

**First-Time Buyers
in the
Irish Housing Market:
A Survey of *permanent tsb* First-Time Buyers**

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Executive Summary

This survey of *permanent tsb* first-time buyers was undertaken by the ESRI between November 2004 and January 2005. Over 770 questionnaires were completed.

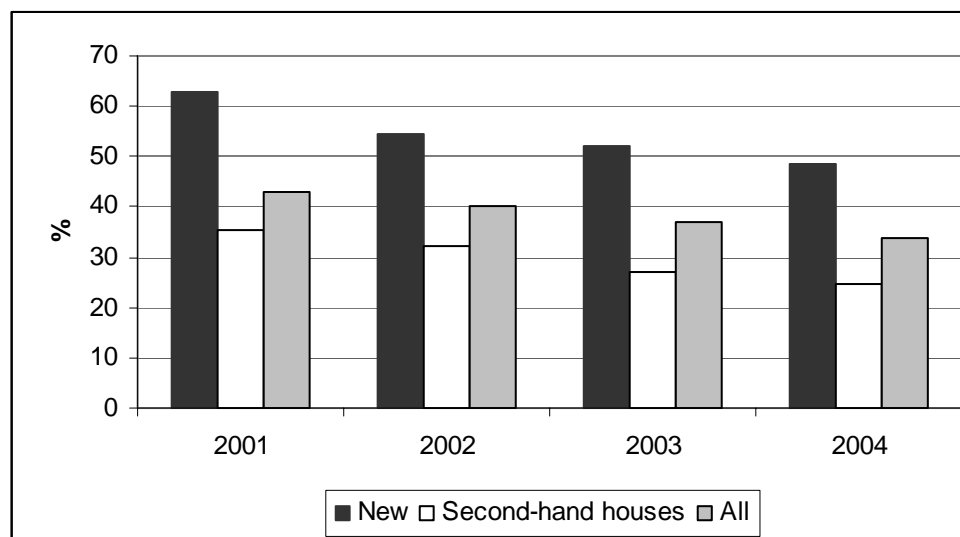
The key findings include:

- The average age of a *permanent tsb* first-time buyer is 30 years at the time of purchase. Nearly 84 per cent of first-time buyers are aged under 34 years. The majority of first-time buyers, 62.3 per cent, are married or living with their partner.
- To date first-time buyers have concentrated on the new house market, over 58 per cent indicating that they purchased a new dwelling. The most frequently purchased house type is semi-detached, 39.9 per cent. Apartments accounted for just 5.4 per cent of purchases at a national level, although they represented 16 per cent of purchases in the Dublin region.
- First-time buyers are taking out longer term mortgages than the perceived typical mortgage of 20 years, with over 76 per cent of survey respondents having a mortgage longer than 20 years.
- 75 per cent of first-time buyers purchase a dwelling priced between €100,000 and €250,000 at the time of purchase.
- Over 65 per cent of first-time buyers took out a joint mortgage. Of these, nearly 97 per cent took out a joint mortgage with their spouse or partner.
- A substantial proportion of first-time buyers, just under 73 per cent, do not avail of any other source of funding, apart from their mortgage, when purchasing a home. The survey finds that only 16.7 per cent indicate that they had received a gift from their parents.
- Nearly half, 49.3 per cent, indicated that their mortgage repayments represented “somewhat of a burden”, over 44 per cent indicated that their mortgage repayments did not represent a burden at all while 6.5 per cent responded that their mortgage repayments were a heavy burden.
- First-time buyers think that the moderation in house price growth will continue. The average rate of increase in house prices forecast for the next 12 months is 8.3 per cent.

1. Introduction

The desire to be an owner-occupier of a dwelling has always been particularly strong in Ireland. Ireland has one of the highest proportions of owner-occupiers in the EU at around 80 per cent. Becoming a first-time buyer is a major purchase and one of the major financial decisions made by individuals. First-time buyers (FTB) represent a substantial proportion of the Irish housing market. Based on the Department of Environment *Annual Housing Statistics Bulletin*, first-time buyers accounted for 34 per cent of the market in 2004, see Figure 1.

Figure 1: First-Time Buyer Market Share



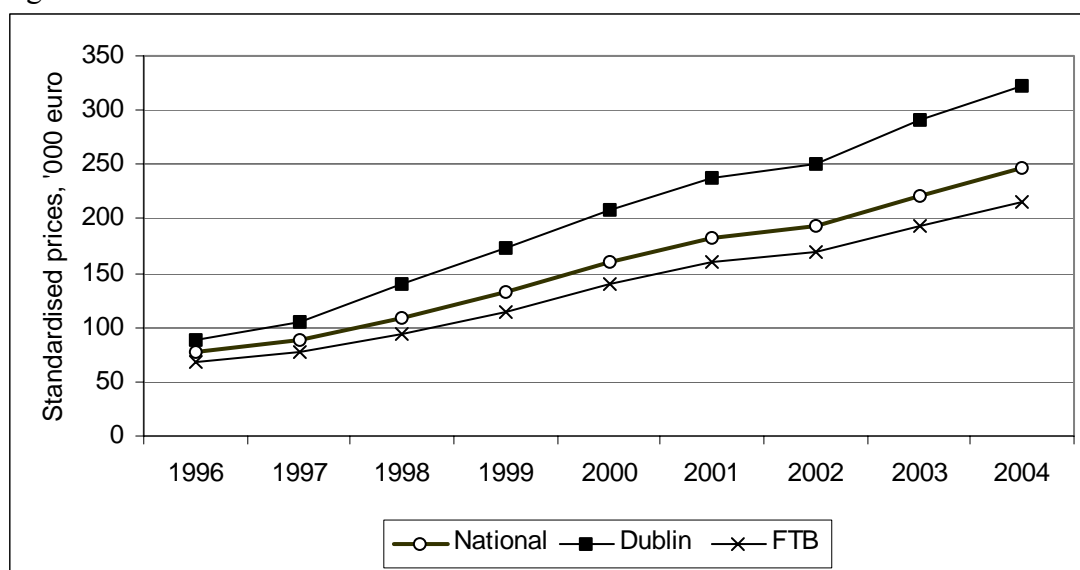
Source: Department of Environment and Local Government, *Annual Housing Statistics Bulletin*.

Given the proportion of mortgage approvals accounted for by first-time buyers they represent a very important market segment. Furthermore, a paper by Ortalo-Magne and Rady (1998) showed that first-time buyers are important drivers of housing demand arguing that “fluctuations in housing prices depend crucially on fluctuations in the current income of young households (the first-time buyers).”

Despite the importance of first-time buyers there is a need for more information on this important market segment. The aim of this survey is to provide a profile of first-time buyers in the Irish housing market and some insights into their views on the mortgage market and the outlook for the housing market in general. Furthermore, one of the questions asked about the recent housing boom in Ireland has been how first-time buyers (FTB) continue to be able to afford to purchase a dwelling

given the rapid increase in prices, with the *permanent tsb* House Price Index showing the national new house price at €240,000 in 2004. This survey aims to address this question by examining how first-time buyers are funding the purchase of their home and providing a profile of first-time buyers in the Irish housing market. *Permanent tsb* is one of Ireland's leading mortgage providers with between 20 and 25 per cent of the mortgage market. The survey is drawn for a population of over 11,000 first-time buyers who bought a property using a *permanent tsb* mortgage between 2001 and 2004. Of this total population just over 67 per cent had a joint mortgage, leaving nearly 33 per cent with one borrower. The average house price for the population of *permanent tsb* first-time buyers was €199,994. Details are also provided for the term of the mortgage. This shows that, in the survey population, a substantial proportion of first-time buyers have a long-term mortgage with 87.5 per cent having a mortgage with a term greater than 20 years.

Figure 2: Selected House Price Trends 1996-2004



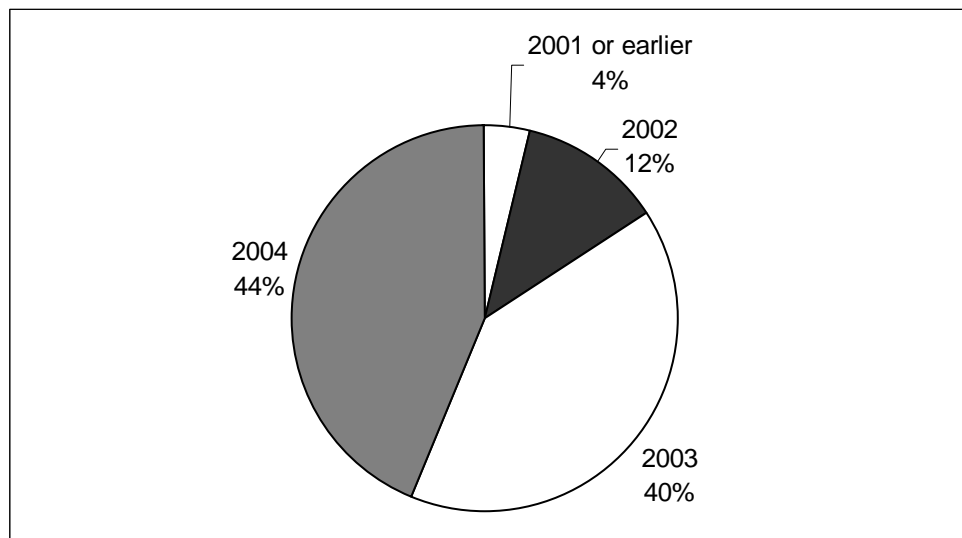
Source: *permanent tsb* House Price Index.

The results are based on a random telephone sample of over 770 completed questionnaires from a population of 11,262 accounts, with a response rate of 65 per cent. The survey data were statistically adjusted or “re-weighted” according to known parameters of the population of mortgage accounts prior to analysis. The analysis presented in this report is based on the statistically adjusted responses. For a full discussion of the survey methodology see Appendix I. A copy of the questionnaire is contained in Appendix II.

2. Profile of *permanent tsb* First-Time Buyers

The survey concentrated on first-time buyers who had purchased a dwelling in recent years. As is shown in Figure 3, the majority of those responding had purchased their dwelling in 2003 or 2004.

Figure 3: Year of Purchase



The questionnaire asked a number of detailed questions about the respondent, allowing us to build a profile of first-time buyers¹. The survey results show that first-time buyers are generally young, with 83.9 per cent of respondents aged under 34 years at time of purchase, see Table 1. The average age of respondents was 30 years old when they purchased their first home. UK data from the Council of Mortgage Lenders shows that the average age of a first-time buyer in 2002 was 33 years. This declined to 31 years old in 2003 before rising again to 33 years in 2004². The majority of first-time buyers responding to the survey had purchased their first home outside Dublin City and County, 80.6 per cent.

Table 1: Age Distribution of *permanent tsb* First-Time Buyers at Time of Purchase

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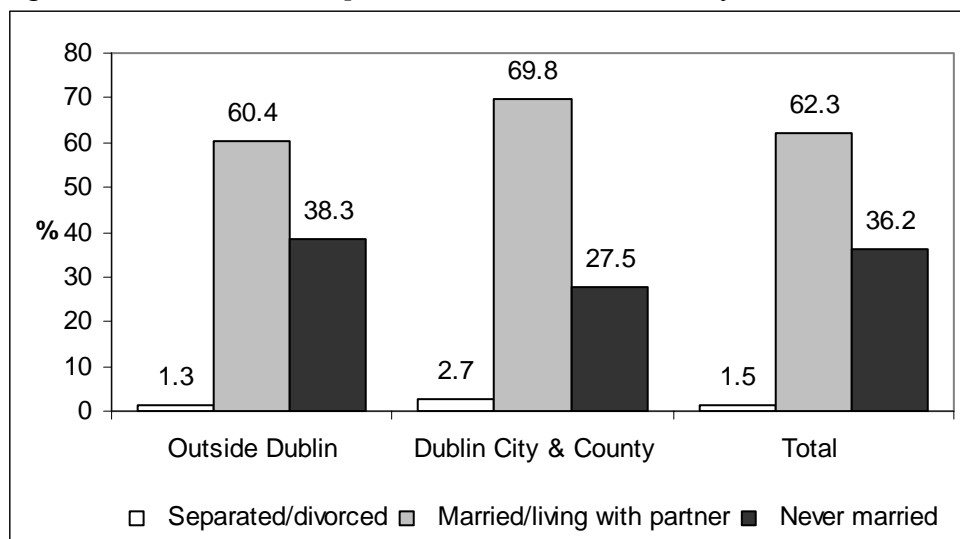
¹ Of course, this is a profile of *permanent tsb* first-time buyers. Furthermore, the analysis is based on the responses of the person who answered the questionnaire and so does not provide a profile of every household member.

² Available at the website for the Office of the Deputy Prime Minister (www.odpm.gov.uk).

Age, years	Outside Dublin	Dublin City & County	Total
Up to 24	14.7	16.8	15.1
25-29	42.3	43.0	42.5
30-34	27.4	22.1	26.3
35-39	9.0	7.4	8.7
40-44	2.9	6.0	3.5
45-49	2.8	3.4	2.9
50+	1.0	1.3	1.0
Total	100.0	100.0	100.0

Prior to purchasing a dwelling most of the first-time buyers, 97.2 per cent, had been living in Ireland. More than 56 per cent responded that they had lived at the family home prior to purchasing a property, while 39.5 per cent had rented and only 1.7 per cent had lived with friends. Respondents were asked to indicate their marital status – 62.3 per cent are married or living with their partner, 36.2 per cent are single and 1.5 per cent indicated that they are divorced or separated.

Figure 4: Marital Status of *permanent tsb* First-Time Buyers



The majority of first-time buyers, 85.6 per cent, have completed education to Leaving Certificate or above. A further 2.5 per cent responded that they had completed primary education only and 11.9 per cent indicated that they had completed education to Group or Intermediate Certificate level.

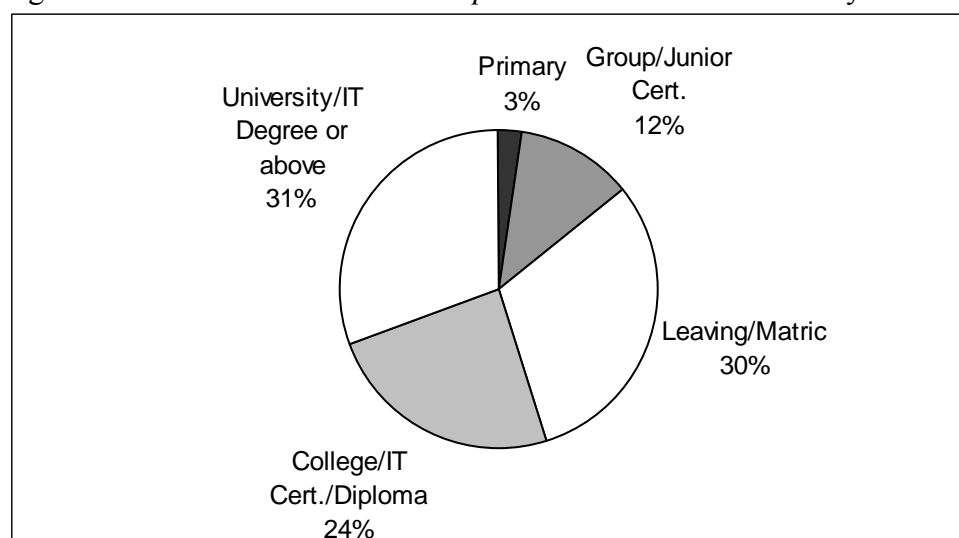
Figure 5: Educational Attainment of *permanent tsb* First-Time Buyers

Table 2 provides the distribution of net household income for the survey respondents. Net household income is total income after tax, PRSI and other statutory deductions of all members of the household. Over 25 per cent of households have a net household income of between €2,000 and €2,999 per month. Unsurprisingly, the net household income distribution for households with more than one borrower is higher than for households with a single borrower only.

Table 2: Distribution of Net Household Income of *permanent tsb* First-Time Buyers

Net Income Per Month, Euro	One Borrower Only	More than One Borrower	Total
Under 1,200	2.8	0.6	1.4
1,200-1,599	8.9	1.7	4.2
1,600-1,999	24.2	9.0	14.2
2,000-2,999	38.3	19.2	25.8
3,000-3,599	11.3	27.4	21.8
3,600-4,999	8.9	28.0	21.4
Over 4,999	5.6	14.1	11.2
Total	100.0	100.0	100.0

A more satisfactory method is to examine household incomes after they have been adjusted to take account of the number of adults in the household. Income per adult equivalent is calculated by applying with different weights to first and subsequent adults and for each child. This enables us to take account of differences in household size and structure and allows us to compare the income of, for example, a

single adult household with that of a household containing a family unit with, for example, two adults and two children. Table 3 gives the distribution of adult equivalent incomes and shows that when account is taken of household structure that nearly 13 per cent have an “adult equivalent” net household income of under €1,200 per month. In the Dublin region over 52 per cent have an “adult equivalent” net household income of over €4,999 per month.

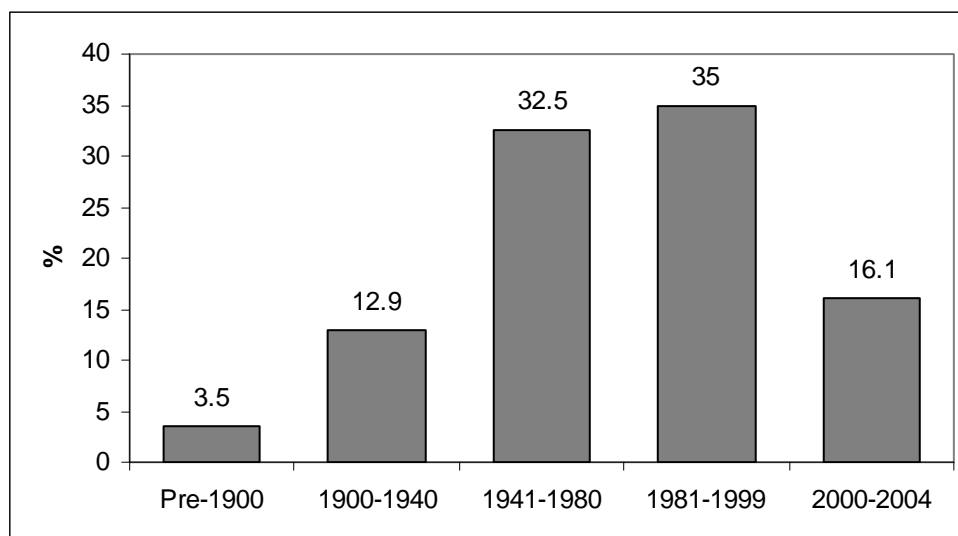
Table 3: Distribution of “Adult Equivalent” Net Household Income of *permanent tsb* First-Time Buyers

Net “adult equivalent” Income Per Month, Euro	Outside Dublin	Dublin City & County	Total
Under 1,200	12.9	11.6	12.6
1,200-1,599	7.1	3.4	6.3
1,600-1,999	8.6	4.8	7.8
2,000-2,999	18.9	12.2	17.6
3,000-3,599	8.3	4.8	7.6
3,600-4,999	13.9	10.9	13.3
Over 4,999	30.3	52.4	34.8
Total	100.0	100.0	100.0

3. Type of Dwelling Bought by *permanent tsb* First-Time Buyers

The survey shows that to date first-time buyers have concentrated on the new house market with 58.4 per cent indicating that they had purchased a new property. The bulk of the survey was carried out prior to the change to stamp duty announced in Budget 2005 and so the revision to stamp duty rates for first-time buyers purchasing an existing property will not have had a significant impact on this survey. Figure 6 shows the year in which the property was built if the first-time buyers bought a second-hand home.

Figure 6: Year Accommodation Built if *permanent tsb* First-Time Buyer Purchased a Second-Hand dwelling



Between 2000 and 2004 a number of first-time buyers, 19.2 per cent, built their first home themselves. Of those that built their own house 59.7 per cent received the site for the house as a gift from a family member. However, it should be noted that the sample size is small for this result.

Figure 7 shows that the most frequently purchased house type by a first-time buyer is semi-detached, 39.9 per cent, with detached houses accounting for a further 36.1 per cent. Apartments accounted for a small percentage of overall purchases at just 5.4 per cent. The data allows us to examine a Dublin/non-Dublin split by type of house, shown in Figure 7. As might be expected the proportion of detached houses is much lower for first-time buyers purchasing a dwelling in Dublin City and County, while the proportion of terraced houses and apartments is higher. A small percentage, 5.7 per cent, of first-time buyers purchased their house from a family member.

Over 51 per cent of first-time buyers purchase a dwelling that has 3 bedrooms, while 35.3 per cent purchase a dwelling with 4 or more bedrooms. Analysis of the data indicates that the bulk of these are 4 bedroom houses. Furthermore, the majority of first-time buyers purchase a 3 bed semi-detached house.

Figure 7: Type of Accommodation Purchased by *permanent tsb* First-Time Buyers

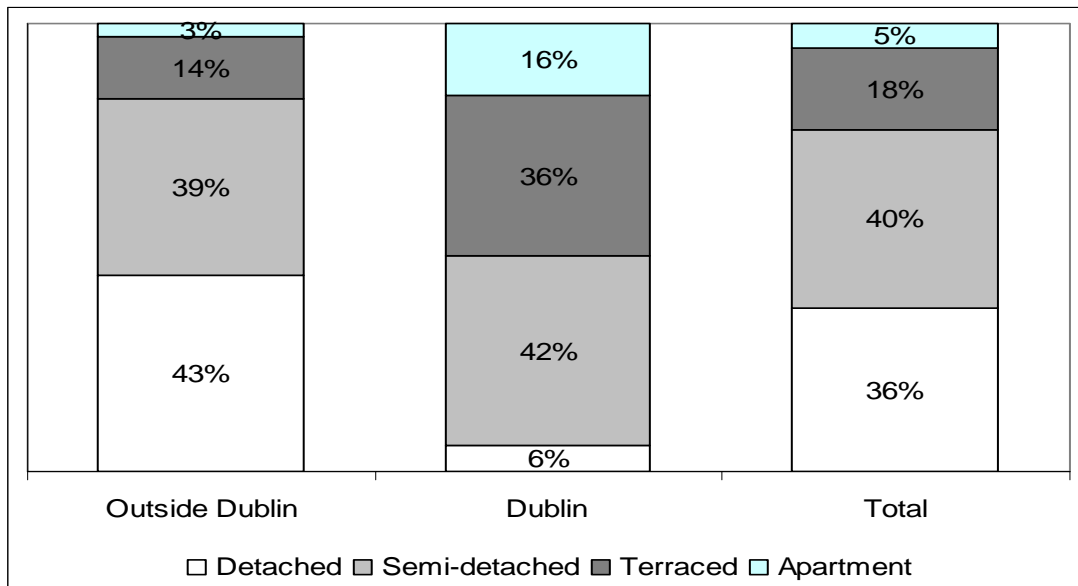
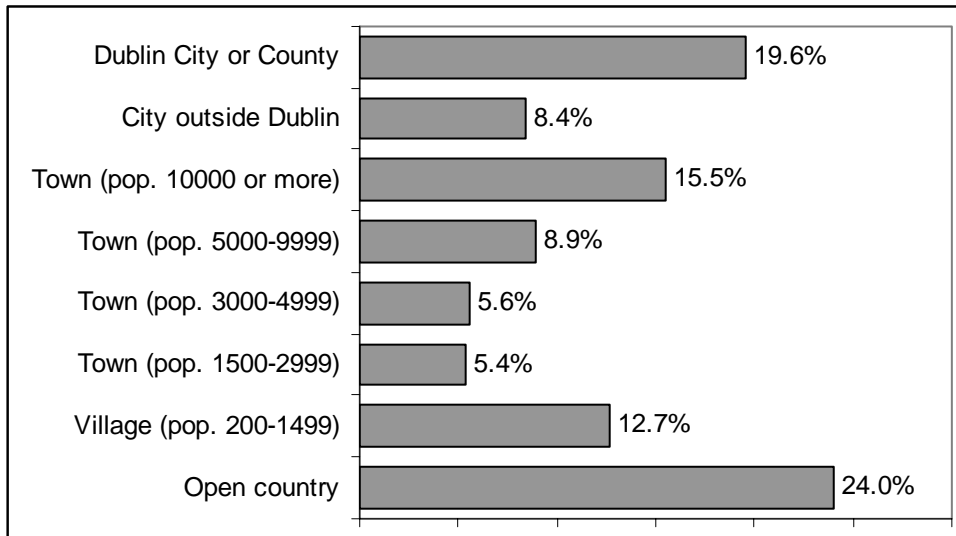


Figure 8 shows that 19.6 per cent of those surveyed are first-time buyers living in Dublin City or County. Nearly a quarter of first-time buyers buy or build a property that is located in the open countryside. The percentage responding that they had bought in Dublin is lower than the 25 per cent of first-time buyers reported by the CSO (2003)³ to have purchased a dwelling in the Dublin region. However, this may be explained by the fact that the CSO results are for first-time buyers since 1996. The rise in house prices between 1996 and 2001 may account for less first-time buyers purchasing property in Dublin City and County.

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³ *Quarterly National Household Survey (2003), Housing and Households module, Quarter 3.*

Figure 8: Location of Property Purchased by *permanent tsb* First-Time Buyers

4. *permanent tsb* First-Time Buyers and the Mortgage Market

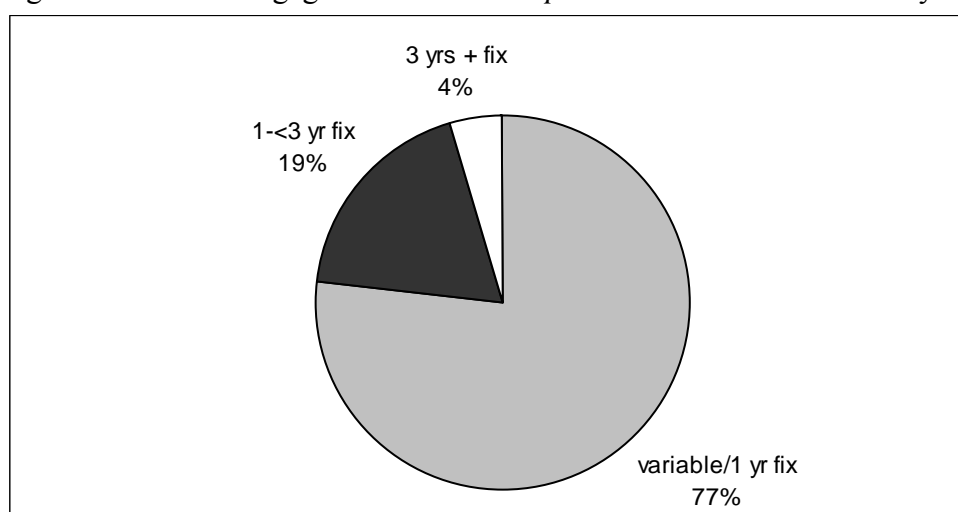
Responses to the survey indicate that first-time buyers are taking out longer term mortgages than the perceived typical mortgage of 20 years, with the average mortgage term being 27 years. Over 76 per cent of respondents have a mortgage longer than 20 years. Nearly 10 per cent of first-time buyers have a mortgage term of 30 years or longer. Analysis of first-time buyers in Dublin compared with the rest of the country indicates that the mortgage taken out by a first-time buyer buying a property in Dublin City and County tends to have a longer term (see Table 4). This is probably the result of higher house prices in Dublin impacting on affordability.

Table 4: Mortgage Term by Location of *permanent tsb* First-Time Buyers

Term	Outside Dublin	Dublin City & County	Total
5-10 years	1.9		1.6
11-15 yrs	1.8	2.0	1.8
16-20 yrs	11.3	7.4	10.6
21-25 yrs	40.4	28.4	38.0
26-30 yrs	35.5	49.3	38.2
30+ yrs	9.1	12.8	9.8
Total	100.0	100.0	100.0

Nearly three-quarters of first-time buyers decided for an initial fixed rate when they took out their mortgage. A substantial difference does not appear between single and joint mortgage households. Over the period covered by the survey (see Figure 1) the vast bulk of *permanent tsb* first-time buyers opted for a 1 year fixed rate or a variable rate. The 1 year fixed is generally a discounted rate used by mortgage lenders to attract new customers. Only 4 per cent opted for a fixed rate longer than 3 years, while 19 per cent choose a fixed rate of between 1 and 3 years. Data from the Central Bank and Financial Services Authority of Ireland for both first-time and repeat buyers shows that between 2002 and 2004 the average proportion of buyers choosing a variable or 1 year fixed rate mortgage was 77 per cent. The data also shows that 14 per cent of all buyers opted for a mortgage with an interest rate fixed for more than one year but less than three years, while 8 per cent choose an interest rate fixed for more than three years.⁴

Figure 9: Initial Mortgage Interest Rate of *permanent tsb* First-Time Buyers



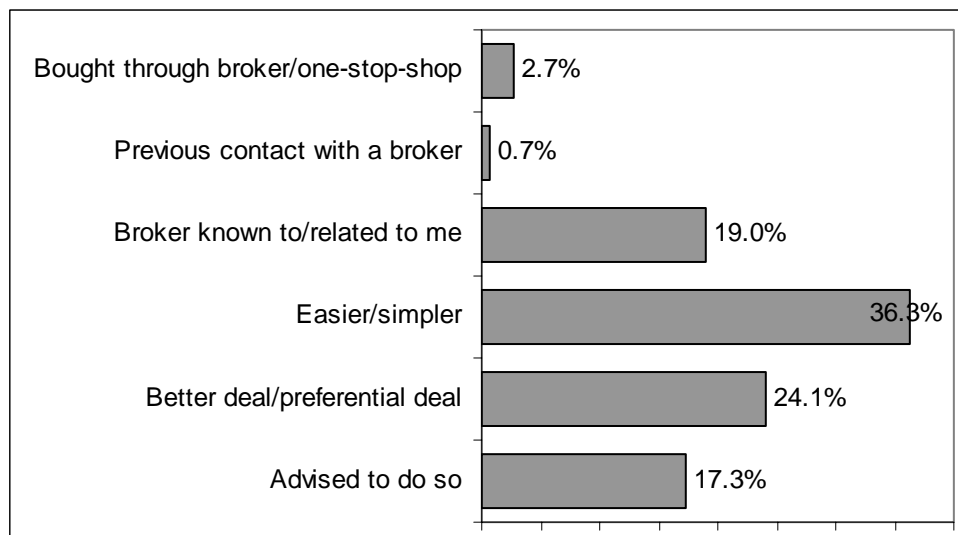
By their nature, first-time buyers are entering the homeownership sector of the housing market. For many this will be their first experience of searching for a house and obtaining a mortgage. Therefore, respondents were asked if they had used a mortgage broker or not. Nearly 60 per cent had availed of the services of a mortgage broker, with the reasons for using a mortgage broker given in Figure 10. This is similar to the UK where Miles (2004) found that “...the proportion of first-time buyers using intermediaries is consistently higher than for other categories of

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⁴ Central Bank and Financial Services Authority of Ireland, *Quarterly Bulletin*, Various Issues.

borrowers and is currently close to 60 per cent.” The two main reasons given by *permanent tsb* first-time buyers are that use of a mortgage broker made the mortgage process easier and that the respondent secured a better mortgage deal by using a broker.

Figure 10: Reason for Using a Mortgage Broker



Only 25 per cent of first-time buyers had “shopped around” for their mortgage. Of these 38.9 per cent got mortgage approval from one other financial institution and 35 per cent got approval from two other financial institutions.

5. *permanent tsb* First-Time Buyers and the Funding of House Purchase

Table 5 shows the distribution of house prices for properties purchased by first-time buyers over the period 2000 to 2004. Nearly 32 per cent of first-time buyers purchased a property priced between €150,000 and €200,000 over that time period. Indeed, 75 per cent of first-time buyers purchased a dwelling priced between €100,000 and €250,000 at time of purchase. Average prices based on the sample show that first-time buyers in Dublin City and County paid around €235,000 for their house whereas first-time buyers outside Dublin paid an average of €163,400 in the period 2000 to 2004. This is confirmed by the distribution of prices show in Table 5, which shows that the prices paid by first-time buyers in Dublin are generally higher.

Table 5: House Price Distribution for *permanent tsb* First-Time Buyers

Euro	Outside Dublin	Dublin City & County	Total
Under 100,000	11.7	3.4	9.8
100,001 - 150,000	28.0	4.1	22.4
150,001 - 200,000	37.7	13.7	32.1
200,001 - 250,000	14.4	40.4	20.5
250,001 - 300,000	4.0	25.3	9.0
300,001 - 400,000	1.3	7.5	2.7
Over 400,000	2.9	5.5	3.5
Total	100.0	100.0	100.0

In Table 6 the house price distribution is also shown for those who buy the dwelling by themselves and those who have a joint mortgage. While it is unsurprising that houses bought by only one borrower tend to be cheaper it is interesting to note that even with more than one borrower the majority, 82.8 per cent, of houses are priced below €250,000 (compared to 88.3 per cent for one borrower only) between 2000 and 2004. The average price of a house bought by first-time buyers purchasing the house on their own is €163,600. If the house is being purchased with others the average price is €188,900.

Table 6: House Price Distribution for *permanent tsb* First Time Buyers, by Number of Borrowers

Euro	One Borrower Only	More than One Borrower	Total
Under 100,000	13.1	8.0	9.8
100,001 - 150,000	28.8	19.0	22.5
150,001 - 200,000	32.4	31.9	32.1
200,001 - 250,000	14.0	23.9	20.4
250,001 - 300,000	5.9	10.7	9.0
300,001 - 400,000	1.8	3.2	2.7
Over 400,000	4.1	3.2	3.5
Total	100.0	100.0	100.0

As is evident from Table 7 and Table 8, a similar profile emerges for loan size. The most common loan size over the three year period is €100,000 to €150,000 in size, accounting for over 34 per cent of first-time buyers.

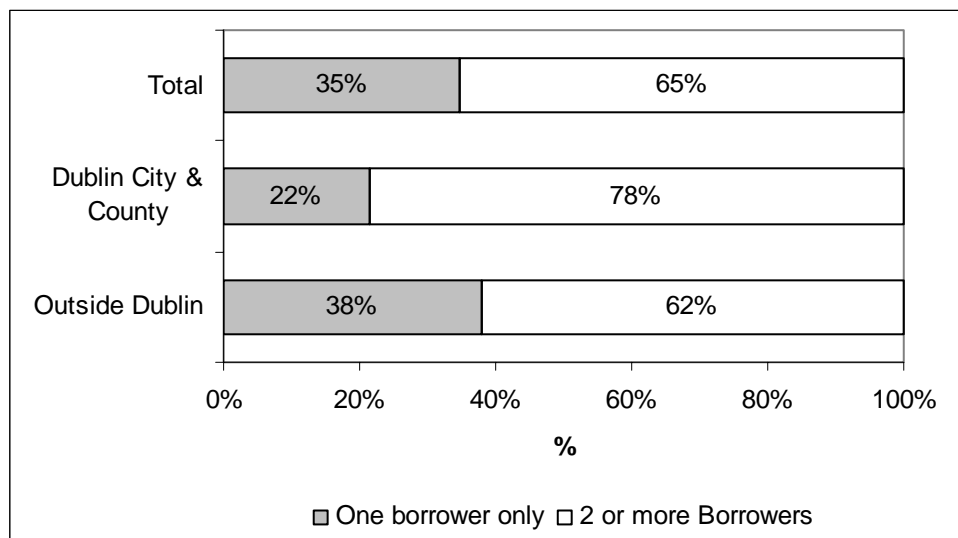
Table 7: Loan Size Distribution for *permanent tsb* First-Time Buyers

Euro	Outside Dublin	Dublin City & County	Total
Under 100,000	17.8	5.3	15.4
100,001 - 150,000	40.5	8.7	34.3
150,001 - 200,000	28.6	30.7	29.0
200,001 - 250,000	6.3	41.3	13.1
250,001 - 300,000	1.3	7.3	2.5
300,001 - 400,000	0.6	1.3	0.8
Over 400,000	4.8	5.3	4.9
Total	100.0	100.0	100.0

Table 8: Loan Size Distribution for *permanent tsb* First-Time Buyers, by Number of Borrowers

Euro	One Borrower Only	More than One Borrower	Total
Under 100,000	21.7	12.2	15.5
100,001 - 150,000	43.1	29.7	34.3
150,001 - 200,000	24.3	31.5	29.0
200,001 - 250,000	6.0	16.7	13.0
250,001 - 300,000	1.5	3.0	2.5
300,001 - 400,000	0.4	1.0	0.8
Over 400,000	3.0	6.0	4.9
Total	100.0	100.0	100.0

One of the main questions surrounding the house price boom is how first-time buyers have continued to succeed in becoming home owners. Respondents were asked ‘if they took out a mortgage on their own or not’. Over 65 per cent of first-time buyers took out a joint mortgage. Of those that took out a joint mortgage nearly 97 per cent was with their spouse or partner. Only 2 per cent took out a joint mortgage with their parents or siblings. First-time buyers purchasing a property in Dublin City and County are more likely to have a joint mortgage (see Figure 11).

Figure 11: Percentage of *permanent tsb* Borrowers by Number of Borrowers

There has been much speculation as to the role of parents in sustaining first-time buyer demand for housing during the current house price boom. One possible explanation for the continued presence of first-time buyers in the market is that they have received assistance from their parents. According to the Central Bank of Ireland (2002) in an analysis of equity withdrawal “In the Irish case, however, there is anecdotal evidence of parents making significant contributions to their children for house purchase.”

This survey specifically asked first-time buyers about this issue. The results are presented in Table 9. It is interesting to note that a substantial proportion of first-time buyers, just under 73 per cent, do not avail of any other source of funding, apart from their mortgage, when purchasing a home. Furthermore, the results would also suggest that parental gifts are not as prevalent in the first-time buyer market as had been thought, with only 16.7 per cent indicating that they had received a gift from their parents. The average value of this was €15,000. A Dublin/non-Dublin split indicates that a higher proportion of first-time buyers receive assistance from their parents when located in Dublin, probably reflecting higher Dublin house prices. Furthermore, despite worries that first-time buyers were borrowing from a number of lending institutions this would appear to be the case for only a small proportion.

Table 9: Alternative Sources of Funding for *permanent tsb* First-Time Buyers

Source of Additional Funds	Outside Dublin	Dublin City & County	Total
Other Lending Institution	3.4	8.1	4.3
Parental Gift	15.0	23.5	16.7
No other funding	75.0	63.1	72.7
Gift from other Relative	1.5	2.7	1.7
Loan from Parents	1.8	1.3	1.7
Other	3.4	1.3	3.0
Total	100	100	100

One possible explanation for the high proportion of first-time buyers who do not avail of sources of funding other than their mortgage is provided by the responses to questions about saving for a house purchase. A high proportion, 80.3 per cent, of first-time buyers have invested savings in the purchase of their dwelling, with an average savings amount of €23,000. This is in line with the fact that the typical mortgage is only 92 per cent of the house price and the *permanent tsb House Price Index* mix-adjusted price of €214,900 for first-time buyers in 2004.

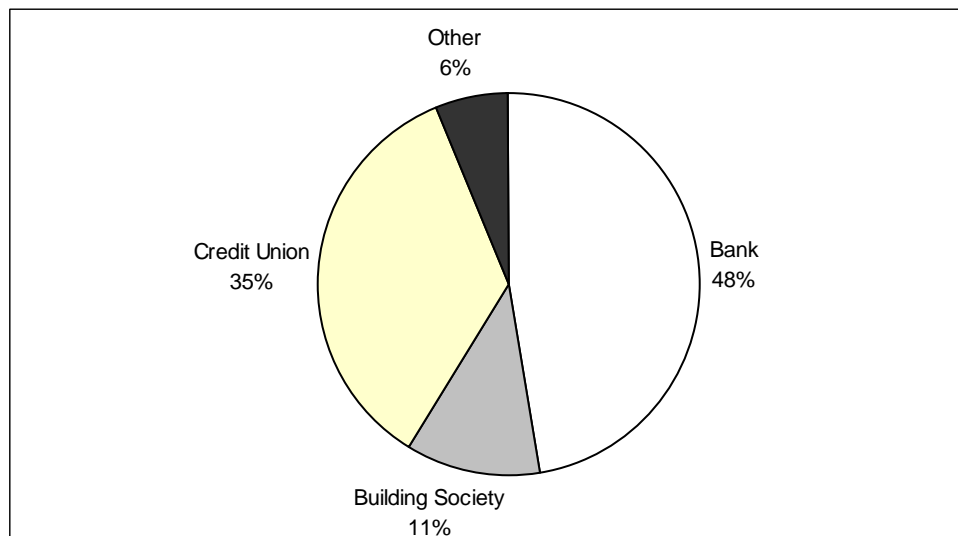
Most first-time buyers have actively saved to put a deposit on a house before purchase for over 2 years, with 34.3 per cent saving for over 5 years. The average saving time prior to purchase is 4.5 years for a single borrower and 3.5 years for those purchasing jointly. Table 10 shows the distribution of *permanent tsb* first-time buyers by time spent saving a deposit for the total sample. The table indicates that 41.8 per cent of those with a joint mortgage who saved a deposit saved for between 2-5 years. In contrast, 48 per cent of first-time buyers taking a mortgage out on their own saved for over 5 years.

Table 10: Time Spent Saving a Housing Deposit, by Number of Borrowers

Time Spent Saving	One Borrower Only	More than One Borrower	Total
Not at all	3.5	2.8	3.0
Less than 1 yr	7.4	4.6	5.5
1-less than 2 yrs	12.4	23.5	19.8
2-less than 5 yrs	28.7	41.8	37.4
5 yrs or more	48.0	27.3	34.3
Total	100.0	100.0	100.0

Respondents were asked where did they save prior to purchasing a home. The responses are given in Figure 12. The most popular place to save was in a bank with 47.4 per cent. This is followed by credit unions at 35.4 per cent.

Figure 12: Where did Saving by *permanent tsb* First-Time Buyers Take Place?



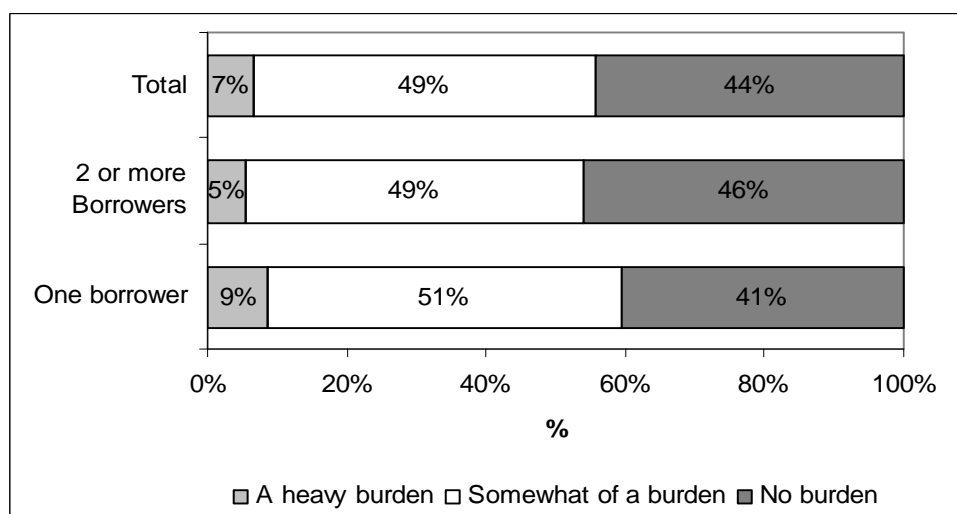
Note: As respondents indicated that savings took place in a number of different institutions the results are given as a percentage of responses and not as a percentage of cases.

Given the rise in house prices first-time buyers were asked if their mortgage repayments represented a burden. Nearly half, 49.3 per cent, indicated that their mortgage repayments represented “somewhat of a burden”, over 44 per cent indicated that their mortgage repayments “did not represent a burden at all” while 6.5 per cent responded that their mortgage repayments were “a heavy burden”. Of those purchasing in Dublin City and County nearly 55 per cent found their mortgage repayments to be “somewhat of a burden”, compared with 48 per cent of those purchasing outside the greater Dublin area, Table 11. While the percentage finding the mortgage repayments only somewhat of a burden is similar for those with a mortgage on their own or with others this is probably a reflection of the higher average house price for those with a joint mortgage. Figure 13 also shows that for those with a joint mortgage just over 46 per cent responded that their mortgage repayments were not a burden, compared with 40.5 per cent for those with a mortgage on their own.

Table 11: Burden of Mortgage Payments by Location

	Outside Dublin	Dublin City & County	Total
A heavy burden	6.5	6.7	6.5
Somewhat of a burden	48.0	54.7	49.3
No burden at all	45.5	38.7	44.2
Total	100.0	100.0	100.0

Figure 13: Burden of Mortgage Payments by Number of Borrowers



These results compare to CSO results (2003) on housing and households, where 24.2 per cent of those who purchased since 1996 found their mortgage repayments easy to manage and 64.3 per cent found their repayments manageable. A further 9.9 per cent found their mortgage repayments difficult to manage and 1.5 per cent indicated that mortgage repayments were very difficult to manage.⁵ Table 12 shows the burden of mortgage repayments by broad income quartile based on adult equivalent income. The proportion reporting that their mortgage repayments represent a heavy burden is higher in the bottom income quartile.

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⁵ The results are based on CSO figures excluding those who do not state their perceived affordability.

Table 12: Burden of Mortgage Repayments by Broad Income Quartile

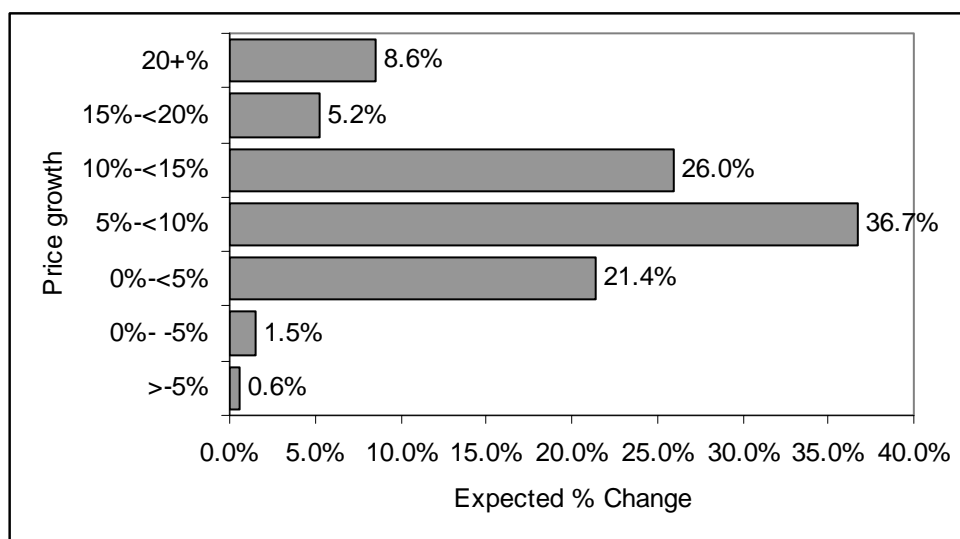
	Broad Income Quartile				Total
	Income Quartile 0-25%	Income Quartile 25-50%	Income Quartile 50-75%	Income Quartile 75-100%	
A heavy burden	9.2	6.4	5.6	1.7	5.8
Somewhat of a burden	52.7	46.8	51.4	45.3	49.2
no burden at all	38	46.8	43	52.9	45.1
Total	100	100	100	100	100

6. *permanent tsb* First-Time Buyers View of the Housing Market

The survey finds that only 8.2 per cent of first-time buyers are considering a house move. Over 52 per cent of first-time buyers consider that house prices have increased a lot over the past 12 months with a further 41.7 per cent responding that house prices have increased a little. The respondents average estimated rate of increase was 12.4 per cent, with the most frequent estimate being an increase in house prices of 10 per cent over the last 12 months. First-time buyers located in Dublin estimate that house prices increased by 12.6 per cent over the past 12 months while first-time buyers located outside Dublin estimated that house prices increased by 11.2 per cent. The *permanent tsb* House Price index shows an average rate of increase in 2004 of 11.6 per cent.

With regard to the anticipated rate of house price increase over the next 12 months first-time buyers would seem to think that the moderation in house price growth will continue, with only 19.4 per cent forecasting that house prices will rise a lot and 58.7 per cent responding that house prices will rise only a little. A further 19.8 per cent anticipate that house prices will remain unchanged over the next 12 months. A small percentage of first-time buyers, 2.1 per cent expect house prices to decline a little. Despite this, the most frequent forecast for house price change, 24.6 per cent of respondents, remains 10 per cent. However, 22 per cent forecast that the price rise will be just 5 per cent. The average rate of increase forecast for the next 12 months by first-time buyers located in Dublin is 8.3 per cent while first-time buyers located outside Dublin estimated that house prices will increase by 7.9 per cent. These forecasts suggest that first-time buyers expect house price growth to moderate in the short term.

Figure 14: *permanent tsb* First-Time Buyers Price Expectations



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Permanent tsb, House Price Index, various issues.

Appendix I Survey Methodology

The data presented in this report were collected in a dedicated single purpose survey undertaken by the ESRI on behalf of *permanent tsb*. The questionnaire was developed in consultation with *permanent tsb*. The initial piloting of the survey was carried out in November 2004 on a sample of 214 customer accounts. The pilot survey was implemented on a split-sample approach in order to compare the feasibility of a postal and telephone approach. Response rates on the postal survey were extremely low but the response attained in the telephone survey was 74 per cent (see Table A1). Based on the results of the pilot it was decided to use a telephone only method of data collection in the main survey. Response rates on the postal survey were so low that intense follow-up in terms of additional mail shots and/or telephone follow-up would have been required to secure a response rate comparable to that attained in the telephone interview.

The experience of the pilot telephone interviews showed that the questionnaire was well received, and was clear and easily comprehensible to respondents. In light of the pilot experience only a number of small changes were made to the questionnaire used for the main survey. The main fieldwork began in late November 2004 and continued through to the beginning of February 2005. All surveys were conducted over the telephone by interviewers from the ESRI's national panel.

Sample selection was based on a simple random sample of the population of *permanent tsb* first-time buyer mortgages. The file provided by *permanent tsb* to the ESRI contained details of customers rather than *accounts*. We found that the 18,917 customers cases collapsed down to 11,262 mortgage accounts. For the purpose of sample selection the mortgage account was used. This means that each single borrower or multiple borrower account had an equal probability of selection. Had the customer-based file been used in the first instance the final completed sample would have been disproportionately over-represented by joint or triple accounts. This type of systematic bias in sample selection would have had a serious and adverse impact on the representativeness of the final results.

In operational terms the interviewer was provided with the names of the borrower and the names of each borrower for joint or multiple accounts. The ESRI Head Office randomly assigned one party as the target respondent. If that target respondent was not available or non-contactable the other member(s) of the mortgage

account were contacted. If the first person in a multiple account refused to participate in the survey, no attempt was made to contact the other person(s). An appointment/call back system was used in order to facilitate the respondent as much as possible. Most calls were made in the evenings and at weekends.

There were some problems with tracing some respondents. By the nature of the population (first time buyers) the contact details were often from temporary, rented accommodation or the respondent's family home. In many of these cases the respondent's parent gave up-to-date contact information for the respondent. In some cases only mobile telephone numbers were available for the respondent and many interviews were conducted over a mobile telephone line. Inevitably, many mobile numbers had changed or appeared to be no longer in service when contacted by the interviewer.

A total of 772 usable questionnaires were completed, representing a response rate of 65% per cent (see Table A1 below).

Table A1: Response Rates

Outcome	Telephone Pilot		MAIN		Total	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Completed	40	51	732	64	772	63
Completed but unusable ⁶	18	23			18	2
Refusals	7	9	105	9	112	9
Unavailable	12	16	199	18	211	17
Other	1	1	106	9	107	9
<i>Total</i>	<i>78</i>	<i>100%</i>	<i>1142</i>	<i>100</i>	<i>1220</i>	<i>100</i>
Incorrect phone no.	20		325		345	

Questionnaires were completed on a pencil and paper basis and were entered using the BLAISE data entry programme, which incorporates internal logic and consistency checks. The data were analysed in SPSS.

The questionnaire

The four paged questionnaire covered a number of areas: details on the loan itself (term, fixed or variable interest rate, joint or individual etc); information on the

1. _____

⁶ Note these refer to questionnaires completed in the pilot in respect of self-build accommodation, which were unusable in the main survey because they did not include the additional questions on self-build accommodation.

property (self-build, new or second hand, purchase price, number of bedrooms etc); the financing of the loan (savings, additional funding etc); the respondent's situation before purchasing (living in Ireland or abroad, renting etc); the respondent's situation after purchasing (renting out room(s), considering moving, financial burden of loan etc); and finally background demographic information about the respondent (age, marital status, education, household income etc). A copy of the questionnaire is supplied in Appendix II.

Re-weighting the data

In line with best practice in all sample surveys the data were statistically adjusted or re-weighted prior to analysis. The purpose of this adjustment is to ensure that the completed sample of questionnaires adequately reflects the totality of the population from which they were initially selected. In adjusting the data one ensures that the structure of the completed sample compares with the structure of the population along key dimensions which would impact on the substantive issues under consideration. In the present study the 772 accounts were adjusted according to: region; the size of the loan; the number of people involved in the loan; and the age of the parties involved in the loan. A standard ratio re-weighting approach was used. This ensures that the final sample of 772 questionnaires represented the 11,262 accounts in the population of first-time buyers.

In adjusting the data in the case of multiple customer accounts the first three characteristics were related to the characteristics of the *account*. The region, size of the loan and the number of people involved in the loan are the same regardless of which party was interviewed. However, age is clearly a respondent specific characteristic. From the population file provided by *permanent tsb* to the ESRI we found that a total of 71 per cent of joint customer accounts had customers aged within 5 years of each other. An average age was calculated for each of the parties to the account and it was this average age that was used in re-weighting the data.

Appendix II Survey Questionnaire



STRICTLY CONFIDENTIAL

The Economic and Social Research Institute

**4 Burlington Road
Tel (353-1)-6671525; Fax (353-1)-6686231 Dublin 4**

SURVEY OF FIRST TIME BUYERS
Carried out on behalf of
PERMANENT TSB

ID: Date: ___/___/___ Int. Number: Int. Name: _____

Good morning/ afternoon, I am _____ from The Economic & Social Research Institute and have been commissioned by Permanent TSB to carry out a survey of first time buyers who have taken out a loan with them over the last few years. I can assure you of complete confidentiality of all the information given. Permanent TSB will not receive any information on individual respondents. They will receive only a generalised report on trends in terms of percentages etc.

I can give you a daytime phone number for both the ESRI and Permanent TSB which could be used to confirm that this call is valid. Do you want those numbers?

Q1. In what month and year did you take out your loan? _____ (mth) _____ (yr)

Q2. Over how many years in total does your loan run – what is the term of the loan? _____ years

Q3. Was the initial interest rate variable or fixed on your mortgage when you took out the loan?

Variable rate ₁

Fixed rate ₂

Q4. For how many years was it fixed? 1 yr .. ₁ 1 - < 3 yrs..... ₂ 3 yrs or more ₃

Q5a. Were you a first time buyer when you took out this loan? ... Yes ₁ No ₂

Q5b. Did you own a previous house? Yes ₁ No ₂

Q5c. Were you restructuring a previous loan? Yes ₁ No ₂

Q6a. Did you get your Permanent TSB mortgage through a Mortgage Broker?

Yes ₁

No ₂

Q6b. Why did you go through a Mortgage Broker?

Q7. When you were purchasing the accommodation did you get loan approval from any other financial institution other than Permanent TSB?

Yes ₁ No ₂

Q8. From how many other financial institutions did you get loan approval in respect of the accommodation ?

_____ no. of other financial institutions from whom loan approval was secured

Q9. Given that you got loan approval from other financial institutions, why did you choose Permanent TSB?

Q10. Did you take out the loan yourself in your own name only or was anyone else involved in it with you?

Respondent himself/herself only ₁ With other(s)..... ₂

Q11. Are the following involved with you in your loan for the purchase of the accommodation?

	<u>Yes</u> →	<u>(How many)</u>	<u>No</u>	<u>Not Applicable</u>
Spouse/Partner.....	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
Parent/Parent-in-law.....	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
Brother(s)/Sister(s).....	<input type="checkbox"/> ₁ →	How many? _____	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
Other Relative(s).....	<input type="checkbox"/> ₁ →	How many? _____	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
Non-relatives	<input type="checkbox"/> ₁ →	How many? _____	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃

Q12a. Did you purchase a new property or a second hand property?

New property..... ₁ Second hand..... ₂ **Go to Q12f**

Q12b. Did you build the house yourself? Yes... ₁ No... ₂ → **Go to Q13a**

Q12c. What was the cost of building the house when you built it? € _____

Q12d. Does that include the cost of the site? .. Yes..... ₁ No... ₂

Q12e. What was the cost of the site? € _____

Q12e. Was the site a gift from a family member Yes..... ₁ No..... ₂ → **Go to Q14**

Q12f. In what year was the accommodation built? Was it.....

Pre-1900	1900-1940	1941-1980	1981-2000	2000-2004
<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃	<input type="checkbox"/> ₄	<input type="checkbox"/> ₅

GO TO Q13a

Q13a. What was the purchase price of the house? € _____

Q13b. Were stamp duty and/or professional fees included in this figure? Yes ₁..... No ₂

Q13c. Did you purchase the house from a family member? Yes ₁ No ₂

Q14. Can I just confirm, were these figures in IR£ or Euro? IR£ ₁ Euro..... ₂

Q15. What was the size of the loan from Permanent TSB? € _____

Q16. Did you (or any of the other purchasers) invest any of your/their savings in the purchase of the accommodation?
 Yes ₁ No ₂ → **Go to Q20**

Q17. Approximately how much? € _____

Q18. How long had you or the other purchasers been actively saving to put a deposit on the accommodation before purchase?

Not at all ... ₁ Less than 1 yr .. ₂ 1 – less than 2 yrs... ₃ 2 – less than 5 yrs... ₄ 5 yrs or more... ₅

Q19. Where were you (or the other purchasers) saving?

- Bank ₁ Which one? _____
- Building Society ₂ Which one? _____
- Credit Union..... ₃
- An Post..... ₄
- Other (specify) ₅

Q20. Did you receive from any other source any additional funding specifically to cover the purchase of the accommodation or stamp duty or the transactions cost. This might have been in the form of an additional loan from another bank or financial institution, building society, credit union etc.; a personal loan or gift from a parent, other relative, friend etc. So, when you purchased the accommodation did you receive any funding specifically for the purchase, including stamp duty or professional fees from:

Yes → (How much) No

Another lending institution, bank, credit union,

- Building society ₁ → How much? € _____ ₂
- Gift from parents/parents-in-law ₁ → How much? € _____ ₂
- Gift from other relatives ₁ → How much? € _____ ₂
- Gift from non-relatives ₁ → How much? € _____ ₂
- Loan from parents/parents-in-law ₁ → How much? € _____ ₂
- Loan from other relatives..... ₁ → How much? € _____ ₂
- Loan from non-relatives ₁ → How much? € _____ ₂
- Other (specify) _____ ₁ → How much? € _____ ₂

Q21. Would you say that you are, at the moment, considering moving house?

Yes ₁ No ₂

Q22a. How do you think house prices changed in Ireland over the LAST 12 months?

- Increased a lot..... ₁ _____
 - Increased a little..... ₂ _____
 - Remained unchanged ₃ _____
 - Declined a little..... ₄ _____
 - Declined a lot ₅ _____
- **Q22b. By what percentage?** _____%

Q23a. How do you think house prices will change in Ireland over the NEXT 12 months?

Increase a lot	<input type="checkbox"/>	1	} → Q23b. By what percentage? _____%
Increase a little.....	<input type="checkbox"/>	2	
Remain unchanged.....	<input type="checkbox"/>	3	
Decline a little	<input type="checkbox"/>	4	
Decline a lot	<input type="checkbox"/>	5	

Q24. Immediately, before purchasing your accommodation did you live in the Republic of Ireland or elsewhere (including Northern Ireland)?

Ireland..... 1 Elsewhere, incl Northern Ireland..... 2

Q25. Before purchasing your accommodation did you live in rented accommodation; in the family home or with friends?

Rented..... 1 Family home 2 With friends..... 3

Q26a. Since purchasing the accommodation, have you ever rent out any room or rooms in the accommodation to help pay the mortgage?

Yes 1 No 2

Q26b. Thinking back over the time since you bought the accommodation for about how long (how many months) in total did you rent out any room or rooms?

_____ months

Q27. Where did you purchase your household insurance?

From Permanent TSB..... 1 Directly from an insurance company 2
From a Mortgage Broker..... 3 Other (specify)..... 4

Q28. How would you describe the accommodation you purchased?

Detached ... 1 Semi-detached 2 Terraced (incl end of tce).... 3 Apartment..... 4 Other..... 5

Q29. How many bedrooms and living rooms does your accommodation have?

Bedrooms _____ Living Rooms _____

Q30. Please think of your current monthly repayments on the purchase of the accommodation. To what extent are these repayments a financial burden to you? Are they....

A heavy burden..... 1 Somewhat of a burden..... 2 No burden at all 3

Q31. Finally, a few questions about yourself. Could I ask what age you were on your last birthday?

_____ years old

Q32. Could you tell me your present marital status? Are you:

Married/Living with partner..... 1 Separated 2 Divorced 3 Never married..... 4

Q33. How many persons (including yourself) aged 18 years and over live in your household?

_____ persons aged 18 years and over

Q34. And how many persons aged less than 18 years live in your household?

_____ persons aged less than 18 years

Q35. Which of the following best describes the highest level of education you have completed yourself?

- Primary..... 1
- Group, Junior Certificate 2
- Leaving/Matric or equivalent..... 3
- Certificate or Diploma from a college or Institute of Technology (not a degree) 4
- Degree or higher at university, Institute of Technology or equivalent 5

Q36. Could I ask you the size of location in which your household is situated? Would you say it is:

- Open country 1
- Village (200-1,499)..... 2
- Town (1,500-2,999) 3
- Town (3,000-4,999) 4
- Town (5,000-9,999) 5
- Town (10,000 or more)..... 6
- Cities outside Dublin (Cork, Waterford, Limerick, Galway)..... 7
- Dublin City or county..... 8

Q37. Could I ask about the approximate level of net household income? This means the total income, after tax, PRSI and other statutory deductions, of *all* members of the household. It includes all types of income: income from employment, social welfare payments, rents, interest, pensions etc. We would just like to know into which one of seven broad groups the total income of your household falls – the income from all members of the household and from all sources. I'd like to assure you once again that all information you give me is entirely confidential. I can read the categories as an amount per week, per month or per year. Which would you prefer? [Int: Tick one box as appropriate]

<i>Amount per week</i>	<i>Amount per month</i>	<i>Amount per year</i>	
under €300	under €1200	under €15500	<input type="checkbox"/> 1
€300 - €399	€1200 - €1599	€15500 - €19999	<input type="checkbox"/> 2
€400 - €499	€1600 - €1999	€20000 - €25999	<input type="checkbox"/> 3
€500 - €749	€2000 - €2999	€26000 - €38999	<input type="checkbox"/> 4
€750 - €899	€3000 - €3599	€39000 - €46999	<input type="checkbox"/> 5
€900 - €1249	€3600 - €4999	€47000 - €64999	<input type="checkbox"/> 6
over €1249	over €4999	over €64999	<input type="checkbox"/> 7

I WOULD LIKE TO THANK YOU FOR YOUR TIME IN ANSWERING THIS QUESTIONNAIRE.