



Mortgage market €7 billion short of optimum size

by Vincent Ryan

Despite pent-up demand from first-time buyers and a return of speculators, the Irish mortgage market is still up to €7 billion short of the optimum mortgage market size.

It is estimated that in 2014 the Irish mortgage market will be worth between €3bn and €4bn but will fall far short of the optimum level.

Director of the **Association of Expert Mortgage Advisers** Ken Murray said that, based on historical factors and national demographics, the mortgage market should be operating around €10bn.

Mr Murray said that getting mortgage lending back to the optimum level is key to returning the banks to profitability.

"Based on demographics which have changed considerably in recent years and great consumer interest in and demand for renting, the optimum market size is now about €10 billion, roughly three times what it is now and just a quarter of what it was in 2007.

"We believe that the market size in 2014 will exceed €3bn and potentially grow to €4bn if the new products planned come to fruition. Many people forget that banks need new mortgage lending if they are to return to profitability," he said.

The mortgage advisers

believe most of the demand will come from first-time buyers and people looking to scale up to large homes. They note the professional landlord class is returning with an increase in the number looking to re-mortgage homes to raise money to invest in buy-to-lets or home extensions.

"Aside from the main players we are likely to see the re-emergence of two dormant sectors of the market: residential investment and re-mortgages.

"KBC have launched a new re-mortgage product recently which is the first in a very long time and PTSB also recently introduced their residential investment product, so we certainly think these sectors will see considerably more activity in the New Year," said Mr Murray.

As the two-speed recovery in the property market continues, people in urban areas are finding that they have been released from negative equity as demand for family homes outstrips supply. This means that many homeowners who felt trapped are now free to trade up to new homes.

"This is boosting the confidence among those considering trading up and with the chronic lack of new family homes being built, there's a growing need for each purchasing segment to shuffle up to create space at the bottom for first-time buyers."