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Six Things That Need to Change in Ireland's Rental Market

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Opinion: Six things that need to change in Ireland's rental market

The rented sector as we traditionally know it is not keeping pace in terms of quantity or quality.



Lorcan Sirr

RENTING FROM A private landlord now comprises a large component of the Irish housing market. In places like Dublin, Cork and Galway about one in three households are renting from a private landlord (plus another one in ten from their local authority). That's over 635,000 private tenants. Not all are renting by choice, of course, but many are.

The rental market – and especially an efficient rental market – is increasingly important not just to house people, but also for the broader economy. Too much home-ownership (above 70%) is not good for an economy like Ireland's, as among other things it diverts too much money into a volatile investment, and away from other potentially more productive activities.

Not keeping pace in terms of quantity or quality

A functioning rental market also aids economic competitiveness (especially for large FDI companies needing to attract good staff) and labour mobility. Of all the thousands of non-nationals working in Ireland, paying taxes, spending their wages, the vast majority are renting in the private sector. Despite being able to afford it, many don't want to buy a property, as their careers regularly mean they are on the move, so they need to rent.

For other reasons, there are many in the private rented sector who have no choice but to rent. People who traditionally would have been housed by their local authority are – totally inappropriately – being directed towards private landlords. So the private rented sector is important here too.

Unfortunately, more landlords are leaving the business than are entering it, which is also unhelpful, as less of a supply will tend to equate to higher rents.

The problem is, the world is moving on and the rented sector as we traditionally know it is not keeping pace in terms of quantity or quality. The private rented sector needs to change, and here are some suggestions on how it might be done.

Suggestions...

1. Ireland needs more landlords. A decreasing supply of landlords is not a good thing. Currently nearly one in three landlords are seriously considering leaving the market, partly because their properties are slowly coming out of negative equity and they want to sell them (leaving tenants to find new accommodation), and partly because the taxation situation can be very punitive. It is important therefore that 100% interest relief on borrowings and the deduction of local property tax for tax purposes should be allowed, especially if the tenant stays longer than four years.
2. Ireland also needs new types of landlords to cater for people who wish to rent long-term in professionally developed and managed units (including family units) in

which there's no danger of being asked to leave because, for example, a family member wants to use the accommodation (see next point). Although there is the welcome emergence of such landlords here like Kennedy Wilson and Capreit, they are not enough.

In other countries this type of long-term accommodation is often provided by pension funds, and indeed some are compulsorily required to invest in rented residential development. Pension funds are prime potential for supplying the rental market and should be encouraged, facilitated and directed to do so. Irish pension funds will invest in this type of property abroad but not in Ireland, and they should.

3. The changing nature of renting – different types of people renting for longer – means tenants requirements are changing too: security of tenure is one such area where change is needed. There are two aspects to security of tenure, one of which is lease length, and there's currently nothing to stop landlords and tenants signing leases of any duration they agree on. The other aspect is reasons for termination.

The reasons whereby an Irish landlord can terminate a lease are fairly similar in other countries, but in order to prevent abuse of these reasons (i.e. a landlord saying a family member wants to use the property, but really they want the tenant out so they can achieve a higher rent) notice periods should be double where the property isn't being sold and where the lease hasn't been breached.

4. Rents are the big issue for tenants, not just the amount, but also the certainty of knowing what payments might be. Whereas mortgage-holders are often also uncertain in knowing what their repayments might be, they are much more likely to not lose their accommodation in the event of it becoming more expensive. Rental increases should either be linked to an index (of which there are several to choose from) or market increases limited to no more than a 20% increase over three years. This would provide security of outgoings for tenants, and certainty of income for landlords. Despite the normal discourse about rents being controlled (and they are already to an extent), serious investors like this certainty of income.

5. With local authorities having abandoned building housing in the last decade (although it is due to restart), and forcing tenants into the private rented sector, the housing waiting list has become a factor in rents and the supply of accommodation. The local authority housing waiting list system and the way in which properties are offered to people on the list is outdated and an unnecessary burden on all concerned.

Instead, there should be one national housing waiting list with all properties across the country (not just in individual counties) available to see online and to be taken up by anybody on the waiting list, regardless of the local authority area in which they currently reside. This would help reduce duplication on the list, allow people to take up properties in areas in which they might never have been offered accommodation, and also facilitate better social and (hopefully) labour mobility. It would also take people out of the private rented sector.

6. The final point is about disputes (with some good news). Long the record holder, it is only recently that the issue of landlords withholding deposits has moved into second place as the most popular case for tenants to bring against landlords (rental arrears is now in top place, in case you were wondering). It is and has always been wrong that

landlords hold the monies of their tenants, especially when in more recent times there are cases where the landlord has spent the deposit involved and simply doesn't have it to return, which is, to my mind, theft.

A deposit retention scheme – whereby a third party holds the deposit – has been mooted in Ireland for at least 20 years but never materialised. At last, a scheme is to become operational and run by the Private Rented Tenancies Board. This is good news indeed, and if run as efficiently as proposed should resolve one of the major areas of contention between landlords and their tenants.

A new generation of renters

The private rented sector is very important to Ireland, economically and societally, and in the main tenants have a good relationship with their landlords (well, c.56% according to the PRTB). It is very complex area, and there is much to be concerned about and considered. The private rented sector needs to be able to cater for a different cohort or generation of new renters as well as the traditional type, and right now it's questionable whether it is capable of meeting that challenge.

The challenge is, of course, a governmental one as none of the suggestions above will be put in place by either landlords or tenants, but by ministers and their advisors.

These are just my ideas – there's plenty more to be found in PRTB's report on the future of the PRS, [available here](#).

*Dr Lorcan Sirr is a lecturer in housing at DIT, and a renter. He is editor of *Renting in Ireland: the social, voluntary and private sectors*, published by the Institute of Public Administration and [available here](#).*

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[\(http://www.thejournal.ie/irish-rent-market-1741319-Oct2014/\)](http://www.thejournal.ie/irish-rent-market-1741319-Oct2014/)

Can You Guess The Rent On These Dublin Flats? (http://thedailyedge.thejournal.ie

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