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Professor Philip Lane,
Governor,
Central Bank of Ireland,
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Dame Street,
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30th August 2016

Re: Call for Evidence Based Submissions on LTV and LTI Regulations

Dear Governor,

We wish to make our evidence-based submission herewith on the Loan-to-Value and Loan-to-Income Regulations in line with your recent invitation to do so, for which we thank you.

We respectfully suggest that it would be beneficial to slightly adjust the regulations in certain respects in order to ameliorate the adverse effects they are having on the housing market, the economy and peoples personal circumstances. We believe the changes which we propose would not weaken the overall desirable protective elements of the regulations.

In support of our submission we attach a copy of a detailed quantitative survey titled 'Impact of Central Bank Rules on the property market - August 2016' which was co-commissioned by 10 parties including Hooke & MacDonald. The survey was carried out by Behaviour & Attitudes. It is a survey of existing homeowners and prospective buyers, with responses from over 1,000 parties, which gives a unique insight into the effect that the regulations are having on prospective homebuyers.

The survey provides a number of interesting findings caused by the regulations, including the following:

- 71% of first time buyers are affected by them, the vast majority negatively.
- 47% of respondents are hoping to buy a home for €300,000 or less, with 23% between €300,000 and €400,000, 31% €400,000 plus.
- The problems posed by the regulations in relation to the size of deposit required is proving to be a major deterrent for most first time buyers, especially in Dublin.
- 65% of first time buyers will rent while saving for a deposit.
- 24% of respondents were relying on a gift from parents or other family members in order to raise the deposit.

The impact of the regulations include:

- A high social and economic cost to the regulations with a significant number of people having to move long distances from their places of work and families to areas of lower amenity, poorer transport and infrastructure.
- Recent Daft.ie and Myhome.ie reports on house prices show that prices are rising faster in Kildare, Meath and Wicklow than heretofore, at a time when they have stabilised in Dublin, due to the fact that people are being forced out of Dublin into surrounding counties as a result of the regulations.
- Price inflation has moved from the sales market in Dublin to the rental market largely as a result of the regulations.
- Renters who are saving for deposits have to contend with the inflationary effect of the regulations, which limits their ability to save while paying market rents.

Proposals

- It is clear that Dublin needs to be treated differently from the rest of the country. Being a capital city prices are inevitably higher there, with the majority of homes being in excess of €300,000. The concept of treating different locations with different rules has already been acknowledged in the U.K. market and this treatment works well there.
- We suggest that, in respect of Loan-to-Value, that 90% would be allowed on purchases up to €350,000 for first time buyers in Dublin and 85% on purchases between €350,000 and €400,000; 85% LTV for non-first time buyers up to €350,000. The €220,000 limit should be raised to a minimum of €350,000.
- Regarding Loan-to-Income, it would be beneficial if this was increased from 3.5 to 4 times salary.
- Allowing investors to borrow 80% would help boost demand and supply in the rental market and help moderate rental levels.

We believe that the above tweaking of the regulations would be very helpful in restoring order to the current dysfunctional housing market, while at the same time keeping the thrust of the regulations as robust as is required.

I would be glad to discuss the matter with you or your colleagues at any stage, if you felt it would be worthwhile.

Yours sincerely,



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