IIP Pre-Budget Submission 2027

Stability Drives Supply

Addressing the Delivery Gap: Viability, Certainty and Capacity

Prepared on behalf of Irish Institutional Property

Budget 2027 | Submission to Government

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Introduction

Irish Institutional Property (IIP) is the representative voice of institutionally financed investors and real estate providers in the Irish market. IIP members have invested approximately €20 billion and are on track to fund and/or directly develop c. 75,000 new homes both for sale and for rent, including a significant share of higher-density apartment delivery, by the end of 2028.

Institutional capital has become an essential part of Ireland's housing delivery model. It provides the scale, long-term certainty, and balance sheet capacity required to deliver apartments, social and affordable housing, cost rental, urban regeneration, and large multi-phase developments both for sale and for rent. It is widely acknowledged that without that capital, the State will not achieve the level of housing output required over the remainder of this decade.

Budget 2027 must now be framed around one central objective: increasing annual housing delivery from the current level of approximately 37,000 homes per annum towards 50,000 to 60,000 homes per annum by 2029/2030. That requires full and swift implementation of policy changes towards targeted measures that improve viability, reduce delivery risk, and continue to build confidence for long-term investment. Budget 2027 represents a significant opportunity to materially improve the trajectory towards necessary targets.

Summary of Asks and Outcomes

Ask	Outcome
Maximising existing capital allocation	More units supported by the State
Tax certainty	Encourages investment
Reform the 15% Bulk Stamp Duty	Enables more investment on development
Reform the Stamp Duty Residential Rebate Scheme	Addresses constraints
Extend the reduced VAT rate to all residential development	Addresses viability
Address Residential Zoned Land Tax problems	Removes barriers to development by improving the application of the tax
Construction Skills Retention Tax Credit	Addresses labour shortages
Promote MMC and standardisation	Key to addressing costs

1. Overview of Government Commitments on Housing

The Government has made housing the central domestic policy priority through Housing for All and, more recently, Delivering Homes, Building Communities 2025–2030. It has committed to dramatically increasing housing supply, improving affordability, expanding social and cost rental delivery, activating land, and supporting compact urban growth.

The State has also introduced a series of targeted interventions to improve market delivery and bridge viability gaps, including:

- Croí Cónaithe
- STAR
- Project Tosaigh
- the Secure Tenancy Affordable Rental Investment Scheme (STAR)
- the First Home Scheme
- the Help to Buy Scheme
- the Residential Zoned Land Tax
- the Stamp Duty Residential Rebate Scheme
- targeted VAT changes for apartment development
- changes to apartment specifications

These measures reflect a clear political recognition that the State, on its own, cannot deliver the volume or type of housing now required and that middle income cohorts need structured, non-inflationary support mechanisms. That recognition is welcome. But the practical reality is that delivery remains below what is needed.

2. The IIP Contribution to Housing in Recent Years

IIP members have played a major role in keeping housing delivery moving forward in an exceptionally difficult environment.

IIP-backed investment has supported:

- large-scale apartment delivery in urban areas
- higher-density schemes that are difficult to finance through traditional models
- social and affordable housing through partnerships with Approved Housing Bodies, local authorities and the Land Development Agency
- forward-funding structures that allow schemes to proceed at scale
- modern, professionally managed rental supply
- regeneration and mixed-use development in key growth locations
- funding for builders and developers countrywide

In practical terms, IIP members have the capacity to fund and/or directly develop approximately 75,000 homes per annum by 2028 if the system allows, facilitates, and if recent policy changes are continued and enhanced. That would provide a significant share of required market output targets and free State resources to focus more on other national housing needs.

If Ireland wants to accelerate supply meaningfully over the next three years, it must retain and grow that capital base against a backdrop of global uncertainty, rising transaction costs and avoidable tax friction.

IIP welcomes the fact that the Government has shown a commitment to respond to viability and supply pressures. In particular, the following changes are positive:

- the extension and amendment of the Stamp Duty Residential Rebate Scheme
- the targeted reduction in VAT for apartment delivery
- continued support for Help to Buy and First Home type interventions
- the use of Croí Cónaithe to address viability gaps in apartment development
- State-backed delivery initiatives through the LDA, including Project Tosaigh and STAR
- recognition that institutional capital is necessary to support supply
- application of development levy waivers

These are important steps, translating into annual output which has now moved towards approximately 37,000 homes per annum in 2025. However, that is still not enough.

Even allowing for recent progress, inflation in construction costs, higher financing costs, labour constraints and geopolitical instability, including the inflationary and interest-rate effects arising from the war in Iran, are continuing to place pressure on viability and delivery. The current trajectory may get Ireland to the high-30,000s and low-40,000s, but it will not get the country to the 50,000 to 60,000 homes per annum now needed by 2029/2030.

3. The Changing Costs Environment

The emergent energy crisis is rapidly changing the baseline for construction costs as it cascades through the economy. This presents a moving target for policy makers and analysts. This situation has to be monitored closely and responded to appropriately. IIP will review and assess the impact it has on viability over the coming months and engage accordingly with Government. This submission is made with the clear reservation that it is on a no-change basis.

4. The Delivery Gap the Government Must Now Address

The central policy challenge for Budget 2027 is straightforward. Ireland has increased homebuilding from a low of under 5,000 in 2013 to over 36,000 in 2025. That is real progress, but it remains well below the level required to meet underlying demand, clear accumulated deficit, and achieve Government housing ambitions by the end of the decade.

To close that gap, Government must focus Budget 2027 on the areas that most directly affect delivery:

- maximising existing capital allocations
- viability of apartment and housing schemes
- certainty of tax treatment
- cost of construction and finance
- land activation
- speed and bankability of State support schemes
- labour and skills retention
- financing capacity of delivery agencies
- scale up the affordable housing support architecture to match demand from middle income cohorts

That means Budget 2027 should not be a broad housing narrative. It should be a delivery budget.

5. IIP Priorities for Budget 2027

Viability, Certainty and Capacity

To increase output towards 50,000–60,000 homes per annum by 2029/2030, Government should prioritise the following in Budget 2027:

Viability

Ask: Maximising the capital allocation under Programme A

Delivering Homes, Building Communities sets out an ambitious and unprecedented level of State investment in housing. Maintaining that fiscal commitment while adhering to a sustainable budgetary strategy is vital to creating a predictable and certain investment environment. Recognising that level of financial commitment and the limits of further direct increases should shift the focus to ensuring current schemes deliver full value for money.

Specific recommendation / actions:

- Maintain NDP funding commitments and reform CREL, Croí Cónaithe, STAR, the Affordable Housing Fund and Local Authority Housing to optimise spending and maximise the number of units supported.
- Maintain funding commitments under the NDP to provide stability and certainty.
- Use standardisation in design on Part V affordable and social housing to reduce costs.
- Broaden income brackets with tapered subsidies on CREL eligibility to cross-subsidise low rents.
- Earmark a percentage of CREL units alongside the Household Income Cap with an Individual Income Floor and Ceiling for shared units.
- Allow a blend of private investment and private purchase of Croí Cónaithe apartments with a differential.

Why it matters: The State is a key enabler of housing and should avoid cyclical investment trends. Spending should be optimised in key programmes by refining and reforming schemes as appropriate.

Viability

Ask: Address Residential Zoned Land Tax problems that are delaying or increasing the cost of delivery

RZLT can be an effective activation measure, but parts of its operation are now creating unnecessary costs. The most immediate issue is the treatment of forward fund transactions, particularly those involving AHBs and the LDA.

Specific recommendation / actions:

- Amend the RZLT rules so that deferrals are not clawed back where land is sold by a developer under a forward fund transaction and the same developer remains engaged to complete the development.
- Apply this to the 12-month planning permission deferral and the commencement notice deferral.
- Alternatively, allow a refund mechanism where a developer loses a deferral due solely to the legal transfer of ownership in a forward funding structure.

Why it matters: Forward funding is a critical delivery model for social and affordable housing. The current rules add cost to exactly the type of development Government says it wants to accelerate.

Viability

Ask: Extend the reduced VAT rate to all new residential housing, not apartments alone

The current VAT change for apartments is welcome, but it is incomplete.

Specific recommendation / actions:

- Extend the temporary reduced VAT rate from 13.5% to 9% to the construction and supply of all new homes intended for residential use, including houses.
- At minimum, apply the reduced rate to BER A-rated houses and target it at improving affordability and viability in new housing delivery.

Why it matters: VAT is a direct cost for delivery. Reducing it would improve scheme viability and reduce the cost passed through sale prices and rents.

Certainty

Ask: Preserve tax stability and investor certainty

The single biggest overarching requirement is stability. Ireland relies, and will continue to rely, on its ability to attract international capital at scale to fund its major real estate requirements — from modern offices and data centres to high-density urban rental housing and the equity needed to underwrite house and apartment projects for sale.

Ireland needs to create an environment, comparable to what has been built for FDI, in which Ireland is a first-choice location for the mobile international capital required. Ireland has addressed several of the constraints that previously chased that capital away and materially increased its funding cost, but the work is far from finished. Ireland still carries a risk premium relative to other core EU markets, and any planned policy actions need to be evaluated in that context. Initiatives such as engagement at MIPIM should become a regular, well-planned feature of how Ireland engages with international capital markets.

The volume of capital required to ramp up housing supply, particularly for apartments, needs to double. That can only be achieved by tapping international capital markets, which should be seen as a strength rather than a vulnerability. It insulates Irish investors and banks from the normal cyclical risks that arise when domestic capital alone funds the cycle. International institutional capital has proven to be patient and responsible during recent economic shocks, adding significant stability to real estate markets.

Frequent changes to tax rules, especially around institutional investment, reduce confidence, delay decisions and divert capital to other jurisdictions. Ireland cannot increase housing supply while simultaneously increasing uncertainty for the capital needed to fund it.

Specific recommendation / actions:

- Commit in Budget 2027 to maintaining a stable and competitive investment framework and avoid further disruptive changes to the IREF and broader institutional property tax regime.
- Strengthen and retain the IREF regime rather than replace it with an entity-level tax.
- Use the upcoming consultation to simplify the regime, not increase the tax burden.
- Provide certainty on stamp duty treatment for residential development transactions.
- Ensure that tax policy supports, rather than deters, large-scale residential delivery.

Why it matters: If Ireland is seen as unstable or uncompetitive, international capital will be allocated elsewhere. That will directly reduce housing supply.

Certainty

Ask: Amend the 15% bulk stamp duty regime to support delivery, not restrict it

The current bulk stamp duty regime is producing unintended consequences in parts of the market and can penalise developments that should be encouraged.

Specific recommendation / actions:

- Amend the definition of “apartment block” in Section 31E SDCA 1999 so that duplexes, maisonettes and other apartment-style typologies assessed and built under apartment design standards are clearly included.
- Exclude houses subject to long-term social housing leases from the definition of “relevant residential unit” so they are not caught by the 15% bulk rate.
- Introduce a deferral mechanism where the bulk rate would otherwise apply to a site acquisition, but the purchaser commits to complete development within a specified timeframe.

Why it matters: These changes would reduce distortion, improve certainty, and avoid penalising transactions that can unlock large-scale housing and social housing supply.

Certainty

Ask: Reform the Stamp Duty Residential Rebate Scheme so it reflects delivery reality

The rebate scheme is welcome and necessary, but it still does not reflect the practical reality of delivering large housing schemes in Ireland.

Specific recommendation / actions:

- Extend the circumstances in which the commencement deadline does not apply, including An Bord Pleanála appeals, judicial review proceedings, and appeals arising from judicial review decisions.
- Extend the completion deadline from 30/36 months to 48 months for all developments.
- Reduce the 75% site tests to 65%, or alternatively exclude roads, footpaths, parking and public open space from the 75% calculation.
- Extend the definition of land so that sites acquired by long lease are included.
- Publish Revenue guidance with worked examples.

Why it matters: The current scheme is too rigid. It risks clawback where delays arise from factors outside the developer’s control and it disadvantages normal housing design, especially phased suburban delivery.

Certainty

Ask: Review CGT competitiveness to attract more development capital

Ireland’s capital gains tax rate remains high by European standards and affects international investment decisions.

Specific recommendation / actions:

- Undertake a detailed competitiveness review of CGT as it applies to real estate investment and consider a targeted reduction or temporary relief to support inward investment and increased housing supply.

Why it matters: Ireland is competing for capital. If returns are more attractive and more predictable elsewhere, housing investment will move elsewhere.

Certainty

Ask: Improve the timing and structure of Croí Cónaithe funding and the structure of STAR funding

Croí Cónaithe is important, but funding arrives too late in the process. STAR is a welcome concept, but needs adjustment to meet institutional equity investors' concerns.

Specific recommendation / actions:

- Change the payment structure of Croí Cónaithe so funding is made available earlier in the development cycle, rather than only at final conveyance.
- Introduce milestone payments during construction or earlier drawdown with appropriate clawback safeguards.
- Make major changes to STAR to adjust income eligibility over time and include 2nd incomes, so that 2 and 3 bed units are viable.

Why it matters: Developers currently have to bridge the gap with expensive third-party finance. That raises cost and undermines the purpose of the scheme. Potential investors in STAR need eligibility certainty to provide finance over a long term horizon and restricting the assessment to one income only means that schemes with 2 and 3 bed units are not eligible.

Capacity

Ask: Increase LDA and HFA financing capacity to support scale

If Government wants significantly higher output, its delivery agencies must have the balance sheet to match.

Specific recommendation / actions:

- Increase the Housing Finance Agency borrowing cap from €13.5 billion to €20 billion.
- Provide a clear and early funding timetable for the additional LDA capital already proposed under Delivering Homes, Building Communities.
- Increase LDA resourcing and capital capacity to enable more joint ventures with private developers.

Why it matters: The State cannot talk about scaling delivery while constraining the agencies it relies on to do so.

Capacity

Ask: Introduce a Construction Skills Retention Tax Credit

Labour shortage is now a supply issue.

Specific recommendation / actions:

- Introduce a Construction Skills Retention Tax Credit to support apprenticeship completion and retention of skilled workers in the construction sector. Appendix 2 includes a detailed proposal on the matter.

Why it matters: Housing output cannot rise to 50,000–60,000 homes per annum without a larger and more stable construction workforce.

Capacity

Ask: Support modern methods of construction and adaptive reuse

These areas are not peripheral. They are part of the supply solution.

Specific recommendation / actions:

• Introduce accelerated capital allowances for MMC factories, equipment and machinery.

• Examine tax measures to support adaptive reuse of vacant and underutilised buildings for residential and mixed-use purposes.

Why it matters: Both measures can reduce delivery times, improve sustainability, and increase urban housing output without relying solely on greenfield expansion.

6. Conclusion

Budget 2027 must be judged on one question: will it help Ireland move from roughly 37,000 homes per annum to 50,000–60,000 homes per annum by 2029/2030?

The answer will depend not on broad statements of intent, but on whether Government uses this Budget to improve viability, optimise every euro allocated to housing funding, reduce delivery friction, and provide long-term certainty for the capital and delivery partners needed to build at scale.

IIP members are already making a major contribution to housing supply in Ireland. With the right Budget measures, that contribution can grow materially over the coming years. Without those changes, the State is unlikely to close the gap between current output and national need.

The following concrete points should be retained:

- Maximise the value of capital funding under Programme A of Vote 34 through reforms to CREL, STAR, Croí Cónaithe, Affordable Housing Fund and Local Authority Housing
- Retain and simplify the IREF regime rather than introduce new uncertainty
- Amend the apartment block definition for stamp duty purposes
- Exempt social housing leased houses from the 15% bulk stamp duty regime
- Defer bulk stamp duty where development completion is committed
- Extend stamp duty rebate deadlines and widen exceptions
- Reduce or revise the 75% tests in the rebate scheme
- Include long lease acquisitions in the rebate scheme
- Extend the 9% VAT rate to all new residential housing
- Amend RZLT to fix the forward fund transaction problem
- Bring forward Croí Cónaithe funding through milestone payments
- Increase HFA borrowing cap to €20bn
- Fund and resource the LDA to expand joint ventures
- Introduce a Construction Skills Retention Tax Credit
- Support MMC through accelerated capital allowances

Appendix 1: Three Key Policy Areas

Ahead of Budget 2027, IIP members request that the Government give due consideration to the following three key areas:

1. Residential Stamp Duty Reform

Stamp Duty Residential Rebate Scheme

The Scheme has been a welcome and necessary measure in encouraging the development of residential property. However, currently the scheme has several limitations which result in the rebate not being available where certain circumstances outside of the control of the developer arise.

IIP members are seeking the following amendments to the scheme:

- The extension of the provisions which provide for instances whereby the 30-month (36 months for large scale residential developments) requirement to commence construction operations does not apply.
- The extension to the requirement to complete construction operations from 30 months (36 months for large scale residential developments) to 48 months from the date of the commencement of construction operations.
- A reduction in the 75% tests to 65% to allow for roads, footpaths and public open spaces in housing developments; or an amendment of the 75% tests in the legislation to exclude any surface area of the housing development covered by roads, footpaths and public open spaces.
- Extension of the definition of “land” to include land acquired by way of a long lease.

Rate of stamp duty applicable to residential property

IIP members request that Government convey certainty regarding the 1%/2%/6% stamp duty rates applicable to residential property. It is vital that Government can show it is cognisant of the importance that stability of regime has in ensuring investor confidence and is able to demonstrate its commitment to affordable housing.

The following amendments should increase supply of different typologies of residential units including large-scale developments and attract more investment in social housing due to greater certainty over the tax implications on the exit of the investment:

- Amend the definition of “apartment block” in Section 31E SDCA 1999 to provide further clarity to ensure units in buildings which have been assessed and built in accordance with design principles for apartments are included.
- Exclusion of houses with social housing leases in place from the definition of “relevant residential unit”, such that bulk purchases of houses subject to long-term social housing leases are not liable to the 15% stamp duty rate.

Bulk Stamp Duty Rate (10 or more homes) / Exemption

Furthermore, IIP members recommend implementing a mechanism to defer the Bulk Stamp Duty rate when an agreement has been reached to complete development within a specified timeframe.

In certain instances, the application of the bulk stamp duty rate produces anomalous results, inadvertently penalising the development of sites with the potential for hundreds of homes. Where a site containing habitable properties is acquired, even if it is a derelict site, and the threshold of 9 residential homes is exceeded in any 12-month rolling period, the bulk stamp duty rate of 15% applies to the value of the properties.

2. Capital Gains Tax ("CGT")

IIP members request that due consideration is given to reducing the Irish CGT rate. In considering Ireland's overall competitiveness, it should be noted that the current rate of CGT is one of the highest rates typically applied across Europe as highlighted below:

Jurisdiction	Rate (headline CIT rate unless otherwise stated)
Austria	23%
Belgium	25% - Capital gains subject to normal CIT rate (except capital gains on shares under certain conditions)
Denmark	22%
Luxembourg	23.87% on a combined basis
Ireland	**33%**
Norway	22%
Netherlands	25.8% - Headline CIT rate. Capital gains on qualifying participations are tax exempt under the participation exemption.
Spain	25%
Italy	24% - Headline CIT rate. For financial investments, the PEX regime at 95% exemption may be applied, provided that the conditions set by law are met.
Sweden	20.6%
United Kingdom	25%

IIP members note that measures such as the CGT break introduced in Section 604A TCA 1997 in response to the financial crisis played a pivotal role in stimulating much needed investment in the sector.

IIP members believe that reduction in the Irish CGT rate is essential to maintain global competitiveness and prevent international capital being routed to other territories.

3. Construction Related Supports

IIP members ask the Department to give due consideration to the following construction-related supports to encourage investment in energy efficient property stock and effectively tackle supply constraints in light of rising construction costs.

Residential Zoned Land Tax ("RZLT") amendments

The IIP made a submission to the Department of Finance in March 2025 relating to a number of practical issues with respect to the operation of RZLT, particularly in relation to Forward Fund Transactions ("FFT"). The existing RZLT provisions impose a clawback of RZLT, plus interest, or prevent a developer from claiming a deferral in respect of RZLT due to the change in ownership legally taking place on the date that an FFT contract is signed. IIP strongly recommends that the clawback conditions in the 12-month planning permission deferral – s.653AGA(3)(b) TCA 1997 and the commencement notice deferral – s.653AH(3)(b) TCA 1997 should not apply where the land is being sold by a developer and the same developer is being engaged by the purchaser to develop the property. These amendments would prevent developers from being unduly penalised for circumstances outside of their control.

Modern Methods of Construction ("MMC")

Tax measures to support modular construction would promote the use of MMC with developers. IIP members request that consideration should be given to the introduction of an accelerated capital allowances regime similar to that of energy efficient equipment for entities operating MMC facilities or entities which utilise MMC in the construction of housing. A 100% upfront deduction for modular equipment and machinery should reduce the tax burden for companies investing in these technologies. For example, where a factory has been MMC certified by Revenue, all qualifying capital spend specific to the operation of the factory would qualify for accelerated capital allowances. It will be key that the qualifying base is broad as the current regime for energy efficient equipment is very narrow and difficult to avail of in practice.

Development Levy and Infrastructure Charge Reliefs

Development levies and utility connection charges impose a significant upfront cash cost, with a disproportionate impact on marginal housing and mixed-use schemes. Evidence from previous levy waiver periods demonstrates a clear link between levy relief and increased commencements. In higher-cost or higher-interest environments, re-imposing full levies and charges risks delaying or cancelling otherwise viable schemes, leading to reduced output and employment. IIP members request that Government activate a clearly defined, time-limited extension of the Development Levy Waiver and associated Uisce Éireann charge waivers. This support should be explicitly linked to prevailing market conditions and delivery outcomes.

Construction Skills Retention Tax Credit

IIP members ask that consideration be given to the introduction of a Construction Skills Retention Credit. Developing an incentive scheme using tax credits would reward apprentices for completing and staying in the system and assist with addressing labour constraints in the construction industry.

CGT relief on disposal of properties which have been retrofitted

Consideration could be given to providing relief on the disposal of properties which are held as investment properties. This could be designed as a percentage reduction in the capital gains tax (“CGT”) rate or a credit in the calculation of the tax payable. This should neutralise the impact of an increase in value due to retrofit, therefore making it very attractive to property investors. The cost incurred in retrofitting a property should form part of the property owner’s base cost for CGT purposes. In addition to this, an additional relief for retrofit costs would either reduce the tax rate or allow for a credit in the CGT calculation.

Tax credit for retrofit costs

To broaden out the current grant offering for homeowners retrofitting their homes, an additional scheme which provides for a tax credit, similar to the Home Renovation Incentive Scheme, or a refund of property tax paid could be implemented. The credit could be calculated based on a certain percentage of the costs incurred in carrying out the retrofit. Consideration could be given to restricting the scheme to owner occupied residential properties and minimum BER improvements to BER ratings could also be required to qualify for the tax credit.