

REVIEW OF THE PRIVATE RESIDENTIAL RENTAL SECTOR



SINN FÉIN SUBMISSION

Sinn Féin

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Introduction

The private residential rental sector has grown dramatically since the mid 2000s. According to the Residential Tenancies Board there were 83,983 registered tenancies in 2005. By 2016 this number has increased to 319,822.

In 1991 the private rental sector represented 8% of all housing stock. That rose to 10% in 2006 and 20% by 2016.

While the majority of these properties were owned by single property landlords the reasons for the dramatic rise in the private rental sector during these years was the result of a number of key government policies.

Under provision of social housing: Since 1990 social housing output has never kept pace with need. As a consequence, an ever-greater number of people waiting for social housing have ended up living in the private rental sector.

Shift from 'bricks to benefit': During this time Government introduced and increased the provision of subsidies for social housing applicants living in the private rental sector, through Rent Supplement, the Rental Accommodation Scheme and the Housing Assistance Payment. A third of all private rental tenancies are subsidised via these three schemes. Importantly both RAS and HAP are defined under law as long term 'social housing solutions' not temporary income supports while waiting for social housing.

Fiscal policy: During the Celtic Tiger era Government policy encouraged the growth of the private rental sector through Section 23 tax reliefs and mortgage interest relief for landlords. Post-crash, Government introduced generous tax reliefs for institutional investors including REITs, ICAVs and other vehicles.

Negative equity: The property crash from 2007 plunged many homeowners into negative equity. Some lost their homes due to mortgage distress and moved into the private rental sector. Others, unable to sell but needing larger homes, became accidental landlords, often renting their primary home and renting a larger home for themselves as their needs grew.

Affordability crisis: Both during the Celtic Tiger era and again since 2012 house prices have raised more dramatically than wages. This has left a significant number of people, especially younger people, locked out of home ownership and living in the private rental sector. Research from the Economic and Social Research Institute published in 2018 indicated a significant number of renters, not eligible for social housing support and yet paying more than 40% of their disposable income on rent.¹

The dramatic rise in the private rental sector over the last two decades resulted in a number of structural features.

As the majority of landlords are accidental and semi-professional, owning just a single property, their approach is very often short term.

For tenants, the sector is also very insecure as Section 34 grounds for terminating tenancies are broad and easy to apply, mitigating against tenancies of indefinite duration.

The absence of any meaningful rent regulation prior to 2017 meant that rent levels were subject to

1 ESRI <https://www.esri.ie/system/files/publications/WP593.pdf>

the volatility of the market, rising dramatically during the Celtic Tiger era, plummeting post-crash and then rising exponentially since 2014. The latest CSO Census figures show that rents on average have increased 37% from 2016 to 2022.

The introduction of poorly designed rent regulation in 2016 has created a two-tier rental sector, both inside and outside of Rent Pressure Zones but also between existing and new rental stock inside Rent Pressure Zones.

These structural features make the private rental sector insecure, unstable and expensive. For very many people the sector does not meet their housing needs.

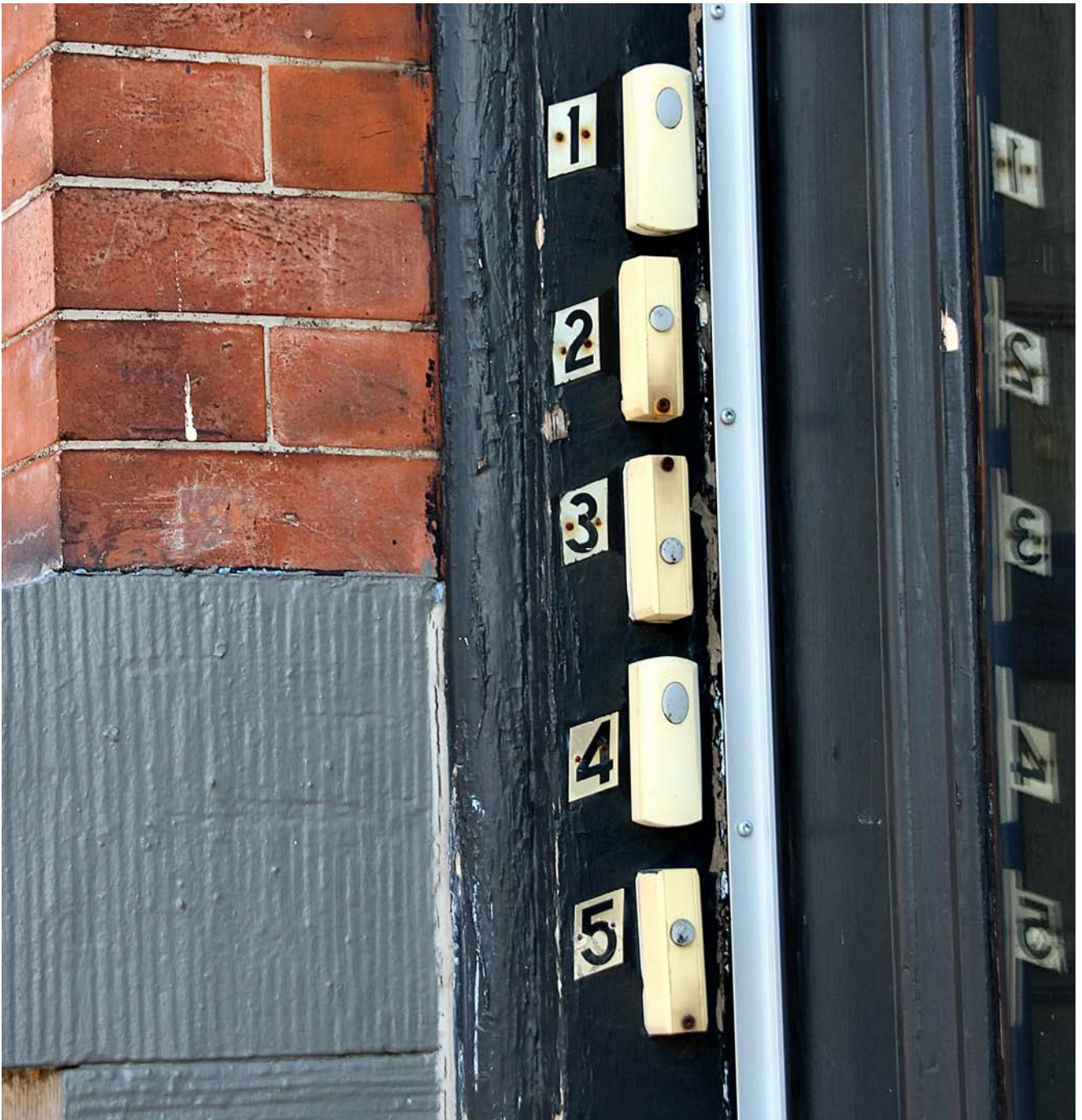
When you combine the total number of social housing applicants in receipt of subsidies such as RS, RAS & HAP with those private renters paying high housing costs, up to and beyond 40% of their net income, almost a half of renters are arguably in the wrong form of housing tenure.

According to the CSO the number of people over the age of 65 living in the private rented sector has increased by 83% between 2016 and 2022. A report published by Threshold and Alone in May 2023 made the case that for the majority of older people the private rental sector does not adequately meet their housing needs.²

Any future consideration of the private rental sector must take these key concerns into account.



2 Alone & Threshold <https://alone.ie/a-quarter-of-older-renters-expect-to-remain-in-the-private-rental-sector-for-life-joint-alone-threshold-report/>



Is the Private Rented Sector Shrinking?

According to the Residential Tenancies Board the number of registered tenancies has been reducing each year from 2016 to 2021, from 319,822 tenancies to 276,223.

This represents a net loss of 43,599 registered tenancies over five years. However, given that much of the new institutional investor funded build to rent developments entering the market have higher rents, it is likely that there is a gross loss of rental properties at the bottom and middle end of the market.

These dynamics have led to a public policy debate about the exit of single property landlords from the private rental market and calls for Government to take measures either to slow down this loss or to mitigate against its displacement of tenants, particularly into homelessness.

However, the most recent CSO Census report recorded 330,000 private rental properties in 2022. This

is 54,000 properties more than the most up to date RTB registration figures. The CSO Census data also shows the number of private rental properties increasing by 7% between 2016 and 2022.

It is too early to be definitive about the difference between the CSO and RTB data. Their methodologies and timelines are different.

The CSO Census data underestimates the number of Approved Housing Body properties by almost 10,000. There are also more than 10,000 long term leased properties where tenants may have identified them as private rental accommodation with census enumerators.

However, the possibility of significant levels of non compliance with RTB registration must also be a factor.

Accurate data about the current state of the private rental sector is vital if Government is to choose the right policies to address the current problems. We need to know if the private rental sector is actually shrinking and if so by how much.

However, we do know both from the RTBs own research and from industry sources that a significant number of single property landlords are leaving the market.

The reasons are diverse and include:

- **The return of positive equity to the market allowing accidental landlords to finally sell up**
- **High house prices encouraging semi-professional landlords to sell now before prices level off or begin to fall**
- **Landlords approaching pension age and selling to provide for a lump sum on retirement**
- **Landlords unhappy with the differential tax treatment and rent regulation of new institutional providers of rental stock and single property landlords**
- **Landlords unhappy with or unable to cope with the new regulations introduced by Governments in recent years**
- **Landlords impacted by rising interest rates and unhappy with the return on their rental income**
- **Landlords who want the property for family use**

It is important to say, however, that research from the RTB shows that the majority of landlords are not considering selling up. With rent levels at record highs renting property, either as a single property owner or an institutional investors, remains a very profitable business for many.

Sinn Féin proposals

Sinn Féin believes that we need a stable, secure and affordable private rental market. We also need to ensure that all rental properties must meet minimum standards.

It is our view that the private rental sector has grown too fast and too large over the last two decades.

Large numbers of people currently in the private rental sector do not want to be there and would have their housing needs better met in social housing, affordable cost rental tenancies or in affordable home ownership.

Indeed the cost to the taxpayer arising from subsidies to the sector is enormous. Over €1billion is spent annually on RS, RAS & HAP. An unknown figure is also lost to the exchequer each year in mortgage interest relief for landlords.

Therefore, our approach to the future of the private rental sector can not be seen in isolation from the social and affordable sectors.

Our view is that the private rental sector needs to shrink as a percentage of total housing stock over a period of time as the social rental, affordable cost rental and affordable ownership sectors grow.

This will lead over time to a smaller, more stable, more professional, more cost effective and ultimately more affordable private rental sector.

Sinn Féin also believe that there is a need for urgent emergency measures now, to help those at greatest risk from the insecure and expensive nature of the private rental sector.

Emergency Measures

Banning rent increases & reducing rents

Rents in the private rental sector are at their highest on record. Both existing and new tenants have been hit with rent increases way above wage inflation and are struggling with high housing costs.

This in turn is leading to increased wage demands putting pressure on employers or worse employers in the public and private sectors being unable to fill permanent contracted positions because potential employees can not secure affordable accommodation.

While ultimately Government must increase the delivery of social and affordable housing to meet this need, in the short-term Government must act to constrain rents.

Sinn Féin believes we need a refundable tax credit providing every private renter with a full months rent back into their pockets. The tax relief would be equal to 8.3% of rent paid per tenancy, with the credit divided as appropriate amongst the renters holding that tenancy. The relief would be capped at €2000 per year per tenancy and would be in place for three years.

In order to ensure that all private renters can avail of the relief evidence required by revenue would include either an RTB registration or a valid tenancy agreement along with evidence of rent being paid to a landlord. The current requirement of RTB registration is a barrier for many tenants. RTB registration is not currently a requirement for a landlord to receive HAP.

However, compliance with the requirement to register with the RTB needs increased attention. Revenue must be able to share information with the RTB on rental properties in receipt of the renters' tax credit to assist the RTB in ensuring compliance with this key legal requirement of being a landlord.

To ensure that the tax credit would not play a role in pushing up rents further Sinn Féin would combine the credit with a three year ban on rent increases for all existing tenancies, new tenancies in existing rental stock and on all new rental stock.

For new rental stock the rent would be set at the RTB standardised rent index for that location and property type.

The combination of these two measures would give renters the break they need. Putting money back into their pockets while protecting them from further rent hikes.

The rationale for the three year timeline is to give Government time to bring on stream a dramatically increased supply of social and affordable housing providing renters with better housing options.

Preventing Homelessness

The ending of the ban on no fault evictions has led to the predicted increase in people presenting as homeless and entering emergency accommodation.

The lack of private rental accommodation and the under supply of social homes also means that people are spending much longer in emergency accommodation.

While we are finally seeing some improvement in the operation of the social rental tenant-in-situ scheme it is still being applied inconsistently across local authorities. It is also taking too long to process applications leading to real frustrations among landlords and tenants.



Meanwhile the cost rental tenant-in situ scheme has yet to get fully up and running. It is not adequately advertised and there are significant barriers for AHBs to participate.

Government must reintroduce the temporary ban on no fault evictions until such time as the numbers of single people and families with children in emergency accommodation starts to fall.

This should be combined with a more aggressive roll out and operation of the tenant-in-situ scheme taking into account recommendations from opposition and NGOs on its improvement.

These would include shorter processing times, greater advertisement via the residential tenancies board, removal of the formal requirement for a notice of termination before a Council or AHB can consider a purchase under the scheme.

Government must also not only meet its own social housing targets for 2023 and 2024 but provide an additional quantum of social housing, utilising emergency planning powers and modular building technology, to deliver additional homes for those in emergency accommodation.

Structural Reforms

In addition to the above emergency measures Government must put in place a series of reforms to restructure the private rental sector guaranteeing security, stability and affordability.

This must be done in parallel with a dramatic increase in and acceleration of the delivery of social rental, affordable cost rental and affordable purchase homes.

Sinn Féin proposes the following measures be introduced as part of this broader restructuring.

Rent Certainty: After the three-year ban on rent increases rents in the private rental sector should be index linked. The index should take account of key elements of the economy including wages and interest rates. Rent certainty must apply to all tenancies and all rental stock.

NCT certification of standards: All rental properties must be required to have an NCT style certification demonstrating compliance with standards. This could be phased on over a 4-year period with Councils mandated to inspect 25% of all rental stock a year. The scheme could be cost neutral for the councils with landlords paying a modest charge for the inspection, to be repeated every fifth year. This would protect both tenants and compliant landlords.

Tenancies of Indefinite duration: Section 34 of the Residential Tenancies Act must be amended to provide for tenancies of indefinite duration, whereby a tenant who complies with the terms of their lease has real long-term security. This would require removing sale of property as a ground for issuing an eviction notice. It would also require setting out in regulations the specific grounds upon which a notice could be issued for family use, including property owner at risk of homelessness; in cases of relationship breakdown; or for children attending college.

Sex for Rent: Government should immediately make seeking sex for rent or advertising for such arrangements an offence under the Residential Tenancies Act.

RTB determinations legally enforceable: Currently where the RTB makes a determination but the guilty party refuses to adhere to its terms, the wronged party must take the matter to the courts. This is deeply unfair and impacts good tenants and good landlords alike. Government must consider amending the Residential Tenancies Act to make RTB determinations and tribunal decisions legally enforceable, with the guilty party having recourse to the courts if they want to dispute the RTBs decision.

Deposit Protection Scheme: Legislation for the introduction of a Deposit Protection Scheme was passed in 2015. However, to date this has not been introduced. Given that deposit disputes continue to form a significant portion of the RTBs workload such a scheme should be introduced.

RTB review: In recent years the powers and functions of the RTB have increased significantly. In turn the demands on their services have also increased. Staffing and work force planning issues have been challenging at times, particularly during covid. It is now time for a comprehensive review of the RTB to ensure that it has the staff, systems and corporate plan to meet its legislative responsibilities while at the same time providing landlords and tenants with a fair, transparent and efficient service.

Tax reform for landlords: Sinn Féin has long called for tax equity between different categories of landlords. Government must move to end the egregious tax reliefs for institutional investors through ending the CGT exemption, applying a 17% stamp duty and increasing dividend withholding tax to 33%.

Housing Supply: Sinn Féin believes that Government priority in housing supply must be the delivery of additional social and affordable homes both to rent and buy.

The state needs at least 20,000 public homes annually to meet social, affordable rental and affordable purchase need. Indeed, given that many private renters do not have their housing needs in that form of tenure, providing people with pathways out of the private rental sector must be a priority.

Given the continued exit of a portion of single property landlords from the market Government should expand the tenant-in-situ scheme beyond a measure to prevent homelessness and to widen its application to allow the transfer of the maximum number of appropriate private rental properties into the social and affordable cost rental sectors, subject to condition of property and value for money.

Conclusion

The private rental sector is in need of fundamental reform. Bad policy by successive Governments has led to the sector growing too large too quickly and being forced to meet the needs of far too many people who should instead be in social and affordable housing.

Government now has an opportunity to rectify these problems by re-shaping the sector into a smaller, more stable, more professional and ultimately more affordable form of tenure.

This can only be done in parallel with a step change in the delivery of social and affordable homes commensurate with existing and future need.

Meanwhile key emergency measures are required to protect renters from sky high rents and homelessness.

Tinkering around the edges and allowing the failed policies of the past to continue into the future is not an option. Now is a time for real change and real short term and long-term reform of the private rental sector.

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