



## ***Economic Outlook with some Housing Thrown in***

- **Kieran McQuinn (ESRI)**
- **Irish Council for Social Housing**
- ***Housing Finance Conference***
- **October 20<sup>th</sup> and 21<sup>st</sup> , 2016**
  - **[www.esri.ie](http://www.esri.ie)**

## **Outline**

- Overview of likely economic trends
- Outlook for 2016 and 2017
- Significant body of ESRI housing research
- Housing Issues:
  - Future Structural Demand
  - Brief discussion of recent housing research findings

## Economic growth to continue in 2016 and 2017

### **Output**

- Real GDP to grow by 4.3% in 2016 and by 3.8% in 2017
- Adjusted 2015 figures indicate GDP growth in 2015 of 5.5 per cent

### **Employment**

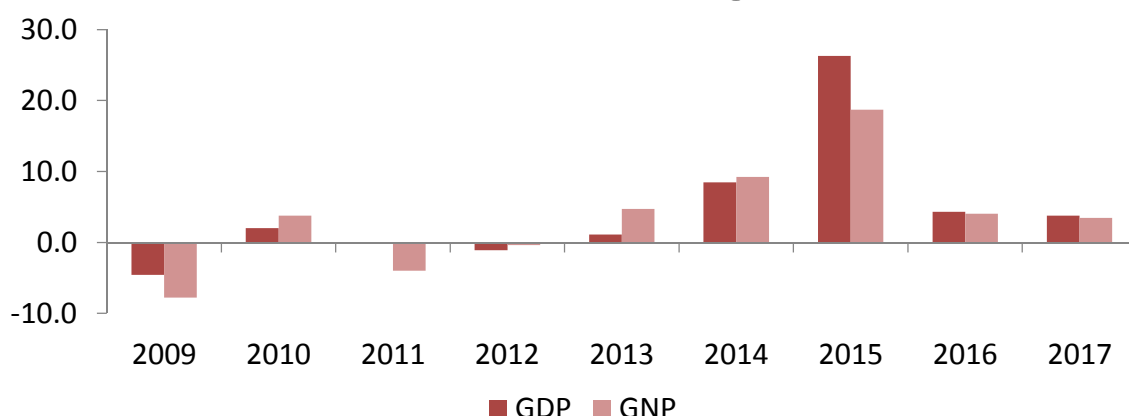
- Numbers employed to increase to an annual average of 2.043 million in 2017
- Unemployment rate below 6.8% by Q4 2017

### **Public finances**

- Growth reflected in improving state of the public finances
- 2016: 0.1%, 2017: 0.5%

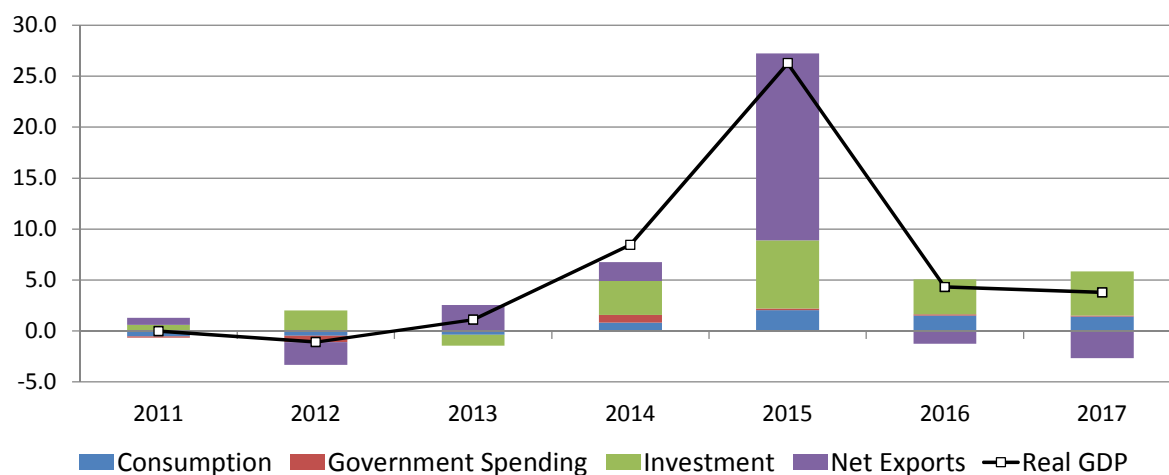
## Irish economy showing strong growth

- Revised National Accounts GDP growth





## Domestic demand accounting for growth

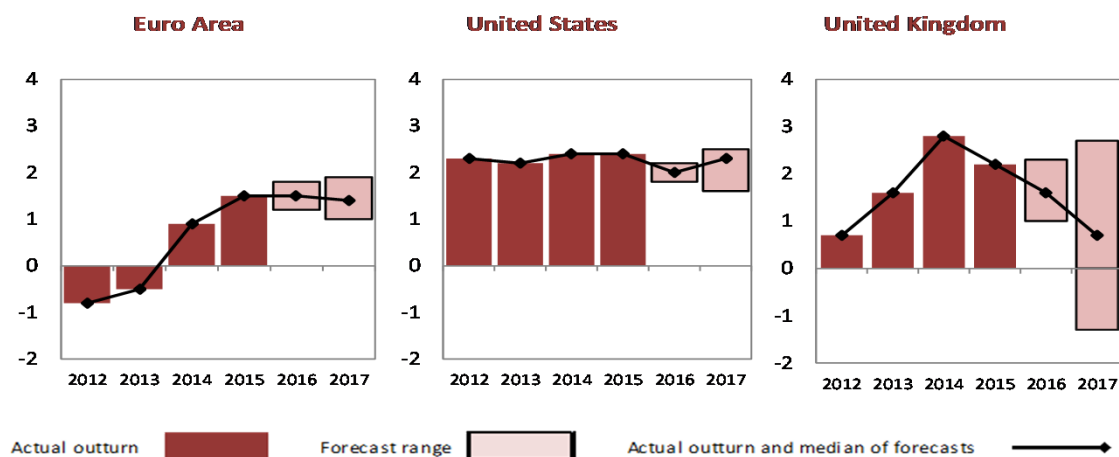


## External Environment

- Export growth of 8.3% in 2016.
- ECB maintains accommodative policy.
- Global trade uncertainty.
  - China.
- Brexit result
- Main impact on Trade
  - Currency
  - UK GDP revised down substantially for 2017
  - Lower demand for Irish exports

# External Environment

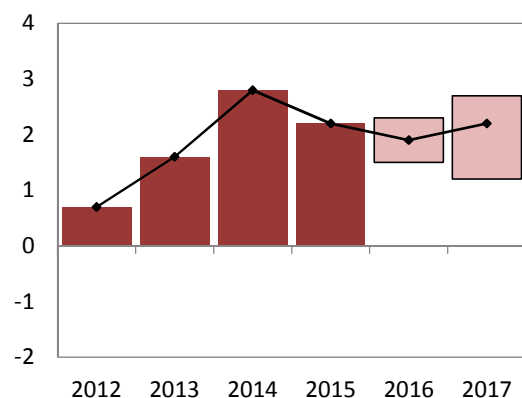
**FIGURE 1 Real GDP Growth (% Change, Year-on-Year)**



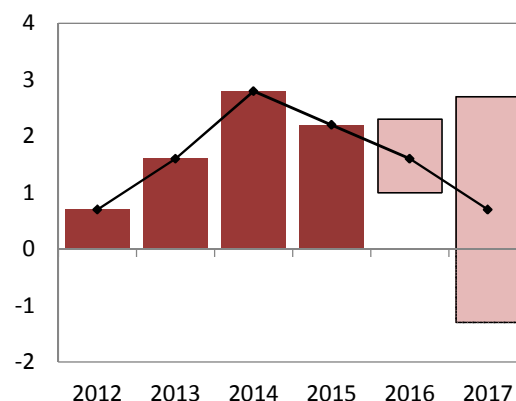
Sources: FocusEconomics, IMF, OECD, HM Treasury and Federal Reserve.

## UK GDP forecasts increased uncertainty

**Pre Brexit GDP forecast**



**Post Brexit GDP forecast**



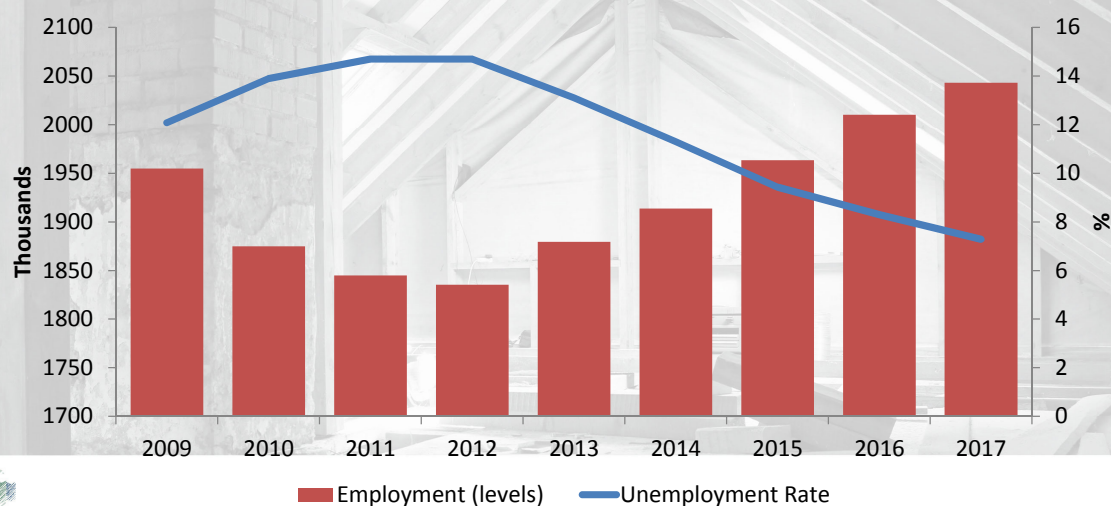
## Irish National Accounts I

- 2015 GDP growth revised to 26.3 per cent
  - Contract manufacturing
  - Intangible asset transfers.
- Important for accounts to reflect
  - What is going on in real economy
- Our approach - adjusted Output method
  - Model based estimates,
  - Depreciation, Manufacturing output and
  - Net Factor Flows

## Irish National Accounts II

- Adjusted GDP 5.5 per cent in 2015.
- Implications for
  - Debt to GDP
  - Potential GDP
  - Budgetary Stance

## Labour market



## Forecast Summary

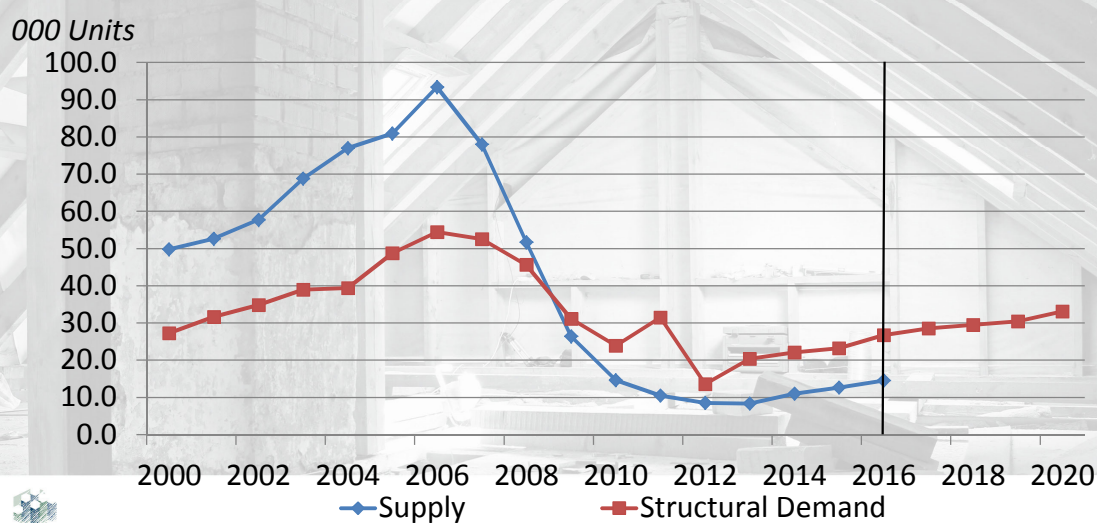
Real Annual Growth %	2014	2015	2016	2017
Consumption	1.7	4.5	4.2	4.0
Govt. Expenditure	5.4	1.2	1.0	1.0
Investment	18.2	32.7	16.2	18.6
Exports	14.4	34.4	8.3	7.6
Imports	15.3	21.7	12.1	11.9
Gross Domestic Product (GDP)	8.5	26.3	4.3	3.8
Gross National Product (GNP)	9.2	18.7	4.1	3.5



## Housing Issues

- Key problem:
  - Housing supply
- ESRI research:
  - Structural demand for housing in Ireland
- Based on
  - Demographics and household formation rates
  - Using ESRI demographic model
  - Forecast structural demand

## Comparison of Supply and Structural Demand





## Policy Measures for the Supply-Side?

- Duffy, Morley and McQuinn (2015)
  - Reviewed international literature
  - One measure which appeared to work:
  - Site tax (Danish market)
- Land values significant proportion of costs
  - Would site tax diminish speculative component?
  - Developers forced to use existing land
  - Set the tax appropriately?
  - Tax proposed for 2019 – can it be fast-tracked?

## Analysis of Macprudential Measures

- Duffy, Foley, McQuinn and McInerney (2016)
- Short run scenario
  - New mortgage lending 10 per cent lower relative to baseline.
  - Impact limited on Price and Supply
  - Expected given construction lags
- Long Run Scenario
  - Price approx 3.5 per cent lower
  - Completions 5 per cent lower per quarter.

## Macroprudential Measures – Policy?

- Scope for Counter Cyclical Dimension
- Linked to Housing Market Indicators
  - Price
  - Rent
  - Supply
- Central Bank already utilises such an approach:
  - Countercyclical Capital Buffer

## Assessment

- Economy expected to perform well
  - In both 2016 and 2017
- Growth increasingly more domestically driven
- Downside risks include
  - International trade – China, Brexit
- Housing supply poses competitiveness issues
  - Cost of accommodation particularly in Dublin



- Thank You



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# FINANCING

## ICSH HOUSING FINANCE CONFERENCE

### FOR DELIVERY & MANAGEMENT

#backedbyAIB



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ICSH



# Landscape for Delivery & Value for Money

**John O'Connor**  
Chief Executive, Housing Agency

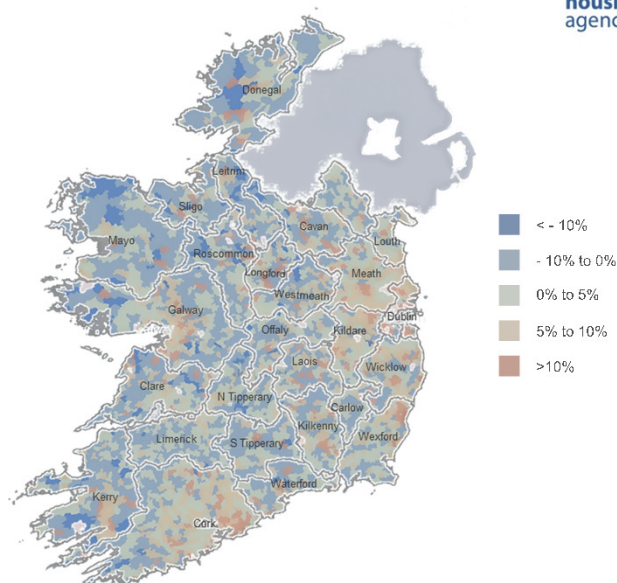
**20 October 2016**



Percentage change in population across all electoral districts in the State from Census 2011 to Census 2016

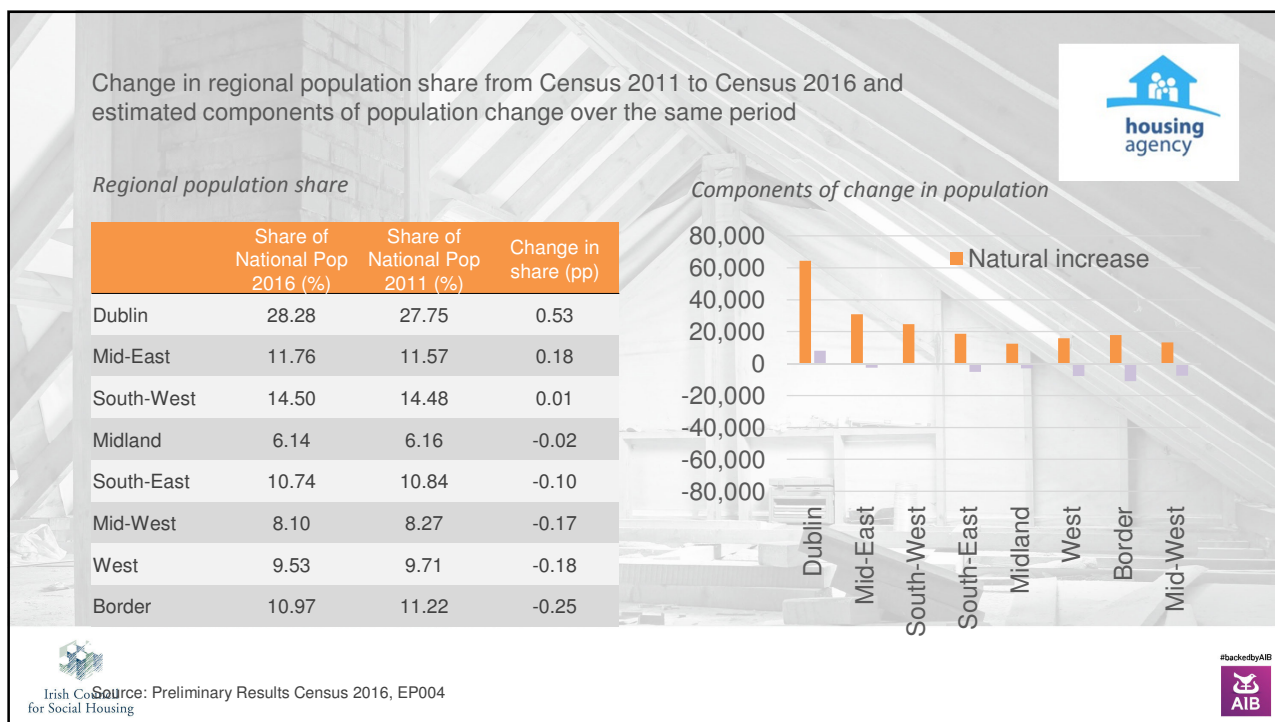


*The population change by county over the last five years illustrated Map 3.1 shows broad population growth in the east of the country and decline in parts of the midlands, counties along the border, and the west—with the exception of Cork and areas close to Galway city. This pattern is consistent with a longer-term trend decline in the share of the population living in the counties in the Border and West regions and a larger share of people living in Dublin and the Mid-East.*



Source: Preliminary Results Census 2016. Map generated in AIRO





## Number of persons per home

75% of all homes in Ireland will be for 3 people or less

- 25% will be 1 person
- 31% will be 2 person
- 19% will be 3 person

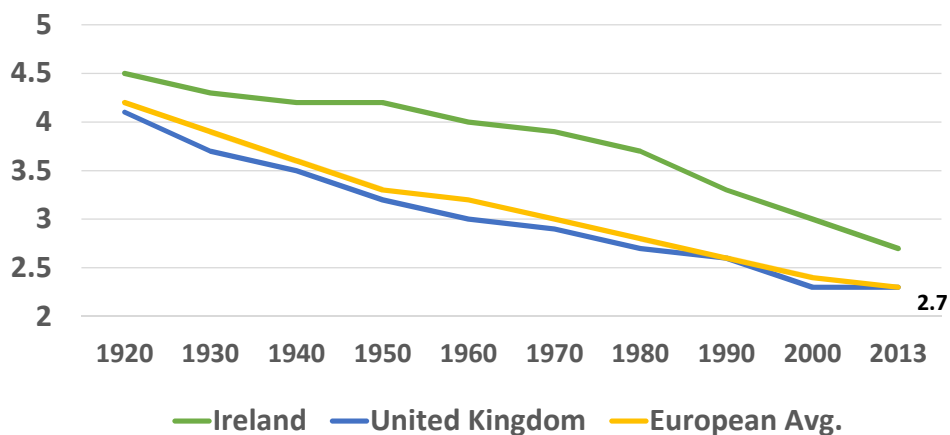
In the UK, 34% of homes have one person living in them and in the US this figure is 27%

Source: Future of Housing Supply Requirements Report 2014 – 2018, Housing Agency & Future Analytics

## Household Sizes



Household Sizes 1920-2013

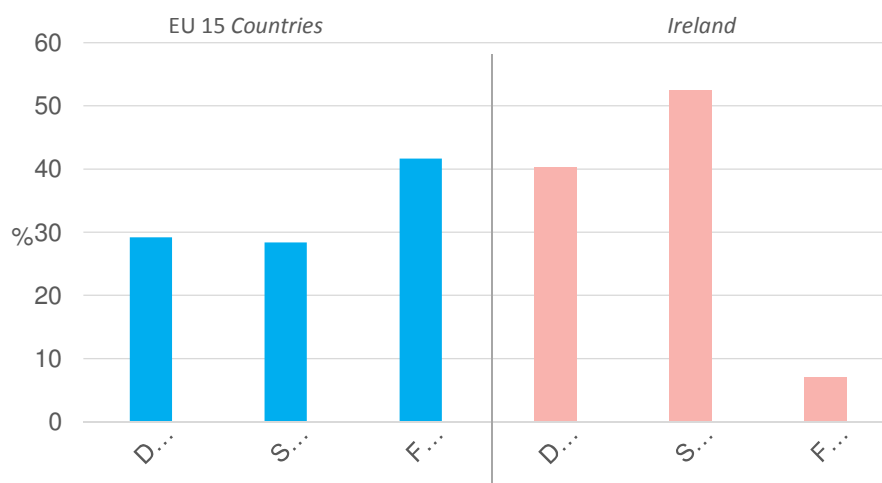


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Sources: CSO Census Data and Data from Housing Europe

[www.housing.ie](http://www.housing.ie)

The distribution of the population across dwelling type—Ireland and the weighted average across EU 15 countries



Source: Eurostat 2016, ilc\_lvh01

## Overview of the projected change in the age profile of the population, 2011 - 2021



Age Group	No of persons 2011	No of persons 2016	No of persons 2021	Change (No) 2016 – 2021	Change (%) 2016 – 2021
0-19	1,257.8	1,348.5	1,414.8	66.3	4.92
20-34	1,054.8	870.2	873.7	3.5	0.40
35-54	1,270.3	1,357.4	1,404.1	46.7	3.44
55+	992.0	1,127.9	1,294.2	166.3	14.74
Of which 75+	229.4	260.9	315.5	54.6	20.94

*The proportion of the population aged 55 years or older is forecast to be the fast growing age cohort in the coming years. The years to 2021 and beyond are likely to see strong growth in the percentage of the population aged 75 and over*

Source: CSO (2013) Population and Labour Force Projections 2016-2041, M1F1 Scenario

## Housing Agency



**“Our vision is to enable everyone to live in good quality, affordable homes in sustainable communities.”**

## Housing Agency – Delivery Services



- 1. Assessment of Funding Applications from AHBs - P & A and CALF loan**
- 2. Acquisition of properties – AHBs and LAs**
- 3. Advice & Support**
- 4. Housing People with Disabilities**



## Engagement with AHBs

- Advice on Development Proposals**
- Funding Applications**
- Co-ordination on a range of issues**
- Housing People with Disabilities**
- Mortgage to Rent**





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## Housing Procurement Unit



- Provide procurement and project management advice and support for local authorities and AHBs
- Work with local authorities and AHBs to build their capacity and expertise;
- Co-ordinate and support project development and project briefs, where requested by local authorities and AHBs;
- Provide general guidance and advice on social housing delivery

[www.housing.ie](http://www.housing.ie)

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## One Stop Shop for AHBs



- Co-ordination & Delivery Support Unit for AHBs;
- This will allow for better co-ordinated delivery under the various mechanisms across all local authority areas
- Full role to be agreed with Department in conjunction with sectoral consultation;

[www.housing.ie](http://www.housing.ie)

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## Acquisition of Properties



- €70m seed capital funding to acquire properties from banks and investment funds
- Initial acquisitions – 400 houses, with target of 1,600 by 2020
- Sell on to AHBs or local authorities in following priority: (to be decided with Department)
  - 1) AHBs with off balance sheet funding
  - 2) AHBs with HFA funding
  - 3) Local Authorities

[www.housing.ie](http://www.housing.ie)

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## Empty Homes, Research, Mortgage to Rent ...



- Work on vacant properties
- Enhanced mortgage to rent
- Continue work on Housing People with Disabilities
- Plan to set up Regulation Office on statutory basis in 2017
- Range of research work – e.g. build to rent, expenditure on traveller housing, affordability etc.

[www.housing.ie](http://www.housing.ie)

## Value for Money



# common sense

## Value for Money – Public Spending Code

In very simple terms **value for money** is achieved when you are:

- – ***doing the right thing*** – that is, spending money to achieve the right objectives, and
- – ***doing it right*** – that is, spending money as efficiently as possible, avoiding waste.

## Value for Money

In achieving Value for Money should AHBs

- A. Focus on the interests of their organisation?
- B. Focus on the interest of the people being housed?
- C. Focus on the best use of tax payers money?

## Value for Money

### Final Thoughts

- Should the AHB sector think as a whole and examine jointly the best use of the capital and current funding available?
- What is best for the future?



# Thank You



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## Landscape for Delivery & Value for Money



**Denis Ryan**

**Office of Government Procurement**

## Overview

- Background
- Procurement Process
- Using the Framework
- Questions

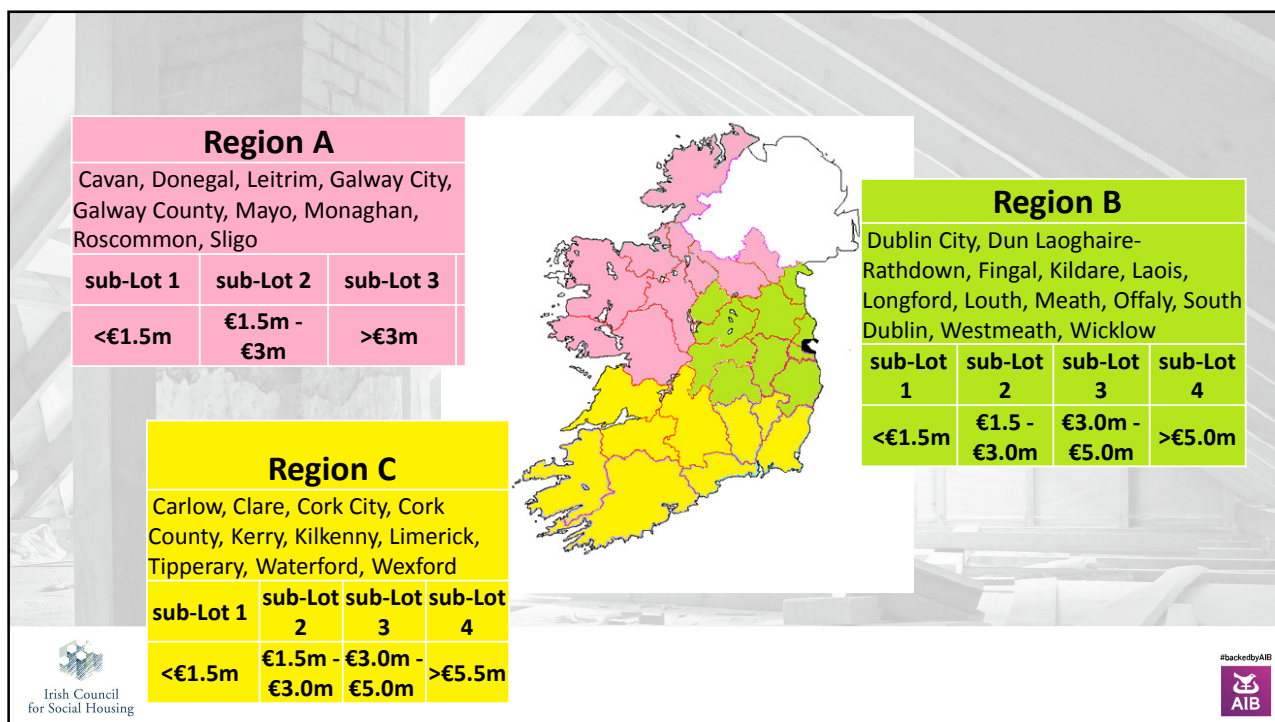
## The OGP

- **The Office of Government Procurement:**
  - launched in July 2013
  - operates as an office of the Department of Public Expenditure and Reform
- **Vision and Mission:**
  - to deliver sustainable procurement savings for the taxpayer by optimising value for money across the public service
  - Customers will have easy access to high quality procurement services that they have confidence in

## Procurement Strategy - Framework Background

- OGP's objective was to source Integrated Design Team Services to support Local Authorities and Approved Housing Bodies in the delivery of new build residential units under the Social Housing Strategy
- A procurement strategy that would ensure a supply of experienced design teams available to clients across the country when needed.





## Using the Framework Agreement

- If a Local Authority or Approved Housing Body wishes to access design team services on a particular Framework lot they must first contact the OGP
- the OGP will then run a “mini-competition” among the Framework members
- All tenders received will be sent to the Client to evaluate



## Benefits of using the Framework

- Access to highly skilled design teams
- Shorter timetable and on average the OGP can deliver a mini competition from initial contact to receipt of tenders in about 3 weeks.
- Design team fees being tendered on larger projects are delivering value for money.

## Benefits of using Framework

- For smaller AHB's without the procurement knowledge, we can help develop and deliver a procurement strategy suitable to your needs.
- The Framework is helping in the delivery of the Housing Strategy.
- The Framework is for two years with a possible extension of two more years.

## Framework users

- The following Local Authorities have used the Framework
  - ☐ Cavan County Council
  - ☐ Donegal County Council
  - ☐ Galway County Council
  - ☐ Louth County Council
  - ☐ South Dublin County Council
  - ☐ Waterford City and County Council

## Framework users

- Some AHB's that have used the Framework are:
  - ☐ Walkinstown Housing Project
  - ☐ North & East Housing Association
  - ☐ Tuath Housing Association – 3 Projects
  - ☐ Dundalk Simon Community
  - ☐ Cork Simon Community

## Feedback from a Framework user

- “This new Framework has the following key advantages:
- 
- Pre-qualified design teams having all SAQ criteria already assessed
- All framework participants’ insurances and competencies are ‘guaranteed’
- No correspondence or other interaction is required between AHB and the competing participants ahead of the return of tenders to OGP.
- Lead-in times, tender periods and the usual ‘standstill’ periods (typically 16 days) are all meaningfully reduced.
- It enables a ready pool of competent firms to be utilised”



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