



**Property  
Industry Ireland**  
Ibec

# Housing Market Review

MAY 2022

# Housing Market Review May

Welcome to our latest Property Industry Ireland Housing Review. It remains a challenging time for the market with substantial input cost inflation representing a very real barrier to the future delivery of housing and infrastructure. This is evident in the results of our survey on expected home completions with PII members expecting that there will not be a significant increase in 2023 compared with 2022. Across a range of housing market issues PII member perception of the impact of these issues on supply has worsened. We also highlight our upcoming conference on June 15th. We have a number of confirmed speakers and expect to announce more over the coming weeks.

Finally, we profile PII's new Chair – Ivan Gaine Managing Director of Sherry FitzGerald New Homes.

As before this Review uses data from the Central Statistics Office, Central Bank, Department of Housing, Local Government and Heritage, and the Banking and Payments Federation Ireland. We look forward to feedback you might have or suggestions as to other data you would find of interest. I hope you find this Review interesting and useful.

Please feel free to get in touch.

**David Duffy,**  
Director Property Industry Ireland,  
Ibec.

## GENERAL

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- ⋮ PII Annual Conference
- ⋮ New PII Chair
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- ⋮ Supply Chain Challenges
- ⋮ Commencements and Completions

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- ⋮ Mortgage Market
- ⋮ Household Savings
- ⋮ Consumer Sentiment

## MARKET

- ⋮ House Prices and Rents

## PII SECTORS



### PII VISION

A sustainable Irish Property Industry which is creative, responsive, competitive and well integrated in meeting the socio-economic needs of all the stakeholders in the built environment.

### PII MISSION

To be the trusted partner and provider of “evidence based” information, policies and strategies for the property industry at National level, to the Oireachtas, Government, Local Authorities and Agencies, and for the benefit of the people of Ireland.

# PII Member Survey

Since the start of the pandemic PII has surveyed members to find out their view on the level of home completions in the short term. Below are the findings from our latest survey conducted in late April:

**2022 COMPLETIONS**



Members expect a lower level of home completions in 2022 than they did in January.

**2023 COMPLETIONS**



No big increase in completions expected in 2023. Completions expected to be similar to this year.

**COMPLETION DELAYS**



Planning delays, input cost inflation and the availability of materials identified as the main barriers to delivery this year and next.

Since the beginning of the year PII's member perception of the following:



Availability of Land



Funding



Utilities




Labour Availability

Labour Cost



Materials Availability

Materials Cost



Planning System Delays

Judicial Reviews

REMAINED SAME

WORSENERD

# PII Annual Conference

This year's conference will take place on June 15 at Clontarf Castle currently sponsored by KPMG, Sherry FitzGerald and MyHome.ie.

Our theme this year is **Delivering the Cities, Towns and Villages of the Future.**

The conference will feature two moderated panel discussions on the topics of *The Business Case for Sustainable Living* and *Land Use, Management and Supply* featuring high-level speakers. These sessions will build on our strong engagement with government and contribute to practical recommendations on improving the housing sector.

Our conference brings together the leaders of the Irish property and construction industry to address the main concerns facing housing, commercial, industrial and retail real estate in Ireland. The event is usually attended by close to 150 delegates from across the property sector (homebuilders, contractors, funders, planners, architects etc).

Speakers include:

**John Coleman,**  
*LDA*

**Stephen Garvey,**  
*Glenveagh*

**Claire Solon,**  
*Greystar*

**Jim Coady,**  
*Coady Architects*

**Oscar Huerta Melchor,**  
*OECD*

**Niall Cussen,**  
*Office of the Planning Regulator*

Property Industry Ireland  
Ibec

Annual Conference

15 June 2022

Clontarf Castle

Delivering the Cities, Towns and Villages of the Future.

Register PII Annual Conference

EVENT PARTNERS:



SUSTAINABILITY PARTNER:

## New PII Chair



"I look forward to working with my colleagues in the property sector and with Government in delivering the supply that the Ireland needs and deserves."

Ivan Gaine  
*PII Chair*

PII is delighted to announce the election of Ivan Gaine, Managing Director Sherry FitzGerald New Homes, as its new Chair.

Ivan started his career with Sherry FitzGerald in 1999, initially working in the Business Space Department within DTZ Sherry FitzGerald (now Cushman & Wakefield). After qualifying as a chartered surveyor, Ivan made the move to Sherry FitzGerald New Homes.

Speaking following the announcement, Mr. Gaine said "I am honoured to take on this role. The property and construction sector are still dealing with an ongoing housing crisis but is now facing new challenges to the supply of new homes and offices with increasing cost of construction and energy, at a time when the sector is committed to becoming more sustainable and environmentally conscious. The additional challenges emerging as a result of the Russian invasion of Ukraine highlight how a collaborative approach amongst stakeholders towards delivering impactful solutions is now more critical than ever.

"I look forward to working with my colleagues in the property sector and with Government in delivering the supply that the Ireland needs and deserves."

PII are grateful to David O'Connor, the outgoing PII Chair, for his commitment to the role during the challenging Covid-19 crisis and for co-ordinating PII's contribution to Government's key Housing for All strategy.

# General

The European economy is in a state of flux following the Russian invasion of Ukraine. Ireland, despite having low direct trade exposure to the region, is acutely exposed to energy price inflation due to our low levels of electricity interconnection and relatively high dependence on natural gas in electricity generation and industry. Many Irish businesses are now reporting significant gas and commodity price increases. This threatens the viability of production in many manufacturers across the country. On the other hand, the Irish

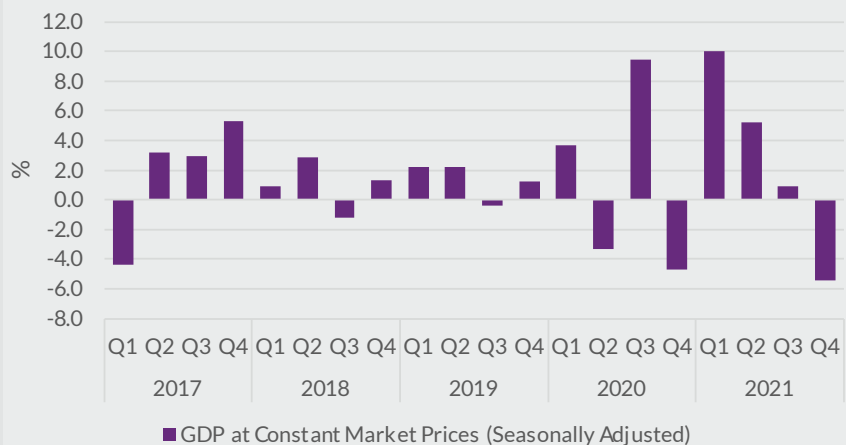
economy had been recovering rapidly from Covid before the Russian-Ukrainian war crisis hit. This momentum provides some buffer to the impact of the war in 2022 but the outlook for 2023 is more muted. Ibec's central expectation is that the economic impact from the Russian invasion of Ukraine will knock somewhere between 1-2 percentage points off the rate of growth relative to the 6.1% we expected for 2022 in Q4 2021. Economic growth will still be positive at around 4.3% in the year ahead.



# -2%

Economic impact from the Russian invasion of Ukraine will knock somewhere between 1-2 percentage points off the rate of growth.

## GDP Quarterly % Change



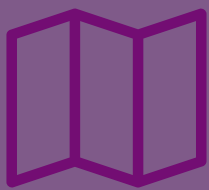
# Planning Permissions

In 2021, the number of dwelling units granted planning permission was 42,991, of which 26,272 were apartments and 16,719 were houses.

PII remain concerned that given the high level of judicial review, particularly of SHD applications, commencement and completion of many of these units that have been granted planning permission is likely to be significantly delayed.

Planning permissions growing by 1.5% in 2021. However, if planning permissions

for one-off housing are excluded, total planning permissions fell by 4.3%. This latest CSO data highlights a move towards apartments in future home delivery. In 2021 apartment planning permission grew by 6.5%. The growth in planning permissions for apartments shows a commitment to the delivery of homes within our cities. Planning permission for housing fell by 5.6%.

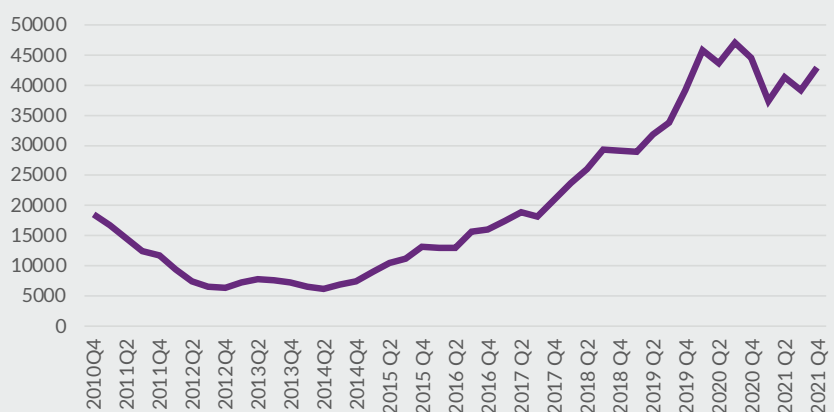


## -4.3%

If planning permissions for one-off housing are excluded, total planning permissions fell by 4.3% in 2021.

## Planning Permissions

4 Q Rolling Sum



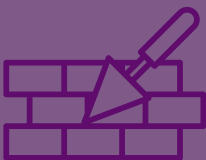
## Supply Chain Challenges

Before the Ukrainian war happened, surveys by the European Commission had already shown well over 80% of Irish manufacturers identifying shortages of key material or equipment as a barrier to production. The further knock-on impact of rising costs on business investment will be significant and operate through three main channels. Firstly, rising construction costs will make new investments and housing completions relatively more expensive. This will slow new investments and may make some investments unviable in the short run. Secondly, concerns about rising energy and commodity costs may take precedence over new investments when it comes to management of company resources

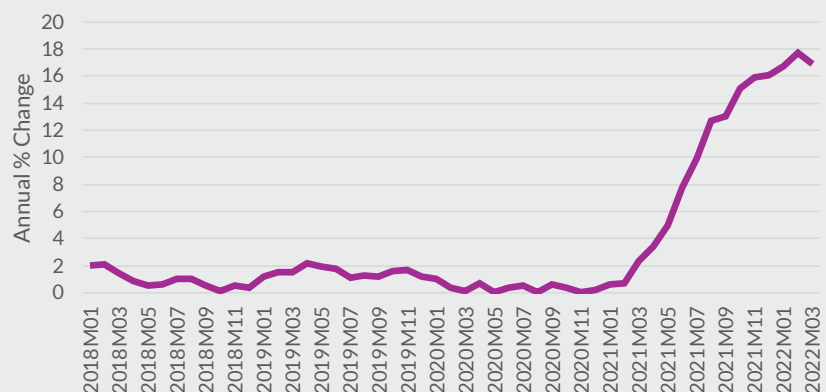
in the short run. Thirdly, uncertainty about the future path of both energy prices and demand in the economy will slow decision making on new investments. Together these impacts will weigh on new investment in 2022 and into 2023 but may create new opportunities in the longer run. In particular, a higher price level for fossil fuels will create a lower relative cost of renewable investments. Sharp inflation in building materials costs, along with ongoing shortages and long delivery timelines, have continued to frustrate progress and increase costs in both commercial and residential projects. Over the past year, prices of key building materials from timber to PVC have increased due to a global under-

supply of those commodities. An additional challenge for the sector is the ongoing energy crisis, with energy making up a significant share of construction costs. At the same time, rising wages in the sector and difficulties in recruiting pose an ongoing challenge on the labour side. This, combined with the unpredictability of future material and energy costs means that tender prices are increasing, with firms less willing to commit to fixed-price and longer-timeline contracts in an extremely volatile environment. As a result, some projects are being deferred or delayed even as demand across all construction types continues unabated.

*Construction cost inflation has been identified by PII members as a key barrier to delivery and sentiment around this issue has worsened in recent months.*



### Wholesale Price Index (Excl VAT) for Building and Construction Materials



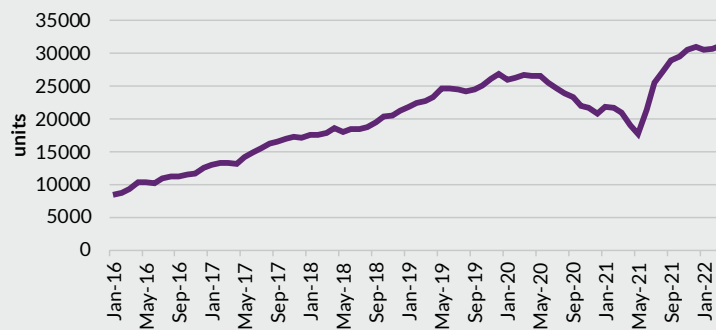


# Commencements and Completions

Total completions of new dwellings last year at 20,433 were marginally lower than in 2020 after two years of disruptions to the sector. Apartments continue to make up a larger proportion of total new residential construction, indicating a shift towards increased density as 80% of new dwellings are now occurring in urban areas. Of the 5,107 additional apartments completed, 70% were located in Dublin.

While planning permissions have increased in recent months, these are unlikely to translate into an equal number of new builds due to high rising construction costs and limited capacity in the sector. To keep in line with the Government’s Housing for All targets, new dwellings completions will need to increase from 20,433 last year, to an average of 33,000 per year over the next ten years. While we look to be on track for housing targets this year, there is a risk that next year and beyond housing delivery may fall behind as annual targets ramp up and increased cost challenges impact on viability.

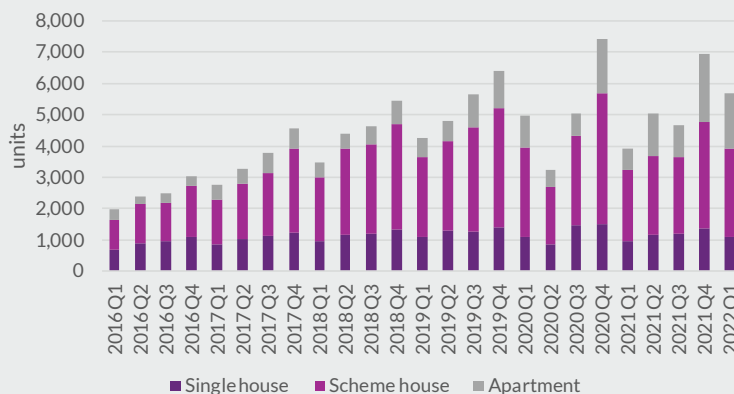
**Commence units**  
(12 month rolling sum)



*There is a risk that next year and beyond housing delivery may fall behind as annual targets ramp up and increased cost challenges impact on viability.*



**Dwelling Completions by Type**

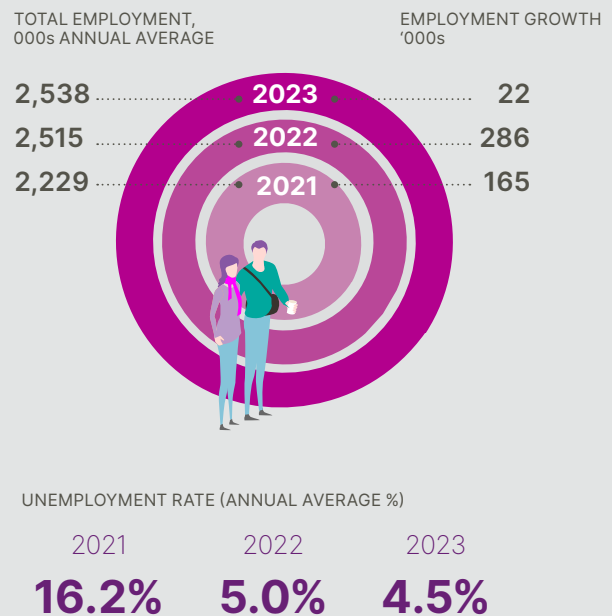


# Labour Market

In the two years to year-end 2021, the total Irish labour force grew by 165,500 people, marking a 6.3% increase in a relatively short space of time. Although there have been predictions of the ‘great resignation’ globally, there is very little sign of this trend in the Irish labour market. An extremely tight labour market combined with pandemic disruptions have led to a high number of vacancies, difficulties in recruitment and retention, and ongoing job churn in the Irish labour market.

Despite a tight labour market, there has been no significant change in employment permits granted since before the pandemic, with a total of 16,275 permits granted last year. In the coming years, as immigration from other EU member states dwindles, attracting non-EU workers will be increasingly important to meeting the country’s labour needs. While processing issues had led to delays, there is an ongoing effort to reduce wait times in the face of a significant uptick in applications.

## Employment Annual Average



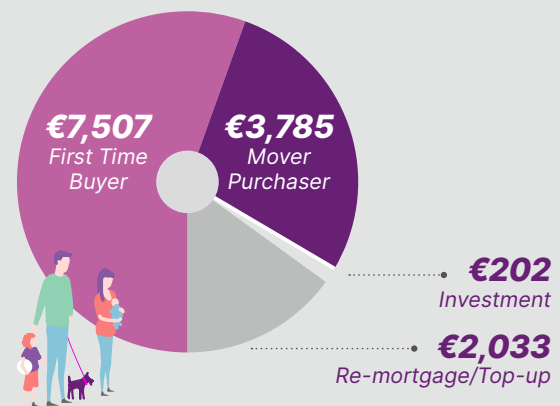
*Attracting non-EU workers will be increasingly important to meeting the country’s labour needs.*

# Mortgage Market

In the first quarter of 2022 9,910 new mortgages (€2,513 million) were drawn down, an increase of 9% in volume and 17.3% in value on the first quarter of 2021. First-Time Buyers remain the largest segment by volume (52.3%) and by value (51.6%).

Mortgage approvals in the first quarter of 2022 were valued at €3,167 million – of which FTBs accounted for €1,680 million (53%) and €782 million by mover purchasers (24.7%). The value of mortgage approvals increased by 13.6% (€378 million) when compared with the same quarter in 2021.

**Mortgage Approvals, € million**  
12 months to March 2021 (sum)

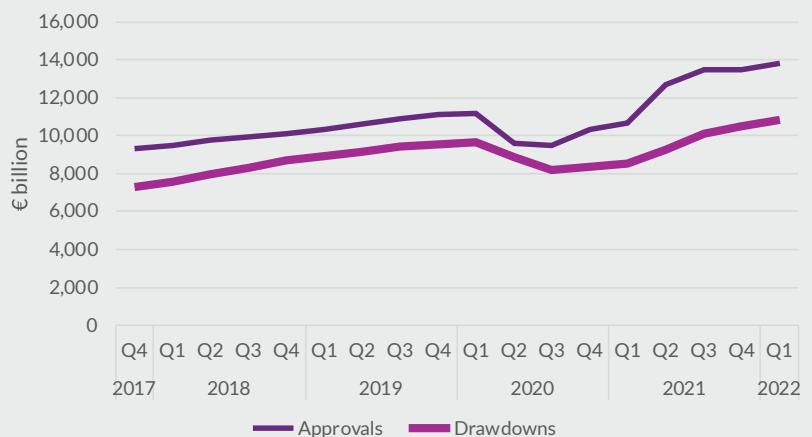


**€2,513m**

In the first quarter of 2022 9,910 new mortgages were drawn down

**Mortgage Approvals & Drawdowns, € million**

BPFI



## Household Savings

Irish households come into this year with record savings. At its peak during the first half of 2021, Irish household savings were rising by over 17% annually. Whilst the re-opening of the economy in the early part of 2022 has seen some slowdown in the rate of deposit growth (to 9% annually) we have yet to see significant drawdown on existing savings. At the end of February 2022 Irish household deposits had risen by €30 billion on the same month in 2020, to over €142 billion. This is €22 billion ahead of their trend growth rate from the 2017 to February 2020 period. These rising savings are now likely to have a more muted effect. This will happen as the value of savings are eroded by inflation, households become more cautious and more of the savings are used to buffer against rising costs – rather than used for discretionary spending. Given their concentrated nature in the top-half of the income distribution, however, they do suggest greater effort should be made to target any fiscal supports against inflation at lower income households where 'excess' savings are likely to be lower.

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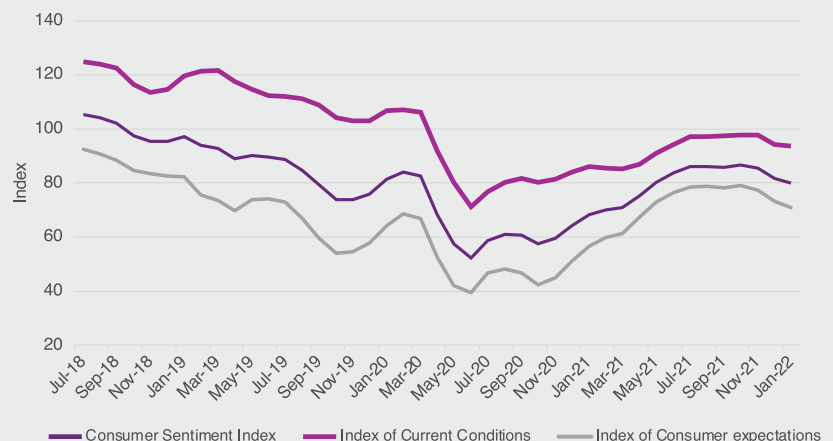
## Consumer Sentiment

Irish consumer sentiment fell sharply for the second month in a row in April as concerns about living costs intensified and worries around the outlook for economic growth gathered momentum.

The KBC Bank Ireland consumer sentiment index fell from 67.0 in March to 57.7 in April. The index now stands some significant distance below its long-term average of 86.6.

In contrast to the drop in confidence seen in the March survey the weakest elements of the April survey were those focussed on household finances and spending.

### Consumer Sentiment



# House Prices and Rents

House prices and rent increases continue to accelerate across the country as the housing crisis progresses.

While the impact of rising energy and commodity prices is the leading cause of inflation globally, housing continues to be a major domestic driver of inflation and by extension one of the components of inflation that domestic policy can affect. The residential property price index currently has property prices increasing nationally at 0.8% month on month and 15.3% year on year. Across the country, price growth outside of

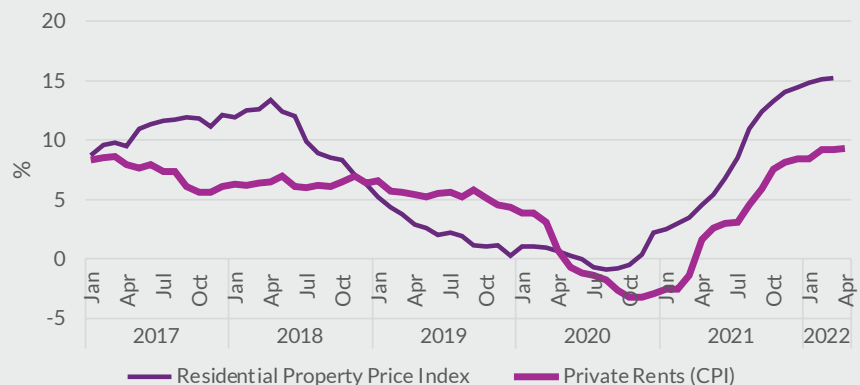
Dublin has continued to outstrip growth in the capital, with prices in the rest of the country increasing by 16.8% annually, with the Border and SouthEast regions seeing the sharpest increases.

Rent pressures also continue to grow, with the Residential Tenancies Board (RTB) flagging that an exodus of smaller private landlords is adding to mounting pressures in the rental sector. The RTB rental index is now recording annual rental growth of 2% in Dublin and 4.5% nationally.



An exodus of smaller private landlords is adding to mounting pressures in the rental sector.

## Private Rents and Residential Property Prices Annual % Change





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