

Not so quiet on the new homes front

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New homes developments are beginning to appear in the greater Dublin area

It is encouraging to see a flurry of new homes schemes either on the market or preparing to launch in the greater Dublin area at this early stage of the year. With average rents in Dublin just shy of the 2007 peak rental figures, an increase in new homes on the market will certainly help alleviate the housing shortage.

Despite the positive upswing, a recent forecast report from the Society of Chartered Surveyors Ireland put the annual number of homes needed in Dublin at 7,000 and currently the figures fall well short of that. By the end of 2015, just 2,735 homes had received planning permission, prompting the SCSi to argue that the lack of supply continues to put pressure on the "dysfunctional" property market. It also criticised a lack of planning staff in local authorities which translated into long delays on badly needed projects.

A small ray of light on that front came from Danny O'Shea of the Building Industry Index. According to O'Shea, the residential sector is on a strong growth trajectory with applications up at the end of 2015 by 29 per cent on the previous year and – more importantly – commencements were up by 98 per cent. As well as that, the average lead-in time for projects to start is reducing. It is currently at about 132 weeks from application to commencement.

"This lead-in time has stagnated the industry in recent years, but we have seen it reduce gradually throughout 2015. At the beginning of 2015, the duration stood at 141 weeks. This will continue to reduce throughout 2016, further improving the activity levels in the sector. All of this augers well for increased residential output into 2016 and beyond," said O'Shea.

"The population of Dublin increased by over 30,000 in 2015 and this has serious implications for supply in the marketplace where a significant increase in the building of new houses and apartments is warranted," said Ken MacDonald, managing director of new homes specialist firm, Hooke & MacDonald.

"The improving Irish economy, greater job opportunities and a rise in consumer confidence has led to a big influx of viewers and buyers into new showhomes in the first weeks of 2016. A good proportion of these are Irish people who have returned from working abroad or those planning to return over the next year or two and are taking advantage of the favourable exchange rates," said MacDonald.

"Others are couples who have been saving to buy a home during the downturn and are now keen to move from renting to buying.

"Other categories of buyers that are becoming very active are the parties with existing homes who wish to trade up or down in size terms, where the family is either getting bigger or smaller," he said.

So, in many cases, it's now cheaper in the long run to buy a house than to rent one.

For example, average new sales prices in Dublin stand at about €312,400, (according to the latest Myhome.ie/Davy asking price report published this month). A crude mortgage versus rent calculation – based on a borrower having a 20 per cent deposit saved – would work out at monthly mortgage repayments of between €1,115 and €1,229 over 30 years.

Based on those calculations and current asking prices, a buyer could purchase a newly built, A-rated three-bedroom terraced home in the Dublin suburbs, for example, for the same monthly lay-out as renting a one-bedroom apartment in the city suburbs.

And for buyers on the market, there is a host of advantages to buying a new home over a second hand one.

"The new homes market has changed considerably when compared to recent years, not only in terms of the characteristics of buyers, but also the product on offer," said Ken MacDonald.

“The building industry has in a sense reinvented itself and reappraised what is best for the long-term sustainability of homes and what is most appropriate to provide for occupiers.

“Standards have improved dramatically and are now the highest they have ever been with the emphasis on good design internally and externally, layouts, energy efficiency, quality of materials, finishes, landscaping, on site facilities and play areas. All of these factors are placing new homes as a much more attractive option than buying an older property with repair and maintenance liabilities and excessive energy costs,” he said.

Affordability is also a factor. “Affordability often gets overlooked by those advocating larger homes, including apartments, and the words ‘housing standards’ often get confused with ‘housing sizes’,” said MacDonald. “A well-designed compact property can be an attractive option for those on limited budgets and worries such as mortgage restrictions and high rents and overheads.

“The other area of new homes where there has been significant changes is in the make-up of buyers. Whereas previously most first-time buyers were in their 20s, they are now mainly in their 30s.

In some new home developments, up to 50 per cent are non-Irish nationals so it may just be a myth that Irish people value home ownership more than those from other countries,” MacDonald said.

Despite the growth in consumer sentiment, the hangover from the economic downturn persists, with stringent borrowing regulations creating challenges for buyers.

“While all the statistics show there is a severe shortage of supply within the New Homes market, it would seem that this is not, as would be expected, necessarily translating into faster and stronger absorption of sales rates in respect of any new residential supply coming forward,” said Lisa Rocca, a senior sales adviser at Knight Frank.

“The demand side of the market is still one of complexity and a degree of inflexibility, with many challenges still facing potential buyers,” she said. “There is less fluidity and flexibility for potential purchasers either to buy for the first time, upsize or downsize due to a heightened degree of regulations both with the tightening of mortgage lending standards and in general more tedious purchaser/selling procedures from building regulations to the survey process to bank valuation requirements.”

Nevertheless, according to Rocca, buyers have become more savvy and informed and are using this opportunity to take their time to make decisions and “are becoming ever more demanding in the standard and quality of product they are seeking, which is creating a positive driving force for the new homes market”.

And while they take their time, there are more new homes projects in the pipeline, including US developer Hines’s plans to build some 3,800 homes at Cherrywood in south Co Dublin, with the ground work plans already submitted to Dun Laoghaire-Rathdown County Council to develop roads, parks and infrastructure schemes before it submits its housing applications.

Ultimately, Cherrywood is expected to house as many as 30,000 people. The work could begin as early as this spring.

Nama is also making inroads in its new capacity as a “developer”. The agency is already managing the completion of new homes in developments and ‘ghost estates’ left unfinished by bankrupt developers and is forging ahead with city centre projects such as Boland’s Mills in Dublin.

County Councils, too, are making moves to improve housing supply, with plans to sell off land to private developers in Dublin city – on condition that some 30 per cent of social housing is included in the new schemes.

The most recent plan to sell off Dublin City Council land involves the sale of council land in Coolock, Inchicore and the north city, where some 1,345 housing units, including 448 social units are planned. The remaining units are set aside for starter homes with mortgages taken out through the city council.