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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

Government policy has done much to encourage the construction of new houses in the lower price bracket by means of grants, stamp duty exemption and taxation relief on mortgage interest. Policy has further encouraged mobility in this part of the market by offering an additional grant of £5,000 to tenants who vacate local authority houses and purchase their own house. However, Government policy in
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