



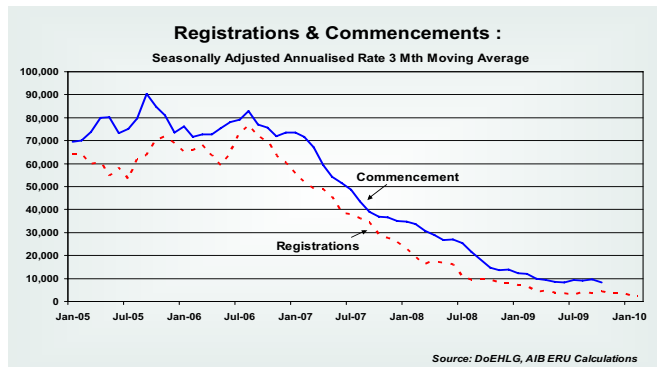
## Housing Market Bulletin - March 2010

### Construction Activity Continues to Decline - But Not All Bad News

#### **Number of new housing registrations falls further**

The level of new house guarantee registrations has fallen even further to average around just 150 a month in the three months to February. (Although Premier Guarantee registrations for February are not yet available they accounted for only 1% of registrations in the previous two months.)

For the three months to February, the seasonally adjusted annualised rate of new registrations has dropped to just over 2,000, compared to 7,000 at the



start of 2009 and over 70,000 at the height of the housing market boom. These figures illustrate the continuing decline in new construction activity by property developers (once-off properties and local authority builds would not typically avail of the house guarantee schemes).

#### **Fall in output necessary to erode overhang of unsold vacant stock**

The overall level of new residential construction activity, as illustrated by commencement data, continues to get support from one-off builds, which have been declining at a significantly slower pace than for multi-unit developments. However, unless there is a marked pick-up in overall new housing starts, completions could struggle to meet our already modest forecasts of just 13,000 units this year and 10,000 units in 2011 - in which we have assumed an element of completion of work already in hand.

As we have consistently argued, though, while the outlook for the residential construction industry remains depressed, such low levels of housing output are below expected household formation - even allowing for outward migration flows - and as such will serve to gradually erode the excess of unsold vacant stock which is currently overhanging the market.

#### **Level of overstocking in rental market falling while rents may be stabilising**

Meantime, there is some evidence of a fall back in the level of overstocking in the rental sector. Daft.ie report that there has been a significant (20%) reduction in the stock of properties available for rent on its website since the number of rental properties peaked in August last year. However, though now at 19,000 compared to peak stock levels of 23,000, the number of properties for rental on the website is still well up on the 6,000 level of two years ago. At the same time, there is an indication that rental levels may have stabilised in recent months. Indeed, though rents are still down 25% from their early 2008 peak, Daft's rental index rose slightly in January, the first monthly increase in rental levels since that time.

#### **Activity apparently picking up in existing homes market**

Furthermore, there are indications of signs of life in the existing homes market, with MyHome.ie reporting a three fold increase in the number of 'Sale Agreed' properties in January compared with the same month last year. In addition, MyHome have seen a consistent pick-up in the numbers of Sale Agreed second hand properties since September last year, which goes against the normal seasonal trend in the market. The property website also report that the positive trend appears to have continued in February. Furthermore, MyHome report an increase in the number of visits to its website, as well as in the number of enquiries being made through the site to estate agents.

Thus, while residential construction activity remains depressed, there are some hints of more positive trends emerging for the Irish property market.

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