

## **Banks Reject First-Timers: Mail Investigation Uncovers Financial Firms' Reluctance to Mortgage One-Bed Apartments, Crucial Bottom Rung on the Property Ladder.**

by Nicola Byrne

Daily Mail (London)

BANKS and mortgage firms are increasingly unwilling to lend to buyers of one-bedroom apartments, an Irish Daily Mail investigation has discovered.

The news will come as a shock to would-be homeowners trying to get on the property ladder - and to developers.

The investigation by the Mail shows that three out of eight lenders have difficulties funding the purchase of a one-bed apartment, with National Irish Bank saying it would refuse to extend a loan on them at all.

Brokers the Mortgage Store and EBS Building Society both advised our reporter, posing as a 30-year-old first-time buyer earning EUR 50,000 a year, not to invest in a one-bedroom apartment.

National Irish Bank said: 'We don't deal with one-bedroom apartments any more because they aren't holding their value.'

An agent at the Mortgage Store said: 'We would strongly advise you to consider buying at least a two-bedroom apartment.

'But houses are preferable to apartments overall because they hold their value better.'

With the recession already hitting property sales, the results of the investigation will deal a major blow to young couples and single people who only managed to get on the property ladder during the boom years by purchasing smaller properties.

And builders and developers poured millions of euro into building apartments during the Celtic Tiger years. Now thousands of smaller flats are lying empty or languishing on estate agents' For Sale listings. Experts fear that the new policy could make it almost impossible to shift one-bedroom homes - a key element of the property market as a whole.

Jim Power, chief economist of Friends First, explained that the borrowing profile of a person seeking to buy a small apartment would probably be regarded as high-risk.

'The thing you have to remember is there are thousands of apartments around the country which have not been occupied because there was an excess of supply,' Mr Power said. 'This means the price vulnerability of these apartments is much greater which makes them a riskier investment.'

'And people buying single-bedroom apartments are relatively low earners which makes their borrowing profile riskier. People on higher incomes tend to aim for the three-bed semi and are less risky.'

Brian Byrne, who lectures in the Department of Accounting and Finance at the Dublin Institute of Technology, said he was not surprised by the reluctance of finance firms to lend on smaller properties.

'The proliferation in these type of housing units has been unprecedented,' he said.

'When they were new, they looked good but five years on, they have started to look very grubby and I think people are seeing them in a different light. They're not such an attractive prospect.

'The banks obviously don't think so anyway and that will make people sit up and take notice.'

Estate agent Louise Kenny, of Lisney, confirmed that, in the current climate, houses are now seen as much more desirable than apartments.

'Houses are selling better than apartments,' she said. 'People who were previously only able to afford an apartment are now finding that a small house is within their range.'

A spokesman for the Construction Industry Federation (CIF) said: 'Since the start of the year the CIF has been pointing to the fact that housebuyers, particularly first-time buyers, have not been able to access adequate finance because of problems in banking.

'However, there are some positive signs in this regard as the European Central Bank has cut its rate twice in the past month while inter-banking lending rates are falling daily.'

The spokesman added that the Home Choice Loan scheme introduced in the Budget is an 'important source of lending for first-time buyers'.

Posing as an IT consultant earning €50,000 per annum, the Mail reporter approached eight lenders. Three expressed major concerns at the prospect of funding a six-figure sum to any potential buyer of small, one-bedroom apartments.

Turning down our undercover reporter's application for a loan on a one-bedroom apartment, the National Irish Bank added: 'If you want to go and look at other properties with more bedrooms, you could come back to us.'

Meanwhile, the EBS building society told our reporter: 'It would be better if it were a two-bed apartment because you could get rental then and they're better value.'

Tomorrow in Part Two of the Irish Daily Mail's investigation, we look at whether the banks are still recklessly lending to some customers.