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A Meaningful Housing Policy Would Deal with Defaulting Landlords and At-Risk Tenants

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Column: A meaningful housing policy would deal with defaulting landlords and at-risk tenants

The rental market in Ireland is largely an amateur business led by small landlords – but, now, with many property-owners in arrears, tenants face an uncertain future, write Lorcan Sirr and Tom Dunne.



Lorcan Sirr and
Tom Dunne

IN JUNE 2011 the then Minister of State for Housing and Planning, Willie Penrose TD, released Ireland's current housing policy. At just three pages long, it is heavy on aspirations, vision and commitment, but light on evidence and action.

Ireland needs more than aspirations. Ideally housing policy should be integrated with other public policies such as finance, social welfare, education, planning and transport. Two years on from Willie Penrose's initial enthusiasm, there's still much to do.

Irish housing policies have always encouraged home-ownership, overlooking the fact that very high levels of home-ownership are not good for a national economy.

The status quo perpetuates social inequality

At 69.7 per cent, **Ireland has a rate of home-ownership** below the **European average** of 73.4 per cent (from 57.5 per cent in Austria to 96.5 per cent in Romania), a rate that still inhibits the development of other housing models, restricts entrepreneurialism and economic mobility, and perpetuates social inequality.

The government needs to decide the level of home-ownership that is optimal from a national social and economic perspective and work towards that.

Significantly, the 2011 housing policy statement reduces the promotion of home-ownership instead promoting the concept of 'equity across tenures'. Housing policy should now facilitate consumer choice through the development of diverse accommodation sectors and options (long-term renting, for example).

As home-ownership rates are falling, numbers renting in the private sector have returned to 1950s levels. Rents are increasing, especially for those properties in demand (family homes in established suburbia).

But there are several issues here all of which deter the development of the sector and the concept of 'equity across tenures'.

The rental market in Ireland is largely an amateur business

Security of tenure is poor for tenants which deters many from entering the sector, or investing in their rented property. Conversely, landlords often face challenges in removing tenants for legitimate reasons, the process being time-consuming and costly.

Three-quarters of landlords in Ireland only own one rental property, making it a largely amateur business. The management of such properties can often be less than ideal, and there are still thousands of landlords not registered with the Private Rented Tenancies

Board as they are legally required to do.

Addressing who pays the property tax, a review of security of tenure, a proper system of standards inspections, faster eviction processes, and the allowance of charges against income tax (as is done for commercial landlords), would all help professionalise the sector as well as provide more choice for accommodation seekers and better income streams for landlords.

These issues must be addressed in any housing policy.

Mortgages arrears on buy-to-let properties

A lot of rental properties are financed with buy-to-let mortgages, nearly 30,000 of which are in arrears of more than six months, and over 7,500 in arrears of more than two years.

This is a serious issue for these landlords, and a potential crisis for their tenants. With banks advised by the Central Bank to get tough on those in arrears – ie foreclose – a lot of tenants are unknowingly at risk of losing their homes.

A vacuum of information concerning tenants' status on foreclosure and possible eviction highlights the lack of any thought-out cross-sectoral strategy where the unintended consequences are entirely predictable.

A meaningful housing policy would deal with both these landlords and at-risk tenants.

Since 2000, the provision of social housing has relied heavily on private residential development. As private development has dried up, so too has the delivery of social housing.

The demand for social housing though has increased for the same reasons residential development has stopped. Over 98,000 households are now on the housing list, a number large enough to expect to find a coherent policy to deal with it.

A housing policy is needed to bring clarity

Instead, activity is ad-hoc and relies heavily on the private rented sector to accommodate people with housing needs at the very time when many landlords are in financial difficulty.

With local authorities moving away from building houses, housing policy needs to clarify who will build, where and how it will be funded. It's not good enough to leave it to the market to accommodate those in housing need.

Additionally, landlords are not obliged to take social housing tenants, a problem when there is buoyant demand from non welfare-funded tenants.

Planning and housing are inextricably linked. Ireland's low-density housing patterns, especially in rural areas, are unsustainable and economically costly. The rural housing surplus is a legacy of haphazard housing development and evidence of the flaws of developer-led planning.

However, low-density housing is the preference of many, partly because we have never properly explored the concept of higher density living. We should though, as Ireland needs to build about 30,000 units annually, mostly in suburban areas.

Urgent need for a policy on the loss of family homes

Using fiscal and planning incentives, a housing policy should encourage appropriate housing development in locations where it is needed, which is not necessarily always the same as in places where individuals want to build.

Insolvency policies do not sufficiently deal with the loss of family homes, and there is urgent need for a policy on this.

For example, should someone who undergoing insolvency processes have to surrender their family home? It might make sense if the home is worth €500,000 but does it make any sense if the family home is worth €150,000 and, once evicted, the family will have to be provided with a family home costing the same?

Policy needs to provide guidelines as to what are the minimum requirements for families in need of housing.

The housing sector cannot be left to its own devices

Housing policy also needs to address the issue of housing and apartment complex management which will be a feature of housing in the future. Poor legal clarity concerning the management of these complexes has led to low levels participation, a lack of understanding of rights and responsibilities and very frustrated occupiers.

Housing is a complex topic. We've not even discussed affordability issues, access to credit, or the UN convention on rights for persons with disabilities which will significantly affect Irish housing policy.

It is lamentable there is still no coherent national housing policy. Its importance is such nationally and personally, that housing as a sector cannot be left to its own devices.

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