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For immediate release

BUY-TO-LET ARREARS SET TO ESCALATE

A squeeze in the number of buy-to-let properties available in the market is likely to happen as many interest only arrangements reach finality and borrowers become liable for substantially higher repayments, IPAV, the Institute of Professional Auctioneers & Valuers warned today (Monday) in a submission to the Department of Housing, Planning, Community & Local Government on its rental strategy.

Pat Davitt, IPAV's CEO said many investors are now reaching the end of their ten year interest only period and will become liable for capital repayments in addition to interest. "For many of these landlords the unsustainability of their position will become evident and many will be forced out of the market with the loss of such properties to the rental market, unless a solution is found," he said. "This issue requires an immediate solution if the existing stock of properties is to be retained within the sector."

In its submission IPAV proposes:

- Equalising the treatment of residential property lettings as a normal business for tax purposes in the same manner as the commercial property sector- with immediate effect.
- Introducing tax incentives for landlords who agree to long-term tenancies of 5, 7, 10 and 15 years, greater than currently provided for in the so-called Part 4 tenancies under the Residential Tenancies Act 2004. Such allowances already apply in the Agriculture sector on long term farm leases.
- Extending the equivalent of the Rent-A-Room tax free allowance of €14,000 per year to all residential landlords to encourage them to stay in the business or to expand. This would result in housing stock that is already built being utilised.
- Excluding USC or at least a large percentage of it from rents.
- Ensuring European style long term fixed mortgages are available to landlords of under 2% for 20 years.

IPAV says there is a serious problem with the social housing situation. Existing schemes are clearly not effective enough to sort out the immediate crisis and achieve the government's objective of creating a more sustainable housing system and promoting greater social solidarity.

"The number of people on the local authority housing list and the trend in the list is suggestive of market failure that warrants more proactive government intervention," the submission says.

IPAV is proposing a scheme called Rent-To-Buy Social Housing Scheme (RTBSHS). Under this Local Authorities would purchase property at open market value from private owners on a Rent-To-Buy Scheme; the Local Authority and the property owner would agree a selling price; the Local Authority would agree to pay the seller the equivalent of a mortgage, principal and interest on a monthly basis over a period of time to be agreed with the seller.

Over the same term as the mortgage agreement the Local Authority and the owner would both sign a rental agreement at market rent, minus 10%, with a CPI built in over the term. The rent would be paid monthly to the owner.

The seller of the property would be given full tax relief on the money received for rental purposes, along the lines of the forestry tax allowance. This would provide an incentive for the owner of the property to engage in the transaction.

IPAV says the advantages of such a scheme is that it would increase the supply of social housing and reduce the waiting list; the Local Authorities would own the property at the end of the agreed term with the seller; reluctant and non-compliant landlords would be able to effectively exit the market and there would not be negative cash flow implications for the Local Authority which would not have to come up with the purchase price in the beginning. It would also help to get some of the many vacant houses back into occupancy and it would provide in many cases an immediate solution.

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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