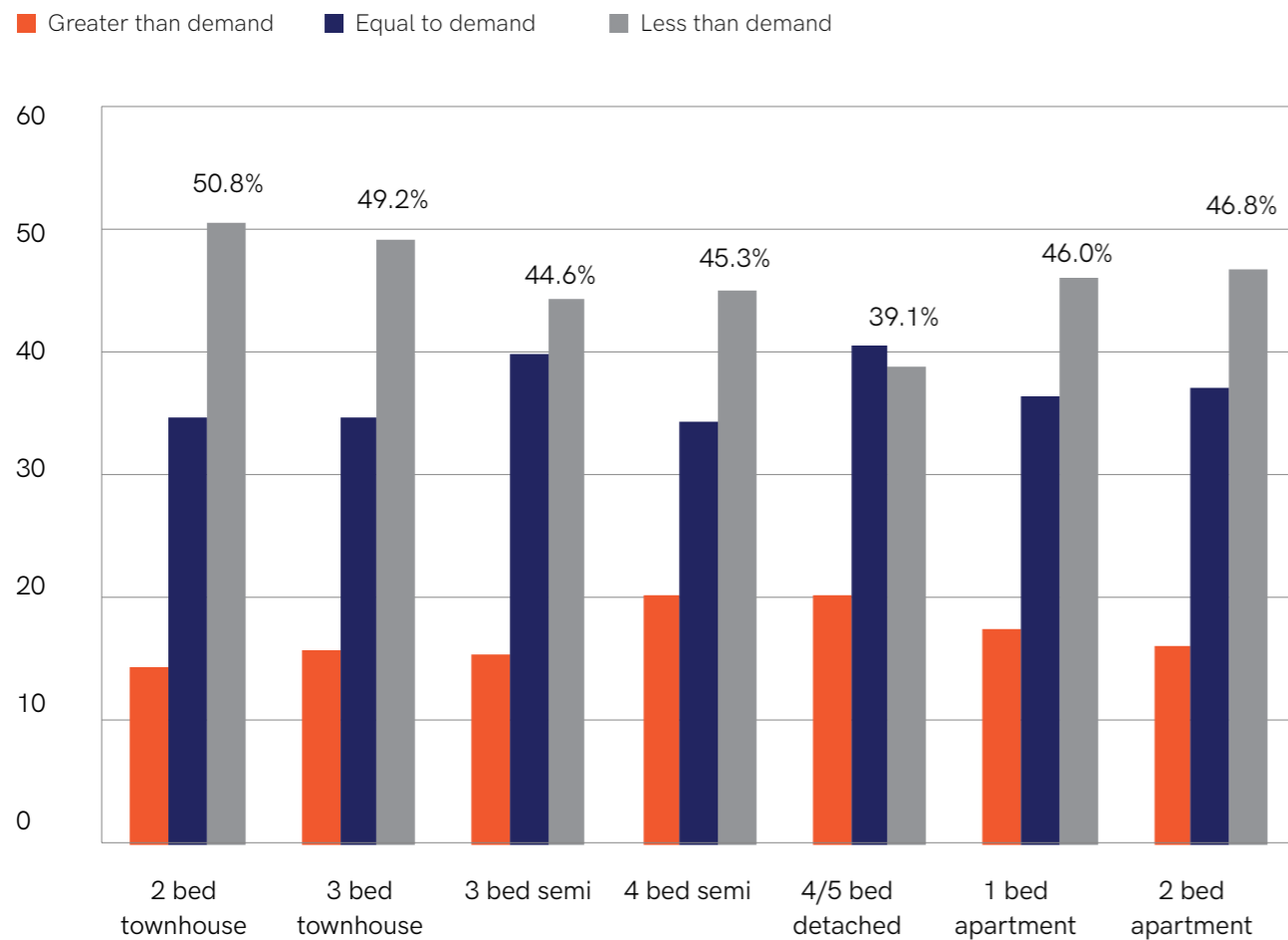
Chart 14 - Average Expected Price Change 2019 - New units



NEW PROPERTIES: EXPECTED RELATIONSHIP BETWEEN SUPPLY AND DEMAND

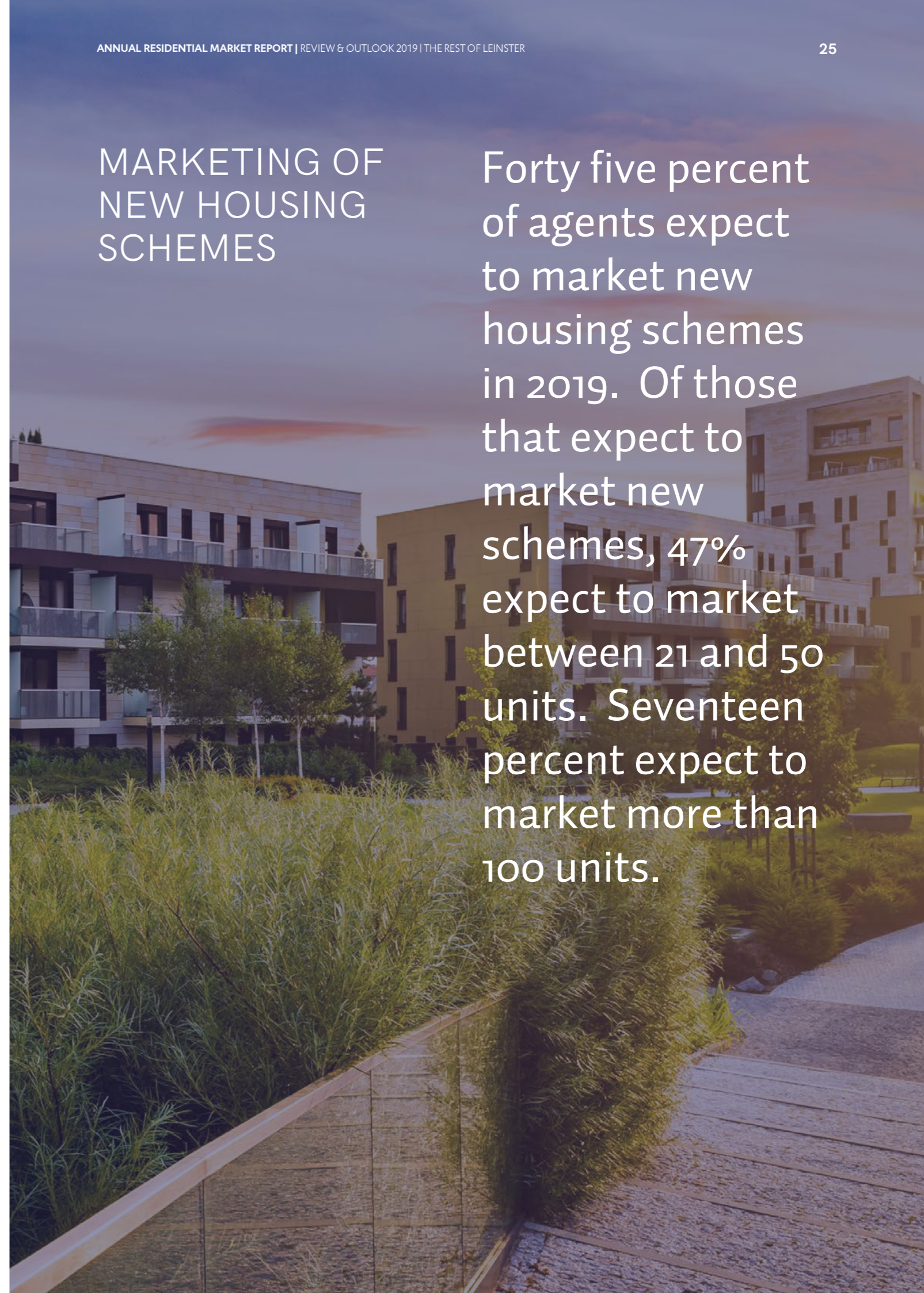
In all segments of the market, except 4/5-bed detached houses, respondents expect demand to exceed supply. The percentage of respondents expecting demand to be greater than supply ranges from 45% for 3-bed semi-detached houses to 51% for 2-bed townhouses.

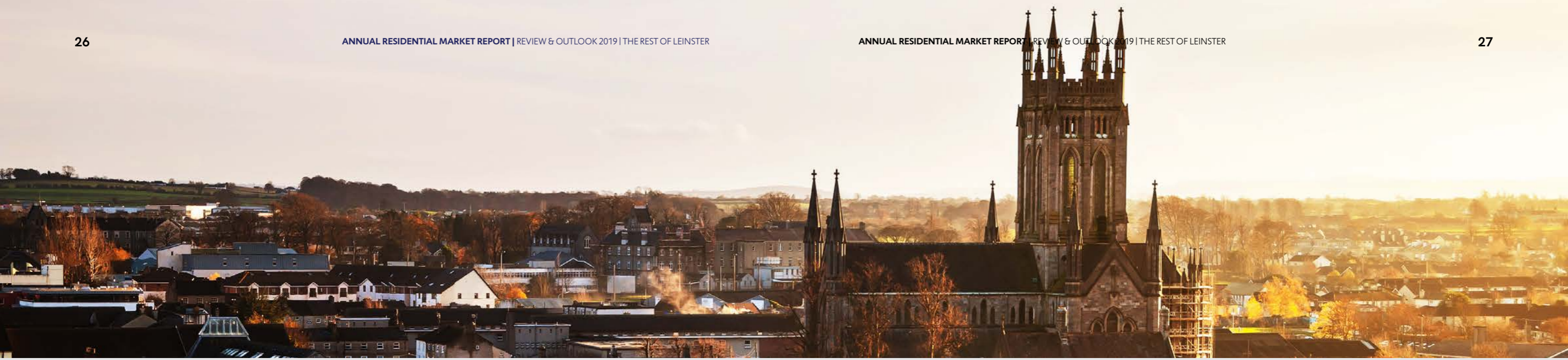
Chart 15 - Expected relationship between supply and demand 2019: New units.
Percentage of respondents expecting that supply will be:



MARKETING OF NEW HOUSING SCHEMES

Forty five percent of agents expect to market new housing schemes in 2019. Of those that expect to market new schemes, 47% expect to market between 21 and 50 units. Seventeen percent expect to market more than 100 units.

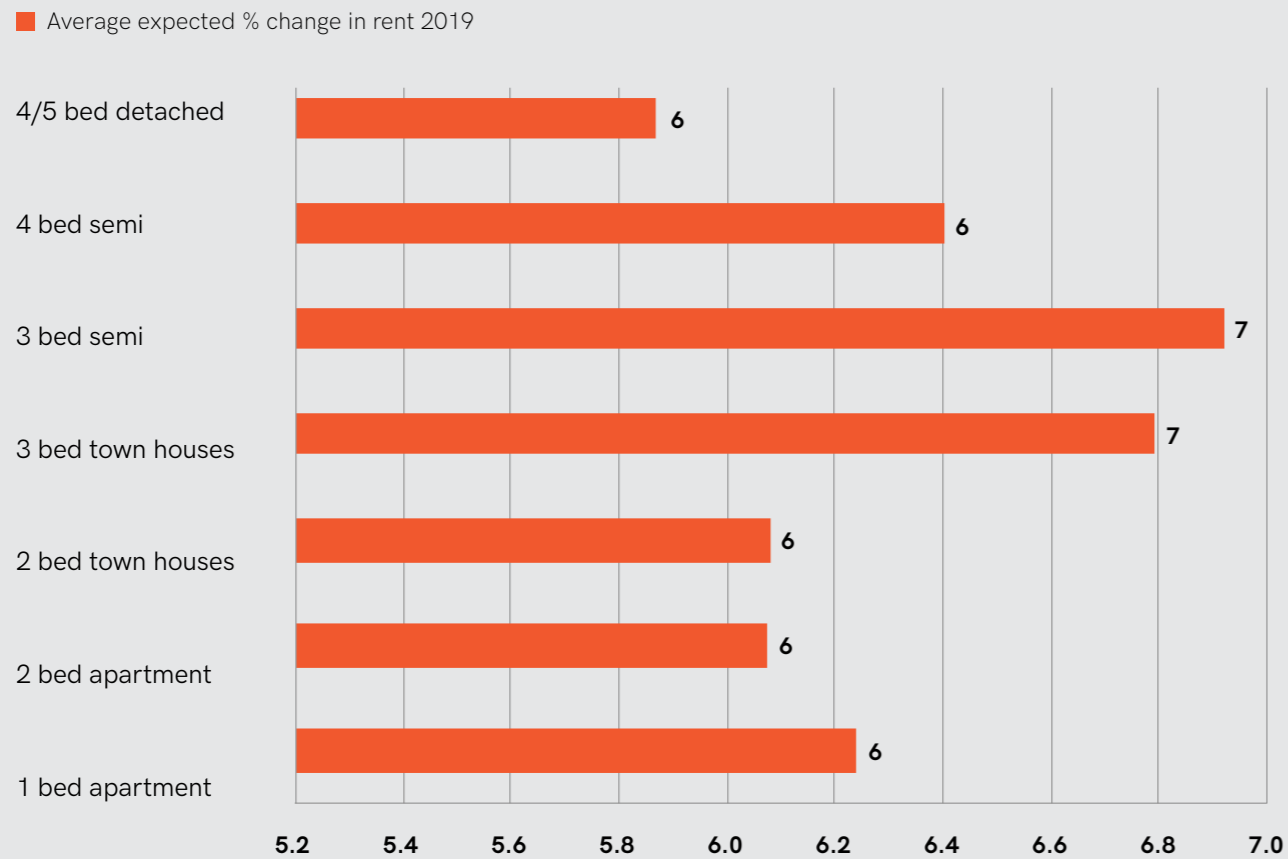




RESIDENTIAL RENTS

Rents are expected to rise by an average of over 6% across all segments of the market, ranging from 6% for 4/5-bed detached houses to 7% for 3-bed semi-detached houses.

Chart 16 - Average Expected % Change in Rent 2019

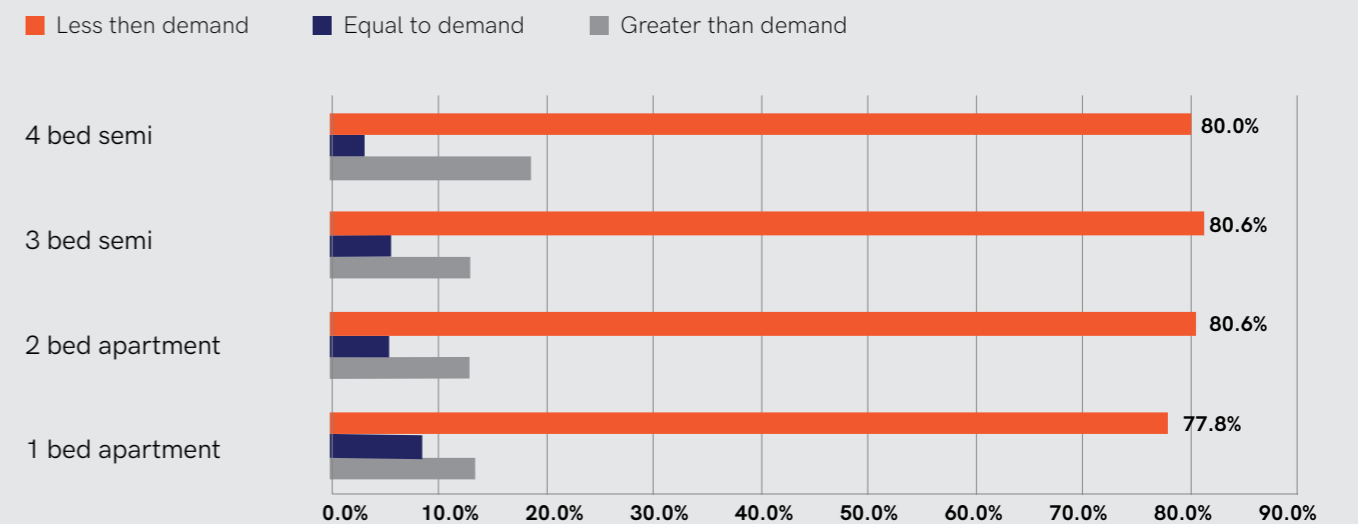


EXPECTED RELATIONSHIP BETWEEN SUPPLY OF AND DEMAND FOR RENTAL PROPERTIES IN 2019

In three of the four identified segments, just over 80% of respondents expect demand to exceed supply. In the other segment, 1-bed apartment, 78% of respondents expect demand to exceed supply.

Chart 17 - Expected relationship between supply and demand 2019: Rental Properties.

Percentage of respondents expecting that supply will be:

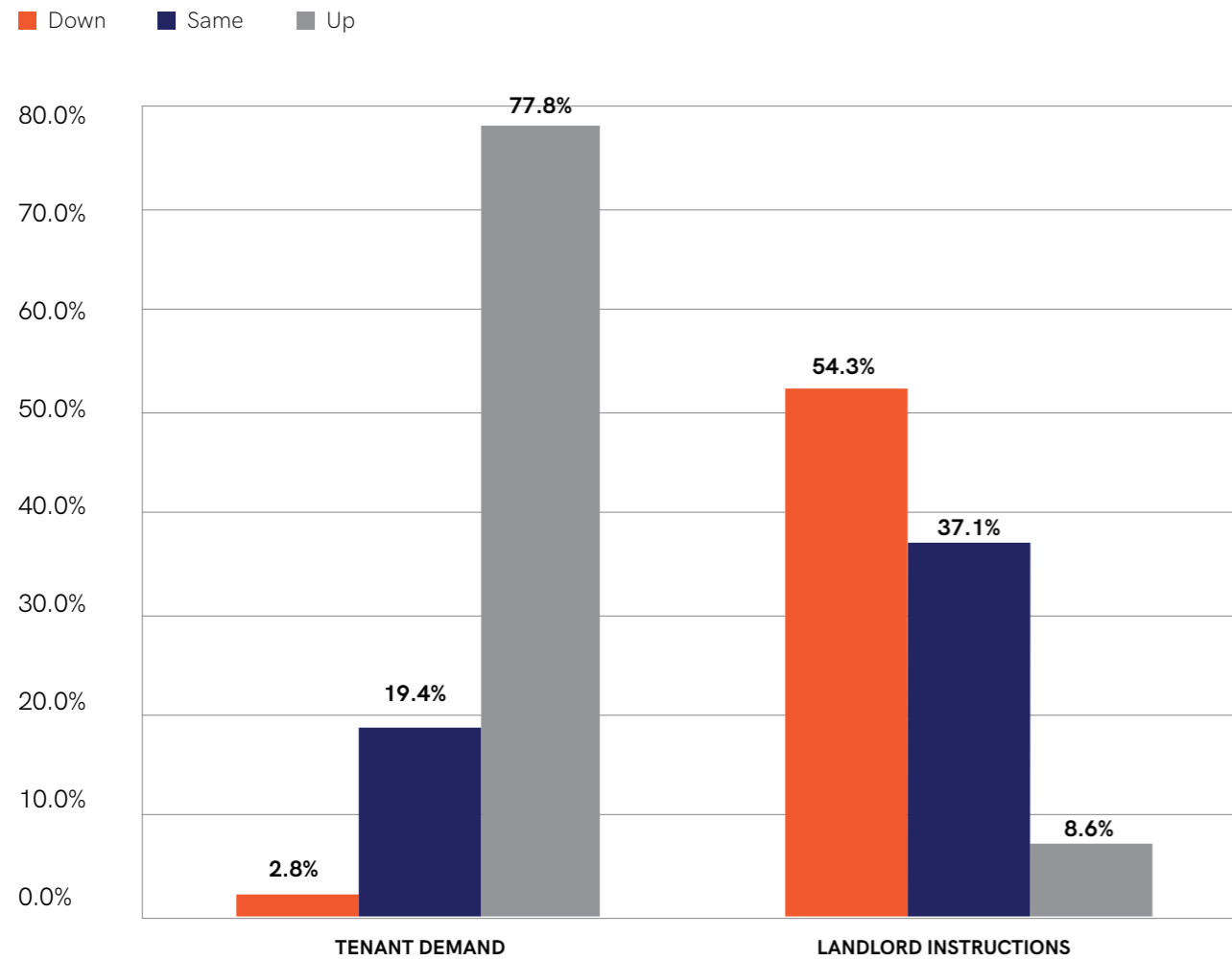


ACTIVITY INDICATORS IN THE RENTAL SECTOR

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

Over 50% of respondents report a decrease in landlord instructions. As with other regions this may reflect the reported trend of landlords exiting the rental market

Chart 18 - Activity Indicators: Change over past 12 months
Percentage of respondents reporting that activity was:





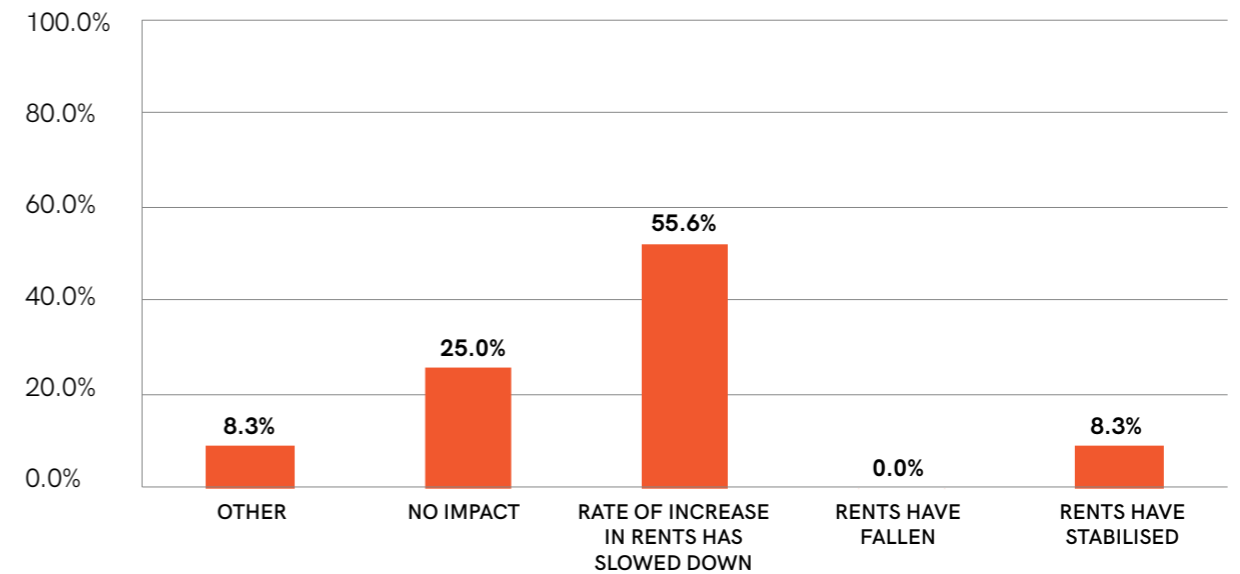
Impact of
Government
Intervention
in the market

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 (56% of respondents) was that while rents have continued to rise, the impact of the Government intervention has been to slow down the rate of increase.

Chart 19 - Impact of Government intervention in the market:

Percentage of respondents indicating:





Key issues
impacting the
Market

KEY ISSUES IMPACTING THE MARKET

Respondents were asked to specify factors that impacted on their business in 2018, either positively or negatively. There was no dominant theme to the factors raised. Among the issues raised were, the negative impact of Brexit-related uncertainty, and the Central Bank lending restriction, causing market to slow down as the year progresses.





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