

Submission to Joint Committee on Housing, Local Government & Heritage

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Dr. Michael Byrne, School of Social Policy, Social Work and Social Justice, UCD

Michael.byrne@ucd.ie

0868496054

Executive summary

- Due to discrepancies between RTB and CSO Census data, the current size of the private rental sector (PRS), and whether or not it is growing or shrinking, is unknown. Further research is required to address this uncertainty as it has crucial implications for policy.
- The CSO reports that there are 330,000 households in the PRS, whereas the 2022 data shows there are 246,453 tenancies registered with the RTB. This discrepancy is likely the result of a combination of the following: non-registration of some tenancies; some AHB tenants mis-categorising themselves as PRS tenants when completing the Census; licensee tenancies are captured by the Census but not by the RTB register of tenancies.
- The level of non-registration is not known. However, in collaboration with Threshold, we took a sample of 146 tenancies associated with clients who contacted Threshold in early September 2023. Of these, 52% were not registered. This suggests that non-registration is a significant concern. The decline in the number of registered tenancies began in 2016, thus coinciding with increased regulation of the sector, including rent regulation.
- A further issue relates to landlords exiting the PRS, which has been subject to much public commentary. However, the level of landlord exits is unknown, and much commentary on this matter is based on a mis-interpretation of the data.
- The fall in the number of tenancies registered with the RTB from 2020 cannot be interpreted as the result of landlords exiting, as this coincided with the change over to a more accurate annual registration system.
- The marked increase in Notices of Termination (NoTs) issued from mid-2022 cannot be interpreted as showing an increased number of landlords exiting, as this coincides with a legislative change requiring NoTs to be registered with the RTB to be valid.
- The NoT data cannot be interpreted as suggesting a higher than normal number of landlords are exiting the sector because it covers a short period of time (since 2019) and during much of this period 'eviction bans' were in place.
- Moreover, to understand the issue of investment and supply in the PRS, the relevant figure is 'net investment'. However, we have no data on this.
- At a general level, the nature of landlord investment in the PRS is complex because it represents both a form of demand for residential property and a form of supply. Policy making which seeks to shape landlord investment must be cognisant of its complex and sometimes contradictory impacts.

Introduction

The following statement addresses a number of issues relating to available data on the Irish private rental sector (PRS) and the interpretation thereof. The following issues are addressed:

1. Discrepancies regarding the number of PRS tenancies (CSO and RTB data)
2. Non-registration of PRS tenancies
3. Investment and supply in the PRS
4. Interpreting the relationship between PRS investment and the supply of housing

Discrepancies with regard to the number of PRS tenancies

There are two main sources of data on the size of the PRS: CSO Census data and the Residential Tenancies Board register of tenancies. Until this summer, our Census data was from 2016, and therefore most people relied on the RTB figures. The RTB data tells us that there has been steady decline in the number of tenancies registered, from almost 320,000 in 2016 to 246,453 tenancies at the end of 2021. Moreover, the RTB figures show that there has been a decline in the number of properties registered every year since 2016 (see Table 1). An important caveat is that the data from 2021 on reflects the change to an annual registration system. The significant decline in 2021, then, should not be interpreted as a decline in the number of PRS tenancies, but rather with this change.

Table 1 Total PRS tenancies registered with RTB	
2005	83,983
2006	137,961
2007	202,078
2008	206,054
2009	234,582
2010	231,818
2011	260,144
2012	264,434
2013	282,918
2014	303,574
2015	319,609
2016	319,822
2017	313,002
2018	307,348
2019	303,023
2020	297,837
2021	276,223 ¹
2022	246,453

¹ 2021 figure is an estimation provided by the RTB based on existing RTB data available to identify the estimated number of tenancies that would have been removed or renewed on the RTB Register in 2021, had the changes to the length of Part 4 Tenancies not been introduced.

However, new data from Census 2022, released this summer, suggests that there in fact 330,000 households in the PRS, 54,000 more than the RTB data. This suggests that that the number of dwellings rented from a private landlord has increased by 7% since 2016. Traditionally, researchers have viewed CSO data as the most authoritative available data. However, the discrepancy between the latest and RTB gives reason for concern.

It is unclear how we should account for this discrepancy. There are some differences in how both bodies collect data which might help to explain the difference.

(i) The census form is filled in by the tenant, RTB registrations are made by the landlord;

(ii) The census data may include 'licensees'. These can include people who are renting a room in the same dwelling as their landlord, or some forms of student accommodation. Licensees are not, technically, 'tenancies', and are therefore not registered with the RTB. To my knowledge, it is not known how many licensees exist. However, Revenue could potentially use data gathered as part of the Rent a Room tax relief to shed some light on this;

(iii) Some tenants of Approved Housing Bodies may have mis-categorised themselves as private tenants in the Census data, thus artificially inflating the figure.

In relation to the third of these, the number of Approved Housing Body tenancies has increased quite significantly since the last Census, but the number of households categorising themselves as such in the Census doesn't appear to reflect this. On the other hand, it is not clear why these tenants would all of a sudden start making this mistake when completing the Census form, given this has not been an issue in the past (there has been no change to the way the question is asked on the census form).

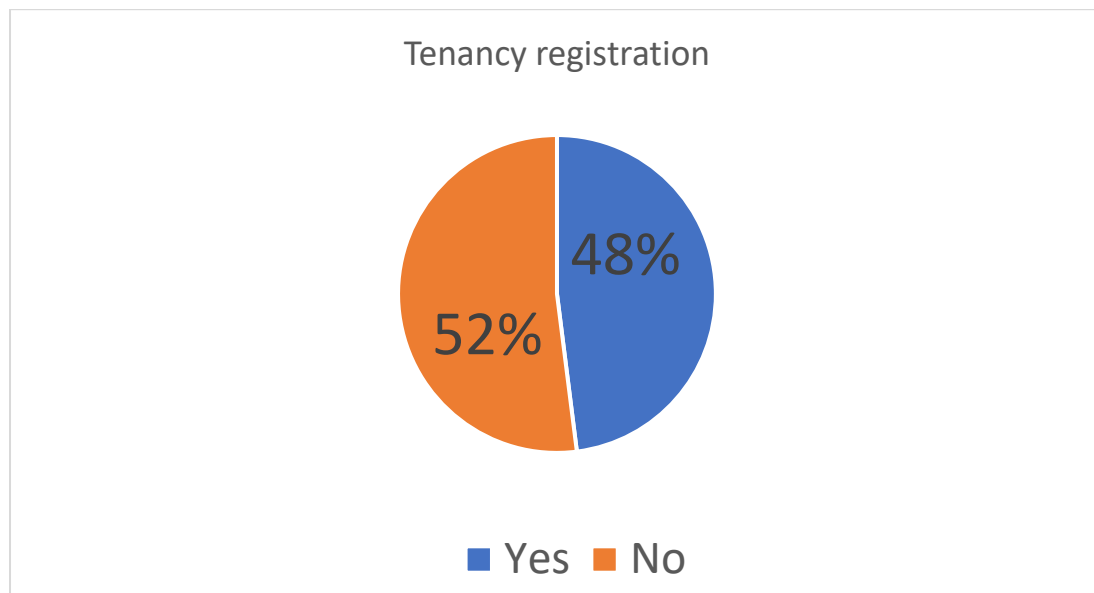
One potential issue here may be that since introduction Residential Tenancies (Amendment) Act 2015, AHB tenancies have been brought under the remit of the Residential Tenancies Act and the RTB. AHB tenancies are now 'Part IV tenancies', which are traditionally associated with the private rental sector. It is possible that this has led to some confusion for some AHB tenants, causing them to mis-categorise themselves as private tenants.

Non-registration of PRS tenancies

Another possible explanation is that the fall in RTB registrations does not reflect the fact that the rental sector is getting smaller, but that more landlords are deciding not to register their tenancies. The project of reforming Ireland's private rental sector began in 2016, the year RTB registrations start to fall. Since that year, rent limits have been introduced (and subsequently strengthened), the length of tenancies has been increased and the RTB have been given stronger enforcement powers to tackle non-compliant landlords.

International evidence suggests that non-compliance can increase as regulation grows, as more landlords seek to operate in the 'black market' in the hope, for example, of evading rent regulations.

In order to shed some light on this issue, I recently worked with Threshold to use some of the data they collect to estimate levels of non-registration. Threshold took a sample of over 200 tenancies associated with clients who contacted them in the first two weeks of September 2023. Of these, 146 had valid, complete addresses which could be checked against the RTBs Register of Tenancies. Of these, 76, or 52%, were unregistered tenancies.



Source: Based on a sample of 146 valid tenancy addresses associated with clients who contacted Threshold in September 2023.

Investment in the PRS

The question of the size of the PRS is related to the wider question of the dynamics associated with the supply of PRS housing and investment therein. There has been much discussion of an 'exodus' of small-scale landlords. Here, however, it should be noted that the number of landlords leaving the sector is just one variable. Even if many landlords leave the sector, the supply of PRS housing can increase, either because landlords who are leaving sell their properties to new landlords, or because their exit is offset by new investment.

We do not have accurate data on the following key factors:

- a) The number of landlords exiting the sector;
- b) The number of landlords entering the sector, or the level of new investment in the sector;
- c) Net investment in the private rental sector, which is a function of the above and the key variable in relation to supply.

The number of landlords exiting the sector

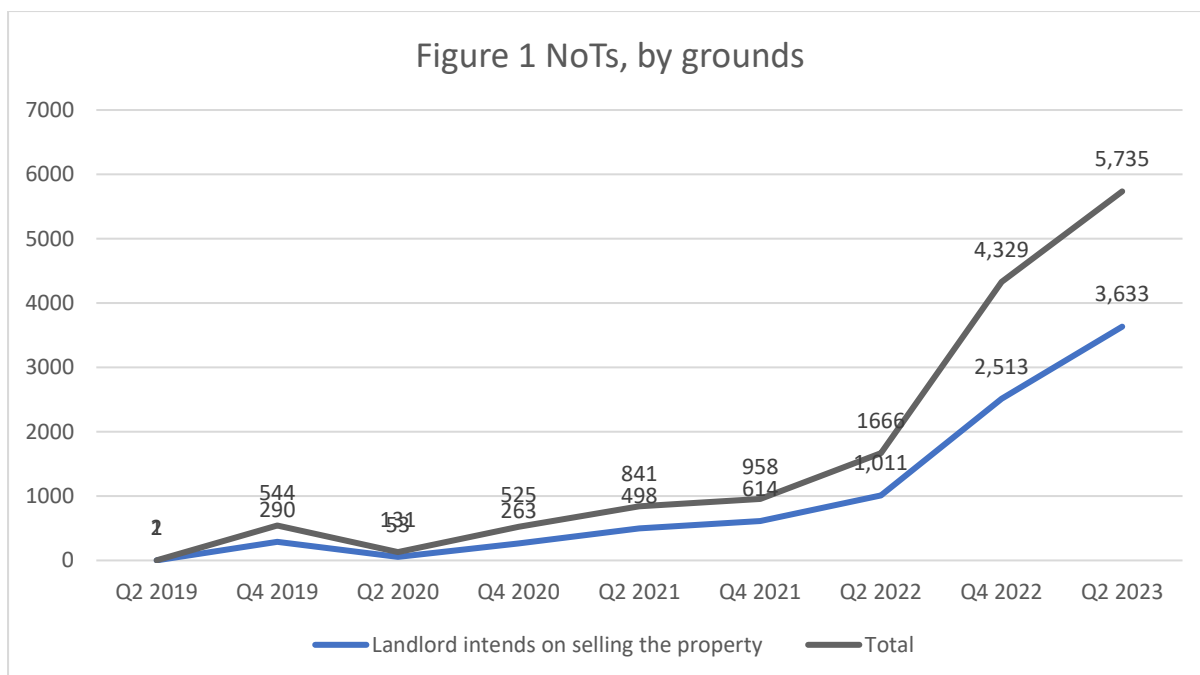
In relation to the number of landlords exiting the sector, there is some data already in the public domain on this issue, published by real estate agents and other market actors. These reports are concerning, in particular because sale of property typically results in the termination of a tenancy.

However, in terms of official data it is very hard to assess the extent to which small landlords are indeed 'fleeing the market'.

The RTB gathers data on Notices of Termination issued on the grounds of sale of property. As can be seen in Figure 1, this has increased markedly. However, some caveats are required here:

- During much of the period since the RTB began to collect this data, 'eviction bans' have been in place. It follows that during these eviction bans Notices of Termination issued for sale of property will have been suppressed. It may also be the case that more recently the issuing of Notices of Termination has been artificially inflated by the 'backlog' that accumulated during the period of eviction bans.
- There has been a marked increase in the number of Notices of Termination issues since 2022 (see Figure 1). This change coincides with a change to legislation such that Notices of Termination which are not registered with the RTB are no longer valid. Therefore, in contrast to some discussion in the media, the increase cannot be interpreted as an increase in the number of landlords exiting the sector.
- Most importantly, the NoT data has only been collected in recent years. *We do not know what the long-term trend is in terms of the issuing of Notices of Termination, and therefore have no way of knowing if they are currently higher than average.*

Furthermore, although there is no evidence on this point, it may be the case that landlords issue Notices of Termination for sale of property but do not go on to sell the property, i.e. it is not a perfect measure of the level of actual sales of property. A sample of Notices of Termination which are issued could be checked against the Property Price Register after a suitable period of time has elapsed, thus determining the proportion of Notices of Termination which result in an actual sale of property.



Source: RTB Register of Tenancies

One further data source is worth mentioning here, the RTB's small landlord survey. In July 2021 the RTB published the results of survey research carried out on 'small landlords' (those with one or two tenancies). This research found that:

- 9% of landlords described themselves as 'likely' or 'very likely' to sell their properties within the next year
- Of those landlords who intended sell within the next five years, only 25% said it was due to taxation and only 13% said it was due to regulatory environment
- Of those landlords who intended to sell within the next five years, *19% said it was because their property is no longer in negative equity and 19% said it was because they were retiring, and their property was their pension*
- For those landlords intending to sell within next five years, when asked what would have made them consider not selling, 57% said 'nothing, I wanted to sell the property for personal reasons'. Only 11% answers 'less taxation'
- Only 10% said that increased regulation is driving landlords out of the market
- Only 25% had negative or very negative attitudes towards RPZs

Overall, the findings of the RTB survey do not support the view that either regulation or taxation is driving a large number of landlords to exit the PRS.

One final point is worth considering in relation to the exit of landlords. In any given year, we would expect that, in a functioning rental market, a certain number of landlords would exit the market. Landlords will exit for a wide variety of reasons, including retirement or indeed simply because they wish to invest in an asset which better suits their needs. In order to determine whether the number of landlords leaving the market is indeed a cause for concern, *we would need to have an idea of what constitutes a 'normal' or 'acceptable' level of exits as a benchmark.* There is a parallel here with

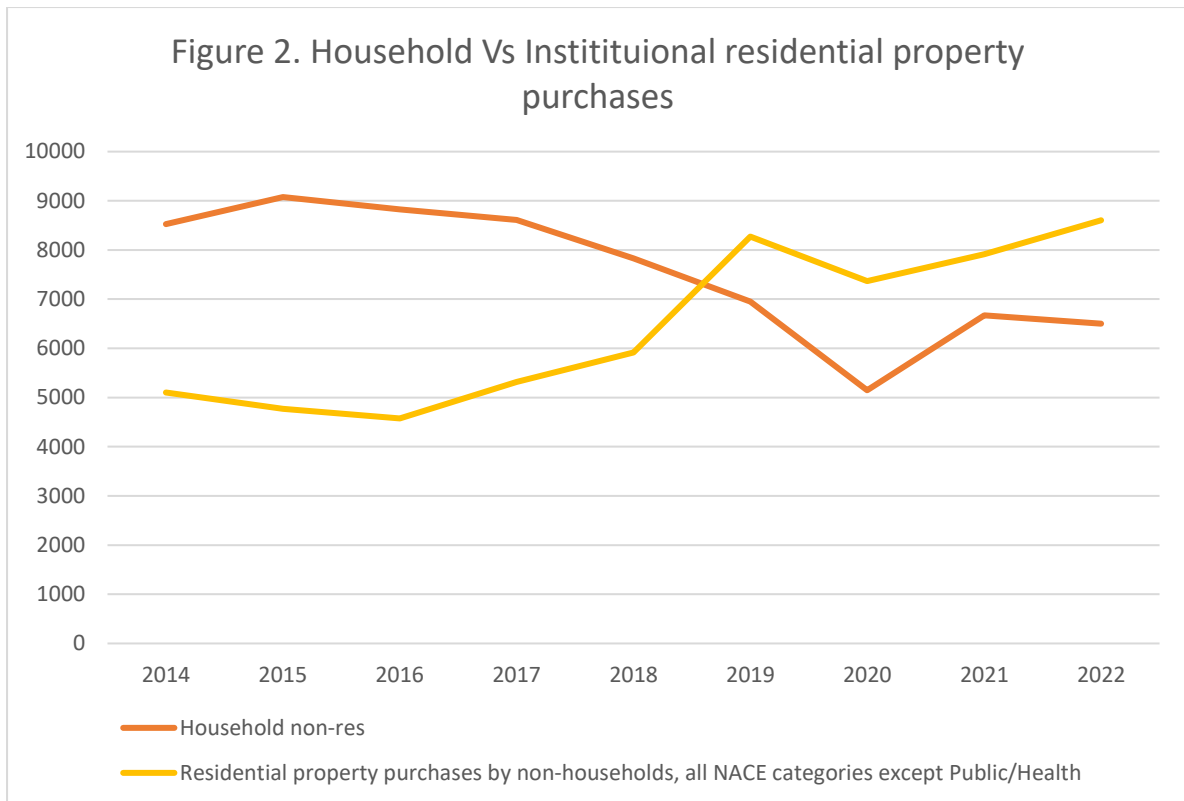
the issue of vacancy. Figures such as '7% of houses are vacant' may at first seem alarming, but in a functioning property market a proportion of housing will always be vacant, as without vacancy property transactions could not take place. Thus, before we can determine if the current level of landlord exits is concerning, we need to have a clear benchmark. Similarly, if policy is aiming to retain landlords in the market, it should have a clear objective in terms of what the desired level of exits is.

PRS investment

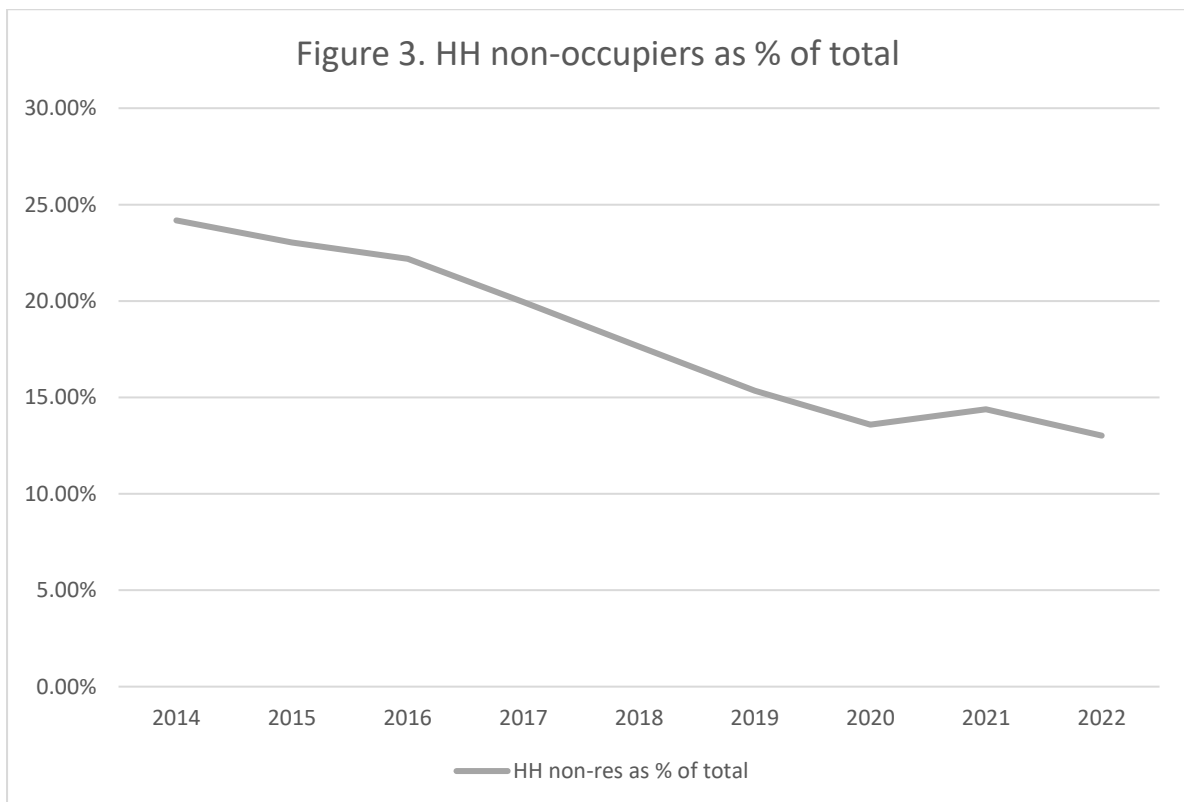
Although we have no accurate data on PRS investment, the Residential Property Price Index does provide some useful information. In particular, it records:

- Household non-occupiers: this category includes all residential properties purchased by a household who do not intend to occupy that property. This includes PRS investment, as well as holiday homes and some other cases. It should be noted that this is based on stamp duty data. An amendment to the way stamp duty data is collected could produce accurate data on the number of properties purchased by in-coming landlords each year.
- Non-household purchasers, by NACE category: this category includes all residential property purchases by non-households, i.e. companies or institutions. It is broken down by NACE category. Following a methodology developed by the Department of Finance, excluding the NACE category 'Public/Health/Education' allows us to identify, albeit imperfectly, the number of residential properties purchased by institutional landlords.

Figure 2 below shows that the number of Household Non-occupiers has steadily declined since 2015, even as the overall level of property purchases has increased rapidly. Figure 2 shows that the proportion of property purchases accounted for by Household Non-occupiers has fallen from 24% in 2014 to 13% in 2022). However, as can be seen in Figure 1, investment by institutional landlords has increased over the same period. Rather than investment in the PRS falling, this (albeit imperfect) data suggests that institutional landlords have replaced household-investors.



Source: Residential Property Price Index, CSO



Source: Residential Property Price Index, CSO. Note Household-non occupiers as % of total residential property purchases

PRS investment and the supply of housing

Beyond the above data, it can also be useful to clarify the relationship between PRS investment and the supply of PRS property and of housing in general. There is some confusion and debate on this point.

The existence, and size, of the PRS impacts supply in the following ways:

(i) It reduces the vacancy rate because there will always be some cases where the owner of a property does not wish to reside in that property. The existence of a rental market allows that property to go back into the market rather than lying vacant. For example, if someone inherits a house which they are not ready to sell, or if they move in with a partner but are not ready to sell their former home, or if they move abroad for a number of years but hope to return to live in their property.

(ii) The PRS creates an investment opportunity for institutional landlords. These landlords can access finance from financial markets, and turn that finance into investment to purchase properties. Note, they usually do not build any houses themselves, but they do purchase newly built stock. This form of investment is directly related to supply, because the existence of institutional landlords makes it much easier for developers to sell newly built apartment blocks. In many cases, developers enter into arrangements (such as 'forward funding') with institutional landlords at the outset of the development process. This reduces the cost of financing for developers.

(iii) The PRS allows households to invest in housing. Without this option, households would not be able to channel their money and savings into housing investment, so the overall level of investment in housing would be lower. Most landlords are household investors, so this is particularly important.

The last point is subject to some confusion and indeed controversy. This is because small scale landlords can be understood as *both a form of supply and a form of demand*. When a household takes some of their savings and goes out into the property market to purchase a property, this represents a form of housing demand. They compete with other potential purchasers, including first time buyers, and can, depending on the context, bid up prices. This happened on a mass scale during the buy-to-let boom at the height of the Celtic Tiger, as shown in research by Michelle Norris and Dermot Coates². On the other hand, when landlords purchase a property and then put it on the rental market, they increase the availability of rental property and therefore act as a form of supply.

Increasing landlord investment in the PRS, then, can have the effect that a greater proportion of the housing stock is available on the rental market, while at the same time increasing the overall level of demand in the 'for sale' market, and consequently impacting prices. Conversely, declining levels of

² Norris, M., & Coates, D. (2014). How housing killed the Celtic tiger: Anatomy and consequences of Ireland's housing boom and bust. *Journal of Housing and the Built Environment*, 29, 299-315.

landlord investment in the PRS can have effect of reducing the proportion of the housing stock that is available to rent, while at the same time reducing the overall level of demand in the 'for sale' market. The impact is, in short, somewhat complex and contradictory.