

ANNUAL RESIDENTIAL PROPERTY REVIEW & OUTLOOK



THE 2015 REPORT

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CONTENTS

FOREWORD	ii
KEY SCSI MEMBER'S SURVEY FINDINGS	1
KEY OUTLOOK 2015 SUMMARY	3
1.0 INTRODUCTION	5
2.0 ECONOMIC CONTEXT	
National Economic Performance	7
Employment Rates	7
Housing Affordability	8
Consumer Sentiment	8
3.0 PROPERTY MARKET REVIEW	
Housing Price Trends	9
Housing Supply Shortages	11
Rental Market	12
Residential Investment: REIT	13
Finance Availability	13
Mortgage Approval	13
Negative Equity	14
Central Bank Macro-Prudential Proposals	14
Development Land	14
SCSI Members Results 2014 by Region	15
4.0 RESIDENTIAL PROPERTY MARKET OUTLOOK 2015	
Housing Supply Shortage	23
Rental	23
Finance	24
Central Bank Macro-Prudential Proposals	24
Legislative Intervention Measures	24
Residential Construction & Supply	25
Opportunities and Challenges 2015	26
SCSI Members Outlook 2015 by Region	27
5.0 REGIONAL SCSI CHAIR INTERVIEWS	
Simon Stokes	31
Ray Hanley	32
Edward Carey	33
Michael McKenna	33
Michael Boyd	34
Gerard O'Toole	34

FOREWORD



SIMON STOKES
CHAIR RESIDENTIAL AGENCY PROFESSIONAL GROUP



CONOR O'DONOVAN
SCSi DIRECTOR OF POLICY & COMMUNICATIONS

The latest Annual Survey of SCSi members shows that there was a marked improvement in property market activity levels in 2014.

An improved economic outlook, increased consumer sentiment and increased levels of mortgage lending have all supported more activity in the property market.

According to the SCSi survey, property values increased by an average of 14% nationally over the period and by 19.5% in the Dublin Region. Property values regionally also increased by an average of 15.8% in the Leinster Region, by 10% in the Connaught/Ulster Region and by 9.6% in the Munster Region. It should be noted that there are significant variances in property values depending on the location as the multi-tiered nature of the Irish property market continues to become more evident.

The Central Bank Macro-Prudential Policy proposals which require a 20% deposit from prospective purchasers and which limits the loan-to-income ratio to 3.5 times the purchaser's income introduced an element of uncertainty into the market in the final quarter of 2014 which has tempered sentiment levels. The SCSi welcomes the principle of the policies but 80% of members surveyed felt the proposed levels were too restrictive. SCSi recommends that a more reasonable LTU limit would be in the 85-90% range.

One of the major issues affecting the housing market in 2014 was the lack of supply of new homes.

The Housing Agency has predicted that 80,000 units will be needed nationally over the next 5 years. Department of Environment, Community & Local Government statistics determine that 11,016 units were built in 2014, up by 32.7% from the 8,301 units built in 2013. This figure is still far below sustainable levels.

The SCSi has been active in producing data on the property market to support policy and decision making. In September 2014, the SCSi published its 'Housing Supply Capacity in Dublin's Urban Settlements 2014-18' report which found that there was a minimum requirement of 35,433 units in Dublin between 2014 – 2018. The report also found that there is only a total of granted (extant) planning permissions for 26,580 units, resulting in an approximate 25% shortfall of 8,853 units over the five-year period.

The report also found that there is sufficient zoned land in Dublin to meet the housing supply shortage. There are 2,233 hectares (Ha) of land zoned and potentially available for residential development that could support the delivery of 102,000 additional housing units.

The SCSi advocated a number of measures to facilitate an increase in housing supply in its '10 Step Strategy to Address the Housing Supply Shortage' including the introduction of a Builders Finance Fund to support SME builders, a temporary reduction in development contributions and VAT and a Revolving Infrastructure Fund to facilitate infrastructure development.

The SCSi welcomed the Government's Construction 2020: A strategy for a Renewed Construction Sector' which identified 75 measures to address the housing supply issue in relation to construction and planning. The forthcoming Planning & Development (No. 1) Bill provides for the implementation of some of these measures.

Members anticipate that property values may continue to increase in certain areas by between 5-10% in 2015. Activity in the market will depend largely on the levels of property supply coming into the market; the impact of the Central Bank Proposals on sentiment; ability of prospective purchasers to secure mortgages; and the availability of development finance and funding for developers.

KEY SCSI MEMBERS' SURVEY FINDINGS

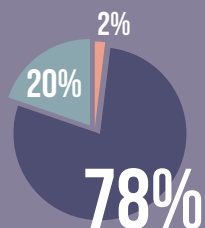
NATIONAL SUMMARY HIGHLIGHTS



AVERAGE PROPERTY VALUES

increased nationally in 2014 by **+14%**

SCSI respondents in the Dublin Region estimated the highest percentage change in property values with an average increase of 19.5%, while Munster Region based SCSI respondents estimated percentage change in house values of 9.6%



VENDOR PRICE EXPECTATIONS Q4

Increases in vendor price expectations in Q4 2014 were observed by 78% of SCSI respondents nationally while 20% observed no change in vendor price expectations

CHANGE IN VALUES FOR NEW HOMES BY REGION

(December 2013 to December 2014)

	CONNAUGHT / ULSTER	DUBLIN	MUNSTER	LEINSTER (EXCL. DUBLIN)
2 BED TOWN HOUSE	+4%	+16%	+4%	+11%
3 BED TOWN HOUSE	+4%	+17%	+5%	+12%
3 BED SEMI-DETACHED	+5%	+19%	+6%	+15%
4 BED SEMI-DETACHED	+5%	+18%	+6%	+14%
4/5 DETACHED	+5%	+16%	+5%	+12%
1 BED APARTMENT	+3%	+16%	+3%	+9%
2 BED APARTMENT	+3%	+17%	+3%	+10%

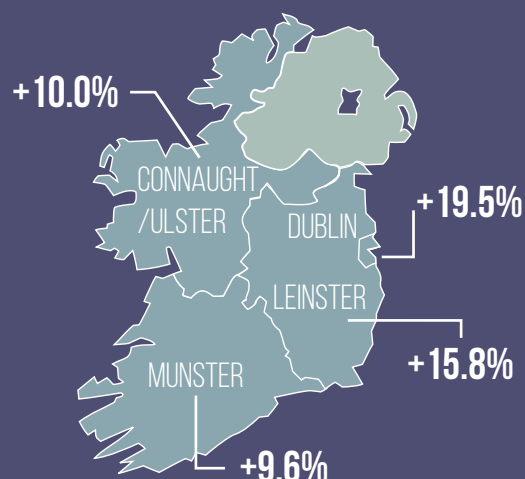
CHANGE IN VALUES FOR SECOND HAND HOMES BY REGION

(December 2013 to December 2014)

	CONNAUGHT / ULSTER	DUBLIN	MUNSTER	LEINSTER (EXCL. DUBLIN)
2 BED TOWN HOUSE	+10%	+18%	+8%	+15%
3 BED TOWN HOUSE	+10%	+18%	+9%	+15%
3 BED SEMI-DETACHED	+12%	+20%	+11%	+17%
4 BED SEMI-DETACHED	+11%	+19%	+9%	+16%
4/5 DETACHED	+8%	+17%	+9%	+13%
1 BED APARTMENT	+5%	+19%	+6%	+13%
2 BED APARTMENT	+7%	+20%	+7%	+14%

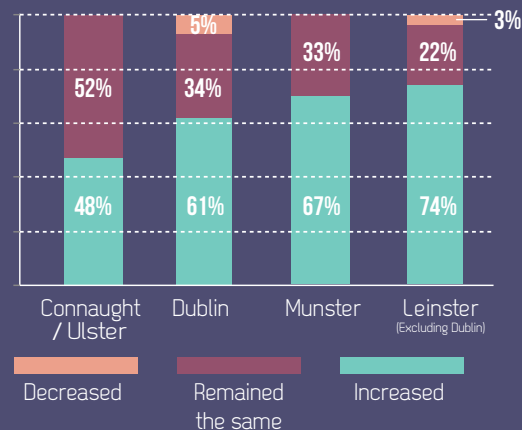
AVERAGE PROPERTY VALUES

increased across all regions in 2014



MORTGAGE AVAILABILITY (Dec '13 to Dec '14)

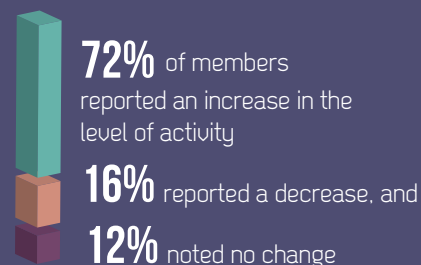
Most regions reported an increase in the availability of mortgage finance in 2014



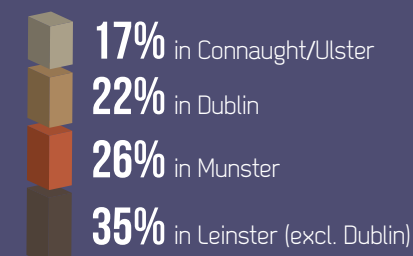
LEVEL OF ACTIVITY

In the residential property market during the period September 2014 to December 2014

NATIONALLY



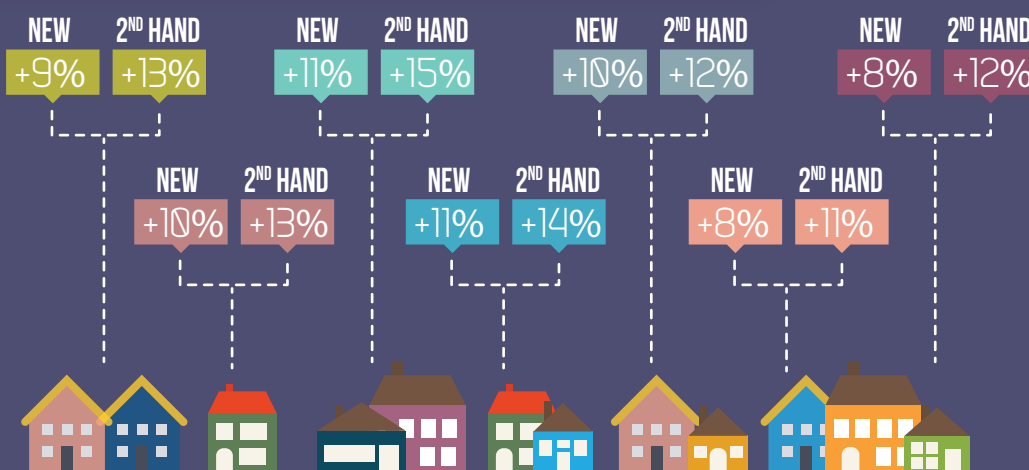
BY REGION



KEY SCSi MEMBER'S SURVEY FINDINGS CONTINUEDNATIONAL - VALUES IN NEW HOMES & 2ND HAND HOMES

Average percentage change in values for new and second-hand homes during 2014 (Dec '13-Dec '14)

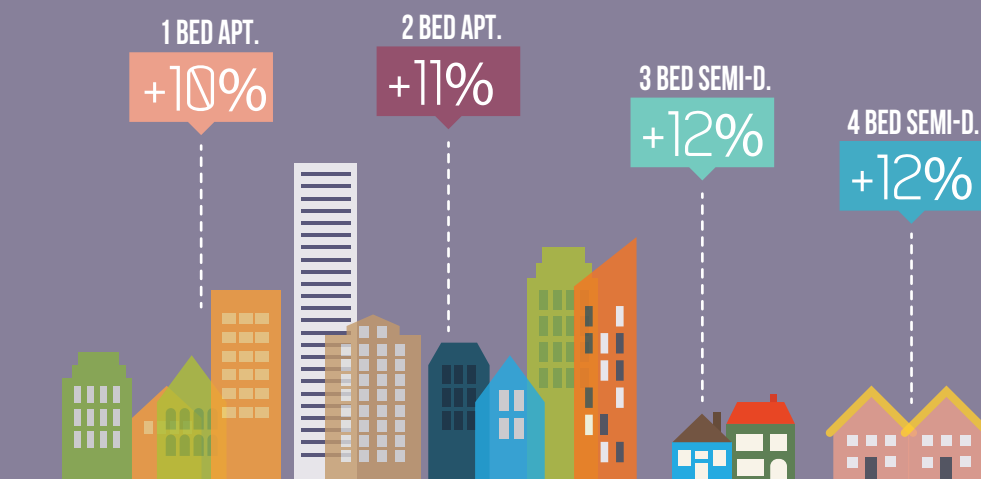
-  2 bed townhouse
-  3 bed townhouse
-  3 bed semi detached
-  4 bed semi detached
-  4/5 bed detached
-  1 bed apartment
-  2 bed apartment



NATIONAL - RESIDENTIAL RENTS

Average percentage change in rental prices during 2014 (Dec '13-Dec '14)

-  1 bed apartment
-  2 bed apartment
-  3 bed semi detached
-  4 bed semi detached



MORTGAGE LENDING PROPOSALS

NATIONALLY

88%

of SCSi members believe that the proposed 20% Loan-To-Value (LTV) deposit is unreasonable

64%

of SCSi members find a 10% Loan-To-Value LTV ratio preferable

REGIONALLY

DUBLIN

85%

believe the proposed 20% LTV deposit is unreasonable

58%

find a 10% LTV ratio preferable

LEINSTER (EXCL. DUBLIN)

84%

believe the proposed 20% LTV deposit is unreasonable

62%

find a 10% LTV ratio preferable

MUNSTER

91%

believe the proposed 20% LTV deposit is unreasonable

73%

find a 10% LTV ratio preferable

CONNAUGHT / ULSTER

91%

believe the proposed 20% LTV deposit is unreasonable

65%

find a 10% LTV ratio preferable

KEY OUTLOOK 2015 SUMMARY

DESPITE THE STABILISATION IN THE ECONOMY AND GROWTH NATIONALLY IN THE RESIDENTIAL PROPERTY MARKET IN 2014, THE MAJORITY OF CONTRIBUTORS TO THIS REPORT CONSIDER THAT BOTH SECTORS REMAIN VERY UNCERTAIN AND THERE CONTINUES TO BE CHALLENGES AND OPPORTUNITIES WHICH HAVE THE POTENTIAL TO SIGNIFICANTLY CHANGE THE COURSE OF THE RESIDENTIAL PROPERTY MARKET.

- ➊ One of the key national residential property challenges in 2015 is the housing supply shortage which is particularly prevalent in the Dublin and Leinster regions, and the cities of Cork, Galway and Limerick as stated by SCSI members in those regions.
- ➋ The housing supply shortage is putting disproportionate pressure on the residential rental market nationally, but is most prominent in the urban areas of Dublin City and County, Cork City and suburbs and Galway City and suburbs.
- ➌ Under-supply of new builds to meet demand requirements is projected to continue throughout 2015.
- ➍ Increased financial liquidity in the development sector is crucial to restoring the construction industry and it is the opinion amongst the majority of SCSI surveyed members that financial institutions must increase lending to developers in order to stimulate the construction sector.
- ➎ SCSI members expect a reduction in cash buyer transactions compared to previous years.
- ➏ Property and economic industry specialists await the recommendations from the Central Bank on the proposed mortgage lending regulations, to assess its impact on the property market.
- ➐ Prices are anticipated to continue increasing in 2015 albeit at a more modest rate than 2014.
- ➑ Limited housing supply and increased prices in Dublin will lead to an increase in demand in the commuter belt counties.
- ➒ Rental increases are likely to outpace residential price increases, particularly in Dublin City.
- ➓ Rental increases will continue to impact student accommodation availability, particularly in the cities of Dublin, Cork, Galway and Limerick.
- ➔ Increased house prices will reduce the level of negative equity for homeowners, particularly in high demand urban centres. This may lead to an increase in the release of additional existing stock onto the market.
- ➕ The gap in negative equity levels will reduce more rapidly in the Dublin Region and Greater Dublin Area over the coming year compared to other regions as price levels increase more rapidly in Dublin and the Greater Dublin Area.
- ➖ The number of investors is expected to decrease compared to 2014 figures as a result of the cessation of the capital gains tax relief incentive in December 2014.
- ➗ SCSI members anticipate the return to more traditional bank lending practices which will result in an increase in the rate of mortgage approvals in 2015.
- ➘ Traditional developers will continue to encounter difficulties in securing sufficient finance to commence development projects, resulting in a greater reliance on development investors.

DUBLIN REGION OUTLOOK SUMMARY

91%



of members anticipate 1 bedroom apartments to be in shortest supply in 2015



82% of Dublin Region based members do not expect the supply of new 3 bed semi-detached homes in their respective areas to meet demand by year end 2015.

Members surveyed for the Dublin Region predict that rental prices for four bed semi-detached houses are likely to increase by approximately 9% over the coming 12 months.

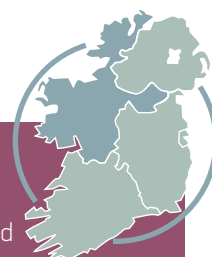
Dublin Region SCSi members highlighted access to finance, availability of mortgages, bank repossessions and rising house prices as some of the major factors likely to impact on the supply of second hand homes over the next 12 months.

CONNAUGHT/ULSTER REGION OUTLOOK SUMMARY

3 BED SEMI- DETACHED



houses are anticipated to see the highest increase in both sales and rental values



Connaught/Ulster based respondents anticipate a significant shortage of 3 bed and 4 bed residential properties throughout 2014 with demand exceeding supply.

An increase in the number of first time buyers within the region is anticipated in 2015 leading to an increasing demand for 'starter' type homes.

Rental growth is anticipated to continue to increase in urban centres, albeit at a more modest rate to 2014 levels. Principal regional towns will perform strongly throughout 2015, with Galway City anticipated to perform significantly well due to the lack of housing supply.

LEINSTER REGION* OUTLOOK SUMMARY

3 BED SEMI- DETACHED



new and 2nd hand homes are anticipated to see the greatest increase in value in 2015



The majority of Leinster Region based members do not expect the supply of new 3 and 4 semi-detached homes in their respective areas to meet demand by year end 2015.

SCSi Leinster based members stated that a greater availability of finance will be key to addressing the supply shortage in the region.

Respondents anticipate an 8% rental price increase in both 1 bed apartments and 2 bed apartments in 2015, while 3 bed semi-detached properties are anticipated to rise by 10% for both new and second hand homes.

MUNSTER REGION OUTLOOK SUMMARY

8%



average increase in rental property prices anticipated for 3 and 4 bed semi-detached homes in 2015



Residential sales and rental prices are anticipated to increase in Limerick City in 2015 as a result of a shortage of supply in the city.

79% of Munster based SCSi respondents do not expect the supply of new or second hand 3 bed semi detached houses to meet demand by year end 2015.

Factors cited by SCSi members which will influence the supply of housing in 2015 include the availability of finance to first time buyers and buyers trading up, bank repossessions, government policy, job opportunities, and vendor price expectations.

* For the purposes of this report the Leinster Region excludes the Dublin Region (comprising of the four Dublin Local Authorities).

INTRODUCTION



THE 2014 IRISH RESIDENTIAL PROPERTY MARKET HAS SEEN THE KEY INFLUENCING FACTORS OF AN EMERGING CONSUMER CONFIDENCE, AN INCREASE IN DEMAND ACCOMPANIED BY A SEVERE SUPPLY SHORTAGE AND THE INCREASED AVAILABILITY OF FINANCE CONTRIBUTE TO A RISE IN THE LEVEL OF ACTIVITY IN THE NATIONAL MARKET, PARTICULARLY IN THE DUBLIN REGION.

This report details expert insight into trends in the Irish residential property market over the past twelve months. It considers what the sector should expect in 2015 with regard to industry movements, and delivers insightful contributions from national property and economic experts. As part of this report, a survey was conducted amongst SCSI members nationwide, providing a valuable analysis of the market trends on a regional basis, with key findings regarding price trends in both the sales and rental sectors, housing supply needs, availability of finance and challenges, and opportunities facing the sector. In-depth interviews were conducted with SCSI Regional Chairs, which allowed for a constructive professional overview of the residential market sector performance in 2014 and on the constraints that may inhibit continued growth over the coming year and beyond. Furthermore, extensive interviews were conducted with external property, economic and construction market experts providing readers with the valuable insight of other industry experts.

2014 proved to be a significant year in the residential market as it included the announcement of a key Government strategy framework and reforms of the Irish planning system. In May, the 'Construction 2020: A Strategy for a Renewed Construction Sector' was published establishing a strategy by the Government to restore the construction industry, to increase the capacity of the sector and to address employment and housing requirements nationally. The establishment of a National Housing Framework is one of the key elements of the Construction 2020 strategy, which it anticipates will ensure that the supply of housing is matched with projected housing demands on a national and local basis.

In October 2014, the Central Bank proposed new macro prudential measures for mortgage lending which, if implemented, would see restrictions on mortgage lending above 80% of the value of a principal home and would limit lending to 3.5 times a borrower's gross income. A review process is currently underway, which will conclude at the end of January 2015, following which the Central Bank will release its recommendations.

The SCSI has also been active in the completion of numerous research reports on the property market over the past year including an assessment of national land market prices and a comprehensive assessment of housing supply capacity in the Dublin Region. The latter determined a housing shortfall in excess of 8,853 units between those granted and the projected requirements of the Dublin Region from 2014 to 2018¹.

¹ SCSI (2014) 'Housing Supply Capacity in Dublin's Urban Settlements 2014-2018'



The housing supply shortages nationally were an issue of concern voiced by many SCSi members and also raised by the SCSi Chairs and external industry contributors throughout the consultation process of this outlook report, as it has far reaching consequences on both the entire residential market and the national economy.

2014 saw residential price increases across all regions. The increasing price trends in the residential property market in 2014 strongly reflect the improved national economic conditions on previous years. The increase in demand for properties, accompanied by a supply shortage is one of the key issues of concern facing the market into 2015 and the main concern of SCSi members, as determined by the SCSi survey and SCSi Chair interviews undertaken for the purpose of this report.

The volume of residential sales stock is reported to be at its lowest level since 2007 in some regions and insufficient supply remains a primary concern amongst property practitioners. Although the rate of new builds increased by approximately 30% in 2014 compared to 2013 levels, critically, the volume remains below required demand levels.

SCSi members expressed a desire to see increased financial availability lending for developers. However, members note that there are other factors inhibiting the construction sector revival, including high construction costs, stringent building regulation and the requirement for infrastructural specifications, all of which result in construction development being economically unviable at present.

One SCSi member said that the Central Bank macro-prudential proposals took many in the sector by surprise in terms of its timing and proposals. While industry experts agree that measures are required to avoid potential over lending, many SCSi members fear that these measures, if implemented as originally proposed, will have a significant adverse impact on the property market, particularly in the larger urban areas. As current proposals stand, 87% of all SCSi survey respondents disagreed that the proposed 20% LTU deposit is a reasonable rate.

The rate of property price increases differs across all regions. The Dublin Region performs most strongly in terms of demand, price increases, and supply shortages; followed by the Leinster Region which for the purpose of this report excludes Dublin. The strong influence of cash transactions remained throughout 2014 although the levels were noted to decrease in the second half of the year. This corresponds with the

Banking and Payments Federation Ireland (BPFi) data which confirms an increase in both mortgage approvals and drawdowns in 2014 compared to the previous year². It is important to note that the third quarter of 2014 experienced the highest rate of mortgage approvals since 2011. SCSi members anticipate that the rate of cash transactions will continue to decline in 2015 as mortgage lending availability increases nationally.

For the purpose of this SCSi Residential Property Review and Outlook Report 2015, a comprehensive survey of SCSi members was conducted nationally, dividing the members into their respective regions in order to attain at ground level, a true depiction of the residential market trends from the property experts working within their respective regions.

²BPFi 2013 Q1-Q4 data versus 2014 Q1-Q3 data results

ECONOMIC CONTEXT

DEMOGRAPHIC FACTORS INFLUENCING MACRO ECONOMIC CONTEXT

INCREASING
POPULATION



CHANGE IN POPULATION AT
HOUSEHOLD FORMATION AGE



CHANGE IN HOUSEHOLD
FORMATION SIZE



INCREASING
EMPLOYMENT
RATES



INCREASING MIGRATION RATES
TO THE LARGER URBAN CENTRES



EACH OF THE ABOVE INFLUENCING FACTORS ON THE IRISH PROPERTY SECTOR ARE CONTRIBUTING TO AN INCREASING DEMAND FOR HOUSING.

THE IDENTIFICATION OF FUTURE DEMOGRAPHIC DRIVERS, FOR EXAMPLE, THE PROJECTED SIZE, COMPOSITION AND LOCATION OF THE POPULATION OVER THE COMING YEARS IS A CRUCIAL ELEMENT OF PLANNING FOR FUTURE RESIDENTIAL REQUIREMENTS.

THESE TRENDS ARE IMPACTING MOST SIGNIFICANTLY ON THE LARGER URBAN CENTRES AND ARE PROJECTED TO INTENSIFY OVER THE COMING YEARS, WITH DUBLIN CITY AND ITS ENVIRONS IN PARTICULAR CURRENTLY EXPERIENCING A STRONG DEMOGRAPHIC CHANGE THEREBY RESULTING IN SIGNIFICANT HOUSING SHORTAGES.

NATIONAL ECONOMIC PERFORMANCE

The changing trends in the residential property market in 2014, show significant improvements on previous years and strongly reflect the improved national economic conditions. The Central Bank forecasts GDP growth of 4.5% year ending December 2014, reflecting a stronger economic growth than expected, with a projected GDP of 3.4% in 2015. The forecast debt to GDP ratio for end 2014 is under 111% and is forecast to fall below 100% in 2018. The ESRI October 2014 Quarterly Economic Commentary noted positive growth in key domestic demand indicators, and strong export performance and budgetary returns in 2014 and 2015, with the Central Bank forecasting GNP growth of 3.1% in 2015.

EMPLOYMENT

Unemployment levels have steadily decreased from a five year high of 15.1% in February 2012 to 10.6% as recorded by the Central Statistics Office (CSO) in December 2014, with a projected further fall in national unemployment rates throughout 2015, to an estimated level of 10.3% at year end³.

Improving employment rates nationally have resulted in growth projections in consumer spending of 1.6% in 2015 (Central Bank 'Quarterly Bulletin 04 / October 2014').

³ Central Bank 'Quarterly Bulletin 04 / October 2014'

HOUSING AFFORDABILITY

Based on figures contained in the Property Services Regulatory Authority's (PSRA) Residential Property Price Register, the median price for a residential property nationally (excluding Dublin) from January to December 2014 was €179,000. The median price for a residential property in the Dublin Region was €252,500, highlighting a significant regional variation.

The increase in residential property prices in 2014, combined with a critical housing supply shortage in some urban areas has a marked impact on the residential rental market. As a result, the rental market is under significant pressure with demand in the residential rental sector exceeding supply.

RESIDENTIAL PROPERTY PRICE TRENDS

SOURCE: PSRA 2015*

NATIONAL EXCLUDING DUBLIN

€179,000

Median Transaction Price*

DUBLIN REGION

€252,500

Median Transaction Price*

"POSITIVE CONSUMER SENTIMENT WAS CERTAINLY A FACTOR IN THE INCREASE IN DEMAND AND TRANSACTIONS IN 2014. THIS FOLLOWS TWO YEARS WHICH SAW MANY "FIRE-SALE" TYPE ACTIVITIES RATHER THAN NORMALLY MOTIVATED SALES. HOWEVER, 2014 SAW A RETURN TO A MORE NATURAL MARKET, WHEREBY BUYERS WERE SEEING REAL VALUE FOR MONEY AND CONFIDENCE THAT THE MARKET HAD STABILISED".

- **MICHAEL BOYD**
SCSI CHAIR OF THE SOUTH EASTERN REGION

CONSUMER SENTIMENT

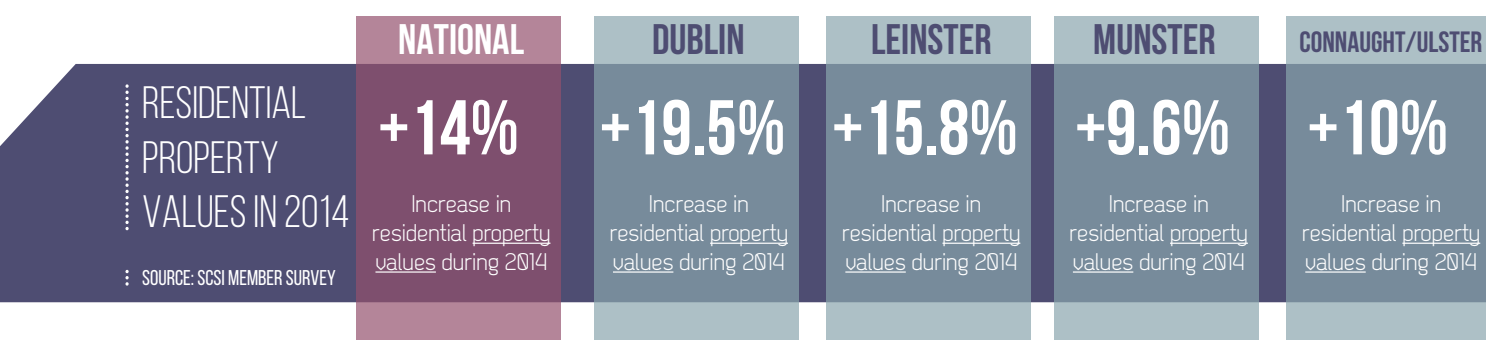
2014 saw a marked upturn for consumer sentiment in the property sector according to Lisney Divisional Director Research, Aoife Brennan, particularly in the Dublin Region. Aoife Brennan also stated that Lisney experienced a marked increase in activity and viewings in 2014, with apartments in the Dublin Region generally at 2001 prices. Demand also remains high for three and four bed houses, which are currently trading at about 2003/2004 market prices. Investors significantly influenced the residential market in 2014, particularly towards the end of the year as private investors availed of the capital gains tax (CGT) relief incentive which ceased on 31 December 2014.

With the cessation of the CGT relief, many SCSi members expressed the view that this increased the sales market in Q2 and Q3 of 2014. However, Dr. Kieran McQuinn, Associate Research Professor with the ESRI expressed caution citing that it may have fuelled artificial property growth.

Q4 saw activity in the residential market increase in all regions according to the SCSi survey results, with the exception of the Dublin Region which noted a moderation in the level of market activity compared to all other surveyed regions during the same period. A number of SCSi Dublin Region based members attribute the fall in activity post-September 2014 to potential buyer apprehension as a result of the Central Bank proposals, which compounded general sentiment amongst potential purchasers and investors that price increases had stabilised in the Dublin Region.

* NOTE: The PSRA figures above are a median of transactions on a county basis, which contain some transactions which do not denote the full market price of the property for various reasons. Only properties for which the full market value was provided were included in the figures provided and VAT at 13.5% was added to those properties that were listed as excluding VAT.

PROPERTY MARKET REVIEW



HOUSING PRICE TRENDS

According to SCSI members, property values increased across all regions in 2014 by an average of 14%. At the same time figures reveal significant regional variations in residential market performance, with very distinctive continued growth in the Dublin Region market. It is a widely supported view that the improved underlying economic growth is driving demand within the residential property market, particularly in urban areas. Dublin Region based SCSI members reported the highest increase in residential property values with a growth of 19.5% on 2013 values. The Leinster Region recorded the second highest increase at a rate of 15.8%, followed by the Connaught/Ulster Region and the Munster Region reporting value increases of 10.0% and 9.6% respectively.

It should be noted that price increases nationally have come from a very low base. The increase in both demand and price range experienced in regional towns and cities marks a significant and positive turn in the economy. Demand was reported as high nationally, with members observing strong activity among first time buyers and investors. The increase in mortgage approvals nationally has enabled many first time buyers to enter the property ladder in 2014.

SCSI members also reported very strong investor activity in the market in 2014, many of which were availing of the capital gains tax relief which ended on 31 December 2014. While members reported a mix of domestic and foreign based investors, many were reported as returning immigrants or planning to return. Investor demand was largely concentrated on properties located within urban areas.

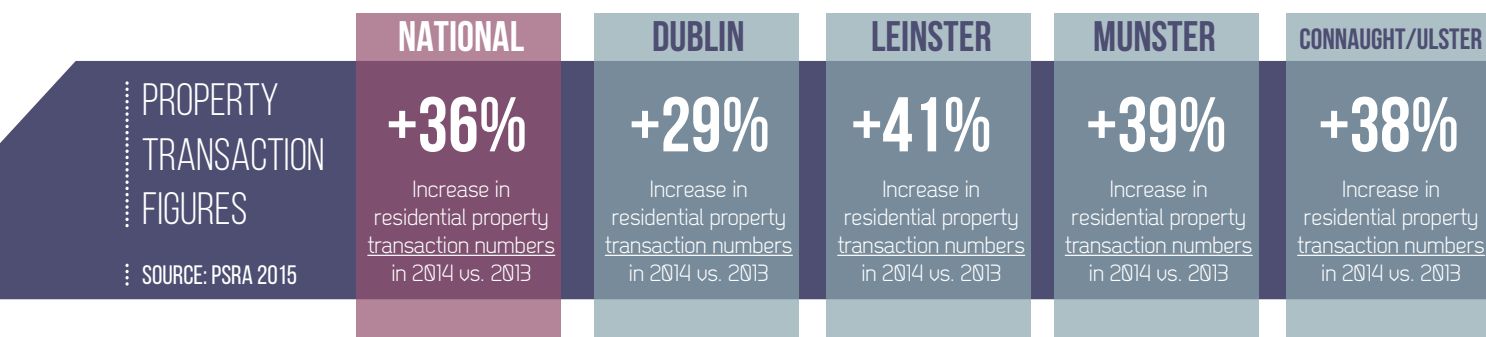
The Dublin and Leinster Regions experienced the most significant increases in price growth in 2014, with Dublin commuter counties recording increases in both demand and pricing, as a result of buyers being outpriced in the Dublin Region and moving into the surrounding counties. Lisney Divisional Director, Aoife Brennan, reported that "residential prices in Dublin are generally similar to 2002 levels" with "private investors very active in the residential market in 2014" availing of the CGT relief incentive. The significantly higher increase in the Dublin market is reflective of the prevailing macro-economic factors incorporating higher employment and a very limited supply of housing.

Dublin based SCSI members recorded the largest increases in their respective market, for example, prices in new build 3 bed and 4 bed semi detached houses increased by 19% and 18% respectively. Values for second-hand homes followed suit with similar increases, the largest of which occurred in 2 bed apartments and 3 bed semi detached houses, both of which incurred increases of 20% respectively.

SCSI members reported double digit growth in Cork and Galway (10% to 15%) and low single digit growth in Limerick and Waterford in 2014 compared to 2013 indicating the economic recovery is spreading beyond the Dublin Region throughout the country, albeit at a significantly slower rate.

DUBLIN REGION BASED SCSI SURVEY RESPONDENTS REPORTED A DECREASE IN THE LEVEL OF ACTIVITY IN THE MARKET BETWEEN Q3 AND Q4 OF 2014.

58% OF SURVEY RESPONDENTS NATIONALLY WERE OF THE OPINION THAT THE RATE OF INCREASE IN PROPERTY PRICES DURING Q4 OF 2014 HAD RISEN; WHEREAS ONLY 30% OF DUBLIN REGION RESPONDENTS SHARED THIS VIEW.



Residential property transaction numbers increased nationally by 36% in 2014, according to figures obtained from the PSRA. 59% of all transactions occurred within the Dublin and Leinster regions.

SCSI members reported activity, demand and price increases in all regions, with the main cities all experiencing strong demand and growth in values. Increased price growth in the majority of Irish cities is directly attributed to the severe lack of housing in these locations, which is putting considerable pressure on both housing and rental values. Cash buyers remain a significant share of the market, with SCSI members attributing approximately 40% of sales in 2014 to this sector. However many SCSI members expressed the view that this cash share would decrease in 2015, as improved finance lending from banking institutions returns to the market.

Gerard O'Toole, representative for the Western Region Chair believes Galway City is the strongest performing and most buoyant city centre market outside of the capital, and anticipates this trend to continue in 2015. Demand remains very strong in Galway City, its growth far exceeding the regional averages and with a very limited supply. Capital growth levels within Galway City have reached 15% and a marked increase overall in the region in activity levels is evident. Larger semi-detached family homes performed particularly well in terms of sales in addition to "starter" type homes. The overall Connaught/Ulster region has recorded both a stabilisation and the largest price growth rate since 2007; representing a marked improvement throughout the region in positive market sentiment, a sentiment echoed throughout all regions.

Members in the Munster Region also recorded an increase in both activity and values with the main regional cities and nearby commuting centres performing stronger than the more rural towns. Cork City recorded a strong increase in values with a notable increase in activity and demand, with strong investor demand, high demand in larger family homes and with demand heavily exceeding supply. Michael McKenna, SCSI Chair of the Southern Region observed instances where there was an increase in values of up to 25% for 3 bed semi-detached properties located in high demand areas within close proximity to Cork City. It was also noted that many buyers of larger 'family' type homes, for example 3 bed semi-detached, were first time buyers. Increasing employment within Cork City has also created a greater demand for 2 bed apartments. Limerick City and Waterford City both also saw an increase in demand, activity and values in 2014, however growth in both cities did not increase at the same rate as Dublin, Cork and Galway.

SCSI members reported that markets in rural areas remain a lot more challenging, compared to urban areas with Gerard O'Toole stating "existing stock in many instances is quite poor and not in demand due to factors including being located in isolated locations, possessing poor energy ratings, and poor public transport links, thereby limiting stock choices further in regions".

CASH BUYERS ACCOUNTED FOR 40% OF ALL RESIDENTIAL SALES IN 2014. SCSI MEMBERS ANTICIPATE THIS LEVEL TO FALL IN THE COMING TWELVE MONTHS AS THE LEVEL OF MORTGAGE LENDING APPROVALS INCREASE.

IN SOME REGIONS THE STOCK VOLUME OF SALES IS REPORTED TO BE AT ITS LOWEST SINCE 2007 AND INSUFFICIENT SUPPLY REMAINS A PRIMARY CONCERN WITHIN THE MARKET.

HOUSING SUPPLY SHORTAGES

The issue of housing supply shortages across all regions is a key issue of concern amongst all SCSI members, and the shortage is most severely felt in the cities and suburbs of Dublin, Cork and Galway. SCSI members reported that the current insufficient lending to developers is a critical impediment to the issue of supply being adequately addressed.

In Dublin alone, the SCSI have estimated that there is 2,233 hectares of land zoned and potentially available for residential development⁴, with DECLG figures indicating 13,707 ha was available nationally in June 2012⁵.

The Housing Agency's report 'Housing Supply Requirements in Ireland's Urban Settlements 2014-2018', indicates a potential national supply shortfall of 80,368 units over the period 2014-2018 from the existing stock of housing units of which approximately 75% of the demand emanates from the Greater Dublin Area.

CSO data reports that there were approximately 2,700 planning permissions granted in 2014 (based on Q1 to Q3 data), encompassing 5,354 residential units.

11,016 HOUSING UNITS⁵
COMPLETED IN 2014

AN INCREASE OF
+32.7% ON 2013's
COMPLETION LEVELS OF
8,301 UNITS.

SCSI members concur that it is unlikely that the residential supply shortage will be adequately addressed in 2015, with SCSI Chairs stating that Budget 2015 failed to incentivise growth in the construction sector.

Furthermore limited financial liquidity in the construction sector is inhibiting developers from commencing development projects, as noted by SCSI Chair of the Residential Agency Professional Group, Simon Stokes.

With regard to the availability of suitable development lands, an industry expert states there is potential that additional land in Dublin City Centre may become available in 2015 through the release of former institutional lands (Z15 zoning) which would assist in the increased supply of City Centre housing lands.

Simon Stokes states that "there is considerable land availability in Dublin at present, however the majority of these sites are not 'shovel ready', due to various factors including the adoption of new building regulations and the requirement for service provisions resulting in unviable construction costs".

Ronan Lyons, Assistant Professor of Economics, TCD, has similar concerns regarding the implication of construction costs associated with Dublin City Council planning requirements may have, including for example the requirement for 85% dual-aspect apartments. Such measures may inhibit new construction builds, at a time when housing supply is in severe scarcity.

Many Dublin based SCSI members expressed similar concerns within the survey, drawing attention to the stringent building regulations associated with residential development which are increasing the costs of construction, and consequently property prices themselves. Such factors are presently deterring developers from entering the market and commencing new builds.

"THE SHORTAGE OF HOUSING SUPPLY WILL AFFECT ECONOMIC COMPETITIVENESS AS THE FOREIGN DIRECT INVESTMENT (FDI) SECTOR VIEWS THE HOUSING SHORTAGE AS A SIGNIFICANT DISADVANTAGE WHEN COMPARING IRELAND WITH OTHER POTENTIAL LOCATIONS"

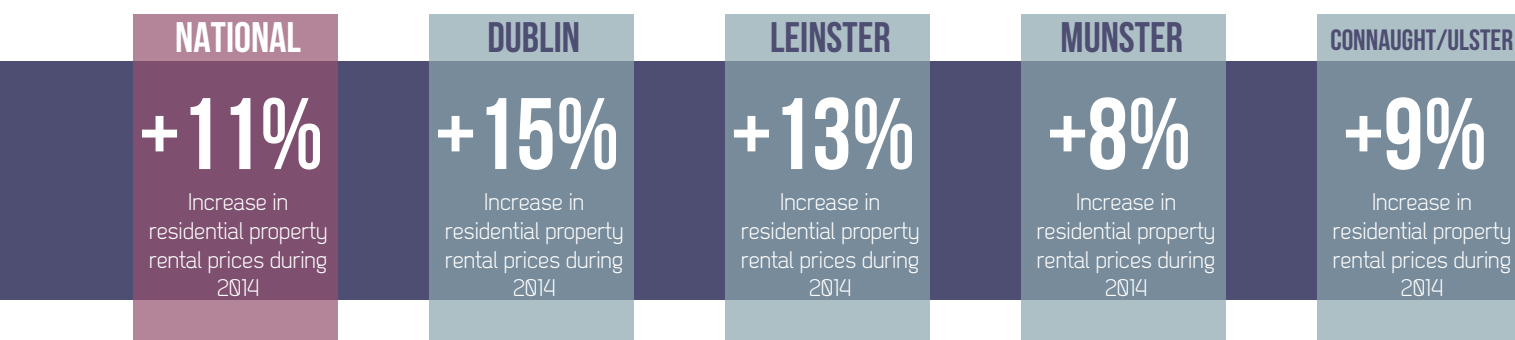
- **SIMON STOKES**

SCSI CHAIR OF RESIDENTIAL AGENCY PROFESSIONAL GROUP

Residential units in this prime area of the capital are highly sought after, with SCSI Chair Simon Stokes stating that the continued provision of housing in this area is crucial to Ireland's continued economic competitiveness, and fears the shortage of prime housing units may deter investors from establishing or expanding in the capital due to foreseen issues with employees obtaining desirable high quality accommodation.

⁴ SCSI (2014) 'Housing Supply Capacity in Dublin's Urban Settlements 2014-2018'

⁵ Department of Environment, Culture and Local Government (DECLG) 'House Building and Private Rented' (20 January 2015)



THE INCREASE IN HOUSING RENTAL PRICES IS LEADING TO AN ACCOMMODATION SHORTAGE FOR STUDENTS WHICH SOME FEAR, IS ADVERSELY AFFECTING THE COMPETITIVENESS OF THIRD LEVEL INSTITUTIONS TO ATTRACT STUDENTS

SOME DUBLIN LOCATIONS ARE PRESENTLY 5% TO 10% BELOW THE PEAK RESIDENTIAL RENTAL PRICES OF 2007

RENTAL MARKET

- The rental market experienced a significant increase in demand in 2014 with Simon Stokes stating that the rental market out-performed the sales market in 2014. SCSi Chair of the Southern Region, Michael McKenna echoed the sentiments of many SCSi members who anticipate the pressure on the rental market to continue throughout 2015 as a lack of new units to the market continues. Residential rental prices increased by 11% nationally, reflecting the severe housing supply shortage which is resulting in buyers remaining in the rental market for longer. The Dublin Region experienced the greatest increase in rental values in 2014, owing largely to the improved economic conditions and the increase in employment in the capital. Rental values also increased in the Leinster Region reflecting the limited availability of rental properties in Dublin resulting in many having to move into the surrounding counties.
- The shortage of stock in the residential sales market has increased the rental demand significantly and therefore consequently the rental rates, which in some Dublin locations are presently 5% to 10% below the peak values of 2007 according to Simon Stokes. SCSi members anticipate increases in rental values in Dublin in 2015, but notably Simon Stokes projects rental increases of up to 30% in some of the capital's prime areas such as the Docklands, and south city suburbs which possess good public transport links and close proximity to the city centre.
- Rental prices increased significantly overall in Dublin. The largest increases occurred in 2 bed apartments in both South Dublin (+17%) and Dublin City (+17%). The lowest increase occurred in Fingal in 1 bed (+13%) and 2 (+14%) bed apartments.
- Survey respondents observed an average increase of 8% in rental values in Munster in 2014, however, this rate varied throughout the region. SCSi members reported that rental levels increased by approximately 7% to 10% in Cork City in 2014, with Michael McKenna noting that some prime property types saw rental increases of 15-21% in Cork City and suburbs, rising to 35% on some high demand larger family home units.
- Rental values in Limerick have also recorded increases in the single digit figures, though the city was slower to react to the improved residential property market than Cork City and Galway City. Private Residential Tenancies Board (PRTB) data indicates that while rents continued to increase throughout 2014, the rate of growth moderated in the third quarter of 2014.
- Rental prices in Connought/Ulster increased by an average of 9%, however this rate varied throughout the region. Galway City and its suburbs performed strongly in 2014 with Galway based SCSi members quoting increases of 15%, and upwards of 20% for some large family home type properties.

RESIDENTIAL INVESTMENT: REIT

The growing emergence and presence of residential investor companies in the Irish residential market in 2014 continued, notably in the form of Real Estate Investment Trusts (REITs). When introduced to the Irish market in 2013, REITs were regarded as an opportunity to promote international investment in the country's distressed property sector. The role of REITs in the residential investment market can be seen, for example, in the purchase of a NAMA-secured portfolio of apartments in Dublin, comprising just over 700 privately rented apartments, by the Canadian-backed I-RES in the second half of last year. I-RES is an Irish residential REIT with an estimated €211m under investment.

Kennedy Wilson, one of the most significant residential property investors in Ireland at present cites the 2014 Dublin rental market as having experienced significant growth. However, the supply shortage within the capital is impacting disproportionately on city rental prices. The ongoing demand by FDI for city centre locations accompanied by the desire of employees to live and work in close proximity is compounding the existing supply shortage and leading to significant rental price increases.

FINANCE AVAILABILITY

SCSI members cited insufficient financial lending, in particular to the construction sector as one of the key issues of concern in 2014.

However, Ronan Lyons believes that attributing the low rate of construction to insufficient financial capital solely is inaccurate, and states that the problem is more cost base related. He believes greater efforts by Government need to be made to assess the underlying causes of high construction costs.

Such factors include a combination of levies, VAT requirements, specialist contractor costs, regulations and building requirements incorporating material use, and design standards (including dual aspect and fixed basement car parking provisions, the latter of which are considered by some observers as an excessive requirement in city centre locations, which add considerably to construction costs).

Simon Stokes remarks that the poor availability of construction finance is creating a reliance within the industry on FDI funding.

MORTGAGE APPROVAL

Mortgage approvals have increased substantially in 2014, with levels increasing in value by 42.2%⁶ in the year to end-November 2014 according to data from the Banking and Payments Federation of Ireland (BPF), which estimates that the total value of mortgage approvals for 2014 will be in the region of €4.3 billion. BPF data determines that mortgage drawdowns increased by 50% in Q3 of 2014, compared to the same period in 2013, reflecting improved financial liquidity in the market.

Felix O'Regan, Director, Public Affairs with BPF states that the increase in mortgage approvals and drawdowns in 2014 illustrates the increasing and welcome level of activity in the marketplace generally.

SCSI Valuation Chair, Ray Hanley anticipates that the rate of house price inflation should begin to moderate in 2015 as transactional activity shifts from cash to mortgage financed buyers. However, Felix O'Regan states that while borrowers are successfully accessing financial capital, the shortage of supply in the residential market is resulting in borrowers being unable to purchase in many cases.

MORTGAGE APPROVALS AND DRAWDOWNS

Source: Banking and Payments Federation of Ireland (BPF)

Mortgage Approvals				
	2013	2014	CHANGE	% CHANGE
Q1	3,593	4,652	1,059	+29%
Q2	4,277	6,093	1,816	+42%
Q3	5,292	7,718	2,426	+46%
Q4	5,339	-	-	-
Mortgage Drawdowns				
	2013	2014	CHANGE	% CHANGE
Q1	2,068	3,425	1,357	+66%
Q2	3,229	4,803	1,574	+49%
Q3	4,482	6,308	1,826	+41%
Q4	5,206	-	-	-

⁶ Based on January to October 2014 figures provided by Banking & Payments Federation Ireland

NEGATIVE EQUITY

SCSI Representative for the North Eastern Region Chair, Edward Carey states that one of the main barriers to supply remains the equity issue; with the decrease in residential properties price of over 60% between 2006 and 2013 which left many homeowners in negative equity.

The combined improvement in the national economy, increased residential property prices and lower unemployment rates are expected to reduce the extent of negative equity and repayment difficulties in 2015. However, the gap is expected to narrow more significantly in the Dublin Region than in the other regions with borrowers outside of Dublin and the GDA enduring the consequences of negative equity for a much longer period. Very few SCSI members recorded notable instances of personal insolvency within their regions as a means to mortgage debt management.

CENTRAL BANK MACRO-PRUDENTIAL PROPOSALS

Many SCSI members and industry specialists have voiced apprehension over the proposed Central Bank macro prudential policy proposals for mortgage lending, which if implemented in its current context may exclude many buyers, in particular first time buyers from the market, impacting both house sales prices and rental prices. Housing Agency Director of Research and Policy, David Silke supports the application of a Loan to Income (LTI) ratio so that borrowers avoid over-borrowing. However the Housing Agency proposes that borrowers saving history records are incorporated into the proposals instead of a stringent 20% Loan to Value (LTV) limit.

DEVELOPMENT LAND

SCSI members expressed the hope that there would be increased movement in development lands, particularly in the Dublin Region. Although development levels are low, Lisney for example, experienced a marked increase in the development land sector in 2014, with a combination of mixed schemes and also larger suburban residential sites, notably in the Dublin Region. That said, construction costs are also inhibiting the feasibility of development projects, a view expressed by many SCSI members. The supply shortage is clearly directly impacting the residential rental market with potential buyers now forced to enter the rental market and remain within the rental market for longer periods.

"THE PROPOSED CENTRAL BANK PROPOSALS WILL CREATE REGIONAL IMBALANCE AS THOSE IN THE DUBLIN REGION WILL LIKELY BE MORE ADVERSELY AFFECTED AS A RESULT OF THE PROPOSED MEASURES THAN THOSE IN OTHER REGIONS DUE TO THE EXISTING HIGHER PRICE LEVELS AND THE COMMENSURATE DIFFICULTY IN SAVING THE REQUIRED AMOUNT OF DEPOSIT."

- **SIMON STOKES**

SCSI CHAIR OF THE RESIDENTIAL PROFESSIONAL GROUP

"SHOULD THE CENTRAL BANK IMPLEMENT A 20% LTV RATE ON THE PRINCIPAL HOME, THEN SUCH REQUIREMENTS SHOULD BE INTRODUCED OVER A PHASED BASIS"

- **RONAN LYONS**

ASSISTANT PROFESSOR, DEPT. OF ECONOMICS, TRINITY COLLEGE DUBLIN

"A LACK OF FINANCIAL LIQUIDITY IN THE CONSTRUCTION SECTOR LOOKS SET TO WITHHOLD FURTHER DEVELOPMENT OF POTENTIAL LANDS IN 2015 AND RESTRICT THE CONSTRUCTION OF NEW UNITS"

- **SCSI LEINSTER REGION MEMBER**

SCSI MEMBERS SURVEY RESULTS: DUBLIN REGION

HIGHLIGHTS

SCSI members in the Dublin Region observed an average property value change of +19.5% during 2014. The rate at which property prices increased however, was thought to be largely static during the final quarter of the year with 43% of Dublin Region based SCSI members observing no change. There was activity in this period (48% increase in Q4), however members reported a slowdown in viewings and cash transactions.

The availability of mortgage finance in 2014 was reported to be good by 61% of survey respondents. 85% of respondents saw increases in vendor price expectation during quarter 4, in line with demand, but also from vendors having regard to publicised reports on market trends.

Rental prices increased significantly overall in Dublin. The largest increases occurred in 1 bed and 2 bed apartment in both South Dublin (+17%) and Dublin City (+17%). The lowest increase occurred in Fingal in 1 bed (+13%) and 2 bed (+14%) apartments.

There has been an increase in the values of all new homes in the Dublin Region. The largest increase occurred in 3 bed and 4 bed semi detached houses (+19% and +18% respectively). Values for second hand homes followed suit with similar increases, the largest of which occurred in 2 bed apartments and 3 bed semi detached houses (both at +20%).



RESIDENTIAL SALES



CHANGE IN PROPERTY VALUES

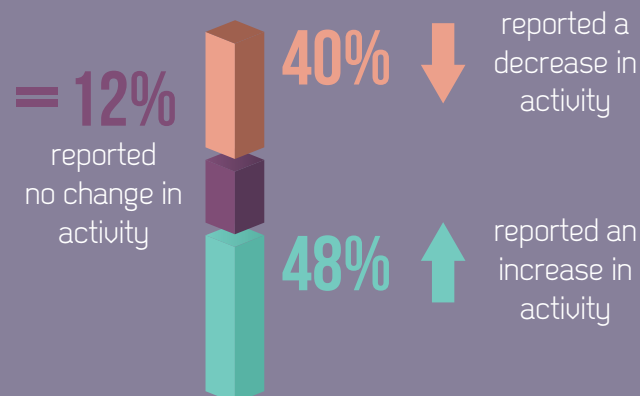
In 2014 property values in Dublin rose by up to

+19.5%
on average

2013
2014

LEVEL OF ACTIVITY

Residential property market activity during Q4 2014, as reported by members...



RESIDENTIAL SALES CONTINUED

VENDOR PRICE EXPECTATIONS



0% ↓ ↑ 85% 15% =

85% of members observed increases in vendor price expectations in the Dublin Region during Q4 2014

AVAILABILITY OF MORTGAGE FINANCE

61%

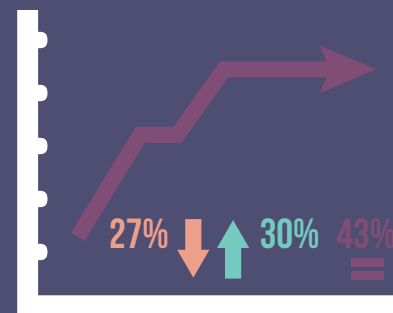
reported an increase in the availability of mortgage finance for buyers during 2014



5% ↓ ↑ 61% 34% =



RATE OF PROPERTY PRICE INCREASES

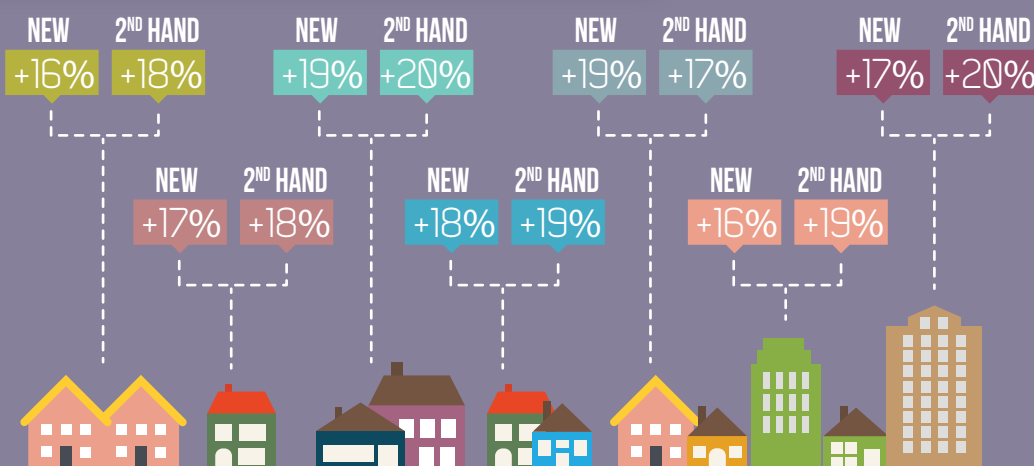


43% said the rate at which prices increased remained the same during Q4 2014

PROPERTY VALUES - NEW HOMES & SECOND HAND HOMES

Average percentage change in values for new and second-hand homes during 2014 (Dec '13-Dec '14)

- 2 bed townhouse
- 3 bed townhouse
- 3 bed semi detached
- 4 bed semi detached
- 4/5 bed detached
- 1 bed apartment
- 2 bed apartment



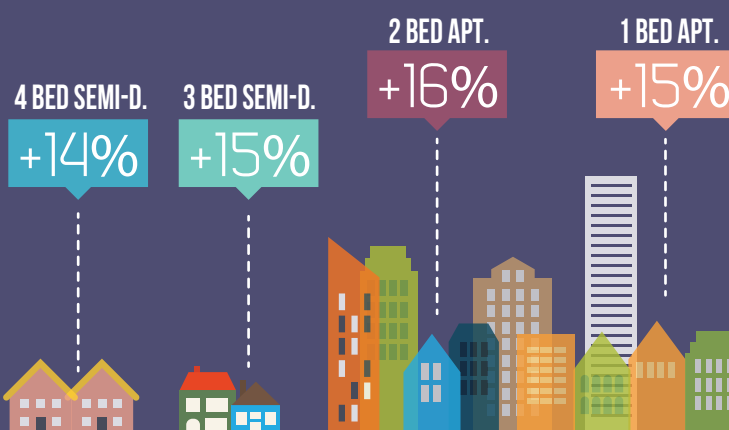
	NEW HOUSES BY LOCAL AUTHORITY						2 ND HAND HOUSES BY LOCAL AUTHORITY					
	DUBLIN CITY	DUN LAOGHAIRE-RATHDOWN	FINGAL	SOUTH DUBLIN	DUBLIN CITY	DUN LAOGHAIRE-RATHDOWN	FINGAL	SOUTH DUBLIN	DUBLIN CITY	DUN LAOGHAIRE-RATHDOWN	FINGAL	SOUTH DUBLIN
2 bed townhouse	+16%	+17%	+18%	+17%	+16%	+13%	+16%	+19%	+21%	+23%	+23%	+20%
3 bed townhouse	+19%	+20%	+20%	+20%	+18%	+18%	+20%	+16%	+16%	+19%	+18%	+18%
3 bed semi detached	+11%	+13%	+15%	+13%	+13%	+15%	+16%	+15%	+15%	+17%	+17%	+18%
4 bed semi detached	+18%	+19%	+21%	+20%	+18%	+21%	+20%	+18%	+20%	+22%	+21%	+23%

RESIDENTIAL RENTS

Average percentage change in rental prices during 2014 (Dec '13-Dec '14)

- 4 bed semi detached
- 1 bed apartment
- 3 bed semi detached
- 2 bed apartment

	NEW HOUSES BY LOCAL AUTHORITY			
	DUBLIN CITY	DUN LAOGHAIRE-RATHDOWN	FINGAL	SOUTH DUBLIN
4 bed semi detached	+13%	+15%	+17%	+16%
3 bed semi detached	+15%	+15%	+14%	+15%
1 bed apartment	+15%	+15%	+14%	+13%
2 bed apartment	+15%	+16%	+17%	+16%



SCSI MEMBERS SURVEY RESULTS: LEINSTER REGION (EXCLUDING DUBLIN)

HIGHLIGHTS

SCSI members in the Leinster Region (excluding the Dublin Region) observed an average property value change of +15.8% during 2014. The rate at which prices increased was observed to have risen during the final quarter of the 2014 with 65% of respondents concurring with this. This period saw a very high degree of activity (78% say activity increased in Q4), due to market optimism, seasonal buyers and demand.

The availability of mortgage finance in 2014 was reported to be very good by 74% of members, but it was noted in members' experience that it was easier to get approval in principal than final approval. 81% of respondents observed increases in vendor price expectation during Q4, with many attributing it to vendors being realistic as per the current market prices.

Rental prices increased most significantly in the 4 bed semi-detached market with a growth of 16%, followed by 3 bed semi-detached properties (+14% increase), with the smallest rental price change noted in 1 bed apartment properties (+11% increase).

There has been an increase in the values of all new homes in the Leinster Region. The largest increase occurred in 3 bed and 4 bed semi detached houses (+15% and +14% respectively). Values for all second hand homes increased, the largest of which occurred in 3 bed and 4 bed semi detached houses (+17% and +16% respectively).



RESIDENTIAL SALES



CHANGE IN PROPERTY VALUES

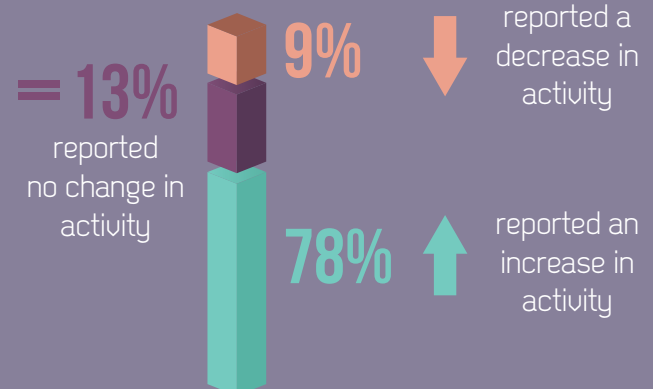
In 2014 property values in Leinster rose by up to

+15.8%
on average

2013
2014

LEVEL OF ACTIVITY

Residential property market activity during Q4 2014, as reported by members...



RESIDENTIAL SALES CONTINUED

VENDOR PRICE EXPECTATIONS



2% ↓ ↑ 81% 17% =

81% of members

observed increases in vendor price expectations in the Leinster Region during Q4 2014

AVAILABILITY OF MORTGAGE FINANCE

74%

reported an increase in the availability of mortgage finance for buyers during 2014



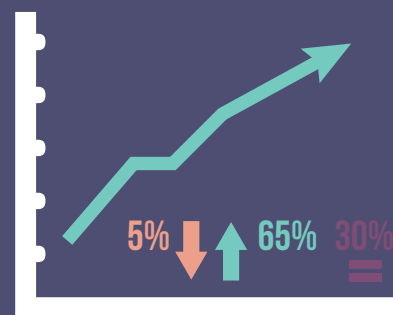
3% ↓ ↑

74%

22% =



RATE OF PROPERTY PRICE INCREASES



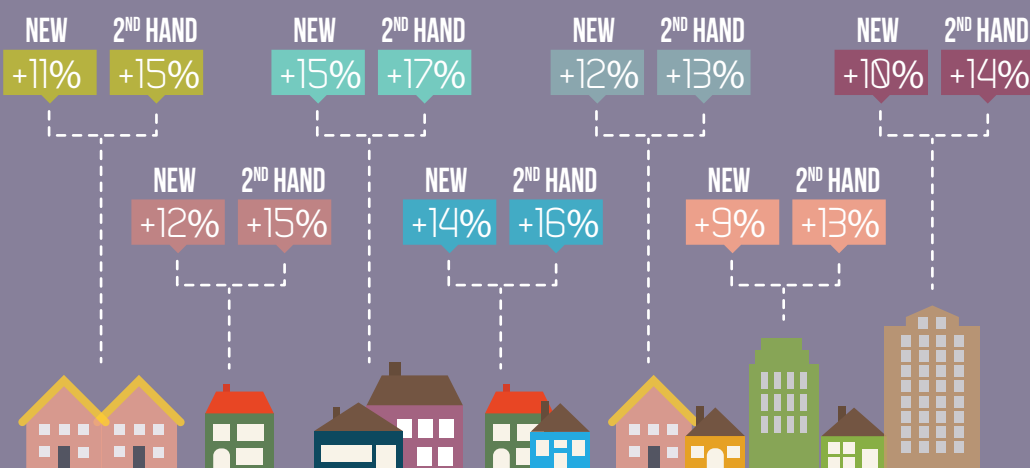
65%

said the rate at which prices increased continued to rise during Q4 2014

PROPERTY VALUES - NEW HOMES & SECOND HAND HOMES

Average percentage change in values for new and second-hand homes during 2014 (Dec '13-Dec '14)

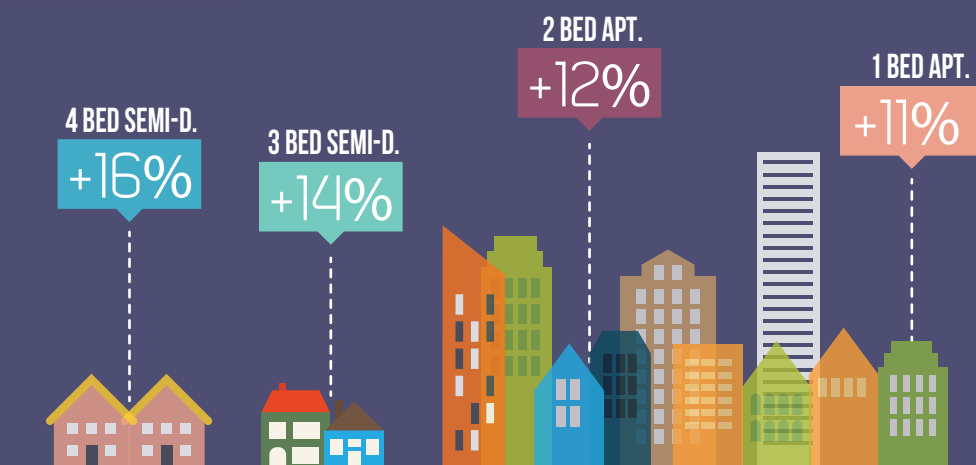
- 2 bed townhouse
- 3 bed townhouse
- 3 bed semi detached
- 4 bed semi detached
- 4/5 bed detached
- 1 bed apartment
- 2 bed apartment



RESIDENTIAL RENTS

Average percentage change in rental prices during 2014 (Dec '13-Dec '14)

- 4 bed semi detached
- 3 bed semi detached
- 1 bed apartment
- 2 bed apartment



SCSI MEMBERS SURVEY RESULTS: MUNSTER REGION

HIGHLIGHTS

SCSI members in the Munster Region observed an average property value change of +9.6% during 2014. The rate at which prices increased was reported to have risen during the final quarter of the year (79% of members agree). This period saw a very high degree of activity (83% of members say activity increased in Q4), due to what some members describe as a constant lack of supply, and a marked increase in property viewings.

The availability of mortgage finance in 2014 was reported to be good by 67% of members, but with issues on the length of time associated with the approval process. 69% of members reported increases in vendor price expectation during Q4, but noted that some vendors may be expecting higher prices due to the perceptions and trends published by the media.

Rental prices increased most significantly in the 4 bed semi-detached market with a rental increase of +10% during 2014, followed by 3 bed semi-detached properties (+9% increase), with the smallest rental price change noted in 1 bed apartment properties (+6% increase).

There has been an increase in the values of all new homes in Munster. The largest increase occurred in 3 bed and 4 bed semi detached houses (+6% each). Values for all second hand homes increased, the largest of which occurred in 3 bed and 4 bed semi detached houses (+11% and +9% respectively).



RESIDENTIAL SALES



CHANGE IN PROPERTY VALUES

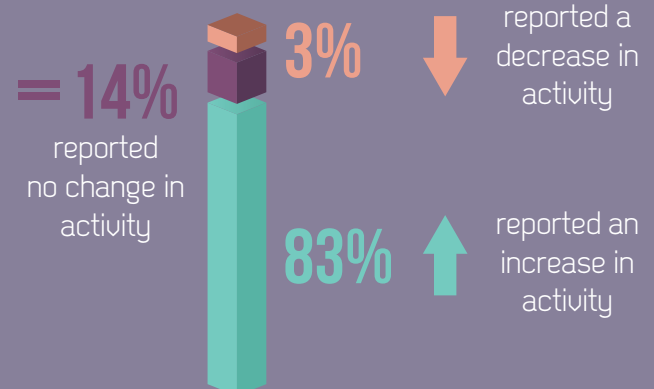
In 2014 property values in Munster rose by up to

+9.6%
on average

2013
2014

LEVEL OF ACTIVITY

Residential property market activity during Q4 2014, as reported by members...



RESIDENTIAL SALES CONTINUED

VENDOR PRICE EXPECTATIONS



2% ↓ ↑ 69% 29% =

69% of members

observed increases in vendor price expectations in the Munster Region during Q4 2014

AVAILABILITY OF MORTGAGE FINANCE

67%

reported an increase in the availability of mortgage finance for buyers during 2014



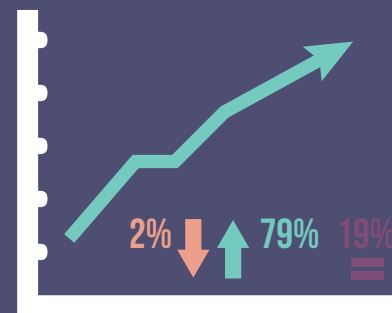
0% ↓ ↑

67%

33% =



RATE OF PROPERTY PRICE INCREASES



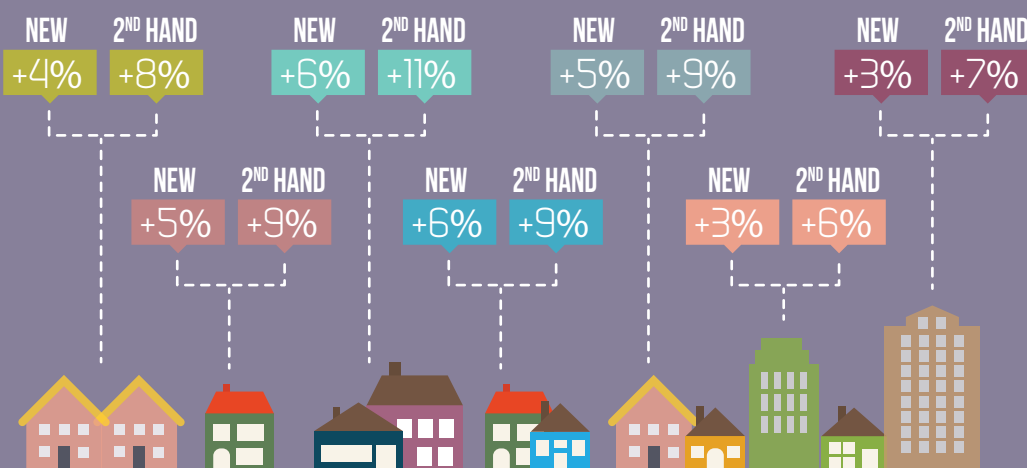
79%

said the rate at which prices increased continued to rise during Q4 2014

PROPERTY VALUES - NEW HOMES & SECOND HAND HOMES

Average percentage change in values for new and second-hand homes during 2014 (Dec '13-Dec '14)

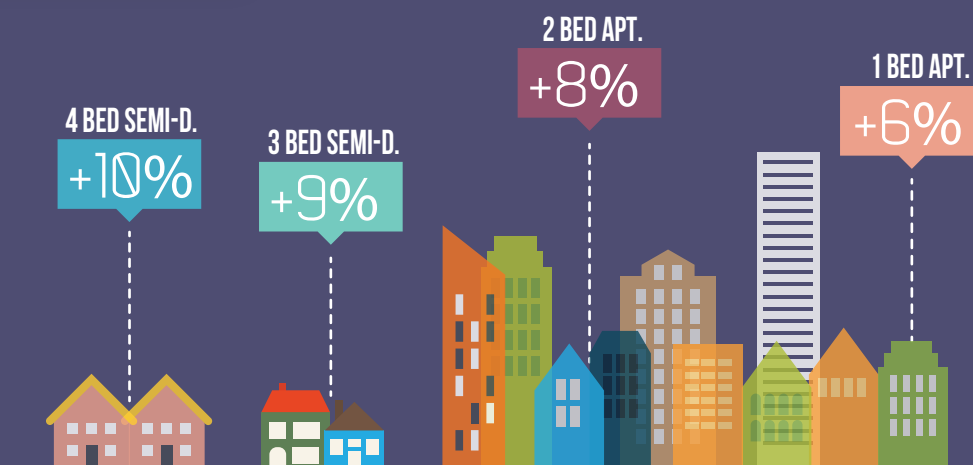
- 2 bed townhouse
- 3 bed townhouse
- 3 bed semi detached
- 4 bed semi detached
- 4/5 bed detached
- 1 bed apartment
- 2 bed apartment



RESIDENTIAL RENTS

Average percentage change in rental prices during 2014 (Dec '13-Dec '14)

- 4 bed semi detached
- 3 bed semi detached
- 1 bed apartment
- 2 bed apartment



SCSI MEMBERS SURVEY RESULTS: CONNAUGHT/ULSTER REGION

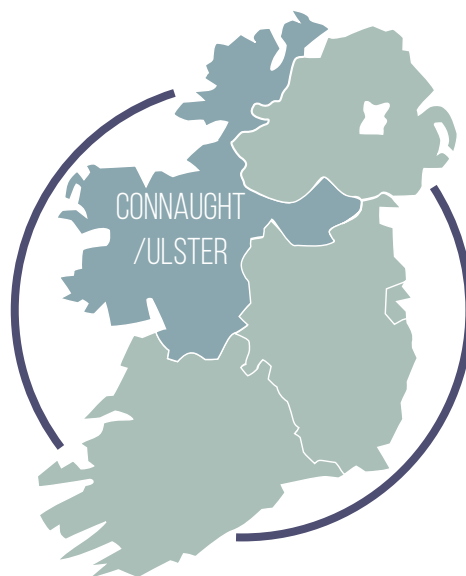
HIGHLIGHTS

SCSI members in the Connaught/Ulster Region observed an average property value change of +10% during 2014. The rate at which property prices increased was reported to have risen during the final quarter of the year (75% of members agree). This period saw a very high degree of activity (92% say activity increased in Q4), with increases in viewings, turnover and investor activity.

The availability of mortgage finance in 2014 was reported as unchanged by 52% of respondents, with several SCSI members stating that lending seemed easier, however approval times remain a roadblock. 67% of members reported increases in vendor price expectation during Q4, noting that most vendors are following the market prices of their region.

Rental prices increased most significantly in the 4 bed semi-detached market with a rental increase of +10% during 2014, followed by 3 bed semi-detached properties (+10% increase), with the smallest rental price change observed in 1 bed apartment properties (+7% increase).

There has been an increase in the values of all new homes in Connaught/Ulster. The largest increase occurred in 3 bed and 4 bed semi detached houses (+5% each). Values for all second hand homes increased, the largest of which occurred in 3 bed and 4 bed semi detached houses (+12% and +11% respectively).



RESIDENTIAL SALES



CHANGE IN PROPERTY VALUES

In 2014 property values in Connaught/Ulster rose by up to

+10%
on average

2013
2014

LEVEL OF ACTIVITY

Residential property market activity during Q4 2014, as reported by members...

=8%
reported
no change in
activity

0%



reported a
decrease in
activity

92%



reported an
increase in
activity

RESIDENTIAL SALES CONTINUED

VENDOR PRICE EXPECTATIONS



8% ↓ ↑ 67% 25% =

67% of members observed increases in vendor price expectations in the Connaught/Ulster Region during Q4 2014

AVAILABILITY OF MORTGAGE FINANCE

52%

reported no change in the availability of mortgage finance for buyers during 2014



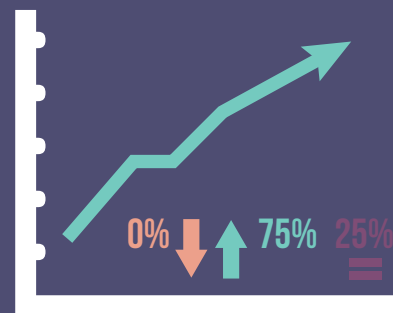
0% ↓ ↑

48%

52% =



RATE OF PROPERTY PRICE INCREASES



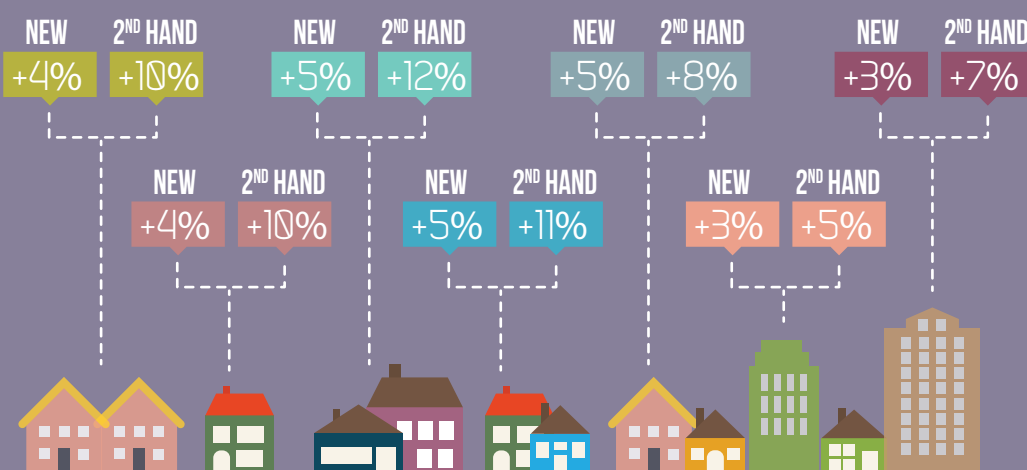
75%

said the rate at which prices increased continued to rise during Q4 2014

PROPERTY VALUES - NEW HOMES & SECOND HAND HOMES

Average percentage change in values for new and second-hand homes during 2014 (Dec '13-Dec '14)

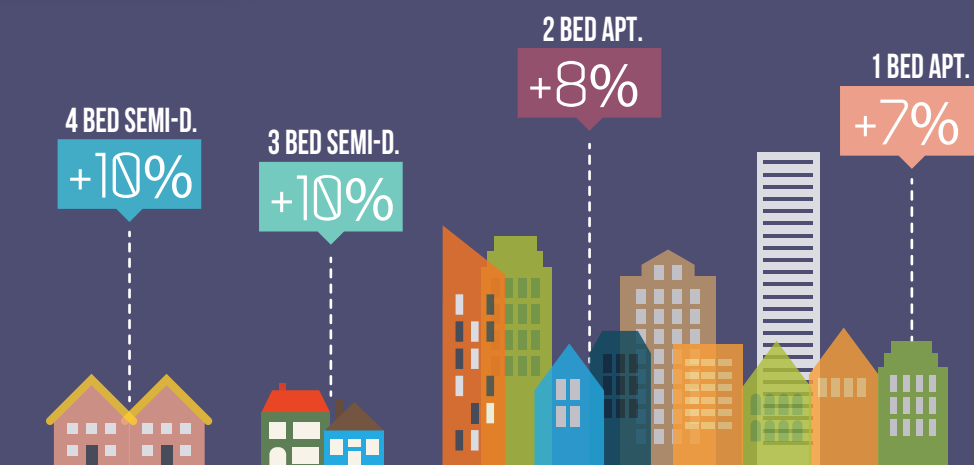
- 2 bed townhouse
- 3 bed townhouse
- 3 bed semi detached
- 4 bed semi detached
- 4/5 bed detached
- 1 bed apartment
- 2 bed apartment



RESIDENTIAL RENTS

Average percentage change in rental prices during 2014 (Dec '13-Dec '14)

- 4 bed semi detached
- 3 bed semi detached
- 1 bed apartment
- 2 bed apartment



4.0

RESIDENTIAL PROPERTY MARKET OUTLOOK 2015

THE OUTLOOK FOR 2015 AS EXPRESSED BY SCSI MEMBERS INDICATES A CONTINUING INCREASE IN PROPERTY VALUES, ALBEIT AT A MORE MODEST RATE THAN THAT WHICH OCCURRED IN 2014.

HOUSING SUPPLY SHORTAGE

Key challenges in 2015 will be the supply shortage that much of the country is currently experiencing; this is particularly prevalent in the Dublin and Leinster Regions and principal cities and suburbs of Cork and Galway. SCSI's 2014 report 'Housing Supply and Capacity in Dublin's Urban Settlements 2014-2018' cites that there is 'a minimum housing unit requirement of approximately 35,433 between 2014-2018' however planning permission is only granted for approximately 26,580 units, illustrating a serious deficiency in supply. SCSI members are fully aware of the continuing deficit in housing construction numbers and anticipate increased sales and rental prices as a consequence in 2015.

David Silke, Director of Research and Policy with the Housing Agency states that household formation nationally is changing and that in the Dublin Region alone, it anticipates that approximately 57% of new households will comprise 1 or 2 persons in the Dublin Region, while 3 person households will comprise an additional 18%, signifying a huge demand in housing units in the Dublin Region. Other cities nationally are anticipated to follow similar trends with a shortfall in housing requirements in other main cities. This anticipated demand combined with the shortage in supply will add to capacity pressures within the rental market, leading to continuing rental increases across all cities, albeit at a more moderate rate than that recorded in 2014.

RENTAL

SCSI members nationally anticipate the rental property market to follow the same trend as that which is predicted for second hand and new build homes, with supply falling short of demand. Nationally, according to the views of members, the average increase for 3 bed semi-detached houses is likely to be greatest, followed by 4 bed semi-detached homes.

In Dublin, SCSI members anticipate rents to rise most significantly for 4 bed semi-detached houses (by 10.1%), and increases in excess of 9% are also anticipated for the other house types (1 and 2 bed apartments, and 3 bed semi-detached houses). In Dublin, 1 bedroom apartments are anticipated to be in shortest supply in 2015 according to the SCSI survey. SCSI Valuation Chair Ray Hanley anticipates average increases in the Dublin Region of approximately 12%, fuelled by the continuing shortage of supply. In the wider Leinster Region, Connaught/Ulster Region and Munster Region, 3 and 4 bed semi-detached homes will be in most short supply, according to regionally based SCSI members. Galway based SCSI members anticipate that rental increases will continue to rise at a more modest rate than in 2014 with regional rental values remaining robust within the stronger urban centres, with average increases of up to 10%, due largely to the low housing stock and increasing demand.

IF IMPLEMENTED IN THEIR CURRENT CONTEXT, THE CENTRAL BANK PROPOSALS MAY LEAD TO OVERLY RESTRICTIVE FINANCIAL LENDING THAT WILL CONSTRAIN POTENTIAL BORROWERS, PREVENTING MANY FROM ATTAINING MORTGAGES AND LEADING TO LONGER TERM RENTING - SCSI DUBLIN REGION MEMBER

FINANCE

The continued limited availability of finance for both borrowers and developers remains an ongoing concern amongst SCSI members and external industry specialists, and many SCSI members surveyed expressed concerns over the lack of availability of financial lending which in turn is inhibiting the development of new builds, with members advocating increased lending from financial institutions to developers in 2015.

SCSI members stated an increase of first time buyers in many areas nationally in 2014 and this increase is anticipated to continue through 2015 should financial lending continue to increase. Whereby SCSI stated that cash buyer investors proved a strong component of the house buying market in 2014, members anticipate the rate of credit-less transactions to decrease in 2015, and SCSI Valuations, Professional Group Chair, Ray Hanley remarks that this will be largely due to the return of traditional banking and increased levels of lending to the market.

CENTRAL BANK MACRO-PRUDENTIAL PROPOSALS

The Central Bank proposals published in October 2014 was a key topic of discussion amongst SCSI members during the last quarter of 2014, with many members raising concerns over the proposed mortgage lending measures. Both SCSI members and external industry specialist contributors to this report have voiced apprehension over the potential adverse implications on the residential property market resulting from the Central Bank's proposed measures. While it is acknowledged amongst members that some form of intervention is required to prevent a repeat of previous historic over lending, there is widespread concern amongst SCSI members that should the proposed Central Bank rate of 20% LTV be introduced, it will inhibit the residential market as potential buyers will be unable to purchase, resulting in a reduction in property demand. This may subsequently deter developers from commencing new builds and consequently create an unsustainable demand on an already pressurised rental market.

LEGISLATIVE INTERVENTION MEASURES

The proposed reforms under the Planning and Development (No.1) Bill 2014 include the introduction of measures intended to bring forward appropriate residential development to the market such as a vacant site levy, new Part U requirements for developers, the provision of a 'Use it or Lose it' clause with planning permissions and a revision to planning permissions. These will permit retrospective reductions in the development contributions payable to planning authorities, in order to encourage increased construction. SCSI has recommended there should be an economic viability component in the proposed legislation.

Many SCSI members surveyed expressed concerns over the planning process in terms of the timeframe of the planning application process and development contributions and fees, with contributors stating the need for planning authorities to reduce their charges. It was noted that the Dublin Region local authorities have reviewed their development contribution schemes, resulting in substantial reductions in the charges applied.

RESIDENTIAL CONSTRUCTION & SUPPLY

Increased financial liquidity in the development sectors is crucial to restoring the construction industry and it is the opinion amongst the majority of SCSI surveyed members that financial institutions must increase lending to developers in order to stimulate the construction sector. However as reiterated by many industry experts, other issues within the construction sector must also be addressed in order to incentivise the industry and create a more viable sector, with many SCSI members citing more cost effective construction labour and material costs as critical factors that require attention. It was noted by one contributor that land values on zoned lands have not reduced in a manner that reflects their current development potential.

Although 2014 saw increases in consumer demand, mortgage approvals and drawdowns, property prices and transactions, some industry professionals are of the opinion that property prices still remain below their true value. The challenges facing the property sector in 2015 include reliance on the continued economic recovery to which the property market is very sensitive.

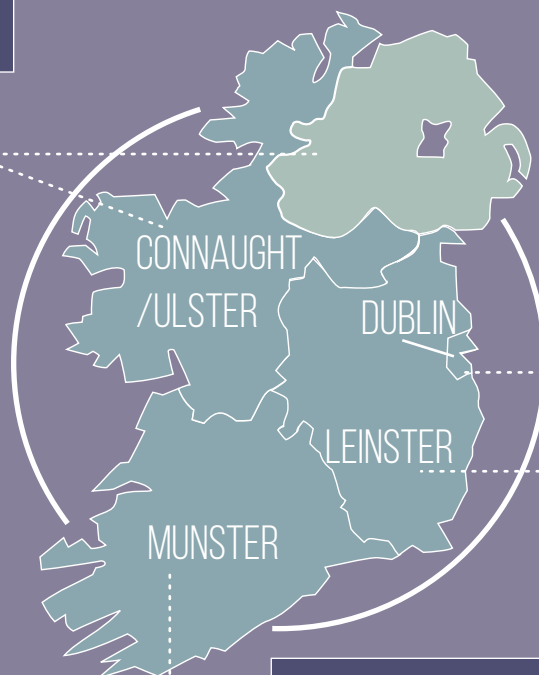
In its role as a secured lender, NAMA is making a substantial contribution to the creation of additional supply in the residential market, and, by extension, to residential construction activity, through its funding to debtors and receivers to complete existing residential schemes within its portfolio and for the development of new schemes in line with the emerging demand in the economy, particularly in the main urban centres. This includes NAMA's commitment to fund the construction of 4,500 new homes in the Dublin area in the three years to end-2016. Over 1,000 of these properties were delivered in 2014 and NAMA has indicated that, through its funding, it expects to facilitate the delivery of a further 1,500 apartments and houses in the Dublin area in 2015.

In addition, NAMA is facilitating preparatory work by its debtors and receivers on other sites, both in the Dublin area and the other major urban centres in which NAMA's portfolio is predominantly located, which are currently in the planning process or where additional planning work is required. NAMA estimates that such sites could, whether funded directly by NAMA or sold or refinanced once viable planning is achieved, provide up to an additional 22,000 residential properties over the next five years.

Connaught/Ulster Region based SCSI members identified a broad range of factors that are expected to influence the supply of new residential units over the next 12 months which included consumer confidence, improved availability of finance for developers, and a review of some government policy.

Commonly cited factors by Dublin Region based members include the ability of developers to access the right level of finance, the efficiency of Local Authorities in resolving planning and compliance blockages, the release of new land banks, the costs of construction and mortgage availability.

In the Munster Region, the availability of ready-to-go land banks with planning permission being released to the market and the adequate supply of development finance were factors identified as likely to contribute positively to the supply of new homes in the region. Issues such as a lack of credit and the costs of construction were identified as factors which are likely to limit the supply of housing over the next 12 months.



Similar views were held by SCSI members based in the wider Leinster Region with availability of finance for builders, availability of suitable zoned land, mortgage availability and planning and infrastructural issues were identified as factors that will affect the supply of new homes over the coming 12 months.

OPPORTUNITIES & CHALLENGES 2015

Arising from the nationwide survey of SCSi members, in addition to key commentary and interviews from SCSi Chair members and external property, economic and construction market specialists, there is a high level of market optimism for 2015. However there are many factors that may influence the market in 2015. Below are some of the opportunities and challenges observed by SCSi members and external industry commentators as being key to the residential property market in 2015.

NATIONAL AND GLOBAL ECONOMY

- ⌚ Economic growth
- ⌚ Increased employment
- ⌚ Consumer sentiment & spending
- ⌚ Potential buyers seeing the market stabilising
- ⌚ New government implemented planning and policy proposals

HOUSING PROVISIONS

- ⌚ More financial liquidity within the market and increased lending from financial institutions to contractors
- ⌚ Financial backing from investors willing to collaborate with construction firms
- ⌚ NAMA releasing properties/lands for development
- ⌚ More competitive construction costs
- ⌚ The availability of serviceable shovel ready lands
- ⌚ Strategic planning provisions such as Strategic Development Zones (SDZ), allowing for the commencement of new development potentials
- ⌚ Consumer demand

FINANCE

- ⌚ Availability of finance
- ⌚ Cash buyers
- ⌚ Negative equity
- ⌚ Central Bank proposals
- ⌚ Construction costs

HOUSING PROVISIONS

- ⌚ Spatial balance of supply and demand
- ⌚ Rental sector
- ⌚ Price stability and increases
- ⌚ New construction developments
- ⌚ Planning process

DEMOGRAPHICS

- ⌚ Increasing population
- ⌚ Inward migration to cities (e.g. Dublin, Cork, Galway)
- ⌚ Change in household sizes



SCSI MEMBERS SURVEY RESULTS

OUTLOOK FOR DUBLIN REGION

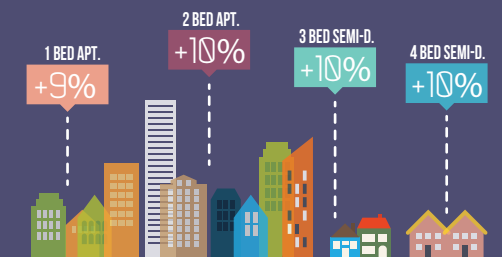
- ③ New and second hand three bed semi-detached homes are expected to experience the most significant average percentage value increases of all house types (+10% and +9% respectively).
- ③ There is a large undersupply of residential rental properties across all property types. The greatest demand exists for 1 bed and 2 bed apartments (according to 91% and 87% of respondents respectively).
- ③ The highest demand exists for new and second hand 3 bed semi-detached houses according to 82% and 68% of respondents respectively.



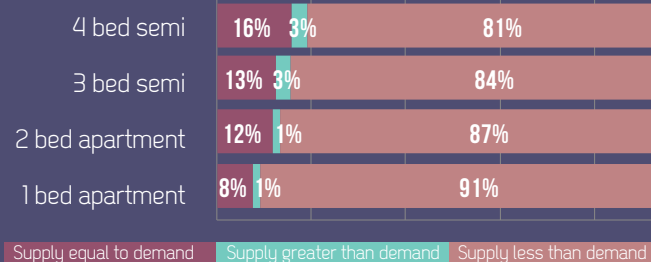
RENTAL PROPERTIES - PRICE OUTLOOK

Average percentage outlook in rental prices for 2015

- 1 bed apartment
- 2 bed apartment
- 3 bed semi detached
- 4 bed semi detached



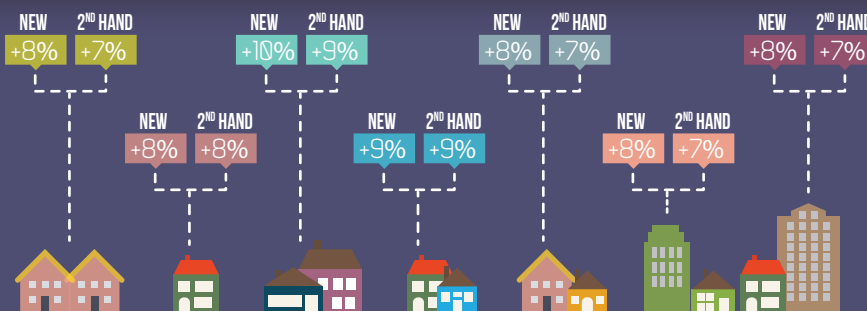
RENTAL PROPERTIES - SUPPLY & DEMAND EXPECTATIONS



NEW HOMES & SECOND HAND HOMES - VALUE OUTLOOK

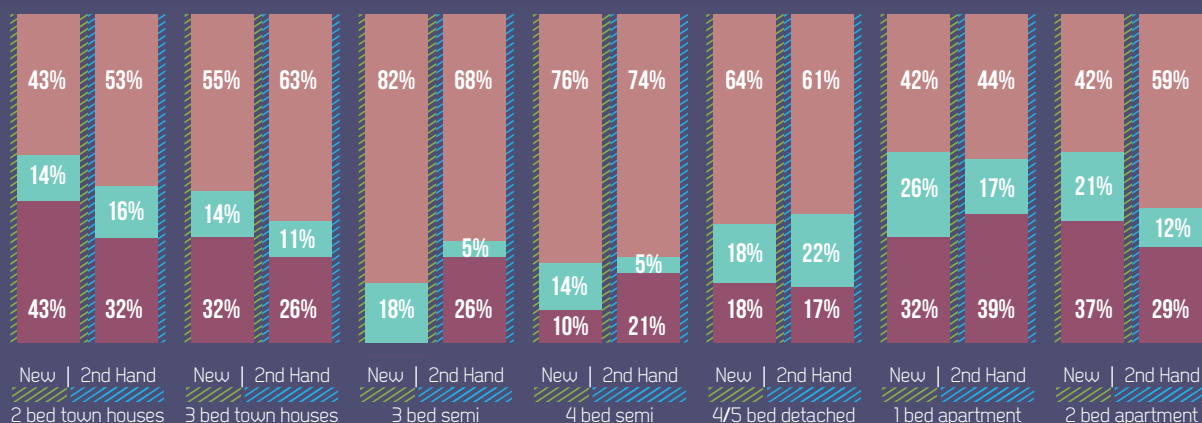
Average percentage change for 2015 value outlook

- 2 bed townhouse
- 3 bed townhouse
- 3 bed semi detached
- 4 bed semi detached
- 4/5 bed detached
- 1 bed apartment
- 2 bed apartment



NEW HOMES & SECOND HAND HOMES - SUPPLY & DEMAND EXPECTATIONS

- Supply equal to demand
- Supply greater than demand
- Supply less than demand



SCSI MEMBERS SURVEY RESULTS

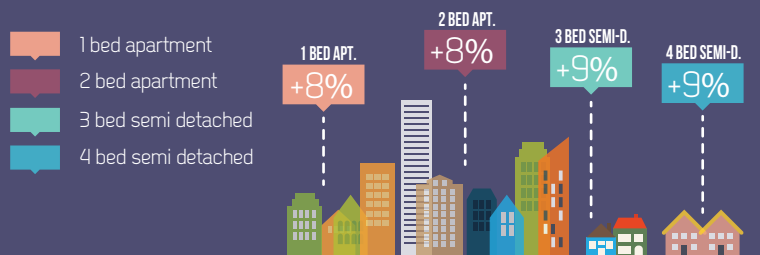
OUTLOOK FOR LEINSTER REGION (EXCLUDING DUBLIN)

- Both new and second hand three bed semi-detached homes are expected to experience the most significant average percentage value increases of all house types (each at +10%).
- There is a large undersupply of residential rental properties across all property types. 95% of respondents reported that the greatest demand exists for 4 bed and 3 bed semi-detached houses.
- The highest demand exists for new 3 bed semi-detached houses at 84% and for second hand 3 bed semi-detached houses at 79%.

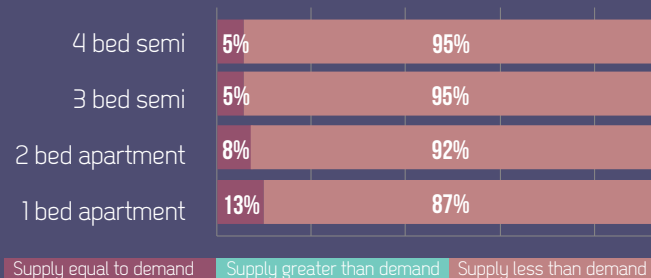


RENTAL PROPERTIES - PRICE OUTLOOK

Average percentage outlook in rental prices for 2015

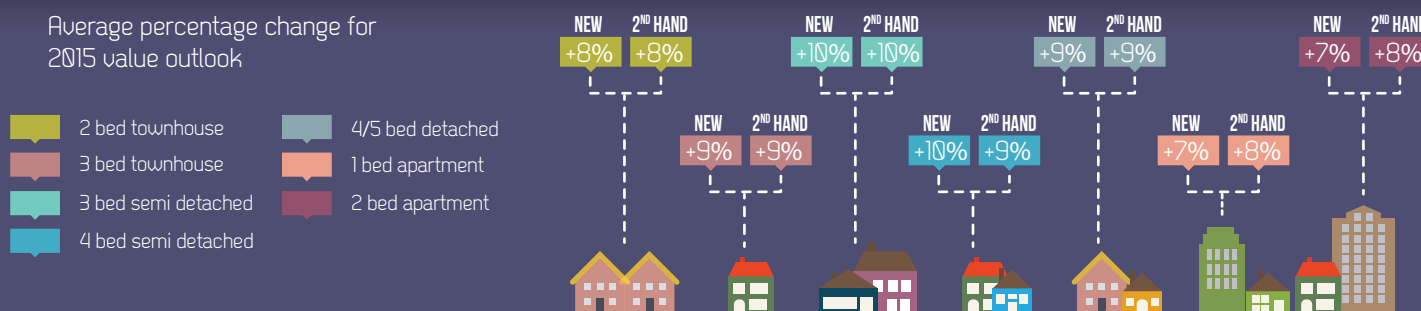


RENTAL PROPERTIES - SUPPLY & DEMAND EXPECTATIONS

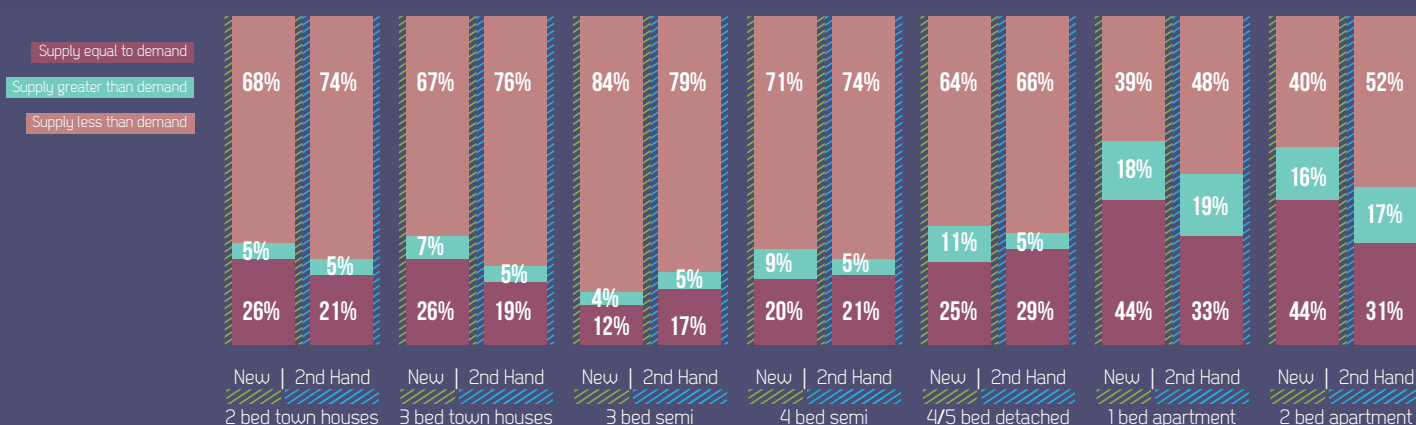


NEW HOMES & SECOND HAND HOMES - VALUE OUTLOOK

Average percentage change for 2015 value outlook



NEW HOMES & SECOND HAND HOMES - SUPPLY & DEMAND EXPECTATIONS



SCSI MEMBERS SURVEY RESULTS

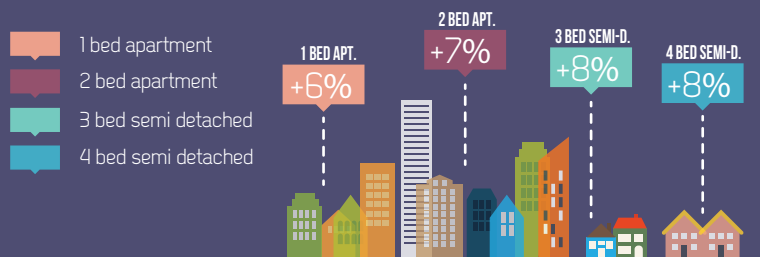
OUTLOOK FOR MUNSTER REGION

- Three bed semi-detached homes are expected to experience the most significant average percentage value increases of all house types, with both new and second hand increasing by 6% and 8% respectively.
- There is a large undersupply of residential rental properties across all property types. 89% of respondents reported that the greatest demand exists for 4 bed and 3 bed semi detached houses.
- The highest demand exists for new 3 bed semi-detached houses and second hand 3 bed semi-detached houses at 79% respectively.

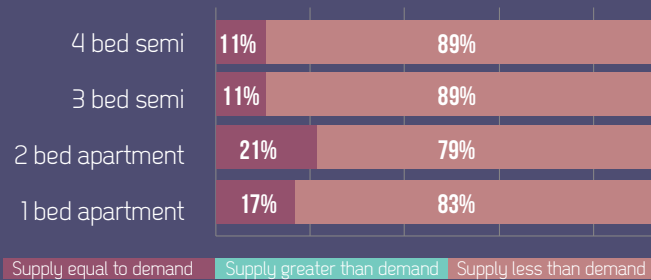


RENTAL PROPERTIES - PRICE OUTLOOK

Average percentage outlook in rental prices for 2015

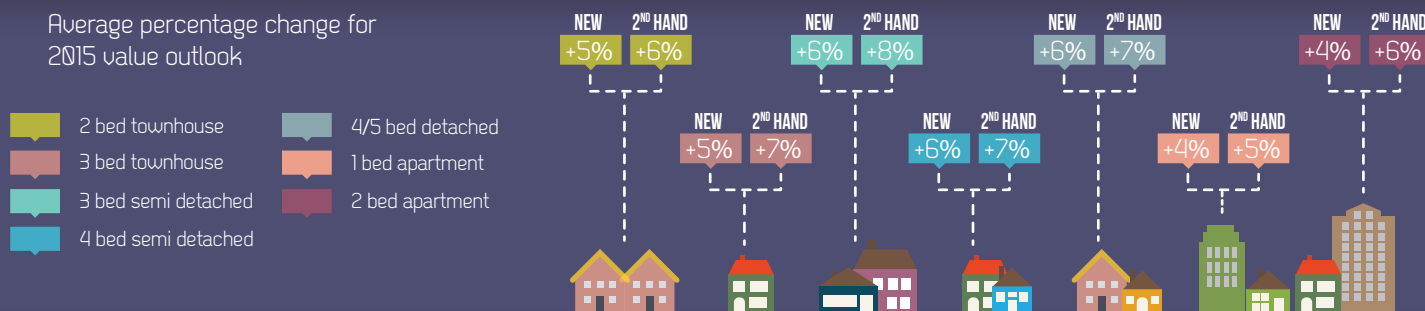


RENTAL PROPERTIES - SUPPLY & DEMAND EXPECTATIONS

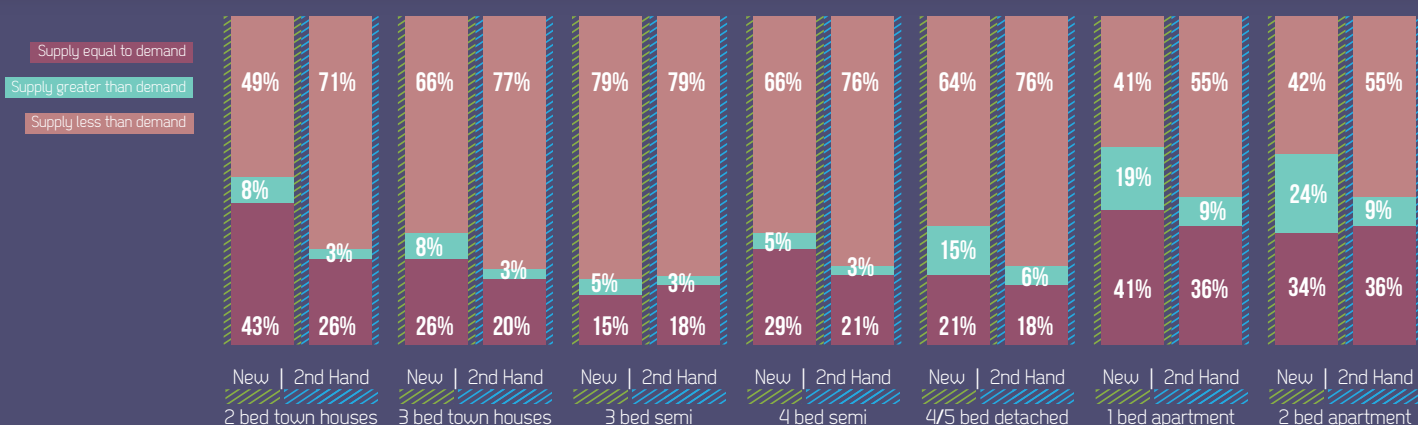


NEW HOMES & SECOND HAND HOMES - VALUE OUTLOOK

Average percentage change for 2015 value outlook



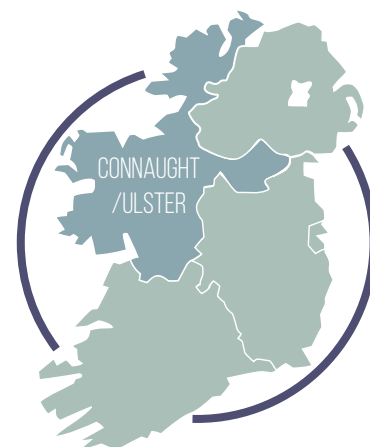
NEW HOMES & SECOND HAND HOMES - SUPPLY & DEMAND EXPECTATIONS



SCSI MEMBERS SURVEY RESULTS

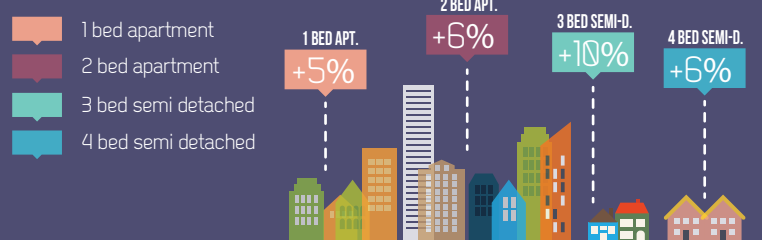
OUTLOOK FOR CONNAUGHT/ULSTER REGION

- Second hand 3 and 4 bed semi-detached houses are expected to experience the most significant average percentage value increases of all house types (each increasing by 8%).
- There is a large undersupply of residential rental properties across all property types. 92% of respondents reported that the greatest demand exists for 4 bed and 3 bed semi-detached houses.
- Survey respondents anticipate the the highest demand in 2015 will be for second hand 3 and 4 bed semi-detached houses.

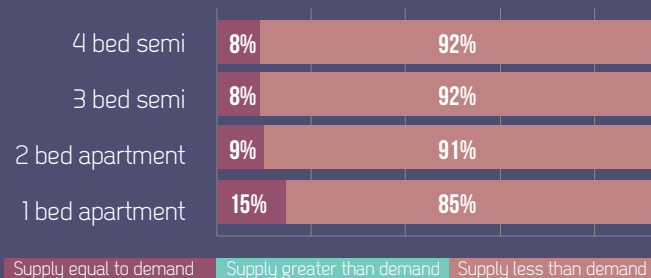


RENTAL PROPERTIES - PRICE OUTLOOK

Average percentage outlook in rental prices for 2015

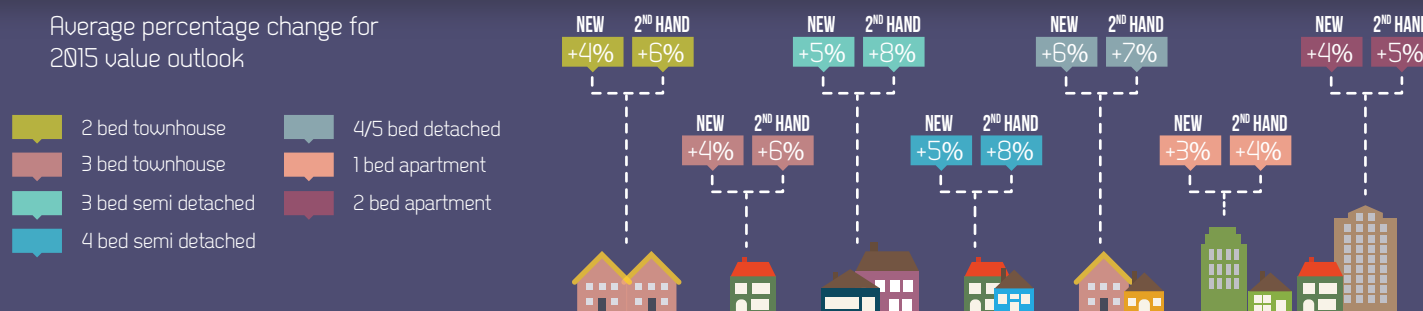


RENTAL PROPERTIES - SUPPLY & DEMAND EXPECTATIONS

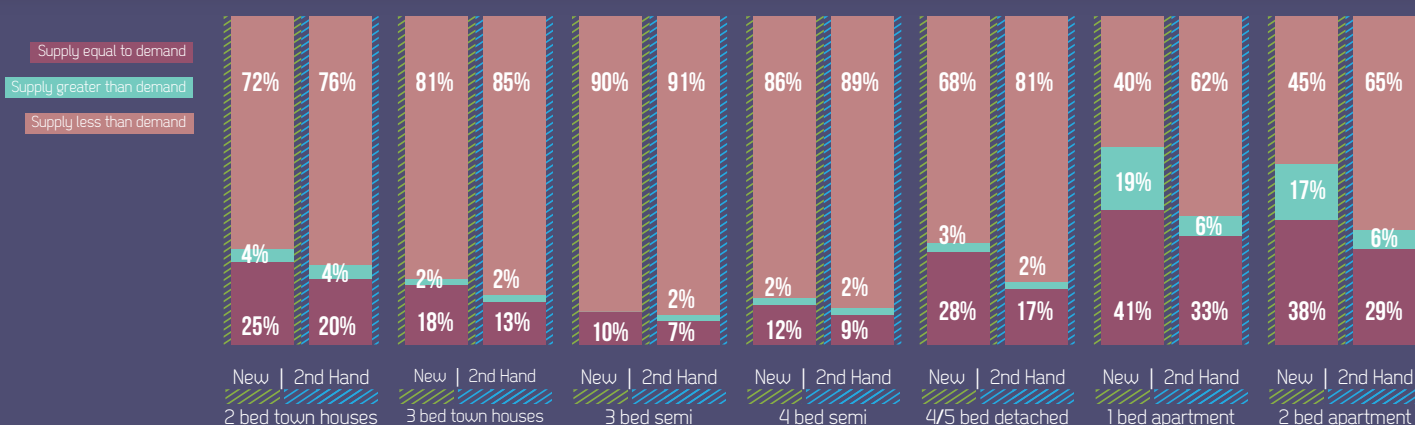


NEW HOMES & SECOND HAND HOMES - VALUE OUTLOOK

Average percentage change for 2015 value outlook



NEW HOMES & SECOND HAND HOMES - SUPPLY & DEMAND EXPECTATIONS



REGIONAL SCSI CHAIR INTERVIEWS

THIS SECTION DETAILS THE VIEWS OF THE SCSI REGIONAL CHAIR MEMBERS, OFFERING AN OVERVIEW OF THE REGIONAL RESIDENTIAL PROPERTY MARKET PERFORMANCE DURING 2014 AND LOOKING AT THE POTENTIAL CHALLENGES AND OPPORTUNITIES THAT AWAIT THE SECTOR IN 2015 GIVEN THE ISSUES THAT REMAIN.

SIMON STOKES

CHAIR OF THE RESIDENTIAL AGENCY PROFESSIONAL GROUP

Despite the growth in residential prices, activity levels in the residential property sector are still very low. The high level of demand particularly in the Dublin Region, combined with a severe supply shortage is significantly affecting both residential sales and rental prices. While capital values are still 30% below peak levels, it is envisaged that in Dublin, particularly in the more sought after areas of south Dublin, house prices will rise by a further 15% or more in 2015. Supply shortage is the main driver of this price increase.

The shortage of stock in the residential sales market has increased rental demand significantly. Residential rents in some Dublin areas are currently 5% to 10% below the peak of 2007. Overall rental increases in Dublin have varied from 15% to 30% in some areas in 2014, with prime city centre and south Dublin locations attaining the highest increases. Rental growth has significantly outstripped capital growth in many cases, due to demographic trends, increased employment and migration to Dublin. These trends will continue to drive further rental growth in 2015 with little sign of additional supply coming to the market within this timeframe.

The proposed Central Bank macro prudential proposals will impair the purchasing power of many first time buyers, and those in the Dublin area will be more affected than those in other regions.

The Central Bank provisions will have unforeseen consequences resulting in additional rental market shortage with tenants renting for longer periods before being able to buy. It is unfortunate that so much uncertainty surrounds the proposals as this has destabilised the market somewhat. It is difficult for the Central Bank, or indeed any other body, to legislate for the property sector across the entire country as there is very much a two-tier market in place – Dublin and the regions. Income multiple and deposit rules will have a very different effect in Dublin and in regional markets.

HIGHLIGHTS SIMON STOKES



VALUES ARE 30%
BELOW PEAK



HOUSE PRICES IN SOUTH
DUBLIN TO RISE A FURTHER
15% TO 20% IN 2015



RENTAL DEMAND VERY
HIGH (5-10% BELOW
2007 PEAK)

RAY HANLEY

SCSi VALUATIONS, PROFESSIONAL GROUP CHAIR

Due to a combination of increasing demand, as a result of population growth and declining household sizes, and low completions activity, residential property prices have increased strongly during 2014. In Dublin, according to the CSO house price index, prices have risen by 24.2% in the year to October 2014, however it should be noted CSO figures refer to mortgage financed transactions only. Nationally prices are now increasing at an annual rate of 16.3% - the fastest rate of growth since September 2006 - and outside Dublin, prices have increased in every month since the beginning of 2014 and by 8.3% to October.

However, the rate of house price inflation should begin to moderate as transactional activity shifts from cash to mortgage financed buyers. We have already seen evidence of this in Q4 2014. This is because mortgage financed buyers are more price sensitive given that they are limited by bank lending constraints. Moreover, with the introduction of new macro prudential rules from the Central Bank likely to limit lending even further, prices are set to move more in line with affordability.

Developers are beginning to mobilise and construction finance is becoming available for traditional suburban housing schemes from a number of sources, including the pillar banks and private equity. Nevertheless there are concerns that if the Central Bank rules on new lending are implemented, as currently drafted, they will have a negative impact on the supply side. Positive action from Government such as a reduction in VAT would certainly help counterbalance any impact of the Central Bank proposals.

While apartment values have recovered strongly in the main urban centres and there are plans for new construction in this sector – these are the exception rather than the rule and will be constructed on a rent & hold basis rather than to sell. Viability remains the key point in this market in most locations and further recovery in values combined with a review of current regulations and a reduction in VAT will be required in order to see any significant change in activity levels.

HIGHLIGHTS RAY HANLEY**ANTICIPATED MODERATION IN HOUSE PRICE INFLATION RATE****INCREASE IN CONSTRUCTION FINANCE AVAILABILITY****MEASURES REQUIRED IN 2015 TO INCENTIVISE CONSTRUCTION INDUSTRY**

HIGHLIGHTS **EDWARD CAREY**

**14% FEWER PROPERTIES ON SALE
COMPARED TO 2013**



**HIGH DEMAND FOR 3 AND 4 BEDROOM
PROPERTIES AND DEMAND FOR
APARTMENTS IS LOW**

**EDWARD CAREY**

REPRESENTATIVE OF THE NORTH EASTERN REGION
CAVAN, LOUTH, MEATH, MONAGHAN, WESTMEATH

Residential housing demand increased significantly in 2014, compared to 2013 levels. Although viewing numbers were up in 2014, there were 14% fewer properties on sale compared to 2013. The supply of properties is a crucial issue in the region and the demand anticipated in 2015 is not expected to be met with supply. Notable factors influencing the supply of property include negative equity and supply shortages of new developments as well as the localised issue of pyrite in some parts of the region. With regard to negative equity, some properties decreased in value by 65%, whilst the supply shortage of new builds is a direct result of low financial liquidity in the construction sector. The northeast region also experienced large variations in trends, with the larger urban centres performing much stronger than smaller centres and rural areas.

There is a high demand for three and four bedroom properties in the region and demand for apartments is low. Although viewing and demand volumes have increased, the high consumer confidence experienced within the Dublin region has yet to overflow into the north east region to the same extent.

HIGHLIGHTS **MICHAEL MCKENNA**

**DEMAND FOR 3 AND 4 BED HOUSES, SEEN
PRICE INCREASES OF 5% AND 4.4%
RESPECTIVELY**



**RENTAL MARKET HAS SEEN SIGNIFICANT
INCREASES BY 15% TO 21%**



**LACK OF SUPPLY IS IMPACTING ON THE
RESIDENTIAL MARKET SIGNIFICANTLY**

**MICHAEL MCKENNA**

CHAIR OF THE SOUTHERN REGION
CLARE, CORK, KERRY, LIMERICK, TIPPERARY

In 2014 Cork City and the surrounding environs experienced a significant increase in market demand from quarter 2 onwards, with particular demand for three and four bed detached and semi-detached houses. There were price increases of approximately 5% and 4.4% respectively in 2014 compared to the previous twelve months.

Some three bed semi-detached houses in Cork saw their value increase by up to 25% for the year, with particular demand in established suburban locations. Demand is also strong in areas close to employment.

Cash buyers were a strong element of the purchasing market with approximately 50% of residential sales attributed to cash buyers. A slowdown in growth is anticipated in 2015.

The rental market has seen significant increases of up to 21% on some residential properties in high demand locations and property types, notably three bed semi-detached properties in close proximity to the city centre. In some instances, increases of up to 35% were reported in some areas of Cork City in 2014, with supply very limited within the city and its environs. In the main urban centres of Kerry, Killarney has performed most successfully with high demand and interest, however the Tralee market is slower.

The prevailing opinion amongst property agents in the southern region is that lack of supply is impacting on the residential market significantly, with a large volume of vacant premises, particularly apartments not being sold.

MICHAEL BOYD

CHAIR OF THE SOUTH EASTERN REGION

CARLOW, KILDARE, KILKENNY, LAOIS, OFFALY, WATERFORD, WEXFORD, WICKLOW

The southeast region saw an upturn in the residential property market in 2014, however most of the activity growth occurred in the main urban centres of the region. Waterford experienced an upturn in residential prices of 10% to 20% on some properties, whilst Kilkenny City and environs also experienced increases of up to 20% on some properties. Carlow Town experienced increases of 30% to 40% in some cases, however the Tullow residential market remained very stagnant with little change on 2013 prices.

The rental market also proved strong, with 20% increases reported in some properties in Carlow Town. There have been negligible additions to the property stock since 2007/2008 and as such supply is very limited in the region and the shortage of housing in the southeast remains a barrier and is the main driver of both house price and rental increases in the region. Overall the region experienced increases in rental prices of up to 15% which has been mainly supply driven.

There have been considerable reposessions in 2014, particularly in Carlow. The increase in prices is discouraging first time buyers and investors and with very little additional new properties coming to market, the growth rate is anticipated to slow in 2015.

GERARD O'TOOLE

REPRESENTATIVE FOR THE WESTERN REGION

DONEGAL, GALWAY, LEITRIM, LONGFORD, MAYO, SLIGO

2014 was a strong year overall in the western region, with a renewed confidence evident in the property market. Quarters 3 and 4 of 2014 showed most improvement in market activity over the last 12 months, and although there are still significant challenges in the market, it is believed with some confidence that the market in the west has now stabilised overall and small growth has commenced, albeit in the low single digits. Volumes of sales are up approximately 20%, although it should be noted that this figure is from a very low base. First time buyers have been a significant element of the market accounting for 30% of purchases whilst the region has also seen families relocate and also buyers wishing to downsize.

The volume of investor buyers was also a very significant element of the market, with the cessation of the capital gains tax relief on 31 December likely to have influenced a growth in sales in Q3 and Q4. Cash buyers continue to account for a significant percentage of sales although it does appear that this rate is gradually falling.

The more popular locations in the region particularly those with a strong lifestyle appeal, such as Westport in County Mayo, have performed very strongly. The volumes of sales here have increased by more than 20% and stock levels are now at their lowest levels for many years. Accordingly it is anticipated that these locations are likely to see the strongest price growth in the short term.

Galway City experienced very positive growth with residential property increases of approximately 10% to 15% in 2014, however the market is supply driven with a shortage of more traditional family homes. More modest growth is predicted in 2015 with growth of 5% to 8%, with more reserved growth throughout the rest of the region.

HIGHLIGHTS MICHAEL BOYD

**MOST GROWTH OCCURRED IN THE MAIN
URBAN CENTRES OF THE REGION**



**OVERALL THE REGION EXPERIENCED
INCREASES IN RENTAL PRICES OF UP TO 15%**

**HIGHLIGHTS GERARD O'TOOLE**

**VOLUMES OF SALES ARE UP
APPROXIMATELY 20%**



**CASH BUYERS ACCOUNTED FOR
APPROXIMATELY 60% OF RESIDENTIAL SALES**



**THE MAIN URBAN CENTRES ARE PERFORMING
VERY STRONGLY**



**GALWAY CITY EXPERIENCED POSITIVE
GROWTH WITH RESIDENTIAL PROPERTY
INCREASES OF APPROX 10% TO 15% IN 2014**



ABOUT THIS RESEARCH

This report has been informed and guided by the views, perceptions and opinions of Chartered Surveyors (members of the Society of Chartered Surveyors Ireland) and a number of leading experts in the property industry.

An online survey was conducted amongst relevant members to determine average sales prices, expectations of price changes and supply/demand issues. 412 responses to the survey were received across the four SCSI regions.

Future Analytics Consulting (FAC) conducted in-depth interviews with SCSI Chairs to ascertain their views on the opportunities and challenges in the property market. In addition, FAC conducted in-depth interviews with leading industry experts to establish their views on the opportunities and challenges in the property market.

FAC is a leading planning, research and economic consultancy based in Dublin. FAC advocate an evidence-based approach to projects, and specialise in data analysis.

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E: codonovan@scsi.ie



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.

Future Analytics Consulting (FAC) is a dynamic SME specialising in strategic spatial planning, research and economic development.

FAC advocates an 'evidence based' ethos, where enhanced decision-making is facilitated through the identification, collection, collation, analysis and visualisation of a broad range of spatial and socio-economic data.

As such, the Company provides credible and robust evidence-based planning and development solutions to inform the formulation of planning policy, strategy, operational plans and development proposals.

With a keen interest in innovation and creativity, FAC also prides itself on a strong awareness of emerging best practice in relation to data analysis and research methodologies, balanced with a comprehensive understanding of their relationship with social and economic development activities.

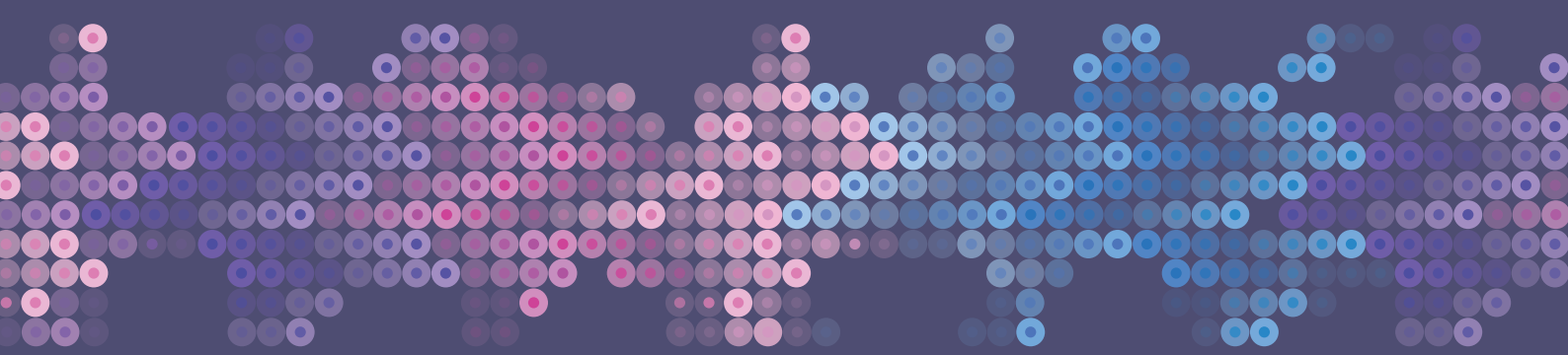
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ANNUAL RESIDENTIAL PROPERTY REVIEW & OUTLOOK 2015




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