Lisney | Sotheby's INTERNATIONAL REALTY

DUBLIN RESIDENTIAL REPORT

Q4 2022

PRICES

THE CSO'S RESIDENTIAL PROPERTY PRICE INDEX FOR DUBLIN GREW BY

0.6% (0.5% HOUSES 1.1% APARTMENTS)

IN THE **3** MONTHS TO THE END OF NOVEMBER 2022

Source: CSO

FOR SALE SUPPLY

THERE WERE ABOUT

3,900 SECOND-HAND RESIDENTIAL PROPERTIES

FOR SALE IN DUBLIN AT THE END OF DECEMBER 2022

41% MORE THAN A YEAR EARLIER

Source: MyHome.ie

UNITS SOLD

IN THE

12 MONTHS TO THE END OF OCTOBER 2022

THE NUMBER OF HOMES SOLD INCREASED BY **5%**

COMPARED TO A 12 MONTHS PREVIOUS

Source: CSO

MORTGAGE APPROVALS

THE NUMBER OF MORTGAGE APPROVALS NATIONALLY TO THE END OF NOVEMBER 2022 WAS

10% HIGHER THAN IN THE 11 MONTHS IN 2021

Source: Banking & Payments Federation Ireland

MORTGAGE DRAWDOWNS

THE NUMBER OF MORTGAGES DRAWN DOWNS NATIONALLY IN THE FIRST 9 MONTHS OF 2022 WERE

22% HIGHER THAN IN THE SAME PERIOD IN 2021

Source: Banking & Payments Federation Ireland

TO RENT SUPPLY

THERE WERE ABOUT

510 SECOND-HAND RESIDENTIAL PROPERTIES

TO LET IN DUBLIN AT THE END OF DECEMBER 2022

54% FEWER THAN A YEAR EARLIER

Source: Daft.ie

Trends and official statistics relating to the overall Dublin residential market do not always correlate with what Linsey agents experience on a day-to-day basis. There are various reasons. Firstly, Lisney is most active in the mid to upper-end markets in Dublin, and so our data is not always representative of the entire Dublin market. Additionally, trends experienced by agents on-the-ground can take some time, perhaps up to six months, to feed through into official market statistics due to the length of time it takes to conclude a sale. The 'Lisney View' set out in this report relates to our experience in the parts of the Dublin market we operate in.

OUR VIEW

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 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 2023, the number of properties for sale was almost 40% 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 in 2023, 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.

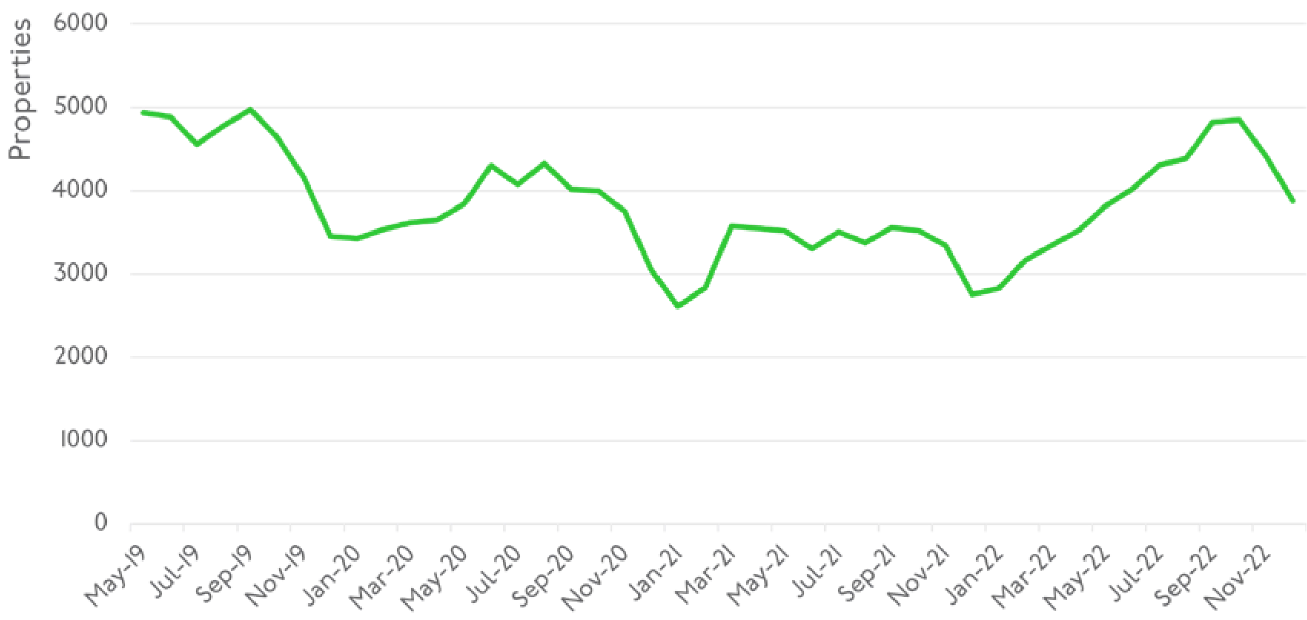
The majority of supply this year will come from those wishing to trade up or down. Unlike in more recent years, the catch-22 situation of being afraid to buy until you sell, or sell until you buy, has lessened. Greater supply means better options and stabilisation in prices will mean that a purchaser's 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.

MORTGAGE MARKET GAPS

The changes to the Central Bank's macroprudential policy on mortgage lending is 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 in 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 benefit 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.

Dublin Residential Supply (May 2019 – December 2022)



Source: MyHome, Lisney analysis

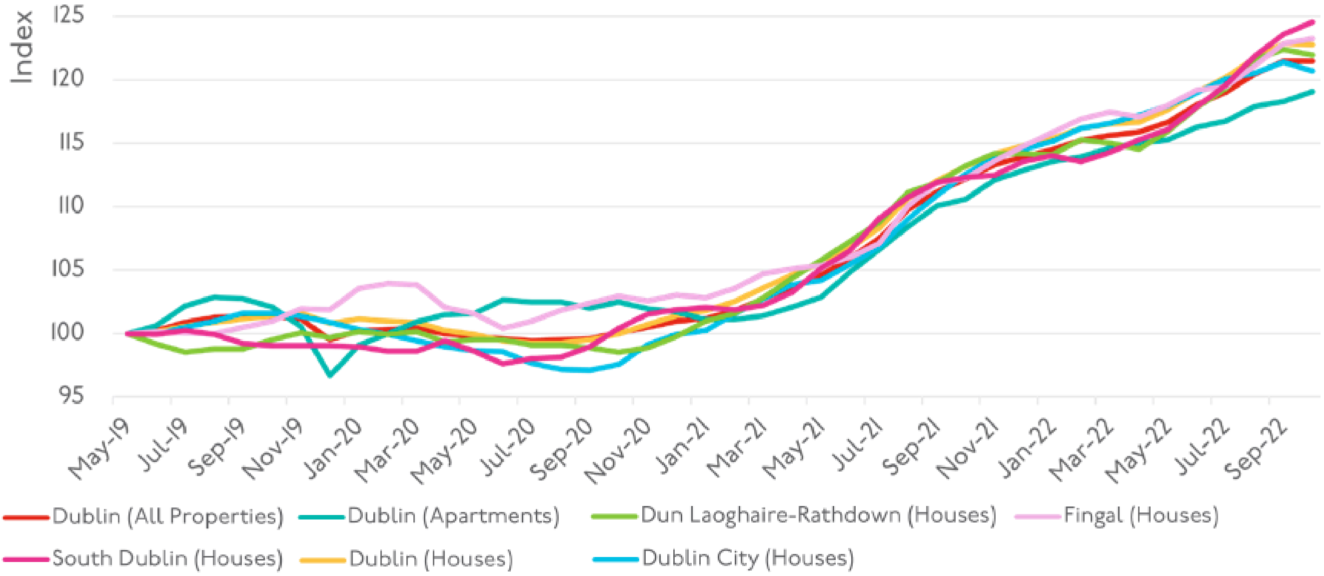
MARKET STATISTICS – RESIDENTIAL SALES

1. Nationwide housing completions in 2023 were at their highest level in 13 years with an estimated 26,000 units finished (21,000 actually completed to the end of September according to the CSO). While this is about 25% higher than the previous three years, it remains well below what is required, and unfortunately the outlook for this year is downbeat. With rising construction costs taking hold, commencement notices for new schemes began to decline last summer. This unfortunately means that from mid-2023, new home supply will drop-off.

2. Throughout 2022, the number of properties available for sale in Dublin, as advertised on MyHome.ie, steadily increased to stand at its highest level in October (4,850 units). There was a slight decline in the final two months of the year, although supply remained higher than earlier in the year. At the end of December, there were 3,900 properties available for sale on MyHome.ie, a 41% increase on the December 2021 figure of 2,750.

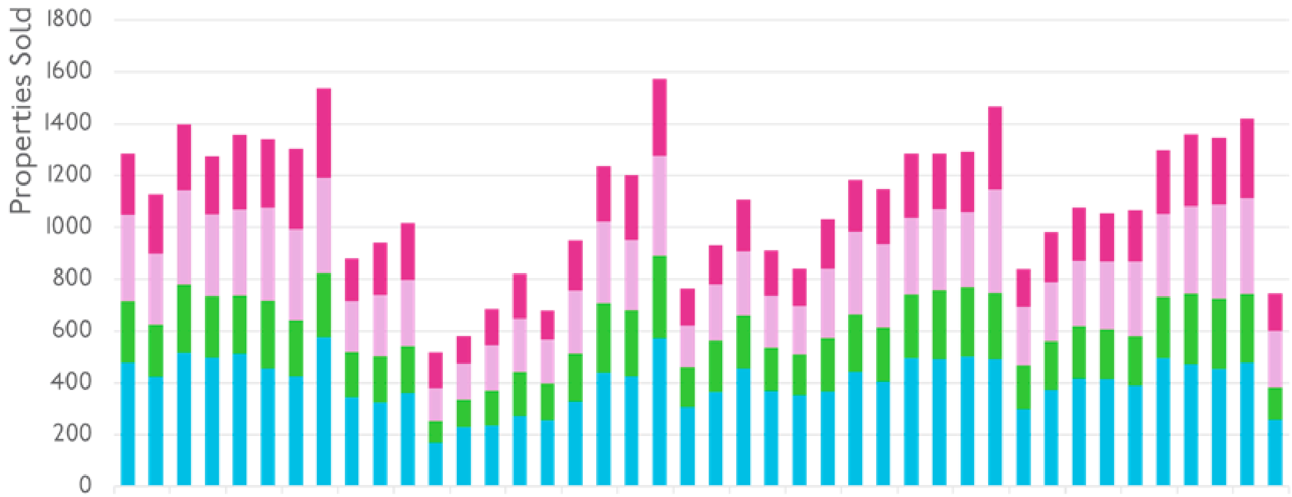
3. Mortgage approvals remain strong and generally higher than pre-pandemic levels. In November 2022, there were 5,433 mortgage approvals valued at €1.5 bn. On an annual basis, the volume and value of mortgage approvals increased by 9.6% and 16.8% respectively. First-time buyers (FTBs) were most active (2,533 approvals - 46.6% of total volume), while mover purchasers accounted for 1,148 approvals (21.1%). Mortgage switching and top-ups continue with volumes of approval rising by 64.4% to 1,647 in November 2022 on an annual basis.

Residential Property Price Index (May 2019 – October 2022)



Source: CSO

Dublin Residential Properties Sold (May 2019 – October 2022)



Source: CSO, Lisney analysis

Nationwide Mortgage Approvals (May 2012 – November 2022)

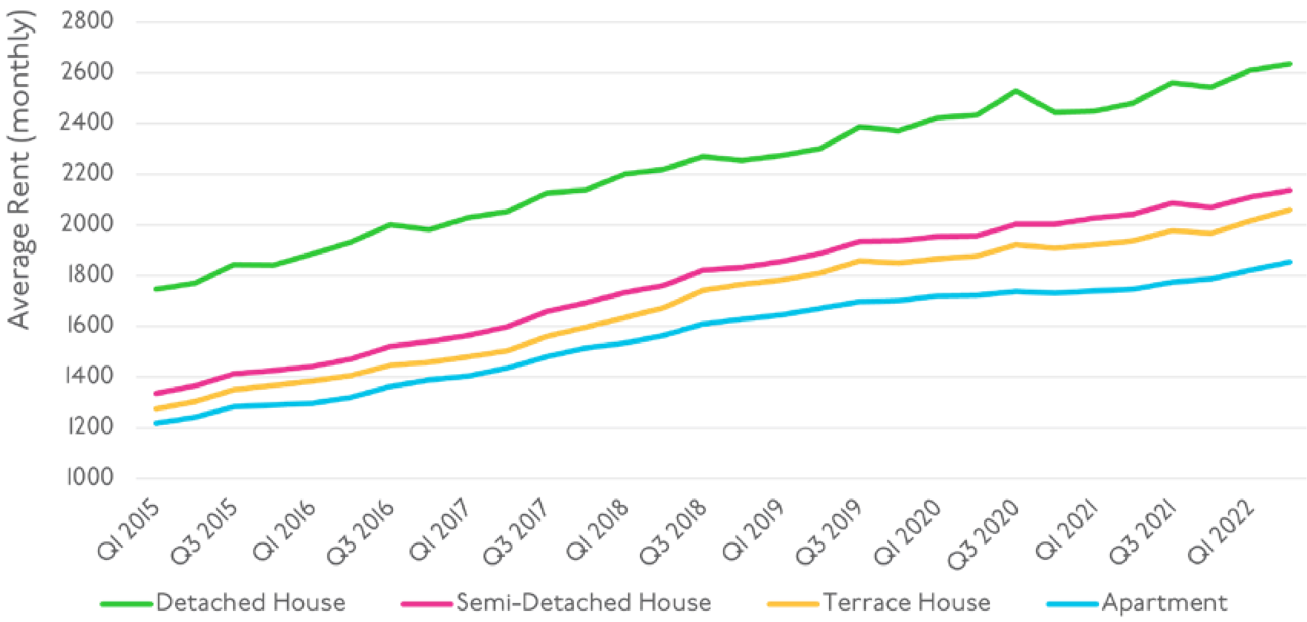
Source: BPFI

MARKET STATISTICS - RESIDENTIAL LETTINGS

1. Rental supply remained the dominant issue in the market in Q4. The supply of rental homes in Dublin rapidly fell in 2022, and was at its lowest level in September (275 buy-to-let (BTL) houses and apartments available – plus an additional 20 PRS schemes advertised as having availability). There was a slight increase in the final months of 2022 and at the end of December the number of BTL properties to rent on Daft.ie stood at 485 (plus 23 PRS schemes), which is a 54% reduction compared to December 2021 when there were an estimated number of 950 properties advertised.

2. In Q2 2022 (the most recent official data available), the standardised average rent in new tenancies in Dublin was €2,011 per month according to the RTB, an annual increase of 8.8%.

Average Dublin Residential Rent (Q1 2015 – Q2 2022)



Source: RTB, CSO, Lisney analysis

Dublin Rental Supply (May 2019 – December 2022)

Source: Daft.ie, Lisney analysis

The Lisney Sotheby's International Residential Team

LEESON STREET


Louise Kenny
Director


David Bewley
Director


Robert Lawson
Divisional Director


Irene Kavanagh
Negotiator


David Ashmore
Director, Head of Country Homes


Sarah Moraghan
Administrator, Country Homes


Eoghan Redmond
Negotiator Support


Katie Consenheim
Administrator


Cian Pearse
Negotiator
Residential Sales


James O'Flaherty
Senior Negotiator
Town & Country Homes

DALKEY


Michelle Kealy Divisional Director, Branch Manager


Rory Kirwan
Director


Robyn Espey
Divisional Director


Caroline Kevany
Senior Negotiator


Bevan Rooke
Senior Negotiator


Claire Meade
Administrator

BLACKROCK


Ann-Marie McCoy
Director,
Branch Manager


Stephen Day
Senior Director


John O'Sullivan
Director


Ian Chandler
Senior Negotiator


Nikita Doyle
Negotiator


Maeve Suttle
Negotiator Support


Sophie Murphy
Administrator

DUNDRUM


Colm Quaid
Divisional Director &
Branch Manager


Colm Quaid
Director


Andy Mullins
Senior Negotiator


Michael O'Brien
Negotiator

HOWTH ROAD


Barry Connolly
Divisional Director


Eoin O'Toole
Senior Negotiator


Jennifer O'Reilly
Administrator

RANELAGH


Tracey Gilbourne
Negotiator


Louise Kenny
Director


Ciaran Cassidy
Divisional Director

The Lisney Research Team


Aoife Brennan
Director


Ausra Marcelyte
Senior Research
Analyst


Krystal Chikwe
Research Intern

Lisney
Sotheby's
INTERNATIONAL REALTY

DUBLIN
St. Stephen's Green House,
Earlsfort Terrace, Dublin 2
D02 PH42
T: +353 1 638 2700
E: dublin@lisney.com

103 Upper Leeson Street,
Dublin 4, D04 TN84.
Tel: 01 662 4511
Email: leeson@lisney.com

8 Railway Road,
Dalkey, Co. Dublin
A96 D3K2.
Tel: 01 285 1005
E: dalkey@lisney.com

11 Main Street, Dundrum,
Dublin 14, D14 Y2N6.
Tel: 01 296 3662
E: dundrum@lisney.com

51 Mount Merrion Avenue,
Blackrock, Co. Dublin,
A94 W6K7.
E: blackrock@lisney.com

171 Howth Road,
Dublin 3, D03 EF66.
Tel: 01 853 6016
E: howthroad@lisney.com

55 South Mall, Cork
T12 CCN3
T: +353 21 427 5079
E: cork@lisneysir.com

PSRA 001848

lisneysir.com