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A Haunted Landscape: Housing and Ghost Estates in Post-Celtic Tiger Ireland

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A Haunted Landscape: Housing and Ghost Estates in Post-Celtic Tiger Ireland

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This working paper is accompanied by an Excel workbook containing all the original data and data sources used in this report. References in the text refer to specific datasheets (see http://www.nuim.ie/nirsa/research/documents/a-haunted-landscape.xls)

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Executive Summary

During the Celtic Tiger boom Ireland experienced a phenomenal growth in property construction and house prices. Construction became a major component and driver of the Irish economy. Both development and its underlying finances were allowed to become massively over-extended, creating an enormous property bubble. Rather than the much hoped for 'soft landing', the bubble popped in spectacular fashion leading to a radical transformation of the property market, with tumbling house prices and widespread negative equity, and a collapse in construction activity.

Government has two principle levers through which it can seek to regulate property development. The first is through fiscal policy with respect to regulating access to credit and determining taxation rates. The second is through planning policy and the zoning of land and the granting of planning permissions. Explanations of the Irish property bubble have focused almost exclusively on the former, and the role of the banks, tax incentive schemes, and the failures of financial regulators. **To date, the role of the planning system in creating the property bubble has been little considered.** And yet, the banks could have lent all the money they desired, but if zonings and planning permissions were not forthcoming then development could not have occurred in the way that it did.

As well as a catastrophic failure in Ireland's banking and financial regulatory system, **there has been a catastrophic failure of the planning system**. In a housing boom planning should act as a counter-balance to the pressures of development in order to maintain a stable housing market and try to prevent boom and bust cycles. Planning should provide checks and balances to the excesses of development and act for the common good, even if that means taking unpopular decisions. However, during the Celtic Tiger period a laissez-faire approach to planning predominated at all levels of governance that was insufficiently evidence-informed with respect to long-term demographic demand, market conditions and issues of sustainability, and which marginalised and ignored more cautious voices. Both the fiscal and planning levers of development were overly pro-growth. As a result, not only was there an unsustainable growth in property prices, but this was accompanied by a property building frenzy that led to a significant oversupply of housing (as well as offices, retail units and hotels) in almost all parts of the country. The level of over-development that has occurred will take years to correct and seriously hamper the recovery of the housing market and the operation of NAMA. Indeed, **there are legitimate questions as to whether NAMA can succeed** in its aims over its intended life-span.

It is our contention that an independent review of the operation of the planning system during the Celtic Tiger years be undertaken to consider fully the role of planning in the creation of the property bubble, similar to the Honohan (2010) and the Regling and Watson (2010) reports on banking and financial regulation. The review would examine planning policy formation and application, and the organisation, operation and regulation of planning within and across different agencies and at all scales in Ireland. It would investigate all aspects of the planning system and its operation, including charges of localism, cronyism and clientelism where appropriate. The inquiry should not take the form of a witch hunt or a blame game, but rather constitute a systemic review of how the planning system failed to counter and control the excesses of the boom and provide a more stable and sustainable pattern of development.

In this working paper, we examine the creation of 'a haunted landscape' – the recent boom and the bust of the Irish housing market, and the creation of a new phenomenon, 'ghost estates'. We draw on and analyze numerous different government and industry datasets to provide a rigorous evidence base for our conclusions. **What the data reveal is a pattern of development that ran counter to what one would have expected or hoped for - those local authorities that had the most vacant stock in 2006, subsequently built the most new housing, now have the highest surpluses of stock, and have the most land zoned for future use.** Essentially, a number of local authorities did not heed good planning guidelines and regional and national objectives; conduct sensible demographic profiling of potential demand; or take account of the fact that much of the land zoned lacks essential services such as water and sewerage treatment plants, energy supply, public transport or roads. Instead, permissions and zoning have been facilitated by the abandonment of basic planning principles by elected representatives on the local and national stage and driven by the demands of local people, developers and speculators, and ambitious, localised growth plans framed within a zero-sum game of potentially being left behind with respect to development. Further, central government not only failed to adequately oversee, regulate and direct local planning, but actively encouraged its excesses through tax incentive schemes and the flaunting of its own principles as set out in the National Spatial Strategy through policies such as decentralisation.

Rather than simply describe what has occurred with respect to housing development over the past twenty years, we seek to provide a detailed explanation of why the bubble was created and the effects of it bursting. We also provide a critique of the government's response to the crisis, and in particular the creation of NAMA. We suggest that seven key issues will need to be addressed before consumers regain confidence, property prices bottom out, and the housing market starts to function properly. First, supply and demand will need to be harmonized. Second, there has to be a sustained growth in the economy with an associated fall in unemployment. Third, house prices have to align more closely to average industrial earnings. Fourth, affordable credit has to be available for first time buyers and those trading up. Fifth, the uncertainties concerning NAMA and its operation have to dispelled, especially since it will be controlling a sizable share of property and land. This necessitates full transparency of the agency's workings and the assets it is managing. Sixth, consumers have to be satisfied that the banking crisis is truly over and that financial institutions are properly regulated. Seventh, substantive changes need to occur in the planning system to ensure that it works for the common good and produces sustainable development.

Our analysis suggests that there is little need for housing development in the state in the immediate future beyond selected social housing provision. This is not to say that this is no requirement for construction, however. Where construction could be fruitfully undertaken is with respect to public facilities such as schools and hospitals, public transport, roads, energy and broadband infrastructure. Such a targeted capital investment could, on the one hand, stimulate the economy in terms of employment and investment and provide multiplier effects across the private sector and, on the other, provide worldclass infrastructure to facilitate and encourage indigenous growth and inward investment. Any such investment should align with the National Spatial Strategy and National Development Plan and be delivered through a rigorous, responsible and sustainable planning system.

1. Introduction

A new spectre is haunting Ireland – the spectre of development run amok. This haunting has left its mark across the entire nation in the form of one-off houses, new housing estates, shopping centres, business parks and hotel developments, many of which now lie idle, deserted, and unfinished. Whilst notionally guided by principals such as creating sustainable communities and balanced development, the building frenzy was, in reality, driven by the ambitions and actions of developers and speculators, supported by banks hungry for quick profits, pro-growth local authorities afraid to be left behind, and a government greedy for the indirect, cyclic taxes the construction sector generated. The planning and tax systems, rather than providing checks and balances to guide and limit development, were used to facilitate the property boom by, on the one hand, providing land rezoning and planning permissions, and on the other incentivizing construction projects. The result was an enormous, inflated property bubble that was producing units in excess of any kind of realistic projections of demand and was hugely distorting the domestic economy in terms of contributions to GNP/GDP, tax receipts and types of employment.

The property boom was an integral component of the Celtic Tiger era in Ireland that ran from 1993 to 2007. The Celtic Tiger years saw a dramatic transformation in social and economic life of a country that had to until the start of the 1990s been a relatively poor, peripheral nation on the edge of Europe with a weak indigenous economy and a foreign direct investment sector characterised by low-skilled, branch plant manufacturing. In the 1990s, Ireland embraced free-market and neoliberal principles and aggressively courted foreign direct investment, with the result that there was a rapid shift to high-skilled manufacturing, a phenomenal growth in the service sector, and the development of a domestic consumer society. This transformation, and its causes, has been reasonably well documented in the academic literature (e.g., Allen 2007; Corcoran and Pellion 2002; O'Hearn 1998; O'Riain 2004; Bartley and Kitchin 2007; Jacobson *et al*. 2006; Moore and Scott 2005).

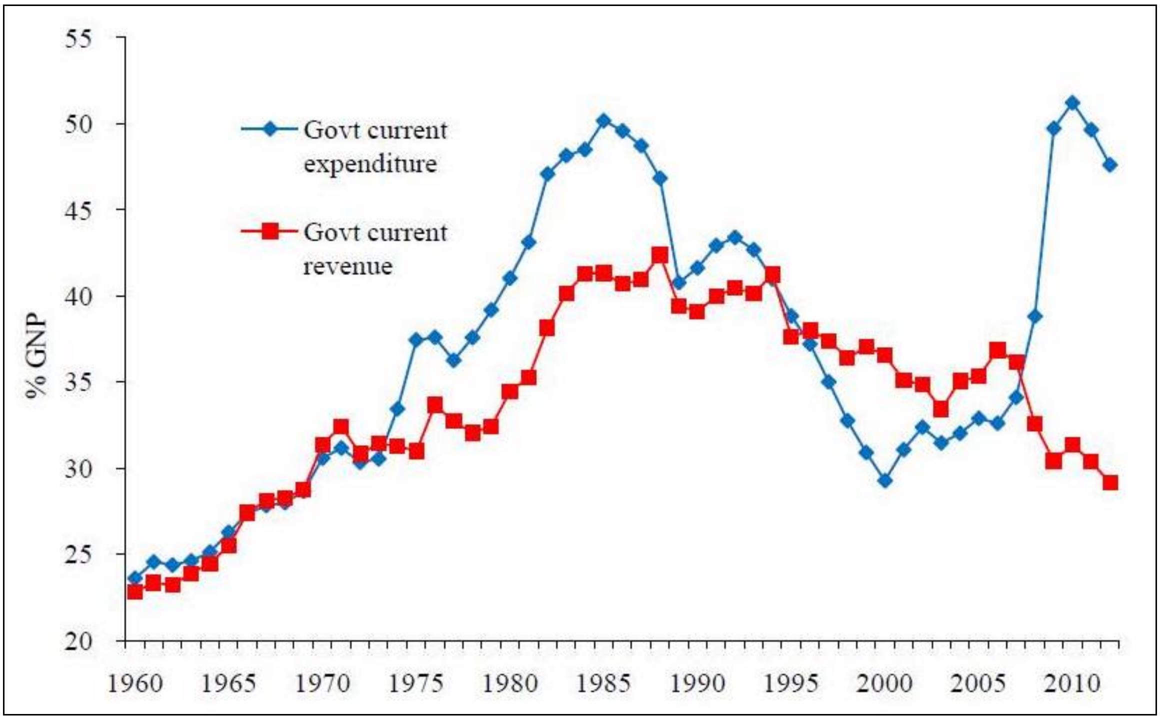
During, and even after, the boom, the 'Irish model' has been used as an example of the supposed benefits of neoliberal economic reform for countries wishing to fast-track modernisation. The model ostensibly takes elements of American neoliberalism (minimal state, privatisation of public services, public-private partnerships, developer/speculator led planning, low corporate and individual taxation, light to no regulation, clientelism) and blends them with aspects of European social welfarism (developmental state, social partnership, welfare safety net, high indirect tax, EU directives and obligations). Despite the seeming simplicity of the Irish model, the reality underpinning it is more complex and fragmented, imbued with inherent contradictions and paradoxes. Indeed, as Kitchin and Bartley (2007) document, even during the boom years there was a dark side to the Celtic Tiger, and despite the rhetoric that all boats rose on its tide, its effects were socially and spatially uneven and unequal, so that whilst some boats rose, others took on water, and some capsized and sank.

Rather than being the result of some well planned economic master plan, the Celtic Tiger was the outcome of a complex set of unfolding, interconnected, often serendipitous processes, held together by a strategy of seeking to attract and service foreign direct investment. The model is perhaps better described as a series of disparate policies, deals, and actions that were rationalised after-the-fact, rather than constituting a coherent plan per-se. As such, the fact that the Irish model sits politically somewhere between 'Boston and Berlin' (to use the analogy popularised by former Tanaiste Mary Harney in 2000) is not so much the indication of a country pioneering a new model of neoliberalism, as it is suggestive of the ways in which new policies and programmes were folded into the entrenched apparatus of a short-termist political culture shadowed by low-level clientelism and cronyism that works to the detriment of long-term, state-wide planning (O'Toole 2009). The outcome was a largely uncoordinated and 'always emergent' (McGuirk, 2005) patchwork system of neoliberal governance that was, by the middle of the first decade of the new millennium, stretched to a ruinous breaking point. The global financial crisis of 2008 brought these inherently tenuous arrangements to an inevitable and dramatic head, exposing the deep flaws in an Irish economic model that was predicated on constant growth to function and had few checks and balances (rather than simply being the result of stupidity and corruption as Fintan O'Toole, 2009, would have it – though they undoubtedly played their part).

Due to the vulnerabilities of this economic model, and the openness of the Irish economy, and the fact that from 2002 GDP growth was being driven not by exports but by the property sector, the crisis has been felt more strongly and deeply in Ireland than in many developed countries. In particular, the dependence on the property market as a key driver of the economy and a vital source of tax revenue has left the country with a set of serious problems that may take a generation or more to resolve. As the global crisis deepened, the Irish property bubble burst, and the vast over-exposure of Irish banks to toxic property loans became apparent. The collapse of the property and banking sectors has led to: a contraction in the wider economy, with the drying up of credit, markets and tax receipts, leading to a huge hole in the public purse; an extensive bank bailout, including the establishment of the National Assets Management Agency (NAMA) that has acquired €88b of property debt and rolled up interest from Irish banks; bank recapitalisation (Bank of Ireland, Allied Irish Bank) and nationalisation (Irish Nationwide Building Society, Anglo Irish Bank, EBS); massive state borrowing to service the bank bailout and the public sector spend; rising unemployment; and plummeting house prices.

By the end of 2009, the Government's tax take had shrunk to €33 billion, yet net expenditure for the year was €47 billion, with the hole in the public finances standing at a €24.6 billion and rising at over a billion a month (Irish Times, 5th January 2010). Figure 1 illustrates this taxation crisis by detailing government expenditure vis-à-vis GNP. As of May 2010, bank recapitalisation had cost €21.8bn with a projection for a further €10b (Carswell et al 2010), and NAMA was projected to pay €47bn for its property portfolio (Finfacts 2010). The Central Bank predicts that the State will have to write-off €25bn in unrecoverable capital injections into Anglo-Irish Bank and Irish Nationwide Building Society (Honohan 2010). The numbers of people signing onto the Live Register has risen from 160,139 in January 2006, with a seasonally adjusted standardised unemployment rate of 4.4%, to 439,100 by May 2010, with an seasonally adjusted standardised unemployment rate of 13.7% (see CSO 2010a; datasheet 1). House prices have depreciated substantially to the extent that 250,000 households are in negative equity and, as of the end of Q1 2010, 32,321 mortgages are in arrears for 90 days or more (4.1 per cent of residential mortgages) (Mortgage Arrears and Personal Debt Expert Group 2010).

Figure 1: Current government expenditure and revenue, 1960-2010



Source: Honohan (2010: 30)

For the past twenty years, Ireland has grappled with rapid transformation socially, economically and intellectually, and the country is yet again experiencing another seismic shift. In this paper, we document the crisis in Ireland through a lens that focuses on the Irish housing market and so-called ghost estates – speculative, under-occupied, often unfinished housing developments that now litter the Irish landscape. In so doing, we highlight how the Irish housing boom and collapse was inextricably shaped by the institutionally and place specific nature of Irish neoliberalism.

The paper has seven parts. First, we detail how the Irish economy and property sector was transformed in the Celtic Tiger period. Second, we document the extent of the present housing crisis in Ireland. Third, we examine levels of vacancy and oversupply throughout the country. Fourth, we explore the new phenomena of ghost estates. Fifth, we explain the Irish housing bubble, providing an analysis of political, economic and planning systems and policies that operated during the Celtic Tiger era. Sixth, we examine the government's response to the crisis, focusing in particular on the work of NAMA. Lastly, we draw some conclusions and make suggestions as to what needs to occur for the crisis to be resolved.

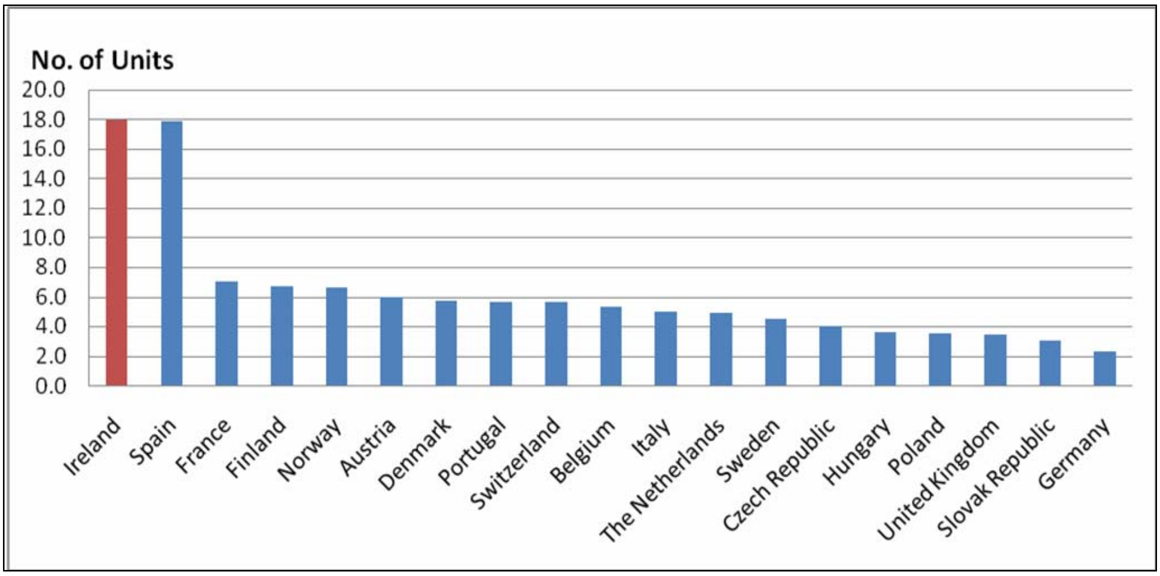
2. From Crisis to Boom: Housing during the Celtic Tiger

During the 1980s Ireland experienced a severe recession accompanied by crippling interest rates (between 1980 and 1983 interest rates were above 15 percent, and at times over 20 percent; Kelly 2003), a weak currency, high unemployment (between 1979 and 1985 unemployment rose from 7.8 percent to 18.2 percent; Ferriter 2004), high rates of emigration (net out-migration was on average 35,000 per year between 1986-89; total population in 1986, 3,540,643), and a generally weak economy (in 1987, Irish GDP was 63 percent of the EU average; Breathnach 1998). Ireland was a small country on the periphery of Europe with a weak economy that appeared to have relatively poor future prospects beyond small-to-medium size indigenous companies, foreign direct investment in low-skill manufacturing, and EU subsidies (Kitchin and Bartley 2007).

From the early 1990s, however, all this started to change markedly, with the country entering a period economic expansion where its GDP growth per annum was double or more that of its European neighbours, and its wealth levels, in terms of average income, rose to amongst the highest of any developed nation (in 2003 the OECD estimated that in terms of GDP per capita, based on Purchasing Power Parities, Ireland was ranked 4th in the world; ESRI 2005). This was accompanied by low interest rates, a large expansion of the workforce (between 1992 and June 2007 the number of workers increased by 973,700 from 1.165m to 2.139m; CSO 2010b, datasheet 2), a consistently low unemployment rate, and a sustained growth in population, fuelled by return migration, immigrants seeking work, and natural increase, that saw the population increase by 16.8% between 1996 and 2006.

After the initial wave of economic expansion from 1993-2002, the state sustained economic growth through the illusory apparatus of an inflated property market. The DEHLG (2009) report that in the ten years between January 1996 and December 2005 an unparalleled, 553,267 housing units were built, with a total stock of 1.733m units in 2005 (datasheet 3). By 2007, Ireland, along with Spain, was producing more than twice as many units per head of population than elsewhere in Europe (see Figure 2; datasheet 3).

Figure 2: Housing completions per 1,000 of population 2007

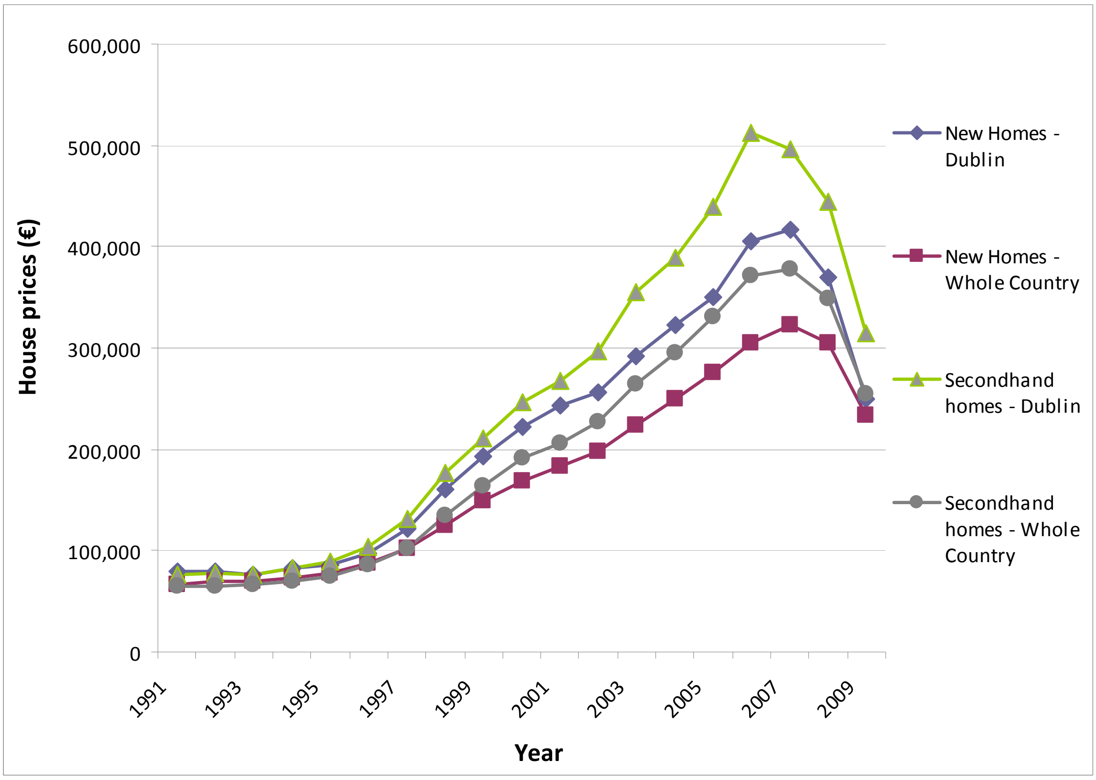


Source: DKM/Euroconstruct

This building frenzy was accompanied by phenomenal growth in house prices. The average new house price rose from €78,715 in Dublin, and €66,914 for the country as a whole in 1991, to €416,225 in Dublin (a 429% increase) and €322,634 for the country as a whole (382% increase) in 2007. Not unsurprisingly, second-hand homes follow the same trend, costing on average €76,075 in Dublin in 1991, and €64,122 for the country as a whole, rising to €495,576 in Dublin (551% increase) and €377,850 (489% increase) across the country in 2007 (see Figure 3; datasheet 4). In the same period, house building costs and wages only doubled (Brawn 2009). In Q3 1995 the average secondhand house price was 4.1 times the average industrial wage of €18,152, by Q2 2007 secondhand house prices had risen to 11.9 times the average industrial wage of €32,616 (datasheet 5).

Similarly, the cost of land spiralled, dramatically increasing in price in 2005 and 2006, with land jumping in value from just under €10,000 per hectare in 1998 to over €58,400 per hectare in 2006 (see Figure 4; Savills HOK 2007). This made Irish land the most expensive in Europe, nearly twice the cost per hectare of any other European country and three times greater for all but four countries (Spain, N. Ireland,

Figure 3: House prices in Ireland, 1991-2009

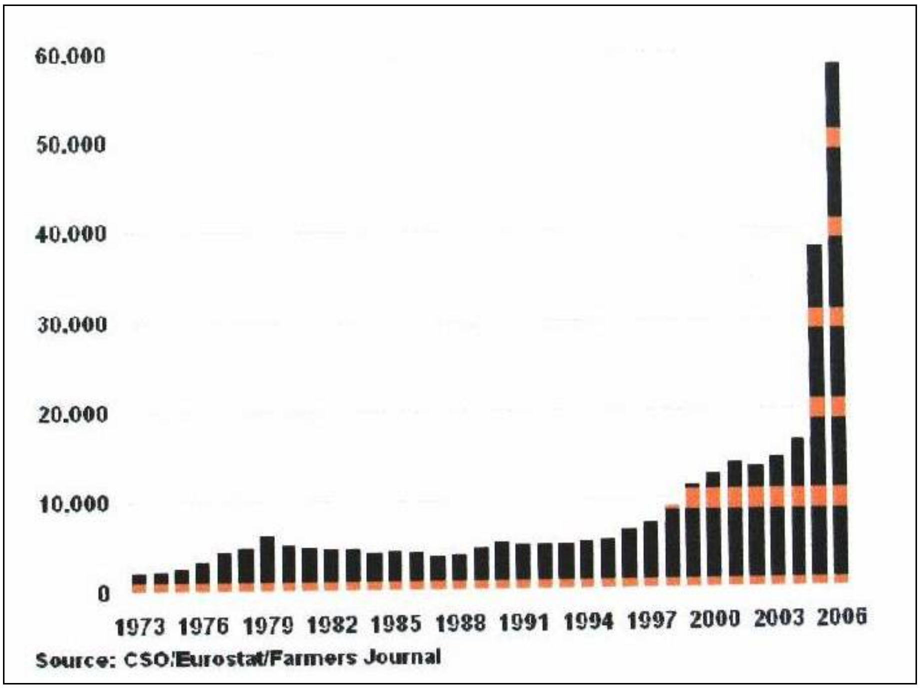


Source: DEHLG

Luxembourg, Netherlands), despite having a largely unrestricted planning system (see Figure 5; Savills HOK 2007). Land price inflation was driven by at least three processes (S. Kelly 2009). First, developers competed for brownfield and other prime, urban locations. In some cases, such sites sold for incredible figures. For example, as Sinead Kelly (2009) notes, in 2005 the 7 acre site of Jury's Hotel and the former Berkeley Court Hotel in central Dublin sold for €379m (€54.1m per acre). A nearby 2.05 acre site, the former UCD Veterinary College, sold for €171.5m (€83.7m per acre) and a 0.3 acre site for almost €40m (€95m per acre). None of the three sites had planning permission for re-development. Derek Brawn (2009) details that between 2004 and 2007 there were 55 sites in Dublin 2 and 4, totalling 62 acres, which sold for a collective value of €2.01bn. Second, developers competed for agricultural land on the edge of urban areas, with some farmers then re-investing in farms elsewhere for inflated prices. Third, individuals buying small plots of land (typically 0.5-2 acres) on the urban edges and in rural locations for one off houses; it was not uncommon for such sites to change hands for multiples of €100,000. The result was that land became a significant component of housing cost, up to 50 percent as against a European average of 10-15% (O’Toole 2009).

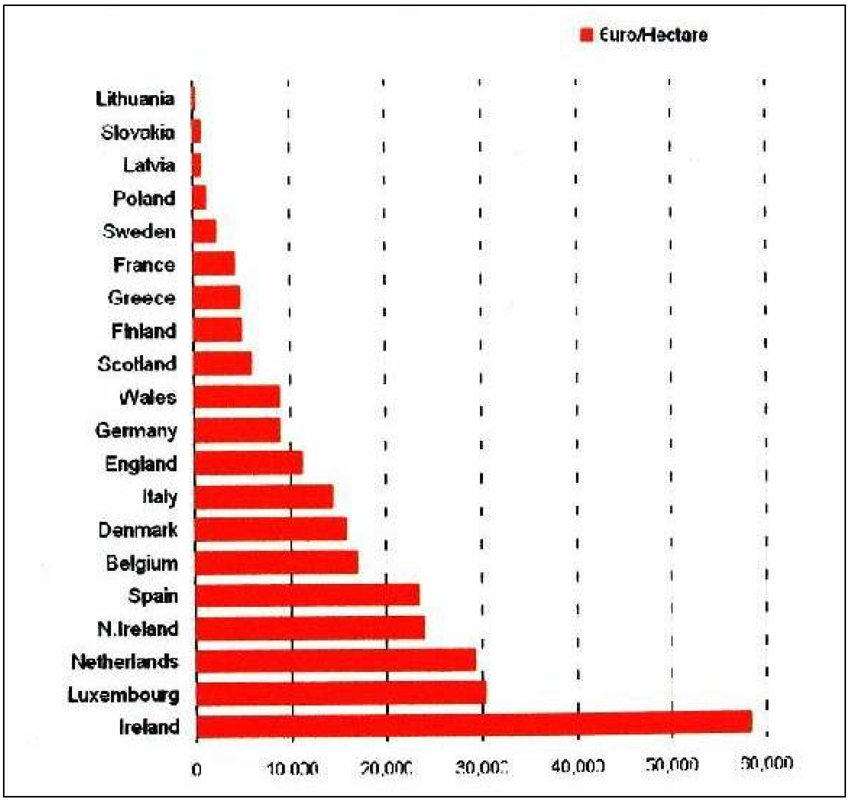
Correspondingly, the total value of mortgage debt increased from €47.2 billion in 2002 to over €139.8 billion at the end of 2007, with the average size of a new mortgage €266,000, nearly double the 2002 figure (CSO 2008; datasheet 6). The vast majority of these new mortgages were reliant on more than one income, tying the household unit into a new work and family lifestyle. Moreover, loans to developers for land and developments sky-rocketed. As Honohan (2010: 26) notes, “At the end-2003, net indebtedness of Irish banks to the rest of the world was just 10 per cent of GDP; by early 2008 borrowing, mainly for property, had jumped to over 60 per cent of GDP. Moreover, the share of bank assets in property-related lending grew from less than 40 per cent before 2002 to over 60 per cent by 2006.”

Figure 4: Irish land values 1973-2006 (€ per hectare)



Source: Savills HOK (2007)

Figure 5: European land values by country (€ per hectare)



Source: Savills HOK (2007)

3. From Boom to Bust: Housing during the Financial Crisis

From late 2006/early 2007 there has been a marked change in the Irish economy. GNP has fallen by an estimated 17% from its peak (Honohan 2010) and unemployment has almost trebled. Whilst government and the financial sector hoped for a 'soft landing' in the housing market, the reality was the market was so over-inflated it constituted an enormous bubble that inevitably would be popped. And pop it did.

The daft.ie house price report for 2009 detailed that asking prices, based on stock advertised through its services, were down on average c.19% in 2009, on top of a decrease of almost 15% in 2008. The average asking price for a residential property was just over €242,000, €110,000 below the peak. The drop in asking price varies geographically, with the smallest drop in County Limerick (22%) and largest drop in Dublin city centre, where prices were down 42.5% (approx 37.7% for all of Dublin

City) from their peak at the end of 2009 (see Figure 6; datasheet 7). The Permanent TSB/ESRI Index reported in April 2010 that the average national prices, based on mortgage data, had fallen to the end of April 2002 levels, with a 34% decrease in prices since they peaked in Quarter 4 2006, falling from €311,078 to €204,830 (outside of Dublin from €267,484 to €183,309 (-31.4%); in Dublin from €427,946 to €250,872 (-41.3%)) (datasheet 8; also Figure 3 and datasheet 4). Many economic commentators are now predicting that house prices will fall 40-60% from peak values (e.g., M. Kelly 2009; Whelan 2010a). Similarly, rents fell for seven quarters in a row to Q1 2010, with private rents being almost 25% below their peak value in Q2 2008 (DKM 2010).

Further, there has been a steep decline in land values since the height of the boom. For example, in late 2009 the Dublin Docklands Development Authority (DDDA) estimated that the 24.9 acre Irish Glass Bottle site in Ringsend (bought for €412m in 2006) is presently worth €50m (a drop of 87%), while its Long Term Economic Value (LTEV) is €62.5m. This is a prime city centre site with high development potential, and other sites have taken similar falls in value. For those sites outside of the urban centres, it is questionable as to whether these lands, in the short to medium term, will return to the prices paid for them, reverting to agricultural prices. Knight Frank Ireland (2010) detail that the national average price paid for farmland in 2009 was €9,678 (€11,236 per acre if one excludes one very large transaction of 1,540 acres in Clare), a drop of 43.3 per cent on the average price of €17,081 per acre in 2008. The biggest fall in value was in the Dublin-Kildare-Wicklow region where prices dropped by 56.6 percent (Figure 7; datasheet 9).

DKM (2009) reports that from 2006 to 2009(est.) the total value of construction output fell from €37,611m to €19,857 (a drop of 47.2%; see Figure 8; datasheet 10). Further, the number of construction workers fell from their Q2 2007 peak of 269,600 to 155,400 in Q2 2009 (CSO 2009b; datasheet 10), and as of June 2010 were estimated to be 129,000 (Press Association 2010). Property related tax receipts (stamp duty, capital gains tax, VAT, development levies) have also dropped dramatically given the much smaller percentage of sales and the reduction in new commencements. For example, for the period January to end of December 2009, stamp duty intake was €929m, down from €1,650m for the same period in 2008, a drop of 43.7% (Dept of Finance 2009; datasheet 10).

Figure 6: Fall in asking prices from the market peak to December 2009

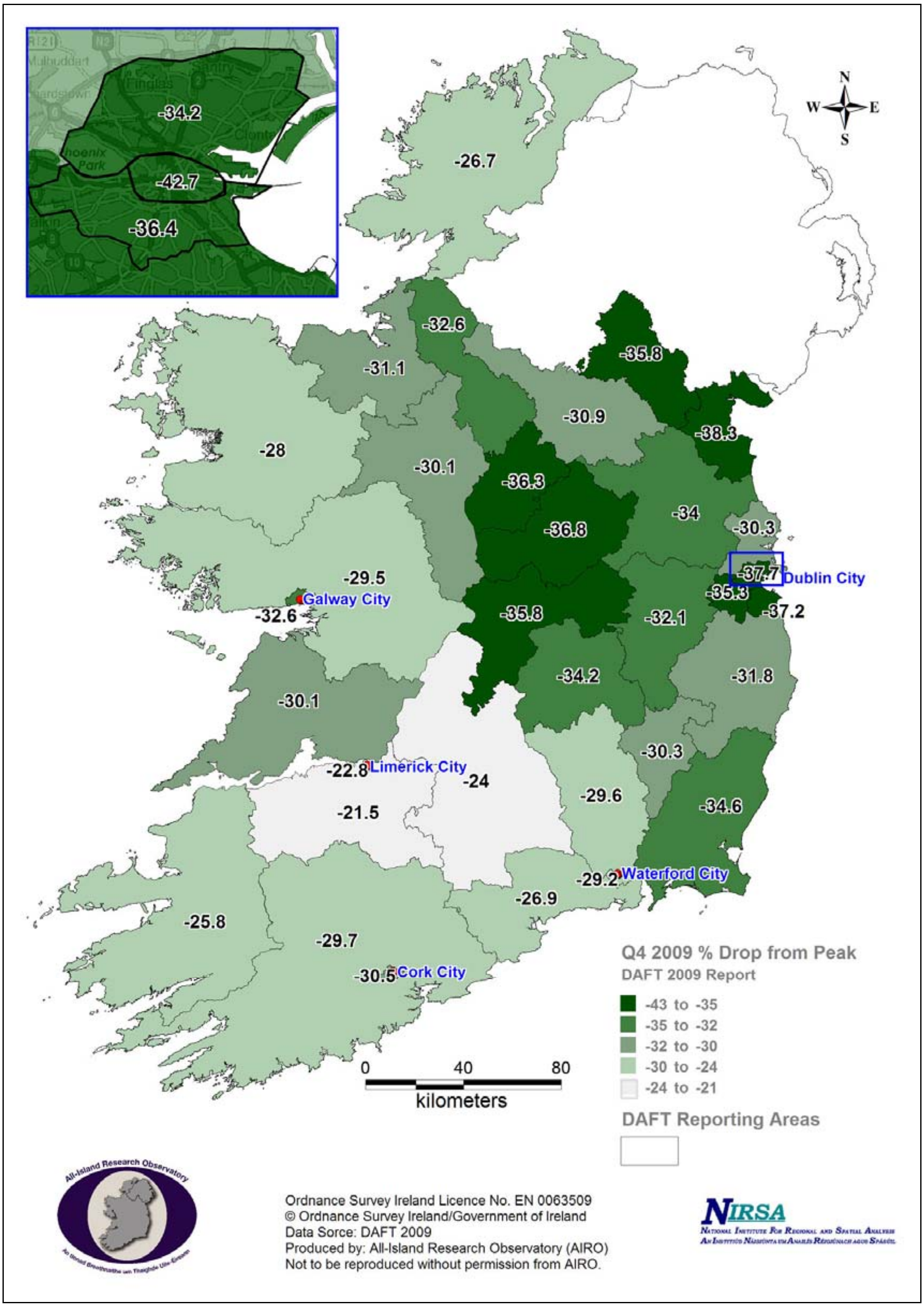
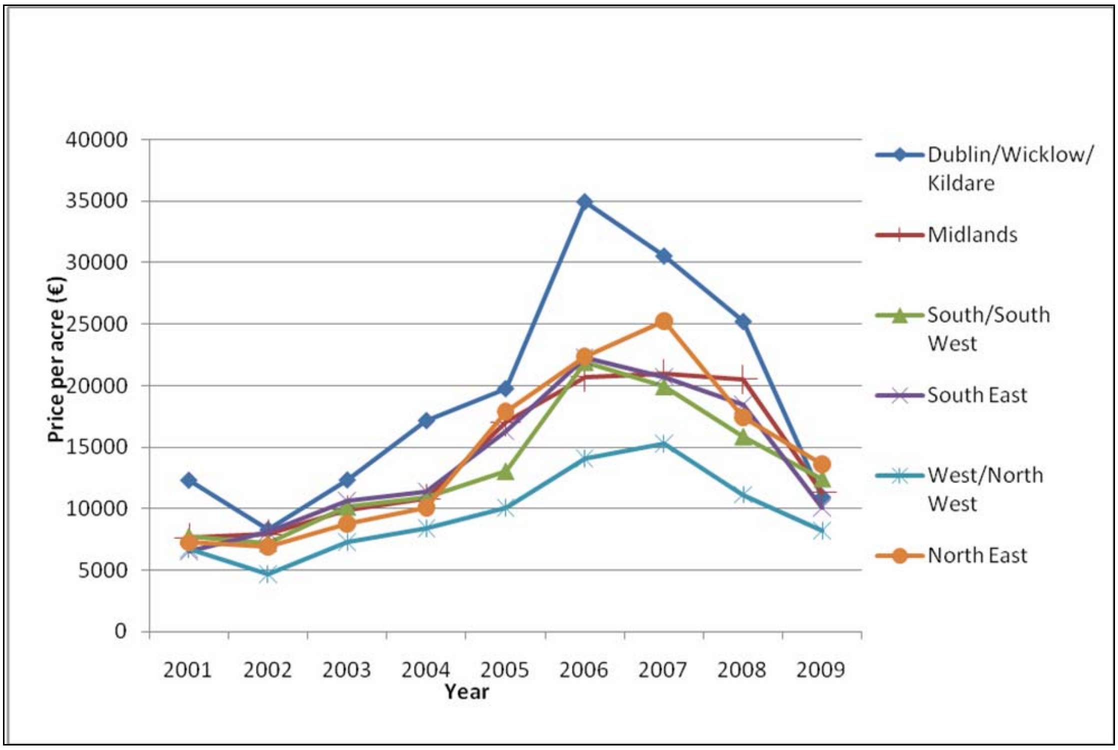
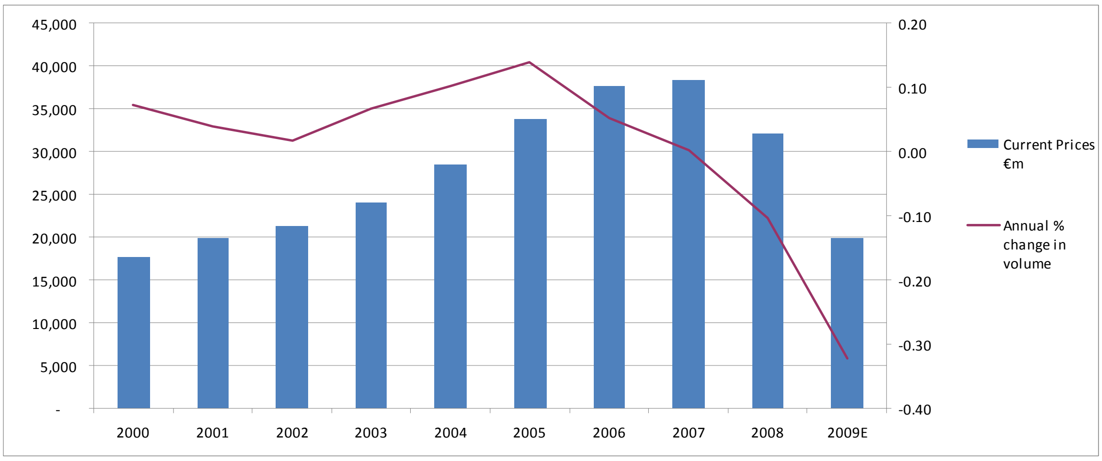


Figure 7: Average price of farmland 2001-2009 (€ per acre)



Source: Frank Knight (2010)

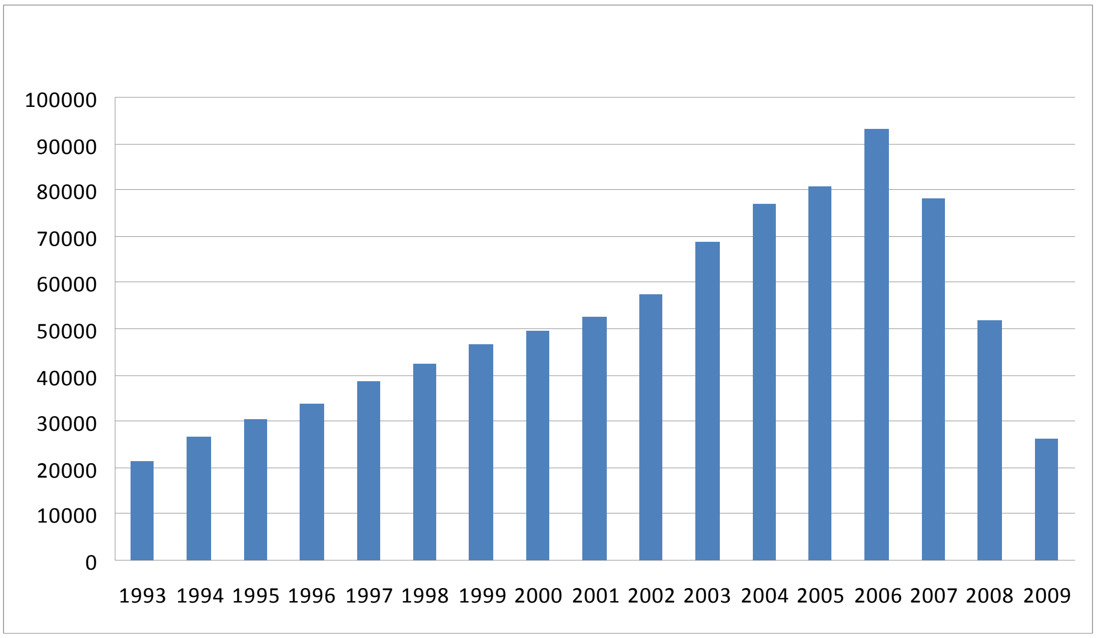
Figure 8: Construction output, 2000-2009E



Source: DKM (2009)

A key factor driving down house and land prices is not simply a lack of confidence or difficulties in accessing credit, but a marked oversupply of housing stock and zoned land. Ireland was in the middle of a building and land speculation frenzy when the crisis initiated. The DEHLG records that there were 88,419 housing completions in 2006 (recorded as 93,419, but 5,000 were delayed reporting from 2005; see Figure 9). This high level of production continued into 2007 (78,027 units), slowing dramatically in 2008 (51,724 units) and 2009 (26,420 units). All told, there were 244,590 units built between January 2006 and December 2009 (that were connected to the ESB electricity grid) (datasheet 3). This is despite the fact that in April 2006, the Census revealed that 266,322 housing units were unoccupied (216,533 vacant units and 49,789 holiday homes; 15% of stock; datasheet 11). The result was a significant volume of property coming onto an oversupplied market at a time when it was at first softening and then outright plummeting. According to irishpropertywatch.com in May 2010, 112,506 housing units were for sale in Ireland (both new and secondhand) and another 20,463 available for rent. Given the oversupply and the flat market, planning permissions granted were down 63.9% in 2009, housing registrations are down 95% since their peak in September 2006, and housing commencements are down 90% on their peak in 2005 (DKM 2010).

Figure 9: House completions in Ireland, 1993-2009



Source: DEHLG

(N.B. 5000 of the completions recorded in 2006 were completed in 2005)

4. The Present Rate of Oversupply of Housing and Zoned Land

Calculating the level of oversupply in the Irish housing market is not straightforward due to the paucity of data - vacancy rates are only measured every five years through the Census, and potential oversupply is not measured at all. To date, there have been four studies that have sought to estimate present rates of vacancy and oversupply (see Table 1), plus an estimate of the oversupply of brand new, unsold homes (c.40K) by the CIF (Construction Industry Federation; CIF 2009). Two other estimates – Derek Brawn (2009) and propertypin.com - also place overall vacancy (inc. holiday homes) at over 330,000, but do not provide detailed workings, nor an estimate of oversupply. Excluding the CIF estimate, there is general alignment between the estimates produced by ourselves (NIRSA), UCD (Williams et al. 2010), DKM/DEHLG (2009) and Goodbody (pers comms; Hennessy 2010). All four organisations estimate that vacancy including holiday homes is over 300K, that vacancy excluding holiday homes is over 228K, and that the potential oversupply is over 103K (and if the top rates are used for DKM/DEHLG and Goodbody then the alignment is relatively strong).

Table 1: Comparison of housing vacancy rate studies (as of 2009)

	(1) Vacancy (inc holiday homes)	(2) Holiday homes	(3) Vacancy (exc. holiday homes)	(4) Base vacancy[a]	(5) Obsol[b]	(6) Potential oversupply[c]
DKM/DEHLG	301,682-326,685	73,476	228,206-253,209	106,177	-	122,029-147,032
Goodbody	302,475-343,480	73,000	229,475-270,480	126,189	-	103,286-144,291
NIRSA	352,414 (338,031)[d]	49,789 (86,002)[e]	302,625K (252,029)	(87,356)[f]	(44,425)	(120,248)
UCD	345,116	64,520	280,596	98,980	9,898	171,178

Notes:

a) Base vacancy refers to the expected underlying rate of vacancy normal in any housing market.

b) Obsolescence refers to the expected number of houses falling out of the live stock because they are no longer habitable or change from residential use.

c) Oversupply is the number of units in excess of the base vacancy rate. In Table 1, oversupply (6) is calculated thus: (6)=(1)-(2)-(4)-(5)

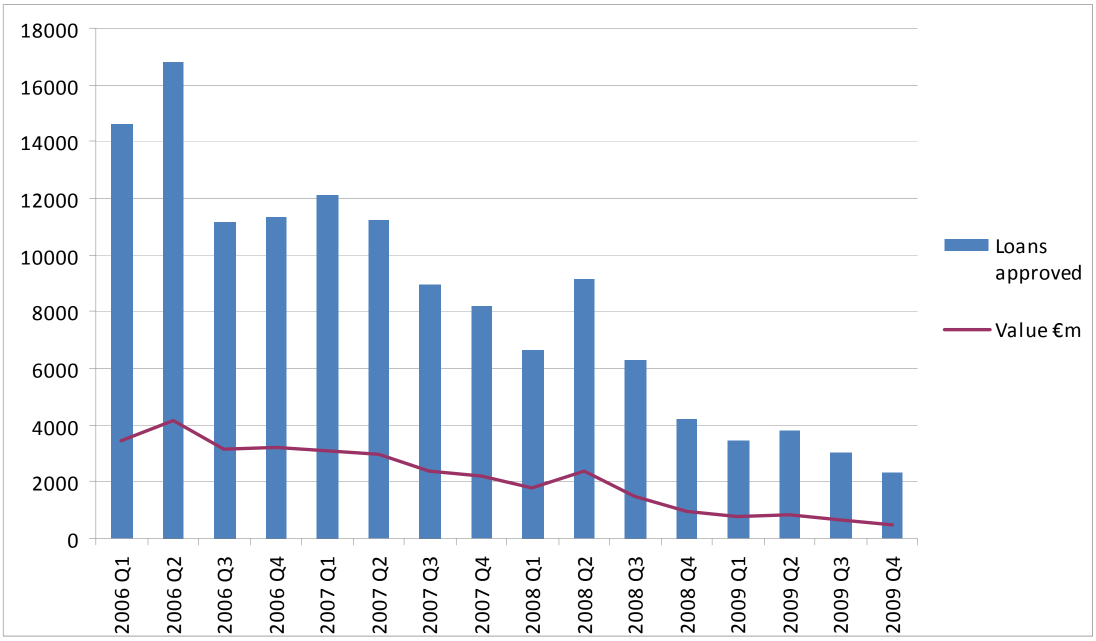
d) NIRSA has employed two different methods in its analysis. The first method (not in brackets) used house completion, address database and new mortgage data to estimate vacancy, but not potential oversupply. The estimate of 302K includes undercounted holiday homes but did not estimate how many there were. A subsequent analysis to calculate potential oversupply used a projection of population household growth based on 96-06 household change, factoring in obsolescence and holiday home rates, so as to be able to estimate county rates (new mortgage data is not available at county level). The two different methods lead to slightly different estimates of vacancy excluding holiday homes due to the estimation of their number (see note e), but overall vacancy including holiday homes is about the same.

e) Using the second approach, NIRSA estimated the total number of holiday homes at the end of 2009 as c.86K (using the DKM method of 5% of total stock in 2006 based on the 2005 Household Budget Survey [73K], and 5% of potentially available stock between Apr 06-09 [13K]).

f) This is not the base vacancy, but the excess vacant stock in the 2006 Census (216,533) above an expected 6% base rate of total stock (106,177) minus 23,000 undercounted holiday homes (5% total 2006 stock would be 73,000 not 49,789).

The differences between the estimates are due to two factors: method and assumptions. All four studies use the Census 2006 as their starting point. The Census reported that there were 174,935 houses and 41,598 apartments vacant (not including temporarily vacant on census night), plus 49,798 holiday homes. All four studies also use housing completion data and new mortgages on new homes data (both sourced from the DEHLG) to calculate vacancy excluding holiday homes to the end of 2009, with UCD also using population projections. DEHLG data detail that there were 133,270 loans approved by banks, building societies and local authorities for new houses built between January 2006 and end of 2009 (datasheet 12, see Figure 10). There were 244,590 housing units built in the same period, meaning that 54.5 percent of the properties built in this period have a mortgage and 45.5 percent are either vacant or have no loan against them. With respect to calculating potential oversupply, DKM/DEHLG and Goodbody use new mortgage data on new properties, along with an estimate of how many properties have been bought without a mortgage; NIRSA and UCD use household projections, holiday home demand, and obsolescence. All four organisations use slightly different assumptions with respect to holiday home rates, obsolescence rates, how many houses were bought without a mortgage, how many newly bought houses are occupied, and expected underlying vacancy rate (e.g., with regards to the latter, UCD use 5%, DKM/DEHLG and NIRSA 6%, and Goodbody's 7.3% [the European average, skewed upwards by Spain, Portugal and Ireland]). For comparison, as noted in the UCD (2010) report, the base vacancy rate in the UK is 3.4% and in the Netherlands 3.2% (in other words, all four studies use generous base vacancy rates).

Figure 10: Loans approved by Banks, Building Societies and Local Authorities for new build stock 2006-2009



Source: DEHLG

Whilst the UCD report provides estimates for the Dublin region, our own analysis is the only study to estimate county rates of potential vacancy and oversupply. The model, detailed in Table 2 (datasheet 13), is relatively straightforward, using Census 2006 and DEHLG house completion data to estimate total stock (supply), and Census 1996 and 2006 to calculate potential households (demand), factoring in holiday home rates and expected obsolescence. The total stock of available housing (G) is calculated by adding together vacant stock above an expected 6% vacancy rate (D) and the total new build in a county between April 2006 and December 2009 (E), and subtracting the running cumulative obsolescence total (at a rate of 6/1000 per annum – a generous rate given the age profile of Irish housing stock) expected between April

2006 and December 2009 (F). The estimated demand (M) is calculated by determining the household growth between 1996 and 2006 (J), projecting forward household growth between April 2006 and December 2009 based on the same rate of increase (K), and adding potential holiday home demand (L) (calculated as 5% of total stock). Potential oversupply is calculated by subtracting potential demand (M) from estimated supply (G). To provide some context as to the extent of potential oversupply we have calculated how long available stock would last (O) if the number of households continued to grow at the rate they did between 1996 and 2006 (representing somewhat of a best case scenario given that household growth has slowed in recent years and may well be falling given the recent growth in emigration). Whilst the model does not take account of local effects such as development plans or strategic investments, or the functioning of local labour markets, it nevertheless provides a robust estimate of oversupply based on existing data.

At the global level, the model suggests that given the household increase 1996-2006 and potential holiday home demand there was a need to supply 139,784 units in the period April 2006 and December 2009 (126,782 units to accommodate new households; 13,002 houses for holiday homes). There were 87,356 vacant surplus stock above the 6% rate in Apr 2006, and 217,101 houses built between Apr 06-Dec 09, and during the same period we would expect 44,425 to become obsolete (giving a total potential available stock of 260,032). This would indicate that as of the end of 2009 there was a potential surplus stock of 120,248 units. This stock would last on average 3.5 years if household growth continued to rise at the same rate as it did between 1996 and 2006 (a period of rapid growth which is not being mirrored at the present time) and the stock was appropriately distributed around the country vis-à-vis potential demand (which it is not).

There is considerable local variation in potential oversupply rates, with some counties having relatively low levels of potential oversupply and others having several years worth of stock. For example, the local authorities surrounding Dublin City (Fingal, Kildare, Meath, South Dublin, Wicklow) have constructed housing approximately in line with demand, and it is likely that when the Dublin economy starts to recover excess housing will be absorbed within a few months (although there is a relatively large stock of vacant investment properties that might flood onto the market –

Tenant's First (2009), citing the IAVI, report that there are 40,000 of these in Dublin alone). However, Dublin City and Dun Laoghaire-Rathdown, like Cork City, have constructed units far in excess of the demand experienced during the Celtic Tiger years. To some degree this oversupply is the result of unfortunate timing, as much of this build was part of a broader programme of planned urban development, renewal and densification, though the scale of development was overly ambitious given previous rates of growth. Similarly, counties in the north midlands and along the border (Cavan, Donegal, Leitrim, Longford, Mayo, Roscommon, Sligo) have constructed far more houses than one would expect demographically, though the reason is quite different. Based on the model, Leitrim and Longford both have housing stocks that would take over ten years to fill if households grew at the 1996-2006 rate. The reason for this is clear if one plots the vacancy rate in 2006 (as recorded in the Census) against the percentage increase in stock between 2006 and 2009 (as recorded by the DEHLG) (see Figure 11).

Figure 11: Percentage of increase in housing stock 2006-2009 in relation to vacancy (exc. holiday homes) in 2006

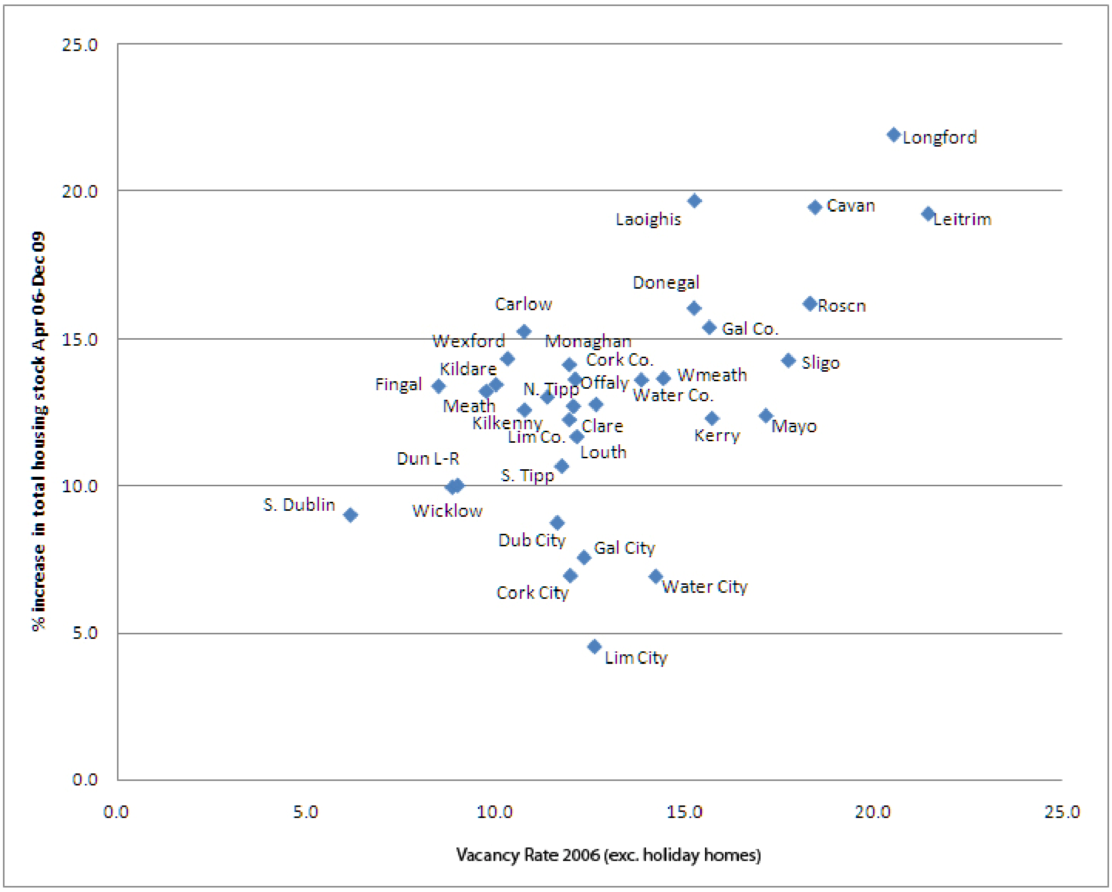


Table 2: A model of housing vacancy and potential oversupply in Ireland

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Carlow	20135	2167	874	3,073	512	3,435	12356	17232	4876	1785	172	1956	1479	3.0
Dublin City	223098	25981	10482	19,533	5510	24,505	173085	191639	18554	6791	1225	8016	16489	8.9
Dun LR	77508	6868	2771	7,723	1922	8,572	61649	68560	6911	2529	429	2958	5614	8.1
Fingal	89909	7645	3084	12,053	2277	12,860	47721	80540	32819	12012	643	12655	205	0.1
South Dublin	87484	5393	2176	7,897	2170	7,902	61809	80715	18906	6920	395	7315	587	0.3
Kildare	68840	6722	2712	9,106	1742	10,075	39041	61083	22042	8067	504	8571	1504	0.7
Kilkenny	34353	3702	1493	4,326	863	4,956	22371	29774	7403	2709	248	2957	1998	2.7
Laoighis	27079	4137	1669	5,337	704	6,302	15672	22627	6955	2546	315	2861	3442	4.9
Longford	15868	3262	1316	3,484	415	4,385	9410	12134	2724	997	219	1216	3169	11.6
Louth	45488	5532	2232	5,316	1137	6,411	28207	38786	10579	3872	321	4192	2218	2.1
Meath	61257	6139	2477	8,245	1542	9,179	31863	54021	22158	8110	459	8569	610	0.3
Offaly	27591	3330	1343	3,510	695	4,159	17510	23821	6311	2310	208	2518	1641	2.6
Westmeath	32817	4744	1914	4,485	828	5,571	19216	27137	7921	2899	279	3178	2393	3.0
Wexford	58970	6091	2457	8,454	1493	9,419	31502	45684	14182	5191	471	5662	3757	2.6
Wicklow	49088	4421	1784	4,921	1218	5,486	31263	43005	11742	4298	274	4572	914	0.8
Clare	48834	6187	2496	6,244	1229	7,510	29247	38401	9154	3350	376	3726	3785	4.1
Cork City	51441	6167	2488	3,579	1257	4,810	41452	44088	2636	965	241	1205	3605	13.7
Cork County	150659	18261	7367	20,539	3799	24,107	88933	123627	34694	12698	1205	13903	10204	2.9
Kerry	65913	10376	4186	8,114	1658	10,642	39302	48408	9106	3333	532	3865	6777	7.4
Limerick City	23065	2913	1175	1,049	559	1,665	17054	19603	2549	933	83	1016	648	2.5
Limerick Co.	52677	6301	2542	6,459	1323	7,678	33486	44778	11292	4133	384	4517	3162	2.8
North Tipp	27303	3107	1253	3,558	685	4,127	17771	23034	5263	1926	206	2133	1994	3.8
South Tipp	34206	4024	1623	3,653	853	4,424	23440	29466	6026	2206	221	2427	1997	3.3

Waterford City	20522	2925	1180	1,422	505	2,098	13630	17110	3480	1274	105	1379	719	2.1
Waterford Co.	27019	3748	1512	3,678	681	4,509	16096	21583	5487	2008	225	2234	2276	4.1
Galway City	30589	3779	1525	2,318	755	3,087	17334	25502	8168	2989	154	3144	-56	-0.1
Galway Co.	67737	10616	4283	10,432	1724	12,990	38849	53510	14661	5366	650	6015	6975	4.8
Leitrim	15282	3281	1324	2,945	397	3,871	8374	10672	2298	841	194	1035	2836	12.3
Mayo	58717	10082	4067	7,280	1473	9,875	34624	43578	8954	3277	494	3771	6104	6.8
Roscommon	26979	4947	1996	4,373	691	5,678	16513	20794	4281	1567	284	1851	3828	8.9
Sligo	28751	5108	2061	4,105	730	5,436	17629	21556	3927	1437	272	1709	3727	9.5
Cavan	28250	5218	2105	5,506	735	6,876	16321	21987	5666	2074	344	2418	4458	7.9
Donegal	70526	10768	4344	11,324	1795	13,874	39312	50559	11247	4116	694	4810	9064	8.1
Monaghan	21658	2591	1045	3,061	548	3,558	15276	18704	3428	1255	178	1433	2125	6.2
State	**1769613**	**216533**	**87356**	**217101**	**44425**	**260032**	**1127318**	**1473718**	**346,400**	**126782**	**13002**	**139784**	**120248**	**3.5**

A County

B Total housing stock 2006 (Census)

C Total vacancy 2006 exc. hol. homes, temp abs and visit occs (Census)

D Surplus of vacant units above 6% base rate, minus 23000 surplus holiday homes (DoEHLG)

E Total new build Apr 06-Dec 09 (DOEHLG)

F Replacement obsolescence at 6 per 1000/annum

G Total available stock Apr 06-Dec 09

H household nos. 1996 (Census)

I household nos. 2006 (Census)

J Household no. growth 96-06

K Homes required Apr 06-Dec 09

L Potential holiday home demand (5%)

M Total potential demand

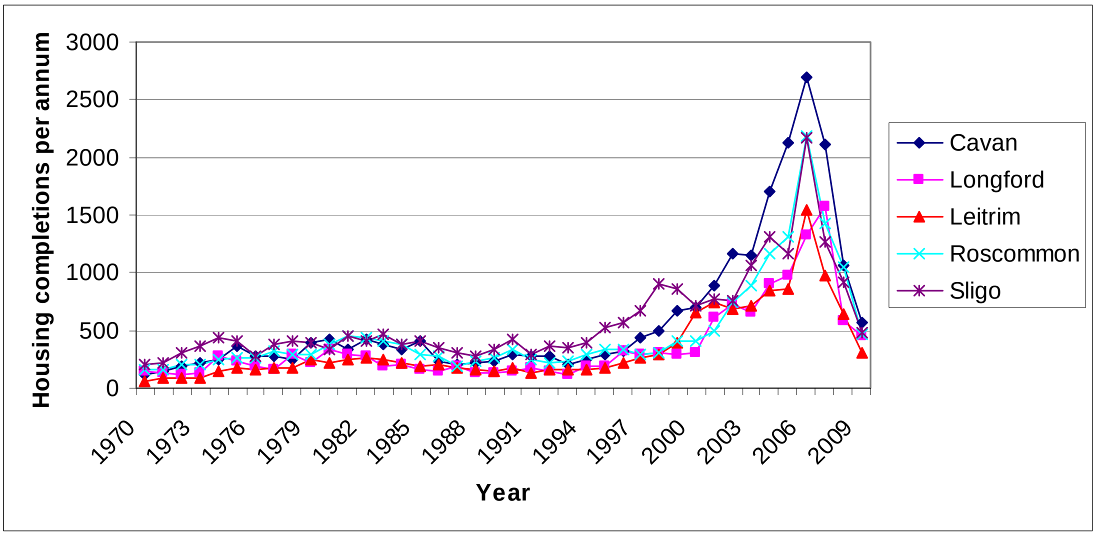
N Potential oversupply

O Potential no. of years oversupply (if households grow at 96-06 rate)

What Figure 11 illustrates is that house building in Ireland was running counter to what one would expect given the vacancy rate. Those counties that had the highest rates of vacant stock in 2006 subsequently increased their housing stock by the greatest percentage in the following years, and those counties with low vacancy, increased their stock the least. For example, Longford with a vacancy rate in 2006 of 20.6% (excluding holiday homes) increased its housing stock by 22% between April 2006 and December 2009 from 15,868 units to 19,352 units, and Leitrim with a vacancy rate in 2006 of 21.5% (excluding holiday homes) increased its housing stock by 19.3% between 2006 and 2009 from 15,284 units to 18,229 units (datasheet 13, datasheet 14). To put that in context, in the ten years between 1996 and 2006, the number of households in Longford increased by 28.9% (from 8,410 to 12,134) and in Leitrim by 27.4% (from 8,374 to 10,672) (datasheet 14). The house building rate between April 2006 and December 2009, if continued for a ten year period, would have catered for a household increase of 59.9% in Longford and 52.6% in Leitrim. In other words, both counties were building approximately twice what would have been required assuming household numbers increased at the 1996-2006 rate, and that does not take into account vacancy rates.

What is revealed in Figure 11 are the effects of Upper Shannon Rural Renewal Scheme, inaugurated in June 1998, with Longford, Leitrim, Cavan, Sligo and Roscommon all being major beneficiaries of this tax incentive programme (see Figure 18). In total, these five counties increased their housing stock by 45,053 (49.8%) between 2002 and 2009, from 90,491 to 135,544 dwellings, with 1 in 3 houses built in this period (datasheet 23). Between the 1996 and 2006 censuses 30,695 houses were built in these counties and yet household numbers only grew by 18,896 – in other words, house building was progressing at a pace well in excess of household growth. Figure 12 illustrates the effect of the scheme on house building, with a dramatic rise in the number of units being completed, especially in period 2003-2007. In short, whilst the programme sought to ‘encourage people to reside in the area and to promote new economic activity’ (Dept of Finance 1999), it completely distorted the usual pattern of house building, and has led to a large oversupply of housing stock.

Figure 12: House completions in the five counties included in the Upper Shannon Rural Renewal Scheme



Source: DEHLG (2010)

In parallel with the house building boom has been a growth in the zoning of serviced land by local authorities for residential use. In June 2008, the DEHLG recorded that there were 14,191 hectares of land zoned nationwide for 462,709 potential new units (datasheet 15). Since 2008 *The Irish Independent* reports that there has been a zoning bonanza as vested interests sought to zone land ahead of the new Planning and Development (Amendment) Bill, detailing that, as of May 2010, there are 33,000 hectares of land zoned for 1,086,119 new units (Melia and Hogan 2010). Working with the 2008 data, it is clear that there has been a massive over-zoning of land in some counties, far in excess of potential need. Table 3 (datasheet 15) details a simple model to estimate the extent of over-zoning, calculating how long existing zoned land would last if the number of households continued to grow at the 1996-2006 rate (which would have been the conditions under which most of the land was zoned). We have also calculated the percentage of zoned units to existing residential units. Note, that the model takes no account of the potential holiday home demand or obsolescence.

Table 3: A model of land zoning in Ireland

A	B	C	D	E	F	G	H	I
Carlow	197	3,210	20135	15.9	4876	6.6	3.0	9.6
Cavan	689	14,256	28250	50.5	5666	25.2	7.9	33.0
Clare	651	16,520	48834	33.8	9154	18.0	4.1	22.2
Cork County	1,000	23,516	150659	15.6	34694	6.8	2.9	9.7
Cork City Co	175	13,264	51441	25.8	2636	50.3	13.7	64.0
Donegal	588	18,288	70526	25.9	11247	16.3	8.1	24.3
D/L-R	428	26,793	77508	34.6	6911	38.8	8.1	46.9
Fingal	511	19,361	89909	21.5	32819	5.9	0.1	6.0
South Dublin	797	37,477	87484	42.8	18906	19.8	0.3	20.1
Dublin City	472	65,389	223098	29.3	18554	35.2	8.9	44.1
Galway Co	576	14,897	67737	22.0	14661	10.2	4.8	14.9
Galway City	267	6,402	30589	20.9	8168	7.8	-0.1	7.8
Kerry	919	21,622	65913	32.8	9106	23.7	7.4	31.2
Kildare	688	20,992	68840	30.5	22042	9.5	0.7	10.2
Kilkenny	497	12,252	34353	35.7	7403	16.6	2.7	19.2
Laois	149	3,742	27079	13.8	6955	5.4	4.9	10.3
Leitrim	330	5,853	15282	38.3	2298	25.5	12.3	37.8
Limerick Co	262	6,072	52677	11.5	11292	5.4	2.8	8.2
Limerick City	113	4,382	23065	19.0	2549	17.2	2.5	19.7
Longford	253	6,601	15868	41.6	2724	24.2	11.6	35.9
Louth	198	8,197	45488	18.0	10579	7.7	2.1	9.8
Mayo	319	7,039	58717	12.0	8954	7.9	6.8	14.7
Meath	112	8,182	61257	13.4	22158	3.7	0.3	4.0
Monaghan	759	18,147	21658	83.8	3428	52.9	6.2	59.1
North Tipp	174	3,856	27303	14.1	5263	7.3	3.8	11.1
Offaly	425	9,981	27591	36.2	6311	15.8	2.6	18.4
Roscommon	779	15,580	26979	57.7	4281	36.4	8.9	45.3
Sligo	322	8,468	28751	29.5	3927	21.6	9.5	31.1
South Tipp	400	7,287	34206	21.3	6026	12.1	3.3	15.4
Waterford Co	146	3,099	27019	11.5	5487	5.6	4.1	9.8
Waterford City	171	5,595	20522	27.3	3480	16.1	2.1	18.1
Westmeath	356	12,290	32817	37.5	7921	15.5	3.0	18.5
Wexford	358	9,208	58970	15.6	14182	6.5	2.6	9.1
Wicklow	112	4,891	49088	10.0	11742	4.2	0.8	4.9
	14,191	462,709	1769613	26.1	346400	13.4	3.5	16.8

A County & City Councils
B Hectares of serviced, zoned land Jun 2008
C Number of units zoned for, June 2008

D	Total housing 2006
E	% of zoned for housing to existing housing in 2006
F	96-06 household growth
G	Potential no. of years supply of zoned land (if households grow at 96-06 rate)
H	Potential no. of years oversupply (if households grow at 96-06 rate) (see Table 2)
I	Potential no. of years zoned land + housing oversupply (if households grow 96-06 rate)

What the data reveal is that whilst some counties have a relatively small bank of zoned land, others have zoned vast hectares of land far in excess of any kind of reasonable expectation with regards to short to medium term demand. For example, in June 2008, Monaghan, which had a stock of 21,658 houses in 2006, and a potential surplus of 2,143 homes at the end of 2009, has enough land zoned for an additional 18,147 units, which would cater for a household increase of 83% and last over 50 years if households grew at the 1996-2006 rate. And many other local authorities demonstrate a similarly excessive profile. Figure 13 details how many years surplus housing plus zoned land in June 2008 would last if households continued to grow at the 1996-2006 rate, with a national average of 16.8 years, with over half of all local authorities in excess of this. If the number of years of surplus housing are plotted against the length of time zoned land would last it is evident that those counties with highest levels of excess housing also have the most zoned land (see Figure 14).

In the Irish case then there is a very odd pattern emerging - those local authorities that had the most vacant stock in 2006, subsequently built the most housing, now have the highest surpluses, and have the most land zoned for future use. What the data makes clear is that a number of local authorities have essentially ignored good planning guidelines and regional and national objectives; sensible demographic profiling of potential demand; and the fact that much of the land zoned lacks essential services such as water and sewerage treatment plants, energy supply, public transport or roads (Melia and Hogan 2010). Instead, permissions and zoning have been driven by the demands of local people, developers and speculators; the abandonment of basic planning principles by elected representatives; and ambitious, localised growth plans framed within a zero-sum game of potentially being left behind with respect to development. Further, central government actively encouraged its excesses through tax incentive schemes and failed to adequately oversee, regulate and direct local planning.

Figure 13: Estimated years supply of surplus housing and zoned land per county

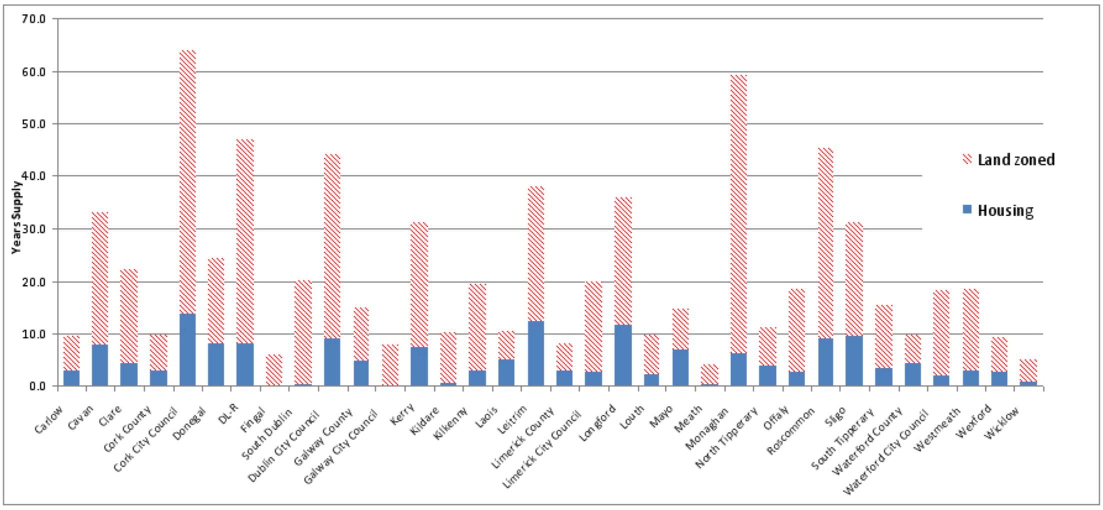
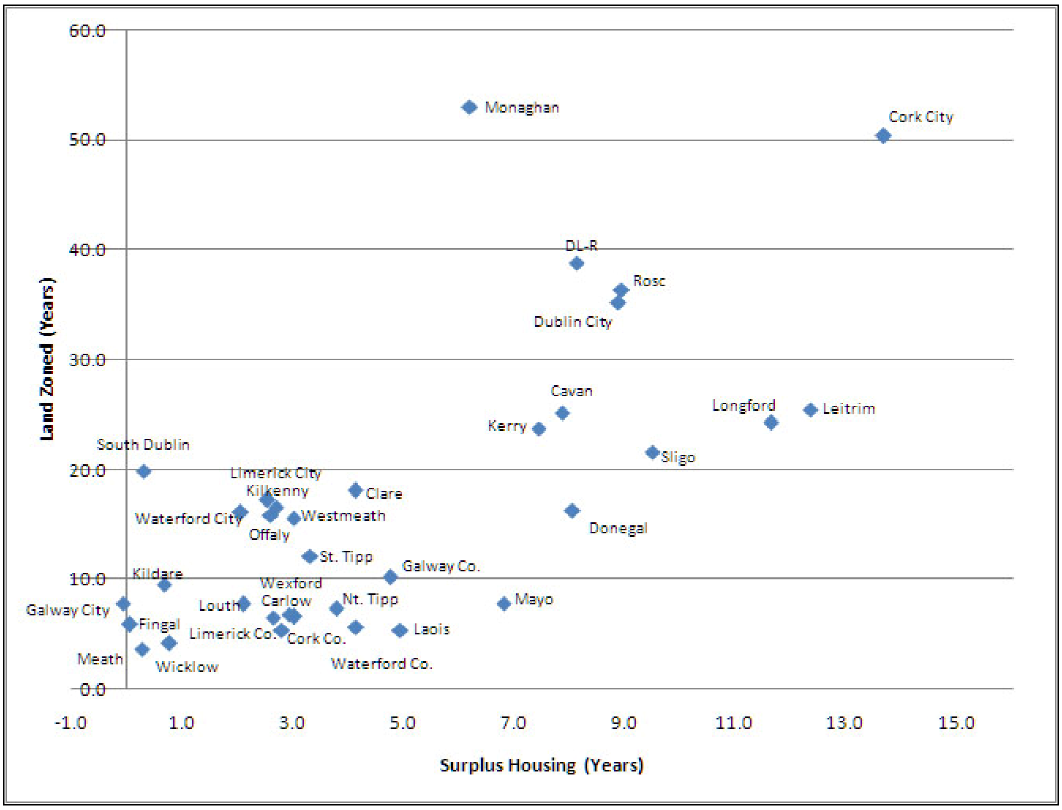


Figure 14: Land zoned (years) in relation to surplus housing supply (years)

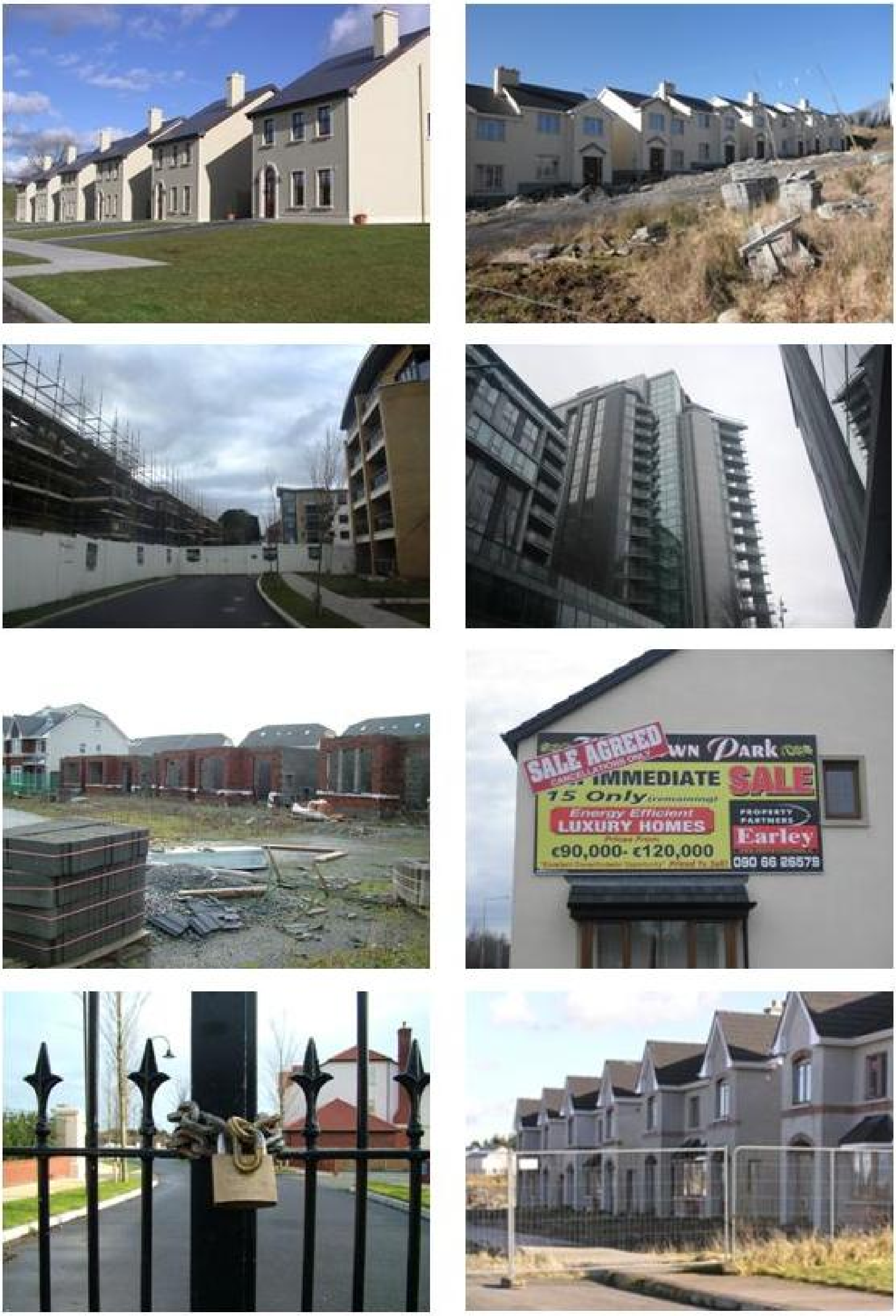


Collectively, the data we have presented in this section demonstrate that housing and land supply and household demand became uncoupled from early on in the Celtic Tiger era and progressively grew further apart. This is abundantly clear from comparing housing completions with household growth between 1996 and 2006. While 553,267 housing units were built between January 1996 and December 2005, the number of households grew by only 346,400 between April 1996 and April 2006. An additional 244,590 units were built between January 2006 and December 2009, and yet the number of households did not increase by anywhere near the same amount. The number of households in June 2008 was 1.58m (CSO 2009d), up 110,000 from 1.47m in April 2006, and growth is presently thought to be static or falling given rising emigration. All through the boom years the vacancy rate was rising - in 1996 the rate was 8.5%, in 2002 it was 9.8%, and in 2006 it was 15% (includes holiday homes). The 2006 rate is double the EU average rate of 7.3% (skewed upwards by Spain, Portugal and Ireland) and is way in excess of what one would expect as an acceptable base rate (3-4%). Even accounting for obsolescence and replacement, and holiday homes, it is obvious that there is presently a wide disparity between the total stock of housing and the number of households (in December 2009, Geodirectory reported that there were 1.98m residential units in the state).

5. Ghost Estates

One result of housing supply being out of sync with housing demand has been the creation of a new phenomenon, so-called ‘ghost estates’. We have defined a ghost estate as a development of ten or more houses where 50% of the properties are either vacant or under-construction. Using that definition we have analyzed the Geodirectory database in order to identify all properties built post-2005 where 10 or more units share the same estate/street address and more than 50 percent are coded as either vacant or under-construction. We have then undertaken a ground-truthing exercise using two methods. First, we have cross-checked the results with house sale websites such as daft.ie and myhome.ie. Second, we have visited 60 of the estates in three locations (South Dublin/Kildare, South Leitrim/North Roscommon, Cork City and county) to verify their status. It is important to note that ghost estates vary markedly in their condition, from sites that are 100% under-construction through to completed estates that are finished and fully serviced (see Figure 15).

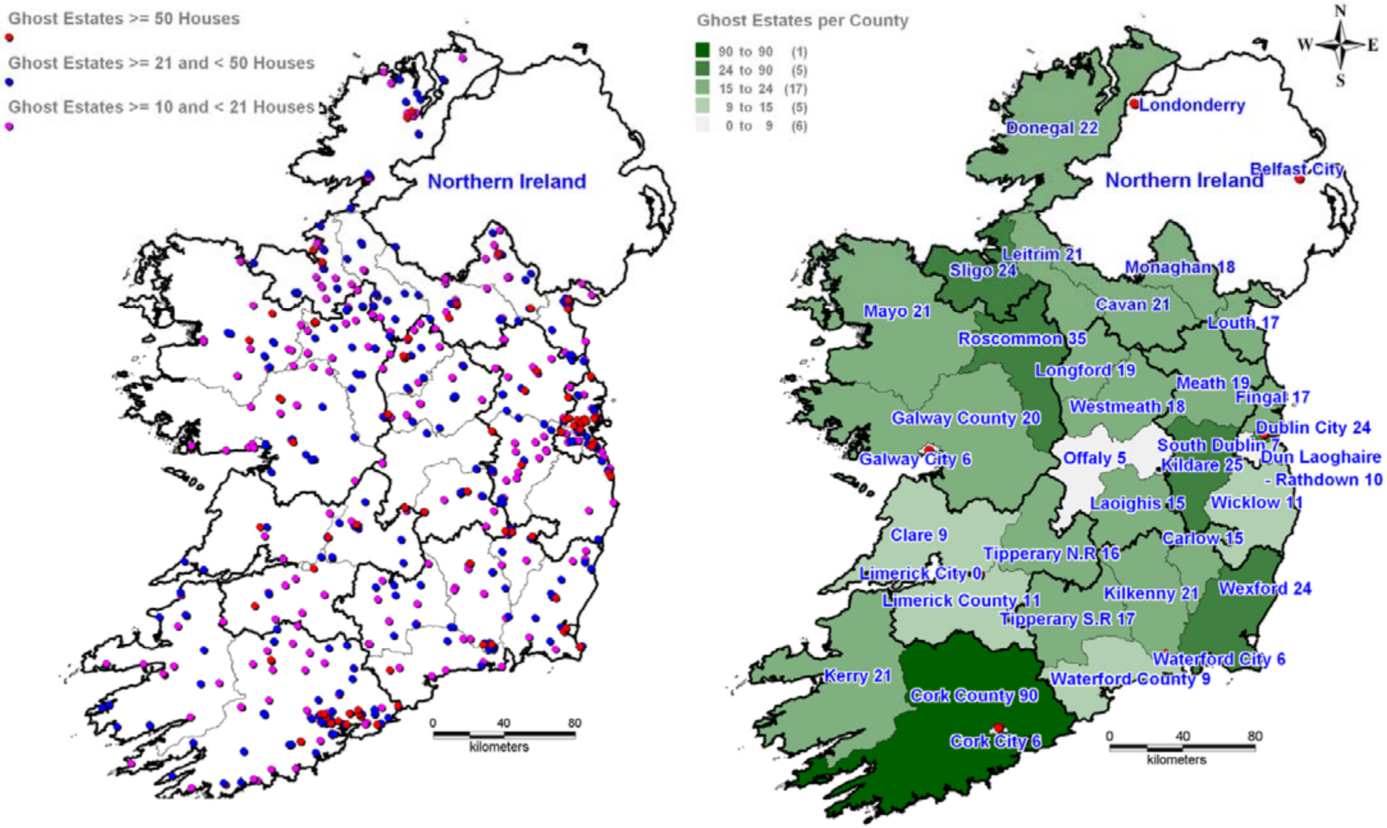
Figure 15: Example ghost estates



The total number of ghost estates developed post-2005 identified by this method is 620, and includes 19,262 units, 11,670 of which are vacant and 3,823 are under-construction (with average vacant/under-construction rate of 80%). There are 86 estates with more than 50 properties (of which more than 50% are vacant/under-construction), 252 with between 21-50 properties, and 282 between 10-20 properties. Having driven round the towns we visited it is clear to us that our method under-counts ghost estates, most probably because the Geodirectory database under-records vacancy and under-construction as they have to maintain this status for quite a while to be coded as such and they are still engaged in a rolling process of identifying vacant properties. There is some noise in the data because they are only collected twice a year in urban areas and once a year in rural areas, meaning that units in some estates will have been sold, although in the vast majority of cases this does not move them under the 50% threshold. The number of estates would certainly increase if we were to change the parameters down to a 30% vacancy/under-construction rate, depending on how we want to define a ghost estate.

As Figure 16 reveals, there are multiples of ghost estates in every county in the state. Simply detailing the number of estates per county, however, can give a false impression because it takes no account of the size of the overall population (datasheet 24). Whilst Cork County (not including the Cork City area) has 90 ghost estates, it had a population of 361,788 in 2006. Leitrim has 21 estates, but a population of 28,950. We have therefore standardised the number of estates by per 1,000 head of population (see Figure 17). Leitrim (21 estates), Longford (19) and Roscommon (35) have a particularly high ratio of estates per head of population, indicating that these estates constitute an oversupply in the market. This is perhaps unsurprising given that it was these counties who built the most properties in relation to their overall stock and vacancy levels between 2006 and 2009 (see Figure 11). These are followed by Sligo (24), Cavan (21), Monaghan (18), Carlow (15), Cork County (90), Tipperary North (16), Kilkenny (21), Westmeath (18), and Laois (15). Whilst some estates are vacant holiday home developments, they nevertheless are presently surplus to demand and are unlikely to be purchased in the short term whilst the market is still trying to find its bottom.

Figure 16: Post-2005 ghost estates in Ireland



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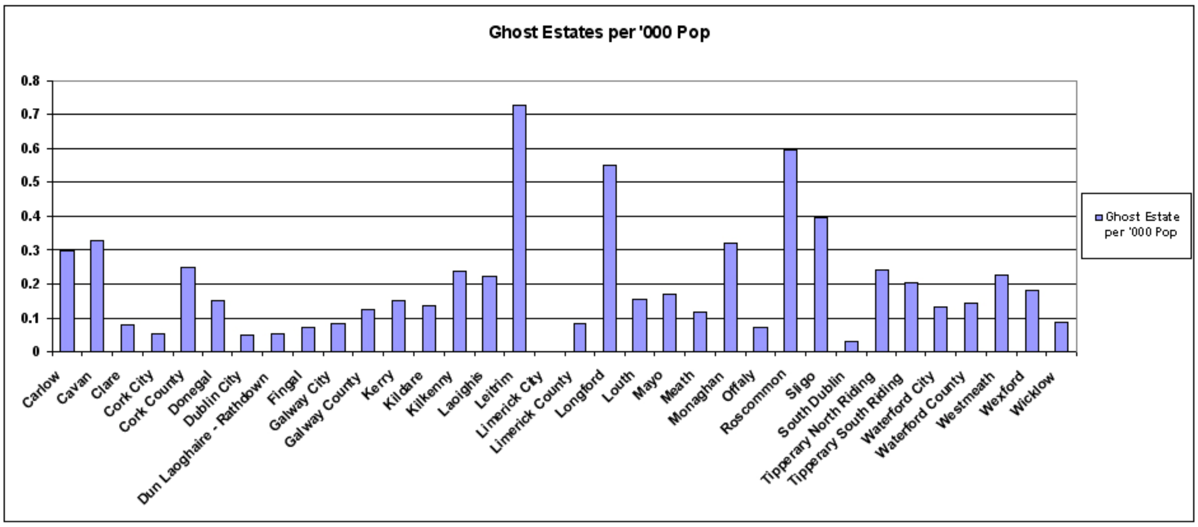
NIRSA
National Institute For Regional and Spatial Analysis
An Institiúid Náisiúnta um Anailís Réigiúnach agus Spásúil

Figure 17: Ghost estates per county by head of population



The presence of these estates in the Irish landscape raises some difficult questions. Whilst demand for housing might return relatively quickly in urban areas when the economy picks up, and such estates might be used to deal with the social housing waiting list, it is likely that demand driven by demographic change will be weak in rural counties given that recessions generally lead to rural out-migration and slower recovery. It therefore seems likely that many properties in rural areas will remain empty for quite some time (as noted in our model, Table 2, this could be over 10 years in some locations). Demographic forecasts would suggest population growth will occur over the long term in Ireland, and one would anticipate population levels to rise in the future in both rural and urban areas. There are questions, however, as to whether the houses built in rural areas, in particular, will be fit for purpose by the time the market returns. In the meantime, for those residing on such estates there are clearly social and economic concerns about living with few neighbours and/or on estates that are abandoned construction sites, with no street-lighting, pavements, or finished green areas, often in locations that lack amenities, services and public transport, and owning houses that are massively in negative equity.

6. Explaining the Irish Housing Bubble

There were a number of important factors that contributed to the huge growth in housing supply during the Celtic Tiger years and the subsequent development of a highly over-inflated property bubble.

Firstly, the demography of the country has undergone significant change from the early 1990s requiring the construction of an expanded and diversified housing stock. Between 1991 and 2006 the population of Ireland grew by 714,129 (20.25%) from 3.525m to 4.239m, with the number of households growing by 440,437, up from 1.029m to 1.473m (CSO 2006; datasheet 16). The growth in population was driven by both immigration and natural increase. For example, between 1996 and 2006 628,800 people moved to Ireland (a proportion of whom were returning Irish) and 285,000 people emigrated, giving a net migration of 343,800 (CSO 2009c; datasheet 17). Household growth was also driven by household fragmentation. Indeed, household composition has altered quite significantly in Ireland since the foundation of the state. Whilst the population has risen from 2.97m in 1926 to 4.24m in 2006 (43% growth), the number of households has grown from 622k in 1926 to 1.47m in 2006 (136% growth), with average household size falling from 4.48 persons in 1926 to 2.81 persons in 2006 (datasheet 16).

Second, the desire for home ownership and buy-to-let or flip speculation drove demand. Ireland has a relatively high rate of home ownership, with almost three quarters of private dwellings in the State being owner-occupied in 2006. Indeed, there is a strong cultural imperative to own one's home that has undoubtedly contributed to new purchasers over-extending their credit in order to step onto the housing ladder. In 2006, over 1 in 3 (498,432; 34%) of all households owned their dwelling outright, another 569,966 (39%) were paying a home loan or mortgage, and 23,547 (1.61%) were purchasing the property from a local authority (CSO 2009; datasheet 18). 301,306 dwellings were rented, of which 105,509 were rented from a local authorities. With so much property in the hands of home owners and landlords, the proportion of housing stock owned and maintained by local authorities has fallen consistently from 18.4% in 1961 to 6.9% in 2002, rising slightly to 7.2% in 2006 (CSO 2002, CSO 2009a). As a consequence, the housing boom was almost exclusively targeted at the home owners and investors, with: first time buyers feeling harried to get onto the property ladder at all costs (driven by arguments such as 'being left behind' and 'rent is dead money'); existing home owners encouraged to take advantage of the equity in their homes to scale-up or purchase second or holiday homes or release equity to enable their children to get onto the housing ladder; and small investors encouraged to invest in buy-to-let purchases as a long term, secure investments that lacked the volatility of stocks and shares. The latter group were particularly important in keeping demand high and pushing up prices. By 2007, the Bank of Ireland Group were lending as much money to buy-to-let and flip speculators (28%) as to first time buyers, with the Irish Banking Federation noting that they typically paid c.€100,000 more on a property purchase (Brawn 2009). Hooke and MacDonald (as reported by Brawn 2009) estimated that 27% of new homes in 2007 were being bought by speculators, suggesting that approximately one in four houses at the height of the boom had no immediate party to occupy it.

Third, housing and planning policy, along with a weak and fragmented planning system, on the one hand encouraged development through tax incentives and the pro-growth orientation of local authorities keen to leverage development levies, and on the other failed to integrate plans across scales and lacked sufficient checks and balances. Bartley (2007) argues that Ireland entered a third phase of planning from the mid-1980s onwards, with a shift from a managerial approach designed to facilitate modernization to an entrepreneurial approach designed to be more pragmatic and results-oriented, attracting inward investment and facilitating areal regeneration. This change in approach has led to piecemeal development and a planning system consisting of 88 local planning authorities: 29 County Councils, 5 County Borough Corporations, 5 Borough Corporations and 49 Town Councils (Grist, 2003). Moreover, planning, spatial strategies, housing need, and tax incentive schemes were overseen by a range of agencies and were rarely considered contextually or as being interdependent. As a result, there has been a lack of joined-up thinking and action by housing, planning and development agencies at national and local levels, and an inability to respond strategically to demographic and economic pressures. This has been accompanied by a laissez-faire approach to planning, which held a presumption for development, forewent traditional planning tools such as greenbelts, and gave ready access to land, zoning and planning permissions, along with little to no regulation concerning land purchases.

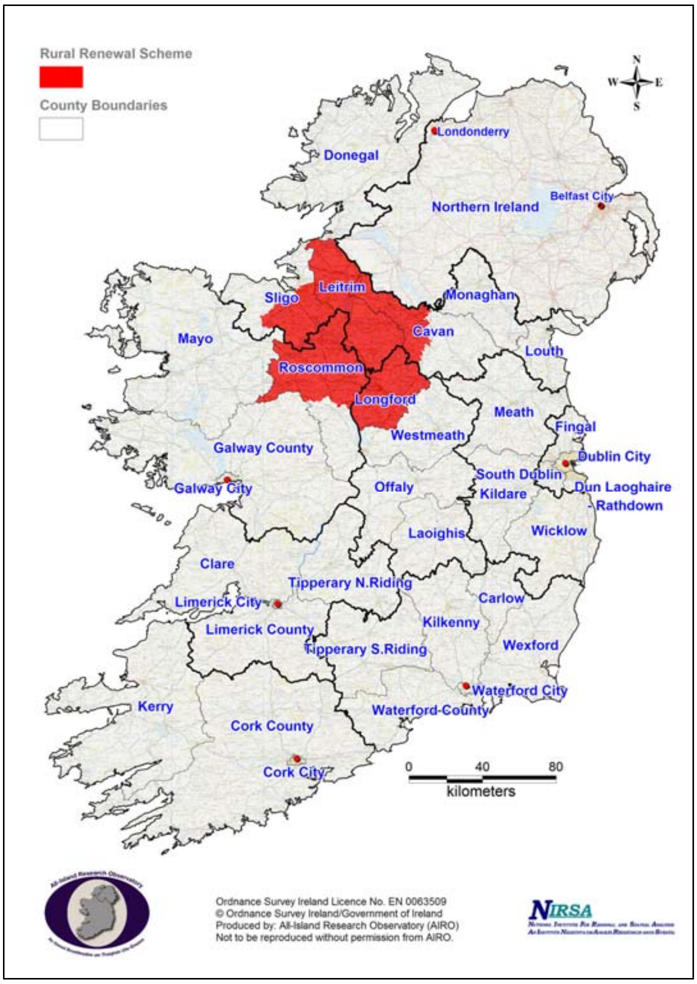
Early in the boom, Ireland suffered a housing crisis wherein demand was outstripping supply, especially in and around the cities, which were experiencing sustained household growth, house price inflation (see Figure 3), and a rise in the cost of living. In response, the Department of Environment and Local Government (DoELG), commissioned a series of housing studies (referred to as the 'Bacon Reports' - Bacon and Associates, 1998; 1999; and 2000) and introduced Part V into the Planning & Development Act, 2000, which required all local authorities to adopt a housing strategy in their County Development Plan and to allocate up to 20% of all new residential developments of four or more dwellings in zoned land for social and/or affordable housing. A key goal of Part V of the Act was to disincentivise residential segregation and encourage integrated, mixed housing (in social and tenure terms). This part of the Act was constitutionally challenged in the Supreme Court by developers and construction industry leaders who claimed that the state was intervening beyond its remit into the private housing market. Despite protests against the Act, Part V was deemed constitutional and went ahead as originally legislated, although it was amended two years later so that developers, in certain circumstances, could substitute land or money in lieu of including the required social and/or affordable housing in their private developments, thus undermining local authority provision and foregrounding the developer-led nature of the construction industry and housing sector at the time. The ability of vested interests to routinely overturn strategies designed to support the public benefit is indicative of the loose and mutable arrangements in the Irish policy sphere.

In addition, a number of pro-development tax incentive schemes were introduced from 1981 onwards. Initially, the Department of Finance introduced tax incentives in order to promote growth and stability, particularly in inner city areas. Urban renewal schemes were introduced in 1985, ‘in an effort to alleviate the increasing problem of dereliction and dilapidation which had affected large parts on the inner areas of towns and cities nation-wide’ (Department of Finance, 1999). A number of urban renewal schemes ran from 1986 to 2008 (termination date depending on the scheme and a number were extended), including a Town Renewal Scheme (100 towns throughout the state covered), Living Over the Shop (LOTS) and a Seaside Resort Scheme (15 towns covered) which enabled access to Section 23 tax relief on capital expenditure incurred in the construction, refurbishment or conversion of rented residential accommodation. It was ‘available to a person who has incurred expenditure on the purchase, construction, conversion or refurbishment of a qualifying property and who lets that property, having complied with certain conditions. … Relief for expenditure incurred can be set against the rent received from that property and other Irish rental income so that the amount of a person’s taxable income is reduced’ (Revenue Commissioners 2008). Section 23 encouraged development for rental purposes (including holiday homes) by allowing developers and small investors to offset tax up to 90% of direct costs occurred against income for up to ten years.

The urban tax relief schemes were accompanied from June 1998 by the Pilot Rural Renewal Scheme for the Upper Shannon Region (introduced under the Finance Act, 1998, and covering Co. Cavan, west of the River Erne, all of counties Leitrim and Longford, north Co. Roscommon, east and south Co. Sligo; see Figure 18). The urban and rural renewal schemes provided for tax relief or incentive allowances designed to encourage people to live and construct new dwellings in designated areas and to promote new economic activity. In the case of the Upper Shannon Region renewal scheme, for example, the two main elements were: (1) business tax incentives: tax relief for the expenditure incurred on the construction or refurbishment of industrial buildings (from July 1st, 1999); and (2) residential property tax incentives: tax relief for both owner occupiers and renters. In the case of owner occupiers, dwellings could not exceed a floor space of 210 sq metres. For those who would gain tax relief as tenants of property, the dwelling had to be the main or sole residence for a minimum of three months per annum in order to counteract the potential of a proliferation of holiday homes (Department of Finance, 1999).

The rural renewal scheme, which ended with regards to new planning permissions in 2004 and ran up until 2008 (with regards to complying with a binding written contract for the construction or refurbishment and receiving a Local Authority Certificate), was in place over a period of rapid demographic, social and economic change in Ireland. There is little evidence to show, however, that the scheme led to increasing population above and beyond the demographic transition occurring, and it is likely that the already existing population took up a sizeable proportion of qualifying dwellings (Department of Finance, 2006). Residential property construction constituted 88% of expenditure, the vast bulk of which was spent on new build. Goodbody estimated that by the end of the scheme, some 10,596 units were due to be completed (Department of Finance, 2006). The scheme undoubtedly increased housing output, but Goodbody concluded that there had been little impact on economic activity in rural areas; a large proportion of the housing output was built speculatively and/or constitutes 'deadweight'; excessively large dwellings were built in many cases; it was poor value for money; and that it had produced an oversupply of dwellings (Department of Finance, 2006). Moreover, local authorities adopted a laissez-faire approach in its positive presumption for all housing to be permitted, regardless of local priorities or demographic demand or market conditions.

Figure 18: The Upper Shannon Rural Renewal Scheme



Furthermore, the planning regime encouraged local authorities to be pro-growth because it enabled the accrual of development levies (in the absence of more sustainable local residential property taxes), with local councillors pursuing zero-sum games with regards to their constituency where if one area got a certain kind of facility or development, then their area needed the same. Development charges per square metre varied enormously across the country in 2006, ranging from €7 in Donegal County Council to €123 in Dublin City Council (Finfacts 2006), with Chambers Ireland reporting that development levies had risen from €0.11bn to €0.55bn between 2000 and 2005, representing 13.6% of local government expenditure (Chambers Ireland 2006, Finfacts 2006). Further, the planning regime had few checks and balances to stop excessive zoning and permissions being granted to developments, despite the fact that detailed demographic profiling would have indicated limited demand in many locations, and the absence in many cases of essential services such as water and sewerage treatment plants, energy supply, public transport or roads. The result is a large number of one-off housing (c. 1 in 4 of stock), sprawl and suburbanisation, and a massive amount of zoned land.

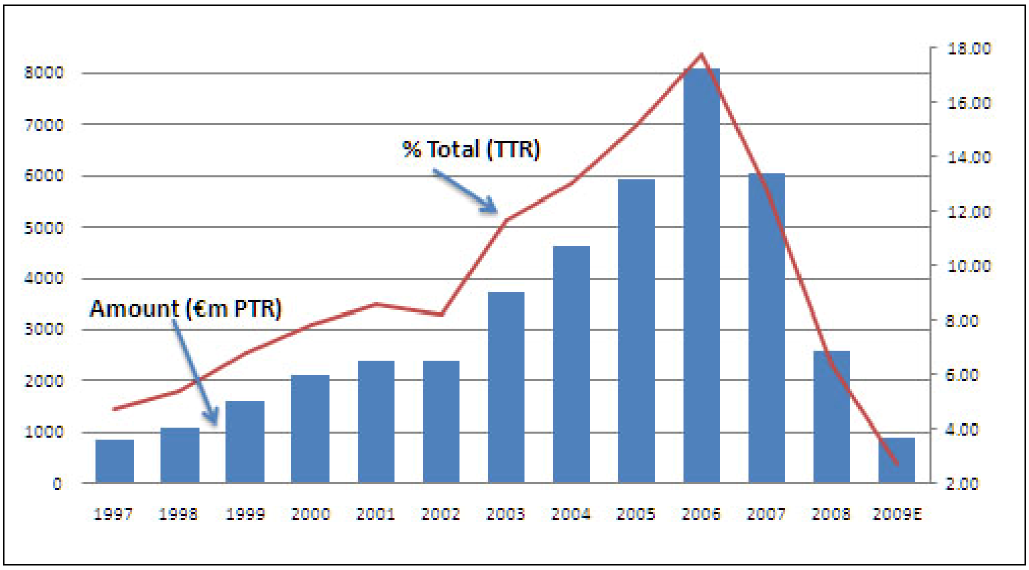
Fourth, and following on from the last point, the planning system is undermined by elements of clientelism, cronyism and low-level corruption at play in the system at all levels. At the local scale, individuals and developers lobby and seek to curry favour or do deals with county councillors and constituency TDs for zoning and permissions in return for support, votes and remuneration of various kinds (favours, kick-backs, fees for 'planning consultancy', etc). The Irish planning system lends itself to such a relationship as a result of its division of legislative and executive functions between councillors and planners. The formulation and adoption of development plans and zoning decisions fall under the remit of elected local councillors, whilst the planning authority adjudicates over planning applications (with the planning authority a part of the local authority that local councillors oversee). The function of local authority planners is as advisors on all development planning matters, rather than being formal decision makers; elected representatives have the final say on all development plan and zoning matters, and are under no obligation to take the recommendations of experts into account. Moreover, councillors can use mechanisms such as Section 140 (of the Local Government Act 2001 – formerly Section 4 of the City and County Management (Amendment) Act, 1955) to override a specific planning decision. And, while local authority staff are legally bound not to engage in work that might imply a vested interest, there is no such monitoring for councillors. This is exemplified by examples of elected representatives 'double jobbing' as planning agents (or consultants). Councillors need to retain their role in the planning system as democratically elected local representatives working on behalf of the local community, but their role has be tempered where necessary to follow due process and be robust against accusations of clientelism and cronyism. There are undoubtedly many good councillors and planners in Ireland, but the system has clearly not allowed them to counter the excesses and pressures of the boom and practice sustainable planning in all instances.

At the national level, developers and vested interest organisations lobby and pressure Ministers with respect to regional and planning policy formation and key legislation. The property sector thus maintains close relationships with the major political parties, providing funding donations, the use of services and facilities, access to elite networks, employment/directorships after politics, and so on, in order to influence development plans, zoning and planning decisions, and planning policy. As the revelations of the Mahon Tribunal into planning corruption have suggested, this relationship has been characterised as one of mutual benefit, along with direct and indirect bribery and coercion of elected officials at all levels of government (see O' Toole 2009).

State support for the property sector is clearly evidenced by the failure of successive governments to implement the recommendations of the Kenny Report (*Report of the Committee on the Price of Building Land*; Government of Ireland, 1974). The report was the outcome of a committee established by the Government in 1971, "as a response to the anarchic explosion of badly planned housing during the previous Irish boom of the 1960s". The task of the committee was "to stop landowners from getting windfall profits just because the local authorities zoned their agricultural fields for development and serviced them with sewage, roads and water". The report suggested that "a situation should [not] continue where dealings in building land can result in large unearned profits for individuals and where local authorities have to compete with private interests in order to acquire land required for the expansion of towns and cities and to pay inflated prices for it". The report recommended that owners should be paid the current agricultural market value plus 25 per cent for their land, and detailed how this situation was compatible with Irish law. The policy was almost unanimously in the public interest, and in fact “threatened just one small group of people – the speculators and developers who controlled the large land banks”. However, since its publication successive governments have agreed in principle with the recommendations of the report, but nevertheless consistently avoided implementing them. Thus the state effectively encouraged the inflation of land values (O’ Toole 2009, pp. 106-109). Similarly, the range of tax breaks available since the early 1980s have enormously benefited developers to the detriment of the public purse, and public-private partnerships with highly favourable, low risk returns to developers have been used to implement crucial infrastructural works. Even recent initiatives, such as the Social Housing Leasing Initiative to deal with the public housing waiting list, are structured to favour the developer over the long term (in this case, private housing would be rented for 20 years then returned to the developer, rather than the state purchasing the property over the same period and then absorbing it into the social housing stock or selling it on for a profit to the taxpayer). It is perhaps unsurprising then that during the Celtic Tiger boom the property developer became a central figure in Irish political life.

Fifth, the government’s pro-cyclical fiscal policy and taxation system worked to both boost the construction industry and to make it critical to sustaining public spending, rather than acting as a counterweight to ensure sustainable growth. As noted, there were a range of a different taxation incentive schemes to aid development. Moreover, stamp duty, capital gains taxes and VAT were significant contributors to the public purse. Davy Research (2006) reported that the property market accounted for 17% of total tax revenue in 2006, up from 5% in 1998 (see Figure 19; datasheet 19). Revenues from stamp duty on property transactions were c. €2.98b in 2006, up from 387m in 1998, and there were c. €3.2b in VAT receipts (CSO 2008, Davy Research 2006; datasheet 20). Stamp duty was lowered several times between 2001 and 2007, and the ceiling on income tax deductibility of mortgage interest for owner occupiers was increased four times between 2000 and 2008, in order to further stimulate the housing market (Honohan 2010). In addition, a significant number of people were employed in the construction and related sectors and construction was accounting for a significant chunk of growth in GDP. By Quarter 2, 2007, 13.4% of all workers were employed in the construction industry in Ireland, the highest rate in Europe, with the EU average being 8.2% (CSO 2008; datasheet 21). A large number of other people were employed in related material, service and consumer industries, supplying the construction industry and new and existing home owners. Between 2003 and 2006 the value of construction output grew from €23,811m to €37,401m, with building and construction estimated to have accounted for 9% of GDP and 10.4% of GNP in 2006 (DKM 2008, cited in CSO 2008; datasheet 22).

Figure 19: Property-related tax revenue



Source: Davy Research (2006); PTR = property tax revenue; TTR = total tax revenue

Sixth, the domestic banking sector got involved in a lending war driven by personal bonus schemes and inter-bank rivalry to generate record annual profits, flooding the market with development and mortgage capital that catered to speculator and buyer demand, but also actively encouraged it. Rather than using their own deposits to underpin loans, given favourable lending rates, banks borrowed money from other international banks and private equity funds to offer evermore easier forms of credit to home buyers (such as 100% mortgages over longer time spans) and investors (such as deferred interest payments). Utilising the international financial markets for credit "greatly increased banks' vulnerability to changing market sentiment" (Honohan 2010: 6). This reckless lending, often conducted without proper due process and exceeding stress test criteria, was exacerbated by financial deregulation and a regulatory system that failed to adequately police the banking sector (Ross 2009;

Murphy and Devlin 2009). The Honohan Report (2010) makes it clear that there were catastrophic regulatory and governance failures both in the financial sector itself (with respect to senior management decisions, bank auditors and accountants, and financial intermediaries such as mortgage brokers) and the Central Bank and Financial Services Authority of Ireland which overemphasised process rather than outcomes, downplayed quantification of risks, applied 'light-touch' and deferential regulation, and failed to implement any penalties for breaches of rules and regulations. Moreover, they created a false sense of security by producing reports that were overly optimistic and reassuring, regardless of the evidence base. This was compounded by similar reports from the IMF, OECD and other bodies such as rating agencies and vested interest groups. Managing the economy was also hampered by the fact that the Irish Central Bank could not directly influence consumer spending as it did not have control of interest rates (which resided with the European Central Bank). As the Honohan Report (2010) notes, Ireland's banking performance was the second poorest after Iceland during the present global downturn, and was entirely homemade on the basis of the Irish construction boom, rather than exposure to sub-prime mortgages or aggressive overseas acquisitions.

Seventh, self-interest played a significant role, with little coordinated campaigning for housing policy changes beyond debates concerning stamp duty (with the pressure to reduce or abolish the duty, which would have added fuel to the fire). As noted, central and local government were benefiting through direct and indirect tax; a household's primary asset was gaining value; a relatively large group of buy-to-let and flipping investors were gaining profits through rising property values; and those working in the construction and consumption sectors were benefiting through good jobs with decent incomes. It seemed to be in very few people's interest to put the brakes on the housing boom, and the prevailing logic was that the market would slow to a 'soft landing' rather than crash (see Dept of Finance 2006, Central Bank 2006).

The result of these various factors, underpinned by a neoliberal philosophy of free market development and market-led regulation, was a housing bubble created as a function of housing development being driven largely by developers, rather than having adequate state oversight, regulation and coordination with respect to finance *and* planning, and a housing market driven by consumer panic of being unable to climb on the property ladder and speculators. In turn, housing development became increasingly decoupled from any sort of realistic economic or demographic projections. This was the outcome of the interrelationship of close institutional arrangements between policy-makers and the property sector, and the diffusion of pro-growth discourses relating to housing development, investment and speculation across all levels of Irish society.

The extent to which this arrangement was normalised was extraordinary. Anybody who questioned what was happening and predicted impending disaster was vilified and ridiculed in the media by commercial economists and government politicians. Probably the most high profile example relates to Morgan Kelly, Professor of Economics at UCD, who argued that a collapse in the wider economy and the property sector was immanent (M. Kelly 2007), and who's reputation was roundly attacked in the media, with Bertie Ahern (the Taoiseach at the time) going so far as to state that the he didn't understand why the naysayers didn't 'commit suicide' (Finfacts 2007). Even now, the TINA (There Is No Alternative) mantra is maintained, and anyone who questions government policies is accused of seeking to undermine any recovery, rather than offering constructive criticism that might lead to better outcomes. This strategy seeks to stifle criticism and try to reassure the public, and is clearly designed to serve the interests of the state and the financial sector, often at the expense of the taxpayer.

7. The Government's Solution to the Banking and Property Crisis: NAMA

The government's response to the banking and property crisis in Ireland has been characteristic of the short-termist and reactionary *modus operandi* of Irish politics that then unfolds into a *de facto* longer term response, and seeks to protect as much as possible the interests of the developer and financial class (O'Toole 2009; Ross 2009). The government's initial reaction to the faltering economy was to insist that the banks were well capitalised and that the housing market would slow to 'soft landing'. However, as the crisis deepened and liquidity started to try up on the international money markets, it started to become clear that there were significant problems of capitalisation in the Irish banking sector. Banks neither had the funds to lend to investors and businesses, nor to pay back loans to international banks. Irish bank share prices collapsed (between May 2007 and November 2008 Irish shares fell in value from €55b to €4b) resulting in the introduction of a state backed bank guarantee scheme to prevent a run on the banks, wherein the state underwrote €440b of deposits and other assets (Murphy and Devlin 2009). Property buyers and investors, already cautious because of the slow down in the housing market, found it increasingly difficult to source credit, thus developers found themselves left with liquidity problems that prevented them from finishing out developments. In order to introduce liquidity into the Irish banking system the state took a two-pronged approach: (1) direct recapitalisation or nationalisation, wherein the state took a stake in the banks for preferential shares or took direct ownership, using the national pension reserve and finance procured on the international markets; (2) relieving the banks of their toxic assets by purchasing all property loans of €5m or more issued before December 1st 2008 and placing them in a new state agency to manage on behalf of the taxpayer. Somewhat controversially, all Irish banks were to participate in the strategy adopted, meaning that the two institutions with the smallest depositor base and largest portfolio of toxic debt (Anglo Irish Bank and Irish Nationwide) were protected from being wound down.

The new property agency to manage the second scheme is the National Assets Management Agency (NAMA), part of the National Treasury Management Agency (NTMA). Plans for NAMA were announced in the Minister for Finance's Supplementary Budget on 7th April 2009, with the National Asset Management Agency Bill (2009) published September 10th of that year. The Bill enables NAMA to acquire bank assets relating to land and development loans and associated loans, and to manage those assets for the benefit of the taxpayer. It has been endowed with "all the necessary commercial powers of a financial asset management company to establish subsidiaries, to operate through agents, to buy and sell assets, to manage loans and work with borrowers, to borrow, to lend, to provide guarantees and to take whatever action it considers appropriate in relation to the debts owing and the underlying security" (NAMA 2009: 6). The first loans were transferred from the banks to NAMA in March 29th 2010 (NAMA 2010a).

The NAMA Draft Business Plan (2009) details that in total, €88bn worth of assets with a loan book of €77bn and €9bn in rolled up interest, are being transferred to

NAMA from five Irish banks (AIB - €24.1bn, Bank of Ireland - €15.5bn, EBS - €0.8bn, Irish Nationwide - €8.3bn, and Anglo Irish Bank - €28.4bn): €27.8bn (36%) relates to 'land', €21.8bn (28%) relates to 'development loans', €27.7bn (36%) relates to 'associated loans'. In return for the impaired assets, the agency issues the five banks with government-backed bonds, which the banks can use to borrow from the European Central Bank, and thus, in theory at least, inject liquidity into the Irish banking system. Rather than paying present market value of the underlying assets, NAMA is paying 15% more to represent long term economic value. Based on the first payments to banks, the state is paying on average 50% of the loan value for the asset (NAMA 2010b), though the developer will continue to repay the full value of the loan. NAMA estimates that 40% of the loans will be cashflow generating and that 80% of loans will be repaid by borrowers, with 20% defaulting. NAMA has up to €5bn to selectively spend on completing projects.

The NAMA portfolio involves loans relating to c.1,600 borrowers, with c.100 borrowers accounting for 50% of the portfolio. All borrowers are compelled to produce full business plans as to how they aim to repay their loans. Because, under the EU stability and growth pact, countries are obliged to have a debt/GDP ratio of 60% or less, to keep the government-back bonds from appearing on the state's accounts, NAMA is to be subsumed into a Eurostat-approved special purposes vehicle (SPV - National Asset Management Agency Investment Ltd) which is a majority privately owned entity with decision making autonomy. Private investors will provide 51% of the equity (the SPV will raise €100 million in capital), with the government holding 49% (as of March 2010, the three main investors are Irish Life Assurance, New Ireland (a subsidiary of Bank of Ireland), and major pension and institutional clients of AIB Investment Managers (AIBIM) (NAMA 2010a)). Over the proposed ten year life span of NAMA, the agency predicted that its asset management will yield €4.8 billion in profit to the Irish state (NAMA 2009) (although this was revised downwards in July 2010 – see Oliver 2010).

At present, there is very little detail available with respect to the loans being transferred into NAMA and the properties they relate to (for example, whether they are residential, office, retail, industrial, leisure, etc; types of land; whether land is zoned or has planning permission; whether developments are complete or under-construction), nor the specific geography beyond national territories (see Table 4). As a consequence, it is difficult to determine the present status of assets and their future potential worth. Land in areas of high surplus housing and/or over-zoning is likely to fall greatly in value and to stay that way for quite some time, limiting the ability of NAMA to realize any profit, especially if it is acquired for too high a value. As Sinead Kelly (2009) has argued, the geography of NAMA assets is critical for its likely future success. She goes onto to note that in an industry that has long lived by the mantra 'location, location and location', the wilful neglect of spatial considerations in the Irish case is striking, stating:

> "The very viability of NAMA as a financial project is highly dependent on the geography of those property assets which underpin the loans which NAMA is purchasing. While certain well-located assets may indeed provide for a secure yield in the medium term, others, such as large sites lacking any urban zoning status located at the edge of small Irish towns and villages for which enormous prices were paid per hectare, are unlikely even in the very long term to prove to possess much value above that of farmland."

It is difficult to disagree with her assessment. What is particularly worrying in the Irish case is the sheer volume of impaired assets – both excess housing and land – in locations that will be the slowest to recover in any economic upswing.

Table 4: Geographical breakdown of NAMA portfolio

	L&D loans	Associated loans	Total	% of total
Ireland	33.13	18.35	51.48	66.80%
Northern Ireland	3.29	1.51	4.8	6.20%
Great Britain	10.34	5.59	15.93	20.70%
USA	1.39	0.66	2.05	2.70%
Germany	0.05	1.01	1.06	1.40%
Portugal	0.46	0.14	0.6	0.70%
France	0.39	0.13	0.52	0.70%
Czech Republic	0.11	0.07	0.18	0.20%
Italy	0.04	0.09	0.13	0.20%
Spain	0.05	0.07	0.12	0.20%
Other	0.13	0.11	0.24	0.30%
TOTAL (€ billions)	49.38	27.73	77.11	100.00%

Source: NAMA (2009)

NAMA, in conjunction with the developer, has six options as to the strategy it will pursue with respect to managing assets (Carswell 2010). First, the properties can be *sold* at a rate far below the original valuation, but which covers the loan transfer cost. Second, the properties can be *leased*. With respect to housing, properties could be rented to either private sector or public sector tenants. In terms of social housing, in 2009 the DEHLG implemented the Social Housing Leasing Initiative that enables: the long-term leasing of privately owned properties by local authorities; leasing arrangements for Approved Housing Bodies (voluntary and cooperative sector); and temporary use of unsold affordable homes. Third, properties can be *held* for a few years in anticipation of the market rising before sale. Fourth, under-construction properties can be *developed* with a view to selling the properties when the market rises. Fifth, properties can be *managed* as on-going concerns. Sixth, properties that have little chance of ever being completed or sold can be *demolished*. Which particular tactics are deployed will depend on the local and specific factors associated with asset such as location and potential demand, occupancy rate, the percentage still under-construction, local clientist politics, state policy, and the interventions of local authorities, state agencies, housing associations, etc.

In the case of ghost estates, each of these options has different consequences for existing residents. If properties are off-loaded through a firesale then the negative equity of existing residents will be exacerbated vis-à-vis their new neighbours. While all housing developments should be socially mixed, it is likely that there will be some resistance by existing residents to such an outcome due to NIMBY and negative equity issues. In addition, there are questions as to the suitability of some properties for social housing due to location and access to employment, public transport, services and community facilities, and the design, size and specification of properties. Holding properties will mean that residents will continue to live without neighbours and/or on a building site for some time. With respect to managing estates, empty or under-construction properties will need to be maintained to stop entropy setting in and the stock deteriorating, and in those estates with low occupancy that are overseen by a management agency the fees are likely to be too low to adequate maintain and service the estate. Demolishing will be highly disruptive and it will be costly to return land to its former state.

Since its announcement, the NAMA project has been roundly criticized by opposition politicians and economists (see for example, Gurdgiev 2010, Lyons 2010, Lucey 2010, McWilliams 2010a, b, c, Whelan 2010b). There is a broad concern as to whether NAMA is the right vehicle to deal with the property crisis and whether it can succeed given the make-up of the portfolio (particularly given the geography of assets and the amount of land and redundant property such as 'zombie hotels'), the extent of the property crash, the sums being paid by the state to the banks for their 'assets', the validity of ascribed long-term economic values and rent yields, and the veracity of underlying economic models and calculations. It is also not clear as to how valuations are being made and whether they take into account existing levels of oversupply and evidence-informed, long-term projections of an area's demography and labour market. Others question the fact that NAMA is paying a notional long term economic value rate rather than present market prices, thus second guessing the market and inflating the transfer to the banks at the state's risk; and that to recover the state investment the property market will need to be re-inflated, which will mean the re-inflation of the surrounding apparatus of interests in banking, property, planning, and government. Moreover, if land is purchased by the state on the basis of existing zoning then any future dezoning by local authorities will deflate its value and lead to a loss on the investment.

For those on the Right, NAMA represents state interference in the logic of the free market, disrupting its 'natural' recovery by artificially controlling large elements of the property market and protecting failed developers and speculators in the short term who otherwise would have gone bust, thus blocking the growth of more resilient players or new start-ups. For those on the Left it protects those who created the crisis but it does nothing to protect home owners and tenants struggling to pay mortgages and rent and who are also underwriting NAMA's costs. Moreover, it is employing as experts (bankers, estate agents, property consultants, planners, lawyers) the very same people who acted irresponsibly to create the bubble, some of whom are overseeing transfers from their former employers. These experts are being handsomely rewarded for their services, with fees expecting to run to €2.46bn over the life course of the agency (NAMA 2009). Further, NAMA is exempt from freedom of information requests and despite managing a vast amount of state managed assets it is particularly opaque in its operation. Most damaging, NAMA has so far failed to deliver on a primary aim, to create liquidity in the Irish banking sector, which has subsequently needed significant further recapitalisation.

As Declan Curran (2010) has noted with reference to international evidence collated by the World Bank (Klingebiel 2000) and Financial Stability Institute (Fung et al, 2004), NAMA-style agencies that are either charged with disposing rapidly (Mexico, Spain, USA, China, Korea, Malaysia) or managing impaired assets (Finland, Sweden, Japan) need a confluence of benign conditions to succeed. In both cases, the crucial factor is a strong recovery in the wider economy and property market, with other favourable factors including:

- Appropriate funding and appropriate powers (e.g., the ability to change management immediately, purchase assets, offer guarantees or counter-guarantees on behalf of restructured banks, grant long-term loans at subsidized rates or permit temporary regulatory forebearance) for resolving agency
- Banks to be resolved were small banks which made it 'politically easier' to resolve
- The largest banks were sound enough to assist in resolving the smaller banks, albeit under significant state pressure
- Non-performing assets were a small percentage of the entire banking systems assets
- Deep and sophisticated capital markets
- Adequate governance structures; professional management and extensive use of private sector contractors for asset disposal.

The difficulty for NAMA, as he sees it, is that in the Irish case, these conditions are either not present or unlikely to emerge in the short term. Perhaps, more worryingly, the factors that were deemed to negatively affect the performance of these agencies are present to varying extents:

- Lacklustre demand for real estate assets
- Poor quality of underlying assets
- Lack of funding for the agency

- Inconsistent objectives for the agency: cost minimisation and rapid disposal of assets, on one hand, and an objective to structure and time asset sales to minimise negative impact on the real estate market
- Assets transferred include politically connected loans which can be difficult for a government agency to handle
- Disparate set of assets due to unclear eligibility criteria
- Weak legal framework (e.g. the debtor had to agree to the sale of the assets)
- Controversy over incentive-based payment schemes for employees
- Deficient framework for foreclosures and seizure of assets.

Interestingly, very few of the critiques of NAMA question the underlying neoliberal ideology that underpins the creation and operation of the agency and the whole Irish economic model. Indeed, there seems to be widespread acceptance that the core logics and principles underpinning Ireland's economy during the Celtic Tiger period were fundamentally sound, and that the crisis and crash were simply the result of misfortune with respect to the timing of the global financial crisis, poor management and regulation, and cronyism and greed (in other words, how it was (mis)applied). In general then, criticisms do not extend to the Irish economic model, with its narrow tax base of low corporate and income tax, high indirect taxes, and lack of property taxes, and its laissez fair approach to planning and regulation. As critical urban theorist, Peter Marcuse (2009) has noted, "todays-more-than-financial-crisis" is being rationalised away as an anomaly within the system of neoliberal capitalism, a cog to be corrected rather than indicative of more systemic failures.

> "The financial crisis seems to be spreading, to engulf more and more people, to cause more and more unemployment, insecurity, hunger and want, a greater and greater dissatisfaction with conditions as they are, with inequality, luxury in the midst of poverty … [I]t is not the financial crisis spreading to other parts of the economy that we confront, but an economy whose contradictions are erupting in a very visible manner in the financial sector, but only as manifestations of much more deep-seated contradictions which we should not allow to be concealed in the focus on issues of regulation or deregulation in one small excrescence of a fundamentally flawed system as a whole."

Marcuse argues that states have been very effective in erecting a wall against any fundamental questioning of the system of neoliberal governance. Ireland is no exception. It seems that Ireland's economic model is beyond question and the debate about the Irish economy concerns how to get that same model back on track. The solutions to the crisis then are a selection of alternative tactics wherein the overall strategy is a new round of neoliberalisation. In other words, rather than seeking radical change with respect to the economic, political and planning systems, a fresh dose of neoliberalisation is seen as the solution to the failings of previous rounds of neoliberalism. The apparatus that created the conditions for crisis are not only left in place, their positions are strengthened through affirmation.

There are a number of reasons to be worried by this strategy. As presently formulated, the Irish economic model is dependent on high growth and consumption to function optimally given it is underpinned by low direct and high indirect taxes. If growth stops and/or consumption decreases then a significant hole is created in the national tax base and national borrowing has to fill the gap. As well as a banking and property crisis, Ireland is presently experiencing a severe taxation crisis – a sizable element of the public purse was being funded by cyclically sensitive taxes such as stamp duty, VAT and capital gains tax that have largely evaporated. It is for this reason that the model has proven to be unsustainable. Even without the global downturn, given that the model is predicated on constant, sustained growth and a shallow tax base it was always going to run into difficulties at some point given the ebb and flow of economies (a point also noted in the Honohan Report 2010). Endless rounds of public service cutbacks may achieve some efficiencies in the system, but also a highly anaemic public sector, with weak provision of services such as education and health, and a continued dearth of key transport, energy and public infrastructure. It also further undermines the tax base and, as others have demonstrated, drastically cutting public spending has not only failed to reduce the fiscal deficit, but rather has increased it further (Burke 2010; Pentony 2010)

NAMA is indicative of the government's acceptance of a 'commonsense' neoliberalism (the perceived importance of banks regaining solvency and remaining independent from state control) and clientalism (NAMA works to bail out a set of elites that drove the boom into a recessionary brick wall). In this sense, it is the logical illogical response to the crisis within the context of the fractured ideologies of the Irish political system. As such, its logic is skewed. In order to remedy a crisis brought about by an unsustainable property bubble, NAMA's stated aim is to re-inflate this bubble by stabilising those sectors primarily responsible at the expense of the taxpayer.

Without substantive changes with respect to its economic, political and planning systems, Ireland will continue to be vulnerable to the boom and bust cycles that have left the country littered with excess housing and over-zoned land worth a fraction of its value at the height of the boom. Whilst NAMA does offer one solution to the problem, it is also a risky strategy that could cost the taxpayer dearly for several generations. More worryingly, NAMA does not address some of the fundamental problems of the Irish situation that will shape development into the long term – the cabal between politicians, developers and banks; a planning system in which local councillors representing vested interests can play a significant role, and has too few checks and balances to stop excessive zonings and permissions; crony capitalism at all scales of governance; zero-sum and local pro-growth development strategies that lack overall vision and coordination at regional and national levels; and poor housing data from which to develop evidence-informed policy analysis. It is true that the National Spatial Strategy and the new Planning and Development (Amendment) Bill do provide the potential to address some of these issues, but so far the National Spatial Strategy has been largely ignored by government policy and its programmes were amongst the first axed in public sector cuts, and in anticipation of the Planning and Development (Amendment) Bill local authorities have been seeking ways to circumvent its provisions by zoning tracts of land before its passage through the Dail, suggesting that it will be roundly resisted when implemented.

8. Conclusion

The growth in the Irish housing market, both in terms of revenue and land-use, has had an era-defining impact on Irish society. It has affected everything from the social and demographic profile of cities, towns and villages, trends in employment and commuting patterns, and political decision-making, to the level of people's personal aspirations. In this paper, we have documented the Irish housing landscape in the post-Celtic Tiger period, arguing that the housing bubble and subsequent crash in the banking and property sectors was not simply a result of the global financial crash and a lack of financial regulation. It was largely a home grown crisis.

As well as a catastrophic failure in Ireland's banking and financial regulatory system, there has been a catastrophic failure of the planning system at all scales. Planning should have acted as the counter-balance to the excessive pressures for development, working for the common good to produce sustainable patterns of residential and commercial property. Instead, both fiscal and planning policy formation, implementation and regulation were overtly shaped by the neoliberal policies adopted by the state, particularly in the period from 1997 onwards. During this time, the government pursued a neoliberal agenda of promoting the free market, minimising regulation, privatising public goods, and keeping direct taxes low and indirect taxes high, framed within a political system in which localism, clientalism, and cronyism existed to varying extents across the modes and scales of governance. The state thus loosened regulation of the financial sector, introduced tax incentive schemes, changed the parameters of stamp duty, lowered capital gains tax, allowed developers to forego their affordable and social housing obligations, promoted a laissez faire planning system, and failed to address the vestiges of clientelism. In short, it allowed the property sector to be driven by developers, speculators and banks, rewarding them with tax incentives, less tax obligations, and market-led regulation; it enabled buyers to over-extend their indebtedness; and it provided too few barriers to development.

Whilst the global financial crisis might have been a contributing factor, the Irish housing market was already running out of control, with supply outstripping potential demand in all parts of the country, and house and land prices skyrocketing to amongst the most expensive in the world. And banks had massively over-extended themselves lending to developers. The crash was inevitable. The severity of the crash was significantly exacerbated by the state's neoliberal agenda and lack of oversight, foresight and poor policy formation with respect to both the planning system and banking sectors. Worryingly, the present government's solution to the crisis has been another round of short-termist neoliberalism in the form of the public collectivization of private debt through detoxification, recapitalisation, and nationalisation of the banks and the protection of the interests of developers and speculators at the potential expense of the taxpayer.

Even if one does not agree with our interpretation of the reasons for the property crisis or our analysis of the proposed solution through NAMA, the fact remains that Ireland has a significant oversupply of housing and zoned land, its house prices have plummeted, its property-related tax intake has contracted sharply, and the country is littered with ghost estates and vacant property. In that sense, the data we have presented largely speak for themselves. During the Celtic Tiger period, housing supply and demand became disconnected. The de-coupling of housing development from any sort of realistic demographic projections, along with cheap credit, speculative over-lending, tax incentive schemes and a planning system that actively encouraged over-development, has left a staggering level of oversupply in the housing market, which has produced both an immediate policy dilemma and a series of long-term issues that are only beginning to come into focus. This issue of oversupply is not limited to housing, but also hotels (see Bacon 2009 and O'Brien 2010), offices (see S. Kelly 2009), shopping centres, retail parks and industrial units. Ireland is awash with buildings that few people either can afford or want to purchase.

Our analysis highlights that the issues of oversupply varies substantially across the country, with the highest levels prevalent where rural and urban tax incentive schemes were in operation. It could well be over a decade or more in some locations before excess housing stock becomes occupied, depending on an economic recovery, liquidity amongst lenders, and demographic demand. Our model projects demand based on 1996-2006 household formation, a time of unprecedented growth, along with holiday home demand. It is, therefore, somewhat of a best case scenario given that household growth has slowed given out-migration and the decline in holiday home sales. In the past, recession has led to sizable rural out-migration, and if this occurs again in the present period, then the oversupply issue will deepen in many rural areas. Oversupply might last less time in urban areas, particularly in the commuter belt around Dublin, although this might be extended depending on the amount of vacant investor property that is eased onto the market. Given the extent of the oversupply, and the fact that much of it is not necessarily optimally located for future projected demand, house prices are likely to remain depressed for some time. Indeed, most economic commentators are now predicting that house prices will continue to fall, with most suggesting that prices will drop on average by 40-60% from their peak (M. Kelly 2007; Finfacts 2009; Whelan 2010a).

This is not to say that this is no requirement for construction in the state in the short term. Rather, that there is little need for housing beyond social housing provision. Where construction could be fruitfully undertaken would be with respect to public facilities such as schools and hospitals, public transport, roads, energy and broadband infrastructure. Such a targeted capital investment will on the one hand stimulate the economy in terms of employment and investment and provide multiplier effects across the private sector, and on the other provide worldclass infrastructure to facilitate and encourage indigenous growth and inward investment.

At present, there are seven key issues that will need to be addressed before consumers regain confidence and prices bottom out and start to rise again. First, supply and demand will need to be harmonized. On the one hand this necessitates a dramatic reduction in the number of new homes built and the dezoning of land, on the other the number of households will have to increase. Second, there has to be a sustained growth in the economy with an associated fall in unemployment. Third, house prices have to align more closely to average industrial earnings. Fourth, affordable credit has to be available for first time buyers and those trading up. Fifth, the uncertainties concerning NAMA and its operation have to dispelled, especially since it will be controlling a sizable share of properties and land. This necessitates full transparency of the agency's workings and the assets it is managing. Sixth, consumers have to be satisfied that the banking crisis is truly over and that financial institutions are properly regulated.

Seventh, substantive changes in the planning system will also aid the process of recovery. To date, there has been a great deal of attention directed at banks, but very little to the agencies that zoned land, gave planning permissions and coordinated and promoted development. Multi-scalar, long term, comprehensive planning strategies, underpinned by robust evidence, and linked to coherent social, economic and environmental policies, need to be implemented that are resistant to the vagaries of local clientelism (to a certain extent the new Planning and Development

(Amendment) Bill will address some of these issues). As part of the revisioning of planning, houses and settlements need to viewed as homes and communities, not simply assets and opportunities (Sparks and Duke 2010). Further, there is a need for much better, timely, and harmonized housing data. There is no national register of property or property sales, meaning the surrogates such as ESB or mortgage data has to be used. What limited data there are available are released at a coarse spatial resolution, making the tracking or modelling of local housing markets impossible. Data can also have significant time-lags (e.g., vacancy is only measured once every 5 years), and different local authorities record data differently (e.g. building starts) making comparisons difficult.

In our view, the solution to the property crisis needs to be more than another round of neoliberalisation and striving to revive the same economic model that left Ireland vulnerable to *any* economic slowdown. Rather, it is to revisit the Celtic Tiger economic model and to make fundamental changes that will help make it more robust and sustainable. At the heart of this process needs to be a restructuring and widening of the tax system to provide a more stable base of progressive taxes with less reliance on indirect, cyclical taxes, and rigorous, systematic oversight to ensure proper checks and balances in the system. There are many forms of political economy in operation globally, with dozens of varieties of capitalism and liberalism (Hall and Soskice 2001), and there is nothing inevitable or sacred about the political economic model that has operated in Ireland over the past twenty years. Indeed, there are many lessons to be learnt from abroad and from the Irish experience.

It is our contention that an independent review of the operation of the planning system during the Celtic Tiger years be undertaken to consider fully the role of planning in the creation of the property bubble, similar to the Honohan (2010) and the Regling and Watson (2010) reports on the banking and financial regulation. The review would examine all aspects of the planning system, including planning policy formation and application, and the organisation, operation and regulation of planning within and across different agencies and at all scales in Ireland. The kinds of questions such a review might examine include: Why was planning not working to counter-balance the excesses of development? Did the planning system work effectively for the common good? Was there sufficiently joined-up thinking and coordination between all the various agencies responsible for housing, planning and development? Was there appropriate regard paid to inter-jurisdictional alignment of plans? Did the processes and procedures of regulation, compliance and enforcement work as efficiently and effectively as they should have? Was development and planning too developer-led and not sufficiently community and plan-led? To what extent has clientelism, cronyism and localism been at work, undermining due process and adversely shaping the planning system? To what extent did policies such as decentralisation and tax incentive schemes undermine other policy instruments such as the National Spatial Strategy? Did plans and schemes have sufficient oversight with appropriate monitoring instruments that could track progress and levers to control roll-out? Has planning been sufficiently evidence-informed, underpinned by high-quality data that is timely and available at suitable scales? These kinds of questions need to be thoroughly examined. An inquiry should not, however, take the form of a witch hunt or a blame game, but rather constitute a systemic review of how the planning system failed to counter and control the excesses of the boom and provide a more stable and sustainable pattern of development.

It would be foolhardy to address issues in the banking sector without also reviewing and taking corrective action in the planning sphere. To not do so would be to invite a future in which past mistakes are endlessly repeated.

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