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What Kind of Residential Property Market do we Really Want?

Lorcan Sirr

Technological University Dublin, lorcan.sirr@tudublin.ie

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What kind of residential property market do we really want?

There is a lot of talk about the need for a 'recovery' of the market, but maybe any real progress will require fundamental reform

THERE IS MUCH discussion of the desirability of "recovery" in the property market, but there is far less discussion of what recovery really means, and for whom.

Debates surrounding recovery seem to be dominated by mechanisms to get owners out of negative equity and get house prices rising. Yet negative equity is not a problem for everybody whose property is worth less than is owed on it. It is not pleasant, but only a serious problem if the property needs to be sold.

Now is a good time to ask what kind of residential property market we would ideally like to have. There are several factors to consider.

Ireland has traditionally preferred home ownership to renting. In 1991, 81 per cent of the housing stock was owner-occupied, now it is more like 74 per cent, just below Greece and above the UK, and quite near the European average.

Renting is now becoming a preferred option for many and, as such, an ideal residential market would have a balance of tenancy options reflecting this shifting pattern. In other words, perhaps there should be more choices for non-owners in a "recovered" market and more balanced support for owners and non-owners.

This would involve reforming the private rented sector to give greater security of tenure to tenants and also to encourage large-scale professional residential landlords to enter the market to start providing long-term rental accommodation choices.

Another issue to consider is the degree of regulation an ideal market should have. Should there, for example, be a limit on the proportion of a purchase price that a bank can lend to a customer, or a

limit on the multiple of earnings it can lend? The UK is currently considering limiting this at 2.5 to 3 times earnings.

If the amount of money that could be borrowed was the same in each institution, then it is more likely that the market would remain relatively stable and institutions would have to find other ways to be competitive.

A thorny issue is whether or not an ideal residential market would have property tax, and if so, based on what? In reality, property taxes are already here, but still in their infancy in terms of the way in which they are generated.

The issue of whether the owner or the occupier should pay it must be addressed. How should it be calculated? Should it be based on value or size or location, or some other measure? Would taxing empty or little-used properties, as is done in Spain, encourage their better use or sale?

In due course, the residential market is going to need more properties, so given issues of who occupiers might be, the question of the type of buildings we construct (and currently destruct) are important.

Recently, we have built small apartments and dull mono-type houses on even duller estates for very homogenous groups of society. Mixed use has come to mean some residential accommodation for couples or small families and a Spar, a bookmakers and a Chinese take-away.

Wouldn't a recovered residential market also cater for the aged, for example, and for those who want to both live in an apartment and have a family?

The residential market should have something to offer the aged, the renters, the short-term occupiers, those wanting to buy, and those wanting to move

Information is also a key component of a functioning market. The stock market doesn't operate in an information vacuum. There should be complete access to information on selling prices, dimensions and running costs. A French estate agent's window will tell you the energy rating of the property and some the annual running costs. Access to information means informed choices and a transparent market.

Conversely, should landlords

have access to potential tenants' income or employment status? In many countries, they don't.

Recovery is ultimately a far more complex issue than merely seeing purchase prices rise again. We don't really live in a "free" market – all sorts of state intervention ensure this – so we can easily create a stable framework within which the market can operate.

I would like a market with international norms of vacancy and turnover, with development that caters for all society, bought and sold under careful lending conditions to ensure a large degree of stability and affordability. It can be done.

Perhaps fundamental reform of the residential property market is the real concept we should be discussing.

■ Dr Lorcan Sirr is a lecturer in urban economics at Dublin Institute of Technology

LORCAN SIRR

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