



### MyHome Asking Price Inflation 7.5% in Q3 2024

The MyHome report, in association with Bank of Ireland, was published this week. Asking price inflation accelerated to 7.5% in Q3 2024, a two-year high. Perhaps ever more striking were data showing transactions in September were being settled on average 8% above the original asking price, and for one-in-seven homes, 20% or more above, illustrating the intense competition for homes. At the same time, housing availability remains extremely challenging. There were just 13,000 homes listed for sale on MyHome at end-Q3, with the average time-to-sale-agreed close to a historic low of 12-weeks. Furthermore, demand for housing continues to grow. We now know the population grew by 1.9% to 5.38 million in 2024. In July, the average mortgage approval for house purchase was €318,300, up 6% on the year, pointing to further house price gains. Our forecast is for 7.75% house price inflation in 2024 and 4% in 2025.

**House price inflation close to double-digit territory:** Asking prices rose by 0.8% in Q3 2024, a relatively sedate gain typical of the end of the busy summer trading season, but with the annual inflation rate accelerating to 7.5%. Furthermore, competition for homes has intensified through the summer. In September, the average residential transaction was settled 8% above the original asking price, vs 5.7% in May. For one-in-seven homes the transaction was settled 20% or more, above the original asking price. This explains why the official CSO Residential Property Price Index (RPPI) inflation rate, based on transactions, was 9.6% in July, above the asking price inflation rate.

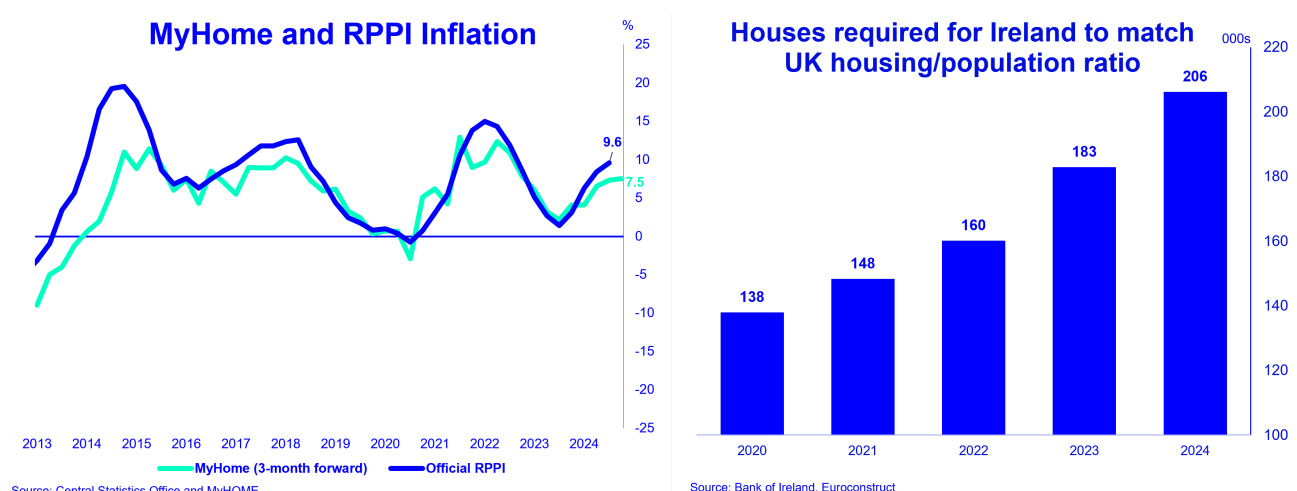
**Challenging conditions for first time buyers:** There were just 13,000 properties listed for sale on MyHome in September, a marginal improvement from 12,500 in June, but down 2% on the year and vs 20,000 pre-pandemic. Hence, whatever stock is available is being sold ever more quickly. The average time to sale agreed was just 12 weeks in Q3 2024, close to a historic low. Thus far, €16bn, or 39,000 residential transactions have been recorded in 2024. However, this represents a 5% contraction in activity in H1 2024, with transaction volumes broadly flat year-on-year during the summer. One fledgling sign of improving conditions is that new listings for sale in Q3 were up 2% on the year.

**When will housing completions pick-up:** The latest data show there were 49,000 housing starts in the twelve months to July. At face value this suggests there will be a sharp rise in the number of housing completions in the near future. Our current forecast is for just 33,000 completions in 2024. However, the pick-up in starts clearly reflected a rush early in 2024, ahead of the expected deadline for waivers on development levies and water charges. It may be that there will be an extended time-lag, beyond the traditional twelve months for houses, before the surge in housing starts early in 2024 actually translates into completed homes.

**Rapid population growth adding to pressure on housing market:** Perhaps the most striking news since our last MyHome report is the news the Irish population grew by 1.9% for a second successive year, to 5.38 million. Net migration accounted for four-fifths of this 99,000 rise in the population. Furthermore, of the 2.7%, or 72,000 rise in employment in the twelve months to Q2 2024, over half was accounted for by non-Irish nationals. These are exceptional rates of population growth and net migration, not seen since the 2007-2008 Celtic Tiger period. A simple way to illustrate the impact on the housing market is to compare the housing/population ratio to the UK. To 'catch-up' with the UK's ratio, Ireland would have needed to build 138,000 homes in 2020, but this figure has now risen to 206,000.

**Our forecast is for 7.75% RPPI inflation in 2024, 4% in 2025:** Looking forward to 2025 we still expect a mid-single digit gain (4%) in the RPPI. Although, the sharp rises in the RPPI this year will stretch affordability, pay is also rising. In Q2 2024, average earnings grew by 5.6% on the year, to a €50,000 annualised figure. Rising incomes are showing up in the amount of debt prospective homebuyers are bringing to the market. In July, the average mortgage approval for house purchases rose to a fresh record high of €318,300, up 6.2% on the year. Also, financial markets currently expect the ECB to cut its deposit rate to 2% by end-2025, which should also support further house price gains.

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