



BPFI Housing Market Monitor Q3 / 2021

With a commentary by Dr Ali Uğur
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OVERVIEW OF TRENDS

BPFI HOUSING MARKET MONITOR Q3/2021

Indicator	Latest quarter	One year ago	% change
Dwelling completions	4,656	5,045	-7.7%
Dwelling commencements	8,696	5,441	59.8%
Dwelling planning permissions*	11,150	7,271	53.3%
Transactions	11,890	8,113	46.6%
Yr/yr change in transaction prices	12.4%	-0.8%	
Yr/yr change in rent prices*	7.0%	1.6%	
Mortgage approvals	14,374	11,893	20.9%
Mortgage drawdowns	11,479	8,148	40.9%

*Data available up to Q2 2021



Strong housing commencement and mortgage approval pipelines point to healthy market prospects

Irish economic recovery continues to progress after a significant negative shock in the second quarter of 2020 due to the Covid-19 pandemic. This recovery is reflected in the housing and mortgage markets. In both markets, activity is likely to reach or exceed levels observed in 2019 prior to the pandemic.

In terms of housing output, 13,574 units were completed in the nine months ending September 2021, a slight increase compared to the same period in 2020. The share of apartments in total completions continues to increase and accounted for around 22% of total completions in the first nine months of 2021. In 2015, the share of apartments in total completions was 9%. If the industry can sustain similar trends in the last quarter of this year, the total number of completions is expected to be around 21,000 units, in line with our forecast in March.

Commencements reach record high

On the other hand, when we look at the commencement activity during 2021, which is an indicator for potential output in 2022 and beyond, nearly 27,000 units were commenced in the ten-month period to October 2021, with over 24,000 of these units commenced since April when the construction sector fully reopened. On an annualised basis, commencement numbers reached a record high with almost 31,000 units commenced in the year to October 2021. Dublin and Dublin Commuter accounted for over 60% of all commencements during 2021.

There is a close relationship between the number of commencements in a year and the number of completions in the following year. Hence, this significant increase in commencement numbers during 2021, is likely to lead

to a substantial increase in completion numbers in 2022. The only downside risk to the estimated increase in completions in 2022 is the increasing share of apartments in completions and the likelihood that apartment commencements take longer to complete. However, even with this caveat, there is a significant pipeline of residential home building activity which will lead to substantial uplift in housing supply in the next two years.

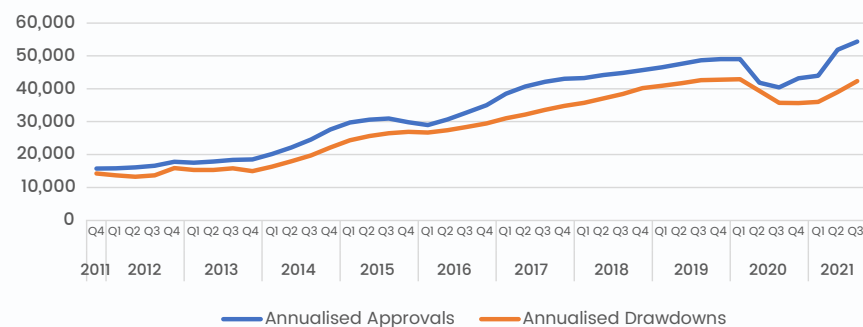
House price growth has accelerated in recent months mainly due to the imbalance between supply and demand, where supply was seriously affected due to the pandemic. Residential property prices increased by 12.4% in the year to September 2021 at the national level, where average prices of new homes were up by 3.3% year on year whereas average prices of existing homes increased by 13%. Average prices increased by 11.5% in Dublin and 13.2% outside Dublin in the year to September 2021.

Increased mortgage approval activity should boost drawdowns in 2022

In terms of the mortgage market, the Central Bank of Ireland, as part of their annual mortgage measures review, recently announced operational changes to the measures whereby a “carry-over” system will be introduced for managing allowances where unused allowances can be accrued over for use in the first half of 2022 on the provision that those loans are approved in 2021. This is likely to increase approval activity during the rest of 2021 where drawdown activity in the first half of 2022 should reflect this increase.

After a significant slowdown in the second quarter of 2020, mortgage market activity has rebounded significantly in terms of both mortgage drawdowns as well as mortgage approvals. In terms of approvals, the value of mortgage approvals in October 2021 was €1.2 billion, which brought the total value of approvals to €11.1 billion in the first ten months 2021 compared with €8 billion during the same period in 2020 and €9.4 billion in 2019. The value of approvals reported so far this year is already higher than the full-year approvals in 2019 before the pandemic. Almost 53,717 mortgages were approved in the twelve months ending October 2021, valued at €13.4 billion.

Annualised Mortgage Volumes (since 2011)

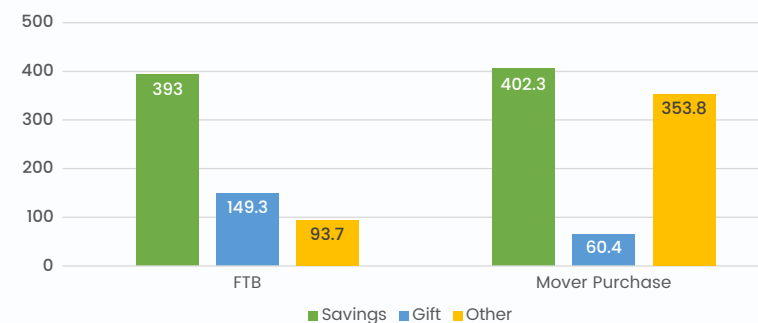


Source: BPFI

The total value of drawdowns in the first three quarters of 2021 was €7.2 billion compared with €5.2bn in 2020 and €6.8 billion during the same period in 2019. Increased levels of approval activity should provide a good pipeline for mortgage drawdowns for the rest of the year as well as in the first quarter of 2022.

A loan-level analysis of the source of deposits for first-time buyers (FTBs) and mover purchasers shows that even though gifts play a role, the main source of the deposits are from purchasers' own savings (for example, 96% of FTB loans had deposits funded by savings). Nearly 42% of FTBs used gifts as part of their deposits compared with almost 25% of mover purchasers during the first half of 2021. However, our estimates show that, during the same period, the total value of gifts towards deposits were almost €210 million, €149 million for FTBs and €60 million for mover purchasers, whereas own savings were around €795 million. For mover purchasers, the other category which includes inheritance and the proceeds from the sale of a previous property is a significant source of deposits. The average deposit amount for a FTB in the first half of 2021 was about €52,100 and €135,000 for a mover purchaser.

Source of Deposits (€, m) H1 2021



Source: BPFI. Note: Other includes Help to Buy, inheritance and proceeds from the sale of a previous property.

The lower-than-estimated supply, due to the pandemic, in 2020 and 2021 have put further pressure on average prices and affordability is becoming challenging with average rents also at their highest levels, more than one third higher than their peak in 2008. Annual housing output have been flat in 2020 and during 2021 but it is expected to increase significantly in 2022 with increased commencement activity particularly since April 2021 with the full reopening of the construction sector. However, cost inflation is likely to play a role on average price developments over the short term.

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New dwellings completed

Fewer than 4,700 new dwellings were completed in Q3 2021, according to the Central Statistics Office (CSO), 7.7% less than in Q3 2020.¹ Almost 13,600 dwellings were completed in the first nine months of the year, about 400 more than in the same period of 2020, but some 1,100 fewer than in the same period of 2019.

Dublin accounted for about 27% of completions while Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 24% and 26% of completions, respectively.

Completions in Dublin rose by 12.1% year on year to 1,235. Dublin accounted for 67% of apartments completed nationwide. The number of apartments completed in the first nine months of the year almost doubled between 2017 and 2021, rising from 1,570 to 2,999.

The number of scheme houses completed nationally fell to 2,458, the lowest Q3 level since 2017. Similarly, in year-to-date terms, 7,262 scheme houses were completed in the first nine months of 2021, the lowest level by September since 2017. The Dublin Commuter region accounted for about 35% of scheme house completions in Q3 2021.

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



¹ *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 Q3/2021

New dwellings commenced

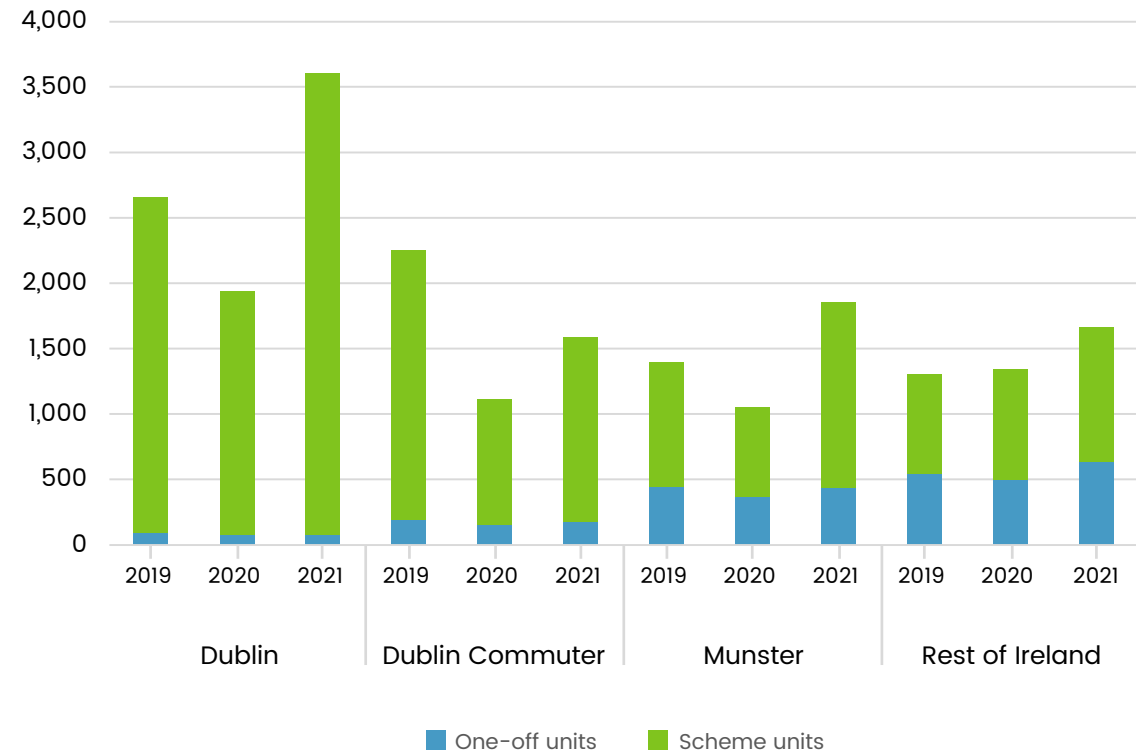
Almost 8,700 housing units were started in Q3 2021, nearly 60% more than in Q3 2020. On an annualised basis, more than 30,500 units were commenced in the twelve months ending September 2021, the most in any twelve-month period since the twelve months ending August 2008.

Dublin accounted for 41.4% of housing starts in Q3 2021, with 3,596 units. This was the second highest quarterly volume (after Q2 2021) since Q3 2006. Dublin City and Dun Laoghaire-Rathdown accounted for 1,113 and 1,506 housing starts, respectively. Three other local government areas (Kildare, Fingal and Cork County) reported more than 500 housing starts.

On an annualised basis, commencements in the Dublin region almost reached 10,900 units, the most since the twelve months ending August 2007 and more than double the level for the twelve months ending March 2021.

The number of one-off unit commencements has remained relatively stable in recent years, ranging between about 3,800 and 4,800, on an annualised basis since the twelve months ending January 2017.

Note: Q2 Only. Source: Department of Housing



New dwelling planning permissions

The number of residential units granted planning permissions rose by 53.3% year on year in Q2 2021 to 11,150 but fell by 15.4% in the year to date to 18,113.

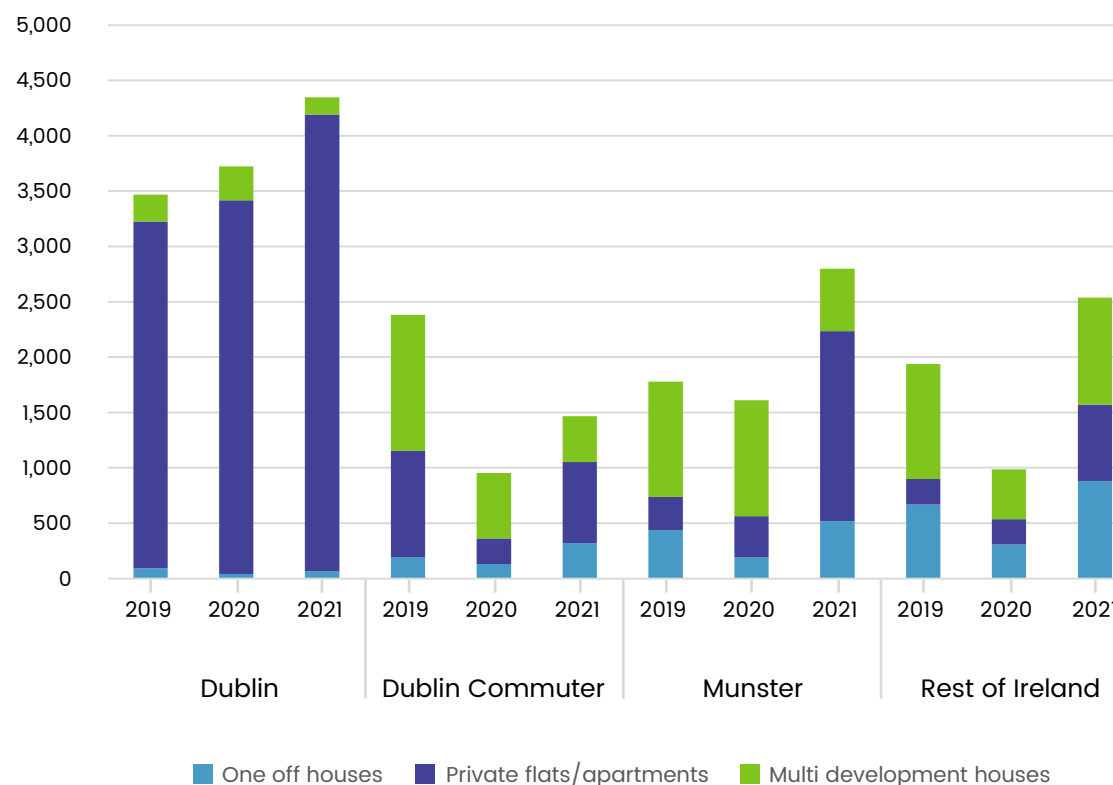
More apartments than houses were granted planning permission apartments for the eighth successive quarter. The number of apartments granted planning permission fell by 15.9% year on year in H1 2021 to 11,138, the lowest H1 level since 2018.

Within houses, the number of multi-development houses granted planning permission fell by 42.4% year on year in H1 2021, having fallen by 12.4% in H1 2020 and by 12.6% in H1 2019.

Dublin accounted for 42% of housing units granted planning permission in H1 2021 driven by a 64.6% share in apartments granted planning permission. Dublin Commuter contributed 13.8% of total units and 24% of multi-development housing units.

Some 66.5% of all housing units granted planning permission in Cork in H1 2021 were apartments, giving it a 14.4% share of apartments granted planning permission in the period, and a 13.3% share overall.

Note: Q2 only. Source: Department of Housing



Transaction prices

Residential property price inflation accelerated again in Q3 2021, with prices up by 12.4% in the twelve months to September 2021, compared with a decrease of 0.8% in the year to September 2020. The CSO's national index was only 7.4% lower than its highest level in April 2007 and at its highest level since August 2008.

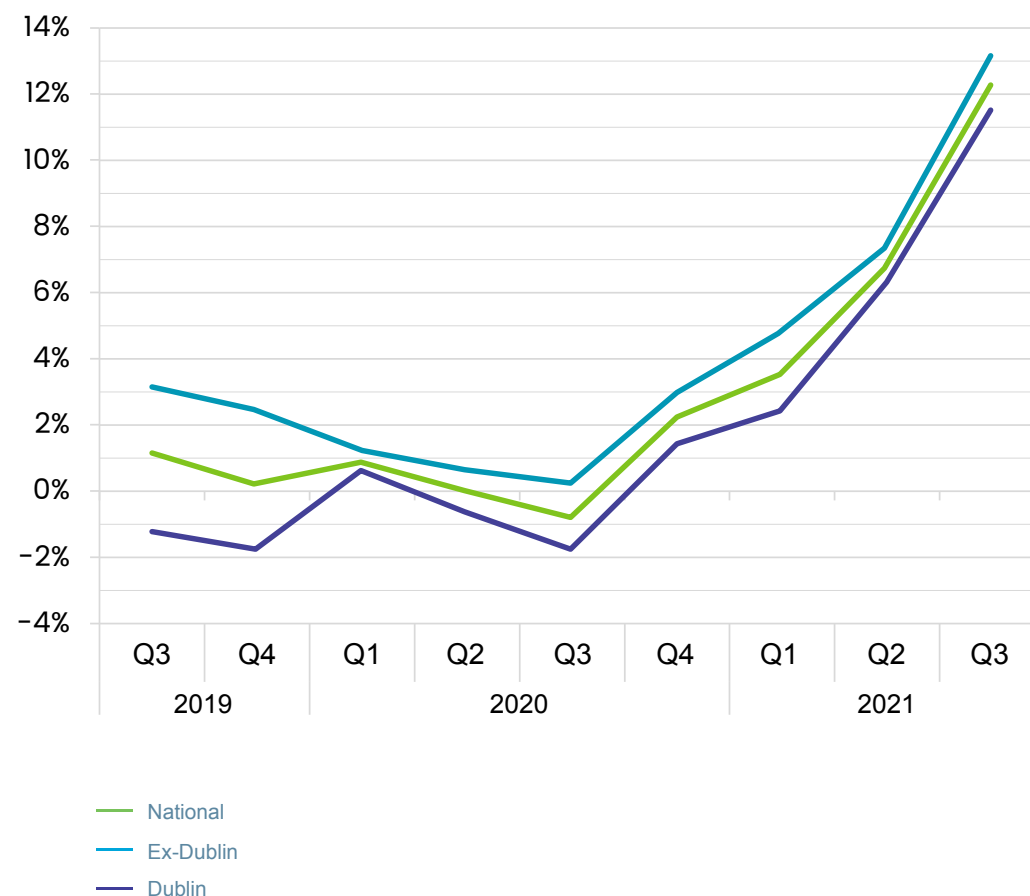
Prices for new dwellings were 3.3% up year on year, while prices of existing dwellings rose by 13%.

Prices in Dublin rose by 11.5% in the year to September 2021, with house prices in Dublin increasing by 12.4% year on year and apartment prices in the county by 7.7%.

Residential property price inflation outside Dublin rose by 13.2% year-on-year.

Prices vary significantly across the country. Four counties (Dublin, Kildare, Meath and Wicklow) had median prices at or above the national median price of €295,000 in September 2021 (based on filings of household purchases at market prices). Nine counties had median prices below €200,000, including all Connacht-Ulster counties except Galway, while five of those counties had median prices of less than €150,000.

Source: CSO



Rents

The annual rate of rental inflation was 7% in Q2 2021 with the national standardised rent level increasing to €1,352, according to the Residential Tenancies Board (RTB).

Ten counties had standardised rent levels of more than €1,000, the most since the data series began, and led by Dublin at €1,848. The four Dublin Commuter counties, plus Cork, Galway, Kilkenny, Laois and Limerick also had rents above €1,000. While 23 counties reported their highest standardised rent level since the data series began in Q3 2007, in the other three counties, it was the second highest.

Some 40.7% of properties paid rents of more than €1,500 per month in Q2 2021, up from 32.1% a year earlier. In Dublin, 69% of properties paid rent of more than €1,500, while in the rest of the country, 48.3% paid between €501 and €1,000.

Separate analysis by the CSO indicates that 35.8% of tenants had total gross income of less than €20,000 in 2019, and 57.9% had income of less than €30,000.



Household market purchases of residential property rose by 46.6% year on year to 11,890 in Q3 2021.

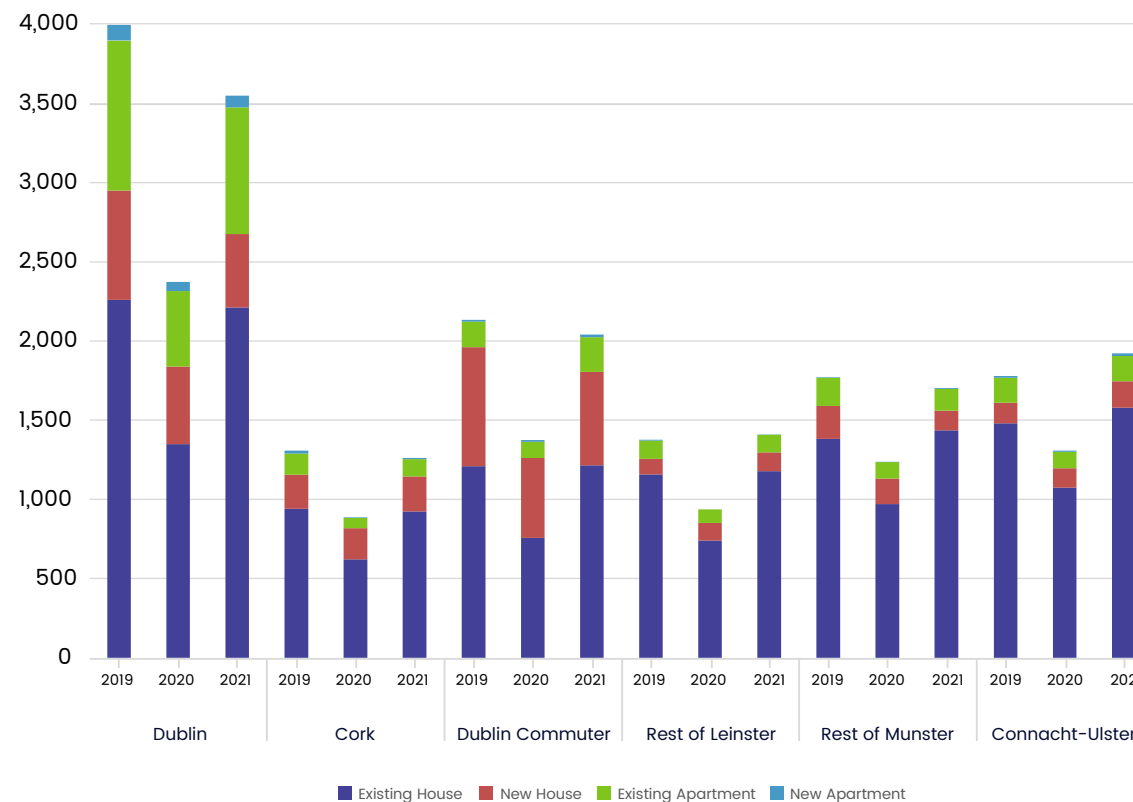
While sales of new properties rose by about 8% year on year, the growth in transactions was driven by sales of existing properties, which increased by 56% and accounted for 85% of sales in the quarter. Sales of existing houses rose by 55% year on year to about 8,500.

On a regional basis, Dublin accounted for 1,177 of the 3,777 increase in sales between Q3 2020 and Q3 2021.

On an annualised basis, sales increased to more than 45,400 in the twelve months ending September 2021, the most since the twelve months ending March 2020. In half the counties, the annualised sales volume reached its highest level since the series began in 2010, while in Cork, Donegal and Wexford it was the second highest. In Dublin, it was the highest annualised level since June 2020.

Sales of existing houses rose to more than 32,300 in the twelve months ending September 2021, the highest annualised level since the series began.

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 20.9% year on year in Q3 2021 to almost 14,400, about 1,000 more than in Q3 2019.

While the first-time buyer (FTB) segment recorded the weakest year-on-year growth at 16.1%, with almost 7,900 approvals, this was almost 1,000 more than in Q3 2019.

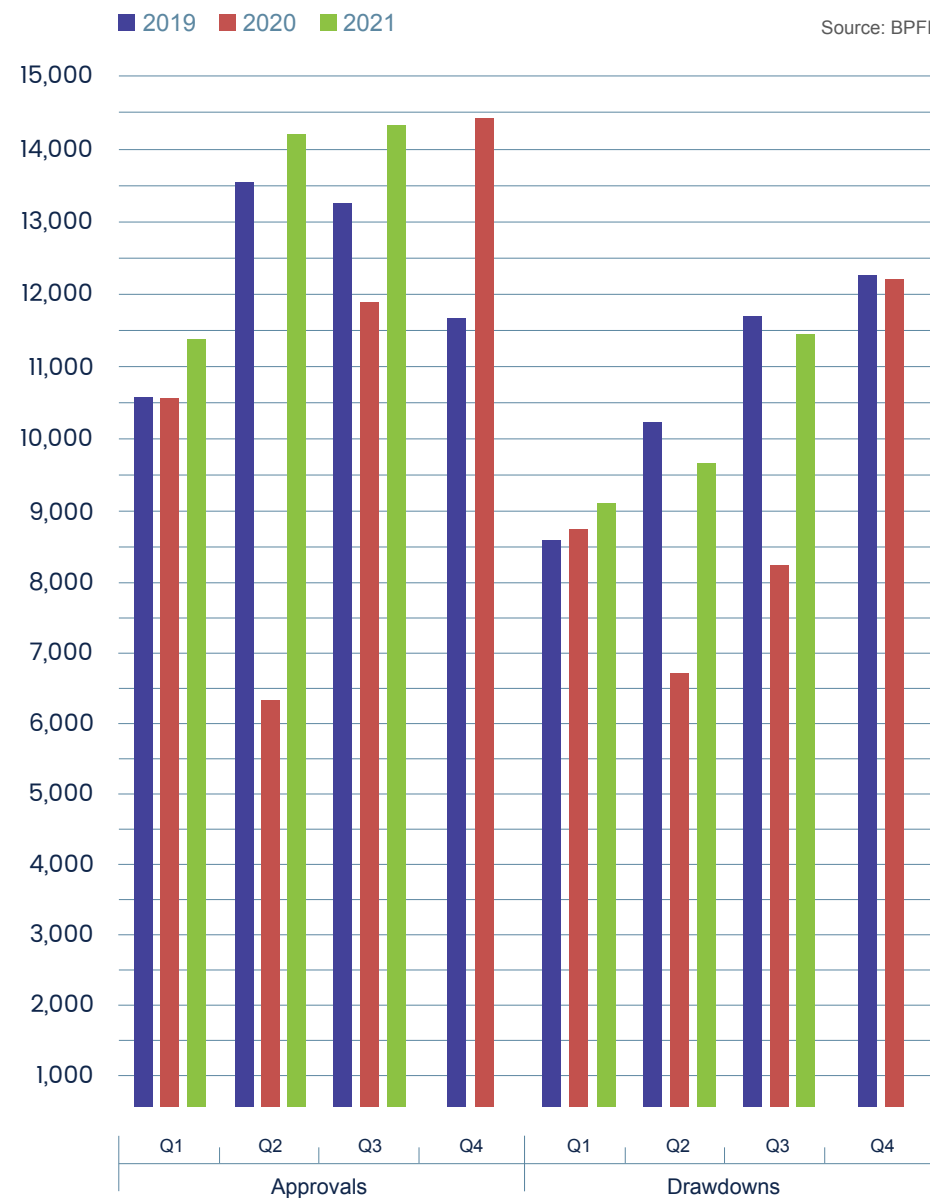
Almost 40,000 mortgages were approved in the first nine months of 2021, some 2,600 more than in the same period of 2019.

Mortgage Drawdowns

Mortgage drawdown volumes rose by 40.9% year on year to almost 11,500 in Q3 2021. FTB mortgage drawdowns rose by 43.8% year on year to more than 6,000.

Almost 30,200 mortgages were drawn down in the first nine months of 2020, some 28.7% more than in the same period of 2020 but about 300 less than in the first nine months of 2019.

Almost 15,700 FTB mortgages were drawn down in the year to date, only about 300 less than in the first nine months of 2008.



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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