

Housing Market Bulletin - June 2010

The Nature of Housing Demand

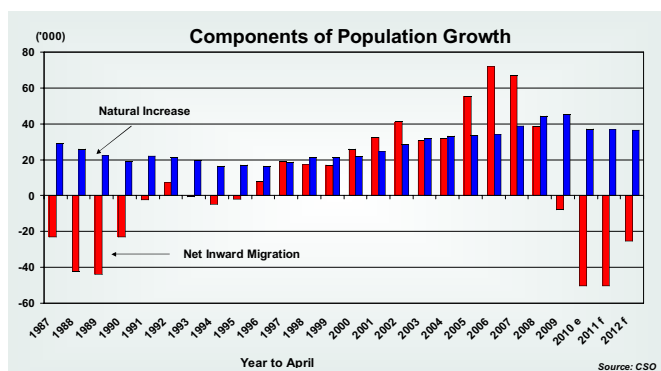
Outward Migration Significantly Reduces Housing Demand

In our May Bulletin we commented on the strength of potential First Time Buyer demand due to the current demographic structure. However, we also noted the negative implications for demand from the return of net outward migration and we now looking at this aspect of demand in more detail.

Total population likely contracted in year to April 2010 due to emigration ...

From April 2000 to April 2008, net inward migration was the main driver of population growth, accounting for almost 60% of the total increase in the population over the period.

Net migration flows, though, turned negative in the year to April 2009 and have accelerated as the effects of the recession continue to impact. Indeed, we estimate net outward migration of around 50,000 in the year to April 2010. The natural annual increase in the population is around 45,000. As a result, the overall population could have contracted in the year (for the first time since 1990). A similar outcome is possible for the year to April 2011 before migration outflows begin to moderate leading to renewed population growth from 2012 onwards.



... Depressing housing demand

It is possible to make some estimate of the loss in housing demand from emigration flows by applying the same age structure for net emigration as was seen in the year to April 2009 for new migrants into Ireland and by also assuming the same headship ratios as for the total population. On this basis, our net outward migration forecasts of 50,000 for the years to April 2010 and 2011 would free up some 15,700 housing units in each of these years with a further 7,800 units being vacated in the year to April 2012 (on the basis of net outward migration of 25,000 in that year).

However, natural population growth & aging still sees net housing demand

This does not mean, though, that population changes alone will result in an overall decrease in housing demand over the 2010/2011 period. Migration flows tend to be most prominent amongst the younger population which has a lower headship ratio (i.e. smaller proportion of adults in any age group that are heads of households) than older age groups.

Thus, these levels of vacancies due to migration are lower than the increased demand resulting from natural population growth and ageing as identified in last month's Housing Bulletin. Thus, we still anticipate that overall population changes will result in demand for new housing units in each of these years, despite the high level of outward migration. This demand is forecast to pick up from around 8,000 per annum in the years to April 2010 and 2011 to nearly 15,000 in 2012. Non-population factors, including headship changes, will also boost demand and we will look at this in more detail in the July bulletin.

ESTIMATED HOUSING DEMAND DUE TO POPULATION CHANGES*

Year to April	Due to Natural Population Growth/Ageing [^]	Due to Net Migration Flows	Total Demand from Population Changes
Avg 2002-2006	19,600	16,300	35,900
2010	23,500	-15,700	7,800
2011	23,700	-15,700	8,000
2012	22,600	-7,800	14,800

* Excluding headship changes

[^] See May Housing Bulletin for Details

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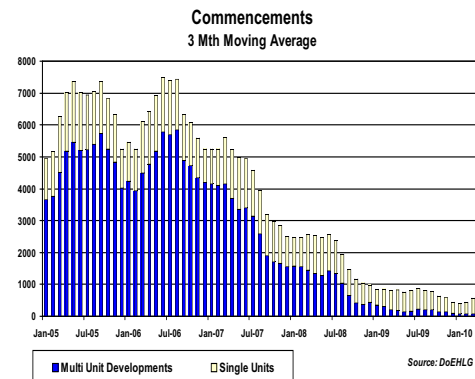
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Completions/Registrations/Commencements

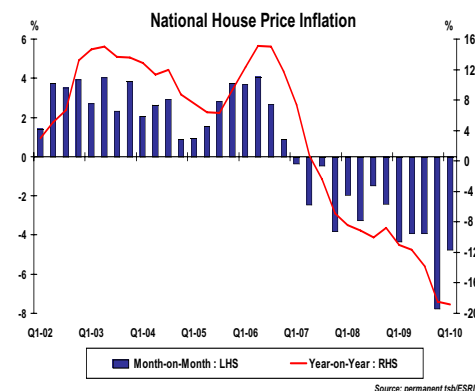
Housing output continues to fall. Just 4,925 units were completed in the 4 months to April, (-51% yoy). Lead indicators, meanwhile, suggest that completions will fall further, to close to 10,000 units this year and 8,000 in 2011. Commencements, which exclude local authority builds, were running at a seas. adj. rate of less than 7,000 per annum in Q1 this year, largely reflecting single-units which accounted for some 85% of all commencements in the period. Indeed, while registrations (which represent largely multi-unit developments) jumped to a seas. adj. rate of almost 2,700 p.a. in the three months to May, from 1,700 the previous month, the May data are likely distorted by timing factors.



	May-10	Apr-10	Mar-10	Feb-10	Jan-10		Apr-10	Mar-10	Feb-10	Jan-10
Registrations (HomeBond & Premier)						Completions (DoEHLG)				
Year to Date Y/Y	-38.7	-60.1	-63.2	-58.0	-38.2	Month	1,166	1,294	1,258	1,207
Cumulative 12 Mth Total	3,071	2,827	3,006	3,332	3,651	Year to Date	4,925	3,759	2,465	1,207
Cum 12 Mth Tot Y/Y	-54.4	-64.4	-68.4	-67.9	-68.2	Y/Y %	-51.0	-50.6	-53.2	-54.6
Commencements (DoEHLG)						Cum 12 Mth Total	21,304	22,568	23,613	24,968
Year to Date Y/Y	N/A	N/A	-30.5	-38.3	-42.9	Y/Y %	-50.3	-50.2	-49.9	-49.6
Cumulative 12 Mth Total	N/A	N/A	7,855	7,972	8,281					

House Prices

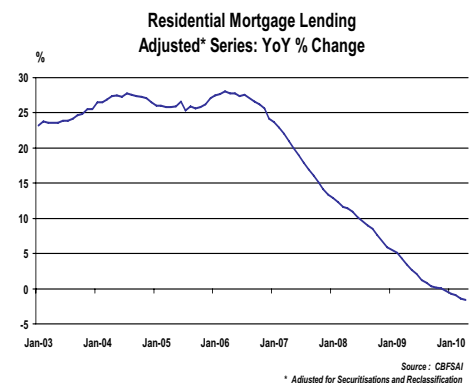
The permanent tsb/ESRI index showed prices nationally falling by 4.8% in Q1 this year bringing them to 34% below their peak. This sees the national average house price at just over €204,830 (with Dublin prices averaging €250,872 and those outside Dublin averaging €183,309). However, most market commentators continue to put the decline in house prices from their peak at somewhere over 40%, and as much as 50% for some regions/property types. Indeed, given the lagging nature of this index, the trend in asking prices and in monthly indicators suggest that the permanent tsb/ESRI index will record further price declines in coming quarters.



	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09		Apr-10	Mar-10	Feb-10	Jan-10
permanent tsb/ESRI House Price Inflation %						Daft Asking Prices				
National M/M	-4.8	-7.7	-3.9	-3.9	-4.3	3Mth/3Mth %	N/A	-3.3	-4.0	-5.1
National Y/Y	-18.9	-18.5	-13.8	-11.6	-11.0	YoY % 3 Mth Avg	N/A	-18.0	-18.2	-18.5
Average House Price €						Property Week - Dublin 3 Bed				
National	204,830	215,086	233,137	242,593	252,459	Price €	346,610	350,449	352,768	356,955
						M/M %	-1.1	-0.7	-1.2	-1.1

Mortgage / Loan Growth

The level of mortgage lending outstanding fell in April for the 13th consecutive month and, at -1.6%, the yoy rate was negative for the fifth month running. However, the pace of decline in stamp duty receipts (from all sources, not just housing) appears to be moderating. They were down by 17% in the year to May, having declined by 44% in 2009 (48% in 2008). Meantime, while Irish Banking Federation data show a 23% yoy fall in the number of mortgage drawdowns for house purchase in Q1 2009, FTB mortgages declined by just 1% yoy in the quarter. The investor sector, though, remains very weak with the number of loans still down 60% yoy (movers -31% yoy).



	May-10	Apr-10	Mar-10	Feb-10	Jan-10		Q1 10	Q4 09	Q3 09	Q2 09
Residential Mortgages (CBFSAI)						Irish Banking Federation				
Adjusted Y/Y %	N/A	-1.6	-1.4	-0.9	-0.7	Total Drawdowns	6,954	9,946	12,189	12,686
						Y/Y %	-36.8	-46.8	-56.4	-63.9
Stamp Duty Receipts (Dept of Finance)						First Time Buyer Y/Y %	-1.2	-11.3	-34.6	-47.9
YoY %	16.3	2.3	-14.9	-30.8	-40.0	FTB Average Value €	201,516	206,865	210,210	206,517
Cum YTD YoY %	-17.0	-23.7	-29.4	-33.8	-40.0	Investor Y/Y %	-60.1	-76.2	-77.9	-79.4
						Mover Purchaser Y/Y %	-30.8	-38.4	-54.9	-58.7