The Crisis in Housing has Deep Roots and Supply Alone will not Resolve it.

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Troubled Housing

• Providing affordable housing always difficult

• Past experience solutions required
  • direct state provision
  • & subsidising owner occupancy

• Likely to be the case in the future
Property markets ration scarce resources among competing households

- Important to appreciate that **demand not the cost of supply** determines rents and prices

- Tenant strategies to increase affordability
  - Stay out of the market
  - Take less desirable property / smaller /longer commute
  - Combine with others
  - Increase % of income devoted to paying rent
  - If pay goes up or taxes go down this extra money will be devoted to rent!

- Developers, investors and landlords are “price takers”
Rent Allowances?

• Those at the bottom lose out in the competition for accommodation

• Increasing allowances will not solve the problem

• Will change the categories of households that get accommodation

• Need for targeting
1960s

- Shortages
- Tenements
- Dereliction - Buildings collapsed with loss of life
- Political campaign Dublin Housing Action Group
- Led to increased direct provision Ballymun
- Increased grants and subsidies for owner occupation
Housing policy from the 1960s

• Subsidise as many as possible to buy & directly provide to those that can't & ignore the private rental sector
• Subsidies & Grants Increase Prices
• Increase profitability of housebuilding industry
• Increase land prices
• Do they increase affordability
Subsidies & Inflation

• Made ownership affordable
• Grants = c.€25,000 to day for First Time Buyers!
• Interest Relief = 33% to 50% of repayments!
• Inflation > 20% per year at times
  • Reduced mortgage capital outstanding very rapidly

• Mortgages were readily available as people were in secure career long employment with growing pay
Direct provision

- For those who could not get a mortgage
- Dwelling provided on non market rents
- Chance to buy at high level of subsidy & achieve owner occupancy
- But
- Poor Management
- Cost of provision increased by high land prices
- Lack of services/ conveniences
Ireland’s experience of housing

• Owner occupation highly affordable

• Continual price rises- the housing ladder

• Economic folly not to buy!

• 80% home ownership rate
Winds of economic & political change

- Grants withdrawn
- Mortgage interest relief removed substantially
- Property taxes, water charges, etc.
- Inflation reduced <2%
- Precarious employment contracts
- Experience of substantial fall in incomes

Housing model is changing in response
Thinking about housing also has to change
The Celtic Tiger & Easy Money Occulted the Change for a Time

• Heavier borrowing was facilitated by
  • Increasing real incomes
  • Greater Loan to value ratios
  • Greater loan to income ratios

• Kept high prices affordable & sustained belief in Owner Occupancy

Underlying reality exposed after the economic downfall
Mortgage - a formidable long term liability

• Particularly for those on low incomes
• No inflation to take down outstanding balance
• What happens when household income reduced or a member loses employment – even temporarily?
• Repayments could become unaffordable
• Lose home?
Not everyone can become a home owner

• Many on relatively good incomes may not be able to buy their home
• Alternative is to rent? But from whom?
• Buy to Let
  • Attractive in nineties+ noughties due to capital appreciation
  • Not on income /rental return
  • Need to sell into market dominated by owner occupation
  • i.e. tenant out & sell with Vacant Possession
What is the property market telling us

• Smaller investors leaving
• Professional corporates buying good apartment buildings/ Build to Rent
• To be rented to those who can pay good rents & for additional services e.g. concierges
• Will work for the relatively well off
• But will they provide homes to people on relatively low incomes?
Government policy assumes private market will supply accommodation

• Is it wise to found policy on an expectation born of experience from a period when market conditions were very different?
• In the long run rents will pace incomes but in the short run big increases can be experienced leading to economic evictions where rents rise
• Will the scale of investment materialise
• Where is the evidence for that?
Tenants on Low Incomes

• Supported by DWA, HAP, RAS

• Assumption that private sector will supply

• Evidence from the market - not attractive for investors

• The investment equation does not work

• 10% provision for Social Housing inadequate
Conclusions

• The owner occupied market has changed profoundly
• Subsidies & grants withdrawn without debate on effect on owner occupancy
• More will have to rent. But from whom?
• Well off can pay high rents and make the investment equation work for them
• But can the less well off?
• This needs to be demonstrated if policy is to rely on the private sector
Providing Affordable Rental Housing

• With long term
  • Rental security through the vicissitudes of life
  • Security of Tenure
  • Avoiding the hegemony of a landlord

• Is financially challenging

Private sector may not be able to make it work
Comprehensive housing policy needed

• Providing rental housing with
  • Long term rental security that can deal with the vicissitudes of life
  • Security of tenure
  • Avoids the hegemony of a landlord

• Owner occupancy
  • Needs to be subsidised if it is to be affordable for many
  • Helps pension provision

• Direct provision

• Private sector not a solution government must provide
Thank you