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Time to Make Renting a Long-Term Housing Choice

Lorcan Sirr

Technological University Dublin, lorcan.sirr@tudublin.ie

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Rental Property

Time to make renting a long-term housing choice

As rents start to rise, it's time to look at creating a long-term rental market that would offer security to tenants and stable returns to landlords says **Lorcan Sirr**, who explains why he prefers to keep renting

THE rental market in Ireland is not a serious, long-term attraction for many people – and it's time that changed. Our obsession with home ownership, combined with a rental market that offers neither security to tenants nor stable returns to landlords, has given it secondary status when it comes to housing.

It need not be that way. And now that Government policy is, unsurprisingly, shifting away from subsidising house purchases, the time is right to make renting long-term a serious housing choice.

The concept that rent – compared to mortgage repayments – is “dead money” has been upended by the property crash. But it will be difficult to broaden the rental base away from young single people to families unless they know they will be able to stay in a home for as long as they need to, if they continue to pay the rent.

With security of tenure so tenuous, potential tenants are naturally cautious of the rental market.

There are currently at least three obstacles to transforming our rental market into something more attractive.

Firstly, our obsession with home ownership, which was reinforced by a lack of alternative options for many people, and driven by financial supports from the state. This may shift if Government alters policy – and legislation – wisely.

Secondly, there is the plethora of amateur landlords who see investing in property as a short-term game. Professionals see value in having tenants for dec-

ades, not until property values rise. Property is a long-term investment, not one of immediate wealth creation.

Thirdly, and most importantly, the Residential Tenancies Act of 2004 needs to be changed. If renting is to be made a long-term and viable option for society, then tenants need to know they have real security of tenure.

The notice periods – up to six months – which must be given by landlords to tenants are not unduly awful in the Act but the reasons by which a landlord can recover possession of a property need to be updated and made more impersonal.

Finally, the rental market needs to be made attractive to professional landlords, that is co-operatives, housing associations and investment companies who have no personal interest in the property but do have a professional interest in long-term tenancies, quality accommodation and good tenant relationships.

There is no reason why Dublin should not have a rental market like Antwerp or Berlin or almost any European city, but we need to level the playing field financially to support different types of accommodation, and the Residential Tenancies Act needs to afford much greater security of tenure to tenants.

We should make the rental market an attractive one for both occupiers and owners.

This means improving security of tenure for tenants, and creating the means to attract professional landlord companies and investors.

We could learn some lessons from the German example. Often thought of as “pro-tenant”, the German rental market is attractive to about 60 per cent of the population.

Being relatively pro-tenant has created a demand for accommodation, and many people regard their rented accommodation as their long-term home and, accordingly, treat it well. Many families rent for life.

Accommodation is invariably rented completely empty, frequently not even with lightbulbs. Each departing tenant paints the accommodation white, so that new tenants have a clean, empty space into which they can move. The quality of rental accommodation in Germany is generally good.

For landlords, the rental market has also consistently provided an excellent rate of return for investors – up to 8 per cent according to Deutsch Bank Research – precisely because renting is attractive to tenants.

This is even despite rents not being able to increase by more than 20 per cent over three years.

With cashflows relatively certain, the German rental market is also stable, attracting professional housing investors and housing companies.

Therefore, it's not a question of deterring landlords from investing if regulations are too tough. If regulations offer an attractive package for tenants, then the rental base will expand, demand will increase and decent returns will be made.

Ultimately, domestic accommodation, rented or not, is somebody's home, and not a commodity.

A professional rental market recognises this, and thrives because of it. We have a lot of catching up to do.

■ Dr Lorcan Sirr is a lecturer in the Department of Real Estate at Dublin Institute of Technology and editor of *Dublin's Future* published by the Liffey Press

Renting: I get choice – and save money

I HAVE BEEN a "renter" in various countries ever since I left home. My experience has mostly been a very positive one. There is definitely more stigma attached to renting in Ireland than in other jurisdictions where it is seen as the norm.

Renting currently offers me two major advantages. Firstly, I can afford to rent in a part of Dublin in which I could not afford to buy. Hence, I live in a location of my choice, with good local facilities, and within an easy cycle of work. My commute is less than 20 minutes and I never have to pay to get to work.

Second, renting is currently making me money. Compared to the mortgage on a house I could afford to buy, my rent is around 40 per cent cheaper, meaning I can save the difference each month.

It also means I have a positive sum of money and not a house in negative equity with 25 years left on the mortgage.

Renting also affords me a degree of flexibility. If needs be, I can up sticks and move location or country.

Unfortunately, renting is not for everybody, although it should be. Our market and legislation is such that renting offers little security of tenure.

For example, why and how would families rent if they can't be assured of being able to stay for long periods of time? I take this risk.

Others can't, but security of tenure shouldn't be a risk in a proper rental market.



Lorcan Sirr in his rented home in Donnybrook, Dublin 4: "If renting is to be made a long-term and viable option for society, then tenants need to know they have real security of tenure"
Photograph: Brenda Fitzsimons