

My thanks to John McCartney of Lisney estate agents. I had long puzzled over the oft-heard claim by the housing industry that we need to build 65,000 new homes every year to satisfy demand. Writing in the Sunday Independent two weeks ago, Dr McCartney explains where this figure comes from.

First, the industry is assuming that the number of households will increase by 48,000 each year. This figure strikes me as utterly implausible. During the 2002-2006 boom period, 45,000 new households were formed each year on average. A sizeable chunk of this growth was accounted for by the extraordinary influx of migrants to these shores.

Census data show that migrants boosted the population in the crucial 15-44 year age group by 37,000 annually during the boom. Using Dr McCartney's ratio of 1.8 persons per house, this translates into demand for more than 20,000 units.

But this week brought news that the number of PPS numbers issued to foreign workers has plummeted. Net migration is slowing to a trickle.

The industry is also banking on "15 per cent for second home demand," which means 10,000 new houses annually. It is true that 15 per cent of our housing stock is vacant, but these are mostly investment properties. And the days of investors piling into property are gone.

Finally, 7,000 homes are supposedly needed every year to replace derelict properties. Maybe, but I wouldn't bet on it.

All told, a more realistic estimate for medium-term demand is around half the figure offered by the optimists.

This is not scaremongering. Builders have been poorly served by wildly overoptimistic assessments of housing demand. What else can explain the surge in new housing starts in 2006, at a time when demand was beginning to falter? A good dose of realism is long overdue.