Irish Home Builders Association

IHBA Budget Submission

2021

The Irish Home Builders Association is a constituent Association of the Construction Industry Federation

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IHBA Budget Submission – Key Messages

*"We understand that provision of more **affordable** housing has a profound benefit socially and economically and believe the State has a fundamental role in enabling the **delivery of new homes** and ensuring that best use is made of existing stock.*

We recognise the important role that private housing supply will continue to play. We will seek to address challenges in this sector, including viability, access to finance, land availability, the delivery of infrastructure, building quality, building standards and regulation, and an adequate supply of skilled labour."

2020 Programme for Government – Our Shared Future

Budget 2021 provides the Government with the opportunity to take urgent, targeted action to address the challenges of affordability and supply of new homes.

Problems in supply and affordability

- Supply of new homes is running well behind the need
- Average earners cannot afford homes
- The Central Bank lending rules has locked a cohort of buyers out of the market forcing them into costly longer-term rental
- Covid 19 has made these problems worse

How we improve affordability

- A Shared Equity Scheme
- Commitment to continue and expand Help to Buy
- Expand Rebuilding Ireland Home Loan Scheme
- Review of the Central Bank Macro Prudential Rules

How we improve supply

- Continue HBFI Momentum Fund to beyond the current expiry of 2020 & reduce rates to a competitive level
- Encourage single investor back into the market by offering similar terms to that of the institutional investor
- 'Bridge the Gap' to support the consumer by offering tax and financial incentives to support demand in the areas where investment is needed
- Appropriately fund and resource the Local Authorities and Irish Water to deliver housing related infrastructure urgently
- Remove blockages and delays in the planning system
- Prioritise services required to unlock zoned land that is being delayed as a result of a lack of services.

Executive Summary

Budget 2021 provides the Government with an opportunity to bring forward policy measures which will advance the ambitions for housing set out in the Programme for Government.

The Programme for Government acknowledged that the provision of more **affordable** housing has a profound benefit both socially and economically. The Programme also recognised the important role that private housing supply will continue to play and committed to addressing challenges in this sector, including viability and access to finance.

The Irish Home Builders Association (IHBA) welcomes the opportunity to present this submission for Budget 2021. The IHBA represents hundreds of home builders of all sizes across Ireland who are responsible for over 85% of all new home builds in recent years. This submission has been prepared following consultations with our members and is focused on measures which we believe can yield early, tangible, and positive results. This submission deals solely with fiscal policy measures which can have a positive impact on housing affordability and supply.

Over the following five pages, this Executive Summary sets out the key facts about supply and affordability and an overview of the measures we are recommending. **Appendix 1** contains more data on each proposal. **Appendix 2** gives an overview of the context and range of challenges facing home builders at present.

THE FACTS

Affordability

Average earners in Ireland today find themselves in the perfect storm of a combination of factors locking them out of the market:

- Supply of new homes for 2020 will meet just 16,000 (45%) of the required 35,000 homes needed per annum
- Average earners cannot afford homes with increasing construction and development costs
- The Central Bank lending rules has locked a cohort of buyers out of the market forcing them into costly longer-term rental
- Covid 19 has added to and made these problems worse

The residential sector has seen cost increases year on year with the continuing introduction of legislation for building regulations such as NZEB which provide higher standards but come at a cost. Affordability has been further compounded by the strict lending rules which the Central Bank have responsibility for overseeing. While the need for prudent lending is fully understood, the unintended consequences of these Macroprudential Policies has seen many first time buyers and young families locked out of the market and forced into costly longer-term rental.

The gap is widening in many parts of Ireland between the cost of delivery and purchaser's ability to meet lenders requirements, first-time buyers on average incomes cannot afford a new home in almost half of Irelands counties. It takes more than 15years for first-time buyers in Wicklow, Meath and Kildare to save the required 10% deposit for a home. Additionally, these prospective buyers are being stretched to try and save for a deposit all while paying average rents in Dublin of €2,100 and nationally €1,400. Many would be buyers with the support of the state are more than capable of underwriting the repayments of a loan on their new homes once they can bridge the gap between what banks are prepared to lend and the actual cost of delivering new homes. In fact, in many cases the cost of servicing a mortgage is significantly less than the required current rents being paid.

The gap between the consumer's ability to borrow and the actual cost of delivering housing has only been magnified with the events of Covid-19 in recent months.

Executive Summary *continued*

Supply

Housebuilding levels in Ireland remain substantially below what is needed. Under 10,000 new dwellings were delivered in 2016 and this rose to 21,138 new dwellings in 2019. However, current estimates from the Central Bank of Ireland and the ESRI are that an average of around 35,000 new dwellings will be required per annum until 2030 to keep pace with the projected population growth.

This improvement has been set back by the impact of Covid-19 this year and best estimates are that residential output for 2020 could fall as low as 16,000 homes with just 5,000 of those homes available to the private consumer.

Below we set out our key proposals for dealing with housing affordability and supply.

OUR PROPOSALS ON AFFORDABILITY

A Shared Equity Scheme

First time buyers and new home purchasers need the state to fully support the buyer as part of their housing strategy. A shared equity scheme, in conjunction with the Help-to-Buy, similar to the current UK scheme will enable the average couple to secure a mortgage and remove the ever-growing cohort of society locked out of the market and further adding pressure to the rental market.

Full recommendation details can be found on pages 11-18

PROPOSED QUALIFYING CRITERIA	DWELLING PRICE CAP	PROPOSED MAX STATE EQUITY	MINIMUM BORROWER EQUITY	COMBINED INCOME MAXIMUM CAP
Dublin House	€425,000*	25%	10%	€95,000*
Dublin Apartment	€485,000*	30%	10%	€95,000*
Urban Centre & GDA House	€350,000*	25%	10%	€95,000*
Urban Centre & GDA Apartment	€400,000*	30%	10%	€95,000*
National House *(excluding Dublin & Urban)*	€335,000*	25%	10%	€95,000*
National Apartment *(excluding Dublin & Urban)*	€380,000*	30%	10%	€95,000*

**Higher state equity proposed for apartment units due to the higher cost of construction and resultant widened gap in affordability*

Executive Summary *continued*

Continuation and Expansion of Help to Buy up to 31st December 2025

The HTBI scheme for first time buyers has had a profound impact of the rate on commencement of new residential scheme units, with the resultant impact of a substantial increase in rate of new housing completions since the introduction of the scheme with a resultant 18,207 homes purchased. In the twelve months to the end of March 2020, 78% of first-time buyers, either purchasing or building a new property, used the HTBI scheme.

Without the certainty of a continuation of HTBI scheme to 2025, there is a serious risk that the rate of commencement of new homes will fall as hopeful buyers will fail to have the required deposit to secure their residential mortgage. A cohort of 'would be' buyers who do not qualify for social housing due to marginal income levels falling above the qualifying social housing criteria requirements are left behind without some form of support from Government.

FTB's and purchasers of new homes have been challenged on many fronts.

- Central Bank Lending Rules are restrictive and have had the unintended consequences of forcing a locked-out cohort of consumers into costly longer-term rental
- It is taking up to 15 years in the worst affected areas to save a deposit for a new home
- Building costs have increased due to legislation and policy widening the affordability gap
- There are consumers who are above the criteria to qualify for social housing and do not necessarily meet all of the criteria set down by CBI lending rules and are not being catered for and are locked in longer term rental.
- Consumers are sustaining rents in Dublin of €2,100 pm and nationally of €1,400 pm however the banks cannot/will not approve mortgages because the CBI rules do not allow them to take their rental history into consideration as part of the assessment criteria.

Expand the scheme to include purchasers of new homes and extend the increased tax relief of up to €30,000 announced in the July Stimulus from 31 December 2020 to 31 December 2025 in light of recent events with Covid-19. This will provide certainty to the market and enable the homebuyer to overcome many of the challenges set out above.

Full recommendation details can be found on pages 11-18

Rebuilding Ireland Home Loan

Rebuilding Ireland Home Loan is a Government backed mortgage for first time buyers. It is available nationwide from all local authorities from 1st February 2018 and Budget 2020 saw an expansion of its loan fund by an additional €250million.

This successful scheme has potential to support substantial numbers of new first-time buyers who cannot source housing loans from the private funding institutions. Government should commit to provide further funding to enable a continuation of this much needed scheme and confirm an extension of the scheme.

Increase the qualifying price cap to match that of the proposed SES by house type and location and double current funding levels to provide a more quantifiable positive impact for restricted first-time buyers.

Full recommendation details can be found on pages 22-23

Executive Summary *continued*

OUR PROPOSALS ON SUPPLY

Home Building Finance Ireland

The cost and availability of development finance is a major factor that is contributing to the delay and supply of housing. While the IHBA welcomes the establishment of House Building Finance Ireland (HBFI), more needs to be done to provide greater access to funding across the country and at an economic rate to allow development to proceed.

- Provide accessible funding to all parts of the country at rates competitive to the pillar banks as a minimum;
- The State through HBFI should access lending from the EU and lend domestically at a rate which will facilitate new developments to commence;
- Utilise the platform of HBFI to lend on licence agreements where homebuilders don't have first charge on land; and Expand the 'Momentum Fund' beyond the initial period of Covid-19 into 2021 as a minimum.

Full recommendation details can be found on page 24

Encourage and support private investment of single investors in order to increase affordable rental options nationally

The current market evidence suggests that institutional investors are slow to invest in affordable rental accommodation in the regions. Traditionally the single investor purchases in rural locations where the institutional investor would not consider and they played a positive role in providing rental stock in the regions. There is now a case for the State and its institutions to incentivise, through positive legislation, regulation and economic incentives, the single investor to return to the residential market to aid a progressive market in the provision of affordable rental accommodation. This type of liquidity measure would encourage planned building work for new developments to go ahead and provide much needed support to SMEs and businesses involved in the Residential sector nationally.

This would enable them to continue operating and would be beneficial to the local economies in regional Ireland and encourage movement outside the urban areas where any activities are currently limited. Traditionally the single investor purchased units in more suburban and rural sites that the institutional investors would consider. This in turn offered the renter options and choice nationally of where they would like to and could afford to live and in many instances many benefited from HAPS and they fitted in seamlessly with the rest of the community and often chose locations that were close to their homes and schools of their choice.

Executive Summary *continued*

Encourage the single investor back into the market by:

Adjusting the taxation of private landlords providing rental accommodation. Adjust the taxation of private landlords to reflect the taxation system applicable for corporate landlords at a time when high numbers of private landlords are being penalized and are exiting the residential lettings market. A marginal tax rate of 50 to 52 per cent applies to private landlords in Ireland today. Industry believes that property taxes for residential property should be an allowable deduction for taxation purposes.

Full recommendation details can be found on page 25

'Bridge the Gap' to support the consumer by offering tax and financial incentives to support demand in the areas where investment is needed. Fund the Local Authorities and Irish Water to provide infrastructure to facilitate housing

If we are to learn from the mistakes of 2008, the retail banks must not be permitted to repeat the same mistakes, namely, that they declined a majority of mortgage applications to prospective homeowners and increased the percentage of the asking price required for the deposit, which consequently reduced the supply of mortgages and critically impaired consumer demand which, in turn, worsened the effects of the economic crisis.

The state and financial institutions must work closely together to facilitate the sustainable provision of affordable loans and ensure retail banks continue to inject liquidity into the system in order to support sustained demand for affordable homes during this challenging period.

1. Provide low interest rate loans to people who purchase a new home, including first-time buyers.
2. Reduce Stamp Duty on new home purchases.
3. Assessment of levy percentage on secondhand homes to offset LA's contributions, IW & Revenue.
4. Local Property Tax – Place a tax on all properties .
5. Section 48 Contribution Relief for certain categories of buyers and imposing super levies S49 on new homes - the cost of public infrastructure needs to be socialised. Review levies nationally as huge costs to new homes.
6. Currently **37%** of the price of a new home goes directly or indirectly to the state in the form of VAT, Taxes, Contributions & Levies. Provide a rebate for first time buyers and new home purchases.

Full recommendation details can be found on pages 26-27

Appendices

Appendix 1

1. MAKING HOMES ACCESSIBLE - STATE-BACKED SHARED EQUITY SCHEME

The affordability gap for consumers remains one of the greatest challenges for Irelands would be home buyers. The gap between the consumer's ability to borrow and the actual cost of delivering housing is increasing with rising construction costs and has only been magnified with the events of Covid-19 in recent months.

The consumer needs the state to fully support the first-time buyer as part of their housing strategy. A shared equity scheme, in conjunction with the Help-to-Buy, will enable the average couple to secure a mortgage and remove them from the ever-growing cohort of society locked out of the market and those further adding pressure to the rental market.

Identifying the Affordability Gap in the Dublin Market

Based on the cost of the average Dublin New Home, €386,000, under the current Central Bank Macroprudential Rules, a couple on anything below €93,750 are currently locked out of the market.

Average New Dublin House Price		**386,000**	**386,000**	**386,000**	**386,000**
Buyer Type		FTB	FTB	FTB	FTB
1st Income		35,000	35,000	35,000	35,000
2nd Income		35,000	45,000	55,000	58,750
Total Income		**70,000**	**80,000**	**90,000**	**93,750**
LTI Limit		3.5	3.5	3.5	3.5
Borrowing Limit		**245,000**	**280,000**	**315,000**	**328,125**
Savings:	**10%**	38,600	38,600	38,600	38,600
Own Resources:		**283,600**	**318,600**	**353,600**	**366,725**
HTB (Assuming all HTB criteria met)	**5%**	19,300	19,300	19,300	19,300
Sub-total		**302,900**	**337,900**	**372,900**	**386,025**
Shortfall		**-83,100**	**-48,100**	**-13,100**	**25**
Percentage Shortfall		-22%	-13%	-3%	0%

**All calculations ignore the cost of acquisition ie stamp duty & legal fees*

Identifying the Affordability Gap in the National Market

Based on the cost of the average National New Home, €325,000, under the current Central Bank Macroprudential Rules, a couple on anything below €79,000 are currently locked out of the market.

Average New House Price National		**325,000**	**325,000**	**325,000**	**325,000**
Buyer Type		FTB	FTB	FTB	FTB
1st Income		35,000	35,000	35,000	35,000
2nd Income		35,000	40,000	45,000	44,000
Total Income		**70,000**	**75,000**	**80,000**	**79,000**
LTI Limit		3.5	3.5	3.5	3.5
Borrowing Limit		**245,000**	**262,500**	**280,000**	**276,500**
Savings:	**10%**	32,500	32,500	32,500	32,500
Own Resources:		**277,500**	**295,000**	**312,500**	**309,000**
HTB (Assuming all HTB criteria met)	**5%**	16,250	16,250	16,250	16,250
Sub-total		**293,750**	**311,250**	**328,750**	**325,250**
Shortfall		**-31,250**	**-13,750**	**3,750**	**250**
Percentage Shortfall		**-10%**	**-4%**	**+1%**	**0%**

**All calculations ignore the cost of acquisition ie stamp duty & legal fees*

Source: Data formulated directly by IHBA

Summary Analysis of Assessment

Couples need a combined income of **€93,750** to buy an average 3bed semi in the Dublin area, even with the Help-To-Buy scheme.

Nationally couples need a combined income in excess of **€79,000** for an average 3bed-semi, again with the assistance of the Help-To-Buy scheme.

Due to the Macro-prudential rules, a resultant unintended consequence means, a cohort of would be buyers are locked out of the market.

This cohort of potential buyers remain in or are forced into long term rental adding pressure on the system, adding to further future state dependence, and reducing the opportunity to save for the required deposit value of a new home. Quiet simply they cannot save a deposit if they are in long term rental without either a change to the macro prudential rules or the state assisting them to purchase their own home.

Average Dublin New Home Price	Combine Income Required to secure Mortgage*1	Average Dublin Rent Per Month*2	Mortgage Repayment under SES per Month *3
€386,000	**€93,750**	**€2,114**	**€1,440**

**1 – With the assistance of the Help-to-Buy*
**2 – Source Daft.ie Per Month*
**3 – Based on combined income, repayment per month over a 25year loan term at 2.35% interest rate*

Average National New Home Price	Combine Income Required to secure Mortgage*1	Average National Rent Per Month*2	Mortgage Repayment under SES per Month *3
€325,000	**€93,750**	**€1,418**	**€1,240**

**1 – With the assistance of the Help-to-Buy*
**2 – Source Daft.ie Per Month*
**3 – Based on combined income, repayment per month over a 25year loan term at 2.5% interest rate*

Table of Average Rent Prices
Average Dublin Rent House **€2,114**
Average Rent House Nationally **€1,418**

Source Daft.ie with information formulated by IHBA

Table of Mortgage Repayments
Average Dublin FTB Mortgage **270,200** – Monthly Repayments **€1,191.85**
Average National FTB Mortgage **227,500** – Monthly Repayments **€1,020.60**
**Mortgage repayments per month over 25year loan term (based on borrower mortgage value - 60%)*

Source Daft.ie with information formulated by IHBA

A shared equity scheme would enable consumers on a combined income of €70,000 access the market. The scheme would be a loan, self-funding over time and capped based on dwelling type and location.

Assessment of Shared Equity Scheme – Dublin House

Based on the cost of the average Dublin New Home, €386,000, with the assistance of the SES at a state equity of 30% and a borrower equity of 10% and under the current Central Bank Macroprudential Rules, a couple on €66,000 combined income can now access the market.

Average New Dublin House Price		**386,000**	**386,000**	**386,000**	**386,000**
Buyer Type		FTB	FTB	FTB	FTB
1st Income		35,000	35,000	35,000	31,000
2nd Income		35,000	45,000	55,000	35,000
Total Income		**70,000**	**80,000**	**90,000**	**66,000**
LTI @ 3.5		**245,000**	**280,000**	**315,000**	**231,000**
Borrowing Required	**60%**	231,600	231,600	231,600	231,600
Savings:	**10%**	38,600	38,600	38,600	38,600
Own Resources:		**270,200**	**270,200**	**270,200**	**270,200**
State Equity / Loan Value	**30%**	115,800	115,800	115,800	115,800
Sub-total		386,000	386,000	386,000	386,000

Source: Data formulated directly by IHBA

Assessment of Shared Equity Scheme – Dublin Apartment

Based on the cost of the average Dublin New Apartment, €425,000, with the assistance of the SES at a state equity of 30% and a borrower equity of 10% and under the current Central Bank Macroprudential Rules, a couple on €85,000 combined income can now access the market.

Average New Dublin Apartment Price		**425,000**	**425,000**	**425,000**	**425,000**
Buyer Type		FTB	FTB	FTB	FTB
1st Income		35,000	35,000	35,000	35,000
2nd Income		35,000	45,000	55,000	50,000
Total Income		**70,000**	**80,000**	**90,000**	**85,000**
LTI @ 3.5		**245,000**	**280,000**	**315,000**	**297,500**
Borrowing Required	**60%**	255,000	255,000	255,000	255,000
Savings:	**10%**	42,500	42,500	42,500	42,500
Own Resources:		**297,500**	**297,500**	**297,500**	**297,500**
State Equity / Loan Value	**30%**	127,500	127,500	127,500	127,500
Sub-total		**425,000**	**425,000**	**425,000**	**425,000**

Source: Data formulated directly by IHBA

Assessment of Shared Equity Scheme – National House

Based on the cost of the average National New Home, €325,000, with the assistance of the SES at a state equity of 30% and a borrower equity of 10% and under the current Central Bank Macroprudential Rules, a couple on €57,000 combined income can now access the market.

Average New National House Price		**325,000**	**325,000**	**325,000**	**325,000**
Buyer Type		FTB	FTB	FTB	FTB
1st Income		35,000	35,000	35,000	27,000
2nd Income		35,000	45,000	55,000	30,000
Total Income		**70,000**	**80,000**	**90,000**	**57,000**
LTI @ 3.5		**245,000**	**280,000**	**315,000**	**199,500**
Borrowing Required	**60%**	195,000	195,000	195,000	195,000
Savings:	**10%**	32,500	32,500	32,500	32,500
Own Resources:		**227,500**	**227,500**	**227,500**	**227,500**
State Equity / Loan Value	**30%**	97,500	97,500	97,500	97,500
Sub-total		**325,000**	**325,000**	**325,000**	**325,000**

Source: Data formulated directly by IHBA

Assessment of Shared Equity Scheme – National House

Based on the cost of the average National New Home, €325,000, with the assistance of the SES at a state equity of 30% and a borrower equity of 10% and under the current Central Bank Macroprudential Rules, a couple on €57,000 combined income can now access the market.

Average New National Apartment Price		**400,000**	**400,000**	**400,000**	**400,000**
Buyer Type		FTB	FTB	FTB	FTB
1st Income		35,000	35,000	35,000	34,000
2nd Income		35,000	45,000	55,000	35,000
Total Income		**70,000**	**80,000**	**90,000**	**69,000**
LTI @ 3.5		**245,000**	**280,000**	**315,000**	**241,500**
Borrowing Required	**60%**	240,000	240,000	240,000	240,000
Savings:	**10%**	40,000	40,000	40,000	40,000
Own Resources:		**280,000**	**280,000**	**280,000**	**280,000**
State Equity / Loan Value	**30%**	120,000	120,000	120,000	120,000
Sub-total		**400,000**	**400,000**	**400,000**	**400,000**

Source: Data formulated directly by IHBA

Summary Analysis of Assessment

A SES of 30% State Loan allows those with a combined income of **€70,000** to purchase a new home both in the greater Dublin area & Nationally.

The buyer is still required to have a **10% equity** in the scheme which is a substantial amount of money.

The SES is a loan and not a grant and therefore over time as purchases circumstances change, they can either mortgage or sell their property and the loan value goes back into the state fund.

The percentage of equity provided by the state can range from **10-30% value** of the home depending on borrower circumstances, location etc.

RECOMMENDATION

Consumers need the state to fully support the first-time buyer, new home purchaser and young families on low to middle incomes as part of their housing strategy. A shared equity scheme, in conjunction with the Help-to-Buy, will enable the average couple to secure a mortgage and remove the ever-growing cohort of society locked out of the market and further adding pressure to the rental market.

PROPOSED QUALIFYING CRITERIA	DWELLING PRICE CAP	PROPOSED MAX STATE EQUITY	MINIMUM BORROWER EQUITY	COMBINED INCOME MAXIMUM CAP
Dublin House	€425,000*	25%	10%	€95,000*
Dublin Apartment	€485,000*	30%	10%	€95,000*
Urban Centre & GDA House	€350,000*	25%	10%	€95,000*
Urban Centre & GDA Apartment	€400,000*	30%	10%	€95,000*
National House *(excluding Dublin & Urban)*	€335,000*	25%	10%	€95,000*
National Apartment *(excluding Dublin & Urban)*	€380,000*	30%	10%	€95,000*

2. CONTINUATION & EXPANSION OF THE SUPPORTING 'HELP-TO-BUY' UP TO 31st DECEMBER 2025

The Help to Buy Incentive (HTBI) was introduced by the Minister for Finance under Rebuilding Ireland, Action Plan for Housing and Homelessness to assist first-time buyers fund the deposit required to purchase or self-build a new house or apartment to live in as their home.

HTB provides for a refund of income tax and Deposit Interest Retention Tax (DIRT) paid over the previous 4 tax years. Retrospective applications for eligible applications run from 19th July 2016 with revised eligibility criteria now in place for applications currently in place until 31st December 2021.

The HTBI scheme for first time buyers has had a profound impact on the rate of commencement of new residential scheme units, with the resultant impact of a substantial increase in rate of new housing completions since the introduction of the scheme and a resultant 18,207 homes purchased as a result.

Assessment of Housing Affordability
HTB has seen 18,207 buyers purchasing their own homes at a total cost of €271.4million as of April 2020 – average of €14,906 per household!
The scheme plays a pivotal role in builders delivering new homes and enables them to secure sales and finance to proceed with their developments and in many cases without which the development may have been unviable. IHBA members report on average 75-80% take up of the HTBI for those who qualify.
Recent data produced by the Banking and Payments Federation Ireland shows that in the twelve months to the end of March 2020, 78% of first-time buyers, either purchasing or building a new property, used the HTBI scheme.

Budget 2020 saw the 'help-to-buy' initiative extended in its current form until the end of 2021. As of 30th April 2020, 18,854 HTB claims have been made, of which 18,207 are approved. The estimated total value of approved HTB claims to date is in the order of €271.4 million and the total value of approved and pending HTB claims to date is in the order of €279.6 million.[1]

Without the HTBI scheme, the rate of commencement of new homes will fall as hopeful buyers will fail to have the required deposit to secure their residential mortgage. A cohort of 'would be' buyers who do not qualify for social housing due to marginal income levels falling above the qualifying social housing criteria requirements are left behind without some form of support from Government.

[1] ***Department of Housing, Planning and Local Government***

This is particularly the case for new residential homes in the price bracket from €226,000 - €375,000 which accounted for almost 67% of scheme take-up to date.

PROPERTY VALUE €'000	NUMBER	PERCENTAGE
€0-150	325	1.90%
€151-225	1,809	10.60%
€226-300	**5,435**	**31.85%**
€301-375	**5,880**	**34.48%**
€376-450	2,507	14.69%
> €450	1,106	6.48%
All Values	**17,062**	**100.00%**

Source: Rebuilding Ireland with formulated directly by IHBA

FTB MORTGAGE APPROVALS 2019 / 2020						
Year	Month	Mortgage Volume	Total Mortgage Volume*	FTB Value €, m	Value total Market from all Mortgages	Average Value of FTB Mortgage
2019	January	1,479	3,037	327	672	220,775
	February	1,693	3,364	391	757	230,953
	March	2,114	4,142	473	920	223,856
	April	2,111	4,109	492	931	233,293
	May	2,520	4,926	600	1,137	238,218
	June	2,335	4,478	550	1,032	235,758
	July	2,647	5,129	616	1,162	232,704
	August	2,227	4,355	500	968	224,518
	September	1,972	3,824	438	833	222,058
	October	2,329	4,514	547	1,020	234,876
	November	2,109	4,182	493	960	233,933
	December	1,531	2,964	362	696	236,508
Total 2019		**25,067**	**49,024**	**5,789**	**11,088**	
2020	January	1,590	228	371	744	233,295
	February	1,890	239	455	825	240,750
	March	1,946	254	463	879	238,079
	April	1,034	144	256	525	247,719

**** Total Mort include - FTB, Mover Purchaser, RIL, Re-Mortgage, Top-Up***

Source: Rebuilding Ireland with formulated directly by IHBA

RECOMMENDATION

In light of recent events with Covid-19 many EU Member States have already put in place additional programmes designed to support families, young people and those on low incomes. These measures have been introduced to avoid the medium-term economic effects of Covid-19 to extinguish the legitimate hopes and aspirations of first-time buyers and families and prevent them from benefiting from the long-term security that home ownership affords. Unfortunately, Covid subsidy payments have recently had the unintended consequence of causing withdrawal of mortgage approvals from potential purchasers which is a major concern for the home building industry.

Value of claims made (end April 2020) *million	€274.1
Total number of claims (end April 2020)	18,207

Average No. of claims from 1million state incentive	**66.5**

HTB Claims	18,207
Avg House Price 2016-2019	€370,000
Sub-total of transaction value	€6,736,590,000
State Benefit - Vat 13.5%	€59,353,216

The IHBA ask the state to do everything in their power to build market confidence and implement thoughtful, practical policies at national, regional, and local levels in order to maximise open access to the housing market, especially for first-time buyers.

Expand the scheme to include purchasers of new homes and extend the increased tax relief of up to €30,000 announced in the July Stimulus from 31 December 2020 to 31 December 2025 in light of recent events with Covid-19. This will provide certainty to the market and enable the homebuyer to overcome many of the challenges set out above.

3. Rebuilding Ireland Home Loan

Rebuilding Ireland Home Loan is a Government backed mortgage for first time buyers. It is available nationwide from all local authorities from 1st February 2018 and Budget 2020 saw an expansion of its loan fund by an additional €250 million.

As a first-time buyer you can apply for a Rebuilding Ireland Home Loan to purchase a new or second-hand property, or to build your own home. The loan is a normal Capital and Interest-bearing mortgage which is repaid by direct debit on a monthly basis. You can borrow up to 90% of the market value of the property.

Maximum market values of the property that can be purchased or self-built are:
€320,000 in the counties of Cork, Dublin, Galway, Kildare, Louth, Meath and Wicklow, and
€250,000 in the rest of the country.

Rebuilding Ireland Home Loan - 2019

Q1 Loans Paid (mortgages only)	Q2 Loans Paid (mortgages only)	Q3 Loans Paid (mortgages only)	Q4 Loans Paid (mortgages only)	2019 Total Loans Paid (mortgages only)
€47,741,744	€46,160,251	€39,041,800	€50,108,130	**€183,051,925**

This successful scheme has potential to support substantial numbers of new first-time buyers who cannot source housing loans from the private funding institutions. Government should commit to provide further funding to enable a continuation of this much needed scheme and confirm an extension of the scheme.

Rebuilding Ireland Home Loan - 2019

Q1 No. of Loans Paid (mortgages only)	Q2 No. of Loans Paid (mortgages only)	Q3 No. of Loans Paid (mortgages only)	Q4 Loans No. of Paid (mortgages only)	2019 Total No. of Loans Paid (mortgages only)
280	276	246	295	**1,097**

While Rebuilding Ireland Home Loan is welcomed, equally welcomed was the additional announcement of extended funding within Budget 2020, however it must be acknowledged that for 2019 just 1,097 mortgages were secured through the mechanism with an average loan value of under €167,000.

It is reasoned that the fund available should be expanded in the upcoming budget. For every €1million made available through the fund 6 homes can be secured.

Value of claims made (end 2019)	€183,051,925
Total number of approvals (end 2019)	1,097
Average No. of mortgages resultant from 1million state incentive	**6**

RECOMMENDATION

Increase the qualifying price cap to match that of the proposed SES by house type and location and double current funding levels to provide a more quantifiable positive impact for restricted first-time buyers.

4. Home Building Finance Ireland

The cost and availability of development finance is also a major factor that is contributing to the delay and supply of housing, and while we welcome the establishment of House Building Finance Ireland (HBFI) more needs to be done to provide greater access to funding across the country and at an affordable rate to allow development proceed.
The IHBA warmly welcomes the HBFI announcement to provide emergency funding for homebuilders whose facilities, may have stalled or been withdrawn, however we do need to look at a longer-term funding model beyond the timelines connected to Covid-19.

HBFI has an established platform, and if their rates were more competitive in the longer term and not just in response to Covid 19, they would be able to expand their base to assist those particularly in the regions to access finance at a rate that is sustainable and assist in the delivery of new homes nationwide.

RECOMMENDATION

A facility must be put in place and remain accessible for the long term which funds those who for reasons of location have not been able to obtain funding from the pillar banks and where funding has been made available the rates offered are prohibitively expensive. Provide accessible funding to all parts of the country at rates competitive to the pillar banks as a minimum. The fund must be available at a more competitive rate and the state should utilise the availability of EU lending rates during this time.

The state should enable HBFI to lend on licence agreements where the housebuilders wouldn't have first charge on land and would in effect lend on the licence agreement.

The Momentum Fund is a direct response to the COVID-19 crisis and is designed to provide funding to established developers for large-scale developments in prime locations, which might have previously been funded by the mainstream banks. The purpose of the product is to ensure that new large-scale residential projects continue to be commenced and delivered post COVID-19. The availability of the funding product will be for a period to be determined by the Minister for Finance.

Expand the HBFI 'Momentum Fund' beyond Covid-19 until the end of 2021 as a minimum and provide greater access to development finance at rates competitive with the pillar banks and waive fees for drawdown and repayment as this has a significant impact on viability.

Funding smaller builders nationally will facilitate more units built, local employment stops commute to Dublin and drain from rural areas – if housing is only being built in the largest towns and cities it is forcing buyers to leave the smaller rural towns and villages which is having its own deeper impact on Irish society.

5. Encourage and support private investment of single investor in order to increase affordable rental options

The State and its institutions should support, through positive legislation, regulation and economic incentives for the single investor to return to the residential market to aid a progressive market in the provision of affordable renting for Ireland.

This type of liquidity measure would encourage planned building work for new developments to go ahead and provide much needed support to SMEs and businesses involved in the Residential sector. This would enable them to continue operating and would be beneficial to the local economies nationally and encourage movement outside the urban areas where any activities are currently limited.

This measure would also help to resolve a wider range of longer-term, strategic housing challenges: the coexistence of public and private investment funds would provide effective and sustainable solutions in respect of social housing, by lowering prices, curbing theoretical incentives, and increasing the supply of rental solutions within this segment of the market. Place a moratorium on any policy change in this area for a set period of 5years to give certainty to investors to return.

Support for the Single Investor

Traditionally the single investor purchases in rural locations where the institutional investor would not consider and they played a positive role in providing rental stock in the regions. There is now a case for the State and its institutions to incentivise, through positive legislation, regulation and economic incentives, the single investor to return to the residential market to aid a progressive market in the provision of affordable rental accommodation. This type of liquidity measure would encourage planned building work for new developments to go ahead and provide much needed support to SMEs and businesses involved in the Residential sector nationally.

Adjust the taxation of Private Landlord for Rental Accommodation

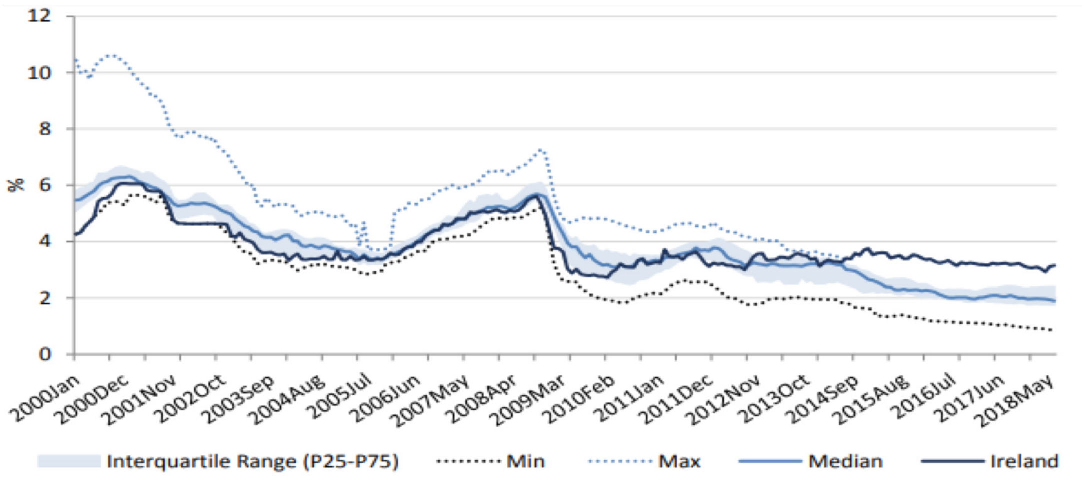
Adjust the taxation of private landlords providing rental accommodation. Adjust the taxation of private landlords to reflect the taxation system applicable for corporate landlords at a time when high numbers of private landlords are exiting the residential lettings market. An effective tax rate of 50 to 52 per cent applies to private landlords in Ireland today. Industry believes that property tax for residential property should be allowable for taxation purposes as is the case for commercial property, where commercial rates are allowable for taxation purposes.

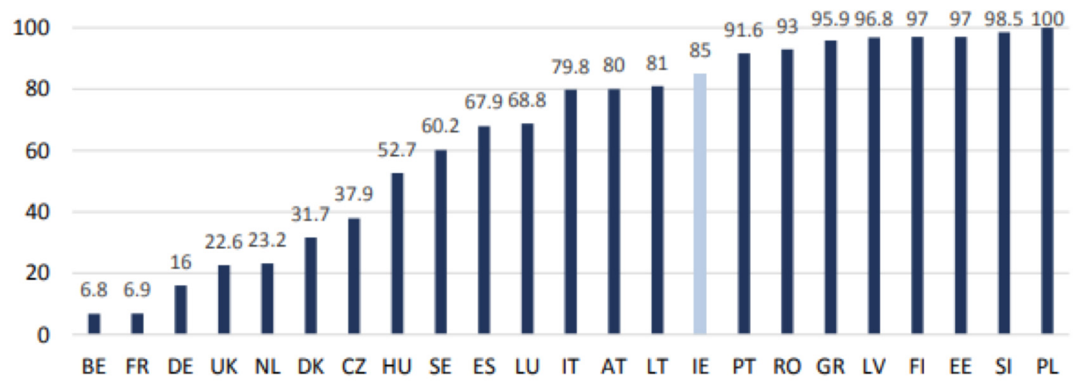
6. 'Bridge the Gap' to support the consumer by offering tax and financial incentives to support demand in the areas where investment is needed. Fund the Local Authorities and Irish Water to provide infrastructure to facilitate housing

Exceptional situations require exceptional policies. If we are to learn from the mistakes of 2008, the retail banks must not be permitted to repeat the same mistakes, namely, that they declined a majority of mortgage applications to prospective homeowners and increased the percentage of the asking price required for the deposit, which consequently reduced the supply of mortgages and critically impaired consumer demand which, in turn, worsened the effects of the economic crisis. The consequences of this structural failure have been unnecessarily serious and long-lasting.

The state and financial institutions must work closely together to facilitate the sustainable provision of affordable loans and ensure retail banks continue to inject liquidity into the system in order to support sustained demand during this challenging period.

Irelands banks continue to provide loan interest rates among some of the highest seen in the EU.





https://www.esri.ie/system/files/publications/QEC2019SPR_SA_Fahy_0.pdf

At present hard construction costs represents just 46% of the all-in construction costs of a new home. Based on the average Dublin house this means just €177,000 of the €386,000 average house price is made up of hard costs. Similarly, outside Dublin based on an average house price of €324,000 less than €150,000 is made up of hard costs.

	AVG MARKET COST	HARD COSTS	
		%	Value
Average Dublin New Home	€386,000	46%	€177,560
Average National New Home	€325,000	46%	€149,500

Hard Costs (Bricks & Mortar)

	AVG MARKET COST	VAT, TAXES, CONTRIBUTIONS, LEVIES	
		%	Value
Average Dublin New Home	€386,000	37%	€142,820
Average National New Home	€325,000	37%	€120,250

The State must investigate the potential of:

1. Provide low interest rate loans to people who buy a new home, including first-time buyers.
2. Reduce Stamp Duty on new home purchases.
3. Assessment of levy percentage on secondhand homes to offset LA's contributions, IW & Revenue.
4. Local Property Tax – place tax on all properties Tax on all units to provide a mechanism for funding of local authorities and required amenities / service provisions to be gathered. The benefit of local betterment should not be the sole burden of the FTB.
5. Section 48 Contribution Relief for certain categories of buyers, and imposing super levies S49 on new homes – the cost of public infrastructure needs to be socialised. Review levies nationally as huge costs to new homes.
6. Currently 37% of the price of a new home does directly or indirectly to state in form of Vat, Taxes, Contributions & Levies. Provide a rebate for the first time buyres and new home purchasers.

Appendix 2

Context & Challenges to Residential Output & Delivery 2019 /2020

Commitment to supporting an open and constructive ongoing dialogue with the Department of Housing, Local Government & Heritage, the Department of Public Expenditure & Reform, the Department of Finance and with the Irish Home Builders Association, as the lead residential sector representative in Ireland, is needed to bring efficiencies into the system and address the challenges of the current housing crisis. The aim of the IHBA and its members is to work with government and harness member expertise to develop a functioning and sustainable housing market.

In addition to the fiscal measures recommended herein indirect efficiencies could be brought to the current system and would immediately deliver a more streamlined process, increase output and help reduce increasing construction costs.

Review of Main Challenges Affecting Output

1. **Irish Water** related matters make up one of the biggest challenges to output and viability in the residential sector across the entire country. There is a requirement for a €5,500 per unit upfront connection fee to guarantee future supply. While legislation allows for phased payments IW will not guarantee supply for future phases if the payment is not made. In addition, bonding of €1,100 per house and €750 per apartment is excessive and costly to finance with no guarantee of an equivalent value reduction in development contributions. Servicing of zoned lands – there is no scope for an offset, which exists for other utility services, where the first builder pays for servicing and second builder is not obliged to pay towards the initial infrastructure and has made the project unviable and increased the cost to the consumer. Irish Water needs to be adequately funded and resourced to aid supply levels.

2. **Increasing Costs** - NZEB is a welcomed improvement to building regulations but one that will have an impact on overall development costs together with the additional requirement to provide infrastructure for future EV charging points. Construction and demolition waste and the mechanisms of Article 27 By-Products & Article 28 End of Waste need immediate attention. Meanwhile the lack of resources within the industry continue to increase the tender process.

3. **Serviced Lands** - The DHPLG should re-establish a working group tasked with identifying where the logjams are in the system and work with the semi-state bodies to unlock lands for development. LIHAF was well intentioned and potentially a very good idea, however it has done little to service lands. Consideration should be given to re-introducing but in a way that allows for greater flexibility as quite often where there is a larger group of landowners it is often difficult to reach agreement. An interest rate could be applied where state funds are used to provide infrastructure that exceeds the requirements of the lands

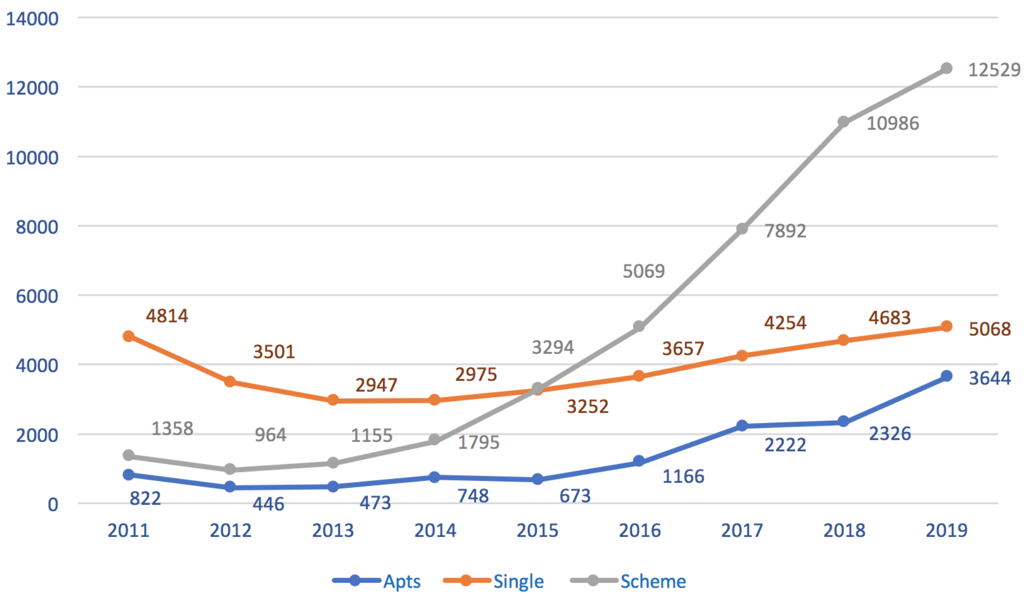
4. **Part V Units** – The sector continues to experience unnecessary delays in closing sale of agreed Part V units and delays in agreeing cost of units. Consideration should be given to resourcing LA's to facilitate a more efficient and coordinated process. It should be noted that an increasing number of reports appear to conflict the number of annual units completed as a direct result of Part V and the number of units completed through turnkey social projects.

5 Vacant Site Levy - The principle is accepted and the reasons for it laudable, however there are situations where homebuilders are working through a prolonged planning process and the site is placed on the vacant site register. There needs to be consideration given where it can be demonstrated that a valid application is being prepared to remove the site from the register. Demand and viability need to be clearly understood when determining lands to be placed on the register.

Review of Output 2019/2020

It must be acknowledged that the annual housing completions in December 2019 (+18.3 per cent at 21,241 units) were still approximately 40% below the lower annual new housing demand estimate of 35,000 units per annum of the ESRI. The question is asked that If the residential sector delivered 35,000 units in any given year, based on current consumer borrowing restrictions, would consumers obtain a mortgage for 35,000 homes? Based on recent trends such as softening house prices, other leading indicators, and the impact of external economic, political and social factors, it will take longer than expected for supply and demand to find equilibrium in the Irish housing market.

New Dwelling Completions 2012 - 2019 by Dwelling Type



Source: CSO with data formulated by IHBA

New Dwelling Completion by House Type 2019			
	Apt	**Single**	**Scheme**
Q1	597	1,088	2,571
Q2	692	1,320	2,825
Q3	1,105	1,271	3,322
Q4	1,250	1,389	3,811
2019	**3,644**	**5,068**	**12,529**

Source: CSO with data formulated by IHBA

A series of government measures, some of which are outlined in the IHBA's Housing Manifesto and within this Budget submission, could help to find the necessary equilibrium by supporting both supply and demand factors.

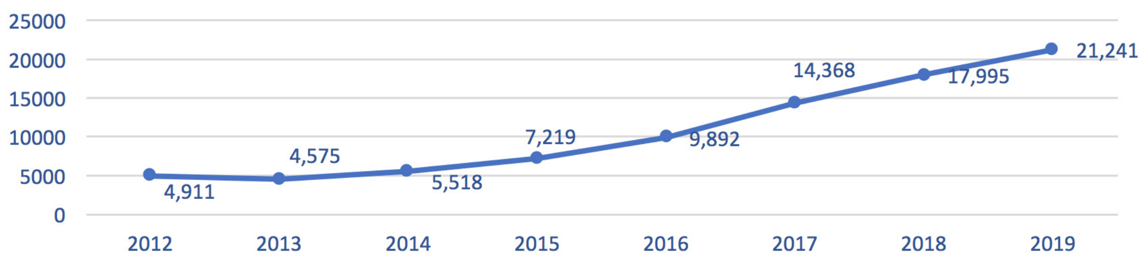
Several measures have already been introduced to support housebuilding in recent years, but the macro-prudential mortgage lending rules have severely impacted on affordability and have contributed to the relative slowdown in overall house price growth and housebuilding in 2019. Increased supply of new housing would help to ease inflation in the rental sector.

In recent years the Irish residential market has witnessed an ever-growing number of would be buyers locked out of the market. It is the consumer and First-Time Buyer (FTB) who continue to seek a housing recovery from the crash that affected the entire country and economy. A two-tier housing market continues between the Greater Dublin Area and the Regions.

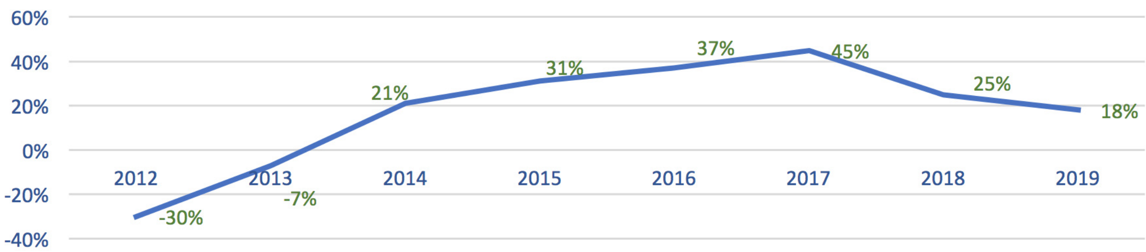
National statistics show that the total number of new dwellings completed in 2019 was 21,241, up 18% from 17,952 built in 2018. The biggest relative growth was seen for new apartments. For the whole of 2019, the number of apartments completed increased from 2,283 in 2018 to 3,644, an increase of 59.6%. Approximately 3,100 apartments were delivered with the assistance of the PRS funds who play a pivotal role in funding these build types and without which such apartment developments would remain unviable and not be built.

While there was an increase in output of wider residential dwellings, from just under 5,000 homes in 2012 to just over 21,200 in 2019, this is not fully reflective of the low level of recovery present in the residential sector. The current barriers restricting delivery need to be addressed to allow increases in social homes, affordable homes, rental accommodation and private schemes built in any year.

New Dwelling Completions 2012 - 2019



Volume % Change Year on Year								
% Change YOY	-30%	-7%	21%	31%	37%	45%	25%	18%
Year	2012	2013	2014	2015	2016	2017	2018	2019
Volume	4,911	4,575	5,518	7,219	9,892	14,368	17,995	21,241



Source: CSO with data formulated by IHBA

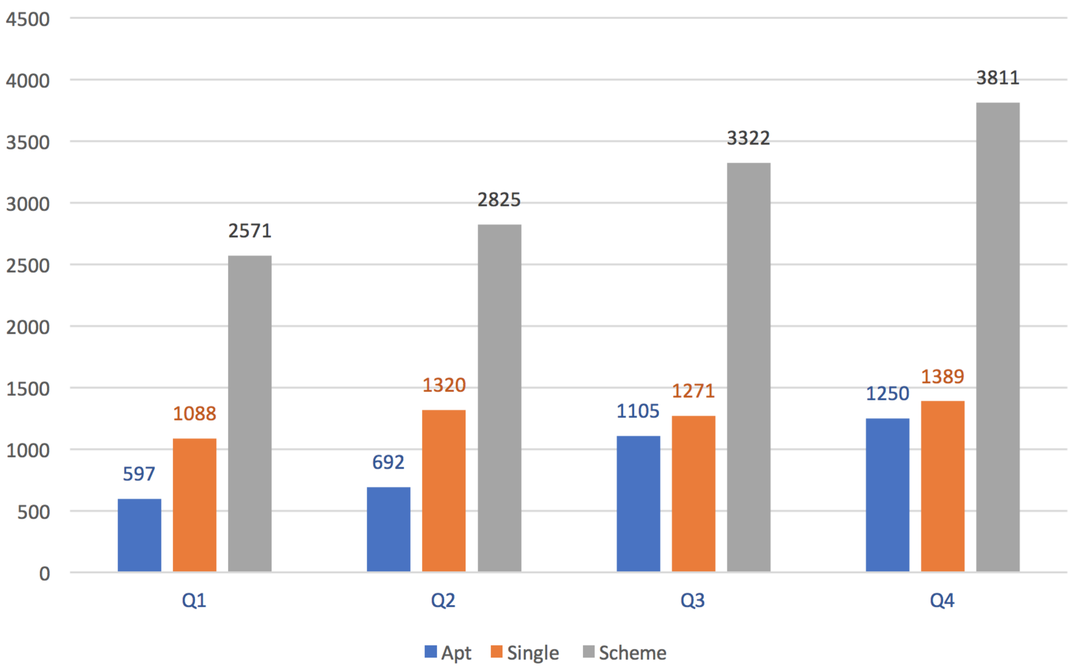
Ireland continues to struggle to find a suitable mix of tenure builds with Government policy more focused on social delivery. In 2019, of the 21,241 homes built, just over 5,000 homes were one-off builds. Social housing, most of which was delivered though the private sector, accounted for almost 10,000 homes.

2019 Social Housing Stock	
New Build *Part V, AHB, LA	5,771
Acquisition* LA & AHB Acquisition	2,772
Leasing	1,161
Increase in stock total	**9,704**

Source: Rebuilding Ireland with data formulated by IHBA

Of the 21,241 completions from 2019 less than 8,000 units through scheme developments made up the balance of delivery and those homes available to the private sector.

New Dwelling Completion by House Type Per Quarter 2019



Source: CSO with data formulated by IHBA

While completion figures show an uplift in the volume of units being delivered into the market it also highlights the areas that are not being addressed, many people in the FTB market/starter home continue to find themselves unable to afford a new home at an average price of €386k in the GDA.

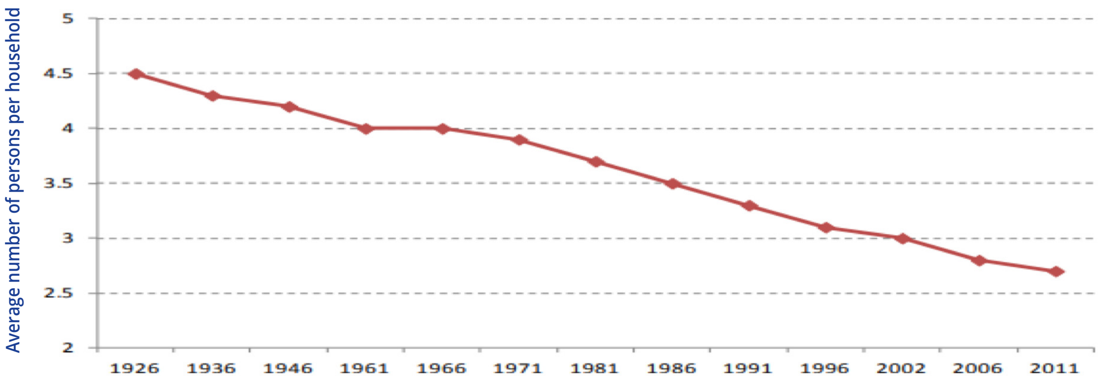
A functioning housing market requires social, affordable, private and rental accommodation to meet with current and future realisable demand for a growing population together with the ability of the consumer to secure credit. Society has seen a shift in housing tenure over the past number of years and all supply avenues play a pivotal role in addressing the barriers currently restricting supply.

Irelands Dwellings completed 1970-2010	
YEAR	**NUMBER OF DWELLINGS**
1970	13,887
1975	26,892
1980	27,785
1985	23,948
1990	19,539
1995	30,575
2000	49,812
2005	85,957
2010	14,602

Source: CSO with data formulated by IHBA

Average persons per household in 1980 was 3.70 compared to 2.60 in 2010. Irelands population in 1980 was 3.39 rising to 4.55million in 2010 (+26%).

New Dwelling Completion by House Type Per Quarter 2019



Source: Central Statistics Office

Currently Irelands dwelling completions are reflective of the mid 80's despite a vastly changed household formation size, increasing population and a complete societal aspirational change over the past 40years.

Society has also seen the impact that the Central Banks Macro-Prudential Rules have had on the market. Financial institutions have discretion for 20% of their loan book on an annual basis through exemptions and this has led to good sales in the first half of any given year. However, once the exemptions have been used up the rate at which the banks are lending to would be FTB's drops off significantly. This has had the undesired effect on the FTB's and has seen them forced into longer term rental where they then get caught in rental purgatory, paying high rent and all the while they cannot save for a deposit. If this issue is not addressed, we are creating the new "Poverty Trap" for the future retirees.

The prudent nature of all bank lending is fully appreciated; however, it must also be understood that the residential sector is not reflective of 2008 and in particular the speculative nature of development is not commonplace as it was in times past.

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CONSTRUCTION INDUSTRY FEDERATION

The Irish Home Builders Association is a constituent Association of the Construction Industry Federation