

MORTGAGE LENDING RULES HAVE STAGNATED MARKET AND IS NOW CHOKING IT – SURVEY

AUCTIONEERS TELL CENTRAL BANK FOLLOWING NEW SURVEY

A new survey measuring the impact of the Central Bank mortgage lending restrictions has found the rules, now in place for just over 18 months, have led to stabilisation in property prices initially, followed by stagnation and latterly a downward trajectory.

The study by IPAV, the Institute of Professional Auctioneers & Valuers, as part of its submission to the Central Bank ahead of Wednesday's consultation deadline was undertaken among Dublin and Leinster auctioneers. It found:

Over 97% of Dublin auctioneers and over 87% in Leinster excluding Dublin believe the Central Bank rules have impacted market activity in their area.

Over 46% in Dublin say that both first-time buyers and second-time buyers have been impacted equally, while over 42% in Leinster believe first time buyers have been most greatly impacted.

Over 56% of Dublin auctioneers said providing the necessary deposit was the most significant impediment to potential purchasers, and this was echoed by over 48% in Leinster. Followed closely, at 46% and 45% respectively, is the loan-to-income ratio of 3.5 times' gross annual income, acting as a significant impediment.

The survey finds that well in excess of half had instances of prospective purchasers withdrawing their interest from a property directly arising from the regulations. Over 57% of Dublin auctioneers and 69% in Leinster reported that between 1 and 10 prospective purchasers had withdrawn their interest.

Significantly, 46% of Dublin agents said they do not have properties available in their area for sale within the €220,000 threshold, while 86%, mostly in commuter counties, have some properties available at this level.

The survey shows property values have stabilised and are now decreasing in many areas. In Dublin 56% of auctioneers said the Central Bank rules have led to a drop in prices while 41% of Leinster agents outside Dublin agree.

IPAV says while the rules have succeeded in stabilising property prices, limiting market exposure to the highs and lows of the past, because of their severity they have also forced would-be purchasers into renting for longer or moving from cities to suburbs to buy.

IPAV warns that for those in their 20s and 30s particularly who cannot meet the current lending requirements at a time of low interest rates, very low inflation and reduced property prices the rules may "cost them dearly in terms of their personal wealth."

Pat Davitt, IPAV's Chief Executive said a great deal more rental properties were needed but said it would be "deeply unwise" to adopt a policy of encouraging rental in preference to buying. Such a system would "see vulture and other such funds who when they have gained a dominant market position readily dictating rental prices. In a country of less than five million people such could happen quicker than many realise. It would be a very undesirable situation. And if we're not careful and sufficiently balanced in the policy responses the wrong emphasis in this direction could deliver the Trojan horse of 21st century Ireland," he warned.

In its submission to the Central Bank IPAV summarises the critical issues arising from the current macroprudential rules, points to its latest research, along with other relevant research in the area and sets out proposed amendments to the rules as set out below.

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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