



Chartered property,
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RESIDENTIAL PROPERTY MARKET MONITOR JUNE 2022





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surveyors

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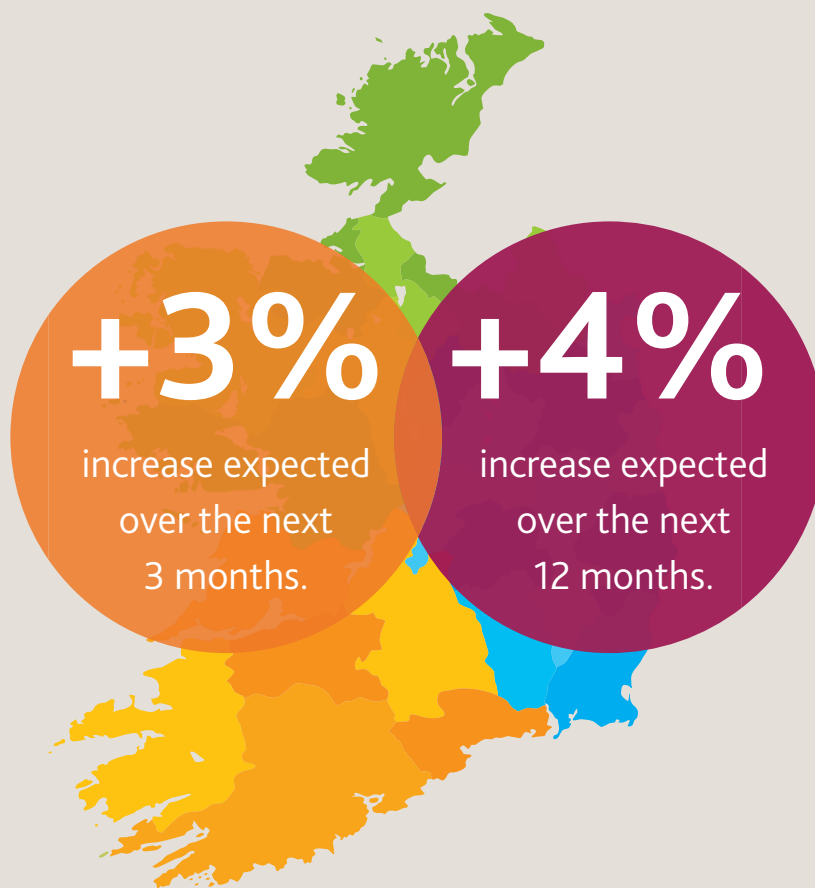
RENTAL ACTIVITY

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ACKNOWLEDGEMENTS

SALES MARKET

PROPERTY PRICES EXPECTED TO CONTINUE TO INCREASE IN 2022,
BUT THE RATE OF PROPERTY PRICE INFLATION WILL
REDUCE COMPARED TO 2021 LEVELS.



PROPERTY PRICE EXPECTATIONS

MARKET FACTORS, SUCH AS
CONSTRUCTION OF NEW UNITS,
AVAILABILITY OF UNITS AND RENTAL
MARKET MOVEMENTS, CONTINUE TO
UNDERPIN THE MAJORITY OF AGENTS'
EXPECTATIONS (65% IN Q1 2022).



PROPERTY PRICE DEVELOPMENTS



THERE HAS BEEN A RISE IN THE NUMBER OF AGENTS (25% IN Q1 2022 UP FROM 13%) CITING ECONOMIC FACTORS (E.G., OUTLOOK FOR ECONOMIC GROWTH, GENERAL INFLATION DYNAMICS, PROSPECTS FOR HOUSEHOLD INCOMES, AND LABOUR MARKET CONDITIONS) AS THE MAIN FACTOR UNDERPINNING THEIR EXPECTATIONS OF PROPERTY PRICE DEVELOPMENTS.

RENTAL MARKET

SCSI AGENTS

88%

ANTICIPATE RENTAL STOCK LOST TO THE SALES MARKET WILL NOT BE REPLACED WITHIN THE NEXT TWO YEARS.



71%

SAID LENGTH OF TENANCIES HAS INCREASED IN THE PAST 10 YEARS.



COMPLEXITY OF RENTAL LEGISLATION/REGULATION CONTINUES TO BE RANKED BY AGENTS AS THE TOP REASON LANDLORDS ARE LEAVING THE RENTAL MARKET.

ECONOMIC METRICS

The first half of 2022 saw strong growth in the economy; however, the invasion of Ukraine has had a knock-on economic impact across Europe. Ireland's gross domestic product (GDP) growth remains at the top of EU rankings.

Looking ahead, while GDP is expected to keep increasing by 5.4% in 2022 and 4.4% in 2023, it is forecasted to grow at a slightly slower rate than previously expected due to higher inflation, supply chain issues and uncertainty created by the Russian invasion of Ukraine, all of which will subsequently negatively affect private consumption and investment.¹ This rising inflation scenario is not limited to Ireland but is occurring across the globe. Ireland's employment showed strong recovery as employment rates grew, and surpassed, pre-pandemic levels in the latter stages of 2021 and into 2022.²

While Ireland has limited direct economic exposure to Russia and Ukraine, as one of the world's most open economies in terms of trade and finance, it remains exposed through trade and supply chain linkages, as well as through rising inflation and increasing energy prices, which subsequently impact on real household incomes. Supply chain disruptions have been further felt due to the effect of continued pandemic-related restrictions in China.

Such increases could impact significantly on some mortgage holders whose monthly repayments are increasing at a time when consumer prices are also up significantly, potentially tightening or severely limiting some households' disposable income.

The latest Consumer Price Index illustrates a 7.8% increase year on year compared with May 2021, with notable increases in housing, water, electricity, gas and other fuels (+20.9%), and in transport (+16.5%).³ Such increases will particularly impact on lower income households, the elderly and those in rural communities. Businesses across the country will also feel the impact of higher inputs costs, particularly those who were previously impacted by the pandemic.

The European Central Bank (ECB) signalled in June that due to inflation pressures and rising costs, its key interest rate will be raised by 25 basis points in July, with expectations to raise the key ECB interest rates again in September by a larger amount if the medium-term inflation outlook persists⁴.

This would have an impact on some variable rate mortgage holders whose monthly repayments could subsequently increase. While in more recent years, there has been a growing shift away from variable rate mortgages, towards fixed-rate mortgages, around 54% of outstanding mortgage balances are on a variable type mortgage (SVR or tracker), which would likely see an immediate increase in mortgage interest costs when interest rates rise.⁵

For fixed-rate mortgages, once the fixation period ends, borrowers would be refinancing at higher interest rates. Such increases could impact significantly on some mortgage holders whose monthly repayments are increasing at a time when consumer prices are also up significantly, potentially tightening or severely limiting some households' disposable income.

The economic outlook remains uncertain as the effects of geopolitical instability, which is having a devastating impact in Ukraine and on its people, continue to permeate across Europe.

¹ European Commission Spring 2022 Economic Forecast for Ireland.

² CSO Labour Force Survey.

³ CSO Consumer Price Index – May 2022.

⁴ <https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.mp220609~122666c272.en.html>

⁵ Central Bank of Ireland Financial Stability Review 2022 I.

THE PROPERTY MARKET

Over the past number of years, the SCSi has continuously highlighted the imbalance between the supply of and the demand for property. While planning permissions and commencements indicate a pick-up in construction this year, higher materials costs and labour shortages are forecast to constrain growth in the sector in the near term.⁶

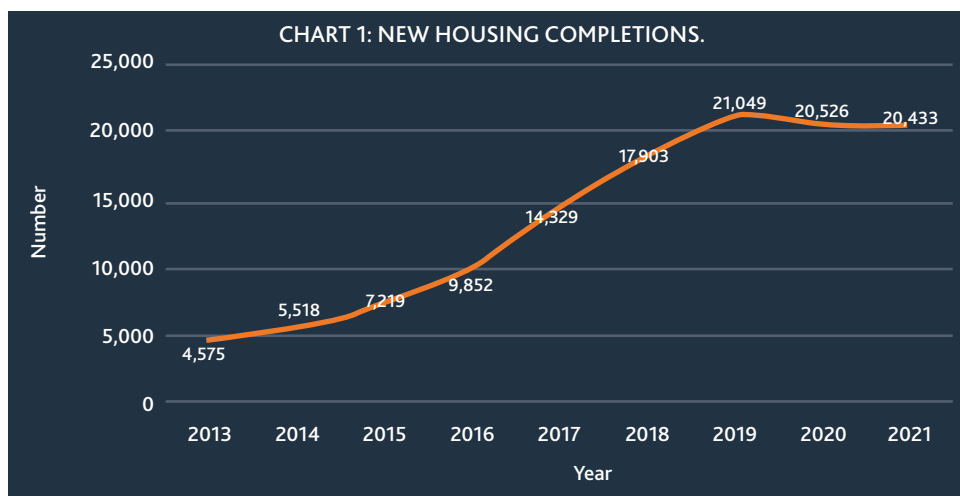
Material price inflation is having an impact on the new homes development sector as viability concerns for some projects have been raised. Inflation is being witnessed across all construction sectors including commercial buildings, with the SCSi Tender Price Index noting a 13% increase in tender prices over the course of 2021.⁷

New housing completions have increased significantly when compared to 2013 levels (see Chart 1); however, completion levels are still well behind the annual requirement of 33,000 units a year.⁸ The Central Bank of Ireland's latest forecast for housing completions is



approximately 24,500 in 2022, increasing to 29,000 and 33,000 in 2023 and 2024, respectively.

This is a reduction of approximately 3,500 housing units over the forecast horizon compared with their previous forecast.⁹ Ireland's growing and ageing population, plus changing trends such as smaller average household size, current positive net migration, plus commitments to provide accommodation to incoming refugees from Ukraine, all contribute to the continued need for the unlocking of additional housing.



Source: CSO new housing completions.

The Central Bank of Ireland's latest forecast for housing completions is approximately 24,500 in 2022, increasing to 29,000 and 33,000 in 2023 and 2024, respectively.

⁶ Central Bank Quarterly Bulletin April 2022.

⁷ SCSi Tender Price Index April 2022.

⁸ Housing for All outlines the Government's plan to increase the supply of housing to an average of 33,000 per year over the next decade.

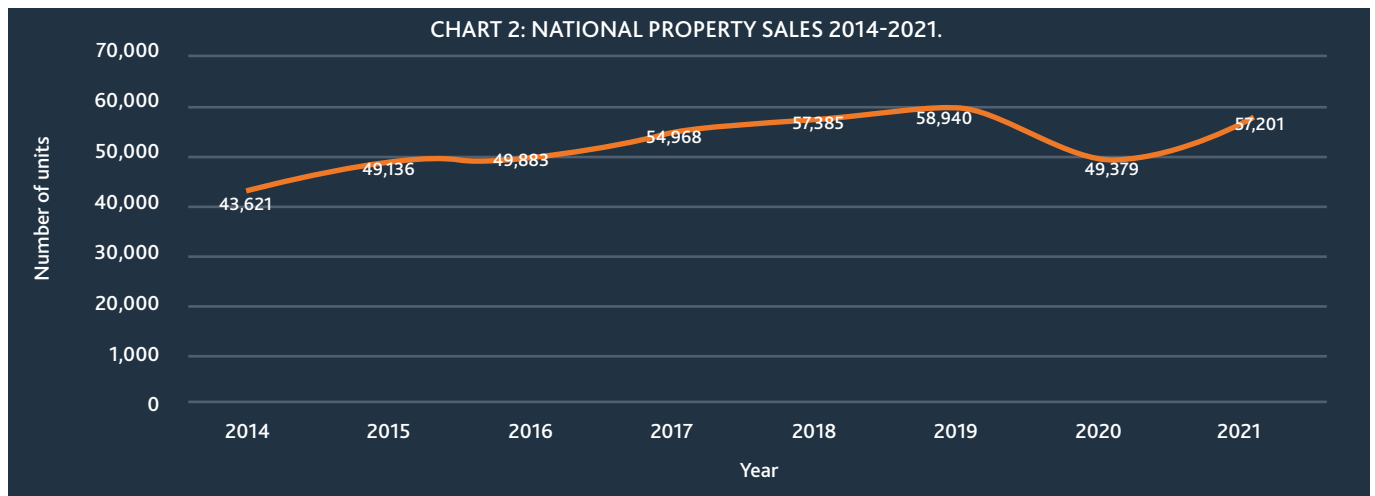
⁹ Central Bank of Ireland Quarterly Bulletin No.2 2022.

¹⁰ BPFi Housing Market Monitor Q4 2021.

THE PROPERTY MARKET

New residential completions were 5% lower in Q4 2021 when compared to the same period a year prior.¹⁰ The impact of inflation coupled with other constraints in the home building process such as material and labour shortages coupled with delays with planning and infrastructure is likely to persist according to SCSl agents' commentary and if so, may delay new supply coming to the market in 2022.

The housing transaction market (new and second-hand property sales) saw a 16% increase in 2021 with total property transactions of 57,201 (Chart 2). This uplift is mainly due to a return by the market to the pre-Covid transactions levels of 2019, as restrictions lowered overall sales volumes in 2020. However, low supply continues to have an impact on the level of turnover in the market.



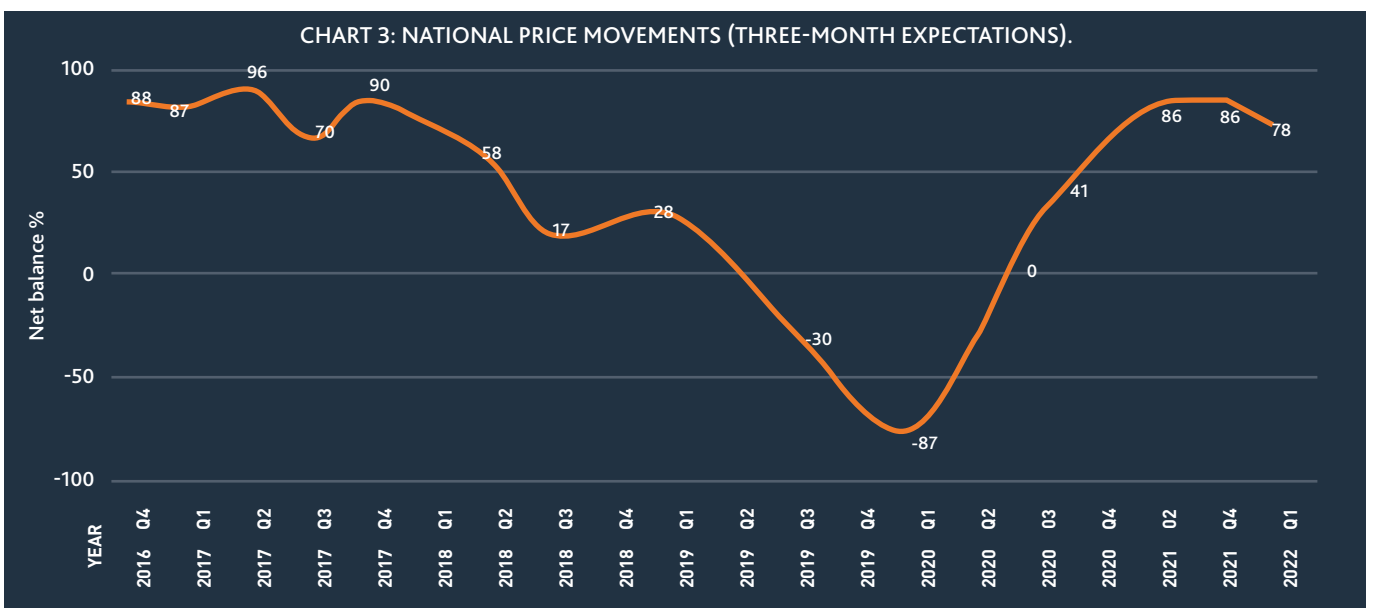
Source: PSRA.

The SCSl canvasses the expert opinions of our residential (estate) agent and valuer members on their views of the market. Agents engage with buyers and sellers daily and have a unique insight into property trends and activity levels in their area of operation. In terms of the residential property market, there continue to be

increases in property prices, with annual residential property prices up 14% year on year (year to April 2022).¹¹

During this same period, consumer prices were up 6.7% in March 2022 when compared to March 2021.

Charts 3 and 4 illustrate the net balance sentiment of agents over time in



The net balance charts illustrate the difference for those who anticipate volume increases minus those who anticipate decreases.

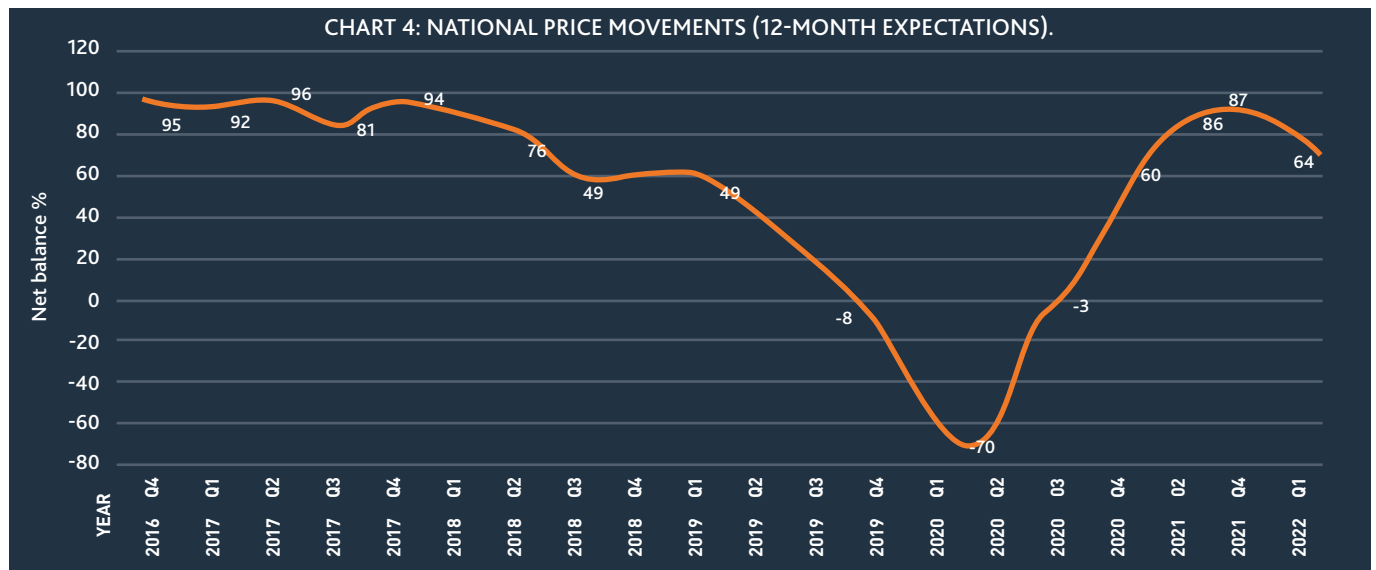
Source: SCSl research.

¹¹ CSO Residential Property Price Index April 2022.

terms of their outlook on property prices (the net balance charts illustrate the percentage balance of those who anticipate price increases minus those who anticipate decreases) and are an indication of direction for national property prices over the next three and 12 months. A net balance¹² of 78% of agents expect to see property prices increase in the next three months and a net balance of 64% expect to see prices increase in the next 12

months. It is expected that residential prices will continue to rise, but according to results from our survey of SCSi agents, the rate of price inflation will reduce compared with 2021 levels.

Agents expect that residential property values in their county of operation will increase by just 3% over the next three months and by 4% over the next 12 months.

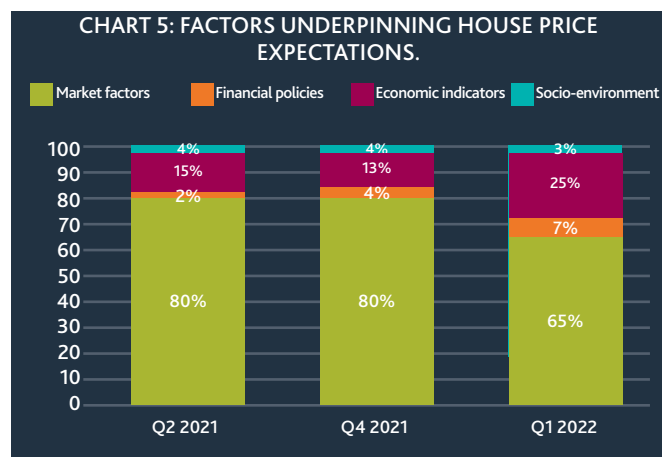


The net balance charts illustrate the difference for those who anticipate volume increases minus those who anticipate decreases.

Source: SCSi research.

Over the last three reports issued, market factors such as supply and demand have been the main factor cited by agents as underpinning expectations (Chart 5). However, in line with current inflationary trends, those citing economic factors (e.g., outlook for economic growth, general inflation dynamics, prospects for household incomes, and labour market conditions)

has nearly doubled since the previous report with it now at 25% up from 13% in Q4 2021. This suggests that an increasing number of agents are looking at trends in inflation, i.e., rising inflation and prices and their impact on interest rates and subsequently household incomes, as having the biggest impact on trends to property values over the coming months.



Source: SCSi research.

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¹² The net calculation refers to the difference for those who anticipate volume increases minus those who anticipate decreases.

SELLER ACTIVITY

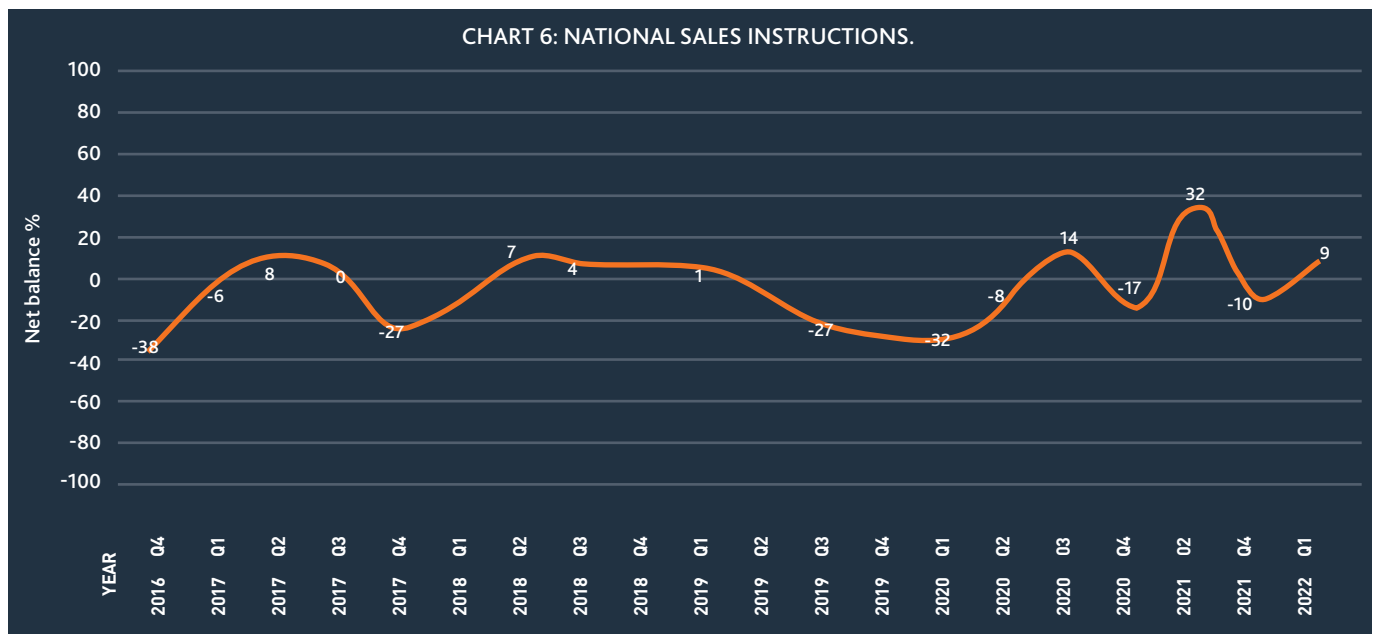
SELLER ACTIVITY



As of Q1 2022, agents noted a slight upswing in sellers instructing sales when compared to the end of Q4 2021; however, overall there is no noticeable improvement in new instructions coming to the market when compared with recent years (Chart 6).

Data from property portals illustrates a lower supply on the market available for sale than compared to previous years. Residential property available for sale on MyHome.ie in Q1 2022 was noted as being at a record low of 11,200 homes listed for sale nationally.¹³

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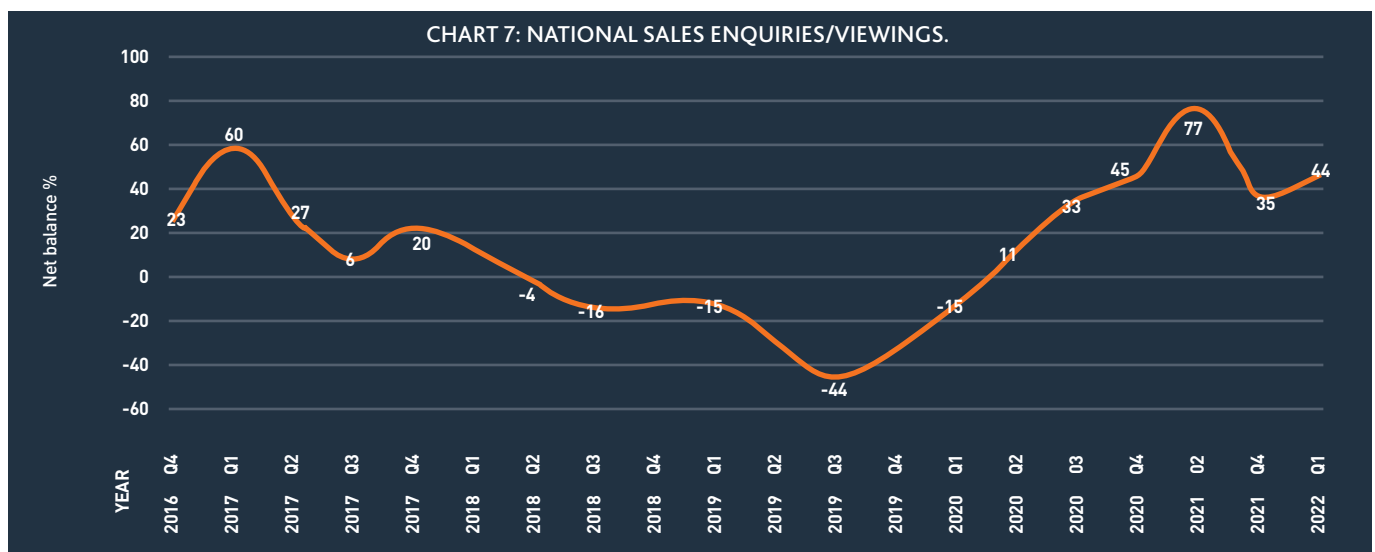
Source: SCSl research.

¹³ MyHome.ie Q1 2022 Property Report in association with Davy.

BUYER ACTIVITY

There is a continuing trend of buyers looking to purchase property outside of large urban centres where average property prices are lower, and properties are generally larger. This trend began with the onset of Covid-19, when many workers could work from home; however, with the continued price pressures on housing costs, our regional SCSi agents report that the demand for more rurally located homes remain high.

Buyers are increasingly seeking strong broadband connections and sufficient space around the property to perhaps expand homes or construct an out-office for remote working. It is unclear how long this trend will continue for; however, one of the limiting factors is the low and further declining levels of available stock to purchase. This complaint is a common theme across the entire country.



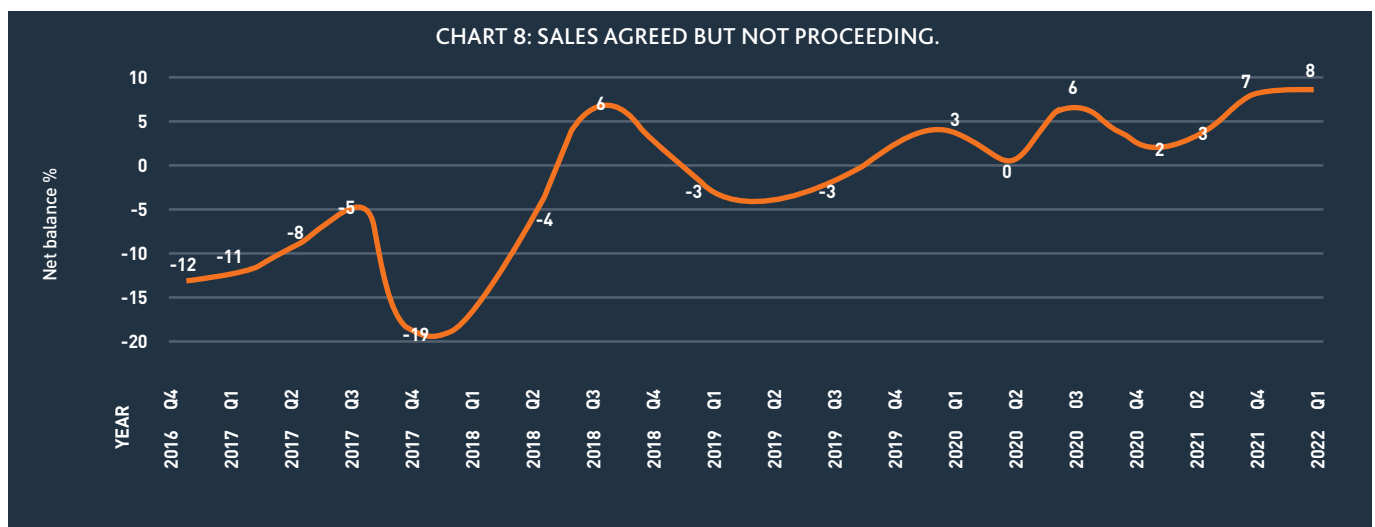
The net balance charts illustrate the difference for those who anticipate volume increases minus those who anticipate decreases.

Source: SCSi research.

The level of enquiries and viewings varies from one part of the year to another. This can be because of holiday periods when buyers are unavailable to view property for sale. In recent years, as the country entered and exited Covid-19 restrictions, the demand for housing increased as new supply was

constricted and therefore SCSi agents witnessed a substantial increase in viewings and enquires from buyers (Chart 7).

There was a noticeable decrease in Q4 2021 with a marginal rebound in levels of interest in Q1 2022.

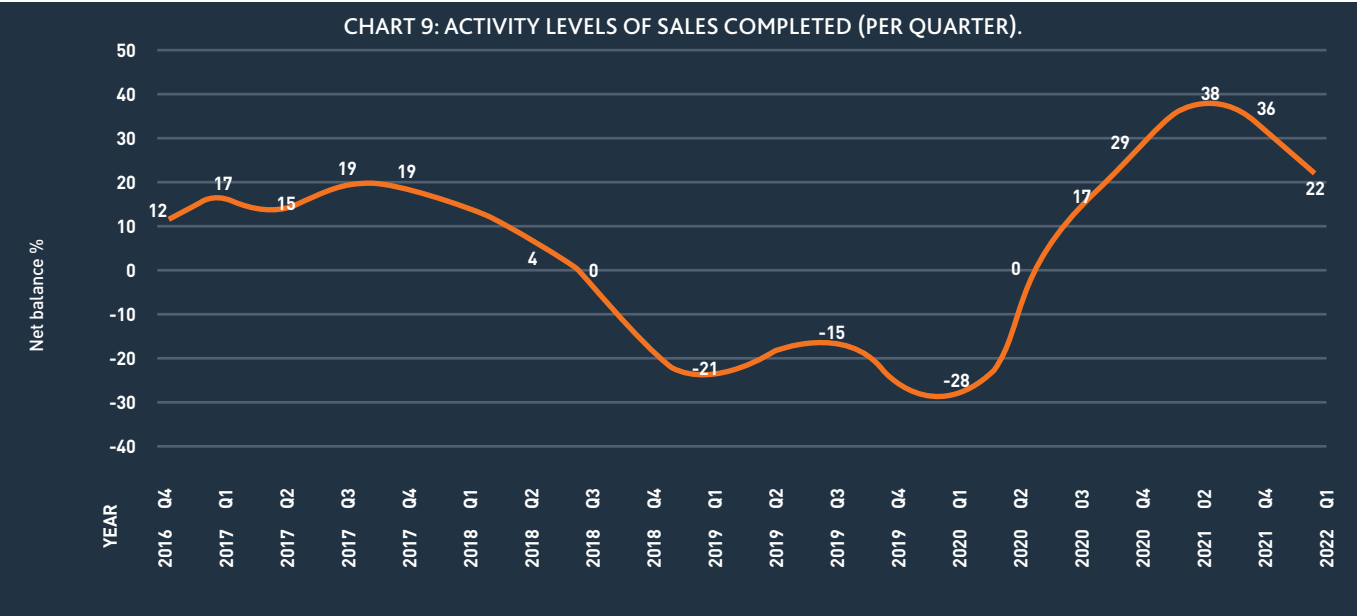


The net balance charts illustrate the difference for those who anticipate volume increases minus those who anticipate decreases.

Source: SCSi research.

BUYER ACTIVITY

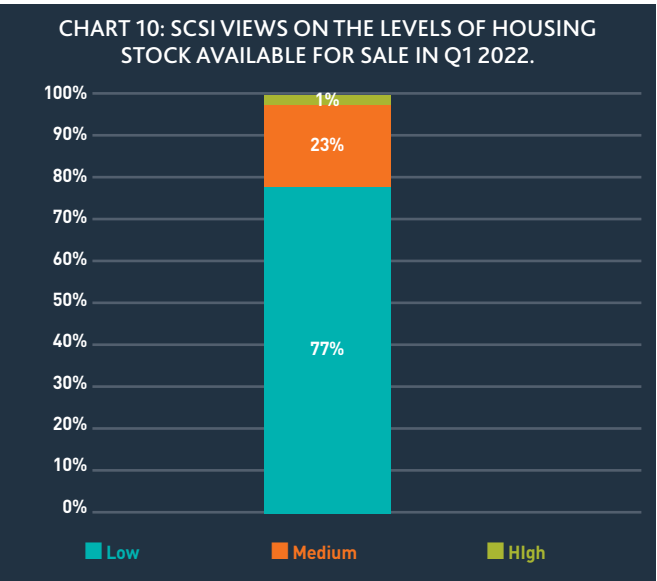
There are many reasons why property sales, which were previously agreed, may not subsequently be concluded (Chart 8). This can be due to a variety of reasons including buyers or sellers changing their minds to buy or sell, issues regarding building defects, boundary issues or an inability of the buyer to secure funding.



The net balance charts illustrate the difference for those who anticipate volume increases minus those who anticipate decreases. Source: SCSi research.

SCSi agents' commentary within the report highlights declining levels of sales being completed (Chart 9). This can be mainly attributed to the lower levels of stock reported available for sale, especially in the past quarter, and lower viewing and enquiry numbers reported throughout 2021 (Chart 10). Some 77% of SCSi agents are reporting low levels of stock for sale, down from 85% at the end of 2021.

The SCSi has previously highlighted how conveyancing delays can also play a part in the housing challenge as delays in moving from one property to another impact on all those seeking accommodation within the chain. The length of time it can take to conclude a sale can lead to frustrations and additional costs. It is important to establish early engagement mechanisms to avoid delays and drive efficiencies in the process.



Numbers may not add up to 100 due to rounding. Source: SCSi research.

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BUYER AFFORDABILITY METRIC

Property prices nationally have increased by 118.3% from their trough in early 2013.¹⁴ In the context of increasing residential prices and within the current loan-to-income (LTI) and loan-to-value mortgage measures framework,¹⁵ there is a cohort of potential purchasers who are effectively unable to meet the requirements to access a mortgage and purchase a property

To track housing affordability over time, the SCSi has developed a buyer affordability metric, which considers the gap (if any) between the total purchase limit available to average income earning couples, and average new house sales prices.

FIRST TIME BUYER – AFFORDABILITY SCENARIOS

The below scenarios take the average salary of €89,000 for a couple looking to buy their first home. This average salary is taken from a sample public servant role (e.g., combined wages of two gardai/nurses after 10 years' service or two executive officers after c. nine years of service). Their total LTI maximum loan limit is €311.5k. As first-time buyers they require a 10% deposit.

LOCATION ¹⁶	CORK (incl. Ballincollig, Carrigaline, Glanmire, Blarney, Tower, Kerry Pike)	MEATH (incl. Dunshaughlin, Navan, Trim, Stamullen)	KILDARE (incl. Kilcock, Leixlip, Newbridge)
Average purchase price of a new new three-bed semi house delivery ¹⁷	€380,000	€340,000	€418,000
Deposit requirement (10% of average asking price) ¹⁸	€38,000	€34,000	€42,000
Total purchase limit (total mortgage limit, total LTI maximum loan limit plus deposit)	€350,000	€346,000	€354,000
Affordability	-€30,000	€6,000	-€64,000

Note: Figures have been rounded to the nearest thousand for illustrative purposes

The above scenarios demonstrate that for two first-time buyers, based on a sample profession and average salary for that profession, seeking to buy a property in the three given locations – chosen due to the level of new builds ongoing in these areas – current property prices can exceed total borrowing capability by up to €65,000. To note, these scenarios only illustrate average property values; there will of course be variances to these values in different areas within a given county. Similarly, these examples illustrate the average incomes of two professions in Ireland; there will be variances as other earners' incomes will fall below (and above) this income level. For those that fall below

this income level, the gap between borrowing capability and purchasing price will be greater. Many of this cohort may be renters who may otherwise aim to become a purchaser but find themselves unable to save for a deposit while paying monthly rents, which in the current market may exceed the level of repayment that a mortgage would require. Housing affordability is often a challenge for groups of the population facing vulnerabilities. These include young people, senior citizens, large families with children, and people who suffer from limited access to healthcare, fuel poverty, and price inflation of essential goods and services.

¹⁴ CSO Residential Property Price Index April 2022.

¹⁵ Loan-to-income measures the mortgage allowance available based on a cap of 3.5 times one's income, and loan-to-value requires an upfront deposit calculated as a percentage of the overall value of the property and based on buyer profile.

¹⁶ Based on areas where new housing developments are taking place.

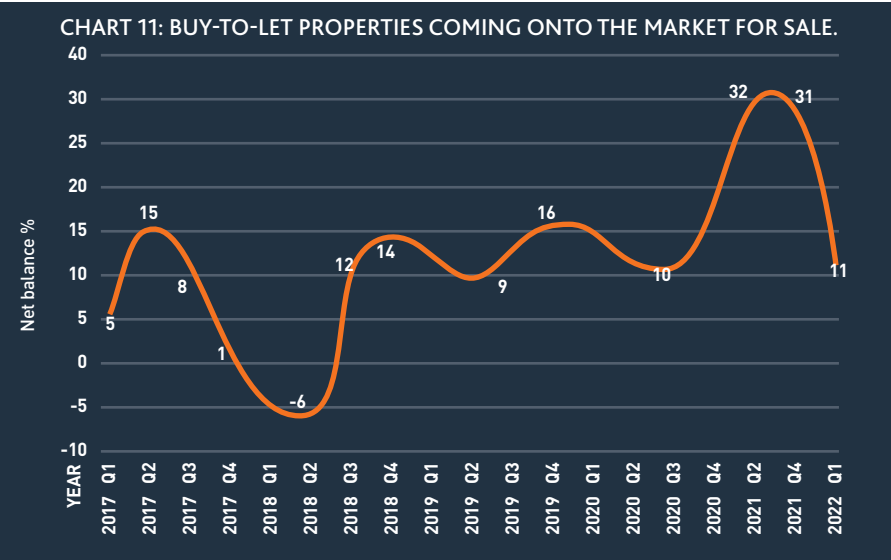
¹⁷ Average cost figures are calculated by the SCSi based on average purchase prices of new developments in the specified region.

¹⁸ To assist with paying the 10% deposit, first-time buyers can avail of the Help to Buy (extended) scheme grant of up to €30,000.

RENTAL ACTIVITY

The SCSi tracks views from SCSi members on the activity of landlords placing their investment property on the market for sale. Mid 2021 saw a peak in the percentage of agents reporting that landlords are placing their property on the market for sale. The result of our survey shows a marked decrease in this trend since the beginning of the year (Chart 11). Agents continue to rank the complexity of rental legislation as the number one reason why landlords are leaving the rental market (Chart 12). In terms

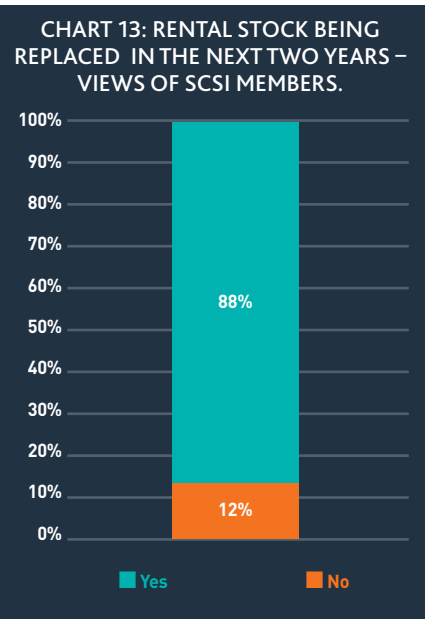
of future rental stock coming to the market, 88% of agents report that the rental stock lost to the sales market will not be replaced within the next two years (Chart 13). Some 71% of SCSi agents report that the length of tenancies has increased in the past 10 years (Chart 14). This could be attributed to changes to rental legislation promoting longer-term leases. However, it may also be a symptom of the transactional market, whereby the supply of new homes to meet the demand of purchasers is well below what is required.



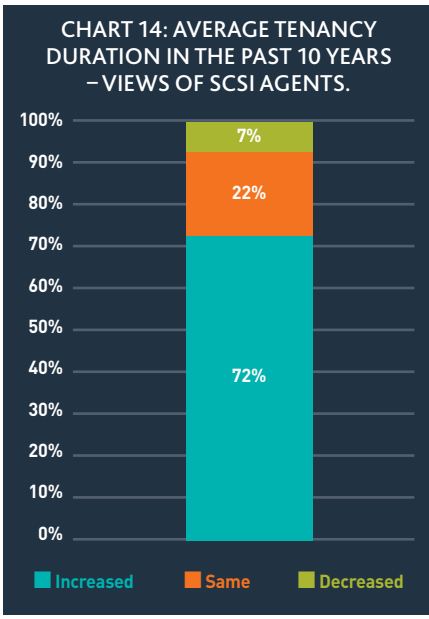
Source: SCSi research.
The net balance charts illustrate the difference for those who anticipate volume increases minus those who anticipate decreases.



Source: SCSi research.



Source: SCSi research.



Source: SCSi research.
Numbers may not add up to 100 due to rounding.

ABOUT THIS SURVEY

SCSI Residential Property Market Monitor June 2022

The SCSI/Central Bank of Ireland Residential Property Price Survey is a quarterly sentiment survey of SCSI members, consisting mainly of estate agents, auctioneers and surveyors. While the principal focus is on participants' house price expectations, the survey also canvasses opinion on the factors underlying these views, and on members' assessment regarding the level of transactional activity in the market.

The survey is a snapshot of respondents' expectations at a particular point in time. The survey was conducted in May 2022 and received 130 responses.

The SCSI would like to thank all members who share their market insights and expertise to inform our independent market reports.

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The Society of Chartered Surveyors Ireland is the independent professional body for Chartered Surveyors working and practising in Ireland. One of our key objectives is to provide impartial, independent and authoritative advice on key issues for consumers, business and policy makers, as well as advancing and maintaining standards for Chartered Surveyors working in

the property, construction and land sectors. All aspects of the profession, from education through to qualification and the continuing maintenance of the highest professional standards, are regulated and overseen through the partnership of the Society of Chartered Surveyors Ireland and the Royal Institution of Chartered Surveyors, in the public interest.

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