ipav | Institute of Professional Auctioneers & Valuers

2018 Pre Budget Submission

Development of a Sustainable Property Market

Established in 1971, IPAV is the only representative body solely catering for the professional and educational requirements of over 1,100 Auctioneers and Valuers practising throughout Ireland

Building Foundations for a Stable and Sustainable Property Market

Pre-Budget Submission 2018 by the Institute of Professional Auctioneers & Valuers (IPAV)

To:

Mr Paschal Donohoe TD, Minister for Finance & Public Expenditure & Reform

Mr Eoghan Murphy TD, Minister for Housing, Planning & Local Government

Mr Damien English TD, Minister of State at the Department of Housing, Planning and Local Government

Mr John Paul Phelan TD, Minister of State at the Department of Housing, Planning and Local Government

Ms Maria Bailey TD, Chairperson, Joint Oireachtas Committee on Housing, Planning & Local Government

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About IPAV

IPAV was established in 1971 as a representative professional body for qualified, Licensed Auctioneers, Valuers, Estate Agents and Valuers. We are the only Irish representative body catering solely for the professional and educational requirements of Auctioneers and Valuers. We have over 1,100 members nationwide and one of our primary objectives is to protect, advance and promote professional standards and competence among our members. We operate a comprehensive system of professional education and development for our members and for those wishing to enter the profession. IPAV introduced the international 'Blue Book' European valuation standards to Ireland in 2013. This is the standard recognised by the Irish Central Bank and the European Central Bank for which it holds default status in the event of any valuation conflict arising.

Our aim in working with other stakeholders and with policymakers is to try and influence the development of a sustainable property market where people can buy, sell or rent properties according to their needs.

Background:

The Irish economy continued its period of sustained growth into 2017, driven by strong domestic demand. Improving household balance sheets and falling unemployment are expected to support solid consumption growth for the foreseeable future. The expansion in underlying investment activity, particularly construction, looks set to continue in 2017 and on into 2018, according to a variety of indicators.

Recent figures from the Central Bank of Ireland published on 28 July 2017 forecast the economy to grow 4.5 % this year and 3.6 % in 2018 – revised upwards from 3.5 % and 3.2 % respectively at last forecast. Gains in employment and incomes are expected to remain the main driver of growth, while forecasts for export growth have also been revised higher. Inflation remains subdued, reflecting the effect on goods prices of Euro appreciation against Sterling and weakness in energy prices.

In its latest commentary on Ireland, the OECD says the Irish economy is projected to expand solidly, but growth will fall toward more sustainable rates. Employment, it says, will continue to rise but at a slower pace, while productivity gains in underlying activity remain limited. Wage pressures will remain strong, feeding into higher inflation. Household consumption will slow somewhat as purchasing power is eroded by higher inflation. Investment in the domestic sector will continue to rise, but gradually at a moderate pace.

However, Brexit continues to pose a substantial risk for the economy. New calculations presented in the ESRI's Quarterly Economic Commentary suggest that a hard Brexit could have significant implications for the fiscal space available in the budgetary process. This comes at a time when taxation revenue growth in 2017 has slowed down considerably as income, corporation and excise duties all took in less revenue than expected. The broader external environment facing the Irish economy will continue to be significantly more uncertain in 2018 and beyond while negotiations with Britain continue. A long period of uncertainty in this area is expected.

Housing Market:

The current housing crisis is likely to continue into 2018 and beyond and is primarily a problem with the supply-side which will not ease until substantially more homes are built. The only solution to the housing crisis is to firstly, build more houses and secondly, to build houses at prices that people on average wages can afford to buy.

The most recent figures from Focus Ireland show a record total of 7,699 people homeless in Ireland. Nationally there are now 4,922 adults and 2,777 children homeless. More than 1 in 3 people experiencing homelessness in Ireland is a child. The total number of people homeless rose by 25% from May 2016 to May 2017.

On the other side of the equation, the most reliable figures show that just 2,076 new homes, a fraction of the Government's 15,000 estimate, were built in 2016. The figures are taken from the Building Control Management System, which is now widely acknowledged as the most reliable construction database. They show that, when one-off homes are excluded, just 848 estate houses and apartments were completed in 2016 compared to an official Department of Housing estimate of 8,729. In Dublin city, by far the most populous part in the State, just 68 scheme homes and apartments were completed last year according to the system. The figures for other local authorities were also well below official estimates: Fingal (121), Dún Laoghaire-Rathdown (78), South Dublin (69) and Cork City (21). In three local authorities, Longford, Leitrim and Roscommon, there were no housing completions recorded at all in 2016, while a further eight counties recorded fewer than 10 completions. The discrepancy stems from the Department's use of ESB metering data as a proxy to count new builds. Electricity connections can be triggered by work to existing buildings or by formerly vacant units coming back on stream and are not considered a reliable indicator.

But there are some recent positive indicators. There has been an increase of almost 40% in planning permission applications year-on-year to March 2017 and an increase of almost 40% in commencement notices year-on-year to March 2017.

One of the major factors preventing people from buying houses and of builders from building them continues to be the issue of building costs. For example, between 2005 and 2008 building costs grew by 12% but this was offset by rising prices which increased by 30% over the same period. Since then, house prices have fallen and are now on average 33% nationally lower than they were in 2007. Outside of Dublin house prices in some areas are still as much as 60% plus lower than they were in 2007. However, building costs are still at the same level as they were during the boom. This is even though building site prices in some areas are only a fraction of what they were in 2007 and in most areas less than half of what they were in 2007. This disparity between costs and prices explains to a great extent why supply is not growing to meet the increasing demand. Outside of Dublin the average price of a second-hand three bedroom semi-detached house is €160,000, but the average cost of building a new one is €235,000. To get builders building again outside of Dublin this price differential is going to have to be bridged. The only way it would appear that this can be done is to inflate the price of second hand homes. Until a would-be purchaser can choose between a new and a second hand home, we will not have a working or indeed sustainable property market.

The Action Plan for Housing and Homelessness, entitled *Rebuilding Ireland*, published by the Government in July 2016, outlines ambitious targets to address the problems that have arisen in delivering social, affordable and private housing. In the past there has often been a tendency to exclude those who are centrally involved in the property industry such as builders, developers, surveyors, auctioneers and estate agents, as their views may be perceived to be conflicted. It is our view that some official consultations were not in fact genuinely open to hearing industry voices. It appeared to us as though some policy makers came to such fora with a pathway already set out. However, the hearings by the Oireachtas Committee on Housing and Homelessness in 2016 made a genuine effort to embrace all sectors of the industry and their contributions are noted and reflected in the Committee's report in June of that year. As a result, the Committee's report and *Rebuilding Ireland* has led to a far broader-based approach than heretofore and identifies in a far clearer way areas where obstacles lie and attempts to put in place a foundation on which to tackle them. The report, when published, was broadly welcomed by most organisations but with some qualifications and some disappointment that it did not go further in providing specific additional building steps in achieving the targets mentioned. The most recent review of the report was also welcomed by most organisations and IPAV made a detailed submission on the review.

The basic fundamental fact cannot be ignored that there continues to be a major housing crisis in Ireland and urgent steps need to be taken. In a Dáil speech during the recent Quarterly Statements on Housing on 6 July 2017, the new Minister for Housing, Planning & Local Government, Eoghan Murphy TD, said: *"Rebuilding Ireland is working. In respect of any new policies or any new direction that a Government might take, it is good practice to review those policies and plans from time to time. That is what I have been asked to do by the Taoiseach. He has asked me to review Rebuilding Ireland within three months, to identify additional measures, to assess the need for greater quantum of social housing build, to consider a vacant homes tax and to examine new measures to support and/or encourage landlords."* Budget 2018 is now central to implementing the findings from this review and in providing the next important steps. Experts say that if we were to build 35,000 houses per year we would create another 75,000 jobs in the construction industry but the question remains where would such people come from in an economy where unemployment has dropped to 6.4%.

Creation of a National Property Advisory Council:

The research conducted by the Oireachtas Committee on Housing and Homelessness in 2016 provided an ideal opportunity to listen to all sectors of the property industry and to ensure that their views are listened to and noted in planning any future strategy. Up to now, the operation and co-ordination of the various elements involved in property policy in Ireland were un-coordinated and diversified across a number of Government Departments, State and non-State bodies and organisations.

IPAV believes now more strongly than ever that there is a need to put a broad spectrum National Advisory Council on a formal setting. This would supplement the work of the existing Housing Agency in helping to pool the divergent elements and garner its collective expertise to help inform the future of the industry in Ireland. This Advisory Council which would be Government-led, would comprise experts from a variety of different fields across the sector. It would provide regular reports and advice on issues such as planning, density levels, building standards, supply/demand issues, building costs, property prices and the rental market.

Crucially, it would have a strong propensity to guard against solo runs or knee-jerk reactions that may address one or two urgent problems but fail to address the medium and long-term sustainability issues of the Irish property market.

Construction Costs:

The cost of construction continues to be a major impediment to increasing the supply of housing. As mentioned above, while the prices of houses have reduced considerably since the recession, notably outside of the capital, the costs of construction have largely remained the same and have increased recently. With current costs for residential units estimated at €140 per sq meter, it is not viable for builders/developers to build houses which are currently being sold for well below the cost of construction. *Rebuilding Ireland* notes that once site costs rise much above €30,000 - €50,000, new houses are no longer affordable for most people (p. 67).

IPAV is continuing to urge that the Government set up an immediate investigation into the cost of construction with a view to reducing costs. The reliable data available indicates that Ireland has sufficient zoned land to meet its needs with the last annual Housing Land Availability Survey showing there is enough zoned land to provide for a population of over six million people, well in excess of the country's current needs. The sourcing of land is therefore not the issue but its preparation for house construction is. IPAV is concerned at reports that local authorities have been imposing extremely high levies on new house construction at a time when such construction is needed to meet housing demand and rents are rising to record levels. One report from the National Asset Management Agency (NAMA) showed that there was a €60,000 levy on each new house and a levy on construction of €351,774 per hectare for sites within 1 km of the Luas line. *Rebuilding Ireland* outlines many proposals (P. 67) in this regard and these should be acted upon without delay.

IPAV has through our nationwide network of members found recently in Clare house levies running on a particular site from 6.5% to 9.1%.

Condition 41 of a recent planning permission for 29 houses is as follows:

"41. Prior to the commencement of development the developer shall pay a contribution of €554,499.50 to Ennis Town Council in respect of public infrastructure and facilities benefiting the development."

"The amount of this contribution is calculated in accordance with the Council's prevailing Development Contribution Scheme and will be increased from January 1st next and annually thereafter (unless previously discharged) in line with the Wholesale Price Index - Building and Construction (published by the Central Statistics Office) unless the scheme is superseded by a further Development Contribution Scheme adopted by the Council.

"Reason: It is considered appropriate that the developer should contribute towards the cost of public infrastructure and facilities benefiting the development, as provided for in the Councils prevailing Development Contribution Scheme, made in accordance with Section 48 of the 2000 Planning and Development Act 2000, and that the level of contribution payable should increase at a rate in the manner specified in that scheme."

Charges of this magnitude are prohibitive. We believe they should be levied as a percentage of the final value of a new property and should be no higher than 3%. IPAV urges a complete review of these charges in Budget 2018 and a fast-tracking of the detailed analysis proposed in *Rebuilding Ireland* (P. 68). As soon as possible the Department of Housing, Planning & Local Government should issue new guidelines to the local authorities whereby such levies would be drastically curtailed, reduced and averaged throughout all Co Councils and Town Councils in Ireland.

In addition, once suitable sites have been identified and planning permission granted, Councils should be empowered to lend money to the builder/developer and in return that developer/builder should be required to enter a Price Building Guarantee Scheme whereby house prices, once built, would remain the same for an agreed period of time. *Rebuilding Ireland* proposes the establishment of a competition to champion best practice, efficient and cost-effective design to enable the delivery of high quality homes at an affordable level (p.68) and IPAV welcomes this initiative.

IPAV was also to the forefront in advocating the introduction of a Vacant Site levy. Under the terms of the new *Urban Regeneration and Housing Act, 2015,* from 1 January 2019, planning authorities will be empowered to apply an annual vacant site levy of 3% to the market value of vacant sites which a planning authority has determined were vacant or idle in the preceding year. Before 1 June 2018, it is envisaged that each planning authority will issue a notice to the owner of a vacant site included in its respective vacant sites register, indicating that such site owner shall be charged a levy in respect of 2018 in January 2019, with such charge to be continued every year thereafter until the site is no longer vacant. While the introduction of the levy is unduly slow and prolonged in gestation, IPAV believes this incentive will bring more suitable development land onto the market and help to reduce the cost, by limiting the appeal for such land and may take investors out of this market.

Reduction in VAT:

IPAV supports the view put forward by many in the construction sector that a reduction in VAT is another essential ingredient in helping to reduce the price of new homes. In the context of the current mortgage lending rules, the cost price rather than tax rebates determines whether a person can qualify for a mortgage. There is currently no VAT on housing in the UK and Northern Ireland. IPAV believes that such is the seriousness of the housing crisis that the Irish Government should aspire towards this objective too, if housing is to be made affordable while adhering to mortgage lending rules but with some adjustments. In the meantime, VAT should be reduced to the lower 9% rate in Budget 2018 to be reviewed after a two year period. The total tax take on a new house is estimated to be somewhere in the region of 40-45% of the cost of the property. All such charges are paid in full by the house buyer and are impacting affordability.

In January 2016, the Hungarian Parliament introduced a new act amending the VAT rates that applied on newly constructed residential real estate. The standard VAT rate of 27% was reduced to 5% for the sale of newly constructed residences. This measure is having a dramatic impact on new house building in Hungary.

The Planning Process:

The property industry has long railed against red tape and slow and expensive planning procedures. Minister Simon Coveney's housing plan has gone some of the way to tackling these, by introducing streamlined processes and a fast-track planning option for large estates. The planning process has a key role to play in the creation of an environment which will see more house building in the short to medium term. While welcoming the reforms contained in *Rebuilding Ireland* (p. 63 & 64), IPAV believes further and more radical measures are necessary.

IPAV welcomes the signing into law on 27 July by new Housing Minister Eoghan Murphy of two statutory instruments, arising from the emergency Planning and Development (Amendment) Act 2017, that bring into operation new planning legislation providing, in specified circumstances, for further extensions of duration of planning permissions for certain developments of 20 houses or more. This will ensure that a number of projects can be brought to completion.

A major hindrance to building is third party objections to planning applications which are unusually common in Ireland. Ireland is virtually unique in Europe in allowing a system of third party objections to planning. As a result it now takes an average of 79 weeks from the initial planning application to the commencement of construction, an inordinate amount of time. And it is perverse, given current and projected demand for housing. IPAV is urging Government and, in particular the Minister for Housing, Planning, Community & Local Government, to undertake an immediate review of third party planning objections with a view to speeding up the process. IPAV argues that the issue of third party objections should be considered as part of the "root and branch review of the planning system" mentioned in *Rebuilding Ireland* (P. 65) and promised for Q1 2017.

The planning regime 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.

Central Bank Guidelines:

The main blockage for young people and first-time buyers in accessing new homes are the Central Bank Guidelines on mortgage lending. The measures introduced under Section 48 of the Central Bank (Supervision and Enforcement) Act 2013 are designed to work on two levels, one restricting loan to value so that a bigger deposit is sought and the second restricting the loan to income to 3.5 times gross income. First-time buyers can borrow 90% on properties valued at €220,000 or less and 80% on any excess value over this amount.

A survey in 2016 of IPAV members in the Dublin area showed that almost all agreed that the Central Bank Guidelines have impacted in their areas of operation. Over 50% said the guidelines have affected the value of property in their area and a similar number said securing finance was the most significant impediment to potential purchasers. According to the survey over half of members had instances of prospective purchasers withdrawing their interest from a property due to the regulations.

While keenly aware of the need for reasonable guidelines so as to avoid the development of another boom in house prices, IPAV believes that Budget 2018 should increase the 10% deposit requirement to €300,000 for houses in the Greater Dublin region. It is also IPAV's view that banks are being very restrictive in their interpretation of the 3.5 times gross income where a couple is involved and, in many cases, appear to be basing the assessment on net income. This needs to be reviewed as a matter of urgency in Budget 2018.

Special Builders' Fund:

To help get construction moving at a faster pace to meet the huge need, IPAV advocates for the creation of a Special Builders' Fund capped at €1bn. In recent times, small builders, the traditional mainstay of the Irish residential market, have been priced out of the market by exorbitant interest rates. Mezzanine finance, where it can be got, is penal and ultimately paid for by the consumer in the price of a home. Yet banks are borrowing long-term from the ECB at close to zero percent. Banks have, in reality, become risk averse since the financial crisis.

To counteract this, IPAV is proposing a Special Builders' Fund, akin to the cash flow loan scheme for farmers at interest rates of just 2.9% through the Strategic Banking Corporation of Ireland. A similar builders' loan scheme could help control the price of a home to the buyer by agreeing to supply the funds for a house price guarantee. Under such a scheme, Government agencies would have the opportunity to say to developers: "We will give you the site and the money but we want the end product at a particular price." This type of scheme has recently been introduced in Spain. There would be no loss to the Exchequer as State loans would be repaid as homes are sold. More competition would result in lower prices and more tax revenue as sales volumes increase.

Mortgage Lending Value (MLV):

IPAV has long advocated the promotion of the concept of Irish Mortgage Lending Value or MLV as a method of introducing stability to the Irish property market. MLV is a property valuation based on a range of factors that attempts to determine value over the longer term rather than Open Market Value (OMV) or 'spot' value, the only method currently operated in Ireland and based solely on current market conditions at the time of sale.

MLVs have been used in Germany for decades and are credited with being a key factor underpinning the greater stability of the German property market. The method is also applied in other countries including Portugal and the Czech Republic while a variation of it is used in Spain. As pointed out by the European Central Bank, the use of Market Value when determining the value of the collateral, accompanied by a high LTV, could constitute a very high risk to mortgage lenders in the face of a downward trend in prices. As a result of the 2008 property crash in Ireland, loan-to-value ratios in Ireland went from 80% at the peak of the market in 2007 to 160% in 2013. However, in countries such as Spain which also experienced a property crisis, the rise in the loan to value ratio was much less severe and this may have been due to the use of MLVs. According to German law, MLV of a property "must not exceed the value resulting from a prudent valuation of the future saleability of a property… Speculative elements or special purchasers must not be taken into consideration."

Consequently, MLV is always well below OMV. While during recessive market phases there may be a small gap between MLV and OMV, in boom phases, especially in foreign sub-markets, MLV may be more than 40% below the OMV. IPAV believes the Government should now give consideration to the phasing in of MLV in Budget 2018. This gives the Government or a fiscal committee the power to control and drive the property market.

Help To Buy Scheme:

IPAV has consistently warned of the risks associated with recent reports of Government plans to either withdraw or tamper with the Help-To-Buy (HTB) scheme in Budget 2018. In fact, IPAV believes there is a strong case to extend it to non-FTBs and to second-hand homes outside of Dublin.

In a detailed submission to Indecon Consultants, who are conducting a review of the scheme on behalf of the Department of Finance, IPAV stated:

- The HTB scheme should not be looked at in isolation to all other aspects of housing policy and can simply not be singled out as the main driver of house prices in Dublin.
- 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 currently 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 of second hand homes outside of Dublin. 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, and attempting to close the gap between the prices of second hand homes and the cost of building new ones.

- 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 believes that any tampering with, or removal of the scheme, 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.

Rural Regeneration:

In the recent past, countless rural towns and villages that have seen their populations fall and their vitality erode in the half-century since journalist John Healy first highlighted the decline of rural life in *No One Shouted Stop-The Death of an Irish Town* in relation to his home place of Charlestown, Co Mayo. The reasons for the decline are complex but a key one relates to ill-informed and bad planning. In recent decades schools, shops, other commercial activities and even civic functions have moved to out-of-town locations. The bulk of residential construction has been in suburban estates and one-off houses in the countryside.

Already many people are driving journeys to these large shopping centres and our local town centres are dying anyway. Longford is a perfect example. As you drive through rural Ireland the vacant shop units form a very unpleasing, sad sight and a legacy from the Celtic tiger and recession years.

A 2015 report from the National Statistics Office revealed that almost 30% of the planning permissions issued over the previous 12 months were for one-off houses. Left unchecked, the recovering economy and demand for new housing will repeat the mistakes of the past, littering the country with low-density sprawling developments.

IPAV welcomes the publication of *Ireland 2040 National Framework Plan* – which will be the successor to the National Spatial Strategy 2002 - which provides an opportunity to look ahead and shape long-term planning over the next twenty years or more. However, IPAV believes the current housing crisis and the continuing transfer of people to the east coast necessitates a far greater urgency for action than that outlined in the Plan's timeframe.

The government needs to extend the rural renewal scheme to help town centres convert many of the vacant shops to living accommodation and bring people back to live in our town centres.

Attracting people and investment to town and village centres requires a comprehensive and cohesive policy focus. It should include everything from lighting and street furniture to traffic calming and the townscape. Towns that have invested in improving their urban environments – Kilkenny, Clonakilty and Abbeyleix, to name a few – have done so with enormous success with the added bonus of attracting investment, employment and tourism to their locations. The delivery of high-quality rural towns and village environments requires a shared commitment by both planning authorities and developers supported by the appointment of skilled and innovative design teams. The long-term plan for rural Ireland should include a new city in Athlone with fast trains and connectivity to Dublin and airports. This is vital if we are to grow as a whole country and not merely become a one city Ireland where 50% of everything in Ireland takes place.

Rental Sector:

There is no doubt that a fully functioning and efficient private rented sector is an essential component of the housing mix in any economy including Ireland's. In recent years the country has experienced a huge growth in the rental sector with 20% of people now living in rented accommodation. This trend is likely to increase in the months and years ahead.

The private rented sector today provides housing for a wide range of households, including those who traditionally would have had their needs met by the State through social housing. More recently as a result of legacy issues and the financial downturn between 2007 and 2014 in the home ownership sector, the private rented sector is accommodating those households who have lost their homes. Others relying on the private rented sector include students as well as individuals and households who choose to rent by choice.

Figures produced in the 2016 Census showed that the total housing stock grew by just 8,800 (0.4%) between 2011 and 2016, in sharp contrast to the growth of 225,232 dwellings recorded between 2006 and 2011. The number of owner-occupied households fell between 2011 and 2016 (from 1,149,924 to 1,147,552) causing the overall home ownership rate to drop from 69.7% to 67.6%, a rate last seen in 1971. When examined by age the results show that renting was more common than owning before age 35, for a mixture of reasons.

Traditionally, investors in the residential property market expected to get in return a combination of capital appreciation and a rental yield, which was sufficient to cover the cost of their investments. However, for property investments leveraged through a mortgage, repayments can add significantly to total operating costs, particularly and more recently for investors switching to principal and interest repayments after ten years. The escalation in the number of buy-to-let arrears cases is also having a negative impact on tenants and is an issue which requires an immediate solution if the existing stock of properties is to be retained within the sector. A clearly worrying finding in the DKM 2014 report was that almost a third (29%) of landlords intended to sell their properties as soon as they could. This is particularly the case with more recent landlords, 36% of whom intend to sell as soon as they can.

More recently, vulture funds have been gaining a significant foothold in the Irish market. Many of these, guided by the sole aim of making a quick profit are terminating tenancies on the apparent basis that they need vacant possession to sell. *Rebuilding Ireland* provides a limited number of proposals to help the rental sector. An updated review of the Rental Strategy is planned for later in 2017. IPAV believes that adequate financial provision for this rental strategy review needs to be included in Budget 2018. This should include:

- A review and the ultimate replacement of the Residential Tenancies Act 2004 as amended in 2009 and 2014. It is an extremely complex and a poorly drafted piece of legislation and far too complex for ordinary landlords and tenants to understand and operate.
- The current interest rate allowance for private landlords of 80% as increased in the last budget should now be increased to the full 100%.
- Measures to encourage new landlords into the market instead of having private landlords leaving. Private landlords should be treated like other commercial and farming landlords who can write off against tax for long term leases. This has proved very successful in the farm renting business and encourages farmers to rent longer term.
- A plan to move to the European model of long-term tenancies with units being rented unfurnished. In this system tenants can furnish as they wish but must return the units in the same condition to that in which they were obtained. Landlords could be encouraged by way of realistic tax incentives.
- The treatment of residential property lettings as a normal business for tax purposes in the same manner as the commercial property sector. For example, home owners who operate the Rent-A-Room scheme are allowed up to €14,000 rental income tax free per annum. A similar amount should be allowed to all residential landlords, encourage them to stay in the business or to expand.
- Tax incentives by way of Capital Gains Tax Relief for private landlords who sell properties with tenants *in situ*.
- Urgent action (e.g. planning etc) needs to be taken to restrict the number of units being transferred from the rental sector to Airbnb use.

eConveyancing:

Electronic conveyancing, or eConveyancing, is heralded as the future for conveyancing and title registration of land and property in many countries throughout the world. eConveyancing envisages paperless transactions through all stages of the conveyancing process from pre-sale to post-completion of the buying and selling transaction. It is designed to simplify, reduce costs and speed up the conveyancing process.

From a recent survey of our members the average time for conveyancing, the legal work involved in buying and selling properties in Ireland is 22 weeks. Home buyers and sellers in Ireland continue to face inordinate delays, frustrations with added costs, especially where they may be gazumped or indeed gazundered.

The current conveyancing system is an old, traditional, cumbersome and paper-based process, which does not serve Ireland or its citizens well. Electronic conveyancing or eConveyancing, is a long-accepted practice in other countries and a far more efficient means of legally transacting property. The Law Society of Ireland has stated that a new e-conveyancing system could reduce the total transaction time to as little as five days.

IPAV is aware that the Department of Justice and Equality has embarked upon a review and consultation process on eConveyancing and that this work is continuing. The Property Registration Authority has undertaken a great deal of related work with the Land Direct project digitising mapping and the development of the eRegisteration system, the online channel for the electronic registration of transactions affecting the land register in Ireland.

IPAV believes it's time now for the Government to take control of the project by getting the Property Registration Authority to head up the project with a national eConveyancing programme and not allow one interest group to control this very important part of property transaction. All parties, Auctioneers, Banks, Solicitors and Mortgage Companies could feed into the PRA process. The Government needs to invest greater urgency in its implementation.

Irish Banks and Fixing of Mortgage Interest rates for 10-20 year terms:

IPAV believes there is no rationale as to why Irish Banks should not be offering the type of better value mortgage products available in other European countries. When IPAV raised this issue in 2014, the Central Bank of Ireland indicated that new competition in the marketplace could be relied upon to deal with the issue. Such competition has not arrived and still many mortgage holders are paying far above the interest rates of their European counterparts.

However, what IPAV sees as a far more pressing aspect is long-term fixed interest mortgages. In the Irish market typically mortgage rates are fixed for two to three year periods, which are not long-term in any real sense. Only one Irish provider has a fixed mortgage term of ten years but across Europe such rates can be fixed for 20 years or in some cases for the lifetime of a mortgage.

Already the prospect of the European Central Bank raising interest rates has been widely debated. Irish mortgage holders may never have this opportunity to fix their mortgage repayment rates at the current low rates if the issue is not acted upon urgently. We need the Government and the CBI to act now to encourage the Irish banks to bring in these products and make them available to Irish Mortgage holders and give them the opportunity to have security into the future, regardless of what the European Central Bank does with interest rates. When banks can borrow money for the longer-term at very low rates, they should also be capable of lending on this money to consumers for the longer-term, at a reasonable rather than an excessive profit margin. This is important, not just in terms of mortgage affordability, but also in terms of sustainability and social cohesion.