



Chambers Ireland Submission to the Department of Housing, Local Government and Heritage on the Review of the Private Residential Rental Sector

August 2023

About Chambers Ireland

Chambers Ireland, the voice of business throughout Ireland, is an all-island organisation with a unique geographical reach. Our members are the Chambers of Commerce in the cities and towns throughout the country – active in every constituency. Each of our member Chambers is central to their local business community and all seek to promote thriving local economies that can support sustainable cities and communities.

In September 2019, our network pledged to advocate for and support the advancement of the Sustainable Development Goals. In doing so, we use the Goals as a framework to identify policy priorities and communicate our recommendations, and we have a particular focus on five of the goals encompassing decent work and economic growth (SDG 8), sustainable cities and communities (SDG 11), advancement in gender equality (SDG 5), viable industries, innovation, and infrastructure (SDG 9) and progress in climate action (SDG 13).¹

¹ The Chambers Ireland SDGs. Available at <https://www.chambers.ie/policy/sustainable-development-goals/chambers-ireland-sdgs/>



Chambers Ireland's Perspective

The scarcity of housing in Ireland is the greatest threat to the socio-economic development of the country. It is becoming increasingly difficult for young people to raise families while having to pay excessively high rents; employees are facing difficulty in finding accommodation which is close to their workplace, and this is impacting their productivity. Inadequate housing supply is no longer a social issue, but it is impacting the overall economic performance of Ireland. The lack of supply in the housing market and renting options are driving higher wage demands and making it difficult for companies to find accommodation for their employees which, in turn, impacts their expansion opportunities and Foreign Direct Investment potential. There are new opportunities for Ireland to attract additional FDI post-Brexit, but insufficient accommodation options are making Ireland less attractive for investment. Even though Ireland is open for business, rapidly increasing the supply of housing of all types, social, private and 'build to rent' accommodation is vital to help address housing affordability issues and to ensure that Irish cities can continue to attract and retain FDI. The consumer spending necessary to support the domestic economy is being adversely impacted as households are spending a disproportionate amount of their income on housing costs. The housing issue is therefore a major challenge to the continued competitiveness of the Irish economy. Chambers Ireland welcomes the opportunity to contribute to the public consultation on the Review of the Private Residential Rental Sector.

Questions

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?

In previous years renting was treated as a temporary tenure until home ownership, however, as global economies have advanced, attitudes towards home ownership have also shifted, particularly as a result of higher costs. People are now considering lifelong renting as a viable option. A 2022 ESRI report stated that 54% of people in Ireland expect to rent for a long term. However, it should also be noted that not everyone is renting by choice and that many would like to own their houses as a result of insecure tenancies. Lifelong renting is likely to become more prominent in the future, so there needs to be regulations in the sector that facilitate tenure security and ensure renters feel more secure about their long-term living situations, while at the same time providing safeguards to encourage landlords to remain in the market.

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?

We endorse models which support the provision of long-term professionally managed properties for long-term investment and long-term security of tenure versus shorter term models facilitating properties being made available over shorter periods of time.

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

There are several negative consequences of limiting rental prices below market rates, including reduced construction of new units, neglected maintenance of existing units, reduced labour mobility and an overall obstruction to the development of the rental market.

However, in the case of Ireland, the State will have to weigh the negative consequences of limiting rental prices against the impact on economic growth as a result of extensive high rents and assess what is more important, while ensuring that policies such as Housing for All are delivered.

A short-term solution in this case would be to limit rental prices so that it does not impact the economic development of the country and expansion opportunities for businesses. In dealing with the negative impacts of these rent controls, the State should introduce incentives to encourage the construction of new units and increase the supply of housing, which should include bringing derelict housing back into the market. If rent controls are short term, developers can expect to get market rate rent prices in the future which will incentivise them to construct new units.

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

The State should ensure that there is high awareness among renters and potential renters about policies like the Rental Accommodation Scheme and the Housing Assistance Payments. Awareness drives should be conducted in collaboration with the local authorities to explain how these schemes work and benefit renters.

The State should continue and expand policies like the Rent Tax Credit to assist those dependent on the private rental sector.

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

Yes, the Cost Rental Scheme should be scaled up across the country so that renters can benefit from the long-term security of tenure that the scheme ensures.

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

The first useful change to make would be standardising the application process for a cost rental home. There should be standardised eligibility criteria for an application for a unit. A list of documents required should be stated on the website. This way, all applicants will have a fair shot at getting the unit.

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

While we are unable to form a view on the absolute adequacy of existing standards, consideration should be given to easing standards which impact significantly on construction costs and that further raising of standards, other than in exceptional circumstances such as newly identified safety risks, should not be considered for at least five years.

Would increases to standards drive landlords to exit the market?

Increases to standards can drive landlords to exit the market. Many landlords have already left the rental market last year due to the State's policy on rent caps, as well as preferential tax treatment of cuckoo or investment funds. If landlords have to deal with excessive standard maintenance, that might be another reason to drive them to leave the market. Essential standards for living should not be compromised on, but more standards beyond that could be seen as a hassle by landlords. Especially in Ireland where there is a shortage of housing, more landlords fleeing the market would be detrimental for the economy and risk more homelessness in the country.

Which measures should be taken to incentivise small-scale landlords to remain in the sector, and why?

Improving the capital allowance regime from 12.5% wear and tear allowance to 33.3% should be on the list of measures that the State should take in order to incentivise small-scale landlords to remain in the rental market. This will also encourage more regular refurbishment and improved quality. Enabling existing small landlords to transfer properties into a pension fund may also prevent sales of properties to generate cash to invest in pensions in the years immediately prior to retirement. Triggering a notional, taxable sale for CGT purposes on the date of transfer may also provide an immediate boost to CGT receipts.

Should general subsidies or tax measures to incentivise greater rental sector supply be considered?

Yes, there is empirical evidence that general subsidies and tax measures have incentivised investors to drive up the supply of new units in the rental market. That is one of the most effective ways to attract investors to the rental market. It will also incentivise existing owners to stay in the market for longer as the said subsidies or tax reliefs will help them stay competitive in the market for a longer time.

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

Measures should primarily be targeted towards small scale landlords to help them stay competitive in the rental market, as they provide the majority of the residential rental accommodation in Ireland. Small scale landlords are also the first ones to exit the market and in the last 5 years about 43,000 homes have left the rental market. Some of the reasons for this exit include increased and ever-changing regulation, high property prices which have made the idea of selling more appealing, price caps, preferential tax treatments, and generation of cash to invest in pensions.

A briefing paper launched by Focus Ireland and Chartered Accountants Ireland has called for the government to introduce targeted measures to encourage small-scale landlords to stay in the private rental market and ease the housing crisis. The paper suggests that urgent policy

responses are needed to convince landlords considering evicting their tenants to sell to remain in the market or not evict when selling.

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

Businesses are finding it difficult to find accommodation for their employees and, as a result, it is difficult for them to attract and retain talent. Not only that but it is also impacting their expansion opportunities. To deal with the issue, supply of new homes should be prioritised for areas/cities with high economic activity and where migration of workers is high. The Irish population is going to increase in the coming years through increased work migration.

Therefore, if supply of housing is increased in these specific areas and the increased demands are met, it should stabilise the higher rents across the county as people will not have to move far away from their workplace and artificially drive-up rents in smaller towns. This will in turn prove beneficial for small businesses in small towns who will not have to deal with high rents as a result of scarcity in bigger cities. Long commutes and living far from one's workplace are also causes for distress among workers. If supply is increased in high activity areas, workers can live closer to their workplace.

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?

Grant subsidies and tax measures play a vital role in incentivising the completion of housing units. Measures like reducing the cost of construction by scrapping the development levies, increasing the pace at which vacant and derelict properties are renovated for new housing, and government financing of the construction of affordable apartments under Cost Rental also incentivise the faster completion of housing.

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?

The State has a dual role to play here. It should incentivise further supply of high-quality units by institutional investors but at the same time it should work on solving the issues that are forcing small scale landlords to exit the rental market. This way, while the supply of homes is increasing, the supply of the exiting housing stock will not be reduced in the rental market. This is the ideal situation for Ireland to be in. We should not further jeopardise the small-scale landlords as they currently make up for the majority of housing in the rental market.

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

Ireland is the only English-speaking country in the EU and, after Brexit, it has become an attractive destination for students. This is a great opportunity for Ireland. It is good for universities as well as the labour market but if these students have no place to live or have to pay high rents, they will no longer consider moving here. There is a student housing shortage in Ireland currently and students have had to defer or quit school altogether due to difficulty in finding accommodation.

Student housing construction needs to pick up pace. As of December 2022, only 62% of the total beds promised in the Government's national student accommodation strategy were delivered. The State needs to increase the funding for student accommodation.

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

We note the extensive work in this area by the National Economic and Social Council and we broadly support their research and recommendations.

