

# New thinking on how to build homes, now and for the future

Multi-family units, social and affordable living, system change and sustainability were the topics that dominated the *Business Post* property summit last week. Our last property conference of the decade took place at the Aviva Stadium in Dublin, and hosted a broad range of speakers from policy makers to developers, agents, government officials, economists and institutional investors



**Tina-Marie O'Neill**

In his opening speech at last Wednesday's *Business Post* Property Summit, Minister for State for Housing Damien English addressed changes on the way when he echoed a growing complaint made by planners recently about delays and legal costs associated with the judicial review process.

"The government will be updating the judicial review provision related to planning. Legal challenges have delayed projects by up to four and five years and the increasing volume of judicial reviews has impacted on the performance of the courts and An Bord Pleanála," English said. "Four or five years are too long for people who might be promoters of a project. So we're making changes that will hopefully give us greater clarity, greater timelines. People can still object and we will respect that, but there will be greater timelines."

He also mentioned changes and a 'use it or lose it' approach in terms of the time frame between the granting of Fast Track planning and on-site commencements.

Brian Moran, managing director of Hines Ireland, which has 1,000 Private Rental Sector units on site in Cherrywood in South Dublin and a further 3,000 or so in the pipeline, pointed to the lack of capital available to fund Build to Rent sector projects.

"The amount of capital we need in this sector is extraordinary. In 1996 mortgage lending into new build private residential was about €35 billion. In 2006, lending into private residential was €53 billion. In 2016, it was 6.5 billion. This year, at best, it's been €9 billion," he said.

"The amount of money being invested in residential development is a fraction of what it was 20 years ago. We're now, if you look at the scale of growth, the economy and our population, so far away from a sustainable investment supply of new build accommodation, it's shocking. In terms of scale of investment, it's so far away from where it needs to be to get the needle on the dial to solve the housing crisis," he said.

According to Moran, institutional investment will grow and he warned listeners to expect to see it outstripping the commercial investment market for next five to seven years to fill the

void left by traditional investors.

"The vast bulk is coming and will continue to come from European pension funds, that's the largest source of capital that is targeting Ireland," he said. "The currency works for them and they like that we operate under European legislation rules."

Pat Farrell, chief executive of newly established Irish Institutional Property (IIP), said: "We have a unique social protection model in Ireland, an under-developed pensions market and a mindset that everyone needs to own an asset at retirement that is debt free. Our problems are not going to be solved by using property as a buffer."

"Also, institutional investors have paid a huge role in de-risking Ireland Inc. In the run up to the crash, real estate was typically funded by high net worth individuals, either operating individually or in syndicates. We saw the effects of that with the crash in that it was an utterly dysfunctional real estate market. Then we saw an acceleration of FDI, where we had no source of capital locally to provide the infrastructure to facilitate that. Enter institutional capital, made up mainly of pension funds looking for long term moderate yield to back mandates of pension funds. That has taken the risk off banks' balance sheets and the state's balance sheet. Short term funding [from so-called vulture funds] cleared those balance sheets."

"If we want a sustainable real estate sector and an appropriate mix in a planned and orderly way, we need large amounts of capital that is strategically deployed to drive strategic agendas, not something that happens to occur in the minds of a disconnected group of people with small amounts of money to invest in property or house building. We need joined up thinking and big investment."

John O'Connor, chief executive of the Housing Agency, said: "Our main focus is in relation to social housing. We assess funding applications from Approved Housing Bodies (AHBs). We have to get the balance right between the owner occupied and rental markets. Institutional investors hold about 3 or 4 per cent of the market, so it's in its infancy in terms of total stock."

"What AHBs can borrow at is down from three per cent to about two per cent and in one scheme the long term rate is less than that, so it's positive but we're not getting enough investment and we have to balance it with what is being paid for properties. There's a disconnect between that and what people can afford to pay for."

"Funding typically comes from the Housing Finance Agency or domestic banks," said O'Connor. "Outside of that there's a huge amount of money from mainland Europe and further afield - China or the US and the avian terms used to describe investor - such as vultures or cuckoo funding is a form of bullying, it's appalling and name calling and not appropriate."



Marie Hunt, executive director and head of research, CBRE, with Aidan Gavin, managing director, Cushman & Wakefield



Conall Mac Coille, chief economist, Davy, with Stephanie Pollitt, assistant director, British Property Federation, and John McCartney, director of research, Savills



Niall Cussen of the Office of the Planning Regulator



Damien English, Minister of State for Housing and Urban Development, with Roberta Anderson of NAA Europe and Brad Williams of Lincoln Property Company



Jackie Rhone, executive director of development operations and support, Greystar (US)



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Brian Moran added: "To develop purpose-built apartments is incredibly expensive. The cost of developing the average apartment is €450,000 minimum in Dublin when you factor in costs. That is not a first time buyer price point. That is not a mass market affordability price point. That is a policy decision made by this government in terms of taxes

and regulations.

"We have to have a sustainable build-to-rent sector side by side with a sustainable, affordable build-to-sell market. That has to happen or politically we'll be blamed for providing a badly needed product but squeezing out the people who need it the most."

Moran called for a round table discussion of