

\*\*\* For Immediate Release 19/10/2022\*\*\*

## Central Bank's macroprudential rule changes are significant for property market

19.10.22

Reacting to the announcement by the Central Bank of Ireland that it will be relaxing some of the Macroprudential lending rules from the 1<sup>st</sup> of January 2023, leading property advisors DNG welcomed the changes, stating that they would be “significant” for the residential property sales market.

The rule changes mean that the Loan To Income (LTI) limit for first time buyers (FTB's) will be increased to 4 times gross income from 3.5 times, which will help first time buyers struggling to enter homeownership due to affordability constraints. In addition, the Central Bank announced a change to the criteria required for a borrower to be classed as a 'First Time Buyer'. Borrowers who are now divorced or separated or have undergone bankruptcy or insolvency may be considered FTBs for the mortgage measures and added to that, buyers who re-mortgage or get a top up loan where the amount borrowed increases, will also now be classed as first time buyers assuming they remain in their principle private residence.

For Second and Subsequent Buyers (SSB's) there is also a significant increase in the Loan to Value limit from 80% to 90% meaning that those people wishing to trade up or down, or simply move home will require a 10% deposit as opposed to the 20% deposit needed under the current rules.

Commenting on the announcement, DNG's Director of Research Paul Murgatroyd said “this loosening of the macroprudential rules is very significant given they have not been materially changed since their introduction in 2015. The fact that SSB's now only require a 10% deposit will help with the return of a properly functioning market and we would expect transaction levels to increase through 2023 and beyond because of this very measure. Far too many homeowners are 'stuck' in their current, often unsuitable, accommodation because of this very reason and some of this cohort will soon be in a position to move house.”

He further added “The ability to trade your home and move house is a very important factor in a function housing market and the lower 10%% deposit rule will mean that many buyers who want or need to move house for work or other reasons can now do so with a much lower “upfront”

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financial outlay. Many people looking to move house have the ability to repay the new mortgage but do not have the capital readily available to meet the 20% deposit requirement.”

DNG CEO Keith Lowe also welcomed the new changes to be enacted in January 2023. He stated “These changes will be particularly welcomed by buyers, especially first time buyers in rented accommodation, as this relaxation will assist them to get on to the housing ladder. Other buyers such as those who are divorced, separated, or have gone through an insolvency process and as a result lost their homes, will also be very relieved to be treated the same as first time buyers. “

Mr. Lowe went on to say “I do not believe the relaxation will be inflationary as it will simply counteract some of the negative impact of rising interest rates on a buyer’s ability to borrow. The announcement is timely and well thought out by the Central bank. DNG has always been in favour of the Central Bank Macro Prudential Rules but has been calling for some targeted relaxation in recent months which the Central Bank has now delivered.”

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#### ABOUT DNG:

The DNG Group is a multi-disciplinary property advisory practice based in the capital. We are Ireland’s premier agency with a branch network which extends to 80+ branded offices located in virtually every major city and town in the country. DNG is one of the largest sellers of residential property and new homes schemes in Ireland.

Our national franchise network contains some of the best agents in the business offering their superb local expertise with the backing of Ireland’s premier property brand.

DNG are members of the Society of Chartered Surveyors Ireland and the Institute of Professional Auctioneers and Valuers and work to its strict codes and standards.

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