

# Housing Watch

## Ireland

March 2019

## Market continuing to adjust

While Brexit has been dominating the headlines of late, housing remains a topical issue. Full year data for 2018 are now available and show that the market gained further ground last year, with property sales, housebuilding and mortgage lending all up on an annual basis. House prices rose too, albeit the annual rate of inflation eased from double to single digits over the course of the year. There isn't much in the way of data for 2019 yet, but what is to hand suggests that the Central Bank's **mortgage rules** and **increasing supply** are continuing to **take some of the edge off** the market. The Bank of Ireland Housing Pulse, for example, points to a general **cooling** in **price expectations** among households. Demographics, job gains and earnings growth remain supportive though, as does the still sizeable gap between demand and supply. The latter is not just a problem for those who want to buy or rent but is also on businesses' radar. Indeed, our Pulse research finds that just over two in five firms rate the existing housing **infrastructure** in their region as **inadequate** and that firms in Dublin, the Rest of Leinster and Munster consider it the priority area for investment to help strengthen local economies and the business environment.





# Housing Pulse

Good Time



To Buy



To Sell



Planning to Buy/Build

Next 12 Months



1 in 10 Definitely/Possibly

Expectations

Buy versus Rent

Next 12 Months

	National	Dublin	Rest of Leinster	Munster	Connacht/Ulster
House Prices					
> 5%	24%	27%	23%	26%	17%
1-5%	42%	42%	45%	41%	38%
Rents					
> 5%	27%	32%	27%	25%	21%
1-5%	40%	38%	43%	39%	38%

House Prices



Rents



**73%** Think it is cheaper to Buy



**16%** Think it is cheaper to Rent

Planning to Spend on Home Improvements

Next 12 Months



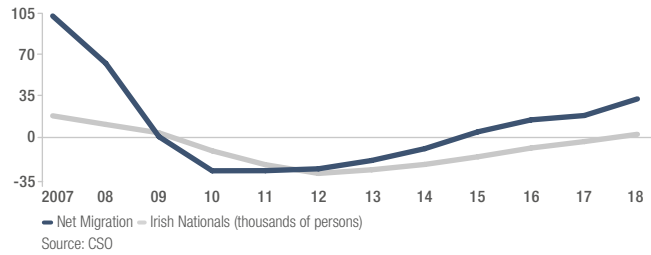
Likely

# Demand



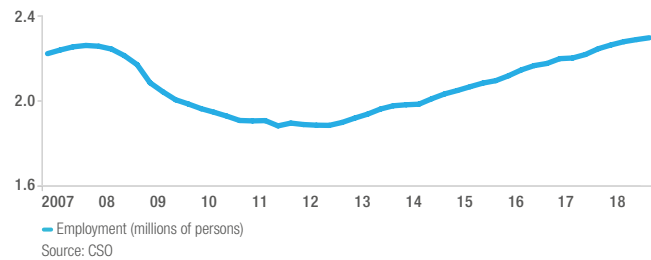
## Migration inflows

A rise of 64,500 brought the population to an estimated 4.86 million in 2018. Net inward migration was strong at 34,000 and positive for Irish nationals for the first time since 2009.



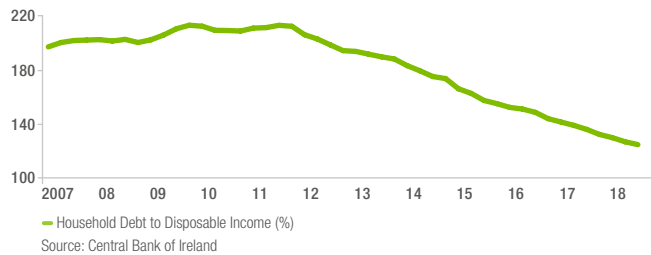
## Healthy labour market

The labour market remains robust, with employment rising by 2.9% last year and the unemployment rate down to 5.6% in February 2019.



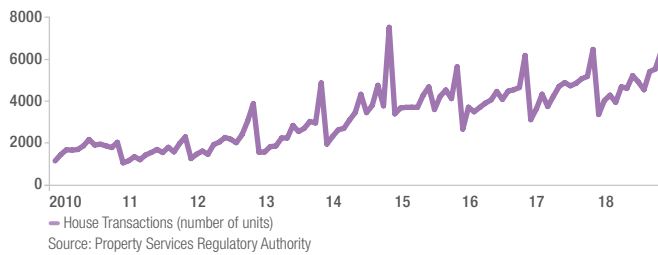
## Finances improving

Earnings are rising - around one in two workers is expecting a pay increase this year, with 44% of firms planning on giving one - and households' debt is falling.



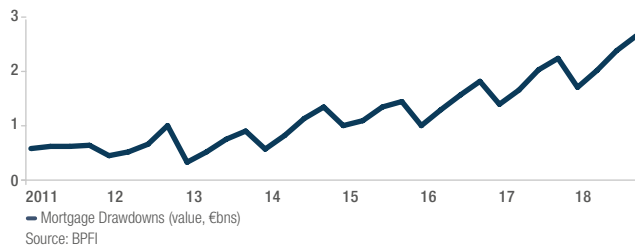
## Transactions up

The number of properties transacted rose again in 2018, though the rate of increase was more modest than the previous year. Non-mortgage buyers remained active, accounting for two in five sales.



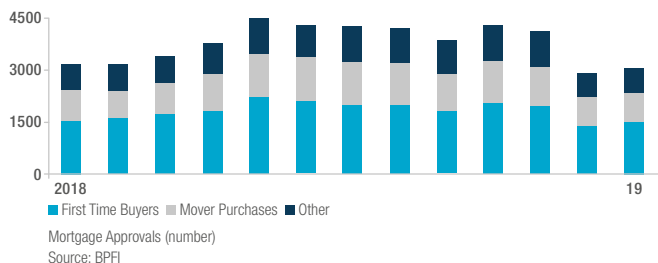
## Mortgage market growth

Mortgage lending amounted to €8.7bn last year, up from just under €7.3bn in 2017. Some 40,203 loans were drawn down over the course of the year, an annual increase of 15.5%.



## Looking ahead

It was a mixed start to 2019 for mortgage approvals, which were up on the month in January but down on the year in both volume and value terms.

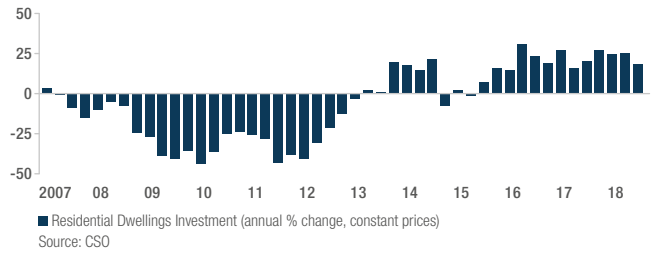


# Supply



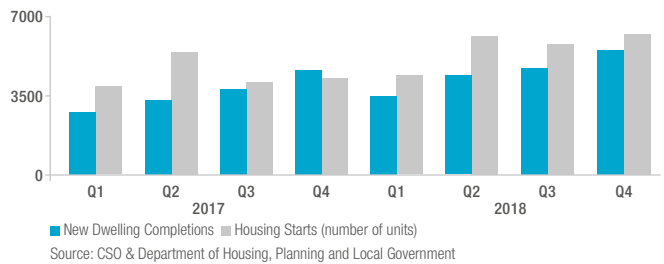
## Residential activity up

Investment in residential dwellings (new builds and improvements) rose nearly 23% year-on-year in the first three quarters of 2018.



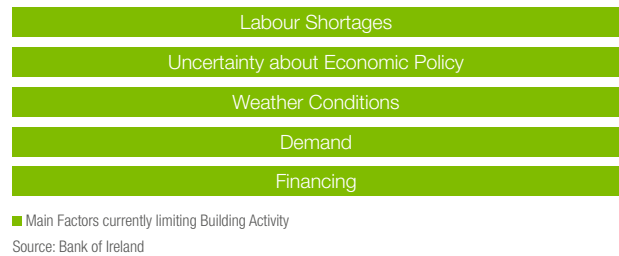
## More to come

18,072 new dwellings were completed last year. Starts data also bode well, with another 22½ thousand or so units expected to come on stream this year.



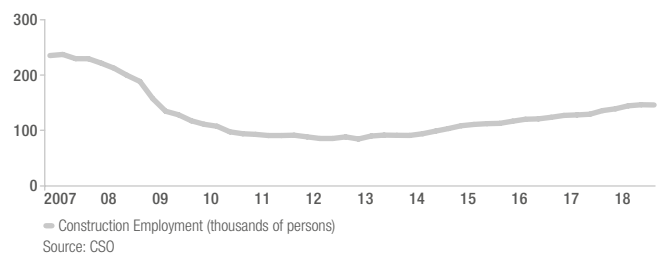
## Some constraints

Supply continues to lag demand though, with labour shortages and uncertainty (including Brexit related) among the factors holding things back.



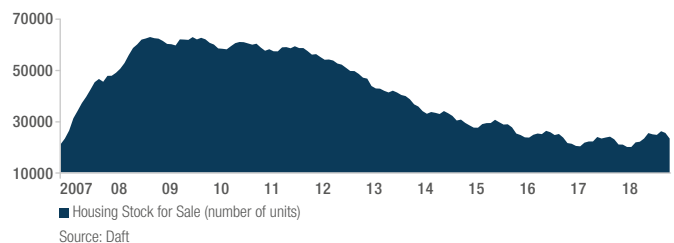
## Workers in short supply

Construction employment has been rising in recent years and workers are now in short supply, with two in five building firms calling this out as an issue.



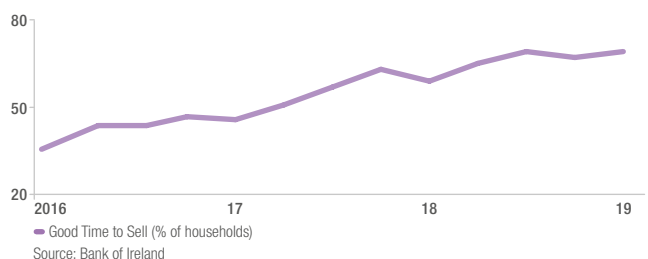
## Stock for sale ticking up

According to Daft.ie the number of properties for sale averaged 23½ thousand a month last year. This was c.4% more than in 2017, but is still a relatively low number.



## Selling sentiment positive

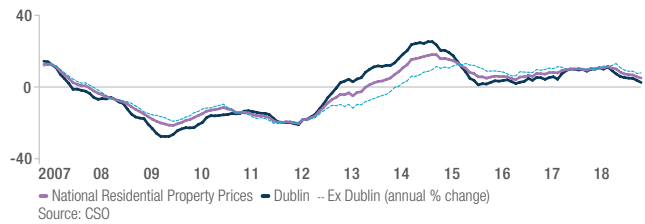
Seven in ten households think now is a good time to sell their property, which is up from just over a third in early 2016.



# Prices

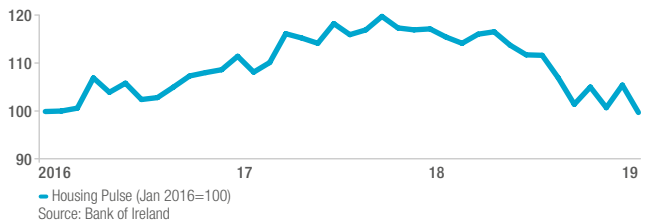
## Pace of increases easing

Having posted double digit growth in the first seven months of 2018, national house price inflation eased to 6.5% year-on-year in December.



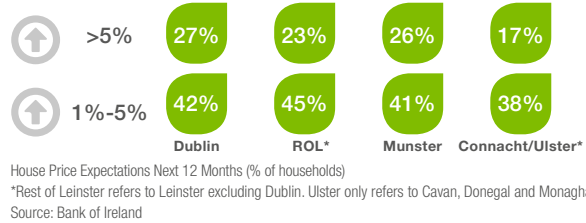
## Expectations softer

Expectations have also softened in recent months, but most households still think house prices will increase over the coming year.



## Regional picture

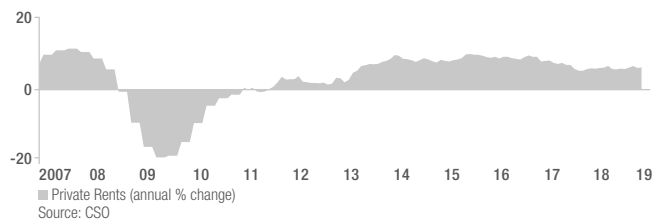
Dublin house prices were up 3.8% in the year to December, while prices outside the capital rose by 9.6%. Looking ahead, further gains are expected across all regions.



# Rents

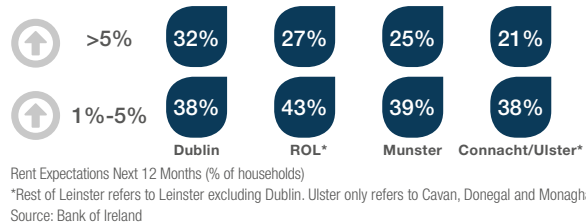
## Further gains

Private rents grew by 6.6% year-on-year in January 2019, though some signs of stabilisation are also evident on this front.



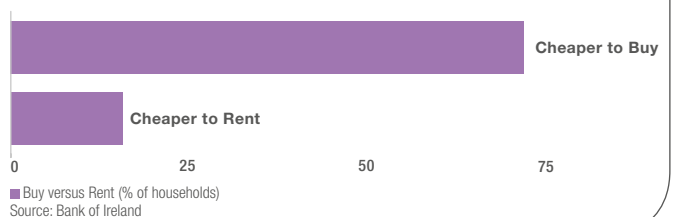
## Across the regions

At the regional level, a majority of households expect rents to rise in the next 12 months, with Dublin and the Rest of Leinster leading the way.



## Buying beats renting

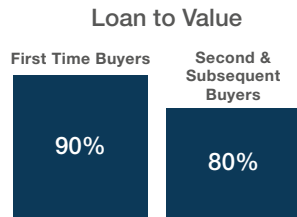
73% think it is cheaper to buy than rent in their area, when comparing the typical monthly mortgage repayment and the typical monthly rent for similar properties.



# Policy

## Mortgage rules unchanged

The Central Bank left the mortgage rules unchanged following its third annual review and said they are contributing to overall financial stability.



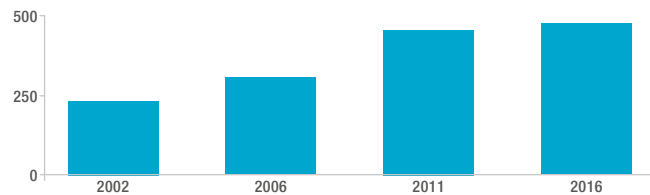
Source: Central Bank of Ireland

## Loan to Income



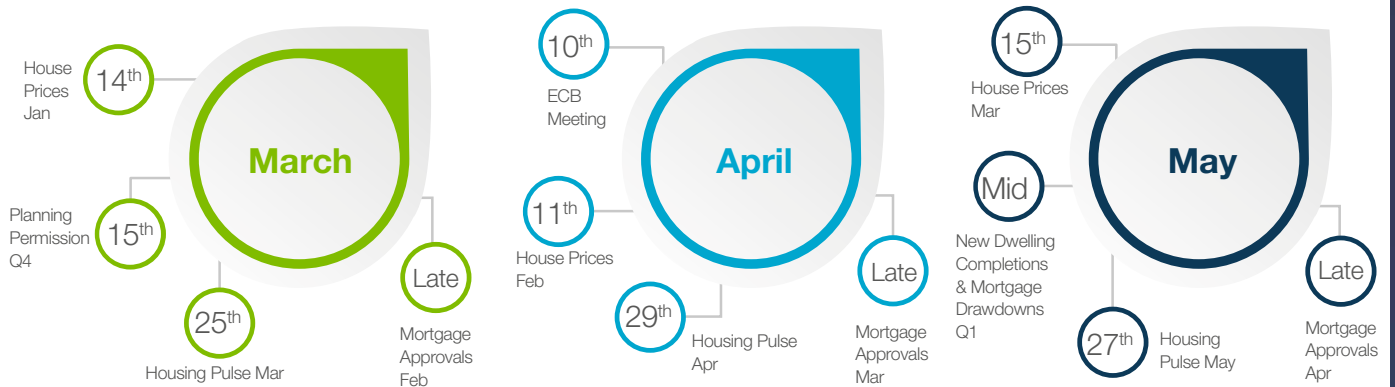
## Budget measures

Budget 2019 increased the funding allocation for housing to c.€2.4bn, and also restored 100% interest relief for landlords in respect of loans used to purchase, improve or repair residential properties.



■ Households Renting (thousands)  
Source: CSO

## Upcoming Events



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