Visit to Dublin – March 2023

Housing crisis in Dublin | National Housing Conference (Ireland) | Eoin O'Broin

Mabon ap Gwynfor MS

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During my fact finding visit to Vienna in the summer of 2022 I learnt that the City has developed an international network of cities that were working together on progressive housing policies.

One of those cities was Dublin.

Dublin, and indeed Ireland as a whole, is an interesting case study. Ireland is amongst the wealthiest nations in the world, with a booming economy and Dublin is at the hub of that boom.

The Republic of Ireland is a small nation state in western Europe with a climate and culture not dissimilar to ours in Wales – they are after all our Celtic cousins. The one big difference between both nations is the economy.

With Eoin O'Broin TD

The country, and more especially its capital city Dublin, is experiencing an acute housing crisis and this housing crisis has been the frontline of the political discourse in Ireland for several years.

And the crisis is set to deepen. The population of Ireland in 2022 was 5.1m, with 1.86m occupied homes, and a household size of 2.75. However, by 2050 modelling suggests that the population will be 6.6m with 3m occupied homes, therefore giving a household size of 2.2 or maybe even 2. So more housing units will be required as more people demand housing.

I therefore contacted the head of housing policy at Dublin City Council, Dr Dáithí Downey, to see what lessons we could learn. Dr Downey kindly invited me for a tour and a discussion and suggested I attend the National Housing Conference.

During my visit I had an opportunity to speak at length with Dr Downy, Eoin Ó Broin TD for Dublin Mid West and Sinn Fein spokesperson on housing, Sorcha Edwards, Secretary General of Housing Europe, and listen to presentations from Liearn O Donnell TD, Minister of State, Bob Jordan, CEO The Housing Agency, John O'Connor, Chair of The Housing Commission, Grainia Long, Chief Executive of the Northern Ireland Housing Executive, and many other prominent housing advocates during panel discussions.

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At the Housing Ireland national housing conference, Dublin

When we face change be it personal or societal, for instance when we lose a job or when communities face huge economic development, housing is the last thing standing. Everything else changes first, and housing more often than not is the last element to face that change.

On a community level this is when multinationals get involved – during that process of change – when a rent gap is identified and development opportunity arises. Companies come in looking for prospecting opportunities – low rent areas, low income areas, low investment areas. Capital comes along which then pushes up rents, and you get the financialization and gentrification of a community. The land, property and community becomes highly financed.

This is what has happened and is happening in Dublin now, and the same pattern can be seen in cities across the developed world.

It is said in Dublin that you know when your community is being gentrified because a new hipster coffee shop opens. The coffee shop is the early C21st moniker of what is under way, a signifier of the change and gentrification of a community.

Dublin is seeing rapid change. Within two years whole streets will have changed with terraced housing being torn down and high rise apartments put up due to investment demand. This is out of the hands of the City Council and is down to national planning policies.

Dr Daithi Downey, Dublin City Council

In previous years Dublin Council used to build houses outside of the main city area, but this policy has since been stopped because, or so the argument goes, that Dubliners should not have to move out of their homes and community to make way for speculative property investors. Dubliners should not be displaced in order to allow investors to profit. It is, after all, their community, where they were born and bred, and they should be allowed to live in their own communities.

Dublin City currently has land banked sufficient for 40,000 houses. But this isn't enough, and more land is required to answer the need of a rapidly growing city. They will not meet the demand or need unless they increase their allocation by 400 units per year. They are currently running at a deficit ad are 'behind the curve' when it comes to housing. Today the city is concentrating on spending its money on land that they already own instead of buying land outside of the city for housing development. It's a better use of money seeing as they already own the land.

It was made clear to me that until you overwhelm the unmet housing needs then you won't impact on the demand. Until you address your effective demand, you're not maintaining rent stabilisation, and rent will increase. If you're not doing that, then you're not moderating your housing costs on the economy. And if you're not moderating the housing costs on the economy then you're not moving the pressure off of wages or allowing people to buy their luxuries, and live well. So, housing costs are displacing aggregate demand; it starts to reduce people's ability to save; it starts reducing longer term investment and improvements, or high end consumer goods or education and training. It starts to displace a lot of different things, which has an economic impact beyond housing.

They are looking towards Vienna as an inspiration. Vienna's housing policies are largely bipartisan and intergenerational. Dublin is now looking at developing long term strategic goals for housing, looking 30 to 40 years ahead.

Their Housing Strategy is an annex on their City Development Plan and sets out the city's needs based on a demand assessment model which takes into account population and demographic change, incomes and prices, then projects out over a certain period of time. This produces various models which are then considered.

One tool which they piloted was a form of rent controls. However the trial was limited in scope and deployment, as it was limited to areas identified as rent Pressure Zones. The scheme was terminated as we were arriving, so there was no data available as to its effectiveness however City officials thought initially that they were effective at the point of introduction, but that there was no evidence of its impact on wider society.

Public expression on rental situation, Dublin

Javier Buron in Barcelona provided an example of how rent control measures were having a positive impact in Barcelona. Rents have risen 3 times faster than household incomes in the last 20 years in Catalunya. As a consequence those receiving rent subsidies in Barcelona have increased From 18,208 subsidies in 2016 to 29,814 in 2021, spending E120m between 2016-2021 on rent subsidies alone.

Therefore Catalunya introduced Rent regulations.

In the 40 Catalan municipalities where the law applied, there was a 7% reduction in rental prices.

In the 32 municipalities with a tense market where the law did not apply, rental prices increased by 4.1%. However, this price drop did not lead to a reduction in the supply of housing units in the rental market. The data suggest that rent control policies can be effective in reducing rental prices and do not necessarily shrink the rental market.

Furthermore they believed that the scheme reduced the rate of price inflation in certain areas, but again it was very hard to know because there was no substantive evidence to say whether it worked as intended or not.

Dublin has a very 'shadow' rental market, as is the case in all major conurbations, in terms of who is operating, for what purposes, for how long, and how formal or informal those arrangements are. Eg, AirBNB is used informally as a longer term let than what they should be used for.

This is a common case across major cities, and it was felt that the recent EU changes on short term lets, which had taken 6 years to agree, will help. These regulations will sit underneath national legislatures, and will be introduced by 2024 (incidentally, this is why Michael Gove, Housing Minister in the Westminster Government, has introduced tighter control on short term lets – he is merely following what is being done in the EU, so much for taking back control!).

In Ireland it is the National Tourist Authority that is responsible for short term rentals, because that is where primarily the market sits. They have estimated that between 14k and 16k units will come back into long term rental the minute the registration system starts. That tells us where the properties have largely disappeared to in Dublin and the likely impact of any effective legislation and regulations.

On top of this the global financial situation is impacting on the rental market in Dublin, which leads to landlords moving into the Short Term Let sector at pace.

There are some benevolent landlords in the city who are only concerned with getting long term rentals because of e.g. inheritance, whereby the property came into their possession without any real cost. The asset is theirs outright and is reasonably well maintained, so long term lets give them security of income.

However others are far more geared for moving into other sectors. Recent years have seen speculative purchasing of property, and the high costs ae leading them to want to get out of the market. They are therefore looking for the quickest income from their investment in order to service their loans, and the short term let sector gives them that opportunity.

New social housing development in Dublin

And other landlords are looking at the ‘assetization’ of their investment, with properties in Dublin have increased in value significantly over the last ten or twenty years, even after capital gains they will still make a handsome profit.

Housing experts in Dublin told us clearly that they did not buy the argument that supply is the solution to the housing crisis or affordability of homes.

As evidence they pointed out that Dublin was building 98k units in 2007, while property prices were increasing at 14%. The mass building programme did not stop house price inflation. What stops house price inflation rapidly, we were told, is monetary and fiscal arrangements. It’s to do with the transactional costs of operating in the mortgage market. This, I was told, is what usually brings a halt to house price inflation.

What we currently have is a runaway train in house price inflation. It reflects the classic policy that the last one in pays the highest and the first one in will be the biggest net beneficiary.

Javier Buron, head of housing at Barcelona, also stressed this same point, saying that their experience shows clearly that supply doesn’t deliver. While supply is important, the most important thing about supply is the quality of the supply, and not only the quantity. Both Ireland and Spain saw huge supply increases in the past, he said, yet it didn't increase the economic accessibility.

Then, looking at other factors to do with housing, notably community services etc, there is a bigger emphasis put on sustainable communities now, than there was previously, however the final loading factor for decision making will not be those criteria. The final loading factor will usually be the development cost and the quantum yield on that site. It comes down to money, which is developer led.

This shows a clear move towards French Philosopher Henri Lefebvre's rallying cry of the Right To The City, where urban and public spaces and all within them (entertainment, education, health, consumer goods, public art etc) are accessible for all without the commodification of the public space as well as the private homes.

Issue around developers and profits are extremely relevant to our concerns in Wales, and the same concerns can be found across both jurisdictions.

Presentation by Housing Minister Kieran O'Donnell TD

The cost of the development is a concern for developers and leads to lower quality and higher density. The cost will impact on the ancillary resources that need to be attended to post development, e.g. the municipality will be responsible for sewerage upgrades, public lighting, footpaths etc. But the municipality doesn't have the budget for this, so the developers are asked to provide them. They will only do that if the authorities can maintain their viability. And this is the trade-off.

Other regimes take a different approach. Again, they reference Vienna. Vienna has a substantial range of taxation tools on property that they can use to raise funds. There are circa 240k municipal houses in the city with 220k of them provided through the equivalent of Housing Associations. They usually build on land owned by the city, land which is serviced and maintained, developed and covenanted for particular functional uses. So, they can't build an apartment block at a whim – they must also put in a school or an education centre, medical facilities, upgrade the tram etc. But they can also draw down funding from both the regional and national governments to invest in the structures. But they also pay 10% of their return back to the National Government each year. This is an incentive for the government to invest. That money is then circulated back to housing again, and that circulation of funding continues.

It was also felt that society needs to move away from price at the point of purchase and look at the broader cost and value of housing. Price is only a signal. Instead we need a detailed assessment of the value of the product that is being produced. This takes time and effort and commitment and energy Consequently it's much easier to persuade people from doing that by saying, "I'll get you a better price" – but at what cost?

So what do we mean by 'value'?

Again they look towards Vienna. There the authorities didn't allow themselves to be bounced or rushed into making decisions. Vienna has a panel assessment for every development, looking at the environment, economic impact, place making, health, education, transport – each panel has a whole series of experts engaging with others and they adjudicate. The development will not go ahead until the panels are coherent. And they are reluctant to allow anything to be developed that won't ;ast for 80 years or more

In Scotland the Wheatley Group, the UK's largest builder of social rented homes and also Scotland's largest care provider and property management company, issues social housing bonds. The Wheatley Group offers a third sector model for housing and care delivery, and should be looked at to see if elements can be emulated in Wales.

But under both models housing is used as the economy – not housing as an asset or a consumption pool where an owner/society is using a mortgage finance to buy the latest consumer goods – housing in these instances are looked at as a stable economy, which has a moderating impact on broader macro-economic outcomes. Housing therefore is hugely important, and an economic stabiliser against the price inflation in a number of key areas. For instance, it allows us to work back up-stream in our logistics and change key elements which have a wider impact, such as demanding that houses built around timber and not concrete. This in turn leads to planting trees, like they did in Germany decades ago, where they now have a national forest for timber purposes. Not only are forests an asset but changing construction methods will have a hugely beneficial impact on the climate.

Incidentally, on the point of environmental impact, Dublin has managed to retrofit 10k units over the last 6 years at no extra cost to the tenants. While the outcome is not immediately visible, the net result is very significant improvements in wellbeing of residents, and respiratory illnesses are declining (asthma, COPD).

Javier Buron, Barcelona and Sorcha Edwards, Housing Europe

One notable comment from Sorcha Edwards, head of Housing Europe, was there are similar issues faced across Europe – the mushrooming of short term lets, eg AirBnB; empty properties, speeding up construction, welcoming migrants in a dignified manner – and governments have realised that it is time for collaboration. One very positive development was that EU member states housing ministers were now coming together to share experiences and best practice. It is therefore extremely concerning to understand that Wales is longer a member of Housing Europe and not part of this collaborative approach.

The EU's flagship policies is the Green New Deal which aims to make Europe a green continent by 2050. They have significant targets to meet, such as renovating 350m units. Consequently significant legislation is being discussed under the Swedish shared presidency, setting a building directive which will impact ways that buildings are labelled in terms of energy performance, with minimum energy performance standards which will be far tougher than previous directive. However while the Green Agenda is clearly of vital importance, delegates and organisations wanted to ensure that the principle of inclusive and cohesive communities were maintained. The green agenda should not come at the cost of 'Renoviction' – where the house energy performance is improved but consequently it's value is increased and the people have to move out or renegotiate contracts. An inclusive social transition is therefore required.

There is also the European Pillar of Social Rights which has committed the EU to end homelessness by 2030. This was a particularly interesting contribution to the discussion.. There was discussion around the Housing First model, which has been adopted in Wales. But experience shows that for it to work it requires close collaboration with Local Authorities and Social Services. If the policy is not implemented correctly then it can back-fire if the social services are not in place. I fear that this is what we are seeing in Wales, as the Government here has talked about implementing Housing First for many years, yet it has not succeeded, and in the meantime Local Authorities are being starved of the finances required to make it work.