



Making the Case for Affordable Rental Housing in Ireland

June 2020

Context

The average Irish household cannot afford a mortgage to cover the average cost of buying a home in Ireland. This cost in January 2020 was €267,000, while the cost in Dublin was approximately €374,000¹. To avail of a mortgage of €267,000, a purchaser (or joint purchasers) would need a deposit of between €26,700 and €53,400; and an annual income in the region of €76,000, based on current macroprudential lending rules².

But the median gross income per household in Ireland was €45,256 in 2016, the most recent year for which CSO figures are available. According to the CSO, nearly two-thirds (62.6%) of Irish households have a gross income of less than €60,000³.

These figures illustrate that **there is a large cohort of the Irish population who will never afford to purchase their own home**. At the same time, **many people in this cohort are in permanent employment and earning a salary that puts them above the income threshold for social housing** [for a family living in Dublin city, this threshold is €42,000 net (approximately €60,000 gross), and for a family living in Galway county, for example, it is €30,000 net (approximately €37,000 gross)⁴]. At present, the only option for this cohort is to find a home through the private rental market.

To stabilise the housing market in Ireland and ensure security for long-term renters, it is clear that **Ireland needs to develop an affordable rental scheme**. The Housing Alliance is calling on the incoming Government to develop such a scheme as a central pillar of your housing policy.

Housing Affordability

Housing affordability is an increasing challenge in the Irish context. Without a secure place to call home, it can be challenging to engage in many aspects of life e.g. employment, education, training, socialising and play. Never has the centrality of home been more acute (and poignant) than during the Covid-19 crisis, with the call to action 'to stay home'.

Sixteen percent of households spend more than 30% of their net income on housing, with this figure rising to 70% for the lowest quartile of the income distribution, according to ESRI research (2018). The study also finds variation in affordability regarding age group, region and household formation. In social and economic terms, lack of access to affordable housing impacts on family life, household job prospects, household finances, family formation, and national competitiveness and growth⁵.

National Intermediate (Affordable) Rental scheme

A National Intermediate (Affordable) Rental scheme would provide a more affordable rental option for people who don't qualify for social housing, but will never be able to afford to purchase a home. This would result in an increase in availability of social and affordable homes and would also accelerate development of new schemes by Tier 3 Approved Housing Bodies (AHBs) and Local Authorities. Some

¹ <https://www.myhome.ie/reports/2020/Q1>

² <https://www.mortgages.ie/go/first-time-buyers/how-much-can-i-borrow/borrowing-limits-examples>

³ <https://www.cso.ie/en/releasesandpublications/ep/p-gpii/geographicalprofilesandincomeinireland2016/incomeinireland/>

⁴ https://www.housing.gov.ie/sites/default/files/migrated-files/en/Publications/DevelopmentandHousing/Housing/table_with_2016_income_limits.pdf

⁵ <https://www.esri.ie/publications/exploring-affordability-in-the-irish-housing-market/>

Housing Alliance members have experience of delivering the Cost Rental Pathways Project (pilot schemes) at Enniskerry Road, and some of the limitations.

A National Intermediate (Affordable) Rental scheme could also ensure that essential workers can afford to live close to their places of work. The importance of this has been highlighted during the Covid-19 crisis. The incoming Government has an opportunity to reward front-line workers for their extraordinary contributions during the coronavirus pandemic by ensuring affordable rental options are available where they are needed. Essential workers are often among the lowest-paid. Providing secure, long-term affordable rental options close to essential services must be prioritised.

How Would This Work?

- The 'Intermediate Rental Scheme' proposed would involve the provision of discounted rental housing by Approved Housing Bodies and Local Authorities by way of acquisition and construction of housing developments.
- The provision to households would be based on defined minimum and maximum household eligibility limits.
- Long-term security of tenure would be offered to tenants in Intermediate Rental Housing.
- These units would be provided at up to 75% of prevailing market rents.
- To make this work, a Capital Advanced Loan Facility⁶ (CALF) type loan or grant of up to, for example, 30% of the capital cost of the project, provided by Local Authorities to Approved Housing Bodies, will be essential. Private finance lenders will not provide loans for 100% of the value of a property.
- A CALF-type payment for the duration of the loan, say over 40 years or so, would enable AHBs to secure properties in affordable rental in perpetuity.

This model would not displace social housing, but would instead represent a valuable addition to the housing market for those on incomes above social housing income thresholds. It is envisaged that such a scheme would have a stabilising effect on the broader private rental market.

As in other European countries, intermediate rental property acts to counter the boom and bust cycles which plague the Irish housing market. For example, in Austria, while two-thirds of the population live in subsidised housing, less than 7% receive any form of housing subsidy, largely on the basis that there is enough competition from cost rental housing to keep prices down in the for-profit sector.

In France, loans from the Intermediate Rental Loan Scheme can finance the purchase, construction or rehabilitation of a dwelling to be let at affordable rent. This scheme is available from the public bank Caisse des Dépôts et Consignations (CDC) or from other credit institutions signing an agreement with CDC. The loan has a low interest rate and long maturity.

Approved Housing Bodies have a track record of delivery

Approved Housing Bodies (AHBs) are not-for-profit organisations with a social purpose to provide for people's housing needs. AHBs work closely with Government, local authorities and relevant agencies to provide social homes for people who need them, playing a central role in addressing Ireland's social and affordable housing needs. AHBs also provide additional supports to tenants to help sustain tenancies, improve quality of life and create communities.

⁶ CALF is like an upfront loan that covers 30 years with small interest payments throughout

AHBs are ready, willing and poised to deliver affordable rental solutions to the significant number of households across Ireland who cannot afford to buy their own home but do not qualify for social housing.

Social housing delivery figures over the lifetime of Rebuilding Ireland highlight the proven ability of AHBs to reach targets. AHBs are uniquely positioned to deliver on targets for affordable rental options. AHBs have an established network of delivery partners across private developers, local authorities, the Department of Housing, Planning and Local Government, the Housing Finance Agency, the Housing Agency, Owner Management Companies (OMCs), charities and other service providers.

Approved Housing Bodies are innovators

Approved Housing Bodies have been at the forefront of innovative housing delivery for many years. They are experienced at:

- Delivering a combination of high-quality property management and housing development;
- Leading reform of OMCs;
- Pioneering private international financing for social housing in Ireland;
- Leading calls for a solution to poor-quality building standards during the Celtic Tiger;
- Leading calls for regulation of the AHB sector;
- Pioneering the management of Part V schemes in mixed-tenure communities; and
- Delivering affordable homes – including involvement in the Cost Rental Pathway Projects (pilots).

What Approved Housing Bodies bring to the table

- Passion and commitment to providing homes for people who need them.
- Strong track record of delivery:
 - Members of the Housing Alliance are responsible for approximately 22,000 social housing tenancies, representing two-thirds of AHB stock.
 - Working to deliver on the Rebuilding Ireland target for AHBs to provide one-third of the 50,000 additional social homes.
- Resources, experience and expertise.
- Experience of collaboration and partnership.
- Record of providing support to households where needed.
- Agility and flexibility.
- Solution-focused approach.
- Highly regulated entities working in close collaboration with organisations such as the Residential Tenancies Board (RTB), Housing Regulator, Charities Regulator, and Property Services Regulatory Authority.

Further Information: For further information on the proposed National Intermediate (Affordable) Rental Scheme, please contact Declan Dunne, Chair of the Housing Alliance: 087 185 7122.

About the Housing Alliance: The Housing Alliance is a collaboration of six of Ireland's largest Approved Housing Bodies: Circle Voluntary Housing, Clúid Housing, Co-operative Housing Ireland, Oaklee Housing, Respond and Tuath Housing. Approved Housing Bodies (AHBs) are organisations that have been formally approved by government to provide social housing. The Housing Alliance was formed to promote the delivery of social and affordable housing by larger AHBs, to address barriers and challenges to delivery, and to promote strong professional approaches to housing management. Further information is available at: www.housingalliance.ie. Follow the Housing Alliance on Twitter [@HouseAllianceIE](https://twitter.com/HouseAllianceIE)