

***For Immediate Release***

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***Housing Crisis – Rent Increasing – Deal with the cause not the symptoms***

It is generally accepted that we have a housing crisis, and insufficient social housing is forcing people into the private rental market.

Stephen Faughnan, Chairman of the Irish Property Owners' Association is adamant that this is putting the private rental market under pressure and tenants are suffering. "Rents are rising because the cost of providing rental accommodation is rising," he said. "30% of Landlords own their properties outright. Renters would be shocked to note that approximately 62% of the rent they are paying is going straight back to the Government in the form of Income Tax, USC, PRSI and Local Property Tax. Around 15% goes on the normal rental business expenses, with the balance going to the landlord. On a rent of €1,000 per month, the Government takes €620, expenses take €150 and landlords keep €230 net."

He added that "70% of landlords have loans and 71% of them have insufficient income from their rental property to cover the mortgage repayment. This is an appalling statistic and unsustainable." The difficulty is the tax treatment of the sector; it is treated as unearned, costs that are clearly expenses are not allowed as costs. 25% of the interest paid to the banks is not allowed as an expense and therefore taxed as income. The Local Property Tax is not an allowable expense. If a landlord changes a three piece suite, they can only offset the cost over 8 years but have to pay for it up front.

Statistics available to the Irish Property Owners' Association also indicate that 30% of landlords in the sector intend to sell as soon as they can. "The sector needs fair tax treatment, which will encourage investment and supply will increase. If the current treatment continues, there will be more homelessness - common sense needs to prevail," said Mr. Faughnan. "Rent certainty/control is not the answer. The ESRI Spring Economic Commentary, published this week, also cautions against rent control, as do the Bundesbank in Germany and many other countries where it has been discussed. It is also important to remember that the Irish housing situation is unique in many ways and suggesting correlations between it and countries where rent control was introduced are generally wide of the mark and only pander to currently populist propaganda".

If the root cause, which is the inequitable tax treatment of the sector, is not addressed as a matter of urgency, Mr. Faughnan suggests the amount of rental accommodation available will diminish and the Government's much lauded Housing Strategy will "gather dust on the Department of the Environment shelves".

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