Changing forms of house ownership

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Introduction

Ireland traditionally has had very high levels of home ownership compared to its European counterparts. At its peak in 1991, almost 80% of Irish people were homeowners. By contrast, home renting was historically seen as being of lowly status, reinforced by an emphasis on private ownership as being the symbol of high achievement, good citizenship and economic, social and moral stability. The language of housing over time came to be the language of ownership, and housing discourse has been dominated by a presumption of ownership to the exclusion of those who rent. In fact, in the discourse, renting is and has been continually referred to in a negative context,viewed either as a precursor to ownership or through the lens of the stigma associated with social housing.

Recent CSO/Eurostat statistics,however, show that Ireland is undergoing an historical shift in its traditional pattern of home ownership, with a drop from the 1991 high of 80% to under 70% by 2015. At the last census, the home ownership rate was 67.6%, lower than the EU average of 69.2%.Alongside this historical shift, renting in the private sectorhas become increasingly more popular, with private sector rentals doubling between the 2006 and 2011 censuses.

Some economic, social and demographic changes have contributed to increasing preferences for rental accommodation, such as increasing urbanisation, decreasing trust in the housing market, access to finance and the influx of FDI investment and workers. However, increased reliance on the private rentalsector has also been aided and abetted by changes in policies and practices in social renting. National and local government home building has effectively ground to a halt, and the private sector is being increasingly used to house those who would have traditionally been accommodated by the state. The distinction between public and private renting is becoming less clear. Billions of euros of public money arebeing spent subsidising private-sector tenancies.

In the private sector, people find themselves increasingly unable to access housing. Record rents, restrictive rules on mortgage borrowing and ever-increasing house prices make it virtually impossible to rely on traditional methods of securing a place to call home. For those who do end up in the private rental sector, tenures are marred with uncertainty, conditions can be poor and few protections are offered. Thousands of others remain in the family home long after it is time to move out, couch surf, live in overcrowded accommodation or are one of the now more than 10,300 living in emergency accommodation, 400 of whom are children.

Research conducted in Ireland by Threshold in 2001 found that the vast majority (90%) of private landlords in Dublin owned two properties or fewer. However, more recent developments in policy and increasing levels of institutional investment suggest that the traditional landlord is increasingly being replaced by a faceless 'opportunistic' corporation taking advantage of a period of economic depression.

Who are the new renters? Who are the new landlords? Or are we witnessing a shift in housing culture or policy which favours a movetowards rented accommodation as a stable, affordable and attractive housing option? We are witnessing a wholesale shift from the promotion of owner-occupied housing by government policy – encouraged and facilitated through various sales and taxation schemes, grants and tenant purchase schemes –to institutional and corporate investment into the private property market. This is the next phase in the privatisation of housing, moving Irish housing policy along a trajectory initially characterised by state-subvented homeownership towards marketised homeownership in tandem with global shifts in theliberalisation of credit towards a model of corporatised, globalised landlordism. The distribution of this credit growth in Ireland was taken up not by homeowners but by private residential landlords, whose share of outstanding mortgages rose from 16.7% in 2003 to 26.1% inDecember 2006, while the share of mortgages held by home owners declined from 82.0% to 72.7% concurrently. The immediate aftermath of the global banking and property crises of 2007–2008 can now be seen as having facilitated the development of a vulture-like move by private equity firms and other institutional investors to accumulate wealth from the dispossession experienced by millions of people through foreclosures (repossessions) of distressed residential real estate and mortgages.

A nation of homeowners

The foundations of Ireland's housing policy system were laid in the late 19thcentury, when the vast majority of households rented privately, many in slum conditions. Early attempts to address housing problems focused on slum clearance and social house-building to replace them. While the original intention had been to regulate housing standards in the private sector and to stimulate the philanthropic provision of social housing, by the start of the 20thcentury, the state had become the main provider of social housing, and local authorities were empowered to provide mortgages to enable private renters to buy their dwellings from their landlords.

State policies which privileged homeownership over social housing were to continue to develop and became the defining social policy goal of successive Irish governments since independence. These governments set out to create a conservative, property-owning democracy, where financial and property speculation were viewed as a core activity, builders were lauded as entrepreneursand an indigenous moneyed class based around cattle, construction and banking developed. These sectional interests were able to control successive government policy, much to the detriment of the rest of the economy.

In 2008, the construction and banking sectors of that class closed ranks in order to protect themselves from oblivion, resulting in the bank guarantee and the creation of the National Asset Management Agencyas a state-financed 'bad bank' designed to remove the most toxic development assets and debts (€88bn) from the Irish banking system. The power to do that did not develop overnight. Rather, it was the culmination of decades of state policy that sought to subsidise private home construction and ownership by a)subsidising people to build their own homes or to buy their social homes, b) using public money to build swathes of council housing that was only ever sold, never rented, to its occupants and c)providing scheme after scheme to incentivise property speculation.

Since the foundation of the state, housing problems have persisted, and from the outset, government response has been to shelter the middle class and protect the sectional interests of the monied propertied class. Reporting statements made on the seriousness of the housing problem by W. T. Cosgrave in 1924, *The Irish Times* wrote:

> Looking around the country he knew of no better platform than that of the Rotary Club from which to deal with this subject. They [the government] had discovered during the last few years that neither municipalities, nor local authorities, nor State organisations were in a position to deal alone with the housing problem. They had come to the conclusion – and he thought it would be subscribed to by all who had knowledge of the conditions – that if success in this matter were to be achieved it must come through *private enterprise; that is to say, commercial enterprise.*

Cosgrave's speech was praised by *Irish Builder and Engineer*, which wrote that: 'it was gratifying, in these days of socialism, to find the head of State disassociating himself from the foolish notions that some have, that the whole of such vast problems have only to be made a government concern to be solved'.

It was socialism, indeed, for the wealthy and it followed this logic: middle-class people and property speculators, building and selling houses with public money, will make life better for those in the tenements and slums. Modern ideas of neoliberalism were not to be penned by Hayek until 1947, the Irish elite of the 1920s perhaps providing the inspiration: not only creating market relationships where they had not previously existed, establishing a market arrangement that will benefit those with wealth and power, but, most dangerously, believing markets to be the most appropriate way to ensure the efficient allocation of resources and the satisfaction of human and social needs. By the 1980s, the intellectual dominance of neoliberal ideas among economists, politicians and the business sector was virtually complete, encapsulated in Margaret Thatcher's dictum that 'There Is No Alternative'.

Certainly, in the context of housing in Ireland, few alternatives were available. High levels of homeownership continued to be built on enormous levels of state spending in the form of grants, rates remissions, tax reliefs and interest reliefs (among other subventions) to the detriment of investment in healthcare, education and social welfare.A nation of homeowners was gradually created through specific policy done by design (rather than driven by an innate yearning among a historically dispossessed people for the security of ownership: an obsession with land stemming back to the Famine years and beyond).

Of course, homeowners are less risk-averse – what worker, straddled with a mortgage, would raise his head above the parapet to demand better wages or working conditions, risk losing their job and stream of income and risk then their mortgage repayments or, ultimately, their home? The relationship between the homeowner and his mortgage serves the neoliberal agenda of taming the worker and disempowering the labour movement.

In line with the neoliberalisation and deregulation of the financial sector, government policies eventually shifted from supporting people to own a home to ensuring access to a mortgage. The effect of this was that government was now funding property prices, which were being set by builders and estate agents, often in collusion with building societies and banks. Thus, Ireland's property market was soon dictated almost exclusively by housing speculation. It was no longer about how much money people earned but how much credit they could secure, in turn fuelling the idea of a house as a speculative product, not just for builders but now also for owner-occupiers.

Financialisation

Ireland enjoyed strong economic growth in the 1960s and early 1970s, but the oil crisis had a particularly severe economic impact, and the economy alternated between recession and stagnation for most of the late 1970s and 1980s. This precipitated a severe fiscal crisis, and by 1987, 17% of the workforce was unemployed, the public debt was 150% of GDP and debt servicing costs accounted for 27% of public spending, which in turn created obvious challenges for funding public expenditure. When serious retrenchment efforts commenced in 1987/88, they focussed on capital rather than current expenditure. This distribution reflected political considerations – delaying road-building programmes was less controversial than cutting benefits – but it also meant that the socialised system of homeownership, which had been slowly constructed during the previous half century,was largely dismantled in just a couple of years. The Irish economy began to recover in the late 1980s. Initially, growth was jobless, but employment started to expand significantly from the mid-1990s and the country experienced dramatic socio-economic change.

Between 1996 and 2006, average earnings in Ireland increased by 56% while new house prices increased by 241%. As neoliberalism successfully tamed labour with the threat of redundancy, international capital sought freedom to roam the globe in search of the cheaper labour forces of developing countries, and so a new, unregulated architecture for global financial institutions and practices was constructed. In this new architecture, the size of loans increased and lending standards diminished; in some cases, interest-only or 100% mortgages became available. Existing homes became easier to re-mortgage, and the homeowners' debt to international capital increased. These developments paralleled developments in most countries across the developed world, driven by the globalisation of mortgage finance and falling interest rates in many EU countries. A core element of financial liberalisation internationally was the innovation of financial products, which were of a more traditional varietyin Ireland, with banks and building societies at the forefront of the transformation. The arrival of foreign banks to the Irish banking system intensified the competition for market share, especially in mortgage markets, precipitating changes to the nature of mortgages offered – longer loans, lower interest rates and, eventually, lower loan-to-value ratios.

From 2001 to 2007, the scale and number of mortgages in Ireland increased dramatically, as of course did the credit-linked price of housing. The total value of mortgage loans, of which the vast majority were held by banks and building societies, increased from €47.2bn in 2002 to over €139.8bn at the end of 2007. In 2006 alone, total mortgage debt increased by 24%, while the average size of a new mortgage almost doubled between 2002 and 2007 to 266,000. The impact of more freely available credit on housing prices was significant. In Dublin, average new house prices, which had already tripled between 1994 and 2001, increased by a further 71% in the six years up to 2007, peaking at €416,225. Nationally, new house prices increased by 76% in the same period.

Ireland experienced one of the most pronounced property market bubbles and bursts in modern economic history. Driven by deregulatory practices within the areas of banking, housing and urban planning, a wall of credit had entered the Irish property market from the mid-1990s, precipitating a housing and construction boom that was characterised by a massive increase in house-building, rapidly increasing house prices and the concentration of the economic in the construction sector.

Meltdown

The over-inflated property market and an increasing reliance on it for lending created the perfect storm for one of the most spectacular property and financial crashes in the history of capitalism. Although Irish residential property prices had been declining since early 2007, the trigger for the property-market crash and banking crisis in Ireland was the collapse of Lehman Brothers investment bank in mid-September 2008. This event immediately precipitated an international credit crunch. Suddenly, banks and providers of wholesale funds sought to retrieve and hoard their cash. Between January 2007 and January 2010, house prices declined by just over half, while arrears (of 90 days +) on owner-occupier mortgages increased from 3.3% to 10.2%. In Ireland,the housing market and banking crash precipitated one of the worst economic crashes in the developed world. Between 2008 and 2009, GNP declined by 20.2% and employment fell by 8.25%.

While the financial crisis of the 1980s had begun an increased reliance on the private rental sector for housing tenure, the economic crisis that followed the 2008 banking and property crash pushed more and more people into private rented accommodation, including those on local authority housing lists. While, during the 1930s and 1950s, social housing accounted for half of total housing output, its contribution fell to 7%during the 1990s before rising again to 16% between 2000 and 2007 and grinding almost to a halt in the decade following the crash.

The Irish development sector was decimated by the collapse of the market, as national house prices declined by 50% between 2007 and 2012, with many firms bankrupted in the process or unable to access development finance from the domestic banks. The result has been a virtual cessation in residential development, where annual output fell by over 90% from 93,000 units in 2006 to just 8,300 units in 2013. This is despite the fact that housing demand has soared following the recession, particularly in Dublin, where a minimum of approximately 34,000 homes were required to be built between 2016 and 2020. Housing supply has been at such a low level that a new crisis has been triggered in the supply of affordable housing. Indeed, the supply-demand imbalance has been so acute that double-digit house price inflation and residential rents have been recorded each year since 2013. Such unsustainable housing cost increases have resulted in overcrowding, economic evictions and rapidly rising levels of family homelessness.

A neo-liberal solution to a neo-liberal crisis

Following the property crash of 2008, Irish government housing policy retrenched dramatically from its position of subventing and promoting homeownership. The first practical evidence of this new policy direction came in 2008, when the availability of mortgage interest relief was limited to the first sevenyears of a mortgage. In 2011, most supports for low-income homebuyers were abolished, and in 2013, residential property tax was reintroduced. The 2011 housing ministry statement explained that these measures were intended to avoid overstimulation of the housing market and over-reliance on housing as an engine of economic growth. Critically, the statement also argued: 'If a household is capable... of renting a high-quality home... but lacks the resources to purchase an equivalent home, that household does not need... assistance from the State'. So, when government supports for homeownership were withdrawn, this tenure (homeownership) became increasingly less attractive (or available) to a growing demographic of home-seekers. First-time buyers, young families, workers – an increasing number of groups who traditionally would not have sought tenure in the private rental sector – required the rental sector to grow and provide long-term accommodation for a variety of income groups for the first time.

A new form of ownership

While the origins of the crisis – the infamous subprime mortgages – were American, it is within the Eurozone that the epicentre of the crisis can be located. More than half of the eurozone's population has fallen into perpetual recession, courtesy of the EU's centrally-enforced austerity policies. The response to the crisis by the European ruling classes has been profoundly neoliberal: cutting public spending, raising indirect taxes, reducing wages, attacking the welfare state, privatising public assets and further market liberalisations. Housing is no exception. Whether operating as institutional investors in completed developments or as the developer/landlord of new buildings, an increasing number of investors have capitalised on growing global trends in construction tender prices and household rents to make wholesale investments in the private rental sector. While the buy-to-let market still dominates many private rental sectors (including that of Ireland), improving yields and increasing availability of financing through Real Estate Investment Trusts have resulted in rapid growth of the professional investment sector in many countries.

In Ireland, a state-led deleveraging institution (NAMA) has acted as a 'market maker' for institutional actors, selling almost exclusively to US private equity firms and hedge funds, including Blackstone and Lone Star Capital. Additionally, the development sector has opportunistically utilised this crisis to position the planning system as the key barrier to housing supply and has consistently sought, and won, planning reforms that foster the interests of developers and private equity. New networks made up of construction sector lobbyists, developers and real estate investors have formed and have persistently argued (to government ministers and senior officials) that housing construction in post-crash Ireland is economically unviable due to the barriers presented by the Irish planning system – development levies, lack of certainty, bureaucracy, third-party appeals of planning applications and the power of local politicians to set planning standards. The changes made to facilitate 'fast-track planning' and strategic infrastructure rules and the creation of a dedicated housing ministry all meant that developers were able to set an agenda that was politically well received by the centre-right Fine Gael government who favoured market-based approaches to resolving the housing crisis. As revealed by the Mahon Tribunal, Ireland's developer class has long maintained close connections with major political parties, providing funding, access to elite networks and employment for political figures in their careers after politics in order to influence planning policy and decision making.

The surge in renters in the private market – and rents – has made for good business for a lot of overseas investors, particularly corporations who are cashing in on the highly lucrative rental market. For seven out of 10 Dublin households, there is a €100,000 gap between the mortgage they can get and the price of the average house. With development land values increasing by 50% since 2013, it is no longer profitable for developers to build homes to sell. For a notional development of 50 apartments in Dublin, a builder could expect to make just short of €17m in sales. However, if an investor could extract an average rent from each apartment of €2,000 a month, it could afford to pay a builder €24m. It is no contest, and recently, large home builders such as Cair Homes and Glenveagh sell entire apartment developments in one transaction.

Although still low, the Department of Finance estimates that the number of landlords with more than 200 properties more than doubled between April 2014 and December 2016, and there is evidence to suggest that more than 20% of apartments were rented out by companies in certain parts of Dublin city. In 2017, more than 40% of all new apartments in the state were bought by firms categorised as being in the financial and insurance or real estate sectors.

Profits at IresReit, Ireland's largest private landlord, climbed from €65.1m to €119.8min 2018. Estate agent CBRE estimates that there is €7bn of institutional capital – large swathes of cash, controlled by professional money managers – chasing apartment stock in Ireland. The housing crisis and the generally accepted view that something must be done about it (although views differ on what) has also made for good business for the development class, who have been sure to make the best use of the crisis, consolidating ever more their position through the ongoing neoliberalisation of Irish housing and pushinga development-sector-driven agenda in planning legislation, supported by pro-development attitudes within the Irish political system.

Conclusion

Property-ownership has a deep cultural significance in Irish society and was often seen as a guarantee of economic security. However, contrary to the mythology, the value that was placed on ownership did not arise out of a post-colonial reflex to the memory of historic dispossession or an obsession with land dating back to the Famine. There is no Irish property-owning gene. It is not part of our DNA. As with so many things regarding large-scale societal development, it began with an idea and was pushed through as an explicit policy of successive governments to privilege homeownership over social housing.

Homeownership, subvented by government support and increasing access to credit, has facilitated the growth of a development class that has depended on property as a commodity, and developers are now joined in those ranks by institutions investing in 'homeownership'. It is clear that Ireland's shift towards (institutional) rental is very lucrative for some (corporations) and their chiefs.

These are the new landlords: the faceless corporations that you will never meet. If workers were nothing but fodder for the capitalist class, the tenant is fodder for a new type of landlord class – the ultimate realisation of the dream as capitalism controls your wage labour and where you lay your head to rest between shifts. The only likely thing to emerge from this new model are ever-increasing rents put on the shoulders of the vast majority of the population – the 99% who are unable to participate in global speculation flows – applying a new and equally heavy level of social and economic pain onto those who have already suffered the effects of the austerity imposed after the 2008 crash.

Ireland is experiencing an acute, pervasive and socially explosive housing crisis so severe and polarising that it is quickly becoming the country's number one political issue.

The global anti-privatisation movement has been remarkably successful over the past 30 years at challenging privatisation. Internationally, dogged activism and people power have helped to slow and, in some cases, reverse the privatisation juggernaut, exposing its downsides across a wide range of service sectors, from water to healthcare to prisons. In Ireland, the privatisation of water was halted by people power, and while the privatisation of waste management was pushed through, the effects – massive price increases, poor-quality service, litter and illegal dumping problems – have become obvious and have precipitated calls for a return of municipal waste management.

At the time of writing, Ireland is weeks away from local elections. It is to be hoped that the landlord parties of Fianna Fáil and Fine Gael will be punished as the election will be used as a referendum on their housing policies. Momentum is building behind a national grassroots housing-action movement, and now left-wing political parties, trade unions, housing charities, NGOs and many civil society groups representing children and women's rights, the elderly and minority groups are coalescing in a national campaign. The growing consensus is that Ireland needs a publicly-led solution to the housing crisis – a radical shift in thinking is needed towards a pro-public conception of housing. The international rise of private equity firms as 'global corporate landlords' also needs to be challenged, and recent examples in Ireland of how tenants have successfully resisted the takeover of their homes by private equity firms show that people power can repel the new corporate landlord and demand an alternative: good-quality, affordable, secure housing that is appropriate to need and provided by the state for people on a broad range of incomes – an alternative that is based on realising a person's right to a home, not a vehicle for capital and wealth accumulation of the world's growing corporate landlord class.

Notes

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