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CENTRAL BANK CHANGES WILL BOOST MARKET – IPAV

Responding to the changes to the Central Bank mortgage lending rules announced today, IPAV, the Institute of Professional Auctioneers & Valuers, said they would give a definite boost to the housing market, even though they don't go far enough in some respects.

Pat Davitt, Chief Executive of the body which represents over 1,100 auctioneers and valuers said: "Today's decision is welcome in that it removes an excessive and unnecessary impediment for FTBs (first-time buyers). It will be particularly relevant in Dublin and other urban centres where prices are higher and aspiring purchasers have been disproportionately impacted."

He said a FTB buying a home for €350,000 would now need a deposit of €35,000 under the adjusted rules instead of €48,000 heretofore. "That's a substantial difference," he said.

IPAV was one of 11 organisations which recently commissioned Behaviour & Attitudes to undertake an in-depth study on the impact of the Central Bank lending restrictions. It found that 71pc of both first-time buyers and movers were impacted by the rules, the vast majority negatively. The study found that it typically takes 6 years and 6 months to save for the deposit needed to purchase a home.

Mr Davitt said it was regrettable that no improvement was made in the rules to assist non-FTBs who find it difficult to save a 20pc deposit, or on the LTI (loan-to-income) threshold in Dublin where house prices are strongest. "This is a process and the Central Bank has shown that measures can be changed up or down, such reviews are well worthwhile to keep up with market trends."

However, he welcomed the increase from 15pc to 20pc in the value of new lending above the 80pc LTV to be allowed to second and subsequent buyers for primary residents, and the 5pc of new lending above the 90pc LTV for FTBs.

But he said policy makers and regulators are still not getting the deeply interconnected nature of housing and homelessness. "If second time buyers are enabled to move on their current homes become available to FTBs. And if the Government's Help-to-Buy scheme were extended to include second hand homes it would help to ramp up supply by giving a confidence boost to builders and developers."

However, he said the issue of building costs and other impediments to supply need to be urgently addressed by the Government.

Mr Davitt predicted that the price of second hand homes in the country will continue to increase until they reach the level at which new homes are selling and before there will be a properly functioning property market.

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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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