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Affordability can be addressed by reintroduction of shared ownership scheme – AIB property report

- Merit in reintroducing shared ownership scheme to help target affordability
- Affordability and LTI rules have contributed to slowdown in Dublin property market more than increased supply
- Combination of affordability issues and regulatory constraints rather than increase in stock restraining rental inflation

AIB has published its fifth real estate paper, "[The Irish housing market-are we there yet?](#)". The paper evaluates the current housing environment and how it impacts potential homeowners, the rental market, and the value of a shared ownership scheme in targeting affordability. In the paper Head of Real Estate Research Pat O’Sullivan finds increased supply has played a part in reducing the rate of residential price inflation outside of Dublin but has had little impact in Dublin.

The paper finds affordability constraints and the macroprudential mortgage rules have contributed to the slowdown in residential property prices, particularly in the Dublin market. In the rental market the paper finds a combination of affordability issues and regulatory constraints rather than any marked increase in the supply of rental stock have now started to restrain the increase in rental inflation.

The paper outlines a rationale for the introduction of a new shared ownership / equity loan scheme to help resolve some of the affordability issues in the housing market for the key worker segment of the workforce. These are the people who earn too much to qualify for social housing but not enough to get a sufficient mortgage to buy their own home. The paper finds any scheme would have to take account of the Central Bank macroprudential mortgage rules in order to avoid any diminution of requirements.

AIB is the primary funder of live developments which will, over the life of these developments, deliver 8,200 units. Of these, over 800 units are social housing units.

Donall O’Shea, Head of Real Estate Finance, AIB states “We believe there is a large amount of households on average incomes that could potentially afford home ownership but are constrained from doing so. Consequently, there is merit in considering the introduction of schemes such as shared ownership or shared equity schemes in the Irish market that targets the affordability segment. However, careful consideration would have to be given to the design features of any prospective scheme. Furthermore, any scheme would have to take account of the Central Bank mortgage macroprudential rules, in order to avoid any diminution of these requirements.”

Pat O’Sullivan, Head of Real Estate Research says “There is no doubt that increased supply has played a part in reducing the rate of residential property price inflation, but in our view, this has had more of an impact outside of Dublin. In fact, we believe Dublin remains sharply under-supplied, and that the reasons property prices have moderated in Dublin are largely attributable to affordability issues. Ultimately there remains a large gap between supply and demand.”

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