Housing Market Bulletin December 2015

AIB Treasury Economic Research Unit



Demand Continuing to Outstrip Supply

As we head into year end, the Irish residential property market continues to be characterised by a major shortfall in supply which shows no signs of abating anytime soon. This is keeping upward pressure on prices, although house price growth has decelerated from its highs, led by a sharp easing in the pace of increase in Dublin house prices. Rents are also rising strongly.

Mismatch between supply and demand continues...

While there are on-going signs of a modest uptick in homebuilding, activity in the Irish housing market remains at subdued levels. Housing completions, which cover up to the end of the third quarter, are up around 14% compared to the same nine month period in 2014. At their current run rate, completions are on course to total just over 12,000 units this year, representing an underwhelming increase from the 11,000 units recorded last year.

In terms of forward looking indicators, house guarantee registrations, which tend to reflect developer activity, were over 90% higher in the year to October when compared to the same period in 2014. Commencement notices also continue to improve on a 12-month cumulative basis. In absolute terms, though, both registrations and commencements remain very low. Likewise, rising planning permissions data for the second quarter offer some encouragement, albeit the strong growth in percentage terms (+87%) is off a very low base.

The key take away from the various house building indicators is that supply continues to fall well below estimated demand. As we have noted previously, based on Irish population and household dynamics, there is a need for around 25,000 units per annum to be built. Recent government housing initiatives targeted at supply, will at the margin, provide some modest help in this regard. However, it appears that it will take some time for new housing supply to reach this level.

...keeping upward pressure on prices, although some easing in Dublin prices.

Not surprising then, with demand continuing to outstrip supply, there continues to be upward pressure on residential property prices. However, the pace of increase has moderated. Nationally, house prices rose by 7.6% in year-on-year terms in October, considerably slower than the 14% average registered in the first half of the year.

The slower pace of growth in prices reflects developments in Dublin, where prices in October increased by just 4.5% year-on-year, compared to growth rates of 15-22% recorded in the first six months of 2015. An important factor in this regard are the new Central Bank lending regulations (average house price in the capital is well above the new €220,000 mortgage LTV threshold).



Meanwhile, non-Dublin price rises have now outpaced Dublin for four consecutive months on a year over year basis. The most recent data show prices outside the capital increasing by 10.7% y/y. There is, to some extent, a 'catch-up' element at play here, but it is also indicative of improved economic conditions, with recent national employment data showing relatively broadbased regional jobs growth. The lack of supply is also impacting the rental market, with rents up 10.3% y/y in October and are now 1.2% above their pre-recessionary peak.

Mortgage market also showing signs of being impacted by new lending criteria.

Activity in the mortgage market has softened in recent quarters. The latest approvals data show that in the three months to October, approvals were down over 7% compared to the same period last year. This metric has been on a sustained downward trend throughout the year. Likewise, the year-on-year growth in mortgage drawdowns has slowed, in both volume and value terms. The lack of supply combined with the new lending criteria would seem to be the key factors in the slowdown in mortgage growth.

LATEST DATA	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	
RESIDENTIAL CONSTRUCTION ACTI	VITY								Housing DMI picks up in
Markit/Ulster Bank Construction PMI									Housing PMI picks up in October after slowing during (
- Housing Activity	50.9	55.8	62.7	64.9	57.3	54.4	55.6	57.4	G G
									Housing registrations remain
Housing Registrations: Month	296	354	431	372	359	979	147	332	a broadly upward trajectory, the are still at low levels overal
- 3 Month Avg YoY %	61.3	64.3	134.5	126.4	110.5	192.8	118.7	98.9	are still at low levels overal
- Cum 12 Mth Total	2,874	3,049	3,344	3,520	3,659	4,470	4,326	4,384	Commencements continue
Commencements: Month	690	820	782	712	1,026	660	1,018	#N/A	improve on a 12 month
- Cum 12 Mth Total	3799	4540	5252	5768	6459	6851	7407	#N/A	cumulative basis. YoY
- Cum 12 Mth Total YoY %	-57.8	-48.2	-37.8	-30.1	-19.5	-13.7	-6.6	#N/A	comparison distorted by base effects from 2014
Consolations, Month	4.400	0.40	004	4.050	4.400	040	4 000	44N1/A	Housing completions stay vs
Completions: Month - Cum 12 Mth Total	1,100	946	991	1,059	1,120	949	1,220	#N/A #N/A	Housing completions stay ve low—12 month total looks to
- Cum 12 Mth Total YoY %	11,555 32.8	11,735 33.9	11,641 25.9	11,809 25.2	11,937 22.8	12,104 22.3	12,141 16.7	#N/A	stalling around 12k
Cum 12 War Total 101 //	02.0	00.0	20.0	20.2	22.0	22.0	10.7	#1 4 //	-
HOUSING / MORTGAGE MARKET AC	TIVITY		_			_			
RPPR Transactions : Month	3,586	3,612	3,603	4,088	4,195	3,464	#N/A	#N/A	Slowdown in YoY growth in
- 3 Month Avg YoY %	55.1	43.4	30.5	24.6	11.4	10.4	#N/A	#N/A	mortgage approvals and
- 12 Mth Total	46,530	47,480	48,054	48,762	48,692	49,257	#N/A	#N/A	housing transactions—may reflect new Central Bank
									lending rules and limited sa
BPFI Mortgage Approvals: Month	2,228	2,070	2,347	2,362	2,700	2,133	2,210	2,243	stock
- 3 Month Avg YoY %	40.6	28.8	17.3	7.5	4.6	1.1	-1.3	-7.5	
- 12 Mth Total	27,271	27,483	27,645	27,744	27,811	27,722	27,651	27,275	The pace of YoY decline in mortgages outstanding has
Residential Mortgages (Central Bank of	Ireland)								slowed slightly in recent
- Amount Outstanding (Adj.) YoY %	-2.7	-2.6	-2.5	-2.6	-2.6	-2.6	-2.5	-2.4	months, now at -2.4%
HOUSING MARKET PRICES									
CSO (Mortgaged Transactions) - MoM	0.9	0.6	0.5	0.1	0.9	2.3	1.3	1.6	House price growth
- YoY %	16.8	15.8	13.8	10.7	9.4	9.5	8.9	7.6	decelerating, YoY growth of 7.6% in October was its
- Dublin YoY %	22.8	20.2	15.2	11.1	9.0	8.2	6.5	4.5	weakest rate in nearly 2 year
- Ex Dublin YoY %	10.7	11.4	11.9	9.7	9.6	10.8	11.4	10.7	Reflects slower growth in
RPPR Transaction Price (Simple Aver	age)								Dublin market
- 6 Month Average €	216,311	210,134	207,890	212,685	212,940	218,294	#N/A	#N/A	Average transaction price clo to €220,000
Daft Asking Prices: MoM%	1.3	-0.3	0.6	-1.0	1.8	0.1	0.9	#N/A	10 0220,000
- YoY %	13.3	13.6	11.4	9.5	9.5	8.3	7.6	#N/A	
									_
RENTS & AFFORDABILITY									Rents continue to rise strong YoY growth at 10.3% in
RENTS: CSO Private Rents - MoM%	0.6	0.6	0.6	0.9	1.0	0.9	1.2	0.5	October. Rents now 1.2%
- YoY %	8.3	8.7	8.9	9.3	10.4	10.5	10.3	10.3	above pre-recessionary pea
AFFORDABILITY: Couple on Avg Indus	trial Wage,	92% LTV.	30Yr Morto	age : Morto	gage cost a	s % of Disp	osable Inco	me	Affordability remains at
3	16.8	16.9	17.0	16.6	16.8	17.3	17.5	17.2	relatively accommodative lev
QUARTERLY DATA									
COARTERET DATA	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	
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QUARTERET DATA								
	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15
BPFI Mortgage Drawdowns								
Purchase Drawdowns	4,761	3,126	4,337	5,763	6,929	5,125	5,604	6,494
YoY %	-14.6	73.4	51.8	42.3	45.5	63.9	29.2	12.7
FTB YoY %	-27.3	87.2	52.5	41.8	49.2	73.3	36.1	12.6
Mortgage Arrears 90 Days +								
Mortgage Arrears 90 Days + Principal Residences								
,	96,467	93,106	90,343	84,955	78,699	74,395	70,299	#N//
Principal Residences Number of Accounts in Arrears	96,467 12.6	93,106 12.2	90,343	84,955 11,2	78,699 10.4	74,395 9.8	70,299 9.3	#N// #N//
Principal Residences	, -	,	,	- ,	-,	,	-,	
Principal Residences Number of Accounts in Arrears % of Outstanding	, -	,	,	- ,	-,	,	-,	

Q3 (in both volume and value terms)—may reflect in part the new Central Bank regulations

FTB remain the dominant source of mortgage drawdowns at 53% of total

The number of mortgages in arrears (both principal residence & BTL) recorded further strong declines in Q2, but they remain high

Sources: Central Bank of Ireland, CSO, Daft.ie, DoEHLG, HomeBond, BPFI, RSRA, Ulster Bank, AIB ERU Calculations



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