

## Country Report – Housing

With specific regard to housing, which has been mentioned above, Co-operative Housing Ireland accept and welcome many of the pronouncements made in the Country Report. It is clear that the Commission is keenly aware of the great challenges posed by the current housing crisis in Ireland. Key aspects raised in the report include rising rates of homelessness, house price and rental inflation, the potential impact of housing shortages on our economic competitiveness, and the lack of capacity in the construction sector as a result of the Global Financial Crisis.

In relation to **homelessness**, we would concur with the view of the Commission that ‘rapidly rising rents, insufficient residential construction activity and a lack of affordable and social housing have driven up homelessness especially, in Dublin’<sup>1</sup>. We would also agree that, as the Commission notes, the effectiveness of ‘policy measures...being taken to tackle homelessness’ remain ‘uncertain’.<sup>2</sup> In terms of a specific policy measure, Co-operative Housing Ireland would strongly advocate a wider implementation of the ‘Housing First’ model. Although Government has demonstrated a commitment to testing of the policy in the publication of the ‘Housing First National Implementation Plan 2018-2021’, we believe the current target of 737 adults to be far below what is necessary with respect to current homelessness figures, even taking into account the specific high-dependency focus of Housing First. Indeed, this was acknowledged in October 2018 by Juha Kaakinen, the chief executive of the Y Foundation, a social housing provider in Finland, in his declaration that ‘these projects are too small to have any real impact on the numbers of homeless’<sup>3</sup>.

With regard to **house prices**, continued concerns raised by the Commission with regard to ‘the price-to-income ratio’, despite ‘more stringent macro-prudential rules’<sup>4</sup> are welcomed by Co-operative Housing Ireland. It is our view that credit-based Governmental initiatives, including the Help-to-Buy scheme, which appears to be referenced in the report, have simply served to inflate house prices in Ireland, as highlighted in the 2018 OECD Economic Survey in their statement that, while such schemes, ‘may improve affordability in the short-term...(they) will do little for affordability over a longer horizon if they feed into rising dwelling prices’.<sup>5</sup> While the report acknowledges that, as a result of rising house prices, there has been a reduction in ‘the number of those in negative equity’<sup>6</sup>, the detrimental impact of rising house prices in limiting access to housing perhaps suggests that the prevailing approach in Ireland, and indeed, across Europe, to housing as a commodity and an asset as opposed to a right and a shelter has, on the whole, served us poorly. The provision of mortgages under the Rebuilding Ireland Home Loan scheme at a loan-to-income rate of up to a 500%, thereby bypassing current macroprudential rules, is also a source for concern in this regard. In order to avoid repeating the

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<sup>1</sup> European Commission (2019) ‘Country Report Ireland 2019’, p.9. Available at:

[https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-ireland\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-ireland_en.pdf)

<sup>2</sup> European Commission (2019) ‘Country Report Ireland 2019’, p.39. Available at:

[https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-ireland\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-ireland_en.pdf)

<sup>3</sup> Browne, Collette. March 11, 2019. *The Irish Independent*. ‘Finnish model shows how a more radical approach could solve homeless problem’. Available at: <https://www.independent.ie/irish-news/finnish-model-shows-how-a-more-radical-approach-could-solve-homeless-problem-37456401.html>

<sup>4</sup> European Commission (2019) ‘Country Report Ireland 2019’, p.18. Available at:

[https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-ireland\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-ireland_en.pdf)

<sup>5</sup> OECD (2018) ‘OECD Economic Surveys Ireland : March 2018’, p.32., Available at:

<http://www.oecd.org/eco/surveys/Ireland-2018-OECD-economic-survey-overview.pdf>

<sup>6</sup> European Commission (2019) ‘Country Report Ireland 2019’, p.5. Available at:

[https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-ireland\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-ireland_en.pdf)

mistakes of the past, it is our view that credit-based initiatives should be avoided insofar as is possible and that Central Bank loan-to-value and loan-to-income limits should be strictly adhered to.

Continued rising **rents** are also referred to in the Report, with the Housing Assistance Payment pointed to potentially ‘exacerbating rent increases in the already supply-constrained private rental market.’ Co-operative Housing Ireland is in absolute agreement with such a statement. In addition, there exist widespread concerns with respect to security of tenure, and the overall cost to the State of such a demand-lead scheme, whereby up to 92% of market rents are paid to landlords. Indeed, a recent analysis has showed that, over a 30-year time-frame HAP will be €23.8bn more expensive than local authority provision of social housing.<sup>7</sup> The increasing privatisation of social housing in Ireland is thus a source of serious concern for Co-operative Housing Ireland. Co-operative Housing Ireland notes, however, that there is no reference in the report to the impact of the Rent Pressure Zones (RPZs). Though the rate of rental increases appears to be slowing, an increase of 10% nationally and 8.8% in Dublin between Quarter 4 2017 and Quarter 4 2019<sup>8</sup> indicates that the RPZs are perhaps not having the desired effect. Measures by which rental increases can be more rapidly tapered therefore require urgent review.

Co-operative Housing Ireland agrees with the Commission that ‘supply constraints in the housing sector could negatively affect **competitiveness**’<sup>9</sup> in Ireland. This is a view that is shared by a range of parties in Ireland, including IBEC, the National Competitiveness Council, and Friends First. It is absolutely essential to recognise and robustly address this risk. However, we also believe that it is vital that, in dealing with this specific facet of the crisis, that the overall *social* risks of lack of access to affordable housing are not overlooked. In other words, it is essential the importance of provision of adequate affordable housing to *all* households across the lifecycle, including those more economically vulnerable groups including lone parents and older people, is not underplayed.

Co-operative Housing Ireland welcomes the recognition by the Commission of the ‘weak capacity of the **construction** sector’ as an ‘obstacle to deliver the infrastructure and housing required’, and agrees with the proposal that the ‘sale or leasing of land to private promoters may be conditioned to its immediate development to avoid land hoarding.’<sup>10</sup> We would add to this that the implementation of the Vacant Site Levy introduced under the Urban Regeneration and Housing Act 2015 and referred to in ‘RI’ as a method ‘to incentivise the development of vacant and under-utilised sites in urban areas for housing and regeneration purposes’<sup>11</sup>, requires review. Indeed, there has been considerable debate with regard to its efficacy, with only ‘140 sites registered to be fined’, by only ten local authorities. Difficulties reported include a lack of clarity regarding suitability of the land for development, ‘infrastructural deficits’, and a lack of staff capacity.<sup>12</sup> If the Vacant Site Levy is to have a tangible impact on residential construction, it is essential that such issues are urgently examined.

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<sup>7</sup> Hearne, R., Murphy, M. (2017) *Investing in the Right to a Home: Housing, HAPs and Hubs.*, p.23. Available at: [https://www.maynoothuniversity.ie/sites/default/files/assets/document/Investing%20in%20the%20Right%20to%20a%20Home%20Full\\_1.pdf](https://www.maynoothuniversity.ie/sites/default/files/assets/document/Investing%20in%20the%20Right%20to%20a%20Home%20Full_1.pdf)

<sup>8</sup> Daft.ie (2019) ‘The Daft.ie Rental Price Report – Quarter 4 2018’. Available at:

<https://www.daft.ie/report/2018-Q4-rental-report.pdf>

<sup>9</sup> European Commission (2019) ‘Country Report Ireland 2019’, p.10. Available at:

[https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-ireland\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-ireland_en.pdf)

<sup>10</sup> European Commission (2019) ‘Country Report Ireland 2019’, p.50. Available at:

[https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-ireland\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-ireland_en.pdf)

<sup>11</sup> Government of Ireland (2016) ‘Rebuilding Ireland: An Action Plan for Housing and Homelessness’, p.62

Available at: <http://rebuildingireland.ie/Rebuilding%20Ireland%20Action%20Plan.pdf>

<sup>12</sup> Smyth, Oona. ‘Why have so few local authorities imposed the vacant site levy?’, January 19, 2019. *RTE.ie*

Available at: <https://www.rte.ie/news/analysis-and-comment/2019/0118/1024157-vacant-site-levy/>

Similar concerns have been raised with respect to Compulsory Purchase Orders of derelict or vacant units, with only '240 attempts...been made by county councils in the past seven years'<sup>13</sup>, with Louth County Council acquiring a disproportionate number of these properties.<sup>14</sup> Initiatives to encourage the refurbishment of private properties for use as social housing, including the Repair and Leasing scheme, introduced under 'RI', have also seen disappointing results, with only 48 units 'unlocked', in contrast to an expectation of 3,500 up to 2021.<sup>15</sup> It is clear that there exist a number of valid concerns with regard to such measures. However, it will be interesting, as noted by the Commission, to examine the impact of the newly established Land Development Agency in their role in regenerating 'under-utilised sites' and assembling 'strategic landbanks from a mix of public and private lands'<sup>16</sup>, as well as the recently announced Home Building Finance Ireland initiative for developers 'seeking to build viable residential development projects'<sup>17</sup> in encouraging supply of housing from the private sector.

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<sup>13</sup> The Irish Examiner. 'Councils attempt to buy only 240 vacant houses since 2011', 1 November, 2018. Available at: <https://www.irishexaminer.com/breakingnews/ireland/councils-attempt-to-buy-only-240-vacant-houses-since-2011-882498.html>

<sup>14</sup> Louth County Council (2018) 'Opening Statement by Mr. Joe McGuinness, Director of Services, Louth County Council to the Joint Committee on Housing, Planning and Local Government', p.4 Available at: [https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint\\_committee\\_on\\_housing\\_planning\\_and\\_local\\_government/submissions/2018/2018-12-06\\_opening-statement-joe-mcguinness-director-of-corporate-services-louth-county-council\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint_committee_on_housing_planning_and_local_government/submissions/2018/2018-12-06_opening-statement-joe-mcguinness-director-of-corporate-services-louth-county-council_en.pdf)

<sup>15</sup> McGee, Harry. 'Housing crisis: Has the Government delivered on rebuilding Ireland?' February 7, 2019. *Irish Times*. Available at: <https://www.irishtimes.com/news/politics/housing-crisis-has-the-government-delivered-on-rebuilding-ireland-1.3784446>

<sup>16</sup> Merrionstreet.ie (2019) 'The Government Launches €1.25bn Land Development Agency', Available at: [https://merrionstreet.ie/en/News/Room/News/Government\\_Launches\\_€1\\_25bn\\_Land\\_Development\\_Agency.html](https://merrionstreet.ie/en/News/Room/News/Government_Launches_€1_25bn_Land_Development_Agency.html)

<sup>17</sup> Department of Finance (2019) 'Home Building Finance Ireland Bill', Available at: <https://www.finance.gov.ie/updates/home-building-finance-ireland-bill/>