

## Economic Research Unit



### Taking the temperature of the Irish housing market

*MyHome data show homebuyers were paying 4.1% above the original asking price to secure a property in May. In Dublin, the premium over the asking price was 5.4%. This demonstrates housing market conditions in Ireland remain very tight, with robust demand driving intense competition for homes. In contrast, Zoopla reported the average UK residential property sale in March was settled at a 3.9%, £10,000 discount to asking. Irish house prices look set to rise further. In April, the average mortgage approval rose to a fresh record high of €313,200, up 4.6% on the year. On the supply side, there are currently 12,250 homes listed for sale on MyHome, a small improvement from the 10,900 record low in March. Notably, there were 5,805 new listings in the six weeks to June 2nd, up 2.4% on 2023, perhaps a tentative sign that would-be vendors, put off by reports of ECB rate hikes and weak demand, are returning to the market.*

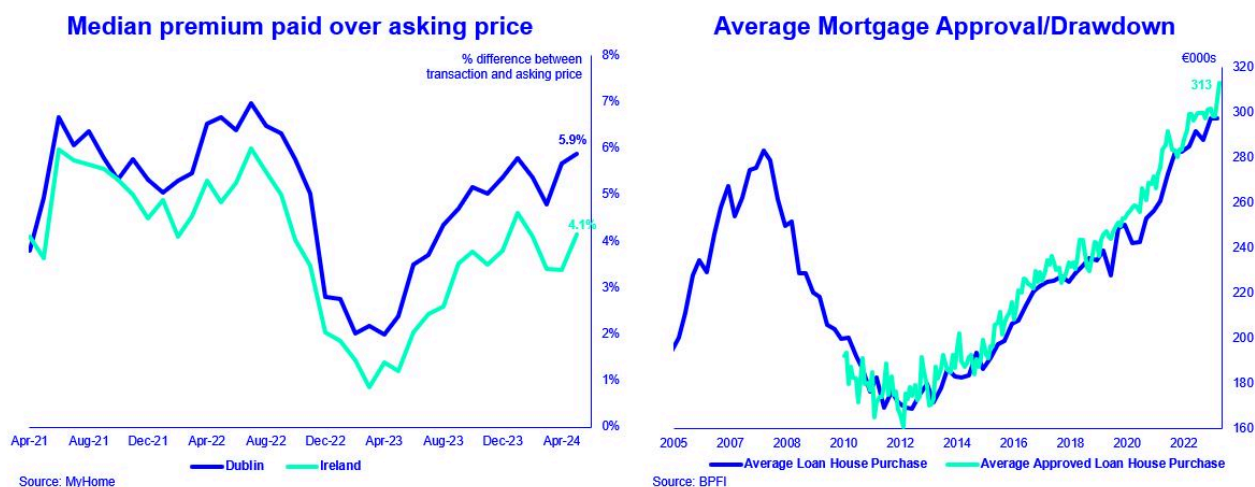
**A useful, timely indicator of conditions in the Irish housing market:** The new Eircode system means we can track close to 50% of house sales through from their original asking price on MyHome, to their final transaction price, 5-6 months later. Hence, we can measure if homebuyers are generally paying above the original asking price to secure a property, a sign the market is buoyant. Alternatively, vendors may be forced to settle transactions at a discount when demand is weak or affordability has become too stretched. For example, UK listings website Zoopla reported the average discount on home sales in March was 3.9%, or £10,000, albeit shrinking from 4.5% (£14,250) in November 2023.

**Irish homes currently being sold 4% above asking price:** During the summer of 2022, when house price inflation was running at 14%, Irish homebuyers were paying 6% above the original asking price (at the median). However, this premium fell rapidly to just 0.9% by March 2023 - a warning sign that affordability was stretched. Indeed, the CSO's official measure of transaction prices fell in each of the first five months of 2023. However, Ireland's housing market has regained momentum. MyHome asking prices rose by 2% in Q1 2024, up 6.5% on the year. Furthermore, the latest MyHome data show that in May, homebuyers were still bidding up transaction prices to 4.1% above the original asking price.

**Mortgage approvals data point to further upward pressure on house prices:** The average mortgage approval for house purchase in April was €313,200, up 4.6% on the year. In comparison, the average drawdown in Q1 2024 was €298,800, up 4.4% on the year. The clear message from April's approvals data is that pay growth, and perhaps a degree of leverage, is allowing homebuyers take on higher levels of debt, which in turn will drive Irish house prices higher. For first-time-buyers the average approval in April was €304,950, up 5.1% on the year and for mover-purchasers €350,400, up 3.4%.

**A small improvement in housing availability:** There are currently 12,250 homes listed for sale on MyHome, equivalent to just 0.6% of the stock of 2.2 million homes. Still, this is some improvement from the record low of 10,900 in March. Clearly, there is still an enormous lack of existing 2nd hand stock to meet demand. There are some signs of improving trends in new listings, 5,805 in the six weeks to June 2nd, up 2.4% on 2023. This could be a first tentative sign that would-be vendors, put off by reports of falling house prices and ECB rate hikes in 2023, are now coming back to the market.

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