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## **Chapter One**

### **Setting the Scene: Transformations in Irish Housing**

**Declan Redmond and Michelle Norris**

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#### **Introduction**

For a nation somewhat obsessed with property and property rights it is surprising that there has been a comparative dearth of published material on the system of housing provision and housing policy in Ireland. Whereas, most other western European countries, particularly the United Kingdom, Sweden, Denmark and the Netherlands, a sophisticated housing research infrastructures has been developed, not only in the universities but also in national and local government and the non governmental sector. Recently this gap has started to be filled, however. For example, Norris and Winston (2004) have produced a comprehensive overview of Irish housing policy developments over the last decade, while in late 2004 the National Economic and Social Council (2004) published an analysis of housing policy with a particular focus on affordability and land policy. Despite these publications, however, it is still true to say that the amount of original primary research on housing issues is meagre and unbalanced. We know, for example, a good deal about social

housing and the tenants who live in this sector (Fahey, 1999), which accounts for less than ten per cent of all housing, but our in-depth knowledge of the owner occupied sector, which accounts for eighty per cent of all housing, is in comparison paltry.

This lack of information and analysis is anomalous in view of the fact that since the early 1990s housing has become one of the central economic, social and environmental issues in Ireland. This centrality stems directly from the importance of housing in providing basic shelter and accommodation, its role as a home, its role as a financial investment, its role in economic development and its role in shaping our urban and rural environment among other factors. While these are general attributes, they have been brought into even greater prominence in the past decade by the extraordinary surge in housing output across the state generated by the economic boom and population growth. Not only have our urban centres seen booms in housing development but many rural areas have also experienced the impact of high demand and supply of new housing. The boom in housing output that has occurred over the past decade is the largest and most sustained in the history of the state. Indeed, it is impressive in international terms - in 2002 the rate of new house building in Ireland was the highest in the European Union - 14.7 per 1,000 inhabitants (European Union, 2002). However, the most extraordinary and certainly the most commented upon phenomenon, has been the astonishing rise in the price of housing over the last decade. For example, in the decade between 1993 and 2003 the average price of a new house in the state increased by approximately 220 per cent, and by over 280 per cent in Dublin (Department of the Environment, Heritage and Local Government, various years). General consumer price inflation increased at a fraction of this rate.

These extraordinary increases have led to a complex set of winners and losers. Those who had purchased prior to the boom could, for example, avail of the increased capital value of their dwelling and purchase a second home in Ireland or abroad; they could purchase property for investment or trade down by moving to a cheaper location and availing of the capital gain. In addition they have had significant impact on other parts of the housing system. For instance they have increased demand for private rented and social rented housing. In the case of the latter housing tenure this has driven lengthened waiting lists, and although supply of private rented accommodation has significantly expanded, rents

have also raised which has created affordability problems. In addition, the problems of some those groups which have traditionally been marginalized in the housing system, such as homeless people, Travellers and those with specific housing needs, have been heightened by the tight house purchase and rental market, and long waiting lists for social housing.

In that context, the purpose of this book is to present an account of key developments in the system of housing provision and in housing policy which is somewhat more detailed than that of Norris and Winston (2004) and of NESCC (2004). In bringing together the leading experts on housing in Ireland, this book also aims to present the most significant of the various, often conflicting analyses of the housing system which have been produced in recent years. Broadly, the book will examine key trends in housing provision, will trace the main policy changes and innovations of the last decade, and will attempt to evaluate the principal policy impacts. On this, basis the closing chapters of the book compares the performance of the housing system in Ireland over the last decade, with that of its European Union counterparts.

The book is divided into five sections – the first three of which discuss the main housing tenures in Ireland (owner occupation, private rented accommodation and social housing), while the final two discuss housing, inequality and social exclusion and housing and the built environment. Each section is opened by a chapter which provides an overview of the particular housing issue at hand, and this is followed by two more in-depth contributions which examine a specific aspect of the issue in more depth and reports on the findings of recent research. In, addition, this introductory chapter provides a synopsis of some of the key housing trends and housing policies over the past decade or so thus providing a context for the more detailed elaborations which follow.

## **Demand, Supply and Investment in Housing**

### *Demand for Housing*

The past decade has witnessed a sharp rise in demand for housing, the result of a

combination of economic, demographic and social factors. This increased demand has, in turn, stimulated price inflation. Apart from natural increase in population, there has been significant in-migration to Ireland which has driven the demand for housing. Table 1.1 illustrates these demographic trends. Between 1996 and 2002 the population increased by almost 300,000 and over 50 per cent of this increase was accounted for by in-migration. Bacon and Associates (1998) point out that the pattern of emigration/immigration in the late 1990s accelerated housing demand because almost half of immigrants during this period were aged between 25 and 44 years and therefore were likely to be seeking housing, while in contrast annual emigration is concentrated in the younger age group of 15-24 years who are less likely to have formed independent households.

*Table 1.1 Demographic Trends which have Implications for Housing, 1981-2002*

	1981	1986	1991	1996	2002
Population	3,443,405	3,540,643	3,525,719	3,626,087	3,917,336
Population Change (+/-)	N/A	+97,238	-14,925	+100,235	+291,249
Natural increase (+/-)	N/A	+169,120	+119,245	+92,035	+138,182
Net migration (+/-)	N/A	-71,883	-134,170	+8,200	+153,067
Independent households	880,000	976,000	1,029,000	Nav	1,288,000

Source: adapted from Central Statistics Office (2001b; 2002) and European Union (2002).

Note: natural increase refers to excess of births over deaths; net migration refers to immigrants minus emigrants; N/A means not applicable; Nav means not available.

The distinctive structure of the Irish population has also driven demand. Average household size in Ireland has continued to decrease and although not yet at the EU average, is heading in that direction. In 1996 average household size was 3.14 but by 2002 this had fallen to 2.94 (Central Statistics Office, 2004b). This consistent fall in household size stimulated demand for housing because, coupled with the increase in the population, it has been led to an increase in the number of households. This trend is outlined in Table 1.2 which traces household change between 1996 and 2002. While the average increase in the number of households was 15 per cent the Mid-East region increased by 26 per cent and

*Table 1.2 Number of Households, 1996–2002 ('000s)*

Region	1996	2002	Change	% change
Border	124.7	142.0	17.3	14
Dublin	343.2	379.4	36.2	11
Mid-East	101.9	128.7	26.8	26
Midlands	61.6	72.4	10.8	18
Mid-West	97.2	111.4	14.2	15

South-East	118.9	138.9	20	17
South-West	168.9	191.3	22.4	13
West	106.8	123.8	17	16
State	1123.2	1288.0	164.8	15

Source: Central Statistics Office, 2003.

Dublin only by 11 per cent. This indicates that there have been significant changes in the spatial distribution of households with high levels of development in the hinterland of the capital city.

Rapid economic growth, resulting in large-scale increases in employment, are the other main factors which have underpinned the boom in the private housing market. The past decade of housing market growth has occurred in a highly conducive economic environment, where interest rates have been historically low, financial institutions have ratcheted up their mortgage lending in response and where the centre-right Fianna Fail-Progressive Democrat government has pursued policies of low income taxation and control of inflation. Table 1.3 illustrates, dramatically, some of the key changes. Gross National Product (GNP), for example, has almost trebled in a decade. The net increase in the total labour force has been of the order of 500,000, while unemployment has decreased sharply. The combination of underlying demand for housing and the favourable economic and financial context has thus driven a sustained boom in the private market.

*Table 1.3 Key Economics Changes, 1993, 2003*

	1993	2003
Gross National Product (GNP)	€38,578m	€111,671m
Gross Domestic Product (GDP)	€43,240m	€134,786m
Total Labour Force (N)	1,401,000	1,899,000
Unemployed (N)	222,000	88,000

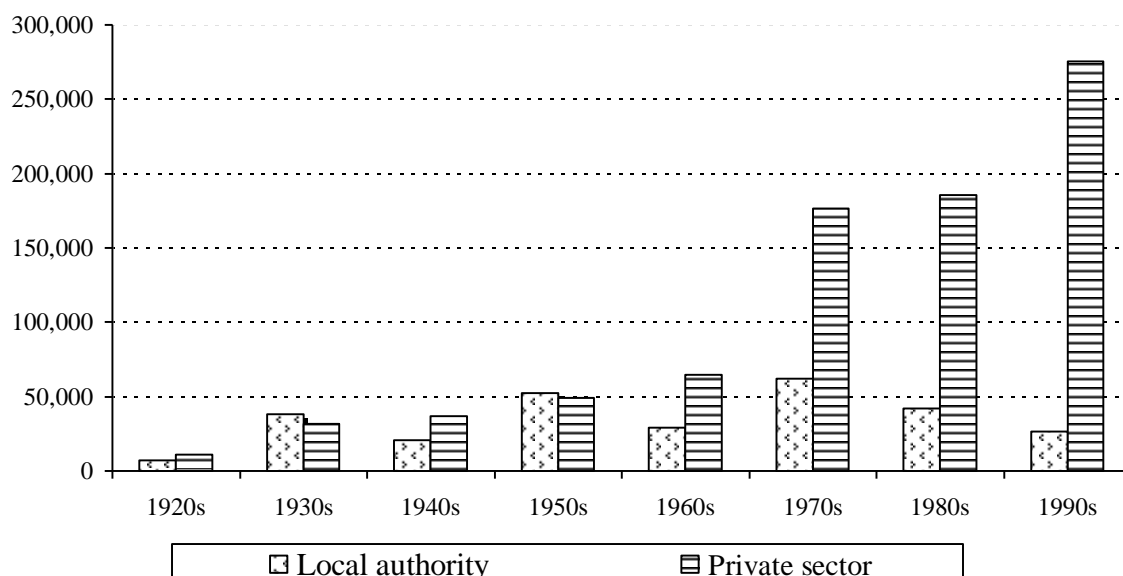
Source: Central Bank of Ireland, 2004

### *Housing Supply*

As mentioned above, increased housing demand and investment has resulted in a sustained surge in housing development since the mid 1990s. The supply of housing is traced historically in Figure 1.1. We can see that the 1970s and 1980s saw a massive jump in the supply of dwellings compared to earlier periods and this was further increased in the

1990s. It also reveals the changing balance between private and public supply. By the 1990s the private provision of housing was dominant with social housing accounting for on average just 6 per cent of new completions in the state.

Figure 1.1 Dwellings built by Local Authorities and the Private Sector, 1920s –1990s



Source: Department of the Environment, Heritage and Local Government (various years), and Minister for Local Government (1964).

Note: The 1920s include the years 1923–1929 only; figures for private sector building from the 1920s to the 1950s only include dwellings built with State aid. However the available evidence indicates that this figure probably incorporates the vast majority of private sector dwellings built from the 1930s onwards. 1990s figures includes housing association completions.

Table 1.4 outlines housing supply trends in more detail for the past decade. The supply of private housing grew rapidly during the decade. Between 1993 and 2004 the supply of private housing increased by 225 per cent. By any standards this is a remarkable level of development. For most of the period social housing supply increased at very modest rates.

Table 1.4 House Completions Nationwide, by Sector, 1993-2004

Year	Social Housing	Private Housing	Total
1993	2090	19301	21391
1994	3275	23588	26863
1995	3971	26604	30575
1996	3529	30196	33725
1997	3388	35454	38842
1998	3256	39093	42349
1999	3488	43024	46512
2000	3155	46657	49812
2001	4875	47727	52602
2002	5763	51932	57695
2003	6133	62686	68819
2004	5146	71808	76954

Source: Department of the Environment, Heritage and Local Government (various years).

It is only since 2001 that there have been significant increases in the supply of housing in this category. Norris explains in Chapter 8, which sketches the history of the social housing sector, this increase in output has been mainly in the local authority sector. Although as Brooke and Clayton explain in Chapter 10, in recent years, there has been a growing emphasis on diversifying the sources of social housing, by encouraging increased provision by housing associations and housing co-operatives.

The consequences for this growth on the age of the housing stock are clear. Over one fifth of the entire occupied housing stock in Ireland was built since 1991. Indeed, over 50 per cent of the State's housing stock has been built since 1971. However, these Census figures underestimate the entire housing stock as they only include occupied housing and not vacant dwellings. Thus, for example, Department of the Environment Heritage and Local Government figures indicate that there were 260,000 housing completions in the years 1996 to 2001 but the Census identifies only 197,134 additional occupied dwellings during the same period. Some of this difference could be accounted for by obsolescence, but it is likely that the high level of production of second homes is a more significant factor. A recent comparison of the 2002 Census and housing completions figures which suggests that in the inter-censal period 1996-2002, up to 70,000 of the dwellings completed over the period were second homes or empty dwellings (McCarthy, Hughes and Woelger, 2003). This testifies, most likely, both to the general level of wealth generated during the economic boom (an issue which is examined by Fahey and Nolan in Chapter 4) and to the relatively new fashion for utilising the wealth locked up in existing housing by means of equity release products.

### *Investment in Housing*

The additions to the housing stock in the inter-censal 1991-2002 period has necessitated substantial financial investment and Table 1.5 details the dramatic changes in investment

*Table 1.5 The Economy and Investment in Housing, 1994-2004*

Year	Gross National Product (GNP) €m	Category of housing investment			
		Gross Domestic Fixed Capital Formation €m	Capital Formation in Housing €m	Housing as a % of Fixed Capital	Housing as a % of GNP
		€m	€m		
1994	41785	7674	1694	22.1	4.1
1995	46693	9194	1990	21.6	4.3
1996	51544	11026	2413	21.9	4.7
1997	59083	13898	3152	22.7	5.3
1998	68161	17341	4139	23.9	6.1
1999	76670	21459	5244	24.4	6.8
2000	88155	25231	6423	25.0	7.0
2001	97107	27057	7426	27.0	8.0
2002	104474	28983	8802	30.0	8.0
2003	111671	31815	11704	37.0	10.0
2004	122552	36509	15047	41.0	12.0

Source: Department of Environment, Heritage and Local Government (various years).

in housing over the past decade. Capital formation in housing increased from approximately €1.7 billion to €15 billion between 1994 and 2004 – a substantial increase in both absolute and relative terms. For example, in 1994 housing accounted for one fifth of gross domestic fixed capital formation but by 2004 it counted for 40 per cent of such investment. Again, when we examine the relationship between housing and the economy more generally we see that in 1993 investment in housing accounted for 4 per cent of GNP but that this had trebled to 12 per cent in 2004. Thus, the impact of investment in housing on the economy has been substantial.

Table 1.6 details government expenditure on housing over the past decade. In 1994 investment was of the order of €335m but by 2003 this increased to €1,682m, representing 17 per cent of all capital formation in housing. What is noticeable from this Table, however, is that government spending on housing has only increased significantly since 2001 and has primarily gone into social housing investment. More recent policy initiatives, such as affordable housing schemes, which aim to support low income home buyers, have seen relatively low levels of spending, which given their quite recent development, coupled with the fact that these initiatives are to a significant extend self

funded by the contributions of those who purchase the dwellings provided under their auspices, is understandable to a degree.

*Table 1.6 Public Expenditure on Housing, 1994-2004*

	Local authority housing	Voluntary Housing	Shared Ownership	House Purchase and Improvement	Private Housing grants	Affordable Housing (Incl Part V of the Planning and Development Act 2000)	Other	Total
year	€m	€m	€m	€m	€m	€m	€m	€m
1994	199.5	34.9	56.4	24.4	33.6	0	5.1	353.9
1995	228.9	42.9	63.5	22.9	43	0	3.8	405
1996	243.7	41.9	63.5	26.2	46.6	0	5.1	427
1997	277.1	34.7	54.7	23.9	46.5	0	5.2	442.1
1998	307.5	34.3	63.7	25.3	46.9	0	6.3	484
1999	354.4	47.2	141.7	29.3	46.3	25.9	7.6	652.4
2000	521.2	91.9	149.4	38.6	59.4	5.5	11.6	877.6
2001	826.3	143.6	204.3	49.2	70.3	22.1	12.6	1328.4
2002	999.2	165.4	200	89	80.4	50	13.1	1597.1
2003	917.5	210.9	212	96	93.2	139	13.6	1682.2
2004	932.9	182.6	127.8	74.8	60.3	120.7	17.9	1517.0

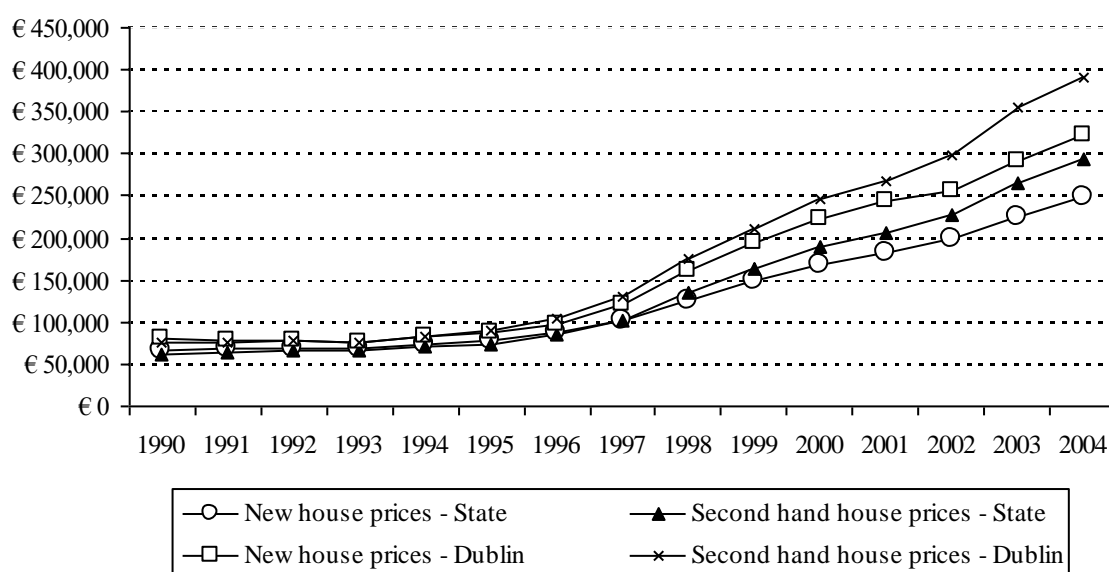
Source: Department of the Environment, Heritage and Local Government (various years).

### **Housing Markets, Prices and Affordability**

This discrepancy between the number of houses occupied and the number built over the past decade, raises the question of the relationship between demand and supply and in particular as to the different nature of demand. McCarthy, Hughes and Woelger (2003) argue, for example, that housing supply in overall terms has been sufficient to meet most household growth. On the face of it, such a sustained increases in supply would imply moderate increases in house prices with the establishment of some form of market equilibrium (Bacon and Associates, 2000). However, what has occurred has been one of the most extraordinary rises in house prices seen not only in Ireland but also in Europe. Figure 1.2 depicts the trends in new and second hand house prices over the past decade. Nationally, for example, average new house prices increased by 185 per cent between 1996 and 2004 while second hand house prices increased by 213 per cent over the same period. This rapid escalation in house prices has generated all manner of economic, financial, social and spatial consequences which are discussed by a number of contributors to this book.

The most rapid price increases occurred in the Dublin area, where new house prices increasing by 232 per cent and second hand prices increased by 273 per cent between 1996 and 2004. As a result, average new house prices in Dublin were over 30 per cent more expensive than in other urban areas in the latter year (Department of the Environment, Heritage and Local Government, various years). While one would expect a price differential between the largest urban area in the state and the average national price, this gap has increased sharply in both absolute and relative terms. Indeed, one of the stated attractions of recent policy proposals to decentralise parts of the civil service is that Dublin-based civil servants could sell their Dublin property, make a substantial capital gain and purchase an equivalent or better property outside Dublin at a significantly reduced price.

Figure 1.2 Changes in House Prices, 1990-2004



Source: Department of the Environment, Heritage and Local Government (various years).

Note: These data include both houses and apartments.

One of the factors leading to higher house prices in Dublin relates to problems of supply in the area. What is remarkable is that in the Dublin Region between 1994 and 2001, during the greatest property boom in the history of the State, house completions increase by only very moderate amounts. However, it is also clear that this undersupply in the Dublin regions is being in part taken up by increased supply in the Mid-East region, where supply increased rapidly in counties like Meath, Kildare and Wicklow. Between 2002 and 2004 there has been supply in Dublin has increased rapidly, particularly in Fingal County

Council, where there has been very rapid expansion of supply in new suburban developments.

Analysis by Bacon and Associates (1998, 1999 and 2000) and by Williams and Shiels and Hughes (2002) suggests that the Dublin area has experienced major problems in increasing supply due to an infrastructure deficit, especially with regard to zoned serviced land, a key component in housing supply. In addition, however, there were problems of administration, in particular the serious shortage of professional planners in local authorities. It has also been suggested that an oligopoly exists with respect to land ownership and that developers were hoarding land and releasing it slowly thereby keeping land prices and house prices high (Government of Ireland, 2004). These problems of land supply were reflected in the increasing share of land price as a component of new house price, with land accounting for over 40 per cent of a new house price in the Dublin region (Drudy and Punch, 2001; Central Bank of Ireland, 2003).

#### *The Mortgage Market*

The expansion of the housing market has in large part been facilitated and driven by the availability of cheap and plentiful credit. The persistence of low interest rates and the willingness of the financial institutions to be flexible in their lending policies has seen a massive expansion in the issuing of mortgage credit. Table 1.8 shows the rapid growth in the mortgage market, depicting loans paid by all lending agencies. The mortgage market for new houses increased from €0.7bn in 1994 to €7.4bn by 2004. However, it is worth noting that only 44,000 of the almost 71,000 private houses which were completed in the state in 2004 were funded by mortgages indicating that over 27,000 dwellings were purchased without any recourse to a mortgage.

Table 1.8 *Investment in Mortgages(loans paid), 1994-2004*

	New dwellings		Second hand dwellings		Total	
	N	€m	N	€m	N	€m
1994	16,230	735.8	30,253	1,340.7	46,483	2,076.7
1995	19,320	936.6	27,715	1,347.6	47,035	2,284.0
1996	25,628	1,291.6	30,381	1,668.1	56,009	2,959.7
1997	28,193	1,695.5	29,708	1,893.6	57,901	3,589.1
1998	27,355	1,967.2	34,052	2,619.9	61,407	4,587.1
1999	31,359	2,776.8	39,458	3,740.1	70,817	6,516.9
2000	31,533	3,093.6	42,725	4,504.6	74,258	7,598.2
2001	29,431	3,309.2	37,355	4,354.7	66,786	7,663.9
2002	32,298	4,353.8	46,994	6,471.4	79,292	10,825.2
2003	35,292	5,398.1	49,457	8,125.7	84,749	13,523.8
2004	44,231	7,416.0	54,478	9,517.2	98,709	16,933.2

Source: Department of the Environment, Heritage and Local Government (various years).

This is an extraordinary figure and suggests that there is a large well of cash available to purchase such houses for either investment purposes or as second homes. The value of the mortgages advances to purchase second hand houses increased from €1.3bn to almost €9.6bn between 1994 and 2004. It is not possible to estimate the total number of transactions in the second hand market due to the absence of any published statistics, but it is likely that a similar proportion of transactions are being funded without recourse to a mortgage.

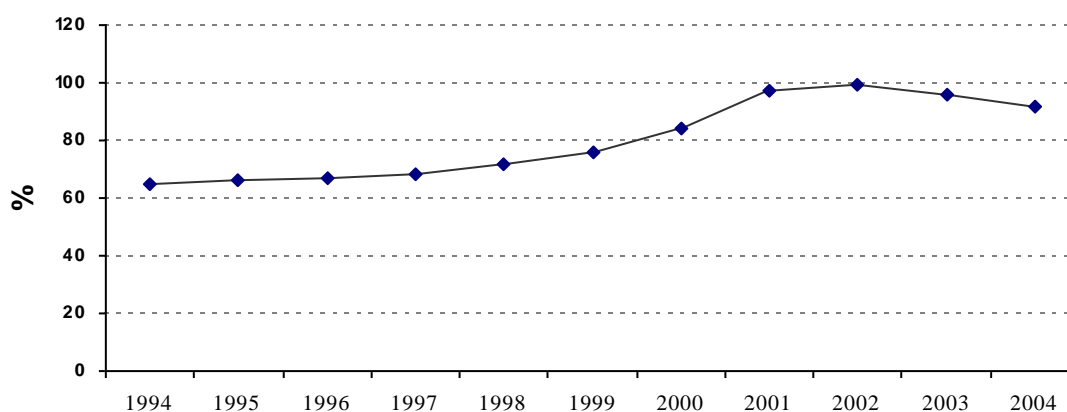
### *Affordability*

Inevitably, with incomes increasing at a moderate pace over this period, many commentators and political parties have argued the rises in house prices have led to a significant affordability crisis for aspiring house purchasers, and in particular for aspirant first time buyers (Drudy, 1999). However, as Daithi Downey discusses in Chapter 3, it is also true to say that the debate about affordability is a very complex one, with a variety of different measures being used to assess affordability. Affordability is, in general terms, about making a judgement regarding whether the residual income available to a household after housing costs is sufficient for what may be termed a reasonable life. As is shown by Fahey and Nolan (Chapter 4), social housing tenants in Ireland pay a very low rent, which typically accounts for less than 10 per cent of their income. However, this measure us

little about the sufficiency of their residual income, which may be entirely composed of welfare payments. Conversely, somebody on a high income may pay 40 per cent of their income on housing costs but the residual income may be more than sufficient.

Fahey and Nolan also show that private renting tenants devote a much higher proportion of their incomes to housing costs than the residents of any other tenure. Consequently, in Chapter Four, Fahey and Nolan argue that the most serious affordability problems are in the private rented sector, rather than among owner occupiers. Figure 1.3 which employs information from the consumer price index, reveals substantial increases in rents from the mid 1990s onwards. In the past two years the rises in the private rents have stabilised and there is also evidence of falls in rents, particularly in Dublin (Irish Auctioneers and Valuers Institute, 2000, 2001, 2002, 2003a).

*Figure 1.3 Private Rented Residential Sector Rent Inflation (% Annual Change), 1990-2004.*



Source: Data were generated by the Central Statistics Office from the Consumer Price Index.

Note: Base December 2001 = 100.

The data analysed by Fahey and Nolan (chapter 4) show that the proportion of income which mortgagees devote to housing costs has fallen slightly over the latter half of the 1990s. However, it is important to emphasise that these data encompass all home owners with a mortgage, including those who bought their homes many years ago and have paid off most of their loan, and recent first time buyers, who own little equity in their dwelling. More recent statistics from the Quarterly Household Survey suggests that recent first time buyers do face affordability problems (Central Statistics Office, 2004c). For example, of

the 240,7000 households surveyed who purchased since 1996, 24 per cent had monthly mortgage repayments in excess of €600, while just 3 per cent of those who purchased prior to 1996 had a mortgage of over €600, this being partly attributable to the age of the mortgage and also partly to the increase in house prices since 1996. However, this data set is seriously handicapped by lack of income or expenditure data which makes it impossible to compare the actual housing costs with income and thus no measurement of affordability can be made. The Irish National Survey of Housing Quality (Watson and Williams, 2003), which was conducted in 2001-2002, undertakes analysis of affordability on the basis of a sample which compares housing costs with net income. It reveals that only 6 per cent of owners with a mortgage paid over a third of net income on housing costs, compared to 11 per cent of first time buyers. Very interestingly, all the sample households were also asked about their perception of the burden of housing costs. 11 per cent of first time buyers, 13 per cent of owner occupiers with a mortgage, 20 per cent of private renters and 33 per cent of local authority tenants thought that housing costs were a heavy burden. These data underline the problems associated with assessing affordability simple in terms of the ratio of housing costs and incomes, which was raised above.

At the same time, Downey convincingly argues in Chapter 3 that the increase in house prices since the mid 1990s has undermined the accessibility of this tenure, particularly for households on low to moderate incomes. Historically, average industrial incomes have been a multiple of three to four times average house prices. However, by 2003 average house prices were a multiple of eight times average industrial wages nationally but up to ten times so for second hand property in Dublin. An examination of the relationships between new house prices, the consumer price index, housebuilding costs and interest rates shows that housebuilding costs and consumer prices have increased in tandem, while new house prices have escalated (see Chapter 15, Redmond, Williams and Punch). It suggests that, as buildings costs have been rising at the same rate, the reasons for the rise in new house prices must be from a combination of development profits and land costs. Unfortunately, because it is almost impossible to gain easy public access to information on the price of land transactions, there is no reliable published research on this issue. There have been suggestions, including from the Central Bank, that land prices have increased in absolute and relative terms but it if this is the case, it is also reasonable to assume that

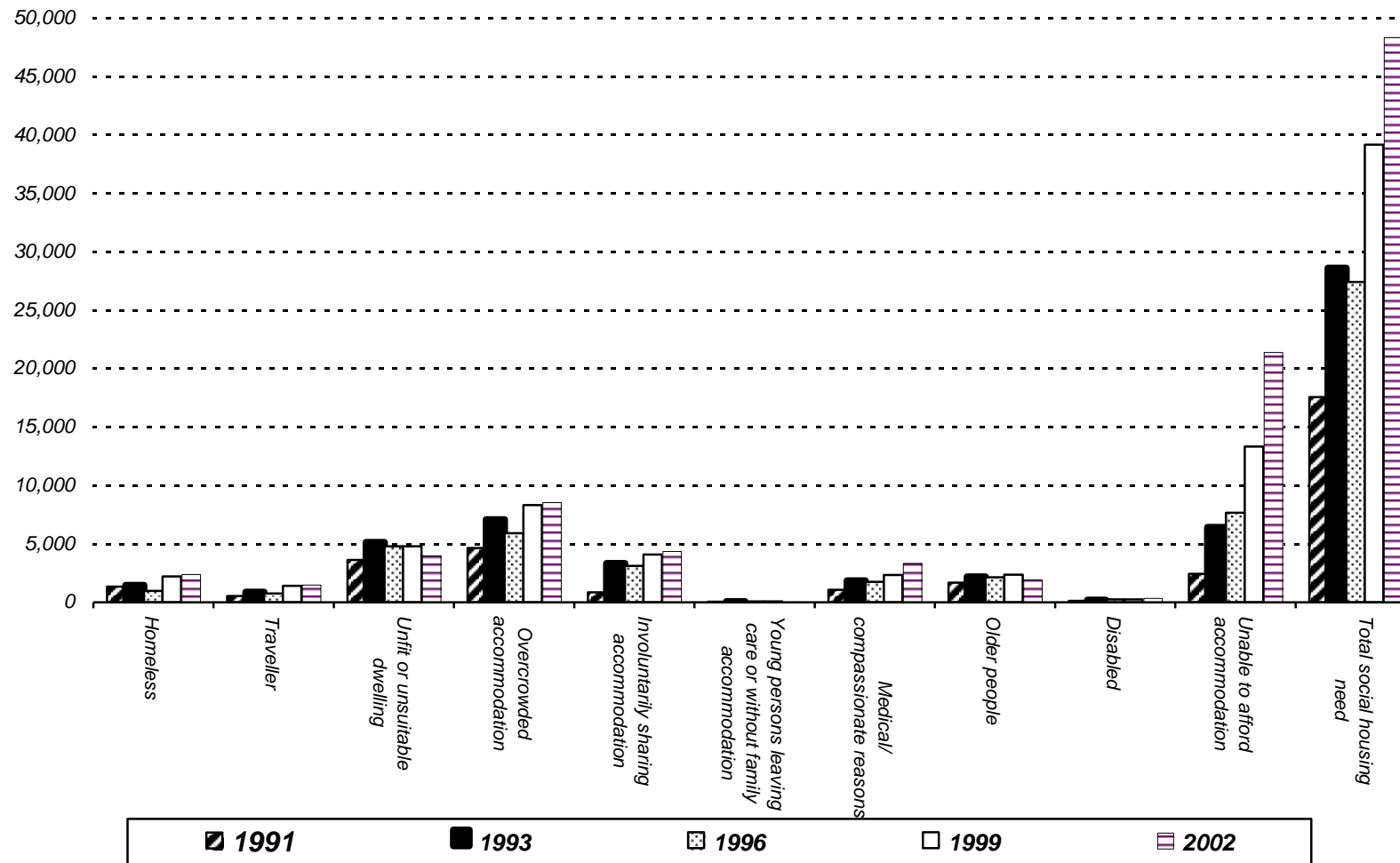
some developers have reaped ‘super normal’ profits from the house price increases highlighted above.

### **Non-Market Housing, Exclusion and Inequality**

Since the 1960s the social housing sector has contracted from 18 per cent to approximately 8 per cent of the national housing stock. In Chapter 8 Norris reveals that this fall in tenure share has occurred because of an absolute and relative decline in output of local authority rented dwellings and because of the extensive privatisation of the sector through a series of schemes to enable tenants to purchase their dwellings. In the past decade, local authority house building has accounted for just 6 per cent of annual total housebuilding, whereas it averaged between 20 per cent and 30 per cent in the 1970s and 1980s. This is a result of severe cutbacks in the late 1980s during a period of fiscal crisis, which were never fully reversed, despite the advent of an economic upturn. As was mentioned earlier in this Chapter, since the early 1990s government has attempted to diversify the sources of social housing encouraging increased output by voluntary sector agencies including housing associations and co-operatives. In Chapter 10 Brooke and Clayton reveal that as yet, however, the voluntary sector has had a relatively small impact on overall housing provision, though this may increase in the coming years.

The result of these historically low levels of social housing output, coupled with population increases and the increases in house prices and private sector rents highlighted above, is a marked increase in the number of households on waiting lists for social housing. Figure 1.4 traces the increases in housing need as measured by the assessments of housing need, which local authorities carry out every three years. It reveals that the total numbers of households assessed as in need of social housing grew from 17,564 in 1991 to 48,413 in 2002. In the context of this level of growth in need the expansion in the government funding for social house building outlined earlier appears modest. Although the National

Figure 1.4 Changes in Social Housing Need by Category of Need, 1991-2002



Source: Department of the Environment, Heritage and Local Government (various years)

Development Plan provides for additional resources for social housing, the total increase in capital funding provided to this sector is not dramatic, thus confirming the hegemony of private housing provision (Government of Ireland, 1999).

In Chapter 8 Norris argues that the relative and absolute reduction in social housing tenure has also means that it has sector has become essentially a welfare housing sector. Recent research revealed that eight out of ten local authority tenants were welfare and benefit-dependent, a figure likely to be replicated in the voluntary sector (Nolan *et al*, 1998, 2000). The wider societal implications of this trend are examined by Fitzgerald and Winston in Chapter 11. However, this residualisation process has also generated problems at the micro level of individual social housing estates, often related to social order, but also related to the absence of effective housing and estate management in the past. In the past decade local authorities and voluntary and co-operative housing associations have been developing housing management and estate management policies to more intensively and effectively manage their estates (Norris, 2001; Fahey, (ed) 1999; Redmond and Walker, 1995; National Economic and Social Forum, 2000; Redmond, 2003). Redmond and Norris review the success of some of these measures in Chapter 9.

In Chapter 11 Fitzgerald and Winston reveal that exclusion from affordable and good quality housing affects different groups to different degrees, and while such exclusion is a serious problem, there are particular and extreme forms of housing exclusion such as homelessness, and problems of providing accommodation for travellers, asylum seekers and refugees (see also: Drudy and Punch, 2001). Some indeed are more unequal than others. While local authorities are obliged by the 1988 Housing Act to take homeless people into account when assessing social housing need, O'Sullivan reveals in Chapter 12 that providing appropriate accommodation for thus group in the past has been confounded by resource scarcity and administrative and implementation complexity. However, resources are now available at a level not seen before and in Dublin, for example, there now exists an integrated policy on homelessness. With regard to Traveller accommodation, local authorities are responsible for providing appropriate accommodation. However, in Chapter 13 David Silke details how this function has often been mired in controversy with strenuous local objections, allied to challenges generated

by the mobility of Travellers. Providing accommodation for the increasing, although in absolute terms small, numbers of asylum seekers and refugees has produced a new set of problems of the authorities. For the most part temporary accommodation has been provided but, in the medium to long term, it is inevitable that other solutions will be necessary. Providing appropriate accommodation solutions for these groups is a real test of government commitment to social inclusion, something which may fray in times of economic downturn.

### **Spatial Planning, land and infrastructure**

The analysis of the problem of the affordability of home purchase, undertaken by Bacon in a series of reports to Government, initially focused on demand side management (Bacon and Associates, 1998, 1999, 2000). In considering options to stabilise rapidly rising house prices, the primary choices related mainly to the internal workings of the owner occupied market. For instance, there were changes in stamp duty and in the tax treatment of investors, sometimes with unintended consequences or with consequences the reverse of those intended. For example, the reduction in stamp duty probably fuelled housing price growth, while the removal of tax incentives for landlords cut the supply of rented dwellings and contributed to rent inflation. Consequently, the thrust of the analysis by Bacon turned to supply side responses. In broad terms, the central focus of policy since then has been to assist in increasing supply with the hope that prices would either stabilise or reduce as demand was met. One of the core elements of the supply-side response has been to seek to produce a more flexible and responsive planning and development system (see: Bannon, Chapter 16). This has entailed developing a hierarchy of plans from the national down to the local level to give developers greater certainty. In addition to changes in the planning system, significant investment has been made in infrastructure projects such as the Serviced Land Initiative which sought to fast-track the provision of water and sewerage services to residentially zoned land

The problem of high house prices and affordability problems have, in part, led to the creation of a new and more complex geography of housing in Ireland. For example, the aforementioned, acute supply and affordability problems in the Dublin region, has led to the generation of new housing developments in a widening commuter belt around the

capital generating problems of sustainable urban and regional development as well as complex issues of urban and regional governance (See: Chapter 15, Redmond, Williams and Punch). Derry O'Connell (Chapter 16) reflects on the rapidly changing pattern of urban design. The adoption of a policy in the late 1990s which promotes higher residential densities has had profound consequences for the design of housing, particularly in urban areas, where there has been extensive experimentation particularly with respect to apartment developments. Paradoxically, we have seen the development of a large amount of scattered rural housing where design standards have been heavily criticised. The demand for so-called 'one-off' rural housing has increased strongly – driven in part by the high cost of housing in towns and cities - generating controversial debates regarding the conflict between environmental sustainability and consumer choice. Mark Scott analyses this controversial issue in Chapter 17. In general terms, the policy response to the pace and scale of development has been to attempt to develop a more coherent planning response. Michael Bannon (Chapter 14) sets out the main elements of this change and outlines the attempts to develop what is termed a 'plan-led' system, from the national down to the local level.

### **Changing Times, Changing Policies**

Compared to many other western European countries, Ireland is distinguished by its relatively high rate of homeownership. In Chapter Two, O'Connell reveals that this phenomenon can be accounted for by both the high levels of private market provision (supported by longstanding and significant state investment), as well as the impact of the longstanding policy of sales of the social housing provided by local authorities to tenants, and the consequent, residual role for the social housing sector. Housing policy developments over the past decade have reinforced these trends considerably and there is now little ambiguity regarding the position of housing in Irish society; it has overwhelmingly been provided as a market good and although more recent years have seen increases in social housing supply this alters the position marginally rather than fundamentally. While this is not inherently problematic, the market, to say the least, is an imperfect mechanism, for meeting a vital social need such as housing, and this has been

amply demonstrated in recent years in the provision of housing in Ireland. Government policy choices have been predicated on the belief that private provision for the owner occupied market would not only meet most housing needs, it would substantially deliver on the other policy objectives such as encouraging stable communities and facilitating the accumulation of household wealth. Of course, to a degree this has approach has been successful, and the private market has provided increasing numbers of new houses in the past decade.

Table 1.9 shows the changing tenure patterns in Ireland since 1946, with the rise of homeownership being the most striking trend. More recently, it reveals that the occupied housing stock has increased from over 1 million dwellings in 1991 to approximately 1.3 million in 2002, representing a net addition of approximately 260,000 in the stock. While overall the tenure structure has remained largely static, one of the interesting changes has been the revival of the private rented sector which has increased from about 84,000 to 140,000 dwellings thereby increasing its tenure share from 8 per cent to 11 per cent. In Chapter 7, MacLaran and Williams argue that the expansion of the private rental tenure since the mid 1990s, is the result of two key stimuli. First, for well over a decade, the availability of generous tax incentives for housing construction and refurbishment in ‘designated areas’, has stimulated a boom in output of private rented dwellings. This has been reflected primarily in the building of new apartments in large urban areas. Second, the economic growth of the past decade, coupled with the increases in private house prices has led to increased demand for private housing, has stimulated an influx of investment from property investors who could avail of these abovementioned tax incentives and the ability to offset mortgage interest against rental income for tax purposes. Analysis by Bacon and Associates (2003) suggests that up to 25 per cent of new residential building in the mid to late 1990s was generated by investors. At the same time however, the owner occupied sector remains dominant accounting for 77 per cent of the stock with social housing accounting for 7 per cent.

*Table 1.9 Housing Tenure in Ireland, 1946–2002*

Occupancy Status	1946	1961	1971	1981	1991	2002
Local authority rented	Nav	18.4	15.9	12.7	9.7	6.9
Private rented	42.6	17.2	10.9	8.1	7.0	11.1
Owner occupied	52.7	53.6	60.7	67.9	80.2	77.4
Other	4.7	10.8	12.5	11.2	3.0	4.6

Source: Central Statistics Office (2004b).

Note: Nav means not available.

Despite the large increases in supply over the past decade, the emergence of affordability problems, and the inability of key low to middle income groups to purchase a home, generated inevitable, and new, political and policy responses. Indeed, it could be argued that the policy reactions have been almost entirely determined by a political need to respond to problems of access to homeownership for a range of low to middle income groups. In addition to policies to increase supply, O’Connell shows in Chapter 2 that a number of specific schemes have been introduced over the last decade aimed at helping the first-time buyer. Three affordable housing schemes have been instigated since 1999, the common element being that central government or private developers subsidise the land cost element of house prices, this being in effect state subsidised private housing. To date, however, these schemes have had only a limited impact.

The introduction in 2000, of Part V of the Planning and Development Act, is testament to the degree of policy innovation that has been attempted. A controversial and complex piece of planning legislation, it seeks to impose on private sector developers an obligation to subsidise social and affordable housing on sites they wish to develop. Paralleling UK legislation, developers are now required, as a condition of planning permission, to transfer up to 20 per cent of their sites for use as social and/or affordable housing and, crucially, to transfer the site to the state at what is termed use value, which is a fraction of the market value (See: Bannon, chapter 16). Thus, developers must transfer up to 20 per cent of the site, or of the completed dwellings or a financial equivalent of the land value, to the local planning authority. The rationale for this legislation is twofold. First, it was aimed at allowing local authorities to access development land cheaply, thereby enabling them to build either social and/or affordable housing at below market cost. The new planning

legislation also has a second more social aim, in that by seeking to have social housing built alongside or integrated with private market housing, levels of what the 2000 Act terms ‘undue segregation between different social groups’ would be diminished and social mix and social interaction would be encouraged. Thus, while the thrust of policy has been to encourage homeownership, there has been some significant attempts at policy development and innovation.

## **Conclusions**

This introductory chapter has sought to give a broad overview of some of the key trends in housing provision over the course of the past decade. What is clear is that the high levels of new development have been remarkable and that they have had major economic, social and spatial consequences. What is perhaps less clear is the specific nature of those consequences. We are only beginning to appreciate the detailed outcomes and impacts with respect to access and affordability, for example, and our understanding of the environmental and spatial consequences is also underdeveloped. The remainder of the chapters expand in detail on some of the key trends and themes introduced here.