



BPFI Housing Market Monitor Q2 / 2021

With a commentary by Dr Ali Uğur
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OVERVIEW OF TRENDS

BPFI HOUSING MARKET MONITOR Q2/2021

Indicator	Latest quarter	One year ago	% change
Dwelling completions	5,021	3,229	55.5%
Dwelling commencements	12,655	3,099	308.4%
Dwelling planning permissions*	6,963	14,132	-50.7%
Transactions	9,818	6,556	49.8%
Yr/yr change in transaction prices	6.9%	0.0%	
Yr/yr change in rent prices*	4.5%	4.7%	
Mortgage approvals	14,248	6,342	124.7%
Mortgage drawdowns	9,625	6,619	45.4%

*Data available up to Q1 2021

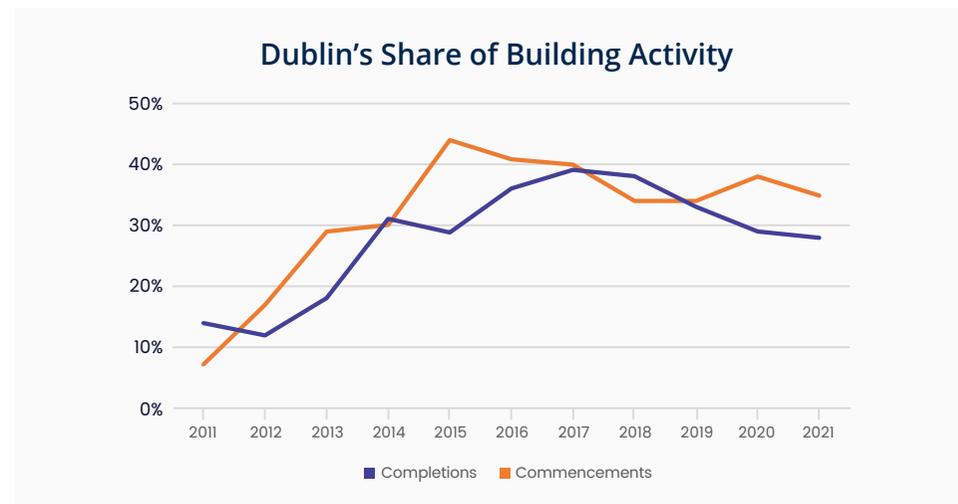


Healthy housing and mortgage pipelines point to strong growth potential

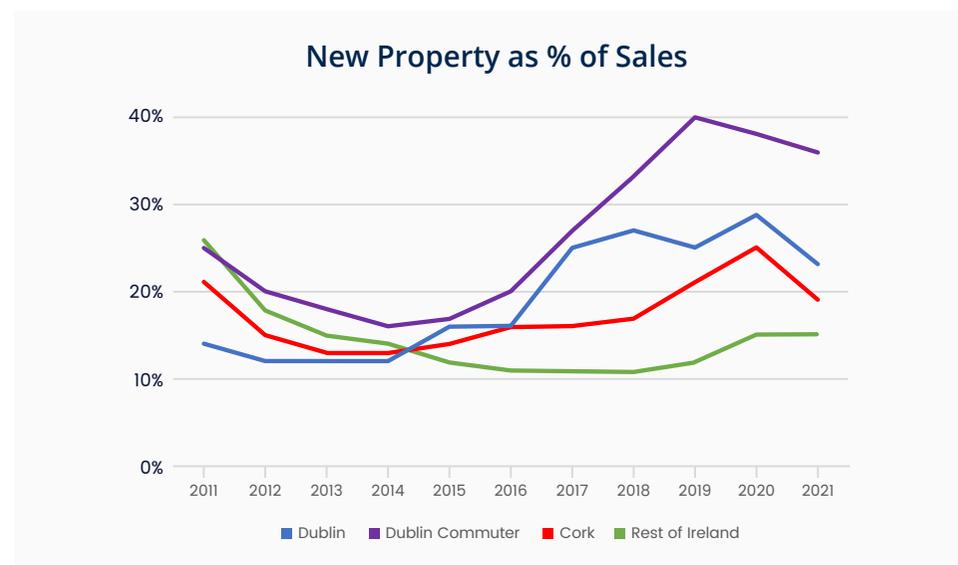
The recovery of the residential construction sector continued with the removal of pandemic-related restrictions on activity in the sector from May 2021. According to the latest data from the Central Statistics Office (CSO), there were 5,021 completions in Q2 2021, which brings the total number of completions to 8,955 units in the first half of 2021. Total number of completions in the first half of 2021 was around 10% higher than completions achieved during the same period in 2020 and only 1% less than total completions in the same period in 2019 when there were no pandemic-related restrictions on residential housing activity. If the sector continues to build at a rate similar to second half of 2020, it is likely that total completions in 2021 can reach 22,000 units.

Apartment completions accounted for around 22% of all completions during the first half of the year, which is the highest ratio since the CSO started collecting the data in 2011. Dublin continues to have the most apartment completions accounting for about 64% of all completions at the national level. Overall Dublin accounted for around 28% of all completions, however this share has been declining since 2017 after reaching 39%.

Commencement levels were also severely affected during the initial period of the pandemic. However recent data show that the number of housing units commenced increased significantly in the second quarter of 2021. There were 15,530 units commenced in the first half of 2021 compared with 9,952 and 12,260 units in the same period in 2020 and 2019, respectively. If commencement activity continues at a similar trend as in the second half of 2020, it is likely that about 27,000 units will be commenced in 2021 which is likely to increase the number of completions significantly in 2022. As evident in completion numbers, we see that the Dublin's share of total commencements declined from around 44% in 2015 to about 35% as of first half of 2021.



Sources: BPFI analysis based on data from the CSO and the Department of Housing, Local Government and Heritage



Source: BPFI analysis based on CSO data

The shift in construction activity towards outside Dublin is also evident in the sale of new properties, where about 36% of market property transactions in the Dublin Commuter region during the first half of 2021 were for new properties, compared with around 25% in 2011. Only 23% of transactions in Dublin and 19% in Cork were for new properties.

Residential property prices increased by 6.4% nationally in the year to June 2021. This compares with an increase of 5.4% in the year to May and no change in the twelve months to June 2020. Residential property prices in Ireland excluding Dublin were 7.4% higher in the year to June, which was mainly driven by significant increases in average apartment prices which are moving from a lower average price base.

As of June 2021, Dublin residential property prices have risen by 103.7% from their February 2012 low and 17.7% lower than their February 2007 peak. The increasing level of activity in the number of apartments built, particularly in Dublin, is also reflected on annual average price increases where, on average, new apartment prices in Dublin increased by 2.1%, whereas new apartment prices increased by 5.7% at the national level and by 15.2% at the national level when Dublin is excluded.

The latest BPFI data show that in the first half of 2021, there were 18,716 mortgage drawdowns valued at €4.4 billion resulting in an increase of around 22% and 26% in volume and value terms, respectively, compared with the first half of 2020. In the first half of 2021, first time buyers accounted for around 51% of all mortgage drawdowns in value terms. Activity in terms of mortgage drawdowns during the first half of 2021, both in value and volume, is at levels similar to observed during the first half of 2019 before the pandemic.

The total number of approvals in the first seven months of 2021 were 30,611 with a total value of around €7.6 billion compared to €4.7 billion in the same period in 2020 and €6.6 billion during the same period in 2019 prior to the pandemic.

When we look at annualised mortgage approval activity, which is a better indicator of the trend, there were 53,511 mortgage approvals in the twelve months ending July 2021, valued at €13,177 million. Annualised mortgage approval activity to end-July 2021 increased in volume terms by 3.15% compared with the twelve months ending June 2020 and increased in value terms by 3.36% over the same period. First time buyers (FTBs) accounted for around 55% of all mortgage approvals in the first seven months of 2021.

In terms of overall housing supply, notwithstanding the negative effects of the pandemic, we see that activity is increasing significantly, with a healthy pipeline of housing units commenced. We expect the number of total completions in 2021 to be in the region of 20,000-22,000 units and between 25,000- 27,000 units in 2022.

At the same time there is strong effective demand, with some 26,000 applications for the government's Help to Buy scheme in the first seven months of the year and almost 54,000 residential mortgages approved in the twelve months ending July 2021.

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New dwellings completed

More than 5,000 new dwellings were completed in Q2 2021, according to the Central Statistics Office (CSO), 55.5% or almost 1,800 units more than in Q2 2020.

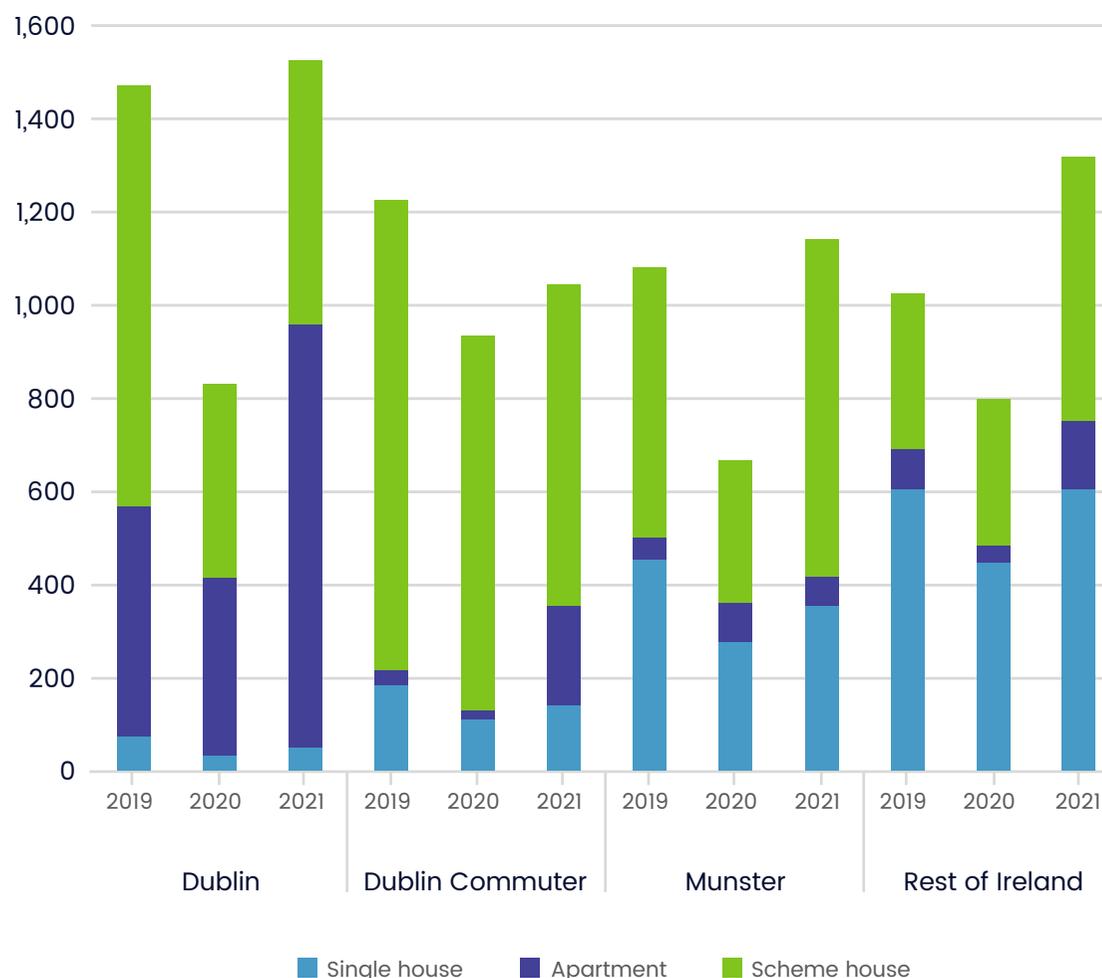
Dublin accounted for about one third of completions while Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 25% and 23% of completions, respectively.

Completions in Dublin rose by 83.6% year on year to more than 1,500. Dublin accounted for 68% of apartments completed nationwide and the national total of 1,333 was the second highest quarterly output of apartments since the data series began in 2011.

The number of scheme houses completed nationally rose by 38.2% year on year to more than 2,500. In Dublin, scheme house completions rose in year-on-year terms for the first time since Q1 2019. However, in the Dublin Commuter region, the number of scheme houses fell by 14% year on year to fewer than 690, the lowest output since Q2 2018.

Single houses, including self-builds, accounted for more than one-third of completions in 16 counties.

Note: Q2 only. Source: CSO



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. Similar restrictions were in place during Q2 2020.

HOUSING SUPPLY

BPFI HOUSING MARKET MONITOR Q2/2021

New dwellings commenced

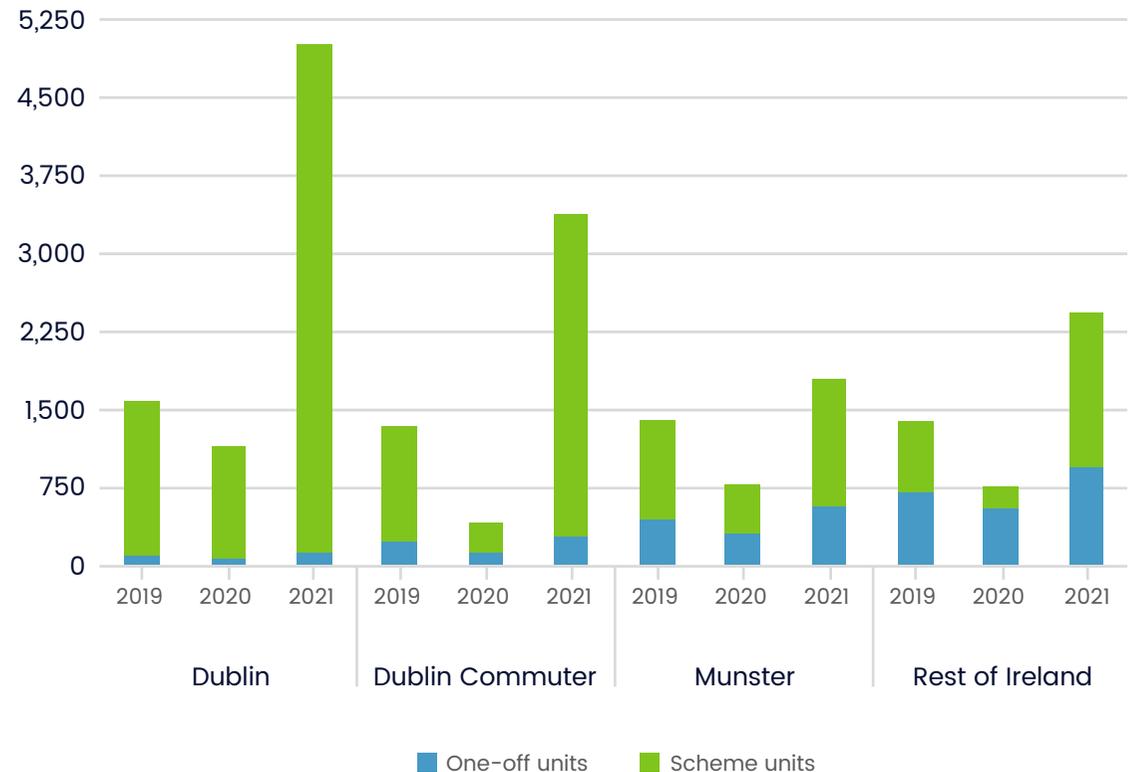
Almost 12,700 housing units were started in Q2 2020, the most in a single quarter since Q2 2007. On an annualised basis, almost 27,300 units were commenced in the twelve months ending June 2021, the most in any twelve-month period since the twelve months ending October 2008.

More than 5,000 units were commenced in Dublin for the first time since Q2 2006. South Dublin alone accounted for more than 2,000 housing starts. Dun Laoghaire-Rathdown, Fingal, Kildare and Wicklow each accounted for at least 980 housing starts in Q2 2021.

Commencements in the Dublin Commuter region jumped to 3,401, the most since the data series began in 2004.

On an annualised basis commencements in the Dublin Commuter region almost reached 7,000 units, the most since the twelve months ending September 2007.

Note: Q2 only. Source: Department of Housing



New dwelling planning permissions

The number of residential units granted planning permissions fell by 50.7% year on year in Q1 2021 to fewer than 7,000, the lowest level since Q4 2018.

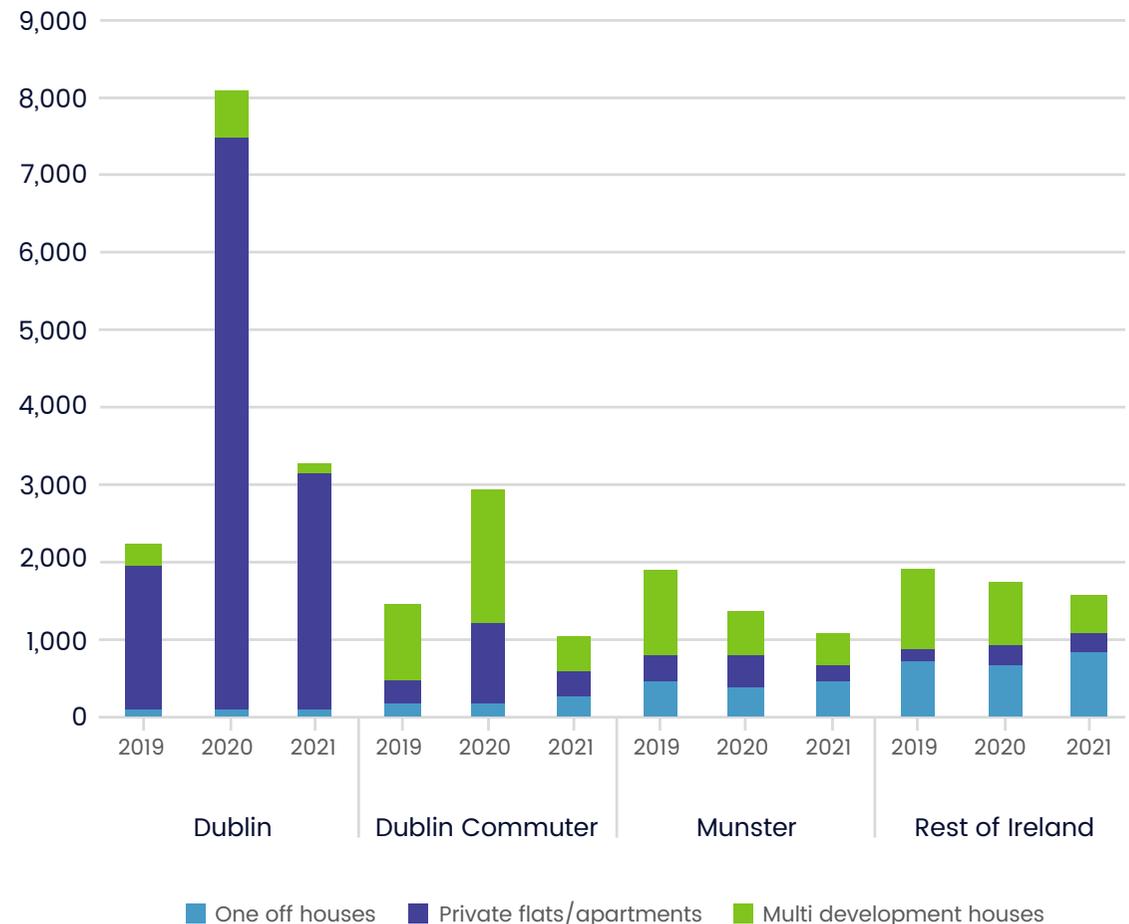
The number of multi-development houses granted planning permission fell by 61.8% year on year in Q1 2021, the sixth year-on-year decline in the past nine quarters. The number of houses granted planning permission dropped to the lowest level since Q2 2016 and they were outnumbered by apartments for the seventh successive quarter.

Dublin and Dublin Commuter combined granted planning permission to some 6,700 fewer dwellings in Q1 2021, compared with Q1 2020, a drop of 60.9% year on year.

Apartments accounted for almost 94% of units granted planning permission in Dublin, up from 91% in Q1 2020.

Dublin Commuter accounted for 30.3% of multi-development units granted planning permission in Q1 2021.

Note: Q1 only. Source: Department of Housing



Transaction prices

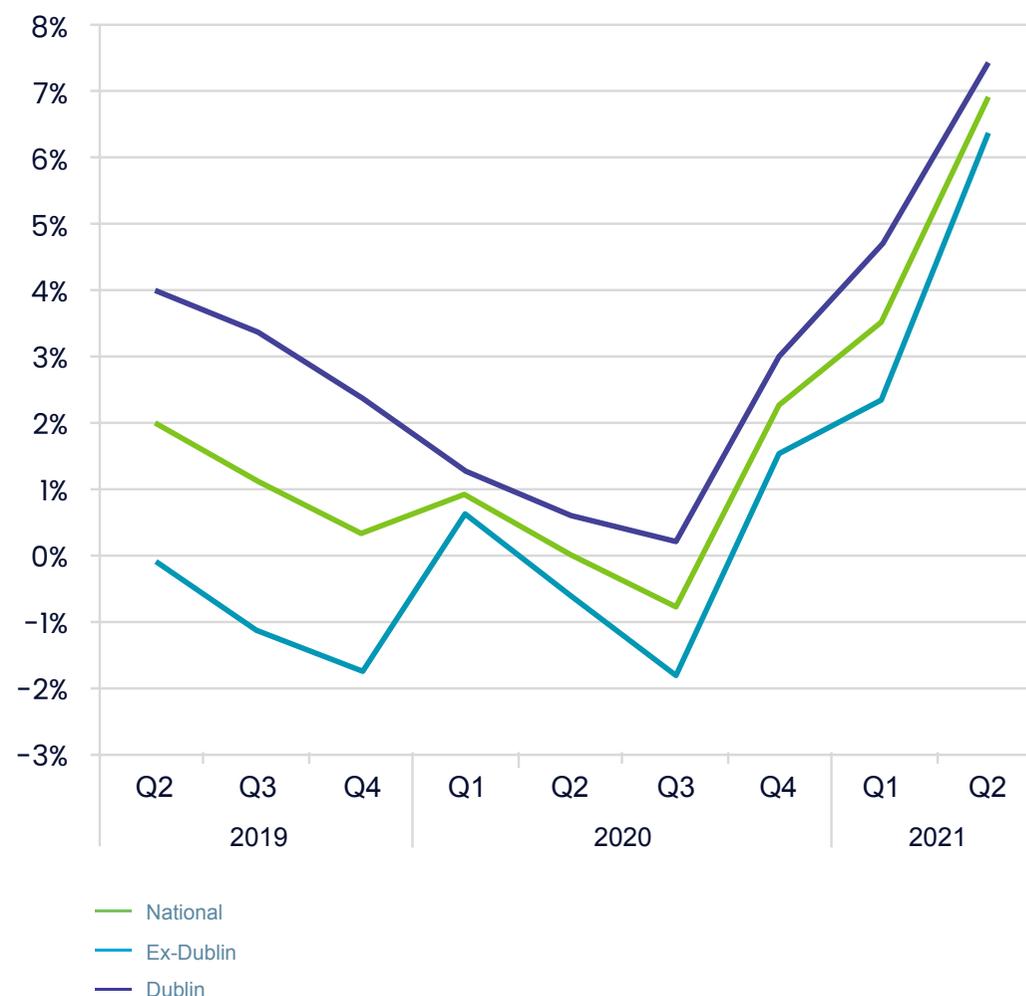
Residential property price inflation accelerated again in Q2 2021, with prices up by 6.9% in the year to June 2021, compared with no change in the year to June 2020. Prices for new dwellings were 2.2% up year on year to Q2 2021 (based on quarterly data) while prices of existing dwellings rose by 6.7%.

Prices in Dublin rose by 6.4% in the year to June 2021, with house prices in Dublin increasing by 7.4% year on year and apartment prices in the county by 2.1%.

Residential property price inflation outside Dublin rose by 7.4% year-on-year, with house and apartments prices up by 6.8% and 15.2%, respectively.

Prices vary significantly across the country. Five counties (Cork, Dublin, Kildare, Meath and Wicklow) had median prices at or above the national median price of €270,000 in June 2021 (based on filings of household purchases at market prices). Fifteen counties had median prices at or below €200,000, five of which had median prices of less than €150,000.

Source: CSO



Rents

The annual rate of rental inflation was 4.5% in Q1 2021 with the national standardised rent level increasing to €1,320, according to the Residential Tenancies Board (RTB).

Eight counties had standardised rent levels of more than €1,000, led by Dublin at €1,820. The four Dublin Commuter counties, plus Cork, Galway and Limerick also had rents above €1,000. While 17 counties recorded their highest standardised rent level since the data series began in Q3 2007, in three of the other counties it was the second highest.

Some 37.6% of properties paid rents of more than €1,500 per month in Q1 2021, up from 31.2% a year earlier and 11.4% in Q1 2016. In Dublin, 67.9% of properties paid rent of more than €1,500, while in the rest of the country, 51.9% paid between €501 and €1,000.

Note: Q2 only. Source: RTB



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

PROPERTY TRANSACTIONS

Household market purchases of residential property rose by almost 50% year on year to 9,818 in Q2 2021.

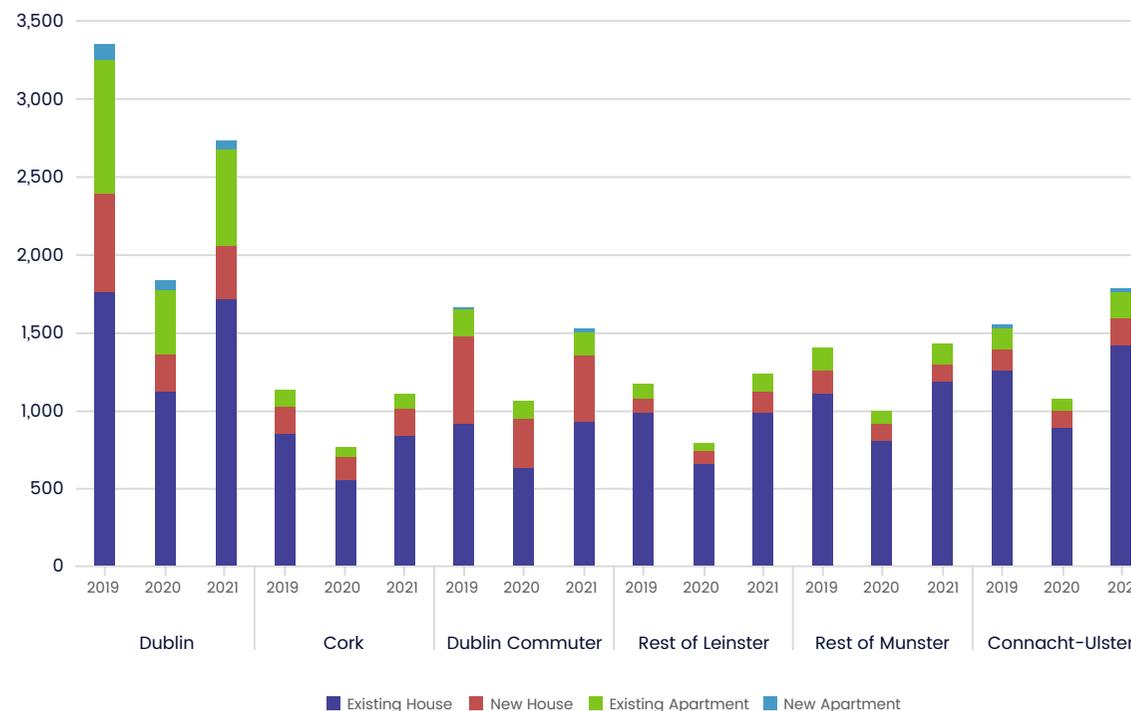
Sales of new properties rose by 35% year on year, the first such increase since Q1 2020. Sales of existing properties increased by 53% and accounted for 85% of sales in the quarter, the largest share since Q1 2017.

Sales of existing houses rose by 52% year on year to almost 7,710, while sales of apartments and new houses rose on a year-on-year basis for the first time since Q1 2020.

On an annualised basis, sales increased to more than 41,600 in the twelve months ending June 2021, the most since the twelve months ending June 2020. Most regions returned to annualised volumes seen in mid-2020 but in the rest of Leinster outside the East region, sales exceeded 5,000 for the first time since the data series began in 2010.

Total purchases of residential property at market prices rose by 58% year on year in volume terms to more than 13,000 in Q2 2021. Investment recovered strongly with purchases by household and non-household investors up by 77% and 88%, respectively.

Source: CSO



**This data is based on stamp duty filings with the Revenue Commissioners 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 124.7% year on year in Q2 2021 to more than 14,200, the highest Q2 level since the data series began in 2011 and a substantial recovery from Q2 2020, which had been the weakest quarter since Q1 2016.

The growth was driven by first-time buyer (FTB) approval volumes, which increased by 162.3% to more than 7,700.

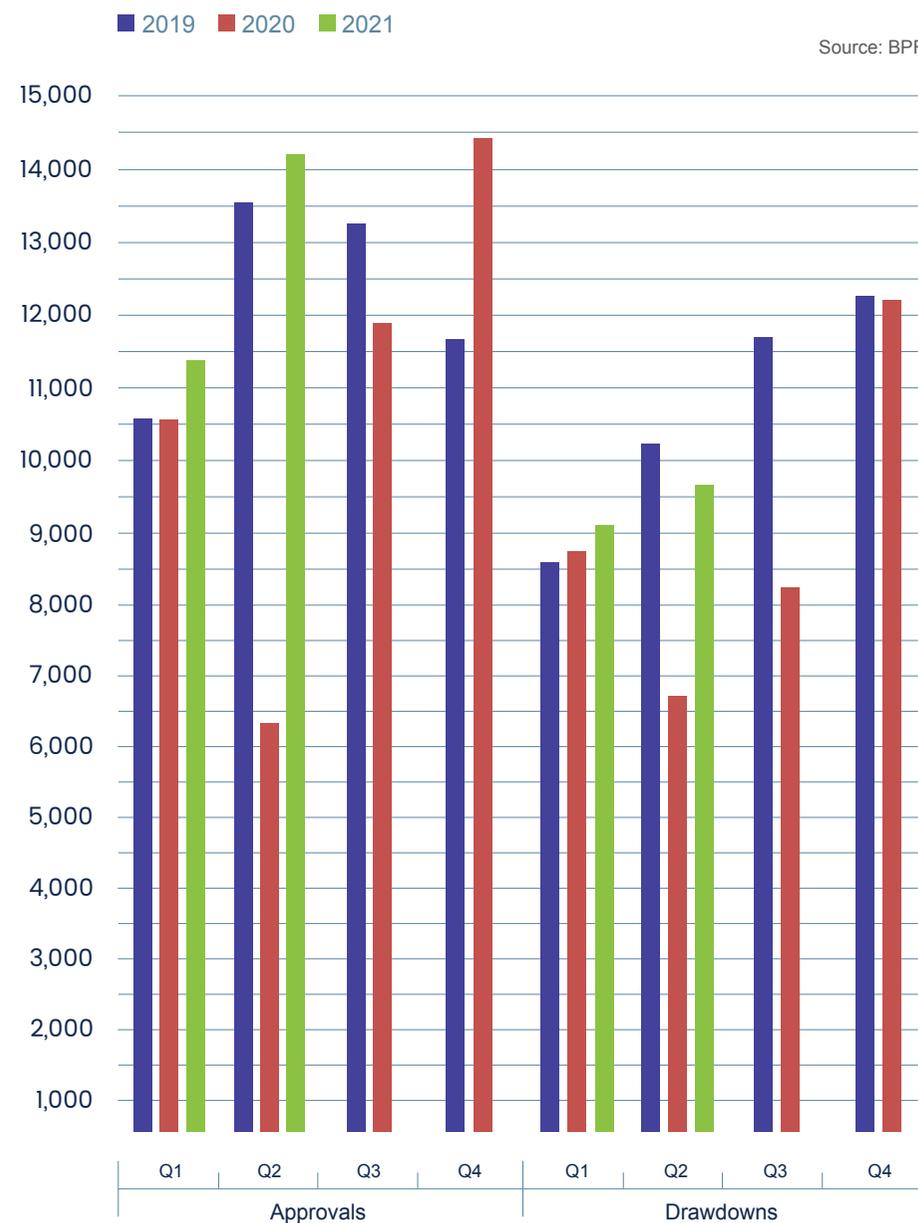
Re-mortgage or switcher mortgage volumes rose to their highest level since the data series began, at almost 1,900.

Mortgage Drawdowns

Mortgage drawdown volumes rose by 45.4% year on year to more than 9,600 in Q2 2021. FTB mortgage drawdowns rose by 49% year on year to almost 4,900.

Mover purchase volumes grew by 44% year on year to almost 2,300. However, this was the third fewest drawdowns in any quarter since Q1 2018.

Re-mortgage volumes increased by 35.7% year on year to 1,519, the highest Q2 level since 2009.



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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