



EBS BUILDING SOCIETY AND DKM ECONOMIC CONSULTANTS PUBLISH LATEST AFFORDABILITY INDEX

GOOD NEWS FOR FIRST TIME BUYERS AS AFFORDABILITY CONTINUES TO IMPROVE

Wednesday 21st October 2009: The quarterly EBS / DKM Affordability Index released today predicts that the cost of a mortgage for the average first time buyer working couple will fall to 13% of their net income by December 09. Three years ago, the average first time buyer couple would have spent 26.4% of their net monthly income on mortgage repayments for a new home. Thus the average proportion of net income required to fund a mortgage has fallen by more than 50% in the past three years.

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.

With the improvement in affordability forecast to continue, first time buyer mortgage repayments are projected to fall by 44% (or by €539) in the two years to December 09. While overall the number of national first time buyer's transactions had fallen to 3,184¹ by the end of Q2, EBS Building Society and some other financial institutions have seen an increase in activity in this segment of the market in recent months.

According to Dara Deering, Director of Membership Business, EBS Building Society: "The number of mortgage applications at the Society has grown by 66% over the past three months when compared with the first three months of the year. September was a particularly busy month with more than double the level of applications that we received in February. A significant portion of this activity is being driven by first time buyers who now account for 45% of the house purchase market.

"While there continues to be a lack of clarity about how far the market has yet to fall, the reality is that for many first time buyers, and indeed second-time buyers, the home that they want, in a location that is suitable for them is likely to be very competitively priced at the moment. The increased volume of applications, albeit in a declining

¹ Source: IBF / PWC Mortgage Market Profile Q2 2009

market, indicates that growing numbers of people are considering taking advantage of the current levels of pricing at this time”.

“EBS is committed to continuing to support buyers who are seeking to purchase their new home. Our decision to ‘stay open for business’ and to remain consistent on our loan criteria means that our market share is continuing to rise - at 19% for the first half of the year - as more people chose to do business with EBS. As soon as there is an improvement in consumer confidence in the market, the improved levels of affordability will encourage more buyers to translate those applications into loans. EBS will continue to support buyers as market conditions improve.”

Annette Hughes, Director, DKM Economic Consultants said: “By December 2009, the projected net repayments for a first-time buyer working couple on a €165,000 mortgage will have fallen by €513 per month since July 2008 (on a national basis) – roughly 43%. The equivalent drop in Dublin will be €643 per month, or 41% (based on a €218,000 mortgage). This has helped affordability in a situation in which incomes have remained the same or have declined over the period.

“Similarly, affordability for single first time buyers has improved with falling house prices and mortgage rates – projected to fall from 54.5% in December 2006 to an estimated 25.2% by December 2009. However, the average house price to disposable income ratio remains high for single persons. By September this year, single persons were paying around six times their disposable income for the average FTB priced house.

“Generating housing transactions is the first step to recovery and to addressing the sluggish situation that has persisted for the past two years, despite improvements in affordability. However, negative equity fears and oversupply remain a concern and could hinder mobility in the housing market. There is also a sense that potential purchasers believe that house prices have further to fall, but in the short term, it will be a buyer’s market.”

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 December 2009

	Dec'05	Dec'06	Dec'07	Dec '08	Sep '09 Estimate	Dec '09 Forecast
Average Mortgage Rate	3.63%	4.81%	5.35%	4.79%	3.30%	3.00%
National First-time Buyer Working Couple						
Monthly Repayments (€)	1,018	1,323	1,228	1,007	738	689
As % of Net Income	21.6%	26.4%	23.0%	18.2%	13.9%	13.0%
Ave. House Price (000s)	249.5	279.0	260.8	224.2	192.5	184.0
Dublin First-time Buyer Working Couple						
Monthly Repayments (€)	1,295	1,741	1,573	1,325	973	908
As % of Net Income	25.8%	32.5%	27.7%	22.5%	17.3%	16.1%
Ave. House Price (000s)	309.6	359.0	333.9	294.9	253.8	242.6

ASSUMPTIONS:

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

Latest data show average FTB prices down by 19.2% year to July; assume prices fall 1.5% per month August to December.

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 3.46% in August 2009. Average of 3% forecast by year-end.

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

Average gross income for FTB working couple 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.