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NEWS

Many first-time buyers will be frozen out of purchasing new apartments

A *Business Post* analysis has revealed that apartment costs are set to rise far beyond the mortgage-borrowing ability of many prospective new homeowners

BY KILLIAN WOODS

The majority of first-time buyers are likely to be frozen out of Dublin's booming new-build apartment market in the coming years, the *Business Post* can reveal.

Apartment costs are set to rise well beyond the mortgage-borrowing capability of many typical first-time buyers, according to a detailed analysis by this newspaper of more than 26,000 apartments due to be built in the capital within the next seven years.

The average new-build two-bed apartment in Dublin county is likely to cost more than €407,000. The average new-build three-bed apartment is likely to be priced at €430,000.

Three-quarters of the 26,000 apartments analysed by the *Business Post* will be built in central Dublin and Dún Laoghaire-Rathdown, where prices are significantly higher than the average.

The research showed an average new-build two-bed apartment in central Dublin will cost €455,071, which would require first-time buyers to earn a total household salary of €117,000.

Meanwhile, a two-bed in Dún Laoghaire-Rathdown will cost €428,251, requiring a salary of €110,000.

Existing data shows second-hand, one-bed apartments are available in Dublin for €228,560 and a two-bed for €260,000, with fewer than 1,500 apartments for sale on the market right now.

New-build apartments are expected to make up the majority of the market within two years, according to real estate agents sources, which is predicted to drive up the cost of apartments.

The information on new-build apartment prices was gathered from documentation that was supplied by developers to An Bord Pleanála.

The dataset encompasses the likely costs of 26,000 apartments due to be built in Dublin that will be delivered within the next two to seven years.

Based on the findings, typical first-time buyers will not be able to afford new-build two-bed apartments in Dublin. Nearly half of first-time buyers could also struggle to afford new-build one-bed apartments in the city.

Mortgage rules set by the Central Bank restrict people from borrowing more than 3.5 times their household income. First-time buyers must also provide a 10 per cent deposit.

A couple would require a combined salary of €104,000 to buy an average two-bed apartment, and €110,000 to buy a three-bed apartment.

In central Dublin, first-time buyers will probably need to earn a total household salary of €117,000 to afford a new-build two-bed apartment. A two-bed in Dún Laoghaire-Rathdown will likely require a salary of €110,000. Based on data published by the Central Statistics Office, only 14 per cent of Irish households earn in excess of €100,000.

According to the Central Bank, the combined average income of first-time buyers seeking to buy in Dublin in quarter two of 2020 was €89,000. However, households in private rented accommodation, the cohort typically looking to buy a home, earn on average €49,908.

The average first-time buyer will only be in a position to buy studio and one-bed apartments.



Apartment in Grand Canal Dock in Dublin, where prices are steadily rising
Fergal Phillips

The likely average cost of a new-build one-bed apartment will cost €293,000, requiring a salary of €75,000. A new-build studio will cost on average €234,000, which would require a salary of €60,000.

Two-thirds of Irish households will only be able to afford a studio apartment in South Dublin County Council's area, or a one-bed in Fingal. All other types of apartments will be outside their budget.

The data on prices of three-bed units varies due to a very small sample size. Three-bed apartments make up only about 2 per cent of the overall apartment stock due to be delivered in the next several years, with the costs of three-beds ranging from €320,000 to

€791,000. Policies to promote apartment development have been put in place by the government to incentivise the construction of more high density residential complexes. In response to the policy changes, the number of approved planning permissions for apartments increased from 29,000 to 45,000 in 2020.

Lorcan Sirr, a senior lecturer in housing at Technological University Dublin, said contradictory housing policy has facilitated the surge in apartment prices.

"Government policy is trying to encourage densification and confusing that with having to build apartments. On the other hand,

policy has made them so expensive and lowered the quality, so no one wants to live in them. What we're doing is doubling down and forcing people out to commuter counties

“An entire generation, with good jobs and decent incomes, is getting locked out of home ownership”

where they can buy an affordable house.

"We have a national planning framework that wants to limit people moving out to commuter counties and limit commuting, which is good. But the other arm of the department is facilitating the development of expensive apartments, that will likely have to move to the rental sector."

Mel Reynolds, architect and housing expert, said the country needed to embrace apartment living and focus on densification, but that can only be achieved by presenting buyers and renters with affordable options.

"There are a whole range of high density, low-rise types of devel-

opments out there that could be developed instead of medium- and high-rise apartments," he said.

"The average house size is 158 square metres in Ireland, which is way bigger than we need. At the same time, what's presented as an option to solve the shortage is bedsits to make it affordable. We need to broaden the debate of what housing is needed."

Eoin Ó Broin, Sinn Féin's spokesman on housing, said the figures confirm that the private sector model of residential development is "broken".

"It cannot deliver genuinely affordable homes in Dublin at prices even well-paid working people can afford," he said.

"We urgently need a government-backed independent investigation into the all in cost of delivery of residential homes in both the public and private sector." Cian O'Callaghan, the Social Democrats TD, said the price of new apartments in Dublin were "completely out of reach for most people".

"An entire generation with good jobs and decent incomes are getting locked out of home ownership," he said.

"This is a broken housing system where the returns of large investment funds are prioritised over the housing needs and aspirations of people who have not been able to buy a home."

Dublin-based apartments sold to funds in recent years have entered the market charging between €1,700 to €4,000 a month to rent. Several new build-to-rent complexes have also experienced prolonged vacancy issues.

The *Business Post's* analysis of new-build apartments gathered data for every Part V, social housing agreement, presented by developers to Dublin's four local authorities.

The prices that councils pay for Part V units is expected to closely represent the final market price of apartments.
See Post Plus

No indoor gatherings of over 50 until September, events industry is warned

FROM PAGE 1

will be developed that allow mass gatherings to be made safe, but they do not exist at present."

The government is revising its Living With Covid five-level framework document ahead of a relaunch of the state's Covid-19 suppression strategy at the end of February.

Last week, Taoiseach Micheál Martin indicated that current restrictions would largely remain in place until the Easter period, and possibly beyond depending on the epidemiology of the disease. However, even a small relaxation of restrictions on March 5 is causing nervousness in government buildings.

The new Living with Covid

plan will retain the same "level one to level five" system that is in the current plan, but will set out a new date for the continuation of the current restrictions until at least mid-April.

The government is having discussions about whether the 5km travel limit should be eased once the current phase of restrictions end on March 5. There have been suggestions that it could be increased to 10km, but there are fears in government that this could encourage people to go much further.

"If you do 5km, people will do 8km. If you say 10km, people will do 15km or 20km," one government source said. There could be some easing of the current restrictions banning all gatherings outside people's home or gardens, which have been in place since the start of last month.

"You could have socialising like that within the 5km limit," another government source said.

The priority for the government in the new plan is getting Leaving Cert students back to school by February 22 and then a phased return of all

primary and secondary students by the middle of March.

Separately, Varadkar told the *Business Post* that a phased re-opening of construction could start in March.

"It is hoped that we can re-open construction on a phased basis in the month of March. It's an important sector that has a good safety record, employs a lot of people and builds essential infrastructure that we desperately need more of, like housing. However, this can only be possible if the epidemiological situation and public health advice permits it," he said.

The state is also putting in place plans for an overhaul of its public health response, to help better suppress the virus whenever society does begin to reopen.

According to Niamh O'Beirne, national lead for testing and tracing with the HSE, plans to begin widespread Covid-19 source investigations and deploy rapid antigen tests in outbreak settings are being put in place for the next phase of the pandemic, once cases are brought low enough.

The plans, which are subject to approval by the National Public Health Emergency Team (Nphet), are part of changes to the test and trace system in anticipation of what is hoped to be the final phase of virus suppression while the public is vaccinated.

Source investigation is the detailed tracing back of a positive case's history to try and identify where the virus was acquired.

O'Beirne said a study carried out in the mid-west at the end of last year on source investigation found it was a lengthy phone exercise that was too labour-intensive for when daily cases were high.

She said that rapid antigen tests, which are being used in some acute hospital settings, would begin to be deployed in some outbreak settings.

She also said it was still very important that such tests, which can provide a result in half an hour, were carried out by healthcare professionals.

"We are training now at the moment in dual swabbing so that if you go to an outbreak setting, you can do PCR and antigen at the same time. That

is something we will roll out for outbreak settings.

A major ramping-up of the state's gene sequencing programme is also part of plans to both identify new variants coming into the country and to give exceptionally detailed data on outbreaks as they occur in real time, which would in turn allow the response to be more targeted.

Speaking to the *Business Post*, Cillian De Gascun, director of the National Virus Reference laboratory and chair of the Nphet Covid-19 expert group, said the expansion of the gene sequencing programme could provide new data on the pandemic.

From a baseline of sequencing between 150 and 300 samples a week, labs across Ireland are due to be expanded to allow for at least 1,200 samples a week to be sequenced.

While this would mean being able to sequence at least 10 per cent of infections when cases are high, it would ultimately mean every positive Covid-19 test could be sent for sequencing once cases are below 200 a day.

Full analysis: pages 12-14

Food magnates' firm told to remove Covid-10 claims

FROM PAGE 1

"We are aware of this company and the stockists of the product, and we are following up directly with them," the spokeswoman said. "It is not permitted to make medicinal claims on food products including food supplements. Also, any nutrition or health claims must be authorised for use and comply with the regulations."

A spokesman for the HPRAsaid it was following up with the company to "ensure that any medicinal claims are removed".

When asked to clarify if VirALL can "inactivate" and "kill" Covid-19, a spokeswoman for VirAll said its ingredients have been effective against coronavirus 229E, and claimed SARS-CoV-2, also known as Covid-19, is similar to coronavirus 229E.

When asked a second time to clarify if the founders believe that VirALL is a cure for Covid-19, the spokeswoman

said: "VirALL Healthcare does not claim, nor ever did claim, that VirALL kills or inactivates Sars-CoV-2, the virus that causes Covid-19. VirALL is a food supplement that supports the immune system. . . . While VirALL is not a cure for Covid-19, VirALL Healthcare is committed to substantial investment in the on-going clinical research programme that will inform the further development and approved claims relating to the product."

Last week, the company's website claimed VirALL was available in "any leading pharmacy or health store". However, the product is not available in retail chains such as Boots, Holland & Barrett and Total-health Pharmacy.

As recently as last Thursday, VirALL was listed as available to order online through the McCauley pharmacy chain. A 500ml bottle of the product was priced at €50. By Friday morning, however, the product had been delisted from the McCauley online store.

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Post Plus

Dublin's planners are approving thousands of new apartments in the capital. But are first time buyers prepared to embrace high-density living, and more importantly, can they afford the prices developers are set to charge?

Does apartment living stack up?



By Killian Woods

Sean Murphy is a mortgage broker. He spends a lot of his working day talking to first-time buyers. But before he gets stuck into discussing the paperwork with wannabe homeowners, he likes to ask them a simple question.

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The projected costs of large-scale apartment complexes due to be built in Dublin City Council's jurisdiction in the coming years

“People are telling me: ‘I want a dog, I want a garden and I want to get out of here’, by which they mean, to get out of their apartment and to buy a house”

FROM PAGE 1

“What’s the plan? That’s the first question I have for them. And right now, people are telling me: ‘I want a dog, I want a garden and I want to get out of here’,” Murphy said.

“When I say ‘here’, I don’t necessarily mean Dublin, although there’s definitely an appetite for homes further afield. What they mean is they want to get out of their apartment and buy a house.”

Murphy is chief executive of Simpler.ie, a mortgage broker firm he set up in 2018 that specialises in dealing with first-time buyers. Last week, for the first time in a year, he processed a loan for an apartment.

“It’s just not something that people seem to want to buy,” he said. But that’s not what the government, or Dublin’s city planners, want to hear.

The state has incentivised the development of apartments over the past several years. The high-density accommodation is considered to have a significant role to play in helping to solve the shortage of housing and spiralling affordability crisis.

Last month, John O’Hara, the most senior city planner in Dublin, said the new city development plan covering 2022 to 2028 would aim to encourage more apartment developments.

“Close to the city centre, we have one-storey cottages. We need to almost compensate for that going forward to get quality density, and we need to be moving towards 100 units per hectare and above,” O’Hara said.

One hundred units to the hectare mean one thing: medium- and high-rise apartment blocks. The new city development plan will encourage developers to build more of these and there is already a stockpile of such projects approved and ready to go.

In 2019, there were existing planning permissions for 29,106 apartments in Dublin. By the end of the second quarter last year, this number had increased to 45,688.

The government and Dublin’s local authorities are hoping this wave of new stock will begin to address the acute shortage of housing in the capital. And they want a generation of buyers to embrace apartment living as a long-term housing solution.

But the difficulty is, as Murphy’s experience shows, many first-time buyers don’t consider apartment living as a long-term accommodation option. And even if they do, a *Business Post* analysis would suggest that very few

will be able to afford the very apartments being built with them in mind.

Apartment living is a staple of most large European cities. Eurostat data published in 2018 showed that 46 per cent of people in the EU lived in them at that time. A third lived in detached houses and one-fifth in semi-detached houses.

Ireland, however, bucked the trend significantly. Here, 52 per cent of people lived in a semi-detached house in 2018. The only other member state with a higher figure was the Netherlands at 58 per cent. Apartment living here was also well off the European average, with only 7.8 per cent of people living in such units – the lowest rate in Europe, although separate data from the Central Statistics Office put this figure at 12 per cent in 2016.

The European way

Lorcan Sirr, a senior lecturer in housing at Technological University Dublin (TU Dublin), said that when assessing the rate of apartment living in Ireland, it is more appropriate to benchmark urban locations like Dublin with other European cities. On that basis, apartments accounted for 35.2 per cent of all housing stock in Dublin city in 2016, according to the CSO.

As Dublin’s population expands, an increase in the number of such units is considered a key part of the housing solution. Dublin City Council has projected that the capital’s population will

rise by between 58,000 and 70,000 by 2026. Further into the future, the United Nations has also forecast that Dublin will be the fastest-growing capital city in Europe between 2020 and 2035.

Despite the existing scenario, O’Hara said he could sense a greater shift towards apartments in the mindset of buyers, but he added that it was important to get the model right. “For example, we need to get storage right, so people have space for prams or whatever,” he said.

“The development plan will be encouraging more attractive apartments, because there’s absolutely no point in having a vision for the city if it’s not an attractive place to live, work and go out in during the evening.

“It’s just unfortunate that when apartment standards come out, it tends to be the minimum standards that are applied by the developer community. It’s very hard to increase that standard.”

The standard of apartments, the smaller living space and storage areas, is a significant issue for first-time buyers, but it is not the only one.

Even if they wanted to live long-term in the 45,000 new apartments due to be built, most are unlikely to be able to afford to buy them.

Mortgage rules set by the Central Bank restrict people from borrowing more than 3.5 times their household income. First-time buyers must also

“It’s just unfortunate that when apartment standards come out, it tends to be the minimum standards that are applied by developers”

provide a 10 per cent deposit.

The *Business Post* has analysed the expected costs of more than 26,000 apartments across 90 residential developments in Dublin. The units are all in the process of being built and should be ready for sale in the next two to seven years.

The analysis shows most of the units are aimed at the high-end of the market, and the indicative prices could be too high for many typical first-time homehunters.

The research (see panel) found that the average price of a new-build two-bed apartment in Dublin is likely to be €407,383, while a new-build one-bed

will likely cost €292,922 on average.

While existing data shows second-hand, one-bed apartments are available in Dublin for €228,560 and a two-bed for €260,000, there is a very limited supply of these units at lower price points.

The *Business Post*’s analysis also shows the projected variations in prices of new build apartments between regions of the city. The 12,000 units due to be built in central Dublin and 7,000 in Dún Laoghaire-Rathdown will cost the most.

An average two-bed apartment in Dublin City Council’s area is projected to cost €455,071, while a two-bed in Dún Laoghaire-Rathdown is likely to be priced at €428,251. A one-bed in each locality is predicted to cost €332,124 and €293,694 respectively.

A couple, or single buyer, who wants to buy an average priced two-bedroom apartment in central Dublin without any other financial assistance would need a combined total yearly salary of €117,000. To buy a similar apartment in Dún Laoghaire-Rathdown, they would need to earn €110,000.

Based on data published by the Central Statistics Office (CSO), only 14 per cent of Irish households earn in excess of €100,000. This figure represents all households in Ireland, but not all households are first-time buyers and many of those earning in excess of

€100,000 already own their home.

CSO data also shows that nearly two thirds of all Irish households had a gross income of less than €60,000. Households in rented accommodation, a cohort of people largely made up of first-time buyers, earn €49,908 on average.

Renters on the average wage in Ireland are already frozen out of the home market, but even the average first-time buyer at present would be priced out of buying family-sized apartments in Dublin.

According to the Central Bank, the combined average income of first-time buyers seeking to buy in the capital in the second quarter of 2020 was €89,109. This suggests they will only be eligible to buy a studio or one-bed apartment.

The 5,000 apartments in South Dublin County Council’s region and 1,200 apartments in Fingal are likely to be cheaper, but will only be in the price range of households earning well above the average salary even allowing for wage inflation.

In South Dublin County Council’s area, one-bed apartments are projected to cost €255,212, while a two-bed will cost €343,105. In Fingal, the price for a one-bed will be €176,223 and two-bed €300,677.

The data on prices of three-bed units varies drastically, due to a very small sample size. Three-bed apartments make up only about 2 per cent of the overall apartment stock due to be delivered in the next several years.

Glenveagh, the stock market-listed housebuilder, has estimated that three-bed apartments in its development on Sheriff Street would cost more than €791,000. Meanwhile, Chartered Land, the development firm controlled by Joe O’Reilly, has quoted a price of €455,703 for three-bed apartments.

In Dún Laoghaire-Rathdown, Ires Reit, the largest landlord in the state, has quoted a price of €681,185 for three-beds, but the vast majority of developers building three-bed apartments predict the units will cost between €310,000 and €500,000.

A significant number of other apartments due to be delivered in Dublin will fall into the studio category. Average prices for a studio are likely to cost €280,500 in Dún Laoghaire-Rathdown, €239,654 in central Dublin and €173,749 in South Dublin County Council.

That means two-thirds of Irish households will only be in a position to afford a studio apartment in South Dublin County Council’s area, or a one-bed in Fingal. All other types of apartments will be outside their budget unless they have other funds.

Squeezing in more units

One particular government initiative is the reason why the number of apartments due to be built in Dublin has risen from 29,000 to 45,000.

Design standards for these units were changed in 2018 and the guidelines have helped developers squeeze



Projected costs of apartments by area

Dublin City Council

Studio: €239,654 (salary required for mortgage: €61,625.23)

One-bed: €332,124 (salary required for mortgage: €85,403.42)

Two-bed: €455,071 (salary required for mortgage: €117,018.22)

Three-bed: €385,337 (salary required for mortgage: €99,086.91)

Dún Laoghaire-Rathdown

Studio: €280,500 (salary required for mortgage: €72,128.57)

One-bed: €293,694 (salary required for mortgage: €75,521.31)

Two-bed: €428,251 (salary required for mortgage: €110,121.59)

Three-bed: €470,123 (salary required for mortgage: €120,888.84)

South Dublin County Council

Studio: €173,749 (salary required for mortgage: €44,678.36)

One-bed: €255,212 (salary required for mortgage: €65,625.94)

Two-bed: €343,105 (salary required for mortgage: €88,227.10)

Three-bed: €404,601 (salary required for mortgage: €104,040.28)

Fingal County Council

Studio: N/A

One-bed: €176,223 (salary required for mortgage: €45,314.47)

Two-bed: €300,677 (salary required for mortgage: €77,317.06)

Three-bed: €332,788 (salary required for mortgage: €85,574.11)

“Ireland doesn’t have the European apartment living model where you have proper space and storage”



Rebecca Lee bought a two-bed house in Bray after finding herself outpriced on new apartments
Fergal Phillips

more apartments into complexes and cut the cost of building.

In build-to-sell apartment developments, up to half of a complex can now be made up of one-bed and studio apartments and there is no minimum requirement for three-bed units. The minimum size of a studio unit was also reduced from 40 square metres to 37 square metres.

The new guidelines also enable developers to make cost savings on car parking. Car parks are a very expensive element of apartment blocks, but the requirement for them has been substantially reduced or wholly eliminated in some urban locations.

Previous research by the Business Post showed that following the implementation of the new design standards in 2018, the average size of new apartments is set to drop dramatically over the next decade.

The average sized apartment completed in Dublin in 2019 was 85.42 square metres and 90.52 square metres in 2018, according to data compiled by Passive House Plus magazine. A Business Post analysis of more than 10,000 new apartments due to be constructed showed the average unit will drop to 75.08 square metres.

The new apartments being built might be smaller, but developers argue these homes will provide high-quality living.

The majority of apartment blocks analysed show there will be amenities associated with luxury accommodation. There will be free gym facilities in many complexes, co-working spaces, cinema rooms and concierge facilities. But will this sway first-time buyers' sentiment?

First-time buyers' opinions

The Business Post surveyed two dozen first-time buyers for their opinions on apartment living, and whether they would consider buying one instead of a house. (While some agreed to their full names being used, others asked that we just use their first names.)

Nicole Casey, who works in finance in Dublin, recently bought her own house after moving home to save for a mortgage. She said she couldn't rationalise buying an apartment that cost more than a house.

"If you have €700,000 or even €400,000 to drop on an apartment, you could buy a place out near the coast in Portmarnock or Malahide instead," Casey said. "The prices for the new apartments don't add up. There are plans to build these homes, but who can afford to live in them at those prices?"

Several respondents said they looked into buying apartments, but they all eventually bought houses. Only one first-time buyer interviewed said they bought an apartment.

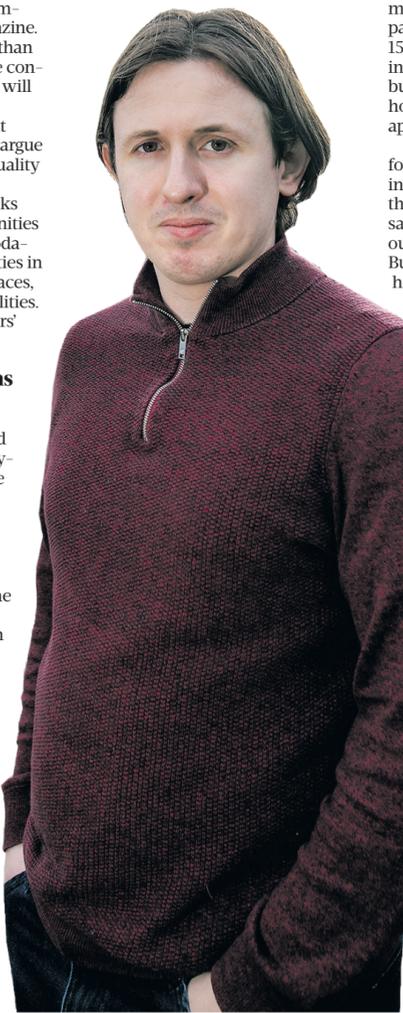
One first-time buyer who thoroughly scoped out the apart-

ment market was Rebecca Lee, who works in communications and journalism. She was buying on her own, and wanted to live close to her family in Dun Laoghaire.

"I have viewed apartments in Dún Laoghaire, Shankill, Cabinteely, Ballybrack and more recently Bray. After being outbid on at least seven second-hand apartments and finding myself outpriced for a new one, I was



Whenever we have a duplex to sell, we tell the owner it could be a little bit slower



Sean Murphy mortgage broker
Fergal Phillips

exhausted and decided to look further afield," she said.

"I enquired about two new two-bed apartments, one in Cherrywood and the other in Leopardstown. One would have cost €420,000, the other €430,000. In the end, I went for a two-bed house in Bray."

The price point prevented Lee buying an apartment in South County Dublin. But even if prices were lower, it wouldn't make much of a difference for many first-time buyers, according to Tony Deane, co-founder of Moovingo, the digital estate agency.

He said Irish clients were typically uninterested in apartments, and aren't keen on duplexes either.

"Whenever we have a duplex to sell, we tell the owner it could be a little bit slower. Foreign buyers from eastern Europe, or places like Barcelona, grew up in apartments and it doesn't faze them to live there, but Irish clients aren't as interested," Deane said.

Faye, who works as a TV producer, moved into her new house with her partner at Christmas after renting for 15 years. She said the state was pushing people towards apartment living, but no one was asking prospective homeowners if they wanted to live in apartments.

"Apartment living is being pushed forward as an option, but they're trying to sell it for the same price. It's like they're selling this European ideal and saying: 'We need to relinquish all of our ideas about needing to have land.' But really, you're selling us a small home for the same price as a house, if not more."

The lack of living space and storage space in apartments is referenced by most first-time buyers who spoke to the Business Post as a deterrent to apartment living.

Shane O'Leary, an advertising executive, is looking to buy a house with his wife in south Dublin. He has lived in an apartment for seven years, and wants the extra space for a home office.

"Given the pandemic we're living through, and the fact it's likely we will be working from home indefinitely, we need the extra space of having a home office," he said. "At the moment, for work, we're sitting across the kitchen table from each other every day."

Niamh, who works in marketing, also never considered an apartment as a long-term option due to the lack of space. She has lived in many apartments, but recently bought a two-bed terraced house in Rathfarnham.

"Any apartment I've lived in



John O'Hara, senior city planner, Dublin City Council: the new city development plan for 2022-2028 would aim to encourage more apartment developments
Fergal Phillips

never had proper wardrobes or even a storage room," she said. "They were just so poorly laid out. Ireland doesn't have the European apartment living model where you have proper space and storage."

The location of apartments in Dublin's commuter belt was also noted as a negative for several first-time buyers. Mick Byrne, who works in academia, recently bought a house in north Co Wicklow. He was very tempted to buy an apartment due to the price, but the locations of the ones he looked at were not ideal.

"I've lived in other European countries and I think there are advantages to living in an apartment, but what it came down to was that the apartments tended to be in worse locations. They were outside the town and not within walking distance of public transport in the towns."

Aside from the typical gripes about space and price, there are other cultural reasons why people in Ireland don't take to apartments as long-term accommodation, according to Lorcan Sirr of TU Dublin.

"One is the legacy of poor construction," he said. "We've also lowered the standards and made them smaller. The way a lot of apartment properties are run is also why people in Ireland don't like apartment living."

"If you become an apartment owner, you're involved in an owner management company. But if you're a renter, you're at the mercy of the owner management company."

He said improved standards were required. "Ensuring they are well-built and managed is also important. If we don't do these things, then people will very understandably flee to where they can get decent accommodation. And that is what they have been doing," he said.

"Lowering standards at the same time as trying to promote apartment living are two contradictory positions to hold. Dublin City Council and the Department of Housing need to decide if they are on the side of potential apartment inhabitants, or potential apartment investors."

Foreign buyers

The new-build, expensive apartments may be unaffordable for many typical first-time buyers in Ireland, but one potential market for these units could be foreign buyers.

A large number of this cohort work in Dublin's docklands, and earn six-figure salaries at firms such as Google, Facebook and TikTok. They would be able to afford the homes.

A recent report by Owen Reilly, the estate agent, said many of its European clients renting in Dublin for several years now considered the city home

The numbers

€117,000

salary required to buy two-bed Dublin city apartment

14%

share of Irish households that earn €100,000+ a year

€89,109

combined average income of first-time buyer

45,000+

approved permissions for Dublin apartments

and are keen to buy. The document also noted there was an increase in transactions by buyers from Britain and the Middle East

Such an increase in demand, however, is unlikely to account for much of the apartment supply due to be delivered. This could mean a lot of the apartments are sold to funds in bulk, according to Sirr.

"In 2019, 95 per cent of all apartments were sold to funds. Basing it on that alone, most of the new ones will probably be sold into the build-to-rent sector."

Apartments in new medium- and high-rise developments have proved tricky to lease on the rental market in recent years. Apartments in city centre blocks such as Capital Dock, Hanover Quay and Quayside Quarter have entered the market at rents between €1,700 and €4,000 a month.

Real estate commentators have argued that a new flow of rental properties to the market would result in rent falling. But many new apartment complexes in Dublin have not cut rents despite being largely vacant and sitting on the market for several years.

Orla Hegarty, an assistant professor in UCD's School of Architecture, said the build-to-rent model, which arrived in Dublin in recent years, has benchmarked new apartment prices

on the basis of the return on 40 to 60 years of market rent, rather than the basis of a 20-30 year mortgage.

"Effectively, this can double the value of the apartment as a property asset," she said.

"These prices are now baked into the development model and land purchase price, so any increase in supply is very unlikely to make these homes any more affordable. Traditionally, the new build market was set by the borrowing ability of first-time buyers, paid down over their working life. This is no longer the case, and the expectation now is for them to pay more for less, and to pay it throughout their lives, even in retirement."

She added that sprawl was previously driven by the pull of lower prices and more space in the commuter belt, and this may now be accelerated by the push of high-price, high-rise in the city, that is affordable to very few.

The high cost of Dublin's new apartment supply is, for now at least, the main deterrent putting many first-time buyers off these homes. But policy-makers and planners like O'Hara in Dublin City Council are still adamant that homeowners will need to embrace apartment living in the future.

Mel Reynolds, an architect and housing expert, said there is a need for more dense cities and apartment living needs to be embraced, but buyers and renters need to be presented with affordable options.

He added that dense developments can be achieved at an affordable cost to first-time buyers.

"Since there are so many vested interests involved in construction, the debate is polarised," he said. "Either you have to go up 40 storeys, or alternately we need to go for low-rise sprawl. That's not the case at all."

"The average house size is 158 square metres in Ireland, which is way bigger than we need. At the same time, what's presented as an option is bedsits to make it affordable. We need to broaden the debate of what housing is needed."

"The Goldsmith Street project, a new award-winning housing project in London, looks like properties in Stonebatter, but it's really high density. There's a whole range of high-density, low-rise types of developments out there that can be affordable."

Price and location

The only first-time buyer who spoke to the Business Post who was ready to embrace apartment living was Caitleen Desetti. She is currently sale agreed on an apartment in Rathfarnham, Dublin 14.

Desetti viewed houses and apartments all over the southside of the city and after a long search, has opted for a two-bedroom unit, but it's not necessarily what she wants to buy.

"Initially, we really wanted a three-bed house," she said. "We would still prefer a house to an apartment because we would like a garden to sit outside in, or for a dog. Unfortunately, we just couldn't afford a house in a location we wanted or in a decent condition."

"The apartment we are buying still needs to be fixed up, but the houses in the same price range were in really bad shape. The one appeal of this apartment over a house was the location, and it's close to shops and amenities."

Price and location sealed the deal for Desetti in the end. Sean Murphy, the mortgage broker, said that more buyers would opt for apartments if the price point was right, but that it many instances, this was not the case.

"In fact, I'm trying to buy myself at the moment, and I know I don't want an apartment," he said. "My wife is from Russia and has lived in an apartment for most of her life, so she thought we might buy an apartment. Then the pandemic hit."

"Last summer, we spent a lot of time sitting in the garden, getting the limited bit of sun we could. Now, the idea that we would buy a home without a garden is unthinkable."

Apartment cost research: the methodology

Based on planning permissions and active sites, Dublin's apartment market is about to hit record heights in the coming years if developers proceed to build the tens of thousands of new apartments granted planning permission.

Research by the Business Post has outlined the projected costs of 26,000 apartments that are expected to come onto the market in the next two to seven years.

The apartment costs quoted are based on information supplied to Dublin's four local authorities for 90 apartment developments that outlined the exact costs of building each unit.

The prices referenced in this research include the cost of land at existing use value, construction costs, including builder profit, development costs such as fees, charges, surveys, finance and Vat at 13.5 per cent.

When developers first submit plans to build housing, they have to agree to sell or lease a set number of the homes to the council for social housing. Developers' documentation must include a breakdown of what each housing unit will cost to acquire or lease. The local authority then agrees with the developers to enter a Part V agreement.

The price a local authority is charged for these units is a very close indicator of final market price. Part V homes provided to councils are only sold at a slight discount.

These prices charged for Part V units provide useful insight into what private market prices for apartments will be in the next two to seven years, according to an agent at a top Irish real estate firm. "The apartments certainly won't be priced lower than they're being sold to the state," he said.

Landlords adopt 'incentivised' rents amid warnings of market distortion

A *Business Post* investigation has found that large landlords and estate agents are using incentivised rates that can mask a decline in rents, and potentially circumvent pricing control rules in the process

BY KILLIAN WOODS
AND ROSANNA COONEY

Large landlords and estate agents are using incentivised rates in a move that can mask a decline in rents and potentially circumvent pricing control rules, a *Business Post* investigation has found.

Reporters acting as prospective tenants have been offered deals in which the actual rent paid monthly over a year would amount to less than what is listed on the official lease.

While the practice means prospective tenants are ultimately paying less rent than was originally sought, it also allows some of the state's largest landlords to record a level of rent for a property with the Residential Tenancies Board (RTB) that is thousands of euro more than is actually being paid by the tenants.

This allows these landlords to use this inflated figure for the headline rent when determining future increases or when negotiating an extended lease.

Housing industry experts have warned that because RTB data is often used to determine the market rate of a new property, the practice may also result in tenants paying unduly high rent for mid-market properties.

Lorcan Sirr, a senior lecturer in housing at TU Dublin, said that the new tactics could be used to circumvent rules that are designed to prevent landlords increasing rents by more than 4 per cent annually.

"Institutional landlords have quite a considerable effect on local rents. Other smaller landlords can use the arguably misleading headline rents these larger landlords record to justify rent increases in their own new lettings or rent reviews. They can use these inflated rents to argue rent is not falling in Dublin and therefore not give a rent reduction."

The *Business Post* has previously revealed how corporate landlords had chosen not to lower the rent of vacant high-end properties, preferring to forgo rental income in a move that could preserve the balance sheet value of the property.

However, the newly uncovered practice reveals that landlords are also willing to offer discounted rents to fill the property instead of reducing the headline rents.

Property agents such as Greystar, Kennedy Wilson, Savills and Sherry FitzGerald are now offering tenants up-

front rental discounts of between four to eight weeks. In certain cases, tenants can spread an eight-week rent discount over the course of their stay, but the official rent is still logged at the higher rate.

While the landlords are not doing anything illegal, the move has been criticised by housing academics and property legal experts who say it will inflate market rents by distorting the true cost of renting.

The deals also expose a loophole in Irish tenancy law and could be used to circumvent Rent Pressure Zone (RPZ) rules, which restrict landlords to increasing rent by more than 4 per cent of the rent stipulated in a lease.

The *Business Post* investigation found that Greystar, the US fund behind Quayside Quarter apartments in Dublin, could use the practice to increase the rents paid by tenants by more than 4 per cent if they renewed their lease.

Greystar is offering new tenants rent-free periods of four to eight weeks on certain apartments. New tenants can avail of the rent-free period up front, or a discount can be applied to their monthly rent.

In a chart that Greystar provided to reporters of the *Business Post* acting as prospective tenants, it listed headline rent prices of between €3,230 and €4,345 a month.

Beside the headline rent, the firm also listed the "incentivised rent" rates for each apartment, of between €2,826 and €3,982. Based on the arrangement, a tenant would actually pay the "incentivised rent" monthly, not the headline rent.

On a lease, seen by the *Business Post*, Greystar has sections that log two rates of rent. The actual headline rent is logged as the higher amount, while a section called "concession" notes how much the tenant will actually pay.

If the tenant renewed their lease with Greystar in the second year, they could be asked to pay the headline rent figure, which would circumvent rules that restrict rents from increasing more than 4 per cent annually.

A spokeswoman for Greystar said part of the reason the firm was offering rent deals was because construction activity was ongoing on-site. She added all its leases were registered and compliant with RTB regulations.

Landlords in Ireland are required to register with the RTB how much and how often rent is paid on each property.



Capital Dock in Dublin 2, where some apartments are being advertised for a headline rate of €4,200 per month, but are being offered with one month free

“It’s distorting the market because the rent being charged is less than what is being logged. That’s bad for tenants, but it’s also bad for investors

The *Business Post* asked Greystar to clarify if it was recording the "incentivised rent" or the headline rent figure with the RTB. The company did not respond.

Elsewhere in the market, the *Business Post* found that rent-free arrangements of between one and four weeks were being offered for apartments in Cathedral Court by So-Living Property, Opus 6 Hanover Quay by Savills, Ropemaker Place by Sherry FitzGerald, U Rathborne at its Ashtown complex, and several agents for apartment owners in Beacon South Quarter.

Kennedy Wilson is also offering a one-

month rent-free period or an incentivised rent on its apartments in its Northbank Apartments complex in Dublin 1. The fund is also offering one-month free rent at Capital Dock, where units are advertised at €2,970 and €4,200 a month.

When shown the *Business Post* research, Sirr said that the deals were good for tenants in the short term, but they could result in artificially higher rents in future.

"That's because if the headline rent is recorded on the lease, not the actual rate they pay monthly, the higher rent could be used against them when it comes to a rent review or for any new tenants entering an agreement with these landlords," Sirr said.

"It's distorting the market because the rent being charged is less than what is being logged. That's bad for tenants, but it's also bad for investors. This practice overestimates the likely return they could make."

Deirdre Ni Fhloinn, a barrister and

property law specialist, said the Rent Pressure Zone legislation was drafted on the basis that the rent set under a tenancy agreement for a dwelling was the actual rent charged.

"It would seem that the legislation does not deal with a situation where a landlord specifies a rent in a letting agreement, but charges a lower rent in practice. This would seem intended to circumvent the provisions of the legislation that use the rent as a basis for subsequent rent reviews," she said.

Sirr said the RPZ legislation should be amended. "The legislation now allows for misleading information on rents to be put in the public domain and used as evidence against tenants. So it needs to be updated to make clear that landlords have to register the annualised monthly equivalent rent with the RTB, net of any incentives," he said.

The *Business Post* contacted all property agents to clarify the rent discounts

they provide. Each agency was also asked to comment on whether the discounts could inflate market rents and be used to circumvent RPZ rules.

So-Living Property declined to comment, while Kennedy Wilson, Savills and Sherry FitzGerald didn't respond.

Rent discounts and side deals are common practice in the office and retail sector. Instead of reducing rent, landlords use the tactic to maintain the headline rent at a higher level than is actually being charged.

If the headline rent was cut, it could reduce the value of the property, which is influenced by the lease agreement.

Despite being common in Irish commercial property, discounted rents and rent-free periods have been traditionally rare in Irish residential property.

Property industry sources told the *Business Post* that they were seeing the tactic more and more regularly since last year.

Irish Air Corps 'could easily be retrained for search and rescue'

A British helicopter firm has said handing some of the responsibility to the Air Corps would expand its range of skills



The Irish Air Corps has submitted a proposal outlining how it could provide search and rescue

BY AIDEN CORKERY

The Irish Air Corps could easily be trained to resume search and rescue operations in the Irish Sea, a British company that specialises in teaching military helicopter pilots has said.

The current search and rescue contract with CHC Ireland, a private operator, is due to end in 2023. The Department of Transport is currently undertaking a consultative process ahead of putting the new contract, worth an estimated €700 million out to tender.

The Air Corps recently submitted a proposal to the department outlining how it believed it could provide search and rescue services for the east coast of the country.

It has been backed by a group of former military officers and politicians which has argued that giving the Air Corps responsibility for the Irish Sea would enhance its military capability while also

saving the state money.

But the proposal has also been criticised by some, including Chris Reynolds, the director of the Irish Coast Guard.

Writing on his personal Twitter account earlier this month, Reynolds suggested that such a move would "end in tears" as he believed the Air Corps didn't have the right equipment or expertise for the job.

A British helicopter firm contacted by the *Business Post* last week said it believed that the Air Corps could easily be trained to resume search and rescue operations.

HeliOperations, which provides search and rescue training to the German navy, said handing some of the responsibility to the Air Corps would expand its range of skills and services which would in turn improve recruitment and retention of staff.

"Can the Air Corps do SAR

here and now? No, they don't have that specialist training. Is the training difficult? No, it isn't, but it needs to be structured, it needs to be introduced safely and you can capture all sorts of additional benefits," Steve Gladston, HeliOperations' chief executive, said.

Gladston said that should the Air Corps be given responsibility for the east coast, he would envisage CHC's current search and rescue staff in Dublin being incorporated into the Air Corps' service where they would work alongside military personnel and train them to the necessary level.

"You take a very senior civilian search and rescue pilot and you train them to fly the military helicopter, and he's now the commander of that helicopter, with a military guy sat next to him who gets enough experience to become a commander themselves," he said.

Gladston said his firm would be "absolutely interested" in bidding for the training contract.

He added that HeliOperations, as well as several others, would be likely to bid for the remainder of the search and rescue contract if the Air Corps was given responsibility for the east coast.

Simon Coveney, the Minister for Defence, said last November that he didn't believe the Air Corps should have full responsibility for the search and rescue contract, but that he would like to see it being "as involved as it possibly can be".

Separately, Gerard Craughwell, the independent senator, has written to Kieran O'Donnell, the chairman of the Oireachtas transport committee, to complain after he was unable to win members' backing to examine the Department of Transport's process for putting the new contract out to tender.

It's understood the committee instead agreed to seek legal advice on whether it should look at the matter.

Among other issues, Craughwell said he wanted the committee to examine the names and qualifications of any independent experts currently advising the Department of Transport on the tender.

"I believe that, as chairman of the committee, you must write to the Department of Transport and request that they should not issue any tender for the Search and Rescue Service until our committee has completed its deliberations," he said.

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