

## **Measures Introduced in line with the Rental Strategy**

The Minister introduced a number of changes affecting both landlords and tenants as part of a rental strategy launched 13<sup>th</sup> December 2016. These aim to address issues such as rent predictability, security of tenure, streamlining the dispute resolution services and enhancing the role and powers of the Residential Tenancies Board (RTB). The cornerstone of this Rental Strategy was to give rent predictability to both landlords and tenants in areas that rents have increased rapidly. The long term vision for the rental sector is to deliver long-term affordable and high quality accommodation solutions that meet the differing needs of a diverse range of tenants, providing a secure, predictable investment environment for landlords and accommodation providers.

### **Rent Predictability Measures**

The Rent Predictability Measure is a new provision that is intended to moderate the rise in rents in the parts of the country where rents are highest and rising - where households have greatest difficulties in finding accommodation they can afford. In these areas, called Rent Pressure Zones, rents will only be able to rise by a maximum of 4% annually. The measure will be applied immediately to Dublin and Cork city. It covers the 4 Dublin local authorities (Dublin City Council, South Dublin County Council, Dun Laoghaire/Rathdown County Council and Fingal County Council) and Cork City Council.

If your home or property falls within one of these local authority areas it is covered by the measure.

#### **Why have Dublin and Cork City been designated as Rent Pressure Zones?**

For an area to be designated a Rent Pressure Zone, rents in the area must be at a high level and they must be rising quickly, the criteria are:

- The annual rate of rent inflation in the area must have been 7% or more in four of the last six quarters,
- The average rent for tenancies registered with the Residential Tenancies Board in the previous quarter must be above the average national rent in the quarter( the National Indicative Rent in the RTB's Rent Index Report)

The measure has been implemented immediately in Dublin and Cork City because they meet the above criteria for a Rent Pressure Zone.

#### **Who decides what areas are Rent Pressure Zones?**

Rents are closely monitored and the Housing Agency, following consultation with the Local Authority concerned, may propose an area to the Minister for consideration. The Minister will ask the Residential Tenancies Board, which collects and monitors the data on rents, to assess whether the criteria apply to the area. If they do, the RTB will confirm that to the Minister and the Minister will make the relevant order.

#### **Are all rental properties covered?**

No, there are certain exceptions. Properties that are new to the rental market – i.e. properties that have not been let at any time in the previous two years – and properties which have been substantially refurbished can be exempted from the measure. However the existing requirement that the rent set for a property must be in line with local market rents for similar properties in the area still applies.

A 'substantial refurbishment' must be a significant change to the dwelling resulting in increased market value of the tenancy. Therefore this would involve significant alterations or improvements which add to the letting value of the property - usually involving major building works or works requiring planning permission. For example, simple repainting or replacement of white goods would not be sufficient.

### **If I want to raise the rent on my dwelling in a Rent Pressure Zone, what do I need to do?**

Where a landlord is setting the rent in a Rent Pressure Zone the amount can not be greater than the amount determined by the below formula, the existing requirement that the rent set is not above the local market rents for similar properties still applies and three examples of rents for similar properties in the locality must be presented to demonstrate this.

### **$R \times (1 + 0.04 \times t/m)$**

\*please note that you should do your calculations working from right to left

**R** = The amount of rent last set under a tenancy for the dwelling (the current rent amount)

**t** = The number of months between the date the current rent came in to effect and the date the new rent amount will come in to effect.

**m** = you must enter 24 OR 12

### **Landlord has not reviewed the rent in previous 24 months:**

For tenancies that are already in existence a review is only permitted 24 months after the tenancy came in to existence or 24 months from the date the rent was last set. In this instance **m** = 24.

For this initial rent review after the 24 month period as specified above a maximum rent increase of 4% will apply. (This amounts to 2% per annum applied pro-rata for the period since the rent was last increased).

Following on from this initial review after 24 months, a landlord is now entitled to review the rent every 12 months.

### **New tenancies from 24<sup>th</sup> December 2016**

Landlords of all new tenancies within a Rent Pressure Zone commencing on or after 24<sup>th</sup> December 2016 are entitled to review the rent annually. In this instance **m** = 12.

If rent reviews take place annually the permissible rent increase in each case will be 4%. If, for example, a landlord opts to review the rent after 18 months (instead of one year) the allowable increase will be 6% (4 % per annum pro-rata for 1 ½ years).

### **Example 1:**

Tenancy commenced 1 November 2014, over 24 months ago. The rented dwelling is located in an area which has been designated as a Rent Pressure Zone. The landlord intends to serve a rent review notice on 1 January 2017, providing a minimum of 90 days notice and indicating that the change will take effect from the 3 April 2017. In order to ascertain the new rent amount as permitted under the regulations the landlord inserts all the relevant information in to the formula.

R = €1,200.00 (the current rent amount)

t = 29 months (period between 1/11/14 to 3/04/2017)

m = 24 months – as tenancy was already in existence prior to 24/12/2016 this landlord was only entitled to review the rent 24 months from the date the rent was previously set.

Therefore:

- $1200 \times (1 + 0.04 \times 29/24)$
- $29/24 = 1.21$  then

- $\times 0.04 = 0.05$  then
- $+ 1 = 1.05$  then
- $\times 1200 = 1258$

$1,200 \times (1 + 0.04 \times 29/24) = \text{€}1,258$  is the new rent amount permitted

\*please note that you complete your calculations working from right to left

**Example 2:**

Tenancy commenced 1 January 2015; landlord served a rent review notice on 1st January 2017 following the 24 month minimum rule, with the new rent coming into effect on 3 April 2017. The landlord will now be entitled to serve a new rent review notice on 1 January 2018 by serving a minimum 90 days notice of rent review indicating that the change will take effect from the 3 April 2018. In order to ascertain the new rent amount as permitted under the regulations the landlord inserts all the relevant information in to the formula.

R = €1050, the current rent amount

t = 12 months (3/04/17 to 3/04/2018)

m = 12 months – as initial 24 month rent review had already taken place the landlord is now entitled to review the rent annually.

Therefore:

- $1050 \times (1 + 0.04 \times 12/12)$
- $12/12 = 1$  then
- $\times 0.04 = 0.04$  then
- $+ 1 = 1.04$  then
- $\times 1050 = 1092$

$1050 \times (1 + 0.04 \times 12/12) = \text{€}1092$  is the new rent amount permitted

\*please note that you should do your calculations working from right to left

**Example 3:**

Tenancy commenced 1 January 2015; landlord served a rent review notice on 1st January 2017 following the 24 month minimum rule, with the new rent coming into effect on 3 April 2017. The landlord will now be entitled to serve a new rent review notice on 1 January 2018 by serving a minimum 90 day notice of rent review. The landlord does not serve the rent review notice until 1 June 2018 indicating that the change will take effect from the 3 October 2018. In order to ascertain the new rent amount as permitted under the regulations the landlord inserts all the relevant information in to the formula.

R = €1100, the current rent amount

t = 18 months (3/04/17 to 3/10/2018)

m = 12 months - as initial 24 month rent review had already taken place the landlord is now entitled to review the rent annually.

Therefore:

- $1100 \times (1 + 0.04 \times 18/12)$
- $18/12 = 1.5$  then
- $\times 0.04 = 0.06$  then
- $+ 1 = 1.06$  then
- $\times 1100 = 1166$

$1100 \times (1 + 0.04 \times 18/12) = \text{€}1166$  is the new rent amount permitted

\*please note that you should do your calculations working from right to left

**Example 4:**

Tenancy commenced 29th December 2016; landlord is entitled to serve a rent review notice on 29th December 2017 providing a minimum of 90 days notice. The new rent will come into effect on 5th April 2018. In order to ascertain the new rent amount as permitted under the regulations the landlord inserts all the relevant information in to the formula.

R = €1300, the current rent amount

t = 12 months (29/12/16 to 5/04/2018)

m = 12 months – as this tenancy commenced after 24/12/2016 this landlord is entitled to review the rent annually.

Therefore:

- $1300 \times (1 + 0.04 \times 12/12)$
- $12/12 = 1$  then
- $\times 0.04 = 0.04$  then
- $+ 1 = 1.04$  then
- $\times 1300 = 1352$

$1300 \times (1 + 0.04 \times 12/12) = \text{€}1352$  is the new rent amount permitted

\*please note that you should do your calculations working from right to left

More Information regarding Rent Predictability Measures can be found on our website.

**Additional Requirement for New Tenancies in Rent Pressure Zone**

In the case of a new tenancy in a rent pressure zone, a landlord is required to furnish the tenant, in writing, with the following information at the commencement of the tenancy:

- (i) The amount of rent that was last set under a tenancy for the dwelling;
- (ii) The date the rent was last set under a tenancy for the dwelling;
- (iii) A statement as to how the rent set under the tenancy of the dwelling has been calculated having regard to the rent pressure zone formula.

**Supply**

It's envisaged the new system will not negatively impact either existing or new supply. To encourage additional investment into the market, the Minister had excluded new units and units vacant for over 2 years that will be put back into the market.

**Rent Certainty Measures**

Rent certainty measures will continue to apply until the next rent review is due to be carried out. Thereafter if the area is not in one of the rent pressure zone then the rent certainty measures will continue to exist, namely that the landlord cannot increase the rent greater than the market rent having given 90 days notice of the rent increase having sought three comparable properties advertised within the previous four week period

## **Security of Tenure**

Security for both landlords and tenants is essential if the rental sector is to be both an attractive option for tenants and a safe and viable investment choice for investors. The rental strategy aims to move towards a situation where longer term tenancies are the norm. The legislation extends tenancies from 4 years to 6 year tenancies. This will apply to all new tenancies that come into operation after 24<sup>th</sup> December 2016 which includes a further Part 4 tenancy that come into existence after 24<sup>th</sup> December 2016. Landlords currently can terminate within the first six months of a tenancy without giving a reason. Once a Part 4 tenancy comes into existence it can only be terminated by using one of the grounds listed below.

If a landlord wishes to stop a Further Part 4 tenancy coming into existence they may serve a notice during the Part 4 tenancy with the notice period given to the tenant expiring on or after the end of the tenancy. A notice served in this way should provide a reason for termination but the reason does not need to be one of the grounds set out below. To ensure the notice is valid it is best practice for the notice period given to end during the first six months of the Further Part 4 tenancy.

If a landlord wishes to terminate during the first six months of the Further Part 4 tenancy they may serve a notice during the first six months without providing a reason or needing to rely on one of the grounds below. This method of termination will change soon and updates will be provided on our website.

1. The tenant has failed to comply with the obligations of the tenancy (having first been notified, in writing, of the failure, and given an opportunity to remedy it.)
2. The landlord intends to sell the dwelling within the next 3 months
3. The dwelling is no longer suited to the needs of the occupying household
4. The landlord requires the dwelling for own or family member occupation
5. Vacant possession is required for substantial refurbishment of the dwelling
6. The landlord intends to change the use of the dwelling

More Information regarding Notices of Termination can be found on our website.

### **Example**

Tenant is residing in the tenancy for duration of 4 years on 1 January 2017. From this date it currently is considered a new tenancy and called a further Part 4 tenancy. As this is a new tenancy, after the 6 months probationary timeline in which a landlord can terminate the tenancy without giving reason, the tenant becomes entitled to remain in that tenancy for a total of 6 years unless a landlord wishes to terminate the tenancy for the above listed grounds.

## **Publication of Dispute Timelines**

The Board will now be required by law to publish statistics, including average dispute resolution timelines on a quarterly basis