



BPFI Housing Market Monitor Q4 / 2020

With a commentary by Dr Ali Uğur
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Indicator	Latest quarter	One year ago	% change
Dwelling completions	7,400	6,387	15.9%
Dwelling commencements	6,293	6,381	-1.4%
Dwelling planning permissions*	12,942	10,590	22.2%
Transactions	8,113	12,366	-34.4%
Yr/yr change in transaction prices	2.2%	0.3%	
Yr/yr change in rent prices*	1.4%	6.9%	
Mortgage approvals	14,404	11,660	23.5%
Mortgage drawdowns	12,154	12,259	-0.9%

**Data available up to Q3 2020*



Covid-19 limits housing supply while demand stays strong

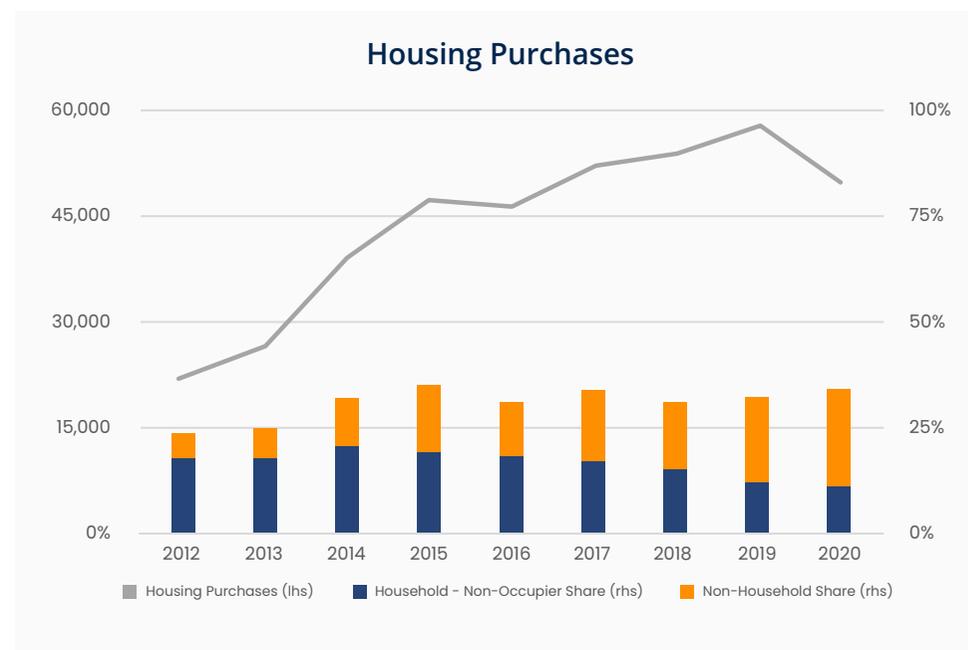
Covid-19 has had a significant negative impact on the Irish housing and mortgage markets in 2020, as on other sectors of the Irish economy and society, reducing capacity and output in construction in particular. Demand remains strong especially among households less affected by the pandemic and non-household investors.

Housing completions in Ireland recovered somewhat in the second half of 2020, after a substantial fall in the second quarter due to pandemic-related public health measures. Almost 20,700 residential units were completed in 2020, a 2% decline compared to the same period in 2019. This outcome was much better than our own initial estimates, back in June 2020, of around 16,000-17,000 units to be completed in 2020. The pandemic will continue to have a negative impact on housing completions in 2021 because construction activity is not expected to fully start again until April 2021, at the earliest, assuming public health developments remain positive.

Currently, essential housing projects are continuing, but the home building sector will have lost output in the first quarter of 2021, perhaps similar to completion levels observed in 2019 and 2020, which were around 4,000 to 5,000 units. However, the sector has gained more experience in terms of increasing output after the first lockdown last year, hence we expect completion numbers in 2021 to be at least similar to levels observed in 2020 at around 21,000 units.

Non-household demand

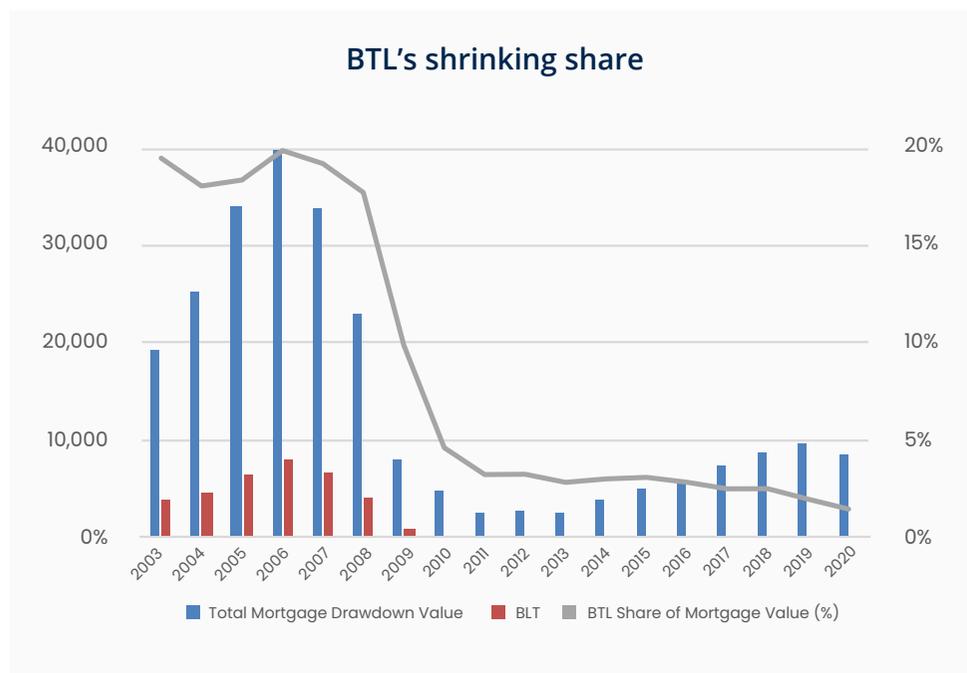
The role of non-household buyers, which include private companies, charitable organisations, and state institutions, in housing market transactions has increased particularly since 2010 when they accounted for around 3% of all market transactions¹. By 2020, this ratio had increased to 23%. At the same time, we have seen the role of individual buy-to-let (BTL) investors decline.



Source: Central Statistics Office, BPFI calculations

¹ Market transactions exclude simple property transfers, very low value transactions and transactions between related parties. All property sales figures here refer to market transactions.

The most recent breakdown available from the Central Statistics Office shows that in 2019, the total residential property market comprised almost 58,000 dwelling purchases with a value of €16.9 billion. Of these, the non-household sector made up over 12,000 purchases with a total value of €3.5 billion. It is important to note that within the non-household sector, transactions involving state or semi-state agencies such as those made by local authorities and approved housing bodies (AHBs) as well as other organisations within the education and health sectors reached €1.1 billion, accounting for around 31% of non-household purchases during 2019. Local authorities and AHBs acquired almost 2,800 housing units in 2019 and 591 in the first nine months of 2020.



Source: BPFI

Mortgage lending recovery

Lenders continued to support the residential mortgage market in terms of mortgage market activity in 2020. BPFI mortgage data show that there were 35,617 mortgage drawdowns valued at €8.4 billion in 2020 compared with 42,787 drawdowns valued at €9.5 billion in 2019 – representing a 17% decline in volume terms and a 12% decrease in value terms. Mortgage approval activity also declined during 2020, albeit at a slower rate than drawdowns. In volume terms, down by 12% in 2020 bringing the total number of approvals to 43,151 and in value terms activity decreased by around 7% with the total value of approvals reaching €10.3 billion in 2020. It is important to note that nearly 44% of total mortgage approvals in 2020 took place in the last four months of the year, which is a significant potential pipeline of activity in terms of drawdowns in early 2021. The latest mortgage approvals figures show continued year-on-year growth in January 2021, rising by 2.8% compared with the same period last year, reaching €823 million.

First-time buyers (FTBs) accounted for around 53% of mortgage drawdowns by value in 2020, a trend where FTBs continue to account for a higher share of mortgage drawdown activity over the past few years compared to just over 21% in 2006 when mortgage drawdown activity was at its peak.

On the demand side, the number of employees on some sort of state support increased significantly in early 2021 due to tightened strict public health measures, yet income tax revenue continued to show resilience. January 2021 income tax receipts were up by 3.9% compared with January 2020 which shows that earnings are not affected in sectors where employees are able to continue to work from home or in businesses categorised as essential and continuing to operate.

Given supply disruptions in the residential construction sector in the first quarter of 2021 and the expected continued demand for housing from certain cohorts of income earners as well as the non-household sector, it is likely that the supply-demand imbalance in the Irish housing market will continue during 2021.

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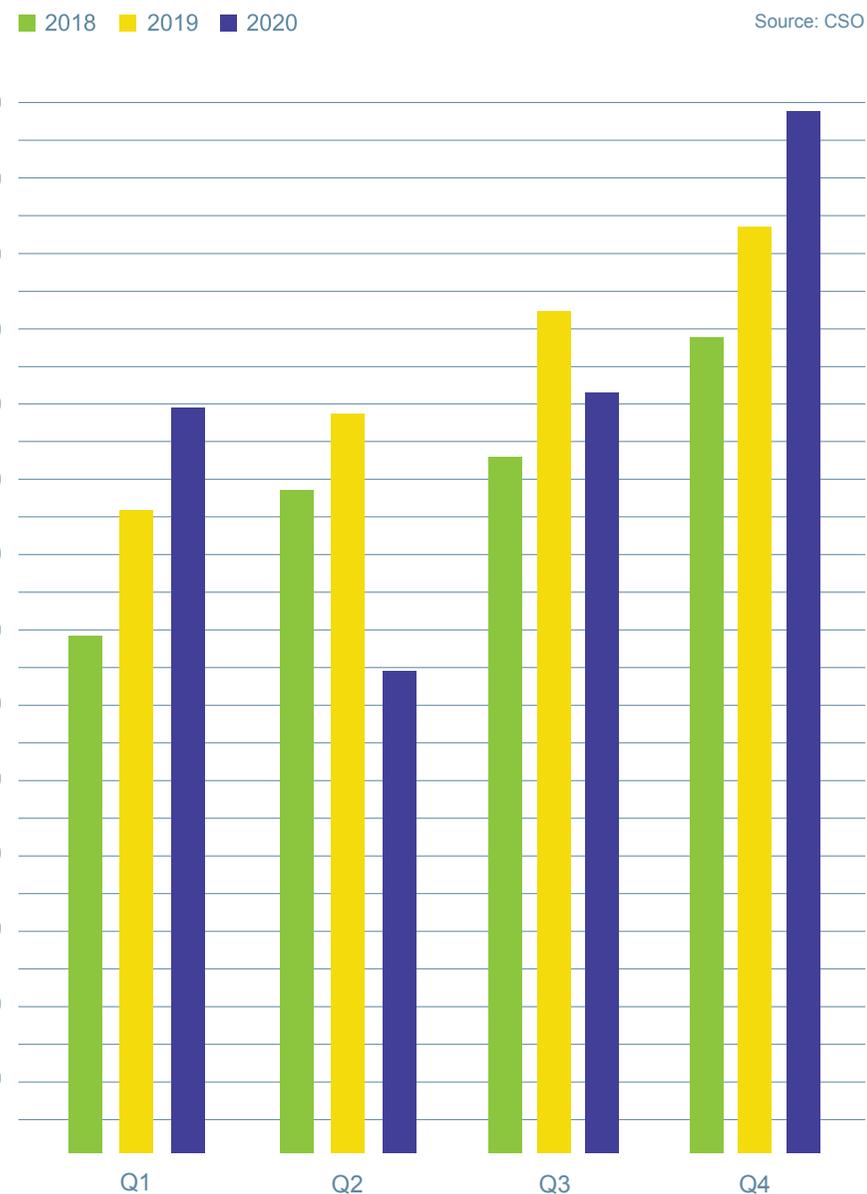
New dwellings completed

Some 7,400 new dwellings were completed in Q4 2020, according to the Central Statistics Office (CSO), 15.9% or about 1,000 units more than in Q4 2019. On an annual basis, completions fell by 1.9% compared with 2019 to 20,676.

Dublin and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) remained the most active regions, accounting for almost 37% and 23% of completions in Q4 2020, respectively. Completions in the full year fell by 12.1% in Dublin and by 9% in Dublin Commuter.

Dublin drove the continuing surge in apartment building, representing 79% of the 1,724 apartment completions in Q4 2020. Apartment completions rose by 45.6% year on year in Q4 2020 and by 14.5% in the full year to more than 4,000.

By contrast, scheme house completions, which are concentrated in the east of the country, fell by 6.3% year-on-year in 2020 to 11,725. Scheme house completions in Dublin and Dublin Commuter fell by 29.5% and 8.1%, respectively, in 2020.

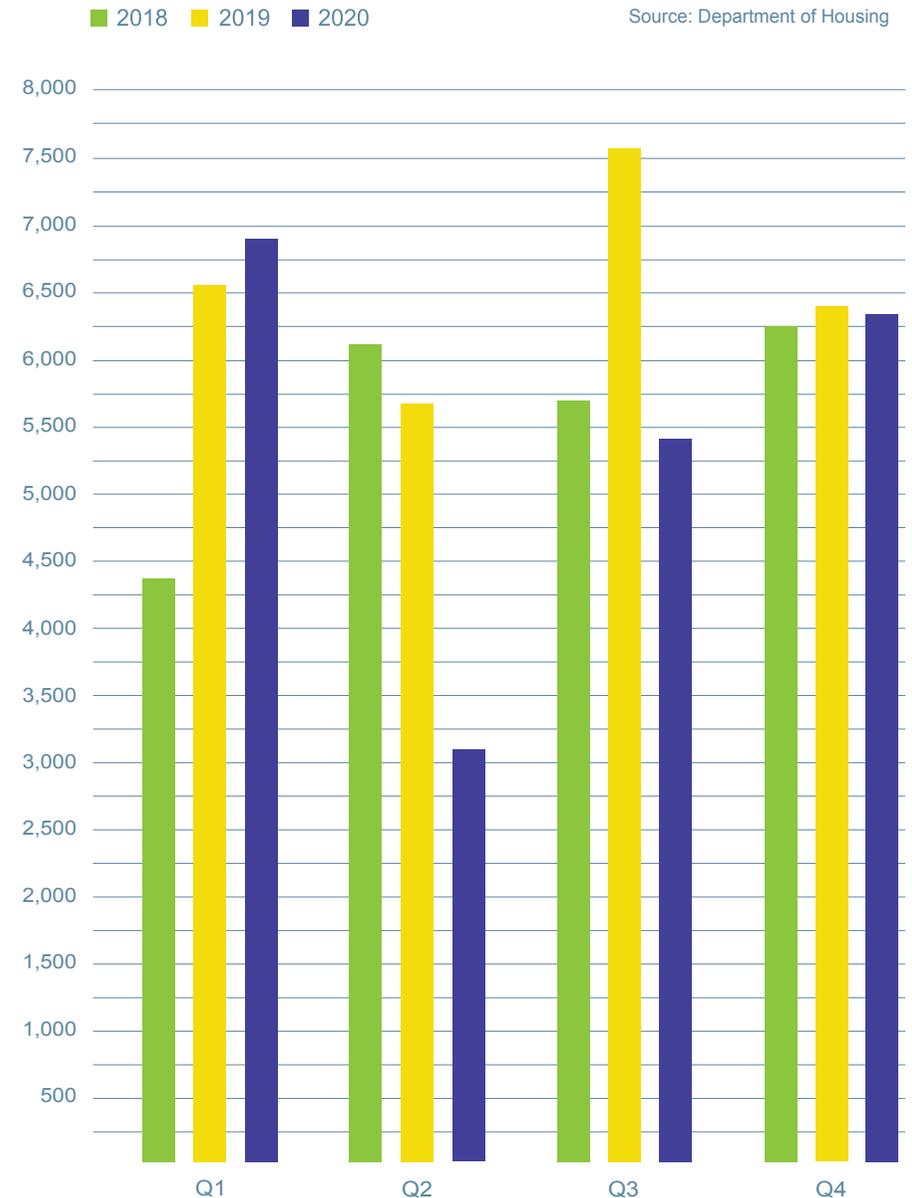


New dwellings commenced

There were almost 6,300 housing commencements in Q4 2020, a decrease of 1.4% year on year.

Commencements fell in Dublin by more than a quarter for the third successive quarter while Dublin Commuter commencements recorded the first year-on-year growth since Q3 2019. The two regions accounted for 30% and 24%, respectively, of commencements in Q4 2020.

In the full year 2020, commencements fell by 17.3%, or almost 4,600 units, to fewer than 21,700 units. In Dublin Commuter and Cork there were about 1,800 and 1,200 fewer units commenced, respectively.



New dwelling planning permissions

The number of residential units granted planning permissions rose by 22.2% year on year in Q3 2020 to more than 12,900. Planning permissions for apartment units continued to drive growth, increasing by 27.5% year on year to more than 7,200.

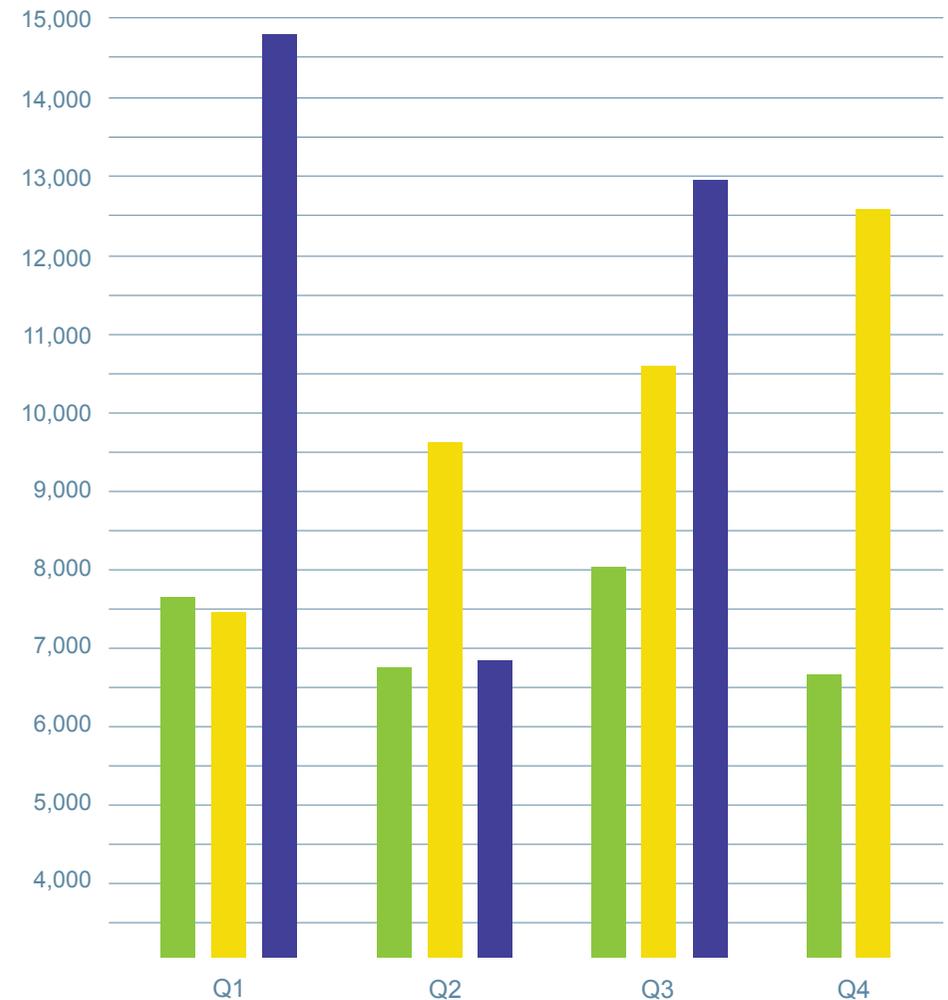
Almost 35,000 units were granted planning permission in the first nine months of 2020, the most since 2009, including almost 21,000 apartments, the most since 2004.

At a regional level, Dublin continued to lead the way with more than 16,800 units in the first nine months of 2020, almost 15,400 of which were apartments. The number of units in Dublin rose by 63.1% year on year with Dublin Commuter up by 56.9% to more than 8,000.

The other areas to report growth of more than 100 units in the first nine months of 2019 were Cork City (almost 1,200 more units) and the counties Donegal, Tipperary and Westmeath.

■ 2018 ■ 2019 ■ 2020

Source: CSO



Transaction prices

Residential property prices rebounded in late 2020, with prices up by 2.2% year on year in December 2020. Prices for new dwellings were 2.0% up year on year, while prices of existing dwellings rose by only 0.2%. This was the tenth consecutive quarter in which new property prices had risen faster than those for existing property.

Prices in Dublin rose by 1.2% in the year to December 2020, with house prices in Dublin increasing by 0.2% year on year and apartment prices in the county by 5.1%.

Residential property price inflation outside Dublin rose by 3.1% year-on-year, with house and apartments prices up by 3.1% and 4.0%, respectively.



Rents

The rate of rental inflation fell again in Q3 2020. The national standardised rent level rose by 1.4% year-on-year in to €1,256, according to the Residential Tenancies Board (RTB).

Eight counties had standardised rent levels of more than €1,000, led by Dublin at €1,758. Limerick joined the four Dublin Commuter counties, Cork and Galway in the group of counties with rents above €1,000. Some 18 counties reported their highest standardised rent level since the date series began in Q3 2007, while in five of the other counties it was the second highest. The three exceptions were Clare, Meath and Tipperary.

Some 34.7% of properties paid rents of more than €1,500 per month in Q3 2020, up from 30.9% a year earlier. By contrast, the proportion paying rents in the range €501-1,000 fell from 35.5% to 33.3% over the same period. In Dublin, 63.2% of properties paid rent of more than €1,500, while in the rest of the country, 54% paid between €501 and €1,000.



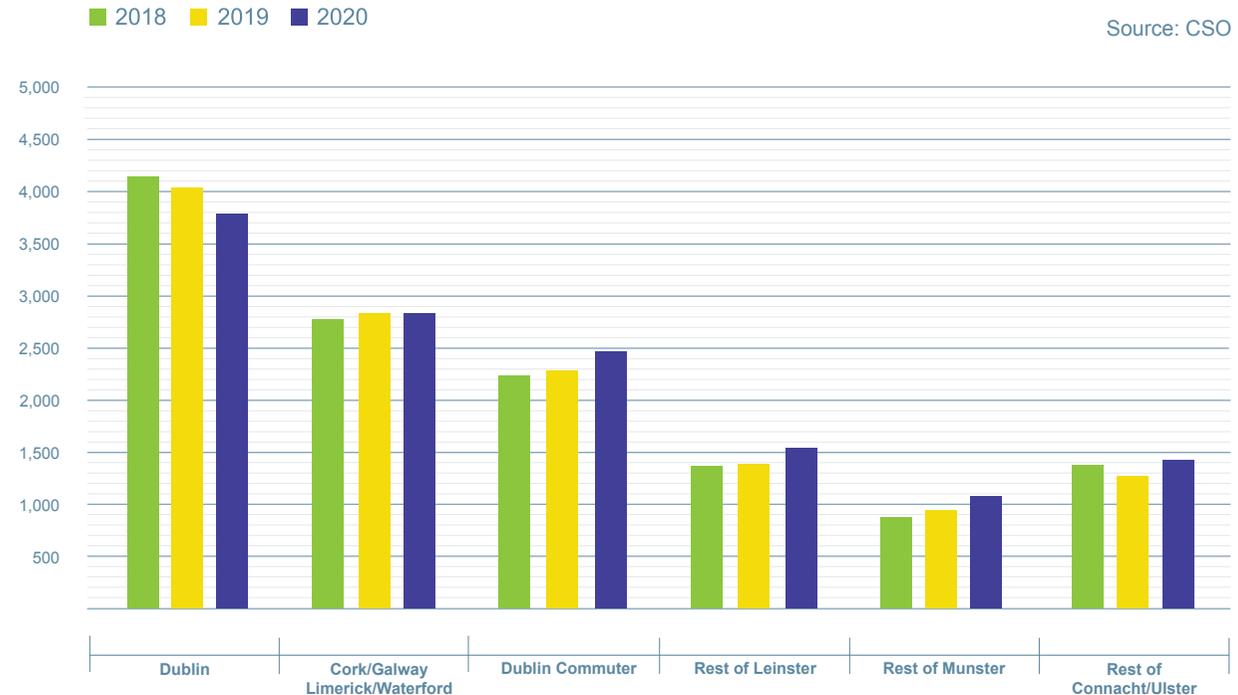
Household purchases of residential property recovered from sharp declines in the two previous quarters with a 2% year-on-year increase in Q4 2020. Almost 13,000 residential properties were sold to households in Q4 2020, the most since the data series began in 2010. While sales of existing property rose by 4% year on year to a new high of 10,533, sales of new properties fell for the third successive quarter, down by 5.6%.

In the full year, sales fell by 16% in 2020 to 38,010, the lowest level in a calendar year since 2014.

Dublin suffered the steepest decline in 2020, with sales down by 22.1% year on year to 11,305. Within that, new property sales in Dublin fell by 27.5% to 2,355. New property sales have fallen in year-on-year terms in seven of the past eight quarters.

Elsewhere, sales fell by 15.7% in the counties Cork/Galway/Limerick/Waterford in 2020 and by 14% in Dublin Commuter.

Non-households increased their share of market purchases of residential properties to 23.3%, up from 21.5% in 2019 and 11.6% in 2014. Conversely, household investment in property (not for occupation) accounted for 10.6% of market purchases, down from 12.1% in 2019 and 20.6% in 2014.



Source: CSO

**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 rose by 23.5% year on year in Q4 2020 to more than 14,400, as the market continued to recover from the slump in Q2 2020.

The growth was driven by purchase mortgages, especially first-time buyer (FTB) approval volumes, which jumped by 34.1% to more than 8,000.

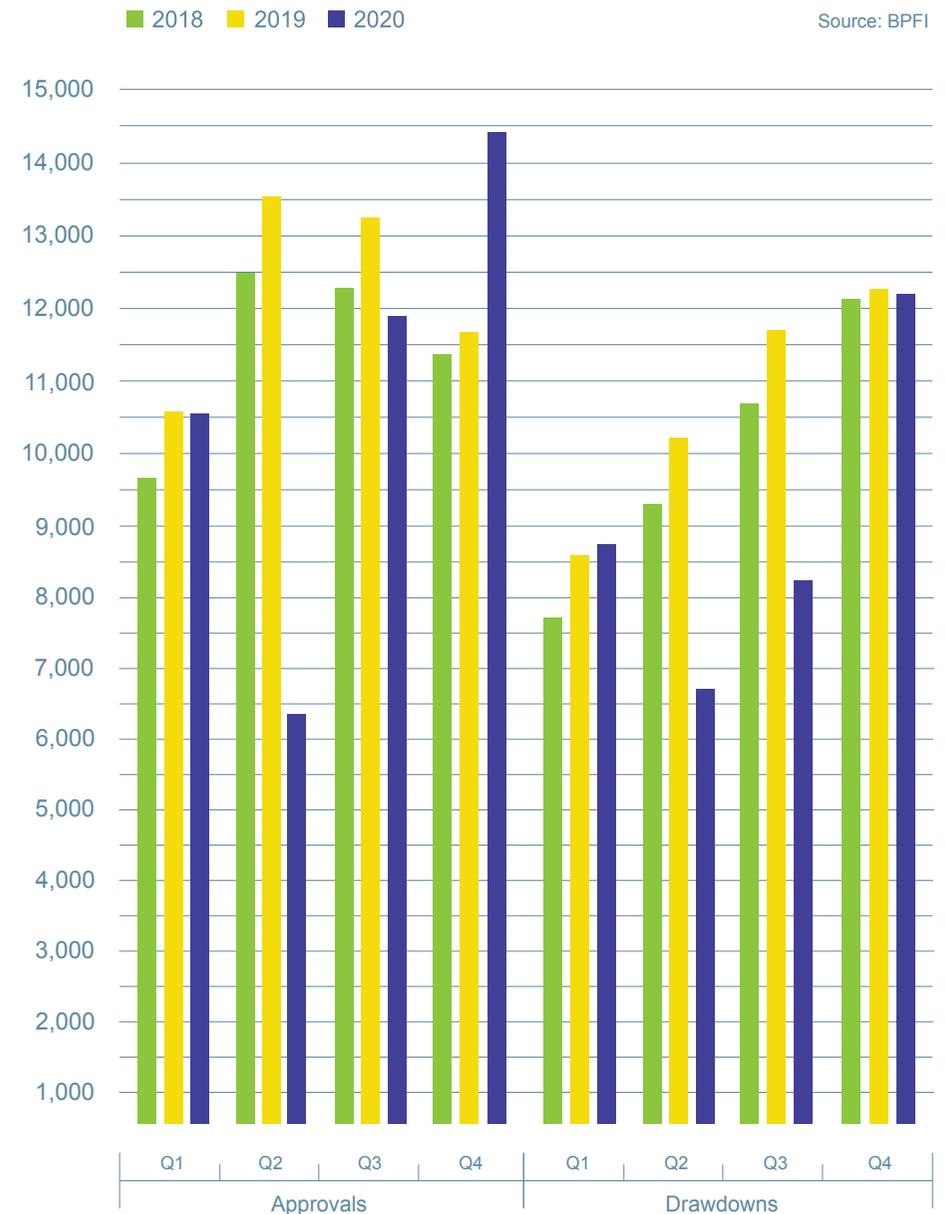
In annual terms, approval volumes fell by 12% in 2020 to about 43,200. The number of approvals in 2020 was the lowest since 2017. However, the value of approvals was 6.7% less than in 2019 but 2.1% more than in 2018, as the average approved mortgage grew by almost 6% year on year.

Mortgage Drawdowns

Mortgage drawdown volumes fell by 0.9% year on year to less than 12,200 in Q4 2020. However, purchase mortgage volumes rose by 2.2% year on year, driven by a 7.8% increase in FTB drawdowns to 6,884.

In the full year, drawdown volumes fell by 16.8% in 2020 to about 35,600, the lowest level since 2017.

The FTB segment was the most resilient with drawdowns falling by 12.6% to about 18,800, followed by switcher mortgage drawdowns which fell by 15%. Mover purchase drawdowns fell to their lowest level since 2014.



The information presented here is based on a range of publicly available reports and datasets and collated by 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 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, Local Government and Heritage [dwelling commencements]
- the Central Statistics Office [new dwelling completions, planning permissions, number of housing sales transactions, residential property price indices]
- Residential Tenancies Board [rental prices]
- Banking & Payments Federation of Ireland [mortgage approvals, drawdowns]





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