

# Soaring house prices set to overtake record levels of Celtic Tiger

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HOUSE prices are likely now at record levels and about to pass their previous Celtic Tiger highs, experts say.

The latest official figures show property values are just 3.3% below the market peak but the data lags two months behind actual figures.

Prices have reached an average of almost €329,000 according to official figures for January and are climbing by almost 15% a year, their fastest rate since April 2018.

KBC Bank chief economist Austin Hughes said: 'The January increase brings Irish house prices back within 3.3% of their 2007 Celtic Tiger peak, meaning that the previous peak will probably be overtaken in these official data in the next few months.

'In turn, given the lags in these data, the CSO numbers suggest that property transactions happening now in the Spring 2022 home-buying season are probably occurring at new record prices.

'So, in a variety of ways, the January figures underline the degree of price pressures in the Irish housing market at present.'

The strong prices are backed by a higher population than during the Celtic Tiger and stronger wages.

Mr Hughes said: 'It is in an economy with much larger employment, higher incomes, so there are more of us pushing each other out of the way so it's not a like-for-like in the sense that they're overvalued.'

Prices are thought to have been 40% overvalued at the end of 2007 but were 10% undervalued at the end of last year.

But Mr Hughes suggests: 'Increased global uncertainty and the likelihood of rising ECB interest rates later this year, as well as the expectation of improved new housing supply, may introduce some increased caution into the market. For these reasons, we may be close to peak pressures at the moment but we may not be at peak prices.

'There's still very strong mortgage approvals, still buoyant jobs growth, the prospect that you will see wage growth pick up and even if living costs pick up, it does give a bit of an impetus to buying power. Against that you have this ongoing global uncertainty –Covid, Ukraine maybe even less of a hesitation point,

'The interesting one will be if talk ramps up in the coming months about ECB rate rises. The idea of borrowing costs moving higher, that will be an element that may cause people to be a little bit more cautious.'

In January, 3,517 property sales were filed with Revenue, a 0.9% increase compared to the 3,484 purchases in January 2021 and a 32% decrease compared with the 5,170 purchases in December 2021. The total value of transactions filed in January was €1.2billion.

Auctioneers' chief Pat Davitt said the prospect of the ECB raising interest rates soon may rein in the price rises.

‘It is not a desirable situation that house prices would continue to rise at these levels,’ he said. ‘They may slow somewhat with the prospect of an increase in interest rates towards the end of this year, and economic concerns arising from inflation and related uncertainty around the invasion of Ukraine.

‘It would be a far healthier situation if we were to see prices tapering on the basis of an increase in supply.

‘Much remains to be done at policy level to increase the supply of homes, along with adjustments to the mortgage rules to make home ownership more attainable for those on average wages.’

‘Not a desirable situation’