

**Review of Rebuilding Ireland:  
Affordable Housing:  
Policy Paper, October 2017.**

**1. Background and the State's Role.**

The overarching principle underpinning the Government's housing policy is that:

*all households should have access to suitable quality and affordable housing, either from their own income or with the support of the State.*

The Government acknowledges that the State's responsibilities extend beyond the provision of social housing alone to ensuring there is a supply of affordable homes, within the overall tenure mix, across the Irish housing system. In particular, low- to moderate-income households, renting in and around our Dublin and other urban areas, can struggle to secure suitable and affordable housing. Such households are critical to the sustainability of the local community and economy providing the people and workers needed in order to sustain growth and meet increasing demands.

There is an acceptance in Ireland and internationally of the ongoing and increasing need for affordable housing options, in a tenure balanced manner, that can enable social mobility particularly within cities<sup>1</sup>. As housing systems adjust to the new order post the economic crash housing affordability is an ongoing challenge. It is not a uniquely Irish issue and it is not regarded as just a short-term issue either. Across the world, housing affordability is regarded as a critical, on-going, social and economic policy challenge linked to the rising cost of land and property relative to incomes.

As part of the Review of Rebuilding Ireland it was signaled that the issue of housing affordability would be examined under three main headings:

- Affordability to Build;
- Affordability to Buy, and,
- Affordability to Rent.

This paper was drafted by the relevant Sections of the department in consultation with local authorities and the Housing Agency.

**2. What is affordable housing?**

It is important to establish what is meant by the term housing affordability. While there is no, universally agreed, ideal price/rent to income ratio or minimum residual income requirement, there is general agreement that lower income households in particular should not be paying more than one third of their disposable income on housing costs. Ideally, affordability calculations should also encompass a household's ability to sustain its owner-occupancy/tenancy over time in financial terms e.g. repair, maintenance, insurance etc.

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<sup>1</sup> UNECE

Rebuilding Ireland – Action Plan for Housing and Homelessness (July 2016) has, as its core objective, increasing housing supply to at least 25,000 new homes per annum, with an emphasis on social and affordable housing, based on ESRI demand projections at the time. Census 2016 figures suggest that the average number of persons per household had increased for the first time since 1966, and that the number of adult workers living at home with their parents had increased significantly (by 19% to 215,088); this would infer that the pent-up demand for new housing is significant and rising.

The recently published draft National Planning Framework recommends that regional and local authorities assess the housing requirement at regional and county level. A revised approach to strategic housing planning at these levels is also recommended. The national projected housing requirement to 2040 is 550,000 with 143,000 of those in Dublin. Regional and local authorities will produce more granular, localised and demographically stratified housing requirement data to inform housing strategies.

#### **Social Housing:**

In terms of the States commitment to help households access suitable and affordable housing those at the lowest levels of household income are the top priority and can apply for social housing support. The total net household need, also referred to as the housing waiting list, stood at 91,600 households<sup>2</sup>. Around 40% (c.36,000 households) were in Dublin. The maximum “net” income eligibility thresholds to qualify for social housing range from €25,000 for a single person to €42,000 for a multiple person household<sup>3</sup>. Social housing tenants are charged differential rents set by local authorities in line with national guidelines on the basis of ability to pay.

#### **Affordable Housing:**

In considering other households that the State may seek to support in accessing affordable housing income levels relative to local house prices and rents are obviously the key determining factor. Location is crucial as the market cost of housing to buy and rent, and consequently affordability, varies considerably throughout the country. Importantly, the cost of accommodation varies much more than average wages across the country.<sup>4</sup>

### **3. The Declining Affordability of Housing.**

In Ireland there is a long-standing trend of decreasing affordability of housing (measured by the percentage of a household’s income spent on rent or mortgage repayments) which affects all tenure types but is most severe in the private rented sector. Those renting privately spend more than twice as much of their household budget on rent than they did in 1987, while the share spent on mortgage repayments has risen by more than half over the last 30 years. The figure below shows that in 2016 for homeowners, mortgage repayments made up on average 16.4%<sup>5</sup> of their household expenditures, while

<sup>2</sup> Based on September 2016 figure, the 2017 figure should be available shortly.

<sup>3</sup> A review of the eligibility criteria, including income thresholds, is being undertaken by the Department this year.

<sup>4</sup> Appendix 2 refers.

<sup>5</sup> See Appendix 5. NB: at any time homeowners with a mortgage will be made up of new entrants and households at various stages in their repayment term. Households will have varying loan terms and incomes and therefore mortgage repayments will consume different proportions of their income. Mortgage repayments for newer entrants will often consume a higher proportion of expenditure than the 16.4% aggregate figure.

rent in the private sector made up on average 26.8% of household spending<sup>6</sup>. For moderate- to low-income households, these proportions are of course higher.

Both the private rental sector and the owner occupied sector are characterised by increasing affordability pressures. Rising house purchase prices directly challenge affordability in the home ownership sector, but also drive increased dependence on the rental sector, particularly for low to moderate income households, who can least afford the higher costs.

Despite the greater affordability problems, more people are dependent on renting their accommodation than at any time in the last 45 years – nearly a third of households and the numbers are still growing. Home ownership has fallen from nearly 80% of households in 1991 to 67.6% in 2016, increasing the dependence on rented accommodation. The reduction in home ownership is concentrated among those on modest incomes.

Ireland has moved from having the highest rate of home ownership in the EU 15 in 1991 to now having the seventh lowest. Those countries with lower rates, Netherlands, UK, France, Denmark, Austria and Germany in the main are characterised by well-established and stable rental markets, which provide an attractive and sustainable alternative to home ownership.

Unaffordability is also likely to increase in the medium term. Home ownership among the 35 to 45 age group has declined from 82% in 1991 to 63% in 2016, resulting in a doubling in the proportion of those in this age cohort availing of rented accommodation. Most people in this age group, who have not bought a home, face very significant challenges in purchasing a home, and, as they reach the end of their working lives and start to live on reduced incomes will require more affordable rental accommodation.

Unchecked, a lack of affordable housing options can lead to problems of access to one's housing of choice; social exclusion; increased spatial stratification (particularly in cities) and decreased national competitiveness. Housing affordability poses a real challenge to the achievement of the housing objectives in the draft National Planning Framework.

#### **4. The Drivers of Housing Affordability**

The affordability imbalance appears to be a long-term trend – not a short-term anomaly. It principally derives from the high and rising price paid for residential development land and the cost charged for accommodation relative to other prices, particularly wages. Price inflation in both home ownership and residential rental markets is outstripping general measures of inflation and wage growth over time and particularly, in recent years<sup>7</sup>.

The divergence between housing (purchase and rental) prices and wages results significantly from the increased dependence on the private market for housing provision. Much of the substantial historic public investments in supply-side subsidies to housing have not resulted in a proportionate permanent capacity of the State to provide low-cost housing. The sale of social houses helps to resolve the housing need of the individual households, reducing the dependence on social housing and anchoring such households in communities that may be predominantly rental (social and otherwise). However, this has also meant that these State owned dwellings have, over time, entered the private market and will

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<sup>6</sup> Household Budget Survey (HBS), Central Statistics Office, various years.

<sup>7</sup> Appendix 4 refers

command market prices. Currently, there are c160,000 social homes in the State representing around 9% of the total occupied housing stock of 1.7m<sup>8</sup>. Since 1994, c26,000 social houses have been sold through tenant purchase schemes. The loss of 16% of social housing assets, coupled with the current low level of investment in the third sector – not-for-profit housing provision, has limited the housing system's capacity to provide reduced cost housing. In other countries such as Germany and the Netherlands State controlled or Not For Profit housing represents a higher proportion of the overall housing stock.

Consequently, in the context of a reduced social housing stock, dependence on the private rental sector for providing subsidised social housing has increased. The high market rents in some areas such as Dublin drive up the cost per recipient of such social housing, while the use of demand side rent subsidies in a severely supply-limited private rental market has the potential to put further upward pressure on rental prices more generally. The increased unit costs involved in providing social housing in the private rental sector in some parts of the country, limit the State's capacity to respond to the divergence between housing prices and incomes. The numbers of households that cannot affordably meet their own accommodation needs from their own resources grows but the State may be unable to provide rental solutions given the lack of available affordable properties. New build social housing takes time to deliver and therefore, in the most extreme cases, where there is no private rented accommodation immediately available to a household, this can result in "homelessness" and the requirement for emergency accommodation.

#### **Cost of Construction:**

The cost of construction obviously contributes significantly to the eventual price and rents sought for accommodation. Recognising this, the Department, working with key public sector stakeholders and the construction industry, undertook a detailed Construction Costs Review, to examine and analyse residential construction costs and to recommend areas where potential savings could be made. The draft report is currently being finalised.

The work of the Construction Cost Working Group will provide an informed basis for identifying potential economies in input costs in areas such as:

- a. Land and acquisition costs,
- b. Construction/build costs,
- c. Professional fees,
- d. Development levies/contributions;
- e. Finance costs & development margins.

#### **Land:**

In many ways land is the most fundamental driver of house prices and rents with the value placed on land and the price paid for residential development land determining the return required from the housing on such land in order to provide the return on investment sought. Given the inflation in house prices and rents experienced in recent years, some land owners hold land from the market and development in order to secure increased returns as prices go up.

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<sup>8</sup> Census 2016

### Planning and Development Contributions:

The planning system and perceived uncertainty around planning outcomes and timelines has been cited as a risk factor in large residential construction projects. Development contributions were also cited as a disincentive to residential development.

### Finance:

The price (interest rate) and lack of access to development finance is cited by industry as a major obstacle to residential development.

## 5. Rebuilding Affordability – Actions taken and underway to date:

In examining the requirement for further action on the supply of affordable housing it is important to recognise the significant action that has already been taken to make home building more viable and the final homes built more affordable. In this regard, under the three “affordable” headings the following main actions have been taken.

### a. Affordability to Build,

#### • Planning:

- Streamlined Planning with 4,000 homes worth of applications with An Bord Pleanála;
- Reduced and Reformed Development Contributions;
- More viable Apartment standards re-affirmed;

#### • Infrastructure:

- Local Infrastructure Housing Activation Fund - €226 million - 22 of the 34 grant agreements agreed by Minister. This fund will open up land banks to support 23,000 new homes and on 70% of the sites involved, there will be homes coming in at prices below €320,000. On the other 30% there will be site specific affordable housing proportionate to the LIHAF funding.

#### • Land:

- Local authorities bringing large scale sites to market for mixed tenure joint ventures. Two Dublin sites in procurement 1,500 new homes.
- Vacant site register and levy – 3% - 7%

#### • Finance:

- The Irish Strategic Infrastructure Fund is a co-investor in a number of residential development funding platforms, designed to address the limited availability of finance for new construction and the absence of funding for sites without planning permission.

Examples of this investment include:

- a. **Activate Capital** - €325 million senior loan note provided from ISIF and a €175 million junior loan note provided from KKR.,
- b. **Ardstone Residential Partnership** – ISIF has a €25m equity commitment, and,
- c. **Wilbur Ross Cardinal Commercial Real Estate Mezzanine Debt Fund**

**b. Affordability to Buy,**

- Help to Buy – Up to €20,000 for FTBs towards a deposit for a new home. 3,000 applications under the scheme in the first eight months of this year, totalling almost €43m.
- Pilot Scheme – O’Devaney Gardens/ Infirmarary Rd. – Starter Homes Purchase – 120 homes, and,

**c. Affordability to Rent,**

- Rent Pressure Zones - Rent Pressure Zones, capping rent increases at 4% per annum for 3 years, now covering 57% of tenancies
- Pilot Scheme – Housing Agency / DLRCC Enniskerry Road – 50 homes.

The main actions highlighted above were taken over the last number of years. Predominantly, under Rebuilding Ireland (July 2016), but also beforehand. Obviously, given the project life-cycle to produce new homes these actions will take time to deliver homes on the ground. The housing output indicators, from planning permission to connection to the electricity grid are the best indicators of the impact of these measures and changes in the operating environment and economy more generally.

The Cost of Construction study will provide an important and more detailed assessment of the impact and effect of measures taken in order to make building apartments and houses more viable. The detailed review of the Help to Buy Scheme will also provide important data and insight into that measures effectiveness.

Encouragingly, all of the key statistical indicators point to a significant scaling up of home building activity, with:

- Planning permissions granted for 19,246 new homes in the 12 months to the end of June 2017, an increase of 49% year on year; 6,662 up 43% in Dublin,
- Commencement notices for 16,945 new homes notified to local authorities in the 12 months to the end August 2017, an increase of 47% year on year; 6,790 up 38% in Dublin, and
- ESB residential connections of 17,651 to the end of August 2017, an increase of 25% year on year, 5,310 up 43% in Dublin.

**6. Location – where is access and affordability the greatest challenge?**

By far the greatest affordability challenge is faced by households in major urban areas and Dublin in particular. In many other parts of the country housing is generally regarded as affordable. Of course the lack of supply of housing in the right locations nationally can create a challenge in accessing affordable housing. The Demographia International Housing Affordability Survey uses an income affordability ratio to summarise the regional disparities in housing cost affordability in Ireland. The study covers areas in Ireland with a population of 50,000 people or more and reports that relative to household income, Ireland has the most affordable housing costs compared to all other countries included in the Survey.<sup>9</sup>

<sup>9</sup> The Survey looks at housing market in Australia, Canada, China (Hong Kong), Ireland, Japan, New Zealand, Singapore, United Kingdom and the United States

Importantly however, Dublin is deemed 'seriously unaffordable'. Overall, the Survey points to an affordability challenge in Dublin, Cork and Galway<sup>10</sup>.

Dublin has significant access and affordability issues in terms of both rental and purchase markets. The Dublin house purchase market can be broadly characterised as having a low level of new builds, particularly affordable new builds, relative to demand, having a very low level of transactions and being subject to ongoing inflation. There were 3,900 house transactions in the year to July 2017, representing a decrease of 13% year on year and just 0.8% of housing stock turnover<sup>11</sup>.

#### House Purchase Prices:

In the 12 months to July, the median price paid by households nationally for a dwelling on the residential property market was €212,500. Dublin was the region with the highest median price (€335,000) in the year to July. Of the four administrative areas of Dublin, Dún Laoghaire-Rathdown had the highest median price (€500,000). Whereas, Fingal had the lowest median price (€300,000). Outside Dublin, the highest median prices were in Wicklow (€290,000) and Kildare (€265,000)<sup>12</sup>.

In Dublin, there are a limited number of new developments for sale, offering new homes for less than €320,000. Analysis of CSO RPPI housing sales data for the first half of 2017, carried out by the Housing Agency showed that 301 of the 902 transactions examined had an average sales price below €320,000<sup>13</sup>.

#### Rents:

The Dublin rental market has very limited supply and is subject to ongoing inflation. In terms of rents, the latest RTB Index shows average monthly rents in Dublin ranging from €1,100 - €1,950<sup>14</sup>. Rents in Dublin increased by 3.3% qtr. on qtr. and are now 10.8% above the previous peak in 2007. There were just 1,074 properties available to rent in Dublin on May 1<sup>st</sup>, the lowest figure recorded in a series stretching back to January 2006.<sup>15</sup>

Based on the Q2 2017 RTB Rent index rents in Dublin have risen by just over 1.5% in the six months since Dublin was designated a Rent Pressure Zone. If this trend is repeated over the next six months, the annual rent inflation in Dublin in 2017 will be around 3%, a significant improvement over the 8.5% increase registered in 2016. Rents in Dublin are now almost 11% above the previous peak in 2007.

Outside Dublin, rents for both houses and apartments have grown by 4.4% in the first six months of the year, which points to annual growth rates of around 8%. Outside the capital, rents are 7% below their 2007 peak, but this gap is closing. While these figures provide some signal that the RPZs are having an effect in moderating rent increases, it's not yet clear whether these measures are fully achieving their desired effect.

<sup>10</sup> The Mid-East, including Louth, is excluded from the Demographia survey.

<sup>11</sup> Sherry Fitzgerald – 5% annual turnover of residential properties would be expected in a normal market

<sup>12</sup> Data extracted from CSO Residential Property Price Index table HPM07

<sup>13</sup> Appendix 1 refers

<sup>14</sup> RTB Index Q2 2017

<sup>15</sup> DAFT.ie

Overall, the data points to a pick up in the pipeline of supply, from a very low base. There are a limited number of developments providing houses and apartments to buy at below €320,000 with the trend that the majority of new housing is coming to the market at price points above €320,000. In terms of rent, while the inflation in Dublin has slowed we are operating at 11% above the previous 2007 peak.

#### 7. Income – at what income levels is housing generally affordable?

Having analysed a number of ratio based approaches to the measurement of housing affordability, the Housing Agency found that that households with gross earnings of €70,000 per annum (€82,000 per annum in Dublin) should be able to access credit and afford repayments in order to access the purchase market at present. That would equate to a house purchase price range of €272,000 to €318,000<sup>16</sup>. The average house price for a First Time Buyer in Dublin is €345,000 requiring a 90% mortgage of €310,000; with estimated monthly repayments of €1,656<sup>17</sup> and an inferred minimum income requirement of €88,685<sup>18</sup>. Given the limited number of new homes being produced by the market at prices below €320,000 in Dublin access to such housing is limited.

Average Dublin rents range between €1,100 and €1,950 and would require monthly net income of €3,143 to €5,571 in order to be deemed affordable. In turn, this roughly equates to annual net incomes of €37,716 to €66,852. Average incomes are highest in Dublin (€51,900) and the Mid-east (€45,700) but the purchasing power of that income is far less than in other regions in many respects, particularly for housing. In Dublin, the median “asking price” for a 3-bed house is 5.7 times average earnings, whereas it’s as low as 3.3 times in other parts of the country<sup>19</sup>. Furthermore, average asking prices for rents in Dublin are over far higher than the national average and are more than double the average rents sought in other parts of the country.

#### 8. Rebuilding Affordability - What further State interventions are required?

Given the situation pertaining in Dublin in respect of house purchase prices and rents there is a clear case to be made that the market is failing to meet the housing access and affordability needs of households with annual income of less that €82,000.

In determining what further actions can be taken it is important to consider a number of issues. Firstly, while Ireland has returned to economic growth, Exchequer funds are still very scarce and must be carefully managed within the context of EU Stability and Growth Pact and fiscal rules. The State simply cannot meet every household’s aspirations, hopes and wishes in terms of where they would like to live and the home they would like to live in. The Government is therefore committed to supporting those households in most need, prioritizing those on lowest incomes first, utilising the scarce resources available in an optimal manner.

Given the scarcity of financial resources, the State land bank is a key resource that must be leveraged to deliver a significant amount of new homes at much more affordable prices and rents. Local authorities are crucial in terms of operationalising this policy objective. Councils are also housing and planning authorities and have an overall land bank of 700 sites – originally acquired to deliver social and

<sup>16</sup> Assuming monthly repayments of over €1,500 at 4.1% over 25 years; a minimum deposit of €32,300 (10%); costs such as fees, furniture and fittings are additional; FTB household may qualify for Help to Buy Scheme up to €20,000 tax rebate.

<sup>17</sup> A local authority mortgage could be more affordable if available to the household.

<sup>18</sup> Appendix 1 refers

<sup>19</sup> Appendix 2 Refers



affordable housing - covering c.1,500 hectares, which based on a very simplistic calculation with low to medium densities, would be capable of yielding c37,500 new homes at a conservative estimate. Of course, not all of these lands are serviced or ready for development at the current time and a significant part of the land bank is allocated to the social housing construction programme. The land bank has been mapped and local authorities are preparing strategic development plans for its development that will identify the development potential for social and affordable housing, in areas of need and demand, more accurately.

### **Structural**

In order to deal with the structural issues that drive affordability, targeted policy measures that will effect structural change over time are essential to build the housing systems capacity to provide lower cost housing, both in terms of more efficient production and delivery as well as the cost of securing and maintaining a home to purchase or rent. Given the critical and urgent affordability and access issues, particularly in Dublin and other major urban areas, more immediate supply-side responses are also required.

The central long-term strategy will be to achieve a sustainable and mutually beneficial balance between private, social and not-for-profit housing provision. To this end over time the proportion of publicly owned housing within the overall housing stock will be increased. This will help reduce the over-dependence on private housing provision and increase the supply of lower-cost accommodation over and above what the market alone provides. This will help improve affordability for households and reduce the numbers requiring direct State assistance to meet their accommodation needs. It could also help reduce the unit cost to the State of providing demand side subsidies, allowing more households to benefit from them. The more diverse and balanced provision will provide an important shock absorber to reduce the impact of market volatility and enable the state to more easily act, when necessary, in a contra-cyclical manner.

### **Immediate supply measures**

In terms of more immediate policy responses, based on the foregoing analysis, a strong case is made for additional State interventions to increase the supply of affordable homes in Dublin from the State land bank. It is envisaged that the provision of both affordable homes for purchase and for rent will be facilitated on such State land. The case for affordable housing in other locations will be examined, on the basis of prevailing market conditions, particularly supply and pricing of homes to buy and rent, and local incomes and national planning objectives, on a case by case basis in consultation with the relevant local authorities. In the first instance, Galway, Cork and the Greater Dublin Area counties (Louth, Meath, Wicklow and Kildare) will be examined. The choice of tenure will be a matter for the local authority concerned, in consultation with the Department, on the basis of an economic and financial assessment of the particular site / locations.

### **Access to credit**

In terms of affordable purchase it is important that households that can sustain a mortgage to purchase an affordable home can access the necessary mortgage finance in order to do so. There are households that will not be granted mortgages by financial institutions who the State wishes to support. Therefore, we're introducing a new loan offering, to be known as the Rebuilding Ireland Home Loan

This new low cost, fixed-rate, (with a variable rate option) local authority mortgage will replace both the existing standard annuity mortgage and existing Home Choice mortgage loan. It will be targeted at

credit worthy low and middle income first-time buyers with the maximum market value of the relevant properties capped to avoid market distortions, as well as offering the opportunity to target the increased construction of properties at these price points.

### 9. Objectives of Affordable Housing

The overarching objective of an affordable housing programme will be to supply more homes in Dublin (and elsewhere on a case by case basis) on a tenure neutral basis while contributing to long-term objectives to reform the housing system in Ireland. In particular, to increase the proportion of public housing within the overall housing stock.

In particular, the programme will have the following objectives:

- A. To increase access to home ownership in appropriate locations through reducing purchase costs for key target groups in order to anchor households in communities, providing social continuity in neighbourhoods, providing more certainty in terms of long-term demand for, and of access to, education, health and other services.
- B. To build a substantial cost rental<sup>20</sup> sector within the overall rental sector to:
  - a. directly provide lower cost sustainable and long-term rental accommodation solutions for households unable to, or not wishing to, buy their own homes;
  - b. reduce the costs to the exchequer of the provision of social housing, and,
  - c. promote the development of socially mixed and sustainable communities.
- C. To contribute to good planning and social sustainability; urban design; social mix and climate management by:
  - a. delivering affordable housing in sustainable and suitable locations near centres of employment; public transport and other services and facilities, thus reducing commuting distances and enhancing quality of life, and,
  - b. providing access to affordable housing for target groups to counteract the danger of communities nearer to Dublin and other cities becoming homogenised by virtue of income and affordability where lower-income groups, other than those who qualify for social housing support, are effectively excluded from living in parts of our cities.
- D. To contribute to economic development and the delivery of State services, particularly in certain industries/services concentrated around cities, which may be challenged and curtailed in the ability to expand, sustain and replace workers if there are no affordable housing options commensurate with the employees earning power.
- E. To correct the operation of land and housing markets in our cities; dampen house price inflation; and to stimulate development by private sector developers.

<sup>20</sup> Cost rental is where rents are set to cover all the costs of provision – capital, on-going maintenance and management charges – only, with no profit margin. In normal market conditions rents would be below open market rents. The rents charged can be reduced further and made more affordable by reducing the costs incurred by the provider. For example, the subsidised provision of land, equity or credit. When capital costs are fully met – usually 20 to 30 years – the costs will reduce and rents can be reduced or any surplus accumulated further invested.

- F. To maximise synergies and economies of scale in developing local authority sites with a mix of social and affordable housing e.g. in the provision of facilitating infrastructure for both.

## 10. What are the next steps?

### Affordable to Buy:

- A. An Affordable Purchase Scheme will be re-introduced based upon the provisions of Part 5 the 2009 Housing Miscellaneous Provisions Act (un-commenced). Detailed regulations will be made by the Minister, but the key elements of the new Scheme are expected to be as follows:
- a. **Delivery Method:** local authorities will oversee delivery of affordable housing from their sites, to be sold directly to identified qualifying purchasers;
  - b. **Maximum gross Household Income:**
    - i. Single Household - tbc;
    - ii. Two Earner Household - €85,000
  - c. **Charge/Equity Stake:** The local authority will have a fully repayable equity stake (or charge) against the property equivalent to the discount, repayable on re-sale or within the charge period (min 25 years)
  - d. **Discount:** Minimum discount 10% - maximum 40%<sup>21</sup> (taking the average house price for a FTB in Dublin as the market price €345,000 that would equate to a potential affordable price range of €207,000 to €310,500)
  - e. **Eligibility:** First time buyers; social housing tenants or those on the waiting list; that qualify for the necessary mortgage<sup>22</sup>;
  - f. **Allocation:** by local authorities, based on a local authority Scheme, subject to agreement with the Minister, to eligible households taking account of:
    - i. accommodation needs including current circumstances – distance from employment and school attendance,
    - ii. whether the mortgage would be affordable – repayments < 35% net income;
    - iii. any relevant assets particularly a dwelling;
  - g. **Affordable Dwellings Fund:** will be established with funds from affordable payments to be paid in and the fund to be managed by the Housing Finance Agency to provide a long-run funding stream for affordable housing.

<sup>21</sup> The scale of the discount will be a factor of local market prices.

<sup>22</sup> May be possible to avail of LA mortgages if household is refused by 2 other lenders.

- h. A New Fund of €25 million will be provided over 2018 and 2019 to fund infrastructure on local authority-owned land in Dublin, particularly in areas targeted for regeneration, to deliver affordable housing. The funding will be provided on a 75%:25% matched basis with local authority funding. On the basis of a maximum amount of €50,000 per home that would equate to a minimum of c666 new affordable homes.

#### Affordable to Rent:

- B. A number of pilot cost rental projects will be developed and implemented. The projects will demonstrate how a not-for-profit (NFP) housing provider could use the cost rental model to provide rental accommodation, initially in Dublin, at a rent based on the cost of providing the unit. Such rents would be more affordable than market rents and, at scale, would be expected to also dampen local market rents. The project will involve the delivery of substantial developments of dwellings provided by AHBs at cost rental to social housing tenants and low to middle income key worker households.

Rents will be set to cover the actual costs to the AHB for providing the accommodation. In order to achieve lower rents supply side measures such as land grants or capital grants and low cost credits, which reduces the initial cost of providing the units, will be explored. Core build costs and the costs of ongoing management and maintenance will thus dictate the level of the rent, which, because of the supply side supports, the not for profit nature of the operation and low-cost management by AHB, will be lower than market rent.

All tenants will be charged the same rent. The Local Authority will nominate tenants from the social housing list for a proportion of the units and the gap between differential rents and their cost rent will be funded from current social housing expenditures.

Tenant eligibility for the remaining units would be based on:

- Income – range rather than fixed limit;
- Social and work related links to local area;
- Housing need.

The cost rents will set initially to deliver an agreed yield in relation to the capital cost of the development. Rents will not adjust in function of market rents, but will inflate in line with CPI and will become more affordable over time, relative to market rents.

- C. The Dublin local authorities have a land bank of 342ha and will be asked to bring forward proposals for affordable housing (purchase or rental) on these sites as part of the Strategic Management and Development Planning process which is underway.
- D. A number of pilot affordable purchase and cost rental schemes will be immediately advanced:
- E. The optimum institutional arrangements for the delivery of affordable housing across multiple local authorities and sites will be examined with the relevant local authorities.

- F. Detailed analysis of the requirement for affordable housing in GDA; Galway and Cork will be undertaken, working with the relevant local authorities.
- G. The Department will establish an Expert Cost Rental Group to examine the feasibility and benefits of building a substantial not-for-profit sector, capable of delivering cost rental for significant numbers of households and to develop a roadmap for achieving this structural change to the rental sector and housing system.

**Affordable to Build:**

- H. The combination of the capital gains change in Budget 2018 and the more than doubling of the vacant site levy to 7% will tackle the problem of land hoarding and will release more land for building.
- I. In addition, in relation to commercial land purchased for the development of housing it is intended to introduce a stamp duty refund scheme. The refund will be subject to a requirement that developers commence the relevant development within 30 months of the land purchase.
- J. Planning for affordable apartments to be reformed – heights; car parking and build to rent standards.
- K. Pre-letting expenditure incurred in bringing vacant housing back into use for rental purposes will be tax deductible.
- L. A second LIHAF infrastructure fund of €50 million will unlock even more sites, more quickly and at affordable prices. LIHAF 1 was well over-subscribed.
- M. Home Building Finance Ireland, HBFI, will provide finance from a €750 million fund, at commercially competitive rates to developers with sites ready to go but who are experiencing difficulty in obtaining funding.

Housing Market Policy and Land Management Section,  
13 October, 2017.

**Appendix 1: Housing Agency Analysis of transactions and average sale price of units in new housing estates and apartment blocks in Dublin over the first half of 2017.**

Area	Number of Transactions	Average Sale Price (€)
<b>Co Dublin</b>		
Barnageeragh Cove	21	349,857
Golf Links Road	14	328,285
Kinsealy Lane	14	745,555
Millers Glen	32	328,532
Ridgewood	38	355,832
Stratton Drive/Stratton Lawn	10	288,980
Castleland Park Place	10	251,998
<b>Dublin 13</b>		
Belltree	19	309,603
Hole In The Wall Road/New Priory	26	206,603
Parkside	41	342,775
<b>Dublin 14</b>		
Hazelbrook Square	17	541,867
<b>Dublin 15</b>		
Castleknock Road	19	603,222
Diswellstown	68	490,067
Hansfield	35	290,133
Hansfield Wood	30	300,707
Hansfieldwood	12	328,288
Royal Canal Park	22	398,928
<b>Dublin 16</b>		
Abbots Grove	26	382,186
Scholarstown Wood	17	512,526
<b>Dublin 18</b>		
Belarmine Woods	33	427,354
Cualanor Upper Glenageary Road	26	763,183
Glenamuck Road	11	659,505
Honeypark	148	381,622
Upper Glenageary Road	123	240,318
<b>Dublin 22</b>		
Rowlagh Village Centre	13	258,077
<b>Dublin 24</b>		
Kiltipper	29	289,259
Oldcourt Road	33	381,144
School Road	17	364,647
Hollywoodrath Crescent	16	300,731
<b>Total</b>	<b>920</b>	<b>393,854</b>

Appendix 2 – First Time Buyer Affordability - Purchase

		90% Deposit					80% Deposit				
	Average FTB Home Price	Inferred Max Mortgage	Monthly Repayment	Repayments as % of (Average Gross Earnings*1.5)	Inferred Minimum Income Requirement	Mortgage Repayment Requirement as Multiple of Average Earnings	Inferred Max Mortgage	Monthly Repayment	Repayments as % of (Average Gross Earnings*1.5)	Inferred Minimum Income Requirement	Mortgage Repayment Requirement as Multiple of Average Earnings
National	€ 259,143	€ 233,229	€ 1,244	26%	€ 66,636.86	1.77	€ 207,315	€ 1,106	24%	€ 59,232.76	1.58
Dublin	€ 344,885	€ 310,397	€ 1,656	35%	€ 88,684.76	2.36	€ 275,908	€ 1,472	31%	€ 78,830.90	2.10
Outside Dublin	€ 203,265	€ 182,939	€ 976	21%	€ 52,268.22	1.39	€ 162,612	€ 867	18%	€ 46,460.64	1.24

## Appendix 3 – Average Earnings; House Prices and Rents

Region[1]	Average earnings	Median asking price, 3-bed semi-d house	Price to income multiple	Average Rent (asking prices <sup>23</sup> )	Average Rent (RTB) <sup>24</sup>
Border	39.2	130	3.3	€693	€573
Midlands	38.3	125	3.3	€704	€600
West	38.8	130	3.4	€680	€675
Mid-East	45.7	215	4.7	€1,017	€721
Mid-West	45.1	150	3.3	€654	€548
South-East	41.2	145	3.5	€856	€739
South-West	44.3	199	4.5	€753	€758
Dublin	51.9	295	5.7	€1,663	€1,382
State	45.1	220	4.9	€1,159	€1,017

## Appendix 4 Changes in Consumer Price Index and Average Weekly Wage –

Note: Consumer Price Index Annual % Change, as measured in January of the Relevant Year<sup>25</sup>

Year	CPI Annual % Change	Average Weekly Earnings		Average % House Purchase Inflation (year to end July)	Average % Rental Inflation (RTB Q2)
		€	Annual % Change		
2014	0.2	€703.91	1.3	18.5%	6.18%
2015	-0.6	€712.02	1.1	9.8%	6.45%
2016	0.1	€716.07	0.5	7.1%	9.26%
2017	0.3			11.6%	6.61%

<sup>(1)</sup> Source – MyHome; CSO; Davy.

<sup>23</sup> Daft.ie

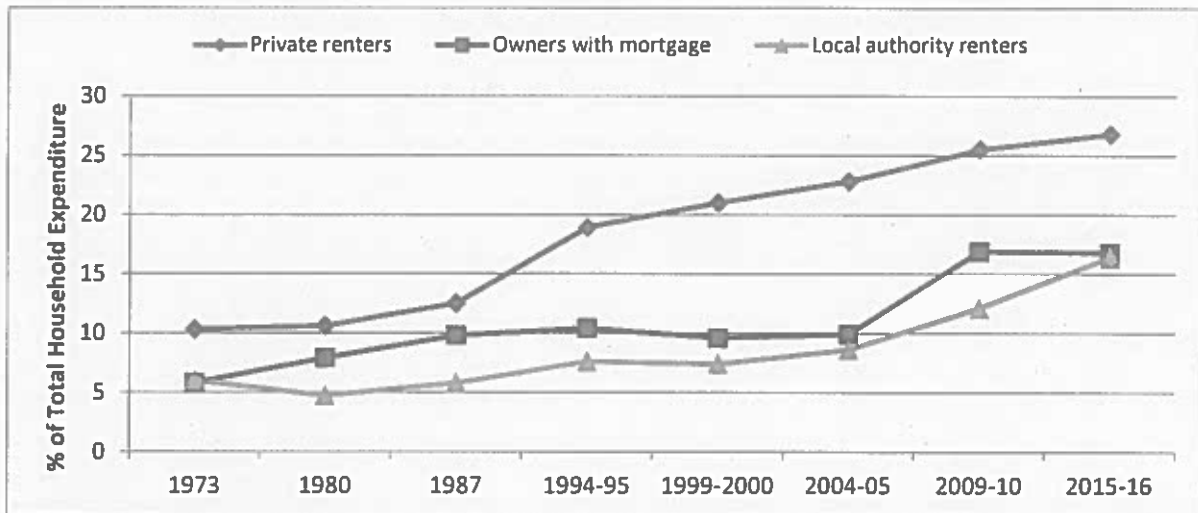
<sup>24</sup> Based on a county analysis and aggregation/average.

<sup>25</sup> Central Statistics Office. 2017. Consumer Price Index Annual % Change. Retrieved from CSO website:

[http://www.cso.ie/multiquicktables/quickTables.aspx?id=cpm01\\_1](http://www.cso.ie/multiquicktables/quickTables.aspx?id=cpm01_1)



### Appendix 5: Rent or Mortgage Payments as a proportion of Household Expenditure



Data Sources: Fahey & Duffy, 2007 'The Housing Boom' in Fahey, T., Russell, H. & Whelan, C. T. (Eds.), Best of Times? The Social Impact of the Celtic Tiger, Dublin: Institute of Public Affairs; CSO, Household Budget Survey: 2007, 2012, 2017, Dublin: Central Statistics Office.

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