



SCSI/CBI Housing Market Report

Q2 2018

2018 Q2 Residential Property Price Survey

The CBI/SCSI Residential Property Price Survey is a quarterly sentiment survey of estate agents, auctioneers and surveyors, as well as those with a more indirect interest in the industry such as economists, market analysts and academics.

While the main focus is on participants' house price expectations, it also canvasses opinion on the factors underlying these and on the level of sales activity. The survey is a snapshot of respondents' expectations at a particular point in time and so can provide only limited information about possible future property price developments. The survey also provides a measure of uncertainty regarding those expectations, which is a useful complement to the available information on the domestic property market.

Key Highlights

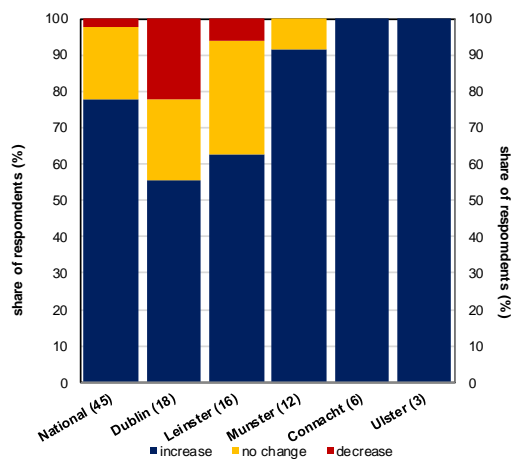
- While majority expect increase there has been a marked shift in responses towards price decreases or stagnation across national and Dublin markets.
- Higher proportions of Dublin-based respondents anticipate a price decrease over the medium-to-long term horizon than elsewhere.
- The median degree of expected price inflation nationally is 5 per cent (+1 Year) and 8 per cent (+3 Years). Dublin expectations have moderated from 7 per cent to 2 per cent (+1 Year), while +3 Year expectations have eased from 15 to 6 per cent since the previous survey.
- The availability of bank credit was deemed to be the primary factor behind the anticipated price changes both nationally and in Dublin. 'Other' issues, including level of interest rates and the perception of value, was ranked as the second-most cited reason.
- Our index of sales activity exhibits a decrease for the fifth consecutive survey from 52 to 49 per cent, indicating a contraction in the level of sales activity (> 50 means expansion in activity, < 50 means contraction).
- The complexity and restrictiveness of rental market legislation was cited as the primary factor influencing the number of BTL properties coming onto the market (34 per nationally and 53 per cent for Dublin-based respondents).

SECTION A: EXPECTED DIRECTION OF PRICE CHANGE

In contrast to previous surveys, the share of participants expecting national house prices to increase has declined across the medium-to-long term horizons (+1 Year and +3 Year). The share anticipating national house price growth over the one-year horizon has declined to 78 per cent compared to 96 per

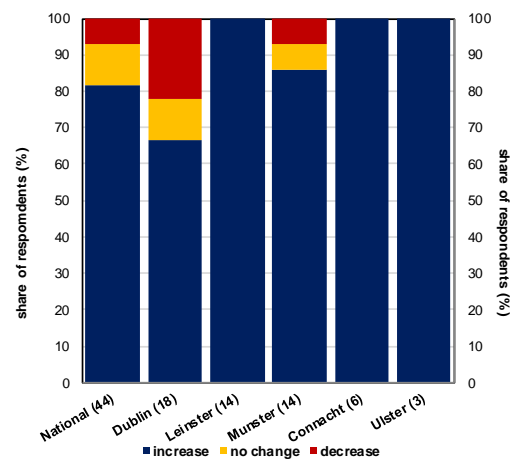
cent in the previous survey results (Chart 1). For Dublin, this trend is more pronounced with the share declining from 98 to 55 per cent (Chart 2). Respondent's views are less uniform when considering expectations for price developments in their respective regions, as while approximately 20 per cent of respondents expect decreases in Dublin, almost all expect prices to rise or remain unchanged in the provinces. The respondents net increase rate (the proportion of respondents who anticipate a price increase minus the proportion of those who expect a price decrease) has fallen below 80 per cent for both national and Dublin markets for first time since early 2016 (Charts 3 and 4). For Dublin in particular, there appears to be a stronger inclination amongst survey respondents that prices will decrease compared to the national market (44 per cent for +3 Years compared to 75 per cent nationally).

Chart 1: Expected movement of residential property prices over a 1 Year time horizon: 2018Q2



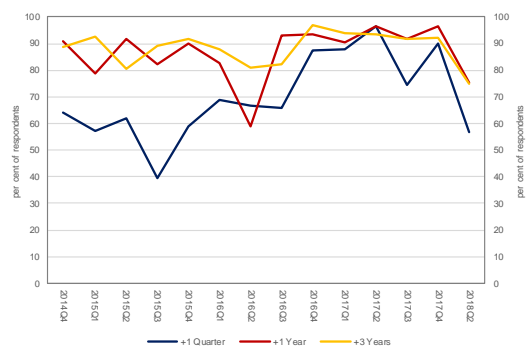
Note: Number of observations for each region included in brackets.

Chart 2: Expected movement of residential property prices over a 3 Year time horizon: 2018Q2



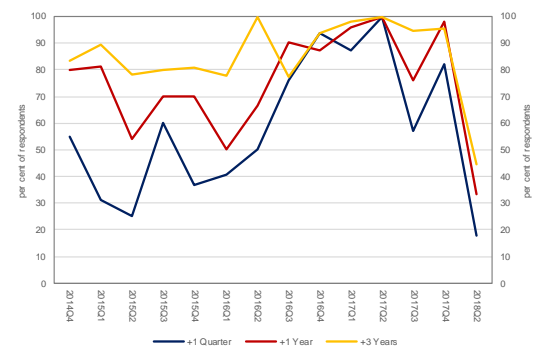
Note: Number of observations for each region included in brackets.

Chart 3: Net share of respondents expecting property prices to rise over selected time horizons (National): 2014Q4 to 2018Q2



Note: Chart provides details of the results from the past 14 surveys (2014Q4 to 2018Q2). 2018Q1 survey did not occur. Number of observations vary from survey to survey. Net share data can range from -100 to +100. 0% net share indicates that an equal number of respondents expect a rise compared to those that expect a decline.

Chart 4: Net share of respondents expecting property prices to rise over selected time horizons (Dublin): 2014Q4 to 2018Q2



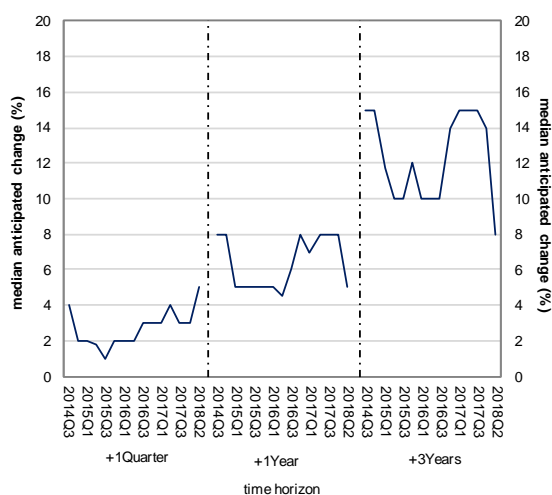
Note: Chart provides details of the results from past 14 surveys (2014Q4 to 2018Q2). 2018Q1 survey did not occur. Number of observations vary from survey to survey. Net share data can range from -100 to +100. 0% net share indicates that an equal number of respondents expect a rise compared to those that expect a decline.

SECTION B: EXPECTED DIRECTION OF PRICE CHANGE

The median degree of expected national house price appreciation has eased across all time horizons. The +1 Year anticipated national change has slowed from 8 per cent to 5 per cent (Chart 5), with a larger moderation for Dublin from 7 per cent to 2 per cent (Chart 6). Nationally, the +3 Year expectation has dropped back from 14 to 8 per cent. Expectations for Dublin over the +3 Years have more than halved from 15 per cent to 6 per cent.¹

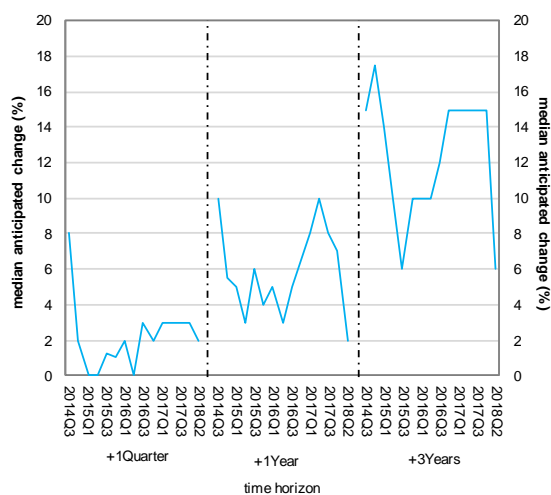
The perceived decline in the anticipated rate of price change reflects similar trends in both the Daft.ie and MyHome.ie 2018Q2 property reports. The Daft.ie survey of over 1,000 market participants reports the expected change in house prices nationally over the coming 12 months to be 5.3 per cent, down from 5.7 per cent a year ago. In Dublin, the anticipated rate has declined from 8.4 per cent to 6.7 per cent over the same period. In the 2018Q2 MyHome.ie Property Report, they find that the annual rate of asking price inflation has fallen to 7.2 per cent, its slowest pace since late 2016, down from 9.5 per cent the previous quarter. They also see evidence of a slowdown in asking price inflation for Dublin as figures have fallen to 6.8 per cent from 11 per cent in 2017Q4. They state that the slowdown is more pronounced in relation to expensive areas and high-end property types. It remains to be seen whether this apparent moderation in residential property price inflation will become evident in actual house prices when these data are released by the CSO in the months ahead.

Chart 5: Median expected change in National residential property prices over a 1 Quarter, 1 Year, and 3 Year time horizon



Note: Chart provides details of the results from the past 15 surveys (2014Q3 to 2017Q4). Number of observations vary from survey to survey. 2018Q1 survey did not occur

Chart 6: Median expected change in Dublin residential property prices over a 1 Quarter, 1 Year, and 3 Year time horizon



Note: Chart provides details of the results from the past 15 surveys (2014Q3 to 2017Q4). Number of observations vary from survey to survey. 2018Q1 survey did not occur

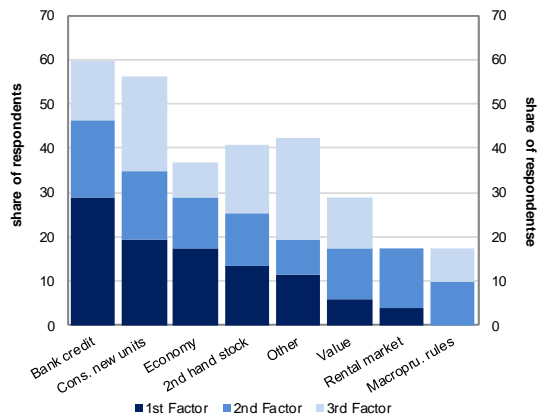
¹ While there has been a decline in median values, the range of expected price changes varies amongst responses. The national level recorded a median expected change of 8 per cent for +3 Years with values of 0 and 15 per cent at the 10th and 90th percentiles respectively. Dublin achieved a median value of 6 per cent with responses varying between -6.5 per cent and 17.5 per cent at the 10th and 90th percentiles respectively.

SECTION C: FACTORS UNDERLYING HOUSE PRICE EXPECTATIONS

There has been a change in the primary factors considered to influence expectations surrounding house price developments this quarter. The availability of bank credit has been cited as the number-one ranked factor by 30 per cent of respondents (Chart 7), up from 8 per cent in the 2017Q4 survey. In previous surveys, the availability of housing units (both second-hand and new) would have comprised greater than 50 per cent of responses when combined, but this share has now fallen to 34 per cent (Chart 8). For the 2018Q2 survey, there now appears to be a more even distribution amongst the factors at the national level as performance of the Irish economy and a collection of ‘Other’ issue each recorded 18 per cent of responses. For the respondents who expect a decrease in prices in Dublin, the main influencing factor underlying their expectation was the availability in bank credit. The respondents who anticipate an increase in Dublin prices continue in the main to cite availability of stock (new and second hand) as the main factor driving their expectation with the availability of credit also featuring highly amongst positive responses.

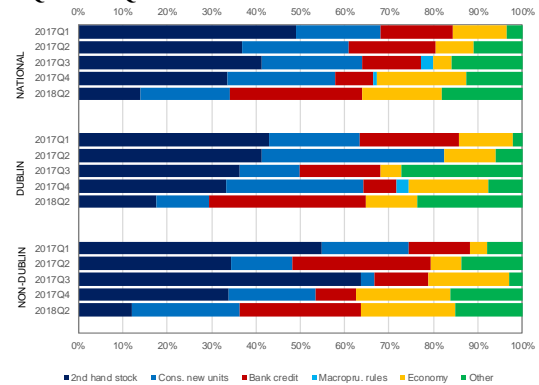
Looking at trends in the Dublin and Non-Dublin markets, the availability of credit is the primary factor for all provinces with the exception of Connacht (Chart 9). The availability of new housing units is considered a more pressing issue compared to the availability of second-hand stock. In Dublin, ‘Other’ issues (24 per cent) were selected as the second most prevalent condition with the level of interest rates, perception of value, and level of taxation/fiscal policy all included under this heading. For Non-Dublin areas, the availability of bank credit was selected by 27 per cent of respondents.

Chart 7: Top 3 factors influencing expectations of house price developments: 2018Q2



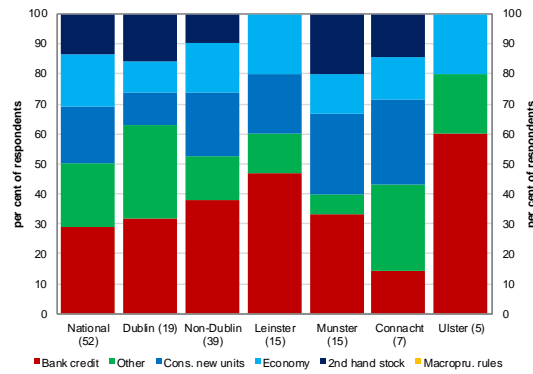
Note: Chart based on 155 observations from 54 respondents.

Chart 8: Primary factor influencing expectations of house price developments (National, Dublin, and Non-Dublin): 2017Q1 – 2018Q2



Note: Chart provides details of the results from the past 10 surveys (2015Q4 to 2018Q2). Number of observations vary from survey to survey. 2018Q1 survey did not occur

Chart 9: Number 1 ranked factor influencing regional expectations of house price developments): 2018Q2



Note: Number of observations for each region included in brackets. "Other" includes; value, rental market developments, FX movements and interest rates

SECTION D: ACTIVITY LEVEL vs. PREVIOUS QUARTER

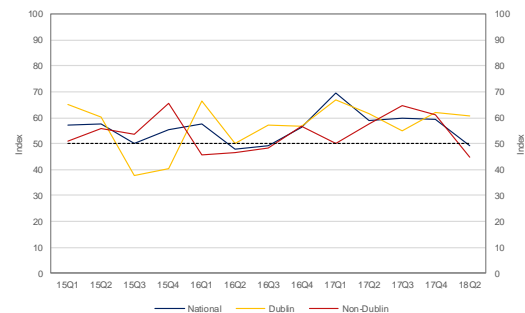
In order to communicate the level of market activity across the sector, a sales activity index (SAI)² is constructed. This is a composite index that applies differing weightings on the typical stage of the sales process, i.e. instructions, enquiries, agreed, and completions. Higher weighting applied to the final stages of the sale process in order to reflect the importance of sales completed to the market compared to sales instructions. Respondents are asked to state their level of activity relative to the previous quarter in each of the aforementioned categories on a 1 to 5 scale ranging from far less activity to far more activity. A value above 50 signifies an expansion of activity. Chart 12 shows a composite index for all four sales processes, while Chart 13 exhibits the index for sales completed in isolation. The latest data exhibit a slowdown in perceived activity at the national level for the fifth consecutive survey with the index declining from 52 to 49 per cent suggesting contraction in the market. The SAI for Non-Dublin regions mirrors the national trend by dropping below the 50 threshold. In Dublin, the index has increased to 62 driven by growth in the sales agreed and completed categories.

Chart 12: Q-on-Q Index of residential market Sales Activity (instructions, enquiries, agreed, completed)



Note: Values of 50 signify no change in sales activity on the previous month. Values above 50 signify an expansion of activity, while those below 50 signify a contraction. Chart provides details of the results from the past 14 surveys (2014Q4 to 2018Q2). Number of observations vary from survey to survey.

Chart 13: Q-on-Q Index of residential market sales activity: Sales Completed³ (sales completed)



Note: Values of 50 signify no change in sales activity on the previous month. Values above 50 signify an expansion of activity, while those below 50 signify a contraction. Chart provides details of the results from the past 14 surveys (2014Q4 to 2018Q2). Number of observations vary from survey to survey.

² Weightings which sum to 100 are assigned as such: Instructions – 15, Enquiries – 20, Agreed – 30, Completions - 35.

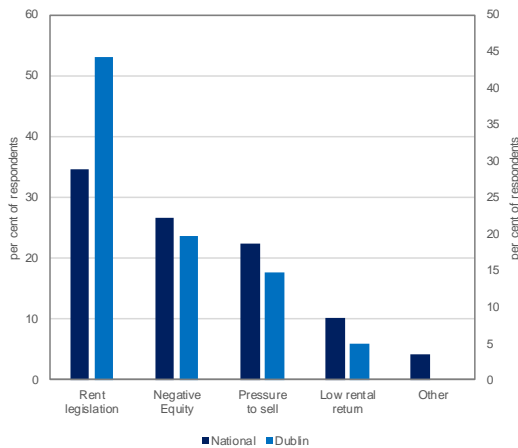
³ Sales Completed is one of four categories of activity for which respondents are asked to report their level of activity relative to the previous quarter.

SECTION D: FACTORS INFLUENCING BTL PROPERTIES FOR SALE

The complexity and restrictiveness of rent legislation is a key driver of residential investment units onto the market, according to respondents. This response was received from 34 per cent on a national basis, and 53 per cent for Dublin. The second highest factor at both the national and Dublin levels was BTL property owners coming out of negative equity and electing to sell. This development is reflective of trends observed in the [2017 RTB Annual Report](#) as while the number of single tenancy landlords is marginally declining, they report a small spike in landlords managing between 10 and 20 properties, which could indicate that more large-scale, professional landlords are entering the sector.

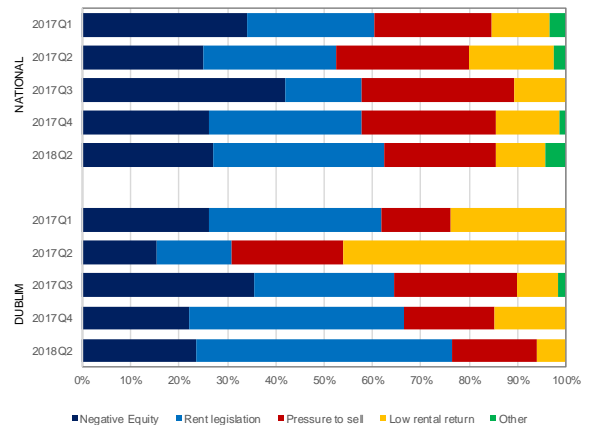
Recent CSO data also highlights a growth in the volume of transactions between households and non-households (i.e REIT's, pension funds etc) from 1.8 per cent of total transactions in 2010 to 6.4 per cent in 2017. The figures are more pronounced for apartments with a rise from 4.2 per cent, to 11.9 per cent of transaction volumes.

Chart 14: Primary factor influencing the number of BTL properties coming onto the market (National and Dublin): 2018Q2



Note: Chart based on 145 observations for the national level and 51 responses for Dublin.

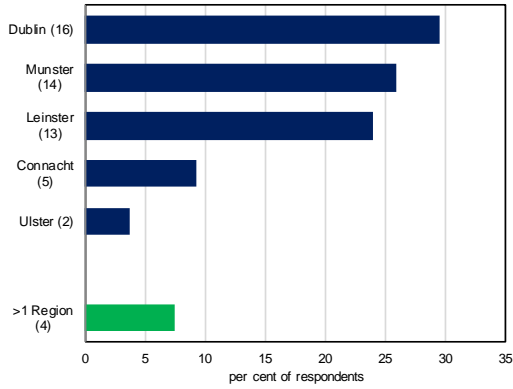
Chart 15: Primary factor influencing the number of BTL properties coming onto the market (National and Dublin): 2017Q1-2018Q2



Note: Number of responses varies across surveys

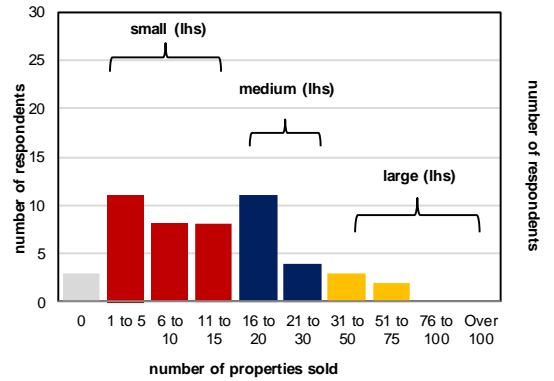
APPENDIX

Chart A1: Regional distribution of respondents



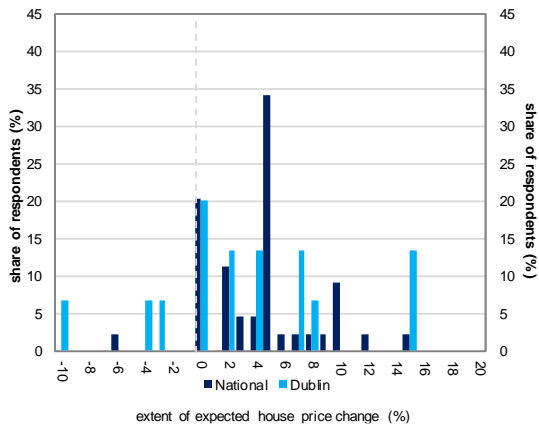
Note: Chart based on 54 full or partial responses

Chart A2: Number of residential units sold in the 2018Q2



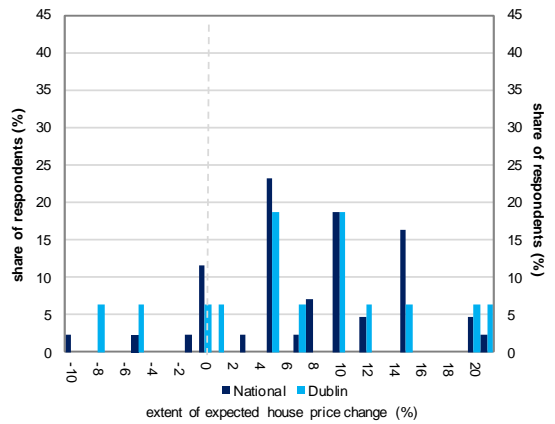
Note: Chart based on responses from 51 respondents who gave details of their levels of sales.

Chart A3: Extent of expected 1 Year change in residential property prices: National and Dublin



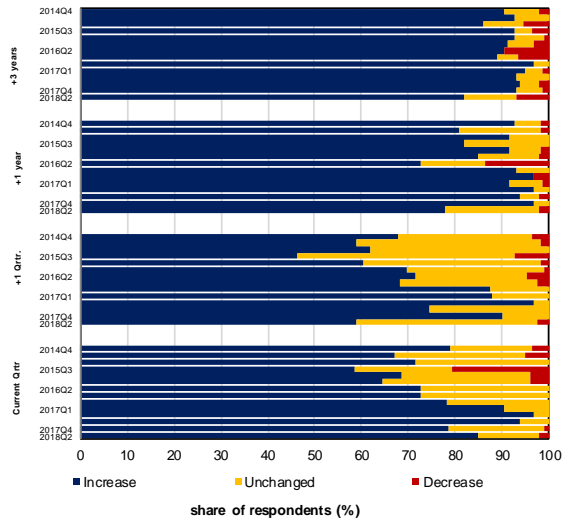
Note: Chart based on 47 and 16 responses to the question on national and Dublin expectations respectively

Chart A4: Extent of expected 3 Year change in residential property prices: National and Dublin



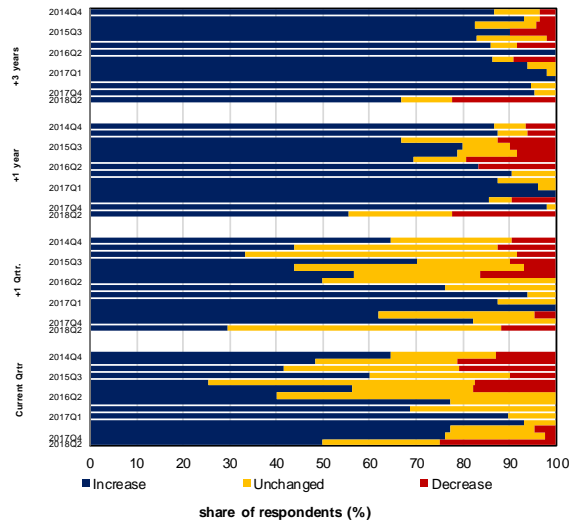
Note: Chart based on 47 and 16 responses to the question on national and Dublin expectations respectively

Chart A5: Expected movement of residential property prices (National): 2014Q4 to 2018Q2



Note: Chart provides details of the results from the past 14 surveys (2014Q4 to 2018Q2). Number of observations vary from survey to survey.

Chart A6: Expected movement of residential property prices (Dublin): 2014Q4 to 2018Q2



Note: Chart provides details of the results from past 14 surveys (2014Q4 to 2018Q2). Number of observations vary from survey to survey.

Methodology

Response Rate

The 2018Q2 Central Bank of Ireland/Society of Chartered Surveyors Ireland Survey of Property Professionals was conducted in June 2018. The survey received 54 full or partial responses, in comparison to 103 in 2017Q4 and 50 in 2017Q2.

Questions

1. How do you perceive/anticipate national residential property prices to have changed/change in:
 - a) The previous quarter
 - b) The forthcoming quarter
 - c) One year ahead
 - d) Three years ahead

(Increase/ No Change/ Decrease; Range)

2. How do you perceive/anticipate residential property prices in your region to have changed/change in:
 - a) The previous quarter
 - b) The forthcoming quarter
 - c) One year ahead
 - d) Three years ahead

(Increase/ No Change/ Decrease; Range)

3. What are the three main factors influencing your expectations of house price developments?

*Availability of 2nd hand stock,
Availability of bank credit,
Central Bank macroprudential rules, Changes in demographics/population,
Construction of new residential units, Foreign exchange rate movements,
Performance of the economy,
Perception of value,
Level of interest rates,
Level of taxation /fiscal policy,
Other,
Media coverage,
Rental market developments*

4. Approximately, how many residential properties has your firm sold in 2018Q2?
Range

5. Compared to the previous quarter, how would you describe the following aspects of your firm's residential property related sales activity in the current quarter?
Instructions, Enquiries, Agreements, Completions; Range

6. What are the three main factors why residential investment units are coming onto the market?

*Landlords coming out of negative equity,
Net rental returns too low,
Rent legislation is too complex and restrictive,
Not enough rental demand,
Pressure from lending institutions to liquidate assets*