

## Economic Research Unit



### MyHOME reports shows asking price inflation at 7.3%

*This week's MyHome report showed asking price inflation accelerating to 7.3% in Q2 2024, the fastest pace in two years. Furthermore, residential transactions in June were being settled at 6% above the original asking price - indicative of intense competition amongst homebuyers. The fresh momentum in Irish house prices is being driven by the resilient economy and specifically pay growth. Average earnings grew by 4.7% in year to Q1 2024 to €50,300, helping to push the average mortgage approval in May to a fresh high of €315,900, up 6.4% on the year. Unfortunately, supply remains exceptionally tight, particularly in the existing homes market. There were just 12,500 homes listed on MyHome in June, down 11% on the year, close to the historic lows seen during the Covid19 pandemic. Irish house prices now look likely to see a high single-digit rise in 2024, rather than the 4% we had previously forecast.*

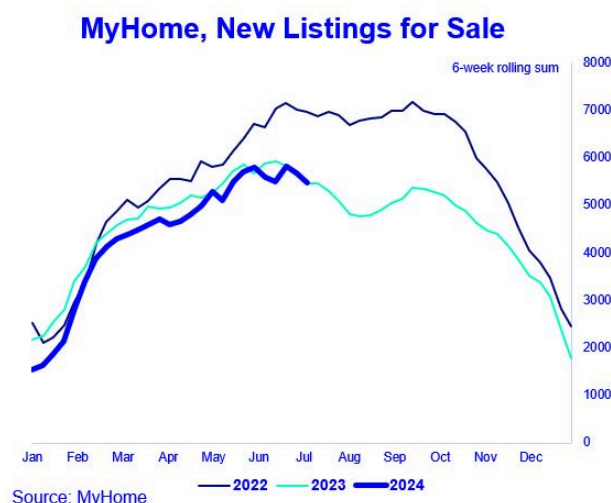
**Asking price inflation accelerates to 7.3%:** The latest MyHome report shows that asking prices rose by 5.1% in Q2 2024, with annual inflation accelerating to 7.3% - the fastest pace in two years. Typically it takes five to six months between a property first being listed for sale on MyHome, to a transaction eventually being completed. So the the official CSO index of residential transaction prices looks set to rise further through the summer months and into the autumn. Also, the pick-up in price inflation has been broad based. Asking price inflation was 7.2% in Dublin and 7.6% in the rest of Ireland.

**Competition for homes heats up again:** A good gauge of competition amongst homebuyers is the premium they are prepared to pay over the original asking price. The new EIRCODE system means we can now track close to 50% of homes listed for sale on MyHome through from their original asking price to their final transaction price. In June, homebuyers were paying 7% on average above asking, or 6% at the median (see chart below). In Dublin, the average premium was 8%. This is a stark change to one year ago, when homebuyer were paying just 1-2% above asking.

**Pay growth primarily driving house prices higher:** Average earnings grew by 4.7% to €50,300 in the year to Q1 2024. Given higher incomes, prospective homebuyers have been able to take on more debt. Hence, the average mortgage approval in May rose to a fresh high of €315,900, up 6.4% on the year from €296,800 in May 2023. Also, first-time-buyers are taking on a degree of additional leverage. The proportion of first-time-buyers with mortgage loans that had a loan-to-income (LTI) ratio between 3.5-4x, rose to 36% in 2023, from 6% in 2022, following the relaxation of the macroprudential rules.

**Housing market grinds tighter, hurting residential activity:** We estimate residential transaction volumes in the first five months of 2024 were down 3.3% on the same period of 2023. This decline clearly reflects the lack of stock. Just 12,500 homes were listed on MyHome at end-June, down 11% on the year, close to Covid19 historic lows. There is not yet clear signs of any recovery. In Q2 2024 new listings for sale on MyHome were still down 3.2% on the year, albeit the annual comparison was flat in the six weeks to July 7th. Similarly, the average time to sale agreed in Q2 2024 was just 11-12 weeks, again close to a historic low, indicative of the very tight housing market.

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