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Affordability falling as house prices rise – EBS-DKM Affordability Index

The July EBS-DKM Affordability Index shows affordability falling as house prices rise. The Index reviews the issues, including housing supply, which are having a knock-on effect on affordability for first time buyers. The Index, which covers the period to the end of May 2017 finds:

- First Time Buyer (FTB) working couples purchasing in Dublin were paying 27.4% of their net income to service their mortgage in May, compared to 25.5% 12 months previous.*
- The average single FTB was paying 32.2% of their net income on their monthly mortgage repayments in May.
- For both the FTB working couple and a FTB single person the most affordable counties are now Longford, Offaly and Leitrim.

The proportion of net income needed by the average working FTB couple to fund a mortgage in Dublin was 27.4% in May 2017. This compares with 25.5% in May 2016 and a low of around 17% in 2012. The proportion is expected to continue rising and is projected to reach 29.2% by December 2017. House prices are now rising quickly outside Dublin, implying affordability is also deteriorating outside Dublin, particularly in the commuter belt.

Dublin, Wicklow, Kildare, Galway City and Meath were the least affordable locations, with buyers needing 20%-26% of disposable income to fund a mortgage in those locations. Meanwhile Longford, Offaly and Leitrim were the most affordable counties. Less than 11% of a couple's disposable income is required to fund a mortgage in these counties.

Within Dublin, Dun Laoghaire-Rathdown is the least affordable area, as FTB working couples are paying 35.8 per cent of their net income in monthly mortgage repayments. A single FTB buying in the same area would pay over half (53.5%) of their net income in repayments.

The average national FTB property cost for May 2017 was €245,662 with the average FTB mortgage at €196,530.

Ciara Morley, Economic Consultant with DKM Economic Consultants said "First time buyers are facing more expensive mortgages and inflated pricing due to the chronic shortage of houses in Ireland. We are seeing an upward trend in the proportion of disposable income required to fund a mortgage for first-time buyers over the last two years and we expect that proportion required to continue to rise."

EBS Chief Executive Des Fitzgerald commented on the Index "The EBS-DKM Irish Housing Affordability Index is a great tool for people who are considering buying a home. It's a big decision to make and having access to the information that's in the Index can help people make a more informed decision. If you are thinking about buying a house it's a good time to talk to the EBS Mortgage Masters about your options"

Notes to Editor:

*All figures are based on a Loan-To-Value Ratio of 80%.

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Ends