

# Housing Notes

Conor Redington

[1-4]

## Contents

<b>1</b>	<b>Housing</b>	<b>3</b>
<b>2</b>	<b>Why Housing in Ireland is so expensive</b>	<b>3</b>
<b>3</b>	<b>08/04/23 14:05:49</b>	<b>3</b>
3.1	Step 1 Current view/claims . . . . .	3
3.2	Step 2 read/discuss major pieces . . . . .	4
3.3	Profiles . . . . .	4
<b>4</b>	<b>Gather all notes</b>	<b>5</b>
4.1	Affordable housing . . . . .	5
4.2	Why can't we just mandate non profit developers . . . . .	5
<b>5</b>	<b>Demand Demographics</b>	<b>5</b>
<b>6</b>	<b>First principles</b>	<b>5</b>
6.1	Reading . . . . .	6
<b>7</b>	<b>Notes</b>	<b>7</b>

## 1 Housing

@economics @housing @ireland

*The goal here is to constantly update this document by making claims and doing reading to edit those claims*

## 2 Why Housing in Ireland is so expensive

- The government are lobbied by institutional investment firms so they can buy up all the houses and hold them increasing their price artificially.

What does it take for this to be true.

- Evidence of government interest in institutional investment in housing and/or general interest in rising house prices.
- Evidence of constraining supply artificially to increase a firms profits.

## 3 08/04/23 14:05:49

*Following Karnofsky method*

Step 1: pick a topic. First, I decide what I want to form an opinion about. My basic approach here is: “Find claims that are important if true, and might be true.”

Step 2: read and/or discuss (a bit). I usually start by trying to read the most prominent 1-3 pieces that (a) defend the claim or (b) attack the claim or (c) set out to comprehensively review the evidence on both sides

Step 3: explain and defend my current, incredibly premature hypothesis, in writing (or conversation).

Step 4: find and list weaknesses in case.

I think what might be useful is to construct some ‘stakeholder’ profiles/takes on the current situation that I think are out there. Then try and get evidence to back each one.

*Try and focus on statements that have an effect on outcome*

### 3.1 Step 1 Current view/claims

- Housing supply in Ireland is low due to construction costs and land regulation. Land tax should be instituted along with more data on construction value chain to reduce its costs.
- Institutional investors are a small portion of the housing market (buying and selling of housing) and of the rental market (letting).
- The way out is to incentivise more private funding to meet demand in all it’s diversity. That is, the government would be too slow an organization to meet the changing demand and would make things worse.
- The government can not afford to meet housing need. Supply is currently way below demand.

### 3.2 Step 2 read/discuss major pieces

- ‘Housing for All’ is the government’s housing plan to 2030.
  - Jesus, literally all my claims are on p.16. Did I nail it?
  - “Ireland needs on average 30,000 new homes per annum to meet targets set out for additional households as outlined in the National Planning Framework”.
  - Four pathways for overarching objectives with 20bn for them all over 5 years.
    - \* 1) Supporting Home Ownership and Increasing Affordability
      - Increase new housing supply to 33,000 per year up to 2030.
      - 6,000 affordable homes to be made available to rent or buy per year from AHB’s, Local Authorities or LDA.
      - Introduction of cost rental homes and indefinite leases.
      - LDA will start building more on state land and will advance Project Tosaigh.
    - \* 3) Increasing Housing Supply
      - “To build housing, we need land. This land needs to be serviced with transport, utilities and other infrastructure”
      - “The overall investment required to build an average of 33,000 homes per year is estimated at 12bn.”
  - In terms of modelling, the Scottish housing need model is the leader.

Projected Housing Output (New Build) 2022 – 2030									
Tenure	2022	2023	2024	2025	2026	2027	2028	2029	2030
Social homes	9,000	9,100	9,300	10,000	10,200	10,200	10,200	10,200	10,200
Affordable & Cost Rental homes	4,100	5,500	6,400	6,400	6,100	6,300	6,400	6,300	6,300
Private Rental and Private Ownership homes	11,500	14,400	17,750	18,200	19,800	20,400	21,500	23,000	24,000
Total Homes	24,600	29,000	33,450	34,600	36,100	36,900	38,100	39,500	40,500

— If we just focus on the housing supply claim for now. Pathways 1 and 3 are directly related to that.

### 3.3 Profiles

- “Housing is being ‘held back’ to increase it’s price”
- “Institutional invested buy up all the housing stock and do the above”
- “There is not enough affordable housing”
- “The government could just build all the houses we need.”
- “The government do not care, nothing is being done”

What am I really arguing over here? What are the claims. It seems my goal is to have a full picture of the nuance involved but I'd also like to be able to assign some blame, I suppose, as to why were in this situation in the first place.

## **4 Gather all notes**

### **4.1 Affordable housing**

- The guiding principle in affordable housing finance is that public and private financing sources must equal uses or the total cost of building the building, also known as development cost
- In Ireland approved housing bodies seem to be supported by Housing Finance Agency. The question then becomes how much supply can these not for profits really provide.

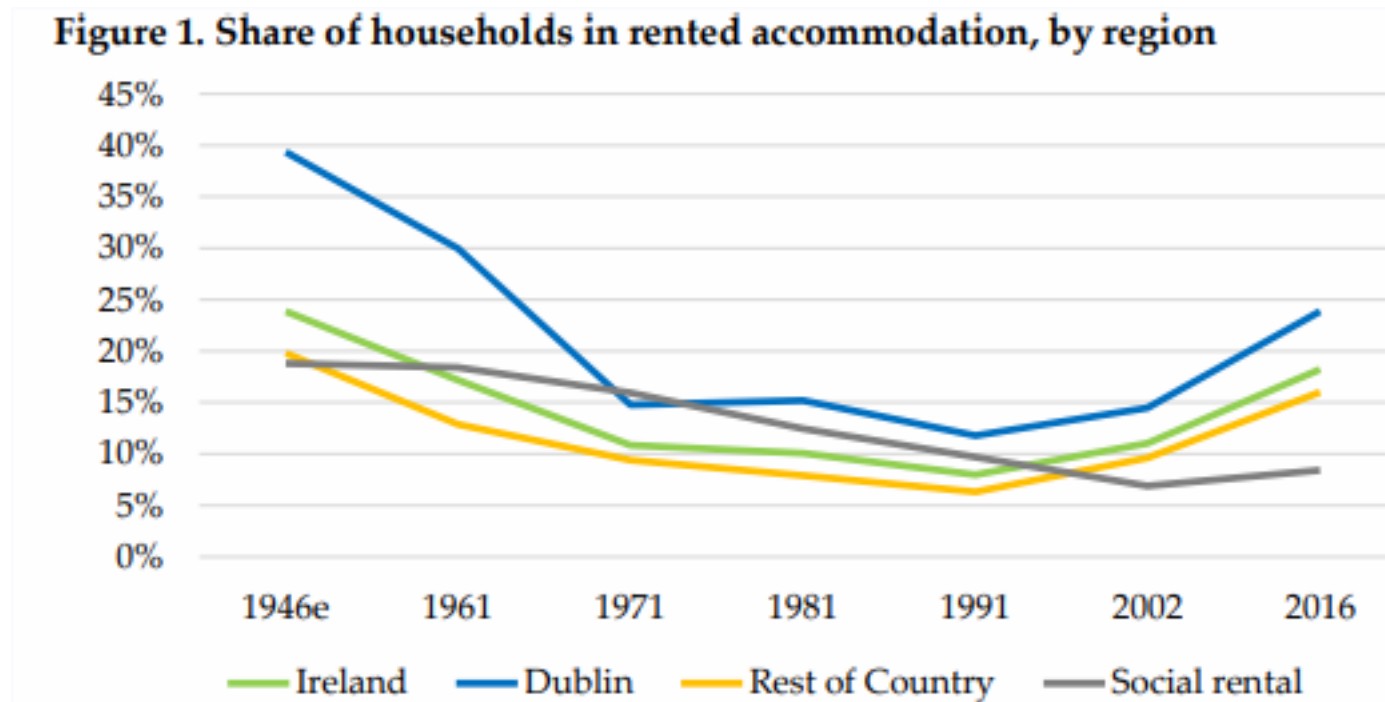
### **4.2 Why can't we just mandate non profit developers**

- for profit is fundamental to capitalism. Debating for profit debates the incentives of capitalist economy.
- Socialist housing may not agree with the general populace (high taxes), also, it may not be efficient (in terms of the types of housing provided)

## **5 Demand Demographics**

What kind of housing are people asking for?

- Figures from the most recent Census, undertaken in 2016, show that 18% of households rent their home from a private landlord, while a further 8% rent from a Local Authority or an Approved Housing Body



- In a generation the share in rental accommodation has almost doubled.

## 6 First principles

- How much does a typical house cost?
  - Types of houses
  - Cost (average or breakeven) of each type of house, in Dublin and the rest of Ireland
- Social housing
- Why can't the government fund the whole thing?
  - How much money does the government have?
  - How long does it take to build a house through public means?

### 6.1 Reading

- <https://www.ucd.ie/geary/static/publications/workingpapers/gearywp201901.pdf>
- <https://www.irishtimes.com/news/social-affairs/a-century-of-housing-how-the-state-built-ireland-s-homes-1.3785939>
- <https://catuireland.org/i-like-public-housing-and-so-should-you/>
- [argument for the existence of landlords](#)
- [How affordable housing gets built](#)

- <https://apps.urban.org/features/cost-of-affordable-housing/>
- <https://www.oecd.org/housing/topics/affordable-housing/>
- [housing course](#)
- [Lyons 2021](#)
- [Understanding Irelands Housing challenge](#)
  - Interesting to note how Irelands policy just flipped to home ownership as the goal from the rental sector in the previous major policy
  - The large amount of institutional investment in irelands residential investment goes into build to rent. We seem to need more investment from abroad as we can not fund it ourselves but this brings with it this supply of btr.
  - There's also a supply deficit. It seems that around 50,000 dwellings should be built a year for projected Irish population growth. The target for Housing for All is 30,000.
  - It is not clear if the decline in home ownership is due to supply shortage. Credit conditions could also play a role
- [KPMG report](#)
  - To cope with a rise in demand for housing from economic growth in the early 90's the Urban renewal act allowed landlords to write off 100% of costs on their income tax, this was only 50% in the case of owner occupied landlords. This lead to 60% of subsidies units being owned by private landlords.
  - Despite these incentives ending in the mid 2000's cheap credit propped the development market up.
  - Home ownership for 25-34 year olds has declined from 68% in 1991 to 30% in 2016
  - There this changing landscape for demand, is policy then playing catch up?
- [Golden age of Irish social housing](#)
  - Until recently almost all social housing in Ireland was delivered, owned and managed by local government, but apart from the United Kingdom, this model was rarely used elsewhere. In the rest of Western Europe social housing was provided by the independent, non-profit sector organisations (eg. cooperatives in Denmark, housing associations in the Netherlands and Austria), quasigovernmental municipal housing companies (in France and Sweden) or less commonly the private sector (Germany)
  - Coincided with the expansion of the welfare state
  - Services of housing loans became an issue
  - Funding of debt through rents.
  - Debt held by non profit agencies in other Western countries
  - Ireland financing was destabilised by politics
- <https://www.irishtimes.com/news/social-affairs/a-century-of-housing-how-the-state-built-ireland-s-homes-1.3785939>

## 7 Notes

- [Lyons 2021](#)

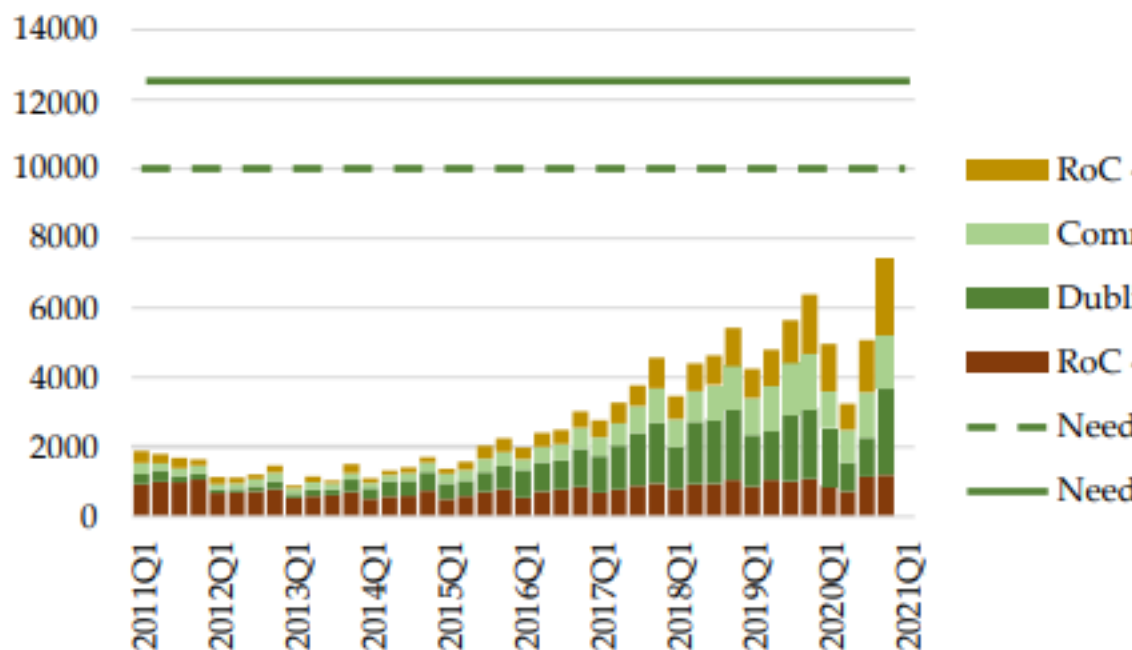
- At the end of 2.1 there is a discussion of the ‘path dependence’ of Irish housing based on financing model. Analyses in Blackwell and Kohl (2008)
- Ireland is converging demographically to the EU average in terms of population growth and the no. of apartments
- Two thirds of landlords in a survey commissioned by the RTB own just one property.
- For almost all of the 19th century, there were no purpose-built apartments constructed in Ireland. This and the later absence of apartment construction reflects a unique element of Ireland’s demographic development: unlike all our European peers, Ireland’s population fell, rather than increased rapidly, between the mid-19th and mid-20th century. This meant there was, effectively, no pressure on either the policy or finance systems to plan how to accommodate density: instead, sparser and more sprawled greenfield development was sufficient
- There was virtually no private rental accommodation built at the start of the 20th century in Ireland due to viability (which I think means that the market price wasn’t even enough to cover costs). Most building was subsidised and suburban due to transport infrastructure slowly being set up.
- An example is given of the disparity between the market price and costs of development even in the 60’s. It is similar to today, where incomes just can’t match the break even price.
- Ireland followed the European trend post war to build pre cast large scale developments (like Ballymun) later following what other countries do mixing tenures (in terms of market renters and social renters together)
- In the 80’s the government tried to deal with the lack of viability for capital with a 40% subsidy for cost of developments
- Under section 23 you could get the cost of building minus the site cost off the income you made from rent. So anything you built would contribute towards you not having to pay tax on the rent you earned from it. This was also aggregate rental income. You could be building houses that there were no demand for but getting a huge tax break on the income you were making from somewhere else.
- This seems to have worked as rents decreased after it’s implementation
- This tax break only applied to private taxpayers which meant that institutional investors were essentially priced out?
- 2.3
- 2.4
  - \* Institutional investors play an important role in build to rent projects as they have access to longer term capital from European markets. Like pension funds. This means they can spread the costs of construction over a longer period of time.
  - \* This is frowned upon in Ireland as it’s seen as ‘squeezing out’ the regular developer(?). How else would this accommodation be built?



- Lyons 2021 continued
  - Sales prices of housing are about 40% below 2007 peak. Being around 20% below in Dublin
  - Rental prices are 40% above their peak though
  - Show's scatterplots that link increases in supply with reduction in rent and vice versa. The equilibrium seems to be above 4,000 units available
  - Interesting how this is the largest rental boom in modern history, I'm not too sure what the cause of the others were.
  - I skipped 3.1, assumptions for growth and expected housing need.
  - 3.2
    - \* Almost 80% of developments use foreign capital. Either in equity or debt form.
    - \* My mental model here for equity is some firm that is 'investing' in a development rather than just expecting their money back.
    - \* Interesting that during the tiger the 'pillar banks' played a large role in capital circulation. That now they are more restrained so it was inevitable that some other form of capital must come in. Also, they were intermediaries for foreign capital. So the money you were getting from the bank was just coming from overseas anyways

decision, as well as far greater uncertainty, especially for larger projects

**Figure 12. New homes completed in Ireland, by location and type**



*Source and notes: Analysis of CSO and Department of Housing figures; demand from Section 3.1; "RoC" refers to Ireland excluding Dublin and its four commuter counties (Dublin, Dún Laoghaire, Fingert, Kildare, Louth, Meath & Wicklow). 'Commercial' refers to all housing other than one-off houses, apartments and estate houses).*

\* It's made how short need we are

- What is the government expenditure profile like in the past few years. Why do we need international capital

- local file

- This report seems to talk more about economic cycles and how they affect social housing, which I think is an interesting point.
- Rising rents can also increase the cost faced by the exchequer in providing housing. With regard to housing measures funded through current expenditure, a large share of the rental sector in Ireland is in receipt of some form of support. Data from the 2016 census indicates that 326,8324 households rent from a landlord (including voluntary and co-operative bodies). As of 2021Q2, there were approximately 62,000 active HAP tenancies, 17,500 RAS tenancies, and 5,000 privately leased SHCEP operational units (DHLGH). This indicates that approximately 26% of households residing in the rental sector are in receipt of some form of housing support that is funded through current expenditure.

- Be interesting to check this for the most recent census.
  - Interesting point on how more strict mortgage lending rules affect price signals and push people to the rental sector, so rent increase more than avg. house prices.
  - Census data indicates that the age at which home ownership became the majority tenure category was 35 years in
2016. Below the age of 35, the number of households renting exceeded those owning a home. Previous censuses indicate the ages which have marked the changeover between renting and homeownership; 32 (2011), 28 (2006), 27 (2002), 26 (1991)