

Thursday 11<sup>th</sup> August, 2022

## **CALL FOR MORTGAGE TERMS OF UP TO 50 YEARS TO AID HOME OWNERSHIP**

IPAV, the Institute of Auctioneers & Valuers, today called for mortgage terms to be extended for periods of up to 40 and 50 years to address the current situation where home ownership has effectively become the almost exclusive preserve of those on higher incomes.

In a pre-Budget submission to the Government the organisation also calls for an extension of the Help-to-Buy scheme for a further three years and that the scheme should have an income limit for qualification so that high income households, such as those earning over €250,000, no longer qualify for the scheme. The introduction of a €20,000 grant to enable first time buyers to purchase second-hand homes is also proposed, which could be funded with savings from the adjustment.

Speaking today Pat Davitt, IPAV Chief Executive, warned of the consequences of younger age cohorts no longer being able to aspire to home ownership.

“If the current situation is allowed to prevail it will have a massive adverse impact socially and economically,” he said. “And we are at the eleventh hour because this crisis has pertained since the beginning of the recovery from the financial crisis of 2008 to 2010.

“Aspiring home owners, particularly those on average incomes, have seen their ambition thwarted by a number of factors – the financialisation of housing on a global basis; a lack of supply leading to continually increasing house prices; over-zealous mortgage lending rules; a turgid planning process and a failure to support SME builders,” he said.

“That these young people are paying rents that are substantially higher than mortgage payments would be, in virtually every area of the country, is a terrible indictment of where we’re at, not to mention in many cases delaying decisions around family formation and being forced to live longer with parents and in-laws.”

Mr Davitt said all aspects of housing need to be brought together once and for all “to bring in a suite of sensible measures and stop the ever growing level of piecemeal initiatives and regulations that have had horrendous adverse consequences such as the flood of private non-institutional landlords leaving the market.”

Other measures recommended in the IPAV document include:

A common income tax rate of 25 per cent for both large and small landlords;

That rental income should not be treated as passive income only and landlords be allowed to fund a pension from such income and claim a tax allowance for same;

A reduction in VAT on new homes from 13.5 per cent to 5 per cent for at least five years (zero rate VAT applies in Northern Ireland and Britain);

Mortgage lending rules to be adjusted to enable those earning up to €60,000 to borrow 4.5 times income rather than the current 3.5 times income;

The introduction of a non-repayable €50,000 subsidy for first-time buyers of derelict homes.

The ESRI recently found that Ireland has experienced a marked drop in homeownership rates in recent years. This has been particularly acute for younger-aged households, with the share of 25-34 year olds living independently who own their own home more than halving between 2004 and 2019, falling from 60 per cent to just 27 per cent.

Ends