



BPFI Housing Market Monitor Q3 / 2024

With a commentary by Dr Ali Uğur
Chief Economist,
Banking & Payments Federation Ireland

OVERVIEW OF TRENDS

BPFI Housing Market Monitor Q3/2024

Indicator	Latest quarter	One year ago	% change
Dwelling completions	8,939	8,411	6.3%
Dwelling commencements	15,223	8,362	82.0%
Dwelling planning permissions*	8,513	8,723	-2.4%
Transactions	12,880	13,069	-1.4%
Yr/yr change in transaction prices	10.0%	1.4%	
Mortgage approvals	14,408	13,442	7.2%
Mortgage drawdowns	11,774	11,614	1.4%

*Data from Q2



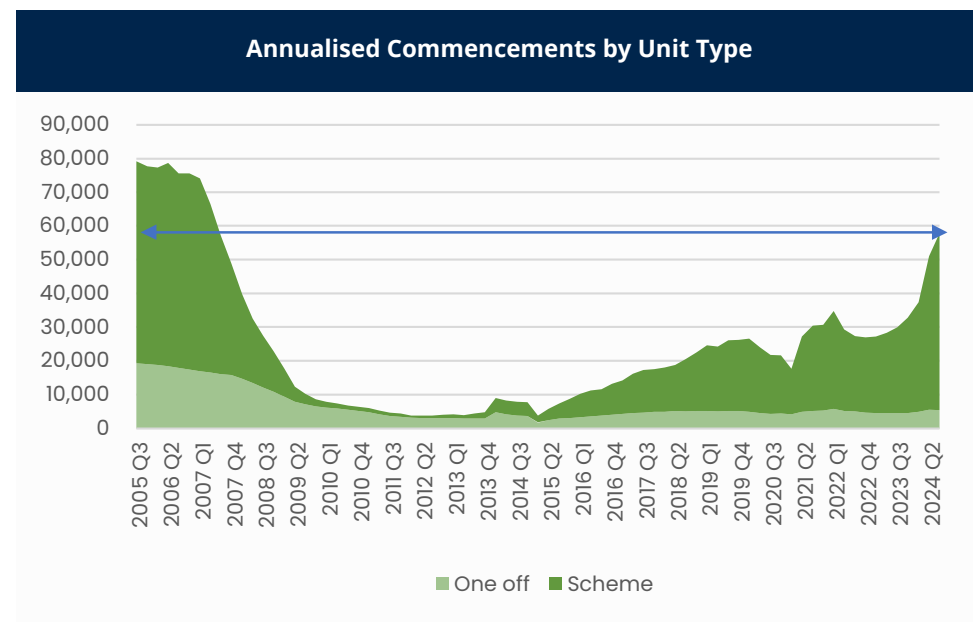
Housing supply constraints amid strong housing demand and income growth

Almost 31,900 new dwellings were completed in the twelve months ending September 2024, slightly up from about 31,400 in the twelve months ending September 2023. In the third quarter of the year, completions were 6.3% higher than the same period in 2023. Completion activity is on average much higher in the last quarter of a year; however, output was very strong in the last quarter of 2023 at over 10,000 units. In order to exceed the total number of units completed in 2023, the residential construction sector output in the last quarter of 2024 would need to be more than the output in the same period in 2023, otherwise total output at the end of 2024 could be at just over 32,000 units. Annualised apartment completions have been declining since peaking at more than 11,500, at the end of 2023.

Housing starts in the first ten months of 2024 more than doubled compared with the same period of 2023. On an annualised basis, some 59,510 units were started in the twelve months ending October 2024. However, this annualised number is heavily skewed by the significant increase in commencement activity in April and September of this year, to the extent that total number of commencements in these two months was nearly 30,000 units compared with 32,801 units that commenced during the whole of 2023.

This increase in commencement activity was mainly due to government incentives amid uncertainty about the extension of the development levy waiver causing a spike in April and water connection charge refund arrangement expiring in September. The development levy waiver was extended until the end of 2024 so we may see further increase in commencement activity before the end of the year. The completion date for qualifying units using these waivers is the end of 2026, hence it is unclear as to what proportion of these

commencements will be completed in 2025. Recent data from the Department of Housing, Local Government and Heritage shows that apartments accounted for 45% of all commencements in the year to date, with schemes and one-off units accounting for 46% and 9%, respectively. Commencement activity in the first quarter of next year is likely to give us a better picture of the underlying trend in the sector for the following years.



Source: Department of Housing, Local Government and Heritage

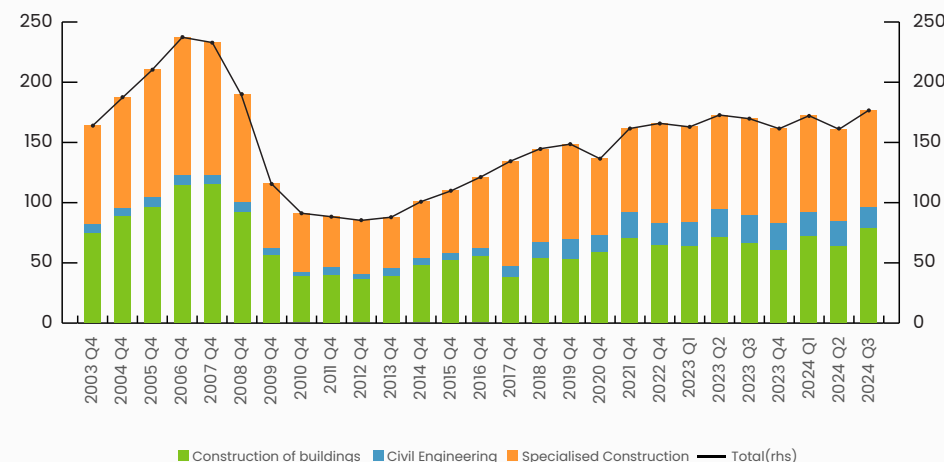
In the twelve months to September 2024, 57,885 housing units were commenced where 5,400 of these were one-off units. The last time we reached similar commencement activity was in the third quarter of 2007, based on historical Department of Housing data, when the total number of housing units commenced was just over 57,000 and over 16,000 of these were one-off builds. The following year in 2008, the number of dwelling completions reached over 51,000 units, albeit this figure is likely to be slightly overstated due to the methodology used at the time.

Construction industry faces capacity constraints and relatively low productivity

There were over 237,000 people employed in the construction sector in the third quarter of 2007 compared with just over 176,000 people employed at the end of the third quarter of 2024. In addition to addressing the housing deficit, the construction sector is likely to face significant capacity constraints with pressure from other sectors of the economy needing similar resources particularly for the requirements arising from the climate action plan. As outlined in recent Central Bank of Ireland research, the construction sector in Ireland has a higher proportion of small firms and its productivity has been low compared with other countries in the euro area. Unless productivity increases significantly, the residential construction sector is unlikely to be able to produce the output required to meet demand estimates in the short term with existing resources.

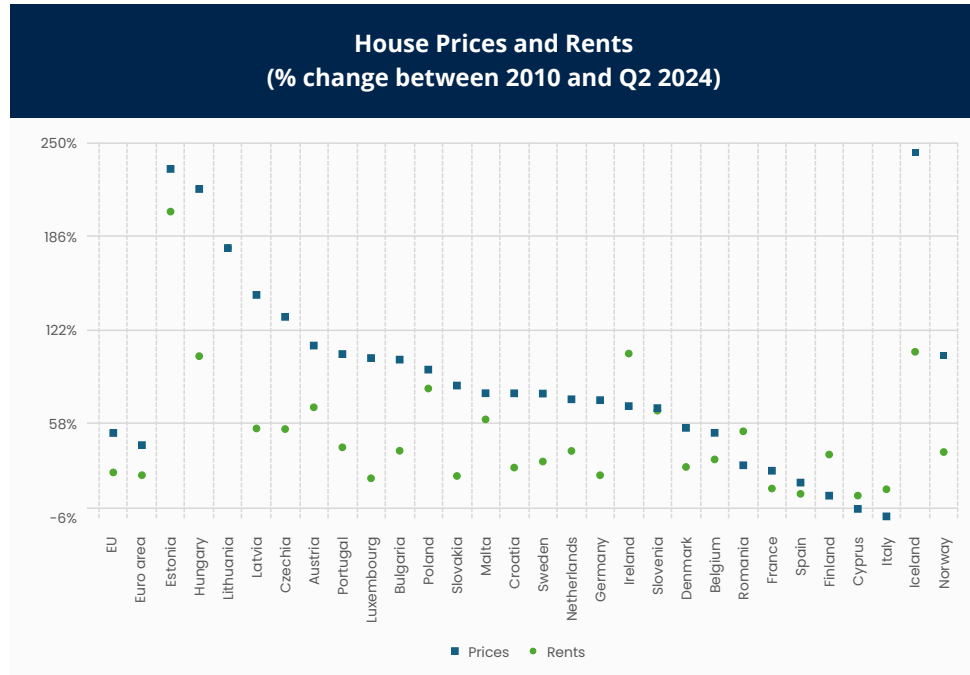
In terms of the mortgage market activity, approval values reached €14.9 billion in the twelve months ending October 2024 with nearly 50,340 approvals. While there has been an increase in switching activity in October, reaching highest monthly value levels since 2023, the share of non-purchase approvals, which includes switching and top-ups, continued to decline and accounted for around 11% of all approvals in the twelve-month period, after reaching a peak share of around 25% in 2022. First-time buyers (FTBs) accounted for nearly 61% of all approvals during the period with over 30,960 approvals which is a new high.

Construction Sector Employment ('000s)



Source: Central Statistics Office

In the twelve months ending September 2023, nearly 41,900 mortgages valued over €11.9 billion were drawn down, declining by 12.5% in terms of volume and by 9.5% in value compared to the twelve months ending September 2023. This decline was evident across all purchase types however it was mainly driven by the decline in switching activity, notwithstanding the pick-up in this activity in the last quarter of 2024. FTBs accounted for 61% of all drawdowns during the twelve-month period, and we expect a strong last quarter depending on more housing units being completed in the last quarter of the year and FTBs account for most of the home mortgage drawdowns on new properties.



Source: Eurostat

Increased pressure on housing prices and rents

Notwithstanding the fact that the main European Central Bank (ECB) interest rates are close to their highest levels since 2008, average price inflation in the housing sector gained momentum mainly due to low housing stock and continuing housing and mortgage demand amid growing employment and income levels. The latest data from the Central Statistics Office (CSO) shows that residential prices rose by 0.9% month on month in September, bringing the annual rate of growth to 10%. Regionally, the fastest increase was in the capital, with Dublin overtaking the rest of the State however the increase in prices is

broad-based across the country. The median price of a home purchased in the twelve months to September 2024 was €346,000. Average prices were around 14% above their highest level in April 2007.

In EU countries, between 2010 and the second quarter of 2024, average house prices increased by 52% and rents by 25%, according to Eurostat. House prices increased more than rents in 20 countries where comparable data was available. Ireland was amongst the three countries where rents have increased more than house prices during this period, and it had the third highest increase in rents at 106% following Estonia and Lithuania.

The rate of increase in housing supply seems to have stalled in 2024, unless there is a significant level of completions in the last quarter of the year, and still remains below requirements. Average house price inflation seems to have gained momentum mainly due to low housing stock and continuing housing and mortgage demand amid growing employment and income levels. Low housing stock seems to have put more pressure on average rents in Ireland relative to average house prices, compared to other countries in the EU. The construction sector in Ireland has a higher proportion of small firms and its productivity has been low compared with other countries in the euro area. Unless productivity increases significantly, the residential construction sector is unlikely to be able to produce the output required in the short term with existing resources.

If a higher level of housing output is to be realised, it is critical that smaller developers can deliver more units each year than they are currently able to do. BPFI is therefore calling for a development of a credit guarantee scheme for SME builders to further advance finance to developers with viable projects but insufficient equity. This would enable the banks to provide finance to additional clients and developments without compromising credit underwriting standards.

Dr Ali Uğur

Chief Economist, Banking & Payments Federation Ireland

New dwellings completed

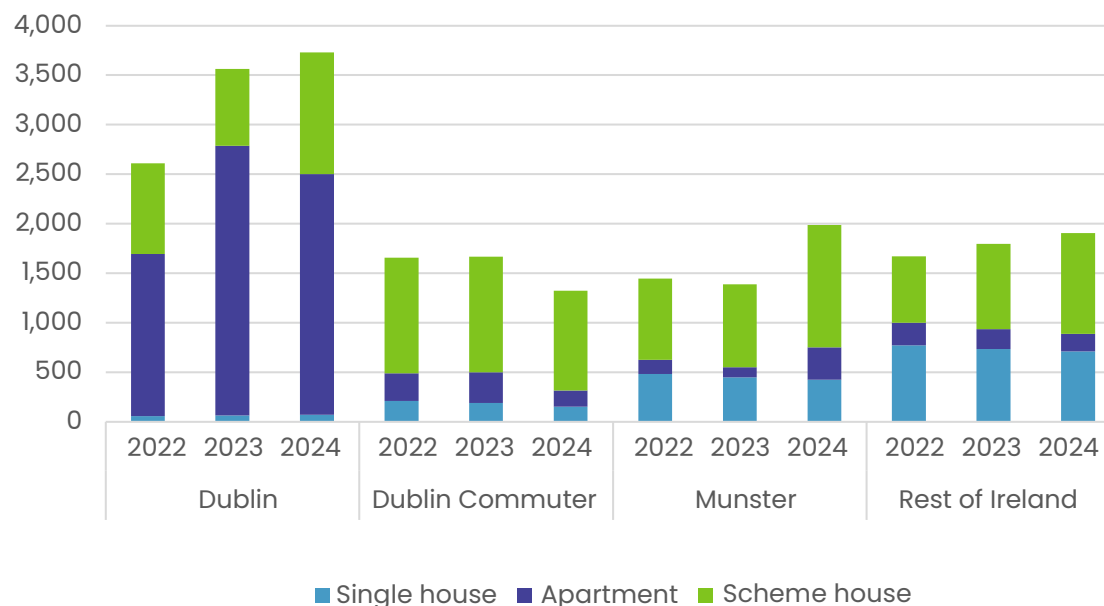
Almost 9,000 new dwellings were completed in Q3 2024, according to the Central Statistics Office (CSO), 6.3% more than in Q3 2023.

There were 4,489 scheme house completions in Q3 2024, an increase of 23.3% year on year. Scheme houses accounted for more than 50% of completions in the quarter.

Dublin accounted for about 41.7% of all completions in Q3 2024 and 78.5% of apartment completions. Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 22.2% and 14.8% of completions, respectively.

There were almost 3,100 (3,096) apartment completions in Q3 2024, a decrease of 7.2% year on year. Apartment completions in Dublin fell by 10.8% year on year in Q3 2024.

Note: Q3 only. Source: CSO



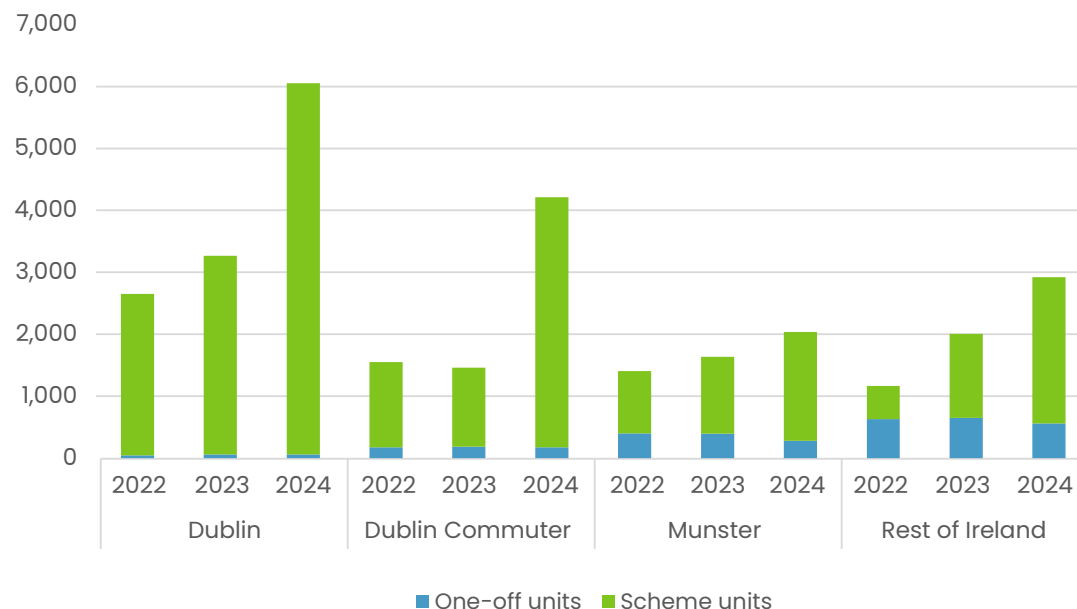
New dwellings commenced

More than 15,000 housing units were started in Q3 2024, 82.1% more than the corresponding quarter in 2023. Almost 57,900 units were commenced over the 12 months ending September 2024, the highest annualised level since August 2007, based on Department of Housing, Local Government and Heritage historical data.

Dublin and Dublin Commuter accounted for 39.8% and 27.7%, respectively, of housing starts in Q3 2024. More than 6,000 dwellings were commenced in Dublin in Q3 2024, the second highest level since the series began in 2004 (after Q2 2024). Dublin, Dublin Commuter and Munster all recorded more than 2,000 housing starts for the third consecutive quarter.

Apartments and scheme houses accounted for 48.3% and 44.7% of units housing starts in Q3 2024. Some 70.9% of these scheme units were commenced in Dublin or Dublin Commuter regions. Munster and the rest of Ireland accounted for 26% and 52.3% of the total one-off units commenced respectively.

Note: Q3 only. Source: Department of Housing



New dwelling planning permissions

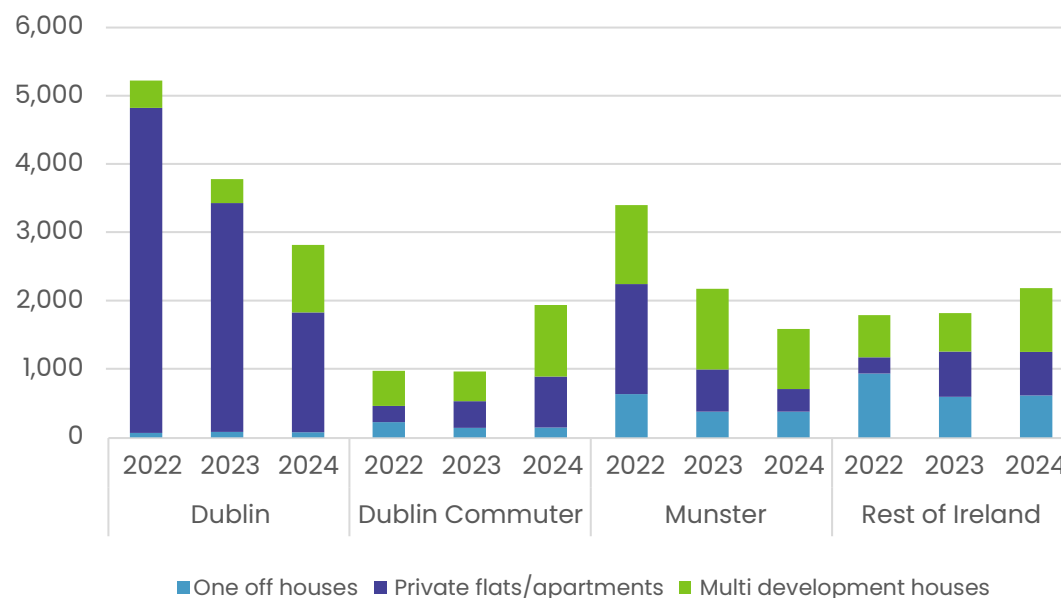
The number of residential units granted planning permission fell by 2.4% year on year in Q2 2024 to 8,513.

Almost 3,500 apartments were granted planning permission in Q2 2024, about 40.7% of all units and 31% less than in Q2 2023. Dublin accounted of 50.6% of apartments nationwide.

The Dublin Commuter region accounted for 27.2% of units granted planning permission, compared with 17.2% in Q2 2023. The number of dwelling units approved in Munster decreased by 25.8% year on year as apartment planning permissions fell by over 46%.

The number of dwelling units approved in Westmeath increased by 320 year on year while the units approved in Cork decreased by 551 and in Q2 2024.

Note: Q2 only. Source: CSO



Transaction prices

Residential property price inflation increased in Q3 2024, with prices up by 10% in the twelve months to September 2024, compared with an increase of 1.4% in the year to September 2023.

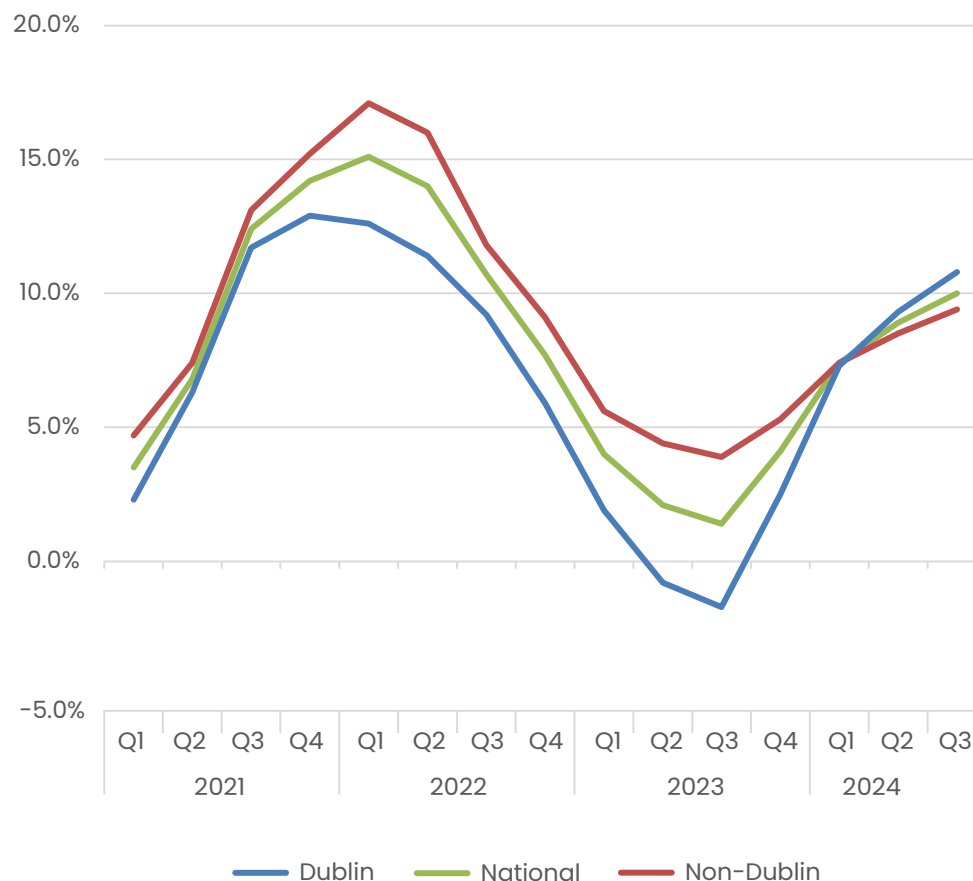
Prices for new dwellings were up 6.4% year on year, while prices of existing dwellings were 11% higher.

Residential property price inflation outside Dublin rose by 9.4% year on year, with house prices up by 9.6%. House prices in Dublin increased by 11.5% in the 12 months to September 2024, while apartment prices in the county increased by 8.2% year on year.

Prices vary significantly by location, type and status. At €425,000, the median new dwelling price was €100,000 higher than the median existing dwelling price in September 2024 (based on filings of household purchases at market prices).

Nine local government areas (all of Dublin, Cork County, Kildare, all of Galway and Wicklow) had median residential property prices at or above the national median price of about €355,000 in September 2024. By contrast, Donegal, Leitrim, Cavan and Monaghan had median prices of €210,000 or less.

Source: CSO



Household market purchases of residential property fell by 1.5% year on year to 12,880 in Q3 2024. On an annualised basis, there were 48,559 purchases in the twelve months ending September 2024.

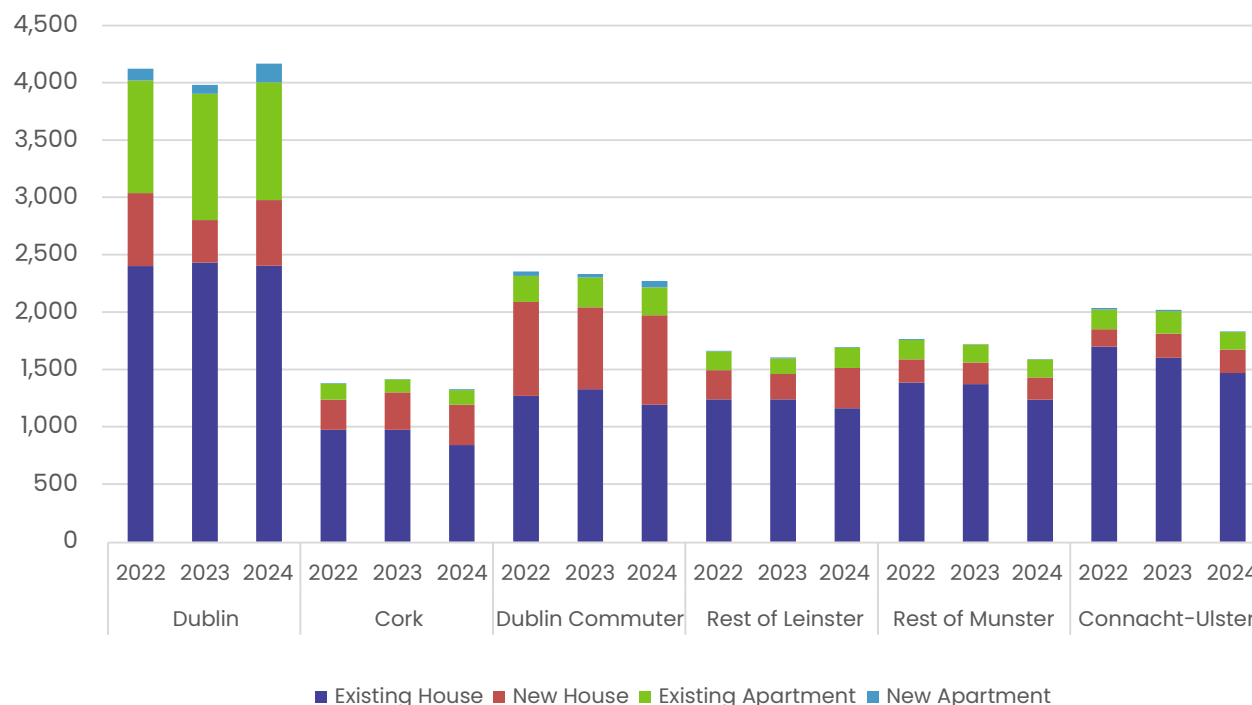
Dublin was the largest housing market in Q3 2024 with 4,165 household market purchases, 4.6% more than in Q3 2023 and giving it a 32.3% share of the national market. Dublin accounted for more than half (56.1%) of apartment sales.

In terms of new property types and dwelling status, new apartments accounted for less than 2% of sales in Q3 2024, while existing houses accounted for 64.5% of sales.

Existing apartments accounted for 14.6% of sales in Q3 2024 while new houses accounted for 19.1%.

Dublin and Cork, accounted for 23.3% and 14.3%, respectively, of new house sales while Kildare, Wicklow and Meath accounted for 6.8%, 10.1% and 8.6% respectively in Q3 2024.

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 increased by 7.2% year on year in Q3 2024 to about 14,400.

First-time buyer (FTB) approval volumes rose by 6% year on year to 8,784 while mover purchase volumes increased by 4.7% to 3,241.

Re-mortgage or switching approvals increased by 24.7% year-on-year to 1,286.

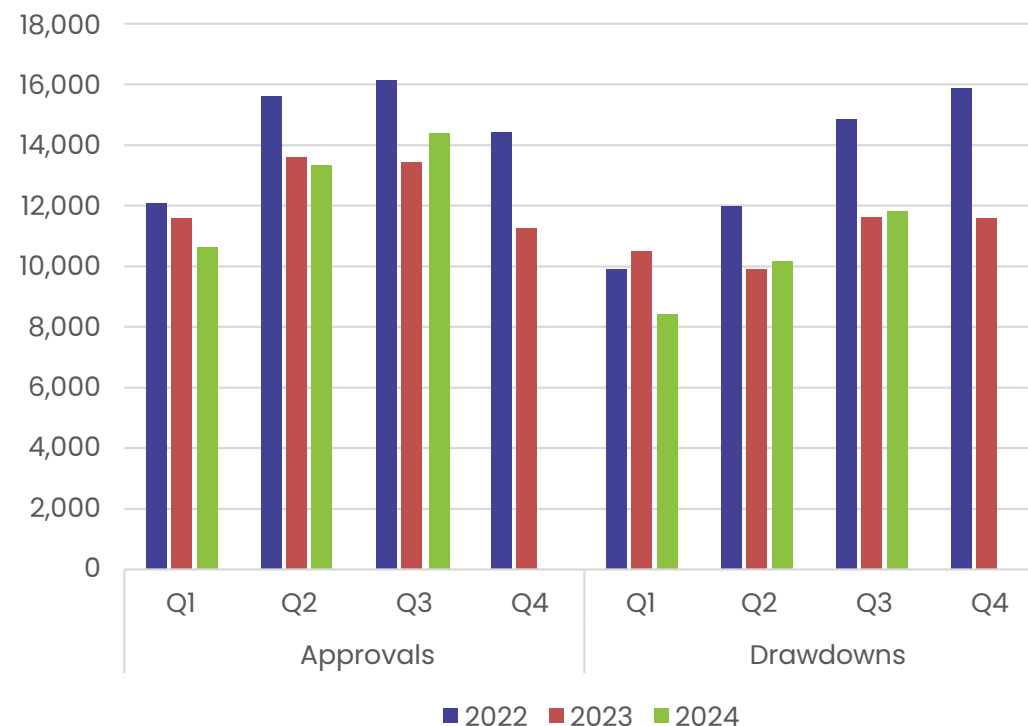
Mortgage Drawdowns

Mortgage drawdown volumes increased by 1.4% year on year to 11,774 in Q3 2024.

FTBs drew down more than 7,000 mortgages, up by 0.4% year on year. Mover purchase volumes fell by 5.7% year on year to 2,559. FTBs were the single largest segment by volume (59.8%) and by value (61.4%).

Re-mortgage or switching drawdown volumes increased by 26.1% year on year to 1,159.

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 Research Lead, BPFI.





Banking & Payments Federation Ireland,
Floor 3, One Molesworth Street,
Dublin 2, D02 RF29, Ireland.

+353 1 671 53 11
info@bpfi.ie
www.bpfi.ie

Dublin • Brussels • Frankfurt