

THE FIRST TIME BUYERS' FACT BOOK



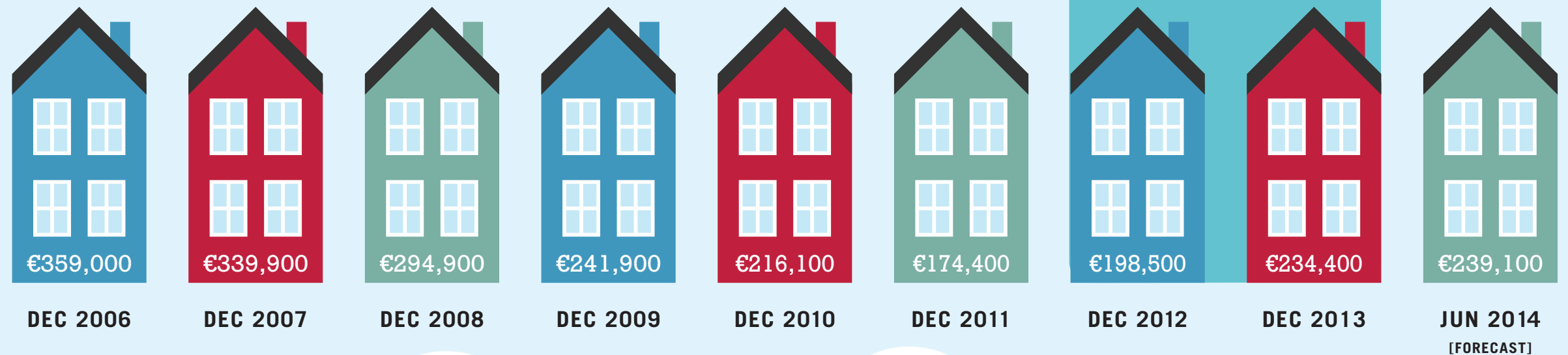
CAN WE
AFFORD TO BUY
A HOUSE?

If you are looking to take your first step on the property ladder find out how you compare to the average first time buyer. Can you afford the next step and how are property prices and mortgage rates affecting your chances? Fold down to reveal key facts and figures in our handy infographic or turn to the back if you want to delve deeper into the data.

HOME BUYING TOP FACTS

Based on a three bedroom house

DUBLIN HOUSE PRICES ON THE RISE!



30,000

Number of homes sold in **2013**

€234,500
APRIL 2014



The average price of a home in Dublin

€155,000
APRIL 2014



The average price of a home outside of Dublin

€200,000

[OR LESS]

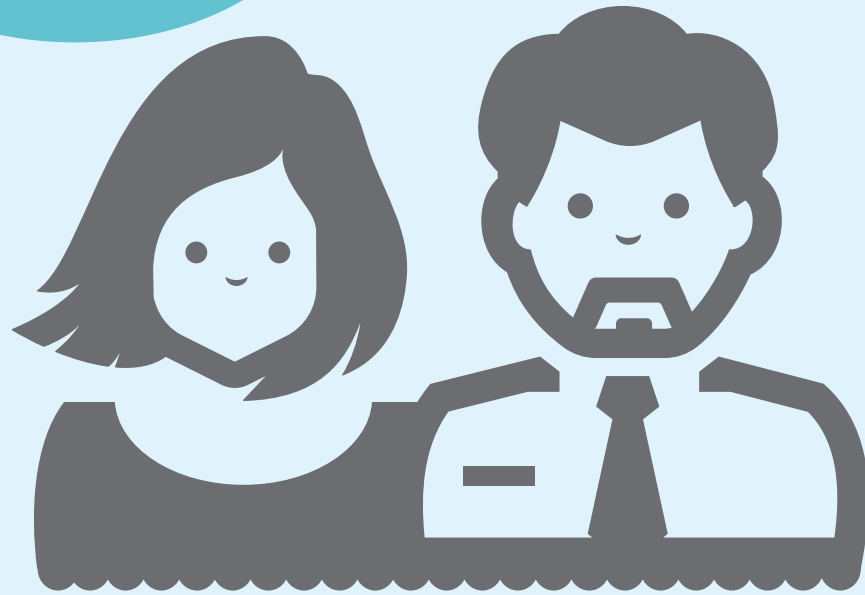
Value of $\frac{2}{3}$ of property transactions **2013**

WE NEED 19.3%
OF OUR DISPOSABLE
INCOME TO FUND
A MORTGAGE

FIRST TIME AFFORDABILITY COUPLES Vs SINGLES

[APRIL 2014 FORECAST]

I NEED 38.7% OF MY
DISPOSABLE INCOME
TO FUND A MORTGAGE



€908

Our average mortgage
repayments per month

€72,000

Our average joint
annual earnings

€908

My average mortgage
repayments per month

7,115

Number of houses sold in
the first 15 weeks of 2014

€36,000

My average
annual earnings

€180,000

APRIL 2014

Average First Time Buyer
property price



€162,000

APRIL 2014

Average First Time Buyer
property mortgage



MIND THE GAP! WHERE IS MOST AFFORDABLE?

Least affordable counties

Dublin, Kildare,
Wicklow, Cork

Most affordable counties

Cavan, Leitrim,
Longford, Roscommon

Mid-range counties

Carlow, Clare,
Mayo, Offaly

WE NEED AN AVERAGE
OF 19.62% OF OUR
DISPOSABLE INCOME TO
FUND A MORTGAGE

(But affordability in Dublin is still some
way off the peak in December 2006)

WE NEED 8% OR LESS
OF OUR DISPOSABLE
INCOME TO FUND
A MORTGAGE

Source: CSO, Property Price Register and DKM Analysis

Source: EBS DKM AFFORDABILITY INDEX

The EBS-DKM Affordability Index is a measure of the proportion of after tax income required to meet the first year's mortgage payments for an 'average' first-time buyer (FTB) working couple, each on average earnings. It takes into account, not just property prices, but changes in mortgage rates, mortgage interest relief and disposable incomes for the average FTB working couple in Dublin and across the State.

For more details on how the data was analysed see www.ebs.ie. EBS Limited is regulated by the Central Bank of Ireland.

CAN WE AFFORD TO BUY A HOME? ⁽¹⁾

The issue of housing affordability is back on the agenda after a recovery in property prices. In late 2012 prices “bottomed out” in Dublin and in early 2013 the same thing happened across the country following a six-year-slump when residential property prices tumbled by up to 60%. By February 2014, average property prices⁽²⁾ had recovered by 8.6% nationally and by as much as 17.3% in Dublin.

This recent pick up is leading to a worsening in housing affordability in some locations. Another factor is the emerging scarcity of homes in the Dublin market. An increase in supply is expected in the medium term and although this will take some time to come onstream, it should help to moderate property price growth.

EBS-DKM HOUSING AFFORDABILITY TRENDS

	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Dec 13	Feb 14	Apr 14	Jun 14
									Actual	Forecast	
Average Mortgage Rate	4.81%	5.37%	4.80%	3.32%	4.02%	4.24%	4.33%	4.48%	4.48%	4.48%	4.48%

National FTB Working Couple - both working on average earnings

Monthly Repayments	1,323	1,230	1,008	722	683	579	644	902	897	908	920
As % of Net Income	26.4%	24.1%	19.4%	14.5%	13.9%	12.2%	13.6%	19.3%	19.1%	19.3%	19.6%
Ave. House Price (000s)	279.0	260.8	224.2	188.1	168.4	140.3	155.0	178.7	177.7	180.0	182.3

National Single FTB - on average earnings

Monthly Repayments	1,390	1,306	1,008	722	683	579	644	902	897	908	920
As % of Net Income	55.4%	51.1%	38.7%	29.0%	27.8%	24.4%	27.2%	38.6%	38.3%	38.7%	39.1%
Ave. House Price (000s)	279.0	260.8	224.2	188.1	168.4	140.3	155.0	178.7	177.7	180.0	182.3

National (excluding Dublin) FTB Working Couple - both working on average earnings

Monthly Repayments	1,257	1,176	1,007	773	734	634	654	769	776	782	789
As % of Net Income	25.0%	23.0%	19.4%	15.5%	14.9%	13.3%	13.8%	16.5%	16.6%	16.7%	16.8%
Ave. House Price (000s)	266.3	249.4	224.0	201.4	180.9	153.5	146.0	152.4	153.8	155.0	156.2

Dublin FTB Working Couple - both working on average earnings*10%

Monthly Repayments	1,741	1,577	1,326	929	877	720	825	1,183	1,161	1,183	1,207
As % of Net Income	32.5%	29.0%	24.0%	17.6%	16.8%	14.3%	16.4%	23.9%	23.3%	23.7%	24.2%

For a FTB Working Couple and Single Person
December 2006 - February 2014 with Projections to June 2014

Footnotes

- 1 Please note that the assumptions used for FTB property prices in calculating the index have been revised from January 2013 based on industry discussions. A detailed explanation of the changes is provided on the last page which sets out the overall assumptions used for measuring housing affordability.
- 2 Unless otherwise stated, these are the criteria for calculating what is elsewhere referred to as the “affordability figure”.
- 3 Based on the most recent data available for property prices (February), mortgage rates and average earnings.
- 4 Based on the set of assumptions for property prices, which are similar to the price assumed for the national average FTB working couple.

SO WHAT DOES ALL THIS MEAN FOR FIRST TIME BUYERS?

The level of disposable income required to fund a mortgage for the average First Time Buyer (FTB) working couple was 19.1%⁽³⁾ nationally in February, 2014. In the same month, the average FTB property price was around €177,700 with monthly repayments of approximately €897 needed to pay for it.

Further modest increases in property prices are expected to lead to a worsening in the affordability figure to 19.6% by June 2014.

WHAT IF I'M BUYING ON MY OWN?

If you are a single person, buying a home is clearly more financially challenging. A single FTB pays 38.3%⁽⁴⁾ of net income to fund a mortgage, which is equivalent to 30% of gross income (€36,000) and is in line with the international norm.

However, recent reports suggest that more FTBs are starting to buy on their own, indicating that they are likely to have above-average incomes.

CAN I AFFORD TO BUY IN DUBLIN?

Dublin property prices rose 13.7% in the latter half of 2013, eroding affordability. By December the affordability figure had reached 23.9%, a level last seen in December 2008. However, property prices in the capital fell in the first two months of 2014 - by 1.3% in January and 0.6% in February. Accordingly, by February, the affordability figure had fallen to 23.3%. That was just a temporary respite and in April, it rose once more to reach 23.7%. With house prices in Dublin projected to increase by 1% per month, a further modest deterioration in affordability is forecast, with the level likely to reach 24.2% by June, 2014.

But the good news is that affordability in the Dublin housing market is still some way off the peak reached in December 2006 (32.5%).

Addressing the housing supply shortage in Dublin will moderate the deteriorating trend, assuming mortgage rates remain unchanged.

BEYOND THE PALE

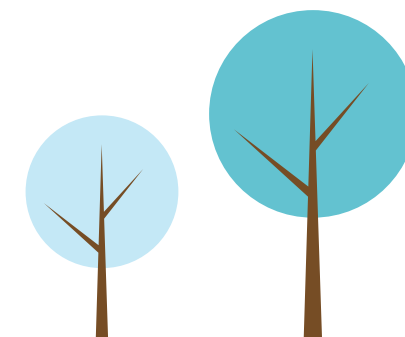
The housing market outside of Dublin contrasts sharply with trends in the capital. ‘Beyond the Pale’, buyers have to pay around €155,000 for an average home - 33% below the corresponding price in Dublin (€234,500).

After falling 4% in the first three months of 2013, property prices outside Dublin remained reasonably stable over the remainder of the year, dropping just 0.4% in the year to December 2013. They opened 2014 unchanged from December and increased by 0.9% in February as a modest recovery finally got underway.

Outside Dublin, the affordability figure has been relatively stable, arriving at 16.6% in February, 2014. It is expected to weaken slightly over the coming months to reach 16.8% by June as house prices edge up once more. Given the influence of urban areas (excluding Dublin) in the overall mix, there are many rural locations where buying a home is quite an affordable proposition for FTBs (See *Affordability Throughout Ireland Table* right).

The four most affordable counties in which to buy a house are Longford, Leitrim, Roscommon and Cavan with less than 8% of net income needed to buy.

However a major caveat here is the lack of transactions to determine the market price as the four counties between them had just 1,500 transactions in 2013.



AFFORDABILITY THROUGHOUT IRELAND

	Average Earnings for FTB Working Couple 2013	Median Transactions Price 2013	Affordability based on Median Transactions Price 2013
Dublin	84,456	234,945	22.9%
Wicklow	72,504	196,355	21.0%
Kildare	77,112	180,000	18.6%
Meath	71,136	145,000	15.7%
Cork	73,296	147,550	15.7%
Galway	67,896	135,000	15.1%
Kerry	61,200	117,500	14.2%
Kilkenny	61,992	115,000	13.7%
Louth	66,240	115,254	13.0%
Limerick	71,280	120,000	13.0%
Wexford	62,640	100,000	11.8%
Clare	65,376	100,000	11.4%
Carlow	65,592	100,000	11.4%
Mayo	63,072	95,606	11.2%
Waterford	67,680	97,500	10.9%
Donegal	55,800	83,000	10.8%
Offaly	60,840	87,250	10.6%
Sligo	65,952	92,150	10.5%
Westmeath	65,736	90,000	10.2%
Tipperary	68,184	90,500	10.1%
Monaghan	58,608	77,500	9.7%
Laois	65,016	79,998	9.2%
Roscommon	59,544	65,000	8.0%
Cavan	60,480	65,415	8.0%
Leitrim	63,216	65,000	7.6%
Longford	60,120	60,000	7.3%
National	72,000	148,000	15.9%

Based on Median Property Price from the PPR, 2013
Source: CSO, Property Price Register and DKM analysis.

35% OF PROPERTY DEALS ARE IN DUBLIN

Out of close to 30,000 residential property transactions in 2013, almost 35% were in Dublin followed by just under 11% in Cork.

Meanwhile, 12 counties each accounted for less than 2% of the total. A distribution of transactions across the price bands reveals that almost one-third of houses sold for below €100,000 and two-thirds were priced at €200,000 or lower.

A total of 1,689 transactions (6%) were for properties priced over €500,000 and of these over four out of five were in Dublin.

The Property Price Register (PPR) shows a total of 7,115 transactions in the first 15 weeks of 2014, 22.8% above the same period in 2013.

MORTGAGE RATES

The key variable in calculating affordability is the mortgage rate. The average mortgage rate across a wide range of lenders is estimated at 4.48% for a loan-to-value ratio of over 80%. With ECB interest rates left unchanged, mortgage rates should remain favourable over the coming months. Indeed, the possibility of further reductions in ECB rates cannot be ruled out.

SUMMARY

These affordability figures are generally encouraging for anyone entering the housing market. Mortgage repayments in Dublin still account for less than one quarter of disposable income, so even in the capital, FTBs have a reasonable chance of affording their own home.

With property prices recovering in Dublin and other locations, confidence is beginning to return to the market. The availability of finance is also better than it has been for years. The number of mortgage approvals is up 9.4% to 17,548 in the year to February, totalling €3.1 billion.

However, the key issue is whether there are enough homes being built to satisfy demand. New builds in Dublin have increased threefold in the year to January 2014. But this is from a very low base and it needs to increase well over three times more to meet demand. Although builders started 1,600 homes in Dublin in the year to January, this falls way short of the estimated 5,700 units that are required⁽⁵⁾. The supply issue is the single most important challenge facing the property market in 2014. And it will undoubtedly remain so in 2015 given the long lead-in time needed to build badly-needed new homes.

Footnotes

5 www.housing.ie/Housing/media/Media/Publications/Future-Housing-Supply-Requirements-Report.pdf

