

# A Guide to Purchasing a Property



JOHN O'CONNOR SOLICITORS LLP  
BALLSBRIDGE



JOHN O'CONNOR SOLICITORS LLP  
BALLSBRIDGE



60 Merrion Road, Ballsbridge,  
Dublin 4, D04 A9N2, Ireland.



+353 (0)1 668 4366



[info@johnoconnorsolicitors.ie](mailto:info@johnoconnorsolicitors.ie)

## **INTRODUCTION**

Purchasing a property can be an extremely stressful time particularly if you are a first-time buyer. This guide aims to give you an overview of the steps that will be involved and what is required from you. Our aim at John O'Connor Solicitors LLP is to make things as easy as possible for you and to give you peace of mind during this process.

## **FINANCING**

In most cases a mortgage will be required and an application for mortgage approval will be required.

The Central Bank have issued and revised regulations on a number of occasions setting limits on the amount banks are allowed to lend you to buy a home.

The said regulations include limitations regarding borrowing in relation to loan-to-value (LTV) and loan-to-income (LTI) limits and apply to most properties .

The said loan-to-value (LTV) is based on the comparison between the amount of your loan and the value of the property you want to purchase. If the property will be your primary residence, a 90% LTV limit applies meaning you will need at least a 10% deposit for the purchase of your property. If the property will not be your primary residence, including buy-to-let properties, a limit of 70% LTV applies so you will need to contribute a larger sum to the purchase price.

The said loan-to-income (LTI) ratio is based on the comparison between the size of the loan and the income(s) of the borrower(s). If you are a first-time buyer of a primary residence, you can borrow 4 times your gross annual income.

If you are a non-first-time home buyer, you can borrow 3.5 times your gross annual income. Once these details have been examined and approved the bank will issue you with approval in principle.

## **FINDING THE RIGHT PROPERTY**

In tandem with obtaining financing you can begin to locate the right property for you. If you are successful in relation to bidding on a property and your offer is accepted, the property then becomes sale agreed. You are still not legally bound at this point to acquire the property and can pull out at any stage prior to signing Contracts.

## **GOING SALE AGREED**

Once you have gone sale agreed on a property you will be asked by your estate agent to nominate the solicitor that you would like to act for you in the purchase. It is also common procedure at this point that the estate agent will ask you for what is known as a booking deposit which is fully refundable until Contracts are put in place. The agent will then issue a sales advice note to all parties setting out details of the sale to include the solicitors involved and the price agreed.

## **DO I NEED TO DO ANYTHING AT THIS STAGE?**

At this point it is strongly recommended that you obtain a survey of the property from a registered structural surveyor in order to ensure that there are no structural or other defects in the property. This is very important as the vendor is not obliged to disclose all defects and the caveat emptor (buyer beware) rule applies. If you have applied for a mortgage the bank will send a surveyor to the property to confirm the value of the property, however this is not a detailed inspection and does not check the condition of the property thus it is important to obtain your own independent surveyor.

## **SIGNING CONTRACTS FOR SALE**

The solicitor for the Vendor will then send your solicitor a copy of all of the legal/title documents together with the Contracts for Sale. Your solicitor will then review all of the legal documents and planning/compliance paperwork and raise

any relevant legal queries to ensure that good title to the property is being acquired. They will also ensure that all taxes and any relevant service charges have been paid relating to the property. When your solicitor is satisfied that all of their queries have been properly answered they will then contact you to sign the Contracts. At this point you will also need to pay the balance of the deposit, which is normally 10% of the purchase price less the booking deposit paid to the estate agents.

Prior to signing the Contracts you will also need your final letter of loan offer from your bank. Your bank will send a copy of same with a solicitor's loan pack to your solicitor and all of the said documentation will be executed by you and your solicitor when signing your Contracts.

### **DO I NEED TO WORRY ABOUT THE LOCAL PROPERTY TAX?**

Before you sign the Contracts your solicitor will ensure that the Local Property Tax (LPT) has been paid in full. The vendor is liable for all LPT up to and including the 31<sup>st</sup> December of the year in question. The charge will then be apportioned and you will be asked to refund the vendor the amount due from the closing date until the end of the year. You will only become liable for the LPT from the 1<sup>st</sup> January the following year. In previous years Non Principal Private Residence Tax (NPPR) and the Household Charge were also payable, both of these taxes are no longer payable and from the 31<sup>st</sup> March 2025 it is no longer necessary to get a certificate of discharge/exemption in relation to NPPR.

### **IS THERE ANY ADDITIONAL ISSUES TO CONSIDER RE PURCHASE OF AN APARTMENT OR UNIT IN A MANAGED DEVELOPMENT**

In certain managed developments (mostly apartment blocks) you may be obliged to pay service charges which go towards the upkeep of the development. The service charges on the property are dealt with using the same procedure as the



LPT. The Vendor will discharge all of the amount due for the entire year and this amount will then be apportioned on closing in the same way as the LPT. In addition as part of their pre-contract enquiries your solicitor will raise what are called 'MUD Act' enquiries seeking information in relation to the common areas and Management Company of the development to include details of the financial situation of the development, if any issues arise re works to development (fire safety etc) and any rules/covenants affecting owners.

## **FINALISING THE TRANSACTION**

Once the Contracts have been signed they will then be sent back to the Vendor's solicitor with the relevant Contract deposit. The Vendor will then counter sign the Contract and return one part to your solicitor, at this point Contracts have been exchanged and both sides are bound into the transaction. The solicitors for both sides will then agree on the closing requirements and a closing date will be confirmed. Your solicitor will then liaise with you and your bank in order to have your loan proceeds drawn down by the closing date. On the closing date the balance of the purchase money will be transferred to the Vendor's solicitors and the keys will be handed over to you. Prior to transferring funds your solicitor will ensure all of the original title deeds and planning/compliance documentation is in order and also that the results of all searches against the Vendor and the property are clear.

## **WILL I HAVE TO PAY STAMP DUTY?**

Yes you will have to pay stamp duty on your new property. The current rate for residential properties 1% of the value of the property for the first €1,000,000, 2% up to €1.5 million and 6% thereafter.

## **WILL THE PROPERTY THEN BE REGISTERED IN MY NAME?**

As soon as the matter has been finalised and the stamp duty has been paid your solicitor will apply to Tailte Éireann to have the property officially registered in your name and if there is a mortgage a charge will be registered in favour of your bank.

## **HOW LONG WILL THE WHOLE PROCESS TAKE?**

All transactions vary in length depending on how complicated the title to the property is. The average time from when a property goes sale agreed until closing is around 2-3 months.

## **HOW MUCH WILL MY LEGAL FEES BE?**

This will depend on the complexity of the title to the property. We will make it clear from an early stage what we expect our fees to be. We guarantee to offer a competitive rate while at all times providing a professional service. We do also offer a special discount rate for first time buyers.

## **IS THERE ANY ASSISTANCE FOR BUYERS?**

Yes there is the Help to Buy Scheme which was an incentive to assist first time buyers with providing a deposit for a purchase. The said scheme is only available for new builds for first time buyers which the purchaser intends to live in as their sole or main residence. It operates as a refund of income tax and/or deposit income retention tax for the previous 4 year period. The purchaser must live in the property for 5 years after purchase and the price of the property cannot exceed €500,000. In addition your mortgage sum must be at least 70% LTV and the maximum amount that can be claimed is currently €30,000.

There is also the First Home Scheme which is another incentive to assist first time buyers to assist in bridging the gap between the purchase price and mortgage funds. Again there are a number of conditions to be adhered to, the applicant must

be a first time buyer and reside in the property to be acquired. The property must be a new build, a self-build or a property that you are currently renting and have received a Notice of Termination from your landlord and now wish to purchase the rental property. The property must be within the price ceiling of the relevant local council (In Dublin this is €475k for a house, €500k for an apartment). You must also have loan approval for maximum sum available and 10% deposit available

The Scheme will then fund up to 30% of purchase price or 20% when a buyer is using the Help to Buy Scheme. The main downside is that an equity share is taken in the property and also service charges are applied (1.75% from year 6, 2.15% for year 16 and 2.85% for year 30).

Finally there is also the Vacant Property Refurbishment Grant which can be applied for by a purchaser and provides funding so you can refurbish vacant and/or derelict homes. The Grant is available if you are refurbishing a vacant property so you can live there, or so you can rent the property out.

The said Grant can also be used to renovate vacant and derelict properties that have not been used as residential properties before.

You can apply for a Grant of up to €50,000 to renovate a vacant property and up to €70,000, if the property is derelict. There are a number of conditions to be met to avail of the said Grant however the key condition is that the property to be acquired must have been vacant for at least 2 years immediately before the date you apply for the Grant. Your solicitor will need to obtain a declaration from a Vendor confirming this on closing.

If you require any assistance in relation to any of the issues or topics dealt with within this guide please feel free to contact us at 01-6684366 or [info@johnconnorsolicitors.ie](mailto:info@johnconnorsolicitors.ie)



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