

Committee on Housing and Homelessness

Opening Statement from Ms Rosalind Carroll, Director, Residential Tenancies Board

17th May 2016

1. Introduction

Chairman and Committee members, thank you for the opportunity to address the Committee today. I wish the Committee well and I am very happy to assist the Committee in any way I can.

I am accompanied today by my colleagues Assistant Directors, Janette Fogarty and Kathryn Ward.

In my statement today, I am concentrating on the rental sector. However, the dynamics of the rental sector are part of a much broader housing system and any policy recommendations or development in the housing area need to consider fully the implications of that policy on all parts of the housing market. What I will briefly set out based on the experience of the Residential Tenancies Board, are the current trends and issues affecting the rental sector, the steps that have been taken to date to address some of these issues and some thoughts on approaches to these and potential future issues.

2. Residential Tenancies Board (RTB)

The Residential Tenancies Board (RTB), formerly the Private Residential Tenancies Board (PRTB), was established in 2004. It currently has 324,000 tenancies registered representing, 172,000 landlords and 705,000 occupants. Its remit is to regulate and support the rental housing market by;

- Operating a national system of tenancy registration
- Providing a quasi – judicial Dispute Resolution Service for tenants and landlords
- Conducting Research and providing advice to the Minister in relation to matters impacting on the sector. This includes producing a quarterly rent index based on one of the most extensive rental databases in the country

Our remit has also just recently been extended to include Approved Housing Bodies, which are not-for-profit housing providers or housing associations and provide housing for about 30,000 tenants. This change (and hence the name change) means that both tenants and landlords of these properties enjoy certain provisions of the Residential Tenancies Acts, including access to the disputes resolution services we operate. This is an important development as it breaks down the traditional distinction in the rental sector between social and private rented housing and moves us closer to models elsewhere where such distinctions can rarely be identified.

3. Scale of the Sector

The rental sector, itself has grown considerably over the last number of years. Census 2011, showed that one in five were renting in the private sector and if you include the social rented sector, this figure increases to just under one in three. Therefore, the rental sector now makes up a significant component of housing tenures in Ireland and this is likely to be a continued feature of our housing market into the future. The growth in the sector, can partly be explained by the downturn in the economy, decreased mobility with less first time buyers and the lack of new supply. However, it can also be partly explained by longer term societal changes, and population growth. In particular a rise in migration, has given rise to an increasing demand for rental accommodation, 75% of non-Irish nationals were renting from a private landlord in our last census. Combined with this, there are more people living alone, and more people who need more flexible tenure options to facilitate more mobile work requirements. This means there is an increasing demand for rental accommodation. It is particularly important to recognise these shifting demand patterns, as they suggest that a significant part of our society will rent rather than own their homes. Therefore, we need to consider not just the much recognised need for more supply, but specifically the need for more supply of rental accommodation.

4. Trends

Rent Levels

The need for more supply is evident from the increasing level of rents across the country, which are being driven up by a lack of supply. According to our quarter 4, (2015) rent index, rents were 9.8% higher nationally than in Quarter 4 2014. This is still 9.1% lower nationally than the peak in Quarter 4 2007. What is concerning about this is not just the increase, but the pace of increase. While in Dublin rents for the first time passed their peak levels in 2007, being 0.4% higher than ever before. The rate of increase has started to decline in Dublin, however pressures on availability are still very evident, with availability of rental accommodation nationally, the lowest on record.

Registration data also suggest tenants are staying longer in properties

The trends in our annual number of new tenancy registrations also evidences the pressures on the rental sector and the lack of supply. Annual Tenancy Registrations peaked in 2011, with nearly 112,000 tenancies registered in that year, but has dipped consecutively in 2014 and 2015, while our overall numbers of registered tenancies has increased. This suggests that tenants are staying longer in their properties.

Volume and nature of disputes

The volume of disputes referred to the RTB has also increased steadily in the last number of years. This is to be expected given a larger sector and also the education and awareness campaigns that we have undertaken to inform people about their rights and responsibilities and the services that we offer. What is significant is the changing nature of disputes referred to us. Cases involving disputes over deposits were our highest dispute type, whereas now rent arrears and over holding make up our greatest number of cases accounting for over 33% of cases comparing to 20% of deposit cases. Rising rent levels means that tenants are finding it more difficult to meet rental payments, leading to greater number of disputes regarding rent arrears and over-holding issues.

5. Addressing Challenges

The overall aim or vision of the RTB is to have a well-functioning rental housing sector in Ireland that is fair, accessible and beneficial for all. This is a challenging vision in the current environment.

The Minister introduced a number of legislative changes to address some of the issues in the market. These include;

- new rent certainty measures whereby rent cannot be reviewed more than once in any 24 month period;
- an extension of the notice period of rent review from 28 days to 90 days
- A requirement on landlords when undertaking reviews to provide details of 3 similar properties in the area, in order to assure tenants that rent is reflective of market
- An extension of notice periods for both landlords and tenants in respect of termination of longer term tenancies – up to 224 days for landlords and 112 days for tenants
- Stronger verification procedures are also required in relation to terminating a tenancy where the landlord intends to sell or refurbish a property
- Measures to ensure both tenants and landlords know more about their rights and responsibilities

It is premature to assess how far some of these measures will go to addressing some of the current issues, but what is important to remember is that some of the measures introduced, were introduced as a temporary measure and will expire at the end of 2019. Therefore, it is important that consideration is not just given to the very real and immediate issues, but to what the future of the rental sector should look like. In this, the Committee are urged to consider the short-term and long term consideration of any policy proposals.

To return to the vision of the RTB, this sets out that we should have a well-functioning sector that is fair, accessible and beneficial to all. We need to recognise the fact that renting will be a much more common choice for Irish households in the future. We need to accept and welcome a larger rental sector that is reflective of our modern economy and society with a more flexible and mobile workforce. We need to no longer view the rental sector as a residual sector, where people serve their time on the way to something more long term. To accomplish this, we need the rental sector to be attractive to tenants and landlords alike. There are a number of specific challenges to be addressed if we are to achieve this;

- How do we balance the needs of the tenants with the needs of the landlord; as what is certain is that we need both a willing landlord and tenant to enter into a tenancy
- How do we ensure we build for rent, as well as build for purchase by owner occupiers, in accommodation that is appropriate to our changing demographics
- How do we in the future, ensure competition in the market to ensure rents are competitive. At present, we estimate that over 80% of our landlords own only one or two properties. The profile of landlords is starting to evolve with REITs and institutional investment now playing a bigger part in the sector. Looking at examples elsewhere, institutional investment in the rental sector is common, but it is balanced between for profit and not for profit providers.
- How do we deal with the immediate challenge of the 29,000 buy to let mortgages in arrears of over 90 days.

- How do we consider the needs of people as they grow older in rental sector and their disposable incomes reduce.
- How do we transition to whatever policy paths are chosen taking account of the current profile of the sector.

A strategy specifically for the rental sector will not magically solve the much wider supply pressures experienced in all sectors of the market, but it is critical to bring certainty to tenants and landlords on the long-term future of this sector. Investors need certainty, but so too do tenants on issues such as security of tenure and rent regulation. There is a need also when looking at the overall housing landscape, to have an understanding of what tenure mix we are aspiring to and underpinning this with suitable policies to make this happen. In a modern society and economy a vibrant rental sector is vital, and it is important the rental sector does not become the 'forgotten' sector again.

The RTB's role is not to develop policy, but to regulate the sector in accordance with the legislation within which we operate. However, the services we provide in the rental sector, give us a unique insight to the sector. We will support in any way we can the development of solutions to the current housing crisis and we will continue to raise awareness of both the rights and obligations of tenants and landlords to support a well regulated sector.