

## Expenditure is the key theme for housing in Budget 2019

Despite significant conjecture in the lead up to Budget 2019, there is no change to Stamp Duty for the Built-to-Rent sector and there was no change to the Help-to-Buy scheme. The focus of Budget 2019 with respect to the housing market lies very much on the expenditure side, with a raft of spending increases to support social and affordable housing and additional funding for infrastructure spending to service land.

### The key housing related expenditure elements include:

- An overall provision of almost €2.4 billion which is estimated to support the housing needs of 27,400 households in 2019. This compares with €1.9 billion for 2018 and represents a significant 26% increase.
- This €2.4 billion is split between Capital expenditure of €1.4 billion and Current expenditure of €981 million.
  - The Capital expenditure of €1.4 billion (versus €1.14 billion in 2018) will be used to deliver some 7,900 new social homes through a range of build and acquisition programmes and include increases to the Serviced Sites Fund<sup>1</sup> and an increase to the LIHAF.
  - The Current expenditure of €981m (versus €760 million in 2018) will support a range of other programmes including leasing arrangements between local authorities and AHBs, Part V, HAP and RAS.

### 100% mortgage interest relief – only property taxation measure of note

On the taxation side, the only measure of note was the re-introduction of 100% mortgage relief for landlords. This was due to be phased in by 2021 but will now be effective from January 1, 2019. Statistics from the Residential Tenancies Board (RTB) confirm that the individual landlord is the dominant landlord type in Ireland, with almost 70% of landlords having a single tenancy, and more than 91% of landlords having three or fewer tenancies. The 20 largest landlords such as REITs, investment funds and companies account for less than 3% of tenancies.

However, it is notable that while the number of registered tenancies has steadily grown, increasing from 264,434 in 2012 to 325,372 in 2016, the actual number of landlords has declined from 212,306 to 160,160 in 2014, before recovering to 175,250 in 2016, but declining again to 174,000 in 2017.

Consequently, the 100% mortgage interest relief will hopefully help to stabilise the number of private landlords in the market as their presence are critical to ensuring the supply of rental accommodation, especially in locations where the large institutional landlords are absent.

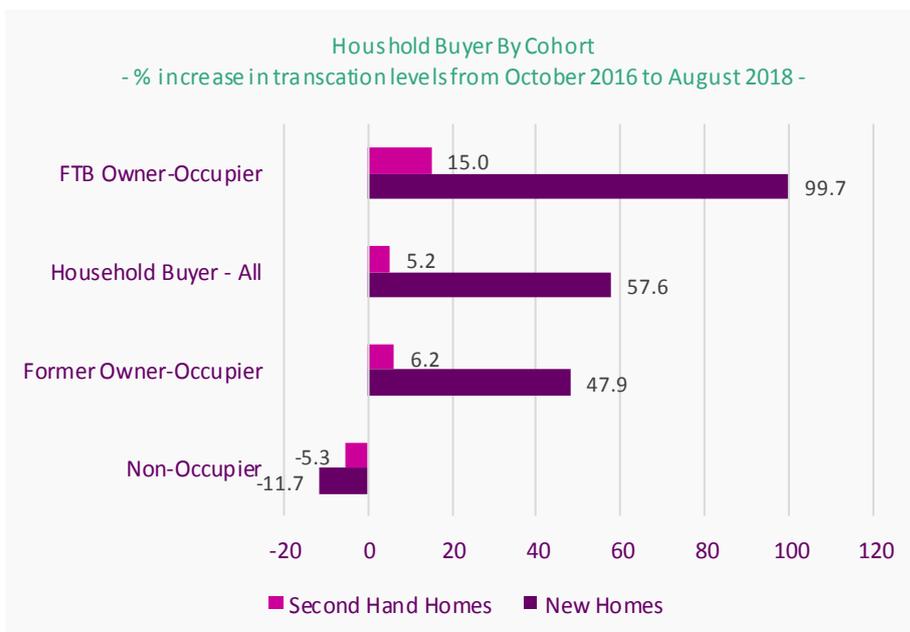
### Conspicuous by their absence

Notable by their absence were any changes to stamp duty on PRS – Build-to-Rent or to the Help-to-Buy scheme. There was much speculation that the stamp duty on Build-to-Rent would be brought into line with other commercial real estate assets and increased from 2% to 6%.

Separately, there was some, albeit slightly less speculation that the Minister might extend the Help-to-Buy scheme beyond 2019. This decision will now have to wait until next year's Budget, but it does appear that the scheme has been successful to date.

An analysis of CSO data on residential transactions shows that there has been a marked increase in the number of first-time buyer owner-occupier transactions for new homes. This is the particular cohort of home buyers and home type on which the Help-to-Buy scheme would have had the most pronounced impact.

From October 2016 to August 2018, (October 2016 being the month that the Help-To-Buy scheme was introduced), there was a 99% increase in the number of first-time-buyers of new homes. This outpaced all other household cohorts of buyers and is a strong indicator of the success of the Help-To-Buy Scheme over the past two years.



<sup>1</sup>A fund that Local Authorities can use to support delivery of both off and on-site infrastructure that can unlock local authority-owned lands to deliver affordable homes.

## Volume of residential sales by buyer type, new and existing buildings, with percentage annual change (%)

	Household Buyer All		First-Time Buyer Owner-Occupier		Former Owner-Occupier		Household Buyer – Non-Occupier	
	New	Existing	New	Existing	New	Existing	New	Existing
Aug'17 to Aug'18	9,376 +26.7%	47,934 +0.9%	4,208 +45.4%	11,249 +6.2%	4,400 +20.0%	26,004 +1.2%	768 -8.5%	10,681 -4.9%
Aug'16 to Aug'17	7,402 +28.8	47,509 +5.1%	2,895 +42.0%	10,590 +9.7%	3,668 +29.0%	25,683 +5.7%	839 -2.9%	11,236 -0.2%
Aug'15 to Aug'16	5,746 +1.8%	45,222 -1.2%	2,039 -2.3%	9,656 -3.6%	2,843 +14.4%	24,303 +1.2%	864 -19.5%	11,263 -3.9%
Aug'14 to Aug'15	5,646 +23.8%	45,757 +27.8%	2,087 +13.4%	10,020 +16.8%	2,486 +36.6%	24,017 +28.5%	1,073 +19.1%	11,720 +37.4%
Aug'13 to Aug'14	4,561 +15.6%	35,790 +16.1%	1,840 +8.2%	8,576 +6.1%	1,820 24.2%	18,684 +15.1%	901 +15.2%	8,530 +31.2%
Aug'12 to Aug'13	3,947 +11.3%	30,820 +19.6%	1,700 +19.0%	8,086 +27.8%	1,465 +22.5%	16,230 +21.2%	782 -15.3%	6,504 +7.5%
Aug'11 to Aug'12	3,547 -37.8%	25,773 +12.1%	1,428 -47.2%	6,329 -17.3%	1,196 -31.2%	13,393 +27.5%	923 -26.3%	6,051 +25.2%
Aug'10 to Aug'11	5,698	22,989	2,707	7,655	1,738	10,502	1,253	4,832