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# Urban Renewal and the Private Rented Sector

*Andrew MacLaran and Brendan Williams*

## Introduction

An analysis of the change from private renting of residential accommodation as the dominant form of tenure in nineteenth-century Dublin to a position, in 1991, where fewer than 8 per cent of households rented privately indicates that economic, social and policy issues influenced the decline. Increased incomes, coupled with access to long-term finance, facilitated by the growth of the building society movement, secured access to private home ownership to an expanding middle-income class. This process expanded eventually to most classes of society as ownership became both the market norm and the objective of government policy (Commission on the Private Rented Residential Sector, 2000).

The two world wars saw emergency legislation introduced to control rents in the residential sector and give security of tenure. Such restrictions diminished the economic returns available from the sector and provide a partial explanation of the sector's decline. Under various social housing initiatives, particularly from the 1930s to the 1970s, the development of state-subsidised social housing created an important alternative to private renting to comprise a significant portion of Dublin's housing stock. Due to shortages of housing and lobbying by industry, political intervention supporting the housing development process became a political priority from the 1960s. As O'Connell describes in Chapter 2, financial support for home ownership, mainly through tax allowances and grants to purchasers, provided a strong impetus to householders to move as quickly as possible into owner occupation. Privately-rented accommodation became a residual segment of the market, serving groups for whom the commonly preferred longer-term options of owner occupation or social housing were either unattainable or not relevant.

## Policy Interventions in the Privately-Rented Sector

The 1970s had been a context in which residential lettings had failed to provide a sufficient economic return to attract investment interest. Indeed, landlords typically sought to escape from the sector, either by selling properties to sitting tenants or, when they became vacant, to owner occupiers. Those with controlled tenancies, where rents commonly failed even to cover maintenance costs, let alone provide a reasonable return on the investment embodied in the property, were in a particularly invidious position. Desperate to extricate themselves from a situation in which they were effectively providing a substantial and continuous subsidy to their tenants, many landlords even allowed properties to deteriorate to the extent that demolition became necessary. This at least permitted some investment value to be recouped in the form of the price of the redevelopment site (Baker and O'Brien, 1979).

The Report of the Commission on the Privately-Rented Sector (2000) analysed the decline of the sector over the period from 1946 to 1991. It found that nationally the proportion of households renting privately shrank from 26.1 per cent in 1946 to 8 per cent in 1991. In terms of absolute numbers, this represented a decline from 173,000 in 1946 to 81,400 in 1991. The greatest decline occurred in the period 1946-1961, when economic stagnation and unemployment caused significant emigration from Ireland, resulting in a reduced demand for the development of privately-rented accommodation. Instead, growth occurred in socially-provided rental housing and the subsidised owner-occupied sector.

As the privately-rented sector declined, the demand for such accommodation was met in the 1950s and 1960s either by means of temporary lettings of surplus residential space by private householders (digs or lodgings) or by the conversion of larger old dwellings to multiple occupancy. In Dublin, this occasioned the widespread conversion of inner-suburban housing in areas such as Ranelagh and Rathmines into 'flatlands'. The introduction of planning legislation in 1963 allowed the continuation of existing functions and levels of occupation which predated the legislation, giving rise to the concept of so called 'Pre'63' multiple occupation units as a long-term feature in the Dublin property market. Widespread concern regarding the condition of many of these dwellings and the levels of tax compliance by owners led governments in the 1980s and 1990s to consider alternative ways of providing more suitable privately-rented accommodation. Demand for private lettings intensified as a result of economic growth and an expansion of employment in the Dublin region by 150,000 in the 1990s (Williams and Shiels, 2002). Addressing the needs of an increasingly mobile and economically prosperous population proved a major stimulus to the development of the apartment market during the decade.

Information on the quality and standards of privately-rented accommodation is limited. Regulatory authorities' returns on enforcement of standard regulations indicate that in 1996, 814 of the 3,846 dwellings failed to comply with the minimum standards stipulated in the regulations. In 1997, authorities inspected 1,902 dwellings which did not meet regulatory standards and this figure rose to 2,710 sub-standard dwellings in 1998 (Commission on the Privately-Rented Residential Sector, 2000). However, as a considerable portion of the privately rented stock was built in the last twenty years it is likely that these dwellings meet minimum standards and that problems of sub-standard buildings relate primarily to the older stock.

## Recent Housing Policy Interventions and the Privately-Rented Sector

Throughout the 1990s, rapid population and economic growth was not matched by increased housing provision in the Greater Dublin Area (GDA). Resulting demand produced significant price increases and placed pressure on an already overburdened private rental market. Government action to ease such pressures concentrated on the problems of the first-time house purchaser and expanded to include measures affecting the whole market. Three substantial packages of measures resulted. These three initiatives, which represent evolving government responses, were based upon economic assessments and subsequent reviews carried out for Government by Bacon and Associates (1998, 1999, 2000), often referred to as the Bacon Reports.

The measures introduced were *Action on House Prices* 1998, *Action on the Housing Market* in March 1999 and *Action on Housing* in June 2000, and were legislated for in the Finance Acts of the relevant and subsequent years (Department of the Environment and Local Government, 1998a; 1999a; 2000a). In the absence of any standardised empirical evidence or data on rental levels in the privately-rented sector, the impact of the various initiatives is difficult to establish. Indeed the rapidly changing and sometimes contradictory policy responses and reversals over a relatively short period show the policies to be short-term and reactive rather than strategic in nature.

Of particular importance for the privately-rented sector was the 1998 package of measures which aimed to use fiscal policies to manage demand. A main aim was to reduce the role that property investors played in the market in order to stabilise supply and demand relationships and thereby assist first-time buyers. In 1999, the focus of policy was to boost supply by promoting increased residential densities and other measures, while in 2000, the focus remained on maximising housing output through additional taxation changes. The following were the principal changes from this period affecting the privately-rented sector.

### *Capital Expenditure Relief for Landlords*

Changes in respect of this tax relief, commonly described as Section 23/27 relief, occurred in 1998 as part of the new urban renewal policies. This relief was extended in 1999 under Section 50 of the Finance Act to the provision of student accommodation and, in 2000, to Living Over The Shop schemes. An additional scheme related to investors in rented residential units at Park and Ride facilities was also introduced in 1999. All such reliefs are currently due to expire in 2006.

*Tax Relief regarding Interest on Borrowings*

Relief on the interest on borrowed monies used to purchase, improve or repair residential property from which an investor derived a rental income was removed in 1998. This was intended to favour first-time purchasers competing with investors for scarce supply. Following considerable industry pressure and the fears that investors might withdraw from the market, the relief was restored in the Finance Act, 2002. The restored relief can be used as a deductible item in calculating tax on rental income.

*Stamp Duty*

General stamp duty rates affecting second-hand housing was altered in 1998 and stamp duty was introduced for the purchase of new houses or apartments for non-owner occupiers. In the 2000 initiative, provision was made for the introduction of a flat-rate stamp duty rate of 9 per cent for investors.

*Capital Gains Tax*

The December 1997 budget reduced the rate of capital gains tax from 40 per cent to 20 per cent. This applies to rented property and development land and is intended to increase the supply of residential development.

The continuation of rental increases and house price inflation from 1998 to the present (2004) indicates that the affordability issue remains critical despite government actions. General criticisms are that demand management measures, including attempts to deflect investor demand, are unlikely to succeed in a market where large supply deficiencies remain (Williams, 2001). Equally, support for purchasers, such as assisted loans or grants, have been absorbed into the market at higher price levels. The complex inter-tenure nature of the market means that the use of selective tax-based interventions may actually cause further market distortions rather than a successful outcome (Williams, 2001). It is only when supply measures take effect that the market is likely finally to level off, with prices for rented residential property stabilising at high levels.

## Urban Renewal and the Privately-Rented Sector in Dublin

Aside from the general policies explained above, urban renewal policies have played a significant role in the development of the modern privately-rented sector, particularly in Dublin. Structural factors, including the influence of changing technologies on employment, resulted in the economic and physical decline of Dublin. Diseconomies associated with high land prices contributed to the decline of the central area as the focus of residential and industry development shifted towards the suburbs in the 1960s and 1970s, with an economically marginalised population remaining in the inner-city. As Dublin entered the 1980s, it was evident to policy makers and others that there was a need for reurbanisation and to encourage new generations of city dwellers, whether owners or renters, to return to rehabilitated areas.

Public policies throughout the 1960s and 1970s aspired toward urban renewal, whereas many policies and initiatives contributed to urban blight. Housing policies involved replacing unfit city housing with a newly-built stock at outer-urban locations. Such clearance, allied with extensive city road proposals, resulted in development stagnation and dereliction. Residential rent control legislation, enacted during the world wars and never repealed, froze rentals at levels below that required to maintain property. These controls, affecting a large number of older city properties, was ended by legislation in 1992, with final expiration of such controls in 2002. The result of such policies was that by the 1980s large areas of the inner city were vacant and derelict. Investment and development activity in the residential sector was dormant and the classic inner-city problem of deprivation and development stagnation prevailed. The existence of under-utilised social and physical infrastructure made regeneration based upon residential redevelopment a logical option. However, weak market demand and risks associated with procuring finance for such development meant that renewal remained merely a possibility.

The case for state intervention to stimulate the market process of inner-urban change and minimise emerging problems was clear by the 1980s. The commitment of large-scale public financial resources to address the problem was not considered feasible due to the poor state of public finances. The option of stimulating residential and commercial development through the use of preferential tax incentives in designated areas was chosen. The Urban Renewal Act of 1986 and relevant provisions of the Finance Acts made available incentives to encourage the development of residential units in designated areas. Areas of main cities and towns were designated for such preferential tax incentives. The aim of such interventions was to revitalise areas which, in the absence of such interventions, were likely to remain undeveloped and to stimulate investment in the construction industry and expand employment in the short term.

Local authorities and specially established single-purpose state agencies (Dublin Docklands Development Authority, Temple Bar Properties and Ballymun Regeneration Ltd.) administered the programmes which included the physical redevelopment of lands and properties previously owned by the public sector. In the period to 1991, commercial development dominated urban renewal. A slump in office demand and the emergence of strong residential demand altered the trend towards residential and several thousand units were completed over the next five years. The substantial increases in population for designated areas of Dublin are evidenced by the large population increases in population for city wards such as North City and the Quays districts over census periods 1991 to 2002. Urban renewal policies have evolved over time away from simply achieving development on derelict sites. The newer more holistic approach is represented in the structured programmes for Integrated Area Plans (IAPs) introduced in the 1998 Urban Renewal Guidelines. The role of taxation incentives has now been altered from a blanket provision to one of using incentives including taxation relief as a support for specific catalyst projects where proven barriers to development exist. The emphasis has now moved away from a simplistic boosting of development activity in designated areas towards a new approach aiming to achieve integrated development in a sustainable manner. Tax incentives continue to play a contributory role in urban and town renewal schemes. The lasting impact of tax-based urban renewal development on the privately-rented sector can be seen in that a large part of the city's privately-rented stock now comprises apartment developments built with the aid of tax incentives.

## Urban Renewal Incentives

Over recent decades, the general principles of public policy towards the privately-rented sector can be seen as principally supply-orientated. This involved a twin approach. First, there was a general avoidance of the imposition of stringent regulatory measures which might discourage the supply of such accommodation. The second element involved the provision of generous tax incentives for private investors in accommodation for renting. From the 1980s, the availability of fiscal incentives for residential landlords transformed the investment context and acted as a significant stimulus to development for the privately-rented sector. As mentioned above, the principal fiscal incentive for investors in new residential development was introduced as Section 23 of the Finance Act, 1981. These provisions expired in 1984 but were subsequently re-introduced by Sections 27-29 of the Finance Act, 1988. These created special tax allowances for investors in order to encourage the construction of apartments and, in the later Act, small houses for rent. The provisions allowed the costs of properties, net of site value, or the costs of converting buildings into flats, to be deducted from landlords' rental income from all sources until the tax allowance was used up. This mechanism effectively reduced considerably the real purchase price of such investment properties. Qualifying properties had to fall within specified size ranges, amounting to 30-90 sq.m. (323-968 sq. ft.) in the case of apartments and 35-125 sq.m. (377-1,345 sq. ft.) for houses. They had to be rented out for a minimum of ten years. If a qualifying investment were disposed of within ten years, there was provision for a clawing back of the allowances. However, the purchaser or new investor would subsequently be entitled to claim relief on these clawed-back allowances.

## Urban Renewal Impacts

The financial incentives engendered a surge of apartment construction from the early 1980s and a significant expansion in the volume of properties available at the middle to upper range of the lettings market. As the reliefs applicable to Section 23/27 properties were available generally throughout the city, the locations preferred by landlords availing of the Section 23/27-type incentives during the 1980s were predominantly of an inner-suburban character, notably in areas such as Ballsbridge, Ranelagh and Rathmines. These were perceived as relatively low-risk locations, typified by strong demand by tenants and as having reasonable prospects of rental growth and capital appreciation. In contrast, in those inner-city areas where little private-sector residential development had taken place during the twentieth century, the incentives managed to induce little interest.

However, from the late 1980s, developers began to test the marketability of new locations, tentatively directing their attention towards inner-city sites. In 1989, a scheme of 36 townhouses in Ringsend sold out within three hours of release. Half sold within the first hour. Somewhat surprisingly given its location, a quarter of the units were sold for owner occupation. By the time of the release of the second phase of units of apartments, duplexes and townhouses in 1991, 70 of the 85 units that were sold in the first week following the launch were purchased by owner occupiers. This was to mark a major trend for the following decade in which landlords, often availing of Section 23/27-type allowances, were obliged thereafter increasingly to compete with individuals purchasing for owner occupation. From the 1992 Finance Act onwards, tax-reliefs for investors in rented residential accommodation became linked to Urban Renewal Initiatives and only available in areas designated under the Urban Renewal Schemes. Henceforth, the financial incentives available to landlords were to become an integral component of urban renewal policy. This contributed significantly to a geographical refocusing of apartment developments during the 1990s and a growing predominance of inner-city locations over suburban sites.

In Dublin, the timing at which the refocusing of financial incentives for investors occurred was particularly significant. Early urban renewal developments had been dominated by speculative office schemes but, by 1992, these had generated a significant oversupply of office space in the Designated

Areas (MacLaran and Hamilton Osborne King, 1993; Williams, 1997). Development interests therefore became increasingly willing to refocus their initiatives on the emerging opportunities provided by the city-centre apartment sector. The support of public agencies, including Dublin City Council whose efforts to encourage living in the city centre involved the sale of suitable development sites at significantly discounted prices, was of considerable importance in facilitating development.

Furthermore, as rising rates of car ownership and car-based commuting created increasing levels of traffic congestion in the city, proximity to the central area became a strong marketing feature and the schemes sold well, not only to landlords but to young middle-class owner occupiers. By early 1997, some 6,000 dwellings had been developed in Dublin's Designated Areas, with a further 2,700 units located on inner-city sites lacking such incentives (MacLaran, 1996; MacLaran *et al,* 1994; MacLaran *et al,* 1995; MacLaran and Floyd, 1996).

The limited available research (MacLaran and Floyd, 1996) into the changing balance between the purchase of such dwellings by landlords and owner occupiers suggests that a majority (54 per cent) of the units taken up in the earlier inner-city developments were bought by landlords. Clearly, the availability of Section 23/27-type allowances proved a sufficient incentive to encourage landlords to undertake a pioneering investment interest in such marginal locations. Thus, the residential investment market provided an important private-sector impetus for urban renewal. However, as urban renewal schemes became better established, the gradually-renewing physical fabric and slowly changing social character of the inner-city increasingly attracted the interest of potential owner occupiers who also became more willing to take on the investment risk in these locations. By 1995, owner occupiers were purchasing over 70 per cent of the units being released in new schemes and, by 1996, they comprised a majority (57.3 per cent) of households in the stock of inner-city new residential developments (MacLaran and Floyd, 1996).

The provision of financial incentives for landlords to acquire and lease out residential properties clearly revealed a considerable underlying latent demand for good quality rental units among young-adult age groups. Hitherto, private renting had been virtually synonymous with the occupancy of flats and bed-sitting accommodation in subdivided eighteenth- or nineteenth-century buildings, frequently ill-provided with facilities and often suffering from damp. However, the creation of a new stock of purpose-built apartments proved highly attractive to a younger generation which had sharply differing ideas about urban living from those of their parents. More sceptical than their parents of the advertising industry's eulogies extolling suburban living, for a generation with weakened ties to religious practice and postponed plans for child rearing, the merits of being 'close to schools and churches' seemed less relevant. The lure of the central-city outstripped the attractions of suburban 'monotonia', bereft of amenities relevant to the urban-oriented culture of a younger generation. In time, perhaps, the established advantages of suburbia for family rearing would reassert themselves. Meanwhile, much real living had to be accomplished, especially as attitudes to sexual activity became transformed, engendering a desire to free oneself from the shackles of parental control. Imitating the lifestyles depicted in the international media of films, television and new lifestyle magazines, the image-package of city life was seductive. This emergent culture of new city living was itself adopted and refined by the advertising industry and used in marketing new inner-city residential developments, a noteworthy example being the image of a besuited business-person commuting to work by water jet-ski from the redeveloped Custom House Docks. It is arguable that such a latent demand had actually been long present but that it had failed to elicit a response in supply due to the high risks associated with initiating central-city residential development for a middle class which had progressively abandoned the inner city during the course of the previous century. The financial incentives changed the economic calculations both for developers and landlords, providing a substantial inducement to landlords willing to take on such a pioneering investment role.

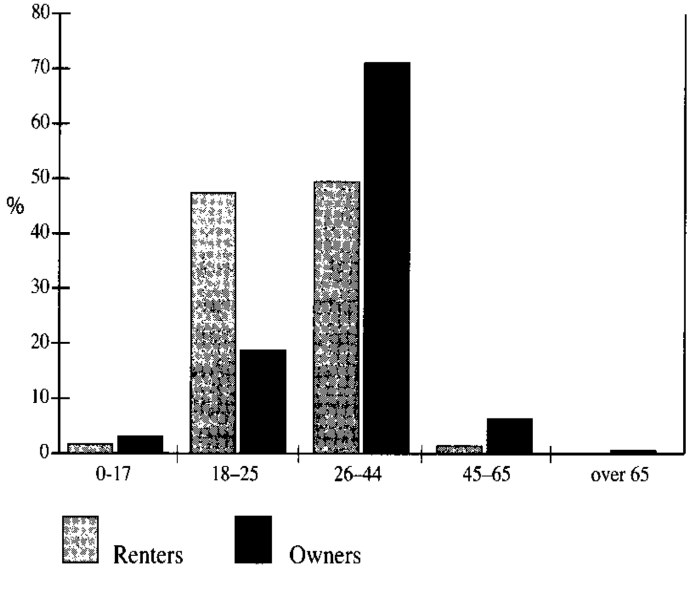
Moreover, following the economic difficulties of the previous seven years which had been characterised by high rates of unemployment and large-scale emigration, the economic upturn from the late 1980s was to usher in a decade of rapid economic expansion. This created growing employment and rising incomes which enabled the previously latent demand for inner-city dwellings to be transformed into an effective demand backed by the enhanced spending-power of the young. By the mid-1990s, a review of Government policies on urban renewal contributed to a further geographical limitation of the incentives to areas incorporated within Integrated Area Plans and catalyst projects noted in the Urban Renewal Guidelines 1998. A related initiative which also continues to use Section 23/27-type incentives is the 'Living Over The Shop Scheme'. This encourages the refurbishment and redevelopment of run-down commercial streets in Dublin. In addition, Section 50 of the Finance Act, 1999 made Section 23/27-type tax reliefs available for investors in student accommodation provided it complies with specified conditions. This has resulted in significant development activity in this sub-sector of the privately-rented market.

## Profile of Households Accommodated in Urban Renewal Properties

As this chapter is concerned with private-sector tenancy, it is apposite here to examine the characteristics of the tenant households which were being accommodated in inner-city developments. Due to the paucity of recent research, it is obliged to restrict itself to the findings of work carried out in the mid 1990s (MacLaran, 1996; MacLaran *et al,* 1994; MacLaran *et al,* 1995; MacLaran and Floyd, 1996). However, these data do provide a useful indication of the character of the demand for accommodation that the incentives had assisted in meeting. Nevertheless, it should also be borne in mind that although most inner-city residential developments would have qualified for Section 23/27-type incentives for investors, this was not universally the case after their restriction in 1991 to the Designated Areas. Unfortunately, the available data do not permit a comparison between the social character of the tenants of properties whose landlords did avail of incentives and those who did not. However, there is little to suggest that there might have existed major differences between the two sub-groups.

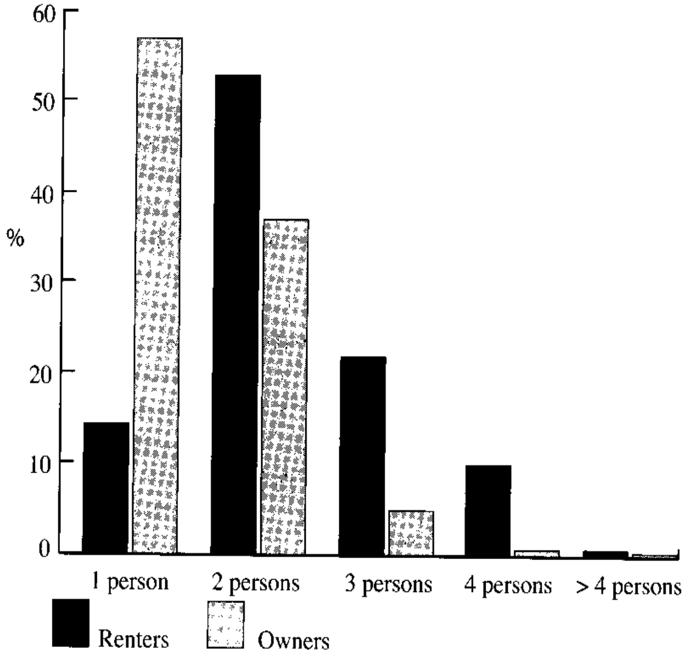
The research completed in the mid-1990s indicated that the vast majority (97 per cent) of residents were adults aged between 18 and 44 years (See Figure 7.1). Children aged 17 or under and middle-aged and elderly adults were virtually absent. The accommodation attracted a high proportion (47 per cent) of young-adult tenants aged between 18 and 25 years, with the bulk of the remainder (49 per cent) being aged between 26 and 44. As might be expected from the fact that access to mortgage credit is more feasible for older individuals, this age distribution was rather younger than that encountered among owner occupiers in the same developments, as the 26-44 age group accounted for 71 per cent of owners.

*Figure 7.1: Ages of Owners and Renters Accommodated in Urban Renewal Properties in Dublin, 1995 (Percentages)*



These contrasts in household type between tenants and owners were reflected in differences in the number of persons resident in each household as indicated in Figure 7.2. With a greater tendency for tenant household to occupy larger properties than did owner occupiers, thereby enabling them to divide the (albeit somewhat higher) rent over a greater number of residents, tenant households were found to be significantly larger than their owner-occupied counterparts. Whereas 85 per cent of tenant households had two or more persons resident, some 57 per cent of owner-occupied households comprised a single person only. Thus, the average household size among tenants was 2.29, whereas among owner occupiers it amounted to 1.51.

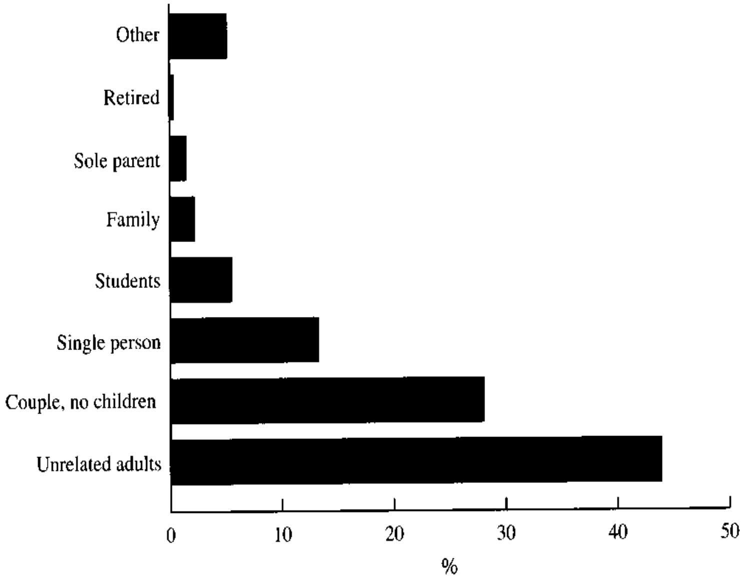
*Figure 7.2: Size of Households Accommodated in Urban Renewal Properties in Dublin, 1995 (Percentages)*




The most frequently occurring household type among tenants was that of unrelated individuals in employment who shared the accommodation, which comprised around 44 per cent of the total. 'Couples' without children formed the second largest group (28 per cent), with single-person household accounting for only 31 per cent. In contrast, single-person households comprised some 55 per cent of owner occupiers, childless couples accounted for 21 per cent, while unrelated individuals in employment who shared the property comprised just 12 per cent.

An indication of the social status of tenants was revealed by the high levels of educational attainment characterising the new residents. Among tenants, over 82 per cent possessed a degree or professional qualification, a proportion which was higher even than that prevailing among the owner occupiers (71 per cent). These suggestions that the incoming population was sharply differentiated from the indigenous population of the inner city were confirmed by an examination of the profile of occupational categories occupied by the new residents illustrated in Figure 7.3. Around 60 per cent of tenants were engaged in the higher echelons of the labour market (professions, company owners and directors, managers and administration), of which over 50 per cent occupied professional grades. There was also a significant representation of third-level students, who accounted for over 12 per cent of the tenant population.

*Figure 7.3: Types of Households Accommodated in Urban Renewal Properties in Dublin, 1995 (Percentages)*




Incomers tended to have few ties to the locality, fewer than 14 per cent having been drawn from the inner city and even fewer (11 per cent) having relatives in the area. Few tenants (9 per cent) reported having made friendships among the established community. Indeed, the potential for long-term community building tended to be minimised by the high annual turnover rate among tenancies, with over 80 per cent of tenant households vacating their accommodation annually. Thus, in broad terms, the new residential developments in inner Dublin had catered primarily for a youthful middle-class population which possessed few previous residential, family or friendship ties to the area. Insofar as considerable public financial subsidy had underpinned a significant proportion of the residential development which had taken place in the inner city since 1980, the subsidies to investors had effectively underpinned a process of gentrification which bore little relevance to the accommodation requirements of the indigenous communities. Indeed, in that the schemes had contributed to an expanding market for the development of high-status residential projects in areas of the city which had remained relatively untouched by the pressures of twentieth-century property development, the subsidies sometimes created new problems for the existing inner-city communities. In many instances, sites in local authority ownership that had been assembled for the construction of much needed social housing were sold to private developers for apartment construction.

More generally, by encouraging private-sector redevelopment in marginal areas, the incentives contributed to land-price inflation and the upgrading of land uses through redevelopment, notably the displacement by apartment schemes of low-grade economic functions which had previously provided employment for inner-city residents. Moreover, the large-scale importing of higher-status social groups enabled the local authority to point to falling unemployment rates as evidence of the success of urban regeneration. This was despite arguments that such impacts tend to be indicators attributable to a dilution process rather than the measure of real improvements in conditions for the established community.

## Recent Private Residential Market Trends: 2000-2004

During 2000, the average level of rent increased by 19 per cent, while over a longer period, average rents increased by well over 50 per cent, from around €600 per month for a 1-bed apartment to €900 between August 1998 and January 2002 (Gunne Residential, 2002). This created a substantial rise in income for landlords at a time when their outgoings in the form of interest charges were decreasing, and also represented a very significant degree of capital appreciation. The stimulus to the residential lettings sector provided by fiscal incentives, together with the strong market returns provided by residential lettings, seems to have encouraged a large number of new investors to enter the sector. A survey of landlords and tenants conducted by Gunne Residential (2002) revealed that only 15 per cent of landlords had been investing in residential property for more than 10 years and that 62 per cent had been involved in the sector for less than 3 years. The survey also pointed to the high degree of fragmentation of ownership, with 54 per cent of landlords owning just one property and a further 23 per cent having two or three lettings. During the first half of 2003, 29 per cent of all residential sales were to investors (Sherry FitzGerald, 2003).

More recent work by Kelly and MacLaran (2004) has provided evidence of a dramatic rise in capital values of inner-city properties during the period 1995-2003. They based their calculations on the Trinity College Centre for Urban and Regional Studies database of launch prices of apartment developments that were completed in the inner city during 1995. Apartments which returned to the market in late 2003 were at prices which had more than trebled during the intervening period, marked by increases of between 202 and 363 per cent. Such growth greatly outpaced the rise in the Consumer Price Index, which rose by 25 per cent during the period, or the rise in earnings, which increased by 43 per cent.

Kelly and MacLaran (2004) have also reviewed the contribution of private-sector residential development in the renewal of central Dublin and evaluated the impact on the social geography of the inner city. The research revealed that in addition to the 7,730 residential units developed in the city between 1989 and March 1996 (MacLaran and Floyd, 1996), some 8,769 units had subsequently been completed by late November 2003 and that 2,485 were under construction. Furthermore, live planning permissions existed for an additional 4,962 units, with applications having been lodged for another 2,277. The research also showed the impact of such development to have been considerable. Between 1991 and 2002, the number of private permanent households resident in the 40 inner-city wards in Dublin City Council's operational area increased from 31,555 to 97,257, its population expanding by over 29,800 persons, from 84,055 to 112,076. Meanwhile, the remaining wards in the city actually lost population, their aggregate population dropping from 393,334 to 383,705. Five inner-city wards (North City, Rotunda A, Royal Exchange A, St Kevin's and Merchant's Quay B) registered a population increase of over 1,500 persons, while a further 7 increased by over 1,000 residents. The inner 40 wards thereby increased its proportion of the City Borough's population from 18 to 23 per cent.

Significant changes in residential tenures also occurred in the inner-city, notably with regard to private renting, Table 1 revealing the major expansion in the scale of private-sector furnished lettings between 1991 and 2002. During this period, its significance rose from slightly under 25 per cent of the total to almost 36 per cent. Meanwhile, the local-authority rental sector dropped from almost one third of the total (32 per cent) to just 18 per cent, and although the absolute number of owner-occupying households increased, its proportionate significance reduced from 35.4 per cent to 32 per cent. The latter, involving an increase in owner occupation subject to mortgage and a decline in the number of outright owners, reflects an influx of a younger population of buyers, of both newly developed buildings and older properties which previous residents owned outright.

*Table 7.1: Housing Tenure in Central Dublin, 1991, 2002*

| | 1991 N | 2002 N |
|---|---|---|
| Owner occupation (Outright) | 6,688 | 6,060 |
| Owner occupation (Mortgaged) | 4,493 | 7,879 |
| Purchasing from local authority | 663 | 1,950 |
| Local authority renting | 10,233 | 8,111 |
| Private renting, unfurnished | 2,121 | 2,318 |
| Private renting, furnished | 5,611 | 13,272 |
| Rent free | 576 | 629 |
| Not stated | 1,170 | 3,330 |

Source: Central Statistics Office, 1996, 2004b.

Major changes in the social composition of the population of the Inner-40 Wards also took place between 1991 and 2002 (Kelly and MacLaran, 2004). The number of two-person households increased dramatically, from 7,650 to 14,216 households. In age structure, there was a significant rise in the proportion of the population aged between 25 and 44 years, the group which had been shown in the mid-1990s to predominate in the new residential developments (MacLaran *et al*, 1995). In 1991, this age group had accounted for 28 per cent of the residents whereas, in 2002, it comprised over 40 per cent. The representation of Social Classes 1 and 2, broadly the professional, managerial and proprietorial grades, rose from 14.3 per cent to 25.4 per cent. Particularly noteworthy was the change in the social class of the 25-44 year-old age cohort. Between 1991 and 2002, the number of young residents in Social Classes 1 and 2 rose from 5,075 to 17,578, their proportionate share of that age cohort increasing from 21.5 per cent to 39 per cent. These changes were further emphasised by the fact that the number of residents with third-level education or possessing a professional qualification rose from 6,581 in 1991 to 27,090 in 2002.

## Evaluation and Future Directions

While the special incentives in place since 1981 have played a major role in achieving the stated objectives of improving the supply and quality of privately-rented accommodation, general taxation policy is a major influence on investment trends. The generally favourable tax treatment of residential property investors, following the Finance Act of 2002, represented a reversal of previous measures which had attempted to favour purchases by owner occupiers over investors. The reintroduction of interest relief as an allowable tax deduction for landlords, combined with allowances and deductions in respect of expenditures on fixtures and fittings and other costs, makes this form of investment very attractive for potential investors (Cronin, 2002). These provisions became particularly attractive in the light of the concerns of investors concerning the performance of alternative investment media, e.g. equities and bonds.

On balance, therefore, despite the planned expiration of various special incentives schemes in 2006, fiscal policy remains supportive of investment in the privately-rented residential sector. In addition, as Galligan describes in more detail in Chapter 5, as the privately-rented sector has grown in recent years, the need for adequate regulation of the sector has been recognised. The Report of the Commission on the Privately-rented Residential Sector (2000) has provided the basis for recent government actions in the area, including the establishment of the Private Rented Tenancies Board and the introduction of the Residential Tenancies Act, 2004. It is evident from the Report of the Commission and subsequent public debate that such proposals will continue to generate considerable discussion and opposition. Reform in respect of the private housing market and its regulations will thus remain a difficult and contentious area in the years to come.