Ireland

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IN A NUTSHELL

- Economic activity slowed albeit with high employment and strong consumer demand.
- Housing demand remained strong for first-time buyers despite elevated house prices.
- Housing supply grew with increased commencements and completions.
- Mortgage lending growth was driven by lending to first-time buyers (FTBs).

MACROECONOMIC OVERVIEW

Economic activity slowed albeit with high levels of employment, strong consumer demand and record tax receipts. The decline in economic activity was mainly driven by the industry and service sectors.

Gross domestic product fell by 3.2% in volume terms (according to preliminary figures from the Central Statistics Office), driven most notably by a decline in industry (excl. construction) and professional, admin and support services. When compared to pre-covid (2019), GDP has increased by 30% and by 28.1% in GNP terms.

Modified final domestic demand, which excludes globalisation effects such as trade in intellectual property and aircraft leasing, rose by 0.5%, compared with 2022. Consumption rose by 10% y-o-y in nominal terms and by 3% in real terms.

Consumer price inflation, as measured by the harmonised indices of consumer prices (HICP) according to Eurostat, was 5.2%. The largest increases were in recreation and culture activities, up 10.3% y-o-y followed by restaurants and hotels, up 6.6% y-o-y. Despite increases in business costs, the number of people employed increased by 3.4% to over 2.7 mn.

To alleviate inflationary pressure on businesses, particularly SME's, the government launched numerous support schemes such as the 'Increased Cost of Business grant' and the 'Growth and Sustainability Loan Scheme', a long-term low-cost scheme to support businesses in their growth and resilience.

Following the budget in October 2023, it was announced that two funds would be established, the 'Future Ireland Fund' and the 'Infrastructure, Climate and Nature Fund'. An annual contribution of 0.8% of GDP will be allocated to the Future Ireland Fund to protect public services in the long-term. The Infrastructure, Climate and Nature Fund will provide resources for spending in a future downturn to support expenditure through the economic and fiscal cycle and to support designated environmental projects.

HOUSING MARKET

The housing and mortgage markets performed well in 2023; demand for housing remained strong particularly with first-time buyers, evident through continued increases in residential property prices.

With housing demand continuing to outstrip supply, CSO annual data shows that residential property prices rose for the eleventh successive year, rising by 4.4% in the twelve months to December 2023. In Dublin property prices rose by 2.7% while prices outside rose by 5.6%. The CSO's national index rose to over 176, which is the highest level since the historical data series began in 2005.

The pipeline of supply of new homes improved as housing starts grew to the highest level since 2007, a y-o-y increase of 21.7% to 32,801.

New housing completions grew strongly to 32,695, an increase of 10% from 2022, according to the Central Statistics Office (CSO). More than 10,200 new dwellings were completed in Q4, 13% more than in Q4 2022 and the highest quarterly volume since the CSO started reporting quarterly completions in 2011.

Nationwide, the number of apartments completed increased by 28% to 11,642 as apartments accounted for 35.6% of total completions - the highest level based on data available from 1994. Dublin accounted for about 38.6% of completions in 2023 and 78.1% of apartment completions. Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 18.4.3% and 20.8% of completions, respectively.

Household market purchases of residential property fell by 0.9% y-o-y to 14,285 in Q4. On an annual basis, there were 50,234 purchases, the highest level since the data series began in 2010. Dublin was the largest housing market in 2023 with more than 15,200 household market purchases, 4.2% more than in 2022 and giving it a 30.1% share of the national market.
Purchases were up by 4.2% and 1.7% y-o-y in Cork and Dublin Commuter region respectively. For new homes, the Dublin commuter region accounted for 38% of purchases while Dublin and Cork accounted for 19.5% and 15% respectively.

Rents also increased significantly in 2023. The national standardised rent level (based on new tenancies) rose by 9.81% y-o-y as of Q4 2023 to EUR 1,595, according to the Residential Tenancies Board (RTB). Rent on new tenancies outside Dublin are considerably lower at EUR 1,280 per month on average, comparing favourably to Dublin which is EUR 2,098.

MORTGAGE MARKET

MARKET DYNAMICS

Overall mortgage drawdown activity was subdued in 2023, falling by 17.2% in volume terms to 43,587 and in value terms by 14% to EUR 12.1 bn. However, the fall in drawdowns can be mostly attributed to a decline in switching activity. When excluding switching activity, drawdown volume fell by just 1.4% y-o-y.

There was a significant decrease in switching activity in 2023, down 63.5% y-o-y following a surge of switching activity in 2022, driven mainly by interest rate increases by the European Central Bank, which started in the second half of 2022.

There were 49,898 mortgage approvals with a total value of EUR 14.2 bn, down 14.4% and 10.5% in volume and value terms, respectively. FTB drawdowns grew by 1.6% in volume terms to 25,592 and by 8.3% in value terms to EUR 7.2 bn, their highest level since 2007.

Total residential and commercial mortgage debt outstanding to banks, including those that have been securitised, increased to about EUR 83.6 bn at year end from about EUR 83.1 bn a year earlier, according to the Central Bank of Ireland (CBI). Buy-to-let mortgages accounted for 4% of the value of mortgages outstanding.

Some 20% of the value of credit institution housing loans was on tracker rates linked to the ECB base rate by year end. This is 5.9% lower on the year. The share of outstanding mortgages on rates fixed for over one year increased from 58.6% at the end of 2022 to 64%. Some 88% of the value of new mortgage loan agreements were on fixed rates of greater than one year.

Only 2.6% of mortgages for private dwelling homes (PDH) were in arrears of more than 90 days by the end of 2023, but 11.5% of buy-to-let (BTL) mortgage were. Mortgage lenders actively assist borrowers who experience repayment difficulties, which is demonstrated by the fact that 8.2% of all PDH accounts and 8.6% of all BTL accounts had an active restructure by the end of 2023 and about 80% of restructured accounts for private dwelling homes (PDH) were not in arrears.

NON-MARKET INTERVENTIONS

Retail banks in Ireland through the Banking and Payments Federation Ireland agreed criteria for guidelines for customers of credit servicing firms who are seeking to switch their mortgage. Credit servicing firms committed to work with these criteria to support customers switching and to ensure they are aware that they may have options to switch their mortgage.

The CBI permits lenders to provide some borrowers with loans that have LTIs and LTVs higher than the limits in their own credit policies. CBI research indicates that the average LTV for FTBs fell from 80.2% in 2022 to 80.3% in 2023, while the average LTI increased from 3.2 to 3.3. For second and subsequent buyers (SSB), who are mostly home movers and exclude buy-to-lets, the average LTV increased to 66% from 65.6%, while the average LTI remained at 2.7.

The government Help to Buy (HTB) tax rebate scheme allows FTBs to use refunded deposit interest and income tax to help finance new home purchase or building, with claimants accessing the lower of EUR 30,000 and 10% of the purchase value. The scheme was further extended to the end of 2024. By the end of 2023, 44,281 claims had been approved and the total value of approved claims (since July 2016) reached EUR 927.3 mn.

In 2021, the CBI confirmed that retail banks would be able to participate in the government's planned shared equity scheme, which launched in 2022. The First Home Scheme is a shared equity scheme, where the State and participating banks pay up to 30% of the cost of new homes in return for a stake in the home. Homeowners can buy back the stake at any time, but it is not mandatory. In 2023, this scheme eligibility was extended to include self-builds. As of Q4 2023, 3,196 buyers had been approved by the scheme and had received eligibility certificates to purchase their homes.

MORTGAGE FUNDING

Banks in Ireland rely mainly on retail funding sources (household and corporate deposits) for mortgage lending. The surge in deposits during the Covid-19 pandemic resulted in a sharp drop in the average loan-to-deposit ratio, which fell from 111.9 in Q4 2019 to 89.8 in Q4 2021. As the economy re-opened, the average loan-to-deposit ratio increased to 97.0 in Q3 2022 according to the European Central Bank's ESRB Risk Dashboard.

Domestic private sector deposits (mainly from households and non-financial corporations) fell by 0.8% year on year to EUR 304 bn at the end of 2023, some 48% of which were household deposits. Private sector deposits represented over 50% of total liabilities for credit institutions with a domestic market focus.

Mortgage covered bonds outstanding in Ireland was EUR 11.2 bn as of June 2023.

CBI LTV AND LTI LIMITS

Mortgage Limits	Borrower Type	From 01/01/23	Allowance
LTV Limits	**Primary dwelling homes**	FTBs: 90%	15% of new lending to FTBs allowed above 90%
	Primary dwelling homes	Non-FTBs: 80%	15% of non-FTB new lending allowed above 80%
	Buy-to-lets (BTLs)/ Investors	70%	10% of BTL lending
LTI Limits	**Primary dwelling homes**	FTBs: 4 times income SSB: 3.5 times income	15% of new lending above the LTI limit is allowed
Exemptions	**From LTV limit:** Borrowers in negative equity	**From LTI limit:** Borrowers for investment properties	**From both limits:** Switcher mortgages Restructuring of mortgages in arrears

GREEN FUNDING

Some banks in Ireland provide discounted fixed interest rates on mortgages secured on residential properties with higher energy efficiency ratings, based on the National Building Energy Rating. The availability of the discounted rates vary depending on the bank.

	IRELAND 2022	IRELAND 2023	EU 27 2023
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)	9.4	-3.2	0.4
Unemployment Rate (LSF), annual average (%) (1)	4.5	4.3	6.1
HICP inflation (%) (1)	8.1	5.2	6.4
HOUSING MARKET			
Owner occupation rate (%) (1)	70.4	69.4	69.2
Gross Fixed Investment in Housing (annual change) (1)	21.8	3.7	-3.1
Building Permits (2015=100) (2)	262.0	230.3	94.0
House Price Index - country (2015=100) (2)	164.0	176.2	170.2*
House Price Index - capital (2015=100) (2)	147.0	154.0	165.1*
Nominal house price growth (%) (2)	12.3	7.4	3*
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	78,130	80,213	6,782,375
Outstanding Residential Loans per capita over Total Population (EUR) (2)	15,441	15,217	15,114
Outstanding Residential Loans to disposable income ratio (%) (1) (2)	57.8	54.8	71.3
Gross residential lending, annual growth (%) (2)	34.3	-14.0	-26.6
Typical mortgage rate, annual average (%) (2)	2.7	4.8	4.7

* Please note that this value is a simple average of the available values in 2023.

Sources:
(1) Eurostat.
(2) European Mortgage Federation - Hypostat 2024, Statistical Tables.

IRELAND FACT TABLE

Which entities can issue mortgage loans in your country?	Credit institutions (mainly banks) as well as non-bank retail credit firms/home reversion firms.
What is the market share of new mortgage issuances between these entities?	The market shares of different entity types are not published for competition reasons.
Which entities hold what proportion of outstanding mortgage loans in your country?	Non-banks accounted for 16.5% of the total mortgage accounts outstanding for principal dwelling homes (PDH) at the end of 2023 and 39.3% of buy-to-lets (BTL), according to the Central Bank of Ireland. Non-banks include retail credit firms, which are non-deposit taking regulated lenders, and credit servicing firms.
What is the typical LTV ratio on residential mortgage loans in your country?	Central Bank of Ireland research indicates that the average LTV for FTBs fell from 80.2% in 2022 to 80.3% in 2023, while the average LTI increased from 3.2 to 3.3. For second and subsequent buyers (SSB), who are mostly home movers and exclude buy-to-lets, the average LTV increased to 66% from 65.6%, while the average LTI increased from 2.6 to 3.8. Note: These figures exclude the 15% of loans that were exempt from the Central Bank of Ireland's macroprudential regulations in H1 2023, including switcher loans (with no additional lending) and loans in negative equity.
How is the distinction made between loans for residential and non-residential purposes in your country?	Residential mortgage loans include loans for residential property purchase (both for owner-occupation and buy-to-let), as well as re-mortgage or switching between lenders and top-up or equity withdrawal. Non-residential mortgages include commercial mortgages, where finance is provided for the purchase of a business premises. Where legal entities manage a number of buy-to-let properties, these may be treated as commercial entities rather than residential buy-to-let but this categorisation is at the discretion of the lender.
What is/are the most common mortgage product(s) in your country?	The standard variable rate mortgage for home purchase, based on the French amortisation profile, has traditionally been the most popular product among new customers, but the value of new mortgage agreements with fixed rates has exceeded those on floating or up to 1 year fixed rates in each of the past five years. In 2023, some 88.1% of the value of new mortgage agreements were on initial fixed rates over one year. Some 20% of the value of credit institution housing loans was on tracker rates linked to the ECB base rate by year end. The value of those outstanding has dropped by 5.9 % since Q4 2022.
What is the typical/average maturity for a mortgage in your country?	For first-time buyers the mean term for a mortgage is about 29 years. For second-time home buyers it is about 24 years.
What is/are the most common ways to fund mortgage lending in your country?	Retail deposits are the main source of funding for mortgage lending, but covered bonds and residential mortgage-backed securities are also important.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	Legal fees related to the purchase of the property are estimated at EUR 1,000-2,000. Buyer surveyor fees range from EUR 250 to EUR 1,000. Estate agent fees vary between 1% and 2% of the purchase price. VAT is charged on the sale of new residential properties. Stamp duty is charged on the VAT-exclusive price and is levied at 1% on the first EUR 1 mn (1% of the total if the VAT-exclusive price is up to EUR 1 mn) and 2% any amounts above EUR 1 mn.

What is the level (if any) of government subsidies for house purchases in your country?

Eligible FTBs can receive tax refunds for purchases of new properties under the Help to Buy scheme. In 2021, the Central Bank of Ireland confirmed that retail banks would be able to participate in the government's planned shared equity scheme, which launched in 2022. The First Home Scheme is a shared equity scheme, where the State and participating banks pay up to 30% of the cost of new homes in return for a stake in the home. Homeowners can buy back the stake at any time, but it is not mandatory. In 2023, this scheme eligibility was extended to include self-builds. As of Q4 2023, 3,196 buyers had been approved by the scheme and had received eligibility certificates to purchase their homes.