

HOUSING IN IRELAND: PHILOSOPHY, AFFORDABILITY AND ACCESS

P.J. Drudy

Trinity College Dublin

(read before the Society, 1 February 2007)

Abstract: This paper argues that Ireland's housing problems stem in part from a particular philosophical orientation which supports the "commodification" of housing and gives strong encouragement to private market provision of housing for sale, for rent and capital gain and less attention to housing need. The paper examines the extent and causes of house price increases over the last decade, it draws comparisons with a number of other indices and concludes that housing in Ireland is over-valued/over-priced. A number of other indicators suggest that many new and aspiring house buyers are experiencing problems of affordability and other difficulties. Increased housing debt is a matter of serious concern. The structure of the private rental sector is examined and legislation introduced in 2004 to deal with the problems experienced by tenants is assessed. The paper also provides a preliminary evaluation of the work of the newly-established Private Residential Tenancies Board. The extent of "housing need" is examined as well as the record of social housing provision, including provision for a number of marginalised groups and by means of the private rented sector. The rationale for selling social housing at a discount while buying such housing at market prices is examined. A number of key principles and policy recommendations are suggested.

Keywords: Housing, Philosophy and Policy, Affordability
JEL Classifications: R21, R31

1. INTRODUCTION

The provision of good quality, affordable housing has been a matter of concern in Ireland for many years and successive governments have intervened in a variety of ways to improve standards, provision and access. Significant progress has undoubtedly been made. The quality of housing in terms of basic facilities has improved out of all recognition since the 1950s. In particular, there has been a strong emphasis on providing support for home ownership. The vast majority now own their own homes either with or without a mortgage while many more own second homes in Ireland or much further afield. Large numbers of houses and apartments have been built for sale or for rent – in 2006 alone, 93,400 units by private developers, Local Authorities and Housing Associations. The number of units for rent by private landlords, in decline for many years, has increased significantly. The construction industry (including residential development) is a significant employer, employing an estimated 280,000 people at the end of 2006 (13 per cent of total employment) compared with 100,000 (8 per cent) in 1996. The Government receives significant revenue from stamp duty, Value Added Tax on building materials and capital gains taxes.

Despite this apparent progress, a debate continues as to whether there is still a "housing problem". There is certainly a widespread perception, even among young people in relatively well-paid employment, that if they manage to purchase a home in the future, it will be with considerable difficulty. Instead, they may have to resort to long-term renting in the private rented sector. Many

more on low incomes, the unemployed, homeless, Travellers or with disabilities, have no prospect of home ownership and must rely on government financial support to gain access to the private rented sector or to public/social housing.

This paper examines a number of important questions: What is the particular philosophy underlying the Irish housing system? Are there affordability and access problems, either in relation to owning a home or renting one in the private rental sector and if so, why? Are there other alternative private or public avenues to good quality affordable shelter for those who cannot gain access to the current private market? In other words, can all our people gain easy access to good quality housing at a reasonable price? Finally, what changes, if any, are required to current philosophy and policy?

2. HOUSING PHILOSOPHY: DIFFERENT VIEWPOINTS

It can be argued that, because housing is of such fundamental importance in securing shelter, security, community and societal development and human dignity, there is a strong case for having an underlying “housing paradigm” or philosophy consisting of a core set of beliefs, assumptions, philosophical emphasis and policy orientation. While in any given historic period, certain philosophies, practical priorities and powerful interest groups influence and shape social and economic policies, alternative views, approaches and challenges always exist and invariably come to displace the older ways (Kuhn 1962). Paradigms underpin decisions concerning what constitutes a problem, how it should be approached and what action, if any, should be taken (Healy and Reynolds, 2006). The paradigm or philosophy which is dominant during a particular period has a critical influence on the kinds of policies pursued by central and local government and the type of housing system which emerges as a result.

For the purposes of this paper I draw a distinction between two approaches to housing – one which views housing primarily as a “market commodity” to be bought and sold on the market in response to “housing demand”, or alternatively as a home (a “non-market” category) catering for “housing need.” It would of course be rare to find a housing system which concentrated exclusively on one approach. Rather there tends to be a “continuum” from one extreme to the other and the vast majority of countries have both market and non-market elements. What is of particular interest and relevance, however, is where the emphasis lies and which orientation receives the most state support. Let us examine this a little further.

The first approach views “the market” as the ideal provider of housing and as a determinant of the price purchasers and renters must pay. Housing is thus regarded as a “commodity” like any other commodity such as televisions, motor cars or stocks and shares and many studies of housing in Ireland and elsewhere commence with that simple assumption.

At one extreme, therefore, the housing system would be strongly commodified, relying largely on the “market forces” of supply and demand to allocate and determine the price or rent of housing. If there is excess supply (inadequate demand), developers, builders, landlords and estate agents will have empty houses for sale or rent and prices are likely to fall as a result. Those seeking homes will benefit from increased choice and lower prices. On the other hand, excess demand (inadequate supply) will tend to push up prices and rents and put purchasers under pressure. Prices will tend to settle (or reach “equilibrium”) when supply equals demand. In theory, this is the way the “housing market” should operate. There are of course a whole range of markets, depending on differences in age, architecture, size and location. In a properly functioning perfect market, prices would be relatively stable due to competition between many sellers and buyers. However, this is rarely, if ever, the case. In reality, there are often extended periods when the supply of housing is insufficient to meet demand and therefore prices and rents fail to stabilize. Instead, they continue to increase at rates far greater than the rate of general inflation. This is the well-known problem of market failure (Drudy and Punch, 2005).

The “commodification” of housing has important implications. For example, the level of profit to developers and the building industry as well as the return on investment or capital gain to purchasers become key contributions of housing. Its contribution as shelter, as a home or providing a secure place in the community becomes a secondary consideration. In this approach, the acquisition of a house depends above all on ability to pay rather than need. In the case of house purchase, this invariably means the ability to borrow a substantial sum of money from a building society or bank. The standard attributes required by the lending institutions immediately preclude a range of groups on low incomes from competing for housing in the market. On the other hand, those on high incomes will be the main participants and beneficiaries (Drudy and Punch, 2002).

The commodification of housing inevitably encourages investment or speculation. Those producing or selling housing tend to urge purchase on the grounds that “it is always a good investment” and “will appreciate in value”, particularly if it is located in a “good area”. Those who already own homes are advised (and think) that they are “sitting on a goldmine”, and they may be encouraged to further improve their position by becoming multiple home-owners in the expectation of a secure return on such investment. As with stocks and shares, “profit-taking” is an inevitable and much-sought element in the process. Surprisingly, the prospect of losses (which beset stocks and shares on a regular basis) are rarely, if ever, mentioned or contemplated in the case of housing. Rather “negative equity” (where house prices fall and the size of the mortgage is greater than the house price) is seen as an evil to be avoided at all costs.

A further critical element in the commodification process is the acquisition of land by private individuals or developers, sometimes over a long period of years, enabling them to exert considerable control over the production and prices of housing. The availability of land is a prerequisite for the provision of housing and therefore those who own or control it can exercise what has been called a “double monopoly” (Yamada, 1999). First, there is obviously a relatively fixed supply of land. Second, land for housing depends on the willingness of landowners to release and sell for such purposes. When there is excess demand for housing, the inevitable outcome is an upward pressure on the price of land. The ‘re-zoning’ or granting of planning permission by the state can often exacerbate this price escalation further, resulting in large “unearned” gains derived from land ownership. If this occurs, it invariably feeds into the eventual price of housing for sale or rent.

Finally, the market approach to housing inevitably encourages the “segregation” of housing types and particular social groups. As mentioned earlier, housing is invariably sold on the basis that, apart from being a home, it is a secure investment and an appreciating asset which can be “traded up” or from which “profit-taking” can occur at any time. In order to protect these suggested attributes, it becomes important to avoid dilution of the “commodity” with low-priced homes or those from lower socio-economic groups. Such a philosophy can play a central role in such segregation. Thus, those from the lower social classes are excluded or displaced from the highly-priced areas through the prohibitive cost of housing and such areas are, in effect, “ring-fenced” from invasion by the poor or other “undesirable” social groups who must then seek accommodation elsewhere. In effect, therefore, a market-driven housing system tends to perpetuate inequality and segregation (Lee et al. 1995; Lee and Murie, 1997; Drudy and Punch, 2001; Fitzgerald and Winston, 2005). Despite this and the fundamental inadequacies outlined above, the market is commonly applauded as an “ideal” or “natural” mechanism to allocate housing by many economists, developers, estate agents, landlords and those representing the building industry.

Those who support the “market” approach to housing would seek to minimize the role of the state in the direct provision of housing; rather they would argue that the state’s main role is to facilitate such provision by private developers, to fast-track planning permissions and re-zonings and to encourage private provision with tax and other incentives, while carrying the cost of essential services such as water, sewage, roads and amenities. In this view, social housing would be a “residual” sector for low-income and marginalised groups and the market approach to provision would be the dominant one.

One alternative approach, in stark contrast to the above view, is to place the emphasis on housing as a home – shelter, a place to stay, to feel secure, to build a base, find an identity, participate in a community and society. In this approach, housing would be treated primarily as a fundamental “social” requirement like education or public health and would be produced mainly in response to need as well as the ability to pay. As with education and health, serious efforts would be made to ensure that the cost of housing did not escalate in an unreasonable manner. In line with this perspective, housing has been given the status of a “right” in the Constitutions or in legislation in various countries – a position strongly supported by a range of individual experts and agencies (Connolly, 1998; CPSU and SIPTU, 1998; Kenna, 2002 and 2006; Threshold, 2002; CORI, 2005).

The right to housing is long-established in a wide range of international human rights instruments. First stated in the United Nations’ *Universal Declaration of Human Rights* in 1948, the right to housing has been explicitly restated and amplified in a series of subsequent international human rights conventions, including the *International Covenant on Economic, Social and Cultural Rights*, adopted by the United Nations General Assembly in 1966. These conventions set out internationally accepted standards and illustrate the sustained global support given to the right to adequate housing by the international community. Ireland is a party both to the *Universal Declaration* and to several other conventions.

Article 25 of the *Universal Declaration* states that:

Everyone has the right to a standard of living adequate for the health and well-being of himself (herself) and his (her) family, including food, clothing, housing, medical care and necessary social services...

Article 11 of the *International Covenant on Economic, Social and Cultural Rights* is as follows:

The States Parties to the present Covenant recognise the right of everyone to an *adequate* standard of living for himself/herself and his/her family, including adequate food, clothing and housing and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realisation of this right.

The UN Committee on Economic, Social and Cultural Rights, the body responsible for monitoring States Parties’ compliance with the obligations they have assumed under the *Covenant on Economic, Social and Cultural Rights*, has spelled out in some detail what is meant by the term “adequate housing”. This must be affordable, habitable and accessible to disadvantaged groups. It should include security of tenure, availability of services, materials, facilities and infrastructure. Its location must allow access to employment, health care, schools, child care centres and other social facilities (United Nations Office of the High Commissioner for Human Rights, 1991). In this way, the provision of housing also becomes a central element of a more holistic “development” process, not simply a contributor to economic growth, but containing positive actions to improve the broader quality of life and well-being for all (Todaro and Smith, 2006).

It can be argued that we should place housing in this broader “development” framework. Obviously, people need homes, but their needs (and their demands) will not be met by the provision of housing alone. A better quality of life and well-being for all are the real measures of whether or not real development takes place in any society. These will be achieved only when, in addition to secure affordable dwellings appropriate to needs, a more comprehensive set of related needs and requirements are satisfied. These include access to appropriate employment opportunities, better education and lifelong learning, a high standard of health and nutrition, less poverty, greater equality, a cleaner environment as well as sufficient social and cultural amenities (Todaro and Smith, 2006). This broader development perspective is a prerequisite for good sustainable housing policy.

This approach does not of course rule out profit. The provision of homes would still be dominated by builders who make a “construction profit” but the speculative gains characteristic of a commodified system would be reduced or even eliminated (Barlow and Duncan, 1994). The question arises therefore as to whether housing policy should emphasise the concept of housing as a home and a right as opposed to a market commodity solely for profit, investment, speculation and wealth creation for an elite group.

Table 1 attempts to illustrate the implications of the above two opposing philosophies – one which sees housing as yet another market commodity and one which views housing as a home. Obviously, the different perspectives would lead to significantly different policy approaches.

Table 1: Housing as a Commodity or as a Home		
<i>Housing as a Commodity</i>		<i>Housing as a home</i>
Market Provision		Non-market provision
Commodity for sale		Housing as a right for shelter
Housing as an economic good		Housing as a merit good
Housing linked to ability to pay		Housing linked to needs
Developer/Speculator profits		Non profit or construction profit only
Personal investment/profit taking, wealth generation		Home, community, shelter, etc.
Speculative acquisition of land & capital gains; monopolies		Public land banking for building and provision
Segregation		Integration

Have we evidence of these approaches in Europe or elsewhere? Bullock (1991) traces a number of phases from the end of the eighteenth century in what he calls a “European housing paradigm”, where housing was increasingly recognized as a “problem” (whether that related to health or social and economic conditions) and where state intervention became more comprehensive and with growing emphasis on “social housing” solutions after the Second World War. In recent decades, however, he argues that a “paradigm shift” has occurred where governments have shown reduced commitment to their role in housing and greater belief in the private market. It would be unwise to claim that all European countries conform to this trend, but elements can be recognized in Britain, Germany, France, Belgium and the Netherlands (Doling, 1997).

In Britain even during the period after the Second World War when the welfare state was seen as especially dynamic, housing was never perceived simply as a further “social service”. Rather there was a strong “market” orientation and the persistent view was that private enterprise should provide for the majority most of the time (Malpas, 2005, p. 20). Thus, during what Ginsburg (1999) described as the “liberal collectivist” period of housing policy in Britain, a combination of market and non-market approaches included:

- fiscal and general support for owner occupation
- rent regulation in the private rented sector and security of tenure without fiscal incentives for either landlords or tenants
- subsidised provision of Local Authority rented housing
- programmes of slum clearance with replacement Local authority housing

Unlike health or education, the predominant view in Britain was that, even in a country with a strong welfare orientation, the interests of the private market and in particular the profitability of

the construction industry must be taken into account. Since the 1970s, it can be argued that housing policy in Britain was focused even more on maintaining a well-functioning housing market for the majority, while the minority excluded from the market, were segregated, residualised and stigmatised in the social rented sector (Kleinman, 1996, p.175). This situation was particularly obvious during the long period of Conservative government from 1979 to 1997. During this period, owner occupation was promoted further, private renting was largely de-regulated and there was a move away from housing subsidies to means-tested assistance. Furthermore, the philosophy was that Local Authority provision should be “privatised” and transferred to existing tenants or independent bodies and any new building should be left to the private sector. Any essential social housing should be secured through the use of planning powers. In recent years, the new Labour government has done little to alter this orientation. Britain is probably the extreme example of a country which has moved over recent decades almost exclusively to provision by the private market and has virtually no Local Authority (non-market) housing. As we show later in the paper, Ireland has not yet gone to this extreme, despite a strong move in this direction. At this stage, therefore, O’Sullivan suggests that, in view of the ongoing commitment to increase the supply and quality of accommodation for low-income households, it would be difficult to offer a clear classification of Irish housing policy (O’Sullivan, 2004).

3. THE IRISH HOUSING SYSTEM: A BRIEF OVERVIEW

How does the Irish housing system operate in the light of the above approaches? I will argue that, while Ireland has not taken the extreme view predominant in Britain, market provision of housing – for profit by the private sector - has still been afforded an increasingly dominant role in Ireland in recent decades, while public (non-market) provision has been greatly reduced. In the past, public provision had played a much more central role, including substantial public intervention in rural housing from the end of the nineteenth century. At that time Ireland had one of the most significant state-subsidised housing programmes in Europe (Fraser, 1996, Fahey, 1998 and 1999). Moreover, after independence, local authorities became increasingly important providers of housing in Dublin and other urban centres, producing good-quality residential environments (MacLaran, 1993, McManus, 2002). From 1932 to 1942 local authorities provided 49,000 units, representing 60 per cent of total housing output. During the Second World War, period public provision represented 65 per cent of the housing total and was as high as 70 per cent in the year 1945/46 (Finnerty, 2002). Even during the early to the mid-1950s, public provision of good standard housing always exceeded 50 per cent of the total new build.

Since the late 1950s, however, private provision, normally with state assistance, increased significantly, and by 1975 it represented 67 per cent of the total. Private provision increased further to 94 per cent in 2006 (See Table 2), leaving public provision at a mere 6 per cent of the total. This includes a minor role played by housing associations and voluntary bodies, whose contribution on a national basis dropped from 917 in 1996 to a mere 485 units in 1998 and only recovered to an annual average of 1,300 over the last three years (Department of Environment, Heritage and Local Government, 2006). In effect, non-market provision has been “residualised” over many years (Fahey, 1999; Galligan, 1999).

	“Market”	“Non-Market”
1975	18,000	8,800
%	67	33
2006	88,211	5,208
%	94	6

Source: *Annual Housing Statistics Bulletins*

The trend towards a market-dominated system of provision was accompanied by a significant change in housing tenure over the past few decades. As far back as 1946 almost 53 per cent of households owned a home, but by 1991 this proportion had risen to 79 per cent – one of the highest rates of home ownership in Western Europe (Norris and Redmond, 2005). (See Table 3). The proportion of homeowners fell to 75 per cent in 2006 but in absolute terms it was by far the dominant tenure with almost 1.1 million households. One of the main factors influencing the current high rate of owner-occupation has been a range of government incentives aimed almost exclusively at homeowners over the last four decades and the lack of a viable alternative. One further key influence in the increase in home ownership has been a long-term policy of selling off Local Authority housing to sitting tenants, and thus reducing the stock of public-owned social rented housing.

	1961	1971	1981	1991	2002	2006
<i>(000s)</i>						
L.A.	124.6	112.6	111.8	98.9	88.2	105.5
H.A.						50.5
PRS	116.3	96.7	90.3	81.4	141.5	145.3
O/O	404.6	499.7	667.0	808.4	990.7	1,091.9
Other	30.9	17.4	27.0	31.0	59.2	69.1
Total	676.4	726.4	896.1	1,019.7	1,279.6	1,462.3
<i>(Per Cent)</i>						
L.A.	18.4	15.5	12.5	9.7	6.9	7.2
H.A.						3.5
PRS	17.2	13.3	10.1	8.0	11.1	9.9
O/O	59.8	68.8	74.4	79.3	77.4	74.7
Other	4.6	2.4	3.0	3.0	4.6	4.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
Source: <i>Census of Population, 1961-2006</i>						
<i>Note:</i> Housing Association (HA) provision was not provided in the Census prior to 2006.						

During most of this period, the proportion of accommodation provided for rent by private landlords declined significantly. The privately rented sector, which stood at 26 per cent of the total in 1946, had declined to only 8 per cent (81,000 units) by 1991. However, this form of housing tenure expanded to almost 142,000 households by 2002 and to 145,300 in 2006 (an increase of 64,000 in a fifteen year period), representing 10 per cent of the total and accommodating 374,000 people. However, even if we take into account this recent growth, the Irish figure for privately rented accommodation is quite small compared to most countries in Western Europe or Scandinavia. For example, France, Portugal, and Sweden all have rates of 20 per cent or more, while Austria and Germany have 40 per cent and 51 per cent respectively.

The number of dwellings rented from local authorities in Ireland steadily increased up to 1961 but fell consistently – from 125,000 in that year to 88,000 units in 2002. It increased again to 105,000 in 2006. Housing Associations (not previously provided in the Census) are now a significant provider of over 50,000 homes. Consequently, the total “public/social housing” rental sector now represents less than 11 per cent of total housing. The situation with public housing also varies considerably throughout Europe – from less than 3 per cent per in Greece, Austria, Spain and Luxembourg to in excess of 20 per cent in the U.K., Denmark and Sweden, with a high of 35 per cent in the Netherlands (Norris and Shiels, 2004).

4. BUYING A HOME: HOUSE PRICES AND AFFORDABILITY

As shown earlier, home ownership has undoubtedly been the favoured tenure in Ireland for many years. However, there are a number of problems associated with purchasing a home. Before examining these, it is important to point out that the problems of purchasing a home are inextricably linked to the situation in other housing tenures – private rental and public housing which are examined later in the paper. For example, high house prices and affordability are in part the result of a lack of alternatives to house purchase. Despite an increase in the number of private rental units in recent years, there is still insufficient supply to meet the demand. Accordingly, renting a home in the private rental sector has been, and remains, costly. Tax relief available to tenants has been modest in comparison with that available to home owners. Private rented has also proved an insecure tenure and until recently tenants could be ordered to leave without explanation at 28 days notice. Furthermore, much of the private rented accommodation has been and continues to be of low standard and very little has been done to rectify this problem over many years. There has therefore been every incentive for individuals and families to get out of this sector and, if possible, to avail of the better incentives associated with owner occupation.

The other alternative to purchasing a home is to rent one from the Local Authority or from a Housing Association. Traditionally, such accommodation has been relatively cheap and over many years has played a central role in providing housing for those who cannot afford to either purchase or rent on the private market. With the significant increase in waiting lists, many give up on this option. The critical point being made is that there are currently few viable alternatives to purchasing a home for many individuals and families. This means that the demand increases for homes for sale on the private market, thus putting an upward pressure on house prices. If, on the other hand, there were sufficient good quality, affordable private rental and social housing units available, many families would avail of these options, thus postponing any bid for home ownership and reducing demand and prices accordingly. It is essential that policy makers should fully appreciate these critical links between the various tenures.

One of the main difficulties in securing a home over the last decade has been the accelerating house prices. House purchase certainly now seems to be beyond the reach of a significant number of people, even those on relatively high incomes. What do members of households themselves think? One recent survey certainly showed that Irish households perceive that they have housing costs well above the European average. In the survey, 20 per cent of Irish households stated that costs were burdensome compared with only 4.8 per cent of households in the Netherlands and 6.8 per cent in Denmark (Healy, 2004). Many couples with two average incomes are unable to bridge the gap between the traditional recommended Central Bank loan maximum (2.5 times the first income plus the second income) and the house price. This recommended loan/income guideline has therefore been consistently ignored as lending agencies receive “comfort” from parents or other relations who provide deposits and “guarantees” to protect the lender in the event of default. Unfortunately, these actions have contributed to continued price inflation and potentially unsustainable borrowing.

The price of housing in a market-oriented system is determined by the market forces of supply and demand. If there is excess demand (inadequate supply), such a system can create significant problems of affordability, especially for first time buyers. While prices rose fairly consistently since 1974, the major escalation only commenced after 1994/95. Second-hand house prices showed similar increases since then. The average new house price for which loans were approved for the country as a whole increased from €72,732 in 1994 to €305,637 in 2006 - an increase of 320 per cent. Over the same period, the average new house price in Dublin increased from €81,993 to €405,957 or 395 per cent. The average second-hand house price for the country as a whole increased from €69,877 in 1994 to €371,447 in 2006 - an increase of 431 per cent. Over the same period, the average second hand house price in Dublin increased from €82,772 to €512,461 or 519

per cent. (See Tables 4 and 5). Most other urban centres throughout the country have also experienced significant increases, but the price gap between Dublin and other centres persists, making it particularly difficult to purchase a home in Dublin.

(€)							
	State	Dublin	Cork	Galway	Limerick	Waterford	Other areas
1994	72,732	81,993	71,378	77,375	68,238	69,185	66,829
1995	77,994	86,671	76,608	87,783	73,348	69,950	71,829
1996	87,202	97,058	85,351	93,050	83,281	79,784	82,091
1997	102,222	122,036	96,046	109,905	91,077	91,608	94,664
1998	125,302	160,699	112,133	118,738	104,248	107,954	116,589
1999	148,521	193,526	141,007	138,928	121,880	132,050	136,970
2000	169,191	221,724	166,557	163,824	145,834	145,713	154,050
2001	182,863	243,095	174,550	171,161	152,205	155,488	166,834
2002	198,087	256,109	184,369	187,607	168,574	167,272	179,936
2003	224,567	291,646	211,980	223,388	197,672	195,173	203,125
2004	249,191	322,628	237,858	242,218	210,868	220,286	228,057
2005	276,221	350,891	265,644	274,905	226,393	246,914	254,006
2006	305,637	405,957	305,015	286,176	275,411	271,521	276,570

Source: *Housing Statistics Bulletin*, various editions

(€)							
	State	Dublin	Cork	Galway	Limerick	Waterford	Other areas
1994	69,877	82,772	63,883	69,258	58,405	55,347	61,567
1995	74,313	88,939	70,796	78,370	61,099	59,409	64,170
1996	85,629	104,431	77,152	88,020	71,066	62,956	74,254
1997	102,712	131,258	88,535	100,791	78,256	73,308	86,347
1998	134,529	176,420	110,432	126,914	96,791	93,948	111,878
1999	163,316	210,610	139,473	147,152	119,072	115,768	135,096
2000	190,550	247,039	169,064	166,145	142,188	141,662	158,442
2001	206,117	267,939	179,687	189,713	157,176	155,242	177,203
2002	227,799	297,424	200,155	206,571	172,273	170,342	192,301
2003	264,898	355,451	240,444	249,404	201,477	201,871	218,061
2004	294,667	389,791	276,605	278,813	218,869	220,029	235,829
2005	330,399	438,790	307,007	317,811	232,271	252,765	263,653
2006	371,447	512,461	353,104	336,948	257,958	282,998	294,021

Source: *Housing Statistics Bulletin*, various editions

Table 6: Annual Percentage Increase in New House Prices in Ireland, 1994-06							
	State	Dublin	Cork	Galway	Limerick	Waterford	Other Areas
1995	7.2	5.7	7.3	13.5	7.5	1.1	7.5
1996	11.8	12.0	11.4	6.0	13.5	14.1	14.3
1997	17.2	25.7	12.5	18.1	9.4	13.2	15.3
1998	22.6	31.7	16.7	8.0	14.5	19.5	23.2
1999	18.5	20.4	25.7	17.0	16.9	22.3	17.5
2000	13.9	14.5	18.1	17.9	19.7	10.3	12.5
2001	8.1	9.6	4.8	4.5	4.3	6.7	8.3
2002	8.3	5.4	5.6	9.6	10.8	7.6	7.9
2003	13.4	13.9	15.4	16.1	19.2	17.5	12.9
2004	11.0	10.6	12.2	8.4	6.7	12.9	12.3
2005	10.8	8.8	11.7	13.5	7.4	12.1	11.4
2006	10.6	15.7	14.8	4.1	21.7	10.0	8.9

Source: *Annual Housing Statistics Bulletin*, Department of the Environment

It may be noted in Table 6 that after accelerating in the late 1990s, there was a slight dampening down in the rate of increase in new house prices (to less than 10 per cent) in 2001 and 2002 although the absolute increases involved were still substantial. However, in the following year (2003) house prices accelerated again, especially in Dublin, Limerick, Waterford and Galway, with little change up to 2006. For the most recent available data for the year up to December 2006, new house prices for the country as a whole rose by 10.6 per cent and by 16 per cent and 15 per cent in Dublin and Cork respectively. Limerick recorded a massive increase of almost 22 per cent. However, it is the *absolute* increases (in thousands of euro) that are of critical concern to those contemplating the purchase of a home. As shown Table 4, average new house prices in the year to December 2006 rose by almost €29,400 for the country as a whole, by over €55,000 in Dublin (from an already high base), by €39,400 in Cork and by over €49,000 in Limerick. These changes show clearly that the escalation in house prices has continued and hardly suggest a “soft landing” as regularly mentioned by commentators. Recent results from the Department of the Environment and from Permanent TSB/ESRI surveys showing modest falls in house prices during 2007 are cold comfort to those who purchased homes in recent years (Permanent TSB/ESRI, 2007).

How do these house price increases compare with other commonly-used price indices? Up to 1994, new house prices increased broadly in line with the Consumer Price Index, house building costs (comprising labour and material costs) and average industrial earnings. Since 1994, however, house prices have diverged significantly from these other indices. Using a base of 1991=100, house building costs (labour and materials) increased from 111 in 1994 to 194 in 2006 or 75 per cent. The index of average industrial earnings increased by 65 per cent. The Consumer Price Index increased from 108 to 156 or 44 per cent. Over the same period, the index for new house prices for the country as a whole increased from 109 to 457, or 319 per cent. In other words, new house prices have increased over four times faster than house building costs, five times average industrial earnings and more than seven times faster than the consumer price index since 1994.

How do these price increases compare with the situation in other countries? Drawing on an index of house prices drawn up by the *Economist* magazine in June 2005 we find that over the period 1997-2005, Ireland had the highest rate of price increase (192 per cent) of all the relatively developed countries examined. It was followed by Britain (154 per cent), Spain (145 per cent) and Australia (114 per cent). Most countries were well below these figures. For example, the United States, New Zealand and Canada increased by 73 per cent, 66 per cent and 47 per cent respectively. A number of countries even registered negative rates; thus house prices in Hong Kong fell by 43 per cent during the period examined, Japan by 28 per cent and Germany by 0.2 per cent. In the light of this survey, the *Economist* argued that Irish housing was significantly “over-valued” and it predicted a drop in house prices over the next few years. There is certainly little doubt that Irish house prices are out of line with normal inflationary tendencies as shown above.

Are Irish house prices over-valued? Over the last few years, various bodies have suggested that they are and have warned about a continuation of escalating house prices. These include the IMF, the OECD and the Irish Central Bank (Central Bank and Financial Services Authority of Ireland, 2006 and 2007). Usually, calculations are made to assess whether house prices are out of line with trends in so-called “economic fundamentals” such as economic growth, employment and interest rates.

Table 7 gives an indication of how house prices would have changed if they had, over the period 1994-2006, risen at the same rate as the building cost index, average earnings and the consumer price index. This Table shows clearly that, had they done so, house prices would be far lower than they are today. In any event, house prices appear to be well above what we might reasonably expect them to be. They are indeed significantly “over-valued” or, more accurately, over-priced and therefore price falls are inevitable.

Table 7: Is Irish Housing Over Valued?				
	Average New Prices (€)		Average 2 nd hand Prices (€)	
	Whole country	Dublin	Whole Country	Dublin
Actual 1994	72,732	81,993	69,877	82,772
Expected price in 2006 if increases as CPI	104,734	118,070	100,623	119,191
Expected price in 2006 if increases as Ave. Earnings	120,008	135,288	115,297	136,574
Expected price in 2006 if increases as Building Cost Index	127,281	143,488	122,285	144,851
Actual House Price, 2006	305,637	405,957	371,447	512,461

Source: Based on Housing Statistics Bulletin and Central Statistics Office

Are the house prices described above affordable? A whole range of indicators can be used. For example, the *Household Budget Survey* allows us to calculate average weekly mortgage payments as a proportion of household expenditure. Using this Survey, Fahey, Nolan and Maitre (2004) showed that payments amounted to €74 per week in the year 1999/2000 and this represented only 9.6 per cent of total household expenditure, a proportion which had declined from 10.4 per cent in 1994/95. However, as is often the case with social or economic statistics the average is not very

helpful in many cases. In this specific case, the average conceals the fact that a considerable number of mortgage holders have in fact quite modest loans taken out many years ago, while many more recent purchasers have large loans requiring substantial monthly payments. The low average of €74 must also include a considerable number of investors, second-home purchasers or speculators with ready cash and relatively low loan repayments. Such an average must therefore be treated with great caution.

One commonly-used measure of affordability is the ratio of average gross industrial earnings to house prices. In 1984, the average price of a new home was €45,427, while the average industrial wage was €10,641, a ratio of 4.3 to 1. By 1994, the ratio had decreased slightly: average new house prices for the country as a whole (€72,732) were 4.2 times the size of the average industrial wage (€17,292). In Dublin, the ratio was 4.8. By June 2006, however, the ratio of average new house prices to annual average industrial earnings (€31,080) had deteriorated to 9.8 to 1 for the country as a whole and 13.1 to 1 in Dublin. Research by Kelly and MacLaran (2004) has shown that purchasing a home in Dublin's "inner city" is particularly problematic. In this case, they recorded ratios of between 12 and 18 times gross average industrial earnings for two bed units. One ongoing International Housing Affordability Survey by a Finfacts team argues that housing is "unaffordable" if the median house price is more than three times the median gross income. Their most recent Survey of 159 urban areas in six countries concluded that Dublin house prices were "severely unaffordable" (Finfacts, 2007).

The Department of the Environment calculates an index based on mortgage repayments on an average house price for the country as a whole as a percentage of after-tax net income. The most recent index is based on a two-earner household – one earning the average industrial wage and one earning the non-industrial wage and making repayments on a 4.2 per cent interest rate in 2006. In 2006, the percentage amounted to almost 32 per cent of joint net incomes compared to 20 per cent in 1994 (Department of the Environment, Heritage and Local Government, 2007). This would of course be much higher in the Dublin area. It may be noted that the interest rates have risen on six different occasions during 2006 and on several further occasions during 2007 and now stand at well over 5 per cent so that annual payments on a typical €300,000 mortgage have risen by as much as €2,000 per annum. The official affordability threshold (35 per cent of net income) is therefore almost certainly breached even for the two earner household, especially in Dublin.

A further indication of affordability can be gained from an examination of the incomes of borrowers. Official estimates show that those with combined incomes of less than €30,000 account for a decreasing proportion of total lending – from 9.9 per cent in 1998 to 0.8 per cent in 2006. (See Table 8).

	€30,000 or less %	€30,001-50,000 %	€50,001 + %
1998	9.9	66.3	23.8
2006	0.8	14.1	85.1

Source: *Housing Statistics Bulletins*

Even borrowers with incomes up to €50,000 have fallen from 66.3 per cent to 14.1 per cent of the total during this period. The typical borrowers have a combined income of more than €50,000, 31.2 per cent having between €50,000 and €70,000 and 54 per cent having incomes over €70,000. In Dublin, the situation is much worse with almost 69 per cent of borrowers having combined incomes of more than €70,000 (Department of Environment, Heritage and Local Government, 2007). It is clear therefore that, in order to procure a mortgage, the vast majority of house purchasers must now be in the higher income categories. Even these are increasingly taking on long-term mortgages of 35 years and more (a practice unheard of 20 years ago) in order to reduce

monthly outgoings. While they are thus given the impression of greater affordability, we have to ask whether they are, in effect, taking on a lifetime of what Professor Michael Hudson has called “debt serfdom”? Obviously, the vast majority of those on low incomes simply cannot enter this market at all.

It will be noted from the foregoing that affordability is now invariably calculated in relation to two earners. Little attention is given to the possibility that one earner may cease work for a range of reasons, such as redundancy, illness or disability or to care for children. If redundancy or serious illness occurs, the mortgage debt may become unsustainable. Even if a household with young children remains a two earner one, weekly childcare costs could be significant and could even exceed mortgage repayments. Affordability ratios based on two incomes are therefore open to serious question.

A different measure of affordability is illustrated by the growing extent of long-distance commuting. This is particularly obvious in the Dublin area where prices are highest but it is also a problem in the other main urban centres. For example, large numbers of those working in the Dublin region who aspire to own a home at an affordable price have little option but to live within what estate agents loosely call “commuting distance of the capital”. Therefore, the Dublin commuting zones now include adjoining counties of Meath, Wicklow and Kildare, but also counties further afield such as Wexford, Carlow, Kilkenny, Tipperary, Laois, Offaly, Westmeath, Longford, Cavan and Louth (Walsh et al, 2005). The same holds in the commuting zones of the other main centres of Cork, Limerick and Galway.

Long-distance commuting brings with it a range of serious economic and social implications. One of the most obvious is the increased direct costs of petrol and wear and tear, often involving two cars and several hours travel each day. A further direct cost is the extra time spent in travelling, often in excess of two hours each way. This extra time is rarely taken into consideration by those building and selling homes in outlying counties but it is a very real extra cost for those involved. Apart from such “private” costs accruing to individuals, a huge “social” cost is imposed on other road users in terms of increased traffic congestion, increased fuel consumption, pollution and frustration. Long-distance commuting is especially problematic for young working couples with children. It is now commonplace for couples to leave children in a local crèche, if available, from early morning until late evening. Alternatively, they must transport the children at an early hour to childcare facilities in or near their place of employment. If children are of school-going age, another challenge arises as population growth in such areas has invariably out-paced the provision of schools, recreational facilities and amenities. Until such schools and other facilities are provided (and this may take many years) parents must transport their children to schools in the city. Whichever option is chosen, the parents are denied access to, and enjoyment of, their children for long periods. The children are similarly without their parents during these periods. Without a doubt this situation represents a serious reduction in the quality of family life for all.

Perhaps the most critical measure of affordability is the inability to purchase a home at all. The officially accepted measure in recent years is a home whose loan repayments are no greater than 35 per cent of after-tax income (Government of Ireland, 2000a). One must approach this “affordability threshold” with some caution. This percentage is of course an arbitrary cut-off point, and it ignores the important question of inequality. A family in local authority housing may typically pay less than 10 per cent of their income on rent (due to the differential system), which means that this household would be defined as living in highly affordable accommodation – well below the 35 per cent threshold. Yet this might leave a very low *residual* income, such that the household is living in considerable income poverty and must struggle to meet even the most basic needs of everyday life. By contrast, a household with a combined annual disposable income of €100,000 could conceivably have annual mortgage repayments of €36,000 that is 36 per cent of their disposable income. According to the above definition of affordability, their housing costs are now unaffordable. However, this leaves a more healthy residual income of €64,000. These definitional problems are well covered elsewhere (Downey, 2003; O’Sullivan and Gibb, 2003;

Redmond and Kernan, 2004).

Bearing these difficulties in mind and using the official affordability threshold, estimates carried out by the Local Authorities indicated that 33 per cent of new households (about 14,000 households each year) over the period 2001-2006 would not be able to afford to purchase a home in that their net payments would be above the official threshold. This figure rises to 42 per cent in urban areas and is as high as 51 per cent in Fingal County, 55 per cent in Dun Laoghaire Rathdown and 65 per cent in Waterford City (Local Authorities, 2001/2002 and Punch et al., 2002).

5. THE CAUSES OF HOUSE PRICE INFLATION

As pointed out earlier, Ireland's housing system has changed from one where not-for-profit provision by the state, based on the need for homes, was significant to one in which the market, influenced by demand (as opposed to need) has become the predominant influence on supply. Demand for housing, implying the ability to pay with one's own resources or through borrowing from lending institutions, is influenced by a range of factors. First, there are few alternatives to house purchase. The private rented sector, which we examine later, offers an expensive, insecure and often sub-standard alternative. As regards, social housing, many individuals and families are above the relevant income threshold and thus ineligible for such housing and, in any case, waiting lists are very long. The end result is excess demand for homes for sale, even by those who have considerable difficulty in purchasing.

Other factors influencing demand include the significant growth of population over recent decades, coupled with increased employment opportunities and incomes (see, for example, Bacon *et al.* 1998; Roche, 2003; McQuinn, 2004). Demand has also been influenced by low interest rates over an extended period and the ready willingness of the lending institutions to make significant funding available to borrowers. Such flexible lending policies obviously push up demand and contribute significantly to house price increases. It has also resulted in a dramatic increase in housing indebtedness (a total of €9 billion over the period 2001-2005 alone) on the part of the Irish. The level of personal mortgage debt in Ireland continued to increase by €2 billion per month during 2006 and at the end of that year the outstanding debt was about €123 billion. This was double the figure at the end of 2003 (Central Bank and Financial Services Authority, 2007, p. 37).

Lending institutions have also been prepared to give substantial loans for investment in housing to considerable numbers of people who view housing as an investment or speculative opportunity, even on a short-term basis. These groups have also been encouraged by a range of tax incentives over several decades, by the reduction in capital-gains tax to 20 per cent in 1997 and the rapid escalation in prices illustrated earlier. This has placed further upward pressure on house prices and has resulted in a significant displacement of aspiring first-time buyers in recent years. In a short period between 2001 and 2006, the proportion of first-time buyers of new homes fell from 63 per cent to 47 per cent for the country as a whole, with an even greater fall in the Dublin area (Department of Environment, Heritage and Local Government, 2007). In contrast, investors and holiday home owners, increased significantly for the country as a whole as well as in the Dublin area. (See Table 9).

	Whole Country		Dublin	
	First-Time Buyers	Others	First-Time Buyers	Others
2001	63.0	37.0	65.8	34.2
2006	46.9	53.1	49.5	50.5

Source: *Annual Housing Statistics Bulletin, 2006*

Government policies have, over many years, shown a heavy bias towards market provision of housing and to home owners thus contributing to the escalation in house prices. The availability of mortgage interest tax relief, stamp duty remission and first-time buyer grants were intended to reduce the cost of housing for owner-occupiers and as such they proved popular political initiatives. In reality, however, with very few alternatives to house purchase, they ultimately contributed to increasing demand for market-driven housing and thus to higher house prices, creating an affordability problem even for relatively well-off purchasers (O’Connell and Quinn, 1999). The abolition of residential rates in 1978 and a property tax in 1997 (in force over the period since 1984) means that, apart from stamp duty which falls on purchasers, housing in Ireland, in contrast to many other European countries, is virtually free from taxation.

Despite the significant increase in housing provision in recent years, the supply has still been inadequate to meet the sustained level of demand especially in the Dublin area, leaving developers and builders in a strong position to charge “what the market will bear” and in many cases to secure “super-normal” profits achievable in monopoly-type situations. This is, in effect, what has happened over the last decade – the market in combination with a high level of speculation has failed to supply sufficient housing to meet demand and to stabilise prices. From a normal aspiring homeowner viewpoint, this is a fundamental flaw in the market mechanism.

What are these supply-side problems? One factor of central importance is the supply and availability, as well as the price, of land suitable for housing (see, for example, McNulty, 2003; Roche, 2003). With a relatively fixed supply of land and excess demand, even for land zoned for agricultural or amenity purposes and without planning permission, it is inevitable that there will be an upward pressure on land prices. When land is rezoned for housing and planning permission thus seems possible, the price of land will rise further. Recent land sales indicate that the average proportion of a house price taken up by the price of land could be as high as 40-50 per cent (Casey, 2003). These exceptional increases in the price of land are invariably passed on to house purchasers in the form of higher house prices.

There is evidence to suggest that land suitable for housing in some parts of the country and especially in the Dublin area is controlled by a relatively small number of landowners and developers. It has been shown that over recent years about 25 major developers (many of them companies) have gained control over 50 per cent of land suitable for housing in the Fingal county in the Dublin region (Casey, 2003). This small group can effectively operate a monopoly-type influence on the availability and price of land and, as a result, the price of housing. Of even greater concern is the part the Local Authorities play, often under duress, in further enriching such landowners when, every five years or more often in some cases, “in the interests of the common good”, they re-zone agricultural land for residential purposes – a further critical factor affecting supply. The price of such land can multiply a hundred-fold overnight even though the owners have carried out no productive activity whatsoever. Over thirty years ago, a Committee under the Chairmanship of Mr Justice Kenny made various proposals for policy change in order to deal with the high cost of land (Kenny, 1973). More recently an all Party Oireachtas Committee again recommended similar policy changes (Government of Ireland, 2004). No action has been taken to date.

A range of Reports and books have made recommendations for change over the past few decades (e.g. Commission on Taxation, 1982-85; Blackwell and NESC, 1988; Bacon et al., 1998; Downey, 1998; Drudy et al. 1999; O’Sullivan, 1999; NESF, 2000; NESC, 2004; Drudy and Punch, 2005; Norris and Redmond, 2005). Since 1998 the Government has placed a considerable emphasis on increasing the supply of private housing (Government of Ireland, 1999 and 2000). It also accepted the need to move more rapidly on the provision of serviced land for housing and agreed to increase the number of planning graduates with a view to reducing delays with planning permission. Mortgage interest relief was eliminated for investors for a short period, but under pressure from property interests was re-instated. A proposed anti-speculative tax was never introduced.

Since 1999, the government has also introduced various Affordable Housing Schemes designed to provide housing for sale to low-income groups at a discount below the prices which could be obtained on the market. The introduction of such schemes clearly illustrates an acceptance that, for many people, housing is not affordable. The 2000 Planning Act also introduced the concept of Special Development Zones, the first of these which was subsequently designated and is being completed at Adamstown in the Dublin region in order to “fast-track” the supply of housing. As a result of the same Act, the planning authorities produced a range of housing strategies over the period 2001-02 in which they proposed major rezoning of land for housing. As part of the *Sustaining Progress* agreement in 2002, the government also committed itself to providing an extra 10,000 “affordable” houses over the period to 2006. However, due to the slow progress with this proposal, the Government announced in August 2005 the establishment of an “Affordable Homes Partnership” in order to bring forward land and to speed up the provision of affordable housing for sale. A similar commitment was made to encourage the provision of “affordable” housing in the most recent Social Partnership Agreement in June 2006 (Department of An Taoiseach, 2006). In 2006 a total of 3,400 homes were completed in the “affordable” (including shared ownership) for sale category (Department of Environment, Heritage and Local government, 2007). The National Development Plan, published in January 2007, proposed a total of 40,000 affordable homes over the period up to 2013. In early 2007, the Minister for the Environment announced that the Affordable Homes Partnership had purchased 500 homes on the private market in the Dublin area at a reported discount of 30 per cent (about €100,000). This significant discount appears to confirm the significant level of profit achievable by developers from housing.

6. PRIVATE RENTED HOUSING

Once a predominant form of accommodation, the private rented sector has suffered from a generally negative image due to a perception of high rents, poor standards and insecurity of tenure. Over two decades ago, it was labelled “the forgotten sector” due to the relative disinterest of the state in dealing with these various problems (O’Brien and Dillon, 1982). As a result, private renting has long been regarded by many as a short-term option before either purchasing a home or renting a less expensive one with greater security from a Local Authority. Despite the sector’s negative image, there are many landlords who have provided and continue to offer first class accommodation at reasonable rents and who offer secure homes for long periods to satisfied tenants. Furthermore, this sector can play a most important role in any housing system by providing accommodation for those who are either unwilling or unable to purchase and who cannot gain access to Local Authority housing. The sector can offer a valuable and flexible option for a whole range of income groups and particularly for workers on relatively short employment contracts and for students attending third level institutions. In recent years, it has also arguably fulfilled a useful role in providing accommodation for low-income groups eligible for rent supplement under the government’s Supplementary Welfare Scheme.

Now a total of 145,300 units, it had declined persistently for many years. For example, in 1961 there were 116,000 units; this had declined to 81,000 by 1991. However, it had shown a remarkable increase of almost 64,000 units or 79 per cent by 2006. The vast majority of the units (128,700 units) are now furnished, with most still in detached, semi-detached or terraced housing. Almost 39 per cent of the accommodation is now in flats/apartments and in the light of recent construction patterns, especially in the main urban centres, this is likely to be a more important element in the years ahead. The private rented sector accommodates a total of 374,000 people, two thirds living in traditional housing and the remainder in flats/apartments. The largest concentration of private rented accommodation is in the Dublin area (40 per cent), followed by Cork, Galway and Limerick. A total of 68,700 units were built since 1991 but over 39,000 pre-date 1960.

At one level, the private rented sector has high-grade accommodation occupied in the main by high-income households (about 25 per cent of the total), including employees of multinational companies. A further section of accommodation is occupied by middle-class, relatively advantaged

and educated salaried workers (about 56 per cent). These include a high proportion of younger households who cannot now purchase a home due to the significant price escalation described earlier. One unfortunate result of this trend is the “crowding-out” of disadvantaged households (Downey, 2003).

One of the most serious difficulties in the private rental sector, at least from the tenant viewpoint, have been the high level of rents and the uncertainty regarding future rent increases. Attempts to control or regulate rents have always met with opposition from landlord interests, while being applauded by tenants. It can be argued that any form of rent regulation will tend to put pressure on landlords who either neglect their rented properties or possibly dispose of them, thus reducing the supply of accommodation. This argument had a great deal of validity with regard to a rigid form of “first generation” rent control which existed in Ireland and throughout Europe and the United States for an extended period since 1915. However, since the 1970s rent regulation has taken the interests of both landlords and tenants into consideration and there is no evidence that such regulation has adverse effects (Arnott, 1995).

While rent regulation is now almost non-existent in Ireland and the rights of property owners are given priority in the Irish Constitution, it is nevertheless important to note that Article 43.2.1 of the Constitution states that private property rights “ought to be regulated by the principles of social justice” and may be delimited by law in the interests of the “common good”. The Constitution Review Group reporting in 1996 also argued that “the state must have a general capacity to regulate (and even in some cases extinguish) property rights” (Constitution Review Group, 1996).

The earlier study by O’Brien and Dillon (1982) identified the high level of rents and regular rent increases as causes of major concern to tenants. Security of tenure and the ease of eviction as well as the poor standard of accommodation were also primary concerns. In the absence of a lease or written agreement, the landlord at that time and until recently could take action for possession with only 28 days notice irrespective of whether or not a breach of agreement took place.

Similar problems persist in recent times. For example, over the period 1998-2001, average rents in Dublin (the main location for private renting) increased by 53 per cent – far in excess of the consumer price index. A comparative study by the European Central Bank showed that the highest level of rent increases over the 1997-2001 period across the European Union was recorded in Ireland (European Central Bank, 2003). Rents fell over the period 2002 to 2004 but have been increasing again since then (DAFT, 2007). One recent study suggested that one in five in the private rented sector exceeded the affordability limit (Fahey, Nolan and Maitre, 2004). Many tenants therefore regard the private rented sector as a “tenure of last resort” (McCashin, 2000) and are encouraged to get into home ownership or Local Authority and Housing Association accommodation if at all possible.

Under legislation since the early 1990s, landlords are obliged to ensure that rented houses or apartments comply with health and safety legislation and with a range of “minimum standards” relating to such items as structural repair, sanitary facilities, heating, electrical and gas fittings and equipment. However, in 1998, five years after the enactment of legislation on standards, 2,710 units or 53 per cent of those inspected, did not meet minimum standards. The most recent available data for 2006 showed that 1,700 units (20 per cent of those inspected) were in breach of regulations (Department of Environment, Heritage and Local Government, 2007). If this sample is representative, it would imply that (assuming the 68,700 units built since 1991 are in compliance) over 15,300 of the remaining 76,600 units in the private rental system do not meet the minimum standards. The most vulnerable tenants are the low-income ones, including those on rent supplement (Hayden, 2005). Furthermore, Local Authorities have been slow in enforcing the legislation on standards. In 1998, no case was taken although 2,710 units were in breach of regulations. Even by the end of 2006 only 36 cases of enforcement were initiated.

Apart from safety considerations, much of the private rental accommodation – even the new units – can be regarded as unsatisfactory in terms of size, overall quality and suitability for families and children. A study of residents in new housing in Dublin’s inner city carried out by MacLaran et al. (1995) showed that a sizable proportion of respondents were critical of the inadequate storage space inside and outside the dwelling, as well as the small size and poor ventilation of kitchens. Garden space was generally considered to be quite inadequate and the vast majority of respondents (70 per cent) felt that the garden space was unsuitable for children. A government commissioned report by KPMG (1996) also established that a large proportion of residential units, including those in the rental sector, were small, consisting almost exclusively of either one or two bed apartments. Bathrooms and kitchens were likewise undersized, many with little natural light or ventilation. There was a lack of semi-public or private space external to the buildings and very few play areas for children. The KPMG report also expressed serious reservations regarding the lack of adequate storage space, the size of individual rooms and the absence of residential amenities. As well as the poor environmental conditions, KPMG argued that the existing guidelines regarding the size of units issued by the Department of the Environment in 1995 were unhelpful in allowing a large proportion of small residential units, in comparison with comparable guidelines in other European countries. Despite these reservations, developers have persisted in constructing a large proportion of one and two bedroom apartments in recent years in Dublin’s “inner city”, facilitated by both Dublin City Council and Dublin Docklands Development Authority on the grounds that there was a “market” for such apartments, especially for investors. Kelly and MacLaran show that one-bed apartments built or with live planning permission in 2003 accounted for 37 per cent of all residential developments since 1996, while two-bedroom units accounted for a further 54 per cent (Kelly and MacLaran, 2004). In Dublin Docklands, it could be argued that this trend is in direct conflict with the stated aim in the 1997 Docklands Master Plan to build a range of house types, including family units (Dublin Docklands Development Authority, 1997).

7. THE COMMISSION ON PRIVATE RENTAL AND NEW LEGISLATION

In view of widespread concern over many years regarding the difficulties in the private rented sector the government established a Commission in 1999 to examine concerns regarding security of tenure of tenants, the rights and obligations of landlords and tenants, and to make recommendations on how the sector might be developed further. The Commission Report offers an interesting view of the different philosophies of landlords and tenants. Core issues such as giving a right to tenants to continue in occupation for an extended period, with some certainty regarding rent levels proved most difficult. The Report of the Commission was, therefore, “the result of much compromise between the various interests” (Commission on the Private Rented Residential Sector, 2000).

The Residential Tenancies Act 2004 largely reflected the majority view of the Commission. The Act specifies that a landlord can terminate a tenancy without giving a reason, during the first six months. After this a tenant can normally remain in occupation for a further three and a half years. However, a landlord can terminate a tenancy during this latter period for a range of specified grounds such as failure by the tenant to comply with his/her obligations under the tenancy, proposed sale of the dwelling, occupation by the landlord or a member of his/her family or substantial refurbishment. While an improvement on the existing situation, these loopholes would seem to provide relatively easy methods to secure an eviction if a landlord so wishes, so that security of tenure is more apparent than real.

The Act specifies that the rent payable by a tenant shall be the “market rent” agreed between landlord and tenant and rent shall be reviewed no more than once per annum, unless a substantial refurbishment has occurred (2004 Act, Sections 19-20). There is thus virtually no rent regulation and, with an inadequate supply, this puts landlords in a strong negotiating position. Furthermore, there is no formal provision for regulating the extent of rent increases which is a central element of modern “second generation” rent regulation in Europe and the United States. The typical rental contract in the EU includes an indexation clause linked to the consumer price index. Germany, for

example, only allows increases in rents of sitting tenants up to a maximum of 20 per cent over three years (European Central Bank, 2003).

One of the most important initiatives in the 2004 Act was the establishment of the Private Residential Tenancies Board recommended by the Commission. Although the Board only commenced its work in 2005, its potential is enormous in relation registration of landlords as well as resolving disputes regarding the so-called “market rents”, standards of accommodation, security of tenure and return of deposits. At this early stage of its work, it is only possible to give a preliminary evaluation of the Board’s impact. First, it seems clear that the level of registration by landlords has changed significantly. By August 2004, prior to the establishment of the Board, only 22,500 tenancies had been registered by almost 16,000 landlords. By December 2006, the Board recorded almost 133,200 tenancies and 79,000 landlords. The registered tenancies are published on a county basis, with address, description of dwelling, number of bedrooms and floor area. Apart from being properly registered for taxation purposes and inspection of standards, the register is a particularly helpful source of accommodation options for prospective tenants.

The Board has also played a significant role in dispute resolution and has replaced the more cumbersome procedures which previously existed via the Courts. By the end of 2005, almost 900 cases had been referred by both landlords (28 per cent) and tenants (67 per cent). One long-standing problem was the retention of deposits and this involved 43 per cent of the cases, of which most were resolved in favour of the tenants. However, a range of cases refer to situations where tenants have not abided by their obligations e.g. anti-social behaviour or rent arrears. A total of 218 cases have been resolved to date. At this early stage, it seems clear that the establishment of the Board has been in the best interest of both landlords and tenants.

In recent years, the private rental sector has become an alternative form of public housing with the widespread use of rent supplement paid by the Department of Social and Family Affairs. Originally, rent supplement was meant to be a means of income support to provide immediate and short-term assistance for unmet needs. However, it has become, almost by default, a mainstream housing income support for low income families. The cost of accommodation being subsidised under the scheme has also increased considerably over the years from €7.8 million in 1989 to €388 million in 2006 (Department of Social and Family Affairs, 2007). Rent supplement is now being phased out and is being replaced by a new Rental Accommodation Scheme (RAS). This is an attempt to secure more long-term accommodation in the private rented sector for those on low incomes, but the question arises as to whether such an arrangement will provide a good standard of accommodation or represent good value for money in comparison with the provision of more public housing (Hayden, 2005).

8. HOUSING NEED AND PROVISION

In view of the difficulties outlined above it is inevitable that many people are unable to purchase a home or rent one in the private rented sector. These are in “housing need”. Assessments of housing need are carried out by Local Authorities every three years. In 1993, it was estimated that the total number of households in housing need was 28,624. By 2002, this figure had risen to 48,413 but in 2005 had fallen to 43,700. There is much debate regarding whether real housing need is greater or less than these estimates. There are, however, number of reasons why the most recent (2005) official figure of 43,700 families in housing need (which includes the “homeless” category) may under-estimate the number who actually require housing, but are not in a position to either purchase or rent at an affordable price. In addition to this official estimate, there are two further important categories of need which must be taken into account. First, Local Authority estimates show that, in the case of one third of new households formed in Ireland each year housing is, in effect, “unaffordable”. This amounts to about 14,000 new households each year. Second, about 58,000 households were receiving rent supplement for accommodation in the private rented sector in 2005 and an estimated 43,500 of these were not on the official waiting list. This latter number of

households can therefore also be defined as being in “housing need”. Putting the three categories together, we get a total of over 100,000 households or about 236,000 people. (See Table 10).

		<i>Households</i>	<i>Persons</i>
1	<i>Official Assessment 2005</i>	43,700	126,000*
2	<i>Housing Strategies Estimate 2001-2002</i>	14,000	41,000**
3	<i>Rent Supplement Tenants 2005</i>	43,500	69,000***
	<i>Total</i>	100,700	236,000

Notes:

* Assuming average household size

**The estimate for one year only. Therefore likely under-estimate since 2001.

*** Assuming 18,000 single-person households. Other households consist of two or more people. Assuming only two persons per household, so that the above is an under-estimate of the total.

In response to this need, what is the record of public provision? Local Authority provision is made up of newly-built houses and those acquired at market prices. The gross gain in the Local Authority stock (built and bought at market prices) over the last thirteen years was 53,501 homes (42,783 built and 10,718 purchased on the private market) or an average of 4,115 each year. However, this gain was counteracted by the sales of 21,402 Local Authority houses (1,646 each year) to sitting tenants at a significant discount. The net gain was thus only 32,099 homes or an average of 2,469 each year since 1994. (See Table 11).

	Constructed	Acquired	Total Gain	Sales	Net Gain
1994	2,374	467	2,841	505	2,336
1995	2,960	882	3,842	950	2,892
1996	2,676	897	3,573	2,284	1,289
1997	2,632	585	3,217	2,139	1,078
1998	2,771	511	3,282	2,006	1,276
1999	2,909	804	3,713	2,256	1,457
2000	2,204	1,003	3,207	1,844	1,363
2001	3,622	1,400	5,022	1,411	3,611
2002	4,403	671	5,074	1,195	3,879
2003	4,516	456	4,972	1,567	3,405
2004	3,539	971	4,510	1,652	2,858
2005	4,209	918	5,127	1,738	3,389
2006	3,968	1,153	5,121	1,855	3,266
Total 1994-2006	42,783	10,718	53,501	21,402	32,099

Source: *Housing Statistics Bulletins*, various years

It should be noted that an average of about 3,500 Local Authority houses become vacant and are added to a “casual vacancies” list each year. While these are obviously helpful in accommodating new or transfer tenants, they are not a net addition to the housing stock.

The sale of Local Authority housing (the Tenant Purchase Scheme) has been a long-term commitment in Ireland and in political terms it is a very popular measure. It is thus most unlikely that any political party or public representative would favour terminating the scheme. However, there are a range of good arguments for altering the terms of the scheme or even terminating it in the light of the significant housing need outlined earlier. At least, it would be most unwise to continue selling at significant discounts while at the same time purchasing at market prices, especially since tenants who wish to own homes can do so via several more appropriate routes (e.g. affordable housing and shared ownership schemes). At present, tenants can purchase at up to a 30 per cent discount and subsequently sell at market prices, resulting in substantial “unearned” windfall gains. Purchases are invariably made by the better-off tenants or their descendants who eventually secure an “entitlement” to the home even though these may not be in housing need at all. It may be recalled that the National Economic and Social Council favoured a proper “clawback” system as far back as the 1980s (Blackwell and NESc, 1988) and the arguments against the current scheme were again set out by the NESc in its 2004 Report (NESc, 2004). Such sales have resulted over the years in a sharp reduction in the Local Authority housing stock. A continuation of the sales scheme will result in the further residualisation of public housing whereby only the very low income or unemployed households will be in public rental. Furthermore, the loss of rental income means that a “maturation effect” which contributes to long-term viability will be lost.

In addition to Local Authority provision, a range of philanthropic bodies and Housing Associations, acting in co-operation with the Local Authorities, have been active for some years in building houses for rent. One early example of a philanthropic organisation was the Iveagh Trust established in 1890 by Sir Edward Cecil Guinness, First Earl of Iveagh (Aalen, 1990). The Trust is now recognised as a Housing Association and is active in hostel provision as well as building and refurbishing homes for the elderly and others in need. The Housing Association, Respond, founded by Fr. Pat Cogan over 25 years ago has been particularly successful in providing homes together with essential associated community facilities, education and training for tenants. Housing Association accommodation is built with assistance of two important schemes – the Capital Assistance Scheme and the Capital Loan and Subsidy Scheme – both administered by the Department of the Environment, Heritage and Local Government. The Associations usually focus on small local communities and cater for a proportion of low-income tenants who cannot get onto Local Authority lists. However, those on the waiting lists receive priority for most of the houses. The provision by Housing Associations over the past ten years is given in Table 12. For most of the period, they provided less than 1,000 homes per annum (largely due to difficulties of funding as well as land acquisition and land prices), but with increased support from government their output has increased significantly in recent years and rose to 1,600 homes during both 2003 and 2004. This fell back to 1,350 homes in 2005 and to 1,240 in 2006. It may be noted that Associations under current legislation cannot become involved in tenant purchase schemes on the valid grounds that this would reduce further the stock of badly-needed rented homes.

There are some concerns as to whether or not this sector can achieve the capacity hoped for by government (Brooke, 2001). Official policy has envisaged a much greater role for voluntary associations in public housing provision since *A Plan for Social Housing* (Government of Ireland, 1991). This aspiration was reinforced in a practical way in the 2002 National Development Plan, which set a target for voluntary housing output of 4,000 dwellings per annum. While there has been some improvement in output since the NDP, the current output of about 1,300 per annum is a long way short of this target.

Table 12: Voluntary and Co-operative Housing Provision, 1994-2006			
	Capital Assistance Scheme	Capital Loan and Subsidy Scheme	Total
1994	607	294	901
1995	613	398	1,011
1996	501	416	917
1997	345	411	756
1998	283	202	485
1999	314	265	579
2000	484	467	951
2001	554	699	1,253
2002	699	661	1,360
2003	1,018	599	1,617
2004	981	626	1,607
2005	523	827	1,350
2006	799	441	1,240
Total 1994-2006	7,721	6,306	14,027
Source: <i>Housing Statistics Bulletin</i> , various years			

In summary, Local Authorities and Housing Associations between them have provided an average net increase of about 3,400 homes per annum over the last decade – a modest performance in view of the large housing need illustrated earlier. It seems clear that a low priority has been given over recent years to non-market housing provision and some Local Authorities increasingly see themselves as “enablers” or “facilitators” of provision by the market rather than direct providers.

9. THE OUTSIDERS: TRAVELLERS AND PEOPLE WITH DISABILITIES

A number of groups in housing need face particular difficulties. These include the homeless, Travellers and people with disabilities. We attempt to summarise the difficulties facing these two latter groups below. There is little doubt that Travellers represent one of the most marginalised groups in Irish society. This reality is particularly obvious in the case of housing. The most recent 2006 Census of Population (CSO, 2007) recorded a total of 4,371 Traveller households, and a total population of 22,435. However, the most recent (2004) Annual Count of Travellers identified 6,991 Traveller families. A total of 1,012 households were assessed as in “housing need” in the 2005 Local Authority Assessment of Housing Needs. This means that a significant proportion of Traveller families require more appropriate housing. Moreover, in view of the 2004 Annual Count, it may well be that this underestimates the extent of need. This problem is not a new one. Prior to the 1960s, the state paid very little attention to the accommodation needs of Travellers. At that time, very few had been allocated a home by the local authorities, and the vast majority lived a transient existence on the side of the road in caravans and without proper sanitary or other facilities. It must of course be acknowledged that many Travellers did not at that time seek local authority housing, as living in a settled community could conflict with their nomadic lifestyle and culture. In any case, the allocation of housing to Travellers was likely, for a variety of reasons, to meet with considerable opposition from most settled communities determined to prevent integration of this group. Furthermore, few attempts were made to provide even halting sites or basic facilities to enable travellers to retain their lifestyles and cultural identity.

The first major government report – The Report of the Commission on Itinerancy (1963) – acknowledged the need for action. The main thrust of that report was a policy of “assimilation” or “integration” of Travellers into the settled community. However, it seems that the attempt to implement the recommendations were, in effect, “isolationist”, since the halting sites provided by local authorities were well removed from settled residential areas. Furthermore, the halting sites were detached from schools and social services – vital prerequisites for assimilation. The rules and regulations associated with halting sites also militated against maintaining family connections and traditional economic activities (Brady, 2000). By the 1980s, two decades later, little progress had been made and after a detailed study, the Economic and Social Research Institute concluded in 1986 that “the living conditions of travellers are intolerable” and “no humane and decent society made aware of travellers’ living conditions could permit them to persist” (ESRI, 1986).

Ten years later the publication of the Report of the Task Force on the Travelling Community (Government of Ireland, 1995) marked an important change of attitude. For the first time, travellers’ representatives were involved in and played a key role in developing the Task Force recommendations. The Report could fairly be described as inclusive and respectful of the culture, traditions and nomadic heritage of the travelling community. The Department of the Environment subsequently produced a National Traveller Accommodation Strategy in March 1996 which proposed:

- Legislation on Traveller accommodation
- The establishment of a special unit within the Department of Environment and Local Government to co-ordinate an accommodation programme
- The establishment of a National Traveller Accommodation Consultative Group to advise the Minister
- The establishment of a National Traveller Accommodation Agency

To oversee this Strategy a dedicated Traveller Accommodation Unit was established in the Department of the Environment in May 1996. A National Accommodation Consultative Group was also established under the aegis of the Department in December 1996 was later established on a statutory basis in April 1999. The Consultative Committee has been useful for consultation and debate, but has not been in a position to exert real influence on the actual provision of accommodation. Arising from the Report of the Task Force, the Housing (Traveller

Accommodation) Act was enacted in 1998. It required local authorities to prepare and adopt, in full consultation with Travellers, five-year programmes for Traveller accommodation to meet both existing and projected needs and required them to make all “reasonable efforts in accordance with resources” to implement these programmes “within a reasonable time frame”. Note the important qualifications in the Act. The obligations on the Local Authorities to implement the programmes were therefore limited. The proposal to establish a special Traveller Accommodation Agency was never implemented.

There does appear to be an “obligation” to provide permanent halting sites rather than conventional dwellings and this is of course one of the requirements of the Travelling Community. As happens with any planning proposal, the provision of such sites can of course meet with strong opposition, and this remains a considerable issue, as proposed sites are often successfully resisted by reference to zoning objectives or other planning grounds. In a Review of the Operation of the Housing (Traveller Accommodation) Act, 1998, the National Traveller Accommodation Consultative Committee identified a number of barriers to implementing the accommodation programmes required under the Act. These included the difficulty in securing land at an affordable price and the absence of an absolute requirement (in Section 16 of the Act) on local authorities to implement programmes (National Traveller Accommodation Consultative Committee, 2004). The passing of the Housing (Miscellaneous Provisions) Act, 2002 exacerbated the situation further. There is no doubt that, even if the legislation were strengthened, local opposition to traveller accommodation from the settled community would represent a continuing obstacle to progress.

The Task Force on the Travelling Community in 1995 had recommended the provision of 3,100 units of accommodation (1,200 permanent halting sites, 1,000 transient halting sites (bays) and 900 houses) by the year 2000. Provision over the eight-year period 1996 to 2006 is given in Table 13.

	1996	1999	2006	Change 1996-99	Change 1999-2006
Standard housing*	1,703	1,999	3,045	296	1,046
Group housing	301	356	642	55	286
Halting sites	1,063	1,100	1,131	37	31
Private houses**	N/A	128	433	128	305
Total	3,067	3,583	5,251	516	1,668
* Including voluntary					
**Assisted by local authorities					
Source: <i>Report of the Traveller Accommodation Consultative Committee, 2004 and Annual Report, 2004, Annual Housing Statistics Bulletin, 2006</i>					

It is clear that over the first four-year period, progress was very slow and by 1999 only 516 of the 3,100 units (119 per annum) were gained. An improvement took place in the period up to 2006, when a net gain of 1,668 units (238 per annum) was achieved. However, this was still far short of the requirements identified in 1995. By 2005 it was estimated that some 3,000 families were still in need of appropriate accommodation (Irish Traveller Movement, 2007). Furthermore, in 2006, a total of 629 families were on unauthorised sites without proper washing or sanitary facilities (Department of the Environment, Heritage and Local Government, 2007). While this was a significant reduction on the 2002 figure of 939, it is still an unacceptable situation.

The Department of the Environment, Heritage and Local Government provides 100 per cent capital funding for the provision of new and redeveloped halting sites and group housing schemes for Travellers. Expenditure for such provision increased significantly in recent years. A new Traveller Accommodation Programme covering the period 2005-2009 proposed the provision of 2,700 units

of accommodation but to date few Local Authorities have met their particular targets. The accommodation obstacles facing Travellers are therefore significant and progress has been painfully slow because of weak legislation (Whyte, 2002) and the slowness of the Local Authorities in the face regular local opposition. The establishment of the Traveller Accommodation Agency proposed ten years ago is now more urgent than ever, but the legislation needs to be strengthened to remove qualifications like “within a reasonable timeframe” or “as resources permit”. Indeed, unless the “right to accommodation appropriate to need” for all our citizens is enshrined in legislation, progress will continue to be slow and Travellers and other citizens will continue to lack this most basic human requirement (Drudy and Punch, 2005).

9.1 Housing for People with Disabilities

“People with disabilities are the neglected citizens of Ireland...Whether their status is looked at in terms of economics, information, education, mobility or housing they are seen to be treated as second class citizens.”

Almost ten years ago, this was the introductory statement in the Report of the Commission on the Status of People with Disabilities (1996). The Commission concluded that by the mid 1990s there had been no tradition of Local Authorities providing “special housing” for people with disabilities, apart from housing for the elderly. Any special housing provision tended to be the initiative of the voluntary and co-operative housing sector. Neither was there a policy of providing “lifetime adaptable homes” or of providing a quota of wheelchair accessible housing. The Commission’s Working Group referred to the “appalling lack of public statistics on either the housing situation or the housing requirements of people with disabilities” (Commission on the Status of People with Disabilities, 1995). The Commission made 23 recommendations for change, including the adoption of a policy of Lifetime Adaptable Housing entailing an improvement in Building Regulations, the collection of a whole range of statistics, detailed assessments of current residential centres, as well as a Charter of Rights for residents and the removal of people with disabilities inappropriately placed in institutions such as psychiatric hospitals. In a Progress Report in 1999 on the implementation of the Commission recommendations, it was reported that the Building Regulations would be amended, that new statistical data on the needs of people with disabilities would be collected and that various recommendations were being “implemented on an ongoing basis” (Government of Ireland, 1999b). The Building Regulations were amended in 2000, requiring that all new public and private buildings after 2001 be “accessible” to people with disabilities. However, there is evidence that developers are not always complying with the new Regulations and that local authorities are carrying out insufficient inspections to ensure compliance (Irish Examiner, 11 September 2004).

Unfortunately, the statistical data relating to the housing requirements of many categories of disability remains unsatisfactory. However, the Health Research Board has been compiling a very useful annual National Intellectual Disability Database since 1996, and it is possible to compare this data with the first Census of Mental Handicap in 1974. In 2005, 24,917 people were registered on this database (Barron and Mulvany, 2005). The data illustrates that the proportion of people with moderate, severe or profound intellectual disability over 35 years of age has increased from 29 per cent of the total in 1974 to 47 per cent in 2005. This reflects the increase in the lifespan of people with intellectual disability. This has major implications for service planning, including the ongoing need for full-time residential services and residential support services.

Table 14 shows that in 2005 the vast majority (15,827 or 64 per cent of the total) of those with intellectual disabilities resided at home either with parents or relatives. A total of 8,073 are accommodated in full-time residential services, mainly in group homes and residential centres, but 396 people were still inappropriately accommodated in psychiatric hospitals and a further 55 in mental health community residences (Barron and Mulvany, 2005, p. 39). Table 14 also shows that the main source of accommodation is now group homes with the numbers in residential and other services falling since 1996.

Table 14: Main Residential Circumstances of People with Intellectual Disabilities, 1996-2005				
	1996		2005	
	Number	%	Number	%
At home with parents or relative	16,267	60.9	15,827	63.5
Independent living	526	2.0	810	3.3
Community group home	2,393	9.0	3,502	14.0
Residential Centre	3,824	14.3	3,334	13.4
Other full-time services	1,355	5.1	1,237	5.0
Total Residential Places	7,572	28.4	8,073	32.4
Of which psychiatric hospital	(970)	(3.6)	(396)	(1.6)
No fixed abode	6	0.02	9	0.03
Insufficient information	2,323	8.7	198	0.8
TOTAL	26,694	100.0	24,917	100.0
Source: National Intellectual Disability Database, 1996 and 2005				

The net gain in places over the ten-year period is only 501 or 50 places per annum. Over 3,000 of those currently living at home are in the older age categories (35 years or more) and are thus likely to have elderly parents. This underlines the need for full-time residential services mentioned above. The requirement over the last three years alone has increased by 23 per cent, and it is estimated that a further 2,008 residential places will be required over the period 2006-2010 – the highest since the database was established in 1996 (Barron and Mulvany, 2005, p. 64). In other words, the annual requirement (500 per annum) over the next four years is ten times greater than that achieved in the past.

9.2 The Problem of Segregation

Over many years Local Authority housing has been heavily concentrated in particular geographical areas. This is particularly obvious in the main urban centres and on the periphery where some estates contain up to 90 per cent Local Authority mainly low-income tenants. Furthermore, such areas often suffer very high rates of unemployment, low levels of educational achievement, drug abuse, poor physical infrastructure and facilities and insufficient attention to estate management and tenant involvement. The “surrender grant” of the 1980s (designed to encourage tenants to purchase homes elsewhere) had the adverse effect of denuding Local Authority estates of those who were employed on relatively high incomes and their replacement with low-income families, thus contributing further to residualisation and segregation.

Such segregation is inevitable since access to this tenure is confined to the most marginalised families. As argued earlier, it is also apparent that segregation is an integral element in a market-driven housing system. In this market model, access and housing choice depend on ability to pay. As a result, the poorest groups have the least choice and end up in the least desirable locations, while the richest can access the more exclusive areas, where house prices are highest, and there is strong expectation of steady future increases.

Part V of the Planning and Development Act (Government of Ireland, 2000a) was an attempt to deal with this problem. The aim of the legislation was to provide for the future housing requirements of the population and to avoid “undue segregation”. The Act required that Local Authorities could require the provision of up to 20 per cent of any residential development for “social and affordable housing” as a condition of planning permission. It may be noted that this was, in fact, a market-oriented mechanism, insofar as it depended largely on the co-operation of private developers. This meant that, rather than direct provision by the Local Authorities, the provision of social and affordable housing remained dependent on reaching agreement with private developers. Under pressure from building interests, the provisions were significantly diluted by the Minister for the Environment, Heritage and Local Government in late 2002. The amendments meant that developers could, in effect, avoid implementing the 20 per cent requirement in a variety of ways.

The operation of Part V was disappointing especially in the early stages (Brooke, 2006). However, in 2005 and 2006 a total of 1,371 and 2,198 homes respectively were acquired under Part V, the vast majority in the “affordable” (for sale at a discount) category. While this policy may be more successful in the future, it is hardly surprising that an attempt to deal with segregation with the co-operation of profit-driven private developers would have a weak impact. A housing paradigm which relies heavily on market-driven mechanisms to achieve social policy aims must inevitably face such difficulties.

10. CONCLUSIONS AND RECOMMENDATIONS

While much progress has been made in Ireland in relation to the provision and standard of housing in recent years, a number of difficulties and challenges have been identified in this paper. In particular, housing policy over recent years has been under-pinned by a dominant paradigm, which has placed enormous emphasis on market provision and downgraded the role of the state. In effect, this has led to the commodification of what should be treated as an important social good, like health or education. The almost exclusive reliance on “the market” as a provider has influenced many to see housing as a means of speculation and wealth creation rather than as a shelter, a home and a fundamental human right. It has also resulted in escalating house prices and rents, a high level of personal debt and a poor record in dealing with housing need. Although modest falls in house prices have occurred during 2007, house prices and rents remain unaffordable for considerable numbers and lessons must be learned from the experience of the last decade. There is a strong case therefore for a fundamental change of direction to ensure that every person has affordable, secure, good quality accommodation appropriate to their needs. I would suggest a number of key principles if this is to be achieved:

- Housing should be treated as a social good, rather than as a commodity for trading or wealth generation. Housing policies should clearly reflect this principle.
- Housing is a fundamental economic and social need; everyone should have a right to housing which is affordable and appropriate to needs. The right to housing should be established in legislation in line with signed international covenants and agreements.
- Since land is a fundamental requirement in relation to housing provision and co-ordinated planning, the state should have a long-term strategy of land acquisition in order to meet at a

reasonable price the needs of both market and non-market providers and to ensure that the necessary social infrastructure and amenities are made available without delay.

Arising from these principles, a range of policy changes would be necessary to deal with the difficulties facing those attempting to purchase or rent homes on the market as well as those who will never be able to participate in the market at all. Arising from earlier work (e.g. Drudy and Punch, 2005, Bannon, 2005) and an examination of “best practice” in a range of countries, I set out below a number of key recommendations for change.

10.1 National Housing Authority

In order to give housing the priority and status it deserves, there is a strong case for establishing a new National Housing Authority to oversee, co-ordinate and facilitate high quality housing provision, as recommended by the National Economic and Social Forum some years ago. The new Authority could build on existing expertise in the Department of Environment, Heritage and Local Government, the Local Authorities and in the Housing Associations and Co-operatives. As well as working closely with Local Planning Authorities, the Housing Authority should have strong input at a local community level to advise on housing needs and broader related concerns in particular areas. One of its first tasks should be the provision of a comprehensive Urban, Regional and Rural Housing Strategy.

10.2 Urban, Regional and Rural Housing Strategy

In order to avoid ad hoc provision of housing throughout the country without appropriate planning and relevant infrastructure, a Housing Strategy should be put in place in relation to housing needs and provision in different parts of the country. This Strategy must be in line with the Government’s National Spatial Strategy designed to take pressure off the “eastern core” of the country.

10.3 Sustainable Housing and Communities

A good housing system will not be achieved by the provision of physical units of housing alone. The emphasis must shift to “sustainable development” and to improving the quality of life for the occupants of homes. This requires a comprehensive holistic approach. In line with sustainability principles, provision today should not compromise potential for future generations. Housing should be affordable, accessible and should involve minimal commuting to employment. It should be in a safe and appropriate environment with adequate social, recreational and other facilities for adults and children. It should facilitate and contribute to social well-being, inclusion and community development.

10.4 House Price and Rent Inflation

A sustained level of private housing supply in particular areas is needed to dampen down market prices and rents in line with normal inflationary trends, but it is also essential to ensure a significant increase in all non-market housing, including what could be called “community housing”, in order to create competition (see below). It is clear that much of the current market supply is being taken up by investors and speculators. To deal with this problem, there is a case for the elimination of mortgage interest relief and a significant increase in capital gains tax for those purchasing second or further homes for speculative purposes. Furthermore, there is a strong case for the termination of a range of tax incentives such as Section 23/27 which contribute to speculative demand which contributes to significant increases in house prices. In the past, such incentives have also encouraged the construction of large numbers of “investment properties” in inappropriate locations throughout the country. The most recent Census suggested that as many as 250,000 such houses lie vacant. Lending institutions should be subject to more rigorous regulations in relation to sustainable borrowing levels. Prices and rents are unlikely to stabilise unless there is a good supply of zoned and serviced land available at a reasonable price. Therefore, a major programme of state acquisition

of land for both market and non-market housing is essential. Orderly acquisition and allocation by the state would ensure certainty for all providers and would offer greater prospects of co-ordinated planning and implementation.

10.5 New Community Housing Tenure

The current Local Authority stock provides homes for a narrow group of the population on low incomes, many of them suffering from unemployment, educational disadvantage and other difficulties and thus paying relatively low rents. Apart from the undesirable segregation and concentration of a particular social group in certain areas, this contributes to financial instability of the remaining stock. There is a case, therefore, for establishing a new broadly-based housing tenure called “community housing” which would cater for a much wider range of housing need as well as existing Local Authority tenants. It would thus include relatively well-off tenants who do not currently wish to purchase homes or are not yet in a position to do so, but who are able to pay an economic rent, at least sufficient to cover maintenance and other costs associated with the home – along the lines of a ‘cost rental’ model – thus enabling this new tenure to become and remain financially viable. This tenure would thus have the potential to be a competitor with the private market, thus dampening down price inflation. In addition, this new tenure could make a considerable contribution to the aim of achieving integration and to reducing social segregation. In the light of the estimated housing need given earlier there is a requirement for at least 10,000 financially viable non-profit housing units per annum over the next decade, including the proposed community housing, and those provided by housing associations and co-operatives. This target was proposed in 1999 (Drudy et al 1999) and was again recommended by the National Economic and Social Council in December 2004 (NESC, 2004).

The sale of public housing over many years has reduced the stock in a significant manner. The scheme represents a substantial subsidy to the better-off tenants and contributes to the marginalisation and residualisation of the remaining reduced stock. A residual stock with a high proportion of low income tenants means a consequent reduction in rental income and the weakening of long-term viability through “maturation”. Further sales would also result in a fall in the number of annual vacancies which heretofore made a significant contribution towards the growing waiting list. The sale of public housing should therefore be discontinued, but tenants wishing to purchase homes should receive particular assistance and encouragement to use the existing shared ownership and affordable housing schemes.

10.6 Reform in the Private Rented Sector

The passing of the Private Residential Tenancies Act in 2004 and the establishment of the Private Residential Tenancies Board are likely to be beneficial to both tenants and landlords. However, there is still room for reform. This sector offers a housing option for relatively well-off tenants seeking to meet short-term accommodation needs. Nevertheless, there is a strong case for the introduction of more rent certainty for these and other tenants through a system of rent indexation related to inflation trends and to account for improvements. However, this is not a satisfactory option for tenants on low incomes, including those eligible for rent supplement. Much rental accommodation for such tenants has been expensive and continues to be of low standard and the Local Authorities have so far failed to ensure that basic standards required by law are maintained. The proposal to provide long-term accommodation in the private rental sector for those on long-term rent supplement via a Rental Accommodation Scheme (RAS) should therefore be re-considered. The significant annual expenditure on rent supplement (currently €388 million per annum) could be diverted instead into the proposed community housing tenure. As mentioned above, tax incentives such as Section 23/27 have existed and have been renewed repeatedly over several decades. They are deeply regressive and represent a large and unjustified subsidy to investors, speculators and owner-occupiers. A case could be made for their retention in cases where new rental accommodation is required and provided at regulated rents for low income groups. They should be terminated for all other groups.

10.7 Special Needs

This paper briefly examined two groups with special needs – travellers and people with disabilities. The elderly are also an important and deserving group with special requirements. These are among the most vulnerable in Irish society and special housing arrangements and provision is essential for them. In particular, access to permanent and appropriate accommodation must become the central focus of policy. There are many examples of ‘best practice’ from individual homes to group housing schemes in community settings with the necessary back-up services and facilities to ensure ongoing security and general well-being. Future housing assessments and strategies should give a high priority to such groups.

10.8 Land Acquisition Programme

The limited availability and high price of land has contributed to the relentless rise in both house prices and rents, while also limiting the ability of non-profit providers to produce sufficient levels of social housing units. High land prices would also inhibit the success of the proposed community housing model described above. Given that land is one of the critical resources required for housing, whether for sale or rent, the state has a duty to acquire sufficient land at a reasonable cost, and therefore should develop a significant programme of state acquisition without further delay. Such land could then be released in a planned and orderly fashion to private and social housing providers as required.

10.9 Land Tax on Windfall Profits

In view of the housing shortages and unmet housing need, a strong case can be made that landowners should not accrue significant unearned gains purely as a result of land re-zoning or changes in planning permission. Such planning permission always brings a responsibility to provide services; yet land owners often make little or no contribution to these. One possible corrective is a substantial land tax or a capital gains tax on “unearned” price increases on land that has been zoned and serviced for development. At present, actions taken by the state on behalf of the community (e.g. via re-zoning, planning permission or the provision of infrastructure) too often simply result in enormous profits to landowners who bear none of the costs of residential development. The potential for such windfall gains in return for no productive activity whatsoever is totally unwarranted and leaves the planning system open to corruption (Flood, 2002a, 2002b).

BIBLIOGRAPHY

- Aalen, F. (1990)**, The Iveagh Trust: The First Hundred Years, *Dublin: Iveagh Trust*.
- Arnott, P. (1995)**, 'Time for Revisionism on Rent Control?' *The Journal of Economic Perspectives* 9(1), 99-120.
- Bacon, P. & Associates (1998)**, *An Economic Assessment of Recent House Price Developments* Dublin: Report to the Minister for Housing and Urban Renewal.
- Bannon, M. (2005)**, Planning for People: Observations on NESC Chapter 5 'Sustainable Neighbourhoods and Integrated Development', *Working Notes*, 50.
- Barlow, J. & Duncan, S. (1994)**, *Success and Failure in Housing Provision: European Systems Compared*, Oxford: Pergamon Press.
- Barron, S. & Mulvany, F. (2005)**, *National Intellectual Disability Database*, Dublin: Health Research Board
- Blackwell, J. & NESC (1988)**, *A Review of Housing Policy*, Dublin: NESC.
- Brady, P. (2000)**, 'Still Waiting in Hope' in Sheehan, E. (Ed.), *Travellers: Citizens of Ireland*, Parish of the Travelling People, Dublin.
- Brooke, S. (2001)**, *Social Housing for the Future: Can Housing Associations Meet the Challenge?*, Policy Institute Trinity College and Combat Poverty Agency, Dublin.
- Brooke, S. (2006)**, *Building for Inclusion? Housing Output and Part V of the Planning and Development System*, Dublin: Focus Ireland.
- Bullock, N. (1991)**, 'Comparing the European Past with Third World Present' in Saglamer, G. & Ozukran, S. (Eds.), *Housing for the Urban Poor*, ENHR International Symposium, Istanbul Technical University.
- Casey, J. (2003)**, 'An Analysis of Economic and Marketing Influences on the Construction Industry', *Building Industry Bulletin*, Dublin.
- Central Bank and Financial Services Authority of Ireland (2006)**, *Financial Stability Report*, Dublin.
- Central Bank and Financial Services Authority of Ireland (2007)**, *Quarterly Bulletin*, No 1, January 2007.
- Central Statistics Office (2007)**, *Census of Population, 2006*, Dublin: Stationery Office.
- Commission on the Private Rented Residential Sector (2000)**, *Report of the Commission on the Private Rented Residential Sector*, Dublin: Stationery Office.
- Commission on Taxation (1982-85)**, *Reports*, Dublin: Stationery Office.
- Commission on the Status of People with Disabilities (1996)**, *Report: A Strategy for Equality*, Dublin.

Commission on the Status of People with Disabilities (1996), *Report of the Working Group on Housing Accommodation*, Dublin.

Connolly, J. (1998), *Re-Righting the Constitution: The Case for New Social and Economic Rights*, Dublin: Irish Commission for Justice and Peace.

Constitution Review Group (1996), *Report*, Dublin: Stationery Office.

CORI (2005), *Policy Briefing: Housing and Accommodation*, Dublin: CORI Justice Commission.

CPSU and SIPTU (1998), *Affordable Accommodation: A Trade Union Issue and Human Right*, Dublin: CPSU and SIPTU.

DAFT (2007), www.daft.ie.

Department of An Taoiseach (2006), *Towards 2016: Ten Year Framework Social Partnership Agreement*, Dublin: Stationery Office.

Department of Social, Community and Family Affairs (2007), *Statistical Report on Social Welfare Services*, Dublin: Stationery Office.

Department of the Environment, Heritage and Local Government (2006), *Annual Housing Statistics Bulletin 2005*, Dublin: Stationery Office.

Department of the Environment, Heritage and Local Government (2007), *Annual Housing Statistics Bulletin 2006*, Dublin: Stationery Office.

Doling, J. (1997), *Comparative Housing Policy: Government and Housing in Advanced Industrialised Countries*, London: Macmillan.

Downey, D. (1998), *New Realities in Irish Housing*, Dublin: CRUBE, Dublin Institute of Technology.

Downey, D. (2003), 'Affordability and Access to Irish Housing', *Journal of Irish Urban Studies* 2(1), 1-24.

Drudy, P.J. et al. (1999), *Housing: A New Approach*, Report of the Housing Commission, Dublin.

Drudy, P.J. & Punch, M. (2001), Housing and Inequality in Ireland, in Cantillon, S., Corrigan, C., Kirby P. & O'Flynn, J. (Eds.) *Rich and Poor: Perspectives on Inequality in Ireland*, Dublin: Oak Tree Press.

Drudy, P.J. & Punch, M. (2002), Housing Models and Inequality: Perspectives on Recent Irish Experience, *Housing Studies*, 17(4), 657-672.

Drudy, P.J. & Punch, M. (2005), *Out of Reach: Inequalities in the Irish Housing System*, Dublin: TASC at New Island.

Dublin Docklands Development Authority (1997), *Dublin Docklands Area Master Plan*, Dublin: DDDA.

The Economist, 18 June 2005.

ESRI (1986), *Conditions of Traveller Accommodation*, Report 131, Dublin.

- European Central Bank (2003)**, *Structural Factors in EU Housing Markets*, Brussels: ECB.
- Fahey, T., (1998)**, 'Housing and Social Exclusion' in Healy, S. & Reynolds, B. (Eds.), *Social Policy in Ireland*, Dublin: Oak Tree Press, 285-302.
- Fahey, T. (Ed.) (1999)**, *Social Housing in Ireland: A Study of Success, Failure and Lessons Learned*, Dublin: Oak Tree Press.
- Fahey, T., Nolan, B. & Maitre, B. (2004)**, *Housing, Poverty and Wealth in Ireland*, Dublin: Institute of Public Administration.
- Finfacts (2007)**, *Demographia International Survey on Housing Affordability*, Dublin.
- Finnerty J. (2002)**, 'Homes for the Working Class?: Irish Public House-building Cycles, 1945-2001', *Saothar: Journal of Irish Labour History* 27, 65-71.
- Fitzgerald, E. & Winston, N. (2005)**, 'Housing, Equality and Inequality', in Norris M. & Redmond, D. (Eds) *Housing Contemporary Ireland*, Dublin: Institute of Public Administration, pp. 224-244.
- Flood, Mr Justice F.M. Chairman (2002a)**, *Second Interim Report on the Tribunal of Inquiry into Certain Planning Matters and Payments*, Dublin: Stationery Office.
- Flood, Mr Justice F.M. Chairman (2002b)**, *Third Interim Report on the Tribunal of Inquiry into Certain Planning Matters and Payments*, Dublin: Stationery Office.
- Fraser, M. (1996)**, *John Bull's Other Homes: State Housing and British Policy in Ireland, 1883-1922*, Liverpool: Liverpool University Press.
- Galligan, Y. (1999)**, 'Housing Policy in Ireland: Continuity and Change in the 1990's', in Collins, N. (Ed.) *Issues in Irish Politics*, Manchester: Manchester University Press.
- Ginsburg, N. (1999)**, 'Housing' in Page, R. & Silburn, R. (Eds.), *British Social Welfare in the Twentieth Century*, London: Macmillan.
- Government of Ireland (1991)**, *A Plan for Social Housing*, Dublin: Stationery Office.
- Government of Ireland (1995)**, *Report of the Task Force on the Travelling Community*, Dublin: Stationery Office.
- Government of Ireland (1999)**, *Action on House Prices*, Dublin: Government Information Office.
- Government of Ireland (1999b)**, *Towards Equal Citizenship: Progress Report on the Implementation of the Recommendations of the Commission on the Status of People with Disabilities*, Dublin: Stationery Office.
- Government of Ireland (2000)**, *Action on Housing*, Dublin: Government Information Office.
- Government of Ireland (2000a)**, *Planning and Development Act, 2000*, Dublin: Stationery Office.

- Government of Ireland All Party Oireachtas Committee on the Constitution (2004)**, *Ninth Progress Report: Private Property*, Dublin: Stationery Office.
- Hayden, A. (2005)**, 'Housing for the Future: The Case for Change', *Journal of the Statistical and Social Inquiry Society of Ireland* **34**, 2005/06, 127-138.
- Healy, J. (2004)**, *Housing, Fuel Poverty and Health*, Aldershot: Ashgate Press.
- Healy, S. & Reynolds, B. (2006)**, 'Progress, Paradigms and Policy', in Healy, S., Reynolds, B. & Collins, M. (Eds.), *Social Policy in Ireland*, Dublin: Oak Tree Press, 1-20.
- Irish Traveller Movement (2007)**, Personal communication.
- Kenny, Justice (1973)**, *Report of the Committee on the Price of Building Land*, Dublin: Stationery Office.
- Kelly, S. & MacLaran, A. (2004)**, The Residential Transformation of Inner Dublin, in Drudy, P. J. & MacLaran, A. (Eds.) *Dublin: Economic and Social Trends, Volume 4*, Dublin: Centre for Urban and Regional Studies, Trinity College.
- Kenna, P. (2002)**, 'A Right to Housing: Is It More than a Mere Right to Shelter in Market Societies like Ireland?', in Punch, M. & Buchanan, L. (Eds.) *Housing Rights: A New Agenda?* Dublin: Threshold and the Centre for Urban and Regional Studies.
- Kenna, P. (2006)**, *Housing Law and Policy in Ireland*, Dublin: Clarus Press.
- Kleinman, M. (1996)**, *Housing, Welfare and the State in Europe*, Cheltenham: Edward Elgar.
- KPMG (1996)**, *Study of Urban Renewal Schemes*, Dublin: Stationery Office.
- Kuhn, T. (1962)**, *The Structure of Scientific Revolutions*, Chicago: Chicago University Press.
- Lee, P. & Murie, A. (1997)**, *Poverty, Housing Tenure and Social Exclusion*, Bristol: The Policy Press.
- Lee, P. et al. (1995)**, *The Price of Social Exclusion*, London: National Federation of Housing Associations.
- Local Authorities (2001/02)**, *Housing Strategies*.
- Malpas, P. (2005)**, *Housing and the Welfare State*, Basingstoke: Palgrave Macmillan.
- MacLaran, A. (1993)**, *Dublin: The Shaping of a Capital*, London: Belhaven Press.
- MacLaran, A. et al. (1995)**, *Recent Residential Development in Central Dublin*, Dublin: Centre for Urban and Regional Studies, Trinity College.
- McCashin, A. (2000)**, *The Private Rented Sector in the 21st Century: Policy Choices*, Dublin: Threshold and St. Pancras Housing Association.
- McQuinn, K. (2004)**, *A Model of the Irish Housing Sector*, Dublin: Central Bank of Ireland.
- McManus, R. (2002)**, *Dublin 1910-1940: Shaping the City and Suburbs*, Dublin: Four Courts Press.

McNulty, P. (2003), 'The Emergence of a Housing Affordability Gap', *Journal of Irish Urban Studies* 2(1), 83-90.

National Economic and Social Council (2004), *Housing in Ireland: Performance and Policy*, Dublin: National Economic and Social Council.

National Economic and Social Forum, (2000), *Social and Affordable Housing and Accommodation*, Dublin: NESF.

National Traveller Accommodation Consultative Committee, *Review of the Operation of the Housing (Traveller Accommodation) Act 1998*, Report to the Minister for Housing and Urban Renewal: Dublin.

Norris, M. & Shiels, P. (2004), *Regular National Report on Housing Developments in European Countries: Synthesis Report*, Dublin: Department of the Environment, Heritage and Local Government.

Norris, M. & Redmond, D. (Eds.) (2005), *Housing Contemporary Ireland*, Dublin: Institute of Public Administration.

O'Brien, L. M. & Dillon, B. (1982), *Private Rented - The Forgotten Sector*, Dublin: Threshold.

O'Connell, T., & Quinn, T. (1999), 'Recent Property Price Developments: An Assessment', *Central Bank of Ireland, Bulletin*, Dublin: Central Bank of Ireland.

O'Sullivan, E. (1999), *National Report on Housing in Ireland*, Brussels: FEANTSA.

O'Sullivan, E. (2004), 'Welfare Regimes, Housing and Homelessness in the Republic of Ireland', *European Journal of Housing Policy* 4(3), 323-343.

O'Sullivan, A. & Gibb, K. (Eds.) (2002), *Housing Economics and Public Policy*, Oxford: Blackwell Science Ltd.

Permanent TSB/ESRI (2007), *House Price Indices*, Dublin.

Punch, M., Hickey, C., Buchanan, L., & Bergin, E. (2002), *Housing Access for All? An Analysis of Housing Strategies and Homeless Action Plans*, Dublin: Focus Ireland, Simon Communities of Ireland, St. Vincent de Paul, Threshold.

Redmond, D. & Kernan, G. (2004), 'Housing Policy, Homeownership and the Provision of Affordable Housing' in Scott, M. & Moore, N. (Eds.), *Renewing Urban Communities: Environment, Citizenship and Sustainability in Ireland*, Aldershot: Ashgate Press.

Roche, M. (2003), 'Will there be a Crash in House Prices?', *ESRI Quarterly Economic Commentary*, 57-72.

Threshold (2002), *Strategic Plan*, Dublin: Threshold.

Todaro, M. & Smith, S. (2006), *Economic Development*, London: Pearson Education.

United Nations Office of the High Commissioner for Human Rights (1991), *The Right to Adequate Housing*, General Comment No. 4, Geneva: United Nations.

Walsh, J., Foley, R., Kavanagh, A. & McElwain, A. (2005), 'Origins, Destinations and Catchments: Mapping Travel to Work in Ireland in 2002', *Journal of the Statistical and Social Inquiry Society of Ireland* **35**, 2005/06, 1-55.

Whyte, G. (2002), *Social Inclusion and the Legal System: Public Interest Law in Ireland*, Institute of Public Administration, Dublin.

Yamada, Y. (1999), 'Affordability Crises in Housing in Britain and Japan', *Housing Studies* **14**(1), 99-110.

FIRST VOTE OF THANKS PROPOSED BY JOHN O'CONNOR, AFFORDABLE HOUSING PARTNERSHIP.

Since the first census of Independence in 1926, this State has been antipathetic towards cities, which reflects issues of governance including the 'county-based' system of local government. Consequently, contiguous (built-up) Cork has stuck at 17.5% (plus or minus 1.25%) as a share of the population of contiguous Dublin. None of the 'embryo' cities as yet show signs of urban agglomerating and their populations fall short of Alonso-type critical mass.

Dublin city and county with 29.2% of population in 1996, over the ten years to the April 2006 census built only 21.55% of the State's 562,945 new dwellings (Appendix D, p. 54 www.scs.ie). Is this deliberate: as another 'official' attempt to constrict Dublin's demographic growth to that of Natural Growth only – with limited net in-migration?

This significant pro-rata under-supply of housing has created the profound chain-effect, alluded to by Prof. Drudy. First, in widening the divergence in Dublin Open Market Values compared to housing costs elsewhere. The consequent outcome is in terms of reduced affordability, especially for 'key' workers such as nurses, teachers, Gardai, fire-persons.

The result is a need to trade off increased commuting distance for lower property value leading to an estimated 76,000 'deflected' population to Mid-East, outer-Leinster and south-east Ulster. In turn the mushrooming of towns e.g. Navan's 25,000-30,000 population, whose 'dormitory' status is confirmed by inadequate levels of local employment opportunities.

Sustainable planning is achieved by providing accommodation close to where people work, education and social activity. Despite over 800,000 GDA 'in employment' there is increased long-distance commuting with attendant anti-social effects of travel times of 1.5-2.0 hours per journey, travel costs and reduced personal time so as to integrate into the local community. The resultant road congestion has contributed to the M50's 'parking lot' status during commuting times.

Unaffordable housing has contributed to the decline of Dublin suburban population, school closures and empty-nest syndrome, all exacerbated by property values and excessive levels of stamp duty. There is a 90%-plus correlation between growth in employment, population and housing, confirmed by Dublin's sluggish population uplift of only 21.01% over that 10-year period, thus diluting its share of State population from 29.2% to 28.01% by April 2006.

Analysis of house price movement in Dublin confirms that building inflation due to labour and materials costs together with 'normal' construction profit all point to excessive land costs as the reason for housing affordability. Accordingly, Prof. Drudy is correct in calling for a modern-day review of the 1973 Kenny Report.

This leads to another key finding of the SCS Study that *“following the completion of the Mahon and Flood Tribunals, major structural changes should occur in land zoning processes and procedures to bring the Irish system of land zoning in line with best international practice and reduce the risks of corruption”*.

Reduced planning permissions, including significant An Bord Pleanála reversals to Dublin local authority 'decisions to grant', herald further downturns in the Dublin house-building pipeline. However, in the longer term, the new design standards could make apartment-type living more family-friendly.

Finally, I empathise with Prof. Drudy in that current levels of residential property values are indeed creating further wealth divergence between society's 'haves' and 'have-nots'. They are putting upward pressures on market rents. Those with recent mortgages are especially affected by successive interest rates increases. And yet, this 'unearned' gain of capital appreciation in the housing stock has resulted in a 'first generation' of inherited wealth. My personal 'dilemma' is one of social

conscience: it is also enhancing ‘pension security’ opportunities, especially with the emergence of new financial ‘equity-sharing’ instruments for the over 60s. An estimate of the total State residential portfolio value of €500-600 billion as compared with mortgage and personal lending of €150 billion appears to support the ‘feel-good’ factor and helps to maintain positive economic sentiment.

SECOND VOTE OF THANKS PROPOSED BY J. JEROME CASEY, ECONOMIC CONSULTANT IN THE CONSTRUCTION INDUSTRY.

I am honoured to have been asked by the Society to second the vote of thanks to P. J. Drudy for his thought-provoking paper on *Housing in Ireland: Philosophy, Affordability and Access*. I was particularly struck by his characterisation of housing provision as a continuum between the two poles of social provision and market provision. From the 1930s to the 1950s, the public authorities provided over half of new housing, whereas currently market provision of housing is dominant. The paper concludes that:

“The dominance of the market paradigm (in housing)... has led to the commodification of what should be treated as an important social good, like health or education”.

It then recommends a range of policy measures which would move housing provision along the continuum towards social housing needs.

It is important to state what the paper is not. It is not a Canute-like attempt to stop the waves of market pressures from making inroads into public goods or merit goods in Ireland. But it very clearly implies, in relation to housing, that when the State decides that public goods or quasi-public goods should no longer be provided directly by itself, but by the market, then public policy must change and become more nimble and effective, if unwanted social consequences are to be avoided. It is not sufficient to rely mainly on a sectoral regulator when erstwhile public goods are privately produced: it also requires a new policy framework¹ plus a constant re-balancing of incentives and penalties, if market providers are to be allowed to profitably meet social goals. Two examples outside housing are illustrative.

- In telecoms, the failure of the regulatory authorities to prevent the successive sale of the organisation, now known as Eircom, has resulted in the leaching of capital from the main telecoms provider with a resultant hollowing-out of its commercial capability.
- In civil engineering, policy measures were put in place at the beginning of the last National Development Plan to increase the capacity of the industry by attracting in foreign contractors with their own workforces. This only attracted in Gama Construction Ireland: an initial failure to increase the labour inspectorate is now being addressed. Allowing Gama to pay income tax on salaries on a remittance basis provided it with an operating subsidy of €20m. p.a.: this has since been discontinued. However, the bulking up of roads projects to attract overseas contractors has resulted in 11 PPP roads projects worth €1.5bn.: the much smaller water services programme, where no contract bulking occurred, has 100 PPP projects, also coincidentally worth €1.5bn.

Thus Drudy’s paper on housing provision can serve as a template or general guide to the scale and variety of policy changes required when public or quasi-public goods are no longer provided by public authorities.

¹ Specifically in housing, public policy was slow in adjusting the policy framework in recent years. Firstly, when the Central Bank ceded control over interest rates to the ECB, no restrictions on the volume of mortgage lending were introduced for six years. Secondly, the failure to implement the National Spatial Strategy and the delayed improvement to insulation standards helped housing to under-perform in relation to Ireland’s Kyoto commitments.

With the Chairman's indulgence, I wish to add a few short comments on housing affordability, housing inputs, and, a perennial Irish problem, the Land Question.

Measures of housing Affordability can yield different results, depending on one's viewpoint. Re-arranging some of the measures outlined by Drudy and Duffy² yields Insider and Outsider measures of affordability.

Table 1: Measures of Housing Affordability

<p>Outsider <i>Access to Housing</i></p>	<ol style="list-style-type: none"> 1. House price to earnings ratio 2. Loan to income ratio 3. Deposit to income ratio
<p>Insider <i>Repaying Mortgage Debt</i></p>	<ol style="list-style-type: none"> 4. Service cost of the mortgage stock 5. Debt-service to income ratio 6. Housing expenditure to total expenditure ratio

Outsider measures 1, 2, and Insider measures 4 and 6 have deteriorated in recent years. Outsider measure 3 has improved for the minority of first-time buyers who can access 100% mortgages. Insider measure no. 5 – the debt service burden as a percentage of personal disposable income – is the measure most favoured by mortgage providers. It has improved since 2000, with the effect of rising house prices being more than offset by moderately increasing incomes, historically low interest rates and extended duration of mortgages. Duffy concludes that “*affordability of homeownership once you have purchased a property has improved...(but) access to homeownership has not improved and remains difficult*”.

Arguments that new house completions are underpinned by demographics are wide of the mark. Drudy showed that less than one half of the 53,000 mortgages for new houses in 2005 were for First-time Buyers (FTB). So of the 93,000 new houses completed last year, probably fewer than 30,000 went to FTB's. The key Affordability question is whether over-consumption by housing Insiders has crowded out housing Outsiders? Drudy's work suggests strongly that it has.

The Central Bank³ recently noted:

“a very large gap between the cost of building a house and the sales price. This underlines the point that demand pull factors, rather than building cost factors, have been the main driving force behind house price increases in recent years”.

The monetary authorities have a key role in ensuring that demand for housing does not result in over-consumption. The move by the Financial Regulator in 2006 - to increase capital adequacy ratios for mortgage loans in excess of 80% of the house price - was a welcome development.

There is scope also for reducing policy inertia in relation to some housing inputs. Table 2 illustrates how market pricing power of housing inputs has been distributed from 2000 – 2005.

² Duffy, David (2004), *A Note on Measuring the Affordability of Homeownership*. ESRI Quarterly Economic Commentary, Summer.

³ Central Bank (1 of 2007), *Quarterly Bulletin*

Table 2: Market Pricing Power of Housing Inputs 2000 – 2005

Input	Pricing Power	Prices % p.a.
Building Materials	Low	+4.2
Builders Merchants	Moderate	n.a.
Labour	Moderate	+9.4
Builders' Margins	Moderate/High	n.a.
Land Costs	High	+20?
New House prices		+10.3

Information in this area is unavoidably impressionistic, but the broad thrust is clear.

- Building materials manufacturers, and to a lesser extent builders merchants, have suffered a substantial erosion of their pricing power over the past two decades. In both cases, this appears to have been caused by increased competition.⁴
- Increases in labour rates have been lower than one might have expected during such a protracted boom. At 9.4% p.a. they were lower than annual house price increases of 10.3% p.a. – a trend already noted by Sexton⁵ in relation to building as a whole. As with building materials, although to a lesser extent, competition appears to have restrained wage demands. Sexton correctly credits this to increased immigrant workers. However, in addition, in recent years the domestic output of apprentice crafts persons has been at record levels. The current boom in Irish construction is the only post-War boom which has not been constrained by a generalised skills shortage.
- Finally, and residually, the returns to capital in house building appear to have grown sharply, particularly in land prices.⁶ One can generally conclude that with high and rising levels of housing demand, rewards were disproportionately distributed to housing capital at the expense of materials and labour. In such an opaque area as housing capital, one can only tentatively conclude that the providers of housing capital were exposed to much lower levels of competitive pressures.

It is not immediately apparent why this should have occurred. Following the Bacon Reports in the late 1990s, the DoEHLG instituted the Housing Land Availability Returns from Local Authorities, as an annual check on the Housing Land Initiative. Thus, on 30th June 2006, the seven authorities

⁴ For example, erstwhile sole suppliers of cement and plaster have faced competition from two new entrants – Quinn and Lagan in cement and Lafarge and Knauf in plaster.

⁵ Sexton, J. J. (2006), *A Review of Recent Trends in Output, Employment and Productivity in Ireland*. SSISI.

⁶ Two examples will show the buoyancy of development land prices. The leading developer, Manor Park Housebuilders, had a 41% profit margin last year. The 10.11 ha. Irish Glass Bottle site was sold recently for c. €110m. This was equivalent to a site cost of €39,000 at the 2006 DCC planning density of 109/ha., or a site cost of €236,000 at the 2002 peak DCC planning density of 172/ha.

in the Greater Dublin Area (GDA) reported 190,393 zoned, serviced sites, or 6.3 times annual house completions in the GDA in 2006.⁷

Table 3: GDA Site Availability and New House Prices 2000 – 2006 av. p.a.

GDA, no. of years' supply of sites at current house completion rates	6.3
Dublin only: Ann. Av. % increase in house prices	+10.1%

From 2000 – 2006 site supply in the GDA averaged 6.3 years' completions, yet new house prices rose in excess of 10% p.a.. The reasons why the market for building land appears to perform poorly appear to be threefold *viz.* the withdrawal of local authorities from direct ownership of land, information asymmetries between land developers and house builders, and a preference among land developers to co-operate rather than to compete.

- During the 1970s, local authorities in the GDA owned c. 30% of zoned building land. In addition they regarded it as part of their mission to moderate booms and busts in land prices by selling off land during upturns and buying land during downturns. As of 30th June 2006 only 9% of zoned residential land in the GDA was owned by local authorities. In addition, as Drudy notes, the authorities' current preference for *enabling* social house provision, rather than its direct provision appears to be paralleled by a complete withdrawal from counter-cyclical land dealing. Traditionally, if the State felt that it was necessary to again deal as a principal in residential land provision, rather than simply as an agent, it would establish a semi-State body (perhaps a National Infrastructural Agency) to undertake this on behalf of the local authorities.⁸ More probably, because of the scale of financing involved, the State's *role* in modulating residential land prices could be better achieved by a dedicated section of the National Treasury Management Agency.
- The vacuum left by local authorities was filled by land developers. During the 1970s, land for urban housing was typically bought by house builders directly from farmers. With the reduction in scale of large house builders and increasing planning complexity, the land developer became the wholesale provider of building land to house builders. The opacity of zoned land ownership and their differing financial capabilities has shifted market power away from house builders towards housing developers. What Thucydides said of large and small nations could equally be applied to developers and house builders operating in the market for housing sites *viz.*:

“Large nations do what they wish, while small nations accept what they must”.

In general, if the State wished to re-balance the playing field between developers and house builders, it must make a serious attempt to simplify the planning system and make it more accessible. In recent years, additional criteria have been added in order to improve the quality of planning decision-making. However, the downside to this is that the urban planning process has become complicated i.e. unnecessarily complex, and is no longer easily accessible to the normal small house builder.

More particularly, in spite of promises over the years, the State-held information on the ownership of land is not easily accessible, and not yet downloadable. Compare this to the situation on building materials where, since the mobile phone became current, a house

⁷ DoEHLG (2007), *Housing Statistics Database*

⁸ This would be analogous to the *role* played by the National Building Agency in assisting the local authorities to directly provide social housing during the 1970s and 1980s

builder can access three competitive quotes for, say timber, within ten minutes. It would appear that the State's considerable investment in servicing 6.3 years of residential sites in the GDA is almost completely nullified by its failure in cadastral matters. Would it be too much to ask that, as a legal condition of the grant of planning permission, that the Land Registry would publish online full details of the property involved, within one week?

- Finally, I undertook a small survey of the ownership of residential building land in Fingal some years ago⁹ to which Prof. Drudy referred. The concentration of over 50% of ownership among 25 individuals and companies was interesting in itself, but not excessive – higher concentration ratios are frequent in the production and supply of many building materials and services. What was surprising was the willingness and capacity of land developers to collaborate and compete – or at best to collaborate first and to compete second. There is scope for re-balancing the penalties/incentive which currently applies to land development. Prof. Drudy's paper provides a good starting point for considering such policy changes.

COMMENT FROM DR. ROY JOHNSTON, TECHNE ASSOCIATES.

We owe thanks to P.J. Drudy for an excellent paper, exposing a number of key current issues. Privately owned land near a centre of population is, in effect, a monopoly. What currently happens is that politicians are bribed to re-zone, being paid by the landowner from the added-value on re-zoning, which can be of the order of a factor of ten; this currently accrues to the landowner as a parasitic windfall. As far as I know it is however perfectly within the law for the local authority initially to bring the land under public ownership by CPO, and then subsequently to re-zone, leasing the land to subsequent users at rates such as to capture the added value for the community, thus enabling the infrastructure to be financed. This could be the means of implementing effectively a constructive 'spatial strategy', generating a network of compact 'urban villages', with all relevant services within walking distance of residences, with their foci connected by a mesh of public transport routes giving overall city random-access mobility, the urban villages being the nodes of the mesh. There is a serious need for a comparative study of differing urban planning regimes, as has been done in the US on the initiative of the Henry George Foundation.

⁹ Casey, J. (July 2003), *The Fingal Landed Club*, Building Industry Bulletin