



BPFI Housing Market Monitor Q2 / 2020

With a commentary by Dr Ali Uğur
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OVERVIEW OF TRENDS

BPFI HOUSING MARKET MONITOR Q2/2020

Indicator	Latest quarter	One year ago	% change
Dwelling completions	3,290	4,829	-31.9%
Dwelling commencements	3,099	5,711	-45.7%
Dwelling planning permissions	6,807	9,611	-29.2%
Transactions	6,556	10,295	-36.3%
Yr/yr change in transaction prices	0.1%	2.0%	
Yr/yr change in rent prices*	5.4%	7.7%	
Mortgage approvals	6,342	13,513	-53.1%
Mortgage drawdowns	6,622	10,157	-34.8%

**Data available up to Q1 2020*



Reduced construction capacity expected to result in decline in completions

Housing completions were significantly affected in the second quarter of 2020 due to restrictions in economic activity associated with the COVID-19 pandemic. There were 3,290 completions in the second quarter, nearly a 32% decline compared to completions during the same period in 2019. Given the severe lockdown of the sector during April and gradual reopening after mid-May, it is interesting to note that completions are only down by around 10% in the first half of 2020 compared with the same period in 2019. Monthly data published by the Central Statistics Office (CSO) indicates that completions fell by 72.7% year-on-year in April 2020 when the Covid-19 restrictions were at their strictest but were down only 5.9% year-on-year in June.

In terms of potential output, it is encouraging to see that the number of employees in the construction sector who were claiming the Pandemic Unemployment Payment (PUP) has declined from 79,300 at its peak on 5 May to 16,700 employees as of 8 September. Analysis by the CSO also shows that 78% of those persons who had previously been in receipt of PUP and who had worked in the construction sector had left the scheme by 9 August 2020. In addition, the latest preliminary data show that total employment in the construction sector stood at 128,500 in the second quarter of 2020 compared with 147,700 employees in the first quarter. In other words, employment in the construction sector as of second quarter of 2020 was at around 87% of employment levels in the first quarter. Assuming the sector can, at a minimum, operate at this level of

capacity for the rest of the year, housing completions should be around 18,000 units in 2020 down from more than 21,000 in 2019 but similar to 2018 levels.

Commencement levels were also severely affected by the pandemic. There were 11,573 units commenced in the first seven months of 2020 compared with 14,431 units in the same period in 2019, a decline of around 20% over the period. However, when we compare commencement activity between April-July of 2019 to that of the same period in 2020, we see that commencement activity was down by around 40%, which is likely to affect the completion levels in 2021.

Residential property prices increased by 0.1% nationally in the year to June. This compares with an increase of 0.3% in the year to May and an increase of 2.0% in the twelve months to June 2019. Residential property prices in Ireland excluding Dublin were 0.9% higher in the year to June. The higher rate of price inflation nationally compared with Dublin is not a new trend, which has been mainly due to much higher average prices in Dublin.

In terms of rents, the national standardised rent level rose by 5.4% year-on-year in Q1 2020 to €1,231.07, according to the Residential Tenancies Board. Seven counties had standardised rent levels of more than €1,000, led by Dublin at €1,735, with the four Dublin Commuter counties, Cork and Galway also above €1,000. However, the most recent data published by the CSO show that private rents started to fall on an annual basis in May 2020 and declined by 1.8% on an annual basis in August 2020.

Percentage Change over 12 months for Residential Property Price Index (%) by Month and Type of Residential Property



Source: CSO

The latest BPFI data show that in the first half of 2020, there were 15,350 mortgage drawdowns valued at €3.46 billion resulting in a decrease of around 18% and 16% in volume and value terms, respectively, compared with the first half of 2019. In the first half of 2020, first-time buyers (FTBs) accounted for around 51% of all mortgage drawdowns in value terms. The total number of approvals in the first seven months of 2020 were 20,251 with a total value of around €4.8 billion compared to €6.6 billion in the same period in 2019, a decline of around 30% in value terms.

When we look at annualised mortgage approval activity, which is a better indicator of the trend, there were 40,090 mortgage approvals in the twelve months ending July 2020, valued at €9,238 million. Annualised mortgage approval activity to end-July 2020 decreased in volume terms by 4.1% compared with the twelve months ending June 2020 and decreased in value terms by 3.7% over the same period. FTBs accounted for around 57% of the value of all mortgage approvals in July 2020, which is the highest ratio since this series began in July 2014.

Central Credit Register data published by the Central Bank of Ireland shows that enquiries related to new mortgage applications for individuals fell by more than 50% between February and May 2020. However, the number of enquiries for new mortgage applications have since picked up and, by August 2020, the number of applications was similar to the level of applications observed back in February.

There is no doubt that the COVID-19 pandemic has affected all sectors of the Irish economy. Housing supply has increased significantly in Ireland in the past few years in order to catch up with future and latent demand. Recent studies estimate Ireland's long-term housing needs to be in the region of 40,000-50,000 units per annum. Before the pandemic, housing completions for 2020 were estimated to be around 25,000 units. However, with the construction sector still operating at around 85% of capacity at the moment in addition to significant lost output during most of second quarter of 2020, it is unlikely that we will reach this output level with completions expected to reach only 18,000 this year.

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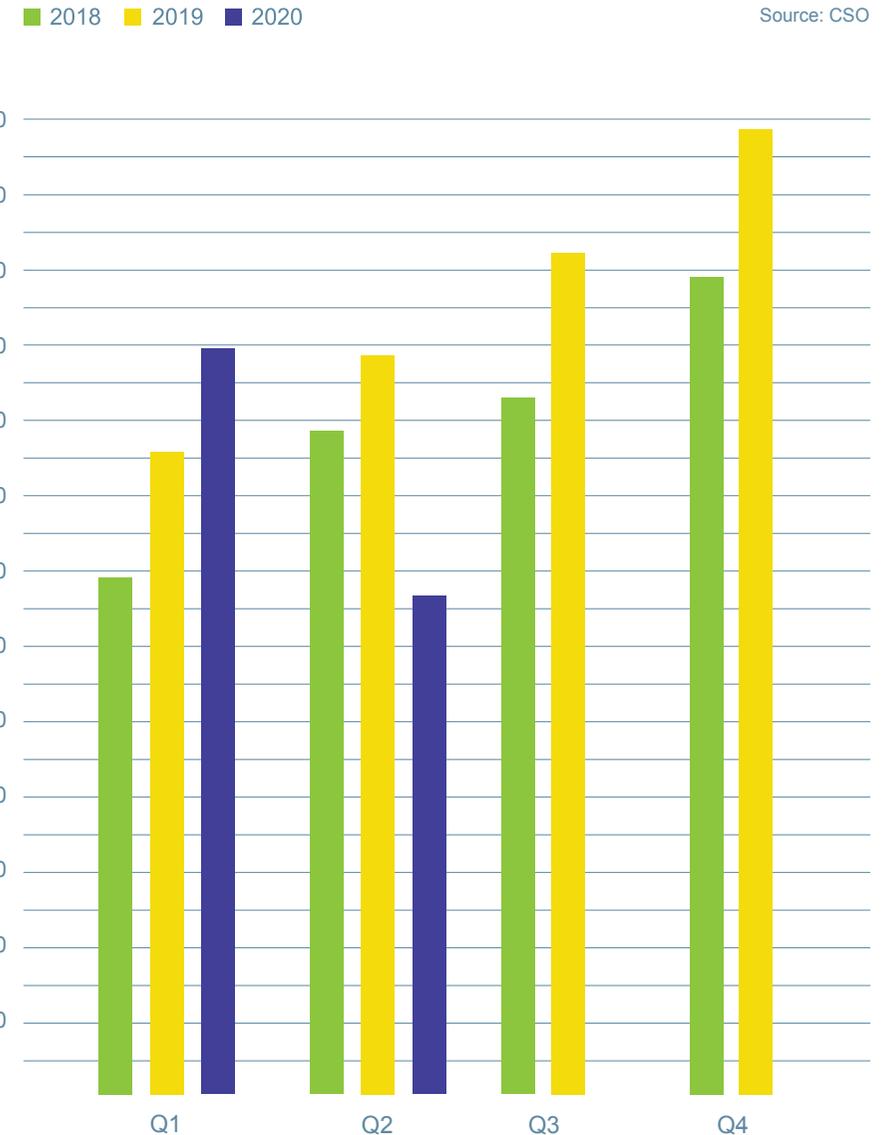
New dwellings completed

Fewer than 3,300 new dwellings were completed according to the Central Statistics Office (CSO)* in Q2 2020, 31.9% less than in Q2 2019 and the lowest number since Q2 2017. Monthly data published by the CSO indicates that completions fell by 72.7% year-on-year in April 2020 when the Covid-19 restrictions were at their strictest but were down only 5.9% year-on-year in June.

Dublin and Cork were the hardest hit regions with completions down by 43.5% and 37% respectively. Completions in the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) fell by 23.3% to 941 – making it the most active region.

The number of scheme dwellings fell by 34.8% to 1,842 (56% of all completions), while apartment fell by 16.3% to 688. For the second successive quarter, apartments accounted for more than 45% of Dublin completions, compared with less than 20% nationally.

*The CSO publishes quarterly data new dwelling completions.

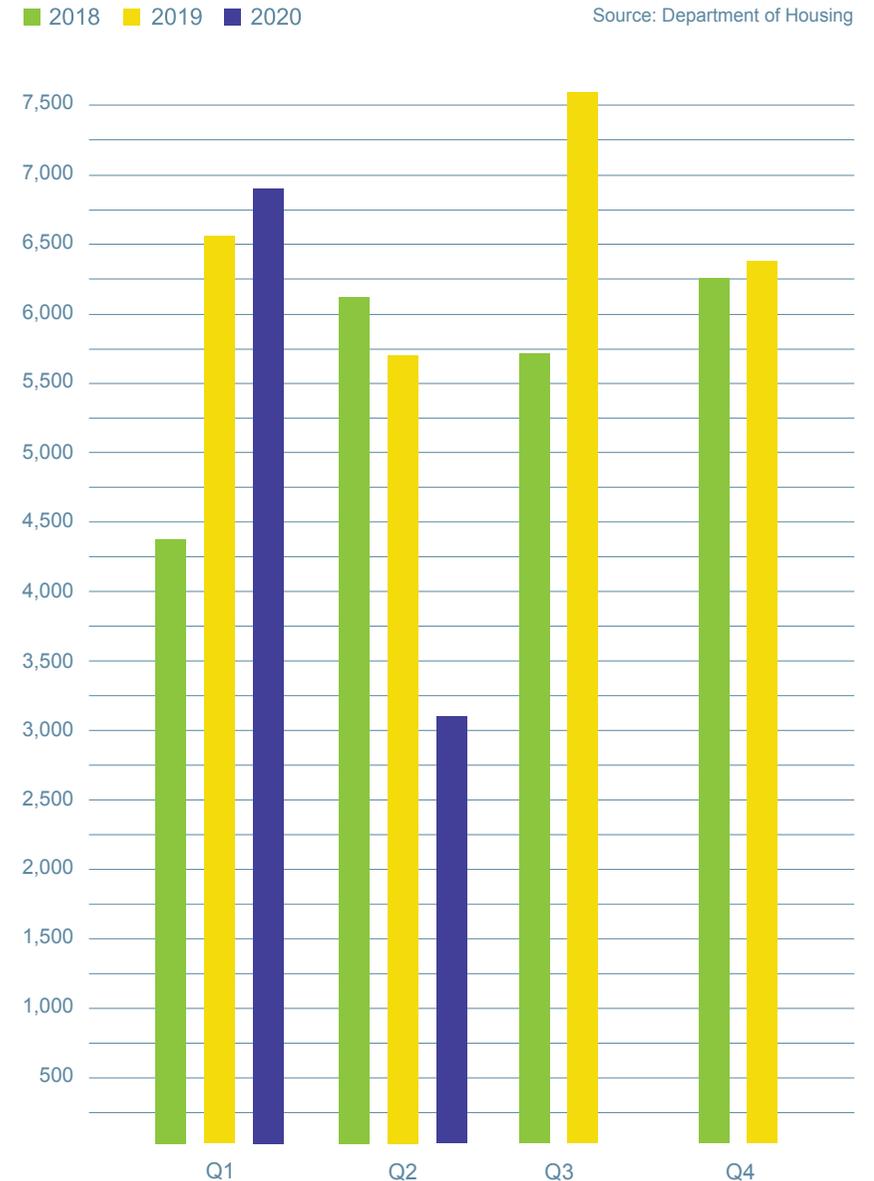


New dwellings commenced

Almost 3,100 housing commencements in Q2 2020, a decrease of 45.7% in year-on-year terms and the fewest since Q3 2016. All regions recorded year-on-year declines of at least 24% but commencements fell twice as much in Cork (down 59.9%), Dublin Commuter (down 68.4%) and the rest of Leinster excluding Dublin (down 50.6%).

Commencements fell year-on-year for the fourth time in five quarters in Dublin Commuter and the Rest of Leinster to 419 and 265 units, respectively, in Q2 2020.

Monthly data suggest that the decline in activity continued into July, with the number of units commenced down 25.3% year-on-year to 1,621.



New dwelling planning permissions

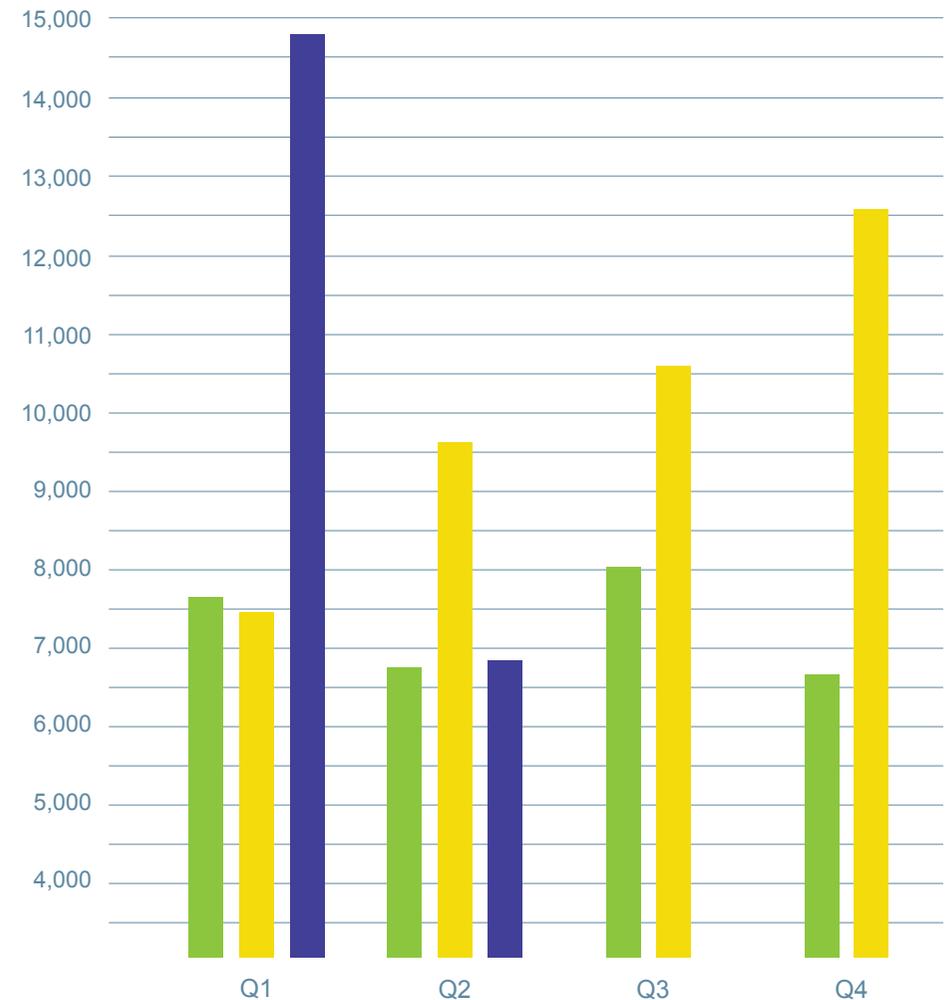
The number of residential units granted planning permissions fell by 29.2% year-on-year in Q2 2020 to about 6,800. While planning permissions for houses fell to their lowest level since Q2 2016, permissions for apartment units were still higher than in Q1 2019.

Cork bucked the national trend with some 400 more units granted planning permission than in Q2 2019. Dublin accounted for almost 78% of apartments granted planning permission and 48% of total housing units. Both regions reported a year-on-year increase in multi-development housing units permitted.

The CSO also reported that some 82% of apartment units and 48% of multi-development housing units granted planning permission in the first half of 2020 were Strategic Housing Development (SHD) applications. The SHD process involves applications for larger housing developments to be made directly to An Bord Pleanála.

■ 2018 ■ 2019 ■ 2020

Source: CSO

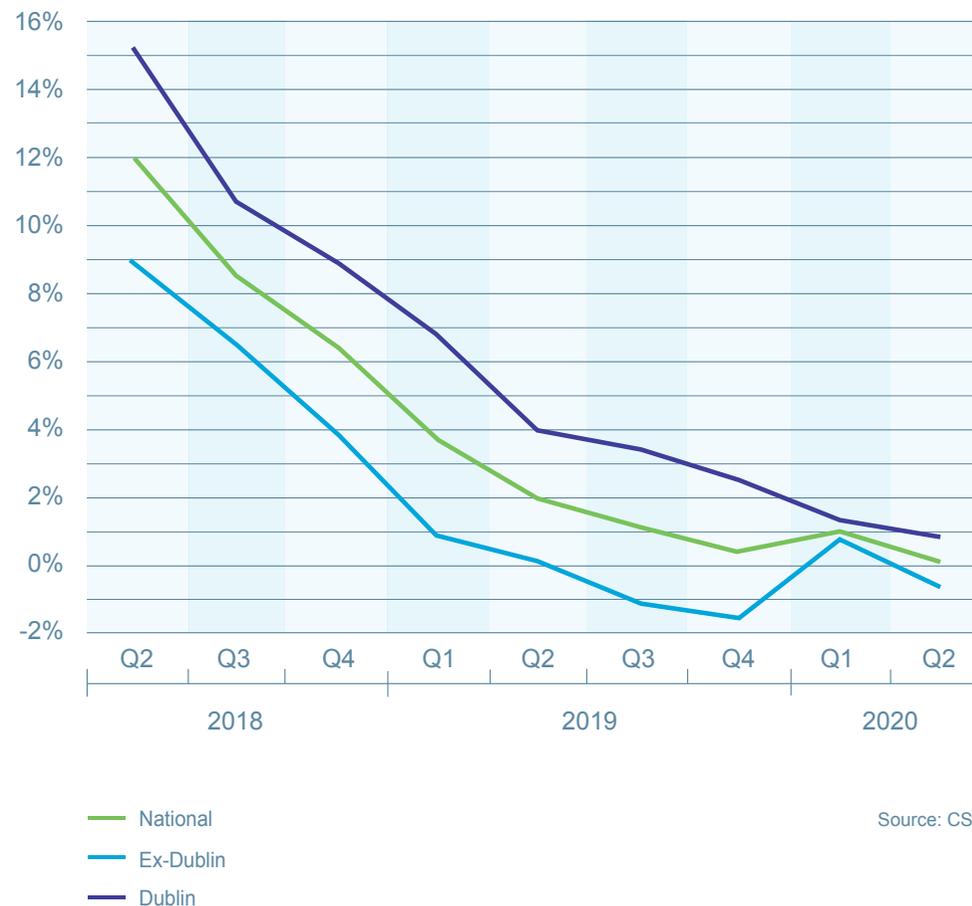


Transaction prices

Residential property prices increased by 0.1% year-on-year in June 2020. The national index was 17.9% lower than its highest level in 2007.

Prices in Dublin fell by 0.7% in the year to June 2020, the ninth year-on-year decline in eleven months. House prices in Dublin fell by 0.9% year-on-year, while apartment prices in the county rose by 2.4%, accelerating from 1.4% in March 2020.

Residential property price inflation outside Dublin rose by 0.9% year-on-year, unchanged from May, but the joint lowest inflation rate since December 2013 when prices fell by 1.6%.



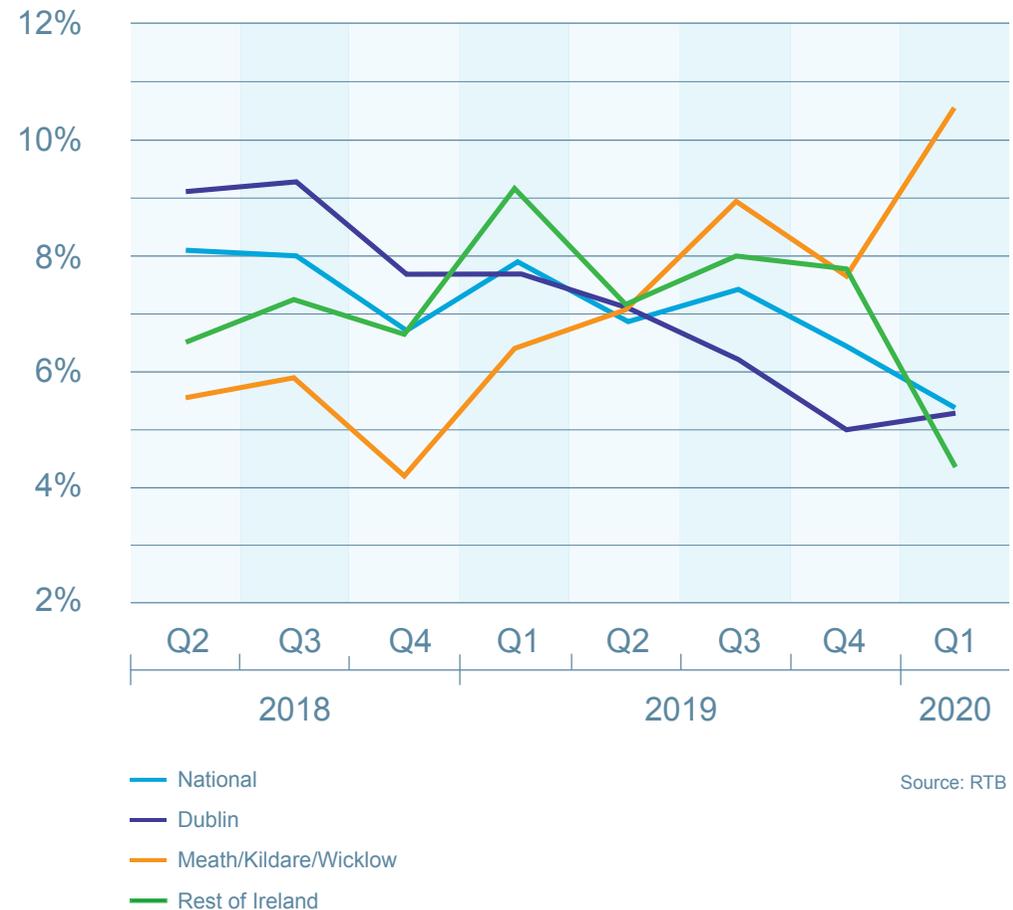
Rents

The national standardised rent level rose by 5.4% year-on-year in Q1 2020 to €1,231.07, according to the Residential Tenancies Board (RTB).

Seven counties had standardised rent levels of more than €1,000, led by Dublin at €1,735, with the four Dublin Commuter counties, Cork and Galway also above €1,000. Limerick, at €956, had the next highest rents.

The rental market is dominated by Dublin, which accounted for 40.8% of the registered tenancies at Q1 2020. Only 9.5% of tenancies agreed were for less than €1,000 per month, compared with two thirds elsewhere, according to the RTB. The rental market is also dominated by apartments or flats, which accounted of rented properties in Q1 2020, compared with 52% nationally.

The annual rise in standardised rent levels in Kildare/Meath/Wicklow jumped to 10.5%, the highest rate of inflation since Q2 2016.



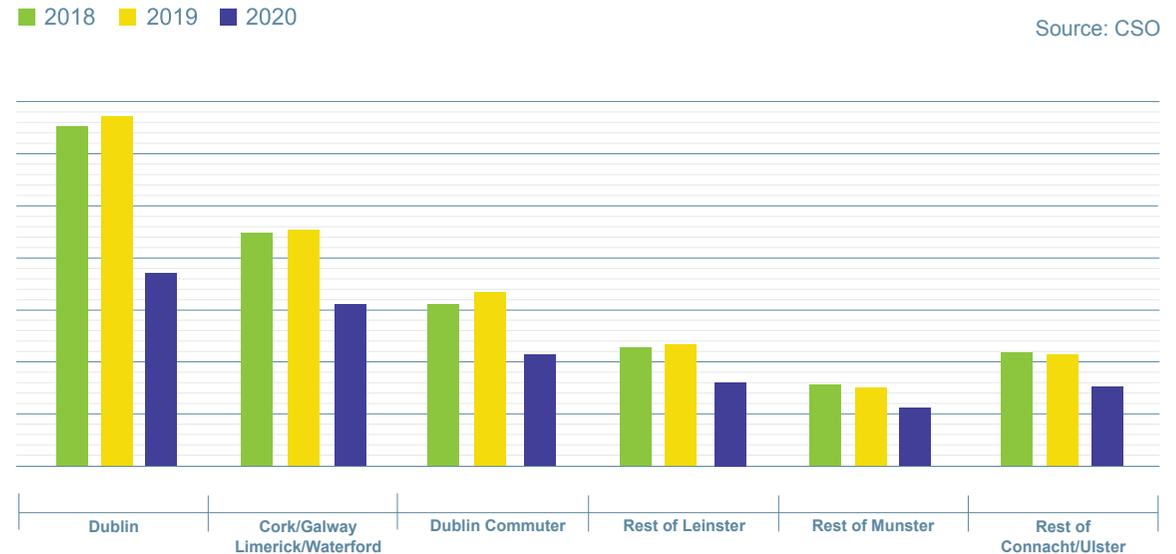
The number of residential properties sold to households in Ireland fell by 36.3% year-on-year to about 6,600 in Q2 2020, the fewest transactions since Q2 2013. The sale of new properties fell by 41.5% year-on-year to about 1,100. Sales of apartments fell by 47%, while secondhand house sales only fell by 34%.

All regions recorded year-on-year declines of at least 27% but Dublin was hardest hit with sales down by 45.3% year-on-year to 1,833. As a result, Dublin's share of sales fell by 28% from 32.6% a year earlier.

Sales of new properties dropped by 57.7% and 43.4% in Dublin and Dublin Commuter, respectively.

The value of new property sales in Dublin fell on a year-on-year basis for the sixth successive quarter to €149 million.

Market purchases of residential properties by non-households fell by 30.5% year-on-year to about 1,700 in Q2 2020.



**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.*



Mortgage Approvals

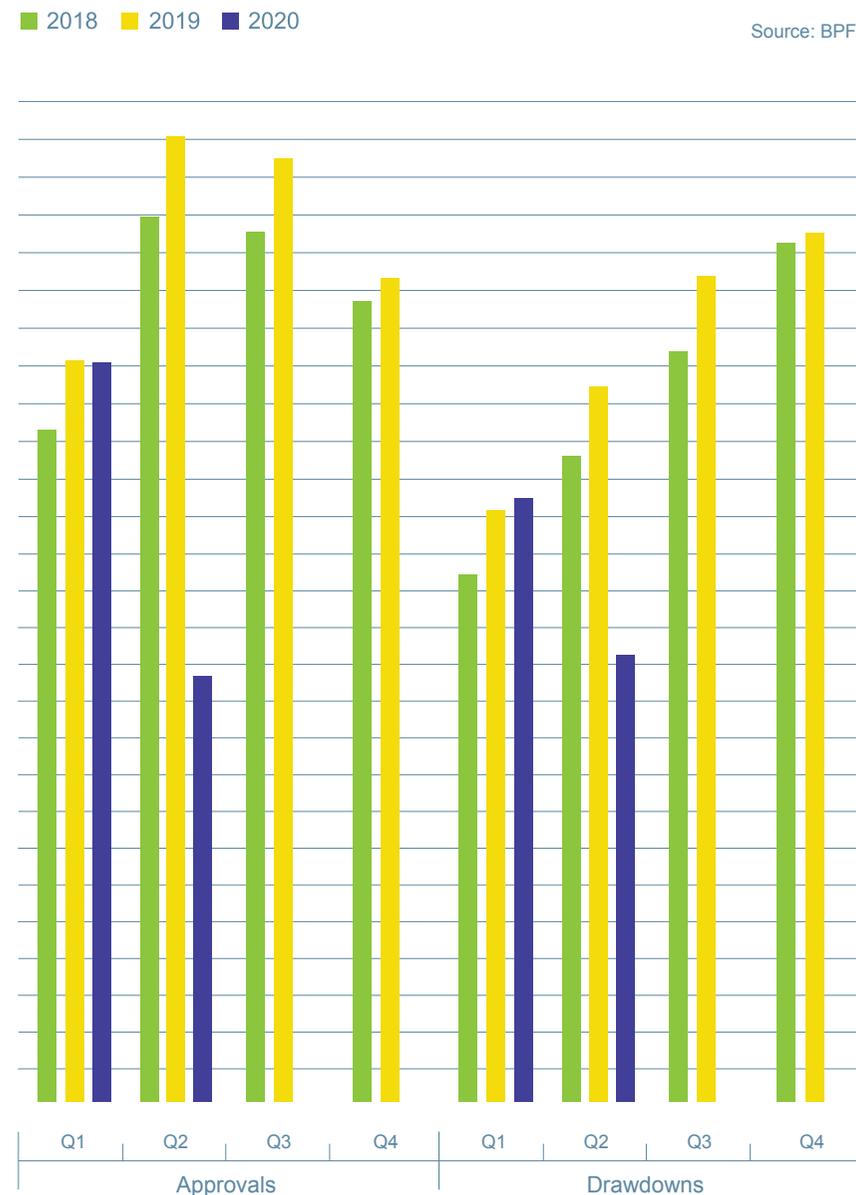
Mortgage approval volumes fell by 53.1% year-on-year in Q2 2020 to about 6,300, due to the business and wider economic impact of Covid-19 was felt. Approvals reached their trough in May 2020, when volumes and values fell by 61.9% and 61.1%, respectively.

Purchase mortgages were hardest hit, with purchase mortgage volumes down by almost 58% year-on-year and at 4,614, the fewest mortgage approved since Q1 2014. Re-mortgage or switching was less affected and fell by 22.4% year-on-year.

Mortgage Drawdowns

Mortgage drawdown volumes fell by 34.8% year-on-year to about 6,600 in Q2 2020.

Purchase mortgage drawdown volumes fell by 37% year-on-year to more than 6,900. Residential investment letting drawdowns dropped to their lowest level since Q2 2013 with only 155 mortgages drawn down.



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, planning permissions, number of housing sales transactions and residential property price indices].
- Residential Tenancies Board [rental prices].
- Banking & Payments Federation of Ireland [mortgage approvals, and drawdowns].



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