

## Housing Market Bulletin - January 2008

### Completions May Fall to Around 45,000 Units by 2009

According to the latest data, there were 71,498 units completed in the first 11 months of last year and completions look set to total 78,000 for the year as a whole, compared to 88,400 in 2006 (a fall of 12%). Meanwhile, the number of commencements and registrations continues to point to a significant further decline in completions in 2008.

Commencement notices fell by 51% year-on-year in the three months to October, leaving them down by 33% year-on-year in the first ten months of last year. Meanwhile, house guarantee registrations (which have a longer track record than the data on commencements and have, in the past, proved a good proxy for housing starts) were down by 43% last year, having fallen by 56% year-on-year in Q4.

Registrations are not the complete picture, though, as once-off housing (and some local authority housing) do not normally use house guarantees. Typically, these account for some 25-30% of overall housing output. Notably, the level of once-off housing would not appear to be declining at the same pace as multi-unit developments. Commencement data show the number of single units down by just 9% year-on-year in the 10 months to October, compared to a 40% decline in commencements in multi-unit developments.

Given the lag from registration to commencement to completion, the sharp downturn in these lead indicators of activity points to a substantial contraction in housing output in 2008. The precise extent of the downturn in activity this year, and whether or not it continues into 2009, depends very much on whether there is any pick-up in sentiment as the 2008 selling season gets under way over the next couple of months.

Catalysts that could lead to a pick-up in sentiment include:

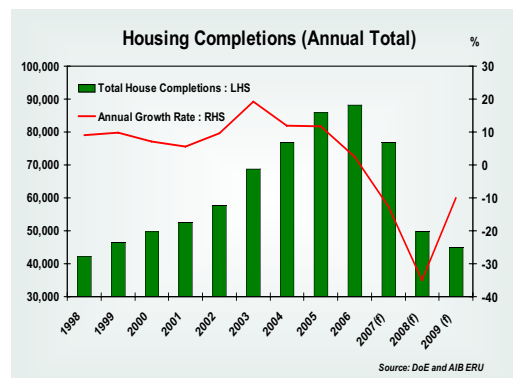
- The stamp duty changes announced in Budget 2008
- and
- Improved affordability from a continuing fall in prices alongside a peak in interest rates.

However, in our view, there remains a not insignificant risk that sentiment towards the housing market will remain depressed as:

- Buyers continue to hold off making purchases in the hope of yet lower prices
- and
- Gloomy market predictions become self-fulfilling.

If this latter scenario proves to be the case, then developers can be expected to slow the rate of house completions even further. However, while activity levels could continue to fall, the rate of decline on a year-on-year basis may well moderate given the increasingly lower base.

Overall, taking into account the support offered by once-off housing, the trend in registrations and commencements in 2007 suggests that **the level of completions could still be as high as around 50,000 units in 2008 (a fall of around 36%)**. At this stage, **there remains considerable uncertainty about the outlook for 2009, and we are pencilling in a level of 45,000**. The 2008 spring selling season will be crucial but, at this stage, **we see the risks to our forecasts remaining to the downside**.



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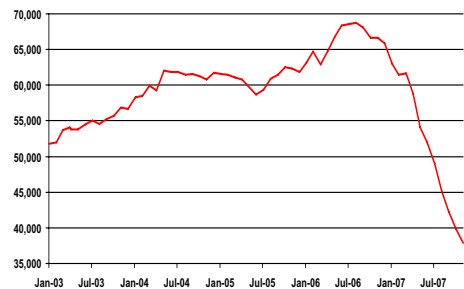
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Senior Economist



## Completions/Registrations/Commencements

Completions are now reflecting some of the decline in house building that has been evident for some time in leading indicators of activity. Completions were broadly flat in H1 2007 but fell by 20% yoy in the July-November period, leaving them down 10.6% yoy for the first 10 months of last year. Leading indicators point to a further decline in output. Registrations fell by 62% yoy in December to give a Q4 2007 decline of 56% yoy. Registrations totalled 37,878 in 2007, a fall of 43% compared to the 2006 level. Meanwhile, commencements declined by almost 33% yoy in the first ten months of last year, with the cumulative 12 month total to October at 54,091 (-29% yoy).

House Guarantee Registrations\*  
12 Mth Cumulative Total



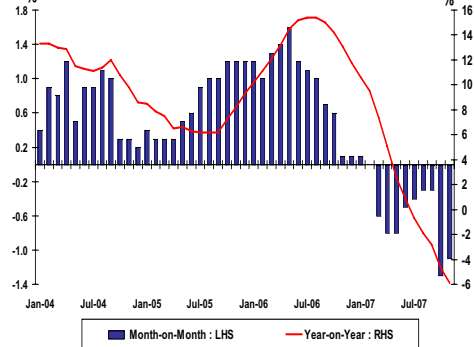
Sources: DoEHLG, HomeBond & Premier Guarantees

	Dec-07	Nov-07	Oct-07	Sep-07	Aug-07		Nov-07	Oct-07	Sep-07	Aug-07	Jul-07
<b>Registrations (HomeBond &amp; Premier)</b>						<b>Completions (DoEHLG)</b>					
Year to Date Y/Y	-43.2	-42.2	-41.5	-40.0	-37.3	Month	7,696	7,397	6,362	5,903	5,062
Cumulative 12 Mth Total	37,878	39,807	42,282	45,175	48,996	<b>Adjusted for Estimate of 2005/2006 ESB Connections Backlog</b>					
Cum 12 Mth Tot Y/Y	-43.2	-40.3	-37.9	-34.3	-28.5	Year to Date	71,498	63,802	56,405	49,943	44,040
<b>Commencements (DoEHLG)</b>						Y/Y %	-10.6	-8.9	-8.2	-6.8	-5.8
Year to Date Y/Y	N/A	N/A	-32.8	-31.0	-29.8	Cum 12 Mth Total	79,962	82,165	83,354	84,749	85,707
Cumulative 12 Mth Total	N/A	N/A	54,063	57,063	59,319	Y/Y %	-11.2	-8.3	-6.6	-4.2	-2.5

## House Prices

According to the permanent tsb/ESRI index, prices nationally fell for the ninth consecutive month in November. Prices fell a further 1.1% in November following October's 1.3% decline, which was the largest since the index was started in 1996. The price falls of recent months mean that, nationally, prices in November were 5.9% below year earlier levels, having been 11.8% higher on a year-on-year basis in December 2006. The annual inflation rate had peaked at 15.4% in July/August 2006. There have, though, been significant variations in performance across different segments in the market. Notably, significant downward pressure on existing house prices sees them down 8.8% yoy in November, while new home prices declined by a more modest 3.6%.

National House Price Inflation



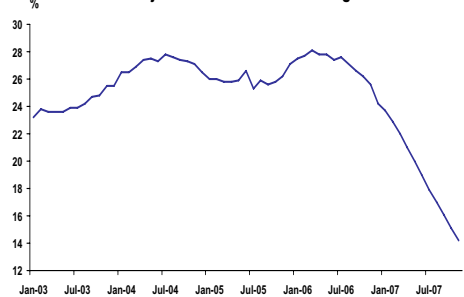
Source: permanent tsb/ESRI

	Nov-07	Oct-07	Sep-07	Aug-07	Jul-07		Nov-07	Oct-07	Sep-07	Aug-07	Jul-07
<b>permanent tsb/ESRI House Price Inflation %</b>						<b>permanent tsb/ESRI %</b>					
National M/M	-1.1	-1.3	-0.3	-0.3	-0.4	New Houses Y/Y	-3.6	-2.5	-1.7	-1.2	0.1
National Y/Y	-5.9	-4.7	-2.8	-1.9	-0.7	Existing Houses Y/Y	-8.8	-7.7	-4.8	-1.8	-0.4
<b>Average House Price €</b>											
National	292,124	295,469	299,483	300,375	301,267	Dublin Houses Y/Y	-5.6	-4.8	-3.4	-0.6	0.5
Dublin	403,233	403,535	405,343	410,466	411,069	Outside Dublin Y/Y	-5.5	-4.9	-3.4	-2.9	-1.8
Outside Dublin	251,839	253,938	257,372	256,991	257,372						

## Mortgage / Loan Growth

The pace of mortgage growth (excluding securitisations and reclassifications) continues its steady and persistent decline from a peak of 28% yoy in March 2006. It fell to 14.2% in November from 15.1% in October. The level of stamp duty receipts (from all sources, not just housing) has been severely affected by the decline in housing market activity. They were down by 14.3% in 2007, compared to a rise of 36.4% in 2006. Meanwhile, the latest data from the Irish Banking Federation show that the number of mortgage drawdowns fell by 25.0% yoy in Q3 2007. The investor (-27.6%) and mover (-31.0%) sectors were particularly weak. Re-mortgages, however, were up by 2.4% yoy.

Residential Mortgage Lending  
Adjusted\* Series: YoY % Change



Source: CBFSAI  
\* Adjusted for Securitizations and Reclassification

	Dec-07	Nov-07	Oct-07	Sep-07	Aug-07		Q3 07	Q2 07	Q1 07	Q4 06	Q3 06
<b>Residential Mortgages (CBFSAI)</b>						<b>Irish Banking Federation</b>					
Adjusted Y/Y %	N/A	14.2	15.1	16.1	17.0	Total Drawdowns	40,992	41,151	38,236	48,637	54,623
						Y/Y %	-25.0	-23.0	-19.1	-12.6	2.0
<b>Stamp Duty Receipts (Dept of Finance)</b>						First Time Buyer Y/Y %	-20.9	-16.2	-9.9	-20.4	-1.8
YoY %	-35.1	-41.3	-29.7	-34.5	-22.9	FTB Average Value €	248,068	239,416	222,023	240,151	231,514
Cum YTD YoY %	-14.3	-12.4	-9.0	-6.0	-2.1	Investor Y/Y %	-27.6	-25.8	-21.3	-7.9	10.1
						Mover Purchaser Y/Y %	-31.0	-22.9	-25.2	-14.5	-1.7