Banking & Payments Federation Ireland

BPFI Housing Market Monitor Q1/2019

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	4,275	3,470	23.2%
Dwelling commencements	5,758	4,374	31.6%
Dwellings listed for sale	14,033	13,446	4.4%
Dwellings listed for rent	14,548	14,899	-2.4%
Transactions	9,801	9,842	-0.4%
Yr/yr change in transaction prices	3.9%	3.9%	
Yr/yr change in list prices	5.9%	7.3%	
Yr/yr change in list rents	8.3%	11.5%	
Mortgage approvals	10,543	9,656	9.2%
Mortgage drawdowns	8,577	7,879	8.9%

Range of solutions and stakeholders needed to resolve housing needs: some progress evident

Residential building activity continued its strong growth in the first quarter of 2019. Recent data from the Central Statistics Office (CSO) show that there were 4,275 new dwelling completions during the period, compared with 3,470 completions in the same period last year, an increase of 23.2%. To put it in context, housing output during the first quarter of 2019 was nearly equal to total housing output in the full year 2013 (4,575), which was the lowest annual level observed. The number of new housing completions was highest in Dublin followed by Dublin Commuter areas. Together these two regions made up 60% of all new dwelling completions in the first quarter of 2019 and around 70% of annual growth. We estimate the total housing output in 2019 to be in the region of 23,000 to 25,000 units.

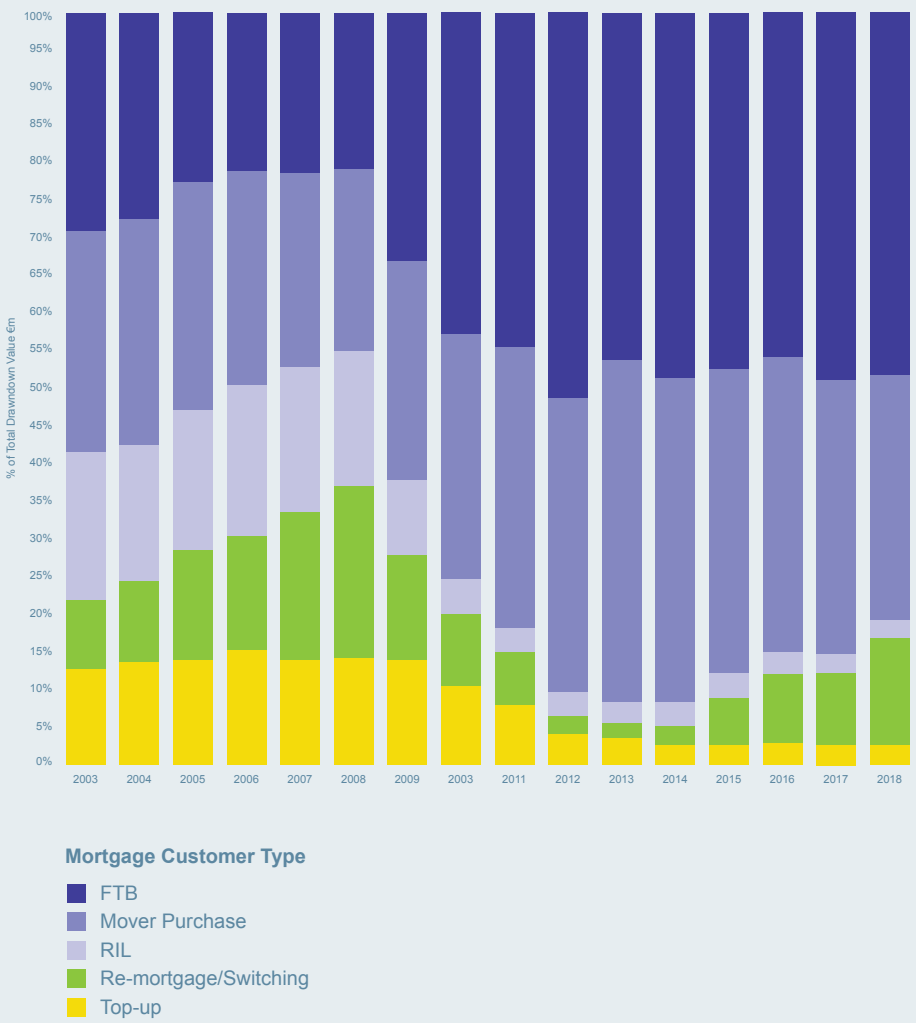
Increased activity is also evident from the number of units commenced, which is a good indicator of future supply. There were around 5,800 housing commencements in the first quarter of 2019, an increase of 31.6% compared with the same period of 2018, which is the highest level of Q1 commencement activity since 2008. Commencements in Dublin reached their highest first quarter level since 2007, however volumes fell by 5.6% year-on-year in the Dublin Commuter region. Planning permissions are also a good indicator of future supply, perhaps for longer term supply compared to commencements data which can be used for the short run. Data from the CSO shows that there were more than 29,000 permissions granted in 2018, in addition to around 21,000 permissions in 2017.

Average residential property price increases have slowed down over the past year. Recent data from the CSO show that average prices increased by 3.9% in the year to March 2019, compared with an increase of 4.3% in the year to February and 12.6% in the twelve months to March 2018. Based on monthly figures, this was the lowest rate of annual growth in average prices since August 2013. The slowdown in average price increases has been much more prevalent in Dublin with average prices increasing by 1.2% in the year to March, with house prices rising by only 0.7%.

The slowdown in average price increases is partly due to increased output, as the two regions with the highest annual output growth, namely Dublin and Dublin Commuter, have seen the slowest price increases during the first quarter of 2019. However, it is also important to note that actual average prices play a significant role as these two regions have the highest average prices in Ireland, perhaps reflecting the fact that affordability in the context of macro prudential rules is beginning to affect demand and hence price increases. For example even though output has been increasing in the Mid-West region for the past two years, house prices in the region have been rising by more than 10% annually since December 2017, reflecting the lower level of average prices in the region.

Supporting the increased housing output, mortgage approvals and drawdowns both grew strongly in Q1 2019, increasing by 9.2% and 8.9%, respectively, year-on-year. The volume of purchase mortgage drawdowns rose to its highest Q1 level since 2008.

COMMENTARY



In recent years, there has been a shift towards renting in Ireland, where home ownership rates have fallen from their peak of 79.3% in 1991 to 67.6% in 2016, the lowest rate since 1971. In addition, the private rented sector has been dominated by residential individual investors (RIL). BPFI mortgage drawdown data show that, for example, these individual investors accounted for around 20% of the value of drawdowns in 2006 during the peak of activity. However, since 2008, along with the decline in activity until 2013, the share of mortgages accounted for by residential individual investors declined significantly. Even with the tripling of total mortgage drawdowns between 2013 and 2018, the share accounted for by individual investors has fallen and 2018 data show that they only accounted for 2.5% of total mortgage drawdowns.

During the same period, we have seen increased activity by the non-household sector which includes companies such as pension funds, specialist private rental firms and Real Estate Investment Trusts (REITs) in the domestic residential property market. For example, in Q1 2019, non-households accounted for around 20% of all market purchases. This in a way shows that to a significant extent, buy to let sector investors which have been traditionally individual investors have been replaced by institutional investors in the Irish housing market over the last 10 years, particularly in the new apartment sector. Given different segments that make up the housing market from a demand perspective and the needs of these different segments, it is important to recognise that we need a number of stakeholders, both from the private and public sector, to play a role in addressing the nation's housing needs with perhaps a different product mix varying according to needs, from houses to apartment and purchase to rental. At the same time, while recognising the role of different players in the market, it is important to develop and maintain policies that can support positive contributions from all players in the housing market.

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

HOUSING SUPPLY

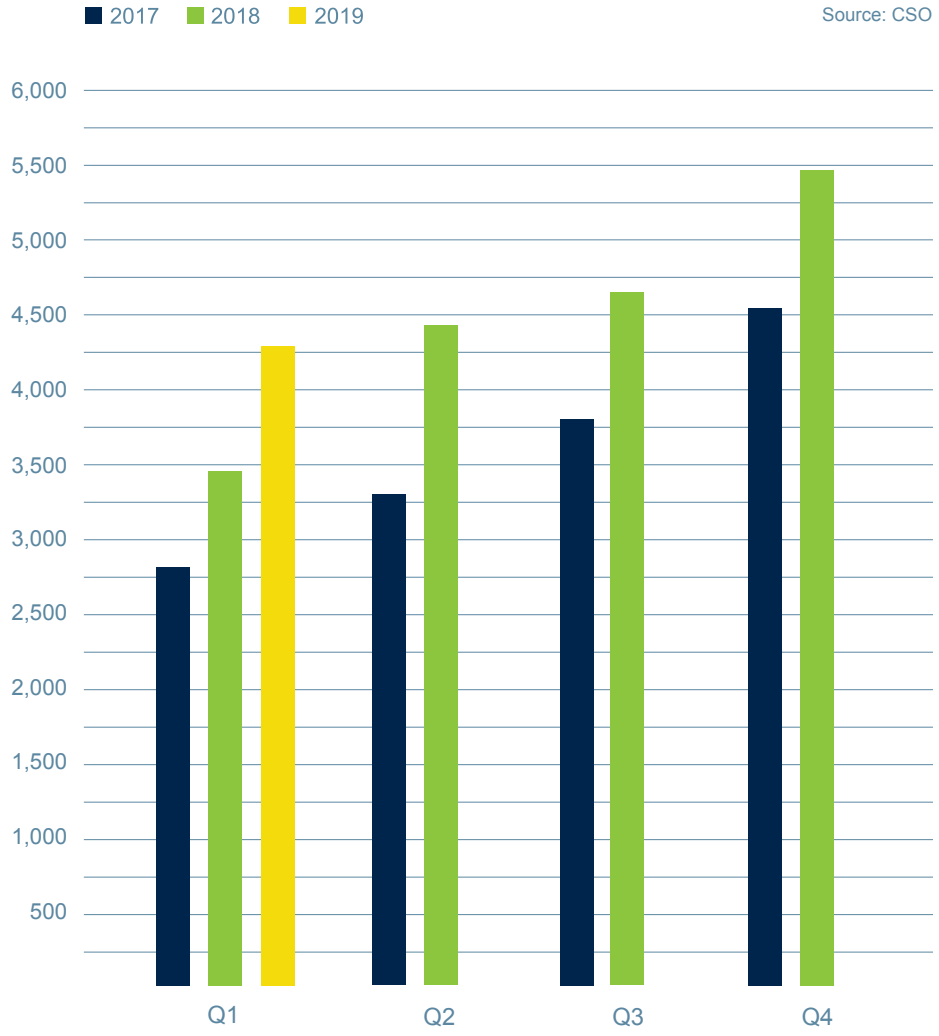
New dwellings completed

Almost 4,300 new dwellings were completed according to the Central Statistics Office (CSO)* in Q1 2019, 23.2% more than in Q1 2018.

Dublin and Dublin Commuter (Kildare, Louth, Meath and Wicklow) accounted for about 70% of annual growth, with completions increasing by 24.6% and 33.8%, respectively.

About 60% of new completions in Q1 2019 were scheme houses (almost 82% in Dublin Commuter were scheme houses) and about 14% were apartments (almost 33% in Dublin were apartments). Scheme houses and apartments accounted for less than half of completions in the rest of Leinster, in Munster (excluding Cork) and in Connacht-Ulster.

** The CSO publishes quarterly data new dwelling completions.*



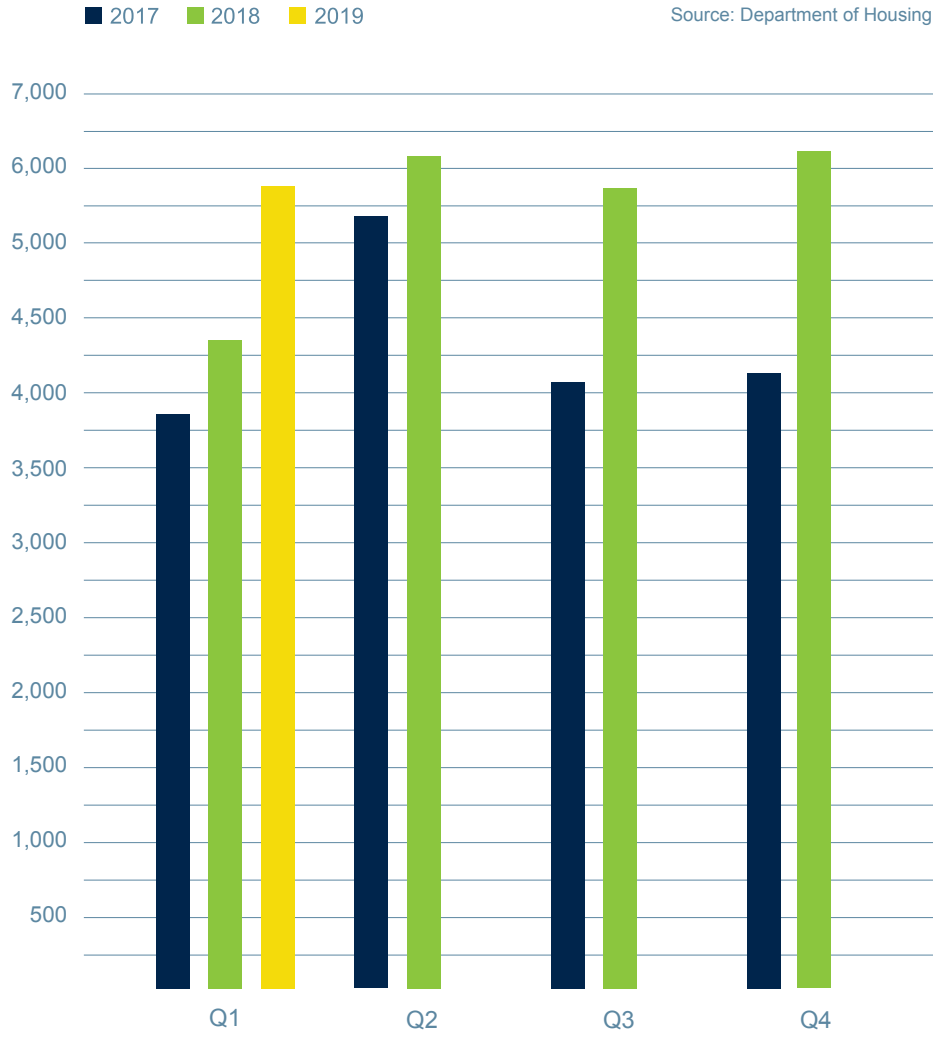
HOUSING SUPPLY

New dwellings commenced

There were almost 5,800 housing commencements in Q1 2019, an increase of 31.6% on the same period of 2018. This was the highest level of Q1 activity since 2008.

Commencements in Dublin reached their highest Q1 level since 2007 (2,131). Volumes fell by 5.6% year-on-year in the Dublin Commuter region to 1,170.

Some 21% of commencements in Q1 2019 were one-off units, although the ratio of one-off units ranged from 3.9% in Dublin to 65.1% in Connacht-Ulster (excluding Galway).



HOUSING SUPPLY

Properties listed for sale

The first three months of 2019 saw just over 14,000 properties listed for sale, an increase of 4% compared to the same period in 2018. This marks a return to growth in properties listed for sale, after a modest fall in the final quarter of 2018.

Both in Dublin, and in the four other cities, the number of listings between January and March recorded significant year-on-year increases – up 12% in Dublin and up 8% in the other cities. Listings also rose in the rest of Leinster (up 5%) but fell slightly in the rest of Munster (3%) and in the rest of Connacht-Ulster (5%).

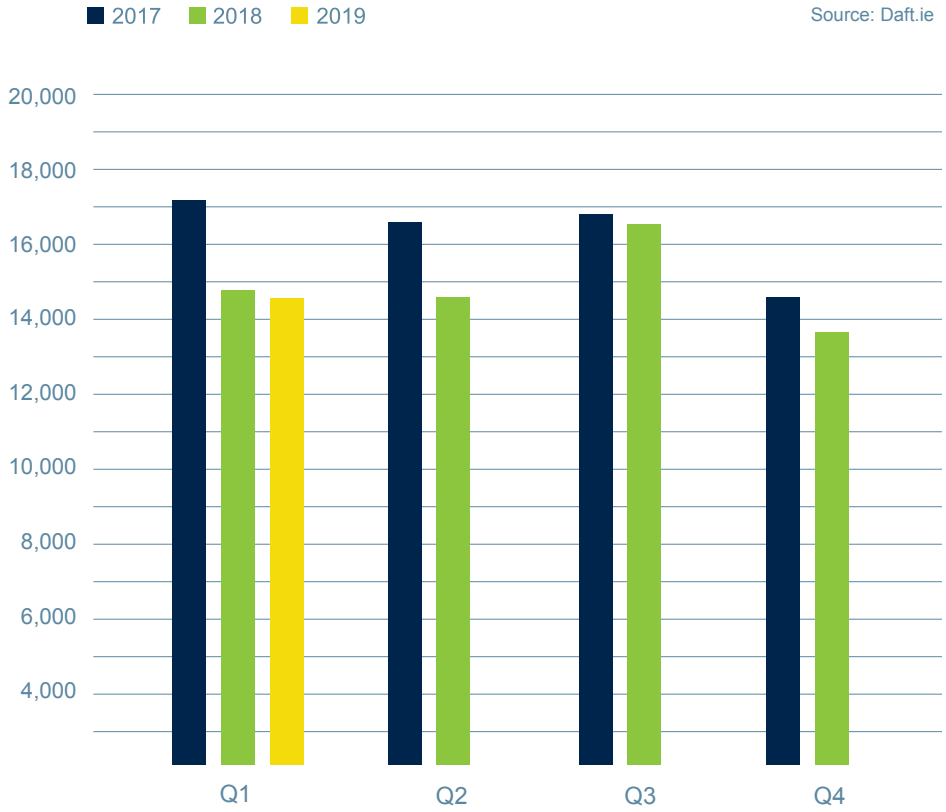
**The statistics are based on properties advertised on Daft.ie for a given period and exclude any stock available for sale but not listed on the website.*

Properties listed for rent

The first quarter of 2019 saw just over 14,500 properties listed for rent nationwide, a 2% decrease on the same period in 2018. This is the second lowest total for a three-month period (since the start of the series in 2011) and marks the 28th time in 29 quarters that rental listings have fallen in year-on-year terms.

For the second quarter in a row, listings were largely stable in Dublin (down 0.4% year-on-year), but the four other major cities saw a fall in listings of 11%. Elsewhere, listings were close to stable: down by 3% in the rest of Leinster and by 4% in the rest of Munster.

**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.*



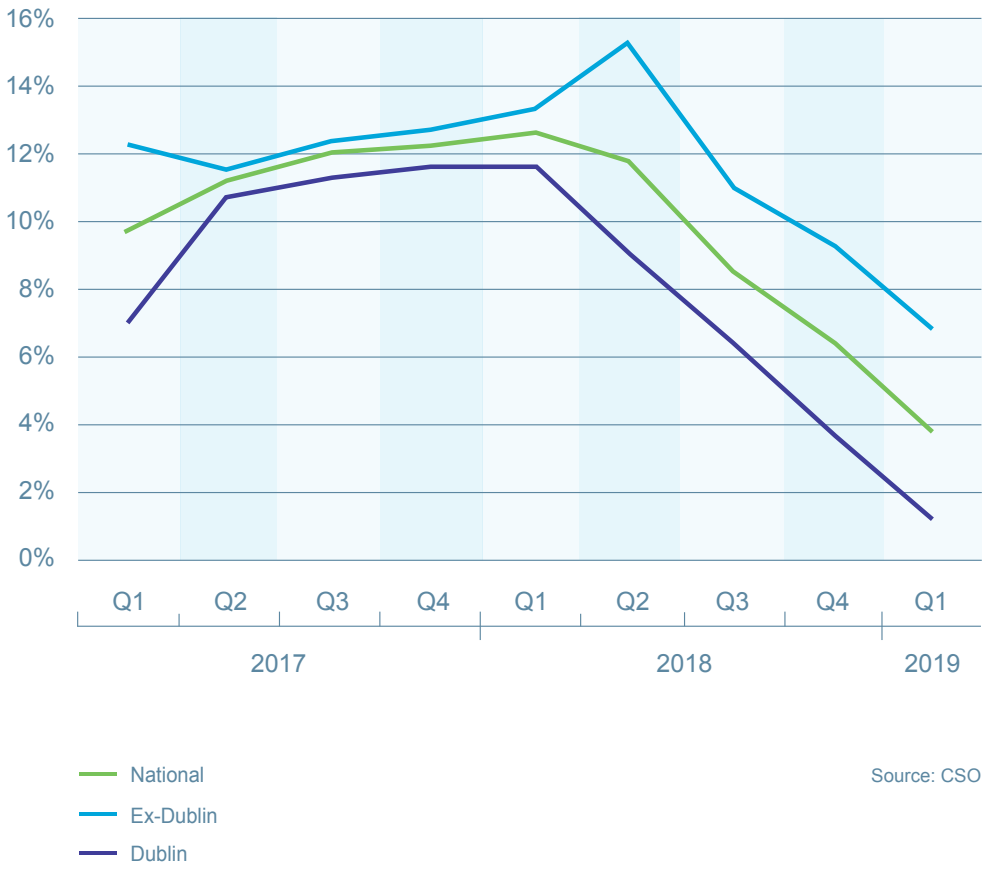
HOUSING PRICES & RENTS

Transaction prices

Residential property prices increased by 3.9% year-on-year in March 2019. Based on monthly figures, this was the lowest rate of annual growth since August 2013.

Prices in Dublin rose by only 1.2% year-on-year – the slowest rate of annual growth since November 2012. Housing price inflation outside Dublin rose much faster than in Dublin but it continued to slow, dropping to 6.8% year-on-year, the slowest growth rate since April 2014.

The only reported region with annual price growth of greater than 10% was the mid-west, where house prices grew by 11.9% year-on-year. House prices in the region have been rising by more than 10% year-on-year since December 2017.



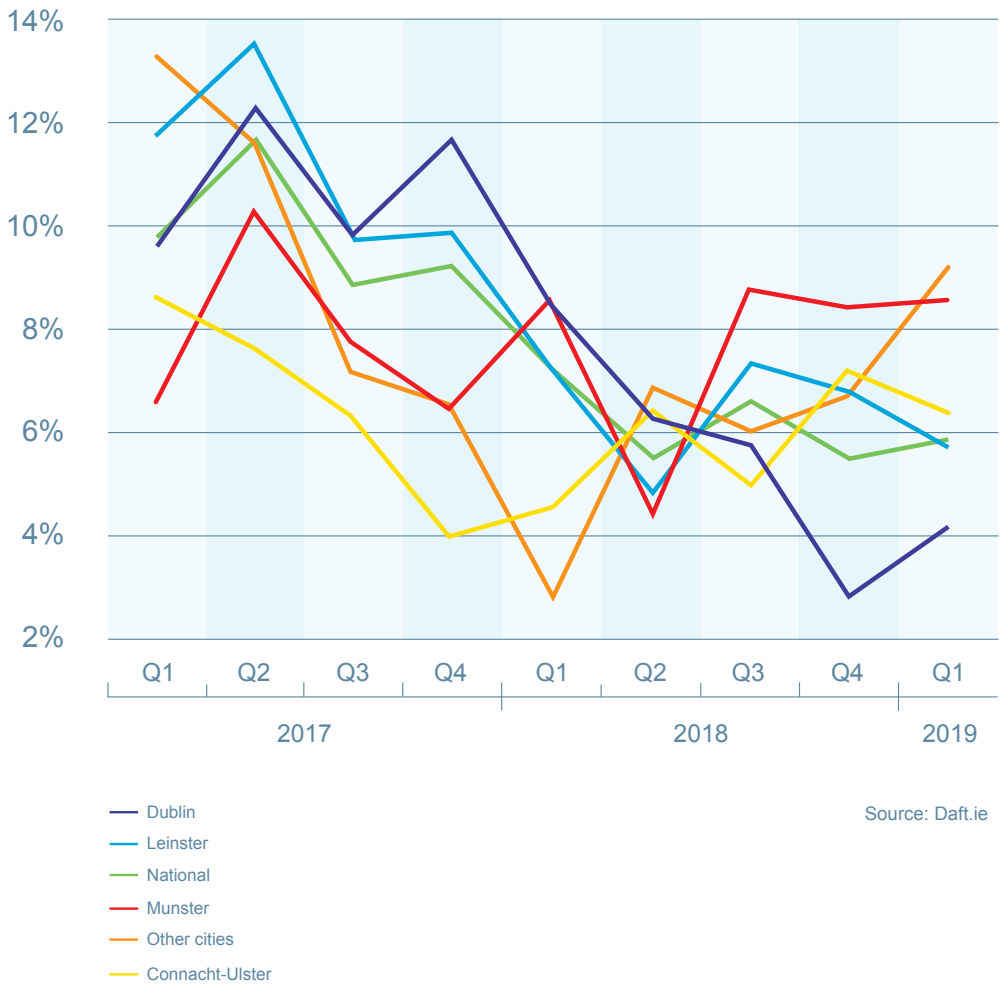
Source: CSO

HOUSING PRICES & RENTS

Listed sale prices

The annual rate of inflation in listed sale prices nationwide in the first quarter of 2019 was 5.9%, the second lowest rate seen since the first quarter of 2014. Nonetheless, it marks the 22nd consecutive quarter where list prices have risen in year-on-year terms.

Annual inflation in Dublin list prices was 4.1% in the first quarter of the year, roughly half the rate seen a year before (8.4%). The rate of inflation in the other major cities was higher, at 9.2%. Rates of inflation outside the cities ranged from 5.8% in the rest of Leinster to 8.5% in the rest of Munster.



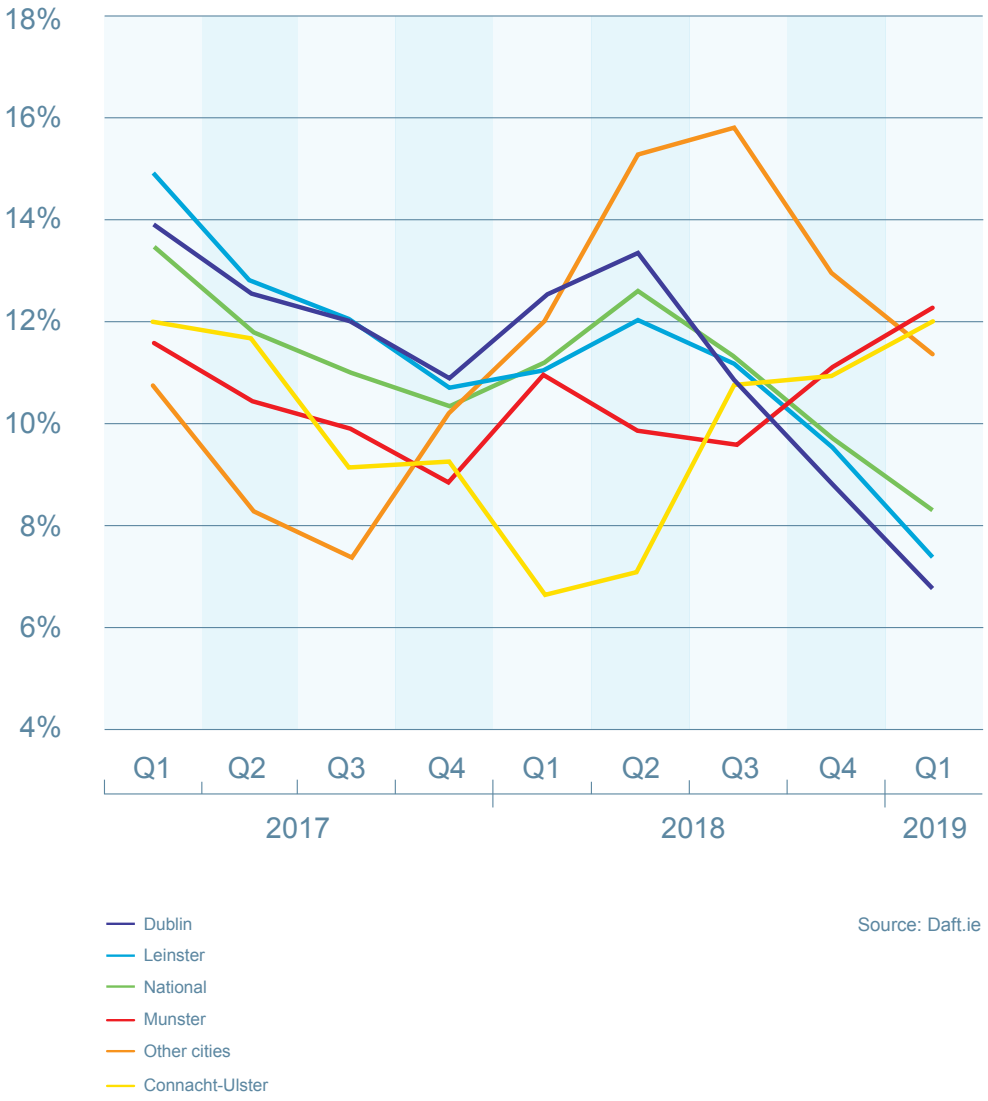
Source: Daft.ie

HOUSING PRICES & RENTS

Listed rental prices

The annual rate of inflation in listed rental prices in the first quarter of 2019 was 8.3%, the lowest rate of inflation since Q1 2014. Inflation in listed rental prices has now been positive for 27 consecutive quarters.

Year-on-year inflation in Dublin rents was 6.8% in the first quarter of 2019, down from 12.4% in Q1 2018. In the four other major cities, rental inflation was 11.4%, down from 12% a year earlier. Elsewhere, the rate of inflation in rents varied from 7.3% in the rest of Leinster to about 12% in the other regions.



Source: Daft.ie

PROPERTY TRANSACTIONS & MORTGAGES

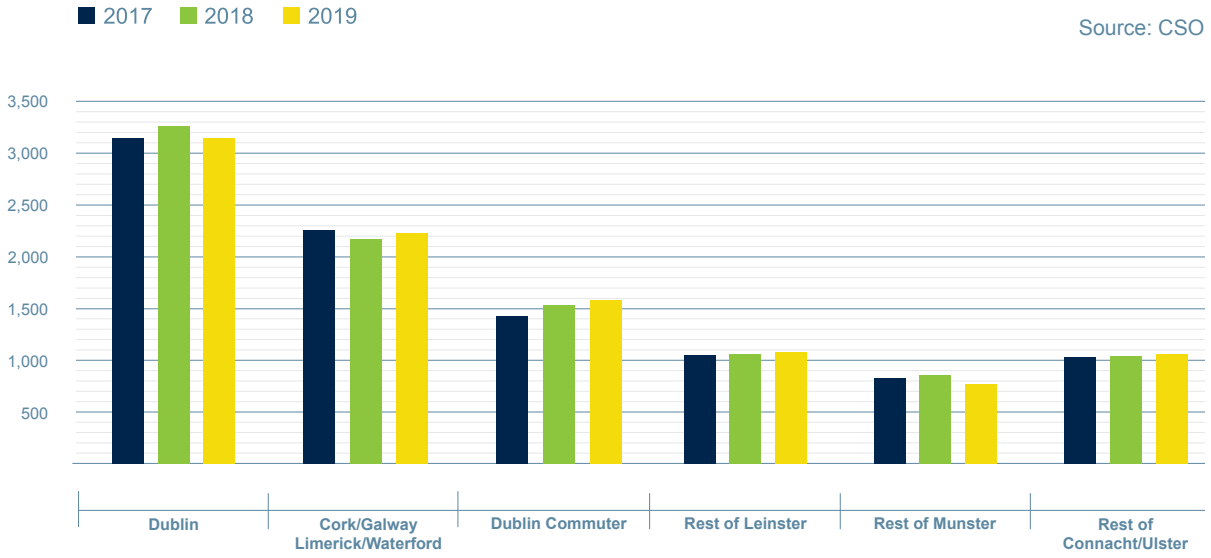
Property transactions

The number of residential properties sold in Ireland fell by 0.4% year-on-year to about 9,800 in Q1 2019.

Sales grew fastest in the Dublin Commuter region (Kildare, Louth, Meath and Wicklow), up 3.9% year-on-year to almost 1,600, followed by Cork/Galway/Limerick/Waterford where sales rose by 2.1% to more than 2,200.

Sales in Dublin fell on a year-on-year basis for the second successive quarter (down 3.2%), the first time this has happened since Q1 2016.

Sales of new properties fell for the first time since Q1 2016, down 7.7% year-on-year to 1,726. The value of those sales fell for the first time since Q2 2013 to a little over €650 million.



**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.*

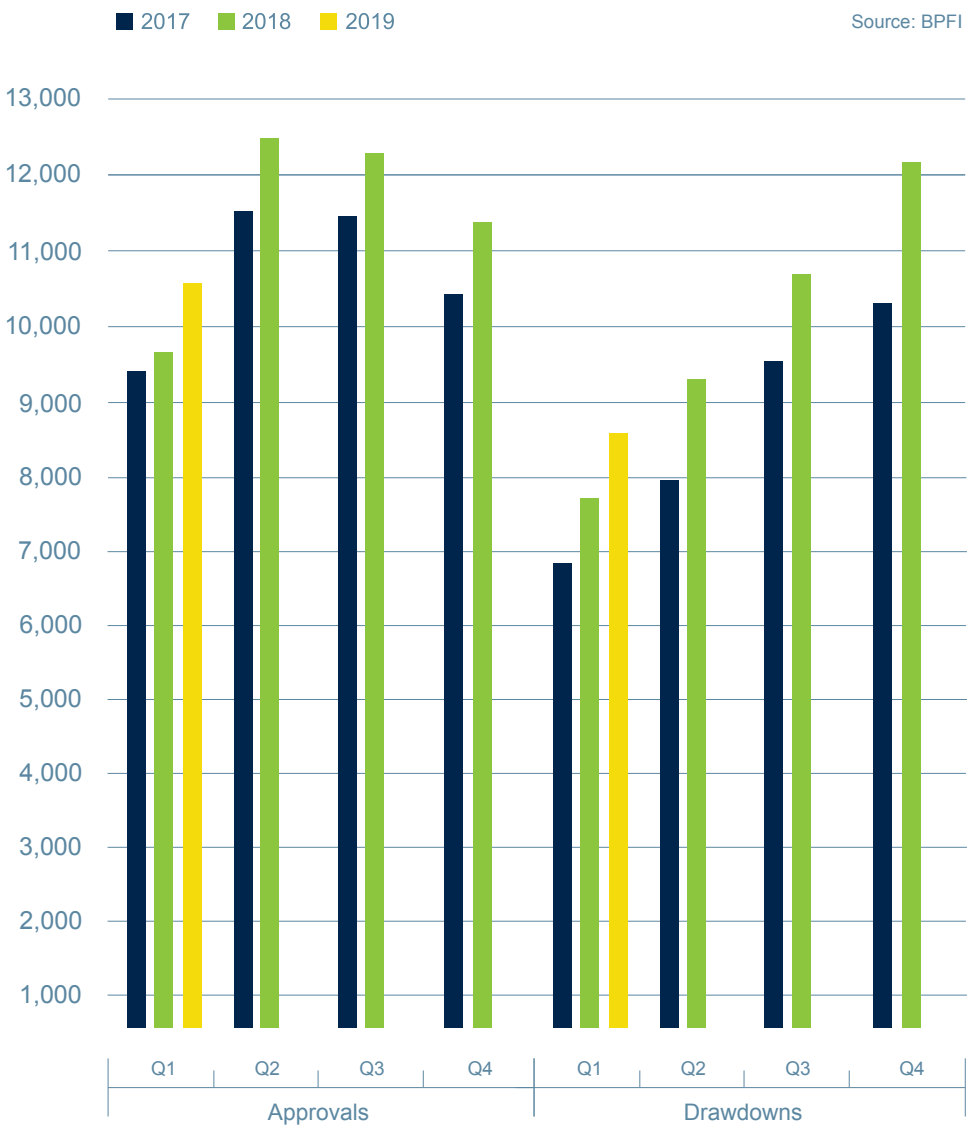
PROPERTY TRANSACTIONS & MORTGAGES

Mortgage approvals

Mortgage approval volumes rose by 9.2% year-on-year in Q1 2019 to more than 10,500. Mortgage switching remained a key driver of mortgage growth but purchase mortgage approvals also grew faster, increasing by 7.8% year-on-year to almost 6,700.

Mortgage drawdowns

Mortgage drawdown volumes grew by 8.9% year-on-year to almost 8,600 in Q1 2019. Purchase mortgage drawdown growth slowed to 4.2% year-on-year to 6,673 but this was still the highest Q1 level since 2008.



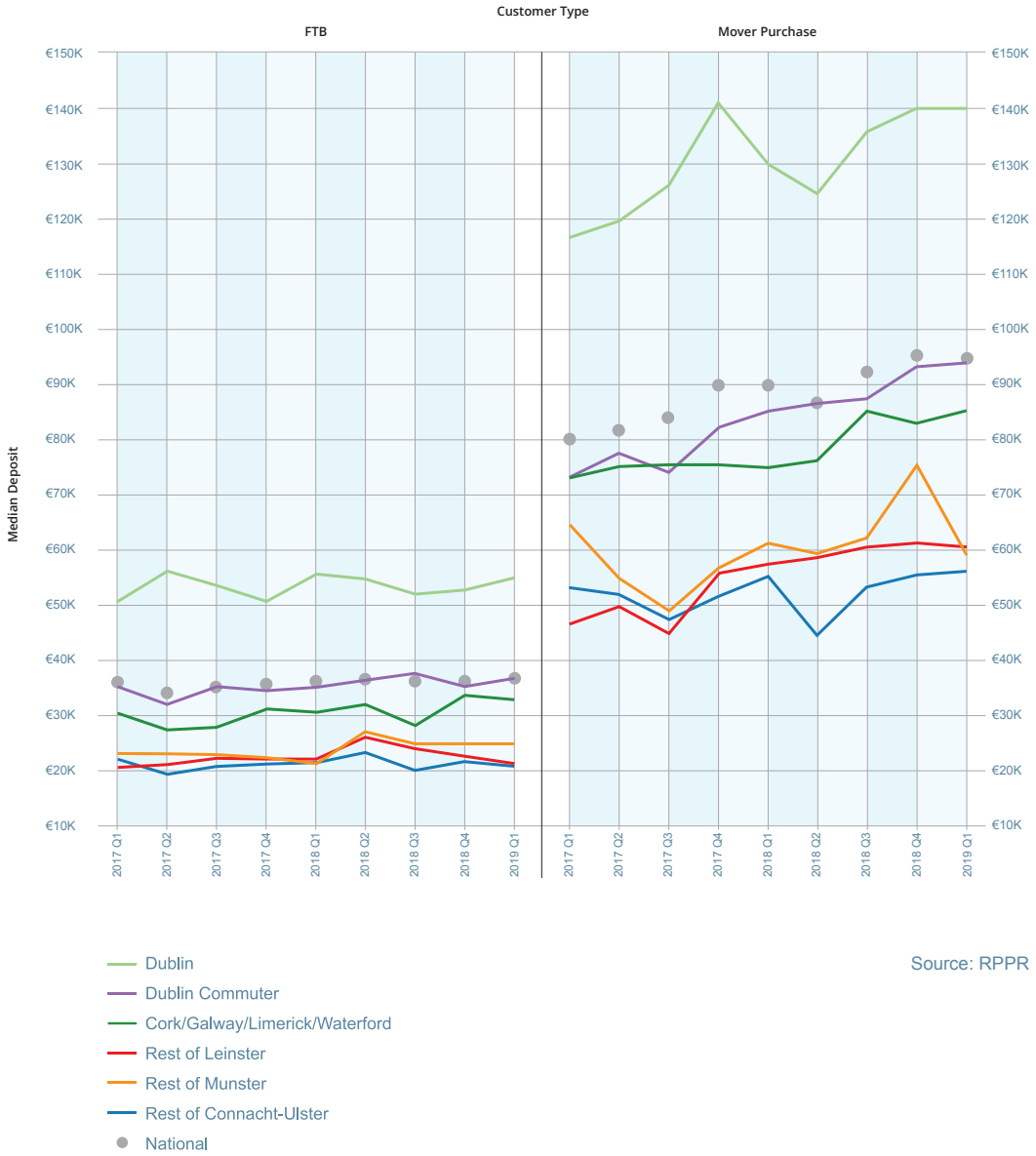
Median deposits

The median deposit* for FTBs remained largely unchanged in the four quarters after Q1 2018 at about €37,000. However, the median mover-purchase deposit continued to increase, rising by 5.1% year-on-year to almost €95,000 in Q1 2019.

Dublin continued to have by far the highest deposits: almost €55,000 for FTBs and €140,000 for mover purchasers.

Median deposit growth was most evident for mover purchasers, especially in the Dublin Commuter region and the counties Cork/Galway/Limerick/Waterford where the median deposits rose by 9.8% and 13.3% year-on-year, respectively.

**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: RPPR

Median incomes

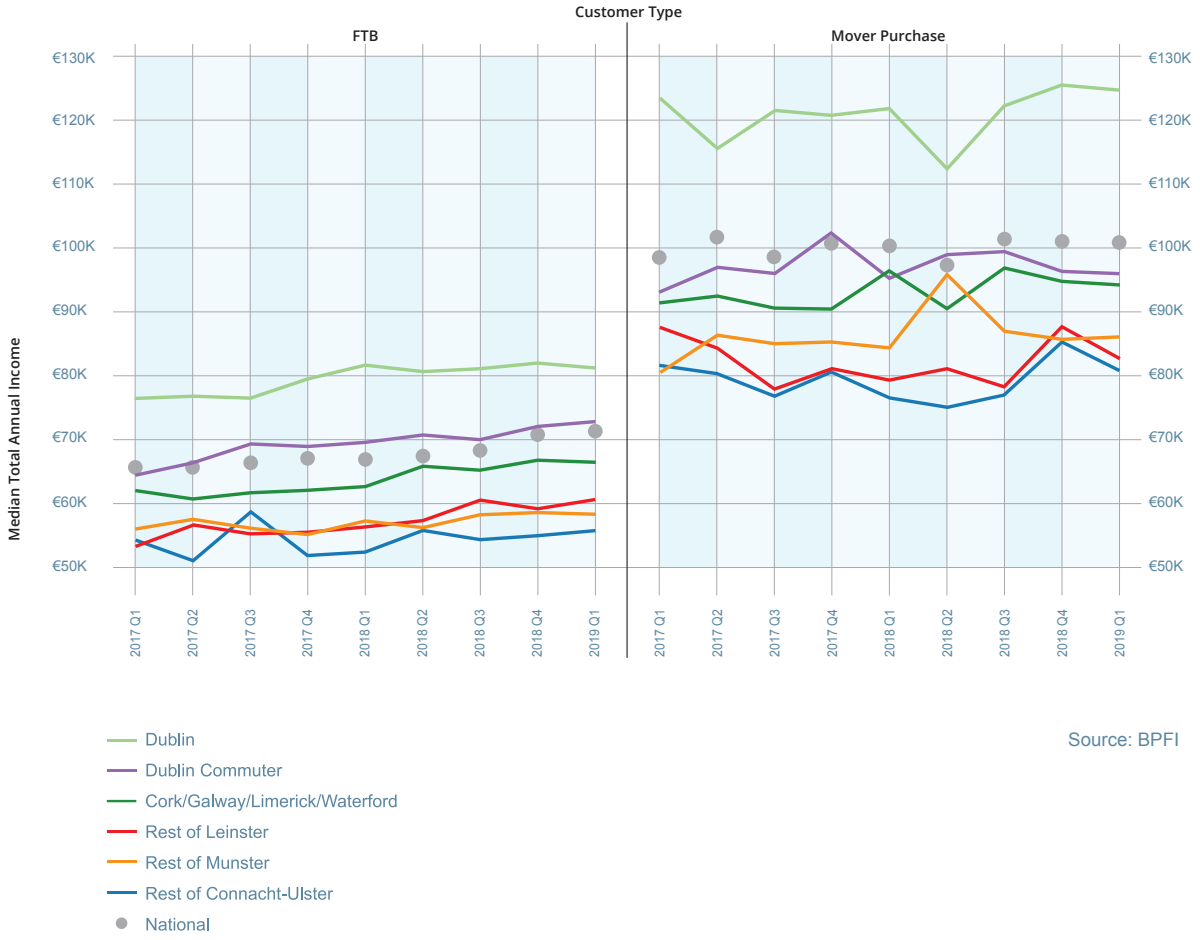
Median borrower incomes (the sum of all borrower incomes) rose by 4% year-on-year for FTBs to almost €71,000 and by 0.3% for mover purchasers to almost €101,000.

Median FTB incomes continued to rise in most regions and Dublin median incomes increased by less than 1%.

Despite the recent slowdown, Dublin FTB median incomes were some €12,000 higher than in Q1 2016. Dublin Commuter and Cork/Galway/Limerick/Waterford FTB incomes had risen by almost €7,000 and €8,000, respectively, over the same period.

By contrast, median mover-purchase incomes had increased by less than €3,000 since Q1 2016 in Dublin and had fallen by almost €11,000 in Dublin Commuter.

**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

MORTGAGES

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 for FTBs fell year-on-year for the first time since Q1 2014 and the level, at 3.7, was largely unchanged since Q4 2017.

By contrast, the median PtI for mover purchasers continued to rise, increasing from 3.45 to 3.70 between Q1 2018 and Q1 2019.

On a regional basis, the median PtI for FTBs was largely unchanged in Dublin and down year-on-year in the Dublin Commuter region.

**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

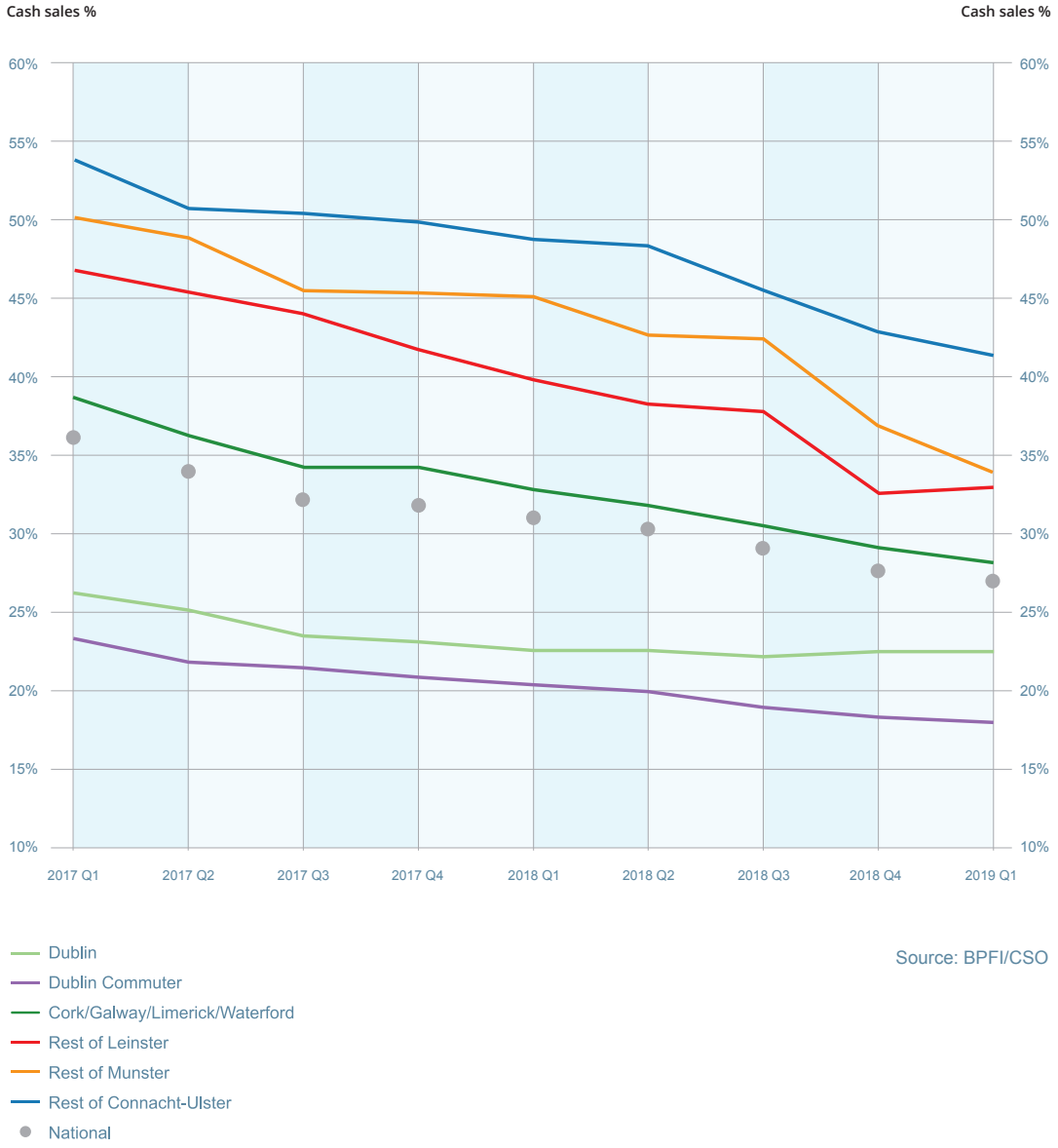
Cash sales accounted for an estimated 27.1% of sales on an annualised basis in Q1 2019, down from 31.2% a year earlier.

The cash sales ratio in Dublin was 22.7%, unchanged from Q4 2018 and down from 22.9% a year earlier.

The cash sales ratio in the Dublin Commuter region continued to fall, dropping to 17.7%.

The counties Cork/Galway/Limerick/Waterford and the rest of Munster recorded continued declines in the cash sales ratio, with the latter down more than 10 percentage points compared with Q1 2018 to 34%.

Cash sales represent all non-mortgage sales. The cash sales ratio is calculated by dividing the volume of mortgage drawdowns for house purchase and self-builds 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 commencements]
- the Central Statistics Office [new dwelling completions, 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,
Nassau House, Nassau Street,
Dublin 2, D02Y240, Ireland.

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

Dublin • Brussels • Frankfurt