



SOCIETY OF
**CHARTERED
SURVEYORS**
IRELAND

National Planning Framework Submission – Ireland 2040



RICS

the mark of
property
professionalism
worldwide

NPF Submissions,
Forward Planning Section,
Department of Housing, Planning,
Community and Local Government,
Custom House,
Dublin D01 W6X0

10th November 2017

National Planning Framework

Dear Minister,

We enclose our submission on the National Planning Framework (NPF) for your consideration. This submission is informed by our 12 Professional disciplines across planning, construction, agency, land surveying and asset management. SCSi is a national organisation for Chartered Surveyors in Ireland and we are delighted to share with you our experience, knowledge and data to help finalise a realistic, measured and appropriate structural plan for our nation for the next 20 years.

If you require any further information, please do not hesitate in contacting us.

Yours sincerely,

Aine Myler

Director General

Ireland 2040 – Our Plan

Demographic change does not respect economic conditions, and while the economy moved sluggishly through its lost decade, the population was increasing and new households were being formed. Between now and 2040, the Irish population is likely to increase by one million. Therefore, at least 500,000 extra homes are required to be close to services and amenities. In terms of where those new houses will be needed, international comparisons suggest that in just over 50 years the world's urban population grew from 34% to 54%, and is set to continue according to UN with it reaching 66% by 2050.

Ireland's economic development suggests that much of this demand will be in our cities and the National Planning Framework needs to reflect this housing growth pattern, to take advantage of existing infrastructure and services.

For the first time since 1966, the Census has shown that household size has stopped contracting – in 2011, the average number of persons per households was 2.73 and in 2016 it was 2.75. The SCSi does not believe this a societal trend but a result failure in supply to align with needs. This suggests there is a significant pent-up demand for housing, which, if it were available and affordable, household size would continue to fall as people form their own new households. There is a clear shift in demand internationally away from the traditional three-bed home towards apartment living in line with the trend for urban living. Yet both Irish local authorities and private sector developers find it difficult to segment the population into new models, and thus there is an on-going mismatch between housing types being demanded and provided, driven by weak data and a long time lag between commencing and completing new developments.

An example of the need to think differently about behaviour was a report commissioned by the Ireland Smart Ageing Exchange & the Housing Agency. In "Housing for Older People – Thinking Ahead", their analysis of the demographic changes found that Ireland would see the over 65 population double by 2050, from 12.4 per cent to 24.9 per cent. Their focus group results found that currently "a significant number live in the same house that they did 20 years previously". They found this was not due to "lack of finance, rather the lack of choice or supply".

Ensure consistency with Regional, City and County planning policies

Provide for 'coherent flexibility' to respond to the socio-economic evolution of the capital and cities, facilitating higher density commercial development in appropriate locations, and nurturing opportunities for economic growth by servicing lands identified for strategic development. The SCSi's Housing Supply Capacity in Dublin's Urban Settlements 2014-2018 (2014) highlights those areas where significant opportunity exists to bring forward serviceable development land to deliver residential dwellings, connected to planned enterprise and employment locations via a high quality transport network.

Recognise the chronic housing supply shortage in the Greater Dublin Area

The urgent need to improve the level of supply of housing to provide for the existing and projected population growth within the Greater Dublin Area (particularly within Dublin) is massively important to the viability of the Strategy and its overarching vision. The SCSi's Ten Step Strategy to Address the Housing Supply Shortage (2014) notes that a significant barrier to unlocking supply of housing relates to infrastructural deficits.

Reaffirming the Greater Dublin Area's reputation as a dynamic and competitive city region, attractive to Foreign Direct Investment (FDI) and responsive to the needs of business (for employment creation). Problems in relation to meeting accommodation needs of new FDI employees are compounded when transport infrastructure investment fails to meet the expectations of international businesses.

Supporting the objectives of recent policy and prioritisation

Be cognisant of, and conducive to, supporting the objectives of recent policy and prioritisation such as Construction 2020 and the Public Capital Investment Programme 2020. Indeed, the SCSI Review of (Capital Investment) Priorities to 2020 (2014) specifically highlights that in addition to national infrastructure road and transport linkages, there is a need to ensure that local transport infrastructure deficits are met through the Public Capital Programme 2015-2020 and sets out specific recommendations in this respect.

The SCSI recognise that a holistic transport strategy for the Greater Dublin Area is needed, and that future investment in transport infrastructure in Dublin, Kildare, Meath and Wicklow must be prioritised and focussed based on integrated land use and transportation planning objectives. The DECLG's Planning Policy Statement 2015 reaffirmed commitment to quality forward planning, stating that it strives to ensure that the "...right development takes place in the right locations and at the right time and in providing the social, economic and physical infrastructure necessary...".

Residential

According to Geodirectory, the vacancy rate (excluding holiday homes) stood at 4.9% across the country. This is half the rate estimated at the time of the Census in April 2016. On a regional basis, the lowest vacancy rate is in Dublin, where it stands at just 0.9%, versus 6.6% in the Census (see chart below). The highest vacancy rate is in Leitrim (16.6% versus 20.8% in Census 2016). Across the country, the vacancy rate is substantially below the Census estimate, though the order of counties from high to low is the same. Some definitional issues are likely to be playing a role in the difference between both datasets and is another example how investment in collaborative data collection projects are important and should be prioritised for funding.

Certainly, the performance of Ireland's economy and wider market conditions will influence the level of investment that is made in the residential property market, at both the 'single house' purchaser level and the major investor level. With rising rents in the housing rental market most pronounced in Dublin, which is further compounded by the very limited supply of houses, commuter-belt counties such as Kildare, Meath and Wicklow may face additional pressure to cater for demand for housing in the coming years. Alongside this, parts of Dublin where housing pressure has been less intense, such as north and west Dublin, may also face renewed pressure. With less than 11,016 houses built in 2014, Ireland is falling significantly short on annual minimum housing requirements. The availability of lands zoned for residential development and potentially available for development, based on SCSI research from 2014, stood at 2,333 hectares within the four Dublin local authority areas. The Department of Environment, Community and Local Government's Residential Land Availability Survey 2014 Summary Report (February 2015) broadly reaffirms the SCSI's findings based on an exploration of planning data during 2014. It is clear that there is sufficient zoned lands with capacity to provide for the projected population growth of Dublin.

The National Planning Framework should be cognisant of the lessons of the past. When planning policy was overly politicised, the resulting massive oversupply of the wrong in the wrong location might have been avoided. In turn, the confidence from such research should encourage the early

supply of new sources of development finance, to combat the threat of housing shortages and to provide the right types of accommodation in locations where profitable development can again occur.

If Ireland is to adequately address our housing crisis, there is an urgent need to promote higher density. Land is not an endless resource. The Irish planning system needs to change to support the provision of higher density schemes to be seen as an attractive solution to both investors and occupiers. The Build to Rent model, well established in many countries like the UK and the US for many years, has proved a successful way to deliver affordable housing in urban locations and provide many additional services such as reserved access to amenities like gyms, dry cleaners, communal rooms, venues for parties etc. Our planning system needs to adapt quickly to encourage the provision of Build to Rent schemes and our rental legislation needs to change to reflect the long-term leasing in order to providing security of tenure and choice for occupiers.

Serviced land

Draft NPF: "When the Framework is finalised after public consultation, Ireland 2040 will be published alongside a 10-year National Investment Plan, meaning that implementation of the Framework will be fully supported by the Government's investment strategy for public capital investment and investment by the State sector in general."

During the recession, Ireland's public capital investment programme was slashed, with investment in Ireland's physical economic and social infrastructure falling from c. €6bn in 2010 to €3bn in 2013. With the recovery of the exchequer position, there has been a steady increase in capital investment, with around €4.25bn scheduled for investment in 2017. Government has also signalled its intention to return to the creation of multi-annual capital envelopes of funding. SCSi welcomes both this increase in capital investment as well as a return to medium-term budgeting, as this provides clarity and certainty for businesses which intend tendering for public capital works. SCSi recommends that government continues to monitor the administration of tendering for public works, to ensure that the process of tendering is rigorous but not so administratively burdensome that it excludes small businesses or new entrants into the Irish construction sector. It is also important that public investment is targeted to remedy any existing bottlenecks to economic growth, and where demographic changes require increased investment. This is especially important in areas such as schools and hospitals where public investment may not have kept pace with population growth. As the economy continues to recover, the exchequer position will become more favourable with greater resources to invest in infrastructure to make up for the cuts seen during the recession. SCSi recommends that government borrows additional revenue at low interest rates from EU sources, the European Investment Bank and internationally to allow for investment in key nationally important strategic infrastructure. SCSi has welcomed the government's 'Building on Recovery: Infrastructure and Capital Investment 2016-2020' but is concerned that adequate investment is not being made available as soon as it should be, with particular regard to the recent Brexit vote and the potential economic impact it may have.

Commercial property

The SCSI recognise that increasing urbanisation and industrial growth can provide additional economic benefits, and infrastructural development can support and manage this process. By providing better access internally (within the Greater Dublin Area and throughout Ireland) and consolidating trade links with Europe and internationally, growth in GDP per capita can be accelerated and a greater return on investment in transportation and other infrastructure can be achieved.

Similar to the housing market, and as shown in the above-referenced figures, supply problems have been experienced, pushing office rents higher. This is a very important influence on international competitiveness. In the SCSI Annual Commercial Property Review & Outlook 2015, SCSI members reported that the Greater Dublin Area office rent for Prime 'Grade A' offices in 2014 was €452 per sq.m., representing a 29% increase on 2013 prices. Average prime '3rd Generation' offices fetched €389 sq.m., conveying a 13.7% increase. Dublin-based SCSI members expect a 12% increase in rents by year end on prime "Grade A" office space, though with an acute shortage of space in this market segment, that figure could well be exceeded. Indeed, €646 per sq.m. by the end of next year is not unrealistic. While these increases signify positive growth in the Dublin market, members reported wide-spread concern over the lack of new supply in the region, particularly in prime 'grade A' spaces, whilst similarly concerns over the acute shortage of housing to support the expanding work force was also highlighted. Having experienced a negligible level of construction since the financial crisis, the SDZ Schemes such as the Docklands SDZ will see the commencement of new commercial building projects during 2015. However, it is essential that the fast tracking of commercial property projects that will support sustainable job creation and boost the economy, is facilitated. A coherent and logical Transport Strategy for Ireland's key economic region will contribute to ensuring that Dublin and the Greater Dublin Area remains attractive for international business. The IBM Global Location Trends 2014 Annual Report results found that Ireland continues to be "the top performer in the world" for the quality, added value and knowledge intensity of the jobs created by Foreign Direct Investment projects (particularly in the R&D part of Life Sciences and ICT, together with Financial Services investment). Of the top ranking destination countries by estimated jobs, per million inhabitants (2013), Ireland places fourth, while it records the number one slot of "top ranking destination countries by average value of investment projects". Nationally, Ireland's position in the World Bank's Doing Business 2015 Going Beyond Efficiency report has improved, ranking 13th out of 189 economies. It is important to note that Dublin sits within the top ten of global destination cities for FDI, based on projects secured. The European Commission's Atlas Mapping the European ICT Poles of Excellence: The Atlas of ICT Activity in Europe (2014) details the top performing ICT hubs, and Dublin ranks 16th out of 34 regions (1,303 regions were assessed by the European Commission). The Financial Times 'Foreign Direct Intelligence' Global Cities of the Future 2014/15 ranked Dublin in fourth place, behind Singapore, London and Hong Kong respectively. Six criteria were explored, encompassing Economic Potential, Business Friendliness, Human Capital and Lifestyle, Cost Effectiveness and Connectivity, and FDI Strategy. Dublin came first for large city Business Friendliness, second for Human Capital and Lifestyle, and second for Economic Potential. Notably, Dublin placed 10th for connectivity.

There has been an increased interest in Dublin as a property investment centre, the conditions and supports which make the Dublin region attractive must be maintained, and this extends to accessibility and connectivity through the transport network. Certainly, there are a multitude of "ranking reports" which pit Dublin against other European and international cities, but the reality is that the Greater Dublin Area is now at the scale, in terms of population, to be in competition with

cities and regions globally. There has also been an additional increase in interested following Brexit. International companies have established headquarters here, and many of those Irish companies with a strong export-led focus are continue to operate here. The SCSi highlights that, for the Greater Dublin Area to remain competitive and other cities to compete against their international league of cities, sufficient resources must be in place to reflect a quality offer for investors. Market size, market growth, openness of economy, financial and economic incentives (e.g. corporation tax), production costs, economic stability, human capital and infrastructure are some of the fundamental considerations for investment decisions to foreign markets.

Transportation considerations such as ease of access, connectivity, congestion, commutability, and logistics are all crucially important. Continued and focus investment that leverages transportation network and serviced land is will ensure that opportunities for investment continue to be made available. Other legislation and policy imitative should follow from the NPF to ensure that zoned land is coming to market.

Data supporting the new model

Good decision making relies on good information. Having an accurate read of our operating environment improves the chances of solid business decisions being made and the chances of organisations attaining their highest possible performance. Conversely, inaccurate data misleads individuals and businesses, resulting in poor decisions and uncertainty around operating conditions. In short, effective strategic decision making is built on reliable quantitative and qualitative inputs. This applies to government agencies as well as industry. Government needs to drive and develop accurate research and data on the supply, type, location and availability of new housing units. The construction of new housing is cyclical in nature – driven by many factors including demographics, economic conditions, public sentiment towards home ownership and changes in government policy – and the lag time from the commencement to completion is particularly critical when our housing delivery system is predicated on poor data and market inefficiency. One of the Celtic Tiger legacies, an oversupply of housing, much of it in the wrong locations, followed by a dearth of new housing development is not unique to Ireland. However, with historically poor or siloed datasets, we should not be surprised when Ireland experiences significant inefficiencies in all parts of the housing system. In 2014 of the SCSi Gold Medal recipient, John Mulcahy, former Head of Asset Management with NAMA, called for the development of good data to better inform the market; “There is an absence of real-time quality information as to what is going on in the engines of the property and construction markets. The whole information base we now have seemed to be geared to those who seek a more leisurely and reflective look at the economy and economic history and less to business and citizens who have to make decisions in real time in the here and now.” The Chief Economist of Goodbody stockbrokers, Dermot O’Leary, commenting in July 2017 stated: “Accurate statistics are the bedrock of good policymaking. With increasing question marks about the accuracy of Irish housing statistics, there is a risk that inappropriate policies will be applied. This is all pointing in the direction that more aggressive moves are needed if Ireland is to solve its housing problems.”

With our public interest remit and through the volunteerism of its expert members, SCSi sought to provide independent, real-time market cost data to fill this lacuna. In 2016, the SCSi completed a report on the “Real Cost of New House Delivery” to illustrate the cost for a three-bed semi-detached home in the Greater Dublin Area and in Autumn 2017, the SCSi will publish a similar report on the actual costs of delivering apartments to the market. We believe that it is imperative to support and provide good quality data to help identify the challenges and to solve the problems being experienced in our housing market. The government, through its various agencies, holds significant datasets, but the lack of co-ordination, data sharing and analysis means that opportunities to better

plan for our future are lost. The data deficit is not limited to information relating to housing construction. The limited data available for commercial leases and the lack of a commercial property price register is another area where the publication of sales results and rental levels could assist the proper functioning of a sustainable property market. The publication of such data and the promotion of transparency in the commercial property market would have many benefits for consumers, business and local government. SCSi believes that promoting good data offers many benefits and improves government's ability to manage risk and produce results. Data-driven and evidence based policy making would also allow for a more rational public debate on sensitive topics, like the current homelessness crisis and the gap between official assessments for vacant homes. Good data can also act like an 'early warning system'. Clear and open analytics prior to the economic crisis would have alerted policy makers and investors to the risk levels in the economy and the property market. Operating 'blind' to the data impedes the pace of supply to meet demands and adds unnecessary risk to the market, which in turn reduces the willingness of policy makers to take the aggressive action needed or to encourage and support development.

References:

SCSi's Pre Budget 2018 Submission - https://www.scsi.ie/documents/get_lob?id=1326&field=file

SCSi's Submission to the National Transport Authority in advance of the preparation of the Greater Dublin Area Transport Strategy 2015-2035:

https://www.scsi.ie/documents/get_lob?id=490&field=file