

VIEWPOINT

Budget 2025: CBRE Ireland Response

CBRE RESEARCH
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There is much to be positive about in Budget 2025. Ireland’s finances are in an incredibly healthy state and this budget forecasts a fourth consecutive annual surplus in 2025, while the country will also invest considerably into priorities such as the residential sector and national infrastructure. CBRE Ireland outlines our response to some of the key measures in Budget 2025 that will have implications in the residential and commercial property sectors.

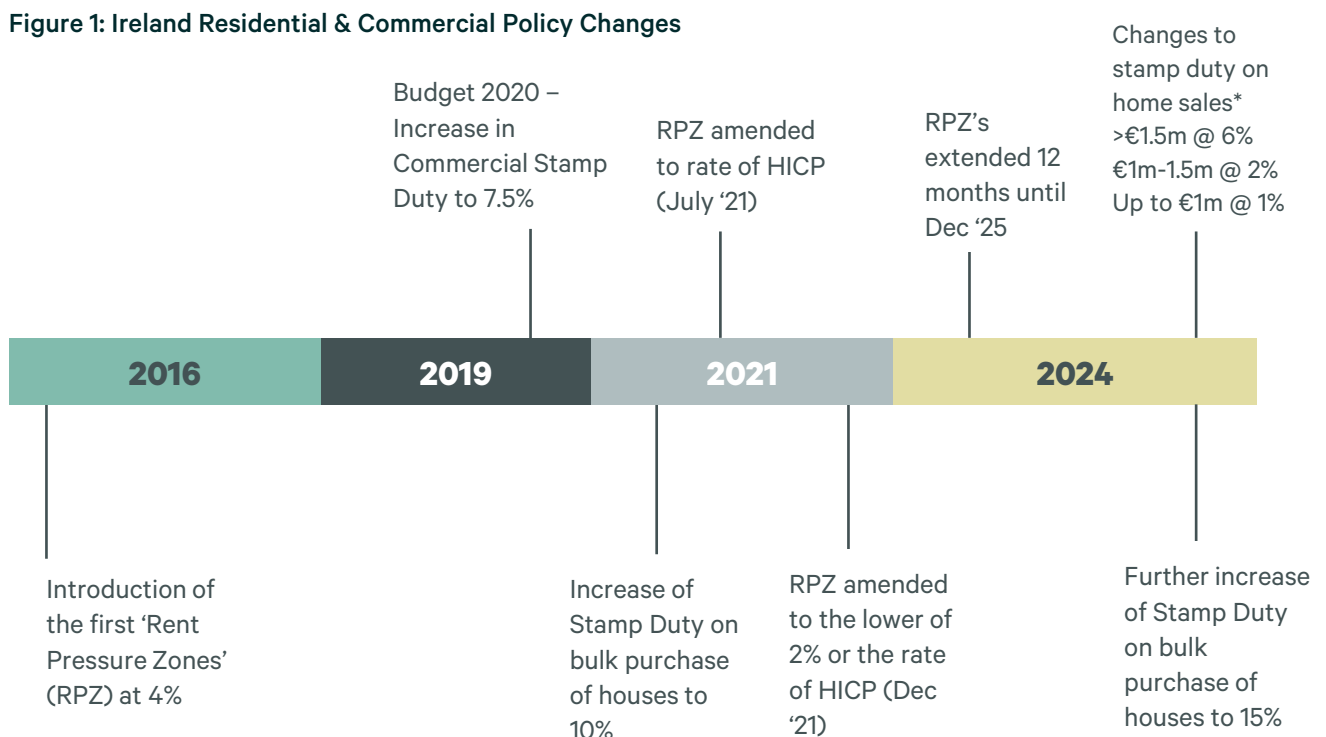
Housing Supply-Side Supports

Today’s announcement that a further €1.25 billion will be allocated to the Land Development Agency for the continued development of housing on state-owned land is welcomed. This funding will further support the delivery of social, affordable, and cost-rental housing across the country in the next five years.

Ireland is now clearly in the early stages of a multi-year cycle that will see record levels of social and affordable housing delivery. In 2023, almost 12,000 social homes were delivered in Ireland, the highest annual level since the 1970’s. A further 4,000 affordable homes were also delivered in 2023, more than double the previous year.

CBRE Ireland also notes the extension of the ‘Help-to-Buy Scheme’ to 2029 and advises that while it clearly improves the purchasing power of first-time buyers of new homes, over the long term it can add to house price inflation. As such, we believe supply-side supports and measures that improve construction viability should be prioritised over demand-side initiatives such as this.

Figure 1: Ireland Residential & Commercial Policy Changes



Source: CBRE Research; *we understand this does not apply to bulk sales in the rental apartment or student housing sectors

Stamp Duty Increase on Home Sales

Section 5.3 of *Budget 2025 Tax Policy Changes* states, “a third rate of stamp duty on residential properties will now apply where the value/acquisition price involved exceeds €1.5 million. It will apply at a rate of 6% to that element of the value above €1.5 million. The existing 1% stamp duty rate on residential property valued up to and including €1 million, and 2% on any value above €1 million and at or below €1.5 million will continue to apply.”

The wording of this statement combined with the wording of the Minister for Finance’s Budget speech caused confusion to many in the residential investment and development sectors, given the lack of clarity distinguishing between ‘one-off’ home sales and the bulk sale of apartments or student housing.

We understand that later comments from the Minister clarified that the intention of the tax is to target ‘one-off’ home sales. However, to date there has been no separation in the way stamp duty has been applied between new home sales and ‘bulk’ apartment sales. We expect the detail to be clarified further and to be rectified in the Finance Bill.

Further Increase to Stamp Duty on ‘Bulk Purchasing’ of Houses

The stamp duty applicable to the ‘bulk purchasing’ (10+ units) of single-family housing (as opposed to apartments) will be increased to 15% from 10% with immediate effect.

CBRE Ireland is supportive of measures that ensure single-family housing can be purchased by first-time buyers and young families. However, our analysis shows that since a stamp duty of 10% was applied to ‘bulk-purchasing’ in May 2021, there has been an extremely small amount of such transactions in the Irish market.

Separately, since May 2021, all new planning applications in Ireland of 5+ housing units now have specific planning conditions that restrict the bulk sale of these houses. As such, housing developments granted planning permission before May 2021 will see those permissions expire in 2026, so there will be very few opportunities to ‘bulk purchase’ units beyond then in any event.

There are knock-on implications to both this policy change and to the lack of clarity provided in relation to the increase in stamp duty on home sales. Ongoing changes and uncertainty in regulation can negatively impact institutional investor sentiment towards the Irish market, in turn discouraging new investment and development.

As we outlined in [The Opportunity Cost of Rent Control](#), institutional investors were directly or indirectly promoting the supply of approximately 2,000 apartment units per annum in Ireland between 2018 and 2022. And we believe that attracting this capital back to the market can play a role in improving overall national housing supply.

Residential Zoned Land Tax

As part of the ‘Housing for All’ plan in 2021, the government proposed a tax of 3% per annum on the value of residentially zoned land in Ireland, and this will apply from February 2025.

However, yesterday two welcome amendments to RZLT were announced. The first amendment will provide for a further opportunity for RZLT landowners to seek a change in zoning in 2025 to a zoning that reflects the economic activity they undertake on the land. Secondly, legislation will be introduced to allow for a 12-month deferral of RZLT liability between the grant of planning and commencement of development during judicial review proceedings brought by a third party.

Increase to Minimum Wage Will Add Further Cost Pressures

As 2024 has progressed, Ireland has experienced a growing number of restaurant and hospitality business closures. These closures have been due to a range of factors, including lower consumer spending and sentiment, the COVID-19 tax warehousing deadline in May, and changes to working patterns in city centres. However, the largest factors cited to CBRE Ireland by our client base include increased cost pressures, mainly due to VAT, higher input costs and increased wage costs.

In today's budget, the Minister for Finance has announced another increase to the national minimum wage, by over 6% to €13.50 per hour. This follows a 12% increase to the minimum wage in January 2024.

The timing for such a change could have serious implications for many small and medium sized business who are already facing serious cost pressures. This policy is clearly unwelcomed by retailers and hospitality groups who need support at this time.

Infrastructure Improvements to Ensure Ireland's Competitiveness

Other positive investments include the allocations into infrastructure, which will serve both the commercial and residential markets. €1 billion has been allocated to Irish Water for capital investment projects, including connections for new housing and addressing urban wastewater pressures.

A further €750 million direct equity injection has been provided to transmission system operator EirGrid for further investment in the national grid. Both investments are critical to ensuring Ireland's continued economic development and competitiveness.

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