



# Bank fuels fears of house price bubble

## BoI offers to pay stamp duty for first-time buyers

**Charlie Weston**  
Personal Finance Editor

**A NEW Bank of Ireland scheme to pay the stamp duty for first-time buyers has raised fears of a new credit bubble, at a time when property values are rising rapidly in urban areas.**

Financial experts warned that other banks will be forced to match the new incentive to avoid losing market share.

The move has echoes of the boom when loose lending and incentives meant people overpaid for homes, experts said.

Bank of Ireland said that it will refund stamp duty to first-time buyers of new and second-hand homes – equivalent to 1pc of their mortgage amount – for drawdowns up to the end of September.

This offer would mean a refund of €2,000 on a €200,000 mortgage. Experts said it was the most attractive incentive in the market at the moment.

The scheme will apply to all parts of the country.

Bank of Ireland's new scheme comes at a time when property prices in urban areas are showing double-digit rises.

Estate agency Douglas Newman Good (DNG) said property values are surging ahead by €5,000 a month in Dublin, pushed up by a chronic shortage of supply.

It said the average resale

value of a house in the capital is now €329,700.

This reflects a jump of 23pc over the last year in the prices properties are changing hands for in Dublin, according to the DNG house price guide.

**Continued on Page 2**

## Stamp duty offer fuels bubble fears

**Continued from Page 1**

Bank of Ireland defended the incentive, which it said showed its commitment to supporting new buyers.

It denied it was acting recklessly, saying all banks were lending prudently since the housing crash.

"The scheme will not influence the size of the market or the supply of properties available to purchase," the bank said.

It added that it had a €2bn fund available to meet current and anticipated mortgage demand.

It said it was seeing demand for mortgages from all parts of the country, particularly now that property prices had stabilised outside Dublin.

However, a leading broker body dismissed the stamp duty incentive as a gimmick, but warned that it could prove to be a costly gimmick for new buyers.

Chief executive of the Irish Brokers' Association Ciaran Phelan said other banks would be forced to mimic the new financial incentive, prompting fears of a new credit bubble.

"This raises fears of a credit bubble in areas where there is strong demand for properties and no supply. We don't want a situation of house prices going up and people starting to panic," he said.

He added that the move was a throwback to the property boom years.

### Regret

"This offer appears to be a bit of a gimmick and is reminiscent of Celtic Tiger days when people were incentivised to buy properties that they now regret buy-

ing," Mr Phelan said.

"But the current lack of properties for sale will hamper the efforts of first-time buyers even where they have loan approval."

Karl Deeter of Irish Mortgage Brokers said: "That a bank is willing to pay a buyer's stamp duty has the hallmarks of the kind of thing we used to see in the run-up to the boom."

Ken Murray of the Association of Expert Mortgage Advisers said there was a shortage of properties to buy in areas with jobs, and the new incentive scheme would make matters worse.

"Schemes like this may further exacerbate the issues by bringing additional first-time buyers to the market who may otherwise have held off on buying for the foreseeable future."

AIB, Ulster Bank, KBC Bank and Permanent TSB said they had no immediate plans for a similar scheme, but they were keeping their options open.

KBC Bank said it already offers free home insurance for a year to new buyers.

Ulster Bank said it was cutting its lending rates for new buyers later this month.

Banks are keen to have new mortgages on their books, to generate income, and especially with such high levels of arrears on existing loans.

Meanwhile, the European Central Bank is unlikely to cut interest rates when it meets today, in a move that will disappoint tracker mortgage holders.

And there have even been calls for a rise in rates next year from the German government.

This is despite a fall in eurozone inflation that raised expectations that the ECB would act.

Very few economists think the ECB will cut rates from their historically low level of 0.25pc at the moment.

Asked what the bank will do at its April meeting, only two of 72 European economists now predict a rate cut, according to a poll conducted by news agency Reuters.

Some 375,000 people with tracker mortgages benefit every time there is a cut in eurozone rates as what they pay is linked to the ECB rate.



**Ciaran Phelan: 'offer appears to be a bit of a gimmick'**