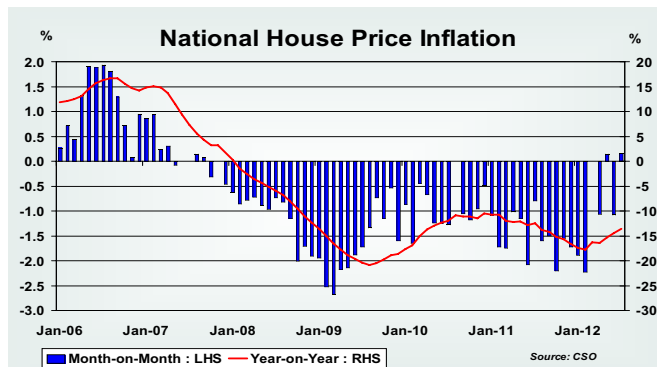


## Housing Market Bulletin - September 2012

### Marked Slowdown in Pace of Property Price Decline

#### Marked slowdown in pace of price declines this year

There has been a noticeable slowdown in the pace of residential property price decline in recent months. Over the 5 month March - July period, the CSO's national residential property price index fell by just 1.8%. This compares to a cumulative 10.6% decline over the previous 5 month period. As a result, the year-on-year rate of decline in the index has slowed to 13.6% in July from 17.8% in February.



This CSO index is based on mortgage drawdowns, which may occur several months after the time of sale. Thus, this slowdown in price decline probably began towards the end of last year.

#### Considerable Recent Volatility

Recent months have seen considerable volatility in monthly price movements - especially when the fact that the index is calculated as a three month moving average is taken into account. While this may be indicative of a market that is approaching a turning point, we feel

RELATIVE PRICE PERFORMANCES - CSO INDEX			
Cumulative Changes	5 Months to July	Previous 5 Months	Peak to Trough
National	-1.8	-10.6	-50.3
- Houses	-1.7	-10.5	-48.6
- Apartments	-5.4	-11.5	-63.0
Dublin	0.0	-12.8	-57.2
- Houses	+0.3	-13.5	-55.6
- Apartments	-4.1	-8.8	-63.3
Ex Dublin	-3.1	-9.5	-46.9
- Houses	-3.0	-9.2	-46.0

Source: CSO

that it is still too soon to call the bottom of the downturn in the Irish housing market, especially given the scope for further receiver/distressed sales and the small data set from which the index is currently being calculated. (As the index is based on mortgage drawdowns it excludes cash sales, which are currently estimated by Sherry Fitzgerald to be some 40% of the market.)

#### Dublin Prices Show Signs of Stabilising

Prices in Dublin have shown the greatest sign that they could be stabilising. While they fell back in June and July, according to the CSO index, this followed three consecutive monthly rises leaving them unchanged over the March-July period. In contrast they had fallen by a cumulative 12.8% over the previous 5 months.

#### Apartments performing worst than houses ... in part reflecting greater vacancy levels

Meanwhile, apartments, both in Dublin and elsewhere, continue to underperform houses. The index for Dublin house prices actually rose by 0.3% over the March-July period. However, that for apartments fell by 4.1%. Apartments have also performed worse at national level, with cumulative performances over the last 5 months for houses and apartments of -1.7% and -5.4%, respectively. Furthermore, apartments have fallen far more from their peak than houses. Apartments nationally are down 63% in total with houses falling a lesser 48.6%.

The worse performance by apartments in large part reflects the relative over-building that took place in this sector. This is illustrated by the far higher vacancy rates for apartments than houses recorded in Census 2011. The vacancy rate for apartments nationally was two and a half times that of house (at 10% and 25%, respectively). The ratio is even greater in Dublin, at nearly 4, with the Census reporting vacancy rates for houses and apartments of 5% and 19%, respectively.

Jenny Pollock  
Senior Economist

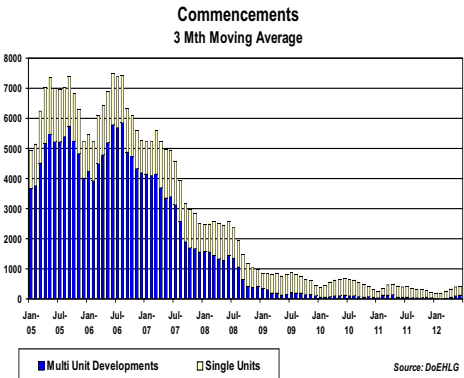
Oliver Mangan  
Chief Bond Economist

Geraldine Concagh  
Senior Economist



## Completions/Registrations/Commencements

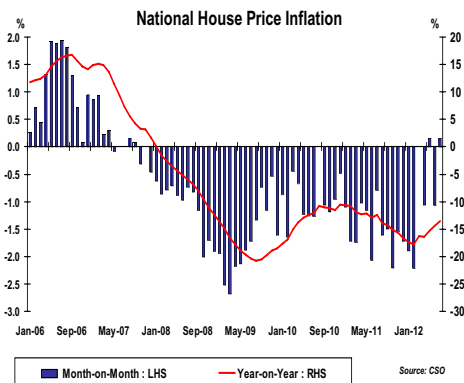
Just 3,929 units were completed in the first half of the year, (-26% yoy). This follows a 28% decline in 2011 when 10,480 units in total were completed. Meanwhile, the weak trend in housing starts continues and points to a further decline in output this year to around 8,000 units, supported by the finishing of work in progress. Commencements were running at a seasonally adjusted rate of just under 4,600 new units per annum in the 3 months to June, of which nearly 70% were single units. Developer activity appears to have ground to a virtual halt. There were just 377 (-25% yoy) new guarantees registered (for largely multi-unit housing/ apartment developments) in the first 7 months of the year.



	Jul-12	Jun-12	May-12	Apr-12	Mar-12		Jun-12	May-12	Apr-12	Mar-12	Feb-12
<b>Registrations (HomeBond)</b>						<b>Completions (DoECLG)</b>					
Year to Date Y/Y	-25.3	-23.3	-26.9	-41.2	-47.4	Month	646	730	622	665	639
Cum 12 Mth Total	706	731	731	703	704	Year to Date	3,929	3,283	2,553	1,931	1,266
Cum 12 Mth Tot Y/Y	-25.8	-23.1	-26.8	-49.4	-53.8	Y/Y %	-26.2	-26.1	-29.7	-30.2	-26.1
<b>Commencements (DoECLG)</b>						Cum 12 Mth Total	9,082	9,320	9,404	9,645	10,032
Year to Date Y/Y	N/A	-19.5	-26.4	-30.4	-42.5	Y/Y %	-28.8	-27.9	-29.3	-29.1	-27.6
Cum 12 Mth Total	N/A	3,851	3,770	3,832	3,769						

## House Prices / Rents

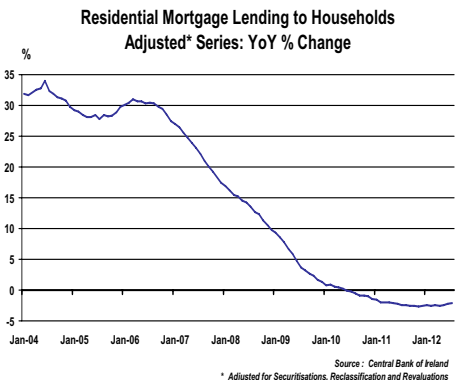
There is some evidence that prices could be stabilising in some regions. According to the CSO, prices nationally rose by 0.2% in July, the second monthly increase in three months. However, there have also been some sizeable declines in recent months and prices were still down by 13.6% on year earlier levels in July and just over 50% below their peak. There would appear to be a significant urban/rural divide, with Dublin prices showing greater signs of stabilisation than those elsewhere. Meanwhile, houses are performing better than apartments. Signs of stabilisation appeared earlier in the rental market. Private rents rose again in July, having dropped back in Q2, and are up almost 4% from their lows.



	Jul-12	Jun-12	May-12	Apr-12	Mar-12		Jul-12	Jun-12	May-12	Apr-12	Mar-12
<b>CSO Residential House Price Index</b>						<b>Daft Asking Prices</b>					
National MoM %	0.2	-1.1	0.2	-1.1	0.0	3Mth/3Mth %	N/A	-2.5	-2.2	-2.0	-1.4
National Y/Y %	-13.6	-14.4	-15.3	-16.4	-16.3	YoY % 3 Mth Avg	N/A	-14.5	-15.5	-16.5	-16.7
<b>From Peak %</b>						<b>CSO Private Rents</b>					
- National	-50.3	-50.3	-49.8	-49.9	-49.3	MoM %	0.3	-0.5	-0.1	-0.9	0.2
- Dublin	-57.2	-57.0	-56.6	-56.7	-56.9	YoY %	2.0	2.0	2.2	2.4	4.0
- Ex Dublin	-46.9	-47.0	-46.5	-46.6	-45.5						

## Mortgage / Loan Growth

The level of mortgage lending outstanding fell by 2.1% yoy in July, the 29th consecutive month of negative yoy growth. However, Q2 data from the Irish Banking Federation data showed the first yoy increase in the number of new purchase mortgage drawdowns since Q3 2006. Total purchase mortgages were up 7.3% on year earlier levels, driven by a 9.6% yoy increase in FTB drawdowns. Loans to movers were up 5.6% in Q2. Those to investors, though, continue to contract, falling by a further 4.3% yoy. Despite the modest increase, there were just 2,837 new mortgage drawdowns in Q2 this year compared to almost 30,000 per quarter seen at the peak of the market.



	Jul-12	Jun-12	May-12	Apr-12	Mar-12		Q2 12	Q1 12	Q4 11	Q3 11	Q2 11
<b>Residential Mortgage Growth (Central Bank of Ireland)</b>						<b>Mortgage Drawdowns (Irish Banking Federation)</b>					
Adjusted Y/Y %	-2.1	-2.2	-2.5	-2.5	-2.4	Total Drawdowns	3,225	2,630	3,856	3,607	3,551
						Y/Y %	-9.2	-19.3	-31.4	-50.3	-54.6
						FTB Y/Y %	9.6	-6.9	-18.6	-43.7	-49.4
<b>Mortgage Arrears 90 Days + (Principal Residences) (Central Bank of Ireland)</b>						FTB Average Value €	151,451	163,470	159,220	171,357	179,552
No. Accts. in Arrears	83,251	77,630	70,911	62,970	55,763	Investor Y/Y %	-4.3	-7.2	-45.0	-61.4	-50.4
% of Outstanding	10.9	10.2	9.2	8.1	7.2	Mover Y/Y %	5.6	-1.4	-17.8	-38.2	-40.9