

**Oireachtas Joint Committee on Housing, Planning and Local Government
Leinster House, Dublin 2**

Urban Regeneration and Housing (Amendment) Bill, 2018

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Introduction

I wish to thank the Chairperson and the members of the Joint Committee for inviting me to make a submission on the Urban Regeneration and Housing (Amendment) Bill, 2018 with reference to vacant sites. I believe that the amendments proposed offer one key solution to the “housing crisis” already well known to the Committee and which I outline below. They also complement helpful amendments outlined by Minister English in Circulars PL 04/2018 and Circular PL 06/2018. It seems clear from this and from the Dail Debates at Second Stage that there is widespread agreement across the political spectrum that a number of simple changes are required if we are to increase the supply of land and hence housing. If we achieve that, we will reduce house prices and rents. That surely is a worthy goal.

The Housing Crisis

The housing crisis has several elements. First, home ownership which was an achievable aspiration 30 years ago is now out of reach for large numbers. This has been the case since the mid 1990s. In 1991 almost 80 per cent of our people owned their home; this has declined consistently since then and is now only 68 per cent. House prices dropped for a few years after the crash in 2008, but have increased consistently since then. The purchase of a home, especially in the Dublin area and in other urban centres, is now impossible for many, even those in relatively good jobs. This is the “housing market” where prices are determined by the forces of supply and demand. Private developers and builders supply homes in response to demand from purchasers who are willing *and able* to pay for them. If the market is working well, developers and builders respond rapidly to demand and prices remain relatively stable. However, if supply is inadequate (i.e. if the market fails to deliver), then prices increase. This is exactly what has happened over recent years. Private sector (market) provision plummeted from 75,400 homes in 2005 to a mere 13,821 in 2018. This is a classic example of ‘market failure’. See Table 1. The Table shows the remarkable volatility in relation to private sector supply.

Table 1 : Housing Construction – Supply by Private Sector, LAs and AHBs

Year	Private Sector	LAs and AHBs
1975	18,098	8,794
2005	75,398	5,559
2018	13,821	4,251*

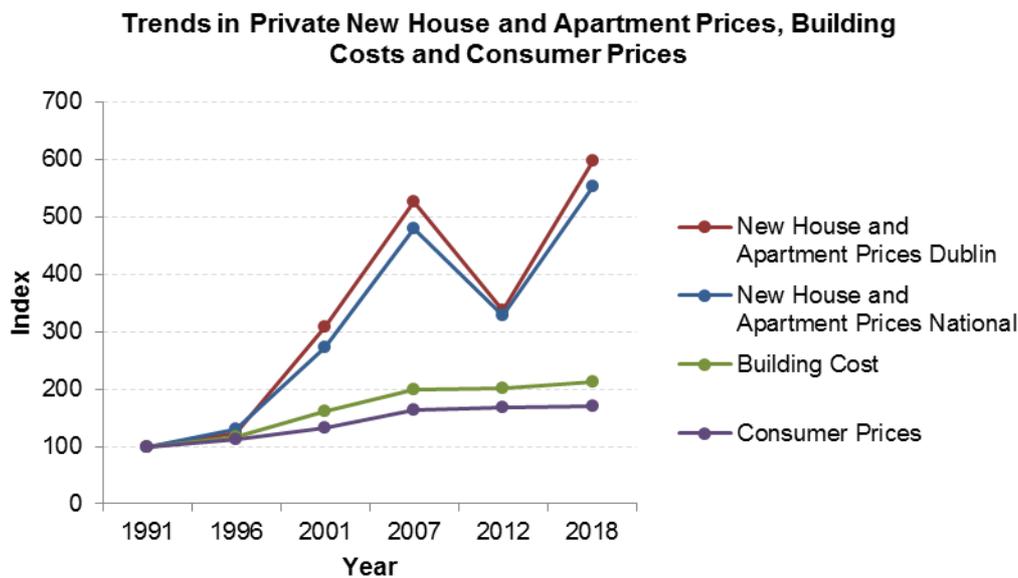
*Note ** : The 2018 data includes 1,388 Approved Housing Body homes via CAS and CALF. It also includes 841 Part V and 769 new “turnkey” homes built by the private sector.

Source : *Housing Statistics*, Department of Housing and *Rebuilding Ireland*, *Social Housing Status Report Q4*, March 2019.

Due to the lack of supply, house prices have increased significantly and are badly out of line with general inflation, the cost of building and average earnings and have been since 1995.

Demand factors have also contributed to the increase in new house prices. Over recent years Investment Funds encouraged by escalating prices and rents and the capital gains tax holiday saw housing as a no-brainer speculative venture. This is now a global phenomenon. They thus continue to push up the prices for first-time and other purchasers. Similarly, Local Authorities and Approved Housing Bodies have been in competition in relation to the purchase of new and second-hand homes contributing again to price increases. While well-intentioned, tax incentive schemes such as the “Help to Buy” also increase demand and hence prices for first-time buyers. The apparent gain in the tax allowance is written off in a higher price. There are important policy implications.

Housing is therefore significantly over-valued, or more accurately, over-priced and this has been the case since 1995. See Figure 1.



Source : CSO and Department of Housing

Thirty years ago a mortgage could be obtained and a home purchased with one modest salary; today that would be a rare phenomenon. At that time, the standard period of a loan was twenty years; encouraged by lenders it has risen to thirty and more, ensuring a lifetime of “debt serfdom”. Working couples with childcare costs struggle with the equivalent of two or more mortgages.

Unfortunately, the private rented sector is equally problematic. From the point of view of tenants, three specific problems can be identified in the private rented sector. These are: increasing and unaffordable rents, insecurity of tenure and often poor standards. The introduction of rent regulation and other improvements have been

welcome but need to be carefully monitored and extended on a national basis. The recent trend to sell off entire blocks of apartments to multinational companies rather than to private individuals is a serious cause for concern. These operate in a light-touch and even welcoming regulatory environment but this “crowds out” young aspiring purchasers. A range of international property investors have purchased and now control an increasing proportion of private residential accommodation. This points towards an emerging monopoly-type situation and further increases in rents. This sector is now seen as a separate “asset class” for speculation, capital gain and wealth creation. Companies with these objectives cannot be relied on to provide affordable and secure homes for our people.

Even a reformed private rental sector could not deal with the current housing crisis. Whether in relation to ownership or private renting, we have presided over the ‘commodification’ of housing where access to a home, depends almost entirely on ability to pay and pay dearly. This is a broken housing system.

High house prices and rents have a number of negative consequences. Prices and rents in Ireland have been seriously out of line with other indicators such as the Consumer Price Index, average earnings and the cost of building. This divergence cannot be justified for an economic necessity such as housing. Unaffordable rents have regularly resulted in evictions and homelessness (Drudy, 2018).

High prices and rents are bad for the economy. A high proportion of disposable income is tied up repaying mortgage debt or rents for an extended period. The result is that less disposable income is available over this period for expenditure on other social, economic and employment-creating activities. High rents as well as high house prices also result in pressure for wage increases, thus leading to a loss of competitiveness.

So while some may benefit, there is an overall distortion rather than an improvement to the economy. The result is also a deep inter-generational inequality in relation to access to private housing, in that young adults can never aspire to purchase or rent to live even in relatively modest areas where they were born and raised by their parents. They are inevitably unhappy, disgruntled and disenfranchised. Is this the kind of society we want?

Apart from the economic arguments outlined above, there are a range of social, equity and ethical reasons why house prices and rents should not be allowed to escalate unreasonably. Housing must surely be a “home” rather than another “commodity”.

The most vulnerable who do not have the ability to pay face evictions and must rely on temporary bed and breakfast accommodation subsidised by the government and the taxpayer. In extreme cases, the homeless, those without jobs, with little money or perhaps suffering addiction sleep on the streets. Despite some efforts by Local Authorities, travellers remain a disadvantaged group whose housing needs have not been met over an extended period. People with intellectual disabilities have also fared badly, the vast majority now having to live at home with elderly or ill parents, many unable to cope.

A further cause of the continuing housing crisis has been the dramatic decline in construction of homes by local authorities, housing associations and other non-profit organisations over the last 40 years. See Table 1. In 1975, non-market providers completed almost 8,800 homes for rent to low-income families. This represented almost one third of total housing construction while ‘market’ construction for sale or private renting by property developers and builders accounted for over two thirds. By 2005 the non-market proportion had dropped to 5,500 homes and in 2018 represented only 4,251 homes, including 1,388 by AHBs, 841 Part V and 769 turnkey homes built by the private sector.

Since 2004 successive governments have turned to the private rented sector to provide social housing at a current annual cost of about €900 million. During the last 17 years alone, almost €7 billion has been allocated in rent supplement, RAS and HAP to private landlords for this purpose. Despite the considerable cost, not a single extra long-term home is gained in the process. While this support can be justified in the short term, there is now a strong case for phasing it out and replacing it with homes built and owned by the state.

It is essential to continue to reverse the alarming reduction in the direct provision of public housing. The proposal by the Government in *Rebuilding Ireland* to build 35,000 homes for rent within the next few years and to refurbish many more represents a good start to redress this unacceptable situation. However, the proposal to provide for a further 75,000 social housing tenants in the private rented sector should be re-considered. There is now a golden opportunity for the government, Local Authorities, Approved Housing Bodies and Co-operatives to play a much greater role in the provision of affordable, good standard homes with security of tenure in the interest of the common good. This should include a significant expansion of self-financing “cost rental” schemes for large numbers not eligible for social housing. A number of schemes have already been agreed in the Dublin area. Built on state land and charging sustainable rents, this would provide much-needed competition resulting in a reduction in house prices and rents in the private rented sector. It is clear that we must move away from the unhelpful reliance on the private sector.

Land Availability : The Key Element in Housing Provision

One key factor in relation to the provision of housing is the availability, as well as the price, of suitable land. With a relatively fixed supply of land and excess demand, even for land without planning permission, it is inevitable that there will be an upward pressure on land prices. When land is rezoned for housing and planning permission seems possible, the price of land will rise further. Any increase in the price of land is invariably passed on to house purchasers in the form of higher house prices.

There is evidence to suggest that land suitable for housing in some parts of the country and especially in the Dublin area is controlled by a relatively small number of landowners and developers. This small group can effectively operate a monopoly-type influence on the availability and price of land and, as a result, the price of housing. Of even greater concern is the part that Local Authorities play, often under duress, in further enriching such landowners when, every five years or more often in some cases, “in the interests of the common good”, they re-zone agricultural land for residential purposes – a further critical factor affecting supply. The price of such land can

multiply a hundred-fold overnight even though the owners have carried out no productive activity whatsoever. Forty six years ago, a Committee under the Chairmanship of Mr Justice Kenny made a number of key recommendations in order to deal with the high cost of land for housing (Kenny, 1973). In particular, it recommended that Local Authorities should be able to acquire undeveloped land in designated areas at existing use value plus 25%. This recommendation is as valid today as it was in 1973. It should be re-visited.

The Government's key Action Plan *Rebuilding Ireland* and its advisory body, the NESC, have also pointed to the central importance of land for housing.

“A consistent message that has come through from many local authorities, housing providers and funders is that one of the best ways to ensure availability of reasonably priced housing is ensuring that there is a good supply of “ready-to-go” development land that is available at a cost that reflects the realistic value of what can be developed on those lands... (Government of Ireland, 2016 and NESC, 2018)

A number of sources provide us with details on the amount of land available for housing. *Vacant Site Registers* provide considerable detail on land owned by private individuals, companies, Local Authorities and state bodies. A further source, the *Residential Land Availability Survey, 2014* by the then Department of the Environment and Local Government examined all lands zoned for residential development in the various Local Authority *Development Plans (DECLG, 2015)*. Stage 1 of the Survey identified land zoned and available for residential development regardless of the priority in the Development Plans. This amounted to 27,363 hectares with a potential to provide 611,000 homes. In this category the four Dublin Local Authorities had 2,812 hectares with potential of 123,451 homes. The Stage 2 category has a higher priority and therefore residential development would be more achievable in the short term. In this case, 17,434 hectares were zoned and available and capable of providing 414,712 homes. In the Dublin Local Authorities, 2,654 hectares was available and capable of providing 116,705 homes.

The above land is mainly in private ownership. However, Local Authorities and the Housing Agency between them own 700 sites totalling 1,700 hectares while other state bodies own 30 sites with 200 hectares – the latter mainly in the Dublin area and in other major urban centres. (Government of Ireland, 2017). Furthermore, NAMA controls loans on a further 1,690 hectares of development land capable of providing 65,400 homes. This includes 793 hectares in the Dublin area (Reynolds, 2018).

The above lands are therefore capable of providing a large number of homes. Yet only 18,000 homes were built last year by the private and public sectors and there has been a considerable shortfall since 2011. In the light of the requirement for at least 30,000 homes per annum the supply is simply insufficient. There is evidence to suggest that some developers are “drip-feeding” small numbers of homes onto the market to maintain prices at their current unaffordable levels (Cooper, 2017). This obviously slows down supply. The building record of the Local Authorities, is also inadequate. Encouraged by the Government to implement schemes such as HAP and arguably lacking funding they are showing reluctance to return in a serious manner to housing construction.

Conclusion

Arising from *Rebuilding Ireland* (2016) and the *Report of the Committee on Housing and Homelessness* (Houses of the Oireachtas, 2016), it is important to acknowledge that genuine efforts are being made to resolve the various difficulties outlined above. However, urgent action in relation to unused land is essential, particularly in the main urban areas. The *Urban Regeneration and Housing (Amendment) Bill, 2018* can play a key role in bringing forward land for residential development. It is unreasonable that private developers and public authorities should continue to hoard zoned or other land at this critical time. The increase in supply will bring down land prices, house prices and rents. That should be our goal.

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