

RESIDENTIAL MARKETS REPORT

AUGUST
2020

SPECIAL
COVID-19
EDITION

SELLER AND BUYER ACTIVITY - THE TRUE IMPACT

The impact of the Coronavirus on our society and economy has been significant as witnessed by the shutdown of so many businesses for many months beginning in March. As a result, Government has had to invest over €15Bn in social welfare measures to support employers and employees. The financial cost of these measures is likely to change as they are adjusted in response to the virus.

Although Ireland's economy was one of the fastest growing economies in the EU earlier this year, the Central Bank of Ireland's economic forecast shows a gradual moderation in the pace of growth. Following growth of 6.1% in 2019, the Central Bank's report (Quarterly Bulletin No. 2, 2020) suggests that GDP growth could decline by over 8% in 2020. This shows the scale of the challenge the country faces.

In relation to home purchasing and drawdown activity,

purchase mortgage drawdown activity fell in volume terms by 37% year-on-year and decreased in value terms by 38% over the same period (Banking and Payments Federation, Q2 2020). First-time buyer (FTB) mortgage drawdowns decreased by 35% year-on-year to 3,285 while mover purchase drawdown volumes decreased by 40% year-on-year to 1,595.

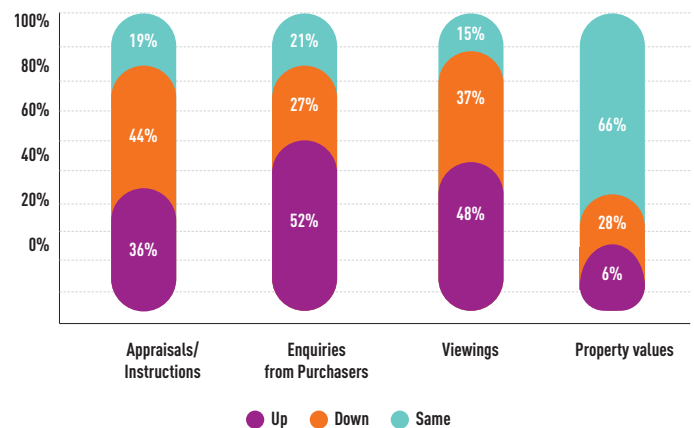
Much of this reduced activity is because of the shutdown of the economy and of the property market from March to June 2020. Notably, activity levels in the property market have increased since its reopening on June 8. According to the latest DAFT.ie housing report for June 2020, there were just 19,510 residential units for sale on its platform, down 25% in 12 months. The report states that rental supply nationwide has improved with a 21% increase in 12 months and a 63% increase in rental supply in Dublin in the year to June 2020.

IMPACT ON PROPERTY SALE APPRAISALS

Chartered estate agents were asked to assess the level of residential sales activity in the sector following the reopening of the property sector on June 8 versus activity in the sector prior to Covid-19. The results to this question are split. 56% of agents noted an increase or similar numbers of appraisals (instructions to market property for sale) compared with pre-Covid-19 levels. Of these responses, the main reason provided for this similar or increased level in appraisal activity was pent-up demand following the reopening of society and business. Notably, the remaining 44% of agents reported a decrease in appraisals following the reopening of the property sector on June 8.

IMPACT ON PURCHASE ENQUIRIES

73% of agents reported that enquiries from prospective purchasers had increased or remained the same since the reopening of the sector compared with pre-Covid-19 numbers. According to the survey results, there is pent-up demand from buyers around the country, particularly those who remain financially unaffected from Covid-19 and therefore continue to make purchase enquiries.



SINCE THE PROPERTY SECTOR REOPENED (JUNE 8),
HOW WOULD YOU ASSESS THE FOLLOWING RESIDENTIAL ACTIVITIES
COMPARED WITH PRE COVID-19?

• Some calculations may not add to 100 due to rounding.

IMPACT ON PROPERTY VIEWINGS

The level of viewings has increased since the re-opening of the sector in early June. 63% of agents reported that there has been an increase or similar trend in viewing levels when compared to pre-Covid-19 times.

“Many purchasers had been pre-approved for purchasing property and unsurprisingly did not delay in attending viewings to find the right property.”

Member response to survey,
Munster region

This initial increase in viewings highlights the accumulated demand for property sales post lock-down. According to agents, many purchasers had been pre-approved for purchasing property and unsurprisingly did not delay in attending viewings to find the right property for them as the lockdown period curtailed much of this activity from March to early June 2020.

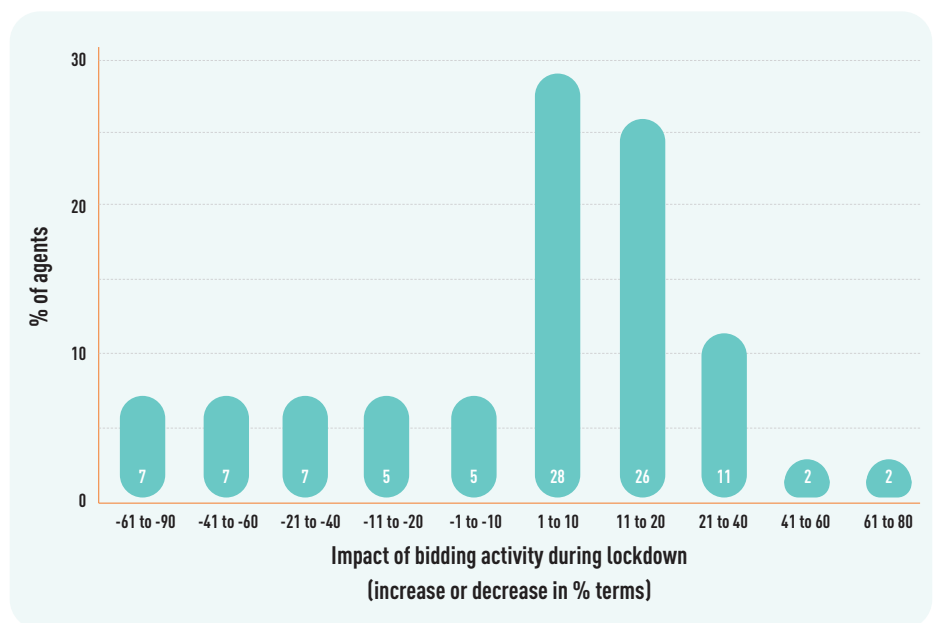
This sentiment aligns with the mortgage approval data as reported in the Banking and Payments Federation quarterly bulletin published in quarter 2, 2020.

IMPACT ON BIDDING ACTIVITY

During the period of the Covid-19 society and business lockdown (March 27 to June 8 for the property sector), agents reported a decrease in bidding activity. The average decrease in overall bidding activity was an 8% decline. The use of online viewing and bidding technology is currently being utilised by, on average, 50% of agents according to our results. Those that utilised online bidding and viewing technology meant that a level of service could be maintained to sellers and purchasers, albeit at significantly lower levels. The range in responses from agents highlights an equally interesting picture with responses ranging from a 95% decrease to a 66% increase in bidding activity. It is likely that those that reported a decrease in bidding activity did not utilise technology during the lockdown compared to those that reported an increase in bidding activity.



IMPACT OF COVID-19 ON RESIDENTIAL
PROPERTY BIDDING DURING LOCKDOWN



DISTRIBUTION OF RESPONSES FROM AGENTS. IMPACT OF COVID-19 ON
PROPERTY BIDDING DURING LOCKDOWN

PROPERTY VALUES

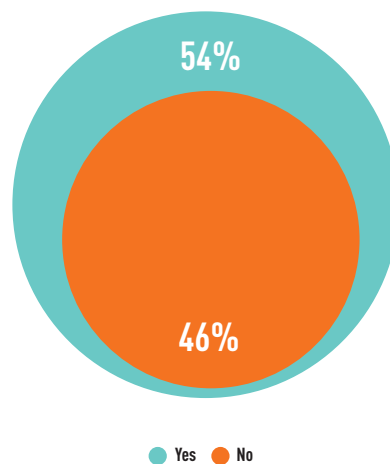
Two thirds of agents (66%) reported that property values remain unchanged when compared to pre-Covid-19 time with 28% reporting that property values declined. This largely supports data recently reported by the Central Statistics Office showing a 0.3% increase in property values nationally to May 2020 (Central Statistics Office, Residential Property Price Index April 2020).

THE REAL COST OF COVID-19 ON TRANSACTIONS

RENEGOTIATIONS

Renegotiations are a regular feature of the property sales market for many reasons. Renegotiations can often happen following building condition advice from construction professionals, boundary irregularities, similar properties coming on to the market before contracts are signed or a change in financial circumstances (mainly the purchaser).

When we examine the true impact of Covid-19 to date, 54% of our chartered agents experienced renegotiations of sales due to Covid-19. Of those that experienced this impact, around one in five (20%) of their firms' sales were renegotiated. Therefore, about one in ten of all transactions were renegotiated. On average, the newly renegotiated price amounted to a 3% reduction on the original sale agreed figure.



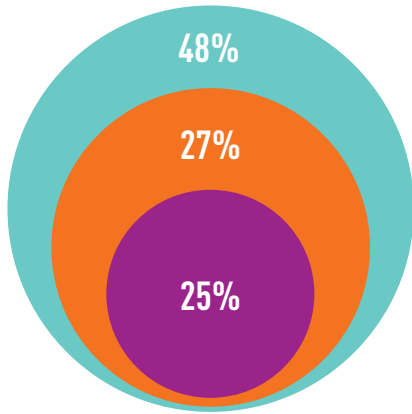
PERCENTAGE OF AGENTS THAT EXPERIENCED A RENEGOTIATION OF A PREVIOUSLY AGREED SALE AS A RESULT OF COVID 19



AVERAGE PRICE REDUCTION (%) FOR THOSE PROPERTIES THAT WERE SUCCESSFULLY RENEGOTIATED.



ONE IN TEN PROPERTIES RENEGOTIATED

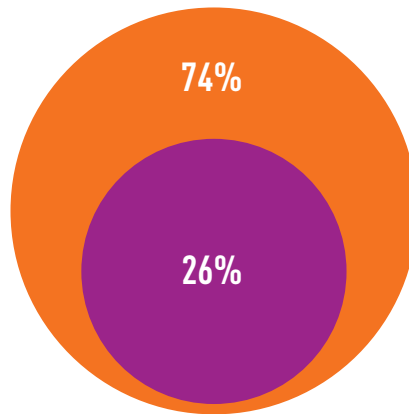


● Investor ● First time buyer ● Second time buyer

PERCENTAGE RESPONSE FROM AGENTS - EXPERIENCE OF RENEGOTIATIONS OF ORIGINAL SALE PRICE - PURCHASER PROFILE

PROFILE OF PURCHASERS SEEKING A RENEGOTIATION

Of the various purchasers (first-time buyers, second-time buyers and investors) seeking renegotiations, agents reported that second-time buyers were the most active of the three (48%) in seeking a renegotiation on the original sale agreed figure. Second-time purchasers are often in a chain (required to sell their current property to purchase the next one) and there is a higher probability that they too are subject to renegotiation requests. Following this, agents reported that first-time buyers were the second most active (27%) in seeking a renegotiation, followed closely by investors (26%).

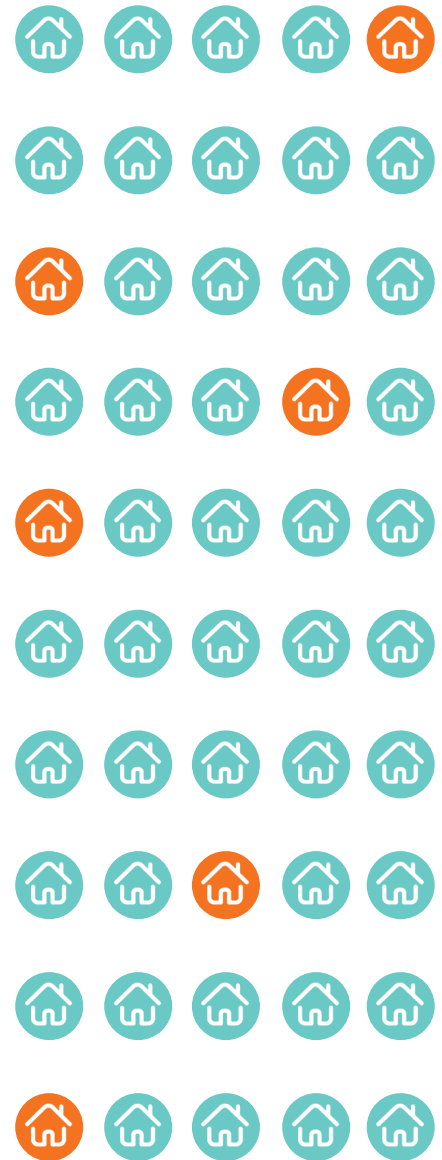


● Yes ● No

PERCENTAGE OF AGENTS EXPERIENCING AT LEAST ONE FAILED TRANSACTION AS A RESULT OF COVID-19

FAILED TRANSACTIONS

A failed transaction is where a previously agreed sale (generally those that are pre-contract signing) no longer proceeds and the purchasers' booking deposit is therefore returned. Failed transactions remain a feature of the property market for many reasons such as inability to raise finance, a decision to purchase another property, or the seller may decide to no longer sell. The results of our survey show that as a result of Covid 19, 12% of sales failed.



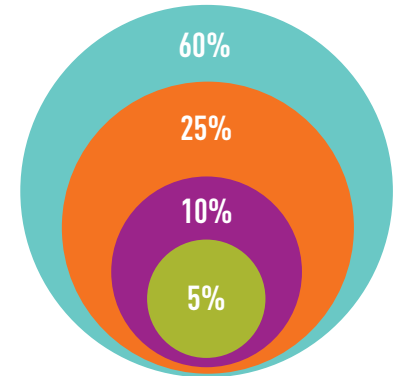
IMPACT OF COVID

12% OF ALL PURCHASES IN THE PERIOD WERE FAILED TRANSACTIONS

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REASONS WHY PURCHASERS CONTINUED WITH THE PURCHASING OF RESIDENTIAL PROPERTY DURING COVID-19

When asked about those purchases that continued during Covid-19, 60% of agents reported that the main reason for sales progressing was due to a buyer finding the property that matched their needs, while the second main reason was not allowing the loan offer to lapse (25%).



- Purchaser(s) found their sought after property
- Purchaser(s) don't want to allow grant of approval lapse
- Purchaser(s) reluctant to continue paying rent in rental property
- Other

MAIN REASONS FOR SALES PROGRESSING DURING COVID-19 LOCKDOWN

IMPACT OF COVID-19 ON THE RENTAL SECTOR

New legislation introduced on August 2, 2020 introduces protections where a tenant has fallen into rent arrears, and as a result, is at risk of losing their tenancy. The purpose of this legislation is to react to the rising levels of unemployment by supporting those living in the residential rental sector. The protections are aimed at those that are out of work due to Covid-19 related issues such as a loss of employment, reduced hours or Covid-19 sickness. For all other tenancies that fall outside of this, normal Residential Tenancies legislation has now resumed.

For the purpose of this study, our members were asked about the emergency legislation introduced in April. The emergency legislation banned all evictions and banned the issuing of termination notices to tenants. When asked about what percentage of tenants did not meet their monthly rent obligations as a result of Covid-19, agents reported that, on average, 8% of tenancies did not meet their monthly rent. When asked about what percentage of tenants provided satisfactory evidence of their inability to meet their monthly rental obligations as a

result of Covid-19, (i.e., loss of job, reduced hours etc.) 36% of tenants provided satisfactory evidence to landlords or their agent.

While the emergency legislation served as an important tool to protect those who experienced a reduction in income due to the impacts of Covid-19, it provided challenges for landlords. According to the results of our survey of agents, 8% of tenants did not meet their monthly rent. Of the 8% that failed to cover their rent obligations, only one third provided satisfactory evidence to support their claim for non-payment.

As reported in our Annual Residential Review and Outlook 2020 earlier this year, there is a consistent outflow of landlords leaving the market compared to new investors. For every two landlords that are leaving, one landlord is entering the residential rental market. It is clear from previous amendments to rental legislation that additional uncertainty for landlords in a delicate rental market can have further negative consequences for supply of new rental stock for tenants.



PERCENTAGE OF TENANTS THAT DID NOT MEET THEIR MONTHLY RENTAL OBLIGATIONS



ONLY 36% OF THOSE (8%) PROVIDED SATISFACTORY EVIDENCE OF INABILITY TO PAY

CONCLUDING REMARKS

The salaries of home purchasers are likely to be impacted as a result of Covid-19, and while it is too early to predict the effects with any accuracy at this moment, much will depend on the global response to the virus and our success or failure in dealing with it.



Since the reopening of the residential property market in June, activity in most parts of the country remains brisk. Pent-up demand, especially in the sales market, resulted in increased activity levels especially among viewings and enquirers as experienced by most agents.

Confidence within the house purchasing market remains strong especially among those who have been unaffected financially by Covid-19 or those that had finances in place when the sector re-opened.

New approvals and drawdowns are down significantly however, and the outlook remains challenging for the sector and economy as a whole. The salaries of home purchasers are likely to be impacted as a result of Covid-19, and while it is too early to predict the effects with any accuracy at this moment, much will

depend on the global response to the virus and our success or failure in dealing with it. The residential rental sector has largely been protected from the worst impact of the Covid-19 crisis by the income and rental supports put in place by Government. As these supports are reduced and as the full economic impact is revealed, it is likely that the figures for rent arrears will grow. All market sectors are vulnerable especially those that include the young professional and student sectors which will be individually impacted by the reduced economic supports. There is likely to be a reduction in employment opportunities and online education will see many students studying from home. Demand for rental properties for young families, elder living and singles will remain high due to the well documented supply issues.

OUR SURVEY

SCSI's Covid-19 online residential survey was conducted to assess the impact of the Covid-19 restrictions on the residential sales and rental market.

The survey was completed by 268 chartered agents nationwide, during the period June 19 to July 3, 2020.

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