



SOCIETY OF
**CHARTERED
SURVEYORS**
IRELAND

SCSI Submission Government's 'Housing for All' Strategy

May 2021

Housing for All Submission

1. Name of Organisation:

Society of Chartered Surveyors Ireland

2. Briefly describe your organisation?

The SCSi has approx. 5,000 members nationwide and in conjunction with RICS, awards the chartered surveyor professional qualification which is the internationally recognised mark of excellence in the construction, land and property sectors. The Society act in the public interest: setting and maintaining the highest standards of competence and integrity among the profession; and providing impartial, authoritative advice on key issues for business, society and governments.

Members of the profession are typically employed in the construction, land and property markets through private practice, in central and local government, in state agencies, in academic institutions, in business organisations and in non-governmental organisations.

3. Having regard to the housing objectives set out in the Programme for Government, what other key objectives should be considered? How should these objectives be prioritised?

Within the Programme for Government, Our Shared Future (published October 2020) it states that,

“We believe that everybody should have access to good quality housing to purchase or rent at an affordable price, built to a high standard, and located close to essential services, offering a high quality of life. We understand that the provision of more affordable housing has a profound benefit socially and economically and believe that the State has a fundamental role in enabling the delivery of new homes and ensuring that best use is made of existing stock”.

The delivery of new housing supply is the only long-term, sustainable solution to address the protracted housing crisis, address price volatility of the housing sector, and safeguards Ireland position an attractive place for international investment by ensure that appropriate accommodation is available for staff.

CSO data reports that family formation sizes are plateauing. An average family formation size now stands at 1.38 according to the data from the Census in 2016, but this has fallen markedly compared with the period 1996 to 2006. This suggests that we need to plan for an adequate mix of unit sizes (i.e. to include one and two bedroom homes) as opposed to applying too much emphasis on the traditional 3- or 4-bedroom house delivery. This is an obvious consideration of national planning policy, however, the Housing for All plan must take account of these changing demographics in a way to ensure the new apartment delivery model for example, is adequately supported to meet the changing needs of society. Latest forecasts from the CSO report that Ireland’s population could grow by as much as 1 million people in the next 20 years. Whilst there are many estimates regarding the number of new homes needed over the next ten years, it is believed that this is somewhere in the region of 30,000 and 35,000 as an overall need’s requirement to 2030. To put this into context, new housing unit requirements could be as high as 400,000 new homes during this period.

At present, Ireland's home mortgage market has liquidity of €9.2¹Bn. New housing completions for 2020 amount to 20,600, well below what is needed to meet current realisable demand. Based on an estimated total new home's requirement of 400,000 in the next 10 years, a total liquidity of €200Bn may be required to fund new mortgages. Recent decisions by at least two major banks to leave the Irish market is a significant concern for future investment plans including the 'Housing for All' and therefore it is imperative that this Strategy takes account of the financial capacity of the investment market to fund any ambitious plans and clearly identify other risks that may result in missed new home targets.

How we currently deliver new homes to the market is derived from a mix of offsite construction and traditional building methods. Innovation in construction has advanced in recent years, but more can be done to deliver more efficiency in the industry. Through the SCSi's involvement in the Construction Sector Group and the Department of Public Expenditure and Reform, plans are underway to research the best approaches to help educate and innovate the sector so that more can be delivered with less and automation improves efficiency, output and standards. While this initiative is to be lauded, significant momentum is important so that the outcome of innovation plans supplement initiatives that stem from the Housing for All plan.

Affordability should be at the centre of the Plan

The challenge of delivering new, affordable and appropriate accommodation to the market for current and future needs is a complex one. Affordability must be at the heart of the solution to address our housing crisis. Recent studies published by the SCSi in relation to new house and new apartment construction/delivery, highlights that a new 3-bedroom semi-detached costs €371,000 (2020, Dublin) to deliver, while the delivery of two-bedroom apartments in Dublin can range from €315,000 to €551,000 (ex. VAT) (report provides average costs across a number of apartment categories). The borrowing limit for an average income earning couple is €308,000 and by adding the 10% deposit requirement as per

¹ Banking and Payments Federation of Ireland

Central Bank of Ireland macroprudential rules for first-time buyers, a shortfall of c €25,000 exists (excluding Help to Buy scheme). For new apartments (Greater Dublin Area), there is an affordability issue for those households earning less than €90,000 per year and therefore new apartments being delivered are well outside of the purchasing capacity of FTB's.

It is clear from this data that viability and affordability are the key concerns and challenges facing the industry. There is no one solution to address the challenge, but a number of measures to increase supply are needed if housing targets are to be met.

Owning your own home

Home ownership is at 67% (CSO, Census 2016) and has seen a drop from 69% from 2011. A wider policy conversation with stakeholders is required to establish objectives for a satisfactory longer-term housing tenure mix to work towards. Decisions must be taken as to the appropriate mix between home ownership, private rented, public rented during the lifetime of this strategy. Utilising a Commission for Housing to establish an agreed objective such as adequate tenure mix (owner occupation and rented) is a good starting point to set objectives for the next 10 years.

Earlier in this submission, we highlighted the affordability and viability issues uncovered within our cost data reports. The Help to Buy scheme supports first time buyers who may find themselves unable to meet the purchase price of a home due to mortgage borrow limitations. The CBI lending rules have indirectly influenced national property price inflation by creating a purchase ceiling on those requiring mortgages for purchasing homes.

Mortgaged buyers can often be disadvantaged when competing against non-mortgaged buyers for property for reasons such as additional bidding/purchase restraints placed on mortgage buyers.

It is also important to remember that the property market is no longer a single market, but rather a series of micro-markets and a 'one size fits all' approach may be inappropriate. A more tiered or phased approach to the loan to income and deposit requirements should be considered depending on location.

The CBI lending rules are focussed on de-risking over-lending by banks to individuals. The 3.5 LTI ratio is working well and achieving this, however, the rigidity of this ratio does not currently account for external factors which are influencing the volume and costs of housing, such as the viability and delivery costs of construction. The SCSi understands that there is a concern from the CBI, that if the LTI ratio is increased, then this may result in property price inflation.

One way to mitigate this risk and concern is to permit an increase in this ratio for certain property types/locations/ values. This policy approach would also align with other important Government policy such as promoting the purchase of higher density property types in urban locations. It would further support the Project Ireland 2040 Plan and Ireland's National Planning Framework. Current LTI's may be disincentivising some purchasers from purchasing homes in urban centres (cities) in favour of more affordable locations such as commuter towns and suburbs.

The push towards higher density living by the Government is part of an effort which seeks to reverse urban sprawl to promote more compact living. Therefore, it is likely that Government policy and the Housing for All strategy must evolve further to manage the impact that the mortgage lending rules are having on some buyer profiles and their tendency to purchase in less urban locations in favour of more affordable areas

Further consideration should be provided to the availability of a variety of housing types to meet the varying needs and affordability threshold of all society. Ireland's population increased by almost 1.9 million between 1956 to 2016, rising from 2,898,264 to 4,761,865². It has also been well documented that life expectancy has risen by several decades over the last 100 years and is projected to accelerate over the coming years³. This trend of an overall an ageing population underpins the importance of considering housing tenure and housing

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https://www.cso.ie/en/media/csoie/releasespublications/documents/population/2017/Chapter_1_Population_change_and_historical_perspective.pdf

³ <https://publichealth.ie/wp-content/uploads/2020/04/20200416-AGEING-PUBLIC-HEALTH-SUMMARY.pdf>

type in terms of demographics and overall societal need for different types of housing and means by which to own and occupy property.

Once a high-level vision is agreed by all Stakeholders, only then can more detailed targets be applied to meet the objectives. Utilising a Commission for Housing represented by all Stakeholders is an important avenue to examine such targets.

It is clear from our delivery costs studies that there is no one solution to address the affordability issues pertaining to the delivery of new apartments and houses. It is multifaceted and requires incremental changes in multiple areas to bring down delivery costs with involvement and support from both the public sector and the private sector. Whilst the introduction of the Help to Buy scheme and the proposed Shared Equity Scheme may also assist first time buyers own their own homes, the focus must be on the overall delivery costs and managing these to ensure housing remains affordable.

Land cost is one factor that if addressed, will help to reduce overall costs. Land and acquisition costs are on average €61,000 in the delivery of a 3 bedroom semi-detached house in the Greater Dublin Area, equating to approximately 16% of total costs. The establishment of the Land Development Agency to strategically manage state assets such as development land has a crucial role to play, to ensure that lands are made available to deliver much needed housing at an affordable level. However, agreement or discussions on 'affordability' is required to ensure that homes, when made available is at an affordable price point that is achievable for aspiring homeowners in regular employment.

It is well versed and acknowledged by many that access to affordable housing to purchase or rent in our cities, namely Dublin, is a major challenge for this government. Our 'Real Costs of New Apartment' report highlighted that new apartment purchase is either not available in the city or well beyond the price point of most aspiring purchasers.

Our report highlights that apartment development is showing positive signs of growth in many urban centres across the country and this is to be welcomed. Planning permissions for apartments are increasing and for the first time are higher compared with the number of planning permissions for houses. Much of this positive change is attributed to the good work of the Department of Housing, Local Government and Heritage. Apartment development is primarily driven by the build-to-rent sector, with less supply of available

units for those wishing to purchase new apartments. Because of the expensive nature of apartment development, it is often difficult to ensure the viability of new units for the sales market; instead, investors and developers seek a long-term yield from the development to make the investment viable.

Apartment total development cost across the four categories examined in our apartment costs report varies from €315,000 to €551,000 (ex. VAT) depending on design and car parking strategy. The site cost is another large variable with lots of underlying, interconnected cost drivers. The site cost included in this report ranges from €28,500 to €80,000 per apartment. Therefore, there is still an issue with apartment affordability whereby a couple need to have a combined salary of €97,500 to afford a suburban apartment at the lower end of the scale. While the Help to Buy Scheme is available to qualifying first time buyer applicants, this initiative is a short-term measure, updated and renewed from time to time. But again, what is the long-term strategy to tackle housing affordability concerns?

The Central Bank macroprudential rules require that first-time buyers provide a 10% deposit, yet second and subsequent buyers are required to have a 20% deposit. Taking a wider look at the various regulations and initiatives shared between Government and the Central Bank of Ireland, perhaps there is a better way of incentivising and supporting home buyers to purchase in urban and suburban centres in the interest of compact growth and sustainability for the environment. For renters, and chiefly those renters who find themselves unable to apply for social housing and also unable to apply for a mortgage due to insufficient income, a cost rental model is a very positive and achievable solution. The development of government policy and schemes for the roll-out of a more active cost rental model is one to be supported to assist families and ultimately reduce the high burden on the private rented sector to cater for all renter types, both private tenants, and public and publicly supported tenancies.

In terms of suggested key priorities to address housing delivery, we believe the following merits consideration to bring about effective and positive change;

- Establish the Commission on Housing as set out in the Programme for Government and engage with Stakeholders to agree and implement a Strategy

for Housing. The strategy must be measurable so that all entities are accountable and responsible for meeting targets.

- The Commission should have a broad scope to examine and make recommendations to improve social and private housing delivery to achieve an affordable and sustainable housing model. This should set out any taxation treatment changes, or incentives needed to stimulate more affordable housing supply.
- Develop a research project through the National Centre of Excellence to examine innovation initiatives to support modern methods of residential construction as part of its initial research work.
- Leverage the Land Development Agency and Local Authorities to deliver new alternative models of delivery for social housing.
- Commence a large-scale public-sector house building programme via Local Authorities to take advantage of a likely softening in construction costs over the coming two years.
- Review Public Procurement of social housing procedures to allow more efficiency in preparation for increased activity in social housing delivery. Significant procurement delays are a common feature including additional design and related costs often encountered when delivering public projects.
- Develop a public development land sales' register of all development land transactions to inform stakeholders and policymakers in shaping public policy. A lack of available data for the cost of land for housing is an issue that has been identified in this report.

- A full independent Cost Benefit Analysis should be carried out ahead of any new regulatory and statutory measures that will impact on the overall delivery costs of new housing. The Society has consistently advised that such a recommendation would be of value to policymakers. As outlined in our report, regulatory and compliance costs have been identified in our report as a key contributory factor to the increase of “hard costs” since 2016. This recommendation featured in our 2016 report and we are again calling for such a cost benefit analysis is undertaken, particularly in regard to their impact on housing delivery costs.
- Establish a longer-term plan for FTB supports such as the Help to Buy Scheme and the proposed Shared Equity Scheme
- Planning resources – it takes c.14-18 months to get a 100- unit scheme to planning (assuming no judicial review), which adds significant holding costs. Planning reform is required which gives more certainty on the planning process whilst taking account of local resident observations.
- Living City Initiative/Bringing Back Homes – promote and provide additional financial incentives to deal with additional costs and provide solutions to building regulation issues that in some cases are a barrier to renovation and reuse of older structures.
- Infrastructure – pre-fund site infrastructure to enable residential development, similar to the Local Infrastructure Housing Activation Fund (LIHAF)

- Judicial reviews – examine the legal threshold to allow reviews. Significant delay to supply can be as a result of JR's. In some cases delays are due to minor administrative errors. This is becoming a significant concern and in cases a barrier to residential delivery.

- Local Area Plans - carry out Financial Viability test prior to implementation to ensure units can be delivered especially where increased density is envisaged.

4. What are the main obstacles to delivery of housing across tenures (e.g. social, affordable, private rental and private homeownership) and household types (e.g. single person households & families)? What short or long-term actions should be taken to increase the scale and speed of delivery and improve approaches to delivery of housing?

Home ownership is an aspiration of many but sadly can be unattainable and can result in tenants who may wish to move to home ownership after a number of years of renting remaining as tenants for the long term. Often, this means that they may face higher monthly rent costs compared to possibly lower mortgage repayments if they were to become homeowners and ultimately monthly payments do not lead to the ownership of an asset which in turn brings an element of security to the individual.

Many young families begin on their accommodation journey by renting for the short term. Renting can be expensive and therefore some families can become 'trapped', no longer able to save for a mortgage to buy their own home. Although rents have regulation in place to control inflation, the most significant issue is lack of new housing supply which is driving up rents. Recent studies from the SCSl⁴ have shown that there is a growing trend of smaller landlords leaving the market. Our data suggests that many of these may be accidental landlords and are leaving as negative equity is no longer an issue, or due to complex

⁴ SCSl Annual Residential Review & Outlook Report 2020

regulations and difficulties managing non performing tenants, means that after taxes are a paid, the return is not sufficient to match the risk involved.

In the past 6 years, government strategy reviews were carried out on the rented sector and regulation within. Since then, added layers of regulation was introduced without adequate enforcement or balanced supports for landlords and tenants. At present, we believe that tenants still do not have adequate security of tenure and landlords are still dealing with inadequate supports to address non performing tenants. The Commission for Housing should be established to agree a vision for the housing market. New supply to the market is the greatest chance for government to address many of these challenges facing our growing population.

The construction sector needs the direction of government to meet current challenges. The *'Economic analysis of productivity in the Irish construction sector'*, report identifies critical areas where investment and actions are required to assist the construction industry to mechanise and to innovate in the interest of faster builds and more sustainable builds efficiencies within the manufacturing and building process. The SCSi fears that Ireland will remain with a significant housing demand and supply imbalance for at least another decade if the status quo remains. Tighter supply may result in higher accommodation prices and this can have a detrimental effect with attracting new FDI into Ireland.

The construction sector in Ireland is a major employer with approximately 150,000 employed and activity output in the range of €25bn in 2020. Improvements in efficiency through innovation continue and will remain a feature of this industry for the medium term as further focus to deliver more for less and deliver more sustainably is a priority for Government and stakeholders.

Advances in technology such as building information modelling (BIM), etc., have enabled the construction industry to improve efficiency in the sector. It is promising to see the Department of Public Expenditure and Reform taking a lead role to foster an environment within industry for further innovation to take place through the Construction Sector Forum.

Policy Priorities

- Cyclical nature of construction sector impacts delivery of new homes:
The consequential challenges that arise as a result of volatility in demand for both private and public capital works affects the economic viability of firms, employment security and capacity to invest in people and resources, which has a significant impact on productivity.
- Pipeline: Lack of clarity on forthcoming public and private sector work impacts firms' confidence to invest in resources, technology, training and upskilling. This then impacts on firms' appetite for the development of specialised areas such as off-site production.
- Complex planning system: Current approval processes for planning in Ireland are lengthy and uncertain require a significant administrative effort and cost with a resulting impact on time and resources and a consequent adverse impact on productivity.
- It should be considered that another review of Strategic Housing Development is carried out to ensure that any decisions regarding the ceasing of SHD's is the correct one.
- Procurement and contracting: Issues raised as part of this review include the bureaucratic and onerous nature of Ireland's public procurement processes, exclusionary qualifying criteria, poorly defined project briefs, unrealistic budgets, a lack of understanding of the complexity of the construction stage on the part of clients, a lack of collaboration with all members of the supply chain, and suboptimal risk transfer mechanisms. The result of this can be that less contractors apply for tendering thereby reducing competition in the market and

as a result can reduce value for money for the taxpayer. With the likely reduction in private sector construction activity to take place into 2021, it is important that the utilisation of private sector contractors are leveraged to deliver important construction projects at a cost-effective rate.

- Fragmented nature of the sector: While not unique to Ireland, the complexity of the supply chain, with dependency on subcontractors and agency workers, can greatly reduce productivity, with multiple parties working to different schedules and budgets. This can lead to poor decision making at initiation, planning and execution stages of a project.

Key consideration should be given as to how public investment may be harnessed to drive innovation in the sector such as through the proposed development of an Innovation Centre of Excellence for industry. This will foster an equipped, confident sector which can deliver on key Government objectives such as residential retrofitting and may provide export opportunities for our country

5. What actions should be taken, in order of priority, to ensure that housing is available for all sectors of society, including our ageing population and people with disabilities?

Ultimately, a long-term overarching housing strategy which takes account of and caters for the needs of all in Society e.g. changing demographic trends such as an ageing population, different family structures and the needs of marginalised groups. Such a strategy should provide an overarching framework to inform housing and accommodation requirements for the population for all stages of the life cycle and to meet all needs, and how these requirements can be achieved with consideration given to sustainability and spatial planning from the outset. Such a strategy must be enforced by underlying support from all Stakeholders in achieving accessible and affordable housing for all. This should further be informed by an analysis of the national demographic and needs of all groups including marginalised groups.

As mentioned previously in this submission, affordability should be at the forefront of all considerations for housing development. There is no one single solution to addressing high delivery costs in Ireland, however, a range of factors should be considered including ensuring a digitised and skilled workforce and ensuring that sufficient regulatory and support structures are in place to assist the construction sector in achieving house building and retrofitting requirements at optimum cost and efficiency.

In our *Rejuvenation of our Small Town Centres* report, the Society has highlighted the crisis that rural communities in Ireland face as small town centres struggle with high vacancy rates and in recent years have seen outward migration as people relocated to more urban settings. Research from the Society has highlighted that agents have noted some home purchasers moving back to more rural settings following the increased facilitation of working from home over the last year, however, the impact on longer term migratory trends in this regard have yet to fully play out. Ensuring the vitality and long-term functioning of these smaller towns is critically important to ensure vibrant rural communities and – making better places to live, work in and visit. Town centres are a vital centre and hub for communities, particularly older communities.

Innovation should be at the forefront for considering the housing types that may be required for the population to cater for people with disabilities, the elderly etc. New housing should be reasonably accessible and adaptable for all. Retrofitting work should assist in providing quality and sustainable housing to improve overall quality of life.

6. Do you have any further comments on the development of the Housing for All policy and action plan that you would like to add?

As stated earlier in our submission, public policy must be informed by authoritative, reliable data so longer term strategies can be implemented to effect positive change in the sector. One of the greatest successes in recent times in relation to data sharing was the Government's decision to activate the Geohive, Arcgis, COVID Hub. It has been a resounding success for all stakeholders. Many acknowledge that it was an enormous task for Government to deliver but the benefits far outweigh any of the other alternatives that were.

To date, we have many disparate sources of geospatial data serving our land, property, and construction sectors, which single handily are indeed great for their purposes.

Time has come and is here now where we need a National Geospatial Hub that serves the needs of the public and the private sectors alike. It needs to be capable of considering the past, presenting the now, and providing for the future.

Our land, property, and construction sectors need one single source of geospatial truth (SSGT) that is robust enough to underpin our National Strategies and help us deliver long-term planning and development that is sustainable and in all the right places.

A SSGT with a hub where cogent interoperable data covering land, buildings, utilities, PRA, Valuation Office, planning, environmental monitoring, vacancy, in one centralised hub that enables access to all authoritative and administrative data would be a visionary leap forward and enable informed decision making.

Just like the Geohive COVID Hub spatial data is in one place, easy to use, visual and possible to understand.

Covid has proven the ability and needs to make informed decision making. There is a need for the same credible data equivalent SSGT for the land, property, and construction sectors.

Key structural support such as this portal would enable Ireland to step up a gear and have complete oversight and perfect governance. It will empower key decision-makers to have the utmost faith and see enhanced confidence in how we do business.

7. Do you have any supporting data or other material that you would like to upload?

- SCSi Real Cost of New Apt/House Delivery
- Annual Property Report
- TPI Report
- House Reinstatement Report
- Rejuvenation of Small Town Centres Report
- Macroprudential Rules Policy Paper
- Help to Buy Position Paper
- Retrofitting Position Paper