



Ireland's Biggest Property Website

The Daft.ie Rental Report

An analysis of recent trends in the Irish rental market

2012 Q4

Introduction by Ronan Lyons, Economist, Daft.ie





Introduction

Ronan Lyons, Economist, Daft.ie

Rent inflation and the pull of cities

Ronan Lyons is an economic researcher based at Balliol College, Oxford, where he lectures and is undertaking his doctorate in urban economics. He is also Economist with Daft.ie

For much of the past five years, the focus on the negative consequences of falling properties values has been so pervasive that the fact that accommodation is a cost – and rising costs are a bad thing in general – has largely been forgotten in public discourse. It is a point that policymakers forget at their peril, though. Certainly, from the point of view of those who bought between 2003 and 2008, the fact that property values have fallen by more than 50% is terrible news, as it means their wealth has been halved, while their liabilities have remained constant.

But from the point of view of the generation that is yet to buy, those in their 20s and early 30s, the return of property prices to more sustainable levels is hugely welcome. And what is good for the next generation is good for Ireland as a whole. Wages have to reflect the cost of living and the single biggest item in the Irish household's shopping basket, so to speak, is accommodation. According to the CSO, housing costs make up 18% of the typical family budget. So when prices and rents were falling, that eased significantly the wage demands of those entering the labour force. Their after-rent income was greater, even if the amount they were being offered was less than their counterparts starting work in 2005 or 2006.

Put another way, the fact that rents fell by 25% between 2007 and 2010 was a huge boost to Ireland's competitiveness. Unfortunately, it is a boost that is long over. Rents are rising again. The figures from this, the latest Daft.ie Rental Report, show that rents nationally rose by 2.2% during 2012, compared to a fall 0.3% in 2011 and a fall of 2.5% in 2010. It is clear now that the period of sharply falling rents was confined to 2008 and 2009 alone.

This may look odd to those unfamiliar with the rental market but familiar with the basics of economics. It seems plausible to think that with all the surplus properties from the bubble years, there is plenty of supply, while demand is at best treading water. But the property market is as much about location as it is about supply and demand. Or, put another way, Ireland is home to more than one property market and that is why we are seeing rising rents again – it is rising in some places but not in others.

So, at one end of the spectrum is Dublin. There, rents are about 6% higher now than two years ago. On February 1, there were just over 2,100 properties available to rent in the capital. In the middle of 2009, there was almost four times that amount. Looking back over the records to the start of 2006, there has been only one period when there were fewer properties sitting on the rental market than now – February to May in 2007 – and then rents were increasing at 13% year-on-year.

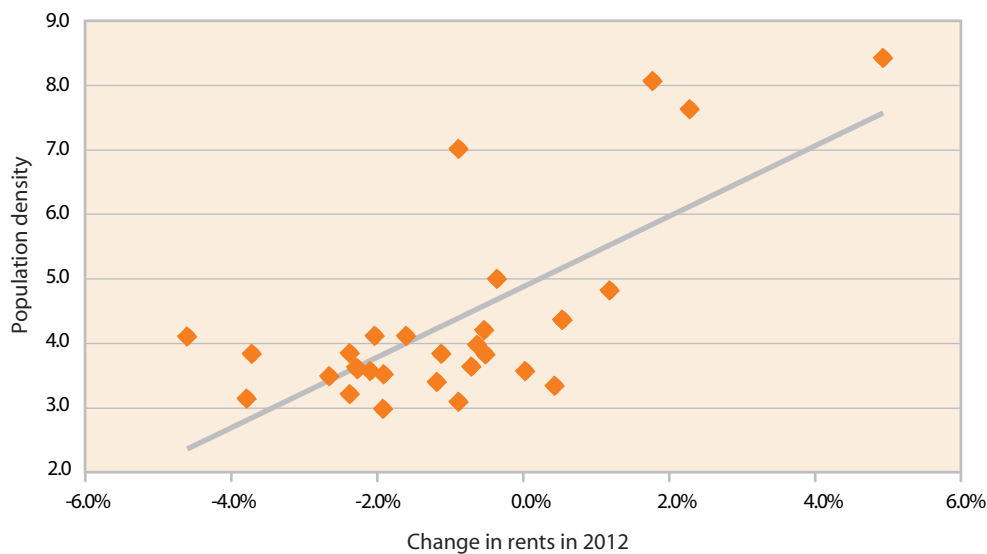
At the other end of the spectrum are Ireland's smaller rental markets. In Connacht and Ulster, there are five times as many properties available to rent now as there were five years ago. With landlords fighting for the attention of prospective tenants, it is not surprising that rents in Connacht-Ulster fell 2.2% in 2012, in line with the fall of 2.0% in 2011.

Introduction (cont'd)

Ronan Lyons, Economist, Daft.ie

Rent inflation and the pull of cities

If it is the case that during bubbles people lose the run of themselves, then the crashes are when people quickly realise what's important. One remarkable feature of Ireland's bubble was the ability for people to get jobs pretty much anywhere – you could live in a small town and not worry about work. Since the crash, though, it is apparent that Ireland can no longer defy what is the modern economic equivalent of the law of gravity: the pull of cities.



The graph shows the change in rents in 2012 compared to population density, across Ireland's cities and counties. The upward trend line shows a clear divide along urban-rural lines in the current rental market. In the biggest cities, rents are rising; elsewhere they are not.

And so it makes sense to talk about ghost estates and the need to build in the same country. Ireland's surplus properties are overwhelmingly outside its main cities. But those starting their careers now are looking to cities to provide them with employment. For some, even Dublin is too small a scale and so they head to London and further afield. But for those staying Ireland, it is Dublin, Cork and Galway – urban centres and global FDI hubs – that appear attractive places to live.

The evidence from the rental market is that Dublin in particular is facing if anything a shortage of places to live, not a glut. If NAMA is sitting on stock in Dublin, that stock is needed on the market, sooner rather than later. According to official figures, however, there are a very small number of homes in Dublin that are both fully built and vacant. In fact, roughly half of what are termed ghost estates units in Dublin are units on paper only – they are just at planning stage.

Without new supply in Ireland's cities, though, rental inflation may be here for a while. And with adverse consequences for Ireland's competitiveness. ■



Year-on-year change from Q4 2011





Daft.ie National Rental Index

2.2%

Rents nationally were 2.2% higher on average in the final quarter of 2012 than a year previously. The average rent nationwide between July and September was €808, compared to €790 in the previous quarter.

Daft.ie National Rental Index

(2007 average = 100)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
January	133.5	116.3	110.3	112.7	119.1	129.1	128.9	117.1	101.8	99.4	99.2	101.5
February	132.8	119.4	111.1	114.2	119.5	130.6	126.3	114.6	101.3	99.8	99.4	
March	128.5	119.5	110.6	115.3	120.0	132.4	124.9	112.2	101.2	99.5	99.3	
April	131.2	120.4	111.3	115.4	121.2	132.8	124.3	110.2	100.5	99.4	99.1	
May	128.5	116.3	109.5	113.6	121.9	134.5	126.2	108.7	100.6	99.1	99.0	
June	125.8	114.8	109.3	112.8	122.4	135.1	125.0	107.1	99.9	98.8	99.0	
July	124.6	115.1	111.1	114.3	123.5	135.5	124.8	105.7	99.8	99.3	99.9	
August	125.4	116.3	113.4	116.2	126.6	133.8	127.2	105.8	100.9	100.3	100.8	
September	124.4	115.8	114.1	116.0	128.4	134.3	126.4	104.7	100.5	99.6	101.0	
October	121.5	113.2	113.7	117.3	129.1	134.0	123.6	103.2	100.1	99.1	100.9	
November	118.3	110.7	111.7	117.2	127.3	128.0	120.4	101.3	98.7	98.5	101.3	
December	115.9	110.2	111.5	118.9	127.1	128.1	117.3	100.3	98.4	98.9	100.9	

Highest rate of rent inflation since mid-2007

The 2.2% annual increase in rents is the highest since mid-2007.

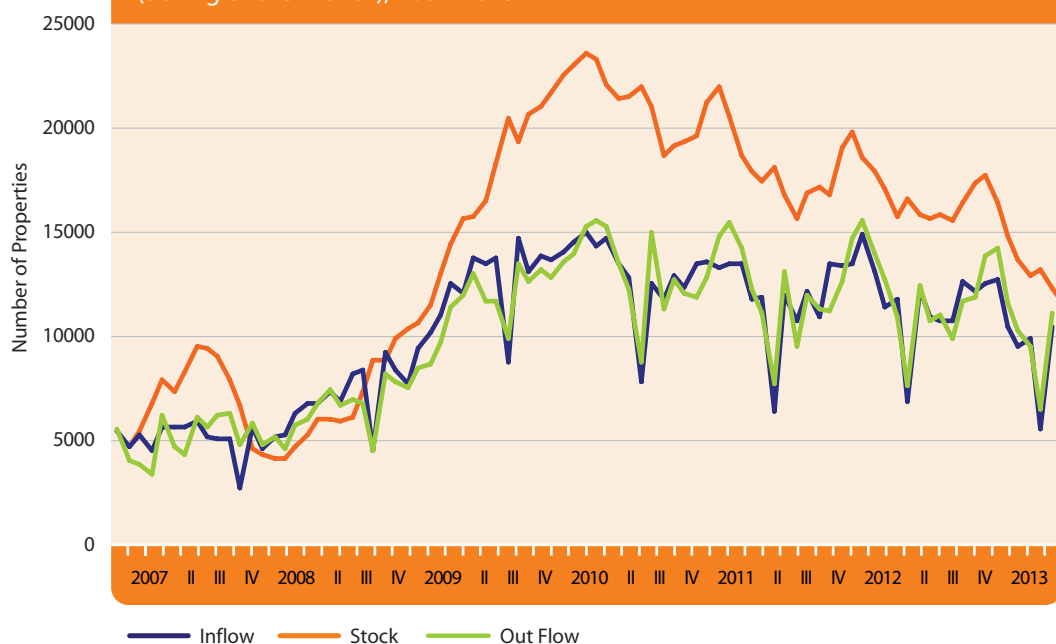
Urban-rural rental market divide persists

Rent inflation in Dublin was 4.9% in Q4 2012, compared to -0.5% in the rest of the country.

Ongoing falls in the number of properties available to rent

There were just under 12,000 properties available to rent nationwide on February 1, the lowest figure since mid-2008.

Stock of Properties to Rent (start-of-month) & Flow of New Properties to Rent (during entire month), 2007-2013



The index is based on asking rents for properties advertised to let on Daft.ie. Figures are calculated from econometric regressions, which calculate changes in price that are independent of changes in observable measures of quality, such as location, or bedroom number.

Daft.ie Snapshot of Rent Nationwide

What can I ask for? Can I afford it?

Average rents across Ireland, by postcode/region and bedroom number, Quarter 4, 2012

Daft.ie Snapshot of Rents Nationwide

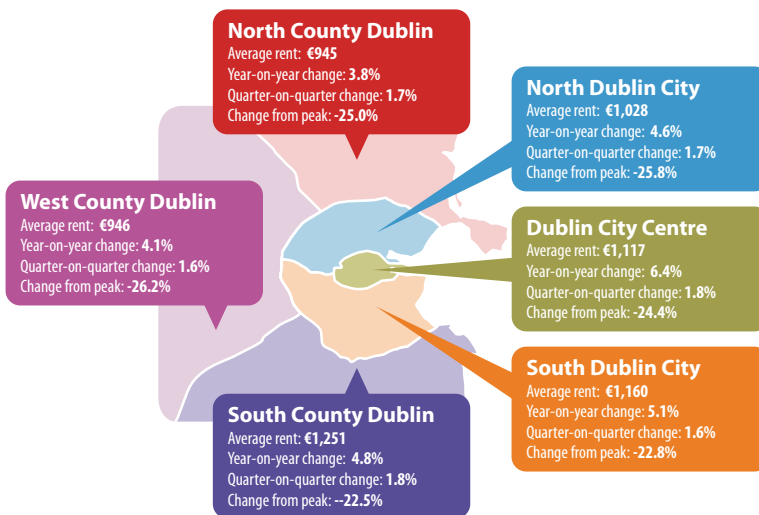
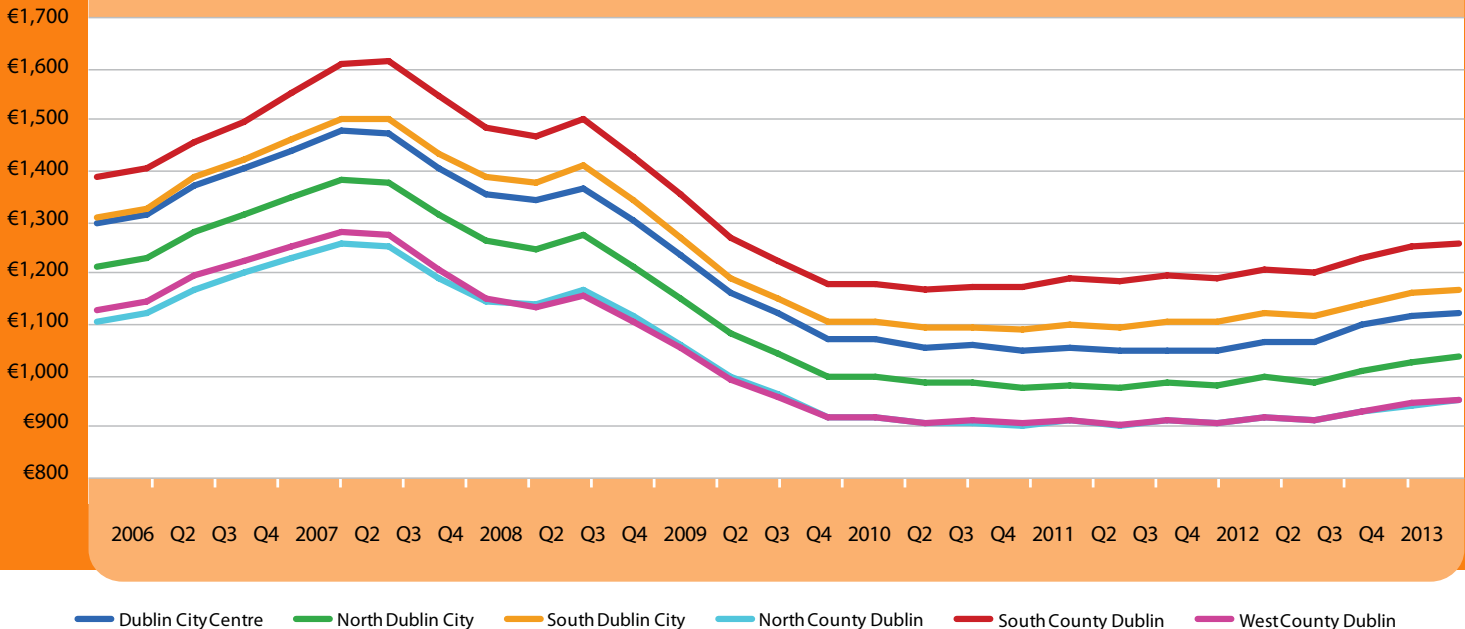
	1bed	2bed	3bed	4bed	5bed
Dublin 1	€906	€1,107	€1,501	€1,761	*
Dublin 2	€982	€1,403	€2,124	€2,000	€2,915
Dublin 3	€776	€1,025	€1,356	€1,814	*
Dublin 4	€1,022	€1,425	€2,214	€3,269	€4,659
Dublin 5	€763	€1,046	€1,152	€1,279	€1,314
Dublin 6	€783	€1,154	€1,713	€2,155	€2,934
Dublin 6W	€743	€1,146	€1,443	€1,907	€3,353
Dublin 7	€723	€982	€1,223	€1,334	€1,777
Dublin 8	€802	€1,044	€1,291	€1,451	€1,692
Dublin 9	€735	€964	€1,167	€1,382	€1,649
Dublin 10	€785	€865	€973	€906	*
Dublin 11	€744	€895	€1,067	€1,210	€1,407
Dublin 12	€728	€965	€1,111	€1,274	*
Dublin 13	€809	€1,015	€1,151	€1,421	*
Dublin 14	€887	€1,202	€1,547	€1,794	€2,378
Dublin 15	€842	€974	€1,001	€1,070	*
Dublin 16	€837	€1,186	€1,317	€1,602	*
Dublin 17	*	€894	€1,027	€1,154	*
Dublin 18	€951	€1,171	€1,404	€1,808	€2,813
Dublin 20	€912	€967	€1,070	€1,116	*
Dublin 22	€862	€905	€910	€1,002	€725
Dublin 24	€764	€916	€1,048	€1,225	€1,380
North Co Dublin	€763	€911	€1,058	€1,238	€1,853
South Co Dublin	€901	€1,263	€1,607	€2,177	€2,953
West Dublin	€773	€874	€1,009	€1,082	€1,625
Cork City	€616	€774	€866	€1,036	€1,377
Galway City	€567	€743	€816	€873	€979
Limerick City	€465	€572	€709	€780	€894
Waterford City	€416	€524	€643	€688	€856
Dublin Commuter Counties	€553	€676	€756	€879	€1,149
West Leinster	€399	€486	€594	€638	€767
South-East Leinster	€441	€529	€628	€677	€730
Munster	€421	€521	€626	€703	€764
Connaught	€388	€465	€600	€634	€693
Ulster	€349	€427	€559	€595	€653



Trends in Rents Across Dublin

From Quarter 1, 2006 to Quarter 1, 2013

Average rents by region, 2006 - 2013



By end-2012, inflation in rents was running at at least 4% in all parts of the city and at 6.4% in the city centre.

Rents in the capital are now 6% higher than late 2010 but are still 24% below 2007 levels.

Just 2,100 Dublin properties were available to rent on February 1. The only time when there were fewer listings was February-May 2007.

Rent-a-room costs are also rising strongly in the capital, particularly for single rooms, typically up 4% on a year ago

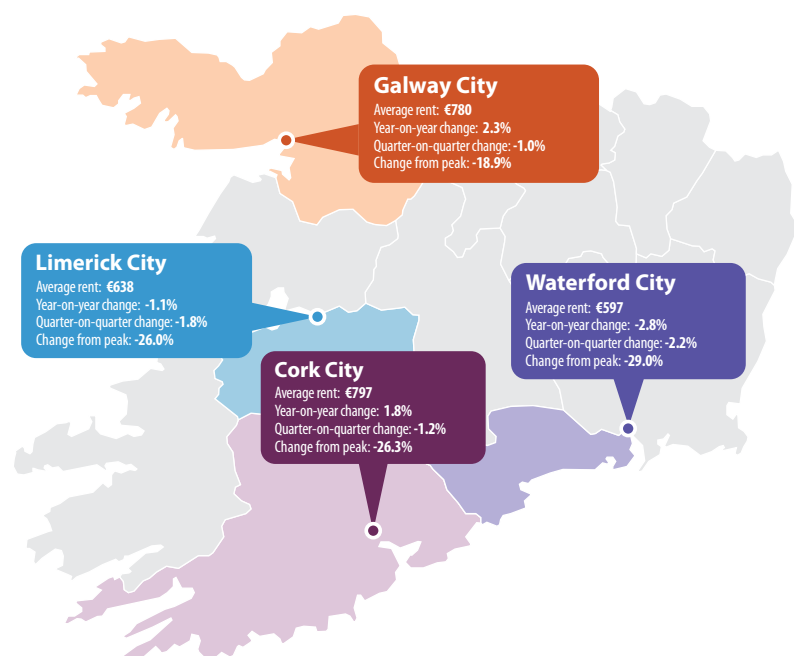
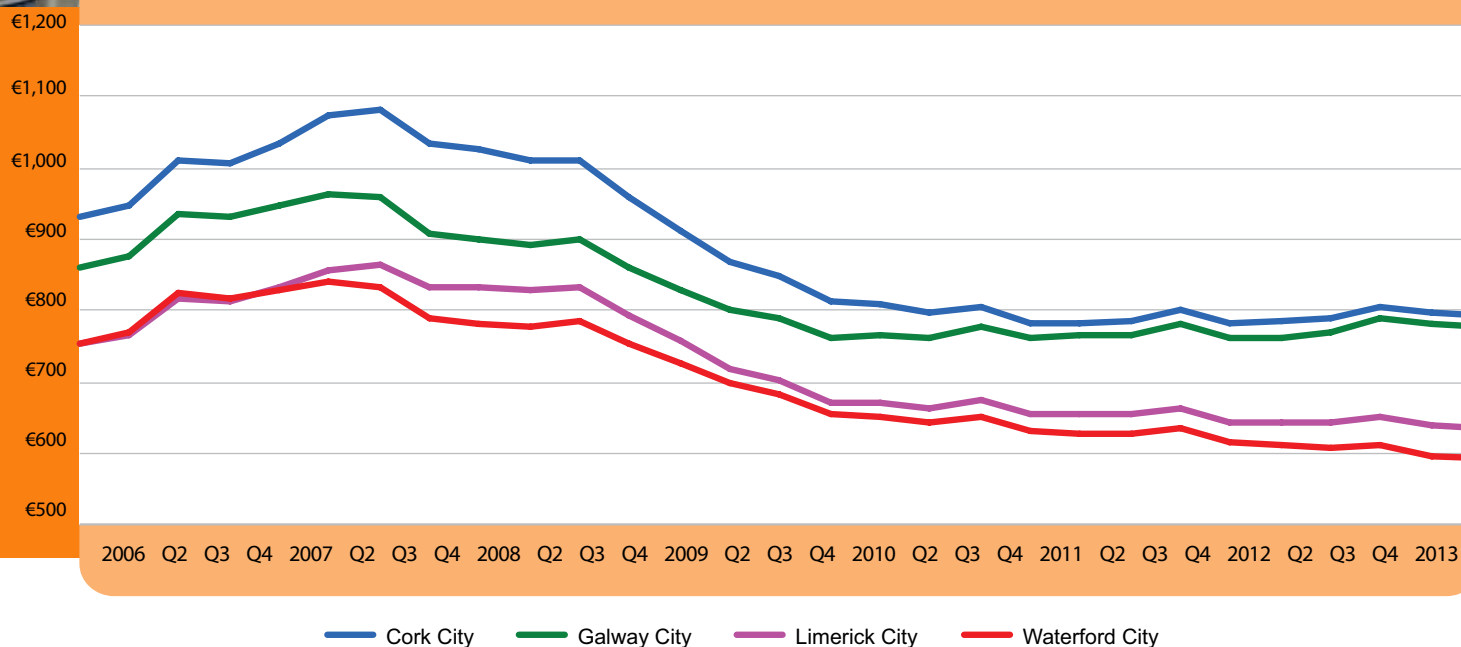
Rent-a-room income trends

Area	Single Room		Double Room		Vacancy
	Average rent	% Yr/yr change	Average rent	% Yr/yr change	
Dublin City Centre	€ 417	4.0%	€ 506	2.8%	2.9
North Dublin City	€ 332	4.1%	€ 413	2.5%	6.3
South Dublin City	€ 373	4.8%	€ 489	2.7%	3.3
North Co. Dublin	€ 290	3.2%	€ 377	5.9%	6.6
South Co. Dublin	€ 391	5.1%	€ 469	4.2%	6.3
West Co. Dublin	€ 283	2.2%	€ 381	1.9%	8.0

Trends in Rents in Other Cities

From Quarter 1, 2006 to Quarter 1, 2013

Average Rents by region Other Cities, 2006 - 2013



Rents in Cork and Galway cities rose by close to 2% during 2012, but fell by 1% in Limerick and almost 3% in Waterford.

The fall from the peak in 2007 has been significantly smaller in Galway (19%) than in any other urban area.

Across Cork, Galway, Limerick and Waterford cities, there were 1,500 properties available to rent on February 1, in line with the same period in 2010 and 2011.

Rent-a-room costs in Cork are typically 3% higher than a year ago. In other urban areas, there are mixed trends.

Rent-a-room income trends

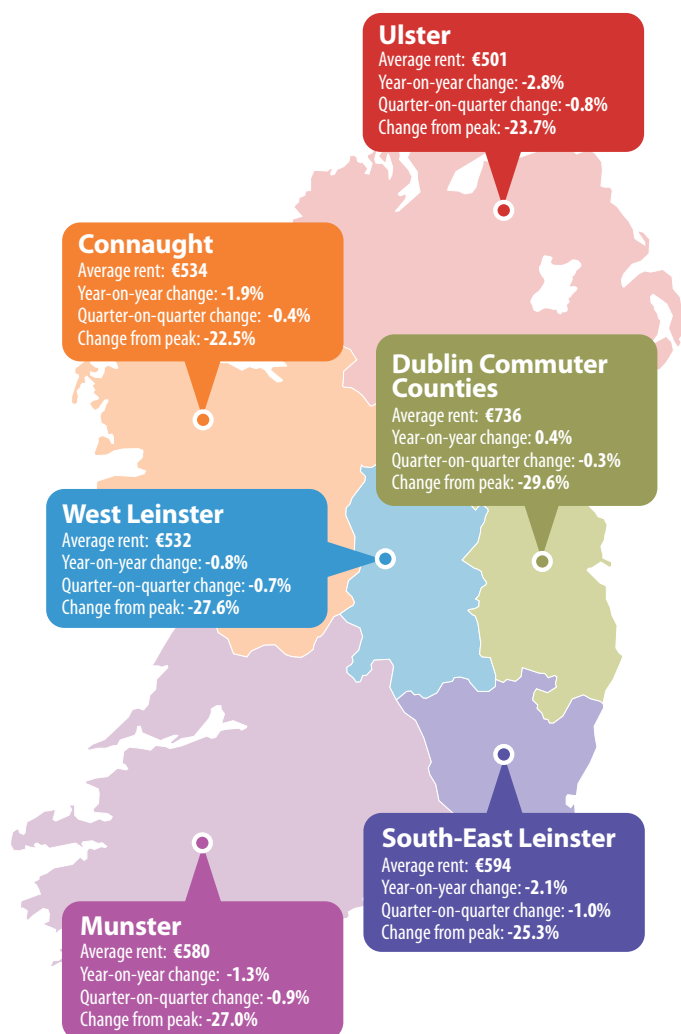
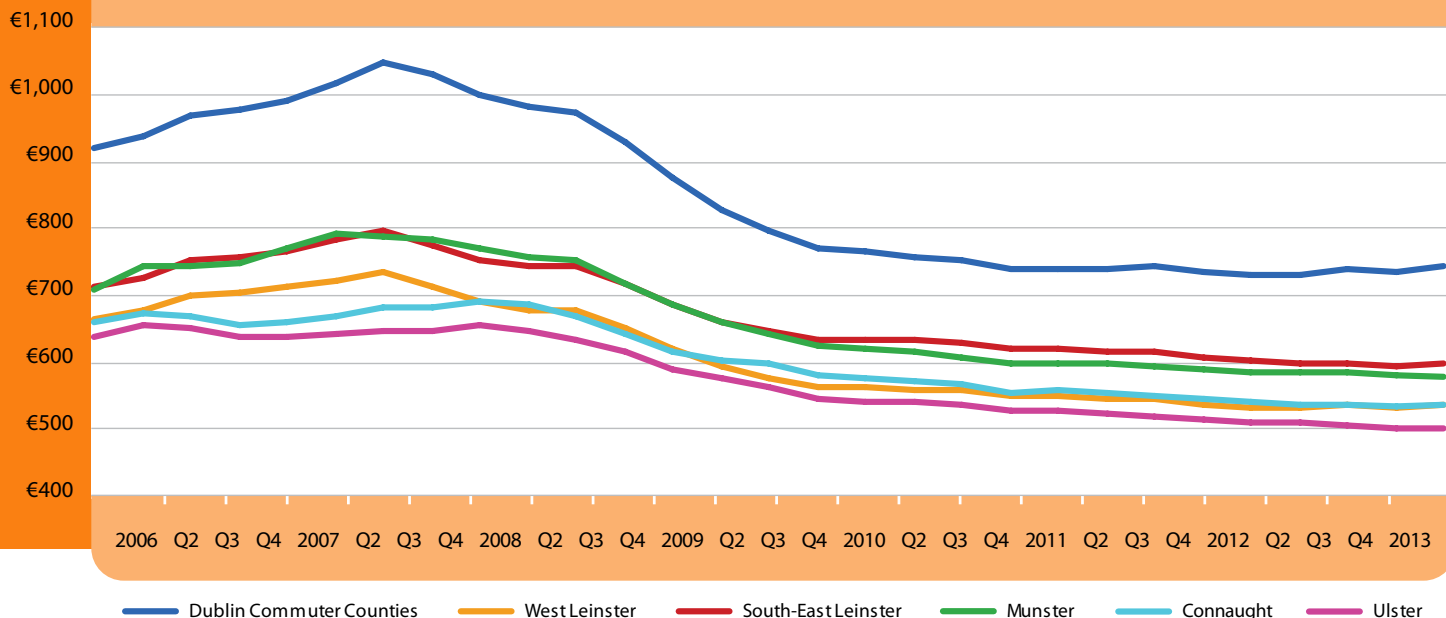
Area	Single Room		Double Room		Vacancy
	Average rent	% Yr/yr change	Average rent	% Yr/yr change	
Cork City Centre	€ 296	1.0%	€ 355	3.2%	13.7
Cork City Suburbs	€ 264	3.5%	€ 325	3.2%	10.6
Cork Commuter Towns	€ 270	5.1%	€ 309	-1.6%	10.3
Galway City Centre	€ 294	3.5%	€ 331	-2.4%	7.8
Galway City Suburbs	€ 259	-1.1%	€ 307	1.0%	8.2
Limerick City Centre	€ 228	-0.9%	€ 279	3.0%	15.5
Limerick City Suburbs	€ 221	-3.9%	€ 263	0.8%	10.7
Waterford City Centre	€ 262	6.9%	€ 260	-3.0%	36.5



Trends in rents-rest of the Country

From Quarter 1, 2006 to Quarter 1, 2013

Average Rents by region rest of country, 2006-2013



Outside the cities, rents fell by 1.1% during 2012 on average - but rose slightly in the commuter counties and fell by almost 3% in Ulster.

Nonetheless, rents have fallen by most since 2007 in the commuter counties (30%) and by least in Connacht-Ulster (less than 25%).

The stock of properties available to rent outside the cities fell from 11,200 in February 2012 to just 8,700 in February 2013, the lowest since mid-2008.

The monthly cost of a double room outside the cities is largely stable, although is down 4% year-on-year in the Midlands.

Rent-a-room income trends

Area	Single Room		Double Room		Vacancy
	Average rent	% Yr/Yr change	Average rent	% Yr/Yr change	
Dublin Comm. Counties	€ 277	2.2%	€ 337	1.1%	12.5
West Leinster	€ 215	4.9%	€ 251	-3.7%	10.7
South-East Leinster	€ 246	-0.4%	€ 278	0.6%	13.9
Munster	€ 206	-6.1%	€ 250	-0.8%	13.2
Connaught	€ 235	3.4%	€ 256	-1.7%	13.8
Ulster	€ 198	-8.6%	€ 226	-0.3%	15.2

First Time Buyer and Investor Information

Can we afford it?

The mortgage cost, including mortgage interest relief and income from the rent-a-room scheme, by region and bedroom number.

First-time buyer information: Rent-a-room income and net loan burden

Location \ Bedroom #	Single room	Double room	1-bed, no letting	2-bed, no letting	2-bed, letting 1 double	3-bed, no letting	3-bed, letting 1 double	3-bed, letting 1 double and 1 single	4-bed, no letting	4-bed, letting 1 double	4-bed, letting 1 double and 1 single
Dublin City Centre	€417	€506	€542	€715	€209	€791	€285	-€132	*	*	*
North Dublin City	€332	€413	€431	€627	€214	€926	€513	€181	€1,249	€836	€504
South Dublin City	€373	€489	€499	€824	€335	€1,155	€666	€293	€1,867	€1,378	€1,005
North Dublin County	€290	€377	€412	€696	€319	€832	€455	€165	€1,548	€1,171	€881
South Dublin County	€391	€469	€756	€961	€492	€996	€527	€136	€2,065	€1,596	€1,205
West Dublin County	€283	€381	€327	€546	€165	€712	€331	€48	€1,066	€685	€402
Dublin Commuter Counties	€277	€337	€320	€472	€135	€611	€274	-€3	€964	€627	€350
West Leinster	€215	€251	€372	€336	€85	€413	€162	-€53	€645	€394	€179
South-East Leinster	€246	€278	€342	€374	€96	€508	€230	-€16	€740	€462	€216
Munster	€206	€250	€371	€403	€153	€542	€292	€87	€856	€606	€401
Cork City	€277	€330	€439	€485	€156	€679	€349	€72	€1,061	€732	€455
Limerick City	€225	€271	€356	€581	€310	€798	€527	€303	€964	€693	€469
Waterford City	€262	€260	€246	€324	€64	€464	€204	-€58	€749	€489	€227
Connaught/Ulster	€216	€241	€520	€341	€99	€423	€182	-€35	€620	€379	€163
Galway City	€277	€319	€438	€481	€162	€552	€233	-€44	€883	€564	€287

Mortgage repayments are based on the following application: 30 years, 4.25% variable mortgage, 90% LTV, 25% mortgage interest relief (joint application)

Investor Information: Snapshot of yields across the country

Location \ Bedroom #	Average	Yr/yr change	1-bed	Yr/yr change	2-bed	Yr/yr change	3-bed	Yr/yr change	4-bed	Yr/yr change	5-bed	Yr/yr change
Dublin City Centre	8.2%	0.2%	8.3%	0.3%	8.1%	-0.1%	8.6%	0.7%	*	*	*	*
North Dublin City	6.5%	0.5%	8.4%	1.0%	7.5%	0.6%	6.1%	0.4%	5.5%	0.9%	4.6%	-0.3%
South Dublin City	6.6%	0.2%	8.2%	0.9%	6.9%	-0.2%	6.5%	0.4%	4.9%	0.1%	7.7%	0.3%
North Dublin County	5.8%	0.1%	9.1%	2.7%	6.3%	-0.6%	6.2%	0.4%	3.8%	-0.4%	4.0%	1.2%
South Dublin County	5.7%	0.2%	5.8%	-0.3%	5.9%	0.2%	6.6%	0.5%	4.3%	-0.1%	4.5%	-0.4%
West Dublin County	7.4%	0.9%	11.1%	1.2%	8.4%	0.6%	7.4%	1.1%	5.8%	0.7%	4.9%	0.7%
Dublin Commuter Counties	5.6%	0.3%	8.6%	1.9%	7.0%	0.0%	6.1%	0.4%	4.4%	0.2%	4.2%	0.3%
West Leinster	5.5%	0.4%	5.2%	-0.9%	7.1%	0.6%	7.1%	0.7%	4.9%	0.3%	3.3%	0.1%
South-East Leinster	5.2%	0.1%	6.2%	-2.6%	7.0%	0.0%	6.0%	0.4%	4.5%	0.3%	3.5%	0.0%
Munster	4.9%	0.5%	5.5%	0.7%	6.3%	0.8%	5.7%	0.6%	4.0%	0.3%	3.8%	0.5%
Cork City	6.0%	0.5%	7.0%	0.0%	7.9%	0.4%	6.3%	0.8%	4.7%	0.4%	4.6%	0.4%
Limerick City	5.9%	0.6%	7.8%	-2.7%	8.0%	1.1%	6.0%	0.6%	4.7%	0.3%	4.3%	0.6%
Waterford City	6.2%	0.1%	8.3%	0.1%	7.9%	-0.5%	6.8%	0.0%	4.6%	0.4%	4.3%	0.7%
Connaught/Ulster	5.5%	0.7%	3.6%	-2.0%	6.7%	1.0%	7.1%	1.1%	5.1%	0.8%	4.1%	0.5%
Galway City	6.6%	1.4%	6.5%	0.9%	7.9%	2.1%	7.6%	2.1%	5.2%	0.0%	5.1%	1.8%
Average	5.6%	0.5%	6.5%	-0.1%	6.9%	0.4%	6.4%	0.7%	4.7%	0.4%	3.9%	0.4%



About the Report

Over the last 10 years, Daft.ie has collected a vast amount of data on the Irish property market. In 2011 alone, more than 260,000 properties were advertised on the site.

About Daft.ie

Daft.ie is Ireland's largest property website. The latest audited report from ABC (Sep 2011) shows monthly traffic of 130 million page impressions (pages of information received) and 1.976 million unique users per month across Daft Media's property websites (daft.ie, rent.ie, let.ie, property.ie). This makes Daft.ie the biggest property website in Ireland across all demographics.

The goal of the Daft.ie Report is to use this information to help all actors in the property market make informed decisions about buying and selling. In addition, because it is freely available, the Daft.ie Report can help inform the media, the general public and policymakers about the latest developments in the property market.

The Daft.ie Rental Report was launched in 2005. It has already become the definitive barometer of the Irish rental market and is being used by the Central Bank, mortgage institutions, financial analysts and the general public alike. Since its introduction at the start of 2006, the Daft.ie Asking Price Index is also being recognised as the earliest available reliable indicator of developments in house prices in Ireland.

This is the Daft.ie Rental Report, the partner to the Daft.ie House Price Report issued last month. Together, they give house-hunters and investors more information to help them make their decisions. These twin reports mean that Daft.ie is the only objective monitor of trends in both rental and sales markets on a monthly basis, making the report an essential barometer for anyone with an interest in the Irish property market.

Methodology and Sample Size

The statistics are based on properties advertised on Daft.ie for a given period.

The regressions used are hedonic price regressions, accounting for all available and measurable attributes of properties and only coefficients with a very high degree of statistical significance ($p < 0.001$) are used.

The average monthly sample size for lettings properties is over 10,000. Indices are based on standard methods, holding the mix of characteristics constant, with the annual average of 2007 used as the base. For more on the methodology, please see www.daft.ie/research. ■

Coming Next...

The Daft.ie House Price Report 2013 Q1 In early April 2013

The Daft.ie House Price Report will be published in early April 2013 and will provide a detailed regional analysis of asking prices and transaction prices as well as all the usual indices, snapshots, trends and regional analysis, providing the public with Ireland's most up-to-date information on the housing market.

Disclaimer

The Daft.ie Report is prepared from information that we believe is collated with care, but we do not make any statement as to its accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the indices, snapshots or analysis at any time for regulatory or other reasons. Persons seeking to place reliance on any information contained in this report for their own or third party commercial purposes do so at their own risk.

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