



BPFI Housing Market Monitor Q4 / 2021

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OVERVIEW OF TRENDS

BPFI HOUSING MARKET MONITOR Q4/2021

Indicator	Latest quarter	One year ago	% change
Dwelling completions	6,937	7,326	-5.3%
Dwelling commencements	6,498	6,293	3.3%
Dwelling planning permissions*	11,428	13,599	-16.0%
Transactions	14,071	13,069	7.7%
Yr/yr change in transaction prices	14.4%	2.2%	
Yr/yr change in rent prices*	8.3%	2.3%	
Mortgage approvals	13,383	14,404	-7.1%
Mortgage drawdowns	13,299	12,154	9.4%

*Data available up to Q3 2021

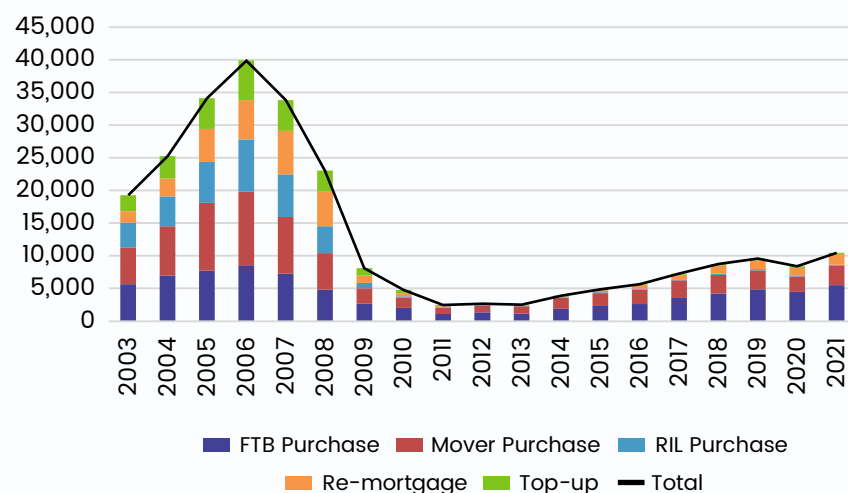


Capacity constraints could limit housing supply as demand soars

Demand for housing continues to increase

Housing and mortgage markets recovered significantly in 2021 after a slowdown in 2020 due to the initial effects of the Covid-19 pandemic. There were 43,494 mortgage drawdowns valued at €10.5 billion in 2021 compared with 35,617 drawdowns valued at €8.4 billion in 2020 – representing a 22% increase in volume terms and a 25% rise in value terms. These were the highest volumes since 2009 and the highest values since 2008.

Mortgage Drawdowns, 2003-2021 (€ million)



Source: BPFI

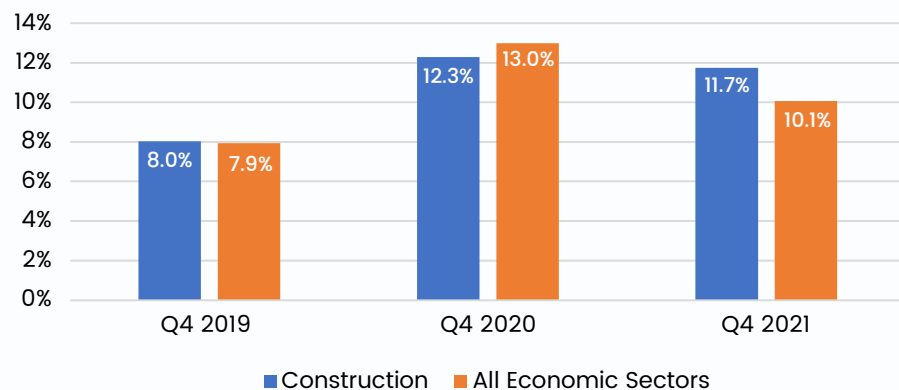
First-time buyers (FTBs) accounted for around 52% of mortgage drawdowns by value in 2021, compared to just over 21% in 2006 when mortgage drawdown activity was at its peak.

The mortgage market went through a significant change in the past decade. The total value of mortgage drawdowns increased from €2.5 billion in 2011 to €10.5 billion in 2021. Along with this significant increase we have also seen a structural change in the composition of the different segments of the market where the share of FTBs have increased over the period and the share of top-ups and residential investment mortgages have become negligible from accounting for around one third of the mortgage market in 2006 at its peak. It is also interesting to note that the share of mover purchasers in the mortgage market reached around 45% in 2013 and declined to 28% in 2021, which is close to the average share observed during early 2000s. In addition, during the same period we have seen the share of switching activity increase from 2% to 15%, which is a reflection of further competition in the mortgage market.

Expected supply recovery affected by the pandemic in 2021

There were 20,433 completions in 2021, slightly below the 20,526 completions in 2020. Given the strong completion levels observed in the first half of 2021, expectations were that the total completion levels would be higher for the full year however we see that there was a 5.3% decline in completions in the last quarter of 2021 compared with the same period in 2020, which is due to the effects of the pandemic on construction sites. The most recent CSO Labour Force Survey shows that absences in the construction sector in the last quarter of 2021 were at nearly 12%, similar to levels observed during the last quarter of 2020. Prior to the pandemic, the rate of absence in the sector in the last quarter of 2019 was at around 8%. It is likely that similar absence levels may be observed in the first quarter of 2022 given the wide circulation of the Covid-19 virus in society, so output in the first quarter of 2022 may be negatively affected which could affect the overall output levels for the year. We estimate to be between 25,000 and 27,000 units, which is substantially higher than 2020 but less than the estimated 30,000 per year needed to meet demand.

Absences from work as % of numbers employed



Source: CSO

Apartment completions accounted for 25% of all completions in 2021 and these completions increased by around a third in 2021. We expect the increased activity in apartment completions to continue in 2022. In general, there has been a very close correlation between commencement numbers in a year and completions in the following year; however, increasing apartment activity in the residential construction sector is likely to create further delays in completion numbers. More than 30,700 housing units were commenced in 2021, a 42% increase from the numbers observed in 2020 and almost the same as combined totals for 2016 and 2017 which is a significant pipeline for output for the residential construction sector in addition to some of the units that started in 2019 and 2020 but were not completed due to the pandemic.

This significant pipeline in terms of housing output is supported by estimated demand in the market. Mortgage approval activity is one of the forward-looking indicators in terms of measuring this demand. In annual terms, mortgage approvals volumes reached 53,335 in 2021, an increase of 23.6% from 2020. The value of approvals jumped by 30% to €13.4 billion. These are the highest levels recorded since the data series began in 2011. In addition, on the demand side, the number of employees on some sort of state support continues to decline with the numbers employed in the Irish economy at a record high level of over 2.5 million people in employment as of last quarter of 2021. Data from the Revenue Commissioners also shows that there 7,972 applications for Help to Buy, which supports FTBs buying or building new dwellings, in January 2022 alone.

The capacity of the construction sector is crucial in terms of increased housing output in the future. At the end of 2021, there were over 158,000 people employed in the sector similar to the employment levels in 2001. However, it is important to note that the composition of construction sector employment has changed significantly since then and parts of the total employment in the sector are engaged in other construction activity such as commercial buildings and infrastructure projects. Given the significant pipeline of residential housing commencements, it is likely that the next two years will be crucial in testing the capacity of the residential housing sector being able to deliver units in order to meet demand, despite the increased competing activity in other sectors of the construction industry. Notwithstanding potential capacity challenges in the construction sector, we expect more than 50,000 new residential units to be built between now and the end of 2023.

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New dwellings completed

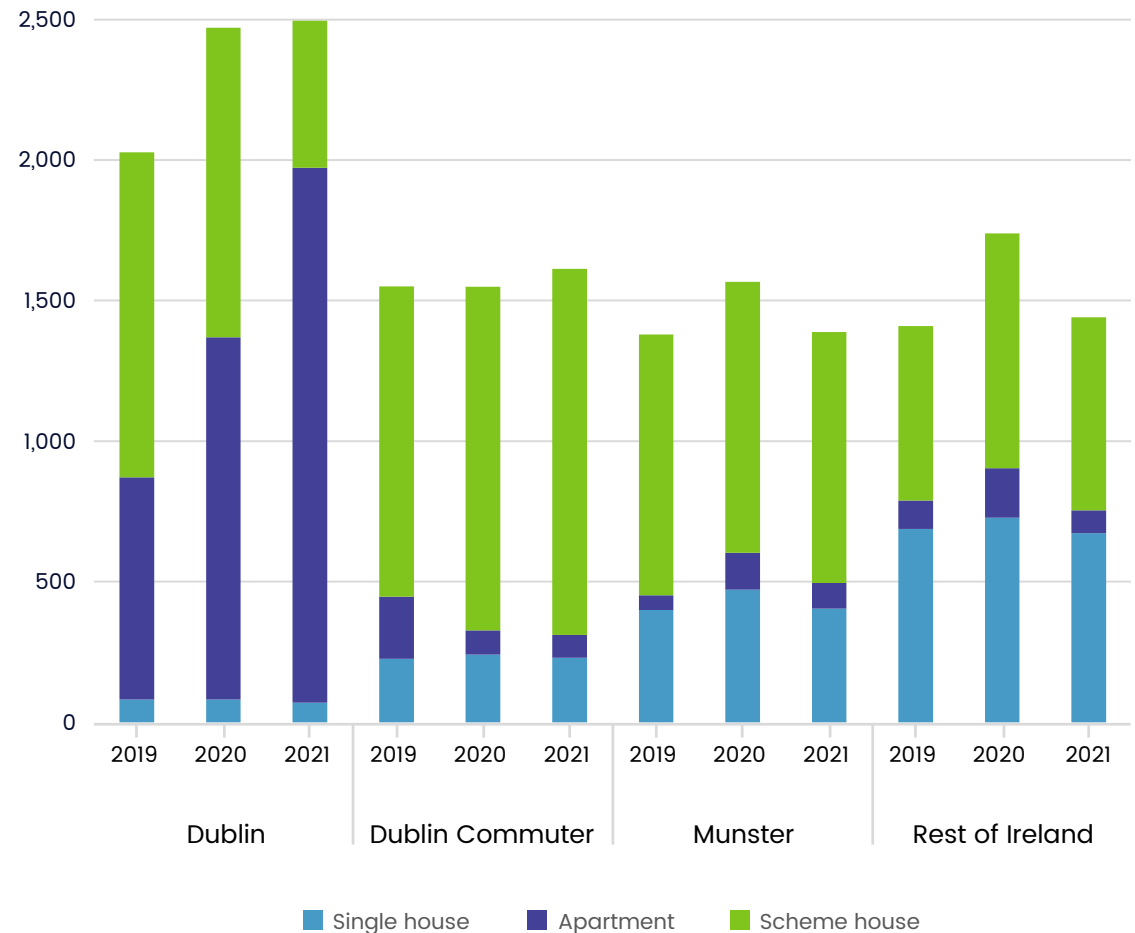
More than 6,900 new dwellings were completed in Q4 2021, according to the Central Statistics Office (CSO), 5.3% less than in Q4 2020. About 20,400 dwellings were completed in all of 2021, 93 fewer than in 2020 and 616 fewer than in 2019.

Dublin accounted for about 30.3% of completions in 2021 while Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 23% and 22% of completions, respectively.

Completions in Dublin rose by 2.7% year on year in 2021 to 6,201. Dublin accounted for 78% of apartments completed nationwide. The number of apartments completed increased by 30.3% in 2021 to 5,107, the most since at least 2008 when separate data from the Department of Housing, Local Government and Heritage (DHLGH) indicated about 12,800 completions. Apartments accounted for 25% of completions in 2021 and the highest level recorded based on all completions data available back to 1994.

By contrast, the number of scheme houses completed nationally fell to 10,644, the lowest level since 2017. Some 33.1% of scheme houses were in Dublin Commuter, while 26.3% were in Munster. Scheme house completions in Munster reached levels last seen in 2009.

Note: Q4 Only. Source: CSO



HOUSING SUPPLY

BPFI HOUSING MARKET MONITOR Q4/2021

New dwellings commenced

Almost 6,500 housing units were started in Q4 2021, 3.3% more than in Q4 2020. On an annual basis, more than 30,700 units were commenced in 2021, the most in any year since 2007.

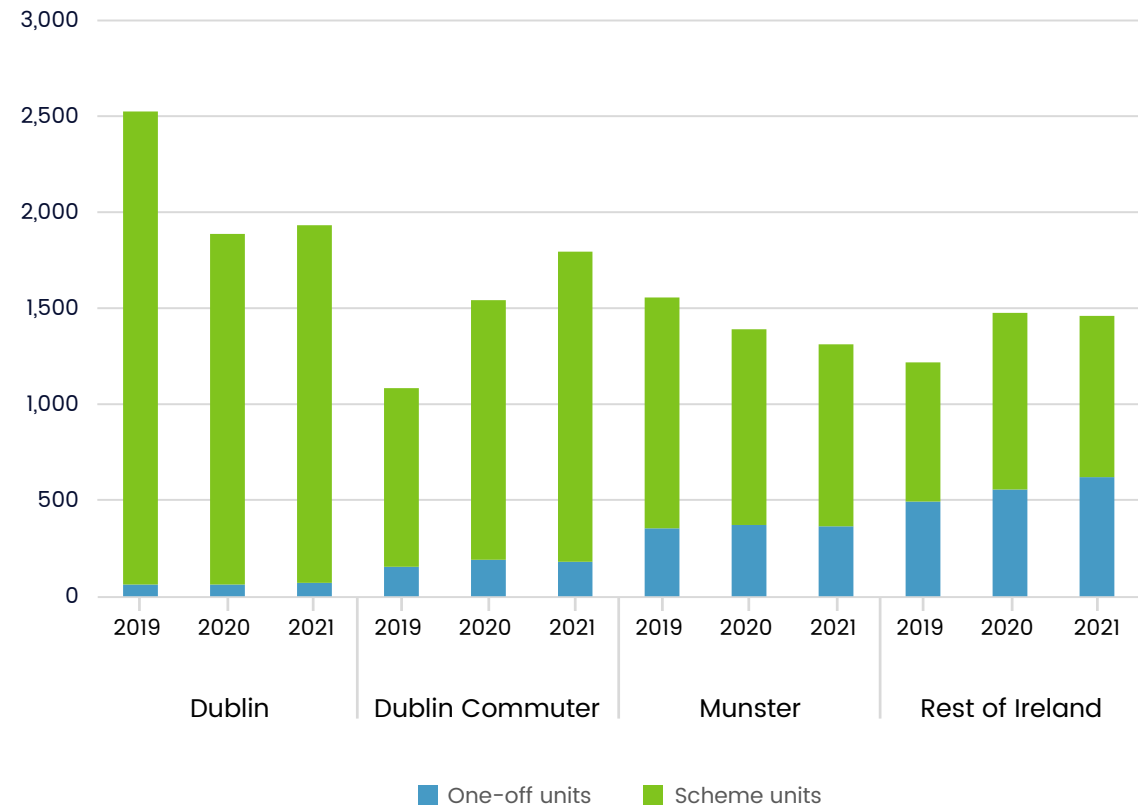
Dublin and Dublin Commuter accounted for 35.6% and 25%, respectively, of housing starts in 2021. Both regions recorded their highest commencement levels since 2006 with 10,936 in Dublin and 7,694 in Dublin Commuter.

At a local level, commencements in Kildare, South Dublin and Dun Laoghaire-Rathdown each accounted for more than 3,000 units, with housing starts in Dun Laoghaire-Rathdown at their highest level since 2005.

Outside the east region, housing starts in Cork City reached their highest level since 2006 at 1,300 while commencements in Cork county surpassed 1,800.

One-off units accounted for only 17.3% of commencements in 2021, the lowest proportion since the data series began in 2004. However, they represented more than 40% of housing starts in eleven counties.

Note: Q4 Only. Source: Department of Housing



New dwelling planning permissions

The number of residential units granted planning permission fell by 16% year on year in Q3 2021 to 11,428. The number of units also fell by 15.6% in year-to-date terms to 29,541.

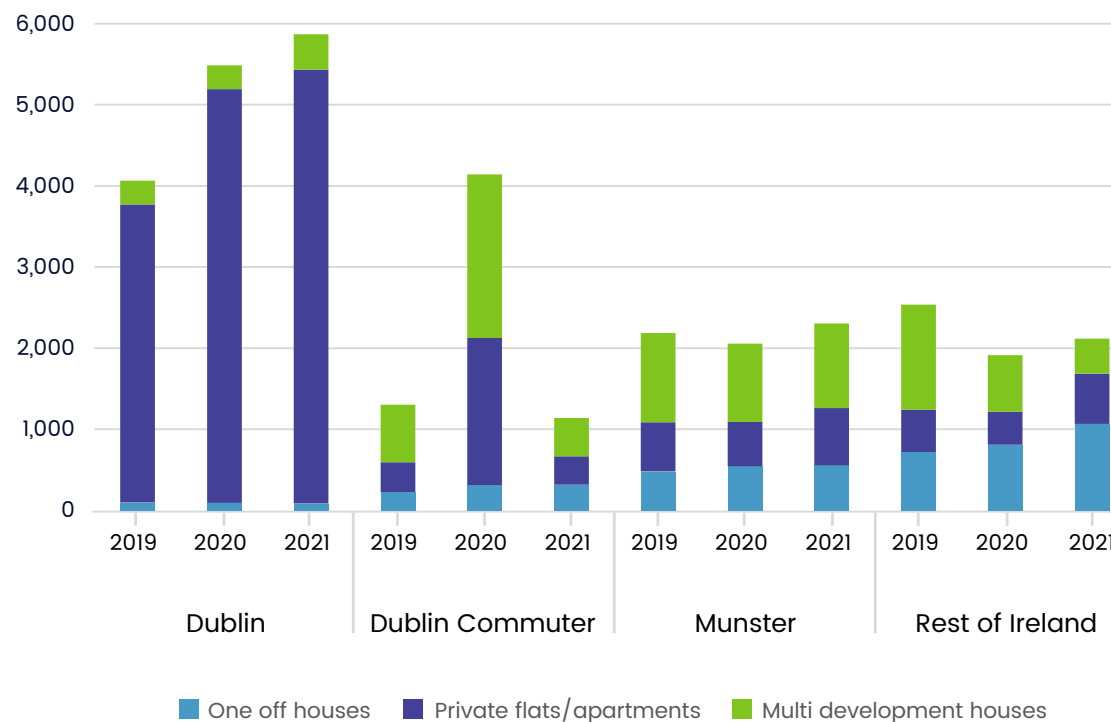
More apartments than houses were granted planning permission for the ninth successive quarter. The number of apartments granted planning permission fell by 14% year on year in the first three quarters of 2021 to 18,165.

Within houses, the number of multi-development houses granted planning permission fell by 41.5% year on year in the first nine months of 2021, having fallen by 2.8% in the same period of 2020 and by 9.3% in the same period of 2019.

Dublin accounted for 45.7% of housing units granted planning permission in the first nine months of 2021 driven by a 69.1% share in apartments granted planning permission. Dublin Commuter contributed 12.3% of total units and 22.3% of multi-development housing units.

Some 10.5% of all housing units granted planning permission in the first nine months of 2021 were in Cork and the county accounted for 12.6% of multi-development houses.

Note: Q3 only. Source: CSO



Transaction prices

Residential property price inflation accelerated again in Q4 2021, with prices up by 14.4% in the twelve months to December 2021, compared with an increase of 2.2% in the year to September 2021. The CSO's national index was only 4% lower than its highest level in April 2007 and the highest level since March 2008.

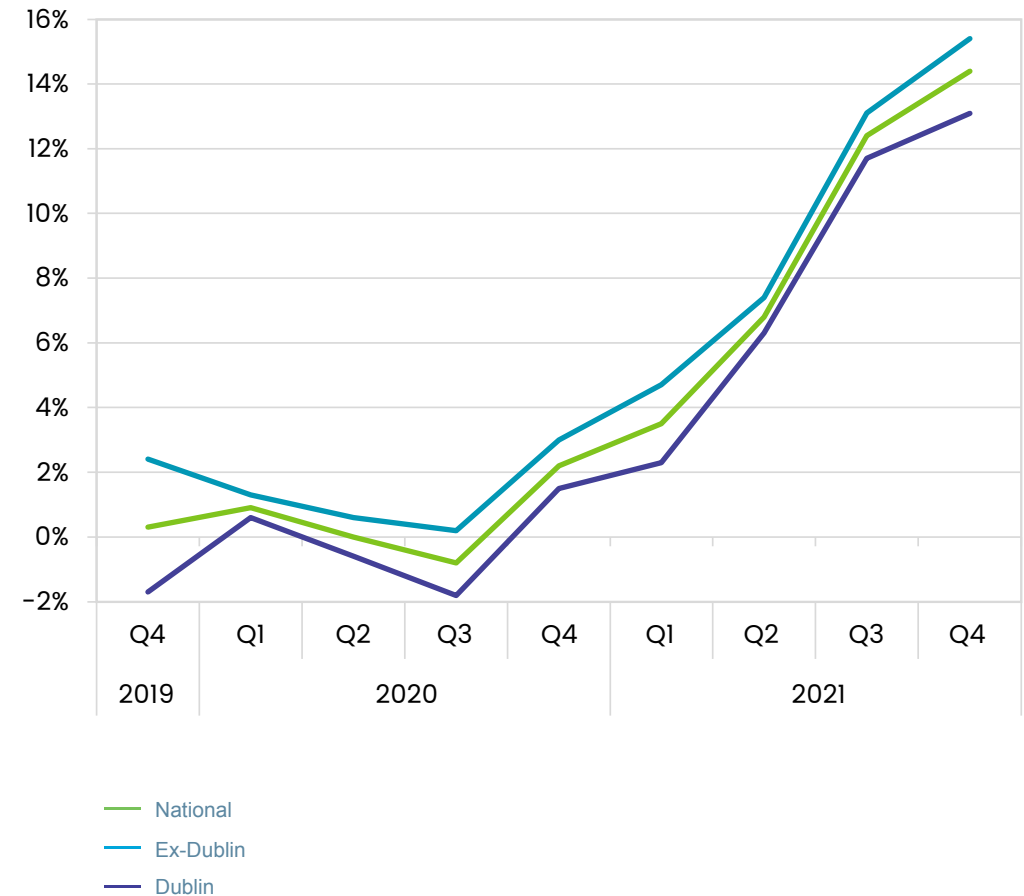
Prices for new dwellings were 5.1% up year on year, while prices of existing dwellings 16.7% higher.

Prices in Dublin rose by 13.1% in the year to December 2021, with house prices in Dublin increasing by 13.5% year on year and apartment prices in the county by 11.3%.

Residential property price inflation outside Dublin rose by 15.4% 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 €300,000 in December 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.

Source: CSO



Rents

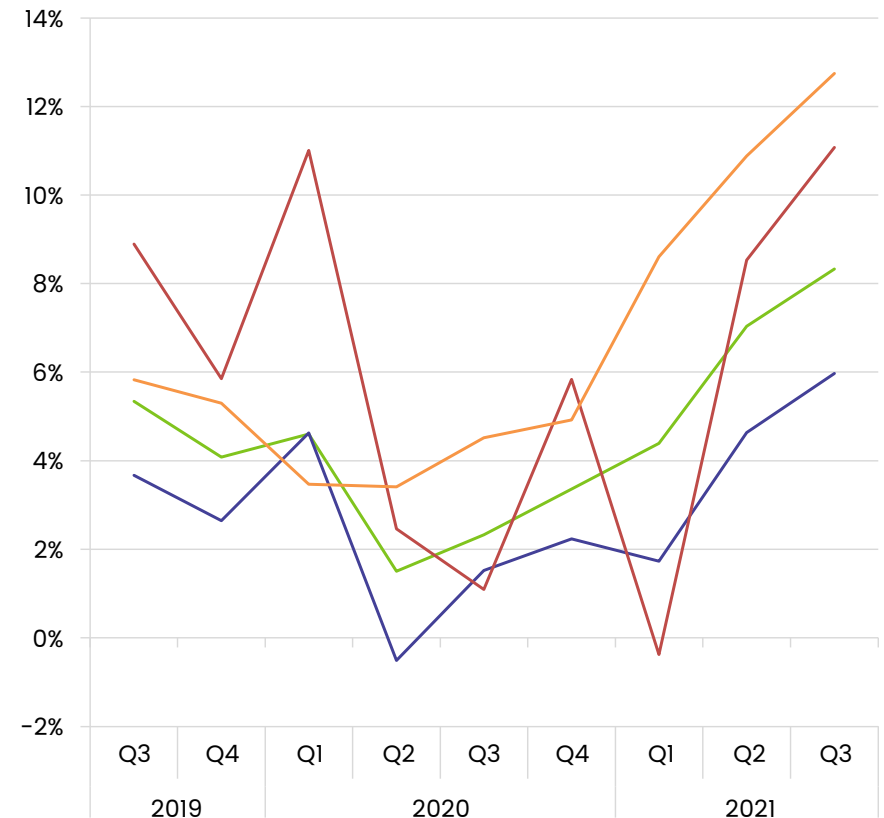
The annual rate of rental inflation was 8.3% in Q3 2021 with the national standardised rent level increasing to €1,397, according to the Residential Tenancies Board (RTB).

Twelve counties had standardised rent levels of more than €1,000, the most since the data series began, and led by Dublin at €1,916. Carlow and Waterford joined the four Dublin Commuter counties, plus Cork, Galway, Kilkenny, Laois and Limerick as the counties with average 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 or third highest.

Some 45.5% of properties paid rents of more than €1,500 per month in Q3 2021, up from 38.2% a year earlier. In Dublin, 73.4% of properties paid rent of more than €1,500, while in the rest of the country, 46.2% paid up to €1,000.

About 60.8% of rented properties were apartments or flats in Q3 2021, up from 56.2% a year earlier.

Note: Q3 only. Source: RTB



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

Household market purchases of residential property rose by 7.7% year on year to 14,071 in Q4 2021, the most since the data series began in 2010. In annual terms, purchases increased by 22.1% year on year to 46,419, also the highest level since the data series started.

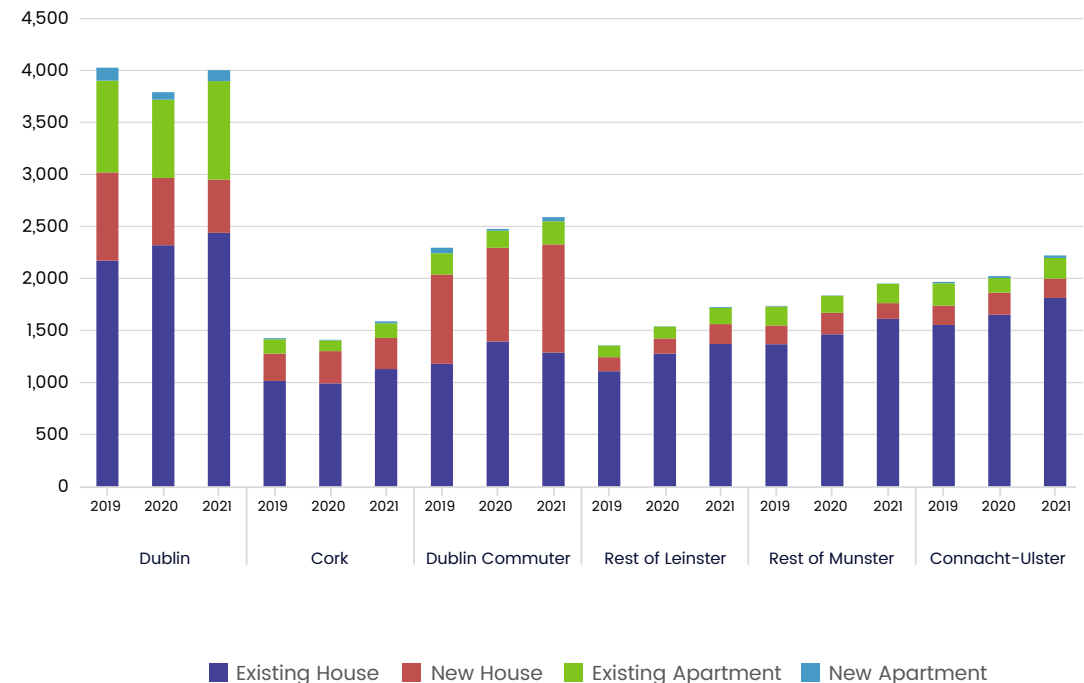
Sales of existing properties rose by 26.1% year on year to 38,851 in 2021, driven by a 25.6% increase in sales on existing houses to 32,902 – in both cases, the most since the date series began. Sales of new properties rose by 5.1% to 7,568, the first increase since 2018.

On a regional basis, 2021 saw the highest sales volumes on record in all but five counties: Dublin, Galway, Limerick, Meath and Monaghan.

Dublin accounted for a 56% share of new apartment sales but, at 309, Dublin new apartment sales were at their second lowest level since 2011. New house sales in Dublin fell to their lowest level since 2016.

Some 37% and 19% of new house and apartment sales, respectively, were in the Dublin Commuter region, the largest shares since the data series began.

Note: Q4 only. 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 fell by 7.1% year on year in Q4 2021 to almost 13,400. In annual terms, approval volumes rose by 23.6% to 53,335 in 2021, the most approvals in a calendar year since the data series began in 2011.

The first-time buyer (FTB) segment grew by 25% in 2021 and accounted for almost 29,000 of the mortgages approved. Mover purchase volumes increased by 18.9% to 12,895 but the number of approvals in the segment was only 0.6% higher than in 2017.

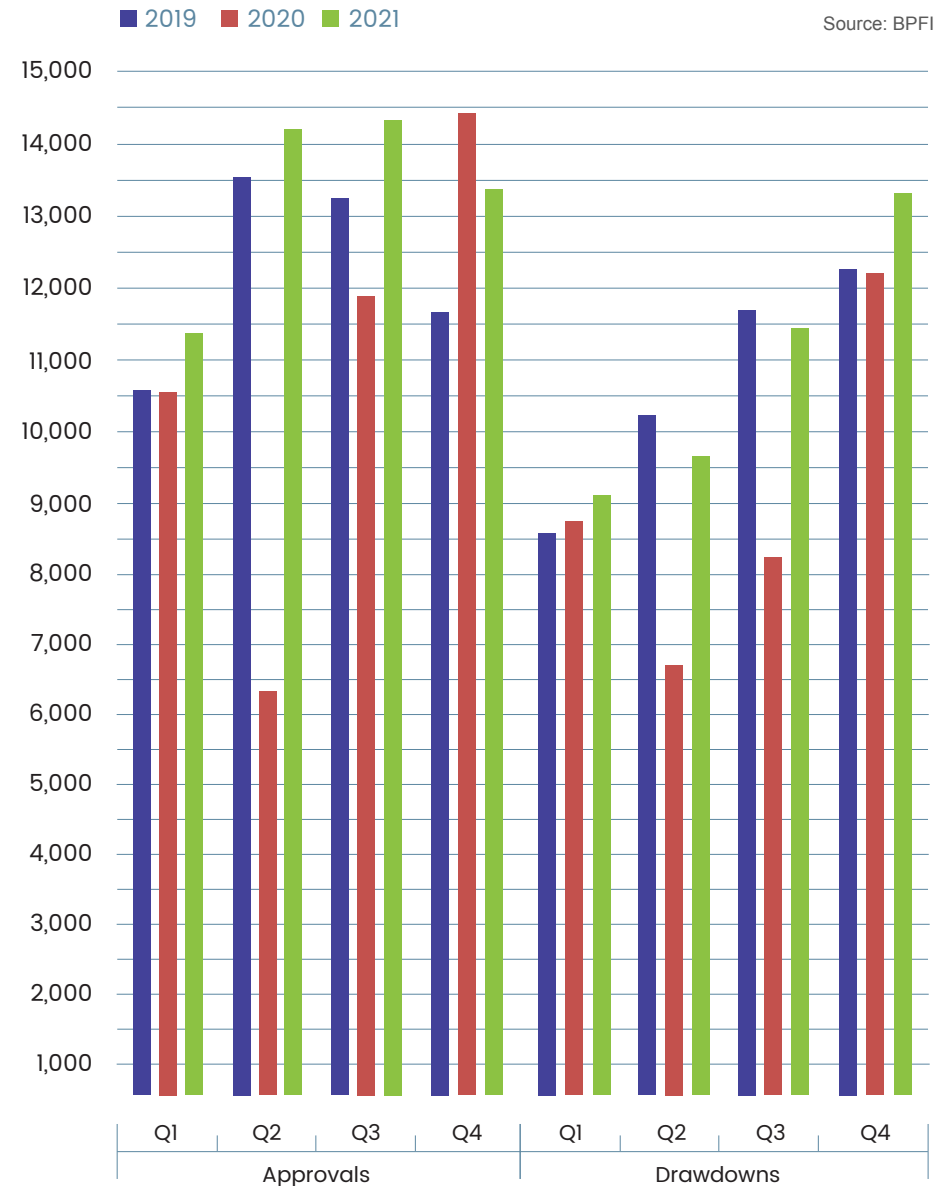
Re-mortgage or switching activity continued to grow and approvals were more than double their 2017 levels. Switching accounted for 13.6% of approvals in 2021.

Mortgage Drawdowns

Mortgage drawdown volumes rose by 9.4% year on year to almost 13,300 in Q4 2021. On an annual basis, drawdowns increased by 22.1% in 2021 to 43,494, the most since 2009.

At a segment level, FTB volumes reached their highest level since 2007 at 22,901, 14.8% higher than in 2008. By contrast, mover purchase volumes were 48.2% lower than in 2008 and, excluding 2020, were at their lowest level since 2016.

Re-mortgage drawdowns increased by 30.9% year on year to 6,458 in 2021, the most since 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]

For information on the data sources and analysis, please contact:
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