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ASSOCIATION

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Housing Policy Needs to Adjust to Address Market Failures in the Rental Sector – New Study

A new study by economist Jim Power and commissioned jointly by the Institute of Professional Auctioneers & Valuers and the Irish Property Owners' Association has concluded the rental market is in a state of crisis exacerbated with the exit of non-institutional landlords in significant numbers, reducing supply and putting upward pressure on rents.

The study finds, amongst other issues, that:

- **The constantly changing and very challenging regulatory and taxation environment that treats private landlords very differently from institutional landlords, is largely responsible for private non-institutional landlords leaving the market;**
- **RPZs (Rent Pressure Zones) are creating a 2-tier rental market and leading to a situation where maintenance of quality accommodation is not economically justifiable and negatively impacting on capital values where the property is the subject of the RPZ rules;**
- **It is likely that landlords that historically charged rents under market rate and are confined to minimal increases arising from RPZ regulation are exiting the market in greatest numbers;**
- **These landlords are replaced in the market in part by new properties at much higher rents and owned by institutional landlords with no evidence available to confirm if any net additional new properties have come onto the rental system;**
- **Rent Pressure Zone regulation has prevented rents from falling as well as rising beyond the limits set.**

The study says there has been a collapse in private investor participation in the market, dropping from 19.9 per cent of total mortgage lending in 2006 or €7.9 billion to 1.4 per cent in 2021 or €143 million.

It concludes there has to be a move away from policies that discriminate against private landlords and which give them little incentive to participate in the rental market. "If private landlords continue to exit the market, the situation is going to get worse," it warns.

IPAV and IPOA today also released the findings of a joint survey amongst their respective memberships with 892 respondents of which:

- **94 per cent believe that recent Government policy and changes in regulations have impacted negatively on their attitude to continuing as a landlord;**
- **Over 57 per cent plan to sell their rented properties in RPZs;**
- **91 per cent believe they or their landlord clients will not invest further in residential investment property;**
- **Over 50 per cent said rental properties are their sole pension source, apart from the state pension.**

Speaking at today's launch Pat Davitt, IPAV Chief Executive said the economic report and the IPAV-IPOA survey shed new light into this segment of the property market.

"The private landlord has traditionally been the mainstay of the Irish rental market. While we have grown and embraced the global market, which we needed to do, initially to get the market going in 2012-2013 but more recently to cater for the growing needs of a rapidly expanding economy, the research and economic report we launch today confirms beyond doubt how as a country we often sacrifice and disregard the worthy within for the perplexing allure of the foreign dollar. Nowhere is this more evident than in how differently the State treats private and institutional landlords," he said.

"We need both but they deserve to be treated equally and fairly and policymakers need to deliver on that. Otherwise rent levels into the future will be dictated less by the kind of market forces we've experienced historically and more by trends in complex global property investment vehicles," he warned.

Mr Davitt said there are no up-to-date accurate figures on how many leases and landlords are currently active in the market. This is because where tenants leave of their own accord or leave because properties are being sold, such leases may still be recorded as active leases in RTB figures. In time this will be addressed via new plans for the yearly registration of tenancies.

Stephen Faughnan, Chairman of the Irish Property Owners' Association commented:

"The study by Jim Power reaffirms the real issues at play in the private rental sector that are resulting in the exodus of private landlords from the market in large

numbers. Issues such as penal tax rates and a tax code that discriminates against private landlords in favour of large institutional funds, together with the continually changing and ever more complex regulatory environment all militate against investing in the private rental sector.

“RTB data clearly shows that private non institutional landlords are by far and away the single largest landlord set in the market and yet Government policy continues to target these same people with policies and regulations that are making it impossible for them to stay in the market.

“Until policy makers recognise these issues and accept that the private investor is a key player in the rental market, the private investor will continue to leave the market in significant numbers which is not in the interests of the large numbers of people that opt to live in the private rented sector”.

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