



# BPFI Housing Market Monitor Q1 / 2022

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**With a commentary by Dr Ali Uğur**  
Chief Economist,  
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# OVERVIEW OF TRENDS

BPFI HOUSING MARKET MONITOR Q1/2022

Indicator	Latest quarter	One year ago	% change
Dwelling completions	5,669	3,923	44.5%
Dwelling commencements	6,997	2,875	143.4%
Dwelling planning permissions*	13,450	9,536	41.0%
Transactions	11,019	10,640	3.6%
Yr/yr change in transaction prices	15.2%	3.5%	
Yr/yr change in rent prices*	9.0%	3.8%	
Mortgage approvals	12,091	11,330	6.7%
Mortgage drawdowns	9,910	9,091	9.0%

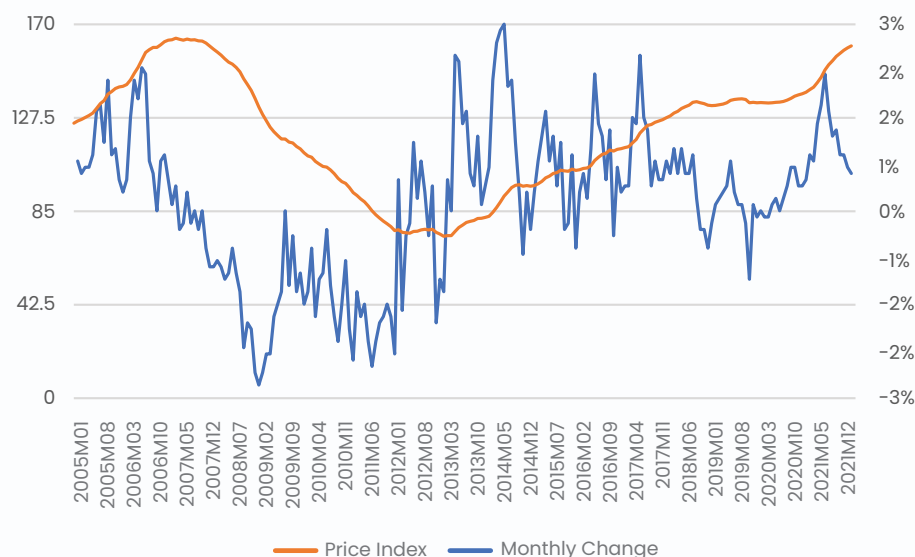
\*Data available up to Q4 2021



## Increasing supply may be easing house price growth but cost pressures are building

Price developments in the Irish residential property market have been driven mostly by the lack of supply in the market. Housing price inflation slowed between the second half of 2019 and reversed in the second half of 2020. However, average residential property prices have been increasing since early 2021. Recent data from the Central Statistics Office (CSO) show that average prices increased by 15.2% in the year to March 2022, compared with an increase of 15.1% in the year to February and 3.5% in the twelve months to March 2021.

Change in Average Property Prices, 2015=100



Source: Central Statistics Office (CSO)

The increase in average property prices has been much more prevalent outside of Dublin with average prices increasing by 17.3% in the year to March 2022 compared with 12.7% increase in average prices in Dublin during the same period. Overall, by March 2022, average national prices were 2.1% lower than their highest level observed in 2007. Property prices nationally have more than doubled from their low in early 2013. The increase has been higher in Dublin with average prices rising by 122.5% since their February 2012 low.

## Housing price inflation may be easing as supply increases

The rate of increase in average property prices on a monthly basis has been declining since the middle of last year, which may reflect increasing housing supply. A good indicator of future housing supply is the number of units commenced. In 2021, a record 30,724 residential units commenced, with more than 40% of these commencing during the second quarter of 2021. The most recent data shows that there were 32,456 units commenced in the twelve months to April 2022 which is a healthy sign of the pipeline for completions. Notwithstanding the fact that apartments account for an increasing share of housing output and these take longer than houses to complete, we should see a significant increase in the number of units completed in the second quarter of 2022. This increase in supply should help to alleviate some of the pressure on average prices.

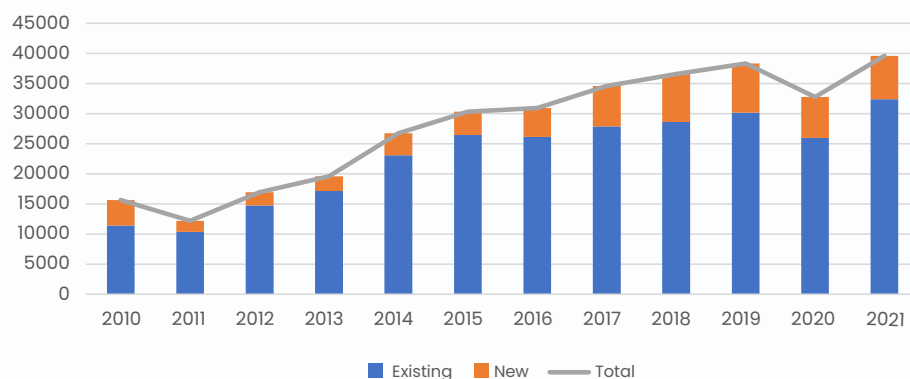
At the same time, leading indicators show pressures building up in relation to input prices which could have a knock-on effect on housing prices. The BNP Paribas Real Estate Construction Purchasing Managers Index for May 2022 shows that cost pressures were severe in April, the second fastest rise in input prices since the survey began in June 2000, just behind the record posted in October 2021. Annual inflation for building and construction materials was running at 18.2% in April 2022, where annual inflation for some materials such as metal and wood ranged between 50% and 60%. In addition, preliminary estimates from the CSO show that average hourly total labour costs increased by 15.2% in the construction sector during the first quarter of 2021 compared with a 4.9% increase across all sectors during the same period.

In terms of housing output, there were 5,669 new completions in the first quarter of 2022, a 44.5% increase from around 4,000 completions in the first quarter of 2021 when Covid-19 restrictions were in place. However, this level of completions is still 15% higher than the levels observed in the first quarter of 2020 prior to the pandemic. This is actually the most completions seen in any first quarter since the data series started in 2011. Apartments accounted for around one third of all completions in the first quarter of 2022, compared with around 18% in the same period in 2021. The most recent CSO Labour Force Survey shows that absences in the construction sector in the first quarter of 2022 was 4.8% compared with 6.7% across all sectors, down from 12% during the last quarter of 2021 which seems to have affected output in the sector during this period. Prior to the pandemic, the rate of absence in the sector in the last quarter of 2019 was at around 8%.

### Existing property transactions dominate the housing market

According to the CSO data, between 2010 and 2021 there were 334,169 household purchases of residential units of which nearly 82% was existing units. In 2010, new units accounted for 27% household property transactions,

Household Purchases of Homes, 2010-2021



Source: CSO

declining to 13% in 2015 and most recently at 18% in 2021. The decline in this share between 2010 and 2015 is perhaps a reflection of lower residential construction activity during the period.

In terms of mortgage activity, there were 9,910 mortgage drawdowns in the first quarter of 2022 valued at €2.5 billion. Mortgage drawdown activity rose in volume terms by 9% year-on-year and increased in value terms by 17.3% over the same period. First-time buyers (FTBs) remained the single largest segment by volume and value accounting for around 52% of overall mortgage drawdowns. There was a significant year-on-year increase in the value and volume of switching mortgage drawdowns during the first quarter of 2022, which is a trend we have been observing in the past couple of years.

In terms of approvals, a total of 4,304 mortgages valued at €1.2 billion were approved in April 2022, a 1.3% decline in terms of volumes compared with the same period last year. This brought the total value of approvals to €13.9 billion in the twelve months ending April 2022, with around 54,038 mortgages approved during the same period. Switching activity accounted for around 18% of mortgage approvals, in value terms, in April 2022 compared with around 13% in the same period in 2021.

The capacity of the construction sector is increasing and the latest data show that there were over 160,000 people employed in the sector, up 10% since the end of 2019 prior to the pandemic. With significant pipeline evident from the commencement activity, we see housing output increasing significantly over the next two years. However, while building more homes in order to try meet required demand, it will be important to analyse cost challenges in the sector and, where possible and minimise the impact of building cost inflation on home prices. This could help to provide better affordability for potential home buyers given that average home prices are increasing faster than the incomes of potential home buyers.

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## New dwellings completed

Almost 5,700 new dwellings were completed in Q1 2022, according to the Central Statistics Office (CSO), 44.5% more than in Q1 2021.<sup>1</sup>

Dublin accounted for about 37.8% of completions in Q1 2022 while Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 20.9% and 18.7% of completions, respectively.

Completions in Dublin more than doubled (up 121%) between Q1 2021 and Q1 2022 to 2,142. Dublin accounted for 85.5% of apartments completed nationwide. The number of apartments completed in Dublin almost trebled to 1,490.

The number of scheme houses completed nationally increased by 25% year on year to 2,821 but this was below the level in 2020 (2,835). Some 30.2% of scheme houses were in Dublin Commuter, while 25.3% were in Munster. Munster also accounted for almost one third (32.2%) of single house completions.

Note: Q1 Only. Source: CSO



<sup>1</sup> Under Level 5 public health restrictions imposed to limit the spread of Covid-19, most residential construction closed from 8 January 2021 until 4 May 2021. Similar restrictions were in place during Q2 2020.

# HOUSING SUPPLY

BPFI HOUSING MARKET MONITOR Q1/2022

## New dwellings commenced

Almost 7,000 housing units were started in Q1 2022, 143% more than in Q1 2021. On an annualised basis, more than 34,800 units in the twelve months ending March 2022, the most since the twelve months ending June 2008.

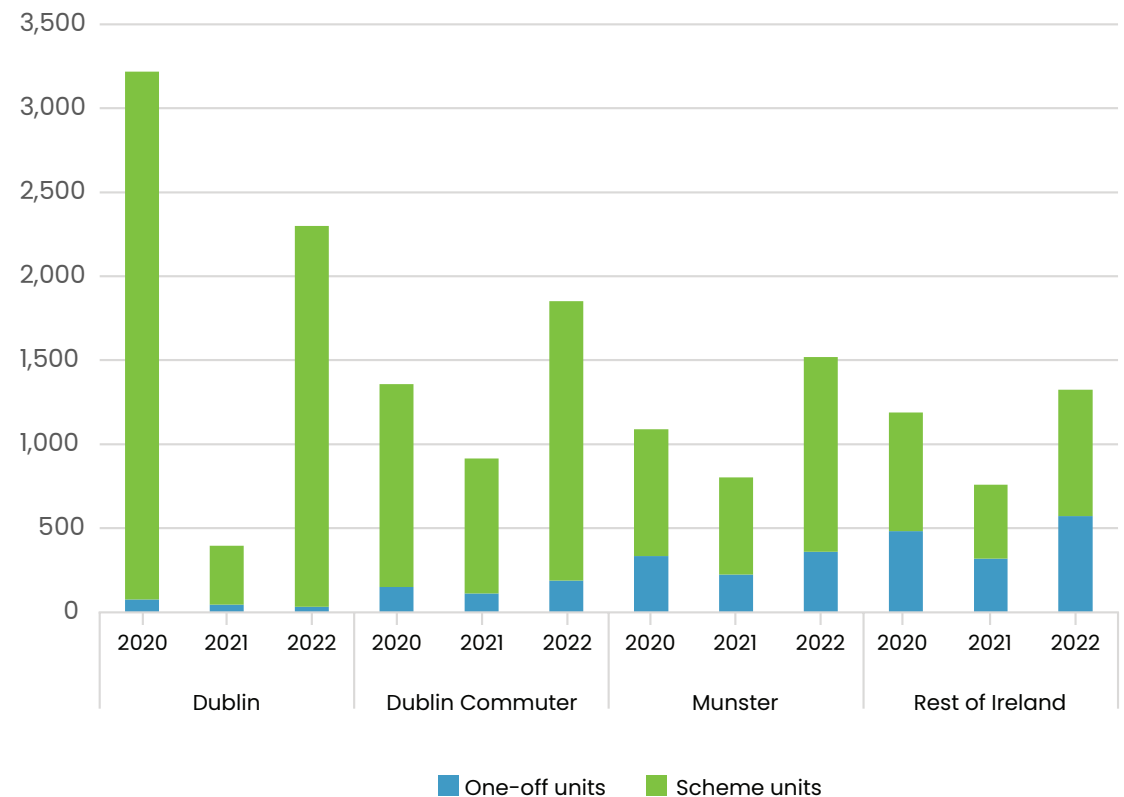
Dublin and Dublin Commuter accounted for 32.9% and 26.5%, respectively, of housing starts in Q1 2022. On an annualised basis, housing starts in Dublin and Dublin Commuter reached their highest levels since the twelve months ending June 2007 and May 2007, respectively, at 12,842 and 8,629.

At a local level, commencements in Kildare, South Dublin and Dublin City each accounted for more than 600 units in Q1 2022. With 963 housing starts in South Dublin and 870 in Kildare, these were the second highest Q1 volumes since the data series began in 2004.

Housing starts in Cork City also reached their highest level since the data series began with 319 units.

One-off units accounted for only 16.5% of commencements in Q1 2022. However, they represented more than 40% of housing starts in thirteen counties.

Note: Q1 Only. Source: Department of Housing



## New dwelling planning permissions

The number of residential units granted planning permission rose by 41% year on year in Q4 2021 to 13,450, the highest quarterly volumes since Q3 2008. Almost 43,000 units were granted planning permission in 2021 the most in a calendar year since 2008.

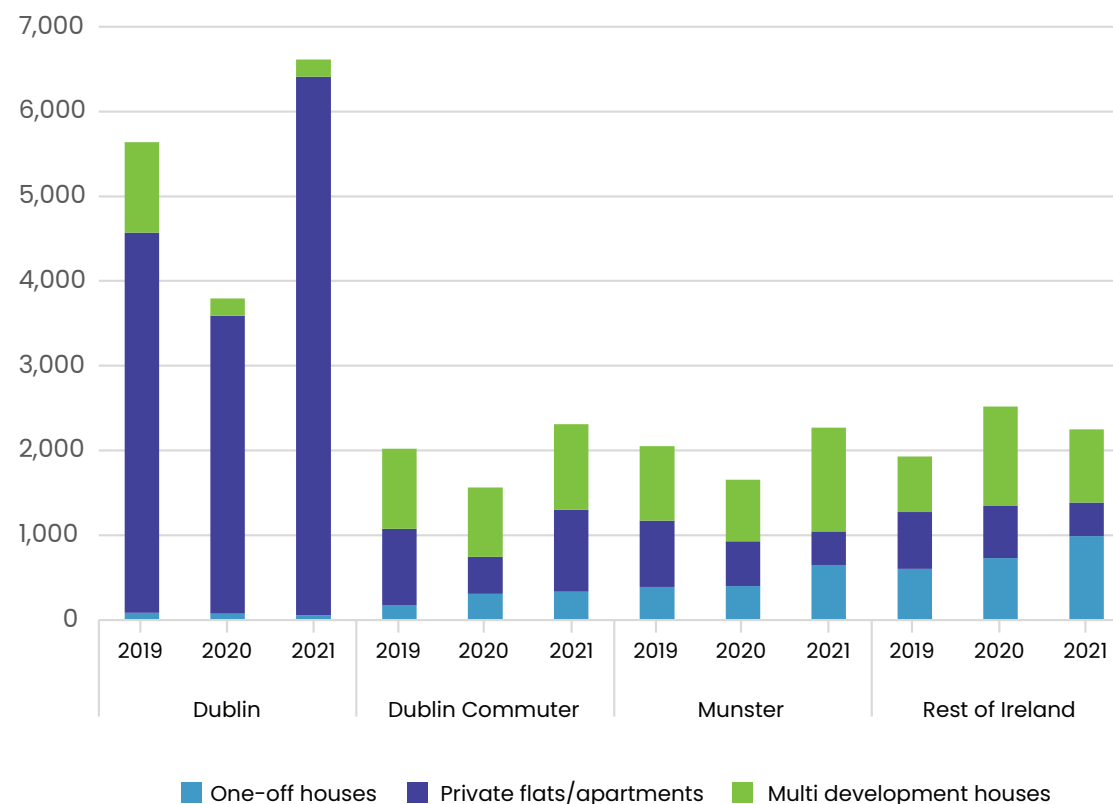
More apartments than houses were granted planning permission for the tenth successive quarter. The number of apartments granted planning permission rose by 6.5% year on year in 2021 to 26,272, the most since 2004.

The number of houses granted planning permission fell to its lowest level since 2017 at 16,719. The number of multi-development houses fell to 9,220, the lowest level since 2018.

Dublin accounted for 46.8% of housing units granted planning permission in 2021, which mainly reflected its 69.1% share in apartments granted planning permission. Dublin Commuter contributed 13.9% of total units and 22.3% of multi-development housing units.

Some 9.6% of all housing units granted planning permission in 2021 were in Cork and the county accounted for 12.6% of multi-development houses.

Note: Q4 only. Source: CSO



## Transaction prices

Residential property price inflation accelerated again in Q1 2022, with prices up by 15.2% in the twelve months to March 2022, compared with an increase of 3.5% in the year to March 2021. The CSO's national index was only 2.1% lower than its highest level in April 2007 and the highest level since December 2007.

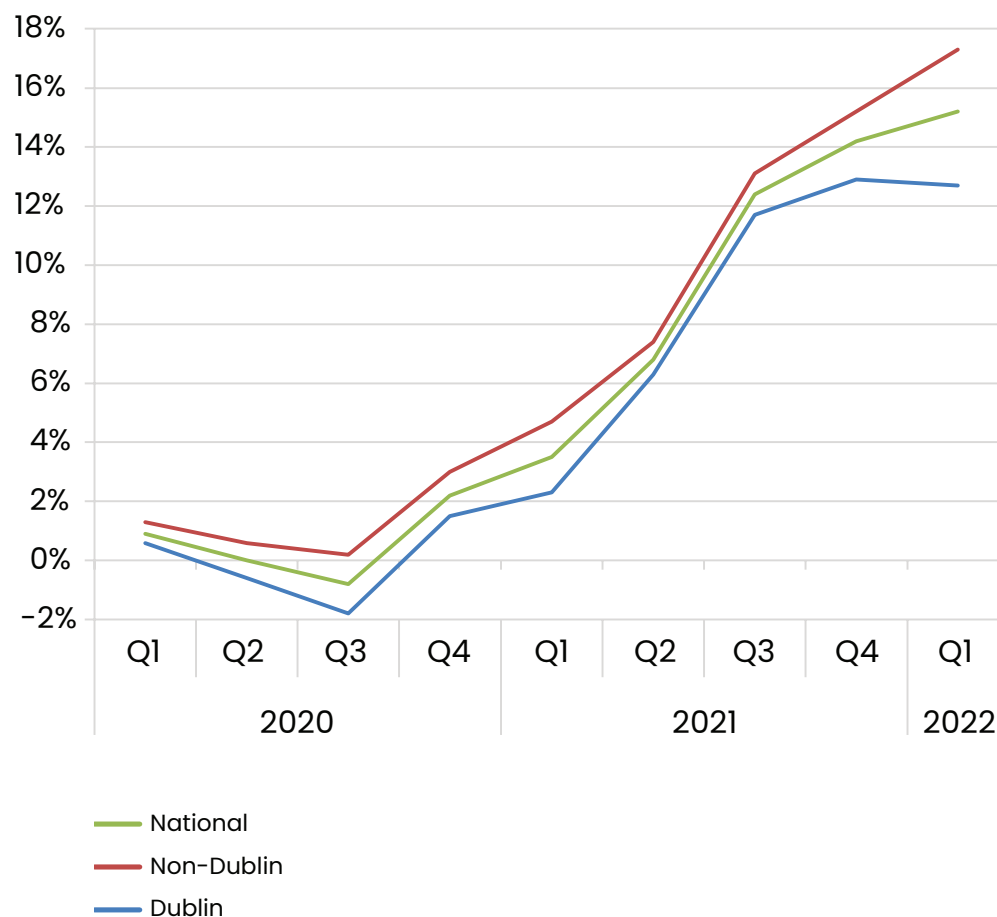
Prices for new dwellings were 6.2% up year on year, while prices of existing dwellings 17.8% higher.

Prices in Dublin rose by 12.7% in the year to March 2022, with house prices in Dublin increasing by 12.6% year on year and apartment prices in the county by 12.9%.

Residential property price inflation outside Dublin rose by 17.3% 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 €290,000 in March 2022 (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





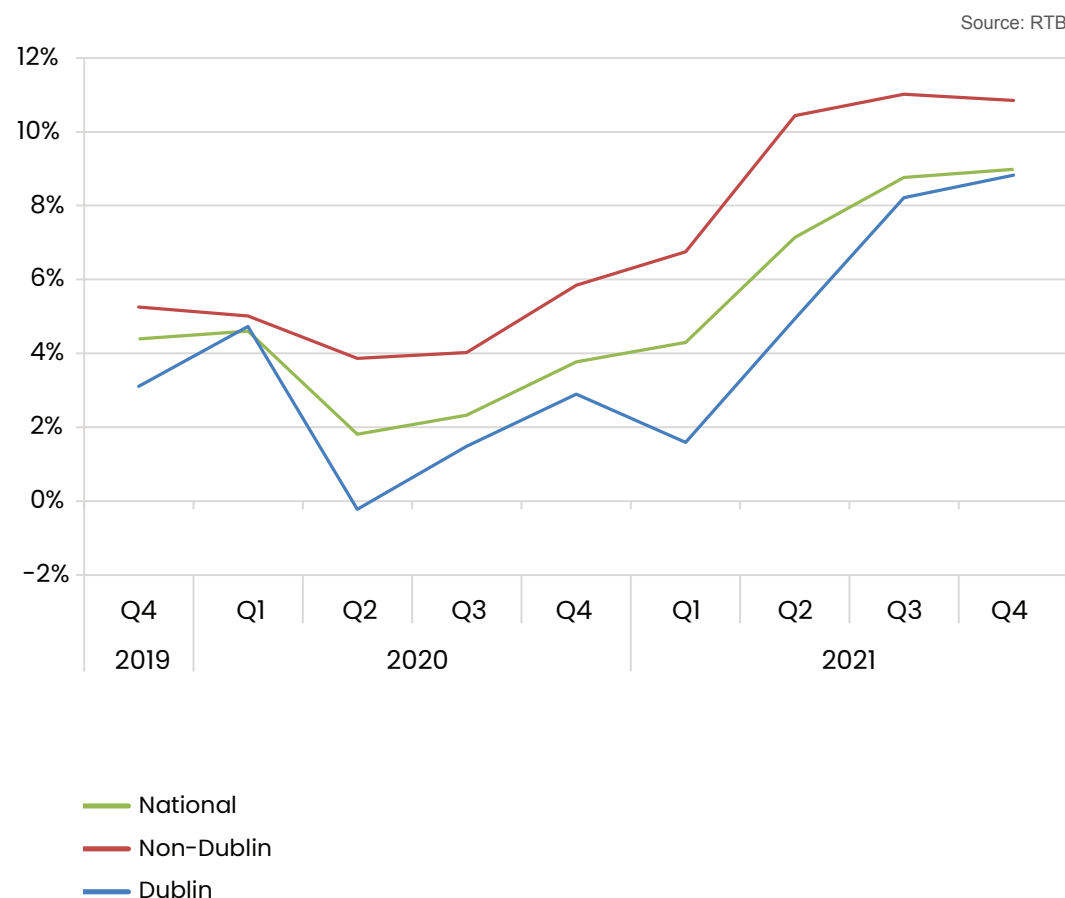
## Rents

The annual rate of rental inflation was 9.0% in Q4 2021 with the national standardised rent level increasing to €1,415, according to the Residential Tenancies Board (RTB), based on new rental tenancies.

Half of all counties had standardised rent levels of more than €1,000, the most since the data series began, and led by Dublin at €1,916. Westmeath joined the four Dublin Commuter counties, plus Carlow, Cork, Galway, Kilkenny, Laois and Limerick and Waterford as the counties with average rents above €1,000. While twelve counties reported their highest standardised rent level since the data series began in Q3 2007, in ten other counties it was the second highest.

Some 40.6% of new tenancies involved rents of more than €1,500 per month in Q4 2021, up from 35.2% a year earlier. In Dublin, 72.0% of properties paid rent of more than €1,500, while in the rest of the country, 45.8% paid between €500 and €1,000.

About 59.7% of new tenancies were for were apartments or flats in Q4 2021, up from 57.4% a year earlier. Some 77.2% of new tenancies in Dublin in Q4 2021 were for apartments/flats.



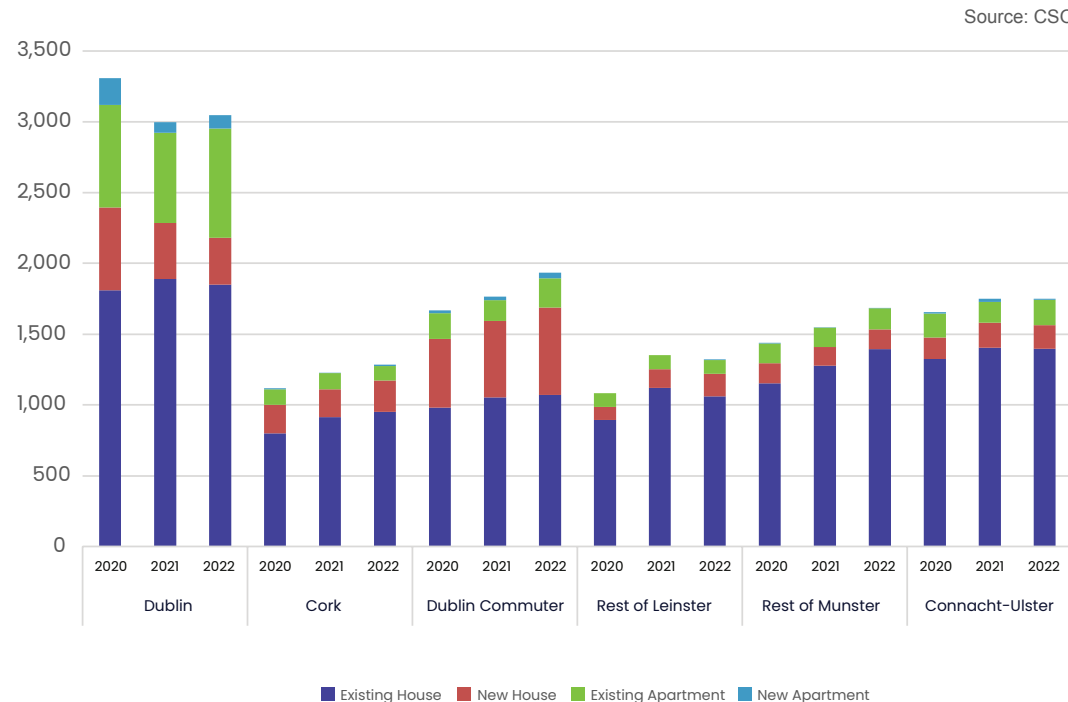
# PROPERTY TRANSACTIONS

Household market purchases of residential property rose by 3.6% year on year to 11,019 in Q1 2022. On an annualised basis, there were 46,798 purchases in the twelve months ending March 2022. This was the second highest level since the data series began and slightly lower than the 46,831 purchases in the twelve months ending February 2022.

Dublin was the largest housing market in Q1 2022 with more than 3,000 household market purchases but its share of the national market fell to 27.6%, its lowest level since the data series began in 2010.

In terms of property type, apartments accounted for 15% of sales, the highest proportion since Q1 2020. New properties, mainly houses, accounted for 16.3% of sales.

Some 37.5% of new house sales, were in the Dublin Commuter region, with 17.4% of sales in Kildare alone.



\* 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 6.7% year on year in Q1 2022 to almost 12,100. This was the highest Q1 volume since the data series began in 2011.

The first-time buyer (FTB) segment grew by 4.4% to more than 6,300 mortgage approvals, while mover purchase volumes fell by 5.2% to less than 2,600, the lowest Q1 volume since 2016.

Re-mortgage or switching activity grew strongly, up by 37.2% year on year. The Q1 2022 level of 2,259 was the highest quarterly volume since the data series began in 2011.

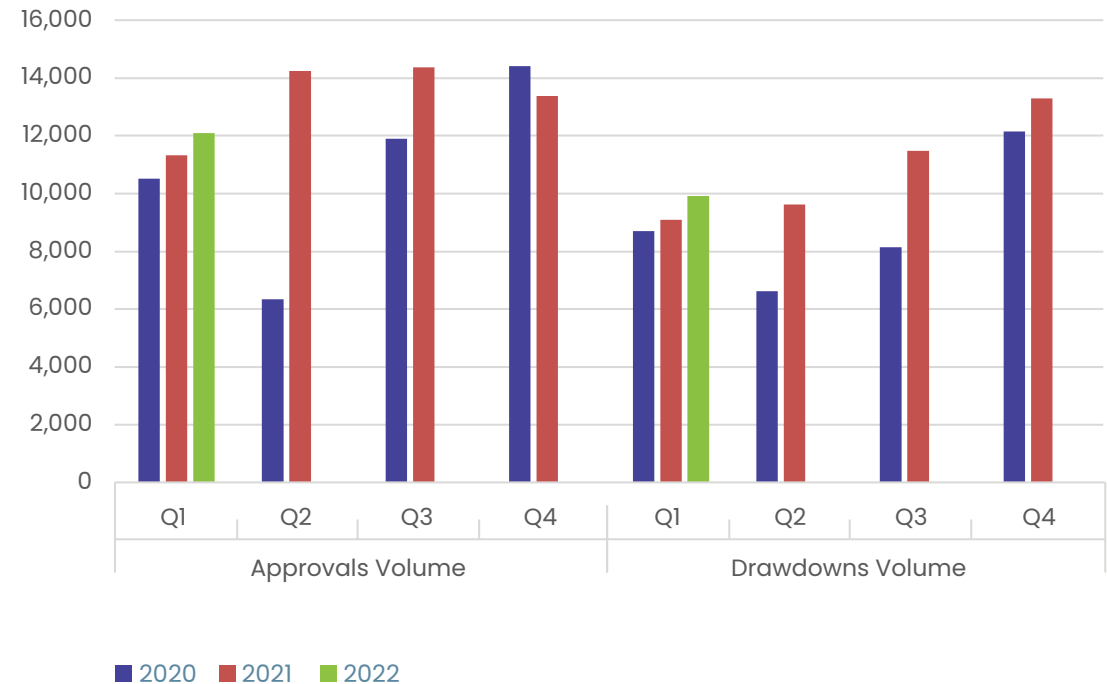
## Mortgage Drawdowns

Mortgage drawdown volumes rose by 9% year on year to more than 9,900 in Q1 2022. This was the highest Q1 level since 2009.

FTB volumes reached their highest level since 2007 at 5,194, 9.9% up on Q1 2021. Mover purchase volumes fell by 2.2% year on year.

Re-mortgage or switching drawdown volumes increased by 27.7% year on year to 1,762, the second highest quarterly volume since Q4 2008 (after Q4 2021).

Source: BPFI



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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