



Institute of Professional
Auctioneers & Valuers

To The Minister for
Finance and The Minister for Public
Expenditure and Reform

*Working Towards an
Equitable & Sustainable
Property Market*

IPAV's Pre-Budget
Submission 2015



Pre-Budget Submission 2015 by the **Institute of Professional Auctioneers & Valuers (IPAV)** to:

The Minister for Finance and

The Minister for Public Expenditure and Reform

Working Towards An Equitable & Sustainable Property Market

Established in 1971, IPAV is the only representative body solely catering for the professional and educational requirements of close to 1,000 Auctioneers and Valuers practising throughout Ireland.

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1. The Context of the Housing Market:

- The escalation in house prices seen in the decade up to 2007 was dramatic but was not desirable. As house prices rise larger mortgages have to be taken out and this, in turn, fuels wage demands as mortgage holders seek to sustain the affordability of the mortgage. This has the effect of undermining the cost competitiveness of the economy; it undermines internal mobility and undermines internal migration into the country.
- Over the past 10 years property prices have seen very large highs and lows, some years showing massive increase and decrease swings. A properly functioning mortgage and housing market should not see such swings and it is an essential ingredient for a properly functioning economy and a stable society. It is essential that those who want to purchase a home and have the earning capacity to do so should have access to a functioning and competitive mortgage market in order to buy it. It is also essential that the housing market is functioning properly – meaning that there should be an adequate supply of suitable housing that would facilitate those who want to trade up to a bigger house and those who want to trade down to a smaller house. Such mobility is an essential part of a properly functioning labour market and economy. It is also important that there is an adequate supply of good quality rental properties for those who do not want to buy.
- The Irish property market is currently between cycles. It is exiting from the recession of the past six years and beginning to grow again. However, due to a large hangover of houses and unfinished estates, many of which are now controlled by NAMA, we are currently in what could best be described as an **“Imaginary Property Market”**. This is made up of a spike in the Dublin property market where property is scarce and by contrast, very low and below cost prices in the country where there is a surplus of property in many counties. A recent ESRI report showed that six counties would not need any new houses in the period to 2021 if all vacant properties were in locations that matched the projected population growth. Of course this is not the case. What is clear is that, in order for a proper functioning market to be restored, there must be a clear-out as quickly as possible of NAMA houses, either by sale, rent or demolition in some cases. Until the sale price of houses matches the cost of building we will continue to be in an **“Imaginary Property Market”**.

2. The Macro Picture:

- Most recent data releases are suggesting that the Property and Construction sector is starting to experience a modest improvement. We believe this price increase is not another bubble but a spike in the price of houses, caused mainly by the past low prices, foreign purchasers, the availability of cash and supply and demand.
- According to CSO data, which are based on houses that have sold and on which mortgages have been granted, national average property prices have increased by 13.2 per cent in the year to July 2014. Outside of Dublin property prices have increased by 4.9 per cent in the year to July 2014. On the other hand property prices in Dublin have increased by 23.2 per cent in the year to July 2014.
- In interpreting all of these price statistics it is important to recognise that the number of market transactions is still very low and, in such a thin and illiquid market, price movements can be exaggerated.
- Furthermore, the CSO house price index only captures housing transactions that have an associated mortgage transaction attaching. It is estimated that over 50 per cent of housing transactions over the past couple of years have been cash based, rather than mortgage based.
- Notwithstanding these caveats, it is clear that activity levels and prices are picking up. Prices are rising very strongly in the Dublin market. There is considerable pent-up demand after some years of stagnation and there is not enough supply to meet that demand.

3. The Micro Picture:

- Over the past years IPAV has carried out a number of property surveys throughout its national membership base. We find prices are increasing in the country as well as in the city of Dublin. Though these price increases in the country are not as dramatic, the most noticeable fact is that there is a lot of interest in property in the country as a whole. Even in the most remote areas there are customers and, while in these areas property prices may not have increased, the demand certainly has. It is only a matter of time until this supply dries up and then the sudden shortage of property will also affect these remote areas. Building has almost stopped countrywide, with the exception of one off housing and it is unlikely to start again until all the back stock is cleared and builders and the market can charge at least the price it costs to build. This will mean an immediate price increase for country properties to bring them to the building level per sq foot that encourages a builder to start building again. There are many property markets outside of the capital; even a small town like Mullingar may have a two tier system, with properties on the East side worth a lot more than the ones on the West side of the town. This is repeated throughout the country. In some areas of Dublin house prices have spiked up by as much as 40%.

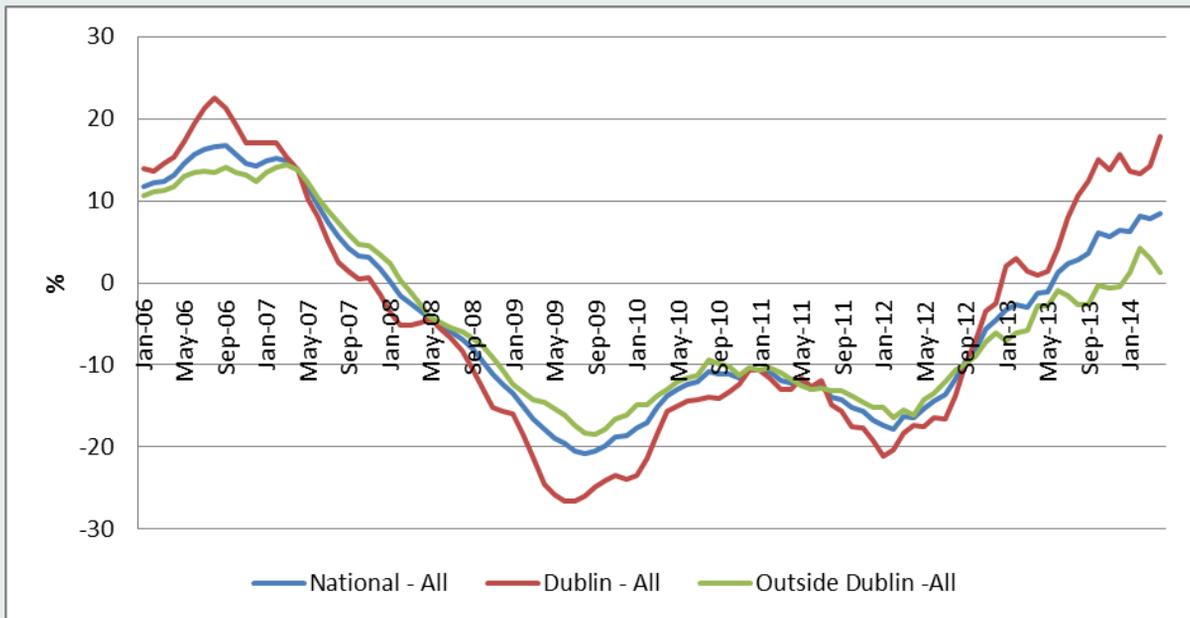
4. Rents:

- Rents are also picking up strongly. The latest rent index from the Private Residential Tenancies Board (PRTB), which is regarded as the most accurate and authoritative rent report on the private accommodation sector in Ireland, shows that, in the first quarter of 2014, national rents are 3.4 per cent higher than a year ago, with an increase of 8.6 per cent in Dublin.
- CSO data shows that private rent in July were 8.2 per cent higher than a year earlier and are now 20.2 per cent up from the bottom of the market in 2010.

5. House Price Growth (YoY):

- It is also clear that house building activity levels, especially in Dublin, are picking up. In the first Quarter: House Completions at 2,090 were 23.6 per cent higher than last year; new home registrations at 489 increased by 123.3 per cent and in January new home commencements at 904 were 164.3 per cent up on last year.
- The national policy imperative is to take measures to re-establish a functioning property market where there is an adequate supply of suitable affordable residential properties for both rental and owner-occupier demand.
- To achieve this it will be necessary to re-build a sector that has been decimated and stripped of a vital skills' base.
- In this context the 2012 publication of the Forfais report on Ireland's 'Construction Sector' and noting its 36 findings that are all sensible (but nothing has happened since its launch) and *Construction 2020*, both should be given a guarded welcome. The *Construction 2020* report contains 75 action points for the sector; some are quite vague and aspirational, others are short-term and very political in their slant but many of them make perfect sense if one really does believe that we should re-build the sector and that it can make a very strong contribution to growth in the future.
- Both publications focus on a number of key areas. However, it is essential that if demand is to be given a boost, there must be sufficient supply to meet that demand. If not any demand-side measures would just lead to undesirable house price inflation.
- The proposed measures seek to achieve a balance between demand and supply.

5. House Price Growth (YoY): cont.



Source: CSO

6: Transport:

- Due to the shortage of housing within the central area of Dublin, a key objective of Budget 2015 housing policy should be to encourage as many people as possible to live in the outer regions of the Greater Dublin Area (GDA). The GDA comprises Fingal, Dún Laoghaire, Counties Kildare, Meath and Wicklow, along with Dublin City itself. Between 2006 and 2011 the population of the GDA grew by 9 per cent, from 1.66 million to 1.8 million. By far the largest growth occurred in Fingal (14 per cent), Meath (13 per cent) and Kildare (13 per cent)* where, clearly many young couples and single people bought houses when they could not afford the property prices of the boom period in Dublin itself. Providing quick and efficient access to place of work and education for these people and to encourage others to follow suit should be a key Government objective.
- The level of cycling has increased by up to 40 per cent in many areas and this is due to the increased number of cycle lanes and the hugely successful Dublin bike scheme. However, for many people cycling is not possible for a variety of reasons and good public transport in and out of the city is critical in encouraging people to live in the outer regions of the GDA.
- IPAV supports many of the objectives of the National Transport Authority's *Integrated Implementation Plan 2013 – 2018*. The plan aims to improve services, including greater integration of all public transport modes through ticketing and fares, customer information, complementary services and improved accessibility.
- On buses, the plan proposes more investment in the fleet, with a continuous programme of vehicle replacement, better bus stops and shelters and more widespread real-time passenger information.
- On rail, the programme includes completion of a long-promised city centre re-signalling project, to relieve a “bottleneck” at Connolly Station and allow more commuter trains to run at peak periods.

6: Transport: cont.

- In particular IPAV urges, as a matter of priority, the re-opening of the disused Phoenix Park tunnel passenger rail services and the creation of a new station at Cabra. Completed in 1877, the rail connection between Heuston and Connolly crosses over the Liffey and passes under the Phoenix Park in a 692 metre long tunnel. It then continues northwards through Cabra and runs under the Royal Canal and around the north side of Glasnevin cemetery to Glasnevin junction where the Maynooth line joins it. The line then continues eastwards through Drumcondra Station and onwards to Connolly Station or towards North Wall via North Strand junction.

- **Opening this line to passenger services would allow daily commuters from the south west of Dublin and from counties Kildare, Laois and North Tipperary to travel directly to Cabra, Connolly Station, Tara St., Pearse St, and Dún Laoghaire each morning, with corresponding return trains in the evening. The estimated cost of necessary works in the tunnel is around €12 million, according to the NTA. This, in IPAV's view, is very good value for money when compared to the cost of extending the Luas network, for example.**

**2011 Census*

7. Broadband and Mobile Phone Service:

- Encouraging people to live outside the capital and in rural areas should be a key component to addressing the housing shortage in the capital. This Government and successive Governments have favoured the east coast and major urban centres for job creation and investment. Therefore, the provision of broadband is crucial for rural areas to create and maintain jobs.
- For the working population the availability of quality high-speed broadband service and mobile phone network is vital for job retention, job creation and social and economic development of the areas.
- High quality broadband and mobile phone networks, as opposed to the current weak and intermittent service is a vital area for job retention, especially in areas deemed to be non-commercial. These areas are generally small towns and villages and rural areas where job creation is all about small industries such as home industries or individuals working from home.
- The Government's statement of priorities for the period 2014 to 2016 reaffirmed its commitment to delivering State-led broadband intervention in rural areas. The Government's national broadband plan aims to change radically the broadband landscape in Ireland by ensuring high-speed broadband is available to all citizens and businesses. The Government has stated that this is being achieved through measures designed to accelerate commercial investment and the development of State-led intervention for non-commercial areas.

7. Broadband and mobile phone service: cont.

- However, the improvements in both the broadband service and mobile phone network are far too slow and piecemeal. Auctioneers in all parts of the country complain they are not sure of any mobile telephone reception when they leave their offices. They also complain even when they are in their office broadband is very poor, slow and hard to come by. A full co-ordinated approach to both utilities needs to be launched by the Government as a matter of urgency. Clearly, it seems in many cases, the connectivity challenges that exist, cannot and realistically are not been addressed by the commercial sector, therefore, must be addressed through State intervention immediately.

Government need to understand business is being lost through this so called mobile phone and broadband service which citizens are being asked to pay for outside of the East Coast.

- It is understood from comments made by the new Minister for Communications, Energy and Natural Resources, Alex White, that a comprehensive mapping exercise is under way in his Department to identify areas that require State intervention.

IPAV believes that it is vital that there should be every opportunity for citizens, public representatives and businesses to have an input into the process, in order that we get this right. The key element of an intervention strategy should be to ensure that all citizens and businesses can access high speed broadband and mobile phone services, regardless of location. Future coverage surveys of services should be area-based and not population-based as it is at the moment.

8. Rent-To-Buy Social Housing Scheme (RTBSHS):

- Social housing is regarded as a support for people who need housing but cannot afford to rent or buy their own homes. The two main providers of social housing in Ireland are the local authorities who are by far the largest provider and the voluntary and co-operative housing sector who have a much smaller housing stock.
- Local authorities decide who to allocate housing to on the basis of an analysis of a household's need which is conducted by the local authority itself. If a household is assessed as in need of housing and eligible for support from the local authority they are placed on the local authority's housing waiting list. While awaiting a house from the local authority, households may be able to avail of a rent supplement from the Department of Social Protection to live in private rented accommodation.
- When a local authority allocates a property to somebody on the waiting list that person will pay a proportion of his/her income to the local authority. It is called a differential rent. Local authorities also operate a social housing support scheme which is known as the Rental Accommodation Scheme (RAS). This scheme is for people who are receiving rent supplement on a long-term basis, usually for more than 18 months.
- It is clear that there is a serious problem with the whole social housing situation. In May 2014 there were 89,872 households on local authority waiting lists. Existing schemes are clearly not effective enough to sort out the crisis and achieve the government's objective of creating a more sustaining housing system and promoting greater social solidarity.

8. Rent-To-Buy Social Housing Scheme (RTBSHS): cont.

- While Government intervention in the housing market is sometimes risky, it is necessary to give it strong consideration when a market failure occurs. The number of people on the local authority housing list and the trend in the list is suggestive of market failure that warrants more proactive government intervention.
- At the moment there are thousands of owners of non-primary residence housing who became landlords during the property boom and are not interested in being landlords or are not fulfilling their responsibilities fully as landlords. Figures from the Private Residential Tenancies Board (PRTB) show that around 67% of registered landlords have one property, almost 84% have one or two properties and around 90% have three properties or less. Many of these Landlords could be interested in exiting the market, if given the right opportunity/incentive.

IPAV is proposing a scheme called Rent-To-Buy Social Housing Scheme (RTBSHS).

The proposal is that the Local Authority would purchase the property at open market value from a private owner on a Rent-To-Buy Scheme;

- **The Local Authority and the property owner would agree a selling price; the Local Authority would agree to pay the seller the equivalent of a mortgage, principal and interest on a monthly basis over a period of time to be agreed with the seller.**

8. Rent-To-Buy Social Housing Scheme (RTBSHS): cont.

- Over the same term as the mortgage agreement the Local Authority and the owner would both sign a rental agreement at market rent, minus 10%, with a CPI built in over the term. The rent would be paid monthly to the owner.
- The seller of the property would be given full tax relief on the money received for rental purposes, along the lines of the forestry tax allowance. This would provide an incentive for the owner of the property to engage in the transaction.

The advantages of such a scheme are that it will increase the supply of social housing and reduce the waiting list; the Local Authorities would own the property at the end of the agreed term with the seller; reluctant and non-compliant landlords would be able to effectively exit the market and there would not be negative cash flow implications for the Local Authority, in the sense that they would not have to come up with the purchase price in the beginning.

With the property market in a recovery stage this is the ideal time for the Local Authorities to embark on such a scheme. This RTBSHS would be particularly attractive outside of Dublin where house prices and rents are low.

9. Conveyancing:

- As the property market takes off again there is considerable concern among estate agents at the great length of time it takes many solicitors to complete the conveyance of a property. Many problems, including gazumping, could be removed or greatly reduced if contracts were issued and closed in a more time-efficient fashion. Taking into consideration the amount of repossessed property arriving on the market, many sales take an inordinate length of time to complete.

This is not acceptable in a modern-day business environment and IPAV is asking the Government and, in particular, the Minister for Justice & Equality to make this an area of priority for legal reform in the new Dáil session.

- Included among the objectives should be the notion of e-conveyancing to reflect the growing use of Information & Communication Technologies (ITC). The current conveyancing system is an old, traditional, cumbersome and paper-based process which does not serve Ireland or its citizens well. It is costly, inefficient and in urgent need of reform.

Electronic conveyancing envisages paperless transactions through most or all stages of the conveyancing process, from pre-sale to post-completion, including contracts, planning, property surveys and the dispersal of funds among all involved parties. E-conveyancing has already been endorsed by the Law Society, the Property Registration Authority and the Valuation Office.

9. Conveyancing: cont.

- The Property Registration Authority has already designed the e-registration process, with a view to ensuring inter-operability with an e-conveyancing process. The proposed merger of the Property Registration Authority, Ordnance Survey Ireland and the Valuation Office into the new body, Tailte Eireann, provides an ideal opportunity to progress the notion of e-conveyancing.
- **Only by all parties working together can vendors and purchasers be provided with a first class professional service for the mutual benefit of all.**

10. Gazumping/Gazundering:

- The recent increase in house prices, while welcome has seen a noticeable increase in cases of gazumping. Many agents are expressing their dissatisfaction with the practice. Gazumping is the practice, whereby the seller, having accepted an offer and agreed a sale on a property from a willing purchaser via their estate agent, then later accepts a higher offer from another bidder. While gazumping can occur any time for a number of reasons, it is far more prevalent in a rising market. (Gazundering is more prevalent in a downward market). The estate agent is obliged by law to pass on all offers to the client, the vendor to whom he/she is contractually committed and, therefore this often sees a willing buyer gazumped at the last minute. Estate agents find this practice extremely distasteful and wish to see measures introduced in order to abolish the practice altogether.
- When IPAV sat on the review body set up by the former Minister for Justice Mr Michael McDowell TD in 2004 the Institute proposed that a “**Sales Contract**” should be completed at the time the sale was being agreed by the agent and signed by the purchaser and the vendor, hence binding both parties. This sales contract would be subject to formal contract. This practice is used in other countries notably South Africa and works very well. If this practice was introduced in Ireland it would put an immediate stop to both practices. The property should also be immediately taken off the market once the “**Sales Contract**” has been signed.

The introduction of any such measures needs the co-operation of all stake holders involved in the property sales business and IPAV believes the Government should begin discussions with these stake holders immediately to introduce the above proposal.

11. Mortgage Insurance:

- Mortgage lenders are under significant pressure to re-build profitability, reduce the size of the balance sheet and hold adequate levels of prudential capital. High Loan to Value (LTV) mortgages are much more expensive from a bank's perspective because they are more risky and, consequently the banks are forced to hold higher levels of expensive capital.
- Hence there is no incentive for lenders to engage in high LTV lending but such lending may be necessary for worthy borrowers, particularly those who have strong earnings' capacity but cannot get a sufficient deposit together. This is particularly the case for first-time buyers.
- The creation of a universal mortgage insurance model would impose a mandatory requirement for all lenders providing high LTV mortgages to put mortgage insurance in place. This would oblige the financial institutions to insure the portion of the high LTV mortgage above a certain level, such as 75 per cent. This would mean that the financial institutions would not have to hold expensive capital and thereby, would be in a position to offer lower interest rates to borrowers.
- Under such a model the insurer would have an external role in assessing the mortgage credit, thereby creating better oversight; lenders would not have to hold expensive prudential capital and could offer lower interest costs; higher lending standards would be enforced through the higher level of oversight; the solvency of the financial system would be helped through greater risk diversification and most importantly first-time buyers, in particular would be helped on to the housing ladder which is important from a social cohesion perspective.

11. Mortgage Insurance: cont.

- The universal mortgage insurance model operates successfully in many countries across Europe and helps ensure a more prudent, stable and liquid housing and mortgage market. In the UK the Government introduced a 'Help to Buy' scheme. The UK Government directly insures lenders for the risk in that part of the mortgage between 80-95 per cent LTV, with lenders retaining a maximum of 75 per cent exposure on the loan. This has to date proved very successful in reinvigorating the UK housing market. However, the UK government is carrying some of the risk. With the proposed Universal Mortgage Insurance Model, this should not be the case.

- **It would not make sense for the State to guarantee any component of the mortgage. Rather, this should be left to the private sector through a mortgage insurance model.**

12. Vacant Land Levy in Inner City Dublin:

- It is clear from all available data that demand for residential housing and for rental property in the Dublin area is growing strongly and that scarcity is starting to emerge. House prices and rents are rising strongly. John Fitzgerald of the Economic & Social Research Institute (ESRI) has pointed out that Ireland needs to go back to building 25,000 houses per year to satisfy future demand. Specifically, he pointed out that in Dublin in the three years 2011-2013 just 2,000 new dwellings were started but that the city needs that number of new houses every four months. (Trinity Economic Forum, February 2014.)

- **Against this background it would make sense to introduce incentives/penalties to get city centre sites developed as quickly as possible in order to address the emerging shortage of supply in both the owner-occupier and rental markets in Dublin.**

- **The objective of a vacant site levy would be to create a disincentive for landowners who own and are not willing to develop those valuable sites in Inner City Dublin.**

- **At the moment 50 per cent rates are payable on vacant (rateable) commercial premises in Dublin City. This provides an incentive to have them let and a penalty for leaving them vacant. A similar incentive/disincentive in the case of vacant land could be very effective.**

12. Vacant Land Levy in Inner City Dublin: cont.

In Dublin at the moment there are two categories of property that are not required to make any financial contribution to the City Council. These are:

- Vacant commercial buildings that are not capable of occupation and beneficial use in their current state. This can provide an incentive for the owner of a vacant commercial property to remove fixtures and fittings in order to render the building unusable;
- Vacant development land.

The application of a meaningful levy that would provide a strong financial disincentive to leave the commercial building idle or to leave development land idle would be a positive development from a number of perspectives.

- **Vacant development land or commercial premises tend to attract vagrants and promote anti-social behaviour;**
- **Vacant development land or commercial premises represent a loss of potential economic output;**
- **Developing the land or commercial premises would provide employment;**
- **Developing the land or commercial premises would provide a source of income for the City Council and the Exchequer in the form of development levies, rates and property taxes;**

12. Vacant Land Levy in Inner City Dublin: cont.

- A vibrant capital city is an essential element of national competitiveness and there is considerable international evidence that density and proximity in urban areas tends to drive productivity and innovation;
- Many of the foreign multi-national companies that are investing in Dublin, particularly the social media companies, are investing in the inner city. Their employees want to live in the inner city area, so it is essential that there is an availability of suitable residential housing for rent or for owner occupation;
- There is evidence in Dublin of a scarcity of suitable commercial space. The IDA is on the public record expressing concerns in this regard; and
- With residential property prices and rents in Dublin now rising strongly, it is essential that there is an adequate supply of affordable housing to facilitate the growing population, housing market mobility and inward migration.

- **The proposed vacant land levy would have the effect of utilising vacant development land and obsolete commercial property, thereby increasing the supply of commercial and residential property in Inner City Dublin. Apart from increasing supply of properties, there would be many other positive benefits.**

12. Vacant Land Levy in Inner City Dublin: cont.

Inner City Dublin is defined in the City Development Plan and is basically that area between the canals and the circular roads. It is estimated that there are 312 sites in Inner city Dublin, accounting for 62.55 hectares/155 acres (the size of a golf club) that would be potentially subject to the proposed levy. (“Economic Development, Planning & International Relations SPC” Steering Group on Brownfield Initiatives, Vacant Land/Buildings, Dilapidated Buildings, February 2014)

While the proposed levy would have many clearly identifiable positive benefits, objections and reservations have to be taken into consideration.

These Include:

- Office rents are currently too low and, hence it would not be commercially viable to develop the sites;
- Residential property prices are still too low to cover the cost of construction and, hence it would not make commercial sense for a developer to develop residential units;
- If it was commercially viable to develop a site it would already have been done;
- It is a form of double-taxation and is not fair or equitable;
- There is still a serious lack of developer credit available. So, even if a developer wanted to develop a site, getting access to credit would be an issue. Furthermore, many developers would not be in a positive position to provide a bond because business conditions have been so difficult over the past seven years; and
- A tax on a vacant site would be just another tax on property owners.

12. Vacant Land Levy in Inner City Dublin: cont.

While some of these objections have certain validity and some are now very relevant, they should not be allowed deter from the introduction of a levy that should have the impact of bringing development land on to the market and achieving considerable benefits for the greater good.

It is not correct to say that, if it were commercially viable to develop a site, it would already have happened. The reality is that many sites, some with tax incentives attached, were not developed during the boom years. There is evidence that sites were hoarded, thereby pushing up the price of residential and commercial properties and land. This had the effect of undermining competition in the economy and preventing Inner City Dublin from becoming a vibrant living city and exploiting its full economic potential, in respect of business and tourism.

12.1. Implementing the Levy:

- The levy would be applied to vacant land in Inner City Dublin. Vacant land is defined as ‘zoned development land which has not been developed and which does not have Rateable buildings on it’.
- The tax on such land would not be a form of double taxation as the targeted land is currently not subject to taxation. Hence, there is not a fairness or equity issue involved.
- The provision of “**Developer Finance**” at an affordable rate of interest should become part of this levy proposal. It would not make sense to apply the levy if the person who owns the land cannot access finance to develop the site. For owners who decide to sell to avoid the levy, financing arrangements for developers should be put in place to purchase the land. Perhaps there would be a role here for NAMA.
- The planning process needs to be expedited in order to support the speedy development of those sites. Planning charges and levy costs also need to be examined.
- If the owner applies for planning permission and commits to developing the land within a reasonable time frame the levy should not apply.

12.1. Implementing the Levy: cont.

- The starting date for the levy should be the beginning of 2016. This would give landowners the opportunity to sell or to apply for planning permission before the introduction of the levy. If on January 1st 2016 the landowner had not put the land up for sale or applied for planning permission the levy would be backdated to January 1st 2015.

Government intervention in the property/development market is required to address the market failure that currently exists in the Inner City Dublin property market. However, in the above case Government interference will be at the grass roots of the problem, effecting, the marketability and price of one of our most precious assets, city building land. Increasing the supply of commercial and residential units would help re-invigorate the area from a tourism, business and social perspective. The benefits would far outweigh the potential negatives. However, the levy should be part of a broader strategy to increase the supply of residential and commercial properties and should not be seen as a policy in isolation.

Improving the efficiency of the property market is in the greater interest and should not be prevented by vested interests.

13. Rent-a-Room Scheme:

- There are two distinct problems that the Rent-a-Room scheme is designed to address. Firstly, it can serve to increase the supply of rental space, particularly aimed at students. Secondly, it can alleviate some of the financial pressure on home owners who are struggling to meet mortgage repayments.
- Since January 1st 2008, under the terms of the Scheme, the annual limit on exempt income is €10,000 per annum. If the gross income exceeds the exemption limit the taxable profits are computed on that gross amount, not just on the amount that exceeds the exemption limit.
- If a property owner earns €9,900 that gross income is exempt from tax. If a property owner earns €10,100 the whole amount is liable for tax. This acts as a disincentive.

It could become much more effective in achieving its objectives if the first €10,000 was tax exempt and only the excess over €10,000 was liable to tax.

14. NAMA Property Sales:

- At the moment NAMA is selling off large numbers of apartments and houses in blocks. Such a method of sale may have been appropriate when there was no private demand in the market but, with demand now picking up quite strongly;

it would make sense to sell the units individually which owner-occupiers or investors would be able to buy.

Such an approach would be likely to result in higher prices for NAMA and the Exchequer and increase the supply of owner-occupied and rental properties.

IPAV cannot see any reason for selling these large apartment blocks to international buyers who, in turn, will sell and rent them on to Irish purchasers at higher prices.

We believe this will only add further to price increases and inflation in the housing market.

15. Bank Treatment of Investors in Financial Difficulty:

- It is clear in the market at the moment that banks are adopting a very strong approach to investors in mortgage difficulty.

This is having a very negative impact on the rental market. Termination notices are being issued to rental tenants because the banks want to sell the property. This is causing homelessness because many tenants may not be able to source different rental accommodation. The banks should be encouraged to finish tenancy contracts and thereby maintain the dwelling in the letting market until the contract expires.

16. Planning Process:

- The planning process should become more flexible in order to fast track the process of converting usage to a family home or changing the planning from apartments to family homes. Local authorities and other service providers also need to be forced to fast track the connection of vital services. The residential market needs to become as flexible as possible in order to satisfy the immediate demand in the market.
- Houses will not be built until it is profitable for developers/builders to do so. In this context, issues such as site and other levies should be adjusted in order to improve the economics of house building.

17. Undermine the Informal Economy in the Construction Sector:

- **Tax credits (only VAT credits available at the moment) of between €5,000 and €30,000 should be made available for refurbishment of housing to improve the physical quality of the housing stock and improve energy and water efficiency.**

To avail of these credits the home owner will have to certify that the builder is fully legitimate and in the formal economy. Such refurbishment should include rainwater harvesting. This rainwater could be used for washing machine and garden use and could reduce consumption of mains water by up to 50 per cent. This would have the effect of reducing water charge bills but would also reduce the cost of addressing the leakages.

- If the mains pressure could be reduced as a result of less consumption of mains water, considerable financial benefits could accrue to Irish Water because lower pressure would result in fewer leakages in the water system.

18. Creation of a Property Council:

- Forfais 2012 and *Construction 2020* suggested the creation of an overview authority. This should be progressed.

The property and construction sector is in a state of turmoil at the moment. Serious damage has been done to the sector since 2008 but it is clear that a properly functioning economy will require a vibrant, highly skilled and efficient property and construction sector in the future. There will be a requirement to build houses for home owners and for those who want to rent, hospitals, schools, roads, offices, industrial units in the future and refurbishment of the existing stock of public and private infrastructure will be essential on an on-going basis.

- For the past three years IPAV has been advocating the setting up of such a dedicated Property Council to oversee the future of the property industry in Ireland. The Council would be made up of experts from a variety of different fields within the sector. It would seek to formalise a plan to address issues such as planning, density levels, building standards, demand and supply, the rental market and would mean that immediate steps could be taken, if required, for the betterment of the property sector. Such a Council would formalise a sector that has been too informal in the past. It could also make a significant contribution to the overall regulation of the sector.

*Working Towards An Equitable
& Sustainable Property Market*

IPAV
129 Lower Baggot Street, Dublin 2
T: 00 353 1 6785685
F: 00 353 1 6762890
info@ipav.ie
www.ipav.ie