Postgraduate Dissertation 2022

Ireland's post-homeownership society: How has the presence of Real Estate Investment Trusts (REITs) in Ireland been a contributing factor in the creating and sustaining of Ireland's 'Generation Rent' since the fallout of the Celtic Tiger?

By Kate Morris

This thesis is submitted to National College of Ireland in partial fulfilment of the requirements for the postgraduate degree of a Master of Science in International Business

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Abstract

Real Estate Investment Trusts were first introduced to the Irish property landscape just over a decade ago. They represents a solution that emerged as a form of crisis response at a time when Ireland's property market had been decimated in the wake of the Celtic Tiger collapse and banking disaster. Since then, the Irish property market rebounded with growth exceeding expectations, yet REIT framework remains in place. Today, Ireland faces a housing crisis that is characterised by lack of affordability, availability and insufficient government supports in terms of social housing. The result has been the emergence of 'Generation Rent' which describes a portion of the population with hugely diminished prospects of homeownership. This research seeks to investigate the relationship between REITs in the context of the Irish government's prioritisation of attracting investment from abroad, and the role of taxation in doing so, throughout the Celtic Tiger growth, recovery and housing crisis today.

To test the core hypothesis that the presence of REITs in Ireland since the fallout of the Celtic Tiger has been largely negative, qualitative research was carried out by conducting interviews with individuals across unique and varying backgrounds in sectors such as real estate, government, academia and institutional investment funds. Their responses were analysed and formed a basis for structuring existing secondary data around the themes that emerged throughout the process in an attempt to answer the research question.

Through in-depth analysis, it was found that affordable housing can never be achieved when the large-scale purchasing of property is firmly written into policy and encouraged through tax incentives, leaving the Irish public to compete for housing with multibillion euro institutional investors.

Submission of Thesis and Dissertation

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Acknowledgements

I would like to great thanks to all of those who have assisted me throughout this research process. I am extremely grateful to all interviewees who kindly took the time to offer their valuable insights that greatly shaped the direction of my dissertation.

I wish to also express sincere gratitude to all of the staff at National College of Ireland , in particular Rob MacDonald who I have had the pleasure of having as thesis supervisor at both undergraduate and postgraduate level. Thank you for your support, guidance and insights over the last two years.

Finally, a huge thank you of course to my parents, my family and friends who have always supported me, and provided huge support throughout the completion of my postgraduate degree.

This dissertation is dedicated to 'Generation Rent'. I can only hope that this work becomes an outdated analysis of the current housing market in Ireland as soon as possible.

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Chapter 1: Introduction

It is understood that Ireland has a long and complex history in terms of its housing and property market. The extraordinary economic growth Ireland experienced during the Celtic Tiger played a key role in the shaping of the modern Irish housing market. This involved Ireland shedding its reputation of economic underperformance among other European countries during the 1980s (Kennedy, et al., 1998) and jumping to almost double-figure economic growth during the Celtic Tiger period during the decade that followed (Ní Mháille Battel, 2003).

Following on from the subsequent property bubble and financial crisis of 2008, rates of homeownership in Ireland- which had been a defining feature of the boom- began to decline. With this came the growth of the private rental market in Ireland which saw the sector expand from 11.2% to 18.6% of households (Byrne, 2020).

Since 2013 when Real Estate Investment Trusts (REITs), or 'vulture funds' as they have infamously come to be known, were first introduced to the Irish property landscape they have been considered widely controversial in both public and political discourse. The objective of REITs initially was to rejuvenate the underperforming Irish property market at a time when the Irish banking sector was ground to a halt and the housing market had been decimated, and REITs were viewed as being a compromise between liquidity and a form of attracting a wide range of investors through effective commercial property investment (Marzuki, et al., 2019). However, Ireland is currently navigating a property crisis underpinned by major housing stock shortages and lack of affordability (Murphy & Hearne, 2019). While REITs may have fulfilled their original purpose in Ireland as an exit mechanism for NAMA and useful institutional tool in supporting the economic recovery of the country (Marzuki, et al., 2019), the true measure of their success or failure may be determined by the role they are playing in the current housing crisis which disproportionally impacts the younger generation of Ireland.

It is worth noting that post-Celtic Tiger government housing and property policy, including the presence of REITs, emerged as a means of crisis response. Such remnants of the Irish financial crisis remain present in Ireland today and arguably set the wheels in motion for the current housing crisis facing Ireland at present. In 2019 the Irish Construction Industry Federation found that approximately 95% of new-build apartments were sold to institutions such as REITs, leaving only 5% available on the open market for ordinary buyers to purchase (CIF, 2019). As such, young people have been disproportionally impacted and housing inequalities have deepened (Gaffney, 2021).

Chapter 2: Literature Review

2.1 History of Homeownership and Fiscal Growth in Ireland

In understanding *'Generation Rent'* in today's context, the history of the Irish government's policy surrounding homeownership specifically must first be examined as this has had direct implications for the new generation of renters in Ireland. Historically speaking, Ireland has been known for introducing policies that encourage high levels of homeownership. In his article *'Generation rent and the financialization of housing: a comparative exploration of the growth of the private rental sector in Ireland, the UK and Spain',* Byrne (2020) discusses previously implemented incentives such as direct public construction within the housing sector, an array of grants and tax relief programmes, publicly provided mortgage financing and purchase programmes for residents accessing social housing. He highlights that the encouragement of increasing homeownership rates was apparent when compared against UK and Welsh counterparts, as Ireland saw a rate of 59% homeownership in 1961 grow to 80% by 1991 (Byrne, 2020). During the same period in the UK and Wales, homeownership levels were only 32% in 1961 and 68% in 1991 which emphasises the degree to which the Irish government centred homeownership as a key economic objective (ibid). It is for this reason, he argues, that the Irish housing boom of the Celtic Tiger period, however, did not represent a sharp turn in the housing system, but rather *"the financialization and intensification of a pre-existing emphasis on home ownership"* (ibid.).

In their work '*From Asset Based Welfare to Welfare Housing? The Changing Function of Social Housing in Ireland",* authors Norris and Fahey (2011) note that in the context of social housing, the 1980s actually saw significant scaling back of much of the Irish direct homeownership supports through austerity budgets as public provision for mortgage credit and other incentives became a considerably smaller part of Irish housing policy (Norris & Fahey, 2011). However, Byrne (2020) highlights in his work that the impact of these changes to homeownership levels were masked largely due to the influx of available credit and increased mortgage issuing from private banks during the following decade (Byrne, 2020). He argues that increasing levels of financialisation in Ireland made for an almost seamless continuation of the previously high levels of homeownership, despite the reduction in key government housing supports (ibid).

During the overall period from 1997-2009 however, the housing market boom at the time also led to a high level of financial product development which encouraged and facilitated homeownership, as pointed out by Duffy & O'Hanlon (2014) in their article *'Negative equity in Ireland: estimates using loan-level data'* which sought to investigate the extent to which negative equity in Ireland is concentrated in young people following the crash. They highlight that that the number of Irish mortgage products offered on the market grew significantly from 181 in 1997 to 254 in 2009 during the years of the Celtic Tiger as property was placed at the forefront of the boom (Duffy & O'Hanlon, 2014). Ireland saw the introduction of mortgage products with repayment terms longer than the traditional 20 years, as well as loan-to-value (LTV) ratios increasing substantially, and Irish borrowers for the first time gaining access to 100% mortgages as opposed to the previous cap of 92% absolute maximum for the majority of borrowers (ibid).

2.2 The Relevance of the Celtic Tiger

When examining public finances, specifically those relating to housing and taxation tied to the largely property-based Celtic Tiger growth, much of the existing academic publications will begin by outlining the distinct divide in the time period. Smith & McQuinn (2016) in their work entitled '*Assessing the sustainable nature of housing-related taxation receipts: the case of Ireland'* note the relevance of the turbulent fiscal timeframe between 1984 and 2014, which includes the lead up to and fallout from the Celtic Tiger. They outline the impact that this three decade long period has had in shaping the Irish property landscape and highlight the importance of viewing the era in two distinct phases. From 1985 to 2002, Irish public finances steadily improved as economic growth gained traction and the authors refer to this as the convergence period as Ireland moved away from the economic despair of the 1980s and growth began to merge with the early stage forming of the Celtic Tiger boom (Smith & McQuinn, 2016).

McCann (2013) in his article '*The 'Celtic Tiger' in Hindsight'* echoes this dividing of phases in his writing. He links the first phase of the Celtic Tiger, 1994-1999, to transnational corporation led growth whereby the *"arrival of a number of high profile American companies"* saw an influx of job creation that Ireland had *"historically found difficult to attract*" (McCann, 2013). Later at the turn of the century, with the withdrawal of some of these TNCs seemed to signal a slowdown of the economy following the bursting of the so-called 'dot-com' bubble in 2001. McCann (2013) notes that an element of *"luck of the Irish"* kicked in with regards to a number of factors which allowed for the upswinging economy to continue. Tax breaks remained in place *"held at 12.5 per cent under Section 71 of the Finance Act (1999); the systemic break that came with the introduction of a new currency; structural funding still pouring in; a boost in financial services industries; and reform of construction regulations"* all allowed for the Celtic Tiger to be resuscitated (McCann, 2013). It is at this pivotal point, he notes, that the beginning of the second period of the Celtic Tiger began, which spanned from 2001-2008, and was the moment the Irish economy took on its characterisation based on a heavy reliance on finance, construction, and most importantly, property (ibid).

In the final stages, or *"post-Tiger"* era as Smith & McQuinn (2016) refer to it, between 2008 and 2010, Irish public finances are described as going *"into free-fall with the onset of the financial and housing market crisis"* (Smith & McQuinn, 2016). They describe how this resulted in Ireland entering into an excessive deficit procedure (EDP) in 2009 and essentially having to undertake a formal Troika assistance programme, where Ireland was answerable to the European Commission, the European Central Bank and the IMF, by the end of 2010 (Smith & McQuinn, 2016). McCann's (2013) article pulls together the relevance of how Irish governmental policy is responsible for creating the wider state of public finances throughout each phase, and more specifically, the cultural impact and the ways in which housing and property remained a focal point McCann (2013).

2.3 Neoliberalism and the over-prioritisation of foreign direct investment

In his paper, '*MNE tax strategies and Ireland'*, Stewart (2018) notes that tax incentives designed with the intention of attracting foreign direct investment have been a key instrument of government policy in Ireland for over 50 years. Corbet (2016) also acknowledges in his publication *'Turning Tigers into PIIGS: The Role of Leverage in the Irish Economic Collapse',* that for many years successive Irish governments have maintained a low corporate tax rate and made it the hallmark of operating in the Irish economy, but becoming increasingly controversial in recent years and causing much debate on a European level during 2014/2015 due to its current rate of 12.5% which has remained in place (Corbet, 2016).

This is not a new approach by government, but rather the remnants of the neo-liberal and market-orientated agenda that has in one form or another been inherited from one government to the next. Referring to this in his work entitled *'In the Wake of the Tiger: Mapping Anew the Social Terrain'*, Kirby (2005) recognised early on in the boom years that the property market was actively being further inflated by the pro-cyclical economic policy of the government. From the beginning of the Celtic Tiger in the 1990s the government, he argues, adjusted its strategy in order to maintain growth in the construction sector (Kirby, 2005). As such, he details how the *"privatisation of semi-state companies, the deregulation of economic institutions and the propagation of 'pro-business' policies"* were rolled out in line with this shift in underlying strategy (ibid). In conjunction with this, Corbet (2016) emphasises the ways in which government placed a policy of low corporate and commercial tax rates with the hopes of stimulating investment and sustaining growth in the business sector, particularly FDI, at the heart of this (Corbet, 2016). He also notes that Ireland saw a reduction in capital gains tax from 40% down to 20% (ibid).

Interestingly and more widely speaking, Altshuler et al. (1998) found that there was an increasing sensitivity of foreign direct investment from the US to tax rates, commenting in their findings *"that the elasticity of real capital to after-tax rates of returns doubled from 1.5 in 1984 to almost 3 in 1992"* (Altshuler, et al., 1997). Corbet (2016) draws similar conclusions and attributes this to capital mobility and growing levels of globalisation (Corbet, 2016).

There is much academic discussion surrounding the Irish government's consistent emphasis on the utilisation of tax in order to achieve their objectives over the last number of decades. O'Sullivan & Kennedy (2010) also highlight that as the economy soared to the peak of the Celtic Tiger, Ireland rolled out a string of *"give-away budgets",* which controversially saw high earners in receipt of tax breaks. The authors state that despite the country's significant budget surpluses, "*the Irish Government was unable to divert sufficient funds towards improving infrastructure and public services, because of the capacity constraint caused by the construction industries bias towards housing"* (O'Sullivan & Kennedy, 2010). Essentially, the authors findings show that for the period from 1997-2007, Ireland had the lowest levels of government expenditure making up just 34.4% of GDP, compared against GDP figures of that time relative to any other EU country (ibid). They point out that this was significantly lower than the typical 47.7% EU-15 average (O'Sullivan & Kennedy, 2010) and supports Kirby's (2005) statements regarding the highly pro-cyclical nature of the government's fiscal policy.

The Irish government was successful in achieving its goal of attracting largescale FDI and in a separate publication by Kirby & Murphy (2011) note that such was the extent of utilising Ireland's low corporation tax to promote FDI that it represented 49.2% of GDP in 2000. The authors note that this did have the effect of creating a certain amount of overflow into the indigenous sectors of the economy, but nowhere near enough to develop any sort of powerful domestic export-led growth (Kirby & Murphy, 2011).

This increased competition in the market created by FDI can be explained, O'Sullivan & Kennedy (2010) state, by the *"light touch and flexible regulatory regime that was designed to encourage international investment"*, which in turn further inflated the property market (O'Sullivan & Kennedy, 2010).

2.4 The commodification of the *'home'*

McCann (2013) notes that in Dublin the rise between 1994 and 2006 of residential property prices was a massive 519% and he attributes this to how *"the Irish banks, together with the property developers and estate agents had come to treat houses as consumer commodities"* (McCann, 2013). More recently and in relation to the current housing crisis facing Ireland, Waldron (2018) emphasises in his work that REITs take on the role of *"socio-technical"* innovation by turning property into a commodity that can be easily traded (Waldron, 2018).

In Coen & Maguire's (2012) work entitled *'Death of a Tiger: The collapse of Irish property dreams*', the authors examine the cultural dimensions of Ireland's housing market while reflecting on the property bubble crash and its implications on ordinary people who got caught up in the property frenzy. They detail how the process of commodification *"turned homes into collapsing assets and people's dreams into living nightmares"* (Coen & Maguire, 2012). In their work, the authors add meaning to the concept of a *'home'* and they summarise this in the context of the property crash by stating during the boom, property grew far removed from its intended purpose as a social goods and became assets or investments to be held onto as a means of growing wealth, or units to be "flipped" and quickly resold for profit (ibid).

Importantly, the authors also highlight the lack of viability of the Irish rental market and note that cultural views on the importance of acquiring property and 'homeownership' are inherited in Ireland from one generation to the next. Coen & Maguire (2012) stress that the cultural view of renting in Ireland is largely negative due to the fact that property is so widely considered a form of personal investment (ibid). Byrne (2020) also comments in his work on the lack of viability associated with the Irish rental market today and echoes the statement of Coen & Maguire (2012) when he says that the Irish rental sector was essentially unregulated before the Residential Tenancies Act came into effect in 2004 (Byrne, 2020). He notes that in spite of this, even today it can still be considered "*one of the most poorly regulated rental sectors in Western Europe in terms of rent setting and security of tenure*" (ibid).

2.5 Short Term Solutions and Long Term Problems

With house prices exploding during the Celtic Tiger period, a consequence of this made apparent during the fallout of the boom after Ireland's property bubble collapse was the growing percentage of low-income households that were left behind by the 'homeownership dream' who were soon to become Ireland's next generation of renters. In their work entitled *'How housing killed the Celtic tiger: anatomy and consequences of Ireland's housing boom and bust',* Norris & Coates (2014) discuss how the as the Celtic Tiger reached its peak between 2004 and 2006, there was a 6.7% fall in the proportion of outstanding mortgages held by home owners. However, the authors discuss how concurrently the proportion held by private landlords increased by 6.3% which heavily suggests that buy-to-let investors flooded into the housing market and created an *"affordability gap"* pushing first-time buyers and the younger generation out of the market (Norris & Coates, 2014). This echoes the argument put forward by Byrne (2020) as he describes housing policy at the time as being implemented to sustain high homeownership rates in the short term but would eventually lead to a such a high rate of asset-price inflation that it would undermined homeownership in the longer term (Byrne, 2020).

In more recent times, the presence of REITs in Ireland could be described similarly. Having been introduced originally in 2013 with the purpose of keeping the housing market afloat amidst the disastrous after effects of the property bubble collapse, Marzuki et al. (2019) analyse the performance of REITs in Ireland since their inception in their work *'The development and initial performance analysis of REITs in Ireland'* (Marzuki, et al., 2019). The authors stress the role that Irish REITs have played the recovery of the broader Ireland property market since 2013 and they conclude that such institutions have successfully fulfilled the purpose for which they were originally proposed (ibid). Marzuki et al. (2019) emphasise throughout their work how REITs are a crucial example of how to successfully utilise the financialisation regime in order to support the economic recovery of a country. However, their work focuses solely on the apparent success of REITs from the perspective of the economy and the appeal to the individual investors themselves. Waldron (2018) in his article *'Capitalizing on the State: The political economy of Real Estate Investment Trusts and the 'Resolution' of the crisis'* notes that as publicly listed property investment vehicles, REITs are uniquely positioned *"at the nexus between local property markets and global financial markets"* (Waldron, 2018). Waldron (2018) pays more attention to the socio-cultural implications of the presence of REITs in Ireland and dedicates a chapter in his work to *"the double-edged sword of exceptional shareholder returns"* being the rapid hikes for tenants in both residential and commercial rents as the objective of REIT management will naturally be to gain the maximum return possible from their property portfolios (Waldron, 2018).

He acknowledges during the current housing crisis characterised by lack of supply, affordability and available credit, Dublin in particular has felt the strain on the rental market where apartment rental prices have risen by 37% between 2011 and 2016 whereas incomes had only risen by 4.7% comparatively during the same period (ibid.). While his work correlates with the findings of Marzuki et al. (2019) in recognising the success Ireland has had in using REITs as a means of generating capital and as a recovery mechanism at a time when Ireland was under huge constraints by the IMF and NAMA, Waldron (2018) ensures to highlight how REITs have since come to exploit the current disparities between income and rental prices with remarkable effect, rewarding both investors and REIT shareholders with substantial returns (Marzuki, et al., 2019; Waldron, 2018).

2.6 Literature Review Conclusion

While Ireland is facing a new housing crisis, strikingly similar narratives exist between present day and much of the Celtic Tiger fallout discourse. This is evident throughout much of the academic literature examined previously and the obvious critique of the government's overdependence on investment from abroad. This is consistent throughout discussion both during the reflections upon the Celtic Tiger, as well as during its aftermath- of which REITs are a lingering presence. Marzuki et al. (2019) however are unique in that their largely quantitative journal article they approach the topic of FDI and REITs from a strictly performance-based angle and so their measure of "success" and suggested improvements stands in stark contrast to the publications of Kirby (2005), for example. With Marzuki et al. (2019) noting in their opening chapters that at the time of writing it is *"too early to conclude whether [REITs] are a definite success at this point in time",* but that a core objective of their research is to shed light on what the future might hold for REITs in Ireland (Marzuki, et al., 2019). This investor-based approach might echo that of the government in terms of examining the “positives” of embracing institutional investors within the property market, but in his research Waldron (2019) acknowledges that in order for REITs to be profitable their impact on increasing rents and their wider impact on the housing market must be considered.

Of the current housing crisis, Waldron (2018) comments that paradoxically, having been responsible for the creation of *“one of the largest per-capita construction bubbles ever recorded”*, cities in Ireland are experiencing a housing supply disaster as a result of the *“collapse in the construction sector and a severely restricted credit environment for development”* (Waldron, 2018). In an economy where housing output has seen exceptional decline, rental prices are soaring, inflation is rampant and the percentage increase in average wages has not been reflective of the external environment, the author dedicates a large portion of his paper to the enormous pressure being placed on household finances and the social implications this has had in terms of social housing and the thousands of people homeless in Ireland (ibid). He notes that *“REITs have exploited these conditions with remarkable effect”,* rewarding both investors and management with lucrative returns. Hibernia, one of Ireland’s largest REITs, saw their residential rental income skyrocket from €0.2m to €5.4m between 2015 and 2016 at a time where rental expenditure in Dublin was on average making up over 40% of renters’ income (ibid.).

So when measuring the “success” of REITs, particularly as an instrument of government and a fundamental part of housing policy today, Kirby’s (2005) reflection on the formula of property plus FDI for growth utilised during the Celtic Tiger still holds much relevance today when questioning the wider social and cultural implications of such a strategy;

> *“The economic agenda to which the party hitched its fortunes evokes little enthusiasm from people whose day to day experience is of collapsing social services, exorbitant*

prices for many staples, an orgy of conspicuous consumption side by side with callous disregard for so many vulnerable groups" (Kirby, 2005).

The situation in Ireland eerily mirrors much of what Kirby (2005) describes experiencing more than two decades ago. Waldron (2018) explains how REITs successfully take advantage of these situations and by capturing such revenue streams, as global investors, they can in turn *"syphon off the value created in the domestic recovery, acquiring buildings as financial commodities rather than for their potential within the urban fabric"* (Waldron, 2018). On the influx of investment from abroad during the Celtic Tiger, Kirkby (2005) also comments that *"though they may not articulate it as such, people instinctively know that economic growth is a means to social provision and distribution, not an end in itself"*, which strongly coincides with much of the criticisms of Ireland's favouring of FDI and leniency in taxation, coupled with the Government appearing seemingly paralysed in terms of addressing the growing needs of Irish people in terms of housing (Kirby, 2005; Waldron, 2018).

Taking onboard the academic reflections on the Celtic Tiger and economic recovery that followed, using Kirby (2005) and Waldron (2018) as examples of the parallels between past and present, it prompts further investigation into the continued agenda of the prioritisation of FDI while affordability slips, and ultimately utilising REITs as a form of FDI to aid in Ireland's recovery and supposed expansion of housing supply today. A such, the social implications of this in modern day should be contrasted against the backdrop of this approach since the Celtic Tiger. Kirby (2005) sets the backdrop for this when he notes;

> *"Being carefully attentive to the needs of the so-called 'market', our public authorities often treat social need as something to be managed, dismissed and contested, rather than being addressed with any commitment. Seduced by the rhetoric of economists,*

they seem to have believed that economic growth would create a good and just society" (Kirby, 2005).

Chapter 3 Research Question

As previously touched upon, much of the academic discussion that exists in relation to the presence of REITs in Ireland approaches the topic from the perspective of individual investor and REIT portfolio performance. Other academic discourse also investigates the modern Irish history of property crises and government policy responses to such occurrences on a wider scale. However, an area that has been remarkably under-examined is how REITs in Ireland may have acted as a solution to one problem but an initiator of another. It is also worth noting the parallels that can be drawn particularly between the changing view of the commodification of the home in terms of the property bubble, the crash and recovery.

REITs are not just unique in that they channel global financial capital into real estate and function as a tool for turning property into a tradable commodity (as opposed to a *'home'* in the traditional sense) as described by Waldron (2018), but are also unique in that by fulfilling their purpose they are potentially responsible for the onslaught of seriously negative sociocultural consequences in terms of housing availability, particularly for first-time buyers . By undertaking this research, it is hoped that the government motivation behind the prolonged presence of REITs in post-financial crash Ireland will be explored. Furthermore, this research also seeks to explain the State failure in developing a viable rental market or public housing schemes that are not overly reliant on the private sector and investment from abroad. This has inspired the question: *"How has the presence of real estate investment trusts (REITs) in Ireland been a contributing factor in the creating and sustaining of Ireland's 'Generation Rent' since the fallout of the Celtic Tiger?"*

3.1 Hypothesis

During the 1990s and leading into the Celtic Tiger years, Ireland was known for being a *"high-performing micro-state"* with a distinct reliance on foreign direct investment driven by low corporation tax rates (O'Leary, 2011). But by 2008, with the only exception being Iceland, the economic downturn experienced in Ireland was the most severe of any other Organization for Economic Co-operation and Development member state (Adshead, 2018). What followed as a result were many turbulent years for the people of Ireland, enduring a prolonged period of austerity as a result of the economic crisis that erupted that year (McHale, 2017). One response to the crash by the Irish government in 2012 was to introduce REIT framework as a means of facilitating the attraction of foreign investment capital to the Irish property market, according to newly appointed Fine Gael Minister for Housing at the time Michael Noonan (Hearne, 2020). In acknowledgement and praise of REIT performance in Ireland to date, the Irish property market is regarded as Europe's fifth most accessible property market (Marzuki, et al., 2019) which makes sense when government policy appears to be overwhelmingly in favour of attracting investment from abroad through taxation. With REITs' high levels of performance here reflected in the astronomical rise in housing prices, there has been wide scale criticism of the fact that the government has allowed Ireland to reflect the status of a tax haven for such institutions (O'Leary, 2011). The current Fianna Fáil / Fine Gael government promotes that they are committed to homeownership, while their policies seem to suggest the opposite.

The aim of this investigation is to investigate how the promotion and prioritisation of FDI, specifically through the government's REIT framework, has impacted the next generation of homeowners and to investigate the implications on this cohort of the population being locked out of the market. This research will be conducted against the backdrop of the post-Celtic Tiger crisis response as this is when REIT framework was first introduced and will focus solely on the residential side of REITs within the housing market as in investigating the concept of 'Generation Rent' is less concerned with commercial property.

Therefore, the core hypothesis of this dissertation is that the presence of REITs in Ireland has been a contributing factor in the current housing crisis, and that despite being introduced as a crisis response, they have caused more harm than good in terms of their societal implications. Secondly, this research hypothesises that such governmental policy to counteract the crisis has been fundamental in the creation of 'Generation Rent' as their policy has prioritised the needs of investors over the needs of Irish society. As such, this research sets out to examine how lack of sufficient government action in response to the housing crisis has been a means of sustaining 'Generation Rent' in Ireland, leaving homeownership out of reach for so many.

Chapter 4: Methodology

4.1 Introduction

The tendency of the Irish government to lean heavily on tax incentives and other means of attracting foreign direct investment since the 1990s has been well documented and explored. Even from early stages of the Celtic Tiger, in hindsight it seems apparent that foreign capital appeared to be the main beneficiary of any occurring growth and with vast amounts of profits being expatriated (McCann, 2013), it can be understood how government expenditure and policy would begin to give in to the growing demands of the huge cohort of TNCs in the country.

Instead of taking the indigenous and domestic approach to growth, it was clear from the outset that the intentions of the Irish government was always to grow economically while relying almost entirely on investments from abroad. Arguably, the government could have taken the approach of strengthening indigenous firms as a method of sustainable development and McCann (2013) notes that during this time Ireland saw, for example, an unprecedented loss of brands that represent how they could have enhanced the economy without needing to rely so overwhelmingly on FDI. He references how, instead, *"Guinness went to Spanish firm Diageo, Ballygowan to Budweiser, Beamish and Murphy's to Heineken and Carling. In effect Ireland's most successful assets were auctioned off on the global market"* (McCann, 2013), and the same could be said today of the housing crisis whereby the number of homes available dropped to an all-time low in the first quarter of 2022 while Irish Residential Properties REIT (I-RES) said its profits for the 12 months before the end of December 2021 increased 15.8% to €67.5m (RTÉ, 2022).

As per much of the academic discussion surrounding the current housing crisis, it is clear that the Irish experience of housing and property market has been determined by the political actors of the time. Throughout the examination of the existing literature relating to the Celtic Tiger, similar political and sociocultural themes that emerged were present throughout the recovery, and are still largely at play today. It is hoped that by honing in then on one major and controversial political instrument in effect within the housing market- REIT framework- the specific impact on one specific sociocultural issue emerging as a core issue in today's housing crisis (the creating and sustaining of 'Generation Rent') will be revealed.

In attempting to answer the research question, it is imperative that the backdrop of the role of FDI through the Celtic Tiger and recovery period is understood in order to fully grasp the relevance of its impact on Ireland’s housing crisis today, and also in terms of attempting to make suggestions with regards to future recommendations.

4.2 Research Paradigm and Philosophical Assumptions

To examine the introduction of REITs in Ireland simply from a political and economic perspective would risk this research falling into the category of existing literature that focuses on individual REIT performance statistics, or risk creating a story-like recounting of government policies throughout the past number of decades. Therefore, it would be seemingly impossible to examine the full scope of the presence of REITs in Ireland and their firm position at the forefront of much of the housing discourse both media and politics without investigating the direct impact that their presence has had on ‘Generation Rent’ and the large portion of Irish society unable to obtain affordable housing It is fundamental that this research explores REITs in the context of the Celtic Tiger as the FDI-reliant policy throughout the period of growth as a significant portion of existing literature indicates it to have also been a key instrument in the Irish recovery. The aim of this research is to not only highlight the links between the role of investment from abroad in Ireland’s growth and recovery, but to delve deeper into what this pattern means for the Irish housing market and the ways in which it may have negatively impacted an entire generation.

With the introduction of REITs in 2013 came the entrance of three major Irish REITs, Green REIT, Hibernia and IRES, who were admitted to the Ireland Stock Exchange (ISE) that year (Marzuki, et al., 2019). In many respects, from the perspective of the REITs themselves it was ideal timing as NAMA began to offload its assets during a time when the economy was slowly showing signs of improvement (Waldron, 2013; Hearne, 2020). REITs were considered a crucial solution that would establish liquidity and stability within Ireland’s property market (Marzuki, et al., 2019), and the overall Irish economy made a relatively fast recovery with the main driving force being the impressive performance of the property market (ibid). An irony of this is that the economic recovery from one housing-based disaster may have launched Ireland into the grips of another, and a key aim of this research is to investigate this.

As a substantial portion of this research will examine the role of REITs in Ireland, it is recognised that in seeking to add meaning to the term 'Generation Rent', numerous realities will exist surrounding the Irish property market. In endeavouring to answer the research question 'How has the presence of real estate investment trusts (REITs) in Ireland been a contributing factor in the creating and sustaining of Ireland's 'Generation Rent' since the fallout of the Celtic Tiger?', the author embraces that insights into the lead up to the current housing crisis, including previous political strategies regarding the economic recovery, may vary greatly. Exploring different perspectives in terms of undertaking interviews will allow for varied understandings of the Irish experience of housing since the introduction of REITs, with the expectation that political and economic opinions and perspectives may be in stark contrast to consequential sociological and cultural considerations. It is for this reason that this work is considered both ontologically and epistemologically interpretivist in nature.

As a qualitative piece of research, a core aspect of this work involves an element of understanding and exploring the cultural and social constructs that make up reality (Potter, 1996), and this is relevant in adding meaning to 'Generation Rent' in the context of this research. In terms of epistemology, it should be addressed that in undertaking qualitative research within an interpretivist paradigm, knowledge is considered to be *"socially or experientially co-constructed"* (Dean, 2018), and the researcher will naturally be indivisible from the research itself being undertaken. As Irish housing and property is a highly emotive subject impacting every corner of society, the lived experiences of the Irish researcher and research participants may be reflected in the opinions and evidence in this study. These philosophical assumptions will be kept in consideration throughout the research process.

4.3 Research Design

4.3.1 Primary and Secondary Data

The collection and analysis of existing literature and data surrounding government policy, the Celtic Tiger recovery and the Irish housing market will be undertaken as the preliminary method of research in order to attempt to answer the proposed research question as this forms the backbone of the question in relation to the reasoning behind the existing REIT framework remaining in place. This will involve examining academic literature, expanding upon materials used to form the literature review, as well as publications by relevant and reputable news media outlets. Further data will be collected in addition to this through the examination of reports by global and government agencies, as well as independent research organisations with the intention of it providing scope relating to the academic literature.

As a piece of qualitative work, the primary investigatory data collection will take place in the form of interviews conducted with a range of individuals who are considered to have a unique knowledge or specific understanding of the Irish property market and REIT framework. This will vary from private sector workers to industry experts and government employees so as to gain a well-rounded understanding of the complex issues relating to the Irish property and political actors both past and present.

The purpose of interviewing individuals with an government background is to gain a better insight into the political perspective as to whether or not the attraction of FDI has truly been a prioritised by government over the needs of society throughout the Celtic Tiger, the recovery and today in terms of turning to foreign investors to prop up the housing market. As well as this, these individuals may be able to add meaning to why there appears to be a gap between political priorities and the needs of Irish society in terms of housing- in particular the provision of social housing. Looking at the interlinking economic and political elements REIT framework and social housing policy is crucial in terms of reflecting on the economic recovery and the changing property landscape in Ireland since then- particularly in relation to the creation of ‘Generation Rent’.

By interviewing industry experts, particularly those working in the private property sector, as well as property experts, it is hoped that valuable insights will be gained into the potentially contrasting experiences of the Irish property market in a political, economic and social context. The overall ambition of the interviews is to link the government approach to housing with the perceived and documented shortcomings of policy in terms of the long-term bettering of society and providing sufficient solutions to social problems. In doing so, it is hoped that the information gap between those in power and the people directly implicated in the term ‘Generation Rent’ may gain a better understanding of why the situation has become so dire for such a large portion of the Irish population. This research is carried out with the intention that it will sit between the somewhat clinical analyses of REITs in Ireland and the purely sociological studies conducted on how the Irish property market is defining characteristic of this generation, bridging the gap examining causality in this instance.

4.3.2 Interview Process

For the purposes of this research, the design of the interviews and questions will form an integral part of data collection and will take into consideration the relevance of the questions and structural aspects of the interviews based on the interviewees' area of expertise and the chosen formats.

The preliminary part of the interview process will begin with reaching out to individuals on a shortlist of prospective interviewees via email and over the phone. Those who agree to participate will be briefed on the nature of the research and question, before being sent a comprehensive consent form to ensure that they are made familiar with the agreed interview structure and use of data collected.

As outlined below in chapter 4.5 (Sampling), the interviews will take place in various formats, being structured or semi-structured, depending on what is deemed appropriate. For certain interviews, the semi-structured approach serves the purpose of allowing the participant the opportunity to express their thoughts and opinions around some of the key themes outlined that compose the basis of the research question. For others, particularly where the area of expertise pertains to specific areas of housing such as policy and government, structured interviews may be deemed more appropriate as it allows for the interview to be guided in the direction that meets specific objectives of the research. These themes and intentions have been outlined in the following subsections for clarity.

Part of this research process involves gathering a variety of opinions, as well as relevant hard data particularly in interviews with individuals working in government or property sectors, and the interview questions will be designed around various relevant themes in the hope that they will colligate in either proving or disproving the hypotheses of this work.

4.4 Ethical Considerations

Although there are no major ethical considerations arising from this proposed research, anonymity among the interview participants as per the ethics and consent form will be maintained in the research process, and any identifying features such as interviewee or organisation names will been omitted from the final dissertation. As well as this, all participants will be provided with a consent form and their data will be stored accordingly.

For the purposes of maintaining anonymity and respecting the privacy of interviewees, they shall be referred to as Interviewee A, Interviewee B etc. and the questions associated with each will be included in this paper under the sections Appendix 1, Appendix 2, and so on, as outlined below. It has also been decided that the genders of each participant will be omitted from this paper when discussing the findings so as to align with the consent form and as the gender of each interviewee is irrelevant to this research.

4.5 Sampling

Interview A	
Title	Quantity Surveyor working in New Homes and Land Development for an Irish Real Estate Agency
Intention	To gain further insight into the dealings of estate agencies with REITs and understand more about the network of factors impacting housing prices, for example construction and inflation.
Number of years' experience	10+
Discussion Topics	o Construction sector o Land development o Urban, suburban and regional disparities

	o Housing prices o Inflation o REIT framework in the housing sector o Commercial property development o Housing trends and predictions
Interview length	40 minutes
Structure	Structured
Format	Face-to-face
Reference	Appendix 1

Interview B	
Title	Head of Acquisitions at a Private Rented Sector (PRS) fund
Intention	To better understand arguments in favour of REIT framework and how this relates to the provision of social housing.
Number of years’ experience	8 years
Discussion Topics	o Pre-REIT framework o Social housing o “Vulture funds” vs. “cuckoo funds” o Mortgage arrears and debt

	o Legal agreement and lease arrangements with government o Taxation o Construction sector o County Council involvement in housing o Rental market
Interview length	1 hour
Structure	Semi-structured
Format	Phone interview
Reference	Appendix B

Interview C	
Title	Civil Servant (Department of Enterprise, Trade and Employment)
Intention	To better understand the role of FDI in current government policy, particularly in terms of taxation and foreign investors in housing.
Number of years' experience	10+
Discussion Topics	o FDI in Ireland o Government policy and objectives o Irish corporate tax regime

	○ IDA / 'Driving Sustainable Growth and Recovery' plan 2021-2024 ○ Employment ○ Inflation ○ Irish GDP vs. GNI ○ Economic recovery since 2007 ○ EU membership ○ Transatlantic corporations (TNCs)
Interview length	30 minutes
Structure	Semi-structured
Format	Face-to-face
Reference	Appendix 3

Interview D	
Title	Author, Journalist and Professor specialising in housing and finance
Intention	To direct questions that arise in a way that ties together the previous interviewee responses in order to achieve a better understanding of the overall scope of housing and property in Ireland since the Celtic Tiger.
Number of years' experience	20+ years

Discussion Topics	o Current government o Social issues o Welfare o H.A.P. o R.A.S. o 'Housing for All' o Celtic Tiger government policies o NAMA o REITs and conflicts with rent regulation
Interview length	o 20 minutes
Structure	Semi-structured
Format	Face to face
Reference	Appendix 4

4.6 Analytic Technique

As discussed, using secondary sources to navigate the existing academic literature on the relevant topics included in this research, it will also aid in providing scope by means of examining hard data contained in existing reports and studies undertaken for example by the IDA, Enterprise Ireland, IBEC and other government agencies. While qualitative in nature and mainly focusing on nonnumerical date from the perspective of the primary research, a *"pluralistic approach"* (Seymour, 1988) can be taken whereby *"hard and soft data can be combined in a complementary way"* (ibid). In doing so, it is intended that the researcher will base the analysis and discussion within this work around the material gathered in the primary research stages to provide scope and narrative to the existing statistics uncovered through secondary research. It is hoped that this will paint a more comprehensive picture of the Celtic Tiger, Ireland's reliance on investment from abroad and what this means for the housing market today.

The principal form of analytic technique will revolve around identifying reoccurring themes throughout the interviews and reflecting on how the source of the information, i.e. the profession or area of expertise among the interview participants, may influence what is uncovered in relation to REIT framework and resulting housing issues. This may align with the findings of the literature review that saw a large amount of existing studies and publications regarding Real Estate Investment Trusts in Ireland are highly focused on REIT performance as opposed to the government reasoning for their introduction or the consequential social issues, as seen in the journal article written by Marzuki, et al. (2019) contrasted against Waldron (2018) who looked more closely at their wider impact on the property and housing landscape.

In the research phase, other aspects beyond simply the content of the interviews will be noted where possible on changes in body language or tone when working through the process. This may provide deeper understanding into the various realities that exist when exploring the housing market through quantitative research, and as previously mentioned, it is expected that contrasting experiences, expertise and backgrounds of interviewees may influence standpoints. In considering these elements, it will allow for the material collected from the interviews to be critically assessed and potentially provide additional meaning. Beyond this it is hoped that the research will be shaped by the most prevalent themes that emerge which will allow for the research aims and objectives to be achieved under natural subheadings that form.

Chapter 5: Analysis and Findings

5.1 The Fallout of the Celtic Tiger

As much of the work contained within the literature review relates to the Celtic Tiger and REITs themselves as standalone core themes of this research, it is important now to hone in on these two mammoth areas and investigate the links between one and the other. In order to provide some macroeconomic context for the deeper exploration into the introduce of REITs to the modern Irish property landscape, this subsection seeks to briefly examine the circumstances which led to their inception.

As described by Interviewee D, the fundamental cause of Ireland's financial crisis lay in the creation of the property bubble, and its subsequent collapse (Appendix 4). In actuality, what is commonly referred to as the property bubble was comprised of three bubbles; a property-price bubble, a credit bubble, and a construction bubble (Donovan & Murphy, 2013). There was a direct interaction between the price and credit bubbles. Simply put, the increase in prices in the economy drove demand for credit by land developers and people partaking in the property purchasing frenzy, and the seemingly unlimited line of credit from banks allowed for the land developers and individuals in the market to continue bidding, thus increasing prices further (McHale, 2017). Economically speaking, one would expect the influx of supply in terms of construction to relieve the price-side pressure but such was the speculative nature of the housing market at the time, and wider economy for that matter, that any price-reducing impact of this was largely undercut (Appendix D; McHale 2017).

As made apparent within the literature review, there was a largely international element to the rise of the Celtic Tiger in terms of investment from abroad. Beyond just the attraction of foreign direct investment at the time, it is also understood that the strong credit growth was perpetuated by Irish banks who increasingly relied upon *"fragile wholesale funding from abroad rather than traditionally more stable domestic deposits"* (McHale, 2017), in short, placing exceeding belief or reliance in the durability of extremely high-leveraging of banking systems. Not only this, but *"the inflow of foreign funds was also associated with a sharp deterioration in the current account of the balance of payments and in international competitiveness"* in the long run as resources continued to be pumped directly into the construction sector (ibid).

The unsustainable rise in the price of property was ground to a sudden halt with credit flows, particularly *"the foreign funds being intermediated through the domestic banks"* (ibid), and the construction sector and price bubble catastrophically crumbled. The result was that, as anticipated, Ireland was plunged into a deep recession in September 2008 which saw the shrinking of the economy for two consecutive quarters (McCann, 2013). What followed was the level of house prices nosediving by 57.4% at their highest level in Dublin and by 48.7% across the rest of the country (Central Bank of Ireland, 2014). Ireland's unemployment levels had remained steady at around 4% to 4.5% between the years 2000 and 2007, but the enormous shift between 2007 and Q2 2011 where it peaked at 14% was another staggering and defining feature of the downturn (Appendix C; Barrett & McGuiness, 2012; Conefrey, et. al., 2014).

The financial crisis that ensued was multifaceted, as Interviewee D describes it, and a serious complicating factor that has to be recognised is the cost that came with rescuing Ireland's banking system that was on its knees (Appendix 3). Government debt had risen between 2007 and 2014 by €157 billion (Central Bank of Ireland, 2014) and over 35% of this figure was in relation to costs pertaining directly to the banking collapse, and the cost of covering the losses made by Anglo Irish Bank and Irish Nationwide Building Society (INBS) (McHale, 2017).

The fiscal situation took a turn in 2010 when a number of factors came together, such as credit rating agency downgrades, a rise in Irish risk premium debt and *"foreign lenders pulling deposit funding and refusing to roll over maturing bonds"* (ibid.). An attempt at bridging the gap in funding was made by availing further of Emergency Liquidity Assistance (ELA), with Anglo Irish Bank being the main recipient, and increased borrowing from the Eurosystem as the crisis intensified (Brown, 2011). Interviewee D notes that *"it was at this moment that Ireland understood the true magnitude of the crisis in that it was no longer manageable- we would undeniably have to seek outside assistance"* (Appendix D) and so Ireland found itself on its knees before the European Commission, the International Monetary Fund (IMF) and the European Central Bank (ECB) that November (Breen, 2012).

In response to the bottomed-out property market, the government at the time also created the infamous National Assets Management Agency (NAMA) who, in return for public bonds, would purchase distressed property-based loans from the banks and which would serve to alleviate the banks from the burden of their riskiest loan classes (Cardiff, 2016). NAMA soon absorbed the *"failed Irish development-finance sector"* (Waldron, 2018) and successfully secured over 11,000 loans against 60,000 properties across the country (Williams, 2014). This portfolio succinctly represents the desperate measures that had to be undertaken as part of the government's roadmap to recovery as the loans acquired by NAMA at a cost of only €32 billion, which included a 15% premium on market value so as to incorporate long-term economic value, had an initial loan value of more than €74 billion (Waldron, 2018). This was, as highlighted by Interviewee B, *"an attempt by government to create an artificial floor price within the market as part of their commitment to rebuild the property market from the ground up"* (Appendix 2).

This immense level of devaluation within the Irish property market combined with the massive portion of Irish housing stock tied up with NAMA was considered the perfect opportunity for investment by *"a consortium of highly-influential property sector stakeholders",* and so they began a campaign of lobbying government in 2011 under the name of the 'Irish REITs Forum' (Waldron, 2018).

5.2 The Introduction of Real Estate Investment Trusts (REITs)

In 2012, the Minister for Finance at the time Michael Noonan signalled in the budget that legislation allowing for the formation of Irish REITs would form part of the Finance Act 2013 (Hunt, 2013). The framework was due to come into effect in the April of 2013 and the purpose of REITs would be essentially to *"entice what was viewed at the time as very necessary international capital investment within the Irish property market, as well as attempting to restore the reputational damage done to the industry by re-establishing an element of professionalism and legitimacy"* (Appendix 1). Presenting as a win-win for the Irish economy, they were also intended to form part of a sustainable and long-term plan that would see the provision of a genuinely well-functioning rental market for not just the purposes of profit for international investors, but also renters in the market (Hearne, 2020).

Real Estate Investment Trusts were of course enticed into the Irish market through a highly favourable tax regime which included not being chargeable to corporation tax on income accruing from the rental of their properties. Equally, they would not be chargeable to capital gains tax upon the disposal of its property-based assets, and these key features of are still applicable today (Revenue, 2021). In order to benefit from this, and to be classified as a REIT, certain criteria must be met, for example, they must be a resident in Ireland, they must be incorporated under the Irish Companies Act 2009 and must be listed on a main stock exchange in an EU member state (ibid).

There has been widespread criticism of this framework however as a means of propping up the housing market, and the basis for which largely surrounds their tax treatment. At the heart of the REIT framework that was written into legislation in 2013, is that REITs are required to distribute 85% of their earnings to shareholders, unlike many other countries such as the UK where this figure is typically 90% (Appendix 2; Deloitte, 2022). The relevance of this is that it forms the government justification that as a dividend withholding tax (DWT) is already applied to these distributions, the exemption from corporate tax is applied so as to avoid a situation of double taxation (Appendix 3; Department of Finance, 2022). Where investors however are classified as pension trusts or charities, they are also exempt from DWT (Revenue, 2021), giving these investors *"an all-access pass to the Irish property market and golden ticket to pay little to no taxation in this country"* (Appendix 2). Members of the opposition have routinely expressed deep disapproval of this structure of taxation, posing the question as to whether or not these tax conditions for non-resident investors are in breach of the European Commission's legislation on state aid (Waldron, 2018; Quinlan, 2016; European Commission, 2018; Appendix 3).

It should also be noted that much of the criticisms also relate to the purpose of REITs today and is less about their function in 2013 during their introduction, as pinpointed by Interviewee D as a key area that government often fails to address or explain (Appendix 4). Fundamentally from the outset, REITs we able to capitalise on the crash through conditions at the time particularly where NAMA was involved, as well as the government facilitation of their establishment (Waldron, 2018). On top of this, Ireland once again caught the attention of US investors in this context for a number for reasons, for example Ireland being *"an English-speaking country with a common law legal system, strong private property rights and a pro-business political environment"* (ibid). The Irish property market quickly began to rebound from 2013 and was soon considered one of the most efficient investment property markets in the world with inward capital flow investments becoming increasingly international and diverse (Lauder, 2019). Irish property was soon outperforming comparative assets such as Eurobonds, commodity stocks and the S&P 500 as a result of the largescale deleveraging of Irish banks (Appendix 4; Waldron 2018).

With this in mind, it makes sense that REITs and similar international investment institutions became commonly and infamously referred to as 'vulture funds', *"swooping in to pick apart the remaining carcass of the Irish property market"* (Appendix 4). The first to enter the market was Green REIT, who had a tightknit relationship with NAMA at the time of their inception and were predominantly based in Dublin (Waldron, 2018), and increased their real estate portfolio value to €1.48 billion over a few short years (McCormick, 2019). Next came Hibernia REIT who grew their investment portfolio to €1.3 billion (RTÉ, 2020) primarily through the acquisition of office blocks in Dublin (Appendix 1). Finally, Ireland saw the introduction of IRES in 2014, who are of added interest for the purposes of this research as they focus mainly on the residential housing market, particularly apartment complexes, and grew their property portfolio to €1.5 billion (Reuters, 2022). David Ehrlich, CEO of Canadian REIT and parent company Capreit, is known in Canada as *"the grandfather of REITs"* as he was pivotal in the writing of the country's REIT legislation (Redden, 2016). IRES currently holds a firm position in the property market as Ireland's largest landlord currently owning over 4,000 properties in the country and reporting profits of close to €70 million in 2021 (Donnelly, 2022), so it is no wonder that with these figures combined with the tax incentives securely in place that Ehrlich went on to describe Ireland as the most lucrative market he has ever come across in this regard (ibid).

From their introduction, Irish REITs undeniably fulfilled their original government objective of acting as an *"exit mechanism"* for NAMA through the financialisation regime which allowed for the liquidation of their assets and providing a sense of stability to the shattered post-Celtic Tiger commercial and residential property market (Marzuki, et al., 2019). As stipulated by the NAMA Act of 2009, the agency had to have redeemed the debt issued for the loans through the offloading of their property portfolio by the year 2020 and REITs were certainly a contributing factor in this, and NAMA actually found itself significantly ahead of the repayment targets from the end of 2014 onwards (Office of the Comptroller and Auditor General, 2018). So having successfully achieved this within the allocated timeframe, the question then arises not only as to why REITs are still very much present in the current Irish property landscape, but why it is that they remain centre-stage in discussions relating to the disastrous housing crisis faced by Ireland today?

5.3 Post-Homeownership Ireland

Since 2011, Ireland has seen house prices increasing by more than 85%, with major supply side constraints compounded by inflation in recent years being central to the problem (Parliamentary Budget Office, 2021). In recent reports from the Central Bank of Ireland, this growth in demand has consistently exceeded the growth in supply almost every year across all parts of Ireland since 2012 (Kennedy & Myers, 2020). The National Planning Framework, a document setting out a plan for Ireland's development and land use over the next twenty years (Appendix 1), estimates using figures based on demographics that structural demand for new housing is approximately 35,000 units per annum (Kennedy & Myers, 2020). Fewer units of housing were produced in 2018 than in 1995- when the real level of housing prices was 40% less than that of 2018 (ibid). Furthermore, in 2020, just over 20,000 properties were constructed, a figure less than a quarter of the level of annual output seen during the height of the Celtic Tiger in 2006 (CSO, 2021; Kennedy & Myers, 2020).

Interviewee A noted that the number of homes available for purchase on the market is at the lowest it has been in a decade, and that the properties being advertised for public purchase are representative of only 0.8% of the total available housing supply in Ireland (Appendix 1). Managing director of Sherry Fitzgerald, Ireland's largest real estate agency, contextualised this figure by stating in February 2021 *that "there were more properties available for sale in Munster in 2010 than in the entire country today"* (Burke-Kennedy, 2021). Interviewee B pointed out that *"economically speaking, everyone predicted that the onset of Covid-19 would shake up the housing market and trigger a reduction in the value of housing"*, but the Residential Property Price Index published by the Central Statistics Office indicated that house prices actually rose by 2.2% overall during the pandemic, and prices in Dublin which were initially showing signs of decline, actually rose by 1.2% (CSO, 2021).

These statistics and their impact on Irish society are difficult to fully comprehend without examining the corresponding figures in relation to greater social issues in housing, such as the 60,000 people on local housing authority waitlists across the country (Kelly, 2022) or the 9,400 people experiencing homelessness, an increase of 23% since this time last year (Sherlock, 2022). Micheál Martin described housing in Ireland as *"single most urgent and important social issue facing our country at this moment in time"* (Webber, 2021), and the government has put forward a number of schemes and policies in an attempt to counteract the current housing market conditions, however, much of this has been criticised for being reflective of *"posturing and often deeply contradictory in practice"* (Appendix 1).

The government introduced the Rebuilding Ireland plan in 2016 which would be a €6 billion agenda that aimed to increase the number of annual housing units being developed, as well as using schemes such as the Housing Assistance Programme (HAP) and the Rental Accommodation Scheme (RAS) to provide an additional 50,000 units of social between 2016 and 2021 (Parliamentary Budget Office, 2021). This plan promised to meet the needs of an extra 87,000 households, and yet every year since its publication, Rebuilding Ireland has failed in reaching its targets and as of last year was 41,000 units below in total (ibid). To further compound the crisis, house prices increased by 35% during the same period from 2015-2021, as well as pressures on individuals from rising inflation (Appendix 3; CSO, 2021). The government has also been criticised of *"utilising HAP to downplay the number of people on social housing lists as part of their extensive public relations campaign that distorts the statistics being presented to the public"* (Appendix 1), as the figure of 60,000 people on local authority housing lists released by government excludes those in receipt of HAP, with some suggesting the figure may be double that at closer to 120,000 (Kelly, 2022).

The inadequacies of these policies and shortcomings of government seem not only unsuccessful in making any real headway in the housing crisis today, but also appear glaringly contradictory. In short, through Rebuilding Ireland, HAP and RAS were designed as a form of social housing provision resulting from a decade-long period of austerity and collapse of the government-directed construction of social housing since the end of the Celtic Tiger (Appendix 4). Hearne (2020) describes this as the *"intensification of the ongoing neoliberal shift from the direct building of social housing by local authorities to the marketisation of social housing provision through the private sector"* (Hearne, 2020). Like many others he highlights how HAP can only go so far in attempting to solve the problem when it directly involves funding landlords in the private sector such as REITs, and sees no asset gained in return (ibid). This scheme, therefore, has not only appeared to be a seemingly lazy approach to providing solutions to the crisis, but has done little to class itself as a solution at all when it is feeding into an inherent issue within the sector.

5.4 Limitations and Further Research

Throughout many stages of this research, limitations have appeared in terms of some restrictions in this area of study. For example, in refining the list of interviewees, it understood that their purpose particularly in relation to the political analysis of the housing crisis and polies would be to provide direction and scope. Their insights supported the extensive secondary research undertaken by allowing the research to be structured and guided by their knowledge and insights, propping up the data collected through from the Central Bank of Ireland, Central Statistics Office and the House of the Oireachtas, as well as other independent bodies. As this research not being approached solely from a political perspective however, and encompasses a sociological and economic element, it is understood that no one of the three can exist at the forefront of this work due to the nature of the research question. In attempting to answer the question at hand, a combination of these three core perspectives had to be employed in order to explore the themes of this research, such as the Celtic Tiger, housing, taxation and government policy, as well as homeownership and sociocultural issues.

Such is the scope of housing in Ireland that it could be approached from a number of different areas. This leads on to further areas of study which may have included analysis of housing from the perspective of development and the construction industry, as was highlighted in with Interviewee A (Appendix 1), as well as examining the role of Local Authorities in the provision of social housing. Despite being touched on very briefly throughout the literature review and analysis, this research could provide the basis for cross-country analyses, particularly countries whose economies suffered similarly to Ireland through the bailout, such as Italy, Greece and Portugal as mentioned in the work of Corbet (2016) "*Turning Tigers into PIIGS: The Role of Leverage in the Irish Economic Collapse*".

Not only this, but it should be highlighted that this reserach exmaining the presence of REITs in Ireland in relation to 'Generation Rent' is merely scratching the surface of the plethora of other societal issues emerging as a result of the ongoing housing crisis. Entire books have been, and will be, written exmaining the relationship between government policy and its direct implications to issues such as homelessness, evictions and tennent protection, to name but a few. This research aims to bridge a gap in exisiting literature where REITs and the concept of 'generation rent' is concerned, but as the housing crisis impacts every corner of Ireland the people within it, there are endless areas for further research that could form a number of different approaches.

Chapter 6: Discussion

In November 2020, the National Economic and Social Council (NESC) insisted that the country required *"bold action [...] to fix our dysfunctional housing system"* (Webber, 2021). There are of course a number of problems feeding into the equation of the housing crisis, and in relation to 'Generation Rent', the perpetual cycle supressing homeownership in Ireland is very clearly the undersupply of housing, making what little housing stock that is available on the private market as rare as they are expensive. Compounding this is the dire rental market, which saw in August 2021 a mere 2,445 properties available to rent in the country according to a report by Daft.ie who described the figure as not only *"the lowest on record"*, but also *"an extraordinarily low figure for a country of Ireland's size"* (ibid). Huge cohorts of the population being forced into an already squeezed rental sector, by the lack of affordability in the housing market resulting from inflation, growing population and supply-related price increases (Eurostat, 2022), and the already unlevel playing field is worsened by 'build-to-rent' developments largely based in Dublin and its suburbs (Appendix 2). Even the idea of stepping onto the property ladder is an impossibility for many as private developers build and retain ownership of the properties with the sole purpose of using them to gain rental income to cover the cost of their construction (Webber, 2021), and are often later sold on to REITs who continue perpetuating the cycle (Appendix 2).

As it stands, rents and house prices are currently at peak 2007 levels (Halpin, 2022), and much of the government policy employed to combat the affordability crisis has been viewed as either insufficient or totally contradictory. In 2010, just prior to the introduction of REIT framework by the Irish government, the proportion of new homes purchased by institutional investors was just 5.6%. By the end of 2016 at the same time as the publication of Rebuilding Ireland, this figured had jumped to 21.8%, and by 2019 had climbed even further to 32.9% (The Journal, 2021). Rebuilding Ireland set out that until the end of 2021, 85% of the total number of social housing units made available would be done so through the private sector and this incorporates leaning on REITs and other institutional investors on the supply side (Hearne, 2020). The remaining mere 15% of new builds would be overseen by local authorities, which is the portion government have chosen to direct public attention towards as they promoted in 2017 that 25,000 social housing units were provided, when in actuality the majority of those, somewhere close to 18,000 units, were supplied through HAP within the private rental sector and only 400 units had actually been built by local authorities or housing associations (ibid). This correlates with the criticisms of Interviewee A who highlighted the manipulation of social housing statistics by government as part of a campaign to distract from the overreliance on the private sector and lack of tangible social housing solutions (Appendix 1).

The chronic undersupply and lack of affordability of properties available to buy or rent, including social housing, has led to a drastic decline in the level of homeownership in Ireland from 78% in 2007 to 68.7% in 2020 (Eurostat, 2022). The growth in demand for housing has been consistently higher than supply since 2012, with the strongest pressure on the country's housing market being in the greater Dublin area (Appendix 1). Interviewee C notes that despite being the capital city, the attitude of *"this is Dublin, get used to it"*(Appendix 3) cannot be used to justify the lack of housing availability when 72% of the nation's homeless population are based there (Bairéad & Norris, 2022), pointing to the larger problem of insufficient government action.

Long before the introduction of REITs, the government has been unfailingly building up an absolute dependence on the inflows of investment from abroad to Ireland's capital city, and this has been evident since the turn of the century at the early stages of Celtic Tiger growth. Dublin became a hub of investment for multinational corporations, particularly those from the US, who were undeniably enticed by a government willing to grant Ireland a *"semi-tax haven"* status, and utilising GDP as an inaccurate measure of growth due to its distortion caused by profit outflows from international companies primarily based in Dublin (O'Leary, 2011; Appendix 3).

Jarring trends and parallels remain present when contrasting the Celtic Tiger with today's Ireland as discussed within the literature review, and worryingly the overreliance on foreign investors to create property bubble conditions from the mid-1990s was leaned on once again by the government to rescue the ruins of the property market in 2013 with the introduction of REIT framework. From long before this, Ireland found itself in a position whereby consistent overreliance on FDI was a contributing factor to the overheating of the economy starting from the introduction of a 12.5% corporate tax rate (Kirby & Murphy, 2011), and prioritising the demands of the global market rather than building upon already stable indigenous growth (McCann, 2013). When Ireland leaned on REIT framework at a time when the country was on its knees before the Troika and the property market was crying out from investment from anywhere it could get it, it makes both economic and political. However, the rapid upswing in the property market while continuing to rely on REITs has little justification from government. The rental payments as part of HAP and RAS are ultimately being funnelled to REITs, as they own such a high portion of new builds and other properties within the country, and provides €750 million a year to these private landlords (Hearne, 2020). There are no assets gained in return for these payments, and for private landlords forms part of their revenue stream which as discussed is barely taxable.

Chapter 7: Conclusion

In terms of proving the hypothesis that REITs created 'Generation Rent', it is fair to say that this has been partially proven as these global housing investors emerged at a time when very limited solutions were available in attempting to rebuild the sector from the ground up. However, through this research it has been shown that they have certainly played a major role in sustaining 'Generation Rent'. This aids in proving the second hypothesis that through the development of rent-only and build-to-rent accommodation that has capitalised on the growth of Ireland's property market since the fallout of the Celtic Tiger, these institutional investors are a major part of a larger problem that allows for a housing market that is impenetrable for such a large section of society. REITs are reliant on an environment characterised by exorbitant rent prices and a government comfortable with their facilitation, which leads onto the discussion of the final hypothesis that suggests the government policy surrounding the counteracting of the crisis has played a role in 'Generation Rent'.

This research has shown that not only have government actions been insufficient such as HAP and RAS, but their inaction has proven as pivotal to the housing crisis. A large portion of this research focusses on the wider government policy since 2010 which has used the crash to entice international investment funds through a highly scrutinised policy of low taxation, lobbying campaigns by the likes of the Irish REIT forum and the offloading of toxic loans by NAMA (Hearne, 2020). Increasing house prices were viewed positively and REITs were marketed as a way for ordinary people to *"invest in professionally managed Irish property … just as if they were big guys or pension funds"* (Waldron, 2018). This was never to be the case, and instead created a system whereby an entire generation of younger people are now left to compete with international pension funds and investment trusts to purchase their first home, rather than sustainable government-provided solutions and interventions to prevent hoarding by REITs. Policy that relies overwhelmingly on international investment and the private sector to boost housing supply during a time of crisis will not be successful in the long term and are reflective of a government unable to meet the needs of society or treat the housing emergency with the urgency that it deserves. Housing policy since the fallout of the Celtic Tiger has undoubtedly mirrored much of the policies during the boom which were criticised for "*their 'manic short-termism' involved cultivating sectoral communities of interest in finance, business, and the construction and property industries, which were given what they wanted as long as they supported Fianna Fáil"* (Leahy, 2009). Tánaiste Leo Varadkar described the housing crisis as a *"breach in the social contract"* (Finn, 2022), and the rates of homeownership for 25 to 35 year olds having fallen from 60% to 27% since the previous generation is reflective of this (ESRI, 2022). But the truth of the matter is, affordable housing cannot be achieved when the large-scale investor-led purchasing of private property has been written firmly into policy since Ireland 2013, and unfortunately without indications that there will be any major policy reform, it will prove to be a short-term solution in exchange for a much more detrimental and long-term crisis.

On reflection of the Celtic Tiger, it was found that if Irish corporation tax rates were harmonised with the rest of the EU, 80% of Ireland's net FDI inflow would disappear completely (O'Leary, 2011; Appendix 3). If this were to have happened during the boom, or equally today, Ireland would be exposed for its lack of belief in the growth of the domestic sector, revealing an inherent government inability to form creative strategies that do not rely on taxation or serving the needs of investors. REITs are a well-understood international structure that can support the property sector and avoid high levels of debt, but when utilised by a government that relies on treating houses as consumer commodities in order to perpetuate international investment, a socio-economic crisis is always going to be the result. The term 'Celtic Tiger' that once characterised Ireland has been exchanged for 'Generation Rent', and yet the same underlying principles apply. "*The Republic of Ireland represents what happens when dreams and dwellings become enmeshed in processes of marketisation and people's lives and futures suffer accordingly"* (Coen & Maguire, 2012).

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Appendices

Appendix 1: Questions for Interviewee A

1. As someone working in real estate what would be your dealings with REITs?
2. Do you agree with the narrative in the media in relation to the affordability crisis and lack of supply?
3. What has been the construction industry's role in the crisis?
4. Can you discuss the urban and regional disparities in relation to housing and affordability?
5. Have you seen REIT framework directly impacting the sale and purchasing of houses?
6. Do you think REIT framework is problematic?
7. Would you say that if REITs were restricted from entering the residential market that it would have made a difference in terms of the low rates of homeownership and lack of affordable housing, particularly in Dublin?

Appendix 2: Questions for Interviewee B

1. Can you tell me a little bit about what you do, particularly the difference between a social housing fund and a REIT?
2. Where typically are peoples' areas of expertise who work for such institutional investors?
3. Can you explain the process behind how social housing funds develop housing units, and what this means in terms of the provision of social housing?

4. When selling on completed projects to REITs, what are the tax implications for you as opposed to the framework that guides REITs portfolio management?
5. Can you explain more about how social housing projects are often marketed as infrastructural developments in order to make them more appealing to investors?
6. In terms of social issues evolving from the housing crisis, what do you see as a long term solution to social housing waitlists? Do you believe that vulture and cuckoo funds are part of the solution or part of the problem?
7. What is the relationship between social housing companies and developers? Would you consider social housing funds as something that bridges the gap between developers and REITs now that NAMA is not as prevalent in the private sector property market?
8. In terms of the actors in the housing crisis, where do you think the biggest problem lies?
9. On the back of this then, where lies the solution do you think?

Appendix 3: Questions for Interviewee C

1. What would you consider the biggest benefit that FDI has brought to Ireland since the beginning of the Celtic Tiger?
2. Do you believe that FDI and the influx of investors from abroad has been predominantly due to our corporation tax?
3. Apart from favourable tax treatment, what other ways have the government been able to attract so many MNCs and TNCs to Ireland?
4. Do you think the housing crisis in Ireland is reflective of a government that prioritises the needs of international investors as opposed to the fundamental needs of society?

5. What role has FDI played in Ireland's recovery, when compared with its role in the lead up to the crash?
6. How, if at all, has rural Ireland benefitted from Ireland's strong pattern of FDI-led growth?
7. Do you think that FDI-led growth ties in with housing policy in any way?
8. How has the attraction of FDI to Dublin in particular shaped the city?
9. Do you think that the attraction of FDI, particularly TNCs, has been reflective of an Ireland trying to closely align itself with the United States?

Appendix 4: Questions for Interviewee D

1. What are your thoughts on the current government approach to the housing crisis?
2. Can you give a brief run through of the schemes contained within Rebuilding Ireland (2016) such as HAP and RAS?
3. What do you consider the main differences between the Celtic Tiger approach to housing and current policy?
4. Can you explain this more in relation to social housing?
5. Are there social issues resulting directly from government policy?
6. Which social issues in your opinion are the most telling of the housing crisis?
7. Which social housing policy in recent years has been the most successful, and which has been the least successful? Is this a matter of opinion or is it universally understood?
8. Do you think the government has favoured the interests of institutional investors over those of society?
9. What does 'generation rent' really mean and who is it referring to?