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AUCTIONEERS WELCOME NEW CONSTRUCTION LOAN SCHEME BUT SAY IT'S A DROP IN THE OCEAN

IPAV, the Institute of Professional Auctioneer & Valuers, has welcomed today's announcement of €60 million in construction loans by Initiative Ireland to build 250 family homes but said it's merely a drop in the ocean in comparison with what is needed.

Pat Davitt, IPAV's Chief Executive, said the lack of building finance at affordable rates of interest is and has been for a number of years one of the major impediments to residential house building.

"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 become risk averse since the financial crisis," he said.

He said State intervention on funding is needed if we are to get anywhere near building the numbers of houses needed to meet demand, which is estimated by Daft.ie to be about 50,000 units a year.

Mr Davitt said IPAV had, for the past four years, urged the Government, and would do so again for Budget 2018, to set up a special Builders Fund, akin to the cash flow loan scheme for farmers at interest rates of just 2.9pc through the Strategic Banking Corporation of Ireland. A similar builders' loan scheme could help control the end price of a house to the buyer.

"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 very 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," he said.

Ends

Note to editors: IPAV is the only representative body in Ireland which solely caters for the professional and educational requirements of auctioneers and valuers practicing throughout Ireland. Established in 1971, it has over 1,100 members nationwide. For further information log onto www.ipav.ie

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