



House prices continue to decline in 2011 but cash-sales increasing

Commercial Market declines in 2011 but activity levels improve since the reduction in stamp duty and certainty on rent reviews in Budget 2012

Land market performs well with cash buyers and farmers re-entering the market

Wednesday 1st February 2012. House prices continued to decline across Ireland in 2011, albeit at a marginally slower rate than in 2010 according to the Society of Chartered Surveyors Ireland annual survey of its auctioneer and estate agent members.

Residential Property - Confidence and Access to Finance remain key issues

The Survey of Chartered Surveyors Ireland report suggests that transaction values for a second-hand 3-bedroom semi-detached house declined by 12.6 per cent in Dublin in 2011. This compares to a decline of 14.3 per cent and 18.8 per cent in 2010 and 2009 respectively.

- In Leinster, the average selling price for a second-hand 3 bedroom semi detached house declined by 16.8 per cent in 2011. This compares to declines of 17.1 per cent in 2010 and 19.8 per cent in 2009.
- In Munster, the decline of 9.3 per cent in 2011 for this house type was less severe than 2010 and 2009 when values declined by 15.2 per cent and 17.9 per cent respectively.
- In Connacht, selling prices for second-hand 3 bedroom semis declined by 15.2 per cent in 2011 compared to 15.7 per cent in 2010 and 16.3 per cent in 2009.

The SCSi said that confidence in the residential property market remained relatively weak in 2011 due to uncertainty around the economic situation and a lack of access to finance for qualified buyers. It pointed to the ESRI Consumer Sentiment Index which dropped to 49.2 in December compared to 60.1 in November 2011.

Roland O'Connell, Vice-President of the Society of Chartered Surveyors Ireland said confidence and access to finance remain the key issues in the residential property market. "Until we see the financial institutions lending to qualified buyers, we will not see a recovery in activity levels in the property market" O'Connell said.

However, O'Connell did point out that properties are being sold where they have the fundamentals of location, access to transport, schools etc and are priced competitively. "In many cases where these fundamentals are present they are attracting demand and cash buyers are returning to the market to buy such properties where they see value", he said.

The rental market in Dublin showed signs of growth for the first time in three years with a 0.8 per cent increase in rental values compared to a decline of 4.5 per cent in 2010 and 16.4 per cent in 2009.

"With the quality of rental housing stock improving in recent years, renting is becoming a viable alternative for people who are waiting to see what happens to house prices", said O'Connell.

Commercial Property – Declines in 2011 but Stamp Duty boost in Q4

Activity in the commercial property market was low in 2011 primarily due a lack of confidence, difficulties in accessing finance and the uncertainty in the market about a potential retrospective banning of upwards only rent reviews in pre-2010 leases.

- In Dublin, rents for prime 3rd generation offices declined to €320 per sq metre in 2011 compared to €355 in 2010 and €393 in 2009.
- In Dublin, prime retail rents declined to €4,532 in 2011 compared to €5,355 in 2010 and €7,042 in 2009.
- In the rest of Leinster, prime retail city rents declined to €374 in 2011 from €555 in 2010 and €562 in 2009.
- In Munster, prime city rents declined to €974 in 2011 compared to €1,540 in 2010 and €1986 in 2009.
- In Connaught/Ulster, prime city rents were €1813 in 2011 compared to €2,055 in 2010 and €2,865 in 2009.
- Members of the Society reported 'very little activity' in the pub and hotels market as well as the industrial property market.

O'Connell said the commercial market was severely impacted in 2011 by difficulties in accessing finance and the affect of uncertainty around potential retrospective legislation on rent reviews. "Once the Government made a decision to reduce stamp duty and provide certainty on rent reviews in the Budget we saw a positive effect on property values and an increase in demand. This is evidenced by the 0.2 per cent growth in values in Q4 2011 reported in the SCSI/IPD Survey", he said.

Agricultural Land market performs well in 2011

According to respondents of the SCSI survey, agricultural land performed well in 2011, primarily due to cash buyers and farmers re-entering the market.

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.

According to O'Connell 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. "This is primarily due to our strong food export market and also the fact that many purchasers felt land was a safer alternative to putting savings in the bank", he said.

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