



Impact of Central Bank rules on the property market

Quantitative Research
August 2016

Prepared for:

IBEC, IPAV, BPFi, SCSi, CIF, IBA,
IMB, AEMA, DNG, Hooke &
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Introduction

- Under Section 48 of the Central Bank Act of 2013, more restrictive rules have been introduced on mortgage lending to potential home buyers.
- These rules state that first time buyers are now required to raise 10% of the first €220,000 and 20% of the remainder, while non-first time buyers are required to raise 20% of the total value of the property.
- The 11 Companies / Organisations listed below believe these rules are severely impacting the sales of houses and apartments.
- Professor Philip Lane, the governor of the Central Bank, has indicated he may review these restrictions in Summer 2016, but that any such change will need to be supported by submissions with a “high evidential threshold”.
- Behaviour & Attitudes was approached by the 11 Companies / Organisations listed below to conduct a survey of potential home buyers as a basis for a submission to the Governor.
- This report outlines the findings of that survey and the questions in this report are displayed in the order they were asked.



Research Methodology

- The research was conducted using an online survey methodology.
- As the agents hold a wealth of active leads, it was agreed that the survey be sent to these contacts for completion. In compliance with the requirements of Data Protection legislation, the agents received survey links from Behaviour & Attitudes and sent these on to members of their own databases.
- Behaviour & Attitudes hosted the survey platform, but at no point received personal details/contact information for respondents.
- It must be noted that respondents were contacts of three different agencies: Hooke & MacDonald, DNG and Irish Mortgage Brokers.
- No weighting was applied to the data resulting from the survey.
- The fieldwork was conducted between 22nd July and 4th August, 2016.

Headlines



Headlines

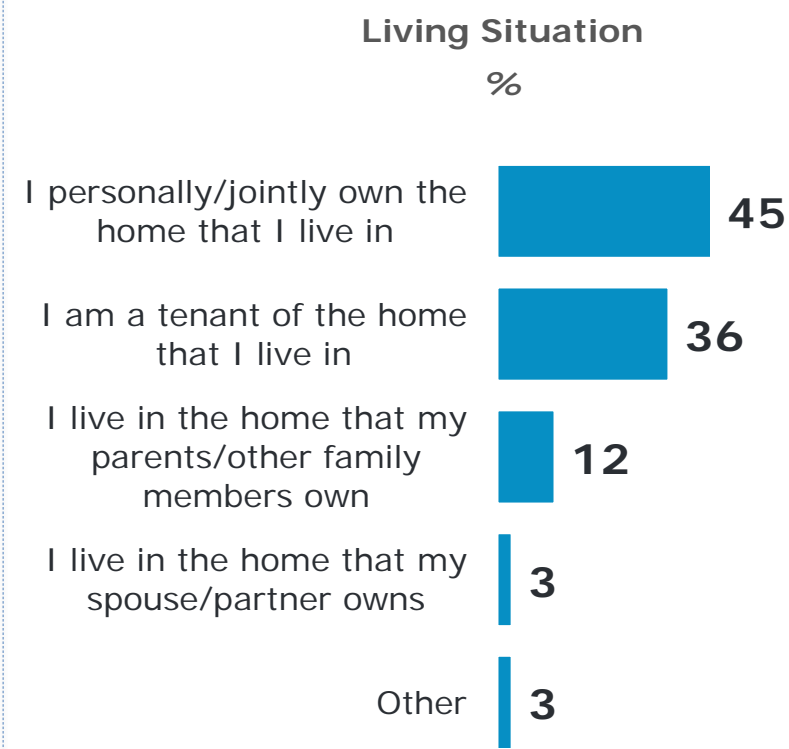
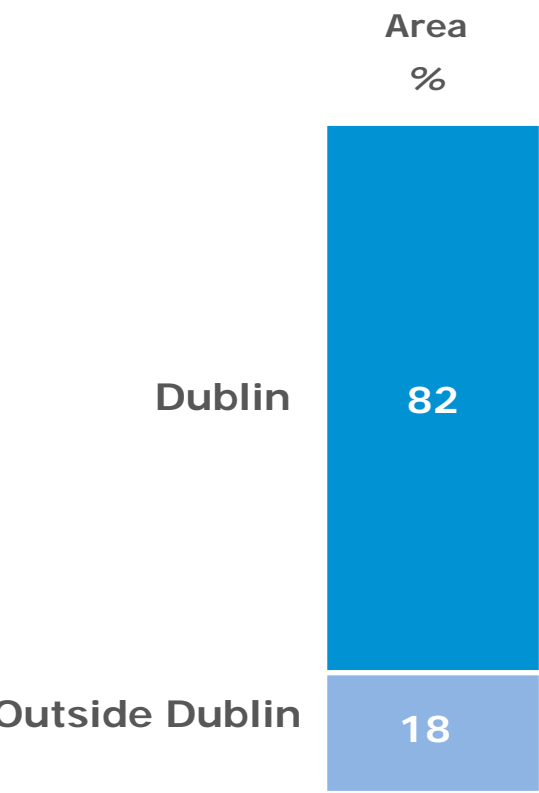
- 4 out of 5 were aware of the Central Bank's new rules in relation to deposits/income limits.
- 71% of both FTBs and movers are impacted by them, the vast majority negatively.
- Those yet-to-save envisage a six-year process; existing savers tend to have been two years saving already and imagine a further two years of saving still ahead of them.
- 47% are considering purchasing a home for €300,000 or less, with 23% between €300,000 and €400,000 and 31% @ €400,000 plus.
- 35% spontaneously referenced deposit size as a negative influence (as many as mentioned "high prices"). 44% of FTBs referenced deposit size negatively.
- 42% acknowledge that they will need to borrow from family ... a quarter of intending buyers are already factoring this in.
- 52% have excluded the area where they actually want to live on the basis of unaffordability.
- Many are endeavouring to save while paying out high rents: 2 in 3 are thus impacted, and a knock-on effect on higher rents seems inevitable.
- The social cost is high, with many moving away from family networks and to areas of lower amenity or infrastructural inappropriateness (poorer transport, childcare facilities, schools, roads, and further from work.) 2 out of 3 are having to look more than 6kms from where they would like (and 3 in 10 more than 15kms).

Profile of Sample



Profile of Sample

Base: All potential house buyers surveyed – 1,072



Level of interest in purchasing a home	
	%
I am currently in the process of purchasing a home	28
I am currently saving to purchase a home	27
I am interested in purchasing a home	44

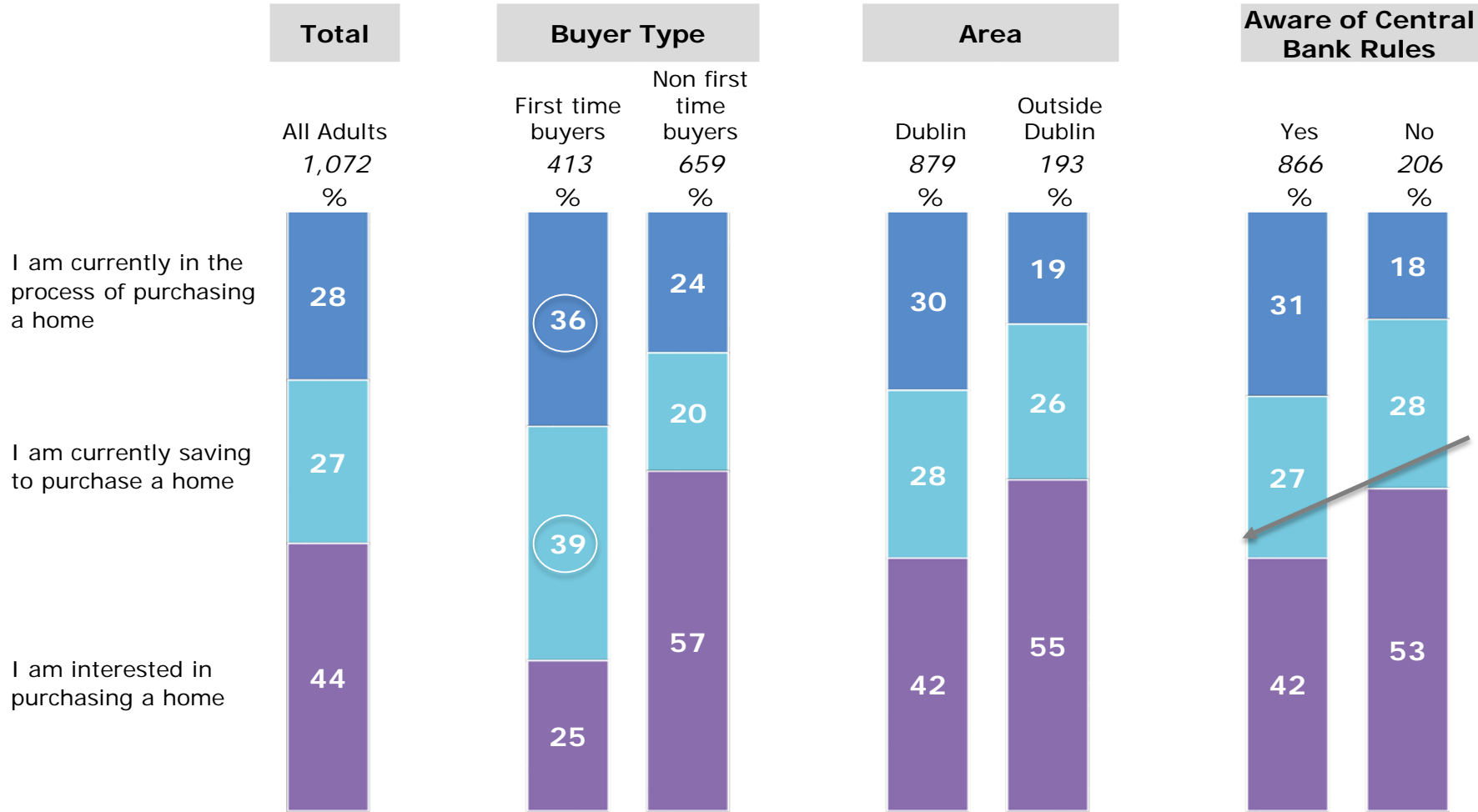
The vast majority live in Dublin. Less than half own a home already.



Q. County
 Which of the following is applicable to your living situation?
 How interested or uninterested would you say that you are in buying a home in the next 5 years?

Market Involvement

Base: All potential house buyers surveyed – 1,072

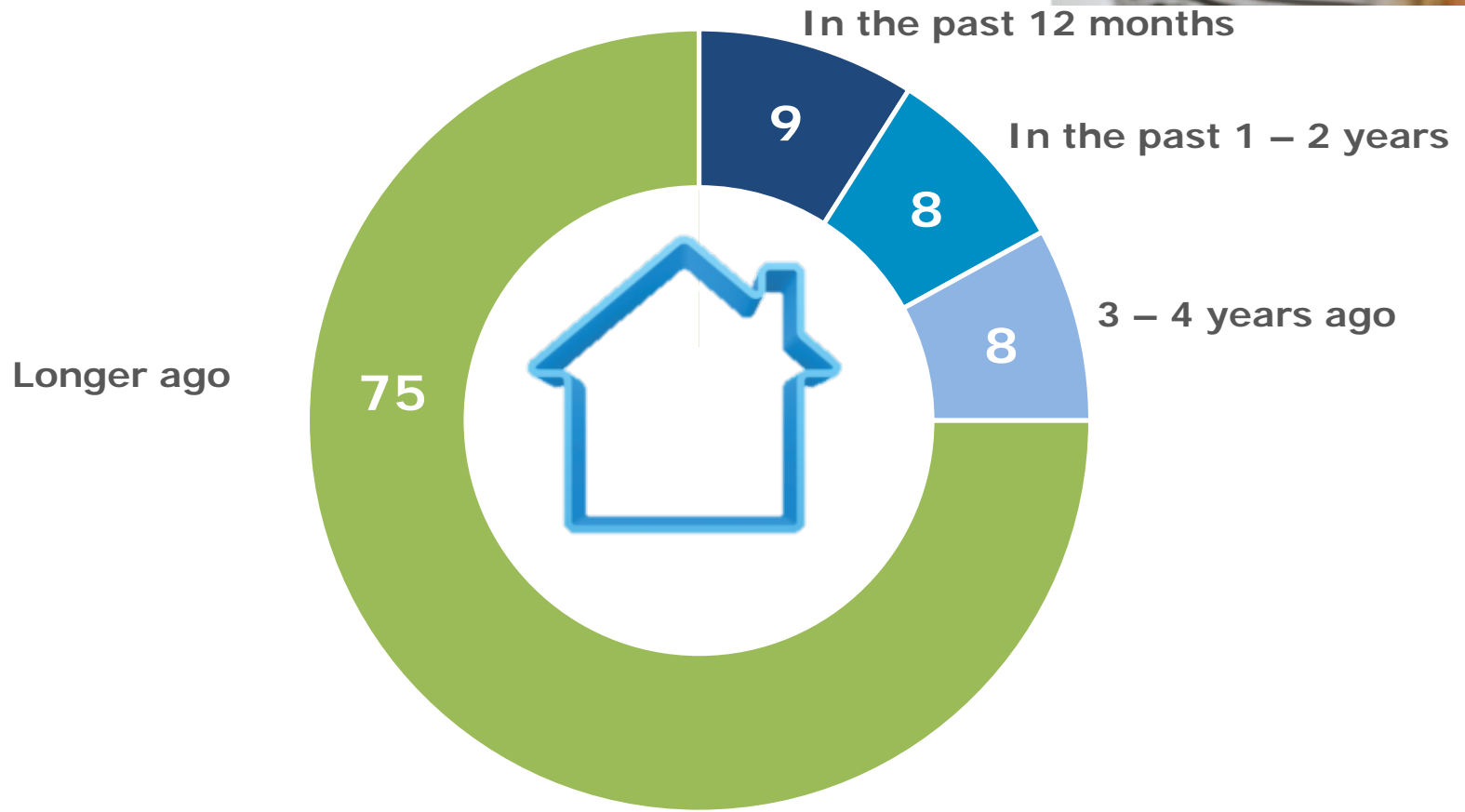


Commitment to buying much higher among the first time buyers surveyed. Those aware of the Central Bank rules more likely to be actively purchasing/saving than those not aware.



When did owners buy

Base: All non-first time buyers - 659



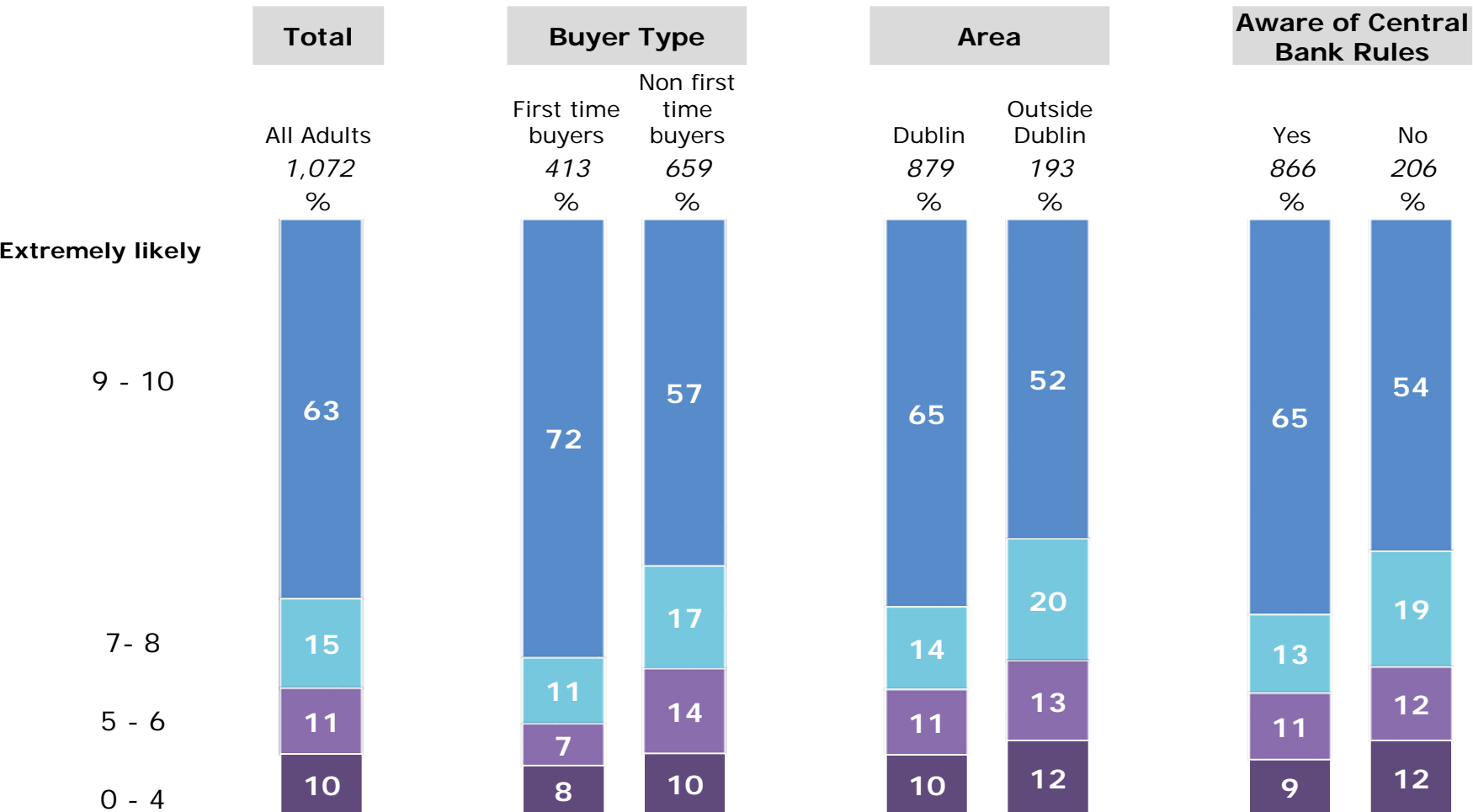
Of those who own a home but are intending to buy three out of four bought more than four years ago



Q. And when was it that you purchased your home?

Likelihood of buying in the next 5 years

Base: All potential house buyers surveyed – 1,072



There is a strong relationship between involvement and likelihood of buying. Most see themselves as very likely to buy. A quarter of Movers score themselves as 5 or less.



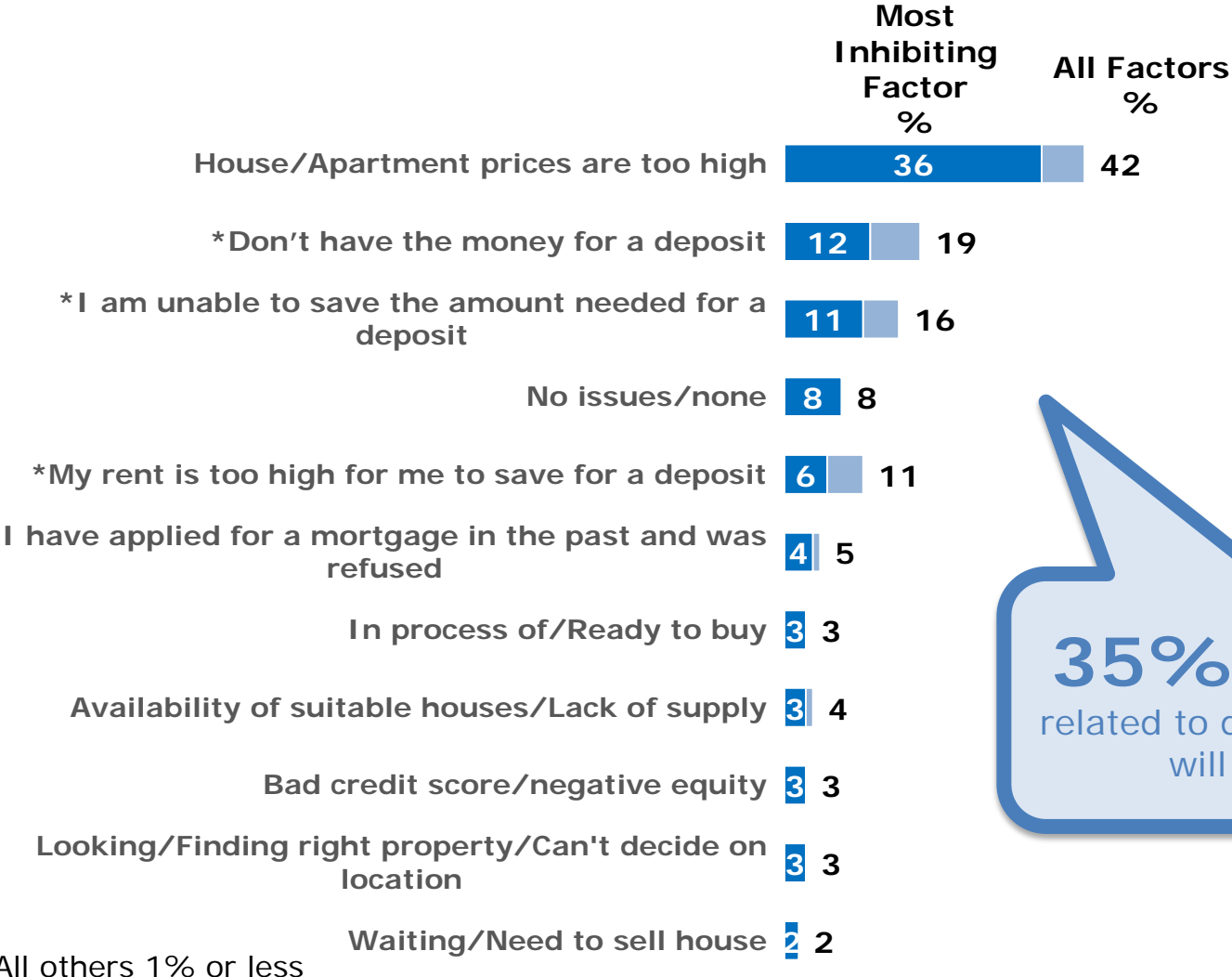
Q. Using a scale of 1 to 10, where 10 is extremely likely and 1 is not at all likely, how likely or unlikely do you think it is that you will purchase a home in the next 5 years?

Barriers to purchase

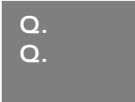


Factors which might inhibit home purchase

Base: All potential house buyers surveyed – 1,072



35% claim that reasons related to deposit accumulation will inhibit them.



And are there any factors that you think might inhibit you from purchasing a home in the future? You mentioned the following factors might inhibit you from purchasing a home in the future, which would you consider to be the most inhibiting factor?

Mortgage refusal

Base: All potential house buyers surveyed – 1,072

I have applied for a mortgage in the past and was refused

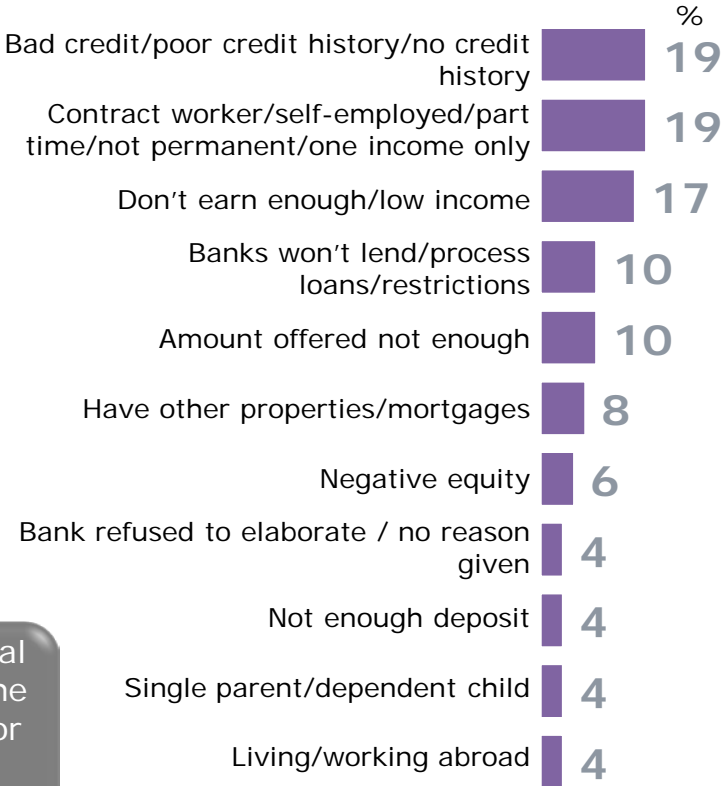
(Base: 1072)



5% of those surveyed said they felt a previous mortgage refusal would be a factor that might inhibit them from purchasing in the future. Of those who were refused, 19% said it was due to poor or lack of credit history, while 19% said it was due to their employment/income.

Reason given for mortgage refusal

(Base: 52)



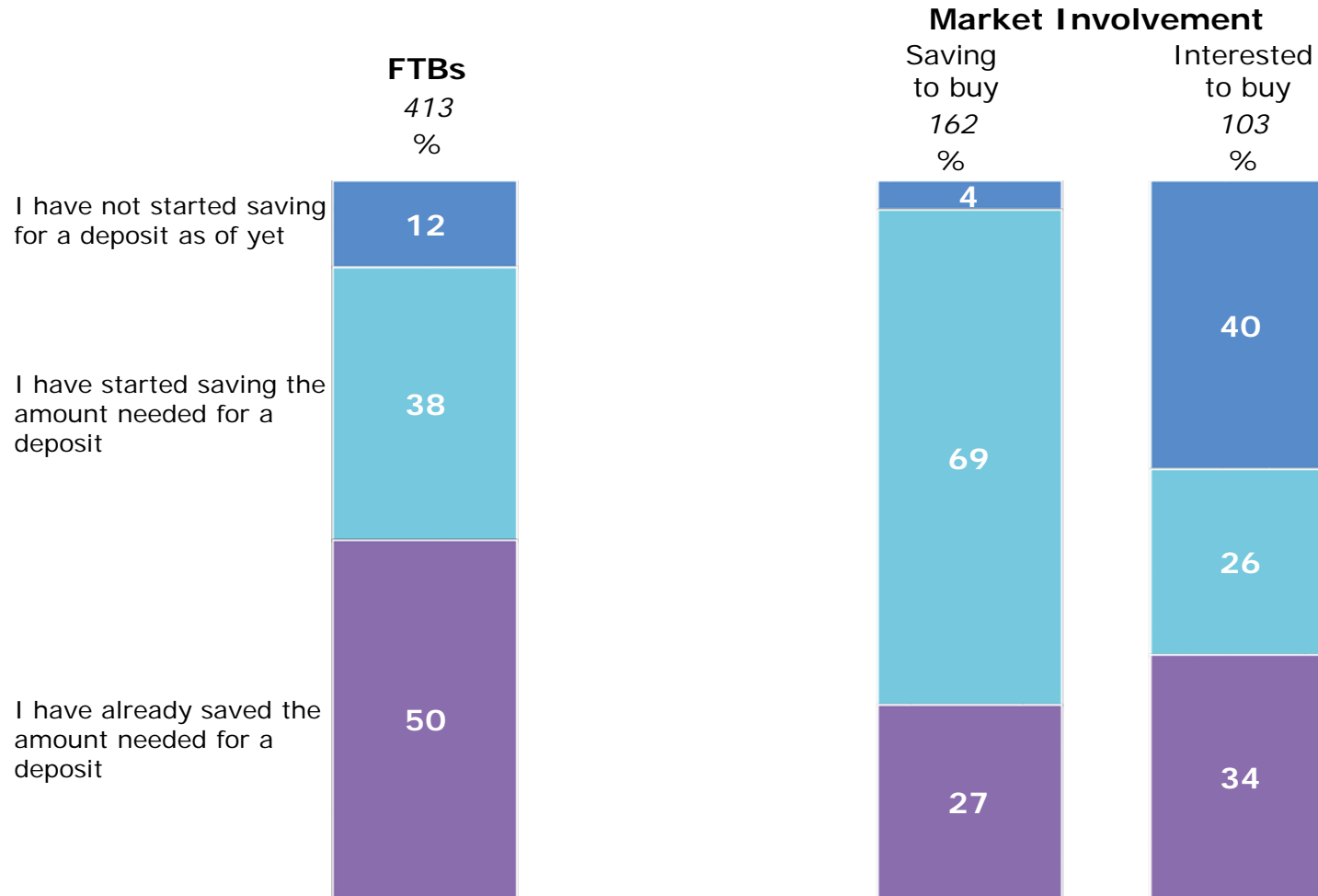
Q. And are there any factors that you think might inhibit you from purchasing a home in the future?
 Q. What was the reason given for your mortgage refusal?

The savings process



Savings status

Base: FTBs – 413



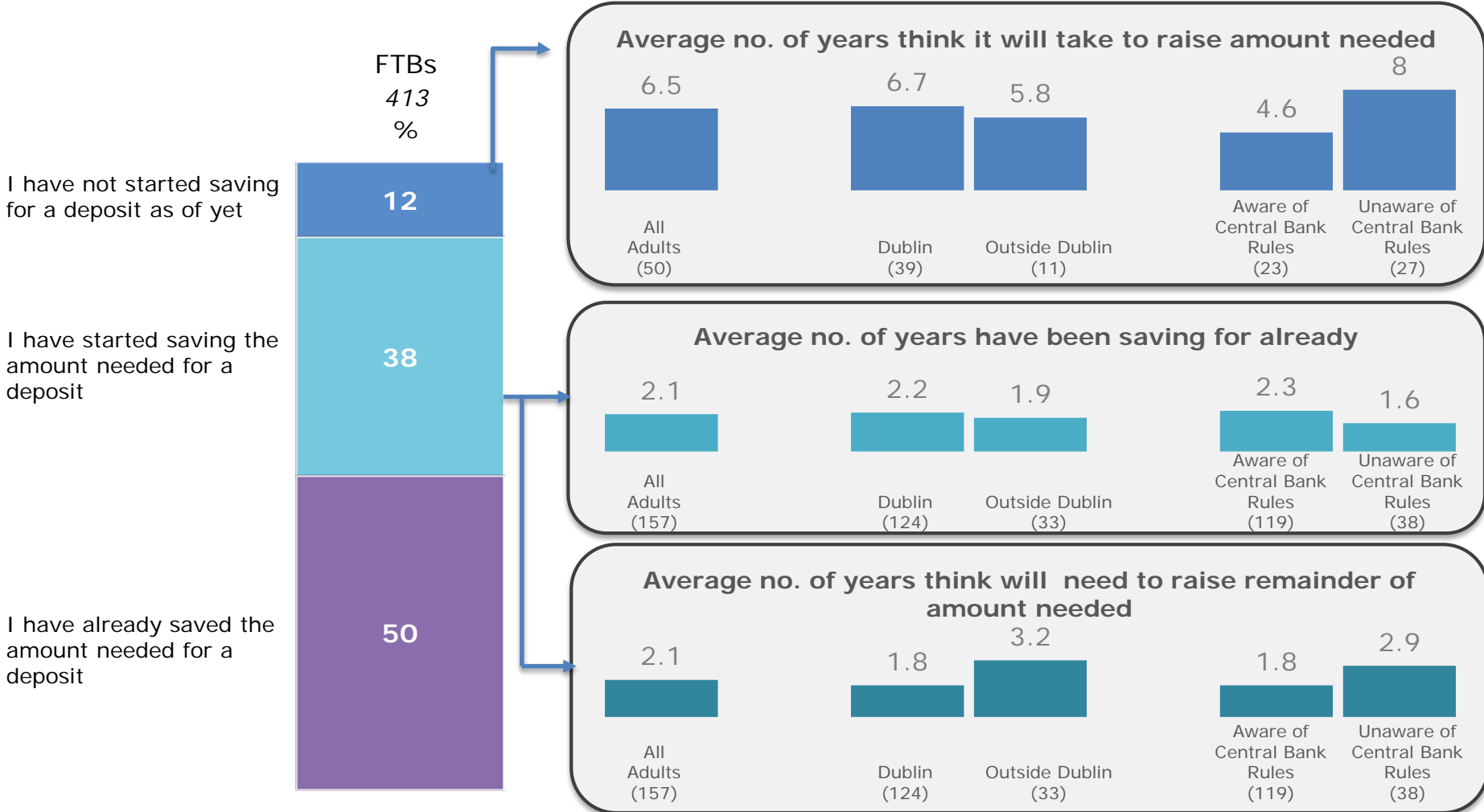
2 in 5 of the “interested” group have yet to save.



- Q. Which of the statements below reflect your current saving position.
- Q. How long do you think it would take you to raise the deposit to buy a home?
- Q. How long have you been saving for the deposit?
- Q. How much longer do you think you will need to save for the deposit?

Savings duration

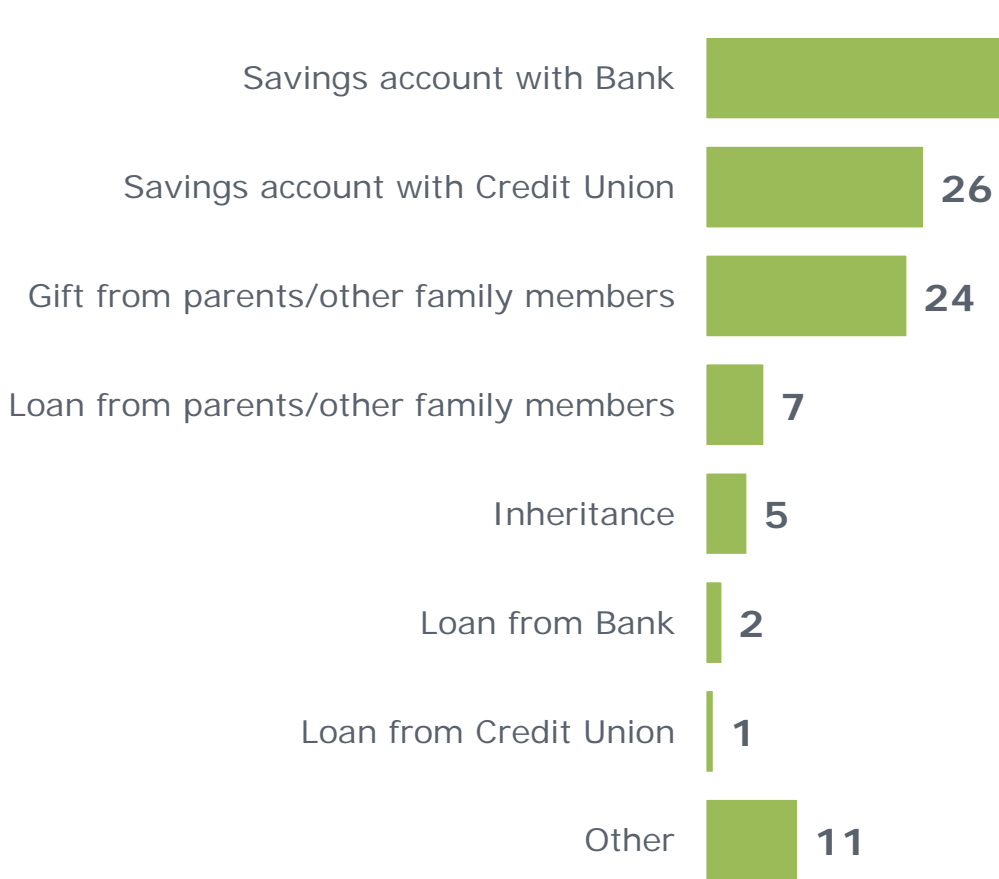
Base: All FTBs – 413



- Q. Which of the statements below reflect your current saving position.
- Q. How long do you think it would take you to raise the deposit to buy a home?
- Q. How long have you been saving for the deposit?
- Q. How much longer do you think you will need to save for the deposit?

How raised/are raising the deposit

Base: surveyed have saved/are saving for a deposit - 596



24%
A quarter of respondents advised they had received a gift from parents/other family members

About 1.4 methods nominated per saver...many are saving as well as relying on gifts and family loans.



Q. How did you raise/are you raising the money for the deposit on your home?

Duplication of savings methods

Base: surveyed have saved/are saving for a deposit - 596

	Savings account with Bank	Savings account with Credit Union	Gift from parents/other family members	Loan from parents/other family members	Inheritance	Loan from Bank	Loan from Credit Union	Other
	440	154	145	43	29	14	5	67
	%	%	%	%	%	%	%	%
Savings account with Bank	100	53	72	74	59	57	3	25
Savings account with Credit Union	19	100	29	26	21	14	80	12
Gift from parents/other family members	24	27	100	20	38	14	20	9
Loan from parents/other family members	7	7	7	100	14	21	40	1
Inheritance	4	4	8	9	100	7	-	3
Loan from Bank	2	1	1	7	3	100	-	1
Loan from Credit Union	1	3	1	5	-	-	100	-
Other	4	5	4	2	7	7	-	100

Of those who received a gift from their parents or other family members, 74% also had a savings account with a bank, while 29% also had a savings account with a Credit Union. Thus, the ones most on track to buy seem much more likely to be using family money.



Q.

How did you raise/are you raising the money for the deposit on your home?

Renting while saving

Base: All potential house buyers surveyed – 1,072



Two thirds of First Time Buyers surveyed will be renting for the duration of the period for which they will be raising the money for a deposit. Similar numbers of FTBs surveyed who believe the rules will make it more difficult to purchase are renting for the duration.



Q. And were you or are you paying for rented accommodation while raising the money for the deposit on your home?

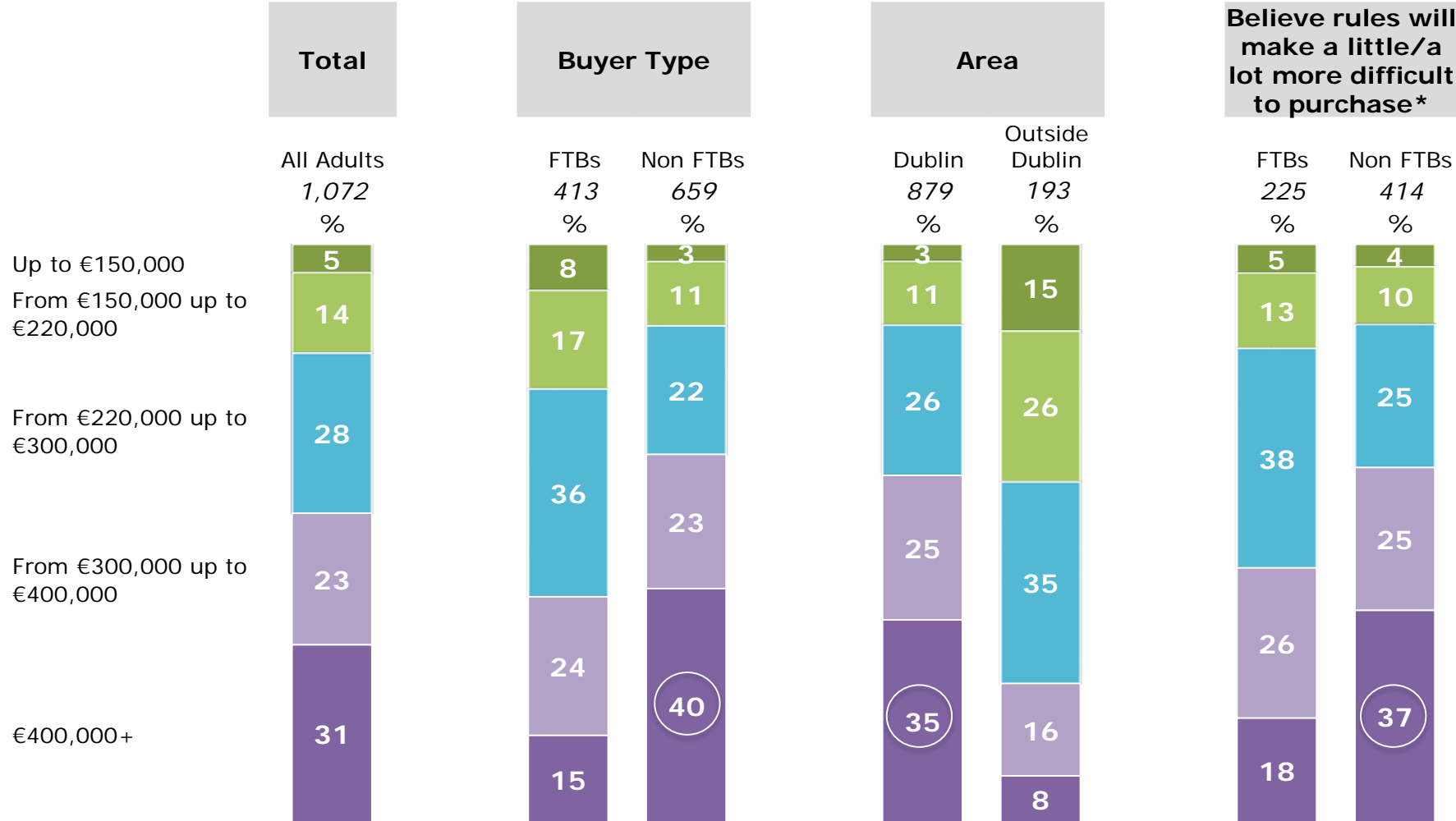
*Taken from two separate question: Q.6b & Q.7b

Home Intend to Purchase



Price range under consideration

Base: All potential house buyers surveyed – 1,072



Unsurprisingly, of those surveyed, those who are not First Time Buyers and those in Dublin claim to be looking to purchase more expensive properties.

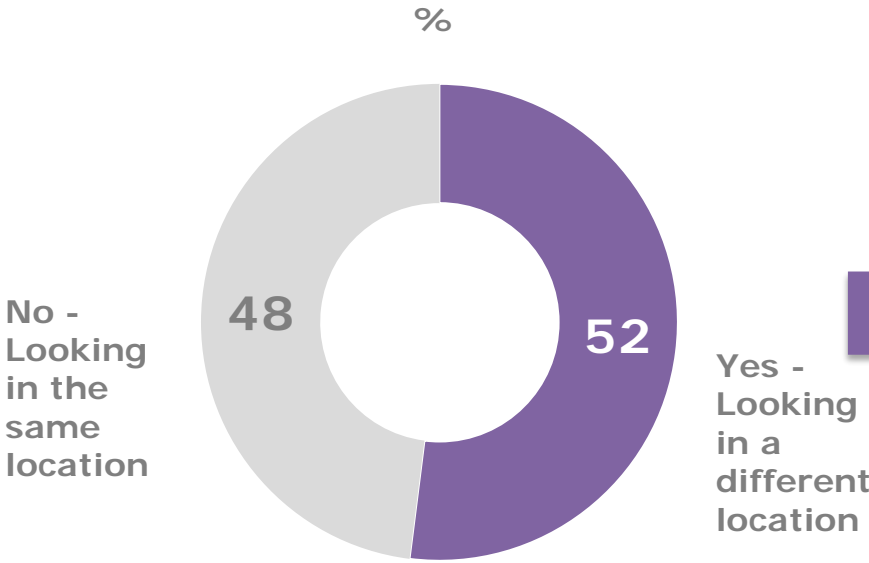


*Taken from Q.6b & Q.7b

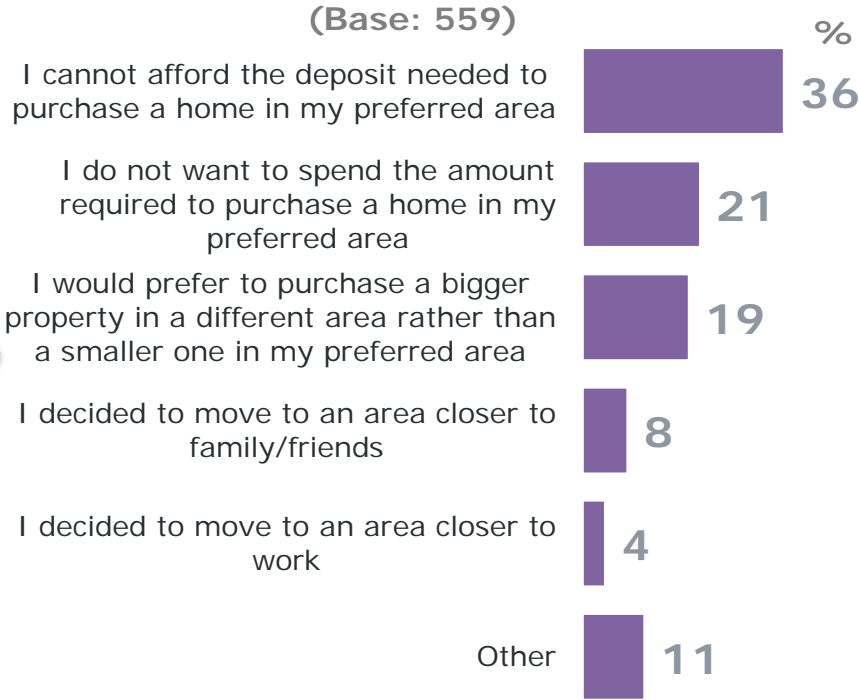
Impact on locations considered

Base: All potential house buyers surveyed – 1,072

Has the location of the homes looking at changed since initial thought of purchase



Reason for change of location



Over half of those surveyed (52%) claim to have changed the location of where they had been looking to purchase since they started thinking about buying. More than a third of area-switchers cited size of deposit as the impetus for their switch.

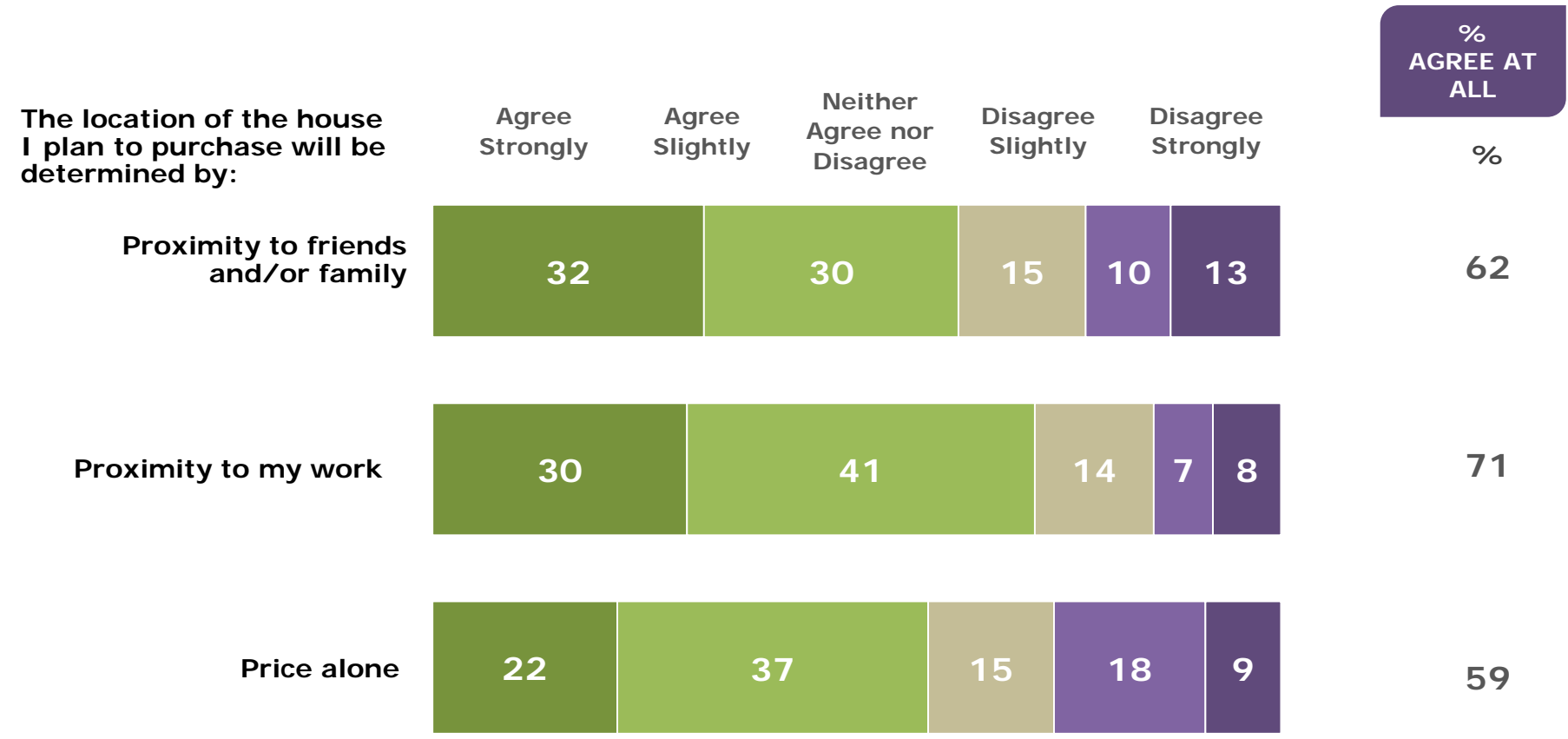


Q.
Q.

And has the location of housing you are looking at changed since you first thought about purchasing a home? Which of the following best describes why you have changed the location of where you are looking to buy a home?

Contributors to location choice

Base: All surveyed who have saved/are saving to purchase as home - 596



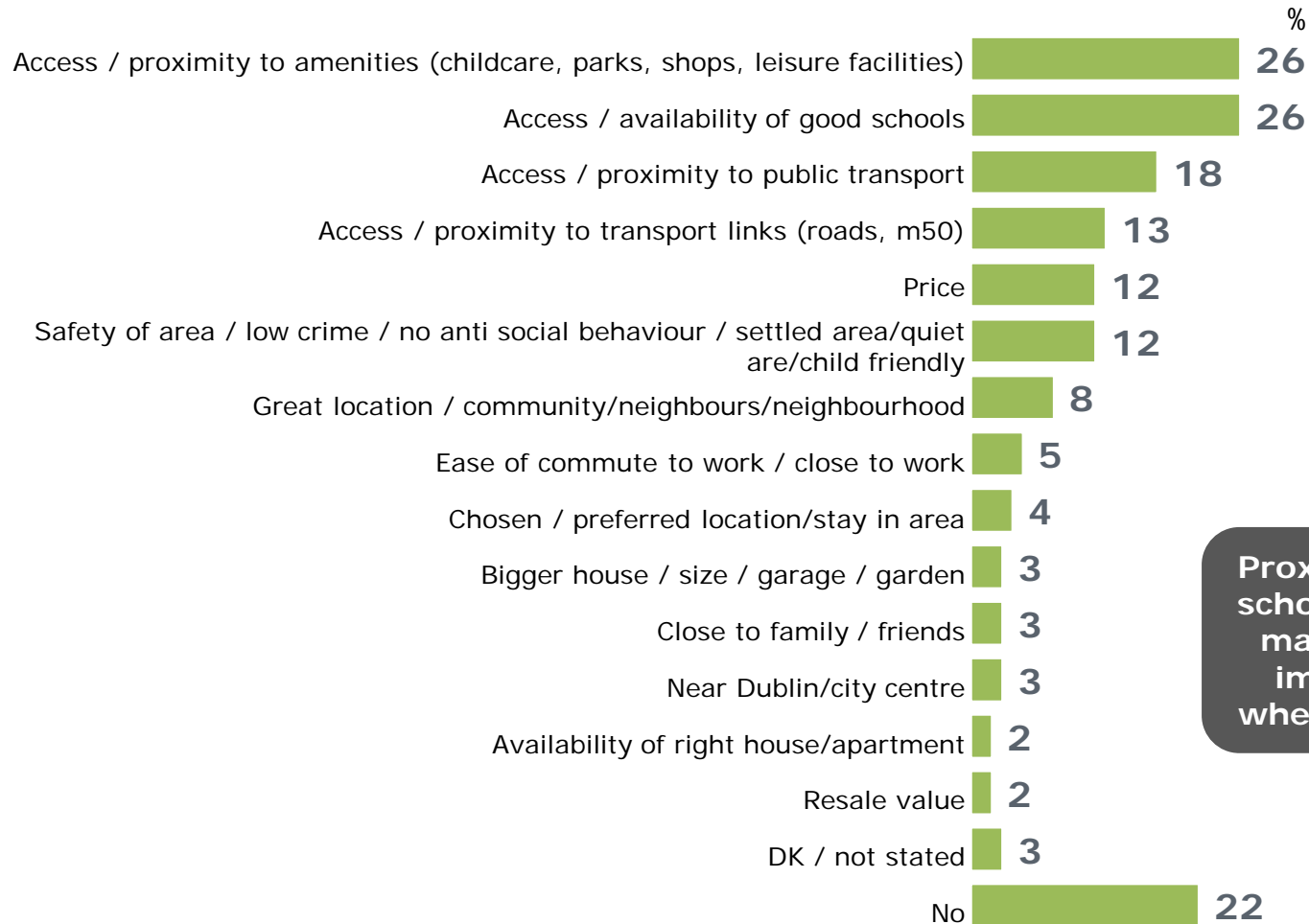
Most see proximity to work as the key determinant, although proximity to family of similar importance. Price is seen as a less central priority.



Q. Using the scale provided, could you tell us how strongly, if at all, you agree or disagree with each of the following statements?

Other deciding factors when choosing location in which to purchase

Base: All surveyed who have saved/are saving to purchase as home - 596



Proximity to amenities, good schools, public transport and major roads the four most important 'other' factors when deciding where to buy.



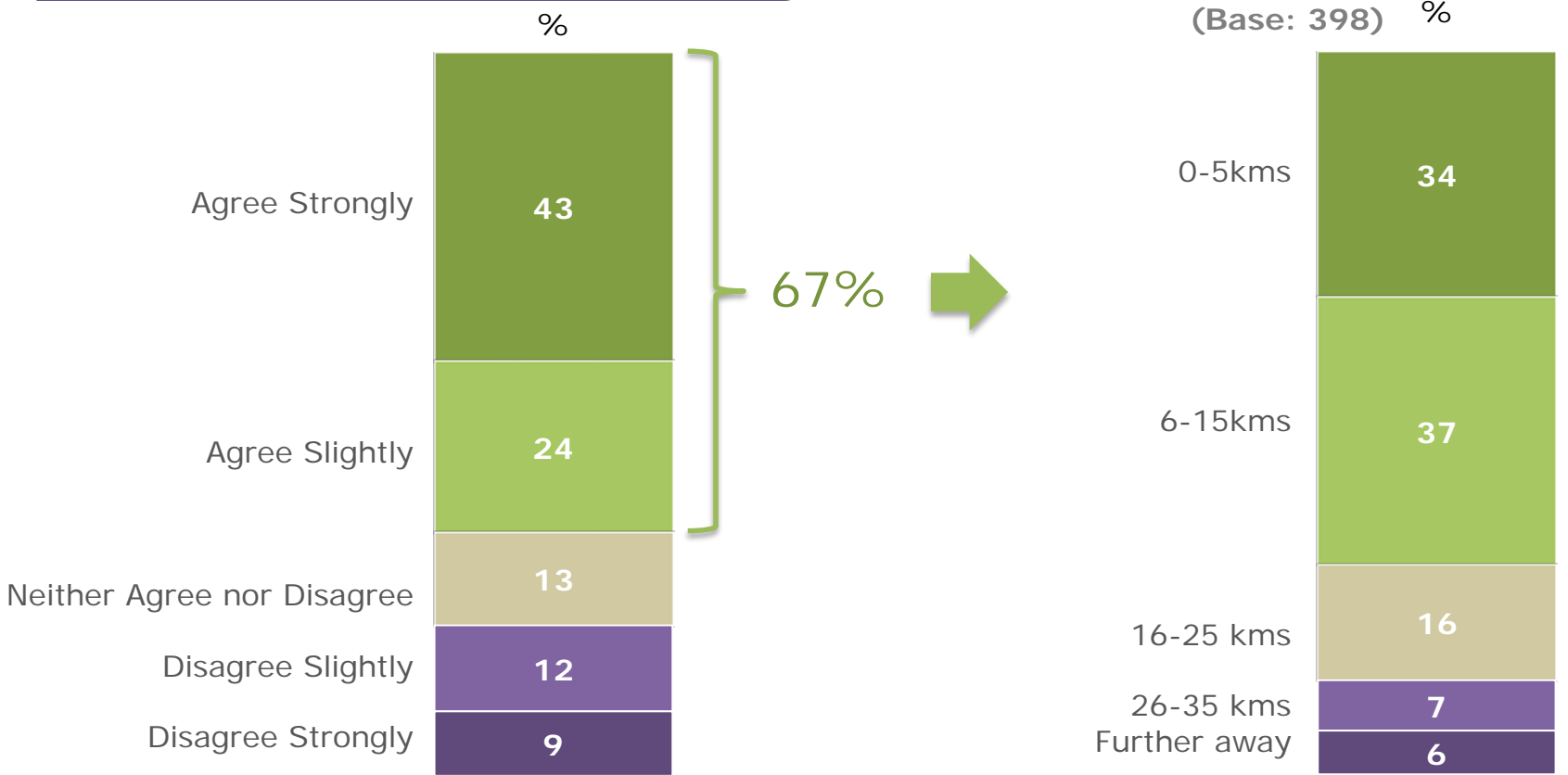
Q. And are there are any other factors that you feel would determine the location of the house you choose/have chosen to purchase?

Distance moving from ideal location as a result of price

Base: All surveyed who have saved/are saving to purchase as home - 596

I would prefer to purchase a house in an alternative location, but the prices there are too expensive

Distance from ideal location looking to purchase in



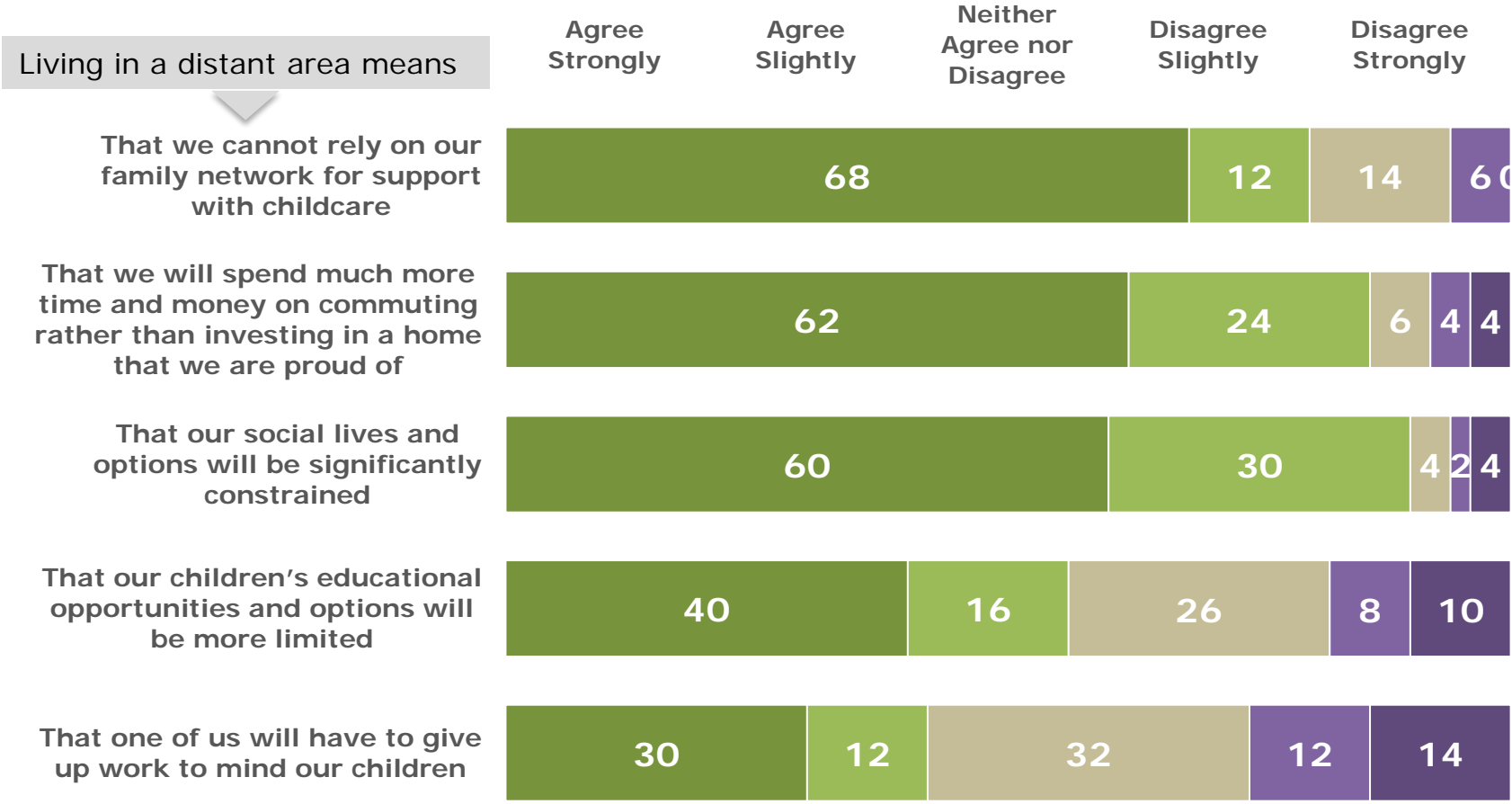
Two thirds of respondents (67%) agree that their ideal location is too expensive. Of those who agree, 29% are now looking more than 16km away from their ideal location.



Q. Using the scale provided, could you tell us how strongly, if at all, you agree or disagree with each of the following statements? Thinking about the location that you would prefer to purchase a house in, approximately what distance is that area from the location(s) you are looking at?

Effects of living more than 25kms from your preferred location

Base: All surveyed who claim to be looking to purchase more than 25kms from their ideal location - 50



Of those who are looking to purchase more than 25kms from their ideal location, lack of childcare support from family network a key aspect. Many worry about impact on social lives: fewer are conscious that there may be implications for children's education (or indeed the need for one to cease work to mind children).



Q.

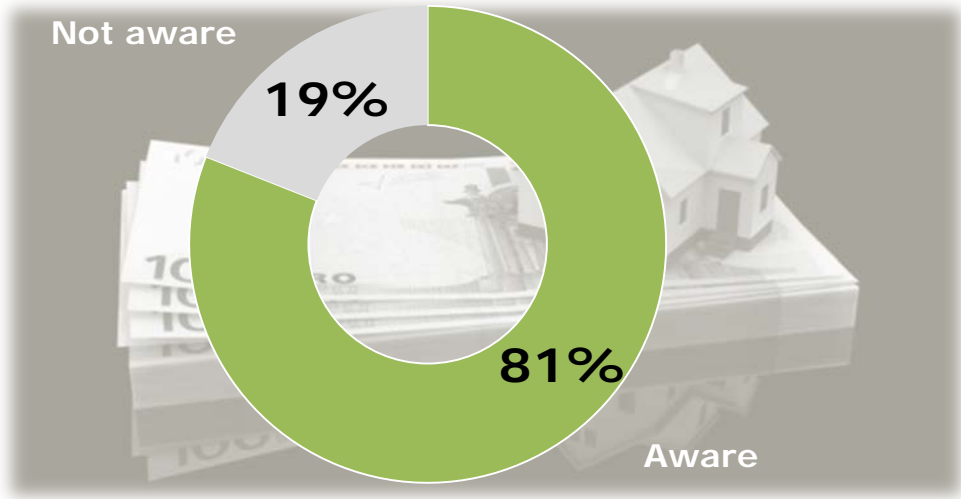
Thinking about taking a mortgage or planning to buy a house, to what extent do you agree or disagree with the following statements

Awareness & Attitudes towards Central Bank Rules

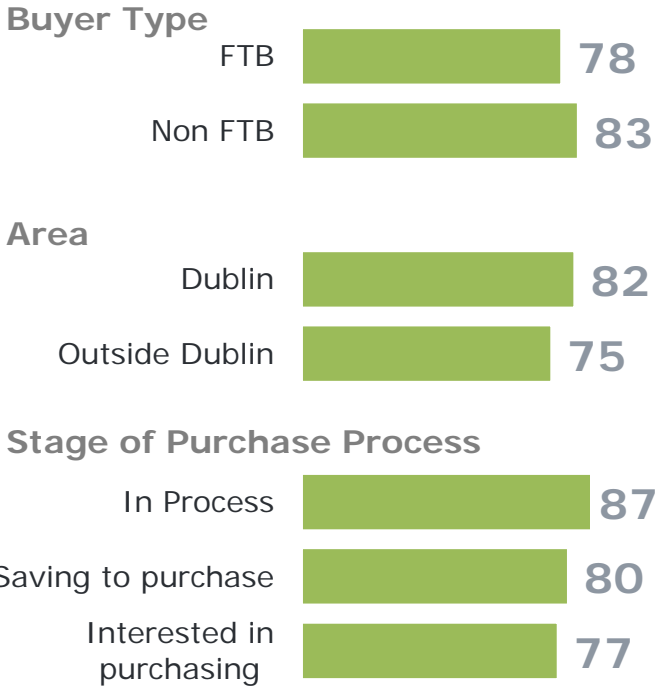


Awareness of Central Bank Rules

Base: All potential house buyers surveyed – 1,072



Aware x Buyer Criteria



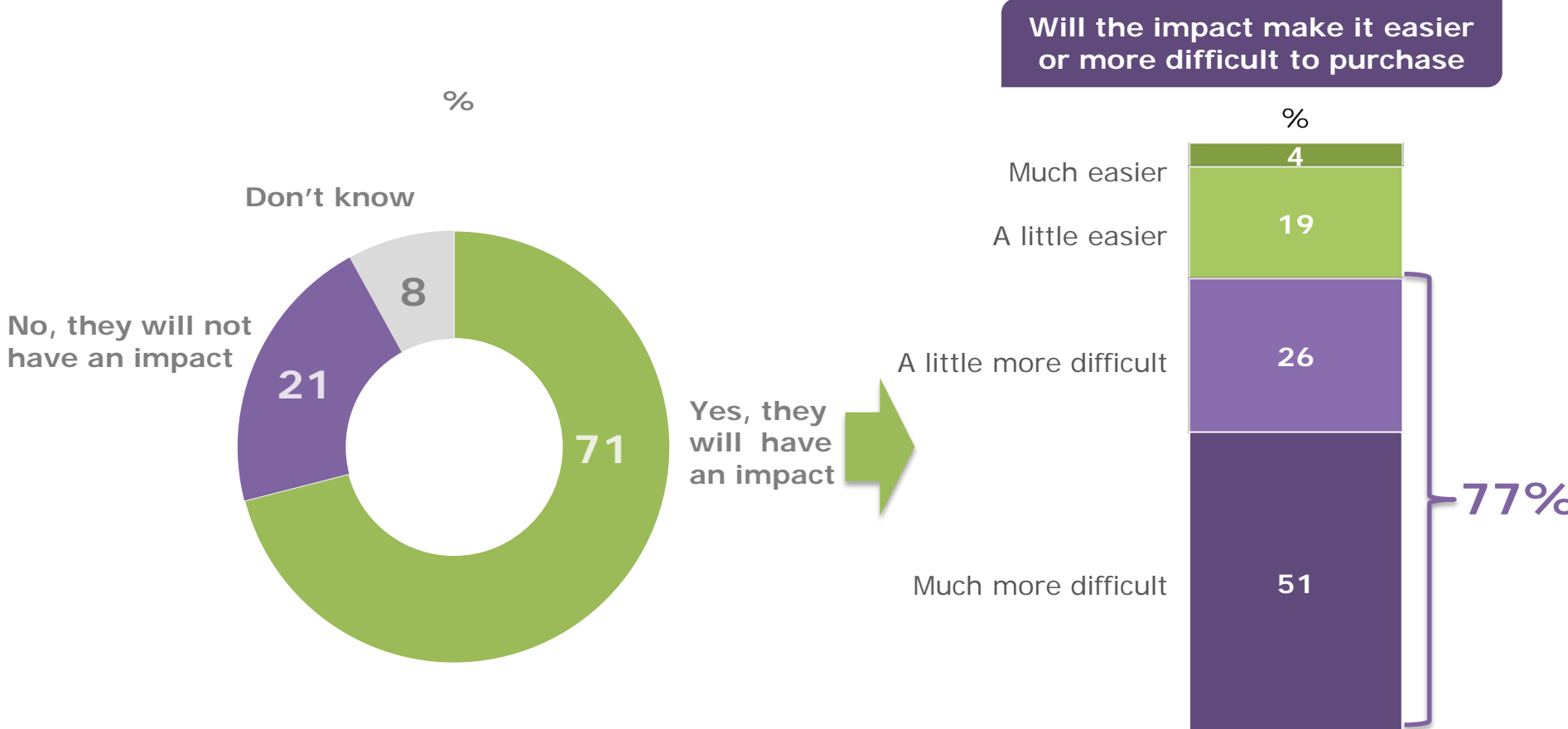
4 in 5 surveyed aware of the Central Bank mortgage rules. Awareness highest among those in Dublin, Non First Time Buyers and those, unsurprisingly, in the process of purchasing their home.



Q. Are you aware that the Central Bank has made a change to the mortgage lending rules in the past 18 months?

Impact of Central Bank Rules on First Time Buyers

Base: All potential first time buyers surveyed - 413



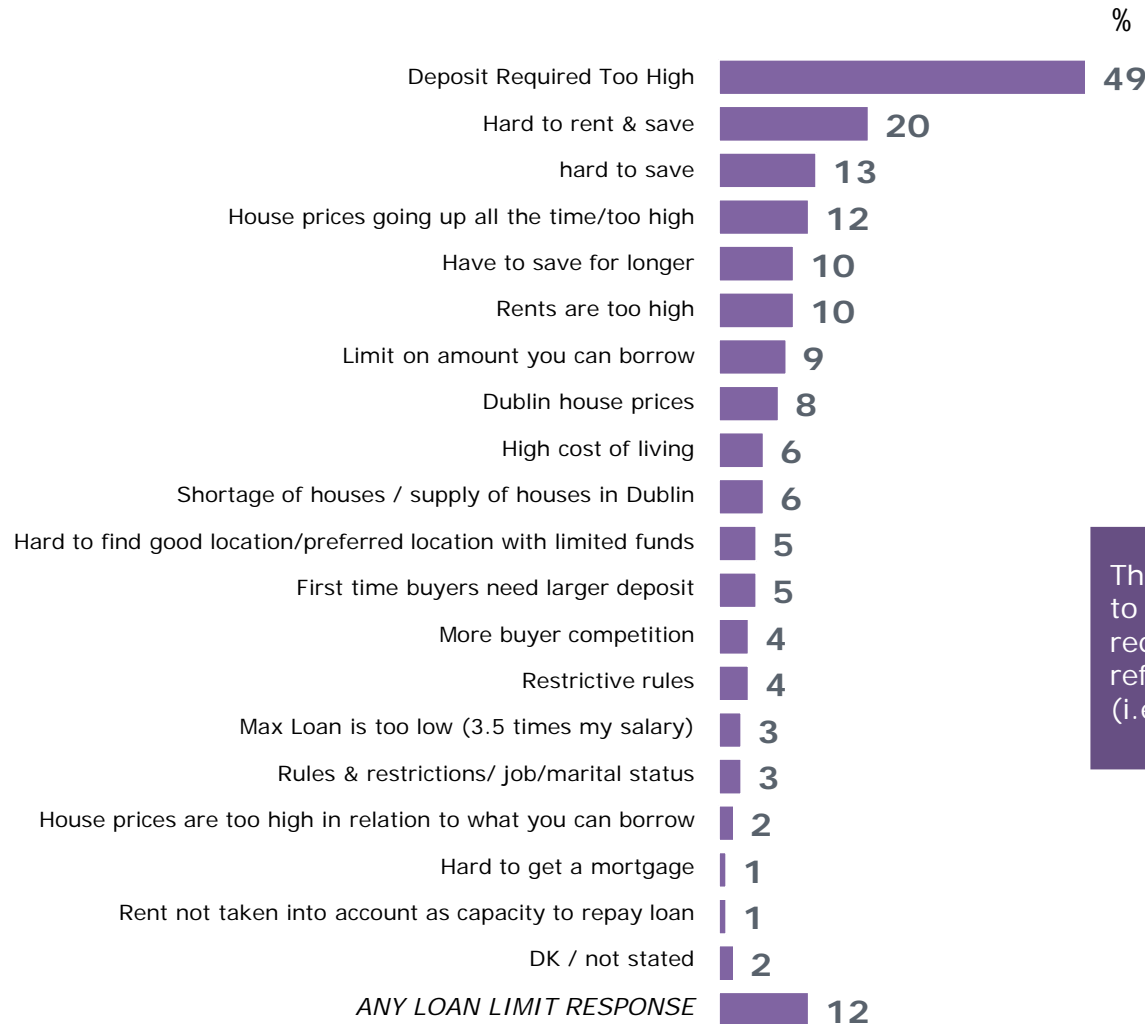
Most feel that the rules will impact and the majority of these (3 out of 4) predict a negative impact. 54% of all FTBs (ie: 77% of 71%) predict it will be harder, and just 16% (ie: 23% of 71%) easier.



Q. The latest Central Bank rules regarding mortgage lending stipulates that banks are now allowed to lend first time buyers up to 90% of the value of a property worth €220,000, and up to 80% of the value on the balance. And so, for example, a €300,000 property will require a deposit of €38,000 (i.e. 10% of 220,000 and 20% of the remaining €80,000). With this in mind, do you think that these new rules will have any impact on a first-time buyer's capacity to purchase a home in the next 5 years?
 Q. And do you think that this impact will make it easier or more difficult to purchase a house?

Why first-time buyers believe the impact will be negative

Base: All FTB surveyed who think the rules will make it a little/much more difficult to purchase a home - 225



The main reason outlined is to do with the size of deposit required. About 12% referenced size of loan limit (i.e.: multiple of income).

N.B. verbatim responses post-coded

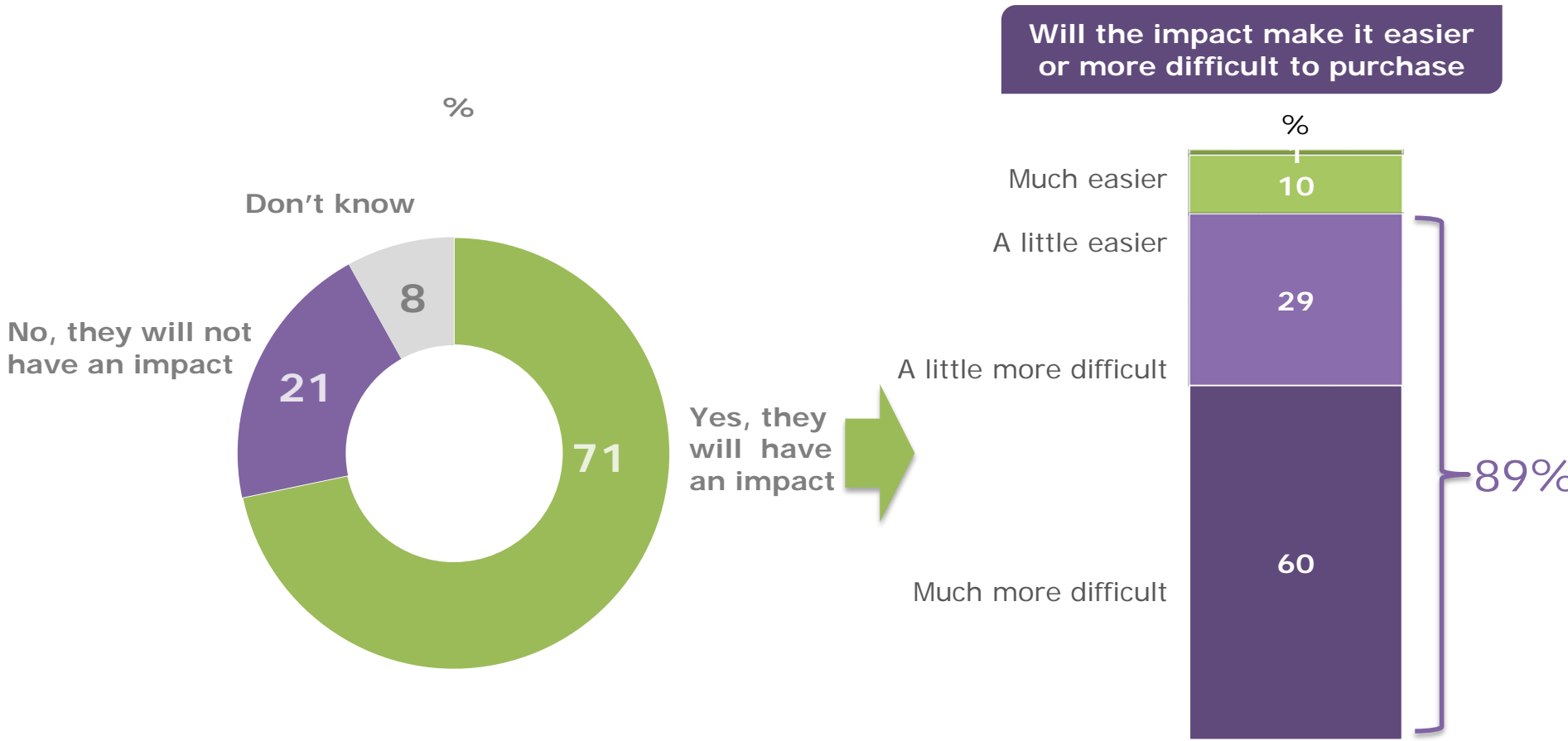


Q.

And why would you say that is?

Impact of Central Bank Rules on Movers

Base: All potential non-first time buyers surveyed - 659



Almost 9 in 10 (89%) of potential Movers surveyed who believe the rules will have an impact on propensity to purchase, claim the effect will be a negative one. This cohort equates to 63% of all Movers surveyed (versus 7% who feel it will make it easier).

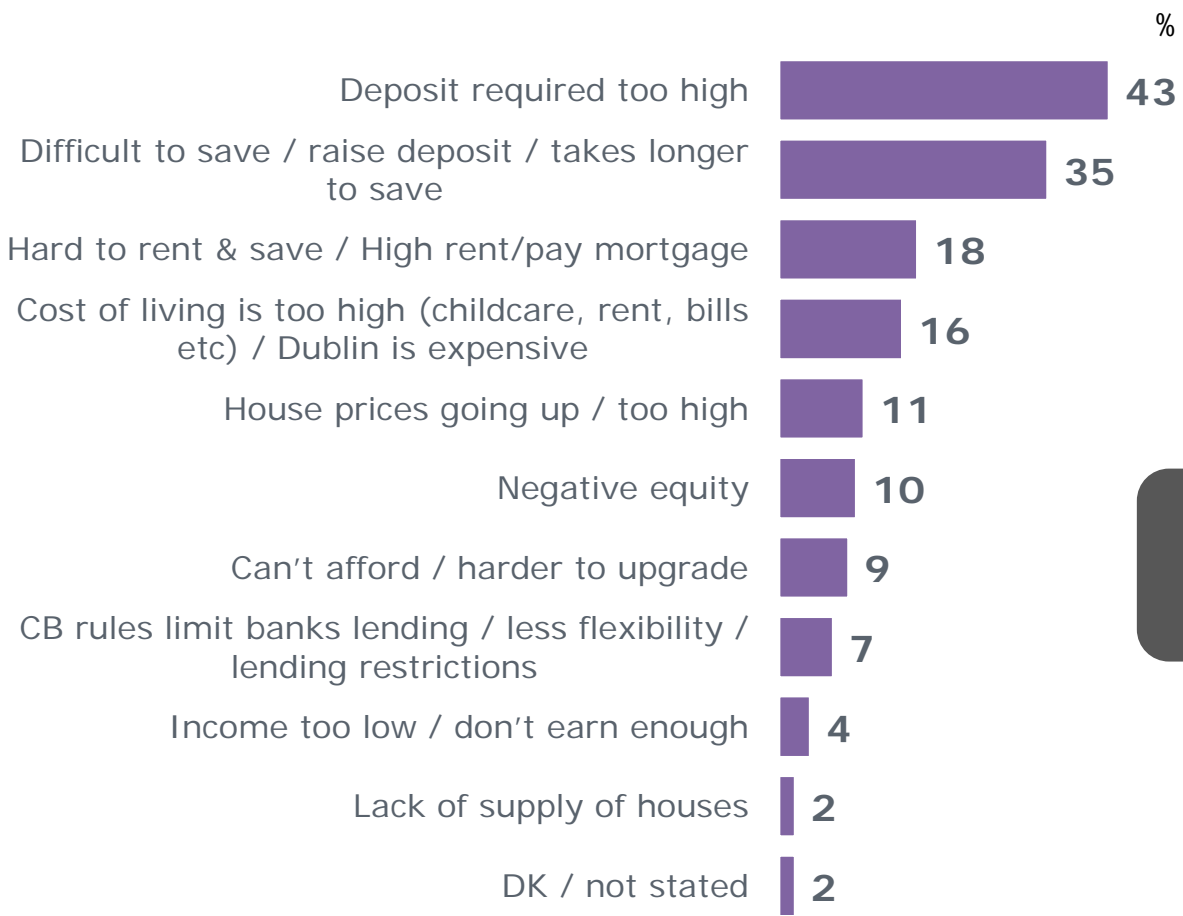


Q.
Q.

For non-first time buyers, the Central Bank rules regarding mortgage lending stipulates that banks are now allowed to lend up to 80% of the value of a property. So, for example, a €300,000 property will require a deposit of €60,000. With this in mind, do you think that these new rules will have any impact on a first-time buyer's capacity to purchase a home in the next 5 years? And do you think that this impact will make it easier or more difficult to purchase a house?

Why Movers believe the impact will be negative

Base: All non-FTBs surveyed who think the rules will make it a little/much more difficult to purchase a home - 414



Cost of living issues (crèches, bills) much more prominent for Movers than FTBs.

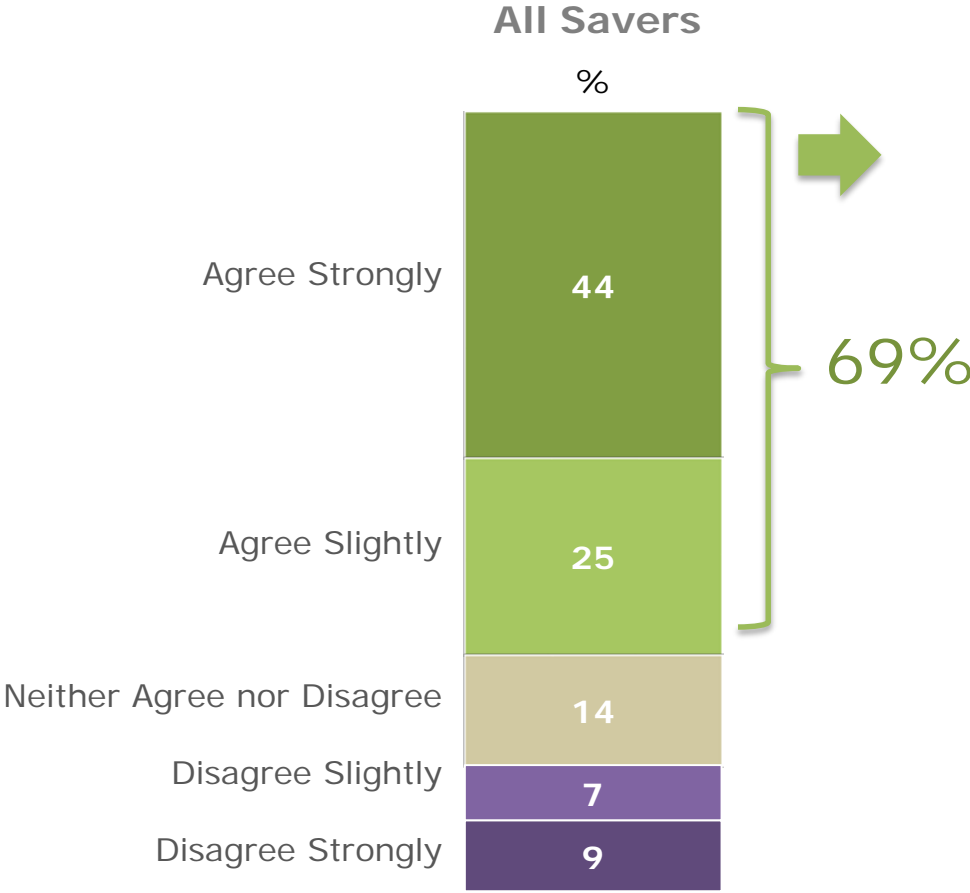
N.B verbatim responses post-coded



Q. And why would you say that is?

Attitudes to Central Bank Rules: Having to save a higher amount of money before we buy means that we have really put buying on the long finger

Base: Saving to buy - 596



Any Agree

Buyer Type		Area		Interest in buying a home		
First time buyers	Non first time buyers	Dublin	Outside Dublin	In Process	Saving	Interested
413	659	879	193	303	293	476
%	%	%	%	%	%	%
73	68	68	81	56	81	71

Aware of Central Bank Rules		Renting Accommodation			Believe rules will make it more difficult	
Yes	No	Yes - for the duration	Yes - for a period	No	FTBs	Non FTBs
866	206	451	162	459	225	414
%	%	%	%	%	%	%
69	74	73	75	65	75	79

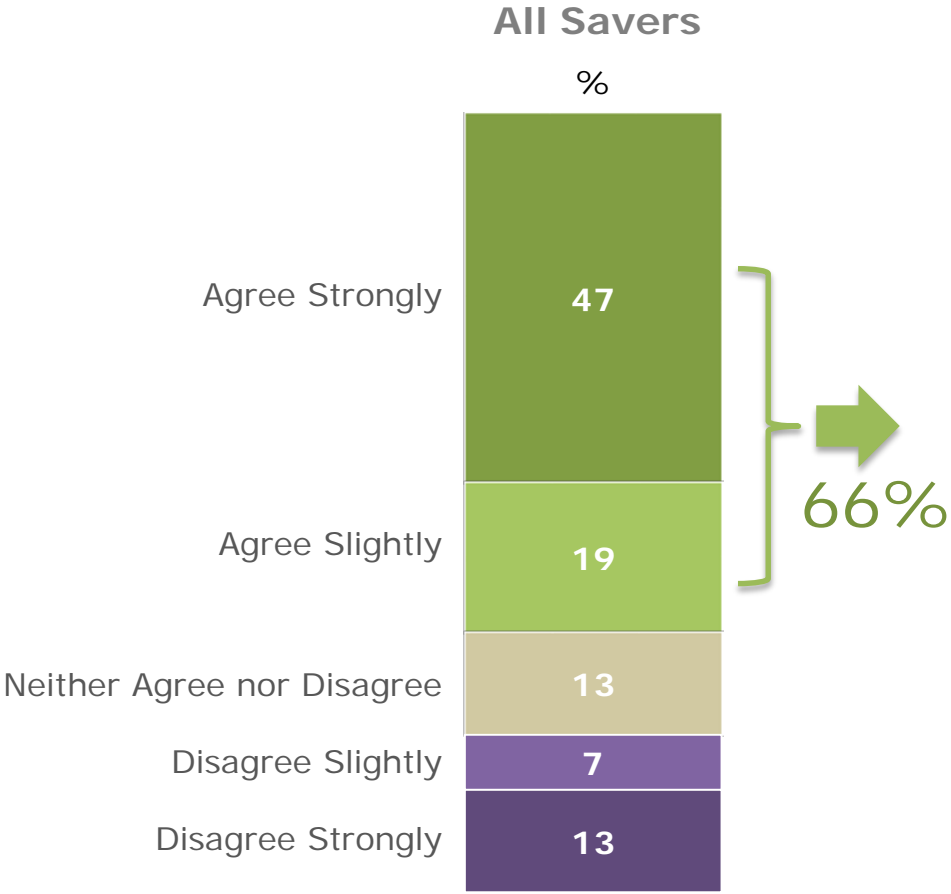
Almost 7 in 10 say that the rules has put buying on the long finger.



Q. Thinking about taking a mortgage or planning to buy a house, to what extent do you agree or disagree with the following statements

Attitudes to Central Bank Rules: If the Central Bank restrictions were relaxed I would be more likely to look to buy closer to where I would like to live

Base: Saving to buy - 596



Any Agree

Buyer Type		Area		Interest in buying a home		
First time buyers	Non first time buyers	Dublin	Outside Dublin	In Process	Saving	Interested
413	659	879	193	303	293	476
%	%	%	%	%	%	%
68	66	64	75	53	81	67

Aware of Central Bank Rules		Renting Accommodation			Believe rules will make it more difficult	
Yes	No	Yes - for the duration	Yes - for a period	No	FTBs	Non FTBs
866	206	451	162	459	225	414
%	%	%	%	%	%	%
65	72	70	68	63	75	77

Almost half strongly agree that their perspective might change if the rules were relaxed.

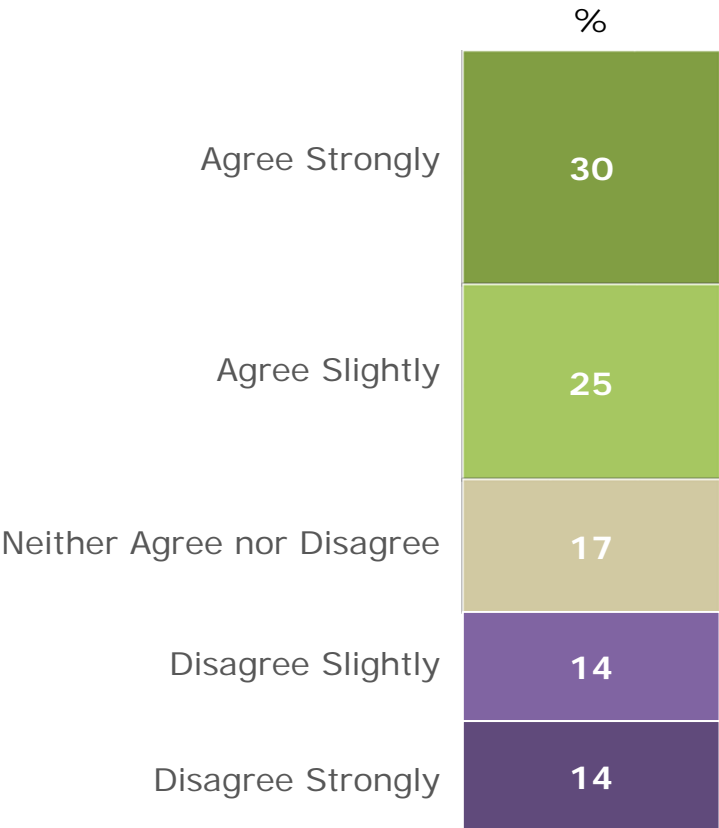


Q. Thinking about taking a mortgage or planning to buy a house, to what extent do you agree or disagree with the following statements

Attitudes to Central Bank Rules: If the Central Bank restrictions were relaxed I would be more likely to consider borrowing more

Base: Saving to buy - 596

All Savers



Any Agree

Buyer Type		Area		Interest in buying a home		
First time buyers	Non first time buyers	Dublin	Outside Dublin	In Process	Saving	Interested
413	659	879	193	303	293	476
%	%	%	%	%	%	%
57	53	54	58	44	62	56

Aware of Central Bank Rules		Renting Accommodation		Believe rules will make it more difficult		
Yes	No	Yes - for the duration	Yes - for a period	No	FTBs	Non FTBs
866	206	451	162	459	225	414
%	%	%	%	%	%	%
54	59	58	62	49	60	57

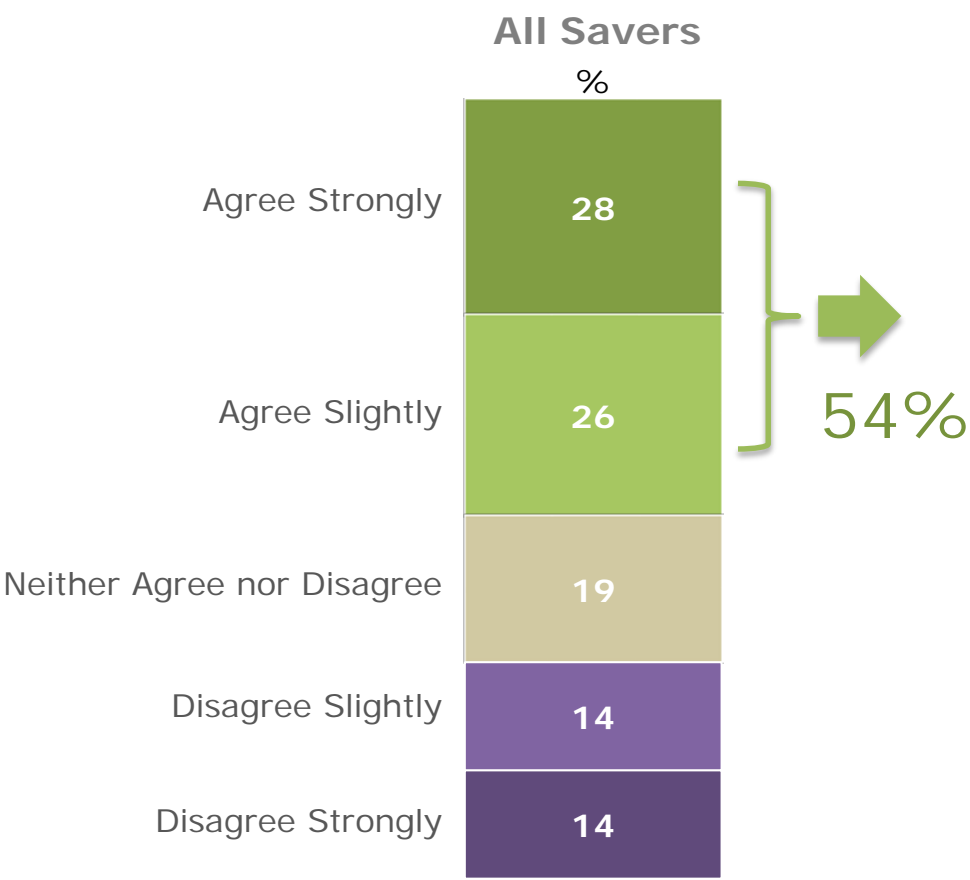
Slightly more than half might borrow more if the rules changed.



Q. Thinking about taking a mortgage or planning to buy a house, to what extent do you agree or disagree with the following statements

Attitudes to Central Bank Rules: The current Central Bank restrictions mean that I will not look at homes I could buy in my area but will only look where property is cheaper

Base: Saving to buy - 596



Any Agree

Buyer Type		Area		Interest in buying a home		
First time buyers	Non first time buyers	Dublin	Outside Dublin	In Process	Saving	Interested
413	659	879	193	303	293	476
%	%	%	%	%	%	%
60	50	51	67	47	63	53

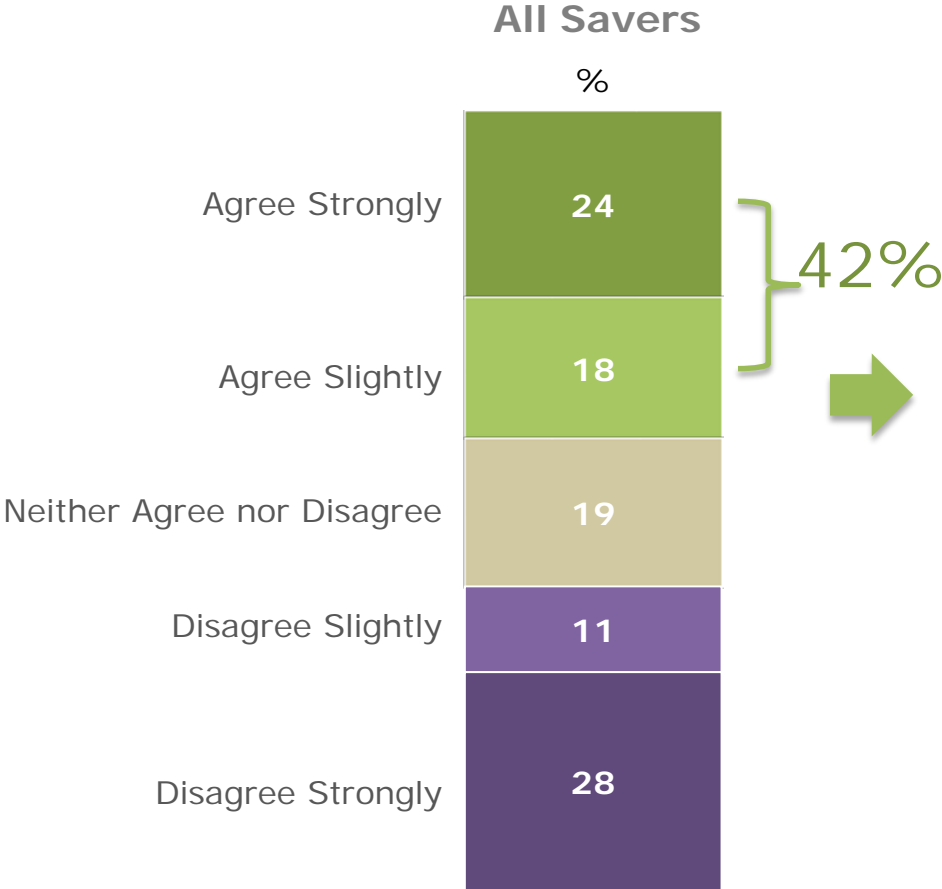
Aware of Central Bank Rules		Renting Accommodation			Believe rules will make it more difficult	
Yes	No	Yes - for the duration	Yes - for a period	No	FTBs	Non FTBs
866	206	451	162	459	225	414
%	%	%	%	%	%	%
52	63	59	53	49	65	59

About half are deliberately excluding some areas due to the new rules and just focussing on cheaper areas.



Attitudes to Central Bank Rules: The need to have a bigger deposit means I will rely on my parents or wider family circle for financial support when I take a mortgage

Base: Saving to buy - 596



Buyer Type		Area		Interest in buying a home		
First time buyers	Non first time buyers	Dublin	Outside Dublin	In Process	Saving	Interested
413	659	879	193	303	293	476
%	%	%	%	%	%	%
49	38	43	42	44	44	40

Aware of Central Bank Rules		Renting Accommodation			Believe rules will make it more difficult	
Yes	No	Yes - for the duration	Yes - for a period	No	FTBs	Non FTBs
866	206	451	162	459	225	414
%	%	%	%	%	%	%
42	43	45	42	39	52	41

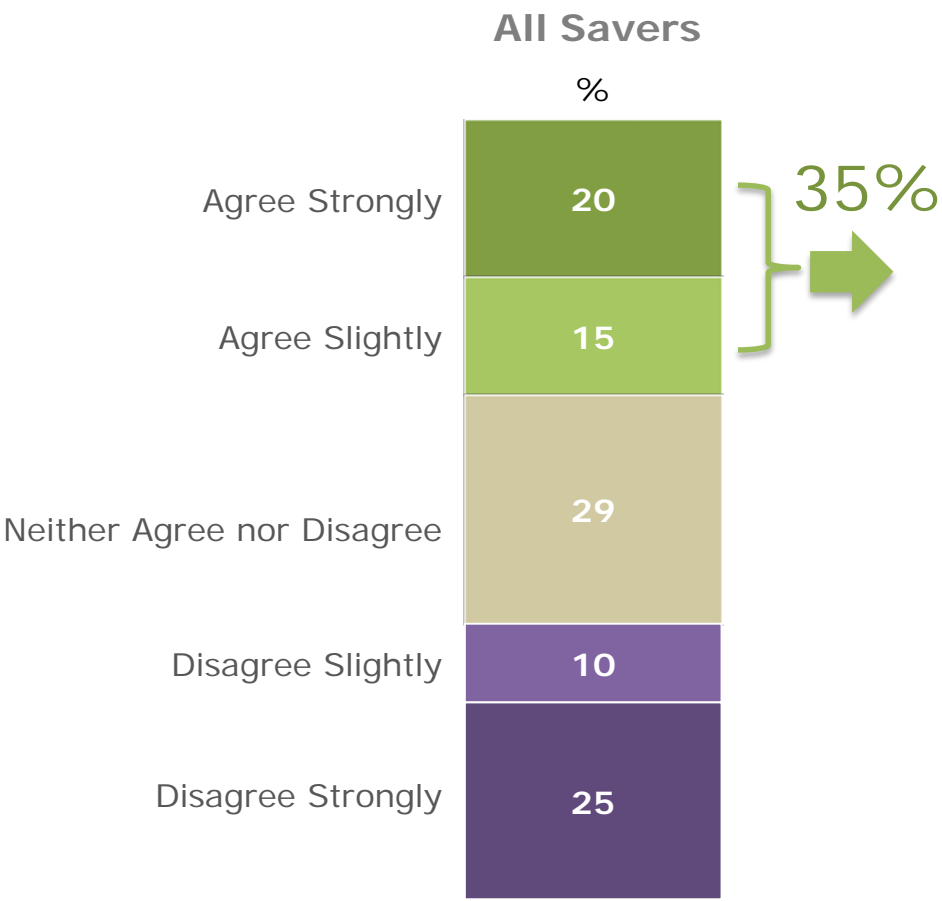
Half of FTBs will be looking to families for financial support for deposits.



Q. Thinking about taking a mortgage or planning to buy a house, to what extent do you agree or disagree with the following statements

Attitudes to Central Bank Rules: Because we are postponing buying we are choosing to live in a more expensive rented property

Base: Saving to buy - 596



Buyer Type		Area		Interest in buying a home		
First time buyers	Non first time buyers	Dublin	Outside Dublin	In Process	Saving	Interested
413	659	879	193	303	293	476
%	%	%	%	%	%	%
43	30	35	39	34	38	33

Aware of Central Bank Rules		Renting Accommodation		Believe rules will make it more difficult		
Yes	No	Yes - for the duration	Yes - for a period	No	FTBs	Non FTBs
866	206	451	162	459	225	414
%	%	%	%	%	%	%
34	41	47	40	23	46	31

Many admit they are renting too expensively to compensate for being unable to buy.



Q. Thinking about taking a mortgage or planning to buy a house, to what extent do you agree or disagree with the following statements

Summary & Review



Key points

- **4 out of 5 (81%)** are aware of the Central Banks altered deposit regime. It will impact **71%** of FTBs (most of these negatively) and a similar proportion of movers (almost all negatively). 44% of impacted FTBs are unable to manage the deposit required.
- **35%** of all potential buyers are deterred by the size of deposits now required...it is the key constraint for **30%**. By contrast, prices being 'too high' emerge at **42%** and **36%** respectively (ie: constraint/key constraint.)
- Half are saving and the balance not. Those yet to save imagine it will take 6.5 years, whereas existing savers tend to be two years down with similar left to go.
- Savers are resorting to a variety of methods, with a quarter saying they will need a parental gift and another **7%** a parental loan. Those who will rely on parents tend to also be bank savers (and presumably further down the track of buying.)
- The vast majority will also rent while saving: **65%** of FTBs will need to rent for the duration of their savings period.
- **61%** of FTBs would like to buy a house for €300,000 or less, whereas **33%** of Movers imagine they will be spending in excess of €300k (with **40%** in excess of €400k). There is wide Dublin/Non-Dublin price separation.
- Half (**52%**) have had to 'down-trade' to a location further from Dublin where prices are cheaper, since they started looking, largely driven by deposit factors.

Key points

- Nonetheless, price is not the main location determinant, with the need to be close to work and to family networks the overarching criteria, and marginally ahead of price as an influence. After these factors there is much focus placed on amenities, schools, public transport and road linkages.
- **2 out of 3** are looking in cheaper areas due to expense...many up to 15 (plus) kms away. This diminishes their ability to rely on family assistance for childcare, will drive commuting time and will impact on social lives. Ultimately, buyers realise that it will impinge on education options and many result in (one of them) having to quit work to mind their children.
- For those planning to take a mortgage at present:
 - **69%** putting buying 'on the long finger'...a depression of the market.
 - **66%** excluding the areas they actually want to live from active consideration.
 - **55%** buying a more modest home than they would like.
 - **54%** only looking at cheap areas...places with which they don't identify or have connections.
 - **42%** realising that they will probably need to borrow from family members.
 - **35%** acknowledging that they are wasting money renting a 'too expensive' property while they are saving.



THANK YOU

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