Banking & Payments Federation Ireland

BPFI Housing Market Monitor Q4 / 2024

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

OVERVIEW OF TRENDS

Indicator	Latest quarter	One year ago	% change
Dwelling completions	8,732	10,217	-14.5%
Dwelling commencements	17,017	11,181	91.7%
Dwelling planning permissions	6,890	8,878	-38.4%
Transactions	14,501	14,285	1.5%
Yr/yr change in transaction prices	8.7%	4.1%	
Mortgage approvals	12,821	13,442	-4.6%
Mortgage drawdowns	13,009	11,584	12.3%

Land, capital and labour issues must be addressed to increase housing output in the short term

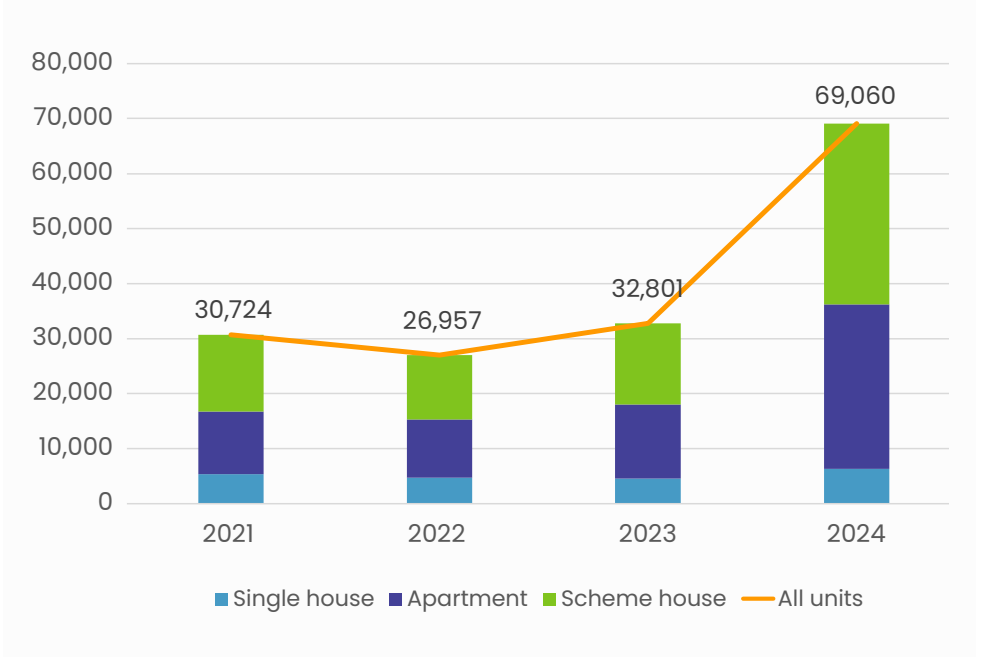
Based on new population projections as well as estimated pent-up demand, it is now agreed that we will need to build at least 50,000 homes per annum at least over the next five years. Housing activity in Ireland showed mixed signals in terms of current and potential future output in the form of the total number of completions declining and commencements numbers reaching record highs in 2024.

There were 30,330 new dwelling completions in 2024, a decline of 6.7% from 2023, based on Central Statistics Office (CSO) figures. The decline in total housing output was solely driven by apartments where completions were down by nearly a quarter in 2024, scheme and single dwelling completions were up slightly over the year. More than half (54.3%) of completions in 2024 were in Dublin and surrounding counties.

Around 75,000 housing units could be completed over the next two years

According to recently updated data from the Department of Housing, Local Government and Heritage, a record 69,060 new homes commenced in 2024, more than the total number of homes started in 2022 and 2023 combined. Commencement activity in April, September and December alone accounted more than 60% of all commencements during 2024. The share of apartments in total commencements increased from 37% in 2021 to 43% in 2024, with the share of one-off units declining from 17% in 2021 to just over 9% in 2024. Taking the average trend commencement activity of 3,000 homes per month, we estimate that at least half of the total number of homes commenced during 2024 were due to the uncertainty about the extension of the development levy waiver in April (later extended until December) and water connection charge refund arrangement expiring in September.

Commencements by Unit Type (2021-2024)



Source: Department of Housing, Local Government and Heritage

We believe that the completion date for the units commenced last year as well as some of the commencements from the end of 2023, will span the two-year period of 2025 and 2026, and hence we forecast a total housing output of around 75,000 units in the next two years. The total output in the residential construction sector in 2025 will be an important sign of the capacity of the sector for future delivery of homes and we expect a significant increase in output, particularly in the first half of this year. To reach the output levels required to meet demand, key labour, land and capital issues will need to be addressed.

COMMENTARY

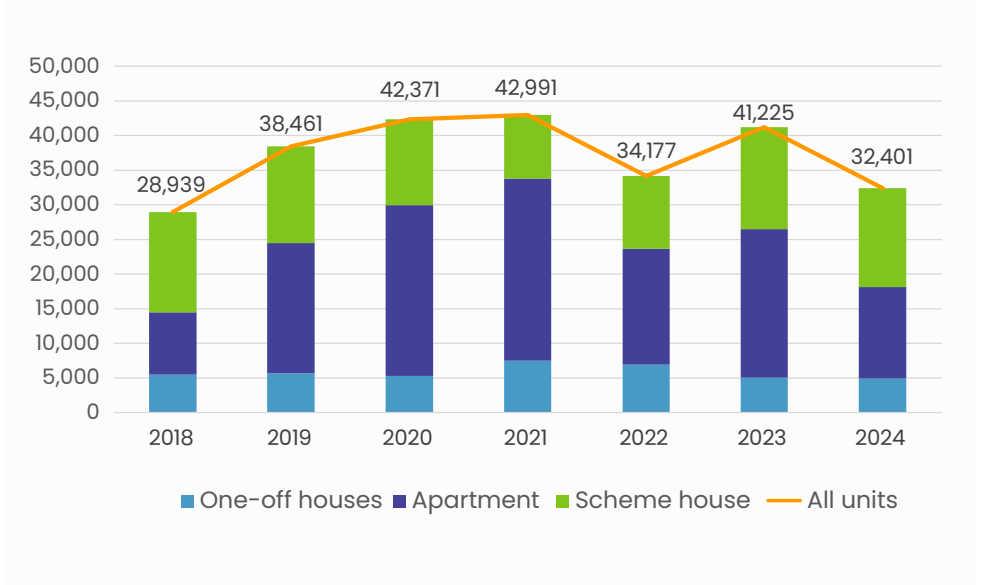
Labour productivity, availability of serviced land and development finance remain key issues

One of the important factors required to increase output in the residential construction sector is employment levels as construction is still a labour-intensive industry. Having seen a significant increase in employment in the wider sector from around 145,000 people to over 172,000 between the end of 2019 and second half of 2022, total employment in the sector was at around 176,000 at the end of 2024, according to the CSO. We note that there may have been a reallocation of labour from commercial construction projects, as their numbers declined over the period, to residential units, however as referenced in previous publications, unless productivity increases significantly in the sector, we will not be able to increase output to the required levels with current employment levels.

Another key issue for home building is the availability of land which can be proxied by the number of planning permissions granted. The number of residential units granted planning permission fell by more than 21% in 2024 to just over 32,000 units from over 41,000 units in 2023, similar to the decline observed back in 2022. This decline was mainly driven by planning permission granted for apartments, which fell by almost 39% compared with 2023, while house approvals were down by 2.7%. Dublin accounted for almost half (46%) of all apartments granted planning permission in the State in 2024, however the total number of apartment planning permissions granted across the four local authorities declined by nearly 56% in 2024.

Between 2018 and 2024, over 260,000 units were granted planning permission. Nearly half of these were for apartments and about 95,000 of those apartments were given planning permission more than two years ago. However, only 44,000 apartments were completed over the seven-year period. According to data from the Dublin Housing Supply Task Force up to September 2024, some 22,500 units with planning permissions granted but not commenced in the county are set to see their permission expire between 2025 and the end of 2027. More than 93% of those were apartments, though it's worth noting that there was a significant increase in apartment building in 2024 with almost 30,000 units commencing nationally.

New Dwellings Granted Planning Permission (2018-2024)



Source: Central Statistics Office

Planning permissions are an important first step in the supply chain of building homes, but we also need to provide infrastructure and utilities along with housing projects and increasingly there are signs of delays in securing utility connections such as water and electricity for new projects, with Irish Water stating that under current capacity they can at most connect 35,000 homes to the network, with further investment required to increase capacity.

COMMENTARY

The availability of capital investment is also a significant factor affecting housing output. The funding challenge to deliver the increased levels of housing output required is substantial. The State's investment in housing is at historically high levels, increasing from an estimated €1 billion to €6.5 billion over the past decade. In terms of spending on housing as a percentage of national income, Ireland's spend is much higher than that of any other country in the EU. However, this level of investment may become unsustainable if the current strong public finances were to deteriorate, with additional funding required from private sources. Department of Finance estimates show that the increased level of output will require around €20 billion of funding of which nearly €17 billion would need to come from private capital sources. It should be noted that this level of funding is not needed each year as funding is recycled in the system with housing projects going through different stages of development.

The Irish banks are already providing significant finance to the housing market, both in terms of mortgage and development finance, however it is vital that the lending capacity of the banking sector is fully utilised. Instead of State funding competing with private sector capital, there is a need to expand the capacity of the sector by way of risk sharing with the State which is not uncommon in other jurisdictions in order to crowd in other private investors.

More than 93,000 homes were built in Ireland in 2006, and the output gradually fell to just over 4,500 units in 2013. Since then, housing supply has increased significantly and there were just 30,330 new homes completed in 2024, 6.7% lower than the output in 2023. Challenges in relation to supply of new housing is not unique to Ireland with other developed economies experiencing similar problems, particularly since the pandemic. However, the success of the Irish economy has exacerbated the challenge in Ireland with significant income, employment and population growth in the past decade. There are various factors affecting housing output such as the inefficiencies in the planning system, the availability of zoned and serviced land, labour capacity and productivity of the construction sector as well as the availability of capital investment. While creating the environment to plan for increased housing output in the medium to long term, we need to find solutions to inefficiencies in the system in order to provide significantly more homes in the short term.

Dr Ali Uğur
Chief Economist, Banking & Payments Federation Ireland

HOUSING SUPPLY

New dwellings completed

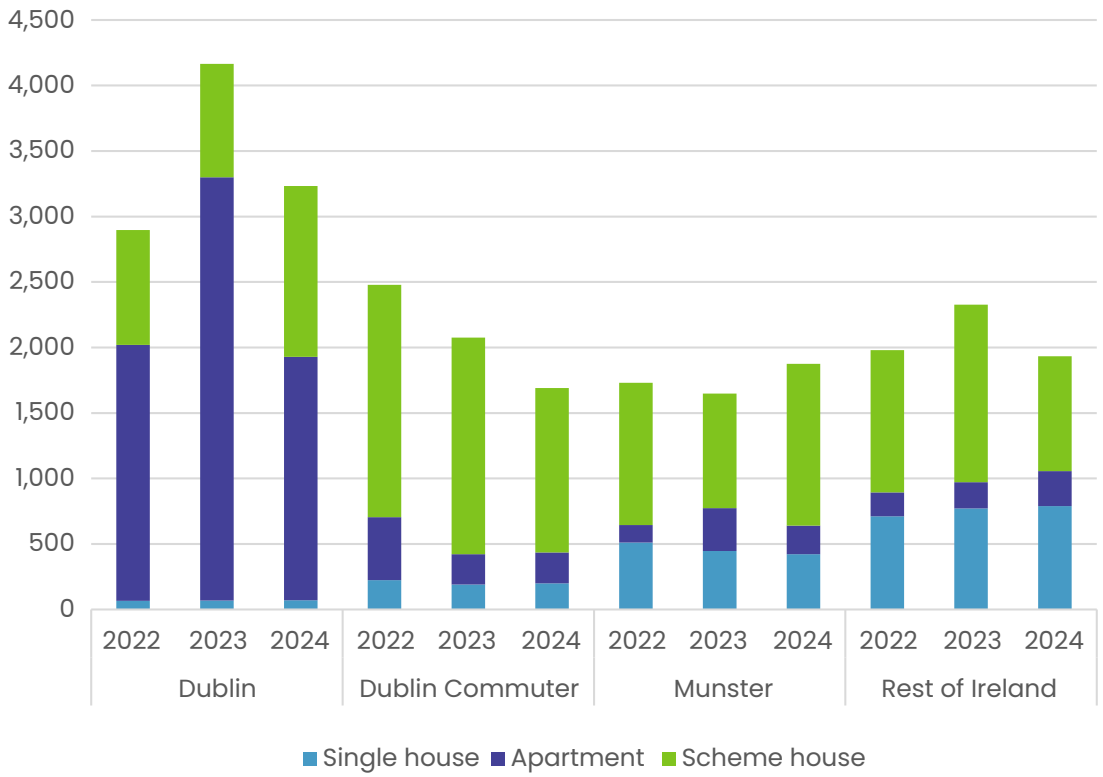
Almost 8,800 new dwellings were completed in Q4 2024, according to the Central Statistics Office (CSO), 6.3% more than in Q4 2023. More than 30,330 new dwellings were completed in 2024, 6.7% less than in 2023.

There were 2,580 apartments completed in Q4 2024, a decrease of 35.3% year on year. In 2024, apartments accounted for 28.9% of all completions and the number of completions decreased by 24.1% year on year.

Dublin accounted for about 37% of all completions in Q4 2024 and 72% of apartment completions. Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 21.5% and 19.4% of completions, respectively.

There were almost 4,700 (4,672) scheme house completions in Q4 2024, a decrease of 1.6% year on year. Scheme completions increased by 4.6% year on year to 16,200 in 2024.

Note: Q4 only. Source: CSO



HOUSING SUPPLY

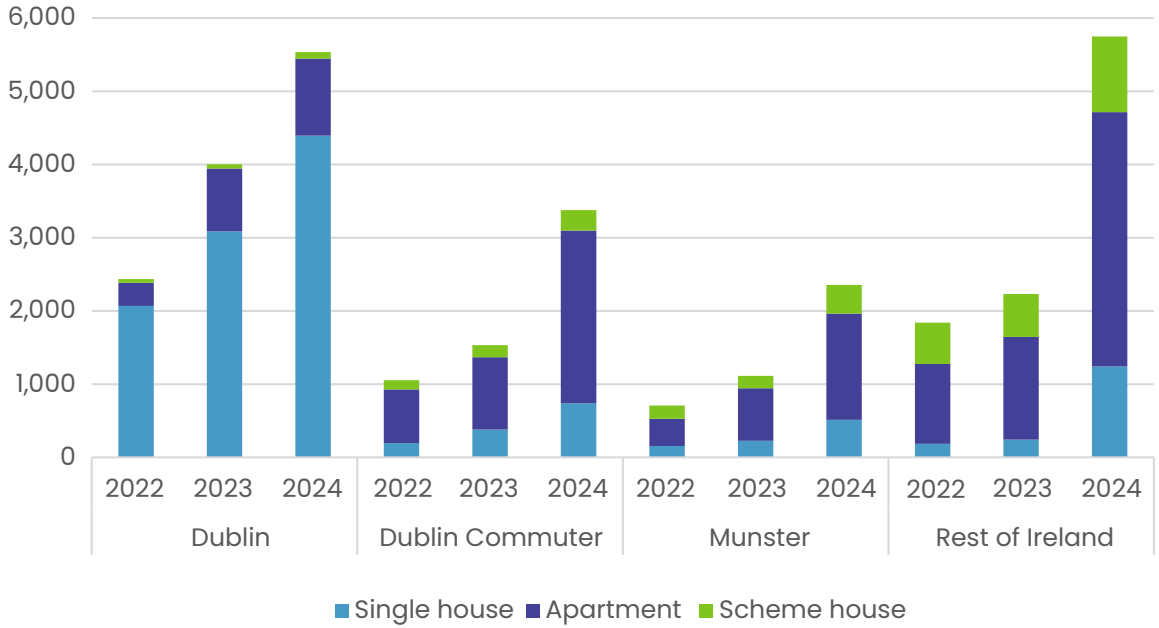
New dwellings commenced

More than 69,000 units were commenced in 2024, the highest annual level since 2006, based on Department of Housing, Local Government and Heritage historical data. More than 17,000 housing units were started in Q4 2024, 91.7% higher than in the corresponding quarter in 2023.

Dublin and Dublin Commuter accounted for 32.5% and 19.9%, respectively, of housing starts in Q4 2024. More than 5,500 dwellings were commenced in Dublin and a further 3,378 in the Dublin Commuter counties in Q4 2024. Apartments accounted for 79.4% of commencements in Dublin while scheme houses accounted for 69.7% of commencements in the Dublin commuter counties in Q4 2024.

Apartments and scheme houses accounted for 43.3% and 47.6%, respectively, of units housing starts in 2024. The number of scheme house and apartment commencements increased to 62,755 in 2024, the highest level since the series began in 2004, while the number of single houses increased to 6,305, the highest level since 2009.

Source: Department of Housing



HOUSING SUPPLY

New dwelling planning permissions

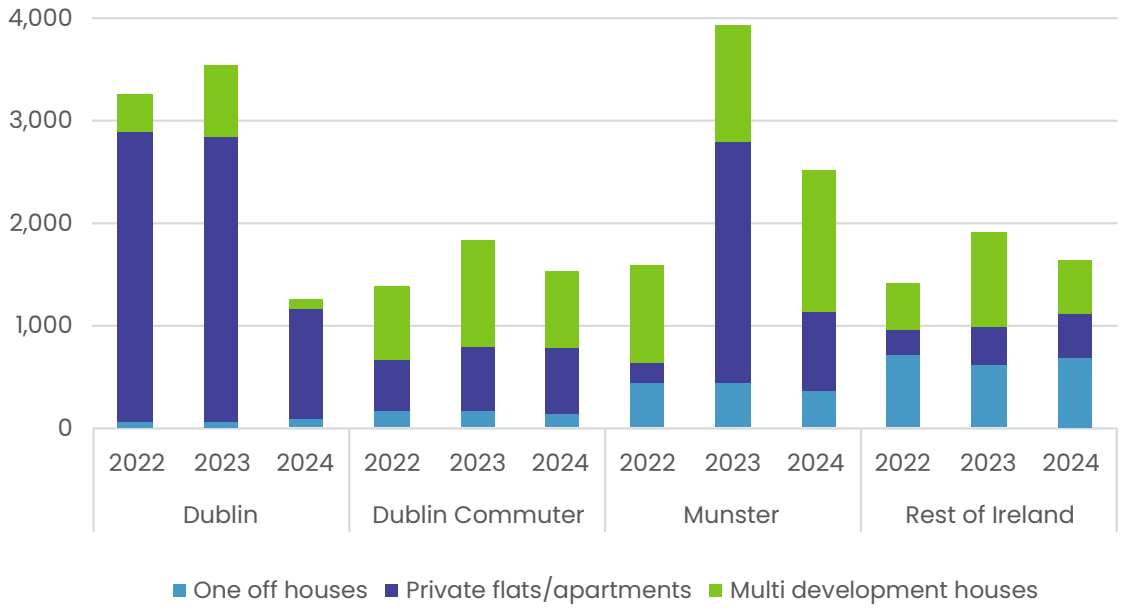
The number of residential units granted planning permission fell by 21% year on year in 2024 to 32,401. The number of units permitted in Q4 2024 fell by 38.4% year on year to 6,890.

More than 2,900 apartments were granted planning permission in Q4 2024, about 42.4% of all units and 52.5% less than in Q4 2023. Dublin accounted of 36.7% of apartments nationwide.

The Dublin Commuter region accounted for 22.2% of units granted planning permission. The number of dwelling units approved in Munster accounted for 36.2% of permissions granted in Q4 2024.

Dublin City and Cork County each accounted for almost 900 units granted planning permissions.

Note: Q4 only. Source: CSO



Transaction prices

Residential property price inflation increased in Q4 2024, with prices up by 8.7% in the twelve months to December 2024, compared with an increase of 4.1% in the year to December 2023.

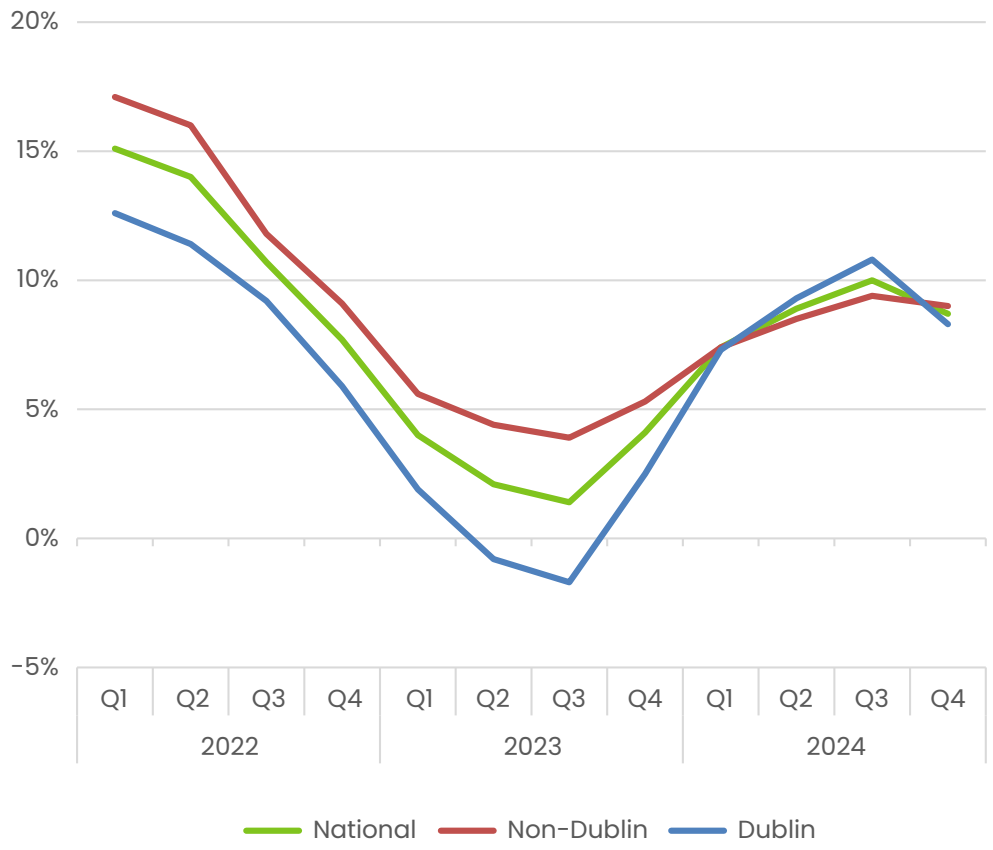
Prices for new dwellings were up 5.2% year on year, while prices of existing dwellings were 10.5% higher.

Residential property price inflation outside Dublin rose by 9% year on year, with house prices up by 9.3%. House prices in Dublin increased by 8.7% in the 12 months to December 2024, while apartment prices in the county increased by 6.9% year on year.

Prices vary significantly by location, type and status. At €440,000, the median new dwelling price was €105,000 higher than the median existing dwelling price in December 2024 (based on filings of household purchases at market prices).

Seven local government areas (all of Dublin, Kildare, Meath and Wicklow) had median residential property prices at or above the national median price of about €375,000 in December 2024. By contrast, Donegal, Leitrim, and Longford had median prices of less than €215,000.

Source: CSO



PROPERTY TRANSACTIONS

Household market purchases of residential property increased by 1.5% year on year to 14,501 in Q4 2024. On an annualised basis, there were 48,775 purchases in the twelve months ending December 2024.

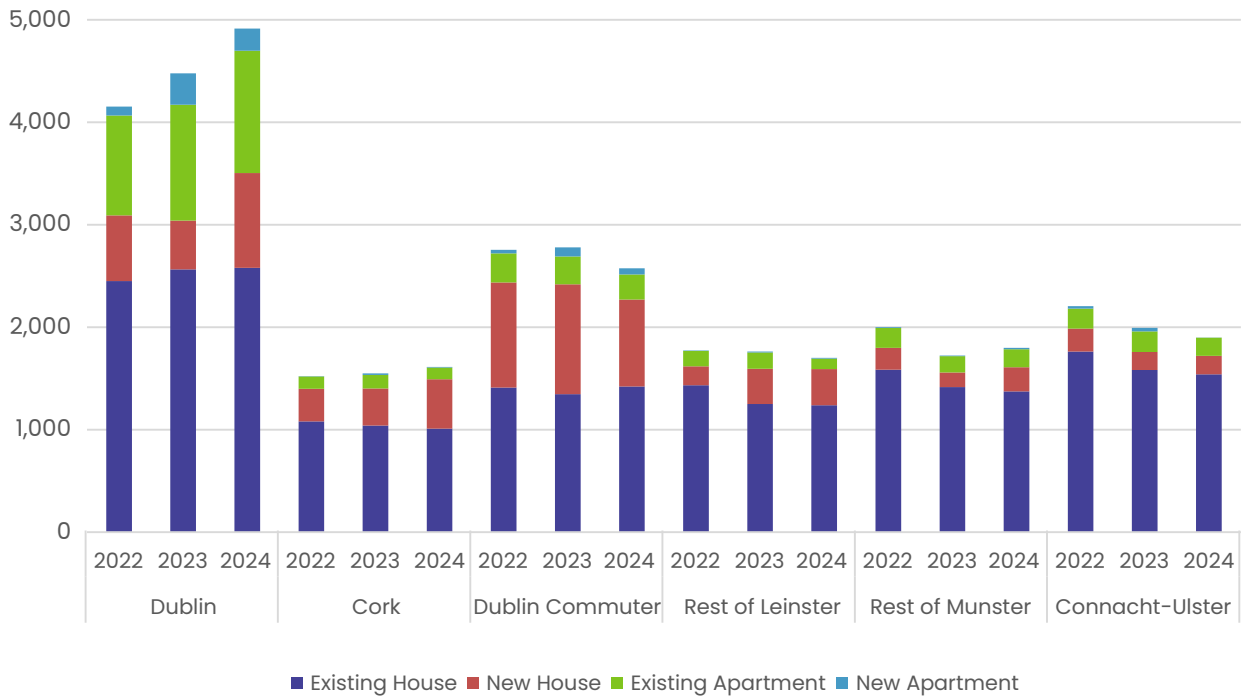
Dublin was the largest housing market in Q3 2024 with 4,914 household market purchases, 9.8% more than in Q4 2023 and giving it a 33.9% share of the national market. Dublin accounted for almost two thirds (60.9%) of apartment sales. In annual terms, there were 15,541 household market purchases in Dublin, the most since the data series started in 2010.

In terms of new property types and dwelling status, new apartments accounted for just 2.1% of sales in Q4 2024, while existing houses accounted for 63.2% of sales.

Existing apartments accounted for 13.8% of sales in Q4 2024 while new houses accounted for 20.8%.

Dublin and Cork accounted for 30.6% and 15.9%, respectively, of new house sales while Wicklow, Kildare and Meath accounted for 9.2%, 7.3% and 7% respectively in Q4 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.*

MORTGAGES

Mortgage Approvals

Mortgage approval volumes increased by 13.8% year on year in Q4 2024 to about 12,821.

First-time buyer (FTB) approval volumes rose by 11.8% year on year to 7,778 while mover purchase volumes increased by 8.4% to 2,733. Re-mortgage or switching approvals increased by 33.7% year-on-year to 1,313.

In 2024, more than 51,337 mortgages were approved, 2.9% higher than the previous year.

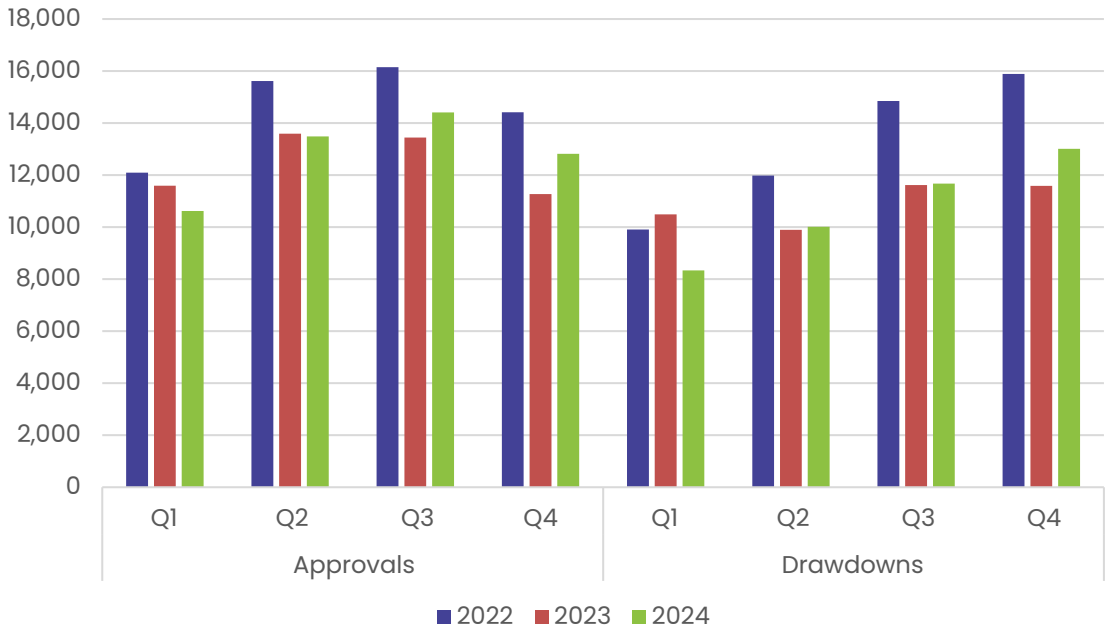
Mortgage Drawdowns

Mortgage drawdown volumes increased by 12.3% year on year to 13,009 in Q4 2024.

FTBs drew down more than 8,000 mortgages, up by 10.8% year on year. Mover purchase volumes increased by 7.2% year on year to 2,738. FTBs were the single largest segment by volume (61.9%) and by value (63%). Re-mortgage or switching drawdown volumes increased by 36.3% year on year to 1,254.

In 2024, there were more than 43,030 mortgage drawdowns, of which 26,242 were by first-time buyers, 2.5% higher than the previous year.

Source: BPFI



ABOUT THE REPORT

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,
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