



Housing Market Bulletin - November 2011

Significant Erosion of Overhang of New Stock

The latest survey of unfinished housing estates published by the Department of Environment, Community and Local Government (DoECLG) indicates that there has been a significant erosion of the overhang of unoccupied stock of new housing. This new survey, carried out between May and August this year updates the original survey which took place between May and September 2010. This survey examined all estates of two or more units which at the time of the survey were either incomplete, completed in the previous 3 years or, if completed previously, still had at least 10% of properties vacant.

Significant erosion of overhang of complete or near complete units - more to come

The survey data indicate that in the year between the two surveys there was a decline of 4,612 in the number of vacant completed units, and a fall of 1,182 in the number of near complete units. Thus, overall, the year between the two surveys saw a fall of 5,795 (or 17.5%) in the number of vacant or near complete units, bringing it down to 27,432.

Meanwhile, work on most of the near complete units remains at a standstill. At the time of the most recent survey, building activity was taking place on just 22% (or 1,934) of the 8,794 near complete units. Thus, the stock of units available for sale or rental is being added to only very slowly so the overhang should continue to be eroded. The level of stock in the pipeline is also low

with activity taking place on just 1,120 of the units in the early stages of construction. Furthermore, developer activity on new sites/units has virtually ground to a halt. The survey data show that construction work was started on just 845 properties in multi-unit developments in the year between the two surveys. Other DoECLG data indicate that commencements for multi-unit developments continue to decline. Indeed, the number of commencements for properties on multi-unit developments had fallen to a seasonally adjusted annualised rate of only around 500 for the three months to August.

Thus, until there is a pick-up in market conditions sufficient to generate a renewal in developer activity, it is quite possible that the stock overhang could contract at a pace of some 6,000 per annum, assuming there is no significant fall off in the level of demand. That being said, one of the problems in clearing this overhang is the mismatch in location between many of these units and areas of demand.

Data indicate overall demand running at some 14,500 units p.a.

In total, 7,391 units in these unfinished estates were completed and occupied in the period between the two surveys. This includes rented properties that may not have been sold by developers. In addition, a further 7,197 one-off properties were connected to the ESB in the year to mid 2011. Thus, it would appear that there was demand for around 14,500 new housing units over the year to mid 2011.

More evidence of an increasing proportion of cash buyers?

Meanwhile, Irish Banking Federation data show mortgages for new properties running around 5,000 p.a over the period, indicating that just 35% of these new properties were purchased through a mortgage. In contrast an analysis of historical data puts the ratio of mortgages to completions closer to 65%. The decline in this ratio may well in large part reflect the direct renting of properties by developers. The data, though, may also provide some further backing to the anecdotal evidence of an increasing proportion of cash buyers - either as straight cash purchasers or the cash financing of one-off builds.

Number of Units	2010	2011	Change
Complete & Occupied	78,195	85,586	+7,391
Overhang	33,226	27,432	-5,795
of which:			
Complete & Vacant	23,250	18,638	-4,612
Near Complete	9,976	8,794	-1,182
Early Stages of Construction	9,854	9,102	-752
TOTAL - Complete or Under Construction	121,275	122,120	+845
Under Construction	19,830	17,896	-1,934
of which:			
Activity Taking Place	4,691	3,054	-1,637
of which:			
Near Complete	2,699	1,934	-765
Early Stages	1,992	1,120	-872
No Activity	15,139	14,842	-297

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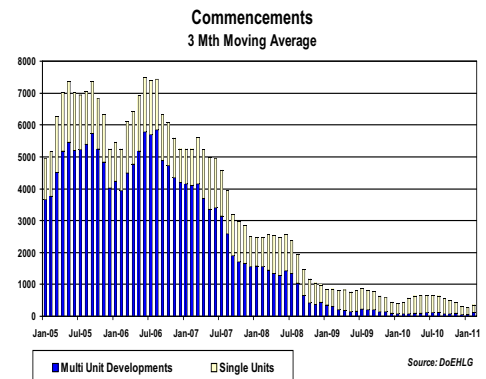
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Completions/Registrations/Commencements

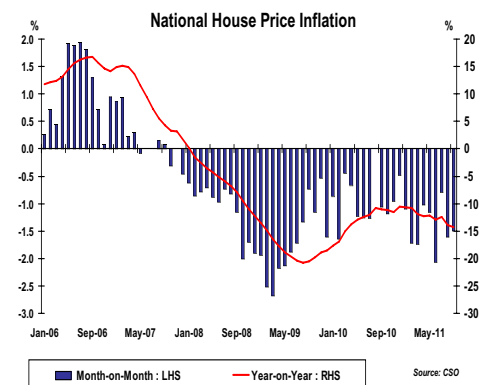
With 7,917 units completed in the first three quarters of 2011 (-26% yoy), at this stage it looks as if there could be some 10,000-11,000 completions in total this year (down from 14,602 in 2010). Meanwhile, the weak trend in housing starts continues and points to a further small decline in output next year. There were just 3,380 commencements in the year to August (-31% yoy). Single-units have accounted for some 78% of these commencements and developer activity appears to have ground to a virtual halt. Just 625 (-58% yoy) new registrations (for largely multi-unit housing/apartment developments) were taken out in the first nine months of the year.



	Sep-11	Aug-11	Jul-11	Jun-11	May-11		Sep-11	Aug-11	Jul-11	Jun-11	May-11
Registrations (HomeBond)						Completions (DoECLG)					
Year to Date Y/Y	-57.7	-58.4	-59.0	-62.3	-64.0	Month	915	802	873	884	814
Cum 12 Mth Total	829	873	952	950	999	Year to Date	7,917	7,002	6,200	5,327	4,443
Cum 12 Mth Tot Y/Y	-63.5	-64.3	-63.8	-66.0	-67.5	Y/Y %	-26.4	-26.4	-26.0	-25.7	-27.3
Commencements (DoECLG)						Cum 12 Mth Total	11,756	12,091	12,419	12,759	12,933
Year to Date Y/Y	N/A	-31.4	-30.6	-29.1	-24.6	Y/Y %	-30.1	-31.6	-31.7	-33.9	-36.5
Cum 12 Mth Total	N/A	4,827	5,036	5,284	5,631						

House Prices / Rents

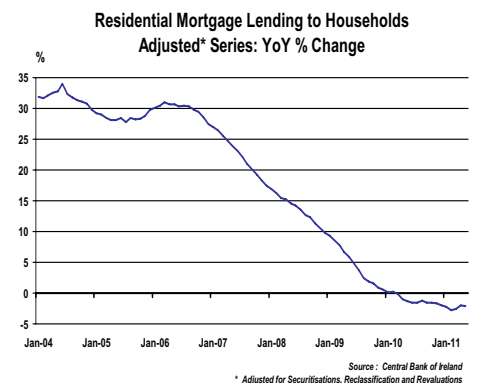
Sentiment remains very much against the housing sector for purchase/investment and house prices continue to fall. The CSO residential property index showed a further fall of 1.5% in prices nationally in September which saw them down some 44% below their peak. The continuing downward trend in asking prices suggests that this index will record further price declines in coming months. However, given the ongoing demand for new accommodation (see front page comment), developers have in many instances been able to rent properties. Furthermore, according to the CSO, private rents have stabilised and, indeed, in September, were up 2.4% from their December 2010 low.



	Sep-11	Aug-11	Jul-11	Jun-11	May-11		Sep-11	Aug-11	Jul-11	Jun-11	May-11
CSO Residential House Price Index						Daft Asking Prices					
National MoM %	-1.5	-1.6	-0.8	-2.1	-1.2	3Mth/3Mth %	-3.6	-4.8	-5.0	-5.0	-4.0
National Y/Y %	-14.3	-13.9	-12.5	-12.9	-12.2	YoY % 3 Mth Avg	-15.6	-15.8	-15.6	-15.9	-15.2
From Peak %						CSO Private Rents					
- National	-44.2	-43.4	-42.5	-42.0	-40.8	MoM %	0.7	0.1	0.2	-0.2	0.1
- Dublin	-51.6	-50.6	-48.6	-48.6	-47.4	YoY %	0.9	0.2	-0.5	-0.7	-0.5
- Ex Dublin	-40.4	-39.8	-39.6	-38.8	-37.7						

Mortgage / Loan Growth

The level of mortgage lending outstanding fell by 2.5% yoy in September, the 19th consecutive month of negative yoy growth. Irish Banking Federation data also highlight the weakness of mortgage demand. There were just 3,084 purchase mortgage drawdowns in Q2 this year (-38% yoy) compared to around 30,000 per quarter at the peak of the market. Disappointingly, FTB mortgages fell by 49% yoy in Q2 2011. Mover mortgages declined by 41% yoy. The investor sector remains particularly weak, with the number of new mortgage drawdowns falling by 50% yoy. Investors accounted for just 5% of purchase mortgage drawdowns compared to some 25% in 2006/7.



	Sep-11	Aug-11	Jul-11	Jun-11	May-11		Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Residential Mortgage Growth (Central Bank of Ireland)						Mortgage Drawdowns (Irish Banking Federation)					
Adjusted Y/Y %	-2.5	-2.4	-2.4	-2.2	-2.1	Total Drawdowns	3,551	3,259	5,624	7,261	7,827
						Y/Y %	-54.6	-53.1	-43.5	-40.4	-38.3
						FTB Y/Y %	-49.4	-44.1	-34.0	-17.4	-6.6
						FTB Average Value €	179,552	183,543	185,193	188,680	192,848
						Investor Y/Y %	-50.4	-63.9	-50.4	-63.7	-67.5
						Mover Y/Y %	-40.9	-41.5	-30.6	-24.6	-35.5
Mortgage Arrears 90 Days + (Principal Residences) (Central Bank of Ireland)											
No. Accts. in Arrears	55,763	49,609	44,508	40,472	36,438						
% of Outstanding	7.2	6.3	5.7	5.1	4.6						