



# SCSI Annual Residential Property Review & Outlook 2018



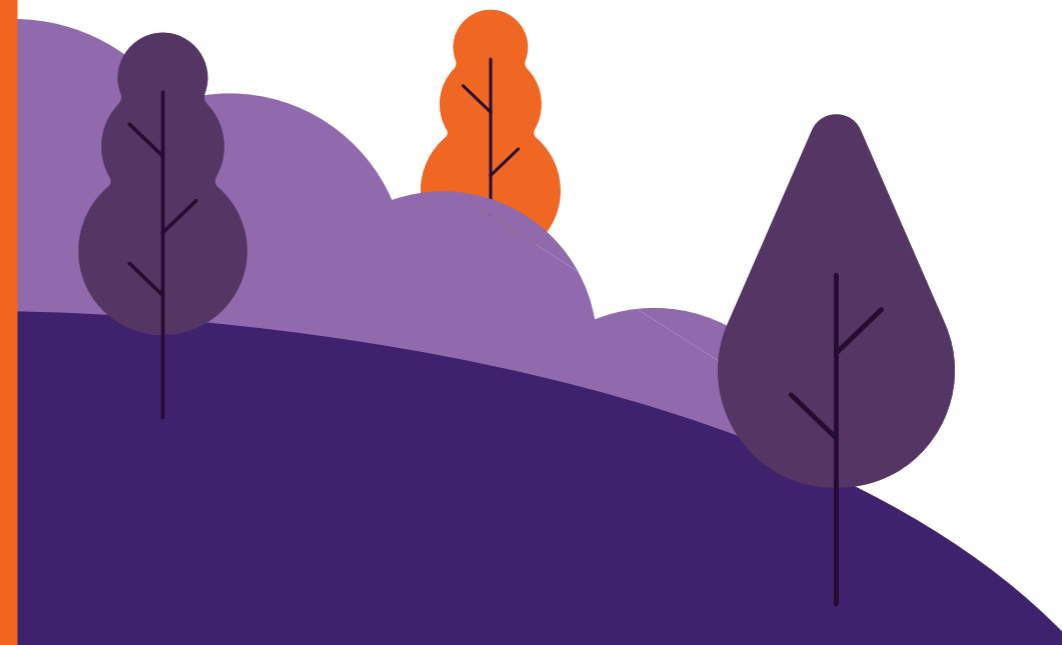
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# Annual Residential Property Review & Outlook 2018



## SCSI

**Dating back to 1895, the Society of Chartered Surveyors Ireland (SCSI) is the independent professional body for Chartered Surveyors working and practicing in Ireland.**



Working in partnership with the Royal Institute of Chartered Surveyors (RICS), the pre-eminent Chartered professional body for the construction, land and property sectors around the world, the SCSI and RICS act in the public interest: setting and maintaining the highest standards of competence and integrity among the profession; and providing impartial, authoritative advice on key issues for business, society and governments worldwide.

Advancing standards in construction, land and property, the Chartered Surveyor professional qualification is the world's leading qualification when it comes to professional standards. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining the Chartered Surveyor qualification is the recognised mark of property professionalism.

Members of the profession are typically employed in the construction, land and property markets through private practice, in central and local government, in state agencies, in academic institutions, in business organisations and in non-governmental organisations.

Members' services are diverse and can include offering strategic advice on the economics, valuation, law, technology, finance and management in all aspects of the construction, land and property industry.

All aspects of the profession, from education through to qualification and the continuing maintenance of the highest professional standards are regulated and overseen through the partnership of the SCSI and RICS, in the public interest.

This valuable partnership with RICS enables access to a worldwide network of research, experience and advice.

**The Society of Chartered Surveyors Ireland is the independent professional body for Chartered Surveyors working and practicing in Ireland.**

One of our key objectives is to provide impartial, independent and authoritative advice on key issues for consumers, business and policy makers, as well as advancing and maintaining standards for Chartered Surveyors working in the property, construction and land sectors. All aspects of the profession, from education through to qualification and the continuing maintenance of the highest professional standards are regulated and overseen through the partnership of the Society of Chartered Surveyors Ireland and Royal Institution of Chartered Surveyors, in the public interest. While we are politically neutral, we are not policy neutral.





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# Foreword

**This report, which the SCSl has submitted to the Minister for Housing, Planning and Local Government, outlines the views of chartered surveyors across Ireland in respect of the residential property market in 2017 and expectations for 2018.**



It is encouraging to learn that activity in the sector is showing signs of both recovery and growth. This is very welcome when one considers that the country is emerging from the worst recession in its history.

Unemployment now stands at just 6% - down from over 16% - which is at or close to full employment and which illustrates the dramatic progress which has been made in recent years.

The government must now prioritise its investment options to ensure the best return for society and the wider economy while also maintaining the momentum of the recovery. Long term vision and sustainability as well as value for money for taxpayers must be key considerations in this process.

Ireland is facing a number of challenges with the housing crisis now front and centre stage. While it's agreed that house building is moving in the right direction - albeit at a slow pace - the lack of reliable, real time data means it's impossible to accurately quantify the level of new housebuilding.

The decision by the Housing and Planning department to commission a new planning and infrastructure plan entitled the 'National Planning Framework' is most welcome. This plan will provide a roadmap in respect of planning policy, investment, development centres and key infrastructural projects for the next twenty years.

The significance of this national plan, how it will shape our local area plans and our communities for future generations, cannot be overstated. Moreover, we as chartered surveyors will continue to draw on our experience and expertise to assist government and policy makers with the ever-complex challenges facing our industry.

In that regard I was delighted to oversee the publication of the 'Real Costs of New Apartment Delivery' report during my presidential term.

The purpose of the report was to provide independent information, to inform debate and to suggest potential solutions to the current housing crisis. It found only one category of

apartment - low rise in the suburbs is commercially viable to build for those on average salaries.

Given the seriousness of the housing crisis in the capital, the SCSl is pleased to see the government is exploring different options with regard to shared living accommodation and the Build to Rent sector. GDP is expected to be 4.2% in 2018 which is a strong number in comparison to other EU countries. As our domestic economy strengthens and consumer spending rises, there is a concern that this could lead to a rise in the rate of inflation. This may lead to further challenges for government as it seeks to control construction costs in the context of projected increases in the level of housing building and an increase in related construction activity.

The rental sector has witnessed significant policy shifts in the past twelve months, and understandably so. In this report we examine in detail the impact which the introduction of the rent predictability measures had on the market.

Recent reports suggest a double digit increase in national rents, mainly from large urban centres such as Dublin and Cork. We

welcome the decision by the Residential Tenancies Board to clarify the definition of what constitutes 'substantial works', following the completion of which the setting of an open market rent is permissible. We believe this was a major issue when the rent restrictions were introduced.

Given Ireland's open economy, the country remains susceptible to external economic factors, the most pressing of which remains Brexit. With series two of negotiations now underway the likelihood of a hard Brexit appears to have receded somewhat. We will of course be maintaining a watching brief on how events unfold in the course of 2018 and their potential impact on the sector.

Finally, I would like to thank the 400 plus chartered surveyors that responded to the online property survey, the many volunteers that assist and lead projects on behalf of SCSl and of course our members for their continued support in 2017 and the year ahead.

**Colin Bray** FSCSI FRICS  
President

# SCSI National Residential Survey Summary Highlights

2017 Market activity  
and Vendor Expectations

NATIONALLY

# 71%

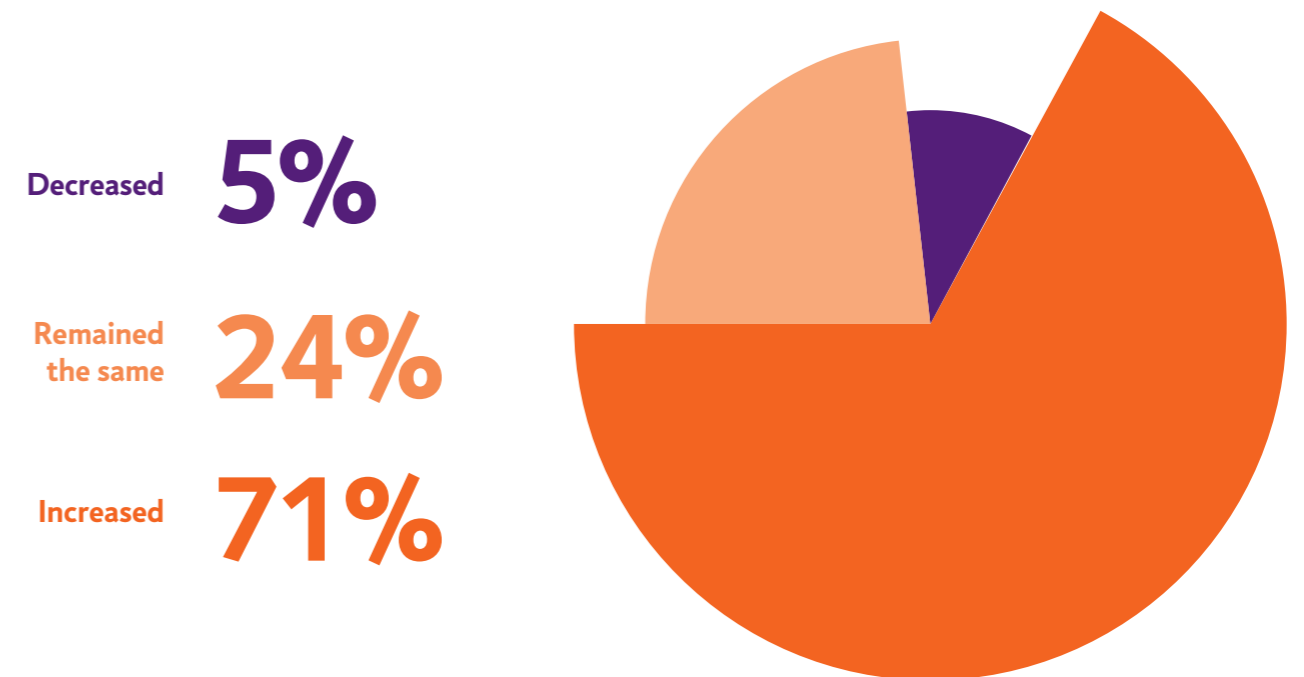
OF CHARTERED RESIDENTIAL SURVEYORS  
OBSERVED AN INCREASE IN RESIDENTIAL  
PROPERTY MARKET ACTIVITY,  
WHILST

# 92%

REPORTED THAT VENDOR PRICE  
EXPECTATIONS HAD INCREASED.

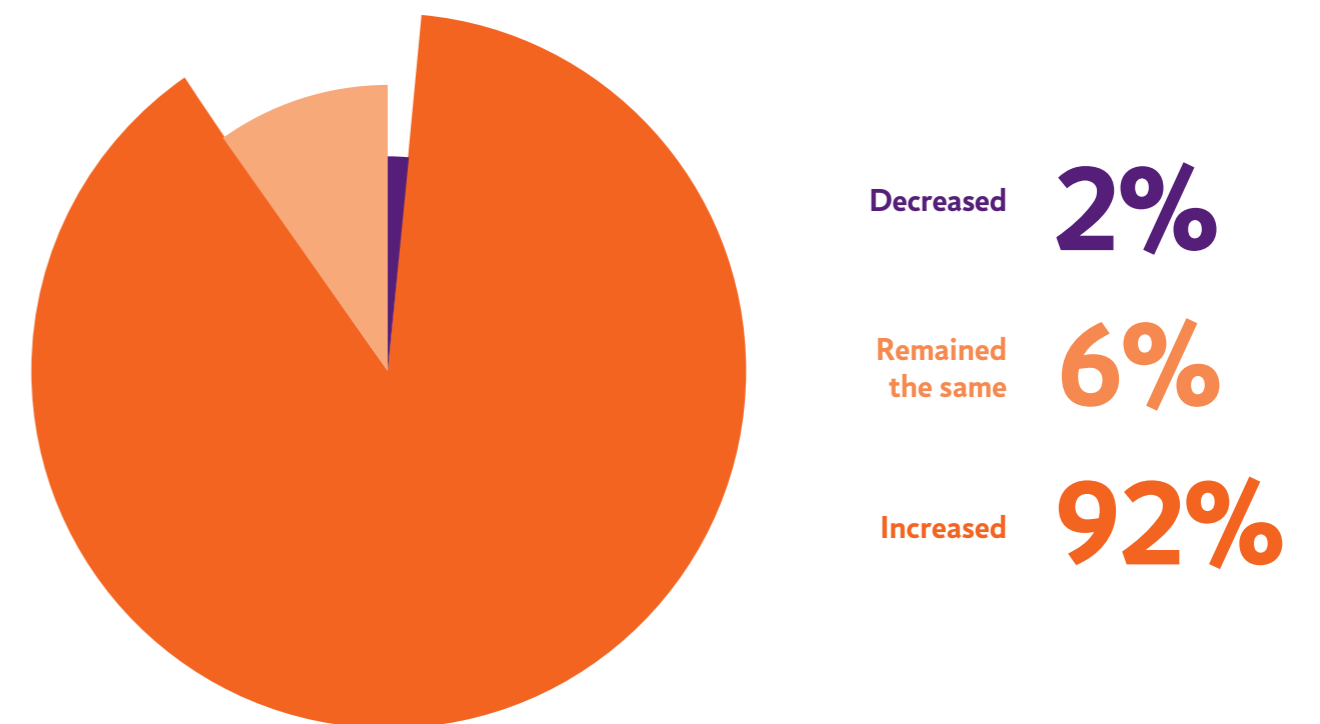
Source: SCSI Survey 2017

Market Activity 2017 - National



Source: SCSI Survey 2017

Vendor Expectations 2017 - National



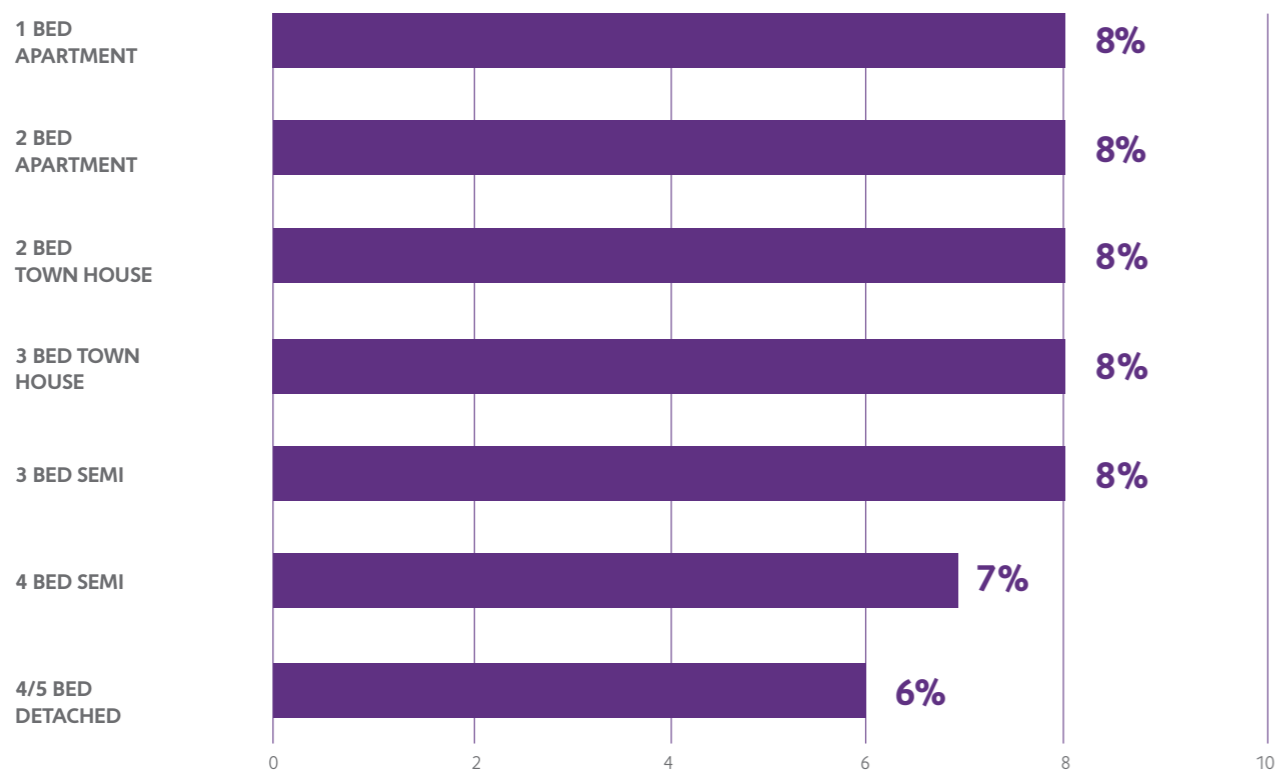
Nationally property values are expected to increase by

**8%**

IN ALL REGIONS WITH THE EXCEPTION OF MUNSTER WHERE A RISE OF 7% IS PREDICTED.

Source: SCSi Survey 2017

Expectations for Percentage change in Property Values in 2018 - Nationally



**66%**

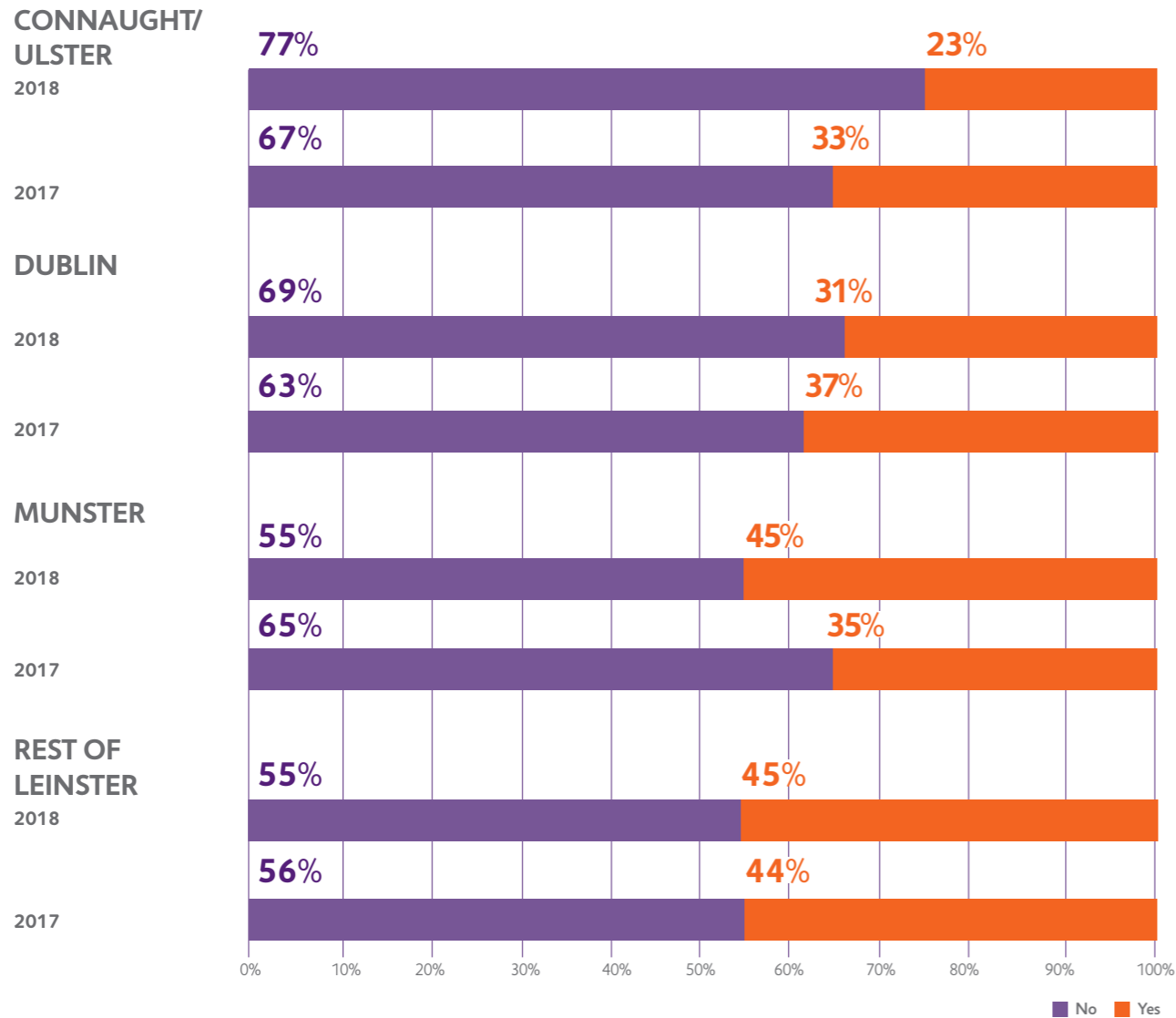
OF CHARTERED SURVEYORS NATIONALLY EXPECT DEMAND TO OUTSTRIP SUPPLY IN 2018 WITH

**71%**

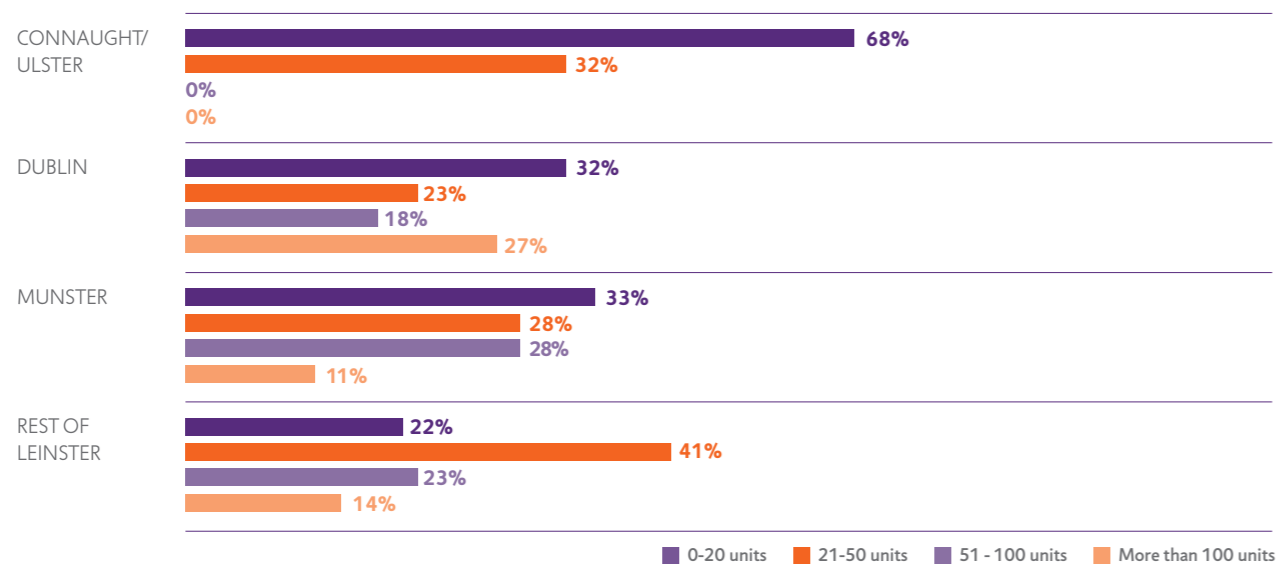
EXPECTING THE HIGHEST LEVELS OF DEMAND FOR 2 AND 3 BEDROOM HOUSES.

While the number of chartered surveyors in Dublin and Connaught/Ulster expecting to market new housing schemes in the next 12 months reduced in 2017 compared to 2016, nationally this remains at 36%, which continues the experience of 2016.

Expectation of marketing new housing schemes

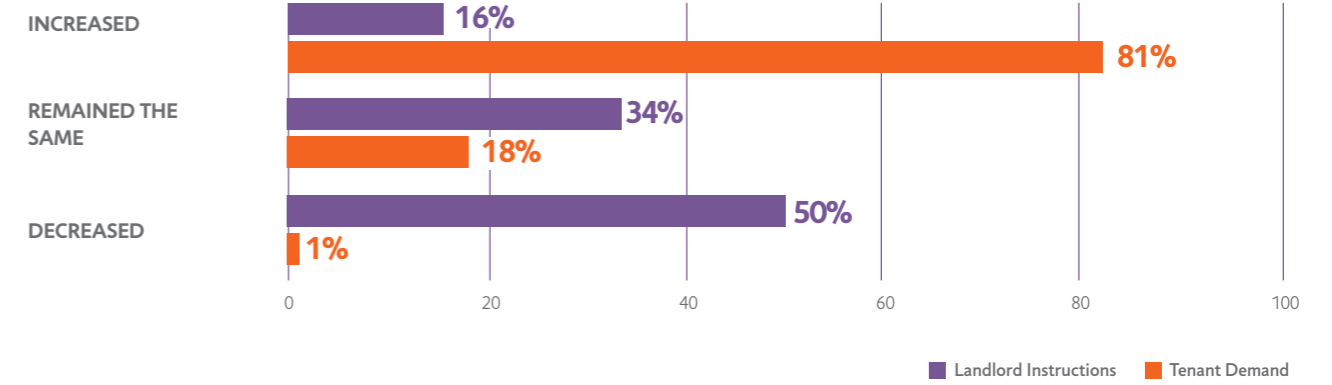


Percentage of Agents Expecting to Market New Schemes in 2018 - Scheme Size

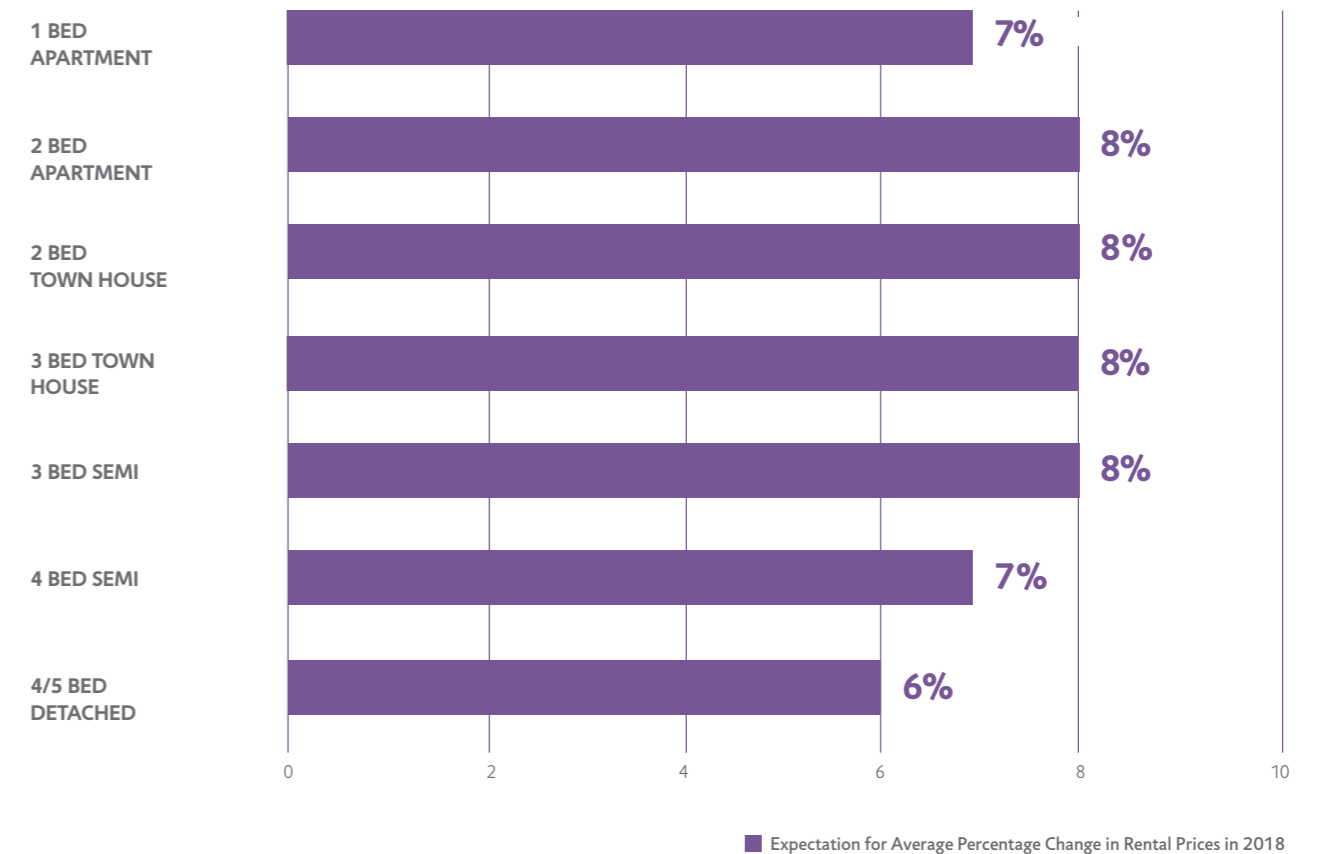


Chartered Surveyors across all regions have experienced an increase in tenant demand alongside a reduction in landlord instructions. 50% of Chartered Surveyors saw a decline in landlord instructions to let property alongside 81% seeing an increase in tenant demand. Nationally rents have increased by 8%.

Landlord Instructions Compared to tenant Demand in 2017 Nationally



Expectation for Average Percentage Change in Rental Prices in 2018 - Nationally



Development Land - Residential development land has increased in value in 2017, by 14% in Dublin and by 14.5% in the Rest of Ireland excluding Dublin.



# Overview of the Irish Economy in 2017

**Following a strong performance in 2017, Ireland's economy is set to outpace our eurozone partners for a fourth consecutive year. Economic growth is expected to continue at a solid pace into 2018.**

Strong growth in full-time employment and consumer spending underpins this performance, alongside strength in domestic and foreign investment. Whilst outlook remains positive, the impact of Brexit continues to generate uncertainty and represents a significant risk in relation to the forecast for 2018. While the Irish economy has performed strongly and projected growth in GDP for 2017 is between 4.2% and 5%, a more moderate growth rate of between 3.9% and 4.2% is forecast for 2018.<sup>1</sup>

Mortgage lending over the past 12 months has increased and measures to improve the capability of first-time buyers to access the housing market have been introduced by Government. With the relaxation of the Central Bank rules to 10% for a first time buyers deposit and the Government's Help-to-Buy scheme (introduced in January 2017), there is disparity in opinion amongst Chartered Surveyors regarding the success of these measures with Chartered Surveyors in

Dublin considering measures to have had less of an impact than respondents in other parts of the country. The impact of Brexit on the Irish economy to date has mainly been felt through the weaker Sterling exchange rate and most notably in relation to inflation. There is a general feeling amongst Chartered Surveyors, particularly in the northern and western regions, that the weaker sterling value has had some negative impact upon property investment.

Overall Chartered Surveyors remain positive regarding the performance of the property market in 2017, which has seen an increase in construction activity nationally to cater for rising housing demand. However, with significant uncertainty regarding the sustainability of rising housing prices, construction costs and Brexit, the general mood amongst Chartered Surveyors is one of cautious optimism for the outlook in 2018.



<sup>1</sup> Central Bank of Ireland, Q4 bulletin 2017 and ESRI Quarterly Economic Commentary Winter 2017

# Snapshot of the Eurozone

**Economic activity within the the eurozone continues to grow, with a GDP growth rate of 0.6% on a quarterly basis<sup>2</sup> in the second quarter of 2017, and by 2.3% on an annual basis. This means the end of 2017 marked the seventeenth consecutive quarter of growth in the euro area.**

The continued growth and declining unemployment rates in the Eurozone indicates a sustained economic recovery that is forecast by the ECB to continue to steadily improve in 2018.

Unsurprisingly, Brexit continues to be the main live issue influencing the European Context, representing both a risk and an opportunity to the Irish economy. While recent negotiations between the UK and the European Union appear positive, there is still significant uncertainty surrounding the future economic picture of the European Union following the UK's departure. The next round of negotiations will present more detail of these challenges and provide more clarity regarding the risks and opportunities that are available to Ireland.

Dublin was ranked 7th place out of 31 European cities for property investment and development in the annual forecast published by Pricewaterhouse Coopers and the Urban Land Institute. Ranked according to their overall investment and development prospects, German cities took a number of top spots with Berlin retaining the number one slot as most desirable city, Frankfurt was joint second alongside Copenhagen; and Munich and Hamburg were close behind.<sup>3</sup>

As Germany's financial centre, Frankfurt is already experiencing significant benefits from company relocations in the wake of Brexit.

<sup>2</sup> Central Bank of Ireland, Q4 bulletin 2017

<sup>3</sup> PwC, Emerging Trends Europe 2018

# A Year in Review

## INVESTMENT

Overall, Ireland ranked 6th (up one place from 2016) out of 63 countries in the IMD World Competitiveness Yearbook rankings. The Irish capital is performing particularly strongly and according to the annual forecast published by PwC and the Urban Land Institute, Dublin is universally viewed as one of the cities likely to benefit from investment following Brexit. The Central Bank of Ireland suggests a growth in investment by 11% year-on-year in its Q4 bulletin. This has been buoyed by a growth in investment in building and construction that has been noted throughout 2017. The Central Bank confirms that housing construction investment increased by 31.8% and non-residential building and construction investment increased by 16.3% year-on-year.

It is expected that the outlook for 2018 will continue the trends witnessed in 2017, with further growth in building and construction activity. The Central Bank forecasts that building and construction investment will increase by 13.1% in 2018. New measures were also announced as part of the Budget 2018 to boost investment in housing construction. The Ireland Strategic Investment Fund (ISIF) will make up to €750m available for investment in housing finance, which will be made available through Home Building Finance Ireland. This will increase the accessibility of funding on market terms to commercially viable residential development projects whose land owners want to build homes, drawing on NAMA's expertise in residential development funding.<sup>4</sup> This has the potential to fund the construction of 6,000 new homes.

Alongside expected investment growth in the residential sector, a trend for alternative property investments is expected to grow in 2018, with investment in student housing and Build-to-Rent schemes expected by Chartered Surveyors to expand rapidly in the next 12 months. Expansion of these sectors is likely to have positive knock-on effects on the second-hand home sector, by relieving strain in that area.

## EMPLOYMENT

Unemployment levels continue to decrease from 7.9% in 2016 to 6.2% in 2017. This is expected to continue to decline in 2018 to 5.6%. Meanwhile total employment continues to increase with year-on-year growth of 2.6% expected for 2017 and 1.8% for 2018.<sup>5</sup>

Sustaining continued employment growth will be fundamental to ensuring sustainable economic growth over the long term. The ERSI suggest that it is unlikely that there are enough people amongst the currently unemployed in Ireland to meet future Irish labour demand and therefore future immigration will become increasingly important.<sup>6</sup> This will continue to put pressure on public infrastructure and housing to meet the requirements of any population uplift.

## THE SCSi TENDER INDEX

The SCSi Tender Index is a bi annual index independently produced by SCSi Quantity Surveyors to track tender competition in the market. This tracks commercial construction over 0.5 million in value and has seen significant rises in the index since the bottom of the market in 2012. Chartered Surveyors are forecasting national annual rises of 5% in 2018.

## CONSUMER SENTIMENT

Consumer spending is an important element of economic growth and the Consumer Sentiment Index (CSI) is a monthly report produced jointly by the ESRI and KBC Bank Ireland. The Consumer Sentiment Index (CSI) has grown steadily despite a variation in performance on a month-by-month basis. A slight drop in CSI was experienced in October 2017, however this followed a pattern throughout the year of increases followed by slight declines, so whilst it is not expected that the end of 2017 will see a huge CSI, a healthy level is estimated for the year end.<sup>7</sup>

<sup>4</sup> RTÉ News

<sup>5</sup> Central Bank of Ireland, Q4 bulletin 2017

<sup>6</sup> ERSI Quarterly Economic Commentary Winter 2017

<sup>7</sup> ESRI, publication 'Irish consumer sentiment slightly weaker in October.'

# Overview of the Residential Property Market

**A significant shortage of housing stock has been reported by Chartered Surveyors Nationwide in 2017 and this is unlikely to be resolved in 2018.**

Government interventions have so far focused on providing financial supports to first time buyers through the Help-to-Buy scheme and in 2019, landowners of vacant sites are likely to be hit with levies for underutilised lands through the vacant site levy. According to Chartered Surveyors, there is speculation regarding the success of the Help to Buy scheme with a disparity in opinion across the regions. Whilst Chartered Surveyors in Munster, the Rest of Leinster and Connaught/ Ulster consider that the measure is boosting housing supply through encouraging housing construction, Chartered Surveyors in Dublin consider the measure to have had less of an impact.

Separately, the lending limits imposed by the Central Bank are here to stay with the Regulator confirming this in a statement released in December 2017<sup>8</sup>. New measures have now also been announced by the bank, to limit the ability of second-time buyers to get large loans, to be initiated from January 2018. Whilst these measures do appear to be in favour of the first time buyers market, it is still too early to see how significant this change will be to the overall performance of the market.

Chartered Surveyors are primarily concerned with the issue of supply in the residential property market, with 66% expecting demand to outstrip supply in 2018. They consider that the key to unlocking this is to tackle the underlying costs of delivering affordable units to the market. Some measures have already been introduced to tackle this however, more is required to increase construction activity in areas of demand to tackle the housing challenge. The governments recent commitment to look at the planning and design regulations governing multi-unit

properties is a positive move and following recent announcements in December 2017, hopefully this will be a signal to investors and developers that our authorities are serious in maturing our accommodation sector for Build to Rent models and co-living spaces to develop in our urban centres. Chartered Surveyors consider it necessary for government to incentivise the construction of new affordable residential properties in areas of high demand to owner occupiers. This issue is examined in many recent reports published by SCSi, such as the 'Real Costs of New House and Apartment Delivery', which make it clear that the tackling of many input costs such as VAT, levies, finance and land costs is something that individual members feel strongly about.

"The Help-to-Buy scheme has helped certain people to access the market, but it's over complicated. I believe that the Government should have addressed the problem by reducing VAT on new residential properties at affordable prices for people who qualify for a rebate. The biggest problem is accessing mortgage finance, and with de-VATing on affordable homes, the prospect of the average couple being within reach of purchasing a home would increase". TJ Cronin, representative of the SCSi Southern Region and Chartered Surveyor in Irish and European.

Margaret Kelleher (representative of the SCSi Southern Region and Chartered Surveyor in Lisney in Cork) also suggests that through reducing VAT on targeted elements of construction, the Government could boost the construction of social and low-cost housing.

<sup>8</sup> <https://www.centralbank.ie/news/article/statement-by-governor-philip-r.-lane-on-the-review-of-mortgage-measures-2017>

There is, however, a concern amongst Chartered Surveyors that the focus on delivering social housing is failing to address the need for housing amongst middle income earners who would not qualify for traditional social housing. Measures to improve the borrowing capability and affordability of property for this sector of the community is considered fundamental to addressing the housing crisis, alongside and not in isolation to, increased social housing construction.

Peter McCreery (representative of the SCSi South East Region and Chartered Surveyor in Sherry Fitz, Kilkenny) suggests that financial institutions should also be assisting middle income earners by considering the monthly rents paid by many would-be first-time buyers and using this as an indicator of affordability, rather than just incomes, particularly as for many people monthly rental payments now exceed equivalent mortgage repayments.

The SCSi 2016 'Real Cost of New House Delivery' and 2017 'Real Cost of New Apartment Delivery' reports demonstrated that it is not yet economically viable to commence new development in many parts of the country and that there are significant viability challenges faced when constructing buildings of scale to accommodate apartments. The cost of construction remains high whilst there is vast disparities between the value of housing in different parts of the country, impacting the ability to recoup costs. The SCSi recommends a reform of the VAT regime and other public costs in new housing construction to promote activity, encourage the

development of all types of affordable housing and protect against further rent and house price increases.<sup>9</sup>

### NATIONAL MORTGAGE DATA

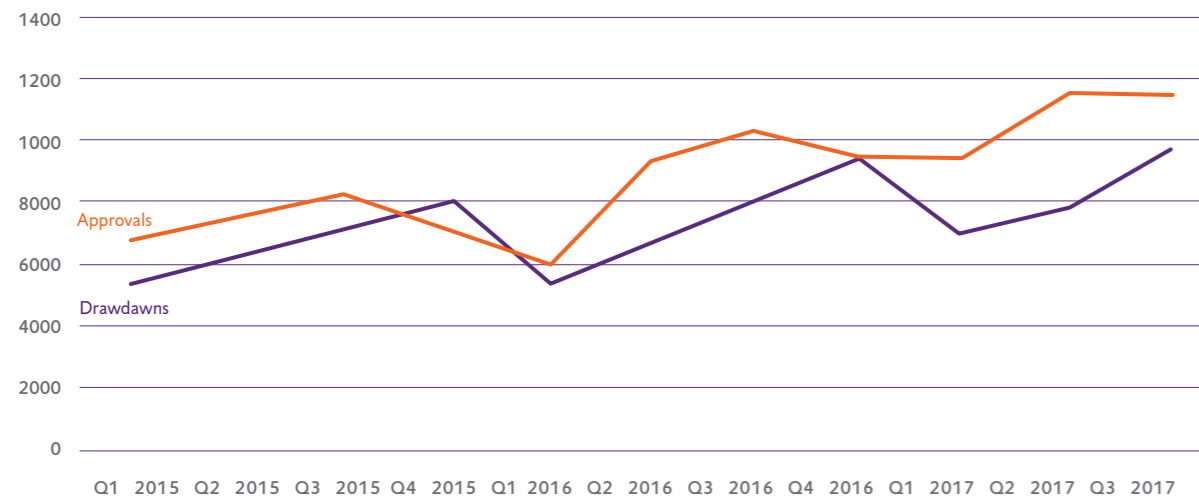
BPFI mortgage data shows that mortgage approval volumes increased by 13.6% year-on-year in the first three quarters of 2017, to almost 11,600. Mortgage drawdown volumes also grew, with a 16.9% increase year-on-year to more than 9,500 in Q3 2017.

This marks a significant increase in both mortgage approval and drawdowns in the first three quarters of 2017 when compared to previous years, with similar levels last experienced in 2008 / 2009. The vast majority of mortgage approvals related to house purchases (85%).<sup>10</sup>

Conversely, cash sales as a proportion of all sales have been falling in recent quarters within all regions. The annualised cash sales ratio fell for the seventh successive quarter to 33.2% in Q3 2017, down from 39.1% in Q3 2016 and 42.7% in Q3 2014.<sup>11</sup>

Source: Figures are approximate and based upon BPFI monitoring information<sup>12</sup>

Mortgage Approvals and Drawdowns 2015-2017



<sup>9</sup> SCSi Pre-Budget Submission 2018

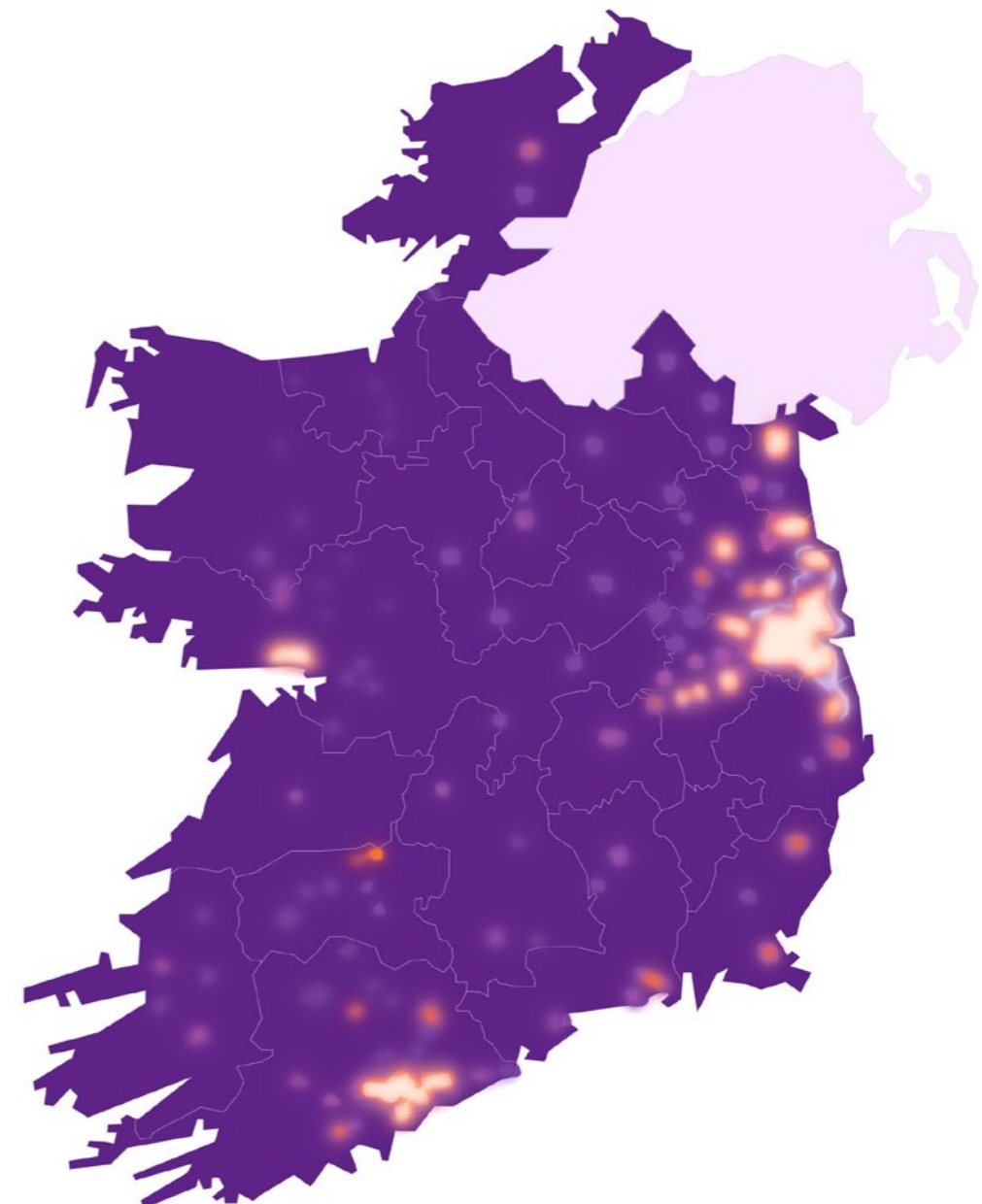
<sup>11</sup> ERSI Quarterly Economic Commentary Winter 2017

<sup>10</sup> BPFI Housing Market Monitor, Q3 2017 www.bpfi.ie

<sup>12</sup> <https://www.bpfi.ie/wp-content/uploads/2017/11/BPFI-Housing-Market-Monitor-Q3-2017-FINAL.pdf>

## Planning Permissions

Map of Ireland highlighting residential planning permission activity nationally.





**The level of development activity in all regions continues to grow and consequently the value of residential development land continues to increase. Chartered surveyors saw a 14% increase in Dublin and in the Rest of Ireland in 2017, and this is expected to increase by 11% in Dublin and 13% in the Rest of Ireland (excluding Dublin) in 2018.**

The first quarter of 2017 saw a 50% increase in the number of planning permissions granted compared to the same period in 2016. There were 4,650 dwelling units granted consent in Q1 2017 compared to 3,091 units in Q1 of 2016. Of these 3,754 planning permissions related to houses in Q1 of 2017 compared to 2,534 in Q1 of 2016.<sup>13</sup>

When considering the first three quarters of 2017, 13,842 planning permissions were granted for new dwelling units in total, (of which 11,148 houses and 2,694 apartments) compared to 12,046 units for the same period in 2016, equating to an overall increase in the first three quarters of 2017 of 14.9% when compared to 2016.<sup>14</sup> However whilst an increase in planning permissions is positive, these figures must be considered alongside the low starting point and stagnation in the construction industry during the recession years. Therefore, whilst there has been a significant increase in the number of planning permissions in 2017, this is not yet translated to construction at a scale significant enough to reverse the housing crisis.

Alongside measures to incentivise the construction industry such as VAT reductions, the SCSi also consider building at high density as key to tackling the housing crisis. Good quality, high density housing, built at scale in the right locations, will be the only way to viably deliver the level of residential construction required to address years of inadequate construction in the residential property sector. It was recommended in the SCSi Pre-Budget Submission 2018 that the planning system quickly adapt to encourage Build-to-Rent schemes and support higher density schemes that represent an attractive solution to both investors and occupiers.

#### **COMMENCEMENTS**

In Q3 2017, there were almost 4,100 commencements for the quarter, equating to an increase of nearly 35% on Q3 2016.<sup>15</sup> In relation to completions, these are expected to increase across the country with the Central Bank of Ireland forecasting 18,000 completions for 2017, increasing to 21,000 completions in 2018. However, based upon building energy ratings, the Goodbody BER housebuilding tracker shows 5,377 completed in 2016 compared to a figure of 14,932 completions indicated by official data derived from electricity connections in 2016. Therefore, some doubt is now raised regarding the official forecast for completions in 2017. Experts claim that the official figure for house completions is overstated because it is based on ESB meter connection data which can be triggered by new electricity connections to existing buildings. Goodbody said on current trends that completions will total less than 10,000 units, which is substantially less than the official forecast.



<sup>13</sup> BPFi Housing Market Monitor, Q3 2017 [www.bpfi.ie](http://www.bpfi.ie)

<sup>14</sup> Central Statistics Office Ireland

<sup>15</sup> BPFi Housing Market Monitor, Q3 2017 [www.bpfi.ie](http://www.bpfi.ie)



## Socio-Economic Context

### Dublin and the Regions

The population of the country is increasing across all regions with under 35 year olds making up a significant proportion. This means that the demand for housing both for rent and sale, will only increase into 2018 and beyond. The challenge is therefore to boost housing supply that will not only satisfy the shortfall between current supply and demand, but also satisfy future projected demand.



<35  
YEARS OLD  
population  
is increasing

# Dublin

## Population and Change

### POPULATION

2006

1,187,176

2016

1,345,402

CHANGE  
2006-2016



+13%



+ 1,582,226  
persons

28%

OF THE TOTAL  
NATIONAL  
POPULATION  
IN 2016

### AVERAGE HOUSEHOLD SIZE



2.73

< 35 YEARS  
OLD

49%

665,679  
persons

### HOUSING COMPOSITION



1-PERSON  
HOUSEHOLDS

23%



2-PERSONS  
HOUSEHOLDS

30%



3-PERSONS  
HOUSEHOLDS

18%



4-PERSONS  
HOUSEHOLDS

17%



5-PERSONS  
HOUSEHOLDS

13%

### RENT

35%

### OWNER OCCUPIER

60%

(REMAINDER 'NOT STATED')

### MEDIAN HOUSE PRICE IN 2017

€325,000

(JAN 1ST - 20TH NOV 2017 BASED ON 14,331  
TRANSACTIONS PROPERTY PRICE REGISTER)

# Rest of Leinster

## Population and Change

### POPULATION

2006

1,107,947

2016

1,285,318

CHANGE  
2006-2016



+16%

+177,371

persons

27%

OF THE TOTAL  
NATIONAL  
POPULATION  
IN 2016

### AVERAGE HOUSEHOLD SIZE



2.86

<35 YEARS  
OLD

48%

612,909

persons

### HOUSING COMPOSITION



1-PERSON  
HOUSEHOLDS

21%



2-PERSONS  
HOUSEHOLDS

27%



3-PERSONS  
HOUSEHOLDS

18%



4-PERSONS  
HOUSEHOLDS

19%



5-PERSONS  
HOUSEHOLDS

15%

### RENT

25%

### OWNER OCCUPIER

72%

(REMAINDER 'NOT STATED')

### MEDIAN HOUSE PRICE IN 2017

€199,783

(JAN 1ST - 20TH NOV 2017 BASED ON 14,331  
TRANSACTIONS PROPERTY PRICE REGISTER)

# Munster

## Population and Change

### POPULATION

2006

1,173,340

2016

1,280,394

CHANGE  
2006-2016



+9%

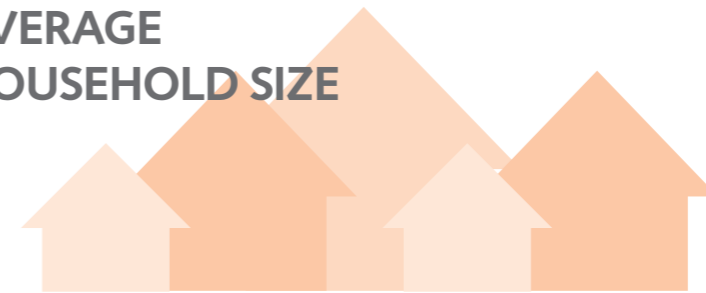


+ 1,070,544  
persons

27%

OF THE TOTAL  
NATIONAL  
POPULATION  
IN 2016

### AVERAGE HOUSEHOLD SIZE



2.69

< 35 YEARS  
OLD

46%

581,953  
persons

### HOUSING COMPOSITION



1-PERSON  
HOUSEHOLDS

25%



2-PERSONS  
HOUSEHOLDS

29%



3-PERSONS  
HOUSEHOLDS

17%



4-PERSONS  
HOUSEHOLDS

16%



5-PERSONS  
HOUSEHOLDS

13%

### RENT

26%

### OWNER OCCUPIER

69%

(REMAINDER 'NOT STATED')

### MEDIAN HOUSE PRICE IN 2017

€162,817

(JAN 1ST - 20TH NOV 2017 BASED ON 14,331  
TRANSACTIONS PROPERTY PRICE REGISTER)



# Connaught / Ulster

## Population and Change

### POPULATION

2006

771,385

2016

846,862

### CHANGE

2006-2016



+10%

+75,477  
persons

18%

OF THE TOTAL  
NATIONAL  
POPULATION  
IN 2016

### AVERAGE HOUSEHOLD SIZE



2.69

<35 YEARS  
OLD

45%

381,873  
persons

### HOUSING COMPOSITION



1-PERSON  
HOUSEHOLDS

26%



2-PERSONS  
HOUSEHOLDS

29%



3-PERSONS  
HOUSEHOLDS

16%



4-PERSONS  
HOUSEHOLDS

16%



5-PERSONS  
HOUSEHOLDS

14%

### RENT

24%

### OWNER OCCUPIER

71%

(REMAINDER 'NOT STATED')

### MEDIAN HOUSE PRICE IN 2017

€128,731

(JAN 1ST - 20TH NOV 2017 BASED ON 14,331  
TRANSACTIONS PROPERTY PRICE REGISTER)

# Property Market National Overview

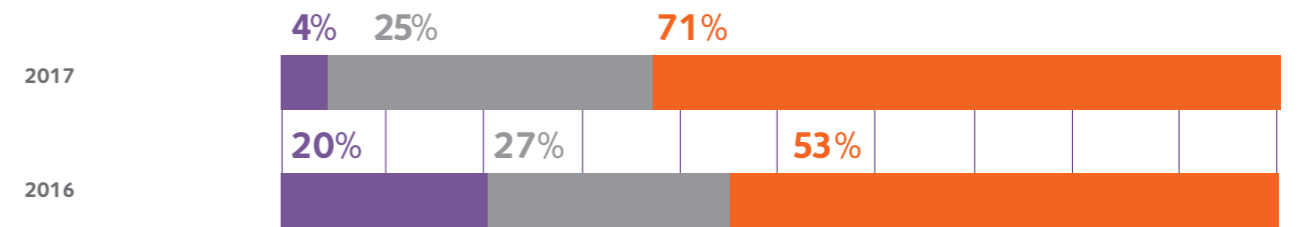
## MARKET SALES AND RENTS

Chartered Surveyors reported an increase in the level of activity in the residential property market in 2017 as well as vendor price expectations. In 2016, 60% of Chartered Surveyors experienced an increase in market activity, this has increased to 71% in 2017. This represents a sizable increase in activity in the last 12 months when compared to the previous year.

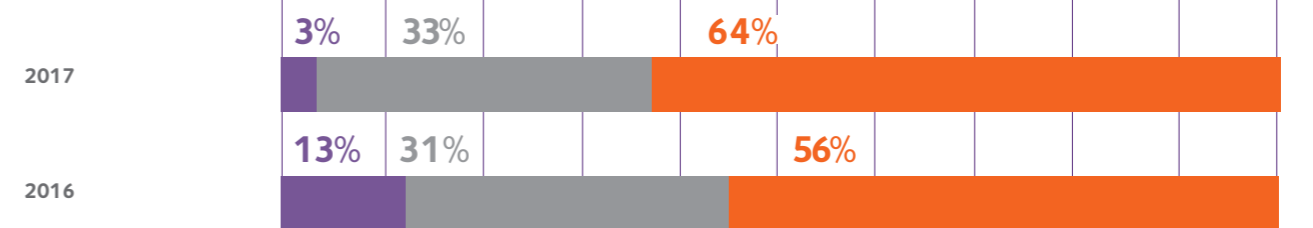
Whilst vendor price expectations were also reported to increase nationally, the number of chartered surveyors reporting an increase is broadly in keeping with the previous year, with Dublin and the Rest of Leinster experiencing a further increase in vendor price expectations when compared to results from 2016.

## Market Activity - Sales Transactions

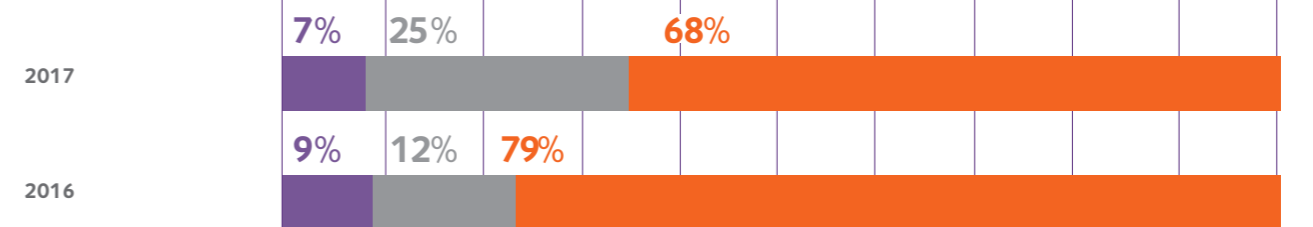
### CONNAUGHT/ ULSTER



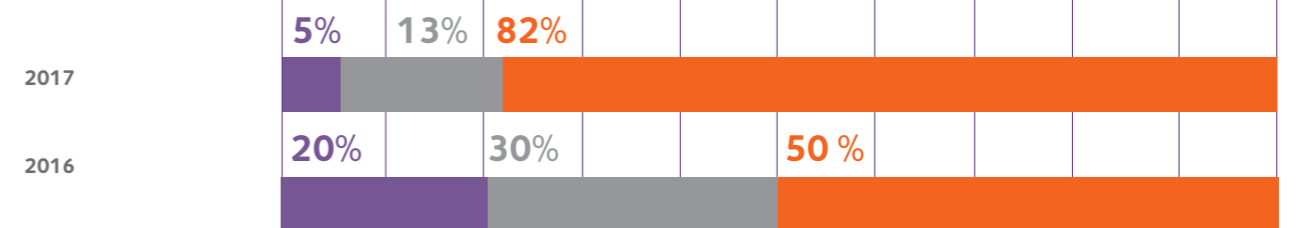
### DUBLIN



### MUNSTER



### REST OF LEINSTER



0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

■ Decreased ■ Remained the same ■ Increased



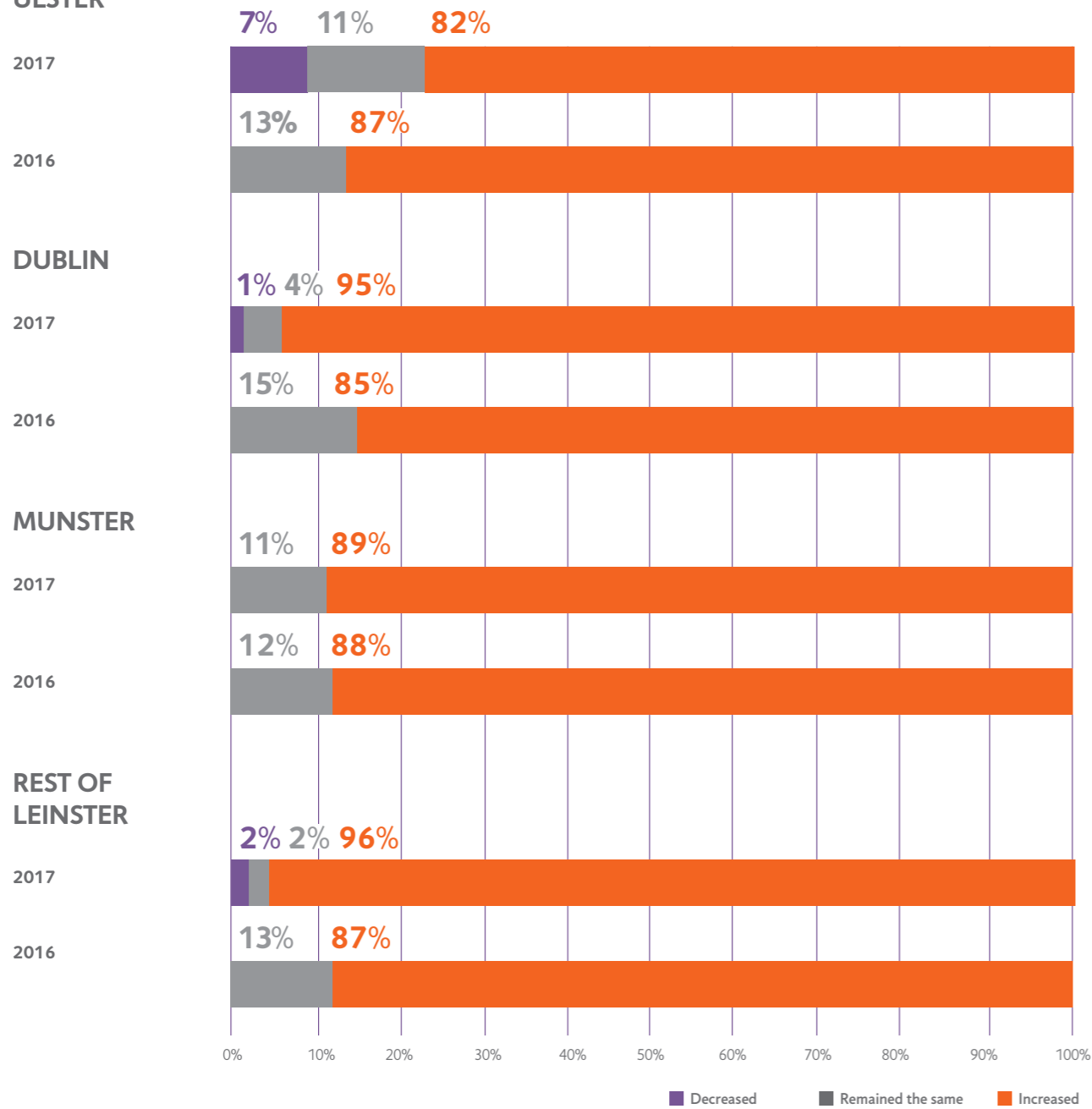
The latest CSO Residential Property Price Index (RPPI) shows that prices increased by 11.6% in the year to November 2017 nationally, with prices in Dublin up 11.3% in the year to November. House prices outside Dublin recorded an increase of 11.7% in the year to November. The West region showed the greatest price growth with house prices increasing by 16%. On a national basis, this equates to an increase of 71.6% since prices bottomed out in early 2013, however prices remain 23.1% below the 2007 peak.<sup>16</sup>

In relation to the private rental market, Chartered Surveyors across all regions have experienced an increase in tenant demand alongside a reduction in landlord instructions, private rents also grew by 9.5% year-on-year by Q3 in 2017.<sup>17</sup> The incorporation of rent caps to many locations is highlighted by Chartered Surveyors as a key influencing factor in the reduction of landlord instructions.

Source: SCSi Survey 2017

### Vendor Price Expectations

#### CONNAUGHT/ ULSTER

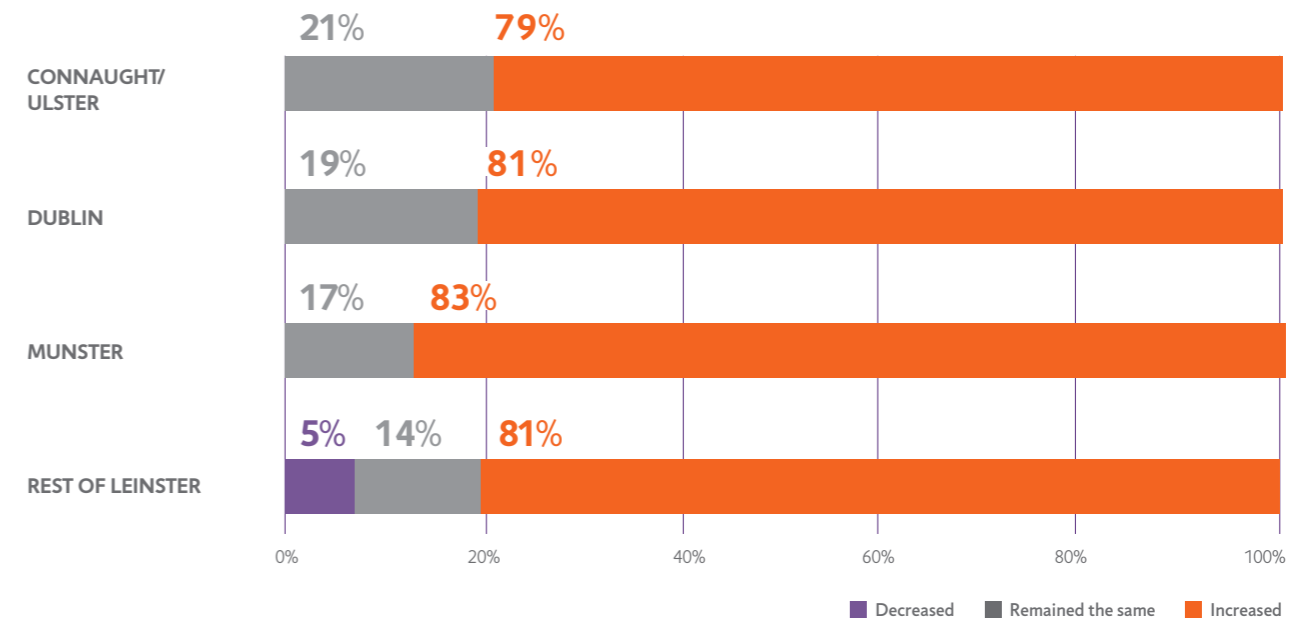


<sup>16</sup> Central Statistics Office, 12th December 2017

<sup>17</sup> Residential Tenancies Board Rent Index Quarter 3 2017

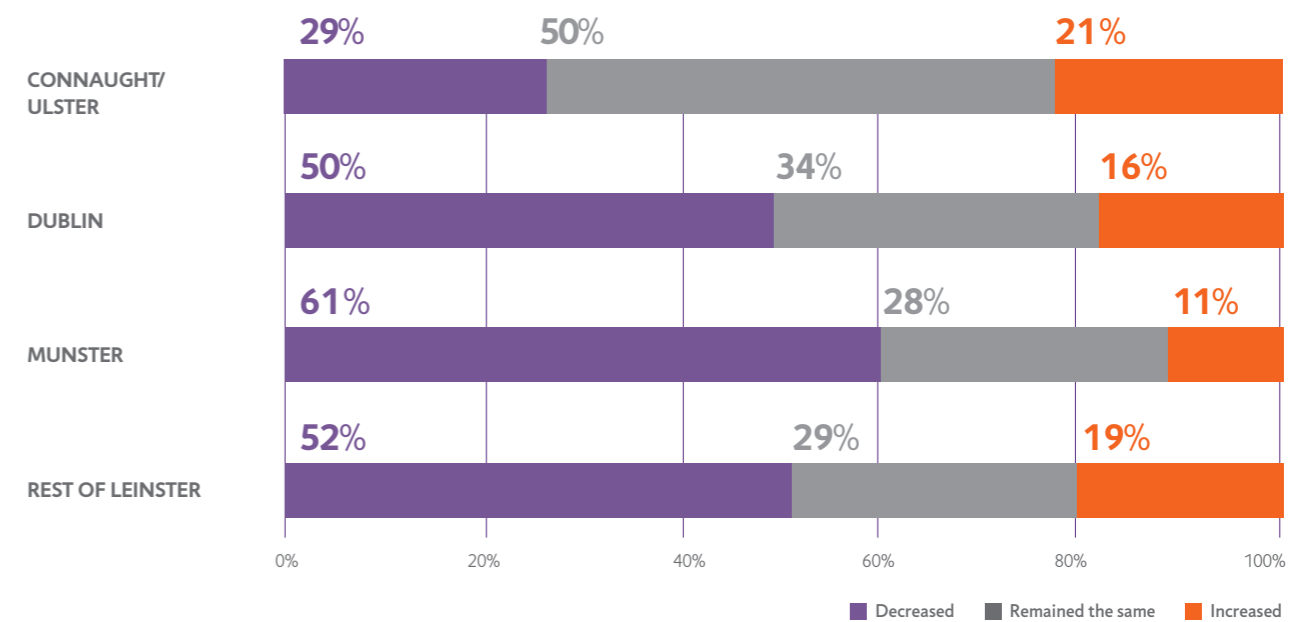
Source: SCSi Survey 2017

### Tenant Demand in 2017



Source: SCSi Survey 2017

### Landlord Instructions in 2017

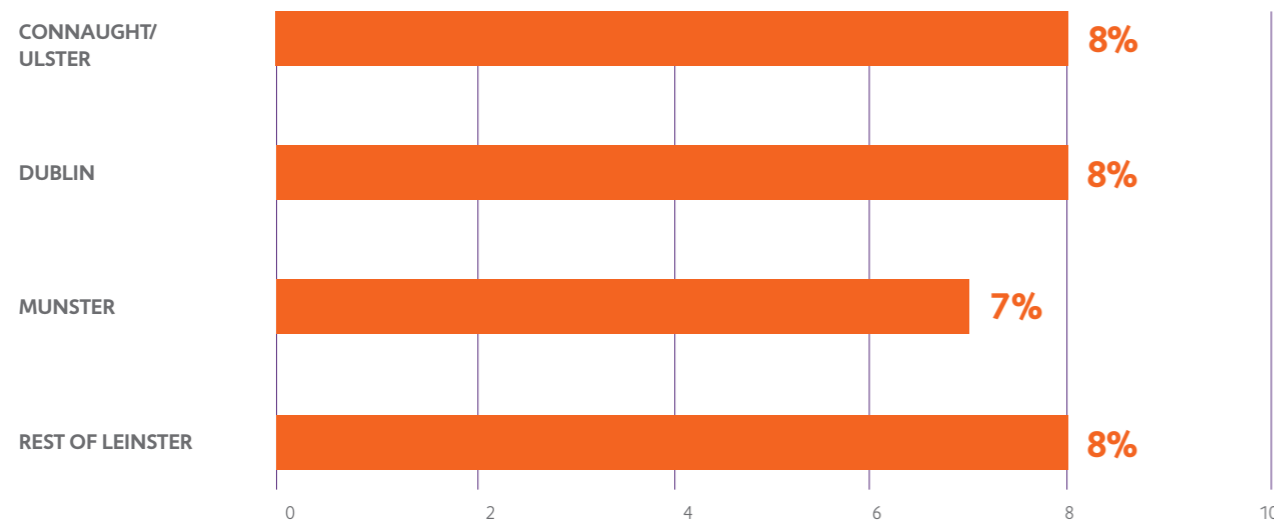


# Sales and Rental Outlook 2018

**Chartered Surveyors across the country predict a continuation of trends experienced in 2017 and a national average increase in sales values of 8% in 2018. Highest demand is anticipated for 2 and 3 bed units. This is tempered by a slight tailing in sales values in Dublin alongside a slight rise outside of Dublin. Nationally rents have increased by 8%.**

Source: SCSi Survey 2017

Expected Increase in Property Prices 2018



Chartered Surveyors have highlighted what they consider to be the top factors that will significantly impact on the supply of second-hand residential units to the market in 2018 as follows:

1. Increase in new builds to the market
2. An increase in property values

The reasons why these factors will impact supply is expanded upon below:

Firstly, an increase in new builds to the market will provide more options available to first time buyers and to those currently with properties and that are looking to move. It will provide more fluidity in the market place so that there are more options for transactions.

Secondly, there is an argument that the value of residential property in some locations is at such a level that it is unviable to build new housing. This is because the costs of building is less than current property values. With an increase in property values, there is more opportunity for the unviable situation to now become viable again, unless of course the underlying costs of construction are reduced.

An increase in mortgage finance was also considered to be a key factor. Similar to the increase in property values, if there was an increase in mortgage finance made available to purchasers, this would have an inflationary effect of increasing property prices and again moving those currently unviable housing developments into a more viable scenario and therefore result in more new builds.

Properties emerging from negative equity and landlords exiting the property market were also considered to be key influencing factors upon the supply of second-hand properties to the market. Properties emerging from negative equity is expected to encourage owners of second-hand properties to sell, consequentially increasing the number of second-hand homes in the market. The number of homes in negative equity is now just a quarter of what it was at the end of the downturn and figures from the Central Bank reported that negative-equity loans accounted for 9.6% of all home loans in the third quarter of 2017.

Government and financial body measures to assist the mobilisation of buyers to the market, such as the 'Help-to-Buy' scheme and a relaxation in lending rules, were considered by Chartered Surveyors to be the least significant factor in influencing the supply of second-hand homes. As the 'Help-to-Buy' scheme is only available to first-time buyers of new properties, any impact it has upon the supply of second-hand homes will be of a secondary nature.

Padraig Sherry (representative of the SCSi North East Region and Chartered Surveyor in Sherry Fitzgerald Sherry) suggests that the lack of second-hand homes is creating a dysfunctional market in terms of supply, with vendors gravitating towards buyers without their own property to sell. Therefore, while there is appetite amongst second-hand home owners to sell, they are often unable to until they have sold their own property, which deters vendors, leading to a lack of supply of second-hand homes.

## Half of (50%) Chartered Surveyors reported a reduction in the number of landlord instructions in 2017.

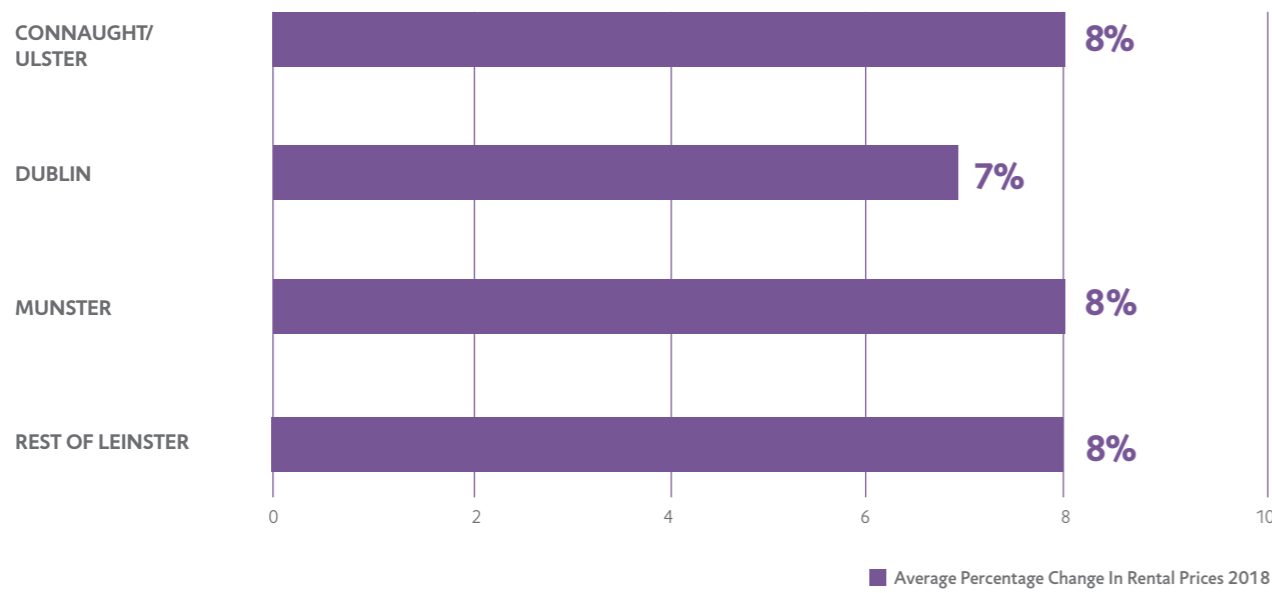
The Governments recent rental cap measures in certain parts of the country is considered to have encouraged a significant number of private landlords to exit the rental market and sell their property assets. While many Chartered Surveyors consider this to have influenced the supply of second-hand properties in the market, there is also consensus that the measure has negatively impacted the supply of rental properties with half of (50%) Chartered Surveyors reporting a reduction in the number of landlord instructions in 2017. In the last SCSi outlook survey, Chartered Surveyors predicted that 'permanent introduction of rent control' would be the most influential factor when considering what measures would reduce the supply of properties in the rental market in 2017. Despite the introduction of rent caps limiting increases to 4% per year in designated Rent Pressure Zones, Chartered Surveyors expect rents to increase beyond this level in all areas in 2018.

Nationally, Chartered Surveyors consider that there will be a significant lack of rental properties of all sizes in 2018 and 81% of Chartered Surveyors experienced an increase in rental demand by tenants in the last 12 months. There is concern that the rental market is in crisis, with high rents compounding tenant's ability to save for the large deposits now required to purchase their own home. Without intervention to relieve saturation of the rental market by increasing supply and mobilising tenants to exit the rental market, a negative outlook for residential tenants will persist into the future.

Across the country, Chartered Surveyors consider that in 2018 demand will outstrip supply for rental homes of all sizes. When asked what they considered will be the relationship between supply and demand for different categories of rental properties in 2018, 82.4% considered that demand would outstrip supply for 1 bed rental units; 83.2% for 2 bed rental units; 82% for 3 bed rental units and 76.2% for 4 bed rental units. As a result of this lack of supply, 77.2% of Chartered Surveyors nationally predict that rents will increase across all unit sizes in 2018.



Average Percentage Change In Rental Prices 2018



## New Properties Outlook 2018

**Whilst the number of planning permissions and commencements is expected to continue to increase, there is little prospect that 2018 will result in the scale of construction needed to adequately address residential property demand.**

Mary McGarry-Murphy (representative of the SCSi Dublin Region and Chartered Surveyor in WYSE) notes that the speed of the planning process, availability of land and cost of construction are all delaying the delivery of new housing. She suggests that Government interventions could include encouraging the CPO of land by Councils to release it for residential development.

Chartered Surveyors in the western and northern regions highlight the need for adequately serviced development land to encourage construction of new housing. In addition, there is a need for development parcels that meet the requirements of small scale housebuilders. Nationally, 36% of Chartered Surveyors expect to market new housing schemes in the next 12 months, which continues the experience of 2016.



# Dublin

## TOP SALES IN 2017 INCLUDED

Gorse Hill, Vico Road, Killiney,  
Co Dublin, €9.5 million, Sherry Fitz Gerald and  
Knight Frank Fintragh

11 Shrewsbury Road, Dublin 4, €8.435 million,  
Knight Frank

Danes Hollow, Thormanby Road, Howth, Co Dublin,  
€8.2 million, Ganly Walters

## Forecast for 2018

# EXPECTATIONS FOR PRICE CHANGE IN 2018

Results show predicted increase.



### SECOND-HAND PROPERTIES (VALUES)

8%

1 bed apartment

8%

2 bed apartment

8%

2 bed town house

8%

3 bed town house

8%

3 bed semi

8%

4 bed semi

6%

4/5 bed detached



### NEW PROPERTIES (VALUES)

8%

2 bed town house

8%

3 bed town house

8%

3 bed semi

7%

4 bed semi

6%

4/5 detached



### RENTS

7%

1 bed apartment

7%

2 bed apartment

7%

2 bed town house

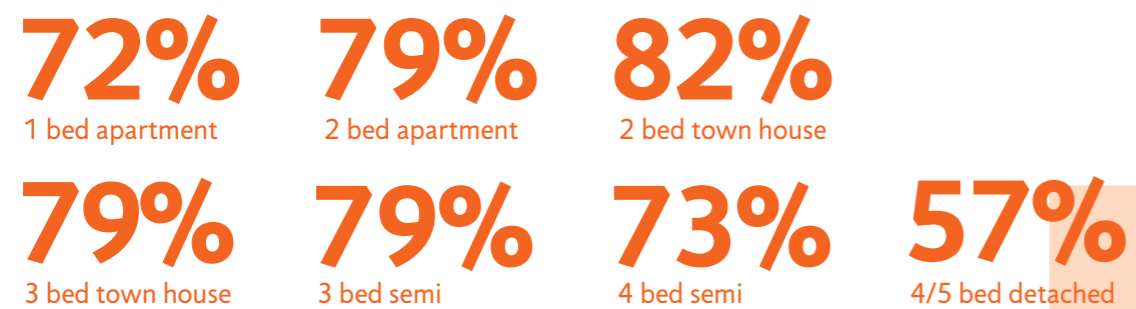
7%

3 bed town house

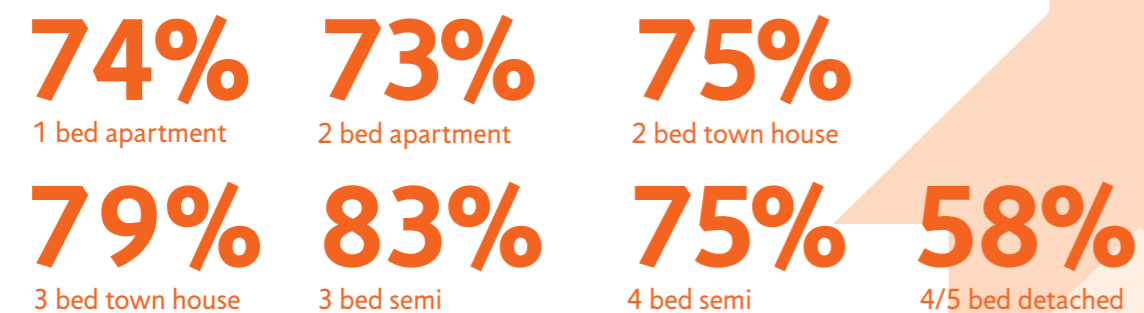
# EXPECTATIONS OF SUPPLY & DEMAND

Results show the percentage of Chartered Surveyors that consider supply will be less than demand.

## 2<sup>nd</sup> | SECOND-HAND PROPERTIES



## | NEW PROPERTIES



## | FOR RENT



## DUBLIN

House prices are expected to increase by 8% and rents by 7%, with 80% of chartered surveyors predicting greatest demand for 2&3 bed houses.



# Rest of Leinster

## TOP SALES IN 2017 INCLUDED

Ballymacoll Stud, Dunboyne, Co Meath, €8.15 million, Coonan and Knight Frank

## Forecast for 2018

# EXPECTATIONS FOR PRICE CHANGE IN 2018

Results show predicted increase.



### SECOND-HAND PROPERTIES (VALUES)

9%

1 bed apartment

10%

2 bed apartment

9%

2 bed town house

9%

3 bed town house

9%

3 bed semi

8%

4 bed semi

7%

4/5 bed detached



### NEW PROPERTIES (VALUES)

8%

2 bed town house

8%

3 bed town house

8%

3 bed semi

7%

4 bed semi

7%

4/5 detached



### FOR RENT

8%

1 bed apartment

8%

2 bed apartment

9%

2 bed town house

8%

3 bed town house

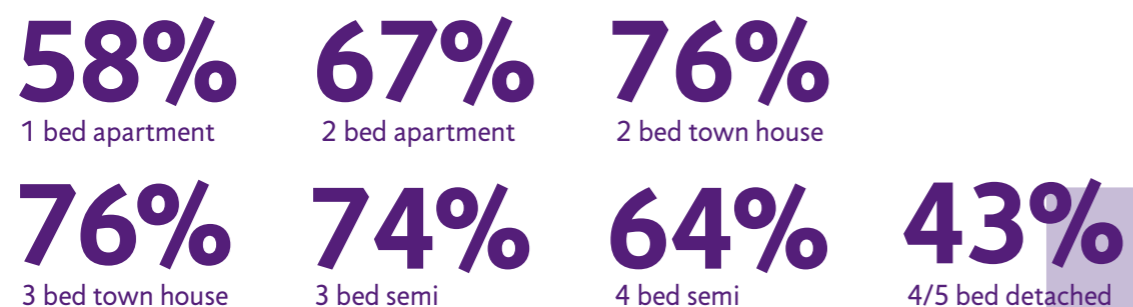
# EXPECTATIONS OF SUPPLY & DEMAND

Results show the percentage of Chartered Surveyors that consider supply will be less than demand.

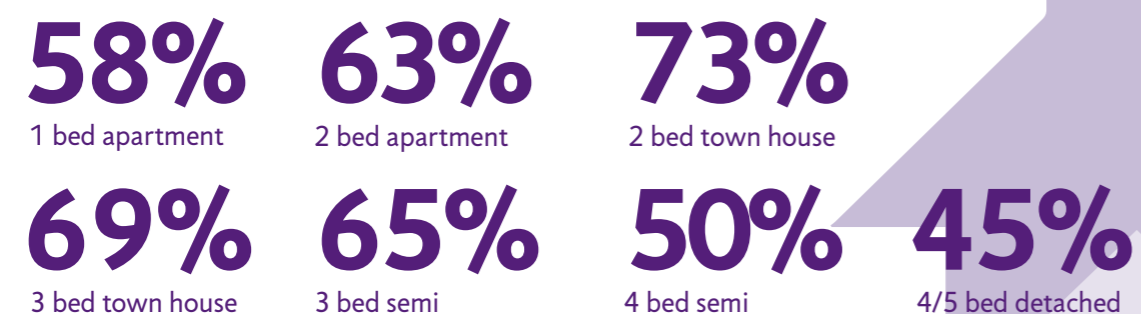
## REST OF LEINSTER

House prices are expected to increase by 8% and rents by 8%, with 72% of chartered surveyors predicting greatest demand for 2&3 bed houses.

### 2<sup>nd</sup> | SECOND-HAND PROPERTIES



### | NEW PROPERTIES



### | FOR RENT



# Munster

TOP SALES IN 2017 INCLUDED

Mosely Villa, Blackrock Road,  
Cork, €1.5 million

## Forecast for 2018

# EXPECTATIONS FOR PRICE CHANGE IN 2018

Results show predicted increase.



### SECOND-HAND PROPERTIES (VALUES)

8%

1 bed apartment

8%

2 bed apartment

8%

2 bed town house

8%

3 bed town house

9%

3 bed semi

8%

4 bed semi

6%

4/5 bed detached



### NEW PROPERTIES (VALUES)

8%

2 bed town house

8%

3 bed town house

8%

3 bed semi

8%

4 bed semi

7%

4/5 detached



### FOR RENT

8%

1 bed apartment

8%

2 bed apartment

8%

2 bed town house

9%

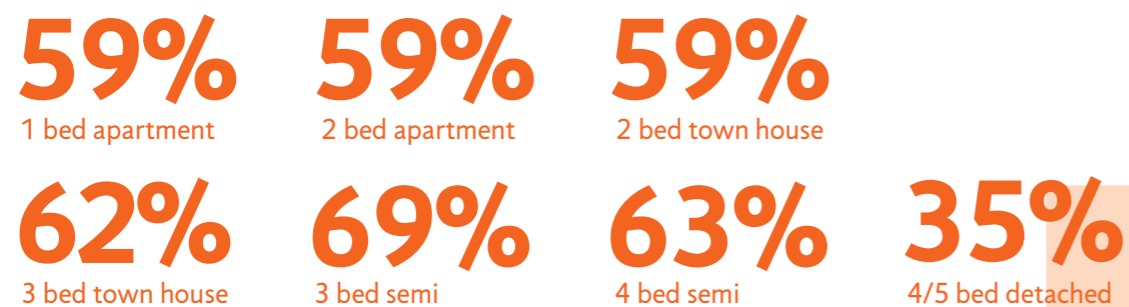
3 bed town house



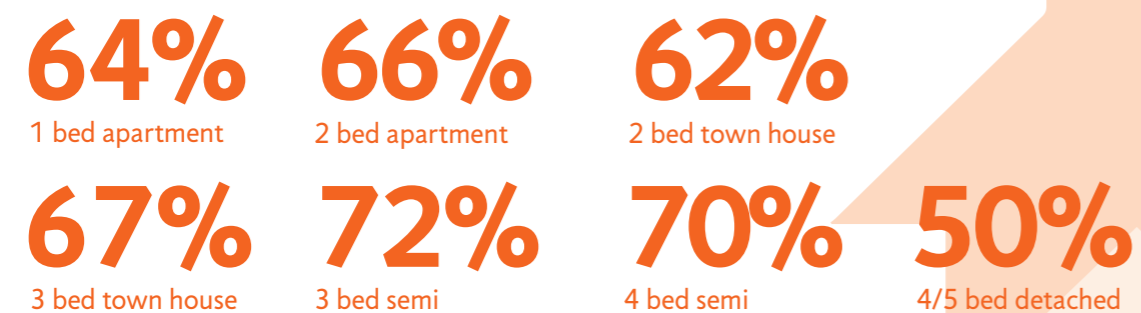
# EXPECTATIONS OF SUPPLY & DEMAND

Results show the percentage of Chartered Surveyors that consider supply will be less than demand.

## 2<sup>nd</sup> | SECOND-HAND PROPERTIES



## NEW PROPERTIES



## FOR RENT



## MUNSTER

House prices are expected to increase by 7% and rents by 8%, with 65% of chartered surveyors predicting greatest demand for 2&3 bed houses.

# Connaught/ Ulster

## TOP SALES IN 2017 INCLUDED

Westport House, Westport, Co Mayo, in the region of €5.5 million, Ganly Walters

## Forecast for 2018

# EXPECTATIONS FOR PRICE CHANGE IN 2018

Results show predicted increase.



### SECOND-HAND PROPERTIES (VALUES)

5%

1 bed apartment

6%

2 bed apartment

6%

2 bed town house

6%

3 bed town house

8%

3 bed semi

6%

4 bed semi

6%

4/5 bed detached



### NEW PROPERTIES (VALUES)

5%

2 bed town house

6%

3 bed town house

7%

3 bed semi

8%

4 bed semi

6%

4/5 detached



### FOR RENT

6%

1 bed apartment

8%

2 bed apartment

8%

2 bed town house

8%

3 bed town house

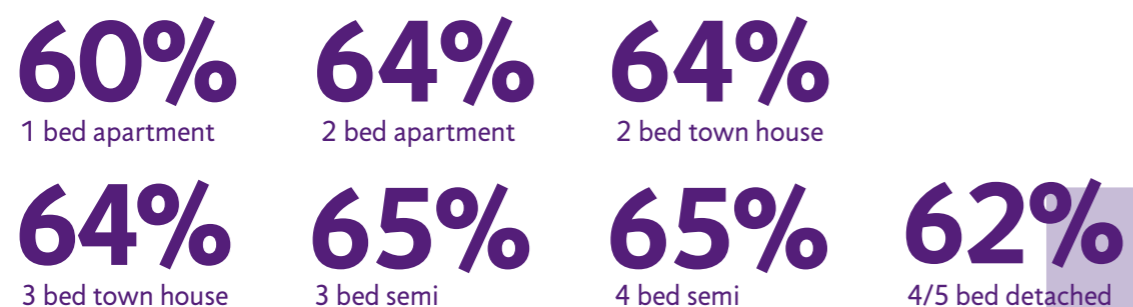
# EXPECTATIONS OF SUPPLY & DEMAND

Results show the percentage of Chartered Surveyors that consider supply will be less than demand.

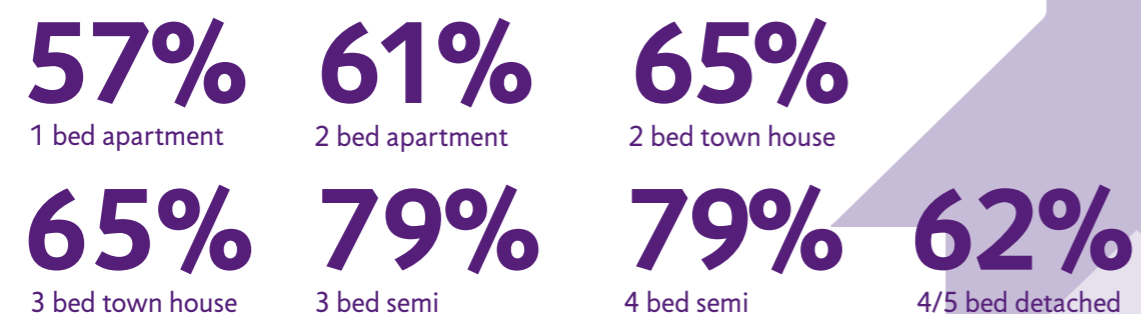
## CONNAUGHT/ULSTER

House prices are expected to increase by 8% and rents by 8%, with 67% of chartered surveyors predicting greatest demand for 2&3 bed houses.

### 2<sup>nd</sup> HAND SECOND-HAND PROPERTIES



### NEW PROPERTIES



### FOR RENT







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