

Financial circuits: cyclicalality, leakiness and social housing finance in Ireland and Denmark

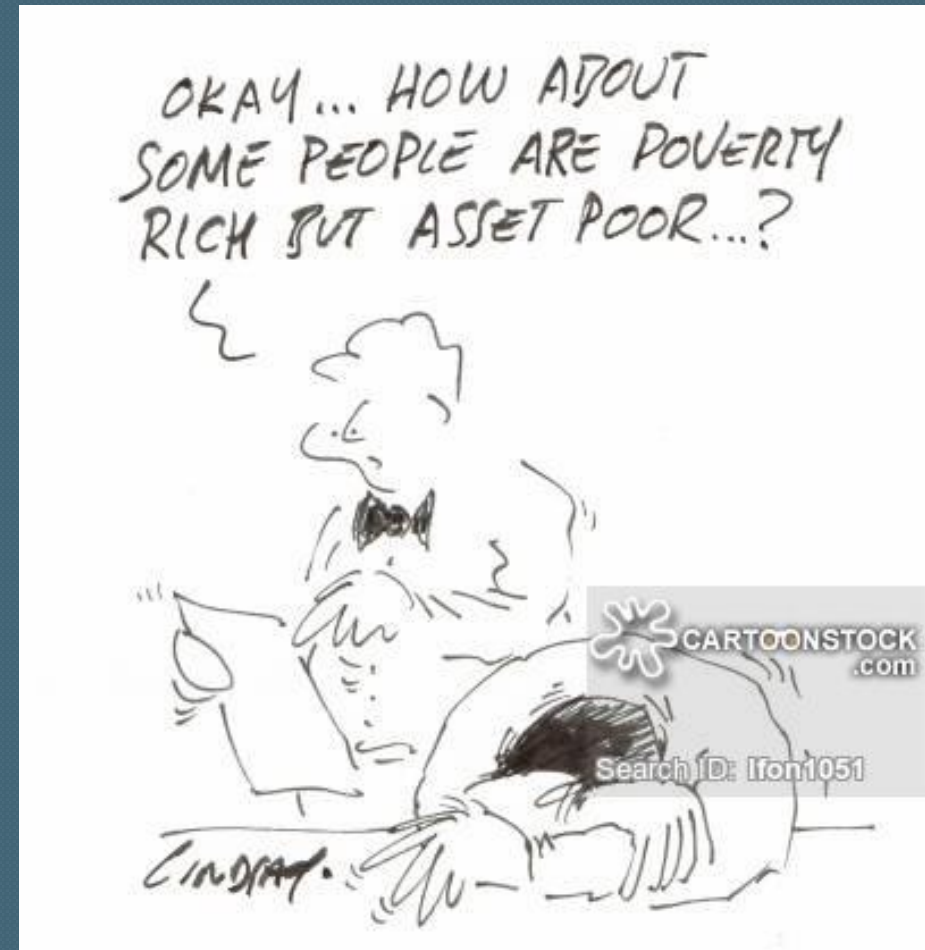
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Presentation structure

- 1) Theorizing financialization of housing and conceptualizing financial circuits
- 2) Social housing finance in Ireland and Denmark
- 3) Social housing financial circuits and 'cyclicity'

Real estate as a financial asset (Aalbers; Coakley; Harvey)

- Treatment of real estate as an asset which produces regular income streams (like bonds) and with possible capital appreciation (like shares)
- Disembedding of real estate from local context and trading on global markets



Structural role of real estate finance in macro-political economy

- Real estate as key avenue for expansion of financial system (Lapavitsas; Harvey)
- Asset-price Keynesianism (Brenner): real estate debt & asset price increases underpin aggregate demand
- Eurozone: real estate debt central to the core/periphery relationship (Lapavitsas)

Cultures of financialization (Langley)



Limitations of the literature

- Geographical and sectoral focus
- Framing of housing regimes and the financial system
- Critical alternatives



Conceptualizing financial circuits

- The challenge is “go beyond simplistic analytical distinctions, such as ‘public subsidies’ versus ‘private investments’” (Halbert and Attuyer, 2016)
- Financial circuits = “sociotechnical systems that channel investments in the forms of equity and debt into urban production” (Halbert and Attuyer, 2016)
- ‘channels of value transfer’ (between people and places) and ‘social relations that shape socio-economic processes and attendant economic geographies’ (Sokol, 2015)

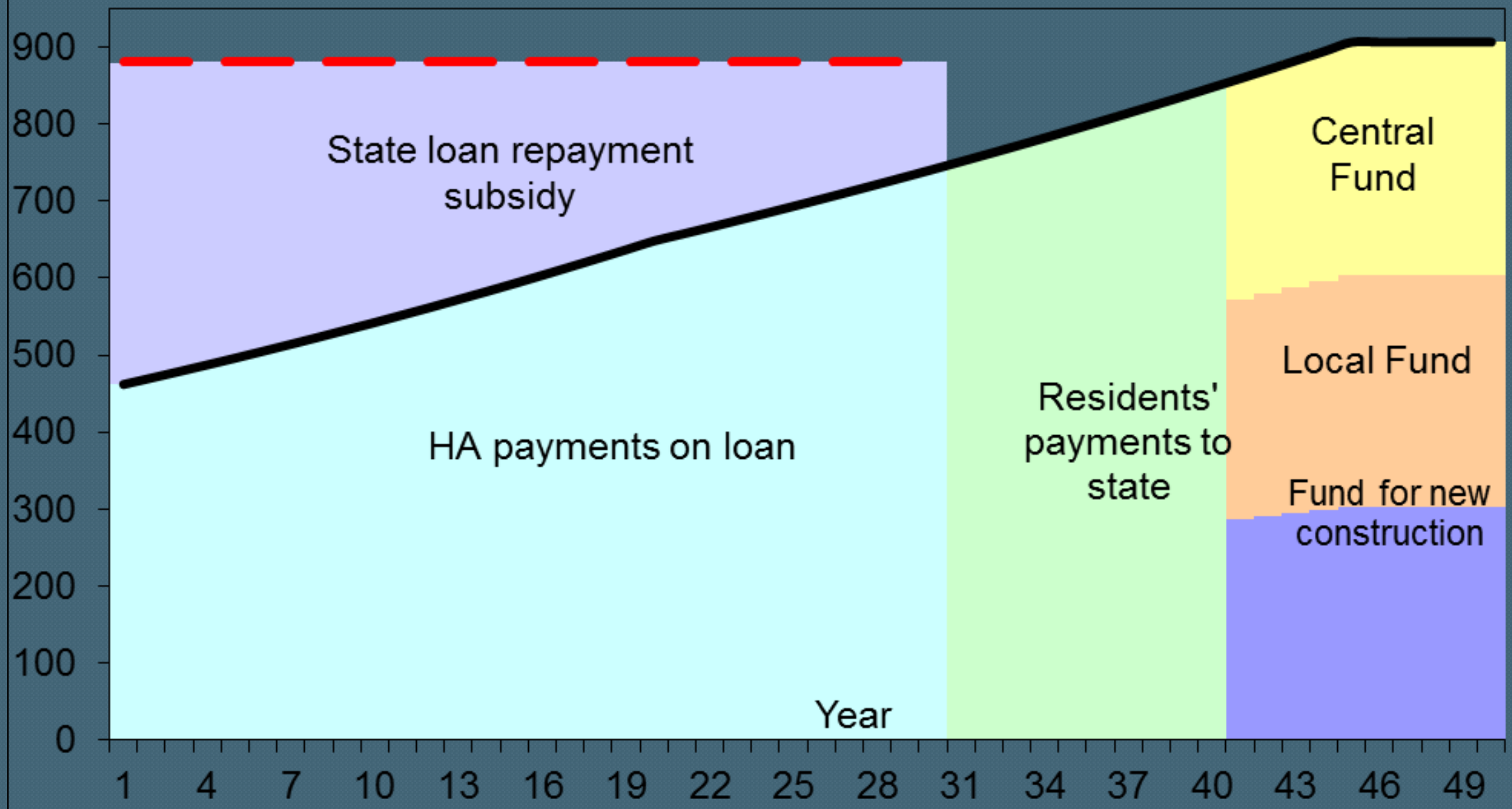
	Ireland	Denmark
Tenure size	9%, 125,000 dwellings	20%, 570,000 dwellings
Total households	1.7 mn	2.5 mn
Provision	Local authority supplemented by HAs	HAs
Rent model	Income relate rents	Cost rents
Average rent	€200	€689
Tenant purchase	Long standing scheme	N/A
Housing boom	50% devaluation	20% devaluation
Oversupply	Extensive	Limited
Financial crisis	systemic	Limited to commercial banks

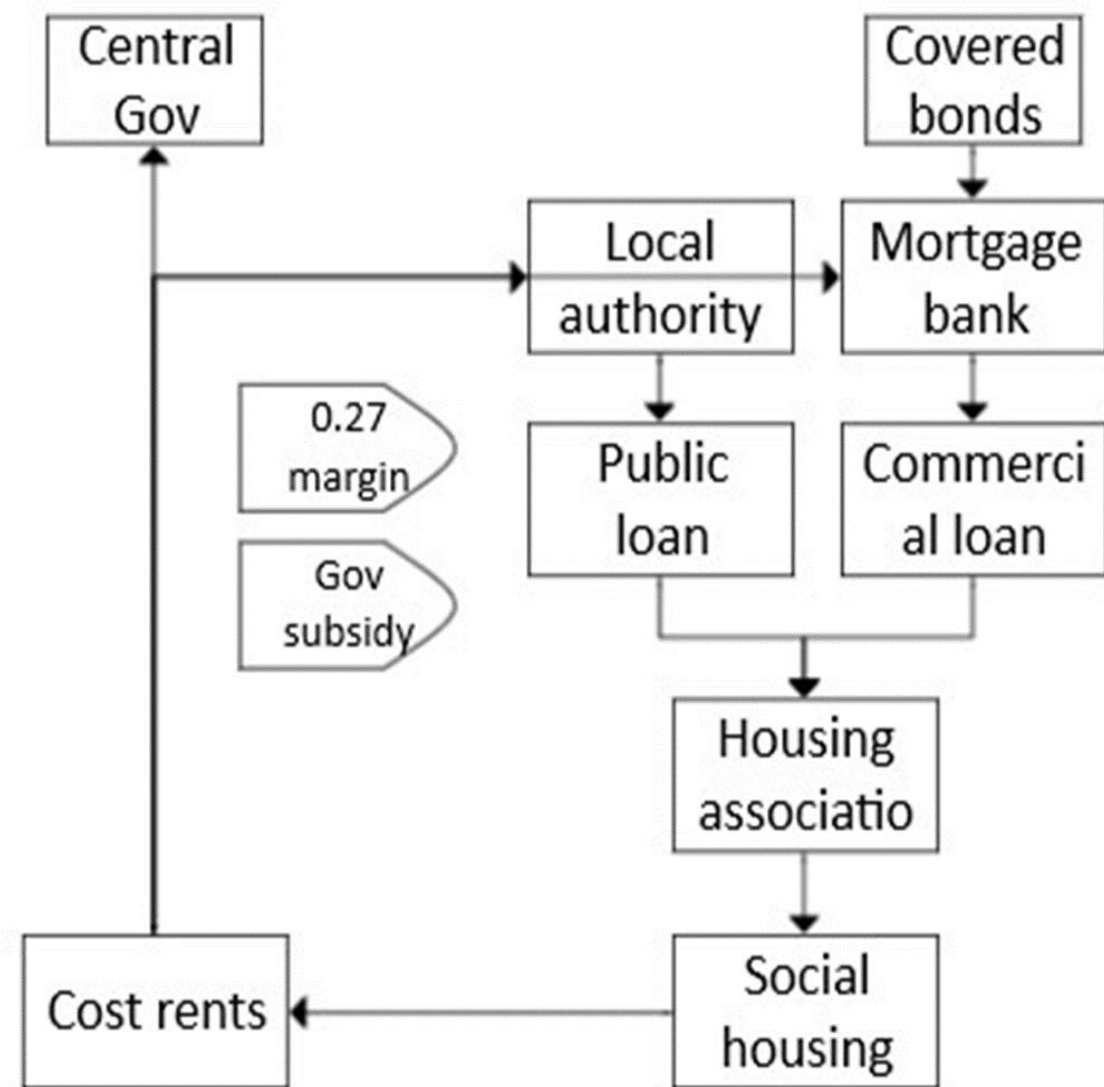
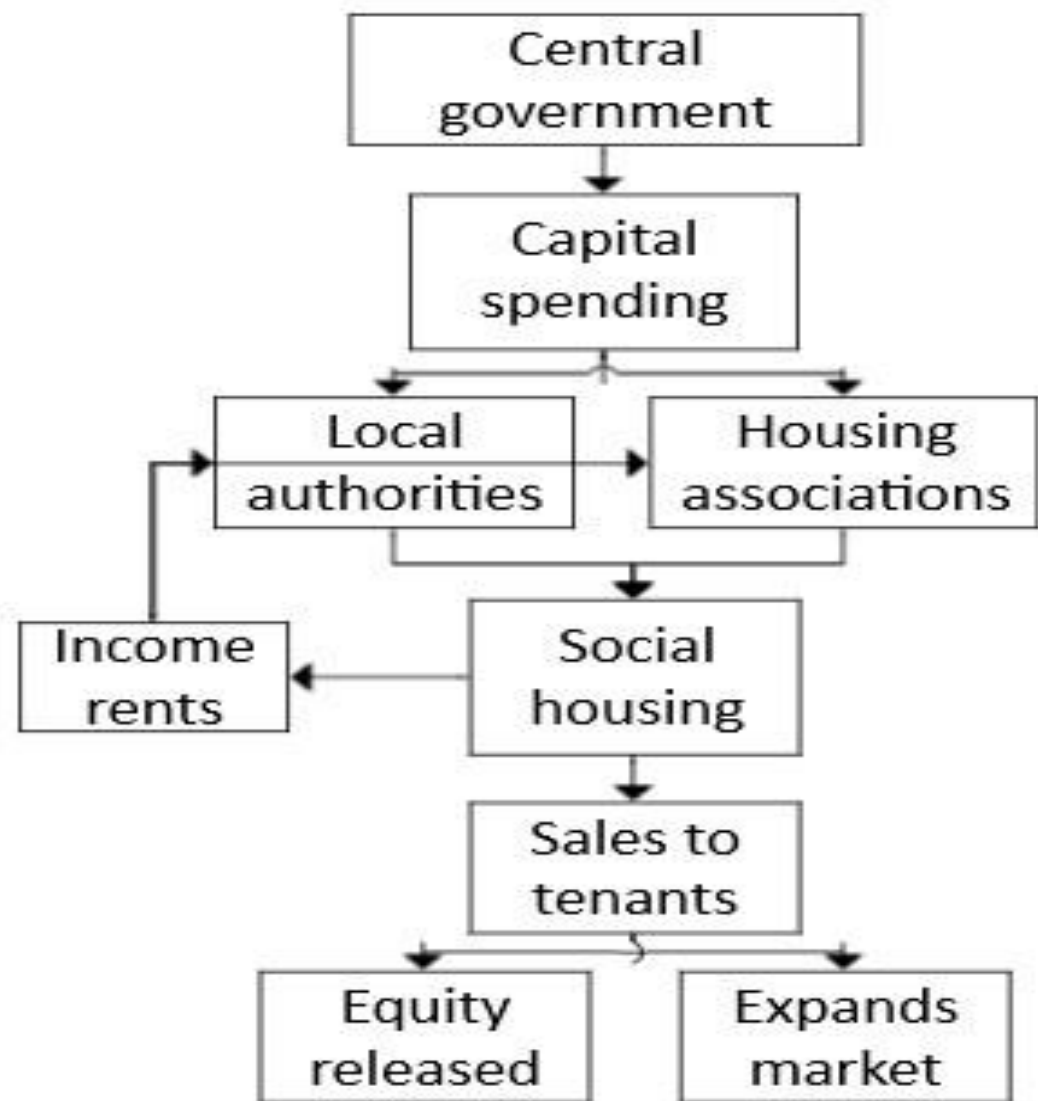
Financing models

	Ireland	Denmark
Public	100% capital grants	10% (interest free 40 Y loan)
Private	N/A	88% (low interest, fixed rate, 30y)
Tenant equity	N/A	2%
Revenue	Income related rents (average €200 pm)	Cost rents (average €689 pm)

Denmark: additional features

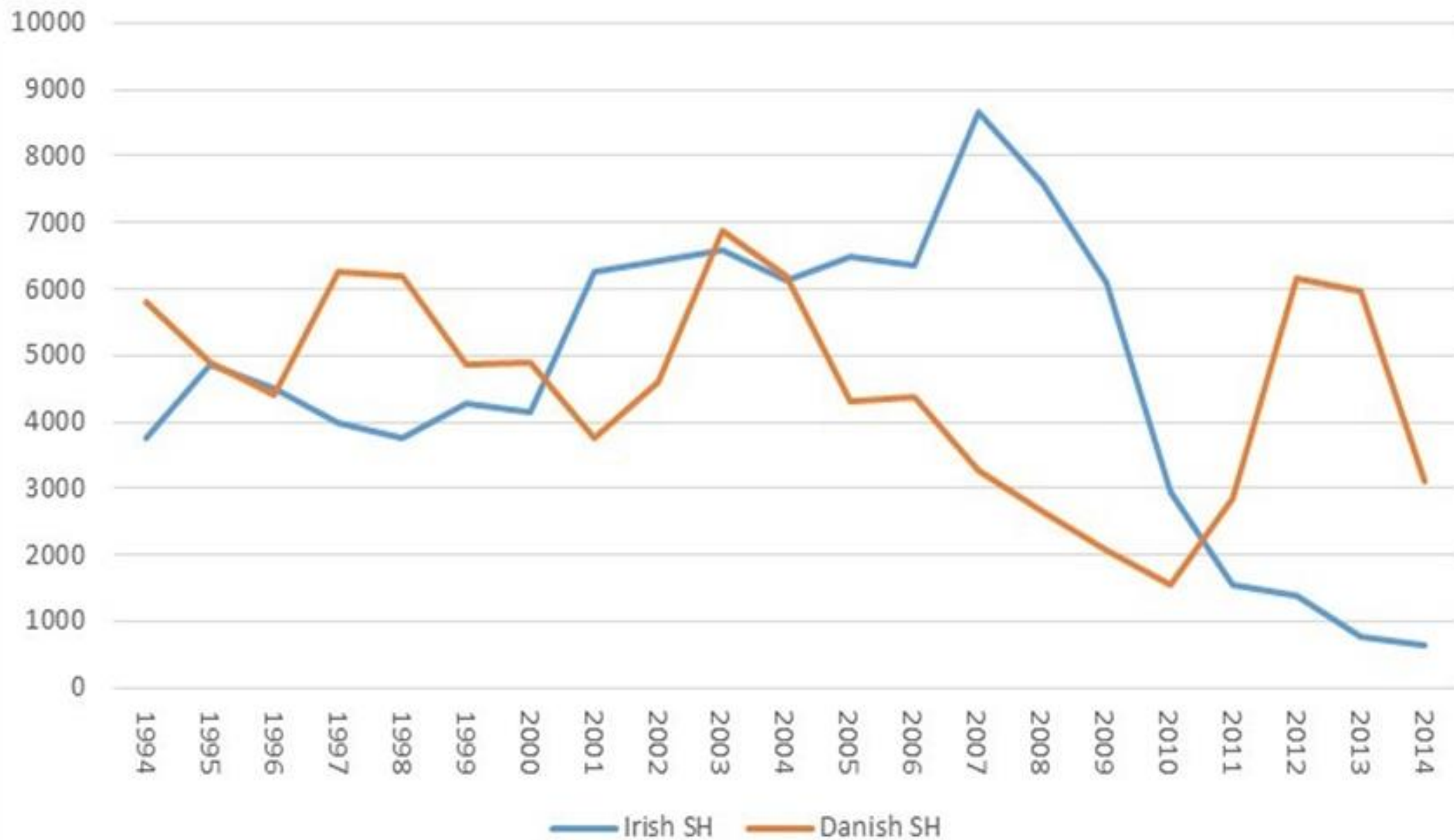
- Private finance is provided by 'mortgage banks' – non-deposit institutions which raise all funding via covered bonds, trading at slightly above Danish sovereign bonds
- Mortgage bank margin limited to 0.27%
- HA repayment costs which exceed 2.8% covered by central gov



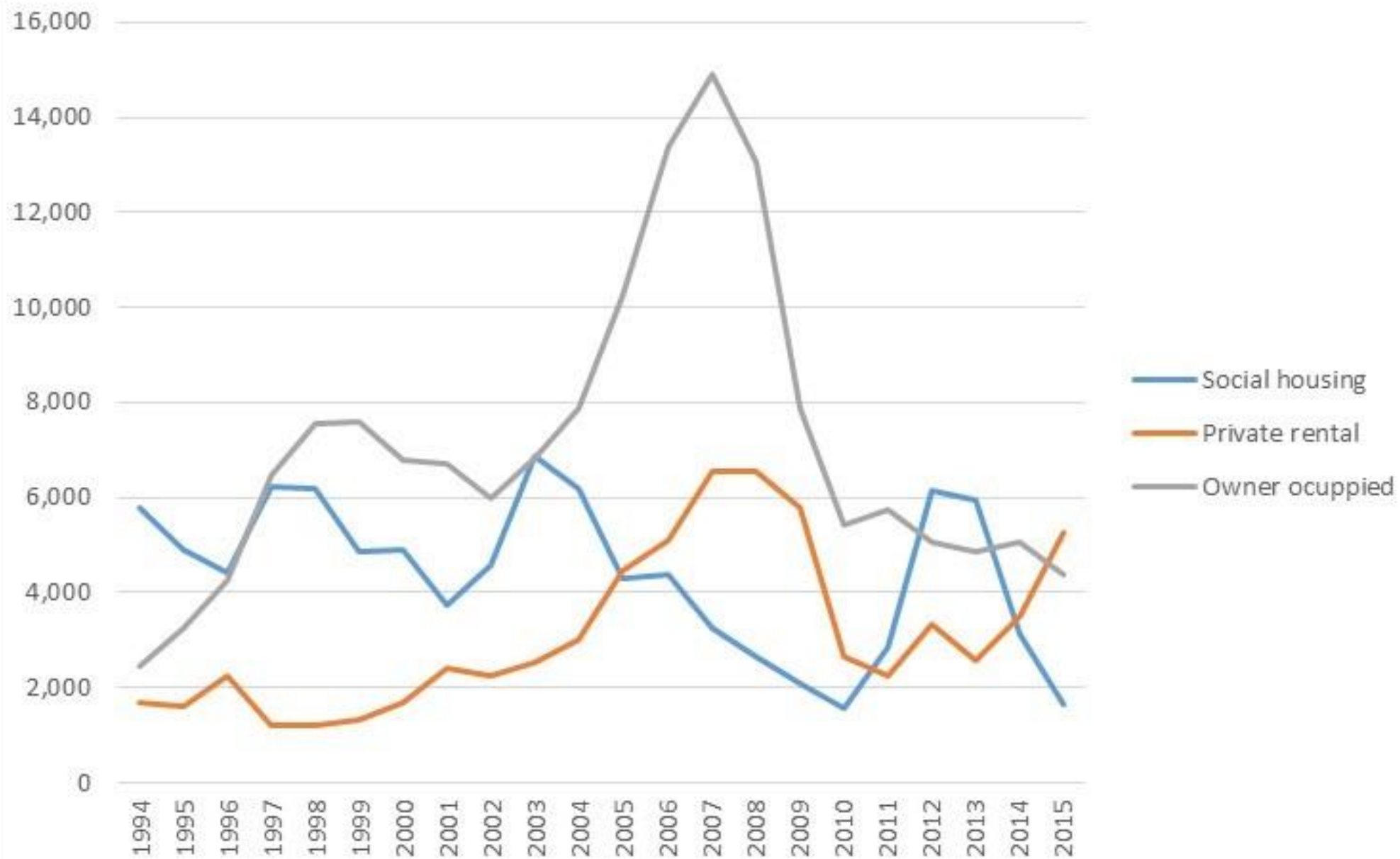


Social housing supply compared

- 1994 – 2014 Denmark = 130,000 units
- 1994 - 2014 Ireland = 103,000 units
- However....
- 36,000 units sold to tenants = net gain of 67,000 units
- On top of existing large Danish stock and Ireland long history of tenant purchase (roughly two thirds of stock sold to tenants)



Cyclicalality refers to the extent to which fluctuations in output of dwellings in the social housing sector mirror the dynamics in the private housing market, the financial system and the wider economy





Cyclicalities I: housing demand

IRELAND

- Irish residualization of social housing supports demand for homeownership/rental
- Reliance on rent supplement supports demand for private rental and rent increases

DENMARK

- Danish 'unitary' system dampens demand by providing non-market alternative

Cyclicalality II: finance and funding

IRELAND

- Dependence on capital funding ties social housing exclusively to wider fiscal situation
- Fiscal situation linked in turn to housing market through dependence on property taxes

DENMARK

- Multiple sources of finance for social housing
- Mortgage bank funding insulated from housing market volatility

Cyclicalities III: economic stimulus

IRELAND

- 'Asset-price Keynesianism'
- Residualization of social housing and homeownership model support asset-price increases which in turn support aggregate demand

DENMARK

- Social housing investment used to stimulate employment during recession

Conclusions

- Public or private finance not the main factor in determining the extent of social housing
- Nature of financial circuits more important than 'public/private distinction'
- The structures and relations through which finance flows through built environment can traverse public, private and third sector and be linked to wider housing, financial and economic dynamics in manifold ways
- Implications for critical alternatives