



BPFI Housing Market Monitor Q1 / 2023

With a commentary by Dr Ali Uğur
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OVERVIEW OF TRENDS

BPFI Housing Market Monitor Q1/2023

Indicator	Latest quarter	One year ago	% change
Dwelling completions	6,716	5,640	19.1%
Dwelling commencements	7,349	6,997	5.0%
Dwelling planning permissions	11,659	8,463	37.8%
Transactions	11,158	11,024	1.2%
Yr/yr change in transaction prices	3.9%	15.1%	
Yr/yr change in rent prices*	6.7%	7.4%	
Mortgage approvals	11,576	12,091	-4.3%
Mortgage drawdowns	10,497	9,910	5.9%

*Data available up to Q3 2022



Increasing housing supply has moderated price rises but affordability challenges remain

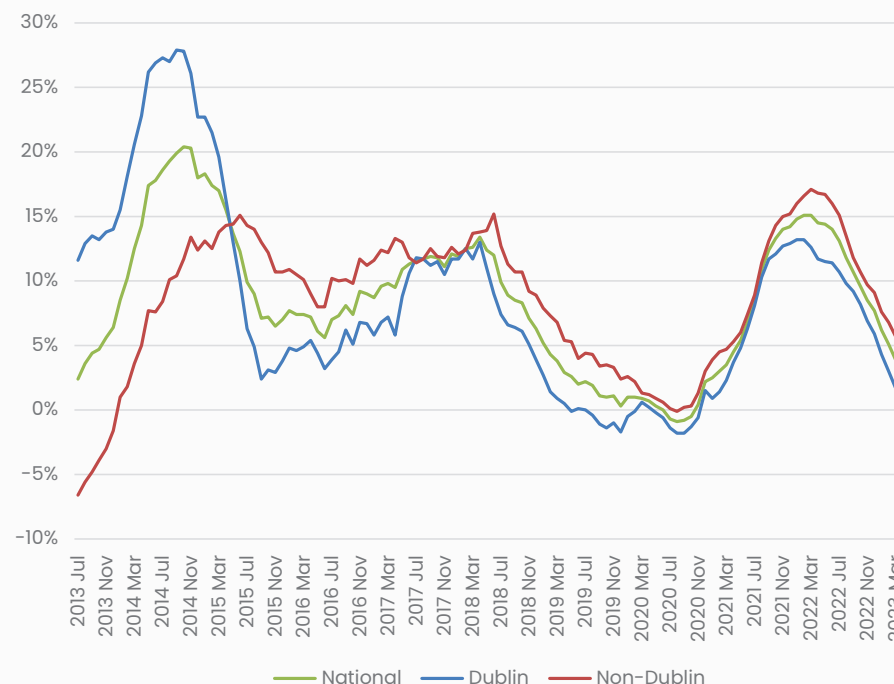
Annual housing price inflation in Ireland recently peaked at over 15% in March 2022 and has been declining since then. Average prices increased by 3.6% in the 12 months to April 2023 according to the most recent data from the Central Statistics Office (CSO). However, on a monthly basis, average property prices at the national level have been declining since the beginning of 2023, with no change in April 2023 and since October 2022 in Dublin.

Overall, as of April 2023, average national prices were 1.7% higher than their highest level observed in 2007. However, regional differences remain where average prices in Dublin were 9.1% lower than their 2007 peak whereas they were 2.5% higher than the peak observed in the rest of Ireland. Property prices nationally have increased by over 127% from their low in early 2013.

Higher housing prices reflected in bigger loans and higher borrower incomes

BPFI mortgage data shows that solo first-time buyer (FTB) applicants buying or building a new home accounted for 16.5% of all FTB drawdowns in 2022 compared to 15% in 2019. For FTBs buying an existing home, the share of solo applicants was at 32% in 2019 compared with 33% in 2022. In other words, the share of solo applicants amongst FTBs remained stable over the 2019-2022 period notwithstanding the fact that average property prices increased by almost 26% in the same period. This is mainly due to increases in the average incomes of borrowers, from €59,000 in 2019 to €67,000 in 2022 for solo FTB applicant. Similarly, increases in average prices over the period contributed to higher loan values.

Percentage Change over 12 months for Residential Property Price Index



Source: Central Statistics Office (CSO)

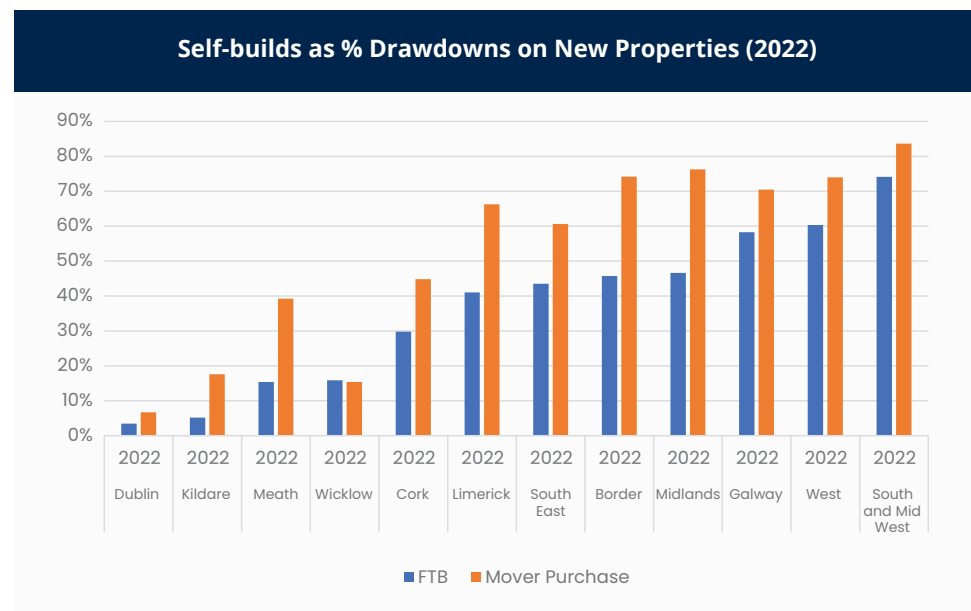
The decline in the annual property price inflation can partly be explained by the significant increase in housing supply since the pandemic as well as recent interest rate increases by the European Central Bank. After significant increases in average prices between 2013 and 2018, average price increases moderated with increasing supply in the market until the Covid-19 pandemic halted most private home building. As housing supply increased significantly since the pandemic, we have seen a similar trend in average price increases. There were nearly 30,000 units completed in 2022 and 6,716 new completions in the first quarter of 2023, a 19.1% increase from around 5,640 completions in the first quarter of 2022. This is actually the most completions seen in any first quarter since the data series started in 2011 and it is 36% higher than the levels observed in the first quarter of 2020, prior to the pandemic.

A good indicator of future housing supply is the number of units commenced. In 2022, nearly 27,000 residential units were commenced. The most recent data shows that 27,542 units were commenced in the twelve months to April 2023 which is a healthy sign of the pipeline for completions. Looking at the January-April 2023 period, we see that nearly 10,000 units commenced which was significantly higher than levels observed during the same period in 2021 and 2022. If the current trend in residential construction activity were to continue, it is likely that total output in 2024 would be around 28,000 units.

In terms of planning permissions, there was an annual increase of 37.8% in the total number of dwelling units approved at 11,659 units in Q1 2023 compared with 8,463 units in Q1 2022. Houses accounted for 52.7% of all new dwelling units granted planning permission in Q1 2023, the third consecutive quarter where more houses than apartments have been granted planning permission and the highest level observed in a quarter since Q2 2009. More than half (53.4%) of all dwelling units granted planning permission in the state in Q1 2023 were in the Fingal County Council local authority area.

Housebuilding trends remain robust but rural regions rely on self-builds

Self-build units continue to play a significant role in total housing completion numbers. Even though their share in total output has declined over the last number of years, self-builds accounted for nearly 18% of total completions in the first quarter of 2023. However, loan level data shows that there is significant variation in different regions. For example, in Dublin FTB self-build mortgages accounted for around 3% of FTB mortgage drawdowns on new properties in 2022 whereas in the South and Mid-West, nearly 74% of FTB drawdowns on new properties were for self builds, and that compared to 84% for mover purchasers.



Source: BPFI

In terms of mortgage activity, there were 10,908 mortgage drawdowns in the first quarter of 2023 valued at €2.9 billion. Mortgage drawdown activity rose in volume terms by 10.1% year-on-year and increased in value terms by 14.1% over the same period. First-time buyers (FTBs) remained the single largest segment by volume and value accounting for around 51% of overall mortgage drawdowns. The value switching mortgage drawdowns rose by over 25% year on year in the first quarter of 2023 to €579 million, however there was a significant decline compared to the previous two quarters and this decline in mortgage switching, compared to levels observed in the second half of 2022, is likely to continue for the rest of 2023.

In terms of approvals, a total of 3,899 mortgages valued at €1.1 billion were approved in April 2023, a 9.4% decline in terms of volumes compared with the same period last year. This brought the total value of approvals to €15.9 billion in the twelve months ending April 2023, with around 57,375 mortgages approved during the same period. Re-mortgage/switching activity fell by 63.5% in volume terms year on year and by 64.6% in value in the same period. Switching activity accounted for around 7% of mortgage approvals, in volume terms, in April 2022 compared with around 32% at its peak in October 2022.

We expect the switching approval activity to continue to fall especially in the second half of 2023, compared to 2022. Recent data from the Central Bank of Ireland (CBI) shows that the share of fixed rate mortgages reached 60% of loan balances by December 2022. Total switching activity, including customers switching providers or choosing a different rate with their existing provider, reached a record €9.4 billion in 2022.

Current indicators show that house building activity remains robust with completions and commencements at record levels. This increased supply should provide better affordability for potential home buyers as average prices start to moderate. At the same time, existing and further cost pressures, as well as the changing interest rate environment could affect the viability of some of the housing projects currently planned, particularly in the institutional investor market, which could affect output in 2024 and further.

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New dwellings completed

More than 6,700 new dwellings were completed in Q1 2023, according to the Central Statistics Office (CSO), 19.1% more than in Q1 2022 and the highest Q1 quarterly volumes since the CSO started reporting quarterly completions in 2011.

About 36.1% of completions in Q1 2023 were apartments, the highest proportion since the data series began.

Dublin accounted for about 37.6% of all completions in Q1 2023 and 75.4% of apartment completions. Munster and the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) accounted for about 21.4% and 19.9% of completions, respectively.

While the number of scheme house completions in Dublin Commuter rose by 8.8% year on year to 926, apartment completions in the region were about 3.6 times higher than in Q1 2022 at 235.

Note: Q1 Only. Source: CSO



HOUSING SUPPLY

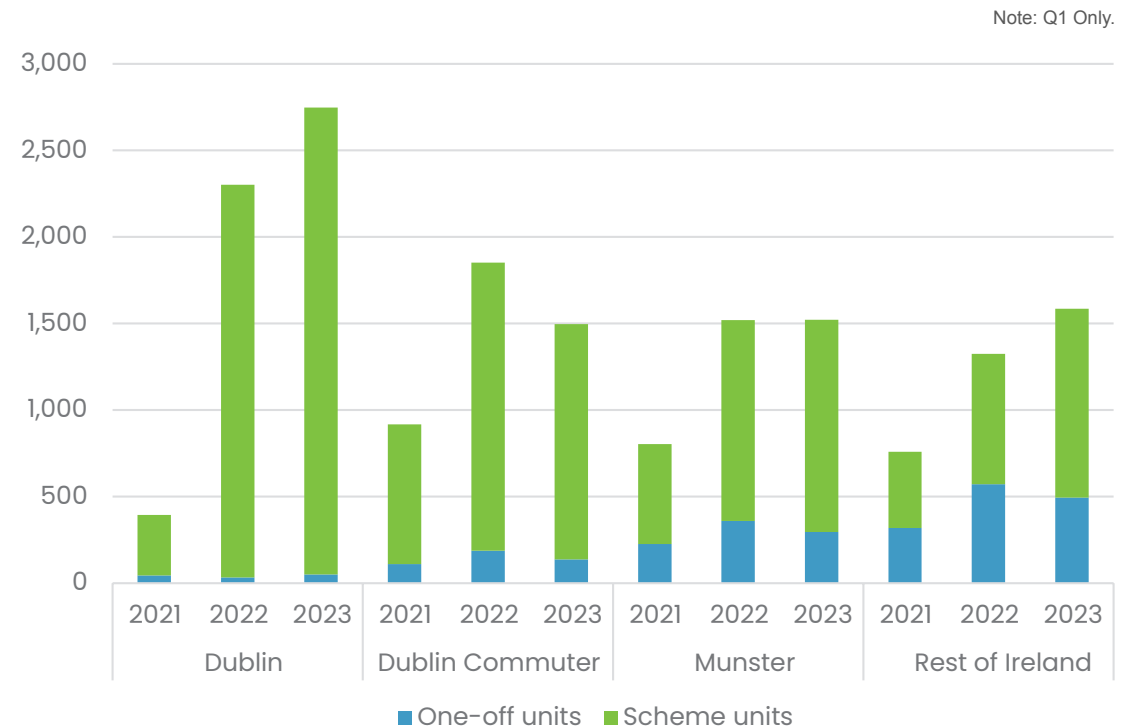
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New dwellings commenced

More than 7,300 housing units were started in Q1 2023, 5% more than in Q1 2022 and the highest quarterly total since Q3 2021.

Dublin and Dublin Commuter accounted for 37.4% and 20.4%, respectively, of housing starts in Q1 2023. More than 2,700 dwellings were commenced in Dublin, 19.4% more than in Q1 2022. By contrast, Dublin Commuter housing starts fell by 19.2% to less than 1,500 over the same period. Commencements rose on a year-on-year basis in Connacht-Ulster.

Only 13.3% of units commenced in Q1 2023 were one-off units, the lowest proportion since the data series began in 2004. Connacht-Ulster was the only region in which more than a quarter of housing starts were one-offs, at 44.3%.



New dwelling planning permissions

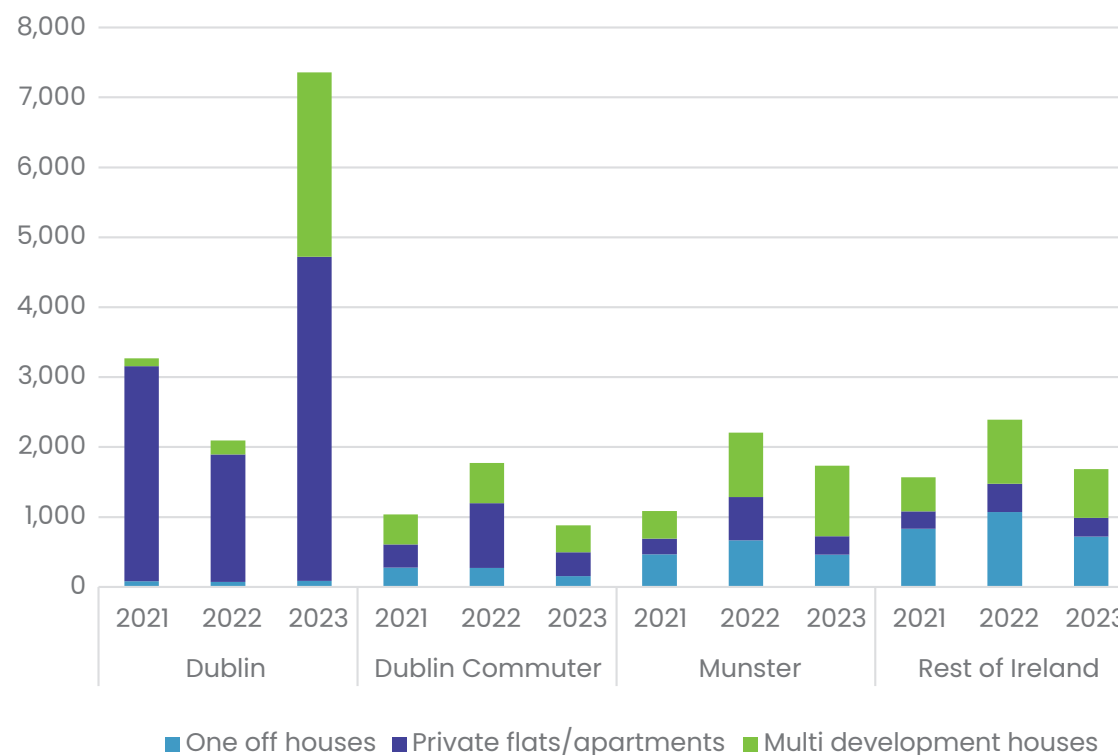
The number of residential units granted planning permission rose by 37.8% year on year in Q1 2023 to 11,659. This was the most units since Q4 2021.

More than 5,500 apartments were granted planning permission in Q1 2023, some 47.3% of all units and 46% more than in Q1 2022. Dublin accounted of 84.1% of apartments nationwide and 44.3% of houses. Fingal County Council alone accounted for 73.1% of all apartments and 35.7% of all houses granted planning permission nationwide in the quarter.

The Dublin Commuter region accounted for only 7.6% of units granted planning permissions in Q1 2023, compared with 20.9% in Q1 2022. The number of dwelling units approved fell by 50.3% in 2022 to 881, although the number of units in Meath increased by 10.3% to 376.

Waterford and Westmeath were the only counties, apart from Dublin, in which the number of dwelling units approved increased by more than 100 year on year.

Note: Q1 only. Source: CSO



Transaction prices

Residential property price inflation decelerated further in Q1 2023, with prices up by 3.9% in the twelve months to March 2023, compared with an increase of 15.1% in the year to March 2022. The CSO's national index decreased to 166.2.

Prices for new dwellings were 11.1% up year on year, while prices of existing dwellings were 3.5% higher.

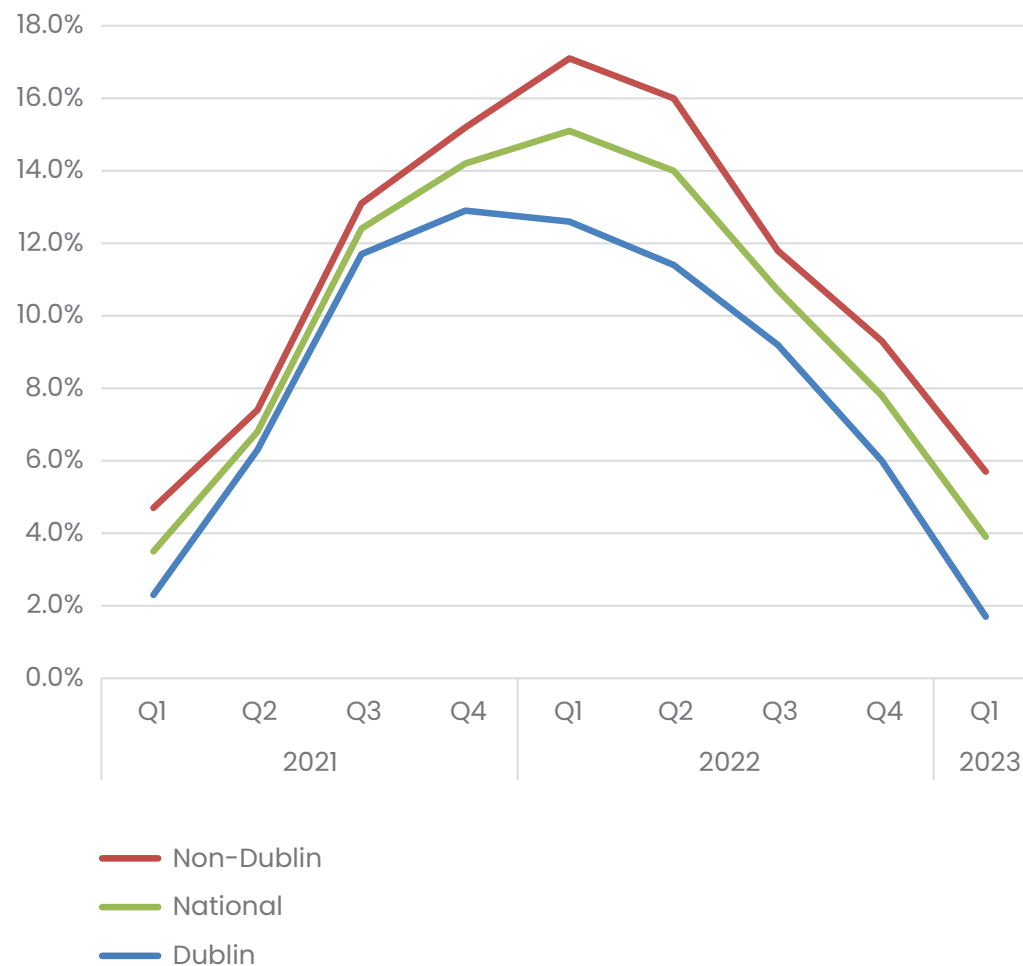
Prices in Dublin rose by 1.7% in the 12 months to March 2023, with house prices in Dublin increasing by 1.6% year on year and apartment prices in the county by 2.1%.

Residential property price inflation outside Dublin rose by 5.7% year on year, with house prices up by 5.9%.

Prices vary significantly by location, type and status. At almost €403,000, the median new house price was 40.3% or about €116,000 higher than the median existing house price in March 2023 (based on filings of household purchases at market prices).

Nine local government areas (all of Dublin, Kildare, Cork County, Meath, Wicklow and Galway City) had median residential property prices at or above the national median price of about €310,000 in the twelve months ending March 2023. By contrast, eight counties had median prices of less than €200,000.

Source: CSO



Rents

The annual rate of rental inflation was 6.7% in Q3 2022 with the national standardised rent level increasing to €1,482, 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 €2,022, which was 5.5% higher than in Q3 2021. All other Leinster counties, except Kilkenny, Longford and Offaly, had average rents above €1,000. While 14 counties reported their highest standardised rent level since the data series began in Q3 2007, in six other counties, it was the second highest.

Standardised rent levels fell slightly in Carlow and Kilkenny, when compared with Q3 2021, but rents increased by more than 10% in 12 counties.

Some 20.9% of new tenancies involved rents of more than €2,000 per month in Q3 2022, up from 18.3% a year earlier. In Dublin, 38% of properties paid rent of more than €2,000, with a further 34.7% paying between €1,501 and €2,000. Outside Dublin, 44.5% paid €1,000 or less.

About 55.3% of new tenancies were for apartments or flats in Q3 2022, down from 58.8% in Q3 2021. Some 75.8% of new tenancies in Dublin in Q3 2022 were for apartments/flats.

Source: RTB



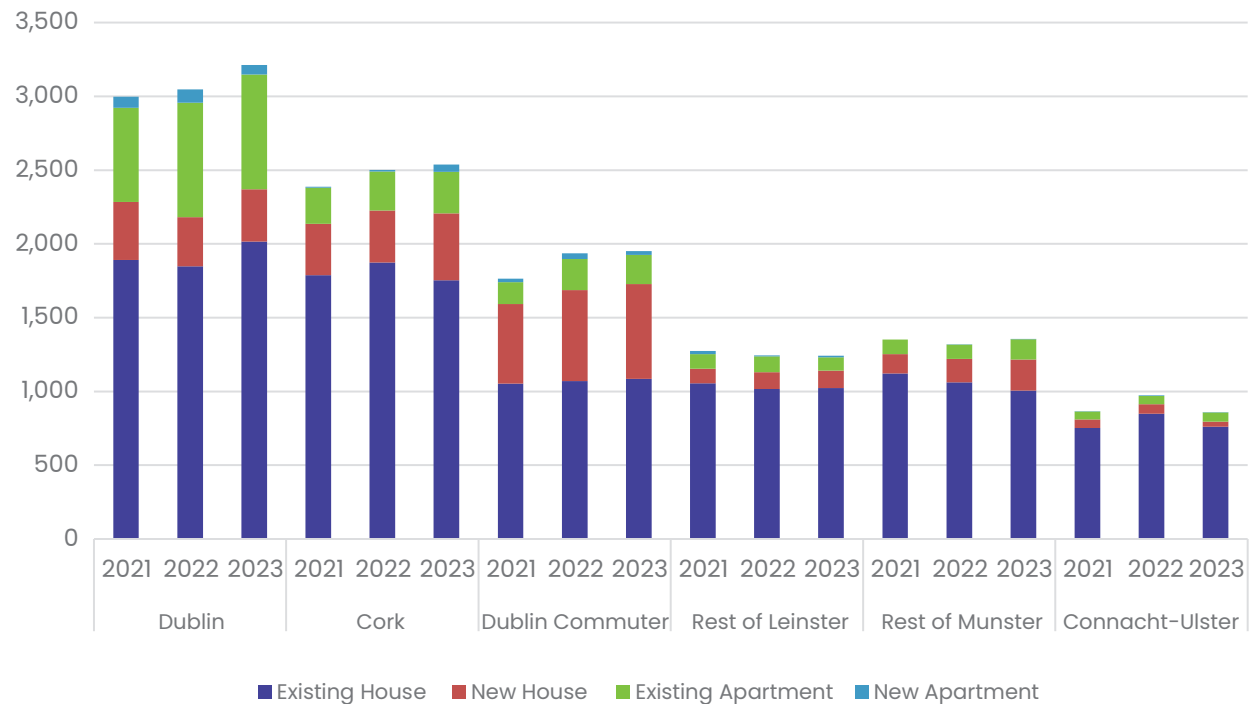
Household market purchases of residential property rose by 1.2% year on year to 11,158 in Q1 2023. On an annual basis, there were 50,159 purchases in the twelve months ending March 2023, the second highest level since the data series began in 2010.

Dublin was the largest housing market in Q1 2023 with more than 3,200 household market purchases, 5.4% more than in 2022 and giving it a 28.8% share of the national market. Dublin accounted for almost half (49.5%) of apartment sales.

In terms of property type and dwelling status, apartments accounted for 15.2% of sales in Q1 2023, while existing houses accounted for 68.5% of sales.

While Dublin, Kildare and Cork accounted for 24.5%, 19.2% and 12.2%, respectively, of new house sales in Q1 2023.

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 4.1% year on year in Q1 2023 to almost 11,600. This was the second highest Q1 volume since the data series began in 2011.

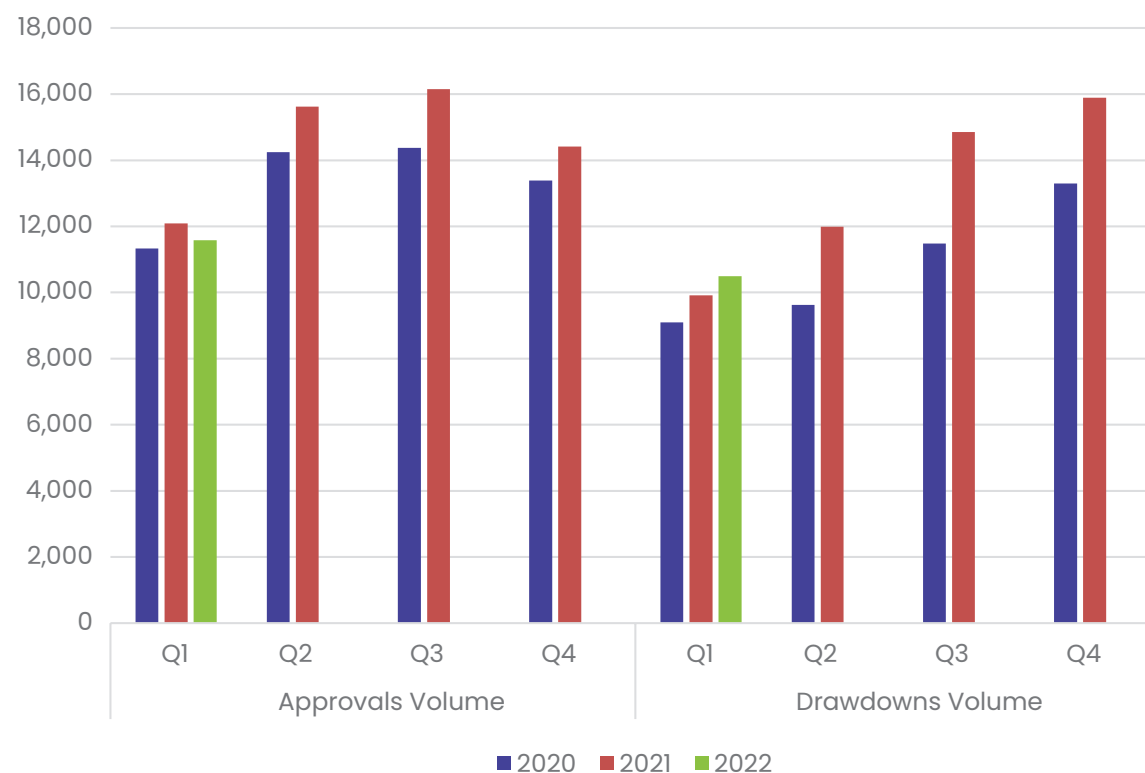
First-time buyer (FTB) approval volumes rose by 4.3% year on year to more than 6,600 while mover purchase volumes fell by 1.7% to 2,553.

Mortgage Drawdowns

Mortgage drawdown volumes rose by 5.9% year on year to almost 10,500 in Q1 2023. This was the highest Q1 level since 2009. Growth in switching continued to outpace purchase mortgage growth.

FTBs drew down more than 5,300 mortgages, up 3.0% year on year and the highest Q1 volume since 2007. Re-mortgage volumes continued to grow albeit at a much slower rate with growth of 19.1% year on year to almost 2,100.

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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