



*19<sup>th</sup> January 2010*

## **EBS Building Society and DKM economic consultants publish latest affordability index**

**Housing affordability, as % of net income, at its lowest level in twenty five years...**

**Current Affordability Levels present a good opportunity for First Time Buyers to get involved in the Market...**

The quarterly EBS / DKM Affordability Index released today demonstrates that the average first time buyer working couple is paying just 13.4% of their joint income to service their mortgage compared with 26% in December 2006, representing almost a 50% improvement in the past three years.

All-time low interest rates, house prices at 2003 levels and diminished consumer confidence have resulted in record highs in housing affordability. The index considers previous decades and the cost of servicing debt on a house purchase in Q4 1985, when net repayment as a percentage of disposable income were 17%; and in Q1 1995, when they were 15.3%.

This improvement in affordability has had an impact on activity in the first time buyer sector, as the sector was the only one to experience growth in 2009 with market increases in both Q2 and Q3. In Q3 2009, the first time buyer sector represented 35.6% of all mortgage lending - the highest percentage in recent history.

According to Dara Deering, Director of Membership Business, EBS Building Society: "The market for first time buyers is becoming increasingly attractive: over the past three years, property prices have decreased by almost 27%. This equates to €83,000 for properties nationally and € 137,000 for properties in Dublin.

"First time buyers considering entering the market over the coming 12 months should expect to see this contraction continue, albeit at a slower rate than last year. In addition to falling prices there are a number of other environmental factors which are helping to ensure that affordability levels continue to improve. This certainly suggests that it is now a good time for first time buyers to consider investing in the property market.

Speaking about overall developments in the Irish mortgage market Deering highlighted the fact that not all lenders are active in this market: "Despite the fact that many lenders - particularly the foreign banks - have not been active in the market EBS has continued to offer choice and value to those who are wishing to buy a home. As a result EBS has grown its share of the retail mortgage market to 21.7%. Our share of the overall market has grown to a significant 17.8% - a 6.4% increase over this time last year.

"According to the figures from the Irish Banking Federation our share in the first time buyer segment has grown to 38.4% in the retail mortgage market and to 24.7% in the market overall. This is an increase in share of 4.2% in the overall market since this time last year. As affordability levels hit all-time highs, EBS is committed to providing first time buyers with the access to funding so that they can avail of these uniquely favourable conditions."

Annette Hughes, Director, DKM Economic Consultants said: "With such an improvement over the past three years, the expectation might be that the green shoots of a recovery in the housing market should be in sight. However, to borrow a headline from the US National Association of Homebuilders (NAHB, 8th Jan 2010), 'housing still faces significant headwinds' as the labour market remains weak and there is anecdotal evidence that pay levels for some private sector workers have fallen by up to 20% or more while pay in the public sector will fall by up to 6.4% in 2010 alone for persons earning up to €70,000, according to the December Budget.

"Moreover difficulties still persist for house buyers seeking credit from some institutions, negative equity is a problem for many FTB buyers who purchased over the past five years and consumer confidence remains in low territory as prospective buyers are reluctant to enter the market, on the expectation that further declines in house prices are possible."

The latest EBS / DKM Affordability Index can be found at [www.ebs.ie](http://www.ebs.ie) or [www.dkm.ie](http://www.dkm.ie)

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