



## Housing Market Bulletin - July 2011

### Census Shows Surprisingly Large Increase in Occupied Housing

From a housing market perspective, probably the most interesting figure to emerge from the recently released preliminary Census 2011 report is not so much the widely reported big rise in population but rather the unexpectedly large increase in the size of the occupied housing stock.

There were 1,709,973 properties occupied on Census night (including those whose normal residents were temporarily absent). Based on an estimate that, of these, 12,000 were occupied by visitors (the equivalent number in 2006 was 11,049) this implies that there were in total nearly 1,698,000 households living in permanent accommodation in April this year. This represents an increase since Census 2006 of 205,700 households, or around 41,150 per annum over the five year period.

This is somewhat lower than the 46,472 p.a. rate of household formation recorded between 2002 and 2006. However, it comes against the background of a lower annual average population growth (down to 68,000 p.a. in 2006-2011 from 81,000 p.a. in 2002-2006). As a result, there has been a further marked increase in the number of households per 1,000 of population.

There are a variety of possible reasons for this. Most likely the increase is due to factors such as an increase in the proportion

of young adults leaving the parental home to set up their own households or an increase in the level of marital/partnership breakup leading to the formation of more single adult households. However, we will have to wait for more data before being able to ascertain within which age group the increased level of household formation has taken place.

**Whatever its cause, the surprisingly high level of household formation in recent years is good news in that it has limited the extent of further increase in the excess housing stock.** The increase in the number of households per 1,000 of population implies the need for an additional 85,000 homes (17,000 p.a) compared to if the level had remained unchanged. Indeed, the number of vacant properties rose by just 27,880 over 2006-2011. We would, here, again caution against equating the size of the vacant stock with the size of the excess overhanging in the market. All that matters from a supply/demand perspective is the level of vacant 'on the market' properties which is significantly less than the number of vacant properties. Many vacant properties are holiday homes. It shouldn't be forgotten that the survey of unfinished estates last year found only 33,000 vacant complete or near complete properties and that at the same time Sherry FitzGerald identified only 53,900 second hand properties on the market, many of which would not have been vacant.

Even allowing for emigration, the current rate of new housing development has fallen way below the level of household formation which will slowly begin to eat into the supply overhang. We are forecasting that only around 10,000 units will be completed this year and that output will fall further to just 8,000 units in 2012.

(APRIL)	2002	2006	2011
Housing Stock	1,459,656	1,769,613	2,004,175
of which			
Vacant	143,418	266,322	294,202
Occupied	1,316,238	1,503,291	1,709,973
of which occupied by			
Visitors	9,885	11,049	12,000 (e)
Residents	1,306,353	1,492,242	1,697,973 (e)
Population	3,917,203	4,239,848	4,581,269
Households per 1,000 of Population	333	352	371
<b>Changes</b>	<b>2002-2006</b>	<b>2006-2011</b>	
Housing Stock	309,957	234,562	
Vacant Properties	122,2904	27,880	
Household Formation	185,889	205,731	
Average per annum	46,472	41,146	
Population	322,645	341,421	
Average per annum	80,661	68,284	
Units Required by Change in Households/1,000 Population			
Total	78,290	85,566	
Per annum	19,572	17,113	
<i>(e) Estimate</i>			

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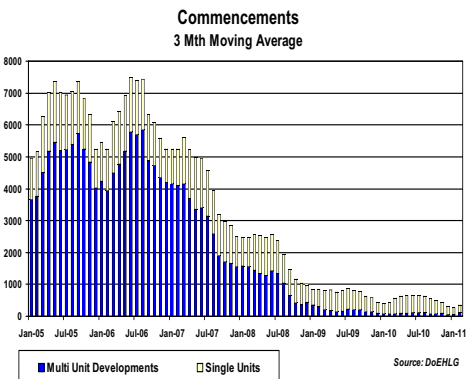
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## Completions/Registrations/Commencements

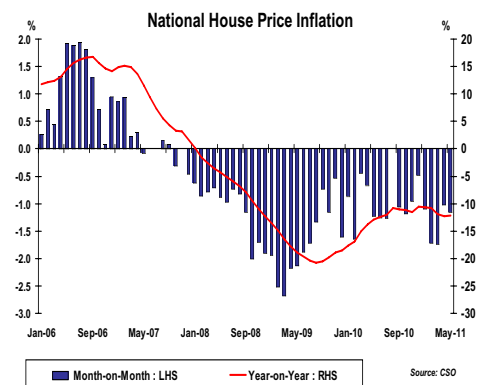
With 4,443 units completed in the first five months of 2011 (-27% yoy), at this stage it looks as if there could be around 10,000 completions in total this year (down from 14,602 in 2010). Meanwhile, the weak trend in housing starts continues. Commencements were running at a seasonally adjusted rate of around 5,500 per annum in the three months to April. 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. Just 442 (-62% yoy) new registrations (for largely multi-unit housing/apartment developments) were taken out in the first half of the year.



	Jun-11	May-11	Apr-11	Mar-11	Feb-11	Completions (DoEHLG)	May-11	Apr-11	Mar-11	Feb-11	Jan-11
<b>Registrations (HomeBond &amp; Premier)</b>											
Year to Date Y/Y	-62.3	-64.0	-47.7	-36.1	-37.2	Month	814	863	1,052	880	834
Cum 12 Mth Total	950	999	1,390	1,525	1,569	Year to Date	4,443	3,629	2,766	1,714	834
Cum 12 Mth Tot Y/Y	-66.0	-67.5	-50.8	-49.3	-52.9	Y/Y %	-27.3	-26.3	-26.4	-30.5	-30.9
<b>Commencements (DoEHLG)</b>											
Year to Date Y/Y	N/A	N/A	-25.4	-17.5	-7.1	Cum 12 Mth Total	12,933	13,306	13,609	13,851	14,229
Cum 12 Mth Total	N/A	N/A	5,770	6,071	6,299	Y/Y %	-36.5	-37.5	-39.7	-41.3	-43.0

## House Prices

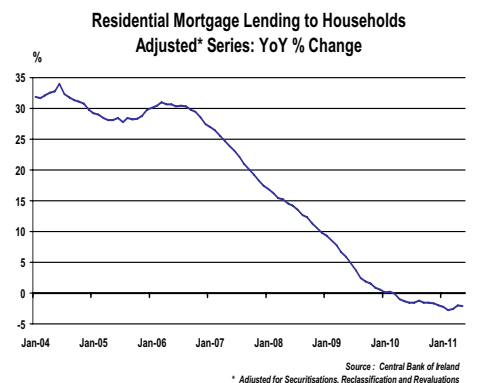
The CSO residential house price index showed a 1.2% fall in national prices in May, leaving them down by 12.2% on a year-on-year basis. Nationally, prices were down by 40.8% from their peak. The price adjustment has been greatest in Dublin (-47%) compared to the rest of the country (-37%). Meanwhile, apartment prices are down by 52% from their peak compared to a 39% price decline for houses. A continuing downtrend in asking prices suggests that the index will record further price declines in coming months. Indeed, Daft report an acceleration in the decline in asking prices in the three months to June, in which they fell by 5.0% leaving them 45% below their peak.



	Jun-11	May-11	Apr-11	Mar-11	Feb-11	CSO Residential House Price Index	May-11	Apr-11	Mar-11	Feb-11	Jan-11
<b>CSO Residential House Price Index</b>											
National MoM %	N/A	-1.2	-1.0	-1.7	-1.7	From Peak %	-40.8	-40.1	-39.5	-38.4	-37.3
National Y/Y %	N/A	-12.2	-12.2	-11.9	-10.8	- National	-47.4	-47.6	-47.2	-46.2	-45.1
<b>Daft Asking Prices</b>											
3Mth/3Mth %	-5.0	-4.0	-3.0	-3.1	-4.1	- Dublin	-37.7	-36.3	-35.5	-34.5	-33.5
YoY % 3 Mth Avg	-15.9	-15.2	-14.9	-14.8	-14.9	- Ex Dublin	-51.6	-51.3	-50.8	-48.7	-47.8
						- Apartments	-39.1	-38.4	-37.7	-36.7	-35.7
						- Houses					

## Mortgage / Loan Growth

The level of mortgage lending outstanding fell by 2.1% yoy in May, the 15th 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 accounted for just 6% of purchase mortgage drawdowns compared to some 25% in 2006/7.



	Jun-11	May-11	Apr-11	Mar-11	Feb-11	Irish Banking Federation	Q1 11	Q4 10	Q3 10	Q2 10	Q1 10
<b>Residential Mortgages (Central Bank of Ireland)</b>											
Adjusted Y/Y %	N/A	-2.1	-2.0	-2.6	-2.7	Total Drawdowns	3,259	5,624	7,261	7,827	6,954
<b>Stamp Duty Receipts (Dept of Finance)</b>											
YoY %	-14.3	7.0	11.1	-10.0	-34.7	Y/Y %	-53.1	-43.5	-40.4	-38.3	-36.8
Cum YTD YoY %	-5.0	-3.7	-7.0	-12.7	-13.7	FTB Y/Y %	-44.1	-34.0	-17.4	-6.6	-1.2
						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