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Business + Technology & Innovation starts at the back of this supplement

Is now the time to buy a house?

If Covid-19 hasn't hit your income and you're not in a buying chain this may be an opportune time to buy

Joanne Hunt

Those lucky enough to have avoided a major income hit from coronavirus, also known as Covid-19, may find themselves better placed than many to buy a home this year. Stock levels, house prices, the number of buyers and mortgage lending are variables all being shaped by the virus. The result may prove opportune for some.

Buying power

There are few upsides to lockdown, but for those whose income has not been impacted, their finances have never been healthier. By the end of this year, households will have between €10 billion and €15 billion extra in their bank accounts because they can't spend it, analysts say. With no spend on childcare, eating out, commuting, holidays or anything else, some saving for a house are in an even better position to buy.

Public sector workers and many in the pharmaceutical, technology and finance sectors will have seen no change to their base pay. The extra savings made in these months of not going out may position them to buy sooner, to borrow less or to pitch for a better property or postcode than they anticipated.

Some buyers and sellers are already starting to think differently, says estate agent Vincent Finnegan. He describes a buyer who was sale agreed on an €800,000 property but has decided to pull out. "Instead he put in an offer of €1.5 million on a property priced at €1.85 million where he didn't think he had a chance. The figure of €1.5 million had always been the cut-off for the vendor anyway and he said, 'Yes, absolutely.' " Some vendors will want to hold firm, others not. It will be a case-by-case basis, says Finnegan.

Agent Owen Reilly, who handles a lot of Dockland sales, says over half their deals have fallen through, and they have had to renegotiate at lower prices. There have also been calls from buyers asking whether properties have been discounted.

"Definitely the market won't be unscathed," he says. "I valued a property pre-Covid at between €580,000 and €600,000 and we now plan to launch it at €520,000 and hopefully there will be interest from more than one party at that level".

Borrowing

Current fixed interest rates mean that it's not a bad time to borrow. Yes, Ireland had the second-highest mortgage interest rates across the euro area in February, and that's bad. But budding competition in the fixed rate space before the crisis saw some nudge down.

The best fixed rates now range from about 2.2 per cent over a five-year fix. In the three months to February, a record three quarters of all new mortgage loans taken out in the State were on a fixed interest rate.

"First time buyers in particular are opting for fixed rates," says Arklow-based financial adviser Lorna Gammell.

"If they are comfortable with the property and location, it means they know exactly what repayments are going to be. They can still plan to change the car or save for a holiday."

There's no crystal ball to say where rates are going to go, and there are some downsides to fixing. If rates go down, your payments won't drop, if you want to break the fix, there may be a penalty and options to overpay or top up your mortgage may be limited, depending on the lender.

Check all this before fixing. But not so long ago fixed rates were at 3 per cent; so borrowing now is at least better than it used to be.

Lending

Many who wanted to buy have paused plans as banks tighten up on lending for those whose incomes are affected by the crisis. In fact, the number of mortgages approved by Irish banks in March declined by almost 10 per cent on the same month last year, Banking and Payments Federation figures show. But banks still have to lend to someone. If your financial situation is unchanged by the pandemic, the banks are open for business, or so they say.

The Central Bank says it has 'not introduced any restrictions on lending in response to the pandemic'. Its big brother, the European Central Bank, has provided €120 billion in crisis relief to banks. This can be used by lenders to absorb losses or finance new lending, says the Central Bank.

The funds mean lenders won't have to constrain new lending, it says. But it's really up to lenders what they want to do. The decision to grant a mortgage application, to refuse it or even to process it and do so in a timely way, is their call. There has been some anecdotal evidence of banks dragging their heels on processing mortgage applications even from those whose incomes are not affected. 'Not me', they say in unison. So officially, they are lending, and the Central Bank says there is no reason why they shouldn't be lending.

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One thing banks have certainly done is clamp down on exemptions – this is where they can breach Central Bank mortgage-lending rules if they are comfortable a would-be borrower can repay the loan in the agreed time frame. KBC, Ulster Bank and Bank of Ireland have stopped exemptions for all new applicants.

AIB says it is keeping its lending criteria under constant review but hasn't changed its position on exemptions yet. Agent Owen Reilly says he had one sale fall through in recent weeks after the buyer's exemption was withdrawn. So if you are borrowing, don't bank on an exemption.

Competition

Viewing numbers were strong before the pandemic and enquiries are still there, estate agents say.

"People are looking for virtual viewings, or viewings when restrictions are lifted," says Eunan Doherty of DNG Central. "I've sale agreed some properties in recent weeks around Dublin 8 and I'm in regular contact with several potential buyers."

This continuing demand is from those not impacted financially and who are undeterred by macro uncertainty. "There are first time buyers in rental accommodation who are ready to buy and they are very, very keen," says Doherty.

With almost 600,000 people receiving the Government's special Covid-19 unemployment payment, there are many whose dreams of a new home are put on hold. For those still in a position to house hunt, this means a winnowed field of competing buyers at certain price points. So for a while at least the post-pandemic period could mean less competition, fewer bids and a better price.

Bargain town?

If you've got a crystal ball then you'll know exactly what's going to happen to house prices. Everyone else is waiting for data.

Data for the second quarter, during which the sales process was physically restricted, will provide evidence. House prices could soften in the short term, Sherry FitzGerald Residential managing director and economist Marian Finnegan predicts, but the level of contraction and its duration is as unknowable as the virus.

If the economy can reopen quickly, the contraction in values could be short-lived. A prolonged period of lockdown and economic disruption will have a greater impact on prices.

Is it a good time to buy? "It depends on the price point," says Michael Turley of Turley Property Advisors. Some 30 to 40 per cent of the market is unaffected by the crisis, he estimates. "If you have a house in Rathgar and you've got a doctor and a tech professional who want it, they might drive the price up to the pre-Covid level to get it."

There may be fewer buyers, but there may be fewer properties for sale too. Last week property website MyHome published figures showing that new properties coming to market on the website are down by 80 per cent compared with the same time last year.

Vincent Finnegan says vendors he is in contact with would like to sell, but that many don't have to sell. This may leave buyers, for a time, competing over fewer properties.

House hunters determined to hold out for the ultimate bargain may lose out.

"If you wait for the bottom, you'll have missed it. You have to make your own decision. If you see a 10 or 15 per cent drop and you have found somewhere you want; you can afford it, and it is a five or 10 year plan, then buy it. Especially where you can add value like converting the garage or extending."

Chain reaction

If this was the year you were going to sell your house and buy another, any drop in prices will bring both advantages and disadvantages. But you've got to do what you've got to do.

Births, school, work, death and separations all spur moves and these continue – pandemic or no pandemic.