

The Housing Problem and the Case for Rent Regulation

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Key Problem : Decline of Non-Market Provision

Year	Market	%	Non-Market	%
1975	18,098	67	8,794	33
2005	75,398	93	5,559	7
2015	12,201	96	465	4

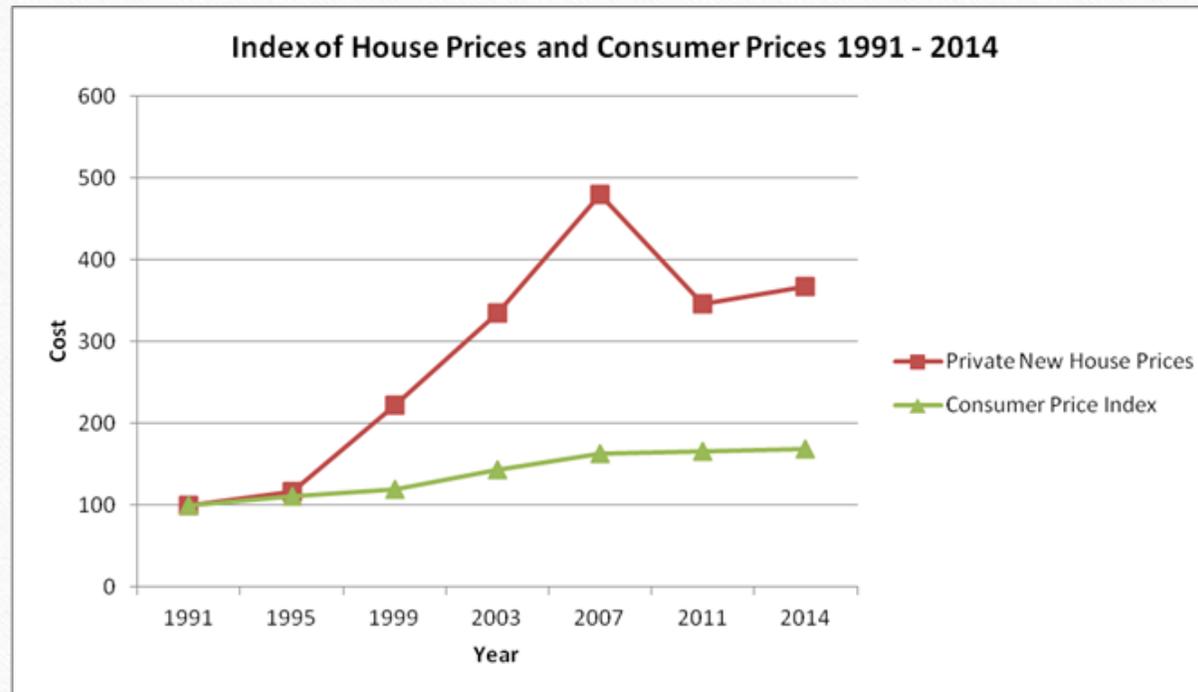
Key Problem : The Failure of the Market

- Housing provision almost entirely dependent on market-driven private sector
- Private developers built too many houses and in the wrong places in 2006 and too few house in 2016 (market failure)
- Housing has become “commodified” (a “commodity” rather than a home)
- Access to a home to buy or rent depends on ”ability to pay”

Key Problem : Escalating House Prices

- Prices out of line with CPI, average earnings and cost of building
- Housing Over-valued/Over-priced

Index of House Prices & CPI



Problematic Private Rented Sector

- Escalating Rents and inadequate regulation
- Poor standards
- Insecurity of Tenure
- Yet 5.5 billion euro paid to landlords in rent supplement over last 15 years

Why No regulation?

Despite escalating rents, a concerted campaign was waged in October and November 2015 by Irish and international property and mortgage interest groups against any form of rent regulation.

Stabilising Rents : Boosting Supply

- Rent reviews every two years
- Short-Term and a Compromise
- Inadequate

Rent Control and Rent Regulation

- Critical Distinction
- Rent control no longer exists; yet vested interests continue to use term
- Rent regulation the norm in Europe

The Economic Case for Rent Regulation

- Private rented sector an “imperfect” or Monopolistic-type” market (large number of tenants; much smaller number of landlords).
- High rents (and high house prices) bad for the economy
- Rent increases out of line with other key indicators such as CPI
- High rents a deterrent to skilled workers wishing to return to Ireland or foreign executives
- Also social and ethical reasons

Recommendations

- A radical change of philosophy and policy is required to reverse the alarming reduction in the direct provision of public housing by the government and other non-profit providers. At least 10,000 such homes per annum are required to even deal with the 90,000 families currently in housing need (proposed also in 1999!).
- A cost-rental” model of housing for rent for those currently ineligible for public housing (e.g. nurses, guards, teachers etc) should be implemented by the government as a matter of urgency.
- The proposal to provide for 75,000 social housing tenants in the private rented sector is unwise and should be abandoned.
- A key objective of any government must be to ensure that the prices and rents of homes do not diverge significantly from other key price indicators such as the Consumer Price Index.

Recommendations

- Increase supply. While increasing supply will dampen down prices, managing demand (as the Central Bank has done) is also critical to ensure that exorbitant prices are not demanded and paid. The level of profit sought by developers/builders, the tax and levies by central and local government and the cost of land and finance all contribute to unsustainable house prices. All need urgent attention.
- Since land is a key requirement for housing, the government should have a long-term strategy of land acquisition. A substantial land tax or capital gains tax should be imposed on “unearned “ price increases of land zoned and serviced for housing.
- Rent regulation on European lines should be introduced as a matter of urgency in the interests of tenants and landlords.
- The right to housing should be enshrined in legislation and in the Constitution.

Finally, what kind of society do we want?

- We need to ask ourselves whether the first priority of the Irish housing system should be the realisation of investment, speculative or capital gains by those with the necessary resources, or the provision of an affordable, secure, good-quality home as the right of every citizen?
- Simply put, are houses a market commodity or comfortable shelter from the storm?
- The choice, either way, is ours.