DELIVERING ON HOUSING IN IRELAND

A European policy perspective

A REPORT COMMISSIONED BY
BARRY ANDREWS, MEP

renew europe.

Research conducted by

HOUSING EUROPE OBSERVATORY

Table of Contents

List of Figures

List of Tables

List of Images

About the authors

HOUSING EUROPE IS THE EUROPEAN FEDERATION OF PUBLIC, COOPERATIVE AND SOCIAL HOUSING. ESTABLISHED IN 1988, IT IS A NETWORK OF 43 NATIONAL AND REGIONAL FEDERATIONS AND 9 PARTNER ORGANISATIONS, WHICH TOGETHER GATHER OVER 43,000 PUBLIC, SOCIAL AND COOPERATIVE HOUSING PROVIDERS IN 25 COUNTRIES. **ALTOGETHER THEY MANAGE OVER 25 MILLION HOMES, ABOUT 11% OF EXISTING DWELLINGS IN THE EU.** SOCIAL, PUBLIC AND COOPERATIVE HOUSING PROVIDERS HAVE A VISION OF A EUROPE WHICH PROVIDES ACCESS TO DECENT AND AFFORDABLE HOUSING FOR ALL IN COMMUNITIES WHICH ARE SOCIALLY, ECONOMICALLY AND ENVIRONMENTALLY SUSTAINABLE AND WHERE EVERYONE IS ENABLED TO REACH THEIR FULL POTENTIAL.

www.housingeurope.eu

@HousingEurope

This briefing was prepared by:

Dara Turnbull, Research Coordinator at Housing Europe

With the support of:

Alice Pittini, Research Director at Housing Europe
Sorcha Edwards, Secretary General at Housing Europe
Diana Yordanova, Communications Director at Housing Europe

On behalf of the **Renew Europe** European Parliamentary Group

Photo credit: *Co-operative Housing Ireland (CHI)*

Submitted: May, 2023
Published: July, 2023

FOREWORD – Renew Europe

It is my pleasure to present to you '*Delivering on Housing in Ireland: A European Policy Perspective*', a report that I have commissioned to answer the following questions:

- *How does Ireland compare with our European neighbours when it comes to our performance in housing?*
- *What can we learn from Europe about how to better meet housing needs in Ireland?*

'Housing for All' is Ireland's most ambitious housing policy ever, aiming to increase the supply of new homes to an average minimum of 33,000 per year to 2030. Its overarching aim is that:

> *"Everyone in the State should have access to a home to purchase or to rent at an affordable price, built to a high standard and in the right place, offering a high quality of life".*

Achieving this goal will involve:

- *Supporting homeownership and increasing affordability;*
- *Eradicating homelessness;*
- *Increasing social housing delivery;*
- *Supporting social inclusion;*
- *Increasing overall housing supply;*
- *Addressing vacancy and efficient use of existing housing stock.*

In addition to new builds, the strategy includes measures such as, among other things; clamping down on short-term letting; grants of up to €70,000 for the refurbishment of vacant and derelict properties (the Croí Cónaithe scheme); grants of up to €84,000 for individuals willing to move to Ireland's islands ('Our Living Islands' scheme); and increases in social supports such as the housing assistance payment rate.

While many targets have been achieved, and some have even been exceeded (as in the case of overall housing delivery in 2022), as with every policy intervention, there are inevitable stumbling blocks. My goal for commissioning this paper is to explore how to reinforce and complement 'Housing for All', taking inspiration from Europe.

In my view, there are three main strengths to this report.

The first is that it helps us to better understand the dynamic and multi-faceted nature of housing need in Ireland. Indeed, there is little consensus around the real level of housing need, due to an absence of common methodologies. Establishing a common, credible housing needs assessment should be the first port of call.

Of note is the fact that many young Irish people are moving out of the family home later - they may have a place to live, but are not having their true housing needs met. On the flipside, isolation among older communities is common due to the high proportion of under-occupied homes. Many people living in the Greater Dublin Area and commuting to the centre, again, may technically have a place to live, but insufficient public transport options come with lifestyle costs. Similarly, those living in homes with poor energy ratings face high bills. Can we say that their housing needs are met?

By looking into what 'housing need' really means, it becomes clear that a variety of indirect policy interventions could have a real impact on meeting our targets. This requires the government to engage in more joined up whole-of-government, as well as Europe-wide, policy making. These include, among others, investment in public infrastructure, increasing the energy efficiency of homes, and schemes to meet the lifestyle needs of particular social groups, particularly young and older people. In recent years, the need for a 'whole of government' approach has become particularly apparent when it comes to housing refugees and asylum seekers.

This paper's second main strength is that identifies 11 core challenges the Irish housing sector faces, which create barriers to progress. As section 2 makes clear, some of these problems are specific to Ireland, others are not.

Ireland faces similar headwinds as other EU and non-EU countries, including: rising interest rates (impacting access to finance); inflation (affecting construction industry inputs; labour market shortages; and pressures associated with responding to Russia's invasion of Ukraine.

However, in some instances, it is only through taking a broader perspective - by comparing with our neighbours in Europe - that we understand that things could be done differently, that other options are on the table.

Take, for example, our reliance on the private sector for delivering new builds and renovations. The logic here is that relying too much on public investment would infringe on EU fiscal rules on public spending. But many of our neighbours in the EU have figured out ways of working around these rules, so as not to exacerbate public debt. As interest rates continue to rise, and returns on investment look less attractive, it will be necessary to explore different methods of leveraging finance.

A related core problem is that there is a lack of diversity in funding to provide social and affordable housing. This is where the European Union becomes a highly relevant actor. Although housing is not an exclusive competence of the EU, there are many sources of funding that are currently underutilised, when compared with other Member States. As section 3 outlines, these include Horizon Europe, the European Social Fund Plus, the European Investment Bank and the Just Transition Fund. The Irish Government could consider a strategy for better leveraging EU supports for the purposes of housing.

Finally, the third main strength of this paper is that it provides concrete examples of measures taken in other European countries to tackle similar issues. This section makes for fascinating reading, presenting 19 different policy interventions from 12 nations (Finland, Denmark, Sweden, Austria, France, Spain, the Netherlands, Estonia, England, Scotland, Wales, and Belgium).

France's 'Livret A' system is particularly noteworthy, which makes smart use of private savings for investment in housing and other social services. Given the high private savings rates in Ireland, this would be an innovative means of freeing up capital for investment, while having no impact on public debt.

Another notable example is the decision of the Scottish and Welsh governments to end the 'Right to Buy', which has not only increased the social housing stock, but has had a dampening effect on house prices. The Danish and Dutch approaches to meeting the housing needs of the youth and older people are model examples of how to address housing need.

There are multiple examples of how our counterparts are tackling vacancy and making better use of Approved Housing Bodies. No doubt, we have a lot to learn from our neighbours.

It is my hope that this will spark exchanges between policy makers and researchers in Ireland and across Europe. Although the EU is limited in its capacity to intervene in housing policy, the European Union provides an unrivalled forum for cooperation and best-practice sharing. As Ireland looks towards its Presidency of the Council of the European Union in 2026, these exchanges must start now, and I can think of no more appropriate topic for these exchanges than housing.

I would like to extend my deepest gratitude to Housing Europe for the tireless work carried out on this impressive piece of research. I would also like to thank the Department of Housing and Minister Darragh O'Brien for their inputs and collaboration.

Barry Andrews,
Member of the European Parliament for Dublin

FOREWORD – Housing Europe

As has been noted by the European Commission, Ireland is currently experiencing "persistent shortfalls in housing", which has led to "[w]orsening housing affordability"[1]. However, as Housing Europe, we know that the housing challenges being experienced in Ireland are, regrettably, not an isolated case. Prevalent issues include housing scarcity, leading to increased rates of homelessness and housing exclusion, as well as concerns regarding quality, and affordability.

While these challenges are in some ways due to locally-specific factors, we also know from the conversations with our network that there are larger, cross-border forces at play. For example, in a period of low central bank interest rates, housing became the investment of choice for a greater number of large private investors[2]. We see that when it comes to investments in the existing housing stock, this can put upward pressure on prices, to the detriment of ordinary households. Other challenges that demand that we look outside our own local or national housing 'bubble' have been the increased competition for construction products, as well as the skilled workers that are needed to both build new housing and upgrade the existing housing stock; including tackling vacant housing. More recently, Russia's war of aggression in Ukraine has seen policymakers forced to rethink their housing plans in order to welcome refugees.

While the housing challenges that a country like Ireland can face can be international, so too can the solutions. Indeed, one of the main missions of Housing Europe is to promote the transfer of knowledge across borders, in order to ensure that emerging best practices can be adapted or replicated to help countries to meet common challenges.

This fits within our on-going partnership with the United Nations on the #Housing2030 initiative[3], which aims to offer clear an concrete solutions based on tried and tested housing policy actions. This report for Renew Europe fits well within that ethos; acknowledging what has gone wrong, but primarily concentrating on what can be done to set things right.

On behalf of Housing Europe, I would like to thank Renew for their collaboration on this report, and express my hope that we can continue to work together to promote our core objective of promoting access to decent and affordable housing for all.

Sorcha Edwards,
Secretary General of Housing Europe – The European Federation of Public, Cooperative, and Social Housing

---

[1] European Commission. (2022). European Semester: Country Report - Ireland 2022.
https://commission.europa.eu/system/files/2022-06/2022-european-semester-country-report-ireland_en.pdf

[2] See : Gabor, D. and Kohl, S. (2022). My Home is and Asset Class. Brussels: Greens/EFA European Parliamentary Group.
https://www.greens-efa.eu/en/article/document/my-home-is-an-asset-class

[3] See : https://www.housing2030.org/

Executive Summary

Context and research rational

Ireland faces many challenges in the area of housing. These challenges encompass several aspects such as the inability of the supply of housing to meet the growing demand driven by demographic factors. Additionally, the affordability of available homes poses a significant issue for many average households, consequently leading to problems like homelessness and housing exclusion. Moreover, there are concerns regarding the overall quality of the national housing stock, particularly given the recent substantial rise in the cost of living and Ireland's commitment to achieving ambitious climate objectives.

However, **Ireland is not alone in facing challenges with regard to housing; these issues extend across Europe. Therefore, it is essential to contextualise the Irish housing situation within a broader European perspective.** One effective approach is to compare Ireland and, whenever possible, Dublin with peer countries and cities in Europe using various Key Performance Indicators (KPIs). In this research, Austria, Denmark, and the Netherlands have been selected as "peer countries". Adopting this peer comparison methodology allows individual countries to broaden their horizons beyond their immediate context. This serves two primary purposes: first, identifying common problems that suggest potential benefits from European cooperation on housing issues, and second, pinpointing successful housing policies implemented in other countries that can be adapted and applied elsewhere. **By exploring best practices and collaborative opportunities, Ireland can strive for improved housing outcomes while learning from the experiences of comparable European nations.**

The briefing is based on four main strands:

1) A brief overview of the current housing situation in Ireland and Dublin, focusing in on the key issues of supply, unmet needs, affordability, and performance;
2) Placing the situation in Ireland and Dublin within a broader European context, by way of comparing them to a host of comparator countries and cities; namely Austria, Denmark, and the Netherlands, and their respective capitals
3) A brief overview of the EU dimension in housing – *funding packages, relevant legislation, and measures to tackle housing exclusion*
4) Looking at different policy tools that have been shown to be effective in other EU member states, and which could contribute to improving housing outcomes in Ireland

Taken together, these four strands should help to provide some inspiration to policymakers and other relevant housing stakeholders in Ireland, and elsewhere in the EU, to reimagine their current approach to housing.

Having said that, housing systems are highly complex. While this report can offer many useful insights and recommendations, in the interest of ensuring that it remains accessible for a broad audience, the authors have endeavoured to be as clear and concise in their review as possible. As such, not all topics that contribute to the overall housing 'ecosystem' in Ireland are discussed.

Summary of the main findings

A number of key findings emerge from this research.

Findings on the current housing situation in Ireland

- The Irish Government's target for the 2017-2021 period of building an average of 25,000 new homes each year was missed. Indeed, only 18,884 new homes were completed on average, or 76% of what had been committed to.

- When it came to the delivery of newbuild social housing units, the final total for the period 2017-2021 was 17% above what had been expected. However, this does not take into consideration the many social homes developed under turnkey arrangements, which further highlight the importance of the social sector in meet housing delivery targets.
- Investment in new housing developments, such as Build-to-Rent (BTR), have been an attractive proposition in the absence of better returns from more 'traditional' investment vehicles like government bonds. However, in a climate of a return to more normal interest rate conditions, such housing developments may become less attractive for investors. Indeed, the spread between the annual return on BTR schemes in Dublin and 10-year Irish government bonds has narrowed considerably in 2023.
- Estimates of the annual need for new housing completions do not adequately factor in the existing unmet need for homes, which in turn means that such estimates are too conservative. In the period 2011-2022, while 345,000 additional homes were required, only 163,281 were completed. As a result, the approximate shortfall at the end of the period was approximately 182,000 units.
    - Based on the forecasts included in Housing for All, by 2030 there will still be a cumulative shortfall in new dwelling completions of around 165,000 units.
    - Official estimates showed a need for 61,376 new homes in Dublin in the 2017-2022 period, while only 42,066 were delivered; meaning that there was an almost 20,000 shortfall in the delivery of new homes in the Capital.
- Undersupply in Dublin can see households 'shift' their demand to a substitute. Indeed, according to Census data from the CSO, between 1986 and 2022, the population of 'Greater Dublin' (Kildare, Meath, and Wicklow) grew by 98%, versus growth of only 42% in Dublin.
- For a country to effectively meet its housing requirement, not all of the unmet need has to be tackled by newbuild homes. Indeed, from an environmental point of view, the amount of embedded carbon associated with the typical construction project is such that if the unmet need is only met via new homes, meeting climate objectives will be extremely challenging, if not impossible.
- Official data show that there were 11,632 people presenting to public authorities as homeless at the end of 2022. Of these, 8,190 were adults and 3,442 were children. 72% of those presenting as homeless are based in Dublin.
- In 2022, our estimates are that servicing the average new mortgage would have taken up close to one-third of the average young couple's disposable income in Dublin.
    - Renting even a modestly sized (1 to 2 bed) dwelling in the Capital would take almost 30% of the take-home pay of an average 'young' couple.
- The BER rating of domestic buildings in Ireland has been gradually improving in recent years. While almost no homes were achieving the best 'A' grade in 2009, around one in four homes assessed met this standard in 2022. However, many homes are still achieving very low BERs. Indeed, the CSO estimates that 46% of the national housing stock has a 'D' rating or below.
- 26.6% of low-income households went without heat at some point in 2022, only 6.6% of middle-to-upper-income households had the same experience; a 20 percentage point difference.

Findings on comparison with peer countries and cities in Austria, Denmark, and the Netherlands

- Young Irish people stay living in the family home for longer than their peers, with the average age at which an Irish person moves out now estimated to be 28.4 years, versus just 21.3 years in Denmark. In addition, the share of young Irish people living at home is significantly higher than in the peer countries.
- The presence of a larger social or affordable housing stock actually benefits everyone in society, not just those who directly benefit from it. This is primarily due to its ability to "dampen" the cost of market housing, but also as a result of increasing household disposable income and tax revenues.

- Social housing in the peer countries has largely been a build-and-retain model, allowing older parts of the stock to finance new development. In contrast, Ireland has privatised a significant part of its publicly funded housing (around two-thirds), leading to both a lack of availability and lost potential for greater financial self-reliance within the social housing sector
- Ireland does, though, compare somewhat favourably to the peer countries in terms of average spending on housing related welfare (e.g., programmes like HAP)
- Irish people tend to live in houses with more people (2.6 on average) than their European counterparts, where the average is approximately 2.2. However, the trend in Ireland has been downwards, having been at 3.3 people in 1994. There is some reason to suspect that the lack of housing is artificially boosting the average household size in Ireland.
- Ireland has seen a strong increase in the key household forming age cohort (20-34) since 1990. In contrast, in the three peer countries this cohort is either broadly the same or actually smaller than 30 years ago.
- Ireland has gone from having the lowest life expectancy amongst the four countries, to the highest. A 65 year old woman in Ireland could have expected to live 16.2 additional years in 1986. By 2019, she could have expected to live an additional 22.1 years; a nearly six year increase. This has meaningful implications for housing, as the number of years that someone's housing needs have to be met is higher, meaning more housing is needed.
- Older people in Ireland are significantly more likely to live in housing that is under-occupied. This may mean that the housing stock is not being used in an efficient manner from a maximum occupancy point of view; but also in terms of energy efficiency (i.e., larger homes require more resources to heat).
- When we look at the actual number of new homes that have been constructed in Austria, Denmark, Ireland, and the Netherlands, and their respective capital cities, we see that Ireland went from a relative period of overperformance in the mid-to-late 2000s to a period of relative underperformance in the post-Global Financial Crisis (GFC) period.
- It is true across all countries that households who rent their home pay more than those who own their home with a mortgage, as a percentage of disposable income. For middle-income households, homeownership is slightly more of a financial burden in Ireland than in Austria or the Netherlands. Although, Irish renters spend less of their income on average.
- Data on the subjective assessment of the financial burden associated with housing show that both low- and middle-to-high-income households in Austria, Denmark, and the Netherlands feel that meeting their housing needs presents less of a financial burden than their Irish counterparts. Indeed, even low-income households in the three peer countries all report a lower subjective burden than the middle-to-high-income Irish households.
- We can largely divide countries in Europe into three broad categories. There is a group where greenhouse gas emissions are high and consumption of renewables is low (which includes both Ireland and the Netherlands); a group where greenhouse gas emissions are low and consumption of renewables is high; and a final group where both greenhouse gas emissions and consumption of renewables are low.
- All four countries have managed to reduce CO_2 emissions related to the residential building stock since 2011, though Ireland and the Netherlands still have significant scope for improvement.
- The worst performing nations in terms of CO_2 emissions are also, broadly speaking, the nations with the highest share of people living in under-occupied dwellings. Therefore, particularly in the case of Ireland, the issue of a very large share of people living in homes that are arguably larger than what is required to meet basic needs for space and comfort adds an extra layer of complexity to meeting CO_2 reduction targets.

Findings on the role of the EU in tackling housing challenges

- Housing is not a strict competence of the European Union. This means that unlike areas such as agriculture, competition, employment, or energy, there is no Directorate General (the EU equivalent of a ministry) with responsibility for housing. However, this does not mean that the EU is completely agnostic with regard to housing.

- A number of EU Directives, some of which are currently being revised, create very ambitious targets for Ireland and other member states in terms of improving the quality and sustainability of housing, which may lead to a requirement for greater public investment in the coming years.
- While it is not a "silver bullet", recent moves to increase cooperation by EU member states on the topic of homelessness are welcomed, and show the benefits of cross-border dialogue on these kinds of issues.
- There are a number of EU funding schemes that Ireland could use to develop new social housing, or to increase the quality of the existing housing stock. However, few of these schemes are currently geared towards this in the Irish context, and a number of potentially lucrative schemes remain completely unutilised.
- The EU Fiscal Rules, coupled with a Eurostat decision that places the AHB sector "on-book", may act as a headwind to investment. Recently proposed reforms of the Rules do not seem likely to have much impact on this situation. Thus, expediting the move of AHBs off-book needs to be a priority for policymakers.

Policy considerations and areas for potential reform

Having assessed the current housing system in Ireland, and having made the comparison with the three peer countries, a number of areas where policy reform or new approaches might be required have been identified. These are:

- *The private sector has not been hitting the delivery targets set out in the national housing strategies*
- *Yields on some BTR developments are less enticing than in the past, meaning private investment might be less plentiful than in recent years*
- *There is a lack of diversity in funding to provide social and affordable housing*
- *Local authorities, state agencies and partners, such as AHBs, are not being utilised to their full potential*
- *Social housing financing in Ireland requires constant state supports*
- *There is a lack of agreement on the number of new homes that need to be built, and current estimates do not take into account existing cumulative unmet need for housing*
- *There is a need for better linking infrastructure and investment in other counties to take pressure off the Dublin housing market*
- *Need to take, as much as possible, an environmentally sustainable approach to supply – i.e., maximising the use of existing buildings*
- *There is a lack of housing options specifically for younger households – the 'stuck at home' cohort*
- *Many people in Ireland live in homes that may be too large to meet their basic needs*
- *Many low-income households live in energy poverty – unable to afford to heat homes either periodically or on a regular basis*

In order to address these issues, a total of 19 policy options are outlined. These are based on successful, tried-and-tested policy tools that have been used in other countries in Europe. They could serve as a template for Ireland to learn from and use to develop its own locally-adapted policy approach.

Introduction

Ireland faces many challenges in the area of housing. Indeed, in its most recent review of Ireland, the European Commission stated that:

> "*House and rental prices continue to accelerate due to persistent shortfalls in housing supply…In the short term, the gap between housing supply and demand is expected to remain wide…Worsening housing affordability, rising rents in 2021 and pandemic-induced delays in construction activity have exacerbated the problem. Rent increases and insufficient social and affordable housing are still a concern, and have created the conditions for a high number of homeless people*"[4].

This report aims to look at the housing issues that are currently being experienced in Ireland, with a particular interest in the situation in Dublin, and contribute in a meaningful way to the literature on possible policy measures that could be implemented in order to mitigate some of the most acute challenges being faced; including a lack of supply of homes that are affordable for those on low and middle incomes.

The briefing is based on four main strands:

1) A brief overview of the current housing situation in Ireland and Dublin, focusing in on the key issues of supply, unmet needs, affordability, and performance;
2) Placing the situation in Ireland and Dublin within a broader European context, by way of comparing them to a host of comparator countries and cities; namely Austria, Denmark, and the Netherlands, and their respective capital cities
3) A brief overview of the EU dimension in housing – *funding packages, relevant legislation, and measures to tackle housing exclusion*
4) Looking at different policy tools that have been shown to be effective in other EU member states, and which could contribute to improving housing outcomes in Ireland

Taken together, these four strands should help to provide some inspiration to policymakers and other relevant housing stakeholders in Ireland, and elsewhere in the EU, to reimagine their current approach to housing.

Having said that, housing systems are highly complex. **While this briefing can offer many useful insights and recommendations, in the interest of ensuring that it remains accessible for a broad audience, the authors have endeavoured to be as clear and concise in their review as possible.** As such, not all topics that contribute to the overall housing 'ecosystem' in Ireland are discussed.

That being said, it is important that we realise that in a highly interconnected Europe, the housing challenges that are being faced by one country or region are unlikely to be unique. Issues like unaffordability, lack of supply, housing precarity or exclusion, and housing that is inadequate or inefficient are being experienced right across the continent. **The EU can, and is, playing a role in tackling these issues, but most of the power and onus to act remains with the individual Member States.** In that regard, looking outside our own individual local or national contexts for solutions can be beneficial; saving time by adapting tried-and-tested policy interventions for the benefit of all.

[4] European Commission. (2022). European Semester: Country Report - Ireland 2022. https://commission.europa.eu/system/files/2022-06/2022-european-semester-country-report-ireland_en.pdf

Section 1: The current housing situation in Ireland and Dublin

Housing delivery in Ireland has been inadequate

In 2021, the Irish Government officially launched its new '*Housing for All*' (2021-2030) strategy[5], a comprehensive set of policy initiatives to improve housing outcomes in the country; most notably by targeting an increase in the supply of housing. The strategy is driven by both a recognised sustained period of undersupply of housing, as well as a related sharp increase in both residential house prices and private rents over a number of years. A lack of available social and affordable housing is also a key issue to be tackled. *Housing for All* is itself the successor to the previous '*Rebuilding Ireland*' national housing strategy[6], which began in 2016.

Under both *Housing for All* and *Rebuilding Ireland* the Government set out targets for the construction of new dwellings. Although, under *Rebuilding Ireland* these targets could be accused of having lacked a certain level of detail, with a general overall target to deliver "*25,000 units per annum on average*" over the period 2017-2021. In contrast, and to its credit, *Housing for All* sets more specific targets for each year of the project.

For example, 24,600 newbuild homes were targeted in 2022, which is to be followed by 29,000 in 2023. **The number of newbuilds is anticipated to rise each year out to 2030, when 40,500 new homes are to be delivered.** These specific annual targets allow for greater scrutiny of the national housing strategy throughout its duration than had been possible under the previous *Rebuilding Ireland* strategy. *Housing for All* is also clear when it comes to the important issue of the delivery of new social and affordable housing units.

Table 1: Recent Dwelling Completions in Ireland

	2017	2018	2019	2020	2021	2022
Local Authority	*1014*	*2022*	*2271*	*2230*	*1998*	*2885*
Approved Housing Body	*760*	*1388*	*2175*	*2101*	*2285*	*3140*
Part V	*523*	*824*	*1325*	*733*	*913*	*1403*
Total Social (*Narrow Definition*)	**2297**	**4234**	**5771**	**5064**	**5196**	**7433**
Total Private	**11999**	**13638**	**15355**	**15510**	**15357**	**22389**
Total Completions	**14296**	**17872**	**21126**	**20574**	**20553**	**29822**

Source: Housing Europe estimates, based on CSO, DHCLG

Note: 'Local Authority' and 'Approved Housing Body' does not include "acquisitions" of newly built homes by these housing providers in a given year (i.e., turnkey acquisitions), only direct build. Thus, "Total Social" fits to a narrow and incomplete overview of actual newly built social dwellings. This conforms to the way the "newbuild" data are presented by the DHLGH.

Table 1 shows how many new homes have been built in each year during the Rebuilding Ireland period, and now in the first year of Housing for All, in 2022. **If the target for the 2017-2021 period was to build an average of 25,000 new homes each year, then the target was missed. Indeed, only 18,884 new homes were completed on average**, or 76% of what had been committed to.

However, this does not mean that all housing delivery targets under *Rebuilding Ireland* were missed. Importantly, as shown in Table 2, **when it came to the delivery of newbuild social**

[5] Department of Housing, Local Government, and Heritage (DHLGH). (2021, December 15). Housing for All – A New Housing Plan for Ireland. https://www.gov.ie/en/publication/ef5ec-housing-for-all-a-new-housing-plan-for-ireland/

[6] DHPCLG. (2016). Rebuilding Ireland – Action Plan for Housing and Homelessness (Dublin: Department of Housing, Planning, Community, and Local Government). https://www.rte.ie/documents/news/rebuilding-ireland-action-plan.pdf

housing units, whether they be direct builds by Local Authorities (LAs) or Approved Housing Bodies (AHBs), or as a result of Part V[7]**, the final total for the period 2017-2021 was 17% above what had been outlined.** Thus, the over-delivery by the social housing sector helped to compensate for some of the under-delivery by the private sector.

Table 2: Completions of Social Housing (*Narrow Definition*)

	2017	2018	2019	2020	2021	Total
Forecast newbuild social housing	2,500	2,750	3,750	4,750	5,500	**19,250**
Actual newbuild social housing	2,297	4,234	5,771	5,064	5,196	**22,562**

Source: DHLGH, Housing Europe estimates derived from 'Rebuilding Ireland Action Plan' Graph 10, p.46
Note: The data presented by the DHLGH show that newbuild consists of direct builds by LAs and AHBs, plus Part V. Acquisitions are excluded.

However, this is not the full story. **In practice, many new social housing units are delivered as so-called 'turnkey' developments. These consist of new social homes that are developed on private lands by private developers, but for purchase by LAs and AHBs for use as social housing**[8]**.** Using this turnkey development process has many advantages. These include helping to unlock privately owned lands for use for social housing, as well as helping, in some cases, to expedite the delivery of news homes; such as where planning permission has already been granted, but where the necessary finance is lacking, or by virtue of private actors not being subject to the same time consuming public procurement rules as LAs and AHBs.

Table 3: New Social Housing Delivery (*Build and Acquisition*)

	2017	2018	2019	2020	2021	2022
Local Authority	*1014*	*2022*	*2271*	*2230*	*1998*	*2885*
Approved Housing Body	*760*	*1388*	*2175*	*2101*	*2285*	*3140*
Part V	*523*	*824*	*1325*	*733*	*913*	*1408*
Local Authority - *acquisition*	*1454*	*1533*	*1905*	*833*	*872*	*634*
Approved Housing Body - *acquisition*	*759*	*1077*	*864*	*481*	*390*	*326*
Total Social	**4510**	**6844**	**8540**	**6378**	**6458**	**8398**

Source: DHLGH
Note: 'Acquisition' includes both new build (i.e., turnkey) acquisitions, as well as some purchase of existing dwellings.

However, the data made available from the Department of Housing, Local Government, and Heritage (DHLGH) do not distinguish between turnkey social developments and other "acquisitions" of housing by social providers; including purchases of existing dwellings (e.g., vacant units or mortgage-to-rent schemes[9]). Thus, in terms of assessing the 'true' annual contribution made by social housing providers to new construction, the actual number of newbuild social homes outlined in Table 1 is undoubtedly an understatement of the importance of LAs and AHBs. Indeed, as is shown in Table 3, **if we add also acquisitions of homes, most, but not all, of which are newbuild turnkey acquisitions, then the full importance of social housing providers, when it comes to meeting annual housing completions targets, is clear**[10]**.** The most recent

[7] 'Part V' refers to Part V of the Planning and Development Acts 2000 to 2021, which was amended by the *Affordable Housing Act, 2021*. The purpose of Part V is for the State to capture a portion of the increase in land value resulting from the granting of planning permission for residential development. The current Part V legislation provides for local authorities to acquire 20% of this land at existing use value and to utilise this land to deliver homes to those households who qualify for social and affordable housing support. Up until 2021, the requirement had been for a 10% acquisition.

[8] See: https://www.oireachtas.ie/en/debates/question/2019-07-23/2950/

[9] See : https://www.citizensinformation.ie/en/housing/owning_a_home/mortgage_arrears/mortgage_to_rent_scheme.html

[10] It is important to note that in addition to the social housing delivery channels mentioned in Table 3, government strategy also includes rehabilitation of vacant/derelict housing, as well as leasing agreements. Although, the latter is due to be phased out during the lifetime of the Housing for All strategy.

information available from the DHLGH show that in Q4 2022, LAs and AHBs had over 12,000 newbuild turnkey dwellings that were either recently completed or in the development pipeline[11].

Tables 2 and 3 go a long way to highlighting the extent to which government can use different policy levers to effect change, such as increasing the annual delivery of new housing. Indeed, when it comes to building housing, government policy supports are, rightly, different depending on who is actually expected to be taking the lead on a particular project. **If a government is hoping that private developers will build sufficient quantities of new homes, but it fears that they will not, then it can offer various kinds of incentives, such as tax breaks or other forms of financial assistance, in order to try and get them to increase output.** Indeed, this is one of the strategies of the current Irish Government, for example via its new *Croí Cónaithe (Cities)* scheme[12]. However, this also may lead to the creation of perverse policy outcomes, where the under-delivery by the private sector as a whole is rewarded by ever more enticing government financial supports.

A much more fundamental potential flaw in this approach is that **what the average private housing developer wants (*to maximise their profits*) and what the government wants (*housing to be built in sufficient quantities and offered at affordable prices*) may not be well aligned.** Thus, while a government can offer incentives to private developers to build housing, the private developers are in turn under no obligation to do what the government wants. **This calls into question the soundness of a national housing strategy, which is required in order to significantly reduce a clear unmet need for additional homes, that is largely reliant on the performance of private actors over which the government has no control.**

In this regard, there is another important issue which must be addressed. For many years, the European Central Bank (ECB) and other central banks in Europe have adopted a highly accommodative monetary policy stance. This included keeping interest rates at record low levels for an extended period of time. However, with the return of inflation in 2022, the ECB and its peers began to increase rates. The ECB's deposit rate was increased to 3.25% in May 2023[13], having been at 0.00% as recently as September 2022.

One of the results of higher central bank rates is that yields on government bonds have also been rising. For example, the yield on a one-year German Bund had risen to 3.1% by end-February 2023, having been at -0.6% at the same moment a year earlier[14]. Thus, **while investment in new housing developments had been an attractive proposition in the absence of better returns from more 'traditional' investment vehicles like government bonds, in a climate of a return to more normal interest rate conditions, such housing developments may become less attractive for investors.** Indeed, as shown in Figure 1, and based on data supplied by CBRE Ireland[15], the spread on the yield that an investor can expect on a Build-to-Rent (BTR) apartment scheme in Dublin has declined significantly versus the comparative yield on a 10-year Irish Government Bond in recent months; to close to just 100 basis points. In short, the closer the lines in Figure 1 get to 0, the less private investment we might expect to see entering the BTR sector in Ireland.

[11] DHLGH. (2022). Social Housing Construction Projects - Status Report Q42022. https://www.gov.ie/en/publication/14f82-social-housing-construction-projects-status-report-q4-2022/

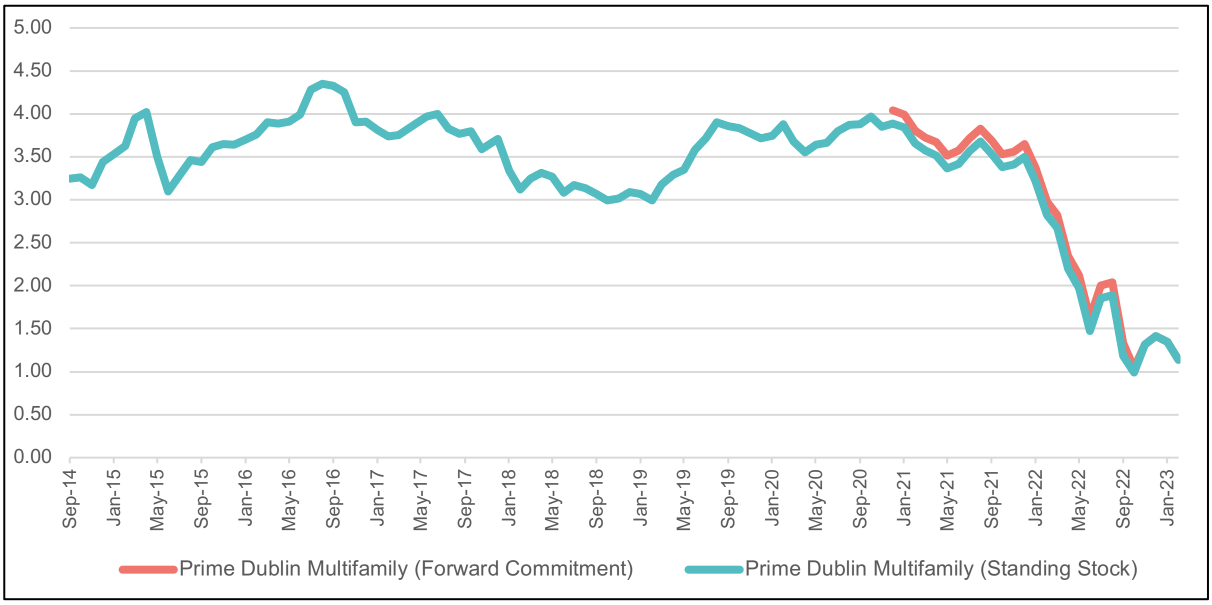
[12] *Croí Cónaithe (Cities)* is a scheme to fund the building of apartments for sale to owner occupiers, by bridging the so-called "Viability Gap" between the cost of building apartments and the market sale price. An overall maximum level of support of €120,000 per unit applies.

[13] European Central Bank. (2023). Key ECB interest rates. Accessed on 30th May, 2023 https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html

[14] MarketWatch. (2023). German Government Bonds. Accessed on 1st April, 2023 https://www.marketwatch.com/investing/bond/tmbmkde-10y?countrycode=BX

[15] See: https://www.cbre.ie/

Figure 1: The percentage point spread between Dublin prime multi-family residential investment and Irish 10-year Govt. Bond



Source: Housing Europe calculations, based on CBRE, OECD

This may already be being reflected in the sentiment of those involved in construction in Ireland. **The recent 'Irish Investment Survey', conducted by the European Investment Bank (EIB), showed that a strong majority of Irish construction firms expect a worsening in access to external finance over the coming 12 months**[16]. By way of comparison, other sectors of the economy saw little or no expected tightening in access to the external finance. Therefore, there are definite headwinds facing private developers that the Government needs to be aware of, and for which it should already be preparing contingencies; including stepping up its own direct intervention in the housing sector.

Indeed, **if a government wants the state itself to take a more active role in house building, then it can exert significantly more influence in terms of directing the public sector towards this desired outcome.** In the Irish case, public agencies like the Housing Finance Agency, the Land Development Agency, and the various Local Authorities can all be supported, or even obligated, to deliver additional homes. While not publicly owned, Ireland's Approved Housing Bodies (AHBs) also play an increasingly important role in facilitating the achievement of the Government's affordable housing objectives (see Table 1). Perhaps cognisant of a potential slowdown in new construction, the Irish Government announced new funding measures in April 2023 to provide €750 million via the Land Development Agency and other providers as part of an initiative to complete 4,000 to 6,000 additional cost-rental apartments[17].

Overall then, **if a government's overall ambition is to deliver homes in sufficient quantities, it needs to look at the different policy leavers it can pull in order to achieve this, and try to focus resources where there is the highest probability of generating a return on its time and investment.** LAs, public agencies and, to a slightly lesser extent, AHBs are all directly within the public sphere of control and influence. Private for-profit companies are not. While both groups clearly have crucial roles to play in the achievement of better housing outcomes in both Ireland and the rest of the EU, housing strategies need to be realistic in terms of which role each can be expected to play.

[16] European Investment Bank. (2023). EIB Investment Survey 2022 – Ireland Overview. https://www.eib.org/attachments/publications/20220266_econ_eibis_2022_ireland_en.pdf

[17] Dept. of the Taoiseach (2023, April 25). Cabinet agrees extra measures to get more homes built more quickly. https://www.gov.ie/en/press-release/64131-cabinet-agrees-extra-measures-to-get-more-homes-built-more-quickly/

Key takeaways from the assessment of the current delivery of newbuild housing
• The overall housing system has missed its targets for the delivery of new housing in recent years. However, the social housing sector has actually outperformed versus forecasts. When turnkey developments are taken into consideration, we see the importance of LAs and AHBs to meeting delivery targets • Government policies to entice private developers to build new housing need to be carefully considered, especially if the overall success of the national housing plan is strongly predicated on the successful uptake of such enticements • Changing interest rate dynamics may lead to lower investment into market housing segments, such as BTR. Government should already be weighing up contingency plans to support the housing sector if this happens
Issue to be considered by policymakers
• The private sector has not been hitting the delivery targets set out in the national housing strategies • Yields on some BTR developments are less enticing than in the past, meaning private investment might be less plentiful than in recent years

Many households are not having their needs met

With regard to the aforementioned "unmet need" for homes, by this it is meant the difference between the number of available homes in a country, and the number of homes that are needed in order to ensure that the housing needs of the population are being adequately met. In order to asses this unmet need one obvious approach is to look at the difference over a period of time between the number of additional homes being made available each year, and how many homes are needed based on the increase in the number of households.

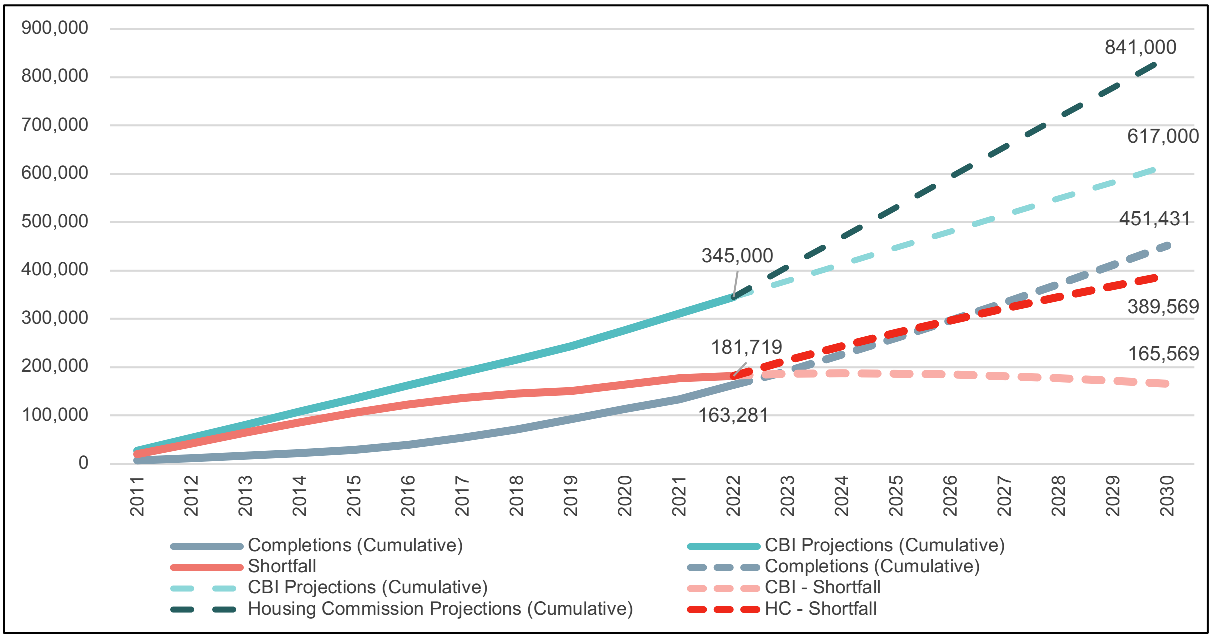
However, there are a number of different estimates in Ireland regarding the demographically driven need for new housing each year. For example, the Central Bank of Ireland (CBI) estimates that around 34,000 new homes are needed each year between now and the end of the decade[18]. At the same time, the Economic and Social Research Institute (ESRI) estimates that the annual need is of the order of 28,000 units[19]. **Although, this is just to keep up with demographic demand, and does not account for the significant 'pent-up' demand that has resulted from many years of not building enough housing.** Another estimate, which also does not account for this pent-up demand, puts the annual need for new dwellings at 49,000 units per year[20]. This is based on the assumption that the size of the average household in Ireland (i.e., the number of people in a household) will decline more than either the CBI or ESRI are anticipating, meaning a requirement for a greater number of homes for the same expected population size.

At the same time, unpublished research prepared for the ongoing Housing Commission[21] suggests that as many as 62,000 additional homes may be required each year to meet demand[22], primarily

[18] Conefrey, T., & Staunton, D. (2019). Population change and housing demand in Ireland. *Central Bank of Ireland Economic Letter*, *14*, 1-16.
[19] ESRI (2020, December 14). Around 28,000 new houses needed per year over the long-term to keep up with population growth (Dublin: The Economic and Social Research Institute). https://www.esri.ie/news/around-28000-new-houses-needed-per-year-over-the-long-term-to-keep-up-with-population-growth
[20] Lyons, R. (2021). Institutional Investment and the Private Rental Sector in Ireland. Dublin: Irish Institutional Property. Accessed at https://irp.cdn-website.com/4065c16c/files/uploaded/Identify%20Consulting%20June%202021%20PRS%20Report%20for%20IIP%20-%20final.pdf
[21] See: https://www.gov.ie/en/campaigns/2ae5e-the-housing-commission/
[22] Horgan-Jones, J., & Burns, S. (2023) Ireland may need up to 62,000 new homes a year, Housing Commission indicates. *The Irish Times*. https://www.irishtimes.com/ireland/housing-planning/2023/01/26/ireland-needs-almost-double-amount-of-new-builds-in-housing-targets-research-finds/

as a result of greater than expected population growth. **The CBI and ESRI forecasts were both developed before the release of the most recent Census results, as well as the war in Ukraine, with around 73,000 Ukrainians having arrived in Ireland by February 2023[23].**

Figure 2: Irish Housing Completions Versus Estimated Need



Source: Housing Europe calculations based on CSO, CBI, and DHCLG

Note: For the period 2011-2019, annual estimated need for new housing 27,000. For 2020-2030, annual estimated need for housing 34,000 (CBI Projections). For 2022-2030, annual estimated need for housing 62,000 (HC Projections). For 2023-2030, 'completions' are based on the objectives set out in 'Housing for All'.

If we take the estimates produced by the CBI of the annual need for additional housing, even if the latest consensus seems to be that they are too conservative in their assessment, and compare this to the actual number of homes completed in the period 2011-2022, then we see that **while 345,000 additional homes were required, only 163,281 were developed. As a result, the approximate shortfall at the end of the period was approximately 182,000 units.**

If we further extend this out, **using the forecast number of annual completions set out in *Housing for All*, then by 2030 there will still be a cumulative shortfall in new dwelling completions of around 165,000 units based on the CBI assessment of needs.** However, if we assume that in the period 2022-2030 a much greater 62,000 homes are required, then the cumulative shortfall rises to 390,000 units. Thus, both the CBI and Housing Commission scenarios suggest that the existing acute pressure on the housing sector in Ireland looks set to remain, at least if the current strategy and targets are maintained. Indeed, in its May 2023 review of Ireland, the European Commission stated that "the initial housing targets set in the 'housing for all' plan of 33 000 new homes per year might need to be revised upward substantially"[24].

If we look specifically at Dublin, assessing the need for housing is a far more complex exercise. This is because when we assess the national need for housing, with the exception of a few people who may cross the Irish border for work, you either live in Ireland or you do not, and there are no available 'substitutes'. However, **when it comes to assessing the need in Dublin specifically, there are possible 'substitutes'; even if they are perhaps not a given households preferred choice.**

[23] CSO. (2023). PPSN Registrations of Arrivals from Ukraine (Cork, Ireland: The Central Statistics Office). Accessed 22nd March https://data.cso.ie/table/UA07

[24] European Commission. (2023). European Semester: Country Report - Ireland 2023. https://commission.europa.eu/system/files/2022-06/2022-european-semester-country-report-ireland_en.pdf

Table 4: Monthly RTB Private Rent, by property type and location (Q2 2022, in €)

	Dublin	Maynooth	- % diff' with Dublin	Naas	- % diff' with Dublin	Ashbourne	- % diff' with Dublin	Navan	- % diff' with Dublin
One bed	1,417	1,124	21	1,087	23	N/A	-	900	36
Two bed	1,914	1,599	16	1,370	28	1,433	25	1,170	39
Three bed	2,171	1,777	18	1,635	25	1,595	27	1,362	37

Source: Residential Tenancies Board (RTB)

In other words, if a household is unable to secure housing in Dublin, they can achieve a similar outcome by looking to a neighbouring county, where prices may be lower. The proximity of these other counties means that accessing employment or education opportunities in Dublin is still possible, though with some possible downsides like longer commutes. This can also encourage urban sprawl, and given Ireland's poor transport network, leads to induced demand for cars, which in turn generates pollution. Indeed, **this urban sprawl dynamic was one of the main issues raised by the Organisation for Economic Cooperation and Development (OECD) in a recent review of Ireland's transport infrastructure**[25]**.** Thus, as well as building more homes in Dublin, commuters from neighbouring counties need better transport infrastructure. Such investments might also help to boost the viability of new housing schemes outside the Capital. Such investments could be part funded through land value capture policies (see Section 4).

Rents in large towns in the 'Greater Dublin Area' can be lower. Thus, **undersupply in Dublin can see households 'shift' their demand to a substitute. According to Census data, between 1986 and 2022, the population of the GDA grew by 98%, versus growth of only 42% in Dublin.** This was even lower than the national average of 44% growth. The strong economic pull of the Capital, twinned with the lack of housing in the county likely played an important role in this.

Despite the clear difficulties in providing county-specific housing needs assessments, some work has still been done on this front, in order to inform the Government's 'Housing Need and Demand Assessment' (HNDA) process[26]. The latest HNDA, which again is heavily caveated by the fact that it was completed before the recent Census results and the war in Ukraine, estimates that **61,000 new homes were required in Dublin in the 2017-2022 period, with an additional 7,850 additional homes required on average each year out to 2030.**

Table 5: Recent Housing Delivery in Dublin

	2017	2,018	2,019	2020	2021	2022	*Total*
Dublin Completions	5,561	6,857	6,938	6,058	6,283	10,369	*42,066*
HNDA Need	9,932	10,186	10,440	10,694	10,473	9,650	*61,376*
Cumulative Shortfall	4,371	7,700	11,202	15,838	20,028	19,310	*19,310*
CBI Need	9,932	10,850	11,800	12,700	12,400	11,450	*69,132*
Cumulative Shortfall	4,371	8,364	13,226	19,868	25,985	27,066	*27,066*
HC Need	9,932	15,750	21,568	27,445	26,796	24,744	*126,235*
Cumulative Shortfall	4,371	13,264	27,894	49,281	69,795	84,169	*84,169*

Source: Housing Europe calculations based on CSO, HNDA, and CBI

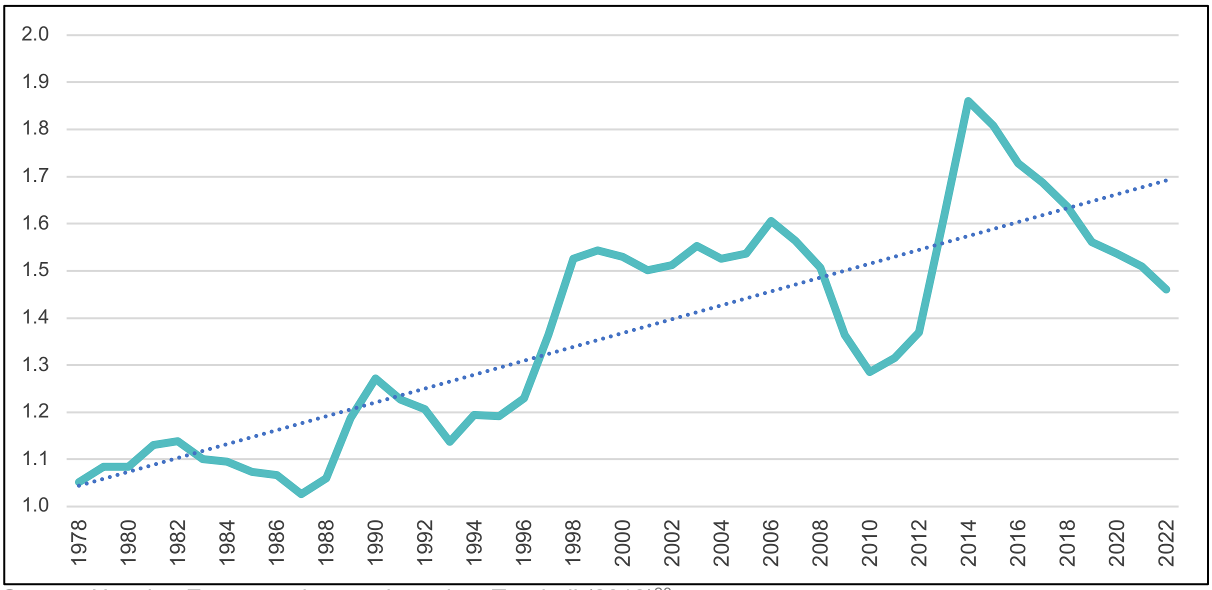
Note: Estimates of annual need in Dublin have been increased versus HDNA to bring them into line with slightly higher CBI-based and Housing Commission-based needs assessments

[25] OECD. (2022). Redesigning Ireland's Transport for Net Zero: Towards Systems that Work for People and the Planet. https://doi.org/10.1787/b798a4c1-en

[26] DHLGH. (2021, October 20). Housing Need and Demand Assessment (HNDA). https://www.gov.ie/en/publication/eaa99-housing-need-and-demand-assessment-hnda/

As shown in Table 5, **while the HNDA showed a need for 61,376 homes during 2017-2022, only 42,066 were delivered; meaning that by the Government's own preferred benchmark, there was an almost 20,000 shortfall in the delivery of new homes in the Capital.** If we take the HNDA estimates, and scale them up, to bring them into line with the higher needs estimates of the CBI and the Housing Commission, then the shortfall over the six year period is potentially as much as 84,000 new homes. Given that according to the *Rebuilding Ireland Action Plan* an over 50,000 shortfall was recorded in Dublin in the 2009-2015 period[27], in the most optimistic case, the current shortfall in housing in Dublin is around 70,000 units. This ignores the number of households who are perhaps living, and having their basic housing needs met, outside Dublin, but who would prefer to live in the county. While this can alleviate some of the pressure on the Dublin market, it can also create issues for people outside the Capital. Indeed, **the ratio of the average property price in Dublin to the rest of the country has been declining in recent years, suggesting that upward pressure on prices has actually been more acute outside the Capital.**

Figure 3: Ratio of average Dublin house price to average ex-Dublin house price



Source: Housing Europe estimates, based on Turnbull (2018)[28]

Of course, **it is important to note that for a country to effectively meet its housing requirements, not all of the unmet need has to be tackled by newbuild homes. Indeed, from an environmental point of view, the amount of embedded carbon associated with the typical construction project is such that if the unmet need is only met via new homes, meeting climate objectives will be extremely challenging, if not impossible[29].** For example, recent research from England shows that if it successfully meets its current objective of building 300,000 new homes each year, then this would use up the entirety of its so-called 'carbon budget' by 2050[30]. Therefore, making sure that the existing stock of housing is being used to its full potential, such as by tackling vacancy, dereliction, and better regulating short-term letting practices, can play an important role.

---

[27] DHPCLG. (2016). Rebuilding Ireland – Action Plan for Housing and Homelessness, p.23 (Dublin: Department of Housing, Planning, Community, and Local Government). https://www.rte.ie/documents/news/rebuilding-ireland-action-plan.pdf

[28] Turnbull, D. (2018). Housing Affordability for Ireland's Young People in the Context of the Cost of Living: A Long-Term Assessment. *NERI Working Paper 2018/No 56* (Dublin: The Nevin Economic Research Institute).

[29] A recent study in Ireland estimated that a typical new three-bed family home had a cradle to grave 353 kg CO2e/m2, with 86% of this coming from just the materials used to build the home, with the reliance on cement being particularly harmful from a CO_2 emission perspective. Only around 5% of life-time emissions were associated with the 'use' of the building (e.g., annual energy needs). https://www.jeremywalsh.ie/wp-content/uploads/2021/04/Embodied-Energy-JWPM.pdf

[30] Ermgassen, S. O., Drewniok, M. P., Bull, J. W., Walker, C. M. C., Mancini, M., Ryan-Collins, J., & Serrenho, A. C. (2022). A home for all within planetary boundaries: Pathways for meeting England's housing needs without transgressing national climate and biodiversity goals. *Ecological Economics*, *201*, 107562. https://doi.org/10.1016/j.ecolecon.2022.107562

In Ireland, according to Census data provided by the Central Statistics Office (CSO), **there are 86,000 dwellings that were vacant in 2016 and which were still vacant in 2022**[31]**.** Meantime, there are currently around 7,500 dwellings in Dublin listed on Airbnb, with roughly half of these listings being for full homes[32].

Another way to think about the unmet need for housing is to consider people who would like to be part of a different household than the one they currently find themselves in, but who are unable to realise this. Arguably the most concrete example of this in the Irish context would be young people still living at home. Table 6 shows that in 2021, **there were approximately 153,000 people in Ireland aged 25-34 still living with their parents, despite being full-time workers. This represents a significant increase when compared to the figure of 52,000 seen in 2013 (+194%).** The average age at which a person manages to leave home is now estimated to be 28.4 years[33]. In contrast, in the early 90s, two-thirds of people in Ireland were already homeowners by the age of 28[34]. Thus, **there appears to be some arrested development for a significant part of Ireland's young adults, as they delay establishing their own independent households.**

Table 6: People in Ireland still living with their parents (Thousands, Aged 25-34)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Full-time worker	70	58	52	65	72	91	110	86	111	124	153
Part-time worker	18	17	20	15	19	22	18	21	18	18	13
Student	18	8	8	13	10	13	8	6	6	14	22
Unemployed	49	55	47	35	35	39	38	24	20	31	32
Other	15	17	11	21	13	14	8	6	15	19	31
TOTAL	**170**	**155**	**138**	**149**	**149**	**179**	**182**	**143**	**170**	**206**	**251**

Source: Housing Europe calculations based on Eurostat

Of course, it could be argued that being aged 25-34 and being a full-time worker does not mean that someone automatically wants to leave the family home. However, **research conducted by the CSO shows that for full-time workers still living with their parents, only 16% said that this was not mostly or partly due to financial reasons (i.e., unable to afford to move out)**[35]**.** At the same time, 94% of the same full-time workers said that they would prefer to move out and live independently. Thus, there are very significant numbers of young people in Ireland who are having their basic housing needs met, but in a way that they are not happy with, primarily as a result of supply and affordability issues.

Finally, those who have the most tangible and acute unmet need for housing are those experiencing homelessness. **Official data show that there were 11,632 people presenting to public authorities as homeless at the end of 2022**[36]**.** Of these, 8,190 were adults and 3,442 were children. 72% of those presenting as homeless were based in Dublin.

[31] CSO. (2022, July 6). Census 2022 and Vacant Dwellings FAQ. https://www.cso.ie/en/census/census2022/census2022andvacantdwellingsfaq/

[32] Of those offering full homes for rent on the platform, the estimated average annual income of such "hosts" is *€14,249* per property. Although, for homes that are occupied for 90+ days a year, the estimated average income is *€55,724*. This shows that offering homes as short-term rentals can crowd out 'traditional' long-term letting. See: http://insideairbnb.com/dublin/

[33] Eurostat. (2022, September 27). Estimated average age of young people leaving the parental household by sex – YTH_DEMO_030. Accessed on 15th March, 2023 https://ec.europa.eu/eurostat/databrowser/product/view/yth_demo_030?lang=en

[34] CSO. (2017). Census of Population 2016 - Profile 1 Housing in Ireland. https://www.cso.ie/en/releasesandpublications/ep/p-cp1hii/cp1hii/tr/

[35] CSO. (2017). Pulse Survey - Life at Home 2021: Renters, Lone Parents and Adults Living Alone or with a Parent. https://www.cso.ie/en/releasesandpublications/fp/fp-pslhrlpla/pulsesurvey-lifeathome2021rentersloneparentsandadultslivingaloneorwithaparent/

[36] The official figures only record those in state emergency homeless accommodation, but discounts those that are in 'own-door' temporary accommodation, domestic violence refuges, asylum seekers, people who are sleeping rough, and the very

Key takeaways from the assessment of the unmet need for housing
• There are various estimates of the need for new construction each year. However, based on preliminary Census results, and the numbers coming from Ukraine, they seem to be too conservative • As also noted by the European Commission, the targets set by Housing for All “might need to be revised upward substantially”. • Those unable to find housing in Dublin may ‘shift’ to the GDA. However, this can also drive car dependency and lead to longer time spent commuting • There are a high number of vacant dwellings in Ireland. In order to meet the need for housing in a way that is more environmentally sustainable, these need to be utilised • Young Irish people are spending more time at home, despite a clear stated preference to move out. This reflects an inability to find adequate or affordable housing • Homelessness figures show the worst impacts of housing issues, especially in Dublin where 72% of registered homeless live
Issue to be considered by policymakers
• There is a lack of agreement on the number of new homes that need to be built, and current estimates do not take into account existing cumulative unmet need for housing • There is a need for better linking infrastructure and investment in other counties to take pressure off the Dublin housing market • Need to take, as much as possible, an environmentally sustainable approach to supply – i.e., maximising the use of existing buildings

Has housing really become less affordable?

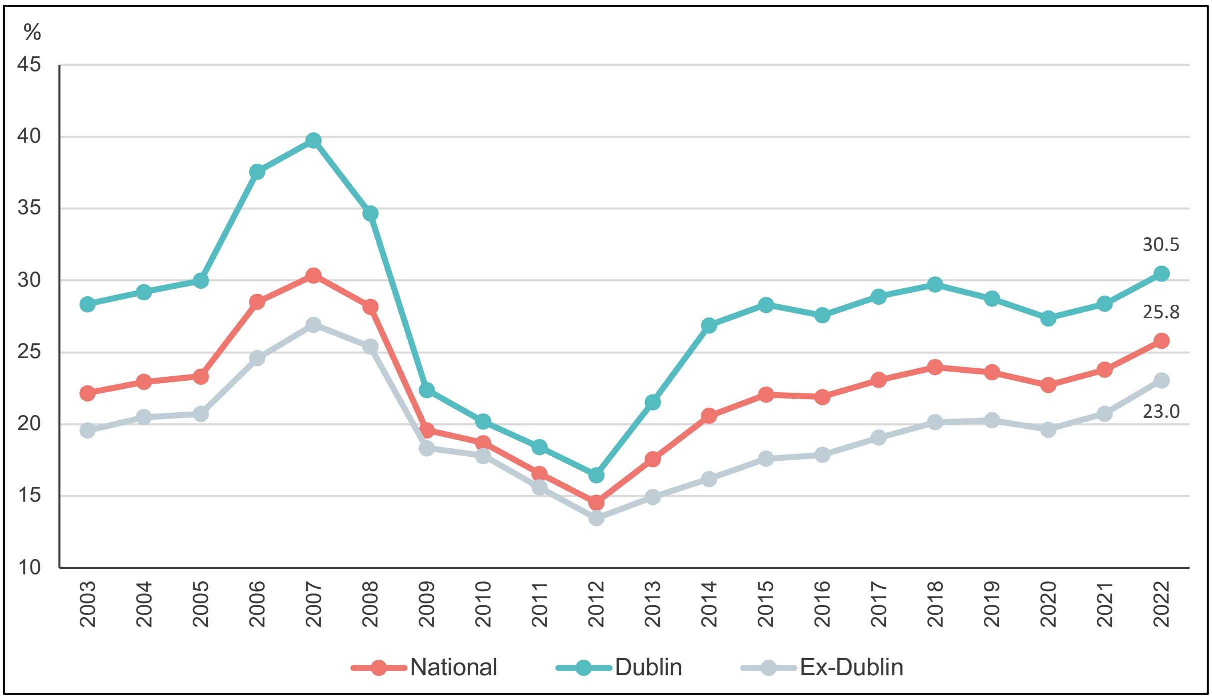
Housing affordability is complex. Not least because there is little agreement amongst housing experts on how to assess whether the amount that someone is paying to meet their housing needs can be considered to be affordable or not. As noted by esteemed housing researchers Geoffrey Meen and Christine Whitehead in their recent book ‘Understanding Affordability’[37], "*despite the fact that the concept of affordability has a long history, there is still little agreement over the most appropriate way of measuring it*". Although, they do conclude that while none of the affordability measures that are commonly used are "*ideal*", they can still be "*useful in practice*".

One of the most common ways to assess the affordability of housing is the cost of servicing the typical mortgage relative to disposable income. Figure 4 shows that for the typical ‘young’ working couple (both aged 25-34) there has been some volatility in the cost of servicing a mortgage in recent years. This reflects a sharp increase in mortgage costs in the lead up to the financial crisis of 2007/08, a subsequent sharp decline in prices (*property market crash*), and more recently another increase as price increases have once again outpaced the growth in earnings. Affordability has been more of an issue in Dublin than in the rest of the country. **In 2022, our estimates are that servicing the average new mortgage would have taken up close to one-third of the average young couple’s disposable income in Dublin.**

many who are ‘hidden homeless’ and staying with family or friends in insecure housing. DHLGH. (2023, January 27). Homeless Report - December 2022. https://www.gov.ie/en/publication/22abb-homeless-report-december-2022/

[37] Meen, G., & Whitehead, C. (2020). Understanding affordability: The economics of housing markets. Bristol, UK: Bristol University Press.

Figure 4: Annual Mortgage Repayment as a Percentage of Disposable Income

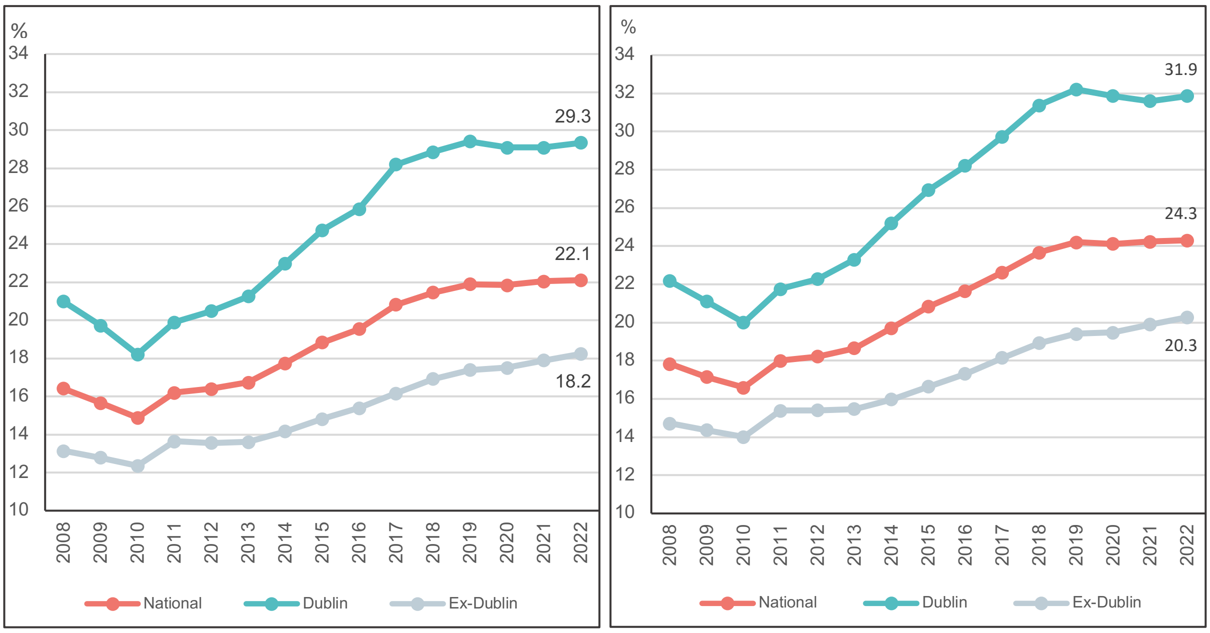


Source: Housing Europe estimates, based on Turnbull (2018)

Note: Net earnings (i.e., after taxes and social transfers) are those of the average two-income household, where both adults are aged 25-34.

Of course, affordability is not just an issue for those who many would consider to be fortunate enough to be able to purchase their own home. **With more and more people turning to the private rental market to meet their housing needs, strong increases in rents during the last decade have also impacted renters.**

Figure 5: Cost of renting the average 1 to 2 bed dwelling (left-hand panel) and the average dwelling (right-hand panel) as a percentage of disposable income



Source: Housing Europe calculations, based on Turnbull (2018)

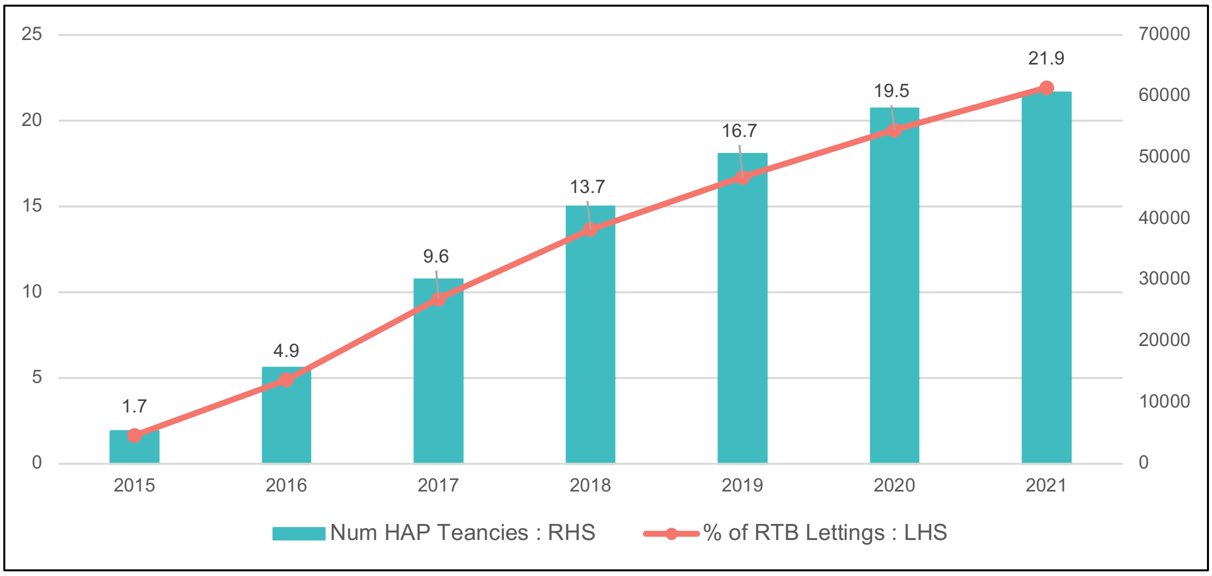
Note: Disposable income (i.e., after taxes and social transfers) are those of the average two-income household (no children), where both adults are aged 25-34.

As shown in Figure 5, rental affordability in Ireland has also been on the decline in recent years, with Dublin again standing out in this regard. **Renting even a modestly sized (1 to 2 bed) dwelling in the Capital would take almost 30% of the disposable income of an average 'young' couple.** These figures are for the 'average' young working couple. For single earner households, or for those on below average incomes, of course the situation may be considerably more challenging.

Indeed, given the struggles of many households to affordably cover private sector rents, as well as an excess demand for social housing, the Irish Government developed its 'Housing Assistance Payment' (HAP) programme in 2015[38]. As shown in Figure 6, **the number of households in receipt of HAP grew from a modest 5,000 in 2015 to over 60,000 households by the end of 2021.** This equates to 22% of the private tenancies registered with the Residential Tenancies Board (RTB).

As well as growing rapidly in size, HAP also has the negative consequence of eliminating those in receipt of it from social housing waiting lists – thus there is an implicit 'equivalency' being made between those on HAP and those living in social housing. While some households will over time transition out of HAP, many others will not. While tenancies in LA and AHB homes are secure for long periods of time, the same cannot be said for the private rental market. Thus, **households in receipt of HAP should not be automatically removed from social housing waiting lists.**

Figure 6: Evolution of HAP payments



Source: Housing Europe calculations based on CSO[39]

Key takeaways from the assessment of the affordability of private housing
• In 2022, our estimates are that servicing the average new mortgage would have taken up close to one-third of the average young couple's disposable income in Dublin. • Renting even a modestly sized (1 to 2 bed) dwelling in the Capital would take almost 30% of the take-home pay of an average 'young' couple. • The number of households in receipt of HAP grew from a modest 5,000 in 2015 to over 60,000 households by the end of 2021.

[38] HAP sees households who are qualified for social housing have their housing needs instead met by the private rental sector, where the market rent for the property is paid by the relevant Local Authority, with a contribution from the tenant. Controversially, despite lacking the same level of tenants security, once a household has accessed housing via HAP, their need for social housing is considered to have been met, and they are removed from the social housing waiting list.

[39] CSO. (2022, May 4). Housing Assistance Payment (HAP) Properties by Local Electoral Area 2021. https://www.cso.ie/en/releasesandpublications/ep/p-hhwl/housingassistancepaymenthappropertiesbylocalelectoralarea2021/

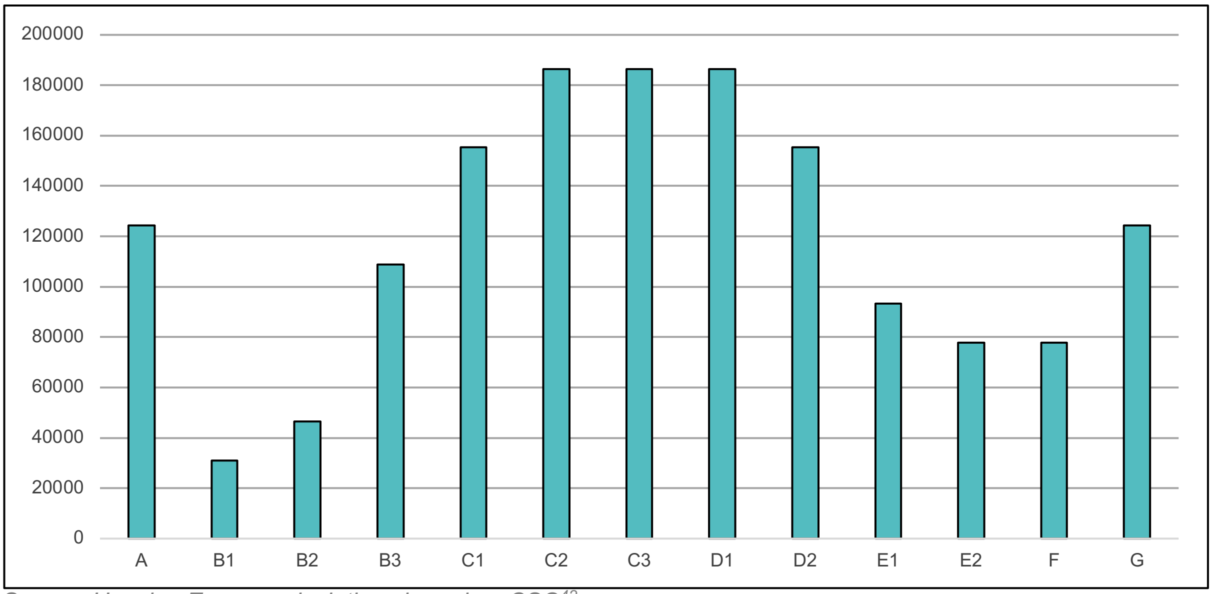
Many households struggle to keep homes warm

Another issue that has to be considered, in tandem with the issue of the affordability of housing, is the 'quality' of the housing in Ireland. This can be somewhat subjective, however. For example, if a home is not well insulated, then many people would consider that this is a sign of low quality. However, if the occupier of the dwelling has sufficient income to cover the cost of adequately heating their home, then their perception of the situation may be different. **Conversely, for a household with a very low income even a relatively 'good quality' dwelling might pose some financial difficulties for them in terms of their energy consumption needs.**

How and ever, if we do look at quality in terms of the energy efficiency of the residential building stock, how does Ireland perform?

One way to try to assess this topic is by looking to the Building Energy Rating (BER) certificates that have been issued[40]. Since 1st January 2009, a BER certificate and advisory report is compulsory for all homes being sold or offered for rent. A BER is also required for new dwellings that have applied for planning permission since the 1st of January 2007"[41]. A home with the best 'A1' rating is expected to have primary energy consumption of less than 25 kWh/m^2/year, while the worst rated 'G' property is greater than 450 kWh/m^2/year.

Figure 7: BER of Irish Housing Stock (Number of Units)



Source: Housing Europe calculations based on CSO[42]

The BER rating of domestic buildings in Ireland has been gradually improving in recent years. While almost no homes were achieving the best 'A' grade in 2009, around one in four homes assessed met this standard in 2022. While BER certificates do not cover the entire residential stock in Ireland, work by the CSO suggests that those homes that are covered are broadly in line with the overall stock of housing[43]. However, **many homes are still achieving very low BERs.** Indeed, the CSO estimates that 46% of the national housing stock has a 'D' rating or below (see *Figure 7*). Thus, **there is a dichotomy emerging in the efficiency of homes in**

[40] A BER is an indication of the energy performance of a dwelling (represented in units of kWh/m^2/year). The BER certificate indicates the annual primary energy usage and carbon dioxide emissions associated with the provision of space heating, water heating, ventilation, lighting, and associated pumps and fans. The energy use is calculated on the basis of a notional family with a standard pattern of occupancy.

[41] *Ibid.*

[42] CSO. (2023, January 19). Domestic Building Energy Ratings Quarter 4 2022. https://www.cso.ie/en/releasesandpublications/ep/p-dber/domesticbuildingenergyratingsquarter42022/

[43] *Ibid.*

Ireland, with new homes achieving increasingly better average performances, while older housing units continue to struggle with energy efficiency. Overall, residential buildings in Ireland are still responsible for 27.5% of the country's total energy related greenhouse gas emissions[44].

Table 7: Percentage of Irish Households Experiencing Deprivation

Household income	Deprivation Experienced	Year		
		2020	2021	2022
Below 60% of median	*Without heating at some stage in the last year*	20.8	17.1	26.6
	Unable to afford to keep the home adequately warm	7.9	8.7	14.4
Above 60% of median	*Without heating at some stage in the last year*	7.4	5.7	6.6
	Unable to afford to keep the home adequately warm	2.6	2.5	6.1
Total	*Without heating at some stage in the last year*	9.1	7.1	9.2
	Unable to afford to keep the home adequately warm	3.3	3.2	7.2

Source: CSO[45]

As already mentioned, the energy performance of a given home, which is a quantitative value, may not be strongly aligned with the perception of the people who live in that home, which is a qualitative judgement. **Someone living in an 'E' rated home may not be overly concerned by its performance, provided they have the financial means to pay the higher energy costs for heating that are likely to result from this.** As shown in Table 7, there is a great disparity between the percentage of low- and middle-to-upper-income households in Ireland who state that keeping their home adequately warm is a struggle for them, or who have even had to go without heat during the last year. **While a staggering 26.6% of low-income households went without heat at some point in 2022, only 6.6% of middle-to-upper-income households had the same experience; a 20 percentage point difference.** This dichotomy is of course down to two primary factors. On the one hand, higher income households are better able to pay their energy and heating bills. On the other hand, they may also be less likely to live in homes that are poorly insulated.

Key takeaways from the assessment of the quality and performance of the housing stock
• The quality of homes in Ireland is improving overall, with new homes routinely meeting the highest standards for efficiency and performance • However, 46% of the national housing stock has a 'D' rating or below • A significant number of low-income households (27%) engage in the rationing of heat, compared to only 7% of their higher income peers
Issue to be considered by policymakers
• Many low-income households live in energy poverty – unable to afford to heat homes either periodically or on a regular basis

[44] Sustainable Energy Authority of Ireland. (2022). Energy in Ireland – 2022 Report. https://www.seai.ie/publications/Energy-in-Ireland-2022.pdf

[45] CSO. (2022, November 23). Survey on Income and Living Conditions (SILC): Enforced Deprivation 2022. https://www.cso.ie/en/releasesandpublications/ep/p-silced/surveyonincomeandlivingconditionssilcenforceddeprivation2022/

Section 2: The current housing situation – comparison with European peers

While the previous section indicates that there are certainly important challenges facing Ireland with regard to housing, the country is not alone in that respect. Indeed, challenges exist right across Europe, most notably when it comes to ensuring the adequate (both in terms of quantity and quality) supply of homes[46].

For the purposes of this briefing, it is important to try and ground the Irish case within a broader European context. In order to do that, **Ireland and, where possible, Dublin will be compared to Austria, Denmark, and the Netherlands, and their respective capital cities.** These three "peer" countries were chosen based on similar median income levels[47], and also because they are often cited with regard to various aspects of best practices in term of housing policy[48]. The four countries will be compared using five Key Performance Indicators (KPIs):

1. Young people still living at home / average age leaving the family home
2. Availability of social and affordable housing
3. Annual residential construction output
4. Rent or Mortgage as a Percentage of Disposable Income
5. Greenhouse gas emissions from households for heating and cooling (*per capita basis*)

The KPIs cover a number of areas, taking on board both direct public interventions in housing (e.g., development of social housing, price controls), as well as private sector activity (e.g., new construction rates). Importantly, the often overlooked topic of the environmental performance of the residential housing stock is also considered, as **meeting climate targets in a way that does not weigh too heavily on low-income households in particular is a major challenge facing European nations.**

The arrested development of our youth

The change in housing outcomes for younger people in Ireland since the late 1980s/early 1990s has been profound. According to the CSO:

> "The age at which home ownership became the majority tenure category was 35 years in 2016. Prior to that age, more householders were renting rather than owning their home. In comparison to previous censuses dating back to 1991, the ages which marked the changeover between renting and home ownership were 32 years (2011), 28 years (2006), 27 years (2002) and 26 years (1991).
>
> The point at which two-thirds of householders owned their own homes (with or without a loan) occurred at age 41 in 2016, while in 1991 the equivalent age for that particular milestone occurred at 28 years of age"[49].

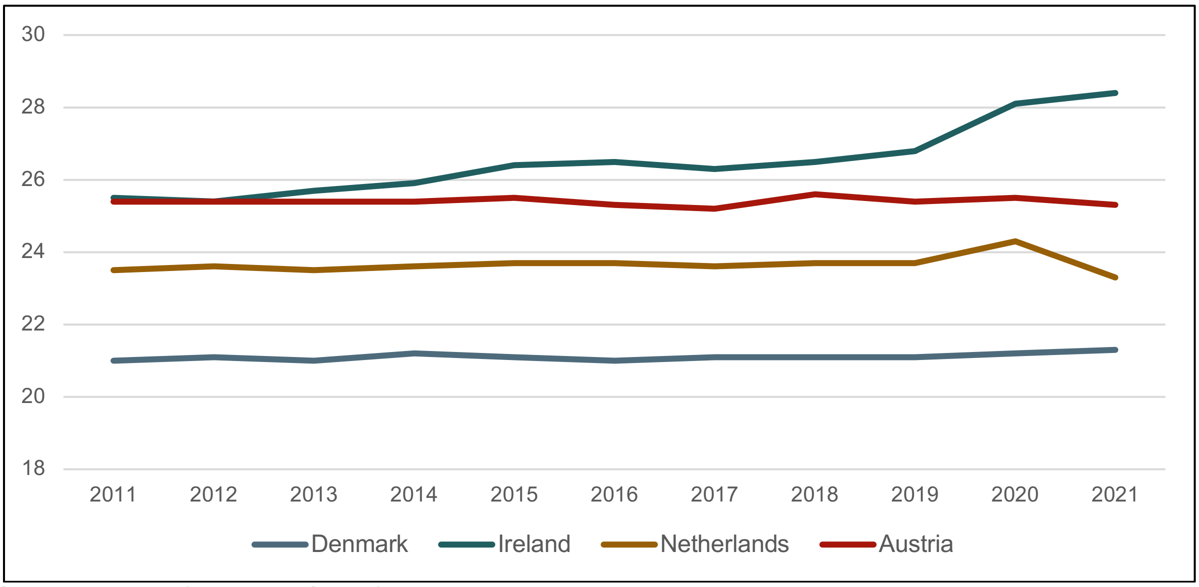
In addition, a significantly greater number of young people find themselves living in the private rental sector than in the past. Census data show that **15.3% of households headed by someone aged 25-34 lived in private rental accommodation in 1991, but by 2016 this had jumped to a**

[46] Housing Europe. (2021). The State of Housing in Europe – 2021. https://www.stateofhousing.eu/
[47] As per EU-SILC [ILC_DI03]. https://ec.europa.eu/eurostat/databrowser/product/view/ilc_di03?lang=en
[48] See for example: Lawson, J., Norris, M., & Wallbaum, H. (2021). #Housing2030 – Effective policies for affordable housing in the UNECE region (Geneva: United Nations Publication Office). https://unece.org/sites/default/files/2021-10/Housing2030%20study_E_web.pdf
[49] CSO. (2017). Census of Population 2016 - Profile 1 Housing in Ireland. https://www.cso.ie/en/releasesandpublications/ep/p-cp1hii/cp1hii/tr/

staggering degree to 50.8%[50]**.** The forthcoming results of the 2022 Census are likely to show that this elevated level of young renter households has been broadly maintained in more recent years.

However, as discussed in Section 1, those young people who are living independently might be considered by many of their peers to be fortunate. Data from Eurostat indicate that the fate of a growing number of young Irish people, including full-time workers, is to remain living with their parents. However, is this experience shared by those young people living in the peer countries?

Figure 8: Average age at which person leaves the family home



Source: Eurostat (YTH_DEMO_030)

The figures from Eurostat show that in the three peer countries – Austria, Denmark, and the Netherlands – **the age at which people leave the family home on average has been remarkably stable over the last decade, with Denmark in particular consistently recording a leaving age of just slightly above 21 years.** In 2011, Ireland and Austria were aligned, at approximately 25.5 years. While the latter has held broadly steady at this level in the intervening years, Ireland's young people are staying at home longer, increasing to 28.4 years in 2021.

Table 8: Number of People (Aged 25-34) Living at Home (Thousands)

	Austria	- % of total	Denmark	- % of total	Ireland	- % of total	Netherlands	- % of total
Total 25-34	1,192	-	765	-	609	-	2,239	-
Total 25-34 (Living at Home)	210	18	31	4	251	41	251	11
- Full-time	121	10	17	2	153	25	141	6
- Part-time	25	2	2	0	13	2	37	2
- Unemployed	19	2	5	1	32	5	19	1
- Student	20	2	4	1	22	4	38	2
- Inactive	25	2	3	0	31	5	16	1

Source: Housing Europe estimates, based on Eurostat [ilc_lvps09], [ilc_lvps08], and [edat_lfse_17]

[50] Turnbull, D. (2017). A long-term assessment of Irish house price affordability. *NERI Working Paper Series 2017/No 44* (Dublin: The Nevin Economic Research Institute). https://www.nerinstitute.net/sites/default/files/research/2019/a_longterm_assessment_of_irish_house_price_affordability_june_17.pdf

If we look at those young people who are still living at home in the four countries, there is also a clear performance divide. As shown in Table 8, **out of roughly 609,000 inhabitants aged 25-34 in Ireland, 251,000 (or 41%) are still living at home.** Interestingly, the Netherlands also records 251,000 young at home, though from a much larger 2.24 million people, meaning that only 11% of young people there are still at home. Austria records 18% of young at home (still less than half the Irish rate), while Denmark has an incredibly low rate of just 4% of young people at home; in part due to its system of non-profit youth housing (see Section 4). While 25% of young Irish people are both working full-time and still living with their parents, the figures for Austria, Denmark, and the Netherlands are 10%, 2%, and 6% respectively.

Overall then, in terms of managing to promote the independent living and social 'progression' of its young people, Ireland is underperforming the peer countries. Some possible tools to deal with this problem, mostly through supply-side measures, will be discussed in Section 4.

Key takeaways from the assessment of young people at home
• **KPI: Ireland performs significantly less well than its peers in terms of the numbers of young people living at home, and the age at which they manage to leave home.** • Irish people are becoming independent, from a housing perspective, at a much later age than previous generations • Having a full-time job is not necessarily sufficient to provide young Irish people with the means to secure their housing independence
Issue to be considered by policymakers
• There is a lack of housing options specifically for younger households – the 'stuck at home' cohort

Social housing is for the benefit of everyone

Non-market forms of housing (i.e., social, public, or non-profit housing) play a very important role in terms of ensuring that those who struggle to affordably provide housing for themselves can better have their needs met. Thus, **the social housing stock of a country provides a necessary alternative to private or market-based housing options to create an overall 'balanced' housing system where public supports and interventions are adapted to individual needs.** This represents a spectrum, from those most in need of public supports (e.g., those experiencing homelessness) to those least in need (e.g., owners and private renters with sufficient incomes to affordably provide good quality housing for themselves).

Table 9: Social Housing Stock

	IRL	Dublin	AUS	Vienna	DEN	Copenhagen	NED	Amsterdam
Social Housing Stock	179,438	N/A	939,000	398,180	560,931	60,976	2,300,050	183,663
- % of Total	8.6	N/A	23.4	43.0	20.4	19.4	28.6	40.1

Source: Housing Europe, CSO, NOAC, RTB, Statistics Austria, Statistics Denmark, CBS, Aedes

Notes: Ireland (Year: 2021; Includes vacant housing stock; include both LA and AHB owned homes); Austria (Year: 2021; Primary residences only; includes both LPHA and municipal housing); Denmark (Year: 2021; housing with registered occupants); Netherlands (Year: 2022; Includes vacant housing stock)

It is also important to note that social housing can have a market shaping role. For example, recent research on the impact of the Austrian system of Limited-Profit Housing Associations (LPHAs) has found that due to their scale, and the fact that access to the housing is open to a broad cohort of the population, the presence of the LPHAs actually makes the cost of private housing, both for renters and owner-occupiers, more affordable by "dampening" prices[51]. Thus, **the presence of the LPHA sector actually benefits everyone in society, not just those who directly benefit from the social housing stock.** The Austrian research shows that the larger the relative size of the LPHA stock in a given region, the greater the overall price dampening effect.

What is outlined in Table 9 is that while by no means possessing a very small social housing sector, Ireland (8.6% of the national housing stock) is still well behind the three peer countries, which have between 20% and 29% social housing. The importance of social housing in the capital cities, where housing tends to be more expensive, is generally greater. **In the cases of both Amsterdam and Vienna, the social housing sector represents over 40% of the housing stock.** Thus, the non-profit sector is able to play a very significant market-shaping role.

One of the main success factors in the three peer countries has been that, unlike in the case of Ireland, public authorities have largely held onto social rental housing once it has been built, rather than privatising these public assets at below market prices[52]. This has helped Austrian, Danish, and Dutch social housing providers to develop their own revolving financing mechanisms, where rents from older parts of their stock can act as capital for new investment[53]. This in turn reduces the long-term need for public grants and loans for housing development.

Table 10: State spending on housing development and housing welfare payments (average annual, in euros, per capita basis, in 2021 prices)

	1997-2001	2002-2006	2007-2011	2012-2016	2017-2021
Ireland - housing welfare	34	90	128	111	205
Ireland - capital investment	276	485	429	88	288
Austria - housing welfare	55	97	104	83	74
Austria - capital investment	144	56	51	48	38
Denmark - housing welfare	299	316	325	343	356
Denmark - capital investment	68	-6	8	-1	-1
Netherlands - housing welfare	136	148	164	188	221
Netherlands - capital investment	-11	9	-3	13	3
Average - housing welfare	131	163	180	181	214
Average - capital investment	119	136	121	37	82

Source: Housing Europe estimates, based on Eurostat (COFOG)
Notes: 'Housing welfare' equates to 'Social transfers in kind - purchased market production' and 'other current transfers'; 'Capital investment' equates to 'Capital transfers' and 'Gross capital formation and acquisitions less disposals of non-financial non-produced assets'. In the cases of Austria and Denmark, 'housing welfare' is likely overestimated, due to the underlying data being based on 'Total general government expenditure' in this area, as a more detailed breakdown of public spending is not provided by Eurostat. The data are provided in 2021 prices, although they are not adjusted to Purchasing Power Standards (PPS), as the current comparative price indices produced by Eurostat are judge by the authors to be problematic in the way they treat comparative 'housing' costs[54].

---

[51] See : https://non-profit-housing.wifo.ac.at/chapter/Statistische%20Analyse, and Klien, M., & Streicher, G. (2021). Ökonomische Wirkungen des gemeinnützigen Wohnbaus [Economic impacts of limited-profit housing] (Vienna: WIFO – Austrian Institute of Economic Research). https://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikationsid=66962&mime_type=application/pdf

[52] Housing Europe. (2021). The Sale of Social and Public Housing in Europe. https://www.housingeurope.eu/file/966/download

[53] Housing Europe (2021). Cost-based social rental housing in Europe. https://www.housingeurope.eu/file/1073/download

[54] For a brief overview of the issues with housing and PPS, see: Coffey, S. (2020, April 28). Why does Ireland have some of the highest relative price indices in the EU?. *Economic Incentives Blog*. Accessed at: http://economic-incentives.blogspot.com/2020/04/why-does-ireland-have-some-of-highest.html

Indeed, as is shown in Table 10[55], **state 'capital investment' on housing (*e.g., public grants and loans for house building, or direct delivery of homes by the state*) is significantly higher in Ireland at present than in Austria, Denmark or the Netherlands.** Indeed, when the revenues for the state that are generated from leasing or selling developable land are factored in, Denmark and the Netherlands have had a net public capital investment on housing development of close to zero in recent decades. Average spending on housing welfare payments is slightly below the four-country average in Ireland, though.

However, this does not mean that social housing is not being developed in Denmark or the Netherlands, or that the state is having to dispose of vast tracts of public land each year to pay for the upkeep of its public housing system. Rather, the delivery of social housing is left with non-profit foundations or housing associations, which in turn largely self-finance and avail of private sources of funding to develop new social housing.

This means that the development of social housing is largely 'off book' from the point of view of the calculation of the general public debt; something which is not currently the case for Ireland's equivalent AHB sector. Indeed, the current 'on book' classification of Ireland's AHBs can act as a break on the development of new social housing. **The Irish Council for Social Housing (ICSH)[56] has persistently encouraged the government to work to find ways to move their activities off book,** and thus break the link between investments by the AHB sector and the management of the public debt, as per EU fiscal rules[57].

In the Austrian case, public capital funding for housing is higher than in either Denmark or the Netherlands, with public loans accounting for 30-40% of the funding required to develop new social schemes[58]. However, the regional governments who disperse these loans have historically used the interest payments and repayment of the principle to provide lending for new social housing projects. Thus, the money being lent is mostly not 'new money', but is rather money that has been recycled from social housing projects of the past three or four decades. **When combined with the revenues generated by LPHAs themselves from older social housing blocks, where the loans have been repaid, the Austrian social housing system is relatively financially self-sufficient.**

In contrast, Ireland's system of social housing provision is more akin to a bucket with a hole in it. Plenty of public money has gone into filling it up over the course of many decades, but it simply drains out and thus it can never be completely filled. **Current attempts to satisfy the needs of low- and middle-income households through leasing arrangements with private owners and the HAP scheme are both the result and continuation of this approach.** However, the new cost-rental tenure, where rents are linked to the costs of provision, may offer an opportunity to improve the long-term financial sustainability of the system, provided the homes continue to be offered at affordable rents in perpetuity and future profits are ringfenced for the development of new social and affordable housing.

In Ireland, it is estimated that around two-thirds of all publicly financed housing built since the 1930s is now privately owned[59]. Even today Ireland continues to sell social housing,

---

[55] What Table 9 shows is that in the period 2017-2021, the Irish government had a real net spend of around €288 per person each year on the development of new housing (capital expenditure). This compares to €38 per capita in Austria, -€1 in Denmark, and €3 in the Netherlands.

[56] In its pre-budget submission in 2022 it wrote: "The 2018 CSO/Eurostat reclassification of housing associations as part of the local government sub-sector is likely in the future to limit the ability of AHBs to deliver homes with private borrowing (for example from banks or credit unions). The reclassification of the sector is a key concern, generating uncertainty as to the future growth plans, increased borrowing and delivery by AHBs" - https://icsh.ie/wp-content/uploads/ICSH-Pre-Budget-Submission-2022.pdf

[57] See : https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact_en

[58] Housing Europe (2021). Cost-based social rental housing in Europe. https://www.housingeurope.eu/file/1073/download

[59] Norris, M. (2020). Land, Finance and the Costs of Social Housing Delivery. Presentation to the Dublin Economics Workshop (online). Accessed on 12th March, 2023

usually at 40-60% discounts versus market value. In effect, this transfers collectively owned and collectively financed public assets to individual households, which then in turn exclusively benefit from their residual value. Between 1990 and 2020, close to 40,000 social housing units were sold in Ireland. In contrast, the negative fallout, especially for younger people, of social housing sales has seen both Scotland and Wales end such privatisations in recent years[60] in order to ensure that future generations can benefit from the same affordable housing opportunities of previous generations, as well as to help the system to become more sustainable.

Key takeaways from the assessment of the availability of social and affordable housing

• **KPI: Ireland has <u>far less availability</u> of social and affordable housing than its peers**
• The presence of a large stock of social and affordable housing can have a market shaping role, which provides benefits to all households; primarily through price dampening effects
• By retaining social housing once it is built, Austria, Denmark, and the Netherlands have improved the resilience of the sector, by using rents from older parts of the stock to help support the development of new developments
  ○ In contrast, Ireland has privatised the majority of its publicly-funded housing
  ○ This also means that while significant public finance has flowed into the sector, the value is not retained and thus greater support is required over the long-term
• Ireland compares favourably to its peers in Denmark and the Netherlands in terms of spending on housing related welfare payments

Issue to be considered by policymakers
• There is a lack of diversity in funding to provide social and affordable housing • Local authorities, state agencies and partners, such as AHBs, are not being utilised to their full potential • Social housing financing in Ireland requires constant state supports

How many new homes is enough?

While some regions or local areas in Austria, Denmark, Ireland and the Netherlands may be shrinking in population terms, overall these countries have seen their populations increase in recent decades. However, this does not automatically mean that the need for housing has increased, as population growth is not the only factor that determines the need for housing.

For example, if we consider a population with four million people, and every household contains four people, then you would need one million homes to meet demand for housing. If the population remains at four million, but now because of various societal changes the desired average household size is two people, then the need for housing would rise by one million units to two million, despite no change in the size of the population. Of course, this example is just for the purposes of illustration. **In reality, there are many complicating factors that mean that estimating the need for new housing is not so easy.** For example, if homes are left vacant, then they are not contributing to meeting the national need for housing. At the same time, some homes are not vacant, but nor are they intended for full-time habitation (e.g., holiday homes).

At the same time, the average household size itself may be misleading, as it may not be aligned with peoples' individual preferences. For example, **young people who live with their parents because they are unable to move out will increase the average household size. If this average size becomes embedded within government housing strategies, then it could lead**

---

https://static1.squarespace.com/static/5cae4d7ea9ab9533d3a45357/t/5f5759bd020c314b1f1374c3/1599560139082/Michelle+Norris+Dublin+Economics+Workshop+2020.pdf

[60] Housing Europe. (2021). The Sale of Social and Public Housing in Europe. https://www.housingeurope.eu/file/966/download

to an underestimation in the 'true' need for housing. Indeed, this is a criticism that is currently levelled against the Irish Government's outlook for housing[61].

With these caveats considered, what the data show is that Irish people tend to live in houses with more people (2.6 on average) than their European counterparts, where the average is approximately 2.2. However, the trend in Ireland has been downwards, having been at 3.3 people in 1994 (-0.7). Austria has also seen some decline (-0.5), though from an initially lower level. Denmark and the Netherlands have been incredibly stable.

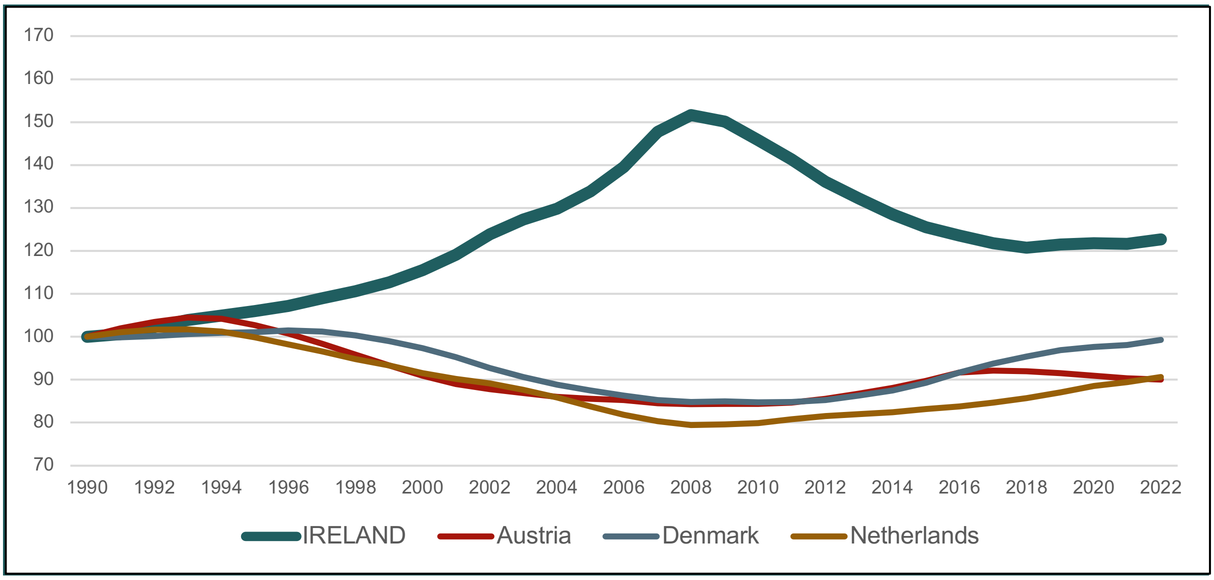
Table 11: Average Number of People per Household

	1994	1999	2005	2010	2015	2020
Denmark	2.1	2.1	2.1	2.1	2.1	2.1
Ireland	3.3	3.1	2.7	2.8	2.7	2.6
Netherlands	2.3	2.3	2.2	2.2	2.2	2.2
Austria	2.7	2.5	2.3	2.3	2.2	2.2

Source: Eurostat [HBS_CAR_T312]

If we tackle the question from another perspective, we could ask what the change in the prime 'household forming' age cohort has been. In this case, we can look at those aged 20-34, which is the age group where people are most likely to need or want to form new households, mostly as a result of becoming adults and leaving their parents' home.

Figure 9: Population change of the 20-34 age cohort (Index 1990 = 100)



Source: Housing Europe, based on Eurostat [DEMO_PJANGROUP]

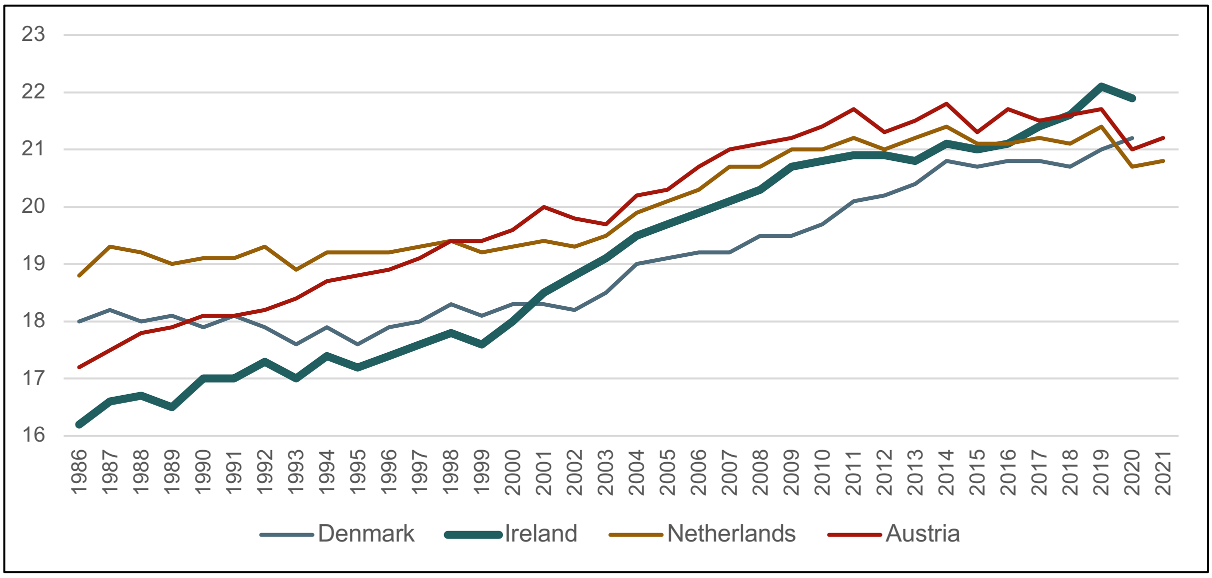
Keeping that in mind, if we look at Figure 9, we see that **the growth in the number of people aged 20-34 in the four countries has not followed the same path in recent decades. While Ireland has increased the size of this key 'household forming' age cohort by around one quarter (1990 vs 2022), in Austria, Denmark, and the Netherlands the 20-34 cohort is either broadly the same or actually smaller than in 1990.**

Another important issue to consider is how long people tend to live in a given home. In a country in which people are living longer and often in better health at the same age relative to previous generations, the number of years that someone will need to have their housing needs met, in one

[61] For example: Lyons, R. (2021). Institutional Investment and the Private Rental Sector in Ireland. Dublin: Irish Institutional Property. Accessed at: https://irp.cdn-website.com/4065c16c/files/uploaded/Identify%20Consulting%20June%202021%20PRS%20Report%20for%20IIP%20-%20final.pdf

form or another, is increasing. In other words, longer life expectancy can also be an important factor in determining how many homes a country needs to provide in order to satisfy demand.

Figure 10: Life expectancy (*Females Aged 65*)



Source: Housing Europe, based on Eurostat [DEMO_MLEXPEC]

What Figure 10 shows is that, at least pre-COVID, life expectancy had been generally trending upwards in the four countries. What is interesting is that since the mid-1980s, Ireland has actually seen the most improvement in this regard, and has thus gone from worst to best amongst the four nations. **A 65 year old woman in Ireland could have expected to live 16.2 additional years in 1986. By 2019, she could have expected to live an additional 22.1 years; a nearly six year increase.**

It is also the case in Ireland that older people are overwhelmingly likely to live in large homes that in turn can mean that **the national housing stock is not being used in an efficient manner from a maximum occupancy point of view; but also in terms of energy efficiency** (i.*e., larger homes require more resources to heat*). Of course, this is an issue that requires careful consideration and management by policymakers. Heavy-handed measures such as the UK's so-called "bedroom tax" should be avoided[62]. Indeed, there are many good examples from around Europe of mutually beneficial housing schemes targeted at older people[63].

Table 12: Share of the population aged 65 or over living in an under-occupied home

	2005	2009	2013	2017	2021
Denmark	50.0	55.8	59.1	62.1	58.9
Ireland	83.4	87.7	91.1	90.5	92.6
Netherlands	72.9	71.9	70.4	67.6	71.8
Austria	40.9	48.9	42.7	43.8	45.6

Source: Eurostat [ILC_LVHO50A][64]

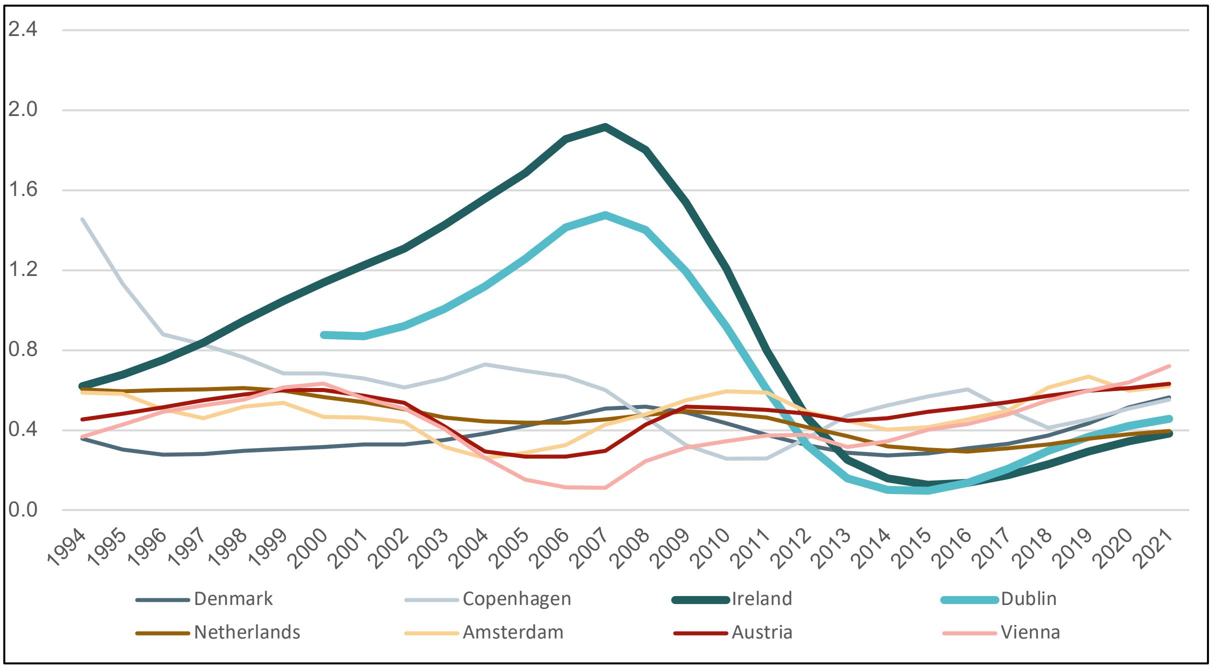
[62] In 2013, the government introduced measures that cut benefits for social housing tenants with unused bedrooms. This was in an effort to get them to leave their homes. However, the policy was criticised for being unfair and causing hardship for some of the most vulnerable people in society, including disabled people. Critics argued that there were often no smaller properties available to move to. The policy was partially revoked in 2018 following court rulings.

[63] See, for example: Housing Europe (2022) Ageing Well at Home. *Housing in the post-2020 EU, Vol. 5.* https://www.housingeurope.eu/file/1023/download

[64] Eurostat states: "An under-occupied dwelling is a dwelling deemed to be too large for the needs of the household living in it, in terms of excess rooms and more specifically bedrooms…For statistical purposes, a dwelling is defined as under-occupied if the household living in it has at its disposal *more* than the minimum number of rooms considered adequate, and equal to: one

If we take the three data points presented in the previous paragraphs together – average household size, change in population aged 20-34, and life expectancy – in all three cases, they point to Ireland needing to provide significantly more housing in relative terms than their peers during recent decades.

Figure 11: Number of new homes built each year per 100 people
(five-year moving average)



Source: Housing Europe estimates, based on population and construction output estimates from national statistical agencies (CSO, CBS Netherlands, Statistics Denmark, Statistik Austria)

When we look at the actual number of new homes that have been constructed in Austria, Denmark, Ireland, and the Netherlands, and their respective capital cities, we see that **Ireland went from a relative period of overperformance in the mid-to-late 2000s to a period of relative underperformance in the post-Global Financial Crisis (GFC) period.**

What is interesting to see is that even when Ireland was building more significant quantities of homes, the country as a whole outperformed Dublin. Indeed, Census data show that while the number of housing units in Dublin increased by 40% in the period 1996-2011, in more rural parts of the country, the increase was more pronounced[65]. For example, in both Leitrim and Longford, the increase in the size of the housing stock was close to 75%. Thus, new building during the so-called 'boom years' was not always in the areas with the greatest unmet need.

Based on a trend towards smaller household sizes, as well as more household forming young people and greater life expectancies, Ireland would have needed to dramatically outperform its peers in recent decades in terms of the delivery of residential properties. However, what has been the reality?

In the period 1990-2021, Ireland built around 0.8 new homes per year per 100 people. This is better than Austria (0.5 homes), Denmark (0.4) or the Netherlands (0.5). In Dublin, 0.7 new homes were built, which is better than Amsterdam (0.5), Copenhagen (0.5), and Vienna (0.5), but not

room for the household; one room per couple in the household; one room for each single person aged 18 or more; one room per pair of single people of the same gender between 12 and 17 years of age; one room for each single person between 12 and 17 years of age and not included in the previous category; one room per pair of children under 12 years of age.

[65] CSO (2012). Census 2011 Profile 4 - The Roof over our Heads. https://www.cso.ie/en/media/csoie/census/documents/census2011profile4/Profile_4_The_Roof_over_our_Heads_Full_doc_sig_amended.pdf

significantly better[66]. Indeed, **we can conclude that, on the balance of the figures presented, Ireland (and Dublin) seems to have underperformed its peers in terms of delivering enough homes to meet demand,** with Figure 11 showing that this underperformance has been particularly noticeable since the early 2010s.

Key takeaways from the assessment of annual residential construction
• **KPI: Ireland has <u>underperformed</u> its peers in terms of new dwelling completions in recent years** • Ireland has seen strong growth in the size of its key household forming aged cohort (20-34) since 1990. In contrast, it has either been broadly stable or actually declined in the peer countries • Ireland has seen a strong decline in the average household size in recent decades, though it remains above the level seen in the peer countries – which have generally be stable around 2.2 persons per household • Irish people are now living longer than their peers, which in turn places extra demands on the housing stock • While Ireland went from a position of relative overperformance on housing completions to one of relative underperformance, in any case its need for new homes in both period was likely higher than in the peer countries; based on demographic factors • The existing housing stock may not be being used to its full potential, with many older people living in under-occupied homes
Issue to be considered by policymakers
• There is a lack of housing options specifically for younger households – the 'stuck at home' cohort • Many people in Ireland live in homes that may be too large to meet their basic needs

The thorny issue of housing affordability

As discussed in Section 1, measuring housing affordability, or rather unaffordability, is not such an easy thing to do. For each measure that exists to assess affordability, there are both strengths and weaknesses[67]. In addition, comparing the same affordability measure from one country to the next also requires a great deal of caution. However, as long as we are aware that some comparability issues might exist, and that we should therefore exercise caution when interpreting the data, such measures can still provide some sense of the housing situation.

The most well established way of looking at the issue of housing affordability is a simple calculation of the percentage of disposable income required to pay for a home; either in the form of the rent paid by tenants, or the mortgage (interest and principle) paid by owners.

As shown in Table 13, **almost without exception, lower income households are required to dedicate a larger percentage of their disposable income to meet the cost of renting or owning.**

[66] These figures are for the period 1996-2021, rather than 1990-2021, due to data availability issues.

[67] Turnbull, D. (2020, February 3). Are current measures of housing affordability fit for purpose? Why Eurostat should move towards a holistic measure of affordability. Housing Europe Blog. https://www.housingeurope.eu/resource-1357/are-current-measures-of-housing-affordability-fit-for-purpose

Table 13: Median of housing burden as a share of disposable income

	2012					2020				
	bottom quintile	*2nd quintile*	*3rd quintile*	*4th quintile*	*top quintile*	*bottom quintile*	*2nd quintile*	*3rd quintile*	*4th quintile*	*top quintile*
Austria										
Owner with mortgage	17.8%	16.3%	11.0%	10.6%	7.0%	N/A	17.9%	13.4%	12.1%	8.0%
Rent (private and subsidised)	29.4%	18.7%	16.4%	13.1%	10.1%	30.5%	20.2%	17.3%	14.3%	11.4%
Denmark										
Rent (private)	36.5%	29.5%	21.5%	18.8%	13.5%	36.1%	28.6%	22.7%	18.3%	14.4%
Ireland										
Owner with mortgage	38.0%	28.8%	20.7%	20.3%	17.1%	N/A	18.5%	15.5%	14.5%	13.2%
Rent (private and subsidised)	16.0%	15.6%	16.4%	17.8%	N/A	14.5%	18.3%	16.6%	N/A	N/A
Netherlands										
Owner with mortgage	24.7%	21.2%	20.2%	18.6%	15.8%	14.6%	13.4%	13.7%	14.4%	11.7%
Rent (private and subsidised)	33.3%	26.7%	20.9%	17.6%	13.5%	36.3%	28.8%	24.6%	19.3%	17.0%

Source: OECD Affordable Housing Database

Notes: Owner with mortgage not provided for Denmark, due to "data limitations"

What is also interesting is where the data are missing, marked with "N/A" in the table. The figures are produced by the OECD, based on household survey data. However, where there are too few observations, i.e., too few households in a given income quintile and tenure, the OECD does not provide an estimate, as to do so would not be methodologically sound from a statistical point of view. In 2020, in both Austria and Ireland, there were too few owners with mortgages in the bottom quintile to provide an estimate. At the same time, there were too few high-income households in the rented sector in Ireland to provide an estimate.

If we consider the differences between renters and owners, looking just at the 3rd quintile (*i.e., those households between the 41st and 60th percentiles in the disposable income distribution, or "middle-income" earners*) **households who rent their home pay more than those who own their home with a mortgage, as a percentage of disposable income.**

If we look at the differences between countries, again looking just at the 3rd quintile, **homeownership is slightly more of a burden in Ireland than in Austria or the Netherlands,** with comparable data for Denmark not available. In terms of renting, also putting Denmark aside for comparability reasons, Irish households actually spend less of their disposable income than their Austrian or Dutch peers.

However, this is where the issues around comparability between countries come into play. The data show the cost of the rent or mortgage (interest plus principle) paid as a percentage of disposable income. Disposable income is taken to be gross income (market income plus social transfers) minus taxes. Included in disposable income, therefore, are any rent supplement payments received by households. The CSO confirms that for Ireland this includes HAP and similar payments[68]. As noted in Table 10, Austria spends a fraction of what Ireland does in terms of housing-based welfare payments on a per capita basis, despite the fact that in Austria around 46% of the population live in rental accommodation, compared to 30% in Ireland[69].

[68] CSO. (2021). Survey of Income and Living Conditions – 2021 *Background notes*. https://www.cso.ie/en/releasesandpublications/ep/psilc/surveyonincomeandlivingconditionssilc2021/backgroundnotes/

[69] Eurostat. (2023). Distribution of population by tenure status, type of household and income group - EU-SILC survey [ILC_LVHO02]. Accessed on 14th March, 2023 https://ec.europa.eu/eurostat/databrowser/view/ilc_lvho02/default/table?lang=en

Table 14: Personal tax imposition, by household type and earnings

Household type:	Single	Single	Single	Single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of average)	***67***	***100***	***167***	***67***	***100-0***	***100-67***	***100-100***	***100-67***
Austria	27.3	33.2	38.2	1.2	15.7	21.1	25.1	30.8
Denmark	36.3	39.0	44.6	9.0	29.3	34.5	36.1	38.0
Ireland	16.7	26.7	36.0	-4.2	10.1	18.4	23.3	22.3
Netherlands	27.3	35.7	43.9	1.6	31.4	26.9	31.2	32.4

Source: OECD Tax Database

The other issue that has to be considered is taxation. If two households in two different countries have the same income, but the taxation on that income is not the same, then they will of course not end up with the same after-tax income. Ireland is a low tax economy, at least in comparison to the three peer countries. In each of the eight tax scenarios outlined in Table 14, the typical Irish household's tax contribution, in percentage terms, will be lower. **The tax contribution for low-income households in Ireland is particularly low versus the peer countries, which may in turn impact on relative housing affordability, when assessed in terms of disposable income.**

However, this does not mean that low income Irish households are necessarily better off than their peers. What governments choose to do with the revenues they raise from taxes can be just as important as the rates of taxation in a given country. Experimental data from Eurostat, which covers Ireland and the Netherlands, but regrettably not Austria or Denmark, show the breakdown of the income of different households[70]. What is novel is that the data also include an estimate of 'social transfers in kind' (STK). These are goods and services that provide a benefit to a person, but which they do not pay for themselves. This might include things like education, healthcare, childcare, and possibly even social housing. **The measures of spending on housing as a percentage of disposable income, such as those presented in Table 13, do not take into account STK.**

Table 15: Distributional National Accounts – Household Income Breakdown (Year 2016; € millions)

	IRELAND					THE NETHERLANDS				
	Bottom Quintile	2nd Quintile	3rd Quintile	4th Quintile	Top Quintile	Bottom Quintile	2nd Quintile	3rd Quintile	4th Quintile	Top Quintile
Gross National Income (GNI)	**4725**	**9165**	**20143**	**30015**	**45653**	**13756**	**33547**	**74960**	**118502**	**221581**
- Current taxes on income & wealth	708	1395	3393	5956	10039	4343	3413	6297	11208	31494
- Net social contributions (paid)	671	1597	3486	5341	6757	9094	16504	31961	48742	68358
- Social benefits (other than in kind, received)	5428	5073	5463	4744	6040	19672	27802	26271	25574	27802
- Other current transfers (received)	-215	-214	-288	-329	-437	188	134	-598	-1401	-3463
Gross Disposable Income (GDI)	**8559**	**11032**	**18440**	**23133**	**34459**	**20179**	**41566**	**62375**	**82725**	**146068**
- Social transfers in kind (STK)	6093	4704	5329	4316	3652	25708	28038	25911	23173	19999
Adjusted Gross Disposable Income (A-GDI)	**14651**	**15736**	**23769**	**27448**	**38111**	**45887**	**69604**	**88286**	**105898**	**166067**
GNI as % of A-GDI	32.2	58.2	84.7	109.3	119.8	30.0	48.2	84.9	111.9	133.4
GDI as % of A-GDI	58.4	70.1	77.6	84.3	90.4	44.0	59.7	70.7	78.1	88.0
STK as % of A-GDI	41.6	29.9	22.4	15.7	9.6	56.0	40.3	29.3	21.9	12.0

Source: Housing Europe calculations, based on Eurostat 'Distributional National Accounts (National Data)'

[70] Eurostat. (2022, July 8). New estimates on household distributional accounts. https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20220708-3

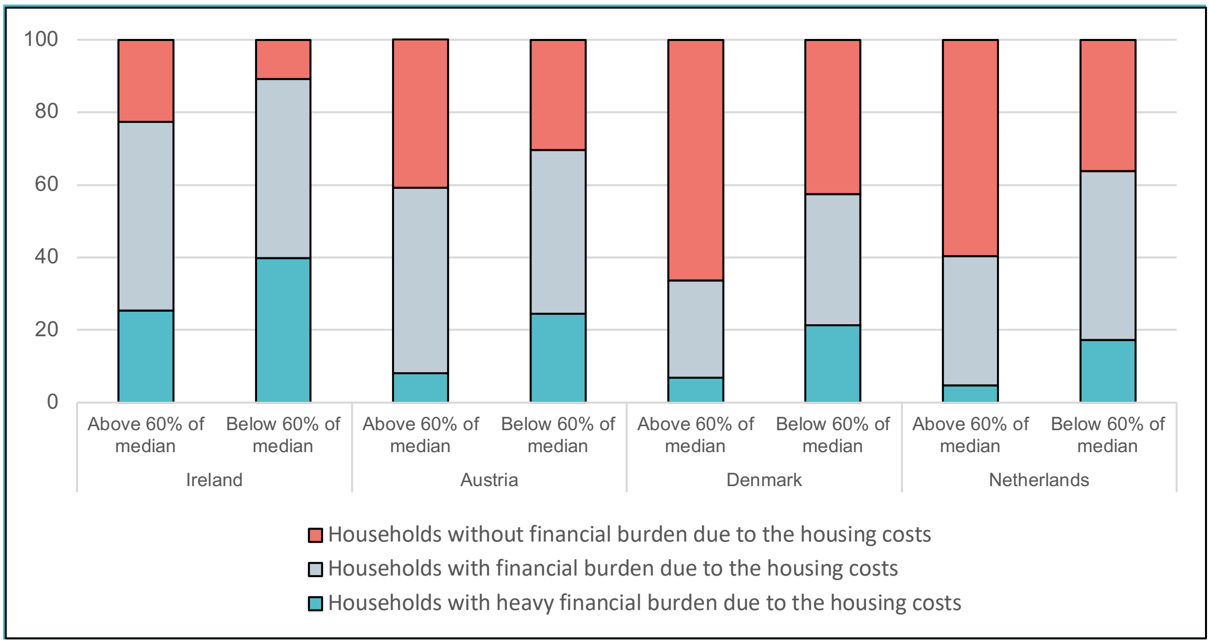
When we add STK to the standard measure of gross disposable income (GDI) for households, we get 'Adjusted Gross Disposable Income' (A-GDI). We see that in both Ireland and the Netherlands, this can have a dramatic impact on our perceptions of the material well-being of households. In Ireland, GDI is 58% of A-GDI for the lowest income quintile. In the Netherlands, it is only 44%. This highlights the extent to which many measures of housing affordability offer an incomplete picture. **Low income households in the Netherlands pay more taxes than their Irish counterparts, but they also receive more in benefits in the form of social services, including housing.** If comparable figures from Austria and Denmark were available, they would likely show a similar picture.

Overall, this means that a household in a high-tax, high social-provision country may not need as much disposable income to achieve the same standard of living, as childcare, healthcare and other vital services, including housing, may already be provided for them either for free, or at heavily subsidised or regulated prices. Thus, **a greater relative share of GDI going on housing is not necessarily a robust indicator of housing cost burden, at least when we are trying to compare different countries.**

Indeed, as research from Eurofound shows, when it comes to making ends meet each month, amongst EU households that spend 40% or more of their disposable income on housing, 39% state that they make ends meet "easily" and 51% of them are in the top income quartile. These households have typically low 'non-housing' needs[71]. **Conversely, when we look at those households who spend less than 20% of disposable income on housing, 42% have difficulty in making ends meet, with 37% in the bottom income quartile.** Eurofound concludes that these households "are likely to have high non-housing needs".

Government's need to be aware of this when attempting to assess the degree to which housing is acting as a financial burden to households, and also when trying to assess their country's performance in this regard relative to other nations.

Figure 12: Financial Burden of Total Housing Cost
(2020, by Household Income Group)



Source: Eurostat [ILC_MDED04]

[71] Eurofound (2023, *forthcoming*). Housing unaffordability and inadequacy in Europe: trends and policies. Luxembourg: Publications Office of the European Union.

Eurostat does collect data on the subjective assessment of the financial burden associated with housing. **These data show that both low- and middle-to-high-income households in Austria, Denmark, and the Netherlands feel that meeting their housing needs presents less of a financial burden than their Irish counterparts.** Indeed, even low-income households in the three peer countries all report a lower subjective burden than the middle-to-high-income Irish households, likely in part due to the greater provision of social housing in those countries.

Key takeaways from the assessment of rent or mortgage as a percentage of disposable income
• **KPI: Hard to be conclusive on the topic of housing affordability – though Irish households state that they perceive housing to be <u>less affordable</u> than their peers** • Almost without exception, lower income households are required to dedicate a larger percentage of their disposable income to meet the cost of renting or owning. • Low income renters in Ireland spend less of their disposable income on housing than their peers. However, cross-county comparisons of affordability are fraught with difficulty, and extreme caution is advised when interpreting figures   o Low-income households in the Netherlands, for example, pay more in tax, but also receive more in benefits

Much work to be done on decarbonising our homes

As we will discuss in the next section, **the energy performance of our homes has become a significantly more important topic for policymakers in both the EU and the individual Member States in recent years.** The current focus on divesting the EU from Russian fossil fuels as quickly as possible has added further impetus to this.

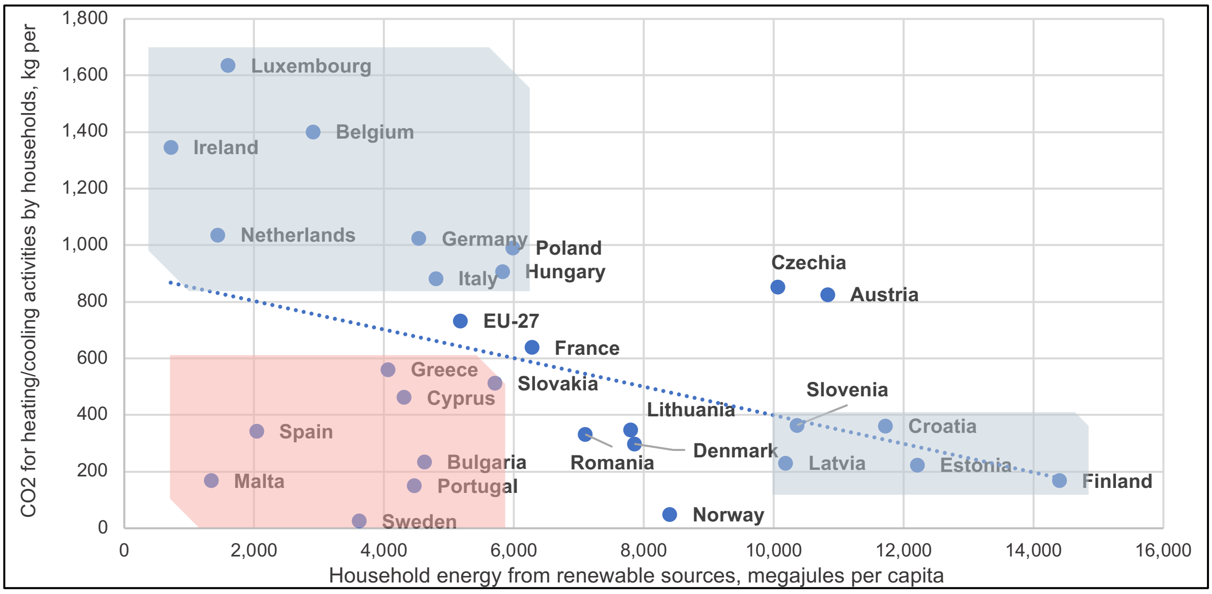
In Section 1, we looked at the performance of the Irish residential building stock via the medium of BER ratings, or Energy Performance Certificates (EPC) – to use the pan-European terminology. However, we cannot take the same approach when making a cross-border comparison. This is because, at present, the EPC rating system has not been completely harmonised across the EU Member States[72]. This means that a building in Ireland that is rated C, for example, may not have had to meet the same energy performance standards as a C rated building in the peer countries. **Thus, taking an EPC ratings approach risks making an apples to oranges comparison, which could provide a misleading picture of the relative performance of the residential stock in the four countries.**

A potentially more universally comparable way of assessing the performance of the residential building stock between countries is to look at the greenhouse gas emissions related to heating or cooling. If homes are better insulated, they will require less energy to keep at an optimal temperature. It is also true that the source of energy for heating and cooling is important to consider. **Ideally, a home should be both well insulated and derive its energy usage from renewable sources in order to have the lowest possible environmental impact.**

Indeed, as is shown in Figure 13, we can largely divide countries in Europe into three broad categories. **There is a group where greenhouse gas emissions are high and consumption of renewables is low (includes both Ireland and the Netherlands);** a group where greenhouse gas emissions are low and consumption of renewables is high; and a final group where both greenhouse gas emissions and consumption of renewables are low.

[72] Serna-González, V., Hernandez Moral, G., Miguel-Herrero, F., Valmaseda, C., Martirano, G., Pignatelli, F., Vinci, F. (2021). ELISE Energy & Location Applications: Use Case "Harmonisation of Energy Performance Certificates of buildings datasets across EU" – Final Report. Luxembourg: Publications Office of the European Union, Luxembourg.

Figure 13: Household renewable energy consumption and greenhouse gas emissions

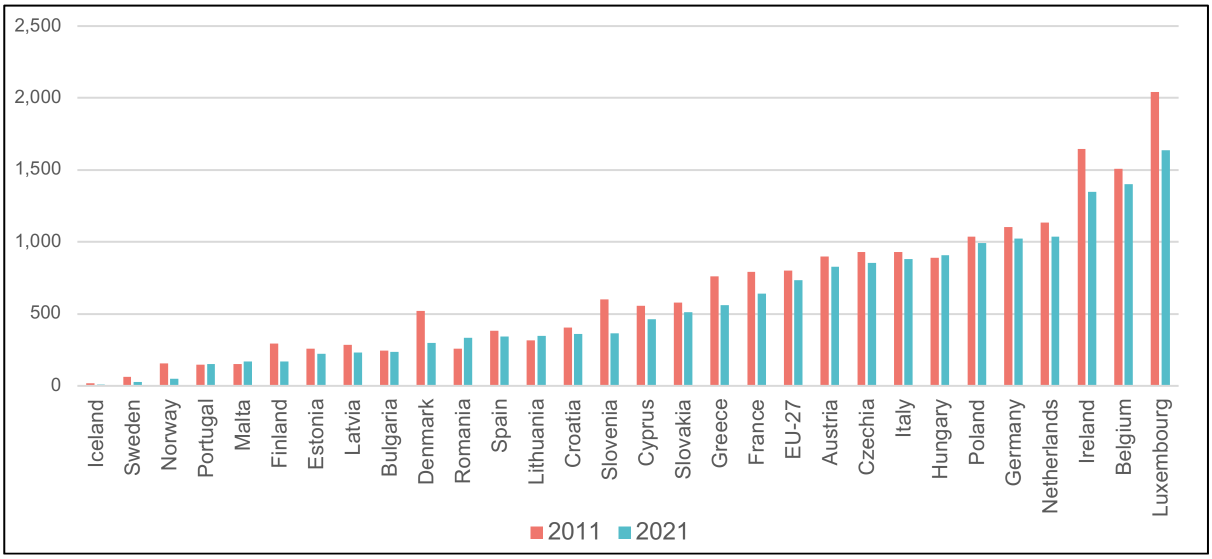


Source: Housing Europe estimates, based on Eurostat [ENV_AC_AINAH_R2] and [NRG_CB_RW]

Group 1 is clearly the least desirable from an environmental sustainability perspective. However, it is also clear that geography plays an important role, with Southern and Mediterranean Member States disproportionally represented in Group 3; likely benefitting from generally warmer climates. That being said, global warming means that the need for cooling in these countries is likely to increase[73], and with it related emissions.

Figure 14: Greenhouse Gas Emissions for Heating & Cooling the Housing Stock

(Kilograms per Capita)



Source: Eurostat [ENV_AC_AINAH_R2]

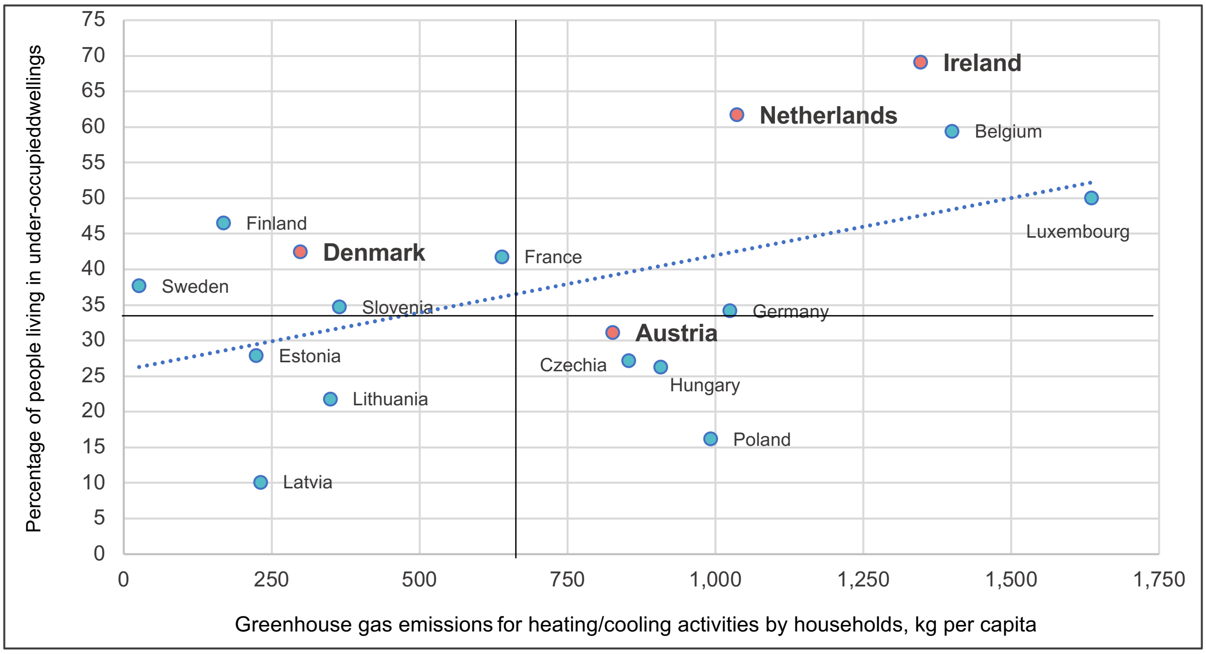
If we look specifically at the left-hand column in Figure 14 for a moment, the CO_2 for heating and cooling activities by households (in kilograms per capita), we see that both Ireland and the Netherlands are amongst the worst performers in Europe. Austria is broadly in line with the EU average, while Denmark is amongst the best performers. **In terms of the trend, all four countries have managed to reduce emissions since 2011, though clearly Ireland and the Netherlands still have significant scope for improvement.**

[73] See, for example: https://www.eea.europa.eu/data-and-maps/figures/cooling-degree-days

While the age and general 'quality' of homes is certainly likely to be a factor that explains the relative performance, another key issue to consider is the size of homes, or more precisely the size of homes relative to the number of occupants. As shown in Figure 15, **the worst performing nations in terms of CO_2 emissions are also, broadly speaking, the nations with the highest share of people living in under-occupied dwellings. This reflects the fact that typically those living in under-occupied homes heat rooms, even if they are not being occupied or used on a daily basis[74].**

A recent review in the UK found that "over-emissions are predominantly made by those households who under-occupy their dwellings…This is true of those in poverty and those above the poverty line, and implies a significant element of housing choice driving emissions levels"[75]. Therefore, **particularly in the case of Ireland, the issue of a very large share of people living in homes that are arguably larger than what is required to meet basic needs for space and comfort adds an extra layer of complexity to meeting CO_2 reduction targets.**

Figure 15: Relationship between greenhouse gas emissions and share of under-occupied dwellings



Source: Eurostat [ILC_LVHO50C] and [ENV_AC_AINAH_R2]
Note: The lines show the EU average rates

While some possible tools to help improve the general quality and environmental sustainability of the housing stock in Ireland will be suggested in Section 4, **trying to change peoples' behaviours, including in terms of heating rooms in a way that makes sense based on their use of their homes, can provide some meaningful reductions in a short space of time.** The issue of the size of homes and the overall 'suitability' of the Irish housing stock might also need to be considered by policymakers who are keen to lower carbon emissions.

[74] The Scottish Government conducts an annual Household Survey. It shows that only around 1 in 4 under-occupied households try to reduce heating in unused rooms during winter months. See: Scottish Government (2016). Low Carbon Behaviours Framework. Edinburgh: Scottish Government.

[75] Burgess, M., & Whitehead, M. (2020). Just transitions, poverty and energy consumption: Personal carbon accounts and households in poverty. Energies, 13(22), 5953. https://doi.org/10.3390/en13225953

Key takeaways from the assessment of greenhouse gas emissions from households for heating and cooling

• **KPI: Ireland and the Netherlands are <u>amongst the worst</u> in Europe when it comes to greenhouse gas emissions from housing.**
• Both Ireland and the Netherlands are part of a cohort of nations that have both high levels of emissions related to the heating and cooling of housing and a low level of energy needs being met by renewable sources
    o Both countries have made progress on housing related greenhouse gas emissions during the last decade, but they remain significantly above the EU average
    o One of the factors that seems to responsible for the poor performance is the number of under-occupied homes, which are less efficient to keep adequately warm

Issue to be considered by policymakers
• Many people in Ireland live in homes that may be too large to meet their basic needs

Section 3: Housing – the EU dimension

Housing is not a strict competence of the European Union. This means that unlike areas such as agriculture, competition, employment, or energy, there is no Directorate General (the EU equivalent of a Ministry) with responsibility for housing.

However, this does not mean that the EU is completely agnostic with regard to housing. In many respects, the EU does play an important role. Issues like the quality and performance of our homes are determined to a large extent by legislation adopted at the EU-level. However, the quality of homes is only important if you have a home in the first place. That is why in recent years **the EU has placed an increased emphasis on collaboration in tackling homelessness.**

In addition, **the EU provides funding for the renovation of housing, the testing of new innovative approaches in the housing sector, and even the construction of new social and affordable homes.** Newly announced measures will also mean that, for the first time, the power being supplied to homes in the EU that is based on greenhouse gas emitting and polluting sources, such as oil, gas, and coal, will be subject to a form of carbon levy, as part of reforms to the pre-existing EU Emissions Trading System (ETS)[76]. This has the aim of making renewable forms of energy more attractive to consumers, largely by penalising the use of greenhouse gas emitting energy sources. **In order to compensate vulnerable households who may struggle to make the energy transition, a new Social Climate Fund is to be established.**

At the same time, the EU also creates certain 'obstacles' for member states with regard to the development of housing, particularly publicly funded social and affordable housing. This was eluded to in Section 2, with regard to the issue of Irish AHBs being considered to be "on-book" for the purposes of the calculation of the national debt.

*With regard to the role that the EU plays in the **quality, performance and environmental sustainability of our homes**, there are a number of important EU Directives to consider…*

Table 16: Energy efficiency, sustainability and quality of homes – relevant EU legislation

Directive or Regulation	Legislative implementation in Ireland	Main policy implications and impacts
Energy Performance of Buildings Directive (EPBD)[77]	• *S.I. No. 393 of 2021 EUROPEAN UNION (ENERGY PERFORMANCE OF BUILDINGS) REGULATIONS 2021* • *SI 393 of 2021 European Union (Energy Performance of Buildings Regulations) 2021* • *S.I. No. 376 of 2022 - European Union (Energy Performance of Buildings) Regulations*	• Sets minimum energy performance standards for new and existing buildings, including requirements for energy-efficient renovations and the use of renewable energy sources. • Requires countries to establish minimum energy performance requirements for buildings, to ensure that new buildings are nearly zero-energy buildings (NZEBs) from 2020, and eventually Zero-Emissions Buildings (ZEBs), to encourage the renovation of existing buildings to improve their energy efficiency. • Member states are also required to establish energy certification schemes (i.e., the EPC ratings) to inform building owners and tenants about the energy performance of their buildings. • The EPBD has had a significant impact on the quality and energy performance of homes in the EU. Since its introduction, many member states have implemented stricter building codes and energy efficiency standards for new buildings, leading to the construction of more energy-efficient homes.

[76] EU Council (2023, May 15). Infographic - Fit for 55: reform of the EU emissions trading system. https://www.consilium.europa.eu/en/infographics/fit-for-55-eu-emissions-trading-system/

[77] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.156.01.0075.01.ENG. However, it should be noted that, at the time of writing on the 22nd of May 2023, a revision to the EPBD is currently being discussed by the EU Institutions. If and when it is formally adopted, it will change the scale and/or obligations of member states to ensure the quality and performance of homes.

Energy Efficiency Directive (EED)[78]	• *EUROPEAN UNION (ENERGY EFFICIENCY) REGULATIONS 2014* • *European Union (Energy Efficiency) Amendment Regulations 2016* • *European Union (Energy Efficiency)(Amendment) Regulations 2019*	• The main aim of the EED is to reduce energy consumption and greenhouse gas emissions in the EU by promoting energy efficiency. • The directive sets a target of reducing energy consumption by 32.5% by 2030 (*though this figure will be increased with an ongoing revision to the EED*) and it requires member states to develop and implement national energy efficiency plans to meet this target. • The directive requires the establishment of energy efficiency standards for products such as refrigerators, washing machines, and boilers, which has led to the development of more energy-efficient products. This in turn has helped to lower energy bills for households. • It also contains an obligation for the public sector to be exemplary: Member States will have to ensure that at least 3% of the total floor area from buildings owned by public bodies are renovated each year.
Renewable Energy Directive (RED II)[79]	• *European Union (Renewable Energy) Regulations 2020* • *EUROPEAN UNION (RENEWABLE ENERGY) REGULATIONS 2022*	• The RED II aims to increase the share of renewable energy sources in the EU's overall energy mix. The directive sets binding renewable energy targets and measures for EU member states and promotes the use of renewable energy sources in all sectors of the economy, including in residential buildings. • Sets a binding renewable energy use target for 2030 of at least 42.5% of final energy consumption, with a more general target of 45%. • For ordinary households, the RED II establishes the option for them to cooperate with their neighbours to establish renewable energy communities, where they can pool their resources in order to cooperate and scale up the use of renewable energy at a local level, and help to reduce their energy costs.

*In terms of the role that the EU plays with respect to **tackling homelessness**…*

The Lisbon Declaration and the European Platform on Combatting Homelessness (EPCH)

In 2021, the EU launched the EPCH. It is founded on Principle 19 of the European Pillar of Social Rights, that access to affordable housing is a basic human need and a central dimension of well-being. The EPCH was officially launched in June 2021, with the agreement of the Lisbon Declaration[80].

At the launch of the Lisbon Declaration, it was stated by the EU that: **"We are affirming loud and clear that providing to everyone a roof is not charity. It is social justice. And social justice is the task of public authorities and governments"**[81].

The EPCH is based on three pillars. Firstly, it seeks to speed up the transmission of knowledge and best practice between member states in terms of effective policy interventions and tools to tackle homelessness.

Secondly, the Platform will identify and mobilise available funding for homelessness schemes, including through the provision of social housing and also by tackling housing precarity with measures to deal with energy poverty. The European Social Fund Plus (ESF+), the European

[78] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32012L0027. However, it should be noted that, at the time of writing on the 22nd of May 2023, a revision to the EED is currently being discussed by the EU Institutions. If and when it is formally adopted, it will change the scale and/or obligations of member states to ensure the sustainability of homes.

[79] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32018L2001. Provisional agreement was reached in March 2023 to revise the RED II in order to increase the scale of the obligations on member states to increase the use of renewable energy. This agreement will soon become a revised Directive, which will in turn need to be transposed into national legislation.

[80] European Commission. (2021). Lisbon Declaration on the European Platform on Combatting Homelessness. https://ec.europa.eu/social/BlobServlet?docId=24120&langId=en

[81] European Commission. (2021, June 21). Speech by Commissioner Schmit at the high-level conference to launch the European Platform on Combatting Homelessness. https://ec.europa.eu/commission/presscorner/detail/en/speech_21_3125

Regional Development Fund (ERDF), and the social window of InvestEU have an important role to play in terms of financing.

Thirdly, the EPCH aims to improve the collection of data and evidence to better inform policy on homelessness. While some governments and civil society groups already produce homelessness figures, there are issues with consistency and comparability that need to be addressed in order to ensure that the true scale of homelessness in Europe is understood.

Ireland officially singed up to the Lisbon Declaration on the 15th of June, 2021[82]**.** The Minister for Housing, Darragh O'Brien, stated at the time that: "While signing a declaration is not a silver bullet by any means, the collaboration of EU member States with the shared goal of ending homelessness is to be welcomed".

If we turn our attention to what role the EU can play in ***helping to deliver more affordable and better quality housing****…*

The European Investment Bank (EIB)

The EIB is the EU's lending institution, and is owned by the member states. Its main objective is to support the EU's policies by providing long-term financing for viable investment projects that contribute to areas like economic growth, job creation, and regional development. The EIB primarily focuses on infrastructure, environmental sustainability, innovation, and small and medium-sized enterprises.

Table 17: EIB Lending Possibilities for Social and Affordable Housing

Scheme/Loan Type	Details
Investment Loan	• Financing for housing associations, cities/municipalities, or regulated social housing providers. • The funding is for a specific investment project or programme, where all costs and activities have been appraised up-front.
Direct Framework Loan	• Financing for housing associations, cities/municipalities, or regulated social housing providers. • Finances a three to five-year slice of an investment programme, including multi-scheme investment that meets defined criteria, including those not completely prepared at time of signing.
Indirect Framework Loan (*i.e., via a local intermediary*)	• Funding is provided to national or local promotional banks, or dedicated public financing agencies, such as Ireland's Housing Finance Agency. • Funding is to facilitate the financing of housing associations/social housing providers. The intermediary must apply financing criteria agreed with the EIB
Investment Platforms	• Funding is provided to national or local promotional banks, or dedicated public financing agencies. • An umbrella framework under which different financing products can be used within the platform, tailored to different sizes or types of housing project. • Different sources of co-financing can be combined, including national or EU grant funding. • A national promotional bank can apply thematic focus to windows under the platform: e.g., focusing on energy efficient housing or housing prioritised according to specific urban or social criteria

The EIB is also an important lender for the purposes of funding the delivery of new social and affordable housing schemes[83]. This can also include renovation programmes aimed at

[82] DHLGH (2021, June 15). Minister O'Brien to sign European declaration on combatting homelessness. https://www.gov.ie/en/press-release/f0f45-minister-obrien-to-sign-european-declaration-on-combatting-homelessness/

[83] European Investment Bank. (2019). Social and Affordable Housing with the EIB – Advanced Finance for a Basic Need. https://www.eib.org/attachments/thematic/social_and_affordable_housing_en.pdf

bringing existing buildings into use as social housing, as well as the renovation of existing social housing units.

EIB Lending for the Development of Social and Affordable Housing in Ireland

The EIB has been very active in recent years in the funding of social and affordable housing in Ireland, especially for projects developed by AHBs. However, as the EIB only directly lends for projects above a certain threshold, usually €25 million, its financing efforts for housing in Ireland have been via the Housing Finance Agency (HFA), which is an Irish public agency. For example, in June 2019, the HFA signed an agreement to receive a €200 million framework loan from the EIB, which was to be used over a four year period to develop around 1,600 new social and affordable housing units[84].

The way in which the HFA agreement with the EIB works is that it takes the initial loan. Then, acting as a "local intermediary", it distributes the loan in smaller tranches to providers of social housing in Ireland. This means that the social housing providers can access EIB funding; something which would likely prove to be very difficult for them otherwise, given the high minimum funding threshold applied by the EIB in order to avail of direct access to loans.

InvestEU

InvestEU is a new programme that brings together several EU financial instruments under one roof. InvestEU will support investments in four key areas, including sustainable infrastructure, and social investment and skills, which can include the construction of social and affordable housing[85].

InvestEU is essentially a public guarantee fund, meaning that it provides a guarantee to investors to cover a portion of potential losses on investments that are seen as being 'risky'. The other way in which the Fund can work is by directly investing in projects, where there is a funding gap left by the private sector. This direct investment is in the form of subordinate and unsecured lending, which means that in the event that a project cannot repay its debts, the private investors must be compensated first, including through seizing of assets, before InvestEU can seek any redress.

The InvestEU Fund is expected to mobilise at least €372 billion of private investment off the back of just €26.2 billion in EU support. The guarantee can help projects to access financing at more favourable terms, which means that more projects, including social housing, can be developed; especially when such projects include an element of private financing.

InvestEU can be applied to public sector entities and public-sector type entities; mixed entities, such as public–private partnership (PPPs) and private companies with a public purpose; as well as non-profit organisations (such as AHBs). **Funding is managed by the EIB, though for smaller projects national intermediaries like the Irish HFA can be used.**

At present, InvestEU has not yet been used by social housing providers in Ireland. Although, it could play an important role in the financing of cost-rental homes, for example. If social housing providers would like to diversify their funding options, to also access funding from private credit institutions, including credit unions, then InvestEU could help to 'de-risk' these loans or bridge potential funding gaps left by the private sector, and thus make possible lending that otherwise may not be able to happen.

[84] EIB (2019, July 16). HFA Social & Affordable Housing Programme. https://www.eib.org/en/projects/pipelines/all/20190221
[85] InvestEU is already helping to provide new social housing developments, such as this recent example from Germany: https://www.eib.org/en/press/all/2022-349-investeu-in-germany-eib-supports-social-and-affordable-housing-in-hanover-with-eur60-million

InvestEU Supporting Social Housing in Germany

In August 2022, the EIB and Hanova, the municipal housing company in Hanover, signed a €60 million loan agreement to build 640 new rental apartments, of which 232 are social and 408 are affordable[86]. As the rules applied by private mortgage banks in Germany were that a portion of the cost of the housing project had to be met by either the own funds of Hanova, or via unsecured loans, the €60 million investment by the EIB was essential to fill a financing gap. As the EIB also applies strict rules in relation to the environmental impact of activities it funds, the Hanova project will also meet very high energy efficiency targets, meaning that in addition to affordable rents, future tenants will also enjoy very low energy bills.

While Ireland has not yet used InvestEU for housing projects, the Hanover example provides an interesting template. If we imagine the scenario in which an AHB wanted to access mortgage-based funding from a commercial bank, or a credit union, current macroprudential rules in Ireland could mean that a 100% mortgage would not be available. As AHBs do not have significant sinking funds, accessing unsecured financing from InvestEU to cover the financing gap may be an option to make such lending agreements possible, and thus unlock new funding options for the delivery of social housing in Ireland.

European Regional Development Fund (ERDF)

The ERDF equates to €226bn in funding for projects during the 2021-2027 period, and is the main component of the overall 'EU Structural Fund' programme. Any EU region can apply for ERDF funding. However, the allocation conditions vary between regions, based on their level of economic prosperity. This is measured via 'Gross Domestic Product (GDP) per capita'. The most 'developed' regions can avail of co-financing rates of 40% to 50%, while 'less developed' regions can avail of rates as high as 85%. Thus, in the latter case, for every one euro spent, 85 cent will be provided directly from Structural Funds, versus 15 cent from the national or regional partner. Ireland would be considered to be a "developed" region.

Table 18: Structural Funds Co-financing Rates

Region Type	Definition	Co-financing rate applied
More Developed Regions	*GDP per capita > 100% of EU-27 average*	40% to 50%
Transition Regions	*GDP per capita between 75% and 100% EU-27 average*	60% to 70%
Less Developed Regions	*GDP per capita < 75% EU-27 average*	85%

While the ERDF does not have a specific policy or mandate related to social housing, it can provide funding for projects that contribute to social inclusion and sustainable development, which may include investments in social housing. The ERDF has also supported various initiatives aimed at improving housing conditions, including the renovation of existing housing stock and the construction of new energy-efficient homes.

ERDF programmes are a cooperation between the European Commission and national and regional authorities in Member States. The Member States' administrations choose which projects

86 Housing Europe (2022, November 3). First InvestEU-funded project in Germany goes to a municipal housing company from Hanover. https://www.housingeurope.eu/resource-1737/first-investeu-funded-project-in-germany-goes-to-a-municipal-housing-company-from-hanover

to finance. They also take responsibility for day-to-day administration linked to these projects. Thus, there is a role for local social housing providers to lobby for ERDF funding for their projects.

According to **Ireland's ERDF programme, which equates to investment totalling €853 million, of which €396 million is financed by the EU** (*i.e., a 46.4% EU financing rate*), there is a clear objective to scale up "investment in actions that improve the energy efficiency of residential homes while targeting homeowners in, or at risk of, energy poverty"[87]. It also includes an aim to "Supporting Sustainable Urban Development in our Regions by taking an integrated strategic approach to the regeneration of our towns using a Town Centres First Framework". All funds will be managed by the three Regional Assemblies, who will decide on which projects are to receive funds. **There is clearly scope, therefore, for using such finds for the development of new social dwellings, for example through the regeneration of vacant properties in town centres.** Renovations of existing social properties may also be possible.

ERDF funding the supply and improvement of social housing in France

Of all the countries in the EU, France is arguably the most pro-active when it comes to using ERDF funding to improve housing outcomes for low- and moderate-income households. For example, in the 2014-2020 period, the country allocated €475 million in ERDF funds to either develop social housing projects, or provide renovations for parts of the existing social stock[88]. As part of its plans for 2021-2027, €420 million has been promised by the French Government to be allocated from the ERDF, and a linked EU fund, to aid with the renovation of around 106,000 social dwellings.

In the Irish context, as shall be discussed further in Section 4, Irish social housing providers can struggle to find the necessary funds to renovate their housing stock. This is because the rents that their tenants pay are based on their household incomes (*i.e., differential rents*), rather than the cost of provision for the social provider; though for new cost-rental homes this is not an issue. As such, even if investments are made to renovate social dwellings, which should lower the energy bills of tenants, the rent remains unchanged. While grants of up to 50% can be provided by the Sustainable Energy Authority of Ireland (SEAI), a public agency, to fund renovations, finding the remaining 50% remains an acute challenge. ERDF funding could, therefore, provide a potential source of additional funding to bridge some or all of the current funding gap for these kinds of renovation projects in Ireland.

European Social Fund Plus (ESF+)

The ESF+ (European Social Fund Plus) is a funding instrument established by the European Union to support employment and social policies across the EU. **Like the ERDF, the ESF+ does not have a specific policy or mandate related to social housing, but it can provide funding for projects that aim to improve social inclusion and access to affordable housing.**

Specifically, the ESF+ aims to support the following objectives:

- Improve access to employment, including for disadvantaged groups such as the long-term unemployed, migrants, and people with disabilities.
- Promote social inclusion, combat poverty, and reduce inequalities.
- Improve access to education, training, and lifelong learning.

[87] Dept. of Public Expenditure (2022, July 28). Minister McGrath secures approval for Ireland's Draft European Regional Development Fund (ERDF) Programmes 2021 – 2027. https://www.gov.ie/en/press-release/dc8a2-minister-mcgrath-secures-approval-for-irelands-draft-european-regional-development-fund-erdf-programmes-2021-2027/

[88] USH (2023). Cohésion 2021-2027 - FEDER – FSE+ [Cohesion 2021-2027 – ERDF – ESF]. Brussels: L'Union sociale pour l'habitat Représentation auprès de l'Union européenne. https://union-habitat-bruxelles.eu/sites/default/files/congres/field_document/cohesion_21-27_decodeur_investeuhlm_document_de_travail_250223.pdf

- Enhance the institutional capacity of public authorities and stakeholders.

Projects that contribute to these objectives may be eligible for funding from the ESF+, including those related to social housing or renovations. For example, **the ESF+ may support projects that provide training and employment opportunities for people who are homeless or at risk of homelessness, or that promote the development of social housing in areas with high levels of poverty and social exclusion.**

In addition, the ESF+ may support projects that aim to improve the quality of the existing social housing stock, such as through energy efficiency upgrades or the provision of social services for residents.

It's important to note that the ESF+ operates in conjunction with other EU funding instruments, such as the ERDF, and with national and regional funding sources. As such, funding for social housing projects may come from a combination of sources, depending on the specific project and the needs of the region or community in question.

ESF+ funding in Ireland

In Ireland, use of ESF funds in the 2014-2020 period (around €613 million in direct EU funding) was strongly geared towards providing training schemes and traineeships for job seekers and young workers[89]. For the period 2021-2027, the EU will provide €508 million through ESF+ to fund projects in Ireland.

Given that a shortage of skilled labour in the construction sector has been highlighted as a major headwind to the renovation of the housing stock in Ireland, including in recent reports by both Housing Europe[90] and the European Commission[91], the ESF+ presents a major opportunity to address this issue, and train the next generation of construction workers.

Horizon Europe

Horizon Europe is the EU's research and innovation funding programme for the period of 2021-2027. While its main focus is on advancing scientific knowledge and innovation across various sectors, **it can also support investment in social housing through research and innovation projects aimed at improving housing conditions and addressing housing challenges.**

For example, Horizon Europe can provide funding for research projects that aim to develop innovative solutions to address the shortage of affordable and social housing in the EU. This can include research into new construction techniques, innovative financing models, and sustainable or alternative building materials.

In addition, Horizon Europe can support projects that aim to improve the quality of existing social housing stock, such as through the development of smart home technologies, energy efficiency upgrades, and the provision of additional services for residents.

Horizon Europe can also support projects that aim to address the social and economic impacts of inadequate housing, such as health inequalities, social exclusion, and poverty. This can include research into, for example, the links between housing and health, the impact of housing on social mobility, and the economic benefits of investing in social housing.

[89] See some example of this at: https://eufunds.ie/publications/
[90] Housing Europe (2023). The State of Housing in Europe – 2023, Ireland Country Profile. https://www.stateofhousing.eu/
[91] European Commission. (2023). European Semester: Country Report - Ireland 2023. https://commission.europa.eu/system/files/2022-06/2022-european-semester-country-report-ireland_en.pdf

Overall, Horizon Europe can play a significant role in supporting investment in social housing by providing funding for research and innovation projects that can help address the housing challenges facing the EU. By supporting the development of innovative solutions and new technologies, **Horizon Europe can help improve the quality and affordability of social housing, and promote social inclusion and sustainable development.**

Horizon Europe funding in Ireland

It is not known exactly how many housing related projects in Ireland have received funding from Horizon Europe, or its predecessor Horizon 2020. In general, though, it is the assessment of Housing Europe, as an organisation that tracks and monitors many Horizon-funded affordable housing projects, that Ireland is not as present when it comes to involvement in such projects as many of its peers in Western Europe. Both LAs and AHBs have not been strongly pro-active in trying to identify funding opportunities under Horizon or forming relationships with partners in other countries in order to participate in such projects as part of cross-border consortia. These social partners ought to develop strategies to rectify this situation, as it has the potential to unlock significant amounts of grant funding, which in turn would help to finance new and innovative approaches to housing development, renovation, and improving social impacts.

One example of a recent Horizon funded project that did include capital funding of a new approach in the area of housing in Ireland, though, is DRIVE 0[92]. As part of the project, Westmeath County Council were partners, providing two of their homes in order to test innovative modular deep renovation techniques. Having successfully tested the new approach, it can hopefully provide a template for replication in the renovation of similar homes across Ireland during the coming years. However, as discussed in previous sections, with many challenges in Ireland in relation to both the quality of existing homes and the supply of new homes, even more Horizon projects will be needed to act as springboards to the development of new approaches, especially in terms of finding new ways to speed up projects and reduce costs.

Just Transition Fund

The JTF supports the territories most affected by the transition towards climate neutrality, in order to avoid growing regional inequalities; in line with EU cohesion policy's aim to reduce regional disparities. In other words, it seeks to compensate regions who face the greatest 'burden' in shifting towards climate neutrality, such as regions with a low-quality housing stock or where the local economy is based on the exploitation of fossil fuels and other finite resources.

The Just Transition Fund (JTF) can play a crucial role in supporting investment in social housing by providing financial support to initiatives that promote social housing development. The JTF was established by the European Union to help regions, sectors, and communities that are particularly affected by the transition to a low-carbon economy, by supporting their efforts to become more sustainable, inclusive, and resilient.

Investment in social housing is a key element of the transition to a low-carbon economy, as it can provide affordable, energy-efficient homes for people and communities that are most affected by the transition. The JTF can provide financial support to projects that aim to develop social housing, by funding feasibility studies, construction costs, or retrofitting of existing buildings to make them more energy-efficient.

[92] See: https://www.drive0.eu/demo_cases/case-3-residences-athlone/

In addition to providing financial support, the JTF can also play a role in facilitating collaboration and knowledge-sharing between stakeholders involved in social housing initiatives. This can include bringing together local authorities, housing associations, developers, and community groups to develop joint strategies and projects that can benefit from the JTF's support.

The Just Transition Fund in Ireland

At the end of 2022, the Irish Government and the EU approved the country's official programme for use of its funding allocation under the JTF. This equates to €84.5 million in direct EU funding. When national co-financing is included, this new Programme will provide for investments of up to €169 million[93]. This money will be used in the Midlands region[94], as it is the only part of Ireland judged to face strong financial difficulties related to Ireland meeting its climate objectives.

The programme will focus on three priorities, including.

- generating employment by investing in the diversification of the local economy
- supporting the restoration and rehabilitation of degraded peatlands and the regeneration and repurposing of industrial heritage assets
- providing former peat communities with smart and sustainable mobility options to enable them to benefit directly from the green transition

Therefore, there is no clear avenue by which the funds from the JTF could be used to support housing-specific measures in Ireland, such as renovations or new construction, under the current programme. It also appears that, despite the aforementioned commitment to tackle homelessness, schemes to tackle housing exclusion are also not part of the Irish JTF programme[95]. This could be seen as something of a missed opportunity, and if there is scope for a mid-term review or modification of the programme in the future, such investments should be considered.

The Social Climate Fund (SCF)

As part of the revision of the EU Emissions Trading System (ETS), the European Commission is proposing to extend emissions trading to the building and road transport sectors. Emissions from these sectors will not be covered by the existing EU ETS, but by a new separate emissions trading system. In any case, **the expectation is that households who use fossil fuels for heating or electricity in their homes are likely to face higher bills.** To address some of the social impacts that will arise from this new system, the Commission proposes to introduce the Social Climate Fund for 2026-2032.

Another important issue that should be mentioned is that while the new ETS regime will come into effect in 2027, countries that already have a carbon tax system that includes household fuels, which sets a higher price for carbon emissions than the ETS, can apply for a special temporary derogation from fully implementing the ETS. **Ireland has confirmed that given its own domestic carbon tax is already in place, it will apply for a derogation, which would be valid until 2030.** It is not clear if this derogation might even continue after 2030, or else how the national carbon price set in Ireland will be aligned with the EU ETS system[96].

---

[93] Dept. of the Environment (2022). EU Just Transition Fund. https://www.gov.ie/en/publication/4d421-eu-just-transition-fund/

[94] Includes the entire counties of Laois, Longford, Offaly, Roscommon, Westmeath, and municipal districts of Ballinasloe (Co. Galway), Athy and Clane-Maynooth (Co. Kildare), and Carrick-on-Suir and Thurles (Co. Tipperary).

[95] Examples of ESF-linked programmes to tackle homelessness have been catalogued by Housing Europe in a recent publication: Housing Europe (2023).

[96] Murray, D. (2023, April 22). Ireland exempt from EU carbon price regime until 2030. Dublin: The Sunday Business Post. https://www.businesspost.ie/politics/ireland-exempt-from-eu-carbon-price-regime-until-2030/

In terms of the scale and scope of the Social Climate Fund. The SCF for the period 2027-2032 will be established and financed by a part of the revenues from the new ETS. The EU will allocate €59 billion to member states. In the case of Ireland, it can access us to €602,578,740 for the 2027-2032 period[97]. In addition, Ireland would have to provide co-financing for SCF-linked projects of 25%. **This means that the total size of the SCF in Ireland could be a little over €800 million.**

At this point in time, it is not clear how countries like Ireland will use the SCF funds that will be allocated to them; though there are certain parameters and rules to be respected. In any case, **the deadline by which member states will have to submit their spending plans for SCF funds is the 30th June, 2025.**

Such plans could include measures to increase the efficiency of buildings, renovations, decarbonisation of heating and cooling in buildings, and greater uptake of zero-emission and low-emission mobility and transport. Thus, there are real capital investment options related to housing. Member states may also use funds to simply provide direct income support to households (e.g., provide payments to help them cover higher energy costs). However, direct payments can account for a maximum of 37% of the total amount used in a given Member State, meaning that **renovations and other similar measures will still make up the bulk of investment coming from the SCF.**

In terms of ***the EU Fiscal Rules****, and how they impact on the development of schemes to provide additional social and affordable housing…*

EU Fiscal Rules and public investment in housing

Each EU member state is required to adhere to a set of rules for economic governance, which are usually referred to simply as the "Fiscal Rules". The exact rules were first introduced in 1992 with the passing of the Maastricht Treaty, **but they have been tweaked and modified in the intervening years. Therefore, providing a concise explanation of the rules, as they are to be applied today, is not easy.** To complicate matters somewhat, in early 2023 the European Commission proposed to make further changes to the application of the Fiscal Rules.

In any case, in the briefest possible terms, **the Rules require that member states keep public debt-to-GDP at or below 60%, and that the annual budget deficit does not exceed 3% of GDP. If these obligations are not respected, then certain corrective measures must be taken.** However, much 'flexibility' has been found over the years, which in practice has meant that member states often do not adhere to their obligations, without suffering significant reprimand. A good example of this was during the COVID pandemic, when a need for countries to take exceptional measures to support households meant that fiscal obligations were temporarily suspended.

The issue for countries like Ireland, which have systems of social and affordable housing provision that are strongly linked to the state, for example in terms of access to funding or oversight and control, is that Eurostat – the EU's statistical agency – has made the judgement that any debts incurred by these housing providers should be considered as part of the public debt. While it seems hard to argue that Local Authorities, and their housing departments, are not direct arms of the state (something that will be discussed further in the next section), this ruling also currently extends to

[97] Housing Europe (2023, April 13). New Social Climate Fund: What is it for and what is the link with the social and affordable housing sector?. https://www.housingeurope.eu/resource-1796/new-social-climate-fund

AHB's[98], which are not public bodies. Therefore, when the government provides loan financing to an AHB to develop social housing, it is adding to its own debt.

If debts, or deficits, are judged by the Fiscal Rules to be excessive then political decisions need to be made to find ways of addressing this issue, including by curbing the accumulation of public debt or cutting spending. It is, therefore, maintained that the Fiscal Rules are not well aligned with investment in the achievement of vital public policy goals, including the provision of affordable housing or the reduction of greenhouse gas emissions, for example. This is because where investment potential is limited, social housing or climate adaptation must effectively 'compete' with other areas of necessary spending, like health or education[99]. **In the cases of Austria, Denmark, and the Netherlands, the equivalents of AHBs in each country are currently not considered as part of the public debt, and thus do not face the same potential funding constraints.**

However, the European Commission has faced increased calls in recent years to adapt its economic governance, including the Fiscal Rules, to better allow member states to invest in meeting essential policy objectives; most notably hitting their ambitious greenhouse gas emissions targets. **By the European Commission's own estimates, the current annual funding gap for renovation of EU homes, in order to meet existing climate targets, is at least €115 billion per year[100].** Given that much of the gap exists for lower income households who lack the means to self-finance renovations, there is a clear need for the state to intervene.

In the draft reform proposals published by the European Commission in April 2023[101], the 3% deficit and 60% debt rules, which are part of the EU Treaties and which would be difficult to change, are to be kept. However, member states will have the possibility to develop a national debt reduction plan, which shows that debt is on a "plausibly downward path"; effectively allowing for more nuance and consideration of country-specific economic factors. **Overall though, the reforms offer little hope that investments in areas like climate mitigation and social housing will be any easier than in the past. Thus, for Ireland, finding a route to removing AHBs from calculations of public debt needs to be expedited, in order to ensure that the sector is better able to ramp up investment during the coming years.** Diversifying its sources of finance away from Exchequer funding could also be important in this regard, as the strong reliance on state funds was one of the main factors cited by Eurostat in its judgement. As already discussed, social housing providers in Austria, Denmark[102], and the Netherlands access finance primarily from private sources.

[98] The reasoning behind this can be seen in a letter sent by Eurostat to the CSO in 2017, which is available at: https://ec.europa.eu/eurostat/documents/1015035/8683865/Advice-2018-IE-Sector-classification-Approved-Housing-Bodies.pdf/4813b7be-a51b-4952-bbb2-46906aacbbdd

[99] However, the amount of so-called "fiscal space" that is available to Ireland to use for public investment (i.e., the amount of spending that would be compliant with the Fiscal Rules) is contested. For example, research published in 2021 stated that the Irish government had the possibility to invest €4-7bn more per year on social housing than was currently planned, without facing a conflict with the Rules. See: McQuinn, K. (2021). With 'g' greater than 'r', should we be borrowing to increase Irish housing supply?, QEC Special Article, Dublin: Economic and Social Research Institute. https://doi.org/10.26504/QEC2021SUM_SA_McQuinn

[100] European Commission (2020). Identifying Europe's recovery needs – Staff working document, SWD(2020) 98 final/2. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0098(01)&qid=1632480138899&from=EN

[101] European Commission (2023, April 23). New economic governance rules fit for the future. https://economy-finance.ec.europa.eu/publications/new-economic-governance-rules-fit-future_en

[102] For a more detailed overview of the funding structures used by Austrian and Danish social providers, see: Housing Europe (2022). Cost-based social rental housing in Europe. https://www.housingeurope.eu/resource-1651/cost-based-social-rental-housing-in-europe

Section 4: Policy options

Throughout this document, various issues and challenges for the Irish housing sector, and by extension the people of Ireland, have been discussed. It is important to note that this analysis is not exhaustive, and thus other important challenges also exist. **Some of these issues might already have been identified by other researchers or analysts looking at the Irish housing situation, and thus further reading is encouraged on this topic.** At the same time, some issues might remain unidentified, or are only in the early stages of development, and require careful monitoring and foreword planning to develop mitigation strategies. The issue raised in this report around the declining spread in yields for investment in BTR homes is an example of this.

However, based on some of the broad topics that have been addressed in this report, what can the experience of other European nations teach us? Are there existing housing policies that could be borrowed and adapted to work in the Irish context?

	Identified problem	Potential policy option
1	- The private sector has not been hitting the delivery targets set out in the national housing strategies - Yields on some BTR developments are less enticing than in the past, meaning private investment might be less plentiful than in recent years	- Swedish Housing Cooperative Model - Hitas system (Helsinki)
2	- There is a lack of diversity in funding to provide social and affordable housing - Local authorities, state agencies and partners, such as AHBs, are not being utilised to their full potential	- French Livret A system - MuniFin and Municipal Housing Companies (Finland) - Guarantee Fund for Social Housing (The Netherlands) - Wohnfonds Wien (Viennese Land Bank)
3	Social housing financing in Ireland requires constant state supports	- End the right-to-buy (Wales and Scotland) - Right-of-occupancy housing (Finland)
4	There is a lack of agreement on the number of new homes that need to be built, and current estimates do not take into account existing cumulative unmet need for housing	- English Housing Survey
5	There is a need for better linking infrastructure and investment in other counties to take pressure off the Dublin housing market	- Tax on the sale of undeveloped land made suitable for development (France) - Municipal Capital Gains (Spain)
6	Need to take, as much as possible, an environmentally sustainable approach to supply – maximising the use of existing buildings	- Masoveria system (Catalonia) - Public requisition of vacant properties (Brussels) - KredEx Loan Guarantees (Estonia)
7	Lack of housing options specifically for younger households – the 'stuck at home' cohort	- Youth Housing (Denmark)
8	Many people in Ireland live in homes that may be too large to meet their basic needs	- Senior Housing (Denmark) - Senior co-housing & apartments for life (The Netherlands)
9	Many low-income households live in energy poverty – unable to afford to heat homes either periodically or on a regular basis	- Energiesprong model - Social Rental Agreement (The Netherlands)

1. ***"Private sector has not been hitting the delivery targets set out in the national housing strategies; Yields on some BTR developments are less enticing than in the past; private investment might be less plentiful than in recent years"***
   - This suggests that alternative developers of housing are needed to step into the market and try to make up some of the supply gap

Swedish Housing Cooperative Model

So-called "tenant ownership cooperatives" have existed in Sweden since the 1920s. They allow for households to effectively become homeowners by pooling their borrowing capacity with other households in order to collectively borrow the required money to support the development of a new housing scheme; typically in multi-family apartment developments in urban areas. In other words, many mortgage eligible (or cash rich) households can co-finance a new housing development.

However, on paper this is not an attractive lending proposition for commercial banks, as providing financing directly to households to develop a new housing project is inherently risky, especially as by definition until the scheme is completed the bank is unlikely to have sufficient collateral backing up the loans. In today's more risk averse banking system, this is not a viable option for lenders.

In order to get around this, the Swedish cooperative system is based on a so-called 'mother and daughter' development model, where large regional 'Cooperative Associations' (the mother) work with newly formed local housing cooperatives (the daughter) to develop housing projects, with the mother taking care of all technical aspects related to procurement, design, and execution, as well as legal and administrative aspects of the project. Crucially, the mother also acts as a guarantor on behalf of the daughter, meaning that in the unlikely event that the project has some financial difficulties, the mother will guarantee repayment of loans.

In this regard, the financing of new cooperative housing projects is divided into two distinct phases. In phase one, the new housing cooperative takes a short-term development loan from a bank. This is a collectivised debt instrument on behalf of all members of the local cooperative, which finances construction of the new homes; with the mother acting as guarantor.

In phase two, around two months before the tenant owners move into their homes, they take new mortgage loans to finance their purchase of shares in their cooperative and repay the loans from phase one. These shares give them the right to live in a particular home within the new housing development. Interestingly in phase two, the overall 'debt' associated with a building is divided between the tenant owners and the cooperative as a collective. About 75% of the cost of moving to phase two is financed by the tenant owners, using a mix of savings and mortgage finance. The remaining 25% is a collectivised loan taken by the cooperative. This reflects the fact that while the tenant owners are responsible for their own home, all common areas of the building, including the façade, are owned by the cooperative. In phase two, the banks that provide mortgage lending are assured because they now have newly built homes acting as collateral. Thus the mortgages are given on the same basis as for a typical owner-occupier purchase[103].

Both parts of the mother and daughter model are non-profit, with any money generated from various activities retained within the cooperative system. The monthly cost of living in the local housing cooperative covers the cost of repaying any joint debts of the cooperative, as well as basic management and upkeep. Some money is also set aside to cover future renovation works or building improvements. The management of day-to-day upkeep and administration is typically dealt with by the Cooperative Associations, in return for a monthly management fee paid by the

[103] While it is technically possible for Swedish housing cooperatives to become insolvent, it is very rare, and there are specific receivership measures that have been developed to deal with such instances. See: https://www.riksbank.se/globalassets/media/rapporter/ekonomiska-kommentarer/engelska/2018/the-finances-of-housing-cooperatives-and-financial-stability.pdf

local cooperative. Tenant owners must also pay annual membership fees to the Cooperative Association.

The revenues generated by the Cooperative Association from management and membership fees are important, as they allow them to build up a capital reserve. This reserve is the basis on which they are enabled to act as a guarantor to ensure that banks are comfortable in providing the development loans in phase one. In addition, if for some reason there are unsold homes at the end of phase one, the Cooperative Association can purchase these homes and offer them for rent to tenants. This in turn helps to provide capital assets to underpin their status as guarantor.

One additional strength of the Swedish model is that those who wish to become tenant owners are encouraged to open cooperative-backed special savings accounts. These savings schemes, which provide very attractive interest rates, in turn help to provide the basis for a downpayment for the purchase of shares in the cooperative. The typical downpayment for a first-time-buyer is 15%.

In order to decide who gets to live in a new cooperative, the Cooperative Associations first look for people to declare their interest in a particular new construction project, and then allocations are based on how many 'points' the different households have – the higher the points, the higher the ranking on the list of allocations. These points are earned over time by paying an annual membership fee to one of the two national cooperative federations[104] – HSB Riskförbund (HSB) and Riksbyggen. It is even common in Sweden for parents to buy memberships for their children in order to give them a good chance to join a cooperative when they are older.

Another interesting aspect of the Swedish model is that new cooperatives can be established in order to meet the needs of specific cohorts of the population. Projects aimed specifically at younger first-time-buyer households, or older retirees are common. It is also important to note that given that members of the cooperative join before a project is completed, they are also free to design many aspects of their homes to meet their personal tastes. In this way, even when we are talking about apartment buildings, the homes are customised and thus provide the personal satisfaction and benefits that are typically reserved for one-off self-build housing.

A recent study has shown that in the metropolitan regions and in larger municipalities in Sweden, it is significantly more expensive to live in a newly produced rental property compared to the corresponding tenant owner home[105].

If and when a tenant owner wants to leave the cooperative, they have the option to sell their shares on the open market. However, the purchaser must be approved by the remaining members of the cooperative. This plays an important anti-speculative role as purchasers must, in most cases, use the home as their primary dwelling. While sub-letting can be permitted in some cases, in general tenant owner cooperatives dwellings are not speculative investments, they are intended to be homes for those who live in them.

Making coops work in Ireland

Given that the Swedish Cooperative Associations have had almost 100 years to develop their role as guarantors, this poses the legitimate question of how a country like Ireland could begin to use such a model today. In the case of Sweden, the original cooperatives founded in the 1920s were developed with the backing of industrialists and strong trade unions which took the role of the guarantor until the Cooperative Associations had built up sufficient capital reserves

[104] In addition, points can also be earned by opening a cooperative-backed savings account[104]. For example, the current HSB scheme provides one point for every 100 SEK (c.€8.75) saved, with a maximum of five additional points a month, and thus 60 points a year. Paying an annual membership fee of 300 SEK (c.€26.30) per family to become a member of the cooperative association is also required.

[105] Grip, J., and Brinkhagen, A. (2021) Boendekostnader i nyproduktion [Housing costs in new construction]. Stockholm: Prognos Centret. https://www.mynewsdesk.com/se/hsb_riksforbund/documents/rapport-boendekostnader-i-nyproduktion-punkt-pdf-416785

to take on this role by themselves. Thus, for a country that might begin the tenant-owner cooperative process today, this temporary, or 'transitional', guarantor would be needed. A new state agency could fulfil this role on a temporary basis, while a national investment fund or public bank could also play a role.

The reason that the coop model could work in Ireland is that the Cooperative Associations, while effectively seeking to develop a form of market housing, would not have the same profit-driven motives as existing private developers. Homes could even be sold to coop members on a cost-of-delivery basis, eliminating the so-called "developer's margin". Thus, we could think of them as being cost-purchase homes. The other interesting aspect of the proposal is that it could help to bring Ireland's mortgage banks back into the equation, in terms of financing housing development, in a way that has not been seen since before the banking crisis of the late 2000s. The risk associated with BTR and similar developments has constrained such activities, but given the existence of guarantees in phase one, and collateral in phase two, it could help to unlock greater financing from these financial institutions.

Hitas system (Helsinki)

Hitas housing is owner-occupier housing, but which is subject to certain controls regarding the price, both for the first purchasers and also on the resale market. In Finland, Hitas housing is only found in Helsinki. It is designed to offer an affordable purchase option for low- and middle-income households[106], though the system is currently being revised in order to better reinforce this objective.

Hitas buildings are always built on a plot leased from the City. The City also leases land for private for-profit housing development, though the Hitas dwellings have a more affordable land lease than these market-based properties. The land rent is linked to the city's Cost of Living Index[107]. By leasing the land on which Hitas homes are built, rather than selling it, the City manages to retain a strategic asset, generate guaranteed revenues for the coming decades, and keep the overall development costs of the homes down.

The sales price of Hitas dwellings has a maximum limit, and the City monitors Hitas dwelling sales and sales prices. The sales price can increase over time, and is indexed to inputs like the change in price inflation and construction costs. The current permittable sale price of a Hitas home can be verified with the City's Housing Office in the event that the current homeowner wishes to sell. Home upgrades can be taken into account, provided the homeowner can show receipts for these works. For new buildings, the price regulation is in force for 30 years from the completion of the building. In old Hitas buildings, the regulation ends either with a notice from the City or upon the approval of a request from the building owner. Recent analysis has concluded that the existence of Hitas apartments actually has some market-shaping impact, helping to slightly dampen the price of non-Hitas owner-occupier homes[108].

Interestingly, Hitas apartments are primarily built by the City of Helsinki's own construction company, Asuntotuotanto. The company is responsible for developing Hitas homes, but also various other forms of non-market housing, including cost-rental social housing. Roughly 25,000 Hitas dwellings have been built in Helsinki, approximately 14,000 of which are still subject to the

[106] Ronainen, M., and Eskelä, E. (2022) Helsinki's housing policy – A historical overview and the current situation. Helsinki: Publications Office of the City Administration.
[107] See: https://www.hel.fi/static/kv/asunto-osasto/hitas-tietopaketti.pdf
[108] Kähkönen, J. (2022). Kohtuuhintaista asumista" – Helsingin asuntopolitiikan vaikutus asuntojen hintoihin: Helsingin kaupungin asunto-ohjelmat 1971–2016 [Affordable housing"–The impact of Helsinki's housing policy on housing prices: Helsinki city's housing programs 1971–2016]. Helsinki: University of Helsinki.

price regulation. During the past decade, new Hitas homes have been around 10% of the total new construction in the City each year.

Hitas homes can only be purchased by 'natural persons'. In other words, companies are not allowed to purchase them. In addition, a household can only own one Hitas home at a time. This means that if two Hitas owners form a new household, at least one of them is obliged to sell. However, this does not mean that Hitas homes cannot be rented out. Indeed, the increased prevalence of rented Hitas properties is one of the reasons that the system is currently being revised[109], and this rental option will likely be stopped in the near future. At present, as demand is greater than supply, allocations for new homes are based on a lottery system, though families are given priority for larger family-type dwellings. This lottery system is also likely to be reformed in the near future, as it may not be the best way of targeting supports for access to publicly supported housing.

A Hitas model in Ireland

With both the affordability and availability of land serving as issues when it comes to the development of housing in Ireland, especially in large urban hubs like Dublin, a new market segment based on long-term public leasing could help to reduce development costs, and keep the cost of new homes down for future residents. As such, certain project viability issues currently being experienced might be sufficiently mitigated to allow stalled projects to continue. This in turn might help to boost the outlook for new construction. The other important consideration is that homes should be affordable not just for the first purchaser, but even upon resale. This means that, in a country like Ireland, public financial supports would benefit future generations, and not just those in the right place at the right time to avail of limited affordable purchase schemes.

2. ***Lack of diversity in funding to provide social and affordable housing/ Local authorities, state agencies and social partners, such as AHBs, are not being utilised to their full potential***

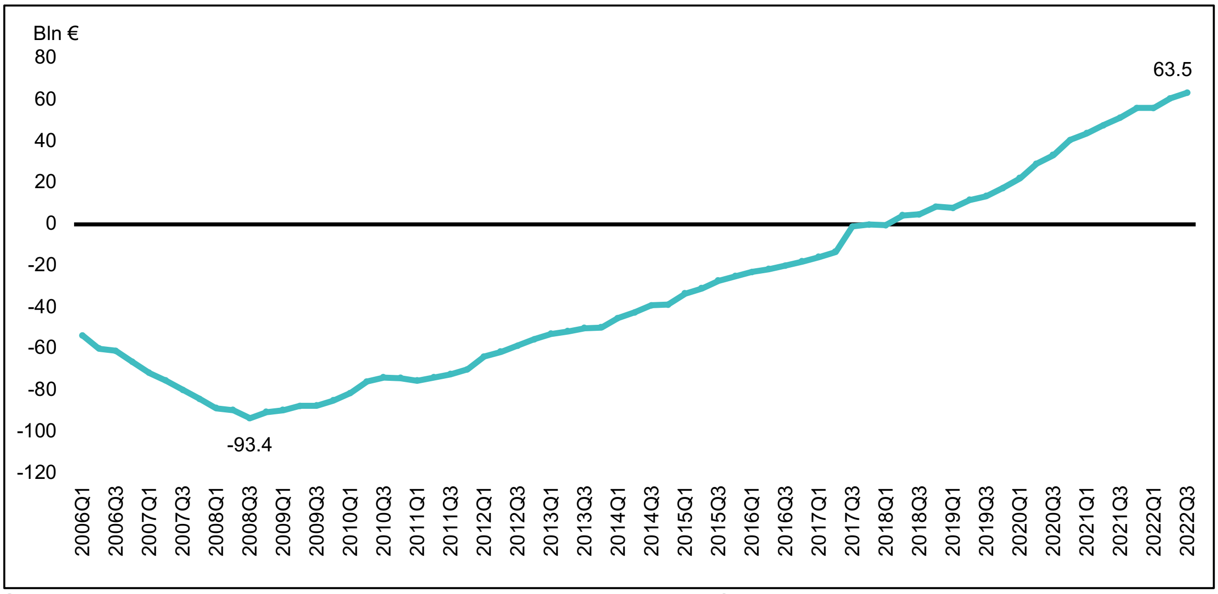
    - This suggests that additional funding options need to be developed to finance the necessary development of social and affordable housing
    - An investigation into the existing capacity within the public housing sector is required, to identify possible areas which are acting to curb potential delivery of new affordable homes

The French Livret A model of financing social housing

There is now significant evidence that negative economic shocks can lead to higher savings rates over the long-term[110], in part due to households becoming intrinsically more cautious about the future. This creates a number of headaches for governments, not least of which being the impact on employment, consumer spending and the 'multiplier', but also lost VAT, excise, and other tax revenues. All of these issues have the potential to put a squeeze on public finances and, thus, capital spending, such as investment in social and affordable housing.

[109] Ronainen, M., and Eskelä, E. (2022) Helsinki's housing policy – A historical overview and the current situation. Helsinki: Publications Office of the City Administration.
[110] For example : https://www.nber.org/system/files/working_papers/w19067/w19067.pdf

Figure 16: Loans / Bank Deposits Balance of Irish Households



Source: Housing Europe estimations, based on Eurostat [nasq_10_f_bs]
Note: Series is for 'Households and Non-Profit Institutions Serving Households' (HNPISH)

As shown in Figure 16, Irish households have been massively deleveraged themselves from debt for over a decade now. Having collectively had a net balance with the banks of -€93bn in 2008, meaning that they had outstanding debts with the banks of €93bn more than they had deposited with those same banks. By mid-2022, their position was now a net positive €64bn. While this means, in theory, that Irish households are now less exposed to economic shocks than at the time of the GFC, it also means that there is a lot of wasted investment potential. Similar excess savings can also be seen in other EU countries.

However, France shows us that excess household saving can be channelled into something positive. In France, almost all people have either a 'Livret A' or 'Livret de développement durable et solidaire' (LDDS) state-backed savings account[111]. It is a tax-free way of saving money, up to a maximum of €22,950, which is available through any bank and offers savers a more attractive interest rate than their usual current account. The current interest rate is 3%, which is significantly above the interest rate offered on current account savings. At the start of 2023, Livret A and LDDS savings in France amounted to €521bn. These savings are managed by a special state investment vehicle (i.e., a public bank) called the 'Caisse des dépôts et consignations' (CDC). While the CDC has access to the €521bn, in practice they tend to leave around 40% of this with the commercial banks and use the remaining 60% for their own purposes.

The CDC's mission is to finance projects that support public policy goals, including financing both infrastructural and various social projects. However, the largest single recipient of CDC funding is the French social housing sector. Indeed, in 2021 the CDC and its affiliates provided €19bn in funding for new social and affordable housing in France. This helped to provide 80,000 new housing units, in addition to 14,000 other homes for targeted sections of the population (e.g., young workers, students, and those in need of emergency accommodation)[112]. Under its current financing programme, the objective of the CDC is to support the development of 530,000 new social and affordable housing units in the period 2020-2024. This is in addition to funding 200,000 deep energy renovations of existing social housing units.

[111] See : https://www.economie.gouv.fr/particuliers/livret-a#
[112] CDC (2021). Rapport d'engagement sociétal 2021 [*Social engagement report 2021*]. Paris : Caisse des dépôts et consignations. https://www.caissedesdepots.fr/sites/default/files/2022-09/Rapport%20d%27engagement%20soci%C3%A9tal%20CDC%202021%20-%20corrig%C3%A9%203.pdf

The loans provided by the CDC to social housing providers are of course offered at preferential rates. Indeed, it is estimated that in 2019 and 2020 the saving in terms of borrowing costs for new lending to social housing providers was €387 million and €239 million respectively. For an average unit cost of €156,000, this represents a potential additional construction capacity of 2,480 and 1,530 housing units respectively[113]. CDC loans account for roughly 70-75% of the capital needed to develop social housing projects in France, with the rest coming from a number of sources including regional grants, banks, and some of the social providers' own resources.

Towards and Irish Livret A

There are two very important benefits of the Livret A and CDC that need to be highlighted. Firstly, while the CDC is a public bank, given that its sources of finance are private (i.e., the savings from households) the debts and liabilities of the bank are not considered to be public. This means that when the CDC lends for the purpose of social housing development, this does not automatically also increase the size of France's public debt. This is important for compliance with EU fiscal rules. By contrast, Ireland's Exchequer financed model of social housing development by LAs and 'on book' AHBs does increase the public debt and thus potentially constrain investment to the sector, with policymakers always keeping an eye on the available 'fiscal space'.

Secondly, the households who pay into the Livret A system are by their very nature 'passive' investors. They would like to earn a small return on their excess savings, and the Livret A is a hassle free way to do that. This differentiates them from many other private investors, who will actively manage their portfolios in order to look for the best possible return. Thus, the French system clearly offers cost advantages compared to trying to raise private capital for social housing investment on private markets, such as by issuing bonds.

Another important aspect of the Livret A is that it is not 'pro-cyclical' in its investment pattern. This means that even as an economy enters a period of economic decline or recession the CDC can maintain or even increase its investments. Indeed, savings by French households into their CDC linked accounts increased during the pandemic related disruptions in 2020. Indeed, the annual production of new social housing units in France actually increased after the global financial crisis of 2007-08, supported by increased household saving into CDC-linked schemes. If we compare the French model to a country in which social housing production follows a 'pro-cyclical' tax-revenue-driven model of state funding support, like Ireland, then we can immediately see the former's comparative advantages.

MuniFin (the Finnish Municipal Bank) & Municipal Housing Companies

In Finland, where all social housing is provided on a cost of provision basis (i.e., cost-rental model) municipalities borrow directly in order to develop housing. This also gives each municipality the possibility to develop and deliver locally specific housing policies, which can form important pillars in the promises made by politicians in municipal elections.

The main source of financing for new social housing in Finland is a private bank[114] called MuniFin. The bank is majority owned by the Finnish municipalities, with minority stakes for central government and the national pension fund. MuniFin raises capital for investment in social housing and other municipal projects by issuing bonds on financial markets. These bonds are given a

[113] *Ibid.*

[114] Note : MuniFin does not accept deposits, and thus is not technically a bank.

guarantee by another organisation called the 'Municipal Guarantee Board' (Kuntien takauskeskus, KT), which means that MuniFin can borrow at very low rates[115].

To obtain a guarantee from the KT, a municipality or joint municipal authority must submit an application along with a description of the investment project or financing instrument for which the guarantee is being sought. The KT uses the loans from MuniFin as collateral and can only guarantee loans issued by MuniFin. It has as a backstop the ability of local municipalities to raise taxes, meaning the KT has an AA+ credit rating[116].

As both MuniFin and the KT are strictly non-profit institutions Finnish municipalities, and their subsidiaries, can access financing at very favourable rates, with around 80% of existing municipal debt issued through MuniFin. As all Finnish municipalities benefit from MuniFin's low interest rates, there is a mutual benefit to behave in a 'prudent' manner. Indeed, if certain excessive deficits or other assessment benchmarks are breached, then municipalities can lose access to MuniFin's affordable loans.

In terms of social housing, funding accessed through MuniFin accounts for about 95% of the total funding required to develop a new social housing project in Finland. While high credit worthiness and historically low interest rates in recent years have meant that the housing associations owned by Finnish municipalities have been able to borrow at very cheap rates, increased interest rates in recent months mean that borrowing costs for the housing associations will also rise. However, in the event that the interest rate on borrowing exceeds 1.7%, then the Finnish national housing agency (ARA) will provide a subsidy in order to reduce repayment costs. While ARA manages the dispersal of these compensatory funds, they in fact originate from a separate state institution – Valtion asuntorahasto (VAR) – which was established in the 1990s to ensure that social providers could borrow at affordable rates of interest[117].

Municipal housing companies and a municipal banking sector in Ireland

Arguably one of the most important moments in the history of social housing in Ireland came in 1987 when the decision was made to stop the previous practice of Local Authorities being able to borrow funds for new construction. This reflected the fact that various changes to the system had reduced revenues from social housing to LAs to the point that repaying these loans was no longer sustainable, and all responsibility and liabilities therefore had to be transferred to Central Government[118]. A big part of the problem was that the rents paid by LA tenants are based on their income (e.g., "differential rents"), rather than the cost of provision. Finland's cost-based rents mean that this issue does not arise. Thus, a strong municipal banking sector can develop to support social housing.

In addition to having the autonomy to borrow money and develop their own housing plans, Finnish municipalities also have another important difference compared to Irish local authorities. While Irish LAs have their own in-house 'housing department', in Finland the municipalities have instead established arms-length municipal housing companies. These are in effect Special Purpose Vehicles (SPVs) which own the social housing stock in the city or region, and where the shareholders are the municipalities, which thus maintain indirect control.

One of the main benefits of this approach is the degree of specialisation and capacity building that it offers. The housing departments in local authorities in Ireland largely work within the

[115] OECD. (2022). Fiscal Federalism 2022 – Making Decentralisation Work. Paris: The Organisation for Economic Cooperation and Development. https://www.oecd.org/publications/fiscal-federalism-2022-201c75b6-en.htm

[116] *Ibid.*

[117] Housing Europe (2021). Cost-based social rental housing in Europe. https://www.housingeurope.eu/file/1073/download

[118] Norris, M. (2018). Financing the Golden Age of Irish Social Housing, 1932-1956 (and the dark ages which followed). *Geary WP2019/01*. Dublin: University College Dublin. https://www.ucd.ie/geary/static/publications/workingpapers/gearywp201901.pdf

‘generalist’ civil service system, where roles are mostly assigned based on grades rather than specialist knowledge.

Right across Europe, the direct management and deliver of social housing by local authorities is highly unusual, with the arms-length SPV municipal housing company the preferred approach. As well as offering an opportunity to build publicly-controlled specialist housing delivery and management bodies, and open up new avenues of finance (i.e., other than central government), if structured correctly any debts or liabilities of these municipal housing companies can be moved off book, having a positive impact on the calculation of public debt and thus reducing constraints on the development of new social housing. It, therefore, is an option that Ireland should consider – Denmark, France, Finland, and the Netherlands all offer strong potential role models.

Guarantee Fund for Social Housing (The Netherlands)

In the Netherlands, social housing providers (*woningcorporatie*) have, since 1995, been financially autonomous from the state. At that time, outstanding debts of the housing providers were written off and in return the system of state subsidies was ended. As a result, most financing now comes from private sources, such as mortgage loans from banks.

However, in order to ensure that borrowing can happen at favourable terms, the social housing providers benefit from the Guarantee Fund for Social Housing (*Waarborgfonds Sociale Woningbouw* – WSW). The purpose of WSW is to guarantee the loans taken out by the housing providers. In order to ensure the solidity of the system, WSW carries out rigorous assessment of loans. This helps to inspire confidence in the WSW, which in turns legitimises its role as a guarantor, helping to justify lending to social housing providers on favourable terms. Indeed, at present the WSW has a AAA rating from both Moody’s and S&P, showing the confidence in the Fund[119].

The most recent available figures from the WSW show that it currently has interest and repayment “obligations” of close to €130 billion[120]. In return for providing the guarantee, the social housing providers pay a fee to WSW. As well as WSW, social providers in the Netherlands also have a national independent regulator, which oversees and monitors their activities. This helps to provide further transparency and oversight of the sector, and avoid risky borrowing practices that could otherwise serve to undermine the sector.

An Irish guarantee fund for social providers

In the Irish context, if the sources of funding for social and affordable housing are to be diversified, then having a WSW-type guarantee fund would help to ensure that borrowing takes place on more favourable terms. This could be particularly interesting for accelerating the roll-out of cost-rental housing, as the rents collected would be linked to the loans in a way that is not the case for the differential rent-based social housing sector. In addition, the new Approved Housing Bodies Regulatory Authority (AHBRA), the independent oversight body for AHBs, can help to monitor borrowing, and better ensure the avoidance of risk.

[119] WSW. (2023). Who are we?. Accessed 05/04/2023 https://www.wsw.nl/over-wsw/over-ons/wie-zijn-wij
[120] WSW. (2022). Portefeuillerapportage - Per 30 juni 2022 [*Portfolio report - As at 30 June 2022*]. https://www.wsw.nl/uploads/tx_dddownload/WSW_4823_Portefeuillerapportage_juni_2022.pdf

Bauträgerwettbewerbe – land development competitions in Vienna

The City of Vienna has, since 1994, developed a system of what are often referred to as "developers' competitions" (*Bauträgerwettbewerbe*). The goal of these competitions is to provide high-quality housing at affordable prices by using the right to build on publicly owned land as a the 'prize' for the winners.

These competitions are organised by Wohnfonds Wien (the Viennese Housing Fund). The Fund strategically purchases parcels of land in Vienna to build up a public land bank. It currently owns around 320 hectares of land[121].

If a developer wants to buy a parcel of land from the Fund, it must first submit a proposal for a housing project that it will complete on this land. All proposals will be judged by an independent committee based on four "pillars" – design, economy, ecology, and social sustainability. The proposal must also include a clear breakdown of development costs (something which is more challenging in the current climate), and thus the final rent that tenants will have to pay.

In recent years, the developer competitions have been held with specific thematic focuses, such as inter-generational living, young living or living for single parents. In addition, requirements for social planning (such as the construction of kindergartens, schools, day centres for senior citizens or socio-educational residential communities for children and young people) are also announced with the competition documents. As a result of these priorities, many housing projects involve cooperation between housing developers and social institutions.

During the 2010s, Vienna became a much more attractive city to move to. This put additional pressure on the housing system and saw land prices increase to levels that jeopardised the ability of social housing providers to develop housing at affordable cost-rents. As a result, since 2018 a new planning ordonnance has existed in Vienna that states that when new areas are to be developed (and are thus rezoned), two-thirds of the housing must be some form of social or affordable housing, and one-third can be open-market housing. This social and affordable housing means that the land price is limited to €188 per square metre of useable gross floor area. It also means that net rents for tenants (excluding service charges and VAT) must not exceed €5 per square metre per month for each household. These new planning measures have helped to dampen land prices, which in turn helps the Wohnfonds to meet its goals of using land to promote high-quality affordable homes.

A new approach to land management in Ireland

In Ireland, the new Land Development Agency (LDA) is promoting the development of affordable housing on public lands, including by developing housing schemes itself. However, the Viennese system shows how the potential of the LDA can be increased in order to build affordability into the broader housing system, by controlling the rents that can be charged on certain tracts of land. This approach could also help to dampen speculation on land. However, it would also require public bodies to be more proactive, not only managing existing public land, but also buying up land in order to ensure that there is sufficient supply to meet housing delivery targets.

[121] https://youtu.be/jdjPJfdRU9E?t=895

3. ***"Social housing financing in Ireland requires constant state supports"***

- While some supports may always be needed, the degree to which Ireland stands out versus the three peer countries in this regard suggests that other options are needed
- The state needs to become better at retaining money in the social housing system, creating revolving funds or other mechanisms to hold and recycle money within a closed loop of housing development finance

End the Tenant Purchase, as in Scotland and Wales

Ireland is not alone in terms of selling off social housing. Such a policy still exists in England and, until recently, in Scotland and Wales. "Right to Buy" (RTB) legislation was introduced to Scotland in 1980 and resulted in a significant increase in the number of properties being transferred from public to private ownership. Sales continued until 2016, when the RTB was officially abolished. According to the Scottish government, the aim of this was to preserve existing stock. It was estimated that the change would prevent the sale of 15,000 homes over ten years. The view was taken that preserving the social housing stock was vital from an inter-generational 'fairness' perspective, with sales denying to younger households the opportunities that had been afforded to older low-income households.

The Scottish government neatly summed up its opposition to the RTB by saying "with thousands of people on waiting lists for council and housing association houses, it was only right for us to scrap this scheme as we could no longer afford to see the social sector lose out on badly needed homes"[122].

The ending of RTB in Scotland was also strongly supported by the social housing providers themselves. The President of the Scottish Federation of Housing Associations said at the time that they had "long campaigned for an end to RTB, and warmly welcomes the end of a policy which has led to a considerable reduction in the availability of truly affordable social rented homes and contributed to the growing intergenerational inequality in terms of access to affordable quality housing"[123]. As a result of the decision to end the RTB, the size of the local council housing stock in Scotland grew in 2019 for the first time in decades, and it continued to grow in 2020[124].

For much the same reason, the Welsh government also ended its RTB policy recently[125]. The government noted at the time that: "Between 1981 and 2016, over 139,000 local authority and housing association homes were sold under the Right to Buy. This has led to many people, many of whom are vulnerable, waiting longer to access a home they can afford. Abolishing the Right to Buy is also giving social landlords more confidence to invest in building new social housing by removing the risk of these homes being sold after only a few years".

Stopping the sale of Irish social housing

Local Authority tenants in Ireland do have the possibility to purchase their home, provided certain conditions are met[126]. The current iteration of this programme, the 'Incremental Tenant Purchase Scheme' has existed since 2016, and follows in a long line of other tenant purchase schemes. Indeed, as already noted, around two-thirds of the social housing built in Ireland since the 1930s

[122] See : https://www.gov.scot/%20news/right-to-buy-endsin-scotland/
[123] *Ibid.*
[124] Scottish Government. (2022, July 6). Housing statistics: Stock by tenure. Accessed on 15th March, 2023 https://www.gov.scot/publications/housing-statistics-stock-by-tenure/
[125] Welsh Government. (2019, January 9). Right to Buy to end in Wales this month. https://www.gov.wales/right-buy-end-wales-month
[126] See : https://www.citizensinformation.ie/en/housing/local_authority_and_social_housing/buying_your_local_authority_house.html

is now privately owned[127]. While some sales can be justified, selling off a collectively financed public good (and at below market prices) has clearly been shown to be a damaging policy in the context of the current shortage of affordable housing. Ending tenant purchases could help to preserve the existing stock for future generations. While one critique might be that sales have transferred liabilities away from LAs, better funding (especially for renovations) would help to mitigate much of the risk of retaining homes.

Right of Occupancy Housing (Finland)

In addition to cost-rental social housing, there are today around 50,000 households in Finland living in 'right-of-occupancy' housing (*Asumisoikeusasunnot*), with the first homes being built in 1992. Right-of-occupancy is a hybrid of shared equity and cost-rental housing. Households who live in these homes must finance a 15% equity stake themselves, with the rest of the equity being retained by the non-profit housing company that owns the residential building. The tenant pays rent in proportion to the stake of their home that they do not own.

So, for example, if the full cost-rent (assuming no equity stake, an excluding management fees) was €1,000 per month, with a 15% stake the tenant would have to pay €850 per month in rent. Any interest on loans taken out to finance the purchase of an equity stake is tax deductible.

If and when a tenant decides to move out, they can sell their stake in their home to the next tenant at the cost they originally paid, plus the change in the local construction cost index. The money received from the sale of your equity stake is not taxed, meaning that, in theory at least, the original value of the equity stake is maintained over time.

An Irish shared-equity cost-rental model

The benefit of the right-of-occupancy system for a country like Ireland is that, if it is decided that the current model of Exchequer financing for projects is to be maintained, then the model can at least reduce the overall funding commitment of the state, by also including some co-financing with tenants. For the tenants, the benefit is that they would have an even lower rent than in a cost-rental dwelling, as their equity stake means the size of the outstanding loans and liabilities of the social housing company are lower. Indeed, the most recent report from ARA shows that in Finland, right-of-occupancy tenants pay rents that are on average lower than those in the cost-rental sector[128].

Of course, one potential innovation of the Finnish system would be to allow tenants to increase their equity stake further over time, to reduce their monthly rents. This would therefore make renting into older age a more sustainable option. However, in order to ensure that right-of-occupancy housing ensured perpetual affordability, the potential equity stake should be capped, and the right to sell at a price dictated by the original investment adjusted for the increase in construction costs also maintained in perpetuity.

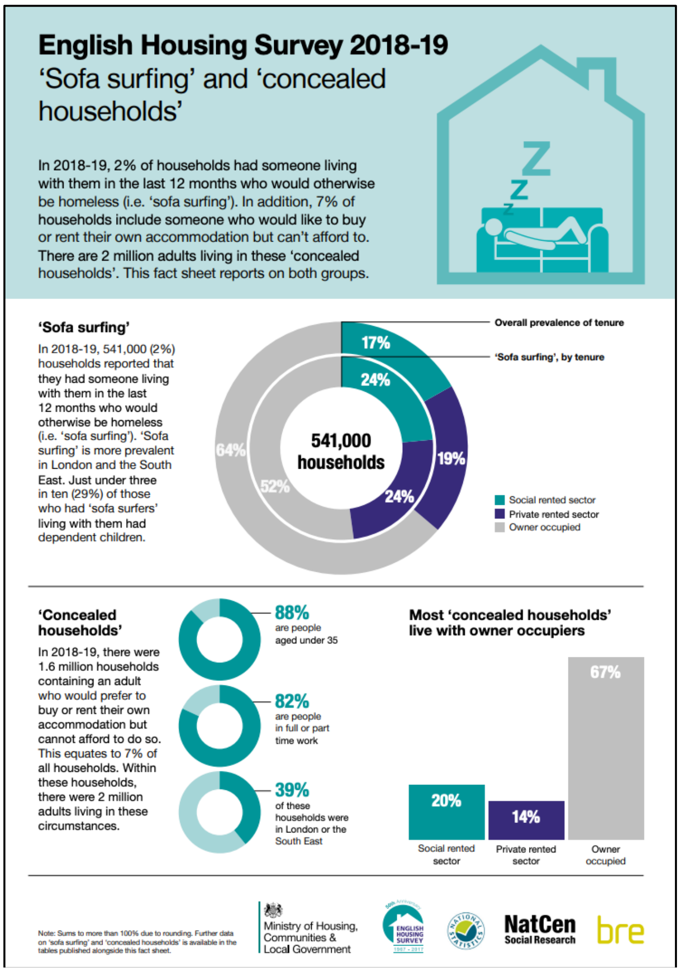
[127] Norris, M. (2020) Land, Finance and the Costs of Social Housing Delivery. Presentation to the Dublin Economics Workshop (online).
[128] ARA (2022). Asuntomarkkinakatsaus 2/2022: asumisoikeusasunnot [Housing market review 2/2022: right-of-occupancy apartment]. Helsinnki: The Housing Finance and Development Centre (ARA)

4. ***"There is a lack of agreement on the number of new homes that need to be built / Estimates do not take into account existing cumulative unmet need for housing supports"***
    - Suggests that current system of basis projections off of Census figures needs to be refined, to provide a more timely picture of housing needs
    - Additional metrics that can accurately assess the number of 'supressed' or 'hidden' households are needed, to better account for the existing unmet need

English Housing Survey

In England, the annual 'English Housing Survey' (EHS) allows public authorities to gather timely and detailed information on both the national housing stock, and the people who live in it[129]. It has been run each year since 1967. Information gathered through the EHS includes the specific housing tenure (e.g., owner-occupier, rented from LA or AHB, etc.), the ages, occupations and a the detailed income breakdown of each household member, as well as information on the quality of the dwelling, such as the energy rating.

Image 1: Overview of concealed households in England



Source: https://www.gov.uk/government/statistics/english-housing-survey-2018-to-2019-sofa-surfing-and-concealed-households-fact-sheet

Looking at the breakdown of information, it is clear the EHS provides far greater insights than is currently collected by the Statistics on Income and Living Conditions (EU-SILC) survey completed

[129] See : https://www.gov.uk/government/collections/english-housing-survey

renew europe.

by each EU member state on an annual basis. One important innovation is that is allows households to more accurately report their tenure. At present, the EU-SILC records households as being owners (with or without a mortgage), or renters (market or reduce-rent/free). Especially when it comes to reduced-rent/free, the current system lumps together a number of households who ought to be reviewed separately (i.e., those renting from a LA or AHB, and those in receipt of certain rental supports in the private rental sector, or living for free in the home of a relative).

The EU-SILC approach is unhelpful for the purposes of better understanding things such as the impacts of social rental versus housing subsidies. For example, the EHS shows that those living in social housing are significantly less likely to live in homes which contain health hazards than those living in private rental accommodation, while they are also significantly more likely to live in homes that are well insulated. All data are also available broken down on a regional basis.

Another important element of the EHS is that it allows policymakers to clearly estimate the number of 'concealed' households, or households who are living precariously within another household. As shown in the image above, the EHS showed in 2018/19 that 2% of households contained someone who was 'sofa surfing', while 7% include someone who would like to buy or rent their own home, but cannot afford to. As such, there were 2 million concealed households in England at the time. Such knowledge can then be used to refine and better inform housing needs assessments.

In addition to the EHS, the Scottish government also organises the annual 'Scottish Household Survey', and the linked 'Scottish House Condition Survey', which provide for similar analysis. Likewise, the 'Welsh Housing Conditions Survey' and the Northern Irish 'House Condition Survey' are less frequent, but still provide useful information.

Better collection of housing information

While the information gathered by the CSO for its contribution to SILC must conform to certain standardised approaches, in order to make figures as comparable as possible across the EU, there is likely still scope to add additional questions or make certain changes to also use the opportunity to gather additional insights on housing and households. The example of the analysis of hidden households in England is just one example of a topic that could be better captured. With better data, public authorities may be able to refine their approach to developing housing needs assessments. This may in turn help to deliver more appropriate housing policies.

5. ***Need for better linking infrastructure and investment in other parts of the country to take pressure off the Dublin housing market"***
   - This suggests that transport and other infrastructure will be required to help either make the prospect of commuting more attractive (i.e., quicker, easier, cheaper) or else to pull private investment out of the City

Tax on undeveloped land made suitable for development (France)

In France the 'Tax on the sale of undeveloped land made suitable for development' (*Taxe sur la vente de terrains nus rendus constructibles*) means that when undeveloped land, which has been rezoned to allow for construction, is sold the owner has to pay a tax on the uplift in the value of the land on the basis of the rezoning. The same rule is also applied to most types of brownfield sites. However, only sites where the uplift is ten times the original fee paid for the land and where the sale price in above €15,000 are subject to the tax.

The tax is calculated as a percentage of the difference between the acquisition price (or market value, in the case of inheritance or other non-market acquisition) and the sale price. All figures are adjusted for inflation. The exact rate at which the tax is levied depends on the length of time since the rezoning took place. For the first nine years, the tax is levied at its full value. For each of the following ten years, the tax liability is reduced by one-tenth, meaning that after 19 years, the tax is no longer paid. The rate at which the tax is levied is 5% if the uplift is between 10 and 30 times the original acquisition price, and it is 10% above that.

If we imagine a scenario in which land was purchased for €100,000 and that once it is rezoned it is resold for €1 million, then the uplift is €900,000. If the tax is levied at 5% (0.05 x €900,000), then the tax take is €45,000. If the original price of the land is not known or cannot be determined the tax is calculated on a flat rate basis equal to 2/3 of the sale price.

The French tax on rezoned land shows that these sorts of taxes can work in a European context. However, the tax is also criticised as being too low to properly discourage land speculation or land hording, as it is not set at a level that means that the profits from such activities disappear or are significantly diminished. Thus, if applied elsewhere, a more appropriate level of taxation would need to be considered.

However, it must also be noted that the tax is levied in conjunction with a separate land tax in France, the 'Tax on Undeveloped Land' (*La taxe foncière sur les propriétés non bâties* – TFPNB). This is a tax on all undeveloped land, which mainly applies to agricultural land and rural estates. However, the tax has been targeted in recent years to penalise the holding of undeveloped land in certain parts of the France where, for example, land is zoned as being for residential use and where there is an unmet need for housing (e.g., the Paris region and other large urban centres).

The basis for the calculation of the TFPNB is the so-called cadastral system, which estimates the theoretical revenues that would be generated from a given piece of land for a year (e.g., value of agricultural production, or rental income from apartments). The tax is actually taken from a base of 80% of the cadastral value, and is a simple calculation of the 80% cadastral multiplied by the tax (in percentage terms) as set by the local municipal council. For example, if the value of the land (per m^2) is €5,000, 80% of this would be €4,000. If the tax is set at 17% (the current rate in Paris[130]), then on a per m^2 basis the tax would be €680 per year. The tax, therefore, on one hectare of land would be €6.8 million a year[131].

This, therefore, can act as a powerful disincentive to hold land needed for the fulfilment of local development plans. When the land is sold, it then becomes liable for the Tax on Undeveloped Land Made Suitable for Development. Thus, the two taxes work in tandem to deliver the desired outcomes of increased revenues for local authorities to help finance new infrastructure and making sure that land designated under local development plans is actually used accordingly.

A more ambitious undeveloped land tax in Ireland

Ireland has recently announced its own 'Residential Zoned Land Tax' (RZLT). The annual tax will apply at a rate of 3% of the land's market value. The tax will operate on a self-assessment basis, which is payable from 2024 on. However, it seems likely that this approach is simply not ambitious enough, as the 3% tax may not even be enough to account for the appreciation of a piece of land in a given year. Thus, the monetary benefit of holding the land may outweigh the cost of paying the RZLT. In the French approach, the tax imagines the rent that could be charged on homes, meaning the land owner is being taxed as if they had already developed the land. This, combined with the much higher tax rates, mean that the French approach is likely more persuasive in discouraging land hoarding.

[130] See : https://www.paris.fr/pages/taxes-et-impots-2318/#la-taxe-fonciere-sur-les-proprietes-baties_17

[131] Since 2018, the municipal councils in areas designated for urban growth can also apply and additional surcharge to the tax, in order to further discourage land hoarding and promoted the goals of their urban development plans. See: https://www.collectivites-locales.gouv.fr/sites/default/files/migration/deliberation_tfnb_15_2018.pdf

Municipal Capital Gains Tax (Spain)

In Spain, municipalities are entitled to benefit from the uplift in the value of land in their areas, based on rezoning or investments in local infrastructure that they have made. This tax is known as the *Plusvalía Municipal* (PM).

The PM is applied to the change in the value of a piece of land, whether it has a building on it or not. Thus, for example, if land is rezoned and then planning permission is granted, the owner will pay a tax on the uplift even if they sell the land on before any development has taken place. Thus, it is seen as an anti-speculative measure. Importantly, if homes are built on the land and then they are sold, the seller will be liable for the same tax as if no construction had taken place. Thus, the tax does not penalise investment.

The PM can either be calculated on the basis of the inflation adjusted change in the value of the land between the time it is purchased and the time it is sold (the real capital gain), or an 'objective' assessment of the real change in the value, based on 'coefficients' voted by the local council[132]. If the objective estimate is lower than the real capital gain, then it can be applied. Since 2021, no tax is paid if it can be proven that the land has decreased in value in real terms.

For an example of how the system works, if we use the simple real capital gain approach. Assume that a home was purchased for €300,000 and then sold a few years later for and inflation adjusted €360,000. If it is assumed that the land is 50% of the value of the property (with the bricks and mortar making up the rest), then we can say that the land value increase was €30,000. If the maximum allowable PM rate of 30% is applied, then the tax in this case would be €9,000. This money is then used to pay for the development of local services and infrastructure, or to help service the debts associated with already developed projects.

Better sharing of collectively funded infrastructure in Ireland

In the Irish context, levies are paid by developers when new construction happens, in order to develop local supporting infrastructure. However, this is a one-off payment, and therefore subsequent upgrades to local amenities are captured through house prices, but not by the local authorities or public agencies who have to pay to develop and manage them. The PM system could help towns and peri-urban areas to develop local infrastructure to make them more attractive places both to live and to invest. Both results could help to alleviate some of the pressure on the main urban housing markets in Ireland, especially Dublin. Better and more accessible transport infrastructure, for example, could help to increase the attractiveness of new housing projects outside Dublin, which in turn could help to reduce viability issues.

6. ***"Need to take, as much as possible, an environmentally sustainable approach to supply – maximising use of existing buildings***

   - Suggests that more needs to be done to make sure that vacant dwellings are brought back into use
   - Measures should be sensitive as to why a dwelling might be vacant, and use policy measures that are most likely to be effective – this will be a mix of incentives and punitive measures

[132] Bankinter. (2022, October 31). Plusvalía municipal: ¿Qué es y cuáles son los nuevos coeficientes? [Municipal capital gains: what is it and what are the new coefficients?]. https://www.bankinter.com/blog/finanzas-personales/plusvalia-municipal

The New Masoveria System (Catalonia)

In the Spanish region of Catalonia, the so-called '*masoveria*' system (which roughly translates as 'sharecropping') traces its roots back to the days of the feudal system. It is an agreement between a property owner and a tenant to use a property for a defined period of time in return for the performance of certain services, such as maintenance and upkeep. The masoveria system understandably fell out of fashion in modern times. However, in recent years it has made a comeback, as a tool to tackle vacant housing.

In 2007, the regional parliament adopted a law which set out a new masoveria[133]. It is designed to meet the dual ambitions of avoiding permanent vacancy of dwellings, and to promote their rehabilitation. The masoveria works in a similar way to a traditional rental contract, but with the difference that the owner, in exchange for handing over the property, will not receive a monetary rent, but will rather see the property refurbished or otherwise improved at the end of the contract. A subsequent law in 2013 provided clarity on the system and also outlined the so-called "rehabilitation for rent" scheme, a housing rental agreement in which the tenant undertakes to carry improvements, so that they will not pay rent in cash, or will pay less. While the improvements are the responsibility of the tenant, the general maintenance remains the responsibility of the owner. At the same time, while the tenant will work on the house, a minimum base level of habitability is required, meaning that the scheme does not apply to derelict housing unfit for habitation.

The new legal framework has been important in building trust in the system. It establishes many important principles of the masoveria, such as the rental contract, what happens in cases where the tenant is not performing the required works, and setting out the nature and value of works to be completed. The system also helps tenants to access financing and grant schemes for home renovation to assist with the works.

Reactivating vacant homes in Ireland – a new approach

The masoveria scheme is seen as being particularly suitable for rural towns and villages, which have seen population declines in recent decades, and where there is an available stock of vacant dwellings in need of repair. Thus, the masoveria could be a useful tool in the preservation of town centres in Ireland.

While the scheme can work to bring individual homes back into use, it can also be interesting on the scale of a multi-family building. One of the most famous uses of the masoveria saw primarily low-income families join together to establish a new housing cooperative. The cooperative then agreed a 75-year masoveria lease with Barcelona City Council resulting in a long-term vacant public building being brought back into use as affordable housing[134].

Thus, while the masoveria agreement may be between an owner and a tenant, the possibility to make the agreement between and owner and an intermediary, such as a housing cooperative or an AHB, which in turn provides the home to a household in need is also possible. Indeed, this may be preferable for some owners, as the intermediary is likely an organisation with experience in managing buildings and renovation works, thus it can help to assuage any concerns on the part of building owners. An intermediary may also be essential if, as in the example from Barcelona, multiple homes are part of the agreement. Signing an agreement with one intermediary is obviously less onerous than having to deal with multiple households.

[133] Diputacio Barcelona. (2017). Masoveria urbana - Guia metodològica [Urban masoveria – methodological guide]. https://celobert.coop/wp-content/uploads/2017/03/masoveria_urbana_opt.pdf

[134] Scheller, D., & Larsen, H. G. (2019). Urban activism and co-housing. In *Contemporary co-housing in Europe* (pp. 120-139). Routledge.

Requisition of vacant homes (Brussels-Capital Region)

Since 2003, the law in the Brussels-Capital Region of Belgium provides for 'The Right of Public Administration' (Le droit de gestion publique) for vacant dwellings. This means that municipal authorities (or a social housing provider acting on their behalf) are allowed to temporarily take over the management of unoccupied or derelict homes (i.e., requisition) in order to renovate them, if required, and then rent them out at a reduced below-market rent for a period of nine years. All of the costs associated with this are reimbursed via the rent collected from the future tenants. The public management right can be exercised voluntarily, with the agreement of the owner of the property, or forcibly, when the owner refuses to take steps to bring the home back into use.

In 2022, the Regional Parliament decided to reform the Right of Public Administration system[135]. This was to help reinvigorate the programme, clarify certain aspects, and strengthen others. The changes include that the owner of the property can only take it back from the municipality, or the AHB currently managing it, after they fully reimburse any outstanding costs that have been incurred in bringing the property back into use and its subsequent management. The owner also has to guarantee that the rent charged will remain in line with the sub-market rent being charged by the municipality, with the home available for eligible low-income households only. In all cases, the below-market rent is fixed for nine years after the Right of Public Administration comes into force, regardless of who is managing the dwelling.

However, the reality is that the Right has, at least up until recently, been rarely used by public authorities. This partly reflects the fact that the requisition process takes time, and owners have typically brought their property back into use before getting to the stage where the municipality would really take control of it. Thus, it could be concluded that the perceived credible threat of action is sufficient to achieve the desired outcome of reducing the quantity of vacant homes.

Requisition, not purchase

While vacant properties can be compulsory purchased in Ireland, this can be a long, drawn out process. Public authorities may, for example struggle to make the case that such a purchase is imperative. However, if a requisition process was established, where the main legal test was simply whether the home was vacant or not, and where the owner was not taking action, then it could present a lower bar to be cleared, as the owner will not be permanently deprived of their property. In the cases where the vacant homes need to be upgraded, copying the Brussels system would also allow public authorities to meet two objectives simultaneously, i.e., increasing the stock of available housing, and improving the performance of the national housing stock.

KredEx Loan Guarantees (Estonia)

One of the issues with tackling vacant housing is that it can be difficult for some prospective buyers to secure the necessary loan financing required to renovate the property. This is because in many cases banks will only look at the existing value of the vacant property, and not its value after being renovated. Thus, there may not be sufficient collateral for them to make the loan. As such, the purchase and renovation of vacant dwellings can become something that is reserved only for households with sufficient additional assets to support their loan application, or else those with sufficient cash reserves to self-finance the necessary works.

[135] Brussels Regional Parliament. (2022). A-488/1-21/22 Projet d'ordonnance modifiant le Code bruxellois du Logement en matière de droit de gestion publique et de logements inoccupés [Draft ordinance amending the Brussels Housing Code with regard to public management rights and unoccupied housing]. http://www.parlement.brussels/weblex-doc-det/?moncode=PB931&montitre=&base=1

Estonia has been engaged in a well-run and concerted effort to modernise and improve its building stock during recent decades. This stems from the fact that the country was left with a large stock of poorly insulated multi-family dwellings in the immediate post-Communist period of the early 90s. The success of Estonian efforts are evident, with Eurostat figures showing that while 40% of low-income households lived in sub-standard housing in 2004, by 2020 this had fallen to just 14%; well below the EU average of 23%[136] .

One of the keys to the success of the Estonian renovation efforts has been KredEx, a foundation established by the Ministry of Economic Affairs in 2001 to, amongst other things, provide finance for home purchase and renovation. This can be direct financing in the form of loans and grants, but also indirect financing in the form of a loan guarantee. "The housing loan guarantee is meant for people who desire to take a loan for buying or renovating housing and seek to reduce their down payment obligation"[137].

Kredex has a systematic approach to the appraisal of applications, protecting itself against the potential for many guarantees to be called upon by borrowers in default. It has also guarded against the "deadweight" of guarantees being provided where they are not really necessary. For example, eligibility for the loan guarantees are largely limited to certain target groups. However, those who want to renovate homes in certain designated "regeneration areas" are also eligible, even if they already own the home that they want to renovate. Thus, the guarantee can incentivise the purchase and renovation of vacant property.

For those renovating a home in targeted rural areas, where vacant properties in Estonia tend to be concentrated, the amount of the loan guarantee is up to 80% of the outstanding principal amount of the loan, but not more than €80,000. In 2021, Estonian banks issued €1.78bn in mortgage loans, of which the volume of loans with a KredEx guarantee was €504m, or 28%. Although, not all of these guarantees were for renovations.

One of the main recipients of KredEx loan guarantees is the cooperative housing sector. As the majority of Estonians live in multi-family dwellings, residents are obliged by law to form themselves into housing cooperatives. This ensures that there are clear structures for decision making, including in terms of the renovation and maintenance of the common areas of buildings. KredEx provides loan guarantees to these housing cooperatives as a single legal entity, which allows their individual members to pool repayments and potential risk with their neighbours in order to deliver better quality and more attractive housing.

Loan guarantees to secure necessary investments

The KredEx loan guarantee system provides a low-cost, high-reward model for countries or regions who are seeking alternative ways to incentivise or promote the use of vacant housing. In addition, Estonia more generally teaches us about the value of collective action to deliver regeneration of the built environment, be it in a single housing block, or in a given district. By pooling resources, and dividing the risk, communities can deliver more ambitious actions than what might be possible for an individual property owner.

In the case of Ireland, with some reports suggesting that the unwillingness of banks to provide unsecured funding for renovations is a current obstacle[138], the existence of a public guarantee fund could help to bring more vacant properties back into use.

[136] Based on SILC [ilc_mdho01]

[137] See: https://kredex.ee/en/services/housing/housing-loan-guarantee

[138] See, for example: SCSI (2023). Real cost of renovation report. Dublin: Society of Chartered Surveyors Ireland. https://scsi.ie/renovation-report/

7. "Lack of housing options specifically for younger households – the 'stuck at home' cohort

- Currently a very high share of young people in Ireland still live at home, when compared to peer countries
- Suggest that specific measures are required to provide them with housing, such as targeted social and affordable housing schemes

Youth Housing Schemes (Denmark)

As shown in Section 2, Denmark performs very strongly in terms of facilitating the progression of young people out of the family home and into their own independent households. Indeed, the age at which the average Dane leaves the family home has been consistently 21 years for over a decade, whereas in Ireland it has risen from 25 to 28 years over the same period. At the same time, while 41% of Irish people aged 25-34 still lives at home, in Denmark only 4% of this age cohort lives at home.

One of the ways that Denmark has achieved these results is by putting a strong focus on housing policies that are aimed at facilitating the move to independent living for young people. The most prominent of these is 'youth housing', which is provided on a cost-rental basis by non-profit housing providers. Indeed, the most recent assessment of the Danish government is that the existing stock of close to 80,000 student housing units is enough to accommodate 29% of all Danish students[139].

The fact that these units are smaller than typical 'family' type apartments, that they can sometimes include shared facilities, and that they must apply a strict cost-rental approach setting means that they are generally affordable. In addition, full-time Danish students receive generous income supports from the state (*Statens Uddannelsesstøtte*) during their studies. In 2021, the monthly SU payment was 6,321 DKK (before taxes), or around €850. There is also a strong culture in Denmark of students working part time. Thus, the overall system is conducive to promoting housing independence of young Danes[140].

Helping to support students and young workers

In contrast to the very strong supports for independent living of young people in Denmark, in Ireland, access to housing is clearly a pronounced issue. One of the ways in which this has manifested itself in recent years is younger people, primarily from towns and villages, struggling to access affordable accommodation in urban areas, which in turn may harm their education[141] or career advancement, as they are unable to relocate themselves. Therefore, using a cost-rental model, though perhaps with adapted funding (e.g., public grants), could be one route to improving the situation for both students and young workers. Doing so would clearly help to improve social mobility, an help to reduce the insider-outsider dynamic where those who are not based in areas with the strongest employment or education opportunities are disadvantaged.

[139] Danish Housing and Planning Agency. (2021, March 2). Key figures for youth housing. https://bpst.dk/da/Bolig/Almene-boliger/Ungdoms-og-studieboliger#noegletal-for-ungdomsboliger

[140] A recent comprehensive view of the housing situation of young people in Denmark and additional factors in their strong level of housing independence can be found at: https://www.epaper.dk/finansdanmark/unge,-g%C3%A6ld-og-opsparing-rapport/

[141] Lenihan, B. (2022, August 19). **Students 'at breaking point' amid accommodation crisis. https://www.rte.ie/news/education/2022/0820/1316724-student-accommodation/**

8. ***"Many people in Ireland live in homes that may be too large to meet their basic needs"***

- This suggests that greater efforts need to be made to force housing actors to align their activities with the prevailing household formation patterns and preferences of the country
- It may also suggest that efforts are required to encourage those in under-occupied housing to move to more appropriate accommodation

Senior Housing Schemes (Denmark)

While Denmark makes special efforts to provide affordable rental housing for young people, it also makes the same efforts for older people. Senior housing (*Ældrebolig*) is one of three categories of cost-based social housing in Denmark; along with 'youth' housing and 'family' (general) housing. However, it is important to emphasise that social housing in Denmark is seen as being something that everyone should be entitled to, and thus it follows a 'universalist' model of social protection[142].

Senior housing is for older people in Denmark, or people with certain physical disabilities who have a clear need for adapted housing. Unlike for other types of social housing in Denmark, all allocations are handled directly by the local municipalities. However, it can be agreed between the municipality and the housing association that the latter can assign homes to their current tenants, provided of course that they meet the eligibility criteria. This helps to promote internal migration within the social housing stock, and can help to free up family housing.

In the event that a municipality cannot find a tenant for the senior housing, then it can be rented out to other non-profit housing applicants. One unique aspect of senior housing is that it is the only form of non-profit housing in Denmark that can sometimes be built and controlled directly by a municipality, rather than a housing association.

In terms of the rents to be paid, these are also in line with the cost-rent principle. However, very generous income subsidies are available if this should pose a potential burden. In addition, older senior dwellings (built before 1988) can be offered below the cost-based level, where the individual income or financial means of the resident takes precedence[143].

Supported living and deinstitutionalisation

Irish people tend to remain at home indefinitely, unless health needs require them to seek institutional care, for example through nursing homes. However, as we have already noted, this approach may not be what is best either for people themselves or for the state as a whole, as it means that the national housing stock may not be being used in a way that is optimal, both from an energy use and occupancy perspective. Thus, offering credible long-term alternatives that support aging in place could be an interesting option for some households. This may also help to deinstitutionalise the needs of older people.

Senior Co-Housing & Apartments for Life (The Netherlands)

One of the main risks of aging in place is that it can see older people become increasingly socially isolated later in life[144]. One way that some people in the Netherlands have tried to prevent this is by developing so-called co-housing (*centraalwonen*) projects aimed at older people. These offer communities where everyone has their own home, but where there is also a strong focus on shared

---

[142] Housing Europe (2021). Cost-based social rental housing in Europe. https://www.housingeurope.eu/file/1073/download

[143] Ældre Sagen. (2023, January 21). Payment in care home and elderly home. https://www.aeldresagen.dk/viden-og-raadgivning/vaerd-at-vide/b/bolig/aeldreboliger/betaling-i-plejebolig-og-aeldrebolig

[144] Bookman, A. (2008). Innovative models of aging in place: Transforming our communities for an aging population. *Community, work & family*, *11*(4), 419-438. https://doi.org/10.1080/13668800802362334

spaces and community participation. In the Dutch case, some of these co-housing schemes are developed by non-profit social housing providers[145], and are thus accessible for people on low and middle incomes. Indeed, there are event Dutch social housing companies that specialise in co-developing housing projects with older people[146]. The focus of the homes is more on the social side of aging better, rather than as an alternative for professional care facilities, such as nursing homes. Research has shown positive emotional impacts for residents of such co-housing developments[147].

A slightly different approach are so-called "Apartments for Life", or 'life-resistant' homes (*Levensloopbestendige*), which are becoming more popular in the Netherlands. They offer over 55s housing units which are 'life-resistant', meaning they adapt as they grow older (e.g. counter tops which are designed to rise or be lowered, wide corridors to accommodate wheelchairs). Residents (often couples) move in when they have few health concerns and care can be incrementally increased as they age, if required. Indeed, many residents receive no additional supports at all. As a result, residents are allowed to 'age in place'[148].

Choice-based aging options

One reason that housing options aimed at older people may not attractive is that there could be a negative perception that they are for people with extra support needs, which is not the case for many older people who still enjoy active lifestyles. The Dutch example of co-housing for older people seeks to empower people to develop their own later-life housing, and customise it to their own tastes and life-style. Therefore, it might help to change attitudes and encourage people in Ireland to think about right-sizing housing options. This in turn should help to free up under-occupied homes, and tackle some of the issues around greenhouse gas emissions.

9. ***"Many low-income households live in energy poverty – unable to afford to heat homes either periodically or on a regular basis"***

- This suggests that one option is to increase targeted income supports for such households; although this might not be the most environmentally friendly approach
- Another approach would be to increase the energy efficiency and thermal comfort of these homes in an effort to more sustainably reduce energy bills over the long-term

Energiesprong model

Energiesprong (Dutch for 'Energy Jump') is a new self-financing modular housing retrofit model first developed in the Netherlands, but now being used in many countries across Europe.

In contrast to traditional home retro-fits, which can require time-consuming and disruptive works to peoples' homes, the bulk of works required to complete an energiesprong renovation can take place in as little as one or two days. This is thanks to using modular insulated facades which are made to measure off site, and are simply fitted to existing exterior walls; thus they adhere to the new 'plug-and-play' renovation approach[149].

[145] Rusinovic, K., Bochove, M. V., & Sande, J. V. D. (2019). Senior co-housing in the Netherlands: Benefits and drawbacks for its residents. *International journal of environmental research and public health*, *16*(19), 3776. https://doi.org/10.3390/ijerph16193776
[146] See, for example : https://www.habion.nl/onze-visie/wonen-voor-ouderen/
[147] *Ibid.*
[148] See: https://www.centreforpublicimpact.org/case-study/levensloopbestendige-netherlands/
[149] See : Sebastian, R., Gralka, A., Olivadese, R., Arnesano, M., Revel, G. M., Hartmann, T., & Gutsche, C. (2018, September). Plug-and-play solutions for energy-efficiency deep renovation of European building stock. In *Proceedings* (Vol. 2, No. 15, p. 1157). https://doi.org/10.3390/proceedings2151157

The objective of energiesprong renovations are that homes will be net-zero energy. This means that after the upgrades to the thermal comfort of the homes, whatever energy is needed for heating, lighting and appliances is covered by the home itself, via solar panels that are also installed on the roof. In some energiesprong schemes, the excess electricity is sold back to the national grid. The income that is generated then helps to pay off any loans that are associated with the renovations. It is for that reason that the model has been especially attractive to social housing providers in Europe. In one recent scheme in the Netherlands, the energy use in the renovated homes fell by 78% after the renovations[150].

Developing energiesprong in Ireland

Energiesprong can be used for apartments, but it is especially suited to single-family housing units, which make up the overwhelming majority of homes in Ireland. The target of being cost-neutral for residents also means that the renovations can be accessible for even low-income households. Thus, the model could both help Ireland to reduce the high level of greenhouse gas emissions that are currently generated by the residential building stock, whilst also helping to decarbonise its energy production by taking advantage of the unused potential of the roofs of peoples' homes. In order to get the project off the ground, some form of government loan or guarantee scheme would likely be needed. Alternatively, energy companies could partner with households or social housing providers to develop the projects in return for certain usage rights or other concessions on the renewable energy that would be generated by the energiesprong renovations.

Social Rental Agreement (The Netherlands)

In the Netherlands, where around 3 in 10 homes are part of the social housing system, the national federation of social housing companies (Aedes) entered into an agreement with the Dutch government in 2018 to set out rent setting practices over the medium-term. This is known as the *Sociaal Huurakkoord*, or the Social Rental Agreement.

One key element of the Agreement was the principle that "the average real savings on the energy bill will not be lower than the increase in rent or service costs during renovation"[151]. In other words, renovation works should be cost-neutral from the point of view of the social tenants, where the increase in their rent is compensated for by the fall in their utility bills. This also means that the social housing provider has a solid basis for the repayment of loans required to complete the renovation works.

As shown in Table 19, as part of the Social Rental Agreement estimates were developed of the savings that would be generated for moving between different EPC labels. For example, moving from G to A++ would save around €34 per month for a typical household, and thus the rent could be increased by a maximum of €34 post renovations. This ensures that the cost-neutrality principle is met. However, it is important to note that the renovations themselves, which are financed by the social housing provider, may not be cost-neutral. In other words, the increase in rent paid by the tenant may not in all cases be sufficient to cover the cost of the renovations, meaning the social housing provider may have to use some of its own resources to cover the funding gap. Despite this, renovations continue apace, with 31,800 social dwellings moving out of the worst performing E,F and G EPC bands in 2022, and the target of renovating all such homes by 2030 is on track[152].

[150] EnergieSprong. (2022, February 3). This Dutch construction innovation shows it's possible to quickly retrofit every building. https://energiesprong.org/this-dutch-construction-innovation-shows-its-possible-to-quickly-retrofit-every-building/

[151] Aedes. (2018, December 21). Social Rental Agreement 2018-2021: Agreements Aedes and Woonbond on moderate rental policy (Amsterdam: Aedes – The Dutch Association of Housing Corporations). https://aedes.nl/huurbeleid-en-betaalbaarheid/sociaal-huurakkoord-2018-2021-afspraken-aedes-en-woonbond-over

[152] See : www.stateofhousing.eu, The Netherlands Country Profile

Table 19: Reasonable rent increase based on improvement in EPC label (*based on the Sociaal Huurakkoord*)

From / To	A++	A+	A	B	C	D	E	F
A+	€4							
A	€13	€9						
B	€15	€11	€2					
C	€22	€18	€9	€7				
D	€28	€24	€15	€13	€6			
E	€31	€27	€18	€16	€9	€3		
F	€32	€28	€19	€17	€10	€4	€1	
G	€34	€30	€21	€19	€12	€6	€3	€2

Source: Aedes

Notes: Based on a typical home of 70sqm

Using cost-neutrality in Ireland

In contrast to the cost-neutrality approach adopted in the Netherlands, Ireland's system of differential rents for social tenants means that the utility value of homes is not taken into consideration. As such, LAs and AHBs may struggle to justify renovation works unless public grants or other supports are provided. If Ireland wishes to maintain its system of differential rents, then it could at least consider amending this to allow for derogations where renovations result in a fall in utility bills for tenants – using the Dutch approach.

In theory, this cost-neutral principle could also be extended to private sector tenants in Ireland, in order to make sure that owners are able to meet their obligations (e.g., under Ireland's commitments under the revision of the EPBD) whilst servicing the cost of any loans taken to carry out renovations.

Conclusions

The objective of this report was, firstly, to try to summarise some of the main trends and challenges that exist in Ireland with regard to housing. In Section 1, these were noted to be a lack of new supply, demographic pressures, affordability issues, a potentially concerning outlook for the availability of private finance, the inefficient use of the existing housing stock (e.g., level of vacancies), and an urgent need to improve the performance of dwellings.

The briefing further tried to place these issues within a broader European context, by making some comparisons with the peer countries of Austria, Denmark, and the Netherlands. **This review showed that while all countries have housing challenges, in many respects Ireland's were more pronounced.** Of course, it is recognised that the selection of the particular KPIs that were used in this section means that this is only a partial conclusion, and indeed there are likely areas in which Ireland is performing as well as, or better than, its peers.

Having said that, Section 2 still clearly highlights some areas in which Ireland ought to make strong efforts to bring itself into line with its peers. **The very high levels of young people living at home in Ireland reflects a lack of housing opportunities for them that is not nearly as apparent in the peer countries,** even if this has also become more of an issue there in recent years.

In addition, Section 2 also highlights the extent to which **Ireland has not been able to cope with demographic pressures in recent decades** – both from an increase in the key 20-34 household forming age cohort, but also with respect to the increase in the life expectancy of its citizens. **A relative lack of social housing has inevitably meant that many households have found themselves in a state of limbo, where they are neither able to access social housing, nor find affordable housing options through the private sector.** The figures on the number of young people living at home, especially the high numbers of full-time workers, suggest that they are the ones bearing much of the impact of this.

Finally, **Ireland was amongst the wort performers in terms of the greenhouse gas emissions of its housing stock, though it was broadly in line with the Dutch performance.** The high-level analysis of this issue suggests that the lack of use of renewable energy in the residential building stock, as well as the large percentage of under-occupied homes, is contributing factors to Ireland's poor performance. Of course, some natural 'disadvantages' related to Ireland's climate must also be considered in order to relativise (to some extent) its performance.

In Section 3, the role that the European Union can play in shaping housing systems was outlined. This included reference to a host of recent and upcoming legislation that aims to significantly increase the environmental sustainability and performance of our homes. While this was an important objective before, the increased focus on collectively deleveraging ourselves from our reliance on Russian fossil fuels has added extra impetus to the EU's efforts.

While the new objectives create many requirements for member states, and will thus demand the allocation of additional time and public resources, Section 3 also outlined just some of the EU-level financing instruments that can be used, including the new Social Climate Fund. **These funds could also help to support the development of new social and affordable housing.** This will be invaluable in combating homelessness and housing exclusion, which is itself a priority of the current social policy agenda of the European Commission.

Finally, in Section 4 an effort was made to put forward some potential housing policy tools that Ireland should consider making use of. However, in order to maximise their impact, these tools may have to be used in combination. **At the same time, these tools are far from being an exhaustive list,** or even unique in a European context, i.e., some tools may also be used in countries other than the ones that are highlighted in Section 4. **Thus, they should be seen as a**

starting point for the delivery of better housing policy in Ireland, or perhaps as the inspiration for the development of new approaches; keeping the basic principles, but changing the mechanics.

Overall, while Ireland clearly faces an uphill battle with regard to the current housing situation, the challenges discussed in this briefing are certainly far from being insurmountable. The enhanced commitments on housing made in *Housing for All*, and more recently with the allocation of additional funds for cost-rental developments, show that **the Irish government recognises that much more is required from the public sector, and that a broad and diverse set of policies are required.** If the same commitment can be maintained, though with some changes to account for new information and changed circumstances – such as the higher population growth and doubts about the ability of the private sector meet targets – then real progress can be achieved.

renew europe.

Research conducted by

HOUSING EUROPE OBSERVATORY