

End of year review Property experts give their take on 2018 pages 14-24

* Karl Deeter: time to just flatten council flats P2

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PROPERTY EDITOR TINA-MARIE O'NEILL

The fifth annual Sunday Business Post Property Summit



Anna Minton, British journalist, academic and author, asks: 'Who the city is for?'



Enda McGuane, managing director, Winters Property, Rosalind Carroll, director, RTB, and Dr Rory Hearne of Maynooth University Social Sciences Institute



Michael Walsh, head of property at ByrneWallace

Summit finds hint of brighter future amid housing crisis



Michael Forde Bradley, partner, Zeso Architects

The consensus among speakers is that the solution lies in increasing urban density - which means changing traditional mindsets



Róisín Kiberd

Returning for a fifth year, the Sunday Business Post Property Summit was held at the Aviva Stadium last Wednesday, a day-long programme of presentations, panels and keynote speeches dedicated to solving the problems - and identifying the opportunities - attached to one of the most controversial issues of our times.

With developers, investors, agents and finance providers in attendance, talks covered subject matter ranging from niche to nationwide in scope. This year for the first time, the commercial and residential programmes were merged, providing an in-depth overview of Ireland's current standing in terms of investment, regulation and tax changes, as well as the difficult task of predicting what's in store.

The morning plenary session featured Eoghan Murphy, Minister for Housing. Acknowledging that there remains much yet to be done, Murphy said the housing sector needed to eliminate its peaks and troughs and adopt a more sustainable approach, rebuilding itself "in a stable way, that future-proofs generations against future shocks".

Project Ireland 2040, the €116 billion plan launched in February for developing Ireland's rural and urban infrastructure, is already being implemented. Murphy also confirmed that he would publish a Residential Tenancies Bill this week, regulating short-term letting and "prioritising the people who live and work here". The bill will increase notice periods and protect tenants in rent pressure zones (RPZs) from rises in rent above 4 per cent. The year 2040 is a long way away, but by then the Irish population will proba-



John O'Connor, chief executive of the Housing Agency; Ben Hoey, chief executive of Quartech Group; Michael O'Flynn, chair and managing director of the O'Flynn Group; and Rachel Kenny, director of An Bord Pleanála



John Downey, managing director of Downey Planning and Architecture, with Ronan Lyons, economist, Trinity College Dublin and Daft.ie



The Irish fixation on owning a house with a garden... this narrow definition of 'home' will broaden in coming years

bly have increased dramatically. In 2017, Ireland's population growth rate was five times the EU average, the highest we've experienced in the last nine years. We also have the youngest population of all European countries, and the lowest death rate.

Accommodating this young, growing population will demand radical changes in how Irish people think of 'property'. Speakers including Mike Forde Bradley, a partner at Zeso Architects. Eoin Drea, an economist at the Wilfried Martens Centre for European Studies, made the case for European and Scandinavian-style apartment living, for families as well as individuals and couples. This prompted discussion on the traditional 'Irish' fixation on not only owning one's own property, but owning a house with a garden, and how this narrow definition of 'home' will broaden in coming years.

In his address Murphy also outlined plans for a "dramatic" increase in the number of apartments, fuelled by relaxed guidelines which allow for "greater heights and greater densities".

The question of urban density - how and whether it should be regulated - loomed large in the day's discussions, with most experts agreeing that increased urban density is inevitable, but that planning and design will be key.

"Unfortunately, density has become a bad word," said Andrew Kinsella, Irish coordinator of the Urban Land Institute. "[But] to talk about density as a number is really quite meaningless... it's the to page 25

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Rachel Kenny, director of planning, An Bord Pleanála and John Bruder, managing director, Burlington Real Estate



Dermot O'Leary, chief economist, Goodbody Stockbrokers, and Marie Hunt, executive director and head of research, CBR

Experts predict 'cooling-off in investment and leasing activity'

Speakers at *The Sunday Business Post* Summit remain optimistic for a steady performance in commercial property next year



Donal Buckley

Concerns about the effect of global economic clouds on Irish commercial property from 2020 were raised by some speakers at the commercial property stream of last week's *Sunday Business Post*'s annual property summit.

John Moran, JLL Ireland's chief executive, said Irish property investment volumes will exceed €3 billion this year, which compares to a five-year average of €3.6 billion and a ten-year average of €2.1 billion, with the latter a more sustainable Dublin market.

While he forecasts that this year will see a record 418,000 square

metre take-up of offices, he reckoned a sustainable Dublin market is about 186,000 to 232,300 square metres a year.

As well as the risks of over-exposure to "very fickle global investors", Moran noted that the office market is at the mercy of global IT companies.

"We are likely to see some cooling off in investment and leasing activity. Not to any great extent, but we are talking about 15 to 20 per cent adjustments. The good news is that I don't foresee any significant value reductions so we should have steady performance and high single-figure returns in 2019," he said.

"On large-scale investor transactions we are not seeing the depth of investor interest as we did over the last two to three years. Dublin is being seen on a risk-adjusted basis as being slightly expensive in comparison to its peers. People paying sub-4 per cent yields will not endure. It will be next year... but you will start to see pricing shift out towards the end of 2020."

Marie Hunt, head of research at

CBRE Ireland, forecast a good year for commercial property in 2019, saying: "There's still phenomenal demand in terms of offices, industrial and logistics, so from an occupier point of view it looks like another stable year. While returns next year will be a little bit more moderate than what we have seen to date, they will be broadly stable."

She believes that Irish pricing is still hugely attractive relative to the rest of Europe. "Yields of 4 per cent for offices and multi-family investments is considerably better than what you are getting if you are in Berlin or Frankfurt," she said. "We have this stable economic backdrop and we have the occupier activity; we have all the ingredients for another (good) year ahead, but there are more clouds on the horizon than there were 12 months ago."



There's still phenomenal demand in terms of offices, industrial and logistics

Duncan Lyster, Lisney's managing director, also remarked on the reliance on the tech sector.

"We are seeing a handful of tenants mopping up most of the space, two or three million square feet this year," he said. "That's fine so long as they're there, but if those guys decide they don't want the space anymore, the destruction of value they could cause would be enormous. We need to be ready for that."

On a reassuring note, John Bruder, managing director of Burlington Real Estate, expects Irish real estate to achieve good, solid workaday returns which are reasonably risk-adjusted, modest and sustainable.

"The average Irish investment portfolio is probably producing a (relatively attractive) 5.5 to 7 per cent average running income yield," he said.

Dermot O'Leary, chief economist at Goodbody Stockbrokers, said Irish commercial property is reliant on the US.

"Since 2012, the US has accounted for 75 per cent of investment into Ireland. About 40 per cent of that is from the technology sector, and that is a key driver in terms of demand for (Irish) office space," he said.

The current unusual fiscal policy in the US "has turbo-charged the US economy". "We are riding that tailwind and probably will into 2019 and probably 2020. After that, it gets a bit murky in my view," he said.

Michael Walsh, head of property at ByrneWallace, said industrial and

logistics is "very hot", but residential is subdued.

"Our clients are telling us that individual unit purchasers aren't there in abundance. Correspondingly there has been a huge demand in PRS [private rental sector]," he said. He agreed with Moran that retail is not dead.

An Bord Pleanála director Rachel Kenny said that while the Bord has had 80 pre-application consultations with developers for fast-track planning of Strategic Housing Developments, these have led to only 30 SHD (strategic housing development) applications.

A government task force is looking at issues such as judicial reviews of planning decisions and charges for objectors.

"I think the €20 fee will go up. It was first set about 12 or 13 years ago... however it can't be unduly high that people can't access and get into the system," she said.

Matthew Richardson, the co-founder of Didobi Ltd UK, explained why property managers need to improve data quality in order to attract more investment. As investment moves from active to passive managed funds, computers need better data for investment algorithms.

Brian Kennedy, John Sisk and Son's project director, outlined how Sisk managed the construction of 466 holiday lodges and 30 apartments at Center Parcs leisure development in Longford.

Summit finds hint of brighter future amid housing crisis

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experience of density that matters more. People forget that the highest-density area in Dublin is Ranelagh. No one is about to suggest that Ranelagh is an unpleasant place to live," he said.

Meanwhile, in a speech on 'How to Plan for Densification in Our Big Cities', London's deputy mayor for housing, James Murray, described new measures that have been brought in under Mayor Sadiq Khan. These include a planning policy which seeks to build 650,000 houses in a ten-year period, without encroaching on London's 'green belt'.

Intelligent design, Murray argued, can "unlock" density. Drawing on lessons from the past, "it's not just about where the homes go... it's about what sort of homes we're building".

Michael Walsh, head of property at ByrneWallace, and Neil Dunne, a senior associate at the same firm, delivered a joint panel on key developments to property law at home and abroad.

Speaking on conveyancing, the branch of law which involves preparing documents for the legal transfer of property from one owner to another, Walsh outlined ways in which this historically opaque and time-consuming process could be refined.

Dunne spoke on the subject of the Land Development Agency, a €1.25 billion initiative aiming to build 150,000 homes over the next 20 years.

The agency is modelled on European best practice, specifically that of Germany and the Netherlands. In the short term it will manage the state's lands, and in the long term it will assemble strategic land banks and facilitate the growth of transport infrastructure.

Mid-morning, the event briefly separated into two streams: one on residential property and the other on commercial property, allowing for in-depth discussions on 'Delivering a Housing Revolution' and, in the next room, a discussion of 'Sustainability and Resilience in the Commercial Property Market'.

Speaking as part of the former panel, which discussed ways to address Ireland's housing crisis, Ben Hoey - chief executive of the Quartech Group, a fintech platform which allows investors to "create their own bank" by investing in property - discussed the differences between affordable and social housing, and how they are too often conflated or confused with one another. Affordability is relative; it relates to the economic climate and to demand.

"We need to focus on affordability," Hoey said, arguing that the cost of land needs to be brought down and that more state land could be brought into use. "What is the real demand? There are three



Attendees at the fifth Sunday Business Post Property Summit



Orla Hegarty, Assistant Professor, School of Architecture, Planning and Environmental Policy, UCD



Mike Forde Bradley, Zeso Architects, Jack Horgan-Jones, The Sunday Business Post, and Siobhan McCauley, Northern Ireland Housing Executive



We need to focus on affordability

aspects: demographics and household size, affordability and the demand for different tenures. Some 30 per cent of all delivery around the country needs to be rental."

According to Eoghan Murphy, the Irish government will spend €2.4 billion on housing next year, more than it has ever spent before in its histo-

ry. Some 40,000 new homes will be built in 2019, 10,000 of which will be social housing, in addition to a further 10,000 renovated and made liveable again.

While confronting a market which most speakers agreed is deeply dysfunctional at present, there were at least hints of a brighter future, and

of politicians moving to address the problem which has driven roughly 9,724 people across Ireland to homelessness in this month alone, some 1,709 families into emergency accommodation, and a large segment of a generation to emigrate, bound for greener and more affordable pastures.

Changes to conveyancing and boosts to house building

Michael Walsh and Neil Dunne look at upcoming changes to conveyancing and measures to stimulate housing development

Pre-Contract Investigation of Title (PCIT) - 1 January 2019

Next year, the buying and selling of real estate will move to a PCIT system.

The practical impact of this change is that all sellers, through their solicitor, will need to produce copy title and replies to requisitions with vouching documentation pre-contract. Buyers' solicitors will need to investigate title pre-contract. Therefore, all property title queries will be dealt with and resolved in advance of contract signing. This is an important step in the modernisation of our conveyancing system as we move towards e-conveyancing.

Increasing credit supply to unit buyers

The rate of increase in lending to home buyers is modest. As building output will scarcely outpace demand, clearly there cannot be profound increase in building output without greater financial capacity on the buy side.

The government established the Rebuilding Ireland Home Loan in February 2018 for first-time buyers, with attractive long-term fixed interest rates. By Q2 2018, over a thousand loans had been approved, but it is not clear how many were drawn down.

Increasing credit supply to developers

The availability of credit at reasonable rates for the developer is a real issue. The cost of funds is high and this impacts directly on the price the developer must charge the unit buyer. The developer must add 13.5 per cent Vat on each sale, a higher rate than the tourism sector paid during its period of crisis. The Home Building Finance Ireland (HBFI) Bill 2018 is working its way through the Oireachtas. Last week, housing minister Eoghan Murphy indicated that he aims to have HBFI established by the end of the year. It will finance development at 'commercial rates' across the country.

Incentivising apartment development

Last week, economist Ronan Lyons of TCD said: "comparing our stock of dwellings with our population, Ireland has no shortage of houses - rather it's missing about 500,000 apartments."

On top of mortgage repayments, recurring LPT and service charge payments and the same rate of Vat for apartments as for houses, buying an apartment can be a challenge. With construction costs continuing to rise, Part V commitments, development contributions to local authorities and to Irish Water, the business case for apartment development often does not stack up.

Planning

Approvals timelines are undoubtedly impacting on the housing supply and this is not assisted by allowing third party observations from parties without any reasonable standing. With only 11 decisions currently pending on strategic housing developments with An Bord Pleanála (ABP), and less than half of projects that commence the consultation phase making it through to a formal application, the uptake for this 'fast track' process is disappointing.

We need to rethink height, density and connection to current and new public transport infrastructure. We need more strategic development zones and to centralise to ABP planning decisions in relation to additional urban areas of strategic importance to deliver progress of scale.

To be fair, Project Ireland 2040 embraces many of these concepts, but the objectives need to filter down and implementation is key.

Taxation reform

Vacant residential properties - is it time to look at LPT reform for properties lying vacant for a prolonged period? For those homeowners who are in long-term care could we permit the letting of homes which currently lie idle without adverse consequences to social benefits? Could we reduce CGT for a short period for the sale of second-hand residences to encourage the long overdue churn, with a view to shaking out vacant stock to be put back into use? Should capital allowances be extended for refurbishment of pre-63 residences which are dilapidated and out use? If the objective is to get more properties to the market for use, let's promote an increase in the contributors to supply.

Land Development Agency

The Land Development Agency (LDA) was established earlier this year, following models seen in Germany and the Netherlands. The aim of the LDA is twofold (1) using underutilised state land for effective delivery of housing, and (2) strategic land assembly, both public and private lands to smooth out peaks and troughs of land supply.

With initial capitalisation of €1.25 billion from ISIF, once up and running this should make a profound impact, especially during the next downturn, to keep housing output at required levels to meet social needs.

The LDA predicts it will deliver 150,000 units over the next 20 years. Let's hope that a public procurement model can be achieved that allows for efficient roll out.

Michael Walsh is ByrneWallace's head of property and Neil Dunne is senior associate at ByrneWallace