



# OUTLOOK 2024



# RESIDENTIAL

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## OUR VIEW

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 Irish property market we operate in.

## DUBLIN

### NO DRAMATIC FALL-OFF IN DEMAND EXPECTED

The Dublin residential market continues to evolve. Pre-summer 2022, it was very much a sellers' market with built-up pandemic-related savings and low interest rates fuelling exceptionally strong demand. Global geopolitical and macroeconomic factors, primarily due to the war in Ukraine, lead to a less disposable income as the cost of living and interest rates rose. These factors resulted in a less frenzied property market and a balancing of power between buyers and

sellers. This continued up until mid-summer 2023 but over the course of the second half of last year, the market became somewhat flat – a trend that will continue this year with no dramatic fall off in demand but also no bounce in activity. The significant lack of homes for sale will mean that transactions will occur, and prices will be generally stable.

Potential purchasers will remain cautious in the opening months of 2024 as elevated interest rates continue to impact affordability and repayment capacity for a large part of the market, particularly for those seeking lower to mid-priced homes, where borrowing is most prevalent. As interest rates begin to adjust downwards, likely in the second half of the year, this caution may lessen but will depend on the cause of the interest rate falls – a quick move downward may signal wider issues in the economy. At the upper-end of the market, cash purchasers dominate, and interest rates are of less relevance. However, any changes to interest rates and the wider macroeconomic situation affects market sentiment across the board. While not all individual experiences fully reflect the broader Irish economic situation, it is encouraging for the year ahead that Irish household savings remain at record highs, growing more than €4.5bn (+3%) in the first 10 months of 2023. It is also positive that there is still full employment with many economic sectors seeking to recruit talent, and inflation continues to ease falling four percentage points last year (to about 5%).

Censure House, Howth, Co. Dublin



28 Grosvenor Road, Rathmines, Dublin 6



### **BACKLOG WAITING TO RIGHT-SIZE**

House hunters continue to have requirements and viewing numbers remain good 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. Buyers will 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.

There are some potential buyers adopting a wait-and-see approach; perhaps focused on the macroeconomic situation, but also contending with constrained options due to lack of supply. There is also a large cohort of would-be sellers waiting to trade-down and right-size their housing requirement. The lack of forward options for them means a continuous vicious circle where their homes are not available to those wishing to trade-up. The absence of bridging finance and the complete lack of homes to rent to facilitate moves means it is easier for many to just remain in houses that are too large and not adequately meeting their needs.

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Seapoint House, Seapoint, Co. Dublin

### **DEMAND INFLUENCED BY BERs**

Purchaser demand will remain fixed this year on good quality homes in well-connected desirable locations. Like recent years, properties in turnkey condition or only needing decorative work will attract greatest demand. Properties requiring deep retrofitting or other construction works will take longer to sell and must be priced appropriately given the cost of construction materials and availability of labour remaining an impediment. Encouragingly however, there is some evidence that these costs have plateaued and there are more builders now available to quote for work.

With greater awareness around energy prices and a desire to reduce carbon footprints, 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.

The continued prevalence of WFH is also impacting demand. Properties that have a dedicated home office, high speed internet and a flexible design layout to accommodate remote working are very attractive.

### **LACK OF SUPPLY AND DELAYS**

Despite interest rate being at the highest level in 22 years, the greatest impediments in the market remain the chronic lack of supply and

delays in completing transactions. It seems unlikely that the upcoming Spring selling season beginning in March / April will bring any meaningful improvements in supply – as was the case in the Autumn selling season last year where the traditional bounce of about 30% in properties for sale in September did not materialise. That said, some further supply this year will come from ex-rental homes (notably apartments) as private landlords sell up and exit the market in even larger numbers. The measures from Budget 2024 last October are not enough to keep the majority of small-scale investors in the market and there is a fear of what further measures could be introduced by a future Government.

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. Many believe now is not a good time to sell given the interest rate environment. In addition, a catch-22 situation remains where potential vendors cannot sell until they buy and cannot buy until they sell. 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. Even if they do try to 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. That said, chain sales are becoming more common and will continue to be a feature of the market this year as there are very few other options open to parties who want to move forward. While still at very small numbers, off-market sales will continue to grow in popularity, perhaps giving all parties more freedom to assess options, but also allowing the market to be tested without full open market sales campaigns.

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Another critical factor that will impact the market this year is the continued delays in the Probate Office, where a grant of probate is taking 22 weeks from lodging. Naturally the delays are causing concern for buyers, and many will be reluctant to engage with properties when they have no certainty on when a sale could close. This is also the category of housing that generally requires most refurbishment works, which is another blow to demand and pricing for such homes. Many solicitors are now advising vendors to postpone sales until probate is granted. Given that probate sales are making up at least one-third of supply at present (and higher in certain areas), it will further affect supply levels this year.

Delays in mortgage drawdowns will also impact activity levels in the months ahead. With fewer lenders in the market since Ulster Bank and KBC exited last year, banks are slow in converting 'approved in principle' offers to formal mortgage offers as they forensically assess documentation. 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'. Both buyers and sellers will work hard to expediate the process, conscious of loan offers and prevailing interest rates.

Each of the issues above, along with others, will mean that sales processes this year will often involve property-chains and the heightened likelihood of sales falling through. It is welcome that the 'Seller's Legal Pack for Property Buyers Bill 2021' has moved to the second stage of Dáil debate. This provides that a full set of legal documents will be made available to potential buyers from the outset of marketing, hence ensuring the sale and conveyancing process moves more efficiently. Lisney Sotheby's International Realty fully supports the enactment of this Bill.



Carthy's Green, Stepside, Dublin 18

## CORK

### **BUYERS CAUTIOUS BUT TRANSACTIONS COMPLETING**

Generally, the trends in the Dublin market outlined above follow through to the Cork market. Supply constraints and delays in concluding deals will remain the key impediments in the market this year, while buyer caution will also be to the fore. Interest rates and repayment capacity will also be considerations into 2024, and unlike Dublin, the 22-year highs in ECB rates are impacting the upper-end of the market as well as the lower and mid-market. Demand is focused on turnkey properties that are energy efficient. For those seeking higher priced homes, their demand is focused on quality period properties in coastal locations and in excellent condition.

### **SUPPLY LOW BUT STABLE**

The limited number of homes for sale will continue to affect the market, however demand and prices are likely to remain reasonably static this year. The number of homes for sale has been relatively stable since 2020 and is below what is required. The traditional increase in supply in March / April is unlikely to bring any significant improvements as potential sellers will remain caught in a catch-22 situation – unable to sell until they buy and unable to buy until they sell. This trend will continue to hold back activity levels throughout 2024.

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ENERGY  
EFFICIENT**

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Horsehead House, Passage West, Cork



Glenmore House, Clonee, Co. Meath

## COUNTRY HOMES

### **INTERNATIONAL BUYERS FOCUSED ON HIGHER PRICED HOMES**

Many of the trends at the upper-end of the Dublin market remain relevant for country home sales. Demand in 2024 will continue to be driven by those with little or no reliance on mortgage finance and as such, the interest rate hikes will have limited impact in terms of affordability. However, the wider macro-economic conditions surrounding interest rate movements could affect sentiment and potential purchasers will be cautious.

International buyers will be the most active in the Irish country homes market this year, especially for the highest priced properties. 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. Buyers from the US and EU countries will feature strongly while UK demand, with the exception of expats, will continue to feature less. These buyers will often be assisted by curated digital 'walk throughs', which will help identify realistic demand early in the house-hunting process. Domestic buyers will continue to seek homes either as their primary residence or as a second home to be used as a holiday retreat or to live in on a semi-permanent basis (especially those that are Dublin-based).

### **SUPPLY ALSO AN ISSUE IN COUNTRY HOMES MARKET**

The supply of country homes and estates across Ireland remains below what is normal and what is required to fulfil demand, a trend that is unlikely to improve in the near-term. Consequently, activity levels will continue to fluctuate, even on a month-to-month basis. Nevertheless, the market overall is strong and in 2024, the most robust levels of activity will continue to be linked to homes where the asking price aligns with market expectations. Properties that are initially priced above market will likely undergo price reductions to bring them closer to prevailing levels, and as such will be slower to sell. As with other parts of the residential market, prices are likely to remain relatively stable over the year.



Caragh House, Prosperous, Co. Kildare





Lisney  

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Sotheby's  
INTERNATIONAL REALTY

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