

Housing Watch

Ireland

August 2019

Affordability and uncertainty biting

A good way through 2019 and judging by the data available to date, the housing market has put in a rather lacklustre performance. The appreciable **slowing** in the annual rate of **price inflation** has attracted plenty of attention, and with property sales relatively subdued and housebuilding and mortgage lending advancing at a solid but more moderate pace, overall momentum looks to have faltered a bit. In some respects this is a surprising turn of events. Fundamentals like demographics, employment and income growth remain favourable after all and there is still a sizeable gap between demand and supply. But in others it is not. Recent years have seen **more supply** come on stream while **stretched affordability**, especially in Dublin, means the Central Bank's mortgage rules are now more binding. **Heightened uncertainty** has also been a factor of late. Growing fears of a 'no deal' Brexit and the implications for the economy are unnerving households and builders alike, while speculation about the future of the 'Help to Buy' incentive for first time buyers is not helping matters. Against this backdrop, our Housing and Construction Pulses - which respectively track price expectations among households and sentiment among construction firms - could well soften further in the months ahead.





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
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House Prices

> 5%	21%	25%	20%	20%	20%
1-5%	38%	35%	41%	40%	34%

Rents

> 5%	23%	27%	22%	23%	21%
1-5%	42%	45%	42%	42%	40%

For Sale

75% Think it is cheaper to Buy

To Let

13% Think it is cheaper to Rent

Planning to Spend on Home Improvements

Next 12 Months



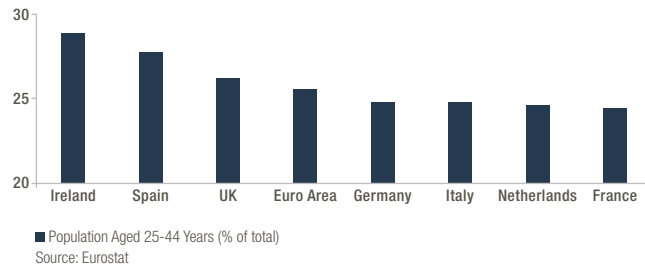
24%

Likely

Demand

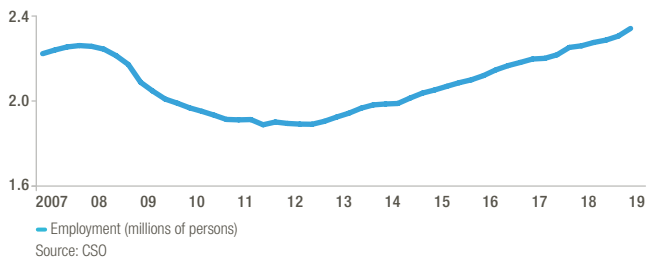
Supportive demographics

Population growth is continuing apace, with a relatively large share in the prime house buying age bracket of 25-44 years.



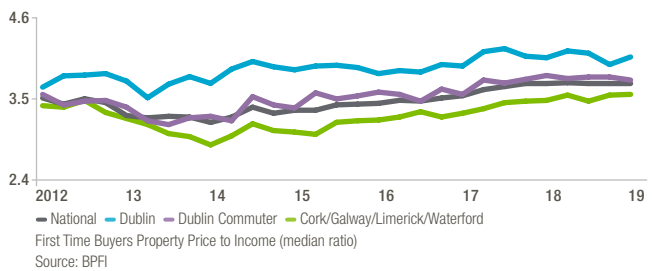
Full employment

Employment grew by 3.7% year-on-year in Q1 2019 – taking the total in work to a record high of over 2.3 million – while the unemployment rate stood at 4.6% in July.



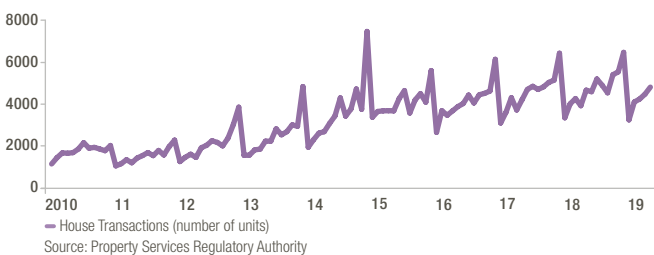
Affordability biting

While incomes are rising on the back of the tight labour market, house prices are now at a level that is stretching affordability, particularly in Dublin.



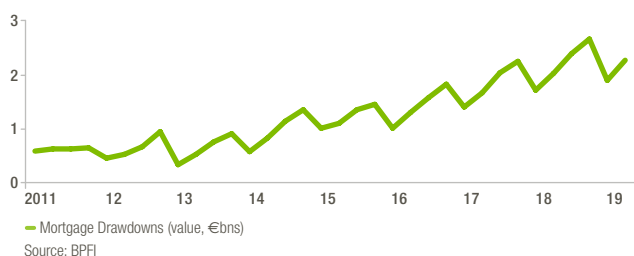
Subdued transactions

With the Central Bank's mortgage rules becoming more binding and Brexit on minds, the number of properties transacted in the opening months of the year was muted.



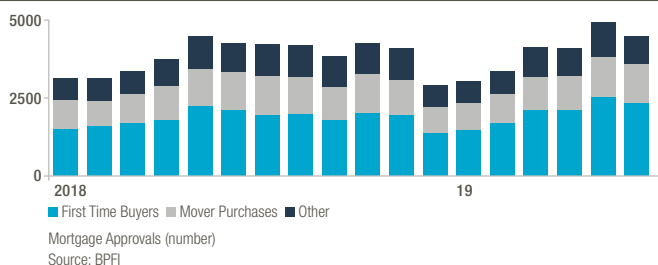
Lending continuing

The annual rate of increase in the volume and value of mortgage drawdowns has moderated a little, but remained solid at 8.8% and 11.7% respectively in Q2.



More on the cards

Mortgage approvals appear to be recovering from a soft start to 2019, with double digit increases in first time buyer activity in the year to June in both volume and value terms.

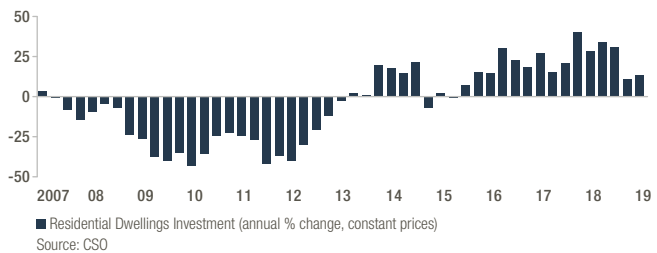


Supply



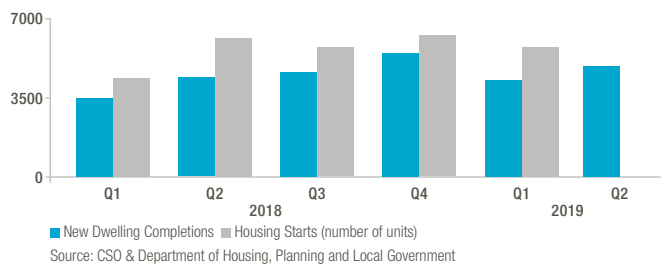
Residential growth

Investment in residential dwellings (new builds and improvements) rose again in Q1 2019, by 13.3% year-on-year.



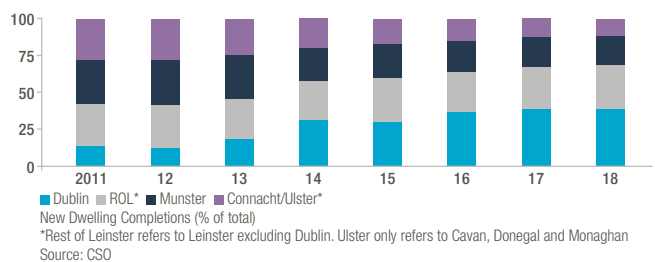
Set to continue

9,185 new dwellings were completed in the first half of the year, with starts data indicating that more homes will be coming on to the market in the period ahead.



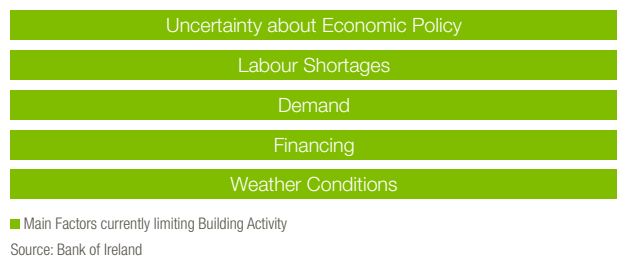
Dublin leading the way

Dublin and surrounding areas have been to the fore on the supply front. The capital accounted for over 38% of the units built last year though data for this year has been a touch softer.



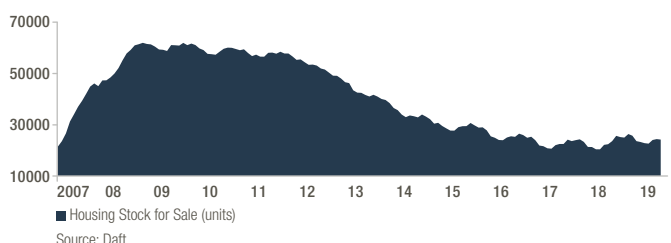
Uncertainty a headwind

Brexit and uncertainty about sector specific policies are weighing on construction activity at the current juncture, with labour shortages another concern.



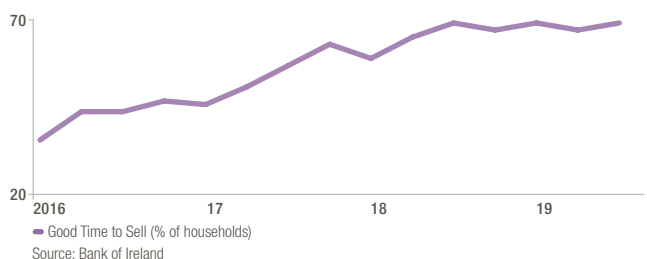
Stock for sale rising

There was an average of 23,500 properties for sale each month during H1 according to Daft.ie, somewhat higher than the same period a year ago.



Selling sentiment stabilising

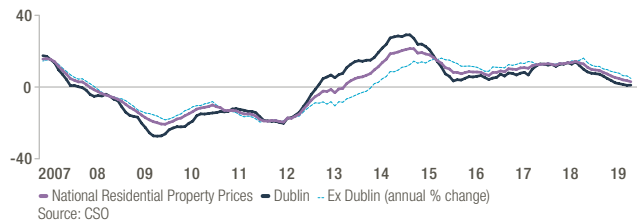
With house price growth easing, the number of households who think now is a good time to sell has steadied around the seven in ten mark.



Prices

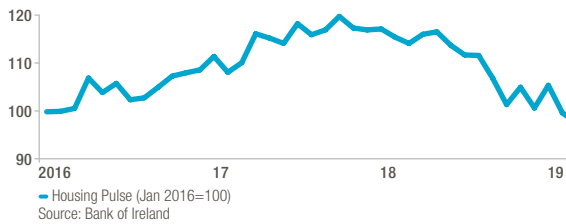
Inflation cooling

Annual house price inflation has been slowing since mid-2018, with the national rate down to 2.0% in June of this year and the Dublin rate flatlining around 0%.



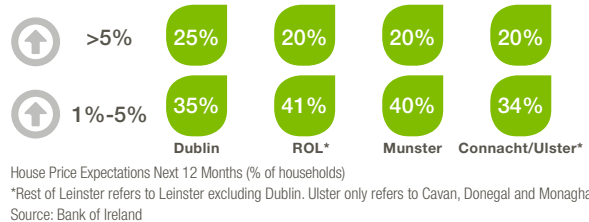
Same for expectations

Price expectations have also been softening for some time and July saw the Housing Pulse post its lowest reading to date.



Regional picture

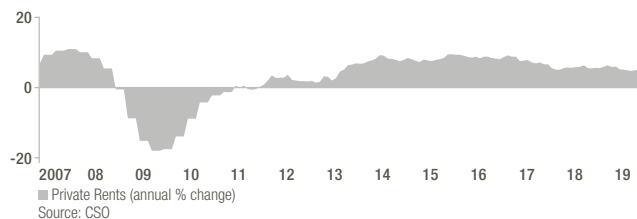
Three in five households in Dublin, the Rest of Leinster and Munster and over half in Connacht/Ulster still think prices will go up in the next 12 months though.



Rents

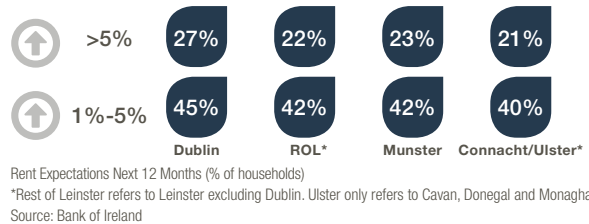
Tight market

While the pace of increase in private rents has eased, there are not enough properties to let which contributed to the 5.6% year-on-year rise in July.



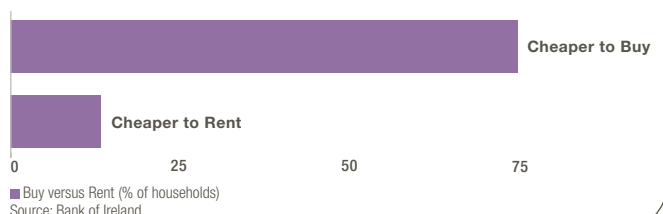
Across the country

A majority of households in all regions expect rents to go up in the next 12 months, with those in Dublin leading the charge.



Buying trumps renting

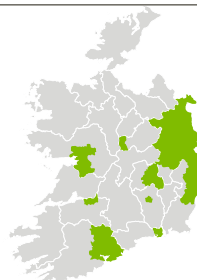
Three in four think its cheaper to buy than rent in their area, and with rent inflation outpacing house price growth, this is likely to continue for a while.



Policy

Rental sector reforms

Rent controls have been extended to the end of 2021 and broadened to include a further 19 areas meaning roughly 65% of renters are covered by the measure.



■ Rent Pressure Zones
Source: Department of Housing, Planning and Local Government

End of Help to Buy?

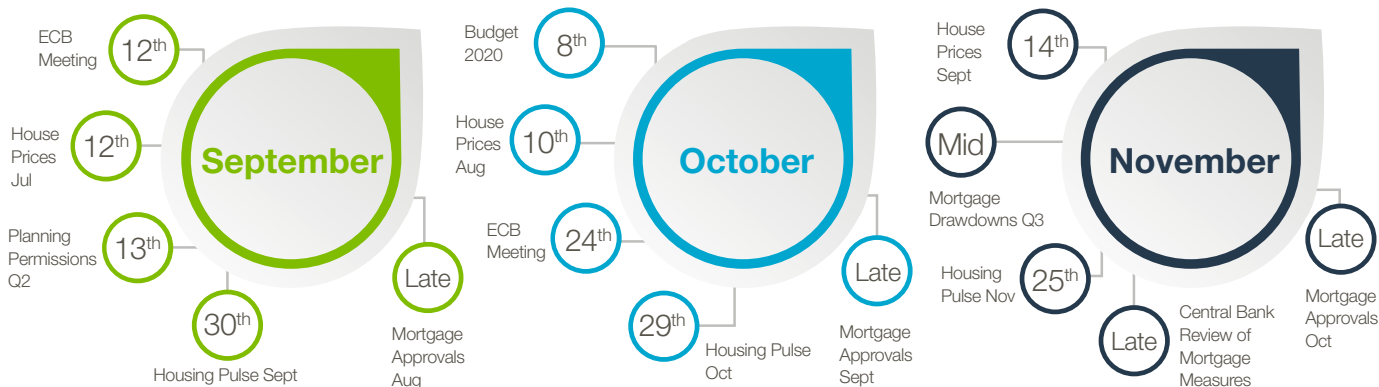
The scheme to help first time buyers with the deposit needed to purchase a new house is due to expire in December, though there is speculation that the Government may extend it.

First Time Buyers



Source: Central Bank of Ireland

Upcoming Events



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