



An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
National Economic & Social Council

Homeownership and Rental: What Road is Ireland On?

Executive Summary

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This is the second report to emerge from NESC's current programme of work on housing policy. It looks at the evolving balance between homeownership and rental accommodation, discusses likely trends and raises policy issues that need to be discussed.

Tenure of Irish Households

Ireland's rate of homeownership peaked, at 80 per cent of households, in 1991, with private rental accounting for 8 per cent and social renting for 10 per cent. By 2011, owner-occupation had fallen to 71 per cent, while 19 per cent of households rented from a private landlord, and 9 per cent rented from a local authority or voluntary association (known as Approved Housing Bodies—AHBs). In urban areas almost one third of households now rent their dwelling (including social rental). These changes can be related to changes in household formation, immigration, incomes, house prices and access to credit, as well as the decline in local-authority provision. Irish homeownership rates are now close to the EU averages (67 per cent for the EU-15 and 71 per cent for the EU-28). However, in many EU countries ownership rates are rising, while in Ireland they are falling.

Tenure varies significantly across social groups. Mortgage-holding is declining most among young people in the unskilled, semi-skilled and skilled manual classes, particularly the former. The proportion of single-person and lone-parent households that rent has increased significantly over the past 20 years. Owner-occupation is much higher among households headed by Irish nationals (77 per cent) compared to non-Irish nationals (34 per cent). Having fallen during the economic boom, the age at which people get a first mortgage is increasing.

Affordability pressures have always been greater in Dublin than the national average, with Cork and Galway also relatively expensive. Housing costs weigh differently on different households. Those renting from a private landlord pay the highest proportion of their income on rent—an average of 25 per cent in 2009–10. International comparisons show that Irish house prices (per square metre) are about 'average' in the EU, similar to those in the Netherlands, Denmark, and Belgium. Dublin prices are comparable to those in Amsterdam, Brussels and Lyon, but well below those in Paris and London. The current increase in prices may change this.

Understanding Ireland's Evolving Tenure Mix

Government policy played a significant role in promoting a high level of homeownership in earlier decades through subsidies such as local-authority loans and mortgage interest relief. Tenant purchase was a particularly significant way in which owner-occupation was encouraged. The falling share of ownership reflects gradual removal of subsidies since the 1980s, and changing economic and social conditions.

While the continuing high level of homeownership suggest, an element of stability, for a range of economic and social groups—younger adults, newly setting up home, seeking to live in or near the centres of employment and, most of all, those on low incomes or in single-parent and single-earner households—housing conditions and housing tenure choice are changing quite considerably. While homeownership was traditionally high across the class spectrum, it seems likely that in the coming decades housing options will differ more. Existing trends in availability, affordability, incomes and household size suggest that those with lower incomes and in single-adult households are less likely to have mortgages, and therefore be on track to homeownership, than those from higher social classes.

The Relative Advantages of Homeownership and Renting

In setting the direction of future housing policy, it is important to consider the advantages and disadvantages of different tenures. Private renting has the advantage of low-entry costs, no investment risk, flexibility and no liability for major repair bills. However, in Ireland private renting provides less security of tenure than owing or renting from a local authority, and tenants are uncertain about future rents that are market-determined. An important disadvantage is that the payment of rental income does not help the renter accumulate an asset. This is a key advantage of mortgage-holding—in a stable housing market. The main disadvantage of homeownership is the investment risk that can occur when buying in an unstable market, and exposure to rising interest rates. On balance, in the Irish context there are real financial advantages to homeownership compared to renting. But the advantages of homeownership depend on the alternatives available. In many EU countries it is not necessary to buy a home to achieve security, and rental from voluntary bodies or private landlords provides security of tenure and more predictable rents.

Renting from a local authority or AHB has advantages in terms of both cost and security of tenure. But provision has been limited for several decades and there are long waiting lists. While most local-authority housing is successful, some estates have failed and this has led some to have a negative image of social housing. With the decline in local-authority construction, social renting has increasingly moved from local authority-owned to private-sector accommodation, paid for by rent supplement or the Rental Accommodation Scheme (RAS).

Exploring Aspirations and Policy Possibilities for Homeownership and Renting

The overarching goals of housing policy are (i) affordability (ii) sustainability (economic, social and environmental) and (iii) equality and social inclusion. It is important to ask how different forms of housing tenure can serve these goals. The trends in Ireland's tenure mix and the relative advantages of homeownership and rental, discussed in this report, pose some challenging questions that Irish housing policy must now address.

- Given the existing advantages of homeownership, does policy wish to promote it or improve the availability and relative attractiveness of long-term rental?
- Are these goals complementary or conflicting?
- What is the feasibility of homeownership for different kinds of households in the coming decades?
- What supply-side, demand-side and other policy approaches are available to promote either homeownership or secure rental occupancy?
- What is the relationship between possible ways of promoting homeownership and the policy approaches to social housing and cost rental advocated by the Council in its June 2014 report and enunciated in the Government's recent budget statement and *Social Housing Strategy*?

However these questions are answered, policy needs to achieve four overarching outcomes:

- Stable and sustainable housing supply management;
- Greater balance between the shares of homeownership and rental, to address affordability problems and dampen housing-market and macroeconomic instability;
- Social support to address housing needs, which are conducive to good economic performance, social cohesion and equality of opportunity; and
- Affordable and sustainable housing options for intermediate households.

In exploring how to achieve these broad outcomes it is important to consider possibilities for greater security of tenure in rental accommodation, cost rental and shared ownership.

