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## Housing financialisation and the creation of homelessness in Ireland

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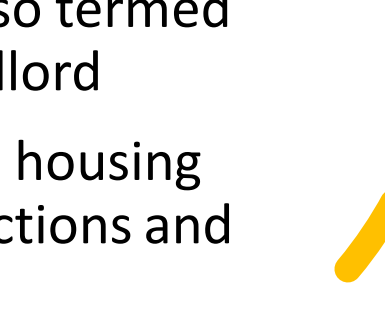
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## Increasing focus on the growing 'financialisation of rental housing'

- literature on financialisation of housing has largely focused on homeownership,
  - increasing focus on the growing 'financialisation of rental housing' -which is contributing to a paradigm shift within urban housing systems
  - financialisation includes the entry of institutional investors into urban rental housing markets – such as private global equity funds, hedge funds and Real Estate Investment Trusts (REITs) (Aalbers, 2016; August & Walks, 2018; Byrne, 2019; Fields & Uffer, 2016; Waldron, 2018).
  - These new 'financialised landlords', are also termed 'corporate landlords' or 'institutional' landlord
  - Concern for its implications for tenants, in housing affordability, insecurity, displacement, evictions and homelessness
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# Financialisation and impact on human right to housing; UN Special Rapporteur on housing - *Leilani Farha, March 20<sup>th</sup> 2019*



- *"Our chief concern lies with those laws and policies which have allowed unprecedented amounts of global capital to be invested in housing as security for financial instruments that are traded on global markets, and as a means of accumulating wealth."*
- *"This expanding role and unprecedented dominance of unregulated financial markets and corporations in the housing sector is now generally referred to as the '**financialisation of housing**' and it is having devastating consequences for tenants."*

# Vulture funds, Cuckoo funds, and vampire funds in Ireland

Almost 40,000 people sign petition demanding government takes more action against vulture funds

The petition includes demands such as the scrapping of investor tax breaks.

Oct 5th 2021, 4:58 PM 17,156 Views 27 Comments

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ALMOST 40,000 PEOPLE have signed a petition to demand the Government take more action against vulture funds in Ireland.

Uplift petition starter and housing expert Dr Rory Hearne and Uplift campaigners delivered the petition to government buildings today.

The petition calls on Minister for Housing Darragh O'Brien to take action against vulture funds as part



- In Ireland they have recently been described as ‘Cuckoo funds’ for the way they bulk buy residential property, which would have been purchased by homebuyers (Hearne, 2020).
- These global institutional landlords have been involved in large-volume acquisitions of existing housing stock, including large portfolios of distressed property assets and its conversion to rental accommodation (bulk buy-to-let) and more recently in the forward purchase and development of new multi-unit purpose-built rental housing (Build-to-Rent).

# Our research question

- ***How can we conceptualise and identify links between financialisation of the PRS and its contribution to homelessness in Ireland during the 2013–2019 period and investigate the impacts of the financialisation of rental housing on low income tenants in the PRS***
- Develop Nethercote (2020) empirically and conceptually to investigate the relationship in the post-crash period between the financialisation of private rental housing and the dramatic rise in homelessness
- Investigate the relationship dynamics between finance, built environment, and state actors, including the interaction between investment mechanisms and strategies, and state incentives and regulation.
- Essential to understand and conceptualise the evolving global real estate/finance complex, involving the triangular relationship dynamics between real estate, finance, and states.

# Ireland important case study

- The country has experienced a dramatic rise in the proportion of households in the private rental housing sector; almost doubling from 11% in 2002 (approximately 150,000 households) to 19% of households (300,000) in 2011 (Hearne, 2020).
- Since 2010, global real estate and equity investors entered the Irish residential property market and these institutional landlords are **now Ireland's largest private landlords**, largely focused in the capital, Dublin, and surrounding areas.
- Ireland also experienced a new homelessness crisis in this period. New presentations of families becoming homeless started to increase from 2013 onwards, following, and in parallel to, the trend of rapidly increasing rents

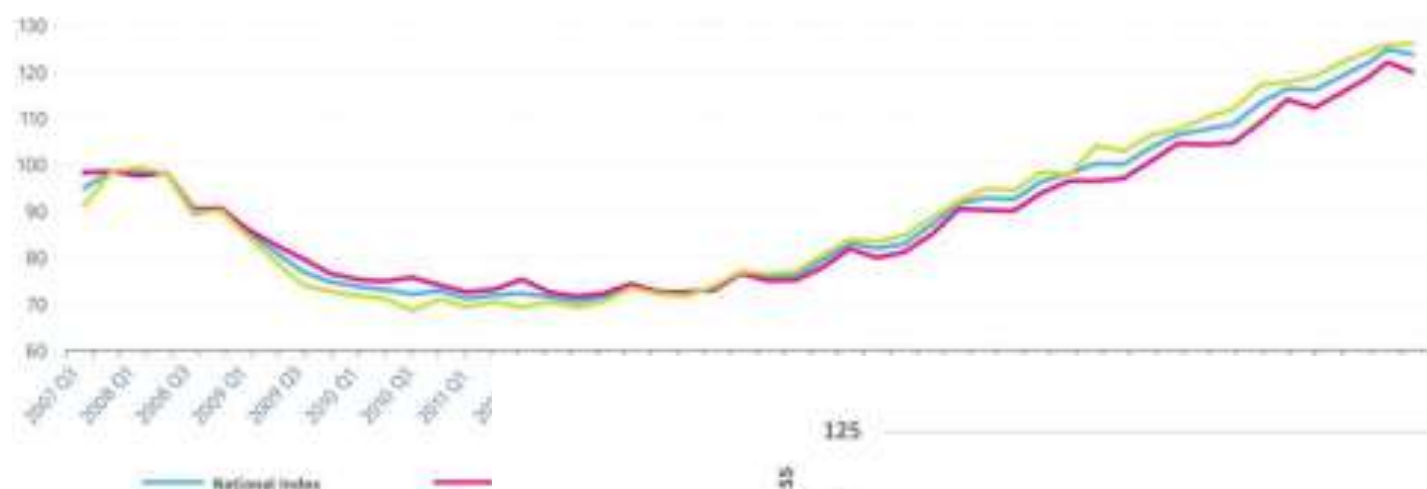


Figure 1. Average rents between

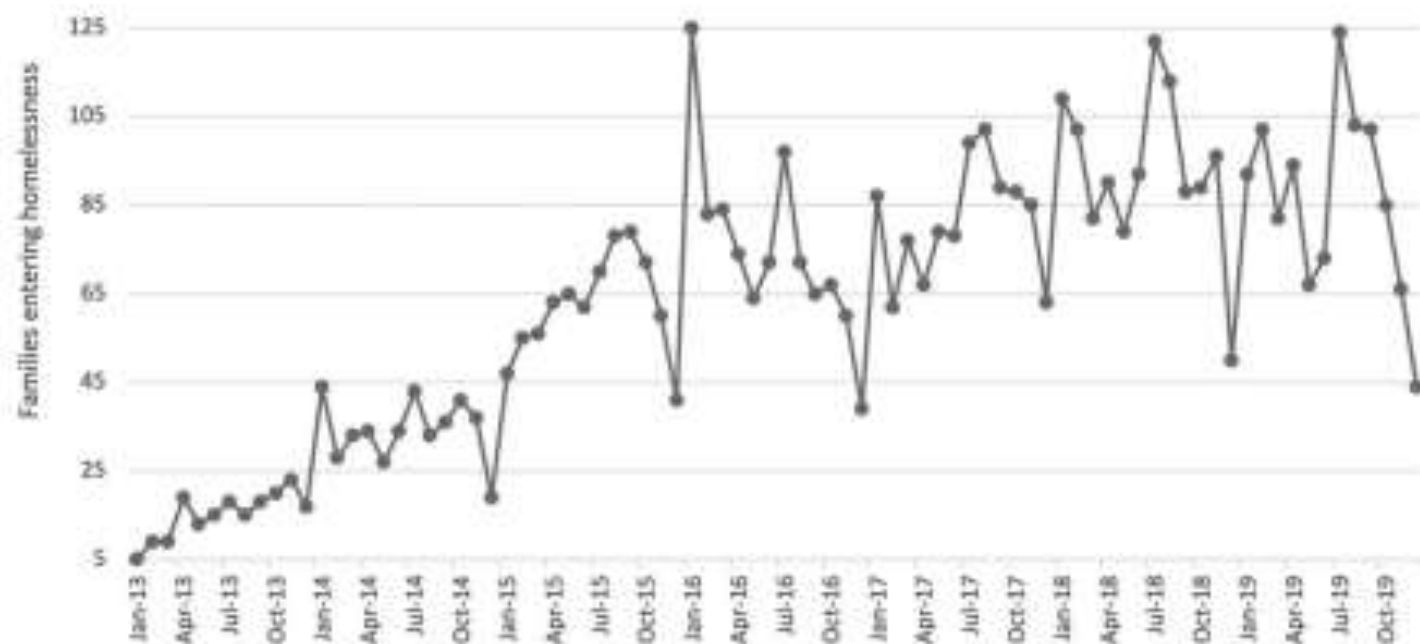


Figure 2. Number of families becoming homeless in the Dublin Region. Source: Focus Ireland.

# Concepts 1. Financialisation and PRS - Repositioning

- Although private landlords have always sought to maximize profits paid by tenants, August (2020) posits that the financialisation of rental housing is fundamentally transforming the PRS and includes new and distinct business strategies that expose tenants to the logics of finance capital via 'repositioning' strategies based on tenant dispossession and displacement.
- Institutional corporate landlords focus on financial returns for investors, which, according to Haila (2015) accelerates land use changes and displaces groups who cannot afford to pay high rents. Due to investment strategies that often involved harming residents with high housing costs and promoting displacement, this style of investment has been referred to as 'predatory equity' (Fields, 2014).
- 'gentrification-by-upgrading' features investments in upgrading to attract higher income renters, resulting in 'pricing tenants out of their own homes and communities' (Birchall, 2021, p. 10).
- The biggest gains for global real estate landlords are made from replacing low rent paying tenants with higher paying ones.
- Corporate landlords push tenants and owners out of their homes by taking possession, evicting, or creating conditions to compel tenants to leave – such as vastly increased rents or using loopholes in rent legislation (Farha, 2020).
- Repositioning is a business model that accumulates by dispossession – it extracts greater value from sitting tenants, or displaces them and extracts higher rents from the subsequent (potentially more affluent) tenant who replaces them.
- This contributes to a housing affordability crisis, rising levels of insecurity, especially for vulnerable households in the PRS, and produces phases of displacement including forced leaving, evictions, and homelessness (Soederberg, 2018)



## Concepts 2. Structural homelessness

- Causes of homelessness are divided between structural and individual factors (Busch-Geertsema et al., 2010).
- Bramley & Fitzpatrick (2018) find that structural factors such as housing market trends and policies have the most direct impact on levels of homelessness
- Research shows the main determining factor in rising homelessness and housing exclusion across the majority of EU states in recent years has been structural factors relating to housing market pressures (Baptista & Marlier, 2019).

We classify these structural, interconnected housing factors into three categories:

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- **Firstly, increasing housing unaffordability and unavailability of affordable housing** (rising housing costs in the rental housing market, the liberalisation of the rental market, increasing scarcity of low-cost housing, mismatch between demand and supply of affordable housing, and low and inadequate levels of state housing support).
- **Secondly, increased housing insecurity** (increased insecurity of tenure, changes in tenancy laws, rising evictions, the lack of preventative systems to counteract the rising number of evictions).
- **Thirdly, the inadequate supply of public housing** (low or decreasing public investment in the supply of social housing, stricter eligibility criteria for accessing social housing) (Baptista & Marlier, 2019).

# Contribution of financialisation to homelessness, through three pathways and processes

- The contribution of financialisation to homelessness, can be understood using the concept of pathways and processes of financialisation taking place through three of the earlier identified structural causes of homelessness.
- **These include; affordability, housing insecurity, and social housing supply (the changing nature of social housing).**
- Within these pathways/structural causes we can explore the ways in which financialisation, and its different periodisations, makes a particular contribution to various aspects of these factors, which produce homelessness as a result.
- We analyse this further by using the concept we have developed of ***direct*** and ***indirect*** contributions of financialisation to homelessness
- We also conceptualise a further link between financialisation and homelessness through the lens of the evolving nature of the real estate-finance-state relationship - we analyse the policy regime, and specific policies, implemented in support of financialisation and their impact on homelessness- we develop the concept of processes of ***state action, and state inaction***

# Financialisation 1.0

- an unprecedented expansion of mortgage credit in the period of the property boom during the 2000s (Celtic Tiger economic boom, 2000–08).
- The expansion of Buy-To-Let (BTL) properties in the PRS was central to this first wave of financialisation, as individual ‘mom and pop’ landlords were incentivised through tax measures and ‘cheap’ credit to invest in property to rent, as part of the global credit bubble and an asset based welfare state.
- The volume of mortgage lending for BTL investments increased from €10bn in 2003 to €50bn in 2008 (CBI, 2015).

# Financialisation 2.0

- The post-GFC period involved a second wave of financialisation in Ireland (which was encouraged by Government policy via NAMA, set up in 2009, and the enactment of legislation establishing REITs in 2013 and REIT tax benefits.
- Irish Governments in the period from 2010 to 2019, facilitated the deepening and re-financialisation of Irish housing as a solution of the property and financial crash.
- NAMA was given a central role in attracting global vulture funds, equity investors and real estate funds into the Irish residential and commercial development markets in order to purchase distressed assets and loans held by NAMA and the Irish banks (Hearne, 2020).
- the role of the state in facilitating financialisation of the PRS

**Table 1.** Examples of global real estate investment funds that purchased assets from NAMA.

Company	Year	Portfolio acquired	Value	Location
Starwood Group and Key Capital and Catalyst (partners)	2013	Project Aspen – loan portfolio	€200 million	Various location across Dublin
Hines (U.S) & King Street Capital Management (partner)	2014	Project Cherry – 166-hectare development site	€270 million	Cherrywood, Dublin
Goldman Sachs (US) and Beltany Property Finance (subsidiary)	2014	Mortgage loans from Ulster Bank and AIB	Unclear	Various location across Dublin
Marathon Asset Management (U.S)	2015	Project Plum from NAMA – 588 apartments	€120 million	Various location across Dublin
Lone Star (US)	2015/6	Ulster Bank's loans – 687 hectares of prime mixed used sites	Loans worth €5 billion	Various location across Dublin
Oaktree (U.S) and Mars Capital (Subsidiary)	2016	Project Emerald and Project Ruby portfolios – Approx. 900 units	€800 million	Various location across Dublin
Blackrock (US)	2016	2.3 acre site for 935 student's resident	€20 million	Dublin's north Docks
Kennedy Wilson and partners	2017	Over 1,300 new residential units	Unclear	Dublin's South Docklands

Source: Authors' elaboration. Based on Hearne (2020) and NAMA annual reports.

# Irish policy regime enables and promotes REITs

REITs became an important element of Irish housing policy after 2013, facilitated via a very favourable tax regime that minimised tax on profits made from Irish property and exempted REITs from corporate tax.

Along with NAMA, this mechanism, allowed the Irish state to actively reshape the domestic housing market to encourage the direct involvement of global real estate and equity investor funds in the PRS.

Within an eight-year period, the global institutional/corporate landlord sector in Ireland went from owning a negligible number of properties, to an estimated 20,000 rental properties at the end of 2020.

They are principally located in the greater Dublin area, and have developed an oligopolistic influence on the housing market in certain areas of Dublin (CBRE, 2020a).

The extent of the rapid growth of institutional landlords in Dublin is shown in the number of tenancies let by these corporate landlords, which increased by 44.6% between 2018 and 2020, from 16,789






to 24,692. In contrast, the number of 'individual' landlord tenancies grew by just 3.4% over the same period (Downey, 2014).

The increased role of institutional funds in the Irish housing market is shown in that: of the 1,873 new apartment units for sale in the market in 2017, 40% were purchased by Financial & Insurance and Real Estate firms

# 1. Housing affordability - Unprecedented rise in private rents

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- Nationally rental prices increased by 6.3% on average each year between 2013 and 2019. The national average rent increased by 76% between 2013 and 2021, rising from €793 in 2013 to €1,397 in 2021.
- *The direct role of institutional corporate landlords in increasing overall market rents in Dublin, and thus making housing more unaffordable, can be identified in three distinct, but interconnected, pathways:*
  - **A. strategy of aggressive rent increases** (e.g. In 2016 IRES increased rents in its properties at rates of up to 16%. In one particular apartment complex it bought in 2014, it increased rents between 40% and 54% from 2014 to 2021 (Nic Lochlainn, 2021).

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- **B. Oligopolistic position to set local market rents** - given these institutional investor landlords have grown to become significant players in the Irish PRS market in Dublin, their rental strategies therefore have come to play an important impact on rent levels overall, but particularly in areas they are concentrated
  - In twelve local areas in Dublin, more than 20% of PRS tenancies are owned by corporate landlords (Kapila, 2021a), giving them a significant price-setting power at the local level
  - US global real estate investment company, Kennedy Wilson, which has \$21bn of residential and commercial assets under its management. It started buying up Irish real estate in 2010 and has **grown to become Ireland's second largest PRS landlord with 2,500** units in its ownership. It advertises 2-bed roomed apartments at €2,400, 25% higher than current average market rents in Dublin.
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- **Thirdly, institutional investors use a strategy of allowing rental units lie vacant for long periods of time**, which worsens the housing shortage and affordability issue as it artificially maintains higher rental values. This reflects the profit maximisation model of global real estate funds as landlords, with little consideration for the function of housing as home, or land as a resource for home
  - Hundreds of luxury apartments in Dublin are being left empty despite the shortage of rental stock.<sup>2</sup> For example, nearly half of the 190 apartments owned by Kennedy Wilson in Capital Dock in Dublin's Docklands have 10 V. LIMA ET AL. been vacant for over two years, while four-fifths of their apartments in Clancy Quay, Ireland's largest PRS development, in the south outer city centre are also vacant

# State *action* and *inaction* on affordability

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- Despite calls from opposition parties, grassroots campaigns, and homeless charities from 2014 onwards for rent control measures and freezing rents that would help reduce homelessness (Hearne, 2020), the Irish Government initially refused, and then delayed taking action until December 2016.
- It then introduced a 4% annual cap on rent increases, within certain areas designated Rental Pressure Zones (RPZs). ***The delay in introducing the measure allowed rents continue to rise unchecked.***
- even the new rent control legislation contained exemptions favourable to institutional corporate landlords that were facilitative of their repositioning investment strategies. Exemptions included properties that have undergone substantial refurbishment, properties not let in the previous two years, and significantly, the first setting of a rent price in a newly built property or a property which has never previously been let
- *This state action provided a clear continued incentive for investor landlords.*
- *State inaction was visible also*, as inadequate resources were put in to enforce the cap and, as a result, it was relatively ineffective in addressing rising rents and unaffordability

# Real estate-finance-state relationship

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- Real estate-finance-state relationship was continuing to evolve in this period and clearly influenced the aforementioned rental affordability regulation.
- The state was engaging in partnership developments with global real estate funds (such as the joint venture between Kennedy Wilson and NAMA to develop Capital Dock in 2014) and the Government was lobbied extensively by institutional landlords.
- In 2015, Kennedy Wilson wrote to the Irish Finance Minister stating: 'Investors and their funding banks will see the new proposed regime (some form of rent certainty) negatively. This will certainly limit and, potentially eliminate, future investment'.
- This perspective guided Government housing policy, over and above the needs of tenants being made homelessness.

## 2. Housing security -rising evictions and housing insecurity 2013–2019

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- Our analysis of the RTB dispute resolution statistics shows that from 2014 to 2019, the number of cases brought to the RTB by tenants increased by 75%, while issues related to notices of termination and illegal eviction rose from 1093 cases in 2014, to 1804 cases in 2019, an increase of 65%.
- The RTB data also shows the involvement of institutional investor landlords in contributing to directly creating housing insecurity and evictions in the PRS.
- Displacement via ‘renovictions’, evictions for renovations, is a practice of forced displacement that accentuates housing insecurity and the powerlessness of tenants facing eviction by corporate landlords
- We identified cases where institutional investment funds have taken over properties and then issued notices of quit (NTQ) to existing tenants, where the excuse for displacement is that tenants need to leave for refurbishment. When tenants challenged the evictions and validity of the NTQ, there was then harassment to try make the tenants leave
- tenants were pressured out of their homes, insecure from inadequate tenancy protections, unsure of how to deal with corporate landlords and left vulnerable and exposed to homelessness

- The increase in, and the substantial scale of, the problem of housing insecurity and displacement of tenants in the PRS over the period, and the direct role of financialised actors i.e. institutional corporate landlords, in creating this housing insecurity and displacement through terminations of tenancies, including as part of renovictions, and increasing rents, worsening rent affordability
- The three key exemptions from the RPZ rent cap have been extensively used by corporate landlords in the following years

**Table 2.** Examples of attempts at mass eviction involving investment funds.

Location	Year	Company investor	Reason to evict
Riverwood Hall (Castleknock)	2019	Owner unknown. Hooke & MacDonald estate agents were appointed as receivers	Vacant possession to sell
Strand Apartments (Limerick)	2017	Oaktree Capital Management	Vacant possession to sell
Leeside Apartments (Cork)	2017	Lugus Capital	Refurbishment
St Helen's Court (Dún Laoghaire)	2017	Mill Street Projects (current owner)	Refurbishment
Tyrrelstown (West Dublin)	2016	Goldman Sachs vulture fund, Beltany Property Finance	Vacant possession to sell

# Interconnections and state in/action in financialisation 1.0 and 2.0: repossession, displacement and homelessness

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- A further contribution of financialisation to housing insecurity and, therefore, homelessness resulted from both the impacts of the failure of BTL investments of financialisation wave 1.0, and the 'fixing' of this problem through a re-financialisation in wave 2.0.
- Receivers were appointed by the financial institutions and NAMA to manage and repossess properties.
- Figure 4 shows that just over a fifth (22%) of all BTL mortgage accounts in Ireland went into arrears in 2014. Institutional investors acquired a large number of non-performing BTL mortgages in 'en-block' sales (Lima, 2020).
- By December 2020, 27% of the total stock of BTL mortgage accounts in arrears in Ireland had been sold to international equity funds and financial credit firms (e.g. subsidiaries of US fund Lone Star, Cerberus, and Pepper Finance (CBI, 2021))

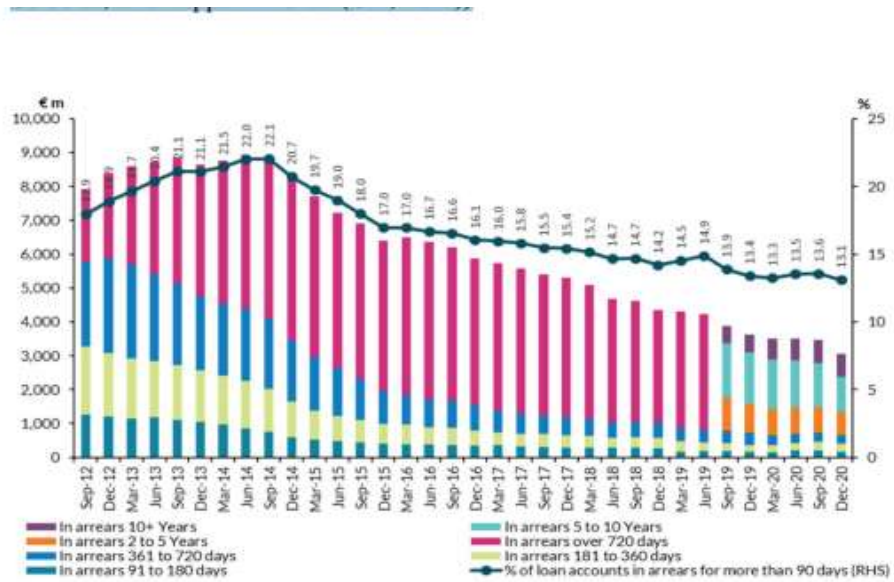


Figure 4. Buy-to-let mortgage accounts in arrears over 90 days. Source: CBI, 2021.

- These receiverships and repossessions in the BTL sector have had a negative effect on tenants living in the PRS in Ireland, as they experienced resultant increasing rents, evictions, and homelessness (Threshold, 2014).
- The receivership and repossession of BTL properties was identified as a key contribution to homelessness in the period 2014 onwards (Focus Ireland, 2016).
- Buyers of BTL mortgages in arrears have issued vacant possession NTQs to tenants, and evicted existing tenants into homelessness (Focus Ireland, 2016; Hearne & Murphy, 2017; Kapila, 2021b; O'Sullivan, 2020).
- The massive scale of receiverships in the PRS sector is shown by the growth from 2015 (year data first gathered by Central Bank) when receivers were appointed to 2,865 BTL properties, and 839 properties were repossessed.
- In 2016 receivers were appointed to 2,910 properties, with an increase to 1,155 repossessions.
- From 2017 to 2019, a further 5,703 BTL properties entered receivership and 2,611 BTL, private rental homes, were repossessed.
- In total between 2015 and 2019, 11,478 BTL rental properties had receivers appointed. This large scale receivership of BTL properties in the context of very weak tenant protections in the Irish rental market, is highly likely to have made a contribution to rising homelessness in this period

# The role of state in/action on tenant insecurity - giving rise to homelessness






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- ***The state policy of inaction*** to address the issue of BTL receiverships and related tenant insecurity and homelessness - the failure to address the ability of receivers and BTL landlords to evict tenants to achieve vacant possession for sale.
- This inaction can be explained as part of a wider policy regime oriented towards facilitating/developing the Irish property market in ways that could enable the re-financialisation of failed financialisation 1.0 BTL PRS property
- Policy sought to facilitate the purchase of BTL property by global real estate investor/corporate institutional landlords
- ***State action to facilitate financialisation 2.0***, which resulted in a housing system where financial actors can continue to engage in tenant displacement and worsen housing insecurity, is evident in Government policy introduced in response to a public outcry over the Tyrrelstown evictions
- The collateral damage of this state inaction pursuing re-financialisation, was the eviction of tenants into housing insecurity and homelessness

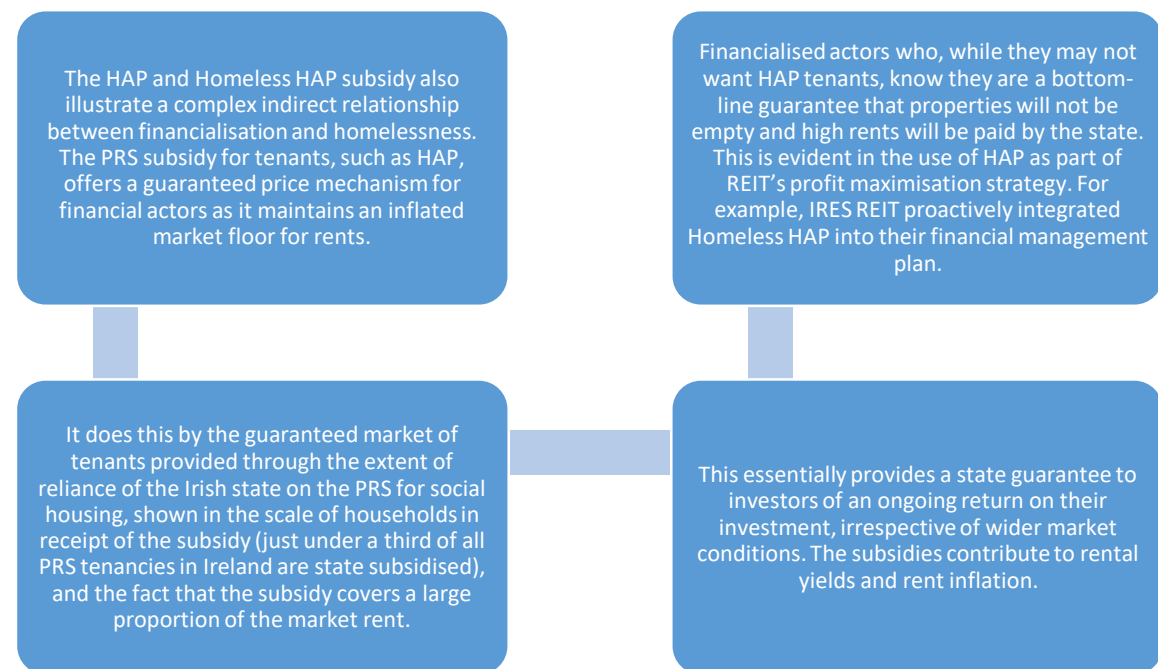
### 3. The contribution of the marketisation of social housing and financialisation 2.0 to homelessness

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- A lack of availability of traditional social housing due to decades of neoliberal policies and austerity retrenchment in the period of 2009 to 2016, along with the acute shortage of affordable housing in the private rental market, as a result of excessively high rents, meant a huge rise in low income households in the PRS requiring state housing benefits to afford their rent.
- **In 2014 Irish housing policy embedded a marketized approach to social housing provision** by legislating to designate long term provision of housing benefits in the PRS as a new form of social housing through Housing Assistance Payment (HAP)
- **Resulted in marginalised households being exposed to the inequalities and insecurities of the private rental market in Ireland**
- Single parent families, migrants, travellers) found it extremely hard to compete to access PRS, given the unprecedented crisis and dramatic increase in demand for rental housing in the period 2013 onwards. They also suffered discrimination from landlords (Hearne & Murphy, 2017).
- Furthermore, as rents rose in the period, the HAP benefit rates did not rise in parallel, and as a result, a gap grew between the HAP benefit payment for tenants and the actual real cost of market rents

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- Therefore, the increased reliance on a financialised private rental system for social housing, and the failure to address PRS unaffordability and insecurity in order to facilitate financialisation 2.0, meant the most marginalised households were exposed to a high potential risk of structural causes of homelessness.
  - The state policy of HAP, and financialization in interconnected ways, contributed both to a flow of marginalised households into homelessness, and acted as a barrier to exit from homelessness (Hearne & Murphy, 2017).

# HAP as investment strategy



**Table 4.** Individual landlords vs corporate HAP payment (2014–2020).

Years	2014	2015	2016	2017	2018	2019	2020
Landlords that received a payment in each of the following years	302	3709	10589	19820	27295	32019	34797
Number of Body Corporate that received a payment in each of the following years	52	472	937	1494	1968	2297	2567
Amount paid to Corporate Landlords in each of the following years	€77,999.82	€3,289,642.43	€16,066,996.54	€45,420,226.06	€87,551,214.89	€128,606,193.41	€179,407,762.97

Source: HAP SSC (2021).

# *The financialisation of private rental housing in Ireland is expanding and raising market rents leading to wider housing unaffordability.*

We argue that the financialisation of the PRS in Ireland has been a significant direct and indirect contributory factor to the dramatic increase in rental prices, housing insecurity and associated evictions and displacement, and rising homelessness over the period from 2013 to 2019.

In the case of Ireland, financialisation, and the investment strategies of institutional corporate landlords included; purchasing PRS property and raising rents above market rents, setting local market rents, repositioning, displacement and evictions through receiverships and renovictions.

These instances directly lead to the creation of homelessness (the violation of the right to housing), but also caused, as Birchall highlights, macro-level structural changes to the housing market which indirectly contributed to creating homelessness through worsening affordability and housing insecurity in the PRS

# Emphasising the role of state policies in enabling and implementing financialisation

- We add to this literature by emphasising the role of state policies in enabling and implementing financialisation, in the Irish case.
- We identify the evolving form of the Real Estate-State-Finance nexus within the process of the financialisation of PRS housing, and assert that rather than seeing financialisation as financial actors 'acting upon' the housing market independent of the state, we conceptualise the state as acting to restructure the housing market, 'with and for' finance/real estate investor/equity funds/institutional corporate landlords.
- As a result of the neoliberal 'turn to the market', marketisation and austerity in social housing policy, a dependent relationship has emerged in the post-crisis period in Ireland between the state and global equity/real estate investor landlords for the supply of housing. T
- his further developed in new forms, pathways and processes, the nature of the real estate-state-finance nexus, as the Irish state increasingly oriented its regulation of housing markets towards the requirements of institutional corporate landlords
- We conceptualise this process of state policy support for financialisation of the PRS, as involving processes of state inaction and action, which both contribute to rising housing unaffordability and insecurity, and, therefore homelessness.