



Spring 2024

An aerial photograph of a residential neighborhood, showing rows of houses with brown roofs and green lawns, viewed through a large white triangle that points upwards. The background is a faded blue-tinted version of the same aerial view.

Irish Residential Market Review Spring 2024

Spring 2024

This report provides an overview of the key trends witnessed in the Irish residential market in the opening months of 2024.

The beginning of the year has seen a notable uptick in the pace of price inflation, driven by persistent supply side shortages.



6

Introduction

22

4. Supply of
New Homes

10

1. Economic Overview

26

5. Price Performance

14

2. Transaction Activity

28

6. Mortgage Market

18

3. Purchaser & Vendor
Analysis

30

Outlook



Contents

The beginning of 2024 has seen a continuation of the housing market trends observed in the previous year, coupled with a noticeable uptick in the pace of price inflation.

Strong Transaction Activity

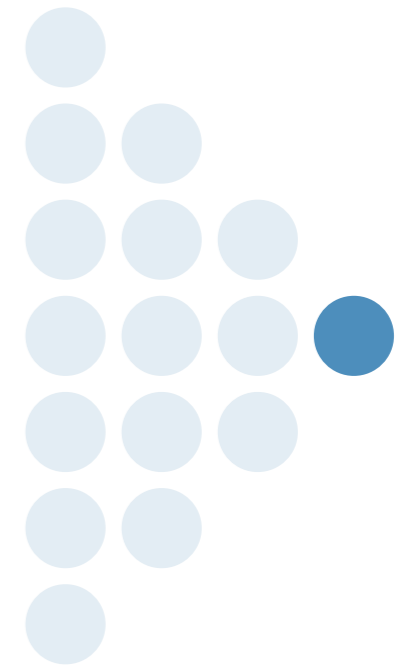
Final figures for last year show that residential transaction activity in 2023 remained relatively stable. There were approximately 60,200 units transacted, marginally higher than the year previous.

Uptick in Price Inflation

After a moderation in the pace of price inflation in 2023, a noticeable uptick has been recorded in the opening quarter of 2024. Second-hand homes' average value rose by 2.0% in the first quarter of 2024, with prices having risen by 5.1% over the last twelve months.

Prolonged Dysfunction in the Rental Market

There has been no slowdown in the exodus of small private landlords from the rental market in the opening months of the year, which continues to exacerbate both rental inflation and the supply of properties available to rent. Latest estimations suggest that a further 15,000 tenancies will be lost from the rental market in 2024. Urgent, targeted action is required from the Government in the face of the rental emergency.



Residential Market Video Review

Watch Marian's video where she provides a brief review of the latest developments in the residential market.





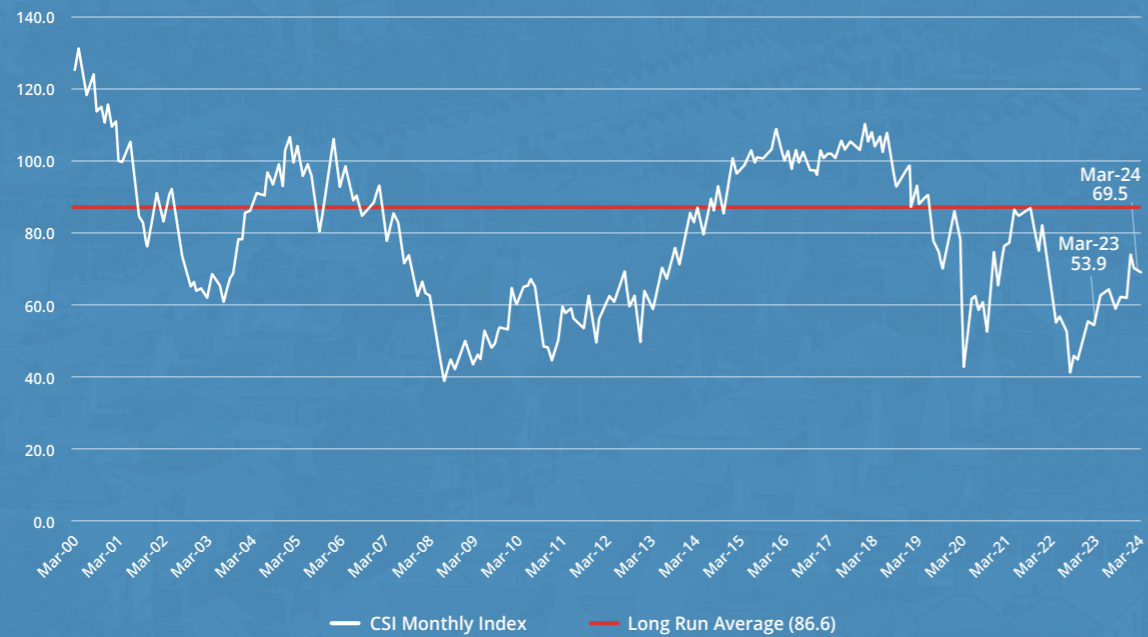
Economic Overview

2023 saw the Irish economy contract in the face of some significant challenges. Preliminary estimates indicate that GDP in volume terms fell by 3.2% in the year. This contraction was largely driven by falling activity in the multi-national sectors, as geopolitical tensions and the cost of credit took hold.

Modified Domestic Demand (MDD), an indicator which paints a more accurate picture of the health of the domestic economy, grew by 0.5% in 2023. Looking forward to the year ahead, the Economic & Social Research Institute are forecasting GDP growth of 2.5% and MDD growth of 2.3% for 2024.

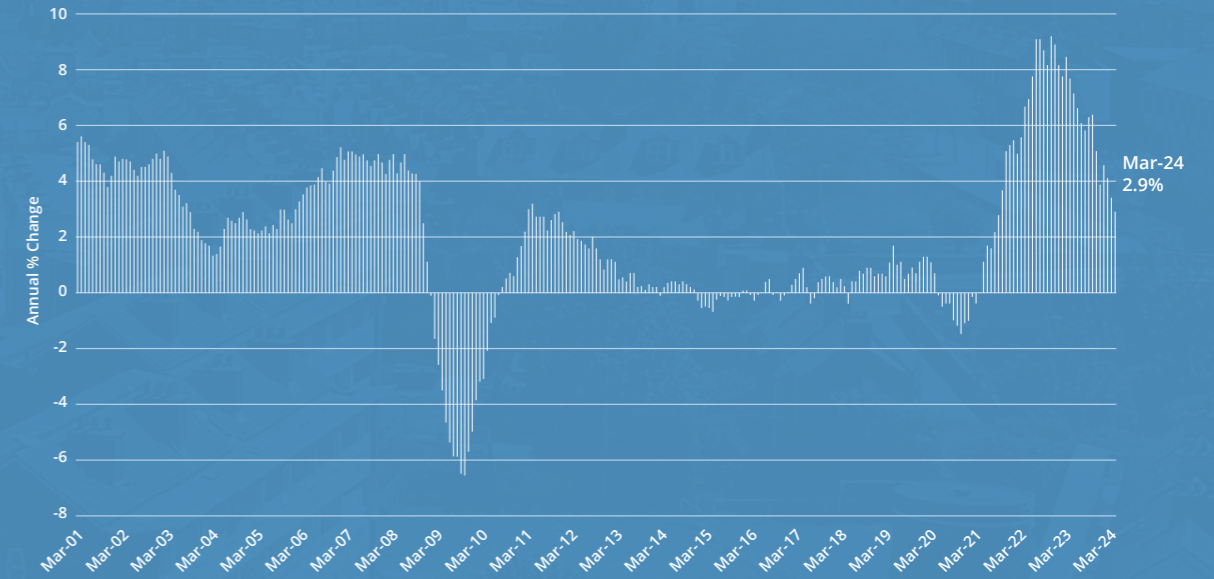
Additionally, the labour market continues to remain close to capacity. At the end of 2023, the unemployment rate stood at 4.2%, close to full employment. The ESRI expect unemployment to remain at this particularly low level this year and indeed in 2025.

Figure 1: Irish Consumer Sentiment Index, March 2000 – March 2024



Source: Irish League of Credit Unions

Figure 2: Consumer Price Index, March 2001 – March 2024



Source: CSO

Irish consumer sentiment stood at 69.5 in March, a marginal decline on the month previous. Consumers appear concerned about the continuing cost of living pressures and the general economic headwinds. It is worth being cognisant however, that the March reading is markedly above the reading seen at the same point last year, 53.9. The Major Purchases Index, which

represents consumers attitudes towards purchases of big-ticket items, such as houses, cars and white goods, remains robust at 89.0 in March.

Inflationary pressures, while still persistent, continue to show signs of easing. The Consumer Price Index (CPI) rose by 2.9% between March 2023 and March 2024, down from an annual

increase of 3.4% in the 12 months to February 2024. Similarly in Europe, the Harmonised Index of Consumer Prices (HICP) moderated to 2.6% in March 2024, down from annual inflation of 2.8% in February. This easing in the pace of inflation across Europe makes it increasingly likely that we will see the first interest rate cut from the ECB in June 2024.





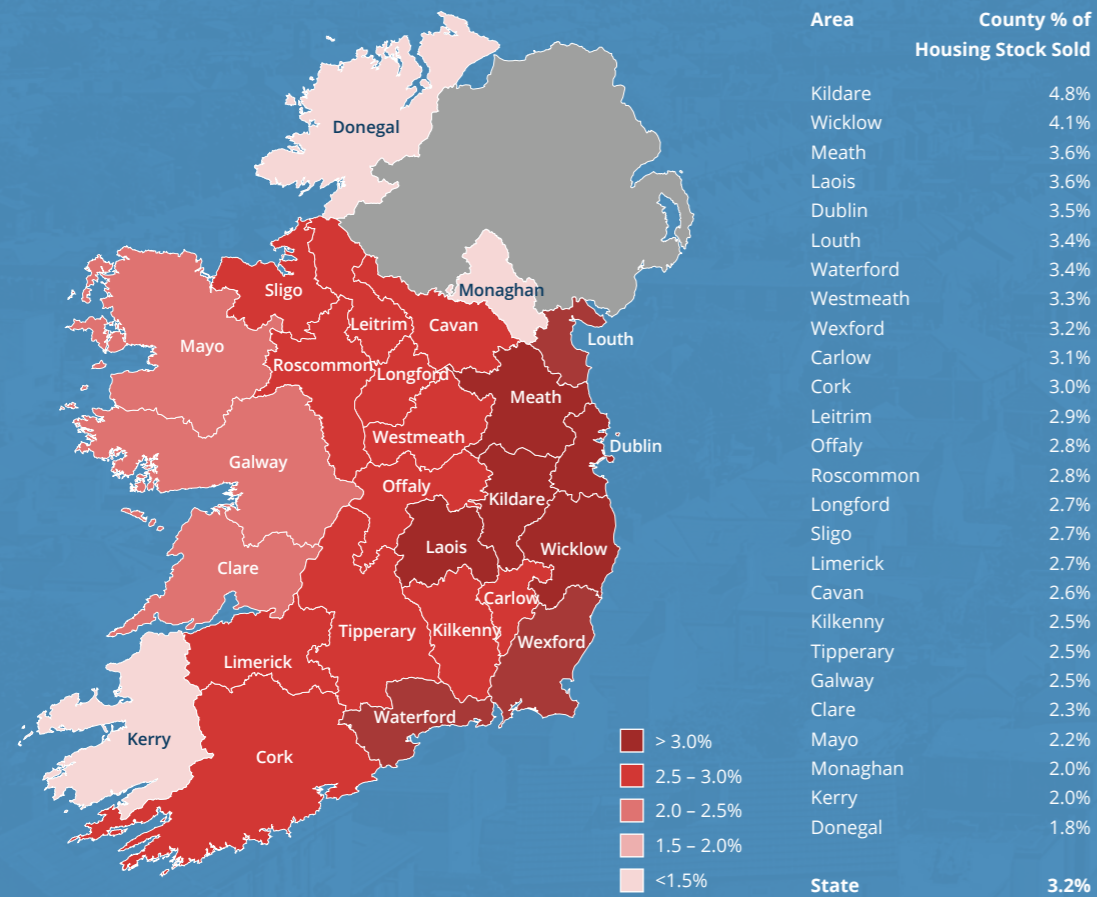
Transaction Activity

A review of transaction activity reveals that last year saw housing sales remain relatively stable. Excluding block sales and homes acquired for social housing, there were almost 60,200 housing transactions in 2023, according to the Property Price Register (PPR). This was just 1.1% higher than the year previous.

Activity

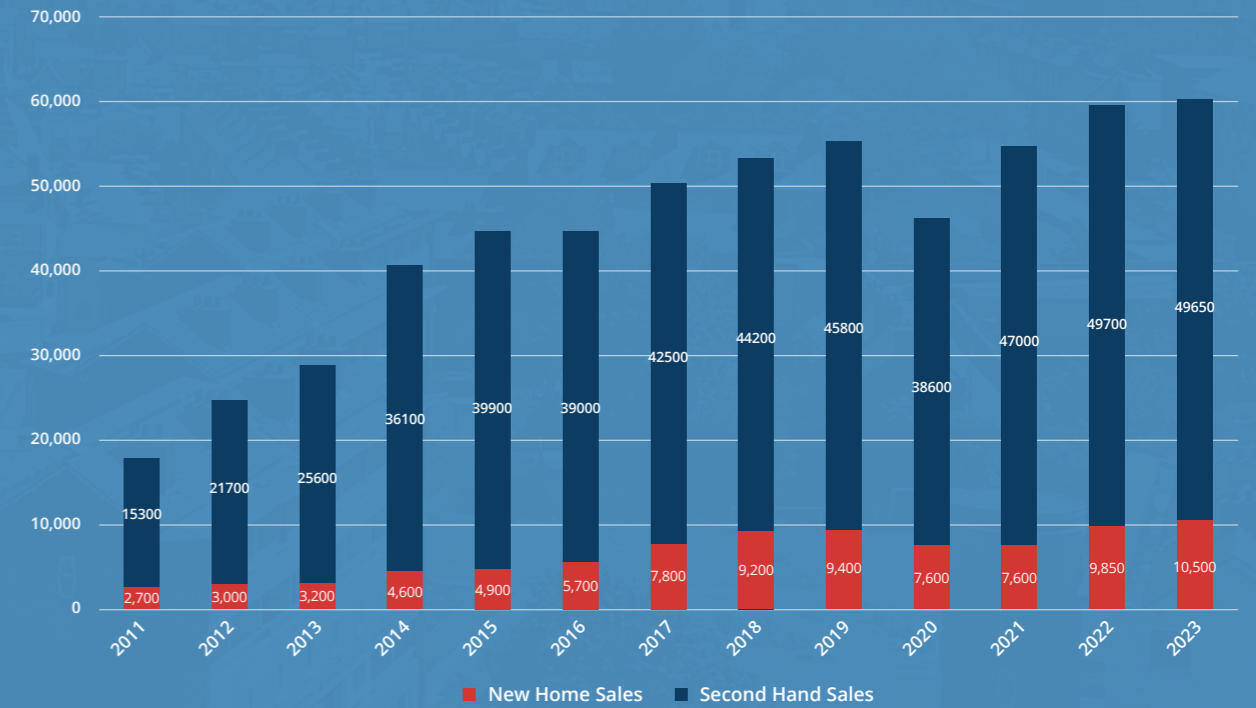
in the second-hand market saw a minor reduction, with approximately 49,650 units sold in 2023, a reduction of 50 units transacting when compared to 2022. Unsurprisingly given the shortage of second-hand stock that has been available in rural counties over the last couple of years, some counties such as Longford, Kerry, Roscommon and Donegal saw transaction activity in the second-hand market decline by over 8% in 2023 when compared to 2022. Interestingly, the proportion of housing stock sold in Kerry and Donegal was under 2%. The east of the country, where much of new dwelling

Figure 3: Transaction Activity* by County, 2023



Source: PPR, Sherry FitzGerald Research *Excludes block sales and new homes acquired for social housing

Figure 4: Housing Transaction Activity*, 2011 - 2023



Source: Property Price Register & Sherry FitzGerald Research

*Rounded and may not add to total figure, excludes block sales and new homes acquired for social housing

completions have been concentrated over the past number of years, saw higher proportions of the private housing stock transact, with Kildare recording 4.8%.

Looking at the regional centres, Cork saw an increase of 1.3% while Galway and Limerick saw transaction activity in the second-hand market decline by -1.3% and -3.1% respectively.

Conversely, second-hand activity in Dublin remains strong recording a 5.1% increase in second-hand transactions versus 2022.

The new homes market saw strong transaction activity in 2023, with 10,550 transactions recorded in the year, with an additional 700 units, an 7.1% increase, transacting when compared to 2022. When compared to 2013, the

number of new homes transactions on the private market has almost trebled.

Dublin, Kildare, Meath and Wicklow, known as the Greater Dublin Area, accounted for 56% of transaction activity in the new homes market, unsurprising given the concentration of construction in these counties over the past number of years.



Purchaser & Vendor Analysis

An analysis of Sherry FitzGerald's second-hand sales in the first quarter of the year continues to highlight that investors are exiting the rental market at an unsustainable pace.

In the three months to the end of March, just 12% of purchasers of second-hand homes with Sherry FitzGerald were investors, whereas 35% of vendors were investors selling their properties. Extrapolating this data outwards, if this trend persists, it is estimated that a further 15,000 tenancies will be lost in the private rental sector in 2024.

Further analysis of Sherry FitzGerald's sales in the first quarter of the year shows that executor sales accounted for 17% of sales across Ireland. An executor sale relates to the process of selling a property on behalf of a deceased person. Historically, this figure would be about 13%. When looking at Dublin, executor sales accounted for 20% of sales in the quarter. Whilst it is too early to comment on whether this will be

an emerging trend that will become more apparent as we move through the year, it is important to note that executor sales by their very nature tend to require a lot of capital investment after purchase, making them less attractive for one of the most active cohorts of the market, first-time buyers.

Switching our focus to an analysis of Sherry FitzGerald's purchasers reveals that owner-occupiers continue to be the most active cohort in the market. Owner-occupiers accounted for 79% of Sherry FitzGerald's purchasers in the opening months of the year, with first-time buyers accounting for about 40% of this. Although there are several government incentives in place for first-time buyers to avail of whilst buying a new-build property, it is clear that there is also a strong preference for acquiring a second-hand home.



Figure 5: Vendor Analysis, Q1 2024

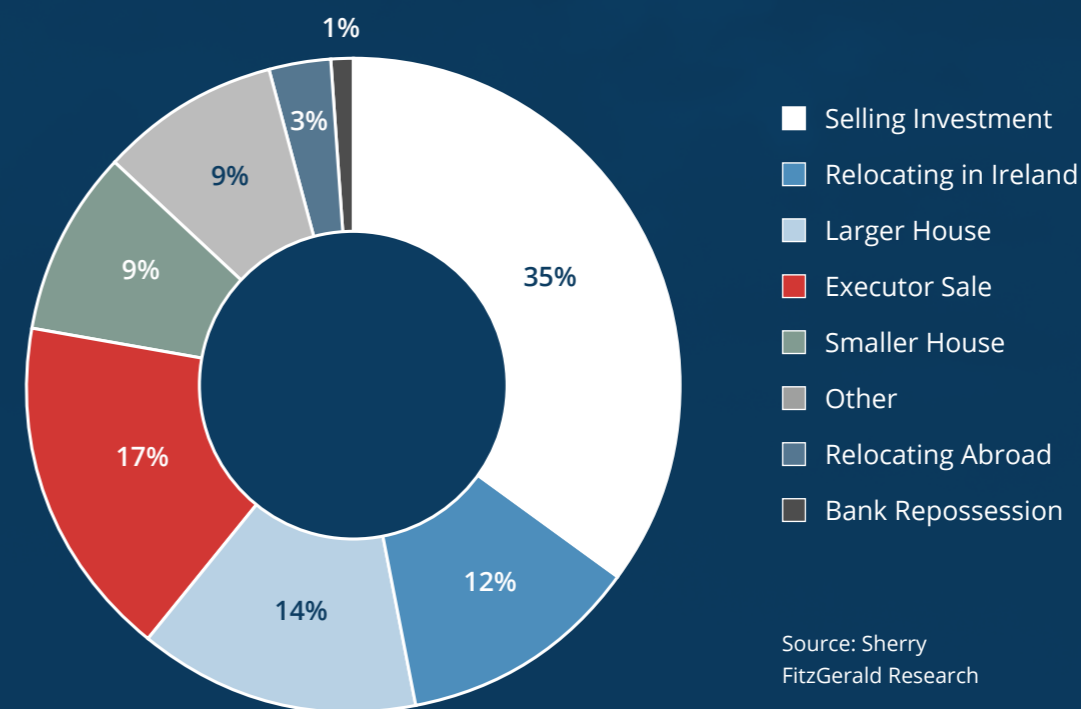
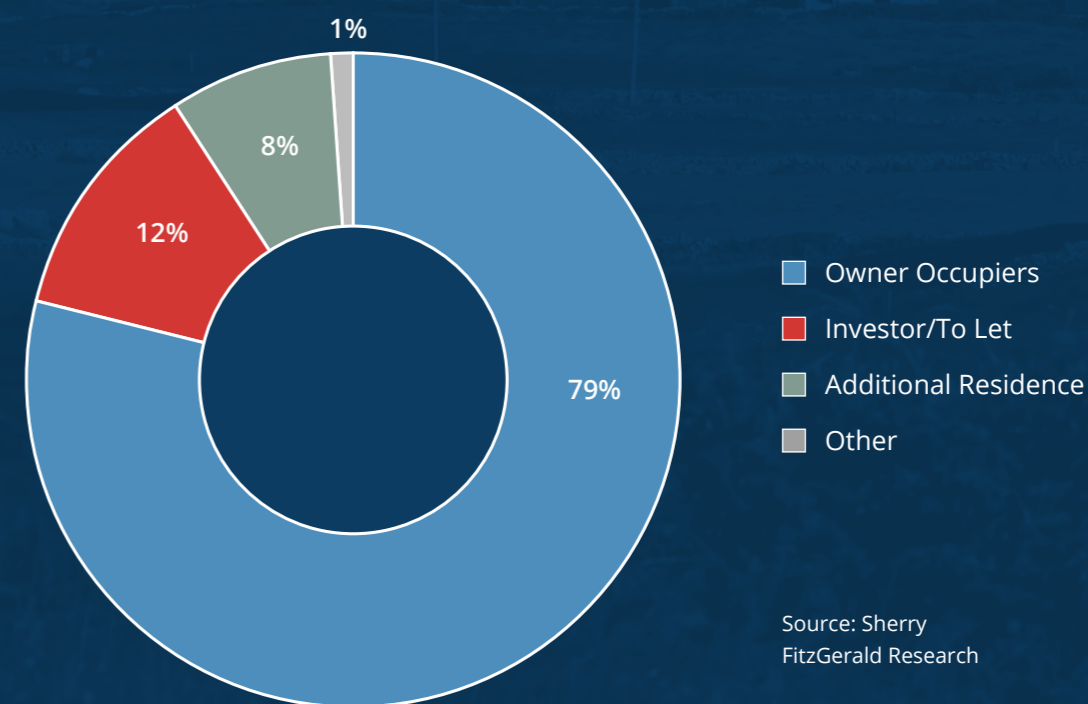


Figure 6: Purchaser Analysis, Q1 2024





Supply of New Homes

Last year saw almost 32,700 new dwelling completions across Ireland. While this is largely positive, it must be noted that this does not match the current demand for housing, which is approximately 52,000 units per annum.

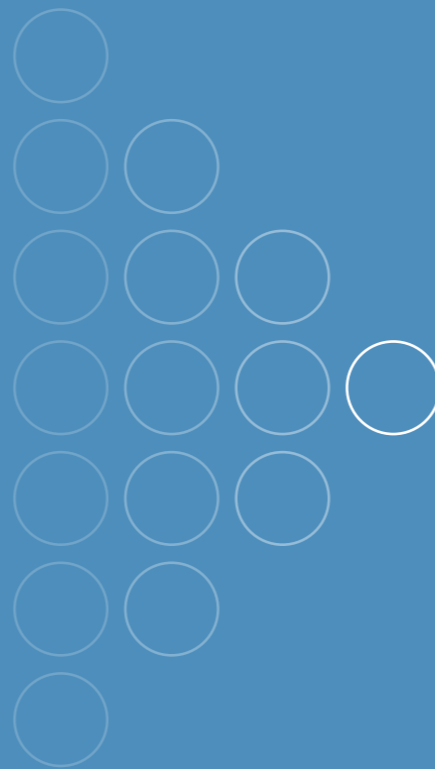
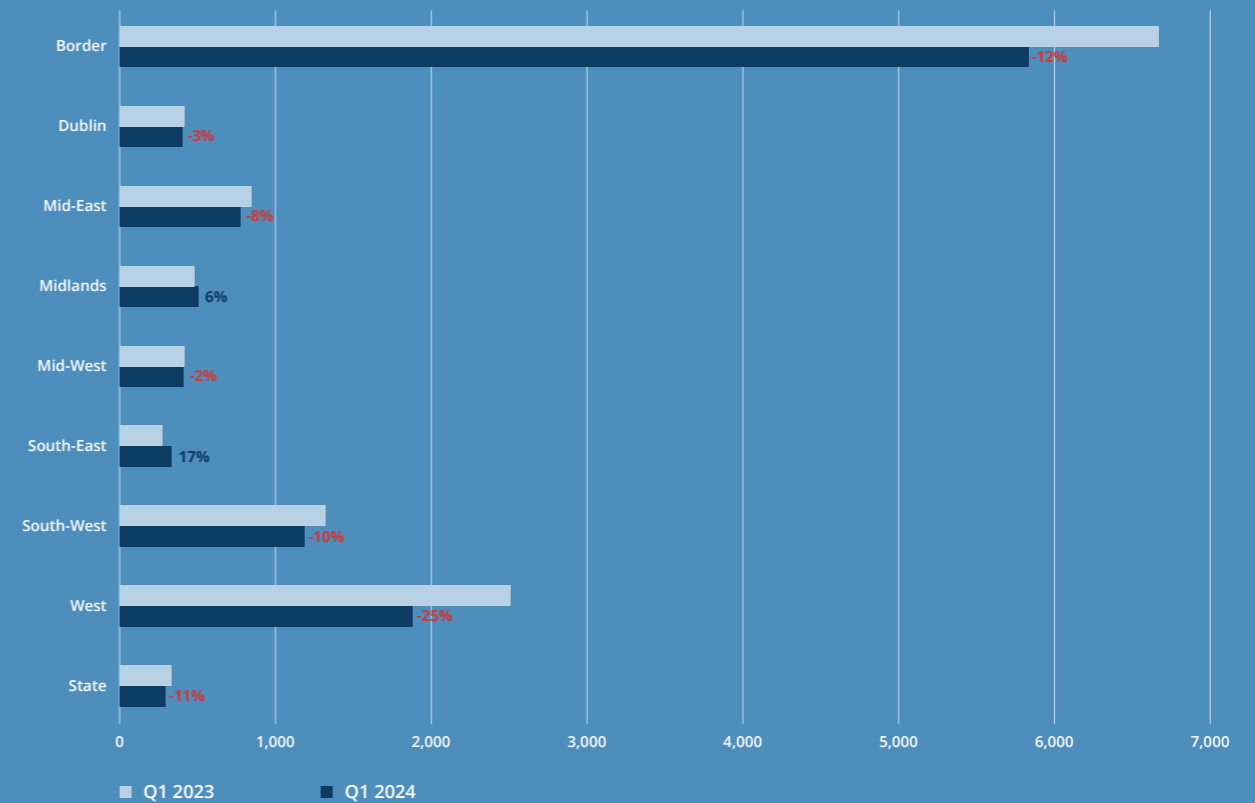


Figure 7: New Dwelling Completions, Q1 2023 Versus Q1 2024



Source: CSO

Also of note is that approximately one-third of these completions came to the private market for sale, of which 56% were in Dublin and the Greater Dublin Area.

Latest data from the Central Statistics Office (CSO) shows that there were approximately 5,850 new dwelling completions in the first quarter of 2024. This represents a 12.1% decrease on the same quarter in 2023.

The largest decrease was recorded in Dublin, with completions falling 25% in the first three months of 2024 when compared to the same period in 2023. This is largely driven by a fall in apartment completions, which is unsurprising given the rising cost of materials and uncertain interest rate environment in 2023, which made many projects unviable for a time.



The only regions which saw completions increase in the opening quarter were the Midlands and the South-East, recording increases of 17% and 6% respectively. It must be noted that the increase recorded in the Midlands region is coming from a low base and equates to an additional 50 units completed this year versus last.

Further analysis of the data reveals that in the first quarter of 2024 new dwelling completions were concentrated primarily in Dublin and the Greater Dublin Area (GDA), with the four counties accounting for 50% of total completions. With rural areas experiencing critical supply shortages, it is imperative that there

is equitable distribution of new housing supply across the country.

The latest commencement data from the Department of Housing, Local Government and Heritage (DHLGH) shows that there was a significant increase in the number of commencements in the opening months of the year. An additional 7,056 new dwellings commenced in the first two months of 2024, 72% higher than the same period in 2023, but this must be viewed cautiously. This increase may be inflated due to the lapsing of the development levy waiver, which was due to end in April. This waiver has now been extended until the end

of April 2025 and is welcomed by homebuilders and other stakeholders.

Looking to the pipeline for new housing delivery, there were 32,800 housing commencement notices in 2023. With a delivery timeline of approximately 18 months for housing units, and 30 months for apartments, much of this stock will not be completed in 2024, and indeed be completed in 2025 and 2026.

2023 saw 41,225 units granted planning permission in Ireland, an increase of 21% on 2022. This increase was largely driven by the number of apartments which were granted permission, up 29% on 2022. With

current estimations for a housing need of approximately 52,000 per annum, it is imperative that the Planning Reform Bill 2023 is enacted this year, in a timely manner and with structures to improve the planning system as a whole.

It is estimated that 2024 will see completions reach 34,000, which will be welcomed but remains far off the target. Although the reduction in completions in the first quarter of the year is disappointing, there are many positive movements in the right direction to deliver more very needed homes to the market. Nevertheless, the disparity between supply and demand in Ireland remains, highlighting the depth of the crisis.



Price Performance

The start of 2024 has seen an uptick in the pace of price inflation, driven by persistent supply side shortages. The average value of second-hand homes increased by 2.0% in the first three months of 2024, with prices rising 5.1% over the past twelve months. These are notable increases on the 0.8% and 3.6% rises recorded at the same time last year.

Dublin recorded strong price growth in the opening quarter of the year, with the average value of second-hand homes increasing by 2.1% in the three-month period. In a move away from the trend seen over the past 18 months or so, the pace of price inflation outside of the capital was marginally more moderate in the first quarter of the year, increasing by 1.9% in quarter.

On an annualised basis, prices outside of the capital continue to grow at a faster pace. Prices in Dublin rose 4.3% in the twelve months to the end of March, with prices in the rest of the country rising by 6.2%. Over the twelve months, price increases have been highest in the West, South-West and Mid-West, with growth rates of over 7.7% annually.

Prices in the first quarter of the year remain 14.3% below their 2006 peak. Prices have recorded growth of 100.2% since the bottom of the market in the second quarter of 2012.

Figure 8: Price Performance, NUTS 3 Regions - Q1 2023 - Q1 2024

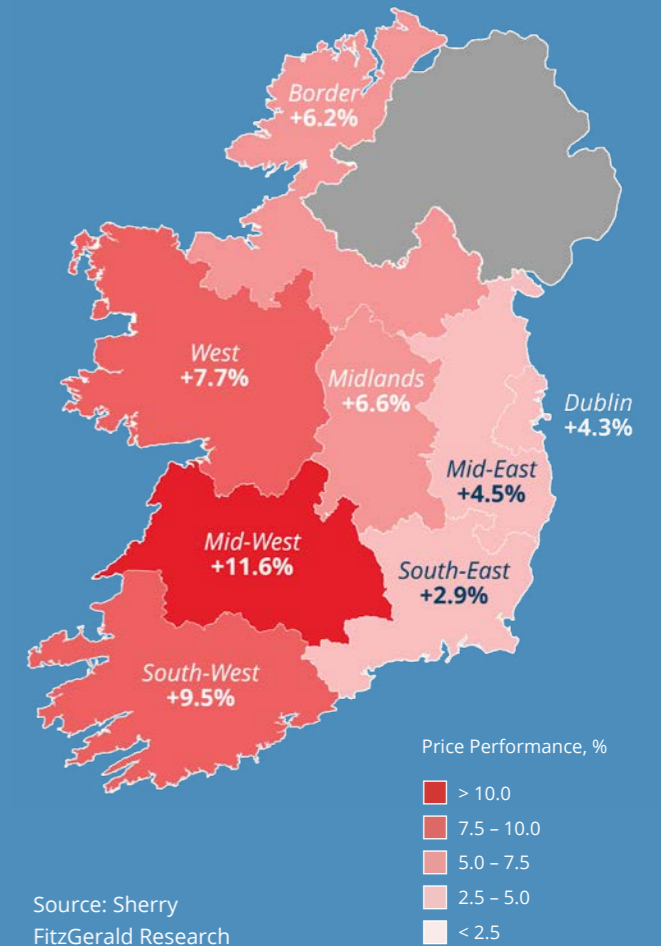
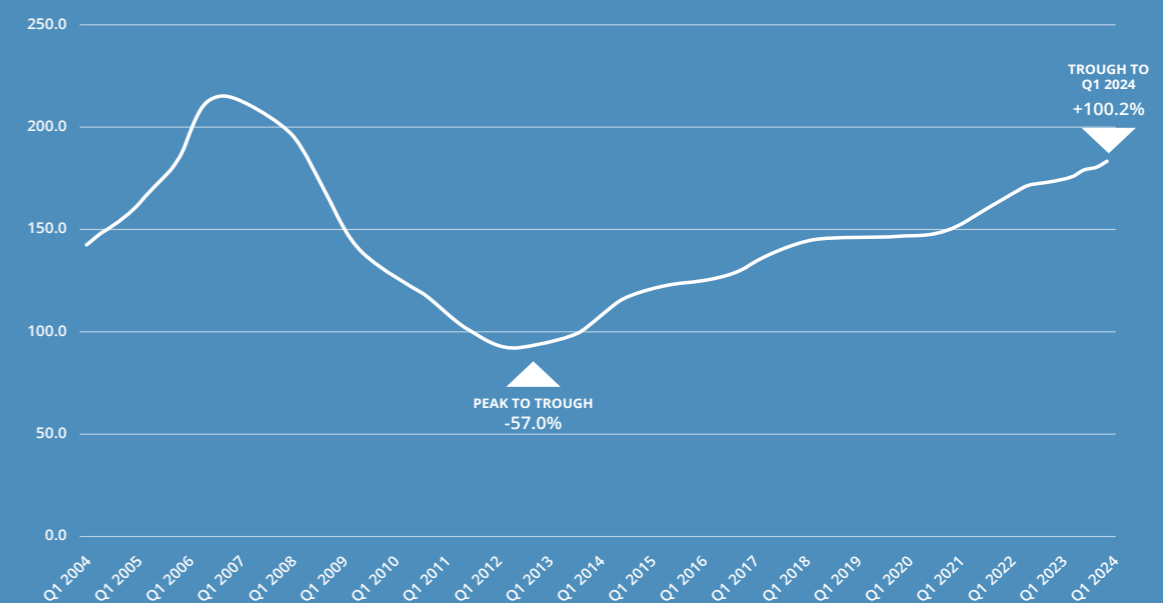


Figure 9: All Ireland Second-Hand House Price Barometer, Q1 2004 - Q1 2024

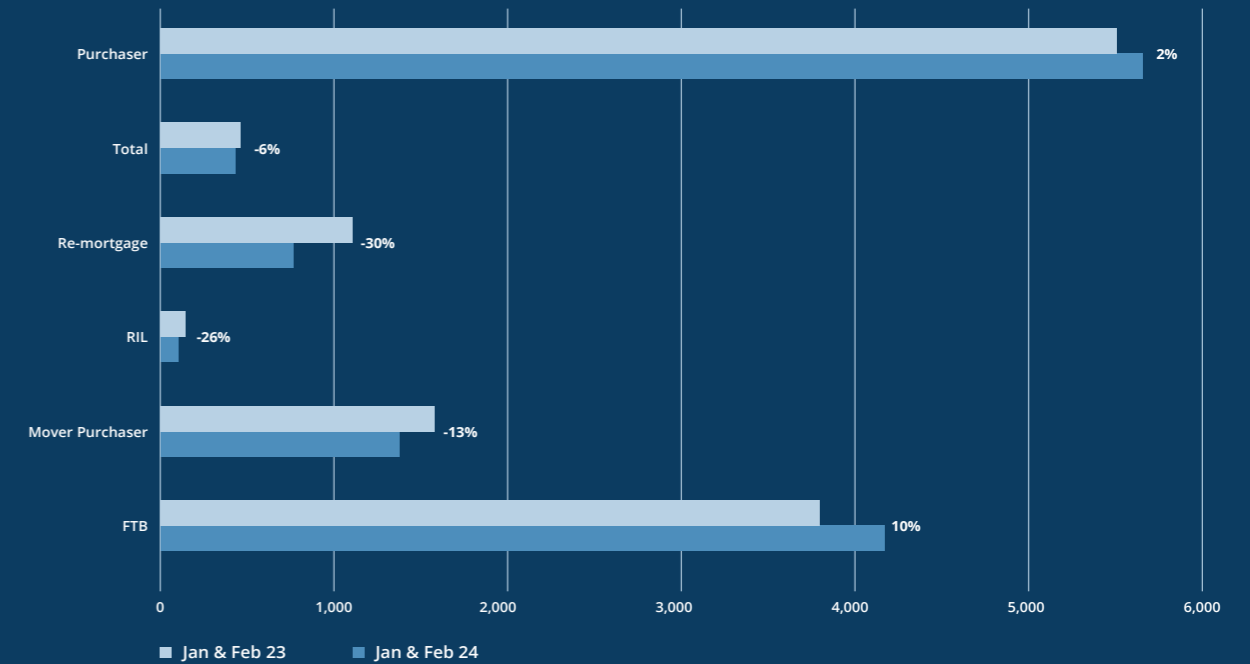




Mortgage Market

The opening two months of 2023 have seen mortgage approvals vary in performance across the different sectors of the market. Overall, approvals in the first two months of 2024 are down 6% on the same time period in 2023.

Figure 10: Mortgage Approvals, Jan & Feb 2023 v Jan & Feb 2024



Source: Banking and Payments Federation Ireland

Purchaser mortgages, which exclude those for residential investment and re-mortgage activity, increased by 2% in the period. While there was a decline across almost all segments in volume terms, except First Time Buyers (FTB), +10%, the most significant declines are in re-mortgages or switching activity, -30%, and mortgages for residential letting, -26%.

The decline in switching activity was to be expected, given the interest rate environment in 2023, and it is likely that this will pick up later in the year if interest rates are cut as is expected. Given the disparity between investors exiting and entering the market as discussed earlier in the report, the decline in mortgage approvals for residential investment is also unsurprising.



Looking forward, the expectation is that key trends witnessed in 2023 will continue into 2024. In terms of price performance, it is likely that the significant uptick that was recorded in the pace of price inflation at the beginning of the year will moderate as we move throughout 2024. Overall prices are anticipated to increase by 2-3% in the year ahead.

Transaction activity is expected to remain stable, limited by a shortage of second-hand stock, and higher interest rates. We may see an increase in transaction activity in the second half of 2024, if the expected rate cuts are implemented.

Key concerns for the Irish residential market in 2024 are a shortage of both second-hand and new homes, particularly in rural and regional Ireland. As has been the case for many years, the exodus of landlords from the rental market remains a primary worry, with approximately 15,000 tenancies lost in 2023.

As the housing market grapples with these challenges there is a growing need for collaborative efforts to address the unprecedented challenges and ensure sustainable solutions that meet the housing needs of all segments of the population in all locations.



Contact Details

MARIAN FINNEGAN

Managing Director,
Residential & Advisory

+353 (0)1 237 6341
marian.finnegan@sherryfitz.ie

JEAN BEHAN

Head of Research
Researcher

+353 (0)1 237 6300
jean.behan@sherryfitz.ie

JANE DUNNE-TERRY

Economist,
Researcher

+353 (0)1 205 1231
jane.dunneterry@sherryfitz.ie

SEAN CADOGAN

Economist,
Researcher

+353 (0)1 237 6300
sean.cadogan@sherryfitz.ie

©2024

CONFIDENTIALITY CLAUSE

This information is to be regarded as confidential to the party to whom it is addressed and is intended for the use of that party only. Consequently and in accordance with current practice, no responsibility is accepted to any third party in respect of the whole or any part of its contents. Before any part of it is reproduced, or referred to, in any document, circular or statement, our written approval as to the form and context of such publication must be obtained.

Phone: +353 (0) 1 237 6300

E-mail: research@sherryfitz.ie

Web: www.sherryfitz.ie