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For immediate release

## **AUCTIONEERS CALL FOR REDUCTION IN HOUSE BUILDING COSTS**

An urgent re-examination of house building costs to make house building a viable enterprise and lower the cost of home acquisition for consumers was called for today by IPAV, the Institute of Professional Auctioneers & Valuers representing almost 1,000 auctioneers nationwide.

Pat Davitt the organisation's Chief Executive said new building regulations introduced since 2007 along with the 13.5pc VAT rate "have contributed in a major way to making house building non-viable at current house price rates, particularly outside the capital, Dublin, although Dublin has its own set of new and deeply onerous and costly planning rules."

Pointing to a 2012 study by Walsh Associates for the Irish Home Builders Association which found the break even costs of the most sought after house type, a 3-bed semi-detached, including VAT at 13.5pc but without including the cost of site acquisition, to be €223,685.80, Mr Davitt said:

"The new building regulations introduced since then would have added to these costs. We need an holistic and urgent approach from government. Despite much hype surrounding house price growth in Dublin, the fact is that in the first half of 2014 there were only 15,688 residential property transactions, a mere 0.8pc of housing stock. And the latest [daft.ie](http://daft.ie) study shows that price growth was not maintained in the final quarter of the year. "

**He called for some positive incentives, such as "a reduction in the VAT rate" and "a continuation of the 7 year Capital Gains Tax exemption for residential homes bought outside Dublin", as some helpful steps forward to try to bridge the gap that has now arisen between the actual price of second hand homes and the cost of building new ones.**

"Such measures would give a badly needed boost to a property market that has not recovered sufficiently to make it viable for builders to build. And an increase in transactions, with a reduced VAT rate would generate better tax receipts for the government. But no one has all the answers on this. We need urgent consideration and action led by the government and involving all stakeholders."

Mr Davitt said IPAV members predicted what is now officially confirmed in latest CSO and [daft.ie](http://daft.ie) data, that 2014 was a year of two halves with the latter being very subdued and would likely have been more so had it not been for the CGT exemption for those who bought before year end and the sudden CBI announcement on LTV's..”

He said the market is in a very fragile state in many parts of the country where a three bedroom semi-detached house can be bought for €45,000. “Some of the provincial towns have fared better with 3 bedroom semi-detached houses rising from €100,000 to €140,000. This increase is 40pc but such houses would typically have been sold for €300,000. So a 40pc increase doesn't mean a lot, coming off a dramatically reduced figure in the first place and points to how percentage increases can serve to mislead rather than inform,” he said.

Mr Davitt said he had no doubt but that the Central Bank proposal to insist on 20pc deposits for most buyers had “shattered confidence in a market that was picking itself up from a steep, dramatic fall of between 60% in Dublin to as much as 80% in the country.” If implemented it would devastate the market in 2015 but it is to be hoped that sense will prevail. Such a measure should only ever be used on a temporary basis to calm an overheating market. “That is not where we are at now. The key issue now is certainty and trying to build confidence for the future. It is in the interests of all – consumers, auctioneers and policy makers – that we achieve a sustainable property market, not one subject to on-going volatility.”

And he said the airing of the Central Bank blanket proposal had created much uncertainty and gave a “confidence wobble to a market where battered consumers are still very uncertain about the horizon ahead. We need practical confidence building measures.”

He said if LTV (loan to value) restrictions are to be considered they should be confined to some very small pockets in Dublin as IPAV has suggested to the Central Bank and introduced very slowly testing and continuously measuring the impact. “Priority needs to be given to addressing the real problem, the shortage of property in Dublin and some other cities.”

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Further information:

Pat Davitt, IPAV CEO  
Mairéad Foley, Foley Ryan Communications

Tel. 086-2592976  
Tel. 086-2556764

**Note to editors:** IPAV is the only representative body in Ireland which solely caters for the professional and educational requirements of auctioneers and valuers practising throughout Ireland. Established in 1971, it has close to 1,000 members nationwide.