



Impact of Short Term Lettings on Ireland's Housing and Rental Market

**Opening Statement to the Oireachtas Committee on Housing, Planning, Community and Local
Government from the Simon Communities in Ireland**

21st June 2017

1. Introduction & Context

- 1.1 Thank you and about the Simon Communities:** Thank you to the Committee and the Chairperson for inviting us here today: The Simon Communities are a network of communities, providing local responses to local needs and issues of homelessness all around the country based in Cork, Dublin, Dundalk, Galway, the Midlands, the Mid West, the North West and the South East. As the Committee members will be aware, the complexity of homelessness touches every facet of Irish life with the greatest impact being felt by those most vulnerable in society. We welcome the opportunity to speak to you today to discuss the impact of short term lettings on Ireland's housing and rental market and the knock on effects on people experiencing homelessness or at risk of homelessness.
- 1.2 Lack of affordable housing supply:** The complete lack of affordable housing across the Irish housing system is at the core of the housing and homelessness crisis. New models of social and affordable housing are badly needed to meet the needs of low and middle-income households. Affordable housing models such as 'cost rental' provides a financially sustainable means of providing affordable housing to meet the needs of low income households that struggle in the private rented sector but who may not be eligible for social housing or, even if they are eligible, are unlikely to be allocated it, given its scarcity. Combined with increased Local Authority social housing construction, affordable housing models can have a significant impact on the number of people exiting homelessness and stemming the tide of those entering a situation of homelessness.
- 1.3 The Private Rented Sector:** Ireland's private rented sector is not working for private renters or recipients of State housing payments. According to the Daft.ie Rental Report, average nationwide rents are up 52% since 2012 with property availability down by 82% in the same period. As rents spiral upwards and supply falls, Rent Supplement and HAP payments are becoming increasingly ineffectual leaving recipients locked out of a crowded and increasingly competitive market, increasing their risk of entering or re-entering homelessness. A recent *Locked out of the Market* snapshot study carried out by the Simon Communities showed that 88% of rental properties were beyond the reach of RS and HAP payments across 4 household categories in 11 study areas.¹
- 1.4 The scale of short term rentals in Ireland:** The approximate scale of short term rentals in Ireland can be estimated by conducting an Airbnb letting availability search in key locations nationwide including Cork, Dublin, Galway, Limerick and Waterford. An availability search of 'Entire Place' rentals in Cork on the Airbnb website for this working week (June 19th – 23rd) shows 51 properties available to rent for 2 people. The site user is also informed that these 51 properties represent only 17% of the total listings, the remainder of which are unavailable for the selected dates. These figures would suggest that full listings of 'Entire Place' rentals in Cork equates to approximately 300 properties. During the selected dates in Galway, 185 'Entire Place' rentals are available representing only 27% of total listings, suggesting full listings equate to 685 properties. A similar search in Limerick reveals 24 'Entire Place' rentals available representing 20% of total listings, suggesting there are approximately 120 listings in Limerick in total. Using the same search parameters for

¹ Simon Communities in Ireland, 'Locked Out of the Market VII – The Gap Between Rents Supplement/HAP Limits and Market Rents', May 2017, http://www.simon.ie/Portals/1/EasyDNNNewsDocuments/160/LockedOutVII_SimonCommunity.pdf.

Waterford reveals 22 'Entire Place' rentals available or 26% of total listings amounting to approximately 85 properties. In Dublin, an availability search of 'Entire Place' rentals reveals over 300 properties available to rent, representing only 15% of the total listings, suggesting total listings equate to approximately 2,000 properties. An availability search of 'Private Rooms' in Dublin for the same dates reveals over 300 'Private Rooms' available to rent within individual residences. The site user is again informed that this represents only 23% of total listings within this category, suggesting that full listings equate to approximately 1,300 'Private Rooms'. Using data obtained in February 2017 the independent Inside Airbnb website shows that there are approximately 3,165 'Entire Place' rentals available in Dublin in addition to 3,383 'Private Rooms'. Unfortunately this data is only available for Dublin.

2. Measuring Impact

2.1 Impact of short term lettings on the rental market: Comparing the Airbnb figures and locations mentioned above with the Daft.ie quarter 1 Rental Report a crude analysis of the impact of short term lettings on long term rental sector availability and price is possible. In Cork, the 300 'Entire Place' properties available to rent on a short-term basis represent 37.5% of total available long term lettings in Munster as of the 1st of May 2017. In Galway there are 13.5% more properties to let on a short term basis than the total number of properties available to rent in the combined provinces of Connaught and Ulster. In Dublin, the 2,000 'Entire Place' properties available to rent on a short-term basis through Airbnb are approximately equal to twice the total number of available properties available for long term letting in Dublin as of the 1st of May 2017. If these short term lettings were released into the wider private rented sector it would have a significant impact on availability, reducing the over competitive nature of the current market and possibly slow ongoing increases in private market rents.

2.2 Impact of short-term lettings on the housing market: The impact of short-term lettings on the broader housing market appears less clear cut than the more obvious and closer impact on the private rented market and the dependent social housing sector (Rent Supplement and HAP schemes). One potential impact of short-term lets on the cost of housing was demonstrated in the case taken by the Temple Bar Residents group (TBR) against an Airbnb host operating a short term let with annual rental earnings of €79,000. In a site specific ruling Dublin City Council ruled that the property had undergone a material change and required planning permission to continue to operate. On appeal to An Bord Pleanála, the Bord upheld the decision that the property was not beyond the reach of the planning regulations. The property came to the attention of the TBR when listed for sale at a price of €425,000, which the TBR maintained was above the local average for similar properties of about €275,000. The inflated asking price was said to reflect the revenue stream generated by ongoing short term letting through Airbnb. As such it could be suggested that successful short term letting properties could drive up local house prices on the basis of profitable revenue streams. Although site specific, the decision by An Bord Pleanála could give rise to similar complaints from property owners unhappy with the ongoing use of neighbouring properties on a short term letting basis. Failure to abide by planning regulations in this regard could lead to greater enforcement by Local Authorities, impacting the viability of the short term letting model.

3. Solutions

3.1 Short Term Letting Regulation: To lessen the negative impact of short-term lettings on the housing and rental market, regulatory measures should be explored. A number of European capitals have introduced new regulations combined with increased enforcement in an attempt to curb the impact of short-term lettings on the housing market.

Examples from Europe:

Berlin: In May 2016, the city of Berlin introduced a licencing system for short-term vacation rentals, making a small number of licences available to property owners seeking to rent entire properties.² Additionally, the regulations permitted property owners to let up to 50% of their property on the proviso that the owner lives onsite. To ensure compliance, fines of up to €100,000 can be levelled on landlords and tenants found in contravention of the regulations, based on revenue generated from the short term let. To date the new regulations have stalled the growth of Berlin's short-term vacation rental market but have not led to a drastic reduction in the number of lets available.

Amsterdam: The city of Amsterdam has brought in similar regulations banning short-term vacation lettings for more than 60 days per year, or to more than four people at a time. The city has invested heavily in digital enforcement to see if it can find out which apartments offered for short-term rent no longer have landlords living in them.

France: In 2012, the French Government introduced a law allowing any City with a population of over 200,000 residents to demand that any flat rented on a short-term basis for more than 120 days must obtain a licence to do so. The city of Paris has implemented the law but to date enforcement and compliance have been underwhelming. City officials are in the process of raising the applicable fines to match those of Berlin.³

Barcelona: The city of Barcelona has similarly invested heavily in curtailing the expansion of illegal unlicensed apartments, hiring up to 100 inspectors by next year to identify and serve closure orders on unlicensed properties or those that are found to be using false documentation. Market rents have risen by 23% in Barcelona in the last three years.⁴

3.2 Enhance overall security of tenure in the Private Rented Sector

- We continue to see an urgent need for full rent certainty with rent linked to the Consumer Price Index (CPI) and enhanced security of tenure. While rent increases are limited to 4% per annum for three years in Rent Pressure Zones this amounts to 12.5% compound increase in three years which is considerable for hard-pressed households struggling to meet rents.

² CITYLAB, 'The City With the World's Toughest Anti-Airbnb Laws', December 2016, <https://www.citylab.com/equity/2016/12/berlin-has-the-worlds-toughest-anti-airbnb-laws-are-they-working/509024/>.

³ CITYLAB, 'Europe's Crackdown on Airbnb', June 2016, <https://www.citylab.com/equity/2016/06/european-cities-crackdown-airbnb/487169/>.

⁴ The Guardian, 'Barcelona cracks down on Airbnb rentals with illegal apartment squads', June 2017, <https://www.theguardian.com/technology/2017/jun/02/airbnb-faces-crackdown-on-illegal-apartment-rentals-in-barcelona>.

- A review of the high threshold criteria for areas to qualify as a Rent Pressure Zone is necessary. In its current format, the criteria may prove too onerous and prevent the application of rent predictability in areas that have experienced significant rent increases.⁵
- We urge the Government to fast track the existing commitment to move towards indefinite leasing as a matter of urgency. Section 34 of the Residential Tenancies Act as the basis of termination of tenancies continues to be a concern. The RTB should closely monitor terminations relying on Section 34 reasons to ensure landlords are acting in good faith and in compliance with the new standards contained in the Planning and Development (Housing) and Residential Tenancies Act 2016.⁶ The continued use of sale and renovation as reasons for terminating an individual tenancy are of utmost concern. Tenants should be permitted to remain in situ during and after sale, particularly if the property will continue to be a rental property.
- The RTB must apply high levels of scrutiny to any applications brought by property owners seeking to invoke the market value exemption contained in the Tyrrelstown amendment.

3.3 Boosting Affordable Housing Supply: The Simon Communities believe that one of the primary solutions to the housing and homelessness crisis lies in strategic State investment in affordable housing for low and middle income families.

- The commitment to develop a cost rental model for the rental sector is encouraging. In this regard we support the work of NESC⁷ and the Nevin Economic Research Institute⁸. To provide as many affordable housing units as possible, Approved Housing Bodies (AHBs) must be fully resourced and supported to engage with this model.
- Tax incentives for cost rental providers must be considered to ensure their viability. At a minimum, this should include mortgage interest relief, local property tax deductibility and access to current and future home renovation schemes. However, any tax incentives must include conditionality in term of security of tenure and quality.
- The proposed use of Local Authority owned land to deliver rental units targeting middle-income families is welcome but must be balanced by securing significant conditions from investors in terms of security of tenure, rent certainty, quality standards and developer contributions similar to existing part V contributions for social housing.
- Ultimately, Local Authorities must be fully resourced to re-engage in large scale social housing construction. The current targets contained in the *Rebuilding Ireland: Action Plan* should be reviewed and revised upwards where possible. Current completion rates are disappointingly low, with only 665 new units built in 2016.

3.4 Conclusion: A chronic lack of affordable housing options is preventing households from exiting homelessness and increasing the risk of homelessness for many households living in precarious tenancies. Greater action is now required to increase availability of and access to

⁵ There are two criteria an area must satisfy to become designated as a Rent Pressure Zone, the quarterly rent inflation in the area must be 7% or more in four of the last six quarters and the average rent for tenancies in the area, as registered with the Residential Tenancies Board (RTB) in the previous quarter, must be above the average national rent in the quarter.

⁶ Planning and Development (Housing) and Residential Tenancies Act 2016, P. 46, <http://www.oireachtas.ie/documents/bills28/acts/2016/a1716.pdf>.

⁷ NESC, 'Social Housing at the Crossroads: Possibilities of Investment, Provision and Cost Rental', June 2014, http://files.nesc.ie/nesc_reports/en/138_Social_Housing.pdf.

⁸ NERI, *Ireland's Housing Emergency – Time for a Game Changer*, March 2017, https://www.nerinstitute.net/download/pdf/irelands_housing_emergency_time_for_a_game_changer.pdf.

affordable housing options for low and middle income households. The private rented sector is not working for private renters or recipients of State housing payments due to increasing national rents and plummeting property availability. Increased security of tenure and full rent certainty are required to ensure more households do not exit the private rented sector into a situation of homelessness. Regulatory measures must be explored to lessen the negative impact of short-term lettings on the housing and rental markets. Recent data from the Airbnb website suggests a significant quantity of housing supply is beyond the reach of the national housing and rental markets.

About Simon Communities

The Simon Communities in Ireland are a network of eight regionally based independent Simon Communities based in Cork, Dublin, Dundalk, Galway, the Midlands, the Mid West, the North West and the South East that share common values and ethos in tackling all forms of homelessness throughout Ireland, supported by a National Office. The Simon Communities have been providing services in Ireland for over 40 years. The Simon Communities deliver support and service to over 8, 300 individuals and families throughout Ireland who experience – or are at risk of – homelessness every year.

Whatever the issue, for as long as we are needed, Simon's door is always open. For more information please visit www.simon.ie

Services include:

- Housing provision, tenancy sustainment & settlement services, housing advice & information services helping people to make the move out of homelessness & working with households at risk;
- Specialist health & treatment services addressing some of the issues which may have contributed to homeless occurring or may be a consequence;
- Emergency accommodation & support providing people with a place of welcome, warmth & safety;
- Soup runs & rough sleeper teams who are often the first point of contact for people sleeping rough.

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Appendix 1: Housing and homelessness crisis in numbers

- During one week in April 2017 (latest available figures), there were 7,680 men, women and children in emergency accommodation across the country. This included 3,211 adults with no dependents in their care and 1,302 families with 2,708 children. (DHPCLG, April 2017).
- On the night of 22nd November 2016, there were 142 people without a place to sleep in Dublin City. This included 65 people sleeping rough and 77 people sheltering at the Nite Café. Unfortunately, Dublin is the only area where an official rough sleeper count takes place, making it difficult to get a countrywide rough sleeping picture. (DRHE 2016).
- Homelessness and housing insecurity are more acute and visible in our cities but the Simon Communities are working at capacity countrywide – in urban and rural areas.
- There are 91,600 households on the social housing waiting list. Two-thirds of households on the list were living in the private rented sector and one fifth living with parents, relatives or friends. 5,159 households (5.6%) had at least one member considered to be homeless, a proportion which has doubled since 2013 (Housing Agency, 2016).
- Social housing commitments will take time to begin to deliver housing. This is far too long for the people we work with and those at risk of homelessness. In 2016, just 665 new social housing units were built.
- Average national rent now stands at €1,131, representing an increase of 52% since 2012. Property availability in the private rented sector has dropped by 82% since 2012 with fewer than 3,100 properties available to rent nationwide on May 1st 2017. (Daft.ie Rental Report Q1 2017).
- *Locked Out of the Market VII* (May 2017 Simon Communities) found that 88% of rental properties are beyond the reach for those in receipt of state housing support.
- Over 76,000 principle dwelling mortgage accounts are in arrears. 43% of all mortgage arrears are in arrears of over 720 days (Central Bank of Ireland, May 2017).
- At the end of March 2017, 20,009 or 16% of buy-to-let mortgages, were in arrears of more than 90 days. (Central Bank of Ireland, May 2017).
- 750,000 people are living in poverty in Ireland (*Poverty, Deprivation and Inequality* (July 2016) Social Justice Ireland Policy Briefing).
- Since 2007 the deprivation rate, which looks at the number of people forced to go without at least 2 of 11 basic necessities examined, in Ireland has doubled - 29% of the population or 1.3 million people are experiencing deprivation (Social Justice Ireland *ibid*).
- According to Census 2016, there are 183,312 vacant houses nationwide.