

# Housing emergency

time for a game changer

TASC Annual Conference, Dublin, 16 June 2017

Tom Healy

NERI (Nevin Economic Research Institute)

Dublin

[Tom.Healy@NERInstitute.net](mailto:Tom.Healy@NERInstitute.net)/[paulgk@NERInstitute.net](mailto:paulgk@NERInstitute.net)

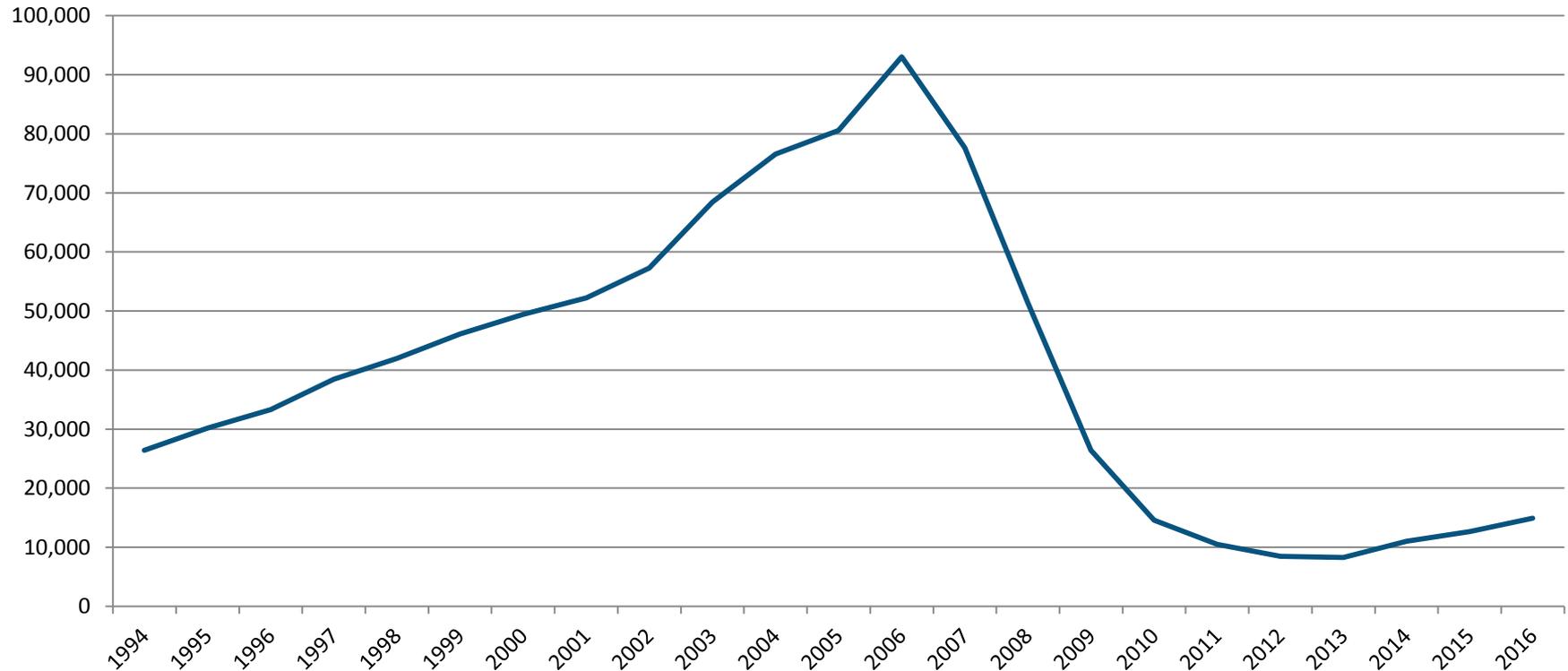
[www.NERInstitute.net](http://www.NERInstitute.net)



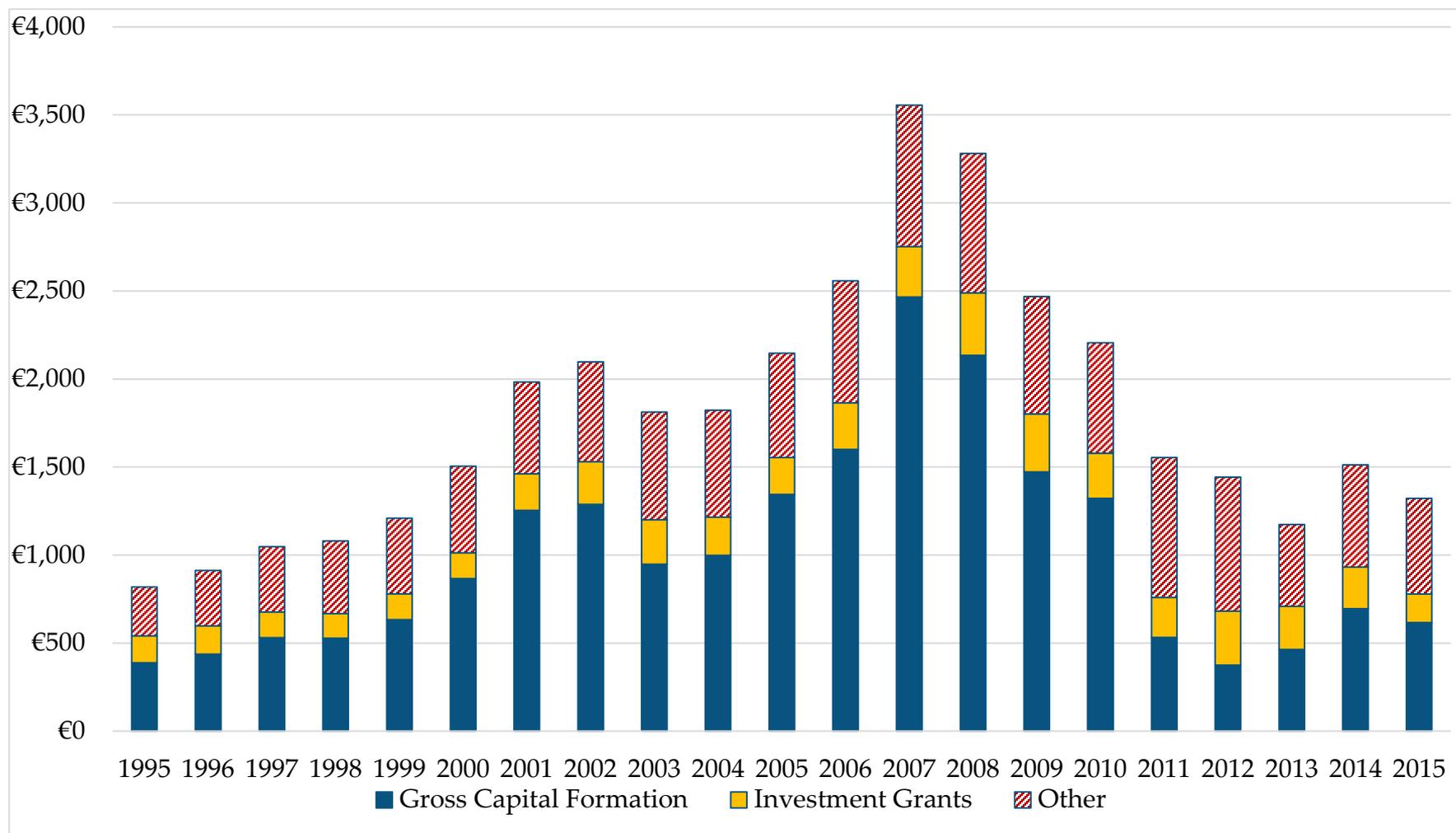
*Research for new economic policies*



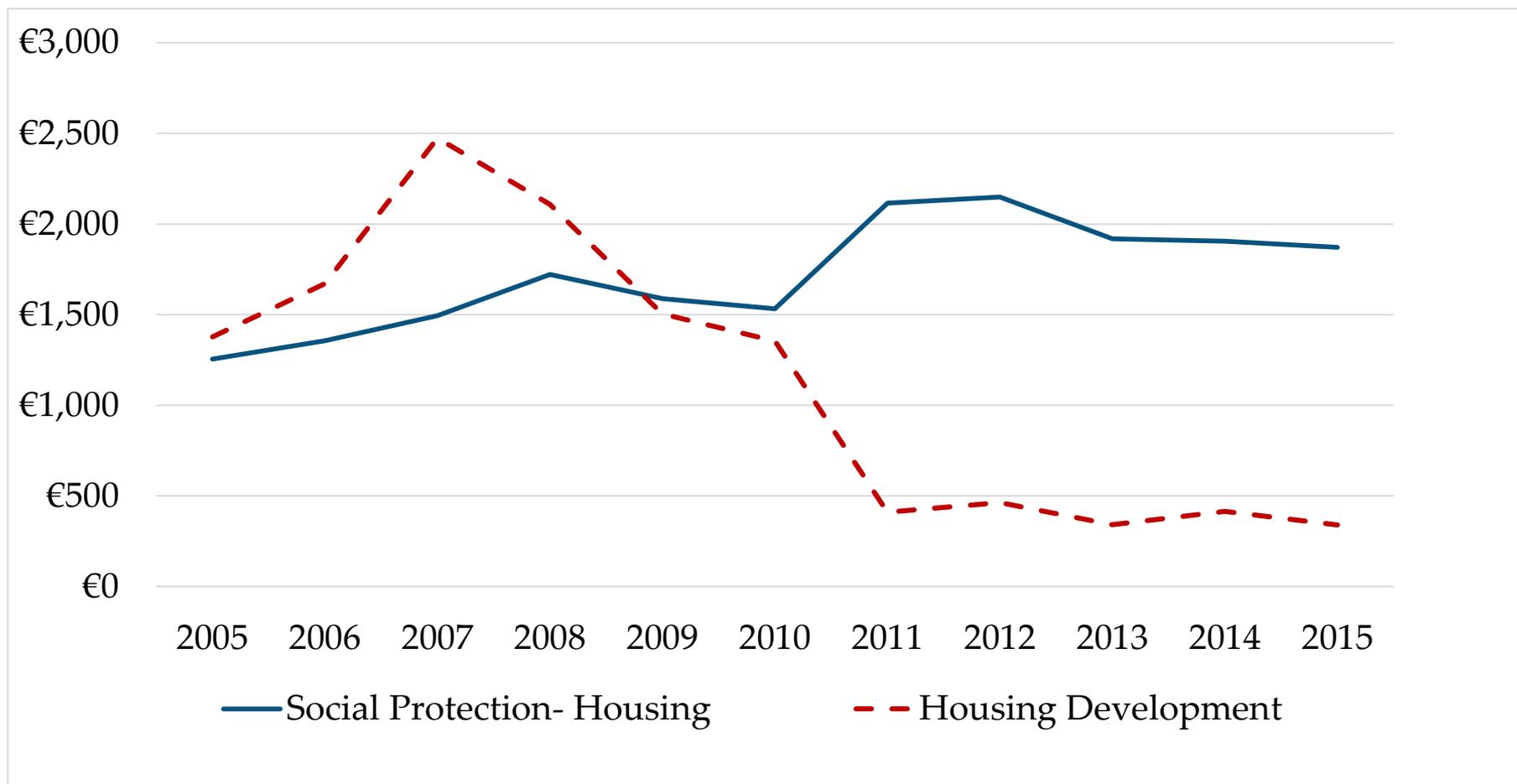
# Construction Activity- Completions (as measured by ESB connections) Annual Units



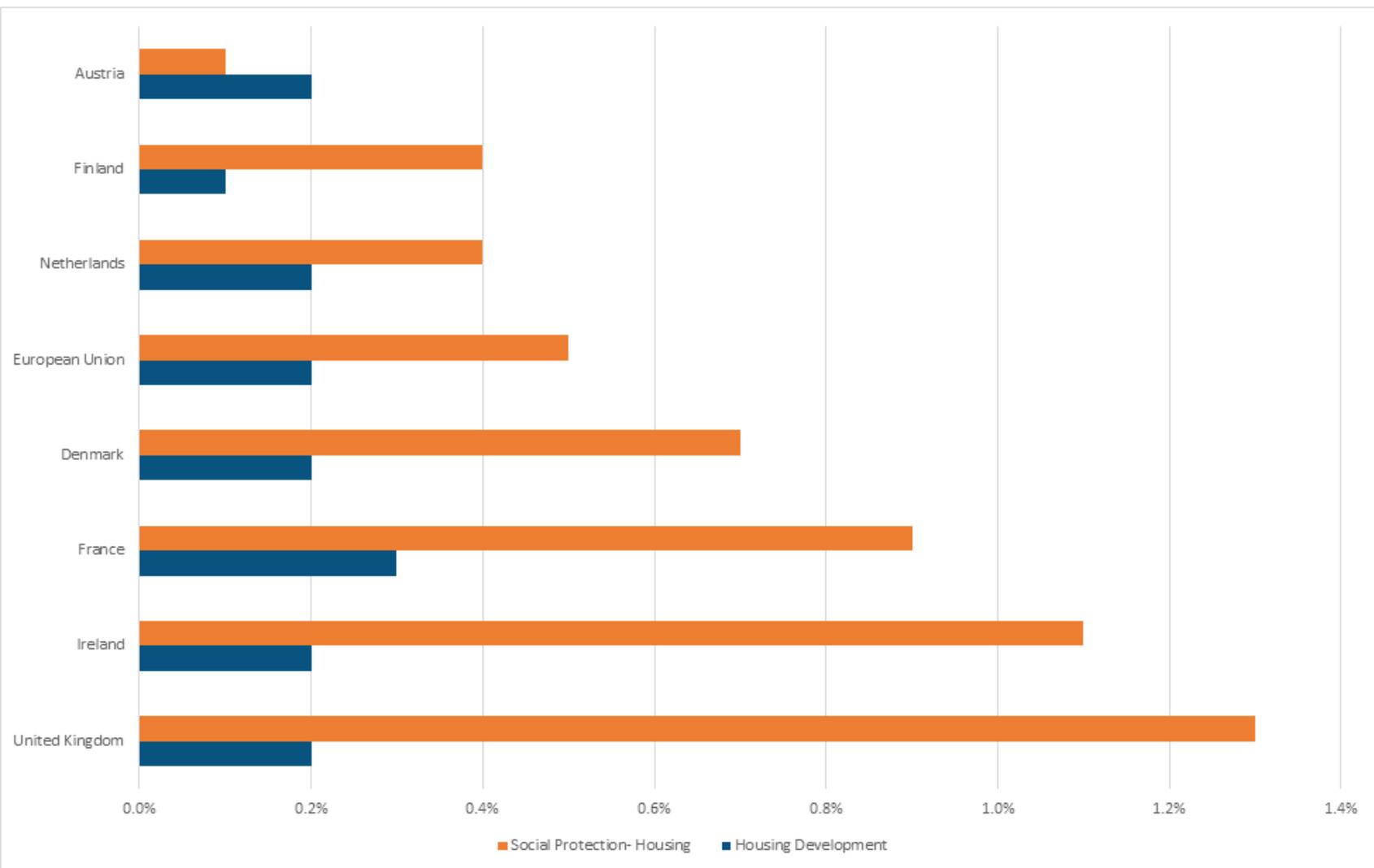
# Trends in public spending on housing and related community amenities (€ millions in 2010 constant prices)



# Real General Government Expenditure Components of Housing Development and Social Protection related to Housing (COFOG) in Millions of Euro at 2010 prices.

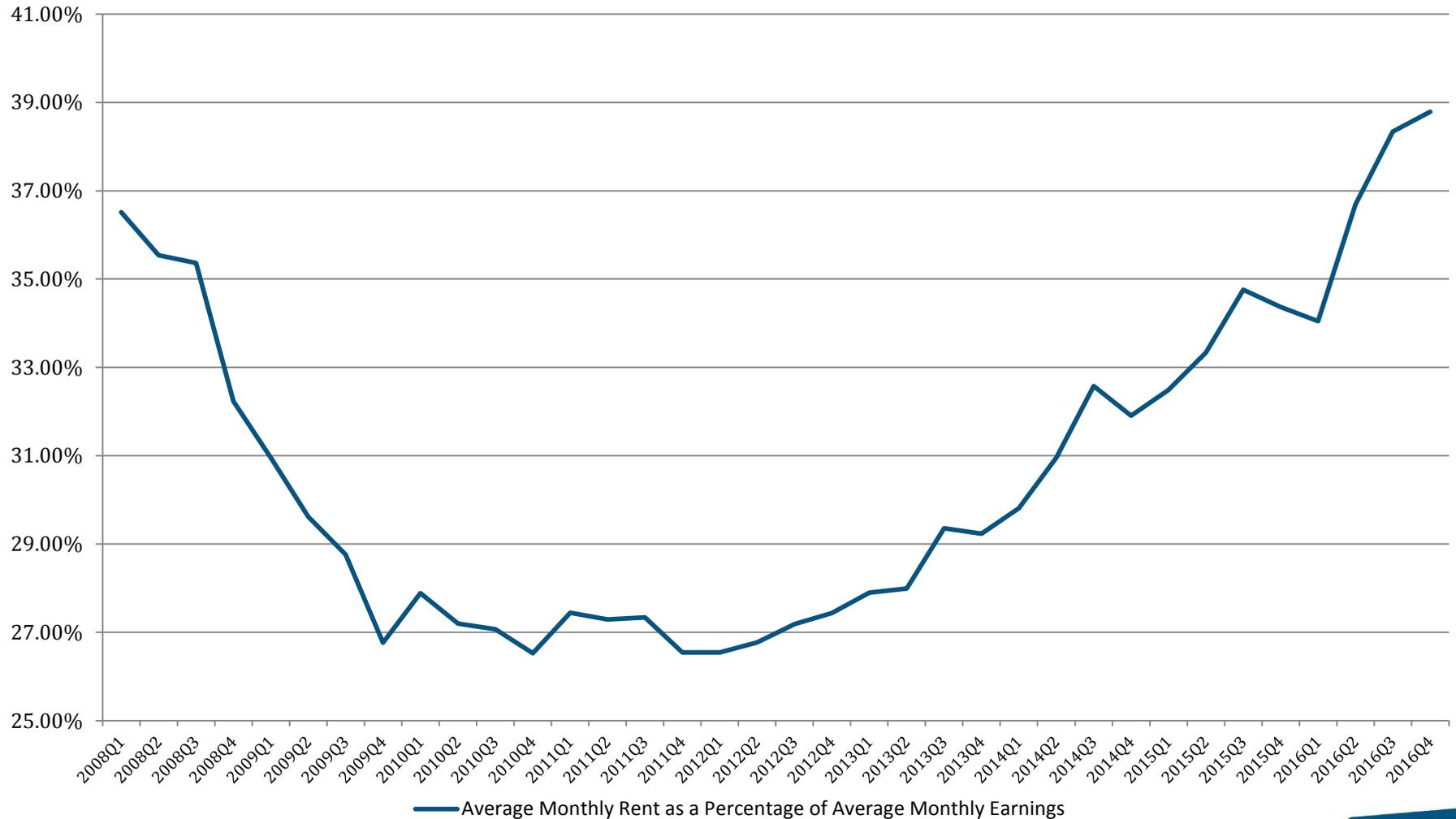


# Comparison of Combined Housing Development and Social Protection Payments related to Housing (COFOG) relative other European Countries as a percentage of GDP in 2014

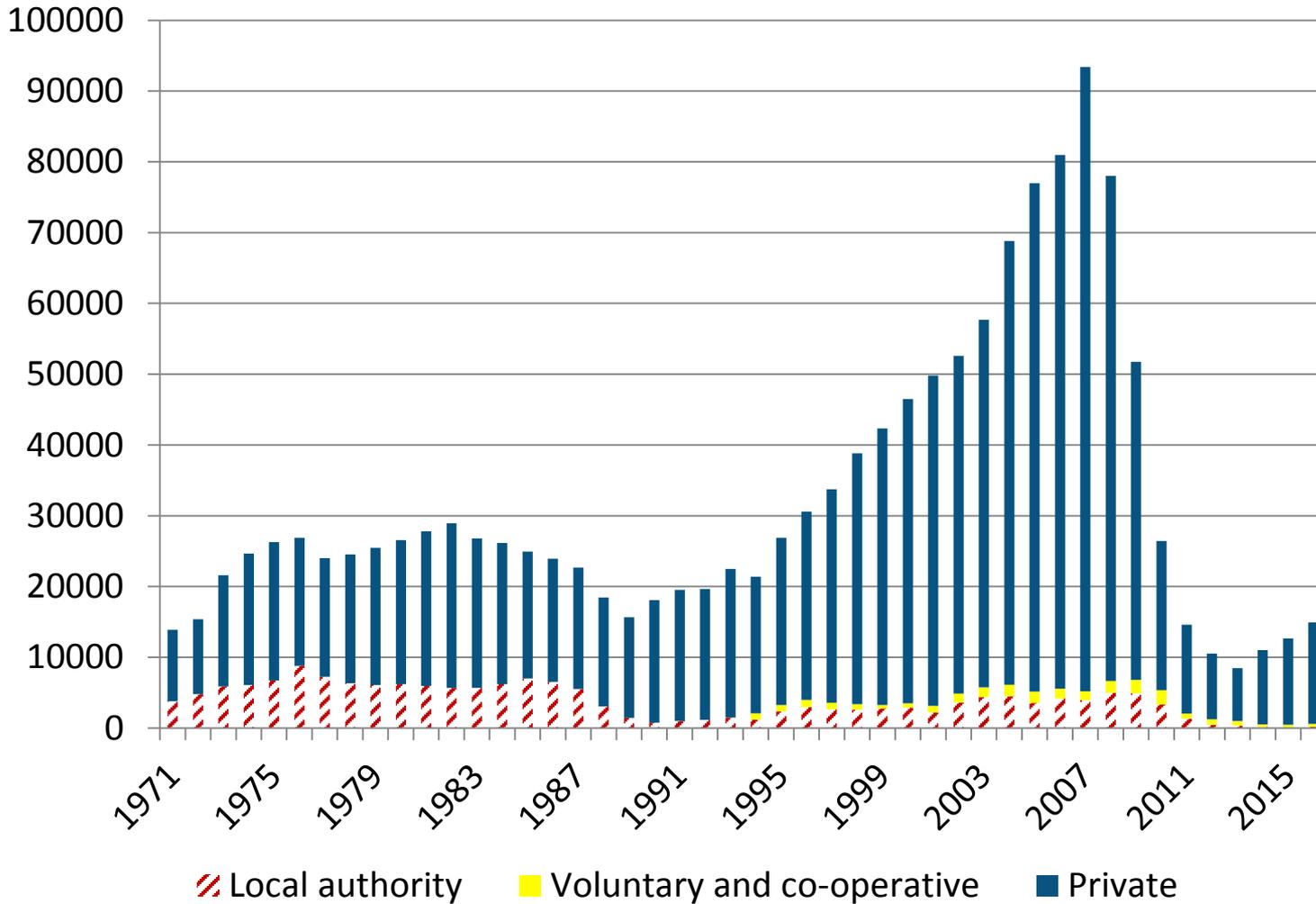


# Here we go again

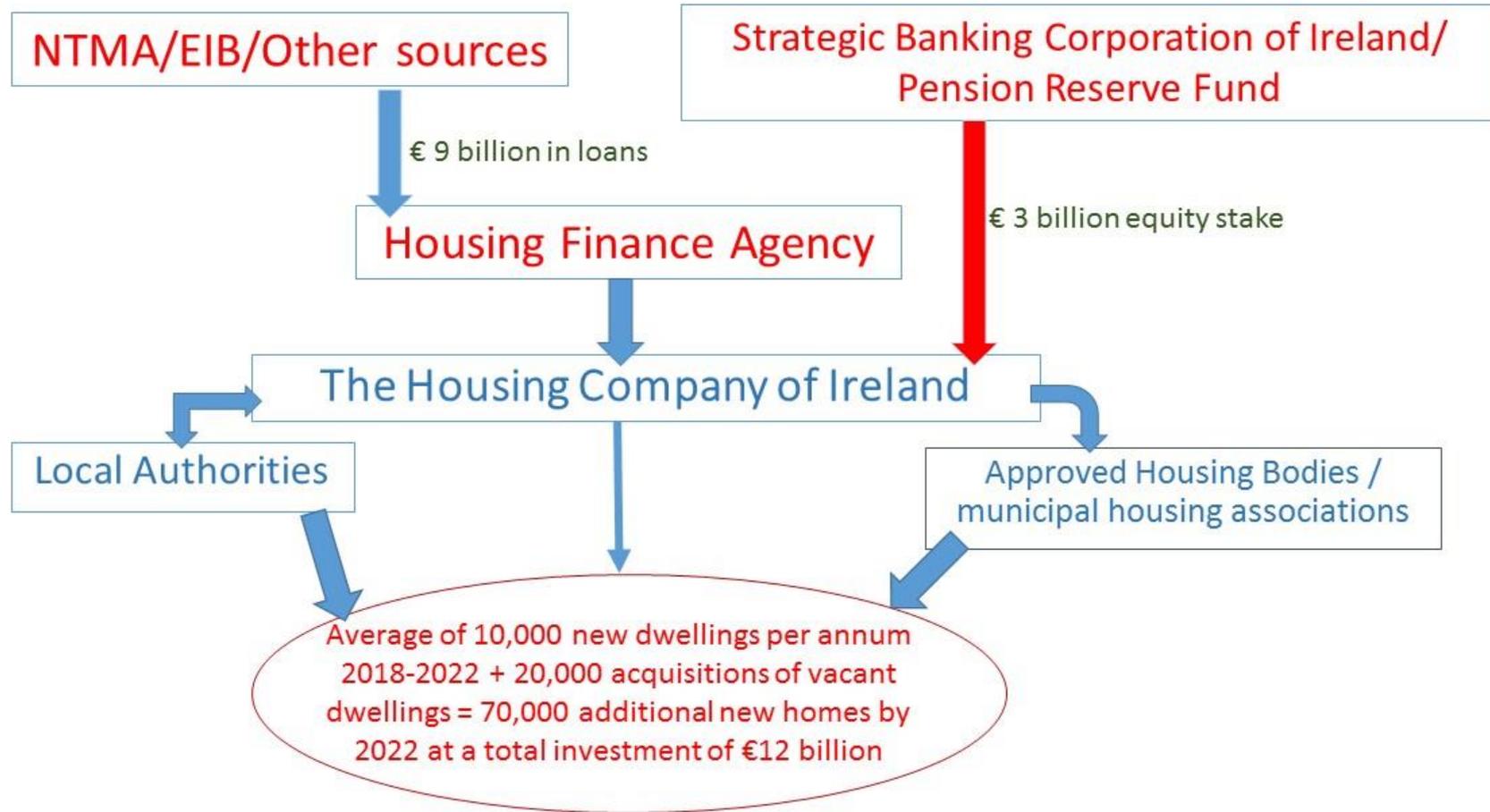
## Average Monthly Rent as a Percentage of Average Monthly Earnings



# Composition of 'house completions' over time



# Self-funding European Cost Rental Model



# Cost Rent

- Rents are derived on the basis of the costs of provision. This covers credit costs (interest payments and capital amortisation), management fees, taxes as well as costs associated with the maintenance and continued viability of projects
- Included in Healy and Goldrick-Kelly (2017) are rent estimates according to varying credit conditions, CALF utilisation.
- These provide a range of estimates centred around €900 to €1,000 given favourable credit terms, CALF funding and estimates of house price.

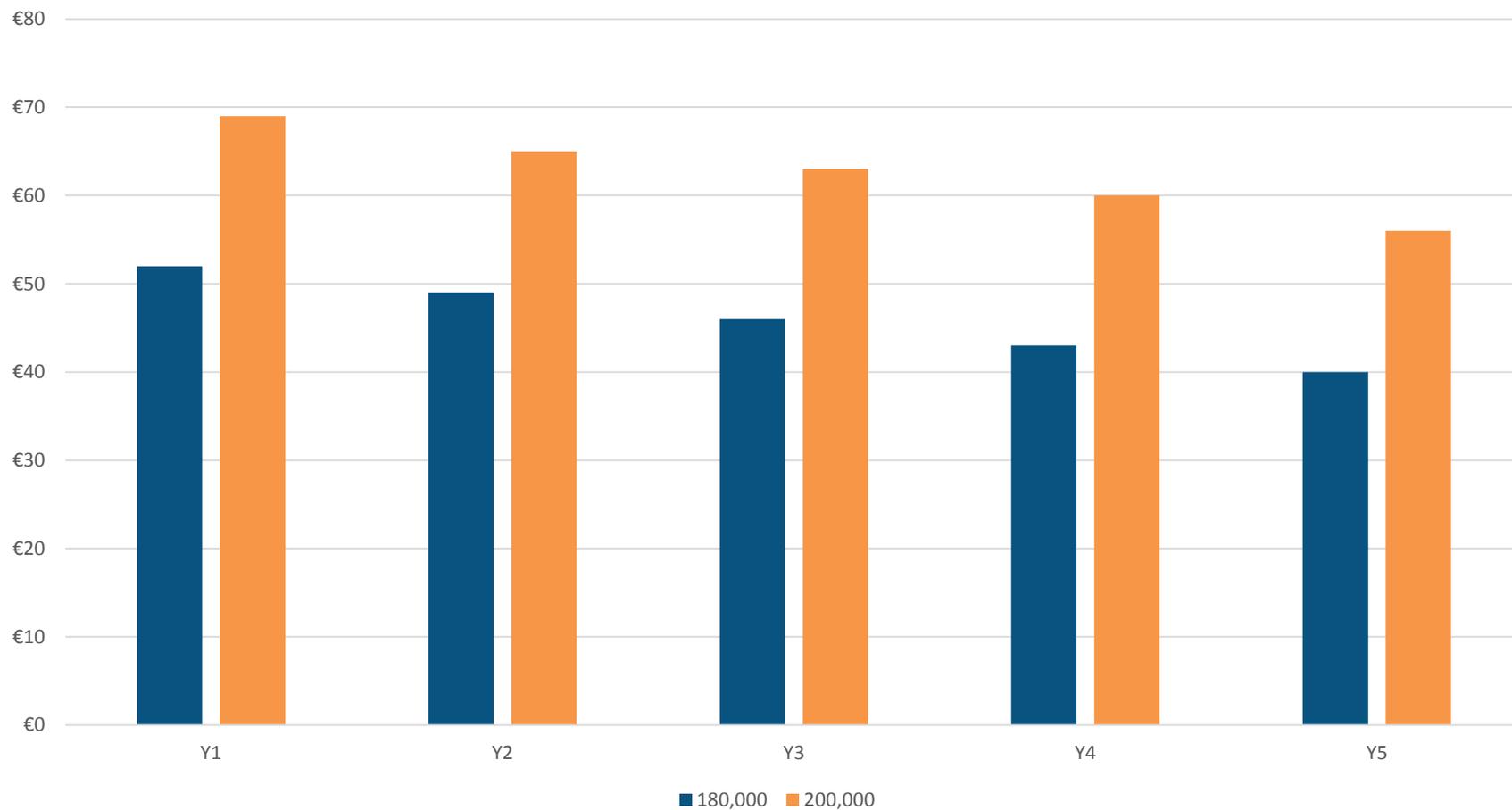
Cost Rent given Cost €180,000	Cost Rent given Cost €200,000
€896	€995

## What kind of Subsidy is Required?

- Other cost rental systems subsidise rents on the demand side to address potential issues of affordability.
- In the Irish case, this could entail HAP payments to ensure low income tenants can pay cost rents.
- System operates on a degree of cross-subsidisation whereby higher income households are charged higher rents.
- Rents remain below private market levels.
- It should be noted that these are gross, rather than net payments. Charged rent includes VAT in this example!

# Estimates of Annual Additional HAP Payment in

## Millions of Euro



[www.NERIInstitute.net](http://www.NERIInstitute.net)