

The Private Rented Sector in the North and South of Ireland: Moving Towards Convergence

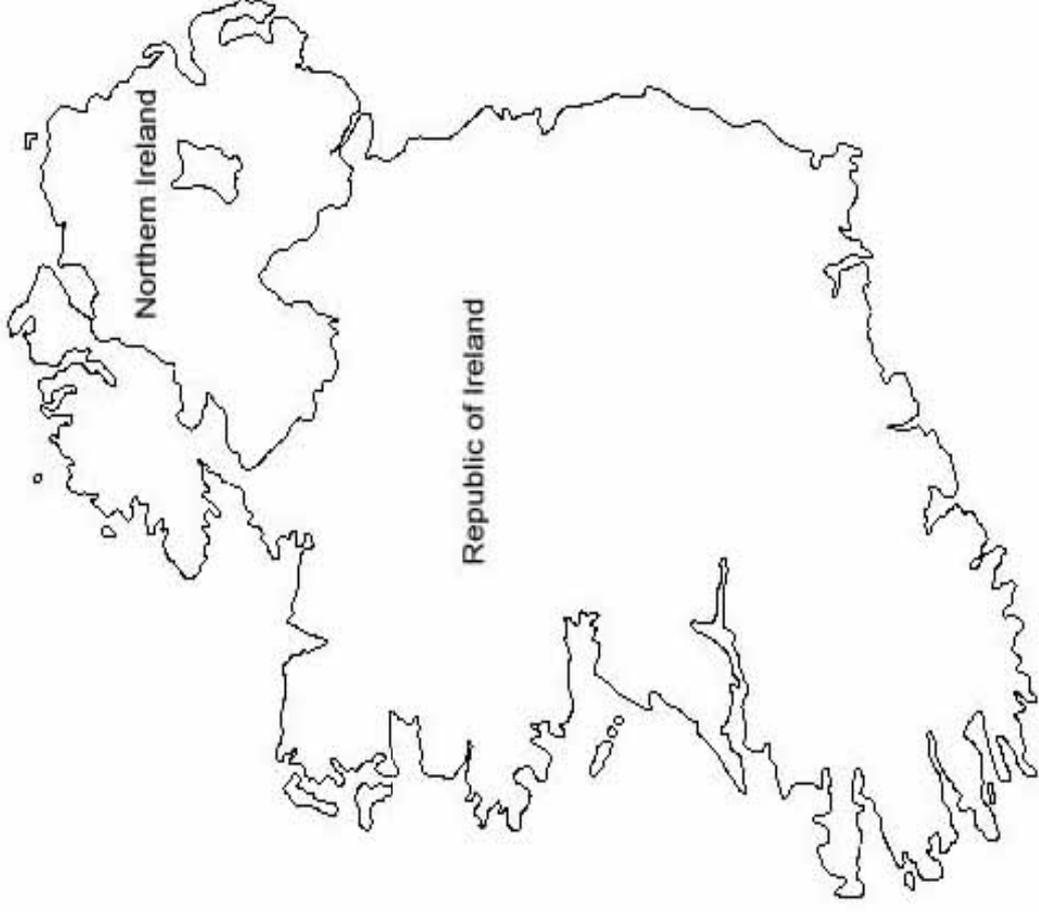
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PRS in Northern Ireland and South of Ireland

Overview

- Brief comparative analysis of PRS policy and outcomes in both jurisdictions
- Outlines principal features of PRS with particular emphasis on the emerging role of sector in housing low income groups
- Examines variations set against the backdrop of overall housing systems in both jurisdictions
- Seeks to identify common pathways and convergences
- Challenges

Outline Map of Ireland



Timelines

1169 – 1922	Island of Ireland under British rule
1922	South of Ireland independence
1921 – 1972	Belfast Stormont Parliament
1968	Civil Rights Protests in North
1969	Beginning of Northern Ireland Conflict
1972 - 1998	Direct Rule from Westminster
1995 - 2007	‘Celtic Tiger’ years in South
2007	Housing Crash on in ROI and NI
1998	Good Friday Agreement: NI Assembly
2002 – 2007	Suspension of Assembly/Direct Rule
2007	Return of NI Assembly

Diverging Housing Systems (1922-1961)

South

- Strong agricultural base
- Large PRS with rent control
- Negative image of PRS through slum landlordism and British Rule.
- Emphasis on urban slum clearance in 1930s and 1940s
- Higher levels of owner occupation due to tenant purchase
- Post WW2 significant Local Authority house building cements decline of PRS
- Early and strong support for owner occupation

North

- Strong industrial base
- High levels of PRS up until WW2
- Bombings during war destroyed lots of housing in Belfast
- Post WW2 Building through NI Housing Trust to complement LAs
- PRS remains strong to end of period with little controls
- Campaign for Social Justice
- Discrimination in housing allocations leading to civil rights campaign

Decline of PRS (1961-1991)

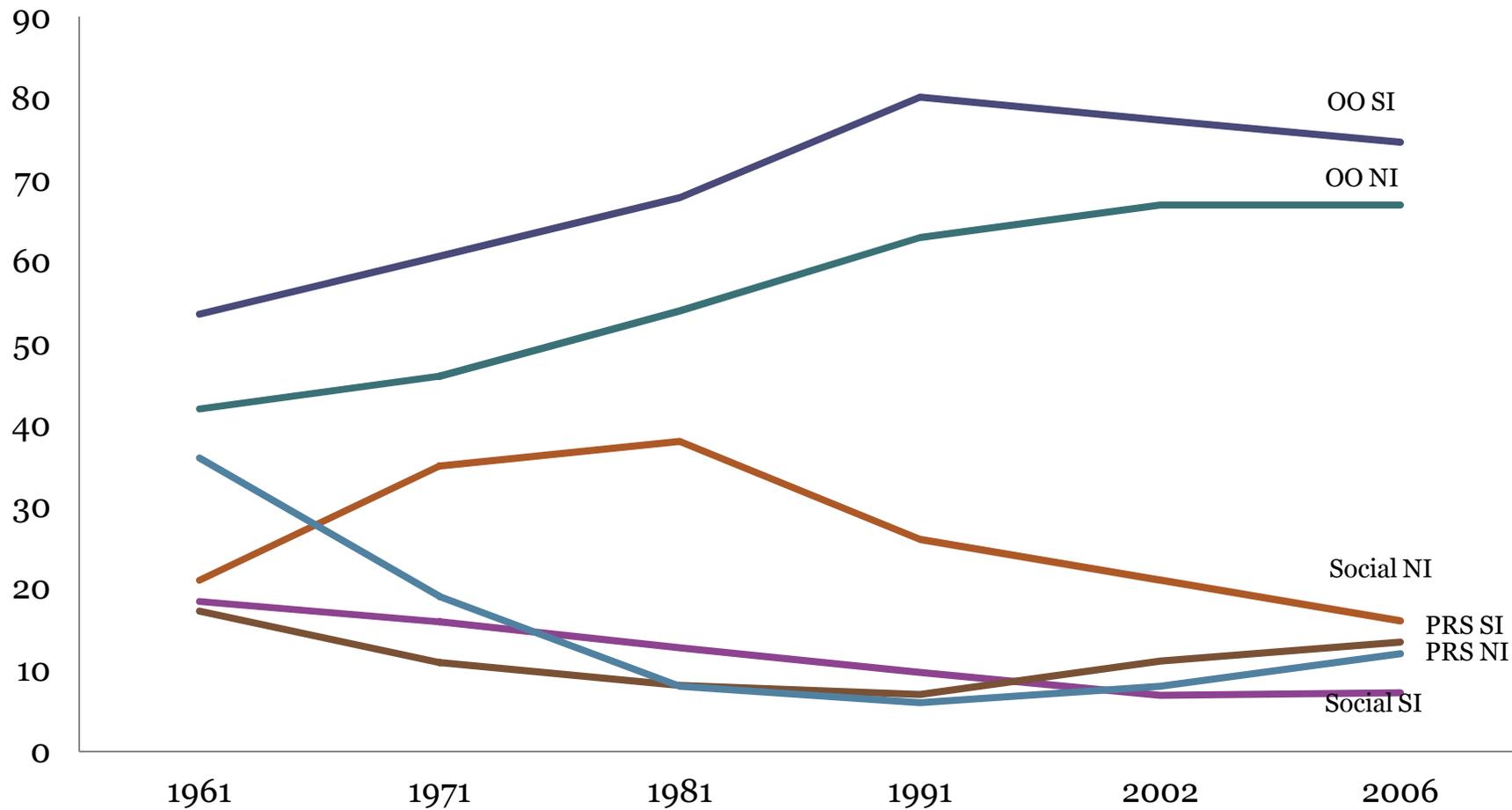
South

- ROI economy grows In 1960s and joins EU in 1972
- Homeownership continues to grow, reaches 80%
- Housing Act 1966
- Sales to LA tenants in 1980s causes a decline in social housing in spite of generous build
- Rent control overturned in the courts in late 1980s
- PRS declines to 8%

North

- Massive segregation
- Growth of Welfare state benefits NI
- Decline of PRS mirrors rise of social rental in early period
- Beginning of “Troubles” with housing allocations to Catholics a major issue
- Creation of NI Housing Executive. State action increases public housing and clears slums
- Introduction of RTB 1983
- Steady growth of homeownership matches steady decline in PRS

Distribution of Housing Stock by Tenure in Northern Ireland and South of Ireland, 1961 - 2006



Resurgence of PRS(1991-2006)

South

- Celtic Tiger leads to significant growth of housing sector
- Homeownership declines for first time
- Growth of property investment through Buy to Let (BTL)
- Government struggles to control spiralling house prices (push factor)
- Local Authority building begins again but waiting lists grow
- Large increase in Rent Supplement payments to PRS (pull factor)
- Private Rented Tenancies Act 2004 sets up PRTB.
- Increase in PRS demand due to lack of alternatives

North

- Ceasefires and devolution
- DOE Housing Review 'Building on Success'
- Move to provide alternative renting to NIHE (increase private investment through Housing Associations)
- NIHE sales had far exceeded replacement of social housing stock (RTB).
- 2002 NIHE stops building
- Homeownership continues steady increase
- House Price boom causes dramatic increase in BTL
- Housing Associations fail to meet social housing targets
- Increase in PRS demand due to lack of alternatives

PRS under pressure (2006-2015)

South

- 2007 property crash leads to 50-60% drop in house prices
- Average rents fall by 30% in 2008-2009, but rise by 35% in Dublin between 2011-2015.
- BTL mortgage arrears, repossessions & receiverships
- Rent supplement levels out-of-kilter with market rents
- Rent freeze introduced in November 2015 due to growing family homelessness
- New deposit protection scheme legislation

North

- 2006 Private Tenancies Order
- Semple Review on Affordability
- 2007 Financial Crash leads to major House price falls
- In April 2013 deposit protection schemes introduced in Northern Ireland from April 2013,
- Registration introduced 2015
- Consultation Paper published November 2015

Changing Perceptions of PRS

- Changing perceptions and attitudes towards the private rented sector,
- Negative image right up until the 1990s
- Very much like in GB where it is regarded as less of a residualised sector and more of a mainstream housing option.
- There has been a sizeable increase in the overall proportion of households living in the private rented sector.
- Mainly due to difficulties accessing the owner occupied sector and contracting levels of social housing
- Rise in younger age groups particularly 25-34 year olds (16% 2004 to 47% 2014) Those buying a home has fallen from 66% to 35%
- The sector is becoming diverse, as it is home not just to low income households or wealthier apartment dwellers, but to more families, young people and children across a range of incomes including HB tenants.

Reasons for increase in PRS

South

Supply side: Investor opportunity

- Capital gains – rapid house price increases
- Easy access to finance
- Low-interest rates - Buy to Let mortgages
- Tax breaks

Demand side

- Students, young professionals, migrant workers
- Difficulties accessing other tenures
- Affordability problems for first time buyers
- Growing social waiting lists
- Better regulation, quality of stock

North

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- Capital gains – rapid house price increases
- Volatility of stock market
- Low-interest rates - Buy to Let mortgages

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- Students, young professionals, migrant workers
- Difficulties accessing other tenures
- Affordability problem for first time buyers
- Growing social waiting lists
- Increase in standards

Focus on PRS Regulation 1990s - Present

South

- Early 1990's some improvement in regulation
- 2000 Commission on PRS
- 2004 Residential Tenancies Act
- 2005 Introduction of RAS
- 2007 Apartment Design Guidelines
- 2009 Minimum Standards Regulations
- 2009 Housing Act
- 2009 Property Services Regulation Bill
- 2009 Multi Unit Developments Bill
- 2015 Residential Tenancies (Amendment) (No. 2) Bill will introduce rent freeze and deposit prote

North

- 1996 Housing Policy Review
- 2001 Inquiry into Social Housing
- 2003 HMO registration
- 2004 PRS strategy NIHE/DSD
- 2006 Private Tenancies Order
- 2009 PRS Strategy Consultation
- 2010 Strategy for the PRS DSD
- 2013 Introduction of Tenancy Deposit Scheme
- 2015 Introduction of Licencing

Challenges

- Retaining and increasing investment in the sector: Housing Associations, REITs etc?
- Introducing more stability and greater scrutiny creating longer tenancies and stable rent contracts in some form or another.
- The effects of welfare reform on the sector and how that may affect growth if the sector
- Fiscal effects of reducing tax incentives in the July 2015 budget in GB yet in ROI more generous
- Affordability: Being able to enter and remain in the sector. Things like agent fees, size of deposits and advance rents.
- Political Action: The effect of any increase in regulation and what that might mean in the sector. On the one hand it can offer standards that people require and a healthy and desirable sector for both landlords and tenants but it shouldn't squeeze out investors.

Conclusions

- Indications of Policy Convergence
- Both jurisdictions facing reduction in supply of new accommodation for owner occupation and social housing – transfer of risk from state to private sector
- Policies to promote PRS as viable housing choice with minimum standards & better regulation
- Subsidies through RS and HB supporting low income households in PRS
- PRS has become a mainstream housing option