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The Market: Property could be turning a corner

The cutting of all stamp duty under €1m to a flat 1% will at last provide us with levels of that tax more typical of those charged in other countries

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If the outgoing government got one thing right in this budget, it's the radical overhaul of the stamp duty regime. The cutting of all duty under €1m to a flat 1% will at last provide us with levels of that tax more typical of those charged in other countries.

Indeed, our formerly penal rates were partially responsible for creating the mess we're currently in, having produced for too many boom years an exaggeratedly outsized nugget for the Exchequer, only to leave a vast hole in the public finances when market activity evaporated.

The changes are also timely — the root canal overhaul to duty is best undertaken when the market is depressed, and such changes are unlikely to have the sort of negative knock-on effects as they did in the past.

The only sorely disappointed parties will be those first-time buyers who held off purchasing in anticipation of possibly increased post-budget benefits.

But even they shouldn't be too put out.

With the market believed to be close to, but not yet at, the bottom of the cycle, there should still be an opportunity to knock that new stamp duty deficit (probably between €2,000 and €2,500) off the price of any house they're considering buying. And if they can't achieve that, there's probably still enough time to pull back from a deal entirely and sit it out for a few more months, letting falling prices make up that ground for them.

In any case, first-time buyers have had it good for many years, with hugely diminished prices and the fact that they've had a clear run at the homes they've chased, thanks to the banks' continued reluctance to fund anyone with an incumbent home to sell.

Also, while the property market crash was at the very heart of Ireland's meltdown, "house price austerity" actually began kicking in as far back as mid-2006 for some segments of the market and by 2008 for most of the country's homes.

What this means is that we're already well along the downward leg of our property crash cycle.

Given the 50% price reductions we've already had, many economists (the currently respected ones) believe that the bottom is already close at hand.

So it's also conceivable that the stamp duty reduction, which will effectively lower real prices by another 5% or thereabouts, will at last be enough to begin to arrest falling prices.

The return of price stability is even more likely if the stamp duty effect combines with the return of the banks to mortgage lending in a restrained but meaningful way.

This could conceivably happen in the new year if those non-encumbered and Irish-based foreign banks decide to start building a mortgage book here, even if they're lending to those who remain in the most solid positions of employment and finance.

Follow that with the disposal to big foreign players of the likes of AIB, and it's already looking like 2011 could become the year that Irish property prices stop falling, whatever happens to the economy at large.