



BPFI Housing Market Monitor Q3 / 2022

With a commentary by Dr Ali Uğur
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OVERVIEW OF TRENDS

BPFI HOUSING MARKET MONITOR Q3/2022

Indicator	Latest quarter	One year ago	% change
Dwelling completions	7,544	4,643	62.5%
Dwelling commencements	6,770	8,696	-22.1%
Dwelling planning permissions*	11,374	11,150	2.0%
Transactions	13,321	11,890	12.0%
Yr/yr change in transaction prices	10.8%	12.4%	
Yr/yr change in rent prices*	8.2%	7.0%	
Mortgage approvals	16,149	14,374	12.3%
Mortgage drawdowns	14,851	11,479	29.4%

*Data available up to Q2 2022



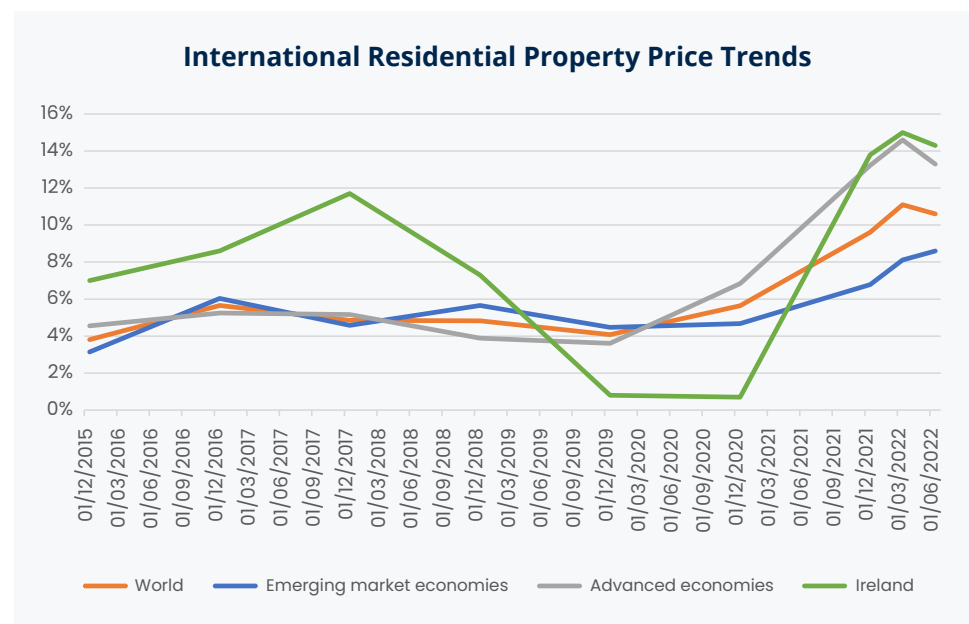
Resilient housing demand means price pressures will remain unless supply increases substantially

Residential property price inflation in Ireland decelerated further in Q3 2022, with prices up by 10.8% in the twelve months to September 2022, compared with an increase of 14% in the year to June 2022, according to the Central Statistics Office (CSO). The median price of a home purchased in the twelve months to September 2022 was €299,500. At about €370,000, the median new house price at the national level was 35% or €95,000 higher than the median existing house price during the same period.

The recent increase in average residential property prices has not been specific to the Irish market. We have seen significant price inflation globally and mainly in advanced economies, particularly since the start of the pandemic. Price inflation in the Irish residential property market was on a downward trend between 2017 and early 2020 coming down to single digits, with significant increase in housing output. However, since the start of the pandemic with reduced output levels, inflation accelerated in early 2021. With increasing housing output in the Irish market during 2022, average annual price inflation started to decelerate, however it still remains at double digit levels.

Irish housing costs have risen faster than the EU average

The annual rate of rental inflation was 8.2% in Q2 2022 with the national standardised rent level increasing to €1,464, according to the Residential Tenancies Board (RTB), based on new rental tenancies. The average rent in new tenancies in Dublin in Q2 2022 was over €2,000 whereas outside Dublin it was just over €1,100 in the same period. The latest Eurostat data shows that average rents have increased by over 82% in Ireland between 2010 and Q2 2022, third

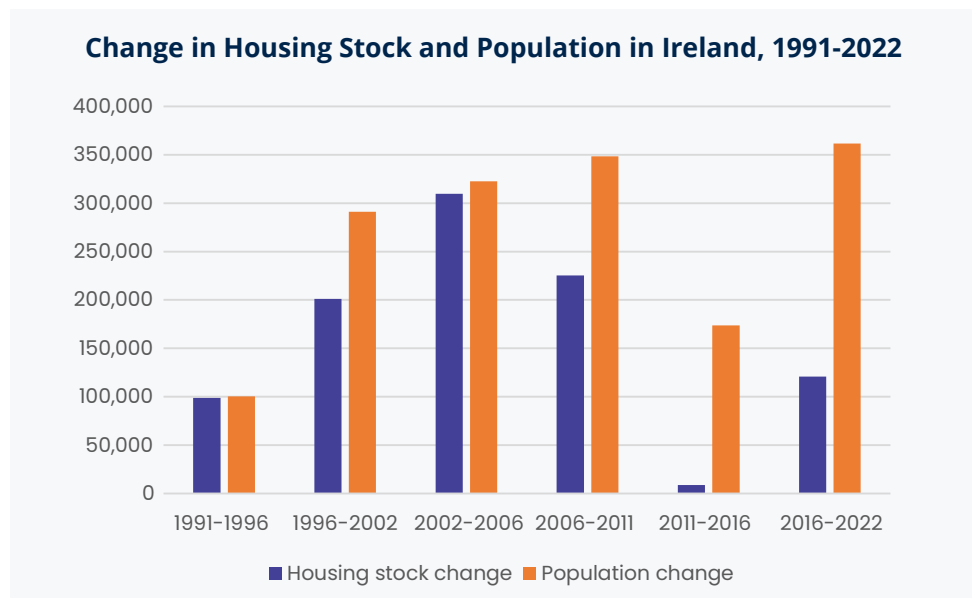


Source: Bank for International Settlements, Central Statistics Office

highest increase in the EU, whereas the increase in average rents during the same period in the EU was 18%. In terms of house prices, the increase was nearly 50% in the EU during the same period with average prices increasing by over 55% in Ireland.

In terms of housing output, almost 28,000 new dwellings were completed in the twelve months ending September 2022, up from about 20,900 in the twelve months ending September 2021. Housing completions in the first three quarters of 2022 were higher than the total for the whole of 2021. Dublin accounted for more than one third of completions in the twelve months to September 2022 and around 80% of apartment completions during the same period.

Even though the housing completions increased significantly in 2022, which has helped to moderate average annual housing price inflation, the latent demand effect is perhaps still evident in terms of the stickiness of average purchase and rental prices in the market. The latest Census figures from the CSO show that, between 2016 and 2022, the housing stock increased by over 120,000 whereas population growth during the same period was over 360,000. More significantly, between 2011 and 2022, the population in Ireland increased by over half a million people whereas housing output grew by only 130,000 units.



Source: BPFI analysis of CSO and BPFI data

Housing supply lags population growth

Compared with pre-Covid figures, housing starts in the first nine months of 2022 were 5.4% higher than in the same period of 2019. However, we see that the commencement activity seems to be declining on an annual basis after peaking at over 34,000 units during the first quarter of 2022. On an annualised basis, some 27,400 units were started in the twelve months ending September 2022. We have seen a further decline in annual commencement levels with the latest data in October 2022.

At the same time, there were nearly 79,000 units that commenced between 2019 and 2021, however only 69,000 units completed between 2020 and 2022 (assuming 28,000 units to be completed in 2022). It is likely that 2023 output will be higher than estimates based on 2022 commencements with feed in from this gap between completions and commencements in the past three years. In terms of the medium and longer-term outlook, nearly 44,700 housing units were granted planning permission in the twelve months ending June 2022, the highest volume on an annualised basis since the twelve months ending September 2009.

In terms of the mortgage market activity, approval values reached €15.7 billion in the year to October 2022 with over 58,000 approvals. The share of non-purchase approvals, which includes switching and top-ups, continued to increase and accounted for around 25% of all approvals in the same period in value terms. First-time buyers (FTBs) still accounted for 49% of all approvals during the period with over 28,300 approvals which is slightly lower than FTB approval numbers in the same period in 2021 but nearly 15% more than the levels observed in the same period in 2019, prior to the pandemic.

In the twelve months ending September 2022, over 50,000 mortgages valued over €13 billion were drawn down, an increase of 18% in terms of volume and 30% in terms of value compared to the same period in 2021. Drawdown volumes rose by 29.4% year on year to almost 15,000 in Q3 2022.

This was the highest Q3 level since 2008. FTBs drew almost 6,600 mortgages during Q3 2022, the highest Q3 volume since 2007. The significant growth in drawdown values was also fuelled by switching activity with the value of non-purchase drawdowns increasing from €1.7 billion in the twelve months to September in 2021 to around €3.2 billion during the same period in 2022. This is also evident in the fact that the share of new and existing mortgages that are fixed over 3 years increased from around 30% of the total at the end of 2020 to over 44% at the end of September 2022.

The fall in the purchasing power of households caused by higher housing and general living costs as well as the future uncertainty in the wider economy are likely to affect mortgage demand in the short term. However, the significant gap between average rents and average mortgage payments in Ireland coupled with significant latent demand are likely to balance any negative impact on demand for mortgage lending in the short term which can continue to impact housing costs unless supply increases substantially.

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New dwellings completed

More than 7,500 new dwellings were completed in Q3 2022, according to the Central Statistics Office (CSO), 62.5% more than in Q3 2021 and the second highest quarterly volumes (after Q2 2022) since the CSO started reporting quarterly completions in 2011.

Almost one third of completions (32.4%) were apartments, the highest proportion since the data series began.

Dublin accounted for about 34.9% of completions in Q3 2022 and 68.4% of apartment completions. Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 21.9% and 20.2% of completions, respectively.

Almost 28,000 new dwellings were completed in the twelve months ending September 2022, up from about 20,900 in the twelve months ending September 2021.

Almost 8,700 apartments were completed in Dublin in the twelve months ending September 2022, up from about 4,700 in the twelve months ending September 2021.

Note: Q3 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 Q3/2022

New dwellings commenced

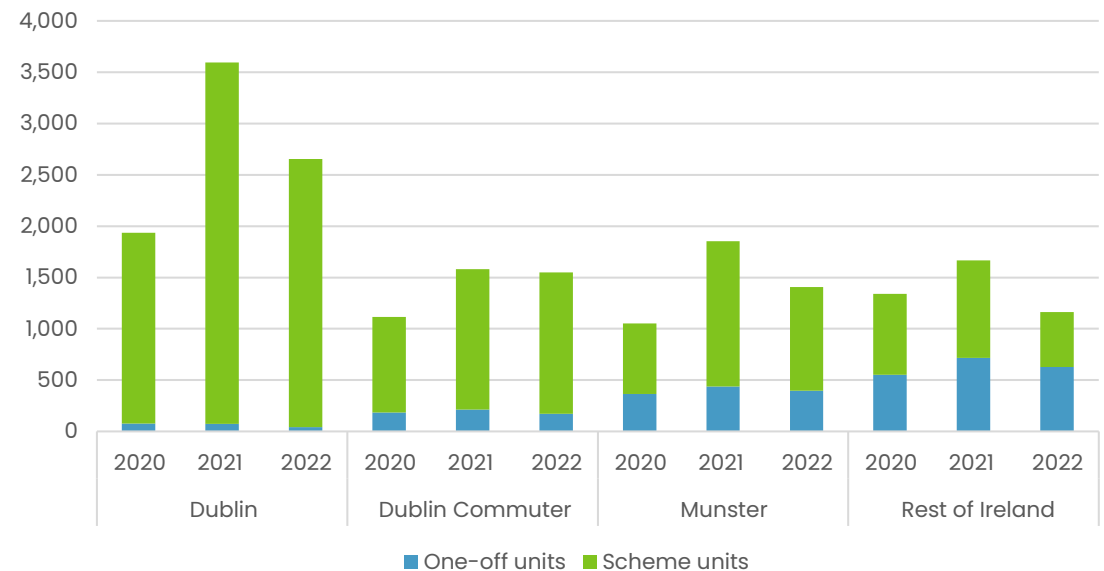
Almost 6,800 housing units were started in Q3 2022, 22% fewer than in Q3 2021. On an annualised basis, some 27,400 units were started in the twelve months ending September 2022, the lowest annualised level since the twelve months ending June 2021.

Comparing with pre-Covid figures, housing starts in the first nine months of 2022 were 5.4% higher than in the same period of 2019 at 20,919. At a regional level, Dublin commencements were 18.3% higher at 7,658 in the first nine months of 2022.

Dublin and Dublin Commuter accounted for 39.2% and 22.9%, respectively, of housing starts in Q3 2022.

At a local level, in the first nine months of the year, South Dublin had the most commencements, at 2,586. This was South Dublin's second highest level, for the year to date, since 2006. Kildare and Dublin City each contributed about 2,000 housing starts in the first nine months.

Note: Q3 Only. Source: Department of Housing



New dwelling planning permissions

The number of residential units granted planning permission rose by 2% year on year in Q2 2022 to 11,374. About 44,700 housing units were granted planning permission in the twelve months ending June 2022, the highest volume on an annualised basis since the twelve months ending September 2009.

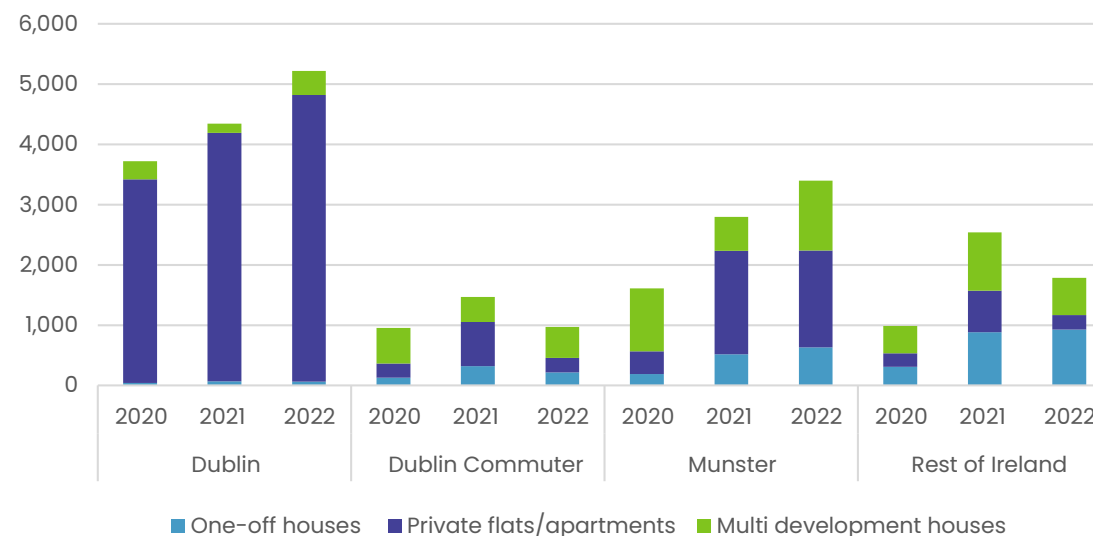
More than 6,800 apartments were granted planning permission, 5.8% fewer than in Q2 2021. Dublin accounted for 69.5% of apartments nationwide but only 10.3% of houses.

The Dublin Commuter region accounted for only 3.6% of apartment and 16.2% of house units granted planning permission in Q2 2022, the lowest quarterly shares since quarterly data became available in 2018.

Nationwide, the number of houses granted planning permission rose by 16.6% year on year to more than 4,500.

Cork was the county with the largest share of houses granted planning permission at 14.7%, while the rest of Munster accounted for a further 24.8% share.

Note: Q2 only. Source: CSO



Transaction prices

Residential property price inflation decelerated further in Q3 2022, with prices up by 10.8% in the twelve months to September 2022, compared with an increase of 14% in the year to June 2022. The CSO's national index rose to 167.8, which is the highest level since the historical data series began in 2005.

Prices for new dwellings were 9.1% up year on year, while prices of existing dwellings were 12.7% higher.

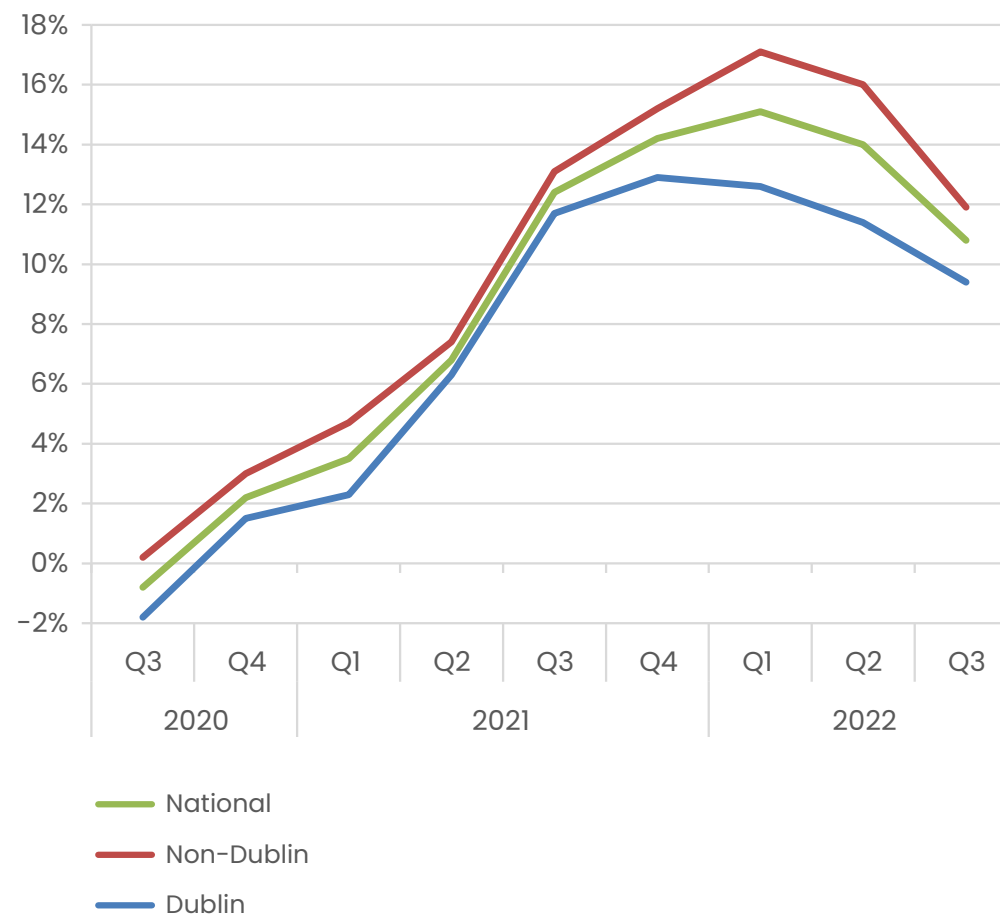
Prices in Dublin rose by 9.4% in the year to September 2022, with house prices in Dublin increasing by 9.8% year on year and apartment prices in the county by 7.5%.

Residential property price inflation outside Dublin rose by 11.9% year on year, with house prices up by 12.1%.

Prices vary significantly by location, type and status. At about €370,000, the median new house price was 35% or €95,000 higher than the median existing house price in the twelve months ending September 2022 (based on filings of household purchases at market prices).

Nine local government areas (all of Dublin, Kildare, Meath, Wicklow and Galway City) had median residential property prices at or above the national median price of about €300,000 in the twelve months ending September 2022.

Source: CSO



Rents

The annual rate of rental inflation was 8.2% in Q2 2022 with the national standardised rent level increasing to €1,464, according to the Residential Tenancies Board (RTB), based on new rental tenancies.

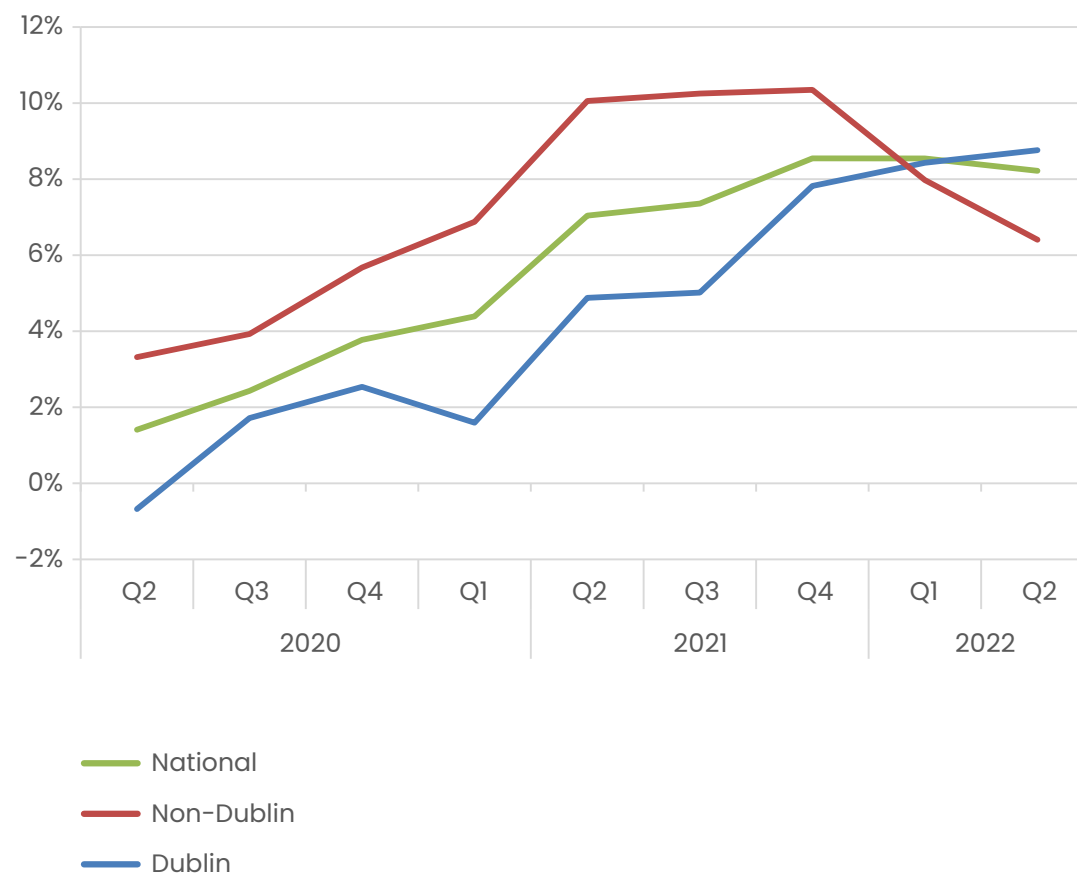
Fourteen counties had standardised rent levels of more than €1,000, led by Dublin at €2,011, which was 8.8% higher than in Q2 2021. All other Leinster counties, except Longford and Offaly, had average rents above €1,000. While 15 counties reported their highest standardised rent level since the data series began in Q3 2007, in seven other counties, it was the second highest.

Standardised rent levels fell in two counties, when compared with Q2 2021, with rents down by 2% in Wicklow and 1.1% in Kildare.

Some 19.4% of new tenancies involved rents of more than €2,000 per month in Q2 2022, up from 13.7% a year earlier. In Dublin, 37.3% of properties paid rent of more than €2,000, with a further 36.5% paying between €1,501 and €2,000. Outside Dublin, 46.1% paid between €501 and €1,000.

About 60.9% of new tenancies were for were apartments or flats in Q2 2022, up from 51.9% in Q2 2017. Some 77.8% of new tenancies in Dublin in Q2 2022 were for apartments/flats.

Source: RTB



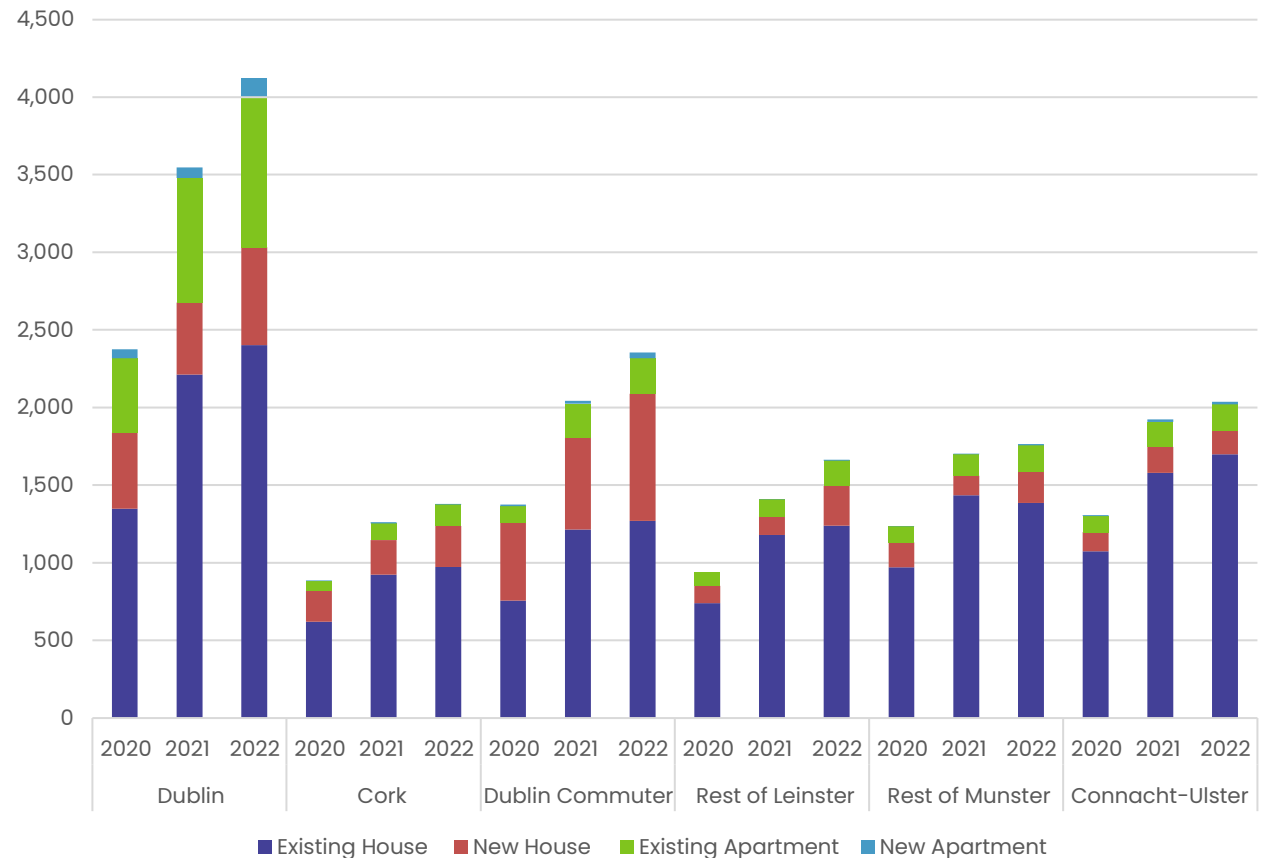
Household market purchases of residential property rose by 12% year on year to 13,321 in Q3 2022. On an annualised basis, there were 49,674 purchases in the twelve months ending September 2022, the highest level since the data series began in 2010.

Dublin was the largest housing market in Q3 2022 with more than 4,100 household market purchases, 16.1% more than in Q3 2021, giving it a 31% share of the national market.

For 18 counties, the twelve months ending September 2022 was the busiest period since this data series started in 2010. Sales in Dublin and Limerick were down by 3% and 2.6%, respectively, on the twelve months ending September 2019.

In terms of property type and dwelling status, apartments accounted for 15.3% of sales in Q3 2022, while new properties, mainly houses, accounted for 18.8% of sales. Sales of new properties rose by 38.2% year on year in Q3 2022 to more than 2,500.

Note: Q3 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 rose by 12.3% year on year in Q3 2022 to more than 16,100. This was the highest quarterly volume since the data series began in 2011. Most of the growth was driven by switching activity with non-purchase mortgage volumes up 106.6% year on year to more than 5,300.

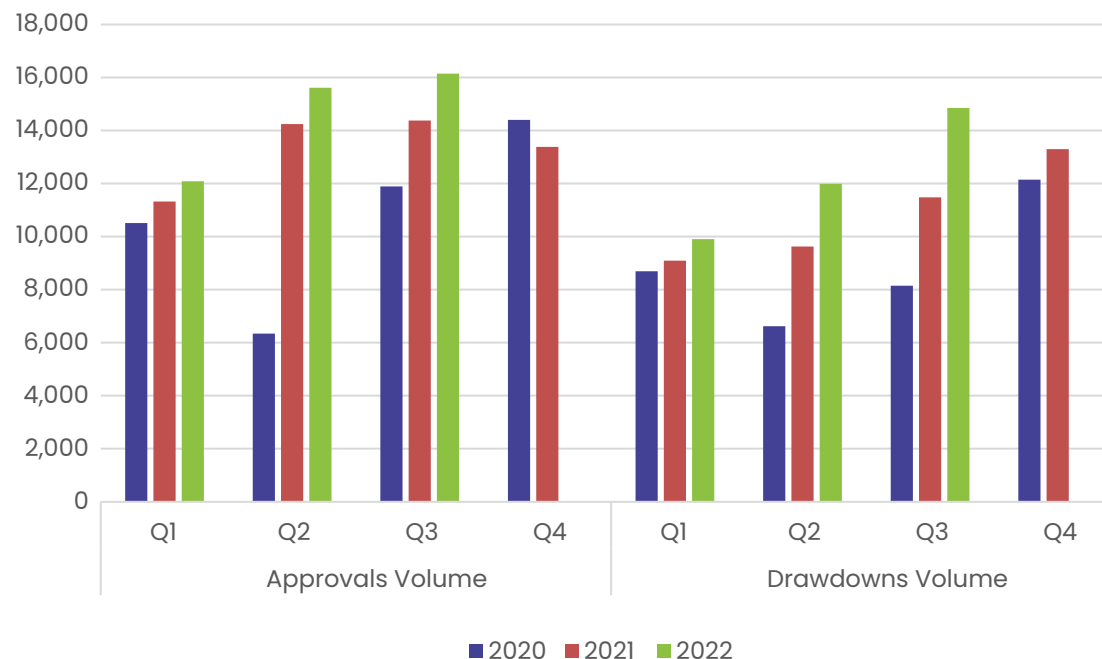
First-time buyer (FTB) approval volumes fell by 7% year on year to about 7,300, while mover purchase volumes fell by 10.1% to 3,255, the second lowest Q3 volume (after 2020), since 2015.

Mortgage Drawdowns

Mortgage drawdown volumes rose by 29.4% year on year to almost 15,000 in Q3 2022. This was the highest Q3 level since 2008. The growth in drawdowns was also fuelled by switching activity with the number non-purchase drawdowns up 115.8% year on year to almost 5,100.

FTBs drew almost 6,600 mortgages, up 8.9% year on year and the highest Q3 volume since 2007 (7,817). Mover purchase volumes increased by 5.7% to 3,000, the highest Q3 volume since 2019.

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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