

Setting the scene: Ireland's new rent rules explained

Aoife Smyth

Hello and welcome listeners to the first episode in A&L Goodbody's three-part podcast series examining the new rent regime for residential properties in Ireland. We're going to be looking at the Residential Tenancies Miscellaneous Provisions Act 2026, which introduces the most significant changes to Ireland's rental sector in recent years.

I'm Aoife Smith, Practice Development Consultant with ALG's Real Estate Group, and I'm joined today by David Fitzgerald, one of our real estate partners. Over the course of this series, we and our colleagues will provide a high-level overview of the key reforms arising from the new legislation and their implications, with a particular focus on what they mean for institutional investors and developers.

David Fitzgerald

Yes, so to just briefly frame the context here, last year in 2025 the Irish Government approved new policies to provide an adjusted rent control system balanced with new tenancy protections. This will apply to all new tenancies created from 1 March 2026, that's the key date here.

This followed the Housing Agency's review of rent pressure zones over the last few years and the reforms are intended to kick-start supply specifically for apartments and to address the current chronic under-supply in the Irish market. Specifically, the policy underpinning these new rules is a direct response to the decline in private investment in new developments which fell off a cliff since 2022. Multiple expert reports from the Housing Agency, the Department of Finance, the ESRI, the OECD and the IMF all identified the previous rent control system as a major obstacle to increasing rental housing supply.

Aoife Smyth

Thanks for that bit of context, David. So before we dive into the detail, a quick breakdown of what we'll be covering in our series.

This episode covers the new rent control framework. Episode two will address asset management considerations for existing and new portfolios. And episode three will examine the specific regime for purpose-built student accommodation.

So it probably makes sense to start with the old regime and a recap on why changes were needed. Rent pressure zones or RPZs were introduced in Ireland in 2016, capping rental increases in areas where rents were high and rising quickly. Changes to the RPZ laws introduced in 2021, which we'll refer to as the old regime, brought in tighter rent controls, in particular a cap on annual rent increases of 2% when inflation exceeded that level. This created a number of pressures. Long-term tenants often paid significantly below market

rates, creating a gap that landlords couldn't legally close. On top of that, even when a new tenant moved in, their rent was pegged to the previous tenant's rent for that unit, limiting a landlord's ability to adjust rent to inflation and current market conditions.

David Fitzgerald

As a consequence of that old regime, rent caps and regular sporadic tweaks to the legislation made it more difficult and uncertain for investors to underwrite viable investments and developments of new apartment schemes, particularly to take into account periods of high inflation. Many of our clients, both domestic and international investors, have cited to us these old rent regulations as the key factor making the development of new apartments unviable over the last number of years, which has in turn obviously accelerated the decline in supply and of course reduced supply in turn that leads to higher rents over time and reduced tenant mobility.

Aoife Smyth

Okay, so if we turn to the content of the 2026 Act itself or the new regime, I think it's fair to say there's no huge surprises here.

David Fitzgerald

For sure, I think that's right Aoife. So the legislation essentially does what it says on the tin in that it pretty much implements the policy changes signal last year only without introducing any materially new statutory provisions. There are some practical nuances to work through on rent setting, rent review and rent rebasing, which we come to in a minute. But in broad terms, I think that's right.

The provisions of the act are as anticipated. So potential investors, developers, funders can now focus on underwriting new investments based on these new rules and existing landlords can focus on how to implement the new rules in practice.

Aoife Smyth

Okay, so if we start to look at the detail, I think the first substantive point to be made is that the new regime creates one unified national framework, replacing the old rent pressure zones model, where certain local areas were designated as RPZ and then added to on an incremental basis over the years. This creates greater certainty and that the Irish market as a whole is now subject to the same treatment.

The other point of relevance here is that the reference index for the purpose of setting new rents has also changed. CPI has been swapped in replacing the harmonized index of consumer prices. Without getting into the economics of it, CPI has been chosen as it's the

state's official measure of consumer inflation, and it's deemed to be a better reflection of domestic expenditure.

David Fitzgerald

And just to add, Aoife, another comment we would have on the new Act is that the new regime is not a one-size-fits-all. In fact, it applies to different tendencies in quite different ways, depending on, one, the nature of the property, and two, the point in time at which the relevant tenancy was created. So when I say nature of the property, what I mean by that is whether it is an existing or newly commenced development. And we get to what that means in a minute.

When I reference the point in time at which the tenancy was entered into, I'm really talking about that key date of 1 March 2026 and whether the tenancy was entered into before or after this date. The rules which apply in any given scenario will very much depend on a combination of these factors. This is the case both when we talk about the initial setting of the rent for new tenancies and also the rent reviews under those tenancies.

Aoife Smyth

Thanks David. So if we turn first to how rent setting on the creation of a new tenancy will work under the new legislation.

For any new tenancies created after the 1 March 2026 date which you've just mentioned, the landlord can set the rent at market level where the previous tenancy ended because of tenant breach which obviously includes non-payment of rent or on voluntary departure by the tenant. This applies to both existing and new properties and represents a change from the old regime where the rent for new tenancies and RPZs couldn't be more than 2% higher than the rent paid by the previous tenant.

David Fitzgerald

Okay, and it's worth touching on how this new rent is to be set, so three comparable rents need to be obtained from a new publicly available rent register created under the Act, and those rents must be provided to both the tenant and the RTB. Our next episode will unpack in more detail exactly how comparables are to be identified. But the purpose of raising it here is to just acknowledge that it does introduce a new layer of transparency for both landlords and tenants, while also putting a new compliance requirement on existing and potential landlords.

From talking with our clients and other stakeholders in the industry, the reality is that it may take some time for the new rent register to mature, and there will no doubt be some aspects of the register which will take some time to iron out.

Aoife Smyth

Yeah, one other quick point to note here before we wrap up on the topic of rent setting is that where the previous tenancy was terminated on any ground other than the tenant breach or voluntary departure, then the old rules continue to apply. So in other words, the initial rent has to be based on the rent paid by the previous tenant subject to increase in line with CPI, capped at 2%.

David Fitzgerald

Okay, so now moving on to rent review, this is where the nature of the property really becomes important. The new legislation draws a distinction between new property and existing properties.

New property is defined in the Act as a development where a commencement notice was served on or after 10 June 2025. The legislation doesn't just apply to construction of entire new schemes, it also applies to extensions of at least 25% of the pre-existing floor area, or where there's a change of use to use as an apartment complex occupying at least 25% of the floor area.

Aoife Smyth

The crucial relevance of that definition is that these new apartments are to be treated differently from existing stock when it comes to rent review. The annual rent review for new stock is not subject to the 2% cap, their rent increases are allowed to track CPI.

This is obviously a deliberate policy choice on the part of government designed to encourage development of new apartments and note that it is apartments and student accommodation only new houses don't benefit from the waiver of the 2% cap.

David Fitzgerald

And also, just for clarity, as flagged in the policy announcement last year, the annual review of rent payable under all tenancies of existing properties will be linked to the rate of inflation as demonstrated by CPI, capped at 2%, as we mentioned. This is the case whether the tenancy in question was entered into before or after 1 March, 2026.

Right, so another feature of the new regime is the right for landlords to rebase the rent to market at certain intervals. The new regime allows for rebasing to market for both existing and new property every six years. Again, this only applies to tenancies created on or after 1 March, and in order to avail of the rebasing right, it's critical that the annual rent reviews carried out in the intervening six-year periods comply with the new regime. And just to re-emphasize where a tenancy predates 1 March, the rent can only be increased annually in line with CPI, capped at 2%. In other words, there's no rebasing right at any point during those pre-1 March, 2026 tenancies, so as long as they continue on, they're subject to the old

rules. So overall Aoife, I think it's safe to say that the new landscape is a pretty complex one for both landlords and tenants to get to grips with.

Aoife Smyth

Yeah, definitely. And it's probably useful to recap on the key takeaways in that context.

So, firstly, if we look at existing stock with pre 1 March 2026 leases, annual rent reviews here are still subject to increase in accordance with inflation capped at 2%, although the reference index is now CPI. There's no ability for landlords to rebase to market during the course of these tenancies. Next, if we look at existing stock with a post 1 March 2026 lease, the initial rent here can be set at prevailing market rates where the previous tenancy ended due to the tenant's breach or the tenant's voluntary departure. As with the pre 1 March leases, annual rent reviews are subject to the increase in CPI capped at 2%, however, the landlord can also rebase to market every six years during the course of the tenancy.

Finally, for new apartment stock, the initial rent can also be set to market for the very first letting, and any subsequent letting can also be to market where the previous tenancy ended due to tenant breach or voluntary departure. Annual rent reviews here are subject to different treatment as the rent can be increased in accordance with CPI with no 2% cap, and the landlord can also rebase to market every six years.

David Fitzgerald

And what this means in practice for owners or potential investors in existing PRS stock is that you could potentially have units and tenants within the one scheme or the one block of apartments which are subject to different regimes. So a bit like vintages of wine, tenancies from different years within the same development will be slightly different, with some governed by the old regime and others governed by the new regime.

As we'll touch on in our next episode, there will also be different tenant protections and safeguards applicable depending on the year the tenancy was created and whether it's governed by the old regime or the new regime. From a practical perspective for landlords, this will obviously create some additional asset management administration.

Aoife Smyth

Hopefully that's given listeners a clear overview of the new rent control framework and its key implications for the Irish residential market. In our next episode we'll turn to asset management considerations including the operation of the new security of tenure regime and the constraints on termination of tenancies.

These are issues already attracting close attention from those managing existing portfolios and we look forward to walking you through the practical points you will need to do join us for that discussion.