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Clerk  
Special Committee on COVID-19 Response  
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Dublin 2  
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cc. [covid19@oireachtas.ie](mailto:covid19@oireachtas.ie)

5 June 2020

Dear Ms Fallon,

The Institute of Professional Auctioneers & Valuers (IPAV) wishes to thank the Special Committee on COVID-19 Response for the opportunity to submit its views. Since the lockdown began, IPAV has fully supported the Government in its efforts to suppress the virus and wishes to thank everybody involved for their work in the most challenging of circumstances.

In this regard, IPAV communicated all relevant guidelines and information from both the Government and the HSE to its 1300 members nationwide. In addition, the Institute set up a special COVID-19 information page on its website [www.ipav.ie](http://www.ipav.ie) and provided as much assistance as possible to members to help them get through the pandemic.

IPAV has also instigated and played a major role in the drafting and circulation of the Joint Sector Protocol for Property Services Providers which gives guidance to those working in the property services sector on how they can safely engage with clients and members of the public.

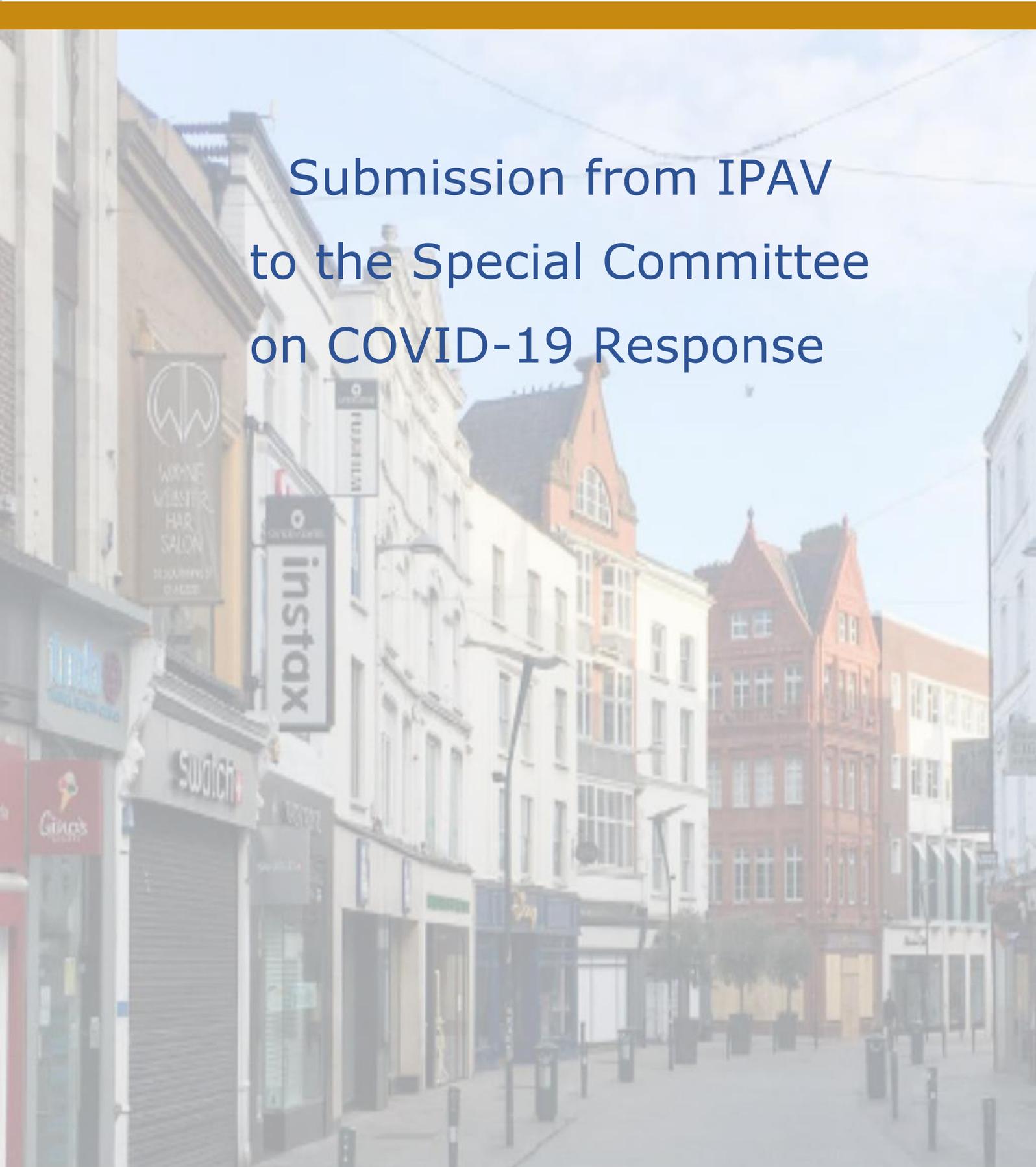
Attached please find a brief submission on relevant actions IPAV feels the Government should now take in regard to the property industry as it maps an exit route from the restrictions.

Again, my thanks for the invitation to make a submission and both myself and members of IPAV's management team are available to provide clarification on any of the items listed.

Yours sincerely



Patrick Davitt FIPAV REV MMCEPI  
CEO IPAV



Submission from IPAV  
to the Special Committee  
on COVID-19 Response

## Contents

<b>Submission from IPAV to the Special Committee on COVID-19 Response</b> .....	2
<b>1. Introduction</b> .....	2
1.1 The Institute of Professional Auctioneers and Valuers (IPAV).....	2
1.1 The Housing Market.....	2
<b>2. General measures</b> .....	3
2.1 National Property Advisory Council .....	3
2.2 Reduction in VAT .....	3
2.3 Central Bank Guidelines .....	4
2.4 Home Building Finance Ireland (HBFI) .....	4
2.5 Help-To-Buy Scheme .....	5
2.6 Enhancing the Environment.....	6
<b>3. Specific measures for estate agents</b> .....	7
3.1 Existing Scheme.....	7
3.2 Commercial Rates Waiver .....	8
3.3 Clarity of COVID-19 Wage Subsidy Scheme .....	8
3.4 Extension of COVID-19 Wage Subsidy Scheme.....	8
3.5 Restart Grant.....	8
3.6 Trading Online Voucher .....	8
3.7 Stamp Duty.....	9
3.8 Revenue .....	9
3.9 Banks and Finance Houses .....	9
3.10 Rents and Leases .....	9

# Submission from IPAV to the Special Committee on COVID-19 Response

## 1. Introduction

### 1.1 The Institute of Professional Auctioneers and Valuers (IPAV)

IPAV was established in 1971 as a representative professional body for qualified, Licensed Auctioneers, Valuers, Estate Agents and Valuers. It is the only Irish representative body catering solely for the professional and educational requirements of Auctioneers and Valuers. IPAV currently has in excess of 1,300 members nationwide and one of its primary objectives is to protect, advance and promote professional standards and competence among its members.

IPAV operates a comprehensive system of professional education and development for existing members and for those wishing to enter the profession. IPAV introduced the international 'Blue Book' European valuation standards to Ireland in 2013. The standard is recognised by the Irish Central Bank and the European Central Bank. It holds default status over other standards throughout the EU in the event of a valuation conflict arising.

One of IPAV's main aims is to work with policymakers and other stakeholders to try and influence the development of a sustainable property market where people can buy, sell or rent properties according to their needs.

### 1.2 The Housing Market

It is still too early to make any definitive predictions as to the medium to long-term effects of COVID-19 on the property market. Initial indications from IPAV members are that a percentage of sales have fallen through, in other cases prices have been renegotiated downwards and a number have been completed at online auctions. Some commentators suggest the market could drop by as much as 20pc, that sales figures could drop by as much as 40/50%, new home completions could drop by as much as 30/40%, while other commentators have indicated that new homes could increase due to Covid-19 procedures by as much as €10 to €15,000 a house. If such predictions were to transpire, they would mark complete devastation of the market, since we have already experienced a market correction of up to 20pc in Dublin prices and we are still over 22pc below the highs of 2006.

Only 52,000 sales were reported on the Property Price Register for 2019 and it looks like the corresponding figure for 2020 will be of the order of 40,000. Obviously, if the market were to fall by 20pc it would put a lot of jobs at risk as it would mean sales commissions which are percentage based would also decrease by 20pc. Between having no income for 3 to 4 months, having to pay staff and withstand a decrease in commissions, agents simply could not sustain this in an already very tough business environment and there would be business closures on a large scale.

A survey by the property portal MyHome.ie published in *The Irish Times* on 02/06/2020 found that almost seven out of 10 prospective buyers are still planning on buying a new home in the next year despite the interruption to the market as a result of the coronavirus pandemic. However, 37pc of those surveyed believe prices will reduce by over 10pc in the next year. While virtual viewings have become increasingly popular and are now available from most estate agents, it is IPAV's firm view that the majority of buyers will, nevertheless, still wish to view a property before committing to a purchase.

The pandemic looks set to have a downward impact on rents, particularly in the cities, which is welcome. Property portals such as Daft.ie are now carrying vastly increased numbers of properties, many which appear to have come from a heretofore below-the-radar AirBnb market. This should have a positive effect in easing the housing crisis and in enabling more people to access badly needed accommodation. When the tourist industry gets back in operation this may well change again depending on restrictions.

## 2. General measures

IPAV wishes to propose the following general measures to help the property market emerge from the recession:

### 2.1 National Property Advisory Council

IPAV has long advocated for the creation of a National Property Advisory Council. The aim of the Council would be to pool the advice of all elements in the industry and garner its collective expertise to help inform the future of the industry in Ireland. This Advisory Council which would be Government-led, would comprise experts from a variety of different fields across the sector. It would provide regular reports and advice on issues such as planning, density levels, building standards, supply/demand issues, building costs, property prices and the rental market.

Crucially, it would have a strong propensity to guard against solo runs or knee-jerk reactions that may address one or two urgent problems now but fail to address the medium and long-term sustainability issues of the Irish property market or create unintended consequences.

**IPAV proposes the setting up of such a Council.**

### 2.2 Reduction in VAT

IPAV has long supported the view put forward by many in the construction sector that a reduction in VAT is another essential ingredient in helping to reduce the price of new homes. In the context of the current mortgage lending rules, the cost price rather than tax rebates determines whether a person can qualify for a mortgage. There is currently no VAT on housing in the UK and Northern Ireland.

As the current restrictions are eased, IPAV believes that a reduction in VAT on housing would now provide a major impetus in reducing the price of houses and increasing the affordability for many would-be purchasers. The total tax-take on a new house is estimated to be

somewhere in the region of 40-45pc of the cost of the property. All such charges are paid upfront and in full by the house-buyer and are impacting affordability. Indeed, for mortgage backed properties the borrower must pay interest on such charges for most of the life of the mortgage.

**IPAV proposes that the VAT level on construction should be reduced to the lower 9pc rate as a matter of priority by the new government as legislation will be necessary.**

### 2.3 Central Bank Guidelines

The main impediment for young people and first-time buyers in accessing new homes arise from the Central Bank of Ireland (CBI) rules on mortgage lending. The measures introduced under Section 48 of the Central Bank (Supervision and Enforcement) Act 2013 are designed to work on two levels, one restricting loan to value so that a bigger deposit is sought and the second restricting the loan to income to 3.5 times gross income. First-time buyers can borrow 90pc on properties valued at €220,000 or less and 80% on any excess value over this amount.

In November 2017 following a review, the CBI made some minor changes to the guidelines which came into effect from 1 January 2018. However, the core elements that most first-time buyers (FTBs) can generally borrow up to 90pc of the value of a property, with a limit of 3.5 times their incomes, remains. This means a couple earning €50,000 could be renting a 3-bed semi-detached for €1,200 per month, if they were allowed to borrow 4.5 times their salary they could buy the same property and have a mortgage of €1,000 a month fixed for the first 10 years of the mortgage.

As part of the national effort to grow the economy again after the pandemic, the Central Bank should be strongly urged to adjust these guidelines for earners in the lower income cohort of up to €50K to 4.5 times their income. This would give them an increased possibility of owning a home and hence also helping the rental situation as most of these FTBs will be moving from rental accommodation.

**IPAV proposes that the CBI should increase the LTI up to 4.5 times for earners up to €50k**

### 2.4 Home Building Finance Ireland (HBFI)

The ongoing non-availability of appropriate development finance for commercially viable residential projects has been identified as a key contributory factor in the ongoing shortfall in residential supply. While traditional banks are providing senior debt finance for residential development, the number of active lenders in Ireland has reduced from 12 a decade ago to three today. The risk appetite among the remaining banks in funding residential development is more conservative and significantly reduced from the unsustainable and reckless levels seen in the period leading up to 2008. While a few alternative lenders have entered the Irish market to satisfy some of the excess demand, it is estimated that the scale of provision by both the banks and these lenders continues to be well below that required to fund the estimated 20,000 to 25,000 annual shortfalls.

Several recently introduced Government-backed schemes including the Help-to-Buy grant and the Home Loan scheme have helped to get more people onto the property ladder but there is still a huge lack of housing finance at reasonable cost.

HBFI has €750m to loan to small and medium-sized builders/developers and it is hoped to provide 7,500 units over a five-year period. However, the rate of interest being charged is excessive, between 5pc and 8pc, depending on the risk profile of the project. Such rates make it unviable for SME builders and favour the large capital backed builders. It is hard to understand why such rates are being charged when the rates at which banks can borrow funds are extremely low – close to zero per cent. It amounts to State facilitated profiteering by lenders and displays a deep lack of understanding of the needs of SME builders in particular.

After a very lengthy incubation period, Home Building Finance Ireland (HBFI) finally got off the ground in 2019. Recent enquires by IPAV confirmed that a small number of applications have now been approved, which will build 228 units when some of the first loans are drawn down from this fund. However, we must ask how effective it will be with interest rates at 8pc.

I am aware there are 2 new schemes launched by the HBFI recently to finance sites with units from 5 to 300 and also a fund which can address any shortfall in finance from the Pillar banks which could be of great benefit to existing projects for larger builders. However, the Interest rate and the in and out fee of 1% each way is still a problem to pay back and adding to costs.

IPAV proposes there should be a two-fold effect through this scheme, firstly, making finance simply available to SME builders who are finding it impossible to source finance, and secondly, making it cheap enough at interest rates from 2% so not to add to the end cost of the house as it is the end consumer, the FTB, who pay all such costs.

## 2.5 Help-To-Buy Scheme

The Help-To-Buy scheme announced in Budget 2017 was due to end on 31 December 2019 and IPAV greatly welcomes the decision that this scheme is now extended for a further two years. IPAV believes the scheme was a great initiative and has helped many get on the property ladder. The Help-to-Buy incentive for FTBs provides for a refund of Income Tax and DIRT paid over the previous four tax years, limited to a maximum of 5pc of the purchase value up to a value of €400,000. The refund is capped at €20,000.

While initially the scheme was confined to new homes to act as an incentive to home building, much has changed with many new challenges arising from the Covid-19 pandemic, and there is now a compelling logic to its extension to include second-hand homes which can be bought cheaper than new homes. (IPAV has recently written to the Minister for Finance in this regard).

Many first-time buyers (FTBs) now face the prospect of reduced income for a period of time, making it very difficult to reach the already high threshold of 3.5 times income under the Central Bank macro prudential mortgage rules.

Covid-19 has also had the impact of lenders adopting extreme risk averse positions, including dispensing with exemptions to the rules, which were allowed.

New homes are now selling at between €250k and €300k. However, there has been a warning from the CIF that due to Covid-19 requirements, the cost of a 3-bed semi could increase by another €15,000. This would simply put the prospect of owning a new home outside the reach of very many FTBs.

However, all over the country there are broadly similar second-hand homes available for much lower prices, typically €170k to €250k. In general, prices for 2nd hand houses, prior to Covid-19 and still are below construction/replacement cost and therefore were mainly capped by borrowing capacity of purchasers (due to CBI macro prudential rules). There is a good supply of stock in this price bracket. FTBs could be incentivised to purchase these second hand-properties, even if the full tax relief is not available.

Home ownership is critically important to the growth in personal wealth over the long-term. This is particularly so in an Irish context where our system is based on the assumption that people will own their own homes by retirement age as social policy analyst, Professor Tony Fahey of UCD, amongst others, have pointed out. It would be a deep tragedy from both a personal and societal point of view if prospective FTBs whose home owning ambitions were stymied arising from the financial crash of 2008 were to be further disenfranchised by the fallout from the Covid-19 pandemic.

**IPAV proposes that the FTB grant be extended to take in second homes either the full or even on part grant.**

## 2.6 Enhancing the Environment

There is now an onus on all sectors of society to play their part in protecting the environment. IPAV is keen to play its part, too. Increasing emphasis is being placed on the BER ratings of properties both for sale and for renting. As part of making the public conscious of the importance of BER ratings in building, IPAV is proposing that when property sale prices are published on the website of the Property Services Regulatory Authority, they should also show the BER rating of the property so that people can see the difference in price when a higher rating is achieved. This would be a simple step which would make a significant contribution to enhancing the environment. Furthermore, to help restart the construction industry, a new suite of measures aimed at upgrading existing homes and improving their BER rating should be introduced.

From a Government perspective, cutting emissions is a must. Our international European partners, TEGoVA, The European Groups of Valuers' Associations, says it now looks likely that the fallout from the Covid-19 pandemic will boost EU regulation of the complete decarbonisation of the building stock by 2050 and 55pc decarbonisation by 2030.

This implies a step-change in renovation and connection to clean power, starting right away. Under EU law, each member state must submit to the Commission an Integrated National Energy and Climate Plan coupled with a Long-Term Renovation Strategy (LTRS) explaining overall, and in building stock specifically, how the country is going to reach EU targets. Ireland

is already late with these plans. Meanwhile, the European Commission's *European Semester 2020 Ireland Report* notes that the government announced a plan to retrofit 500,000 homes with increased energy efficiency and to install 600,000 heat pumps. But to date there are no details of how the scheme will operate or how it will be financed.

Ideally, we should immediately commission BER ratings for our entire stock of 2.2 million residential units and register them on the National BER Register. As an incentive, homeowners could be allowed to claim the cost of their BER survey against property tax for 2021. This would give the Government the fullest picture as to what measures are required. The information would also show what buildings will be fully compliant by the 2030 deadline, now only 10 years away, and the 2050 deadline for decarbonisation.

**IPAV proposes immediately to include BER ratings on the PPR, also to complete a BER rating for every home in the country to be able to take advantage of European funding leading to decarbonisation in 2050.**

### 3. Specific measures for estate agents

The offices of auctioneers and estate agents have now been closed since the 20th of March in line with government guidelines. Estate agents have been badly affected by the closure of the economy and are struggling to survive. Property sales are taking some three months to close and hence sales commissions takes approx. three months to come through the system. Up to now many offices are surviving on sales completed in the earlier part of the year. So, once agents return to work it will take another three months to build back up and generate some income. All this time offices are going to have to pay their staff. Many simply do not, or will not, have the money to do this. We now have one month before we enter the traditional summer season when property sales slow-down so it will likely be October by the time many offices will have re-established a pipeline of work and commissions again, assuming the fallout from the pandemic is not too severe. They will need the Covid-19 payment to continue in some format if they are to take back staff and pay them. Any financial aid must be given as quickly as possible to avoid permanent closure in many instances.

**IPAV wishes to propose the following specific measures to help auctioneers and estate agents re-open their businesses and keep them open. Basis criteria would need to be set up to draw down any of the following grants or subsidy to auctioneers, valuers and estate agents, they should be the holding of a current valid licence from the Property Services Regulatory Authority (PSRA).**

#### 3.1 Existing Scheme

Ensure all current COVID-19 support measures continue to at least the end of October. They should be easy to access, and any financial aids should be paid out quickly and as efficiently as possible with a minimum of paperwork and bureaucracy.

### 3.2 Commercial Rates Waiver

Commercial rates were being waived for a three-month period beginning on 27 March 2020 for businesses that were forced to close due to public health requirements, this measure be extended to the end of 2020 for estate agents and all SMEs.

### 3.3 Clarity of COVID-19 Wage Subsidy Scheme

As previously outlined, auctioneers and values will not see a decrease in their turnover until at least Q3 or Q4 due to their pipeline of fees coming from sales already completed in Q1. The scheme refers to the likely reduction in turnover of 25% or more, this is a reduction in expected turnover for Q2, 2020, or on any other basis that is reasonable. It would be very helpful if, *any other basis that is reasonable*, was clarified. There is concerned here if the Q2 requirement is not met members may not be eligible to participate in the scheme, when their income in the following two quarters or for the year end will be down by 25% and possibly much more.

### 3.4 Extension of COVID-19 Wage Subsidy Scheme

It is estimated that each estate agent employs on average three people with an estimated 20,000 – 25,000 people employed in the sector. Therefore, IPAV recommends the extension of the COVID-19 Wage Subsidy Scheme, operated by Revenue, until end of October 2020 to allow employees, whose employers are affected by the pandemic, to receive significant supports directly from their employer through the payroll system.

### 3.5 Restart Grant

Business owners are the real losers from the Covid-19 pandemic as they have been asked to close their offices for months with no form of Government subsidy while they still must pay other costs and continue to keep their businesses afloat.

Estate agents should be given immediate access to the new €250m Restart Grant, or similar, which provides direct grant aid to micro and small businesses to help them with the costs associated with reopening and re-employing workers following COVID-19 closures. This money is needed for the adaptation of offices to meet the new guidelines, PPE, sanitisation measures etc.

There is a grant based on Rates payments for 2019 of between €2k and 10k. This is a welcome benefit and from what IPAV has observed, it is relatively easy to access. IPAV believes these grants should be €5,000 to €50,000 per office and made available as soon as possible. Allocation should be based either on the number of people employed, or on turnover.

### 3.6 Trading Online Voucher

The Local Enterprise Office Trading Online Voucher is a government grant scheme, designed to assist small businesses with up to 10 employees. It offers financial assistance of up to €2,500 along with training and advice to help the business trade online. Businesses that have already received a Trading Online Voucher can now apply for a second voucher, where

upgrades are required. IPAV recommends that estate agents be given a high priority for accessing these grants as the majority have or are planning to upgrade their online technology. Paperwork and bureaucracy should be reduced to a minimum.

### 3.7 Stamp Duty

Stamp Duty was increased to 7.5pc in last year's Budget. At that time IPAV proposed and wrote to the Minister for Finance suggesting there should not be a blanket increase from 6% to 7.5%. We proposed a tiering of the new rate and retaining the 5% on sales up to €500,000 as commercial property prices right throughout the county have never recovered, since the 2008/2014 period putting more pressure on sales. IPAV now believes, given the added shock and devastation caused by the pandemic, the issue is more critical than ever. We again propose that the rate of Stamp Duty be tiered. The increase in Stamp Duty is also impacting on land sales. The recent Irish Farmers' Journal land report found that land parcels offered for sale from March 2019 to March 2020 were down by 20%. This is a very significant decrease and a real need for immediate action and Stamp Duty is part of that action required. Purchasers are requesting that Vendors pay part of the stamp duty which of course they are not willing to pay. Between stamp duty, fees and VAT, it costs a further 10% to purchase a commercial property including land.

### 3.8 Revenue

The warehousing of tax liabilities for a twelve-month period will help agents and all small business with cash flow, it is only a short-term solution to what looks like a long-term problem. There should be forbearance from the Revenue on all small business until at least the end of 2020.

### 3.9 Banks and Finance Houses

The biggest factor in any potential price alterations post Covid-19, will be the lending and underwriting policies of Mortgage lenders, e.g. their attitude to borrowers who were in receipt of the COVID-19 €350 payment temporarily or whose employers are availing of the wage subsidy scheme. It was a great help to business the forbearance scheme to for the initial 3 month and now for a 6-month period however this should be extended to year end 2020 to give business a chance to get up and running again.

### 3.10 Rents and Leases

Many agents who are tenants simply don't have the required rent to pay landlords to keep premises open, and indeed many agents who are landlords are again in the same situation as they can't afford to write off rents on an on-going basis. There should be a national rent fund scheme so Tenants and Landlords can draw from to enable them to continue trading and these loans could be paid back over a three to five-year period at a minimum interest rate of 1% as business starts to get up and running again. I am aware under state aid rules that European Commission have approved a €184 million rent compensation deal to support retail and service companies in the Czech Republic. The support will cover 50% of the original rent for April, May and June on the condition that landlords take a hit of 30%. This type of scheme could be reviewed in agreement with the Irish Government.

IPAV

*'The Voice of Auctioneers and Valuers In Ireland'*

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