



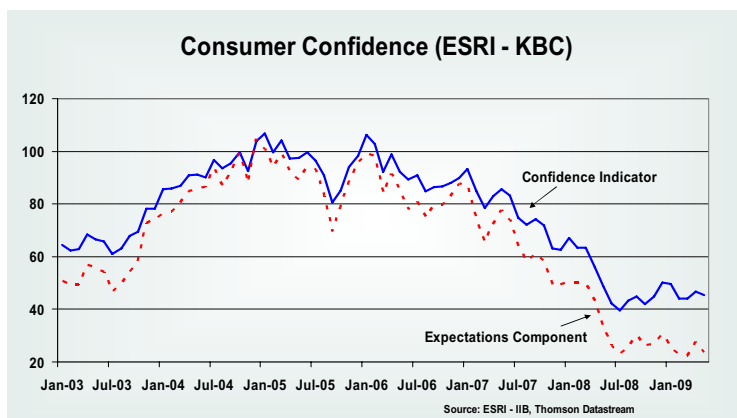
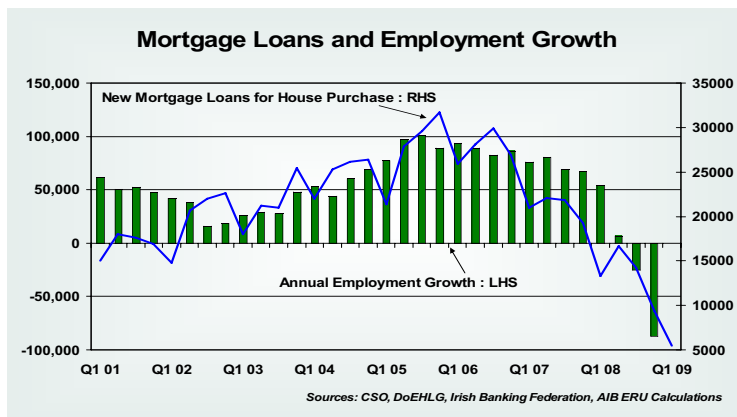
Housing Market Bulletin - June 2009

Employment and Confidence Crucial for Housing Demand

In the absence of any statistics on house sales, mortgage lending data are the best available indicator of the strength of Irish housing demand. These highlight the current difficulties being faced by the Irish housing market, despite the significant improvement in affordability conditions that have resulted from falling prices and markedly lower interest rates. Affordability conditions may be at their best since the late 1990's, however, deteriorating employment prospects and still depressed overall confidence in the economy are the current drivers of housing demand.

The latest figures from the Central Bank of Ireland show that the new mortgage lending has failed to keep pace with mortgage repayments, resulting in a fall of €100m in the level of residential mortgages outstanding in April. This was the the first such monthly fall since the series began in 1990. This is in keeping with the trend evident from the recent Irish Banking Federation data which show a 68% year-on-year decline in the value of new mortgage lending in Q1 2009. This in part reflects a decline in average loan values resulting from the fall in house prices and lower LTVs. However, there was also a 61% year-on-year fall in the number of new mortgage loans in the quarter. Excluding remortgages and top-up loans, the number of house purchase drawdowns was down by 59% year-on-year in Q1 this year.

Falling housing demand, as evidenced by these mortgage data, is hardly surprising given the deteriorating labour market conditions. The unemployment rate has risen to 11.8% in May, from just 5.7% a year earlier and could well reach over 15% before it peaks. Indeed, overall we estimate that total employment in Ireland could fall by up to 300,000 over the course of this recession (with as much as half of this decline coming in the construction sector). Employment prospects are thus a significant negative for the housing market.



Meanwhile, the ESRI/KBC consumer confidence indicator, fell slightly in May, which is hardly surprising given the income tax hikes that took effect in the month. However, despite the weaker May numbers and the continuing deterioration in the labour market, there would appear to be some stabilisation in overall consumer confidence and, perhaps more crucially, in the index's expectation component - albeit at very low levels.

The Irish housing market needs to see confidence rebuild from these lows. This, coupled with the improved affordability conditions, could then have a positive impact on demand.

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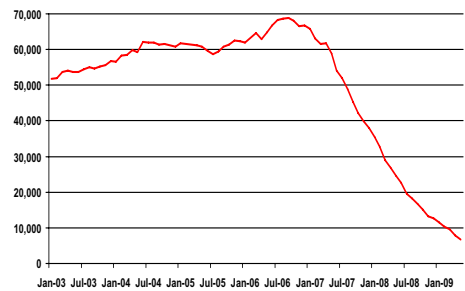
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Completions/Registrations/Commencements

In total, 7,711 units were completed in Q1 2009 (-42% yoy). This follows a decline of 34%, to 51,724 units, in 2008. With lead indicators continuing to point to a further sharp decline in output, we are anticipating that there will be only some 23,000 units completed this year. Registrations have been particularly weak in recent months, averaging just 350 per month in the 5 months to May compared to 1,500 per month on average in Jan/May 2008. Meanwhile, commencements are also declining sharply, running at a seasonally adjusted annualised rate of under 10,000 in Q1 this year. These data point to a further fall in the rate of output in late 2009 and 2010.

House Guarantee Registrations*
12 Mth Cumulative Total

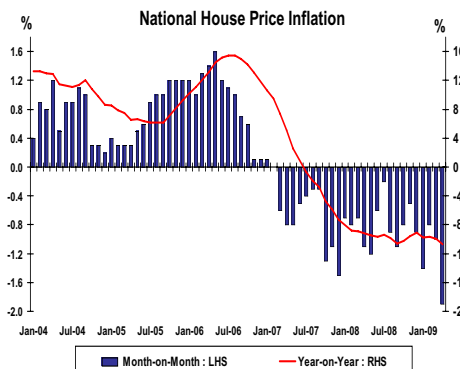


Source: DoEHLG HomeBond & Premier Guarantee

	May-09	Apr-09	Mar-09	Feb-09	Jan-09		Mar-09	Feb-09	Jan-09	Dec-08
Registrations (HomeBond & Premier)						Completions (DoEHLG)				
Year to Date Y/Y	-77.4	-75.7	-73.1	-76.5	-83.1	Month	2,339	2,613	2,659	3,534
Cumulative 12 Mth Total	6,733	7,940	9,511	10,366	11,487	Year to Date	7,711	5,272	2,659	51,724
Cum 12 Mth Tot Y/Y	-72.6	-70.4	-67.1	-68.4	-67.7	Y/Y %	-45.0	-46.7	-45.3	-33.7
Commencements (DoEHLG)						Cum 12 Mth Total	45,425	47,109	49,525	51,724
Year to Date Y/Y	N/A	N/A	-68.1	-70.0	-72.5	Y/Y %	-36.9	-37.2	-35.8	-33.7
Cumulative 12 Mth Total	N/A	N/A	17,600	18,987	20,874					

House Prices

According to the permanent tsb/ESRI index house prices nationally fell by 1.9% in April, the largest monthly decline since the index began in 1996. This leaves prices 20% below their peak. Despite, the significant price decline in April, the index still fails to fully reflect either the scale of price cuts announced by developers nor the experience of many sellers. Indeed, Sherry FitzGerald report that, for example, Dublin second hand property prices are down by some 40% from their peak. It also reports prices in the overall Irish market as being down 8.7% in Q1 this year, whereas permanent tsb/ESRI reported a much more modest decline for existing homes of just 2.6% in the quarter.



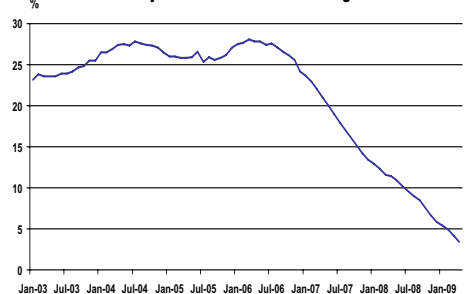
Source: permanent tsb/ESRI

	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08		Apr-09	Mar-09	Feb-09	Jan-09
permanent tsb/ESRI House Price Inflation %						permanent tsb/ESRI %				
National M/M	-1.9	-1.0	-0.8	-1.4	-0.9	New Houses Y/Y	-11.1	-10.5	-9.2	-9.0
National Y/Y	-10.7	-10.0	-9.7	-9.8	-9.1	Existing Houses Y/Y	-11.7	-11.0	-11.3	-10.8
Average House Price €						Dublin Houses Y/Y				
National	253,546	255,999	258,006	261,573	264,026	Outside Dublin Y/Y	-10.8	-9.9	-9.5	-9.9
Dublin	334,822	339,042	346,274	351,096	358,631					
Outside Dublin	218,261	220,741	222,649	223,984	225,511					

Mortgage / Loan Growth

The level of mortgage lending outstanding fell by €100m in April, the first such monthly decline since the monthly series began in 1990 and the yoy growth rate decelerated further to just 3.4%. Meantime, Irish Banking Federation data show a 61% yoy fall in the number of mortgage drawdowns in Q1 2009. Overall, house purchase mortgages fell by 51% yoy. First time buyers were the strongest segment with loans down by 46% yoy in Q1 compared to movers (-58%) and investors (-75%). Reflecting the depressed level of housing market activity, stamp duty receipts (from all sources, not just housing) were down by 64% at end May, having declined by 48% in 2008.

Residential Mortgage Lending
Adjusted* Series: YoY % Change



Source: CBFSAI
* Adjusted for Securitizations and Reclassification

	May-09	Apr-09	Mar-09	Feb-09	Jan-09		Q1 09	Q4 08	Q3 08	Q2 08
Residential Mortgages (CBFSAI)						Irish Banking Federation				
Adjusted Y/Y %	N/A	3.4	4.2	4.9	5.4	Total Drawdowns	10,997	18,706	27,937	35,154
						Y/Y %	-61.4	-50.4	-31.8	-14.6
						First Time Buyer Y/Y %	-45.6	-42.2	-29.0	-22.5
Stamp Duty Receipts (Dept of Finance)						FTB Average Value €	221,734	226,041	238,064	249,844
YoY %	-61.7	-70.3	-70.3	-45.8	-72.2	Investor Y/Y %	-74.6	-59.0	-41.9	-19.4
Cum YTD YoY %	-63.5	-63.9	-62.1	-58.6	-72.2	Mover Purchaser Y/Y %	-57.7	-54.1	-36.3	-29.0