

The SCSI/RICS Annual Property Report 2011



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Introduction

The Society of Chartered Surveyors Ireland was formed in April 2011 following the merger of the Irish Auctioneers and Valuers Institute (IAVI) and the Society of Chartered Surveyors (SCS). The IAVI traditionally undertook an annual property survey of its members and in January 2011, an annual property report was published as a joint initiative between the IAVI and SCS. This present report, compiled from data gathered in December 2011 and January 2012, is published by the Society of Chartered Surveyors Ireland and follows the same two-pronged methodology as past IAVI reports.

In December, members of the Society who work in the property sector were surveyed for data on the annual changes in rents, transaction prices and yields in the property markets in which they work. They were also asked for their opinions which might explain these changes. This data forms the first part of this survey report – the sectoral and regional analysis of the property year 2011.

In January 2012, a smaller group, representing members of the Society who are active in the different regions and property sectors were sent a supplementary survey, asking their opinions on various aspects of the market and their own professional activities. This qualitative information forms the second part of the report – market commentary.

Together, 319 chartered surveyors who work in the commercial, industrial and residential property sectors in Ireland supplied data and commentary to form one of the most recognised and authoritative reports on the Irish property market. This is a response rate of 25%. The Society is grateful to them for their participation in this, and other surveys which the Society carries out.

The historic 2009 and 2010 property market data presented in this report was obtained from past IAVI surveys which followed the same methodological approach as this present study.

The Property Year in Review

2010 was the year of the “micro-market” where the Irish property market stopped moving in a uniformly negative pattern and began to behave in a geographically specific way. 2010 was a year which saw the emergence of pockets of activity within a wider backdrop of economic downturn. 2011 continued that pattern of diversity, as the data in this report shows an increased separation between some urban and rural areas in terms of rents and prices of residential property. Some property markets such as the agricultural sector have performed well, relative to the overall weak market. Other areas, such as the Dublin commuter zone continue to perform poorly given the weak economic context.

In last year’s SCS/IAVI Property Report, respondents looked nervously to 2011 and the impact of the forthcoming general election, the arrival of the EU/IMF and the ending of some taxation reliefs on the Irish property market.

Instead, it was the banking sector which had the largest impact on the property market in 2011. Paralysis in the residential mortgage market and a lack of capital financing for commercial property purchases drove down transaction prices and lowered the volume of activity. Respondents have blamed weak sentiment amongst (formerly) typical house buyers, fear of further pay cuts or unemployment, and an inability to secure a mortgage for the generally weak market.

Sectoral Analysis

The following sections of the report are based on the responses to the qualitative element of the annual survey. They should be

read in conjunction with the regional and sectoral statistics given in the charts which accompany this report.

Residential New Houses

The volume of sales of new homes remained extremely low across all regions of Ireland over 2011, and most survey respondents reported very little transaction activity in the market for new residential homes. This is in addition to the declines in prices which are shown in the tables. Some respondents stated that the market in 2011 saw “virtually no activity” with the “new homes market almost non-existent.” Indeed, some respondents failed to register any sales of new residential homes last year with other respondents reporting that prices are now back at 1999 levels.

Weak investor and purchaser confidence, concerns about future price direction and difficulties in securing mortgages have had a clear impact on prices over 2011.

According to one respondent, new residential houses were “difficult to sell due to the fact that many exist in un-finished estates and the problem is exacerbated by concerns by purchasers that property prices have further to decline.”

Urban properties, especially coastal properties in Dublin, performed more strongly than rural properties. The issue with over-supply in rural areas was a recurring theme in the qualitative section of this report for 2011 and excess rural stock was one of the more cited causes for the continued downward pressures on new house prices outside of the Greater Dublin Region. While new supply has halted, a large overhang of unsold houses still exists especially in rural areas. However,

other respondents reported that “there was a very limited supply of new houses available in Dublin in 2011 with new developments in Dublin at a standstill at present.” For this reason the fall in prices for new houses in Dublin was less severe than in rural areas again in 2011. The prices of new apartments continued to fall more rapidly than houses in 2011 continuing the trend witnessed in 2009 and 2010.

Purchasers remain in the market but only for properties that are perceived to be excellent value with unrealistic asking prices still stalling the market. “The market is frozen due mainly to banks/receivers in charge and not responding to market conditions and reducing asking prices accordingly.” Conversely, when asking prices are reduced to realistic levels, vendors are recording reasonable activity in the sector. Cash buyers remain the principal cohort of those purchasing new residential homes in the property market. The findings of this report regarding cash buyers reflect similar trends reported in other property surveys.

As predicted in the 2010 SCS/IAVI Annual Property Report the increased likelihood of further price declines in sparsely populated areas was highlighted. This was evident in 2011 with prices for all categories of new urban homes in Connaught/Ulster falling by a greater magnitude in 2011 than in 2010. Except for one bed apartments, the Munster region recorded the lowest decreases in new house prices of all the regions in 2011.

New Residential Sales

New Urban Homes	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
% Change in values												
2 bed town houses	-12.0%	-12.2%	-17.7%	-14.5%	-16.7%	-17.4%	-10.8%	-14.2%	-16.9%	-15.7%	-14.2%	-16.3%
3 bed town houses	-11.7%	-12.4%	-17.8%	-15.0%	-17.0%	-17.7%	-11.1%	-14.4%	-17.2%	-15.4%	-14.2%	-15.7%
3 bed semi	-11.2%	-12.6%	-17.4%	-16.4%	-16.9%	-17.9%	-10.4%	-13.8%	-17.1%	-16.2%	-14.4%	-16.2%
4 bed semi	-12.8%	-14.0%	-18.5%	-16.7%	-18.6%	-18.7%	-11.8%	-15.1%	-17.9%	-16.2%	-14.3%	-17.9%
4 / 5 bed detached	-14.1%	-15.4%	-21.2%	-18.3%	-20.2%	-21.5%	-12.8%	-17.1%	-20.0%	-18.3%	-16.6%	-20.0%
1 bed apartment	-16.3%	-18.3%	-22.2%	-21.8%	-25.2%	-24.6%	-16.5%	-19.2%	-21.8%	-20.4%	-18.4%	-20.1%
2 bed apartment	-16.4%	-17.2%	-21.6%	-20.7%	-24.2%	-24.3%	-15.7%	-19.8%	-21.8%	-20.4%	-19.1%	-20.0%

New Rural Homes	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
% Change in values												
3 bed detached bungalow	-17.6%	-15.4%	-19.9%	-17.5%	-19.9%	-20.7%	-11.9%	-17.1%	-18.7%	-18.0%	-17.5%	-20.1%
4 bed detached bungalow	-17.9%	-15.8%	-19.9%	-18.1%	-21.0%	-21.8%	-10.5%	-16.7%	-18.6%	-19.2%	-19.3%	-20.6%
3 bed detached house	-17.4%	-15.4%	-19.3%	-17.6%	-20.8%	-21.2%	-10.7%	-16.6%	-18.3%	-18.7%	-16.4%	-21.2%
4 bed detached house	-18.4%	-14.3%	-21.0%	-18.9%	-21.7%	-22.1%	-10.5%	-16.6%	-17.6%	-19.6%	-17.9%	-20.9%

Residential Second-Hand Homes

Overall prices continued to fall for residential second-hand homes in 2011. The magnitude of fall-off in prices was very much contingent upon location, with overall price declines in this market more pronounced than for new residential homes (some notable exceptions were witnessed in Leinster and Connaught/Ulster). Some respondents noted the dearth of second-hand saleable properties on the market. Many owners are not putting their properties on the market unless they are forced to do so. Trading up in the second-hand residential market is non-existent as consumer sentiment for moving has eroded.

Many respondents, especially in the first half of 2011, described the market for second-hand residential properties as "weak" or "flat" or reported that they had seen "extremely low volume of sales with an extremely low volume of sales being agreed." "Anything selling is selling at value." This poor performance stemmed from a complete lack of confidence in the market and the fact that mortgage finance continues to be difficult to obtain. Many sales that were agreed collapsed as mortgage finance was denied to perspective buyers. Banks continue to frustrate potential buyers "by letting them down" on mortgage finance applications. The difficulty obtaining mortgage finance remains a stumbling block to a revival in this market. The national unemployment rate, which is now in excess of 14%, is doing little to instil confidence in this market.

However, numerous respondents reported a revival in the market in the third and final quarters of 2011. This increase in sales was contingent upon asking prices being realistic. Respondents believed that "properties that are priced realistically are moving." Cash purchasers, "who rightfully want to take their money out of the bank," are taking advantage of the fall-off in prices of up to 60% from the levels witnessed in 2006 and 2007. The market for second-hand residential homes is "not a market for a weak seller at present as sales will be made if sellers are reasonable." Respondents expect this improvement to continue into 2012. Sales will remain contingent upon the right price and right location preferences of perspective buyers. The main interest from perspective buyers nationwide is for houses priced below €175,000.

The demand for good quality second-hand costal homes improved in 2011, reflecting the value inherent in this type of established, well-located property. Second-hand apartments, however, remain extremely difficult to sell. Second-hand apartments in Ulster/Connaught declined in price by around 23% following declines of 18% in the previous two years.

Residential Second-Hand Sales

Second-Hand Urban Homes	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2019	2011	2010	2009	2011	2010	2009
% Change in values												
2 bed town houses	-13.4%	-14.7%	-18.7%	-15.5%	-16.6%	-18.4%	-10.2%	-15.0%	-17.5%	-15.5%	-13.6%	-15.7%
3 bed town houses	-13.7%	-14.7%	-18.8%	-14.5%	-17.0%	-18.8%	-9.7%	-15.3%	-17.0%	-15.2%	-15.3%	-16.1%
3 bed semi	-12.6%	-14.3%	-18.8%	-16.8%	-17.1%	-19.8%	-9.3%	-15.2%	-17.9%	-15.2%	-15.7%	-16.3%
4 bed semi	-13.6%	-15.7%	-20.1%	-17.6%	-18.9%	-20.8%	-9.6%	-15.9%	-18.1%	-16.1%	-15.3%	-17.4%
4 / 5 bed detached	-15.5%	-18.6%	-23.0%	-19.2%	-21.4%	-22.7%	-12.0%	-17.0%	-20.2%	-18.7%	-17.7%	-18.0%
1 bed apartment	-18.6%	-20.6%	-23.2%	-23.1%	-25.4%	-24.4%	-15.0%	-20.5%	-22.2%	-23.6%	-18.4%	-19.0%
2 bed apartment	-18.3%	-20.2%	-23.4%	-23.4%	-24.8%	-24.6%	-14.1%	-20.1%	-21.5%	-22.8%	-18.6%	-18.3%

Second-Hand Rural Homes	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2019	2011	2010	2009	2011	2010	2009
% Change in values												
3 bed detached bungalow	-18.4%	-14.7%	-19.9%	-17.1%	-20.1%	-20.9%	-13.1%	-17.5%	-19.5%	-19.7%	-17.0%	-20.2%
4 bed detached bungalow	-19.2%	-15.5%	-20.8%	-17.3%	-20.5%	-21.7%	-13.3%	-17.1%	-19.4%	-18.5%	-17.5%	-20.8%
3 bed detached house	-17.2%	-15.2%	-20.6%	-17.6%	-20.4%	-22.0%	-14.0%	-17.2%	-19.2%	-18.0%	-16.1%	-20.2%
4 bed detached house	-20.0%	-16.9%	-21.9%	-18.7%	-21.4%	-22.9%	-11.7%	-16.8%	-19.9%	-18.9%	-17.2%	-20.8%
Traditional cottages	-16.6%	-16.2%	-20.4%	-23.1%	-22.4%	-21.9%	-14.0%	-20.0%	-20.0%	-21.4%	-19.3%	-20.4%
Period houses on good grounds	-23.4%	-17.7%	-17.4%	-21.9%	-25.0%	-27.0%	-15.8%	-22.2%	-23.2%	-21.1%	-21.0%	-24.1%

Residential Rental Market

Respondents to the survey continued to report solid levels of activity in the rental market into 2011 and were generally upbeat about the prospects for the residential rental sector over the short to medium term. Over 2011, this market remained the main beneficiary of the lack of consumer confidence and finance which continued to stifle the market for new and second-hand homes. Respondents believed that the residential rental market over 2011 was "holding its own as people continue to rent instead of purchasing." Given the fall-off in sales, respondents noted that "there is no overhang of rental property." 2011 was a very busy year for residential rentals and the market in 2011 has been described as very active with strong demand combined with the stabilisation of rents. Individuals who are now deciding to rent are more selective than in the past.

Some respondents reported a shrinking in the level of stock of rentable residential properties with an acute lack of good quality family homes to rent in certain urban areas of the country, especially Dublin. 2011 saw many existing landlords exit the lettings market. Some agents are considering exiting this market due to the lack of stock which is appropriate for the rental market. Consequentially, this decline in supply has led to the stabilisation in rents. Last years survey highlighted the fact that the decline in rents had been much more modest than in previous years. The falling trend in rents witnessed in the years to 2011 have by and large stopped with rents in Dublin, Leinster, Munster and Connaught/Ulster up 5.3%, 4.1%, 6.6% and 2.5% year-on-year respectively.

Rental Market

Residential Rents	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2010	2011	2010	2009	2011	2010	2009
% CHANGE IN VALUES	0.8%	-4.5%	-16.4%	-5.1%	-9.2%	-15.3%	-1.4%	-8.0%	-10.4%	-6.6%	-9.1%	-13.4%

Offices

Demand for offices was very weak in 2010 as highlighted in the January 2011 SCS/IAVI Annual Property Report and this trend continued into 2011. Over 50% of the respondents to this survey claimed 2011 was even weaker than previous years with respondents reporting "no market activity at all... dead in the water sales wise... demand extremely weak...not yet showing signs of recovery...no demand for buying...back to 1999 levels". One respondent noted that "some large deals have distorted the overall demand levels which remain very low" but overall there was little demand for offices over 500 m².

In Dublin, and in particularly the city centre, "the office market showed an increase in activity compared to 2010 but rents and terms generally remain under pressure" with rents per m² falling by between €22 and €35 depending on the category of office.

The office market in the capital fared "better than would have been expected at the beginning of 2011 with greater activity." Rents fell universally across all regions but the decline reported in regions outside Dublin was less pronounced than in the capital. Connaught/Ulster witnessed the lowest falls in rents in 2011 but the rents commanded by these offices are significantly lower than in other regions.

Most respondents outline the pressure on rents in this sector with reports of rents having halved since 2006. According to one respondent "rental rates fell (marginally) in 2011 despite the slight increase in activity compared to 2010." Demand has increased for short-term lettings up to 150m². The typical types of tenants are new start-ups and trade downers" and these parties are seeking small modern "well fitted" units.

Offices

Office Rents Per m ² Per Annum at year-end	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2010	2011	2010	2009	2011	2010	2009
Prime 3 rd Generation	€320	€355	€393	€89	€95	€118	€137	€155	€182	€70	€75	€89
Peripheral 3 rd Generation	€135	€160	€187	€74	€80	€99	€113	€125	€141	€51	€60	€80
Older Central Offices	€172	€200	€238	€52	€70	€89	€92	€105	€120	€46	€55	€72
Georgian Offices	€165	€187	€229	n/a	n/a	n/a	€90	€105	€128	n/a	n/a	n/a

Offices (continued)

Office Net Yields at year-end	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2019	2011	2010	2009	2011	2010	2009
Prime 3 rd Generation	7.5%	7.4%	7.2%	9.4%	9.2%	7.3%	8.7%	8.2%	7.6%	7.8%	7.3%	7.2%
Peripheral 3 rd Generation	8.8%	8.7%	8.2%	9.8%	9.4%	7.6%	9.3%	8.6%	7.9%	7.9%	7.5%	8.0%
Older Central Offices	8.9%	8.5%	8.1%	10.1%	9.8%	8.5%	9.5%	9.0%	8.3%	8.6%	8.1%	8.1%
Georgian Offices	9.1%	8.5%	8.2%	n/a	n/a	n/a	10.0%	9.0%	8.2%	n/a	n/a	n/a

Retail

The retail market continues to suffer from weak consumer confidence, and the market deteriorated further in 2011 as rents continued to decline. Retail rents in certain non-Dublin areas are now reported to be down 50% to 60% from the peak levels witnessed in 2006 and 2007. Sales of retail premises are “dead in the water” with very little interest in retail units for purchase. Unless buyers see an “11% yield or greater with a good covenant in situ” they are not interested in buying retail property. One respondent reported that a retail property sold recently commanded the same price as it did 20 years ago. Limited interest in small units sized between 50 and 150 m² was reported.

Last year’s report noted that “neighbourhood shopping centres and town-centre style malls have been particularly hit by the effects of low consumer spending.” This trend seems to have continued into 2011. However, rents for neighbourhood shopping centres and retail warehouses rose in Dublin in 2011 with the latter now commanding significantly higher rents than in 2010. One respondent from Dublin noted that shopping

centres “are now killing the demand for high street shops.” This reflects a much longer-term process towards suburbanisation of retail, where out-of-town shopping malls are performing more strongly than high streets.

A clear profile of retail renters is apparent from the findings of this report. Lettings now tend to be short term (between 2-3 years) with potential tenants insisting on significantly lower rents, shorter lease terms, break clauses and rent free periods. Furthermore an increasing number of proposals for profit / turnover based rents are being made. As one respondent noted “it is the tenant who is now in charge.” There were notable examples of tenants expressing interest in getting out of rentals and buying forced sale units if available in 2011. This report mirrors evidence from an earlier survey of chartered surveyors during the summer of 2011 regarding tenants seeking rent reductions from landlords, and in many cases, especially where the landlord is a domestic private or institutional investor, being granted a rent reduction in 2011.

Retail Rents and Yields
Dublin Retail – Rents and Yields

Rents/Yields per annum at year-end	Rents			Yields		
	End 2011	End 2010	End 2009	End 2011	End 2010	End 2009
Prime Retail	€4,532	€5,355	€7,042	6.8%	6.5%	6.4%
Major Town Centre style-Malls	€2,195	€2,530	€3,072	8.0%	7.8%	7.6%
City Centre Developments	€1,865	€2,055	€2,678	8.0%	7.7%	7.5%
Other Centres	€1,103	€1,330	€1,849	8.9%	8.5%	8.1%
Secondary City Centre Streets	€1,109	€1,355	€1,835	8.9%	8.4%	8.1%
Neighbourhood Shopping Centres	€375	€350	€508	9.7%	8.9%	8.5%
Retail Warehouses	€380	€215	€316	9.2%	8.8%	8.5%

Retail Rents and Yields (continued)

Rents per m ² per annum at year-end	Rest Leinster			Munster			Connaught / Ulster		
	2011	2010	2009	2011	2010	2019	2011	2010	2009
Prime City Rents	€374	€555	€562	€974	€1,540	€1,986	€1,813	€2,055	€2,865
Town High Street Rents	€206	€265	€371	€294	€370	€432	€184	€290	€366
Shopping Centre Rents	€328	€435	€476	€383	€470	€617	€260	€275	€368
Other Retail Rents	€139	€180	€230	€172	€210	€268	€136	€145	€189

Yields per annum at year-end	Rest Leinster			Munster			Connaught / Ulster		
	2011	2010	2009	2011	2010	2019	2011	2010	2009
Prime City Rents	7.8%	7.5%	6.4%	7.8%	7.4%	6.5%	8.5%	7.7%	5.6%
Town High Street Rents	8.7%	8.3%	7.1%	8.7%	8.0%	7.3%	5.8%	7.7%	6.7%
Shopping Centre Rents	7.7%	7.5%	6.6%	9.0%	8.9%	7.4%	8.4%	7.8%	6.6%
Other Retail Rents	10.4%	9.4%	8.1%	9.9%	9.0%	8.2%	5.9%	8.5%	7.1%

Pubs and Hotels

The turnover of pubs continued to be hit hard with many closures reported in 2011, continuing the trend witnessed in previous years, because of consumer movements towards the off-licence trade and the wider economic downturn. Sales wise the market saw “no activity whatsoever” by many participants. In one unnamed county one of the best known pubs came on the market in 2011 “and failed to attract a realistic bid.” Prime pubs and restaurants in Dublin have, again, fared better than rural pubs. There has, however, been a very small upsurge in rental demand for good pubs by experienced bar people. Banks continued their reluctance to lend to perspective buyers

in this market last year. The reluctance of financial institutions to lend to applicants in this sector has ensured that sales are primarily to cash-laden investors and this is further reducing the prices for which these pubs are sold.

Regarding hotels, respondents believe that NAMA, who control many of these properties, still have un-realistic asking prices for hotels in today's market. As with pubs, the market for hotels appears to be strongest in the capital with “good international interest for Dublin hotels but these parties only want sizeable properties in prime areas of Dublin 1, 2 and 4.”

Licensed Premises

Licensed Premises % Change in capital values at year-end	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2019	2011	2010	2009	2011	2010	2009
Prime Pubs in Principal Towns	-9.5%	-13.8%	-21.3%	-24.0%	-21.6%	-29.8%	-16.4%	-24.8%	-22.2%	-32.2%	-21.4%	-23.5%
Secondary Pubs in Principal Towns	-12.0%	-21.7%	-31.9%	-26.8%	-26.6%	-33.5%	-18.7%	-25.3%	-35.2%	-36.2%	-24.0%	-26.0%
Prime Rural Roadhouses	-18.0%	-25.0%	-38.1%	-30.0%	-24.4%	-40.7%	-22.8%	-34.5%	-28.7%	-31.9%	-24.2%	-27.4%
Prime Village Pubs	-13.6%	-20.8%	-30.7%	-29.8%	-26.3%	-35.8%	-20.3%	-28.5%	-28.1%	-31.9%	-25.8%	-24.2%
Prime Rural Pubs	-2.0%	-23.3%	-35.0%	-28.8%	-25.8%	-40.7%	-21.5%	-30.3%	-27.9%	-32.5%	-24.1%	-25.2%
Hotels	-2.6%	-24.6%	-30.1%	-26.0%	-19.9%	-36.7%	-20.5%	-37.8%	-31.7%	-45.0%	-30.0%	-32.5%
Restaurants	-4.0%	-16.0%	-32.9%	-20.1%	-18.5%	-37.9%	-14.3%	-26.6%	-23.3%	-40.0%	-24.8%	-28.2%

Industrial Property

This sector, following on from last year, has been one of the weakest performing areas of the Irish property market over 2011. There have been very few business expansions and little inward investment from overseas. "No market activity at all... dead in the water sales wise... very weak... very little interest in units for purchase... back to 1999 levels". Businesses who have wished to expand and so invest in Irish industrial property have found it difficult to obtain credit and any interest in the market

is from "bottom fisher investors". Other potential interest has been stifled by commercial rates which now are greater than rental prices some properties can command. Very large units, if sold, continue to be disposed of at very low prices. High levels of vacancy have been reported in small industrial units. The current stock of industrial property has been criticised and in particular the "existing stock of warehouses not meeting modern requirements."

Industrial

Industrial Rents Per m ² Per Annum at year-end	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2019	2011	2010	2009	2011	2010	2009
Prime Rents under 500m ²	€64	€77	€95	€37	€47	€60	€46	€51	€64	€45	€50	€62
Prime Rents over 500m ²	€58	€69	€89	€30	€38	€50	€36	€43	€54	€37	€43	€56
Secondary Rents under 500m ²	€46	€56	€70	€26	€35	€45	€33	€39	€48	€31	€33	€44
Secondary Rents over 500m ²	€37	€47	€62	€18	€27	€38	€28	€32	€41	€29	€30	€42

Industrial Yields at year-end	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2019	2011	2010	2009	2011	2010	2009
Prime Net Yield under 500m ²	9.1%	8.6%	8.0%	9.8%	9.3%	8.2%	9.8%	9.0%	8.4%	9.2%	9.0%	7.5%
Prime Net Yield over 500m ²	9.4%	8.9%	8.2%	9.9%	9.6%	8.6%	10.4%	9.4%	8.4%	11.25%	9.7%	8.0%
Secondary Net Yield under 500m ²	10.2%	9.5%	8.9%	10.9%	10.8%	9.4%	11.0%	9.7%	9.3%	11.7%	11.0%	8.7%
Secondary Net Yield over 500m ²	10.7%	9.9%	9.3%	11.4%	11.4%	9.8%	11.1%	9.9%	9.5%	n/a	n/a	n/a

Investment Property

There has been very little appetite either from domestic or international property investors as the market "remains virtually at a standstill." The vast majority of respondents noted that the sector continues the weak trend experienced in 2010 with little or no activity at all being recorded. The global economic situation, compounded by weak sentiment at home, has reduced the demand for Irish investment property. Some respondents note the continued re-emergence of residential investors in the investment property market. Cash buyers looking for bargains are the dominant players in this market at present. Any commercial investors who were active in the market were solely interested in apartment blocks.

Respondents did, however, report an increase in interest from investors in the last three months of 2011 when rumours of reduced stamp duty for commercial property began to circulate. Respondents believed that following the reduction of stamp duty in December, this interest could convert into actual transactions later in 2012, although this was being limited by the lack of financing available. The market may not benefit from the reduction of entry costs into the Irish investment property market until 2013.

Development Land

Continuing the trend evident in recent years there were few transactions of development land again in 2011. Most respondents to this survey have reported little or no activity in this sector in 2011. The percentage change of site values has been the most severe recorded in this survey, respondents report a reduction in values of up 95% in the value of development land. It is not anticipated that this market will pick up any time soon. The emerging trend was reported by one respondent as follows: "The base value of development land has converged to that of agricultural land now with much previously designated

development land now de-zoned to agricultural land. The introduction of a Core Strategy by County Councils into their County Development Plans will see significant areas in rural towns being de-zoned."

The only reported interest in development land was for land in prime Dublin locations at low prices. Also multiple supermarkets and filling stations are only interested in prime locations. "Private demand will continue to decline while NAMA has such a stake in the market."

Sites

% change in site values at year-end	DUBLIN			Rest Leinster			Munster			Ulster / Connaught		
	2011	2010	2009	2011	2010	2011	2011	2010	2009	2011	2010	2009
Housing Development Sites	-23.2%	-26.7%	-38.7%	-34.0%	-38.4%	-41.1%	-33.1%	-34.8%	-35.3%	-37.4%	-37.6%	-33.9%
Apartment Development Sites	-31.2%	-34.2%	-46.5%	-41.3%	-45.1%	-50.5%	-43.6%	-41.0%	-42.7%	-43.3%	-43.5%	-36.4%
Retail Development Sites	-25.2%	-31.0%	-36.8%	-35.7%	-37.8%	-41.8%	-31.9%	-35.0%	-34.1%	-34.5%	-36.9%	-32.0%
Office Development Sites	-23.4%	-30.9%	-37.4%	-35.4%	-41.0%	-47.3%	-38.2%	-37.1%	-35.7%	-33.0%	-37.8%	-32.0%
Industrial Development Sites	-26.9%	-29.9%	-33.9%	-31.9%	-38.5%	-44.2%	-39.2%	-39.2%	-38.3%	-33.0%	-37.2%	-29.1%

Agricultural Land

According to respondents, this section of the market performed well in 2011. With thriving interest and demand for good quality land in favourable locations, one respondent described this “as an amazing market at present”. Many respondents report the demand for agricultural land has improved hugely on 2010. The national average for agricultural land per acre is around €10,000 with or without entitlements (up from €8,000 in 2010) with prices ranging from €3,500 and €12,000 depending on location. Agricultural land remains the only section of the market that has come back to the right price level since the crash in property prices in 2007. Rental rates (conacre) are also highly demanded in the current market.

As noted earlier, cash buyers and farmers are to the forefront of the land market as it currently stands. “2011 was a steady year

for agricultural land with most purchasers from a farming background and most were cash purchasers. Farmers are now back buying in the market.” Respondents to the survey outlined that banks appear more willing to lend to this sector. Respondents who are active in the agricultural market reported that “people with money in the bank want to put it into agricultural land to hedge their investment.” This reflects similar occurrences which have occurred in the UK.

One respondent noted that “agricultural land sells well if one can get it.” Shortages in supply that have been reported are likely to increase the price if the demand continues in 2012. According to one respondent: “There is a lack of supply of good quality agricultural farms yet there is strong demand for these farms.”

Agricultural Land

Sale Prices - Non-residential with entitlements (average per acre)	Rest Leinster			Munster			Connaught / Ulster		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Up to 100 Acres	€9,662	€9,900	€12,424	€9,417	€9,035	€10,014	€6,913	€7,070	€8,964
Over 100 Acres	€8,695	€8,590	€10,742	€8,233	€7,815	€8,511	€6,150	€6,17	€8,126

Sale Prices - Non-residential without entitlements (average per acre)	Rest Leinster			Munster			Connaught / Ulster		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Up to 100 Acres – Residential	€8,685	€9,235	€11,355	€8,979	€8,770	€10,014	€6,955	€6,825	€8,310
Over 100 Acres – Residential	€8,269	€8,085	€9,779	€8,016	€7,745	€8,511	€6,321	€6,145	€7,991

Sale Prices - Residential holdings with entitlements (average per acre)	Rest Leinster			Munster			Connaught / Ulster		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Up to 100 Acres – Non-residential	€10,900	€11,700	€14,699	€10,916	€10,655	€12,533	€6,921	€8,365	€10,736
Over 100 Acres – Non-residential	€10,067	€10,430	€12,980	€9,659	€9,325	€10,455	€6,288	€7,525	€9,842

Sale prices - Residential holdings without entitlements (average per acre)	Rest Leinster			Munster			Connaught / Ulster		
	2011	2010	2009	2011	2010	2019	2011	2010	2009
Up to 100 Acres – Residential	€10,261	€11,450	€14,012	€10,807	€10,210	€11,425	€6,608	€7,990	€10,038
Over 100 Acres – Residential	€9,375	€10,020	€12,295	€9,674	€8,935	€9,848	€5,721	€6,835	€8,933

Rents per acre	Rest Leinster			Munster			Connaught / Ulster		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Grazing / Meadowing / Silage	€142	€130	€135	€155	€138	€135	€117	€121	€124
Grazing only	€132	€121	€124	€142	€124	€120	€114	€109	€117
Tillage – Wheat, Barley, Oats, etc	€155	€135	€140	€171	€153	€151	€137	€137	€151
Sugar Beet, Maize, Beans etc	€184	€154	€159	€176	€159	€153	€125	€139	€153

Regional Analysis

Dublin

Last year's property report highlighted that Dublin was the first part of the Irish property market to adjust to the new economic environment, and much of the sharpest declines in transactions and values took place in 2009. The Greater Dublin Region still has this first-mover advantage for new and second-hand urban homes and while prices remain low and continue to fall, respondents did seem more optimistic for this market than respondents from other regions. There is a dearth of new urban developments coming on the market and this accounted for much of the easing of price declines.

Testament to the strength of the rental market in Dublin in 2011 was the fact that rental rates actually increased year-on-year in 2011 rising by a modest 0.8%. Anecdotal evidence from respondents suggests that rents in certain parts of Dublin are rising by between 5% and 7.5%. Property prices are falling faster than rents, as potential home-owners delay their purchase and rent property in the interim.

Dublin shopping, office and commercial premises continue to command higher rents than in any other part of Ireland. Retail rents continued to fall in 2011 with the notable exception of

neighbourhood shopping centres and retail warehouses. This finding is indicative of the fact that retail units on the outskirts of Dublin are appealing more to retailers than prime and city centre units. The 2011 figures reflected a wider national pattern of out-of-town shopping centres performing better than high street shopping areas.

Yields continue to rise across the sector with the highest yields reported in the aforementioned cohort of retail units. Although office rents per m² are the highest in Dublin rental prices have fallen by between €52 and €73 per m² depending on the category unit which is the highest interval decline of any region reported. The value of sites fell again in 2011 but at a smaller rate than the adjoining falls in other regions.

Overall, with no new urban homes coming on stream in 2012 prices for unsold units in this market are expected to further stabilise in 2012. From a commercial perspective interest in hotels and apartment blocks in Dublin rose in 2011 and respondents hoped this interest will manifest into more activity in 2012.

Leinster

The Leinster region experienced a difficult period in terms of declines in house prices in 2010 and this continued into 2011 with some of the sharpest national declines in prices for certain urban residential units reported in Leinster. The region fared marginally better in the rural market with Connaught/Ulster reporting the largest decline in the residential sector. The rental market has stabilised with the average rental decline in 2011 one third of the figure reported in 2009. Without a large city the Leinster region continues to command lower prime rents than other regions. Rental rates for High Street and Shopping Centre units are down between 20-25% year-on-year.

The Net Yields recorded in Leinster for offices in 2011 were the highest in the country with a yield of 10.1% recorded for older

central offices in the region. The decline in site values continued to stabilise in 2011 in Leinster however the reduction in the values for Retail and Office Development were the largest recorded in any of the regions surveyed. After stabilising slightly in 2010 the values of licensed premises in Leinster fell at a more pronounced rate in 2011.

As with Munster the main positive to come from this report pertains to agriculture. This section of the market has seen miniscule price declines in 2011 with the prices land, both with and without entitlement commanding matching 2010 values. Certain sites in Leinster command the highest per-acre prices in the country.

Munster

With the notable exception of new one-bed apartments, the Munster region recorded the lowest declines in urban and rural property prices in 2011. This is a positive development for the region given its structure, more so than other regions, is split evenly between urban and rural areas. The rental market also stabilised in 2011 as rental rates only declined by 1.4% in 2011 compared with a decline of 8.0% in 2010. It is envisaged that in 2012 rental prices will begin to increase in Munster similar to the modest increases witnessed in Dublin in 2011. Retail rents continue to suffer from low consumer confidence with per m² rents down by between 21% and 36% year-on-year. The fall-off in site values for apartments and offices was the sharpest

recorded in any region in 2011. The market for licensed premises in the Munster region was the strongest apart from Dublin as indicated by respondents. Similar to Leinster the agricultural property market is thriving with the prices land, both with and without entitlement commanding exceeding 2010 values.

The outlook for the residential property, agricultural, rental and certain commercial markets in Munster appear favourable for 2012 given the opinion provided by respondents, although this region is not protected from the wider negative economic outlook.

Connaught / Ulster

The residential market in Connaught, for both new and second-hand homes, was on average weaker in 2011 than in the previous years. Although residential rental declines were around 30% lower in 2011 than in 2010, the figures recorded in Connaught /Ulster were the largest reported in this survey.

Prime retail rents are some of the highest in Ireland, outside of Dublin. Town centre rental prices were down almost 40% in

2011 whereas the falls in rental prices for Shopping Centre and Other Rental units were negligible. The market for licensed premises in Connaught / Ulster continues to be affected by low consumer confidence and the economic downturn. In this section of the market, the decline in prices were the highest of all the regions surveyed.

Market Commentary

In addition to providing the above data and commentary which has been set out in this report, a representative sample of chartered surveyors whose practice is based in the different regions, and who specialise in different property areas were asked for their opinion about issues which shaped the market in 2011.

The property market is driven by complex patterns of political, economic, societal and legislative actions, and this section of the report contains respondents' views on the impact of those actions on the Irish market.

The trends set out in the sectoral and regional analyses show the impact of the banking and jobs crises on consumer and investor confidence, and therefore on the property market.

This section of the report examines issues such as the availability of finance, the impact of NAMA and the forthcoming property price database.

It also sets out how chartered surveyors working in practice in Ireland have changed their business model to respond and adapt to these changes.

Notable Sales and Lettings

Many respondents noted that due to the difficulty in raising finance and weak consumer confidence, all successful sales and letting transactions were considered “notable” in 2011; however a number reported exceptional transactions over the course of the year. There were particularly healthy sales of agricultural land or development land which was being purchased for agricultural purposes. As reported earlier in the Sectoral analysis, the agricultural sector had a generally very positive year in 2011 and this was reflected in steady turnover of land. This increase in prices and transaction volume is a complete reversal of trends which were seen during the Celtic Tiger where agricultural land obtained healthy prices only if it

were sold as development land. Notable agricultural land sales in Tipperary and Kildare were highlighted with some prime farm land being sold for between €10,000 and €12,000 per acre, compared to a national average of around €8,600 per acre.

In the residential property market, notable sales included a period residence in south county Dublin on 85 acres of land for €850,000, and other older properties in established parts of the city. 2011 seemed to show a return to interest in property auctions, with some experienced respondents stating that the last year saw their best-ever auction attendance, with competition between bidders leading to very healthy sale prices.

Peak to Trough House Prices

Respondents were asked to evaluate the total change in residential property prices between the peak of the market and the floor, and to evaluate when that floor would be reached. There was a wide variation in responses regarding total sale price reductions, although the consensus was for a total reduction of between 60-70% from peak. Some Dublin-based respondents, however, believed that for prime older property the reduction would be closer to 50%. In some isolated cases, respondents believed that the bottom of the market for good quality properties had already been reached. This was especially so for second-hand urban family homes with good amenities.

In rural areas, respondents believed that the total reduction may be greater and the bottom of the market many months away.

Many respondents found it difficult to pin-point when the bottom of the market would be reached; stating that too many vendors and potential purchasers had unrealistic expectations of the market. Others blamed the ongoing dysfunctions in the banking sector which has had the effect of making it difficult to secure mortgages and thus prolonging the downturn. Others blamed weak consumer sentiment, the generally negative media commentary around property and the looming risk of further job losses. It was held by many respondents that if the banks began offering mortgages, then a new cohort of buyers may emerge. Until such time, prices would remain depressed and the volume of transactions low.

The Impact of NAMA

NAMA was variously described by respondents as “a monopolising bully” “an inefficient, cumbersome monster” “secretive” “frustrating” “a complete disaster for the poor souls who have entered into an agreement with them.” Furthermore, their operations came in for criticism – “the decisions being made defy logic” “incapable of making decisions” and “their inability to make decisions within a reasonable length of time is a real problem.” Many respondents found dealing with NAMA frustrating because of perceived slowness in decision-making and a lack of transparency in its operation. The importance of NAMA to a functioning property market was highlighted by a number of both residential and commercial chartered surveyors. This means that until such a release takes place, prices are continuing to fall and uncertainty about “real” market prices abounds. The power to dictate and control the property market

was criticised by some respondents for preventing a normal market correction, while others believed that NAMA’s ability to control the release of property onto the market was ensuring that at least some transactions were taking place, even if they were at reduced prices.

Few respondents believed that NAMA would leave the market soon, and some considered it to be a semi-permanent aspect of the Irish property market over the medium term, effectively controlling rents, sale prices and yields. Some respondents believed that NAMA may begin to put property onto the market towards the end of 2012 but this would not have a real impact on the market until 2013. Until such time, the issues of transparency and accountability made dealing with NAMA very difficult.

The Availability of Finance

The availability of finance remains the biggest stumbling block for the property market, and has worsened in 2011 as the banking crisis continued. Respondents were uniform in their belief that the situation had deteriorated for both commercial and residential purchasers, with only “cash purchasers” and those seeking very small loans to buy the freehold interest in quality agricultural land being active in the market. Most respondents said that an inability to secure even the most modest mortgage was causing blockages in the residential property market, and preventing a free-flow of property through the market. Investment in commercial and industrial property has been very negatively hit

in 2010 and in 2011 by the inability of banks to allow working capital to firms who might wish to invest in larger properties. Respondents referred to “hard-lending” by the banks.

On the residential side, only those in secure roles either in the public service or from high profile international firms are being offered mortgages, despite claims to the contrary from the banks themselves; even then, it has become extremely difficult to secure a mortgage for a loan-to-value ratio of greater than 60%. On average, the loan to value ratio for new mortgages is less than 70%, albeit at reduced values.

The Impact of the Property Price Database

The chartered surveying profession remains enthusiastic about the introduction of the publicly-available property price database, with many respondents querying why the enacting legislation had not been passed sooner. One respondent noted that he “cannot wait!” for the database to come into existence. The most immediate impact, according to one respondent would be “to lessen some of the unfounded wild commentary in the media.” Others believed that it would “clean up the smoke and mirrors” which surround the market. There will be a clear benefit to all participants: “Vendors should have a better understanding

of what asking price to go to market with, while buyers may feel more confident when making a purchase that the property is correctly priced, instead of being guided by media comments.” Some respondents were concerned that, as the data will inevitably lag the market, it will show the market as it was in the past, rather than as it will be into the future. Nonetheless, respondents were optimistic that it would provide agents with data to “produce a more fact-based valuation” and help agents bring transactions to a more rapid and successful conclusion.

Forecast for 2012

Respondents working in the commercial property market noted an increase in enquiries towards the end of 2011 and they believe that “transactions will start to happen” in Q3 or Q4 of 2012 if the banks are willing to support the purchase. Investor appetite – especially from overseas – is expected to increase as Irish commercial property becomes more competitive and following the reduction in stamp duty in Budget 2012. Again, this will take time to work through to actual transactions, and may not have an impact on property data until 2013. Whether the increased investor sentiment happens in 2012 or 2013 is dependent on a resolution to the banking crisis, the actions of NAMA relating to its “workout programme” and the release of property onto the market, and consumer sentiment.

In the residential market, opinion was evenly split. Many members believed that as prices fell, new entrants onto the market might become interested in making a purchase. It was felt that in circumstances where houses are re-priced to suit the depressed market, there is increased interest. Other respondents, however, looked to the poor performance of the jobs market, the emigration of key house-buying age cohort, the introduction of the household charge and the weak consumer activity as reasons why any return to performance in the housing sector would only be in certain urban parts of the country. This will especially be where the quality of houses was better, where the jobs market was more secure, where houses had been re-priced and where a lower supply of new property onto the market had reduced any glut of properties.

The Property Profession in 2011 and 2012

All respondents had changed their business practice to reflect the new property market and the decline in transaction-based fee income in 2011. Many noted that over 2011, a greater proportion of their fee income was from rental and management services than from managing transactions, and most expected this trend to continue. A number reported that they had “re-invented ourselves to seek out new avenues of income generation” including the development of “professional services” “niche opportunities” and improved flexibility towards customer demands. Those who were optimistic about the future viability of their company stated that “flexibility” and “professionalism” had become extremely important and a number had re-entered further education and developed more “focused marketing on the internet and social media” in order to expand the range of professional services they could offer clients.

As well as reduced income, many respondents pointed to increased expenditure as challenges to their profession. Professional Indemnity insurance, employer costs, utility costs

and fuel costs have risen strongly in 2011 and in many cases the increases have off-set any savings which they had made by cutting their staffing or other costs. This has meant that the business model which has emerged from 2011 is “lean and mean” with “a diverse portfolio” of services.

In 2012, a number of respondents said that their task would be to use their professional skills to educate the public about lower prices, promoting re-valuation of property in order to attract interest and eliminate “bad pricing” from the market. Respondents who were optimistic about new customers entering the market in 2012 were also optimistic that they would be able to offer them a much wider range of services than in the past. They reported that they would use their “experienced and senior people” to become much more customer-facing and “chase customers and win the business.” This would require “further education and diversification” as well as the provision of “professional service and innovation in marketing the brand to the consumer.”





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