

# **From the state to the market: Irish home ownership in historical perspective**

Paper Presented to the Housing Agency Lecture:  
Owning or Renting - What is the future for Housing?

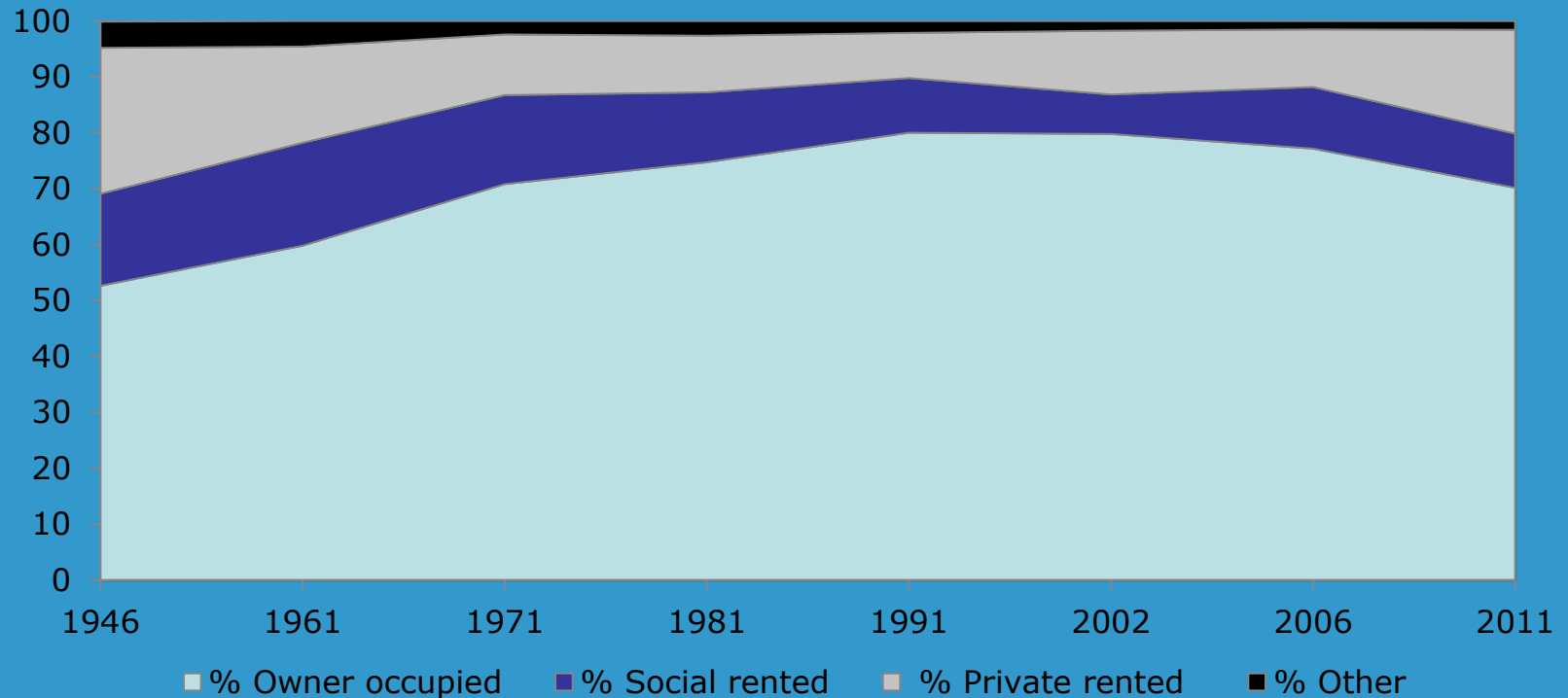
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# Introduction



Paper explores the reasons for the long term rise and recent dramatic fall in Ireland's home ownership rate.

- 52.6% in 1946
- 80% in 1991
- 70.1% in 2011 .
- Strongest decline in home ownership seen in any developed country except New Zealand.



# Introduction

- Focuses on the role of government regulation and subsidies in shaping these tenure patterns.
- Argument offered is that:
  - Until the 1980s Irish home ownership policy was characterised by:
    - generous, universally available government grants
    - Tax reliefs/ subsidies
    - and mortgages provided by local authorities and government subsidised building societies.
- Government supports were so extensive that home ownership was effectively 'socialised'.
- This system supported 'super normal' levels of home ownership – well above market rates.



# Introduction

- Political supports for this system weakened from the 1970s and it was clearly unaffordable by the 1980s.
- In the 1980s and 1990s government supports were withdrawn and the home ownership regime was marketised.
- Consequently home ownership has declined to levels which could be supported solely by the market.



## Pre 1922: Establishment

- Institutional legacies → similarities with UK housing policy.
  - mortgages from building societies and local authorities (Small Dwellings Acquisition Act, 1898)
  - home owner grants.
  - Subsidies for social housing provision
- Significant regional variation within UK housing policy → distinctively Irish features.
- Over the long run these distinctive features developed into a distinctive home ownership policy.



| TOWNLAND OF <i>Hiloneary</i> |  | PARISH OF <i>Castlanc</i> |        |          |               |        |          |               |        |          |               |        |          |               |        |          |               |        |        |          |        |
|------------------------------|--|---------------------------|--------|----------|---------------|--------|----------|---------------|--------|----------|---------------|--------|----------|---------------|--------|----------|---------------|--------|--------|----------|--------|
| No. of Land Holders.         | Names of Land Holders. Alphabetically, Surnames First. | Gross Amount of Survey.   |        |          | 1st. Quality. |        |          | 2nd. Quality. |        |          | 3rd. Quality. |        |          | 4th. Quality. |        |          | 5th. Quality. |        |        |          | 6th.   |
|                              |  | Acres.                    | Roods. | Perches. | Acres.        | Roods. | Perches. | Acres.        | Roods. | Perches. | Acres.        | Roods. | Perches. | Acres.        | Roods. | Perches. | Perches.      | Acres. | Roods. | Perches. | Acres. |
| 1                            | <i>Donnell Cath.</i>                                   | 14                        | 1      | 3        | 5             | 1      | -        | 6             | 0      | 3        |               |        |          |               |        |          |               |        |        |          |        |
| 2                            | <i>Donnell John</i>                                    | 14                        | 1      | 3        | 7             | 3      | -        | 5             | 3      | 0        |               | 3      | 3        |               |        |          |               |        |        |          |        |
| 3                            | <i>Feely John</i>                                      | 12                        | 0      | 20       |               |        |          | 6             | 0      | 0        | 6             |        |          |               |        | 20       |               |        |        |          |        |
| 4                            | <i>Healy James</i>                                     | 2                         | -      | -        | 2             | 0      | 0        |               |        |          |               |        |          |               |        |          |               |        |        |          |        |
| 5                            | <i>Keef Bridget</i>                                    | 8                         | 0      | 0        | 2             | 1      | -        | 5             | 3      | -        |               |        |          |               |        |          |               |        |        |          |        |
| 6                            | <i>Keef John</i>                                       | 5                         | 3      | 2        | 2             | -      | -        | 3             | 3      | 2        |               |        |          |               |        |          |               |        |        |          |        |
| 7                            | <i>Keef James</i>                                      |                           |        | 20       |               |        | 20       |               |        |          |               |        |          |               |        |          |               |        |        |          |        |
| 8                            | <i>Maher Mary</i>                                      | 22                        | 0      | 18       |               |        |          | 2             | 2      | 0        | 14            | 2      | 20       | 4             | 3      | 38       |               |        |        |          |        |
| 9                            | <i>Maher Thomas</i>                                    | 4                         | 2      | 0        |               |        |          | 2             | 0      | 20       | 2             | 1      | 0        |               |        | 20       |               |        |        |          |        |
| 10                           | <i>M. Namara John</i>                                  | 5                         | 0      | 5        | 6             | 0      | 5        | 1             |        |          |               |        |          | 1             |        |          |               |        |        |          |        |
| 11                           | <i>Sorris Richard</i>                                  | 38                        | 3      | 37       | 8             | 3      | 20       | 24            | 2      | 17       | 3             |        |          | 2             | 2      | 0        |               |        |        |          |        |
| 12                           | <i>Shelan Thomas</i>                                   | 14                        |        |          | 2             | 2      |          | 10            | 2      | 0        | 1             |        |          |               |        |          |               |        |        |          |        |
| 13                           | <i>Brendergast John</i>                                | 13                        | 3      | 22       |               |        |          | 10            | 3      |          | 2             | 3      |          |               |        | 1        | 22            |        |        |          |        |
| 14                           | <i>Ryan Michael</i>                                    | 2                         | 1      |          | 2             | 1      |          |               |        |          |               |        |          |               |        |          |               |        |        |          |        |

- Land War – inspired the UK government to regulate tenants farmers rights and then subsidise the buy out of landlords' estates by tenants.
- By 1922 58% of all farmland had been bought by tenants who became owner occupiers of their dwellings and their land



# NO RENT!

## NO LANDLORDS' GRASSLAND

Tenant Farmers, now is the time. Now is the hour.  
You proved false to the first call made upon you.  
**REDEEM YOUR CHARACTER NOW.**

# NO RENT

**UNTIL THE SUSPECTS ARE RELEASED.**

The man who pays Rent (whether an abatement is offered or not) while PARNELL, DILLON &c., are in Jail, will be looked upon as a Traitor to his Country and a disgrace to his class.

**No RENT, No Compromise, No Landlords' Grassland,**  
Under any circumstances.

Avoid the Police, and listen not to spying and deluding Bailiffs.

**NO RENT! LET THE LANDTHIEVES DO THEIR WORST!**

# THE LAND FOR THE PEOPLE!

# Pre 1922: Establishment

- Land reform precedent was cited by landless, farm labourers.
- Lobbying resulted in the introduction of generous rural social housing subsidies in the early 1880s.
- By 1914 45,000 social rented dwellings had been provided by Irish local authorities, 82% in rural areas.
- Compared to 24,000 units provided their British counterparts, 98% of which were in cities.





# 1922- late 1940s: Construction

- Finances of independent Irish State and the Cumann na nGaedheal party was socially and fiscally conservative:
- Mainstream welfare and income taxes cut, but socialised home ownership expanded
  - Land reform: 1923 Land Act funded the remaining tenant farmers to buy their holdings and redistribution of large farms to small holders.
  - State construction of dwellings for home owners: 'Million Pound Scheme' 1922.
  - The 1924 Housing Act increased home purchase/renovation grants to 1/6<sup>th</sup> of average house building costs at the time.
  - 1925 Housing Act made home owner co-ops called public utility societies eligible for these grants.
  - Government also tried to increase the take up of local government mortgages, initially unsuccessfully.





# Marino (commenced in 1923 and funded by the million pound scheme)



# 1922- late 1940s: Construction

- Fianna Fáil gained power in 1932 and continued to expand socialised home ownership:
  - increased home owner grants and grants for public utility societies (1932)
  - established the Local Loans Fund borrow money from commercial sources and lend it onto local government to fund mortgages (1935)



**Gaeltacht Park, Whitehall – built between 1924 and 1934 by the Civil Service Housing Association and the Post Office Public Utility Society**

# 1922- late 1940s: Construction

## Fianna Fáil also:

- Cut by half the outstanding loan repayments former tenant farmers had to pay arising from the Land Act settlements (1933) and thereby transformed most farmers into outright home owners.
- This inspired complaints of unfairness by rural social housing tenants who campaigned for the right-to-buy their dwellings on subsidised terms.
- 1936 Labourers Act, gave rural social tenants the right-to-buy their dwellings, with mortgage repayments set at to 75% of pre-purchase rents

*"The principle is a good one of inducing the tenants to become the owners of their property. It is the best kind of Christian and Catholic philosophy and is one way of defeating subversive social propaganda, propaganda subversive of the State and of religion" (Seán T O'Kelly)*



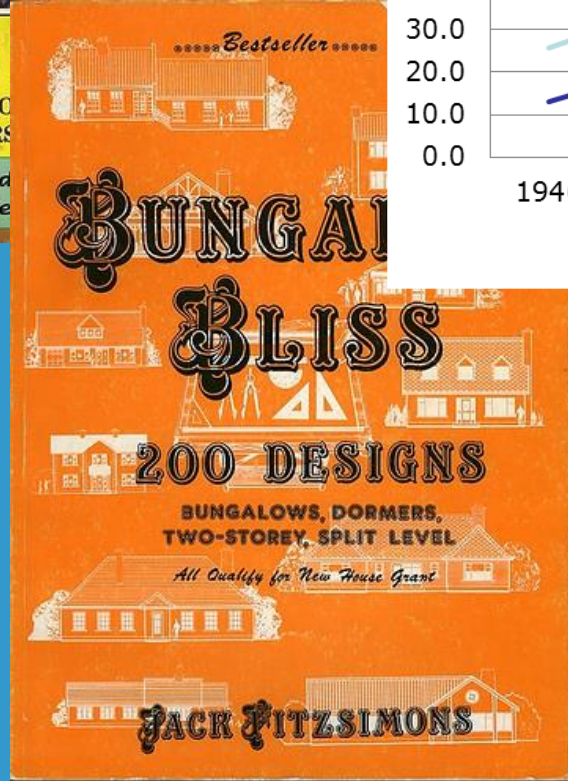
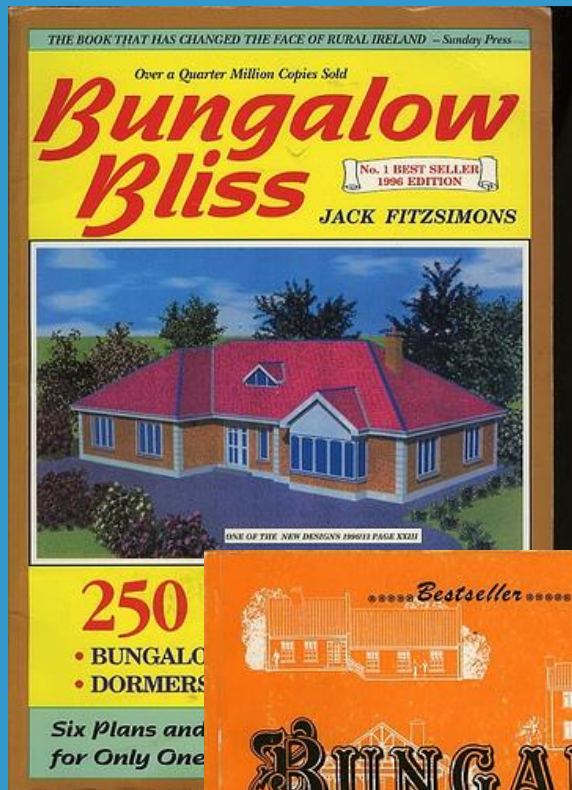
By the mid 1950s state housing subsidies in Ireland were the highest in western Europe both in terms of the proportion of housing capital derived from the exchequer (75%) and of new dwellings which received public subsidies (97%).

# Late 1940s – mid 1970s: Saturation

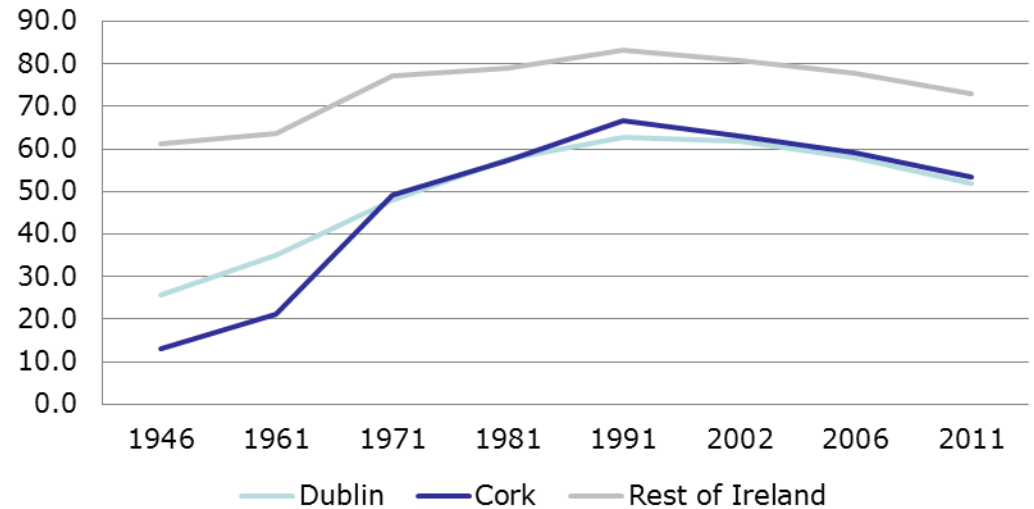
- Further expansion of socialised home ownership:
  - Grants:
    - Grants for home buyers and public utility societies increased and supplementary grants for low income households (1948)
    - Legislation index-linked these grants (1956).
    - By the early 1960's almost 30 per cent of the cost of a standard suburban house could be recouped from government by the purchaser.
  - Loans:
    - maximum local authority mortgage was doubled and large urban local authorities given access to the local loans fund to finance these mortgages in the mid 1950s.
    - Subsidies for building societies increased in the 1960s and 1970s
    - Cost of mortgage interest tax relief doubled in the early 1970s as interest rates rose.
    - Tax relief covered 22% of the costs of servicing the average building society mortgage in 1975.
  - Local Authority Tenant Purchase:
    - extended to urban social housing tenants in 1966.





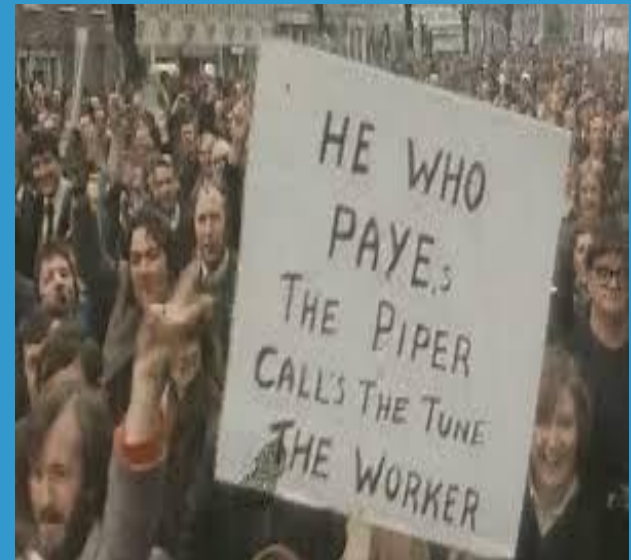


## Home Ownership Rates by Region



# Late 1970s-80s: Retrenchment

- Emerged in an uneven way during the oil crises of the 1970s -
  - Some home ownership supports were expanded (eg residential property tax abolished in 1978)
  - but others (eg, local authority mortgages and renovation grants) were cut.
  - In 1974 the amount of mortgage interest which was tax deductible was capped for the first time.
- During the 1980s the fiscal crisis became more severe:
  - Government initially tried to balance the books using tax increases.
  - Then turned to service/ benefit cuts:
    - Difficult because demands for spending on health and education increased
    - unemployment increased.



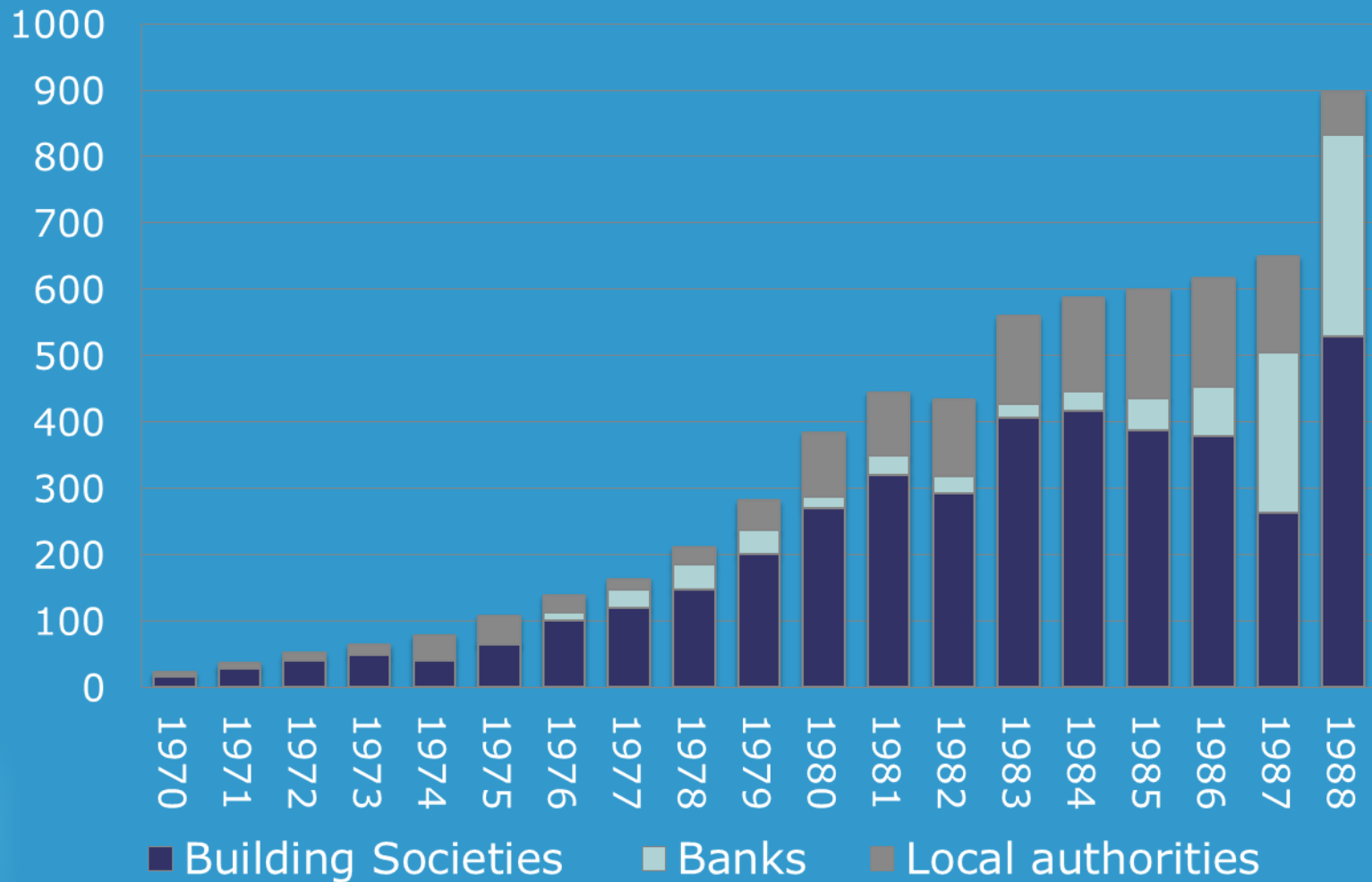
## Late 1970s-80s: Retrenchment

- Finally between 1986 and 1988 the socialised home ownership system was abolished:
  - All renovation and most home buyer grants abolished
  - Local authority mortgages cut from 30 per cent of lending to just 1.5 per cent
  - Tax subsidies for building societies were withdrawn and mortgage lending deregulated. After this the banks took over as the principal mortgage lenders.
  - And mortgage interest tax relief was cut further
- Sales of social housing to tenants were the only element of the system which survived





## Sources of mortgage lending (by value)



# 1990s – Date: Marketised Home Ownership, a Housing Boom and Bust

- Implications of these policy reforms for home ownership rates was disguised:
  - Initially by recession and declining house prices.
  - Then by the success of commercial banks in moving into mortgage lending.
- However when the economy and housing market began to boom these implications became clear:
  - Mortgage lending boom driven by buy to let investors
  - Many aspirant home owners were priced out of the market and home ownership declined
  - Home owners who did manage to purchase took on much more debt than their counterparts did in previous decades.
  - Home ownership rates among households headed by young, lower income people are falling.



# Concluding comments

- Is it possible to increase home ownership to the levels of the past?
  - Probably not without the level of subsidy provided in the past.
  - Increased urbanisation and immigration depresses home ownership.
- Competition for public spending is now stronger.
- But if we are on the 'road to renting' have we thought out the implications?
  - Affordability
  - Security
  - Pensions system.

