

DOUGLAS NEWMAN GOOD

DNG

PRE-BUDGET SUBMISSION 2022

Property Advisors

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**Minister Paschal Donohoe,
Minister for Finance,
Department of Finance,
Upper Merrion Street,
Dublin 2**

17th September 2021

By e-mail: minister@finance.gov.ie

INTRODUCTION

Housing remains the biggest economic and social issue facing Ireland at the present time, and it is in this context that the government has just launched its major housing plan – Housing For All. The plan is comprehensive and ambitious but if it is given time, we believe it has the potential to go a long way to resolving Ireland’s Housing Crisis by addressing the housing supply and affordability issues that are present in the current market.

Large parts of the country, especially the main urban areas, remain vastly under supplied with residential accommodation of all types and the lockdown of construction activity at the beginning of the year, because of the coronavirus pandemic, will result in fewer new housing units being delivered than was forecast at the end of 2020. Our estimate, based on current construction activity and completions in the first half of this year, is that new dwelling completions will total around 20,000 units this year. As a result, the supply/demand imbalance evident in the current market will continue to be a feature in the short to medium term at least.

A properly functioning residential property market is a key element in delivering sustainable economic growth, and the delivery of appropriate and affordable accommodation options in both the private and social housing sectors are crucial if the Irish economy is to continue its current growth trajectory. The Housing For All plan contains an extensive list of actions aimed at delivering increased levels of housing supply, improved affordability for buyers and higher rates of home ownership however, there remains an opportunity in Budget 2022 to deliver further housing related measures aligned to the core targets of the Housing For All plan.

It is in this light that DNG are recommending three measures to be introduced as part of Budget 2022.

RECOMMENDATION 1:

Extend the temporary enhancement to the Help To Buy (HTB) Incentive Scheme to December 2024

The enhanced Help To Buy (HTB) incentive scheme for first time buyers is due to end on 31st December 2021, having been extended as part of the July Stimulus package in 2020. We believe the scheme is playing a vitally important role in increasing supply in the new homes sector and needs to continue for a further three years until 31st December 2024.

The latest Revenue data to the 31st of July 2021 shows that since the schemes inception, 69,163 applications to the scheme have been made, resulting in 26,744 approved claims for purchased properties or self-builds. 26,254 applications have been made so far in 2021 resulting in 4,522 claims, highlighting the importance of the scheme to the new homes market. This is particularly true in the Dublin market, where affordability issues are at their greatest, and this has resulted in 7,150 HTB claims in Dublin since the scheme began.

Whilst the governments recently published Housing for All plan includes a commitment under action 1.12 to consider the extension of the scheme in the context of the upcoming Budget, we would strongly recommend that the enhanced HTB initiative scheme is extended until 31st December 2024 in the context of improving affordability and increasing the supply of new housing output.

RECOMMENDATION 2:

Extend and revise the Living City Initiative

More efficient use of the stock of existing buildings in the State is one method of increasing housing supply, reducing vacancy rates and improving sustainability. The repurposing of vacant premises for residential use is an important component in ensuring the future sustainability of urban areas and we believe that a redesign of the Living City Initiative (LCI) could play an important role in bringing vacant buildings and space above retail premises into residential use.

In formulating their latest Develop plan for Dublin 2022-2028, Dublin City Council identified more than 4,000 empty spaces above retail units in the capital that have the potential to be used as residential space. Financial incentives should be provided and building regulation requirements addressed to allow ease of adaptation of the upper floors of buildings in the city and conversion to residential use.

In this regard DNG are calling for a widening of the Living City Initiative and an extension of the scheme to December 2024. The designated Special Regeneration Areas (SRA's) under the LCI should be reviewed and widened, to include more city centre locations and other urban areas across the country. In addition, the current ceiling of €200,000 for tax relief under the rented residential relief scheme should be removed, and tax relief granted at 80% of all qualifying expenditure. We also recommend that the requirement that any residential property being renovated must have been built before 1915 should be removed and brought in line with the rules governing other types of properties with no age condition attached.

RECOMMENDATION 3:

Encourage Home Ownership by the reintroduction of Mortgage Interest Relief

As the Housing for All plan acknowledges, home ownership is essential in Ireland and should be encouraged. As the plan states, "Putting Homeownership back within reach of the 'squeezed middle' and breaking the rent trap are core goals of Housing for All. At present there is a worrying trend in the declining rate of home ownership across the state. Census results show that home ownership rates declined from 79.7% in 2002 to 68.7% in 2019 and the percentage share of rented properties grew.

Policies need to be introduced to support home ownership as the cost of renting in Ireland for an average priced property is nearly 40% higher than owning a property. Confining people to long term rental accommodation is not advisable and when those who are renting reach retirement age, affordability will become challenging for the majority of renters and the State will be required to assist. To encourage home ownership, we are proposing that the government reintroduce mortgage interest relief for first time buyers as an incentive for them to buy. In addition, this will also free up much needed accommodation in the private rented sector.