



18 December, 2020.

## **Re. Structural Housing Demand in Ireland and Housing Supply Targets**

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The Housing and Planning Divisions of the Department of Housing, Local Government and Heritage (DHLGH) jointly engaged the Economic and Social Research Institute (ESRI) to undertake independent research into structural housing demand in Ireland to 2040. The findings of the ESRI work were published as a research paper on Structural Housing Demand at County Level on 14<sup>th</sup> December 2020.

The ESRI research provides a robust, up-to-date and independently developed housing demand projection, to inform policy and investment with regard to housing at national and local levels. The ESRI projection model and paper are now the definitive source of information for Government, in the context of regular and often divergent estimates of housing demand from various sources.

The ESRI work is of particular importance to the local government sector, as it provides an integrated model of housing demand that takes into account demographic, economic and housing market factors, including inter-county migration, at individual local authority level. It underpins the development of the Housing Need and Demand Assessment (HNDA) tool for local authorities and will assist in informing the development of multi-annual social housing targets from 2021.

The ESRI projections include a scenario aligned with the National Planning Framework (NPF). This scenario will be used to monitor progress towards meeting identified housing demand and the need to increase overall housing output in support of NPF targeted population growth and associated settlement pattern.

The ESRI work provides a consistent national methodology for translating the population targets set out in the National Planning Framework (NPF) and the three Regional Spatial and Economic Strategies (RSESs), into projected demand for new households.



## **New Household Demand to 2040**

The ESRI work considers four projected household demand scenarios for every year from 2017 to 2040. These include baseline, high and low growth scenarios and the NPF growth strategy. Both the baseline and NPF projections outline almost identical projected overall levels of total housing demand to 2040, although each would result in a different spatial distribution between counties, with the NPF scenario reflecting the NPF and RSES population targets to 2040.

The annual average level of demand identified by the ESRI for the baseline and NPF projections, is just over 28,000 new households per annum for the full twenty-four year period from 2017 to 2040. This takes into account housing obsolescence, but there are several other key factors that also need to be considered from the current, 2020 perspective.

These factors comprise existing demand and include:-

- the most up-to-date data available regarding homeless households, and estimated unmet demand<sup>1</sup> based on Census 2016;
- the difference between actual housing supply in terms of new homes completed (i.e. CSO housing completion data), and
- ESRI projected household demand for the full years for which data is available from 2017-19.

When all of these factors are included, total projected new household demand for the baseline and NPF projections is almost 31,000 new households per annum every year from 2020 to 2040. However, it is not envisaged that the timeline for meeting all projected housing demand would extend over the full period to 2040.

## **Current and Future Demand to 2031**

Accordingly, there is a more pressing need to increase national housing supply to meet existing, unmet housing demand, to the greatest extent possible in the shortest time possible, while also accommodating projected national housing demand. Factoring in existing demand together with future projected demand, will require annual average national demand for **just over 33,000 new households per annum, to be met during the period 2020 to 2031.**

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<sup>1</sup> Unmet demand is demand relating to households where there is evidence of overcrowding and evidence of 'hidden' households.



Meeting this average over the period means that there is a requirement to substantially increase national housing output from the current estimated 2020 level of 18,000-20,000 homes. This will form an essential part of Ireland's economic recovery from the Covid-19 pandemic, which has had a significant impact on national housing output, that had been on course to deliver around 24,000-26,000 new homes in 2020.

While this level of output would have had to continue to increase from 2021, it is now estimated that it will take up to two years just to recover ground lost due to the pandemic, i.e. by 2022, and up to three years to further ramp up to achieve required average levels of output, i.e. by 2025. This means targeting national housing output of 33,000 new homes per annum on average between 2020 and 2031, with output increasing to that figure no later than 2025.

### **Meeting the Challenge**

While the required increase in national housing output is significant from a 2020 perspective, there were in excess of 33,000 new homes delivered in Ireland, every year for a continuous twelve-year period from 1997-2008. In fact, there was an annual average of just over 61,000 new homes completed per annum during that time, which is almost twice the level of output now required over a similar timescale.

While it is not sought to replicate the cyclical and spatially dispersed pattern of previous periods of housing output in Ireland, the scale of delivery previously achieved does serve to indicate that it is well within the capacity of the State, Affordable Housing Bodies (AHBs) and the private sector, now also with the newly established Land Development Agency (LDA), to increase new housing supply to a sustainable level that can meet required demand.

As well as targeting an increase in national housing output to at least 33,000 new homes per annum by 2025, this will mean meeting the housing needs of more than 350,000 new households by 2030. It is critical to ensure that in meeting this challenge, the new homes to be built over the next decade are located where housing demand is greatest and where there is good accessibility to employment, education, public transport, and other services and amenities.

### **Ensuring a Sustainable Pattern of Development**

As the overarching strategic planning policy framework to guide the future pattern and form of development in Ireland, the National Planning Framework (NPF) includes objectives to achieve compact growth and more balanced regional development, with a particular focus on Ireland's five cities and regional growth drivers.



NPF objectives will be complemented and supported by the Town Centre First (TCF) policy, updated rural action plan, review of the National Development Plan (NDP) and in particular, a greater level of ambition to cut carbon emissions in the revised climate action plan, all of which are currently being brought forward by Government.

NPF objectives are also being incorporated into city and county development plans as they are reviewed, overseen by the Office of the Planning Regulator (OPR). The LDA is now active in advancing housing development on state lands and in broader regeneration projects. In addition, second round of funding to be allocated under the €2bn Urban Regeneration and Development Fund (URDF) is soon to be announced.

These and other forthcoming measures to implement the NPF, including updated planning guidelines, and the city and metropolitan area transport schemes that have been prepared by the National Transport Authority (NTA), will ensure a sustainable approach to meeting housing demand and driving regional growth. These measures will also serve to address climate and demographic change and underpin a renewed societal emphasis on place-making, local amenity and well-being, in the context of the changing nature of work.

### **Housing Supply Target Methodology at Local Authority Level**

The projected NPF population distribution forms the basis for one of the housing demand projection scenarios modelled by the ESRI, and this remains the preferred national development scenario to 2040. It is therefore important that increased housing output also aligns with the NPF scenario distribution, at local authority level.

Taking into consideration the following:-

- ESRI projected NPF scenario new household demand 2017 to 2031;
- Actual new housing delivery 2017-19;
- Existing housing demand data (homeless households, and estimated unmet demand based on Census 2016);

The projected annual average requirement to accommodate the needs of more than 33,000 new households in Ireland from 2020-31, when disaggregated to each individual local authority area, forms the basis for an annual average housing supply target to 2031. This is set out in Appendix 1 and is underpinned by new Planning Guidelines for planning authorities which accompany this circular, issued as Ministerial Guidance under Section 28 of the Planning and Development Act, *Housing Supply Target Methodology for Development Planning*.

### **Convergence between Existing Housing Output and the NPF**

Achieving projected levels of population and housing growth in accordance with the NPF will require an increase in annual average housing output in almost every local authority area in Ireland. There are however, a limited number of local authorities where recent



levels of housing supply already exceed, or are close to, annual average NPF targets. These mainly comprise 'commuter' counties adjoining Dublin, where land and house prices are generally lower than in Dublin City and Suburbs.

These local authority areas are currently meeting a proportion of the very high levels of housing demand arising in Dublin, which is not being met by new housing within the existing city and suburbs area. To facilitate convergence with the NPF development scenario, Government will enhance the alignment of public investment with NPF objectives to stimulate urban brownfield and public transport-led housing development at scale in Dublin and the other cities, including measures to encourage accelerated regional-city growth and balanced regional development, in accordance with the NPF strategy.

In the context of increasing housing supply, the importance of an early period of accelerated growth is highlighted in the NPF. In particular, the section on 'Housing Demand' (page 94) envisages an increase in new housing output to up to 35,000 homes per annum in the years to 2027, to address the deficit that had built up in the preceding years, and that this would be subject to monitoring and review.

Since the NPF was published in 2018, there have been three further years where supply has been constrained relative to demand, exacerbated by the setback arising from the Covid-19 pandemic. As implementation of NPF monitoring, the ESRI work provides a detailed review of housing demand at local authority level, which enables housing supply targets within the overall parameters of the NPF.

### **Potential Adjustment towards NPF Convergence**

In the same way that it will take several years to converge towards targeted annual average housing output nationally, at individual local authority level, convergence with targeted annual average housing output will also occur over time. It is therefore envisaged that in some local authority areas, and in particular where recent levels of annual average housing supply already exceed annual average NPF targets, such output may, in justified circumstances and within specified limitations, be considered in the years to 2026, in the overall context of convergence with NPF scenario housing projections to 2031.

Justified circumstances are that provision for such development would be sustainable i.e. serviced and public transport-accessible, and subject to limitations that such provision would not exceed the mid-point between the ESRI projected 'baseline' and NPF annual average housing demand scenarios applicable to 2026 plus up to 25%, also factoring in identified 'unmet' housing demand. This methodology is set out in the accompanying Section 28 Planning Guidelines *Housing Supply Target Methodology for Development Planning*.

Conversely, there are a greater number of local authority areas where NPF projected annual average targets significantly exceed recent levels of housing output, by a factor of 100% or more, and in excess of 200-300% in a limited number of cases. Applying similar convergence principles, it is envisaged that where annual average NPF targets significantly exceed recent levels of annual average housing output, consideration may be given to



targeting provision at not less than the mid-point between the ESRI projected 'baseline' and NPF annual average housing demand scenarios applicable, also factoring in identified 'unmet' housing demand, in the years to 2026. This is also in the overall context of convergence with NPF scenario housing projections to 2031.

### **Conclusion**

The balanced approach described above is necessary to ensure that six-year local authority planning cycles, while converging towards the preferred NPF scenario, can also reflect both capacity to increase housing delivery and actual levels of housing output on the ground. It will also be critical to meeting national housing supply targets during the next phase of activity and output, as we recover from the Covid-19 pandemic in the years to 2026.

Using the ESRI NPF annual average demand figures as the starting point, the methodology applied to each local authority area as set out in Appendix 1, provides clarity as to how annual average housing supply should be targeted to meet projected housing demand to 2031. This methodology, also taking into consideration potential adjustment towards convergence, is described in more general terms for application to six-year city and county development plans in the accompanying guidance document issued under Section 28 of the Planning and Development Act 2000.

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