



Consumer sentiment is improving in spite of the many challenges facing the sector - according to AIB's latest Outlook Report on the Residential Property sector

21st May 2014

The Residential Property Outlook Report, published by AIB today (Wednesday, May 21st) examines some of the challenges facing the sector and points to improving consumer sentiment and expected growth across the industry.

The AIB Residential Property Outlook report, carried out in partnership with Property Industry Ireland (PII) and Sherry Fitzgerald New Homes, is the seventh in a series of Outlook Reports that the bank has commissioned to investigate the opportunities and challenges facing key sectors in the Irish economy.

The report includes two separate surveys independently carried out by PII and Sherry Fitzgerald New Homes. The PII survey highlighted the following as key challenges impacting the construction sector: availability of suitable sites for development, planning challenges and availability of development financing particularly equity financing.

Among the main findings in the Sherry FitzGerald survey are:

- Three out of four (74%) potential buyers surveyed want to buy within the next six months while 18% want to buy within the next 12 months
- The majority of first-time buyers, at 79%, are currently living in rented accommodation, while 16% are living with a relative
- While there is clear demand from first-time buyers, the survey also notes that demand from people wishing to trade-up is also on the increase with some 25% of potential house-purchasers in Cork wanting to trade up while the comparative figure for Dublin is 23%
- With house prices in many areas outside of Dublin at six year lows, investors are also keen to buy according to the survey. In Limerick, for example, 16% of the respondents indicated that they were investors while this rose to 19% in Galway, falling to 11% in Cork and 9% in Dublin
- 45% of house-hunters are looking for two/three bed houses while 22% are looking for four bed houses
- Over half the market have a budget of up to €350,000
- The biggest issue that people have is the lack of suitable housing

AIB's Head of Business Banking, Ken Burke, said that AIB recognises it has an important role to play in supporting this vital sector and its future growth potential. "Our Residential Property Outlook report highlights some of the key challenges currently impacting the sector. AIB launched a €350 million New Homes development fund in February 2014 to support the construction and supply of new homes in key urban areas. We are already seeing good take-up and we have deployed three specialist new business teams in Dublin, Cork and Galway to support this demand.

"AIB is supporting communities across the country through the bank's New Homes Fund which also provides finance to housing associations for social housing. We welcome the strategic approach the government is taking with its 'Construction 2020' strategy, and look forward to working closely with it and key industry stakeholders to support planned initiatives and actions to help the recovery and development of the sector."

Director of Property Industry Ireland (PII), Peter Stafford said: "We believe this report is timely and PII is pleased to be partnering with AIB and Sherry Fitzgerald New Homes in the preparation of this Residential Property Sector Outlook report. Members of PII, including developers and contractors, planners, architects, estate agents and asset managers, are clear on the issues which are holding back supply: availability of developer and equity finance, a lack of suitable sites on which to develop, and blockages in the planning system. If we can reduce costs and remedy delays in the pre-construction stages of development, especially in planning, a greater number of properties can be brought onto the market. This will help keep price inflation down, and ensure that consumers have a choice of high quality housing in the places in which they wish to live. The 'Construction 2020' report is a good starting point, but the focus needs to be on reforming delays in the pre-construction stages and help generate supply of new homes in key urban areas."

Head of Capital Markets and New Homes at Sherry Fitzgerald, Ivan Gaine said: "We are delighted to be associated with AIB and PII and in collaborating with other industry stakeholders in the preparation of the Outlook report. This publication coupled with 'Construction 2020' demonstrates the great curiosity within the housing and construction industry but also shows the huge need for urgency and proactivity across all sectors within the residential market. A national strategy covering the private, affordable, social, student, retirement markets is absolutely critical to the country. Funding is no longer an issue but a need for active collaboration and communication is required from all."

-ENDS-

Notes for editor:

The AIB/Sherry Fitzgerald Property Sentiment survey was conducted among 1,600 potential buyers around the country (78% of respondents were from Dublin).

The PII surveyed 200 companies in March as part of its survey (55 completed). These included builders, contractors, developers, estate agents, architectural and engineering firms, asset managers and companies operating in financial, legal and accountancy services. Details of this survey are available in the report.

For further information, please contact:

Niamh Hennessy, AIB press office, 01-7721382 / 086-3110156

Helen Leonard, AIB press office, 01-6414141 / 087-9850445