

Ireland

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IN A NUTSHELL

- The economy continued to grow amid subdued business expectations.
- Housing demand remained strong but housing supply remains below levels required.
- Housing supply is growing slowly.
- House sales and rental prices continue to rise due to the mismatch between supply and demand.
- Mortgage lending grew during 2024 driven by lending to first-time buyers (FTBs).

MACROECONOMIC OVERVIEW

Growth in domestic economic activity continued in 2024 amid subdued business expectations on the global economic outlook albeit with positive indicators especially in tax revenues and employment throughout 2024. Gross domestic product (GDP) grew by 1.2% in 2024, driven by growth in the domestic economy according to the Central Statistics Office (CSO). Modified final domestic demand, which excludes globalisation effects such as trade in intellectual property and aircraft leasing, increased by 2.7% in 2024, while consumer spending increased by 2.3%. Both industry and construction recorded annual contractions in gross domestic product based on constant market prices for the second year in a row, falling by 5.1% and 1.8% respectively in 2024. By contrast, the information and communication sector and the professional, administration and support services sector expanded by 8.4% and 5.6%, respectively, in 2024.

The total tax take in 2024 was €108 billion, according to the Department of Finance, 22.6% more than in 2023. Income tax receipts were up 6.6% year on year to €35.1 billion in the year. Corporation tax also grew, by about 5.3% year on year, to €39.1 billion, mainly due to once-off receipts arising from the Court of Justice of the European Union.

On the expenditure side, value added tax (VAT) receipts increased by 7.5% billion year on year to €21.8 billion in 2024, likely reflecting higher personal spending as well higher consumer prices. The annual average rate of inflation was 2.1% in 2024, down from 6.3% in 2023.

The increased income tax take was driven a combination of higher employment and increased earnings. By the end of Q4 2024, almost 2.8 million people were in employment, down slightly from the peak in Q3 2024. The annual unemployment rate dropped to 4.2% by December 2024, down from 4.5% in December 2023.

Employment and investment income increased by €16.3 billion in 2024, with compensation of employees 6.8% or about €10 billion higher.

HOUSING MARKET

Demand for housing remained strong in 2024, but the shortage of supply of new homes remained the key issue. The mismatch between demand and supply was evident through continued increases in residential property prices and rent prices.

More than 30,330 new dwellings were completed in 2024, 6.7% less than in 2023, according to the Central Statistics Office (CSO). Apartments accounted for 28.9% of all completions but the number of such completions decreased by 24.1% year on year.

A record 69,060 new homes commenced in 2024, more than the total number of homes started in 2022 and 2023 combined, according to the Department of Housing, Local Government and Heritage. Commencement activity in April, September and December alone accounted more than 60% of all commencements during 2024. The share of apartments in total commencements increased from 37% in 2021 to 43% in 2024, with the share of one-off units declining from 17% in 2021 to just over 9% in 2024. Taking the average trend commencement activity of 3,000 homes per month, we estimate that at least half of the total number of homes commenced during 2024 were due to the uncertainty about the extension of the development levy waiver in April (later extended until December) and water connection charge refund arrangement expiring in September.

With housing demand continuing to outstrip supply, CSO data shows that residential property prices rose by 8.7% in the twelve months to December 2024. Residential property prices in Dublin rose by 8.3% while prices outside Dublin rose by 9.0%. The CSO's annual national index rose to 183.4, which 12.7% higher than the previous peak in 2007.

There were 48,775 household market purchases of residential property in 2024, 2.9% fewer than in 2023 and the lowest level since 2021. Dublin was the largest housing market in 2022 with 15,541 household market purchases, the most since the data series started in 2010. The county's share increased to 31.9% of transactions in 2024, including 57.3% of apartment purchases.

Non-household buyers (such as companies, housing charities and government) bought 12,696 dwellings at market prices in 2024, 4.1% more than in 2023. Conversely, household investment in property (not for occupation) accounted for 11.1% of household market purchases, down from 12% in 2023.

With housing in short supply, rents also increased significantly in 2024. The national standardised rent level (based on new tenancies) rose by 5.5% year-on-year in Q4 2024 to €1,680, according to the Residential Tenancies Board (RTB). The standardised average rent for existing tenancies rose by 4.6% year on year to €1,440.

MORTGAGE MARKET

MARKET DYNAMICS

Mortgage drawdown activity continued to perform strongly in 2024. While the number of drawdowns fell by 1.3% to 43,030 in 2024, the value of mortgage drawdowns rose by 4% to almost €12.6 billion, reflecting higher housing prices. There were 51,337 mortgage approvals with a total value of €15.3 billion, up 2.9% and 8.2% in volume and value terms, respectively.

Most of the growth in mortgage activity was driven by first-time buyers (FTBs). The value of FTB approvals rose by 9.4% to more than €9.6 billion while FTB drawdowns rose by 8.4% to over €7.8 billion. These were the highest FTB drawdown levels since the 2006.

Total household residential mortgage debt outstanding to banks, including those that have been securitised, increased to about €85.3 billion at year end from about €83.7 billion a year earlier, according to the Central Bank of Ireland (CBI). When non-banks are included the value of household mortgage debt outstanding increased from €111.7 billion to €110.5 billion, while the number of accounts dropped by 2% to about 753,000. Buy-to-let mortgages accounted for 7.2% of the number and 6.9% of the value of mortgages outstanding.

Some 16% of the value of credit institution housing loans was on tracker rates linked to the ECB base rate by year end, down from 20% a year earlier. The share of outstanding mortgages on rates fixed for over one year fell from 64% at the end of 2023 to 62%. Some 69% of the value of new mortgage loan agreements were on fixed rates of greater than one year.

Only 3.8% mortgage accounts for private dwelling home (PDH) were in arrears of more than 90 days by the end of 2024, the lowest proportion since 2009. Some 11% of buy-to-let (BTL) mortgage accounts were in arrears of more than 90 days.

Mortgage lenders actively assist borrowers who experience repayment difficulties, which is demonstrated by the fact that 7.6% of all PDH accounts and 8.9% of all BTL accounts had an active restructure by the end of 2024.

NON-MARKET INTERVENTIONS

The CBI has maintained its loan-to-value (LTV) and loan-to-income (LTI) limits since 2022 with the LTV limit set at 90% for home buyers and 70% buy-to-let borrowers. The loan-to-income limit is 4 times gross income for FTBs and 3.5 for second and subsequent borrowers.

The CBI permits lenders to provide a portion of borrowers with loans that have LTIs and LTVs higher than the limits in line with their own credit policies. These allowances have increasingly focussed on LTI limits. In 2024 the share of FTB lending, by value, with an allowance was 6.5 per cent. The corresponding figure for SSB lending was 10.1%, having increased from 7.2% in 2023. Essentially all allowance lending related to the LTI limits, according to the CBI.

CBI research indicates that the average LTV for FTBs fell from 80.3% in 2023 to 79.6% in 2024, while the average LTI increased from 3.3 to 3.4. For second and subsequent buyers (SSB), who are mostly home movers and exclude buy-to-lets, the average LTV and LTI were unchanged at 66% and 2.7 times gross income, respectively.

The government introduced a one-year mortgage interest tax relief for home owners with outstanding mortgage balances of between €80,000 and €500,000 at the end of December 2022.

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 up to 10% (up to €30,000) of the purchase value. The scheme was further extended to the end of 202 and the eligibility criteria were amended to allow applicants for the local authority affordable purchase scheme to qualify for the scheme. During 2024, over 8,500 claims were approved valued at about €226 million.

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. An additional €280 million was made available by shareholders in 2024, bringing the total fund size to €680 million. During 2024, 1,797 loans were drawn down under the scheme valued at almost €118 million.

MORTGAGE FUNDING

Banks in Ireland rely mainly on retail funding sources (household and corporate deposits) for mortgage lending. Domestic private sector deposits (mainly from households and non-financial corporations) continued to grow, rising by 6.5% year on year to €324 billion at the end of 2024, some 49% of which were household deposits. Private sector deposits from Irish residents represented 66% of total liabilities for Irish-headquartered credit institutions.

Mortgage covered bonds outstanding in Ireland increased from EUR12.2 billion in 2022 to EUR13.2 billion in 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

Source: Central Bank of Ireland.

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 2023	IRELAND 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	-2.5	2.6	1.0
Unemployment Rate (LSF), annual average (%) (1)	4.3	4.3	5.9
HICP inflation (%) (1)	5.2	1.2	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	69.4	69.3	68.4
Gross Fixed Investment in Housing (annual change) (1)	3.7	-3.7	-4.3
Building Permits (2015=100) (2)	316.1	248.4	136.9
House Price Index - country (2015=100) (2)	169.0	183.4	179.8
House Price Index - capital (2015=100) (2)	147.8	160.7	171.5
Nominal house price growth (%) (2)*	3.1	8.5	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	80,213	82,519	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	15,216.7	15,419.3	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	54.8	52.1	71.3
Gross residential lending, annual growth (%) (2)	-14.0	4.0	3.9
Typical mortgage rate, annual average (%) (2)	3.78	4.04	4.34

(1) Eurostat Data

(2) European Mortgage Federation – Hypostat 2024, Statistical Tables

* Eurostat Reviewed

** EU 2024 to be confirmed

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 80.3% in 2023 to 79.6% in 2024, while the average LTI increased from 3.3 to 3.4. For second and subsequent buyers (SSB), who are mostly home movers and exclude buy-to-lets, the average LTV was unchanged at 66%, while the average LTI was 2.7. Note: These figures exclude the 6% of loans that were exempt from the Central Bank of Ireland's macroprudential regulations in 2024 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 recent years. The share of outstanding mortgages on rates fixed for over one year fell from 64% at the end of 2023 to 62%. Some 69% of the value of new mortgage loan agreements were on fixed rates of greater than one year.

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), 1.5% on amounts between €1 mn and EUR 1.5 million and 6% any amounts above EUR 1.5 mn. Separate rates are charged where multiple properties are involved.

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 17.0% of the total mortgage accounts outstanding for principal dwelling homes (PDH) at the end of 2024 and 38.6% 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 level (if any) of government subsidies for house purchases in your country?

Eligible FTBs can receive refunds of income and deposit tax paid for purchases of new properties under the Help to Buy (HTB) scheme. FTBs can claim up to €30,000 or 10% of the value of the home. The First Home Scheme is a shared equity scheme. The scheme contributes up to 30% of the cost of new homes, if the FTB is not also availing of the HTB scheme or up to 20% if the FTB is also using the HTB scheme. The government also operates an affordable homes scheme, through which local authorities sell newly built homes at below market price with the local authority taking an equity stake covering the difference between the price paid and the market value. The local authority home loan is provided by local authorities to borrowers who cannot get sufficient funding from commercial lenders to buy a new or second-hand property.