



An Roinn Tithíochta,
Rialtais Áitiúil agus Oidhreachta
Department of Housing,
Local Government and Heritage

New Financial Instruments to Improve Affordability Cost Rental in Ireland

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Affordable Housing – Purchase and Cost Rental

Prague

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Ireland's Housing Environment



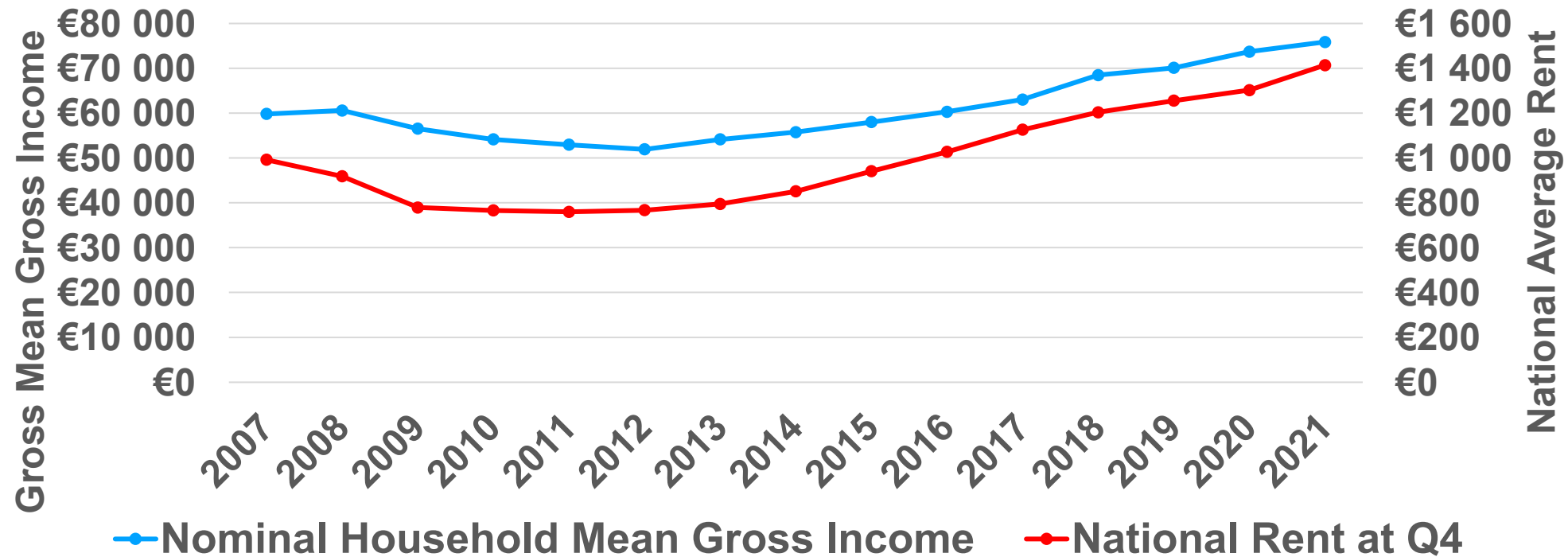
| Tenure Type | Ireland (000s) |
|----------------------------------|----------------|
| Owner-occupied (incl. mortgaged) | 1,147 (71%) |
| Private Rental | 326 (20%) |
| Social/Non-Profit Housing | 143 (9%) |
| | n/a |
| Other/Vacant/Holiday | 384 |
| Total Housing Stock | 2 million |

- Housing output
 - 2006 – 88,200
 - 2013 – 4,575
 - 2022 – 20,807 (*Year to Date*)
- Economic recovery & higher private rents
- Key Challenge - ‘Forgotten Middle’ & ‘Generation Rent’

National Incomes Relative to Average Rents



Annual Mean Gross Incomes Relative to National Average Rent 2007-2021







Housing for All Strategy 2022 – 2030 Response & Delivery Targets



| Housing Type | 2022 | 2023 | 2024 | 2025 | 2026 | 5 years - total |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Cost Rental | 1,580 | 1,850 | 2,050 | 2,350 | 2,650 | 10,480 |
| Affordable Purchase | 2,550 | 3,700 | 4,400 | 4,120 | 3,500 | 18,250 |
| Totals | 4,130 | 5,550 | 6,450 | 6,470 | 6,150 | 28,730 |
| Overall HFA Delivery | 24,600 | 29,000 | 33,450 | 34,600 | 36,100 | 157,750 |

Cost Rental & Affordable Housing Act 2021

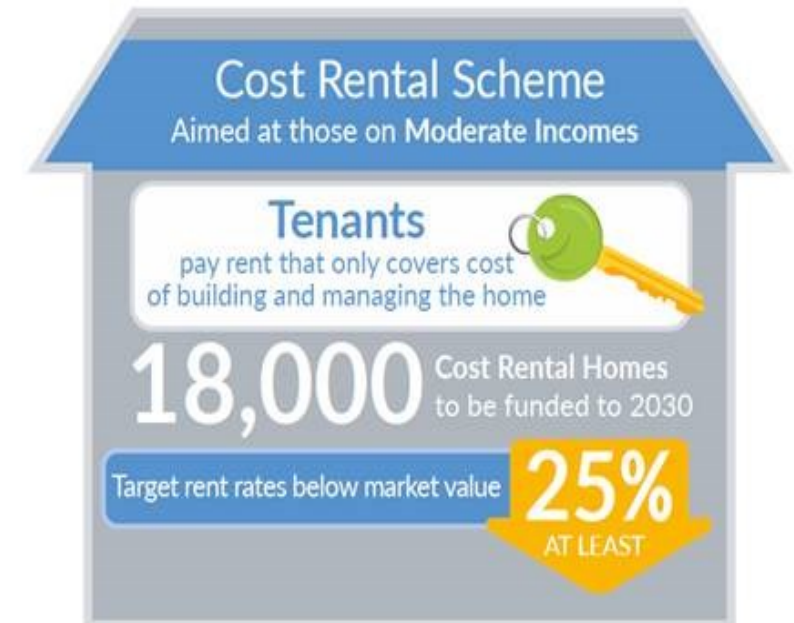


- Programme for Government commitment
- Public Interest Mission - Cost Rental and Conditions
- Affordability Metric - Eligibility <€53,000 net household income
- Cost recovery\calculation principles – 40 Years
- Binding minimum 40 year Ministerial Designation
- Security of tenure/Rent Certainty
- Public and Private provision

Public Provision Financial Instruments



- Location specific - Urban Centres/apartments/high density
- Affordability Constraint must be Identified and addressed - € 53,000/35%
- Seeks rents 25% below market & affordability for tenant
- **Approved Housing Bodies (8,000 to 2030)**
 - *Cost Rental Equity Loan 30% - 40 year fixed – 1%*
 - *IE Housing Finance Agency 70% - 30 year fixed 3.25% & 10 year variable*
- **Local Authorities (1,000)**
 - *Affordable Housing Fund € 100,000*
 - *IE Housing Finance Agency 70% - 30 year fixed 2.45% & 10 year variable*



Market Operators/Provision:



- Funds/Developer interest (seek scale opportunity)
- Legislation provides for limited equity returns
- **Land Development Agency** (LDA Act 2021 MEOP)
 - *Activate state lands for rent and purchase at an affordable price*
 - *Obligated to deliver 50%-80% as affordable purchase/cost rental homes*
 - *Strong Cost Rental remit – 10,000 affordable by 2030*
 - *State Equity & Debt Funding*

Affordable Housing and Cost Rental – Key Challenges



- ‘Forgotten Middle’ V Expectations
- EU IE CSR *“Increase Delivery of Social & Affordable Housing”*
- Private Capital seeks scale, certainty of risk and return and an appropriately structured investment vehicle/structure.
- Modern Standards/Near Zero Energy Rating/High Density
- Construction inflation & ↑ interest rates
 - *Resulting affordability of Cost Rents to target cohort*
 - *Market failure – Viability – homes will not be built*
 - *Structure to sub vent to achieve target rents?*
- EU & MS Collaboration and State Aid/SGEI

Affordable Housing and Cost Rental – Lessons Learned



- Scale of affordability challenge needs public and private delivery
- Perfect is the enemy of Good
- Engagement with stakeholders
- Flexibility of instrument – land purchase, phased drawdown, interest only payments, loans and equity
- Prove concept to generate confidence