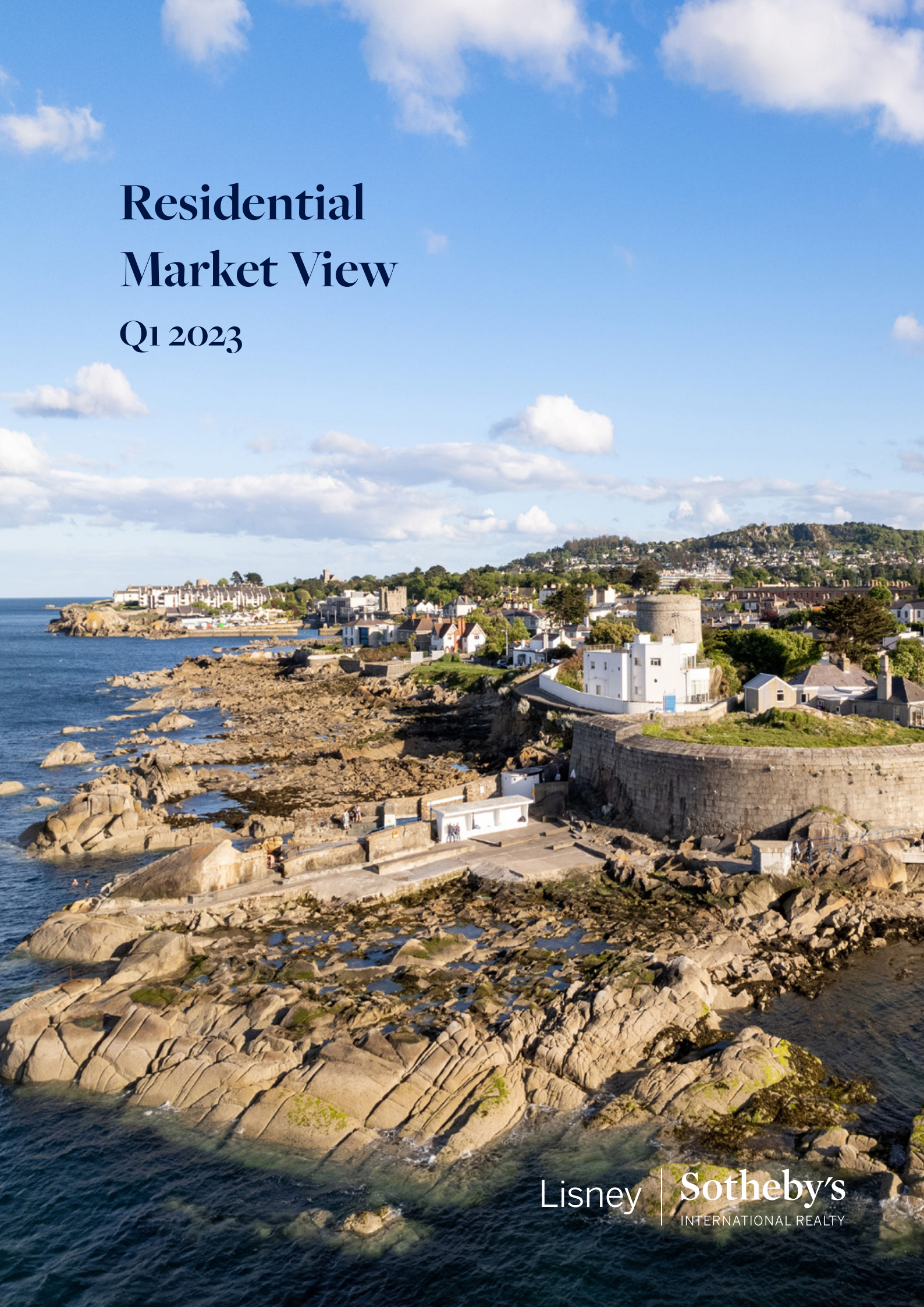


Residential Market View

Q1 2023



RESIDENTIAL MARKET IN NUMBERS

DUBLIN

CORK

House Prices

▶ +3%

The residential property price index for Dublin houses grew by 4.3% in the 12 months to the end of February 2023. In the 3 months (Dec-Feb), the index fell by 2.0%. Source: CSO

▲ +6.4%

The residential property price index for houses in the South-West region (Cork & Kerry) grew by 6.4% on an annual basis to the end of February 2023. In the 3 months (Dec-Feb), the index fell by 0.7%. Source: CSO

Properties Sold

▲ 14,210

Over 14,200 properties were sold across Dublin in the 12 months to end-January 2023 - 84% of these were existing homes and 16% were newly built homes.

Source: CSO

▲ 5,180

Almost 5,200 properties were sold across Cork in the 12 months to end-January 2023 - 80% of these were existing homes and 20% were newly built homes.

Source: CSO

Supply

▲ 3,700

There were about 3,700 second-hand residential properties for sale in Dublin at the end of March; 8% fewer than 3 months earlier but 5% more than a year previous. Source: MyHome.ie / Daft.ie

▼ 1,800

There were about 1,800 second-hand residential properties for sale in Cork at the end of March; 8% more than 3 months earlier but 38% fewer than a year previous. Source: MyHome.ie / Daft.ie

New Home Construction

▲ 10,370

Over 10,000 new homes completed in Dublin in 2022, an increase of 65% on the previous year. 67% were apartments. Source: CSO

▲ 3,100

Over 3,000 new homes completed in Cork in 2022, an increase of 40% on the previous year. Just 13% were apartments. Source: CSO

Mortgages

▲ 52,650

Nationally, mortgage drawdowns reached a 52,650 in 2022 with a combined value of over €14bn; the largest number of drawdowns since 2008. FTB accounted for 48% of new mortgages, while the average amount borrowed was €267,000 nationally.

Mortgage approvals in 2022 were over 58,000, the highest since 2011 (when records began) and while they increased further in January 2023, there was a 9% drop in February month-on-month. Source: IBPF

Arrow direction indicates trend since previous quarter

Trends and official statistics relating to the overall residential market do not always correlate with what Lisney Sotheby's International Realty agents experience on a day-to-day basis. Lisney Sotheby's International Realty is most active in the mid to upper price bracket in specific locations, and so our view is not always representative of the entire 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 Sotheby's International Realty View' set out in this report relates to our experience in the parts of the market we operate in.

OUR VIEW

Dublin

Good start to 2023 but interest rate hikes impacting

In summer 2022, the existing home market swiftly pivoted and what was a sellers' market became more of a power-share. 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 was evident at the end of last year that 2023 would be a more challenging year. Initially, this did not turn out to be the case. January and February 2023 were strong months in terms of demand, significantly better than the preceding six months, and while March was still busy, the market was calmer and frenzied multi-party bidding scenarios eased. This was influenced by a range of factors, but most notably the increased cost of mortgage finance, slight tremors in the global banking system and further tech job losses. It remains to be seen if this response is temporary or if it will become more entrenched.

While not all lived experiences fully reflect the economic situation, it is encouraging that Irish household savings are at record highs, continually growing month-on-month and there is full employment with most sectors still struggling to recruit talent. In the property market, house hunters continue to have requirements and viewing numbers remain strong if asking prices are realistic. However, a more cautious buyer approach can be seen in the generally slow progression from viewing to making an offer. There are some potential buyers adopting a wait-and-see approach; perhaps focused on the macroeconomic situation and/or potentially better value on offer in a few months' time.



Interest Rates

ECB - Main Refinancing Operations

3.5%

March 2023

0.0%

March 2022



ABOVE: 1 Richmond Hill, Monkstown,

Demand fixed on turnkey

Despite the calmer market conditions and purchasers bidding their time, demand remains for good for quality homes in well-connected desirable locations. Like recent years, properties in turnkey condition or only needing decorative work are attracting greatest demand. Properties requiring deep retrofitting or other construction works are taking longer to sell and must be priced appropriately with the cost of construction materials and availability of labour remaining a major impediment.

Buyers are very price sensitive, unwilling to bid past certain limits, but also unwilling to even view properties with asking prices past their budget. It has been notable in recent times how quickly demand for a property improves when the asking price is reduced by as little as 5%, clearly demonstrating the narrow margins buyers are working off.

With the significant increases in energy prices in the past year, the performance and efficiency of properties is of considerable interest to buyers. Practically all potential home buyers now ask about the BER of a property before viewing, whereas pre-2022, this was seldom asked and did not constitute a major deciding factor when buying a home. In the existing home market, a BER of A or B is in greatest demand, with ratings of C or below viewed significantly less favourably. The fact that lower 'green mortgage' rates are generally on offer for properties of B3 or better is also contributing to demand.



ABOVE: 49 Upper Leeson Street, Ballsbridge, Dublin 4

Various factors impeding activity

The greatest impediments in the market remain the chronic lack of supply and delays in completing transactions. Heading into the traditional spring selling season, the number of second-hand properties available for sale is very low; at just over 3,700 across Dublin. There are many well-discussed reasons for the persistent supply constraints in the Irish market over the last decade, but noteworthy at present is vendor fear around the timing of a sale. Bridging finance is not available to allow would-be sellers to move on and the dysfunctional rental market is not an option as there is virtually no supply (and there is no sign of improvement in the short-term as private landlords sell up and exit the market). A catch-22 situation remains where potential vendors cannot sell until they buy and cannot buy until they sell.

Another critical factor impacting the market is the continued delays in the Probate Office, where a grant of probate is often taking six months. Naturally this is causing concern for buyers, and many are reluctant to engage with properties when they have no certainty on when the sale could close. This is particularly the case if they are relying on finance and current mortgage offers are due to expire shortly. This is also the category of housing that generally requires most refurbishment works, which is another blow to demand and pricing for such homes.

Delays in mortgage drawdowns is also impacting activity levels. Banks are slow in converting 'approved in principle' offers to formal mortgage offers. Much of this could be due to the volume of applications they are receiving; mortgage approvals and drawdowns were at a 15 year high in 2022 (although approvals have dropped since February) and this was at a time when two high-profile and active lenders were exiting the Irish market. Equally, the protracted nature of conveyancing in recent years has delayed transactions, and it can take several months to move a property from sale agreed to sold. Each of the issues above, along with others, means that sales processes commonly involve property-chains, and consequently the occurrence of sales falling through is higher.

BELOW: Rathleigh Military Road,
Killiney, Co. Dublin





ABOVE: 5 Woodbrook, Rochestown, Co. Cork

Cork

Market activity depends on price point

Wider political and economic events are also impacting demand and activity in the Cork residential market. While the supply of existing homes for sale in Cork increased to 1,800 properties in March 2023, it had been falling for the previous six months and remains below that which is required. Not all properties and price points are performing uniformly. However, like all parts of the country, a trend that carries through the market is the demand for turnkey properties that are energy efficient.

“

1,800

the supply of existing homes for sale in Cork increased to 1,800 properties in March 2023

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Buyers returning to Ireland

The upper end of the market remains strong, but supply is not meeting demand. Irish people who have been living overseas for several years are one of the most active cohorts of purchasers for higher value homes. The increased prevalence of remote working since COVID means they can now move home while working for companies based overseas. Many are cash buyers or just requiring small mortgages, which has been assisted by currency exchange rates.

The mid and entry level parts of the market are experiencing 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, especially if they have the added cost of renting while trying to save.



ABOVE: Longueville House,
Mallow, Cork

BELOW: Ballywilliam House,
Ballywilliam, Cork



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. International buyers are the most active in the Irish country homes market, particularly at the higher price points. Domestic buyers are also active and are seeking homes either as their primary residence or as a second home to be used as a holiday retreat or to live there on a semi-permanent basis (especially those that are Dublin-based).

Buyers from overseas are a mix of Irish abroad but also citizens of other countries seeking a full-time or part-time home in Ireland. The majority are from the US and western Europe. UK demand, with the exception of expats,

continues to feature less than was the case pre-Brexit. The closure of the immigrant investor programme in February 2023 to further applicants (i.e. non-EEA citizens) removes one route to owning an Irish home for overseas buyers. However, this measure seems unlikely to have a significant impact on the market in the short-term. In the past decade, 90% of those receiving residency status through the scheme have been from China, who in that period were not overly active in acquiring properties in the country homes market. Purchasers working in the tech sector have been important buyers in the last decade. While this demand lessened in recent months, they will remain important buyers.



LEFT: Dunmore Bay and Horse Island, Loop Head, Co Clare



Purchasers will want to see fair value

New supply to the market is a little slow but the number of country homes coming to the market should grow in the coming months in line with normal seasonal patterns. Like all parts of the residential market, accurate pricing is critical to successful sales. Buyers are cautious given the wider macro-economic and political concerns, but demand is present if they see reasonable pricing. The presence of overseas interest will remain key to influencing domestic buyer decisions. If asking prices are too high, potential buyers (from home and abroad) will likely just stand back.

ABOVE: Dunmore Bay and Horse Island, Loop Head, Co Clare

“

Buyers are cautious given the wider macro-economic and political concerns, but demand is present if they see reasonable pricing.

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New Homes

BELOW: One Springfield,
Mount Merrion

Green benefits in demand

Like the existing home market, activity in the new homes market had a strong start to 2023 following a more difficult few months in the latter part of 2022. There are different factors at play in each market and reassuringly there was no weakening of sentiment in the new homes market in March 2023.

Newly built homes offer many benefits. Their green credentials have very much come to the fore in the last 12 to 18 months. Given their A-rating under the BER scale, they offer significant savings for homeowners in terms of running costs, which is a very important consideration at present. Green mortgage interest rates are also available, which are typically 30 bps lower than non-green rates (this could be a saving of up to €100 per month on repayments). The turnkey nature of new homes is also very attractive and provides occupiers with a quick and easy settling-in period where no costly refurbishment works or construction are required.



First-time-buyers moving ahead with purchases

FTB have made up 50% of the new homes market in Dublin and Cork in the last six years. Since 2017, FTB purchasing a new build home have been assisted by the Help-to-Buy scheme (currently the lesser of 10% of purchaser price or €30,000) and since July 2022 the First Home Shared Equity scheme (where the State will take an equity stake of up to 30%). Prior to purchasing a home, this FTB cohort is generally in the rental sector. With all the issues in the rental market including record high rents, along with the government assistance on offer to FTB to bridge the affordability gap, all FTB are eager to move ahead with new home purchases.



ABOVE: Thornhill Oaks,
Mount Merrion, Co. Dublin

Supply constraints will intensify

While there has been no slow-down in the new homes market, this trend may change into the summer months. Demand will remain strong for the foreseeable future, especially from FTB, but as supply constraints become more pronounced, buying options will be limited and this will hold back activity levels. Since mid-2022, the commencement of construction of new residential properties has been impacted by the rising cost of materials, labour, energy and finance, making many schemes unviable. Delays in the planning system due to objections and judicial reviews is also a major factor in the lack of improvement in new homes supply. Planning risk is of great concern to builders and developers at present, and it is hoped that the forthcoming new legislation (Planning & Development Bill, 2023) will assist and will give the construction industry more confidence to proceed.

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