

Cost inflation and permission timelines are largest barriers to housing, sector experts say

Some 300 industry experts were surveyed at the Housing Convention 2022 to discuss what the sector requires to meet building targets. This is how they responded, writes **Tina-Marie O'Neill**

In the week of an arguably vanilla Budget 2023 when it comes to addressing the current housing crisis, a survey of 300 key housing industry experts conducted by ByrneWallace, the Irish legal firm, in association with PII, at its recent Housing Convention 2022, has revealed that construction cost inflation alongside planning permission and judicial review timelines are deemed the two biggest challenges facing the sector.

Access to funding is also expected to be an ongoing issue, with 72 per cent of those surveyed agreeing that, in response to the announcement in 2022 of two banks departing the Irish market, either a state bank should be established or barriers that restrict other major banks from entering the Irish market should be removed.

The Housing Convention brought together key industry leaders and expert representatives from both private and public sectors, traditional and alternative lenders, investors and developers, to debate and discuss how supply and demand are impacting the Irish residential property market, and the types of funding re-

quired to meet current demand, in addition to funding options available to overcome the current housing market crisis.

Guest speakers included Leo Varadkar, the Tánaiste and Minister for Enterprise, Trade and Employment; Ivan Gaine, chair of PII; and Dermot O'Leary, chief economist and Goodbody.

Observations and recommendations of the key solutions identified at the Convention will be submitted to the Department of Housing, Planning and Local Government.

In a sobering summary of the overall mood at the convention, Michael Walsh, chair of ByrneWallace's property law team, said: "I think that what was positive was the level of realism in the room.

"The approach from all actors and contributors was not at all sentiment-driven but driven by the data, and the data tells us that there is a growing viability gap, with rising interest rates and the rates of increase in construction costs being at unprecedented levels – the price at which PRS [private residential sector] buyers would pay is struggling to reach the cost



Ivan Gaine, chair, PII; Michael Walsh, partner and chair of property, ByrneWallace; Tánaiste Leo Varadkar; and Dermot O'Leary, chief economist, Goodbody, at the Housing Convention 2022 in the Alex Hotel in Dublin

of building. That is to ignore any need for a return on investment to the developer," he said.

The survey highlighted a number of interesting points, including the sentiment that penal stamp duty for all bulk purchases of houses reduces the supply of housing stock. Some 69 per cent of those surveyed agreed that more tailored restrictions should be introduced to leave a sufficient number of new houses available for individual purchasers and to increase the supply of rental accommodation.

Similarly, 70 per cent of

those surveyed agreed that significant moves by local authorities to compulsorily acquire derelict properties would deliver a significant increase in housing stock.

The decision to dispose of local authority land is reserved to local authority councillors. Interestingly, 79 per cent of respondents agreed that for strategic housing development zones, the central government should have the right to approve the disposal of local authority land.

"There seemed to be a broad positive welcome to the Housing for All plan, which is

now a year old, and its initiatives and a strong sense that what is needed now is the implementation of the core initiatives outlined within the plan," the property law expert said.

"One quote of the day was that an idea that has not been executed is a delusion. Most if not all of the good ideas are contained and well described in the Housing for All plan, but now these need to be implemented, communicated to the market and the agencies of the state [must be] equipped to process and put them into effect for benefit.

"Rather than there being

new initiatives per se, there needs to be a very significant investment of state capital into the market and there needs to be a concentration of efforts on the key housing initiatives that are causing real roadblocks.

"For example, the reform of planning law, which the Tánaiste confirmed is well underway and draft legislation is due to be published before the end of the year. It is a full review of our planning legislation, which includes judicial review and a sense that a rebalancing of interest and rights is needed, especially in times of a national crisis,"

said Walsh.

One of the other things that came through at the convention was the deficit in capital needed to address housing completions.

"Assuming housing delivery at the rate of 50,000 new homes and 50,000 second house transactions, the capital required is estimated to be €35 billion, assuming an average price of €350,000 per unit," Walsh said.

"Market estimates that the mortgage industry is currently delivering €10 billion, with state investment running at €4 billion and cash buyers delivering a little more than that, leaving a potential gap of about €15 billion to be made up by the state and private funders, buyers and investors. In other words, to reach our targets, much more capital is needed from a variety of sources," he said.

"We can only do that by attracting more lenders to the market, and the state significantly investing in the market to a much greater degree than it currently is, through all of its agencies, the Land Development Agency, the Approved Housing Body infrastructure, and by attracting as much investor equity/capital as we can.

"The state has become a major purchaser of new homes, up from 6 per cent in 2015 to 23 per cent in 2021," Walsh said. "In view of the marked slowdown in start-ups in recent weeks, the state will need to become active in a much greater degree in order to keep housing delivery at current levels.

"Population growth means that housing targets need to

be revised up significantly. Increased density is needed to help bridge the viability gap emerging between the increased cost of constructing new homes and the price at which buyers will be willing to pay, owing to higher interest rates.

"The state may need to guarantee funding to secure finance for private developments," he said. "Debt at the right interest levels has not been available because there is not as much capacity in lending terms by the traditional banking sector here. That has translated into forward fund deals happening," which is effectively a more complex form of investors bulk buying off the plans to fund construction.

In relation to last week's budget, Walsh said: "Unfortunately, Budget 2023 continues to reflect the previous position that the state appears not to be taking very seriously the need to attract investor capital, and that is borne out by the continuation of the wholesale 10 per cent stamp duty tax on bulk house purchases, and our survey reflects that industry experts don't agree with that approach. They believe a more tailored approach is needed.

"Similarly, despite it being known that private residential investors are leaving the market in significant numbers, the budget didn't address that at all, save for pre-letting expenses. However, this falls short of the pre-budget expectation of measures to encourage private residential landlords to stay in the market where the properties are actually let."

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Pillars, a free-standing, three-bay, three-storey former Methodist church is guiding €500,000

Two landmark properties in Cobh that make the most of the sea views

BY TINA-MARIE O'NEILL

Investors and budding restaurateurs, ahoy! News comes from estate agent Johanna Murphy & Sons of a thriving waterfront restaurant and bar for sale in the pretty seaside village of Cobh in Cork with a guide of €5 million.

The Quays Bar and Restaurant is a well-established indoor and outdoor venue which underwent a full renovation in 2020, estimated to cost about €1 million.

The restaurant extends to 108 square metres, has an indoor seating capacity for 200 people and has separate ladies' and gents' WC facilities.

The Quays at 17 Westbourne Place boasts the only premises in Cork to have a private pontoon (which extends to some 33 square metres), from which diners can enjoy the sights and sounds of Cork harbour and spectacle of arriving cruise liners.

The refurbished and extended outdoor area is both covered and heated, and has a seating area with a barbecue grill and a retractable roof.

The venue is well laid out with a bar area at the rear and



The Quays Bar and Restaurant at 17 Westbourne Place is on the market for €5 million

a large waterfront seating/dining area at the front. Offices and ancillary laundry space and staff facilities are above, with separate access from Westbourne Place.

The restaurant is located in the heart of the town, near the local train station and the cruise liner terminal, which is scheduled to greet 120 cruise ships next year.

"Everyone has to pass the Quays in order to go into the town or get out of the town," Johanna Murphy said.

"Tourism in Cobh is continually growing and the town is one of the most pop-

ular and picturesque along this stretch of coast and has so much to offer, including tourist attractions such as Spike Island, which is rated as one of the best sights in Europe, St Colman's Cathedral, the Titanic Experience, Cobh Heritage Centre and Cork Harbour Boat Hire, which departs from the Quays' private pontoon."

The agent is also handling the sale of a Cobh landmark in the guise of the Pillars, a free-standing, three-bay, three-storey former Methodist church, which was built in 1873 and was most recently

used as a public house. The agent is guiding €500,000 for the 557-square-metre building, which needs a full refurbishment.

Sharing a faint resemblance with the temple at Petra in Jordan, the 557 square metre property stands in a high-profile position and boasts stunning views over Cork harbour and is one of the more eye-catching properties currently for sale in Cobh.

Cobh is about a 20-minute commute from Cork city. For more details, contact Johanna Murphy & Sons at 086-2626026.