

Cathaoirleach, Senators,

Thank you for the invitation to contribute to the Pre-Legislative Scrutiny of the Residential Tenancies (Right to Purchase) Bill.

I'm Pat Davitt, Chief Executive of IPAV, the Institute of Professional Auctioneers & Valuers. I'm joined by John Kennedy, IPAV President.

IPAV has more than 1,500 members. We operate a comprehensive system of professional education and development for members and for those wishing to enter the profession.

We introduced the 'Blue Book' European valuation standards to Ireland - the standard now recognised by the Irish and European Central Banks for which they hold default status if any valuation conflict arises.

Our profession is often misperceived as having a vested interest in ever increasing property prices. While members are legally obliged to seek the best prices for those on whose behalf they act, we strongly believe in, and strive for, policy interventions that would bring about a sustainable property market where people are enabled to buy, sell or rent according to their needs.

A volatile market does not serve the needs of most buyers, sellers, renters, lenders or indeed estate agents. IPAV strives for interventions that would bring about sustainability, sadly often without being heeded.

In May 2003, we delivered a presentation to an All-Party Oireachtas Committee on the Constitution. We could see trouble was brewing. We highlighted that the gap between demand and supply had narrowed significantly, a full five years before the financial crisis first emerged into public view. We warned and I quote: '***it is desirable to create a policy environment where house price inflation grows at a more sustainable pace and where mortgage debt does not increase to dangerous levels for individuals and the overall economy. Above all else it is essential to prevent a negative equity situation from developing***'.

We further suggested in that presentation : '***It would be in the best interests of all interested parties if mortgage providers established a voluntary code of conduct covering areas such as loan to value ratios, the savings record of the borrower and the duration of the loan.***'

I'm now going to address the provisions in the Right to Purchase Bill under two main headings – first from the perspective of the tenant, and secondly from that of the landlord.

### **First - Tenants**

Existing tenants are generally the first to know that a property they are renting is coming up for sale.

They have the benefit of having lived in the property and, therefore, tend to know:

- The quality of the build
- Any faults, and whether or not these are minor or major
- How the house performs from an energy perspective and most critically,
- Whether or not the property would amount to a desirable property and location in which they would want to live over the medium or longer term.

When a property comes up for sale and the tenant deems it desirable the next step is to analyse affordability. What is the market rate for the property? Could she, he or they qualify for a mortgage? How much would repayments be?

Invariably, as evidenced by regular published data, in most cases it makes sound economic sense to buy rather than rent. The key question that arises is, could the tenant satisfy the necessary criteria.

Increasing interest rates have put pressure on prospective buyers. Many who would have easily qualified for mortgages previously no longer do. Some find their mortgage approval expires and they do not requalify.

For this reason State sponsored schemes such as the Help-to-Buy and First Home schemes have become critical.

The bottom line is, tenants are making decisions every day of the week to buy properties. Some decide to buy the home they are now renting. Some decide to buy a different property. Others decide they could not afford the existing property or else that buying wouldn't suit them right now, their plans for the future may be more fluid.

For those renting who would wish things not to change, and would prefer the status quo, the reality is there is another legitimate party involved.

### **Now let's look at the other side – The Private Landlord**

The second party involved is usually a private individual. We believe up to 90% of residential rental accommodation in this country is provided by private landlords.

Motivation for the private individual is different to that of the State which has a social responsibility to the citizen.

The private landlord, involves himself or herself in the market for various reasons but most typically they are:

- Generally speaking, people who do not have guaranteed income in later life, they see property as an investment or pension plan providing security for later years
- They are parents planning ahead for their children's future, typically perhaps buying a property for rent with a plan that it would later become a home for a child or children during college years.

Last year IPAV and IPOA, the Irish Property Owners' Association, who are here today also, undertook research involving over 880 such landlords. It found:

- The major cohort by far, 43%, became a landlord for pension purposes;
- The next biggest cohort, about a quarter, did so to gain an income;
- Notably only 13%, did so for 'extra income';
- Accidental landlords formed less than 10%.

Two further important findings:

- Over 70% were self-employed and
- Almost 6 in every 10 had debt to service.

This latter group, will, like aspiring buyers I mentioned earlier, be deeply impacted by higher interest rates. Many may require a quick sale because they may be under pressure from a lender.

They may have restructured a loan but with increasing interest rates, are once again struggling to meet repayments. A quick sale, never intended, may now relieve pressure and rescue them financially. And perhaps psychologically also - from the embarrassment of their neighbours finding out they are under water financially.

Deputies, Senators, I assure you from what our members are seeing, the legacy of the last financial crash lives on. Increased interest rates have, sadly, set fire to the dying embers of unsustainable debt for many. That will be a story for another day.

But I think it's important to acknowledge too, not all private landlords are in such a position. Many would be very happy to sell to an existing tenant because it saves the landlord from marketing and other expenses.

But, some owners might want to sell to a relative, typically a daughter or son. The Bill we're discussing today, if implemented, would place the relevant family member in competition with the existing tenant. Head 5 does make provision when property is being transferred for no or partial consideration but we believe it is not comprehensive enough.

The tenant's right to bid for the property should not arise where a landlord intends to transfer the property to a spouse or certain defined family members, as well as inheritance rights.

IPAV believes the Government should give a public commitment that transfers of property to spouses and family members as well as inheritance rights are not to be affected by this or any future legislation.

I know we will have a more detailed discussion shortly but in summary IPAV respectfully suggests the following:

- This Bill is unnecessary since what it seeks to provide is already happening in the market in any event - tenants are buying where it suits them and where they can finance it;
- The Bill will set a precedent for legislative intervention in a landlord's right to sell a rented dwelling... and a future Government could extend this, as we've seen with Residential Tenancies Board legislation.
- It is likely to prompt some landlords to sell in advance of the legislation, thus reducing the availability of rental properties;
- This Bill would elongate the sales process, frustrating many potential and genuine buyers where a tenant could not match those offers but for whatever reason decides to exercise all

available options. In fact the legislation could raise tenant expectations in an unrealistic manner;

- A tenant's right to purchase should be removed if they are in breach of any of their statutory obligations;
- The Bill would, effectively, set a minimum period over which a sale takes place. Many potential buyers will simply move on and buy other properties not so restricted. This is not healthy for the operation of the market;
- It could be used by some tenants to stay in properties longer than existing legislation prescribes;
- The tenant's right to bid to purchase does not apply to the sale of multiple unit developments, further exacerbating the unequal treatment of private and institutional landlords;
- It would have the effect of further diminishing the rights of property owners, making investment in rental property a far less attractive proposition than it has already become because of excessive and unbalanced regulation between owners and tenants.

Finally, I would just say that IPAV would respectfully encourage the legislature to prioritise measures that will increase supply.

If supply is improved virtually all of the other difficulties in the market will be eased and fall away, the market will work.

This Bill, if implemented, will make investment in private rental much less attractive at a time when this is already a grave concern.

Thank you.