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## **Affordability and Access to Irish Housing: Trends, Policy and Prospects**

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### **Introduction**

Over the period since the late 1990s, housing affordability has become critical issue dominating the question of access to housing in Irish society. Issues of equal and, perhaps more pressing, concern to urban practitioners<sup>1</sup> and academics, ranging from urban sprawl and sustainable urban development to quality-of-life issues, have it seems become secondary to the national policy debate on affordable housing. Such is the weight of emphasis on this issue that the likely success of a new social partnership agreement in 2003 between employers, unions and government is set to hinge on the delivery of affordable housing to middle-income households experiencing difficulty meeting the price of entry to owner occupation<sup>2</sup>.

This paper begins by tracking the emergence of housing affordability as a policy issue, before reviewing trends in private and social housing output, contrasting the fortunes of the private and social housing sectors over the recent past. Attention then turns to trends in house price inflation with the key issue of access to housing being considered before an examination of how new entrants to owner occupation overcome the price barrier of accessing home ownership. Housing affordability and access to rental housing is then considered prior to a discussion of the policy responses to affordability issues and the relationship between housing affordability and social exclusion. The paper concludes with an argument for a more sophisticated understanding of affordability which encompasses sustainability and addresses diminished access to housing as an issue of social exclusion rather than simply the house price issue.

### **The Emergence of Housing Affordability as a Policy Issue**

If affordable housing is now a critical issue of Irish social policy, having taken its place alongside more established social and economic policy concerns occupying the interests of state, market and civil society, then arguably, its rise to the top table of national Irish policy issues has been almost as predictable as it has been rapid.

Two reasons can be offered for the predictability of housing affordability as a dominant policy issue. The first lies in the nature and development of the Irish housing system where, at around 80 per cent of all dwellings, the domination of owner occupation as the majority tenure is overwhelming and, by comparison, the private and social rental tenures are residual. This has ensured that the issue of access to housing is perceived as a house price

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<sup>1</sup> I refer here to planners, surveyors, architects, housing managers, community regeneration and development workers etc.

<sup>2</sup> Government of Ireland (2003) *Sustaining Progress*. Social Partnership Agreement, 2003-2005.

issue for new entrants, i.e. first-time buyers (FTBs)<sup>3</sup>. Another reason is the pace and extent of economic, social and institutional change since the late 1990s which ensured that the Irish housing system and market underwent continued, unprecedented and, to a certain degree, uncharted change. It is a set of changes that clearly illustrates important linkages existing directly and indirectly between the housing market and housing system, the wider economy and Irish housing policy.

To begin with, Irish economic growth and development from the mid-1990s<sup>4</sup> combined with wage growth and lowered income taxes to generate rising real incomes which, in turn, had an upward impact on house prices. Secondly, economic and monetary union (EMU) and the subsequent impact of euro-zone monetary policy on developments in the Irish housing market were assured by the nature and speed of upward price adjustments in the Irish housing market due to the consistent period of lower interest rates since 1998. Third, increased rates of household formation, changes leading to smaller household size, lowering dependency ratios and net inward migration all combined to deepen, broaden and strengthen demand for access to housing across all housing tenures, private and social. Nonetheless, the nature and speed of housing market supply-side adjustments to these changes was slow to the point of rigidity. Rapid and consistent house price inflation was to become well understood as a consequence of the inelasticity of housing supply and the inability of the planning and development system successfully to overcome supply-side constraints in a timely manner.

The rate of house price inflation was such that nationally, house prices rose by 106 per cent in real terms between 1996 and 1999. This doubling of house prices was not matched by equivalent rises in net disposable income and, despite the falling cost of borrowing due to lowering interest rates, lending criteria for mortgage finance were not flexible enough to bridge the growing gap between house price and the amount which an aspiring FTB could borrow.

This 'affordability gap' between incomes and house prices became quickly established as a new reality in Irish housing. In addition to the economic and social consequences that would subsequently arise (e.g. higher wage claims, increased borrowing and the displacement of demand to outer-urban locations), the affordability gap became popularly understood as a threat to the future. It represented a rupture to the seamless nature of inter-generational access to owner occupation that is an established bipartisan political expectation in Irish society and one that remains a central objective of Irish housing policy<sup>5</sup>. Subsequent price competition for the use-value of private rental housing increased

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<sup>3</sup> House prices affect all potential purchasers and the ability of home owners to trade up and/or down in the second-hand and new house market has also become an issue of debate. In particular the role of government stamp duty on property transactions (9 per cent currently being the top rate of duty) is under scrutiny from interests in the property industry that claim poor liquidity in second-hand housing market ensures cheaper second hand properties are less available to FTBs.

<sup>4</sup> The so-called 'Celtic Tiger' period of Irish economic development witnessed an average growth of GDP of 9.3 per cent per year and of GNP of 8.3 per cent per year between 1993 and 2000. This period also saw an increase in employment of an average 4.7 per cent per year, from 1.15 million persons in 1993 to 1.65 million in the first quarter of 2000, an increase of over half a million persons.

<sup>5</sup> Addressing the annual dinner of the Master Builders and Contractors at the Burlington Hotel, Dublin on November 22<sup>nd</sup>, 2002 the Minister for Environment and Local Government, Mr Martin Cullen TD stated that 'The Government's objectives are clear. We want to get as many people as possible onto the first rung of the housing ladder'.

among aspiring FTBs who had postponed entry to owner occupation. The impact on an already polarised private rental tenure was rapid. Rental inflation began to follow house price inflation and housing costs rose across the tenure<sup>6</sup>.

A new phenomenon occurred whereby the rate of rental inflation began to outstrip house price inflation, particularly for new developments purchased by speculative investors and aimed at tenants from within the corporate sector. Very quickly, the push and pull effects of burgeoning demand and asset price inflation at the middle- to top-end of the private rental sector began to impact negatively on the housing costs of the estimated one third of private tenants who were dependant on social welfare rent allowance, generally residing in the lower- or 'budget-end' of the sector while awaiting a social rental allocation.

As landlords sought to ensure the relative comparability of rental yields across the sector, rising housing costs and lowering affordability ensured that more and more Supplementary Welfare Allowance (SWA) rent supplementation clients were restricted to the worst quality accommodation in the least desirable locations. Furthermore, the consequences of the house price boom and declining access to private housing began to register on the social housing sector. Growth in demand for social housing as measured by local-authority waiting lists grew and the number of households assessed in housing need tracked this growth<sup>7</sup>.

In 1996, the official national figure of households in assessed housing need on local-authority housing waiting lists stood at 27,427 households. By 1999, this figure had increased by 43 per cent to 39,176 households. The most recent official assessment for 2002 shows a further increase of 23.5 per cent to 48,413 households in housing need<sup>8</sup>. By the end of the 1990s the affordability gap had become well established as a major policy issue for aspiring FTBs. Notwithstanding this, inter-tenure relationships operating within the Irish housing system ensured the issue of diminished access to housing due to declining affordability would also become a real issue for tenants, so much so that by 2002 housing affordability has deepened its impact across the Irish housing system and is now a critical issue of sustainable access in both rental and owner-occupied sectors.

### **Trends in Housing Output**

Over the period to 2002, there have been a number of discernible trends in Irish housing output. To begin with, since 1997 there has been a significant increase in the rate of housing completions nationally. Completions rose from 38,842 units in 1997 to 46,512 in 1999 and a record 52,602 by 2001. The most recent data available for the first quarter of 2003 suggests that national output was up 14.5 per cent on the same period in 2002.

The greatest proportion of this output has been private housing. In 1997 just over 91 per cent of all output was private housing. In 1999, this percentage had risen to 92.5 per cent.

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<sup>6</sup> For more details see Downey, D. and DeVilly, I. (2000) 'Changing circumstances, latest consequences: new data on rents, conditions and attitudes in the private rented sector, 1998' in Harvey, B (ed.) *Private Rented Housing - Issues and Options*, Threshold, Dublin.

<sup>7</sup> See Downey, D. (1998) *New Realities in Irish Housing*, CRUBE, Dublin Institute of Technology, Dublin.

<sup>8</sup> The official Assessment of Housing Need occurs every three years. Unless otherwise stated, all housing data is sourced from official housing statistics produced quarterly by the Department of the Heritage, Environment and Local Government

This fell back by to 90.7 per cent in 2001 and 90.1 per cent in 2002 due to increased social housing output. Over the period, the great majority of dwelling types completed remained either detached or semi-detached housing. One-off bungalow dwellings and apartments each account for approximately 20 per cent of annual output since 1997 while terraced housing has accounted for between 4 and 6 per cent.

While figures indicate that nationally the proportion of detached or semi-detached housing remained at around 57 per cent since 1997, this figure hides significant regional variations, particularly between major urban areas. For example, during 1998 in the greater Dublin region<sup>9</sup>, the outer-urban areas recorded 78 per cent of dwelling types completed as detached/ semi-detached housing, while the inner-urban area of Dublin city recorded 83 per cent of completions as apartments or flats. By 2001, these percentages stood at 53 per cent and 94 per cent respectively, indicating the growing trend towards higher-density apartment developments in new housing output in both inner urban, suburban and outlying commuter towns.

While the dominance of detached and semi-detached new housing in the Dublin region is nearing an end, it remains the case that higher-density apartment developments have not filled the supply-side deficit. Recent research indicates that there remains a significant shortfall of 10,000 units per annum fewer than are required in the greater Dublin region<sup>10</sup>. The role of unmet housing demand in the Dublin region in pushing the national rate of price inflation should not be underestimated. Over 30 per cent of the national population live in the greater Dublin region and while the rate of output has improved, it is forecast that only 12,600 completions will occur in Dublin in 2003 (approximately 22 per cent of the forecast national supply in 2003)<sup>11</sup>. This continues to generate higher price inflation than would be the case if supply were approaching demand in the region.

In contrast, social housing output has remained residual over the decade to 2000. In real terms, and despite consistent growth in assessed housing need over the period, the relative position of social housing output deteriorated rather than improved. In 1992, social housing output nationally was just above 9 per cent of total housing output<sup>12</sup>. With the exception of the year 1994, between 1992 and 1997 this output fell back to closer to 8 per cent annually. In the latter half of the 1990s, the situation deteriorated further so that output fell to 7.6 per cent in 1998, 7.4 per cent in 1999 and reached a nadir in 2000 of 6.3 per cent of total output.

<sup>9</sup> The Greater Dublin Area here represents the county council areas of Dublin City Council, Dun Laoghaire-Rathdown, South Dublin, Fingal, Kildare, Meath, and Wicklow.

<sup>10</sup> Williams, B., Shiels, P. and Hughes, B. (2002) *SCS Housing Study 2002: a Study on Housing Supply and Urban Development issue in the Greater Dublin Area*, Society of Chartered Surveyors, Dublin Institute of Technology, Dublin. This study found that the supply of new homes in the Dublin region was facing a large 50 per cent shortfall. Only 10,000 new house completions were coming on stream per annum compared to the 15-20,000 units required. The predicted result is that there will be no decrease in house prices generally in Dublin for the foreseeable future. On the basis of the report's findings, the President of the Society of Chartered Surveyors stated that government's housing and urban development policies had failed Dublin utterly (30<sup>th</sup> October 2002).

<sup>11</sup> Bank of Ireland (2003) *Quarterly Irish Property Review*, Bank of Ireland, Dublin, August 2003.

<sup>12</sup> The calculation of total social housing output refers to new completions and does not include houses acquired by local authorities. Between 1997 and 2001, 4,303 dwellings were acquired by local authorities nationally. Notably, not all acquisitions are immediately available as social lettings due to outstanding maintenance and repair. Nonetheless, such were the constraints on social housing providers ability to gear up their output, that a large proportion of properties acquired over this period were directly from private developers as 'turnkey' developments allowing for the immediate take-up of residence by tenants.

This trend has been reversed as a result of increased capital expenditure on social housing beginning with a multi-annual local-authority housing programme in 2000 that was to deliver a target of 25,000 local-authority housing 'starts' (not completions) over the period to the end of 2003. Notably, by end of 2002 there were 16,300 starts representing 65 per cent of government's original target. However, the time lapse between starts, completion and final allocation of the housing units remains very lengthy by international standards or by comparison with private housing completion times. Between 2000 and 2002, the 16,300 starts actually translated into 10,229 completions over the period. Nationally, local authorities completed 4,403 units in 2002 and acquired an additional 671 units.

Notably, non-profit, voluntary and co-operative housing made up one in three units of social housing output in 2001 and reached a record output of 1,360 units in 2002. Approximately half of these units were special needs housing for elderly, disabled or homeless persons. Increased government support to non-statutory social housing providers and rising expenditure (to €165m in 2002 from €98.5m in 2000) is perhaps the strongest signal of the government's long-term strategy to move away from direct provision by local authorities towards enabling strategies based on non-statutory provision. However, among other things, capacity constraints within the community and voluntary housing sector mean that direct provision on a general-needs basis by local authorities will be required until the end of this decade if the backlog of current housing need and future demand is to be met.

These figures may represent a reversal in the previous fortunes of social housing. Nonetheless, over the period of the 1990s and up to 2002, social housing in Ireland never accounted for more than one in ten dwellings completed and on many occasions was less than that. Despite the recent nascent recovery, it remains questionable whether or not growing social housing output becomes part of an established and uninterrupted trend for this decade. Early signs are not particularly encouraging in this regard, especially in light of recent budgetary cutbacks. The 2002 capital allocation for new social housing of €1,075M has been reduced by at least 5 per cent to €1,016M this year, threatening a hiatus in the recovery of social housing output in 2003.

A real test of success or failure in social housing provision is the relationship between output, assessed need and the length of time households spend on the waiting lists prior to being offered a social tenancy. This relationship illustrates the impact on the rate of housing access for households assessed in housing need and unable to provide for their housing need via the market due in part to the consequences of house price inflation over the period. In short, at the rate of social housing output in 1996, it would have taken over seven and a half years to clear the waiting lists. Based on the scale of output in 1999, it would take over eleven years to clear the waiting lists. Adopting a very optimistic position today whereby half of all social housing commencements for 2002 are actually completed in the same year, and including all acquisitions, means that it will take over six years to meeting current assessed housing need at current rates of investment.

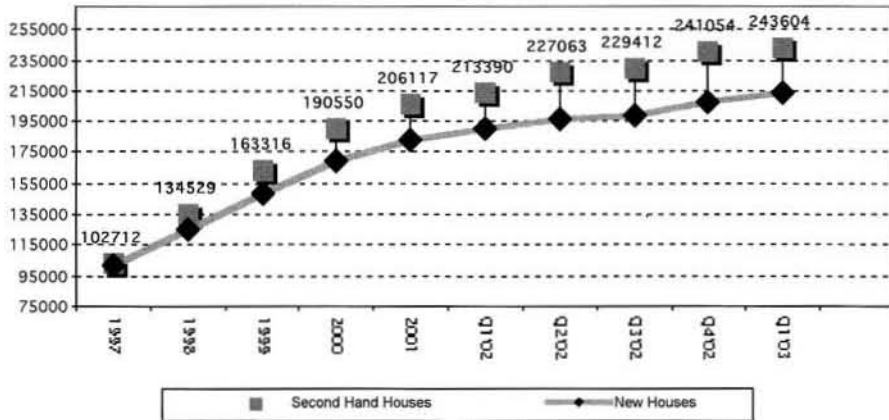
### **House Prices**

For many commentators, the progress of asset price inflation in the private housing market has been and indeed remains the dominant influence over the nature of housing policy development. However, house price inflation has a direct relationship to both monetary and fiscal policy.



In the first instance, the downward trend of European Central Bank interest rates and the pro-cyclical budgets over the period to 2001 ensured that during a period of supply-side constraint rising housing demand resulted in rising house prices. Figure 1 below indicates the rate and extent of this trend nationally since 1997, while Figure 2 illustrates the wide regional variation in values between major urban areas.

**Figure 1. Average New and Second Hand House Prices (While Country, €)**



Source: DoELG, Housing Bulletin, various years.

Notably, the period prior to 2001 is characterised by a steep rate of price inflation. However, macroeconomic links with the housing market are further illustrated by the impact of changes in the international economic environment since 2001. The openness of the Irish economy, its small size and the importance of trade and international investment to economic growth and development, ensured that the global economic downturn of 2001 impacted on the housing market.

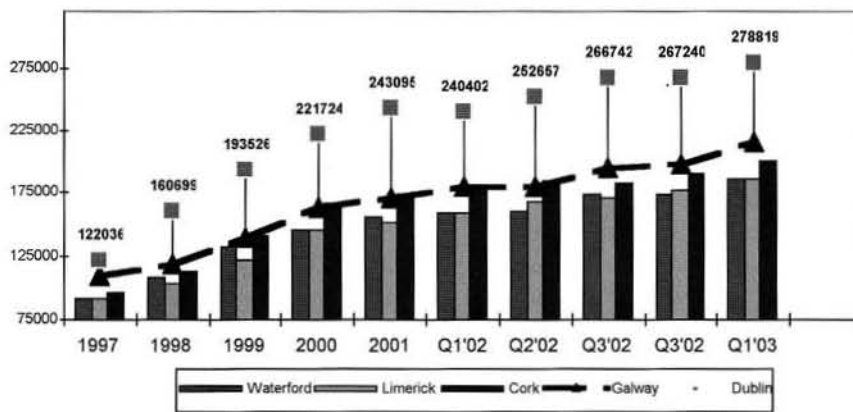
In particular, the high-tech downturn in the USA that led to reduced foreign direct investment in Irish-based multinational production combined with a crisis in global stock market equity values to reduce investment and employment, and interrupted the rise in net disposable income apparent since the mid-1990s<sup>13</sup>.

In addition, budgetary changes to the fiscal treatment of housing as an investment impacted on asset price inflation. Consequently, house prices fluctuated throughout 2001 and, as illustrated above, both new and second-hand prices fell during the final half of that year.

<sup>13</sup> For example, January 28th 2003 saw the Dow Jones Industrial Average fall by 141.45 points to 7989.56, down from its all-time high of 11750.28 recorded almost two years previously on 14<sup>th</sup> January 2000. European markets endured a similar fate. In London the FTSE 100 index of leading shares closed on 31<sup>st</sup> December 2002 at 3,940, down 25 per cent over the year, the biggest annual drop in its history. Frankfurt's DAX index closed over 44 per cent down, while in Dublin the ISEQ index closed down 30 per cent on the year.

Nonetheless, the rate of price inflation picked up again in 2002, quickly cancelling out whatever improvements were made to general house price affordability in 2001. There are a number of factors behind this u-turn. First, Budget 2002 once again reversed direction on the tax treatment of housing as an investment and restored the ability of investors to offset interest payments against rental income. Stamp duty was also reduced. Secondly, with equity markets continuing to lose value and an opportunity to capitalise on downward pressure on prices, investors responded to budgetary changes and quickly returned to the housing market. Finally, in response to the economic slowdown, eurozone interest rates were reduced and the cost of borrowing fell, prompting increased market activity from FTBs.

Figure 2. Average New House Price in Major Urban Areas, 1997-Q3'02, (€)



Source: DoELG, Housing Bulletin, various years.

In spite of prevailing economic conditions and a weakening in other private-sector credit growth, 2002 recorded a surge in residential mortgage borrowing. Irish Central Bank figures for September 2002 indicated that residential mortgage lending grew at its fastest rate since May 2001, rising by 21.1 per cent compared with 20.4 per cent for the same period in 2001. The scale of mortgage lending also increased by €952M (a rise of 2.1 per cent on the previous month's growth of 1.7 per cent). Industry estimates suggested that one in four residential mortgages were advanced to investors<sup>14</sup>. For FTBs the average loan size has risen from €114,754 in 2001 to €139,838 in the first quarter of 2003.

Demand continued to outstrip supply in 2002 and increased competition for the use-value of housing between investors and owners meant house prices resumed their upward trajectory, albeit at a somewhat more moderate rate than before. Over the year, second-hand house prices increased nationally by 16 per cent, and by 20 per cent for Dublin, and despite the increased rate of completions in 2002, prices for new housing rose by 7 per cent nationally and by 9 per cent for Dublin<sup>15</sup>. The latest revised forecasts for price inflation in

<sup>14</sup> The DoELG Housing Bulletin for Q1, 2002 indicated that two out of every three new houses were being bought by investors, not owner occupiers.

<sup>15</sup> Source: Permanent TSB House Price Index and Economic and Social Research Institute.

2003 suggest that second-hand house prices will rise 12 per cent in the year nationally and by 14 per cent in Dublin to take the average price up to €270K nationally and €363K for Dublin<sup>16</sup>.

So, why does demand for housing remain so strong despite this period of rapid price growth? One aspect of the explanation is found in the rate of return on owning a house. The most elaborate measure is the so-called user-cost of housing. This is a measure of the cost of owning a house taking account of capital depreciation (as the mortgage reduces in size over time), the fiscal (tax) treatment of housing, household indebtedness and price expectations. Recent calculations by the ESRI based on the *HERMES* macromodel housing market<sup>17</sup> indicate the user cost of new housing falling steadily since 1992.

In short, while new houses are highly priced, they are relatively cheap to live in because of low interest rates and expected capital gains. The ESRI forecasts that user-cost will continue to underpin demand in the housing market until 2005 at least<sup>18</sup>. It should be noted that the absence of local taxation of housing and payments for services that are standard internationally contribute to the relatively low cost of occupation. Today's challenge to potential entrants to owner occupation is the cost of entry, not necessarily the cost of staying there.

#### **Affordability and First-Time Buyers**

There are alternative methods for measuring housing affordability in private housing. They include indices based on ratios of housing expenditure-to-income, on advance-to-income and debt-service costs-to-income and the ratio of house prices-to-earnings<sup>19</sup>. A primary affordability relationship exists between income, house price and the cost of borrowing. Figure 3 below illustrates trends across these and two other indicators; house-building costs and consumer prices.

Since 1995/96, the relationship between interest rates and house prices illustrates the key impact of recent structural changes in Irish monetary policy on affordability. For example, from 1999, the rate of decline in interest rates and improved average earnings until early in 2001 improved affordability ratios for most categories of borrowers, including FTBs. This was opposite to the trend in affordability for the previous three years, especially for FTBs.

Table 1 below indicates changes in the percentage of FTBs entering the new house market since 1993. Over the period, the percentage of FTBs purchasing new housing fell from a high of almost half the market (47.3 per cent) to a low of below one-third the market (28.9 per cent) in 1999. From then until early 2001, the falling cost of borrowing and changes in the residential mortgage market triggered an improved position for FTBs. This gain has been reversing to the end of 2002 when FTBs represented 29.1 per cent of the share of the new house market.

<sup>16</sup> Bank of Ireland (2003) *Irish Property Review*, Bank of Ireland, Dublin.

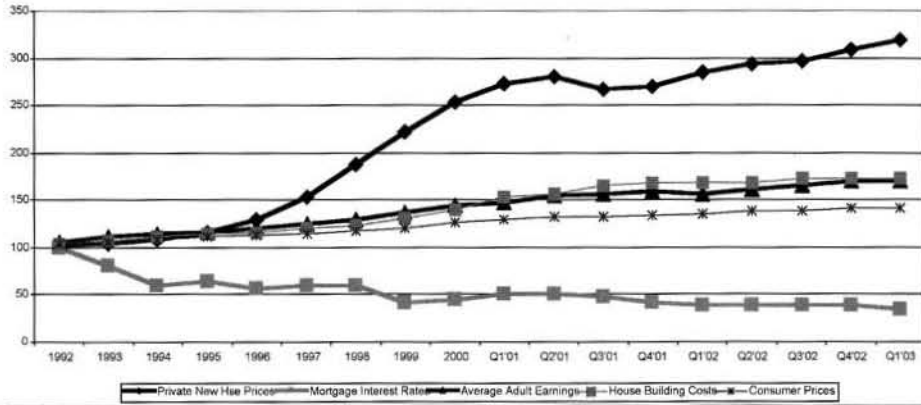
<sup>17</sup> For full details on the *HERMES* model see Murphy, A. and Brereton, F. (2001) 'Modelling Irish House Prices: A Review' paper presented at the Irish Economic Association Annual Conference, April. For a detailed overview see Duffy, D. (2002) 'A Descriptive Analysis of the Irish Housing Market', *Quarterly Economic Commentary*, Summer, The Economic and Social Research Institute, Dublin.

<sup>18</sup> Bergin, A., Cullen, J., Duffy, D., Fitz Gerald, J., Kearney, I. and McCoy, D. (2003) *Medium Term Review, 2003-2010*, The Economic and Social Research Institute, Dublin, 60pp.

<sup>19</sup> For more details see Downey, D. (1998) *New Realities in Irish Housing – a study on housing affordability and the economy*, CRUBE, Dublin Institute of Technology, Dublin.



**Figure 3. Trends in Private New House Prices, Mortgage Interest rates, Average Earnings, House Building Costs and Consumer Prices, 1992-Q1 2003**



Source: DoELG, Housing Bulletin, Various

**Table 1. Changes in the First Time Buyer’s Share of the New House Market, 1993–2002 (Q3)**

Year	Number of Loans Approved for New Houses by All Lending Agencies, Countrywide	Number of New House Grants Approved Countrywide	Value of New House Grants Approved €M	New House Grant Approvals as a percentage of Loans Approved for New Houses Countrywide
1993	15,527	5,399	20.5	34.7%
1994	18,875	8,572	33.3	45.4%
1995	20,675	9,785	37.2	47.3%
1996	26,598	10,931	41.6	41.1%
1997	30,671	10,574	45.5	34.5%
1998	29,220	10,023	38.1	34.3%
1999	32,722	9,469	36.0	28.9%
2000	33,289	10,203	38.8	30.6%
2001	29,277	10,913	41.5	37.2%
Q1'02	9,518	3,198	12.1	33.5%
Q2'02	11,362	3,695	14.0	32.5%
Q3'02	9,401	3,010	11.4	32.0%
Q3'02	9,118	2,661	10.1	29.1%

Source: DoELG, Housing Bulletin, Various Years

Notably, in November 2002, Minister for the Environment and Local Government, Mr Martin Cullen, T.D. announced the abolition of the new house grant scheme for first-time buyers. Approved applications prior to 14<sup>th</sup> November 2002 would be paid but applications after that date were deemed ineligible. The Minister stated that the abolition of the new house grant was 'one of a number of difficult decisions which the government was required to take in order to ensure a sustainable match between government resources and expenditure'<sup>20</sup>.

The abolition of the new house grant caused only moderate reaction beyond those directly affected (i.e. purchasers agreeing contracts at the time). One reason is that the abolition of the grant can be interpreted as a move towards establishing principles of neutrality and equity in the fiscal treatment of housing as an asset by reducing the degree of fiscal privilege favouring owner occupation through tax and subsidy arrangements. Arguably however, the economic rationale leading to the abolition of this subvention to the price of new housing was the long-established evidence that new house prices adjusted upwards to take account of the value of the grant. In other words, the grant represented a gain to property developers more than to purchasers. This was deemed to be particularly so during the prolonged period of asset price inflation and supply-side constraints apparent since the mid-1990s.

Given the fact that other tax and subsidy arrangements underpinning investment in housing for rental purposes remain in place, as well as reduced rates of capital gains tax, an absence of local taxation or rates levied on residential property, it is perhaps closer to government thinking to view the abolition of the new housing grant as a cost-cutting measure rather than an indication of any intention to move towards a tenure-neutral fiscal treatment of housing as an asset. Notwithstanding this, and despite downward price movements throughout 2001, deterioration in the prevailing economic climate interrupted growth in average earnings and combined with rising house building costs, construction industry and consumer price inflation to reduce affordability again for FTBs.

The cost of borrowing continues to hold a significant influence over Irish house price affordability but the role of income growth cannot be under-estimated. Indeed, the socio-economic characteristics of borrowers have altered significantly as a consequence of house price inflation. Since the mid-1990s, approximately one in two borrowers is a professional manager or employer, while the proportion of salaried, non-manual employees has fallen from one in four to approximately one in ten of all borrowers. This can be interpreted as a reflection of changes in the Irish labour market over the period but also represents a real change in the composition of effective demand for private housing. Notably, borrowers employed in skilled and semi-skilled occupations have maintained a position of one in three of all borrowers over the period<sup>21</sup>.

Trends in the Dublin region indicate that the percentage of borrowers for new housing already in owner occupation fell from 52.2 per cent in 1997 to 38.6 per cent by end of 2002. The percentage that entered owner occupation from the parental home fluctuated at around one in three of all borrowers for new housing for the same period. New entrants originating

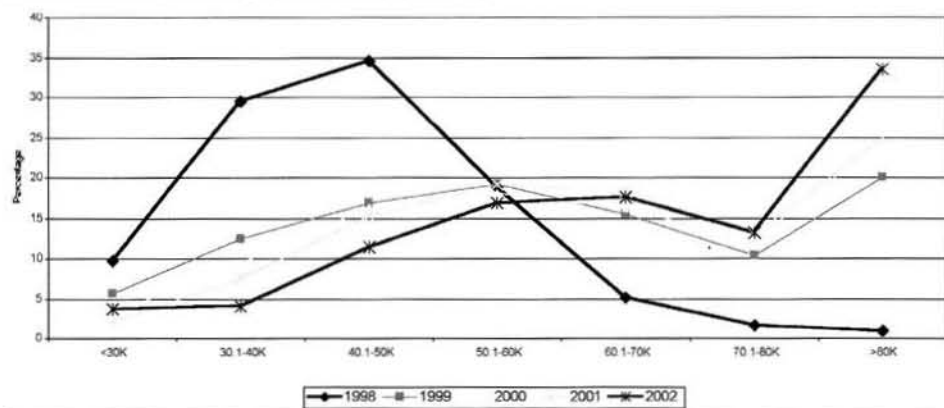
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<sup>20</sup> DoELG Press Release, 14/11/02

<sup>21</sup> For data charts, see Annex A.

in the privately rented sector fluctuated at around one in four of all borrowers. For second-hand housing in Dublin, trends indicate that two-thirds of borrowers were home owners in 2000, falling back to 60 per cent for 2002. Borrowers residing in the parental home fell to 13.9 per cent by 2000, before increasing to 16 per cent in 2002.

**Figure 4. Range of Income for Borrowers in Dublin Housing market, 1998-2002, €K, (New & 2nd Hand Hsg, Combined Income)**



Source: DoELG, Housing Bulletin, various years.

The extent of change is further illustrated by the transformation in the range of incomes required for the purchase of housing. As Figure 4 above illustrates, examining the income range of borrowers on combined incomes (two person household) in the Dublin housing market demonstrates that over the five years to 2002, the combined income profile required for house purchase has increased. Similarly, the range of loans borrowed has also changed. In 1997, 3 per cent of all repayments paid in Dublin were on loans above €190,000 and 7 per cent of repayments were on loans of between €127-190,000. By 2002, this situation had changed dramatically with the percentage of loans above €200,000 and between €145-200,000 rising to 26.2 and 32.4 per cent respectively<sup>22</sup>.

#### **Affordability and Access to Owner Occupation for FTBs**

The full consequences of house price inflation are now being felt in terms of issues of access to owner occupation for middle-income categories effectively 'priced out of the market'. Quite apart from government changes to demand-side management in housing policy, aspiring FTBs have responded positively to new financial products in the residential mortgage market as a means of overcoming price barriers to access owner occupation.

First-time buyers now opt for longer mortgage repayment periods (up to 30 or 35 years) as well as seeking the maximum loan possible under changed and more flexible eligibility criteria that allow multiples of up to 4.5 times the primary household income to be

<sup>22</sup> For data charts, see Annex A.

borrowed. Changes to lending multipliers and eligibility criteria for the calculation of income have raised questions over the prudential nature of credit institution's lending practices and the Irish Central Bank has insisted on a set of stress tests being applied to a borrower's ability to make repayments. However, given historically low interest rates and the unlikelihood of future sharp upward movements in eurozone rates in the short to medium term, due to continued poor eurozone economic growth, the residential mortgage market remains highly buoyant.

Nonetheless, the increased equity in private housing generated by consistent asset price inflation has been targeted by financial institutions offering new equity-release and mortgage re-financing products. While not unique in themselves, these products are new to the Irish market and are offered as a means of overcoming the price hurdle facing FTBs by means of an inter-generational transfer of housing wealth in the form of a parental gift or loan. Market research in 2002 found that one in five Irish parents now underwrite their children's attempts at house purchase by providing a gift (or loan) to the value of €75,000 or more. Specifically, the research found that for all FTBs earning under €40,000 nearly three quarters (71 per cent) obtained parental or third-party assistance, nearly half (46 per cent) were given between €20,000 and €35,000 and over a quarter received a gift of between €35,000 and €50,000<sup>23</sup>. This 'untapped equity' in the Irish housing market is estimated at €75 billion and the recent phenomenon of the parental gift acted as a precursor to the arrival of new products dedicated to the release of equity for this purpose. These include:

*The 'Cheque-Book Account' Mortgage:*

Available from the largest Irish residential mortgage provider *Permanent TSB*, this product allows customers to access up to 75 per cent of the value of their properties through a cheque-book account. Notably, the minimum spend is €3,000 and there is no restriction on the goods or services that may be purchased.

*The 'Current Account' Mortgage:*

Available from *First Active*, this product allows the balance of a borrower's current account (into which their salary etc. is paid) to be deducted from the value of their mortgage debt, cutting the amount of mortgage interest payable. Interest owed on the mortgage is calculated on a daily basis and money left in the account at the end of the month after day-to-day expenditure and the normal monthly mortgage repayment is classed as an overpayment and reduces the balance of the mortgage automatically. Overpayments can be accessed at any time and can also be used to shorten the term of mortgage. Equity release is in the form of pre-approved overdrafts and loans. The interest rate charged on overdrafts and loans is the same as the standard variable rate for a home-loan. This rate is well below current account overdraft rates of 11 or 12 per cent APR, and First Active has guaranteed that this rate will not rise more than 1.5 per cent above the European Central Bank base rate.

*The 'Familyfirst' Home-loan:*

Available from the *EBS Building Society*, this is a dedicated scheme advertised as a means to release equity from the family home so that parents can contribute towards the cost of a

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<sup>23</sup> Gunne Residential and ICS Building Society, Dublin, 2002.

first house for their children. Targeted at increasing the size of a FTB's deposit by using a parental gift or loan, this scheme allows EBS mortgage holders to borrow up to €30,000 for three years without having to make a payment. At the end of this period, the borrower or the son/daughter agrees to start repayments to pay off the loan. Most, if not all, fees associated with the transfer of mortgages to the EBS in order to avail of this offer will be covered as part of the conditions of the scheme. If the borrower chooses to begin standard monthly repayments immediately, then there is no product limit for the amount that can be borrowed.

These schemes ensure that for certain aspiring FTBs the issue of accessing home ownership is less problematic than before<sup>24</sup>. Nevertheless, they will be selective in their impact. Not having a positive familial relationship, or not having parents/ guardians with an equity value to spare will mean not having access to a parental gift or loan of any kind or size. A more prudential concern is that the parental gift is actually more of an intergenerational debt transfer than anything else, one that increases risk and deepens the impact of default or payment interruption. Equity release and the parental gift will also generate further upward pressure in house price inflation as more money becomes available to purchase what remains a scarce asset, particularly in Dublin.

Finally, the marketing of these products has led to criticism that FTBs will not seek to save independently for their deposit and that overall reliance on parental support is not economically or socially desirable in relation to independent household formation. In brief, the emergence of the Irish stay-at-home 'perma-kid' who has postponed entry into owner occupation and/or has ceased to aspire to owner occupation due to current price barriers is becoming a 'middle-Ireland' concern, particularly in terms of their expenditure and consumption patterns and the absence of savings or investment.

### **Affordability and Access to Rental Housing**

Price barriers to accessing owner occupation have led to a significant transfer of housing need to the Irish rental sector. In particular, the polarised private-rented sector has experienced some of the largest year-on-year increases in housing costs due to rental inflation. Rental yields of between 4.6 per cent and 7 per cent are commonplace and market surveys indicate that the monthly rental for a two-bedroom apartment in Dublin is between €1,300 and €1,500<sup>25</sup>. Notably the 'crowding out' effect that has impacted most on private tenant households with marginal incomes has not lessened, despite a rise in buy-to-let investment schemes which brought an increased supply to the market in 2002.

Households in the private rented sector most at risk of homelessness include those on marginal incomes and in receipt of SWA rent allowance. Over 54,200 people were in receipt of a rent supplement at the end of 2002. Nearly three quarters of recipients (70 per cent) were under 40 years of age and slightly more than half (53 per cent) were

<sup>24</sup> Other equity release schemes exist that are targeted at borrowers over 65 years of age who are nearing or have already paid off their mortgage. For example, Bank of Ireland's Life Loan allows mortgage holders to borrow up to 25 per cent of the value of their homes without having to make any repayments under (a) the property is sold (b) the owner vacates the property for a period of six months or more (c) the owner dies or the loan is cleared by some other means.

<sup>25</sup> Gunne Residential (February, 2003) *The Residential Property Market – An Analysis of the Facts*. Gunne, Dublin.



unemployed, on active labour market schemes or lone parents. The operation of the rent allowance scheme has long been criticised from an anti-poverty viewpoint due to its € for € claw-back measure and its tapered withdrawal upon take-up of an active labour market scheme.

The overall increase in the SWA scheme will be €77M in 2003 due to a range of factors including increased expenditure on basic SWA payments, increases in exceptional needs payments (ENP) and particularly increases in SWA rent supplements. As a result of cutbacks required in public expenditure, Budget 2003 capped SWA rent supplements on the basis that landlords have tended to increase rents to the maximum level of rent supplement available in any one health board area. This is irrespective of the location, quality or condition of the rented property in question. The cap is considered to represent an attempt to restrain landlords from raising rents and to force intervention of the Private Residential Tenancies Board (established in late 2002) to undertake the role of advising what an appropriate level of rent should be in cases where the tenant and landlord cannot agree.

In addition, the minimum rent contribution required to be paid by people receiving rent supplement under the SWA scheme is being restored to approximately 10 per cent of the minimum social welfare payment (as it was in 1994). This represents a serious erosion of the affordability position of minimum-income welfare recipients in housing need, further deepening their poverty position while extending the welfare-to-work disincentives of the rent allowance scheme. Furthermore, the majority of single homeless people who are minimum-income social welfare recipients will now have even greater problems accessing private-rented housing.

Notwithstanding this, for the remaining two-thirds of the private-rental sector, affordability measured in terms of housing costs is today a problem of arguably greater risk in terms of default, arrears, eviction and homelessness than that faced by aspiring FTBs with the option of residing in the parental home. Microdata from the 1999-2000 Household Budget Survey indicates that one in five (20 per cent) of all private tenants pays a rent that is 35 per cent or more of total household expenditure<sup>26</sup>. In contrast, the same data indicates that only 1 per cent of home owners are in this category of housing cost in relation to household expenditure.

In terms of surveyed stages in the family cycle<sup>27</sup>, the data indicates that tenant households with dependants form the majority of households with high rent costs. In addition significant numbers of 'empty-nester' households and retired households, including those with no resident spouse or children, also pay housing costs at or above one-third of their total household expenditure. Table 2 illustrates this data further. Trends in housing costs as

<sup>26</sup> This data was originally produced for a presentation by Dr. Tony Fahey of the ESRI on the subject of 'Trends in Housing Costs and Affordability' to the National Anti-Poverty Strategy Social Inclusion Forum, January, 2003.

<sup>27</sup> Family Cycle Definitions: *Young Single*- household aged under 45, no children; *Married Pre-Family*- couple, wife aged under 45, no children; *Pre-School*- head with eldest resident child (ERC) aged 0-4 years; *Early-School*- head with ERC aged 5-9 years; *Pre-Adolescent*- head with ERC aged 10-14 years; *Adolescent*- head with ERC aged 15-19 years; *Adult*- head with ERC aged 20 years plus; *Empty Nest*- couple, wife aged 45-64, no resident children; *Retired Family*- couple, wife aged 65 years plus, no resident children, *Retired Non-Family*- head aged 65 years plus, no resident spouse or children.

measured by the Household Budget Surveys indicate that the affordability position of private renters relative to owners is historically weak and has recently deteriorated even further. For example, measured in constant prices for the year 2000, average weekly rent payments for tenant households rose from €45 in 1987 to €80 in 1994/95 and €126 by 2000.

In comparison, the weekly mortgage payment for owners has only risen from €52 to €65 to €74 for the same dates<sup>28</sup>. Indeed, the share of household expenditure absorbed by a mortgage in 1999-2000 was 9.6% on average, thus confirming the recent relative affordability of maintaining a mortgage once entry to owner occupation has been secured. The fact that affordability is now an inter-tenure concern, and one of increasingly serious consequence in terms of sustainable access to privately rented housing is further illustrated by Figure 5. This clearly indicates that while the percentage of total household expenditure paid on mortgages increased from 9.8 per cent in 1987 to 10.4 per cent in 1994/95 before actually falling to 9.6 per cent in 1999/2000, the equivalent figure for rental payments rose substantially from 12.5 per cent to 18.9 and again to 21 per cent during the same period.

**Table 2. Percentage of Mortgage Holders and Private Renters with Housing Costs (mortgage/ rent payments) at or above 35 per cent of total Household Income**

	Mortgage Holders	Renters
All Households	1	20
Young Single	4	17
Married Pre-Family	1	17
Pre-School	0	30
Early-School	1	19
Pre-Adolescent	1	24
Adolescent	0	24
Adult	0	4
Empty nest	0	23
Retired Family	0	16
Retired Non-Family	3	32

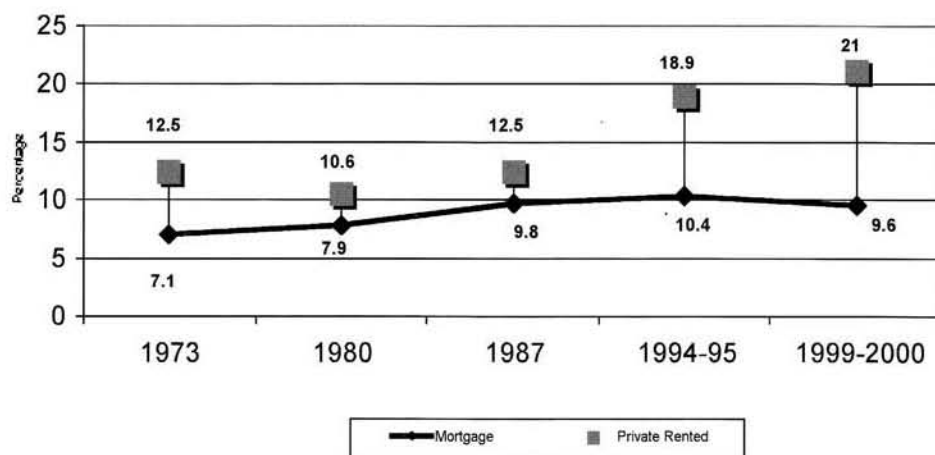
Access to social rental has also been affected by affordability issues in the private house market. Certainly, under recent market conditions and with today's supply-side constraints, asset price inflation for housing can be seen as a cause of rises in the cost of development land. Also, house building and general construction costs have risen. These have had an adverse effect on improved access to social housing by leading to a lesser rate of output on a unit cost basis. Social housing is now required for over 48,000 households on local-authority housing waiting lists<sup>29</sup>. It is estimated that for all the households residing in social

<sup>28</sup> Under the differential rents scheme, social rents are calculated to be affordable on the basis of the household income. Between 1987 and 1994/95 average weekly social rent payments remained the same at Ir£15 and only rose to Ir£22 for the year 2000.

<sup>29</sup> The overall results for the 2002 Assessment of Housing Need indicate that at 28 March 2002 a total of 48,413 households were in need of local-authority housing (including voluntary housing) compared with 39,176 in 1999 an increase of 23.5 per cent.

housing there are half as many again on the waiting lists. Recent research on the housing strategies and the homeless action plans of local authorities indicates the extent of the challenge to meet social housing need. This found that 8,200 households are joining the waiting lists each year<sup>30</sup>.

**Figure 5. Average Weekly Rent/Mortgage Payments as a Percentage of Total Household Expenditure, 1973-2003**



Source: Fahey, T., ESRI and Household Budget Surveys 1973, 1980, 1987, 1994-95, 1999-2000.

Despite increasing investment, output remains significantly below need. Excluding loans for house purchase and improvement, as well as private housing grants for first-time buyers, we find that public capital expenditure on local-authority, voluntary, shared-ownership and affordable housing has risen over threefold from €366.5M in 1997 to €1,196M in 2001. The discrepancy between increased investment and lagging output can be explained primarily by the rising cost of land over the period and the limited land banking of local authorities. The current price of land is a major component of housing costs and limits the ability of social housing providers to achieve their aims by acquiring land for current and future need. Development sites in residentially zoned areas close to or within existing urban areas, often the most appropriate locations for social housing because of proximity to accessible services, are increasingly unavailable to social housing providers due to their cost. Land costs account for a larger percentage of public expenditure for social housing output, thereby reducing the obtainable output despite increased expenditure. In overall budgetary terms, a value for money question arises if no attempt is made to control and stabilise the price of serviced and potential building land.

<sup>30</sup> Bergin, E., Buchanan, L., Hickey, C., and Punch, M (2002.) *Housing Access for All? An Analysis of Housing Strategies and Homeless Action Plans*, Focus Ireland, Simon Communities of Ireland & Society of St. Vincent de Paul and Threshold, Dublin.

### **Housing Affordability, Policy Responses and Social Exclusion**

How housing affordability is understood can determine how policy responses are formulated. Despite the currency of the term,<sup>31</sup> its meaning in terms of access to housing differs across housing tenures and among households. For households with above average earnings, affordability can mean a price barrier to entering home ownership that may lead to the postponement of independent household formation or the transfer of housing demand towards private rental. In contrast, for households with average earnings or less, the unaffordability of access to private housing can mean that the costs of accessing and consuming housing result in living in squalor in poor housing conditions, to rental default and living in rental arrears, to repossession, eviction and homelessness, and ultimately to a denial of access to housing. Housing affordability as a problem of income inadequacy represents an absence of choice within and across the housing system, itself a result of the deficit of social provision of housing.

Housing affordability comprises currently two different issues featuring in two substantially separate policy arenas (private/market and public/social housing provision). However, the general understanding of housing affordability remains restricted to a somewhat one-dimensional focus on the issue of housing price. The result has been that government intervention since 1998 has tended to concentrate on demand-side management via alterations in fiscal policy that seek to reduce the price barrier of entry to owner occupation<sup>31</sup>. Supply-side interventions (for example the Serviced Land Initiative) are also targeted at ameliorating price inflation by allowing for an increased rate of new housing supply.

Policy is also directed at supported entry to home ownership and is targeted via the local-authority Shared Ownership Scheme, the Affordable Housing Schemes and Part V of the Planning and Development, Act 2000. Since the beginning of the house price boom in 1996 to end of 2002, the Shared Ownership Scheme completed 8,814 transactions and had approved a further 3,597 transactions in 2002 which are not yet completed. Significantly, demand for this scheme is high at over 5,866 applications in 2002, yet the rate of completed transactions has been hampered by the impact of house price inflation over the period between application and approval. The Affordable Housing Scheme, introduced in 1999, has provided a total of 1,280 units of housing over the period to 2002. The number of houses in progress at the end of 2002 was 1,907. An increased rate of approval reflects demand for the scheme that proposed 4,168 units for completion in 2001 and 4,431 in 2002. However, to date, the rate of completion has been slow and well below demand as determined by eligibility criteria.

Part V of the Planning and Development Act, 2000, introduced the opportunity to allocate up to 20 per cent of new residential (or mixed) developments for social and affordable housing as part of statutory local-authority housing strategies. It sought to boost housing output to address the housing needs of the growing number of households on the waiting lists<sup>32</sup>. Yet, recent research found that local authorities' commitment to using the 20 per

<sup>31</sup> For example changes made to stamp duties and the tax treatment of investment, Mortgage Interest Tax Relief.

<sup>32</sup> The Planning and Development Act, 2000, defines an eligible person for Part V Affordable Housing as a person "who is in need of accommodation and whose income would not be adequate to meet the payments on a mortgage for the purchase of a house to meet their accommodation needs because the payments calculated over the course of a year would exceed 35% of the person's annual income after income tax and PRSI are deducted."

cent mechanism to address social need and expand social provision has been equivocal and housing strategies too readily view the 20 per cent component as a subsidised route into home ownership for mid-income households. To quote directly from recent research:

'The introduction of the concept of 'affordable housing', essentially a policy whereby local authorities compensate for market failures by providing a subsidised route into home ownership for middle-income households, has tended to obscure the critical issues of social need/ non-market provision by conflating them with concerns about affordability in the market'<sup>33</sup>

Furthermore, given recent cutbacks in capital allocation for social housing, it is now likely that Part V will provide no net additional social housing but will instead function as an indirect mechanism for the delivery of existing multi-annual programme commitments.

Housing affordability cannot be reduced to a single issue of prices, nor should it be conflated only with demands to address market failure to maintain access to owner occupation. For lower-income households, the very real pressures to meet housing costs in private rental are combining with a failure adequately to meet housing need due to the residual output of social rental. In turn, this can result in housing affordability becoming an established dimension of social exclusion due to income inadequacy, default, arrears, eviction and homelessness. Policy should therefore ensure that robust programmes of direct provision of social housing are maintained lest a price difficulty in accessing owner occupation transforms permanently into a housing access crisis for lower-income households.

Policy responses require a more sophisticated understanding of affordability capable of usefully describing and explaining a range of issues related, for example, to income adequacy and housing costs, household formation and type, inter-tenure relationships and residential social geography. The understanding of housing affordability also needs to be established within a wider context of demands for higher wages, raised business costs, increases to the cost of public infrastructure and increasing inequality due to diminished access to housing<sup>34</sup>.

Affordability needs also to be related to sustainability across all housing tenures. House price inflation has resulted in decision making to access home ownership that raises serious questions of sustainability. For example, pressure on households through long commuting ties and shortages of childcare, pressure on social resources and capabilities, and the consequences of rapid urban development in terms of urban sprawl effects, degraded and lower-quality built environment and environmental problems (e.g. waste management) are major challenges to housing policy formulation. A first principle of policy for sustainable home ownership might be that home ownership can be sustained by those who choose to take it up, and that there are adequate alternatives for those who choose not to do so.

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<sup>33</sup> Bergin, E., Buchanan, L., Hickey, C., and Punch, M (2002.) *Housing Access for All? An Analysis of Housing Strategies and Homeless Action Plans*, Focus Ireland, Simon Communities of Ireland & Society of St. Vincent de Paul and Threshold, Dublin, *Executive Summary*, 13pp.

<sup>34</sup> National Economic and Social Council (2002) *An Investment in Quality: Services, Inclusion and Enterprise*, NESC, Dublin, 42pp.



## Conclusion

Projections for 2003 suggest a completion rate of 60,000 dwelling units will begin to balance supply and demand for private housing leading to a broad market equilibrium. Forecasts at the beginning of 2003 suggested that high house price inflation would abate and return to normal single-digit growth of 5 per cent for second hand housing, with little or no real increase in new house prices being forecast<sup>35</sup>. Yet, this expected easing of affordability pressures for new entrants to private housing in early 2003 seems not to have materialised<sup>36</sup>. Despite continuing price pressures in major urban housing markets, longer-term forecasts suggest that 'nominal growth in personal disposable income, coupled with a forecast of more moderate growth in nominal new house prices will improve affordability beyond 2005'.<sup>37</sup>

Notwithstanding this, the risks of home ownership are now greater than before. In particular, the interruption in the rate of income growth and growing unemployment due to the economic downturn apparent since 2001 poses the most significant risk to house price inflation. Taking a ratio of income to house price of 1:4 as the long-term ratio suggests that for prices to stabilise at current levels requires average incomes to rise to €50,000, the average new house price country-wide having reached €200,000 in 2002<sup>38</sup>. Given the current economic climate this is unlikely.

Over-borrowing and indebtedness pose another risk to house price stability, particularly for mortgage repayment schedules interrupted by changes in household income. Arrears and repossessions would have a downward influence on prices. However, while these can be regarded as future risks, problems of housing affordability have become transformed into a crisis of sustainable access that falls most significantly onto the most marginalized and vulnerable groups in Irish society in a much more immediate way.

Notably, housing and accommodation form part of a set of special initiatives under the latest social partnership agreement *Sustaining Progress*. While commitments exist to meet the 'social and affordable' housing needs of 13,000 households in 2003 (compared to 12,700 in 2002), a more recent announcement of the release of lands owned by the state to deliver private 'affordable' housing units is a new departure bringing new challenges to the delivery mechanisms of statutory providers. In his keynote speech to the biennial Irish Congress of Trade Unions (ICTU) conference in Tralee on 4<sup>th</sup> July 2003, An Taoiseach, Mr. Bertie Ahern T.D. announced that lands owned by the Office of Public Works in Dublin 8 would be directly transferred to the Dublin City Council or 'an associated project

<sup>35</sup> This forecast was made in January 2003 and has been subsequently revised upward. Second hand house price inflation is now forecast at 12 per cent nationally and 14 per cent for Dublin. See Bank of Ireland, *Quarterly Irish Property Review*, Bank of Ireland, Dublin, January 2003 and August 2003.

<sup>36</sup> Dr Jim O'Leary, NUI Maynooth speaking at the Irish Home Builders Association, Housing Conference, September 2002. Notably, the fourth national inventory of zoned residential land country-wide found in June 2002 that there exist approximately 12,200 ha. of zoned residential serviced land nationally, with an estimated yield of 328,000 housing units.

<sup>37</sup> Bergin, A. et al (2003) *Medium Term Review, 2003-2010*, Economic and Social Research Institute, Dublin, 60pp.

<sup>38</sup> Prof. Andrew Oswald of Warwick University Economics Department states that the stable ratio of earnings to house prices is 1:4 and ratios above this will adjust downwards over the economic cycle. Downward adjustment in prices can be rapid and significant enough in size to generate negative equity (*The Observer*, 16/02/2003).

development entity' for the purposes of building affordable housing for sale. In addition, 309 acres of land in county Meath and lands at McKee Barracks, county Kildare were included in the announcement<sup>39</sup>.

Local authorities are now charged with directly meeting private demand for affordable private housing, while at the same time meeting the record numbers assessed as in need of social housing. Yet, reduced capital spending on social housing output in 2003 will lead to a reduction in social provision, continued increases in unmet need, greater inequality and potentially higher rates of homelessness. However, a simple adjustment to policy would be to allow the direct transfer of land from state ownership to local authorities to boost their land bank for social housing output, reduce the cost of obtaining development land via the market and increase their rate of direct social housing provision. This would make a great contribution to ensuring that the output of both social and affordable housing occurs in a balanced and evenly handed manner. In this case, what's good for the goose (affordable housing) is good for the gander (social housing).

Without this simple adjustment to policy, a default position may emerge where the housing interests of those in social housing need and those demanding an affordable private house are set against one another. In practical terms, this presents statutory housing providers with a significantly lesser 'win-win' scenario and may add to the cause and extent of social segregation in housing development and provision. The relative political strength of the claim for affordable housing means that on this basis alone, policy decisions that maintain bias and partiality toward home ownership at the expense of social housing should be revisited. To be able to 'afford' means to be able to do or spare something without risking financial difficulties or undesirable consequences. Irish society can afford the investment required to meet social housing need and to end homelessness. It cannot afford not to make this investment as a result of reacting to housing affordability only as a house price issue.

### **Acknowledgements**

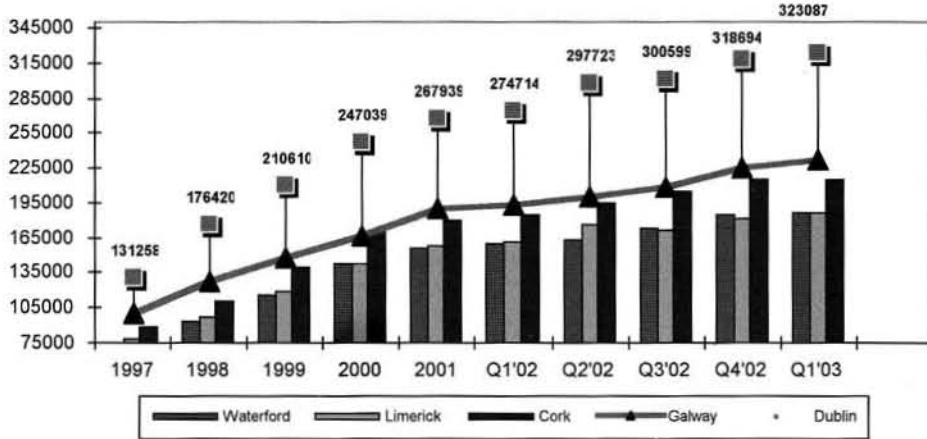
The author wishes to acknowledge the comments and opinion of the editors on an earlier version of this paper.

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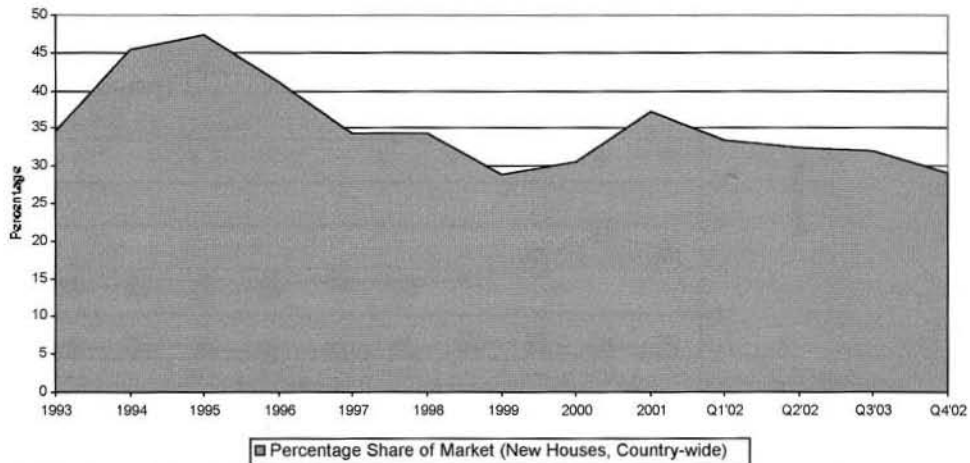
<sup>39</sup> The eligibility criteria for the new affordable housing initiative under *Sustaining Progress* have yet to be detailed.

# Annex

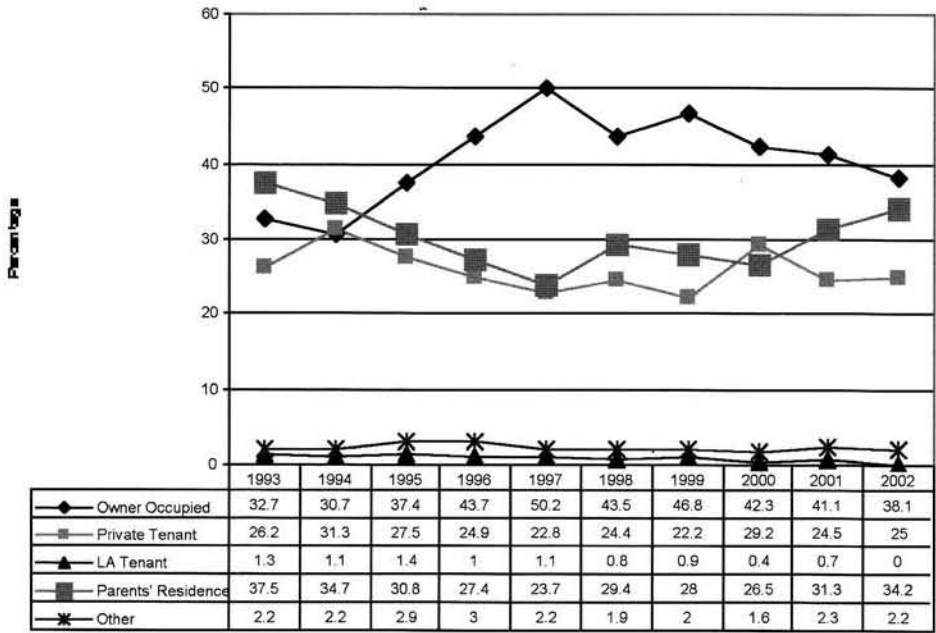
**Annex 1. Average 2nd Hand House Prices in Major Urban Areas, 1997-Q1 2003, €**



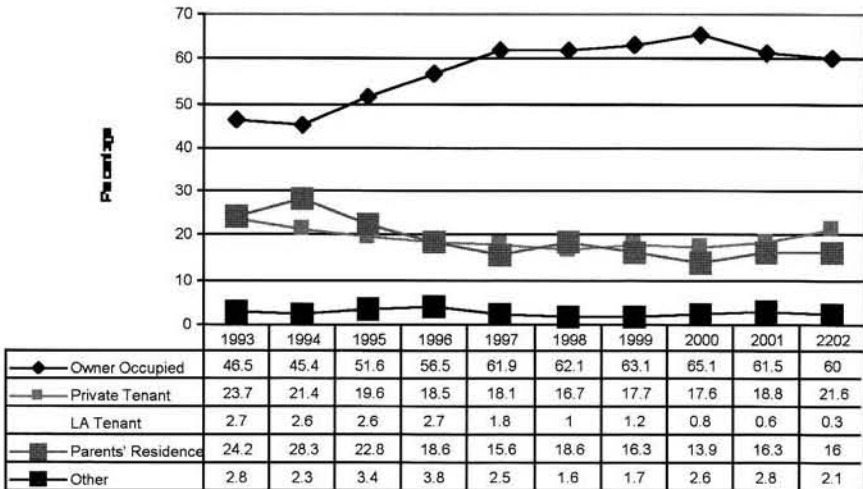
**Annex 2. Changes in the FTBs Share of the New House Market, 1993-Q4 2002**



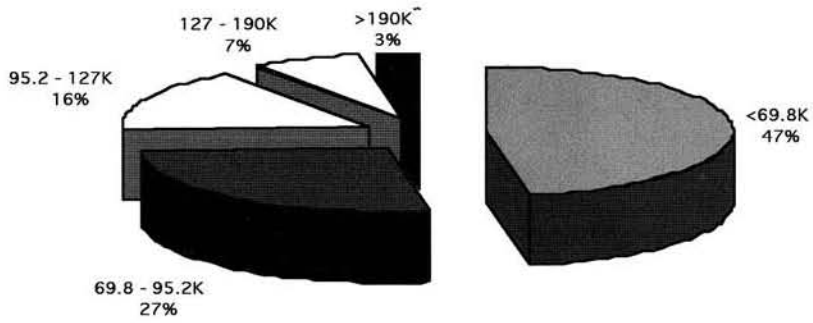
**Annex 3. Previous Tenure of Borrowers for New Housing, Dublin Area, 1993-2002**



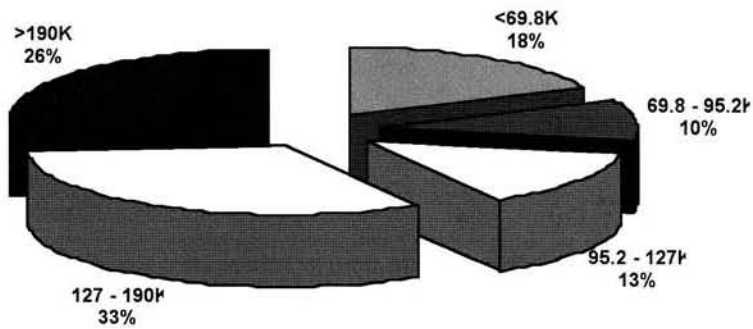
**Annex 4. Previous Tenure of Borrowers for 2nd hand Housing, Dublin Area 1993-2002**



**Annex 5. Range of Loans Paid on All Houses in Dublin 1997 (€K)**



**Annex 6. Range of Loans Paid on All Houses in Dublin 2002 (€K)**



**Annex 7. Capital Formation in Irish Housing, 1992-2002, €M**

