



**Tithe an
Oireachtais
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An Comhchoiste um Thithíocht, Pleanáil agus Rialtas Áitiúil

**Scrúdú ar Éifeachtaí Ionchasacha Brexit ar Mhargadh Tithíochta
na hÉireann**

Feabhra 2019

HOUSES OF THE OIREACHTAS

Joint Committee on Housing, Planning & Local Government

**Examining the Potential Impacts of Brexit on Ireland's Housing
Market**

February 2019

32/HPLG/21



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CHAIR'S PREFACE



The United Kingdom (UK) is shortly due to withdraw from the European Union. This will inevitably bring about substantial changes to our interactions and trading relationship with the UK. As a Joint Committee we sought to examine what this will mean for our housing sector and whether there are any steps that we should be taking now to prepare for any shocks to the sector which the UK's departure may cause. Ireland's housing market is still in recovery and we must do all we can to ensure that this recovery is not put at risk.

At this point in time there are still a huge number of variables when it comes to Brexit and any potential impact it may have on Ireland. The Committee has sought to highlight some of these variables and the potential impact they may have. Additionally, when critically examining any area in expectation of a future shock, it casts a light on current inefficiencies and areas in need of improvement and the Committee has also attempted to assist and suggest recommendations for improvement to our current system.

This report deals with potential population changes, added pressure to our housing stock, barriers to trade and potential tariffs on goods, potential disruption to materials needed for construction and potential increased costs and delays on construction times.

The Joint Committee has made a number of recommendations and in consultation with the relevant Ministers, Departments, State Agencies and stakeholders is fully committed to monitoring the progress being made on the on-going implementation of the recommendations contained in this report as well as other policy initiatives.



Maria Bailey TD
Chair of the Joint Committee
07 February 2019

INTRODUCTION

On June 23rd 2016 the United Kingdom (UK) voted to trigger Article 50 of the Lisbon Treaty, beginning the process to voluntarily leave the European Union (EU)¹. This decision has come to be known in colloquial terms as 'Brexit'. Negotiations have been ongoing between the UK and the remaining EU member states to establish the future relationship between the UK and the EU bloc. At the time of writing, the UK is scheduled to formally withdraw from the EU on March 29th 2019². As our closest neighbouring country and due to our economic and historical relationships with the UK, it is likely that upcoming changes to the UK's relationship with the EU will have significant effects throughout Ireland.

With Ireland currently in the midst of a housing crisis the Committee believes it necessary to examine if Brexit could impact the housing market. Anything which may impact on the delivery of housing, public or private, or potential additional demand on current housing stock is cause for concern. During engagements with the Committee both the Economic and Social Research Institute (ESRI) and the Nevin Economic Research Institute (NERI) explained that while they are looking at both the issues of Brexit and housing, neither have undertaken combined work in the area. The ESRI stated: *"...we have not specifically addressed the impact of Brexit on the Irish housing market"* and NERI explained: *"We have not, to date, examined the likely impact of Brexit on the housing market"*. It became clear to the Committee during its initial engagements with witnesses that not much research specifically focusing on the effects of Brexit on the housing market has been undertaken to date.

The housing sector is made up of many components and this report considers several important potential changes and impacts of Brexit highlighted by witnesses and in written submissions. It takes into account possible social and economic changes that could arise as a result of Brexit and the potential effects they could have on the housing market. Specifically the report examines potential population increases, primarily through changes in migration patterns, and the additional pressure this could place on current housing stock. It discusses whether possible changes to the EU Customs Union and/or Single Market may impact the cost of building developments in Ireland. This is examined from the aspect of increased tariffs that could potentially be placed on building materials that are imported from the UK, or via the UK from the rest of Europe. An increase in costs or customs checks could have a

¹ [UK Electoral Commission EU Referendum Results](#)

² [House of Commons Library Briefing Paper No. 7960](#)

secondary effect on building completion times. The report considers the availability of skilled workers following Brexit. It examines whether potential modifications to the Common Travel Area (CTA)³ could impact completion times due to a resulting skills shortage. Finally, it examines whether companies' ability to gain capital for development and the availability of mortgage credit could be affected by possible changes to international financial markets following Brexit.

As witnesses explained, and at the time of writing, the exact nature of the relationship between the UK and the remaining EU Member States following Brexit is unknown. However, as the housing sector in Ireland is currently under pressure the Committee believes it is prudent to examine this important topic. The aim of the report is to highlight some of the impacts which Brexit may have on the housing sector. However, during the course of its engagements the Committee determined that many of the issues the housing sector could face post-Brexit are existing issues that would be worsened, rather than specific Brexit-induced problems. With this in mind, the Committee has made a number of recommendations it thinks will not only aid the Department of Housing Planning and Local Government (DHPLG) in safeguarding the sector post-Brexit, but will help to alleviate some of the problems the sector is already facing.

³ [European Movement Ireland: The Common Travel Area Explained](#)

POTENTIAL POPULATION CHANGES

Changes in demographics are a fundamental variable when examining housing demand. Demographics influence house prices and any changes to population could have a resultant effect on house prices and/or rent. The Committee heard evidence that there are several potential changes to migration patterns that could arise after Brexit. Witnesses emphasised that possible changes in population and migration are dependant on the outcome of the withdrawal negotiations. The Committee heard that the potential changes to the housing sector vary and could be positive or negative depending on the wider effects of Brexit on the Irish economy. If Brexit results in a decrease in economic performance it could result in lower house prices as a result. If Brexit results in a decrease in immigration then the same price decrease could happen as a result. However, if Brexit results in increased immigration to Ireland this will exacerbate demand and most likely increase housing costs as a result.

Witnesses informed the Committee that housing costs, including rent, are linked to the wider performance of the economy. The ESRI advised the Committee that their research determined:

“The macroeconomic effects of Brexit are significant and negative for the economy. Depending on the nature of the UK’s exit from the European Union, Irish output levels could, by 2026, be up to 4% less than a baseline no-Brexit case...Therefore, income levels will be lower than otherwise would be the case and unemployment rates will be higher than in a no-Brexit scenario”.

The Committee was informed by the ESRI that decreases in economic performance and increases in unemployment would usually result in decreased housing demand which would normally result in a decrease in housing costs. Similarly, contractions in the economy would normally result in lower immigration and increased emigration. Brexit, however, is a unique situation and witnesses explained that Ireland could become a more attractive destination for migrants and businesses in its aftermath.

The Committee heard from witnesses that changes in Foreign Direct Investment (FDI) to Ireland could have an effect on Irish migration patterns. There were a number of potential changes in FDI outlined to the Committee and each scenario has separate and similar potential effects on the housing sector. The ESRI advised the Committee that Brexit:

“...could result in a large number of people moving to Ireland from the United Kingdom, particularly if there is significant fallout for the financial sector in London.

This could see an increase in the number of people coming to live and work, particularly in Dublin, which would increase housing demand”.

The Committee was informed by witnesses that demand is a key factor when determining the cost of housing. An influx of people, even in a contracted economic scenario, would result in increased demand on the housing market and likely increases in cost. The Committee heard in evidence that the increase in cost and demand is likely to have regional differences and urban centres will most likely experience the brunt of these effects. The DHPLG informed the Committee that a key component of future planning is to develop regional towns to help remove the pressure on the housing stock from urban centres and to build more vibrant local economies.

In its opening statement to the Committee, Property Industry Ireland (PII) referenced trends it has encountered that indicate Ireland could experience an increase in businesses relocating to Ireland in the aftermath of Brexit. The PII explained:

“...what we have observed since the Brexit vote are follows. There has been a significant increase in overseas companies, in particular from the USA, seeking to locate offices in Ireland and, in particular Dublin. This is leading to a further increase in demand for residential rental property”.

Increased demand for housing due to multinational companies relocating to Ireland from the UK following Brexit will likely have a result on housing costs. Similar effects will be felt if multinational companies looking to expand to Europe choose to move here rather than the UK. The Committee heard from witnesses that either scenario could result in increased migration to Ireland as these companies tend to attract a skilled global workforce. The PII stated:

“Research has found that non-Irish nationals are more likely to rent accommodation when they first arrive in Ireland...”

PII went on to explain that an influx of workers due to an increase of FDI to Ireland could increase pressure on the rental sector and drive up costs, especially in the short term. However, there was also discussion this might not happen due to the shortage of rental stock currently available. The PII explained that the housing crisis has become an issue when attempting to encourage companies to locate in Ireland as housing options for staff is a crucial component for companies looking to locate here.

NERI, however, advised the Committee that FDI to Ireland might not increase as much as is currently anticipated, stating:

“We should not exaggerate the likely phenomenon of...UK financial institutions relocating to Dublin or other cities. This will happen and is happening but it is likely to have a limited impact in the bigger picture”.

NERI explained its view that net increases in population could manifest in other ways stating:

“What is more likely to happen is that workers, families and individuals who might have moved to the UK from other parts of the EU will now, other things being equal, move to the Republic of Ireland”.

Regardless of whether it is a result of increased FDI to Ireland or for other reasons, witnesses agreed that all things considered, Ireland will most likely experience an increase in immigration in the years following Brexit. This increase in population will create further stress on the housing market which is already struggling to meet the needs of our current population.

The Committee heard that another potential demographic factor affecting housing demand is possible decreases in outward migration. The Committee heard from witnesses that the UK is a traditional destination for Irish migrants. This could change due to uncertainty following Brexit. In previous research the ESRI found that 60,000 people relocated from Ireland to the UK in the years 2011-2013⁴. A drop in emigration levels could also result in an increase in population that could exacerbate demand on the current housing supply. NERI explained that Brexit could also impact internal migration. If people choose to move within Ireland rather than the UK following Brexit it would most likely increase demand for housing in urban centres, particularly Dublin. Internal migratory moves could also be triggered by Irish workers moving to cities that experience an increase in businesses locating there. NERI explained that these scenarios will result in regional variations of Brexit’s effects on the housing supply. The Committee is of the opinion that such internal migration would most likely result in increased pressure in urban centres additional to that caused by changes in external migration that might be anticipated. Some urban areas are already afforded protections such as Rent Pressure Zones and there are limitations on rent increases that can currently be imposed on tenants. However, the Committee is of the opinion that increased demand post-Brexit would require more safeguards for rental tenants and homeowners as a result.

⁴ [ESRI: Scoping the Possible Economic Implications of Brexit on Ireland, November 2015](#)

The Committee recommends that:

1. Current housing protections such as Rent Pressure Zones (RPZs) are strengthened to protect tenants from being adversely affected by sharp increases in housing demand.

The Committee heard that as a result of these potential changes in migration patterns, Ireland is likely to experience a greater increase in net migration in the years immediately following Brexit than was previously anticipated. The Committee is concerned about this likely increase in population and questioned whether the current and future policies for housing are sufficiently able to deal with that increase. The DHPLG advised the Committee that:

“The key variable in population change in Ireland is net migration, which is highly volatile even over short time frames....Brexit has the potential to create further sharp swings in migration patterns. However, the NPF strategy is based on net migration of around 20,000 people per annum to 2040”.

The DHPLG explained that *Ireland 2040* caters for a population growth of 1 million people by 2040, regardless of Brexit. However, it acknowledged that migration trends can fluctuate in range annually and that 20,000 people per annum is the expected average. The Committee is concerned with the DHPLG’s explanation that because *Ireland 2040* is a long-term plan its end goals will not change in the face of Brexit or future short-term shocks. While the Committee understands that plans are based on long-term projections, it believes that failure to take into account short to medium-term changes could mean that the targets would not actively meet citizens’ needs during these periods. The DHPLG informed the Committee that *Ireland 2040* will be reviewed every six years but it is not anticipated that the end targets will change. The Committee is of the opinion that it would be more prudent to examine the plan on a more regular basis to take in to account more short-term shocks such as Brexit. The Committee is of the opinion that leaving the targets as they are, even following review periods, could result in them becoming isolated from the actual housing needs of citizens and the results could be skewed as a result.

The Committee is also concerned that current housing policy may not be robust enough to withstand the potential impacts of Brexit and whether *Rebuilding Ireland*⁵ can remain as the current blueprint for tackling the issues of housing and homelessness. The plan has five main aims: addressing homelessness, accelerating social housing, improving the rental sector, building more homes and utilising exiting housing stock.

All five pillars could be affected by Brexit. The rental market is affected by supply and demand. An influx of people would most likely increase demand and therefore rental prices. The ESRI warned that increases in demand for rented accommodation could increase rent prices. It explained that this could have the indirect effect of increasing Housing Assistance Payment (HAP) applications as more people could find it difficult to source accommodation if prices increase due to Brexit-induced population increases. As *Rebuilding Ireland* was published in 2016, and therefore written before Brexit became a pressing concern, the Committee is of the opinion that there may now be an urgent need to 'Brexit-proof' or update the plan in light of the Brexit vote and subsequent developments. Similarly to its concerns regarding *Ireland 2040*, the Committee is of the opinion that if the *Rebuilding Ireland* targets continue to remain fixed they will inevitably become separate to the housing needs of the country. As a result the plan may no longer be capable of meeting those needs.

The Committee recommends that:

2. The DHPLG should develop contingency plans for the short to medium term impacts on housing in the years following Brexit. Priority should be given to ensuring the minimum level of disruption to construction material supply chains and cross-border labour.
3. These contingency plans should be based on clearly-stated assumptions and framed, especially as regards housing targets, so they remain relevant in light of any unexpected shocks to the sector.
4. These plans and targets should inform any future general plans for the sector.
5. Current housing policy, specifically *Rebuilding Ireland*, is continuously re-examined and the targets are updated to reflect the current housing demand, including the anticipated effects of Brexit.

⁵ [Rebuilding Ireland Action Plan for Housing and Homelessness](#)

6. A formal review process should be put in place to ensure that future housing plans are likely to remain relevant, notwithstanding shocks to the sector, and to ensure that they are reviewed on a regular basis to ensure that they do, in fact, remain relevant.

BUILDING COSTS & COMPLETION TIMES

The Committee heard from witnesses that Brexit could affect the availability of both construction materials and skilled workers. Both are critical aspects of housing delivery in the public and private sectors. The Committee is concerned that any changes in the availability of both or either would have a knock-on effect on building costs and completion times. This in turn could affect the housing market as the necessary increase in supply would take longer to deliver. The DHPLG stated:

“...anything that affects the costs of materials or products and labour will have an effect on construction costs and delivery.”

The evidence to the Committee is that the availability of construction products and skilled workers across the EU is governed by a number of shared regulatory frameworks that the UK may no longer be part of following Brexit.

SHARED REGULATORY FRAMEWORKS AND POTENTIAL BARRIERS TO TRADE

The Committee understands that construction products in the European Single Market are currently regulated by Regulation No. 305/2011 – Construction Products Regulation (CPR)⁶. The CPR is a shared regulatory framework that provides for standards for construction products sold across the EU. The unified certification standards mean that construction products certified by one EU country receive a *conformité Européenne* (CE) marking which allows them to be sold throughout the single market. CE markings are provided by notified bodies that are designated by the member state’s notifying authority. In Ireland the notifying authority is the DHPLG.

CE markings were raised by the DHPLG as a potential barrier to trade with the UK if they leave the Single Market as part of Brexit. Leaving the Single Market would mean UK notifying bodies would no longer be capable of certifying construction products that British companies sell in the Single Market area. The DHPLG explained that if this was to happen UK companies would need their products to receive a CE marking from another EU member state before being able to sell those same products in the EU. It stated:

⁶ [European Commission Regulation No. 305/2011 Construction Products Regulation](#)

“All product suppliers who rely on a UK-notified body to support their product declaration for CE marking purposes now need to obtain alternative EU-notified bodies in preparation for Brexit”.

If UK companies who provide construction materials to countries across the EU do not receive a CE marking from another member state quickly following Brexit then these products will no longer be eligible for use in Ireland. Delays in obtaining construction products will impact completion times. The Committee heard from witnesses that delays in completion times would also result in increased costs.

The DHPLG confirmed to the Committee that they are currently in negotiations with UK notifying bodies who want to be certified by Ireland. The DHPLG explained to the Committee that they are engaged with relevant Government Departments, such as the Department of Business, Enterprise and Innovation (DBEI), and other stakeholders to prepare for potential changes to the supply chain of construction products post-Brexit. If changes to the CPR affect the availability of construction products it could have a knock on effect on building completion times. This could affect the delivery of public and private housing as materials may not be as readily available post-Brexit. Any impact that impedes supply would most likely exacerbate the demand on current housing stock.

Delays in construction completion times could also occur if there are changes to the Customs Union following Brexit. In the case of a no-deal Brexit construction products could be subject to more customs checks at Irish borders. This is of particular concern to the Committee as witnesses explained that these changes could have negative effects on the housing market. The ESRI stated to the Committee that its research shows that:

“Brexit may have a direct impact on the housing market in the supply chains in the construction sector, and whether particular products may be more affected relative to others”.

Changes to the supply chain would affect the housing sector as Ireland imports several construction products from the UK. The ESRI explained in evidence that it found nearly 50% of imported plumbing and electrical fittings and prefabricated buildings are imported from the UK. It also told the Committee that approximately 30% of wood products used in the Irish construction sector are imported from the UK. Changes to the supply chain through delays in products obtaining CE markings or increased customs checks for UK construction products could result in increased building times. The Committee is concerned that delays could also be caused for construction products imported from other EU countries that pass through the UK land bridge. These products may have to go through customs checks passing

in and out of the UK and this could create further delays. This would include products that cross the border with Northern Ireland. In its submission the DBEI outlined how changes to the supply chain, including border checks, have been reported as a key concern with companies in the 'Construction, Energy, Water and Waste' category. The DBEI explained that the concerns included delays in accessing materials, equipment and services and knock-on administrative effects.

The issue of products crossing borders between the EU and UK following Brexit is also evident when examining the Single Market area. If the UK leaves the Single Market area then there is the potential for tariffs to be placed on construction products that are imported from the UK. The same increase in price would be felt on construction products imported from the rest of the EU via the UK land bridge. Similarly to increased customs checks, these products may incur costs upon entering and exiting the UK. These costs would be on top of administrative increases and costs associated with delayed completion times as a result of increased customs checks. The DBEI mentioned in its submission that concerns were raised by participants in its research that increases in administrative tasks could also result in an increase in costs. Outlined to the Committee from various witnesses and in multiple submissions was the belief that increases in cost will have an effect on the completion times of construction projects. If costs increase it could result in companies needing to raise more finance to finish projects currently under construction. Witnesses explained that the severity of the increase in cost will be a direct result of the final withdrawal agreement agreed between the EU and the UK.

The Committee recommends that:

7. The DHPLG urgently explores alternative supply chains to ensure the availability of construction products in Ireland should UK construction products fail to achieve a CE marking following Brexit.

However, in its submission to the Committee the Society for Chartered Surveyors Ireland (SCSI) explained that it anticipates a cost increase after Brexit regardless of the withdrawal agreement. This is because Brexit will most likely interrupt the supply chain of construction products in to Ireland. It explained that while much focus has been on the potential for a 'hard' Brexit, increases in VAT and customs duties will most likely occur regardless of the final Brexit deal. The SCSI also outlined its position that Ireland's construction sector is

overly reliant on products from overseas and that Ireland has under invested in the construction technology sector, it stated:

“We currently do not have a Tech hub to co-ordinate the delivery of more innovation in construction....The development of a construction Tech sector in Ireland is one significant initiative that could well insulate Ireland from internal shocks such as Brexit”

The SCSi is of the opinion that Irish construction firms are particularly vulnerable to shocks to the construction industry following Brexit. It explained that this is because most Irish constructions firms are small-medium enterprises who won't have the same capacity to absorb these shocks. It explained that when international companies are removed, the number of Irish construction firms is low and they suffer from a lack of investment.

The Committee recommends that:

8. Significant on-going investment in the construction tech sector should take place so Ireland becomes more self sufficient and less reliant on overseas firms for construction products and technology.

Since the Committee held its meetings in November the Government has published its contingency plans for Brexit. Included in these plans is the expansion of Dublin and Rosslare ports for increased customs checks. The Department of Foreign Affairs and Trade's (DFAT) contingency plan states:

*“...an interdepartmental group has been meeting to prepare the measures required at ports and airports as a result of the UK leaving the EU on 29 March 2019. This has included the staffing, IT, infrastructural and operational requirements at Dublin Port, Rosslare Europort and Dublin Airport”.*⁷

The Committee welcomes these plans and believes they should be acted on as soon as possible to ensure interruptions to the supply chain following Brexit are minimal. The Committee is of the opinion that the expanded customs areas at borders and the necessary additional infrastructure required are ready simultaneously to ensure that no unnecessary delays occur after Brexit.

⁷ [Department of Foreign Affairs 'Preparing for the withdrawal of the United Kingdom from the European Union on 29 March 2019' Contingency Action Plan](#)

The Committee recommends that:

9. The infrastructure and staff envisaged in contingency plans for increased customs checks at Dublin and Rosslare ports and Dublin airport should be put in place as soon as possible to ensure potential delays caused by Brexit are minimal.

AVAILABILITY OF CAPITAL FINANCE POST-BREXIT

The Committee was advised that Brexit could result in companies experiencing new difficulties raising capital for construction projects. The ESRI stated:

“If access to finance for development becomes impaired due to disruptions in financial markets, the flow of financing to commercial real estate development may decline...”

The Committee understands that, if Brexit triggers shocks to the wider economy it could make it more difficult for banks and developers to borrow at the level required to keep construction moving. International financial markets fluctuate regularly and while Brexit will cause a shock to the market, the exact effect will depend on the current global economic situation at the time. The Committee is concerned that if the economy contracts sharply following Brexit, it could have a negative effect on building times as raising capital could prove difficult if there is a decrease in lending by banking institutions. The problem of potential decreases in capital would be exacerbated by the increased costs that companies may incur following Brexit. In its submission, the SCSi explained its position that the absence of clarity regarding economic performance will, of itself, most likely result in delays in investment and uncertainty regarding funding. The Committee was advised by the ESRI that uncertainty in the future performance of the economy could result in more cautious spending in the housing sector until the effects of Brexit on the wider economy become clearer.

The Committee acknowledges that attempting to foresee the exact impact of Brexit on the global financial market is nearly impossible because much of it depends on other emerging factors at the time. However, it notes the advice from witnesses that it is important to keep this issue in mind when attempting to prepare for the effects of Brexit. The Committee was advised by NERI that Brexit should not be viewed in isolation by particular industries as the

effects it may have could be far reaching and would impact many sectors that are interconnected.

SKILLS SHORTAGES IN THE CONSTRUCTION SECTOR

The Committee is of the opinion that the availability of skilled construction workers is another factor that could impact significantly on construction project completion times following Brexit. In its evidence to the Committee, PII outlined how Ireland will need a minimum of 80,000 workers in the construction sector in the coming years. It stated its position that attraction and retention of talent is one of the biggest issues facing the construction industry at present. PII explained how the skills shortage is an issue across the construction sector, stating:

“The skills shortage is a big issue for us. It is not just bricklayers and builders, but other skills that are required for the construction industry, including people like planners...The skills shortage right across the construction industry is a big challenge.”

PII outlined to the Committee that during the recession there was a sharp decline in the number of people training and studying for construction related jobs. This decline was noticeable in both construction apprenticeships and in 3rd level courses related to the industry, such as planning. In its submission to the Committee the Department of Education and Skills (DES) explained that it has seen a yearly increase in the number of registered apprenticeships since 2015. However, it acknowledged that individual areas have seen a decline in recent years and that this needs to be addressed.

Apprenticeship	2007 actual intake	2015 actual intake	2016 actual intake	2017 actual intake	2018 Nov YTD	y-o-y percent change YTD Nov 17 – Nov 18
Electrician	2,057	956	1,343	1,705	1,703	6
Carpenter & joiner	1,350	291	399	443	555	34
Plumber	1,038	289	345	532	617	23
Bricklayer	247	26	52	60	75	34
Plasterer	143	7	18	34	27	-13
Painter & decorator	112	19	27	44	29	-34
Construction plant fitter	94	77	59	86	69	34
Wood manufacturer & finisher	167	48	71	59	83	63
Stonecutting & Stonemasonry	-	13	2	8	6	-25
Total	5,208	1,726	2,316	2,971	3164	13%

Table 1: Yearly Apprenticeship Intake in Ireland by Trade 2015-2018 ⁸

While the table highlights an increase in the uptake of construction trade apprenticeships since 2015, the Committee is of the opinion that the numbers are still too low to provide the labour force needed to meet current building targets. This affects private and public housing as we currently do not have the workforce in Ireland to meet housing demand. If housing demand were to increase after Brexit, the Committee believes that the issue of the skills gap would become more noticeable as it would take more time to complete construction.

The Committee recommends that:

10. More dynamic ways to promote apprenticeships and third level construction courses are introduced to encourage people to enter the construction sector.

The ESRI outlined to the Committee that the labour market has traditionally relied on fluidity between Ireland and the UK to fill skills gaps and this is true in the construction sector. The Committee is concerned that changes to the Single Market, which allows for the free movement of people throughout the EU, will make it more difficult to fill the skills shortage in the construction industry following Brexit. The SCSi outlined in its submission

⁸ [Department of Education and Skills Submission Dec 7th 2018](#)

that skilled professionals throughout the EU are permitted mobility through the EU's Professional Services Directive (PSD)⁹. This is a directive of the Single Market and if the UK leaves the single market as part of Brexit then some British qualifications may no longer be recognised in Ireland under this directive. This could affect the availability of professionals such as Quantity and Building Surveyors as they will have to go through a more strenuous process to have their qualifications recognised.

The Committee recommends that:

11. Actions should be immediately taken to ensure that construction qualifications received in the UK are verified as quickly as possible following Brexit.

While the UK could potentially leave the Single Market as part of the Brexit deal, the CTA currently allows for the free movement of Irish and UK citizens between the two jurisdictions. However, any changes to the CTA as part of Brexit could have an effect on the availability of construction workers who cross the border with Northern Ireland. According to CSO figures 6,456 people cross the border with Northern Ireland for work and study every day¹⁰. While there is no breakdown of how many work in the construction sector, the Construction Industry Federation (CIF) outlined in previous publications that changes to the CTA would most likely affect building activity in the North-West part of the country¹¹. In its submission to the Committee the Department of Justice and Equality (DJE) outlined that it does not envisage that Brexit will impact on the CTA or the availability of labour from the UK in Ireland. However, during discussion surrounding the CTA, NERI stated:

“We do not know whether the availability of skilled labour from Northern Ireland will be assured post Brexit”.

Notwithstanding the views expressed by the DJE, the Committee is concerned that if there are increases in border controls along the Northern Irish border this could act as a deterrent to workers who would have willingly crossed the border for work previously. The Committee is concerned that this is even more likely to be the case in the event of a 'hard' Brexit. This could mean that Ireland would have to seek to attract more workers from overseas to fill a possible larger skills gap. While there is concern that Brexit will exacerbate the skills

⁹ [EU Professional Services Directive](#)

¹⁰ [Construction Industry Federation Submission Draft National Planning Framework](#)

¹¹ [Construction Industry Federation Submission Draft National Planning Framework](#)

shortage in the construction sector following Brexit, the Committee was informed that Brexit could also provide an opportunity for Ireland to attract workers from other parts of the EU. In its submission, the CIF outlined how Ireland could become an attractive destination for EU migrants currently in the UK who wish to continue residing in the EU.

The Committee is also of the opinion that more should be done to attract back Irish emigrants who left the country previously as this is likely, the Committee believes, to achieve results in the short-term. However, while the Committee is of the opinion that Ireland needs more skilled workers in the construction industry to meet housing demand, enticing new workers to the country could prove difficult. Ireland currently does not have the housing infrastructure to meet current demand. Attracting additional workers to Ireland to build houses would paradoxically increase the demand for housing. The Committee is of the opinion that Ireland is currently in a cycle of needing construction workers to meet building targets, but not having the housing stock for the required labour force. It is of the opinion that increased intervention by Government is required to break this cycle. The Committee considered whether a commitment to a sustained increase in public housing construction would have a bigger impact on attracting skilled workers to Ireland, the argument being, if the State increased its own construction activities by directly building on public land it could attract workers as State projects could be seen as a more permanent source of employment when compared, for example, to contract work on individual projects in the private housing sector.

The Committee recommends that:

12. More is done to attract skilled constructions workers to Ireland and to support stakeholders in encouraging Irish construction workers to return home.

ASSESSING THE NEED FOR INCREASED PUBLIC HOUSING

During its engagements the Committee also considered whether an increase in public housing, outside of the current targets, should be implemented regardless of Brexit. The Committee is of the opinion that an increase in Government-led developments on public land is the most viable way for the State to impact the current housing crisis. Regardless of

the effect that Brexit has on the housing sector, the Committee is of the opinion that the current situation needs to be addressed in a more timely fashion. The ESRI explained:

“...it is important to note that housing supply levels are considerably lower than structural demand, with our research showing this is most clearly the case for lower-income households.”

The Committee heard from witnesses that lower-income families are more likely to be in receipt of housing supports and spend a disproportionate amount of their income on housing costs. In the absence of new or acquired social housing, an increasing number of people are dependent on alternative state supports such as HAP. The Committee acknowledges that HAP is used by Local Authorities to house people in a timely manner, however, it is of the opinion that HAP may inadvertently increase the pressure on the rental market in the long-term.

While Brexit is a concern for the housing sector, the Committee agrees with witnesses that more must be done to address the current dysfunction in the housing sector. The Committee is of the opinion that if this was addressed the sector would be less vulnerable to one off shocks such as Brexit.

THE FUTURE OF THE HOUSING MARKET POST-BREXIT

During the course of its examination of the topic it was made clear to the Committee that anticipating the effects of Brexit on the housing sector is a difficult task with a large number of unknown variables. This is because they are largely dependent on the final withdrawal agreement between the UK and the EU. However, the Committee heard during the course of its engagements with witnesses that the social housing sector is particularly vulnerable to shocks following Brexit. This is of particular concern to the Committee.

The commercial property sector is directly impacted by income and employment levels which in turn are determined by economic performance. Social housing however is funded under capital expenditure by the exchequer. The Committee heard that if the economy is adversely affected by a Brexit-instigated downturn, any general reduction in public expenditure may include a reduction in the level of funding available for social housing. The ESRI stated:

“...Brexit is also going to have an impact on the public finances, which is ultimately going to fund the increased provision of social housing”.

The ESRI pointed out to the Committee that if the State were in a position to continue investing in social housing during economic downturns it could increase housing supply in a counter-cyclical fashion. However, the ESRI expressed the view that this could be difficult to achieve due to the funding model currently used for social housing. The Committee understands that this view is based on the ESRI’s assessment that the current social housing model is economically ineffective and that, irrespective of Brexit, this needs to be addressed if the State plans to avoid the current boom-and-bust cycle of funding for social housing as the current funding cycle is vulnerable to any shocks to the Irish economy. The Committee is of the opinion that a decrease in current housing funding must be avoided even if Brexit has a negative effect on the wider economy.

The DHPLG confirmed to the Committee that increasing the supply of social and affordable housing remains its main objective regardless of the outcomes of Brexit. It stated:

“Naturally it is the Department’s ambition that increased housing output will be sufficient to meet demand. However, we are also cognisant of the potential risk in this area and will monitor the position very closely”.

During discussions regarding the development of increased social housing the DHPLG informed the Committee that during 2018 it established the Land Development Agency to strategically manage the State Land portfolio. While the Committee welcomes this initiative

it is still too early to analyse what impact it will have on the provision of social and affordable housing.

The Committee recommends that:

13. The State's current social housing model should continue to be reviewed and amended as necessary to ensure that it achieves better value for the Exchequer and better outcomes for the citizen.
14. The DHPLG breaks the current boom-and-bust cycle of investment in social and affordable housing to ensure its continuous delivery during periods of both economic growth and decline.

Ultimately, the Committee is of the opinion that moving forward the Government needs to apply more dynamic thinking to solving the housing crisis. While Brexit will create some additional barriers, the Committee is of the opinion that most of the weaknesses highlighted exist regardless. It believes that these issues need to be addressed if Ireland is to develop a robust housing sector capable of meeting current and future demands. To that extent the Committee makes the following recommendations.

RECOMMENDATIONS

The Committee recommends that -

1. Current housing protections such as Rent Pressure Zones (RPZs) are strengthened to protect tenants from being adversely affected by sharp increases in housing demand;
2. The DHPLG should develop contingency plans for the short to medium term impacts on housing in the years following Brexit. Priority should be given to ensuring the minimum level of disruption to construction material supply chains and cross border labour;
3. These contingency plans should be based on clearly-stated assumptions and framed, especially as regards housing targets, so they remain relevant in light of any unexpected shocks to the sector;
4. These plans and targets should inform any future general plans for the sector;
5. Current housing policy, specifically *Rebuilding Ireland*, is continuously re-examined and the targets are updated to reflect the current housing demand, including the anticipated effects of Brexit;
6. A formal review process should be put in place to ensure that future housing plans are likely to remain relevant, notwithstanding shocks to the sector, and to ensure that they are reviewed on a regular basis to ensure that they do remain relevant;
7. The DHPLG urgently explores alternative supply chains to ensure the availability of construction products in Ireland should UK construction products fail to achieve a CE marking following Brexit;
8. Significant ongoing investment in the construction tech sector should take place so Ireland becomes more self sufficient and less reliant on overseas firms for construction products and technology;

- 9.** The infrastructure and staff envisaged in contingency plans for increased customs checks at Dublin and Rosslare ports and Dublin airport should be put in place as soon as possible to ensure potential delays caused by Brexit are minimal;
- 10.** More dynamic ways to promote apprenticeships and third level construction courses are introduced to encourage people to enter the construction sector;
- 11.** Actions should be immediately taken to ensure that construction qualifications received in the UK are verified as quickly as possible following Brexit;
- 12.** More is done to attract skilled constructions workers to Ireland and to support stakeholders in encouraging Irish construction workers to return home;
- 13.** The State's current social housing model should continue to be reviewed and amended as necessary to ensure that it achieves better value for the Exchequer and better outcomes for the citizen;
- 14.** The DHPLG breaks the current boom-and-bust cycle of investment in social and affordable housing to ensure its continuous delivery during periods of both economic growth and decline.

APPENDIX 1 – ORDERS OF REFERENCE

a. Functions of the Committee – derived from Standing Orders [DSO 84A; SSO 70A]

(1) The Select Committee shall consider and report to the Dáil on—

(a) such aspects of the expenditure, administration and policy of a Government Department or Departments and associated public bodies as the Committee may select, and

(b) European Union matters within the remit of the relevant Department or Departments.

(2) The Select Committee appointed pursuant to this Standing Order may be joined with a Select Committee appointed by Seanad Éireann for the purposes of the functions set out in this Standing Order, other than at paragraph (3), and to report thereon to both Houses of the Oireachtas.

(3) Without prejudice to the generality of paragraph (1), the Select Committee appointed pursuant to this Standing Order shall consider, in respect of the relevant Department or Departments, such—

(a) Bills,

(b) proposals contained in any motion, including any motion within the meaning of Standing Order 187,

(c) Estimates for Public Services, and

(d) other matters

as shall be referred to the Select Committee by the Dáil, and

(e) Annual Output Statements including performance, efficiency and effectiveness in the use of public monies, and

(f) such Value for Money and Policy Reviews as the Select

Committee may select.

(4) The Joint Committee may consider the following matters in respect of the relevant Department or Departments and associated public bodies:

(a) matters of policy and governance for which the Minister is officially responsible,

(b) public affairs administered by the Department,

(c) policy issues arising from Value for Money and Policy Reviews conducted or commissioned by the Department,

(d) Government policy and governance in respect of bodies under the aegis of the Department,

(e) policy and governance issues concerning bodies which are partly or wholly funded by the State or which are established or appointed by a member of the Government or the Oireachtas,

(f) the general scheme or draft heads of any Bill,

(g) any post-enactment report laid before either House or both Houses by a member of the Government or Minister of State on any Bill enacted by the Houses of the Oireachtas,

(h) statutory instruments, including those laid or laid in draft before either House or both Houses and those made under the European Communities Acts 1972 to 2009,

(i) strategy statements laid before either or both Houses of the Oireachtas pursuant to the Public Service Management Act 1997,

(j) annual reports or annual reports and accounts, required by law, and laid before either or both Houses of the Oireachtas, of the Department or bodies referred to in subparagraphs (d) and (e) and the overall performance and operational results, statements of

strategy and corporate plans of such bodies, and

(k) such other matters as may be referred to it by the Dáil from time to time.

(5) Without prejudice to the generality of paragraph (1), the Joint Committee appointed pursuant to this Standing Order shall consider, in respect of the relevant Department or Departments—

(a) EU draft legislative acts standing referred to the Select Committee under Standing Order 114, including the compliance of such acts with the principle of subsidiarity,

(b) other proposals for EU legislation and related policy issues, including programmes and guidelines prepared by the European Commission as a basis of possible legislative action,

(c) non-legislative documents published by any EU institution in relation to EU policy matters, and

(d) matters listed for consideration on the agenda for meetings of the relevant EU Council of Ministers and the outcome of such meetings.

(6) The Chairman of the Joint Committee appointed pursuant to this Standing Order, who shall be a member of Dáil Éireann, shall also be the Chairman of the Select Committee.

(7) The following may attend meetings of the Select or Joint Committee appointed pursuant to this Standing Order, for the purposes of the functions set out in paragraph (5) and may take part in proceedings without having a right to vote or to move motions and amendments:

(a) Members of the European Parliament elected from constituencies in Ireland, including Northern Ireland,

(b) Members of the Irish delegation to the Parliamentary Assembly of the Council of Europe, and

(c) at the invitation of the Committee, other Members of the European Parliament.

b. Scope and Context of Activities of Committees (as derived from Standing Orders) [DSO 84; SSO 70]

- (1) The Joint Committee may only consider such matters, engage in such activities, exercise such powers and discharge such functions as are specifically authorised under its orders of reference and under Standing Orders.
- (2) Such matters, activities, powers and functions shall be relevant to, and shall arise only in the context of, the preparation of a report to the Dáil and/or Seanad.
- (3) The Joint Committee shall not consider any matter which is being considered, or of which notice has been given of a proposal to consider, by the Committee of Public Accounts pursuant to Standing Order 186 and/or the Comptroller and Auditor General (Amendment) Act 1993.
- (4) The Joint Committee shall refrain from inquiring into in public session or publishing confidential information regarding any matter if so requested, for stated reasons given in writing, by—
 - (a) a member of the Government or a Minister of State, or
 - (b) the principal office-holder of a body under the aegis of a Department or which is partly or wholly funded by the State or established or appointed by a member of the Government or by the Oireachtas:

Provided that the Chairman may appeal any such request made to the Ceann Comhairle / Cathaoirleach whose decision shall be final.

- (5) It shall be an instruction to all Select Committees to which Bills are referred that they shall ensure that not more than two Select Committees shall meet to consider a Bill on any given day, unless the Dáil, after due notice given by the Chairman of the Select Committee, waives this instruction on motion made by the Taoiseach pursuant to Dáil Standing Order 28. The Chairmen of Select Committees shall have responsibility for compliance with this instruction.

APPENDIX 2 – MEMBERSHIP

Deputies: Maria Bailey – Chair (FG)
Pat Casey – Vice Chair (FF)
Mick D. Barry (Solidarity-PBP)
Mattie McGrath (IND) – Rural Independent Technical Group
Darragh O’Brien (FF)
Eoin O Broin (SF)
Fergus O’Dowd (FG)

Senators: Victor Boyhan (IND)
Martin Conway (FG)
Jennifer Murnane O’Connor (FF)
Grace O’Sullivan (GP)

Notes:

1. Deputies nominated by the Dáil Committee of Selection and appointed by Order of the Dáil of 16 June 2016.
2. Senators nominated by the Seanad Committee of Selection and appointed by Order of the Seanad on 21 July 2016.
3. Elected Vice Chair on 24 May 2017

APPENDIX 3 – LIST OF WITNESSES

❖ **Department of Housing, Planning & Local Government**

Ms Sarah Neary

Mr John Wickham

Mr David Kelly

Mr Paul Hogan

❖ **Economic and Social Research Institute**

Prof Kieran McQuinn

Dr Conor O'Toole

Dr Barra Roantree

❖ **Nevin Economic Research Institute**

Dr Tom Healy

❖ **Property Industry Ireland**

Dr David Duffy

Mr Tom Phillips

Mr Mark FitzGerald

APPENDIX 4 – LINKS TO MEETING TRANSCRIPTS

- ❖ [Meeting of 13 November 2018](#)
- ❖ [Meeting of 20 November 2018](#)

APPENDIX 5 – LINKS TO SUBMISSIONS & OPENING STATEMENTS

- ❖ [Department of Housing Planning and Local Government](#)
- ❖ [Department of Business, Enterprise and Innovation](#)
- ❖ [Department of Justice and Equality](#)
- ❖ [Department of Education and Skills](#)
- ❖ [Economic and Social Research Institute](#)
- ❖ [Nevin Economic Research Institute](#)
- ❖ [Construction Industry Federation](#)
- ❖ [Property Industry Ireland](#)
- ❖ [Society of Chartered Surveyors Ireland](#)
- ❖ [Guaranteed Irish](#)
- ❖ [Engineers Ireland](#)