

IHBA Submission to the First Home Scheme

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1. Introduction

The First Home Scheme is open to ‘first time buyers’ and individuals who qualify under the ‘fresh start’ principle and is specific to new build houses and apartments. **Regional Price Ceilings** apply and these are linked to the median level for first time purchasers in each Local Authority area. Currently the IHBA are aware that these ceilings will be reviewed on a bi-annual basis in order to consider market conditions.

The objectives of the First Home Scheme are to:

- Increase home ownership by **bridging the gap** for these buyers between their deposit and mortgage, and the price of the new home
- Encourage a **supply side response** and the construction of more new build homes to meet realisable demand

The Scheme aims to provide individuals and couples **greater access to homes** across Ireland otherwise deemed unaffordable to them.

However, following a large number of feedback from our members nationwide, the IHBA are requesting a review of price ceilings. One of our key concerns relate to the difference in the price gap between new housing schemes that are relatively close by but are separated by a Local Authority boundary. Kildare and Meath contain new housing schemes that are relatively close to the Dublin Local Authority areas but have significant differentials in the price caps. Other examples include new housing schemes in the suburbs of Cork, Limerick, Waterford and Galway that are in a different Local Authority area that has a higher price cap.

In some counties such as Meath, Tipperary and Clare members report that it is extremely difficult to develop and build within the price caps. These are only a sample of the issues that are arising in relation to the application of the price caps, but we must stress our support of the scheme as a mechanism for many to achieve home ownership. Our comments are to help achieve the delivery of additional new housing stock and that many more people can avail of the scheme.



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Currently the FHS price ceilings are as follows:

Local authority area	House price ceiling*	Apartment price ceiling
Cork City Dublin City Dún Laoghaire-Rathdown Fingal South Dublin	€450,000	€500,000
Galway City	€400,000	€450,000
Limerick City & County Waterford City & County	€350,000	€450,000

*For the purposes of the First Home Scheme, duplexes fall within house price ceilings.

Local Authority Area	Price ceiling (all properties)
Wicklow County	€450,000
Kildare County	€400,000
Cork County, Galway County, Kilkenny, Meath, Westmeath	€350,000
Clare, Kerry, Laois, Louth, Mayo, Monaghan, Offaly, Roscommon, Wexford	€300,000
Carlow, Cavan, Donegal, Leitrim, Longford, Sligo, Tipperary	€250,000

2. Increased Cost of Delivery and the Current Market

Resilient housing demand will see price pressures remaining unless supply increases substantially. Due to the last few years' unprecedented events; Brexit; COVID; Ukraine Conflict; the cost of delivering a scheme has risen exponentially, resulting in fewer homes being built. According to the latest CSO figures, wholesale prices for construction products increased by 16.1% over the last 12 months. Hard costs are relatively consistent across every region in Ireland, with soft costs varying from region to region. However, with interest rate increases, rising material costs, inflation, and levies being applicable to every build, many schemes are becoming unviable and those that are delivered are seeing the added costs ultimately borne by the purchaser.

Notable annual increases in construction products include:

- Structural Steel & Reinforcing Metal; Structural Steel; Fabricated Metal: 56.4%
- Ready Mixed Mortar and Concrete: 31.8%
- All Other Materials; Pipes & Fittings; PVC: 28.0%
- All Other Materials; Plaster: 26.6%
- Bituminous Macadam; Asphalt and Bituminous Emulsions; Bituminous Emulsions: 25.9%
- All Other Materials; Plumbing Materials including Sanitary Ware: 25.8%

While residential property price inflation in Ireland decelerated in Q3 2022, with prices up by 10.8% in the twelve months to September 2022, compared with an increase of 14% in the year to June 2022, according to the CSO, the median price of an **existing home** purchased in the twelve months to September 2022 was €299,500. At about €370,000, the median **new house** price at the national level was 35% or €95,000 higher than the median existing house price during the same period.

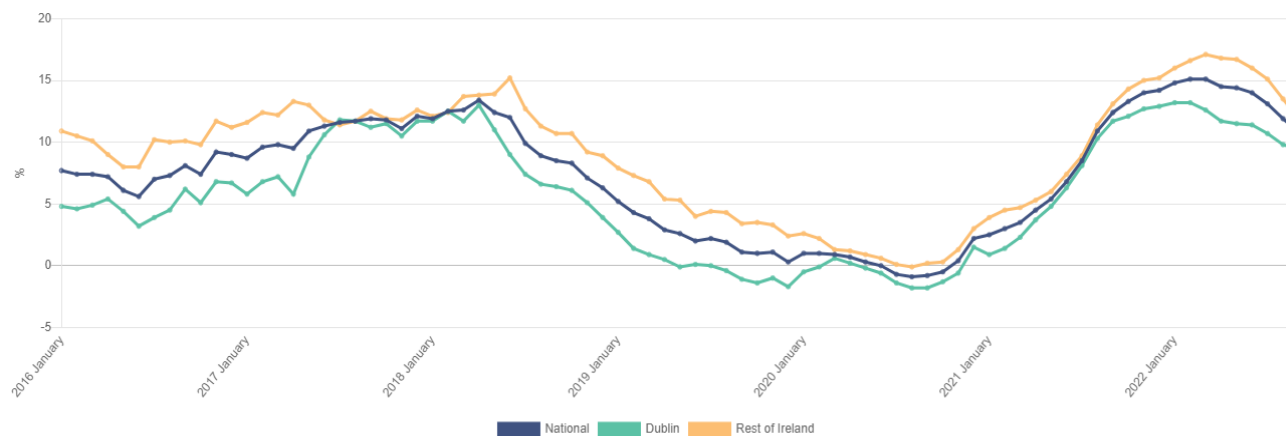


Figure 1: Residential Property Price Index 12 month % change

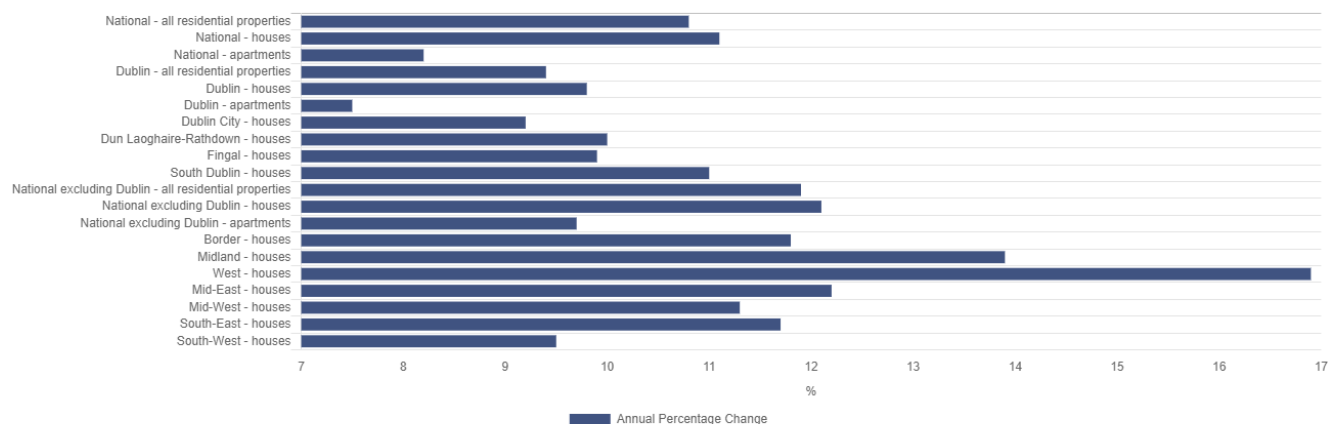


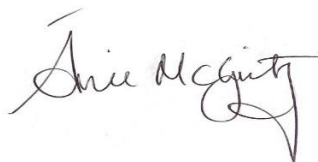
Figure 2: National and Regional Annual Percentage Changes

3. Concluding Comments

Given the rise in construction costs, interest rate increases, a slowdown in commencements, and underestimation of the number of houses needed, it is clear to see that property price inflation is expected in all regions throughout Ireland, with little evidence of this stabilizing in the near future.

The IHBA, on behalf of its members, are therefore asking for a price ceiling increase in line with the current market value of new homes in each region, allowing the First Home Scheme to deliver on its objectives.

Yours Sincerely,



Aine McGinity
Executive of Housing, Planning & Development