GHOST ESTATES

Facts and Myths

So called "Ghost Estates" have been the subject of a number of reports and media attention. Cliodhna O'Donoghue, writing exclusively for The Property Valuer, examines the validity of recently published statistics.

Dotted around our coastline and occupying swathes of inland locations outside towns is the haunting presence of ghost estates, eerie monuments to the Celtic Tiger splurge which has created a housing glut that may take years to clear.

Two separate reports published recently indicated that more than one in six homes nationwide lie vacant – though not necessarily for sale - demonstrating the startling scale of Ireland's property crash. This high vacancy rate of around 17 per cent of the overall 1.98m housing stock is more than double the 7.3 per cent European average.

Consequently the dream of home ownership has for some turned into a nightmare, with thousands of heavily mortgaged homeowners facing the prospect of living in unfinished estates for the foreseeable future. Worse still, cash starved builders admit that incomplete developments may never be finished because they cannot get the loans to wrap up the work. Even more worrying is the long term impact on property values suffered by existing owners and the surrounding communities and the damage to market confidence generally.

Reports drawn up by the National Institute of Regional and Spatial Analysis (NIRSA) of NUI Maynooth calculate that some 300,000 plus homes, or nearly 16% of the entire Irish housing stock, lie empty around the country – more than double the estimate of the Department of Environment. Although these figures are preliminary Professor Kitchin, a director of NIRSA, believes they give an accurate picture of the data.

"Our vacancy figure includes new empty homes, empty secondhand homes, homes owned by investors waiting for prices to go up, second homes, undercounted holiday homes and abandoned homes. Our figure of vacant homes does not mean the same number are available for sale," he stressed.

Dr Brendan Williams of UCD has just completed another report on vacancy levels, this time categorising the units lying vacant countrywide. "We are now becoming aware of the precise details and breakdown of vacancy levels, which are up to 15-20 per cent across the housing sector in Ireland, around 20 per cent for Dublin offices and rising fast in the retail property sector. Such levels collectively indicate that the management of urban development in Ireland was not linked with realistic assessments of real market demands and was, instead, largely speculative. Entitled "Managing an Unstable Housing Market" it reports an unsustainable vacancy rate exists throughout the State. In particular, the Rest of State vacancy level remains in serious oversupply since its census 2006 position and there would appear to be over 4 years of potential oversupply nationally.

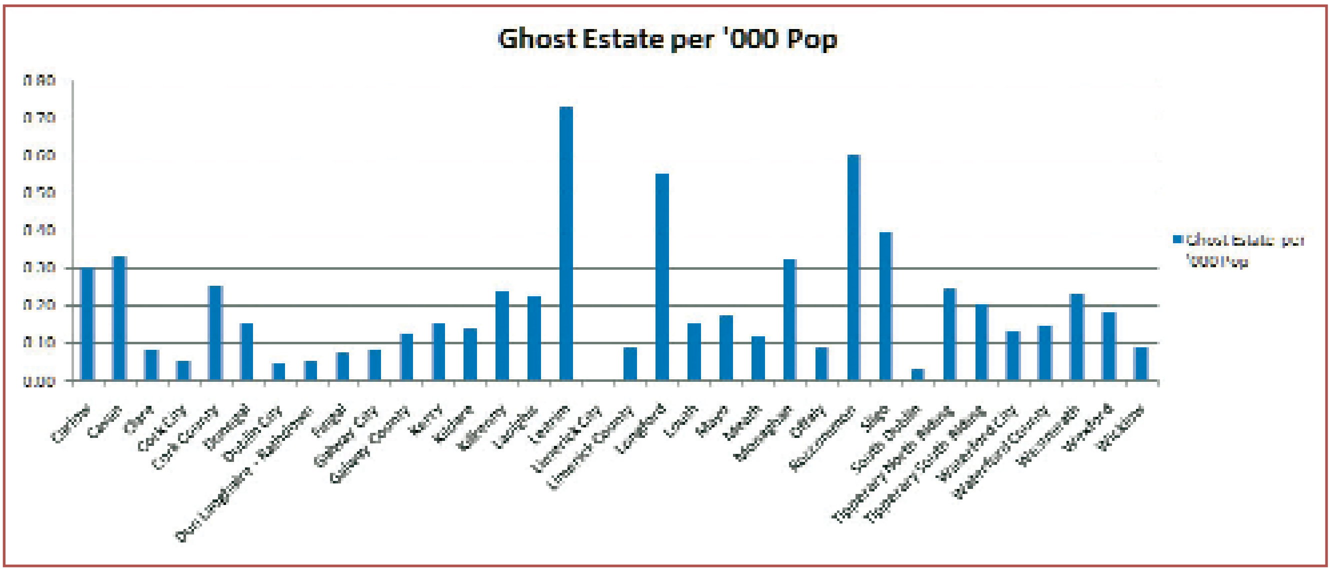
Demographic and statistical analysis developed in the Urban Environment Project's report indicate that vacancy levels in the greater Dublin area remain at 11.5 per cent in 2009/10 compared to 17.43 per cent in the Rest of the State.

Ghost estates are developments of more than 10 houses constructed post 2005 where more than 50 per cent of the units remain either vacant or under construction. The NIRSA report estimates there are a total of 671 such estates nationwide. Some 86 of these estates have more than 50 properties while 253 estates comprise 21 – 50 units and a further 282 have between 10 and 20 homes.

The study showed that Co. Cork had 90 such estates – substantially more than any other county but, when the figures were broken down on a per capita basis, the most negatively affected counties were Leitrim, Longford, Sligo and Roscommon.

The counties in the midlands along the N4 corridor were by some margin those most negatively affected, mainly because development started there later than elsewhere and the boom had already stopped when many were at their peak. "Property demand and supply in these areas became completely uncoupled between 2006 and 2009", according to Professor Kitchin. "Based on population growth, Leitrim would have needed around 588 houses over the period 2006 and 2009 but almost 3,000 were built – an oversupply of 360 per cent".

However, other property industry figures disagree with the massive vacancy levels revealed by the NIRSA report, saying there are too



many assumptions within the findings and that the figures do not reflect the true situation. "This type of conjecture will damage the marketplace" according to Martin Whelan, Director of Research and Policy with the Construction Industry Federation which is currently in the process of completing a physical on-the-ground count of vacant new homes completed or in the process of being completed.

"I don't accept for a moment that there are 300,000 plus homes vacant in the state" Mr. Whelan outlined adding "the report takes information from the recent census which has been overstated in the past and the figures also include second hand homes on the market for sale. For example we (CIF) calculate that only 40,000 NEW homes are vacant".

One of Ireland's largest estate agents also finds the NIRSA figures debatable. "An assumption made in this analysis is that houses completed since January 2006, for which a mortgage has not been drawn down, must be vacant. This is questionable and similarly empty houses on the night of the census is not relevant to this analysis" according to Marian Finnegan, director and chief economist with the group who added there has always been a significant gap between the number of loans drawn down and completions, for a variety of reasons. "Some houses are purchased without a mortgage; sometimes developers complete units but do not release them for sale and in recent years this practice has increased with developers renting such properties."

A further irony associated with our large vacancy levels, particularly in urban as opposed to rural locations, is that there are few new quality homes on the market. IAVI member Walter Murphy in Sligo reports few homes for sale in the borough while many are available in more rural locations. He predicts that a shortage in the borough will become evident in the near future while the oversupply elsewhere will take years to fill. "In addition, most urban second hand homes for sale are tired investments as owner occupiers remain reluctant to trade but outside the city it is possible to find an empty block of 80 apartments in a village like Ballisodare. Other new developments are not suitable, for example in Carrick-on-Shannon a new complex of apartments and shops with a cinema was forced to evacuate because of the flooding recently"

A South East based member, requisitioned by a housing agency to acquire between 25 and 30 residential units in several provincial towns, reports a vast shortage of new suitable units. For example, apartments or duplexes are not acceptable to Respond, Ireland's largest not for profit housing association, and holiday villages are also unsuitable. "The perception of ghost estates all over the country is patently incorrect " he said adding "there was no availability in Kilkenny city or county, Navan, Dunshaughlin or Portlaoise and only a few pockets in Courtown, Tullow and Bettystown".

"Ultimately, nothing can rival an up to date physical count of properties for accuracy, particularly geographically", Martin Whelan advised "until this vital information deficit is addressed we will have to rely on conjecture about what is happening in the housing market, which is potentially very damaging to the economy. It is important that when people are commenting on the marketplace that they so do on the basis of reliable statistics".

CIF recently called on the Government to provide state produced definitive information on property, including property prices, in a straightforward register based on actual sales. It is not the first time this suggestion was put forward. In fact the IAVI has been lobbying the Government for over two years regarding the lack of property data and the detrimental effect this has on the market but civil servants tend to hide behind the Data Protection Act, which protects the vendor/ buyer privacy with regard to price.

However, several other countries world wide including the UK, other European states and the US, have been able to surmount these data protection hurdles and produce definitive information thereby avoiding confusing, speculative and often damaging conjecture about the marketplace.

Other overseas property indices and websites provide a vital market tool for domestic and investment buyers with many providing more than just the history of a property or the prices achieved. For example, **upmystreet.com** is a comprehensive UK service and it not only lists the prices of recent property sales on that street but also outlines and rates the neighbourhood profile, crime statistics, transport nodes, education/medical facilities and leisure amenities.

Given the depressed state of the Irish market and the absence of vital accurate information on transaction levels, geographical spread and price it is incumbent on the Department of Environment to provide a proper register with even the basic details. This market information is available in other civilised countries, which not only informs the indigenous population but also provides a major attraction for foreign investors eager for solid, comparable, data.

At a time when investors, home grown and foreign, are taking flight from our shores, when government and industry are crying out for innovative, inspiring, job creating submissions, it seems incongruous that the need for a property register has not yet been met. The housing market has a major impact on the domestic economy and so it befits the civil service to provide an authoritative independent register of property and property prices to stabilise confidence and fuel demand. Not to do so could delay economic recovery and damage confidence further.

At the time of going to print with this article, the Minister for Housing and Local Services, Michael Finneran TD, announced that work on establishing a house price register was now underway but the timeframe is unclear. The new register - which will be based on achieved sales prices – will replace the current quarterly index, based on asking prices, published by the Department of the Environment, Heritage and Local Government.

> ***"I would hope to put in place a register along the lines of those already operating in Scotland and England. As a starting point two elements, which I feel are important, are being examined; the first is an address specific register of house prices and, sitting on top of that, an aggregate index to allow for an in depth analysis of national, regional and small area trends.***

The prospect of deteriorating unfinished residential estates scattered around the country does little to boost market confidence, property values or community facilities. Therefore, whether the number of vacant homes is 150,000 (the Department of Environment estimate), 300,000 plus (the NIRSA report), or 345,000 (UCD/DIT Report) it is important they are not left to the elements and a strategy is put in place to maintain them.

Several theories have already been debated, including the demolition of estates to restore stability to the market. Others suggest the overhang be purchased by local authorities to get rid of housing lists and waiting lists and to satisfy some of the huge 50,000 unit national demand for housing from a social perspective.

Depending on location, it could take between one and ten years before the glut of vacant homes for sale around the country abates because demand may return quickly to urban areas as the economy recovers but could remain weak in rural areas as recessions generally lead to rural emigration. This combined with urban social housing demands will eat into urban supply much faster than in rural areas.

During the boom times many people paid high prices in good faith to live in these estates, some of which have been left unfinished and abandoned. As their dream turned into a nightmare many owners sought to have the estates taken into council management. However these estates often did not meet council standards and remedial work was needed. In some instances the bond (paid by developers to the council before work commenced in the event they were not completed) was not enough to cover the cost of remedial work. One has to ask the question: why was the bond set at an insufficient figure in the first place?

The Comptroller and Auditor General's report of 2007 stated that local authorities around the country had collected a startling €1.2 billion from developers that remain unspent in their bank accounts.

The levies or fees vary substantially from as low as €15,000 to €30,000 per housing unit rurally to more than €75,000 per unit in the capital. They are collected for specific infrastructural works on behalf of the public - the direct beneficiaries of works carried out be it local roads, water, sewage or local amenities.

Under law these funds are ring-fenced for stated purposes outlined by the local authorities but they largely remain unspent according to the Construction Industry Federation. Making use of these funds for their specific purpose could only enhance ghost estates, improving conditions for existing owners and providing more kerb appeal for potential purchasers. The work would also provide valuable employment in areas where a scarcity of jobs prevails and locals are being forced to urban areas for jobs.