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Big mess must be sorted out

THE single biggest issue with our property market is the absence of a property database.

In fact, given the effect the crash has had on the nation, we could argue it's a huge issue for the whole economy.

A database would hold all the details of every building, including size and sale price.

It's vital for setting annual property taxes and for transparency in a market shrouded in private treaty laws which prevent anyone outside of the parties involved knowing the details of the sale price.

This is a mistake. Virtually every other developed economy has a database, including the North.

The information is available but held in different places, including the Property Registration Authority of Ireland,

the Land Registry, Stamping Office (Revenue Commissioners), Ordnance Survey Office, Rates & Valuations Office and the Department of Agriculture and Fisheries' land parcel identification system. It's also in the files of estate agents who are choked by the Data Protection Commissioner from providing this information.

The CSO has been working on a property price index to feed into the European Harmonised Index of Consumer Prices, but it won't carry particulars. There's also a pan-European requirement for a database by 2019.

It should be simple, but with so many departments involved it's going to be a mess, which explains the proposal for a property flat tax instead.

Put simply, there are a lot of people who can't be bothered doing the job right.



Confused... new buyers

IT might be hard to believe these days, but some people out there are still buying and selling property.

The Central Statistics Office says prices are down about 40 per cent from their peak, and the amount of mortgage lending is down 90pc.

But, if you can afford it, buying when so few others are splashing out can make a lot of sense, even though it's not an option for everyone.

For the first time in about a decade, the cost of property is actually reaching a pretty realistic level.

Of course there are many who'll tell you that renting is the safest and most sensible way to go.

But if you've got savings that you could use as a deposit for a mortgage — and many people have — a plunge into the ailing property market is tempting.

Today we'll show you how to do some simple calculations that will hopefully make your decision about whether to invest or not a bit easier.

Top of the list of factors to consider is interest rates. Even though they're subject to change at the drop of a hat, for this example we'll use National Irish Bank's 10-year fixed rate of 5.5 per cent as our benchmark.

There are cheaper rates, but these usually apply when you're borrowing lesser amounts compared to the value of your home. We'll also do our figures based on taking a loan over 25 years.

REPAYMENTS

Obviously, your monthly repayments will be cheaper if you go for a longer term (35 years, for example) — and in our experience that's precisely what the majority of first time buyers do.

The first thing we'll need to work out is the "cost per thousand". This is the actual cost per month for every €1,000 you borrow over 25 years.

Using NIB's 5.5pc rate, that gives us a figure of €6.14 — a figure you can use to calculate what you'd be paying.

So all you have to do when figuring out repayments is divide the amount of your mortgage by 1,000 and multiply by the "cost per thousand" (in this example €6.14) to get your monthly repayments.

If you bought a house costing €200,000 with a 90pc mortgage, you'd be borrowing €180,000.

Divide that by 1,000 and you get 180. That means every month you'll pay $180 \times 6.14 = €1,105$.

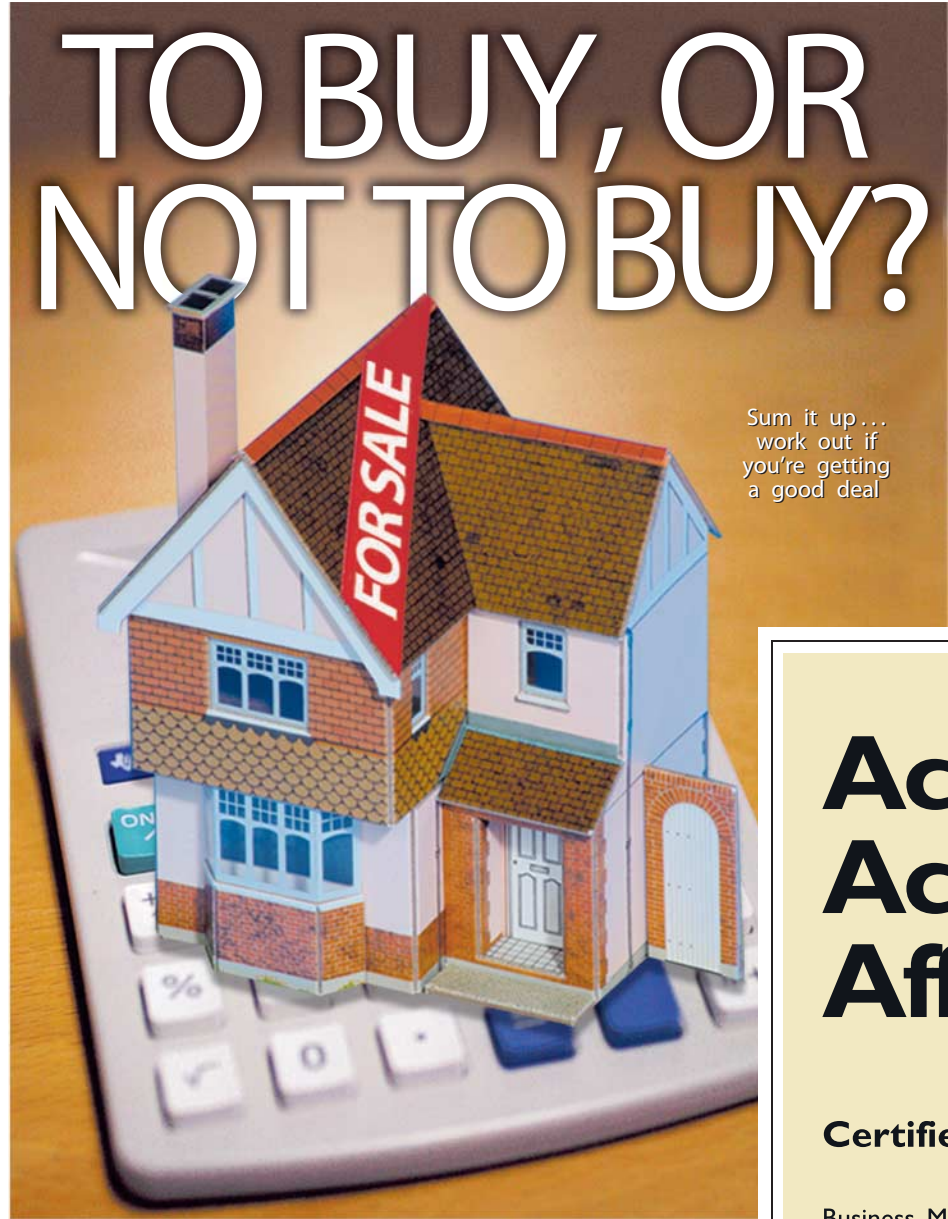
Remember, if you're a first-time buyer this year you'll also get Tax Relief at Source.

It has to be stressed, though, that it's just a rule of thumb.

The other comparison we have is the "investor method of valuations". This is a simple sum that's very useful for investors buying to rent out a property.

Even if you're planning to live in the house, you could use the potential rent it would earn to gauge the value.

We generally use "comparison



TO BUY, OR NOT TO BUY?

Sum it up... work out if you're getting a good deal

Do your sums and decide

prices" in Ireland, but the investor method — even though it's not popular — is a great tool when trying to sniff out deals.

You find it by looking for a certain 'yield', which shows if the investment will be worth your while.

GREATER

The yield — or the money you make — should be about twice that of deposit rates and 50pc greater than borrowing rates.

When you work these out, you take whichever is the higher of the two.

At present, good deposit rates are in the region of 3.6pc (so twice that is 7.2) and borrowing rates on investment loans are around 5pc (1.5 times that is

7.5). We'll use the higher figure. Take your yield number (7.5pc) and divide 100 by it to get a multiplier ($100/7.5 = 13.33$). Then, to get a valuation, you take annual rental value and multiply it by 13.33.

If a property gets €650 a month rent, that's an annual rent of €7,800.

Multiply that by 13.33 to get the value of the property, which here is €103,974.

Armed with these two tools you can decide for yourself if a property purchase makes sense.

Don't be put off if you're rejected by sellers or estate agents — we have plenty of satisfied customers who can tell you it's worth using these methods and sticking to your guns.

you can expect to pay at least €300 a year for owning a second property.

Suffice to say, a flat tax is the most unfair and stupidest choice a Government can make. It doesn't distinguish between a castle and a cottage.

It's the lazy way for them to reach into your pocket, and states loud and clear that we're governed by maggots who care more about grabbing from people than about fairness. I'm sickened.

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Q&A Property tax a right sickener

Q WILL the new property tax affect holiday homes as well? If so, how much will it cost?

A THE new proposal is for a flat tax on all households, and every household will have to pay it.

There's already a tax on houses outside of the family home called the NPPR (Non-Principal Private Residence tax) of €200 a year. We hear the new charge is likely to be around €100 a year, so now

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