

Friday 9th June 2017

EMBARGO: 6pm Friday

DON'T BLAME HELP-TO-BUY FOR HOUSE PRICE INFLATION IPAV WARNS AHEAD OF NATIONAL CONFERENCE

Blaming the Help-to-Buy scheme for the continuing increase in house prices is about as relevant as attributing the UK's decision to leave the EU to Ireland, IPAV, the Institute of Professional Auctioneers & Valuers said today (Friday) ahead of its AGM and annual conference in Wicklow on Saturday.

Pat Davitt, Chief Executive of the organisation which represents 1,100 auctioneers, said all the conditions are present in the market for continuing house price rises in the foreseeable future, leaving the Help-to-Buy (HTB) scheme out of the equation.

"The biggest generator of price inflation is the lack of supply in a market with exceptionally strong demand, exacerbated by contracting supply," he said.

And he said if the Government is tempted to withdraw the HTB scheme it would hurt first-time buyers very severely. "These are the very people who lost out on being able to buy when prices hit the floor and were in the early stages of recovery. The Central Bank lending restrictions were too onerous and far too early. These families may not realise for several years hence the extent of lost value. Experienced buyers and vultures funds got the best values, sadly," he said.

Mr Davitt said IPAV is making a strong case to Government to retain the Help-to-Buy scheme, and to in fact extend it to non-FTBs and to second hand homes. In a submission to Indecon Consultants who are conducting a review of the scheme on behalf of the Department of Finance the institute says, among other things:

The HTB scheme should not be looked at in isolation to all other aspects of housing policy.

- Geographically it is difficult to see the correlation between price increases and the number of HTB applications
- The scheme is helping to satisfy some of the existing demand, not increasing it
- It has succeeded in increasing confidence among builders that there will be enough demand for their product in the marketplace

Alone the scheme is not capable of dealing with the supply shortage or the major impediments that still exist for builders and developers, such as levies, VAT, building regulations, and the cost and scarcity of finance, especially for SME builders.

The HTB scheme as current structured fails utterly to recognise the interconnected nature of the housing market, particularly the positive impact of extending the scheme in some format to non-FTBs and to include second hand homes. Such would have a very positive effect in terms of movement in the market – improving the supply of homes and creating much greater confidence among builders and developers.

Policy makers and regulators are failing in their duty to properly evaluate housing market dynamics and the significant part played by behavioural economics.

The level of uptake by FTBs in new schemes which qualify for the incentive has been strong in major centres like Dublin, Cork, Wicklow, Meath, Galway and Kildare where new houses can be built by builders at a profit.

IPAV warns in its submission of the risks associated with either withdrawal or tapering of the HTB scheme in the months ahead, saying:

“It would cause a considerable loss of confidence in the housing market, both sale and rental sectors, as it would lead to a contraction in construction again, a detrimental deterioration in supply and it would impact negatively and directly on the rental sector and again throw the prospects of developing a sustainable property market further into the future”

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Note to editors: IPAV is the only representative body in Ireland which solely caters for the professional and educational requirements of auctioneers and valuers practicing throughout Ireland. Established in 1971, it has over 1,100 members nationwide. For further information log onto www.ipav.ie .

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