An Ghníomhaireacht Tithíochta
The Housing Agency

Review of Rent Pressure Zones and Consideration of Potential Policy Options for Rent Controls in the Private Rented Sector

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Executive Summary

Purpose of the Research

The Department of Housing, Local Government and Heritage (DHLGH) *Private Rental Sector Review* (July 2024) recommended a comprehensive examination of the current Rent Pressure Zone (RPZ) system in advance of the expiry of RPZs at the end of 2025. This review examines the introduction, operation, and evolution of RPZs within the wider context of rent regulation in Ireland and internationally. It considers policy options for the future of rent regulation in Ireland to the purpose of considering whether rent controls should be continued, adapted, removed, or replaced.

The Housing Agency was requested to undertake research to support the DHLGH review. This report is the culmination of that research.

Overview of the Review

The private rental sector (PRS) has seen significant growth over the past few decades. As demand for rental accommodation continued to increase in the 2010s, the supply of rental accommodation failed to keep pace. Between 2015 and 2016, the number of people who were homeless and relying on emergency accommodation in Ireland increased by 1,870.

The 2016 *Strategy for the Rental Sector* identified the stark misalignment between supply and demand for rental accommodation as “the most significant challenge facing the sector.” Around this time, Dáil debates consistently highlighted supply as a challenge for the PRS and overall housing affordability. In the absence of adequate supply, the RPZ system was introduced in 2016 to moderate rental inflation in the PRS. However, the then-Minister for Housing, Planning, Community and Local Government acknowledged at the time that "there are legitimate concerns regarding the potential for rent controls or caps to discourage investment" (Coveney, 2016).

The RPZ system was introduced into legislation via an amendment to the Residential Tenancies Act 2004 in December 2016. An RPZ is an area which has been designated as such after experiencing consistent rental inflation. Emphasising its temporary nature as an emergency measure, the system provides scope for local authority areas and local electoral areas (LEAs) to be added and removed from RPZ designation based on rent prices and rental inflation.

The RPZ system was introduced as a form of temporary, second-generation rent control which limits the permissible increase in rent by a certain percentage in the PRS of a designated area across tenancies. The system was initially designed with the intention of alleviating pressure on tenants from rapid rental inflation in areas of high rental demand, without discouraging investment from the PRS by landlords and institutional investors.

Since 2016, some of the rules of operation for the RPZ system have changed, including the maximum rate of increase, how average rents are compared for the purpose of RPZ designation, and what constitutes a 'substantial change' as it relates to an exemption.

The initial duration of the RPZ system was to be for three years from December 2016 through December 2019. However, the PRS has continued to be affected by a shortage of adequate rental accommodation and the RPZ system has been extended three times via amendments to the Residential Tenancies Act 2004: in 2019, in 2021, and in 2024. The current RPZ system is set to terminate on 31 December 2025.

Literature on rent regulation in Ireland suggests findings such as those listed below:

- There is evidence of meaningful price moderation due to RPZs.
- Evidence suggests a degree of non-observance.
- Research suggests there is a negative supply impact linked to the 2021 tightening of controls which correlated with an increase in the supply of homes for sale and a decline of approximately 14% in rental registrations (Gillespie et al., 2024).
- The post-2021 price cap imposes a real price cut when inflation exceeds 2%.
- The empirical research is silent on how RPZs impact maintenance, tenant mobility macroeconomics, and homelessness.

These compare to findings from international literature on rent control which suggest that:

- Controlled rents deliver a considerable price reduction to sitting tenants. However, they might not significantly improve affordability as benefits may be allocated by chance and may just reprofile and front-load costs, meaning tenants may be paying more rent than is appropriate at the beginning of their tenancy to mitigate the effects of rent control for the landlord.
- Over time, reduced supply may contribute to price inflation.
- There may be less flow in the rental market due to lower tenant mobility.
- Rental homes risk physical deterioration as landlords may neglect maintenance and refurbishment.
- When considering the implementation of a new rent control system, the potential effects are not dependent on the system alone, but the specific control measures implemented and the wider policy and culture that exists in the jurisdiction the controls are being introduced.

This paper examines the evolution of supply in the Irish PRS. Available evidence shows that the implementation of rental caps has not stopped the Irish PRS from growing. Regionally, the bulk of the growth has been in Dublin City, in absolute terms.

The predominance of small landlords in the Irish PRS is a historical legacy of an economic period (early 2000s) in which policy, as well as access to credit, was very supportive of that type of rental ownership. The possible trend of small landlord exodus cannot be definitively proven due to data gaps. However, the available evidence suggests that small landlords have

exited to some extent. While landlords may leave the market for several reasons, and some degree of churn is bound to occur, some exits appear to have been precipitated by the introduction of the 2% cap.

Provided that the PRS has grown, and that small landlords have likely left to some extent, those exits seem to have been compensated by new investment coming from institutional investors, even though the latter has been largely concentrated in Dublin.

This paper also considers the role of institutional investment, which first entered the Irish market after the financial crisis, largely through purchases of National Asset Management Agency (NAMA) property portfolios. The development of new rental stock around 2018 signalled the start of a more advanced phase of institutional investment in Ireland. This flow of finance reached the Irish market because the development of Build to Rent (BTR) apartments suited the investment preferences of institutional investors and provided attractive returns, despite the existence of rental caps. This flow of finance was facilitated by the RPZ exemption rule on new builds. The increased liquidity for apartment developments since 2018 is reflected in the new dwelling completions data, which show that apartments were the most important driver of the growth in housing supply until 2023.

Whilst PRS apartment output grew steadily from 2017, 2024 was an inflection point. The number of apartment completions reduced by about 32% between 2023 and 2024. Investors have raised the following concerns about rent controls in Ireland: the frequency of regulatory change; the current design of RPZs (rather than the existence of rental caps in the first place). The current design is viewed as strict, especially regarding the 2% cap and the impossibility of resetting rents to market levels when there is a change in tenancy; and the social function of institutional investment in housing.

The recent fall of institutional investment in PRS development in Ireland has multiple causes. A substantial RPZ reform could be used to incentivize a return of investment and would likely have a positive effect on supply. However, the impact would also be affected by other factors such as interest rates. Other policy measures that influence viability for the developer, which are under the influence of domestic policy, are also key to attracting international capital.

This paper reviews case studies of other rent control models; the reference rent system (German model) and the points-based system (Dutch model). This element of the review responds to a key recommendation contained in the Report of the Housing Commission (2024). Recommendation 33 stated the following:

“Regulate markets fairly and effectively by reforming the current system of rent regulation and establishing a system of ‘Reference Rents’. This reform should be informed by evidenced-based reviews on the impact of regulated market rents on rented housing supply, accessibility and affordability. Such reviews should be conducted on a regular basis and rent regulations amended where appropriate.”

These case studies are then used to inform the policy options for future rent regulation in Ireland, as are detailed below.

Policy Options

Finally, policy options are outlined to suggest the potential effects of sustaining, changing, or removing the existing RPZ system, or implementing a new system. Policy options are outlined to compare the potential effects of various changes, or lack thereof, to the existing rent pressure zone system. The option which looks at reference rents considers a version that would be similar to the German model, as it is a case study in the report and offered the most detail to enable comparison.

The options presented in this section are:

1. Modification of the RPZ system
2. Continue with the current RPZ system
3. Not to continue rent regulation and have market determined rents
4. Introduce a new system of rent controls

1. **Modify the existing RPZ system**: **This is the Housing Agency's preferred option. The existing RPZ system is modified so that a national system of price controls is introduced, under which rental prices adjust with inflation within a tenancy and can be reset between tenancies to reflect market rents, with enhanced tenancy security measures to protect against economic evictions.** The extensive literature on rent controls would suggest that severe rent control has a negative impact on the supply of rental properties in the longer-term. Ireland's current system does appear to be severe for two reasons, firstly it sets its rent cap at 2% or the Harmonised Index of Consumer Prices (HICP), whichever is lower, meaning that rent increases may not keep pace with inflation, and secondly it does not allow for a resetting of rents to market rates when a tenancy ends. This latter feature is less common by international standards. There is some evidence that the current RPZ system is acting as a disincentive to new investment and that the reduction of the rent cap from 4% to 2% saw some smaller landlords leave the market. While RPZs are not the only factor in the slowdown in investment in apartment construction, there is reason to expect that modification of the rent control rules could act as a stimulus for new investment, and help to keep existing landlords in the market, while also encouraging upkeep and maintenance. The option to modify the existing rent control system has a number of advantages when examined against the criteria set out in this paper. It would continue to protect existing tenants from unchecked rent increases while also stimulating investment and providing existing landlords with higher returns, with which they can invest in the upkeep and maintenance of their properties. This option was also popular among a majority of survey respondents within this research. However, the risk of economic evictions motivated by landlords who wish to increase to market rents is a significant concern. If any changes are introduced which provide a mechanism for

landlords who are below market rents to bring their rents back to market over time, these will need to be carefully managed to avoid very high increases in rents for tenants. If the Government decides to take this option, mitigation measures will need to be implemented to ensure that the security of tenants remains protected. While standardised average rents would increase in the short term, the measure should act as a stimulus to investment and improve the retention of smaller landlords in the market, which is particularly important outside of Dublin, where institutional landlords are not present. It will take at least 3-4 years for this investment to result in more homes being built, but in the longer term any increased supply of rental properties should have a dampening effect on rising rents.

2. **Continue with the RPZ system in its current form**: Continuing the RPZ system in its current form past 2025 would provide the ongoing benefit of rent stability to some tenants in the short term. However, this research found stakeholders noted the effects of the current RPZ system have been broadly negative for new tenants, landlords, and the upkeep and maintenance of housing stock in the PRS. Adopting this option will likely contribute to a static rental sector in the longer term.

3. **Not to continue rent regulation and have market determined rents**: Allowing rent controls to lapse by the end of 2025 would result in the significant increases in rents for many tenants. As there are many low-income households living in the PRS, a return to market rents could put some of these households at risk of homelessness. Findings from this research have highlighted this precarity as a point of concern for a wide range of stakeholders. There would also be increased pressure on the Government to increase HAP expenditure. While it is likely to stimulate investment in the sector, many investors have publicly stated that they are not looking for consistently high returns, but rather a steady and predictable return over many years which allows them to invest in the maintenance and upkeep of their properties. On balance therefore this option appears to carry more risks than benefits.

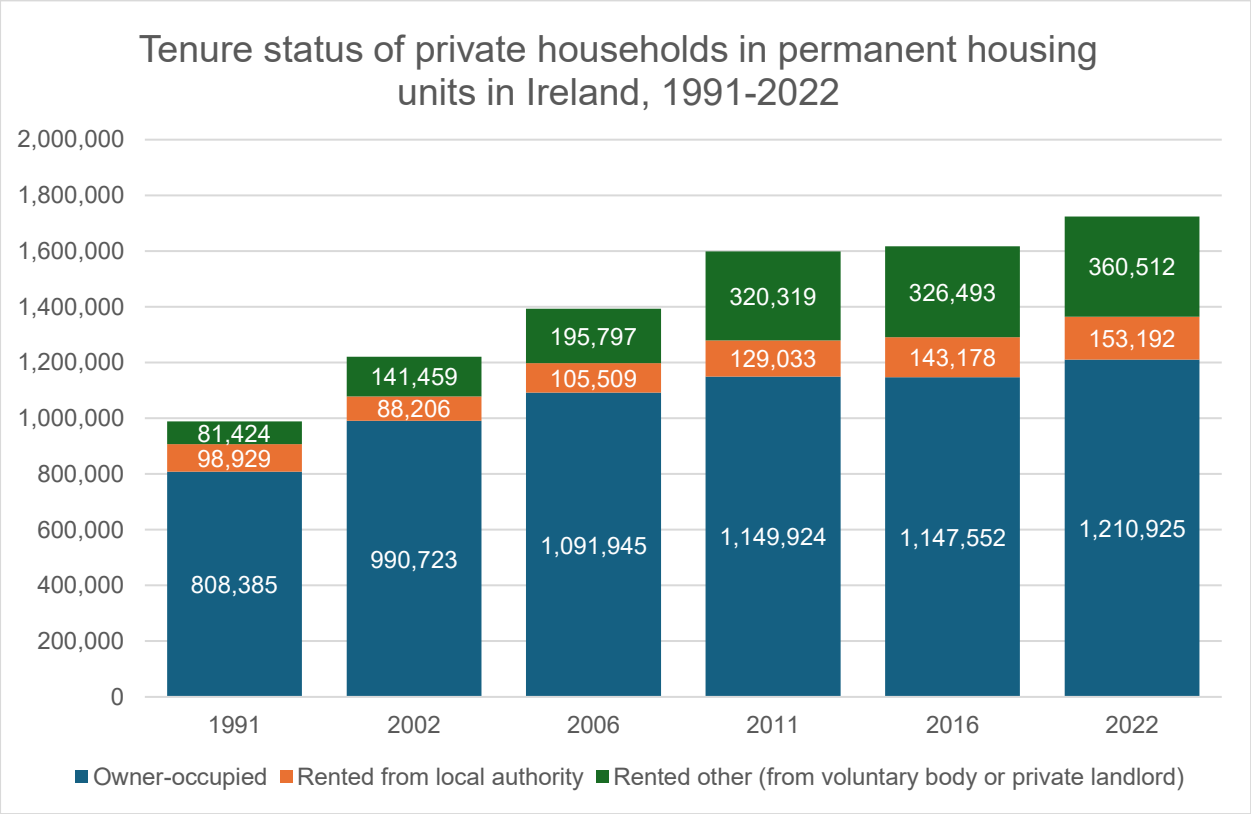
4. **Introduce a new system of rent control**: The alternative models examined in this report would be a significant departure from the current RPZ system. These models would require more granular data and are complex to administer. While they would incentivise the upkeep and maintenance of rented properties and provide a system with an underlying rationale for rent setting, they are likely, in the short term, to lead to a greater number of disputes. The complexity of these rent control systems may also lead to problems with compliance. Finally, they are difficult to explain to investors and may not have the same catalyst effect for new investment that Options 1 or 3 may have. Another challenge posed by establishing a system of reference rents is that the Irish market has had rent controls since 2016 and this, combined with a lack of supply in the sector, makes establishing a market price, to form the basis of a reference rent, very difficult.

1. Introduction of Rent Pressure Zones

1.1 The Private Rental Sector in 2016

The private rental sector (PRS) is an important part of the Irish housing system and has seen significant growth over the past few decades. The number of households in the PRS[1] has almost doubled since 2006 and has more than quadrupled since 1991 (CSO, 2016; CSO, 2022) (Figure 1).

Figure 1. Tenure status of private households in permanent housing homes in Ireland, 1991-2022



Sources: CSO (2016), CSO (2022)

The sector, however, has been affected by issues of lack of supply and affordability, particularly in the recovery from the Global Financial Crisis.

The PRS in this recovery period was defined by high rental inflation, especially in areas with high demand such as Dublin and Cork (DHLGH, 2024). According to the most recent Rent Index report, the national standardised average rent in new tenancies increased by 35.5% between Q1 2011 and Q4 2016 (from €761 to €1,031) (ESRI, 2024a). Approximately 65% of new Dublin tenancies were paying less than €1,001 in Q1 2011 compared to less than 30% of new Dublin tenancies in Q4 2016 (ESRI, 2024a). Within this timeframe, the proportion of new tenancies in Counties Meath, Kildare, and Wicklow that were paying less than €1,001 fell

[1] This number excludes households renting from a local authority.

from approximately 90% to approximately 50% (ibid.). Outside of Counties Dublin, Meath, Kildare, and Wicklow, this proportion fell from over 95% to approximately 85% (ibid.).

Causes of this rental inflation included but were not limited to: a misalignment between supply and demand; "a robust macro-economic performance fuelled by a strong labour market, excess demand for housing from demographic pressures, limited access to home purchase due to high house prices, and tighter credit conditions in the owner-occupied sector" (Ahrens et al., 2019, p. 8).

Rental inflation outpaced general consumer price inflation from 2012 onwards, leading to affordability issues for households (Coffey et al., 2022; O'Toole, 2023). This was especially the case for lower-income households and households in Dublin (Corrigan et al., 2019).

Between 2015 and 2016, the number of people who were homeless and relying on emergency accommodation in Ireland increased by 1,870 (DHLGH, 2020; DECLG, 2016).[2,3] The issue of rising homelessness is a complex issue with multiple factors. However, a lack of effective rent regulations and rapidly rising rental prices have been cited as two exacerbating risk factors for homelessness (Lima et al., 2023; Rebuilding Ireland, 2016).

As demand for rental accommodation continued to increase in the 2010s, the supply of rental accommodation failed to keep pace. The 2016 *Strategy for the Rental Sector* identified the stark misalignment between supply and demand for rental accommodation as "the most significant challenge facing the sector" (DHPCLG, 2016, p. 10). Around this time, Dáil debates consistently highlighted supply as a challenge for the PRS and overall housing affordability. In the absence of adequate supply, the RPZ system was introduced in 2016 in an effort to temper rapid rental inflation in the PRS.

Key takeaways

- By the 2016 census, the number of households in the PRS had almost doubled since 2006 and had more than quadrupled since 1991 (CSO, 2016; CSO, 2022). Between 2015 and 2016, the number of people who were homeless and relying on emergency accommodation in Ireland increased by 1,870 (DHLGH, 2020; DECLG, 2016).
- The RPZ system was designed and intended to be a short-term measure starting in December 2016, but has been extended three times via amendments to the Residential Tenancies Act 2004 and is currently set to terminate at the end of 2025.

[2] 2015 data available here https://www.gov.ie/en/publication/c4ac6-homeless-report-december-2015/
[3] 2016 data available here https://www.gov.ie/en/publication/88a85-homeless-report-january-2016/.

1.2 Development and Objectives of the RPZ System

The RPZ system was introduced into legislation via an amendment to the Residential Tenancies Act 2004 in December 2016 (Government of Ireland, 2016).

The introduction of the RPZ system in 2016 marked a major change for regulation within the PRS (The Housing Commission, 2024). Prior to the RPZ system, private rent price regulation was limited to the prohibition of setting rent above 'market rates', as well as rules related to the frequency of rent reviews and recalculations via the Residential Tenancies Act 2004 (Government of Ireland, 2025, §19(1)). The last time rents had been regulated beyond this by any form of rent regulation in Ireland was 1981, when rent controls which had been introduced during World War I were ended (The Housing Commission, 2024; O'Toole, 2023).

The RPZ system is a form of temporary, second-generation rent control which limits the permissible increase in rent by a certain percentage in the PRS of a designated area across tenancies. The system was designed with the intention of alleviating pressure on tenants from rapid rental inflation in areas of high rental demand, without discouraging investment from the PRS by landlords and institutional investors.

An RPZ, therefore, is an area which has been designated as such after experiencing consistent rental inflation. Emphasising its temporary nature, the system provides scope for local authority areas and local electoral areas (LEAs) to be added and removed from RPZ designation based on rent prices and rental inflation.

The initial duration of the RPZ system was to be for three years from December 2016 through December 2019 (DHPCLG, 2016; Government of Ireland, 2016).

However, the PRS has continued to be affected by a shortage of adequate rental accommodation and the RPZ system has been extended three times via amendments to the Residential Tenancies Act 2004: in 2019, in 2021, and in 2024 (Government of Ireland, 2019; Government of Ireland, 2021a; Government of Ireland, 2024). The current RPZ system is set to terminate on 31 December 2025 (Government of Ireland, 2024).

2. Rent Control Literature Review

Researchers from many disciplines, chiefly but not exclusively economists, have produced a considerable literature seeking to understand the impacts of rental price controls[4] over the last half-century or so, and it is the function of this section of the review to present a broad, relatively brief overview of that literature.[5] This section then summarises some recent Irish literature on the specific impacts of Rent Pressure Zones, before presenting some important caveats based on recent papers that emphasise the limitations of evidence and the challenges of directly inferring evidence from regimes elsewhere or in the past.

Before continuing, it seems important to note several points related to the nature of the international policy debate, incomplete evidence, and welfare dilemmas.

The ongoing rent control debate occurs at, as Marsh et al. (2023) put it, the intersection of the technical, the normative and the fiercely political. Collective commentary regarding the desirability of rental price controls tends to be polarised; tenants and advocacy NGOs tend to welcome; investors and landlords and employers tend to oppose.

In this context, many researchers have contributed technical papers that usually identify and measure specific effects, such as the effect of the introduction of rental price controls on new supply effects, or on patterns of maintenance. Such contributions are valuable, individually and taken as a whole. However, they at best provide a partial answer to the question of what are the effects of a system of rental price controls, because to answer that question requires a comprehensive understanding of the impacts. Achieving a comprehensive understanding is extremely challenging given, as discussed further below, the technical challenges, the wide range of potential effects and how they manifest over time and space, and also given that those effects spill-over beyond the rental market to other markets and policy areas.[6]

A further aspect to bear in mind is that the core policy challenge is to determine whether, on balance, a given system of rental price controls is optimal for all of society in the sense that the economic concept of welfare is maximised. However, society is composed of different groups and a legitimate policy stance is to seek to favour the welfare of some groups over others, for instance, of economically vulnerable households over other households. In a situation in which a given system of rental price controls is deemed to have an overall neutral, or even marginally negative effect on total welfare, it is open to policymakers to choose to retain that system of controls because the price controls favour a group of particular policy importance. Although landlords and private market tenants do not map perfectly to vulnerable or non-vulnerable groups, it is the case that private market tenants are considerably more likely to be economically vulnerable.

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[4] In this section, the term ‘rental price controls’ is applied in a generic fashion to describe the wide array of policy mechanisms applied in law in Ireland and elsewhere to influence prices, or the rate of increase of prices, in the private rental market. These policy mechanisms encompass the range of price controls, from nominal rent freezes with no decontrol between tenancies, to rent stabilisation with inter-tenancy decontrol.

[5] For further details, please see bibliography. A fruitful place to start is Arnott (1995).

[6] For instance, conditions in the rental market can affect labour markets and homeownership.

Academic studies examining the economic impacts of rent controls on the housing market and on private landlords and their tenants, as well as the wider societal costs and benefits of rent regulation are not a recent phenomenon. Turner and Malpezzi (2003), for example, undertook a 'Review of Empirical Evidence of the Costs and Benefits of Rent Control'. The study examines and synthesises the findings of a range of case studies undertaken in cities across the world using econometric modelling techniques. The authors accept that the picture that emerges is somewhat confused and inconsistent, but they do, highlight one consistent finding: 'the variance of costs and benefits [of rent controls for landlords and tenants] within a market is almost always very large' and 'net benefits are very poorly and, in some cases, perversely targeted' (p.114). The article concludes by highlighting a recurrent theme in many of the international studies: that 'so many rental outcomes seem to vary with market conditions and industrial organisation' and that consequently there is a need for further research, and, in particular, the application of existing models to more housing markets, rather than attempting to develop new models.

Writing at approximately the same time, Arnott (2003) provides what he terms a 'common-sense discussion of the economics of tenancy rent control' that examines the issue from a number of perspectives: both landlord and tenant, as well as impact on the operation of the market and welfare economics. Arnott begins, however, by setting out what has now become the widely used standard three-fold typology for examining rent control/regulation:

First-generation rent control: 'a rent freeze, with perhaps intermittent upward adjustments only partially offsetting inflation' (Arnott, 2003, p.91). This form of rent control was typically found in many European countries during the inter-war period and during the Second World War. By 1970, some major European cities, including London, Paris, Vienna and Stockholm, were still using such rent controls. By the 1980s, however, most instances of rent controls pivoted to second-generation rent controls.

Second-generation rent control: 'typically allowed rents to be increased annually by a certain percentage automatically' (guideline rent increase provisions) with supplementary provisions permitting rents to be increased further' on a discretionary basis in response to some combination of cost increases' (ibid.), e.g. landlord cash flow/ profitability considerations. Second-generation rent controls were introduced in many European countries to replace the existing first-generation ones that were considered too restrictive in the post-stagflation era when rent control became less of an issue. In the UK, this was compounded by the steady decline of the PRS until the late 1980s (Rhodes, 2025). This approach recognised that over time landlords incur increases in the financial outlay required to manage properties effectively and was seen as encouraging landlords to continue to invest in their properties and improve dwelling quality. Typically, this type of control would allow an annual rent increase of some measure of inflation plus e.g. 2 per cent, an approach that appears effective at times of economic stability with slowly rising prices but becomes less effective during periods of high inflation (Arnott, 2003).

Third-generation rent control: 'rent increases are controlled within a tenancy but are unrestricted between tenancies' (ibid.). Arnott (2003) notes that this form of control is more

aptly named ‘tenancy rent control’, viewing it as the outcome of an almost imperceptible evolutionary process that in some jurisdictions (e.g. Germany, France and the Netherlands) took the form of a system that allowed more generous rent increases between tenancies than within tenancies. Typically, these increases (as with the second-generation) would be determined by the rate of inflation and/or property condition. It also includes measures to regulate the frequency of rent increases (e.g. once every 12 months) and the number of weeks/months notice of increase required).

As a form of rent regulation, Arnott considers that tenancy rent control provides a reasonable policy compromise between opponents of any form of rent regulation and those who support comprehensive government intervention – ‘though the devils – as well as the angels – are very much in the details’ (p.93).

Arnott’s ‘perspectives’ already provide a number of useful indications of the advantages and disadvantages of rent regulation. From the landlords’ perspective, tenancy rent control will encourage a ‘front-end-loading’ of the rent to compensate for future ‘loss’ compared to increasing market rents. It will incentivise them to select short-term tenants, increasingly ignore tenants’ complaints regarding repairs, etc., initiate eviction proceedings for minimal breaches of contract (such as late payment of rent) and undertake minimum maintenance to the property.

From perspective of the tenants, their realisation that the longer the tenancy, the lower the rent relative to market rents, will encourage inertia despite perhaps a change of work location that necessitates longer travel to work. This will come at the price of (given landlord reluctance to undertake repairs etc.) having to do more to maintain the property (at their own expense) as well as ensuring a strict adherence to the terms of the lease. If accompanied by changes to landlord-tenant law that favours the tenant, tenancy rent control may lead to better security of tenure.

The effects of tenancy rent control on the operation of the rental housing market appear to be somewhat vaguer and more contradictory. Arnott postulates that increasing tenant resistance to “conversion eviction” make conversion more expensive and difficult; however, there appears to be no significant impact on the rate of construction or on the tenure balance between owner-occupancy and renting privately (rent control may encourage builders to invest more in owner-occupancy, but tenants may delay climbing onto the first rung of the ladder of owner-occupancy because of favourable rental prices). Much depends on the political context in which the new controls are introduced that may signal the extent of the regulatory environment in the future (the ‘thin end of the wedge argument’).

In his conclusion Arnott is critical of economists who assume rental markets are perfectly competitive and overlook their inherent imperfections, arguing that given these real-world imperfections, ‘a well-designed rent control program’ that increases security of tenure ‘can be welfare-improving’ (p.116).

2.1 Review of Irish Literature

Arnott (1995) argued that it is possible to design a set of rental price controls that result in an improvement in economic efficiency over the unrestricted market equilibrium, but noted that the practicalities of legislating a mechanism could result in a measure which is harmful. Therefore, he argued, rental price controls should be evaluated on an empirical, case-by-case basis; recent work conducted in respect of Ireland's system of Rent Pressure Zones provides evidence to undertake an assessment. However, the frequency of parameter changes such as the July 2021 price cap change from 4 per cent to the harmonised index of consumer prices (HICP), then December 2021 price cap change to the lesser of 2% per cent or the HICP, should be borne in mind.

It is also important to reiterate that the Rent Pressure Zone system is embedded in a broader market, institutional and regulatory context, encompassing regulation of property standards, security of tenure, acceptable management standards, and tenant rights and obligations. The introduction of, and modifications to, the Rent Pressure Zone system have been accompanied by broader regulatory changes, sometimes compensatory, which means that econometrically isolating the impact of the change can be difficult.

Ahrens et al. (2019), examining the initial 18 months of operation of the Rent Pressure Zone system, found that price inflation in Rent Pressure Zones had fallen relative to other areas since the introduction of the legislation. The rate of price inflation across all Rent Pressure Zones fell from just over 9 per cent for the seven quarters before the regulations to just under 6.4 per cent in the seven quarters since the regulations. In the non-Rent Pressure Zones areas, the average rent growth before and after the policy was virtually the same. They also found a relatively high proportion, 40 per cent, of property level price growth above the 4 per cent cap.

Coffey et al. (2022) noted that there is a strong economic rationale for the application of rental price controls in markets where the presence of market failures, information asymmetries or excess demand coupled with inelastic supply are prevalent. They found slower rental price growth in Rent Pressure Zones areas than elsewhere indicating a degree of price stabilisation in designated areas. They also found a clustering of pricing around the (then) 4 per cent threshold, and low levels of registered exemptions relative to the prevalence of pricing over the 4 per cent threshold.

O'Toole et al. (2021) explored the impact of the 2016 four per cent cap on price changes examining the period to Q3 2018, and found that the rental price controls had heterogeneous impacts on landlord price setting behaviours. For instance, there was evidence that the price cap induced inflationary behaviour as some landlords priced towards the 4 per cent maximum rate. Overall, however, O'Toole et al. found that the rental price controls had an economically meaningful, moderating impact on rental inflation in that the overall rate of price growth fell by one to two percentage points after the regulatory change. They found that the impact was different across the price distribution, and that corporate and smaller-scale landlords responded to the cap differently in that corporate landlords were more likely to set rental prices

at the regulatory maximum of four per cent. O'Toole et al. also found a reduction in the number of tenancies registered after the introduction of the rental price controls, of approximately 6.5 per cent, which suggests an effect on tenant mobility or a shift of homes from the regulated market to the shadow market.

The ESRI and RTB (2024) examined rental price changes at the property level and found that there was a moderating effect on rent prices in RPZs compared to non-RPZs where tenants were more likely to see no change in rent price year to year but larger increases when they do occur. This price moderation was particularly relevant in longer-established RPZs compared to newly designated RPZs.

O'Toole's (2023) analysis of price trends indicated price growth dropped by between 2 and 5 percentage points, and that rental price controls did not appear to have limited new supply of housing or activity in the rental sector for the period in question. However, a substantial proportion of the observed price changes exceeded the allowable inflation rate that suggested that enforcement could be enhanced. With respect to the indexation of the price cap in 2021, O'Toole noted that the cap was likely to be well below the cost of maintenance and upkeep of the property given the higher than normal inflationary conditions present in the economy at the time. O'Toole suggested that the cap be increased over time to at least the rate of inflation to lessen the risks associated with disinvestment.

Gillespie et al. (2024) examined the housing supply impacts of the Rent Pressure Zone system and found that the introduction, and 2021 tightening of the system increased the supply of homes for sale, reduced rental listings and registrations, with these effects driven by individual, as opposed to corporate, landlords. The magnitude of the effects were found to be non-trivial, for instance a decline of approximately 17 per cent in rental registrations in RPZs following the 2021 tightening of the controls.

Slaymaker et al. (2024), by using the annual register of tenancies introduced by the Residential Tenancies Board in 2022, examined how property level rents changed over this period, whether the price evolution patterns differ in areas designated as RPZ compared to non-RPZ areas over Q2 2022 to Q1 2024. Slaymaker et al. found that property level rental growth rates were much lower in RPZs relative to non-RPZ areas in this period. For ongoing tenancies, property level rents increased year on year by an average of 1.3-1.5 per cent in Dublin, by 1.4 to 1.7 per cent in all other RPZs and by 3.5 to 4 per cent in non-RPZ areas. In RPZs, price increases clustered around the 2 per cent ceiling, for ongoing and new tenancies. They also found that properties in non-RPZs were more likely to see no change in rent from one year to the next. However, non-RPZ properties that did see an increase in rent were more likely to observe very large rises compared to properties in RPZ areas, particularly where there was a change in tenants. In contrast, those in RPZs were more likely to see more moderate changes year on year. The RPZs designated in 2016 and 2017 saw a larger incidence of moderate price increases and a lower incidence of large rises compared to those designated in 2019 and 2020, which suggests a possible higher degree of non-compliance in more recently designated RPZ areas.

Irish research to date has principally focused on generating empirical estimates of the price effects and has consistently found evidence of economically meaningful price moderation. The evidence also suggests a degree of non-observance, potentially speaking to enforcement weaknesses. Latterly, papers suggest a negative supply impact. Researchers have also noted the severity of the post-2021 price cap, which imposes a real price cut when inflation exceeds 2 per cent. The evidence to date is incomplete in the sense that there is no holistic assessment of overall impact. The empirical research to date is silent regarding impacts on maintenance, tenant mobility macroeconomic effects, and homelessness. As such, there are limits on the guidance it can offer to policymakers.

The ESRI (2025) argues that the RPZ system is "a long way from what was originally introduced". The ESRI states that the current calibration does not allow rents to rise in real terms and this form of rent control is too severe. It also argues that linking rent increases to monthly HICP inflation has caused confusion about the level of increases allowed (ESRI, 2025). Furthermore, it states that the criteria for designating RPZs means that some smaller areas which may be experiencing the highest rent inflation will never meet the criteria.

Key takeaways

- Papers (Gillespie et al., 2024) suggest a negative supply impact linked to the 2021 tightening of controls which correlated with an increase in the supply of homes for sale and a decline of approximately 17% in rental registrations.
- The post-2021 price cap imposes a real price cut when inflation exceeds 2%.
- The empirical research is silent on how RPZs impact maintenance, tenant mobility economics, and homelessness.
- As RPZs are currently designed, some smaller areas experiencing high rent inflation may never become designated.

2.2 Review of International Literature

Prior to recent decades, there was limited debate among economists concerning rental price controls, as the orthodox position regarded damaging resource misallocation to be a consequence of the dampening of the price signal. This view derives from a general view of price controls; economic textbooks have often used forms of rent control as a theoretical illustration of the pitfalls of price ceilings. Kholodilin (2022) and Gibb et al. (2022) have undertaken recent, comprehensive reviews of the empirical and theoretical economic literature on the effects of rental price controls. These reviews are particularly valuable, as they encompass those longstanding, well-rehearsed critiques of rental price controls but are also alive to the reassessment of the impacts of rental price controls by some economists in recent decades, particularly regarding the potential beneficial impacts. This reassessment is congruent with a broadening deployment of rental price controls, particularly in the wake of the global financial shock of 2008 and the associated disruption to housing markets.

In summary, the impacts of rental price controls include:

- A consistent finding is that controlled rents often deliver a considerable price reduction to sitting tenants when compared to uncontrolled rents, due to a lower initial rent and/or slower increases. Turner and Malpezzi (2003), found that reductions of 10 to 20 per cent were not uncommon, although noting a high degree of variance across time and jurisdictions. A notable nuance is, however, that tenants are usually not free to adjust their consumption of housing to reflect the new relative prices and, therefore, do not generally value a reduction in rent for the home they occupy as highly as they would value an equivalent cash transfer.

- Rent control, however, may not significantly improve affordability, as benefits may be largely allocated by chance and become locked in. Third-generation rent controls may simply reprofile and frontload rental payments, as landlords seek to maximise the initial contract rent.

- Price benefits of rent control to tenants of controlled homes may be overstated if they did not take account of the price effects that the existence of rent control have on the free or uncontrolled market. For instance, potential new tenants are required to absorb higher prices on properties that are not covered by the rental prices or access problems due to the lower availability of rental properties more generally in the medium- to long-term. This can result in reduced or deferred household formation, or household migration to markets with greater supply.

- Ambiguous, or even capricious, distributional effects, in the sense that it is not guaranteed that the implicit transfer of resources induced, by the rental price control, from tenant to landlord is from poor to rich. If the goal of the rent control policy is redistributive then alternative policies seem likely to have advantages. There is a further element to the thinking around redistribution, which is that unanticipated

demand-induced price increases can act as fortuitous and therefore undeserved redistribution from tenant to landlord (Arnott, 1995). Rental price controls are considered as a potential mechanism to prevent 'accidental' redistribution.

- The impact of rental price controls on tenant mobility has been the focus of numerous studies. Typical effects include an inverse relationship between tenant probability of moving and the price impact of the control, that is, the larger the price impact the less likely the tenant is to move. Lower sitting tenant mobility has spillover impacts on labour market mobility and environmental damage arising from longer commutes.[7] Conversely, relative tenant immobility could increase community stability (Gibb et al., 2022).

- Discrimination, potentially across numerous dimensions such as the selection of tenants less likely to access social housing supports, can arise in conditions in which landlords are in a position to select tenants due to excess demand. This may result in outcomes in which the policy goal, of protecting economically vulnerable tenants, results in opposing dynamics as landlords select better-off tenants on grounds of lessened risk.

- Reduced supply to the rental sector in terms of flow, as the economic incentive to construct new homes is lessened by the rental price controls. Mechanisms which allow initial rent setting of new supply to be uncontrolled may be somewhat ineffective, as investors are likely to have a lengthy time horizon.

- As controlled rental homes will tend to offer a lower return relative to other potential investments, landlords may opt to exit the market by selling homes resulting in reduced supply to the rental sector in terms of the stock of existing homes. The homes sold may shift to owner occupation, to social housing, or to the shadow market. However, not all such sales will result in the leakage of homes from the sector, as the purchaser may also be another landlord who believes the return on capital is adequate.

- Reductions in maintenance and refurbishment, such that the deterioration of the rental housing stock acts as the mechanism for restoring acceptable rates of return to landlords. This disinvestment may, over time, result in a general lowering of the quality of controlled homes. Note, however, that the degree of disinvestment is likely to depend on the extent to which the controlled price differs from the counterfactual non-controlled alternative.

- The potential emergence or growth of a shadow market and associated practices, such as tenants forced to pay a non-refundable deposit to gain access to a tenancy (Gibb et al., 2022).

[7] Note, however, that homeownership may also have. See Blanchflower, D. and Oswald, A. (2013) *Does high home-ownership impair the labour market?* NBER Working paper 190791.

- If rental price controls reduce supply, then homelessness can result.

- The impact of rental price controls on macroeconomic volatility is a further dimension, and is particularly relevant in the context of Ireland's recent economic history. Overly tight rental market regulations, resulting from excessive demand and constrained supply responsiveness, may exacerbate speculative housing bubbles and excess accumulation of household debt, thereby undermining economic resilience. (Organisation for Economic Cooperation and Development, 2021) However, well-designed rent control can help dampen housing market volatility (Martin et al., 2021).

- Regulatory turbulence arising from convoluted policy extensions or changes to the scope and severity of policy, the removal of exemptions and so forth are regarded as harmful. The example of New York City's rental price control policy instability has been cited (Arnott, 1995) as an example.

- A fiscal effect, as rental price controls lower the value of rental properties, local property tax receipts are commensurately lowered, which reduces the financial capacity of the local government system. If lower income households disproportionately benefit from the services delivered by local authorities, then the impact is regressive.

This is a lengthy list of potentially effects, and is a list which is heavily caveated; the effects of a given rental price control system depends on its design, the context and the locality specific. Scanlon and Whitehead (2014) persuasively argue that it is not price regulation alone but a whole range of non-price regulatory factors combined with price control system that determine the effectiveness of the rental market system as a whole. The degree of active regulatory oversight, the efficacy of enforcement mechanisms, the existence of a culture of compliance all matter. There are also, with respect to specific effects, numerous points of ambiguity. For instance, a component of the theoretical and empirical literature finds that lower maintenance will flow from rental price controls. However, this is, theoretically at least, ambiguous as rent control can induce increased renovation activity depending on the incentives the rent control scheme embeds and the compliance and enforcement culture (Olsen 1988; Kutty, 1996; Lind, 2015). Arnott and Shevyakhova (2014) found that a landlord may be incentivised to renovate between tenancies but not within a tenancy, if rents may be reset between tenancies. There can also be incentives for tenant self-maintenance, in instances in which tenure security is strong. The point here is to illustrate that the portability of findings regarding the effects of rental price controls without detailed consideration of the context should be regarded with due scepticism.

Theoretical conclusions regarding the impacts of rent controls relative to market outcomes can rest on crucial assumptions about the nature of the comparator: that is, that market outcomes are efficient. Theoretical approaches often assume that the alternative to rental price controls is a perfectly competitive market, however the nature of rental housing strongly suggests

imperfections arising from high search costs, the spatial fixity and heterogeneity of the stock, the potential for market power or monopolistic competition, information asymmetries and so forth. Changes to these assumptions can invert a given study's findings; it is possible to construct models that demonstrate that imposing rent control raises or lowers rents in the uncontrolled sector, depending on model assumptions (Gibb et al., 2022).

Taken in the whole, the international literature does not provide a definitive, blanket assessment of rental price controls. The literature suggests that if a market is not perfectly competitive, then rental price controls can enhance society's collective welfare, however this is an extremely qualified endorsement. Rental price controls can be effective in terms of lowering housing rents or slowing their growth, but they can also lead to a wide range of adverse effects affecting both landlords and tenants. The balance of findings stresses the negative effects, particular with respect to nominal price freezes or price caps which induce a real price cut; it is highly probable that crude first-generation rent controls have negative consequences. Specifics matter, as one must weigh the likely impacts, cognisant of the regulatory, institutional and market setting and of the details of the rental price controls under examination.

It also seems reasonable to accept that assessments can be swayed by the assessor's view of normative considerations, that is, the relative weight that assessor gives to different impacts and risks.

Key takeaways

- Controlled rents deliver a considerable price reduction to existing tenants. However, they might not significantly improve affordability as benefits may be allocated by chance and third-generation controls may just reprofile and front-load costs, meaning tenants may be paying more rent than is appropriate at the beginning of their tenancy to mitigate the effects of rent control for the landlord.
- There may be less flow in the rental market due to lower tenant mobility and reduced supply.
- Rental price controls can be effective in terms of lowering housing rents or slowing their growth, but they can also lead to a wide range of adverse effects affecting both landlords and tenants.

2.3 Typologies

A recent international comparative analysis is provided by Kettunen and Ruonavaara (2021). Their article provides a European perspective that examines 33 jurisdictions. They define rent regulation (a specific form of which is reference rents) as a 'type of tenure legislation that states limitations to rent setting and rent increases by private (i.e. not-for-profit) landlords' (p.1447). They classify a country's regime based on the 'hardness' of their regulations, again drawing on the threefold generational typology.

In June 2024, the OECD released information on the rental regulation indicator across all OECD countries. The table below illustrates their findings on control of initial rent levels ("whether the initial rents are freely negotiated between the landlord and tenants, or there are specific rules determining the amount of rent landlords are allowed to ask") and cost increases reflected in rent increases ("whether landlords are allowed to increase rents when their costs increase, and which types of costs they are allowed to pass to rents") in EU and European non-EU countries, alongside their generation of rent control and their share of PRS (Kettunen and Ruonavaara, 2021; OECD, 2024, p. 1) (Table 1).

Table 1. OECD (2024) findings on European countries' control of initial rent levels and whether cost increases can be reflected in rent increases and Kettunen and Ruonavaara's (2021) categorisation of rent controls and percentage share which the PRS accounts for among all housing tenures

Country	Control of initial rent levels			Can landlords increase rents when their costs increase?	Rent control generation	PRS share %
	Free	Regulated	Both			
Austria			X	No	2nd	16.3
Belgium	X			Yes	3rd	23
Bulgaria*				-		
Croatia			X	-	3rd	
Cyprus	X			-	3rd	
Czechia	X			Yes		
Denmark			X	Yes	2nd	24
England**	X			Yes	-	18
Estonia	X			Yes		
Finland	X			Yes	-	16
France			X	No	2nd	23
Germany			X	-	3rd	48
Greece	X			No		
Hungary	X			Yes		
Iceland**	X			Yes		
Ireland			X	Yes	2nd	18.5
Italy			X	No		
Latvia	X			Yes		
Lithuania	X			-		
Luxembourg		X		No	3rd	
Malta	X			-		
Netherlands	X			Yes	2nd	8
Norway**		X		No	3rd	22.2

Poland	X			Yes	3rd	
Portugal	X			No		
Romania	X			-		
Scotland*,**					3rd (mild)	11.6
Slovak Republic	X			Yes		
Slovenia	X			Yes		
Spain	X			-	3rd	10.1
Sweden			X	No	2nd	41
Switzerland**	X			-	3rd	

Source: (OECD, 2024, pp. 4-10) & (Kettunen and Ruonavaara, 2021, pp. 1450-1451)
*No information provided for Bulgaria or Scotland in OECD (2024)
**Indicates non-EU country

Using data from the 2015 TENLAW project, Kettunen and Ruonavaara did not identify any European countries at this time as having first-generation rent controls.[8] This 2021 report classified rent regulations in Austria, Denmark, France, Ireland, the Netherlands, and Sweden as varying levels of second-generation rent controls.

Austria and Denmark have rent regulations based on the age of the homes. In Austria, rent control regulations apply to homes built before 1953 and in Denmark, rent control regulations apply to homes built before 1999 (OECD, 2024). Ireland's system of rent regulation has a partially age-related category for exemption. In Ireland, rent caps at the instance of the first rent setting can be averted by previously unlet new-build homes and/or homes which have not been let within the past two years, regardless of age (or one year, if a protected/proposed protected structure). In all three countries, newer properties can, at least initially, avert rent control regulations.

Sweden's system requires rent levels not exceed that of comparable dwellings, up to a 5% difference (OECD, 2024). In a similar vein, the *Residential Tenancies Act 2004* prohibits setting rents higher than the market rate and requires a landlord to show three comparable dwellings in a rent review to establish the market rent for their dwelling.

Kettunen and Ruonavaara (2021) identified third-generation rent controls in Belgium, Croatia, Cyprus, Germany, Luxembourg, Norway, Poland, Scotland, Spain, and Switzerland. The key difference between second- and third-generation rent controls is the latter system allows rents to reset to the market rate between tenancies.

The Kettunen and Ruonavaara (2021) paper postulates a number of possible reasons for the different approaches but concludes (a) that there is no significant relationship between rent regulation (whether present in its various forms or absent altogether) and the proportion of total housing stock in the PRS in any particular country; and (b) using a classification adopted by Esping-Anderson (1990) there is also no relationship with the type of welfare regime

[8] It should be noted, however, that the 'generation' classification may not reflect the current situation of rent regulations across all countries as this publication is four years old now. Of note, it classifies Ireland as a 'mild' second-generation system, where the use of 'mild' implies the rates are "almost market oriented" (Kettunen and Ruonavaara, 2021, p. 1449). This may be contested today.

existing in a particular country. In countries with a corporatist welfare regime (e.g. Germany and Switzerland) there are mainly third-generation controls in place, but also some second. In jurisdictions with a liberal welfare regime, where it might be expected that there would be minimal regulation, this is not the case. (The authors cite Ireland and Scotland as examples of this counterintuitive position.) Finally, in countries with social democratic welfare systems, where it might be assumed that the PRS rents would be regulated, the pattern varies (Denmark, Norway and Sweden have various forms of second or third-generational controls, but Iceland and Finland have neither).

Finally, Kettunen and Ruonavaara (2021) also undertake a more detailed examination of the five Nordic countries and conclude that there is some evidence that there may be a relationship between rent regulation and the overall housing regime. In particular, the 'universalism' associated with Denmark and Sweden would indicate a propensity towards rent regulation.

However, perhaps the most important conclusions that can be drawn from this paper are that there are limitations to the threefold generational typology (the authors advocate developing a more nuanced one that recognises the complexity of existing regulatory regimes); there is a need for policy related research to focus more on housing outcomes (in terms of supply, quality and rent levels, while recognising the considerable difficulties posed by isolating the effects of rent regulation on these outcomes); and, that understanding the national context is vital for comparative analysis and correctly assessing the potential for policy transfer.

Gibb and Marsh conclude their examination of a range of European examples with the following important 'reflections' on the challenges of transferring experience from other countries. These are summarised below:

- Difficulty of appreciating the 'nuances and complexities' of national systems (e.g. comparability, exceptions, detail of their utility-based points systems) from high level reports and journal articles. However, these specifics can have a major influence on landlord/tenant incentives and therefore in shaping the housing system's responds to policy.

- There is a significant cost overhead associated with rent regulation models ("specifically those using reference rents" in comparison to alternative policy instruments (e.g. direct subsidy or taxation): data collection, calculation and updating of utility values and associated points, and enforcing the regime.

- A statutory, legally-binding system of rent regulation needs to meet minimum standards and 'operate transparently and comprehensively'. Failure to achieve this will lead to legal disputes that cause delays and add significantly to costs.

- Rent regulation, in its various forms all rely on the ready availability of regularly updated good quality data.

- Any decision to regulate rents on the basis of a utility-based points scheme to reflect dwelling quality should first consider whether it is appropriate to create new data requirements and models[9], rather than 'market comparables' based actual rental data modelled using well-tested hedonic pricing models that can differentiate a range of indicators of dwelling quality.

- It is vital to bear in mind national context and 'path dependency' when drawing conclusions about the viability of models developed other European contexts. Feasibility and effects are specific to the housing markets and policy regimes of those countries.

Key takeaways

- Potential effects of any rent control measure are influenced by the wider policy and culture that exists in the relevant jurisdiction.

[9] Debates have taken place over many years in the context of NI about the subjectivity of the Northern Ireland Housing Executive's points based rent scheme that determines the rent for its properties on the basis of number of points awarded for a particular dwelling characteristic.

3. Operation of Rent Pressure Zones

3.1 Rules of Operation

Rules for the RPZ system were first laid out in the 2016 *Strategy for the Rental Sector* and a 2016 amendment to the *Residential Tenancies Act 2004* (DHPCLG, 2016; Government of Ireland, 2025). As noted above, the RPZ system has been extended three times – in 2019 via the *Residential Tenancies (Amendment) Act 2019*, in 2021 via the *Residential Tenancies (No. 2) Act 2021*, and in 2024 via the *Planning and Development Act 2024*. In addition to extending the RPZ system, each of these Acts and the *Residential Tenancies (Amendment) Act 2021* made alterations to the RPZ system via amendments to the *Residential Tenancies Act 2004*.

The following sections provide a synopsis of the current rules of operation of the RPZ system and an overview of some of the updates to the rules since 2016, where relevant.

Rent Setting

RPZ rules for rent setting apply to new and existing tenancies i.e. when setting rents for existing tenancies, new tenancies where the landlord remains the same, and new tenancies where the landlord changes (RTB, n.d. (a)).

The RPZ system introduced a 4% per annum increase cap on rent prices in 2016. This 4% limit was decided on in an effort to strike a balance between affordability for tenants and to not discourage existing and prospective investments into the PRS by ensuring "a modest but reasonable rate of return on investment" (Coveney, 2016). The Government recognized that setting a higher percentage increase cap would "not have any meaningful [downward] effect on rent levels for households. However, not allowing for some element of growth in rents will drive existing supply out of the market and discourage prospective additional investment" (Coveney, 2016). In addition, the rate of 4% was, at the time, "less than half the current rate of annual rent inflation nationally" (ibid.). A proposed amendment to the 2016 Bill would link rent increases to the consumer price index. This proposal was rejected and the limit was established at 4%.

In the *Residential Tenancies (No. 2) Act 2021* of July 2021, the 4% cap on annual rent increases was replaced and rents increase were to be capped in line with general inflation as recorded in the HICP (Government of Ireland, 2021a, §6(b)).

A further change was introduced by the *Residential Tenancies (Amendment) Act 2021* in December 2021 where annual rent increases could be capped in line with general inflation as recorded in the HICP or by 2% a year, whichever is lower (Government of Ireland, 2021b, §3(1); Citizens Information, 2024; RTB, n.d. (b)).

Today, 2% is therefore the maximum rent increase which may be permitted in a 12-month period within an RPZ.

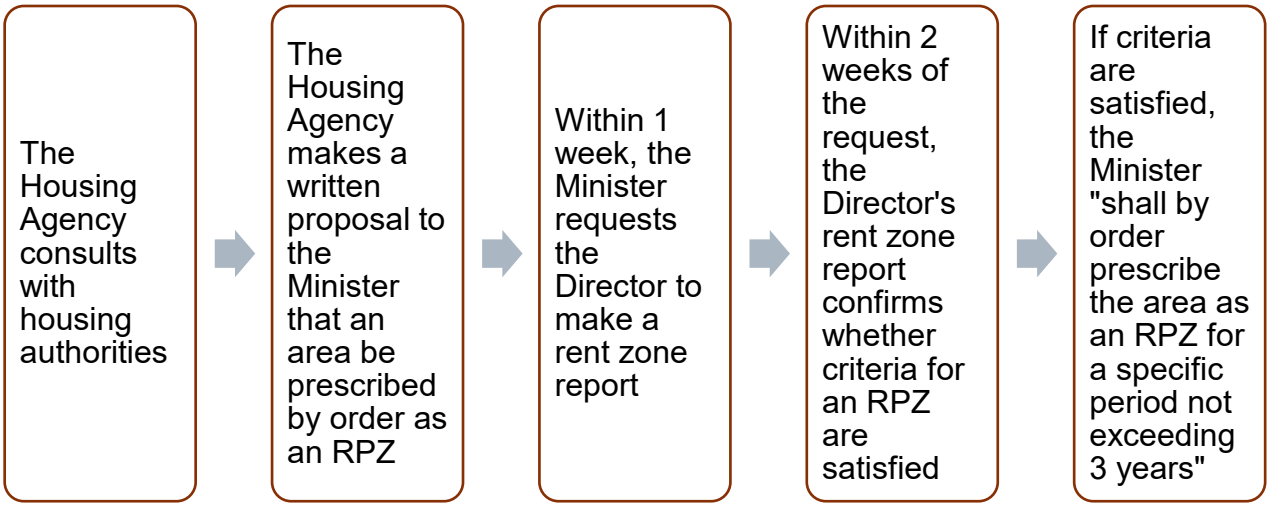
The RTB provides a Rent Pressure Zone Calculator,[10] a table of HICP values,[11] and a full list of RPZs[12] on their website to aid compliance.

Designation

Criteria for RPZ designation was developed "following consultation with experts in the field and a careful examination of patterns in rental markets around the country, as well as long-run historical trends" (Coveney, 2016).

Designation Process

As set out in §24A of the *Residential Tenancies Act 2004*, the following is the process for designating an area as an RPZ:



Designation Criteria

There are two criteria within a rent zone report to satisfy for an area to be designated an RPZ: first, "the annual rate of rent inflation in the area must have been more than 7% in at least four of the last six quarters" as compiled in the Rent Index quarterly report; and second, "the rent in the area in the previous quarter must be above the appropriate standardised average rent for that area" (RTB, n.d. (c)).

Rent Index Quarterly Reports

The Rent Index quarterly reports are produced by the ESRI and are based on data from the RTB's national register of tenancies. Each report contains a table classified by LEA with

[10] Available here https://www.rtb.ie/calculator/rpz.
[11] Available here https://www.rtb.ie/registration-and-compliance/hicp-index.
[12] Available here https://www.rtb.ie/registration-and-compliance/setting-and-reviewing-rent/guide-to-rent-pressure-zones.

information on the number of quarters out of the last six quarters with rent inflation over 7%, the standardised average rent for the relevant quarter, the reference average rent (national, non-GDA (Greater Dublin Area), or non-Dublin), the new tenancy rent compared to the reference average rent, and the standardised average rent in existing tenancies.

These reports produce standardised average rent prices for LEAs using two separate sets of indicators for each LEA: one related to rents in new tenancies and one related to rents in existing tenancies. The former covers the period from Q3 2007 to present while the latter covers the period from Q2 2022 to present (ESRI, n.d.).[13] Both sets of indicators can be used to determine eligibility for designating an RPZ.

Data for areas with fewer than 30 observations – i.e. LEAs with fewer than 30 new tenancies – over a quarter are not published in the main report. The use of fewer than 30 observations could create an unreliable standardised average rent. This would undermine the reliability of the data and the efficacy of using a standardised average rent that could be compared longitudinally.

Appropriate Standardised Average Rents

When RPZs were introduced, the average rent for an area was compared against the national average rent (Government of Ireland, 2016, §36). However, smaller markets experiencing rapid rental inflation were not qualifying to be designated as RPZs because the high rents of Dublin and other cities skewed the national average rent too high (O'Toole, 2023).

To combat this, different standardised averages rents were introduced in 2019, against which rents could be compared in rent zone reports. The 'appropriate' standardised average rent (reference average) is based on three different averages:

- National: the average rent of all dwellings across the country is used for comparison purposes for rent in Dublin (the local authority areas of Dublin City, Dún Laoghaire-Rathdown, Fingal, and South Dublin).

- Non-GDA: the average rents of dwellings outside of the GDA (Counties Dublin, Kildare, Meath and Wicklow) are compared to the average rent across the country, excluding GDA rents.

Non-Dublin: the average rents for dwellings in Counties Kildare, Meath and Wicklow are compared to the average rent across the country, excluding Dublin rents (Government of Ireland, 2019, §8).

[13] First introduced in the Q2 2023 report.

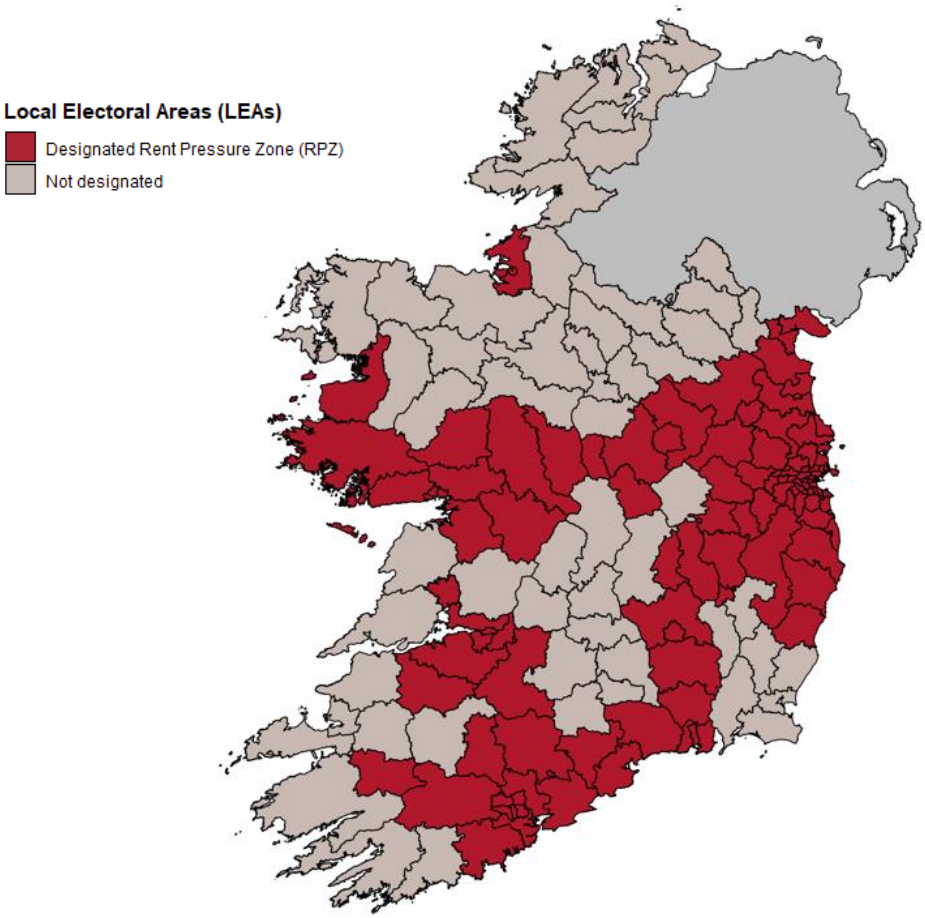
Current Rent Pressure Zones

RPZs can either be the administrative area of a housing authority (i.e. City or County Council) or an LEA. LEAs are currently the smallest areas which can provide sufficient and reliable data on tenancies.

RPZs were initially introduced in the administrative areas of Cork City Council and the four Dublin local authorities in December 2016. At the time, these five areas had rental inflation of over 7% across four of the preceding six quarters and rent prices were above the national average.

Since 2016, RPZs have been designated on 17 occasions to include the administrative areas of 10 local authorities (Galway City Council, Galway County Council, Kildare County Council, Kilkenny County Council, Limerick City and County Council, Louth County Council, Meath County Council, Waterford City and County Council, Westmeath County Council, and Wicklow County Council) as well as various LEAs in Carlow, Clare, Cork, Kerry, Laois, Mayo, Offaly, Roscommon, Sligo, and Wexford.[14]

Figure 2. All Rent Pressure Zones, February 2025.



[14] See Citizens Information, The Housing Agency, and the RTB.

The *Planning and Development Act 2024* included an amendment to the *Residential Tenancies Act 2004* regarding potential changes to LEA borders and their designation status. These changes apply to areas where jurisdiction lines are changed in an RPZ-designated LEA. If an RPZ-designated LEA absorbs an area of a bordering non-RPZ LEA, RPZ rules will come into effect for that new portion of the RPZ-designated LEA (Government of Ireland, 2024, §634(c)).

Rent Reviews

Permitted Rent

A landlord is not required to increase rent. As noted above, the maximum increase in rent in an RPZ is to be by no more than 2% per annum pro rata or by the HICP percentage change, whichever is lower.

Frequency

Within an RPZ, a rent review can be conducted once every 12 months. Rent can be reviewed more frequently "where there has been a 'substantial change in the nature of the accommodation' and the rent under the tenancy if it was set after that change, would be different to the market rent for the tenancy at the time of the last review" (RTB, n.d. (b)). (See Table 2 below for details on what constitutes a substantial change.)

Outside of an RPZ, rent reviews can only be conducted once every 24 months and rent cannot be set higher than market rent (RTB, n.d.(d)).

Notice of Rent Review

If a landlord intends to increase rent, they are required to service a valid Notice of Rent Review on the tenant with a minimum of 90 days' notice of the new rent (ibid.). The Notice of Rent Review must contain "examples of the rent sought for three comparable dwellings […] advertised in the last four weeks immediately preceding the date on which the Notice of Rent Review was served" (ibid.).

Notifying the RTB

A landlord must inform the RTB of a new rent "within one month of it taking effect" (ibid.). The *Residential Tenancies (Amendment) Act 2019* gave scope to the RTB to investigate and sanction 'improper conduct' by a landlord, which includes violations related to RPZ rules (Government of Ireland, 2019, §34).

Exemptions

Tenancies through an Approved Housing Body (AHB) and cost rental tenancies are exempt from RPZ rent increase caps. There are three further types of properties exempt from RPZ rent increase caps:

1. "A property that has not been rented for a period of two years prior to the immediate tenancy commencement date;

2. "A property that is a protected or proposed protected structure and has not been rented for the period of 12 months prior to the immediate tenancy commencement date;

3. "A property that has undergone a 'substantial change in the nature of the accommodation'" (RTB, n.d. (b)).

A 'substantial changes in the nature of the accommodation' was defined in *§6* of the *Residential Tenancies (Amendment) Act 2019* and can be met by satisfying one of three criteria (Government of Ireland, 2019, §6). The three criteria are presented below in Table 2.

Table 2. Criteria for a dwelling to be considered having a 'substantial change in the nature of the accommodation'

Criterion 1	Criterion 3
The works consist of a permanent extension to the dwelling that increases the floor area of the dwelling by the amount equal to not less than 25% of the floor area of the dwelling as it stood immediately before the commencement of those works	The works result in any 3 or more of the following: • the internal layout of the dwelling being permanently altered; • the dwelling being adapted to provide for access and use by a person with a disability, within the meaning of the *Disability Act 2005*; • a permanent increase in the number of rooms in the dwelling; • in the case of a dwelling that has BER of D1 or lower, the BER being improved by not less than 3 building energy ratings; or • in the case of a dwelling that has a BER of C3 or higher, the BER being improved by not less than 2 building energy ratings
Criterion 2	
The works result in the Building Energy Rating (BER) being improved by not less than 7 building energy ratings	

Source: (RTB, n.d. (b))

These exemptions are in place to allow space for potential investors and current landlords to facilitate returns on investments where they want to modernise or otherwise enhance their rental homes (O'Toole, 2023).

The regulations around not setting a rent above market rent per the *Residential Tenancies Act 2004* still apply to dwellings with RPZ exemptions.

Notifying the RTB

A landlord must notify the RTB if they rely on an exemption to the RPZ rules. An RPZ Exemption Form[15] must be served on the RTB within one month of a landlord serving the Notice of Rent Review on a tenant (RTB, n.d. (b)).

Monitoring and Enforcement

The RTB can investigate potential breaches of rental law relating to RPZs by landlords. These breaches include "failure to comply with RPZ rent setting requirements, incorrectly relying on an exemption to RPZ requirements, and failure to notify the RTB about the reliance on an exemption to the RPZ requirements within one month from the setting of the rent" (RTB, n.d. (d)).

Key takeaways

- Rent reviews can be carried out no more than once every 12 months in RPZs and no more than once every 24 months outside of RPZs.
- Current RPZ rules set the maximum rent increase at a rent review to be capped in line with general inflation (as recorded by the HICP) or 2%, whichever is lower.

[15] Available here https://www.rtb.ie/images/uploads/Comms%20and%20Research/Schedule_2_RPZ_Exemption_Form_RTB_Final_July_2021.pdf.

3.2 Perspectives on the administration of the Rent Pressure Zone system: Overview

A survey on the administration of RPZs was sent to stakeholders in all four bodies involved in the administration and designation of RPZs: the DHLGH, The Housing Agency, local authorities (n=31), and the RTB. The survey covered topics related to respondents' understanding and operation of RPZs; the impact of RPZs; the RPZ designation process; consultation with local authorities in the RPZ designation process; and monitoring and enforcement. Fifteen stakeholders responded – a 36% response rate. There were mixed responses to the majority of questions, but an overview of some key insights from this group of stakeholders is set out below. Full details of this survey are available in Appendix 1.

Key insights – survey of RPZ administrators

The current system

There was mixed feedback on the administration of RPZs. Most respondents saw positives in how the current system works, but also identified room for improvement in RPZ administration. The 'relationship between the RPZ system and housing supports' and 'monitoring and enforcement' were highlighted as two broad areas that pose the most significant administrative challenges. There are positives that stem from the relationship between the RPZ system and housing supports, such as rent predictability for current and prospective HAP tenants. However, compliance, affordability, and landlord retention in housing support schemes have proven to be issues in RPZs and non-RPZs.

Respondents pointed out that RPZs can create room for significant intentional and unintentional breaches by landlords. It was many respondents' experience that breaches are not sufficiently monitored or enforced. Indeed, enforcement was identified as "the greatest issue with the RPZ system at present" by one respondent.

The future approach

Survey respondents highlighted many important considerations for rent regulation going forward, whether it be a continuation of RPZs or a different system. These considerations include administrative burdens and time; costs; area-based designation practices; tenants' needs; the needs of landlords and investors; and rent setting and transparency in rent prices.

Regarding the future of rent regulation, an important finding from this survey is that a majority of respondents were in favour of keeping the RPZ system beyond the end of 2025, either as is or with modifications. However, it is not clear what or how sizeable these modifications could be. Many respondents also highlighted the need for flexibility for landlords who are 'stuck' with low rents which were set prior to local RPZ designation.

3.3 Stakeholder perspectives on rent regulation and the current RPZ system: Overview

A survey on rent regulation was designed to get a snapshot of stakeholder's attitudes towards the current RPZ system, various modes of rent regulation, and the importance of various principles in a rent regulation system. This survey was circulated to individuals in 40 organisations including public bodies; NGOs; AHBs; housing academics; bodies involved in development, investment, and/or lending; and representative bodies. 18 responses were received (from 18 organisations), or a response rate of 33%[16]. A summary of key insights from this survey is set out below. Full details of this survey are available in Appendix 1. Since the sample size for this survey was small, it should be noted contributions may not reflect the views of all stakeholders.

Key insights – Survey of key stakeholders

The current system

Respondents to this survey had mixed views on the effects of RPZs on housing in the PRS. However, a majority of respondents were of the view that RPZs had negatively affected landlords of all sizes. Over three-quarters of respondents viewed the effect on tenants with current tenancies as positive, but noted the different rent levels for tenants in new tenancies. Stakeholders also pointed to how the change from the earlier '4% rule' on rent increases to the later 'HICP/≤2% rule' impacted on investment into the PRS and the capacity of landlords to invest in the quality of existing stock.

Respondents highlighted the lack of clear data and knowledge gaps around the impacts of RPZs. These gaps could pose challenges to implementing a different system of rent regulation. Maintenance, reliability, and clarity on data sources were also raised by stakeholders as vital for any future rent control system to be robust.

The future approach

Over half of respondents to this survey were in favour of maintaining the RPZ system, either as is or with modifications. It should be noted that 'modifications' were not defined, and could thus relate to small or large changes in the system.

Among 12 principles proposed for a system of rent regulation, the two most important principles were 'rules are fair and equitable' and 'rules are easy to understand'. Stakeholders generally prioritised not causing hardship on tenants over not causing hardship on landlords.

[16] This is 18/54 requests to participate in the survey, accounting for multiple stakeholders in some organisations.

4. The Recent Evolution of Rental Supply

4.1 Introduction

As discussed in chapter 2, a vast empirical literature investigates the effects of rent controls on various areas, a lot of which is based on econometric modelling. However, they at best provide a partial answer, as there are multiple methodological challenges of isolating the impact of rent regulation.

With this in mind, let us turn to the specific relationship between rental caps and housing supply. Kholodilin (2024) explains that studies in the area have analysed different aspects of supply, such as:

(i) quantitative changes in the housing stock, which can focus on either:

- Exits from the rental market, which are related to the leakage of rental properties into homeownership.
- New construction.

(ii) Quality changes in the housing stock, which can focus on:

- Maintenance and upkeep of rental dwellings;
- Stock renovations, including investment on energy efficiency upgrades.

Kholodilin's (2024) meta-analysis of studies that investigated the influence of rent controls on new residential construction pointed to a negative impact on supply, although the results were not universal. While two-thirds of the studies found a negative effect, in the remainder the results were not statistically significant. Furthermore, the literature was almost unanimous to indicate that rent controls lead to a deterioration in the quality of rental homes.

This chapter does not provide an impact analysis of RPZs on supply. Instead, it provides a high-level, non-causal exploration of the evolution of private rental supply since RPZs were introduced. Moreover, our scope is restricted to quantitative changes in the rental stock, both in terms of withdrawals from the market and the capacity of the system to attract new investment. The methodology used is a literature review of academic studies, government and industry reports, in association with an indicator analysis.

The chapter is structured as follows:

- Section 4.1 (this section) sets out a literature review and introduction.
- Section 4.2 covers the evolution of the size of the Irish PRS since 2016.
- Section 4.3 investigates potential exits of small landlords, which compose the bulk of provision.
- Section 4.4 analyses the role of institutional investment in the provision of new rental homes to the Irish PRS.
- Section 4.5 focuses on a reversal in the trend of institutional investment growth.

4.2 Profile of the market

Even though estimating the number of PR units that would've been built in the absence of rental caps is outside of the scope of this research, the available evidence shows that the implementation of rental caps has not stopped the sector from growing. According to Census figures, the number of households which rent privately increased by 6.7% between 2016 and 2022. This growth was much more modest compared to the period from 2006 and 2011, when the number of households renting more than doubled. Between 2011 and 2016 the number of households renting only increased by 1.4% (Table 3), which was a consequence of various factors triggered by the bursting of the housing bubble, including overbuilding during the bubble years, allied with reduced demand for new housing triggered by the economic downturn (Sweeney, 2022).

In terms of the evolution of the PRS's size regionally, according to census data, between 2016 and 2022:

- Waterford had the highest percentage growth (15.2%).
- Carlow, Donegal and Leitrim registered some of the highest growth rates in the country. However, those counties have small rental markets, and it is easier to achieve high growth rate from a low base.
- Within Dublin, Dublin City and Dún Laoghaire-Rathdown grew above the national average. In absolute terms, the bulk of the increase in the number of households who rent was in Dublin City.
- The PRS in GDA counties excluding Dublin (Kildare, Wicklow and Meath) shrunk between those years.
- Outside the GDA, Cork, Limerick and Galway – which hold the biggest chunks of the rental market, respectively – grew below the national average.

Table 3. Total Private Households by Nature of Occupancy, 2006 – 2022.

	2006	2011	2016	2022
Owner occupied with loan or mortgage	593,513	583,148	535,675	531,207
Owner occupied without loan or mortgage	498,432	566,776	611,877	679,718
Rented from private landlord	145,317	305,377	309,728	330,632
Rented from a local authority	105,509	129,033	143,178	153,192
Rented from a voluntary body	50,480	14,942	16,765	29,880
Occupied free of rent	21,701	25,436	27,440	31,864

Source: CSO Census.

Table 4. Total Private Households in private rental homes by county/ city, 2016 and 2022.

	2016	2022	% change 2016-2022	% rental market in 2022
Waterford City and County	6,592	7,595	15.2%	2.3%
Carlow	3,130	3,584	14.5%	1.1%
Donegal	7,393	8,377	13.3%	2.5%
Leitrim	1,773	2,002	12.9%	0.6%
Dublin City	62,865	70,379	12.0%	21.3%
Dún Laoghaire-Rathdown	15,906	17,807	12.0%	5.4%
Sligo	3,959	4,428	11.8%	1.3%
Monaghan	3,062	3,420	11.7%	1.0%
Roscommon	3,210	3,563	11.0%	1.1%
Cavan	4,171	4,614	10.6%	1.4%
Mayo	7,151	7,885	10.3%	2.4%
Louth	6,909	7,443	7.7%	2.3%
Longford	2,621	2,807	7.1%	0.8%
State	**309,728**	**330,632**	**6.7%**	**100.0%**
Kerry	7,865	8,377	6.5%	2.5%
Galway City and County	18,870	20,075	6.4%	6.1%
Tipperary	7,894	8,336	5.6%	2.5%
Limerick City and County	12,787	13,497	5.6%	4.1%
Wexford	7,887	8,269	4.8%	2.5%
Cork City and Cork County	36,031	37,618	4.4%	11.4%
South Dublin	15,133	15,730	3.9%	4.8%
Westmeath	5,928	6,122	3.3%	1.9%
Fingal	20,558	21,230	3.3%	6.4%
Clare	6,323	6,457	2.1%	2.0%
Offaly	3,721	3,758	1.0%	1.1%
Laois	4,024	4,003	-0.5%	1.2%
Wicklow	7,237	7,191	-0.6%	2.2%
Kildare	12,629	12,339	-2.3%	3.7%
Kilkenny	4,767	4,647	-2.5%	1.4%
Meath	9,332	9,079	-2.7%	2.7%

Source: CSO Census.

More recent figures on the number of tenancies registered with the RTB also show a trend of progressive increase (Table 5), which was of 10.8% between Q2 2023 and Q3 2024. The RTB trend is important because it captures the formal PRS only (i.e. those which are registered).

Table 5. Total number of registered private tenancies, Q2 2023 -Q3 2024.

	Private Tenancies Registration
Q2 2023	213,177
Q3 2023	217,938
Q4 2023	223,979
Q1 2024	230,006
Q2 2024	233,313
Q3 2024	236,198

Source: RTB.

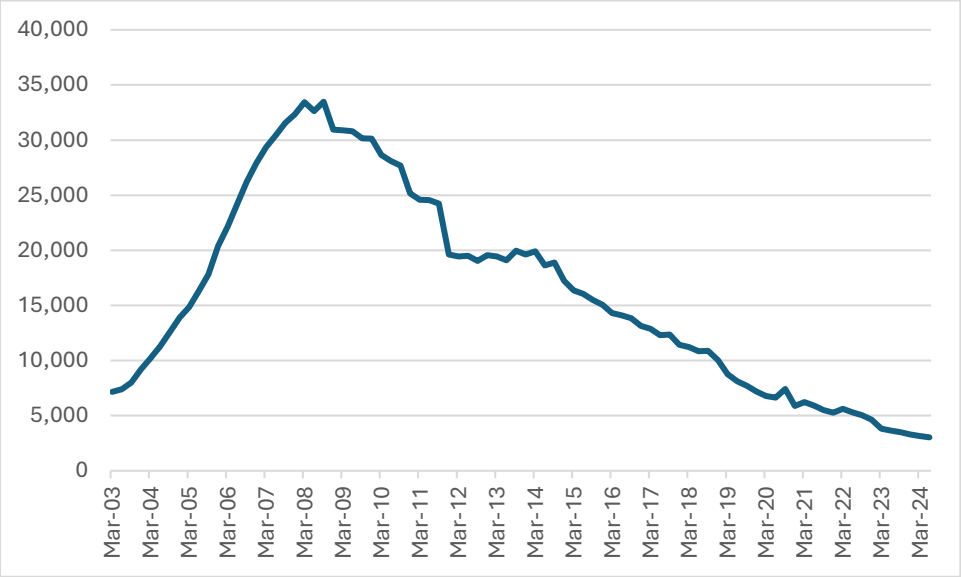
Section 4.2 - Key takeaways

- The available evidence shows that the implementation of rental caps has not stopped the Irish PRS from growing.
- Regionally, the bulk of the growth was in Dublin City, in absolute terms. Percentagewise, important rental markets such as those in GDA counties excluding Dublin, Cork, Limerick and Galway grew below the national average or shrunk.

4.3 Have small landlords left the market?

The predominance of small landlords in the Irish market can be explained by a number of historical factors. The early 2000's was when the PRS experienced its greatest increase. The proportion of households renting privately, which was about 8% in 1991, increased to 10% in 2006 and then to 18.5% in 2011 (Memery, 2001; CSO, 2023). Between 2006 and 2011, the absolute number of households renting more than doubled, jumping from 145 to 305 thousand. The expansion of the PRS was a key feature of the bubble years. One of the main drivers of this expansion were individuals acquiring buy-to-let mortgage loans to purchase a second property for investment (Memery, 2001). Figure 3 presents the outstanding volume of buy-to-let loans advanced to Irish households, which rose steeply between 2003, the start of the time series, and 2008.

Figure 3. Outstanding credit for buy-to-let house purchases from banks to Irish resident households, Mar 2003 to June 2024 (€ millions).



Source: Central Bank of Ireland.

Favourable credit conditions coupled with rapidly rising property prices – and therefore, rising rents - meant that becoming a landlord was an attractive choice for many individuals with enough equity and looking for a long-term investment. The profitability was enhanced by a fiscal policy that openly incentivised that investment behaviour - particularly “Section 23” tax incentives. The term encompasses six different types of tax relief for residential property in operation for varying periods between 1998 and 2008 (Lyons, 2015; Revenue, 2024). Under Section 23, expenditure on the purchase, construction or refurbishment of a rental property in certain areas could be offset against the rent received, so that the amount of a person’s taxable income was reduced (Revenue, 2024).

The current incentives to enter and remain in the market as a small landlord are radically reduced, compared to those of the early 2000’s, given the deep change in the economic framework.

The Central Bank’s mortgage lending rules that curbed lending were introduced in 2015 as a macroprudential policy and have fundamentally changed the mortgage landscape. As shown by Figure 3, the volume of buy-to-let credit provided for households has consistently fallen since the 2008 peak. Ultimately, the 2024 credit volume corresponded to less than 10% of that registered in 2008[17], in nominal terms. Although rents have been consistently on the rise, rental profitability is now capped by rental controls. Finally, despite the recent reintroduction of tax incentives for landlords in Budget 2024[18], those are not comparable to Section 23. Accordingly, the CSO has recorded a progressive aging of landlords - the proportion of landlords aged under 45 fell from 36.4% to 25.2% between 2017 and 2021 (CSO, 2021).

[17] Comparing June 2008 to June 2024.
[18] Budget 2024 contained a new tax relief known as Residential Premises Rental Income Relief (RPRIR). RPRIR will provide relief, at the standard rate, on a portion of a landlord’s residential rental income. The relief will be equivalent to a tax credit of up to €600, €800 and €1,000 in the tax years of 2024, 2025 and 2026 respectively (Houses of the Oireachtas, 2024). The relief is conditional to landlords remaining in the market for four years.

Those factors signal a historical limitation of the small landlord model of rental ownership, as the landlords who massively entered the market in the early 2000's are now aging and not being joined by younger buy-to-let buyers.

A potential exodus of small landlords has been a special concern in recent years (Chartered Accountants Ireland and Focus Ireland, 2023; NESC, 2023). This perception was generally informed by a reduction on the number of small landlords associated with an active tenancy between 2017 and 2020 (CSO, 2021).

Within this context, the RTB conducted two nationally representative surveys of small landlords (2020 and 2022), that aimed at understanding key drivers of behaviour. Amongst landlords who intended to sell their properties, the main reason given in both years was "no longer wish to be a landlord", although there was no follow up question on why this was the case. The other top factors were "taxation is too high on rental income" and "being a landlord is not profitable for me" (Table 6).

Table 6. Reasons why small private landlords intend to sell, 2020 and 2022.

Reasons	2020	2022
No longer wish to be a landlord	45%	48%
Taxation is too high on rental income	25%	45%
Being a landlord is not profitable for me	30%	43%
The regulatory environment for landlords	13%	36%
I am retiring and my properties are my pension	19%	26%
The property is no longer in negative equity	19%	24%
Too much time needed in managing properties	6%	22%
Property has increased in value significantly	7%	17%
Worried about fall in property value	10%	15%
Personal reasons - family or self	0%	9%
Plan to reinvest in another property	8%	8%
Other	12%	1%

Source: RTB

As noted in the Department of Housing, Local Government and Heritage's review of the PRS, the phenomenon of mass landlord exit could not be definitively proven due to data collection changes (DHLGH, 2024a). The RTB has substantially upgraded its system of tenancies registration in 2022. Since April 2022, validated unique identifiers for tenancy addresses, such as Eircodes or alternative unique identifiers, have been used to prevent duplicate tenancies at the same address. Moreover, landlords must re-register the tenancy every year that it continues. Before that, landlords were required to register a new tenancy only when it began. This way, multiple tenancies associated with a landlord could have been present on the register in error. The old figures do provide a useful indication of market trends, but the new data series created, which starts in Q2 2023 provides more accurate information on the state of the market. Table 7 shows the most recent figures available, which are not directly comparable with previous years:

Table 7. Number of landlords by size of landlord (based on the new profile of the register), December 2023.

Table 6: Landlord Profile – December 2023			
Number of Tenancies	Total Number of Landlords associated with private tenancies*	% of registered Landlords	% of registered Tenancies
1-2	82,593	81.69%	39.05%
3-19	17,633	17.44%	38.86%
20-100	783	0.77%	11.46%
100+	98	0.10%	10.64%
	101,107	**100%**	**100%**

** Multiple landlords can be associated with a single tenancy. One tenancy does not equal one landlord.*

Source: DHLGH.

Despite the absence of conclusive evidence, it can be argued that small landlords have left the market to some extent. To begin with, some degree of churn among landlords is bound to occur, especially among small-scale landlords. But some of those exits seem to have been precipitated by the introduction of the 2% cap. Gillespie et al. (2024) analysed the impact of RPZs on landlord exit from the PRS. The authors found that RPZs increased the supply of homes for sale and reduced rental listings, which is evidence of landlord exit – and the effect only applied to individual landlords (rather than company landlords). When the 4% rent caps were in place there was no effect, as the negative impact was only identified in the post-2021 period. Moreover, as previously discussed, the specific economic conditions that once incentivised small landlords to enter and stay in the market have largely waned.

Provided that the PRS has grown, and that there has likely been some movement of small landlord exit, the loss of rental homes owned by small landlords seems to have been compensated by new investment coming from institutional investors in the Irish market, albeit this has mainly been concentrated in Dublin. This new investment is analysed in the next section.

Section 4.3 - Key takeaways

- The predominance of small landlords in the Irish PRS is a historical legacy of an economic period which was very supportive of that type of rental ownership.
- The possible trend of small landlord exodus cannot be definitively proven due to data gaps.
- However, recently published evidence on individual landlord exit, in addition to the waning of the economic incentives that created a very dispersed rental market, suggest that small landlords have exited to some extent.
- Provided that the PRS has grown in absolute terms, as indicated by Census figures, and that small landlords have likely left to some extent, those exits seem to have been compensated by new investment coming from institutional investors – which is analysed next.

4.4 New supply to the Irish PRS – The role of Institutional Investment (2010's-2023)

Institutional Investors' entry to the Irish market (pre-2018)

Prior to the global financial crisis, investment in the Irish PR market was primarily funded by banks. Both developers and (typically small) buy-to-let investors made use of their own equity and debt from Irish banks as sources of financing. In a context of abundant global liquidity, banks heavily relied on cheap foreign funding to support their lending expansion rather than deposits (Baudino et al., 2020).

Ireland's domestic banks had significant exposure to loans secured on Irish property as the construction sector became a dominant sector in the economy. The collapse of Lehman Brothers in 2008 precipitated an international credit crunch that dried out credit that had been flowing into Irish banks. At the same time, as domestic players withdrew from the property market, demand for new property vanished, and many developers were unable to pay their loans. As demand for property crashed, the value of residential and commercial property fell by over 50%, also dragging down rental income. Individuals in turn, including buy-to-let investors, struggled to meet their loan payments due to a fall in their rental (and non-rental) income. As a consequence, banks' share values collapsed by 90% (Waldron, 2018).

One of the main forms of state intervention in the financial system was the creation of the National Asset Management Agency (NAMA) in 2009. NAMA purchased property-related distressed[19] loans from Irish banks, often made to developers, aiming at removing the uncertainty about the valuation of such assets (Houses of the Oireachtas, 2016). After that, the initial borrower agreed a repayment plan with NAMA, which usually involved the sale of the property used as collateral to a third party.

In 2013, the Irish government established the Reat Estate Investment Trusts (REIT) system[20]. REITS are publicly listed companies which own and manage real estate, and whose income is derived from the rental of commercial and residential property (Department of Finance, 2023). REITS allow investors to hold property through shares rather than direct investments and are typically exempt from tax on rental income and capital gains subject to certain restrictions.

A key part of NAMA's strategy in Ireland was to create property portfolios which were attractive to large institutional buyers in the market, including REITs, which tend to favour sizeable transactions (NAMA, 2013). McCarthy (2024) explains that when NAMA properties were rental homes, its sale to institutional investors was preferred as it was believed that this would reduce the likelihood of evictions. To institutional investors on the other hand, portfolios of tenanted, completed homes in multifamily developments produced a secure income stream, which made them an attractive investment, especially in a context of early resurgence of the property market more generally[21].

[19] Both performing and non-performing loans.
[20] Finance Act 2013.
[21] The RPPI reached a trough in 2012, and the trend has been one of increase since.

As the stock of residential property being sold by distressed debtors and NAMA declined, institutional investors started to change their focus to financing new stock (McCarthy, 2024), which is analysed next.

Institutional Investment and the development of new rental stock (2018-2023)

The phenomenon of international institutional capital seeking to invest in new stock at scale in the Irish PRS can be traced back to 2018 (KPMG, 2022), a couple of years after the implementation of RPZs. The turn towards the development of new rental stock signalled the start of a more stable advanced phase of institutional PRS investment in Ireland.

Investing in the development of new rental apartments located in key urban areas was particularly suited to this international capital. Apartments are complex structures, which are more costly to build, take longer to be completed and their construction cannot be phased, compared to traditional housing developments. Phased construction involves breaking a project down into several smaller parts. Each phase may be completed and sold to clients before the overall project is completed – generating resources to be invested on the next phase. As a result, apartment development is inherently capital intensive, which suits the investment preferences of institutional investors, who have the ability and preference to invest at a large scale:

> *"For example, the development of a 500-unit apartment scheme would typically require equity capital of up to €100m to be committed for three to four years, whereas a corresponding housing scheme could be completed in the same timeframe with reliance on equity of as little as €10m to €15m." (KPMG, 2022, p. 52)*

At the same time, the added complexity of apartment development compared to traditional housing increases the uncertainty of the project, which increases the risk of the investment, therefore boosting the cost of financing[22]. The most immediate source of uncertainty is an increased risk of construction delays. But there is also a demand uncertainty – because apartments are more complex to build, they are more costly to construct, which means that they have a higher sale price, given a constant profit rate to developers. Higher prices ultimately reduce demand for completed homes. Surveys have also identified a cultural resistance related to living in an apartment (The Housing Agency, 2024).

In a context of a post GFC recovery, characterised by equity constrained developers and risk avoidant traditional lenders, the apartment development landscape started to be increasingly occupied by institutional investors. Different institutional investor funding models have emerged, which mitigate some of the above-mentioned financing risks.

[22] Apartment development is also more costly due to certain financing requirements in the Irish market. Most debt providers in Ireland require drawdown of all equity in advance of debt funding. This means, for example, that a developer who is engaged in a 3-to-4-year project may not draw on debt financing for 18 to 24 months, but will incur commitment fees during that entire period (KPMG, 2022).

Funding model	Description
Funding of full life-cycle of property development	• Investor buys land and manages construction. • Investor highly exposed to construction risks, which are accompanied by high potential returns. • Final homes are rented out.
Forward Fund	• Investor buys land from the developer. • Developer manages construction. • Investor provides development finance at agreed stages throughout the project, gradually acquiring ownership as construction progresses. • Developer does not need to obtain private finance from other lender/equity providers, namely banks or other institutional investor. • Developer accepts a lower return in exchange for cash flow certainty and financial stability for the project's development. • Investors are highly exposed to construction risks, but potentially get higher returns compared to standard acquisitions. The other benefit is to secure stock at an earlier, less competitive, stage of the development lifecycle. • Final homes are rented out.
Forward Purchase	• Developer agrees to sell all homes in a development at a fixed price to an end investor. • Developer needs to source financing from other lender/equity providers, which can include other institutional investor(s). The guaranteed future sale reduces demand risk, which reduces the cost of capital and tends to increase its availability. • End investor is less exposed to construction uncertainty due to the fixed price contractual arrangement. • Upon completion of the project, investor acquires ownership of homes, which are rented out.

According to KPMG (2022), generally a large amount of liquidity had been available especially for PRS developments with forward purchase agreements, which were considered viable. The Central Bank of Ireland (2024a) estimated that non-bank financing underpinned about 35% of total development financing of new housing supply[23] – much of which being for BTR from institutional investors.

It is important to note that institutional investors, in addition to financing the development and ownership of new stock at inception, also have a role of financing existing occupied stock. In this regard, KPMG (2022) noted that there had been an active market for stabilised rented

[23] In 2023.

assets from public REITS and investment funds, such as IREFs. A REIT holds property ad infinitum, and as such, investors receive an income stream rather than capital gains from sales. IREFs on the other hand are often established as closed-ended funds, which have a predetermined life (in this case, generally 5 to 7 years), and its expected return is earned from the asset sale rather than an income stream. Accordingly, investment is needed to fund the replacement of closed-ended investment funds as they reach maturity.

Institutional landlords have only reached the Irish BTR market in the recent past because, more importantly than being compatible with their investment preferences, investing in the sector provided attractive returns - despite the existence of rental caps. Next, we analyse an important design trait of Irish RPZs that mitigated some of the negative impact that rental caps are expected to have on supply.

Managing supply impacts – RPZs and the use of exemptions

The lack of a universal relationship between rental caps and supply found in the literature can be explained by the great variation in rental control designs around the world. Not just various models of rent regulation exist, but within each model various design traits can be used to achieve certain objectives. As such, no policy will be the exact same in two countries. Moreover, Coffey et al. (2022) pointed out that most regimes introduced in recent years have provided a series of exemptions to limit the risks on the supply side, including Ireland.

In Ireland, two types of exemptions from rent caps are currently permitted:

- Exemption 1: when a property has not been rented in the previous two years (new build or existing property which is new to market) or when a property is a protected structure and has not been rented in the last 12 months;
- Exemption 2: when the nature of a property has been substantially changed.

The type 2 exemption is targeted at maintenance, upkeep and energy efficiency investments. The first exemption allows newly supplied rental homes to enter the market charging market rents, and the caps only apply subsequently.

By analysing 2019[24] and 2020 data, Coffey et al. (2022) found that most of the registered exemptions were type 1 exemptions. And within this category, most exemptions were for new builds. The authors note however that the number of registered exemptions for new builds was low compared to the level of housing completions. This was probably due to sub notification, as the requirement to notify the RTB had only been recently introduced at the time. The analysis also found that the median rent for exemption 1 was about 83% higher than the median rent for all new and renewal tenancies in the sample during that period.

Even though the understanding of exemptions would benefit from updated data, the existing literature suggests that exemptions for new builds have been widely used by market players, who enter the market at a rent price point which is substantially higher than the market

[24] Starting from July 2019, when notifications of exemptions started to be required.

average. This boosts the projected rental income of a BTR development, which is a key dimension in the calculation of rental yields, which is discussed next.

Rental yields and viability of BTR apartment development

From the point of view of the end purchaser, the rental yield is a key determinant of property investment. It can be defined as the potential return on property investment through rent. Net yields are calculated by subtracting projected annual costs from the annual rental income and dividing this figure (the net income) by the property value.

The net yield that an investor is willing to accept for an investment is used to calculate the valuation of the completed stock. This way, for any given net yield, the higher the projected rental income, the higher the value of the PRS home. The developer can then sell the homes at a higher price and therefore the project is more likely to be viable for the developer. In other words, the more likely it is that the minimum rate of return that the developer requires to initiate a project will be reached[25].

For the developer, in addition to the price which the finished apartments can be sold for, viability is underpinned by all variables that affect cost, such as input inflation, financing costs and regulation that affects construction. On the latter, the most relevant type of regulation is that of the planning system, such as minimum building standards and energy efficiency requirements.

Rental yields are also underpinned by a series of policy/demographic/macroeconomic variables. Some of the most important ones are discussed in Appendix 3.

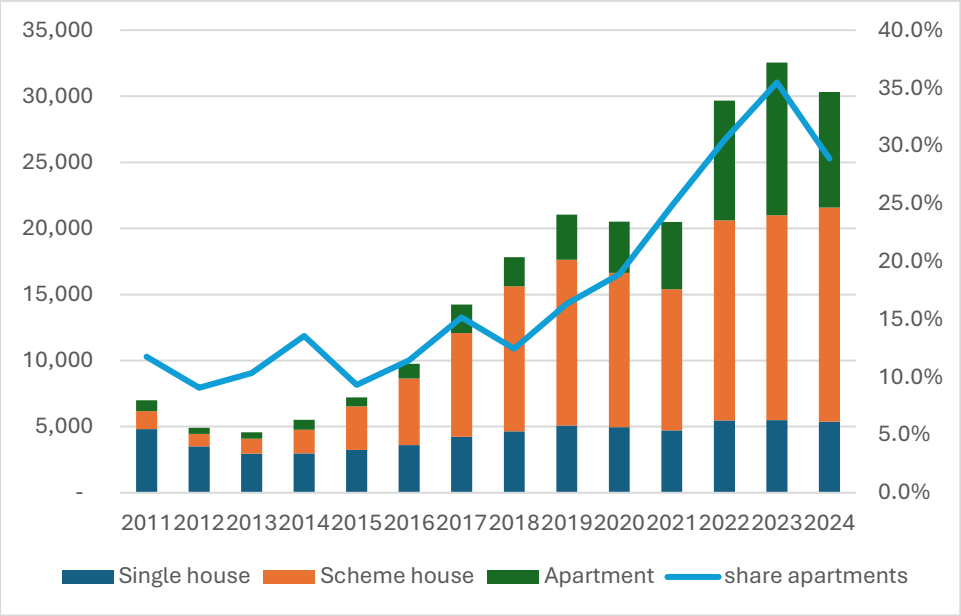
Institutional Investment and new rental stock in numbers

The increased liquidity for apartment developments since 2018 is reflected in the new dwelling completions data, which show that apartments were the most important driver of the growth in housing supply until 2023. Accordingly, the share of apartments increased from 12.4% in 2018 to 35.5% in 2023. However, the first drop in this share since 2018 was registered in 2024, as the proportion of apartments reduced to 28.9%. This reversal in the trend will be further analysed in section 4.5.

In addition, those new apartments have been overwhelmingly concentrated in Dublin, as shown by Figure 4. In 2024, 74.8% of new apartments were in Dublin, with this figure increasing to 80% if we include the Greater Dublin Area.

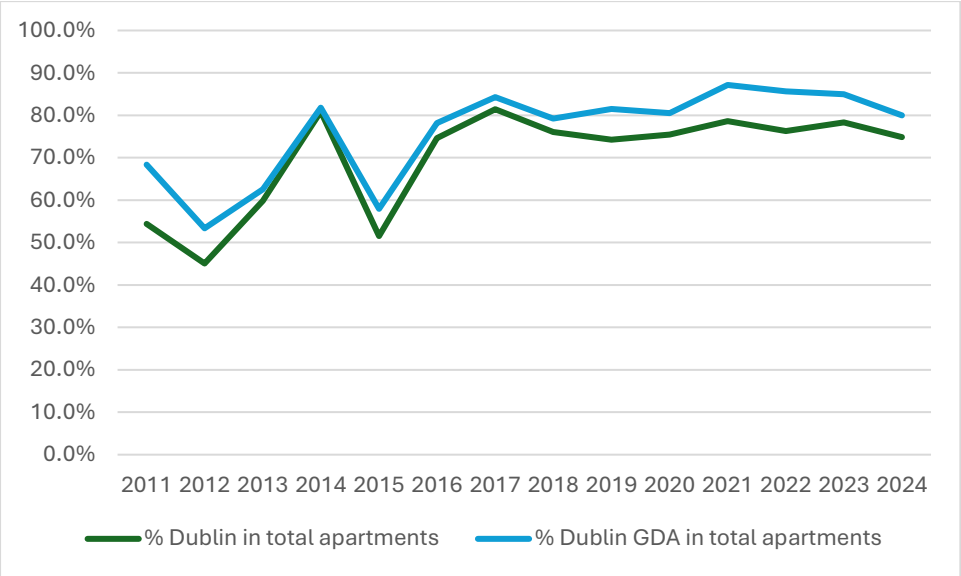
[25] Which is about 15% in Ireland (IRR) (KPMG, 2022).

Figure 4. New dwelling completions by type of housing, 2011-2024.



Source: CSO NDA02.

Figure 5. Share of total apartment completions located in Dublin and Dublin GDA, 2011-2024.



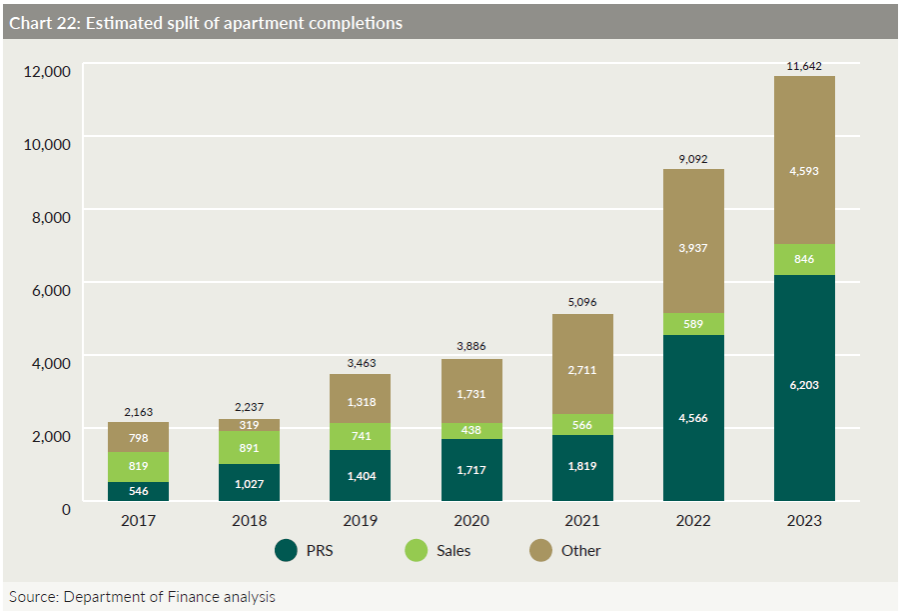
Source: CSO NDQ06.

New data analysed by the Department of Finance (2024) shows that, within the context of new dwelling completions, the activity of large landlords has been largely concentrated on apartments in Dublin. The overwhelming majority of the private rental stock built for or by large landlords since 2017[26] was made of apartments (92.5% vs. 7.5% houses). In addition, 95% of this total stock (whether apartments or houses) was in Dublin. The main type of large landlord identified as owners of those homes were IREFs.

[26] From 1 Jan 2017 to 30 Apr 2024.

The Department of Finance (2024) analysis also shows a steady growth in PRS completions since 2017. However, the biggest jump took place in 2022 – with a figure that more than doubled compared to 2021. This is compatible with the assessment that investment at scale in the Irish PRS started from 2018, as there is a time lag of three to four years for the investment to turn into completions.

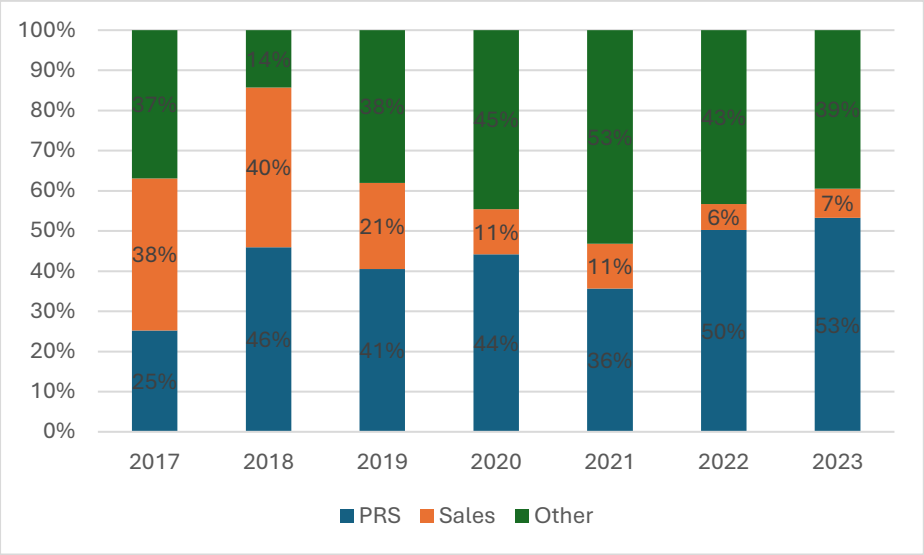
Figure 6. Estimated split of apartment completions, 2017-2023.



Source: Department of Finance (2024)

Lastly, large institutional landlords are not the only important players in the segment. Between 2017 and 2024, about 46% of all apartments completed were built by or for large institutional landlords, but 41% were classified as “other”, which mostly includes social and affordable apartments built by/for AHBs and local authorities. Over time, the trend has been one of growth in both large landlords and public sector output. Meanwhile, the annual output of apartments for sale has not varied substantially since 2017, meaning that its share in total output has reduced over time, as shown by figure 7. Egan et al. (2022) stress that, the emergence of the State-supported AHB sector has been amongst the most significant changes to the financial landscape of the Irish residential market over the last decade, along with the large influx of non-bank finance for large city developments.

Figure 7. Proportional allocation of new apartments (%), 2017-2023.



Source: The Housing Agency, based on Department of Finance (2024).

Section 4.4 - Key takeaways

- Institutional investment first entered the Irish market after the GFC, largely though purchases of NAMA property portfolios.
- The turn towards the development of new rental stock around 2018 signalled the start of a more advanced phase of institutional investment in Ireland.
- This flow of finance reached the Irish market because the development of BTR apartments suited the investment preferences of institutional investors, and moreover, provided attractive returns, despite the existence of rental caps.
- This flow of finance was facilitated by the exemption rule on new builds.
- The increased liquidity for apartment developments since 2018 is reflected on the new dwelling completions data, which show that apartments were the most important driver of the growth in housing supply until 2023.

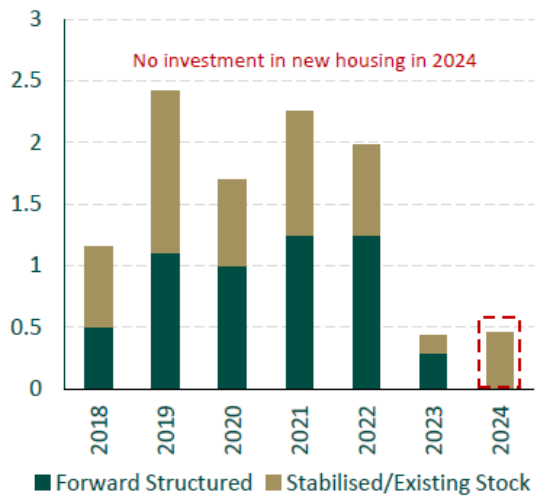
4.5 Changing tides – An exploration of the latest Institutional Investment trends (2023 onwards)

Evidence of a reversal in the trend of Institutional Investment growth

Whilst PRS apartment output grew steadily from 2017, 2024 was an inflection point. As per Figure 6 the number of apartment completions reduced by about 32% between 2023 and 2024, which was the main driver of the overall fall in housing output in the period.

Figure 8 shows data on residential commercial investment which captures two types of transactions: forward structured transactions (including both forward fund and forward purchase) that lead to the delivery of new homes, and acquisition of existing stabilised stock. In 2023 there was just a single forward structure transaction, and no transaction took place in 2024, the first year with no such deal in a decade (Department of Finance, 2024c). The bulk of the 2024 investment was on student housing.

Figure 8. Commercial Investment Market – Residential Sector. 2019-2024, €billion.



Source: CBRE

Investors' position

In reviewing a variety of submissions on public consultations made by investors, we identified three concerns put forward by investors that underpinned the reduced appetite for the Irish PRS: the frequency of regulatory change; the current design of RPZs (rather than the existence of rental caps in the first place); and the social function of institutional investment in housing.

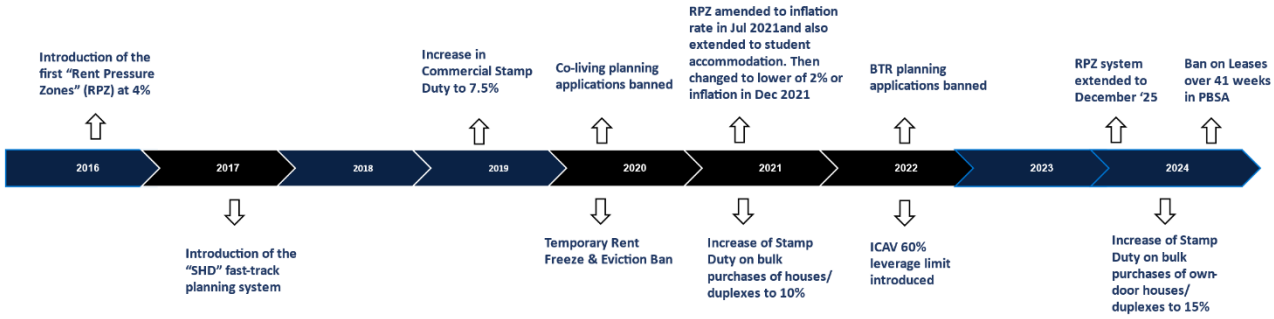
First, rent regulations across Europe in the recent past have been generally devised as temporary measures, because they address what are perceived to be temporary market failures. As such, free housing markets are considered the norm, but because those markets have been marked by affordability pressures arising from supply constraints, temporary state

intervention has been used by policymakers while markets adjust. However, this creates uncertainty as to the constancy of market rules in place, affecting investors' desire to make longer term investments.

Chapter 5 covers the German example. Germany's recent rent brake was implemented at a federal level in 2015. Though initially set for five years, the law was prolonged for another five years in 2020. In 2025, the government announced another extension until 2029. In the meantime, Berlin enacted a rent freeze in 2020, which was revoked about a year later.

The development of the Irish RPZ rules was covered in chapter 1. In addition to changes specific to the regulation of rent levels, the wider regulatory and fiscal framework affecting PRS investment has also changed significantly, and some of the main measures are mapped below:

Figure 9. Regulatory changes affecting PRS investment, 2016-2024.



Source: Greystar (2025)

Second, investors accept that rent controls are a part of the housing market in most European countries, where it is possible to increase rents in line with the rate of inflation, subject to a cap (Department Finance, 2024b). In this sense, the problem was not that rent controls existed, but how they are designed in Ireland. Irish RPZs are considered to be stricter in the international comparison – the key difference being that in most other European countries where rent controls exist, it is possible to reset the rent to market rates when there is a change in tenancy.

In addition, the 2% cap introduced in 2021 has also been heavily criticised by investors. They argue that the cap prevented them from making essential sinking fund and operational payments that have inflated at a rate significantly above 2%. Re-investment in existing assets, such as retrofitting works required to satisfy investors' ESG requirements, were also at stake, which ultimately devalued the stock prior to the end of their economic life, impacting the future refinancing of developments. Investors have also pointed to a mismatch between the RPZ design and other housing policies, such as the STAR cost rental programme, as the latter allows rents to be increased by the rate of inflation in the HICP.

Third, investors are of the view that the housing market needs a variety of products to cater for different consumers with different levels of affordability. It is claimed by institutional investors that the private market funded sector is limited in the income cohorts that they can provide for, as their stock is skewed towards more expensive new build properties. They argue therefore that it is not their role to provide affordable housing.

Assessment

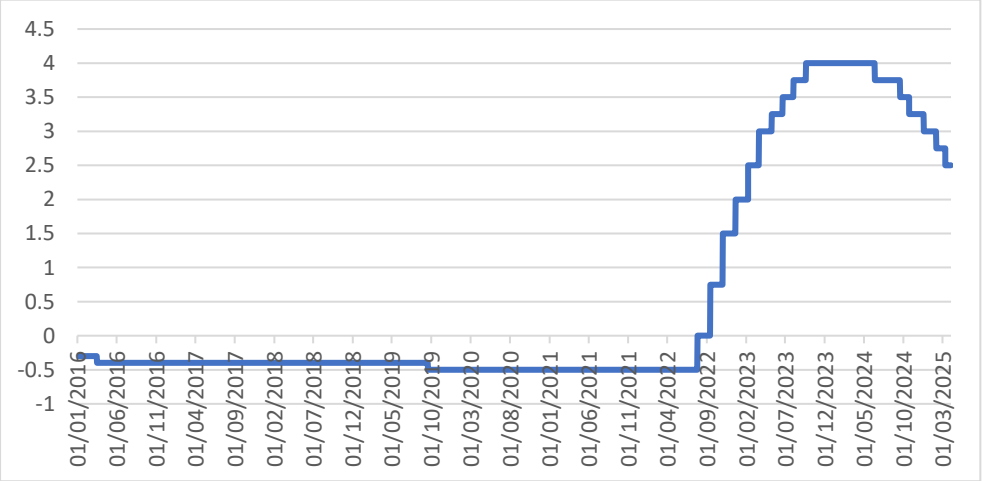
There are multiple causes as to why PRS investment reduced sharply from 2023.

RPZs have existed since 2016. Despite their implementation, Ireland was able to attract substantial volumes of institutional investment, especially from 2018-2022. What changed?

The 2% cap was introduced in late 2021. Figure 8 shows that the levels of development investment in 2022 were similar to those in 2021, and the abrupt fall only came in 2023. This lagged response can be due to two reasons – first, it is possible that in 2022 investment levels were to an extent sustained by commitments made before 2021, as housing investment is subject to a 3-4 year timeframe. Second, there was another key factor pushing investment down even further in 2023 – the rise in interest rates.

In September 2022, the ECB interest rate became positive for the first time in about ten years. From then onwards, an interest rate hike which largely happened at a global scale took place, lasting about two years (Figure 10).

Figure 10. ECB interest rates, deposit facility, Jan 2016 to Apr 2025 (daily).



Source: ECB.

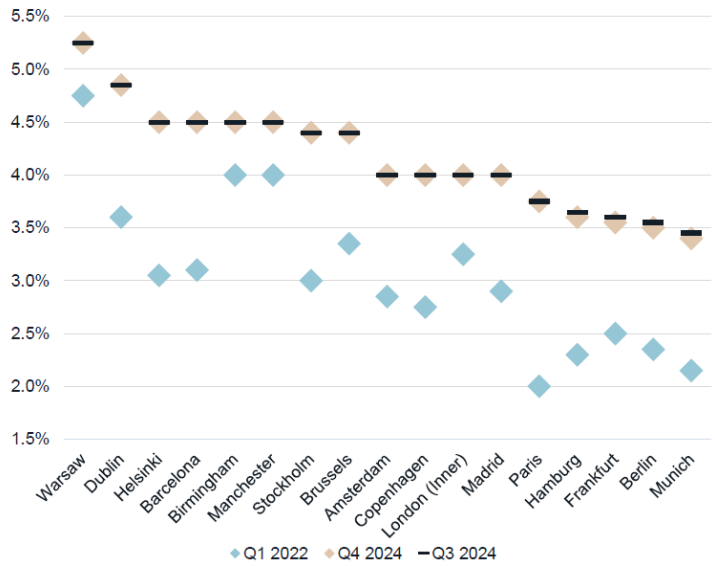
In a high-interest rate environment, investors seek a premium return relative to risk free government bonds. As investors look for increased compensation, investment yields increase across sectors and cross countries. Accordingly, Savills (2024) reported an increase in yields between the last quarters of 2022 and 2023 across all Irish property sectors analysed, such as offices, logistics and high street. During the period, prime PRS yields increased from 4.0% to 4.75% (Table 8). Figure 11 shows a trend of international increase in PRS yields across 17 European cities.

Table 8. Yields by property sector, Q4 2023 and annual change.

Sector	Q4 2023	Y/Y change
Offices - prime CBD yield	5.00%	75 bps ▲
Offices - secondary CBD yield	7.50%	150 bps ▲
Industrial - prime yield	5.00%	75 bps ▲
Industrial - secondary yield	6.50%	75 bps ▲
Shopping centres - prime yield	7.00%	100 bps ▲
Shopping centres - secondary yield	10.50%	50 bps ▲
Warehouse retail - prime yield	6.25%	75 bps ▲
Warehouse retail - secondary yield	9.75%	- ◆
High street - prime yield	5.50%	75 bps ▲
High street - secondary yield	8.25%	75 bps ▲
PRS - prime yield	4.75%	75 bps ▲
PRS - secondary yield	6.50%	100 bps ▲

Source: Savills Research

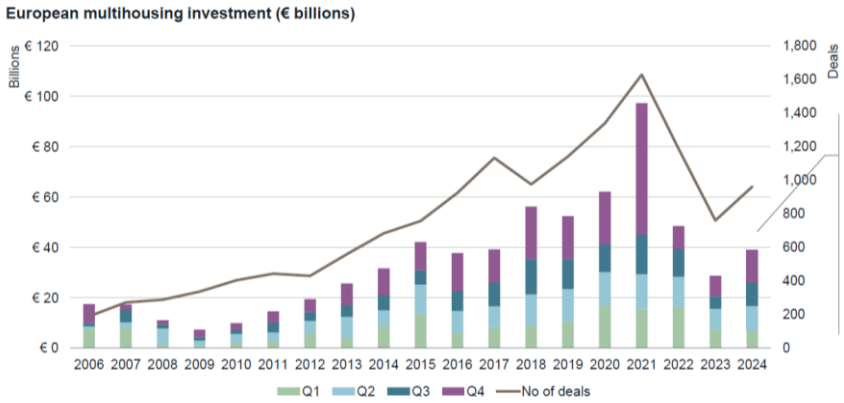
Figure 11. Prime multifamily NIYs (Net Initial Yields) by city (Q1 2022, Q3 2024 and Q4 2024).



Source: JLL

As higher levels of financial compensation are more difficult to achieve, the trend is one of drained liquidity for housing investment globally, as shown in the figure below. As such, recent trends of withdrawal or deferral of investment commitments to Irish residential developments are in line with corresponding experience across Europe (KPMG, 2022; Department Finance, 2024b).

Figure 12. Annual multihousing investment volumes, 2006-2024.

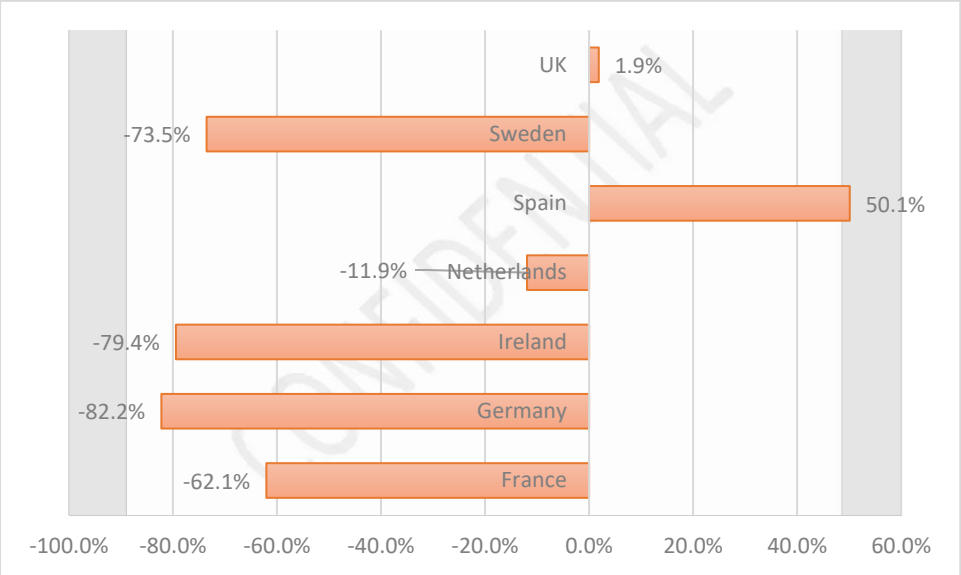


Source: JLL

Domestic factors determine how achievable those required higher yields are. They explain the country variation in investment levels, as all countries were exposed to adverse global market conditions. Holding everything else constant, higher net yields are more easily achievable in unregulated rental markets, where higher rents can be charged, especially given that operational costs were also on the rise due to the inflationary environment. The same logic applies to countries with lower construction costs. The understanding of national variation is limited due to data constraints. The CBRE compiles data on residential investment across Europe, which are presented below – however, the figures include residential investment more generally, including BTS, social housing and student accommodation. Figure 13 presents the variation in residential investment between 2021 – a global peak of liquidity – and 2024 in a sample of 7 countries.

In the sample, Ireland, Sweden, Germany and France registered substantial drops. The fact that Ireland was not the only country to lose investment at a large scale is another evidence of the global movement. On the other hand, the UK and Spain have arguably the loosest rent controls in the sample, and whereas UK investment was relatively stable between the two years, Spain registered a 50% increase, signalling that rent controls are a potential cause of the national variation.

Figure 13. Change in European residential investment volumes by country between 2021 and 2024.*



* Residential investment includes student housing investment as well as social housing investment.
Source: CBRE.

A substantial RPZ reform could be used to incentivise a return of investment. However, the impact of this reform would also be affected by other factors such as interest rates and therefore may not be sufficient to restore institutional investment at the scale desired to reach housing targets.

A positive supply impact would likely follow from an RPZ reform. Over the course of 2023 and 2024, the Euro area saw substantial progress in disinflation, reaching 2.4% in December. In the first quarter of 2025, the expectation was that a gradual convergence of inflation to the 2% ECB target during 2025 was to be reached (Makhlouf, 2025). In Ireland, risks to the disinflation process were considered to be broadly balanced (Central Bank of Ireland, 2024b). Accordingly, the ECB has been reducing interest rates.

However, institutional investment might not return at the scale desired or for the duration of time necessary to reach housing targets. In other words, an RPZ reform is unlikely to be sufficient in itself to attract the desired investment levels. That would be the case, for example, if interest rates rose to a point where it is more rational to stay at the lower end of the risk/return spectrum. In this scenario, externally driven inflation could be triggered by an escalation of geopolitical tensions or renewed stress in global supply chains. At the time of writing, the US had just announced a worldwide imposition of tariffs. As a result, the international macro framework is in a state of flux and there's high levels of uncertainty regarding the trajectory of interest rates in the near to medium term.

A substantial RPZ reform could be used to incentivise increased investment. However, other important side-effects would also emerge and should be factored in when deliberating on deep rental policy changes.

Decisions around enacting any sort of rental controls, and the shaping of those controls, are made through the assessment of trade-offs. In this sense, a potential supply gain arising from a decision to make rents more flexible should be weighed against the deep social impact that rent liberalisation causes.

Affordability challenges and housing precarity for private tenants in Ireland have been well documented by the literature (Disch and Slaymaker, 2023; Waldron, 2022; Corrigan et al., 2019). Given the acute supply and demand imbalance that has affected the Irish rental market, the implementation of measures that substantially liberalise rents would have a substantial short-term impact on rent levels. This is especially problematic in a context of constrained availability of social housing/cost rental homes. It is worth remembering that the Housing Commission recommendation of changing the RPZ model to one of increased rental liberalisation – without getting into the merit of what form that would assume – should not be viewed in isolation from other recommendations, which include doubling the size of the social housing/cost rental sector (The Housing Commission, 2024).

The medium to long term rental impacts of an RPZ reform have been widely debated. Affordable housing advocates argue that new market-rate development is mostly geared towards expensive housing, which did not meaningfully impact rent levels for lower and middle segments of the market. However, there is evidence to show that even though new housing built in expensive areas of the city did indeed benefit those on higher incomes at first, new supply triggers moving chains that free up homes in all market segments within a city (Mense, 2025; Bratu et al., 2021). Therefore, in the medium to long run, it is expected that the added supply arising from rent deregulation mitigates some of the price pressures in Dublin. However, the extent to which this mitigation would happen is unknown. Moreover, as PRS institutional investment has been heavily concentrated in Dublin, a rental disinflation in the rest of the country is not expected, unless investment patterns change.

Other policy measures that influence viability for the developer which are under the influence of domestic policy are also key to attracting international capital.

One of the main appeals of removing rental caps comes from the immediate impact that this would have on viability for the developer. For a given level of yields, a higher projected net rental income pushes up the valuation of PR homes, making them more viable. However, tackling viability also through costs, rather than rental income only, generates a larger welfare gain, as in this case tenants would be less worse-off due to rising rents.

The literature has already pointed to multiple measures that could, for example, have an important impact on construction costs. Although there will always be a cost element that is exposed to international supply shocks, recent evidence shows that costs are indeed higher in Ireland compared to other countries (Central Bank of Ireland, 2024a). A series of factors have been identified as bottlenecks that pushed up construction costs, such as (OECD, 2025; CBRE, 2025; Central Bank of Ireland, 2024a):

- regulations related to minimum building standards
- planning uncertainty
- costs of infrastructure provision
- undersupply of appropriately zoned and serviced land available for development
- the market structure of the domestic homebuilding industry, composed of many small companies, which was a barrier to achieving greater scale.

Achieving greater scale is also beneficial for accessing external funding, as smaller businesses are less likely to accept external equity investment in exchange for ownership stakes (Central Bank of Ireland, 2024a).

A reduced reliance on international capital to fund new rental stock is desirable, along with the establishment of frameworks that increase the stability of institutional investment flows.

Institutional investment is transient and can easily be redeployed to other countries and/or markets if conditions in Ireland deteriorate or other asset classes become more attractive. An over reliance on international transient capital creates a permanent liquidity risk in the Irish residential development system. It also increases financing costs, compared to markets with higher lending competition.

Two main measures have been suggested elsewhere (KPMG, 2022; Central Bank of Ireland, 2024a): first, encouraging additional domestic investment; and second, the establishment of an apartment development equity fund by the State, specifically focused on apartment development in both the BTS and BTR markets. The fund could act as a capital aggregator to attract other long-term third-party capital.

> *"Ireland does not have a sufficiently large permanent pool of domestic capital to draw upon for property development and investment. In building out domestic legislative, regulatory and tax policy, the Irish authorities must be conscious of balancing the need for international capital with the need to develop a larger permanent capital base domestically, and to reduce reliance on international capital over time. Ireland's authorities must also provide a sufficiently stable regime to allow for long-term investment decisions." (Department of Finance, 2024, p. 85)*

Section 4.5 - Key takeaways

- Whilst PRS apartment output grew steadily from 2017, 2024 was an inflection point. The number of apartment completions reduced by about 32% between 2023 and 2024.
- The following concerns have been raised by investors: the frequency of regulatory change; the current design of RPZs (rather than the existence of rental caps in the first place); and the social function of institutional investment in housing.
- There are multiple causes as to why PRS investment reduced sharply from 2023.
- A substantial RPZ reform could be used to incentivise increased investment. However, the impact of this reform would also be affected by other factors such as interest rates and therefore may not be sufficient to restore institutional investment at the scale desired to reach housing targets. Moreover, other important side-effects would also emerge and should be factored in when deliberating on deep rental policy changes.
- Other policy measures that influence viability for the developer which are under the influence of domestic policy are also key to attracting international capital.
- A reduced reliance on international capital and greater utilisation of domestic sources over time to fund new rental stock is desirable, along with the establishment of frameworks that increase the stability of institutional investment flows.

5. Case Study Analysis of Rent Control Models

This section employs case studies to examine various rent control systems in their geographic, legislative, and cultural contexts. It elaborates on the earlier section on rent control typologies by taking an in-depth view of several of the aforementioned examples of international systems. This section focuses on the reference rent system, with a focus on its implementation in Germany, and the points-based system. Further detail on case studies of the reference rent system in Berlin, rent control in Northern Ireland, implementations of the points-based system in the Netherlands, Sweden and Austria, and a case study of the RPZ system in Scotland can be found in Appendix 3.

This review of rent control models, including the reference rent system, responds to a key recommendation contained in the Report of the Housing Commission (2024). Recommendation 33 stated the following:

“Regulate markets fairly and effectively by reforming the current system of rent regulation and establishing a system of ‘Reference Rents’. This reform should be informed by evidenced-based reviews on the impact of regulated market rents on rented housing supply, accessibility and affordability. Such reviews should be conducted on a regular basis and rent regulations amended where appropriate.”

5.1 Reference Rent System

Systems of reference rent determine rent price controls by comparing rental homes with similar features, from the same locality, to one another. Their strengths, as found in existing implementations, may be regarded as being affordable to tenants, providing security of tenure, and encouraging maintenance. Their difficulties may be seen to lie in their complexity which can lead to poor understandings of the system and thus poor compliance, a large data requirement, and a large overhead cost. However, these elements are nuanced in ways that are elaborated upon below (and in more detail in Appendix 3). It is important to note that any preliminary decision to implement a system of rent regulation based on local reference rents should be followed up by a detailed discussion with policy experts and experienced practitioners in an appropriate country.

An effective system of rent regulation based on local reference rents needs to be underpinned by an appropriate level of legally binding legislation that provides sufficient clarity in relation to what sectors of the market be included, how to define pressurised markets, dwelling types to be included, at least broad methodological guidance in terms of calculating local reference rents (including an appropriate level of granularity) and realistic basis for enforcement. This includes an appropriate balance between standardisation at the national level and flexibility at the local level to take specific circumstances into consideration.

Getting the balance right in terms of legislative and administrative provision bearing in mind the often limited knowledge on the part of tenants and landlords, the ability of landlords to avail of the inevitable loopholes and the resources required is a key assessment that will seriously affect the success of the system. There appears to be significant advantages of establishing an adequately resourced separate body (or separate department within local authorities) to specialise in compliance.

Any system of rent regulation (including one based on reference rents) will incur a significant cost overhead – particularly to the public purse. The cost of an appropriate system of compliance is one consideration, but the data and expertise required to introduce, manage, update as required on a timely basis the data required to underpin a system of reference rents should not be underestimated and must be considered against the costs of alternative policy tools designed to ensure households on lower incomes have access to affordable accommodation that suits their needs. Ireland has a significant advantage over many other jurisdictions (including Germany) given the rental data held by the RTB in Ireland.

In Kofner's view the local reference rents, in Germany, are a fundamental determinant of 'rent price formation' that 'in principle' reflect an average of the rents charged for 'apartments of comparable quality' in a particular location. However, he correctly indicates that this is not an altogether 'empirical concept' based on the realities of the market but is an 'artificial construct that only partially and imperfectly reflects the empirical conditions' (p.147) by being based on a relatively small number of 'normative criteria' (e.g. dwelling size, location and condition) that do not entirely reflect the rental value of the property. Furthermore, the calculation of the local reference rents includes rental data based on rents agreed on new leases and on rents that have been increased in ongoing leases but excludes rents in existing leases that have remained unchanged. The treatment of dwellings that have been modernised further complicates the picture. The costs of modernisation impact on the maximum permitted rent but these rent increases are 'unconnected' with the reference rent system.

In conclusion, this study would indicate that a suitably designed system of rent regulation based on reference rents has the ability to limit the seemingly inexorable rise in rent levels, benefiting existing and future tenants on lower incomes, without ultimately adversely affecting landlords, and the housing market to an unsustainable degree (Appendix 3). However, to echo Arnott (2003): the 'devil is in the detail' and only the introduction of a system that adequately considers the above issues will have the potential to achieve the appropriate balance between competing interests and minimise the negative effects of any intervention.

5.2 Case Study: Germany

The Mietspiegel ('rent mirror') is essentially an index of ortsübliche Vergleichsmiete (local reference rents) – 'a representative cross-section of rents typically paid for comparable housing in the same locality' (Saxenberger, 2024) – essentially a table of 'price scales' based on a range of dwelling characteristics: (e.g. 'location, size, age, quality of facilities' and the

rents of similar flats[27]. It is calculated and administered by Germany's municipalities. It provides 'the means of justifying rent increases' (BBSR, 2025). Landlords cannot raise the rent of an ongoing lease 'by more than 20% above this average price' – although this does not last indefinitely.

Schmidt (2020), although an advocate of rent regulation, admits that so far, the German system has not been 'sufficiently effective' in stemming rising rents – partly due to ongoing underlying socio-economic pressures, but also due to loopholes in the regulations. There are also wider factors common to many cities in the world at play, including large-scale redevelopment resulting in inflated prices of buildings and 'company investment of global capital' in housing motivated by profit maximisation.

The *Mietrechtsanpassungsgesetz* (rent review regulation) is legislation that came into force on 1 January 2019. It specifies that landlords must now justify any rent increases that exceed the 10 per cent cap. It introduced a new cap for rent increases following modernisation (8% of the cost of the work) alongside determining that rent increases following modernisation are limited to €3 per sqm for a 6 year period.

The *Mietpreisbremse* (Rent brake) was introduced in 2015 as a regulatory response to spiralling rents. It was initially seen as an additional 'temporary' mechanism and is closely linked to the *Mietspiegel*. The Rent Brake is the only statutory instrument that limits rents on new leases and specifies that these new rental contracts cannot specify a rent that exceeds the local reference rent by more than 10 per cent.

Saxenberger put down the limited effectiveness of the Rent Brake to a number of factors:

- Its 'vague formulation' and non-uniform implementation at local or federal state level rather than at the national level. Some states (e.g. Saar and Saxony have chosen not to implement the Rent Brake reducing overall effectiveness at the national scale.

- Non-compliance by many landlords, something that is facilitated by the many exceptions (e.g. for furnished or substantially renovated apartments).

- Lack of awareness of the exact regulations on the part of tenants – compounded in many cases by a lack of resources and willingness to challenge their landlord.

- 'Fundamental flaws' in the calculations underpinning the local reference rents and Mietspiegel – in particular, the reliability and timeliness of the data. This applies to both the 'simple rent mirror' (derived from stakeholder knowledge but often fails to reflect market rents with sufficient accuracy) and the 'qualified rent mirror' (theoretically based on robust data and updated every two years but can be inaccurate and there is a lack of methodological transparency).

[27] Some property types are excluded from *Mietspiegel* regulation: 'detached or semi-detached single-family dwellings; homes located in two-dwelling buildings; newly constructed buildings completed after 1 January 2016 or with particular features (very large dwellings, with luxury features or, the opposite, very precarious, which justify establishing their rent price above or below market rates' (Schmidt, 2022, p. 66).

- A lack of consistent data on issues such as modernisation, as well as previous and current rent levels makes it difficult to even assess the impact of the rent regulation measures in place and enforce compliance.

Key takeaways

- The German reference rent system operates using a 'Mietspiegel' (Rent Mirror) which is essentially an index of typical rent for similar homes in the locality, and a 'Mietpreisbremse' (Rent Brake) which specifies that new leases cannot exceed the local reference rent by more than 10%.
- Data deficiencies are seen as one of the main challenges of the German rent reference system. System monitoring and enforcement are another challenge in this system that would require extensive government resources.
- A lack of knowledge from landlords and tenants on reference rents leads to tenants paying rent at rates higher than the reference rent.
- A system of reference rents would require close attention to detail to mitigate potential risks such as non-compliance, incorrect calculations, non-uniform implementation, and data inconsistencies. Any implementation is likely to have large overhead costs.

5.3 Points-Based System

A points-based rental system is a form of rent control which awards points to certain features of a rental home to determine initial rent ceilings and rent increases. It is generally considered a 2nd generation rent control as it limits rent for new and sitting tenants[28]. The maximum rent is based on the home rather than the tenancy. See Appendix 3 for details on points and rent ceilings associated with features.

This brief review of points-based rent control responds to the Report of the Housing Commission which suggests that Ireland "reform and consolidate standards for rental dwellings through a single, nationwide dwelling standards risk-based inspection process". The use of points-based systems to mirror the standard of a rental home in its cost sets clear expectations for the building standard and tenant use of a rental home.

Points-based systems are designed to ensure affordability for non-luxury rental housing. Existing implementations, in the Netherlands, Sweden, and Austria, see exemptions for homes that are of a certain quality or status, allowing investors to construct new supply without being affected by maximum rents once a certain level of quality is reached. However, it does risk existing landlords removing stock from the current supply of rental housing due to the ability to make more profit by selling their stock, and due to the additional costs associated with

[28] See Kettunen and Ruonavaara (2021), on the dissenting views on whether Sweden's system should be classed as rent regulation or indirect rent control due to the element of negotiation in rent setting.

renovating a home. This may be a short-term risk which could ultimately incentivise landlords to provide higher quality housing in terms of energy efficiency, heating systems, and facilities in the long-term.

Governmental enforcement is often weak and transferred to tenants due to the complexity of the system.[29] An effective implementation of this system would require large overhead costs including the potential formation of additional public bodies.

The implementation of a points-based system may lead to an initial negative supply impact, as occurred during the recent extension of the Dutch regulations to include 'middle sector' rental homes. The change in rental homes advertised during this period indicates that approximately one quarter of landlords decided to lower their rents to move to the middle market whilst three quarters left the market entirely, increasing the supply of affordable rental housing but decreasing the overall supply of rental housing (NL Times, 2024). It has been suggested (Swedish National Audit Office, 2017) that the 'utility value' system encourages not fully utilising the rental stock by reducing the need for individuals to adapt their housing to their income or household size due to being able to afford larger spaces than they need due to below-market rents.

Morawetz and Klaiber (2024) suggest that points awarded for local neighbourhood amenities or apartment-block specific facilities might lead to concentrations of low-income households in single apartment blocks. Furthermore, low-income households might move to areas they may not have otherwise, with worse local amenities or housing quality due to those places receiving fewer points and thus being more affordable.

Theoretical assumptions have been made (National Board of Housing, Building and Planning, 2013 in Swedish National Audit Office, 2017) that the utility value system creates an economic benefit for tenants which negatively affects labour supply resulting in an estimated welfare loss of SEK 10 billion (€896 million) per year.

Key takeaways

- A points-based system determines the rent ceiling of a home by tallying the points associated with its features and linking the final score to an associated cost, which minimises the risk of deferred maintenance of rent-controlled homes due to higher rent being associated with better building quality.
- A points-based system could be difficult to implement due to its large data needs, overhead costs, and complexity of enforcement.

[29] There have been recent structural improvements to governmental enforcement in the Netherlands but results have not yet been measured.

6. Policy Options

6.1 Introduction

The purpose of the review is to consider whether rent controls should be continued, adapted, removed, or replaced. The evidential basis for this consideration is composed of the reviews of the international literature on rental price controls in general[30], of the Irish literature on the operation of the Rent Pressure Zones, the assessment of the operation of the Rent Pressure Zones, the case study analysis and the feedback to the surveys that the Housing Agency has conducted, all of which are presented in earlier chapters.[31]

A consideration of policy logically requires a set of objectives against which to assess. It is important to acknowledge that different stakeholders and interests can and will have different views on the objectives of the rental price control policy, and indeed of wider housing and social policy. However, the report strives to take a balanced perspective to identify the best long-term option for the sustainability of the PRS.

A further introductory point is important. As noted in the literature review, we do not have access to a comprehensive empirical assessment of all impacts of the Rent Pressure Zone system. However, the report endeavours to outline the benefits and risks attached to each option and make reasoned conclusions.

6.2 The Objectives

Drawing on the literature review presented in Chapter 2, and consideration of the policy environment, the principal objectives of the rental price control policy should be:

- *To shield economically vulnerable households from higher market rents.*
  The affordability of housing costs is clearly a pressing social challenge, and the households that are especially exposed are low to moderate-income households that do not have access to social or affordable housing. High housing costs can mean a household has insufficient means to meet its requirements for other goods and services and can result in poverty and disadvantage. Note, however, that when considering economically vulnerable households it is important to consider not only current tenants, but future tenants over a longer time horizon.

- *To preserve investment incentives and to discourage sector exits.*
  Housing investments are capital intensive and the Government is clearly concerned that recent investment in new private rental supply is insufficient, and lead indicators of future supply[32] raise further concerns that supply will struggle to reach the required levels without policy change. Providing the policy conditions for a sustained increase

[30] Albeit conscious of questions regarding the generalisability of evidence from other housing systems.
[31] Although cognisant of the relatively low numbers of respondents to the surveys.
[32] Such as planning permissions for apartments in urban areas.

in supply is important because it will help ease price pressures across rental markets, and will widen the pool of available rental properties, thereby facilitating greater autonomy and choice. All other things being equal, greater supply should act to dampen prices, especially if that new supply is induced at scale. That is not to say that increased supply mechanically guarantees price decreases, as there are other factors in play that influence rental prices, including the labour market, wider macroeconomic conditions and so forth. Commensurate with the importance of new supply is the prevention of excessive exits of rental market units, as such exits seem likely to decrease choice and increase price pressure.[33]

- *To encourage maintenance and upkeep of rental stock.*
  The maintenance and upkeep of rental properties can be incentivised by the operation of price controls. Relatively severe price controls can create conditions in which a lack of upkeep and maintenance occurs, and large proportions of the rental stock deteriorate over time. The avoidance of this is particularly important given the energy efficiency related investments which will be required for much of the rental stock in the coming years.

- *To minimise non-compliance with regulations.*
  It is desirable that the system of rental price controls does not result in the unintended fostering of a shadow rental market, which are often accompanied by other legal and regulatory breaches, such as overcrowding, fire safety, insecure tenancies and predatory practices on the part of non-compliant landlords. The monitoring and enforcement mechanisms which police the price control system seem likely to play an important role in suppressing a shadow market.

- *To avoid unfair redistribution.*
  A system that places no, or loose, limits on windfall gains and arbitrary redistribution between landlord and tenant is undesirable. A supply shock which results in an annual price increase for a sitting tenant that considerably exceeds general inflation, would see the landlord reap a material benefit unrelated to their efforts, or the quality of the rental accommodation at the expense of a tenant.

- *To preserve fairness.*
  A further equity related objective is that of horizontal equity, which means that similar entities should be treated similarly. For instance, it should not be the case that a low income household in one area of the country should benefit from rental price controls, while an equivalent household facing the same or similar rental costs in another area of the country does not receive any such benefit.

[33] Note that some degree of churn, as housing units move between tenures is natural and unavoidable. However, a rate of exit above this natural churn would exacerbate negative conditions.

- *To contain, commensurate with the needs of vulnerable tenants, State subsidies for tenants.*
  The State operates subsidies for eligible households renting in the private sector, such as the Housing Assistance Payment under which approximately 52,000 households receive support. The per household subsidy is considerable, as is the aggregate cost to the Exchequer.

- *To avoid undue complexity.*
  The simplicity of the rental price control system, such that it is straightforward for tenants and landlords to understand how the system operates in terms of what is expected of tenants and landlords and what the price will be under potential future conditions. Insofar as possible, the regulatory burden on tenants and landlords should be minimised. A secondary consideration, is that the system should not impose an undue administrative burden on the public bodies which perform any regulatory and enforcement functions related to the price controls.

Note, however, that the above objectives do not carry equal weight. The protection of the economically vulnerable, the attraction of new supply and the retention of the current stock are of critical importance. Ensuring that maintenance and upkeep is incentivised, the avoidance of windfall redistribution, suppressing the shadow market and preserving horizontal equity are also important.

6.3 The Components of the System

Any given system of rental price controls is composed of several facets, such as a mechanism which determines the locations where the controls apply, their durations, the types of rental properties subject to the controls and so forth. The following section is an initial assessment of the three primary components of the current system of Rent Pressure Zones, and alternatives against the objectives, which will help inform judgements of the options.

(i) Initial Price

Under the Rent Pressure Zone system the initial rental price of a tenancy contract, unless the unit is new to the rental sector or other exemptions apply, is determined by the price which applied during the preceding tenancy, subject to the allowance for controlled increased which are discussed shortly. Assuming robust demand and a successor tenancy which is not unduly delayed, the price of a new tenancy in most instances will be very close to the preceding price. This means that the price cannot adjust to reflect, for instance, costly investments in the unit by the landlord,[34] prevailing demand conditions, or general inflation if it is greater than 2 per cent as measured by the Harmonised Index of Consumer Prices. This rigidity is unusual, as demonstrated by Table 1 on page 32 as most peer jurisdictions operate a

[34] Assuming such investments do not meet the "substantial change in the nature of the Accommodation" definition discussed in Chapter 3 which require considerable changes, such as at least 7 building energy rating increase.

vacancy decontrol system which provide latitude to reset the rental price between tenancies. Even among those countries that do impose some degree of vacancy controls, such as Germany under the Mietpreisbremse regulations described on page 65, the Irish system is comparatively inflexible.

Under the Rent Pressure Zone system:

- The initial price of a tenancy contract has benefits for those economically vulnerable tenants that secure a new tenancy under which the initial rental price is controlled, as prevailing market conditions strongly indicate that in the absence of those controls, prices would be higher. However, there is a strong caveat to this judgement, which is related to new supply.

- The incentives for new supply are considerably weakened. Due to the investment time horizon, and the likelihood that this time horizon will encompass multiple tenancies, the controls which limit price adjustments between tenancies seem likely to limit new supply investment incentives. Inadequate future supply of private rental stock has obvious negative implications for future forming households, including the higher prices and the absolute unavailability of rental stock which may confront some households, and the consequences for homelessness and deferred household formation.

- There is considerable risk that, over time, levels of maintenance and upkeep will be deficient such that the aggregate quality of the private rental stock deteriorates.

- Horizontal equity is negatively impacted, as in some areas of the country a tenant household has access to initial prices which are controlled, while in other areas of the country a very similar household may contend with uncontrolled, and potentially higher, prices.

- The controls on initial prices, over the short to medium term, help to contain Exchequer expenditure. However, the long-run negative supply impacts seem to carry a substantial risk of generating demand for other Exchequer supports, such as social housing, and for interventions to address homelessness.

- The rules regarding initial prices are relatively simple and should be readily understood by most actors. There is some degree of complexity arising from the exemptions, but this could be managed with communication and guidance towards the relevant resources.

The initial price component of the current system is, on balance, damaging to the sustainability of the private rental sector. The initial price component could be replaced with an alternative, that allows for greater latitude for the setting of the initial rent of a tenancy. The risk of economic evictions of tenants by landlords, motivated by a desire to reset the rent between tenancies could be addressed by strong tenancy security provisions which are currently in place, and which can be enhanced or modified if required.

Potential replacement options for the initial price component of the current system are described later in this chapter.

At this point it is appropriate to consider two alternative mechanisms which are relative to initial price setting within a contract, that is, reference rents and points-based pricing. The report of the Housing Commission has recommended that a system of reference rents should be established, linking rent increases to a composite benchmark taking account of the rents for similar, local properties and other relevant factors, and that this system should apply across tenancies. While the Housing Commission report did not recommend a specific model, this report draws its conclusions on the German model of reference rents. From this analysis, the practicalities of operating a reference rent system seem likely to be contentious and difficult to enforce. Any given rental property is a bundle of many different attributes to which the price would be sensitive. Important factors such as size, numbers of bedrooms and so forth may be relatively easy to consider, but others are less so, such as the architectural quality of a unit, cosmetic aspects, the views its occupants may enjoy, neighbourhood amenities, the precise distance to transport infrastructure, and so forth. A reference rent system that encompasses such aspects would be difficult for tenants and landlords to practically apply. Such a system also seems likely in many instances to be both contentious, in that a landlord and tenant may disagree on the reference rent for a given unit and challenging for a regulator to adjudicate. A reference rent system which simplifies the reference rent by reducing the points of reference to a small number of attributes, such as the number of bedrooms and locality, would seem likely to result in the mispricing of units and could have unintended consequences.[35] A further complexity is that under a reference rent system that would replace the current system it seems likely that the reference rents would in many cases result in a considerable difference between reference prices and a 'pure' market price; put another way, the legacy of the Rent Pressure Zone system could dominate pricing with the associated negative supply impacts discussed previously.

A points-based pricing approach, such as the Woningwaarderingsstelsel system used in the Netherlands, could be used to establish initial rental prices. However, similar, albeit deeper, reservations than those it holds in respect of the reference rents system arise. Establishing a firm evidential or policy-basis for the inclusion of some unit attributes but the exclusion of others seems challenging. Further, the assignment of points for specific attributes, and the setting of the value of those points relative to the points value of other attributes, also seem challenging. Whether and how to modify the points value for a given property in markets with high demand, as the Netherlands does, is a further element of concern; in the Netherlands a considerable points increase is assigned in areas of high demand, but that demand is treated as a binary condition with a set points value. The establishment of a points-based system to establish initial rents with a wholesale repricing of the rental stock over time in line with the points system could also result in considerable market disruption.

(ii) Price increases within a tenancy

Under the Rent Pressure Zone system the annual rent increase of a controlled unit is constrained by the lower of 2 per cent or the observed rate of general inflation

[35] Related to the omitted factors. For instance, if cosmetic aspects are not codified within the reference rent system, landlords may be incentivised to neglect cosmetic factors.

since the rent was last set, as measured by the Harmonised Index of Consumer Prices. As noted elsewhere in this report, this means that in circumstances when inflation runs at a rate in excess of 2 per cent the real price, that is the inflation adjusted price, of the rental unit falls. In the Agency's view this is a severe price control, conceptually and when compared to those observed elsewhere. The Harmonised Index of Consumer Prices has been elevated considerably above the 2 per cent ceiling in recent years for protracted periods and during this period the price controls have imposed real rent price cuts on many properties at a time when demand is extremely high.

Under the Rent Pressure Zone system:

- The within-tenancy-price-increase component has benefits for economically vulnerable tenants, as prevailing market conditions strongly indicate that in the absence of those controls prices would be higher.

- The incentives for new supply are somewhat weakened in that price increases within a tenancy, including a rate of increase which would track general inflation, are not guaranteed.

- There is risk that, over time, levels of maintenance and upkeep will be deficient such that the aggregate quality of the private rental stock deteriorates, primarily because of a lack of upkeep and maintenance.

- The risks of a large unregulated shadow market are heightened, as the financial incentive to avoid compliance with the within-tenancy-price-controls are high.

- The risk of windfall gains and arbitrary redistribution are largely suppressed, particularly those which may arise due to a high degree of rental price inflation within a tenancy causing redistribution from tenants to landlords. It is the case that some degree of redistribution effectively occurs in circumstances in which the controlled price is considerably below the price which would otherwise be obtained, resulting effectively in a transfer from landlord to tenant.

- Horizontal equity is breached in that in some areas of the country a tenant is subject to tightly controlled price increases within tenancies, while in other areas of the country a very similar household may contend with price increases which are considerably higher.[36]

- The within-tenancy-price-increase component, over the short to medium term, helps to contain Exchequer expenditure. However, the long-run negative supply impacts seem to carry a risk of generating demand for other Exchequer supports, such as social housing, and for interventions to address homelessness.

- The rules regarding within-tenancy-price-increase are relatively simple and should be readily understood by most actors. the price component of the current

[36] Notwithstanding that in areas of the country where Rent Pressure Zone areas are not in operation the timing of rent reviews are constrained.

system which governs price changes within a tenancy is, on balance, damaging to the long-term sustainability of the private rental sector. This component could be replaced with an alternative which allows for greater latitude for the changing of rents within a tenancy.

Potential replacement options for the initial price component of the current system are described later in this chapter.

(iii) Geographic Scope

As described in Chapter 3, the Rent Pressure Zone system is applied at Local Electoral Area level based on observed prices and rates of inflation.

The geographic scope elements of the Rent Pressure Zone system are largely related to three of the objectives defined earlier in this chapter:

- The geographic scope component benefits the bulk of economically vulnerable tenants, but those living in non-designated geographies do not benefit.

- Horizontal equity is negatively affected in that in some areas of the country a tenant receives the benefits of the controls, while in other areas of the country a very similar household does not. Household incomes, rental prices and so forth vary very considerably within Local Electoral Areas. By administering the Rent Pressure Zone system at a Local Electoral Area level and using standardised prices, these differences are aggregated away. Low income market renter households living in those areas which are not Rent Pressure Zones are the group which is most disadvantaged by this aspect of the system.

- The rules regarding the geographic scope of the Rent Pressure Zone system are somewhat complicated and may not be fully understood by all market participants. Further, as discussed in Chapter 3, the statistical estimation of rents in Local Electoral Areas in which relatively low numbers of observations are recorded within a given time period can be problematic.

Accordingly, the geographic scope of the current system could be revised, with a view to promoting greater equity.

Potential replacement options for the geographic scope component of the current system are described later in this chapter.

6.4 Options to be considered

1. **Modify the existing RPZ system: This is the Housing Agency's preferred option. The existing RPZ system is modified so that a national system of price controls is introduced, under which rental prices adjust with inflation within a tenancy and can be reset between tenancies to reflect market rents, with enhanced tenancy security measures to protect against economic evictions.** The extensive literature on rent controls would suggest that severe rent control has a negative impact on the supply of rental properties in the longer-term. Ireland's current system does appear to be severe for two reasons, firstly it sets its rent cap at 2% or HICP, whichever is lower, meaning that rent increases may not keep pace with inflation, and secondly it does not allow for a resetting of rents to market rates when a tenancy ends. This latter feature is less common by international standards. There is some evidence that the current RPZ system is acting as a disincentive to new investment and that the reduction of the rent cap from 4% to 2% saw some smaller landlords leave the market. While RPZs are not the only factor in the slowdown in investment in apartment construction, there is reason to expect that modification of the rent control rules could act as a stimulus for new investment, and help to keep existing landlords in the market, while also encouraging upkeep and maintenance. The option to modify the existing rent control system has a number of advantages when examined against the criteria set out in this paper. It would continue to protect existing tenants from unchecked rent increases while also stimulating investment and providing existing landlords with higher returns, with which they can invest in the upkeep and maintenance of their properties. This option was also popular among a majority of survey respondents within this research. However, the risk of economic evictions motivated by landlords who wish to increase to market rents is a significant concern. If any changes are introduced which provide a mechanism for landlords who are below market rents to bring their rents back to market over time, these will need to be carefully managed to avoid very high increases in rents for tenants. If the Government decides to take this option, mitigation measures will need to be implemented to ensure that the security of tenants remains protected. While standardised average rents would increase in the short term, the measure should act as a stimulus to investment and improve the retention of smaller landlords in the market, which is particularly important outside of Dublin, where institutional landlords are not present. It will take at least 3-4 years for this investment to result in more homes being built, but in the longer term any increased supply of rental properties should have a dampening effect on rising rents.

2. ***Continue with the RPZ system in its current form**:* Continuing the RPZ system in its current form past 2025 would provide the ongoing benefit of rent stability to some tenants in the short term. However, this research found stakeholders noted the effects of the current RPZ system have been broadly negative for new tenants, landlords, and the upkeep and maintenance of housing stock in the PRS. Adopting this option will likely contribute to a static rental sector in the longer term.

3. ***Not to continue rent regulation and have market determined rents****:* Allowing rent controls to lapse by the end of 2025 would result in the significant increases in rents for many tenants. As there are many low-income households living in the PRS, a return to market rents could put some of these households at risk of homelessness. Findings from this research have highlighted this precarity as a point of concern for a wide range of stakeholders. There would also be increased pressure on the Government to increase HAP expenditure. While it is likely to stimulate investment in the sector, many investors have publicly stated that they are not looking for consistently high returns, but rather a steady and predictable return over many years which allows them to invest in the maintenance and upkeep of their properties. On balance therefore this option appears to carry more risks than benefits.

4. ***Introduce a new system of rent control****:* The alternative models examined in this report would be a significant departure from the current RPZ system. These models would require more granular data and are complex to administer. While they would incentivise the upkeep and maintenance of rented properties and provide a system with an underlying rationale for rent setting, they are likely, in the short term, to lead to a greater number of disputes. The complexity of these rent control systems may also lead to problems with compliance. Finally, they are difficult to explain to investors and may not have the same catalyst effect for new investment that Options 1 or 3 may have. Another challenge posed by establishing a system of reference rents is that the Irish market has had rent controls since 2016 and this, combined with a lack of supply in the sector, makes establishing a market price, to form the basis of a reference rent, very difficult.

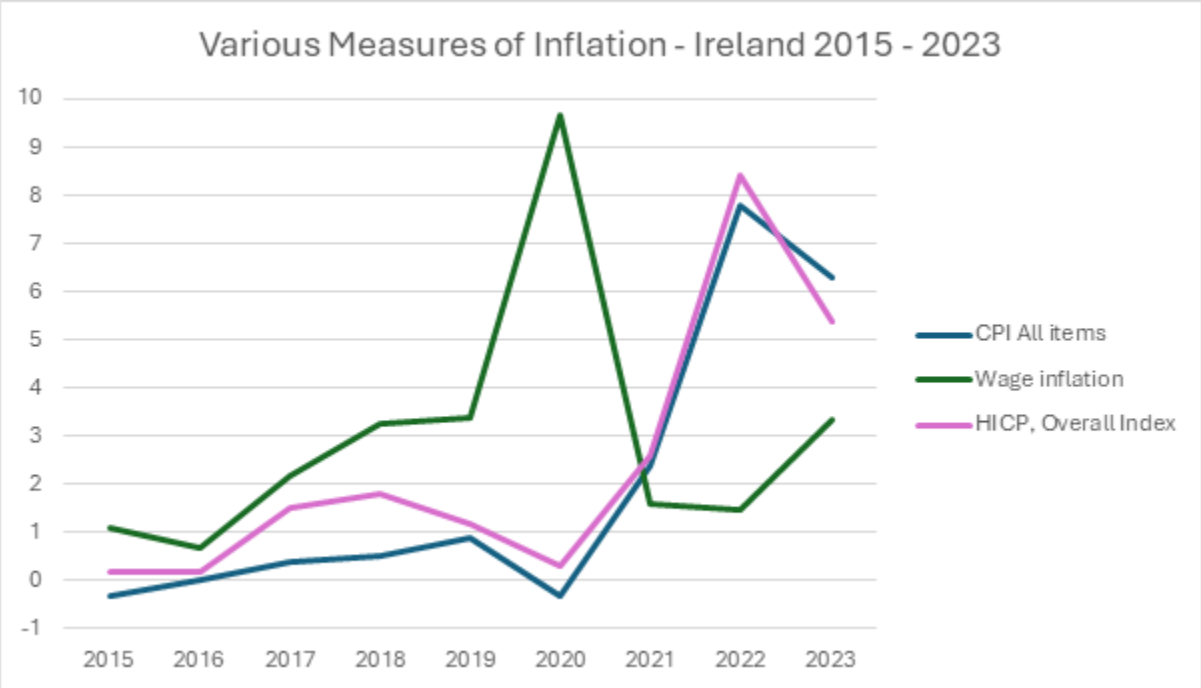
6.5 Exploring options for caps and inflation indices

This section has been informed by an analysis of international practice which is available in Appendix 4. The focus of this section is on the Irish experience of inflation, using historic inflation rates and some insights from international best practice.

Irish rent control

Ireland currently uses an inflation with cap system for rent increases in pressured zones. It is the lower of HICP and 2% and so has been at 2% since 2020 and significantly lower than inflation. While this has protected tenants in a high-inflation period, it has left landlords unable to increase rents to meet likely increasing costs. In Ireland, items counted by CPI and not HICP include local property tax, building materials and dwelling insurance.

Figure 14. Irish CPI, HICP and wage inflation 2015 - 2023



The graph above shows that HICP and CPI are closely linked while wage inflation had a similar trend in 2015-2019 but diverged significantly from 2019-2022. Different countries use slightly different “baskets of goods” to determine CPI, whereas HICP is an attempt at a homogenised European standard. Although there are some differences, trends across national CPIs will be similar. Wage inflation is rarely used for setting rental increases internationally (Netherlands has a lower of CPI and wage inflation plus 1%) and given that is differs so widely across NACE sectors, may not be a representative index.

Some applications of different possible rent caps

In the table below, different simple caps (2% - 5%) are applied to different inflation periods to see potential cumulative changes. The size of the cap determines the risk exposure to the tenant and landlord, especially if the landlord has variable-rate debt. This level of exposure must therefore be explored in order to balance this risk most appropriately.

Table 9. Cumulative changes with same model in different periods

Cumulative Changes with lower of inflation and different % Caps – base rent: €1,000				
Year	Lower (2%, inflation)	Lower (3%, inflation)	Lower (4%, inflation)	Lower (5%, inflation)
Base Rent	1,000	1,000	1,000	1,000
2012 – 2024 (HICP)	+105	+131	+153	+175
1977 – 1989 (CPI)	+268	+426	+601	+796

Had a rent increase limit been introduced in 2012, the maximum allowable rent increases between then and 2024 would have been between 10.5% and 17.5% depending on which cap (2%-5%) had been chosen. In the overlapping period of 2011-2023, median earnings for the Transportation and Storage sector (NACE Sector H) increased by 13% while median earnings for the Information and Communication sector (NACE Sector J) increased by 62%.

The higher-inflationary period 1977 – 1989 shows much higher cumulative maximum rent increases of 27% - 80% over the same length period. CPI is used for the latter period as HICP is not available for the years shown.

Distribution of inflation risk exposure under a system of rent control with and without caps

If a cap exists and annual HICP exceeds that cap significantly over a prolonged period, a tenant is protected only to the limit of the cap and the landlord is exposed to the difference in the cap and the rising HICP. This is scenario 1.

In scenario 2, HICP itself is the cap and tenants are exposed while landlords are protected. The table below shows the hypothetical distribution of the exposure to increased inflation between tenants and landlords for three different historic time periods.

Table 10. Difference between HICP limit (with cap) and HICP limit (without cap) in high-inflation periods

Difference between inflation limit (with cap) and inflation limit (without cap) in high-inflation periods					
		Scenario 1: min (3%, inflation)		Scenario 2: Inflation	
Period	Actual CPI/HICP	Tenant exposure	Landlord exposure	Tenant exposure	Landlord exposure
Rent	1,000	-	-	-	-
1981-1983	+559	93	467	559	0
2001-2003	+136	93	43	136	0
2021-2023	+172	93	80	172	0

In Scenario 1, the tenant is bearing the larger part of inflation in two of the time periods while the landlord is exposed to very high inflation cost in the first time period. In scenario 2, the tenant is bearing all inflationary risk.

As tenants are usually less financially secure than property owners, exposing tenants to more financial risk may undermine the ability of lower-paid key/service workers to pay for housing thus undermining economic stability. This is especially the case in scenario 2 where the tenants assume all the burden of inflation and the landlords none. However, given the assumed trade-offs between affordability and supply / profitability, allowing unknowable risk exposure in Scenario 1 may adversely affect supply, both in terms of evictions and future investment. In scenario 2, tenants have unknowable exposure to inflation while landlords do in scenario 1.

Possible mitigation measures during periods of high inflation

The Government may need to consider mitigation measures for the rental sector during high inflation periods to prevent unknowable inflation exposure to either tenant or landlord, for example if annual[37] rates were to rise more than, for example, 6%. This would allow investors to program a risk window into their projections. It would also provide security to tenants and predictability for the exchequer as a rent subsidiser.

Table 11. Mitigation measure when inflation exceeds 6% to limit tenant and landlord financial risk

	Actual inflation	3% cap	Mitigation starting point	Scenario 3 Tenant exposure	Scenario 3 Max Landlord exposure	Scenario 3 State exposure
Base Rent	1,000	1,000	1,000	-	-	-
1981-1983	+559	+93	1,191	93	98	368
2001-2003	+136	+93	1,191	93	43	0
2021-2023	+172	+93	1,191	93	79	0

These rates would need to be calibrated carefully to balance the trade-offs in a considered way, remembering that if investors have fixed debt, only their operating costs are increasing with inflation and their exposure is lessened. Any mitigation measure could be designed to reflect this risk exposure.

Mitigation Measures in cases of high inflation

These measures would increase stability for both tenants and landlords/investors by putting limits on inflation exposure. Tenants could have a stable long-term rental increase cap of the lower of HICP and a fixed percentage, e.g. 3%, and at the same time, landlords / investors could know that should inflation rise above a fixed percentage, e.g. 6%, then the state would

[37] A system like this could be run on an annual basis or over a longer period, for example if average inflation exceeded 6% over a 2 or 3 or 5-year period.

limit risk beyond that. Given that an investor's debt-servicing costs may be variable or fixed could be factored into any measures.

The option would facilitate rent price stability for both tenants and landlords / investors thus guaranteeing a level of predictability in the sector. Tenants, landlords and potential investors could better budget for knowable windows of inflation exposure.

As inflation is fundamentally unpredictable, investors may shy away from the housing sector in times of economic flux. This measure would provide a clear limit to inflation risk which could positively influence future supply from institutional investors as well as reducing the numbers of smaller landlords leaving the rental market due to unmanageable costs and overall insecurity. Since 2012, HICP (all-items CPA06) has exceeded 6% once (in 2022). Since 1985, CPI (All items CPA01) has exceeded 6% twice (in 2022 and 2023).

While there is inherent risk for the Exchequer in the case of a high-inflationary period, this measure means that the state chooses to take on that risk in order to remove it from the private rental sector. In terms of rent subsidies, this option would allow for simplified planning of HAP and RAS expenditure.

Conclusions

The RPZ system is currently set to terminate at the end of 2025 after nine years.

The literature reviews conducted for this report presented several important findings for rent controls as they exist in Ireland, and on a wider international scale. The review of Irish literature revealed knowledge gaps on how RPZs have affected homelessness, building maintenance, and tenant mobility. Furthermore, the local literature indicates there have been difficulties with enforcement leading to some non-compliance, but, overall, there is evidence of meaningful price moderation since its implementation.

The review of international literature emphasized the importance of considering local context when examining alternative rent control typologies and taking lessons from how rent control is implemented in other countries. Technical challenges exist in providing an overview due to how a system might be affected by legislative and cultural contexts and how effects spill into other markets and policy areas.

This report presented key findings from two surveys of the attitudes and experiences of those involved in RPZ administration and stakeholders. Some of the highlighted challenges and considerations for the future of rent regulation related to administrative burdens, time, housing supports, tenant security, viability, certainty, clarity, monitoring and enforcement, and fairness for landlords and investors. Over half of respondents to both surveys identified their preference for the RPZ system – either modified or kept as is – as the best-suited method of rent regulation for Ireland.

This report analysed the available evidence, which showed that the implementation of rental caps has not prevented the Irish PRS from growing. Small landlords have likely left, and those exits were compensated to some extent by new investment coming from institutional investors. Importantly however these investors have mainly invested in Dublin. The increased flow of finance for apartment developments since 2018 reached the Irish market because it suited the investment preferences of institutional investors, and moreover, provided attractive returns, despite the existence of rental caps.

However, institutional investment has reduced considerably since 2023, and there are multiple causes underpinning this. A substantial RPZ reform could be used to incentivise a return of investment. However, the scale of its impact would also be affected by other factors, and implications should be carefully considered.

This report was supported by an in-depth study of the reference rent system in Germany, which suggests that reference rents can be an effective form of rent control in several regards. However, the system is susceptible to several difficulties which should be carefully considered in any new implementation of the system. Notably, having clear legislative parameters, access to relevant data, and reliable enforcement measures are important to the effective implementation of a reference rent system which, if well-designed, it has been suggested, could limit rents without unreasonably negative effects on landlords.

The findings of this report should be considered within the existing systems present in Ireland such as our relatively strong rental data and our capacity for enforcing compliancy. Attention should be given to the implications of the policy options outlined which consider how various policies might affect affordability for tenants, return on investment for landlords, new investment, and the Exchequer. However, the full implications cannot be known without further investigation into specific options, especially in the case of introducing new rent control models which may require significant initial overhead costs the production of new data, and ample lead-in time to make landlords and tenants aware of any changes.

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