

Residential Market View

H1 2024



Lisney | Sotheby's
INTERNATIONAL REALTY

Residential Market in Numbers

Dublin

Cork

House Prices

▲ +9,2%

▲ +8.8%

The residential property price index for Dublin houses fell by 1.4%, in the 12 months to the end of May 2024. In the 3 months (March, April & May), the index grew by 1.1%. Source: CSO

The residential property price index for houses in the South-West region (Cork & Kerry) grew by 8.8% on an annual basis to the end of May 2024. In the 3 months (March, April & May), the index grew by 0.4%. Source: CSO

Properties Sold

▲ 16,927

▲ 4,940

Over 14,400 properties were sold across Dublin in the 12 months to end-May 2024 – 13.8% more than in the previous 12 months. Source: CSO

Over 4,200 properties were sold across Cork in the 12 months to end-May 2024 – 11.1% more than in the previous 12 months. Source: CSO

Supply

▼ 3,400

▶ 1,600

There were about 3,400 second-hand residential properties for sale in Dublin at the end of June 2024; a similar level to 3 months earlier but 7% 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 2024; a similar level to 3 months earlier and also a year previous. Source: MyHome.ie / Daft.ie

New Home Construction

▲ 10,474

▼ 3,330

Over 10,400 new homes were completed in Dublin in the 12 months to end-June 2024, an increase of 17.6% compared to a year previous. 76% were apartments and just 24% houses. Source: CSO

Over 1,000 new homes were completed in Cork in the 12 months to end-June 2024, a decrease of 15.5% compared to a year previous. 35% were apartments with the majority houses. Source: CSO

Mortgages

▼ 41,513

Nationally, mortgage drawdowns reached 41,513 in the 12 months to March 2024 with a combined value of over €11.6bn. While this is below the 12-month rolling figures for the past 6 months, it remains ahead of average figures since 2009. FTB accounted for 61% of all mortgages, while top-ups and remortgages stood at 15% of the total.

Mortgage approvals in the year to April 2024 were just below 50,000. While this is a similar level to the 12-month rolling figure in more recent months, it represents a slowdown on 2022 and 2023 levels.

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

No Fall-off in Demand Expected

The Dublin residential market continues to undergo challenges. Before summer 2022, it was predominantly a sellers' market, with strong demand fuelled by pandemic savings and low interest rates. However, global economic and geopolitical challenges, such as the war in Ukraine and rising living costs, have since slightly cooled this initial frenzy.

Despite these broader economic headwinds, the first half of 2024 witnessed remarkable market resilience. Strong buyer demand has pushed prices upward. Many properties sell within a couple of weeks of launch, often over the asking price. Buyers are bullish and have driven prices higher than anticipated since January 2024, particularly in the sub-€1m price bracket. Values in some areas have increased by approximately 10% this year, reaching peak levels seen in 2006 for turnkey homes in desirable locations.

Buyers now expect to pay 10% to 20% over asking prices, making it crucial for sellers to set realistic prices. Our recent success in public auctions highlights the market's strength, with three properties sold achieving between 13% and 36% above guide prices. Overpricing can deter buyers who automatically factor in an additional 10% to 20% and may not view properties deemed too expensive.

In addition, with interest rates beginning to adjust downwards, buyers are keen to transact, sensing that values will increase further as rates reduce. The lowering of interest rates is expected to stimulate even more demand, although supply will remain relatively low, and a significant increase (approximately 30%) is needed to reach market equilibrium.

Changes in Market Seasonality

The Dublin residential market is less seasonal than in previous years, with increased activity anticipated in July and August. This shift suggests that buyers are more willing to transact outside the traditional peak times of spring and autumn, reflecting a sustained demand throughout the year. However, the market continues to face significant supply challenges, as the number of available properties remains exceptionally low, approaching levels seen during the pandemic.



Interest Rates

ECB - Main Refinancing Operations

4.25%

June 2023

0.0%

March 2022



Above: Tinnahinch, Plunkett Avenue, Foxrock, Co Dublin

Demand influenced by BERs

Purchaser demand remained focused on high-quality homes in well-connected desirable locations. As in recent years, properties in turnkey condition or only needing decorative work attracted the most interest. In contrast, homes requiring extensive retrofitting or other construction work took longer to sell and had to be priced competitively due to the high cost of construction materials and limited availability of labour. These properties also faced a smaller pool of potential buyers, as they were primarily limited to cash purchasers and excluded the large pool of first-time buyers relying on mortgages. Encouragingly, there is some evidence that construction costs have plateaued, and more builders are now available to quote for work.

With greater awareness around energy prices now and into the future, 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.



Lack of supply and delays

Despite interest rates being close to 22 year highs, the greatest impediments in the market remain the chronic lack of supply and delays in completing transactions.

Persistent supply constraints in the Irish market over the last decade are due to many well-discussed reasons. One of the key factors currently is vendor fear around the timing of a sale. A catch-22 situation remains as would-be vendors cannot sell until they buy, and they cannot buy until they sell. Bridging finance is unavailable, and the dysfunctional rental market, with virtually no supply, is not a viable option. Even when trying to go 'sale agreed' on a new home, some vendors will not engage until the seller's existing home is sold, as they want to avoid being involved in drawn-out chain sales. That said, chain sales are becoming more common.

Another critical factor affecting the market is the continued delays in the Probate Office. While the grant of probate has sped up to 16 weeks, these delays still cause concern for buyers, many of whom are reluctant to engage with properties without certainty on when a sale could close. This is especially problematic for buyers relying on finance, with current mortgage offers due to expire shortly. This category of housing generally requires the most refurbishment, further impacting demand and pricing for such homes. Many solicitors now advise vendors to postpone sales until probate is granted.

Delays in mortgage drawdowns and legal processes also continue to affect activity levels. Mortgage providers are slow in converting 'approved in principle' offers to formal mortgage offers, meticulously assessing documentation. It can take up to six weeks for a formal loan offer, with further delays for buyers who have lived abroad. Additionally, the protracted nature of conveyancing in recent years continues to delay transactions, often taking several months to move a property from 'sale agreed' to 'sold'.

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, and we encourage the government to try move this Bill forward before the end of the current Dáil. This proposed legislation 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.

Below: 112 Shrewsbury Lawn,
Cabinteely, Dublin 18





Above: Knockeven House, Knockeven, Cobh, Co. Cork

Cork

Increased Activity

The Cork residential market saw a notable rebound in the first half of 2024, with an increase in supply and an uptick in market appraisals. Notably, the market between €500,000 and €1m saw particularly robust activity and experienced greater levels of demand with cash buyers remaining a dominant force.

In the higher-end market, while there was also an increase in supply, the buyer pool was more selective. Transactions at this level tend to be less competitive and often occur with only one or two interested parties. Nonetheless, the increase in properties coming to the market is helping to maintain interest and activity in this segment.



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There is optimism that this trend will shift as the summer progresses, leading to more robust activity in the higher end of the market.

Looking ahead, the Cork market is set for a positive trajectory for the remainder of 2024. The anticipated further decrease in interest rates is expected to boost market activity. The continued increase in supply should alleviate previous constraints and offer buyers more options. While the number of cash buyers in the over €1m bracket has moderated, there is optimism that this trend will shift as the summer progresses, leading to more robust activity in the higher end of the market. Living generally is having a greater effect of them when compared to those who are at higher price points.

Below: 16 Blackrock House,
Blackrock Road, Cork



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 continues to be driven by those with little or no reliance on mortgage finance and as such, interest rates have more limited impact in terms of affordability. However, in urban regions, especially near Dublin and Cork, mortgage-based funding plays a more significant role.

International buyers were the most active in the Irish country homes market in recent times, especially for the highest-priced properties. Key markets remain the US and increasingly the EU

with Ireland emerging as a preferred destination for second or vacation homes over traditional options like southern France, Spain, Portugal, or Italy, due to the impact of climate change and extreme temperatures in those areas at certain months. The Irish, particularly those who emigrated during the 1980s and built successful careers abroad, are now seeking homes in Ireland to reconnect with their roots, often motivated by the desire to be near elderly parents and to ensure their children maintain ties to Irish culture.

The rise of hybrid working has expanded the commuter belt around cities, increasing demand and driving up property prices in these newly popular areas. The traditional €1m ceiling for properties outside Dublin is shifting, with a growing number of buyers willing to spend up to €1.5m. However, beyond this price point, the buyer pool thins rapidly, offering considerable value for those with budgets of €2.5m or more.



Left: Moyvannan Castle, Moyvannan, Kiltoom, Co. Roscommon



Above: The European Club

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. Nevertheless, the market overall is strong.

Geographically, over half of the available properties above €2.5m are located in Leinster, with about a third in Munster. Connacht, while representing around 15% of these high-end properties, is experiencing significant growth in homes priced over €1m, driven by the rising demand for coastal properties.

Price growth is most evident in waterfront properties, homes within the new 100km hybrid working commuter belt, and those in top condition, while restoration projects are emerging as good value opportunities. The traditional appeal of hunting, shooting, and fishing estates has diminished, with buyers now favouring rewilding projects and estates rich in ancient woodlands and diverse flora and fauna. A notable gentrification is taking place along Ireland's coastline, with premiums paid in coastal regions and significant premiums paid for waterfront homes, especially those on the sea. There is a strong preference for homes in excellent condition that do not require major restoration, as the challenges of managing such projects, particularly from abroad, and the steep rise in construction costs over the past five years have made renovation less appealing.

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New Homes

The new homes market has remained very busy in the first half of 2024 with strong buyer sentiment outstripping supply

Demand from first-time buyers (FTB) continued to be particularly strong as they sought to exit the rental market or living with family. Banks adopting more risk-averse policies (such as seeking greater levels of information and documentation from borrowers and delaying loan offers) have had an 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 early 2023 (rising to 4x gross household income from 3.5x).

The Irish housing market continues to be characterised by a severe shortage of supply, particularly in the second-hand sector, which is exerting upward pressure on prices. This has driven a significant increase in demand for new homes, fuelled by homes' turnkey condition, energy efficiency, preferential 'green' mortgage rates and government support schemes. Government initiatives like the Help-to-Buy and First Home Shared Equity schemes have been instrumental in supporting this demographic and are crucial in supporting affordability amidst rising construction costs. However, the €500,000 threshold for these schemes in Dublin quickly becomes inadequate. Recent decreases in interest rates have positively impacted buyer sentiment, potentially encouraging more homeowners to enter the market. The increased competition among lenders has also resulted in more favourable interest rates.



Below: St James, Cross Avenue, Blackrock

Housing Supply

While new home supply has seen a significant uptick, it remains below required levels. The increasing involvement of government-backed entities in the new homes sector is a notable development. The Land Development Agency (LDA) plans to accelerate affordable housing delivery through a new partnership with 15 leading Irish homebuilders. This initiative, part of Project Tosaigh programme, aims to deliver over 5,000 new affordable homes, building on the success of the first phase which secured agreements for the delivery of over 2,800 affordable homes. This is a positive step, but it also underscores the need for increased public sector involvement in addressing the housing crisis.

The recent ESRI report (July 2024) highlights the critical shortage of housing in Ireland. The report projects an average annual need for approximately 44,000 new homes between 2023 and 2030, and 39,700 between 2030 and 2040. However, these figures are sensitive to assumptions on migration, household size, and housing obsolescence.

Considering the ESRI's findings and other factors, the government estimates that around 50,000 new homes will be needed annually. The final figure and revised housing targets, including a breakdown of social, affordable, and private housing, will be announced in October and will take effect from 2025.



Above: 65 Rock Road, Blackrock, Co. Dublin

Market Constraints

Several factors are hindering the housing market's ability to meet demand. The availability of adequate water and wastewater infrastructure, as highlighted by Irish Water's "Drains before Cranes" initiative, is a critical constraint on development. Additionally, the complex planning process, including lengthy appeals and judicial reviews is delaying projects and creating uncertainty for developers. While the government's efforts to address these challenges through initiatives such as the waiver of development levies and the proposed planning bill are steps in the right direction, more comprehensive reforms are needed to expedite the planning process and reduce risk for developers.

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Attractive A-rating

Newly built homes offer many benefits. Their green credentials have very much come to the fore in the last two years. 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, so far in 2024, this proportion has risen to 53%, partially due to the government support schemes, but also due to the increases in LTI mortgage ratios. FTB 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. Government assistance has greatly helped with this (and will continue to) in bridging the affordability gap and as such, demand for new homes greatly outweighs supply.

Ballsbridge



Louise Kenny
Director,
Branch Manager



David Bewley
Senior Director



Robert Lawson
Divisional Director



Irene Kavanagh
Senior Negotiator

Country Homes



David Ashmore
Director



James O'Flaherty
Senior Negotiator



Oliver Pearson
Negotiator

Dublin North



Barry Connolly
Divisional Director

Blackrock



Ann-Marie McCoy
Director,
Branch Manager



Stephen Day
Senior Director



Ian Chandler
Senior Negotiator

Dalkey



Michelle Kealy
Divisional Director,
Branch Manager



Rory Kirwan
Director



Robyn Espey
Divisional Director



Caroline Kevany
Senior Negotiator

Ranelagh



Tracey Gilbourne
Divisional Director,
Branch Manager

New Homes



Frank McSharry
Divisional Director



Stephanie Patterson
Divisional Director



Maureen Cummins
Development Manager



Diana Mandaji
Negotiator

Cork



Trevor O'Sullivan
Divisional Director,
Branch Manager



Laura Pratt
Senior Negotiator



Eileen Neville
Senior Negotiator

The Research Team



Aoife Brennan
Senior Director



Ausra Marcelyte
Senior Research Analyst

Lisney

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INTERNATIONAL REALTY

As the largest full-service Irish-owned property company in the country, Lisney is at the forefront of property in Ireland. Through our brands Lisney Sotheby's International Realty and Lisney Commercial Real Estate, we serve all sectors of the industry. Lisney Sotheby's International Realty deals with the Irish residential property market. Meanwhile, Lisney Commercial Real Estate focuses on the commercial property market. Both brands have a reputation for excellence, regularly surpassing clients' expectations.

BALLSBRIDGE

103 Upper Leeson Street,
Ballsbridge, Dublin 4,
D04 TN84
+353 (0)1 662 4511
ballsbridge@lisneysir.com

DUBLIN NORTH

St. Stephens Green House,
Earlsfort Terrace, Dublin 2,
D04 TN84
+353 (0)1 662 4511
dublinnorth@lisneysir.com

BLACKROCK

51 Mount Merrion Avenue,
Blackrock, Co. Dublin,
A94 W6K7
+353 (0)1 280 6820
blackrock@lisneysir.com

COUNTRY HOMES & ESTATES

St Stephens Green House,
Earlsfort Terrace, Dublin 2
D04 TN84
+353 (0)1 638 2799
countryhomes@lisneysir.com

DALKEY

8 Railway Road,
Dalkey,
Co. Dublin, A96 D3K2
+353 (0)1 285 1005
dalkey@lisneysir.com

CORK

55 South Mall,
Cork, T12 RR44
+353 (0)21 427 8500
cork@lisneysir.com

RANELAGH

29 Dunville Avenue,
Ranelagh
Dublin 6, D06 K283
+353 (0)1 662 4511
ranelagh@lisneysir.com

lisneysir.com