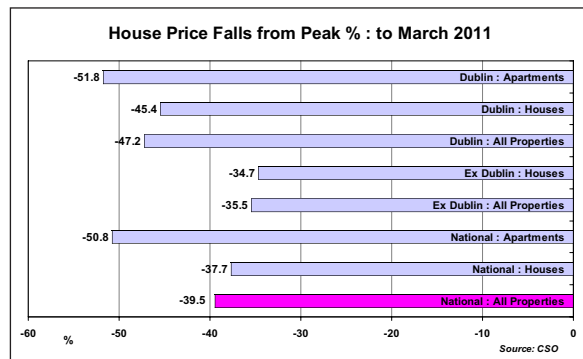


## Housing Market Bulletin - May 2011

### New CSO House Price Index - Useful, But Still Leaves Questions

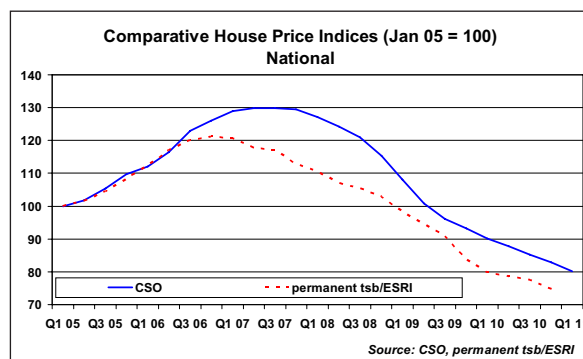
#### *CSO index shows prices nationally down almost 40% from peak ...*

The recently launched CSO residential house price index shows prices nationally down 39.5% from their peak. Not surprisingly, the fall in apartment prices (-51% from the peak) has been greater than for houses (-38%). Meanwhile, the price adjustment in Dublin (-47%) has been significantly greater than elsewhere in the country (-35%). However, it should be noted that prices in Dublin also rose further in the boom years and at their peak were 35% above their January 2005 level (the start date for the CSO index) compared to a 29% increase in prices outside of Dublin.



#### *... broadly in line with the permanent tsb/ESRI index*

The extent of price fall nationally from the peak on the CSO index is broadly in line with that shown by the permanent tsb/ESRI index, though prices peaked later according to the CSO. Meanwhile, the new CSO index indicates that the more restricted coverage of the permanent tsb/ESRI index meant that it underestimated the extent of price gains during the boom (see Chart).



#### *Still not full market coverage ...*

However, the CSO index itself still does not have full market coverage. The index is based on mortgage drawdowns but has not been receiving data from all the lending institutions. Over the 2005-2008 period the number of drawdown returns covered by the CSO index was just over 60% of the number of purchase drawdowns included in Irish Banking Federation data. This percentage increased to 74% in 2009 and should have increase further following the exit from the market place of some of the lending institutions that had not been providing returns to the CSO.

#### *... nor any transaction data ...*

However, even if the CSO index had full mortgage market coverage, it would still not be reflecting the price performance of cash transactions. Anecdotal evidence indicates that these are now playing an increasingly important role in the market. Unfortunately, though, there is no measure of the extent of non-mortgaged transactions. While the CSO has attempted to quantify the total number of transactions using stamp duty returns, these data do not capture self-builds, were no property transactions have been recorded. Self-builds (whether mortgaged or cash builds) have become an increasing percentage of new builds as developer activity virtually grinds to a halt. While encompassing more than self-builds, it should be noted that once-off housing now comprises some 80% of all commencement notices.

#### *... still a lagging index*

Another disadvantage of the CSO index is that (like the permanent tsb/ESRI index) it is a lagging index. The date of mortgage drawdown can lag that of sale agreement by some months. In addition, the fact that it is published as a three month moving average will further delay the emergence of any turning point in prices. That being said the data certainly show no indication that prices are about to stop falling. Nationally, the index declined by 1.7% in both February and March (see Chart overleaf). When a bottoming out of prices happens, we would expect it to be seen first in Dublin where the price adjustment to date has been greatest and where the over supply situation is smaller.

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Chief Economist

**Jenny Pollock**  
Senior Economist

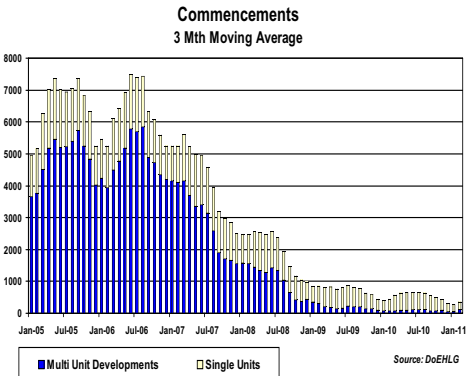
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Senior Economist



## Completions/Registrations/Commencements

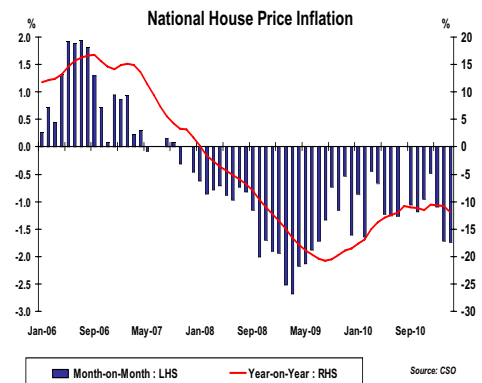
There were 2,766 units completed in Q1 2011 (-26% yoy) and at this stage it looks as if there could be around 10,000 completions in total this year (down from 14,602 in 2010). Meanwhile, the weak trend in housing starts continues. Commencements were running at a seasonally adjusted rate of less than 5,000 per annum in the three months to February. Single-units have accounted for some 80% of all commencements over the last 12 months and developer activity appears to have ground to a virtual halt. Registrations (for largely multi-unit housing/apartment developments) were running at a seas. adj. rate of under 1,000 per annum in the three months to April.



	Apr-11	Mar-11	Feb-11	Jan-11	Dec-10		Mar-11	Feb-11	Jan-11	Dec-10	Nov-10
<b>Registrations (HomeBond &amp; Premier)</b>						<b>Completions (DoEHLG)</b>					
Year to Date Y/Y	-47.7	-36.1	-37.2	-51.7	-55.1	Month	1,052	880	834	1,102	1,526
Cum 12 Mth Total	1,390	1,525	1,569	1,603	1,680	Year to Date	2,766	1,714	834	14,602	13,500
Cum 12 Mth Tot Y/Y	-50.8	-49.3	-52.9	-56.1	-55.1	Y/Y %	-26.4	-30.5	-30.9	-44.7	-44.6
<b>Commencements (DoEHLG)</b>						Cum 12 Mth Total	13,609	13,851	14,229	14,602	15,533
Year to Date Y/Y	N/A	N/A	-7.1	-35.3	-26.0	Y/Y %	-39.7	-41.3	-43.0	-44.7	-44.6
Cum 12 Mth Total	N/A	N/A	6,299	6,219	6,371						

## House Prices

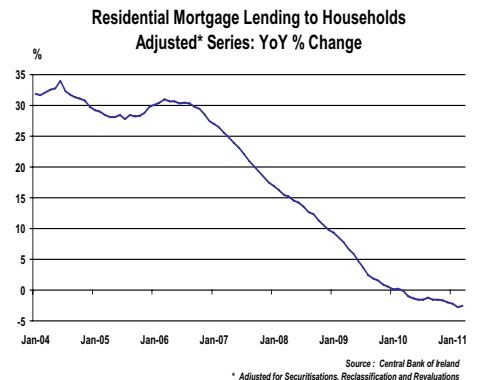
The newly launched CSO residential house price index showed a 1.7% fall in national prices in March, leaving them down by 10.8% on a year-on-year basis. Nationally, prices in March were down by 39.5% from their peak. The price adjustment has been greatest in Dublin (-47%) compared to the rest of the country (-35%). Meanwhile apartment prices are down by 51% from their peak compared to a 38% price decline for houses. A continuing downtrend in asking prices suggests that the index will record further price declines in coming months. Daft report that asking prices fell a further 3.1% in the three months to March while MyHome prices were down a further 4.1% in Q1 this year.



	Mar-11	Feb-11	Jan-11	Dec-10	Nov-10		Mar-11	Feb-11	Jan-11	Dec-10	Nov-10
<b>CSO Residential House Price Index</b>						<b>CSO Residential House Price Index</b>					
National MoM %	-1.7	-1.7	-1.1	-0.5	-1.0	From Peak %					
National Y/Y %	-11.9	-10.8	-10.7	-10.5	-11.5	- National	-39.5	-38.4	-37.3	-36.6	-36.3
<b>Daft Asking Prices</b>						- Dublin	-47.2	-46.2	-45.1	-44.1	-43.9
3Mth/3Mth %	-3.1	-4.1	-5.3	-4.9	-3.9	- Ex Dublin	-35.5	-34.5	-33.5	-33.0	-32.7
YoY % 3 Mth Avg	-14.8	-14.9	-14.8	-14.6	-14.4	- Apartments	-50.8	-48.7	-47.8	-47.8	-47.9
						- Houses	-37.7	-36.7	-35.7	-34.8	-34.5

## Mortgage / Loan Growth

The level of mortgage lending outstanding fell by 2.6% yoy in March, the 13th consecutive month of negative yoy growth. Irish Banking Federation data also highlight the weakness of mortgage demand. There were just 2,325 purchase mortgage drawdowns in Q1 this year, a 53% yoy decline and compared to around 30,000 per quarter at the peak of the market. Disappointingly, FTB mortgages fell by 44% yoy in Q1 2011. Mover mortgages declined by 41% yoy. The investor sector remains particularly weak, with the number of new mortgage drawdowns falling by 64% yoy. Investors now account for just 6% of purchase mortgage drawdowns compared to some 25% in 2006/7.



	Apr-11	Mar-11	Feb-11	Jan-11	Dec-10		Q1 11	Q4 10	Q3 10	Q2 10	Q1 10
<b>Residential Mortgages (Central Bank of Ireland)</b>						<b>Irish Banking Federation</b>					
Adjusted Y/Y %	N/A	-2.6	-2.7	-2.2	-2.0	Total Drawdowns	3,259	5,624	7,261	7,827	6,954
<b>Stamp Duty Receipts (Dept of Finance)</b>						Y/Y %	-53.1	-43.5	-40.4	-38.3	-36.8
YoY %	11.1	-10.0	-34.7	36.7	-21.6	FTB Y/Y %	-44.1	-34.0	-17.4	-6.6	-1.2
Cum YTD YoY %	-7.0	-12.7	-13.7	36.7	3.3	FTB Average Value €	183,543	185,193	188,680	192,848	201,516
						Investor Y/Y %	-63.9	-50.4	-63.7	-67.5	-60.1
						Mover Y/Y %	-41.5	-30.6	-24.6	-35.5	-30.8