

THE FIRST TIME BUYERS' FACT BOOK

Are you considering buying your first home? Housing affordability has fluctuated in 2015, and a rise in house prices in March weakened affordability slightly for First Time Buyers. So what does this mean for you? Can you afford to get a mortgage, and how do you compare to the average First Time Buyer? Fold down to reveal key facts and figures on the Irish property market for First Time Buyers in our handy infographic, and turn to the back if you want to delve deeper into the data.



CAN WE AFFORD TO BUY IN DUBLIN?

I'M SINGLE CAN I AFFORD TO BUY A HOUSE?



EBS DKM IRISH HOUSING AFFORDABILITY INDEX MAY 2015

FIRST TIME AFFORDABILITY COUPLES Vs SINGLES

WE NEED 19.5% OF OUR DISPOSABLE INCOME TO FUND A MORTGAGE*



€73,618

Our average joint annual earnings

€924

Our average monthly repayments



€36,809

My average annual earnings

I NEED 39.1% OF MY DISPOSABLE INCOME TO FUND A MORTGAGE* THIS IS CURRENTLY NOT AFFORDABLE FOR ME

€924

My average mortgage repayments per month

*predicted affordability by June 2015, based on the forecasted national median house price of €204,300

HOW MUCH DEPOSIT DO WE NEED?

House Price **€150,000**
Deposit **€15,000**

Earnings of **€43,000**

House Price **€220,000**
Deposit **€22,000**

Earnings of **€63,000**

House Price **€250,000**
Deposit **€28,000**

Earnings of **€71,000**

House Price **€300,000**
Deposit **€38,000**

Earnings of **€86,000**

DOWNWARD PRESSURE ON DUBLIN HOUSE PRICES



"WE NEED 22.7% OF OUR DISPOSABLE INCOME TO FUND A MORTGAGE IN DUBLIN"



LOAN APPROVALS ON THE UP
41%*
*Jan-Mar 2015 Vs. Jan-Mar 2014

€3.66BN
TOTAL VALUE OF MORTGAGE DRAWDOWNS IN 2014

43%

OF ALL PROPERTY TRANSACTIONS ARE MADE IN DUBLIN

100,000
HOUSES NEEDED BY 2018

BEYOND THE PALE IN 2015

Most affordable counties
Roscommon, Leitrim, Longford

WE NEED LESS THAN 8% OF OUR DISPOSABLE INCOME TO FUND A MORTGAGE*
(*Based on Loan to Value Ratio of 83%)

WE NEED 8-10% OR LESS OF OUR DISPOSABLE INCOME TO FUND A MORTGAGE*
(*Based on Loan to Value Ratio of 83%)

Mid-range counties
Offaly, Clare, Mayo, Sligo, Cavan

Least affordable counties
Dublin, Wicklow, Kildare

WE NEED 20-23% OF OUR DISPOSABLE INCOME TO FUND OUR MORTGAGE*
(*Based on Loan to Value Ratio of 83%)

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.

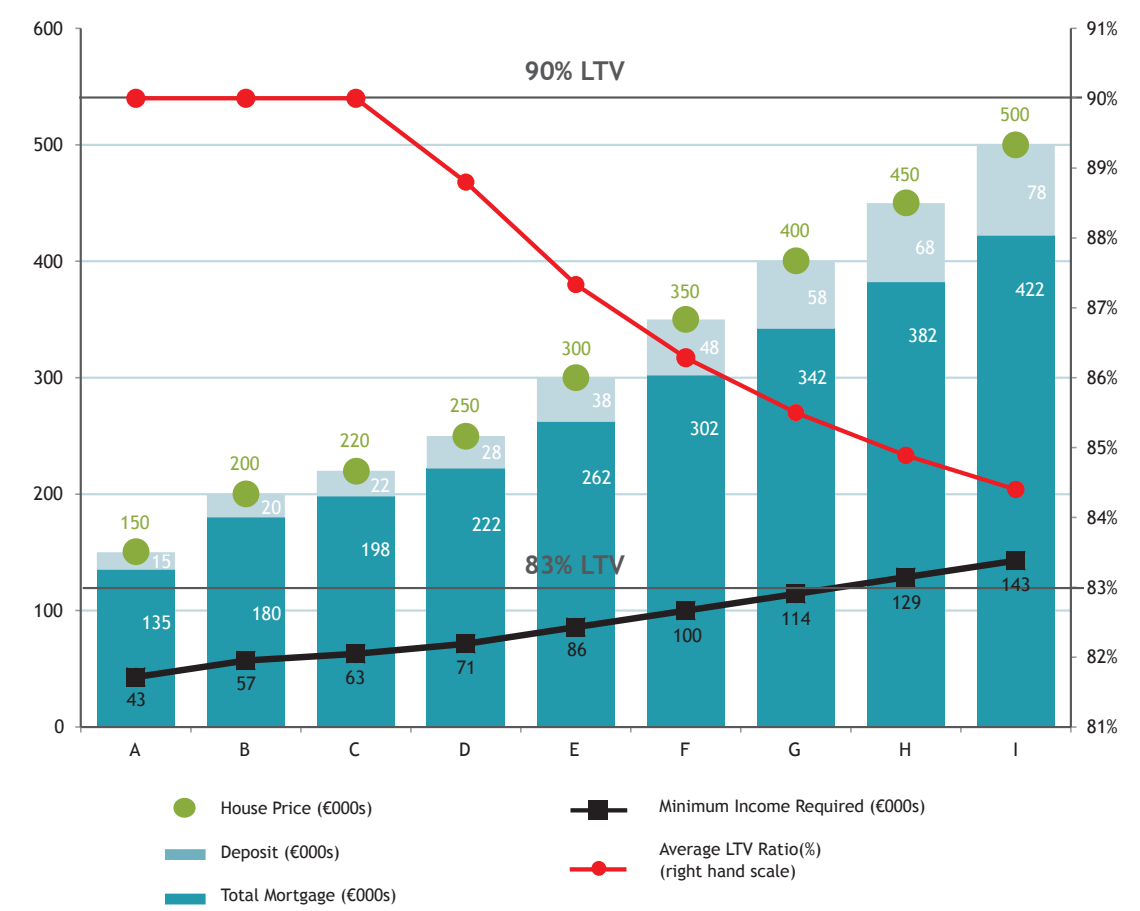
CAN WE AFFORD TO BUY A HOME?

Housing affordability improved in 2015 thanks to a small decline in property prices at the start of the year. However due to a pick-up in house prices in March, this improvement was quickly reversed. Supply remains the overriding issue, according to the latest EBS-DKM Affordability Index.

The improving economy combined with the shortage of supply could see sustained house price growth resume again later in the year.

The index also doesn't take into account a potential buyer's ability to raise deposit. This has become a big issue for many First Time Buyers (FTBs) in particular in the wake of new rules on lending that came into force in late January (see table).

MAXIMUM DEPOSITS AND LTV RATIOS FOR A RANGE OF HOUSE PRICE SCENARIOS



NEW RULES

The Central Bank has introduced new measures that will have major implications for all buyers, particularly those seeking their first homes.

Buyers can still apply to borrow up to 90% of the value of homes worth up to €220,000. However, for homes worth more than that, they can borrow only 80% of the value above that limit. The majority will also be restricted to mortgages of no more than 3.5 times their income(s).

The old rules for assessing borrowers' ability to repay loans will still apply in addition to the new ones. These new limits can be breached: 15% and 20% of new lending is not subject to the new deposit and income rules respectively.

But generally, they will have an impact on buyers, especially FTBs in Dublin and the main urban areas. For example, a potential buyer would need an income of €71,000 and a deposit of €28,000 to buy an average FTB home in Dublin worth €250,000.

In many parts of the city, family homes cost €350,000 at least. To buy a property worth that much, a First Time Buyer would need a €48,000 deposit plus annual income of €100,000.

SO WHAT DOES ALL THIS MEAN FOR FIRST TIME BUYERS?

With the resumption of price increases in March, the average FTB property was worth €206,000. This weakened affordability slightly to 19.5% in that month, from 20.6% the previous October

The corresponding figure for Dublin was 22.7% - down from 24.3% in six months.

WHAT IF I'M BUYING ON MY OWN?

Single people have found it hard to fund a mortgage for some time. Average mortgage repayments would eat up over 40% of an average single person's income in the latter months of 2014. That figure fell to 38.6% but rose again to 38.9% due to the peak in house prices in the month of March. Affordability is expected to improve further to 38.3% by June, but it is still well above what is considered to be sustainable (est 30%).

CAN I AFFORD TO BUY IN DUBLIN?

Over the four months to February 2015, average property prices fell by 0.6% per month and buying in Dublin became more affordable. However, the pick-up in Dublin prices in the month of March reversed the improvement in affordability, which weakened to 22.7% of net income. This is still a lower proportion of net income in comparison to 24.3% the previous October.

With house prices in Dublin expected to decline slightly in the short-term, affordability is set to improve again with the affordability figure expected to reach 22.4% in June.

However, with looming housing supply shortages in Dublin, this recent improvement may be short-lived.

AFFORDABILITY THROUGHOUT IRELAND

| County | Average Gross Earning for FTB Working Couple (euro) | Median House Price Q1 2015 | % Change in 2014 - Q1 2015 | Housing Affordability ¹ |
|-----------|---|----------------------------|----------------------------|------------------------------------|
| Dublin | 85,536 | 265,000 | +1.1 | 22.9 |
| Wicklow | 72,000 | 225,000 | 0.0 | 21.6 |
| Kildare | 74,880 | 225,000 | +6.6 | 21.1 |
| Meath | 70,992 | 180,000 | +10.5 | 17.4 |
| Kilkeny | 63,000 | 145,500 | +23.3 | 15.4 |
| Cork | 72,504 | 150,000 | 0.0 | 14.4 |
| Galway | 68,256 | 135,000 | -3.6 | 13.4 |
| Louth | 66,024 | 125,000 | +5.9 | 12.7 |
| Carlow | 64,872 | 122,000 | +8.6 | 12.6 |
| Wexford | 61,704 | 115,000 | +3.6 | 12.4 |
| Kerry | 61,704 | 110,000 | -0.9 | 11.9 |
| Monaghan | 55,872 | 100,000 | +14.9 | 11.7 |
| Laois | 62,280 | 105,845 | +21.7 | 11.3 |
| Donegal | 54,576 | 90,000 | +9.1 | 10.7 |
| Limerick | 77,688 | 117,000 | +17.0 | 10.7 |
| Waterford | 66,744 | 105,000 | +5.0 | 10.6 |
| Westmeath | 64,008 | 100,000 | +4.8 | 10.4 |
| Tipperary | 64,764 | 98,000 | +6.2 | 10.1 |
| Offaly | 58,392 | 88,261 | -11.7 | 10.0 |
| Clare | 64,800 | 92,500 | -7.9 | 9.6 |
| Mayo | 62,136 | 89,000 | +4.6 | 9.5 |
| Sligo | 65,160 | 92,000 | -4.6 | 9.5 |
| Cavan | 60,120 | 75,500 | +11.0 | 8.3 |
| Roscommon | 59,616 | 68,000 | +3.3 | 7.5 |
| Leitrim | 63,360 | 67,500 | +10.1 | 7.1 |
| Longford | 60,048 | 62,713 | +13.5 | 6.9 |
| National | 72,000 | 165,000 | +6.0 | 15.9 |

¹ Based on % of net income required to fund mortgage repayments

BEYOND THE PALE

FTBs find it much easier to afford a home outside the Dublin area.

The average First Time Buyer property price beyond Dublin is estimated at €167,300, or 33% below the capital. In many non-urban locations, prices are lower still.

The marginal rise in house prices in March pushed affordability upwards to 15.9%. However this still reflected the general downward trend in property prices with affordability at 16.5% the previous October.

Affordability is projected to fall slightly to 15.7% by June 2015. However, some counties are more affordable than others. The least affordable are those next to Dublin, which are increasingly being targeted by would-be commuters from the capital.

Affordability decreased markedly in Laois, Kildare and Meath, although it improved slightly in Wicklow, where prices already rival those in the capital.

Kilkenny also saw a big drop in affordability and now ranks above Cork in the table of most expensive places to buy a home; it is now fifth least affordable nationally. Three of the four least expensive counties - Leitrim, Longford and Cavan - saw affordability weaken.

Yet as you still need far less than 10% of your income to service FTB mortgages in these counties, this shouldn't present too much of a problem for would-be buyers.

SUMMARY

The new mortgage lending measures introduced by the Central Bank have been broadly welcomed, and they have already helped to take the heat out of the property market.

However, they are likely to place FTBs at a disadvantage to cash buyers who accounted for 51% of the market last year. Rents are also likely to rise, making it harder to save deposits.

And while affordability improved in the first two months of the year, the price increase in March weakened affordability slightly.

The supply of homes to urban areas needs to be addressed if we are ever to return to a stable property market, where the growing queue of people waiting to buy a home is accommodated.