



Autumn | 2024

# Irish Residential Market Review Autumn 2024



## Autumn 2024

**The** Irish residential market continues to be characterised by supply-side challenges, and ever-increasing demand, leading to a continued uptick in the pace of price inflation. Latest estimations from Sherry FitzGerald Research suggest that 62,000 new homes will be required each year to meet demand in the short term, largely driven by demographic changes. At present, housing output is achieving about 50% of this, with some regions in Ireland seeing just one third of demand fulfilled annually. From January to September 2024, a total of approximately 21,650 residential units were completed. This represents a decrease of -3.1% when compared to the first half of 2023. This suggests completions in 2024 will be at a similar level to 2023, significantly below requirements. Price inflation continues to be driven by these supply side shortages. The average value of second-hand homes increased by 1.8% in the quarter, bringing cumulative price growth in the year to date to 5.7%, with an annual growth rate of 6.6%. This compares to annual price inflation of 3.0% recorded in September 2023.







2

Overview

18

3. Demand

8

1. Economic Overview

26

4. Purchaser and  
Vendor Analysis

12

2. Supply

28

5. Conclusion

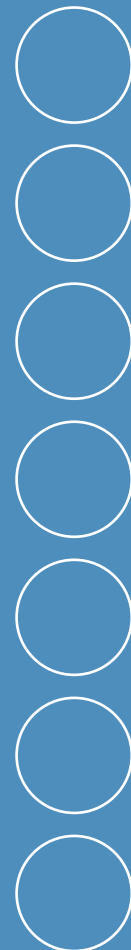
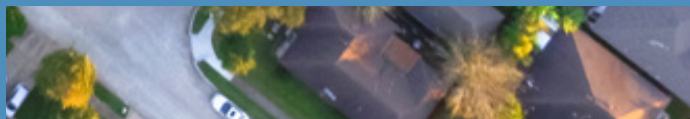


## Residential Market Video Review

*Watch Marian's video where she provides a brief review of the latest developments in the residential market.*







## Economic Overview

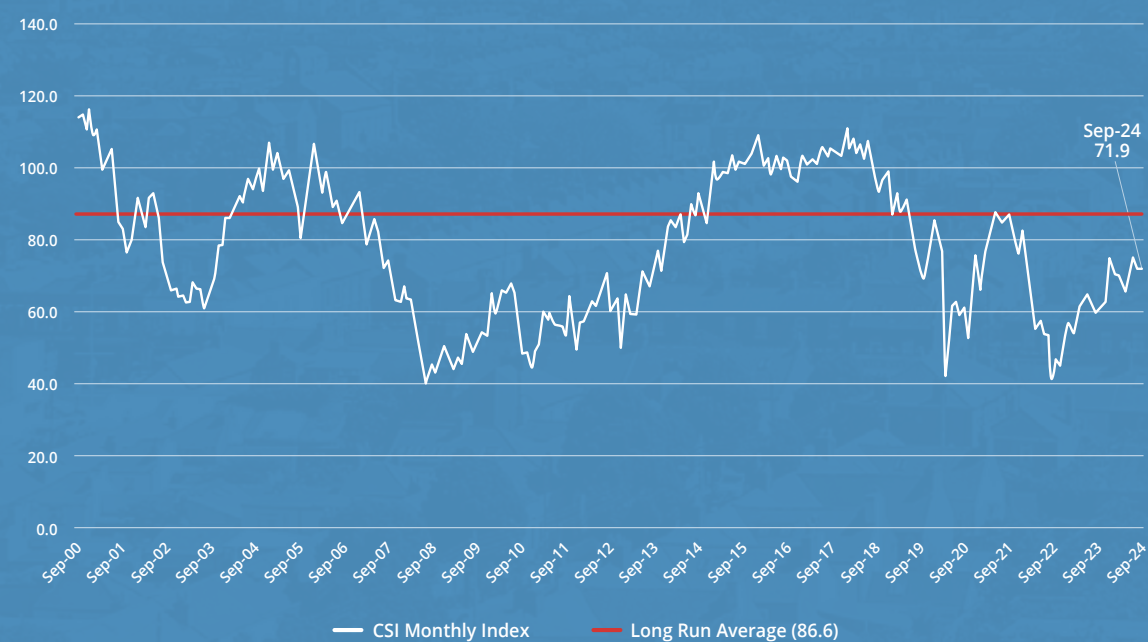
*While the Irish economy has faced some significant economic challenges over the past couple of years; inflationary pressures, rising interest rates and heightened geopolitical tensions, the overall picture for the domestic economy is much more favourable than that of the multinational facing global sector.*

**That** said, in the second quarter of 2024, Modified Domestic Demand (MDD) fell by 0.5%, after a stronger start to the year where it increased by 1.0%. This decrease was largely driven by a fall in modified investment which fell by 7%. Consumer expenditure has remained resilient and increased by 1.1% in the quarter, while government expenditure rose by 1.5%. Positively, the Economic & Social Research Institute (ESRI) have forecast MDD growth of 2.3% in 2024, with further growth of 3.1% expected in 2025.

Gross Domestic Product (GDP) fell by 1% in the three-month period, largely driven by a significant drop in intellectual property exports in the multinational sector. The ESRI have forecasted GDP to decrease by 0.4% this year, before returning to growth in 2025 with an increase of 2.5% forecasted.



Figure 1: Irish Consumer Sentiment Index, September 2000 – September 2024



Source: Irish League of Credit Unions

However, the Irish domestic economy is operating at close to capacity with significant challenges in the form of labour market constraints and indeed in the housing market, both of which may hamper our economic growth.

The labour market continues to operate close to capacity. At the end of September, the monthly unemployment rate stood at 4.3%, close to full employment. The ESRI expect unemployment to remain at this particularly low level this year and indeed in 2025 where they expect the rate to fall to 4.2%.

Irish consumer sentiment stood at 71.9 in September, marking no real change in the attitude of consumers throughout the year. As has been the case for most of the 2024, consumers remain cautious but can see the light at the end of the tunnel as inflation begins to fall. The Major Purchases Index, which represents consumers attitudes towards purchases of big-ticket items, such as houses, cars and white goods, remains robust at 95.2.

Inflationary pressures continue to dissipate. The Consumer Price Index (CPI) rose by 0.7% between September

2023 and September 2024, down from an annual increase of 1.7% in the 12 months to August 2024. In the Euro Area, the Harmonised Index of Consumer Prices (HICP) stood at 1.7% in September 2024, falling below the ECB's 2% target. This has paved the way for further interest rate cuts by year end. In October, the ECB cut rates by 25 basis points. This follows a similar cut in June and brings the main refinancing rate to 3.4%. An additional rate cut is anticipated in December, given the recent slowdown in the pace of inflation, with further cuts likely again in 2025.







## Supply

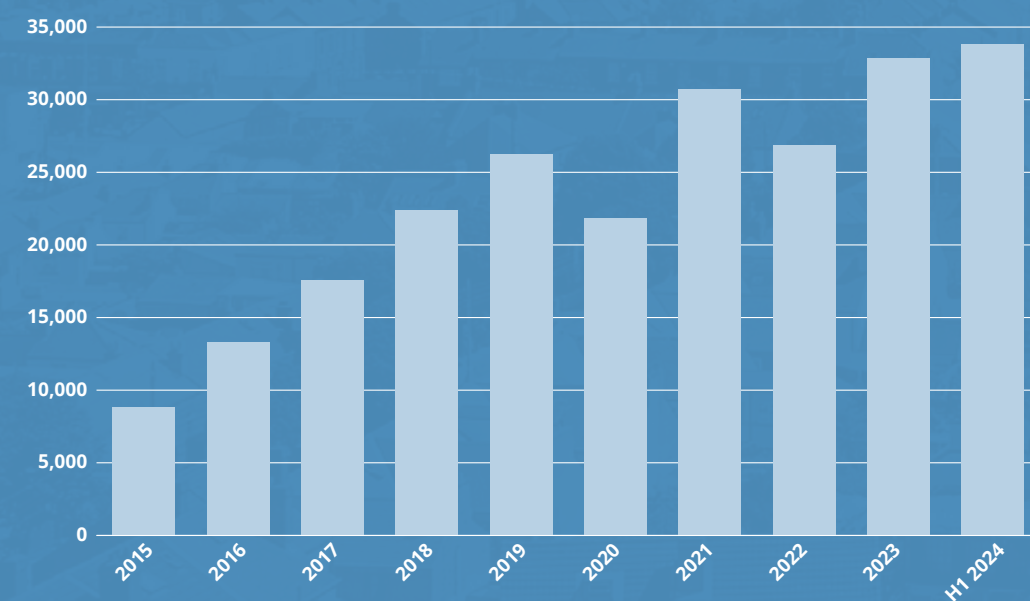
*Over the past ten years, the landscape around the supply of new homes in Ireland has changed dramatically. Since 2014, there have been almost 194,965 residential units completed across the country, an average of 19,260 units per annum.*

The delivery of new homes has been heavily concentrated in more recent years, increasing from 7,220 units in 2015 to 32,700 units in 2023. This is as a result of a combination of factors including ever-increasing demand for new homes, and government interventions.

The Government's Housing for All plan, which was introduced in 2021, has aimed to address shortages and provide much needed new housing stock to the market, including more social and affordable accommodation. Whilst the plan has been largely successful in increasing the delivery of new homes, most notably in 2022 and 2023, it is widely acknowledged that the targets set were conservative from the outset, and as such, the last number of years have seen a significant supply deficit take hold, particularly given the significant population growth over the past two years. This is despite the recent hike in completions.



Figure 2: Residential Dwelling Commencements, 2015 – H1 2024



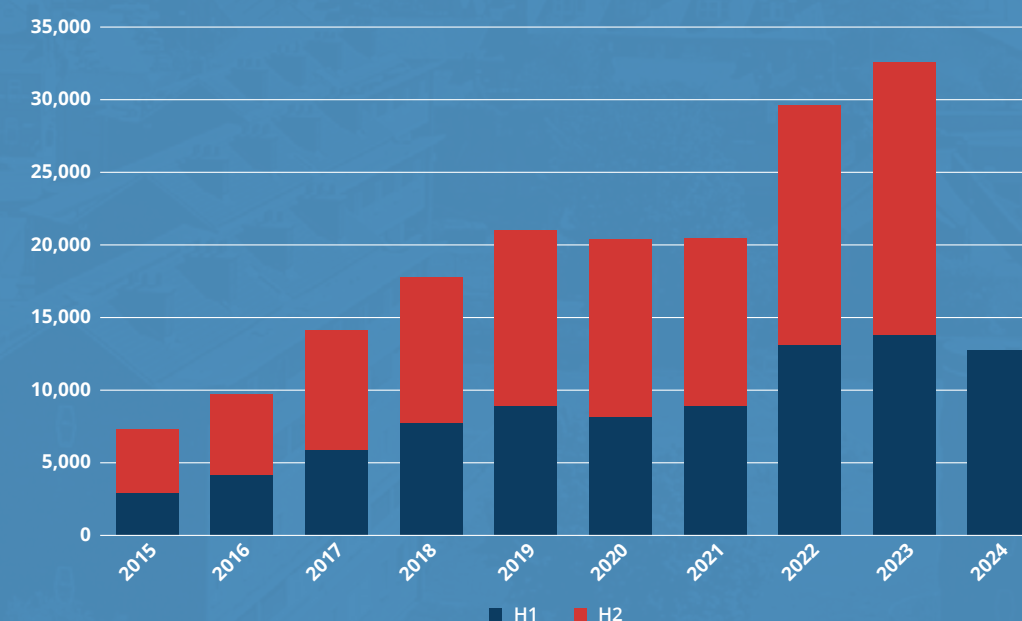
Source: DHLGP

An analysis of commencement notices provides a good indication of future completions. The first half of 2024 has seen strong commencement figures for residential dwelling units, but this must be viewed cautiously. April 2024 saw 18,200 commencement notices filed, an unusually high number, as many developers sought to benefit from the residential development waiver which was due to lapse that month. This waiver has now been extended until the end of April 2025 and has been welcomed by homebuilders and other stakeholders. Commencement notices returned to more normalised levels in May and June of this year, bringing total commencements in the year to the end of June to 33,784. This exceeds the 32,801-figure recorded for 2023 as a whole.

On average, it takes twelve to eighteen months for a residential unit to complete, meaning that the new dwelling completions in 2024 will have been derived from commencements in late 2022 and 2023. This would suggest that over 40,000 new dwelling units could potentially be delivered to the market in 2024, however, completions data for the “year to date suggests otherwise.

From January to June 2024, a total of approximately 12,700 residential units were completed. This represents a decrease of -8.8% when compared to the first half of 2023. Additionally, when we look at completions for the first 6 months of each year from 2015 to 2023, on average 43% of total new dwelling completions are completed in the first half of the year. This suggests that

Figure 3: New Dwelling Completions, 2015 - H1 2024



Source: CSO

completions for 2024 are likely to be similar to those seen in 2023.

This is further demonstrated by the most recent data for the third quarter of the year. While these were up 6.3% when compared to the third quarter of 2023, in the nine months to the end of September, completions have decreased 3.1% year-on-year. In order to match the level of completions seen in 2023, output in the final quarter of this year will need to be circa 11,000 units.

Looking further ahead to the provision of new homes, the number of residential dwelling units granted permission in the first half of this year has recorded a -17.1% decrease when compared to the first six months of 2023, with 16,900 planning permissions granted. Whilst

this is disappointing, the impact on the delivery of new homes in the distant future should not be impacted, as planning permissions are valid for seven years and many projects take a number of years to commence.

The fall in completions in the year to date can be largely attributed to a contraction in apartment output. To the end of September, there were approximately 6,225 apartments completed across the country. This represents a 17.7% decline when compared to the same time period in 2023. Conversely, the number of scheme houses completed in the first nine months of the year has increased by 7.1% when compared to the year previous, with an output of approximately 11,515 units.





The Planning and Development Bill which aims to consolidate planning law is currently passing through the relevant stages and has completed its third stage in the Seanad. When passed, this is promised to significantly improve both the timelines for making decisions and the appeals system, both of which have severely hampered development activity in recent years, and positively contribute to the delivery of new homes in Ireland going forward.

Many positive steps have been made over the past four years since the introduction of Housing for All to increase the supply of new homes to the residential market, all of which have seen much needed stock delivered but there have also been many challenges. Geopolitical challenges such as the COVID-19 pandemic, and Russia's invasion of Ukraine have led to inflationary pressures, particularly in the construction sector, where the cost of building materials has increased significantly over the past number of years. Annual inflation of construction materials reached a high of 20.6% in July 2022, and while the pace of inflation has moderated since then to reach 0.3% in August 2024, prices remained elevated. The cost of borrowing

has also increased following a series of interest rate increases which began in July 2022, which coupled with the higher materials costs made many projects unviable.

Another key challenge in the construction industry is the provision of labour. In the second quarter of 2024, there were approximately 63,600 people employed in the construction of buildings. This compares to 104,900 people employed in the same sector in quarter two 2006, when the residential market was at its peak. With the unemployment rate in Ireland sitting at 4.3%, close to full employment, it will be difficult to increase employment numbers in the sector. One of the ways in which this could be achieved is attracting workers from abroad, who would require accommodation in an already stretched residential market.

The momentum that has been seen in the provision of new homes over the past number of years must be continued in the medium to long term, as Ireland continues to face a significant supply deficit. Demand continues to outstrip supply, despite the positive movements that have been made.



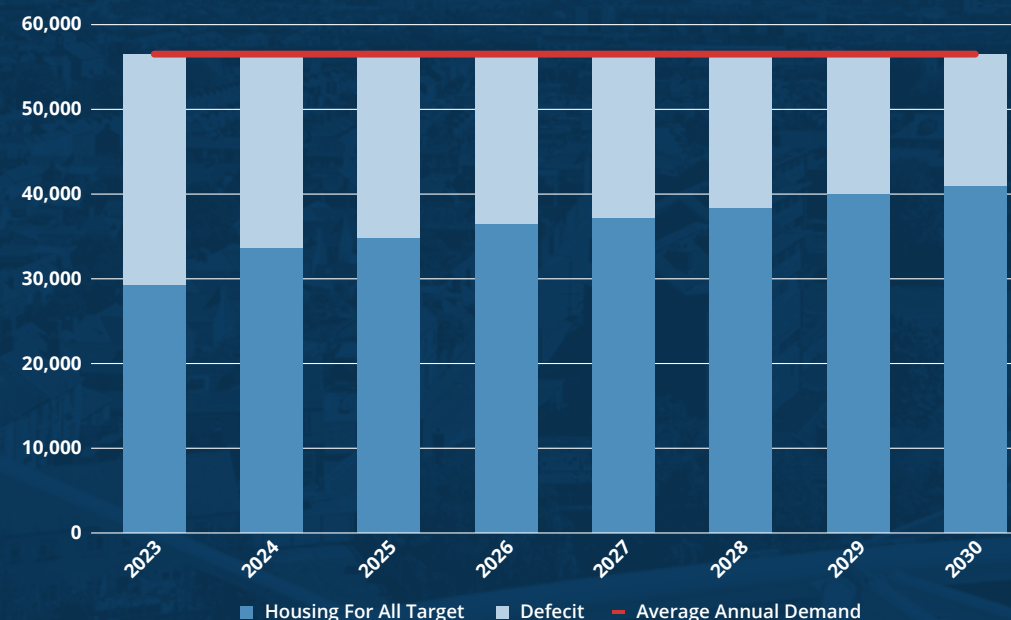




## Demand

*While the supply of housing is improving, demand continues to grow, largely driven by demographic changes. The pace of population growth makes it evident that housing supply needs to be increased even further.*

Figure 4: Housing for All Targets versus Average Annual Demand, 2023 - 2030



Source: Sherry FitzGerald Research/DHLGP

Using the latest population estimates from the Central Statistics Office (CSO), and the assumption that the average household size will fall to the EU average of 2.3 by 2036, Sherry FitzGerald Research estimates an annual average housing demand of 56,200 units per annum. This demand is heavily weighted towards the beginning of the projection period given current shortages in the market, with approximately 62,000 units per annum required over the next few years. As such, given the various challenges faced by the sector, it is likely that a significant supply deficit will continue to permeate the Irish residential market in the short term.

Looking at regional demand projections, which have been extrapolated from the overall figures for the State, the demand needs vary from region to region. These demand needs can be seen in Figure 5 and unsurprisingly, the highest requirements are in the Dublin and Mid-East regions. Annual average demand in Dublin is approximately 16,045 units, with the Mid-East requiring 9,510 units each year. In contrast, the Midlands and Border regions have an average annual demand of 3,750 units and 4,245 units respectively.



An examination of the number of completions reached in 2023 in each region shows that these were significantly lower than the annual average demand. Dublin and the Mid-East regions, where construction activity

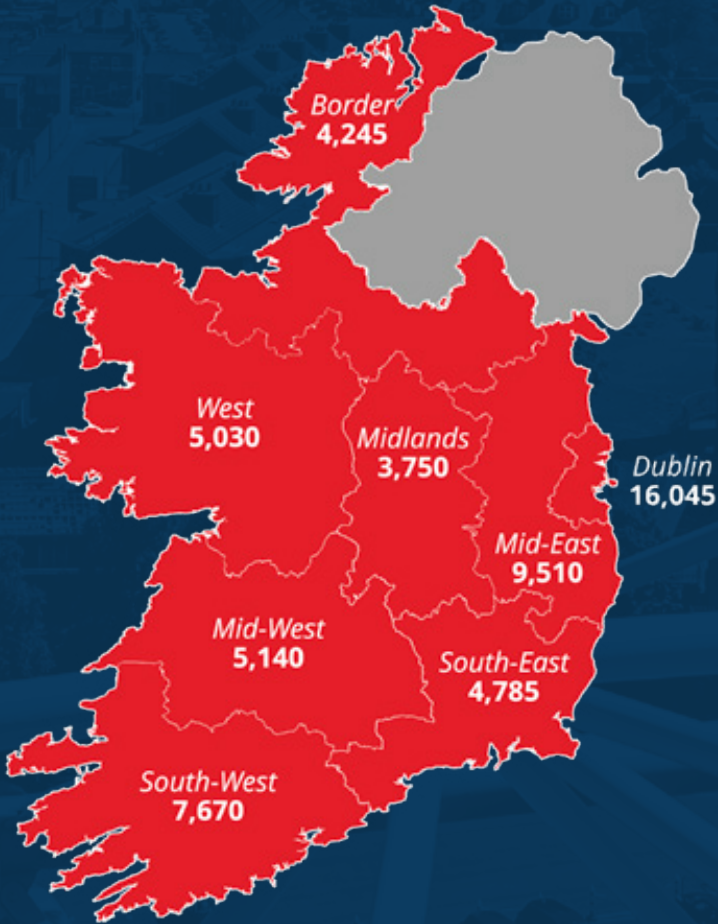
has been concentrated for the past number of years, saw 79% and 71% of demand fulfilled in 2023. However, all other regions saw less than 52% of demand fulfilled last year, with just 33% fulfilled in the Mid-West region.

Table 1: NUTs 3 Housing Completions, 2023

	Completions	Demand	Deficit
Border	1,500	4,245	-2,745
Dublin	12,649	16,045	-3,396
Mid-East	6,785	9,510	-2,725
Midlands	1,942	3,750	-1,808
Mid-West	1,720	5,140	-3,420
South-East	2,339	4,785	-2,446
South-West	3,731	7,670	-3,939
West	2,049	5,030	-2,981

Source: CSO, Sherry FitzGerald Research

Figure 5: Regional Demand Forecasts<sup>1</sup>, NUTs 3 Regions

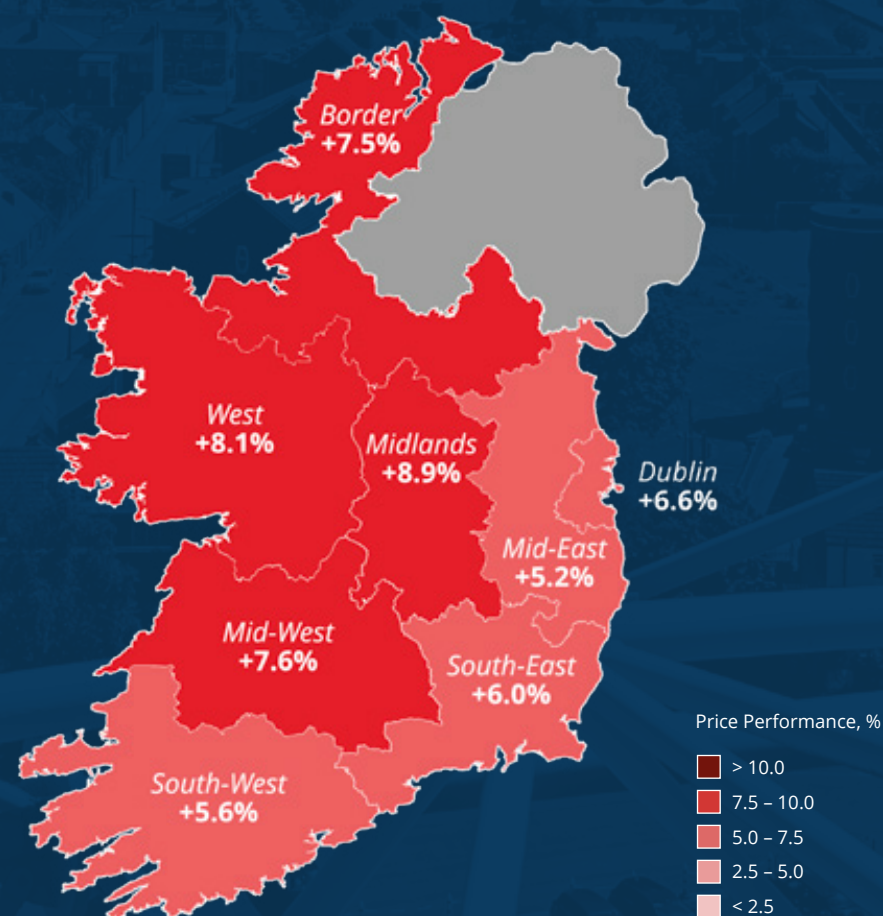


Source: Sherry FitzGerald Research  
1. Figures are rounded and may not add to total





Figure 6: Regional Price Performance, Q3 2023 – Q3 2024



Source: Sherry FitzGerald Research

It is certainly clear that we must continue to focus on housing delivery in Dublin and the Mid-East, but construction activity must also ramp up in regional and rural Ireland. The impact of a lack of housing delivery to regions such as the Mid-West, Border and West is evident not only in the new homes sector but also in the second-hand market.

The latest bi-annual second-hand supply analysis conducted by Sherry FitzGerald has revealed that the number of second-hand properties for sale in July 2024 totalled just 12,785. This represents a mere 0.6% of the entire private housing stock in the country. The analysis highlights a 7% decrease in available properties since July 2023, and an even sharper 29% decline compared to summer 2020, during the height of the COVID-19 pandemic.

This shortage of second-hand homes continues to drive price inflation across the country. Latest figures from the Sherry FitzGerald Residential Price Index reveal that the average value of second-hand homes in Ireland increased by 1.8% in quarter three, bringing cumulative price growth in the year-to-date to 5.7%, with an annual growth rate of 6.6%. This compares to annual price inflation of 3.0% recorded in September 2023.

In Dublin, average values grew by 2.0% during the quarter, resulting in a year-to-date increase of 6.0%. The annual growth rate in Dublin has risen to 6.6%, significantly higher than the 2.0% rate recorded in the previous twelve months.

Interestingly, average values outside of Dublin rose at a slower pace than in the capital this quarter, reiterating







the convergence in price inflation we have seen over the past number of quarters. Average values grew by 1.6% in the quarter. Annually, price inflation is just below the capital at 6.5%. This is a robust increase compared to the 4.4% annual growth rate recorded in September 2023.

Though demand for housing is ever increasing, a review of transaction activity for the first half of the year<sup>2</sup> highlights some of the challenges currently faced in the residential market. There were approximately 20,930 housing transactions made by household buyers as per stamp duty executions in the first half of the year. This is a 7.1% decline when compared the first half of 2023. This decline is unsurprising given the supply side shortages and high-interest rate environment we have been operating in. It is possible that the second half of the year could see transaction activity increase, as the effects of the rate cuts that have been

made by the ECB over the past number of months begin to trickle down to mortgage applicants.

Both the volume of mortgage approvals and mortgage drawdowns have also recorded a decline in transaction activity in the first three quarters of 2024. At the end of September, approximately 38,516 mortgage approvals had been granted. This represents a marginal decline of -0.3% when compared to the same period in 2023. Mortgage drawdowns have also decreased, with approximately 30,303 drawdowns made between January and September 2024. This is a decline of 5.3% when compared to the same time period in 2023 and is largely attributed to a slowdown in switching and re-mortgaging activity. The aforementioned challenges in the residential market, of a lack of supply of both new and second-hand homes and higher interest rates are no doubt having an impact on activity in the mortgage market.

<sup>2</sup> Given the nature of this data, it is likely that we will see some upward revision as the year progresses.





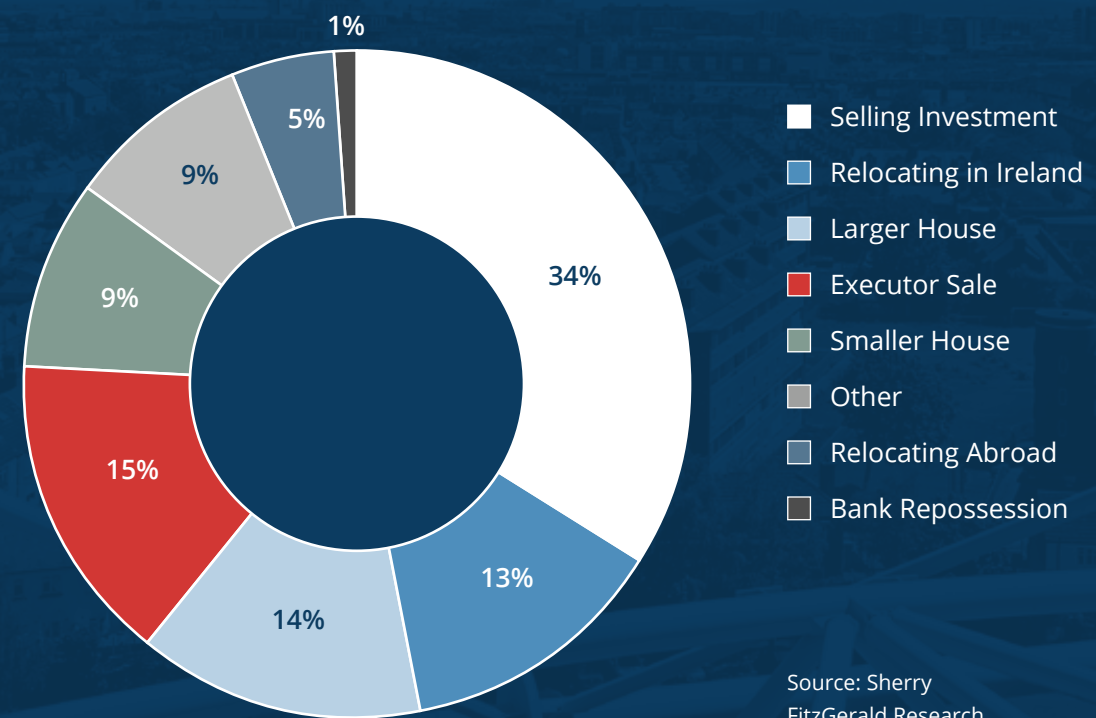


## Purchaser and Vendor Analysis

*An analysis of Sherry FitzGerald's second-hand sales<sup>3</sup> in the first 9 months of the year continues to highlight that investors are exiting the rental market at an unsustainable pace.*



Figure 7: Vendor Analysis, YTD 2024



In the nine months to the end of September, just 11% of purchasers of second-hand homes with Sherry FitzGerald were investors, whereas 34% of vendors were investors selling their properties. This trend, which has been evident in this dataset since 2020, continues to show the pressing need for targeted government measures to boost supply in the rental sector. The introduction of rental caps in 2016 have had a negative impact on the market and coupled with the unfavourable tax treatment of small landlords has led to the mass exodus of landlords from the market. A functioning rental market is a fundamental part of a functioning housing market overall. The absence of substantial policies in Budget 2025 to address the persistent issues in the rental market was a missed opportunity, and indeed the decision to raise stamp duty to 15% for those purchasing ten or more residential units within a 12-month period is counterproductive. Institutional investors have played a critical role in funding and delivering much-needed rental accommodation in Ireland for the past number of years, and this stamp duty increase may hamper that investment.

Owner-occupiers continue to be the most active cohort in the market. Owner-occupiers accounted for 80% of Sherry FitzGerald's purchasers in the first nine months of the year, with first-time buyers accounting for about 43% of these purchasers.

<sup>3</sup> Sales for which the purchaser and vendor data is available.



*The housing market continues to grapple with significant challenges as we move into the latter half of 2024, and indeed into 2025. Despite the increased interventions undertaken by the Government in recent years to address shortages in the market, significantly more needs to be done.*

A minimum of 56,200 units per annum needs to be delivered out to 2036 to meet demand in the market, with this heavily weighted to the start of the period, where 62,000 units are required each year. It is clear also that this housing delivery must be spread across the country, with some regions fulfilling just over a third of what is required on an annual basis at present. Early indications suggest that completions for the State this year will be in line with what was achieved last year, far below the level needed to meet demand.

Price inflation has been driven by supply-side shortages for the past number of years, and this is likely to continue as the year progresses. Falling interest rates in the second half of the year are likely to lead to increased demand, although transaction activity is expected to be limited by a shortage of second-hand stock. In terms of price performance, values are anticipated to increase by 7-9% overall this year, considering these factors.

The Government have been committed to the housing market in recent years, largely through Housing for All, and most recently reports from the Housing Commission and the Rental Market Review. However, Budget 2025 was overall a missed opportunity to implement some of the recommendations to tackle the challenges in the residential market in a meaningful way. The Planning and Development Bill should help to streamline some of the bottlenecks that are in the planning system at present. Institutional investment is a key element of the market, and the Government recently acknowledged that achieving a housing target of 50,000 units would require €20 billion annually, with €17 billion of this coming from private investment. The stamp duty increase introduced as part of Budget 2025 runs contrary to that objective.







## Contact Details

### MARIAN FINNEGAN

Managing Director,  
Residential & Advisory

+353 (0)1 237 6341  
marian.finnegan@sherryfitz.ie

### JEAN BEHAN

Senior Economist  
Head of Research

+353 (0)1 237 6300  
jean.behan@sherryfitz.ie

### JANE DUNNE-TERRY

Economist,  
Researcher

+353 (0)1 205 1231  
jane.dunneterry@sherryfitz.ie

### SEAN CADOGAN

Economist,  
Researcher

+353 (0)1 237 6300  
sean.cadogan@sherryfitz.ie

©2024

### **CONFIDENTIALITY CLAUSE**

This information is to be regarded as confidential to the party to whom it is addressed and is intended for the use of that party only. Consequently and in accordance with current practice, no responsibility is accepted to any third party in respect of the whole or any part of its contents. Before any part of it is reproduced, or referred to, in any document, circular or statement, our written approval as to the form and context of such publication must be obtained.

**Phone:** +353 (0) 1 237 6300

**E-mail:** [research@sherryfitz.ie](mailto:research@sherryfitz.ie)

**Web:** [www.sherryfitz.ie](http://www.sherryfitz.ie)