

# Sunday Business Post

BY Bill Nowlan on November 22, 2015

## Exclusive: Building a revolution

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Bill Nowlan: 'We need a pricing policy that is not just driven by scarcity and structural greed.  
Picture: Feargal Ward

We need to shift our thinking to properly address the housing crisis, writes Bill Nowlan

We need a “man to the moon” approach to solve our housing crisis. That means we need to set clear goals to deliver the housing that people need, be they owners or renters – and clear timescales for delivery.

Only the state can marshal all the necessary resources and facilitate this. The system is broken and it will not fix itself anytime soon.

Many expect property market forces to come to the rescue. They will not. I know the property market better than most, and I regretfully predict that without comprehensive intervention we will not reach anything like 25,000 houses a year in two, let alone four, years. Unlike in decades past, where the state directly provided a substantial proportion of housing, and subsidised virtually all residential construction, the property market will have to provide the vast bulk of new homes – even social housing – in the future.

The property crash is now over. Office development is booming: in the next three or so years Dublin will add about 10 per cent to its stock of offices, but less than 3 per cent to its stock of housing. Offices are being built because investors will get rents to support their investment. Current market rents will not pay for the development cost of new apartments.

In the new houses-for-sale market, the developer's fair price for providing a new three-bed semi is €300,000-plus, but in about two-thirds of Dublin you can buy a second-hand house for a lot less.

Building is the easy bit. We have lots of competent people in Ireland. The core problem is the absence of an overarching housing strategy and a matching implementation structure. Here are some of the elements needed.

#### Put someone in charge

There should be one minister in charge. Presently, we have at least 12 agencies contributing to housing policy. In theory, DECLG (the Department of the Environment, Community and Local Government) is in charge, but the Department of Finance and the Central Bank have at least as much, if not more, influence on housing.

#### If the price is right . . .

We need a pricing policy for housing that is not just driven by scarcity and sectoral greed. Housing must come at a price that people can afford. This is not a call for rent control or price control, but pricing should be the guiding principle that drives the housing strategy. A laissez-faire house pricing policy is pursued in only two European countries, Ireland and Britain, and gives us repeated booms and busts in our housing market. A good housing strategy would take us out of this Anglo-Saxon boom-bust continuum.

#### Use taxation positively

Taxation has to be used to stabilise and regulate the housing sector. That means that taxation on housing development cannot be treated simply as a cash cow, but needs to be carefully calibrated to deliver stability and sustainable supply at prices households can afford. Wildly fluctuating revenues from housing and construction contributed heavily to our national collapse.

#### Plan to succeed

We have one of the most comprehensive, but anti-development, planning systems in the world. The typical lead time from inception of a housing project to producing the first dwelling is about five years, and our forward planning system is procedurally structured to preserve the local status quo. The challenge is to convert it from an anti-development to a pro-development system. It can be done.

#### Land management

Most land comes to the market via speculators who push up the price by competitive bidding. This approach impacts significantly on house pricing. The planning system then gives monopoly powers to landowners via zoning. What is the solution? Most developed countries with good housing strategies don't just do land-use planning; they also do land supply management so that land becomes available at the time it is needed at a price that meets the needs of the housing strategy.

## Infrastructure

If there are no pipes, you cannot build houses, and the water, drainage and other services have to be paid for by someone, either the house-buyer or via general taxation.

A good land management system would enable the timely and coordinated supply of services, and the recovery of their installation cost.

## Social and affordable housing

Social and affordable housing is critical to an overall housing strategy.

About a third of our citizens cannot afford to house themselves in the market.

We have quite a good approach to dealing with the bottom 10 per cent, but we have no policy for the other 30 per cent of households.

These are key workers – people whose jobs make the rest of our jobs possible. Affordable housing is a policy lacuna in Ireland that needs addressing, and I have put ideas forward on this.

## Standards

Why are new construction costs so high?

Because the state insists on our building the equivalent of an S Class Mercedes when the market wants a Hyundai.

Housing standards should not be reduced simply to make development cheap, but size and design significantly impact on price (or rent).

No one should live in substandard conditions, but standards for new housing need to be set to suit the actual demand, and not take a one-size-fits-all approach.

If standards were brought to a point to meet the actual market demand – a 65 square metre, two-bed apartment – which equals or exceeds most of the existing stock in central Dublin, development would be viable.

## We need new landlords

The traditional mom-and-pop landlords are leaving, and this sector is haemorrhaging investors. Ways and means of bringing in institutional investors are required. Indeed, I put forward some proposals to government, and am awaiting a response.

## Money

Money is available, but the new money-men are tough and expensive taskmasters, who don't suit many would-be developers. But the cash is there.

The real problem is that the costs don't add up for most development projects.

You must beat City Hall . . .

Much of this is politically difficult. A good housing strategy involves many hard decisions – streamlined planning, altered building standards, landowners losing much of their betterment value, etc. Much of what has been done is helpful, but is not sufficiently overarching to deliver the output required.

So I finish where I started. We need a world-class housing strategy for post-crash Ireland.

The housing crisis poses real risks to our recovery, and not just for the people immediately affected: it risks our competitiveness, our inward investment, and our social wellbeing.

Without such a strategy, much of the rest of the good work that has been done since the crash will be wasted.

Politically, it may be a big ask – but the alternative is more of the same.

*Bill Nowlan is founder and chairman of WK Nowlan Property and a founder-director of Hibernia Reit plc. The views expressed here are a purely personal opinion, and are not those of either organisation. This article is an outline of a more detailed contribution by Nowlan, a guest speaker at The Sunday Business Post Property Summit, which takes place on December 1 at Carton House in Kildare. Visit [propertysummit.ie](http://propertysummit.ie) for more details or to register to attend*



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