TUARASCÁIL ón gComhchoiste Fiosrúcháin i dtaobh na Géarchéime Baincéireachta

An tAcht um Thithe an Oireachtais
(Fiosrúcháin, Pribhléidí agus Nósanna Imeachta), 2013

REPORT of the Joint Committee of Inquiry into the Banking Crisis

Houses of the Oireachtas
(Inquiries, Privileges and Procedures) Act, 2013

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THEME: B4

Impact of the property valuation methodologies on banks' credit risk management

LINE OF INQUIRY: B4b

Independence of the professional advisors in valuing property assets

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1. Introduction

This paper sets out the key elements of the proposed valuation methodology and a possible alternative approach to provide valuations to comply with the requirements of the European Union ("EU"), providing transparency in the valuation process and ensuring sufficient flexibility is retained to address all the necessary requirements to have a standard valuation methodology transferable across jurisdictions.

The valuation methodology is primarily used to determine the acceptability of the transfer value ("Transfer Value") of the assets to the National Asset Management Agency ("NAMA"). However, one key component of the valuation methodology will be how it conforms to the Eligibility Criteria used to determine loan eligibility for inclusion in NAMA's portfolio.

Qualification for eligibility for inclusion requires a determination that the loan is "impaired", without the use of an express definition. Using an accounting or regulatory capital definition for "impaired" would likely be inadequate, as a large portion of the loans would not otherwise apply. Discussions with the EU Commission indicated that "impaired" should relate to the implications associated with the release of capital, post asset transfer. It also appears that the definition of "impaired" may be satisfied if, through the evaluation of the market value of the assets, the transferred assets would otherwise be impaired. For further information, please refer to the HSBC discussion paper on The Proposed Approach to defining Eligibility Criteria in the context of NAMA.

One key issue for the asset valuation implications centres around the balance between the desire to have full transparency and clarity regarding the Transfer Value and its appropriateness as compared to the desire to minimize any adverse impact on Bank capital. This is further complicated by the need to ensure the investment community has confidence that the issue has been fully addressed. Further, if the asset prices are too aggressive, the long-term cost to the Irish taxpayer may be too onerous.

This paper summarises the key elements of the EU Commission objectives and the key differentials in their objectives, data collection, real estate valuation and associated logistical issues. Upon receiving suitable property valuations, the paper discusses how to overlay the loan structures and their related valuations.

2. General Valuation Methodology for Non-Performing Loans

Over the last 25 years, numerous situations arose whereby market solutions to Non-Performing Loan ("NPL") problems have been adopted. The critical aspect of these programmes has been the adoption of valuation methodology ascribing an appropriate value to the underlying assets. Current NPL valuation techniques, originally formulated during the life of the Resolution Trust Corporation in the United States and Securum in Sweden in the early 1990s, were subsequently refined in markets such as Italy, Germany and Japan. The fundamental premise is the evaluation of the assets using a discounted cash flow method taking into account the timing and reliability of the cash flows coupled with an appropriate discount factor to arrive at a fair market value today. Using such techniques provides transparency and consistency to facilitate the acquisition process

To validate the process of selling NPLs, it is critical to determine the price at which a willing buyer and a willing seller would transact reflecting the potential for receipt of income and ultimate return of principal (or any part thereof) balanced against the risk profile and capital cost. Depending on the asset type, the valuation methodology should allow for the valuation of the larger assets (reflecting the greatest concentration of risk) and the remaining portfolio of assets (reflecting the greatest effort).

Due diligence, whether performed on a detailed basis for larger assets or on a sampling basis to ensure consistency of the portfolio to seller lending criteria, is performed to focus on the quality of the loan, its security position and the underlying collateral. As this often requires an extensive assessment of the loan file and client position, the extent to which a large portfolio is reviewed is dependent on the type of assets, results of sampling exercises, timing for transaction completion and price sensitivity.

The selling institutions often attempt to provide information to present the loan positions in the best possible perspective to realise the highest possible price. It is critical for the purchaser to eliminate any such bias by requesting objective information from the sellers to facilitate an accurate assessment of the assets. This information should include details on the underlying collateral, loan structures, risk modifiers and issues that may compromise the ability to fully realise any security value.

The once a fair market value for the underlying collateral has been determined, the fair market value of an loan will be determined by the interaction of two variables: the timing of the cash flows and the discount rate applied to those cash flows.

i. Principal and interest;
ii. Any additional cash flows that may be captured from the operation of the assets; and / or,
iii. Proceeds from realisation of the asset.

Whilst the first two components are easy to determine, the ability to realise proceeds from the realisation of the asset are more difficult to determine. The issues influencing this are as follows:

- *Performing investment assets* – the stability and reliability of the cash flows and the ability to either secure a refinancing of the debt or sale of the property;
- *Non-Performing investment assets* – an estimation of cash flows, incoming and outgoing, and the likely timing of disposal, the costs of disposal and the availability of a buying market;
- *Partly completed projects* – a determination of whether the project should be completed needs to be made, and, if so, how it will be financed with these cash flows taken into account in the asset's cash flow stream.;
- *Underlying business activities* – in cases where there is an underlying business activity capable of generating some regular interest and/or principal repayments, the cash flow needs to be reflected;
- *Period of cash flow estimates* – the timing of the cash flow estimates up to and including the final loan repayment or for a sufficient period to cover the workout strategy and associated costs.

The discount rate is typically based on an opportunity cost concept, being the "market risk-adjusted interest rate" applicable to the loan in question. Since the loans vary in terms of factors such as size, quality, industry, extent of collateral, volatility of expected cash flows, etc., it is ideal for a specific rate for each loan to be determined. However, if a large portfolio is being acquired, an overall rate for the portfolio rate may be used reflecting the purchaser's cost of capital.

3. Summary of NAMA Valuation Methodology

The Valuation Methodology proposed by HSBC has been developed with a view to obtaining both a current market value ("CMV") and a Long-term Economic Value ("LEV") of both the underlying assets securing a loan and of the loan itself consistent with the General Valuation Methodology for Non-Performing Loans outlined above. The key steps in the Valuation Methodology are as follows:

Step 1: Obtain a CMV of the Underlying Assets

- Requires information to be provided from each of the participating institutions, pursuant to the Asset Information List circulated by HSBC;
- As 350 data items are requested, there will be trade off between accuracy of information and expediency of transfer;
- External Valuers to be engaged to establish CMV of certain underlying assets based on the Red Book International Valuation Standard (or equivalent);
- Which assets will be valued is yet to be determined, but greatest emphasis will be on Land and Development ("L&D") assets;

- The remainder of the assets will be valued by segregating into baskets and using a statistical means;
- Metrics for L&D assets will include characteristics necessary to determine the residual site value, reflecting updated information relating to, *inter alia*, current pricing of the completed scheme, arms-length construction costs, reasonable construction delays, asset sales and liquidation delays;
- Transparency of valuation methodology is required in the Valuation Reports, with full disclosure of the inputs used in the valuation process; and
- Quality control audits will take place to verify that all institutions are using comparable information.

Step 2: Obtain a LEV of the Underlying Assets

- Once the CMV of the underlying assets has been obtained, adjustments can be made to arrive at the LEV of those assets;
- The adjustments would uniformly apply to specific baskets of loans, initially separated by city/region and asset type;
- The adjustments will be made using various econometric and statistical tools which are yet to be determined but will likely include, for example, the reversion of yields to long-term historic averages over the next 5 years or the application of inflation to the CMV over a similar time period;
- The EU Commission are likely to place substantial focus on the adjustments used to ensure that the determination methods are sufficiently robust.

Step 3: Obtain a CMV of the Loans

- Once the valuations of the underlying assets have been obtained, the implications of these on the loans can be evaluated;
- CMV can be estimated through comparisons with other asset classes, current lending/investment requirements for real estate assets and current trading conditions for senior/mezzanine and equity financings;
- CMV will be estimated on a loan by loan basis based on the relationship of the underlying collateral to the loan and its structure, including the impact of current MTM calculations on hedging instruments;
- The current state of liquidity markets is expected to result in a reduced impact on CMV of the loans.

Step 4: Obtain a LEV of the Loans

- The final value to be obtained is the LEV of the loans;
- A similar methodology will be used to those employed in NPL and securitisation structures;

- Focus is on anticipated underlying cash flows over the life of the transactions, including all operating costs, enforcement costs, income, hedging obligations and final settlement obligations, future lending obligations and funding costs, together with timing of all the anticipated cash flows;
- The benefit of ancillary security will be considered;
- The NPV of the after tax cash flows will result in the LEV of the loans.

Illustrative Example

The following example is for illustrative purposes only. It shows the values associated with an asset originally valued with 4% yield at Euro 100 million. Current market information indicates a 7.25% yield producing a CMV on the real estate asset of Euro 55.2 million, or a 44% decline. The long term yield on this property is assessed at 6.25% which results in a valuation of Euro 64 million, or a 36% decline.

Determination of Real Estate CMV	
Original Market Value (mm)	100.0
Original Asset Yield	4.00%
Current Asset Yield	7.25%
Current Market Value (CMV) (mm)	55.2
Market Value Decline (from Original)	*-44.83%*
Valuation Adjustment Factor	16.0%
Longterm Economic Value Yield	6.25%
Longterm Economic Value (LEV) (mm)	64.0
Market Value Decline (from Original)	*-36.00%*

To continue the example (see table below), the asset secured a Euro 70 million loan at a 1.25% margin for five years that was originated two years ago. The current loan position remains at Euro 70 million outstanding, though the required rate of return has increased materially to 8.40% margin. Calculating the NPV of the loan cash flows to maturity and through the subsequent enforcement period results in a CMV on the loan of Euro 47.15 million (33% discount); the value one would receive if selling the loan into the marketplace today. However, using a NAMA cost of funding equal to 2.75% margin (6.35% overall after factoring in the appropriate swap rate), the long term economic value (LEV) of the loan increases to Euro 57.73 million, or an 18% discount to the original Euro 70 million loan amount.

Determination of Loan Value	
5 Year Swap Rate	3.60%
Original Loan Term (years)	5
Original Loan Amount	70
Original LTV	0.7
Original Loan Margin	1.25%
Original Funding Cost	4.85%
Remaining Loan Term (years)	3
Current LTV	127%
Current Margin	8.40%
Current Funding Cost	12.00%
Current Market Value	47.15
Current Market Value Discount	*-33%*
Remaining Loan Term (years)	3
Longterm Economic Value LTV	109%
NAMA Margin (estimated)	2.75%
NAMA Funding Cost (estimated)	6.35%
Longterm Economic Value	57.73
Longterm Economic Value Discount	*-18%*

Whilst the value calculations above provide an indication of the discount applied to arrive at an acceptable valuation, the actual Transfer Price of the asset to NAMA would likely need to be between the 18% and 33% discounts indicated. I.e., in the current market the loan would sell at a 33% discount but NAMA would purchase the loan at an 18% discount.

4. Valuation Methodologies: EU Commission Objectives

The EU Commission has stated its objective not to be the party determining how each of the various Asset Support Measures ("ASMs") values the assets subject to the ASMs. However, the guidance produced by the EU Commission is clear in its purpose to ensure that the ASMs is delivering on its objective of producing a relief mechanism that will ensure consistency across the banking industry by promoting an assessment of the assets on a LEV, thereby overcoming the liquidity stress of current markets.

Whilst there is no clear definition of LEV, and, in various interpretations, may be construed as being a purely theoretical value, the concept is intended to produce an asset valuation absent the liquidity stress that reflects the underlying economic value of the assets relative to the likelihood of the assets producing a repayment stream based on its true credit fundamentals. Though not prescriptive in how to assess the ultimate approach, the EU Commission will apply a comprehensive analysis of the methodology employed to determine the robustness of the method and its assumptions. Conversations indicate that this will involve the receipt of evidence substantiating any assumptions and the methodology used in their determination as well.

The EU Commission has provided clear indications of the requirement for the assets in an ASM to include at a minimum the CMV and the LEV. The relationship between the two values will be closely evaluated to understand the extent of the dislocation to values occurring as a result of the liquidity stress and, the greater the differential between the values, the extent to which the underlying assumptions or the adopted methodology may not present an accurate reflection of LEV.

A further use of the two values is to determine the amount of state aid, and to the extent the Transfer Values of the assets exceed the CMV, the potential distortion such premium could introduce to competition. Transfer Values between the CMV and the LEV may qualify as compatible State Aid as long as the whole process is conducted according to the Commission's communications. As a general rule, any Transfer Value above LEV would be regarded by the Commission as non-compatible State Aid under the EC Treaty. The larger the difference between Transfer Value and CMV, the higher the amount of State Aid considered; that may increase the need for restructuring and the size of potential compensatory measures.

Discussions with the EU Commission have indicated that, as with other asset classes, both the CMV and LEV will be required. Further, both valuations will need to be considered for the underlying real estate assets and the derived debt securities they secure to produce an acceptable analysis.

5. Valuation Methodologies: Key Differentials

With the primary market dislocation arising from the lack of liquidity, the valuation methodologies must focus on the valuation factors that manifest themselves in the adverse CMV before being able to understand and adjust for the appropriate factors for the LEV. The issue having the greatest impact is the liquidity stress if forced to sell an asset immediately.

Liquidity Stress

The current market has a dearth of investors willing to acquire assets at various levels of investment, whether equity in property, banks through lending or debt investors. As each of these levels of the market is dependent on the availability of the others, the lack of liquidity on one has driven the other investment categories to similar levels of illiquidity. Therefore, determining an appropriate CMV for assets in today's market environment is not a simple task due to the lack of transactional evidence to substantiate valuation metrics. The use of comparables from other markets can permit the production of more reliable estimates.

Deriving the inputs for the LEV is further complicated by the question regarding what the structure of the respective markets will be when the market returns to some degree of normality. Further, EU

Commission guidance highlights the need to consider the potential for a global economic recession. However, as an alternative hypothesis one also needs to consider the impact the ASMs may have on the respective markets and the potential for liquidity to be re-introduced into these markets through successful implementation of these schemes.

This notwithstanding, specific issues can be addressed by evaluating the subject assets in the context of a “hold to maturity” situation, particularly where the repayment at maturity is expected to result in a value considerably in excess of the CMV after taking into consideration the credit fundamentals of the underlying assets. For example, the anticipated repayment of a highly rated debt security may be par, yet the CMV results in a current carrying value materially below this level and a LEV of close to par (after considering current funding costs of carry) may be achieved.

NAMA Specific Considerations

In relation to the NAMA assets, this presents some specific complications. Firstly, real estate has no underlying “maturity” on which to consider its value at a pre-determined date. Similarly, the real estate assets do not have a par value against which a value in the future can be compared. The characteristics of the underlying real estate markets drive the factors that influence value, many of which are currently affected by the liquidity stress (e.g. supply/demand dynamics, availability of liquidity, cost of capital, etc.). The stress on these characteristics have resulted in the deterioration of the normal valuation metrics to extreme levels and give rise to questions regarding where the new equilibrium for these assets will be in the future, thereby complicating the estimation of a LEV.

However, as the re-introduction of liquidity through the various ASMs begins to manifest itself in the underlying assets, it is reasonable to assume there will be some improvement in valuations. Various methods of arriving at these values may be used, though the robustness of their derivation will be closely scrutinized.

In relation to the loans secured by the real estate assets, similarities to other debt securities provide the capability to evaluate the loans and their cash flows in a similar fashion. NAMA will be able to hold the loan to maturity and consider the timing and costs associated with any actions to enforce and realize any security and its associated repayment / recovery on the loan (net of any operating or enforcement costs). In doing so, the cost of capital assumed may be predicated on the funding costs of the ASMs plus a margin, whereby the government creating the ASMs is earning an incremental return in consideration for its market intervention and support.

Instruction

Jones Lang LaSalle received an initial proposal to participate in this study from PricewaterhouseCoopers in mid November 2008. Jones Lang LaSalle's letter of instruction was returned and completed on 24.11.08.

The terms of reference/instruction were agreed as summarised:

- To review the existing external valuations held by the institutions, along with any internal updates and the rationale or new information underlying these.
- To take a commercial view and assess the 'normalised' value of each property, if different to the current view of the institution.
- To evaluate the valuation methodology and comment on the robustness of the approach.

The time scale involved was also condensed to approximately 3 weeks to assess a total of around 317 cases (some including multiple properties) in the loan portfolios of the following institutions:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

The next phase of this study is to consider properties for [redacted] [redacted] and [redacted].

The properties in Phase I were distributed between the following geographical locations (by number of cases rather than value): Ireland 65%, UK 26%, Europe 7%.

Methodology

The working methodology with each institution was as follows:

- Original property valuations were examined on-site or copied by the institution and supplied to Jones Lang LaSalle.
- Each institution's in-house figures and reviews, where available, were similarly provided.
- This material was reviewed by Jones Lang LaSalle and an initial 'normalised' value was assessed for each property.
- A peer review of the normalised values was undertaken by senior directors.
- Drafts were supplied to each institution.
- Final reporting to PricewaterhouseCoopers

For some institutions the information gathering took a longer period than others and information ranged from detailed and written through to verbal only. The entire process was condensed into an intense timeframe of less than three weeks.

Assumptions

In view of the nature of the instruction to review valuations, and also the speed and volume of valuations to be reviewed, the following assumptions and principles were necessary:

- Jones Lang LaSalle relied on all the facts and information provided by both the external valuer's report and the bank officer.
- It is assumed that the external valuer exercised a full and proper duty of care in carrying out the initial valuation.
- All facts on floor sizes, title, site areas, planning permissions, work in progress etc are all accepted as correct.

Based on these principles, Jones Lang LaSalle has used market knowledge and professional surveying expertise and judgement to make a commercial assessment of the normalised value of the properties.

The concept of 'normalised' value is discussed below.

'Normalised' Value

Section II of this report gives a detailed market commentary for the Irish, UK and European markets.

The credit crunch and economic crisis are well documented and are not recorded here. At the time of reporting, the property market is experiencing a number of adjustments which are unprecedented in their speed and severity, and exacerbated by the sudden effective withdrawal of credit from the property market.

Investment yields were at historic lows in the last cycle, with values at corresponding highs. The adjustment off this base has resulted in the value of prime fully-let investment properties declining by 35% - 55% depending on sector, with retail suffering most. House prices are also suffering, with value of new stock (especially apartments) down by up to 30% and sometimes more depending on location. The alteration in values has brought many sectors back to long term trends in terms of yield, and it is almost certain that they will fall further before recovering.

Land values have taken the most severe adjustment. Land is a residual value, the amount which can be paid after taking the end sale value, less building and other costs and profit. The amount available for land is further reduced by stamp duty and costs, and the funding cost of holding the site prior to development.

At present end values are severely down and still falling, and funding for land is scarce and costly. Development land is, and always has been, at the top of the risk scale and it is affected accordingly. Site values are down by between 30% and 80% across all locations.

Valuations which take account of these factors could theoretically come close to zero unless some liquidity is assumed. It is agreed that a 'fire sale' approach to reviewing the valuations is not required or useful.

To arrive at an assessment of normalised value we make the assumptions below.

Assumptions and Inputs

What we seek to determine is a reasonable assessment of the value of the subject property taking into account the long term sustainable aspects of the property, the normal local and market conditions as well as the current and alternative uses of the property.

In so doing we assume:

- a willing buyer and a willing seller, and that both parties act knowledgeably but specifically without distressed compulsion.
- the availability of normal financing but not unusual forms of financing or excessive LTVs and that buyers will require a reasonable return on investment commensurate with the risk.
- a healthy balance between supply and demand of all property types, without excessive undersupply or oversupply of new stock.
- the buyer will not pay a price that unrealistically anticipates the future in terms of supply/demand, price levels, rent levels or financing rates.

The estimated timeframe for these 'normal' conditions to occur is between 3 and 5 years, although the exact time will be dependent on macro-economic factors.

In our review we have had regard to long term rates including real interest rates and long term real property returns. Other inputs we have considered on a case-by-case basis include:

- Location (long and short term prospects)
- Infrastructure (long and short term)
- Services
- Planning (long and short term)
- Supply (micro and macro)
- Demand (micro and macro)

- Rental levels
- Covenant Strength
- Vacancy (short and long term)
- Cost of funds
- Short and long term money rates
- Quality of investment (Grade)
- Contamination
- Size, configurations, etc
- Building costs
- Phasing ability
- Overall time to develop

Comparative data on prices provided by external or internal valuations is treated more cautiously the more historic the data is. It should be noted that *prices are a guide to market sentiment at the time of the transaction* and must be treated as such.

Whether any particular comparison is a sound guide to value is a fundamental part of our opinion formation.

Application of this Opinion

This opinion is intended to give a rational basis for evaluating the future value of properties held as security in conditions where the current market has effectively ceased to operate with a sufficient volume of transactions to enable the normal methods of valuation to be applied.

It is therefore necessary for us to assume that the current unprecedented conditions of volatility and market failure has been replaced by a period of equilibrium reflecting more long term trends.

In reviewing the valuations which are now current in each institution's system we have taken full account of all information provided. In relation to external valuations the more recent they are the greater the reliance will be placed on them subject to the inputs set out on the previous page. However the process involves Jones Lang LaSalle being asked to give an independent view and therefore we cannot simply adopt an external or an internal value no matter how recent without having regard to the inputs and assumptions above.

Use of this Review

This review is intended only for the party to whom it is addressed and the addressee of the PricewaterhouseCoopers reports. However a copy of the report may be made available to the Department of Finance and the National Treasury Management Agency.

It is critical to understand that our instruction was to provide a considered commercial review of material provided, and not to carry out a due diligence exercise.

All information supplied has been relied upon, regardless of its detail or apparent depth. In a minority of cases the information provided has been minimal and/or entirely verbal. We have used the material available to assess a normalised level comparing like with like.

The resulting 'normalised' value could differ significantly if the underlying inputs alter upon due diligence.

In some cases we believe that the underlying principles of the valuation as security needs to be further scrutinised. We have advised PricewaterhouseCoopers where this is the case.

For these reasons this report or any of its contents should not be represented as or used as a valuation and should not be relied upon for any transactional decisions.

JLL FILE NUMBER
[redacted] 82

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST: [redacted]

BORR: [redacted]

PROP: 4.45 hectare (11 Acres - [redacted]) site at [redacted] - zoned for mixed use. Purchase price of 36m in Dec '05 / 3.3m per acre.

EXT. REF 1

EXT. REF 2

COUNTRY	IRELAND
TYPE	LAND/DEV
USE	MIXED

ADD-RESS: 4.45 hectare (11 Acres - [redacted]) site [redacted] - zoned for mixed use. Purchase price of 36m in Dec '05 / 3.3m per acre.

EXTERNAL VALUATION

DATE/VALUER	31/05/2008	BY JLL
CURRENCY	EUR	
AMOUNT	**65,000,000**	

INTERNAL VALUATION

Date 01/10/2008

EURO €

65,000,000

OTHER INFO PROVIDED: External Report.
Internal Valuation Notes.

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS:
Major site close to [redacted]
Value with and without planning provided in report.
Value adopted lower figure.

'NORMALISED' VALUE

EURO € **43,500,000**

JLL COMMENTS ON REVIEW ~ FUTURE

Extensive development of proceeds and need to be done on a phased basis which will defer value.
Underground parking will be expensive.
Will be of interest to developers.

COMMENT ON METHODOLOGY

Updated Valuation September 2008.

JLL FILE NUMBER
ANGLO 85

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST: Anglo

BORR: [redacted]

PROP: 6-acre site [redacted] with FPP for 18 detached houses. Purchase in Oct '06 for €10.7m.

EXT. REF 1

EXT. REF 2

COUNTRY IRELAND

TYPE LAND/DEV

USE RESID

ADD-RESS 6-acre site at [redacted] with FPP for 18 detached houses. Purchase in Oct '06 for €10.7m.

EXTERNAL VALUATION

DATE/VALUER 01/11/2006 BY ?

CURRENCY EUR

AMOUNT **13,500,000**

INTERNAL VALUATION

Date 01/10/2008

13,500,000

OTHER INFO PROVIDED
External Valuation dated November 2006 stating valuation of €13,500,000
Internal valuation of €13,500,000
Site purchased for €10,700,000
lender Advised that planning permission was granted for 18 units in December 2007.

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS
Full planning permission for 18 detached houses as follows:

Type A	8 x	3,400 sq ft
Type B	7 x	2,863 sq ft
Type C	3 x	2,437 sq.ft

'NORMALISED' VALUE

EURO € **8,000,000**

JLL COMMENTS ON REVIEW ~ FUTURE

Due to the location and the nature of the houses on their own grounds, demand for the sites would be relatively good in an improved market.

COMMENT ON METHODOLOGY

At the time of the valuation the lands were zoned protected landscape.
Valuation referred to a letter from [redacted] where a similar site achieved 6 units per acre.
The valuation assumed 24 - 36 units equating to a site value of €375 - €560 per site.

JONES LANG LASALLE

JLL FILE NUMBER
ANGLO 87

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST: Anglo

BORR: [redacted]

PROP: 1.27 acre site [redacted] [redacted] with FPP for a [redacted] bed hotel, 8 apartments, 8,910 sq.ft. of retail and 273 basement car spaces (Original purchase price was €5m in Feb'06 with no planning attached).

EXT. REF 1

EXT. REF 2

COUNTRY	IRELAND
TYPE	LAND/DEV
USE	MIXED

ADD-RESS: 1.27 acre site [redacted] with FPP for a [redacted] bed hotel, 8 apartments, 8,910 sq.ft. of retail and 273 basement car spaces (Original purchase price was €5m in Feb'06 with no planning attached).

EXTERNAL VALUATION

DATE/VALUER	01/01/2007	BY ?
CURRENCY	EUR	
AMOUNT	**11,510,000**	

INTERNAL VALUATION

Date 01/10/2008

11,500,000

OTHER INFO PROVIDED:
External Valuation report dated January 2007 stating valuation of €10,500,000
Lender informed us that Borrower agreed to purchase site in 2004 at €5m
Lender informed us that PP was granted for a [redacted] bed hotel with restaurant 8 apartments, 8910 sq.ft retail & car park for 273 basement spaces

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS:
Currently used as a car park on a site of 1.27 acres
FPP for a [redacted] bed hotel,
8 apartments,
8,910 sq.ft. of retail
273 basement car spaces

'NORMALISED' VALUE

EURO € **7,000,000**

JLL COMMENTS ON REVIEW ~ FUTURE

The benefit of planning permission reduces development risk.

COMMENT ON METHODOLOGY

Based on High profile town centre site, dual frontage, exceptional water frontage & full Planning Permission
We have no details as to the date of grant of planning permission.

JLL FILE NUMBER

Oir L [redacted] 84

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST: Oir L

BORR: [redacted]

PROP: Site extending to approximately 20,914 sq. ft. (c. 0.33 acres) [redacted] Purchased for 10.4m Oct '06.

EXT. REF 1

EXT. REF 2

COUNTRY IRELAND

TYPE LAND/DEV

USE MIXED

ADDRESS: Site extending to approximately 20,914 sq. ft. (c. 0.33 acres) at [redacted] 2). Purchased for 10.4m Oct '06.

EXTERNAL VALUATION			INTERNAL VALUATION
DATE/VALUER	01/04/2007	BY ?	Date 01/10/2008
CURRENCY	EUR		
AMOUNT	**16,000,000**		**16,000,000**

OTHER INFO PROVIDED: External Valuation Report dated April 2007 stating valuation of €16m.

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS:
Zoned commercial core area.
Single storey end of terrace warehouse building of 21,000 sq ft on a site of approx. 0.48 acres.
Planning in progress for a 12 and an 8 storey building.
Awaiting a site plan & a location plan.

'NORMALISED' VALUE

EURO € **16,000,000**

JLL COMMENTS ON REVIEW ~ FUTURE

City Centre site for office development. No planning currently in place for the property
Extensive rejuvenation of the [redacted]) will provide for a substantial supply of both commercial & residential accommodation.

COMMENT ON METHODOLOGY

No alteration of the value from 2007 - 2008.
Internal valuation believes €4 million potential increase in value on achieving planning permission.

JLL FILE NUMBER
Oir L 125

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST: Oir L

BORR: [redacted]

PROP: [redacted]
6 acres with planning for residential, retail, office

EXT. REF 1

EXT. REF 2

COUNTRY IRELAND

TYPE LAND/DEV

USE INDUST

ADD-RESS [redacted]

EXTERNAL VALUATION

DATE/VALUER BY

CURRENCY EURO €

AMOUNT

INTERNAL VALUATION

Date

EURO €

OTHER INFO PROVIDED: Internal memo of 27 November 2008.

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS: 6 acres with planning for mixed use apartments, offices, retail, restaurant, health & fitness, crèche and medical centre.

'NORMALISED' VALUE

EURO € **25,000,000**

JLL COMMENTS ON REVIEW ~ FUTURE

COMMENT ON METHODOLOGY

Oir L summary figure attached to internal memo (see above) indicates €140 million being completed value. Not appropriate valuation approach for 6 acres.

JLL FILE NUMBER
[redacted] 61

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST: [redacted]

BORR: [redacted]

PROP: [redacted], acquired for development of Phase 2 [redacted]

EXT. REF 1

EXT. REF 2

COUNTRY IRELAND

TYPE LAND/DEV

USE RETAIL

ADD-RESS [redacted]

EXTERNAL VALUATION

DATE/VALUER 26/02/2007 BY [redacted]

CURRENCY EUR

AMOUNT **220,000,000**

INTERNAL VALUATION

Date 01/09/2008

EURO €

220,000,000

OTHER INFO PROVIDED
Internal valuation sheet.
DTZ development appraisal sheet.
Bannon Commercial individual values.

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS
Value of [redacted] €154 million based on development appraisal using 4.8%, which was bullish for February 2007. Rent free periods only 3 months. Not all detail provided on adjoining lands.

'NORMALISED' VALUE

EURO € **162,800,000**

JLL COMMENTS ON REVIEW ~ FUTURE

Yields moved out on [redacted] since valuation. Land values and yields on individual properties also moved out. Assumed ERV's are accurate.

COMMENT ON METHODOLOGY

Residual appraisal used for main land.
Investment method used on some individual units.

JLL FILE NUMBER
Oir L 75

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST:	Oir L	EXT. REF 1	
BORR:	[redacted]	EXT. REF 2	
PROP:	[redacted] Carrying this at GDV	COUNTRY	IRELAND
		TYPE	INVEST
		USE	OFFICE

ADD-RESS: Development site at [redacted] and all WIP to be let to [redacted].

EXTERNAL VALUATION			INTERNAL VALUATION
DATE/VALUER	01/08/2007	BY	Date 01/09/2008
CURRENCY	EUR		EURO €
AMOUNT			**429,000,000**

OTHER INFO PROVIDED: Internal valuation from Oir L [redacted] presold at €11 million. [redacted] main space €60 per sq. ft. at 4.75%, additional €50 per sq. ft. at 4.75%. [redacted] at €60 per sq. ft. capped at 4.75%, vacant 66,214 at €50 per sq. ft. capped at 4.75%. Valuation methodology according to spreadsheet is site at cost August 2007 at €26 million with 30% of WIP to date arriving at €110,000,000. Purchasers costs at 6% only reflecting corporate structure.

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS: Total Oir L GDV is €429 million. Appears aggressive in terms of yield. Also no account taken of rent free periods or letting voids on both let and unlet space.

'NORMALISED' VALUE

EURO € **325,000,000**

JLL COMMENTS ON REVIEW ~ FUTURE

Good quality buildings let to good legal covenants. 66,214 sq. ft. space still vacant. Normalised yield in order of 6% Oir L probably OK. GDV reported as value need cost information.

COMMENT ON METHODOLOGY

Oir L methodology not market practice. Appropriate methodology can be either a) market value of site or b) Net Development Value less costs to be incurred at valuation date.

JLL FILE NUMBER
Oir L 22

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST: Oir L

BORR: [redacted]

PROP: [redacted]

EXT. REF 1

EXT. REF 2

COUNTRY IRELAND

TYPE LAND/DEV

USE RESID

ADD-RESS [redacted]

EXTERNAL VALUATION

DATE/VALUER	01/10/2005	BY	Oir L
CURRENCY	EUR		
AMOUNT	**150,000,000**		

INTERNAL VALUATION

Date 01/09/2008

150,000,000

OTHER INFO PROVIDED

Internal Memo as at 26/11/2008

External Valuation Report as at October 2005

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS

The external valuation dated October 2005 values land comprising of 127.2 acres (51.5 Ha) [redacted]

The internal valuation of 28/11/2008 gives details of 97 acres (58 zoned residential) of land .

For the purpose of this exercise we have valued 97 acres (58 zoned residential)

'NORMALISED' VALUE

EURO € **55,000,000**

JLL COMMENTS ON REVIEW ~ FUTURE

Valued 97 acres [redacted]

COMMENT ON METHODOLOGY

The external valuation of €150,000,000 is based on the assumption that good title exists , that the entire lands extend to 127.2 acres , that no unusual ground conditions exist , that approximately €20M has been spent on services , any site sales will be entered into on a licence agreement, that there is no requirement for social and affordable housing on the lands.

The above information is solely addressed to the client and is not to be used by any other party. It is a review of value and should be read in conjunction with the other report material. Within the timeframe and terms of instruction, all information received has had to be relied upon and has not been verified or subjected to any other due diligence. The outcome may differ considerably upon completion of such due diligence. It is not a valuation, should not be relied upon as a valuation. No financial or other decisions should be made on the subject property based on this information.

Jones Lang LaSalle

JLL FILE NUMBER
[redacted] 77

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST: [redacted]
BORR: [redacted]
PROP: [redacted].

EXT. REF 1
EXT. REF 2
COUNTRY IRELAND
TYPE LAND/DEV
USE MIXED

ADD-RESS [redacted]

EXTERNAL VALUATION

DATE/VALUER	11/03/2008	BY [redacted]
CURRENCY	EURO €	
AMOUNT	**96,000,000**	

INTERNAL VALUATION

Date 26/11/2008
EURO €
96,000,000

OTHER INFO PROVIDED
External Valuation dated 2006 at €115,000,000.
External Valuation Letter dated March 2008 stating value at €96,000,000.
Internal valuation adopts external valuation.

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS
175 acres.
Joint planning application submitted with [redacted] which has been appealled [redacted] proportion is [redacted] residential units, [redacted], [redacted], [redacted] and [redacted] m2 of retail / office.
Infrastructures planning other decision expected soon. Medium / long term project.
the lands are situated near [redacted]

'NORMALISED' VALUE

EURO € **65,000,000**

JLL COMMENTS ON REVIEW ~ FUTURE

Due to the scale of the scheme - the borrowers own portion of [redacted] units, the disposal period could be 5-10 years.

COMMENT ON METHODOLOGY

Valuation dated 2006 based on initial plans for [redacted] units together with commercial town centre development. There was no planning permission at the time of the valuation.
The 2008 Valuation refers to planning application and subsequent appeal, we have no confirmation of same.
Valuation of €96,000,000 assumes a value of €549,000 per acre.

JLL FILE NUMBER
Oir L 118

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST: Oir L

BORR: [redacted]

PROP: [redacted].

EXT. REF 1

EXT. REF 2

COUNTRY IRELAND

TYPE LAND/DEV/ GOLF

USE MIXED/ GOLF

ADD-RESS [redacted].

EXTERNAL VALUATION

DATE/VALUER 11/03/2008 BY Oir L

CURRENCY EURO €

AMOUNT **3,000,000**

INTERNAL VALUATION

Date 26/11/2008

EURO €

3,000,000

OTHER INFO PROVIDED

Internal memo of 26 November 2008.

Advised that [redacted] valued the site at €3 million in March '08 (?)

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS

6.25 acres zoned part industrial / commercial.

'NORMALISED' VALUE

EURO € **1,850,000**

JLL COMMENTS ON REVIEW ~ FUTURE

Site was previously valued assuming industrial / commercial zoning (in part) could be changed to retail but lender advises that other sites in [redacted] have been purchased for specific retail developments and the local short term requirement has therefore been satisfied.

COMMENT ON METHODOLOGY

€3 million equates to €480,000 per acre which for part zoned industrial / commercial site [redacted] optimistic.

JLL FILE NUMBER
[redacted] 129

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
DRAFT

INFORMATION PROVIDED

INST: [redacted]

BORR: [redacted]

PROP: [redacted]

3 different zonings: Agriculture 81 acres, Industrial 41.29 acres, Hotel & Leisure [redacted] acres

EXT. REF 1

EXT. REF 2

COUNTRY	IRELAND
TYPE	LAND/DEV
USE	INDUST

ADD-
RESS

EXTERNAL VALUATION

DATE/VALUER	13/12/2007	BY [redacted]
CURRENCY	EURO €	
AMOUNT	**55,300,000**	

INTERNAL VALUATION

Date

EURO €

44,600,000

OTHER INFO PROVIDED

External Valuation of December 2007 at €55.3m
Security relates to 111 acres of mixed zoned lands as follows:
29.6 light industrial [redacted] Hotel & Leisure at 800k per acre
74 acres at 200k per acre

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS

External report refers to 131 acres [redacted] with 3 different zones :

41 zoned industrial	8 zoned hotel and leisure	82 zoned agriculture

LENDER ADVISES ONLY 111 ACRES for security purposes

29.6 Light industrial	7.76 Hotel & Leisure	74 acres unzoned

'NORMALISED' VALUE

EURO € **35,000,000**

JLL COMMENTS ON REVIEW ~ FUTURE

74 acres unzoned - Lenders advised that the promoters are seeking to have the land rezoned as part of the [redacted].

COMMENT ON METHODOLOGY

Internal valuation as follows : 29.6 light industrial [redacted] Hotel & Leisure at 800k per acre (€29.8m) - EXTERNAL VALUATION AT €850 per acre
74 acres at 200k per acre (€14.8m) EXTERNAL Valuation at €200 per acre

JLL FILE NUMBER
Oir L 44

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
NONE

INFORMATION PROVIDED

INST: Oir L

BORR: [redacted] oir 2 o o oir 2 o o

PROP: 12 of Portfolio of 15 [redacted]: Leasehold interest in [redacted] = €7m. (valued internally on 26.11.08 @ €7m)

EXT. REF 1

EXT. REF 2

COUNTRY IRELAND

TYPE INVEST/ LEASEHOLD

USE OFFICE

ADD-RESS Leasehold interest in [redacted] = €7m.

EXTERNAL VALUATION

DATE/VALUER BY

CURRENCY EUR

AMOUNT

INTERNAL VALUATION

Date 26/11/2008

EURO €

7,000,000

OTHER INFO PROVIDED
Valued at December 2007 cost of €7m
No further information provided

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS
No basis to review value
No rent in the building at present but rent payable to [redacted].
Property on market to lease.
Quietly discussion with [redacted] to take 15,000 sq. ft.

'NORMALISED' VALUE

0

JLL COMMENTS ON REVIEW ~ FUTURE

For the purpose of this exercise we have assumed that the value of the leasehold interest is Zero

COMMENT ON METHODOLOGY

Oir L valuation based on cost

JLL FILE NUMBER
[redacted] 44

DRAFT PROFORMA 11.12.08

VALUATION REVIEW STATUS
NONE

INFORMATION PROVIDED

INST: [redacted]

BORR: [redacted]

PROP: 4 and 5 of Portfolio of 15 [redacted] & [redacted] bed [redacted] @ [redacted]

EXT. REF 1

EXT. REF 2

COUNTRY IRELAND

TYPE INVEST

USE LEISURE/ HEALTH

ADD-RESS [redacted] & [redacted] bed[redacted] @ [redacted].

EXTERNAL VALUATION

DATE/VALUER 01/02/2008 BY [redacted]

CURRENCY EUR

AMOUNT **134,000,000**

INTERNAL VALUATION

Date 26/11/2008

EURO €

134,000,000

OTHER INFO PROVIDED
[redacted] report - February 2008
NIA 15,535 sq. m. (167,217 sq. ft.)
[redacted] cars in basement

REVIEW OF VALUE

COMMENTS/ ASSUMPTIONS

Valuation based on a rate of €800 psf

Adjoining building [redacted] let on long term lease to [redacted] at rate of €463.90 psm (€43 psf) & €2,500 pcs

'NORMALISED' VALUE

EURO € **96,600,000**

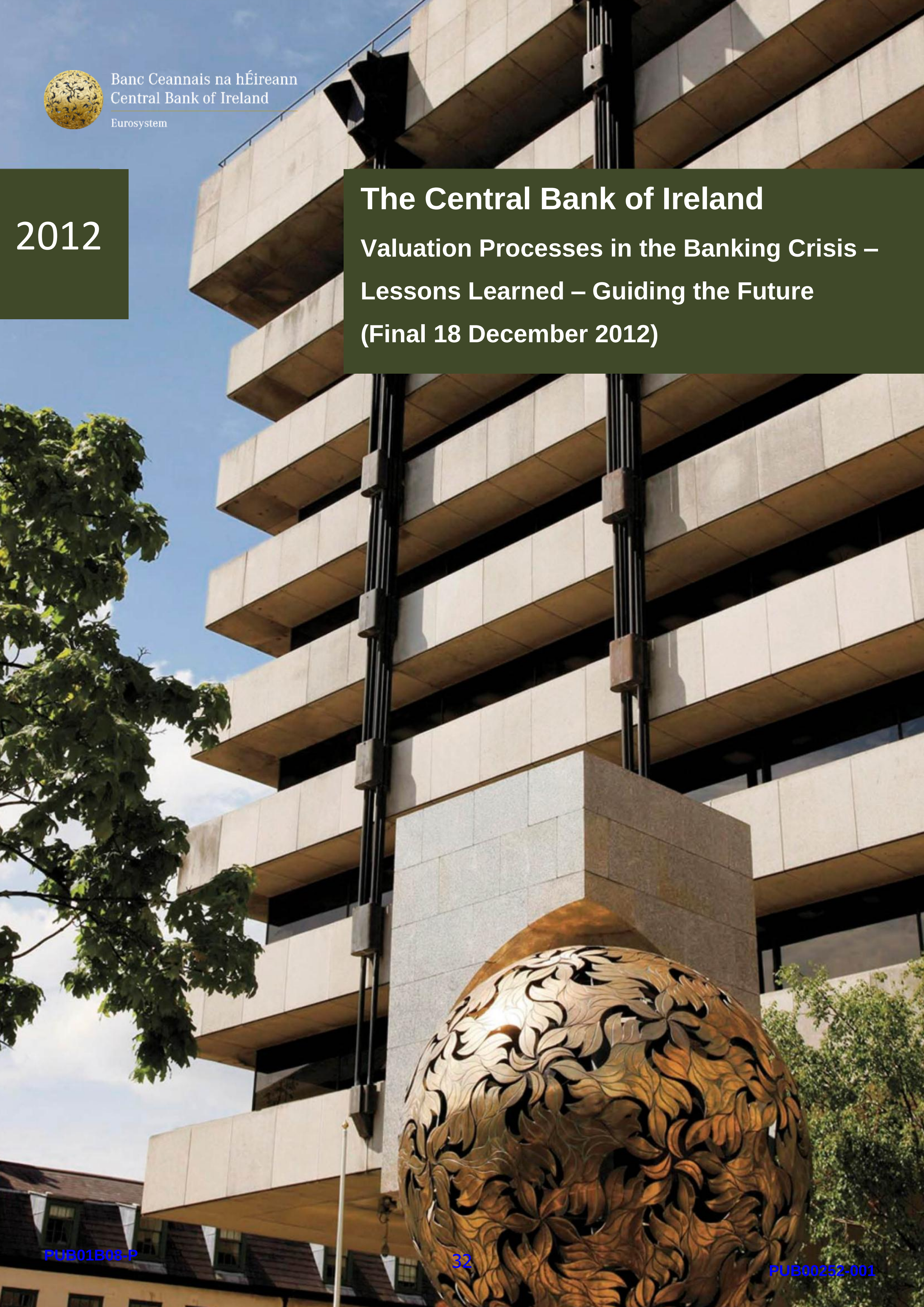
JLL COMMENTS ON REVIEW ~ FUTURE

[redacted] of €7,331,180 (€40 psf & €2,500 pcs)

We are assuming the the property remains vacant therefore we have adjusted yields outwards.

COMMENT ON METHODOLOGY

Methodology appropriate however yields and capital values per sq. ft. have moved considerably since date of valuation on a normalised basis.



Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

2012

The Central Bank of Ireland

Valuation Processes in the Banking Crisis – Lessons Learned – Guiding the Future

(Final 18 December 2012)

CONTENTS

Preface

*This document replaces **The Central Bank of Ireland Valuation Processes in the Banking Crisis Lessons Learned Guiding the Future 2011** document, published 30 December 2011.*

Credit institutions should review the entire document as changes have been made throughout the paper. The updated document now includes a table in Appendix 1 that provides summary guidance on the timing and frequency of valuations for commercial loans secured by commercial real estate (CRE) and some guidance notes.

1. Valuation Processes - Guidance and Recommended Practice

1.1 Introduction

This paper addresses a commitment made by the Central Bank of Ireland ("the Central Bank") to provide credit institutions with details of lessons learned from the banking crisis, and to provide guidance on recommended practice, as a means of ensuring credit risk management standards are appropriate for future demands.

In this paper, we:

- Provide **Guidance on the valuation standards** recommended for use by credit institutions for valuing commercial property assets which are held or offered as part of a security package against CRE and SME loan exposures and the attendant implications for impairment provisioning purposes.
- Outline the primary weaknesses in Credit Institution valuation processes that arose during the boom in property market lending.
- Set out in Appendix 1, our **Recommended Practice in relation to the timing and frequency of valuations.**

This guidance material complements our paper '**Impairment Provisioning and Disclosures Guidelines – December 2011'** as the valuation of collateral is a key consideration in determining impairment provisions.

1.2 Application

This paper applies to all Credit Institutions regulated by the Central Bank of Ireland. While this paper has the status of guidance, the Central Bank considers that the guidelines and recommendations contained herein represent appropriate process and procedures for credit institutions in considering property security valuation. As such, the Central Bank would consider material deviations from this guidance as contrary to good practice. The Central Bank will as a matter of course, scrutinise the application of these guidelines as part of its on-going supervision.

1.3 Valuation Standards

The Central Bank is not seeking to review or challenge valuation methodologies.

Credit institutions are required to ensure that valuation standards comply with best practice international valuation standards that include details of the terms of engagement with a valuer and that are compliant with the Capital Requirements Directive (CRD). The Central Bank observed that many best practice valuation standards had been overlooked, omitted and in some cases totally disregarded during the property market boom. These are in place for the protection of the Credit Institution, the borrower and the valuer.

Examples of valuation standards consistent with the principle rules of International Valuation Standards and considered to be appropriate practice include; the Royal Institution of Chartered Surveyors (RICS) "Red Book", the European Group of Valuers Associations (TEGoVA) "European

Valuation Standards Blue Book", and The International Valuation Standards Council's "International Valuation Standards White Book".

Section 2 of this paper highlights the main valuation principles and their applicability in a market that is subject to falling prices and limited demand. In particular section 2, consistent with the paper, '**Impairment Provisioning and Disclosures Guidelines – December 2011'**[1] emphasises the conservative approach required for valuations.

1.4 Primary Weaknesses in Valuation Processes

In section 3 of this paper the Central Bank provides an overview of the primary weaknesses in commercial property security valuation processes that arose during the boom lending years. The purpose is to provide a valuable summary of the ***Lessons Learned*** and recommendations regarding good practice going forward. The ***Recommendations*** are to be read in conjunction with the general principles outlined in section 2 of this paper.

The Central Bank has identified three over-riding areas of weaknesses:

1. Inaccurate or inappropriate definition of valuation requirements by Credit Institutions and subsequent inadequate assessment and understanding of valuations received.
2. Inadequate valuation processes and standards or a disregard for adherence to such processes.
3. Lack of appreciation of the significance of the valuation document as independent evidence of risk mitigation effectiveness. Many bankers did not fully regard the valuation report as a key document underpinning the basis on which they were acquiring the risk.

Following release of this paper Credit Institutions are required to review their valuation processes and ensure that they are appropriately documented and implemented, paying particular attention to the matters raised in section 3 of this paper.

[1] The Impairment Provisioning and Disclosures Guidelines – December 2011' applies to the covered institutions. The Central Bank recommends that the non covered institutions should review "The Impairment Provisioning and Disclosures Guidelines – December 2011" document in conjunction with this paper.

2. GUIDANCE ON VALUATIONS

2.1 The Basis of Valuation

The basis of **Market Value** is an internationally recognised definition. It is defined as "*the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*."

Market Value is an appropriate basis of value that can be used in all valuations or appraisals undertaken for secured lending. Any special assumptions made in arriving at the Market Value should be agreed between the lender and valuer prior to the valuation report being prepared. If a valuer is aware of any other circumstances, which could affect the price, these must also be drawn to the attention of the lender, and an indication of their effect provided. Credit institutions must ensure in their instructions to valuers that such circumstances are included in the valuers report to the institution. All valuations are subject to assumptions and there is no such thing as a standard assumption which can be implied without being stated. There are also special assumptions which arise where it is necessary to assume something that is different from the status quo or where an assumption made in the valuation would not normally be made by the market. Such assumptions or considerations should be supplied with the valuation figure in order to act as a guide as to the factors which have been considered in the valuation.

2.2 Valuation Methodology and Provisioning

There has been much discussion concerning the basis of valuation in a market with little or no demand. The view of the Central Bank is that a revised independent market valuation from a valuer with suitable experience, qualifications and professional indemnity insurance is the most appropriate way to update the value of commercial property held as security by Credit Institutions. Market valuations should be carried out in accordance with the RICS Valuation Standards (Red Book) or European Valuation Standards (Blue Book) or International Valuation Standards (White Book). APPENDIX 1 on page 18 provides more detail on Central Bank guidance on valuations for commercial property.

In a falling property market, Credit Institutions should incorporate appropriate further downside movements to recent valuations which are informed by the actual market movements since the last formal valuations. In our paper 'Impairment Provisioning and Disclosures Guidelines – December 2011' we have outlined the basis on which loan provisions should consider property valuations where the bank has a security charge on that property.

2. GUIDANCE ON VALUATIONS (continued)

The 'Impairment Provisioning and Disclosures Guidelines – December 2011' state:

When conducting a specific assessment for impairment, the Central Bank expects a more conservative approach to the estimation of both the future cash flows and the collateral valuations. The estimates and assumptions should reflect the current economic challenges and a current view of the expected economic outlook. When determining the collateral valuations in the cash flow calculation, a more conservative approach should be applied to both the expected timing and the amount of the proceeds.

In relation to CRE exposures, by extending forbearance measures to borrowers, Institutions provide additional time to borrowers to adjust their Balance Sheets without immediately crystallising losses. The Central Bank believes that the tight credit markets could impact future refinancing risk. Accordingly, when undertaking a CRE impairment assessment, the impact of future higher re-financing risk should be particularly considered. This is to reflect the fact that if an exposure cannot be repaid at the contractual date, the refinancing of the exposure may not be achievable and this may have a corresponding impact on the recoverability of the exposure.

There is specific reference in International Accounting Standard (IAS) 39 to foreclosure;

"The estimation of the recoverable amount of a collateralised exposure reflects the cash flows that may result from foreclosure where foreclosure is considered the likely course of action".

With regard to foreclosure the 'Impairment Provisioning and Disclosures Guidelines – December 2011' state:

Where foreclosure proceedings have been initiated and the expected time to security realisation is prolonged and or delayed, the Central Bank expects that valuation of the underlying security should be reviewed on a regular basis.

2.3 Frequency of Valuation

Previously we noted that some developers and credit institutions postponed formal valuations for as long as possible. Valuations are date specific and relate to the date of the report or earlier but not a future date. Borrowers frequently took the maximum period allowed under their Credit Institution covenants before seeking formal valuations and Credit Institutions did not pursue them for earlier updates. Credit Institutions often applied their own informal haircuts to out-dated security values which did not fully reflect the erosion of value in the property held. This practice is not acceptable under the new guidelines for Impairment Provisioning (December 2011). Valuations are required to be completed on a regular basis and the frequency and type of valuation should be based on the risk profile of the exposure and its impact on the bank's capital position (see Appendix 1). A more conservative approach should be applied to both the expected timing and the amount of the proceeds included in the provision assessment.

2.4 Responsibilities for Valuations

Valuations methodologies depend on assumptions and judgements. These have to be decided by Senior Management under usual governance requirements and the Central Bank has no role in recommending or setting specific assumptions or inputs for valuation methodologies. There are clearly defined industry rules for valuers which we support, and accounting rules as to how these are used in determining appropriate loan loss provisions.

3. Primary weaknesses in Valuation processes

Lessons Learned – Key Findings

The primary weaknesses in valuation processes identified by the Central bank are summarised below.

3.1 Weaknesses in instructions given to valuers: Poor valuation instructions were a contributing factor to the level of property losses incurred by Lenders. Valuations based on vague instructions provided inaccurate values and therefore inaccurate assessments of risk at the time of underwriting.

3.2 Conflicts of interest are unacceptable: During the volume led transaction phase of the boom in property development, certain valuation practices were accepted by credit institutions that involved significant conflict of interest.

3.3 **Valuer panel management:** There were weaknesses in the appointment, utilisation and performance review of valuer panels by credit institutions. This included the utilisation of valuers without appropriate experience, qualifications and professional indemnity insurance for the particular assignment.

3.4 **Frequency of valuation review / underassessment of provisions:** Credit institutions often failed to conduct regular valuations, thereby avoiding the issue of recognising value diminution resulting in under-assessment of impairment provisions.

3.5 **Inappropriate use of informal valuations:** During the property lending boom, there was increased reliance on informal valuations by credit institutions. These were utilised as if they were full valuations. To properly assess risk during lending reviews, full valuations are required.

3.6 **Valuation inputs in credit decisions and risk management**: Credit institutions did not sufficiently consider sensitivity analysis in the assessment of property values and credit risk.

3.7 **Training was inadequate: T**here was inadequate training regarding collateral valuation methodologies, interaction with professional valuers, the interpretation of valuation reports and the importance of valuations in credit risk assessment.

These weaknesses are described in more detail in this section and are accompanied by Recommended Practice guidance.

3. Primary weaknesses in Valuation Processes

3.1 Weakness in instructions given to Valuers

OBSERVATION

Poor valuation instructions were a contributing factor to the level of property losses incurred by Lenders.

Credit institutions were often negligent and imprudent in the manner in which they requested property valuations. There was often a lack of specificity attaching to requests for valuations or inadequate or inappropriate assumptions provided. There was also a general lack of knowledge of some lenders of the appropriate valuation requirements and assumptions and the manner in which the valuations were to be interpreted.

In many cases, clear written instructions were not provided by credit institutions to valuers and often valuation requests were by means of telephone rather than written process. Valuations based on vague instructions have provided inaccurate values and therefore inaccurate assessments of risk at the time of underwriting.

In some instances the lending staff of the Credit Institution may have been motivated to obtain a valuation that supported the price paid and the funding requirement rather than to support a proper risk assessment of the loan.

In some development loan valuation reports, the valuations reflected the projected value at a future completion milestone. Some lenders interpreted this future value as the current actual value of the project thereby assuming that zoning and planning were granted, construction completed according to budget and sales would be ultimately achieved in full.

RECOMMENDED PRACTICE

1. Credit Institutions should standardise all valuation processes. This allows for consistency and accurate analysis of a project and consistency across the credit institutions loan portfolio.

2. Letters of instruction should be incorporated into the valuation report to ensure that the basis and assumptions are as required. They should include at a minimum:
   I. The purpose and subject of the valuation.
   II. Details of exact property address and location which also should include a site map for land bank and agricultural land.
   III. The interest to be valued.
   IV. The basis of the valuation.
   V. Assumptions or concerns that the credit institution may wish to be considered.
   VI. Other information of which the valuer is aware that may be of importance to the credit institution.

3. Other matters, which the credit institution should consider including in the report:
   - Potential and demand for alternative uses, or any foreseeable changes in the current use.
   - Contamination or environmental hazards.
   - Past, current and future trends in the property market in the locality and/or demand for the category of property.
   - Current marketability of the interest and whether this is likely to be sustainable over the life of the loan.
   - Viability of development schemes and implications on value of cost overruns and contract delays.
   - For development loans, lenders need to take a prudent approach to the valuation of work in progress and provide clear instructions to valuers.

4. Valuers should confirm their instructions back to the credit institution in writing.

3. ISSUES AND RECOMMENDATIONS

3.2 Conflicts of interest

OBSERVATION
During the volume led transaction phase of the property development boom, certain valuation practices were accepted by credit institutions that involved significant conflict of interest.

Where a conflict of interest exists the valuation is not independent and accordingly it is much more likely that the valuation provided is neither robust nor reliable. All valuations include judgements but, where a conflict of interest exists, it is more likely that such judgements are biased and not in favour of the lender.

In many instances lenders accepted existing valuations that had been prepared by valuers on behalf of the borrower. In other instances, valuation instructions were issued by a developer to the valuer and the reports, based on these instructions, were accepted by the banks. In addition, the credit institutions did not sufficiently prescribe or determine the source of valuation reports from within property firms and often accepted valuations prepared by the sales division rather than independent and expert valuations prepared by the Valuations Division within these firms.

RECOMMENDED PRACTICE

1. The valuers duty of care is to the credit institution and this should be emphasised by credit institutions in their written instructions to valuers.

2. Credit institutions should require valuers (or their firm) to disclose any material involvement in a property, or a statement that there has not been any previous material involvement in the property. Valuers should provide such disclosure on receipt of instruction and prior to the commencement of work.

3. Credit institutions should not use valuers (or their firm) in the following circumstances:
   a) where the valuer acquired the property on behalf of the borrower,
   b) where the valuer is involved in the sale or letting of a property on behalf of a customer against which the credit institution has advanced funds or is considering lending to a potential purchaser.

4. Instructions to valuers for property valuations on collateral security should come from the credit institution in accordance with its clearly defined terms of engagement. Fees should only be discharged by the credit institution. It is for the credit institution to decide as to how it will allocate such costs.

5. Valuation reports should always be addressed to the credit institution that is advancing the loan funds.

3. ISSUES AND RECOMMENDATIONS

3.3 Management of Valuer Panels

OBSERVATION

There were weaknesses in the appointment, utilisation and performance review of valuer panels by credit institutions.

Banks failed to properly document and manage the process and procedures governing the appointment of valuers to panels and to define the activities for which each panel member was qualified or experienced. Very often panel members were locally appointed by regional bank managers and the credit institution did not maintain a unified panel with standardised appointment and engagement processes.

There were instances in which valuation appointments were not assigned to valuers with the requisite skills, experience and market knowledge, as a result of which inappropriate valuations were utilised by the credit institution.

There was little or infrequent review of performance or capability of valuers included on valuation panels. Such a review process is a control mechanism to ensure that valuations utilised by the banks are properly performed. The absence of such reviews resulted in the continuation of poor practices and continuing use of valuers in inappropriate circumstances.

Some of the weaknesses identified by the Central Bank include;

- Appointment without sufficient qualifications.
- Appointment without evidence of sufficient professional indemnity insurance.
- Appointment of valuer on basis they are a customer of the bank.
- Utilisation of valuers without the appropriate experience for the particular assignment.
- Inadequate or no review of panel members performance.

RECOMMENDED PRACTICE

1. Credit Institutions should have a properly approved panel of valuers using appropriate selection criteria consistent with the loan portfolio risk. An institution should have on-going assessment of performance to enable a valuer remain on the panel. This assessment should include a review of a valuers performance and professional indemnity insurance.

2. Credit Institutions should review valuer's professional indemnity insurance which should have a direct link to the property valuation figure and include a term during which professional indemnity insurance is held after the valuation is written.

3. A panel of valuers should contain expertise in various areas of the property sector appropriate to the lending business of the institution and the location of lending. This may, for example, include expertise in development sites, commercial investments, hotels, public houses, golf courses and agricultural land and farms.

4. The experience of the valuer should be commensurate with value of the loan and risk to the credit institution.

5. Credit Institutions should ensure that no one firm of valuers has the bulk of their valuations. Consideration should be given to having no one valuer doing more than, say, 33% of all valuation reports.

6. Credit institutions should report any concerns in relation to non-ethical behaviour, including instances of unrealistic valuations, to the appropriate regulatory body. In such circumstances, CBI recommends that credit institutions remove such valuers from the panel which effectively bans them from working with the credit institution

7. Where a credit institution is concerned about negligence or non-ethical behaviour by a valuer, it should:
   (a) Report them to the appropriate regulatory body and
   (b) Consider legal action to recover losses

3. ISSUES AND RECOMMENDATIONS

3.4 Frequency of valuation review

OBSERVATION

Credit institutions often failed to conduct regular valuations, thereby avoiding the issue of recognising value diminution resulting in under-assessment of impairment provisions.

Subsequent to the on-set of the financial crisis, credit institutions were very slow to recognise the impact of falling property prices on collateral values and therefore on the recoverability of their loans. In some cases the Central Bank noted it was in excess of 3 years since a full independent valuation had been performed. In other instances there was a lack of evidence that an independent assessment had occurred on loans that were obviously impaired or restructured.

A key challenge noted by credit institutions was obtaining valuations in an illiquid and falling property market. However as noted in section 2 of this paper, Credit Institutions should incorporate appropriate further downside movements to recent valuations which are informed by the actual market movements since the last formal valuations. This is important information for loss forecasting and provisioning decisions.

In particular several key weaknesses were noted:

1. Instances where either
   (a) No collateral valuation policies existed or
   (b) Policy inadequately addressed the valuation requirements and valuation frequency.
2. In the case of Commercial Real Estate portfolios, evidence of an independent professional assessment of collateral value for impaired or restructured exposures was often absent.
3. In cases where it was a number of years since a valuation was completed, sometimes the only file update was a valuation estimate by a relationship manager based on an outdated valuation with a haircut applied. While this leads to a write down in the collateral value, it carries no real independent basis and almost consistently has been overly optimistic.

In addition to the Recommended Practice in this section credit institutions must have regard to the Guidance on Valuations in section 2.

RECOMMENDED PRACTICE

1. Credit Institutions must follow the Property Valuation rules as per the Capital Requirements Directive (see Appendix 2).

2. The frequency of the valuation should be based on the risk profile of the exposure and its impact on the bank's capital position (see Appendix 1).

3. Credit Institutions should have clear policy and guidelines governing valuation frequency. The Policies should be reviewed with other policies at least annually. The policies should reflect the external environment. This valuation frequency should also reflect the size of the risk and the complexity of the asset. The frequency policy should set a fair but challenging minimum standard.

4. Where there has been a material change (positive or negative) to the property by way of zoning, planning permission, densities, compulsory purchase order, transport links, completions etc. a revised valuation of the property should be sought.

5. For volume valuations like residential mortgages, an Index (e.g. Central Statistics Office) is an appropriate method for review provided the Index itself is assessed regularly. If a significant house mortgage is in difficulty then a specific valuation should be obtained.

3. ISSUES AND RECOMMENDATIONS

3.5 Inappropriate use of informal valuation updates

OBSERVATION

During the property lending boom, there was increased reliance on informal valuation updates by credit institutions. These were utilised as if they were full valuations. To properly assess risk during lending reviews, full valuations are required.

A valuation report is a core document in the credit risk decision and loan review process and should therefore be reviewed and evaluated in a similar manner to other key credit risk and financial documentation inputs.

However, many valuations utilised by credit institutions were informal; either recorded conversations with the valuer, short notes from drive-by assessments or desktop research. Such reviews may be useful to provide a tactical view of a loan. However, it must be clearly documented that these updates are only tactical and should not to be relied upon for proper risk assessment purposes. In reviews we noted situations where such valuations were effectively the only valuation available.

RECOMMENDED PRACTICE

1. Credit Institutions should have appropriate processes in place to flag out-dated valuations and to trigger full valuation reports. This can be in line with appropriate review dates for the loan itself.

2. Processes should ensure an appropriate audit trail and clear description of the valuation on file.

3. Standardised templates for desk-top or drive-by valuations should be utilised to ensure clear identification of the type of valuation and to ensure consistency of identification across all files. Such valuation updates should have a clear warning that they have limited value. It must be clearly documented that these updates are only tactical and should not to be relied upon for proper risk assessment purposes.

4. Loan templates should provide a summary of the last two valuations and specifically when the last full independent valuation was done with less prominence to “informal valuation updates”.

3. ISSUES AND RECOMMENDATIONS

3.6 Valuation inputs in Credit decisions and Risk Management

OBSERVATION

Credit institutions did not sufficiently consider sensitivity analysis in the assessment of property values and credit risk

Property valuations are a component of the risk assessment toolkit and should be used as such rather than in isolation and without examination of downside risk sensitivities. Professional valuers make judgements based on their knowledge and the assumptions provided to them. It is therefore incumbent on credit institutions to consider various parameters and to test the sensitivity of the valuations to different inputs e.g. level of planning density, supply and demand, potential yield shifts, impact of reduction in target house prices, uplift in building costs, etc.

Credit institutions failed to conduct reasonable stress testing during the property boom. Simple sensitivity analysis would have revealed significant risks and dependency on upward only projections. Scenario analysis stress testing involving downside macro-economic scenarios would have further revealed dependencies in the loan books.

RECOMMENDED PRACTICE (This list is not exhaustive)

1. There should be a greater use of sensitivity analysis in the valuation process, particularly with regard to costs, yields, end values, finance, rental income and the length of the construction period.

2. Feasibility studies and business plans should be prepared for larger schemes, especially for mixed schemes. Every assumption on feasibility needs to be examined and the impact of a change to each should be analysed.

3. In addition to sensitivity analysis, credit institutions should consider the impact of property values in their scenario stress testing. Greater consideration needs to be given to all inputs in a valuation, including location (long and short term prospects), infrastructure, (long and short term), services, planning (long and short term), zoning, supply (micro and macro), demand (micro and macro), rental levels, covenant strength, vacancy (long and short term), cost of funds, contamination, ecological issues, size and configurations, building costs, scale and phasing of the any development and the overall timing of the development.

3. ISSUES AND RECOMMENDATIONS

3.7 Inadequate Training

OBSERVATION

There was inadequate training regarding collateral valuation methodologies, interaction with professional valuers, the interpretation of valuation reports and the importance of valuations in credit risk assessment.

There was lack of understanding regarding the importance of independent valuations in the credit risk assessment process. There was also poor understanding regarding appropriate valuation instructions and interpretation of valuation reports received from professional valuers.

In addition, lending volume targets inappropriately drove lending behaviours and the importance of independent collateral valuations in credit risk assessment was often over-looked. The lack of training on interpretation of valuations and valuation methodologies exacerbated such behaviour.

RECOMMENDED PRACTICE

1. When valuation policy and process are reviewed it is important that the knowledge gaps are identified and closed out through training.
2. It is recommended that the Relationship Managers and Credit Risk staff are specifically trained in property valuation methods and processes.
3. Credit institutions should consider the establishment of in-house expertise in property valuation methodologies. Such expertise should be used to inform in-house training requirements and standards .

APPENDIX 1: Central Bank guidance on the timing and frequency of valuations for commercial loans secured by commercial real estate (CRE)

Valuation Process Minimum Requirements; for loan exposures secured by CRE		
Gross Loan Exposure	Loan Origination	Loan Monitoring
€1m to €3m	Independent valuation from an **external** valuer on the bank's panel of recognised valuers to be carried out in accordance with best practice international valuation standards.	Value to be monitored on an annual basis using credit institution valuation guidelines with a consistent approach applied across the group. Independent valuation at impairment trigger or on migration to impaired risk.
> €3m to €20m	Independent valuation from an **external** valuer on the bank's panel of recognised valuers to be carried out in accordance with best practice international valuation standards.	Value to be monitored on an annual basis using credit institution valuation guidelines with a consistent approach applied across the group. Independent valuation every three years in accordance with Capital Requirements Directive minimum requirements.
> €20m	Independent valuation from an **external** valuer on the bank's panel of recognised valuers to be carried out in accordance with best practice international valuation standards.	Value to be monitored on an annual basis using credit institution valuation guidelines with a consistent approach applied across the group. Independent valuation every three years in accordance with Capital Requirements Directive minimum requirements. Independent valuation from an **external** valuer at impairment trigger or on migration to impaired risk from a valuer on the bank's panel of recognised valuers to be carried out in accordance with best practice international valuation standards.

Notes:

- Credit institution valuation guidelines should be reviewed and approved by the Board on an annual basis.
- Independent valuations shall be conducted by a person who possesses the necessary qualifications, ability, experience and market knowledge to execute a valuation and who is independent from the credit origination process. Internal valuers should report to the Credit Risk function.
- External valuations should be addressed to the credit institution and be carried out in accordance with best practice international valuation standards. External valuers should have appropriate professional indemnity insurance and have no material links with the borrower or the subject of the assignment.
- Where the value of an individual commercial property held or offered as collateral is estimated to be less than €2m then the Valuation Process Minimum Requirements for loan exposures from €1m to €3m should apply.
- At loan origination for loans exceeding €50m, the credit institution should obtain two independent valuations from external valuers on the bank's panel of recognised valuers to be carried out in accordance with best practice international valuation standards.

APPENDIX 2: CAPITAL REQUIREMENTS DIRECTIVE (CRD)

Any eligible real estate collateral must comply with specific conditions in terms of legal certainty, monitoring of property values, documentation and insurance in order to be recognised. In terms of the requirement to monitor property values, the provisions note that "the value of the property must be monitored on a frequent basis and at a minimum once every year for commercial real estate and once every three years for residential real estate.

More frequent monitoring shall be carried out where the market is subject to significant changes in conditions. Statistical methods may be used to monitor the value of the property and to identify property that needs revaluation. The property valuation shall be reviewed by an independent valuer (see definition below) when information indicates that the value of the property may have declined materially relative to general market prices.

For loans exceeding EUR 3 million or 5 % of the own funds of the Credit Institution, the property valuation must be reviewed by an independent valuer at least every three years." An 'independent valuer' is defined in Annex VIII, Part 2, Point 8 as "a person who possesses the necessary qualifications, ability and experience to execute a valuation and who is independent from the credit decision process".

Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Bosca PO 559, Sráid an Dáma, Baile Átha Cliath 2, Éire
PO. Box No 559, Dame Street, Dublin 2, Ireland

Conclusion

Loans with an original value of €74 billion have been acquired by NAMA at a cost of €32 billion. Almost €5 billion of the outlays represents an on account payment in respect of loans that were valued provisionally. NAMA expects to have all valuations definitively completed by the end of March 2012.

The outlay on loans represents the initial carrying value in NAMA's books of account. This carrying value had reduced by €1.5 billion due to impairment at 31 December 2010 and further impairment in value is anticipated in 2011.

The discount that was applied on the loans that have been finally valued to date is 55% and is likely to marginally increase (up to 57%) when the remaining loans are valued definitively.

As the acquisition process developed, the uplift that was applied to arrive at the long term economic value of the collateral behind the loans has diminished from 11% in the case of the first tranche of loans to 6.4% in the latest tranche finally valued. Overall hotels received the biggest uplift across all acquisitions with their value increasing by almost 10% on average.

When discount rates for distressed loans are applied, it is estimated that State Aid of over one-fifth has been given to the financial institutions in the course of the acquisition process.

Over half of the underlying collateral (56%) is in Ireland with a further one-third in Britain.

Of the property that has been fully valued to date, completed investment type properties represent 71% of the collateral with land making up a further 20%. Around 9% is made up of properties that are in the course of development.

In general, the audit assurance received by my Office from valuation and legal consultants together with the audit testing conducted in the course of the audit of the 2010 financial statements gives a reasonable degree of assurance that the Agency's valuation processes were robust.

Determination of acquisition values—valuation methodology.

58.—(1) In this section—

(a) a reference to the current market value on a particular date of a bank asset is a reference to the estimated amount that would be paid on that date between a willing buyer and a willing seller in an arm's-length transaction where both parties acted knowledgeably, prudently and without compulsion, and

(b) a reference to the current market value on a particular date of the property comprised in the security for a credit facility that is a designated bank asset is a reference to the estimated amount that would be paid on that date between a willing buyer and a willing seller in an arm's-length transaction where both parties acted knowledgeably, prudently and without compulsion, and

(c) a reference to the long-term economic value of a bank asset is a reference to the value that NAMA determines, in accordance with *subsection (4)*, that the bank asset can reasonably be expected to attain, within the period that NAMA determines, in a stable financial system when current crisis conditions are ameliorated and in which a future price or yield of the asset is consistent with reasonable expectations having regard to the long-term historical average value determined for it.

(2) In *subsection (5)(c)* a reference to the long-term economic value of the property comprised in the security for a credit facility that is a bank asset is the value that NAMA determines the property can reasonably be expected to attain, within the period that NAMA determines in accordance with regulations pursuant to *section 59*, in a stable financial system when current crisis conditions are ameliorated and in which a future price or yield of the asset is consistent with reasonable expectations having regard to the long-term historical averages.

(3) Subject to *subsection (6)*, NAMA shall determine the acquisition value to be assigned to a bank asset as its long-term economic value as of the date of acquisition.

(4) NAMA shall determine the long-term economic value of a bank asset in accordance with—

(a) *subsections (5)* and *(8)*,

(b) the regulations made by the Minister under *section 59*, and

(c) the rules in relation to state aid issued by the Commission of the European Communities.

(5) NAMA shall determine the long-term economic value of a bank asset by reference to the following:

(a) the current market value of the property comprised in the security for the credit facility that is the bank asset;

(b) the current market value of the bank asset concerned by reference to market rates and accepted market methodology, based on the current market value of the property as determined under *paragraph (a)*;

(c) the long-term economic value of the property, based on its current market value determined under *paragraph (a)*;

(d) the long-term economic value of the bank asset, based on the calculations made under *paragraphs (b)* and *(c)*.

(6) NAMA may, if it considers it appropriate after consultation with the Minister, and subject to any regulations made by the Minister under *subsection (7)*, having regard to—

(a) the purposes of this Act,

(b) the expected date of acquisition of the bank asset concerned,

(c) the type of bank asset,

(d) the rules referred to in *subsection (4)(c)*, and

(e) any other relevant matter affecting valuation,

determine that particular bank assets or classes of bank assets should be acquired on the basis of current market value or another greater value (not exceeding the long-term economic value) that NAMA considers appropriate in the circumstances.

(7) The Minister may make regulations for the purposes of the application of *subsection (6)*. For that purpose the Minister shall have regard to the purposes of this Act, the expected dates of acquisition of bank assets, the type of bank assets, the rules referred to in *subsection (4)(c)* and any other relevant matter that affects valuation.

(8) In determining the acquisition value of a bank asset under *subsection (3)* or *(6)*, NAMA shall have regard to the following:

(a) any value that the participating institution concerned submits as being, in its opinion, the current market value of the property comprised in the security for the credit facility that is the bank asset;

(b) the acquisition value already determined in accordance with the valuation methodology of another similar bank asset;

(c) the credit worthiness of the debtor or obligor concerned;

(d) the performance history of the debtor or obligor in respect of that asset;

(e) any reports furnished to NAMA in relation to the matters specified in *subsection (9)* whether prepared before or after the commencement of this Act.

(9) The Minister may make regulations providing for the taking into account by NAMA, in determining the acquisition value of a bank asset, of any report of an expert (whether prepared before or after the commencement of this Act) concerning factors or matters

relevant to the determination of the acquisition value of property or property of a particular type or in specific locations or with specific features or benefits, including—

(a) zoning,

(b) availability of utilities,

(c) availability of similar property in similar locations,

(d) historic value of property in particular locations, and

(e) recent valuations of similar property in similar locations.

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Discounts

Discounts

The discounts applied to nominal loan balances to derive an acquisition price are determined for the most part by the current market value of property securing the loans and, to a lesser extent, by further discounts made to reflect legal difficulties such as the extent to which security can be enforced or deficiencies in title. Table 3 summarises aggregate data for all acquired loans for which the overall discount was 57%.

Data	€bn
A. Aggregate loan balances	74.2
B. Current market value of property securing the loans (CMVP)	32.4
C. Long-term economic value of property (Incorporating 8.3% uplift)	35.1
D. Current market value of loans	26.2
E. Long-term economic value of loans (LEVL - acquisition price)	31.8
F. Loan uplift (E minus D)	5.6
G. Discount (A minus E)	42.4
H. Percentage discount (G/A)	57%
I. CMVP/LEVL (B/E)	102%

Table 3: Aggregate Loan Valuation Data

Valuer engaged in the NAMA valuation process

The valuation process followed by NAMA will include two main steps:

1. The covered institutions will obtain independent valuations of the underlying security of the loan assets identified for transfer to NAMA.
2. NAMA will appoint a panel of independent valuers to review these valuations.

It is important to note that NAMA will make the final decision on the valuations of the loans and they will be guided by the advice of all the advisors that are assisting them.

Step 1

Oireachtas, a valuation advisor on secondment to NAMA, at the Minister's appearance at the Committee on Finance and the Public Service 31st August 2009 provided an outline of the valuation process and the role of the valuer:

- "I was asked how the valuation process is to be executed. I am not in this on my own. Oir is on the banking side. We did not start off with headline values of loans or property but decided it was better to start with where we are today and put in a solid foundation.

- This is done by requiring the covered institutions to obtain an independent valuation of the underlying security.

- We have defined an "independent valuer". It must be an external valuer within the meaning of all the valuation standards.

- We then set out in detail what must be the qualifications of the valuer, the template he or she must use to arrive at value and all the elements that go into it.

- In some cases, these were not in place when the initial valuations were carried out some years back. Therefore, we set out prescriptively what must happen to ensure verification of detail in every way.

- We have also insisted that the external valuer have adequate professional indemnity.

- In addition to having a duty to the covering institution which is instructing him or her initially, the valuer would carry a liability to NAMA also.

- When the process is complete, the professional valuation will be handed to NAMA.

- Simultaneously, NAMA will be carrying out the very detailed legal due diligence process on all the assets; therefore, there is a requirement for both elements to link up and cross-check. In other words, we are not allowing any assumptions to be made that are not realistic. We cannot make assumptions about planning permissions. We cannot make forward assumptions about zonings or floor areas. Everything must check out with the legal due diligence process.

- When it is handed to NAMA, we will review the valuation against the tone of the list with a panel of independent experts.

- In the valuations that will come to us from the covered institutions the valuer must break down his or her valuation."

Step 2
Appointment to a panel for the provision of Loan and Associated Valuation Services to NAMA

Background

On the 5th August 2009 the NTMA posted a tender on the etender website which outlined on the direction of the Minister for Finance, the NTMA was seeking to appoint a number of suitably qualified firms to advise and assist the NTMA (and on its establishment, NAMA) in carrying out valuations of bank assets (i.e. loans and other credit facilities) to be acquired by NAMA. The tender notice outlines that "It is envisaged that individual firms will be appointed to conduct loan valuations for each of the participating institutions." The closing date on the tender notice was 4.00pm 28th August 2009.

Service providers appointed will be expected to:

- Interact closely with participating institutions in order to extract key data items specified by NAMA and required in order to carry out bank asset valuations. A key component of bank asset valuations will be current market valuations of real estate and other property comprised in the security and collateral for loans – this information will be provided by NAMA.

- Co-ordinate with the solicitors appointed by NTMA to conduct legal due diligence on bank assets. Based on the outcome of such legal due diligence, appropriate discounts (to be agreed with NAMA) will be applied to asset values where the due diligence process has identified material defects in the security or underlying real estate.

- Determine bank asset valuations based on a methodology and assumptions to be provided by NAMA and including the following inputs:
    - Current market valuations of underlying assets
    - Net present value of asset income streams
    - Funding costs and risk margins
    - Long-term price/yield trends
    - Macroeconomic and demographic projections
    - Discount rates

  Service providers will be required to utilise market-accepted methodologies to value projected cash flows on credit facilities.

- Service providers will be required to work closely with an Audit Co-ordinator appointed by NTMA. The Audit Co-ordinator will collate valuation and due diligence data received from NAMA service providers and the participating institutions in respect of loans, collateral and associated derivatives. The Audit Co-ordinator will conduct audits of valuations provided by service providers in order to ensure consistency in the application of methodologies and in the assumptions used.

- Service providers will be expected to provide a certificate to NAMA on completion of all valuations which confirms that the valuations have been carried out on the basis of the methodology and assumptions provided by NAMA and represent a fair assessment of the current market value of such assets.

THEME: R5

Clarity and effectiveness of the Government and Oireachtas oversight and role

LINE OF INQUIRY: R5d

Appropriateness of the relationships between Government, the Oireachtas, the banking sector and the property sector

Direction DOFO2, Request No. 1 - Ref I.D. r5d

A list of solicited and unsolicited representations (in the form of minutes of meetings or formal written correspondence) made by representative bodies of valuers, auctioneers and the construction industry to the Minister for Finance, Minister of State for Finance or the Secretary General at the Department of Finance for the period 2001 to 2010 regarding the importance of the property sector to the Irish economy.

Second list of records

Entry	Recipient	From	Address	Date received	Subject Matter	Form of Rep
1	Minister	Irish Auctioneers and Valuers	38 Merrion Square, Dublin 2	02/10/2001	Budget 2002	Pre Budget Submission 2002
2	Minister	Construction Industry Federation	Southern Region, Construction Hse, Montenotte, Co. Cork	04/10/2001	request for pre-Budget meeting	Pre Budget Submission 2002
3	Minister	Irish Home Builders Association	Southern Region, Construction Hse, Montenotte, Co. Cork	04/10/2001	Pre budget submission	Pre Budget Submission 2002
4	Minister	Irish Property Owners Association	Ormond Court, 11 Lower Ormond Quay, Dublin 1	22/10/2001	Budget 2002	Pre Budget Submission 2002
5	Minister	Irish Home Builders Association	Southern Region, Construction Hse, Montenotte, Co. Cork	02/11/2001	Budget 2002	Pre Budget Submission 2002
6	Minister	Limerick Building Trades Group, via Mr. Eddie Wade TD	Limerick	21/11/2001	Employment construction	Letter
7	Minister	Irish Home Builders Association	Irish Home Builders Association, Construction House, Canal Road, Dublin 6	09/12/2002	Impact of increase in 12.5% VAT rate to 13.5% on house purchases	Letter
8	Minister	Jim Connolly Acting Secretary, Irish Rural Dwellers Association	Kilbaha Kilrush County Clare	06/01/2004	Comparisons between An Taisce policy and that of the Government on rural housing.	Letter
9	Minister	Jim Connolly Acting Secretary, Irish Rural Dwellers Association	Kilbaha Kilrush County Clare	10/05/2004	Copy of submission to Department of Environment on Draft Guidelines, Sustainable Rural Housing.	Letter
10	Minister	Mr. David Begg General Secretary, ICTU	Irish Congress of Trade Unions 31-32 Parnell Sq D1	01/06/2004	National Partnership Forum on the Banking Industry	Letter
11	Minister	Irish Rural Dwellers Association	Kilbaha Kilrush County Clare	05/07/2004	Housing	Letter
12	Minister for Finance Brian Cowen	Irish Property Owners Association	Ormond Court, 11 Lower Ormond Quay, Dublin 1	18/10/2004	Budget 2005 meeting request	Pre Budget Submission 2005
13	Minister	Jim Connolly Acting Secretary, Irish Rural Dwellers Association	Kilbaha Kilrush County Clare	21/10/2004	Environmental issues	Letter
14	Minister for Finance Brian Cowen	Irish Property Owners Association	Ormond Court, 11 Lower Ormond Quay, Dublin 1	19/11/2004	Addressing the discrimination against active property owners	Pre Budget Submission 2005
15	Minister for Finance	Nationwide Property Group, Real Estate Alliance	Main Street Newbridge Co. Kildare	22/11/2004	Stamp Duty	Pre Budget Submission 2005
16	Minister	Joseph O' Brien Director Construction Industry Federation, Southern Region, via Batt O'Keeffe TD	Construction House 4 Eastgate Ave, Little Island, Co Cork	29/04/2005	Meeting with Cork Branch CIF	Letter
17	Minister	Liam Kelleher, Construction Industry Federation	Director General, Construction Industry Federation, Construction House, Canal Road, Dublin 6	19/09/2005	proposing meetings	Budget 2006 - Pre Budget Meeting
18	Minister	Liam Kelleher, Construction Industry Federation	Director General, Construction Industry Federation, Construction House, Canal Road, Dublin 6	06/10/2005	confirming meeting	Budget 2006 - Pre Budget Meeting
19	Minister	Jim Connolly Acting Secretary, Irish Rural Dwellers Association	Kilbaha Kilrush County Clare	02/11/2005	Housing	Letter

20	Minister	Construction Industry Federation	Construction House, Canal Road Dublin 6	27/10/2006	Budget 2007 Meeting request	Meeting request
21	Minister	Irish Home Builders Association	Contruction House, Canal Road, Dublin 6	01/02/2007	Capital Allowances for Childcare Facilities	Letter
22	Minister	Construction Industry Federation	Construction House, Canal Road Dublin 6	19/03/2008	Costs in the construction sector and across the economy as a whole and measures needed to safeguard Irish competititveness in the current global economic climate	Meeting request
23	Minister	Construction Industry Federation	Construction House, Canal Road Dublin 6	04/11/2008	CIF concerns re attempts by financial institutions to raise interest rates and other charges on existing loans despite lower ECB and bank-to-bank borrowing costs	Letter
24	Minister	Construction Industry Federation	Construction House, Canal Road Dublin 6	08/12/2008	construction industry	letter
25	Minister	Construction Industry Federation	Construction House, Canal Road Dublin 6	20/03/2009	Banking finance and property & economy	Letter
26	Minister	Construction Industry Federation	Construction House, Canal Road Dublin 6	12/06/2009	Request for meeting re NAMA	Meeting request
27	Minister	Mr. Paul Keogh	The Royal Institute of the Architects of Ireland, 8 Merrion Square Dublin 2	21/01/2010	RIAI action plan to identify objectives and actions designed to contribute to debate about paths to national recovery, and how quality and design in architecture, urbanism and the built environment can contribute to 'Smart Economy Framework'	Letter
28	Minister	Matthew Gallagher, Vice-President, CIF	CIF, Construction House, Canal Road, Dublin 6.	01/02/2010	Nursing Home - Construction and Opening Deadlines - Transitional Arrangements	Letter
29	Minister for Finance	Construction Industry Federation	Mr. Matthew Gallagher, Vice President, Construction House Canal Road Dublin 6	01/02/2010	Ending of Capital Allowances for the construction of Nursing Homes	Letter
30	Minister	Institute of Professional Auctioneers and Valuers	Institute of Professionsl Auctioneers and Valuers 129 Lower Baggot Street	18/05/2010	Real estate valuations services for NAMA	Letter
31	Minister for Finance	Limerick Chamber of Commerce	Mr. Kieran MacSweeney, President, Limerick Chamber of Commerce, 96 O'Connell Street, Co. Limerick	14/09/2010	Policy document prepared by Limerick Chamber outlining a range of economic incentives which will act as catalyst to reverse the current trend of vacancy and decline in Limerick City Centre	Letter
32	Minister for Finance	Ciara Murphy/Peter Stafford, Society of Chartered Surveyors	5 Wilton Place Dublin 2	29/09/2010	Budget 2011 submission outlining areas of taxation and expenditure which have an impact on the working of the Irish construction and property markets. Recommendations for the creation and implementation of a functioning property taxation regime	Pre Budget Submission 2011
33	Minister for Finance	Construction Industry Federation	scashin@cif.ie	04/10/2010	Attached CIF Pre-Budget Submission and abridged version of the CIF's Pre-Budget Submission	Pre Budget Submission 2011
34	Minister for Finance	Ciara Murphy/Peter Stafford, The Society of Chartered Surveyors	5 Wilton Place, Dublin 2	22/10/2010	Society of Chartered Surveyors Submission in advance of Budget 2011	Pre Budget Submission 2011
35	Minister for Finance	Mr. Martin Whelan, Director, Construction Industry Federation (CIF)	CIF, Construction House, Canal Road, Dublin 6	03/11/2010	CIF Pre-Budget Submission	Pre Budget Submission 2011
36	Minister for Finance	Mr. Martin Whelan, Director, Construction Industry Federation (CIF)	CIF, Construction House, Canal Road, Dublin 6	05/11/2010	Abridged version of the CIF's Pre-Budget Submission	Pre Budget Submission 2011

Statement to the Oireachtas Committee of Inquiry into the Banking Crisis in Ireland

Alan Ahearne
NUI Galway

February 2015

Mr. Chairman, Members of the Joint Committee.

I would like to thank you for inviting me here to testify today. In the invitation to appear before the Committee, I was asked to discuss issues relating to early warnings, divergent and contrarian views in the context of the Banking Crisis in Ireland. In my opening statement, I will focus on the views that I expressed during the bubble years about house prices, the potential effect on the economy and the financial system of a reversal in property prices, and the evidence on which those views were based.

My own perspective on the Irish housing market during the bubble years was informed in large part by research on the international experience with housing booms and busts that I had done when I worked for the U.S. Federal Reserve. In a study I wrote with several of my former colleagues, which was published on the Federal Reserve's website in September 2005, we identify no fewer than 44 episodes of house price booms and busts in 18 advanced countries since 1970. I have provided a copy of this paper to the Members of the Committee.

It struck me at the time that given developments in the housing market in this country the analysis contained in this paper could be relevant for Ireland. As I wrote in articles in the Sunday Business Post and the Sunday Independent in October 2005, shortly after I left the Fed to move back to live in Ireland: "Given the eye-popping gains in house prices in Ireland over the past decade, the foreign experience is particularly relevant."[1]

What the foreign experience analysed in the paper shows is that periods of prolonged rises followed by protracted falls are a surprisingly common feature of house prices in advanced countries. The study shows that certain financial conditions, such as low

[1] "We are on our own if the bubble bursts", Sunday Business Post, 8 October 2005; "What goes up often comes down- with a big bang", Sunday Independent, 8 October 2005.

interest rates and financial deregulation, are usually present in past house price surges, though other factors such as demographics and buoyant income growth also help explain these booms.

At the time, interest rates in Ireland were at very low levels, with the European Central Bank's main policy rate at 2 per cent, having been cut from a peak of 4¾ per cent in 2000. It was clear at the time that such low interest rates were not appropriate for Ireland's rapidly growing economy.

A common feature of housing booms and busts is that around six to eight quarters before the peak in house prices, interest rates begin to move up. The ECB began to hike interest rates in December 2005, and within 18 months the ECB's policy rate had doubled. Writing in 2007, I pointed out that "the blow to affordability from rising interest rates and the knock-on effect on house prices should be obvious."[2]

The 2005 Fed study of the international experience of booms and busts shows that, after reaching a peak, real house prices subsequently fell for about five years, on average, and their previous run-up was largely reversed. Put simply, the bigger the boom, the bigger the bust.

The study found that swings in house prices can have important implications for both economic activity and financial stability. We found that in the past, major declines in house prices were often associated with economic downturns, and at times contributed to financial distress, particularly when nominal collateral values also declined significantly.

Looking across countries, we noted that a historically high number of countries at that time were experiencing abnormally rapid rises in house prices. We warned that: "If these prices follow the same patterns as before, house prices in a large number of these countries are likely to decline in real terms at some point in the not-too-distant future."

One question that arises is whether there exist indicators that can act as reliable tell-tale signs that housing is overvalued. The evidence suggests that comparing houses prices and rents provides a useful benchmark for valuing housing, in the same way that the ratio of stock prices to dividends is commonly used to measure valuation in the stock market. Rents

[2] "ECB will slay our property monster", Sunday Independent, 15 July 2007.

are a key determinant of the value of housing and as such should not move too far out of line with prices. House prices that are unusually high relative to rents may indicate that housing is overvalued.

Writing in October 2005, I noted that "Ireland's price-rent ratio is currently higher than at any time for which we have reliable data, having soared since early 2002 as rents began to decline. In the first quarter of 2005, the average price paid for a house nationally was about €256,000 and the average annual rent was €8,800. The resulting price-rent ratio of 29 stood roughly 2½ times above its level in 1996!"[3]

I concluded that this unusually high level of house prices relative to rents was mainly supported by large expected increases in house prices. The property market was pulling itself up by its own bootstraps.[4] Property investors, for example, weren't too bothered that rents were low, since they anticipated hefty capital gains on property. Once investors came to realise, however, that those rosy expectations were going to disappoint, it became clear that house prices were badly misaligned with rents and the market went into reverse.[5]

Another question we address in the Fed paper is how house price reversals affect different sectors of the economy.

We found that homebuyers appear to be the most affected by fluctuations in house prices, especially if they lose their jobs in a downturn. We did note that low initial loan-to-value (LTV) ratios offered some protection to homeowners.

From that perspective, I expressed concern in 2007 about data from the Department of the Environment that showed that one in three new homebuyers in 2006 took out a 100 per cent mortgage.[6] Moreover, the number of first-time buyers taking out loans with little or no deposit doubled in 2006 from the year before. Worryingly, nearly two thirds of all new home mortgages taken out in 2006 were over 31-35 years or longer. Such heavy borrowing rendered many households very vulnerable to a downturn.

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[3] "What goes up often comes down- with a big bang", Sunday Independent, 8 October 2005.
[4] I gave this opinion in the article: "Time to get out of rental property", Sunday Independent, 7 January 2007.
[5] I discussed this perspective on the relationship between house prices and rents in: "Rent rate reverses signal trouble ahead", Sunday Independent, 5 August 2007.
[6] ECB will slay our property monster", Sunday Independent, 15 July 2007.

Mortgage lenders are also affected by swings in house prices, though we found that their exposure to house prices does not, in and of itself, pose a significant risk to financial stability. We identified three factors that help limit the prospects of credit losses on mortgage loans. First, loans are not typically made for the full value of the property (that is, LTV ratios are usually low). Second, mortgage lenders can substantially reduce exposure by securitising a significant portion of the loans that they originate. A third factor is that nominal house prices are less volatile than commercial property prices.

In the case of Ireland's banks, these three potential mitigating factors were of limited help in containing credit losses. As mentioned earlier, LTV ratios were high, a significant portion of loans were not securitised but rather stayed on the banks' books, and the banks were heavily exposed to commercial property, including speculative property development.

In the Fed paper, we also examined the recent historical experience with banking system stress associated with declines in property prices. In particular, Japan, Sweden, and Norway experienced significant financial system stress in the early 1990s, including (at least de facto) major bank insolvencies. Although declines in the value of commercial property collateral were a factor in these episodes, residential mortgage lending was not. As I put in a piece I wrote in July 2007: "The most important point, however, is that the banking crises in Scandinavia were more directly linked to drops in the value of commercial property rather than to the decline in house prices. A struggling homeowner that hands back the keys of the house causes a mild sting to a bank; a property developer that folds owing the bank a packet inflicts a terrible pain."[7]

Finally, we pointed out that typically the residential construction sector is very vulnerable to corrections in house prices. The evidence suggests that booms and bust in residential investment can be pronounced.

To conclude, I would like to note that, notwithstanding the patterns that we observe in the data, we did note in the paper that housing bubbles are intrinsically hard to identify—especially while they are occurring. This is because it is very difficult to differentiate between price changes coming from underlying economic fundamentals (some of which are

[7] "Will the banks go bust in a property slump?" Sunday Independent, 22 July 2007.

unknown, unobservable, or unquantifiable) and those based on so-called "irrational exuberance."

Thank you. That concludes my prepared remarks.

Entry	Name of Record	Date document was created (dd/mm/yyyy)	Intended recipient	Original author
1	Special Initiatives_Sustaining Progress_Affordable Housing	04/08/2004	Bertie Ahern T.D.	Liam Kelleher
2	Submission to the Minister of Finance_Budget 2009	01/09/2008	Unknown	Unknown
3	Irish Home Builders Association_Dublin Branch	16/11/2007	Bertie Ahern	Brian McKeon
	Economic WSPMS-Archive			
4	Stimulus Package for Generation of Housing Transactions 2009	Mar-09		Sharon Doyle
	Economic WSPMS			
5	Letter to Taoiseach from Construction Industry Federation	19/07/2005	John Callinan	Dermot McCarthy
6	Comments from the Irish Home Builders Association (IHBA) on the NESC Housing Report on Policy - DKM Consultants Report	07/07/2004	Martin Fraser	Hubert Fitzpatrick
	G Drive			
7	Note of CIF Meeting			
8	CIF - Minute of Meeting with Taoiseach July 2005			
9	CIF Housing Stimulus Package to govt (130209)			
10	Goodbody IHBA Final March 2009 - 'Economic Analysis of the Funding and Delivery of Social and Affordable Housing in Ireland'			
11	Item 1 CIF Housing Stimulus Package to govt (130209)			
12	Jobs and Infrastructure - A Plan for National Recovery (Submission by CIF)			
13	Note of Meeting with Delegation of Builders 8 July 2008			
	Private Office			
1	Letter from Frank McCaffrey, President, CIF to the Taoiseach, Bertie Ahern TD	17/10/2002	Bertie Ahern T.D.	CIF
2	Letter from Cathal Lee, Public Affairs Executive, CIF	11/12/2006	Bertie Ahern T.D.	CIF
3	Letter from Liam Kelleher, Director General, CIF	09/10/2007	Bertie Ahern T.D.	CIF
4	Letter from Robert J. Ganly. President, IAVI	29/11/2007	Bertie Ahern T.D.	IAVI
5	Letter from Alan Cooke, Chief Executive Officer, IAVI	29/08/2008	Brian Cowen T.D./Ministers	IAVI
6	Letter from Ray Gilboy, Director, CIF	30/09/2009	Brian Cowen T.D.	CIF
7	Letter from Tom Parlon,Director General, CIF	23/01/2009	Brian Cowen T.D.	CIF
8	Email from Sinead Cashin on behalf of Martin Whelan, Director of Communications, CIF	09/02/2009	Members of the Oireachtas	CIF
9	Email from Tom Parlon, Director General,CIF	20/03/2009	Taoiseach	CIF
10	Email from Tom Parlon, Director General,CIF	24/03/2009	Members of the Cabinet	CIF

11	Memo from Tom Costello, CIF		06/04/2009	Brian Cowen T.D.	CIF
12	Email from Aidan Hannigan on behalf of Noel O'Flaherty, Director, CIF		11/11/2009	Brian Cowen T.D.	CIF
13	Letter from Gerry Farrell, Chief Executive, Irish Concrete Federation		17/11/2009	Brian Cowen T.D.	Irish Concrete Federation
14	Letter from Martin Whelan, Director, CIF		29/10/2010	Brian Cowen T.D.	CIF
	Infrastructure Files				
1	Letter from Ciaran Ryan IHBA		13/10/2000	Dermot McCarthy	Ciaran Ryan
2	Letter from Sean McEniff , Tyrconnell Group enclosing copy of letter to Min Finance		01/07/2000	Bertie Ahern	Sean McEniff
3	Letter from Taoiseach to Sean McEniff		25/07/2000	Sean McEniff	Bertie Ahern
4	Memo to the Taoiseach enclosing paper from Hooke and MacDonald		13/06/2000	Taoiseach	Eoin O'Leary
5	Fax message from D/Taoiseach to D/Envt enclosing letter from Ken MacDonald		30/08/2000	Mary O'Donoghue D/Envt	Ken MacDonald
6	Memo to Dermot McCarthy confirming meeting between Taoiseach and ken MacDonald		26/07/2000	Dermot McCarthy	Lorraine Dunne
7	Briefing material supplied by DENVT to the Dept of the Taoiseach		19/09/2000	Derek O'Neill	Mary Finnegan
8	Memo to the Taoiseach re meeting with Ken MacDonald		20/09/2000	Taoiseach	Eoin O'Leary
9	Paper on Private Rental Market given to Taoiseach at meeting with Ken MacDonald		13/06/2000	Taoiseach	Hooke MacDonald
10	Memo from Eoin O'Leary to Taoiseach re Housing Market		28/09/2000	Taoiseach	Eoin O'Leary
11	Minute of meeting between Taoiseach and Ken MacDonald		22/09/2000		Eoin O'Leary
12	Memo from Eoin O'Leary to the Taoiseach enclosing correspondence from EBS		01/09/2000	Taoiseach	Eoin O'Leary
13	Letter from CIF to D/Taoiseach with enclosure		18/01/2002	Mary Doyle	Liam Kelleher
14	Letter from CiF to D/Taoiseach		14/03/2002	Mary Doyle	Liam Kelleher
15	Letter from CIF to D/Taoiseach with enclosure		14/03/2002	Mary Doyle	Liam Kelleher
16	Letter from CIF to Taoiseach with pre-election 2002 submission to FF		25/03/2002	Taoiseach	Liam Kelleher
17	Letter from CIF to Dermot McCarthy		01/07/2002	Dermot McCarthy	Liam Kelleher
18	Memo in relation to meeting between the Taoiseach and CIF		08/10/2002	Taoiseach	Dermot McCarthy
19	Letter from Liam Kellleher to Mary Doyle		07/04/2004	Mary Doyle	Liam Kelleher
20	Letter from Taoiseach to O'Flynn Construction		27/04/2004	Taoiseach	Michael O'Flynn
21	Notification of meeting between Taoiseach and a delegation of Builders		10/05/2004		
22	Letter from CiF to Mary Doyle		14/02/2004	Mary Doyle	Liam Kelleher
23	email to D/Taoiseach from Michael O'Flynn re meeting with the Taoiseach		01/07/2004	Andrew Munro	Michael O'Flynn
24	Briefing note for meeting with Delegation of Builders		08/07/2004		
25	Letter from Noel O'Callaghan Sherborough Securities to D/Taoiseach		13/09/2004	Noel O'Callaghan	Mary Doyle
26	Letter and enclosure from O'Flynn Construction		16/07/2004	Gerard Howlin	Michael O'Flynn
27	Briefing for meeting with CIF/Irish Home Builders Association		08/11/2004		
28	Letter and enclosure to D/Taoiseach from IHBA		15/11/2004	Mary Doyle	Hubert Fitzpatrick
29	Letter and enclosure from Howard Housing Solutions to the Taoiseach		25/04/2005	Taoiseach	Ronan King
30	Briefing for meeting between CIF and Taoiseach		05/07/2005	Taoiseach	George Burke
31	Letter from CIF to D/Taoiseach		28/11/2006	Mary Doyle	Liam Kelleher
32	Letter from CIF to D/Taoiseach		04/12/2006	Mary Doyle	Liam Kelleher
33	Briefing note on Housing Market		10/09/2008	Secretary General	Mary Doyle

Like any monster, Ireland's property ogre must feed constantly to survive. Last year, the housing boom gorged itself on the hapless first-time buyer. What made new homebuyers such a great source of nutrition is that so many of them were willing to borrow the full cost of their new homes and repay these loans over the rest of their working lives. Presumably, expectations that house prices were going to continue to soar panicked many buyers into getting onto the property ladder quickly at almost any cost.

The Annual Housing Statistics Bulletin for 2006 released during the week by the Department of the Environment makes for disturbing reading. It revealed that one in three new homebuyers last year took out a 100 per cent mortgage. What's more, the number of first-time buyers taking out loans with little or no deposit doubled in 2006 from the year before. Nearly two thirds of all new home mortgages were over 31-35 years or longer. The typical first-time buyer was aged 30, which means that the bulk of new buyers will still be paying off their mortgages as they approach retirement. So much for saving for old age!

All this new borrowing drove the outstanding level of residential mortgage debt to an eye-popping €123 billion in December, equivalent to 82 per cent of GNP. Two years earlier the figure stood at €77 billion. If the degree to which new homeowners had to stretch themselves to buy property last year doesn't convince you that the housing market has overheated badly, then nothing will.

One feature of last year's borrowing spree was the heavy reliance on 100 per cent mortgages. When house prices were rising rapidly, these mortgage products might have seemed like a good idea. But with house prices falling, borrowers who bought a home with no deposit are facing the grim spectre of negative equity. Indeed, some new borrowers almost certainly already have mortgage balances that exceed the value of their homes. To be sure, most households have ample equity in their homes and could probably withstand substantial declines in house prices without suffering negative equity. However, a significant number of new homeowners are highly leveraged and could lose all of their home equity if house prices continue to fall.

The other striking feature was the increased reliance on 35-year mortgages. These products allow homebuyers to borrow more, but those extra funds come at an enormous (and possible not fully understood) cost.

Consider a couple looking to borrow the full value of a property who decide that the highest monthly mortgage repayment they can afford is €2,000 (excluding mortgage interest relief). By signing a 25-year loan, the couple could borrow roughly €335,000 at current interest rates and buy a property for that price. But if they opted for a 35-year loan, they could borrow an additional €50,000 without exceeding their monthly limit. The larger loan would be spread out over a longer period of time.

The extra €50,000 could no doubt buy a nicer home, but the borrower pays through the nose for the upgrade. Total interest payments over the life of the 25-year loan amount to €267,000. For the 35-year loan, the interest damage is €457,000, significantly more than the cost of the property. For borrowers, there are few things more dangerous than to ignore the principle of compound interest.

Interest rates matter enormously for these calculations. Before the European Central Bank started to hike interest rates in December 2005, the couple with €2,000 to put toward a mortgage each month could have borrowed €410,000 on a 25-year loan. That figure has dropped to €335,000 at current interest rates, and will fall another €17,000 by the end of this year if interest rates go up twice more as financial markets expect. The blow to affordability from rising interest rates and the knock-on effect on house prices should be obvious. Obvious, that is, to everyone except the economic commentators who, this time last year, seemed to think that rapidly increasing house prices and rising interest rates were perfectly consistent. Five minutes with a simple calculator would have told them differently. Anecdotes point to an increase in late payments on mortgages recently, albeit from low levels.

For hard-pressed new homeowners, there is little relief in sight on the interest rate front. Another increase in rates is certain in either September or October, with the distinct possibility of an additional hike by year end. Contrary to what some people are saying, there appears little chance at this stage that interest rates will fall in 2008. Of course everyone is entitled to their opinion about what the ECB might do next year, but the most reliable measure of financial market expectations--those derived from overnight indexed swaps (don't ask!)--show that traders are not expecting any interest rate cuts next year. The fat days are over for Ireland's housing market. The ECB is starving the beast.

Alan Ahearne is a former senior economist at the Federal Reserve Board in Washington DC. He currently lectures in economics at the Cairnes School of Business and Public Policy at NUI Galway.

Direction DOFO2, Request No. 1 - Ref I.D. r5d

A list of solicited and unsolicited representations (in the form of minutes of meetings or formal written correspondence) made by representative bodies of valuers, auctioneers and the construction industry to the Minister for Finance, Minister of State for Finance or the Secretary General at the Department of Finance for the period 2001 to 2010 regarding the importance of the property sector to the Irish economy.

First list of records

Entry	Recipient	From	Address	Date received	Subject Matter	Form of Rep
1	Charlie McCreevy, Minister for Finance	Construction Industry Federation	Construction House, Canal Road, Dublin 6	10/10/2001	Construction Industry with mention of Housing Sector	Pre Budget Submission and Strategy Statement
2	Charlie McCreevy, Minister for Finance	Small Firms Association	Confederation House, Lower Baggot St., Dublin 2	22/10/2001	General Pre Budget submission with some reference to Housing Sector	Pre Budget Submission
3	Charlie McCreevy, Minister for Finance	Dublin Chamber of Commerce	7 Clare Street, Dublin 2	14/11/2001	National Development Plan	Letter to Minister & Executive Summary of Pre Budget Submission
4	Charlie McCreevy, Minister for Finance	North Dublin Chamber of Commerce	DCU, Glasnevin, Dublin 9	16/11/2001	Issues facing business in North Dublin with mention of Housing Sector	Pre Budget Submission
5	Charlie McCreevy, Minister for Finance	Construction Industry Federation	Construction House, Canal Road, Dublin 6	19/11/2001	Capital Spending Estimates	Letter to Minister
6	Minister for Finance Charlie McCreevy	Construction Industry Federation	Construction House, Canal Road, Dublin 6	10/09/2002	CIF Mid Term Review ad Outlook: Construction Activity, Culture of Safety in Construction, Waste Management, Housing Review and Outlook 2002, The National Development Plan and Future Funding Requirements	Pre Budget Submission 2003
7	Minister for Finance Charlie McCreevy	Construction Industry Federation	DKM Economic Consultants Ltd., Davy House, 49 Dawson Street, Dublin 2	01/10/2002	Current Expenditure Control, Taxation - Capital Gains Tax, SSIA Sheme, VAT, Insurance Levy, Public Investment, Urban Renewal, Housing, Insurance	Pre Budget Submission 2003
8	Minister for Finance Charlie McCreevy	Irish Home Builders Association	Construction House, Canal Road, Dublin 6	31/10/2002	Housing Sector, Social and Affordable Housing, Two Year Withering Planning Permissions, The Part V Housing Provisions of the Plannign and Development Act 2000, Housing Market Risks and Other Issues	Pre Budget Submission 2003
9	Charlie McCreevy, Minister for Finance	A&L Goodbody Consulting	International Financial Services Centre, North Wall Quay, Dublin 1	18/11/2002	Ireland's infrastructure & deficit	Letter & report to Minister for information
10	Minister for Finance Charlie McCreevy	Institute of Professional Auctioneers and Valuers	129 Lower Baggot Street, Dublin 2	22/11/2002	Tax credits or First Time Buyers grant for new and second hand houses.	Budget 2003 -Pre Budget Submission
11	Minister	Irish Home Builders Association	Construction House Canal Road Dublin 6	01/03/2003	stamp duty	Letter to Minister
12	Minister for Finance, Mr Charlie McCreevy	Irish Hardware and Building Association	Mr James Goulding, Secretary General, Irish Hardware and Building Association, Elmville, Upper Kilmacud Road, Dundrum, Dublin 14	28/05/2003	Retail Planning Guidelines	Written Correspondence
13	Minister for Finance, Mr Charlie McCreevy	Irish Auctioneers and Valuers Institute	Mr. Aidan O'Hogan, President, Irish Auctioneers and Valuers Institute, 38 Merrion Square, Dublin 2	04/06/2003	All-Party Oireachtas Committee on the Constitution 2002 – Private Property.	Written Correspondence
14	Carbon Energy Taxation Consultation, DoF	Construction Industry Federation	Construction House, Canal Road, Dublin 6	01/09/2003	Carbon Energy Taxation Consultation	Submission

15	Carbon Energy Taxation Consultation, DoF	Irish Concrete Federation	8 Newlands Business Park, Naas Raod, Clondalkin, Dublin 22	01/09/2003	Carbon Energy Taxation Consultation	Submission
16	Carbon Energy Taxation Consultation, DoF	Century Homes	Clones Rad, Co. monaghan	01/09/2003	Carbon Energy Taxation Consultation	Submission
17	Carbon Energy Taxation Consultation, DoF	Clogrennane Lime	Clongrennane, Co. Carlow	01/09/2003	Carbon Energy Taxation Consultation	Submission
18	Carbon Energy Taxation Consultation, DoF	Ecocerm materials Limited	East Point Office Park, Dublin 3	01/09/2003	Carbon Energy Taxation Consultation	Submission
19	Carbon Energy Taxation Consultation, DoF	Irish Cement	Platin, Drogheda, Co. Louth	01/09/2003	Carbon Energy Taxation Consultation	Submission
20	Carbon Energy Taxation Consultation, DoF	John A.Wood	Kilmorna, Listowel, Co. Kerry	01/09/2003	Carbon Energy Taxation Consultation	Submission
21	Carbon Energy Taxation Consultation, DoF	Ormonde Brick	Castlecomer, Co. Kilkenny	01/09/2003	Carbon Energy Taxation Consultation	Submission
22	Carbon Energy Taxation Consultation, DoF	Roadstone Dublin Ltd.	Fortunestown, Tallaght, Dublin 24	01/09/2003	Carbon Energy Taxation Consultation	Submission
23	Carbon Energy Taxation Consultation, DoF	Roadstone Provinces Ltd.	Saggart, Co. Dublin	01/09/2003	Carbon Energy Taxation Consultation	Submission
24	Minister for Finance, Mr Charlie McCreevy	The Institution of Engineers of Ireland	Mr Paddy Purcell, Chartered Engineer, Director General, The Institution of Engineers of Ireland, 22 Clyde Road, Ballsbridge, Dublin 4.	19/09/2003	Submission to the Government on the Proposed Critical Infrastructure Bill	Written Correspondence
25	Minister for Finance	Dublin Chamber of Commerce	7 Clare Street, Dublin 2	01/10/2003	Competitiveness of Dublin with some reference to Housing Sector	Pre Budget Submission
26	Minister for Finance	IMPACT	Nerney's Court, Dublin 1	01/10/2003	General Pre Budget submission with some reference to Housing Sector	Pre Budget Submission
27	Minister for Finance Charlie McCreevy	Construction Industry Federation	DKM Economic Consultants Ltd., Davy House, 49 Dawson Street, Dublin 2	01/10/2003	Public Infrastructure Investment Strategy, Capacity Utillisation and Expansion in the Sector, Tax Stragey for 2004, Competitiveness and the Contribution from the Construction Sector, Key Proposals.	Pre Budget Submission 2004
28	Minister for Finance Charlie McCreevy	Irish Home Builders Association	Construction House, Canal Road, Dublin 6	08/10/2003	Housing- a mjor source of revenue, Stamp Duties, Budgetary Policy and Housing taxation, Local Authority and Public Private Partnerships	Budget 2004 Pre Budget Submission
29	Charlie McCreevy, Minister for Finance	Irish Home Builders Association	Construction House, Canal Road, Dublin 6	09/10/2003	Housing Market	Pre Budget Submission
30	Minister for Finance, Mr Charlie McCreevy	Irish Property Owners Association,	Irish Property Owners Association, Ormond Court, 11 Ormond Quay, Dublin 1 Email: iopa@eircom.net	14/10/2003	Residential Tenancies Bill 2003	Written Correspondence
31	Donal McNally Second Secretary to Minister for Finance Brian Cowen	Irish Auctioneers and Valers Institute	38 Merrion Square, Dublin 2	03/11/2003	Residential, Commerical, CGT- Roll Over Relief, Building Land, Stamp Duty, Investors, Second Hand market,	Budget 2004 Pre Budget Submission
32	Minister for Finance Charlie McCreevy	Irish Auctioneers and Valers Institute	38 Merrion Square, Dublin 2	03/11/2003	Residential, Commerical, CGT- Roll Over Relief, Building Land, Stamp Duty, Investors, Second Hand market,	Budget 2004 Pre Budget Submission
33	Minister for Finance, Mr Charlie McCreevy	Batt O Keeffe, T.D.,on behalf of Mr. Joseph O'Brien, Director, Construction Industry Federation, Southern Region.	Mr. Batt O Keeffe, T.D., Dáil Eireann, Dublin 2	29/04/2004	Stage payments in the Housing Bill and transport issues	Written Correspondence
34	Minister for Finance	IBEC	84/86 Lower Baggot St., Dublin 2	01/09/2004	General Pre Budget submission with some reference to Property Sector	Pre Budget Submission

35	Minister for Finance Brian Cowen	Construction Industry Federation	Construction House, Canal Road, Dublin 6	04/10/2004	Value for Money in Public Procurement, Public Infrastructure Investment Strategy: Exchequer Investment Strategy, Balanced Regional Development, Infrastructure Planning and Project Management, Delivering cost effective PPP projects,Construction Capacity enhancement. Competitiveness and the cost of Regulation: Business Costs, Regulatory Compliance Costs, Development Charges, Increasing Costs, Competitiveness in construction. Tax Stratgey: Housing, VAT, Carbon Tax, Capital Gains Tax, Stamp Duty, Renewal Tax Incentive Schemes, Insurance, Redundancy Payments, SSIA's.	Pre Budget Submission 2005
36	Minister for Finance Brian Cowen	Irish Home Builders Association	Construction House, Canal Road, Dublin 6	13/10/2004	Sustainability of current level of output, Assistance to first time / affrodable buyers, Housing -a mjor source of revenue, Stamp Duties, Local Authority and Public Private Partnerships, Budgetary Policy and Housing Taxation, Infrastructure funding - user charges	Pre Budget Submission 2005
37	Minister	IAVI	38 Merrion Square Dublin 2	26/10/2004	stamp duty	Letter to Minister
38	Minister for Finance Brian Cowen	Institute of Professional Auctioneers and Valuers	129 Lower Baggot Street, Dublin 2	17/11/2004	Adjustments to Stamp Duty	Pre Budget Submission 2005
39	Minister for Finance, Mr. Brian Cowen, T.D	Irish Home Building Materials Association	Mr. James Goulding, Secretary General, Irish Home Building Materials Association, Elmville, Upper Kilmacud Road, Dundrum, Dublin 14.	24/11/2004	Changes to the Retail Planning Guidelines	Written Correspondence
40	Minister for Finance, Mr. Brian Cowen, T.D	Irish Hardware and Building Materials Association	James Goulding Irish Hardware and Building Materials Association	17/01/2005	Changes to the Retail Planning Guidelines	Written Correspondence
41	Minister for Finance Brian Cowen	Desmond Doyle, MBA(Constuction & Real Estate)University of Reading	98 Lwr Churchtown Rd, D.14	31/03/2005	proposing the introduction of a REIT tax framework into Irish legislation	Written Correspondence
42	Minister for Finance, Mr. Brian Cowen, T.D	Irish Concrete Federation	Mr John. Maguire, Chief Executive, Irish Concrete Federation, Naas Road, Clondalkin, Dublin 22	26/05/2005	Irish Concrete Federation's Submission to the Joint Committee on Environment & Local Government on Building Standards and Energy Performance in Construction.	Written Correspondence
43	Minister for Finance, Mr. Brian Cowen, T.D	Royal Institute of Architects in Ireland	Mr. Anthony Reddy, President, The Royal Institute of the Architects of Ireland, 8 Merrion Square, Dublin 2.	01/07/2005	The introduction of legislation to protect the public from unqualified people providing services as architects.	Written Correspondence
44	Minister for Finance Brian Cowen	Construction Industry Federation, via Tony Dempsey T.D. on behalf of Sean Doyle, mamber of the CIF	Construction House, Canal Road, Dublin 6	12/08/2005	taxation and property sector	Representation
45	Minister for Finance Brian Cowen	Construction Industry Federation, via John Browne T.D. on behalf of Sean Doyle	Construction House, Canal Road, Dublin 6	12/08/2005	taxation and property sector	Representation
46	Minister for Finance	Construction Industry Federation	Construction House, Canal Road, Dublin 6	01/09/2005	Construction Industry with mention of Housing Sector	Pre Budget Submission

47	Minister for Finance Brian Cowen	Construction Industry Federation	Construction House, Canal Road, Dublin 6	26/09/2005	Economic Growth, Investment and Public Procurement. Tax Stragey, Designated Area and Capital Allowance Schemes. Housing. Competitiveness and Cost of Regulation	Pre Budget Submission 2006
48	Minister for Finance	ICTU	32 Parnell Square, Dublin 2	01/10/2005	General Pre Budget submission with some reference to Property Sector	Pre Budget Submission
49	Minister for Finance Brian Cowen	Irish Property Owners Association	Ashtown Business Centre, Navan Road, Dublin 15	18/10/2005	Addressing the Discrimination against Property Owners - Rental Income, Amend 'Revelant Earnings' in Section 783(3) TCA 1997, Amend 'business' in Section 90 Captal Acquisition Tax Consolidation Act 2003	Pre Budget Submission 2006
50	Minister for Finance Brian Cowen	The Society of Chartered Surveyors	5 Wilton Place, Dublin 2	17/11/2005	Value for Money on Construction Projects, Stamp Duties,	Pre Budget Submission 2006
51	Minister for Finance, Mr. Brian Cowen, T.D	Irish Branch & President Association of Building Engineers	Mr. Michael H Cassidy, Chairman Irish Branch & President Association of Building Engineers, Mespil Business Centre, Sussex Road, Dublin 4.	22/12/2005	Building Control Bill 2005	Written Correspondence
52	Minister for Finance	IBEC	84/86 Lower Baggot St., Dublin 2	01/10/2006	General Pre Budget submission with some reference to Property Sector	Pre Budget Submission
53	Minister for Finance	Construction Industry Federation	Construction House, Canal Road, Dublin 6	01/10/2006	Construction Industry with mention of Housing Sector	Pre Budget Submission
54	Minister for Finance Brian Cowen	Construction Industry Federation	Construction House, Canal Road, Dublin 6	27/10/2006	The National Development Plan 2007-2013. First Time Buyers. Affordable Housing. Research and Development (R&D) expenditure. Sustaining Economic Growth, Taxation, Housing, Regulation, Small Business and Competitiveness	Budget 2007 - Pre Budget Meetings and Submissions
55	Minister for Finance Brian Cowen	Institute of Professional Auctioneers and Valuers	129 Lower Baggot Street, Dublin 2	06/11/2006	Stamp Duty, Residential Housing Market, Mortgage Interest Relief, Rent a Room Scheme, First Time Buyer	Budget 2007 - Pre Budget Submission
56	Minister for Finance Brian Cowen	Construction Industry Federation	Construction House, Canal Road, Dublin 6	20/09/2007	Macro-Economic Outlook and Competitiveness, Public Expenditure, National and Regional Development, Taxation and Fiscal Policy, Housing, Enviromental Issues, Enterprise support and Better Regulations	Pre Budget Submission 2008
57	Minister for Finance Brian Cowen	Building Materials Federation	Confederation House, 84-86 Lower Baggot Street, Dublin 2	25/10/2007	Accelerating NDP Investment, National Spatial Stragegy, Social and Affordable Housing, Stamp Duty, Mortgage Interest Relief	Pre Budget Submission 2008
58	Brian Cowen, Minister for Finance	Building Materials Federation	Confederation House, Lower Baggot St., Dublin 2	30/10/2007	Construction Industry with mention of Housing Sector	Pre Budget Submission
59	Minister for Finance Brian Cowen	Construction Industry Federation	Construction House, Canal Road, Dublin 6	30/10/2007	Reform of Stamp Duty	Pre Budget Submission 2008

60	Minister for Finance Brian Cowen	Institute of Professional Auctioneers and Valuers	129 Lower Baggot Street, Dublin 2	30/10/2007	Sustaining economic growth and stability, Maximising quality employment creation, Improving the damage cost and non-cost competitiveness of the economy, Investment in essential public services, Ensuring a stable housing market, Improving the quality of life of the most disadvantaged in Irish society. Stamp Duties, Rent a Room Scheme	Pre Budget Submission 2008
61	Minister for Finance Brian Cowen	Home Buyers Association	Construction House, Canal Road, Dublin 6	13/11/2007	Housing Market: Exemption from Stamp Duty, Reduction of the penal 9% rate, Induction of Marginal Relief, Mortgage Interest Relief to track the ECB interest rate	Pre Budget Submission 2008
62	An Taoiseach and the Minister for Finance Brian Cowen	Irish Auctioneers and Valuers Institute	38 Merrion Square, Dublin 2	29/11/2007	Second Hand Housing Market, Stamp Duty	Pre Budget Submission 2008
63	Minister for Finance, Mr. Brian Lenihan , T.D	Irish Auctioneers & Valuers Institute	Mr Alan Cooke, Chief Executive, Irish Auctioneers & Valuers Institute, 38 Merrion Square, Dublin 2	01/09/2008	Proposals for measures to stimulate the housing market, specifically the expansion of the role of the Housing Finance Agency to promote liquidity in the market and a revitalised shared ownership scheme, and the economy.	Written Correspondence
64	Minister for Finance Brian Lenihan	Construction Industry Federation	Construction House, Canal Road, Dublin 6	15/09/2008	Economic, Fiscal and Taxation Policy: Gateway Funding, Loval Government. Public Investment and Procurement and Delivery. The Housing Market: Part L of the Building Regulations, Part V of the Planning and Development Act, Affordable Homes Partnership, Stamp Duty on letting of New Developments, VAT on housing, Promoting Investment in Commerical Property, Retrofitting of Buildings. Enterprise Support:	Pre Budget Submission 2008
65	Minister for Finance Brian Lenihan	The Society of Chartered Surveyors	Registered Office, 5 Wilton Place, Dublin 2	17/09/2008	Stamp Duty levels, Delivery of the Nation Development Plan	Pre Budget Submission 2009
66	Brian Lenihan, Minister for Finance	Society of Chartered Surveyors	5 Wilton Place, Dublin 2	18/09/2008	Construction & Property Industries	Pre Budget Submission
67	Minister for Finance Brian Lenihan	Irish Auctioneers and Valers Institute	38 Merrion Square, Dublin 2	24/09/2008	Stamp Duty, Tax treatment of part-time and guest lecturers	Pre Budget Submission 2009
68	Minister for Finance Brian Lenihan	Institute of Professional Auctioneers and Valuers	129 Lower Baggot Street, Dublin 2	25/09/2008	Stamp Duty Reform	Pre Budget Submission 2009
69	Minister for Finance Brian Lenihan	Michael Kennedy TD on behalf of Institute of Professional Auctioneers and Valuers	Michael.Kennedy@Oireachtas.ie	26/09/2008	Doubling of Stamp Duty Allowance and Reduction in rate	Pre Budget Submission 2010
70	Minister for Finance Brian Lenihan	Construction Industry Federation	Construction House, Canal Road, Dublin 6	30/09/2008	Investment in Public Infrastructure, Lower Stamp Duty, Incentivising the house market.	Pre Budget Submission 2008
71	Minister for Finance Brian Lenihan	John O'Mahony TD on behalf of Construction Industry Federation	Constituency Office, D'Alton Street, Claremorris, Co Mayo	01/10/2008	Spending and Investment in the National Development Plan. Address pre-qualification criteria. Support First Time Buyers package.Stamp Duty.	Pre Budget Submission 2008
72	Minister for Finance Brian Lenihan	Minister for Agriculture Fisheries and Food Brendan Smith on behalf of Construction Industry Federation	3 Carrickfern, Cavan	01/10/2008		Pre Budget Submission 2008

73	Minister for Finance Brian Lenihan	Bernard J Durkan TD on behalf of Construction Industry Federation	Dáil ÉIREANN, Leinster House, Kildare Street, Dublin 2	01/10/2008	Spending and Investment in the National Development Plan. Address pre-qualification criteria. Support First Time Buyers package.Stamp Duty.	Pre Budget Submission 2008
74	Minister for Finance Brian Lenihan	Noel Tracey TD on behalf of Construction Industry Federation	Dáil Éireann, Leinster House, Kildare Street, Dublin 2	01/10/2008	Spending and Investment in the National Development Plan. Address pre-qualification criteria. Support First Time Buyers package.Stamp Duty.	Pre Budget Submission 2008
75	Minister for Finance Brian Lenihan	Construction Industry Federation	Construction House, Canal Road, Dublin 6	03/10/2008	Request the opportunity to meet.	Pre Budget Submission 2008
76	Minister for Finance Brian Lenihan	Frank Fahy TD on behalf of Construction Industry Federation	Constituency Office, Ballybane Industrial Estate, Galway	10/10/2008	Spending and Investment in the National Development Plan. Address pre-qualification criteria. Support First Time Buyers package.Stamp Duty.	Pre Budget Submission 2008
77	Minister for Finance, Mr. Brian Lenihan , T.D	Liston and Company	Mr W. Terance Liston, Liston and Company, Argyle House, 103 - 105 Morehampton Rd, Donnybrokk, Dublin 4	13/01/2009	Proposal for a new house grant to clear the stock in the housing market and so to assist buyers, developers, lending institutions and the State's finances.	Written Correspondence
78	Minister for Environment, Heritage and Local Government, Mr John Gormley T.D. and copied to Minister for Finance, Mr. Brian Lenihan , T.D	Chambers Ireland	Mr Sean Murphy, Director of Policy, Chambers Ireland, 17 Merrion Square, Dublin 2	20/02/2009	Transparency on housing prices, encouraging house sales in Ireland and the Home Choice Loan Scheme	Written Correspondence
79	Minister for Finance Brian Lenihan	Construction Industry Federation	Construction House, Canal Road, Dublin 6	13/03/2009	Request a meeting	Pre Budget Submission 2009 - Supplementaries
80	Brian Lenihan, Minister for Finance	Small Firms Association	Confederation House, Lower Baggot St., Dublin 2	18/03/2009	General Pre Budget submission with some reference to Property Sector	Pre (Supplementary) Budget Submission
81	Minister for Finance Brian Lenihan	Conor Lenihan Minister for Intergration on behalf of Construction Industry Federation	43-49 Mespil Road, Dublin 4	23/03/2009	Breifing Document for Members of the Oireachtas - Infrastructure spending	Pre Budget Submission 2009 - Supplementaries
82	Minister for Finance Brian Lenihan	Construction Industry Federation and Irish Home Builders Association	Construction House, Canal Road, Dublin 6	24/03/2009	Capital Spending and the Housing Market, Incentive for First Time Buyers, Stamp Duty Relief	Pre Budget Submission 2009 - Supplementaries
83	Minister for Finance Brian Lenihan	Construction Industry Federation	Construction House, Canal Road, Dublin 6	24/03/2009	Black Economy , Tax Clearance Cert, Mortgage Interest Relief , 10 Point Revenue neutral measures to kick start the economy, Release of VAT	Pre Budget Submission 2009 - Supplementaries
84	Minister for Finance Brian Lenihan	Construction Industry Federation/ Irish Auctioneers Valuers Institution/ Irish Home Builders Association	clee@cif.ie	24/03/2009	Stabilise the Banking system, Investment in Infrastructure, First Time Buyer Incentive/Scheme, Allow Tax Credit Scheme, Relief from Stamp Duty,	Pre Budget Submission 2009 - Supplementaries
85	Minister for Finance Brian Lenihan	Minister of State John McGuinness Department of Enterprise, Trade and Employment on behalf of Construction Industry Federation	Kildare Street, Dublin 2	26/03/2009	Capital Spending and the Housing Market, Incentive for First Time Buyers, Stamp Duty Relief	Pre Budget Submission 2009 - Supplementaries
86	Minister for Finance Brian Lenihan	Minister of State Tony Killen Department of Agrculture, Fisheries and Food on behalf of Construction Industry Federation	5 St. Anthony's Terrace, Maid of Erin, Ennis, CO. Clare	26/03/2009	Capital Spending and the Housing Market, Incentive for First Time Buyers, Stamp Duty Relief	Pre Budget Submission 2009 - Supplementaries

87	Minister for Finance Brian Lenihan	The Society of Chartered Surveyors	5 Wilton Place, Dublin 2	26/03/2009	Banking System, Public Infrastructure, Public Capital Programme, Tender Prices, Infrastructure Projects, Improvements in Existing Stock re VAT, Commerical Property - Stamp Duty, VAT on Residential Property, Stamp Duty on Second Hand Property, Home Choice Loan, Housing List	Pre Budget Submission 2009 - Supplementaries
88	Minister for Finance Brian Lenihan	Minister of State for Labour Affairs Billy Kelleher on behalf of Construction Industry Federation	Construction House, Canal Road, Dublin 6	27/03/2009	Capital Spending and the Housing Market, Incentive for First Time Buyers, Stamp Duty Relief	Pre Budget Submission 2009 - Supplementaries
89	Brian Lenihan, Minister for Finance	IBEC	84/86 Lower Baggot St., Dublin 2	31/03/2009	General Pre Budget submission with some reference to Property Sector	Pre (Supplementary) Budget Submission
90	Minister for Finance Brian Lenihan	Construction Industry Federation	Construction House, Canal Road, Dublin 6	31/03/2009	Investment in Infrastructure, Residential Property Market, Affordable Housing, Tax credit for First Time Buyers, unclaimed VAT, Stamp Duty, State Payments.	Pre Budget Submission 2009 - Supplementaries
91	Minister for Finance Brian Lenihan	Conor Lenihan Minister for Intergration on behalf of Construction Industry Federation	43-49 Mespil Road, Dublin 4	31/03/2009	Capital Spending and the Housing Market, Incentive for First Time Buyers, Stamp Duty Relief	Pre Budget Submission 2009 - Supplementaries
92	Minister for Finance Brian Lenihan	Minister for Education and Science Batt O'Keeffe on behalf of Construction Industry Federation	Marlborough Street, Dublin 1	01/04/2009	Capital Spending and the Housing Market, Incentive for First Time Buyers, Stamp Duty Relief	Pre Budget Submission 2009 - Supplementaries
93	Minister for Finance Brian Lenihan	Irish Auctioneers and Valuers Institute	38 Merrion Square, Dublin 2	01/04/2009	Removal of Stamp Duty for First Time Buyers grant or Tax Credit Incentive, Tax relief or Rebate of VAT, Roll over relief on Capital Gains Tax.	Pre Budget Submission 2009 - Supplementaries
94	Minister for Finance	Tom Parlon, Director General, Construction Industry Federation		14/04/2009	The proposed establishment of the NAMA as outlined in the Supplementary Budget is an initiative'	Letter
95	Mr Liam Smith (Dept of Finance)	Lyons Property	Abbeyfeale,Co Limerick	05/06/2009	proposing the introduction of a REIT tax framework into Irish legislation	Emails/Meeting
96	Mr Liam Smith (Dept of Finance)	Pat Lyons (Lyons Property)	Abbeyfeale,Co limerick	28/06/2009	proposing the introduction of a REIT tax framework into Irish legislation	Written Correspondence
97	Minister for Finance	Construction Industry Federation	Construction House, Canal Road, Dublin 6	02/07/2009	Request for meeting with Minister so CIF can actively participate with Government in addressing current problems so that NAMA will work for the benefit of all	Letter
98	Brian Lenihan, Minister for Finance	Coleman Brothers Developments Ltd. *(forwarded by Billy Kelleher, Minister for Trade & Commerce)*	Bawnafinney, Tower, Blarney, Co. Cork	06/07/2009	Proposals to help stimulate economic growth.	Letter to Minister
99	Minister for Finance	John Power, CEO, Irish Hotels Federation		30/07/2009	Hotel Sector - NAMA Sean to advise	Letter
100	Minister for Finance	Tony Killeen TD on behalf of Tom Parlon, CIF	Construction House, Canal Road, Dublin 6	09/09/2009	Attaching submission to the Gov., Summary of Key Industry Concerns, Executive Summary of Independent Economic Research by Lombard Street Research for CIF re NAMA - Mr Parlon wishes to set up a meting with the Min and some representatives from the industry	Letter
101	Minister for Finance	Tom Parlon, Director General CIF		11/09/2009	Attaching documents in relation to NAMA and seeking a meeting with the Minister	Email

102	Minister for Finance	Hubert Fitzpatrick		14/09/2009	Requirement for immediate interim solution for working capital requirements for construction/development sector	Letter
103	Minister for Finance	Noel Treacy TD on behalf of Tom Parlon CIF		16/09/2009	NAMA - key construction industry issues	Letter
104	Minister for Finance	Mary Coughlan TD on behalf of Tom Parlon CIF for direct reply		16/09/2009	NAMA	Letter
105	Private Secretary	Private Sec, Office of the Minister for Children and Youth Affairs at Department of Health on behalf of Tom Parlon, CIF for direct reply		28/09/2009	NAMA	Letter
106	Minister for Finance	Tom Parlon - Construction Industry Federation (CIF)		29/09/2009	Asks for an opportunity to meet re NAMA to outline their concerns that they have and to identify areas where their perspective can help ensure the successful workout of the current situation. (A Meeting has since taken place)	Letter
107	Minister for Finance Brian Lenihan	Senator Mark Daly on behalf of Irish Auctioneers and Valuers Institute	38 Merrion Square, Dublin 2	02/10/2009	windfall tax provisions	Written correspondence
108	Minister	Institute of Professional Auctioneers and Valuers	129 Lower Baggot Street Dublin 2	04/10/2009	stamp duty	Letter to Minister
109	Minister for Finance	Batt O'Keeffe on behalf of Tom Parlon & Hubert Fitzpatrick, CIF		07/10/2009	CIF submissions to Government re NAMA and their concerns.	Letter
110	Minister for Finance	Hubert Fitzpatrick, Construction Industry Federation		12/10/2009	Attaching copy of letter sent to B McDonagh, Kevin Cardiff and requesting an further meeting to discuss.	Letter
111	Minister for Finance Brian Lenihan	Construction Industry Council	5 Wilton Place, Dublin 2	15/10/2009	Investment in Infrastructure. Unemployment in Construction Sector, National Competitiveness	Pre Budget Submission 2010
112	Minister for Finance Brian Lenihan	The Society of Chartered Surveyors	5 Wilton Place, Dublin 2	16/10/2009	Jobs and Infrastucture - A Plan for National Recovery, Captial Spending- Tender prices, Reduction of VAT rates for construction industry,Home Energy Savings Scheme, Property Tax,Stamp Duty, Captial Gains Tax, Local Authority structure,	Pre Budget Submission 2010
113	Minister for Finance Brian Lenihan	Construction Industry Federation	Construction House, Canal Road, Dublin 6	16/10/2009	Request a meeting -Public Capital Programme, Infrastucture, Residential Property Market, Stamp Duty, Tax Scheme for First Time Buyers unlocking VAT, Part V legislation, Affordable Housing, National Energy Refurbishment Programme, Development Contribution Scheme, Planning and Appeals Process, Export Credit Guarantee, Public Procurement, National Paternership Forum, Employer PRSI payments	Pre Budget Submission 2010
114	Minister for Finance	Tom Parlon, CIF		02/11/2009	CIF proposed draft amendments to NAMA	Email
115	Minister for Finance Brian Lenihan	Institute of Professional Auctioneers and Valuers	129 Lower Baggot Street, Dublin 2	18/11/2009	Reduce Stamp Duty, €200 charge on non- principal residences made tax deductible from rental income.	Pre Budget Submission 2010

116	Minister for Finance, Mr. Brian Lenihan , T.D	Brian O'Shea T.D. on behalf of the Irish Concrete Federation	Brian O'Shea T.D. 61 Sweetbriar Lane, Co. Waterford	20/11/2009	Pre-Budget Submission	Written Correspondence
117	Minister for Finance, Mr. Brian Lenihan , T.D	Architects Alliance	Mr. Leonard Barrett Architects Alliance barrettandasociates@eircom.net	28/04/2010	Building Control Amendment Bill 2010	Written Correspondence
118	Minister	The Irish Property Council - Mr Patrick White	25 Fitzwilliam Square Dublin 2	18/06/2010	stamp duty	Letter to Minister
119	Minister for Finance	Construction Industry Federation	Construction House, Canal Road, Dublin 6	01/09/2010	Construction Industry with mention of Property Market	Pre Budget Submission
120	Minister for Finance, Mr. Brian Lenihan , T.D	Construction Industry Federation	Construction House, Canal Rd, Dublin 6	29/09/2010	Pre-Budget Sumbission and Meeting Request	Written Correspondence
121	Environment Vote on behalf of Minister for Finance, Mr Brian Lenihan , T.D	Construction Industry Federation	Construction House, Canal Rd, Dublin 6	01/10/2010	Meeting on Pre-budget Submission	Meeting minutes
122	Minister for Finance, Mr. Brian Lenihan , T.D	Architects Alliance	Mr. Brian Montaut Architects Allance. Xarchitects @iol.ie	14/11/2010	Building Control Amendment Bill 2007	Written Correspondence
123	Minister for Finance	Martin Whelan, CIF on behalf of Hubert Fitzpatrick		21/12/2010	Lombard Street Research Study, commissioned by the CIF - operations of NAMA	Email
124	Minister for Finance	Martin Whelan, CIF on behalf of Hubert Fitzpatrick		21/12/2010	Lombard Street Research Study, commissioned by the CIF - operations of NAMA	Email
125	Internal record	Record of meeting between Minister Noonan and Construction Industry Federation	Construction House, Canal Road, Dublin 6	16/05/2013	Construction sector	Minutes of meeting
126	Minister Noonan	Property Industry Ireland	84-86 Lr. Baggot St. Dublin 2	01/06/2013	Proposed property strategy	Discussion document
127	Internal record	Record of meeting between Minister Noonan and MoS Hayes and Property Industry Ireland (PII)	84-86 Lr. Baggot St. Dublin 2	25/09/2013	PII's pre-budget submission	Minutes of meeting
128	Minister for Finance	Taoiseach's office on behalf of Tom Parlon - for direct reply		10/09/09 & 30/10/09	NAMA	Letter
129	Mr Liam Smith (Dept of Finance)	Pat Lyons (Lyons Property)	Abbeyfeale, Co Limerick	unknown	proposing the introduction of a REIT tax framework into Irish legislation	Minutes of meeting/written correspondence

2003 Pre-Budget Submissions **Number** 161

From: Institute of Professional Auctioneers + Valuers

A Pre-Budget Submission has been received from the above. An extract from the submission (or full copy if appropriate) relevant to your area is attached for your information and consideration.

If you feel that the submission should be circulated wider than the list below, please let us know.

Circulated to:		Relevant Extract:
1.	Ivan Grimes	
2.	Martin Manier	
3.	John Hogan	
4.	Pat Leahy	
5.	Joe Cullen	
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Joe Ainsworth

Our Ref: 02/0388/MF

25 November 2002

Mr Liam O'Donnell
Chief Executive
Institute of Professional Auctioneers & Valuers
129 Lower Baggot Street
Dublin 2

Dear Mr O'Donnell

The Minister for Finance, Mr Charlie McCreevy TD, has asked me to acknowledge receipt of your recent letter and pre-budget submission and to say that the contents will be considered in the context of the forthcoming Budget.

Yours sincerely

Rosemary Kearney

Hannah O'Riordan
Private Secretary

I·P·A·V

INSTITUTE OF PROFESSIONAL AUCTIONEERS AND VALUERS
129 LOWER BAGGOT STREET, DUBLIN 2. TELEPHONE: 678 5685 FAX: 676 2890
E-Mail: lodonnell@ipav.ie

02/0388/MF
Mr. J. Burke
Referred pl.
R Kearney
22-11-02

AIRE AIRGEADAIS
22 NOV 2002
OIFIG AN RUNAI AIRE

Mr Charlie McCreevy TD
Minister for Finance

C.C.
An Taoiseach
Bertie Ahern TD

An Tanaiste
Mary Harney TD

Mr Martin Cullen TD
Minister for the Environment & Local Government

22 November 2002

Re: Budget 2003 Submission

Dear Minister

On behalf of the Institute of Professional Auctioneers & Valuers (IPAV), I wish to make a short submission for your consideration for Budget 2003, due to be announced on Wednesday, 4 December.

IPAV greatly regrets the decision by you and the Government in the recent Estimates to abolish the first-time house buyer's grant in its entirety. We feel this is an undue blow to the thousands of people who have either booking deposits paid or hope to purchase their first home in the near future.

Many such buyers often use the €3,800 grant as part of their downpayment and consequently are now in severe financial difficulty as, in many cases, it could take years for them to save this amount of money. Many use the grant to purchase minimal furnishings for their new home until they get on their feet while others use it to cover their early mortgage repayments.

As a result of this recent measure, many people may have to cancel their proposed purchases and have their deposits returned. We feel this move is most unfair and discriminatory to a very vulnerable section of the population.

IPAV feels there is now a grave imbalance in the amount of money taken in by the Exchequer in VAT on new houses and Stamp Duty and the abolition of the first-time buyer's grant altogether. The most recent figures available to us for 2001 confirm that the Exchequer received €912m. in VAT alone on new houses last year. This is compared to a total payout of just €38.7m. in first-time buyers' grants for the same period.

Our Institute strongly urges you to consider the introduction of a system of tax credits for the purchasers of new and second-hand homes under similar qualifying conditions to those laid down for the first-time buyer's grant. By adopting such an approach, the Government is not running the risk of increasing the price of new or second-hand houses which might happen by, for example, increasing the amount of first-time buyers' grant. The tax credit could be spread over a period of three to five years.

We urge you to seriously consider such a measure at this stage which we feel would be prudent and of major benefit to hard-pressed first-time buyers.

We are available to meet you or your officials at any time to discuss the proposal further.

Yours sincerely

Liam O'Donnell

LIAM O'DONNELL
Chief Executive

2005 Pre-Budget Submissions

Number 193

From: Institute of Professional Auctioneers and Valuers

A Pre-Budget Submission has been received from the above. An extract from the submission (or full copy if appropriate) relevant to your area is attached for your information and consideration.

If you feel that the submission should be circulated wider than the list below, please let us know.

Circulated to:		Relevant Extract:
1.	M. Maginnes	
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Siobhan Gismondi

Our Ref. 04/0587/MF

18 November 2004

Mr Liam O'Donnell
Chief Executive
Institute of Professional
Auctioneers and Valuers
129 Lower Baggot Street
Dublin 2

Dear Ms O'Donnell

The Minister for Finance, Mr Brian Cowen TD, has asked me to acknowledge receipt of your recent letter and pre-budget submission and to say that the contents will be considered in the context of the forthcoming Budget.

Yours sincerely

P. Scanlon

pp. Breda Rafter
Private Secretary

I·P·A·V

INSTITUTE OF PROFESSIONAL AUCTIONEERS AND VALUERS
129 LOWER BAGGOT STREET, DUBLIN 2. TELEPHONE: 678 5685 FAX: 676 2890
E-Mail: info@ipav.ie www.ipav.ie

04/0587/MF
K Ryan
Respond Please
PD 18/11/04

17 November 2004

AIRE AIRGEADAIS
18 NOV 2004
OIFIG AN RUNAI AIRE

Mr. Brian Cowen TD
Minister for Finance
Department of Finance
Upper Merrion Street
Dublin 2

Re: Budget 2005

Dear Minister

Firstly, on behalf of the Institute of Professional Auctioneers and Valuers (IPAV) I would like to congratulate you on your recent appointment and to wish you well in this challenging role.

You are undoubtedly overwhelmed with Budget submissions from every sector of society at this time. Therefore, with this in mind, I would like to confine my brief remarks re the forthcoming Budget to just one issue, namely Stamp Duty.

You and your Department review all taxes as a matter of course in the annual Budget preparation and IPAV urges you to consider widening the bands of the rates of Stamp Duty.

Most commentators now agree that the housing market is now showing sings of a slowdown and we believe it is now the appropriate time to make some adjustments in the area of Stamp Duty.

In particular, IPAV suggests:

- The raising of the 0% Stamp Duty threshold from €190,500 to €250,000 for First-Time buyers of second hand homes. (The average cost of a new home is now €246,299 according to the most recent Government Housing Statistics Bulletin)
- The widening of all current bands by a minimum of €50,000.
- An increase in the threshold of the 9% band to a minimum of €1m in both the residential and the non-residential sector.

IPAV suggests that the above changes be implemented for one year and reviewed at each subsequent Budget.

We hope you and your Government colleagues will give the above proposals due consideration and we look forward to seeing some changes being announced on Budget Day.

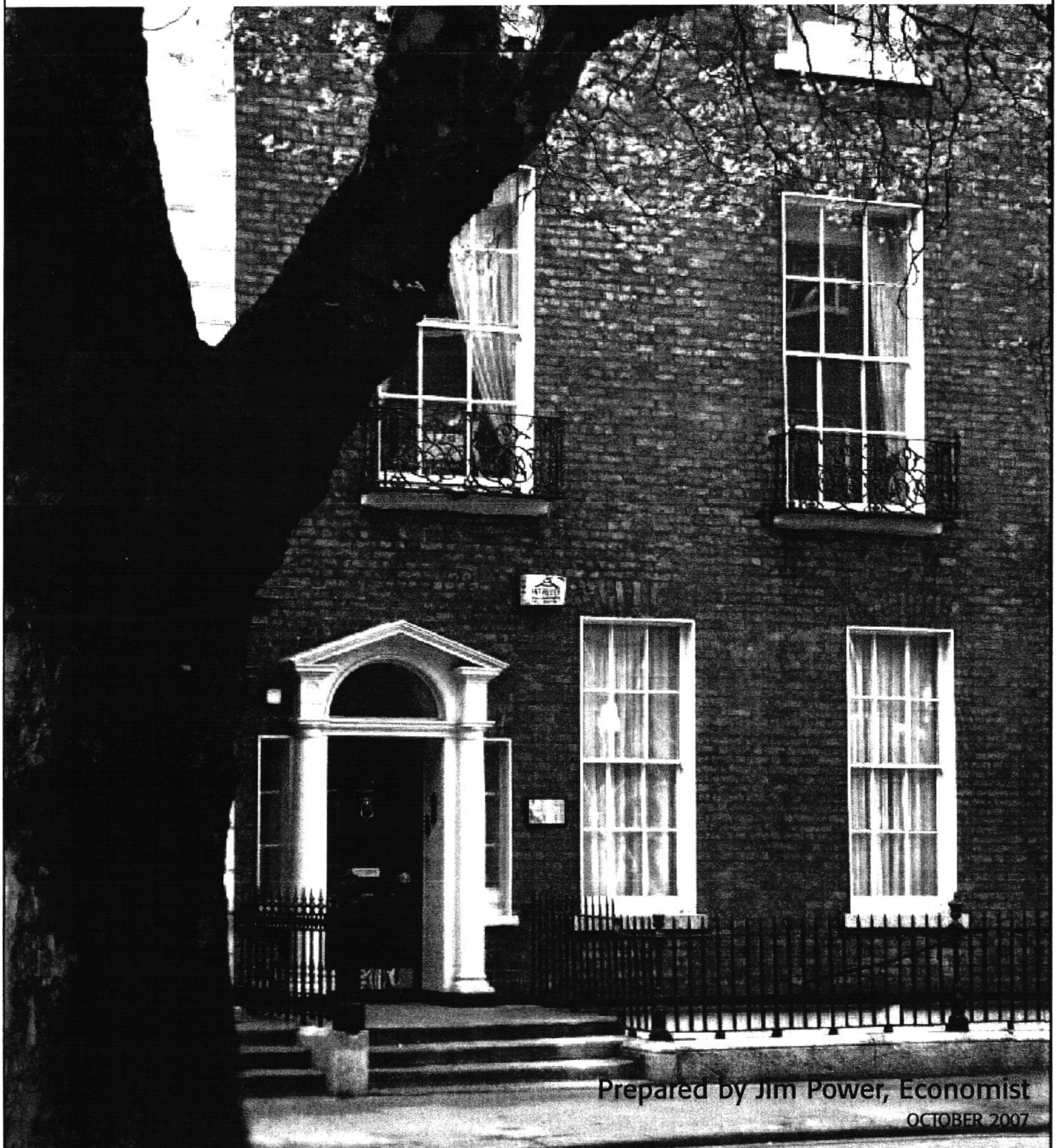
Yours faithfully

Liam O'Donnell FIPAV MCEI
Chief Executive

I·P·A·V

A Budget Submission

from
the Institute of Professional
Auctioneers and Valuers



Prepared by Jim Power, Economist

OCTOBER 2007

EXECUTIVE SUMMARY

The economic and fiscal background against which Budget 2007 will be presented is very favourable. The Irish economy is still growing very strongly, with GDP growth of around 5.3% in prospect this year and close to 5% in 2007.

The budget outturn in 2006 is likely to be close to €2.5 billion better than expected. With growth set to remain strong in 2007, the opening budget position for 2007 will be strong. The main vulnerability for the economy in general and the public finances in particular is the very heavy reliance on residential housing activity.

Activity in the housing market remains very strong but there is emerging evidence that the market is starting to reach equilibrium, with supply starting to match demand. Affordability is now deteriorating against a background of high house prices and rising interest rates. The problems are most acute for first-time buyers and they are likely to get worse over the coming year.

Residential housing market activity is now making a very significant contribution to the Irish economy through its direct and indirect employment creation, through its direct and indirect impact on tax revenues and through its wealth effect on consumer confidence and spending. Any significant downward correction to the market either in terms of completions or, more importantly, prices would have a very negative effect on the overall health and stability of the economy.

Any housing related measures in Budget 2007 should seek to alleviate the growing pressures on first-time buyers in particular and also to preserve the overall stability of the market.

The following are the key proposals for Budget 2007.

STAMP DUTIES

Radical changes are needed in the stamp duty regime.

Stamp duties should be abolished altogether for first-time buyers. From a cost point of view, such a move would be easily financed in an environment where the Exchequer finances are in such a strong position. It is estimated that €945 million is taken in by the Department of Finance on stamp duties relating to residential housing transactions. First-time buyers account for around €70 million of this tax take. The €70 million paid by first-time buyers is insignificant in the context of total tax revenues, but it is a very significant amount of money for first-time buyers.

ENCOURAGING GREATER MOBILITY IN THE RESIDENTIAL HOUSING MARKET

The current stamp duty regime acts as a major disincentive to labour market mobility. Lower stamp duty rates and wider bands would increase mobility and could prove self financing.

Stamp Duty should only be paid on the excess above each threshold and not on the entire price which is unjust.

IPAV proposes the following rates and threshold replace those currently in use:

Up to €250,000	Nil
From €250,001 - €500,000	3%
From €500,001 - €1,000,000	5%
In excess of €1,000,001	6%

In addition, for non first-time buyers, the various thresholds should be indexed every year in line with projected house price inflation.

MORTGAGE INTEREST RELIEF

A doubling of mortgage interest relief for first-time buyers would help alleviate the financial distress caused by rising interest rates and rising house prices. Given that the benefits would be spread over a number of years, it would not result in acceleration in house price inflation. A commitment should also be given to index mortgage interest relief for all mortgage holders in line with projected house price inflation.

RENT A ROOM SCHEME

The introduction of the rent a room scheme is a very effective method of keeping costs down when a first home is purchased and it also facilitates the purchase of a bigger home than originally intended. It is a very positive scheme for cash strapped first-time buyers.

The tax exemption under this scheme should now be doubled to give further much needed financial assistance to first-time buyers.