SIPTU POLICY RESEARCH UNIT
BRIEFING
SERIES

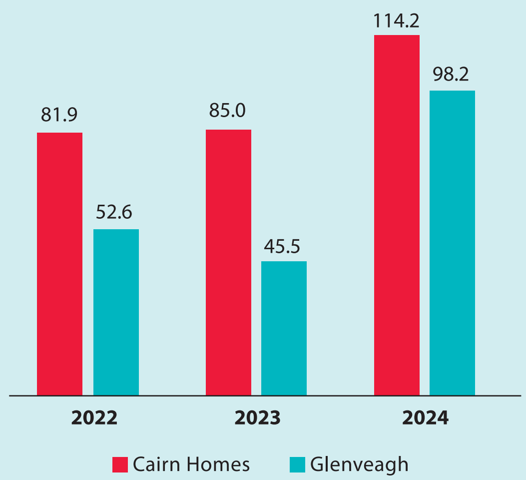
AFFORDABLE HOUSING, AFFORDABLE LIVING

November 2025

Budget 2026 delivered over half-a-billion Euros in tax cuts to property developers. The developers' lobby claimed they couldn't make money building homes. Government believed them despite the evidence.

> Two leading developers – Cairn Homes and Glenveagh – generated €477 million in profit in the last three years. According to the Government's own data, developers were generating nearly €50,000 profit for each apartment unit they built in 2024.

Profits for two leading developers: 2022 – 2024 (€ million)



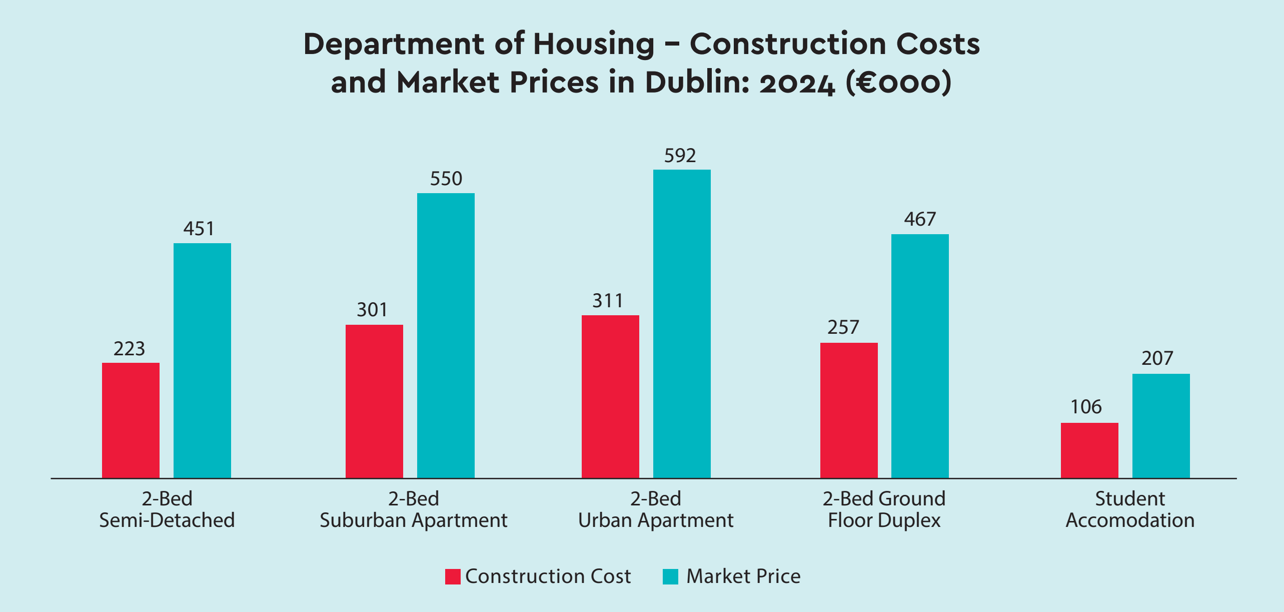
Nonetheless, the Government is adding to these profits (and the price of land) through unnecessary tax cuts.

Combined with new building regulations which will result in smaller, darker apartments, alongside landlord-friendly rent regulations, the Government has been fully captured by the developer lobby. And it is costing us dearly.

> There are a number of issues in the housing market: planning process, infrastructure deficits, input costs, labour shortages, role of institutional investment, procurement protocols, SME access to capital. However, we mustn't lose sight of the fundamental issue; namely, that it is only the state that can provide housing that is affordable to those in housing need.

A number of alternatives have been put forward by opposition political parties and commentators. SIPTU believes that whatever the institutions and delivery mechanisms:

> The overriding principle is that affordable homes – whether for purchase or rent – should track construction costs, not market prices.



The Government provides data that shows the benefit of grounding housing policy in this principle.

According to the Department of Housing, Local Government and Heritage, construction costs are approximately half of the market price.

Basing housing on construction costs has the potential to deliver truly affordable homes. We should be building housing for social need, not profits for developers and landowners. We should be building housing to accommodate a range of household types e.g. single people, families with children, supporting those with disabilities, older people. And we should be resourcing local authorities, approved housing bodies, and other public agencies to that end. While there are different ways to achieve this, we look at two models that should be considered.

Affordable Homes for Purchase

According to Threshold, over 60% of tenants want to own their own homes. But even under the Government's affordable home purchase scheme, houses are too expensive. This needn't be the case.

In 2024 the market price for a two-bedroom urban apartment in Dublin was nearly €600,000. But the cost of building that apartment was a little over €300,000. What is driving that gap?

Land prices and developer's profits make up over 40% of the gap between construction costs and market price, with financing charges making up an additional 15%. Most of these costs would not exist where public housing is built on public land.

Affordable house prices based on construction costs would significantly reduce the amount a first-time buyer would need to save, the size of their mortgage and subsequent mortgage payments.

Construction costs make up only half the market price. 'Bricks and mortar' have not made housing unaffordable. The developer-led housing model is at fault. State-led housing based on construction costs would eliminate many of the financial burdens imposed by developers and land-owners – and should become the fundamental base-line for affordable housing.

A Unitary Model for Affordable Rents

Low and average-income workers are a 'critical economic constituency'. Their earnings fuel tax revenue and consumer spending. Their skills drive economic growth. Many were deemed 'essential workers' during the Covid-19 pandemic. Yet, these workers are exposed to high rents in the private sector – in many cases being ineligible for social housing and the Government's cost-rental schemes.

The problem lies in our dual rent system. Traditional social housing is segregated and means-tested, leading to stigmatisation and segregation of low-income groups.

We need to move to a unitary rental market, where the public and private rental markets are integrated. This would involve

- Removing the means-test from traditional social housing, opening it up to all those with housing need regardless of employment status or income.
- Rebranding social housing as Affordable Housing – to emphasise that rental accommodation built by the state is open to all those in affordable-housing need.

Affordable rents should be based on:

- Construction Costs
- State Subsidies
- A revamped Housing Assistance Payment (HAP) scheme that recycles public subsidies back into public housing

This could reduce rents by nearly half depending on the method of financing.

Transforming traditional social housing into a new public-led Affordable Housing programme that rents out to all those in affordable-housing need can dramatically reduce rents, and boost workers' living standards while providing security for low-income groups.

Establish a Public Enterprise Construction Company

Establishing a public enterprise construction company can help reduce construction costs, promote collective bargaining and decent wages and working conditions and encourage low-carbon technologies. With an Affordable Housing programme focused on construction costs, a public enterprise company could constitute another cost-reduction strategy through improved productivity.

- Through operation of scale, the public company can purchase in bulk resulting in lower input prices – in both materials and services such as design.
- The public company can offer permanent, long-term contracts to incentivise construction workers abroad to return home, resulting in increased capacity.
- A public company would invest in productivity enhancing operations (modern methods of construction, modular homes, low-carbon technologies), while ensuring that all construction-related workers are covered by Sectoral Employment Orders (SEOs).
- Embedding workplace democracy into the company such as collective bargaining and board membership will also increase productivity.

In addition, a public company can provide competition to the current domination of the building sector by a handful of companies. The purpose of this new company would be quite simple: find more efficient ways to build affordable homes, unencumbered by the need to drive profits and dividends.

A public enterprise housing company would invest in productivity enhancing activities, promote best-practice industrial relations and reduce construction costs – providing another boost to affordable housing.

"If the value system underpinning housing is that it has to be profitable, you're never going to have affordable housing."

Ali Grehan, Dublin City Architect

Affordable Housing is a public good – a good which can only be vindicated through substantial and sustained democratic interventions. High house prices and high rents are not inevitable.

By adopting SIPTU's fundamental principle – that affordable housing should track construction costs – we can refocus the public debate and policy-making.

We need to choose between our current developer-led model; or an affordability-led model based on social need and actual construction costs. Ultimately, this is a political choice.

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