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.

EBS DKM IRISH HOUSING AFFORDABILITY INDEX APRIL 2014
Based on a three bedroom house

**DUBLIN HOUSE PRICES ON THE RISE!**

<table>
<thead>
<tr>
<th>Date</th>
<th>Average Price (€)</th>
</tr>
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<tbody>
<tr>
<td>DEC 2006</td>
<td>359,000</td>
</tr>
<tr>
<td>DEC 2007</td>
<td>339,900</td>
</tr>
<tr>
<td>DEC 2008</td>
<td>294,900</td>
</tr>
<tr>
<td>DEC 2009</td>
<td>241,900</td>
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<tr>
<td>DEC 2010</td>
<td>216,100</td>
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<tr>
<td>DEC 2011</td>
<td>174,400</td>
</tr>
<tr>
<td>DEC 2012</td>
<td>198,500</td>
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<tr>
<td>DEC 2013</td>
<td>234,400</td>
</tr>
<tr>
<td>JUN 2014</td>
<td>239,100 (FORECAST)</td>
</tr>
</tbody>
</table>

**THE AVERAGE RISE IN DUBLIN PROPERTY PRICES BETWEEN AUGUST 2012 AND FEBRUARY 2014**

- **17.3%**

**Home Buying Top Facts**

- **30,000**
  - Number of homes sold in 2013

- **€234,500**
  - Average price of a home in Dublin

- **€155,000**
  - Average price of a home outside of Dublin

**Value of 2/3 of property transactions 2013**

- **€200,000 (or less)**

Source: Property Price Register
WE NEED 19.3% OF OUR DISPOSABLE INCOME TO FUND A MORTGAGE

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

FIRST TIME AFFORDABILITY

COUPLES vs SINGLES

[APRIL 2014 FORECAST]

Number of houses sold in the first 15 weeks of 2014
7,115

Our average mortgage repayments per month
€908

Our average joint annual earnings
€72,000

My average mortgage repayments per month
€908

My average annual earnings
€36,000

Our average joint annual earnings
€72,000

My average annual earnings
€36,000

Average First Time Buyer property price
€180,000

APRIL 2014

Average First Time Buyer property mortgage
€162,000

APRIL 2014
Most affordable counties
Cavan, Leitrim, Longford, Roscommon

Least affordable counties
Dublin, Kildare, Wicklow, Cork

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: 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 on stream, it should help to moderate property price growth.

EBS-DKM HOUSING AFFORDABILITY TRENDS

<table>
<thead>
<tr>
<th>Dec 06</th>
<th>Dec 07</th>
<th>Dec 08</th>
<th>Dec 09</th>
<th>Dec 10</th>
<th>Dec 11</th>
<th>Dec 12</th>
<th>Dec 13</th>
<th>Feb 14</th>
<th>Apr 14</th>
<th>Jun 14</th>
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</thead>
<tbody>
<tr>
<td>Ave. House Price (000s)</td>
<td>279.0</td>
<td>260.8</td>
<td>224.2</td>
<td>188.1</td>
<td>168.4</td>
<td>140.3</td>
<td>155.0</td>
<td>178.7</td>
<td>177.7</td>
<td>180.0</td>
</tr>
<tr>
<td>As % of Net Income</td>
<td>26.4%</td>
<td>24.1%</td>
<td>19.4%</td>
<td>14.5%</td>
<td>13.9%</td>
<td>12.2%</td>
<td>13.6%</td>
<td>19.3%</td>
<td>19.1%</td>
<td>19.3%</td>
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<tr>
<td>Monthly Repayments</td>
<td>1,323</td>
<td>1,230</td>
<td>1,008</td>
<td>722</td>
<td>683</td>
<td>579</td>
<td>644</td>
<td>902</td>
<td>897</td>
<td>908</td>
</tr>
<tr>
<td>National FTB Working Couple - both working on average earnings</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As % of Net Income</td>
<td>55.4%</td>
<td>51.1%</td>
<td>38.7%</td>
<td>29.0%</td>
<td>27.8%</td>
<td>24.4%</td>
<td>27.2%</td>
<td>38.6%</td>
<td>38.3%</td>
<td>38.7%</td>
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<td>155.0</td>
<td>178.7</td>
<td>177.7</td>
<td>180.0</td>
</tr>
<tr>
<td>National Single FTB - on average earnings</td>
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<td>1,306</td>
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<td>579</td>
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<tr>
<td>As % of Net Income</td>
<td>25.0%</td>
<td>23.0%</td>
<td>19.4%</td>
<td>15.5%</td>
<td>14.9%</td>
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<td>249.4</td>
<td>224.0</td>
<td>201.4</td>
<td>180.9</td>
<td>153.5</td>
<td>146.0</td>
<td>152.4</td>
<td>153.8</td>
<td>155.0</td>
</tr>
</tbody>
</table>

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 (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) | 266.1 | 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 | 1,126 | 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 else were 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 €979 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.
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. 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