Lisney

Lisney
Sotheby's
INTERNATIONAL REALTY

OUTLOOK

2023

1 RESIDENTIAL SALES

Market stability will depend on how supply evolves and on the wider political and economic issues.

DUBLIN

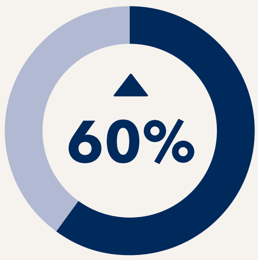
MORE OF A POWER SHARE

At the start of 2022, the market was characterised by buyer frustration. However over the summer months this quickly pivoted and what was very much a sellers' market became more of a power share. The 10% to 13% annual growth rate in Dublin prices registered since mid-2021 eased and purchasers became more price sensitive. This was due to global geopolitical and macroeconomic factors, most notably the war in Ukraine, rapid rises in the cost of living (especially energy), interest rate hikes for the first time since 2011, and less disposable income. It is evident that 2023 will be a more challenging year for the market and the timing of sales will be very important for success. It will also be important for sellers to have all contracts and legals in place as soon as possible; there is evidence of purchasers seeking price reductions when the conveyancing process drags on, particularly if they are subject to interest rate increases due to the delay. Buyer price sensitivity will remain, at least for the first six months of the year, and we do not foresee increases in prices. Market stability, especially in the second half of the year, will depend on how supply evolves and on the wider political and economic issues, both at home and around the world.

Not all price points in the market will perform uniformly. At the upper end (+€1m), there is still a large number of sales occurring both on and off-market. Given the elevated cost of construction at present, turnkey properties will do best and will attract premiums. These types of transactions often have international buyers or expats involved and are not

DUBLIN SUPPLY
STEADILY INCREASED OVER THE YEAR

THE NUMBER OF PROPERTIES FOR SALE WAS ALMOST



HIGHER AT THE END OF THE YEAR

Sandyford House, Sandyford, Dublin 18

generally relying on too much finance (if at all). The most difficult part of the market will be the mid-market (€500,000 to €1m), where buyer affordability (greatly affected by the cost-of-living and interest rate increases) and sustaining prices will struggle. Vendor expectations in this category will need to alter for sales to conclude. The apartment sector will likely remain steady, driven by the lack of stock available to owner-occupiers in core areas.

SUPPLY STEADILY INCREASING

While Dublin supply was at an all-time low in January 2022, it steadily increased over the year. Heading into the new year, the number of properties for sale was almost 60% higher than 12 months previous. This will mean fewer instances of frustrated buyers bidding far in excess of asking prices in the coming months. Part of the supply increase is being fuelled by weary investors selling their buy-to-lets as life as a landlord has become too challenging with rent caps and eviction bans, and possible additional changes. Further investors will leave the market this year, which is good news for buyers but bad news for renters and will cause even more difficulties in a severely undersupplied lettings market.

Very little supply has come from bank sales in the last five or six years. In recent months there has been a small number of these creeping back into the market. This year will determine if this is a reflection of the current situation or the start of a potentially bigger issue. At this point in time it seems likely that it is the former given the exceptionally strong employment levels and general wage growth.

The majority of supply this year will come from those wishing to trade up or down. Unlike in more recent years, the catch-22 situation of being afraid to buy until you sell, or sell until you buy, has lessened. Greater supply means better options and a stabilisation in prices will mean that a purchaser's buying power will not diminish if it takes them some time to source a new home. That said, the absence of bridging finance will still cause issues for those living in homes too large for their needs.

THE MAJORITY OF SUPPLY THIS YEAR WILL COME FROM THOSE **WISHING TO TRADE UP OR DOWN**

GREATER SUPPLY MEANS **BETTER OPTIONS**

17 Raglan Road, Ballsbridge, Dublin 4

12 Sandycove Avenue North, Sandycove, Co. Dublin

MORTGAGE MARKET GAPS

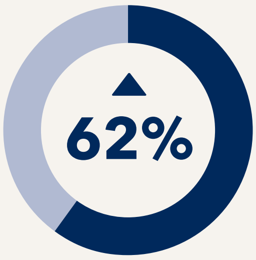
The changes to the Central Bank's macroprudential policy on mortgage lending are positive. Since the beginning of the year, LTV limits are now 90% for both movers and FTB, while LTI limits increased to 4x gross household income for FTB. As these changes were announced last October, many potential buyers held off purchasing a home in the final months of the year, and there may be an initial flurry of built-up activity, particularly from FTB. In spite of this, the benefit is likely to be relatively limited with any advantage in the immediate term negated by interest rate rises.

Fewer mortgage providers, with the exit of KBC and Ulster Bank from the Irish market, will result in further delays in approvals, drawdowns and ultimately the sales process, which will be an unwelcome feature this year.

Green mortgages will become a greater element of the market in 2023 for those that meet the environmental standards (generally minimum BER of B3). A gap may begin to develop between homes with better and poorer BERs as potential buyers will be focused on cutting costs from both mortgage repayments but also ongoing running costs of the home.

CORK SUPPLY

INCREASED BY



OVER
2022

THIS WAS FROM A LOW BASE IN JANUARY AND THE

MARKET REMAINS UNDER-SUPPLIED

CORK

DEMAND FOR TURNKEY

Wider political and economic events are also impacting demand, supply and activity in the Cork residential market. Not all properties and price points are performing uniformly. However, a trend that carries through the market is the demand for turnkey properties that are energy efficient. This is due to the current inflated cost of any required building works in older homes and higher running costs in an environment of rapid energy inflation. While Cork supply increased by 62% over 2022, this was from a record low base in January and the market remains under-supplied. The commencement of construction of new homes began to fall back in the second half of last year as funding and construction costs increased. This will continue to be an issue in the market this year and will further impact supply. All buyer types will be affected but particularly FTB.

BUYERS RETURNING TO IRELAND

The upper end of the market will remain strong this year, but supply will not meet demand. This will be driven by Irish people who have been living overseas for several years and with the greater prevalence of remote working since COVID means they can now move home while working for companies based overseas. Many are cash buyers or just require small mortgages, which has been assisted by strong currency exchange rates. The mid and entry level parts of the market will experience affordability issues to a greater extent due to interest rate increases and less disposable income available to fund mortgage repayments. FTB in particular are affected, particularly if they have the added cost of renting. However, changes to the mortgage rules in terms of LTI will assist this cohort somewhat, as will the two government backed schemes relating to the purchase of new homes – First Home Scheme and Help-to-Buy. Despite the challenges, the overall market will be active this year, particularly as the year progresses.

Lairakeen House, Banagher, Co. Galway

COUNTRY HOMES

CASH PURCHASERS WILL CONTINUE TO DOMINATE

Many of the trends at the upper end of the Dublin and Cork markets are also relevant in country homes. Demand continues to be driven by those with little or no reliance on mortgage finance. As has become tradition, international buyers will be the most active in the Irish country homes market this year, especially for the higher priced homes. Those from overseas will be a mix of Irish abroad but also citizens of other countries seeking a full-time or part-time holiday home in Ireland. The majority will be from the US but European countries will also feature strongly. UK demand, with the exception of expats, will continue to feature less than was the case pre-Brexit. Domestically, there will be demand from Dublin-based buyers who are seeking a second home either as a holiday retreat or to live there on a semi-permanent basis. Purchasers working in the tech sector have been active in the market in recent years, but this may lessen in 2023.

PURCHASERS WILL WANT TO SEE FAIR VALUE

New supply to the market will be a little slow in the early months of the year, but by spring, the number of country homes coming to the market will grow. While the country homes market will continue to be active and perform well, accurate pricing will be critical to successful sales. Buyers will be cautious given the wider macro-economic and political concerns, but demand will be resilient if buyers see fair value. The presence of overseas interest will remain an influencing factor in domestic buyers bidding strongly. If asking prices are too high, potential buyers (from home and abroad) will just stand back.

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