



BPFI Housing Market Monitor Q4 / 2023

With a commentary by Dr Ali Uğur
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OVERVIEW OF TRENDS

BPFI Housing Market Monitor Q4/2023

Indicator	Latest quarter	One year ago	% change
Dwelling completions	10,289	9,105	13.0%
Dwelling commencements	8,878	6,038	47.0%
Dwelling planning permissions*	9,662	6,743	43.3%
Transactions	14,285	14,410	-0.9%
Yr/yr change in transaction prices	4.4%	7.7%	
Mortgage approvals	11,268	14,417	-21.8%
Mortgage drawdowns	11,584	15,888	-27.1%

*Data available up to Q3 2023



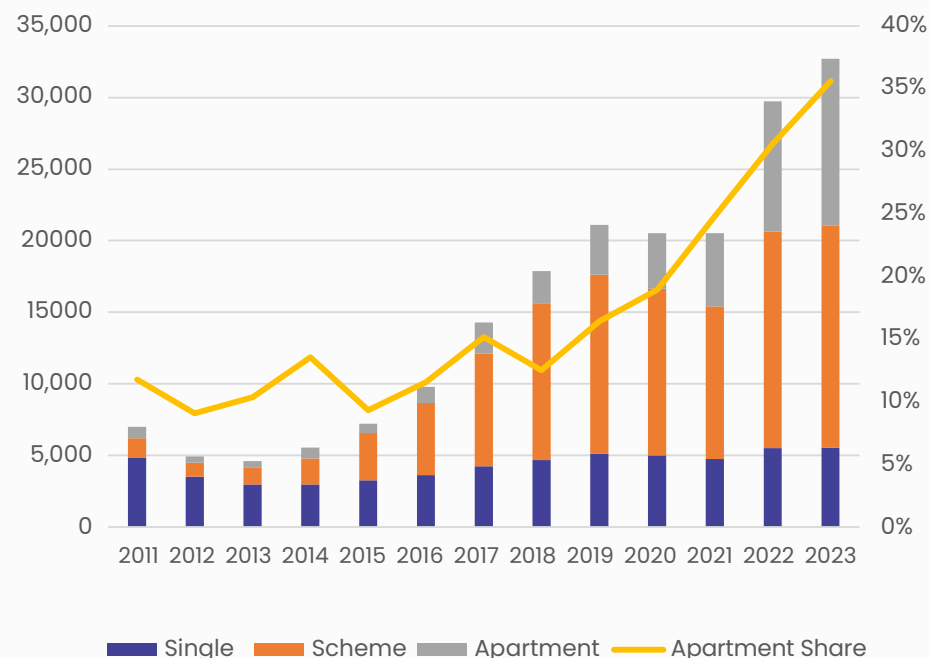
Continued State financial support will be needed to ensure the stability of future housing supply

There were 32,695 housing completions during 2023, an increase of 10% from 2022 and an impressive 55% increase from 2019, prior to the pandemic. Activity was very strong in the last quarter of 2023 with 10,289 completions. The scale of the increase in supply can be illustrated by the fact that the level of completions in 2023 was higher than the total housing supply in the five years between 2011 and 2015. Nearly 60% of all completions in 2023 were in Dublin or the Dublin commuter belt (Kildare, Louth, Meath and Wicklow).

Most of the increase in completions between 2022 and 2023 is accounted for by the increase in the number of apartment completions, which reached over 11,600 units. The proportion of apartments being built has been rising over recent years, increasing from 16% of all completions in 2019 to over 35% in 2023. The number of apartments completed in the last two years was more than the total number of apartments built in Ireland in the ten-year period to 2021. The increase in the number of apartments in total completions has also led to decline in the average dwelling size, about a quarter, between 2016 and 2023. Decreases in the average size of single and scheme dwellings have probably also contributed to this decline. It is likely that the share of apartments in total completions will increase further in the coming years as nearly half of all planning permissions approved in the period 2019-2023 were for apartments, with 101,883 apartment units receiving planning permission during the period.

Commencement figures in the prior year is a good lead indicator of total completions in a year. Over 32,800 housing units were commenced in 2023, nearly 22% more than the level of commencements in 2022. Commencements figures for January 2024 are also encouraging, with 3,357 housing units started during the month, a 59% increase on January 2023 and the highest level observed in any January period since 2007.

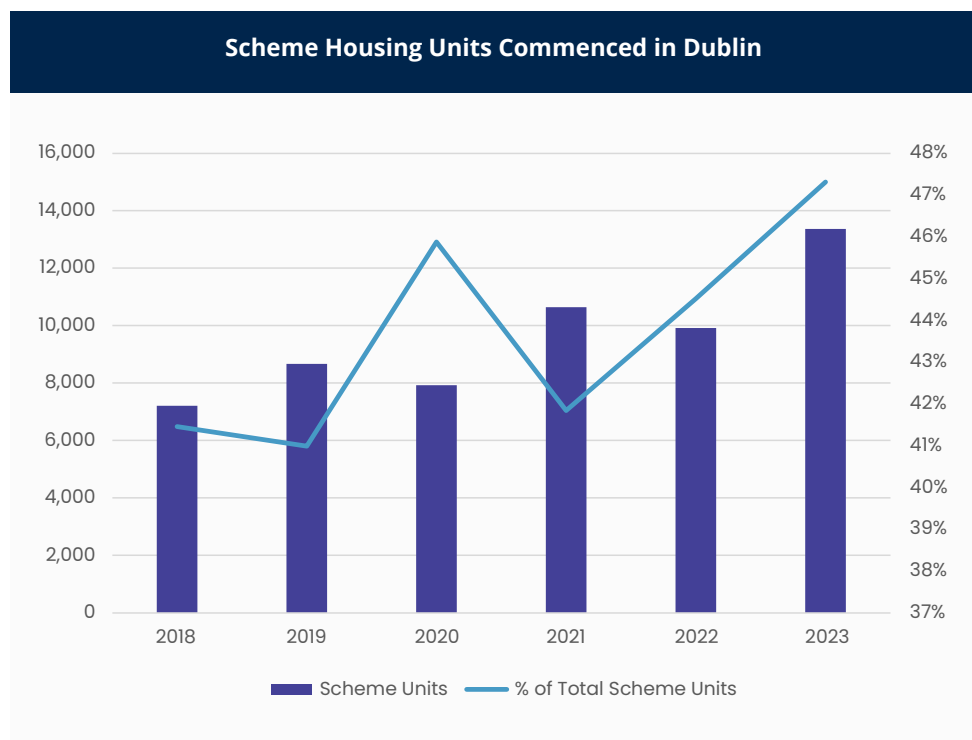
Number of Completions and Apartment Share of Completions



Source: Central Statistics Office (CSO)

Apartments will play a key role in future housing supply

Scheme housing (house and apartment) commencements have increased significantly in Dublin in recent years, reaching almost 13,400 in 2023. The county's share of scheme housing starts increased from 41% in 2019 to 47.3% in 2023. Within Dublin, the sharpest increase has been seen in Dublin City, where the number of such housing units more than doubled between 2021 and 2023 to more than 4,900 units, accounting for 17.5% of housing starts nationwide.



Source: Department of Housing, Local Government and Heritage

Apartments dominate housebuilding activity in Dublin, accounting for 12,555 (81.6%) of the 15,385 housing units under construction by the end of Q3 2023, according to the Housing Supply Coordination Task Force for Dublin. In addition, planning permissions were in place for a further 51,200 apartments that had not yet commenced building.

Most new apartments are built for the non-household sector. CSO figures indicate that only 523 new apartments in Dublin were bought by households in 2023. Given the dominance of the non-household sector in purchasing apartments and the expected increase in apartment building activity in the near term, projects aimed at social and affordable housing as well as cost rental should help to free up house supply for household purchasers. This in turn should ease the demand pressure from potential homebuyers.

Annual housing price inflation in Ireland peaked at over 15% in March 2022 and declined since then until September 2023, along with increasing supply, but picked up again in the last two months of 2023. Average prices increased by 4.4% in the 12 months to December 2023 according to the most recent data from the Central Statistics Office (CSO). During the same period, prices in Dublin rose by 2.7% whereas prices outside Dublin increased by 5.7%. The average price of a residential property sold in the year to December was €327,500.

FTB mortgage demand remains very strong

In terms of the mortgage market, overall mortgage activity declined in 2023 both in volume and value terms. There were 43,587 mortgage drawdowns valued at €12.1 billion in 2023 compared with 52,634 drawdowns valued at €14.1 billion in 2022 – representing a 17% decrease in volume terms and a 14% drop in value terms. However, this decline was largely driven by a sharp drop in the switching activity in 2023. In fact, nearly all of the decline in the value of overall mortgage activity in 2023 can be attributed to the decline in the value of switching activity, which dropped from €3.6 billion in 2022 to €1.3 billion in 2023.

At the same time, first-time buyer (FTB) activity was still strong and almost 26,000 mortgages were drawn down by FTBs in 2023, the highest level reached since 2007, bringing the share of FTB mortgages to 59% of the overall activity in 2023 compared with around 47% in 2022.

Mortgage approvals volumes reached 49,898 in 2023, a decrease of 14% from 2022, again mainly accounted for the significant decline in switching activity. In fact, when we look at house purchase activity, which excludes switching and top-ups, we see that both the number and the value of mortgages approved for house purchased increased in 2023. January 2024 figures show that 3,262 mortgages to the value of €0.9 billion were approved, of which FTBs accounted for over 62%. These are the highest January FTB volumes and value since the data series began in 2011.

Revenue Commissioners data on the Help to Buy (HTB) scheme, which supports FTBs buying or building new dwellings, shows that there were 23,750 applications in 2023 resulting in nearly 7,266 claims. There were almost 12,400 applications to the scheme in the first two months of 2024 alone, 69% higher than the same period of 2023. It's worth noting that most applications expire at the end of each year so applicants who have not yet claimed must make a new application in the following year.

Following on from a strong year in terms of housing output in 2023, we expect housing supply to increase further in 2024. However, it is likely that a significant share of this year's housing output will be accounted for by apartments. Given the declining interest of institutional investors in financing the development of apartments, the State will have to play an increasing role in terms of risk sharing with the private sector, in addition to current initiatives aimed at improving the viability of some of the projects.

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New dwellings completed

Almost 10,300 new dwellings were completed in Q4 2023, according to the Central Statistics Office (CSO), 13% more than in Q4 2022.

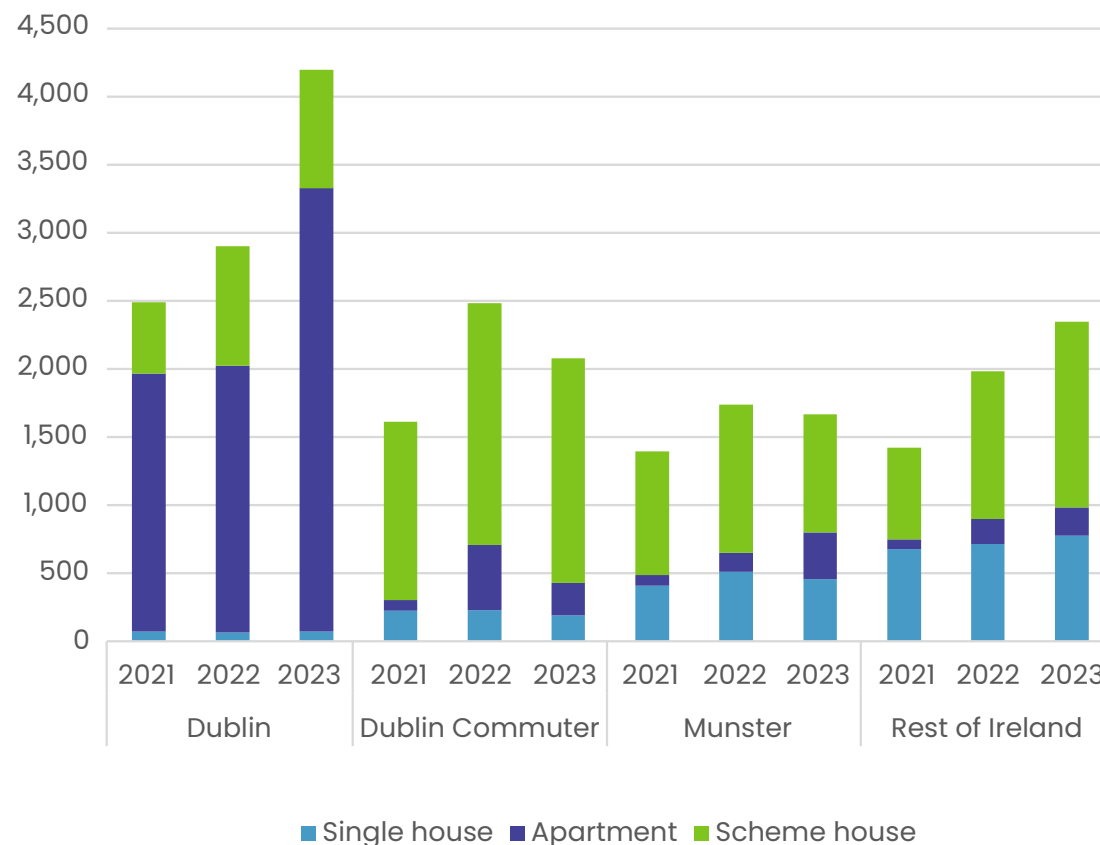
There were more than 4,752 scheme house completions in Q4 2023, a decrease of 1.5% year on year. Scheme houses accounted for 46.2% of completions in the quarter.

Dublin accounted for about 40.8% of all completions in Q4 2023 and 80.7% of apartment completions. Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 16.2% and 20.2% of completions, respectively.

While the number of apartment completions in Dublin rose by 66.6% year on year to 3,259, the number of apartment completions in Dublin Commuter decreased by 51% to 235.

New dwelling completions increased by 10% in 2023 to 32,695, with apartments completed up by 28% to 11,642. Some 78% of apartments in 2023 were in Dublin, while 32% of scheme completions were in the Dublin Commuter region.

Note: Q4 only. Source: CSO



New dwellings commenced

Almost 8,900 housing units were started in Q4 2023, 47% more than in Q4 2022 and the second highest quarterly (activity spiked to 12,665 in Q3 2021 following the lifting of Covid-related health restrictions) since Q3 2007.

Dublin and Dublin Commuter accounted for 45.1% and 17.3%, respectively, of housing starts in Q4 2023. More than 3,900 dwellings were commenced in Dublin, almost 1,600 units more than in Q4 2022. Housing starts increased by 45.2% in year on year to 1,532, the first such increase since Q1 2022.

Only 11% of units commenced in Q4 2023 were one-off units, the lowest proportion since the data series started in 2004.

More than 32,800 housing units were started in 2023, 21.7% more than in 2022 and the most in a calendar year since 2007. Some 41.4% of housing starts were in Dublin and one-off units only accounted for 13.9% of the total.

Note: Q3 only. Source: Department of Housing



New dwelling planning permissions

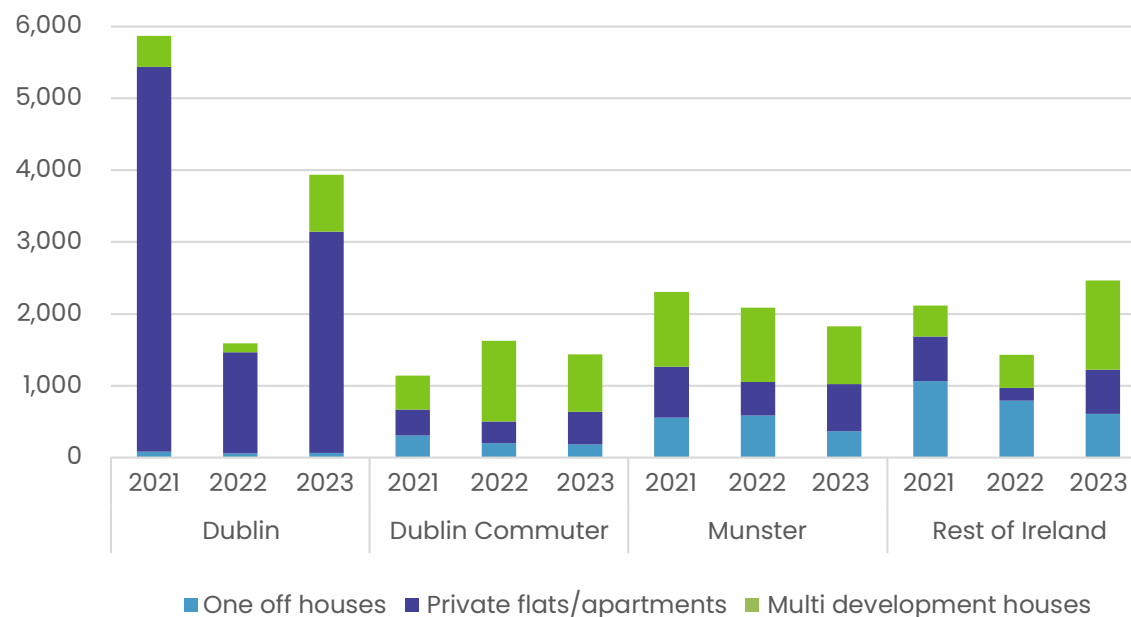
The number of residential units granted planning permission rose by 43.3% year on year in Q3 2023 to 9,662.

More than 4,800 apartments were granted planning permission in Q3 2023, about half of all units and more than double the number in Q3 2022. Dublin accounted of 64.1% of apartments nationwide and 17.8% of houses. Dublin City Council alone accounted for 47.3% of all apartments.

The Dublin Commuter region accounted for 14.9% of units granted planning permissions, compared to 24.1% in Q3 2022. The number of dwelling units approved in Munster decreased by 12.9% year-on-year, however, apartments in the region increased by 41.9% compared to Q3 2022.

The number of dwelling units approved in Kildare decreased by more than 400 year on year while the units approved in Limerick, Louth, Meath and Westmeath increased by more than 300 compared to Q3 2022.

Note: Q3 only. Source: CSO



Transaction prices

Residential property price inflation increased in Q4 2023, with prices up by 4.4% in the twelve months to December 2023, compared with an increase of 7.7% in the year to December 2022.

Prices for new dwellings were up 9.2% year on year, while prices of existing dwellings were 1.6% higher.

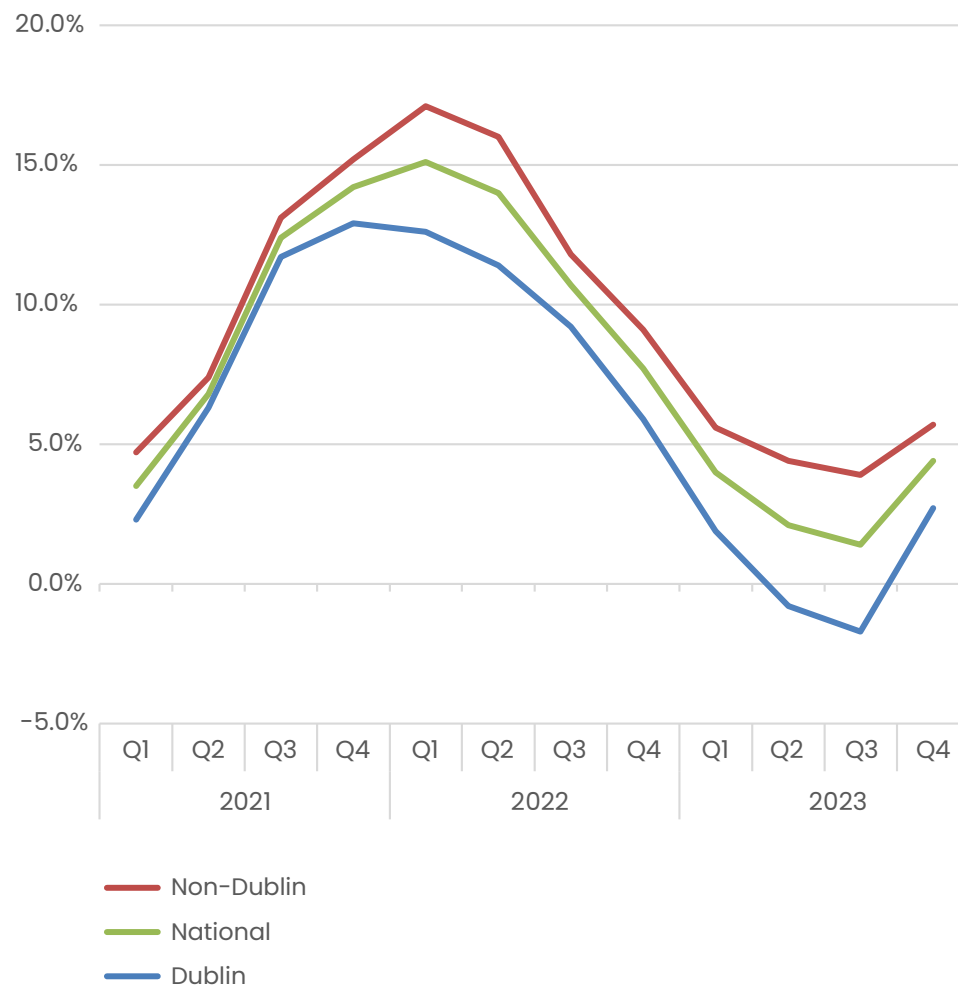
House prices in Dublin increased by 2.7% in the 12 months to December 2023, while apartment prices in the county increased by 2.6% year on year.

Residential property price inflation outside Dublin rose by 5.7% year on year, with house prices up by 5.6%.

Prices vary significantly by location, type and status. At almost €410,000, the median new dwelling price was more than €110,000 higher than the median existing dwelling price in December 2023 (based on filings of household purchases at market prices).

Seven local government areas (all of Dublin, Kildare and Wicklow) had median residential property prices at or above the national median price of about €328,000 in December 2023. By contrast, each county in Connacht-Ulster (except Galway) had a median price of €200,000 or less.

Source: CSO



PROPERTY TRANSACTIONS

Household market purchases of residential property fell by 0.9% year on year to 14,285 in Q4 2023. On an annualised basis, there were 50,234 purchases in the twelve months ending December 2023. Activity had peaked at 50,687 in the twelve months ending August 2023.

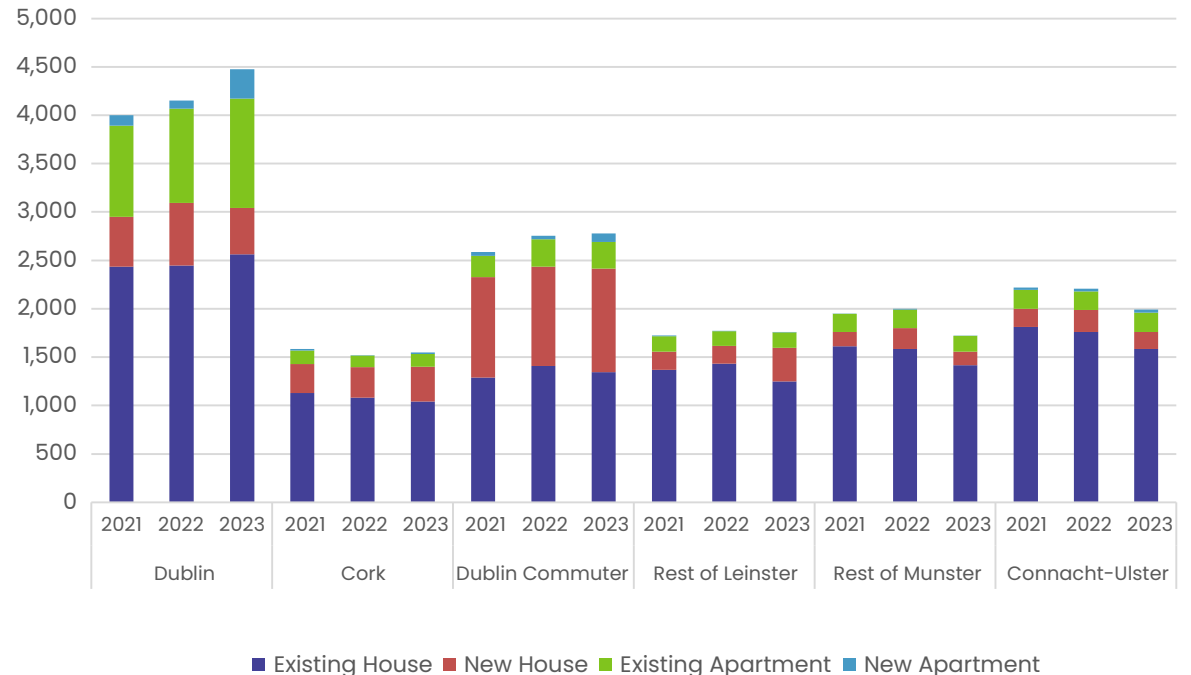
Dublin was the largest housing market in Q4 2023 with almost 4,500 household market purchases, 7.8% more than in Q4 2022 and giving it a 31.3% share of the national market. Dublin accounted for more than half (57.2%) of apartment sales.

In terms of property type and dwelling status, apartments accounted for 17.6% of sales in Q4 2023, while existing houses accounted for almost two thirds (64.4%) of sales.

Dublin, Kildare and Cork, accounted for 18.5%, 16.3% and 16.1%, respectively, of new house sales in Q4 2023.

More than 50,200 dwellings were sold in 2023, the most in a calendar year since the data series began in 2010. Sales of apartments and new properties both reached their highest annual levels at 7,334 and 9,370, respectively.

Source: CSO



***This data is based on stamp duty filings with the Revenue Commissioners reported by the CSO for purchases of residential properties by households at market prices. It excludes properties purchased at non-market prices and by non-household buyers.*

Mortgage Approvals

Mortgage approval volumes decreased by 21.8% year on year in Q4 2023 to about 11,268.

First-time buyer (FTB) approval volumes rose by 4% year on year to 6,955 while mover purchase volumes fell by 14.4% to 2,522.

Re-mortgage or switching activity fell by 75.1% year-on-year to 982, the lowest Q4 volume since 2016.

In annual terms, mortgage approval volumes fell by 14.4% to 49,898 in 2023 but FTB approvals rose by 8.9% to a new peak of 30,454.

Mortgage Drawdowns

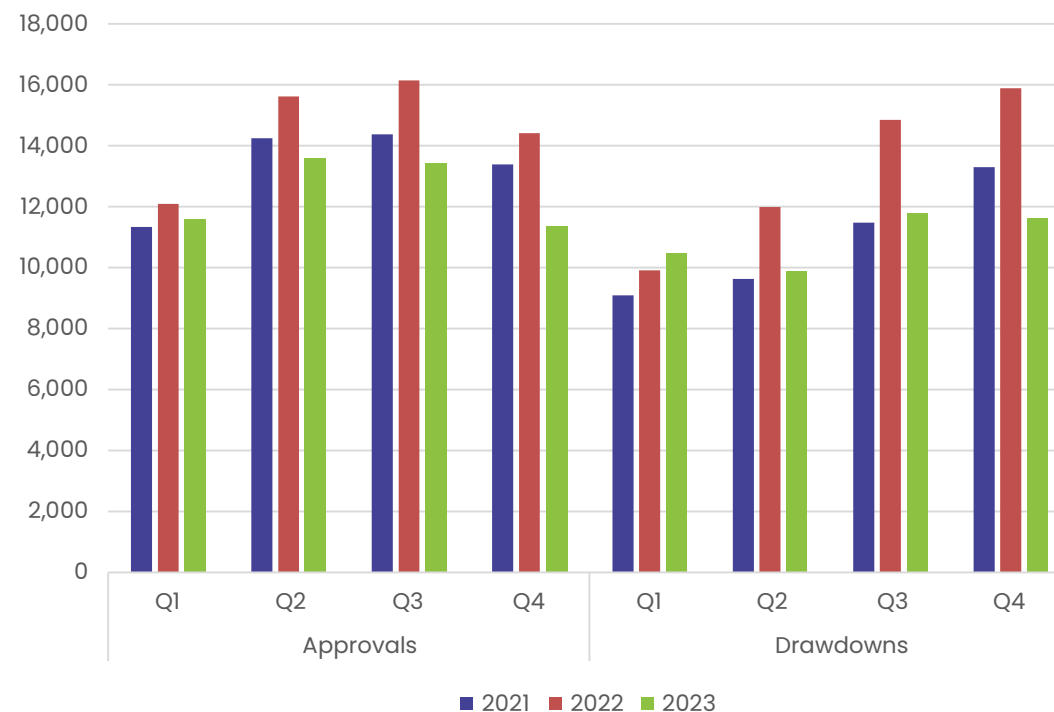
Mortgage drawdown volumes fell by 27.1% year on year to 11,584 in Q4 2023.

FTBs drew down almost 7,300 mortgages, down by 2.3% year on year. Mover purchase volumes fell by 15.8% year on year to 2,555.

Re-mortgage or switching drawdown volumes fell by 79.6% year on year to 920.

In the full year, mortgage drawdown volumes fell by 17.2% to 43,857 in 2023 but FTB drawdowns increased by 1.6% to 25,591.

Source: BPFI



The information presented here is based on a range of publicly available reports and datasets and collated by Banking & Payments Federation of Ireland. It is intended to bring together the range of housing and mortgage market data available and to constructively inform on-going analysis and assessment of the housing and mortgage market.

Figures are presented by quarter and by region, where possible. Unless otherwise specified, quantities given for quarters (and/or regions) are totals, while prices are averages for the last month of the quarter, unless otherwise specified. The sources used for compiling the report are as follows:

- the Department of Housing, Community & Local Government [dwelling commencements]
- the Central Statistics Office [new dwelling completions, planning permissions, number of housing sales transactions, residential property price indices]
- Banking & Payments Federation of Ireland [mortgage approvals, drawdowns]

For information on the data sources and analysis, please contact Anthony O' Brien, Head of Sector Research & Analysis, BPFI or Niall Faherty, Policy and Economic Analyst, BPFI.





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