

# BPFI Housing Market Monitor

## Q2/2017

---

**With a commentary by Dr Ali Uğur**  
Chief Economist, Banking & Payments Federation Ireland

Indicator	Latest quarter	One year ago	% change
Dwelling completions (Apr-May)	3,099	2,443	26.9%
Dwelling commencements (Apr-May)	3,673	2,286	60.7%
Dwellings listed for sale	13,923	16,077	-13.4%
Dwellings listed for rent	16,724	17,767	-5.9%
Yr/yr change in transaction prices	11.6%	5.5%	
Yr/yr change in list prices	11.7%	6.3%	
Yr/yr change in list rents	11.8%	11.0%	
Average rent nationwide (Q1)	€1,027	€958	7.2%
Transactions	12,320	11,553	6.6%
Mortgage approvals	11,784	9,419	25.1%
Mortgage drawdowns	8,000	6,803	17.6%

## Pick up in house building needs to accelerate

Residential property prices in Ireland nationally have increased by around 58% since the trough in early 2013. Price increases seem to have gained momentum since the second half of 2016 after levelling at single digits and reached 11.6% in the year to June 2017 according to latest data from the CSO. Overall, Dublin residential property prices are 29.9% lower than their February 2007 peak, while residential property prices in the rest of Ireland are 34.6% lower than their May 2007 peak. Housing undersupply is also evident in the market rents charged by landlords. According to the latest Daft.ie Rental Report, rents in Dublin are now 66% higher than at their lowest point whereas outside Dublin rents have risen by 41%.

It is now accepted by all commentators that the current acceleration in residential property prices is mainly due to the persistent lack of supply as well as higher incomes driven by strong growth in the economy. Some 38,600 housing units were completed between 2014 and 2016 while estimates show that there was need for around 75,000 units during the same period. Activity has been picking up both in terms of completions and commencements in the last couple of years, but assuming a 20% annual growth rate in completions, total completions will only reach just over 30,000 units in 2020.

BPFI data show that there were 8,000 mortgage drawdowns valued at €1,647 million in the second quarter of 2017. This brings the total drawdowns to just over €3 billion in the first half of 2017 compared to around €2.3 billion during the same period in 2016 – a 30% increase. Average drawdowns increased in value by around 9% between the second quarter of 2016 and 2017 rising from around €189,000 to €206,000, as average mortgage drawdowns tracked housing prices.

Mortgage approval activity increased in volume terms by 17.0% year-on-year in July 2017 bringing the total number of approvals to 25,407 in the first half of the

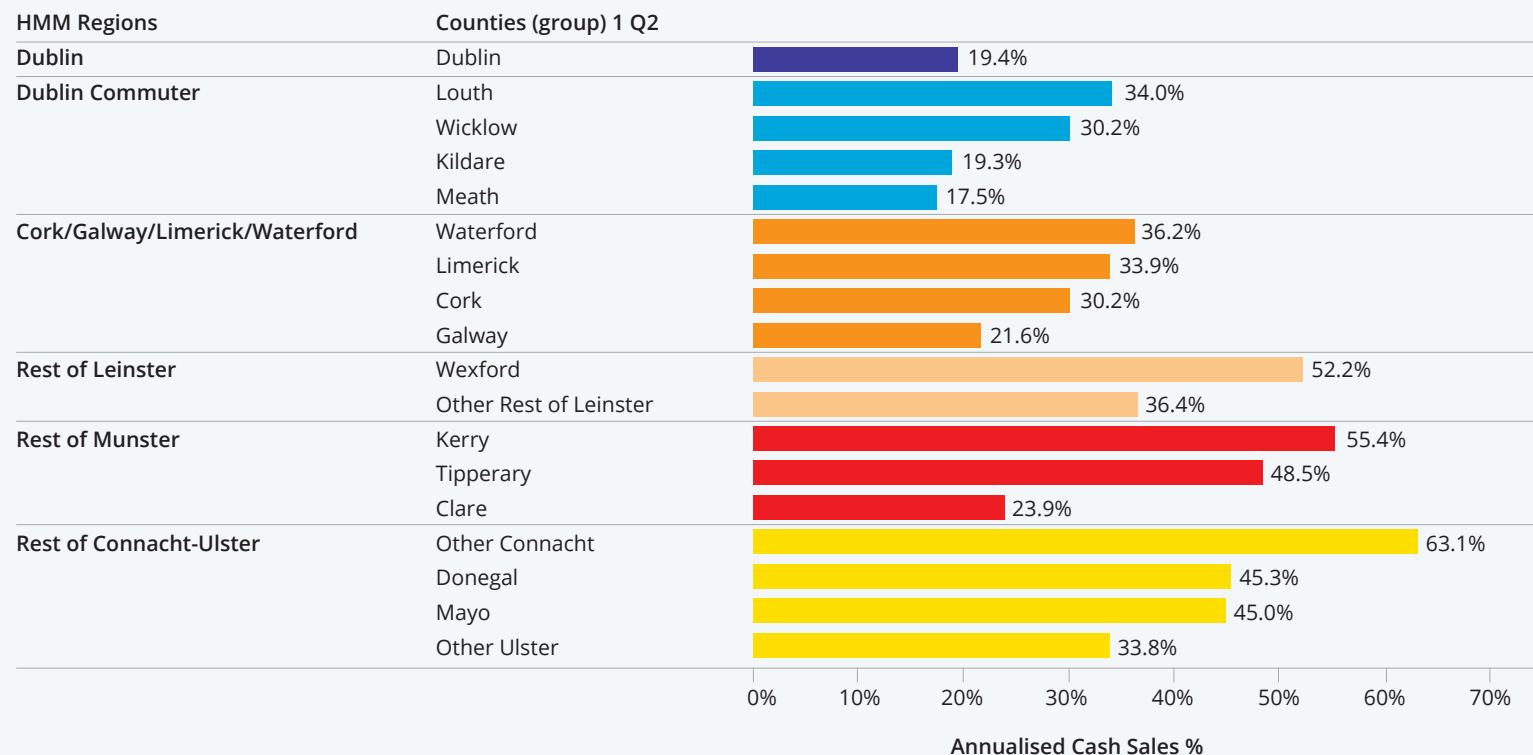
year. In value terms activity increased by 23.3% over the same period with the total value of approvals reaching €5.3 billion in the first half of 2017 compared to around €3.6 billion during the same period in 2016.

### BPFI loan level data

For the first time BPFI is publishing loan-level data uniquely collated from our member banks. Among other things this shows that, at €56,800, Dublin had the highest median deposit in Q2 2017 at €56,800 for first time buyers (FTBs) and €119,459 for mover purchasers - which is reflection of prices. The median deposit in Dublin rose by 11.6% year-on-year for FTBs and by 6.6% for mover purchasers. By contrast in the Dublin commuter areas the average deposit for FTBs fell by 7.5% year-on-year in Q1 2017 and by 13.2% in Q2 2017 and was €31,910 for FTBs and €77,288 for mover purchasers.

Cash sales have always been a part of the housing market activity in Ireland. However, between 2009 and 2015 they gained further importance accounting for more than half of the total transactions during some years. As a proportion of total housing transactions the ratio has been falling recently. BPFI loan-level data shows that, as of second quarter of 2017, cash sales accounted for around 34.5% of housing market transactions on an annualised basis, excluding portfolio purchases and non-market transactions. This shows a decline from 40.5% in the same period in 2016. We still observe significant regional variation in the annualised ratio of activity accounted for by cash sales though, ranging from 17.4% in Monaghan to around 71.2% in Roscommon. In Dublin, the annualised cash sales ratio has fallen year-on-year since Q2 2014, reaching 25.2% in Q2 2017 compared with 38.7% in Q4 2013. There is a high correlation between the ratio of cash sales and the level of prices in different regions in Ireland as lower prices would allow for a higher level of cash purchases. That said, in certain regions the availability of lower price housing units is diminishing significantly which is perhaps reflected in a lower level of cash purchases.

## Est. Cash Sales by County



Source: CSO, BPFI

In addition to providing mortgage funding to individual customers, BPFI member banks are well positioned to provide the appropriate level of financial support to feasible house building projects. Such lending is taking place on a prudent basis in the interests of both borrower and lender, whereby a certain percentage (depending on project specifics) of the funding requirements is provided. This requires the builder/developer to fund the remaining amount by means of own resources or some other means. Many of the new breed of builder/developer are working very successfully and effectively with this

funding model. At the same time Government could play an important role by supporting the provision of new and innovative financing structures such as use of European Investment Bank funding as well as hybrid models involving non-bank players as well as banks.

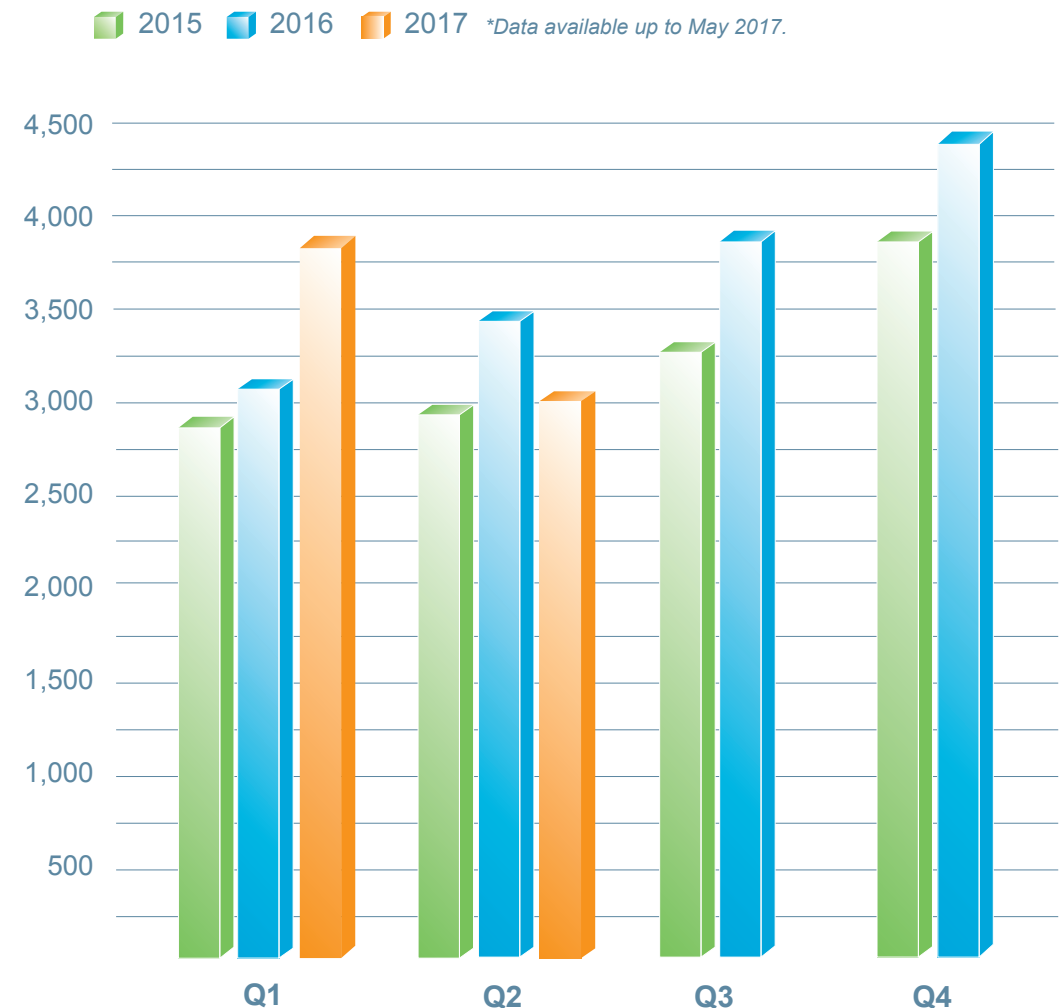
Dr Ali Uğur, Chief Economist,  
Banking & Payments Federation Ireland

## New dwellings completed

Almost 3,100 new homes were completed in the first two months of Q2 of 2017 (the latest figures available at the time of going to press). This represented a 27% increase in the number of new homes connected to the electricity grid, compared to the same two months in 2016\*. Completions have now been growing at a rate of at least 15% since late 2015.

The growth in completions in the first two months of 2017 was strongest in Dublin, at 32%. The rate of growth was similar in Leinster (outside Dublin) and Munster, at 29% and 28% respectively. It was slowest in Connacht-Ulster, where completions were 15% higher than in April and May 2016.

*\* The Department of Housing, Planning and Local Government has been using new electricity connections as a proxy for housing completion since 1970.*

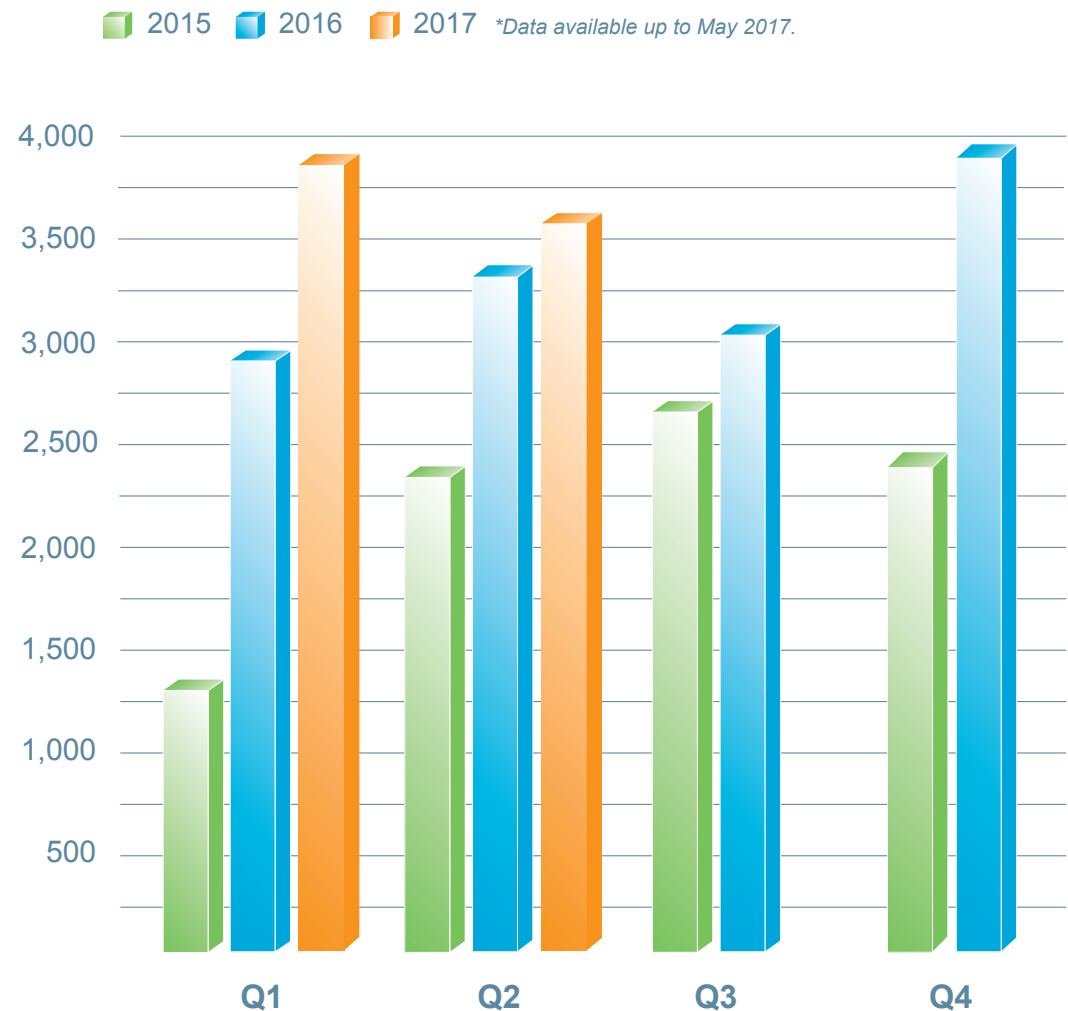


Source: Department of Housing

## New dwellings commenced

Almost 3,700 new dwellings were started in April and May 2017, the latest figures available. Compared with the same period in 2016, this represented a rise of 61% in new homes started. This means that the second quarter of 2017 was the fifth straight quarter where the number commenced exceeded 3,000.

The rise in commencements was apparent across all four regions, with 60% more commencements in April and May in Dublin than in the same two months in 2016 and a 70% increase in the rest of Leinster. Elsewhere in the country, commencements rose by 52% in Munster and by 53% in Connacht-Ulster, compared to the same two months in 2016.

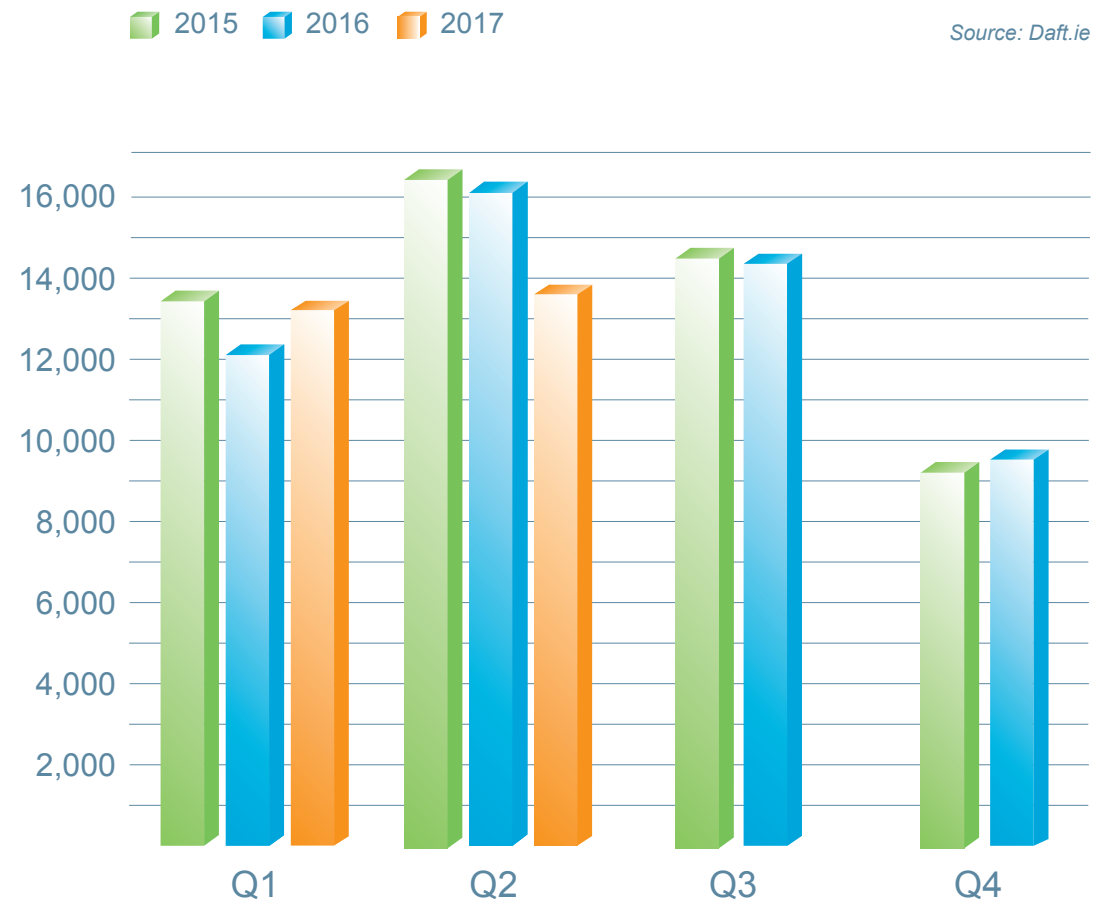


Source: Department of Housing

## Properties listed for sale

The second quarter of 2017 saw just under 14,000 properties listed for sale, a fall of 13% compared to the same period in 2016. This is the smallest number of properties listed between April and June since 2013, with over 16,000 listed for sale in the same period last year.

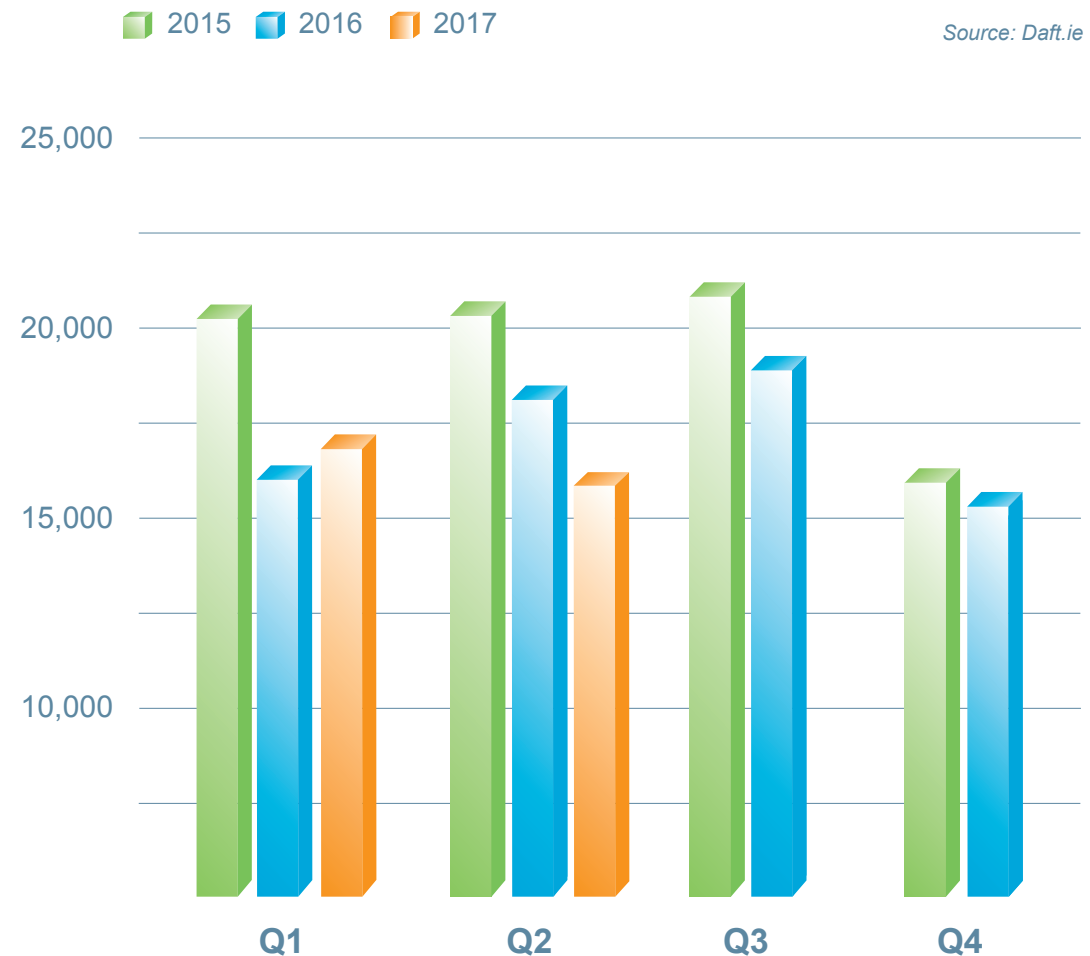
The fall in listings was observed in all five regions analysed. In both Dublin and elsewhere in Leinster, there was an 8% fall in listings. In the four other cities and in Munster (outside the cities), the fall in listings was sharper (down 20% and 21% respectively). In Connacht-Ulster, there was a 16% fall in listings.



## Properties listed for rent

The second quarter of 2017 saw just over 16,700 properties listed for rent nationwide, a fall of 6% compared to the same three months in 2016. Following the 1% increase in the first quarter, this marked a return to a fall in listings, as was the case in the previous 20 quarters covered in this report.

Rental listings were 7% lower in Dublin than a year previously, the same rate as in the rest of Leinster. In the four other cities, there was a 10% fall, while in Munster (outside the cities) there was a 2% rise in rental listings in the second quarter. In Connacht-Ulster, the number of rental listings in the second quarter was 2% lower than a year previously.

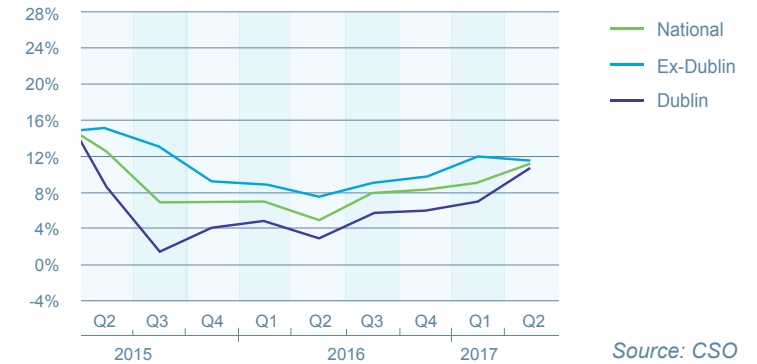




## Transaction prices

Residential property prices nationwide rose by 11.6% in the year to June 2017, according to the CSO. On a quarterly basis, this was the highest rate of annual inflation in sale prices since the second quarter of 2015, with the rate of inflation over twice the rate seen a year ago, when prices were rising at a rate of 5.5%.

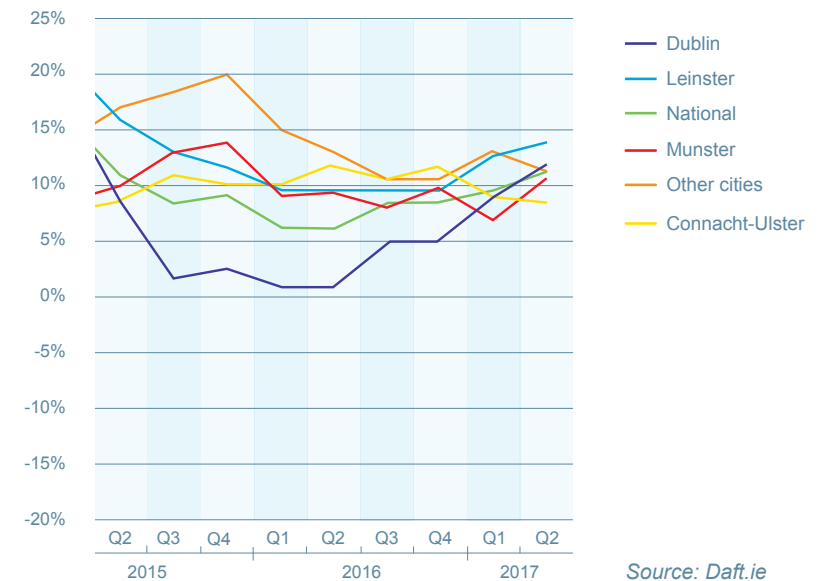
Inflation in residential property prices in Dublin was 11.1%, having been just 2.4% in the third quarter of 2015. Nonetheless, it remained slightly below the rate seen elsewhere in the country (11.8%). The rate of inflation in housing prices outside Dublin has now been above 10% for eleven of the past twelve quarters.



## Listed sale prices

As in previous quarters, list prices show a very similar trend to transaction prices but also give a detailed breakdown by region. The figures showed an 11.7% year-on-year increase nationally in the second quarter of 2017, the highest rate of inflation since Q1 2015.

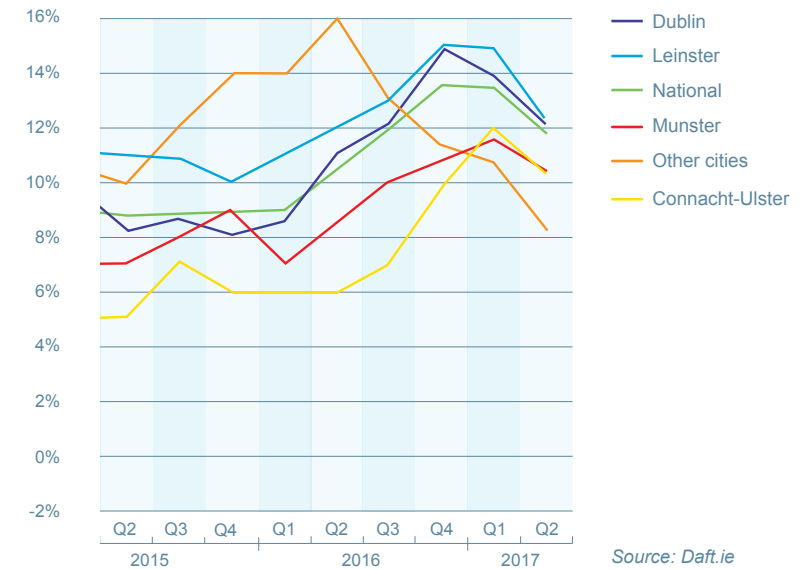
Inflation in Dublin list prices was at 12.3% in the second quarter and, as with transaction prices, this marked a significant increase in inflation compared to a year previously. In the other cities, inflation was 11.7% and has not been below 10% since the first half of 2014. In Leinster (outside Dublin), annual inflation in list prices was 13.4%, in Munster 10.2% and in Connacht-Ulster 7.8%. This marked a further cooling of inflation in Connacht-Ulster, but a reacceleration of inflation in Leinster and Munster.



## Listed rental prices

Inflation in listed rents nationwide in the second quarter of 2017 was 11.8%, down from 13.4% in Q1 2017. Despite the slowdown, this marked the fifth consecutive quarter of double-digit inflation nationwide.

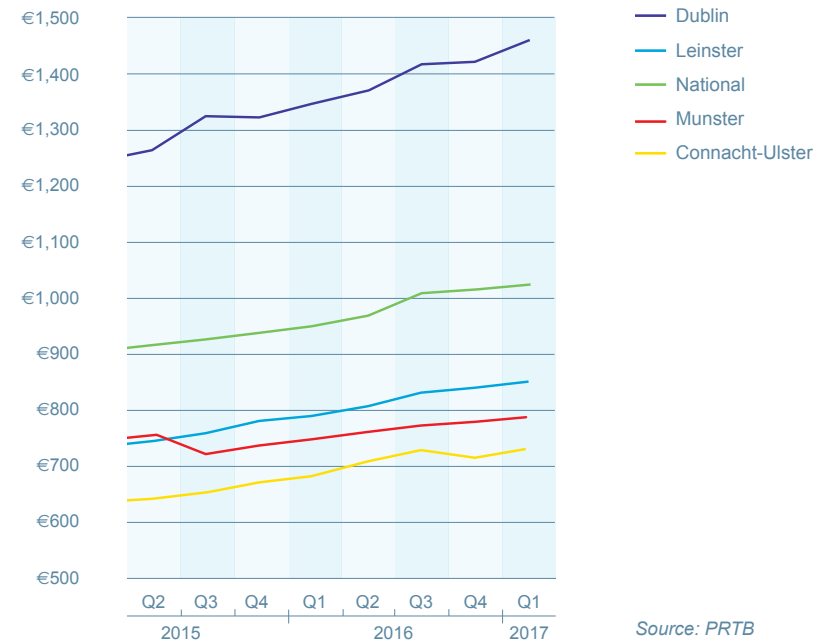
In Dublin, the rate of inflation was 12.3% in the second quarter of 2017, down slightly on the figure for earlier in the year (13.9%). In all four other regions, rental inflation also eased slightly but remained at elevated levels. In the four other cities, inflation was 8.3% while in Leinster (outside Dublin), it was 12.8%, the twelfth quarter of rental inflation in excess of 10%. In Munster and in Connacht-Ulster, rental inflation was also above 10%, at 10.6% in Munster and 11.7% in Connacht-Ulster.



## Average rents

The most recent information available on lease rents as of late August relates to the first quarter of 2017. Nationwide, the average rent charged in the first quarter of 2017 was €1,027, up from a low of €801 in mid-2012 and just 0.5% below the 2008 peak of just under €1,032. (National averages are calculated using Census weights for the number of households in rental accommodation.)

Rents in Dublin were substantially higher than this, with an average rent of €1,452, up from a low of €1,054 in Q1 2011. Average rents in Leinster were slightly above the average for Munster, at €847 and €788 respectively. Rents in Connacht-Ulster were the lowest of the four regions shown, with average rents in the first quarter of 2017 of €720.

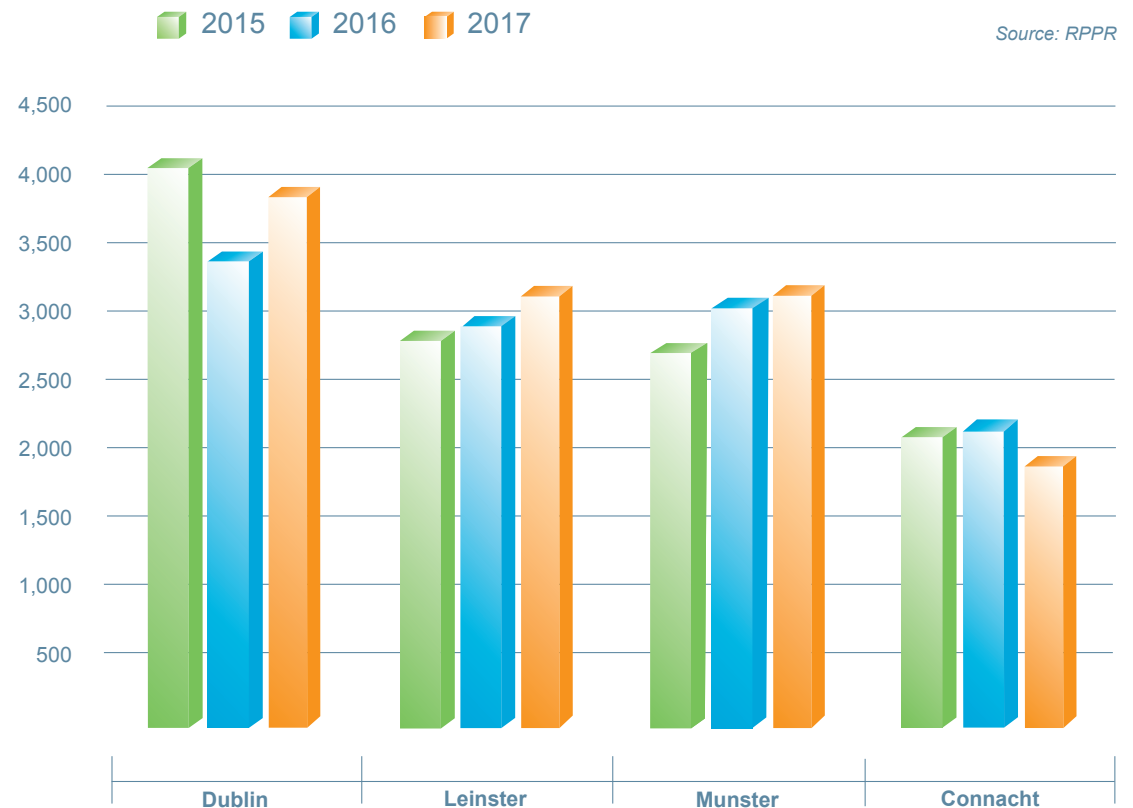


## Property Transactions

In the second quarter of 2017, the number of residential property transactions in Ireland was just over 12,300. This represented a rise of 6.6% compared to the same three months of 2017 and was the highest total for the April-June period on record, going back to 2010.

There was an 11.6% rise in the number of transactions in Dublin in Q2 2017 compared to the same period in 2016, while in the rest of Leinster, there was growth of 9.9% in transaction volumes in the same period. Elsewhere, there was 6% growth in transaction volumes in Munster but a 5.5% fall in transactions in Connacht-Ulster.

*\* Note: These numbers are based on transactions registered with the Residential Property Price Register by late August 2017 and are subject to revision.*

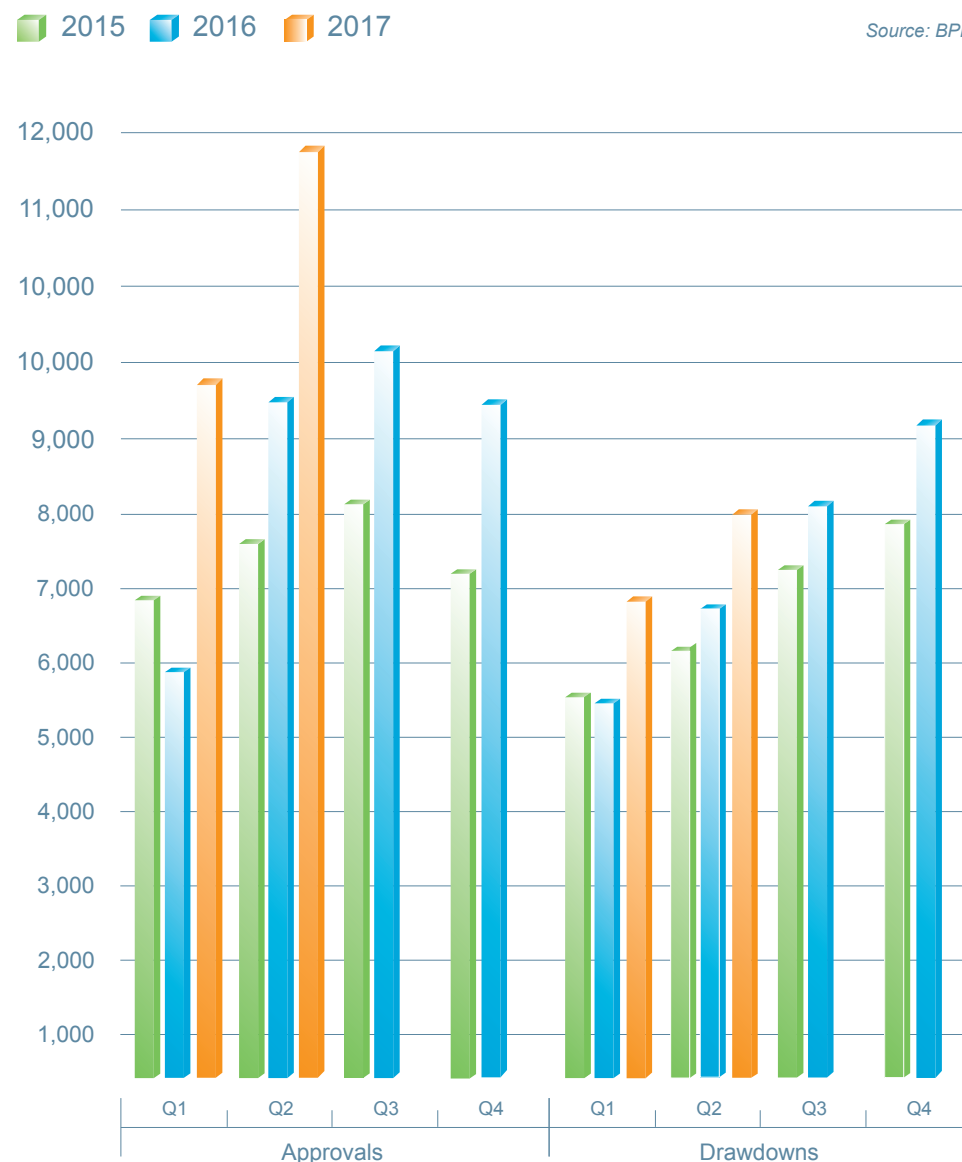


## Mortgage Approvals

Mortgage approvals offer an early indicator of credit conditions in the mortgage market. The second quarter of 2017 saw almost 11,800 mortgages approved. This was the highest three-month total in the series. It also means that the four highest quarterly totals since the start of 2011 have come from the most recent four quarters (Q3 2016 on). The vast majority of the approvals (almost 10,300) related to property purchases, rather than refinancing or equity release.

## Mortgage Drawdowns

Given the nature of the housing market, the volume of mortgage drawdowns generally reflects transaction levels and again offers an indicator of credit conditions. In total, 8,000 mortgages were drawn down between April and June, of which almost 6,800 related to property purchase. This is the third largest quarterly total since the start of 2011. The annual growth rate of 18% on the same period in 2016 marks the fifth consecutive quarter of year-on-year growth in drawdowns.



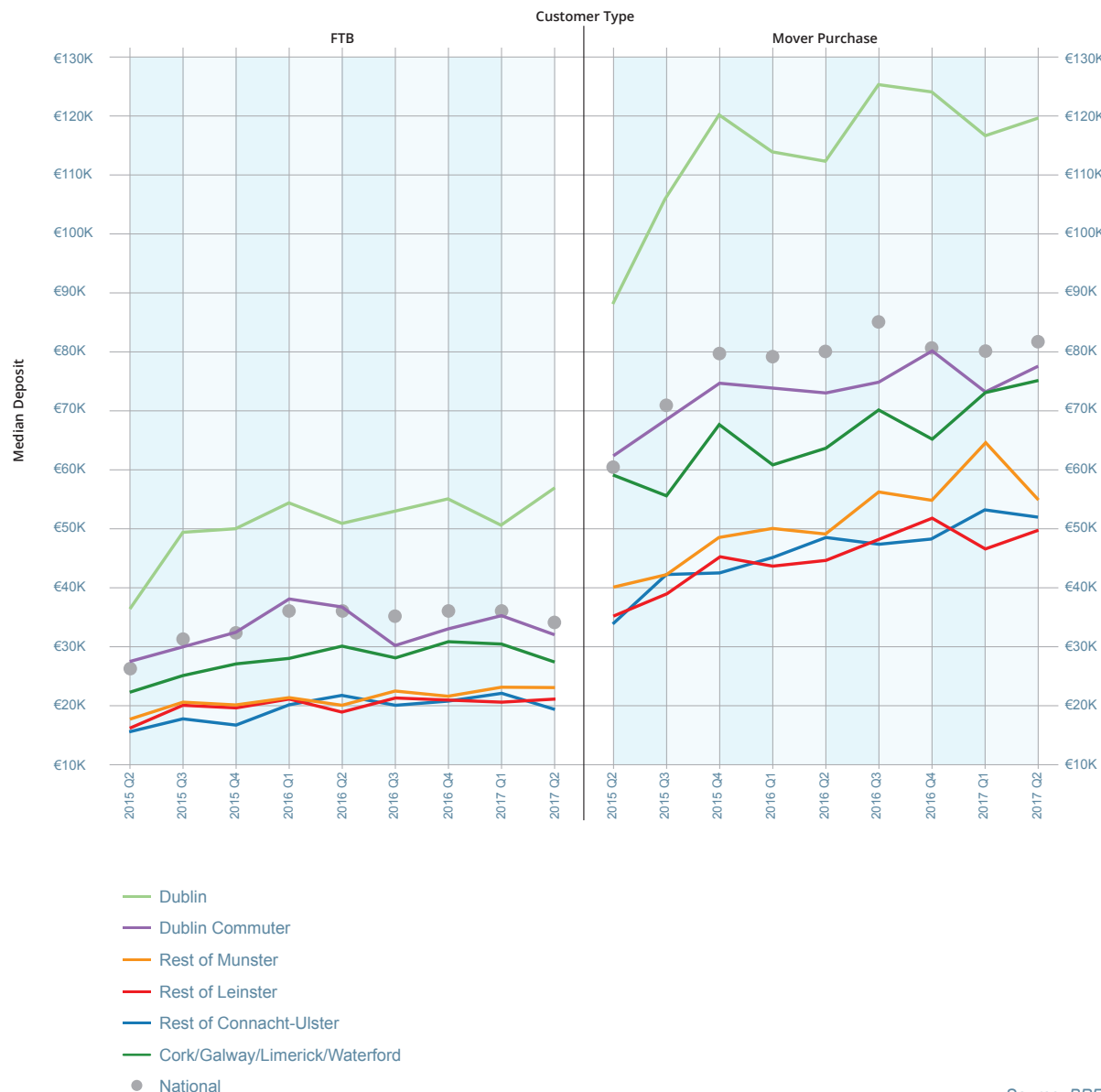
## Mortgage Deposits

The median deposit for FTBs fell by 5.5% year-on-year to €34,000 while the median deposit for mover purchasers rose by 1.9% to €81,480.

Dublin had by far the highest median deposit in Q2 2017 at €56,800 for FTBs and €119,459 for mover purchasers. The median deposit rose by 11.6% year-on-year for FTBs and by 6.6% for mover purchasers.

The Dublin Commuter region had the second highest median deposits (€31,910 for FTBs and €77,288 for mover purchasers). However, the median Dublin commuter deposit for FTBs fell by 7.5% year-on-year in Q1 2017 and by 13.2% in Q2 2017.

The median deposit for FTBs also fell year-on-year in Cork/Galway/Limerick/Waterford (down by 9.3%) and in the rest of Connacht-Ulster (down 11.7%).



Source: BPFI

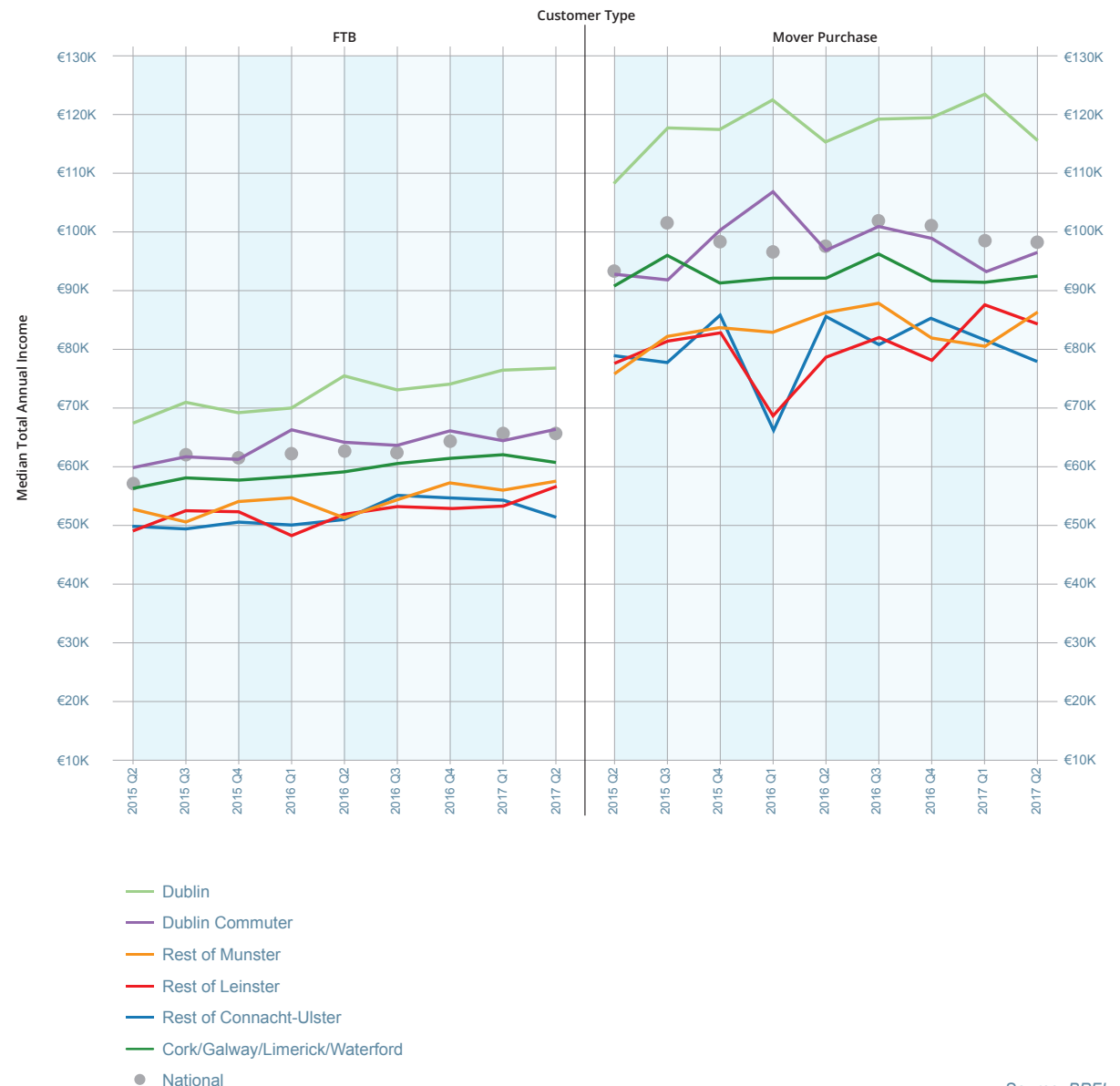
## Borrower Incomes

Median borrower incomes (the sum of all borrower incomes) rose by 2.6% year-on-year for FTBs to €65,000 and by 0.8% for mover purchasers to €98,592.

Median borrower income was highest in Dublin, followed by Dublin Commuter and Cork/Galway/Limerick/Waterford. Median incomes grew by less than 3% year-on-year in each of these regions but they rose by 7-8% in the rest of Leinster and the rest of Munster.

Median Dublin FTB incomes grew by 2.4% year on-year to €76,776 while median mover purchase incomes rose by only 0.4% to €116,502.

In Dublin Commuter, median mover purchase incomes have fallen year-on-year in each of the past three quarters, reaching €96,000 in Q2 2017. The median FTB income fell to €66,275.



Source: BPFI

## Price-to-Income Ratios

The ratio of property purchase price to the combined incomes of borrowers (price-to-income) is a useful measure of affordability and complements the Central Bank of Ireland's loan-to-income ratio.

The median price-to-income (Ptl) ratio rose year-on-year by 4% for FTBs and by 4.6% for mover purchasers. The FTB Ptl was higher at 3.62, compared with 3.35 for movers.

Looked at on a regional basis, in Dublin, the median Ptl was 4.17 for FTBs, up 7.2% year-on-year, and 3.9 for mover purchase loans, up 5.1%.

For Dublin Commuter, the median FTB Ptl rose by 5.5% to 3.75, while the median mover purchase Ptl to by 5% to 3.44.



Source: BPFI

The information presented here is based on a range of publicly available reports and datasets and collated by Identify Consulting for 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 particular 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, Community & Local Government [dwelling completions and commencements]
- the Central Statistics Office [residential property price indices and transactions for cash sales estimates]
- the Residential Property Price Register [number of transactions]
- the Residential Tenancies Board [average rents]
- Daft.ie [number of properties listed for sale and for rent; indices of listed sale and rental prices]
- Banking & Payments Federation of Ireland [mortgage approvals, drawdowns, median incomes, median deposits, median price-to-income ratios and estimated cash sales ratios]



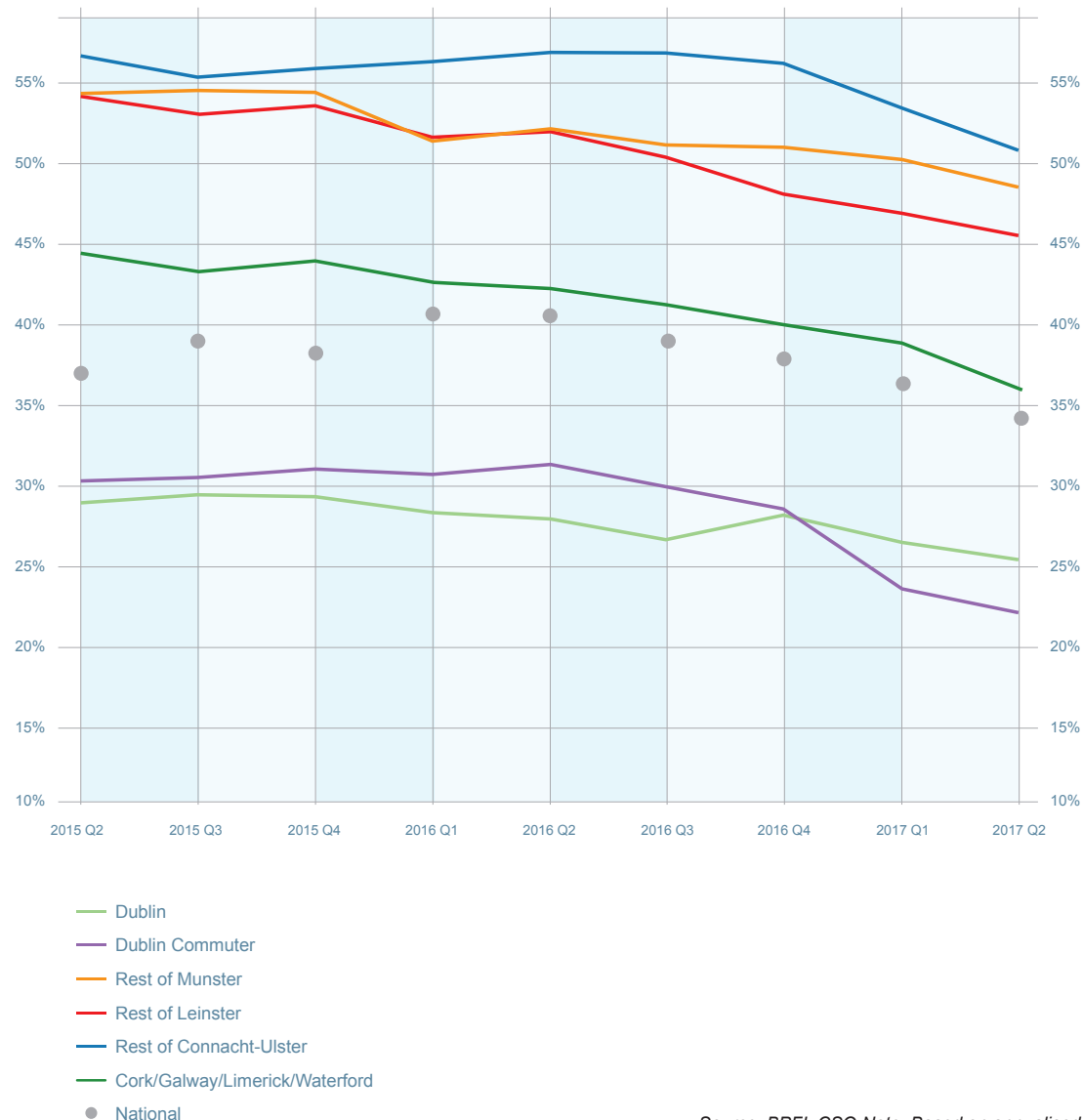
## Cash Sales

Cash sales as a proportion of total housing transactions (cash sales ratio) has been falling in recent quarters in all regions. The annualised cash sales ratio nationwide fell to 34.5% in Q2 2017 from 40.5% in Q2 2016.

In Dublin, the cash sales ratio has fallen year-on-year since Q2 2014, reaching 25.2% in Q2 2017. That compared with 38.7% in Q4 2013.

The cash sales ratio is higher in other regions. The Dublin Commuter ratio has fallen from 33% in Q2 2016 to 27.9% a year later. In the other regions the cash sales ratio fell by between five and seven percentage points year-on-year in Q2 2017. Cash sales in Cork/Galway/Limerick/Waterford fell to 36.1% while the in other regions it ranged between 46% and 52%.

HMM cash sales %



Source: BPFI, CSO. Note: Based on annualised data.



Banking & Payments  
Federation **Ireland**

**Banking & Payments Federation Ireland,**  
Nassau House, Nassau Street,  
Dublin 2, D02Y240, Ireland.

+353 1 671 53 11  
info@bpfi.ie  
www.bpfi.ie

Dublin • Brussels • Frankfurt