



IPOA
IRISH PROPERTY
OWNERS'
ASSOCIATION

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PRIORITIES

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INTRODUCTION

The current regulatory and taxation environment is a challenge for private landlords to navigate, and is one which disincentivises people from becoming landlords, and remaining in the sector. The consequences are multi-fold, but at its most basic the impact reduces the supply of rental property and puts upward pressure on rents at a time when significant increases in supply are required to satisfy demand, and create a functioning residential property market. Property owners must be treated fairly by regulatory and legislative bodies, as they are a vital and strategic component of the rental property market and a key constituent in solving the housing crisis.

Private landlords provide homes for hundreds of thousands of the people in Ireland. Non-institutional landlords provide 94% of residential rental accommodation according to a recent IPAV-IPOA joint members' survey. Worrying trends demonstrate that new landlords are not entering the sector, reflecting the challenging environment at the moment. In the last 12 months alone, 92% of current landlords have not purchased a property in a RPZ. The interest is simply not there, the return on investment is minimal and in recent times, negligible. Exacerbating this is the fact the age profile of landlords is increasing; 75% are over the age of 50, with nearly half (48%) aged 60+. They are approaching the age of retirement and many are considering selling their properties.

So, the decrease in available properties has led to increased competition amongst renters, with institutional landlords being the big winners, as they bring fresh stock to the market and are facilitated by a policy eco-system to charge optimum prices - sometimes twice what private landlords charge in the same area.

The contagion of landlords leaving the market is not just confined to Dublin, but it is a countrywide problem. The profound impact of this risks exacerbating the homelessness situation, a situation we all earnestly want to avoid.



RENT PRESSURE ZONES (RPZS)

Rent Pressure Zones (RPZ) are a designated area where rent increases are capped. Rents in a RPZ cannot be increased by more than 2% per annum pro rata or if it is lower, by the increase in the rate of inflation as recorded by the Harmonised Index of Consumer Prices (HICP).

This is a fundamentally unfair policy measure which creates unfavourable market conditions and disincentivises people from becoming private landlords. It is a wrongful interference in the property market and it is causing two-tier rents to emerge while being unsustainable for those whose rent was not at market value when RPZs were introduced.

RPZs have led to a marked decline in accommodation available in the rental market. Private landlords operate to very tight margins, and RPZs have only been exacerbated by the increasing tax burden on private landlords, and inflationary pressures. They have prevented rents from rising and falling, with landlords forced to accept below-market rents that were set before the introduction of RPZs, increasingly leaving them short changed and struggling to cover existing costs. This causes instances where landlords are unable to afford to refurbish, modernise and update properties with energy upgrades etc.

The lack of accommodation has had a heightened impact across the eco-system with the lack of availability posing a direct threat to Ireland's ability to attract inward foreign direct investment. It also forces renters into a two-tier market, where accommodation may not be suited to meet the needs of tenants - a situation not condoned by the IPOA as proper maintenance and quality is unjustifiable for landlords.

RPZs have also encouraged a culture of subletting, whereby a landlord will rent a property to a tenant at below market rates. This incentivises the tenant to sublet the property at the appropriate market rate to maximise their profit. In most cases they are successful in subletting at a higher rate due to the high competition among renters to secure a home in the squeezed rental market. High competition has also resulted in tenants sharing properties while charging other tenants a majority of the rent. They are living rent free, profiting and gaining, despite having no financial interest in the property or responsibility for it.

SOLUTION?

RPZs have created unfavourable market conditions and this has resulted in thousands of landlords exiting the rental market. Regulatory change and an end to RPZs are the only ways to nurture a balanced and fair private rental market. Such a change will increase the private rental properties available on the market as private landlords will not be unduly regulated in the rent charged. Renters will ultimately benefit from an increased supply of rental accommodation and reduced competition to secure a safe, affordable, and adequate home.

RPZ IMPACT

45k

homes the rental market has shrunk by in the last five years

For every

5

'buy to lets' sold, only one property is re-acquired by an investor

57%

of landlords do not plan to stay in the rental market as a direct result of RPZs.

Source: [The Irish Private Rental Market](#)

50%

of surveyed landlords advised they made plans to sell their properties that are located in RPZs

Source: [The Irish Private Rental Market](#)

75%

landlords are taking 75% less in rental income compared to newly introduced housing stock

Source: Economic report - [The Irish Private Rental Market](#)

“Evidence from extensive international research in this area indicates that the benefits of rent controls accrue to existing tenants but that other groups (such as potential new tenants) are often negatively affected through higher prices on properties that are not covered by the regulations or lower availability of properties more generally in the medium term”

Source: *Rental Inflation and Stabilisation Policies: International Evidence and Irish Experience* by ESRI (Economic Social Research Institute)

RPZ COUNTRY COMPARISON



Germany

Berlin's Government introduced a five-year rent freeze in February 2020 with a view to solving the rental crisis faced by the German capital. However, the measure was struck down by the Constitutional Court in April the following year and tenants ended up retrospectively paying back-rent to their landlords, ultimately causing more chaos.



Scotland

In 2016, Scotland first left rent controls to local authorities, which refused to implement them because of the detrimental impact they would have. In 2022, the central government decided to take over despite evidence from Ireland that controls were causing issues. Rent controls in Scotland led to some of the highest levels of annual rental inflation in 2023, according to Zoopla.



Canada

Simply having the debate on implementing rent controls in Ontario, Canada in the 1970s had a cooling effect and caused rental supply to decrease.



Sweden

Sweden's rent controls have led to huge delays in securing an apartment, which can take 7 to 11 years.



Argentina

Argentinian rent controls and minimum three year tenancies were introduced in 2020 and caused an estimated 45% of landlords to sell their properties and many others shifted to short term letting. Rents rose faster than inflation in much of that period and destabilised the rental market. Under the Javier Milei presidency, rent controls have been scrapped for all new contracts, resulting in a rebound in rental supply, with a 50% increase in rental notices and a 20% to 30% decrease in rental prices.

INDEFINITE TENANCIES

Similar to RPZs, indefinite tenancies unfairly infringe upon the rights of landlords and their ability to manage their rental properties according to their needs. Landlords are afforded few rights under the legislation pertaining to indefinite tenancies and in fact severely limit and constrict the use of rental properties once existing tenancies surpass six months.

With indefinite tenancies, landlords rights are profoundly rebalanced against their interests. Tenants are afforded protections at the expense of landlords, who are severely restricted and constrained. Landlords are required to maintain their properties to a high standard and need access to their properties to do so. Indefinite tenancies substantially limit the periods of time during which landlords may undertake upgrades to their properties, causing uncertainty for landlords, particularly when indefinite tenancies come into effect after six months of a tenancy.

An overwhelming majority of private landlords are positively disposed towards tenants in their properties, as evidenced by the results from a December 2023 RTB survey revealing that 90% of landlords have a very positive relationship with tenants. Most landlords are happy to keep their tenants in their properties and maintain the positive relationships that exist. However, indefinite tenancies, while affording protection for tenants, does not account for changes that may impact a private property owner and the ownership of a property.

Unlimited tenancies are also likely to increase the number of private landlords leaving the rental market due to over regulation, the burden of compliance-creep and the uncertainty presented when approving new tenants for their properties. These factors combined will serve only to further reduce the supply of rental properties available on the market and leave renters at a greater disadvantage when searching for a property to rent, as the lack of supply will cause rents to rise, and this competition between prospective renters will worsen the housing crisis.

SOLUTION?

The IPOA requests the Government to abolish the legislation providing for indefinite tenancies and instead seek to strike a balance that fairly addresses the needs of both tenants and private landlords. Regulations should ensure that the rights of landlords are not further eroded causing very real legal concerns, and that private landlords retain control of the management of their rental properties.



Conclusion

International evidence consistently demonstrates that RPZs and indefinite tenancies have a detrimental impact on rental supply and are ineffective in addressing the root causes of housing issues. In Ireland, these policies have driven rents higher than would have occurred in an unregulated rental market, as private landlords choose to leave the market rather than contend with burdensome legislation.

The IPOA urges the Government to conduct a comprehensive review of the legislative environment imposed on landlords, and address the root causes of rising housing costs by increasing supply to meet the population's needs, and de-regulating the private rental sector to ensure it is a fair market for tenants and landlords alike. It is clear that if Ireland is to solve its current housing crisis, the Government must pay greater attention to the private rental sector and work to ensure that its full potential can be unlocked.

By tackling excessive regulation, the rental market can function with greater freedom, requiring fewer compliance-related laws. Contrary to popular belief, rents will fall as supply will increase and investment in the long-term rental sector will be encouraged. Considering the current state of the rental market, there is a strong argument to be made for de-regulation and collaboration between landlords and the Government to improve access, quality, and supply of private rented accommodation.

The haemorrhaging of private landlords from the rental market can only be arrested if the Government provides the necessary support to the sector. Private landlords are a vital cog in the private rental market and are of significant strategic importance to the viability of the overall housing market; it is therefore vital that their participation in the market be encouraged and incentivised. This will help to provide affordable, adequate rental accommodation and ensure a viable market which can sufficiently service the needs of all participants.

Based on comparative evidence throughout Europe, it is clear that a strong private rental sector supported by a range of financial subsidies and tax relief can ensure sufficient levels of quality accommodation by incentivising private landlords to both invest in the market and to continue to let their properties to tenants. It is clear that if Ireland is to solve its current housing crisis, the Government must pay greater attention to the private rental sector and work to ensure that its full potential can be unlocked. There is now a strong and urgent argument to be made for the Government to provide the necessary incentives to private landlords to support them to stay in the market, facilitate new forms of medium and long-term tenure and allow landlords to foster social cohesion by housing those on Local Authority waiting lists at affordable rents in exchange for commensurate tax reliefs.



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