

HOUSING SOLUTIONS TO ASSIST IRELAND IN REALISING ITS POTENTIAL

An Irish Housing Research Report

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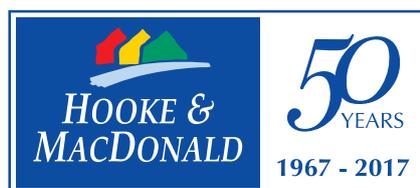
Research Team

Downey Planning is one of the largest independent planning consultancies in Ireland. Downey Planning offers a unique and unparalleled range of services including planning, research and design. The company are responsible for a number of evidence-based research studies for both private clients as well as Government Agencies. Previous research documents include a background paper on Planning Legislation for the Oireachtas Library and Research Service. Senior Staff members have also presented at various planning and housing conferences on issues such as housing supply and the challenges associated with the planning process. John Downey of Downey Planning is also the current Chair of the Royal Town Planning Institute in Ireland and is also the current Irish Representative on the European Council of Town Planners.



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Hooke and MacDonald was founded fifty years ago in 1967 and pioneered the development and sale of new houses and apartments in Ireland. Commencing in the 1970's, the company produced detailed research and reports on the housing and apartment markets. Hooke & MacDonald have successfully assisted in planning and marketing hundreds of developments in Ireland and bring a wealth of expertise and experience to each project. The Hooke & MacDonald Development and Advisory Service for residential and mixed use developments assists clients in assessing the risks and making informed decisions on the various options in relation to the subject properties. A key pillar of this advice is the company's understanding of end-use demand, which is based on decades of experience of the market.



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Executive Summary



Executive Summary

Chapter One: Introduction & Scope of Study

This industry research study is multidisciplinary: Construction, Property, Planning, Finance, and Demographics are intertwined. But many other issues are critical, including taxation policy, the economy and infrastructure. The authors of this Research Study are Hooke and MacDonald, specialists in the new homes and Build to Rent sector, who in the past year were responsible for over 60% of all new apartment sales in Dublin; Downey Planning & Chartered Planning Consultancy, leading specialists in the art of planning and design with a number of significant projects currently underway and a strong pedigree in evidence-based research; and Dr. Brian Hughes, Chartered Planning and Development Surveyor, who consults in demography and urban economics and is on the Central Statistics Office Expert Group on Population, Migration and Labour Force Projections.

Historically a number of strategies have been produced by the Irish Government looking to guide the future demographic and economic development of Ireland. These strategies have consistently ignored the importance of cities in the economic development of a state and in Ireland's case the importance of the Dublin region and ultimately failed, for example the National Spatial Strategy published in 2002. Experience from the property industry shows that development is demand led reflecting where people want to live based on such factors as employment, schools, transport infrastructure and amenities. This report challenges the contents of the Draft National Planning Framework 2040 in its attempt to alter this first principle. This policy will lead to a lack of development in the Greater Dublin Area (Dublin, Meath, Kildare and Wicklow) and Louth, where substantial housing is required, and could lead to more one-off housing and ghost estates being planned and built in locations without end-use demand and viability. This report is an evidence-based study that is based on market realities, challenging a politically based strategy which ignores such fundamental facts that developers will not receive financial backing and develop schemes that are not planned based on demand.

The principal cause of the housing emergency was to the near-cessation in new home construction and the natural development cycle for nearly a decade as a result of Ireland's severe economic crisis, bank collapses, the unavailability of normal credit facilities, the demise of many building firms and the lack of availability of appropriately located serviced land with planning consent to be developed. This has resulted in a relationship change between population growth in Ireland and housing growth. Going back to 1991 our review shows that previous population growth ratios to housing output were of the order of 3 to 2 and moved dramatically to 20 to 1 in 2011-2016. 1991 to date is felt to represent a reasoned, steady-state baseline equilibrium summation for the relationships of population to housing stock; one which should inform future housing output to population growth, once the current housing emergency has been resolved.

Chapter Two: Key Findings

General Findings

Future residential development needs the twin 'engines' of supply of both houses and apartments to be working to the full. The housing crisis cannot be resolved just by building conventional houses and the Government now needs to take the primary initiative to encourage apartment and higher density type development, by addressing a number of issues, including VAT, to waive or substantially reduce it, and provide incentives for development until apartment construction again becomes profitable,



and also to address other obstacles to development.

Resolution of the housing-supply crisis will require a multi-faceted approach involving the range of subject areas highlighted herein. As a result of changes to legislation and building practices the standard of houses and apartments in Ireland are in many cases better than ever seen previously. Yet some commentators are still confusing size of apartments with standards – international evidence shows that smaller unit types of high quality design and finish can go a long way to assisting in meeting housing shortages and providing affordable accommodation for a range of end users, young and old.

Demographic Viewpoint

By 2040 the State population growth could be 1.60 million above its current base, with almost 80% of that growth in the East of the country which by that date could reach 4.25 million. The West of State could reach 2.11 million. This would result in the East's share of the population growing from a current 62.5% to 79.7% with the West's share decreasing from 37.5% to 20.3%. Ireland's falling household size (two-thirds of households comprise 1-2 persons), which is coming into line with the EU average, will create additional demand for smaller units – particularly apartments. Owner-occupation rates will reduce towards the 50% level in line with EU trends.

The population of Dublin increased by nearly one fifth during 2002-2016. Fingal led the way with an increase of 50.7% by 99,607 people, Dublin city increased by 58,773, South Dublin by 39,932 and Dun Laoghaire Rathdown by 26,226. The population of Meath increased by 61,039 to 195,044 in 2002-2016, Kildare by 58,560 to 222,504 and Wicklow by 27,749 to 142,425. The Greater Dublin area increased by 371,886.

The identification of future growth locations follows areas of proven, past demographic expansion. The State increase is 3.7%. This pattern of population distribution is replicated in an all-island context where Maynooth town now marks approximately the geographic centroid for the island of Ireland.

Table 1: 2011-2016 Population Growth "Hot Shots"

Settlement	2011 Population	2016 Population	Actual change	% change
Dublin City and suburbs	1,110,627	1,173,179	62,552	5.6%
Cork City and suburbs	198,582	208,669	10,087	5.1%
Drogheda	38,578	40,956	2,378	6.2%
Laytown-Bettystown-Mornington (LBM)	10,889	11,872	983	9.0%
Swords	36,924	39,248	2,324	6.3%
Balbriggan	19,960	21,722	1,762	8.8%
Maynooth	12,510	14,585	2,075	16.6%

Source: CSO Census 2016

In anticipation of future population growth it should be remembered that in the 2000-2007 period, net in-migration was over 40% above natural growth. Further in-migration will be necessary to provide the employment source for additional housing output and other sectors. The continuing expansion of construction employment rate of 'take up' is at 1,000 persons per month, with the Construction Industry Federation pointing to 10-12 year labour-supply need, assuming the now nearly four years of employment recovery continues. Unemployment is already at a nine-year low, since mid-2008. This mirrors both the housing supply crisis and the shortage of commercial accommodation and the significant infrastructure deficit across the State.

Planning

Experience shows that development must be plan-led, informed by demographic demand and economic factors, reflecting where people want to live based on such factors as employment, schools, transport infrastructure and amenities.

There is a lack of accountability in planning authorities for delays and certain decisions being made. It is not in the interest of stakeholders seeking planning to draw attention to issues encountered as they have to ensure they maintain a working relationship with the planning authority into the future. The uncertainty regarding the timing and probability of securing favourable planning permissions has been flagged by some parties looking at investing into Ireland as a significant risk factor.

The Draft National Planning Framework 2040

Experience from the property industry shows that development is demand led reflecting where people want to live based on such factors as employment, schools, transport infrastructure and amenities. This report challenges the contents of the Draft National Planning Framework 2040 (NPF) in its attempt to alter this first principle. The Draft NPF does not appear to be driven by evidence of demographic trends and established fundamentals of the economy and the marketplace. These fundamentals are not specific to Ireland but are established international trends towards urbanisation and the prosperity of a country and levels of income of the population being linked to urban areas and their development.

The Draft NPF seeks to moderate the growth of Dublin to just 25% of future population growth. This in effect is an artificial interference in the natural development of the Nation's capital and main economic driver, which flies in the face of demographic and commercial realities and will be damaging not only to the future economic progress of Dublin but also to the national economy. The population-growth figures of the Draft NPF are too conservative having regard to potential world-wide net in-migration. Future demand and different population scenarios should not be ignored. Dublin is in direct competition with similar cities in Europe and around the world. The proposed 25% limitation will greatly impede its competitiveness and Ireland's future potential.

Table 2: Growth Forecast Comparison

Growth Area 2017-2040	NPF Forecast	Report Forecast
Dublin	25%	40%
Four other cities	25%	20%
Rest of State	50%	40%
Total	100%	100%



Unless there is a change in the Draft National Planning Framework 2040 from being supply-led to plan-led it will fail the test of having market-led strategic credibility, as the current draft of the National Planning Framework document indicates is now potentially likely to happen. The current draft of the National Planning Framework is doomed to failure on its present course, just as the National Spatial Strategy failed, if it persists seeking to abolish the natural ‘business as usual recovery’ i.e. where employment is most likely to occur.

Current market constraints are causing an increase in urban sprawl and lengthier commuter travel to distant locations which are lacking the required infrastructure and employment opportunities. Another challenge of the current approach of the Draft NPF 2040 is that the 10 year national infrastructural plan is due to be linked to it; therefore if the first plan is inappropriate there is the potential for infrastructural spending to be misguided, not being deployed in the areas of real growth. The creation of a new Infrastructure Body is welcomed to prioritise and evaluate such decision-making. Capital prioritisation will identify priority projects.

Demographics and Housing Demand

Based on ‘demand side’ criteria, the State should be providing for or facilitating the provision of 45,000-50,000 housing units per annum for the next five years, in anticipation of a population growth of 1.25% per annum (compound) in order to bring supply into line with demand. The composition of the required housing includes public sector housing, social and affordable, as well as private housing, student accommodation and housing for older persons.

The State’s housing completions for 2018 based on electricity connections will comprise about 18,000 units, most of which will take the form of conventional houses. It is recognised that it will take at least 5-10 years before completions will reach the long term estimated demand level of 49,000 units. Furthermore, as long as apartment developments remain unviable for all but a few select locations, specialist incentives and taxation measures will be needed to incentivise the development equation. Thus the time factor for achieving this ‘completion’ target will continue to be elongated well into the 2020s. Likewise, the housing crisis will deteriorate further until completions are greatly increased. Accordingly, it is necessary to distinguish between short and long-term housing output objectives. The similarity in this Report’s forecast for annual housing requirements with that of Davy, Dr. Ronan Lyons, and others, calls into question the implicit projections and direction of the ESRI input and to the NPF spatial strategy objectives.

Table 3: Housing Unit Forecast

New Housing	Report Forecast	Davy Forecast	Dr. Ronan Lyons Forecast	Rebuilding Ireland
Ireland Annual Requirement	45,000-50,000	53,000	45,000	25,000

The specific Dublin housing crisis will mean that the draft NPF’s objective to achieve a proportionate, balanced long-term growth throughout the State to 2040 is an unrealistic goal. Furthermore, it’s suggested respective allocations of 25%/25%/50% for Dublin, the other cities and the rest of State are quite unrealistic and are contradicted by the evidence base of the 2011-2016 State population growth distribution, where Dublin achieved 42.79%. The need to alleviate the short-term crisis indicates



that upward of 60% of State housing output should be concentrated in the Greater Dublin Area + Louth, which accounted for 62.88% or 109,163 of the State population growth (2011-2016). For Dublin itself, perhaps 65% of all new-builds need to comprise apartments or other high density developments reflecting the nature of demand. Account needs to be taken not just of population size and growth, but also of its cohort composition. In this, the sharp contrast between the population structure of Fingal and Connacht-Ulster (excluding Galway City) needs to be recognised.

Beyond the short-term, to December 2022 horizon, the 49,000 targeted-output to meet demand should be divided as to 20,000 units for the Greater Dublin Area + Louth, 10,000 units for the four provincial cities and 19,000 units for the remaining areas of the State with a balance of respective housing types to match market demand. Likewise, the evidence of significant population growth differences between the east and west regions of the State must be factored into the composition of housing outputs. For the Capital itself, we recommend that upwards of 60% of total annual output should comprise apartments and other high-density units, especially having regard to worker-requirements matching FDI and other employment as a key requirement for both Dublin and Ireland's competitiveness.

Requirement for Focus on Higher Density Development

There is an imbalance between the type of housing required to meet demographics needs and the type being produced and facilitated by current Government and planning policies. The shortage of higher density and apartment type development is having a direct negative impact on the sale and rental markets. In many Western European countries, apartments comprise up to half of all residential stock whereas in Ireland they comprise just 12% of its housing stock. There is currently a shortfall of 150,000 apartments in Dublin based on the current population and housing count.

Apartments are the preferred choice of accommodation by over 90% of renters. There is presently demand from tenants for 12,000 new apartments per annum to be delivered into the Dublin market. Apartments are required for the sale and rental markets from a wide cross-section of occupiers including single people and couples, families, downsizers, retirees, incoming workers, students and those relying on the State for accommodation. Many returning emigrants have grown accustomed to apartment living.

An emergency programme of apartment construction is needed to be commenced immediately to correct the imbalance in the market. There is a requirement to densify and more intensely utilise sites in urban and suburban areas. The greatest requirements for apartment construction are in Dublin city and suburbs, and not confined to areas within the Canals.

Market Findings

The matching of future demand with residential supply will require mixed-type developments. Houses will be required in many locations; apartments will also need to be built alongside houses in many locations, increasing densities; and as Ireland's cities and large towns continue to grow apartments will need to be built along transport networks and on re-cycled brownfield sites.

Apartment development is not financially viable except on sites which have been purchased at historically low prices or in a small number of prime and high-value locations. There is complete lack



of understanding and recognition at local and national Government levels that apartment development is not viable in most locations, developers are not building, and this is exacerbating the housing crisis for the population. Radical measures, including supply side incentives, are needed urgently if the crisis in the sale and rental markets, and indeed homelessness, are to be arrested. To date only a fraction of the obstacles to viability of apartment construction have been addressed and even then it is at a very slow pace.

Some of the recent predictions for double digit residential price rises may prove to be overstated, certainly so in the new homes market, due mainly to affordability constraints and the willingness of developers to go for volume rather than price escalation. Offices and student accommodation dominates Dublin City Centre development activity, rather than apartments due to their continuing non-viability and the lack of adequate fiscal measures to assist in addressing the issues.

The shortage and cost of residential accommodation, including new rental stock, apart from the social consequences, is having a direct negative effect on the Irish economy and the quality of life of the population. This has already discouraged many professionals and skilled workers from returning or moving to Ireland, future economic development and inward investment will be jeopardized further if appropriate remedial measures are not put in place immediately by Government. Uncertainty created by ongoing changes by the Government with regards the treatment of investors and residential investments is impacting on the supply of rental accommodation. Investors are leaving the market and uncertainty is impacting investment decisions for new investors.

The location of the State's towns and their proximity to each other is an important factor in forecasting 'hot' growth spots for housing requirements. In many cases Government policy is not recognising the significance of these areas. In 2018 some of the main areas of activity in the new homes sector will be in North, South and West Dublin as well as Meath, Kildare, Wicklow and Louth. Hot spots will include Lucan, Santry, Swords, Malahide, the coastline from Donabate to Drogheda, Maynooth, Kilcock, Naas, Cherrywood and Greystones. Many policy makers are convinced current strategies being implemented are having the desired effect in adequately boosting supply, while those closest to construction activity know this is not the case and unless drastic measures are taken there will only be limited increases over the coming years and the situation will worsen. Policy makers consistently point to not wanting to repeat the mistakes of the past with regards to housing policy. Two of the main mistakes of the past were over-lending into the property sector and building too much of the wrong accommodation in areas with little or no end use demand. Neither of these factors are currently present in the Irish market, or likely to be in the near future for a long number of reasons.

Improving Supply

Affordability of housing is dependent on increased supply, with the solution to rising prices being the provision of adequate new housing to meet demand. Continuously focusing on measures that will only produce marginal increases (e.g. vacant houses) will not address the shortages. While best use should be made of existing vacant stock, as proposed by a number of agencies, the volume of such stock is open to some scrutiny and much of it is wrongly located in areas which are not in demand. In many cases there are valid reasons for vacancy including the Probate process, poor physical condition, cost of refurbishment, being tied up in arrears disputes, on the market for sale and the diseconomies of the one-off nature.



Site costs are becoming excessive and need to be moderated by the release of more land onto the market. Excessive land cost has to be recognised as one of the most harmful obstructions to the flow of new development and to the release of sites that foster good planning practice.

There remains the question of sustaining this economic recovery so as to allow the budgetary current-spend to balance the books whilst also being able to recommence the task of providing needed capital investment. Such judgement has to be made against the background of favourably-low interest rates but mindful of the legacy of high National Debt and the reality of higher rates into the future. Institutional funding and investment, including REIT's, for major residential development schemes can assist in the delivery of new apartments. This could assist in de-risking large sites that have a mixture of Build to Sell and Build to Rent development.

The location of the State's towns and their proximity to each other is an important factor in forecasting 'hot' growth spots for housing requirements. In many cases Government policy is not recognising the significance of these areas. For example, the Laytown / Bettystown / Mornington area, south of Drogheda, shares the same, new waste-water treatment plant and Southgate Shopping Centre with Drogheda and their agglomeration is creating Ireland's next city, now larger than Waterford. Hundreds of houses have been completed and occupied since to 2016 census and hundreds more are required and under construction, with a number of new sites being opened up in such locations.

Chapter Three: Obstacles to a Healthy Housing Market

Lack of Available Development Land

The report has found that there is a significant lack of appropriately serviced land that is zoned and available for residential development. The quantum of Local Authority Development Plan zoned land does not correlate with serviced land that is available for development. Also, in many cases where land is serviced suitable planning permissions are not in place. The lack of availability of sites for house and apartment developments at commercially viable prices limits the scope for supplying this sector in sufficient scale.

While Government and Local Authorities can point to the amount of zoned land and the number of units than have planning permissions for housing in place, it is evident from our review that the amount of development activity, especially for higher density development, is still minimal in comparison to that required in order to have a properly functioning market. It seems it will only be as the crisis worsens that the extent of the shortage of appropriate development becomes apparent. Much of these limitations are as a result of lack of viability.

Viability and Funding

Apartments cost 40% more to build than a conventional semi-detached house and the real costs of new apartment delivery is burdened by excessive expenditure with such items as North-South-facing design obligations, expensive basement car parking, excessive lift-core provisions, more and bigger balconies.

Development funding is only available if projects can pass viability tests and have planning consent. Financing costs rise once planning and development delays occur, which has the potential to wipe out any profits. As a result, the economic model does not necessarily match planning requirements and



builders are finding it difficult to access finance at reasonable rates, which is stifling activity.

Planning & Statutory Processes

The level of uncertainty and delays in the planning process are major issues for developers, funders and investors. Planning regulations, delays, refusals and appeals are all adding to delivery time and costs of apartment and housing schemes and development uncertainty.

Delays in post-planning and pre-development stages, i.e. the disposal of planning compliances and connection to services, taking in charge of schemes, are often preventing the commencement of development and are also a factor in difficulties in obtaining development finance.

Government policy and the planning regulations fail to meet the requirements of the smaller 1 and 2 person households that are now prevalent in Irish society and across Europe. These regulations force developers to only be able to build very large apartments in urban areas, which increases the development costs, is an inefficient use of land and increases the end unit prices because of the large size and resulting costs of development.

Value Added Tax on New Homes

The Government VAT take of €35,000 – €60,000 on two-bedroom apartments is excessive and is an impediment to development, impacting viability, adding a cost which is a cost payable by purchasers, being part of the purchase price.

Where the margins for making a return on development are nil or very low, the imposition of VAT on the end sale price means that the Government effectively impedes the opportunity for the builder to deliver housing.

Lack of Incentives for Development

In order to promote development of much needed housing, in many cities local and national governments provide incentives to developers to stimulate supply, knowing that in doing so there are wider economic and societal benefits. Incentives can take many forms and they have been very effective in the past at increasing supply, including the regeneration of much of Dublin City Centre and the provision of large amounts of the current rental stock. In the current environment office, hotel and student accommodation are being favoured in city centre sites at the expense of residential developments.

Uncertain Environment for Residential Investment

Uncertainty created by multiple changes in the Government policy and legislation over a long number of years regarding the treatment of investors and residential investments is impacting on the supply of rental accommodation. A large cohort of individual investors are leaving the market and selling their investments. The uncertainty also impacts investment decisions for potential new investors in residential accommodation.



Chapter Four: Recommendations & Solutions

Planning Initiatives

1. A comprehensive re-draft of the National Planning Framework **lifting the 25% ceiling** (of total State population growth) as proposed for Dublin – commensurate with its 2011-2016 contribution of 42.62% of this growth.
2. Present planning regulations for residential development in Dublin are not fit for purpose and there is a need for a more pro-development, **flexible mindset and an appreciation of commercial reality**.
3. Permit **higher density development** with provision for much taller buildings in suitable urban locations in order to achieve better scale economies and to maximise one of our scarcest resources, which is land.
4. Local Authority **Development Contributions** should be reduced in line with the ratio of the footage of one residential space-unit to one office/factory space: in practice the charge should be one-third or a quarter of the commercial rate.
5. Review of the **Sustainable Urban Housing Design Standards for New Apartments**, Guidelines for Planning Authorities (under Section 28 of the Planning and Development Act, 2000 as amended).
6. A **consolidated professional approach** to planning, which is multidisciplinary across all of the necessary skills and disciplines within the planning and development industry that will facilitate higher quality developments and consistent approaches to planning.
7. Need for a single **Metropolitan Planning Authority** for the four Dublin Local Authorities that will be able to provide a coordinated and consistent approach to both forward planning and also development management within the Dublin area.
8. Extend the **Strategic Housing Development (SHD)** fast track planning system beyond December 2021 (assuming it will be extended from 2019-2021). This will add to certainty over timelines for planning applications and potentially a more consistent approach with planning decisions as the same people (i.e. a dedicated SHD team within An Bord Pleanála) will be making the decisions.
9. Planning policy should be geared towards **densification of the suburbs** around Dublin and other urban areas. High density development cannot be restricted to Dublin City Centre.
10. Adjust existing **planning regulations** to assist viability and provision of medium and high-density apartment construction including a reduction in requirements for carparking, lift cores, north-south orientations and also a reduction in Local Authority charges and levies.
11. There is a need to amend the Planning and Development Act to provide a statutory process and timeline for Planning Authorities to process and dispose of **planning compliances** in order to speed up the post-planning and pre-development stage.
12. Increase the **Local Infrastructure Activation Fund (LIHAF)** to kick-start more development sites within the Dublin area. The present fund of €226 million for strategic infrastructure is set across 24 projects in 15 Local Authority areas and further infrastructural investment is required on other sites in Dublin and surrounding area that currently can't be developed due to significant infrastructural constraints such as roads and water/waste water supply.
13. Industrial lands that are on transport infrastructure to be repurposed for **higher density** residential development.
14. To provide for a **Planning Regulator** with the appropriate powers as originally envisaged by the Final Report of the Mahon Tribunal as opposed to the more advisory role that is currently being enacted. This will provide for improved oversight of the planning process.



15. Permit a **further Extension of Duration of permissions** for development schemes that have already commenced development in order to prevent undue delays caused by developers having to apply again for planning permission to complete a development.
16. Support housing development on **agricultural lands along public transport corridors** in Dublin (e.g. lands adjacent to transport nodes) as critical mass of people will support improved public transport services.
17. Urgent need to provide the necessary **resources**, especially qualified and skilled staff in the planning process.
18. Modernise the planning system via **improved IT facilities** that would facilitate increased use of online planning applications (it is noted that this is a key priority of the Department of Housing, Planning, Community and Local Government).

Market Initiatives

1. Future sustainable residential development needs the **twin 'engines' of supply** of both houses and apartments to be working to the full.
2. Demand pressures on the **affordability of housing** are dependent on increased supply, with the solution to rising prices being the provision of adequate new housing across all sectors to meet demand not just focusing on one housing type (e.g. student accommodation).
3. Initiate an **emergency three year plan** to facilitate the construction of up to 45,000-50,000 new homes per annum, thereafter predominantly being apartments/high density housing, to help address the current imbalance between houses and apartments in the sale and rental markets.
4. Radical **fiscal measures** are needed including the suspension of VAT on apartment construction (or reduction to 5%) and other targeted incentives for a 3-5 year period in city and suburban locations which are close to transport networks and employment centres. The Government may have to apply to the European Commission to allow for reduced VAT for emergency reasons, illustrating that it is benefiting the final consumer and that it is being done on a temporary basis for social reasons. The wider societal benefits and construction industry activity will far outweigh the immediate perceived loss to the Exchequer by removing VAT. The alternative is very limited supply, as is currently the case, and very limited tax take.
5. Site costs could be moderated by the **release of large tracts of land** which are presently under the control of the Government, government agencies and Local Authorities in order to facilitate mixed tenure and unit type residential developments on a large scale.
6. State controlled lands to be brought to the market through relatively straight-forward mechanisms to allow for timely delivery of housing.
7. The **Build to Rent model** should be strengthened by the introduction of significant fiscal and planning measures to stimulate development of Built to Rent schemes in locations where development viability is an issue. This can include various initiatives such as co-living and shared amenities.
8. To assist in boosting supply, encourage large scale investment in residential property by maintaining certainty with regard to treatment of investors – **taxation and tenancy** legislation.
9. Exempt rental income from income tax for a number of years to incentivise investment / supply.
10. Reduce the cost of funding for builders/developers by allowing a **double tax credit** for interest payments.



Methodology for Population Growth & Housing Demand

- Demand Side - Appropriate Residential Occupancy rates: The 2016 census confirms that the State's Residential Occupancy rates have increased from 2.73 people per housing unit to 2.75. This reflects the near-absence of new housing construction in 2011-2016 but mitigated by a reduction in vacancy. In contrast, the EU current average 'headship rate' is about 2.25 people per housing unit.
- The EU long-term observation confirms that occupancy rates should be expected to decline at the rate of about 0.115 every five years. Inter alia, in reflecting societal changes such as increases in lone-parent families, the numbers of people living alone and incidents of divorce/ separation.
- For Ireland, in a population growth scenario of just under 1.25% per annum compound for the State, and given a 2.20 headship, this would result in a 2040 State population total of 6,400,000, a growth of 1,638,135 or 68,250 per annum, average. At this projected 2.20 headship rate, an occupied housing stock of 2,909,100 would be required, i.e. an increase of 1,177,513 units at an annual average of 49,063, as illustrated below.

Population Growth to 2040 and Housing Demand Forecasts:

	2016 Census	NPF 2040 (P. 35)	Our Prediction
State Population	4,761,865	5,761,865	6,400,000
Divided by Headship	2.750	2.20	2.20
Occupied Units	1,731,587	2,619,000	2,909,100
Unit increase	n/a	887,413	1,177,513
Annual average build		36,976	49,063

Source: National Planning Framework, Ireland 2040

Assumptions:	1.The NPF growth projection is for +25% by 2040
	2. Our projection is for 1.25% p.a. (compound)
	3. Projected Headship by 2040 is 2.2 people per housing unit (i.e. by c. 0.115 every five years in Ireland).
	<i>Analysis: Brian Hughes</i>

- It is recognised that it may be towards the end of the life of the NPF (2040) before Ireland is finally able to catch up with the EU current Headship Rate of 2.25 persons per household. Furthermore, having regard to Ireland's slow recovery in house building output, the 2.75 persons per housing unit statistic of the 2016 census may even be expected to further increase by the 2021 census.
- For this scenario, it is instructive to note the 21st Century growth precedence where during 2001-2008 inclusive, Ireland's population growth averaged almost 70,000 per annum for those eight years. Then, the net in-migration was some 42% higher than the State's natural growth, vide Appendix 6, CSO's 2017 Population and Migration Estimates.
- Accordingly, the NPF's projection of a 975,000 to one million State population increase in the 24 years to 2040 appears to be very conservative, at just 0.8% p.a. compound. It is noted that the average annual housing demand difference based on the NPF population growth prediction is just over 12,000 units (i.e.49,000 versus the 37,000, implicit for the NPF).







01

Introduction & Scope of Study



01 Introduction & Scope of Study

This industry research study is multidisciplinary: Construction, Property, Planning, Finance, and Demographics are intertwined. But many other issues are critical, including taxation policy, the economy and infrastructure.

The Authors of this Research Study are Hooke and MacDonald, specialists in the new homes sector, who in the past year were responsible for over 60% of all new apartment sales in Dublin and Downey Planning & Chartered Planning Consultancy, leading specialists in the Art of Planning and Design of major projects now underway and Dr Brian Hughes, Chartered Planning and Development Surveyor, who consults in Demography and Urban Economics.

The research undertook a detailed analysis of the recent results from the 2016 census of population, current research reports by industry experts, review of the recently published County Development Plan's in the Dublin area, the updated results of the Housing Supply Coordination Task Force as well as other relevant sources. The in-depth professional knowledge acquired by the researchers and information obtained from industry has also helped to inform this report.

Experience from the property industry shows that development is demand led reflecting where people want to live based on such factors as employment, schools, transport infrastructure and amenities. This report challenges the contents of the Draft National Planning Framework 2040 in its attempt to alter this first principle which could lead to more ghost estates being built in locations that are not viable. This report is an evidence-based study that is market led, challenging a politically based strategy which ignores such fundamental facts that developers will not receive financial backing for schemes that are not planned based on demand.

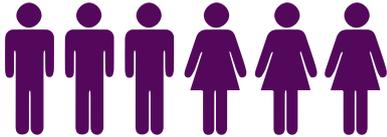
An underlying strategic difficulty in addressing the current housing emergency and for public services provision in general, arises from the issue of annual population under-estimation. The CSO's inter-censal Population and Migration Estimates (PME) have consistently under-reported Ireland's population growth. This has resulted in the retroactive need to revise upwards such estimates after each census, arising mainly from the sheer volume of two-way international migration flows of nearly 720,000 in 2011-2016.

Following publication of the 2016 Census data, it was necessary to make a 66,600 upward adjustment, as revised in the PME release of September 2017. This was done so as to reflect the double effect of under-estimating in-migration by 26,900 and over-estimating out-migration by 39,700.

We would like to acknowledge the data sources referenced, particularly those of the Central Statistics Office, the Department of Housing, Planning and Local Government and the official sources noted in the report. We would also like to acknowledge the Urban Land Institute, Society of Chartered Surveyors Ireland, Padraic Whelan, Deloitte, David Duffy, Property industry Ireland, Dr. Ronan Lyons, Enda Faughnan, PWC, Paul Mitchell, Mitchell McDermott, Felix O'Regan, Banking & Payments Federation Ireland, Construction Industry Federation, AIB, Bank of Ireland, Activate Capital, Ulster Bank, Davy, Economic and Social Research Institute, Cathal Maxwell, C. Maxwell & Associates, Dermot O'Leary & Colm Lauder, Goodbody.



**BASELINE
INFORMATION
POPULATION
TRENDS
2002-2016**



**RESEARCH
ON CURRENT
HOUSING
TRENDS AND THE
FUTURE OF THE
IRISH HOUSING
MARKET**

**MARKET ANALYSIS
&
INFRASTRUCTURAL
CONSTRAINTS**

**PLANNING
CONTEXT**



**DISCUSSION
&
KEY FINDINGS**





02

Key Findings



02 Key Findings

2.1 Demographic Analysis

2.1.1 Baseline Information

The following demographic background sets the scene for an assessment of where Ireland now is and where it might go, into the future. As an offshore island, as the Economic and Social Research Institute's October 2017 Healthcare 2015-2030, Chapter 5 confirms: that any prediction of population growth from 4.715 million for the base year of 2015, must allow for the migration element of such growth to be aligned with their wide-ranging scenarios.

These ESRI's projections show that by 2030, the State's population total could range from a low of 5.180 million to a high of 5.790 million, with a central forecast of 5.35 million, i.e. growing by 0.635 million in that central forecast figure. Interestingly, whereas the low projection is just 3.18% below the central forecast, their high projection is 8.22% above. In other words, the high one is nearly 2.6 times that of the low one. And here's the major 'unknown': what effect will future world population growth have on both European and Ireland's in-migration patterns?

Accordingly, the State's housing requirement to 2030, could be for 425,000 units or 28,333 units at 1.5 persons per new unit, and with at a low range variance of 27,500 per annum and a high range variance of 30,700 per annum, and that's just the population growth element. Furthermore, obsolescence at 0.5% per annum on the existing stock requires a further 10,000 units per annum. Headship rates, which for Ireland in 2016 are at 2.75 people per unit, are unusually high by European standards and are expected to reduce over time but at what rate?

Depending on the rate of reduction in this ratio, a further 15,000 units per annum might be required. Ireland's natural growth rate has varied in recent years. With the expectation of people living longer and the total fertility holding at 1.94 per birth mother, the natural growth of about 35,000 per annum would put further pressure on the headship rate. Finally, migration creates the greatest uncertainty in terms of future housing demand. The overall judgement informing 'the challenge' for the State is that 45,000 to 50,000 units per annum may be required out to 2030, especially if the severe shortage of accommodation is to be eliminated.

The Housing Agency places emphasis on the need to best use the existing housing stock and no doubt, by achieving more efficient use of the stock, vacancy rates will be further reduced. They also acknowledge that some of the more recently-built stock was wrongly located and implies very long commuting distances for its occupation. Taking account of all these imponderables, the demographic 'challenge' is viewed as follows:

2.1.2 Grounding 2002-2016 Data

April 2002, the first census of this century is used to form the baseline date for this Study's population growth assessment. The Central Statistics Office's publication of their 2016 census results is divided into seventeen Reports issued from April-December 2017. For the previous 2011 census, the



Preliminary figure for Total State Population was 0.15% below (6,983) that confirmed census total of 4,588,252. The 2016 Preliminary figure provides an even more accurate one at 99.92%, where the difference in 2016 is just 3,889 light of the State’s definitive population of 4,761,865, replacing the earlier Preliminary figure.

In a world-wide sense, division of labour and its location preference means that geography increasingly matters, vide Massey, Dainsford, et al., (2017), *Spatial divisions of labour: Social structures and the geography of production*, Regional Studies Association, London.

Thus, international decisions and FDI policy-making are playing a major role in directing where today’s work is carried out in the employment process. Critically, this is influencing where corresponding labour forces will live. Metropolitan City Regions are increasingly important and as Ireland’s only such region, this explains why the IDA is finding that more FDI activity wish to be located in the capital region and to a lesser but significant extent, in its satellite towns and in Ireland’s other cities. Locations for both existing and new residential locations are determined by the need to densify and to reduce the home-to-work commute – likewise they are the preference for Central Places, for colleges, schools, hospitals, ports, airports, central business districts and the locations of ‘edge cities’ – this list is an extensive one.

Despite the depth of Ireland’s financial and economic collapse 2007-2012, its population trend is one of the fastest-growing countries in Europe. Unlike 1986-1991 when its population last declined by 14,925, since 2002 it continues to grow at an annual average of more than 50,000. In the most recent inter-censal period 2011-2016, the State’s population grew by a net 173,613 despite losing 22,387 through net outward migration. The following analysis of Ireland’s population growth in the current century, the highest in Europe, is instructive.

2.1.3 State Population Performance in the 21st Century

In the first seventeen years of this century Ireland’s population has grown by nearly one million and in a standardised template the following table 4 records its population growth (2002-2016); thus:

Table 4: 2002-2016 State Population - Growth, Share, Areas and Density

2002-2016 State Population - Growth, Share, Areas and Density:								
	2002 Population	2016 Population	Growth	% Growth	% pa. Growth	2016 Population Share	Sq. km surface area	Population Density/ sq.km.
State	3,917,203	4,761,865	844,662	21.56%	1.41%	100.00%	68,466.06	69.55

Source: CSO, Area Vol. 1, 2002 census and 2016 census

This 14-year inter-censal growth of 844,662 to April 2016 comprises a Natural Growth (births less deaths) of 554,844 (65.69%) and net in-migration of 289,818 (34.31%), subject to final confirmation of these particular components of Ireland’s demographic movements later in 2017. In the eighteen months since the last census, the CSO confirms that Ireland’s population growth has accelerated to over 1,000 per week.



Meanwhile, the forthcoming National Planning Framework (NPF) will apportion the State into its three (NUTS 2) Regional Authorities, the most populous of which is the East and Midlands area. This comprises the Greater Dublin Area (GDA) of Dublin, Kildare, Meath and Wicklow), together with County Louth and the Midland Planning Region of Laois, Offaly, Westmeath and Longford.

2.1.4 Ireland's Regional Population Growth

Using the same template format, table 5 sets out the contrasting population, growth, area and density data for these three Regional Authority areas, thus:

Table 5: 2002-2016 State Population - Growth, Share, Areas and Density

2002-2016 Regional Authority Population - Growth, Share, Areas and Density								
Regional Authority	2002 Population	2016 Population	Growth	% growth	% pa. growth	2016 Population Share	Sq. km Surface area	Population Density per sq. km
East and Midlands	1,862,630	2,328,517	465,887	25.01%	1.61%	48.90%	14,281.77	163.04
Southern Regional Authority	1,343,563	1,585,906	242,343	18.04%	1.19%	33.30%	29,355.09	54.02
Northern and Western	711,010	847,442	136,432	19.19%	1.26%	17.80%	24,829.20	34.13
Total State Population	3,917,203	4,761,865	844,662	21.56%	1.41%	100.00%	68,466.06	69.55

Source: CSO, Area Vol. 1, 2002 census and 2016 census

It is noted that in the 10 years to April 2009, the State's population grew by over three-quarters of a million people, i.e. by more than 75,000 per annum. Although this forms an important precedent for the State's past population growth, the ESRI notes that it was heavily influenced by the Accession State's membership of the EU and may therefore reference a circumstance that is unlikely to be repeated. Nevertheless, the State's recent population growth, identified by the CSO, reflects what has occurred since late 2014 with the return of net-in migration and with population growth of at least 53,000 per annum in the years to April 2017.

Although Ireland is situated in its Temperate climate location it possesses a Tundra density of population, except for the eastern portion of the East and Midlands Regional Authority area, as confirmed in the right-hand column for population density. Furthermore, its second-tier cities are much smaller in comparison with Dublin, its only metropolitan city. In 2016, the capital is nearly eleven times the average population size of the other four cities. Excluding its surrounding towns and rural areas, built-up Dublin is 1,173,179 in population.

Surprisingly so and despite its size, between 2002-2011 Dublin's population growth rate had lagged that of the rest of the country. However, during 2011-2016 and together with Cork City, they became the only significant areas to experience net inward migration. Increasingly, the locations of advanced economic activity and of their related labour forces, influences the growth of city populations. In a similar layout, the following Table shows the four Administrative Counties comprising the original Dublin city and county areas.



2.1.5 Dublin Regional Population Growth

This table 6 confirms that all of Dublin increased its population by nearly one-fifth during 2002-2016. However, that growth was unevenly distributed.

Table 6: 2002-2016 Dublin Region Population - Growth, Share, Areas and Density

2002-2016 Dublin Region Population - Growth, Share, Areas and Density:								
Dublin Regional Authority	2002 Population	2016 Population	Growth	% Growth	% pa. Growth	2016 Population share	Sq. km surface area	Population Density per sq. km
Dublin City	495,781	554,554	58,773	11.85%	0.80%	41.16%	117.61	4,715.19
Dun Laoghaire Rathdown	191,792	218,018	26,226	13.67%	0.92%	16.18%	126.95	1,717.35
Fingal	196,413	296,020	99,607	50.71%	2.97%	21.97%	453.09	653.34
South Dublin	238,835	278,767	39,932	16.72%	1.11%	20.69%	223.01	1,250.02
Total Dublin R. Authority	1,122,821	1,347,359	224,538	20.00%	1.31%	100.00%	920.66	1,463.47

Source: CSO, Area Vol. 1, 2002 census and 2016 census

Fingal's population grew by more than 50% over this fourteen-year period when it experienced over three times the growth level of the other areas of Dublin, where its expansive surface area comprises nearly half of the entire Region. Increasingly, Fingal exhibits a unique demographic picture. Its population age profile, female and youth content, family formation, with fewer older people, result in it having the most dynamic natural growth rate, of births less deaths of any county in Ireland.

In Q1 of 2016, Fingal's natural growth was greater than the entire of Connacht (omitting Galway City) plus Ulster's three counties, despite the fact that its population was just 38.60% of the Northern and Western Administrative Region, excluding Galway City.

2.1.6 The Mid-East Region

The dynamism of Dublin's economy is largely responsible for the rate of growth of its surrounding counties of Kildare, Meath and Wicklow, shown in similarly-presented data, displayed in table 7.

Table 7: 2002-2016 Mid East Population - Growth, Share, Areas and Density

2002-2016 Mid East Population Growth, Share, Areas and Density:								
	2002 Population	2016 Population	Growth	% Growth	% pa. Growth	Population share	Sq. km surface area	Population Density/ sq. km
Kildare	163,944	222,504	58,560	35.72%	2.21%	39.74%	1,694.20	131.33
Meath	134,005	195,044	61,039	45.55%	2.72%	34.83%	2,334.54	83.55
Wicklow	114,676	142,425	27,749	24.20%	1.56%	25.43%	2,032.60	70.07
Total Mid East Region	412,625	559,973	147,348	35.71%	2.21%	100.00%	6,061.34	92.38

Source: CSO, Area Vol. 1, 2002 census and 2016 census

Because of house-price differential or choice of location, many purchasers 'trade off' distance for value, albeit with the consequences of having longer commutes, to work, college or school. Meath has experienced particularly strong growth where the fastest population growth is occurring along the Dublin-Belfast Corridor and this has influenced the decision to include County Louth into the East and Midlands Regional Assembly Area.

Straddling the Louth-Meath county boundary at the mouth of the River Boyne is Ireland's emerging sixth city where Ireland's largest town, Drogheda, is physically agglomerating with Laytown-Bettystown-Mornington. The next Table combines Dublin with the Mid East Region to comprise the Greater Dublin Area (GDA).

The following table 8 confirms that for the first time, the GDA now has more than 40% of Ireland's population. Likewise, it is some fifty thousand greater than that of Northern Ireland.

Table 8: 2002-2016 GDA Population - Growth, Share, Areas and Density

2002-2016 GDA Population - Growth, Share, Areas and Density:								
	2002 Population	2016 (p) Population	Growth	% Growth	% pa. Growth	2016 Population Share	Sq. km surface area	Population Density/ sq. km
Dublin Regional Authority	1,122,821	1,347,359	224,538	20.00%	1.31%	70.64%	920.66	1,463.47
Mid-East Region	412,625	559,973	147,348	35.71%	2.21%	29.36%	6,061.34	92.38
Total Greater Dublin Area:	1,535,446	1,907,332	371,886	24.22%	1.56%	100.00%	6,982.00	273.18

Source: CSO, Area Vol. 1, 2002 census and 2016 census

The re-organisation of the State's Regional Authority areas now places County Louth and the Midlands counties within the NUTS2 Eastern Regional Authority area. This recognises both County Louth's level of urbanisation and its pivotal position within the Dublin-Belfast Corridor. Drogheda and Dundalk are amongst two of the State's largest towns and furthermore, Drogheda urban agglomeration with nearby Laytown-Bettystown-Mornington, is emerging as Ireland's next city.

Table 9: 2002-2016 GDA plus Louth Population - Growth, Share, Areas and Density

2002-2016 GDA plus Louth County Population - Growth, Share, Areas and Density:								
	2002 Population	2016 Population	Population Growth	% Growth	% p.a. Growth	2016 Population share	Sq. km surface area	Population density per Sq. km
Dublin Regional Auth.	1,122,821	1,347,359	224,538	20.00%	1.31%	66.17%	920.66	1,463.47
Mid-East Region	412,625	559,973	147,348	35.71%	2.21%	27.50%	6,061.34	92.38
County Louth	101,821	128,884	27,063	26.58%	1.70%	6.33%	823.6	156.49
Total GDA + Louth:	1,637,267	2,036,216	398,949	24.37%	1.57%	100.00%	6,982.00	291.64

Source: CSO Area Vol. 1, 2002 census and 2016 census



The GDA + Louth's 2002-2016 population growth of 398,949 represents 47.23% of the State's 844,662 total population growth compared with its 41.80% share of population in 2002. Thus, it has achieved a 13.03% greater growth than the State average and 24.65% greater growth than the remainder of the State area during the 2002-2016 period.

2.1.7 The demography of Ireland's City Regions

Because of this world-wide expansion in city-led employment, it is instructive to focus on the population growth of Ireland's existing cities and surrounding counties. Increasingly, these areas will experience the major portion of future population growth and housing demand.

The next table 10 sets out in a similar format, the 2002-2016 data for Ireland's five cities and their 'home' counties.

Table 10: 2002-2016 City Region Population - Growth, Share, Areas and Density

2002-2016 City Region Population - Growth, Share, Areas and Density:								
	2002 Population	2016 Population	Growth	% Growth	% p.a. Growth	2016 Population share	Sq. km surface area	Population density per Sq. km
Dublin City and County	1,122,821	1,347,359	224,538	20.00%	1.31%	54.78%	920.66	1,463.47
Cork City and County	447,829	542,868	95,039	21.22%	1.38%	22.07%	7,441.53	72.95
Limerick City and County	175,304	194,899	19,595	11.18%	0.76%	7.92%	2,683.04	72.64
Galway City and County	209,077	258,058	48,981	23.43%	1.53%	10.49%	5,846.09	44.14
Waterford City and County	101,546	116,176	14,630	14.41%	0.97%	4.72%	1,797.22	64.64
Totals:	2,056,577	2,459,360	402,783	19.59%	1.28%	100.00%	18,688.54	131.60

Source: CSO Area Vol. 1, 2002 census and 2016 census

Here the population growth, area and density data can appear somewhat misleading because of the wide variations in the geographies of these cities and their respective counties. Cork and Galway are Ireland's largest and second largest counties and Waterford and Limerick cities are proportionately small in area compared with their 'home' counties.

2.1.8 Ireland's Cities and their Contiguous Suburbs

Accordingly, the next table 11 focuses on the built-up cities with their contiguous suburbs. The following are the populations for Ireland's major settlements as at April 2016.

Table 11: 2002-2016 City Region Population - Growth, Share, Areas and Density

2002-2016 City Region Population - Growth, Share, Areas and Density:								
	2002 Population	2016 Population	Growth	% Growth	% pa. Growth	2016 Population Share	Surface area Sq. km	Population Density
Dublin City and Suburbs	1,004,614	1,173,179	168,565	16.78%	1.24%	72.89%	317.50	3,695
Cork City and Suburbs	186,239	208,669	22,430	12.04%	0.82%	12.97%	164.60	1,268
Limerick City and Suburbs	86,998	94,192	7,194	8.27%	0.57%	5.85%	56.80	1,658
Galway City and Suburbs	66,163	79,934	13,771	20.81%	1.36%	4.97%	53.40	1,497
Waterford City and suburbs	46,736	53,504	6,768	14.48%	0.97%	3.32%	44.30	1,208
Totals:	1,390,750	1,609,478	218,728	15.73%	1.07%	100.00%	636.60	2,528

Source: CSO Area Vol. 1, 2002 census and 2016 census

The dominance of the Dublin City and environs near three-quarters share of the aggregate State city population is evident. It is noted that all of Ireland's cities and suburbs have under-performed the State's population growth of 21.56% for this fourteen years. Particularly noted is the low growth of Limerick City and environs. Using these population for 2016 and looking back to the five years of growth since 2011 it is noted, for the first time, that Ireland's Cities and their Suburbs have out-performed a slower State population growth of 3.78%, but again it reflects Limerick and Suburbs as lagging behind Dublin and Cork as the principal beneficiaries for FDI job announcement.

Examining the State's five cities and their contiguous suburbs for their most recent growth, the following table 12 confirms that total population of the Provincial Cities and their environs at 436,299 aggregates to just 37.19% of Dublin and its environs. Dublin city and environs recent growth is higher than that of the other cities with Limerick and Waterford's increases under-performing. It is also noted that Dublin City and environs excludes 12 nearby GDA towns which comprise a further approximate 200,000, six of which are estimated to exceed 15,000 in population. Other large towns within commuting range also have significant populations working in and around Dublin. Some of their enhanced populations result from the residential distance-to-value trade-off.



Table 12: 2002-2016 City and Suburbs Population - Growth, Share, Areas and Density

2011-2016 City and Suburb Population - Growth, Share Areas and Density:								
	2011 Population	2016 Population	Growth	% Growth	% pa. Growth	2016 Population Share	Sq. km surface area	2016 Population Density/sq. km
Dublin City and Suburbs	1,110,627	1,173,179	62,552	5.63%	1.11%	72.89%	317.50	3,695
Cork City and Suburbs	198,582	208,669	10,087	5.08%	1.01%	12.97%	164.60	1,268
Limerick City and Suburbs	91,454	94,192	2,738	2.99%	0.59%	5.85%	56.80	1,658
Galway City and Suburbs	76,778	79,934	3,156	4.11%	0.81%	4.97%	53.40	1,497
Waterford City and Suburbs	51,519	53,504	1,985	3.85%	0.76%	3.32%	44.30	1,208
Totals:	1,528,960	1,609,478	80,518	5.27%	1.03%	100.00%	636.60	2,528

Source: CSO, Area Vol. 1, 2002 Census and 2016 Census

This Table shows that aggregate of the five Cities and Suburbs have a 33.32% share of 2011 population but they account for 46.57% of the 2011-2016 population growth. In 2011 they comprised 33.32% of State population and this had changed to 33.81% by 2016. Accordingly, 2011 was the census year at which the Cities and Suburbs share of population was at its lowest point in recent censuses, and since then these have started to recover State population share. It is noted that in addition to the Dublin City and environs growth of 62,552, the remainder of Dublin County had a growth of 11,738, up from 162,442 to 174,180 (2011-2016).

This completes the preliminary 2002-2016 Census population analysis for the template of principal locations; for size, growth, population share and population density.

The above analysis assists in the task of narrowing down the Study's geographical area analysis to include the GDA + Louth and to Cork and Galway cities and nearby county areas and to a lesser extent, to the Limerick and Waterford areas. These urban areas would also have much lower rates of one-off housing construction, in sharp contrast with the remainder of the State. A similar contrasting regional pattern of per-capita income disparities to that of Dublin is also evident, vide Morgenroth, ESRI, (2017).

In the case of Northern Ireland, the uncertainties of Brexit, the currency difference and its overall political circumstances, together with lower overall per capita incomes combine to exclude that part of Ireland from this study-report.

2.1.9 Analysis of Population Projections Informing the NPF's Regional Planning Guidelines

This Section commences with a brief, historic review of the National Spatial Strategy and its Regional Planning Guidelines, which still have relevance to current Planning regulation but which are intended to be superseded by the National Planning Framework and its new Administrative Regional governance arrangements.

2.1.10 The National Spatial Strategy and its Replacement

Using these Section 1 data, the Demographic Statutory Planning review section commenced with an examination of the historic Regional Planning Guidelines (RPG) for the Greater Dublin Area population 'target', for census year 2016. The basis for the current RPGs remains the now-discredited 2002-2020 National Spatial Strategy. It was premised on the unrealistic, eight-point definition of the 'Key Concepts' of Balanced Regional Development (BRD). All of its selected growth centres had lower population Growths than was achieved by a selection of twenty-three alternative settlements.

The NSS had provided for two principal trends: a 'Current Trend' of 4.4 million by 2020 and an 'Economic Growth Trend' of 5.0 million for State population targets by 2020. That Plan's population growth projections, made for the GDA, were 1.9 million (43.73% share of State) and 2.2 million (43.74% share), respectively. It stated that if the BRD policy were to be pursued, the GDA population would result in much lower shares by 2020. Historically, since the first census of 1841 there has never been any population growth evidence to support either a reduction in GDA population or alternatively, a projection of GDA population that would have resulted in a radically increased share (from 39.19% to 43.73%), i.e. of 4.54% growth share within the eighteen year term of the NSS: although a share increase to 41% to 42% levels is considered plausible and is in line with the medium-term trend evidence, with the 2016 definitive GDA share at 40.05% of State population.

2.1.11 The Regional Planning Guidelines for the Greater Dublin Area (2010-2022)

Consistent with this approach, the RPG spatial strategy unrealistically, sought to reduce the GDA population share, from 39.32% in 2011 to 39.14% for both Target dates 2016 and 2020. The 2016 Census GDA share is a 40.05% of total State population. Table 13 confirms that the Mid-East census population for 2016 is 5.82% short of the overall RPG projections although they were not specific as to the individual county targets. In contrast and despite the severity of the recession, Dublin's growth was just over 1% below what had been forecast and South Dublin was the only Administrative County to have experienced net out-migration (2011-2016).



Table 13: Analysis of the RPG Regional Population Targets

Analysis of the RPG Regional Population Targets				
			'Shortfall'	
	2016 Census population	RPG 2016 target population	Difference Census v Target	Percentage Shortfalls
Dublin City	554,554	560,251	5,697	1.02%
Dun Laoghaire-Rathdown	218,018	220,257	2,239	1.02%
Fingal	296,020	299,061	3,041	1.02%
South Dublin	278,767	281,631	2,864	1.02%
Total - Dublin Region	1,347,359	1,361,200	13,841	1.02%
Kildare	222,504	236,263	13,759	5.82%
Meath	195,044	207,105	12,061	5.82%
Wicklow	142,425	151,232	8,807	5.82%
Total - Mid East Region	559,973	594,600	34,627	5.82%
Total GDA	1,907,332	1,955,800	48,468	1.27%
<i>Source: RPG for the GDA, P.3.</i>				

Note: The indicative RPG 2016 projections for 2016 did not provide individual county totals and the above 'shortfalls' represent direct apportionments after comparing the Census populations with the RPG Targets. The replacement NPF will be augmented with new Regional Authority Planning Guidelines, awaited in 2018.

2.1.12 Implications for Future Planning and Development

With the replacement of the NSS, its RPGs will also become defunct. Today, Ireland is in an 'interim' period awaiting the establishment of the National Planning Framework which will influence the course and direction of future planning and Development up to 2040. Its 'Issues and Choices' document published by the Department of the Environment forms part of the Consultative Phase for the new Plan. It sets out broad indicators for population and housing growth for that period. It expects that the State will have a population of 5.4 million, which it states could be higher. Likewise, it implies that at least 25,000 new homes will be required each year, although this baseline figure is regarded as on the low side and does not allow for Obsolescence and the need to reverse the rising headship rate as confirmed in the 2016 census.

The Plan's consultative Paper states that the NPF is unlikely to be based on a continuation of the current 'Business as Usual' trend that is to be enumerated in the 2016 census. This is because the Department of the Environment have flagged in 'Issues and Choices' 2040, that they are seeking to achieve all-party 'buy in' for the NPF and likewise to have it statutorily framed. The ensuing political 'trade-off' will seek to plan for higher growth rates in the provinces, so as to reduce the population and infrastructure pressure on Dublin.

However, they are also hoping to reduce medium and long-distance commuting. To achieve both objectives will require higher employment to take place in centres outside of the Capital with, presumably, matching residential development intended to be located away from Dublin. However, this in turn does not appear to reflect the increasing tendency for clustering to occur, particularly in regard to city-led employment or likewise, for the quest to re-cycle more ‘brown-field’ sites.

These arrangements will require new funding sources and a special agency will be established which will have both funding and location decision-making that may be independent of the private construction sector. This initiative is in response to their conclusion that the private sector is expected to be limited in their ability to supply the quantum of housing, much of it ‘social’ and because of banking constraints, the loss of so many builder/developers during the 2008-2015 period and to levels of profitability resulting from continuing uncertainty as to the cost-to-value interface.

The issue remains as to how such new arrangements can contribute to housing supply and to maintaining Ireland’s economic competitiveness under conditions that will continue to see a greater trend to renting rather than owning. In addition to the role that REITs are playing, research is being undertaken into the possibility of establishing vehicles for providing investment funds for this new social housing market.

Essentially, many unknowns and external uncertainties will influence Ireland’s future growth path. In addition, current market trends which are resulting in Ireland now having one of the fastest-growing economies in Europe, are threatened with the prospect of politically-driven prescriptive strategic planning policy, replacing or reducing the evidence-based growth that is market-led but which now needs significant capital infrastructural investment so as to maintain that growth momentum.

Thus, both the Planning and Geography academic communities concur that Ireland will continue to urbanise and that by 2040 perhaps 70-80% of total population will live in settlements of 1,500 or more. The central issue for the NPF will be whether the existing trend towards further proliferation of small settlements continues or will more urbanisation take place in the faster-growing larger towns and cities? The NPF-cited population projections are indicative of a reluctance to forgo the NSS Balanced Regional Development approach to future development. This would thwart the prospects for further economic recovery, now evident in Dublin and which is gradually spreading to wider areas of the State. Accordingly, there must be concern as to the NPFs criticism of the ‘Business as Usual’ approach which appears to conflict with the current Government’s principal economic and commercial thrust to maintain the downward trend in unemployment in fostering Ireland’s remarkable recovery.

As Ireland’s NPF proceeds towards its final publication stage, early indications of the thrust of its core strategy points to a population-growth distribution model of 25% shares: a quarter to Dublin City and County, a quarter to the four provincial cities and the remaining half to be earmarked for the rest of the State. How does this objective compare with the thrust of the 2011-2016 population growth distribution? More particularly, how does this proposal compare with the Natural Growth and Migration components of recent demographic growth and with its urban – rural splits.

Table 14 confirms that outward migration accounted for more than half of the natural growth in the Border, Mid-West and West Regions and to a lesser but significant extent in the Midlands and



South-East planning regions. From the earlier table 12 it is clear that apart from Dublin, Cork and Galway cities and the remainder of the country outside of the GDA, the remainder of the State has not been able to retain the inward migration growth that was achieved from the earlier inward migration of 2002-2011.

Table 14: Components of Population Growth, 2011-2016

Components of Population Growth, 2011-2016						
	Total population growth	Total Nat. growth	Natural growth %	Total migration growth	Migration growth %	Migration as % of NG
Border	8,326	17,885	3.47%	(9,559)	-1.86%	-53.45%
Dublin	74,290	64,417	5.06%	9,873	0.78%	15.33%
Mid-East	28,886	30,890	5.82%	(2,004)	-0.38%	-6.49%
Midlands	9,891	12,533	4.44%	(2,642)	-0.94%	-21.08%
Mid-West	5,671	13,297	3.51%	(7,626)	-2.01%	-57.35%
South-East	12,755	18,560	3.73%	(5,805)	-1.17%	-31.28%
South-West	26,041	24,744	3.72%	1,297	0.20%	5.24%
West	7,753	15,728	3.53%	(7,975)	-1.79%	-50.71%
Total- State	173,613	198,054	4.32%	(24,441)	-0.53%	-12.34%

Source: CSO Census data: analysis by Brian Hughes

Furthermore, the next table confirms that during 2011-2016, the growth of cities helped the other regions. Drogheda and a few other urban centres would have accounted for a large portion of the Border Region's urban growth.

Table 15: Urban Population - Regional Performance 2011-2016

Urban Population – Regional Performance 2011-2016:				
Planning Region	2011	2016	Growth	Urban % Growth
Border	190,845	199,412	8,567	4.49%
Dublin	1,244,528	1,317,645	73,117	5.88%
Mid-East	336,134	357,311	21,177	6.30%
Midlands	126,538	131,792	5,254	4.15%
Mid-West	178,244	180,621	2,377	1.33%
South-East	225,720	233,065	7,345	3.25%
South-West	375,241	392,778	17,537	4.67%
West	169,632	173,157	3,525	2.08%
Total	2,846,882	2,985,781	138,899	4.88%

Source: CSO Census data: analysis by Brian Hughes

However, the next table confirms that most regions which have a predominately rural-based population, were either static or in decline, by reference to the overall State population growth of 3.78%.

Table 16: Regional Population - Regional Performance 2011-2016

Regional Population – Regional Performance 2011-2016				
Planning Region	2011	2016	Growth	Rural % Growth
Border	324,046	323,805	(241)	-0.07%
Dublin	28,541	29,714	1,173	4.11%
Mid-East	194,953	202,662	7,709	3.95%
Midlands	155,872	160,509	4,637	2.97%
Mid-West	201,083	204,377	3,294	1.64%
South-East	271,858	277,268	5,410	1.99%
South-West	289,293	297,797	8,504	2.94%
West	275,724	279,952	4,228	1.53%
Total	1,741,370	1,776,084	34,714	1.99%

Source: CSO Census data: analysis by Brian Hughes

The contrasting population growth performances from tables 14-16 must call into question the proposed population growth distribution for Ireland's National Planning Framework (NPF). Urban population growth is running at almost two-and-a-half times that of the rural areas. Clearly, population growth is demand and not supply-led and is largely dependent on existing large and some medium-sized urban centres. In general, outside of those areas, rural populations are set to see further decline, especially in the absence of urban-driven sources of employment.

This raises an important political consideration. If the NPF is not to follow the ignominious fate of the Buchanan Plan or the National Spatial Strategy, it must first achieve all-party political acceptability, as was recommended in the Mahon Tribunal. However, if this objective can only be met by pursuing a supply-led rather than the realities of a market-based, demand-led plan strategy, it will fail the test of not having a market-led strategic credibility, as its first-draft demographics indicate as is now potential likely to happen.

2.1.13 Future Population Growth

In turn, such market-led recovery has changed the demographic direction to an inward one as the State's positive migration reinforces its overall population growth. However, this is unlikely to reverse the 2011-2016 pattern of east-west population divide, based on past growth differentials for the State's Planning Regions as set out in table 17, it can be expected that by 2040 the State population growth could be upward of 1.60 million above the current base. With an anticipated growth rate of 1.25% per annum compound almost 80% of that growth could take place in the east which by that date could reach 4.25 million. The West of State area growing at 0.7% per annum compound could reach 2.11 million.



These demographic prospects, particularly for the resumption to inward migration may prove to be politically problematic. Accordingly, the Issues and Choices document as articulated in that NPF literature provide clearly drawn contrasts which will require difficult strategic decision-making by Government, particularly if the Department of Finance or other proponents of growth are persuaded to the task of maintaining the current recovery momentum.

2.1.14 Ireland's East-West Divide

In the consideration of Ireland's growth contrasts this next table focuses on the eight Planning Regions so as to assess the east-west population size and growth in a north-south divide line; from Youghal northward to approximately Clones. This separates the Border Region into its three eastern and three western counties (but all of Cavan county included in the East Border area).

Table 17: East and West Planning Regional Population Growth - 2011-2016

East and West Planning Regional Population Growth - 2011-2016			
	2011	2016	Growth
Dublin	1,273,069	1,347,359	74,290
Mid-East	531,087	559,973	28,886
Midlands	282,410	292,301	9,891
South East	497,578	510,333	12,755
East Border area	256,563	266,446	9,883
East of State	2,840,707	2,976,412	135,705
South West	664,534	690,575	26,041
Mid-West	379,327	384,998	5,671
West	445,356	453,109	7,753
West Border area	258,328	256,771	-1,557
West of State	1,747,545	1,785,453	37,908
State	4,588,252	4,761,865	173,613

Source: Brian Hughes analysis of CSO 2011 Census and 2016 CSO Preliminary Data.

NOTE: The full Border Region's corresponding population totals during 2011 and 2016 are: 514,891 in 2011 and 523,217 in 2016, resulting in an 8,326 growth which is 1.62% uplift for that region's population growth. It is observed that all of Louth accounted for 71.9% of that region's growth.

During 2011-2016 the Greater Dublin Area alone, comprising the Dublin and Mid-East regions, contributed 59.30% of the total State growth. Of note in the above data, is the contrasting east-west performance to State population growth; 78.27% versus 21.73%. The 2016 census also confirms a return to net in-migration and thus previous intercensal growth rates can be expected to resume. For instance, in 2002-2006 the State population grew by 322,645 (+8.26%) and during 2006-2011 it was up by a further 348,404 (+8.22%). Thus, in the nine years to April 2011, the State population grew by 671,049 (+17.13%) above the 2002 level, as confirmed in these twenty-first century censuses.

This analysis of the State's 2011-2016 population growth of its eight planning regions underlines the marked difference between the east and west planning regions. In summary, the east portion of State had 2.203 times the rate of growth compared with the western portion. Of the absolute State growth of 173,613, 78.17% occurred in the east with just 21.83% in the west. This pattern of population distribution is replicated in an all-island context wherein Maynooth town now marks approximately the geographic centroid for the island of Ireland.

2.1.15 Existing stock and vacancy: Prospects for supply responding to components of housing demand

The 2016 census confirms the State's existing housing stock at 2,003,645 as at April of that year. In the CSOs census publication – Profile 1 Housing in Ireland, issued on 20th April 2016, its table 1.1 provides an insightful historic comparison of housing and population growth over the 25-years 1991-2016. This tabulation of the supply-side growth of Ireland's housing stock is shown in an amended format, alongside author's analysis, in table 18.

Table 18: Growth in Ireland's Housing Stock compared with Growth in Population (1991-2016)

Growth in Ireland's Housing Stock compared with Growth in Population (1991-2016)					
	State Household stock	State Population	Growth in Households	Growth in Population	Ratio of growth
Census					(Population to Households.)
1991	1,160,249	3,525,719	Base year	Base year	Base year
1996	1,258,948	3,626,087	98,699	100,368	1.0169
2002	1,460,053	3,917,203	201,105	291,116	1.4476
2006	1,769,613	4,239,848	309,560	322,645	1.0423
2011	1,994,845	4,588,252	225,232	348,404	1.5469
2016	2,003,645	4,761,865	8,800	173,613	19.7288
25-year growth	843,396	1,236,146	843,396	1,236,146	1.4657
1996-2011 growth			834,596	1,062,533	1.2731
<i>Source: CSO 2016 Census Table 1.1, Analysis by Brian Hughes</i>					

In the important consideration of matching population with housing, over the twenty years 1991-2011 this Table confirms that the intercensal relationship between population growth and housing was fairly close to three-to-two and at no time was it less than one-to-one. Accordingly, this time-span represents a reasoned, steady-state equilibrium summation for the relationships of population to housing stock; one which should inform future housing output to population growth, once the current housing emergency has been resolved. Thus, the principal cause of this emergency is due to the near-cessation in house-building for nearly a decade, culminating in a relationship change over the five years to April 2016 when Ireland's population growth outstripped its housing growth by nearly twenty-to-one. At this time of writing, an intensive debate is underway as to the correct figure for 2011-2016 housebuilding with emerging evidence suggesting that completions are considerably below the 15,700 figure that the Minister for the Environment is relying on.



Table 18 also shows that an additional 136,370 housing units rather than the 8,726 produced would have been required to maintain that long-term ratio of 1.2731 through the 2011-2016 period. This calculation equates to an annual supply shortfall of 25,514. This, in turn, provides an estimation of pent-up and unmet demand.

Since the census of 2002 Ireland's rate of housing construction doubled, reaching a peak output of over 90,000 units in 2006. However, there was a mismatch in that much of that output was supply rather than demand-led. This resulted in thousands of housing units being speculatively constructed in sparsely-populated counties in the west, north-west and in other predominantly-rural locations where employment prospects are minimal. Despite the profound nature of to-days housing crisis, there remains little demand for such accommodation, most of which is remote and far-removed from significant employment locations.

Likewise, it is well documented that Ireland's severe economic downturn and related banking crisis was primarily caused by the collapse in house prices together with irresponsible bank lending, some of which funded housing developments in such remote locations. In turn, the severe economic downturn led, both to the rapid loss of State employment, where unemployment peaked at 15.9% and the consequent loss of 'effective' housing demand, i.e. the ability to service outstanding mortgages. Accordingly, today, a much larger cohort of the population are either unable to borrow to purchase or to afford the prevailing levels of rents and are increasingly dependent on State assistance and State-provided housing.

Thus, a range of government measures have been introduced to assist the rising incidences of foreclosures, to granting rent subsidies and to encourage an acceleration in housing construction, both for the public and private sectors. Such measures include the Help-to-Buy scheme which has made a positive contribution but which could benefit from 'tweaking' based on the experience of its implementation to date. Likewise, the Mortgage-to-Rent initiative has also contributed and demonstrates the need to address the housing crisis in a multiple-pronged approach. Despite recent increases, the rate of housing construction and completions remains wholly inadequate to meet the ever-increasing demand for accommodation. Furthermore, and despite the increased activity in house building, the rates of completion continue at historically low levels.

Further government initiatives will be required to re-populate the vacant stock of housing, estimated at some 180,000 in the 2016 census and to bring much of it to the market place, promptly, either for purchase or to rent. Another related debate is critical of the State's purchase from the private stock of housing. Accordingly, innovative incentives and even measures of compulsion are likely to be required so that this ready-made potential supply source – the existing vacant housing stock - can be brought into rapid use. Underscoring the need for such measures is the reality that the supply of new housing would otherwise take years to provide an adequately annual contribution to resolving the accommodation crisis.

2.1.16 Assessing the components of future residential demand

The Introductory Section of this Study Report has already identified a series of demographic-related questions that may influence future residential demand. We reflected on the ESRI's high, low and central projections for population growth. As an overall guide to housing demand for the occupied



stock the standard international practice is to assess the headship rate (HR), i.e. the total population divided by the total occupied housing stock, as explained in Appendix 3 of Profile 1. The CSO has confirmed that for the first time since 1966, Ireland's rate (HR) of total population to housing has increased, albeit from just 2.73 to 2.75 persons per housing unit (2011-2016). This setback has to be viewed in a long-term context where, for a 'basket' of EU countries, the HR has been a declining one, at the rate of nearly 0.2 for every five years. In applying this 'demand side' criterion, the State should be 'providing' almost 45-50,000 housing units per annum for the next five years, in anticipation of a population growth of 1.25% per annum and in order to bring supply into line with demand. To achieve this objective would require both a major acceleration in new-builds together with a take-up of most of the vacant housing stock as recorded in the 2016 census.

So as to reduce the tendency for further sprawl, medium-density Apartment developments, which have almost 'stalled' in terms of output; this must be re-invigorated by government-led strategic policy measures, starting with VAT alleviation. Parallel to this, the CSO's Expert Group has re-convened in November 2017 to consider the results of the 2016 Census, with the objective of making both National and Regional Projections to 2051 and 2036, respectably.

It is possible to reconcile the above headship calculation for housing demand by examining the individual components that underlie the demand-side assessment, set out in Table 18. From these data it is observed that the short-term ratio of population to housing-unit growth has risen to more than nineteen-to-one, reflecting the near-cessation of house-building, despite the 2011-2016 population growth of nearly 35,000 per annum occurring, during this period of Ireland's deepest economic crises and its loss of economic sovereignty.

Accordingly, the first demand-side element is the long-term building obsolescence component. Against such prudent measure it has been counter-argued that as Ireland's total housing stock is a relatively 'fresh' one, given that by 2016 some 42.1% of it has been built since 1991. In many instances physical obsolescence is deferred because of the increasing incidences of refurbishment. This has been a particular feature of house-building activity during the downturn. However, in the longer term, this component of demand' cannot be ignored because obsolescence also encompasses social, statutory, functional and environmental attributes. Assuming a conservative 200-year life-span per housing unit, which equates to 0.5% per annum and taking account of Ireland's total housing stock of just over two million, this would require an additional 10,000 housing units per annum to address all aspects of obsolescence.

Appropriate demographic allowances must also be made for the housing required for Ireland's rising population scenario. New estimates of both national and regional population projections will be undertaken by the CSO, after completion of the 2016 publication of census releases at the end of 2017. The appointment of an Expert Group for the preparation of such projections will be undertaken during 2018-19. Ireland's natural growth of Births less Deaths, are likely to continue at about 35,000 per annum level. Due attention must also be paid to the reversal in the trend to net inward migration which resumed towards the end of 2015.

As Ireland is an offshore Island with high levels of variable fluctuation in migration this is a more difficult one to estimate. Based on current workforce growth combined with reducing unemployment



and job-creation, the State's population growth including inward migration is increasing by over 50,000 per annum. Accordingly, some 15,000 additional housing units per annum will be required to meet such anticipated population growth, and if net in-migration returned to pre-2011 census levels, that annual requirement could become 20,000 or more. Such calculations for further accommodation needs, also needs to provide for returning workers so as to ensure the maintenance of Ireland's competitiveness.

The current and increasing level of pent-up demand resulting from the very low levels of housing supply in recent years has led to the present housing emergency. This needs-requirement has to be calculated, regardless of whether that demand is 'effective' or not by way of public or private affordability. Increasingly, more people need to be housed, whether they can afford it or not. The soaring waiting lists for public sector housing, social and affordable are additional to the unsatisfied levels of private sector demand.

In summary, some 45,000-50,000 additional housing units represent the above elements of Ireland's long-term annual demand.

2.1.17 Identified aspects of current property development difficulties

Despite the increasing count of 80 tower cranes in Dublin, the recovering development process remains an unbalanced one to-date. It largely comprises office and hotel construction projects but with a conspicuous absence of much-needed residential apartment and student accommodation. This underlying imbalance arises because the non-commercial development sector continues to be unprofitable or is thwarted due to planning difficulties. Today, apartments cost approximately 40% more to build than a conventional semi-detached house, burdened by excessive costs associated with north-south-facing design obligations, together with expensive basement car-parking and additional lift-core provision. Such costly obligations would not be required for modern, purpose-built student accommodation, now reflected in the acceleration of that sector of development.

Furthermore, building-height limitations often thwart the developer's quest to achieve better scale economies and profitability, imposed by the failure to recognize, in Dublin's case, that heights should be appropriate to a prospective city size of two rather than one million inhabitants.

Traditionally, the property development process is a bank-funded one. Particularly since the economic crash the financial institutions require convincing evidence of adequate profitability as a condition of lending to developers. Furthermore, and unlike pre-crash days, the lending banks are only prepared to provide a portion of the necessary funding. Thus, the developer is required either to arrange mezzanine finance at high borrowing interest rates or alternatively, to provide pre-funded, part-equity such as the site cost.

Both design and specification are carefully scrutinized by the planners and the building control authorities in pursuit of higher fire standards, more balcony, circulation and storage space, all of which have impacted on the building costs of multi-unit developments. In striving to achieve better economies of scale, developers have sought to increase building heights, building scale and massing. In response to this, significant planning refusals reflect a conservative control process that appears to be unresponsive to the densification of the metropolitan city and the need to reduce home-to-work journey times.



Increasing building heights are inevitable, evidenced in some developments now under construction.

In the SCSi October 2017 Broadcast Video on the Real Costs of New Apartments and to the Q&A Session that followed, there were ominous references to building cost inflation, currently running at 6% per annum. The generally-held view amongst QS Surveyors is that such costs will continue to rise but perhaps at higher levels, creating additional development-viability risks. Reference was also made in relation to apartment construction, of potential additional costs arising from Fire Officer Requirements, due to the Grenfell Tower disaster in London. The overall conclusion as to negative financial viability for Category 2 – Suburban Medium Rise and in particular for Category 3 – Urban Medium Rise category, is that when combined with the higher site values that are resulting from recent site transactions, these types of developments are inherently risky. In brown field sites, often site de-contamination costs are very expensive, adding significant costs, needed to be recouped in the individual apartment-unit price.

The general conclusion, that the traditional house builder will stick to developing the conventional residential house product, and that a different type of skill is required for a more specialist operator, to undertake apartment-type development: one that is adequately capitalized and sufficiently experienced in this, quite-different type of work. Accordingly, the volume of apartment construction likely to be produced in Ireland is unlikely to increase significantly, despite the current low base for this aspect of construction activity.

With regard to the provision of different types of accommodation, it has recently been noted that, whereas a typical office worker requires about twelve square metres of commercial space, that same worker also needs to live in three to five times as much residential space, ideally located within a convenient walking or cycle distance. Likewise, new college campuses generate commensurate needs for new-built student accommodation located close by. These examples point to a planning-disconnect, reflecting the need for an appropriate strategic review that in turn, is reflective of the dynamics of the modern city.

Likewise, there is need for a greater awareness of the extent to which planning delays add to the interest-roll-up bill and thus to the overall costs of property development. There are continuous references to developments either having to be deferred or abandoned because of delays in the provision of vital infrastructure which needs to be in place prior to commencement. This appears to be an acute problem for many ‘brownfield projects’.

These are some of the current examples and aspects of inter-related planning and development difficulties that now require strategic oversight and intervention, controlled at the designated, specified government departmental level. Such initiative is required because this Study identifies major obstacles to progress which are impacting negatively and un-necessarily on Ireland’s efficiency and its overall business development. Unfortunately, this undesirable set of circumstances exists at the very time that the country should be pro-actively responding to the Brexit challenge, and in addressing the vital quest to improve its national competitiveness.

2.1.18 Infrastructure Constraints and Deficits

Because of the parlous condition of Ireland’s macro-economic position and EU-IMF imposed



conditions, consecutive severe constraints have had to be imposed on recent Irish budgets resulting in a near-cessation of its infrastructural investment programme. The State's Fixed Capital Formation reduced from about 24% of Gross Domestic Product to low single-figure levels (2008-2016). It is expected that a gradual, slow recovery will continue to be maintained and by 2020, it will again have reached double-digit levels. Accordingly, it can be expected that some of the infrastructural projects that have constrained the resumption of significant residential developments will be addressed, thereby facilitating the early re-commencement of such projects. Likewise, a number of Strategic Development Zone projects are expected to commence production of new housing units by early 2018.

EU-imposed constraints on government expenditure will continue to affect the finances that otherwise would be available for infrastructure investment. The current related, political 'Left versus Right' 'debate' articulates the conflicting resources for further reduction in the national debt and in the cost of debt service before interest rates begin to rise, future capital spending on infrastructure, resolution on National Wage Agreements for current spending on public-sector salary-restoration, additional spending required for health, education, social welfare, etc., the resources required for additional job-creation and the accelerating budget-spend for social and affordable housing. These conflicting demands for scarce resources are set against the debate on widening the tax-base, the recorded increases in taxation receipts, a reducing Debt-to-GDP ratio and not least, the aforementioned improving confidence and overall business sentiment.

2.1.19 Constraining the east-west town growth differences

In addition to the data displayed in Table 12, City and Suburban growth (2011-2016), recent past evidence of population/town growth locations, assists the identification of potential demand 'hotspots' for future residential development. Particular attention is placed on the State's towns of 8,000 upward, as some of these, together with the cities, are likely to be focus for most demand at a scale-level for larger housing and apartment projects. The Settlement Table lists the cities and these towns in descending size order, their 2011 and 2016 populations, growth and percentage growths.

In summary, the 2016 census confirms that town growth for the first time has lagged that of Irish cities. In particular, its Western and Southern towns performed poorly, with the exception of towns surrounding the provincial cities. In contrast, most Eastern towns have performed well, especially in proximity to Dublin and notably along the Dublin-Belfast Corridor. The growth of Drogheda-LBM as Ireland's emerging next city is especially noted in terms of its twenty-year growth, 1996-2016.

Accordingly, the potential for housing and apartment development is likely to be concentrated within the Greater Dublin Area, the State's provincial cities and those larger towns which are exhibiting strong population growth. Increasingly, brown-field development will complement the earlier tendency for the Irish building industry to focus on green-field development.

2.1.20 Instilling long-term economic confidence

'Sentiment' is an intangible, yet important mind-set in instilling economic confidence, evident in both real-estate investment and property development spheres. One of the most significant Irish confidence-builders in recent years has been its sustained employment growth in response to the IDA and related job-creation output. Overall unemployment has reduced from 15.9% to 6% over the



past six years. The nature and change of work has exerted an increasing influence in the location of such high-value employment. Increasingly, job-creation and its associated added-value is city based, evident in the 2016 demographic growth of Ireland's cities being ahead of their nearby towns.

Enhanced property values play a significant role in developing the individual 'feel-good' factor, which in turn is responsible for enhanced consumer spending and for creating the 'home-market' effect of economic and consumer optimism. Stricter regulatory measures and 'watchdog' roles of the Central Bank and the Department of Finance will be increasingly important in preventing future 'property bubbles' from occurring and in providing 'early-warning' indicators. Tighter tier-lending requirements for banking finance and enhanced controls on lending will play increasingly important roles in market regulation.

Whilst it is too early to form conclusions on recent political developments, the role that the entire island of Ireland will play will likely be pivotal as to the outcome of the Brexit negotiations and to Ireland's own geo-political contribution. Increasingly, the island is seen to provide a unique and influential role, not just in EU terms but increasingly so, in the east-west axis of English-speaking nations including the UK, the USA and Canada. Future economic prospects for the Western World will depend on the developing and mature relationships that will emerge from this corpus of friendly 'allied' nations and the extent of their trading roles with one-another and for the world economy.

2.1.21 Interim population growth projection

Pending publication of the CSO revised State and Regional Population, Employment and Migration Estimates next year, the following commentary on Population Growth is influenced by the 2016 Census outcome. In particular, this focuses on the different growth-rate experience for the State.

This east-west State demographic contrast is further accentuated despite the positive growth of both Cork and Galway cities in the South-West and West. Likewise, due to the west's higher incidence of in-migration compared with the East Regions, evident since 1996, much of which was sharply reversed after the economic downturn. Regions and sub-regions need to be based on the mass gravity of cities and on the economic potential of their growth multipliers. Taking this east-west population divide, based on past growth differentials, it can be expected that by 2040 target date for the NPF, the State's population growth could be upward of 1.60 million.

With an anticipated growth rate of 1.25% per annum compound almost 80% of that growth could take place in the east, which by that date could reach 4.25 million. The West of State area, experiencing a sedate 0.7% per annum compound growth rate, could reach 2.11 million. Accordingly, the East's population is likely to grow from a current 62.5% to a 79.7% State share whereas the West's share would decrease from 37.5% to 20.3% by 2040.

2.1.22 Identifying likely future settlement-growth locations

The selection of future growth locations logically follows areas of proven, past demographic growth. Development as scale likewise is influenced by population size, reflective of employment opportunities and central-place functionality. This extensive Settlement Table, is set out in table 19, is limited to towns with a minimum 8,000 population in the 2016 census, set out in descending size order, showing 2011-2016 population change and percentage growth.



From table 19, comprising the five cities and the largest fifty-four towns, a ‘top twenty’ selection is made to reflect population size and growth potential, thus:

Table 19: 2011-2016 Population Growth

Settlement	2011 Population	2016 Population	Actual change	% change
Dublin City and suburbs	1,110,627	1,173,179	62,552	5.6%
Cork City and suburbs	198,582	208,669	10,087	5.1%
Limerick City and suburbs	91,454	94,192	2,738	3.0%
Galway City and suburbs	76,778	79,934	3,156	4.1%
Waterford City and suburbs	51,519	53,504	1,985	3.9%
Drogheda	38,578	40,956	2,378	6.2%
Swords	36,924	39,248	2,324	6.3%
Navan	28,559	30,173	1,614	5.7%
Kilkenny	24,423	26,512	2,089	8.6%
Newbridge	21,561	22,742	1,181	5.5%
Portlaoise	20,145	22,050	1,905	9.5%
Balbriggan	19,960	21,722	1,762	8.8%
Naas	20,713	21,393	680	3.3%
Greystones	17,468	18,140	672	3.8%
Malahide	15,846	16,550	704	4.4%
Carrigaline	14,775	15,770	995	6.7%
Maynooth	12,510	14,585	2,075	16.6%
Ashbourne	11,355	12,679	1,324	11.7%
Laytown-Bettystown-Mornington (LBM)	10,889	11,872	983	9.0%
Rush	9,231	9,943	712	7.7%

Source: CSO Census 2016

In making this ‘selection’, elements of subjectivity are inevitable, especially towards the latter end of this preferred list of settlements and this indicative list of preferences is open to debate. What is incontrovertible however is the eastward geography of such selection, reflecting what is described as the ‘Leinsterisation’ of Ireland, which in 2011-2016 enjoyed almost three-quarters of State population growth.

The location of the State’s towns and their proximity to each other is an important factor in forecasting ‘hot’ growth spots for housing requirements. For example, LBM shares the same, new waste-water treatment plant and Southgate Shopping Centre with Drogheda and their agglomeration is creating Ireland’s next city, now larger than Waterford. This urban ‘fusion’ is reflected in the quantum of new housing construction, completion and occupation in this south Louth-east Meath location.

2.1.23 Employment Demand

In mid-June 2017 the Central Statistics Office published the 2016 Census Summary Results – Part 2. In tracking the previous five-year period since April 2011 these results confirm the significant progress

that Ireland has made, in labour force participation, increasing employment, higher educational attainment and in its improving socio-economic classifications. As the State continues in its strong and sustained recovery from its deepest recession, two significant areas for both future urban and rural employment opportunities have been the subject of recent commentary: they are in the Building and Medical industries. Recently, the Construction Industry Federation (CIF) pointed to Ireland's need to provide:

- 15,200 Electricians
- 7,800 Bricklayers
- 11,800 Plumbers
- 30,800 Carpenters/ Joiners
- 13,900 Plasterers/ Tilers
- 9,400 Painters/ Decorators
- 9,600 Managers
- 18,100 Operatives
- 27,600 General Labourers
- Sub-total = 114,200
- Together with significant numbers of Quantity Surveyors, Architects, Engineers and Project Managers, all at an estimated hiring rate of 1,000/ month and
- The need for many, many more apprentices.

At this rate of 'take up' at 1,000/ month, the CIF is pointing to a 10-12-year labour-supply need, assuming the now nearly four years of employment recovery continues and not least, in recognising both the housing supply crisis and the shortage of commercial accommodation and the huge infrastructure deficit across the board.

Liam Doran of the Nursing Union continues to highlight the shortage of nurses of 5,000-plus and other health-care staff, the funding for which will gradually increase from the broadening of the taxation base and the revenues from increased employment.

The multiplier effect resulting from such increased employment, in support services, etc. needs to be taken into account, in an overall assessment of employment growth. At present, it is estimated that about half of all unskilled, but potential workers, are unemployed, pointing to the need for training and upskilling.

2.1.24 Demand: Housing Types - Apartments or Houses?

As with the nature and change of 'work', the evolving change in residential 'demand' is also reflected in lifestyles and in accommodation choice-preferences. It is necessary to have regard to both the demand emanating from the indigenous population - natural growth - and to demand resulting from returning migrants. Overall 'demand' arising from employment growth, especially where skills shortages are evident, resulting from both returning Irish and non-Irish sources of labour. Both sets, comprising workers and their families, are likely to have lived in an apartment environment with denser and more compact forms of living abroad as much as in conventional housing.

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Accordingly, the matching of future demand with residential supply will require mixed-type developments, with apartments being the preferred type of accommodation on recycled brown-field locations as Ireland's cities and large towns continue to grow. Under the forthcoming National Planning Framework, there will be a much stronger emphasis to match residential locations with employment 'hot spots'. Conversations with senior Planning strategists point to the potential for residential developments in recycled sites that formerly would have been used solely for industrial activities.

2.1.25 Copper-fastening Ireland's economic confidence

For four successive years, Ireland enjoys the fastest growth rate of growth for all OECD economies and this position is again forecast for year 2017. Increasingly, this is reflected in overall economic confidence and in investment decision-making. This is not happening by accident. Instead, it reflects the State's relative political stability and debt-recovery, as its financial services sector moves onto a firmer footing and the ways in which private-sector debt is being reconfigured. The 'can do' approach is evident in the positive business decisions that are a daily feature of Ireland's commercial life.

Uncertainties continue to abound but importantly, methods of resolution are being found, allowing more people to make decisions on housing and 'big ticket' purchasing commitments. Formulae, such as the resolution and 'tweaking' of mortgage debt instills confidence in the Irish economy's ability to work its way out of past difficulties. Thus, the Business as Usual' experience – although not without its detractors - continues to gain momentum. Medium-term forecasts, including that of the ESRI, are increasingly, more optimistic in tone, and importantly, in their content.

Specific examples of optimistic decision-making are complemented by the sustained and continuing series of job announcements, firm expansion and new set-ups. Today, there is increasing evidence of wider geographical recovery, especially in the provincial cities and in some of the larger towns. Agriculture continues to restructure, with evidence of larger farm sizes, land rationalization and through intensive research, to the development of a wider food-product base.

2.2 Planning Context

2.2.1 Legislative Background

It is a requirement of the Planning and Development Act, 2000 (as amended), that each Local Authority prepare a Housing Strategy within the Development Plan time framework, for their jurisdiction. According to the Department of Housing, Planning, Community and Local Government, the main objective for the people of Ireland, is that "every household should have access to secure, good quality housing suited to their needs at an affordable price in a sustainable community" (DoHPCLG, 2016).

Housing strategies at local level are devised and implemented within a wider planning context. As we know, there are links between housing and a range of other factors including environmental, social and economic factors. Land use, transport and other physical infrastructure must be considered when planning for residential development. Construction 2020 for instance is a strategy for a renewed construction sector. With regards to housing, this strategy looks at taking a strategic approach to housing supply.

The Regional Planning Guidelines set out a Settlement Strategy which guides the future direction of growth and investment. This is achieved by setting and defining the settlement hierarchy and by identifying key growth areas within the particular regions such as the Greater Dublin Area (GDA).

2.2.2 Quantum of zoned residential land

An initial review of the Housing Strategies from the recently completed Development Plans within the Dublin area would indicate that there is sufficient quantum of lands that are zoned for residential development. However, there is a discord between the land that is zoned and land that is also appropriately serviced as well as zoned.

The latest figures from the Housing Supply Coordination Task Force confirms the view that there are significant infrastructural barriers to the development of zoned lands, particularly within the Fingal and Dun Laoghaire-Rathdown administrative areas. In certain instances, there are significant infrastructural constraints that are reliant on multi-agency agreements and projects in order to fully serve zoned lands. A case in point of this would be the lands at Lissenhall, Swords, Co. Dublin that are subject to the Metro North serving the land as well as road and water/foul water infrastructure upgrades.

Table 20: Quantum of Zoned Land

Quantum of Zoned Land				
Local Authority	Quantum of Zoned Lands Available (hectares)	Potential Yield for Housing	Units Requiring Infrastructure & Investment	Units Dependent on Irish Water Investment
Dublin City Council	440	52,600 units	6,085	0
Dún Laoghaire Rathdown County Council	640	33,600 units	11,200	4,400
Fingal County Council	1737	49,541 units	13,578	19,980
South Dublin County Council	1195	40,723 units	0	0

Source Development Plans and Housing Supply Coordination Task Force for Dublin Q2 Returns 2017

This study has found that the quantum of zoned land does not correlate with quantum of serviced land that is available for development. In this regard, there is a significantly large amount of land within both Dun Laoghaire Rathdown and Fingal that is zoned but does not have the necessary infrastructure, such as roads, water and waste water supply in place that will facilitate the construction of residential units. This is identified as a primary reason for the very high number of permissions that have yet to



be implemented as the necessary services are simply not in place. Very often, the provision of such services is outside the control of the developers who has achieved planning permission and they must liaise with various statutory bodies in order to have such services provided. This is discussed in section 3.2.2 and 3.3.3 below in more detail.

2.2.3 Planning Permissions and Completions

According to the Housing Supply Coordination Task Force, there is extant planning permission for a total of 35,743 residential units within the four Dublin Local Authorities. However, the vast majority of these units have not yet even commenced (22,367 units).

Table 21: Units permitted, built and under construction Q2 2017

Local Authority	Total no. of permitted units		Total no. of units built to date		Total no. of units under construction		Total permitted but not commenced	
	Houses	Apartment-ments	Houses	Apartment-ments	Houses	Apartment-ments	Houses	Apartment-ments
Dublin City Council	1958	5791	193	48	670	1248	1095	4495
Dun Laoghaire Rathdown County Council	2226	4319	647	718	579	998	1000	2603
South Dublin County Council	4249	1408	878	394	779	14	2592	1000
Fingal County Council	8869	6923	2731	1485	1272	722	4866	4716
Total	17302	18441	4449	2645	3300	2982	9553	12814

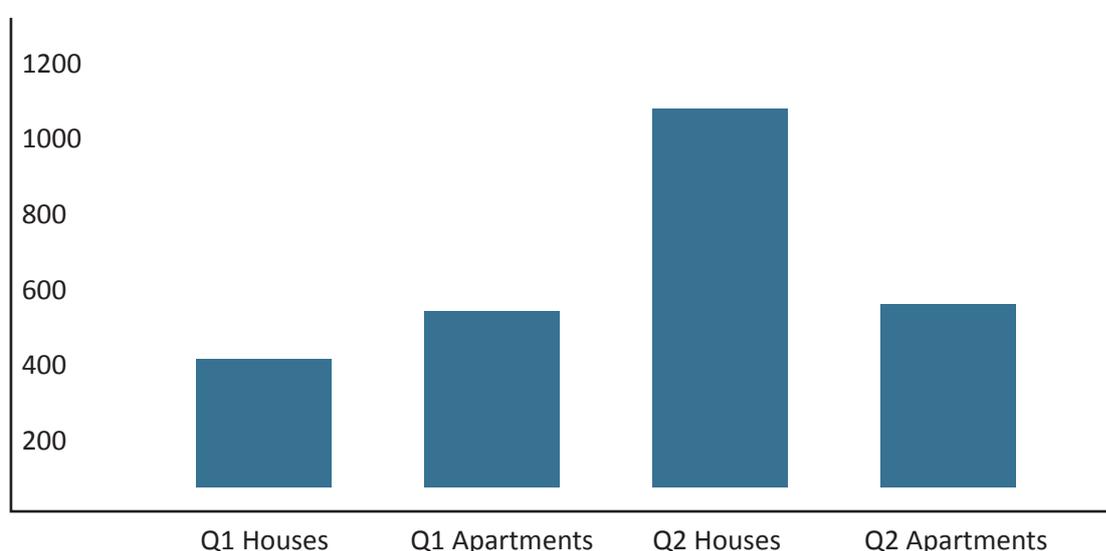
Source Development Plans and Housing Supply Coordination Task Force for Dublin Q2 Returns 2017

The latest information (Q2 2017) from the Task Force for Dublin indicates that there has been an increase in the number of active sites throughout the four Dublin Local Authorities over the past 12 months. The key changes for Dublin City Council area between Q2 2017 compared with Q2 2016 are noted in particular:

- 46% increase on the number of sites with planning permission from 77 sites to 113 sites.
- 35% increase in the total number of units with planning permission from 5,739 to 7,749 units.
- 55% increase in active sites from 22 sites to 34.
- 73% increase in the number of units under construction from 1,108 to 1,918.
- Results from Q2 2017, indicated a decrease during the year in the total number of apartments 'built-to-date'.
- The number of houses 'built-to-date' showed an increase of 502 residential dwelling compared with the same period in 2016 (3947 in Q2 2016 compared to 4449 in Q2 2017).
- This is supported by a 48% increase in the 'total number of units under construction' from 2210 in Q2 2016 to 3271 in Q2 2017.
- 6.5% increase in the total number of apartments that were under construction from 2799 in Q2 2016 to 2982 in Q2 2017.

Table 22: Total no. of completed units Q1 2017 v Q2 2017

Local Authority	Total Number of Units Completed Quarter 1		Total Number of Units Completed Quarter 2	
	Houses	Apartments	Houses	Apartments
Dublin City Council	44	0	300	0
Dún Laoghaire-Rathdown County Council	14	510	45	0
South Dublin County Council	0	0	500	278
Fingal County Council	331	30	321	277
Total	389	540	1166	555

Figure 1: Total no. of completed units Q1 2017 v Q2 2017

Source: Housing Supply Coordination Task Force for Dublin, Q2 2017

Once planning permission has been achieved, developers and their design team must then navigate through the various post-planning compliances that are required to be agreed with the relevant planning authority or statutory body. Many of these compliances are required to be agreed with the planning authority “prior to commencement of development”. It is noted that there is no statutory period provided for in the Planning and Development Act or Regulations, within which the authorities must finalise such compliances and this is a cause of huge frustration and delays the commencement of developments in many cases.

2.2.4 Infrastructural Constraints

Infrastructural constraints can include access to water, sewage and transport infrastructure. It can also be expected that some of the infrastructural projects that have constrained the resumption of significant residential developments will be addressed, thereby facilitating the early re-commencement of such projects. The LIHAF recognises that in order to deliver new developments



in major urban areas and in particular to deliver new housing development, funding for infrastructure is of significant importance.

A number of Strategic Development Zone projects are expected to commence production of new housing units by early 2018.

The delivery of sufficient infrastructure will facilitate the delivery of a number of Major Urban Housing Development Sites.

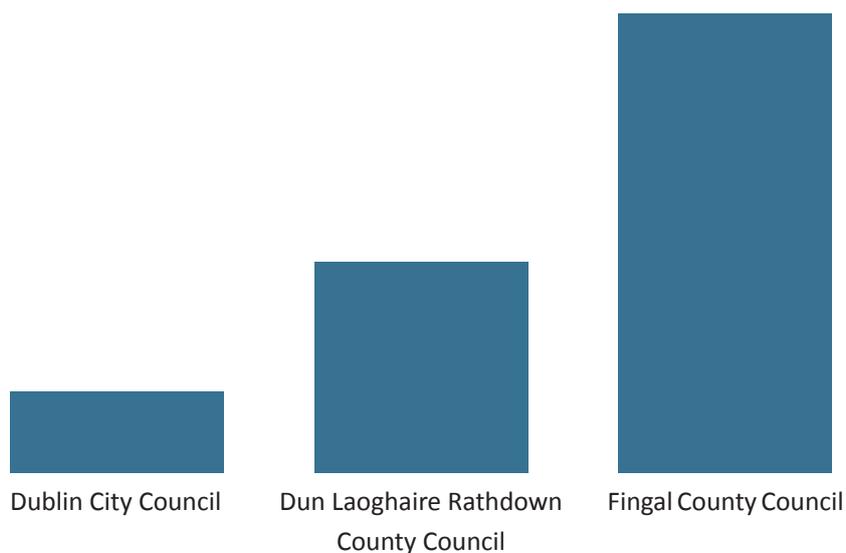
High-quality transport infrastructure is an important element as it strengthens economic growth through enhancing efficiency, productivity and competitiveness.

Table 23: Delivery of housing units from LIHAF Funding

Local Authority	Total No. of Units Envisaged
Dublin City Council	4,380
Fingal County Council	3,800
South Dublin County Council	11,500
Dun Laoghaire-Rathdown County Council	11,000
Meath County Council	1,900
Kildare County Council	1,600
Louth County Council	900
Total	35,080

Source: List of Approved Projects for LIHAF Funding (March 2017)

Figure 2: Units requiring infrastructure to be developed



Source: Housing Supply Coordination Task Force for Dublin, Q2 2017

*Note: The task force’s figures for SDCC do not correlate with the LIHAF figures and require further research.



2.3 Market Place Demand

Future residential development needs the twin ‘engines’ of supply of both houses and apartments to be working to the full. Experience in the property industry shows that development is demand-led reflecting where people want to live based on such factors as employment, schools, transport infrastructure and amenities. Based on our level of enquiries, there is an imbalance between the type of housing required and the type being produced and facilitated by current Government and planning policies. The shortage of higher density development is having a direct negative impact on the sale and rental markets. Radical measures are urgently needed if the crisis in the sale and rental markets and indeed homelessness are to be addressed. To date only a fraction of the obstacles to the viability of apartment construction have been addressed and even then it is at a very slow pace. Apartments are required for the sale and rental markets from a wide cross-section of occupiers including single people and couples, families, downsizers, retirees, incoming workers, students and those relying on the State for accommodation.

In 2018 some of the main areas of activity in the new homes sector will be in North and South Dublin as well as Meath, Kildare, Wicklow and Louth. Hot spots will include Lucan, Santry, Swords, Malahide, the coastline from Donabate to Drogheda, Maynooth, Kilcock, Naas, Cherrywood and Greystones. Some of the recent predictions for double digit residential price rises may prove to be overstated, certainly so in the new homes market, due mainly to affordability constraints and the willingness of developers to go for volume rather than price escalation. Offices and student accommodation dominates Dublin City Centre development activity, rather than apartments due to their continuing non-viability and the lack of adequate fiscal measures to assist in addressing the issues. The shortage and cost of residential rental accommodation, apart from the social consequences, is having a direct negative effect on the Irish economy, which has already discouraged many professionals and skilled workers from returning or moving to Ireland, and inward investment will be jeopardized further if appropriate remedial measures are not put in place immediately. It is also leading to unfavourable and unwelcome international commentary and assessment.

If apartment development remains largely unprofitable as recently confirmed by Society of Chartered Surveyors Ireland and by other members of the industry, this unfulfilled element of housing demand will magnify present shortages. Apartment development is not financially viable except on sites which have been purchased at historically low prices or in a small number of prime high value locations. The composition of the required housing target includes public sector housing, social and affordable, as well as private housing and student accommodation.

Apartments are the preferred choice of accommodation by over 90% of tenants. There is presently demand from tenants alone, for 12,000 new apartments per annum into the Dublin market, public and private. This estimate is close to that of Dr Ronan Lyons (Sunday Independent, 19th November) who suggests 200 per week, some 10,400 per annum.

It is incorrect to suggest that developers are holding back from building on sites or hoarding land they own. Their business model is based on building – but there are several reasons why numerous sites are not being built on – mainly viability, taxes, funding, planning delays and uncertainty. It is misleading to suggest that there are thousands of empty properties in Dublin and other cities that



could be put into use immediately and in case the supply has further contracted since the 2016 consensus. Firstly the number of properties appears to be overstated, based on CSO attempts to contact owners, and for properties that are really empty there are several reasons for this – including:

- Being on the market for sale or rental;
- Being in the process of Probate, where the owner has passed away;
- Title difficulties;
- Obsolescence or being in an uninhabitable condition and too costly to renovate;
- Tied up in arrears disputes;
- In receivership;
- In the Fair Deal process.
- 1-2 person households comprise 65% of the total household composition. Household sizes are falling.

The greatest need for apartment construction is in Dublin city and suburbs, and not just confined to areas within the Canals.

There is an imbalance between the type of housing required and the type being produced and facilitated by current Government and planning policies. The shortage of higher density and apartment type development is having a direct negative impact on the sale and rental markets. Based on 'demand side' criteria, the State should be providing for or facilitating the provision of 45,000-50,000 housing units per annum for the next five years, in anticipation of a population growth of 1.25% per annum in order to bring supply into line with demand. The composition of the required housing includes public sector housing, social and affordable, as well as private housing, student accommodation and housing for older persons. Of the 45,000-50,000 new residential units required per annum, 30,000 of these should be in Dublin, 18,000 of these should be apartments or other high density unit types.

The matching of future demand with residential supply will require mixed-type developments. Houses will be required in many locations; apartments will also need to be built alongside houses in many locations, increasing densities; and as Ireland's cities and large towns continue to grow high density homes will need to be built along transport networks and on re-cycled brownfield sites. The location of the State's towns and their proximity to each other is an important factor in forecasting 'hot' growth spots for housing requirements. In many cases Government policy is not recognising the significance of these areas. Many policy makers are convinced current strategies being implemented are having the desired affect in adequately boosting supply, while those closest to construction activity know this is not the case and unless drastic measures are taken there will only be limited increases over the coming years and the situation will worsen.



03

Obstacles to a Healthy Housing Market



03 Obstacles to a Healthy Housing Market

Chapter 2 of this report sets out baseline information regarding the demographic profile and Ireland's projected falling headship rate that will align closer with the European average and thus place additional demand for smaller housing units. Having also determined the planning requirements and market demand for housing, this chapter shall now identify the primary obstacles that we currently face in seeking to provide a healthy housing market.

3.1 Lack of Available Development Land

It has been found that there is a lack of availability of sites for house and apartment developments at commercially viable prices limits the scope for supplying this sector in sufficient scale. The quantum of Local Authority Development Plan zoned land does not correlate with serviced land that is available for development. Also, in many cases where land is serviced suitable planning permissions are not in place.

Substantial tracts of lands which are controlled by Government, Government agencies and Local Authorities are lying underutilised with limited prospect for short development based on lack of asset management and planning activity. While Government and Local Authorities can point to the amount of zoned land and the number of units than have planning permissions for housing in place, it is evident from our review that the amount of development activity, especially for higher density development, is still minimal in comparison to that required in order to have a properly functioning market. It seems it will only be as the crisis worsens that the extent of the shortage of appropriate development becomes apparent. Much of these limitations are as a result of lack of viability.

3.2 Viability and Funding

Apartments cost 40% more to build than a conventional semi-detached house, as confirmed by the detailed research report by the Society of Chartered Surveyors in October 2017. The real costs of new apartment delivery is burdened by excessive expenditure with such items as North-South-facing design obligations, expensive basement carparking, excessive lift-core provisions, more and bigger balconies. Development funding is only available if projects can pass viability tests and have planning consent. Financing costs rise once planning and development delays occur, which has the potential to wipe out any profits.

The economic model does not necessarily match planning requirements – i.e. cost of construction for apartments v. sale price. While there needs to be tight controls on lending into the property sector, builders are finding it difficult to access finance at reasonable rates, which is stifling activity.

3.3 Planning & Statutory Processes

Uncertainty and delays in the planning process are major issues for developers, funders and investors. Planning regulations, delays, refusals and appeals are all adding to delivery time and costs of apartment and housing schemes and development uncertainty. The uncertainty regarding the timing and probability of securing favourable planning permissions has been flagged by some parties looking at investing in Ireland as a significant risk factor.



Slowness by Irish Water in facilitating new residential developments is also slowing up supply and adding to costs. Delays in post-planning and pre-development stages, i.e. the disposal of planning compliances and connection to services, taking in charge of schemes, are often preventing the commencement of development and are also a factor in difficulties in obtaining development finance.

Government policy and the planning regulations do not meet the requirements of the smaller 1 and 2 person households now prevalent in Irish society and across Europe. These regulations force developers to only be able to build very large apartments in cities, which increases the development costs, is an inefficient use of land and increases the end unit prices because of the size. There is a lack of accountability in the planning process with inconsistencies and personal subjective opinions getting in the way of proper plan-led development. There is a need to comply with contradicting Development Plan requirements – e.g. car parking, open space, separation distances, SUDS and height restrictions.

Development contributions are also a factor in the viability of developments. Development Contributions of approximately €8,500 per unit in Dublin (excluding cost of connection to Irish Water). Section 49 Development Contributions can be extreme (for example c. €50,000 per unit in Dun Laoghaire Rathdown area).

3.4 Value Added Tax on New Homes

VAT allows the Government to tax home purchasers based on how much they consume / spend rather than how much they add to the economy (e.g. income tax). VAT on new homes, which is currently added at a rate of 13.5%. Misguidedly the Government have convinced the public that a reduction in VAT would have no impact on their accessibility to and the cost of housing. Wrongly VAT has been described as being something that is for the benefit of the builders. The Government VAT take of €35,000 – €60,000 on two bedroom apartments is excessive and is an impediment to development, impacting viability, adding a cost which is a cost payable by purchasers, being part of the purchase price. There is no VAT on new homes in the UK, which is widely recognised as encouraging development. Where the margins for making a return on development are nil or very low, the imposition of VAT on the end sale price means that the Government effectively impedes the opportunity for the builder to deliver housing.

3.5 Lack of Incentives for Development

Apartment development has the potential to supply large quantities of homes but it is a high risk business undertaking with a number of variable factors affecting success. Bridging the gap between the costs and returns in property development is recognised internationally as challenging. In order to promote development of much needed housing, in many cities local and national governments provide incentives to developers to stimulate supply, knowing that in doing so there are wider economic and societal benefits. Incentives can take many forms and they have been very effective in the past at increasing supply, including the regeneration of much of Dublin City Centre and the provision of large amounts of the current rental stock. Incentives were effective until politically driven policies spread them to areas that they were not appropriate or supported by end-use demand, which fuelled speculation.

In the current environment, office, hotel and student accommodation are being favoured in city centre sites. However it is still an uncertain environment for residential investment. Uncertainty created by multiple changes in the Government policy and legislation over a long number of years regarding the treatment of investors and residential investments is impacting on the supply of rental accommodation. A large cohort of individual investors are leaving the market and selling their investments. The uncertainty also impacts investment decisions for potential new investors in residential accommodation.







04

Recommendations & Solutions



04 Recommendations & Solutions

This evidence-based research report has found that Ireland's increasing population, coupled with anticipated falling headship rates that will align more closely with the European average, will place a significantly greater demand for housing that has been predicted in the Government's National Planning Framework. In this regard, an average requirement for 45,000-50,000 housing units will be required annually in order to meet the demand, including the existing pent-up demand, for housing across Ireland. This is almost double that provided for under the Government's 'Rebuilding Ireland' programme. The majority of this demand must be for smaller housing units to cater for a reducing headship rate. The best means of achieving this is through the support of higher density developments within urban areas with particular support for the Dublin area.

In light of the key findings within this report and the identified obstacles to achieving a healthy housing market, this research report proposes the following recommendations and solutions that should be investigated further and implemented by the relevant statutory bodies.

4.1 Planning Initiatives

1. A comprehensive re-draft of the National Planning Framework **lifting the 25% ceiling** (of total State population growth) as proposed for Dublin – commensurate with its 2011-2016 contribution of 42.62% of this growth.
2. Present planning regulations for residential development in Dublin are not fit for purpose and there is a need for a more pro-development, **flexible mindset and an appreciation of commercial reality**.
3. Permit **higher density development** with provision for much taller buildings in suitable urban locations in order to achieve better scale economies and to maximise one of our scarcest resources, which is land.
4. Local Authority **Development Contributions** should be reduced in line with the ratio of the footage of one residential space-unit to one office/factory space: in practice the charge should be one-third or a quarter of the commercial rate.
5. Review of the **Sustainable Urban Housing Design Standards for New Apartments**, Guidelines for Planning Authorities (under Section 28 of the Planning and Development Act, 2000 as amended).
6. A **consolidated professional approach** to planning, which is multidisciplinary across all of the necessary skills and disciplines within the planning and development industry that will facilitate higher quality developments and consistent approaches to planning.
7. Need for a single **Metropolitan Planning Authority** for the four Dublin Local Authorities that will be able to provide a coordinated and consistent approach to both forward planning and also development management within the Dublin area.
8. Extend the **Strategic Housing Development (SHD)** fast track planning system beyond December 2021 (assuming it will be extended from 2019-2021). This will add to certainty over timelines for planning applications and potentially a more consistent approach with planning decisions as the same people (i.e. a dedicated SHD team within An Bord Pleanála) will be making the decisions.
9. Planning policy should be geared towards **densification of the suburbs** around Dublin and other urban areas. High density development cannot be restricted to Dublin City Centre.



10. Adjust existing **planning regulations** to assist viability and provision of medium and high-density apartment construction including a reduction in requirements for car parking, lift cores, north-south orientations and also a reduction in Local Authority charges and levies.
11. There is a need to amend the Planning and Development Act to provide a statutory process and timeline for Planning Authorities to process and dispose of **planning compliances** in order to speed up the post-planning and pre-development stage.
12. Increase the **Local Infrastructure Activation Fund (LIHAF)** to kick-start more development sites within the Dublin area. The present fund of €226 million for strategic infrastructure is set across 24 projects in 15 Local Authority areas and further infrastructural investment is required on other sites in Dublin and surrounding area that currently can't be developed due to significant infrastructural constraints such as roads and water/waste water supply.
13. Industrial lands that are on transport infrastructure to be repurposed for **higher density** residential development.
14. To provide for a **Planning Regulator** with the appropriate powers as originally envisaged by the Final Report of the Mahon Tribunal as opposed to the more advisory role that is currently being enacted. This will provide for improved oversight of the planning process.
15. Permit a **further Extension of Duration of permissions** for development schemes that have already commenced development in order to prevent undue delays caused by developers having to apply again for planning permission to complete a development.
16. Support housing development on **agricultural lands along public transport corridors** in Dublin (e.g. lands adjacent to transport nodes) as critical mass of people will support improved public transport services.
17. Urgent need to provide the necessary **resources**, especially qualified and skilled staff in the planning process.
18. Modernise the planning system via **improved IT facilities** that would facilitate increased use of online planning applications (it is noted that this is a key priority of the Department of Housing, Planning, Community and Local Government).

4.2 Market Initiatives

1. Future sustainable residential development needs the **twin 'engines' of supply** of both houses and apartments to be working to the full.
2. Demand pressures on the **affordability of housing** are dependent on increased supply, with the solution to rising prices being the provision of adequate new housing across all sectors to meet demand not just focusing on one housing type (e.g. student accommodation).
3. Initiate an **emergency three year plan** to facilitate the construction of up to 45,000-50,000 new homes per annum, thereafter predominantly being apartments/high density housing, to help address the current imbalance between houses and apartments in the sale and rental markets.
4. Radical **fiscal measures** are needed including the suspension of VAT on apartment construction (or reduction to 5%) and other targeted incentives for a 3-5 year period in city and suburban locations which are close to transport networks and employment centres. The Government may have to apply to the European Commission to allow for reduced VAT for emergency reasons, illustrating that it is benefiting the final consumer and that it is being done on a temporary basis for social reasons. The wider societal benefits and construction industry activity will far outweigh the immediate perceived loss to the Exchequer by removing VAT. The alternative is very limited supply, as is currently the case, and very limited tax take.



5. Site costs could be moderated by the **release of large tracts of land** which are presently under the control of the Government, government agencies and Local Authorities in order to facilitate mixed tenure and unit type residential developments on a large scale.
6. State controlled lands to be brought to the market through relatively straight-forward mechanisms to allow for timely delivery of housing.
7. The **Build to Rent model** should be strengthened by the introduction of significant fiscal and planning measures to stimulate development of Built to Rent schemes in locations where development viability is an issue. This can include various initiatives such as co-living and shared amenities.
8. To assist in boosting supply, encourage large scale investment in residential property by maintaining certainty with regard to treatment of investors – **taxation and tenancy legislation**.
9. Exempt **rental income** from income tax for a number of years to incentivise investment / supply.
10. Reduce the cost of funding for builders/developers by allowing a **double tax credit** for interest payments.
11. It is recommended that **Local Authorities** should become actively involved in **Land Use Management** of their own lands, that would provide for the necessary services in line with an approved masterplan or framework plan.



