

An aerial photograph of a coastal town, likely in the UK, showing a mix of traditional and modern housing. The town is built on a hillside overlooking the sea. In the distance, a small rocky island with a lighthouse is visible in the blue ocean. The sky is clear and blue.

Residential Market View

Q2 2023

Residential Market in Numbers

Dublin

Cork

House Prices

▼ -0.4%

▲ +3.5%

The residential property price index for Dublin houses fell slightly, by 0.4%, in the 12 months to the end of May 2023. In the 3 months (Mar, Apr and May), the index fell by 2.0%. Source: CSO

The residential property price index for houses in the South-West region (Cork & Kerry) grew by 3.5% on an annual basis to the end of May 2023. In the 3 months (Mar, Apr, May), the index fell by 1.5%. Source: CSO

Properties Sold

▼ 14,610

▼ 5,270

Over 14,600 properties were sold across Dublin in the 12 months to end-May 2023 - 84% of these were existing homes and 16% were newly built homes.

Source: CSO

Almost 5,300 properties were sold across Cork in the 12 months to end-May 2023 - 79% of these were existing homes and 21% were newly built homes.

Source: CSO

Supply

▲ 3,600

▼ 1,600

There were about 3,600 second-hand residential properties for sale in Dublin at the end of June 2023; 4% fewer than 3 months earlier and 10% fewer than a year previous. Source: MyHome.ie / Daft.ie

There were about 1,600 second-hand residential properties for sale in Cork at the end of June 2023; 3% more than 3 months earlier but static compared to a year previous. Source: MyHome.ie / Daft.ie

New Home Construction

▲ 10,750

▲ 3,330

Over 10,750 new homes completed in Dublin in the 12 months to end-March 2023, an increase of 45% compared to a year previous. 67% were apartments and just 33% houses. Source: CSO

Over 3,300 new homes completed in Cork in the 12 months to end-March 2023, an increase of 47% compared to a year previous. Just 14% were apartments with the majority houses. Source: CSO

Mortgages

▲ 53,230

Nationally, mortgage drawdowns reached 52,230 in the 12 months to March-2023 with a combined value of over €14.4bn; the largest number of drawdowns since 2008. Approximately 30% of these were in Dublin with about 11% related to Cork. FTB accounted for 48% of all mortgages, while the average amount borrowed was €273,000 nationally.

Mortgage approvals in the year to May 2023 were almost 57,000. While this is 4% greater than 12 months ago, approvals for the first 5 months of 2023 are down 19% compared to the last 5 months of 2022. Source: IBPF

The arrows and figures set out in the table above are annualised unless otherwise stated.

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

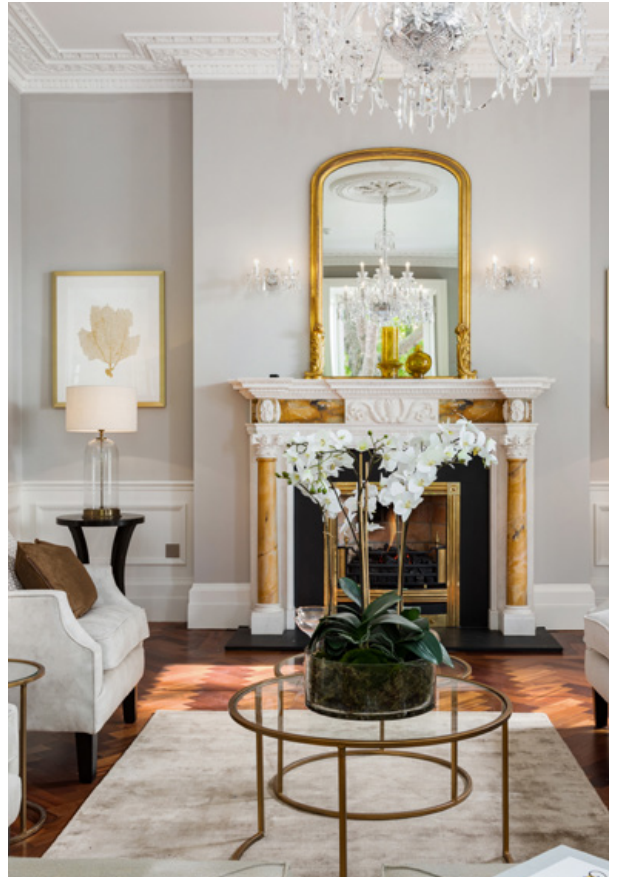
Dublin

Good start to 2023 but interest rate hikes impacting activity

As outlined in our previous reports, in mid-summer 2022 the existing home market swiftly pivoted and what had been a sellers' market became more of a power-share. This continued to be the case in Q2 2023. Global geopolitical and macroeconomic factors are the main causes of the adjustment in market dynamics; 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.

Since early March, the previously frenzied nature of the market has dissipated, and multi-party bidding scenarios have eased. This is due to a range of factors, but most notably the increased cost of mortgage finance and higher monthly loan repayments. 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 initial 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

4.0%

June 2023

0.0%

March 2022



Above: 30 Waltham Terrace, Blackrock Co. Dublin

Demand influenced by BERs

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 an impediment. Encouragingly however, there is a sense that these costs are plateauing, and there are more builders now available to quote for work, something that was inconceivable at the start of the year.

Buyers continue to be 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.



Various factors impeding activity

As was the case at the end of March, the greatest impediments in the market at the end of June were the chronic lack of supply and delays in completing transactions. As of mid-summer, the number of second-hand properties available for sale is very low; at just over 3,600 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 – even if they do try to move ahead and go 'sale agreed' on a new home, some vendors will not engage until their existing home is sold as they do not want to be involved in drawn-out chain sales.

Another critical factor impacting the market is the continued delays in the Probate Office, where a grant of probate is often taking five to six months. We have experienced cases where parties are contacting local TDs (government representatives) to intervene and move matters forward. Naturally the delays are 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 (and while approvals appear lower in Q1, they did recover in March, April and May) 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 continues to delay 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: Karibu,
Westminster Road, Foxrock





Above: Carrigaline, Co. Cork

Cork

Supply low but relatively stable

Wider global geo-political and economic events continue to impact the Cork residential property market. While the supply of existing homes for sale in Cork has been relatively stable in recent months, at around 1,500 second-hand properties advertised for sale, this remains below what is required. As has been the case for some time, 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.

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1,500

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Cash buyers fuelling demand for expensive homes

T Activity at the upper end of the market remains strong, fuelled by demand from cash buyers. These purchasers comprise a mix of local domestic buyers, Irish people who have been living overseas for several years but are returning home, and international buyers (mainly from the US and UK) seeking an Irish home. The majority require a detached residence in excellent condition and in a costal location, with quality period homes in particular demand.

The mid and entry level parts of the market are experiencing greater affordability issues, both for movers and FTB. There are few cash purchasers at these price points and due to interest rate increases, most are facing larger loan repayments. In addition, the impact of the higher cost of living generally is having a greater effect of them when compared to those who are at higher price points.

Below: Carrigaline,
Co. Cork



Country Homes

Fluctuating activity but quality buyers still active

The country homes market is currently experiencing fluctuations in activity levels, diverging from the usual seasonal selling patterns. This can be partly attributed to the continuous growth of international demand; historically slower periods, such as mid-summer and Christmas, now attract a higher influx of overseas prospective buyers. In spite of this, the overall market remains resilient, and sales activity is good. This is particularly true for homes with asking prices that align with market expectations. However, properties that are initially priced above market often undergo price reductions to bring them closer to prevailing levels.

Cash buyers continue to dominate

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. Notably, the US and EU play an increasingly significant role as key players. 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). Like all parts of the residential market, 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 in terms of price paid.



Left: Bramble Cottage, Strandhill, Sligo



Above: Bushey Park,
Enniskerry Co. Wicklow

Importance of being fully prepared

In the current market climate, being well-prepared is crucial, for both buyers and sellers. Those wishing to buy should be financed (whether by cash or mortgage funded) and ready-to-go once they find the home they want. For vendors, full legal preparation of draft sale contracts with title, boundary mapping and planning matters all attended to should be in place at an early stage. Given the number of overseas buyers in the market, curated digital 'walk-throughs' are now often relied upon and a prerequisite to attract greatest interest.

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New Homes

Below: 106 Goatstown,
Friarland, Dublin 14

Mortgage lending impacting the market

The new homes market remained very busy in the first half of 2023 with strong buyer sentiment outstripping supply. Demand from first-time-buyers (FTB) was particularly strong (see below) as they sought to exit the rental market or living with family. The continued increase in interest rates, as well as banks adopting more risk-averse policies (such as seeking greater levels of information and documentation from borrowers and delaying loan offers) have had a negative impact on the market in recent months. This has especially affected movers and investors but for FTB, the increases have been somewhat off-set by the increase to loan-to-income (LTI) ratios in January (rising to 4x gross household income from 3.5x).



Green benefits in demand

Newly built homes offer many benefits. Their green credentials have very much come to the fore in the last 24 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.

Homes qualifying of government schemes attracting FTB

FTBs have made up 50% of the new homes market in Dublin and Cork in the last six years. However recently, this proportion has risen to over 60%, partially due to the government support schemes, but also due to the increases in LTI mortgage ratios. Their demand is focused on new homes priced under €500,000 that qualify for one or both of the 'Help-to-Buy' scheme (currently the lesser of 10% of purchaser price or €30,000) and/or the 'First-Home-Scheme' (where the State will take an equity stake of up to 30%). Prior to purchasing a home, FTBs are generally in the rental sector. With all the issues in the rental market including record high rents, most renters are eager to move ahead with home purchases. The government assistance has (and will continue to) greatly helped with this in bridging the affordability gap and as such, demand for new homes greatly outweighs supply.



Above: Broadmeadow View,
Rolestown, Co. Dublin

Supply constraints will continue but prices will remain static

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We believe prices in this part of the market will generally remain static for the rest of 2023 and most of 2024.

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Despite supply remaining weak, there will be limited scope for any price growth in the new homes market in the next 12 to 18 months. Potential buyers will continue to face affordability constraints due to the economy and higher mortgage repayments. The €500,000 threshold for those homes and buyers qualifying for the government schemes will fix pricing levels in many developments. We believe prices in this part of the market will generally remain static for the rest of 2023 and most of 2024.

Given the market dynamics, many developers (particularly larger players) may look towards bulk sales of entire schemes to government backed purchasers such as approved housing bodies (AHB) and the Land Development Agency (LDA). This will further reduce the number of new homes available to the private market. While this is positive for the social and affordable sectors, it will put even further pressure on private buyers.

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