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Developers Hold Keys to Supply but They Can't Control Demand

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Students are ending up sofa-surfing at friends or making long commutes

NO PLACE LIKE A STUDENT HOME

Desperate times call for desperate measures and for this year's third-level students who are still trying to secure accommodation, some of those measures include couch surfing, long daily commutes and sleeping in hostels.

According to Union of Students in Ireland (USI) president Kevin Donoghue, finding a decent – and in some cases any – place to live is a growing problem for students, particularly in Dublin, Cork, Galway and Limerick.

The general housing shortage and an 8.2% increase in national rents over the last year are forcing students to spend multiple nights sleeping on couches or in hostels, he says.

The problem may also be having an impact on the choices students make about their courses and locations.

“The reasons for taking particular courses are becoming increasingly economic as opposed to academic, which obviously isn't beneficial for anyone in the long term,” Donoghue says.

He believes students are starting to

The most difficult part of a degree course is now finding some accommodation in a crowded market, says Grainne Rothery

settle for situations they wouldn't have considered three or four weeks ago, including three- and four-hour commutes. “I think it'll be a few weeks before we'll see the impact that will have,” he says.

Niall Clarke, lettings manager at DNG, says that most agents and landlords will not even consider students as tenants.

“Students are a higher risk as there's more wear and tear and anti-social behaviour. In the general rental market, you'd need to be in full-time employment,” he says. “As an agent for a landlord my job is to secure as good a tenant as I can. If students are competing with professional tenants with a good rental history, they're going to lose out.”

In Galway, Cathal Sherlock, a final-

year mathematical science student in NUI, found a house with two friends in the first week of October after a three-month search and numerous viewings. For the first three weeks of this term, the three rented a thatched holiday cottage on the Headford Road on a week-to-week basis.

“It was like living on a farm out in Connemara. It was lovely and sweet but not your typical student accommodation,” says Sherlock.

They had to move out of the cottage for the first week of October to make way for a booking. As they faced a week of sleeping on friends' sofas then three weeks back at the cottage before having to look for somewhere new, Sherlock says he was contemplating deferring his

studies. “It was coming into the fifth week and being homeless was becoming a push. Your hopes go up every time there's a viewing because it's so rare for houses to become available now.”

Finally getting a place they can call home for the year was down to luck, he believes. “We applied for a house two weeks ago and got a phone call last Friday at 5pm. The viewing was at 7. There were 10 other people there and they picked us.”

Toni Ann Byrne, who has just started her second year of analytical science at DCU, also puts her success in finding somewhere down to luck. She had been in an off-campus student residence last year at a cost of €5,000.

“They increased that to €6,000, which was too expensive for me. This year I was very lucky. I managed to get a room in a house, five minutes' walk from DCU and it costs €500 a month.”

One of the students who lived there who I knew had a status on Facebook that he had two rooms available in the house. If I hadn't seen that I still don't think I'd be sorted.”

Her fellow DCU student Lee Jordan, from Ballina, Co Mayo, and in the second year of a business studies degree, managed to get an apartment in a student complex three days before college started. “Last year I was in another student village but it's gone up to over €7,000 for the year so that just wasn't going to happen,” he says.

Jordan's search this year included finding a house with a couple of friends and paying a holding deposit and then being told a week before they were due to move in that the property had been repossessed and would no longer be

available. “After that, I found another property in Finglas. The landlord interviewed me for 40 minutes. He wanted to know everything about me: how much I make an hour, how many hours I do, what my parents do for work, what car I drive. He said I was in his top three and he was going to ring me back the next day but never did.”

That day he got a cancellation from a private student village across the road from DCU, which was cheaper than where he was last year. “I got really lucky in the end,” says Jordan.

The USI has identified purpose-built student accommodation as being the best solution to the housing shortage for students in the long term.

A number of international student accommodation providers have been eyeing up Ireland in recent months. Among them are Global Student Accommodation, a Dubai group, which paid €5m for a site near the new campus of Dublin Institute of Technology earlier this year.

In September, the firm was granted permission for a €41m, 392-bed student residence at Mill Street in Dublin 8.

In total, close to 2,000 rooms are being planned or developed at present.

“We need to deal with the problem from a short, medium and long-term perspective,” Donoghue says.

“And if we don't deal with it properly it'll be a problem for years and years.”

One of the USI's more short-term solutions is the Homes for Study campaign, which was launched in 2014 and includes the website homes.usi.ie, a notice board for homeowners with spare rooms and students who are looking for digs accommodation.

Donoghue points out that the government's rent a room relief scheme for homeowners allows rooms to be rented to tenants – including students – for up to €12,000 per annum tax-free.

“We're conscious of the fact that this is a wider issue. This initiative takes pressure off the general shortage of accommodation,” says Donoghue.

Second time lucky for sales

LINDA DALY
MARKET WATCH



The Irish property market is full of second chances. Not only is it accepting once-outcast developers back to the fold, but refurbished and repackaged developments are also making a genuine comeback among eager buyers.

As an indication, last weekend, Tetrarch Capital, the owner of Mount Juliet golf course in Kilkenny, released its 12 Rose lodges on the site for sale. And before anyone could take time to smell the roses, all 12 were snapped up on the very first day of viewing.

Ken MacDonald from Hooke & MacDonald, agent for the scheme, tells us that the two-bed apartments went to 12 different buyers, and those who weren't quick enough off the mark have now been put on a – gasp – waiting list.

Purchasers have come in a variety of shapes and forms. Some to buy holiday homes, others to live permanently on a top-notch golf course, and others still to avail of an investment offer on six of the apartments. It includes a sale and two-year leaseback agreement – with 4.5% yield – to Mount Juliet.

Interest has been growing in the golf club since Tetrarch's €15m purchase and subsequent €10m investment plan last year. While the firm has jacked up the green fees at the course, the lodges were available for a steal, with prices ranging from €340,000 to €390,000.

Ely Wood at Owendoher in Ballyboden, Dublin 16, another development of refurbished units, also had its launch last weekend. Seventeen were sold over the two days, three more than the agents had planned to release. Prices range from €250,000 for two-bed apartments and from €340,000 for three-bed duplexes, which were first built in 1999.

Though Darren Clendennin, negotiator with Savills New Homes, agents for Ely Wood, insists that homes must be well-priced if they want to sell quickly. Take note developers.

Price watch: Co Laois

Crann Nua Portlarlinton
3-bed semi
2012 €70,000

2015 €90,000



Up 29%

Kilnacourt Woods Portlarlinton

3-bed bungalow
2012 €83,500

2015 €130,000

Up 56%

Parkside Portlaoise

1-bed apartment
2012 €52,000

2015 €62,000

Up 19%

Grenville Portlaoise

3-bed semi
2012 €132,500

2015 €149,000

Up 13%



Why rent if you can buy?

One option for wealthier parents is to buy a property for their children.

“It can be a good investment,” says one agent. “If you've got two or three kids going through college over a 10- or 12-year period, it's efficient to buy a property. It's as cheap to pay a mortgage as to rent, so it would be prudent if they have the capital.”

It's the route chosen by the family of University College Cork final-year politics student Alexander Cosgrave, pictured. Alexander is staying with friends of his parents. “It's a 50-minute walk from the university so I got lucky,” he says. “My little sister is

also studying at the university and she's at home in Limerick so she has a two-hour commute every morning.”

His living arrangements fell apart at the last minute. “I ended up having to try to find accommodation in July. There's just nothing in a reasonable price bracket for anyone under the age of 40. My dad works in the university and used to rent but now commutes with my sister.”

“We decided to buy a house. There's a deposit down on it now and hopefully we should be OK after Christmas. It makes sense for us, but most people don't have the option.”

Developers hold keys to supply but they can't control demand

WITH all eyes on Ireland's homelessness crisis, rising rental costs and an undersupply of new housing on the market, people ask where the rising demand for homes is coming from. By concentrating on the economic and construction aspects of housing, many people miss the hugely important demographic aspect. Housing is and always will be about people.

Brian Hughes, of the government's Central Statistics Office (CSO) expert group, and Declan Redmond and Brendan Williams of University College Dublin have identified the four main drivers of housing demand – and they're not what you'd think.

The biggest driver of long-term housing demand is not developer-builders hanging on until profit margins suit them again, but something called the headship rate. This is important, because it gives crucial information on trends in household formation.

The headship rate is about people forming new households, and more households mean more housing. There are more new households forming than in the past because of several factors, such as people moving out and setting up home themselves; more women in the workforce; families breaking up as

couples separate; and retired people or “empty nesters” deciding to sell their family home and buy a smaller apartment – and indeed maybe a holiday home too. Most significantly, people are staying single for longer or indeed forever – soon a third of all households will consist of just one person, in line with European trends.

LORCAN SIRR
ON THE
HOME
FRONT



A growing number of households means supply is scarce

This headship rate in Ireland now creates demand for housing of more than 18,000 units a year. That's about 350 houses a week. When was the last time you heard it mentioned?

Second on the list is obsolescence. You'd think it would be difficult to forget you owned a house or to watch one fall down over time, but this

happens many, many times a year in Ireland. About 10,000 times a year in fact, according to the CSO, meaning more than 190 houses a week fall into such a state of disrepair that they are beyond rescue and reuse.

That's probably a conservative estimate. In any case, properties become forgotten, unused and eventually unusable as people die and houses get

left to family members, perhaps living overseas; as people die alone; as people move from an old family house to a new one; as people are reluctant to sell their houses even though they've moved on.

A reluctance to sell a home is a common theme in Irish housing – the felt need to bequeath an asset in a will is very strong.

Third on the list – and we've still not mentioned developers – is population growth. In 2016, it is estimated that emigration should return to natural levels, and that population growth through immigration and natural means should create demand for an extra 300 or so houses a week. That's more than 15,000 in a year.

Finally, there's what we call the immediate demand. This is the demand caused by an obvious lack of supply. In recent years, Ireland has been producing about half of what it needs to satisfy immediate demand. Even then, with about 50% of the housing produced in 2014 being one-off – which tends not to go on the market, as one-offs are built for a specific client – it could be argued that we're not even achieving half of what we need.

If you add in developer-builders who are slow off the mark in living up to their



PEOPLE ARE STAYING SINGLE – SOON A THIRD OF ALL HOUSEHOLDS WILL CONSIST OF JUST ONE PERSON

names for a variety of reasons, mostly to do with profit, then this demand is going to be satisfied only very slowly.

Given that Ireland needs 10,000 houses a year just to keep its head above water, it's obvious that construction needs to get under way, and at considerable scale too, if the total future housing demand of 40,000-50,000 units a year is to be met.

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