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'Super-rich' Irish property developers and the Celtic Tiger economy

Laurence Murphy
University of Auckland

Pauline M. McGuirk
University of Wollongong, pmcguirk@uow.edu.au

Publication Details

Murphy, L. & McGuirk, P. (2013). 'Super-rich' Irish property developers and the Celtic Tiger economy. In I. Hay (Eds.), *Geographies of the Super-Rich* (pp. 77-93). Cheltenham, United Kingdom: Edward Elgar Publishing.

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'Super-rich' Irish property developers and the Celtic Tiger economy

Abstract

The story of the rise and fall of the Celtic Tiger property developers offers insights into the role of the super-rich in material and symbolic place-making. Irish developers were not only involved in the physical construction of place(s); they were very public actors in the construction of discourses of Ireland as a place of opportunity, entrepreneurialism and success. In contrast to the relative anonymity of high-rolling financial traders, property developers were celebrated media stars. Indeed, as the property boom gathered pace, stories of past property successes arguably became an essential prerequisite for mobilizing new rounds of property investment. Developers with the 'Midas touch' were feted by the general and business media (both local and international) and courted by politicians. In this chapter we provide an account of the rise and impact of super-rich property developers in the Celtic Tiger economy. Two case studies of the changing fortunes of developers are presented which, not coincidentally, mirror the fortunes of the Irish economy. In the case studies, we reflect critically on the role of the developers' conspicuous consumption and personal wealth in mobilizing the huge bank loans on which their urban imagineering was founded.

Keywords

developers, property, irish, rich, super, economy, tiger, celtic

Disciplines

Education | Social and Behavioral Sciences

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5. <ct>'Super-rich' Irish property developers and the
Celtic Tiger economy

<au>Laurence Murphy and Pauline M^cGuirk

In Hay I (ed) Geographies of the Super-Rich, Edward Elgar, 77-93

<A>INTRODUCTION

Ireland, long a backwater in the European economic system, underwent a profound economic transformation from the early 1990s. Within the context of sustained political support for foreign direct investment, the Irish economy experienced rapid and continuous economic growth (Drudy and Collins 2011). The metamorphosis from a struggling economy characterised by endemic out-migration into the Celtic Tiger fundamentally altered the country's self-image and physical infrastructure. The rise of the Celtic Tiger was expressed materially in new urban landscapes. Urban renewal programmes, relying on substantial tax incentives for property investors and developers, transformed the inner-city areas of large and, later, smaller cities around the country.

Inner-city Dublin, long viewed as a locus of crime, drug abuse and poverty (Punch 2005), became the focus of large-scale apartment development for the new middle-classes. The derelict warehouses of Dublin's docklands area were transformed into the gleaming office blocks of the very successful International Financial Services Centre (Murphy 1998). In tandem with the economic miracle, the combination of rising real incomes and a deregulated mortgage market unleashed a latent demand for property ownership (Kitchin et al. 2010). As the property boom gathered momentum, small-scale property developers increasingly assumed the role of super-wealthy entrepreneurs. On the back of massive land price inflation, a banking system enthralled with property markets and a facilitative planning system, Irish property developers became members of the super-rich.

While Ireland and the Irish have long been associated with property development and construction, as manual workers and labourers, the rise of the Celtic Tiger property developer marked a significant change in the practices, positioning and discourses surrounding property development and developers. In common with those in other countries, Irish developers had in the past been viewed as rapacious and the harbingers of soulless architecture. However these new developers were characterised by a new scale of operations and ambition. Enmeshed in the rhetoric of success, property developers were increasingly portrayed as influential place makers, sophisticated participants in complex financial arrangements, and global operators. Throughout the early part of the twenty-first century, property developers, politicians and bankers formed a powerful triad of interests at the heart of a thorough-going political-economic and socio-cultural transformation of the country.

In its turn, the unravelling of the global property boom and the legacy of the global financial crisis had a profound impact on Irish economy and society. In a dramatic turn of events the Irish banking sector tottered on the edge of collapse and the state intervened to guarantee all bank debts in September 2008 (Drudy and Collins 2011). At the core of the banks' problems was a vast mountain of debt underpinned by poorly performing property deals and a property market in free-fall. To rescue the banks, the state established a government agency, the National Asset Management Agency (NAMA), to buy €81 billion of property loans off the banks at heavily discounted prices and subsequently the state became the largest property company in the world.

The story of the rise and fall of the Celtic Tiger property developers offers insights into the role of the super-rich in material and symbolic place making. Irish developers were not only involved in the physical construction of place(s); they were very public actors in the construction of discourses of Ireland as a place of opportunity, entrepreneurialism and success. In contrast to the relative anonymity of high-rolling financial traders, property developers were celebrated media stars. Indeed, as the property boom gathered pace, stories of past property successes arguably became an essential prerequisite for mobilising new rounds of property investment. Developers with the 'Midas touch' were feted by the general and business media (both local and international) and courted by politicians. In this chapter we provide an account of the rise and impact of super-rich property developers in the Celtic Tiger economy. Two case studies of the changing fortunes of developers are presented which, not coincidentally, mirror the fortunes of the Irish economy. In the case studies, we critically reflect on the role of the developers' conspicuous consumption and personal

wealth in mobilising the huge bank loans on which their urban imaginering was founded.

<A>GEOGRAPHIES OF THE SUPER-RICH PROPERTY DEVELOPER

In reflecting on the need to examine the geographies of the super-rich, Beaverstock et al. (2004) and Hay and Muller (2012) both comment on the rise of a new wealthy class. This class derives its wealth not from inheritance but from work. Beaverstock et al. argue:

<quotation>More recent theorisations identify the existence of a global bourgeois class who are somewhat different in the source of their wealth: rather than having it passed on through inheritance, their wealth is primarily derived from *working* to their fortunes and *investments*, with the very richest having significant investments in real estate businesses, stock and financial securities, as well as the growing market in luxury collectibles (wine and art). (Beaverstock et al. 2004, p. 402)</quotation>

They go on to examine issues relating to “‘new money’ activities (in software, finance and publishing and media) as the growing source of [wealth](#)” (p. 402) and address issues relating to the ‘extreme global mobility’ (p. 404) of the super-rich. The focus on ‘new money’ activities discursively locates the super-rich in a fast world of hyper-mobile capital. While ultra-high net worth individuals clearly operate in the context of mobility, [some](#) of their sources of wealth are nonetheless embedded in specific locations (Beaverstock et al. 2011), particularly [the](#) wealth generated from real estate.

Consequently, we argue in this chapter that a focus on wealthy property developers offers insights into the processes involved in the amassing of wealth but also insights into the ways in which the super-rich can affect the materiality of contemporary urban spaces and urban life, as well as the symbolic space of urban imagineering. These ‘city builders’ (Fainstein 2001) are different from the ‘masters of the universe’ who inhabit the trading floors of the core global cities. They are important not just for their conspicuous consumption (see Hay and Muller 2012) but also for their production activities. The outputs of a property boom – the office towers, mega-malls, industrial parks and housing estates – remain standing and their remaking of urban space endures, even after property values have crashed and fortunes have been lost.

Developers orchestrate the multiple interests required to produce a building. These include land, construction, user, investor and financier interests. In common with financial and currency traders, property developers are essentially risk takers. They assemble large sums of capital, usually non-recourse bank loans, in order to create specific spaces/buildings in anticipation of a future demand. The long lead times involved in creating new office, retail or industrial spaces add to the costs and risks of property development. Yet, in Ireland the local and global property booms created the conditions whereby the perceived risks of property development were diminished and the returns were enhanced. If capital, as Harvey (2010) asserts, is the architect of the built environment, property developers are the conduits of money flows. During the spectacular property boom of the 2000s, Irish property developers, buoyed by highly facilitative national fiscal and planning regulation regimes (Kitchin et al. 2010), were instrumental in guiding vast flows of money into Irish and international property markets, whilst amassing vast personal fortunes and vast financial liabilities.

In the Irish context, the way these personal fortunes were drawn upon in the financing of property deals both elevated the peaks of the property boom and underscored its vulnerability. In contrast to the sophistication of residential mortgage-backed securities and collateralised debt obligations, much of the debt underpinning the Irish property boom was derived from relatively straightforward bank lending. During this property boom banks availed widely of personal guarantees from developers to secure loans, augmenting the role of property as security for the loans by the personal wealth of the developer. In effect, the banks were treating developers not just on the economics of each property deal, but also on the wealth of the individual developer. The personal wealth of developers was viewed as a hedge against any downside risk of development, notwithstanding the fact that the developers' wealth was inextricably linked to successful development outcomes. In effect being super-rich afforded developers a form of credit enhancement in their dealings with the banks and increasingly super-rich developers were strategically placed to engage in large-scale development projects.

Key developers became instrumental in the transformation of urban spaces in Ireland. Liam Carroll, a developer of apartments and office buildings, created a substantial development footprint that led one commentator to state 'Dublin is Carroll's City' (NUIM Geography 2009). Treasury Holdings, in developing Spencer Dock in the Dublin Docklands, undertook one of the most ambitious urban renewal projects in Ireland (Moore 2008). As these developers created new material landscapes they helped to reshape urban landscapes and transform perceptions and meanings of the nation as a place/society/economy. Their developments and their deal making had material and symbolic importance. Their capacity to mobilise capital to support their deal making

reflected the rise of the wealthy Irish property entrepreneur and points to their power to engage in urban imagineering.

<A>THE CELTIC TIGER AND PROPERTY

Between 1993 and 2000, Ireland's gross domestic product grew by 8 per cent per annum (Drudy and Collins 2011). This strong export-oriented growth resulted in rising employment levels, increased real incomes and a reputation for success.

Unemployment, long viewed as an intractable problem, dropped to just 4 per cent in 2002 (Drudy and Collins 2011). Rising employment and incomes translated into a significant demand for new housing that supported rapid house and land price appreciation. By 2000 the momentum of the residential market became more speculative and increasingly the resources of the economy and finance were directed to property markets. Whereas in 1997 housing contributed between 4 and 6 per cent of gross national product (GNP), by 2007 housing contributed 13 per cent of GNP (Kelly 2009). Reflective of the increasing dominance of the property sector, housing and construction contributed 20 per cent of GNP and construction employed 13.4 per cent of the workforce; the highest proportion in Europe (Kelly 2009; CSO 2008).

The role of property debt within the Irish banking sector also increased rapidly during this period. In addition to increasing mortgage business, the banks became more exposed to construction and property development debt. In 2006, the two largest banks in the state had significant exposure to construction and property sectors. Over 30 per cent of Allied Irish Bank's loan book, and 15 per cent of Bank of Ireland's, was to

construction and property deals (Regling and Watson 2010). Among the smaller and more aggressive banks, the exposure to the property sector was even more significant. Property loans accounted for over 70 per cent of the total loans of Anglo-Irish Bank and the Irish Nationwide Building Society (Regling and Watson 2010). For the banking sector as a whole lending to property rose to 60 per cent of bank assets and, by early 2008, Irish borrowing (mainly for property) made up 60 per cent of GDP (Honohan 2010, p. 26).

It was during this period that individual property developers amassed considerable personal wealth and assumed an increasingly prominent role in Irish society. Table 5.1 lists the peak personal wealth of a prominent set of construction and property developers in Ireland prior to the global financial crisis. From relatively obscure and modest backgrounds, property developers had become ultra-high net worth individuals. Sean Quinn, originally a farmer with a quarry on his land, rose to head a set of business interests built around insurance and property interests, and was estimated to be worth over €4 billion in 2007. Liam Carroll, a developer of what the media termed ‘shoebox’ apartments, was believed to have a net worth of €800 million. Johnny Ronan and Sean Barrett, founders of multinational property development company Treasury Holdings, had individual fortunes in excess of €170 million.

<INSERT TABLE 5.1 HERE>

In contrast to the relative anonymity of securities traders, developers assumed a significant public profile either willingly or reluctantly. The alignment of developers with their developments, and the highly politicised nature of property development

within the Irish planning/political system, ensured that developers were known to the public through intense media attention to their dealings and their lifestyles. In spite of his modest lifestyle and desire for a low profile, Liam Carroll featured prominently in public debates over the poor design of new urban developments and the proliferation of small 'shoebox' apartment developments. In contrast, other developers were feted for their personal extravagance and ambitious developments. Sean Mulryan had a personal jet and two personal helicopters which he reputedly used 'like a bus service' (McDonald and Sheridan 2009, p. 227). Sean Dunne celebrated his marriage to Gayle Killilea in a high profile event on board the *Christina O*, the luxury yacht once famously owned by Aristotle Onassis, and invited an old friend Bertie Ahern, the then Irish Taoiseach (Prime Minister). Media profiling of the riches and influence to be amassed through property dealings arguably fuelled the wider wave of speculative development that seized the national economy, housing sector and, indeed, the national psyche through the 2000s. In the decade leading to December 2005, more than half a million (553 267) housing units were built. By 2007, compared to the rest of Europe, Ireland was building twice as many housing units per head of population (Kitchin et al. 2010).

The rise of the Irish 'property developer celebrity' accords with wider accounts of developers as egotistical 'risk takers'. Fainstein (2001, p. 67) writing on New York and London property markets, recounts one developer's view of himself as a type of movie impresario, relying on his reputation to assemble a cast of property interests to 'create' a building. Like movie directors, a developer's reputation carries weight in the investment decisions made by property investors. And that reputation, in turn, relies on public perception and profile. Within the Celtic Tiger economy, the public perception of the property developer acquired new associations, quite different from older perceptions

of the 'Irish Builder', tinged with cultural cringe. Increasingly these developers were linked to an emergent sense of Celtic entrepreneurialism as Irish property developers began pursuing international strategies that were both audacious and symbolically meaningful. Irish developers purchased iconic buildings in London (The Savoy Hotel Group, Battersea Power Station) and invested in Russia and China. They were influential in shifting both internal and external understandings of Ireland, from an image as EU's welfare-dependent poor cousin to an image as an entrepreneurial global success story, ripe with business and investment acumen (*The Economist* 2005).

The booming Irish property market provided the financial backing for developers to leverage more debt to pursue international investment. In particular, the UK became a significant target of investment flows for Irish property developers and it is here that the symbolic import of the new Celtic entrepreneur became evident. Key property deals 'woke up' the market to a new cadre of super-rich Irish developers and cemented them as key players in the London market. Three projects are particularly noteworthy. In 2004, an Irish syndicate led by Derek Quinlan, purchased the Savoy Hotel group (including the Savoy, the Berkeley, Claridge's and the Connaught) for £750 million (McDonald and Sheridan 2009). The scale of the deal and the iconic nature of the hotels meant that Irish developers were now placed at the heart of the London property market. In 2006, Johnny Ronan and Richard Barrett's Real Estate Opportunities (REO) company purchased the Battersea Power Station, the largest single urban regeneration site in central London, for £400 million (Kollewe 2011). The purchase of another iconic landmark building and the scale of the potential redevelopment plans clearly positioned Irish developers as key players in London's urban regeneration programmes. Finally, in a deal rich with historic symbolism, in 2007

Patrick Doherty's Harcourt Developments purchased from the British Conservative Party their former headquarters on Smith Square for £30 million (McDonald and Sheridan 2009). Although the Conservative Party was no longer resident, and Harcourt Developments on-sold the building quickly, the purchase caught the media's attention. In total, the rising tide of Irish property ownership in London, the heart of the old colonial foe, marked a significant economic and symbolic moment in the growth of the Celtic economy and a resonant moment in the progressive transformation in the international perception of Ireland and the Irish. In many ways this flow of investment represented an inverted case of the 'Empire strikes back' with super-rich Irish developers at the vanguard of the assault.

<A>DEVELOPERS AND PLACE MAKING

Large and elaborate property deals, such as those outlined above, have the capacity to remake urban space, its social relations and its imaginings. We contend that developers' personal wealth and lifestyles have been instrumental in enabling these deals to be actualised, though the developments themselves may have unravelled in the aftermath of the global financial crisis and the Irish banking crisis more specifically. Irish developers created new physical places and as global deal makers, attracting the attention of the global media (*The Economist* 2005), they helped to refashion Ireland's and Dublin's place in discourses of the global economy. Reflecting on the activities of key players in the boom is instructive on this point, so we briefly explore two indicative examples: Sean Dunne's property activities and the rise of Richard Barrett and Johnny

Ronan's Treasury Holdings. These case studies are used to illustrate different facets of the 'rich developer'/deal-making nexus. Dunne represents the rise of the lone, 'small time' developer who became a celebrity deal maker. Dunne's capacity to secure financing on what was then the most expensive land purchase in Ireland highlights the power of the individual developer to mobilise large volumes of capital and to engage in urban imagineering. In contrast, Treasury Holdings are corporate players that leveraged their Irish property portfolio to fund an international development portfolio. Treasury represented a new wave of Irish entrepreneurs competing in the global centres of London, Paris and Shanghai. Significantly, both Dunne and Treasury's development activities generated considerable national and international media attention (Thomas 2009) and developers were at the forefront new discourses of Irish entrepreneurs (*The Economist* 2005).

Sean Dunne's rise to prominence, and indeed the subsequent downturn in his fortunes, embodies key elements of the dynamic underpinning the property boom in Ireland. Born in the small rural town of Tullow, County Carlow, as one of five children, Dunne started work at 12 because, as he put it, 'we had to' (McDonald and Sheridan 2009, p. 198). Having worked as a quantity surveyor, he established Mountbrook Homes which undertook its first housing development in 1983. Initially involved in building social housing, Mountbrook expanded to become a large-scale mixed use developer responsible for developments such as Whitewater Shopping Centre (the largest centre built outside of Dublin) and the Riverside IV development in Dublin's Docklands. During the peak of the property boom Dunne was responsible for some of the most spectacular property deals in the country. In 2005, he purchased the Jurys Berkeley Court Hotel site in Ballsbridge, a prestigious central suburb known for its

expensive residential streets and as a centre of foreign embassies, for a then record €379 million (Kelly 2011). The Jurys purchase price equated to then unprecedented €54 million per acre. Dunne's subsequent purchase of Hume House, an office block adjacent to the Jurys site for €130 million raised his investment in the site to over €500 million. These purchases were funded with loans from Ulster Bank (a subsidiary of RBS) which syndicated the loan, bringing in other overseas banks including the Icelandic Kaupthing Bank. While the bulk of the funding for the Jurys site was secured from banks' loans, it was reported that Dunne contributed €130 million of his own money (Quinlan 2009). In the following year, he purchased the AIB Bankcentre site, again in Ballsbridge, for €207 million.

The high price paid for the Jurys site necessitated that the scale of any development be significant and Dunne certainly envisaged a grandiose project aligned to his professed desire to transform the area into 'a new Knightsbridge' with a 'Manhattan-like lifestyle'. His initial €1 billion masterplan included a 37 storey, glass-clad residential tower (cut like a diamond), 14 000 square metres of retail space, a 232 bedroom hotel, an 18 000 square metre embassy complex and a 28 000 square metre office complex (Mountbrook 2007). Notwithstanding the fact that the development breached the local planning regulations, and was out of character with the local residential environment, the Council initially approved the development minus the 37-storey tower. Thereafter, Dunne entered into a protracted and contentious set of planning appeals. In September 2011, a much scaled-back €300 million development, minus the embassy complex and with a 12-storey tower replacing the original 37 storeys, was eventually approved (Kelly 2011).

The planning saga surrounding Dunne's Ballsbridge adventure played out against the backdrop of a massive banking crisis in Ireland arising from the global financial crisis (see below). Dunne's property empire began to disintegrate from 2008 onwards and he has subsequently been enmeshed in restructuring debts and unwinding deals. In 2011, NAMA appointed receivers for Dunne's businesses that owed money to Irish banks. The Jurys Berkeley Court site, was estimated to have a value of only €50 million in 2011 (Kelly 2011), a loss of 89 per cent of its value. Dunne's property dealings have had a significant impact on his personal wealth and a profound impact on his public standing. In 2011 the most expensive house in Ireland, reputedly owned by Dunne (Dunne's wife Gayle is the beneficial owner) and bought for €58 million in 2005, was placed on the market for €15 million. Dunne has moved his residence to the USA in an attempt to escape the public scrutiny placed on him in Ireland (Curran 2011). Significantly, in March 2012 he was ordered by the Irish Courts to repay €185 million to NAMA, of which €150 million related to personal guarantees that he gave in order to secure loans for a number of developments (McDonald and O'Donovan 2012).

If Dunne represents one facet of the super-rich developer and the actual and imagined transformations of Ireland's urban landscapes and place identity, the rise of Richard Barrett and Johnny Ronan marks another significant moment in the rise of the transnational Irish developer. Barrett, a barrister, and Ronan, an accountant, set up Treasury Holdings in 1989. By 2009 Treasury had 131 individual real estate projects with a combined value in excess of €4.6 billion and a gross development value (GDV) estimated to be over €19 billion (Treasury 2010). Treasury leveraged off the Celtic property boom to construct a property portfolio that included properties in the UK, Russia and China to become genuinely transnational Irish developers and to further

reposition Ireland's place in the global imaginary. The centrality of the Celtic boom to the Group's success was highlighted on their website:

<quotation>Capitalising on over a decade of burgeoning economic growth, the Group's Irish portfolio has underpinned much of the Group's [success](#) and has led to a property empire valued in excess of €3.4 billion in Irish assets alone. (Treasury 2010)</quotation>

Barrett and Ronan, as the driving force behind Treasury, represented the professional and corporate face of the Irish property boom. Treasury's purchase of the Battersea Power Station in London reflected the financial ambitions of the group and firmly positioned Treasury in the eye of the media. The proposed masterplan for the site, involving the largest ever planning application in central London, includes approximately '3 400 new homes, 161 000 sqm of office floorspace, 64 000 sqm of retail, restaurants, a hotel, leisure space and community facilities' (REO 2011).

In contrast to the secrecy of financial services, Treasury was not a faceless corporation as both Barrett and Ronan had high public profiles and, [respectively](#), audacious and flamboyant personalities that, arguably, shaped Treasury's development (McDonald and Sheridan 2009). Barrett, a self-confessed wine connoisseur, is known for his attention to legal details. His view that 'certain opponents of ours have underestimated our ability to cause legal chaos to their detriment' is reflected in the more than 40 legal actions Treasury has taken, often against other developers (McDonald and Sheridan 2009, p. 169). Ronan's larger than life personality is associated with a 'ferocious drive and hotheadedness' (McDonald and Sheridan 2009, p. 161) and with a lavish lifestyle of conspicuous consumption. Ronan owned a helicopter, a Hummer, a €640 000 Maybach car and several houses. In 1998 Treasury held a party

in Modena for 50 guests, entertained by Luciano Pavarotti (McDonald and Sheridan 2009).

But the extravagant lifestyles of Barrett and Ronan were not simply the product of their property deals. They were also important ingredients in the deal making process. In securing the Battersea deal, Barrett undertook a number of lavish dinner meetings with the Hong Kong developers who owned the site, George and Victor Hwang, and discovered a shared passion for wines with George. On reflection Barrett viewed this process as important in developing the relationship that later resulted in the finalised property deal (McDonald and Sheridan 2009). Personal wealth and its trappings, flanked by reputational clout, enable the various elements of ‘the deal’ to be orchestrated.

Nonetheless, neither symbolic nor personal capital could shield these super-rich developers from the tremors of the global financial crisis, nor its mirror in the Irish banking crisis. As with all developers in Ireland, Treasury Holdings were seriously affected by the crisis. The debt on Treasury’s Irish and UK property portfolio was taken over by NAMA and the developers are now working with NAMA to pay off their loans. While their debts have been effectively nationalised the developers continue to be employed in order to turn these projects into profitable concerns.

The business and social trajectories of Dunne, Barrett and Ronan are reflective of a range of personal narratives of the rise of super-rich developers in the Celtic Tiger economy. In common with other Irish property developers their conspicuous consumption was a mark of success that was read by the ‘market’. Being wealthy provided not just symbolic and social capital but real capital that secured bank funding. The willingness of bankers to underwrite grandiose development projects reflected not

just the present value of projected income streams but also an evaluation of the extent to which developers had ‘skin in the game’ or money in the development. The wealth of developers was materially incorporated into property deals through the use of personal guarantees. Dunne’s purchase of the Jurys site and his use of personal guarantees was symptomatic of this process. In theory, the large houses, helicopters, jets and expensive cars were developers’ personal assets that offered the opportunity for banks to chase down any bad debts. These guarantees were a backstop against any deal that went sour. They were not, however, designed to deal with a systemic property market collapse. Significantly, since the crash NAMA has pursued developers such as Dunne and Carroll for payment of personal guarantees. For NAMA, and the courts, these guarantees from wealthy developers represent material assets that were central to the property deals that they were employed in, and need to be recovered (McDonald and O’Donovan 2012).

<A>THE BANKING CRISIS AND THE SOCIALISATION OF PROPERTY DEBT

The Irish banking sector boomed during the Celtic Tiger years and bank shares hit record levels in 2007. However, the unfolding US sub-prime mortgage market debacle and the resultant liquidity crisis and global financial crisis dealt a severe blow to the Irish banking sector. In September 2008, in the face of a potential collapse of the sector, the government introduced a blanket bank guarantee covering €400 billion of liabilities owned by Irish banks. The perilous state of the banks became increasingly obvious and in January 2009 the government nationalised Anglo Irish Bank, a bank that had taken a major position in funding large property developments. Ireland became the first

European country to enter recession and the dual financial and economic crises had a huge negative effect on the Irish property market. As in all downturns, declining rental values and rising yields resulted in significant falls in capital values.¹ As capital values of properties dropped, loan to value ratios on development projects rose and developers faced the prospect of breaching their loan covenants. Under pressure developers had to generate more income at a time when refinancing was impossible. Increasingly developers were unable to sustain their debt repayments and the banks were left with more and more worthless property debts. As the banks tottered on the brink of disaster, the government responded by establishing the NAMA as a ‘work-out’ vehicle designed to recapitalise the banks and deal with the property crisis. NAMA was set up to purchase €1 billion of property loans from the banks at a heavy discount or ‘haircut’, based on ‘current values’ (NAMA 2010). Having taken on the banks’ bad debts its objective is to recover, for Irish taxpayers, all that it paid for the loans and all that it invests to enhance the underlying assets. In effect the banks’ property problems have been socialised.

NAMA’s relationship with developers is double-edged. Developers are liable for the debts they have incurred yet, given the poor state of property markets, NAMA is required to work with developers to ensure that the state’s investment is recovered. Just how NAMA discharges its duty is of particular public concern. Reflective of the sensitivities surrounding this issue the Chairman of NAMA stated:

<quotation>any borrower who expects the taxpayer to assume his or her debt burden clearly misunderstands what NAMA is about. We have been *assiduous in acquiring personal guarantees provided by borrowers to the institutions* even if such guarantees are currently worthless and we have, therefore, not paid for them. (Daly 2010. Emphasis added.)</quotation>

Reflective of the key role of personal guarantees given by super-rich developers, the state has acted to acquire these guarantees as a means of accessing developers' assets.

And so, in the unfolding drama of what is colloquially known as NAMA-land, developers have increasingly had to deal with the new government agency as it pursues the personal fortunes on which the super-rich property developers could once leverage their bank loans. NAMA placed companies owned by Sean Dunne into receivership in 2011, even as the Jurys Berkeley Court development was receiving planning permission. Significantly, the Jurys development is outside of NAMA as it was funded by a non-Irish bank. Yet in the wake of the downturn Dunne is subject to being pursued for his personal assets and although he has shifted to live in the USA, he remains a target of considerable media scrutiny (O'Farrell and Hanley 2010). Treasury have also entered NAMA and the agency is pursuing strategies designed to secure a return on its investment. Part of this strategy involves bankrolling the development company to ensure its solvency. At the time that Treasury was being bailed out by NAMA, Johnny Ronan was involved in a high profile overnight holiday to Morocco that cost €60 000 (Bar-Hillel and Bar-Hillel 2010) and generated considerable public disquiet. The continuing saga of these 'super rich' developers points to their enduring effects on the post-boom urban landscape.

<A>CONCLUSIONS

The genesis of the Irish Celtic Tiger economy was based on export-led manufacturing growth and a low corporate tax regime. Over time the performance of the Irish economy became increasingly enmeshed with the fortunes of the property sector (Drudy and Collins 2011) and, most spectacularly, with the machinations of a cadre of super-rich property developers. In this chapter we have traced the connections between the property boom and the rise of these super-rich property developers, and suggested that the vast sums of money loaned by the banks to the property sector reflected the confidence that bankers placed in wealthy developers. Personal extravagance, audacity and high media profiles became important ingredients in successful deal making. Developers, traditionally viewed as disreputable and potentially crooked, assumed a symbolic role as key Celtic Tiger entrepreneurs; particularly the case in Irish developers' forays into the UK property market. Significantly, in contrast to technology and high finance entrepreneurs, property developers' investment strategies were inherently focused on place making and the creation of new built environments, and as such they were responsible for generating new geographies of urban development. Their gleaming office towers and residential apartments became the physical embodiment of the boom, even if some of the most elaborate plans did not materialise. Developers mobilised vast flows of capital in order to implement their 'city visions' and these visions reshaped the socio-economic geographies and imaginings of cities around Ireland and overseas. In addition, the capacity of these super-rich developers to engineer large-scale financial deals and to undertake audacious global investments helped to transform the economy and reposition Ireland, and Irish entrepreneurs, in the global space economy.

The fall from grace of the developer–banker–politician triad that was responsible for the Celtic property boom was rapid and has had profound implications for Irish economy and society (see Kitchin et al. 2010). The socialisation of the bankers and developers failed deals via NAMA, combined with the implementation of economic austerity measures to meet the demands of the ECB and the IMF, have impacted upon all elements of the Irish citizenry, but especially the poor.

Developers are no longer feted as dynamic entrepreneurs but are viewed as key authors of the crisis. Liam Carroll, who once had a net worth of almost €1 000 000 000, is now bankrupt. Sean Dunne, the ‘squire’ of Ballsbridge, admitted to *The New York Times* that he was technically insolvent (Thomas 2009), and is increasingly struggling to secure his future (McDonald and O’Donovan 2012). Johnny Ronan’s ‘larger than life’ roguish character traits that were once viewed as endearing are now viewed as inappropriate and damaging to the future development of the company. Notwithstanding the public opprobrium levelled at developers, they continue to maintain that with time and money they can weather the crash and, in a Faustian deal, NAMA is continuing to support larger developers as a way of generating a return on its, and the taxpayers’, portfolio. The specific character of the Irish property boom, with its emphasis on personal guarantees, places the super-rich at the heart of property deals. As super-rich developers have scrambled to secure their assets, the Irish economy and people have paid a huge price for their extravagance. As property values have crashed, one in three household mortgages in the state are in negative equity and mortgage arrears rates are soaring (Kitchin 2012), it is clear that Ireland’s super-rich property developers have left a dubious legacy.

<A>NOTE

1 The direct capitalisation approach to valuing commercial property investment is based on the equation: Capital value = Rent/Yield. The yield is derived from market transactions and is affected by price cycles. During a property boom the price of buildings rise and therefore, for a given rent, the yield falls. In effect, during a boom buildings are viewed as less risky and investors are willing to take a lower yield. During a slump prices fall and, for any given rent, the yield increases (see Whipple 2006).

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