

**2019 WAS A  
BUSY YEAR  
AND FOLLOWS  
ON FROM A  
SLUGGISH  
2018**



## LISNEY VIEW

### DUBLIN RESIDENTIAL

Trends and official statistics relating to the overall Dublin residential market do not always correlate with what Lisney agents experience on a day-to-day basis. There are various reasons for this. Firstly, Lisney is most active in the mid to upper markets in Dublin, and so our data is not always representative of the entire Dublin market. Additionally, trends experienced by agents on-the-ground can take some time (perhaps up to six months) to feed through into official market statistics due to the length of time it takes to conclude a sale. The 'Lisney View' set out opposite relates to our experience in the parts of the Dublin market we operate in.

**2019 was a busy year and follows on from a sluggish 2018 where there was a stand-off between buyers and sellers in terms of their respective sentiment and view of the market.**

Affordability had clearly become an issue in 2018 and accordingly, this resulted in a market correction and downward asking price adjustments, much of which occurred in late 2018 and into 2019. As prices became more aligned with affordability, potential purchasers began to engage with the market again and activity levels noticeably improved during the summer months. We expect this improvement in activity to continue into 2020 as vendors price expectations and the amount potential purchasers are willing to pay are more balanced.

The number of second-hand properties on the market for sale grew during the Spring 2019 selling season with over 30% more properties available for sale in March compared to 12 months previous. This, combined with the quantity of new homes on the market, helped to ease supply tensions in the first half of 2019. Maintaining second-hand supply at around 5,000 units (equivalent to a little under six months' worth of second-hand sales) across the entire of Dublin at any given time has assisted in keeping prices relatively steady.

As discussed by Lisney for several years, the lack of bridging finance for those trading up or down continues to be an issue. There are unlikely to be any changes in the situation this year and the problem will remain that



+30%

SECOND-HAND  
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potential supply that could come to the market does not as the mover dilemma continues. i.e. movers will be unable to purchase their next home until they sell their existing one, and they will be reluctant to sell their current home until they have secured the property they wish to buy. The result is that many would be sellers and buyers are reluctant to enter the market. New home schemes can be an attractive option for buyers who can use the often-long lead-in time to sell their existing home during that period. This trend will no-doubt continue to be the case in 2020.

Affordability and the Central Bank of Ireland's macroprudential policy was also a key factor in steady overall Dublin prices in 2019. The rules continue to act as an anchor, connecting prices to affordability. In December 2019, the Central Bank concluded its review of the measures and confirmed that there would be no changes to income limits and LTV ratios. One area that Lisney believes needs to be re-examined is how the exemptions are operated. At present this is on a 12-month calendar basis, which means that not all exemptions are being utilised because a potential borrower may have multiple loan offers with various banks and are recorded as a contingent liability with each of them until the loan offer expires. In the last few years this has led to greater levels of activity early in the year and less in the latter part. If the exemptions were operated on a 12-month rolling basis, then there would be greater opportunity to use the full allowance and the market would operate more smoothly.

The uncertainty created by Brexit remained another key factor in the market in 2019 and will continue to be so in 2020. Not surprisingly, this peaked during the autumn selling season when discussions between the EU and UK were heightened. Consequently, some buyers, and indeed sellers, decided to adopt a wait-and-see approach, cautious to make any decisions. This was evident in the number of properties launching to the market in September. It was below what was expected as certain sellers deferred sales while awaiting more clarity. Interestingly, when there was no UK withdrawal agreement reached and Brexit drifted on once again, purchaser viewing numbers grew as buyers began to re-engage with the market in November.

RESIDENTIAL SALES



“ BREXIT-RELATED SENTIMENT WAS THE BIGGEST FACTOR AFFECTING PURCHASERS AT THE UPPER-END OF THE MARKET IN 2019. ”

Woodlawn House,  
Upper Churchtown Road,  
Dublin 14

## UPPER-END

Brexit-related sentiment was the biggest factor affecting purchasers at the upper-end of the market in 2019. This is because many buyers active in this part of the market derive their income internationally and were taking a broader economic view before deciding to purchase. In spite of this, in the final two months of the year, there was a noticeable increase in enquiries from UK-based buyers. These were mostly from those working in the banking and legal sectors, who cited employment opportunities as their reason for relocating to Dublin. Such buyers are not immune from challenges in the property market as many are selling in a less buoyant London market. It will be interesting to see if this trend develops into a greater number of sales in the more expensive parts of Dublin in 2020.

In the second half of 2019 there was increased commentary and press coverage about price declines in the upper-end of the market. From our point of view, this lags what we experienced on the ground due to the length of time it takes for sales to conclude. For us, we saw much of this price reduction commenced in 2018. Entering 2020, it is to be welcomed that prices are generally more stable, albeit very sensitive and finely balanced.

## 2020

Overall, we believe the market will be active in 2020. However, affordability will continue to be an ongoing issue. Properties will need to be priced at levels reflecting prevailing market conditions. Early Spring 2020 could see a burst of activity as buyers who have been biding their time renew their vigour to purchase. This in turn should encourage homeowners who were reticent to place their property on the market towards the end of 2019 to do so. In 2020, we expect prices to be relatively steady with any growth in selected areas likely to be no more than 5%.



7.3%

RTB'S RENTAL INDEX  
FOR DUBLIN  
INCREASED  
OVER 12 MONTHS

Fernbank, Dublin 14

## DUBLIN RESIDENTIAL RENTAL MARKET

The Dublin residential rental market was yet again exceptionally active in 2019. It will remain so in 2020 due to continued tight supply. However, there will be greater focus on affordability. It is generally taken that a tenant should not spend more than 40% of the household disposable income on rent and the most recent data points towards €1,630 per month in Dublin. Given that the average two-bed apartment in key Dublin locations is above this, we believe asking rents will come under further pressure in 2020. We already started to see this in some locations and schemes in the latter part of 2019 with asking rent reductions observed. It was also evident that it was taking longer to let some properties compared to earlier in the year. Some tenants are now considering properties further from the centre to avail of larger space and lower rents.

The legislation relating to the rental market introduced mid-2019 will have an impact on the market in 2020. Rent Pressure Zones (RPZ) were due to finish at the end of 2019 but have been extended to at least 2021. This means that rental increases will continue to be a maximum of 4% per annum in these areas. Following additions in 2019, RPZ now account for approximately 66% of all tenancies in Ireland and cover the entire of Dublin. However, with the exemptions (properties that have not been in the rental market for the past two years) and new stock entering the market, the RTB's rental index for Dublin continued to increase at a higher annual rate; in the 12 months to the end of June 2019, it increased by 7.3% and by 4.8% in the opening six months of the year.

Despite the fact the number of PRS schemes (i.e. blocks of apartments owned by funds and property companies) are growing, the overall supply of rental properties in Dublin is at best stable and at worst falling as individual private investors continue to exit the market. This is highlighted in the RTB's register of tenancies. Taking the number of tenancies listed by the RTB on a given date in December 2018 and again in December 2019, it can be seen that over the 12 months, this fell by 0.8% for Dublin overall. However, there are various PRS schemes nearing completion and due in 2020 and 2021. The increased stock in this sector in the short to medium-term will assist in stabilising rents. It should be noted however that rents in PRS properties can often be higher compared to properties owned by private landlords. This is because of the additional facilities and amenities provided in many of the schemes, as well as the fact that the properties are generally more modern.

# RESIDENTIAL TENANCIES

(AMENDMENT) ACT 2019

## IN FOCUS

The measures included in this legislation are very important to note from both a landlord and tenant viewpoint. They were introduced on a phased basis from early June 2019 and will have **IMPLICATIONS FOR THE RENTAL MARKET IN 2020 AND BEYOND.**

All legislation relating to Rent Pressure Zones (RPZ) and the two-year rent review pattern outside of RPZ areas was extended to

**31ST DECEMBER 2021**

(was due to end on the 31st December 2019)

FOR A TENANCY IN PLACE MORE THAN SIX MONTHS, A LANDLORD MUST GIVE A VALID REASON FOR TERMINATION, WHICH CAN BE ONE OF THE FOLLOWING:

### 1 REQUIRED FOR FAMILY MEMBER

Statutory declaration must be provided and the tenant has the first option on the property if it becomes vacant within 12 months

2

### SALE

Statutory declaration must be provided, 9 months' notice given and first option to tenant if the property becomes available to rent within 12 months

3

### SIGNIFICANT REFURBISHMENT

Must be substantial and the termination notice must state if planning permission is required, the name of the contractor, the date and duration of works, and the property must be offered back to the tenant when works are complete

4

### CHANGE OF USE

The termination notice must state the intended use, a copy of the planning permission, details of the works, the name and duration of the works, and the property must be offered back to the tenant if it becomes a residential property again within 12 months

## CHANGES TO RPZ EXEMPTIONS

– EXEMPTED PROPERTIES MUST HAVE:

Not been rented for two years but all future rent reviews will adhere to the rent pressure formula calculation

Have undergone substantial change, which must consist of a permanent extension that increases the floor area by at least 25%; result in a BER improvement of at least seven energy ratings; or had any three of the following – change in internal layout, adapted to suit disability, increase in number of rooms, where a BER of D1 or lower is improved by three ratings, where a BER of C3 or higher is improved by at least two ratings

NEW MINIMUM NOTICE PERIODS HAVE BEEN ESTABLISHED BASED ON THE DURATION OF THE TENANCY:



A NEW PRESCRIBED NOTICE FOR RENT REVIEWS WITH **NO CHANGES IN TEXT PERMITTED**

REQUIREMENT TO **NOTIFY THE RESIDENTIAL TENANCIES BOARD** OF AN RPZ EXEMPTION

FROM EARLY 2020, **ANNUAL REGISTRATIONS** WITH THE RTB WILL BE REQUIRED