

Budget - IPAV WELCOMES HELP-TO-BUY EXTENSION BUT PREDICTS ESCALATION OF DRIFT OF PRIVATE LANDLORDS FROM MARKET

Increase by 1.5pc to 7.5pc in the rate of stamp duty on non-residential property transactions from midnight to have negative impact in country areas

IPAV, the Institute of Professional Auctioneers & Valuers, which called in its pre-Budget submission for the Help-to-Buy scheme to be extended for a further two years has welcomed the decision of the Minister for Finance to do so, saying the scheme is central to giving confidence to a market that it is “extraordinarily difficult for first-time buyers and for smaller builders/developers, as opposed to the few dominant strongly capital backed players.”

Pat Davitt IPAV Chief Executive said the Help-to-Buy scheme is a crucial intervention in the market, enabling people to acquire a first home in a very difficult market.

“We very much welcome the fact that the Minister has listened. Young people are severely disadvantaged in the current market. At a time when they are but starting in their careers large numbers of them are paying rents at levels way beyond the price of servicing a mortgage and are trying to save for a mortgage deposit at the same time, an impossible task for many.”

Mr Davitt said of the 30,875 applications for the Help-to-Buy scheme to the end of July the vast majority are purchasing homes in the €226,000 to €375,000 price brackets, largely in urban areas, with loan-to-value levels of 85pc and over.

He said however, it is a pity the scheme was not extended to second-hand homes. “Such would have created greater movement in the market, benefitting new and existing homeowners, and would have had a knock-on effect in freeing up more homes for rental.”

On the increase by 1.5pc to 7.5pc in the rate of stamp duty on non-residential property transactions from midnight he said it would have a negative impact in country areas where the commercial market has not picked up. “In these areas this increase will merely add to a market already in difficulty.”

Mr Davitt said it was deeply disappointing that no effort was made to go any distance towards equalizing the situation between private and commercial landlords.

“Consequently, the existing drift of the private landlord from the market is set to continue and is likely to escalate. Latest figures from the Residential Tenancies Board (RTB) show the number of tenancies registered by private landlords fell by nearly 6,000, or 1.8pc, to 307,348 in 2018. Previous RTB figures for Q 3 2018 found there were 1,778 fewer landlords than three years previously and tenancies had declined by 8,829.”

He said many private landlords pay tax rates of 55pc on rental income and are also subject to Stamp Duty and Capital Gains Tax (CGT) on sales. Yet commercial landlords in the build-to-rent sector pay little or no tax. Investment in the private rented sector has become a deeply unattractive proposition for the private landlord, despite record high rents. Private landlords should be treated like other commercial and farming landlords who get write offs against tax for long term leases. This has proved very successful in the farm renting business and encourages farmers to rent longer term. It would help stem the flow of private landlords from the market.

Ends