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What do we do with all the ghost estates?

...and the 500 empty homes that are added weekly, asks Clare Taylor

I've come to visit a brand new housing development, just off the main street of a small town 17 miles from Dublin city centre. The signs at the entrance promise 'The Best of Everything'. But there's no one living here.

The gardens are nicely landscaped, sited beside a rushing stream. Apart from the adjacent muddy site and the grey concrete shell of the second phase where development has halted, it looks like a good place to live. Yet, so far, only one unit out of 30 has sold, and the owner hasn't moved in yet.

It's a scene replicated hundreds of times around the country. As the New Year approaches and with Brian Lenihan's "the worst is over" mantra ringing in our ears, the question is: What do we do now with these ghost estates?

First, you have to ask why we were mad enough to build all these surplus homes in the first place. Let's go back to 2006 when the Central Statistics Office identified 266,000 empty residential properties -- representing 15pc of all homes.

It was obvious that supply already exceeded demand and yet, in that same year, property fever still gripped the nation, and people slept in their cars overnight to be first in a queue to buy within commuting distance of Dublin.

Many councillors and planners ignored the evidence of oversupply, and continued to give permission for new developments in areas swamped by vacant houses. In the worst-hit areas -- 29.3pc in Leitrim, 27pc in Donegal and 24.8pc in Kerry (CSO, 2006) -- between a third and a quarter of all houses lay empty. Yet the building frenzy continued. If we had learned the lessons from history, we would have known we were heading for a crash.

One of the classic cases was Florida during the 1920s. Rapidly rising prices and aggressive selling in the Sunshine State resulted in people buying lots they had never seen -- only to discover that they owned a piece of the Everglades swamp. In 1922, the Miami Herald was the heaviest newspaper in the world because it had so much real-estate advertising.

Hurricanes in 1926 and 1928 brought massive floods that killed thousands of people and changed the focus from drainage and development of the wetlands to flood control. Is this starting to sound familiar?

In 1928, Henry S Villard, writing in *The Nation*, described the approach to Miami by road, which was punctuated with ghost homes and empty plots: "They line the highway, their pompous names half-obliterated on crumbling stucco gates. Lonely lights stand guard over miles of cement side-walks, where grass and palmetto take the place of homes that were to be . . . Whole sections of outlying subdivisions are composed of unoccupied houses, past which one speeds on broad thoroughfares as if traversing a city in the grip of death."

Eighty years later, this description holds true for a trip along Ireland's motorways, or through Spain, or the US, as the problem of uninhabited homes is not unique to Ireland. In Spain, the only European country that was building at a greater rate than Ireland in 2006/7, there are now more than 3 million vacant houses and apartments. In February 2009, *USA Today* reported that one in nine American homes was empty -- 18 million of them.

So how many houses in Ireland are lying vacant? Statistics show that there's nobody living in 18pc -- almost one in five -- of all homes in Ireland (a figure that includes investment properties and holiday homes). And the problem is getting worse, as about 500 new houses per week are added to the backlog.

Many of the newly built empty homes will end up in the Nama property portfolio; and part of its business plan is to hold on to them for some years until prices rise again. As economist Derek Brawn commented: "Nama will presumably rent out these homes in the interim, thus becoming the largest landlord in the State."

Earlier this year Minister Lenihan referred to a possible 'social dividend' from Nama -- what does this mean? The Irish Council for Social Housing (representing housing associations totalling 22,000 households) is making the case for taking 10,000 units of social housing from the Nama portfolio.

This is a start, but it does not provide for all of the 56,000 households on local authority waiting lists -- and it still leaves us with a lot of empty houses.

So is it all doom and gloom? Not according to Frank Convery, chairman of Comhar Sustainable Development Council. "It's time to consider this crisis as an opportunity," he says.

Maybe we can get a few ideas from other countries. Here are some examples:

- Offer substantial tax credits for first-time buyers -- a short-term measure to get the market moving again. The US senate voted last month to extend what has proved to be a very successful scheme there until the end of April 2010.
- Banks could offer 'non-recourse' residential mortgages. Already standard in commercial property, this means you cannot owe more than the value of your house -- diminishing the threat of owing hundreds of thousands in negative

- equity. Non-recourse mortgages were introduced in Australia after the 1980s housing bubble there, and are available in 45 out of 50 US states.
- Citizen-led initiatives (Empty Homes Agency in UK, Casas Tristes in Spain) encourage people to report empty houses, contact the owner and privately negotiate re-use of the property.
 - In the UK, Empty Dwellings Management Orders empower local authorities to take over privately owned houses and flats that have been unoccupied for more than six months.

Back at the apartments, I chat with the estate agent. Will the second phase be completed? I wonder. Who knows, he says. It could be four, six, 10 years. We are waiting for Nama.

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