



BPFI Housing Market Monitor Q2 / 2022

With a commentary by Dr Ali Uğur
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OVERVIEW OF TRENDS

BPFI HOUSING MARKET MONITOR Q2/2022

Indicator	Latest quarter	One year ago	% change
Dwelling completions	7,654	4,990	53.4%
Dwelling commencements	7,152	12,655	-43.5%
Dwelling planning permissions*	8,463	6,963	21.5%
Transactions	11,263	9,818	14.7%
Yr/yr change in transaction prices	14.1%	6.8%	
Yr/yr change in rent prices*	9.2%	4.4%	
Mortgage approvals	15,619	14,248	9.6%
Mortgage drawdowns	11,985	9,625	24.5%

*Data available up to Q1 2022



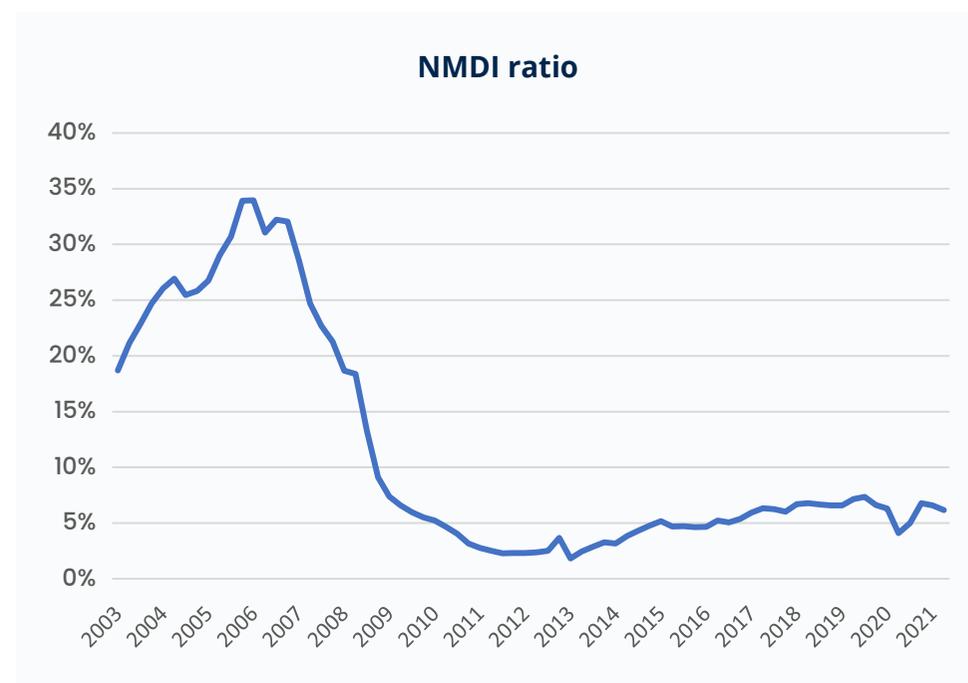
Solid demand fundamentals support strong mortgage growth

Residential property prices increased by 14.1% in Ireland in the year to June 2022. This compares with an increase of 14.4% in the year to May 2022 and 6.8% in the twelve months to June 2021. Average prices were 16% higher outside Dublin in the year to June 2022 whereas average prices increased by 11.8% in Dublin in the same period. Since the second quarter of last year, the increase in the average residential property price seems to be mainly driven by price increases of existing homes. At the national level, the residential property price index is at similar levels observed at its peak in April 2007.

The fundamental driver of the significant increase in average residential property prices in Ireland in recent years has been the lack of supply of new homes as opposed to lending growth, which was observed in mid-2000s. At a macro level a useful indicator of measuring mortgage credit growth is the New Mortgage Lending to Disposable Income (NMDI) ratio, which compares the development mortgage lending developments with changes in households' disposable income. According to calculations by the Central Bank of Ireland (CBI), the ratio of new mortgage lending to disposable income was around 34% at its peak in early 2006, however, this ratio stood at just over 6% at the end of second quarter of 2021.

This ratio had declined significantly even before the introduction of mortgage measures framework by the CBI in 2015, mainly due to uncertainties around the recovery of the Irish economy between 2011 and 2013. The latest data by the CBI shows that, as of the end of 2021, over 45% of mortgage lending has been issued under the mortgage measures framework since 2015. In addition, the share of Private Dwelling Home (PDH) lending with an allowance, i.e., over the Loan to Income (LTI) or Loan to Value (LTV) limits, has declined from 21% in 2016 to 14% in 2021 in value terms.

According to the CBI, at the end of 2021, the average LTI of a first-time buyer (FTB) without an LTI allowance was 3.1 with an LTV of 80% and 4.1 and 83%, respectively for FTB with an LTI allowance, lower than levels observed during the mid-2000s¹.



¹Central Bank of Ireland, Financial Stability Review 2022

Source: Central Bank of Ireland

Employment and income trends point to healthy demand

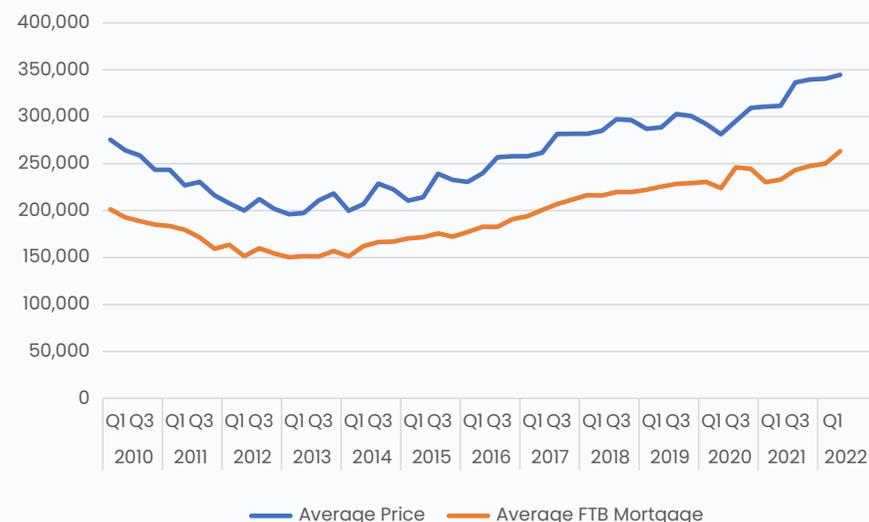
Economic fundamentals support solid demand for mortgages with employment reaching a record level of almost 2.6 million in Q2 2022, according to the Central Statistics Office (CSO), and average weekly earnings of about €872, some 21% or €151 more than five years earlier.

In terms of mortgage market activity, the latest Banking & Payments Federation Ireland (BPFI) data show that in the first half of 2022, there were 21,895 mortgage drawdowns valued at €5.6 billion resulting in an increase of around 17% and 29% in volume and value terms, respectively, compared with the first half of 2021. In the first half of 2022, FTBs accounted for around 51% of all mortgage drawdowns in value terms. Mortgage drawdown values in the first half of 2022 have increased by around 37% compared to the levels observed in the first half of 2019, prior to the pandemic, while volume of activity has increased by around 16% during the same period.

The increase in the average residential property price is also reflected in the average mortgage drawdown value. In the second quarter of 2022, the average FTB mortgage drawdown rose by 13% year on year to €263,312, the highest level since the data series began in 2003. At the same time, we see that the average value of FTB mortgages have increased less than average residential property prices, particularly since the second quarter of 2020, which is perhaps a reflection of FTBs having larger deposits and buying new homes for which average price increases were lower than existing homes.

The total number of approvals in the first seven months of 2022 was 32,965 with a total value of around €8.9 billion compared to €7.6 billion in the same period in 2021 and €6.6 billion during the same period in 2019, prior to the pandemic. It is important to note that the share of non-purchase activity, which includes switching and top-ups has increased from 15% in the first seven months of 2021 to around 25% in the same period in 2022.

Average Residential Property Price and FTB Mortgage



Source: BPFI analysis of CSO and BPFI data

In terms of effective demand for mortgages, when we look at annualised mortgage approval activity, which is a better indicator of the trend, there were 55,689 mortgage approvals in the twelve months ending July 2022, valued at €14,753 million. FTBs accounted for around 50% of all mortgage approvals in the first seven months of 2022. FTB demand is also supported by some 23,682 applications to the government's Help to Buy Scheme in the first seven months of 2022, compared with around 21,000 applications during the same period in 2021.

Supply has increased significantly

Supply in the residential construction sector has improved significantly during 2022. According to the latest data from the Central Statistics Office (CSO), there were 7,654 completions in Q2 2022, which brings the total number of completions to 13,316 units in the first half of 2022. This level of output is nearly 48% higher than the number of completions in the first half of 2021 and 46% higher than total completions in the same period in 2019, prior to the pandemic.

Overall, Dublin accounted for around 37% of all completions in the first half of 2022, the second highest share since 2017 after reaching 39%. Apartment completions accounted for around 31% of all completions during the first half of the year. Dublin continues to have the most apartment completions accounting for about 80% of all completions at the national level.

If the sector continues to build at a rate similar to second half of 2021, it is likely that total completions in 2022 can reach 25,000 units. Our estimate is that more than 50,000 units will be completed between the start of 2022 and the end of 2023.

In terms of future activity, we see that 16,587 units were commenced in the first seven months of 2022 compared with 18,861 units in the same period in 2021. Notwithstanding the decline in commencement activity between the first seven months of 2021 and 2022, there were 28,490 units commenced in the 12 months to July 2022, which is an encouraging sign of activity for future completions.

Economic fundamentals support solid demand for mortgages in the Irish economy with employment reaching a record level in the second quarter of 2022, as well as increases in average incomes. The expected increase in supply levels over the next two years should help to meet this demand and the Irish banking sector has the capacity to provide further sustainable mortgage lending. Housing supply needs to continue to increase in order to moderate house price increases and enhance affordability in the market.

Dr Ali Uğur, Chief Economist,
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New dwellings completed

Almost 7,700 new dwellings were completed in Q2 2022, according to the Central Statistics Office (CSO), 53.4% more than in Q2 2021 and the highest quarterly volumes since the CSO started reporting quarterly completions in 2011¹.

More than half (51%) of completions were scheme houses, while 31.6% were apartments.

Dublin accounted for about 35.7% of completions in Q2 2022 and 76.3% of apartment completions. Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 22% and 21.3% of completions, respectively.

Almost 25,000 new dwellings were completed in the twelve months ending June 2022, more than double the number in the twelve months ending June 2017 (11,501).

More than 5,900 apartments were completed in Dublin in the twelve months ending June 2022, more than double the number in the twelve months ending June 2020 (2,819).

Note: Q2 Only. Source: CSO



¹Under 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 Q2/2022

New dwellings commenced

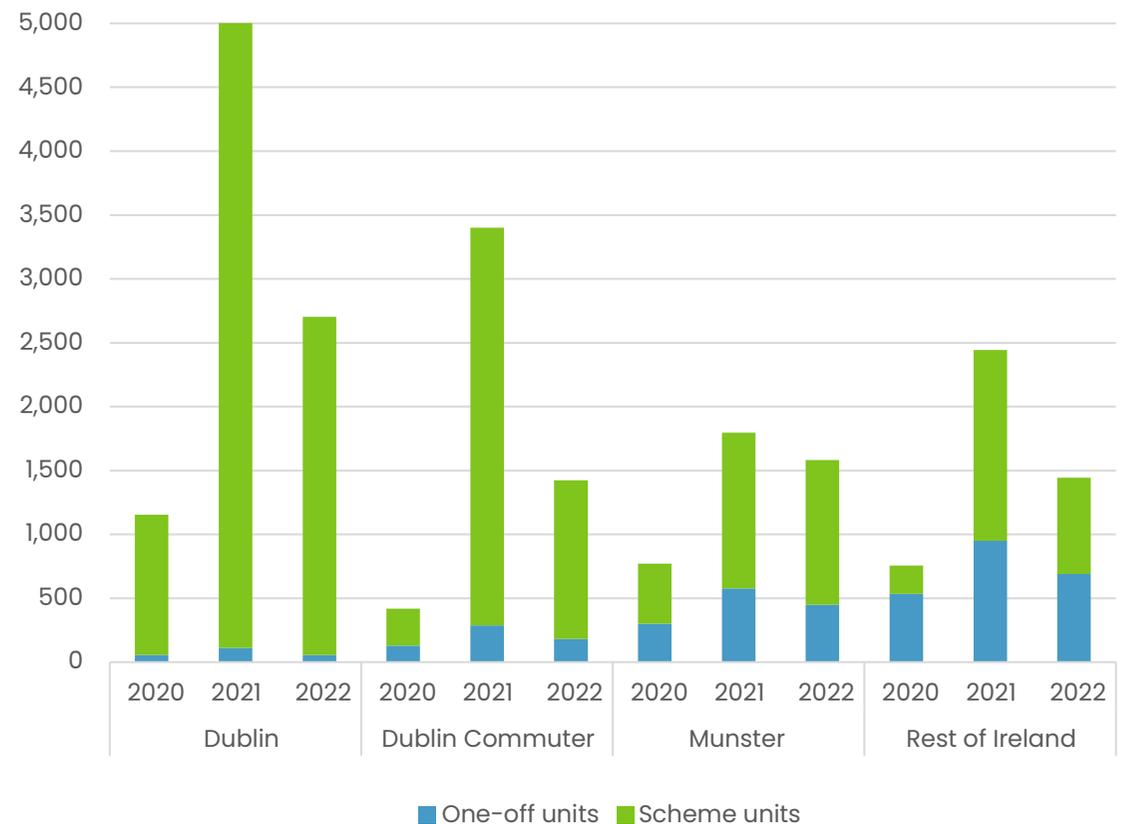
Almost 7,200 housing units were started in Q2 2022, 44% fewer than in Q2 2021. On an annualised basis, some 29,300 units were started in the twelve months ending June 2022, the lowest annualised level since the twelve months ending July 2021.

Comparing with pre-Covid figures, housing starts in the first of 2022 were 15.4% higher than in the same period of 2019 at 14,149. At a regional level, Dublin commencements were 30.8% higher at 5,005 in H1 2022.

Dublin and Dublin Commuter accounted for 37.8% and 19.9%, respectively, of housing starts in Q2 2022. On an annualised basis, housing starts in Dublin and Dublin Commuter reached their lowest levels since the twelve months ending August 2021 and May 2021, respectively, at 10,533 and 6,651.

At a local level, commencements in the four Dublin local authorities, the counties Kildare and Meath and Cork County (excluding Cork City) accounted for almost 60% of the national total in the first half of 2022.

Note: Q2 Only. Source: Department of Housing



New dwelling planning permissions

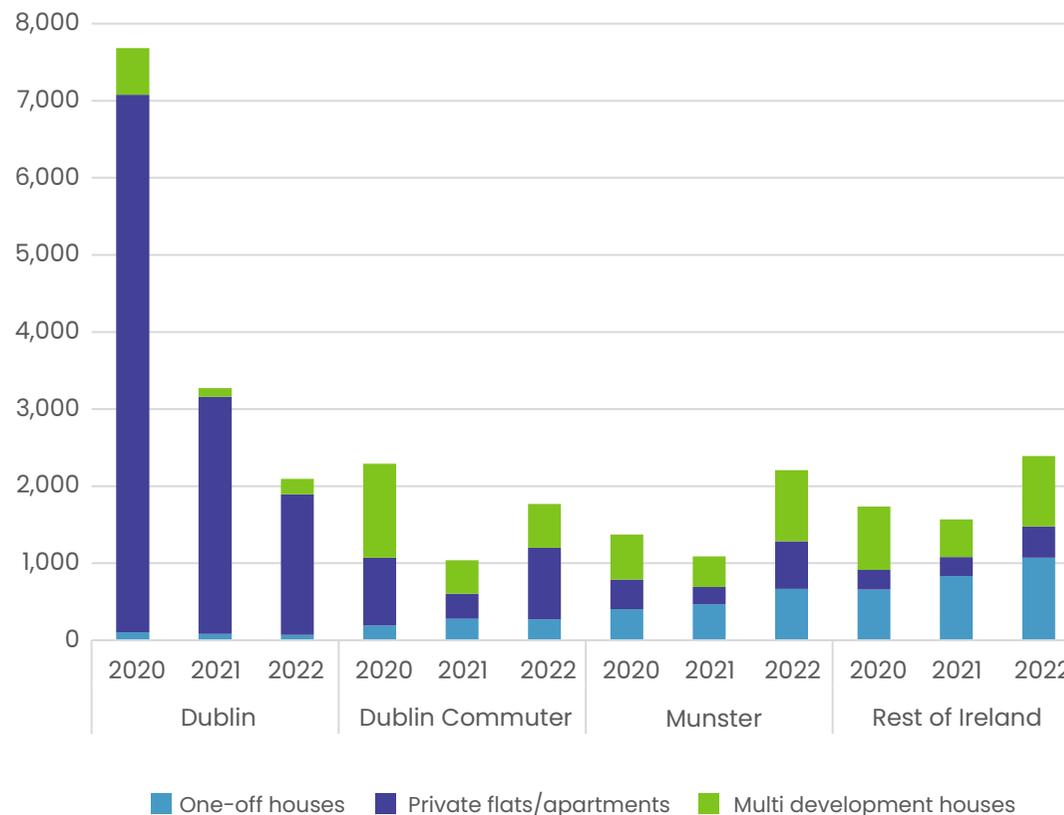
The number of residential units granted planning permission rose by 21.5% year on year in Q1 2022 to 8,463. Almost 44,500 housing units were granted planning permission in the twelve months ending March 2022, the highest volume on an annualised basis since the twelve months ending September 2009.

More houses than apartments were granted planning permission for the first time since Q2 2019. Within houses, 2,081 one-off houses were granted planning permissions, the most since Q3 2009.

Dublin accounted for 48.3% of apartments granted planning permission in Q1 2022 but only 5.8% of houses. Dublin Commuter and the rest of Leinster contributed 21.9% and 27.2% of multi-development or scheme houses, respectively.

Cork was the county with the largest share of houses granted planning permission at 14.6%.

Note: Q1 only. Source: CSO



Transaction prices

Residential property price inflation decelerated in Q2 2022, with prices up by 14.1% in the twelve months to June 2022, compared with an increase of 15.1% in the year to March 2022. The CSO's national index rose to 163.6, which equalled its highest level in April 2007.

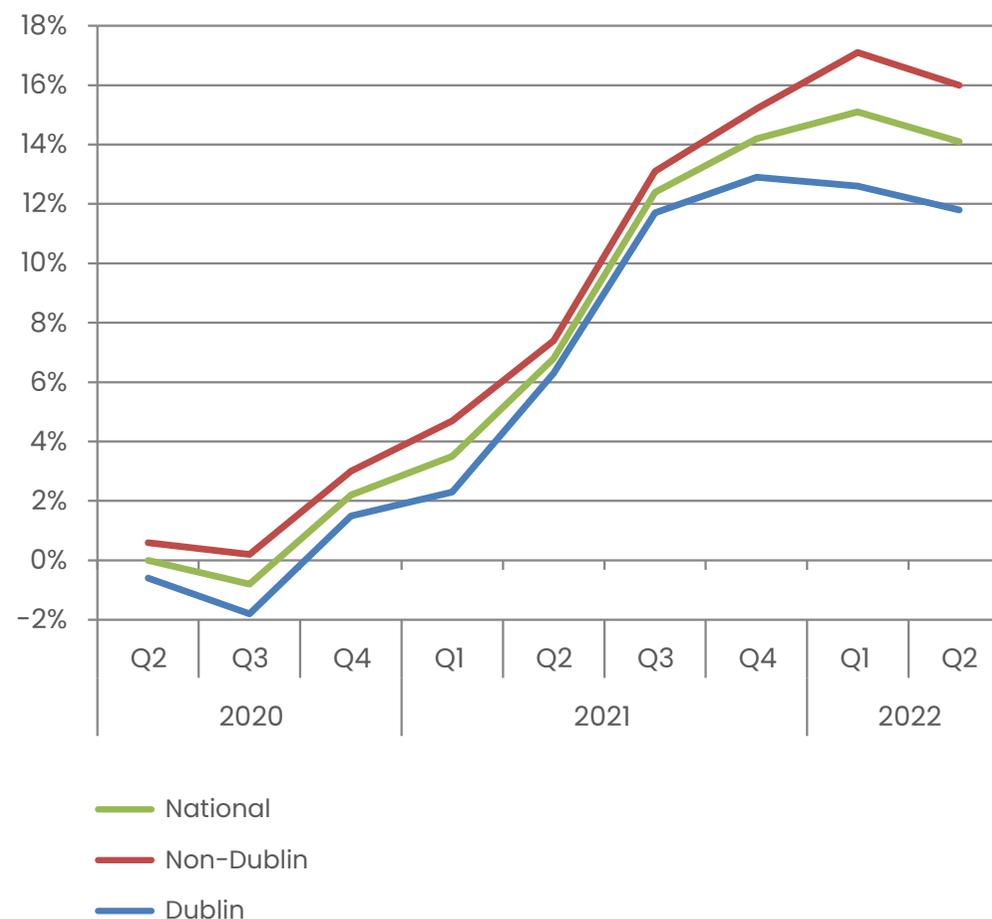
Prices for new dwellings were 7.7% up year on year, compared with an increase of 2.2% in March 2022 while prices of existing dwellings were 16.3% higher.

Prices in Dublin rose by 11.8% in the year to June 2022, with house prices in Dublin increasing by 11.9% year on year and apartment prices in the county by 11.2%.

Residential property price inflation outside Dublin rose by 16% year on year.

Prices vary significantly by location, type and status. At €390,000, the median new house price was 39% or €109,000 higher than the median existing house price in June 2022 (based on filings of household purchases at market prices). Four counties (Dublin, Kildare, Meath and Wicklow) had median residential property prices at or above the national median price of €300,000.

Source: CSO



Rents

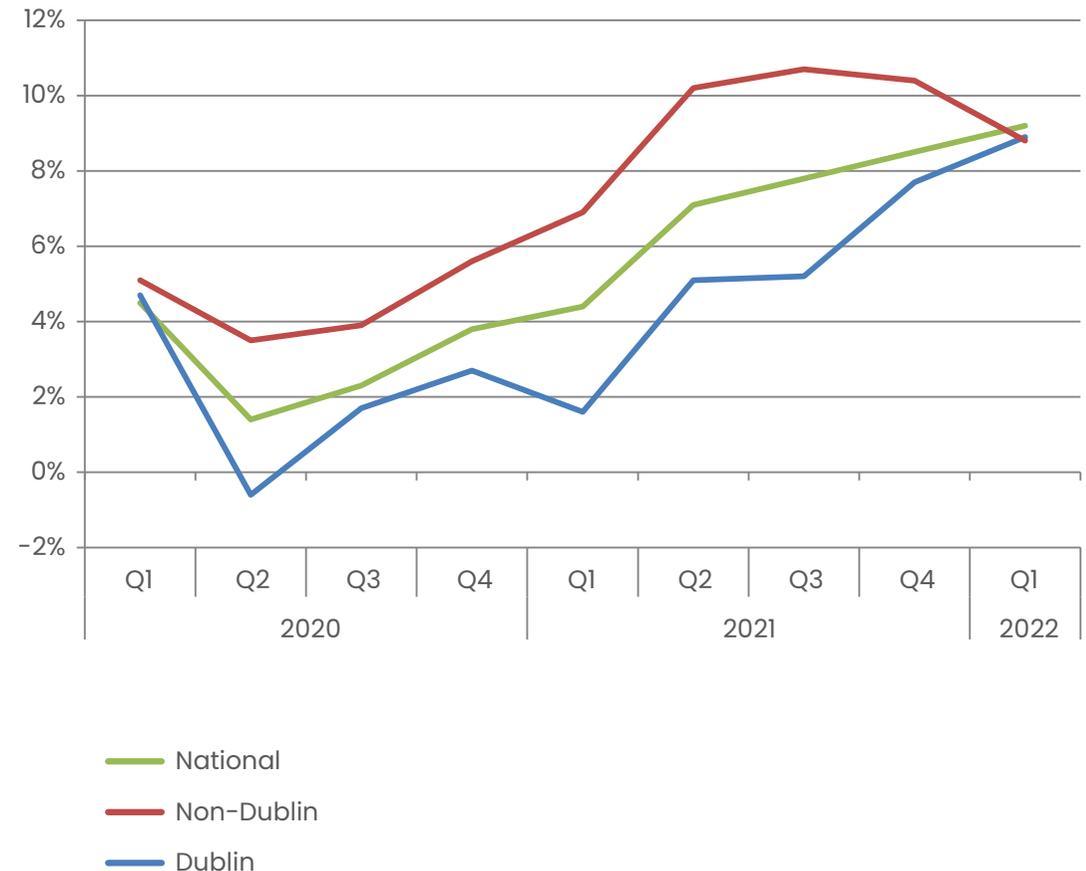
The annual rate of rental inflation was 9.2% in Q1 2022 with the national standardised rent level increasing to €1,460, according to the Residential Tenancies Board (RTB), based on new rental tenancies.

Fourteen counties had standardised rent levels of more than €1,000, the most since the data series began, and led by Dublin at €1,916. All other Leinster counties, except Longford and Offaly, had average rents above €1,000. While 17 counties reported their highest standardised rent level since the data series began in Q3 2007, in five other counties, it was the second highest.

Some 19.7% of new tenancies involved rents of more than €2,000 per month in Q1 2022, up from 11.9% a year earlier. In Dublin, 36.6% of properties paid rent of more than €2,000, with a further 39.9% paying between €1,501 and €2,000. Outside Dublin, 46.8% paid between €501 and €1,000.

About 60.9% of new tenancies were for were apartments or flats in Q1 2022, up from 51.7% in Q1 2017. Some 78.1% of new tenancies in Dublin in Q1 2022 were for apartments/flats.

Source: RTB



PROPERTY TRANSACTIONS

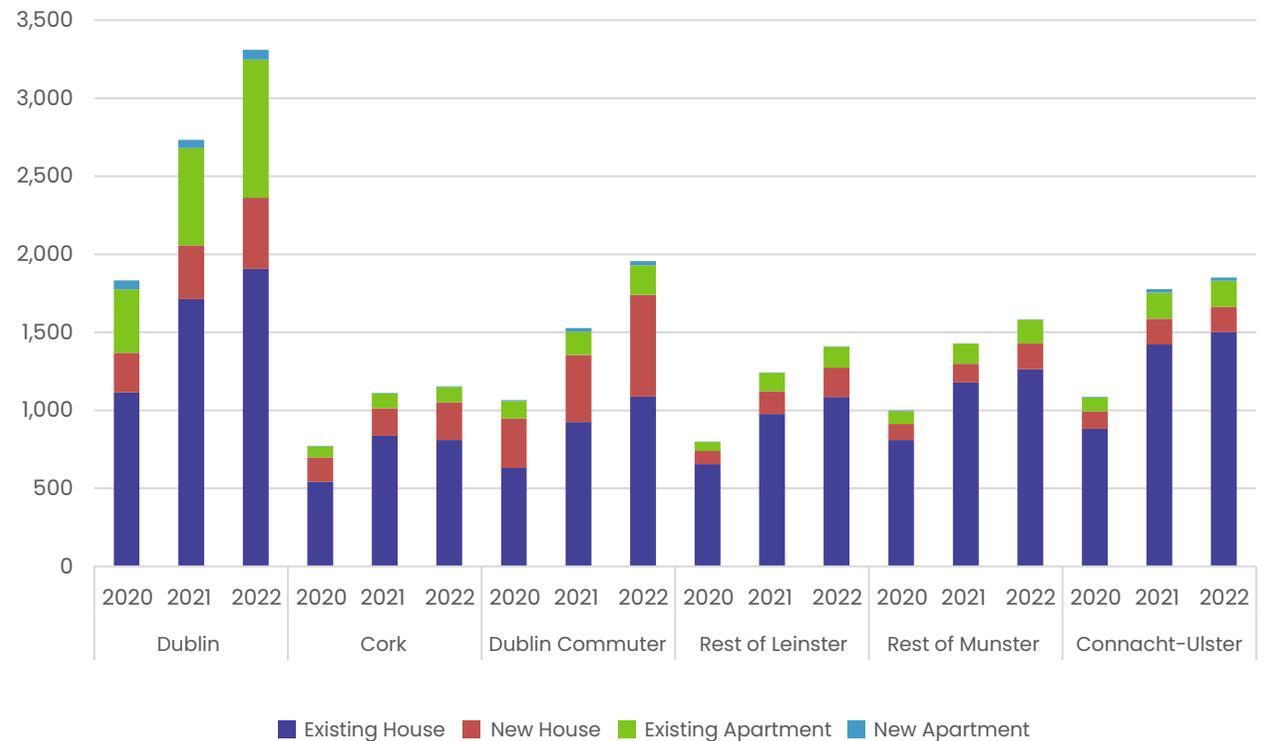
Household market purchases of residential property rose by 14.7% year on year to 11,263 in Q2 2022. On an annualised basis, there were 48,243 purchases in the twelve months ending June 2022. This was the highest level since the data series began in 2010.

Dublin was the largest housing market in Q2 2022 with more than 3,300 household market purchases and a 29.4% share of the national market. Dublin accounted for more than half of the new and existing apartment markets.

In terms of property type and dwelling status, apartments accounted for 15.5% of sales in Q2 2022, while new properties, mainly houses, accounted for 17.6% of sales.

Some 35% of new house sales, were in the Dublin Commuter region, while almost 20% of existing house sales were in the Connacht-Ulster region.

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 9.6% year on year in Q2 2022 to more than 15,600. This was the highest Q2 volume since the data series began in 2011.

The first-time buyer (FTB) segment accounted for less than half of all mortgage drawdowns for the first time since Q2 2020 as re-mortgage or switching activity more than doubled (up by 104.7%) year on year. The Q2 2022 switching level of 3,801 was the highest quarterly volume since the data series began in 2011.

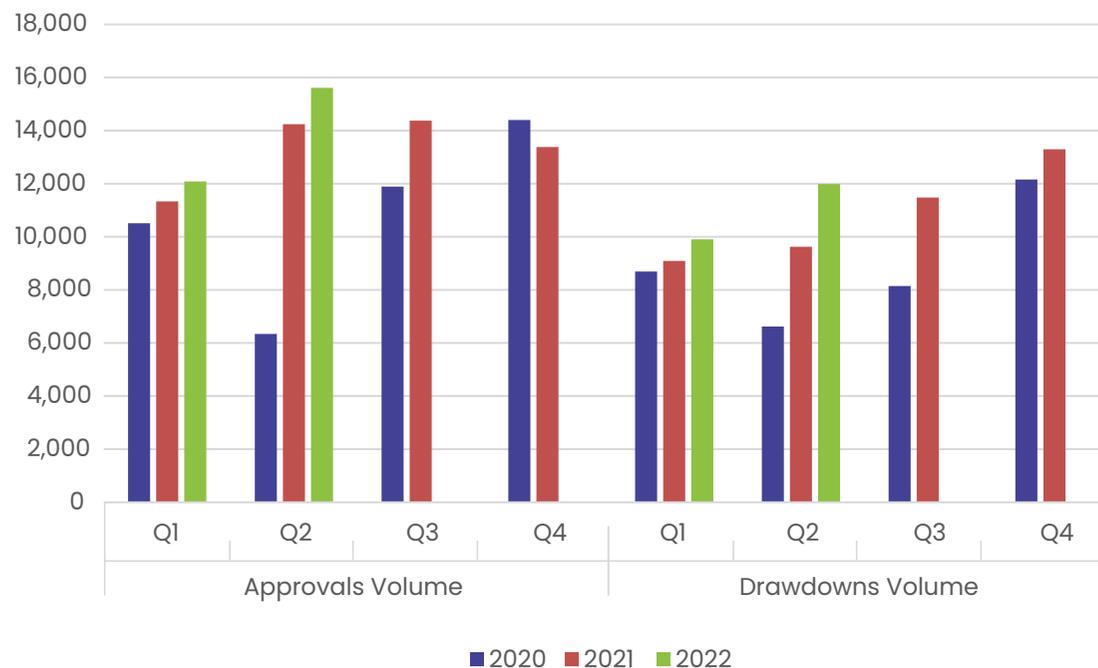
Mortgage Drawdowns

Mortgage drawdown volumes rose by 24.5% year on year to almost 12,000 in Q2 2022. This was the highest Q1 level since 2009.

FTBs drew down almost 6,000 mortgages, up 22.5% year on year and the highest Q2 volume since 2008 (6,106). The average FTB mortgage drawdown rose by 13% year on year to €263,312, the highest level since the data series began in 2003. The previous record was €251,831 in Q1 2008.

Switcher mortgage volumes, meanwhile, grew by 74.3% year on year to more than 2,600 mortgages, the highest Q2 volume since 2008 (7,531).

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]

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