



BPFI Housing Market Monitor Q1 / 2021

With a commentary by Dr Ali Uğur
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OVERVIEW OF TRENDS

BPFI HOUSING MARKET MONITOR Q1/2021

Indicator	Latest quarter	One year ago	% change
Dwelling completions	3,953	4,945	-20.1%
Dwelling commencements	2,875	6,853	-58.0%
Dwelling planning permissions*	9,536	12,094	-21.2%
Transactions	10,640	10,272	3.6%
Yr/yr change in transaction prices	3.7%	0.9%	
Yr/yr change in rent prices*	2.7%	5.9%	
Mortgage approvals	11,330	10,512	7.8%
Mortgage drawdowns	9,091	8,696	4.5%

*Data available up to Q4 2020

Housing activity recovers strongly but faces cost and affordability headwinds

The Covid-19 pandemic and the associated restrictions due to public health measures introduced during the year had a significant impact on housing completions in 2020. In 2021, residential building activity was shut down in January, except for essential projects and resumed in the middle of April. However, even with the strict lockdown measures in place, 3,953 units were completed during the first quarter of this year, according to the latest available data from the Central Statistics Office (CSO). To put this in context, housing output during the first quarter of 2021, was only about 7% less than the housing output during the same period in 2019 and 14% more than in 2018, during which there were no restrictions on residential construction activity. We expect total housing completion numbers to be at least similar to levels observed in 2020, at around 21,000 units.

Strong start to 2021 will boost output

A good indicator of future housing supply is the number of units commenced. Prior to the pandemic, there has been a strong correlation between the number units completed in a year and the number of units commenced in the previous year. There were 21,686 housing commencements in 2020 compared with 26,237 units in 2019, a decline of around 18%. This declining trend in commencements continued in the first quarter of 2021, however recent data shows that commencement activity is picking up and 4,736 residential units

commenced in April 2021 alone, most of them in the Greater Dublin Area, which is more than the total number of units commenced during the April-July 2020 period and the highest monthly total since June 2007. In addition, there are more than 5,600 units that were started in 2019 but were not completed in 2020, which should feed into housing output during 2021 and 2022. Prior to the pandemic, we forecasted that annual housing completions would reach 30,000 units by the end of 2022, however it is clear that we will not reach this level of output until at least the end of 2024.



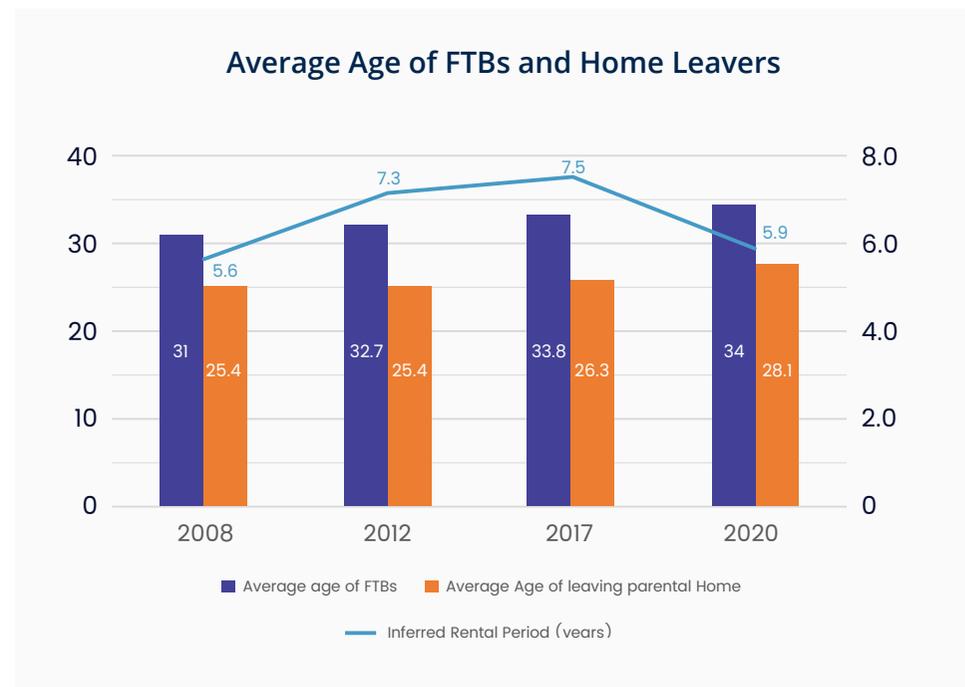
Source: CSO, Department of Housing, Local Government and Heritage (DHLGH).

In terms of mortgage activity, there were 9,091 mortgage drawdowns in the first quarter of 2021 valued at €2.1 billion, which is the highest volume in the first quarter of any year since 2009. New properties accounted for the smallest share of property purchase mortgage since the last quarter of 2016, perhaps mainly due to Covid-related building restrictions in place during the quarter. Mortgage drawdown activity rose in volume terms by 4.5% year-on year and increased in value terms by 7.3% over the same period. First-time buyers (FTBs) remained the single largest segment by volume accounting for around 52% of property purchase mortgage drawdowns.

In terms of approvals, strong growth in activity continued in April mainly driven by FTBs. A total of 4,362 mortgages valued at €1.1 billion were approved in April 2021, highest value for April since the data series started in 2011. This brought the total value of approvals to €11.2 billion in the twelve months ending April 2021, with around 46,131 mortgages approved during the same period.

Rising cost pressures could exacerbate affordability issues

The mismatch between current demand, as well as pent-up demand, and the supply of new homes seems to have brought average sale prices relatively close to the peak of the previous cycle in 2007 in terms of sale prices. Overall, average national prices are 15% lower than their highest level observed in 2007. Average property prices in Dublin have nearly doubled since their February 2012 low. After slowing down in the second half of 2020, average residential property prices started to increase again. Recent data from the CSO show that average prices increased by 3.7% in the year to March 2021, compared with an increase of 0.9% in the twelve months to March 2020. The increase in average property prices has been much more prevalent outside of Dublin with average prices increasing by 4.9% in the year to March, with average apartment prices outside of Dublin rising by 10.4%.



Source: BPFI analysis of BPFI, DHLGH, Eurostat and CBI data.

A combination of Eurostat survey data, and BPFI, DHLGH and Central Bank of Ireland (CBI) analysis of loan data show that the average age of an FTB has increased from 31 in 2008 to 34 in 2020. During the same period, the average of leaving parental home has also increased from 25.4 years to 28.1 years. The gap between the average age of leaving the parental home and the average age of an FTB has increased from 5.6 years in 2008 to around 7.5 years in 2017 but has declined to 5.9 years in 2020.

Price developments in the Irish residential property market have been driven mostly by the lack of supply in the market. However, leading indicators have shown pressures building up in relation to input prices which could have a knock-on effect on output prices. For example, recent supply shortages in construction materials due to the pandemic as well as Brexit have caused significant increases in input prices. The Ulster Bank Construction Purchasing Managers Index for May 2021 shows that input costs are rising at their fastest pace in 17 years. Rising costs could lead to future price rises even as the supply gap closes. In addition, with significant capital investment planned by the government on housing output as well as other infrastructure projects such as a major housing retrofitting programme over the next five years, it is likely that input cost pressures will increase, and availability of skilled labour could become an issue. While we are building more homes in order to try meet required demand, it is critical that we should address some of the cost challenges where possible, so that lower costs can feed into lower prices and better affordability for potential homebuyers.

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New dwellings completed

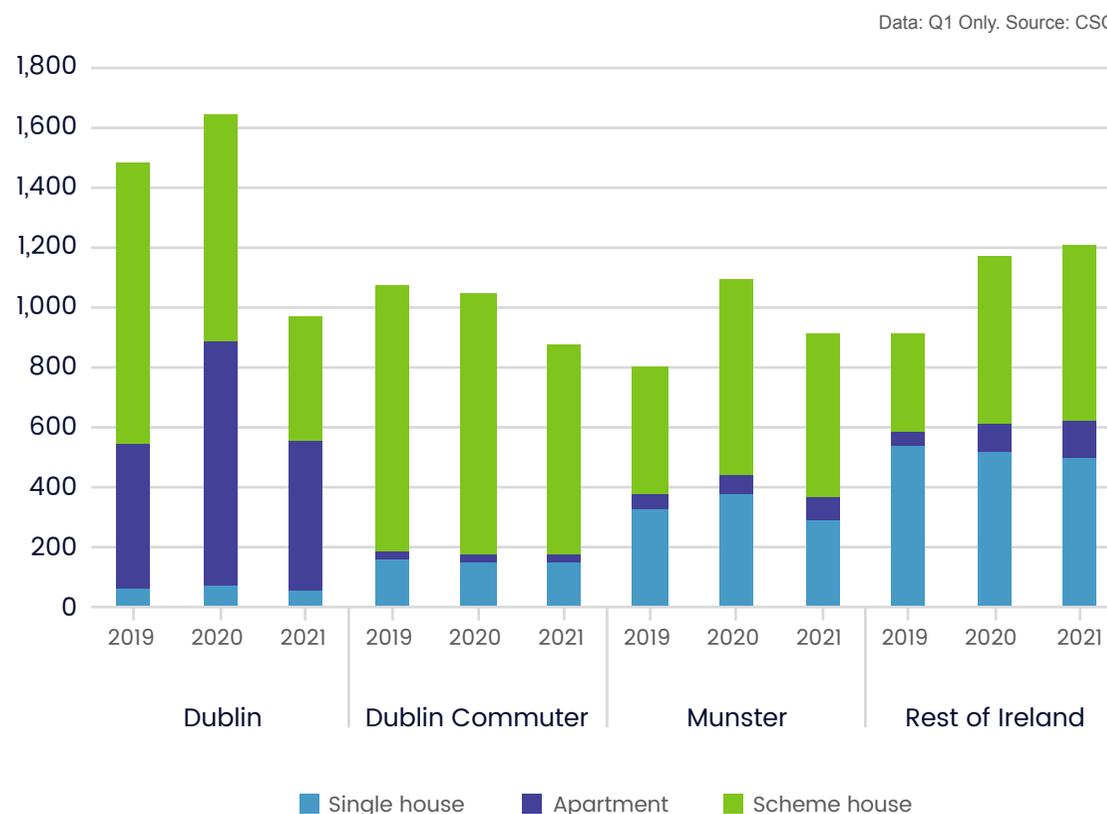
Almost 4,000 new dwellings were completed in Q1 2021, according to the Central Statistics Office (CSO), 20.1% or about 1,000 units fewer than in Q1 2020*.

Dublin, Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) were the most active regions and they accounted about 27%, 25% and 24% of completions respectively.

Completions in Dublin fell by 40.9% year on year to their lowest Q1 level since 2016. While scheme house completions remained relatively robust in other regions, in Dublin they fell to their second lowest quarterly level since Q2 2015.

Dublin accounted for 71% of apartment completions but volumes fell by 38% year on year.

While apartments accounted for at least one in ten completions in nine counties, single houses, including self-builds, accounted for more than one-third of completions in 14 counties.



*Under Level 5 public health restrictions imposed in January 2021 to limit the spread of Covid-19, all residential construction, except some social housing schemes, closed from 8 January until 4 May.



HOUSING SUPPLY

BPFI HOUSING MARKET MONITOR Q1/2021

New dwellings commenced

Fewer than 2,900 housing units were started in Q1 2020, a decrease of 58% year on year and the lowest quarterly level since Q4 2015.

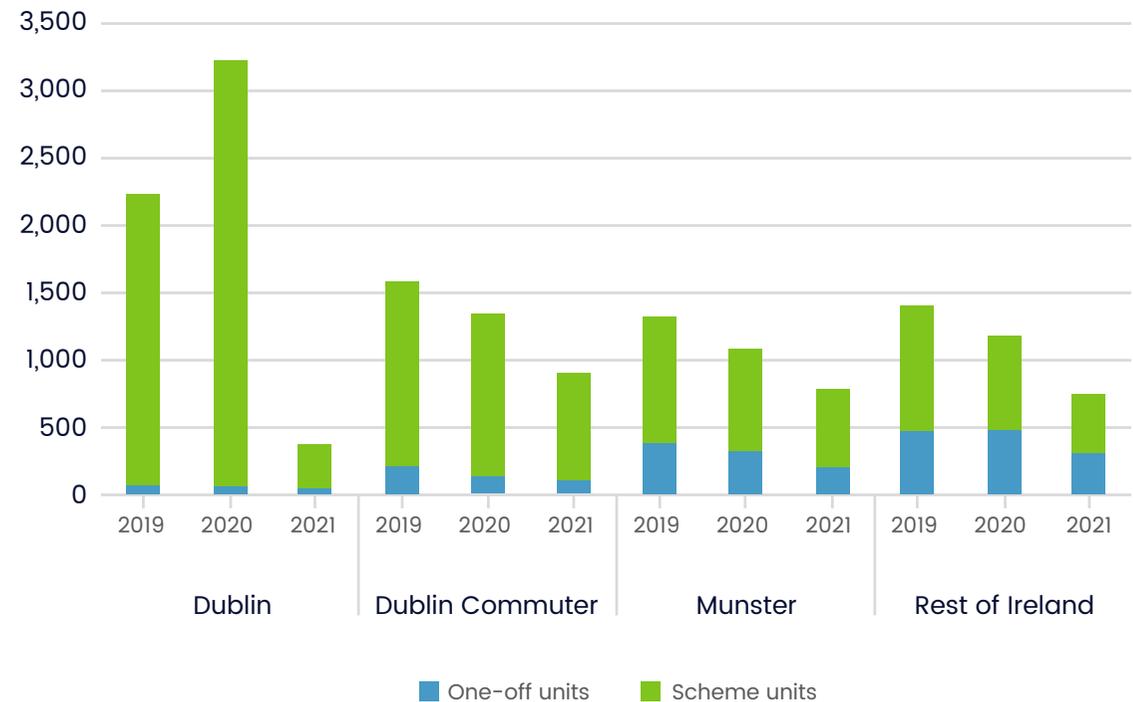
Commencements in Dublin fell by 88% and dropped to their lowest level since Q3 2014, driven mainly by a collapse in scheme unit commencements (when one-off units are excluded). Dublin accounted for less than 14% of commenced units in Q1 2021, the lowest share since Q3 2012.

The Dublin Commuter region accounted for almost 32% of commenced units in Q1 2021, its highest share since the data series began in 2004. Commencements in the region decreased by 32% year on year to 917 units.

For the second successive quarter, more units were commenced in Cork city and county than in the rest of Munster combined and commencements in Cork City grew by 63% year on year to 244.

Commencements surged in April 2021 to 4,736, the highest monthly total since June 2007, with more than 1,500 units commenced in both Dublin and in Dublin Commuter. In year-to-date terms, some 7,600 units had been started in the first four months, down from 7,900 in 2020 and 8,500 a year earlier. Almost 2,500 units were commenced in the first four months in Dublin Commuter, the most in that timeframe since 2007.

Data: Q1 Only. Source: Department of Housing



New dwelling planning permissions

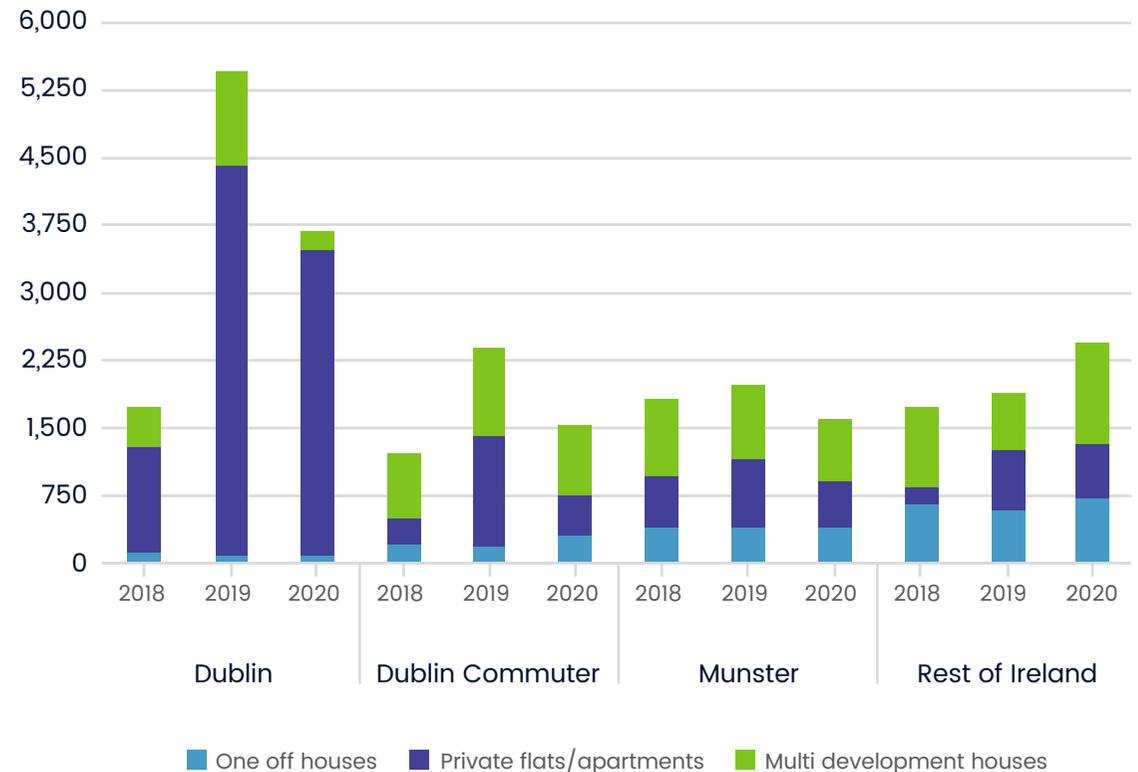
The number of residential units granted planning permissions fell by 21.2% year on year in Q4 2020 to about 9,500. Planning permissions for apartment units decreased by 29.1% to about 5,100.

Almost 45,000 units were granted planning permission in 2020, the most since 2008, including more than 26,000 apartments, the most since 2004. More apartments than houses were granted planning permission in 2020 – the first time this had happened since the data series began in 1975.

Dublin City accounted for almost half of the country's apartment planning permissions in 2020 and more than half of the increase during the year. In Dublin county as a whole, commencements grew by almost 5,700 units to more than 21,000. Almost 19,400 of those units were apartments.

Dublin Commuter was the only other region to see year on year increases in 2020, with planning permissions up 26.5% year on year. Outside the Eastern region, only planning permission units increased by more than 100 in only four local authorities: Cork City (up by 962), Westmeath (592), Donegal (221) and Tipperary (207).

Data: Q4 Only. Source: Department of Housing



Transaction prices

Residential property price inflation accelerated in Q1 2021, with prices up by 3.7% year on year in March 2021, compared 2.2% in December 2020. Prices for new dwellings were 2.5% up year on year, while prices of existing dwellings rose by 3.3%. This was the first time that existing property prices had risen faster than those for new property since Q2 2018.

Prices in Dublin rose by 2.5% in the year to March 2021, with house prices in Dublin increasing by 2.8% year on year and apartment prices in the county by 0.7%.

Residential property price inflation outside Dublin rose by 4.9% year-on-year, with house and apartments prices up by 4.5% and 10.4%, respectively.

Prices vary significantly across the country. Five counties (Dublin, Galway, Kildare, Meath and Wicklow) had median prices at or above the national median price of €260,000 in March 2021 (based on household purchases at market prices). Sixteen counties had median prices below €200,000, seven of which had median prices of less than €150,000.

Source: CSO



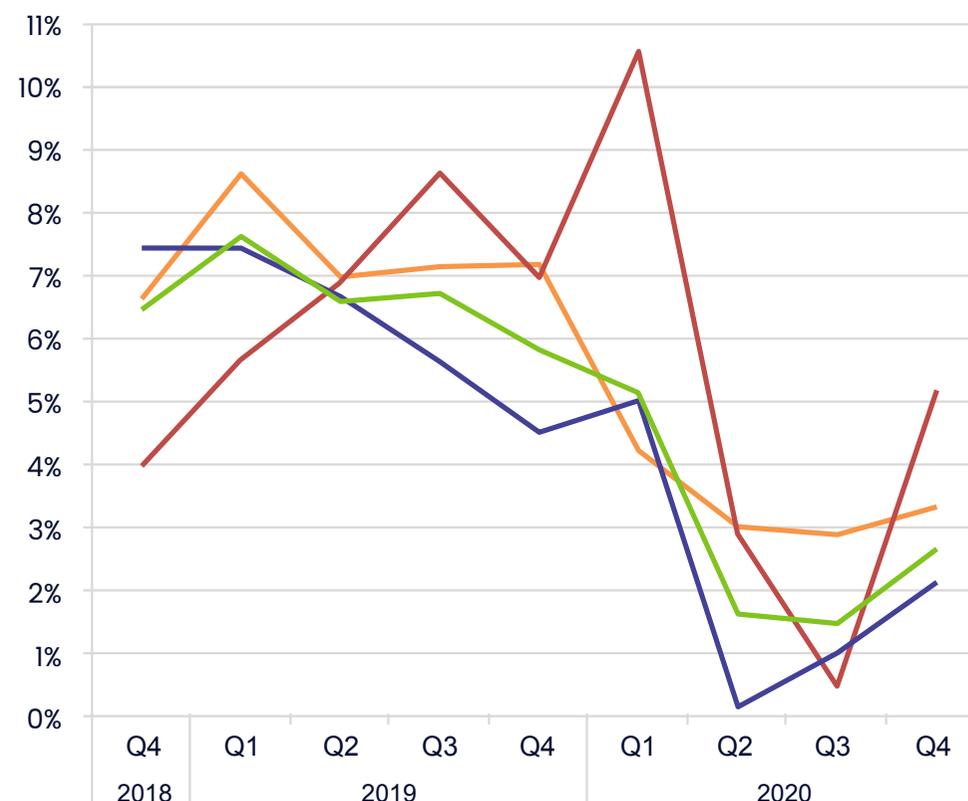
Rents

The annual rate of rental inflation rose in Q4 2020, although the rent level was unchanged from Q3 2020. The national standardised rent level rose by 2.7% 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 €1,745. The four Dublin Commuter counties, plus Cork, Galway and Limerick also had rents above €1,000. While 14 counties reported their highest standardised rent level since the date series began in Q3 2007, in nine of the other counties it was the second highest. The three exceptions were Galway, Sligo and Tipperary.

Some 31.6% of properties paid rents of more than €1,500 per month in Q4 2020, up from 27.7% a year earlier. By contrast, the proportion paying rents in the range €501-1,000 fell from 38.4% to 34.7% over the same period. In Dublin, 60.8% of properties paid rent of more than €1,500, while in the rest of the country, 56% paid between €501 and €1,000.

Source: RTB



- National
- Dublin
- Meath/Kildare/Wicklow
- Rest of Ireland



Household purchases of residential property rose by 3.6% year on year to 10,640 dwellings worth €3.3 billion in Q1 2021, the highest Q1 levels since the data series began in 2010.

Sales of new properties fell in year-on-year terms for the fourth successive quarter, down by 10.3% year on year while sales of existing property rose by 6.7%. Existing properties accounted for 84% of sales in the quarter, the largest share since Q1 2017.

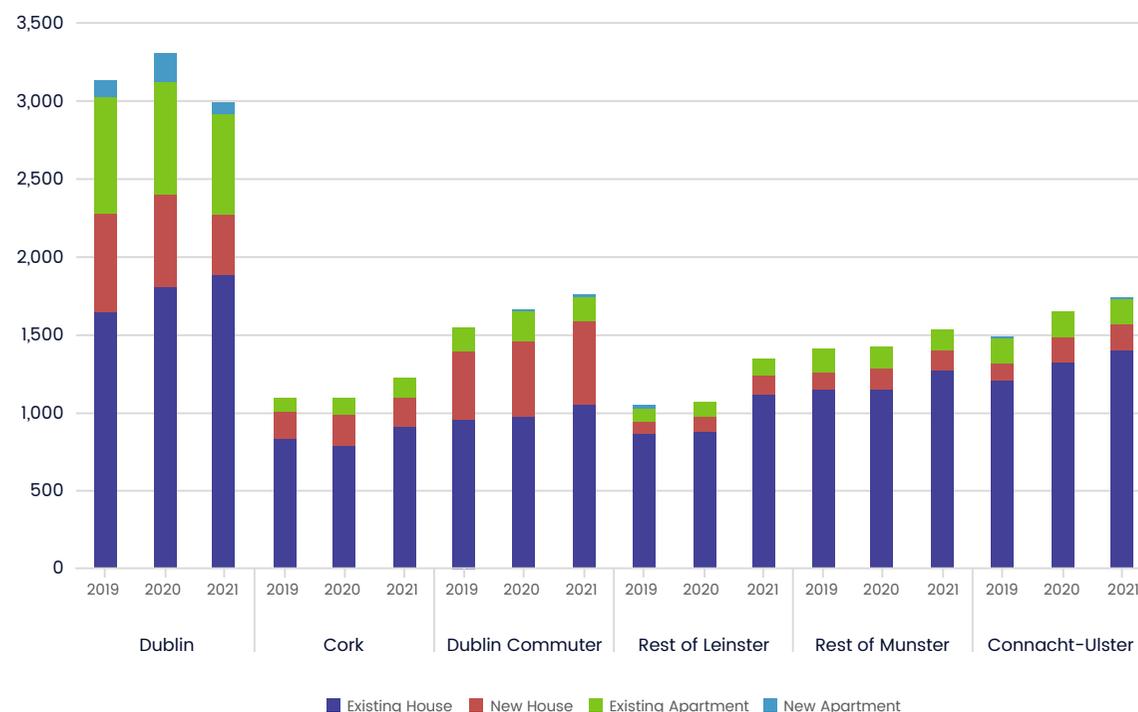
Sales of existing houses rose by 10% year on year to almost 7,700, while sale of existing apartments fell for the eighth time in ten quarters and, at less than 1,300, to the third lowest level since Q2 2016.

On a regional basis, sales fell in year-on-year terms in Dublin for the fourth quarter in a row, shrinking by 9.4% in Q1 2021. Sales also decreased in Galway, Kildare and Monaghan.

Sales increased in most other regions driven by existing house sales. House sales rose by 8.7% in the Dublin Commuter region to almost 1,600 and by 27% in the rest of Leinster to almost 1,300.

Purchases by non-households at market prices fell 28.5% and 33.7% year on year in volume and value terms, respectively, in Q1 2021.

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 7.8% year on year in Q1 2021 to more than 11,300, the highest Q1 level since the data series began in 2011.

The growth was driven by first-time buyer (FTB) approval volumes, which increased by 11.9% to almost 6,100.

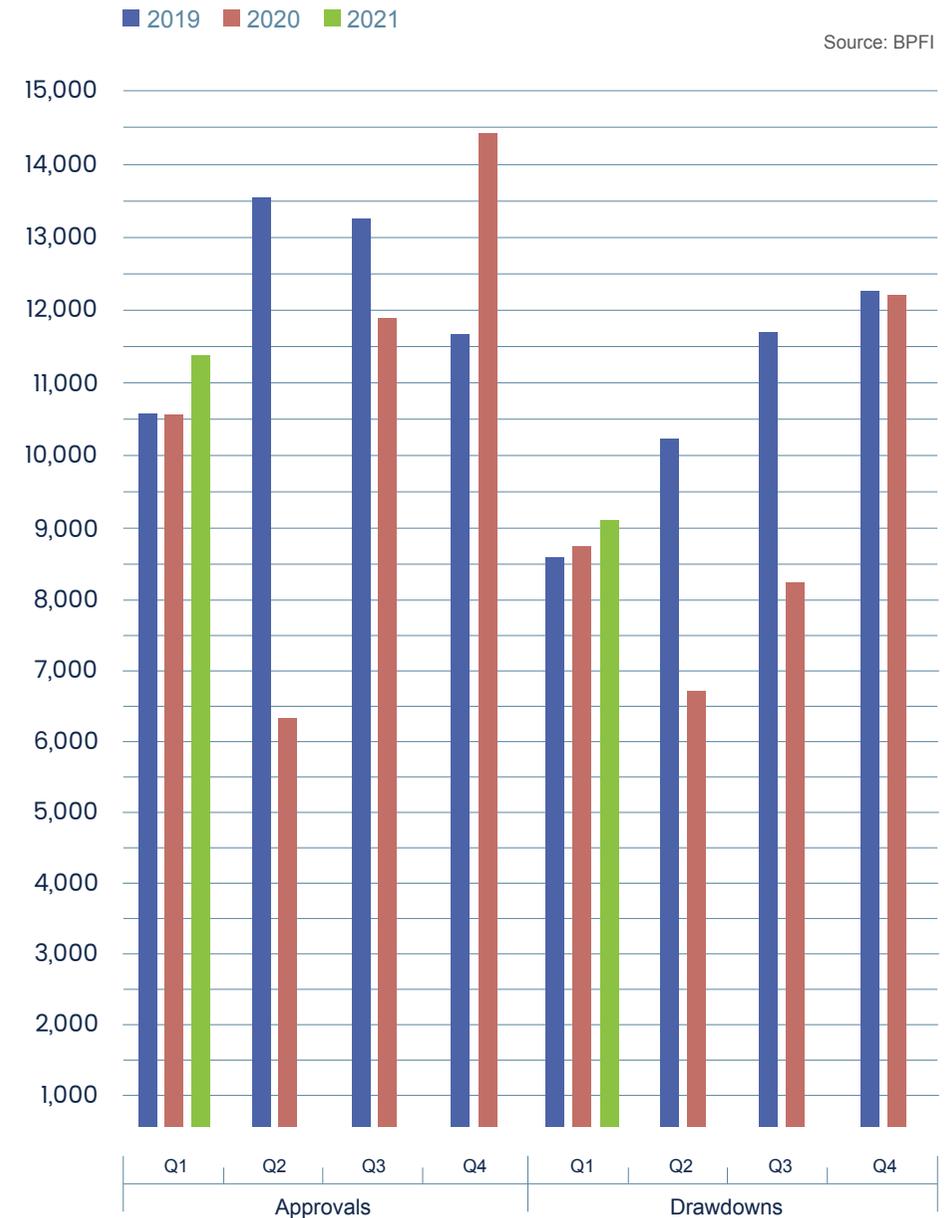
Re-mortgage or switcher mortgage volumes rose by 20.7% year on year to more than 1,600. Top-up approval volumes fell to their lowest Q1 level since 2017.

Mortgage Drawdowns

Mortgage drawdown volumes rose by 4.5% year on year to almost 9,100 in Q1 2021. FTB mortgage drawdowns rose by 7.3% year on year to more than 4,700, the highest Q1 level since 2007.

Mover purchase volumes grew by 1.7% year on year to 2,334, the same volume as Q1 2019 and only 4.2% more than in Q1 2017.

Re-mortgage volumes increased by 15.4% year on year to 1,380. Top-up drawdown volumes fell to their lowest level since Q1 2016.



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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