

Housing Market Bulletin - July 2010

The Nature of Housing Demand

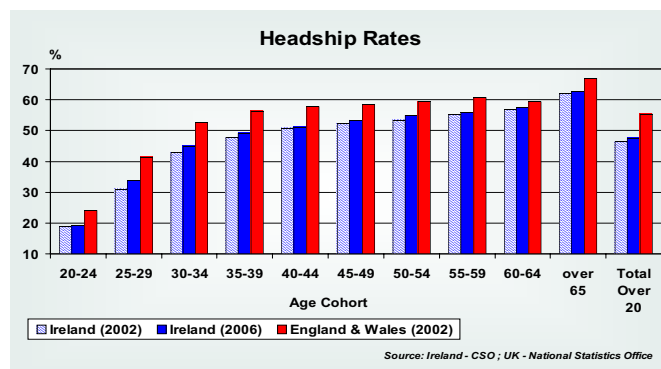
Low Irish Headship Ratios Indicative of Potential Demand

In previous bulletins we have discussed housing demand due to household formation as a result of population growth (either natural or from migration flows) and aging. Household formation, though, also reflects changes in headship ratios (ie changes in the proportion of the population in any age group that is categorised as head of household).

Headship changes can come about from several factors. These include changes in social structure in the country, such as increased rates of marital breakdown along with greater support for one parent families. The willingness/ability of young adults to move out of the parental home also influences headship rates.

Irish headship rates significantly lower than those in the UK

Headship rates in Ireland (as available from Census data) are significantly lower than those in the UK across all age groups (The most recent data from the UK are for 2002.)



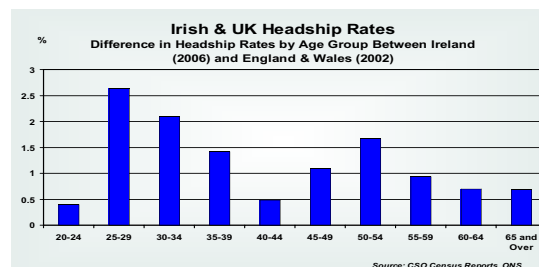
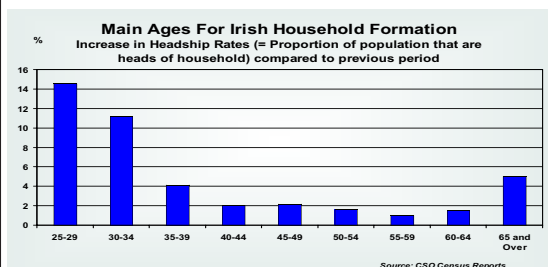
There was a modest increase in Irish headship rates over the period from April 2002 to April 2006 which we calculate resulted in additional demand for some 38,400 housing units over the period (on average 9,600 per annum).

If Irish headship rates were to continue to rise over time to match those in the UK this would imply the need for an additional 175,000 homes.

Increased headship implies changes in social structures more young adults leaving home

Such a move to UK headship levels would depend, in part, on the pace of change in Irish social structures towards increased marital breakdown and higher levels of one parent families.

Meanwhile, the main age range for household formation over the 2002-2006 period was between 25 and 35. Despite this, the 25-35 cohort remains the age range with the lowest headship rate in Ireland in comparison with the UK (England & Wales), indicating scope for further household formation in this age group as more young people look to move out of the parental home. A move to UK headship rates by this age group alone would imply demand for an additional 55,000 homes.



Realisation of potential headship demand very much dependent on economic climate

The realisation of the potential demand from headship changes is a reflection not only of a desire to set up a new household (be it in owner occupied or rented accommodation) but also of the ability to fund such an exercise. As such, it is very dependent on the economic climate.

John Beggs
Chief Economist

Jenny Pollock
Senior Economist

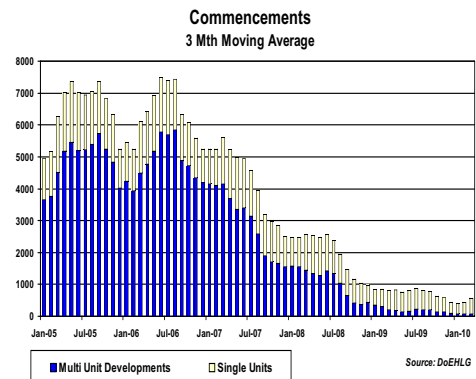
Oliver Mangan
Chief Bond Economist

Geraldine Concagh
Senior Economist



Completions/Registrations/Commencements

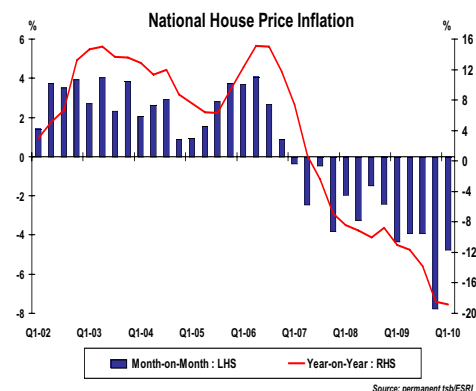
There were 6,112 units were completed in the first five months of the year (-50% yoy). We now anticipate that some 13,000 units will be completed this year with the pace of decline continuing to lag that of lead indicators, as developers complete out (connect to the ESB) work in progress. These lead indicators suggest that the level of output will continue to decline and that completions could fall to close to 8,000 in 2011. Commencements were running at a seasonally adjusted rate of under 7,000 per annum Q1, with single-units accounting for 85% of the total. Registrations (largely multi-unit developments), meanwhile, were running at a seas. adj. rate of under 2,600 p.a. in Q2 this year.



	Jun-10	May-10	Apr-10	Mar-10	Feb-10		May-10	Apr-10	Mar-10	Feb-10
Registrations (HomeBond & Premier)						Completions (DoEHLG)				
Year to Date Y/Y	-44.6	-38.7	-60.1	-63.2	-58.0	Month	1,187	1,166	1,294	1,258
Cumulative 12 Mth Total	2,798	3,071	2,827	3,006	3,332	Year to Date	6,112	4,925	3,759	2,465
Cum 12 Mth Tot Y/Y	-53.4	-54.4	-64.4	-68.4	-67.9	Y/Y %	-49.7	-51.0	-50.6	-53.2
Commencements (DoEHLG)						Cum 12 Mth Total	20,370	21,304	22,568	23,613
Year to Date Y/Y	N/A	N/A	N/A	-30.5	-38.3	Y/Y %	-49.7	-50.3	-50.2	-49.9
Cumulative 12 Mth Total	N/A	N/A	N/A	7,855	7,972					

House Prices

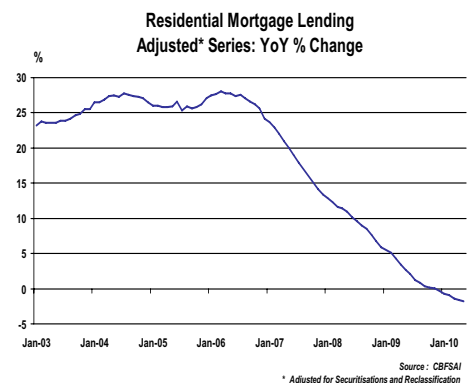
The permanent tsb/ESRI index showed prices nationally falling by 4.8% in Q1 this year, to 34% below their peak. However, not only have prices continued to decline but most market commentators put the fall in house prices from their peak at over 40% and as much as 50% for some regions/property types. (Sherry FitzGerald: national 2nd hand - 43%, Lisney: Dublin -54%). A continuing down trend in monthly price indicators and in asking prices indicates that, given its lagging nature, the permanent tsb/ESRI index will record further price declines in coming quarters. MyHome, however, do report some stabilisation in Dublin 3 bed asking prices and Lisney note an increase in activity in Q2.



	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09		Jun-10	May-10	Apr-10	Mar-10
permanent tsb/ESRI House Prices						Daft Asking Prices				
National Q/Q %	N/A	-4.8	-7.7	-3.9	-3.9	3Mth/3Mth %	N/A	N/A	N/A	-3.3
National Y/Y %	N/A	-18.9	-18.5	-13.8	-11.6	YoY % 3 Mth Avg	N/A	N/A	N/A	-18.0
National Average Price €	N/A	204,830	215,086	233,137	242,593	Property Week - Dublin 3 Bed				
MyHome Asking Prices						Price €	342,399	346,610	350,449	352,768
National Q/Q %	-3.4	-3.3	-3.5	-4.3	-1.5	M/M %	-1.2	-1.1	-0.7	-1.2
National YoY %	-13.7	-12.0	-14.6	-14.1	-14.7					

Mortgage / Loan Growth

The level of mortgage lending outstanding recorded its 12th consecutive month fall in May and the growth rate, at -1.8% yoy, was in negative territory for the seventh month running. However, the pace of decline in stamp duty receipts (from all sources, not just housing) appears to be moderating, hinting that housing market activity may be bottoming. They were down by 19% in H1 this year, having declined by 44% in 2009 (48% in 2008). Meantime, Irish Banking Federation data show a 23% yoy fall in the number of mortgage drawdowns for house purchase in Q4 2009. Notably, FTB mortgages declined by a relatively modest 11% yoy in the quarter (movers -38%; investors -76%).



	Jun-10	May-10	Apr-10	Mar-10	Feb-10		Q1 10	Q4 09	Q3 09	Q2 09
Residential Mortgages (CBFSAI)						Irish Banking Federation				
Adjusted Y/Y %	N/A	-1.8	-1.6	-1.4	-0.9	Total Drawdowns	6,954	9,946	12,189	12,686
Stamp Duty Receipts (Dept of Finance)						Y/Y %	-36.8	-46.8	-56.4	-63.9
YoY %	-30.0	16.3	2.3	-14.9	-30.8	First Time Buyer Y/Y %	-1.2	-11.3	-34.6	-47.9
Cum YTD YoY %	-18.9	-17.0	-23.7	-29.4	-33.8	FTB Average Value €	201,516	206,865	210,210	206,517
						Investor Y/Y %	-60.1	-76.2	-77.9	-79.4
						Mover Purchaser Y/Y %	-30.8	-38.4	-54.9	-58.7