

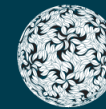


Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

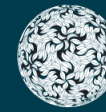
A decorative horizontal band featuring a golden leaf pattern on a light background, with a thin golden line above and below it.

Central Bank of Ireland Property Market Roundtable



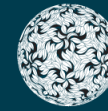
OUTLINE

- Brief overview of recent developments in the Irish (residential & commercial) property markets, including:
 - *Residential*
 - Prices & Rents
 - Construction indicators & supply
 - Residential transactions & mortgage lending
 - *Commercial*
 - Commercial property returns, capital & rental values
 - CRE vacancy rates & development pipeline
 - Investment activity and lending
- Issues for discussion



RESIDENTIAL PROPERTY DEVELOPMENTS/ISSUES

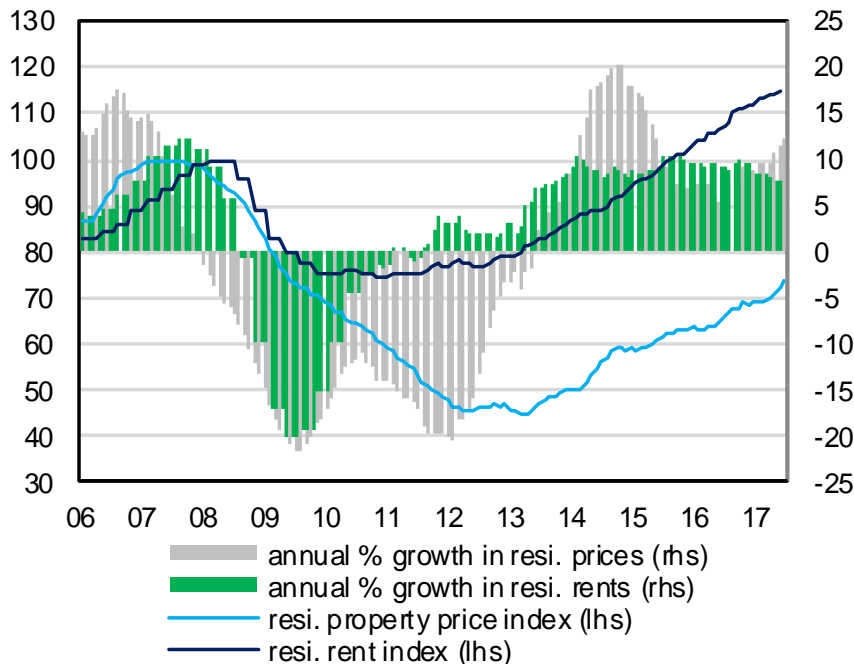
- Renewal of upward pressure on **residential property prices**. Expectations of house price growth have also been rising, driven mainly by supply shortages and favourable economic conditions.
- Despite recent moderation in the rate of **rental inflation**, overall rent levels remain high and are well above pre-crisis peak. Dublin rents rising faster than other major urban centres.
- **Construction output** has been increasing slowly, however development activity is still impaired by the legacy of the financial crisis and well short of what is required to meet current estimates of annual housing demand.
- Shortage not confined to the new homes market – lack of available **2nd hand stock** adding existing pressures on prices and rents.
- Residential property transactions have been increasing gradually and non-household buyers have become an important market player. **Turnover** (sales/stock) lower than levels seen in a well functioning market, but “middle of the pack” in terms of current European trends.
- Notable increase in **mortgage credit** while outstanding stock of PDH mortgages has begun to rise. Reduction in the level of non-mortgage/cash transactions but still a sizeable cohort of the market.



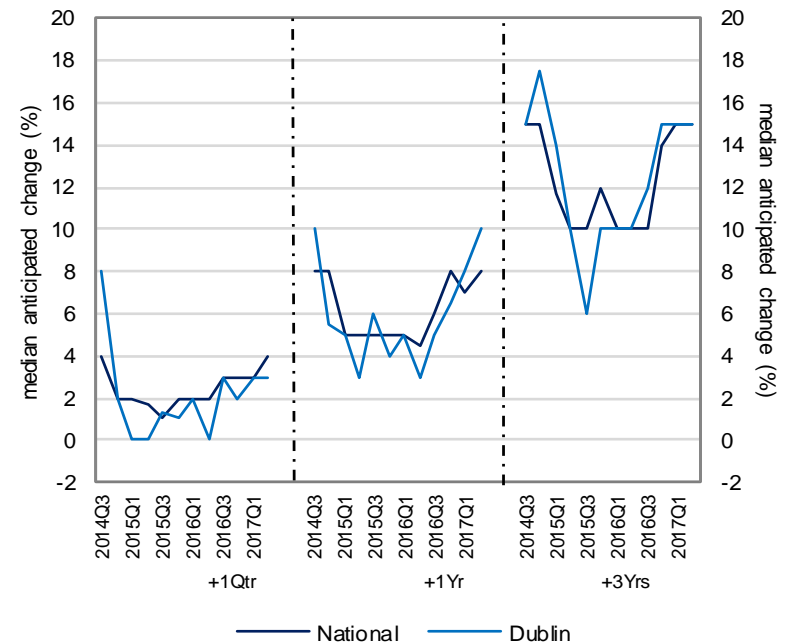
Residential Property Prices, Rents & Expectations

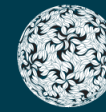
Residential property price and rent indices

Index = 100, pre-crisis peak year-on-year change, per cent



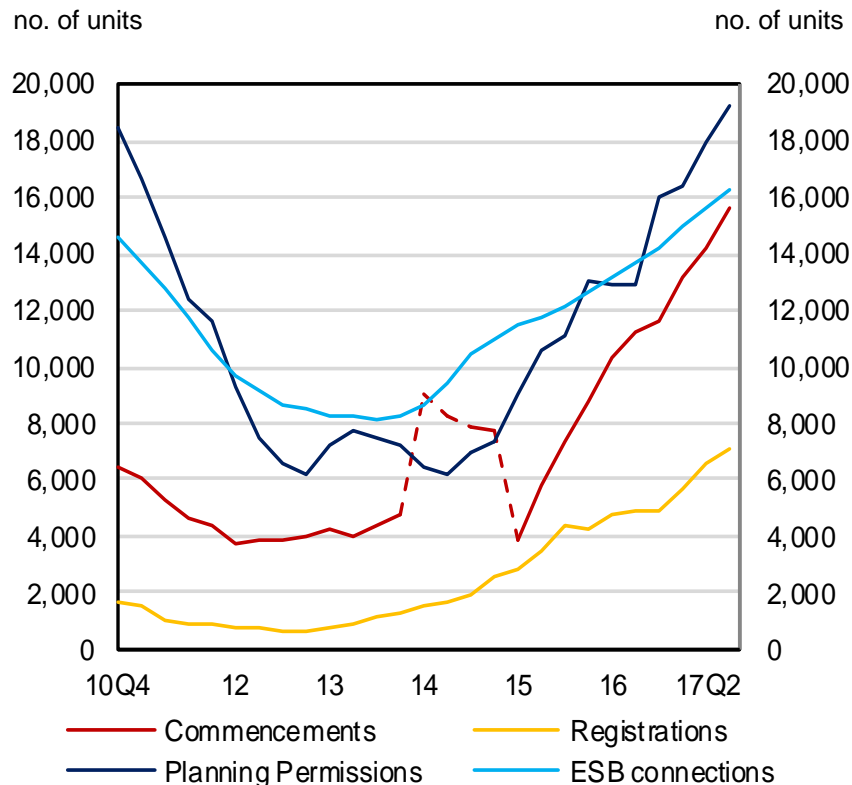
Median expected change in National & Dublin house prices over +1Qtr, +1Yr, and +3Yrs time horizons



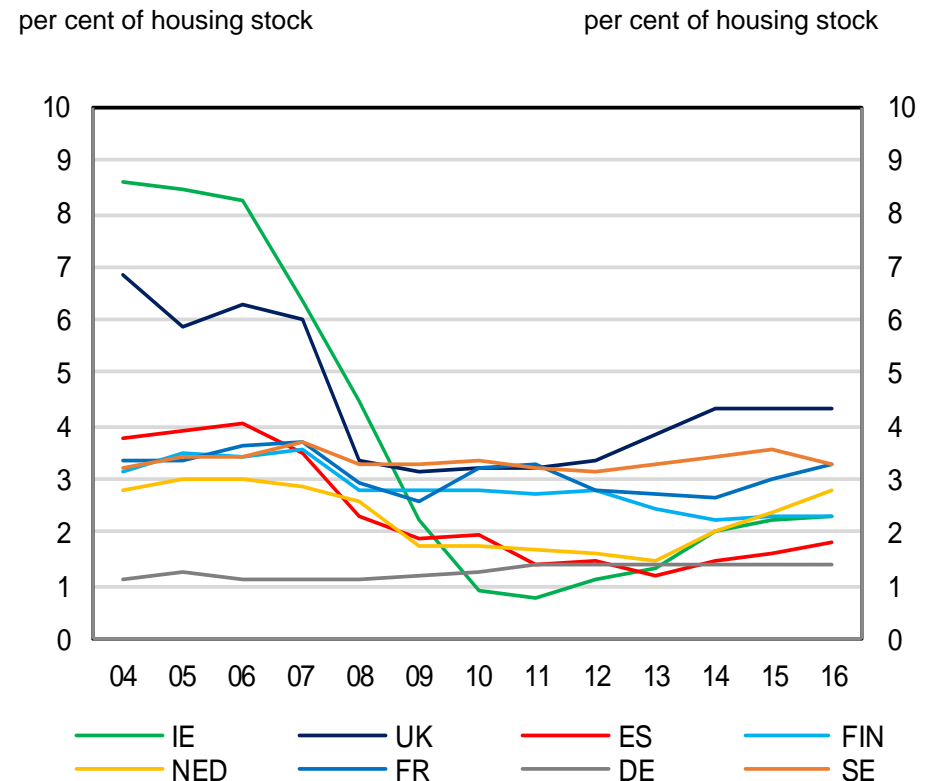


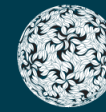
Residential Construction Indicators & Transactions

Residential construction activity: (rolling annual total)



Cross-country residential transactions as a percentage of housing stock

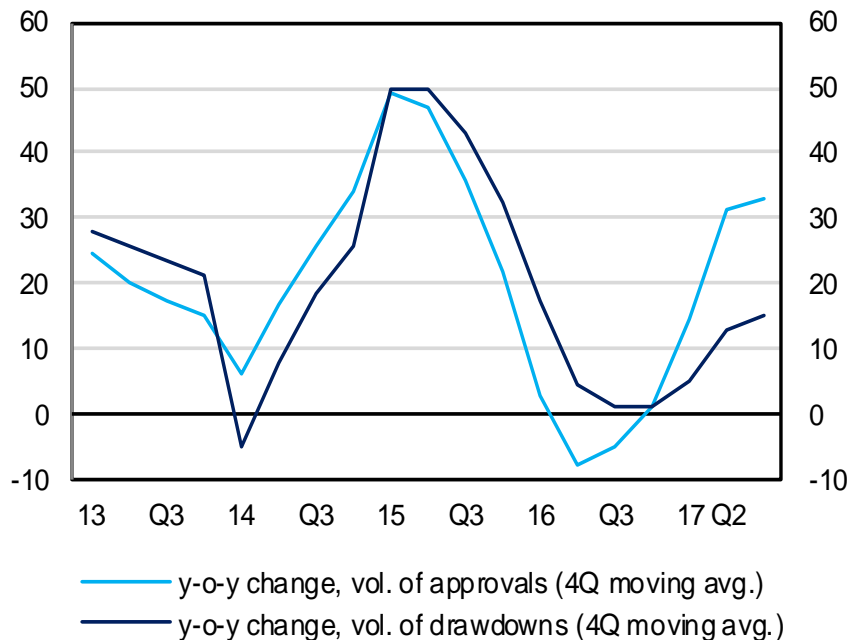




Residential Mortgage Activity & "Cash" Sales

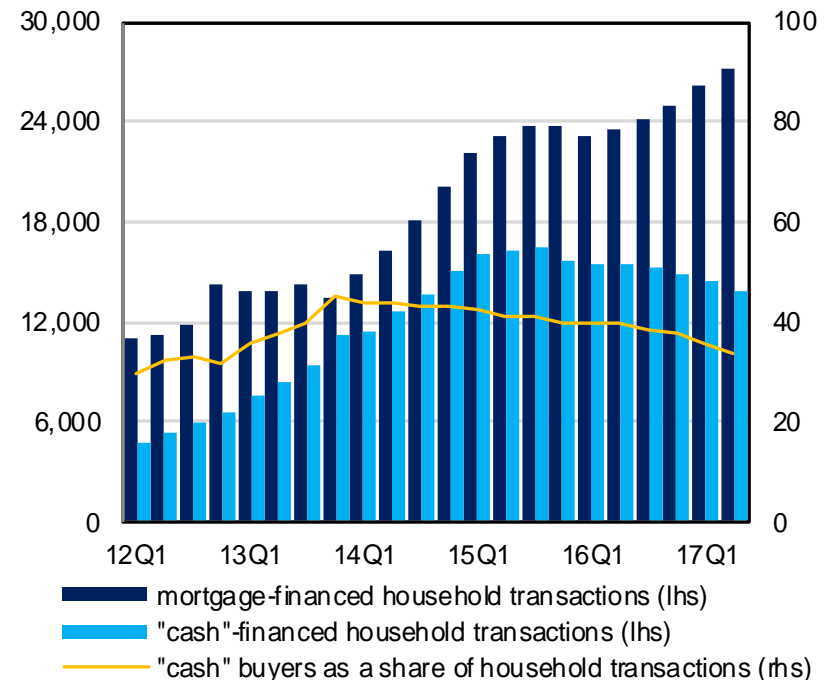
Annual percentage change in volume of mortgage approvals and drawdowns for house purchases: 4Q moving average

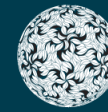
year-on-year change, per cent year-on-year change, per cent



Financing of residential property purchase activity by households

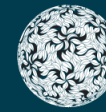
no. of transactions per cent of household transactions





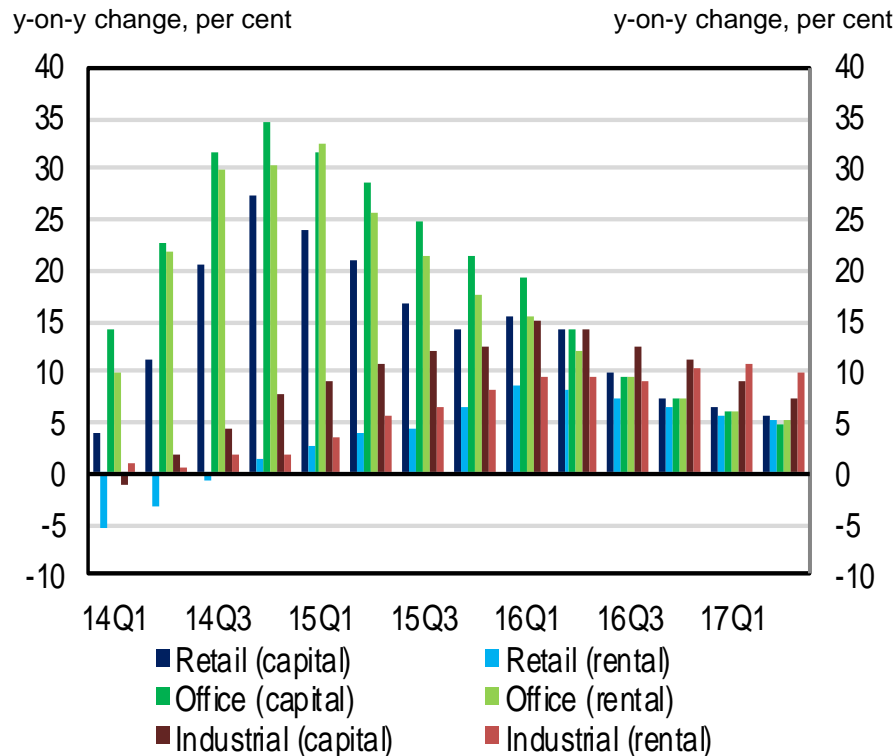
COMMERCIAL PROPERTY DEVELOPMENTS/ISSUES

- Moderation of CRE **returns** over the past couple of years, but still relatively high by international comparison. Industrial sector has recorded the strongest **capital & rental value growth** in recent quarters.
- Strong take-up in the Dublin office market in 2017H1, where the **vacancy rate** has been declining steadily since 2010. Resumption of commercial development should ensure the city is well serviced in terms of office accommodation in medium-term.
- Despite a sharp fall in the level of CRE **investment**, volumes are more in line with long-run average H1 levels of expenditure. Investment from abroad playing a major role in Irish commercial property market.
- Significant commercial property portfolio held by Irish retail banks, a large portion o/w in arrears. Notwithstanding a slight decrease in the 4 quarters to 2017Q2, **new CRE lending** has been rising steadily, yet remains a relatively small component of overall new lending.
- Vast majority of new commercial property loans are for “**non-speculative**” purposes, while the bulk of the remainder are for the buying/developing of land zoned for residential property use.

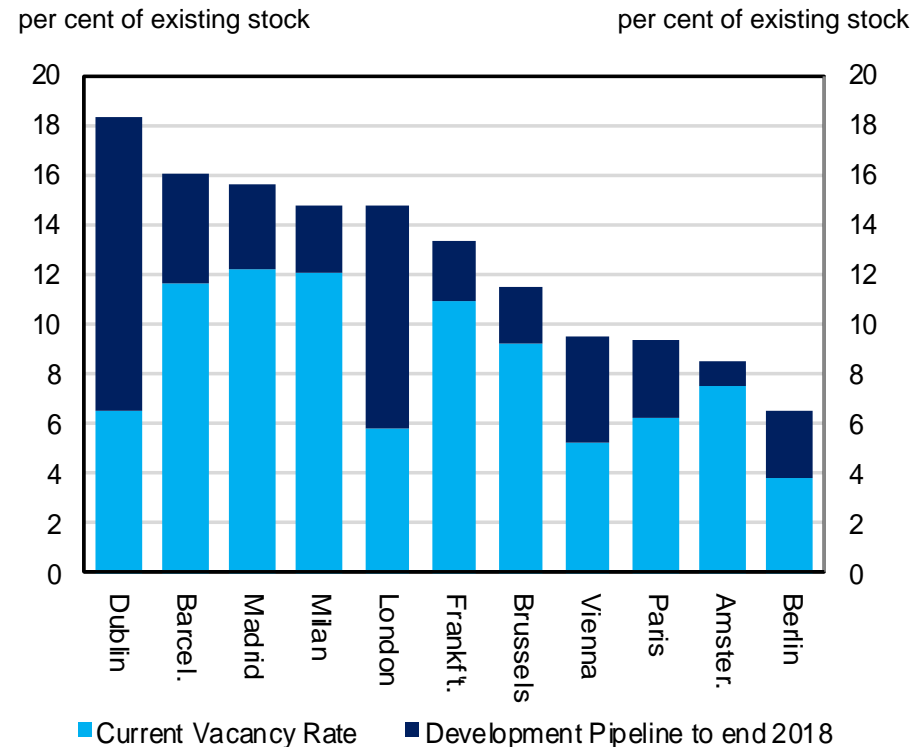


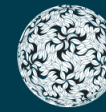
Sectoral Values & Comparison of Vacancy Rates

Breakdown of commercial property capital and rental value growth by sector



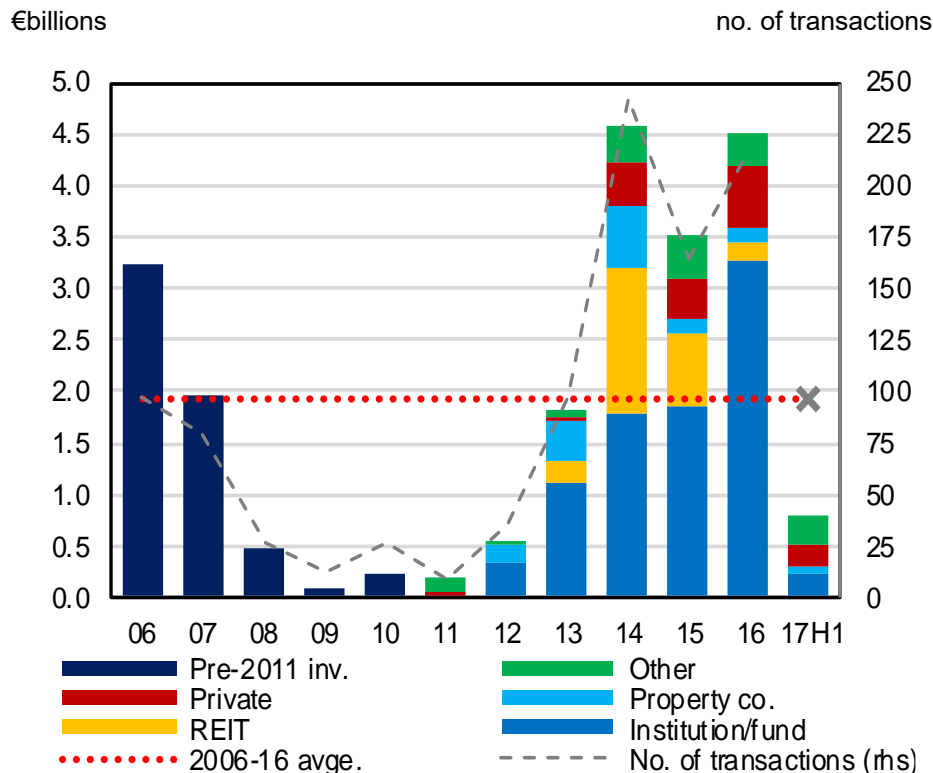
European office vacancy rate and 2 year development pipeline



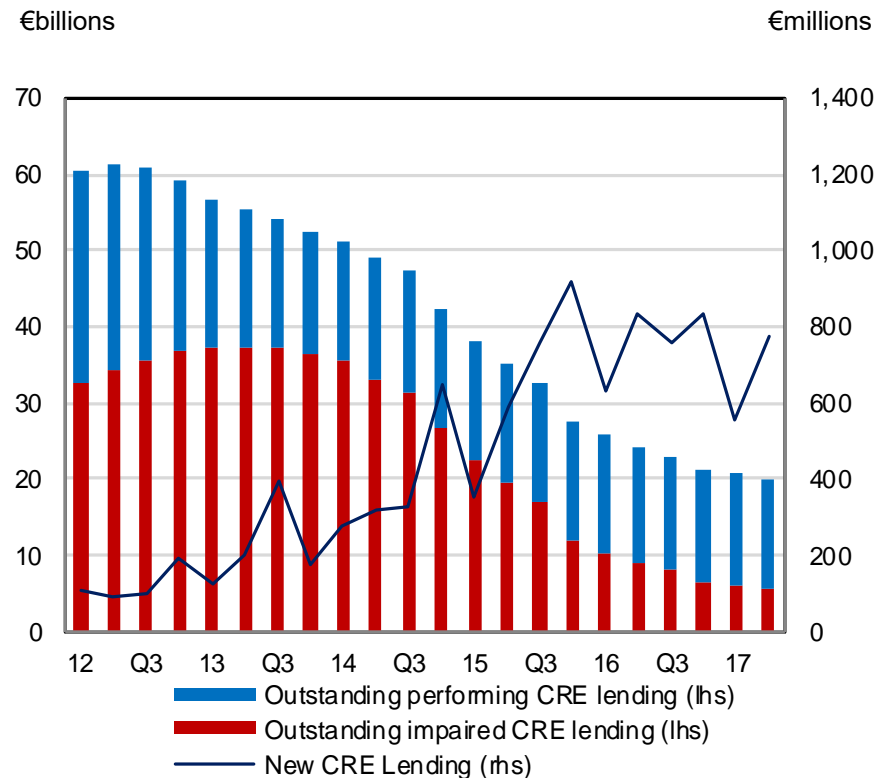


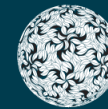
Commercial Property Investment and Lending

Sources of Irish commercial property investment



Irish retail banks' commercial property lending





TOPICS FOR DISCUSSION

- **Outlook for residential and commercial property sectors**
 - *key vulnerabilities / potential to overheat*
- **Tackling the housing shortfall**
 - *what are the main barriers holding back supply?*
- **Regional market developments/variations**
- **Impact of Brexit on the Irish property market**
- **Non-domestic investor activity in the commercial property market**
 - *advantages and disadvantages*
- **Changes to the financing model – debt/equity split**