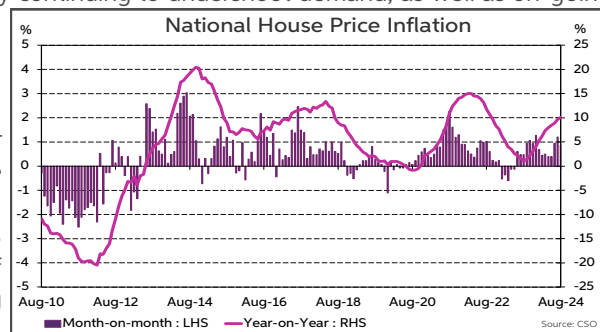


2024, a year of sharp acceleration in Irish residential property prices

A notable feature of the Irish residential property market in 2024 has been the sharp acceleration in prices. The upward pressure on prices that took hold around the mid-point of 2023 carried over into this year and maintained momentum as the year progressed. This has been against the backdrop of housing supply continuing to undershoot demand, as well as on-going strong employment and wage growth in the domestic economy.

The latest official data from the CSO show Irish residential prices rose by 0.8% m/m in October, representing the seventeenth consecutive monthly increase. Prices have averaged monthly growth of 0.7% year to date. This compares to a monthly average of 0.2% over the same period in 2023. This consistent pace of monthly increases has resulted in a significant uplift in the rate of yearly growth. In October, prices were 9.7% higher year-on-year. At the start of the year, the rate of property price inflation was nearer to 5%. Meanwhile, Daft.ie 'asking prices', which provide a timelier perspective of house price conditions, showed that in Q3 2024, prices were 8.2% higher compared to the same period in 2023. Looking at the CSO data from a geographical viewpoint, the recent trend of Dublin prices outpacing the non-Dublin market has continued. This feature started to re-emerge in April. Dublin prices were up by 10.4% y/y in October. Outside of Dublin, residential property price inflation was running at +9.2% y/y in the month.



The persistent tightness in supply is a fundamental factor underpinning the upward momentum being experienced in residential property prices. The CSO completions data, which is the official measure of new supply, showed that residential construction activity has been unable to maintain the upward trajectory that it registered during 2022-2023. On a year-to-date basis, completions were 3% lower in Q3, compared to the same period in 2023. The underlying details show that a key reason for this loss of momentum in new supply has been in relation to apartments, which are down nearly 18% YTD. Industry sources note that this is due to the viability of apartment construction being very challenging. In total, completions are running at just over 21,500 in the first three-quarters of 2024, compared to north of 22,00 in the same period of 2023. However, it should be noted that Q4 has traditionally been the most significant quarter for completions, and in recent years it has been trending higher. If this trend continues in 2024, it is likely that supply levels will be broadly similar to 2023, at just below 33,000 units. Meanwhile, the Daft.ie 'properties available for sale' metric showed that there were just 11,861 homes listed in early September, a fall of 12% y/y and well below the average of 24,700 units during the pre-Covid period of 2015-2019.

In terms forward looking supply indicators, housing starts, as measured by commencement notices are currently not a reliable guide due to distortions caused by developers rushing to meet waiver and rebate deadlines (which were subsequently extended). As a result, starts jumped sharply in the lead up to April and September, although, they have fallen back noticeably since. Meanwhile, the total number of dwelling units granted planning permission was 15% lower YTD in Q3. On a rolling four quarter basis, permissions totalled around 37,000 units, a decline of 2.5% versus the same period in 2023. The downturn in permissions was due to weakness in apartments, which were 14% lower on a four-quarter annual basis, while house permissions were up 9%. Meantime, the housing component of the construction PMI has been in expansion mode for eight of the past nine months, albeit, the 50.3 reading in November represented a significantly slower rate of growth than in October.

Based on structural estimates by the ESRI, the economy needs 35,000-53,000 new units to be built 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 more than a decade. **The Central Bank of Ireland has estimated that around 52,000 units need to be delivered each year out to 2050 to satisfy both annual demand and the pent-up demand.** Meanwhile, the Government has recently revised its housing targets for the period 2025-2030. The updated plan is to deliver an average of 50,500 per year, rising to 60,000 units in 2030. This would result in over 300,000 new units being built over the period. However, these targets look ambitious in the current environment where homebuilder activity still faces a number of headwinds from rising costs, capacity constraints, including in relation to labour and infrastructure, financing challenges, and delays in the planning process.

Looking ahead, assessing the various activity indicators suggests the potential for housing supply to pick up again next year. The Central Bank of Ireland is forecasting 37,500 units for 2025. Given this projected output remains below the required level, **the upward pressure on residential prices is likely to remain in place.** However, the ESRI has recently noted, that the current double digit growth rates look unsustainable. Overall, amid the persistent supply shortfall, combined with steady underlying economic growth as well as solid labour market conditions, prices are likely to experience further upward pressure during 2025. On a medium term horizon, as the supply situation continues to improve, and barring any major economic shocks, Irish residential property market prices could settle into low single digit growth territory.

MONTHLY DATA	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	
RESIDENTIAL CONSTRUCTION ACTIVITY									<p>The Housing component of the Construction PMI fell sharply in Nov, but it stayed in expansion mode</p> <p>Commencements distorted by waiver/rebate deadlines. 12mth total at 59.5k in Oct, but there are concerns as to how quickly these projects will come on stream</p>
S&P BNP Paribas Construction PMI									
- Housing Activity	53.4	52.0	52.4	53.2	49.8	51.0	56.4	50.3	
Commencements: Month	18,182	1,983	1,663	1,574	2,264	11,385	4,249	#N/A	
- Cum 12 Mth Total	53,011	51,935	51,024	49,613	49,107	57,885	59,510	#N/A	
- 3 Month Avg YoY %	242.5	182.2	165.8	-39.4	-34.0	82.0	123.7	#N/A	
HOUSING / MORTGAGE MARKET ACTIVITY									<p>Mortgage approvals rose by 5.4% YoY in the 3 mths to Oct. 12mth total above 42k</p> <p>Transactions down by 7.6% YoY in the 3 mths to Oct. 12 mth run rate falls back below the 60k threshold</p> <p>Stock of mortgages up 2.6% YoY in Oct</p>
BPMI Mortgage Approvals : Month	3,796	3,894	3,806	4,603	3,933	3,731	4,088	#N/A	
- 3 Month Avg YoY %	0.0	-5.1	-2.8	-2.3	0.6	5.6	5.4	#N/A	
- 12 Mth Total	42,399	42,011	41,642	42,109	42,090	42,294	42,706	#N/A	
RPPR Transactions : Month	4,413	5,230	4,844	5,709	4,900	5,056	6,055	4,399	
- 3 Month Avg YoY %	-5.2	-3.8	-2.7	-1.6	-6.4	-5.4	-4.6	-7.6	
- 12 Mth Total	62,091	62,114	61,495	61,838	61,054	60,609	61,059	59,787	
Residential Mortgages (Central Bank of Ireland)									
- Amount Outstanding Growth Rate	1.6	1.7	2.0	2.1	2.0	2.3	2.6	#N/A	
HOUSING MARKET PRICES									<p>House prices continued to trend higher, up by 0.8% in October. Annual rate fell slightly to +9.7% YoY. Ex-Dublin price inflation (+9.2%) continues to run below that of the capital (+10.4%)</p> <p>Asking prices on Daft.ie were revised up for Q2'24, and continued to trend higher in Q3, rising by 8.2% YoY</p>
CSO Price Index - MoM %	0.4	0.4	0.9	1.2	0.9	0.7	0.8	#N/A	
- YoY %	7.9	8.5	8.9	9.6	10.1	9.9	9.7	#N/A	
- Dublin YoY %	8.2	8.8	9.3	10.4	10.9	10.8	10.4	#N/A	
- Ex Dublin YoY %	7.7	8.3	8.5	9.1	9.6	9.3	9.2	#N/A	
RPPR Transaction Price (Simple Average)									
- 12 Month Average €	387,573	390,328	394,126	394,644	395,300	398,695	402,540	408,635	
Daft List Prices: YoY %	6.4	6.1	7.7	7.3	8.8	8.4	#N/A	#N/A	
RENTS & AFFORDABILITY									<p>CSO rental index rose by 0.5% in Nov. The YoY rate accelerated to 5.1% also</p> <p>Affordability deteriorated somewhat again in Q3, as house price growth outpaced wage growth</p>
RENTS: CSO Private Rents - MoM %	0.2	0.4	0.7	0.4	0.7	1.1	0.4	0.5	
- YoY %	5.1	4.9	4.9	4.7	4.0	4.4	4.8	5.1	
AFFORDABILITY: Couple on Avg Ind' Wage, 90% LTV, 30 Yr Mort, AIB Mort Rate, Prices: CSO/Perm' TSB									
- Mort as % of Disposable Income	22.3	22.8	23.5	23.5	23.7	24.0	#N/A	#N/A	

QUARTERLY DATA	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	
CSO Dwelling Completions									<p>Despite rising in YoY terms in Q3, completions are 3.1% lower YTD compared to 2023. 12 mth total is just below 32k</p>
- YoY %	31.3	18.6	-4.2	14.0	12.5	-12.0	-5.8	6.3	
- Cum 12 Mth Total	29,662	30,702	30,380	31,414	32,548	31,750	31,329	31,857	
CSO Planning Permissions									<p>Permissions fell by 10.9% YoY in Q3, and they were down 15.1% YTD. 12 mth running total back below 37k</p>
- YoY %	-43.5	37.8	-23.3	43.3	47.2	-28.1	-2.4	-10.9	
- Cum 12 Mth Total	34,177	37,373	34,722	37,641	41,225	37,953	37,743	36,692	
BPMI Mortgage Drawdowns									<p>Purchaser drawdowns were down by 2.8% YTD in Q3, led by a fall in movers. In value terms, FTB were up by 4.3% YTD in Q3. Total drawdowns were circa 5.3% lower YTD in Q3, owing to a drop-off in re-mortgaging and movers. Total value of drawdowns over past 12 mths at €11.9bn, circa €1.2bn lower compared to Q3 2023</p>
Purchase Drawdowns (Volume)	10,689	7,743	8,286	9,918	10,000	6,899	8,548	9,778	
YoY % (Volume)	0.6	1.2	-4.7	1.7	-6.4	-10.9	3.2	-1.4	
FTB YoY % (Volume)	2.7	3.0	-0.4	6.5	-2.3	-7.9	5.5	0.4	
Total Drawdowns (Value, € Mln)	4,353	2,866	2,761	3,173	3,289	2,359	2,854	3,407	
- YoY % (Value)	31.4	14.0	-11.9	-21.8	-24.4	-17.7	3.4	7.4	
- Cum 12mth Drawdowns (Value, € Mln)	14,057	14,410	14,037	13,153	12,089	11,582	11,675	11,909	

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