



EBS BUILDING SOCIETY AND DKM ECONOMIC CONSULTANTS PUBLISH LATEST AFFORDABILITY INDEX

AFFORDABILITY – AT 14% - IS BACK TO THE LEVELS OF THE MID-NINETIES

Tuesday 30th June 2009: The EBS / DKM Affordability Index shows that affordability for first time buyers continues to improve and that this trend is set to persist, despite reductions in incomes. Housing Affordability according to the Index, which is now at 14.2% nationally, has returned to levels last recorded in the mid-1990s.

The ***EBS DKM Housing Affordability Index*** is a measure of the proportion of after tax income required to meet first year mortgage repayments for an 'average' first-time buyer (FTB) working couple, each on average earnings with a 90% mortgage. It takes into account changes in mortgage rates, changes in the level of mortgage interest relief, and is based on average earnings and average FTB new house prices nationally and in Dublin.

The index published today shows that the average working couple buying their first home is now paying around 14.2% of their net income in mortgage repayments, compared with the peak in December 2006 when payments were equivalent to 26.4% of a couple's income.

By the end of July 2009, the proportion of net income required to fund their mortgage will have fallen further to 13.9% compared with 21.8% in July 08, 24.1% in July 07, 23.8% in July 06 and 19.9% in July 05.

The net monthly mortgage repayment for the average first-time buyer couple across the State is currently around €749 compared with €1,203 in July 2008 – a reduction of €454 or almost 38%. The corresponding repayment for a first-time buyer couple in Dublin is €1,015 compared with €1,552 last July 2008 – a reduction of €538 or 35%.

According to Dara Deering, Director of Membership Business, EBS: "The real cost of buying your first home has significantly reduced, the Irish economy has continued to contract and personal incomes have suffered due to the changes announced in the Supplementary Budget in April of this year. However, balanced against this is the fact that house prices have continued to decline, interest rates are at a record low (ECB is now at 1%) and as a result affordability has returned to the levels of the mid 1990s.

“With many developers now offering much lower prices for new developments particularly in Dublin, this is ‘whetting the appetite’ for many new buyers. Over the course of the year First Time Buyers should find it easier to get good value and take their first step onto the property ladder. Despite the falling number of mortgage loans given out to first time buyers in the market over the past few months as noted in the report, we want to emphasise that we in EBS are very much open for business. As the lender of choice for one in every two first time buyers, we are ideally positioned to assist first time buyers wishing to explore the prospect of purchasing their first home.”

Annette Hughes, Director, DKM Economic Consultants said: “Potential house buyers are only likely to purchase a house if they can afford to do so and if they have confidence in the market at that time. The difficulty is that confidence in the market is very weak at the present time and while house prices are expected to fall further, there is no urgency to buy. But average FTB house prices have already fallen by almost 28% in real terms since their peak in March 2007. Similarly, the reduction in mortgage rates since they peaked in August 2008 has led to a decline of €339 or 29% by June this year in the average monthly repayment on a €200,000 mortgage. In a situation in which incomes have remained the same over this period or have declined, this is a welcome development.”

The latest EBS / DKM Affordability Index can be found at www.ebs.ie or www.dkm.ie

ENDS

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Notes to the Editor:

Trends in housing affordability for FTB working couple with forecasts to July 2009

	Dec’05	Dec’06	Dec’07	Dec-08	Jan-09	Mar-09 Actual	Jun-09 Forecast	Jul-09 Forecast
Average Mortgage Rate	3.63%	4.81%	5.35%	4.79%	4.16%	3.67%	3.00%	3.00%
National First-time Buyer Working Couple								
Monthly Repayments (€)	1,018	1,323	1,228	1,007	912	850	749	737
As % of Net Income	21.6%	26.4%	23.0%	18.2%	16.6%	15.5%	14.2%	13.9%
Ave. House Price (000s)	249.5	279.0	260.8	224.2	222.4	215.4	200.0	196.8
Dublin First-time Buyer Working Couple								
Monthly Repayments (€)	1,295	1,741	1,573	1,325	1,193	1,110	1,015	1,002
As % of Net Income	25.8%	32.5%	27.7%	22.5%	20.4%	19.0%	18.0%	17.8%
Ave. House Price (000s)	309.6	359.0	333.9	294.9	290.9	281.3	271.0	267.5

ASSUMPTIONS:

Monthly House Prices: permanent-tsb/ESRI data; 90% loan to value ratio.

Latest data show average FTB prices down by 10.7% year to April; assume prices fall 1.6% per month May to July.

ECB Rates: down from peak of 4.25% on 14th Oct'08 to 1% on 13th May 2009 following 7 reductions since Oct'08.

Average Mortgage Rates: Latest 3% in June 2009.

Maximum Mortgage Interest Relief: €20,000 max available at 25% since Jan 2009 = €417 per month max.

Average gross income for FTB working couple of €80,978 in 2008, up 4.3% on 2007. Gross income unchanged at €82,370 since July 2008. Income levy from January 2009. Incomes of Dublin buyers 10% higher than for buyers across the State as a whole.