



Irish
Institutional
Property (IIP)



Pre Budget-Submission from Irish Institutional Property (IIP)

Introduction

Irish Institutional Property (IIP) is the voice of institutionally financed investors and real estate providers with significant local and international backing in the Irish real estate market.

IIP members are backed by a diverse group of investors, including Irish and international pension funds, among others.

Institutional capital has become a significant component of both the global and Irish real estate markets, providing stable long-term funding to enable sustained delivery of the required supply of critical infrastructure, housing and workplaces. The mission of the IIP is to promote the development of a progressive world class real estate sector which benefits members, the economy and wider society.

We aim to deliver on that mission by focusing on the following key objectives:

- Foster proactive and open communication between members and with all key stakeholders on matters of common interest
- Leverage member insight and real time intelligence to provide thought leadership which supports the development of a sustainable property sector
- Constructively engage with government, legislators, policy makers and other relevant stakeholders to maintain a vibrant and properly functioning property market
- Position Ireland as a preferred location for institutional capital investment, supporting economic growth and the development of sustainable communities and workplaces
- Lead the modernisation and professionalisation of the sector to continuously improve the quality of the built environment

Proposals

Our submission focuses on three key areas which we believe will positively contribute to the development of a sustainable and properly functioning property market while supporting increased and necessary supply to the market.

1. Stability/certainty of regime

The IIP members request the Department of Finance to maintain tax certainty and stability for institutional investors in the Irish property market in Budget 2020 and beyond.

Stability of tax regime is key to continue to attract necessary institutional capital to the Irish real estate market in terms of: effectively tackling current supply constraints, delivering on the ambition set out in Ireland 2040, maintaining our global competitiveness and restoring a properly functioning and sustainable property market. The IIP members believe that it is principally through investments of



scale facilitated by institutional investors that Ireland can resolve its housing crisis and provide necessary infrastructure for the future. Much needed large-scale apartment developments on site and being contracted currently for forward purchasing type arrangements are largely being delivered by IIP members. They involve significant equity commitments and large-scale debt arrangements. Any change to related tax or stamp duty for such developments would immediately and negatively impact investor sentiment and undermine the business model on which these investments are posited at a time when we are beginning to get momentum behind delivery of this much needed source of new supply for the rental market. Changes in policy can delay or prevent investment decisions adding further uncertainty in an already changing market landscape. A stable regime will ensure Ireland's competitiveness as an attractive location for foreign capital investment.

Maintaining certainty of regime and preventing further escalation of construction costs is key. If Ireland does not maintain tax policy certainty and stability, we are at risk of foreign capital being deployed to other competing jurisdictions and markets.

What the Irish property market needs most of all at this critical time is predictability and certainty. The IIP members believe that this should be a key focus for the Government.

2. Stamp Duty Residential Refund scheme

While the stamp duty residential property refund scheme in Section 83D of the Stamp Duties Consolidation Act, 1999 ("SDCA") is a welcome, and necessary measure in encouraging the development of residential property on land which now carries a 6% stamp duty rate, the scheme has a number of limitations.

The most significant limitation is the 2-year window within which construction of residential property must be completed. Of itself, this is a very short timeframe for the completion of large single-phase developments completed under a single commencement notice. In addition, it is a serious constraint for multi-phase developments where, although each phase may be completed under a separate commencement notice, there can be cases where more than one phase is built upon a single podium or underground car park, and there is uncertainty over whether all phases must be completed within 2 years of the commencement of construction of the podium or car park. In most cases, it would not be possible for all phases to be completed within such a short timeframe. In this regard, IIP members request that the 2-year completion window is extended to 4 years, to provide a more reasonable timeframe for developments to be completed.

Another issue that has been identified in respect of the refund scheme is the 75% test which must be satisfied when development has completed. The 75% floor area test can generally be easily satisfied in the context of multi-unit developments, which are constructed over a number of floors and the area of each floor can be counted in determining if at least 75% of the surface area of the site has been occupied by residential property. However, this test is harder to satisfy in the context of housing estate developments, where green areas, roads, footpaths, etc. can take up a significant amount of space. IIP members request that Section 83D SDCA is amended such that the 75% test is only measured by reference to the site area less the area covered by roads, footpaths, parking bays, and green areas.

Finally, in the context of stability and certainty, as referred to in 1. above, IIP members would like the stamp duty residential refund scheme extended to include construction operations commencing before 31 December 2023 (and completing before 31 December 2027). The current deadline of 31



December 2021 for commencement of construction operations is already a concern for a number of members that are considering multi-phase developments, where some phases are not scheduled to commence before 31 December 2021. The certainty of an extension to this deadline would be a positive development in support of supply delivery.

3. Extension of Help-to-Buy

The introduction of the Help-to-Buy (“HTB”) incentive for first-time buyers in Budget 2017 was a welcome development. This incentive enhanced the supply of first-time buyer homes, significantly reducing the time it takes for claimants to save and improving the overall affordability of housing for qualifying first time buyers.

As the HTB incentive is due to expire on 31 December 2019, the IIP members would ask that the Department of Finance retain this initiative beyond the proposed end date of 31 December 2019. The IIP members would further ask that confirmation of extension is provided prior to Budget 2020, to provide certainty in the market. By extending the initiative beyond 31 December 2019, the IIP members believe that this will assist the Government in achieving one of their key housing goals of “the delivery of 550,000 additional households by 2040” as stated in their Project Ireland 2040 release.

Furthermore, the IIP members believe that there is a significant opportunity to widen the scope of the HTB incentive to include groups such as current owner-occupiers who need to trade-up but are effectively tied in to their current homes as there are no supports in place to enable them to make that move.

Conclusion

These proposals are, we believe, reasonable, sustainable and will support our members capacity to deliver new homes and commercial real estate in the years to come to cater for Ireland’s growing population and economic growth.

Ensuring stability through the budgetary framework will ensure IIP members are best placed to work in partnership with Government to deliver on the ambition set out in Ireland 2040.

Pat Farrell

CEO Irish Institutional Property

Fitzwilliam House

3-4 Upper Pembroke St

Dublin 2

Email: pat.farrell@iip.ie

Mob: 00353872225656



Irish
Institutional
Property (IIP)