Banking & Payments Federation Ireland

BPFI Housing Market Monitor Q1/2018

With a commentary by Dr Ali Uğur
Chief Economist, Banking & Payments Federation Ireland

OVERVIEW OF TRENDS

Indicator	Latest quarter	One year ago	% change
Dwelling completions*	3,158	2,507	26.0%
Dwelling commencements	4,374	3,860	13.3%
Dwellings listed for sale	12,272	13,122	-6.5%
Dwellings listed for rent	14,899	17,126	-13.0%
Transactions	9,842	9,649	2.0%
Yr/yr change in transaction prices	12.7%	9.8%	
Yr/yr change in list prices	7.3%	9.4%	
Yr/yr change in list rents	11.5%	13.4%	
Mortgage approvals	9,656	9,474	1.9%
Mortgage drawdowns	7,879	6,944	13.5%

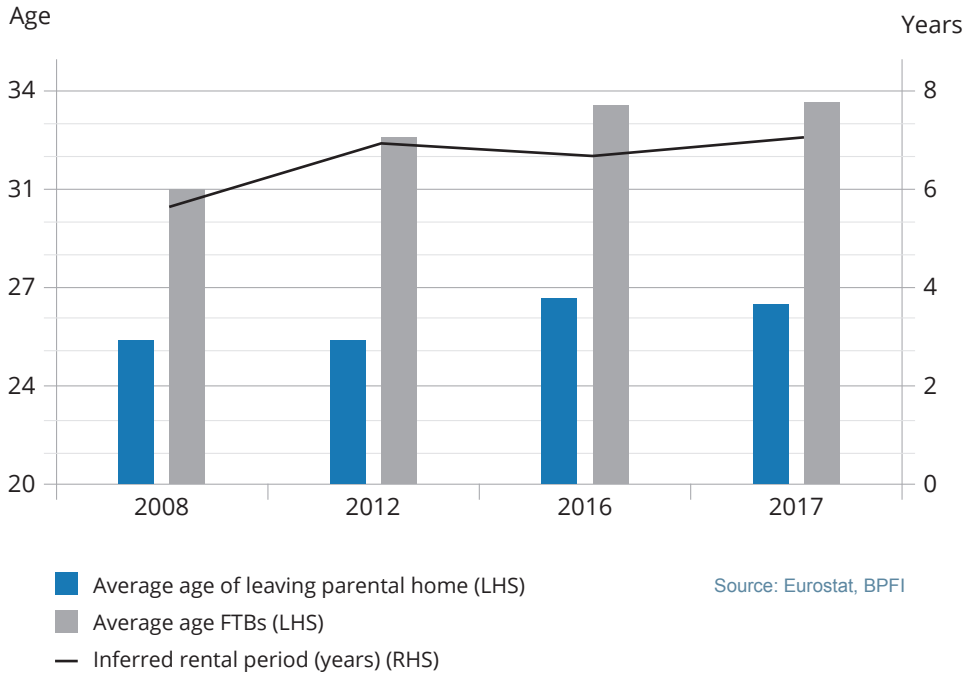
**Data for March 2018 was not available at the time of publication.*

Lack of supply means potential buyers rent for longer

Residential property price increases have regained momentum after levelling at single-digit annual growth for almost two years up to mid-2017 and reached 12.7% in March 2018, according to the latest CSO residential property price index. That compared with an increase of 9.8% in the twelve months to March 2017. Prices have increased by around 75% since the trough in early 2013 at the national level, while Dublin residential property prices have increased 90.8% from their February 2012 low. Along with sale price increases, rents also continued their upward trend. According to the latest Daft.ie Rental Report, rents have now risen by 70% on average – 87% in Dublin, 68% in the other cities and 53% elsewhere – from their lowest point. The annual rate of rental inflation has been above 10% in the past two years, despite a nominal cap on rent increases of 4% per annum introduced at the end of 2016.

As is well outlined in many commentaries, the current acceleration in residential property prices is mainly due to the persistent lack of supply as well as higher incomes driven by strong growth in the economy. While the gap between current demand and supply is narrowing, the delayed response in supply is creating latent demand for future years.

Average ages of FTBs and home leavers

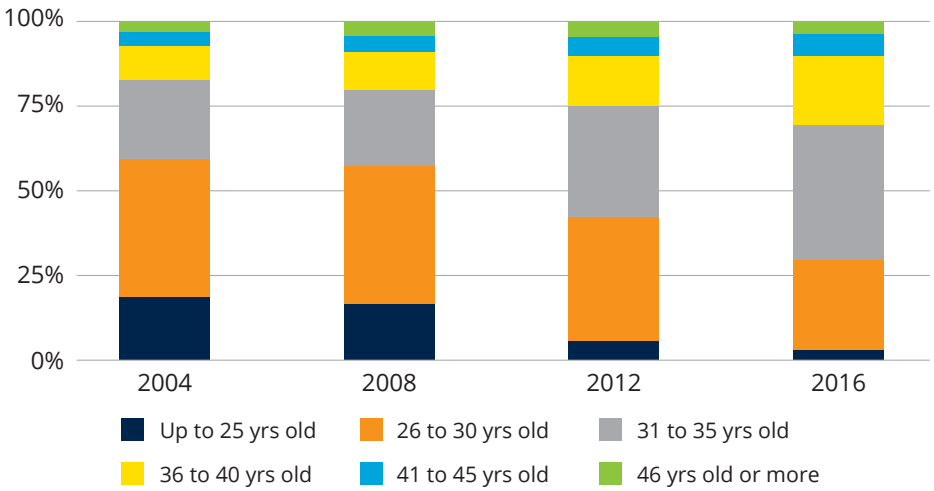


Source: Eurostat, BPFI

COMMENTARY

In addition to this, the lack of supply seems to be contributing to demographic changes within the population in Ireland. A combination of Eurostat survey data and BPFI loan level data show that the gap between the average age of leaving the parental home and the average age of a first-time buyer (FTB) has increased from 5.6 years in 2008 to around 7.6 years in 2017. During this period the average age of an FTB has increased from 31 in 2008 to 33.9 in 2017. In addition, we see that in 2004 nearly 60% of FTBs in Ireland were 30 years or younger, whereas in 2016 this proportion had declined to around 29%. During the same period, the share of FTBs accounting for borrowers between 31 and 40 has increased from 34% to 60%. A comparison with the UK shows that during the same period, the share of FTBs accounting for people 30 years or younger increased from 49% in 2008 to 54% in 2016.

FTBs by Age



According to Department of Housing data, almost 3,200 dwellings were completed (i.e. connected to the electricity grid) in January-February 2018[1], up 26% on the same period of 2017. The growth was driven by Dublin and Dublin Commuter counties where completions rose by 29% and 46% year-on-year, respectively. In term of commencements, the same data show that there were almost 4,400 commencements in Q1 2018, an increase of 13.3% on the same period of 2017.

BPFI data show that there were 7,879 mortgage drawdowns, valued at €1,704 million, in Q1 2018. Mortgage drawdown activity increased in volume terms by 13.5% year-on-year and increased in value terms by 22.4% over the same period. The average purchase mortgage drawdown in Q1 2018 increased by 7.9% year-on-year to €216,251. The average FTB drawdown was €216,458, up by 11.6% year-on-year, while the average mover-purchase drawdown rose by 5.4% year-on-year to €253,072.

Mortgage approval activity increased in volume terms by 14.2% year-on-year in April 2018 bringing the total number of approvals to 13,407 in the first four months of the year. In value terms activity increased by 19.8% over the same period with the total value of approvals reaching around €3 billion in the first four months of 2018 compared to around €2.7 billion during the same period in 2017.

Dr Ali Uğur, Chief Economist,
Banking & Payments Federation Ireland

[1]Data for March 2018 was not available at the time of publication

HOUSING SUPPLY

New dwellings completed

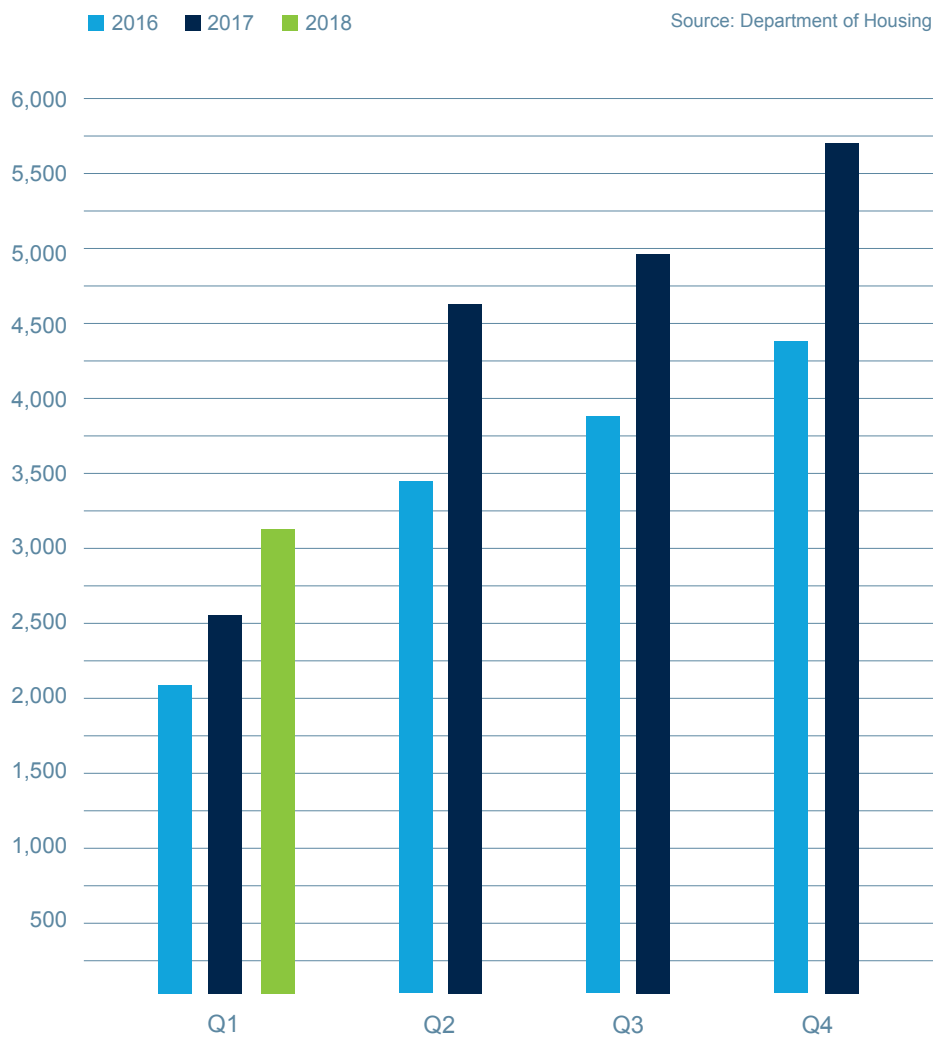
Almost 3,200 dwellings were completed (i.e. connected to the electricity grid*) in January-February 2018**, up 26% on the same period of 2017.

The growth was driven by Dublin and Dublin Commuter counties (Louth, Meath, Kildare and Wicklow), where completions rose by 29% and 46% year-on-year, respectively.

Cork was the only region where completions fell on a year-on-year basis, while Galway rose by only 14.5%. In the other regions, completions increased by 21% or more.

**The Department of Housing, Planning and Local Government has been using new electricity connections as a proxy for housing completion since 1970. New data will be published by the Central Statistics Office from June 2018.*

***Data for March 2018 was not available at the time of publication.*



HOUSING SUPPLY

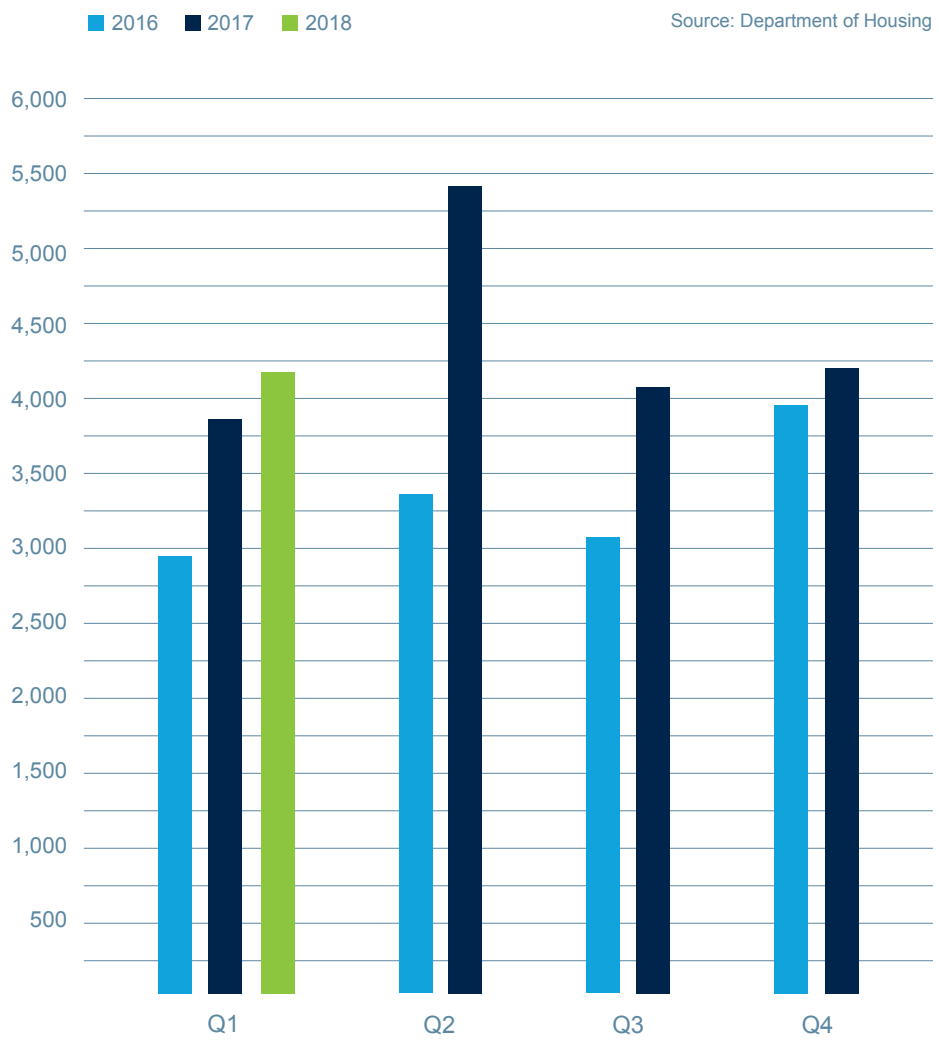
New dwellings commenced

There were almost 4,400 commencements in Q1 2018, an increase of 13.3% on the same period of 2017.

The growth was mainly driven by the Dublin Commuter region, the rest of Leinster (excluding Dublin) and the rest of Munster (excluding Cork), where completions grew by between 160 and 170 units in each region.

There were 1,240 completions in the Dublin Commuter region, the most since Q2 2007.

Commencements fell by 2.2% year-on-year in Dublin to 1,433.



HOUSING SUPPLY

Properties listed for sale

The first quarter of 2018 saw just over 12,000 properties listed for sale*, a fall of 6% compared to the same period in 2017. This was the first time since mid-2016 that the number of properties listed for sale had fallen compared to a year ago.

There was growth in the number of listings in Dublin, with 8% more properties listed for sale in Q1 2018 than in the same period in 2017. However, elsewhere in the country, the number of listings fell, with falls of 7-8% in the other cities (Cork, Galway, Limerick and Waterford) and in Leinster, and falls of 16% in Munster and Connacht-Ulster.

**The statistics are based on properties advertised on Daft.ie for a given period and exclude any stock available for sale but not listed on the website.*

HOUSING SUPPLY

Properties listed for rent

The first quarter of 2018 saw just under 14,900 properties listed for rent* nationwide, down 13% on the same period in 2017 and twenty-fourth time in 25 quarters that rental listings have fallen in year-on-year terms.

The fall was less pronounced in Dublin, where listings were 8% lower than a year before. Elsewhere in the country, rental listings in early 2018 were between 15% and 17% lower than the same three-month period in 2017.

**The statistics are based on properties advertised on Daft.ie for a given period and exclude any stock available for rent but not listed on the website.*

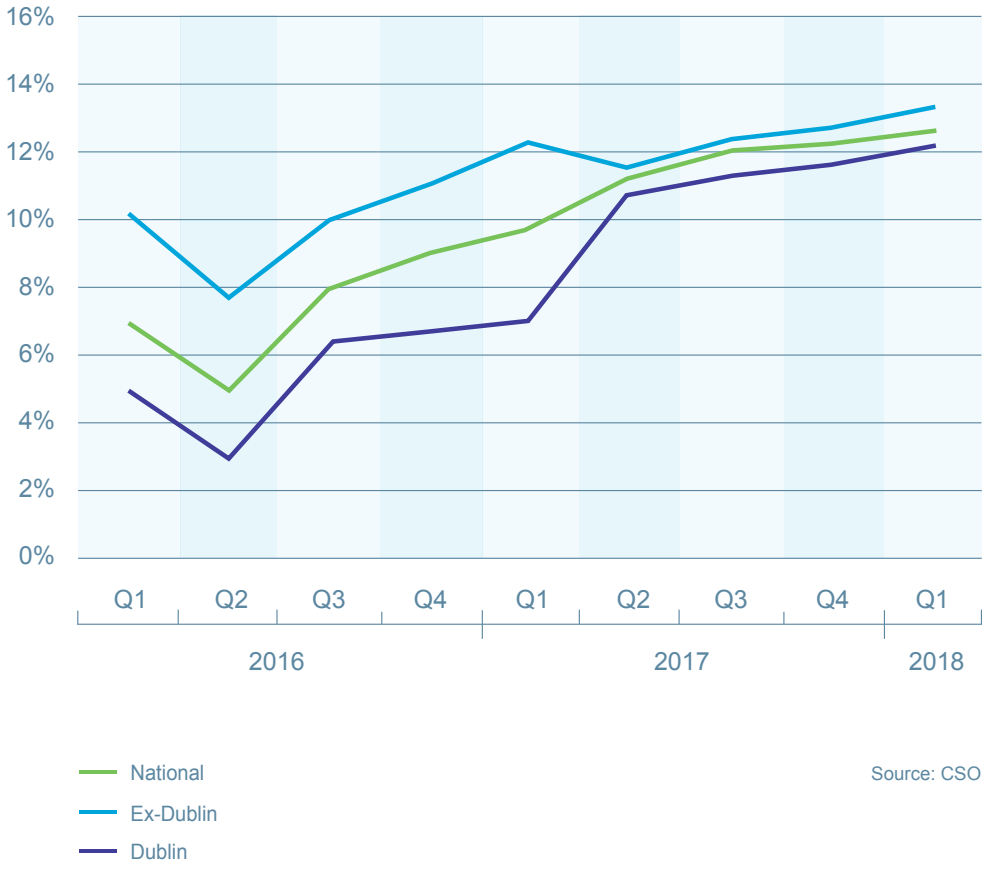
HOUSING PRICES & RENTS

Transaction prices

Residential property prices increased by 12.7% year-on-year in March 2018. The Residential Property Price Index reached its highest level (101) since March 2009. The national annual rate of increase has accelerated in each of the past seven quarters.

In Dublin, residential property prices increased by 12.1% in the year to December, whereas prices in the rest of the country rose by 13.4%. This was the twelfth consecutive quarter in which prices outside Dublin rose faster than prices in Dublin.

For the fourth successive quarter, apartment prices rose faster in Dublin than in the rest of the country, while house prices rose more slowly in Dublin for the eighth successive quarter.



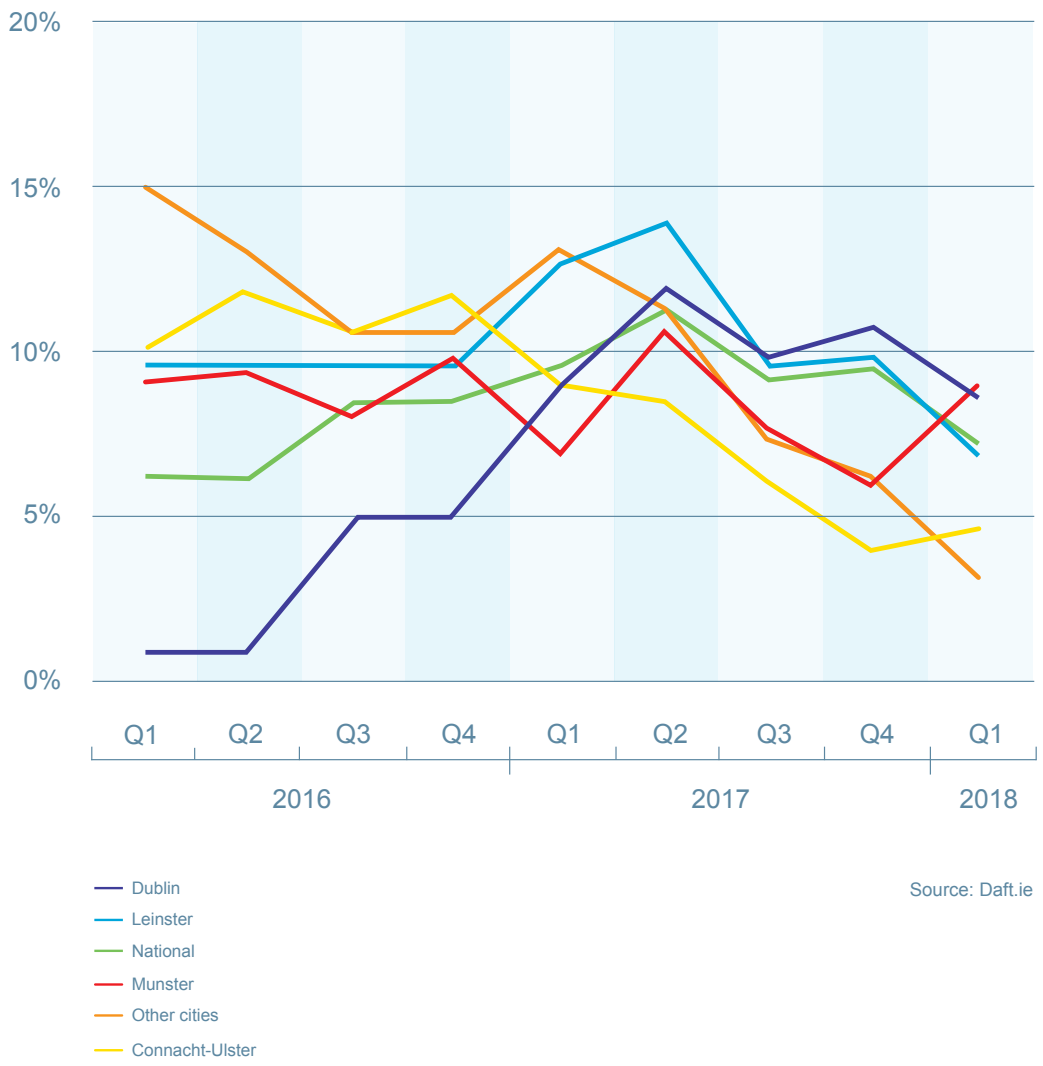
Source: CSO

HOUSING PRICES & RENTS

Listed sale prices

The annual rate of inflation in listed sale prices in the first quarter of 2018 was 7.3%, down from 9.4% a year ago and the lowest rate of inflation since mid-2016. Nonetheless, this was the eighteenth consecutive quarter where list prices had risen in year-on-year terms.

Annual inflation in Dublin list prices was 8.4% in the first three months of the year. Only Munster (8.5%) saw a higher rate of inflation in list prices. Elsewhere, prices were close to stable in the other major cities (2.9% on average), and rose at rates of 7.2% and 4.5% in Leinster and Connacht-Ulster respectively.



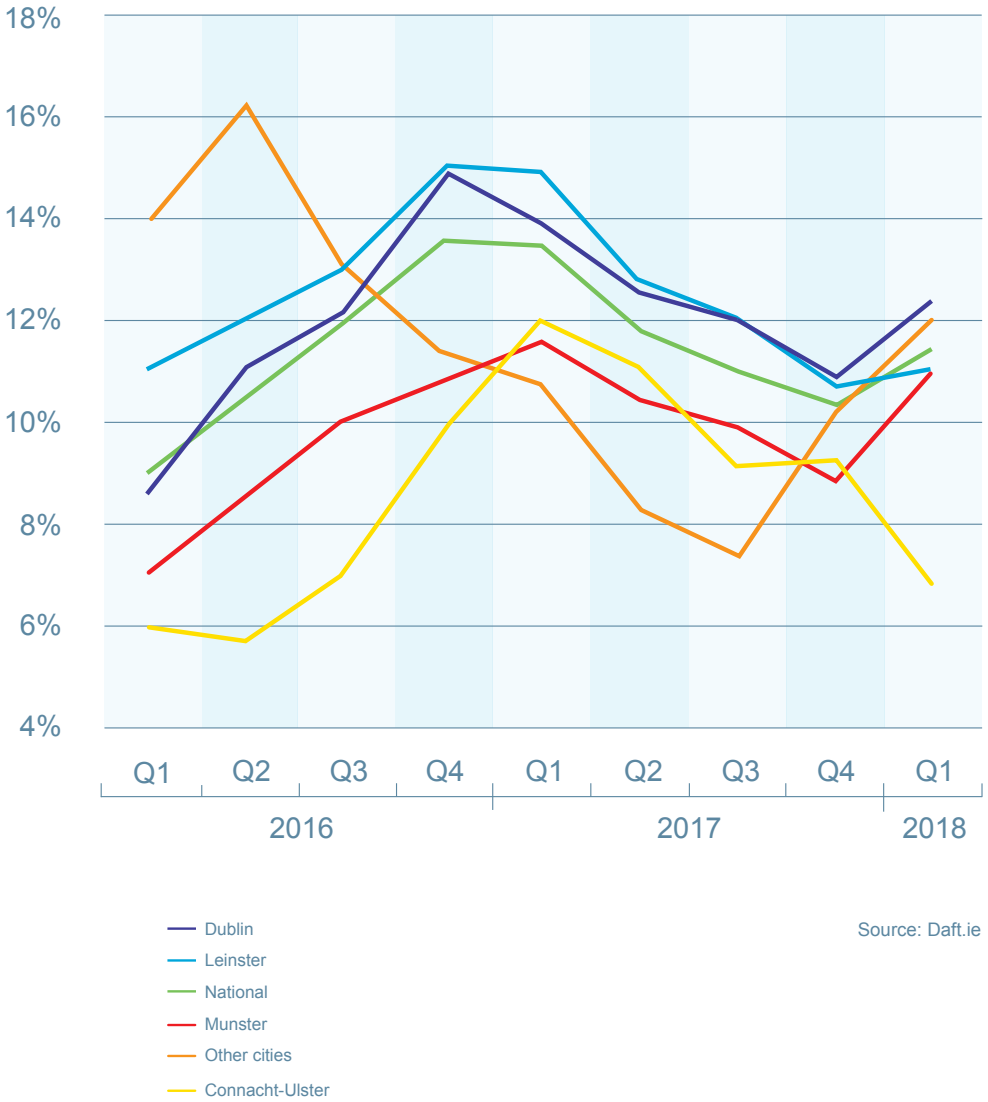
Source: Daft.ie

HOUSING PRICES & RENTS

Listed rental prices

The annual rate of inflation in listed rental prices in the first quarter of 2018 was 11.5%. This marked a reacceleration of inflation, following a year in which the rate fell from 13.5% to 10.4%. This was the eighth consecutive quarter in which the rate of inflation had been above 10%.

Inflation in Dublin rents was 12.4%, the third quarter in a row where Dublin experienced the highest rate of inflation in rents, of the five regions shown. Inflation was also higher than the national average in the four other major cities (12.0%). Both Leinster and Munster, outside the cities, saw similar rates of inflation (11% and 10.9%), while inflation in Connacht-Ulster was 6.4%.



Source: Daft.ie

PROPERTY TRANSACTIONS & MORTGAGES

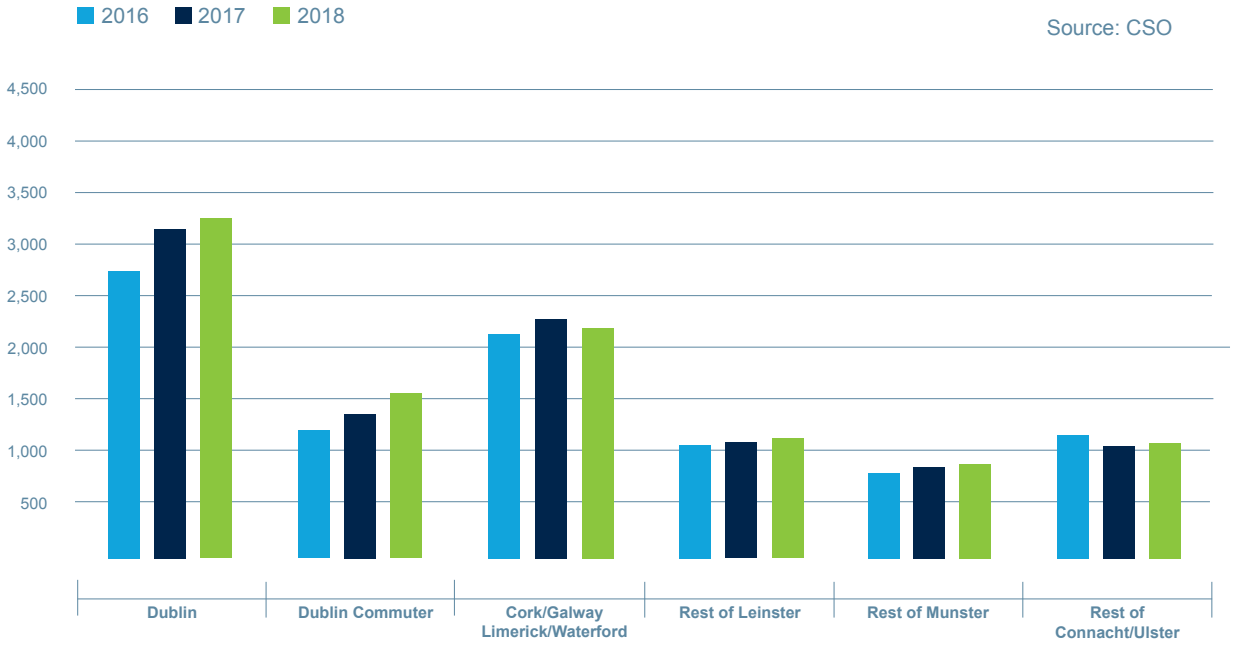
Property transactions

The number of residential properties sold in Ireland increased by 2% year-on-year to more than 9,800 in Q1 2018.

Sales grew by 3.9% year-on-year in Dublin to about 3,200 and by 6.4% in the Dublin Commuter region (Kildare, Louth, Meath and Wicklow) to about 1,500. Sales fell in the counties Cork/Galway/Limerick/ Waterford by 3.6% year-on-year to less than 2,200.

Transactions rose by 1.6%, 2.4% and 2.5% in the rest of Leinster, the rest of Munster and the rest of Connacht-Ulster, respectively.

Some 19% of properties sold (1,871) in Q1 2018 were new, the highest proportion in any quarter since Q2 2011. Both Dublin and Dublin Commuter had higher new build shares, at 25.9% and 31.3%, respectively.



**This data is based on stamp duty filings reported by the CSO for purchases of residential properties by households at market prices. It excludes properties purchased at non-market prices and by non-household buyers. The data is subject to regular revision by the CSO as new data becomes available.*

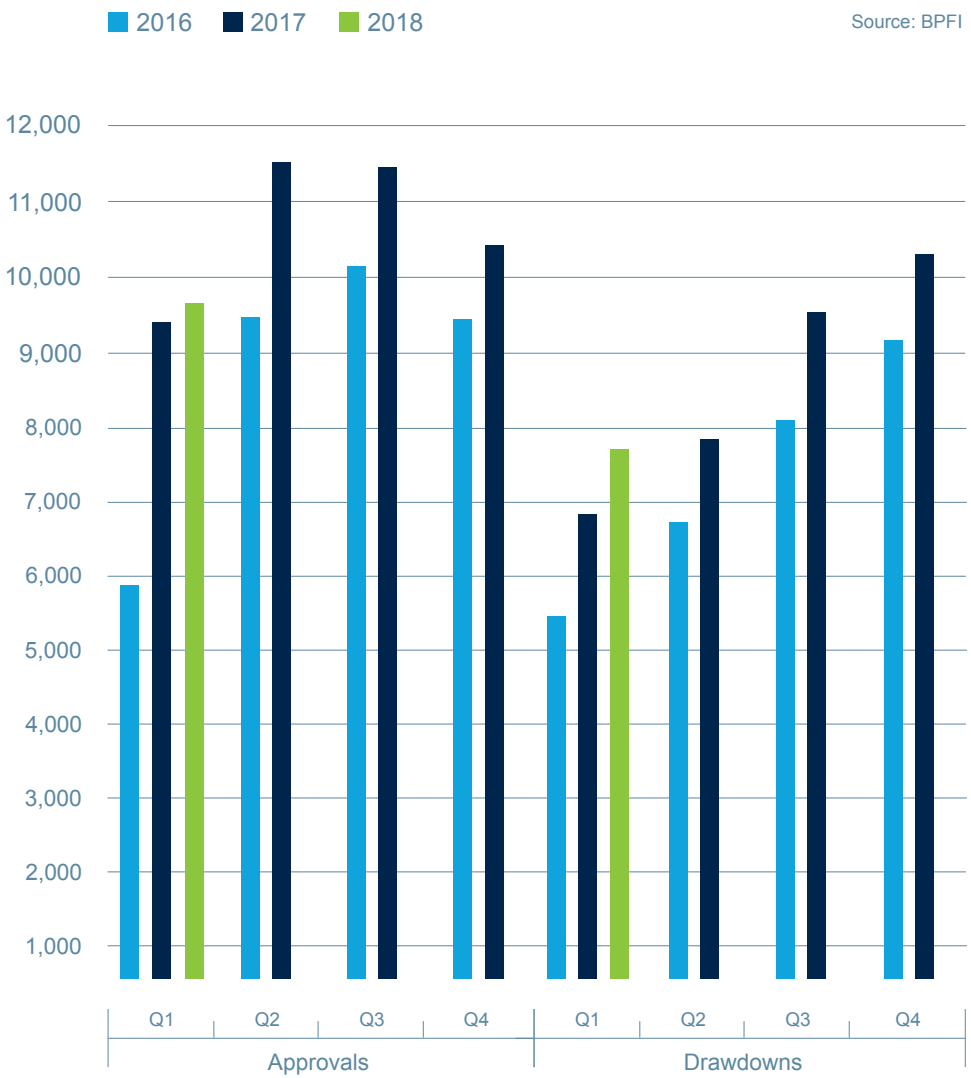
PROPERTY TRANSACTIONS & MORTGAGES

Mortgage approvals

Mortgage approvals offer an early indicator of credit conditions in the mortgage market. Mortgage approval volumes rose by 1.9% year-on-year in Q1 2018 to almost 9,600. Mortgage switching increased its share to 12.3% of approvals, almost four times its share in Q1 2015, while mover purchasers dropped to 27.1% from 33.2% over the same period.

Mortgage drawdowns

Given the nature of the housing market, the volume of mortgage drawdowns generally reflects transaction levels and again offers an indicator of credit conditions. Mortgage drawdown volumes grew by 13.5% year-on-year to almost 7,900. Purchase mortgage drawdowns rose to 6,402, the highest first-quarter level since Q1 2008.



MORTGAGES

Median deposits

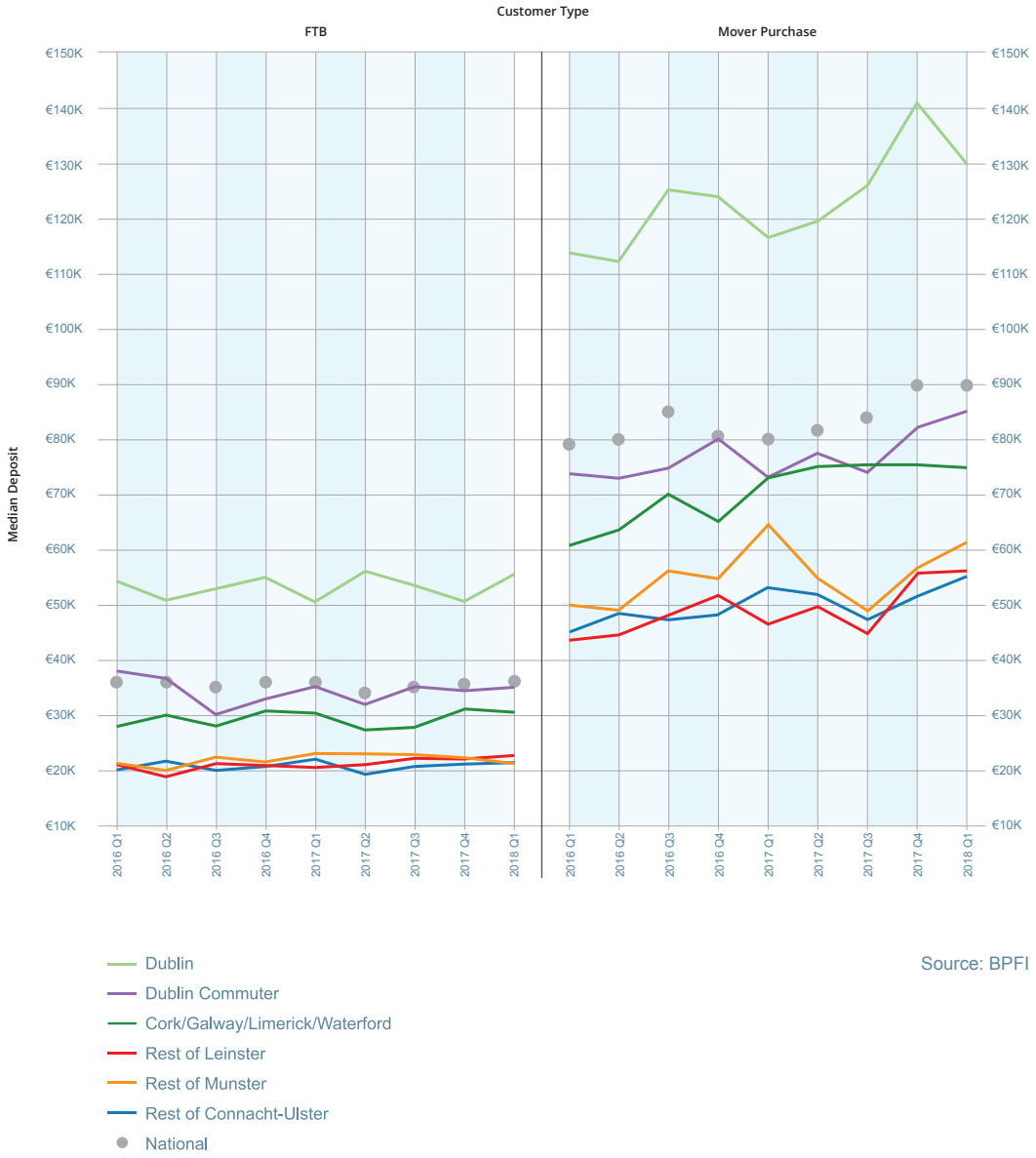
The median deposit* (the difference between the purchase price and the mortgage amount) for FTBs rose by 2.8% to €37,000 in Q1 2018, while the median mover purchase deposit jumped by 12.5% to €90,000 – the same as Q4 2017.

Dublin continued to have by far the highest deposits: €55,313 for FTBs and €130,000 for mover purchasers.

The median FTB deposit in Dublin rose by 9.6% while it fell by 0.1% in the Dublin Commuter region.

The median deposits for mover purchasers increased by 11.7% year-on-year in Dublin to €130,000 and by 16.4% in the Dublin Commuter region to €85,000.

**The median deposit is derived from sample loan-level data provided by BPFI members. The analysis is subject to regular revision as new data is made available.*



Source: BPFI

MORTGAGES

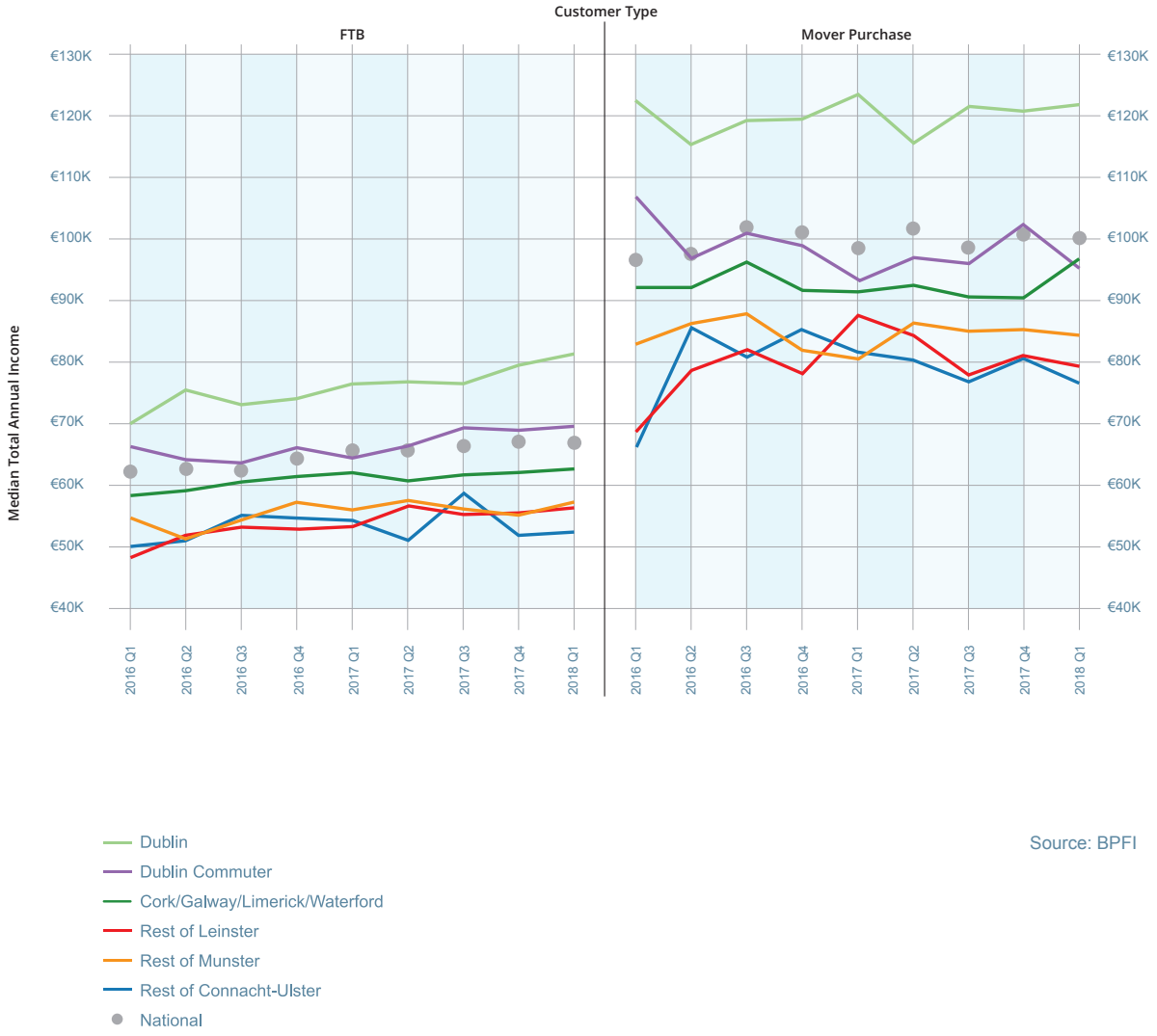
Median incomes

Median borrower incomes (the sum of all borrower incomes) rose by 3.7% year-on-year for FTBs to more than €67,400 but were broadly unchanged (up 0.7% year-on-year) for mover purchasers at about €100,000.

Median borrower incomes for both FTBs and mover purchasers in Dublin were significantly above the national average. FTB incomes in Dublin rose by 6.9% year-on-year to almost €82,000 in Q1 2018, while mover purchase incomes rose by 0.7% to about €122,000.

FTB incomes in the Dublin Commuter region rose by 8.3% year-on-year to almost €70,000, while FTB incomes rose by 1.7% to almost €64,000 in the counties Cork/Galway/Limerick/Waterford.

**Median borrower incomes are derived from sample loan-level data provided by BPFI members. The analysis is subject to regular revision as new data is made available.*



Source: BPFI

Median Price-to-Income ratios

The ratio of property purchase price to the combined incomes of borrowers (price-to-income) is a useful measure of affordability and complements the Central Bank of Ireland's loan-to-income ratio.

The median price-to-income (PtI) ratio rose by 4.5% year-on-year to 3.7 for FTBs and by 3.8% to 3.45 for mover purchasers in Q1 2018. These were the highest levels since the series began in 2012.

Although the median PtI in Dublin rose on a year-on-year basis, it fell to its lowest level since Q1 2017 for both FTBs and mover purchasers.

Median PtIs rose significantly for FTBs in the Dublin Commuter region, up from 3.56 in Q1 2017 to 3.81 a year later, but fell on a year-on-year basis for both customer segments in the rest of Munster.

**The median PtI ratio is derived from sample loan-level data provided by BPFI members. The analysis is subject to regular revision as new data is made available.*

Source: BPFI

MORTGAGES

Cash sales ratio

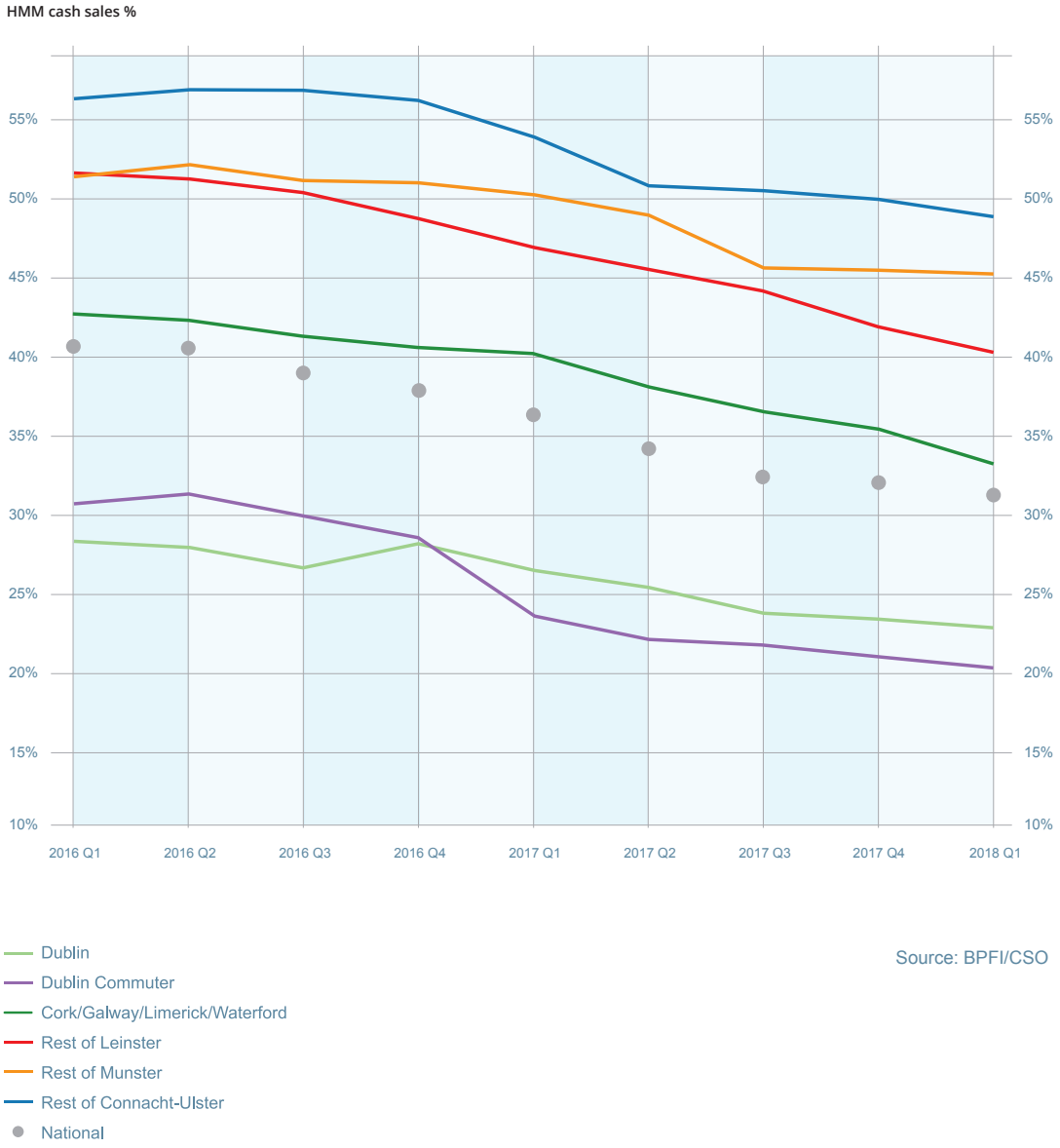
Cash sales accounted for 31.2% of sales on an annualised basis in Q1 2018, down from 37.8% a year earlier.

The cash sales ratio in the Dublin Commuter region fell to 20.4% and in Dublin to 22.8%. The ratio in Dublin Commuter was lower than the ratio in Dublin for the sixth successive quarter.

The ratio also fell in Cork/Galway/Limerick/Waterford, dropping to 33.9%.

The cash sales ratio continued to decline in the other regions but remained above 40%.

Cash sales represent all non-mortgage sales. The cash sales ratio is calculated by dividing the volume of mortgage drawdowns for house purchases by the volume of residential property purchases by households at market prices. The data is reported on an annualised basis. The cash sales ratio is derived from BPFI sample loan-level data and CSO residential property data. The analysis is subject to regular revision as new data is made available.



Source: BPFI/CSO

ABOUT THE REPORT

The information presented here is based on a range of publicly available reports and datasets and collated with Identify Consulting for Banking & Payments Federation of Ireland. It is intended to bring together the range of housing and mortgage market data available and to constructively inform on-going analysis and assessment of the housing and mortgage market.

Figures are presented by quarter and by region, where possible. Unless otherwise specified, quantities given for particular quarters (and/or regions) are totals, while prices are averages for the entire quarter. The sources used for compiling the report are as follows:

- the Department of Housing, Planning & Local Government [dwelling completions and commencements]
- the Central Statistics Office [number of housing sales transactions, residential property price indices and transactions for cash sales estimates]
- Daft.ie [number of properties listed for sale and for rent; indices of listed sale and rental prices]
- Banking & Payments Federation of Ireland [mortgage approvals, drawdowns, median incomes, median deposits, median price-to-income ratios and estimated cash sales ratios]

Banking & Payments Federation Ireland

Banking & Payments Federation Ireland,
Nassau House, Nassau Street,
Dublin 2, D02Y240, Ireland.

+353 1 671 53 11
info@bpfi.ie
www.bpfi.ie

Dublin • Brussels • Frankfurt