

Review of the Private Residential Sector

*Submission by the Citizens Information Board (CIB) to Department of Housing,
Local Government and Heritage*

Introduction

Citizens Information Board (CIB) funded services – Citizens Information Services (CISs) and the Money Advice and Budgeting Service (MABS) have considerable insight into the operation of the private rental market and into the problems that private renters experience. CISs dealt with over 75,000 housing related queries in 2022.¹ This submission draws on the experience of these services in dealing with housing needs and on the findings of previous CIB reports on the private rented sector and other relevant research.

A 2022 joint CIB/Threshold report pointed to the broadening range of household types that are now dependent on the private rental sector.² Of particular concern to CIB is the situation of population cohorts who are, to varying degrees, vulnerable because they do not have the social and financial capital to withstand disruptions or increasing costs which are inherent in the private rented sector.

CIB-funded services are dealing more frequently with client groups that are experiencing housing issues – households with children, single people in employment, people aged 66+ years, disabled people, people experiencing mental health difficulties and people who are non-Irish. Many of these client groups differ from those traditionally associated with the private rented sector with an increasing number of renters needing long-term tenure and the possibility of life-long renting. The difficulties faced by older renters is indicative of this changing pattern.

Composition of the Sector

Traditionally the private rental sector, catered for mobile workers, students, and young adults. Should the rental sector cater to lifelong renting? If so, should such a reorientation be a reason for a different approach to the regulation of the sector?

Ireland's private rental sector is currently characterised by rising price inflation and chronic undersupply. One factor that differentiates this crisis from previous ones is the pervasive nature in which almost all age groups have been impacted. With supply and affordability difficulties in the home

¹ Housing queries to CISs increased by 22.4% in 2022, compared to 2021.

² Threshold/CIB (2022). *Renting and Risk – An Analysis of the Vulnerabilities of Renting*, https://www.citizensinformationboard.ie/downloads/social_policy/Renting_and_risk_the_vulnerabilities_of_renting.pdf. CIB funds Threshold to provide a second-tier specialist advisory service to Citizens Information Services in dealing with complex private rented sector queries from the public.

ownership side of the housing market widely acknowledged, the private rented sector in Ireland has trebled in size since the year 2000. The private rental market now accommodates approximately one-in-five households compared to one-in-ten households in 2002.

With a growing reliance on private rented accommodation during a period of low levels of affordable supply and elevated rental prices, it is critical that the sector is fit for purpose in terms of providing a stable, safe, and secure long-term housing option for tenants. The issue of affordability in the private rental sector is a long-standing and ongoing problem for many users of CIB services.³

It is noted that Ireland continues to differ substantially from many other European countries in that 70% of people living in households own their homes, with only 30% living in rented accommodation. However, it is useful to acknowledge that – despite popular opinion – this pattern is very close to the EU average (69.9%) and the position in countries such as the Netherlands (70.1%).⁴

Where Ireland does differ from many of its EU neighbours is that the great majority of its people live in houses (90%) as opposed to living in flats and apartments. Interestingly, the Netherlands shares a similar pattern with 80% of its people living in houses.

The private rental sector has significant potential as a provider of accommodation in the wider, non-social housing market. This will require a change in culture about the necessity to ‘own’ one’s home, and in what is the norm when defining the type of accommodation that should constitute a long-term home.

The average age of those living in the private rented sector has increased over the past thirty years. In general, a greater proportion of people are now staying in private rented accommodation longer either out of necessity or by choice.

The number of households renting from a private landlord increased from 309,728 in 2016 to 330,632 in 2022 – an increase of almost 7%. The number of owner occupiers decreased by 5%. An ageing population and other demographic factors such as an increase in separated persons who have had to relinquish the family home is already contributing to a new and growing need for life-long renting. Recently released CSO data points to an 83% increase in the number of over 65s living in rental accommodation to almost 17,000 households.⁵

The projected decline in home ownership and rise in private rental among the retired population is of concern. The increased housing costs among retired people will increase the proportion of households at risk of poverty. Any State assistance with this will represent an increased burden on the public finances. Long-term pressures on pensions are also likely to arise as people age into retirement and must meet rent costs out of their pensions, a burden that is largely unknown for the current generation of pensioners.

³ Affordability issues are featured in CIB submissions on the *Housing for All* policy and in research reports. [housing-for-all-strategy-questionnaire.pdf \(citizensinformationboard.ie\)](#); [Threshold CIB Report. \(citizensinformationboard.ie\)](#)

⁴ Eurostat. Housing in Europe 2022 Interactive Edition <https://ec.europa.eu/eurostat/cache/digpub/housing/index.html?lang=en>

⁵ [Census 2022: 83% increase in number of over 65s living in rental accommodation – The Irish Times; Key Findings - CSO - Central Statistics Office.](#)

These and other changes in the structure of the population and in the demand for accommodation other than owner-occupied requires the development and adoption of new models and approaches to rental, and a change in the rental culture that has to date assumed mobility, short-term engagements and a relatively low emphasis on security and tenure stability.

It is noted that the Land Development Agency is recently reported in the media as beginning a programme of purchasing privately owned sites that can be utilised for quick delivery of social and affordable public housing. This would be expected to increase the availability of housing for both rental and purchase.

CIB has repeatedly expressed the view that the private rented sector should be used only as a last resort for people with a social housing need and that the State needs to invest directly in the provision of social housing to a substantially greater extent than it does at present. There is somewhat of a contradiction between the reliance on the private rented sector to meet social housing needs and the rent limits that are set by Government for that sector which by its very nature operates on a profit basis related to market rents.

What types of changes should be introduced to facilitate tenants who wish to enter into long-term tenancy options, and what should be done to encourage the supply of rental accommodation to meet such demand?

The private rental sector in Ireland needs substantial reform in terms of tenure, rent certainty and appropriate standards if it is to be a socially and culturally acceptable long-term housing option. Both landlords and tenants have yet to become attuned to the processes and demands of longer-established rental cultures that exist elsewhere in Europe. Mechanisms will need to be developed and adopted that provide greater certainty for both tenants and landlords. Such mechanisms will need to recognise the genuine concerns that are likely to exist for both parties.

Notwithstanding improvements brought in by the Residential Tenancies (Amendment) Act 2021,⁶ a landlord is still permitted to end a tenancy if they intend to sell the property; if they require it for their own use or that of a family member; if they intend to refurbish the property; if the property no longer meets the needs of the tenants; or the landlord decides to change the use of the property. The experience of CIB-funded services suggests that in practice most landlords evict for the purpose of sale. It is, therefore, important to further review the security of tenure offered by the Residential Tenancies Act.

There is a definite need to move rapidly toward the abolition of 'no-fault' evictions. As a first step in such a process, consideration should be given (in addition to changes already announced) to regulations that would require continuity of tenure in certain circumstances where rental properties are put up for sale.

The introduction of further legislation to improve long-term security of tenure, while primarily offering advantages to tenants, can also provide certainty to landlords through the strengthening of obligations imposed on tenants.

There is good reason to suggest that enhanced use of targeted tax incentives aimed at landlords who make their property available for social and affordable schemes, and for longer-term tenancies could

⁶ Residential Tenancies (Amendment) Act 2021

increase the motivation for landlords to engage in longer-term arrangements. A rebalancing of the taxation system may also assist with retaining individual small-scale landlords in the rental sector.

What are the implications of the introduction of policy initiatives, such as cost rental, for the composition of the sector?

Cost rental home provision is an important component of Ireland's housing policy in terms of additional supply and securing more balance and affordability. An average of 2,000 cost rental homes per year are targeted for supply over the next 10 years, with rents set to be at least 25% below market rates and will cover the cost of developing, financing, managing, and maintaining the rental property.⁷

Cost rental will give some households a more affordable and secure option than private rental, but it will be many years before it becomes a widely available option. It remains to be seen whether it can be an attractive lifetime option for tenants.

Threshold has noted that the delivery of this form of rental accommodation will need to be at a large enough scale to ensure a moderating impact on market rents, a reduction in social inequality and poverty, and future reinvestment in further cost rental developments.⁸

CIB agrees that the provision of cost rental properties at an increased scale – while not necessarily meeting the needs of the most disadvantaged renters – will meet the needs of many middle earners and will also release other non-cost rental properties for lower income households, e.g., people reliant on HAP.

There are other possible options than home ownership and private rental. The separation of ownership of land and buildings has the potential to enhance access to ownership and contribute to stability. This could be done by facilitating the building of housing on public land: the land remains in public ownership while households would purchase the buildings. This reduces the initial cost of ownership while the land element of housing is removed from speculative forces. The owners of the dwelling could be required to pay rent for the land element of their housing.

There is a need to move away from the current dualist debate on the private rental sector, in which some argue for rent control and others counter with the need to create better incentives to keep existing landlords in the sector and encourage developers and investors to increase supply. We need policies that on the one hand provide tenants with more secure occupancy and on the other create supply-side supports to increase the availability of affordable rental housing, including land management and infrastructural development.

Regarding security of tenure, the changes made under the Residential Tenancies (Amendment) Act 2021⁹ regarding Part Four tenancies marks a welcome shift toward tenure security for renters. As of June 2022, a Part Four tenancy is of an undefined duration and cannot be ended after six years without

⁷ Housing for All - a New Housing Plan for Ireland, Department of Housing, Local Government and Heritage

⁸ Threshold, 'Housing for All' Submission 2021, https://threshold.ie/wp-content/uploads/2022/06/housing_for_all_may_2021_threshold_submission.pdf

⁹ Residential Tenancies (Amendment) Act 2021, <https://www.irishstatutebook.ie/eli/2021/act/39/enacted/en/print#:~:text=An%20Act%20to%20provide%20for,certain%20tenancies%3B%20for%20those%20purposes>

any reason. This change is an important step toward strengthening the private rental sector as a viable long-term housing option for households and individuals.

What are the pension policy implications of the aging of households renting in the private market?

As noted above, the trend of people staying in rented accommodation in their later years will have implications for the sustainability of homes for an ageing population of private renters, both individually and collectively. Long-term consideration needs to be given to the type of housing supply required to meet the needs of older and ageing renters – cost, design, and security of tenure. The State pension and schemes, such as the Fair Deal scheme, are currently designed based on the assumption that a person owns their own home. The growing trend of older people in the private rented sector will thus have implications for pension levels and for the financing of long-term care.

According to RTB and Amárach research carried out in 2021,¹⁰ 17% of all renters in the private sector were aged over 45, making up 67,000 households, of which just under 16,000 are headed by individuals aged 60 or over. New data from Census 2022, puts the percentage of people over 65 in rented accommodation at 17,000 households, an increase of 83% on the previous census 2016 figure.¹¹ The problems faced by older people in private rented accommodation include concerns that their fixed income (pension) will not cover rising rental costs. More than 40% of older renters expect to stay in rental accommodation for the rest of their lives, as they feel no other options are available to them, according to a Threshold/Alone recent research report.¹²

CIB and MABS have previously noted that uncertainty around future income for older people has made it very difficult to put in place a long-term plan to finance accommodation related expenses.¹³ For many older renters, a pension payment is the main source of income. While an increasing proportion may have access to a private pension, the majority are likely to be dependent on the State pension. This is currently designed on the assumption that recipients do not have a mortgage, rent or other housing debt to be covered by the pension payment. In 2021, almost half of tenants aged 65 years or older were spending more than 35% of their disposable income on rent.¹⁴ In the current rental market, pension dependent older people are likely to find any rent increases very challenging. Such a degree of uncertainty and related stress on older people can scarcely be tolerated in a society that champions equality and social inclusion.

The Nursing Home Support Scheme (Fair Deal), as currently designed, is based on the assumption that a person owns their own home. The growing trend of older people in the private rented sector will thus have implications for the financing of long-term care, both nursing home and in the community.

¹⁰ <https://www.rtb.ie/data-hub/rtb-rental-sector-survey-the-tenants-profile>

¹¹ [Key Findings - CSO - Central Statistics Office](#), July 2023

¹² The Double Deficit: Older And Ageing Persons In The Irish Private Rental Sector, <https://alone.ie/wp-content/uploads/2023/05/Threshold-Alone-Report-highres-web.pdf>

¹³ CIB Pre Budget Submission 2022, *Addressing Citizens' Concern on Adequacy of Income, Debt and Money Advice*, https://www.citizensinformationboard.ie/downloads/social_policy/submissions2021/prebudget-submission-2022.pdf

¹⁴ <https://www.cso.ie/en/releasesandpublications/FP/FP-TRSI/therentalsectorinireland2021/tenants/>

The Cost of Renting

What changes, if any, should be made to the policy of price controls in the residential rental market?

CIB acknowledges the fact that Ireland ranks well amongst European countries regarding the proportion of monthly income spent on rental costs.¹⁵ In general, renters in Ireland face the lowest rent-to-income ratios (RTI) on average. However, this metric conceals the fact that for a high proportion of Irish renters' excessive rental costs are mitigated by rental supports such as HAP. Affordability pressures remain high for middle-to-higher income renters and single renters with children experience a higher RTI (24.3% versus 20.7% overall). For single renters with children, the share of households with an RTI over 30% is 30.1% compared to an overall ratio of 18%.¹⁶ Despite the fact that a high proportion of renters receive some form of housing support, 10% are paying over 40% of income on rent.

For households with below or average incomes, there is clearly an affordability issue, most notably in urban areas, as competition from medium and high-income households is squeezing people on lower incomes out of the market. This issue applies to both people reliant on state support and others on low income but not entitled to state support.

Approximately 25% of private renters live outside Rent Pressure Zones (RPZ). This equates to approximately 75,000 households. In recent years, significant increases in asking monthly rents, (ranging between €150 and €160) have been recorded in counties such as Leitrim, Donegal, and Mayo. Market rents rose by 3.1% on average in Connacht-Ulster in the final quarter of 2022, the seventh time in eight quarters rents rose by 3% or more.¹⁷ These rent increases far exceed those recorded in 2015 and 2016 which prompted the introduction of a two-year rent freeze and the introduction of RPZs. In Munster, Connacht, and Ulster (outside RPZs), rents continued to rise strongly in the first quarter of 2023, by 3.8% on average¹⁸. There is thus clearly a strong argument for a nationwide expansion of RPZ.

Equally, there is a need to ensure greater enforcement of Rent Pressure Zones. Following the granting of increased powers in 2019, to sanction landlords for breaching certain rules, by 2021, the RTB had commenced over 400 investigations. Of these 92% related to breaches of the RPZ rules.¹⁹ This, combined with the ongoing rent increases, indicates that increased enforcement of the RPZs is very necessary.

There is also an issue for some tenants on Housing Assistance Payment (HAP) for whom top-up payments represent a heavy burden. The presence of top-up payments represents a major difference in treatment between tenants on HAP and those in mainstream social housing – both pay income-related differential rents, but HAP tenants also pay top-ups.

¹⁵ ESRI. July 2023. *Housing Affordability across Europe: mixed picture for Ireland*.

<https://www.esri.ie/system/files/publications/RS164.pdf>

¹⁶ *Ibid.* Table 3.8

¹⁷ Daft.ie Rental Price Report Q4 2022, https://galwaybayfm.ie/wp-content/uploads/2023/02/Daft.ie_Rental_Price_Report_Q4_2022.pdf

¹⁸ <https://www.thejournal.ie/daft-rent-report-q1-2023-rents-fall-6067831-May2023/>

¹⁹ Dáil Eireann Written Answers, 11 November 2021 <https://www.oireachtas.ie/en/debates/question/2021-11-11/52/>

There is a clear need to ensure that the cost of rental is controlled, at a minimum, to the extent that disadvantaged groups are enabled to remain in affordable and secure accommodation. There is also a real danger that, without some form of price controls, renters in the middle-income band – who may be able to afford existing rent levels while in employment – will be exposed to unsustainable levels of rent on retirement or in the face of disruptions to their financial security.

Increasing the total supply of housing, particularly the supply of affordable and social housing, would greatly ease the pressures evident in the private rental sector. Institutional investment in build-to-rent schemes has been increasing the supply of higher-end private rental accommodation, some of which may be availed of by social housing tenants through the Housing Assistance Payment (HAP).

The supply of accommodation offered by individual landlords is declining, while the increase in the supply of build-to-rent accommodation has occurred in cities. Provincial towns and villages still depend on individual landlords for private rental accommodation. The question is whether it would be desirable to take actions targeted at reversing the decline in renting from individual landlords in addition to actions aimed at boosting the supply of total and affordable housing.

The introduction of a rental tax credit for €500 in Budget 2023 aims to help with affordability challenges facing private renters although the level of credit comes nowhere near the cost of rental and take-up has been low. This credit applies for the years 2022 to 2025.

The Subsidisation of Households Renting Market Units

How best should the State deploy subsidies to assist those dependent on the private rental sector?

With the growing trend of depending on the private rental market to meet social housing needs, most households are now being supported in the private sector with State supports such as the Housing Assistance Payment (HAP).

CIB believes²⁰ that, while HAP is an important tool in supporting vulnerable tenants in the private rental sector, its success is intrinsically linked to the supply of affordable rental accommodation and should not act as a substitute for publicly provided secure social housing. The provision of HAP is an expensive long-term alternative to the provision of secure public social housing.

CIB also notes a wide range of issues being experienced by disadvantaged groups who are accessing or who wish to access accommodation with HAP support. There is a need to reform and rationalise many aspects of the administration and application of HAP, as well as a need for steps to ensure that HAP realistically reflects real rental costs.

CIB acknowledges that as a short and medium-term measure, HAP provides an effective mechanism for the provision of support to people who are dependent on the private rental sector to meet their social housing needs.

The operation of HAP could be significantly enhanced if Local Authorities were responsible for sourcing HAP accommodation for families requiring private rented accommodation for the first time (e.g.,

²⁰ CIB, Housing Assistance Payment: The Experience of Citizen Information Services, https://www.citizensinformationboard.ie/downloads/social_policy/HAP_Report_CIB_2017.pdf

following home repossession) and re-housing families who lose HAP accommodation. This would be particularly important in the context the Homeless HAP Initiative.

There is some evidence from CISs that, notwithstanding the 20% discretion on the limit, HAP thresholds are still too low in some areas. Another major difficulty with HAP reported by CISs and MABS is the scarcity of property to rent in different parts of the country at the HAP rates and tenants being obliged to make top-up payments. The latter frequently puts severe financial pressure on low-income households and inevitably caused financial hardship. MABS have highlighted in submissions that HAP tenants do not have the same rights and protections as those in social housing (in particular when arrears accrue).

Should subsidies be used to encourage households towards specific tenure types?

While subsidies and supports can prove effective in encouraging individuals and households towards appropriate tenure types, it is important that subsidies are aimed at encouraging and facilitating rather than enforcing choice of tenure.

It can be argued that forms of subsidies targeting landlords could prove effective in ensuring that an adequate range of suitable private rented accommodation types are available for those who wish to rent.

Are there risks associated with delivering social housing using subsidised market rental units; if so, do the risks outweigh the benefits?

As noted earlier, CIB views the dependency on the private rental sector for social housing as less than desirable. The emphasis on subsidised market rental units detracts from the much preferable strategy of direct state provision of social housing.

Should the Cost Rental Scheme be scaled up across the country?

CIB is strongly of the view that the scaling-up of the Cost Rental Scheme across the country offers many advantages and its roll-out needs to be expedited.

If so, what changes/incentives could be made to support the expansion of this tenure of rental?

There is a need to ensure that approved housing bodies, voluntary housing associations and local authorities are resourced, equipped, and encouraged to expand the cost rental scheme. There is also a case to be made for actively expanding the number of approved housing bodies.

The Quality of Homes

Should the standards regulations which currently apply be changed and, if so, why, and how?

CIB-funded services consistently report substantial levels of queries relating to standards of accommodation across all tenancy types – private, local authority and housing association. These queries tend to be most prevalent amongst tenants in receipt of Rent Supplement. Across all tenancy types, the most common issues referenced with regards to standards include dampness/mould, structural issues, and heating issues.

The vast majority (88.9%) of dwellings inspected in Ireland in 2021 were found to be not fully compliant with the required standards.²¹ Of the 17,594 properties inspected in 2021, only 7,400 were deemed to be compliant by the end of the year, including those that were originally in compliance. (A limitation of these data is that they do not distinguish between properties that fail due to minor issues and for more serious reasons and, also, an influence on the high failure rate could be a targeting of properties believed not to be meeting standards).

Both Threshold and the Institute of Professional Valuers and Auctioneers have proposed that rental properties should be required to be certified in advance of being offered for rent. In their 2020 pre-budget submission,²² Threshold set out two possible models of how to establish a test for rental property based on the National Car Test (NCT). One model would require landlords to have the property inspected by a private professional who would issue a certificate when the required minimum standards are met. The landlord would submit this to the RTB when registering the property and it would be available online for prospective tenants to check. The certificate would last for four years. The second model is based on local authority inspectors being overseen by a national body to ensure consistency of standards. In this model, the local authority inspector would issue the certificate when the standards are met, and this would also be made available online via the RTB.

A specific issue of concern to CIB is the effect that poor quality, design shortcomings and inadequate application of standards and regulations has on the quality of life of people with disabilities and other vulnerable groups reliant on the private rented sector.²³ There is a need to ensure that housing provision – both in terms of new-build and with existing buildings – meets standards that meet the particular and evolving needs of people across the life-cycle. Accessibility should be regarded as a key component of the quality of accommodation. This requires better application of universal design, lifetime adaptable and a future-proofing approach (following Universal Design Guidelines) to ensure that the housing needs of people with disabilities are met. This would also result in a reduced need for retrofitting and better provision for a changing and ageing demographic. There is a strong case to be made for the inclusion in the longer-term of stronger universal design requirements in the standards that need to be met in private rental properties.

Adequate resources need to be provided for the inspection of accommodation and the enforcement of standards and regulations, across all accommodation types, particularly where these standards and regulations concern the needs of people who require or who are likely to require additional accessibility features.

Are landlords and tenants sufficiently aware of the standards and enforcement processes and, if not, how can awareness be raised?

The evidence from CIB-funded services is that both landlords and tenants continue to be poorly aware of existing standards. Furthermore, where tenants are aware of standards, there is often a reluctance

²¹ National Oversight and Audit Commission (NOAC), <https://www.noac.ie/wp-content/uploads/2023/04/NOAC-Annual-Report-2022.pdf>

²² Threshold Pre-budget submission 2020, https://threshold.ie/wp-content/uploads/2022/06/threshold_pre_budget_submission_2020_saving_homes_web_version.pdf?gl=1*rljmg3*up*MQ.*ga*MTQxNDE5MjQ2Ni4xNjkwMjc2NzEw*ga_W53ZJZ6NX5*MTY5MDI3NjcwOS4xLjEuMTY5MDI3Njc3Ni4wLjAuMA.

²³ See CIB/DFI 2022 Report, *The Right Home: the Housing needs of People with Disabilities*, https://www.citizensinformationboard.ie/downloads/social_policy/The_Right_Home_The_Housing_Needs_of_People_with%20Disabilities.pdf

on their part to complain about poor conditions. This apprehension is linked to fears of eviction or rent increases. It is likely that a proactive public awareness campaign on the rights of all tenants to accommodation of an adequate standard would help.

Is the inspection regime which local authorities operate to oversee standards and fire safety appropriate?

CIB is of the view that the inspection regime is poorly implemented at present, especially regarding non-fire safety matters. There is a need to establish as a matter of everyday practice an expectation that standards will be checked. In this regard, consideration should be given to an 'NCT' style system of certification (referenced above) to ensure minimum standards are met in the private rented sector. The introduction of such a system would place the burden of proof for compliance with minimum standards on landlords, who would be required to provide a certificate of compliance to the local authority prior to a property being rented. It is the CIB view that this would promote greater compliance across the board and help to future-proof the stock of private rented accommodation, especially if minimum standards were to include target energy ratings.

Are the mechanisms which govern disputes among tenants and landlords concerning standards working well; if not, how, and why should they be changed?

In general terms, CIB finds that existing dispute resolution mechanisms regarding standards are poorly understood, and that tenants are reluctant to engage with landlords on issues relating to standards without the support of advocacy providers.

CIB is particularly concerned regarding the poor levels of protection afforded tenants in licence agreements and would like to see a review of the category of licensee with a view to its abolition and its replacement with circumscribed tenancy rights.

Would increases to standards drive landlords to exit the market?

CIB recognises that this risk exists. However, we would argue that because sub-standard housing is totally unacceptable and an infringement of people's basic rights, this risk must be faced and appropriate supports for landlords put in place.

Should standards be differentiated, depending on the scale of the landlord, the age of the dwelling and so forth?

While some differentiation may be useful in terms of practicality, this should not in any way remove the basic requirement that all accommodation must meet minimum standards within a defined time frame.

How should the private rental sector be supported to achieve minimal BER ratings?

NESC has cautioned that the proposed upgrading of the Building Energy Rating (BER) standards for private rental, as signalled in Housing for All, needs to be done in a way that avoids a loss of supply. Minimal BER ratings in the private rental sector will, therefore, need to be phased in gradually with appropriate financial supports provided to landlords.

Which other changes should be made to improve the governance of the private rental sector?

- Additional strategic partnerships between Local Authorities, NGOs and the private sector should be developed.
- There should be provision for further forms of rent regulation and rent certainty to combat the obvious difficulties arising from a free market approach.
- More concerted and urgent action is required to bring vacant properties in all parts of the country into use for residential accommodation purposes.
- More resources should be provided for the inspection of accommodation (private and public) – initially, the focus should be on social housing accommodation.
- There should be continued use of targeted tax incentive to landlords who participate in social and affordable housing schemes with the condition that accommodation meets minimum quality standards.
- Consideration should be given to a stronger regional approach in order to address the varied and different challenges in major urban areas, smaller towns and rural areas.
- The private rented sector should be an option of secondary resort for social housing rather than of first resort as is the case at present.

Supply and Investment, Institutional Investment, Subsidising Investors and Student Housing

Should the State play an active role in managing the size of the private rental sector and, if so, how? Which measures should be taken to incentivise small-scale landlords to remain in the sector, and why? Should general subsidies or tax measures to incentivise greater rental sector supply be considered?

General subsidies and tax incentives can encourage landlords to enter and remain in the market. However, such incentives must be targeted at specific types of accommodation and tenures and be linked to enforceable higher standards.

A potential way of encouraging individual landlords to remain in the sector and of encouraging others to enter it would be to provide more favourable tax treatment of rental income for individual landlords. If more generous tax treatment of rental income were to be introduced, there is a case for linking this to more secure occupancy for tenants. Those who continue renting into old age would particularly benefit from enhanced long-term security of tenure.

Should measures be targeted at specific types of accommodation, specifications, locations, or landlords, such as small scale or larger landlords?

There is a case for the provision of incentives to landlords with a view to facilitating and encouraging the adoption of longer-term models of tenancy. This, it is argued, would help to move Ireland more rapidly toward a more secure, stable, and sustainable type of tenancies and a change in rental culture.

Are there particular types and locations of new supply which are particularly important?

CIB believes that particular emphasis should be placed on incentivising landlords to provide accommodation that meets the needs of people with disabilities and people experiencing mental health difficulties.

Is there a role to be played in the conditional availability of incentives, such as grant subsidies or tax measures, for the completion of housing units to incentivise supply?

Yes, as stated above, the targeting of smaller landlords through tax incentives and supports for meeting required standards would be beneficial. Also, some incentives for landlords to provide accessible accommodation for disabled people would be helpful.

Should measures be taken to specifically incentivise further supply of high-quality units by institutional investors with a long-term commitment to urban rental markets, and if so, what form should such measures take?

Accepting that Ireland will move upwards regarding the scale of its rental sector, the case can then be made that some of the characteristics of the existing larger models should be replicated. These could include:

- The facilitation and encouragement of multi-year and open-ended leases.
- The incentivisation of landlords through exemptions and tax deductions in exchange for acceptance of lower rents or particular tenants or types of tenures.
- Controls on the conditions under which termination of tenancies can be demanded.
- Developing the role of housing associations in rental provision.

What measures should be taken to have a more structured and well-funded approach to the provision of rental accommodation for students?

Apart from the general measures outlined throughout this Submission, CIB does not have sufficient knowledge to make further detailed comment on this matter.

Are there measures that could be deployed to attract domestic capital toward sustainable, long-term investments in the residential rental market?

Apart from the general measures outlined throughout this Submission, CIB does not have sufficient knowledge to make further detailed comment on this complex financial investment matter.

Are policy mechanisms available which can protect the long-term interests of tenants and investors alike, such as subsidies or tax measures which apply solely to long-term leases?

A 2022 CIB/Threshold Report²⁴ set out several recommendations which are centrally relevant to protecting the long-term interests of both tenants and investors.

²⁴ CIB/DFI (2022), *The Right Home: the Housing Needs of people with Disabilities*, https://www.citizensinformationboard.ie/downloads/social_policy/Renting_and_risk_the_vulnerabilities_of_renting.pdf

- 1) Accept Article 31, 'The right to housing' of the Revised European Social Charter, holding a referendum for constitutional change, if necessary to do so.
- 2) Abolish 'no-fault' evictions and legislate to improve security of tenure to establish the private rental sector as a viable long-term housing option.
- 3) Provide a greater level of protection and support for tenants who accrue rent arrears, including an arrears management strategy, like the mortgage arrears provisions.
- 4) Address affordability in the private rented sector via:
 - a) Greater enforcement of Rent Pressure Zones.
 - b) Nationwide expansion of Rent Pressure Zones.
 - c) The increased role of, and investment by, the State in housing construction as the most viable and long-lasting mechanism to stabilising rents in Ireland.

A 2023 NESC report²⁵ provides a foundation for a longer-term discussion about the evolution of the rental sector and makes several relevant recommendations to deal with the immediate crisis in the private rental sector:

- Consideration of further action to improve the tax treatment of landlords tied to improved security of tenure for tenants.
- Mobilisation of vacant property, including expanding the Repair and Leasing Scheme, and adding more professional staff in the public system to advise and support property owners.
- The introduction of requirements on the owners of vacant residential properties to make them available for rent, as is done in Denmark.
- Examine the impact of rent pressure zones.
- Enforce and improve standards in rental accommodation, including in the medium-term consideration of a National Car Test (NCT) type system whereby landlords would have to demonstrate compliance with minimum standards.
- Review the scope for regulatory changes to facilitate renovation of older properties.

Increasing the total supply of housing, particularly affordable housing, would greatly ease the pressures evident in the private rental sector. Increased social housing, cost rental, and affordable home ownership can provide options for many who are currently in the private rental sector or searching for this type of accommodation.

Another option would be to grant more favourable tax treatment to landlords who are willing to offer longer-term tenancies such as tenancies of 15 years. This type of change would offer benefits to both landlords and tenants but with a cost to the Exchequer.

CIB believes that there should be a policy target of ensuring that no person with a disability or experiencing a mental health difficulty should have to rely on the private rented sector for social housing.

²⁵ NESC (2023), *Private Rental in Ireland*, http://www.nesc.ie/app/uploads/2023/02/159_private_rental.pdf

International Examples

What rental policies and policy measures used in other countries ought to be considered for Ireland?

The experience of other jurisdictions where there is greater regulation of the private rented sector and where there are rent controls should be used to inform the development of solutions to the obvious challenges facing the private rented sector in Ireland.

It is evident that Ireland is moving from a position in which private rental was relatively uncommon to one in which it will represent a growing proportion of household accommodation. While Ireland, at 29.2% of households²⁶ in the rental sector, is still much further down the list than countries such as Germany (53.9%) and the Netherlands (40.9%), it is probable that the gap between Ireland and other European countries will reduce over time.

Those countries with larger rental sectors provide useful examples of a rental culture that is much more mature, robust, and acceptable to both renters and landlords. The recently published ESRI report cited above identifies these countries as having a “Large rental sector with strict regulations” as compared to Ireland’s situation of “High homeownership and less secure rental sector”.

The ESRI report identifies several examples of European practices that could hold learnings for Ireland as it moves toward a new rental architecture and culture.

- Germany provides housing allowances to subsidise rental costs for low-income households not in receipt of other benefit payments.
- In Denmark, all rented dwellings are subject to regulation and housing benefits are also provided for low-income households and pensioners.
- The system for setting rents in Sweden is unique in that rent is set not through explicit forms of rent control but rather through negotiations between landlords and tenant organisations.
- In the Netherlands, both social housing and housing supports based on income requirements are available to a large share of renters. Long established housing laws in the Netherlands regulate the quality of housing and provide a framework for the provision of financial government support to housing associations. Housing associations play a large role in the provision of housing, accounting for approximately 75% of all rental homes in the country.

NESC²⁷ has noted that a regulatory intervention used in Denmark to target vacant property is worth considering for Ireland. In Denmark, if an owner moves and does not wish to sell their property, they must rent it out – or at least try to sell it. If a property is empty for more than six weeks, the owner must report to the municipal authority, which then seeks to provide tenants which the owner must accept.

Landlords in Germany benefit from generous tax treatment, while tenants have a high level of security of tenure. The taxation of rental income in Germany provides an annual allowance (2–2.5%) for depreciation based on the purchase cost of the building (excluding land), which reduces the effective tax rate. Rental investments are free from Capital Gains Tax (CGT) if held for at least 10 years. In terms

²⁶ ESRI Report (2023), *Housing Affordability across Europe: mixed picture for Ireland*. Table 3.9.

²⁷ NESC (2020), *Housing Policy: Actions to Deliver Change*
http://files.nesc.ie/nesc_reports/en/150_Housing_Policy.pdf

of secure occupancy, sale of the property is not a ground for ending the tenancy in Germany and rental properties are normally sold with tenants remaining in situ.

A feature of practice in Germany that may be relevant to Ireland is the concept of breaking rent into two sections: (a) the basic rent which does not change over the life of a lease; and (b) Umlagen²⁸ (a sharing of costs) which is directly related to changes in costs incurred by the landlord, such as property tax changes, cleaning and heating costs (if provided by the landlord). Landlords must ensure that the unit remains in good condition; the renter must notify the landlord of any deficiencies not commensurate with reasonable wear and tear, and the landlord must remedy these deficiencies quickly. Otherwise, the renter can achieve rent reduction or, in severe cases, termination without notice. The landlord, in turn, can pass certain costs and property taxes on to the renter but cannot raise the rent arbitrarily.

²⁸ <http://www.brookings.edu/articles/germany-rental-housing-markets> ;
<https://web.frankfurtrentals.de/en/pages/18/list-of-ancillary-costs-utilities-when-renting-in-germany>