

Letter to the Editor of the Irish Times

7th March 2014

Sir,

The concept of the private rental market being subject to Rent Control, or as Senator Aideen Hayden puts it – “Rent Certainty” (Opinion, February 28) makes as much sense as previous left wing statements that the State should immediately put the money paid for accommodating over 30% of the population into building social housing. Housing is not built overnight and no one wants to see ghettos being created to satisfy some spurious ideology, but private landlords are providing an essential service to the community and to their customers, who are their tenants. “Rent Certainty” is no more than Rent Control in another guise. In any event, tenancy agreements and leases already prescribe the rent to be paid during the term of the tenancy or lease.

If landlord’s costs increase, regularly due to the hidden and unfair taxes imposed by the Government of which Senator Hayden’s party is a partner, they cannot be expected to lie back and absorb the increases. Landlords are business people who have their own costs to sustain the properties which are homes for some 800,000 people in Ireland – more than at any time in the last 50 to 60 years. These costs include 25% of interest paid on mortgages and loans not being allowable as expenses (which can actually result in being taxed on a loss), Local Property Tax (and the previous Household Charge and Non-Principal Private Residence Charge) not being allowable against income although they are charged for services provided to tenants. Other substantial costs include insurance, maintenance, registration, compliance, as well as the normal taxes levied on the population such as USC, PRSI and income. It is somewhat ironic that management charges in multi-unit developments are allowed against rental income, yet charges for services provided to tenants are not allowable.

Central Bank statistics show that landlords with arrears in their Buy-to-Let mortgage accounts rose from 39,948 (26.9%) to 40,426 (27.4%) at the end of the third quarter of 2013, which disposes of the suggestion espoused by certain left wing politicians and organisations that landlords have deep pockets and are somehow immune to the financial crisis in our society.

The mid-February report from Germany's Bundesbank strongly supported efforts to encourage investors back into the market, and held the view that this would be more effective in moderating prices than rent control, which the Bundesbank described as "counter-productive". How can people promoting rent control be treated seriously when its previous incarnation up to the early 1980s contributed to the ruination of many fine buildings throughout the country as rental income was controlled and property owners were unable to retain /maintain their properties?

With Germany playing a leading role in the EU, the view of the Bundesbank must cast doubt on the wisdom of rent control. Nearer home, the Mayor of London, Boris Johnson, has outlawed rent control and has embarked on measures to incentivise property owners to refurbish, improve energy efficiency, promote standards and increase housing supply. Currently, rent in London for a typical 2 bedroom property costs 53% of the average salary, compared to 25% in other English Cities. Dublin is currently 28% and with rising rents, treble deposits and various penal taxation and related measures, how soon will we see rents at 50% of average salary in Ireland?

It ill behoves Senator Hayden, who is also Chair of Threshold, a registered charity supported by State funding, to trot out her flawed concept of the private rental market which does a grave disservice to the people that Threshold and Senator Hayden purport to represent – the tenants of Ireland.

It is easy to shout out that increased rents should be held back by legislative means. Yet those bald and unsubstantiated statements conveniently ignore that the market forces causing rents to increase

are the same market forces that caused a reduction in rent during the austerity years, and increases now originate from a very low base where rents decreased by some 40% over the past five years. Recent actions by the Government in making it easier for lenders to repossess properties will only cause further aggravation to the rental market through independent landlords exiting the business, and their properties being snapped up by so called vulture funds who will not have the same ethos as an independent landlord who values tenants.

Repeated overtures to the Minister for Finance and the Minister for Housing about considering rental income as a business have been tossed aside in the rush to rake in extra revenue without thought of the consequences. Both current Ministers have separately stated that rental income should be considered a business, but for some inexplicable reason have stopped short of putting the mechanisms in train to ensure recognition. In fact, the Minister for Finance said in a recent Parliamentary Question that he would not put any reliefs in place at this time as it would dilute revenue – but what about equality?

The country is currently seeing the effect of this Coalition Government overriding the common good under the guise of attacking landlords, in much the same way as attacks were made on the absentee and ruthless landlords of the past. But does it need to be said that the landlords of the 19th and 20th centuries bear no resemblance to the landlords of today? Today's landlord (most of whom have just one or two rental properties) is a responsible business person who knows that providing inferior accommodation will lead to a whole raft of problems which no business person in the 21st century wants to be part of.

Let us get rid of this notion, once and for all, that private landlords can continue to be subjected to the guile of left wing politics. Let all who are really serious about housing our people realise that without the involvement of private landlords, there would be a lot more homelessness and that private landlords should be seen fully as partners in the provision of housing.

Stephen Faughnan, Chairman, IPOA.

STEPHEN FAUGHNAN
CHAIRMAN
IRISH PROPERTY OWNERS' ASSOCIATION
ASHTOWN BUSINESS CENTRE,
NAVAN ROAD.
DUBLIN 15.

TEL: 01-8276000 [WWW.IHOA.IE](http://www.ihoa.ie)