SOCIETY OF CHARTERED SURVEYORS IRELAND

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SOCIETY OF CHARTERED SURVEYORS IRELAND

RESIDENTIAL & COMMERCIAL PROPERTY

REVIEW & OUTLOOK **2017**

www.scsi.ie

FutureAnalytics
Planning + Research + Economics

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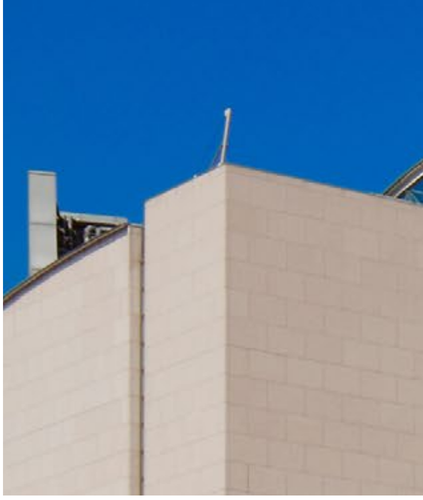


Foreword

What a difference a year makes! If anyone was to report twelve months ago that 2016 would see the UK vote to leave the European Union, followed by the election of property tycoon and US reality TV star Donald Trump to the office of US President, this would not have been believed. One cannot disagree that the short to medium term will make for interesting global news stories as these unfold. There will no doubt be some impact upon how this affects Ireland, the significance of the impact is still unknown.

In the immediate term, Ireland's vital econometrics remain encouraging. With unemployment now at 7% down from over 12% three years ago, the Irish budget deficit now close to 1% of GDP and GDP growth rates close to 4% in 2017, this is a vast improvement from what was experienced during the recessionary years. It is encouraging to note from our report that gradual improvements are beginning to infiltrate some regions outside of Dublin, which we hope will continue to reverberate throughout 2017 towards a level of sustainable growth.

The Annual Residential and Commercial Property Review and Outlook Report 2017 marks 34 years of property reporting within SCSI. The first survey of property professionals commenced in 1983 and has thankfully emerged as one of the most authoritative and reliable review and outlook reports published for the industry. This report has been informed and guided by the views, perceptions and opinions of over 380 chartered surveyors through a survey that was conducted across the four SCSI regions. Chartered surveyors are at the coal face of the property industry and are best placed to report on real-time, emerging trends impacting upon the market, unlike other indices that tend to lag the market. The forecasts provided by chartered surveyors at a national and local level is valuable information for fellow members, investors, policy makers and those working in the industry. SCSI predictions for 2016 of a 7% increase in national residential property values is remarkably close to CSO data which indicated an increase of 7.1% in the year to October 2016.

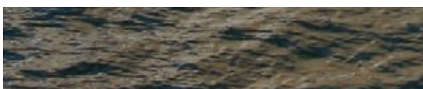
For the residential sector, 2016 was widely reported as a year of two halves, with the latter half showing signs of slower growth when compared with the first six months. This was a similar theme for commercial property activity. In general, 2016 will be remembered as a year when the housing crisis reached critical levels in Dublin and other urban centres across the country. Government has made some progress to tackle the housing supply and high rent inflation issues however, more could have been done to deal with the chronic shortage in new builds. SCSI has been very vocal on this point by highlighting the high cost with delivering residential property to the market. In May 2016, SCSI published a breakdown of the costs associated with delivering a 3-bedroom semi-detached home to the market. This report was based on real data from actual construction projects and highlighted the significant costs associated with house development, not just the materials, but more the cost associated with taxes and fees. It showed only 50% of the total outlay was actually associated with the 'bricks and mortar' element. The remainder consists of taxes, levies, and land costs all of which equate to a total of €330,000 for a typical three-bedroom semi-detached house in the Greater Dublin Area. Budget 2017 saw measures introduced to increase demand through the introduction of the First Time Buyers Help to Buy scheme. We await the impact of this measure on the market in terms of new supply, however, the findings of this report yet again points to tackling other more significant barriers to development.

The rental sector has witnessed tremendous change in twelve months with the introduction of rent certainty measures and also the most recent introduction of rent predictability measures in December 2016 for certain locations. As property prices increase across the country, there is increasing concern that as buy to rents emerge from negative equity, investors will leave the sector and therefore impact upon supply further. Things are becoming more difficult for the small scale residential investor which has historically been the typical supplier of residential rental property in Ireland.

Commercial property investment in general was quite positive with moderate returns reported for city centre located offices, albeit this performance is at a slower pace compared with previous years. Industrial property is showing strong signs of a resurgence once again in most parts of the country with strong yields appearing to indicate a market expectation of future rental growth. Given Ireland's open economy and the uncertainty still overhanging the Brexit negotiations, our report highlights the potential impact UK's decision to leave the EU will have on our economy and property market. Our results show that outside of Dublin, the impact is likely to be more severe. The tax treatment changes made in 2017 is also likely to impact negatively on investor confidence and the tremors are yet to be fully quantified. Results from our survey indicate that the retail market remains challenged and the outlook remains tentative with more optimism being attributed to those retail units in prime locations. Interestingly, 'other retail' units, primarily retail warehousing, is also showing a forecasted uplift in the next twelve months.

Research and the provision of reliable data gathered through our professional network enables SCSI to put forward credible policy proposals to government bodies. Of course this research would not be possible without the generosity of our members' time so I would like to thank members for their views and comments gathered from our online survey.

Claire Solon
President
Society of Chartered Surveyors Ireland



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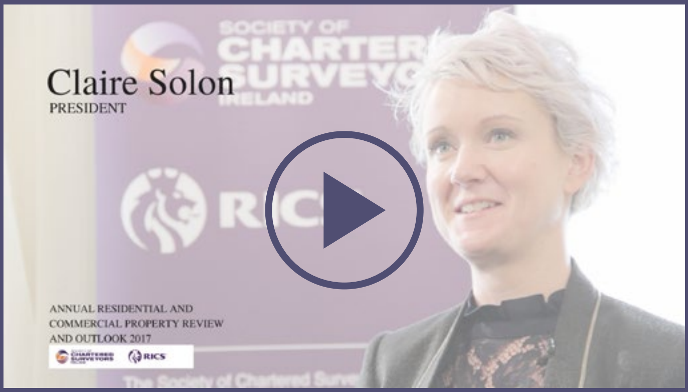
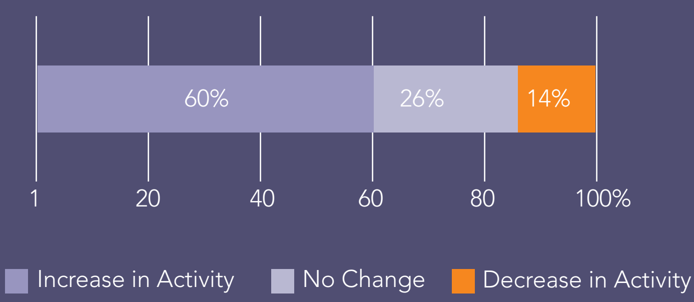


Claire Solon
President
Society of Chartered Surveyors Ireland

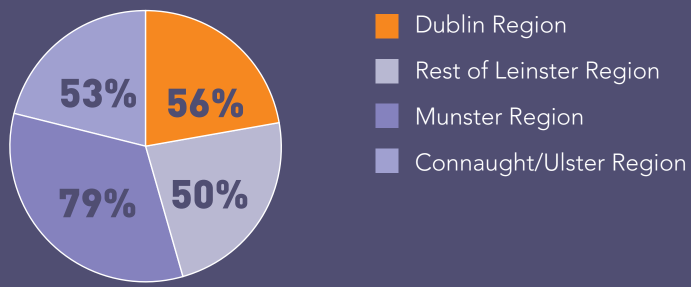
SCSI SURVEY - NATIONAL RESIDENTIAL SUMMARY HIGHLIGHTS

Market Activity

Nationally, 60% of SCSI Chartered Surveyors observed an increase in residential property market activity.



A higher proportion of Chartered Surveyors in Munster experienced an increase in activity levels compared to the remaining three regions.



Help to Buy Scheme

83%

of Chartered Surveyors forecast that the 'Help to Buy' scheme (first-time buyer's tax rebate) and recent easing of deposit restrictions will result in an increase in the price of residential properties.

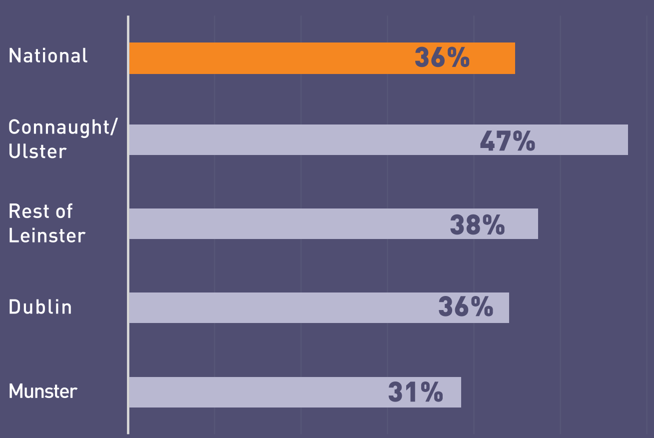
Vendor Price Expectations

86%

of Chartered Surveyors nationally observed increases in vendor price expectations in 2016.

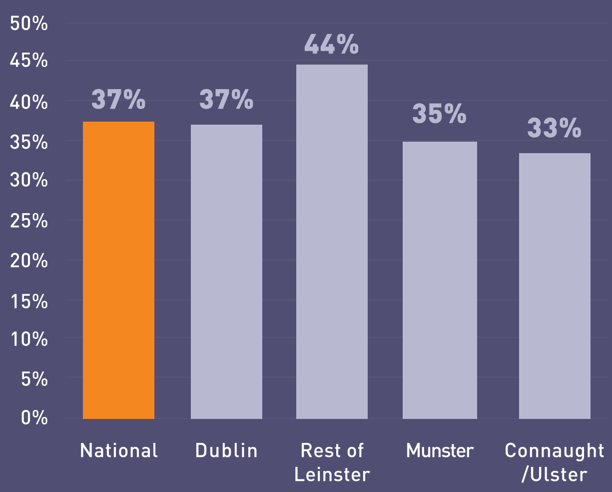
Brexit

36% of Chartered Surveyors nationally believe that Brexit has impacted negatively on activity levels in the residential property sector, with Chartered Surveyors in the Connaught/Ulster Region reporting a higher negative impact compared to the national average.



New Housing Schemes

Proportion of Chartered Surveyors that are expecting to market new housing schemes in 2017:



Source: SCSI Property Survey 2016

Survey Sentiment

Top ranking measure that will stimulate the new housing build over the coming twelve months

Dublin Region

Introduce additional measures to release more development land for construction

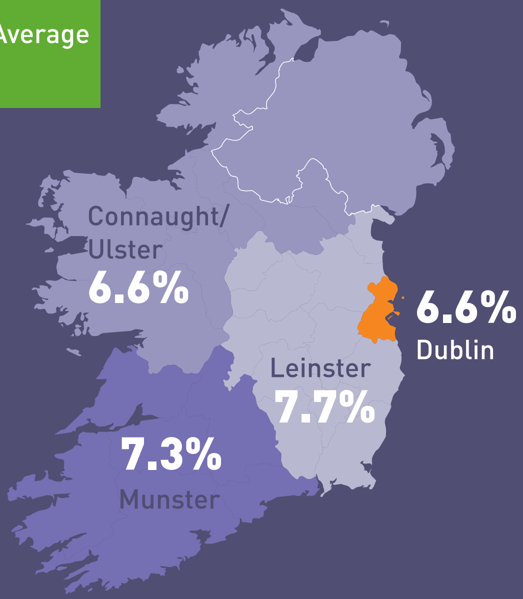
Rest of State

Provide Government assistance to developers/ builders in certain cases of unviable developments relating to starter homes'

Average Property Value Outlook 2017

Forecast property value change by region

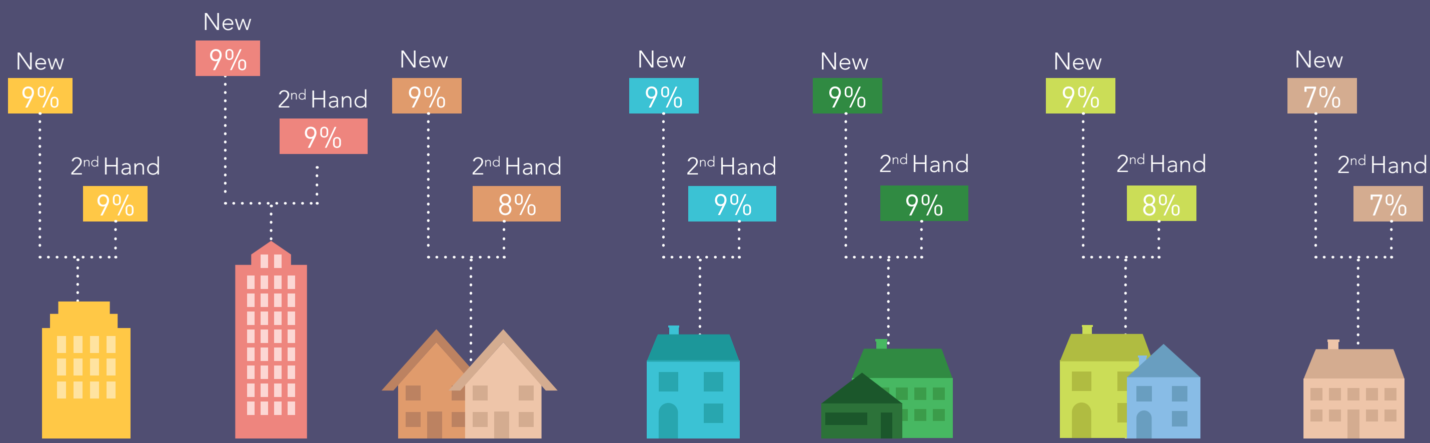
National Average
7.3%



National Residential Sales of Second-hand and New Homes

Forecast change in values in 2017

- 1 bed apartment
- 2 bed apartment
- 2 bed townhouses
- 3 bed townhouses
- 3 bed semi-detached
- 4 bed semi-detached
- 4/5 bed detached



National Residential Rents

Forecast change in values in rental prices in 2017

SCSI SURVEY – NATIONAL COMMERCIAL SUMMARY HIGHLIGHTS

Commercial rent and land value changes in 2016

Connaught/Ulster Region

4.2% GROWTH
Prime 'Grade A' Office Rents

8.6% INCREASE
Prime Retail Rents

0.3% GROWTH
Residential Land values

2% INCREASE
Prime Industrial Rents (under 500m2)

Munster Region

10.5% GROWTH
Prime 'Grade A' Office Rents

0.5% INCREASE
Prime Retail Rents

14.9% GROWTH
Residential Land values

2.8% INCREASE
Prime Industrial Rents (under 500m2)

Legend
% Change in 2016

Rest of Leinster Region

3% GROWTH
Prime 'Grade A' Office Rents

13.5% INCREASE
Prime Retail Rents

16.1% GROWTH
Residential Land values

5.3% INCREASE
Prime Industrial Rents (under 500m2)

Dublin Region

9% GROWTH
Prime 'Grade A' Office Rents

12% INCREASE
Prime Retail Rents

14.3% GROWTH
Residential Land values

4.8% INCREASE
Prime Industrial Rents (under 500m2)

EU Future

62%

of Chartered Surveyors nationally anticipate that additional countries will vote in favour to leave the EU over the next 3 years.

Unemployment

7.2%

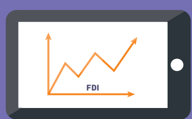
Unemployment rate in December 2016 falls to the lowest level since August 2008, with youth unemployment (15-24 years) at 14.5%.

Brexit

64%

of Chartered Surveyors nationally think that 'Brexit' will have a negative impact on Irish economic growth over the coming 12 months, however Chartered Surveyors in the Dublin Region are considerably less pessimistic about the impact of Brexit, with 50% forecasting a negative impact compared to over 78% of respondents in all other regions.

Foreign Direct Investment



59%

As FDI employment reaches a record level of nearly 200,000 in 2016, 59% of Chartered Surveyors nationally expect that the recent election of president elect Trump in the US and the UK's decision to leave the EU will have a negative impact on FDI activity in Ireland.

Source: SCSI Property Survey 2016

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Office

Review 2016

Dublin Region

9% ↑ GROWTH

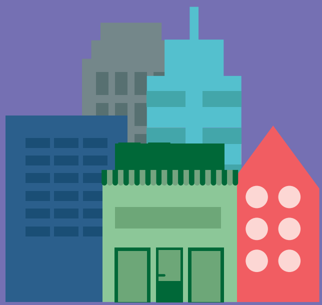
Prime grade A office rents increase by 9% to an average of €612 per sqm with yields of 4.5%.

Munster Region

10.35% ↑ GROWTH

Prime Grade A office rental growth of 10.35% to €243 per sqm.

Retail



Review 2016

Connaught/Ulster Region

8.6% ↑ GROWTH

in Prime City retail rents as Galway City market sees continued investment activity.

Munster Region

-7.5% ↓ DECREASE

in town high street retail rents in the Munster Region, highlighting continued challenges for the retail sector.

Industrial

Review 2016

Dublin Region

9.2% ↑ INCREASE

Prime industrial rents in units over 500m^2 at €83 per sqm, with yields of 6.8%.

Rest of Leinster Region

19% ↑ INCREASE

in secondary industrial rents in the region.

Development Land

Review 2016

Dublin Region

12.6% ↑ GROWTH

Strong growth in industrial development land.

Rest of Leinster Region

16.1% ↑ GROWTH

in residential development land values, the highest increase across all regions.

Hotels

Review 2016

Rest of Leinster Region

10% ↑ INCREASE

in the capital value of hotels.

Munster Region

7% ↑ GROWTH

in the capital value of hotels.

Outlook 2017

4% ↑ GROWTH

forecast in Munster and Connaught/Ulster Region in Prime Grade A office space, driven by increased activity in the regional cities.

8% ↑ INCREASE

forecast for shopping centre rents in 2017 in the rest of Leinster.

8% ↑ INCREASE

forecast in prime industrial rents in 2017 in the Dublin Region.

9% ↑ INCREASE

forecast rise in retail development land values in the Munster Region.

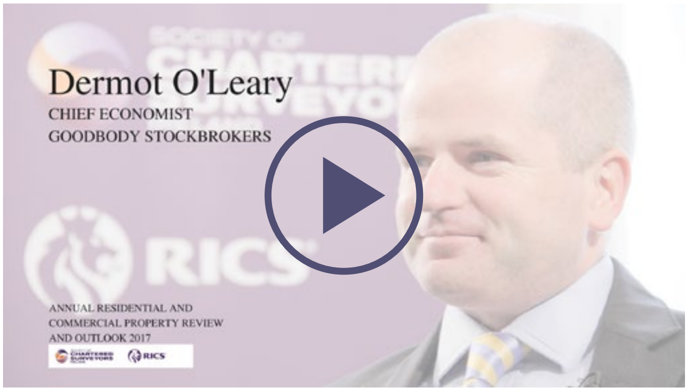
8% ↑ INCREASE

forecast in the capital value of prime pubs in the Dublin Region.

Overview of the Irish Economy in 2016

National Performance

The Irish economy is best described as a year of two halves in 2016; the first half of the year demonstrated a continuation of the strong market experienced in 2015, while the second half experienced somewhat of an easing in pace. International factors impacted upon the market in terms of political uncertainty in the EU and US, while the devaluation in sterling impacted noticeably upon the Irish export sector.



Dermot O'Leary
Chief Economist
Goodbody Stockbrokers

However, despite the slowdown mid-year, Ireland's economy looks set be the strongest performing economy in the EU for a third consecutive year, with a 2016 year end GDP growth of 4.5%[1]. The ESRI remains optimistic about 2017, projecting sustained but more moderate GDP growth over the coming twelve months, at 3.3%. Chartered surveyors are largely positive about the next twelve months and this is supported by projected GDP figures from the Central Bank and ESRI. The ESRI cites the continued expansion of the labour force as a key factor to continued growth and trends to date indicate favourable employment growth, as unemployment continued to fall during 2016 to a year-end rate of 7.2%.

Labour demand is expected to continue, with the Department of Jobs, Enterprise and Innovation (DJEI) reporting a marked increase in the number of Irish work permit applications recorded in 2016 in the financial and IT sectors particularly, signalling a continued growing economy. While the exports sector was the significant economic driver over recent years, personal consumption and investment were the principal domestic economic drivers in 2016 and this is anticipated to remain the case for 2017. Consumer and investment confidence will continue to play a key role in the economic performance over the coming twelve months, however, we await to see how geopolitical events such as those witnessed over the past year in Britain and the US are likely to impact further upon consumer and investor confidence in 2017.

[1]Central Bank of Ireland, Q4 Bulletin 2016
[2]ISME SME Business Trends Survey Q4 '16
[3]SCSI/RICS Q3 2016 Global Commercial Property Monitor

'Brexit'

The decision by the UK to leave the EU ('Brexit') was generally unexpected, and global financial markets reacted immediately with a sharp decline in the value of sterling, while British equities also experienced a decline. International markets also felt the impact of the British referendum result as European equities fell, and bonds belonging to Eurozone periphery countries were released, while in the US, stocks declined. With sterling now at its lowest level in decades, the Irish economy is particularly vulnerable to the currency fluctuations, particularly in the export sector. ISME Quarterly Business Trends Survey Q2-Q4 identifies Brexit and economic uncertainty as the main concerns amongst Irish SMEs. The export sectors remain most susceptible to the implications of Brexit on the Irish economy[2]. The retail sector, which has experienced strong growth levels over the past two years is also likely to be impacted as a result uncertainty in consumer confidence, and some cross-border retail leakage, particularly in the border counties. There are mixed opinions amongst commentators as regards the short to medium and eventual long-term impact arising from Brexit, with many commentators seeing potential long term opportunities for the Irish economy, particularly in terms of firms relocating out of Britain. As reported in the SCSI/RICS Q3 2016 Commercial Property Monitor[3], chartered surveyors anticipate increased office sector activity in the Dublin market as companies transfer parts of their business activities outside of Britain.

Geopolitical changes across the EU and US will be closely followed by investors. Interestingly, 62% of chartered surveyors in this SCSI survey anticipate that additional countries will vote in favour to leave the EU over the next 3 years. Should this occur, one can anticipate further economic uncertainly in the short to medium term, and this will undoubtedly impact upon all sectors of the property market.

In the annual SCSI survey, 64% of chartered surveyors believe that Brexit will have a negative impact on Irish economic growth over the next twelve months, however chartered surveyors in the Dublin Region are less pessimistic with 50% forecasting a negative impact, compared to over 78% across all other regions. Conversely, 28% of chartered surveyors in the Dublin Region project no impact over the coming twelve months, a rate that is much higher than elsewhere. The survey results also demonstrate the variation of opinions across the regions as regards the likely impact on office demand arising from Brexit with 73% of Dublin Region chartered surveyors anticipating an increase in demand, whereas the majority across all other regions anticipate no change in demand.

Investor outlooks are more reserved compared to twelve months ago. The devaluation in sterling during the year impacted property activity in some sectors, with chartered surveyors reporting a slowdown in property activity from British based purchasers, with reports of buyer withdrawals across both the residential and commercial property markets.

A Year in Review

There were a number of notable events in terms of the residential property sector in 2016. In July, 'Rebuilding Ireland: An Action Plan for Housing and Homelessness' was launched by Government, which aims to accelerate the provision of housing nationally over the next 6 years. The ambitious plan which sets aside €5.5 billion for social housing and infrastructure, and outlines objectives for an annual target build of 25,000 new units, and the provision of 47,000 new social houses. While welcomed by industry and housing organisations, the plan will require a coordinated approach to ensure proposed targets are met, as these will prove critical in alleviating the current housing crisis.

Budget 2017 introduced a number of provisions with the aim of stimulating activity in the residential sector. The first-time buyers 'Help to Buy' scheme was broadly welcomed, however the shortage in new house builds nationally may stymie uptake, while the majority of chartered surveyors in the SCSI annual survey (over 80% in all regions) believe that the measure will lead to increased house prices.

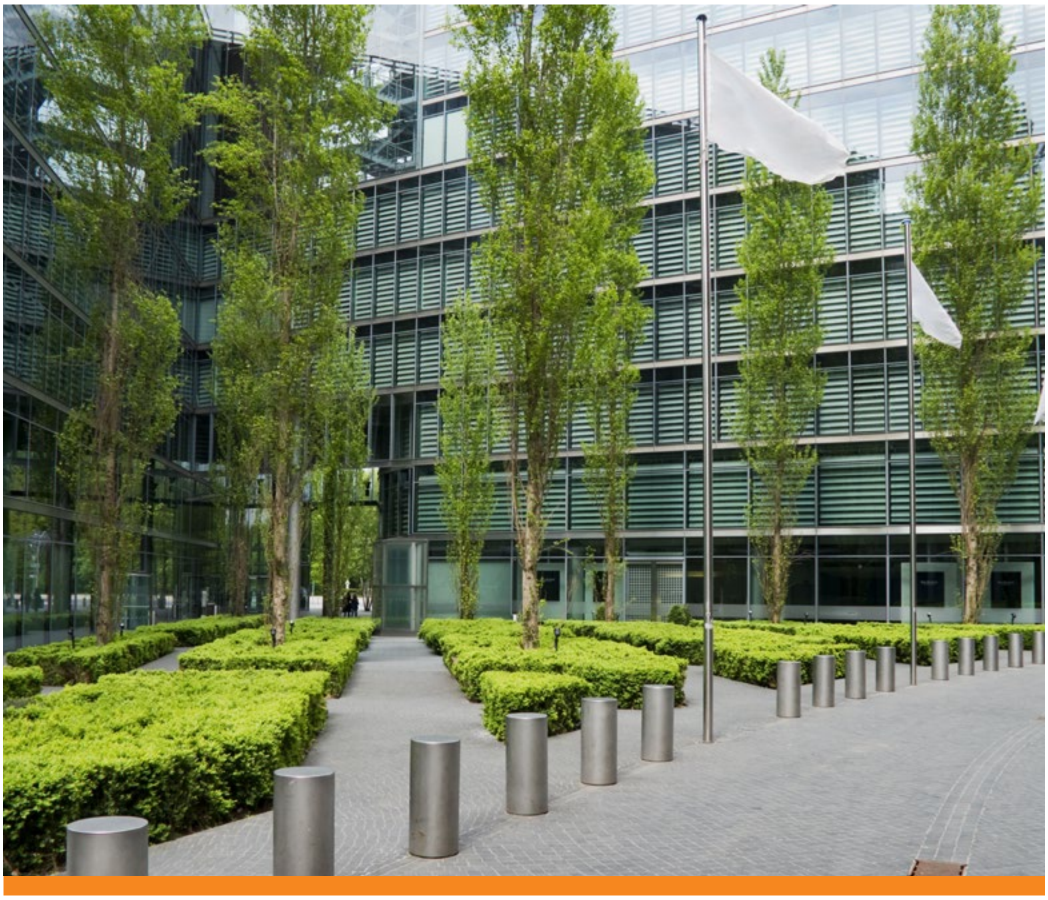
The increase in the mortgage interest relief allowance announced in Budget 2017 was welcomed by the SCSI as it was hoped that it would retain existing investors and entice new investors in to the residential rental market, particularly in high demand areas. In the interim, the government has introduced 'rent pressure zones'; new rent predictability measures applicable from January 2017. These measures cap annual rental increases at 4% in the designated pressure zones, providing tenants with rent predictability in areas where there is sustained tension in the rental market. With immediate effect, the measure applies to all four local authority areas of the Dublin Region and Cork City Council area. While measures to increase the level of protection for tenants is welcomed, the introduction of the rent pressure zones has raised concerns amongst commentators that it may deter investors from remaining in the rental market or new entrants, which would serve as a major setback at a time when there is significant demand for new rental stock to meet demand.

In November, the Central Bank announced revisions to its mortgage lending rules which were initially introduced in 2015 "to enhance the resilience of both borrowers and the banking sector" and provide greater financial and economic stability. The revisions, which ease mortgage deposit restrictions, will in particular allow greater access for first time buyers to purchase homes.

A recent report by the ESRI[4] highlights projected challenges faced by the Irish banking sector in funding the increase in the Irish housing stock. Research from the ESRI has assessed the future requirement for housing nationally and forecasts that household formation rates to increase to approximately 32,000 per annum by 2024, a significant rise from the present rate of 16,000. This increase would require Irish banks to provide an additional €50 billion in mortgage lending by 2024.

SCSI has been very active during the stakeholder engagement process and will continue to voice concerns regarding the low level of housing supply coming onto the market. In May 2016, the SCSI published its detailed report[5] on all the costs of delivering a 3 bed semi-detached house to the market in Dublin. This exercise provided clarity on the actual costs of delivering housing and also the challenges faced by industry in gearing up for the demand.

Budget 2017 saw the retention of the reduced VAT rate for the hospitality and hotel sector, a measure which was widely welcomed in the sector. In light of Brexit and the fall in the value of sterling, it is considered important that a favourable level of VAT is retained in order to continue to attract UK based visitors. Both domestic and international factors will be closely watched



throughout 2017. We await to see when the UK invokes Article 50 of the Treaty of Lisbon and how the Brexit negotiations proceed over the coming year. Anticipated changes in corporation tax in the United States will likely impact on Ireland's FDI competitiveness, however, the effects of any such changes may not be felt in 2017, but rather 2018 onwards.

Domestically, housing shortages will remain the most significant issue in the residential sector. As housing prices continue to rise with sustained housing demand and undersupply, there are concerns amongst some chartered surveyors that our economic and investment competitiveness will be compromised. Implementation and reaching the targets outlined in the Governments Rebuilding Ireland Action Plan is critical to this. Similarly, the National Planning Framework that is currently under development to succeed the National Spatial Strategy (NSS) will prove critical in strategically focusing economic development and investment across the sectors including housing, infrastructure, water services, ICT, energy and transport, all which will have a key bearing on future development of the regions.

Damien English, TD
Minster of State for Housing and Urban Renewal
National Planning Framework

59% of chartered surveyors across all regions expect that the recent election of president elect Trump in the US and the UK's decision to leave the EU will have a negative impact on FDI activity in Ireland over the next 3 years. – SCSI Annual Survey 2016

[4] Bergin, A., Duffy, D., Foley, D., Garcia-Rodriguez, A., Lawless, M., McInerney, N., Morganroth, E., McQuinn, K. (2016) 'Ireland's Economic Outlook: perspectives and Policy Challenges', Economic and Social Research Institute (ESRI).
[5] SCSI (2016) The Real Cost of New House Delivery

European Context

Ireland's commercial property market continued to be one of the top performing markets globally[6], despite the IPD/SCSI Ireland Quarterly Property Indices for 2016 showing a marked easing in investment returns from Irish commercial property.

The Global Cities Commercial Property Monitor (GCCPM), which captures sentiment trends in real estate at investor and occupier level identifies Munich, Frankfurt, Berlin, Madrid and Budapest as having the most buoyant commercial property market in Europe, with strong growth in activity in terms of demand and enquiry rates.

The office sector is the most vibrant performing of the property sectors, with SCSI/RICS Commercial Property Monitor[7] reporting that prime office is outperforming all other sectors in most European cities. Demand for secondary offices is also strong, particularly in Berlin, Frankfurt, Vienna and Budapest. Investment sentiment in the Dublin commercial property market remains strong, as does capital value expectations (all sectors), albeit, momentum has eased since the beginning of 2016.

In the aftermath of Brexit, a large number of respondents to the SCSI/RICS GCCPM across Europe suggest that they are already receiving enquiries from firms considering relocating business outside of Britain. Notably, above 40% of respondents in both Berlin and Frankfurt responded positively to this, followed by Warsaw, Madrid, Dublin, Amsterdam, and Paris. All major European cities anticipate attracting new activity resulting from Brexit as firms consider relocating some business activities outside of Britain. Notably, German based cities have the highest expectations in terms of expectations relating to real business relocation over the coming two years.

Top European cities receiving enquiries from firms considering relocating business outside of the UK (SCSI/RICS, 2016)

Germany
Berlin
Frankfurt

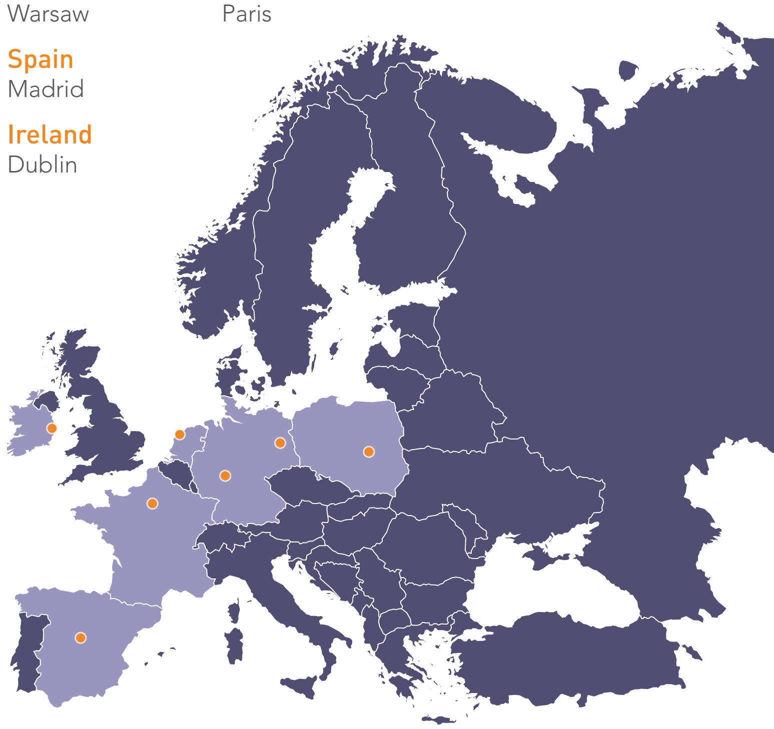
The Netherlands
Amsterdam

Poland
Warsaw

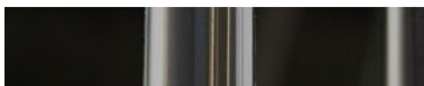
France
Paris

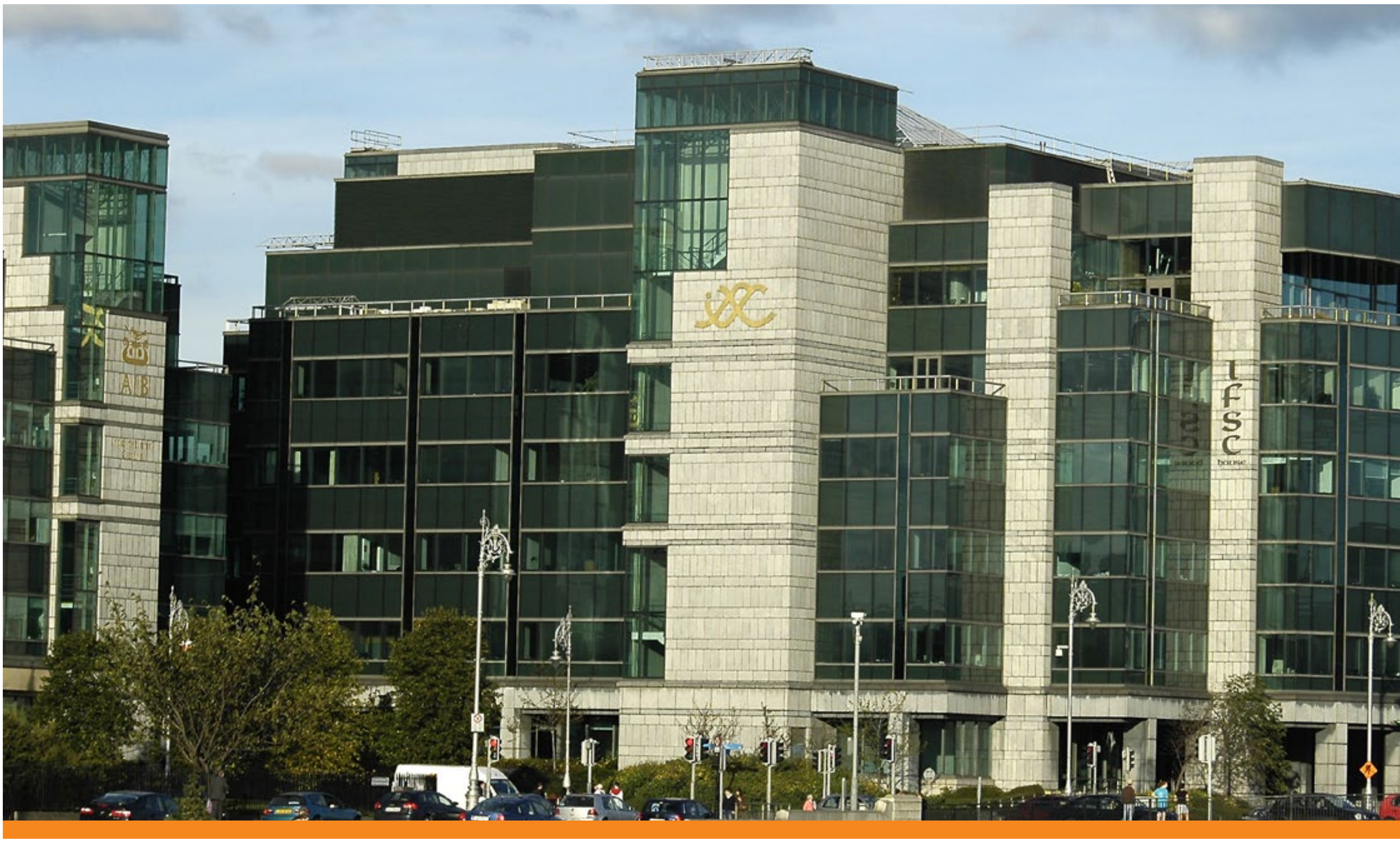
Spain
Madrid

Ireland
Dublin



[6]MSCI Q3
[7]SCSI/RICS Q3 2016 Global Commercial Property Monitor





Investment

Buoyancy within the Irish commercial property market remained high with estimates for year-end indicating investment levels of €4.5 billion. For a fourth consecutive year, Dublin ranked in the top five European cities for property investment[8], coming in fourth place behind Berlin, Hamburg and Frankfurt.

In December 2016, Ireland was ranked third in a list of top global cities for attracting foreign direct investment (FDI). Ireland is also ranked seventh (out of 61 countries) in the IMD World Competitiveness Yearbook rankings, achieving the highest accolade in a series of sub-factors including availability of finance skills, investment incentives, flexibility and adaptability of people and real GDP growth per capita. The continuing high ranking rate of competitiveness combined with an attractive corporation tax rate of 12.5% sustains Ireland's standing as a prime investment location for FDI.

Growth across the sectors was strong with industrial related investment recording the largest increase year-on-year. The office sector sustained the high demand seen in previous years, while recovery in the retail sector continued through 2016, with strong interest from investors in retail asset acquisition.

There were some notable investments within the commercial property sector in 2016, the largest being the Blanchardstown Town Centre with an overall floorplate of 111,484 sqm for €940 million. While Dublin remains the main centre of investment activity, investment demand spread across the regions including €180 million for the Whitewater Shopping Centre in Newbridge, Co. Kildare (29,730 sqm).

In the office sector, One Spencer Dock on Dublin's North Quay proved the largest office investment nationally at €240 million for overall floor area of 21,054 sqm. Prime office rents in the Dublin Region are currently at €612 per sqm, according to our SCSI annual survey, with Dublin City centre based chartered surveying valuing prime rents at €615 per sqm.

The industrial sector saw a marked increase in activity in 2016, in particular Q3. Some notable transactions included the sale of the former Sercom Solutions facility, in Cloverhill Industrial estate (18,668 sqm) and the letting of 11,830 sqm property in the Ballycoolin Business Park. However, the majority of transactions occurred in properties of below 2,787 sqm.

The continuing strong performance in Irish tourism is attracting both domestic and international investors. Hotel transactions in 2016 mirrored the record level of investment of 2015 with an estimated €700 million worth of transactions across approximately 60 properties. The most significant sale of 2016 was that of Dublin's Gresham Hotel for an estimated €92 million.

George Saurin
Irish Commercial Property Investment

[8]PwC and Urban Land Institute 'Emerging trends in Real Estate Europe 2017: New Market Realities'
[9]ESRI/KBC Dublin Consumer Sentiment Index Quarter 1 2016

The Docklands area remains in high demand with a number of investments made during the course of the year including:

€121 MILLION

Number 2 Grand Canal Square
Irish Life

€233 MILLION

Numbers 4 & 5 Grand Canal Square
Union Investment

€93.5 MILLION

Number 1 Grand Canal Square
IPUT

€108 MILLION

98 Sir John Rogerson's Quay
Kennedy Wilson

Employment

Employment figures nationally have continued to increase throughout 2016 with the Central Bank projecting a rise in employment of 82,000 people over 2016 and 2017. The Central Statistics Office (CSO) data for December 2016 shows the national unemployment rate at 7.2%, the lowest level since September 2008.

Consumer Sentiment Index

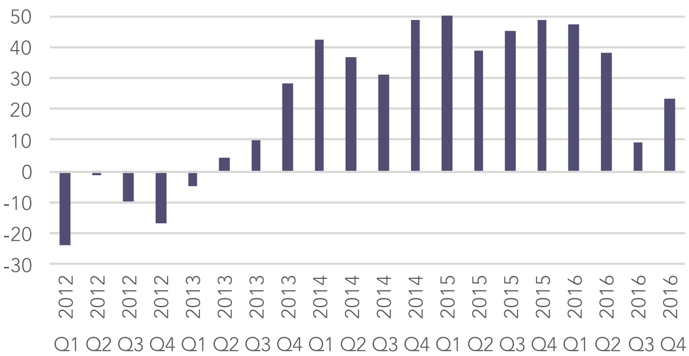
Data from the KBC Bank Ireland/ESRI Consumer Sentiment Index shows that in October 2016, consumer sentiment index dropped to a twenty-month low. This contrasts with December 2015 sentiment index which saw a ten-year high. While the level of sentiment remains generally high, the downward trend experienced in October suggests growing uncertainty amongst consumers as regards the economic outlook. 2016 saw some unprecedented and significant international events, most notably the UK's referendum vote in favour of leaving the EU, the US Presidential election, and the EU Commission Apple ruling; these combined are likely to have impacted upon consumers' domestic confidence outlook.

Notably, the early part of the year (Q1) saw Dublin Consumer Sentiment increase considerably, while simultaneously, consumers beyond the Dublin Region appeared more cautious, as levels remained largely unchanged from the end of 2015[9]. The increase in the Dublin Region consumer outlook was driven by a more positive employment sector outlook, while the labour market and overall economic outlook was not as positive elsewhere in the country, highlighting a regional divide.

Business Confidence

Damien English, TD
Minster of State for Housing and Urban Renewal
Competitiveness

ISME Business Confidence



Business Confidence in Ireland 2012 to 2016
Source: www.tradingeconomics.comISME, 2015

'Brexit' has impacted upon business confidence since its emergence in June. The Irish Small and Medium Enterprises Association (ISME) Quarterly Trends Survey 2016 demonstrates considerable change in business confidence levels from July onwards with confidence levels amongst SMEs dropping to levels last seen in mid-2013. 2014 and 2015 demonstrated considerable increases in business confidence levels with an average of 43% across this period. This positive trend continued for the first half of 2016 however, there was a dramatic drop in confidence in the second half of 2016, with an average confidence level of 16%.

In July, the Irish Small and Medium Enterprises Association (ISME) Quarterly Business Trends Survey for Q2[10] 2016 which was the first survey conducted after the Brexit vote showed a marked reduction in business confidence levels, with a fall recorded in ten out of twelve economic indicators. ISME reports the UK's vote to leave the EU as the biggest concern for SME owners. However, the ISME Quarterly Business Trends Survey for Q3[11] 2016 identified an increase once again in business confidence levels.

[10] ISME Quarterly Trend Survey Q2 2016
[11] ISME Quarterly Trend Survey Q3 2016

Residential Property

National Mortgage Data

BPFI mortgage data shows that mortgage drawdowns for the first three quarters of 2016 increased by 8% on the same period in 2015, with a total of 20,383 new mortgages drawn down to the value of €3.8 billion. This represents an increase in borrowing of 12% in value on the corresponding three quarters of 2015.

The average drawdown value nationally in 2016 (Q1-Q3) was €188,539, a year-on-year increase of nearly 4%. Over the same period, mortgage approvals increased by 7% on the same period in 2015. Overall, first-time buyers and mover purchasers accounted for 86% of the total value of mortgage draw downs in 2016 (Q1-Q3). First-time buyers were the single largest group by mortgage volume and mortgage value at 48% and 46% respectively. These figures are ca. 3% lower than the corresponding period in 2015.

Year	Total Number of Drawdowns	Y-on-Y Change %	Total Value of Drawdowns (€ billion)	Y-on-Y Change	Average Drawdown €	Y-on-Y Change %
2012	15,881	11%	€2.63	7%	€165,985	-3.81%
2013	14,985	-6%	€2.49	-5%	€166,500	0.31%
2014	22,119	48%	€3.85	55%	€174,285	4.68%
2015	26,885	22%	€4.86	26%	€180,993	3.85%
2016 (Q1-Q3)	20,383	8%	€3.83	12%	€188,539	3.91% Note1

Number and value of mortgage drawdowns 2012-2016 (Q3)
Note 1 Change on Q1-Q3 2015
Source: Banking and Payments Federation of Ireland

Planning Permissions

The number of residential units granted with planning permission has continued to increase during 2016. A total of 12,046 units were granted with planning permission during Q1 to Q3 2016. This represents a 33% increase on the same period in 2015 and a 125% increase on the same period in 2014. By the end of Q3 2016, the number of units granted planning permission in the Rest of Leinster and Connacht/Ulster regions had already exceeded the 2015 annual totals. While final figures for 2016 have yet to be released, based on trends in previous years, the final quarter of 2016 is likely to result in a total annual figure of 15,000 to 16,000 units having been granted with planning permission, nationally.

The level of development activity is continuing to grow year-on-year. While the Dublin Region had the greatest increase in 2015 with 129% growth on 2014, highlighting the low base at which it was starting, there was a 27% year-on-year increase in development activity in 2016 (Q1-Q3). The rate of growth in activity also slowed in the other regions, however, it continued more robustly in these others regions than in Dublin. The Munster Region had the highest level of growth between 2015 and 2016, with an increase of 42%.

Region	2011	2012	2013	2014	2015	2016
State	-	-46%	15%	3%	76%	33%
Dublin	-	-57%	77%	-8%	129%	27%
Rest of Leinster	-	-46%	12%	5%	68%	37%
Munster	-	-41%	-11%	19%	39%	42%
Connaught/Ulster	-	-33%	-28%	10%	13%	40%

Year-on-year percentage change in number of residential units granted with planning permission
Source: CSO, 2016).

Commencements

Residential commencements in the ten months to October 2016 totalled just under 10,000 units nationally. Total national enrolments in 2015 stood at less than 8,100. All regions had exceeded 2015 annual figures by October 2016.

The Munster Region noted the greatest level of year-on-year growth. Even excluding the November and December data, the region had year-on-year growth of 44%. Yet, comparing January-October 2016 to the same period in 2015 equates to growth of 63%.

Region	2015	2016 (Jan-Oct)	Difference (YTD)
National	8,088	9,996	24%
Dublin	3,102	3,343	8%
Rest of Leinster	2,409	3,184	32%
Munster	1,574	2,266	44%
Connaught/Ulster	1,003	1,203	20%

Source: DHPLG, 2016
Number of residential units commencing construction and comparative change.

New Builds

There was a 19% increase in new builds nationally in 2016, compared to 2015, with an estimate[12] figure for new builds at the year-end in the region of 14,800 units. This figure falls significantly short of the Housing Agency's estimates for a minimum requirement of c. 20,000 residential units per year between 2014-2018 and the ESRI's estimates for some 25,000 units per year.

[12]Estimate based on first ten months of year
[13]CSO, January to October 2016 data

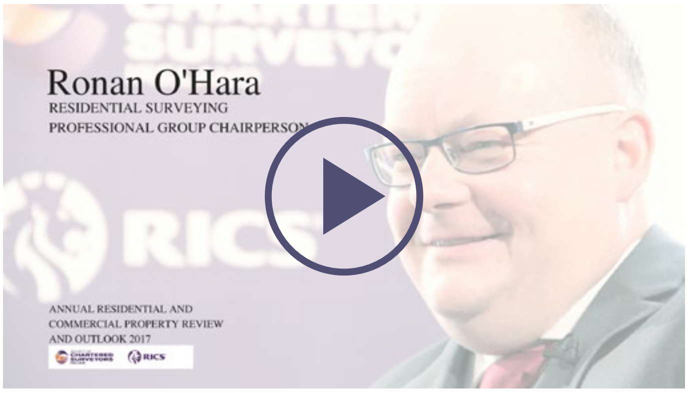
Property Market

Prices in the residential property market experienced continued increases during 2016, albeit at a more moderate rate than that experienced in previous years. Residential property values nationally increased by 7.1%[13] in the first ten months of 2016.

In the Dublin Region, residential property prices increased by 5.5% in the year to October, with the highest house price growth recorded in Dublin City (+7.5%). Conversely, Fingal recorded the lowest growth rate in house prices (+3.4%) of all Dublin local authority areas. Property prices in the rest of Ireland (excluding the Dublin Region) exceeded those of the Dublin Region, with annual growth to October of 10.2% recorded across all property types, and 10.3% growth in house prices.

Residential property prices in the Dublin Region have increased by 64.7% and prices in the rest of Ireland (excl. Dublin Region) have risen by 44.7% from the trough in 2013. – CSO, 2016

Chartered surveyors cited increased employment rates; an improvement in mortgage lending and finance availability; improved consumer confidence and economic stability as key positive factors. The Central Bank mortgage lending rule amendments were also broadly welcomed by chartered surveyors, in addition to the 'Help to Buy' scheme which came into effect in January 2017. – SCSI Annual Survey, 2016



Ronan O'Hara
Residential Sector Reviews and Outlook

Damien English, TD
Minster of State for Housing and Urban Renewal
Help to buy

Glasnevin, Dublin 11
2 bedroom apartment
Sale price: €395,000
Sherry Fitzgerald

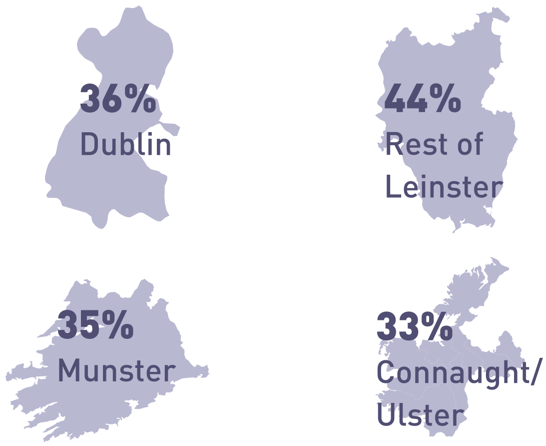
Market Sales

Chartered surveyors across all regions reported an increase in the level of activity in the residential property market during 2016, while vendor price expectations are also reported to have increased nationally. Despite the strong levels of activity in the market, data from the PPR indicates that transaction figures for 2016 are below 2015 levels[14], due mainly to fewer properties available on the market over the course of the year. While the Central Bank mortgage lending restrictions impacted the residential sales market by slowing price increases, chartered surveyors report that residential market activity in their respective regions was adversely impacted following the UK's decision to leave the EU, with a decrease in activity levels noted across all regions as determined by the SCSI annual survey. A higher number of chartered surveyors (67%) in the Connaught/Ulster region, reported the UK referendum as having an impact on activity levels within the residential property market, with three out of four chartered surveyors reporting a decrease in activity levels. The Dublin, Rest of Leinster and Munster regions reported less of an impact on activity levels with 46%, 45% and 48% respectively.

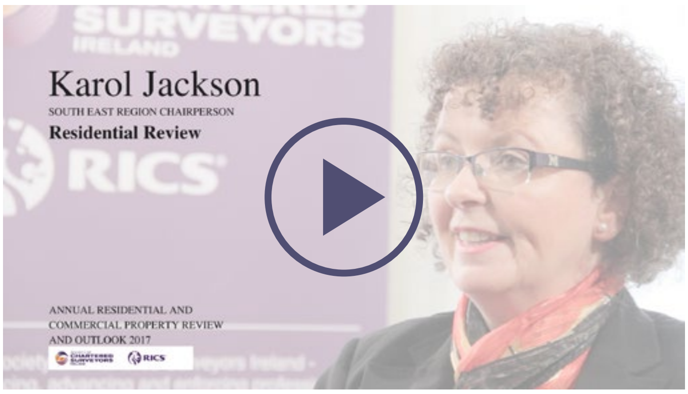
The shortage in new house builds continues to be the main driver in the increasing cost of house prices. With house builds a priority in light of the housing shortage, only 37% of chartered surveyors anticipate new housing scheme coming to market in 2017. Of those expecting new schemes in 2017, the majority of schemes comprise of between 1 to 20 unit developments.

Improved **economic conditions and sentiment** and an increase in employment was highlighted by a high number of chartered surveyors nationally as one of the key positive influences in the market in 2016, while regional factors were also highlighted. For example, a high proportion of chartered surveyors in the Rest of Leinster Region highlighted the proximity to the Dublin Region and **high quality infrastructure** as key positive factors, the **deficiency of suitable infrastructure,** including wastewater capacity was raised as a key challenge in the Leinster and Munster regions, to facilitate new builds. In Munster, a marked **increase in mortgage lending and finance availability** was highlighted as one of the more positive factors of 2016. The under-supply of housing remains a key challenge for the sector nationally as highlighted in the SCSI annual survey results, while the economic uncertainty brought about by international geopolitical affairs was also raised as a key factor adversely impacting the sector. The issue of **distressed properties** and property owners in **negative equity** remain key challenges, particularly in the Dublin Region, while restricted mortgage lending is a key issues in the Connaught/Ulster Region.

Proportion of chartered surveyors who anticipate new housing schemes coming to market in 2017:



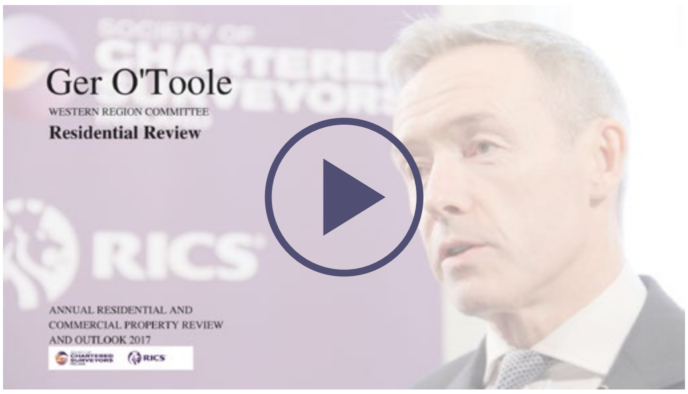
Ranelagh, Dublin 6
6 bedroom semi-detached
Sale price: €4,500,000
Sherry Fitzgerald



Karol Jackson
Residential Review - South East Region

Receivership sales have dominated the Longford property market in the last few years, increasing values have led to more private sales of properties that are often better quality and in good locations increasing the growth in property values from a very low base.
– Chartered Surveyor, Rest of Leinster Region

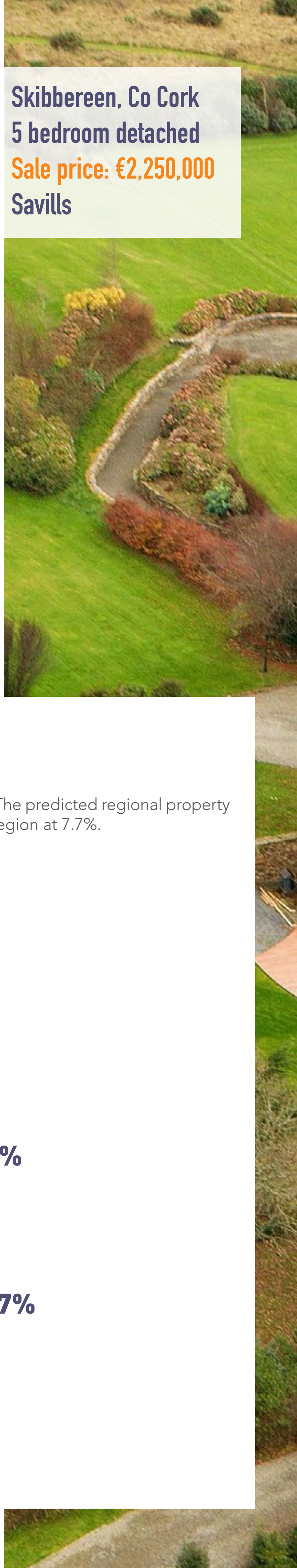
Supply remains a critical issue as highlighted by chartered surveyors, the shortage in housing units putting severe pressure on the market. Brexit is also identified as a key negative factor on the residential property market, while mortgage lending deposit restrictions and loan to value ratios are also viewed as barriers in the market.
– SCSI Annual Survey, 2016



Ger O'Toole
Residential Review - Western Region

Shane O'Hanlon
Residential Review - North East Region

[14]Final PPR end of year figures not released at time of publication

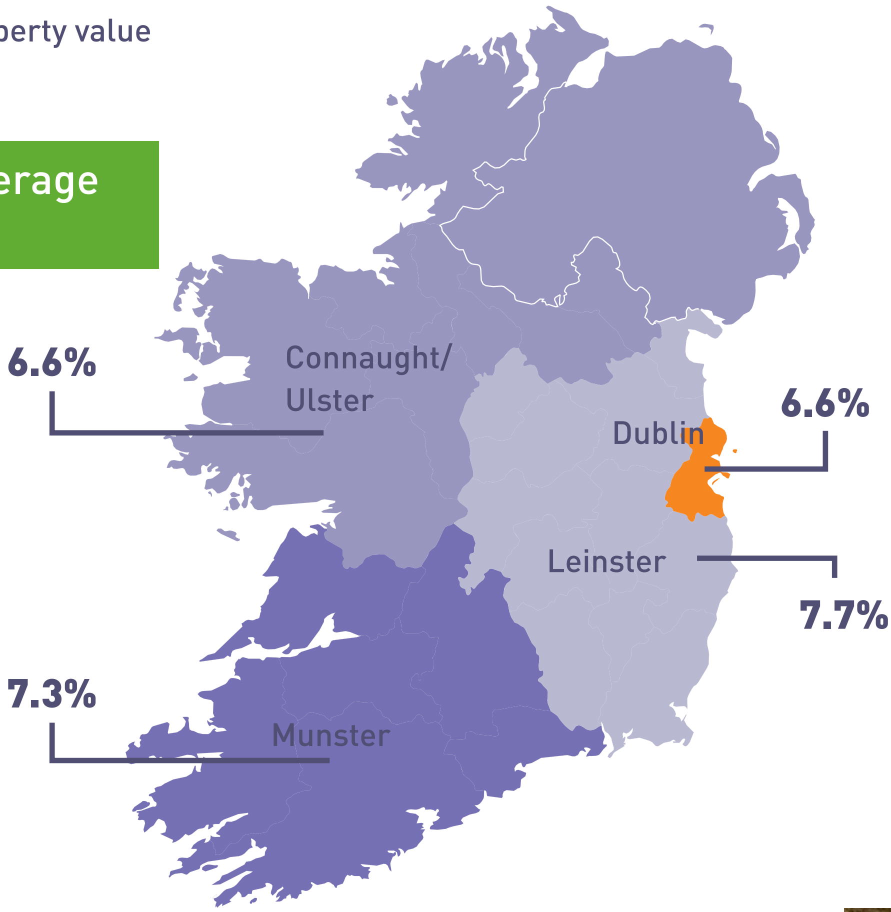


Sales Outlook 2017

Nationally, chartered surveyors anticipate property values to increase by an average of 7.3% in 2017. The predicted regional property price increases are within a similar range, with the highest increases forecast in the Rest of Leinster Region at 7.7%.

Anticipated property value change in 2017

National Average
7.3%



New Properties Outlook 2017

Chartered surveyors forecast that the largest increase in new build house values in 2017 will occur in 3-bed semi-detached houses, with a national increase forecast of over 9%. Chartered surveyors in the Rest of Leinster anticipate the greatest increases across all housing unit types, with an increase of over 11% projected for 1 and 2-bed apartments over the coming twelve months. Chartered surveyors in the Connaught/Ulster Region forecast the most moderate increases at between 6% to 9% increases across all unit types. Chartered surveyors in the Dublin Region vary, with South Dublin County Council based members projecting the largest growth in values of between 11% and 12% across all unit types, contrasting considerably with chartered surveyors in Dún Laoghaire Rathdown, with anticipated increases of between 5% to 8%.

Forecast change in property values for new residential units in 2017

State Average

1 bed apartment	8.5%
2 bed apartment	9.0%
2 bed town houses	8.9%
3 bed town houses	8.9%
3 bed semi	9.4%
4 bed semi	8.6%
4/5 bed detached	7.1%

Dublin

1 bed apartment	8.6%
2 bed apartment	9.2%
2 bed town houses	8.8%
3 bed town houses	9.0%
3 bed semi	9.5%
4 bed semi	8.5%
4/5 bed detached	6.4%

Rest of Leinster

1 bed apartment	11.2%
2 bed apartment	11.5%
2 bed town houses	10.2%
3 bed town houses	10.7%
3 bed semi	10.6%
4 bed semi	8.9%
4/5 bed detached	8.5%

Munster

1 bed apartment	7.2%
2 bed apartment	7.6%
2 bed town houses	8.4%
3 bed town houses	8.0%
3 bed semi	8.8%
4 bed semi	8.5%
4/5 bed detached	7.8%

Connaught/Ulster

1 bed apartment	6.9%
2 bed apartment	7.5%
2 bed town houses	8.2%
3 bed town houses	7.8%
3 bed semi	8.0%
4 bed semi	8.7%
4/5 bed detached	7.5%

Sunday's Well, Cork
4 bedroom detached
Sale price: €2,195,000
Savills

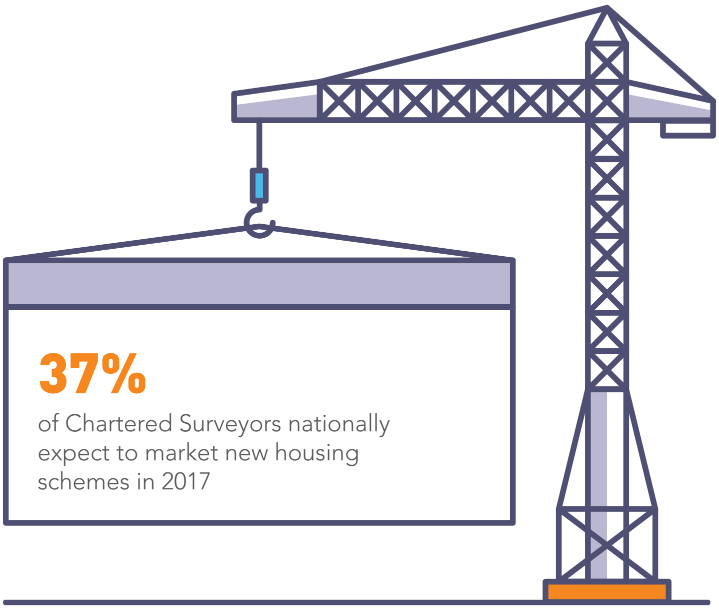
Top ranking measure that will stimulate the new housing build over the coming twelve months

Dublin Region
Introduce additional measures to release more development land for construction

Rest of State
Provide Government assistance to developers/ builders in certain cases of unviable developments relating to starter homes'

The variation between the Dublin Region and all other regions highlight the greater shortage of development land in the Dublin area, while challenges relating to construction costs and availability of finance to the construction industry are evident in the Rest of Leinster, Munster and Connaught/Ulster.

86% of Chartered Surveyors nationally observed increases in vendor price expectations in 2016



37%
of Chartered Surveyors nationally expect to market new housing schemes in 2017

Damien English, TD
Minster of State for Housing and Urban Renewal
Construction Costs

Rathfarnham, Dublin 16
4 bedroom semi-detached
Sale price: €562,000
Sherry Fitzgerald

Second-hand Properties Prices Outlook 2017

Chartered surveyors anticipate that amongst second-hand properties, 2-bed apartments and 3-bed town houses will experience the greatest increase in values nationally, at 9% respectively. Chartered surveyors in the Rest of Leinster Region project the highest increase of over 10% in 1 and 2-bed apartments and 3 bed semi-detached properties. In the Connaught/Ulster Region, apartments are set to see the greatest increase at 8%, while in the Munster Region, chartered surveyors anticipate that 3-bed semi-detached properties will see the greatest growth at 9%.

Chartered surveyors were asked to rank the top 3 factors that will significantly influence the supply of second-hand homes in 2017, in their respective regions.

Ranking	Dublin Region	Rest of Leinster Region	Munster Region	Connaught/Ulster Region
1	Increase in new builds to market	Increase in mortgage lending	Increase in property values	Increase in mortgage finance
2	Increase in mortgage finance	Increase in property values	Increase in new builds to market	First Time Buyers tax rebate
3	First Time Buyers tax rebate	First Time Buyers tax rebate	Increase in mortgage finance	Properties emerging from negative equity

Forecast change in property values for second-hand residential units in 2017

State Average

1 bed apartment	8.5%
2 bed apartment	9.1%
2 bed town houses	8.2%
3 bed town houses	8.5%
3 bed semi	9.1%
4 bed semi	8.0%
4/5 bed detached	7.1%

Connaught/Ulster

1 bed apartment	8.3%
2 bed apartment	8.5%
2 bed town houses	7.6%
3 bed town houses	6.9%
3 bed semi	7.1%
4 bed semi	7.6%
4/5 bed detached	6.5%

Munster

1 bed apartment	8.8%
2 bed apartment	8.9%
2 bed town houses	7.5%
3 bed town houses	8.4%
3 bed semi	9.3%
4 bed semi	8.6%
4/5 bed detached	8%

Dublin

1 bed apartment	7.9%
2 bed apartment	8.8%
2 bed town houses	8.2%
3 bed town houses	8.3%
3 bed semi	9%
4 bed semi	7.3%
4/5 bed detached	6.3%

Rest of Leinster

1 bed apartment	10.1%
2 bed apartment	10.8%
2 bed town houses	9.5%
3 bed town houses	10.4%
3 bed semi	10.3%
4 bed semi	9.6%
4/5 bed detached	8.7%

Private Rental Properties

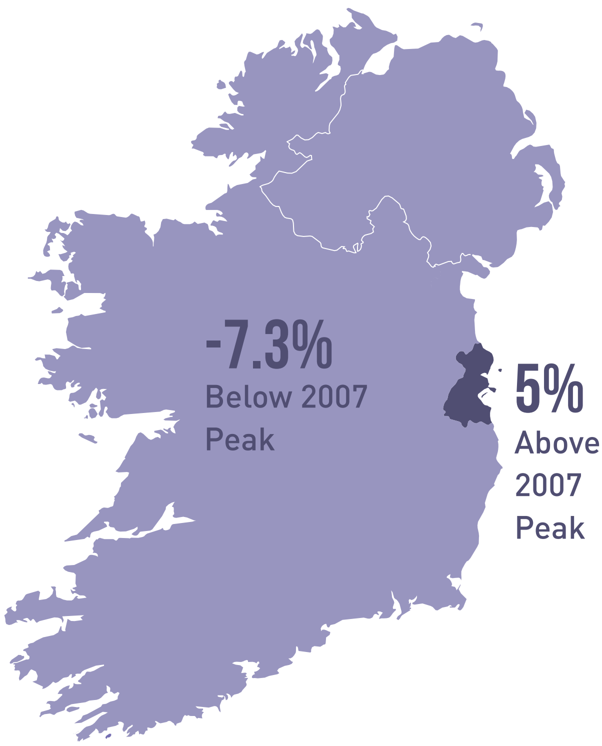
The housing shortage over recent years and difficulty in attaining mortgage lending has resulted in a significant increase in rental prices, fuelled by the increasing high demand for properties. Data[15] from the Residential Tenancies Board (RTB) determines that 20% of the population are now living in rented accommodation, with 324,222 tenancies and 174,158 landlords nationwide.

Nationally, rental prices increased by an average of 9.2% in the first three quarters of 2016[16], an increase on the 6.6% recorded for the same period in 2015,according to RTB data. The average monthly rent for houses nationally is now €967, while apartments are at €1,017. In the Dublin Region, the annual rental growth rate to Q3 2016 is 7.1% (€1,375), as rents in the region increase to 5% above their previous 2007 peak. Nationally (excluding Dublin) the rental growth rate exceeded that of the Dublin Region with a year-on-year increase of 9.7% to €773. RTB data indicates that apartment rental prices have exceeded that of houses, with annual apartment rent increases of 9.9%. Over the same period, house rental prices have increased by 7.4%.

As highlighted in the SCSI survey, a large proportion of chartered surveyors would welcome a decrease on the VAT rate of new homes to stimulate the construction sector further, while chartered surveyors also support increased incentives for landlords to encourage investors to remain in the market and new entrants, to serve the rental sector.

In Dublin, rents are now ca. 5% above their previous 2007 peak, while outside of the Dublin region, rents remain 7.3% below their 2007 peak.

– RTB, Q3 2016



[15]RTB Q3 2016
[16]RTB Quarterly Rent Index Q3 2016

Rental Property Outlook 2017

Chartered surveyors anticipate continued and strong rental price growth over the coming twelve months across all regions, fuelled by a sustained housing demand, combined with a continuing housing shortage, particularly in close proximity to regional cities. Nationally, the greatest rental price increases nationally are anticipated in the 2 bed and 3 bed units (both apartments and townhouses) at over 10% in the coming twelve months. It should be noted however, that the SCSI survey of chartered surveyors took place before new rent review increase restrictions were enacted that will restrict rents from increasing above 4% per annum for those properties located in designated 'pressure zones' such as Dublin and Cork.

The rental forecast results are striking, and highlight the fact that had the rental market been allowed to progress free from any government intervention i.e. rent pressure zones, that chartered surveyors expect that rental prices would have continued to spiral upwards in these locations. In the absence of the new rent cap measures, chartered surveyors predict that rental prices across all housing categories in the Dublin Region would have increased by a minimum of 8% in 2017, and as high as 12% for 2-bed townhouses. Under the new rental measures, rental values in the Dublin Region cannot now exceed 4% annually.

However, outside of the rental pressure zones of Dublin and Cork City, chartered surveyors continued forecast high rental increases over the coming twelve months. In the Rest of Leinster Region, rental prices are anticipated to increase by between 8-11%, with the highest rise of 11% in rental prices are expected to occur in 3-bed semi-detached properties, while 1 and 2-bed apartments are expected to see a 10% increase. In Munster, rental prices are expected to increase by 9-10%, however, in Cork City, rental increases will not be able to exceed 4%. Projected rental price increases are more moderate in the Connaught/Ulster Region with increases of 7-9%, with 3 and 4-bed semi-detached units to see the highest increases.

Chartered surveyors were asked in the SCSI survey to choose from a selection of potential measures that they believe will most influence the supply of rental properties in 2017. Notably, chartered surveyors in three out of four regions selected 'Increase in new builds' as the highest ranking measure, highlighting this as the fundamental issue within the market. However, in the Rest of Leinster Region, 'Full reinstatement of mortgage interest relief for landlords' ranked highest by chartered surveyors, pointing towards a need to entice investors in to the market to meet the demand for rental properties in the region.

In terms of negative measures that will influence supply in the rental market over the coming twelve months, 'Permanent introduction of rent control' was ranked highest by chartered surveyors in the Dublin and Connaught/Ulster regions, while 'Introduction of further obligations on landlords' was selected by those surveyors in the remaining regions of Munster and Rest of Leinster.

While the implementation of the rent pressure zones will provide additional security to tenants living in the designated rent pressure zones, it may also deter new investors in to the rental markets, and potentially reduce further the already low rental stock in areas of increasing housing demand.

"Landlords should be recognised as part of the solution and not the problem in addressing the housing shortage crisis...We need investors to buy new properties to supply the rental market"
– Chartered Surveyor, Dublin Region

Forecast change in rental prices in 2017

Note: The SCSI Property Survey 2016 was conducted prior to the enactment of the new rent review increase restrictions in the Dublin Region and Cork City. These measures will restrict rents from increasing above 4% per annum for properties located in designated rent 'pressure zones'.

State Average

1 bed apartment	9.8%
2 bed apartment	10.6%
2 bed town houses	10.5%
3 bed town houses	10.5%
3 bed semi	10.4%
4 bed semi	9.6%
4/5 bed detached	8.4%

Connaught/Ulster

1 bed apartment	8.1%
2 bed apartment	7.4%
2 bed town houses	7.1%
3 bed town houses	7.9%
3 bed semi	8.1%
4 bed semi	8.6%
4/5 bed detached	7.8%

Munster

1 bed apartment	8.8%
2 bed apartment	10.1%
2 bed town houses	9.8%
3 bed town houses	10.4%
3 bed semi	10.2%
4 bed semi	10.4%
4/5 bed detached	9.2%

Dublin

1 bed apartment	10.4%
2 bed apartment	11.6%
2 bed town houses	11.8%
3 bed town houses	11.2%
3 bed semi	10.9%
4 bed semi	9.5%
4/5 bed detached	8.1%

Forecast increase in the absence of annual rent increase restrictions of 4%.

Rest of Leinster

1 bed apartment	10.4%
2 bed apartment	10.1%
2 bed town houses	9.9%
3 bed town houses	10.2%
3 bed semi	10.5%
4 bed semi	9.2%
4/5 bed detached	8.2%

Commercial Property

The Irish commercial property market continued to perform strongly in 2016 with growth recorded across all sectors, although the rate of growth was more moderate compared to 2015 levels, as reported in our SCSI survey.

The Irish property market remains an attractive investment choice, with 12.4% total returns for 2016, significantly outperforming Irish equities and bonds over the same period. The office sector continues to drive investment with particular demand for prime office space in Dublin City centre. While transaction activity was strong in 2016, total returns for the office sector noticeably eased, compared to the previous 2 years[17]. Transaction activity in the industrial sector increased in 2016, with quarterly total returns outperforming both the office and retail sectors throughout the year.

The retail sector experienced strong investor interest, with marked growth, particularly in the regional cities. Outside of Dublin City, Cork City centre experienced the most notable increases in activity levels in the office, industrial and retail sectors, while chartered surveyors in Connaught reported sustained activity in the Galway City market. This is in contrast to 2014, where the majority of commercial activity occurred in the Dublin Region.

Eamonn Maguire
Commercial Agency Surveying Professional Group
Commercial Property Investment Review 2016

[17]MSCI Quarterly Monitoring Reports 2016

South Mall, Cork
€3.975m
Savills

Office Review 2016

Chartered surveyors report sustained strong levels of investment activity and growth in the office sector in 2016, albeit at a more moderate rate than previously seen in 2015. Nationally, Dublin City and region remains the strongest performing centres for office sector investment, however, Cork City also benefited from the strengthening national economy in 2016, as investors looked beyond Dublin.

The SCSI annual survey results show that Prime Grade A rents in the Dublin Region now average €612 per sqm, representing an increase of 9% on 2015, with net yields of 4.5%. Chartered surveyors report that Prime 3rd Generation offices in the Dublin Region increased by 11.6%, reflecting net yields of 5.2%, while older central offices are now achieving an average of €332 per sqm, reflecting the continued demand from investors and growing shortage of new office units in the city centre.

The computer and high tech sectors led the office take-up, accounting for approximately one third of all take-ups in the first three quarters of 2016, followed by business services (17%) and financial services tenants (14%)[18]. Lisney estimates that the Dublin office sector vacancy rates stands at 9.5%[19], its lowest rate for 16 years.

In the Munster Region, chartered surveyors report a strong increase in growth in Prime Grade A offices, as they achieve an average of €243 per sqm, representing an increase of 10% on 2015, while Prime 3rd Generation accommodation is at €183 per sqm, reflecting the increase in demand for investment in the region, driven strongly by the Cork City market. Office rents increased marginally in the Rest of Leinster Region with Prime Grade A now at €136 per sqm with net yields of 8.8%, while in the Connaught/Ulster Region, Prime Grade A office accommodation is at €148 per sqm, and a net yield of 7.6%.

Office Type	Dublin	Munster	Connaught/Ulster	Rest of Leinster
Prime Grade A	€612	€243	€148	€136
Prime 3rd Generation	€510	€183	€119	€109
Peripheral 3rd Generation	€298	€144	€104	€85
Older Central Offices	€332	€104	€99	€68
Georgian Offices	€315	€96	€51	€70

SCSI Survey 2016 Office rents (€) per square metre at the end of 2016

Office Type	Dublin	Munster	Connaught/ Ulster	Rest of Leinster
Prime Grade A	4.5%	7.3%	7.6%	8.8%
Prime 3rd Generation	5.2%	8.7%	9.2%	9.6%
Peripheral 3rd Generation	6.2%	11.0%	8.8%	10.4%
Older Central Offices	6.6%	12.4%	9.3%	10.3%
Georgian Offices	6.5%	10.1%	9.0%	7.7%

SCSI Survey 2016 Office yields (%) at the end of 2016

[18] CBRE Marketplace Dublin Office Q3 2016
[19] Lisney 2016 Review and 2017 Outlook

Floorplates sizes are not of the required size in existing office space limiting the potential for take up from large multinationals
– Chartered surveyor, Dublin Region

Office Outlook 2017

Investment sentiment in the Irish commercial office sector remains strong for 2017. While supply of prime office accommodation is low particularly in Dublin City centre, there is a substantial supply of new office space in Prime Grade A accommodation coming to market over the coming three years which will serve to retain activity and demand in the sector.

Chartered surveyors forecast a sustained but more moderate growth rate in rental prices in 2017 with an anticipated rental increase of 7% in Prime Grade A in the Dublin Region, and 6% growth in Prime 3rd Generation. Older central and georgian offices in the Dublin Region are also set to experience rental increases, as demand for office space in the city continues, and investment sentiment remains strong. Chartered surveyors anticipate an increase in Peripheral 3rd Generation (6%) as investors seek more competitive rents.

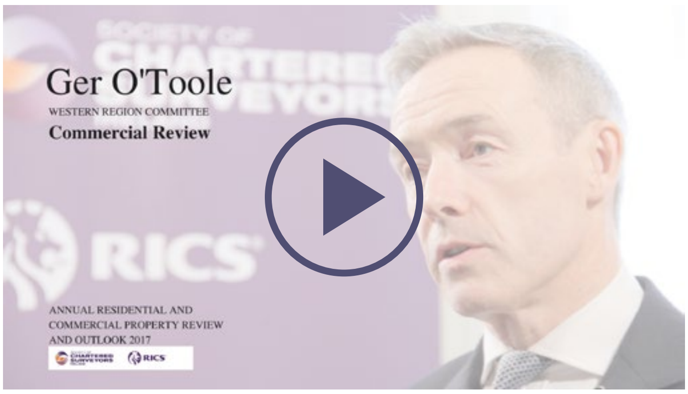
The anticipated level of growth amongst chartered surveyors outside of the Dublin Region is more moderate with predicted increases of 4% respectively for Prime Grade A and Prime 3rd Generation office rents in the Munster and Connaught/Ulster regions.

The increases anticipated in 2017 signify continued market confidence and strengthening of the economy regionally. Nevertheless, in the SCSI annual survey, chartered surveyors draw attention to some of the key challenges faced by the office sector. Dublin based chartered surveyors highlighted market challenges arising from the continuing rising rent values and shortage of suitable office space in the region. Additionally, the region's chartered surveyors highlighted challenges over the continuing undersupply of new housing and its potential impacts on the region's future competitiveness and ability to attract new inward investment. Chartered surveyors in the Rest of Leinster reported an over-supply of office units in the region, while in Munster, chartered surveyors state that there is an undersupply of modern office space (with parking) in the region, to continue to meet the requirements of investors and prospective tenants.

Forecast change in office rents in 2017	Dublin	Rest of Leinster	Munster	Connaught/ Ulster
Prime Grade A	7%	3%	4%	4%
Prime 3rd Generation	6%	4%	4%	4%
Peripheral 3rd Generation	6%	3%	2%	4%
Older Central Offices	5%	3%	2%	2%
Georgian Offices	6%	3%	2%	3%

SCSI Survey 2016 forecast change in rental prices in 2017

Eamonn Maguire
Commercial Agency Surveying Professional Group
Cork Commercial Property Market



Ger O'Toole
Commercial Review – Western Region

Wilton Shopping Centre, Cork
€3.35m
Savills

Retail Review 2016

Increased levels of activity within the retail sector in 2016 were welcomed by chartered surveyors, as consumer confidence grew, particularly in the first half of the year. Retail rental value growth has increased progressively over the past twelve months, reflecting the strengthening national economy and improved consumer sentiment, despite the slight dip in Q3 following Brexit. Indeed, the SCSI/RICS Commercial Property Monitor[20] anticipates that prime retail rental growth will exceed that of prime office over the next twelve months.

The Dublin Region retail market proved the strongest performing nationally. Dublin's Grafton Street experienced continued rental growth of 4.8% for the first half of 2016 and remains Ireland's most expensive street. 2016 also saw retail expansion to surrounding streets of Dawson Street and Suffolk Street.

Chartered surveyors reported that prime retail units in the Dublin Region achieved rental prices of €5,876 per sqm in 2016, representing an increase of 12% on 2015 levels. Prime retail yields are now at 4.2% in the region. The SCSI survey shows that retail yields improved across all retail types in the Dublin Region, reflecting the positive sentiment of the market and the investment opportunities available. While retail rents in major town centre style malls achieved €3,186 per sqm, representing an annual rise of 13.3%, the largest rental increase was in the city centre developments with increases of 16.9%, with rents at €2,419 per sqm and yields of 5.5%.

Outside of the Dublin Region, chartered surveyors report on a more regionally challenged retail market. As prime city rents and shopping centre rents in some regions experienced rental growth, town high streets and 'other' retail centres (e.g. retail warehousing units) experienced a more unsettled retail market in 2016.

In the Rest of Leinster Region, chartered surveyors reported a 6.7% increase in town high street retail rents which are now at an average of €206 per sqm, with net yields of 8.5%. Shopping centre rents in the region also experienced positive growth, with rents now averaging €265 per sqm, an increase of 9.7% on 2015 rents. 'Other' retail types saw a jump of over 10%, reflecting the regions strengthening economy.

In the Connaught/Ulster Region, prime city rents averaged €1,100 per sqm (+8.6%) with yields of 6%, showing the sustained strength of the Galway City market. Retail rental rates in the regions town centre high streets remained largely stable at €247 per sqm, while shopping centre rates demonstrated robust growth of 5.3%, as the average retail rent increased to €358 per sqm, with yields of 7.5%.

In Munster, prime city retail rents in the regional cities remained largely unchanged at €1,003 per sqm, with an average net yield of 8.8%, while there was a weakening in rental values in the region's town high streets with average retail rents of €347 per sqm, reflecting the challenging retail landscape that still exists in many regional towns.

	Dublin	Rent per sqm		Yields
Retail Type	Change 15/16	2016	2015	2016
Prime Retail	12.0%	€5,876	€5,247	4.2%
Major Town Centre Style Malls	13.3%	€3,186	€2,813	5.4%
City Centre Developments	16.9%	€2,419	€2,068	5.5%
Other Centres	5.3%	€1,362	€1,293	7.0%
Secondary City Centre Streets	5.0%	€975	€929	7.1%
Neighbourhood Shopping Centre	6.9%	€386	€361	7.5%
Retail Warehouses	10.0%	€308	€280	6.9%

SCSI Survey 2016 Retail rents (per sqm) and yields in the Dublin Region

Demand in other regional cities increased, reflecting the improved consumer sentiment, though demand from international retailers is slower to emerge, compared to Dublin. Rent in Patrick Street, in Cork City is fetching €1,116 per sqm, while elsewhere in Munster, Limerick's O'Connell Street is at €279 per sqm and Broad Street, Waterford is at €380 per sqm. In Connaught, Shop Street in Galway City is €761 per sqm, highlighting the regional retail rental differences.
- Cushman and Wakefield 'Main Streets Across the World 2016-2017.

Connaught/Ulster

Retail Type	2016 Yield %	2016	2015	15/16 Change
Prime City Rents	6.0%	€1,100	€1,013	8.6%
Town High Street Rents	9.2%	€247	€246	0.4%
Shopping Centre Rents	8.5%	€358	€340	5.3%
Other Retail Rents	10.0%	€154	€181	-14.9%

Munster

Retail Type	2016 Yield %	2016	2015	15/16 Change
Prime City Rents	8.8%	€1,003	€1,008	-0.5%
Town High Street Rents	9.0%	€347	€375	-7.5%
Shopping Centre Rents	9.3%	€333	€328	1.5%
Other Retail Rents	11.1%	€146	€155	-5.8%

Rest of Leinster

Retail Type	2016 Yield %	2016	2015	15/16 Change
Prime City Rents	7.7%	€310	€273	13.5%
Town High Street Rents	8.5%	€206	€193	6.7%
Shopping Centre Rents	7.5%	€265	€257	3.1%
Other Retail Rents	9.7%	€134	€121	10.7%

Retail rents (per sqm) in the Connacht/Ulster, Munster and Rest of Leinster regions

Internationally, Grafton Street is ranked the 18th most expensive European retail street, up from 20th position in 2015. Paris' Avenue des Champs Élysées leads the ranking table as the most expensive street in Europe at €13,255 per sqm - Cushman and Wakefield

Chartered surveyors in Dún Laoghaire Rathdown area of Dublin reported the highest Secondary City Centre Streets rental prices at €1,038 per sqm; 6.5% above the Dublin Region average. – SCSI annual survey 2016

[20]SCSI/RICS Q3 2016: Ireland Commercial Property Monitor

Kingmeadow Retail Park, Waterford
€1.7m
Savills

Retail Outlook 2017

In Dublin, chartered surveyors anticipate a largely positive outlook for the retail property sector in 2017, although an easing of growth is expected. Rents in Dublin's prime retail locations are anticipated to increase by 7% over the coming year while rents in city centre developments are expected to increase by 6%. Growth in all other retail types is forecast to be in the moderate region of 4% to 5%.

In the SCSI annual survey, Dublin based chartered surveyors identify a shortage of retail units and unsuitably sized floorplates as two primary challenges facing the region's retail market in 2017, while rising rents are also a key issues. Forecasting a strong investment demand over the coming twelve months, the majority of chartered surveyors in the Dublin Region anticipate an under-supply of prime retail space to meet investor demand. However, with respect to all other retail types, Dublin based chartered surveyors project that the existing supply will meet or exceed demand.

Outside of the Dublin, chartered surveyors remain optimistic about the sector in their respective regions. In the Munster Region, chartered surveyors anticipate minimal rental growth in the market. Chartered surveyors in the Rest of Leinster Region forecast a stronger level of growth in the retail sector, in particular, shopping centre rents, which are forecast to increase by 8%, while in the Connaught/Ulster Region up to 5% growth is forecast for prime city rents. More moderate growth is anticipated for town high street and shopping centre rents, but strong growth is anticipated in 'other' retail such as the retail warehouse markets, reflecting an anticipated increase in demand for large household items such as furnishings and electrical goods.

The majority of chartered surveyors in the Rest of Leinster, Munster and Connaught/Ulster regions highlight a current over-supply of retail space in general, although as indicated in the SCSI annual survey, 33% of chartered surveyors anticipate that supply of prime retail space will fail to meet demand during 2017 in these regions. Chartered surveyors also highlighted other challenges facing the retail sector in their respective regions. Excessive rates are prominent challenges in the Munster Region according to our survey, in addition to the lack of city centre car parking. While in the Connaught/Ulster Region, cross-border retail leakage is an increasing concern to the retail sector in the border counties.

Forecast change in Retail Rents in 2017

Retail Type	Dublin
Prime Retail	8%
Major Town Centre Style Malls	6%
City Centre Developments	7%
Other Centres	5%
Secondary City Centre Streets	6%
Neighbourhood Shopping Centre	5%
Retail Warehouses	6%

SCSI Survey 2016 Forecast Change in Retail Rents in the Dublin Region in 2017

Forecast change in Retail Rents in 2017

Retail Type	Connacht/Ulster	Munster	Rest of Leinster
Prime City Rents	5%	1%	8%
Town High Street Rents	2%	2%	5%
Shopping Centre Rents	3%	1%	8%
Other Retail Rents	8%	0%	5%

SCSI Survey 2016 Forecast Change in Retail Rents in 2017

There is a need to attract new brands into the retail market
– Chartered Surveyor, Dublin Region

Increase in online shopping is a growing challenge for the retail property sector
– Chartered Surveyor, Munster Region

High rents in town centres are deterring new retailers
– Chartered Surveyor, Rest of Leinster Region

Cross-border retail leakage is an increasing concern to the retail sector in the border counties
– Chartered Surveyor, Connaught/Ulster Region

Karol Jackson
Commercial Review – South East Region

Industrial Review 2016

The industrial sector proved the strongest performing commercial property sector in 2016, with SCSI/IPD Ireland quarterly property index data showing total returns exceeding those of the office and retail sectors in each of the quarters of 2016. The elevated total returns recorded during 2016 reflect the strong rental and capital value growth.

Upon review of the first three quarters of 2016, Q3 performed particularly strongly, with take-up during this quarter representing almost 46% of the total annual take-up (Q1-Q3). Lettings dominated the market take-up with approximately 57% of all take-up. Overall, the Dublin Region led the market, with particularly strong activity in the southwest areas of the Dublin Region. The most significant sale of the year comprised the 18,668 sqm former Sercom Solutions facility in the Cloverhill Industrial Estate, Dublin 22. The southwest area of the Dublin Region proved the strongest location for take-up.

Chartered surveyors in the Dublin Region report an increase in both activity and rental values in 2016, with prime rents under 500m2 achieving €88 per sqm, representing a 4.8% increase on 2015, and a yield of 6.8%. Rental values in prime rents over 500m2 saw a 9.2% rise in the Dublin Region, achieving €83 per sqm, with a yield of 6.8%. Notably, prime rents in this category (over 500m2) have shown a 59% increase in rental values since the trough in 2013. Secondary rents in properties under 500m2 saw the largest annual increase of all categories in the Dublin Region, increasing from €50 per sqm in 2015 to €61 per sqm in 2016, representing a 22% rise.

There were also increases in secondary rents in the Rest of Leinster Region, with chartered surveyors reporting an average increase of 19% in rental values for both prime rents under 500m2 (€31 per sqm) and prime rents over 500m2 (€25 per sqm), representing a six year high. Net yields are 10.4% and 10.6% respectively. Prime rents over 500m2 in this region have also shown an increase, rising from €32 per sqm in 2015 to €38 per sqm in 2016. Yields are currently averaging 9.8%.

In the Munster and Connaught/Ulster regions, industrial rents remained steady across most of the industrial categories, with prime rents under 500m2 at €73 per sqm in the Munster Region, and €50 per sqm in the Connaught/Ulster Region. Yields for these industrial categories are now averaging 9.3% to 10% for prime rents and from 10.5% to 12.7% for secondary rents across these regions.

Rental values in the Connaught/Ulster Region have remained relatively consistent, within minimal increases recorded in both the prime rent categories. Similar minimal increases have also been recorded in both the secondary rent categories (i.e. under 500m2 and over 500m2). Rental yields in the Connaught/Ulster Region in both the prime rent categories have remained unchanged in 2016 from that recorded in the preceding year, at 9.5% and 10.0% respectively.

Significant industrial transactions of 2016 include:

Former Sercom Solutions facility, Cloverhill industrial Estate, Dublin 22

18,668 sqm - Sale (Q3)

Ballycoolin Business Park, Dublin 15

11,830 sqm - Letting (Q3)

Uniphar facility, Citywest Business Campus, Dublin 24

9,290 sqm - Letting (Q1)

Former JNN transport facility, Damastown Industrial Estate, Dublin 15

6,061 sqm - Sale (Q2)

9.2% INCREASE

Prime industrial rents over 500m2 experienced 9.2% growth.

Dublin	Yield %	2016	2015	Change 15/16
Prime Rents under 500m2	6.8	€88	€84	4.8%
Prime Rents over 500m2	6.8	€83	€76	9.2%
Secondary Rents under 500m2	8.6	€61	€50	22%
Secondary Rents over 500m2	8.6	€59	€55	7.2%

Rest of Leinster	Yield %	2016	2015	Change 15/16
Prime Rents under 500m2	9.6	€40	€38	5.3%
Prime Rents over 500m2	9.8	€38	€32	18.7%
Secondary Rents under 500m2	10.4	€31	€26	19.2%
Secondary Rents over 500m2	10.6	€25	€21	19.1%

Connaught/Ulster	Yield %	2016	2015	Change 15/16
Prime Rents under 500m2	9.5	€50	€49	2.0%
Prime Rents over 500m2	10.0	€38	€36	5.5%
Secondary Rents under 500m2	10.7	€29	€28	3.6%
Secondary Rents over 500m2	12.7	€25	€24	4.2%

Munster	Yield %	2016	2015	Change 15/16
Prime Rents under 500m2	9.3	€73	€71	2.8%
Prime Rents over 500m2	9.7	€61	€62	-1.6%
Secondary Rents under 500m2	10.5	€47	€46	2.2%
Secondary Rents over 500m2	11.0	€46	€47	-2.1%

SCSI Survey 2016 Industrial rents per sqm per annum at year-end 2016

Industry Outlook 2017

The industrial sector looks set to see continued growth in 2017 as favourable capital and rental values remain in the sector. The improving consumer sentiment nationally will directly impact upon the demand, with chartered surveyors reporting anticipated increased activity in warehousing and logistics units. This is particularly evident in the Dublin Region, as chartered surveyors anticipate rental increases of 8% to 9% in prime rents, and 7% in secondary rents.

Rental growth is also expected in the regions outside of Dublin, albeit at a more moderate rate, with the Rest of Leinster Region seeing 5% growth in prime rents under 500m2, while a 4% increase is forecast in the Munster Region. In line with patterns recorded over the last number of years, growth rates will remain most moderate in the Connaught/Ulster Region in 2017, with the region's chartered surveyors forecasting a maximum of 3% growth in prime rents, and negligible change in secondary rents.

Despite the improved activity levels in 2016, chartered surveyors highlight challenges for the sector in 2017. In the Dublin and Leinster regions, chartered surveyors draw attention to the continuing challenges for the industrial market posed by the lack of finance availability. Furthermore, the sale of industrial units at prices below new build cost is impacting the supply of new units throughout the regions.

As part of the SCSI survey, chartered surveyors were asked to identify the key issues in the industrial market in their respective regions in 2017. Notably, responses were similar across the regions, albeit in a different order of preference highlighting the varying regional challenges. As evident, oversupply of industrial units is a key issue in the Rest of Leinster and Munster regions, whereby a need for improved services and infrastructure is considered key in the Connaught/Ulster Region. Chartered surveyors in the Dublin Region highlight the shortage of modern stock in the region, suggesting that potential transactions may be hindered as a result of insufficient suitable properties to meet investor demand. This would undoubtedly have more far reaching ramifications on the regions competitiveness. As capital values rise over the coming year, chartered surveyors in the Dublin Region anticipate a marked increase in speculative development in 2017.

	Dublin	Rest of Leinster	Munster	Connaught/Ulster
	Forecast Change 2017	Forecast Change 2017	Forecast Change 2017	Forecast Change 2017
Prime Rents under 500m2	8%	5%	4%	3%
Prime Rents over 500m2	9%	3%	3%	3%
Secondary Rents under 500m2	7%	3%	3%	0%
Secondary Rents over 500m2	7%	1%	3%	0%

SCSI Survey 2016 Forecast Change in Industrial Rents in 2017

Dublin Region	Rest of Leinster Region	Munster Region	Connaught/ Ulster Region
Shortage of modern stock	Oversupply	Oversupply	Service / infrastructure
Undersupply	Undersupply	Shortage of modern stock	Oversupply
Oversupply	Shortage of modern stock	Undersupply	Shortage of modern stock

Top 3 key issues in the industrial market by region as identified in the SCSI survey 2016
Source: SCSI Annual Survey 2016

Shane O'Hanlon
Commercial Review of North East Region

Continuing challenges arising from the lack of develop finance
– Chartered Surveyor, Munster Region

2017 will see a shortage of units in excess of 1,500 sq m which will lead to more design and builds.
– Chartered Surveyor, Dublin Region

Development Land Review 2016

Nationally, chartered surveyors reported a sustained increase in transactional activity within the development land sector compared to 2015, reflecting the continuing economic recovery and demand for residential and commercial properties. During 2016, there were some prominent development land transactions throughout the country, though a large proportion was concentrated in the Dublin Region and greater Dublin area. Sales of particular note in 2016 included the 7.3 ha site in The Park, Carrickmines, County Dublin for in excess of €45 million. In Dublin 4, the Hume House office redevelopment site (0.14 ha) sold for €35 million, while in Dublin 1, the Point Village Student accommodation site (0.96 ha) sold for in excess of €20 million. Elsewhere, a 3.15 ha site in Newbridge, Co. Kildare sold for €1.9 million. The Cork development land sector was the strongest performing location outside of the Dublin Region.

In terms of the development land values, growth was recorded across all sectors in the Dublin Region in 2016. The largest value growth in the Dublin Region was recorded in the land value of office development land, increasing by 16.7% in 2016 followed closely by residential development land with 14.3% growth. The highest level of growth in residential development land was recorded in the Rest of Leinster Region, increasing from 12.1% in 2015 to 16.1% in 2016. Similarly, the Munster Region recorded increases of 14.9% in residential development land. Both Dublin and Munster regions experienced the highest growth in retail development land values, with Dublin Region levels at 12.1%, while in the Munster Region, values increased from 7.4% in 2015 to 9.9%.

The level of growth in other development land sectors was more moderate yet remained strong, with 6.6% and 5.4% growth for industrial development land in the Munster and Rest of Leinster region respectively. Chartered surveyors in the Connaught/Ulster Region reported low levels of growth across each sector, with retail development land performing strongest with 4.3% growth.

	Dublin	Rest of Leinster	Munster	Connaught/Ulster
Development Type	% Change 2016	% Change 2016	% Change 2016	% Change 2016
Residential development land	14.3%	16.1%	14.9%	0.3%
Office development land	16.7%	2.0%	5.8%	-1.0
Retail development land	12.1%	2.0%	9.9%	4.3%
Industrial development land	12.6%	5.4%	6.6%	-0.7%

SCSI Survey 2016 change in development land values in 2016

Development Land Outlook 2017

Chartered surveyors forecast a positive outlook for 2017, with growth anticipated across all development categories nationally, although there are significant variations across the regions. In all regions, chartered surveyors forecast the highest growth in development land values to occur in the residential sector. The Dublin Region is projected to experience double digit growth in development land values across all sectors with the value of residential development land seeing greatest value increases at 15%, followed by office development at 12%. Chartered surveyors from the Rest of Leinster Region expect growth in 2017 to follow a similar pattern to that which was recorded in 2016, with the largest growth expected in the value of residential development land at 11%. Dublin and Munster regions anticipate the greatest increases in industrial development land at 11% and 7% respectively. Conversely, with the exception of a 10% increase in residential development land values, chartered surveyors in the Connaught/Ulster Region forecast minimal levels of growth in all other development land sectors.

	Dublin	Rest of Leinster	Munster	Connaught/Ulster
Development Type	2017 (Forecast)	2017 (Forecast)	2017 (Forecast)	2017 (Forecast)
Residential Development Land	15%	11%	11%	10%
Office Development Land	12%	3%	5%	1%
Retail Development Land	12%	3%	7%	1%
Industrial Development Land	12%	5%	7%	1%

SCSI Survey 2016 Forecast change in Development Land Values by region

Hotel Sector

Following a record 10.5 million overseas visitors to Ireland and intake of €5.4 billion in tourism related revenue in 2016, the strengthening performance of the Irish tourism sector has highlighted an increasing shortage of hotel accommodation, particularly in Dublin City.

Tourism Ireland and Fáilte Ireland attribute the increase in numbers to a series of factors, including improved economic conditions in key market destinations, including the US, Germany and the Middle East, in addition to increased direct flight destinations. Data from the 2016 Annual Hotel Industry Survey identify growth in occupancy levels of 3.3% to just over 71%, as the sector benefits from higher demand levels. The Dublin hotel market indicates occupancy levels of 81% (2015 figures), which according to Crowe Horwath[21]are the highest in Europe. The average room rate in Dublin increased by 13%, to €111.83, ranking it mid-table (fifteenth place) amongst European cities, and €8 below the peak.

The performance of the hotel property market in 2016 reflects the high demand rates, showing strong investment interest regionally. With a marked increase in RevPAR (revenue per available room) growth in H1 2016, as reported by Savills2, outside of Dublin, the Cork market is proving a major attraction for international buyers.

Fáilte Ireland reports[22] a need for an additional 5,500 bedrooms by 2020 to meet projected demands. Since 2008, only four new hotels have been built in Dublin City. However, challenges in the sector remain including the feasibility of new hotel builds, availability of finance, and the length of time of the planning process, all of which serve as potential barriers to meeting accommodation demand in the short term. Furthermore, as highlighted by chartered surveyors in the SCSI annual survey, the devaluing of sterling may result in a fall in tourist numbers from the UK.

While asset sales have dominated the hotel property market over the past five years in the aftermath of the economic crash, Savills reports that market sales dominated in H1 2016, in terms of volume and value.
– Savills Ireland

[21]Crowe Horwath and Cushman and Wakefield 2016 Irish Hotels Market Briefings, September 2016
[22]Fitzpatrick Associates Analysis of Visitor Accommodation in Dublin 2015-20, Fáilte Ireland

Hotel/Leisure market expected to continue to perform well with improving KPI's due to a significant supply deficit
– Chartered Surveyor, Dublin Region

Hotels and Licensed Premises Review 2016

The hotel sector was the strongest performing division of the hospitality sector in 2016, with the SCSI annual survey reporting strong levels of growth in capital values across the regions. Chartered surveyors in the Dublin Region reported a 5% increase in hotel capital values in 2016, while in the Rest of Leinster Region, chartered surveyors reported a 10% increase. In Munster, chartered surveyors reported a 7.3% increase in capital values in 2016 signifying the movement of investors out of the Dublin Region, responding to the strong recovery in tourism nationally.

The most prominent of 2016 was the sale of Dublin's Gresham Hotel for an estimated €92 million. The sale of the Morgan, Spencer and Beacon hotels in Dublin was also finalised, for an estimated €150 million. Nationally, the hotel sector performed buoyantly, with the 5 star Lyrath Hotel in Kilkenny being sold for in excess of €20 million to a consortium of Irish investors, while in Co. Cavan, Farnham Estate was sold for an estimated €22 million. Elsewhere, the Pillo Hotel in Co. Meath sold for €11 million, and the Tulfarris Hotel in Co. Wicklow made in excess of €8 million, while in Co. Tipperary, the Dundrum House Hotel and Golf course sold for €2.75 million.

The licensed premises market was somewhat subdued in 2016, due to a combination of few prime location premises coming to market and the continued passive market of rural areas. Overall, chartered surveyors across all regions recorded growth in the capital value of licensed premises and restaurants. In the rest of Leinster Region, prime pubs in principal towns recorded the greatest increase in capital values, with a rise of 5%, while restaurants saw a 6.3% increase.

Chartered surveyors in the Munster Region reported an 8.3% increase in the capital value of prime rural pubs, while a 5% increase was reported in prime village pubs and rural roadhouses. These figures mark a positive change from previous years where significant declines in capital values of pubs had been recorded annually by chartered surveyors since 2010.

The stabilisation of the economy, in addition to increased employment and an increase in households' disposable incomes has undoubtedly fuelled an improvement within the sector, while the increase in tourism from domestic and international visitors will also have impacted positively. Chartered surveyors remark on the diversification of licensed premises in recent years, and the emergence of the gastropub, with an increasing number of premises serving food and offering a greater choice of food, all of which has contributed to an increase in consumer spending and overall tourism expenditure.

	Dublin	Rest of Leinster	Munster
Prime pubs in principal towns	4.0%	5.0%	-
Secondary pubs in principal towns	2.8%	2.0%	1.8%
Prime rural roadhouses	0.1%	2.0%	5.0%
Prime village pubs	1.5%	2.5%	5.0%
Prime rural pubs	1.1%	2.5%	8.3%
Hotels	5.0%	10.0%	7.3%
Restaurants	2.5%	6.3%	-

SCSI Survey 2016 Percentage change in capital values in 2016

Hotel and Licensed Premises Outlook 2017

The outlook is largely positive for the hotel and licensed premises sector for 2017. The Irish tourism sector looks set to continue with rising international visitor numbers, as the Irish Tourist Industry Confederation aims to achieve up to 5% growth in overseas visitors. This will undoubtedly have a positive impact on demand within the hotel and hospitality sector in 2017.

Despite moderate growth in licensed premises in the Dublin Region in 2016, continued positive growth in the capital values of all licensed premises and restaurants are projected in 2017, with greater increases in capital values anticipated in all licensed premises categories in 2017, compared to 2016. An 8% increase is forecast for prime pubs in principal towns, while a 7% increase is anticipated in restaurants. Chartered surveyors forecast continued growth of 5% for hotels in the Dublin Region.

Beyond Dublin, chartered surveyors anticipate that the capital values of the majority of licensed premises and restaurants in the Rest of Leinster Region will continue to grow in line with the strong performance recorded in 2016. Prime pubs in principal towns are projected to continue to be the strongest performer at 13% followed by secondary pubs in principal towns, prime village pubs and prime rural pubs all at 8%. More moderate growth of 3% is projected in the capital value of hotels in the region.

In Munster, chartered surveyors forecast a similar level of growth in the hotel sector as experienced in 2016, with a 9% rise in capital values. However, in contrast, chartered surveyors are less optimistic about the performance of licensed premises over the coming twelve months, with a decline in values anticipated.

The continued stabilisation of the economy and increase in employment and tourism will all have central roles on the performance of the hotels and licensed premises sector over the next twelve months. The retention of the 9% VAT rate for the hotel and hospitality sector will continue to play an important role in attracting visitors, and retaining and increasing employment in the sector. However, the ability to meet accommodation demands is core to the sector and overall competitiveness. New hotel developments are needed in order to meet the growing demands. There are a significant number of new hotel projects in the pipeline over the coming 3 to 4 years, including a 400 room hotel at Dublin Airport Terminal 2 and 300 room hotel at Dublin's Convention Centre. The newly purchased Gresham Hotel also has planning permission for a further 140 rooms, while Dublin City Council recently granted planning permission for the redevelopment of the former Ormond Hotel.

	Dublin	Rest of Leinster	Munster
	Forecast Change 2017	Forecast Change 2017	Forecast Change 2017
Prime pubs in principal towns	8%	13%	-1%
Secondary pubs in principal towns	6%	8%	-3%
Prime rural roadhouses	2%	0%	-5%
Prime village pubs	4%	8%	-3%
Prime rural pubs	6%	8%	-5%
Hotels	5%	3%	9%
Restaurants	7%	4%	1%

SCSI Survey 2016 Forecast change in capital values in 2017

About this research

This report has been informed and guided by the views, perceptions and opinions of chartered surveyors (members of the Society of Chartered Surveyors Ireland) working as Estate Agents, Property Managers and Valuers in the Residential and Commercial Property Market across the country. Our members work at the coalface of the property market in large corporate firms, real estate agencies, government bodies and financial institutions. In November 2016, an online survey was conducted amongst these members to determine average sales prices and rental values, expectations of price changes and supply/demand issues. A total of 381 responses to the survey were received across the four SCSI regions. Interviews were conducted with SCSI Chairs of Professional Groups & Regional Committees to ascertain their views on the opportunities and challenges in the property market in their respective sectors and regions. SCSI would like to thank all our members who participated in the survey.

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Society of Chartered Surveyors Ireland

Dating back to 1895, the Society of Chartered Surveyors Ireland (SCSI) is the independent professional body for chartered surveyors working and practicing in Ireland. Working in partnership with the Royal Institute of Chartered Surveyors (RICS), the pre-eminent Chartered professional body for the construction, land and property sectors around the world, the SCSI and RICS act in the public interest: setting and maintaining the highest standards of competence and integrity among the profession; and providing impartial, authoritative advice on key issues for business, society and governments worldwide.

Advancing standards in construction, land and property, the Chartered Surveyor professional qualification is the world's leading qualification when it comes to professional standards. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining the Chartered Surveyor qualification is the recognised mark of property professionalism.

Members of the profession are typically employed in the construction, land and property markets through private practice, in central and local government, in state agencies, in academic institutions, in business organisations and in non-governmental organisations. Members' services are diverse and can include offering strategic advice on the economics, valuation, law, technology, finance and management in all aspects of the construction, land and property industry. 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 SCSI and RICS, in the public interest. This valuable partnership with RICS enables access to a worldwide network of research, experience and advice.

Future Analytics Consulting

Future Analytics Consulting (FAC) is a dynamic SME specialising in strategic spatial planning, research and economic development.

FAC advocates an 'evidence based' ethos, where enhanced decision-making is facilitated through the identification, collection, collation, analysis and visualisation of a broad range of spatial and socio-economic data. As such, FAC provides credible and robust evidence-based planning and development solutions to inform the formulation of planning policy, strategy, operational plans and development proposals.

With a keen interest in innovation and creativity, FAC also prides itself on a strong awareness of emerging best practice in relation to data analysis and research methodologies, balanced with a comprehensive understanding of their relationship with social and economic development activities.

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