

The Decline of Apartment Development in Dublin: Key Issues

In 2015, just under 13,000 new homes will be completed nationally and just under 3000 of these will be located in Dublin with the trends indicating that, comparing 2014 with 2015, completions in Dublin (the four Dublin local authorities combined) declining by around 12% as opposed to an increase nationally of around 15% and a 3% increase in the Greater Dublin Area (Dublin plus Meath, Wicklow and Kildare).

At current levels of output, less than half of the predicted housing requirement of the Housing Agency of around 25,000 new homes annually is being constructed which is the primary driver behind a wider dysfunctionality in the housing market overall and particularly the rental sector where rents are rising quickly and vulnerable tenants are being displaced into emergency housing and ultimately homelessness.

Dublin is the biggest housing market in the State and apartment development in Dublin at very significant scale is a crucial element of ensuring that market functions well and that demand is catered for within the city and wider metropolitan area and does not displace into wider commuter belt development because of cost and affordability issues.

The availability of good quality, affordable and economically viable to develop housing, particularly apartments in the city area, is the single biggest mechanism available to ensure the development of a compact, sustainable, thriving and competitive city with wider social, environmental and economic benefits.

Unfortunately, the statistics indicate that rather than output increasing in Dublin, it is actually declining and at a significant rate, because little or no new private housing projects are being started and new apartment developments are not advancing at scale in Dublin City.

In fact, looking back to pre-crash times in 2006, when 6122 apartments were completed in Dublin, an exceptional figure, this dropped to 322 units in 2015 (a 95% drop) at a time when house completions reduced from 1626 to 345 homes, (a 79% decrease). There has therefore been a virtual collapse in apartment building in Dublin, with on-going commencement figures indicating further declines rather than a badly needed increase.

This paper looks at some of the practical design and delivery aspects to why apartment developments may not be advancing in Dublin, notwithstanding the fact that the construction sector was the part of the economy most affected by the economic crisis of 2008-2009 and is taking time to re-position taking account of new financial and economic realities.

The facts, as collated by the Dublin Housing Supply and Co-ordination Task Force, demonstrate that despite planning permission being in place for around 20,000 new homes development in Dublin:

- 91 sites are currently active in Dublin with an estimated delivery capacity of 2,700 new homes on those sites;
- 52 sites are currently offering housing for sale;

- Only three sites are offering housing for sale in the Dublin City Council area and none for apartments; and
- Only 15 of the active sites are offering new housing at prices under €300,000, none of which are apartments for sale within the canal ring area of the City Centre.

To put things in perspective, under the new macro-prudential mortgage lending rules set by the Central Bank, which are designed to avoid a repeat of personal indebtedness and property price spirals which led to the economic collapse in the first place, if a household wished to buy a house or apartment costing say €315,000, it would have to have an income of at least €80,000 coming in each year and a cash deposit on hand of €34,000 to qualify for a mortgage. For an investor purchasing an apartment for rent, the rules are even tougher.

By contrast, the average industrial wage in Ireland is €32,000, which at a multiplier of 3.5 for a two person household earning at that rate equates to a practical spending power, net of deposit, of around €224,000.

The cumulative effect of all of the above is that the planning and development of new housing must work back from what are the practical and affordable spending powers of persons seeking housing, regardless of whether they want to rent or buy, given that the financing issues face both owner occupiers and investors.

As this paper shows, because some local authorities demand additional planning policy requirements over and above national planning guidelines, development of much needed one and two bedroomed apartments is loss-making if aiming to price points around the €200,000-€260,000 mark and only becomes marginally profitable once a “package” of measures to deal with numbers of lifts being provided and floor areas is adopted. Otherwise, new apartments in the City will be affordable only to those on high incomes, which represent an insufficient market to justify the high up-front development and finance costs associated with apartment development as opposed to conventional housing which can be more easily developed unit by unit.

The analysis is clear that costs of delivering new housing must come down significantly, and in particular in relation to inner city development, if the wider economic, housing, planning and environmental objectives for city planning are to be achieved.

It would be the view of the Forward Planning Section in particular, that new or revised guidelines are essential to tackling Dublin’s dependence on emergency accommodation which is caused by the homelessness situation, which in turn is being caused by displacement of people out of more and more scarce and more expensive rental accommodation. This is especially important in this context as an affordable apartment is often the best accommodation type for those trying to deal with homelessness situations.

If ways are not found to match delivery costs to the spending power of consumers, two key things will happen (and there is clear evidence to say that this is already the case) (i) public housing lists and demand for emergency accommodation will continue to rise markedly with all of the social consequences that brings and (ii) people will leave the city and opt for cheaper housing solutions in surrounding areas with the transport and competitiveness implications that such a trend would create.

From Departmental engagement on the interconnected housing and planning issues in Dublin during Summer 2015 with various stakeholders, the Housing Agency analysis of housing requirements as opposed to historically low and now even further declining rates of construction in the City, it has become clear that there is an imperative to take decisive action to tackle the causes of the current difficulties. One area that was identified for analysis relates to varying approaches to specifying different minimum planning policy requirements between the four Dublin local authorities as regards apartment development and whether these requirements could be causing difficulties from viability and delivery perspectives.

In the context of correspondence between the Department and Dublin City Council on this issue, the Dublin City Development Plan 2011 was examined on a multi-disciplinary basis by the Department's expert professional staff in the planning, architectural and quantity surveying disciplines with a view to determining whether the standards were part of the problem or otherwise and input to an updating of 2007 Planning Guidelines on Apartment Standards.

The conclusions of this technical assessment are set out below.

1. Architectural Design Aspects

The Department's current guidelines on apartment design were issued in September 2007, following research by an independent architectural consultant, under Section 28 of the Planning Act by the Minister. They are referred to in this note below as the DECLG standards.

Dublin City Councils (DCC) current (2011) development plan standards start out from the laudable position of seeking to deliver good standards of development, avoiding the long corridor model and delivering a more balanced and sustainable urban community.

However, the central questions are whether the DCC requirements enable the high level aims of the plan to be met in practice by considerably exceeding the Department's national standards and whether or not the City Council's detailed requirements fully acknowledge that delivering a sustainable community involves some level of compromise and whether they are in fact unnecessarily increasing the construction costs.

1.1. Floor Areas

When Dublin City introduced their minimum floor areas, (and the basis of deriving these areas is not entirely clear) the Department was not supportive as they departed from the Department's own floor areas that were proposed following independent research, and also from a consideration of cost and potential confusion arising from two sets of standards.

Subsequent to the above, a number of other local authorities have also adopted DCC's standards. Whilst there is the difficulty with the actual minimum floor areas exceeding the Department's and the plethora of standards arising, further difficulties arise from the required average floor areas and the restriction on the extent of one bed and a minimum provision of three bedroom units.

Whilst the Department's guidelines encourage a set proportion of units to exceed the minimum areas, DCC starts off by requiring all apartments to exceed the Department's standards, and then seeks further average increases.

A comparison of floor areas is provided in the table below:

	Apartments									
	1b1p	1b2p	2b3p	2b4p	3b4p	3b5p	3b6p	4b5p	4b6p	4b7p
UK "Nationally Described Space Standards"	39	50	61	70	74	86	95	90	99	108
London Housing Design Guide		50	61	70	74	86		90	99	
DOEHLG QHSG		45	63	73	76	86	94			105
<i>Diff. between QHSG & UKNDSS</i>		-5	2	3	2	0	-1			-3
<i>Diff. between QHSG & LHDC</i>		-5	2	3	2	0				
English Partnership (minimum)		51	66	77		93				106
NHF 2008 (good practice standards)		50	61	70		86				
GLA 2006 report (safety-net standards)	37	44	57	67		81			92	
HQI (mean)	33	48	62	71		80			90	
Parker Morris incl. storage (mean)	32	45	60	73		82			89	
DOEHLG QHSG		45	63	73	76	86	94			105
Dublin City Development Plan (min)		55	80	85		100				
<i>Excess DCC Dev Plan over QHSG</i>		10	17	12		14				
<i>Excess DCC Dev Plan over UKNDSS</i>		5	19	15		14				
Germany	48	60	70	88		100				110
Southwark SPG (minimum)	33	45	60			75			90	
RBK&C SPG	30	45	57	70		81			87	
<i>Average</i>	36.0	49.0	63.2	74.0	74.7	86.3			95.8	
<i>Diff. between QHSG & Average</i>		-4.0	-6.2	-1.0	1.3	-0.3				

DCC does not distinguish between 2B/3P and 2B/4P. Assumed minimum area for 3P and average of range of areas for 4P

The table includes the UK's 2014 recommended space standards, which, with the exception of the one bedroom units, are very similar to the Department's.

The white lines above give the excess of DCC floor areas above the Department's and the UK standards. The very bottom line gives the divergence of the Department's areas from the average of the floor areas considered and it can be seen that with the exception of the one bedroom unit, the Department's areas are very close to the average of the standards considered.

The headline issues are:

- i) Rather than being aligned with national standards as stated, DCC standards considerably exceed DECLG minimum floor area;
- ii) DCC requires the average of all units to exceed 85sqm; and
- iii) DCC sets a maximum of one bed units at 20%, whereas census 2011 gives the percentage of one and two person households as exceeding 50%.

Essentially there does not appear to be a readily discernible basis for DCC's standards on floor area and type mix.

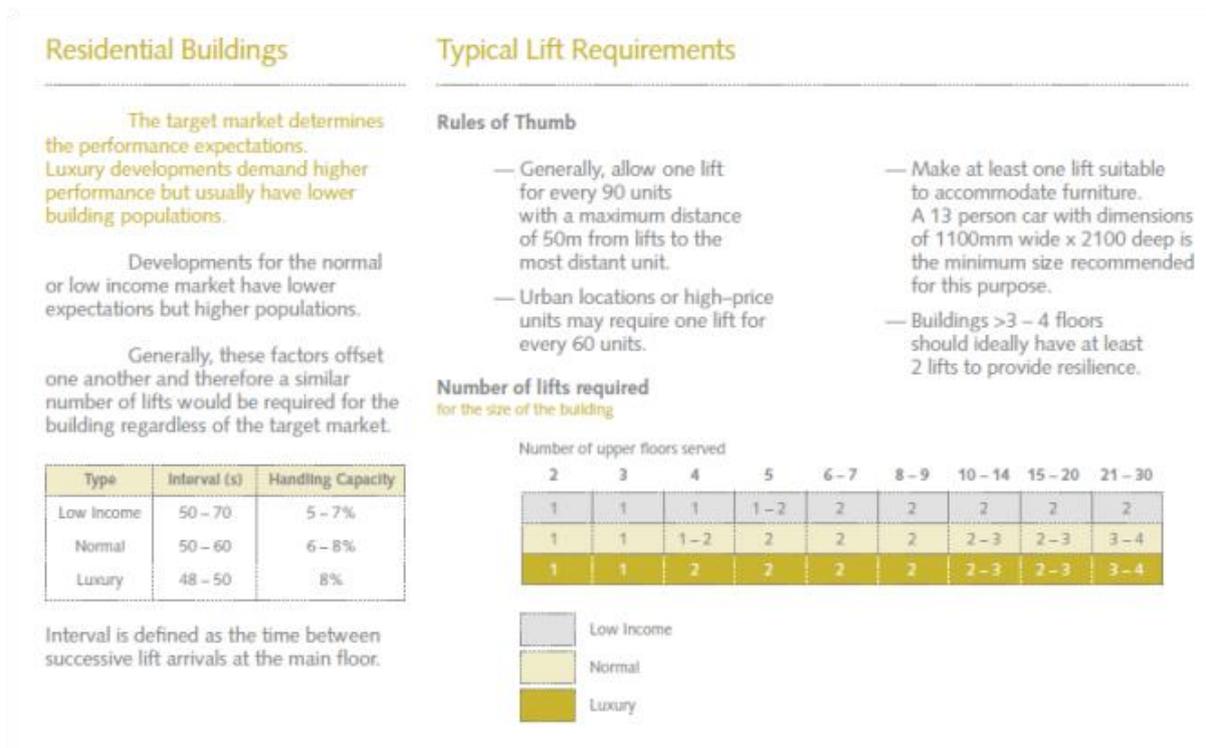
Leaving aside the non-alignment with the Department's own standards, while larger floor areas on their own are not major inflators of cost, in conjunction with the other measures around dual-aspect and lift core ratio's, DCC's own figures suggest additional costs over the DECLG 2007 approach in the order of one bed €22,000, two bed: €15,500 and three bed €23,000.

1.2 Apartments per Lift

As lifts and stairs are very expensive components in both the delivery and onward maintenance of multi-unit developments, increasing the number of lifts by limiting the number of apartment it can serve can have significant cost implications. The sole determinant of this requirement appears to be the avoidance of the long corridor model with a staircase at each end of the building.

The Department's 2007 guidelines are silent on this matter, because it is controlled by other considerations.

From the table below **it can be seen that international requirements for lifts are much lower at one lift per 60 units, if serving four floors one lift per 15 apartments is acceptable, rather than the 1 per 6 apartments maximum acceptable to DCC.**



Furthermore, the requirement for dual aspect apartment (considered more fully below) effectively stops a corridor solution and limits the number of apartments per lift, as the units stretch from the front to the back of the building, thus stopping the corridor from proceeding further.

As the apartments are therefore served by a single lift and stairs, fire escape distances effectively limit the length of corridor permissible. The only way to overcome this is for the circulation to be external, with access either by an external deck or in a naturally ventilated atrium.

The open-air deck access model has frequently been used on DCC social housing blocks in the past, but is not favoured in the context of today's market preferences by developers.

Single core apartments necessitating relatively frequent front doors onto the street are also consistent with creating active frontage on the street, as described in the Design Manual for Urban Roads and Streets (DMURS) and therefore support the single core model.

DCC indicate that their requirement is for a maximum of 6 units per lift, though the practical effect of the impact of other requirements e.g. dual aspect is that this effectively reduces to 2 units per lift.

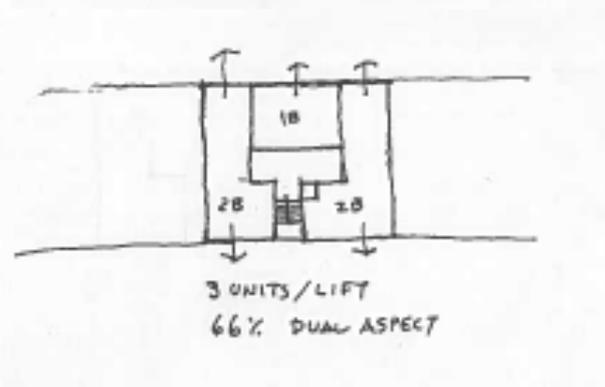
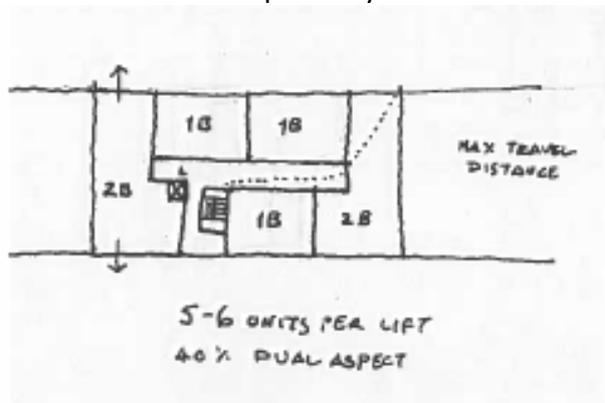
Experience from private practice suggest that the limit of 6 units per lift may not be a major concern for developers with the single core solution, as the fire escape distances effectively limit it to about this number.

However consideration of dual aspect requirements, suggests that it is not possible, without external access to deliver 6 units per lift.

1.3 Dual Aspect

The Department's guidelines favour dual aspect units as the norm, but accept it may not always be possible. Guidance is then provided on single aspect units.

DCC's requirements are for a minimum of 85% dual aspect. It is this requirement which effectively sets the limit at two apartments per lift as the sketches below illustrate, accepting that the apartments are provided as a terrace of units facing the street which is the most cost effective layout, and consistent with making a continuous building edge and fronted streets as required by DMURS.

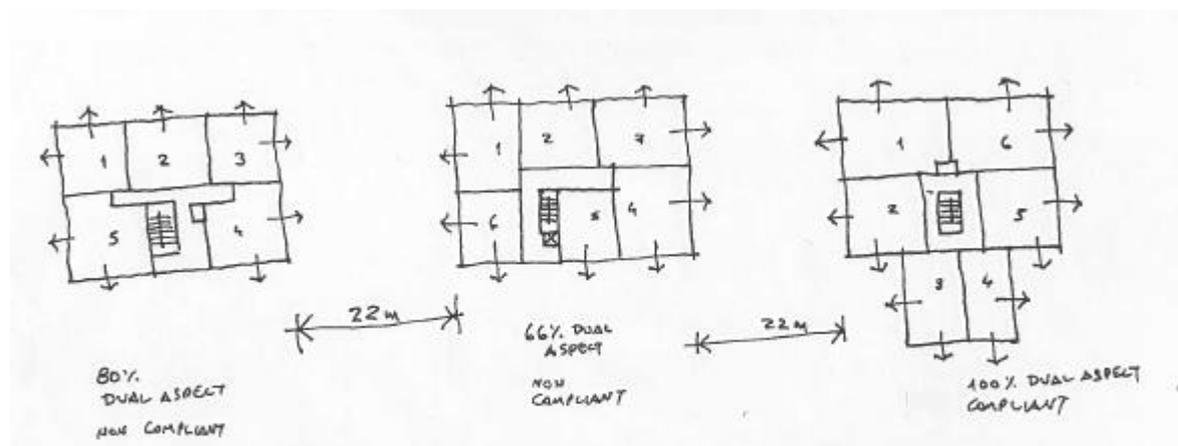


*Typical pre 2007 layout terraced form single core
Corridor length restricted by fire regulations
2 units dual aspect, 3 units single aspect*

*Terraced form
Only 3 units per lift but can only provide
66% Dual aspect*

40% dual aspect does not meet 85% minimum

Non-compliant with 85% Dual Aspect



Five units per lift in Pavilion Block

Six units per lift in Pavilion Block

Six units per lift in Pavilion Block

80% Dual Aspect
not meet 85% minimum

66% Dual Aspect
Does not meet 85% minimum

100% "Dual" Does
aspect - compliant

If dual aspect is interpreted as two opposite external walls (and a key argument in favour of dual aspect is cross ventilation which adjacent external walls does not provide, so it could be argued that the pavilion blocks shown above do not provide any true dual aspect) it is possible to provide a six unit per lift arrangement in an isolated free standing pavilion block.

However, the higher external wall to floor ratio is going to increase costs and setbacks from other blocks will be required to maintain privacy. The Development Plan notes the traditional setback of 22 metre setbacks between bedroom windows in two storey houses, so similar requirements would apply in multi-storey apartments.

This will result in a very inefficient use of land and unless very high buildings are proposed, could reduce density below an economic level.

The lower density and poor land use resulting from the minimum dual aspect requirements as well as the lack of creation of fronted streets formed by continuous building edges are not consistent with either sustainable or economic development or with promoting Sustainable Communities.

Page 210 of Dublin City's 2011 Development Plan sets as a guiding principle:-

"Buildings should properly address public streets and spaces. Active frontages should be used in as far as possible and blank walls should be avoided".

So an unintended consequence of the requirement for a high level of dual aspect units is to erode an intrinsic requirement of the Development Plan and sustainable development.

A review was carried out on the list DCC provided of recent apartment buildings at various stages from under construction to initial consultations.

The review largely confirmed that the requirement for 85% dual aspect units is restricting developments to 2 apartments per lift. There are some developments with 3 apartments per lift, but this requires a generous interpretation of dual aspect to include one window on a side wall to satisfy the definition, even though there is no cross ventilation.

In none of the schemes examined, was the permissible 6 apartments per lift achieved, confirming the conclusion that it is the dual aspect requirement which is particularly restrictive and potentially with the largest impact on cost.

In summary the requirement for 85% dual aspect units in tandem with other standards effectively:

- Reduces the number of apartments per lift to 2 or with a benevolent interpretation, 3 apartments per lift;
- Promotes isolated pavilion blocks contrary to Development Plan guiding principles and best practice Urban Design;
- Discourages the optimum development of the site and thereby increases the difficulty in complying with minimum density requirements; and
- All of the above items increase delivery costs and therefore discourage development.

2. Cost Aspects

This section picks up on the cost related comment referenced within a January 2015 DCC correspondence to the Department in defence of the DCC standards.

2.1 Increased Floor Areas:

Following DCC's own analysis, construction cost increases ranging from 6 – 12.2% are reported on application of the additional DCC standards. While not been privy to the calculations that were undertaken by DCC to arrive at this consensus, the findings would not appear incorrect, if purely looking at the cost for delivery of an additional floor area.

2.2 Dual Aspect/Apartments per Lift/Stairwells:

The problematic element of the DCC requirements in context of costs/unit delivery is primarily in relation to dual aspect and core density. Such aspects appear not to have been accounted for within the DCC consideration of construction/development costs, which are a key contributor to development budget success or otherwise.

It is a known fact that a high percentage dual aspect element can prove extremely difficult to achieve on other than corner sites. With regard to core density, lifts and stairs being high cost elements need design balance, given their impact not only in respect of initial development costs, but also with respect of maintenance costs and ultimate management charges of any scheme going forward.

To examine the potential cost impact of these issues, the appendix includes an outline Developers Budget comparison using common data for two models referenced above as follows:

- Option 1 Typical pre 2007 – 5 units/core: 40% Dual Aspect; and
- Option 2 DCC Requirements – 3 units/core: 66% Dual Aspect (possible 100% dual aspect).

In each case, the exercise attempts to use the same site footprint, which in the case of Option 1 utilises two modules of the Typical pre 2007 layout i.e. 728m² and which in the case of Option 2 utilises three modules of the Terraced Form, representing 756m². The findings of this notional development cost exercise, detailed overleaf, are as follows:-

	Option 1 DECLG 2007	Option 2 – DCC Requirements
Site Area	728m ²	756m ²
Units Delivered	10	9
Profit/Loss	€15,400	(-€179,000)

The outcome of the attached exercise emphasises that in the current climate **a scheme working with the former DECLG 2007 rules offers a positive if marginal return, while the current DCC requirements potentially leaves a Developer with a loss making scheme.**

In a market where development has declined to almost a stand-still, it would appear that the fundamental economics around apartment development, coupled to the impact of

macro-prudential mortgage lending policies are creating in effect a “perfect storm” in relation to the practicality and viability of new apartment development in Dublin.

3. Conclusion

In summary, DCC adopted minimum standards in 2011, which considerably exceed national planning policy advice, which do not appear to be evidentially based and are not particularly discerning - they fail for instance to distinguish between the appropriate space standards for a 3 person or a 4 person apartment.

DCC has also introduced particular restrictions and requirements, in particular the requirement for almost universal dual aspect units, without realising the particular impact.

Essentially DCC are enforcing very prescriptive standards, without any indication that they will in any way better foster sustainable communities and in fact, by effectively limiting apartment development to high cost units, are discouraging a sustainable balanced community.

Whilst DCC appear to have addressed some cost issues in the draft city plan proposals, it is considered that additional restrictions within their current requirements are further impacting costs, which in the present sales market is potentially restricting development in other than desirable areas and very select sites.

With an improving sales market this may change over time, but it is substantially dependant on the ratio between likely increases in construction costs versus sales over the forthcoming period.

Given the Central Banks stance on mortgage lending policy, it is clear that financing will be firmly linked to ability to repay and this is appropriate given the loose lending policies that created a debt fuelled and construction and property driven economic collapse in the first place.

However, in the context of a serious housing crisis and low levels of development activity in accordance with the DCC standards, a change of approach is required.

DCC has proposed examining a number of measures which is to be welcomed.

Whilst a reduction in car parking requirements may be appropriate, it is suspected that if sustainable densities are to be delivered, and a marketable product produced, developers will still feel a need for an extent of underground car parking, but the flexibility to avoid double basements will be appreciated.

A proposal to increase the number of units per lift alone is not practical and instead requires to be considered in context of the **proportion of dual aspect units which effectively dictates the number of apartments per lift. DCC appear to acknowledge that the 85% requirement is a challenge.**

Subsequent analysis of the draft Dublin City Development Plan amendments has also confirmed that comparing a 2 unit per lift core example which is the practical effect of the DCC current standard, with a 4 apartment per core option which would represent the DCC changes, **the 2 unit per lift core option results in a loss of €19,875/unit compared to the 4 unit per core option which achieves a €1,950 profit.**

It is clear that for a significant increase in badly needed new apartment development to occur in the city, a revised and blended approach is required which must address aspects such as floor area, aspect and lift/access ratios, while retaining essential qualitative elements as outlined in previous statutory guidelines.

Architectural and Building Standards Section

Forward Planning Section

Planning Policy Section

November 2015

APPENDIX A

DEVELOPERS BUDGET NOTIONAL DEVELOPMENT

OPTION 1 - 5 UNITS/CORE FLOOR PLATE 728M2 - 2 MODULES

REVENUE				€	
Sales	6	1 bed units	200,000	1,200,000.00	
	4	2 bed units	260,000	1,040,000.00	
				<hr/>	
				2,240,000.00	
OUTLAY				€	
Site acquisition say				400,000.00	
Construction including site development					
	6	140,000.00		840,000.00	
	4	160,000.00		640,000.00	
Statutory/LA say				9,000.00 per unit	90,000.00
Professional Fees				7.5%	111,000.00
Sales Fees				0.75%	16,800.00
Legal Fees				0.75%	16,800.00
Finance say 6%					
Land over 2.5 years circa					65,000
Construction over 1 year "s curve" circa					45,000
				<hr/>	
TOTAL COSTS €				2,224,600	
PROFIT €				15,400.00	

Notes

Construction costs 2015 base data

Sales based on average Dublin 3 sales for good standard units

**APPENDIX A CONTINUED
DEVELOPERS BUDGET NOTIONAL DEVELOPMENT**

OPTION 2 - 2 UNITS/CORE FLOOR PLATE 756M2 - 3 MODULES

REVENUE				€
Sales	3	1 bed units	200,000	600,000.00
	6	2 bed units	260,000	1,560,000.00
				<hr/>
				2,160,000.00
OUTLAY				€
Site acquisition as previous				400,000.00
*Construction including site development - base + 15%				
	3	161,000.00		483,000.00
	6	185,000.00		1,110,000.00
Statutory/LA say 9,000.00 per unit				81,000.00
Professional Fees 7.5%				119,475.00
Sales Fees 0.75%				16,200.00
Legal Fees 0.75%				16,200.00
Finance say 6%				
Land over 2.5 years circa				65,000
Construction over 1 year "s curve" circa				<hr/> 48,000
TOTAL COSTS €				2,338,875
 LOSS €				 - 178,875.00

Notes

* Cost uplift due to additional core & increased site works costs per unit due to one less unit.