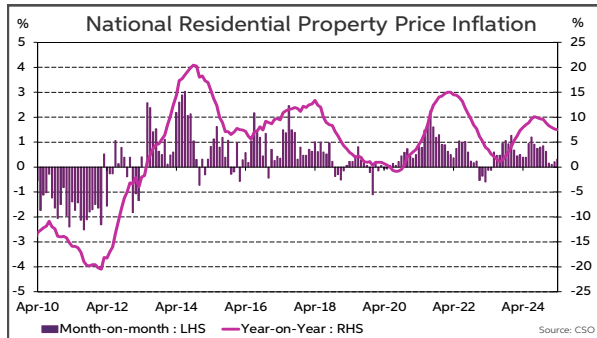


Supply remains constrained, prices continue to rise

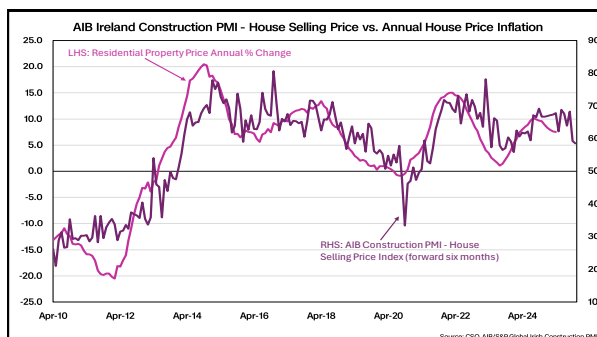
As we reach the halfway mark of 2025, the Irish residential property market continues to be defined by a shortfall in supply. The CSO completions data, which is the official measure of new supply, indicate a disappointing performance over the last year from a residential construction perspective. In 2024, new supply totalled 30,237 units. This represented a reduction of around 7% when contrasted to the 32,515 units that were delivered in 2023. The available data so far for 2025, show completions at 5,938 units in Q1, a rise of 2.0% when compared to a year earlier. However, stripping out volatility between quarters, and assessing the trend over a four quarter period, shows new supply running at 30,356 units. This compares to 31,699 units over the equivalent period in Q1 of last year.



Analysing the underlying details of the completions data indicate that the overwhelming reason for the fall back in supply has been weakness in the 'apartments' sector. In 2024, apartment construction totalled just 8,700 units, representing a 24.5% fall versus 2023 levels. The downtrend here in activity has been attributed, by industry sources, to the viability of apartment construction being very challenging. In this regard, the Government has recently announced changes to its Rent Pressure Zones regulations in order to incentivise new housing supply, while at the same time providing adequate protection to tenants. Meanwhile, the number of new 'house' supply in 2024 totalled 21,528 units, a modest rise of 2.6% compared to 2023 levels. In terms of other supply metrics, the Daft.ie 'properties available for sale' measure showed that there were just 12,500 homes listed in early June, well below the average of circa 25,000 units during the pre-Covid period of 2015-2019.

Against this back of constrained supply, residential property prices continue to register strong growth, albeit the pace of increases has eased over recent months. The latest official CSO data, for April, show that on a national basis property prices have experienced 23 months of consecutive month-on-month growth. Although, the pace of monthly growth has decelerated averaging 0.2% year-to-date compared to an average of 0.7% m/m in 2024. As a result, the year-on-year pace of growth has slowed, albeit while still remaining elevated. In April, national prices rose by 7.5% year-on-year, down from a recent peak of 10.1% in August of last year.

From a geographical perspective, year-to-date, we have seen a resumption of the trend of non-Dublin prices outpacing the Dublin market, and this divergence has been on a generally widening trajectory. In the latest CSO data, prices outside of Dublin rose by 8.6% y/y in April. At the same time, Dublin prices posted a 6.1% yearly growth rate. Looking ahead, the selling price index from the AIB Construction PMI suggests that the current easing trend in house prices may continue, with affordability factors acting as somewhat of a constraint.



However, while the mismatch between supply and demand persists, upward pressure on prices will remain in place. As we have noted in previous Bulletins, at a minimum, the economy needs around 35,000 new units per annum to meet annual demand. However, significantly more than this is required each year to meet both annual and pent-up demand, which has been accumulating now for over a decade (Central Bank of Ireland has previously estimated that c.52,000 units need to be delivered each year out to 2050 to satisfy both annual demand and the pent-up demand). At the same time, solid labour market fundamentals, including continued employment and wage growth should help to underpin homebuyer demand.

Forward looking indicators of supply suggest that the activity levels remain subdued. The total number of dwelling units granted planning permission on a twelve month cumulative basis totalled around 32,100 units in Q1 of this year. This was 15% lower compared to the same period a year earlier. Similar to the completions data, the fall off in permissions was due to weakness in apartments, which were 33% lower on a four-quarter annual basis, while 'house' permissions were up 4% in Q1. Meanwhile, the housing component of the AIB construction PMI fell back into contractionary territory in May. The reading of 49.6 from 51.7 in April brought an end to an 8-month period of expansion. The trend in these raft of indicators serve to highlight the impact from several headwinds facing homebuilder activity. Rising costs, capacity constraints - including in relation to labour and infrastructure (water etc), financing challenges, and delays in the planning process, are some of the obstacles facing the sector.

Overall, evaluating the various residential building activity metrics, there seems limited potential in the near term for any significant uplift in new supply versus 2024 levels. The CBI recently revised lower its 2025 expectation from 35,000 units to 32,500. We see housing completions rising only modestly this year, and we envisage new supply in the region of 31,000-32,000 based on current market dynamics.

MONTHLY DATA **Oct-24** **Nov-24** **Dec-24** **Jan-25** **Feb-25** **Mar-25** **Apr-25** **May-25**

RESIDENTIAL CONSTRUCTION ACTIVITY

AIB Irish Construction PMI								
- Housing Activity	56.4	50.3	54.4	52.7	53.3	53.5	51.7	49.7
Commencements: Month	5,052	1,387	10,578	1,178	1,017	723	1,027	1,024
- Cum 12 Mth Total	63,349	61,649	69,060	66,873	64,175	59,989	42,316	41,178
- 3 Month Avg YoY %	159.7	137.8	91.7	36.6	24.7	-75.7	-89.9	-89.2

HOUSING / MORTGAGE MARKET ACTIVITY

BPMI Mortgage Approvals : Month	4,088	3,702	2,949	2,745	2,791	3,647	3,835	4,097
- 3 Month Avg YoY %	5.4	6.5	11.2	8.0	6.0	3.4	3.2	6.0
- 12 Mth Total	42,706	42,794	43,379	43,406	43,275	43,685	43,724	43,927
RPPR Transactions : Month	6,205	5,598	6,687	3,541	4,067	4,471	4,601	4,711
- 3 Month Avg YoY %	-3.5	0.7	0.6	-2.5	-3.1	0.0	0.7	-2.3
- 12 Mth Total	61,344	61,271	60,846	60,931	60,816	60,841	61,025	60,494
Residential Mortgages (Central Bank of Ireland)								
- Amount Outstanding Growth Rate	2.6	2.9	3.1	3.2	3.4	3.7	4.0	#N/A

HOUSING MARKET PRICES

CSO Price Index - MoM %	0.8	0.9	0.6	0.2	0.1	0.2	0.3	#N/A
- YoY %	9.7	9.6	8.9	8.3	7.9	7.6	7.5	#N/A
- Dublin YoY %	10.3	9.7	8.5	7.7	7.2	6.1	6.2	#N/A
- Ex Dublin YoY %	9.3	9.5	9.2	8.9	8.6	8.9	8.6	#N/A
RPPR Transaction Price (Simple Average)								
- 12 Month Average €	407,410	414,535	421,012	424,295	424,502	428,167	436,650	437,858
Daft List Prices: YoY %	11.3	12.1	11.6	13.8	13.6	14.2	14.2	13.6

RENTS & AFFORDABILITY

RENTS: CSO Private Rents - MoM %	0.4	0.5	0.5	0.1	0.2	0.0	0.2	0.5
- YoY %	4.8	5.1	5.4	5.4	5.2	5.2	5.2	5.2
AFFORDABILITY: Couple on Avg Ind' Wage, 90% LTV, 30 Yr Mort, AIB Mort Rate, Prices: CSO/Perm' TSB								
- Mort as % of Disposable Income	23.6	23.6	23.5	22.3	21.8	21.4	#N/A	#N/A

QUARTERLY DATA **Q2-23** **Q3-23** **Q4-23** **Q1-24** **Q2-24** **Q3-24** **Q4-24** **Q1-25**

CSO Dwelling Completions	7,264	8,400	10,216	5,819	6,829	8,897	8,692	5,938
- YoY %	-4.3	14.0	12.5	-12.3	-6.0	5.9	-14.9	2.0
- Cum 12 Mth Total	30,351	31,382	32,515	31,699	31,264	31,761	30,237	30,356
CSO Planning Permissions	8,723	9,662	11,181	8,387	8,513	8,611	6,890	8,177
- YoY %	-23.3	43.3	47.2	-28.1	-2.4	-10.9	-38.4	-2.5
- Cum 12 Mth Total	34,722	37,641	41,225	37,953	37,743	36,692	32,401	32,191

BPMI Mortgage Drawdowns

Purchase Drawdowns (Volume)	8,286	9,918	10,000	6,817	8,455	9,677	10,997	7,421
YoY % (Volume)	-4.7	1.7	-6.4	-12.0	2.0	-2.4	10.0	8.9
FTB YoY % (Volume)	-0.4	6.5	-2.3	-8.3	5.1	0.1	10.8	8.3
Total Drawdowns (Value, € Mln)	2,761	3,173	3,289	2,359	2,854	3,407	3,950	2,806
- YoY % (Value)	-11.9	-21.8	-24.4	-17.7	3.4	7.4	20.1	18.9
- Cum 12mth Drawdowns (Value, € Mln)	14,037	13,153	12,089	11,582	11,675	11,909	12,570	13,017

Sources: Central Bank of Ireland, CSO, Daft.ie, DoEHLG, HomeBond, BPMI, PSRA, BNP Paribas, AIB ERU Calculations



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The Housing component of the Construction PMI turned contractionary in May

Having rocketed higher to 69k in 2024, housing commencements have been very weak in 2025. They are down 84.9% YoY, shrinking back down to c.41k on an annual basis

Mortgage approvals rose by 6.0% YoY in the 3 months to May, led by a rise in FTB's. 12 month total just below 44k

Transactions down by 2.3% YoY in the 3 months to May. 12 month total at 60.5k

Stock of mortgages up 4.0% YoY in April

House prices continued to trend higher, up by 0.3% in April. The Annual rate has continued to slow to 7.5%

Ex-Dublin price inflation (+8.6%) above that of the capital (+6.2%)

Daft.ie asking prices continue to strengthen, up 12.3% YoY in Q2

CSO rental index rose by 0.5% in May. The YoY rate was 5.2% for the fourth month running

Favourable income tax changes and wage growth improved affordability in Q1

Around 6k new dwelling completions in Q1, up 2% YoY. 12 month running total remains just north of 30k

Planning permissions fell by 2.5% YoY in Q1. 12 month total back at 32k, compared to 38k last year

Purchaser drawdowns up by 8.9% YoY in Q1, led by a rise in FTB. Value-wise they were up by 17.4% YoY in Q1. Total drawdowns were circa 10.3% higher YoY in Q1, due to an increase top-ups/re-mortgaging. Value of total drawdowns over past 12 mths up to €13.0bn (+12.4%)