**CCT College Dublin**

**Assessment Cover Page**

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**Declaration**

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**Analysis of the Irish Housing Market: Trends, Challenges and Recommendations**

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**Introduction**

The aim of this project is to look into housing market of Ireland. What is current situation in terms of availability, affordability, what are the possible solutions to solve the current crisis.

1. **Background and context of the Irish Housing Market**

Historically housing situation in Ireland never was perfect. Country at different periods experienced poor economical state which in turn had huge impact on social situation of the Irish people, with emigration, high levels of unemployment and overcrowding and lack of housing being the main issues. In the 90’s the economical situation started to change, The Celtic Tiger era had begun, but housing situation never really improved although nowadays it faces different challenges. It’s difficult not to just to afford to buy a house but even to avail one. The main problems of current housing crisis are:

* Lack of new builds;
* Impact of the war in Ukraine;
* Impact of the global pandemic;
* Impact of the global recession. Appearance of the vulture funds in the Irish market;
* Immigration to Ireland. Impact of Brexit.
* Appearance of online home-sharing platforms like AirBnB

Let’s talk about each of these points.

There is a huge shortage of houses in Ireland. Simon Coveney, minister for business admits Ireland needs 50000 new homes every year until 2033, but current government’s target is only 33000. Additionally government aims to build about 10000 social houses. There are reasons government can’t meet its targets. It’s a lack of construction workers first of all, despite many of them being immigrants from other countries but they need to live somewhere too. Cost of living in Ireland skyrocketed in the recent years and many potential newcomers don’t look at Ireland as a potential workplace anymore.

High wages of construction workers and high costs of materials drive the price of building a new house up. From the government’s point of view this is especially critical for social housing. Government cannot longer provide cheap and fast social housing. The huge impact to the rising cost of building materials has Ukrainian war and recent global Covid 19 pandemic.

Ukraine, Belarus and Russia all were the big exporters of construction products. Ukraine is the big exporter of iron, steel and bricks. Russia exports all kinds of metal, with aluminium making the biggest share among them. Belarus exports wood, furniture and metals. All this supply chains are currently disrupted with Ukraine focusing on defending their country, and many production factories are destroyed anyway. As for Russia and Belarus, their exports are sanctioned by the EU and US, and although these countries find alternative routes through friendly to their regime’s countries like China, these solutions increase prices of raw materials even further. Adding to the problem is the impact of global pandemic. With many people being stuck in their homes, a lot of homeowners decided during lockdown times to make improvements to their homes and vast amount of building materials stock levels was used leading to shortages even before the war in Europe. Now with many supply channels broken the problem is big as never before.

Global pandemic released into the market’s huge amounts of cash, because many employees and businesses needed to be compensated for the loss of their jobs and businesses. This new cash caused the high inflation across the Europe and prices of all goods and services, not only houses, are going up. But this not always been the case. In year 2008 Ireland entered severe recession. Ireland as country needed to be bailed out and so had its main banks. Although during the recession times many houses were available to buy, nobody had money to buy them, and mortgages were unavailable too to many potential buyers due to restricted rules by the Irish National Bank. Therefore, many already built or half-built housing estates turned into ghost estates. Some of them were demolished. This time is when vulture funds arrived in Ireland. At that time the arrival of the vulture funds was welcomed by the Irish government, long term the actions of them just adding to the already existing problems. Vulture funds bought and are still buying the entire housing estates putting them into renting market therefore reducing already short supply for potential buyers. As large amount of rented accommodation is controlled by the vulture funds it increases the price of the rented property too.

Another factor contributing to the lack of available housing is immigration. Turbulent times in the world drive people from all corners of the world to look for safe shelter. There is legal and illegal immigration. There are people coming genuinely from the war zones, like Ukraine and others just taking their chances despite their countries don’t experience any kind of dangerous situations. This problem is not for Ireland to solve, it requires the EU’s as the whole effort. First steps towards the reducing the number of immigrants are already being taken at EU level. Another source of immigrants coming here is more specific to Ireland rather than whole EU. The neighbouring, than EU country UK, voted to leave the EU in 2016. The main motivation for British people to vote for Brexit was the feeling that EU can’t deal with immigration. Brexit happened, leaving Ireland the only English-speaking country in the EU. Because of this many businesses and enterprises left UK and moved to Ireland, moving in their staff with them too and further reducing the stock of houses.

Even more houses were taken out of the market with the arrival of Airbnb to Ireland around 2010. Despite Airbnb bring a lot of tourists to the country, the impact to the housing market is also huge. Data from Inside Airbnb shows there are 18,086 full homes or apartments and 9,036 private rooms listed for rent on Airbnb Ireland, with a total of 27,439 separate listings. (McNally, 2023). These landlords could potentially be renting to the people living in Ireland long term, but they are choosing to rent short-term to the tourists as profit margins are higher this way.

1. **Major challenges faced by the Irish Housing Market and possible solutions**

So can Irish housing market be fixed and how.

Housing market is being influenced externally and locally.

External factors include immigration, wars and worldwide turbulence, global economy situation, inflation, ECB interest rates and other. Ireland, as EU member state cannot do many decisions independently. It is dependant of EU parliament legislations, when it comes to immigration, or ECB decisions when it comes to inflation. Brexit is another event, that wasn’t influenced by Ireland whatsoever.

But there are problems and decisions that can be made within Ireland, by Irish government.

* Apartments

Ireland historically is a land of houses. 3-bedromed, 4-bedroomed homes were the lifestyle of Irish residents for many years. However, to build and apartment block is faster and cheaper. It should be cheaper. But not in Ireland yet. This is due because of many restrictions builders face - requirements for car parking, development levies, hight restrictions. As outlined in Real Cost Of New Apartment Delivery Report it is more profitable for builders to build houses than apartment blocks.

* Vulture funds

When vulture funds first arrived into Ireland, they were eagerly accepted, at least by the government. Vulture funds were buying toxic mortgages, effectively saving mortgage market from a complete crash. As the result, vulture funds now own 16% of mortgages in Ireland. As of the end of 2022, some 115,000 mortgages were held by such funds in Ireland. That compares to fewer than 17,000 loans with such institutions at the end of 2009, when the sector accounted for just over 2% of the market. (Brennan, 2023)

**Conclusion**

**References and used sources**

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