SCSI

Chartered property, land and construction surveyors

RESIDENTIAL PROPERTY

MID-YEAR MARKET MONITOR 2024

CONTENTS

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ECONOMIC OVERVIEW

3.2% CONTRACTION IN IRELAND'S GDP IN 2023

1.2%

A modest recovery of 1.2% in GDP growth rate is projected in 2024.

2.2%

increase in CPI inflation from June 2023 to June 2024.

10%

increase in dwelling completions in 2023

THERE IS A CONSIDERABLE SHORTFALL OF HOUSING SUPPLY TO MEET DEMANDS.

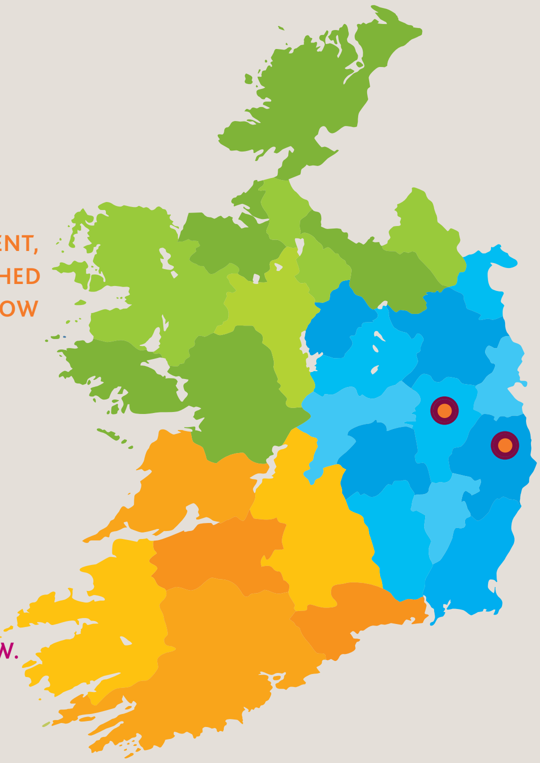
AFFORDABILITY

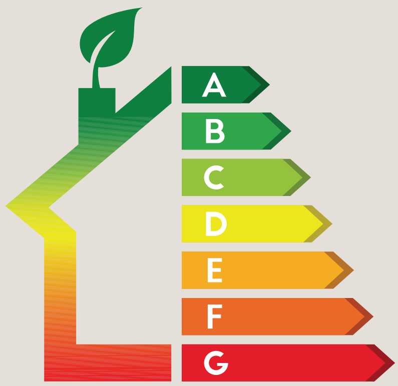
- **€5,921**

  AVERAGE MONTHLY REASONABLE LIVING EXPENSES, INCLUDING RENT, FOR A 3-BED SEMI-DETACHED HOME IN KILDARE, WICKLOW AND CORK.

- **SIGNIFICANT AFFORDABILITY CHALLENGES**

  FOR PURCHASING THREE-BEDROOM SEMI-DETACHED HOMES IN KILDARE AND WICKLOW.





ENERGY EFFICIENCY

5-20%

PREDICTED INCREASE IN VALUE OF PROPERTIES WITH HIGH BER.

SALES MARKET

8.6% INCREASE IN RESIDENTIAL PROPERTY PRICES OVER THE PAST 12 MONTHS.

75% 75% OF AGENTS REPORTED LOW STOCK LEVELS, UP FROM 71% IN 12 MONTHS, HIGHLIGHTING THE ONGOING ISSUE OF INSUFFICIENT SUPPLY

4.5% AVERAGE INCREASE IN PROPERTY PRICES OVER THE NEXT 12 MONTHS PREDICTED BY SCSI MEMBERS

+38% THE SCSI SALES ENQUIRIES/VIEWINGS INDEX IS AT +38%, UP FROM +29% REPORTED 12 MONTHS AGO

+9% THE SCSI INDEX THAT TRACKS THE LEVEL OF BUY-TO-LETS COMING TO THE MARKET FOR SALE HAS COME DOWN TO +9% FROM +36%.

+45%

THE SCSI CREDIT CONDITIONS INDEX IS AT +45%, UP FROM +17%, SUGGESTING AN IMPROVEMENT TO THE AVAILABILITY OF FINANCE

TOP THREE FACTORS FOR BUY-TO-LET PROPERTIES COMING TO THE MARKET

1 RENT LEGISLATION TOO COMPLEX AND RESTRICTIVE

2 NET RENTAL RETURNS TOO LOW

3 LANDLORDS COMING OUT OF NEGATIVE EQUITY

GRADUAL INCREASE IN THE USE OF ONLINE AUCTION BIDDING AND PRIVATE TREATY BIDDING, AND DECREASE IN THE USE OF VIRTUAL VIEWINGS.

ECONOMIC OVERVIEW

The economic landscape presents a nuanced picture shaped by varying forecasts, external pressures, and evolving monetary policy dynamics. After experiencing robust growth in the previous period, Ireland's gross domestic product (GDP) underwent a notable contraction in 2023, weakening by 3.2%.[1] The outlook for the remainder of this year has been tempered by revised projections from the European Commission, signalling potential challenges for the year.

Overall growth outlook

Economic growth expectations for Ireland in 2024 diverge significantly among major forecasters. The European Commission forecasts a modest recovery, with growth projected at 1.2%, and a potential acceleration to 3.6% in 2025,[1] indicating cautious optimism for the medium term. The Central Bank of Ireland (CBOI) in its Quarterly Bulletin projected GDP growth of 2.8% for 2024 and 3.5% for 2025. Additionally, it forecasted a 2.2% increase in modified domestic demand (MDD) for 2024, up from 0.5% in 2023.[2] This growth is attributed to sustained increases in consumer spending and residential construction. However, challenges in sectors like pharmaceuticals and ICT, alongside capacity limitations, temper the overall growth trajectory. Meanwhile, the Economic and Social Research Institute (ESRI) anticipates a more moderate 2.5% growth rate driven by domestic factors.[3]

Inflation trends

Inflation remains a focal point of economic discussions with the recent increase in the cost of living posing a challenge. The ESRI expects consumer price inflation (CPI) to decrease to 2.3% by the end of 2024, with a further decline to 2% expected in 2025, as compared to a 6.3% inflation rate in 2023, mainly due to the decline in energy prices.[3] In Ireland, the CPI, as per the Central Statistics Office (CSO), increased by 2.2% from June 2023 to June 2024, a decrease from the 2.6% annual rise observed in the 12 months leading up to May 2024.[4] Similarly, the European Commission forecasts EU inflation to reach 1.9% by the end of 2024, from 5.2% in 2023, reflecting a managed slowdown in price increases and a return to growth in real income.[1]

Labour market conditions

The Irish labour market continues to exhibit resilience, with employment growth slowing but remaining robust, underpinning broader economic stability. Unemployment is projected to remain low, around 4.4% according to the European Commission,[1] 4.6% according to the CBOI,[2] and 4.3% according to the ESRI's estimates for 2024.[3]

With nominal wages increasing and inflation slowing down, real wage growth is projected to become positive in 2024 and continue its upward trend into 2025.

Interest rates and monetary policy

Interest rates remain a critical factor influencing economic conditions, particularly in the housing market. The recent data from the CBOI, following the European Central Bank's (ECB) interest rate cuts, indicates a downward trend in mortgage rates, with the average interest rate on new mortgage agreements decreasing seven basis points from 4.24% in April 2024 to 4.17% in May 2024, marking the lowest level since August 2023. Despite this decrease, Irish mortgage rates remain among the highest in the Euro area, ranking sixth at a time when the Euro area average remained at 3.8%, 37 basis points lower than Ireland.[5]

Prospective homeowners and existing mortgage holders are poised to benefit from these rate cuts, which could alleviate borrowing costs and stimulate housing market activity.

Overall, Ireland is predicted to have a moderately positive economic outlook for this year while resisting some downside risks, primarily stemming from global economic conditions and sector-specific challenges. In contrast, the inflation outlook is balanced, with declining energy prices mitigating inflation, while persistent domestic pressures maintain upward inflation pressure. Continued examination and adaptive policy responses will be crucial for navigating these uncertainties and supporting sustainable economic growth.

1. See https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/ireland/economic-forecast-ireland_en.
2. See https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2024/quarterly-bulletin-q1-2024.pdf.
3. See https://www.esri.ie/system/files/publications/QEC2024SPR.pdf.
4. See https://www.cso.ie/en/releasesandpublications/ep/p-cpi/consumerpriceindexjune2024/.
5. See https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/credit-and-banking-statistics/retail-interest-rates/2024m05_ie_retail_interest_rate_statistics.pdf?sfvrsn=375611a_3.

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Despite completing 32,695 dwellings in 2023 – a 10% increase from the previous year – housing supply continues to fall short of demand. This figure is in line with the Government's Housing for All target of 33,000 units annually.[6]

However, in its recent research, entitled 'Population projections, the flow of new households and structural housing demand', the ESRI projects housing demand to be around 44,000 units per year from 2023 to 2030, and approximately 39,700 units annually from 2030 to 2040.[7] This indicates an annual increase of c.15% from 2024 to 2030. It is important to note that these projections rely heavily on assumptions based on various scenarios, including international migration, household size, and housing obsolescence.

While the final revised targets are expected to be announced in Q4 of 2024, the Department of Housing, Local Government and Heritage has indicated that approximately 50,000 new homes per year might be necessary.[8]

Furthermore, rising construction costs continue to challenge the industry. The recent SCSI report on the *Real Cost of New Housing Delivery 2023* highlighted the significant increase in the cost of building new homes in Ireland, particularly in the Greater Dublin Area (GDA). According to the report, the average cost of delivering a new three-bedroom semi-detached house in the GDA has increased by 24% over the past three and half years, increasing by an average of 7% annually. The price is attributed to both hard and soft costs impacting on overall construction delivery costs.[9]

Macroeconomic factors such as overall inflation and global supply chain disruption are major contributors, while microeconomic factors, including local labour shortages and rising demand for housing, exacerbate the situation. Even though the rate of increase has slowed, high costs remain a significant challenge, hindering efforts to boost housing supply and affordability.

While the final revised targets are expected to be announced in Q4 of 2024, the Department of Housing, Local Government and Heritage has indicated that approximately 50,000 new homes per year might be necessary.

6. See https://www.cso.ie/en/releasesandpublications/ep/p-ndc/newdwellingcompletionsq42023/.
7. See https://www.esri.ie/publications/population-projections-the-flow-of-new-households-and-structural-housing-demand.
8. See https://www.gov.ie/en/press-release/3b1d6-minister-obrien-notes-esri-paper-and-sets-out-next-steps-in-revision-of-housing-targets/.
9. See https://scsi.ie/wp-content/uploads/2023/12/SCSI-Real-Cost-of-New-Housing-Delivery-2023-Report.pdf.

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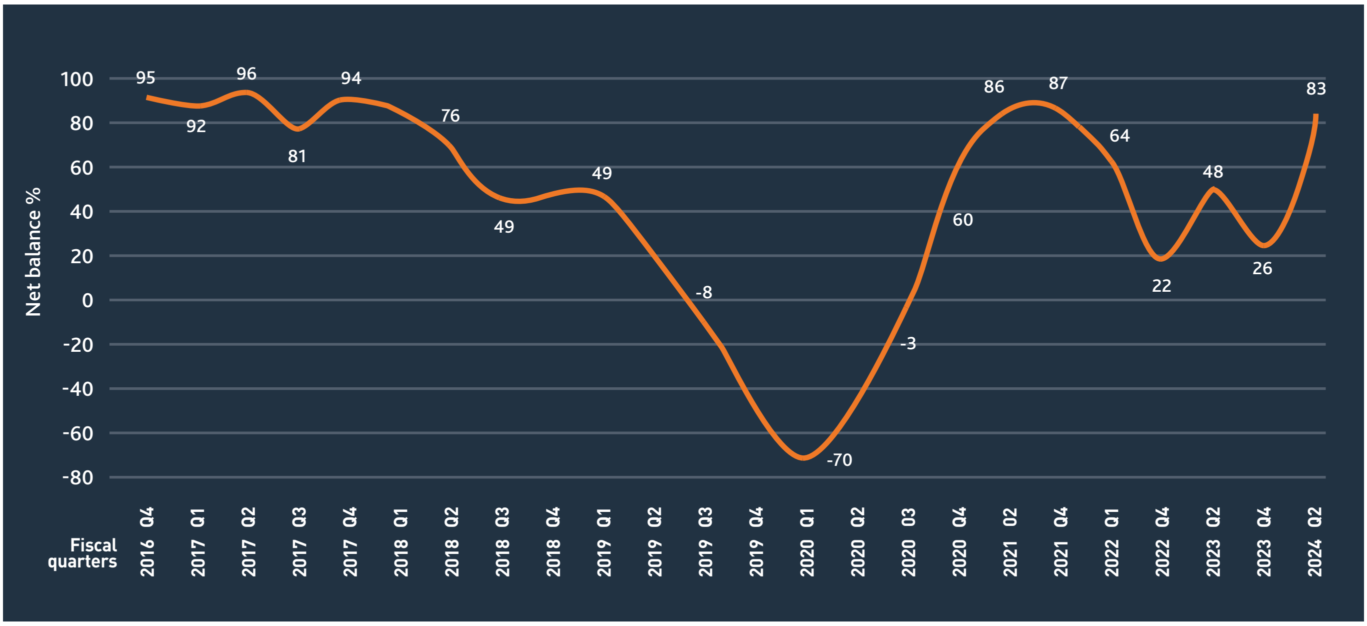

FIGURE 1: SCSI sentiment index – residential property price developments for the next 12 months, i.e., June 2024-June 2025. Note: net balance = proportion of agents reporting a rise in a variable (e.g., instructions) minus those reporting a fall – if 30% reported a rise and 5% reported a fall, the net balance will be 25%. Net balance data can range from -100 to +100. Source: SCSI research.

This report elaborates further on the perspectives of residential estate agents and valuers concerning their assessment of the market. These SCSI members are actively in the field, regularly interacting with buyers and sellers, which provides them with unique insights into property trends and market activity specific to their operation areas. The latest CSO data highlights that residential property prices have continued to rise. Over the 12 months leading up to June 2024, they have increased by 8.6%. In Dublin, prices rose by 9.3%, while outside Dublin, prices saw a 8.2% increase.[10]

Figure 1 is a price forecast provided by SCSI members. It highlights a growing proportion of agents and valuers expecting prices to rise in the coming 12 months. The SCSI property price sentiment index (+12 months) increased to +83%, up from +48% reported in Q2 2023 and +26% in Q4 2023. According to some feedback received in the survey: "There remains a severe shortage of housing in the country. This lack of supply is firmly holding back the country's progress"; "Shortage in supply, lack of rental stock, slow development progress/completions"; and, "Inflation is a factor in seeing an increase in house prices". Similar feedback highlights the shortage of homes, inflation, net migration, and population growth as some of the reasons for property prices increasing. Agents also expect that residential property prices will increase on average by 4.5% over the next 12 months, an increase from the 1% forecast in the SCSI's 2024 outlook, reported in Q4 2023. According to SCSI residential agent members, the primary factors influencing house prices have remained the same since the SCSI's report in July 2023 (**Figure 2**). These are: the shortage of new builds; the current state of the economy; and, the changes implemented by the banks in terms of interest rates and the availability of credit. Furthermore, the data reveals a growing concern about the lack of housing supply. In Q2 2023, 35% of agents identified this issue, which rose to 40% in Q4 2023. Currently, nearly half (46%) of agents express concern about the shortage of new builds. The data also shows a slight decrease in concerns about interest rates since the last reports, reflecting the ECB's recent decision to reduce rates. The growing economy has overshadowed other factors, positioning supply as the primary reason for the price increase.

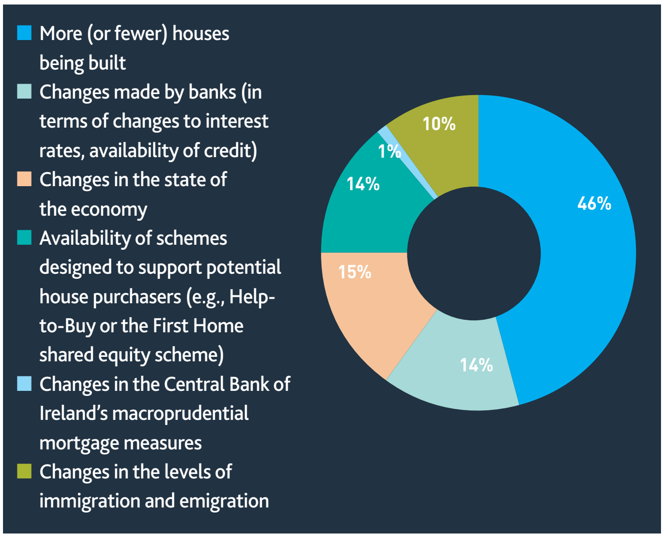

FIGURE 2: The main factors influencing expectations of house price movements in the 12 months ahead. Source: SCSI research.

10. See https://www.cso.ie/en/releasesandpublications/ep/p-rppi/residentialpropertypriceindexjune2024/.

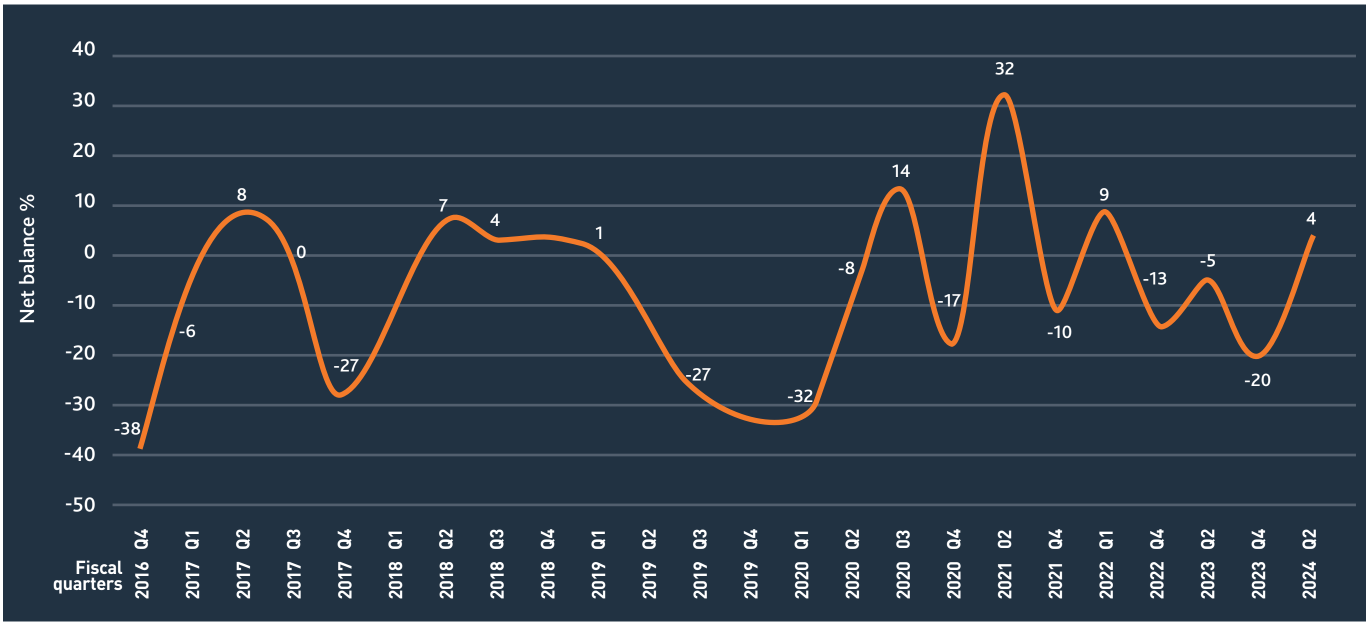

FIGURE 3: SCSI sentiment index – national sales instructions. Note: net balance = proportion of agents reporting a rise in a variable (e.g., instructions) minus those reporting a fall – if 30% reported a rise and 5% reported a fall, the net balance will be 25%. Net balance data can range from -100 to +100. Source: SCSI research.

Sales instructions

Compared to 2022 and 2023, there is a modest increase in the level of new seller instructions to the market, with the net balance turning positive overall (**Figure 3**). The net balance was at -5% and -20%, respectively, in the Q2 and Q4 2023 reports, whereas it is now at +4%. In the first half of 2024, the percentage distribution of vendor types instructing agents to sell their properties remains unchanged from the second half of 2023. Specifically, 40% are investment buy-to-let properties, and 60% are owner-occupied (**Table 1**).

Table 1: Percentage split of vendor type instructing agents to sell their property.

Vendor type	2H 2023	1H 2024
Investment buy-to-let properties	40%	40%
Owner-occupied properties	60%	60%

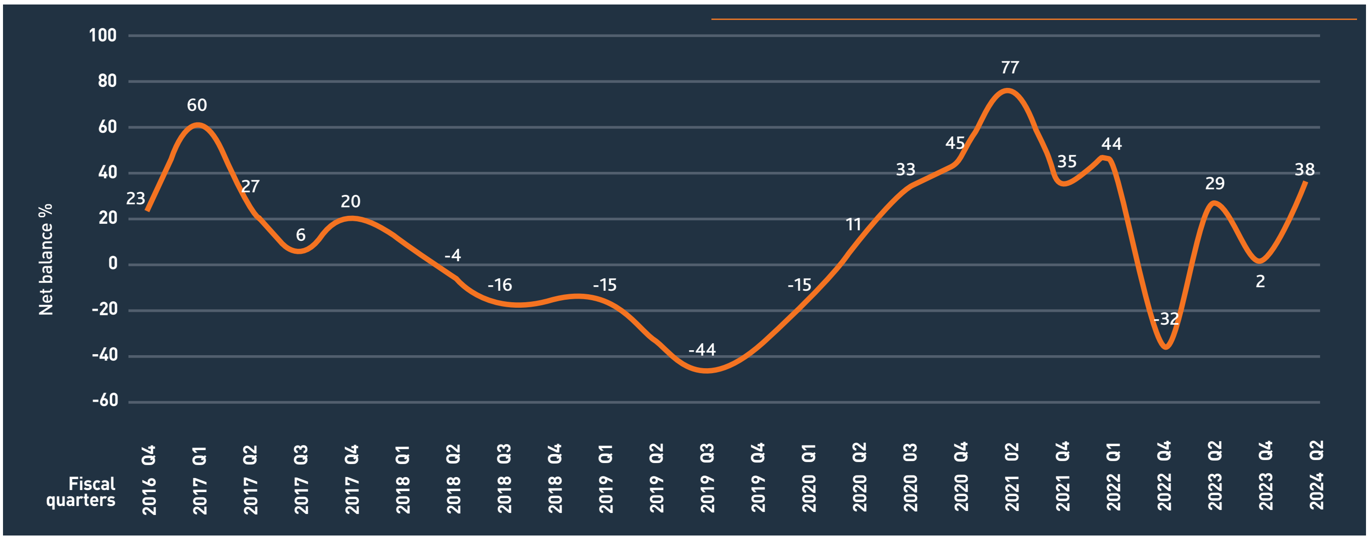

FIGURE 4: SCSI sentiment index – sales enquiries/viewings. Note: net balance = proportion of agents reporting a rise in a variable (e.g., instructions) minus those reporting a fall – if 30% reported a rise and 5% reported a fall, the net balance will be 25%. Net balance data can range from -100 to +100. Source: SCSI research.

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Sales enquiries

Alongside the growth in seller instructions, there has been a modest increase from a net balance of +29% to +38% in the number of sales enquiries or viewings, compared to the same period last year, with a significant increase of 2% to 38% compared to the results published earlier this year (**Figure 4**). This shows a noticeable rise in the level of interest from potential buyers in purchasing homes. A few of the comments received in the survey also discuss the increase in interest shown by international professionals seeking to purchase a property.

Sales agreed but not proceeding

There is a further increase in the proportion of SCSI members reporting that sales not proceeding are becoming increasingly prevalent, with a net balance of +19%, up from +16% reported in both Q2 and Q4 2023 (**Figure 5**). As highlighted in the Q4 2023 report, various delays continue to pose challenges. These include planning irregularities, non-compliance with building regulations, probate delays, boundary disputes, and delays in accessing property deeds. Other contributing factors might include issues with financing, buyer and seller disagreements, problems uncovered during property inspections, and unforeseen legal complications.

At the end of Q2 2024, 75% of agents reported low levels of stock for sale, a moderate increase compared to the same period last year (71%), reflecting the previously highlighted issue of insufficient supply (Figure 7).

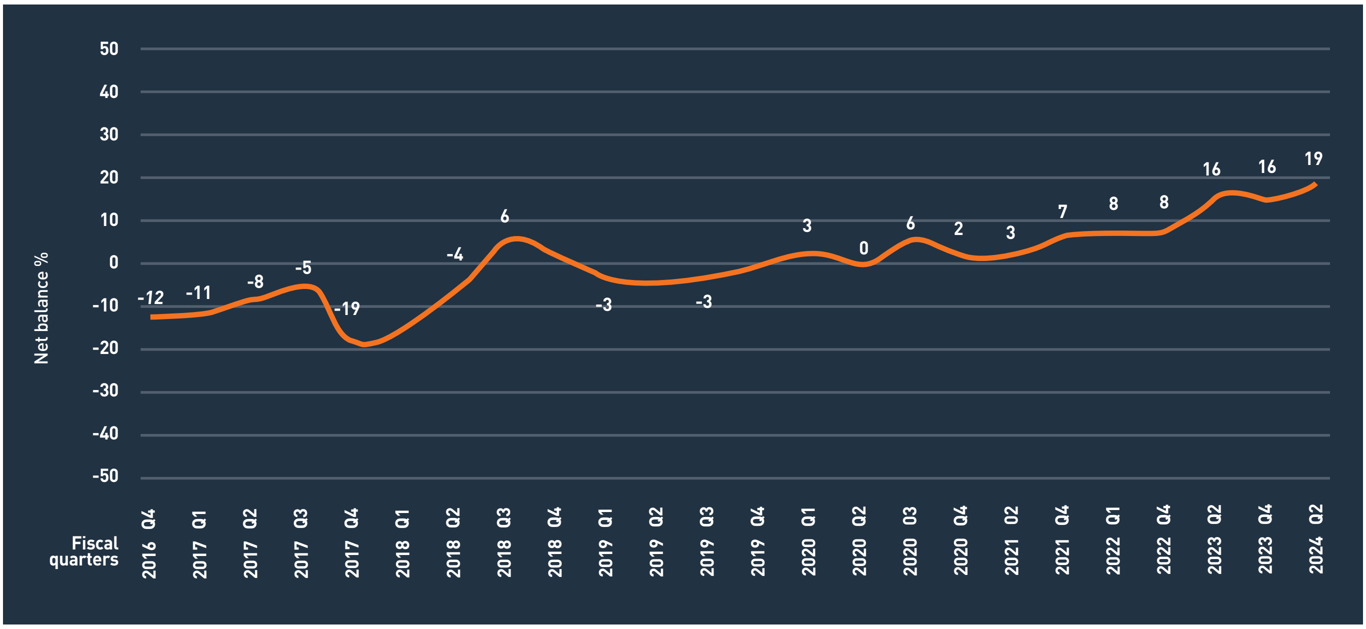

FIGURE 5: SCSI sentiment index – sales agreed but not proceeding. Note: net balance = proportion of agents reporting a rise in a variable (e.g., instructions) minus those reporting a fall – if 30% reported a rise and 5% reported a fall, the net balance will be 25%. Net balance data can range from -100 to +100.

Source: SCSI research.

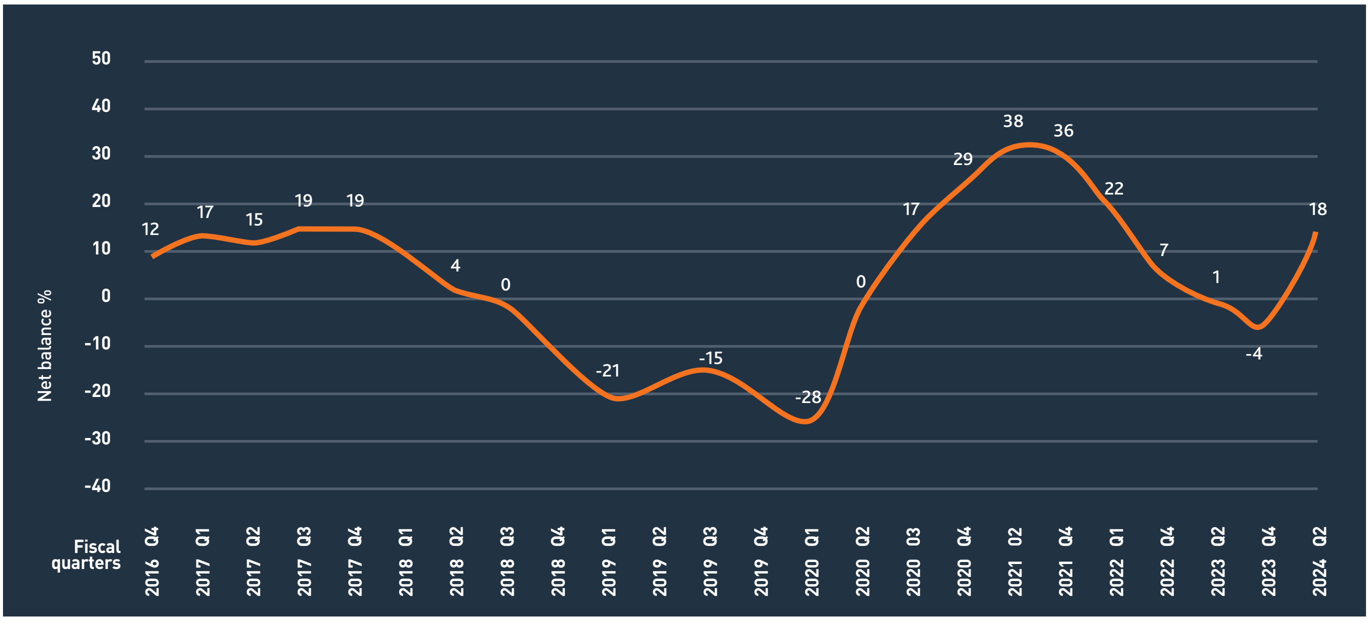

FIGURE 6: SCSI sentiment index – sales completed. Note: net balance = proportion of agents reporting a rise in a variable (e.g., instructions) minus those reporting a fall – if 30% reported a rise and 5% reported a fall, the net balance will be 25%. Net balance data can range from -100 to +100.

Source: SCSI research.

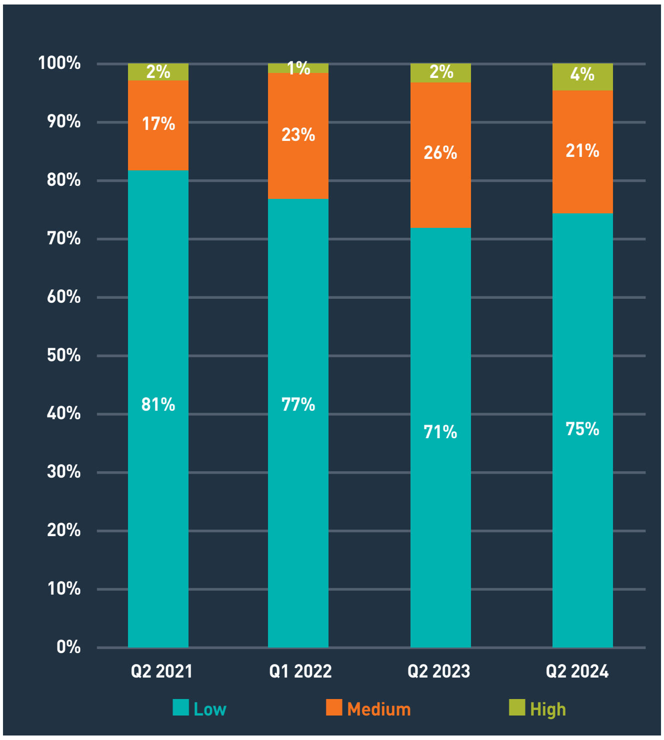

FIGURE 7: Levels of housing stock on agents' portfolios available for sale (national). Note: figures may not add up to 100% due to rounding.

Source: SCSI research.

SCSI members have reported an increase in sales being completed when compared with the preceding half year, with a net balance of +18% reported as opposed to -4% in Q4 2023 and +1% in Q2 2023 (**Figure 6**). This relates well to the number of sellers' instructions, sales enquiries, viewing requests, and increased buyer activity seen above.

By addressing delays and other factors impacting on the completion of sales, this increasing trend could be seen to continue for the rest of the year. Although there was a decline in the volume of residential transactions in the first three months of this year, there has been an increase of 9.5% in the volume sold in April 2024 compared to the same period in the previous year.[10]

At the end of Q2 2024, 75% of agents reported low levels of stock for sale, a moderate increase compared to the same period last year (71%), reflecting the previously highlighted issue of insufficient supply (**Figure 7**). This shortage has been a significant concern, as noted by the increasing number of agents emphasising the lack of new builds and available properties for sale.

Other factors, such as conveyancing delays, could result in the low level of stock becoming available for sale (for example, if a property was identified to have issues with the building or boundary during inspections, this could result in those properties not being available for sale).

RENTAL MARKET

Complex and restrictive rental legislation can impose significant regulatory and additional cost burdens on smaller landlords.

The following results are SCSI agents' views on the activity of landlords placing their investment property on the market for sale. The SCSI index (**Figure 8**) highlights that there is an increase of buy-to-let properties coming to the market over the past six months (+9% net balance); however, the pace of this trend has reduced since Q4 2023 (+36% net balance). The top three reasons for buy-to-let properties coming into the market for sale remain the same (**Figure 9**). Complex and restrictive rental legislation can impose significant regulatory and additional cost burdens on smaller landlords. Some of the comments received from agents state that small landlords still face the brunt of the rent cap in rent pressure zones (RPZ) and fear more legislation from the Government.

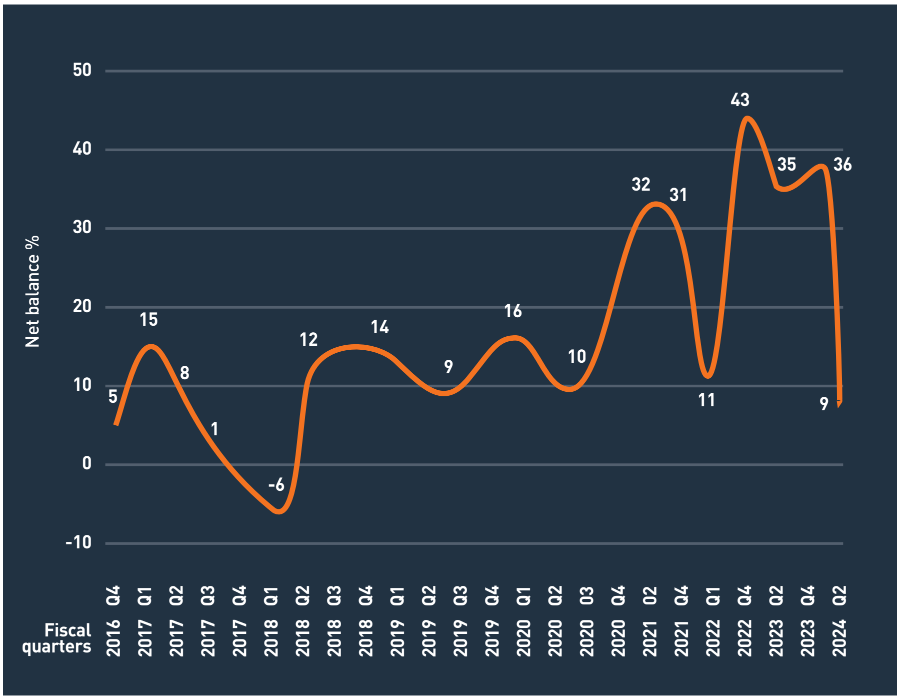

Figure 8: SCSI sentiment index – buy-to-let properties coming onto the market for sale. Net balance = proportion of agents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall – if 30% reported a rise and 5% reported a fall, the net balance will be 25%. Net balance data can range from -100 to +100. Source: SCSI research.

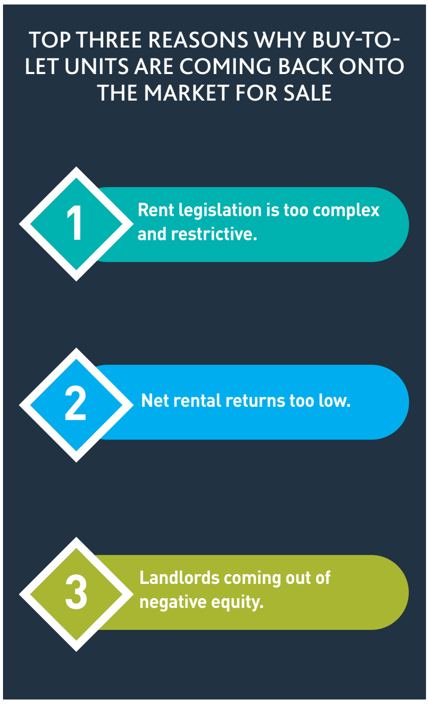

FIGURE 9: Top three reasons (ranked, weighted average) that buy-to-let units are coming back on the market for sale. Source: SCSI research.

OTHER MARKET TRENDS

There are positive projections from the European Commission, ESRI and CBOI anticipating increased GDP and reduced inflation. The recent reduction in interest rates is expected to provide some support to residential transactions for the rest of the year, although it should be noted that interest rates remain relatively high. Approximately 95% of the agents surveyed report that there is no change or only slight improvement in credit conditions (**Figure 10**). Approximately 45% believe that credit conditions in the residential real estate mortgage market have improved slightly, up from 17% reported in Q2 2023. However, half of agents feel that conditions remain unchanged. The proportion of agents reporting a slight drop in credit conditions has decreased significantly to 3.75%, down from 42% in the Q2 2023 report. Similarly, the proportion of agents reporting a significant drop in credit conditions has decreased to 0%, down from 6% in the Q2 2023 report.

Approximately 63% of agents note that current residential property market valuations remain high, echoing sentiments from the Q2 2023 report (**Figure 11**). This trend is attributed to factors such as limited supply, elevated construction costs, population growth, and persistent delays in the planning and development processes, as mentioned earlier in this report. These elements collectively contribute to the perception of expensive property valuations in the market. Furthermore, a significant proportion of agents (around 77%) believe that prices are increasing but will level off soon, as opposed to 47% who reported the same in Q2 2023 (**Figure 12**). There has also been a reduction in the number of agents responding that house prices are starting to fall, from 12% in Q2 2023 to 2.67% in Q2 2024. Lack of supply is a major factor behind this increase in prices and is expected to impact a further rise.

The most common response concerning the rate of usage of online auction bidding, private treaty bidding, and virtual viewings was that there was no change (**Figure 13**). However, 24% and 37% of agents reported an increase in usage of online auction bidding and private treaty bidding, respectively, from 12% and 31%, showing a gradual growth in the use of such technologies. The use of virtual viewing technology, which had increased as a result of Covid restrictions in previous years, has recently decreased. This shift indicates a preference for in-person property inspections and a personalised experience.

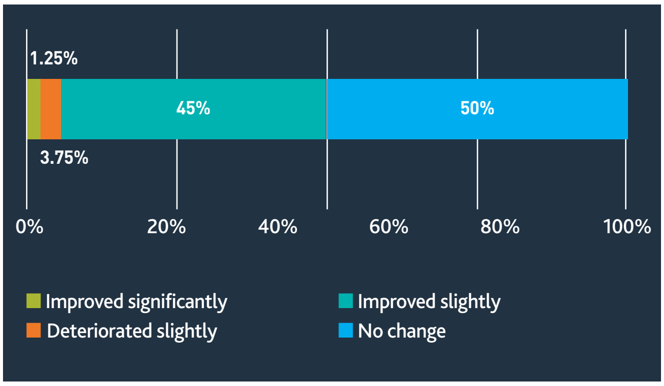

FIGURE 10: Credit conditions in the residential real estate mortgage market

Source: SCSI research.

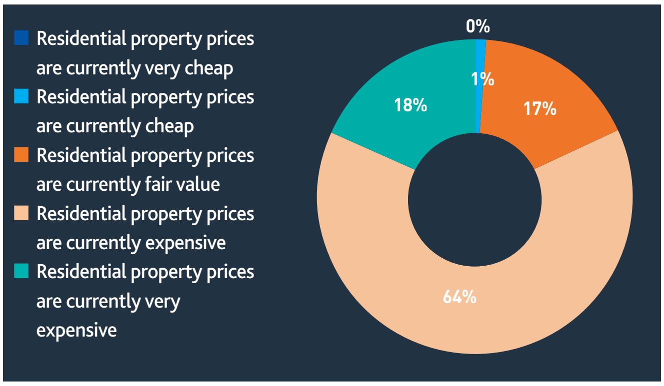

FIGURE 11: Current residential property market valuation levels.

Source: SCSI research.

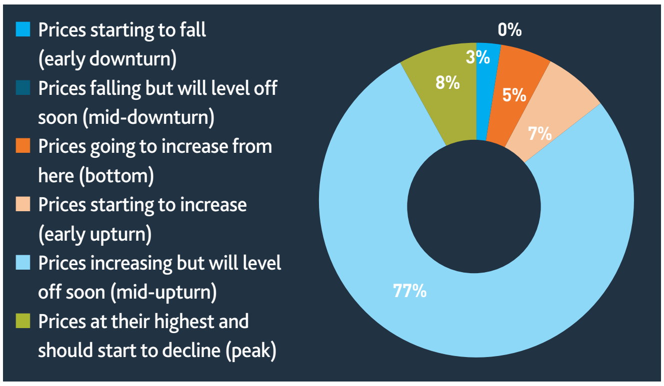

FIGURE 12: Current market cycle.

Source: SCSI research.

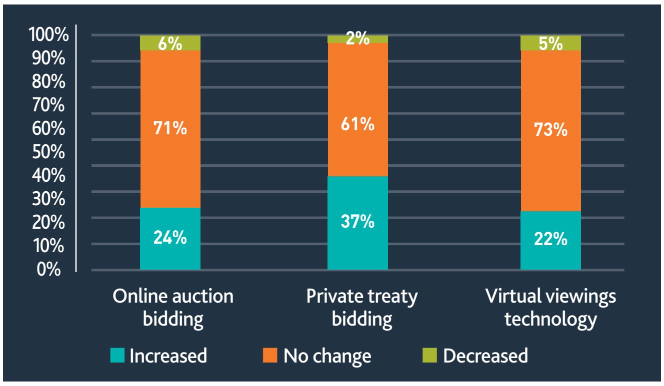

FIGURE 13: Current utilisation of virtual viewings technology, private treaty bidding, and online auction bidding. Note: figures may not add up to 100% due to rounding.

Source: SCSI research.

AFFORDABILITY ANALYSIS

Affordability of purchasing a new home

The high cost of new housing delivery is well documented, with a detailed analysis of costs contained within the SCSI's *Real Cost of New Housing Delivery Report 2023*. The SCSI identified that the costs of delivering homes in the GDA increased on average by 7% per year over the past three years.[9] The latest CSO property price index also reported average values increasing by 7% per year.[10] Affordability issues still persist with the purchase of homes, and this is tracked in this report.

Table 2 assesses the affordability of purchasing a new house in different regions for a household with the combined wages of a garda and a staff nurse after 10 years of service, as first-time buyers. The focus of this affordability analysis is on commuter towns outside of Dublin, within the counties of Meath, Kildare, and Wicklow, and also commuter locations in Cork and Galway. The affordability tracker analyses the feasibility of purchasing new three-bedroom semi-detached and two-bedroom terraced houses.

The following criteria were used to determine affordability for the purchase of a new home:

- combined gross salary: €106,855 (Garda after 10 years of service – €55,592;[11] staff nurse after 10 years of service – €51,263);[12]
- loan-to-income: the maximum loan-to-income amount for first-time buyers is four times combined gross salaries. According to the CBOI, the average loan-to-income drawdown by first-time buyers in 2022 was 3.2 times gross salary and 3.3 times gross salary in 2023.[13] In this 2024 report, SCSI assumed a LTI gross salary ratio for this affordability scenario of 3.5 times gross salary.
- Required 10% deposit – varies by house prices (please note that this table does not account for the Help to Buy scheme, which could assist with the deposit amount);
- total purchase limit = maximum loan available to this example FTB couple plus deposit;
- average purchase price of a newly constructed home (from SCSI research); and,
- affordability result = total purchase limit – average purchase price.

The high cost of new housing delivery is well documented, with a detailed analysis of costs contained within the SCSI's Real Cost of New Housing Delivery Report 2023.

11. See https://www.garda.ie/en/careers/career-opportunities-for-an-garda-siochana/garda-pay-scales-october-2023.pdf.
12. See https://assets.hse.ie/media/documents/FINAL_1_January_2024_Pay_Scales_v3.pdf.
13. First-time buyer loan-to-income multiples. Central Bank of Ireland, 2023. See https://www.centralbank.ie/financial-system/financial-stability/macro-prudential-policy/mortgage-measures/new-mortgage-lending-data.

Table 2: Affordability of purchasing a new three-bedroom semi-detached and two-bedroom terraced house (combined wages of a garda and nurse after 10 years' service).

County	Locations*	Type of new house	Average purchase price	Average combined gross salary	LTI 3.5 times salary – see footnote 13 and FTB scenario assumption on page 14	10% deposit	Total purchase limit	Affordability result	First Home Scheme**	Affordability trend***
Meath	Dunshaughlin, Ashbourne, Ratoath, Navan, Trim and Enfield	3-bed semi	€418,750	€106,855	€373,993	€41,875	€415,868	-€2,883	N/A****	Gap widening
		2-bed terraced	€343,333	€106,855	€373,993	€34,333	€408,326	€64,993	Affordability met without FHS	–
Kildare	Naas, Newbridge, Kildare Town and Leixlip	3-bed semi	€487,821	€106,855	€373,993	€48,782	€422,775	-€65,046	N/A – exceeds price ceiling	Gap widening
		2-bed terraced	€397,500	€106,855	€373,993	€39,750	€413,743	€16,243	Affordability met without FHS	–
Wicklow	Bray, Wicklow Town, Rathnew, Rathdrum and Newcastle	3-bed semi	€502,173	€106,855	€373,993	€50,217	€424,210	-€77,963	N/A – exceeds price ceiling	Gap tightening
		2-bed terraced	€467,500	€106,855	€373,993	€46,750	€420,743	-€46,758	Affordability met with FHS	–
Cork	Ballincollig, Glanmire, Blarney, Kerry Pike, Carrigaline and Midleton	3-bed semi	€429,667	€106,855	€373,993	€42,967	€416,959	-€12,708	Affordability met with FHS*****	Gap widening
		2-bed terraced	€331,875	€106,855	€373,993	€33,188	€407,180	€75,305	Affordability met without FHS	–
Galway	Salthill, Knocknacarra, Athenry	3-bed semi	€424,375	€106,855	€373,993	€42,438	€416,430	-€7,945	N/A****	Gap widening
		2-bed terraced	€349,000	€106,855	€373,993	€34,900	€408,893	€59,893	Affordability met without FHS	–

**The locations considered in this report differ from those in previous SCSI Residential Market Monitors, as new developments are emerging in different areas. Most of the locations included in the study are within a 25km radius of their respective county.*

***Price ceilings for FHS considered as per July 2024 revision: Meath – €425,000; Kildare – €425,000; Wicklow – €475,000; Cork – €425,000; Cork City – €475,000; Galway – €400,000; and, Galway City – €450,000;.*

****The trend is compared with the Q2 2023 report.*

*****The minimum equity share criteria is 2.5% of the property purchase price or build cost (for self-builds), or €10,000, whichever is higher.*

******First Home Scheme price ceilings criteria is not met only in Carrigaline.*

AFFORDABILITY ANALYSIS

Affordability for renting

Table 3 assesses the affordability of renting a house in various counties for a household. The results show the estimated total expense per household for a month, including the rent, in the different locations. This analysis draws from the SCSI's rental market data (as set out in the section above) and the Insolvency Service of Ireland's (ISI) Reasonable Living Expenses Calculator (not including rent) for a family with two young children, which is €3,504 per month.[14]

The rental costs variation between a three-bedroom semi-detached and two-bedroom terraced house across the different locations means that Meath and Galway renters will have lower housing costs on top of their living expenses. In contrast, renting the same type of property in Kildare, Wicklow and Cork requires substantially higher monthly income.

Based on the CSO's Survey on Income and Living Conditions (SILC) 2023, the average monthly median household disposable income for couples with one to three children aged under 18 is approximately €5,490.[15] Considering this income level, and from the above analysis, it is evident that renting a three-bedroom semi-detached house or a two-bedroom terraced house presents affordability challenges in most locations, except for Meath and Galway, where renting a two-bedroom terraced house is manageable.

It should be noted that the reasonable living expense calculated is limited to modest expenses and savings. However, it may vary considering other additional and seasonal expenses, as well as savings for purchasing a home, which could result in a household needing more income to cover all their expenses.

Table 3: Reasonable monthly expense for a household (including rent).

County	Locations	Type of house	Average rent	Reasonable living expenses (less rental expenses)	Estimated total expense for a month (with rental expenses)	Proportion of rental cost over estimated total expense
Meath	Dunshaughlin, Ashbourne, Ratoath, Navan, Trim and Enfield	3-bed semi	€2,139	€3,504	€5,643	38%
		2-bed terraced	€1,900	€3,504	€5,404	35%
Kildare	Naas, Newbridge, Kildare Town and Leixlip	3-bed semi	€2,431	€3,504	€5,935	41%
		2-bed terraced	€2,250	€3,504	€5,754	39%
Wicklow	Bray, Wicklow Town, Rathnew, Rathdrum and Newcastle	3-bed semi	€2,475	€3,504	€5,979	41%
		2-bed terraced	€2,061	€3,504	€5,565	37%
Cork	Ballincollig, Glanmire, Blarney, Kerry Pike, Carrigaline and Midleton	3-bed semi	€2,344	€3,504	€5,848	40%
		2-bed terraced	€1,992	€3,504	€5,496	36%
Galway	Salthill, Knocknacarra, Athenry	3-bed semi	€2,150	€3,504	€5,654	38%
		2-bed terraced	€1,733	€3,504	€5,237	33%

14. See https://backontrack.ie/rle-calculator/ (accessed August 7, 2024). The reasonable living expenses were calculated from the Back On Track calculator tool, which is based on the ISI's data. Assumptions were made that the family consisted of two children aged 0-2 years and 4-11 years, with the couple spending €1,100 monthly on childcare costs in total for the two children, and €500 on car insurance yearly. The Reasonable Living Expenses Calculator covers housing, utilities, food, transport, and other basic needs. Special circumstances, such as higher expenditures for an elderly dependent or college-going child, additional medical costs, seasonal expenses, etc., are not included. More details are available in the ISI's Guidelines on a reasonable standard of living and reasonable living expenses (October 17, 2023). The resulting expense, without rent, closely aligns with the average weekly household expenditure data of the CSO's Household Budget Survey 2022-2023 (https://www.cso.ie/en/releasesandpublications/ep/p-hbs/householdbudgetsurvey2022-2023/resultsandanalysis/).
15. See https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2023/householdincome/.

ENERGY EFFICIENCY AND BER

The Energy Performance of Buildings Directive (EPBD) is an EU legislative framework aimed at decarbonising EU building stocks by 2050. A new revision of the Directive entered into force in May 2024 as part of the EU's Fit for 55 package, and this will be transposed into Irish law within two years. It mandates zero-energy buildings (ZEBs), and renovations to enhance sustainability and energy efficiency, reduce GHG emissions, and lower energy bills. Below, we present sentiments received from SCSI agents regarding energy efficiency and Building Energy Ratings (BER).

In the survey, 66% of agents believe that properties with a high BER would have a higher value. Specifically, 34% estimate the value would be 5-10% higher, 29% estimate the value would be 10-20% higher, and 3% believe the value would exceed 20% (**Figure 14**). Energy cost savings rank as the top factor influencing potential buyers to choose energy-efficient homes (**Figure 15**). This is highlighted by feedback such as: "Unlike a few years ago, almost the second question buyers ask after the price is now BER", underscoring the increasing importance of energy efficiency and associated operational energy costs in the decision-making process.

"Unlike a few years ago, almost the second question buyers ask after the price is now BER."

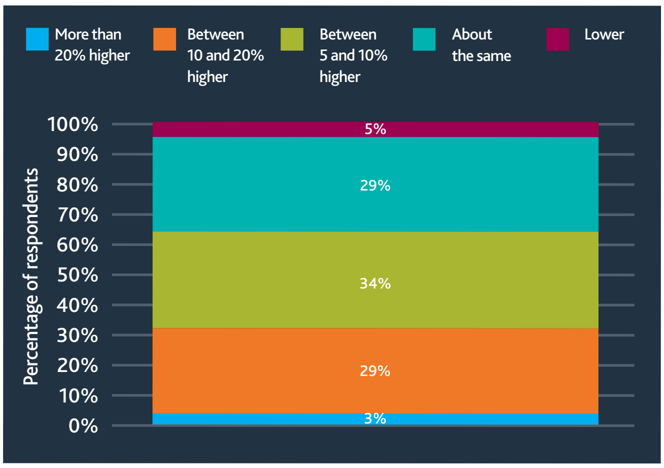

FIGURE 14: Value difference between properties with high and low BER ratings. Source: SCSI research.

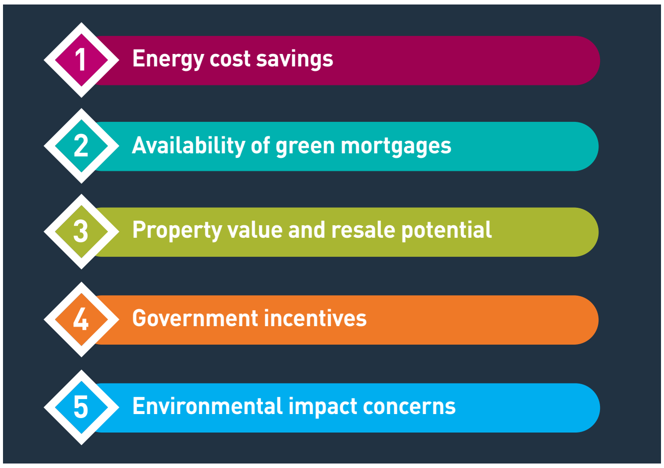

FIGURE 15: Main factors driving homeowner demand for properties with strong sustainability credentials. Source: SCSI research.

ENERGY EFFICIENCY AND BER

The availability of green mortgages ranks second, with comments like "Better interest rates for higher BER" and "Green mortgage rates very attractive for FTBs" demonstrating their significant role in property transactions. This reflects a trend where financial incentives tied to energy efficiency are increasingly influential. Property value and resale potential come in third place, according to member feedback, indicating that buyers also consider long-term value and marketability when evaluating energy-efficient homes.

Government incentives are only the fourth most influential factor. This is corroborated by the feedback such as: "Lack of awareness by landlords of RPZ exemption if BER is substantially improved, but this is costly and a long-term investment, and most landlords cannot afford this". This suggests that Government incentives may not be fully recognised or utilised due to cost and awareness issues.

Finally, environmental impact concerns rank fifth. Though less prominent, they remain significant, as indicated by comments like: "Younger buyers are very conscious of energy costs and environmental impact".

Regarding the rental sector, only 16% of agents note tenant enquiries regarding home energy upgrades (**Figure 16**). This could mean that despite the potential benefits tenants could gain from home energy upgrades, such as improved comfort and reduced energy costs, only a few tenants inquire about these improvements. This could be due to worries about rent hikes, especially since properties can be exempt from RPZs if their BER is substantially improved, and highlights another perspective of split incentives issues in residential property, where landlords and tenants may not align on energy renovations due to differing motivations.

"Lack of awareness by landlords of RPZ exemption if BER substantially improved, but this is costly and long-term investment, and most landlords cannot afford this"

Figure 17 shows that among those who made enquiries, fabric upgrades were the most sought-after energy upgrade, followed by solar panels. There were no queries reported about smart monitors, which, despite their potential cost savings and also being a low-cost measure, may reflect fewer behavioural considerations among tenants since a major aspect of smart monitoring aims to influence energy-related user behaviour.

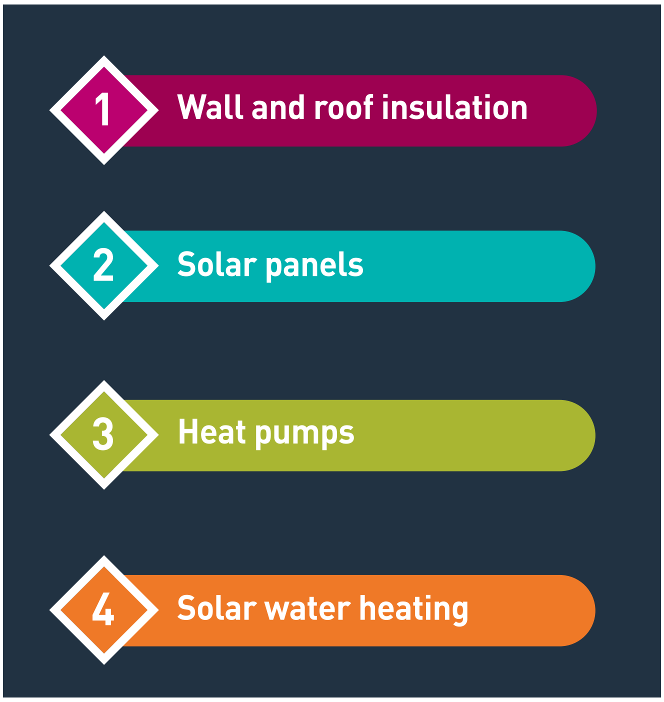

FIGURE 17: The enquiries from tenants on different energy efficiency upgrades.
Source: SCSI research.

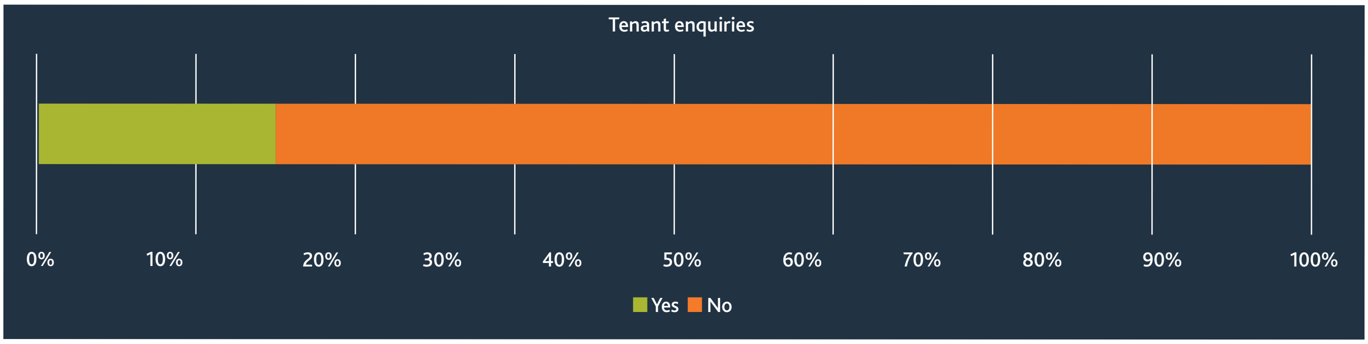

FIGURE 16: Inquiry about energy upgrades from tenants. *Source: SCSI research.*

ABOUT THIS SURVEY

The SCSI Residential Property Market Monitor July 2024 is a sentiment report of SCSI agents across the country conducted in June-July 2024. While the principal focus of these surveys is on participants' house price expectations, the survey also canvasses opinions on the factors underlying these views and on their assessment regarding the level of transactional activity in the market.

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