



Bord um Thionóntachtaí Cónaithe
Residential Tenancies Board

Residential Letting Agents Report

July 2021



amárach 
research

Acknowledgements

The Residential Tenancies Board (RTB) would like to acknowledge the contributions made to this research by a number of individuals; groups; and, organisations. Firstly, we would like to thank the letting agents from across the country who took part in the research.

Secondly, we would like to thank Amárach Research, in particular Gerard O'Neill and Michele Cluskey, for undertaking this research on behalf of the RTB. Their dedication to the research and ability to adapt has allowed us to complete this comprehensive body of work during a challenging year.

We would like to thank the project Steering Group, Eddie Lewis (Institute of Public Administration) and Mark Ward (Trinity College Dublin), who provided invaluable guidance to the RTB throughout the project.

We would also like to thank the RTB Research Committee, chaired by Paddy Gray, for being a very strong sounding board and providing useful insights and inputs throughout this process.

Finally, we would also like to acknowledge the work of the RTB Communications and Research Team, particularly Caren Gallagher, Brian Gallwey, Alice Long and Anna Reymond.

Authors: Amárach Research

Date: July 14th 2021

Residential Tenancies Board, PO Box 47, Clonakilty, County Cork, Ireland.

Contents

1	Introduction	2
1.1	Introduction	2
1.2	Research Objectives	2
1.3	Report Structure	2
2	Letting Agent Research	3
2.1	Research Methodology	3
2.2	Sampling Approach Quantitative	3
2.3	Sampling Approach Qualitative	4
2.4	Sample Achieved	4
2.5	Survey Instrument – Quantitative	5
2.6	Context	5
2.7	The Quantitative Findings	5
2.7.1	The Profile of Letting Agents in the Sector	6
2.7.2	The Rental Stock	10
2.7.3	Market Overview – 2020 versus 2019	12
2.7.4	The Impact of Covid	14
2.7.5	Supply and Demand	18
2.7.6	Management	20
2.7.7	Conclusions – Quantitative Research	27
2.8	The Qualitative Findings	28
2.8.1	Conclusions – Qualitative Research	32



Introduction



1.1 Introduction

The Tenants, Landlord and Letting Agent 2019/2020 research study was commissioned by the Residential Tenancies Board (RTB). It is one of the largest studies of the rental sector ever conducted in Ireland.

This study is a central pillar of the RTB research programme, the overall aim of which is to create evidence-based reporting on important issues in the sector.

The purpose of the research project is to provide up-to-date and robust information on the landlords, tenants and letting agents in the rental sector. The research project is part of a strategic priority for the RTB to use data and research to promote a better understanding of the rental sector, monitor trends, assess their impact and influence policy and outcomes.

1.2 Research Objectives

More specific objectives of the research are to:

- ▶ help create an accurate profile of landlords, tenants and letting agents in the private rental sector;
- ▶ establish an evidence base of data around the actions and intentions of private landlords and tenants across a range of thematic areas;
- ▶ collect information that will facilitate the monitoring of sectoral trends over time; and,
- ▶ gain insights into the drivers of behaviour of key stakeholders within the sector.

1.3 Report Structure

This report presents findings from the letting agent research.

Letting Agent Research



2.1 Research Methodology

The methodology consisted of both qualitative and quantitative research elements. Both were run in parallel in Quarter 4 2020. The quantitative methodology was conducted first. In the quantitative questionnaire, respondents were invited to engage in a qualitative research exercise. Those who opted in were then included in this qualitative exercise.

2.2 Sampling Approach Quantitative

The quantitative research was undertaken among a database of property agents which is publicly available from the Property Services Regulatory Authority (PSRA). The database provided included a comprehensive list of property agents who operate within the Republic of Ireland and the property activities for which each was licenced.

Amárach interrogated the database and identified those agents who were licenced to let residential property. In the database provided these were grouped by firm. Given that we were seeking to ascertain the organisation's perspectives on the residential letting market, Amárach sought to identify the agent who was in charge of the residential letting activity in each practice. Other than the name of the organisation, their name of the individual agent and the activities for which they were licenced, no contact details were provided in the database. Each identified eligible agent was then contacted by Amárach's call centre and invited to participate in the research. Given the timeframe of the research, many were working remotely because of the pandemic. Those who agreed to engage in the research programme forwarded their email addresses to Amárach Research. The most effective way of carrying out data collection was using an online methodology which overcame the challenge of remote working. Those who agreed to participate were sent an online link via email. When they clicked on the link, they were brought to the survey page, hosted on an Amárach server and they completed the survey online.

This element of the research was completed between November and December 2020. With many businesses working remotely and with the residential lettings sector particularly impacted by the Covid-19 pandemic, reaching agents who would engage in the research programme was a real challenge.

2.3 Sampling Approach Qualitative

As part of the quantitative research programme, respondents were asked whether they would be willing to engage in further research on the topic. Twenty-seven of the 81 respondents (33%) said that they were prepared to undertake further engagement. Through this opt-in methodology we identified the 13 respondents. Each of these 13 participants were interviewed by a senior member of the project team. Each of these one-to-one interviews lasted between 60 and 90 minutes. The participants were drawn from a range of different types of letting agencies – varying by scale, geography, and market focus. Included in the qualitative research were agents who managed small portfolios of 40 to 60 properties and those who managed portfolios of several thousand properties on behalf of institutional investors. Many of the property agents were also landlords in their own right in a personal capacity. They had practical as well as professional experience of engaging in the residential rental market.

The qualitative research was undertaken in parallel to the quantitative research and was completed in December 2020.

2.4 Sample Achieved

Typically, Business to Business research is built on smaller sample sizes and lower participation rates. The impact of the pandemic has been particularly disruptive for the residential letting agency business. Traditional models of operation have been replaced. Viewing of property now appears to happen at the end of the tenant selection process. For the most part, during the data collection period, agents and agencies appeared to operate remotely.

In this context, the absence of contact details from the database provided by the PRSA resulted in the following survey recruitment and engagement processes:

- ▶ After the identification of agents who were eligible for engagement in the research programme, agency contact details were identified from the Company's website.
- ▶ Contact was made with the agent's office and a message left outlining the nature and purpose of the required engagement.
- ▶ As a consequence of the agents working remotely, that request was passed to them.
- ▶ They made the choice as to whether to engage.
- ▶ If they decided to engage, Amárach was given the relevant email address.
- ▶ We sent the survey link to the email address, again outlining the nature of the engagement required and encouraging participation.

In total 81 letting agents completed the online survey. This represents a response rate of c.10% on the total, eligible database. Given the context and circumstances surrounding the survey, this was a positive engagement and response.

The number of responses received means it is only possible to report the findings for each question in their entirety. Bringing the analysis to the level below that of the overall sample would result in base sizes that are simply too small for robustness and credibility.

2.5 Survey Instrument – Quantitative

The main survey instrument for the Letting Agents survey was designed by Amárach with input from the RTB Research team and project steering group. The questionnaire was then scripted for data collection on an online survey using the international industry standard software (NIPO).

2.6 Context

One of the primary research purposes of this component of the broader RTB research project is to understand landlords' future goals and ambitions for their involvement in the sector.

The market for rental residential property has been characterised by a lack of supply over the past decade. This has been evidenced in various reports produced by organisations such as DAFT or myhome. ie. RTB's own data shows that the number of landlords associated with private tenancies fell from 173,197 in Q4 2017 to 165,736 in Q4 2020. Over the same three-year period, the number of private tenancies registered with the RTB fell by 15,165 to 297,837 tenancies. The lack of supply has been caused by both landlords with one or a small number of units exiting the market and a reduction of housing unit completions. The previous model in Ireland of very widespread home ownership has changed to one where it is now more challenging to get onto the home purchase ladder. Data from the Central Statistics Office (CSO) shows that the home ownership rate dropped in the period between the last two Census (2011 and 2016) from 69.7% in 2011 to 67.6% in 2016. In the rental market the number renting in 2016 was 497,000, of whom 143,000 were renting from a local authority. The number renting from a private landlord or a voluntary body had risen by 2% in the intercensal 2011 to 2016 period.

The exiting of smaller landlords (who form part of the portfolio of research undertaken by the RTB) from the market is itself a consequence of multiple factors. A changing regulatory environment has resulted in a challenging compliance framework for some. In other cases, the legacy of the financial and property crash of 2008, meant that the rise in house prices experienced over the past decade has enabled some landlords to exit negative equity on their investment properties. As a consequence, they took the opportunity to unwind their investments.

The last five years has also seen the arrival of institutional investors into the market. Institutional landlords are frequently involved in the purchase of a very large number of units (or in many cases all) in a single development. They are characterised by equity rather than debt funding of their purchases and they appear to be taking a longer-term perspective on their investments.

2.7 The Quantitative Findings

This section of the report presents the findings from the online survey of letting agents. These are presented under the following headings:

- ▶ The Profile of Letting Agents in the Sector
- ▶ The Rental Stock
- ▶ Market Overview –2020 versus 2019
- ▶ The Impact of Covid
- ▶ Residential Property Supply and Demand
- ▶ Property Management

2.7.1 The Profile of Letting Agents in the Sector

The following section sets out the profile of letting agents who participated in the quantitative research programme.

Role and Responsibility

Table 2.1: Profile of the Survey Respondents

	TOTAL	REGION			
		Dublin	Leinster	Munster	Connacht/Ulster
TOTAL	81	25	26	20	10
	100%	100%	100%	100%	100%
Sole owner or part owner	26%	24%	35%	20%	20%
Director	53%	64%	42%	60%	40%
Manager	11%	8%	12%	10%	20%
Partner	2%	0	4%	0	10%
Company Secretary	1%	0	0	5%	0
Employee	6%	4%	8%	5%	10%

What is your job title?

The survey showed that 53% of respondents were the director of the letting agency; 26% were the owner or part owner; 11% were the manager; 2% were partners; 1% were the company secretary and 6% were employees. This is outlined in Table 2.1.

In total, 94% said their business was a company; 4% said that they were sole traders and 1% said that it was a partnership.

Table 2.2: Number of Branches in the Business

	TOTAL	REGION			
		Dublin	Leinster	Munster	Connacht/Ulster
TOTAL	81	25	26	20	10
	100%	100%	100%	100%	100%
1 branch (this one)	86%	76%	92%	90%	90%
2-3 branches	9%	16%	4%	5%	10%
4-5 branches	1%	0	4%	0	0
6-10 branches	2%	8%	0	0	0
Don't know	1%	0	0	5%	0

How many branches does the business have across the Republic of Ireland?

The majority (86%) were single branch operations, followed by 9% who said that they had 2 or 3 branches, 2% who had between 6 and 10 branches and 1% who had 4 or 5 branches. Only in Dublin was there any obvious difference, with 76% stating that theirs was a sole branch operation, followed by 16% where there were two or three outlets and 8% where there were between 6 and 10 branches. This is outlined in Table 2.2.

Even though the sample was small, there was a wide regional spread in the location of the respondents' businesses as Table 2.3 illustrates.

Table 2.3: Regional Distribution of Respondents

	TOTAL
TOTAL	81
	100%
Dublin	31%
Leinster	32%
Munster	25%
ConnUls	12%

Within each of these regions there was a presence in every county in the country bar Donegal and Carlow, as Table 2.4 illustrates.

Table 2.4: County Distribution of Respondents

Total N=81					
Carlow	-	Kilkenny	4%	Offaly	6%
Cavan	2%	Laois	2%	Roscommon	4%
Clare	1%	Leitrim	2%	Sligo	1%
Cork	20%	Limerick	4%	Tipperary	2%
Donegal	-	Longford	1%	Waterford	4%
Dublin	35%	Louth	5%	Westmeath	4%
Galway	7%	Mayo	4%	Wexford	5%
Kerry	5%	Meath	6%	Wicklow	9%
Kildare	5%	Monaghan	1%	All areas	5%

Which of the following areas does this branch cover?

All of the respondents were operating in businesses that would fall under a definition of Small or Medium Businesses. SMEs are defined by the Central Statistics Office¹ as enterprises with less than 250 persons engaged. SMEs are further split into Micro enterprises with less than 10 persons engaged, other Small enterprises with between 10 and 49 persons engaged and Medium sized enterprises with between 50 and 249 persons engaged. None of the letting organisations whose agents participated in this research exercise employed more than 50 people and a slight majority (51%) employed 3 or less. In contrast, just 12% of respondents worked in offices with more than 11 employees, as Table 2.5 illustrates.

1 <https://www.cso.ie/en/releasesandpublications/ep/p-bii/bii2015/sme/#:~:text=SMEs%20are%20defined%20as%20enterprises,50%20and%20249%20persons%20engaged.>

Table 2.5: Number of Employees in Branch Offices

	Total N=81
1	12%
2	27%
3	12%
4	16%
5	1%
6 to 10	17%
11 to 50	12%
Don't know	1%

Approximately how many people are employed in this branch?

Almost three quarters of respondents (72%) saw no change in staff numbers in their branch in the last 12 months, with the number who said that staff numbers increased in their branch (15%) being matched almost exactly by the number who said it had decreased (14%). When asked about the prospects for staff numbers increasing in the next 12 months, more than twice as many thought they would increase relative to the number who thought that they would decrease, with two thirds (67%) thinking that staff numbers in their branch would stay the same, as Table 2.7 illustrates.

Table 2.6: Number of Employees per Branch 2019 and 2020

	TOTAL	REGION			
		Dublin	Leinster	Munster	Connacht/Ulster
TOTAL	81	25	26	20	10
	100%	100%	100%	100%	100%
Increased	15%	24%	15%	5%	10%
Decreased	14%	20%	0	20%	20%
Remained the same	72%	56%	85%	75%	70%

Has the overall number of staff in this branch increased, decreased or remained the same in the past 12 months compared to the previous 12 months?

Table 2.7 Number of Employees 2021 and 2020

	TOTAL	REGION			
		Dublin	Leinster	Munster	Connacht/Ulster
TOTAL	81	25	26	20	10
	100%	100%	100%	100%	100%
Increase	21%	48%	12%	5%	10%
Decrease	9%	8%	4%	20%	0
Remain the same	67%	44%	85%	60%	90%
Don't know	4%	0	0	15%	0

Do you think the overall number of staff in this branch will increase, decrease or remain the same in the next 12 months?

The growth prospects in Dublin are perceived more positively, with more (48%) thinking that the numbers would increase when compared to those who think that the numbers will stay the same (44%). This is in contrast to the comparable national figures.

Most of these businesses are long established. Forty six percent have been in business twenty years or more and a further third (32%) have been in business for between 10 and 20 years. Twenty two percent have been operating for less than a decade, as Table 2.8 demonstrates. Businesses in Dublin have a slightly younger profile on average when compared to the national outcomes. In Dublin, 28% have been in business for less than a decade.

Table 2.8: Length of Time in Business

	TOTAL	Dublin	Leinster	Munster	Connacht/Ulster
TOTAL	81	25	26	20	10
	100%	100%	100%	100%	100%
Less than a year	5%	0	12%	5%	0
1 year or longer but less than 5 years	7%	12%	4%	5%	10%
5 years or longer but less than 10 years	10%	16%	4%	5%	20%
10 years or longer but less than 20 years	32%	28%	23%	45%	40%
20 years or longer	46%	44%	58%	40%	30%

How long has this branch been operating?

Table 2.9: Services Provided by the Branch

	TOTAL	REGION			
	TOTAL	Dublin	Leinster	Munster	Connacht/Ulster
TOTAL	81	25	26	20	10
	100%	100%	100%	100%	100%
Residential Letting Agent (including letting management on behalf of a landlord)	100%	100%	100%	100%	100%
Estate Agent	78%	76%	92%	65%	70%
Auctioneer	64%	28%	88%	65%	90%
Commercial Letting Agent	48%	32%	65%	40%	60%
Property Management (the management of a multi-unit development on behalf of a management body)	26%	32%	15%	30%	30%
Other (Please specify)	1%	4%	0	0	0
Valuations	2%	4%	4%	0	0

What property services does this branch provide?

All provided residential letting agency services (it was a precondition of participation); 64% were auctioneers; 78% were estate agents; 48% offered commercial letting agency services while 26% offered management of a multi-unit development – which was described for this purpose as the management of a multi-unit development on behalf of a management body.

Across all business types, they have typically provided these range of property services over a long period of time, as Table 2.10 illustrates.

Table 2.10: Length of Time Services have been Provided by the Branch

	Auctioneer N=52	Estate Agent N=62	Residential Letting Agent N=81	Commercial Letting Agent N=39	Property Management N=21	Other N=4
Less than a year	8%	6%	5%	8%	5%	-
1 year or longer but less than 5 years	13%	11%	7%	10%	24%	-
5 years or longer but less than 10 years	8%	13%	11%	8%	14%	-
10 years or longer but less than 20 years	23%	24%	37%	31%	29%	25%
20 years or longer	48%	44%	36%	41%	24%	75%
Don't know/can't remember	-	2%	4%	3%	5%	-

And for how long has this branch been providing this service?

2.7.2 The Rental Stock

Respondents were asked a series of questions about the residential lettings that they currently managed and to compare that figure to last year (Table 2.11). They were also asked in detail about the number of lettings that they had that were available to let, as Table 2.12 demonstrates.

Table 2.11: Number of Residential Lettings Managed by Branch

Total N= 81	2020	2019
None	19%	21%
1	-	1%
2	4%	5%
3	2%	-
4	2%	1%
5	-	1%
6 to 10	2%	2%
11 to 50	17%	15%
51 to 100	15%	15%
101 to 250	17%	16%
250+	15%	10%
Don't Know	6%	12%
Mean Score	125.95	104.39

Approximately how many residential lettings does the branch currently have that are available to let?

The average number of residential lettings that the branch managed on behalf of landlords has risen by 20% in the past year – from a mean of 104 units in 2019 to a mean of 125 units in 2020. Less than half of respondents say that they manage more than 51 units – 47% in 2020, up from 41% in 2019.

When asked about the number of residential lettings that were available to let, the results suggest that the number has increased in 2020 relative to 2019. The average number of units available to let was 11.91 in 2020 compared to 5.56 in 2019. In both years, one third of respondents had one or less residential lettings available, as Table 2.12 below demonstrates.

Table 2.12: **Current Availability of Properties to Let**

Total N= 81	2020	2019
None	19%	23%
1	17%	11%
2	20%	15%
3	6%	14%
4	5%	4%
5	5%	7%
6 to 10	7%	5%
11 to 50	11%	9%
51+	6%	1%
Don't Know	4%	11%
Mean	11.91	5.56

Approximately how many residential lettings does the branch currently have that are available to let?

Respondents were also asked about the portfolio that was currently available to let. They were asked how many of the properties were Undergoing Refurbishment (Table 2.13).

Table 2.13: **Properties Undergoing Refurbishment**

	Undergoing Refurbishment N=78
None	77%
1	8%
2	9%
3	3%
4	-
5	1%
6 to 10	-
11 to 50	3%
51+	-
Don't Know	-
Mean	1.04

Approximately how many residential lettings does the branch currently have that are available to let?

The vast majority of respondents (77%) said that they had no properties undergoing refurbishment. The average number of properties being refurbished was 1.04.

2.7.3 Market Overview – 2020 versus 2019

The survey participants were asked a series of questions on their sense of change in the residential rental market nationally and locally in 2020 compared to 2019. The questions related firstly to the size of the market and then to the level of rents.

Unsurprisingly, given the answers already reported, half (49%) of respondents responded that the private rental market had declined nationally in 2020 when compared to 2019. The remaining responses were split evenly between those who thought the market had remained the same as 2019 (23%) and those who thought the market had actually grown (20%). Seven percent did not know. The results are contained in Table 2.14.

Table 2.14: National Market Performance - 2020 versus 2019

	Total N=81
Private rental market in 2020 has grown compared to 2019	20%
Private rental market in 2020 has remained the same as 2019	23%
Private rental market in 2020 has declined compared to 2019	49%
Don't know	7%

Q12 Has the private rental market in 2020 grown, remained the same or declined when compared to 2019 before the pandemic started?

While the plurality responded that the market had declined nationally, almost three quarters (73%) believed that nationally rents had either stayed the same or increased in 2020 when compared to 2019. Just 27% believed that rents had actually declined. The results are contained in Table 2.15.

Table 2.15: National Rent Market Performance - 2020 versus 2019

	Total N=81
Rents in 2020 have increased compared to 2019	43%
Rents in 2020 have remained the same as 2019	30%
Rents in 2020 have decreased compared to 2019	27%
Don't know	-

Q13 Have rents in the private rental market in 2020 increased, remained the same or decreased when compared to 2019 before the pandemic started?

While they believe that there has been contraction nationally, they take a different perspective when considering the rental market in their own locality, as Table 2.16 below demonstrates. Exactly one third (33%) say that the rental business has increased locally (compared to 20% nationally), 43% believe that local rental business has stayed the same (the comparable national figure is 23%) and just 21% believe that rental business locally has declined (the comparable national figure is 49%).

Table 2.16: Local Rent Performance - 2020 versus 2019

	Total N=81
Private rental business in this branch has grown in 2020 compared to 2019	33%
Private rental business in this branch has remained the same in 2020 as 2019	43%
Private rental business in this branch has declined in 2020 compared to 2019	21%
Don't know	2%

Has the private rental business in this branch grown, remained the same or declined in 2020 when compared to 2019 before the pandemic started?

While local markets are believed to be more resilient in volume terms than nationally, local rents are less so. Just 31% believe that rental levels locally have increased (the comparable national figure is 43%); 46% believe that rents have stayed the same (30%) and 20% believe that rents have declined locally (27%).

Table 2.17: Rental Costs in 2020 versus 2019

	Total N=81
Rents in this branch have increased in 2020 compared to 2019	31%
Rents in this branch have remained the same in 2020 as 2019	46%
Rents in this branch have decreased in 2020 compared to 2019	20%
Don't know	4%

Have rents in the private rental business in this branch increased, remained the same or decreased in 2020 when compared to 2019 before the pandemic started?

As a follow up to the level of local rent movement question, those who said that they had either increased or decreased were asked by what percentage rental levels had changed. Of those who thought local rental levels had increased, 80% thought the change was between 1 and 10%, an almost identical result (81%) to those who thought that rental levels had decreased.

Locally there seems to be relatively little movement in the size of the overall portfolios that they managed in 2020 when compared to 2019, with 43% of respondents saying that the rental portfolio that they managed in 2020 was the same size of that in 2019, as Table 2.18 below demonstrates. One third of respondents (33%) believe they are managing more properties, while 14% say that their portfolio under management has decreased.

Table 2.18: Residential Letting Portfolios Managed by Branch – 2020 versus 2019

	Total N=81
Increased	33%
Decreased	14%
Remained the same	43%
N/A – don't manage residential lettings	9%
Don't know	1%

Has the number of residential lettings that the branch manages on behalf of landlords increased, decreased or remained the same in 2020 when compared to 2019 before the pandemic started?

When asked about their expectations for 2021 when compared to 2020, the responses are quite evenly split, as Table 2.19 below illustrates. The highest number (37%) believe that they will be managing the same number of properties in 2021 when compared with 2020. One in five (19%) believe that they will be managing fewer properties. However, it is worth highlighting that just 1 in 3 agents (32%) believe that they will be managing more properties in 2021 when compared with 2020.

Table 2.19: Residential Letting Portfolios Managed by Branch – 2021 versus 2020

	Total N=81
More in 2021 compared to 2020	32%
The same in 2021 as 2020	37%
Fewer in 2021 compared to 2020	19%
N/A – don't manage residential lettings	10%
Don't know	2%

Do you expect to be managing more, the same, or fewer residential lettings on behalf of landlords in 2021 when compared to 2020?

Those who anticipated that the portfolio would change in 2021 were asked to expand on their answer. Those who saw that business was increasing believed that they were on a broad business expansion phase and that the increasing complexity in the market required specialist support from professionals like themselves.

It may be that their business growth will be driven by complexity and regulation, and a consequence need for landlords to engage professional support. Those who thought that business would contract, believed that they would be impacted by landlords leaving the market, as Table 2.20 below demonstrates.

Table 2.20: Reasons for Change in Residential Letting Portfolio Size in 2021

	TOTAL
TOTAL	N= 41
Our business is growing or hope to grow our business in 2021 or we have a competitive offering or we are a branded company or we are getting more enquiries	34%
Landlords are leaving the market or selling (adverse media portrayal current taxation legislation too much paperwork different set of rules for large funds)	24%
The increase in regulation means more complexity - landlords are prepared to pay a letting agent to keep them on the right side of the law or landlords are realising the benefit of having someone to manage their property or paperwork	20%
Renting to tenants is very difficult - law favours the tenant and support for landlords is poor especially when tenants breach terms of the lease	7%
There has been more investment in the PRS	5%
Landlords are trying to save on fees by managing their own properties	2%
Other - more	5%
Other - fewer	2%

Why do you expect to be managing more or fewer (as relevant) residential lettings on behalf of landlords in 2021?

2.7.4 The Impact of Covid

The Covid-19 pandemic has impacted on all aspects of people's day to day lives. Survey participants were asked a series of questions about their perceptions of the impact of Covid on the rental market.

In the quantitative survey 60% of respondents said that the Covid pandemic had led to rent reduction requests from private tenants in their office, as Table 2.21 below demonstrates.

Table 2.21: Requests for Covid Related Rent Reductions

	Total N=81
Yes	60%
No	35%
Don't know	5%

Has the current COVID-19 pandemic led to requests for rent reductions from private tenants at this branch?

Those who said that there were such requests were asked whether these requests were granted. As Table 2.22 illustrates, over four in five respondents (84% of the smaller sample) said that rent reduction requests were granted.

Table 2.22: Landlords Granting Covid Related Rent Reductions

	Total N=49
Yes	84%
No	14%
Don't know	2%

Has the current COVID-19 pandemic led to landlords granting requests for rent reductions from private tenants at this branch?

A majority of respondents did not believe that the Covid-19 pandemic led to a fall in the number of private rental homes being let or re-let by the branch, with almost twice as many (62%) disagreeing when compared to those who agreed (33%), as Table 2.23 demonstrates.

Table 2.23: Impact of Covid-19 on Rental Lettings in Branch

	Total N=81
Yes	33%
No	62%
Don't know (DNRO)	5%

Has the current COVID-19 pandemic led to a fall in the number of private rental homes being let or re-let by the branch?

Rent arrears remain an issue. Survey participants were asked to identify the number of tenancies the branch manages that were currently in rent arrears. The results are contained in Table 2.24. Just over one in three respondents (37%) said that they had no rent arrears and another quarter (26%) had between 1 and 3 properties in arrears. Clearly the scale of portfolio under management is important when considering these responses. Six to 10 properties in rent arrears as part of a small portfolio of managed properties is a different scenario where the portfolio of properties being managed is far larger.

Table 2.24: Current Rent Arrears

	Total N=81
None	37%
1	6%
2	11%
3	9%
4	1%
5	12%
6 to 10	9%
11 to 50	6%
51+	4%
DK	5%
Mean	9.30

Roughly how many of the private tenancies that the branch manages are currently in rent arrears?

With an average number of units under management of 125, an average of 9 units in rent arrears would be equivalent to 7% of the average portfolio.

The issue of rent arrears was explored in more detail in two further questions. Respondents were asked to identify the number of private tenancies that were in rent arrears as a direct or indirect result of Covid-19. As Table 2.25 shows, the average per office was 3.4 – just over a third of the comparable figures of those in rent arrears. Over half of respondents (53%) said that none of their private tenancies were in rent arrears because of Covid. A further 24% stated that between 1 and 3 properties were in rent arrears as a direct or indirect result of Covid. In summary, over three quarters of respondents (77%) said that they had 3 or less properties in rent arrears as a consequence of Covid – including none.

Table 2.25: Rent Arrears as a Result of Covid

	Total N=81
None	53%
1	5%
2	12%
3	7%
4	-
5	10%
6 to 10	6%
11 to 50	2%
51+	1%
DK	2%
Mean	3.41

Roughly how many of the private tenancies that the branch manages are currently in rent arrears as a direct or indirect result of Covid-19?

Respondents were asked to consider the rent arrears scenario that pertained in 2019 (pre Covid). The results are shown in Table 2.26. In effect, respondents were asked to think back to 2019 and then compare that with the 2020 scenario. The average number of tenancies in rental arrears per office has increased from 5.19 to 9.30 (79%), and the number of offices where there are no arrears cases dropped from 56% to 37%.

Table 2.26: Rent Arrears pre and post Covid

Total N= 81	2019	2020
None	56%	37%
1	16%	6%
2	7%	11%
3	2%	9%
4	4%	1%
5	1%	12%
6 to 10	2%	9%
11 to 50	5%	6%
51+	1%	4%
DK	5%	5%
Mean	5.19	9.30

And roughly how many of the private tenancies that the branch manages were in rent arrears this time last year before the pandemic started?

One of the options available to tenants if their economic circumstances change is to seek support from the State either through the Rent Supplement Scheme or the Housing Assistance Payment (HAP). A majority of respondents said that they had been approached by tenants about the possibility of moving onto both schemes, with an average of 4.77 requests per agent in relation to Rent Supplement and 5.17 per agent in relation to HAP. A substantial minority of respondents in both categories said that they had no requests – 36% of respondents had no requests in relation to rental supplement and 27% had no requests in relation to HAP. The detailed breakdown is contained in Table 2.27 below.

Table 2.27: Use of Rent Support Measures as a Consequence of Covid

	Rent Supplement Total N=81	HAP Total N=81
None	36%	27%
1	2%	6%
2	10%	11%
3	5%	10%
4	7%	6%
5	2%	6%
6 to 10	4%	5%
11 to 50	10%	10%
51+	-	-
DK	23%	19%
Mean	4.77	5.17

Q26 Roughly how many private tenants have approached the branch about moving onto any of the following as a direct or indirect result of Covid-19?

The respondents were also asked about the attitudes of landlords and themselves to ameliorating initiatives that had been considered for tenants impacted by Covid-19. There is a very obvious alignment between the approaches of the landlord and the agents, as Table 2.28 demonstrates. It is important to highlight that what is being measured is the approach of the landlords and agents and not the number of tenants who were impacted. One in five offered no amelioration measures (22% of landlords and 21% of agents). Just over half (52% of landlords and 53% of agents) recommended reduced rents. Just one in five (22%) landlords and one in four (25%) agents offered rent free periods. Fourteen percent of landlords and eleven percent of agents believed that they had no tenants who were impacted by Covid-19.

Table 2.28: Measures Taken to Ameliorate the Impact of Covid-19.

	Q27a Instructed by landlords to offer N=81	Q27b Recommend to landlords to offer N=81
Reduced rents	52%	53%
Rent-free periods	22%	25%
Deferral or payment plan	7%	5%
Suggest HAP or PUP application	2%	4%
Other (please specify)	2%	-
None of the above	22%	21%
Don't know	2%	1%
Not applicable or no private tenants affected directly or indirectly by Covid-19	14%	11%

Which, if any, of the following were you instructed by landlords to offer to private tenants who had been affected by Covid-19?

Where tenants were offered rent free periods or temporary reduced rents, over half of the agents said that all affected tenants were provided with written confirmation of the new arrangement by the branch. Just over one in five (21%) said that some were given written confirmation of the new arrangement, while 13% said that the tenants were not given written confirmation of the new arrangement. Eight percent preferred not to say, and 6% did not know. The results are contained in Table 2.29 below.

Table 2.29: **Written Communication of Covid Linked Rent Reductions**

	Total N=53
Yes, all	53%
Yes, some	21%
No	13%
Prefer not to say	8%
Don't know	6%

Were tenants who were offered rent-free periods or temporary reduced rent for a period provided with written confirmation of the new arrangement by the branch

Where a different rental arrangement was put in place, 51% said that the difference was not to be paid back but the arrangement was temporary and would return to normal after the emergency period. After a period, the rent was anticipated to return to a normal level. In 55% of cases, the gap between the old and the new arrangement was to be paid back in instalments over a specific time period. Multiple responses were allowed to this question.

Table 2.30: **Rent Reduction Solutions in Place**

	Total N=53
Difference not to be paid back but rent will return to normal level after the emergency period	55%
To be paid back over a specific time period in installments	51%
Other (please specify)	2%
None of the above	9%
Don't know	6%

Did you or on behalf of landlords agree to any of the following in return for reduced/no rent?

2.7.5 Supply and Demand

The respondents were asked a series of questions about the supply of residential rental property in their branch catchment areas.

In overall terms there is a lack of supply, as Table 2.31 below demonstrates. Two thirds of respondents (67%) say that demand is greater than supply. Just 15% say that supply is ahead of demand, and 16% say that supply is meeting demand. Unlike other questions, this question focused on the situation as applied in the market currently (i.e. in the middle of the pandemic from November and December 2021).

Table 2.31: Supply and Demand

	Total N=81
Supply is greater than demand	15%
Supply is meeting demand	16%
Demand is greater than supply	67%
Don't know	2%

Overall, how would you best describe the supply of residential rental properties currently on the market in the area(s) where this branch operates?

Table 2.32 below looks at the market segment availability below the headline figure. In all property categories, demand is greater than supply and in particular categories, e.g. single houses and apartments in a purpose-built development, supply pressures are particularly acute. In all property categories, the highest response for supply meeting demand is just 16%.

Table 2.32: Demand and Supply for Different Property Types

Total N=81	Supply is greater than demand	Supply is meeting demand	Demand is greater than supply	Don't know
House (single dwelling)	4%	15%	78%	4%
Apartment in a purpose-built development	12%	16%	69%	2%
Apartment/flat within a converted house	9%	15%	51%	26%
Bedsit/studio	6%	14%	56%	25%

For each of the following residential rental property types, how would you best describe the supply currently on the market in the area(s) where this branch operates?

The overall pattern is repeated as responses were asked at a more granular level. When looking at different sized apartments and houses, the number of responses saying that demand is greater than supply is multiples of the number of responses who say either that supply is meeting demand or that supply is greater than demand, as Table 2.33 demonstrates.

Table 2.33: Demand and Supply by Property Subcategories

Total N=81	Supply is greater than demand	Supply is meeting demand	Demand is greater than supply	Don't know
Apartment				
Studio apartment	7%	17%	59%	16%
1 bed apartment	6%	19%	69%	6%
2 bed apartment	10%	16%	70%	4%
3 bed apartment	11%	25%	54%	10%
House				
1-2 bed house	2%	15%	77%	6%
3 bed house	4%	15%	75%	6%
4+ bed house	6%	26%	60%	7%

And for each of the following sized units, how would you best describe the supply currently on the market in the area(s) where this agency/branch operates?

2.7.6 Management

Management Services Offered

The agents were asked about the management services that they offered to landlords in the context of property management, with the answers shown in Table 2.34. The range of services that they provide is comprehensive. In the case of each management activity, the majority of agents offer the service. The only areas where service provision is below 70% are dealing with disputes (RTB or Courts) where 69% offer the service and other regulatory compliance (62%). In most cases, each service is offered by 80%+ of agents and in relation to tenant selection and screening, the service is offered by over 90% of respondents.

Table 2.34: Management Services Provided by the Branch to Landlords

	Total N=81
Advertise properties to let	98%
Drawing up of tenancy agreement/contract	95%
Tenant screening/selection/referencing	94%
Property inspection	89%
Deal with maintenance requests/manage repairs	85%
Conduct rent reviews	83%
Set rents for private tenants	81%
Registration of tenancy with the RTB	81%
Issue notices of termination	80%
Property inventory	79%
Handle deposits of private tenants	78%
Manage rent arrears	75%
Rent collection	72%
Deal with disputes (RTB or Courts)	69%
Other regulatory compliance	62%
Other	1%

Q32 Which of the following letting agent services does this branch currently offer? Please tick all that apply.

Information Sought from Tenants

Those agents who offered tenant screening/selection and referencing services, (which number 76 in total) were asked what the branch requires when they are screening and selecting tenants for private rental properties. Table 2.35 has detailed findings. All look for references from a previous landlord, and 92% look for an employer reference. Forty one percent look for a personal reference. Thirty seven percent search the RTB website to identify if the prospective tenant has been involved in a dispute case. One in three (33%) look for a payslip and 22% look for a bank statement.

Table 2.35: Information Requested from Prospective Tenants

	Total N=76
Previous landlord reference	100%
Employer reference	92%
Personal reference	41%
Search of the RTB website to identify if prospective tenant has been involved in a dispute case	37%
Payslip	33%
Bank statement	22%
Other	12%

Which of the following does this branch require when screening/selecting tenants for private rental properties?

Marketing Properties to Rent

The agents were asked what means they use to market properties to rent. The responses are contained in Table 2.36. When marketing properties, the importance of platforms such as Daft.ie and Myhome.ie stands out. Over nine in ten (93%) of respondents say that they use these platforms. A majority (56%) use their own websites. Twenty-eight percent use social media (e.g. Twitter, Instagram, and Facebook) while 25% use Word of Mouth. The decline of traditional channels such as the print media is reflected in the low responses for local paper (6%); an advert in a national paper (1%) and an advert in a local shop (1%).

Table 2.36: Marketing Channels

	Total N=81
Third party letting website (e.g. Daft.ie, myhome.ie)	93%
Own website	56%
Social media (e.g. Twitter, Instagram, Facebook)	28%
Word of mouth	25%
An advert in a local paper	6%
An advert in a local college/3rdlevel institution	2%
An advert in a national paper	1%
An advert in a local shop	1%
Other (Please specify)	5%
None of these	1%

Which, if any, of the following does this branch use to market properties for private rental? Any others?

Deposit Procedures

Those who said that they handle deposits from private tenants (78% in Table 2.34 above) were asked what was the most common deposit amount that the branch charges to private tenants. An overwhelming majority (94%) charge one month's rent. The other 6% charge more than one month's rent.

Table 2.37: Deposit Sought from Prospective Tenants

	Total N=63
One month's rent	94%
Less than one month's rent	-
More than one month's rent	6%
Don't know	-

What is the most common deposit amount that this branch charges to private tenants?

Setting Rental Levels

Those who said that one of the management functions they provided to landlords was setting rents for private tenants (81% in Table 2.34) were asked about the basis that the branch used for setting rents in Rent Pressure Zones. Given that the regulations in relation to setting rents within Rent Pressure Zones are different to the regulations outside Rent Pressure Zones, respondents were given the opportunity to outline how they dealt with rent setting in both circumstances.

Table 2.38 contains the responses. Within Rent Pressure Zones, the most important basis identified is in line with rents in the market area (38%) followed by maximum rent pressure zone limit (35%) and amount of rent that was last set under a tenancy for the property (17%). In contrast, outside Rent Pressure Zones, the absolutely key factor is in line with market rents in the local area at 70%.

Table 2.38: Setting Rental Levels

	Q36a InRPZs Total N=66	Q36b Outside RPZs Total N=66
In line with market rents in the local area	38%	70%
Maximum rent pressure zone limit	35%	5%
Amount of rent that was last set under a tenancy for the property	17%	5%
Advised by landlord	5%	3%
Other (Please specify)	5%	8%
Don't know	2%	11%

Covid Consequences

Survey respondents were asked about the number of tenancies that the branch manages which have had rent increases delayed as a direct or indirect result of Covid. The results are shown in Table 2.39. Just over a quarter (27%) of respondents said that no rent increases were delayed in their offices. A further 17% said that between 1 and 10 tenancies had rental increases delayed. Twenty one percent said that between 11 and 50 tenancies were impacted and 14% said that more than 50 tenancies were impacted. Twenty percent of respondents did not know and the mean number of tenancies across the sample was 27.63.

Table 2.39: Rental Increases Delayed because of Covid

	Total N=81
None	27%
1	1%
2	2%
3	-
4	2%
5	6%
6 to 10	6%
11 to 50	21%
51+	14%
Don't Know	20%
Mean	27.63

Approximately how many private tenancies that the branch manages have had rent increases delayed as a direct or indirect result of Covid-19?

Respondents were asked about the number of private tenancies that the branch manages that have had termination suspended as a direct or indirect result of Covid-19. Just under half (47%) said none and the mean was 3.14 across the complete sample. Just over a third (35%) said that between 1 and 10 tenancies were impacted in this way.

Table 2.40: Tenancy Terminations Delayed because of Covid

	Total N=81
None	47%
1	12%
2	12%
3	1%
4	2%
5	4%
6 to 10	4%
11 to 50	6%
51+	-
Don't Know	11%
Mean	3.14

Q38 Approximately how many private tenancies that the branch manages have had terminations of tenancy suspended as a direct or indirect result of Covid-19?

Approaches to Property Inspections

Another key aspect of property management service provided by agents to landlords is inspection of properties. Those agents who provide this service were asked about the frequency of inspection. Table 2.41 contains their responses. Just under three quarters (74%) undertake it annually, 18% undertake it less often than once a year and 3% say that they never do it – this last figure may be the result of the fact that the service is offered by agents but not availed of by their clients.

Table 2.41: Frequency of Property Inspection

	Total N=81
Regularly (annually or more often)	74%
Occasionally (less than once a year)	18%
Never	3%
Other (please specify)	4%
Don't know	1%

How often does this branch inspect private rental property(ies) that are under management?

Those who undertake regular or occasional inspections were then asked about the notice provided to the tenant in advance of the inspection. Two thirds (66%) provide more than a week's notice; 20% provide between 5 and 7 days' notice; 7% provide between 3 to 4 days' notice, while 5% provide 1 to 2 days' notice.

Table 2.42: Notice Provided to Tenants of Property Inspections

	Total N=59
More than 1 week	66%
5-7 days' notice	20%
3-4 days' notice	7%
1-2 days' notice	5%
Other (please specify)	2%

In general, how much notice is provided for inspections?

Fixed Term Tenancies

The survey respondents were asked about whether the branch they operated in offered fixed term tenancies to private tenants. Over four out of five (86%) agents responded that they did, compared to the 14% who did not, as Table 2.43 illustrates.

Table 2.43: Provision of Fixed Term Tenancies

	Total N=81
Yes	86%
No	14%
Don't know	-

Does the branch offer fixed term tenancies to private tenants?

Those who offered fixed term tenancies through their branches were then asked about the type of tenancies that they offered and the main fixed term tenancy that was offered to private tenants. The results are contained in Table 2.44 below. The most common fixed term tenancy is a 1 year fixed term – offered by 91% of branches and the main fixed term tenancy by 86%. While 17% offer fixed term tenancies of less than 1 year, it is only the main type of tenancy offered by 4% of respondents.

Table 2.44: Types of Fixed Term Tenancies Offered

	Q42a All Total N=70	Q42b Main Total N=70
Less than 1 year fixed term	17%	4%
1 year fixed term	91%	86%
2 year fixed term	4%	1%
3 year fixed term	3%	1%
4 year fixed term	4%	3%
5 year fixed term	3%	4%

Types of Fixed term Tenancies offered to Private tenants

Tenant Issues

Survey respondents were asked about their experience of issues with tenants over the last two years. Table 2.45 below provides the detailed responses.

Table 2.45: Issues with Tenants Over the Past Two Years

	Total N=81
Rent arrears	67%
Damage in excess of wear and tear	56%
Anti-social behaviour	47%
Poor standards and maintenance of dwelling	44%
Overholding - tenant staying in the property too long	41%
Sub-letting or overcrowding	36%
Tenants didn't allow access to the property	28%
Illegal activity	21%
None of these	15%

In the last 2 years, has this branch experienced any of the following problems with private tenants?

In answering these questions, the letting agents were recounting their experience as agents over the past two years. It asked them as individuals. It is important to stress that the percentages quoted are of the agents, rather than of the portfolios that they manage. Two thirds of agents (67%) have had issues with rent arrears, just over half (56%) have experienced damage which they regard as being in excess of wear and tear – and 44% cited poor standards and maintenance of dwelling. Forty seven percent selected anti-social behaviour. Forty one percent selected overholding – where the tenant stays in the property too long. Just over a third (36%) cited cases of sub-letting or overcrowding. Twenty eight percent had come across cases where tenants did not allow access to the property. Twenty one percent came across some form of illegal activity. Fifteen percent had come across none of these issues. It is important to remember that a respondent would select a response even if the branch had come across even one example in their branch.

Dispute Resolution

Where problems do occur, there are different approaches that can be taken for resolution. We asked our cohort of letting agents their preferred approach to dealing with disputes with tenants. Table 2.46 contains the outcomes.

Table 2.46: Preferences for Dispute Resolution

	Total N=56
Mediation - where landlord or letting agent and tenant find solutions to dispute	66%
Adjudication - where an adjudicator investigates a case and based on evidence decides how dispute should be resolved	25%
Other (please specify)	4%
None of these	5%

Which one of the following is the branch's preferred method when dealing with disputes (RTB or Courts) with tenants?

Two thirds of respondents (66%) who answered the question preferred mediation where the landlord or letting agent and tenant find solutions to the dispute. One in four (25%) expressed a preference for adjudication.

Finally, the letting agents were asked what, in their experience, was the most common reason for bringing a dispute to the RTB Dispute Resolution Service. Of those who answered the question (and this was a subsample because not everyone had gone through the RTB Dispute Resolution process), 54% said rent arrears, followed by 13% who said overholding – where the tenant stays too long in the property and 9% who said that deposit retention was an issue. No other response achieved more than 5%.

Table 2.47: Types of Disputes that go to the Residential Tenancies Board Dispute Resolution Service

	Q45 Most common Total N=56
Rent arrears	54%
Overholding – tenant staying in the property too long	13%
Deposit retention	9%
Damage in excess of wear and tear	5%
Anti-social behaviour	4%
Invalid notice of termination	2%
Standards and maintenance of dwelling	2%
Unlawful termination of a tenancy	2%
Breach of fixed term lease	2%
Other	5%
Don't know	4%

In your experience, what is the most common reason for bringing a dispute to the RTB Dispute Resolution Service?

2.7.7 Conclusions – Quantitative Research

The themes that emerge in this component of the quantitative research programme mirror key findings in the research undertaken among the landlord and tenant stakeholder groups. They do also reflect the findings reported in the qualitative research undertaken with individual letting agents.

The themes that emerge include:

1. Across the country, demand for residential rental property continues to be far ahead of supply.
2. Renting residential property is becoming a more complex business – evidenced by the range of services that letting agents provide to their landlord clients.
3. The demand for property is growing – most agents see that the size of the portfolios that they manage within their branch offices is growing in 2020 when compared to 2019.
4. The properties that they manage are largely let – the average number of properties available to let at the time of the survey was higher than at the same time in 2019.
5. While they see some decline in the market nationally (in both rents and volumes), they see less of that trend when they are talking about their immediate market. Almost three quarters (71%) believe that rents have either stayed the same or increased in their local market.
6. Covid has had an impact on the residential rental market. Some of this is undoubtedly a consequence of the temporary regulatory changes that were introduced. While rent arrears remain an issue, they were only an issue in an average of 9 cases per branch. There is also evidence that both landlords and agents have sought to come to terms with tenants' difficulties during the Covid crisis. Covid is clearly impacting on the ability of many tenants to pay rent. Many asked for and received amelioration measures.
7. When setting rents in a rental pressure zone, the key determining factors include the local market rent; the maximum increase allowed and the rental level last set for the property.
8. The range of services offered by letting agents to landlords underlines the increasing complexity of the market. In the vast majority of cases, they offer a complete outsourced property management service to landlords.
9. Where the landlord tenant relationship runs into difficulties, the majority (66%) of letting agents seek to resolve the issue through direct negotiation and mediation. One quarter prefer an adjudication process.

2.8 The Qualitative Findings

Background

The research of letting agents was undertaken using two research methodologies. The quantitative research findings have been outlined in the previous section. The identification of the agents for engagement with the qualitative research component was one of the outcomes of the quantitative research element.

The Recruitment Process for the Qualitative Research Programme

The Property Services Regulatory Authority, via the Residential Tenancies Board, provided a publicly available database of property agents in the Republic of Ireland. Those who were licenced to deal with residential property were invited to complete a survey hosted by Amárach Research. One of the final questions of that survey was to invite agents to participate in this qualitative research exercise. Of those who expressed a willingness to engage in this qualitative research element, 13 were selected randomly for interview.

The agents who participated in this research component were drawn from all parts of the Country – with representatives drawn from all major urban markets and also a mix of towns spread across the Country. They also ranged in scale from small agents, managing portfolios of 30 or 40 properties, to much larger organisations, managing many thousands of units on behalf of institutional investors or receivers.

All of those interviewed were the key decision takers within their organisations. All had practical experience of the market through a series of cycles. They all had at least 15 years' experience in the property rental management business and had been through a number of property cycles.

Market Perspectives

All of the agents interviewed offer an end to end service to their clients. A couple of these agents do not handle rent collection, but in effect the relationship with the tenant resides with them, rather than the landlord.

All offered a complete letting and management service. This includes:

- ▶ The advertising of properties.
- ▶ The selection of tenants for approval by the landlord.
- ▶ The identification of the market rent.
- ▶ The collection of rent (one or two don't do this).
- ▶ Property inspections and management. They are the point of call when the tenant has an issue – “The issue is always about water, washing machines, leaks, showers etc”, Dublin agent.
- ▶ Negotiations of rent increases.
- ▶ Dispute management – all had experience of dealing with the RTB dispute resolution process, but it was a route that universally they sought to avoid.

Most offer other services as well, selling property as required, but in all cases residential rental constituted a core part of their business.

Many of the very large landlords had inhouse maintenance teams. None of the letting agents that we interviewed in this component of the research programme were organised in this way. They had a portfolio of service providers who they could call on as required.

The portfolio of smaller agents has declined significantly in recently years. Typically, the portfolios they are managing has declined by about half. They managed properties on behalf of small landlords who typically had one, two or three properties. The agents report that these types of landlord have been exiting the markets for various reasons and they simply are not being replaced.

The agents with very large portfolios are managing properties on behalf of institutions or receivers. The scale of their clients' portfolios requires a materially different scale, investment and approach to the market.

The agents argue that the increased regulatory complexity around relationships is one of the reasons for the withdrawal of the landlord from this direct activity. Many who are landlords in their own right (and this came up spontaneously rather than a direct focus of the interview) also see themselves in the smaller landlord category and are likely to exit from the rental market. Many have also taken a decision to scale back their own presence as a letting agent, reducing their business in scale with the departure of their core client landlords.

They see a trend to scale in service provision for their own services. The complexities and increased regulation mean that managing properties is a more onerous task than in years gone by. That requires a level of specialism and resources that a small SME in this space will struggle to provide.

Market Drivers

Those interviewed identified some key drivers of the residential rental market.

Absence of Rental Stock.

Pre the Covid-19 pandemic, the rental market was seen by those interviewed to be completely driven by the absence of supply of rental properties. No matter where the agents were located all believed that they could rent multiples of the portfolio that they currently had under management.

The demand for properties has, they argued, been exacerbated by the effective absence of building in the decade after the crash of 2008. The absence of supply is across all market sectors and property types. There was no evidence offered of oversupply in one property type offsetting an undersupply in another.

The agents interviewed believed that the key market driver of not enough properties being built was worsened by the desire of many small or 'accidental' landlords to exit the market.

Changed Regulatory Context

Those interviewed come across as being in favour of a more professional market and welcome the improvement to the rental sector.

They think that the pace and complexity of regulatory change has made the market unattractive for smaller landlords. Most argue that the regulatory environment changes on at least a yearly basis and this unpredictability is destabilising for landlords. They also believe that there is never a regulatory move that takes account of what they identify as the legitimate needs of landlords.

They are of the view that in order to achieve compliance all landlords, regardless of the size of their portfolio, need to hand over the management of their properties to a professional. The days of the amateur or accidental landlord are, in their eyes, over. Changing regulatory requirements results in additional costs for landlords – which in turn impacts on their economic viability.

They are also of the view that regulation is primarily geared more towards protecting the tenant rather than protecting the landlord. Most, if not all, cited examples where tenants had not complied with regulation (e.g. simply paying rent) and landlords were left with no effective means of redress. They frequently cited examples where the Residential Tenancies Board (RTB) had ruled in the landlord's favour, but they appeared unaware of available mechanisms which could be used by the RTB to intervene on the landlord's behalf.

Increased regulation in some cases was seen to bring additional risk. The time for dispute resolution processes to play out can result in an individual landlord sitting on a loss of up to 18 months' rent. While large institutional landlords may have deep enough pockets, or a large enough portfolio, so that the revenue loss is small in overall portfolio terms, the smaller landlord does not have that resilience or ability to manage the risk.

HAP and Housing Support Payments

All but one agent (who deals with high end properties) have tenants who avail of Housing Assistance Payment (HAP). They see it as no different to other forms of rental income, with some arguing that it can be less risky than depending on a private tenant's income. Most profess to see no real difference between HAP and non-HAP tenants. There is a strong view, particularly in Dublin, that HAP has served to put a floor under (often unsustainable) rental prices.

Coupled with the absence of supply, the scale of the HAP payment means that those tenants who are not HAP eligible, or who may be just above the HAP threshold, are effectively locked out of the market. They simply do not have enough take home income to pay the market rent. Landlords effectively then have the choice as to what income stream to choose – one where the rental income is effectively state guaranteed and one where it is not.

The agents worry about the long-term impact of HAP on market viability. They believe that unless it is reformed there will be limited opportunity for non-HAP tenants to get a foothold in the market.

Financial and Regulatory Risk

Agents were challenged as to whether the sector was becoming more or less professional. In reality they thought it was becoming more complex. They believe that landlords now require constant professional property advice and support. The regulatory framework now in place, and the length of time taken to resolve disputes with tenants (even when the dispute is straightforwardly in the landlord's favour) means that it is a requirement to avoid getting to that space in the first place.

The regulatory and financing framework means that the financial risks for the smaller landlord have increased. At the same time the after-tax returns from rental property have decreased with agents arguing that the limited ability for landlords to write off business expenses against income tax is having a particular impact.

The complexity outlined is one of the reasons smaller landlords are leaving the market. One small agent interviewed (managing c. 60 properties) had received instructions in the week of the interview to put four of them on the market for sale.

The rationale for exiting the market is perceived to be driven by several factors:

- ▶ Accidental landlords exiting once they came close to or did exit negative equity.
- ▶ The absence of a real return after expenses and costs.
- ▶ Pressure from some financial institutions on borrowers to regularise their situations – this has been an ongoing factor since the crash, but the rise in residential house prices has created the opportunity.
- ▶ The complexity previously outlined.

They also believe that some landlords were exiting because there was little regard for what they are doing. In the words of one interviewee in Cork “there is too much vinegar for landlords – and not enough honey”.

Impact of Covid

Covid has had less of an impact than they anticipated at the start of the pandemic.

Letting Agents interviewed stated that they had very few authentic requests for rent reductions. They believe that Government supports to those who were laid off, or where salaries were supported, has underpinned take home pay. They have resisted attempts to reduce rents – and pointed tenants to Government supports. Most described how the request in effect melted away.

There were isolated cases where tenants handed back leases, but these seem to have been taken back by the landlord and agent and the properties relet.

The rental market in Dublin City centre has been impacted more by Covid than in the suburbs. As a consequence, there is some softening of rents in Dublin 2 and 4.

In overall terms, there has not been significant levels of movement in rental properties. There has been some limited movement away from Dublin City centre – but it has not resulted in a recalibration of the market.

Traditional methods of letting properties have been impacted for health and safety reasons. Letting agents are now doing extensive pre-screening before viewing. A very small number of viewings then take place. They make extensive use of websites such as Daft (one described putting up for pre-screening to 40 photographs of each property).

Demand is still strong. They anticipate hundreds of responses to each advertisement of a property. They absolutely believe that their experience in potential tenant evaluation is now an even more critical service to landlords.

In overall terms, the amount of activity post Covid has been limited. Most tenants are staying put and the amount of movement is minimal. Some of the smaller agents describe letting just one or two properties during the pandemic.

While the softening of the market was described in some areas, they do not believe that it has resulted in an extended period for letting.

The sense from the interviews was that all agents could let more properties if they had them. The unmet demand is such that there isn't a discernible shift from one property type to the other.

The move to home working has probably impacted on the demand for more space – so if somebody is moving from a one bed, they will look for a two bed where the second bedroom is a working space. But the underlying trend is that the vast majority of tenants are not moving property.

There continues to be, and will always be, a demand for family homes.

They typically lease a property for a year recognising that a longer tenure is acquired after the tenant is in situ for six months.

Given the shortage of properties, many have tenancies that have lasted significantly longer than this. All could describe tenancies that were in place for 10 plus years.

Rental Pressure Zones

Letting Agents believe that the longer tenancies are, the more the unintended consequences of RPZ rules are felt. Those landlords who have not increased rents in line with the market are, they believe, penalised because they cannot adjust the rent back to market value after the end of a tenancy. This is a recurring theme throughout all interviews.

They see the rationale for RPZs and in reality no-one was strongly opposed them in principle.

RPZs gave predictability, took some of the madness out of the market and actually reduced some of the pressure on agents to increase rents to unsustainable levels.

Many did argue that landlords who took a longer-term view or who did not demand every last penny out of a property, are penalised when a tenancy comes to an end. That can lead to huge variations in rent for comparable properties. Those landlords who religiously and aggressively increased rents per annum will legitimately be able to ask for a higher rent than those who left the rent as was for a period. This impacts on:

- ▶ Rental values.
- ▶ Capital values of the property if it goes to sale.

In effect agents argue that some landlords were being penalised for acting in the tenant's favour. Or as they argue for behaving decently.

Where there has been softening in rental prices achieved, letting agents argue that some landlords will be happy enough to leave properties vacant to see if rental prices firm up rather than lock in at a lower price. So, if for example the rental level achieved dropped by 20% it would take a minimum of 5 years to regain that rental level under RPZ rules

Some agents also believe that RPZ rules are often breached by landlords (with the tacit support of some agents), through carrying out minimum levels of refurbishment on properties and putting it back on the market at a far higher rent. They believe that RTB should be more proactive in dealing with this, given that they have a register of rental agreements and leases.

AirBnB and Private Rented Sector Impacts

AirBnB and Private Rented Sector investment (PRS) were seen to be localised factors which have not yet impacted on the wider market. PRS in this context is the purchase of large numbers of properties by an institutional investor for lease. It often uses equity rather than debt funding, e.g. from pension funds.

The arrival of the pandemic brought back some property into longer term rental stock. This was really only mentioned in Dublin 2 and 4. It also coincided with the same exodus of tenants from city centre locations.

The advent of PRS rental properties and developments is seen to be impacting at the top end of the market. While the properties themselves constitute a relatively small percentage of the overall housing stock, they are high profile in setting and managing expectations as to what constitutes a good rental property. They also contrasted the perceived tax treatment of the income from these investment entities when compared to the tax treatment of the individual landlord.

Experience of Poor Behaviour

Given their experience in the business, it was unsurprising that many had war stories and tales to tell.

In reality they talked of specific cases rather than trends. When we asked them to recount their experiences of RTB cases, most could count the number of cases that they handled on one hand.

Problem free tenancies are the result of a fair and reasonable attitude on behalf of both the landlord and the tenant. Most want to make the relationship work.

As a society, they believe that the landlord is at best unappreciated and at worst vilified. They believe that the absence of understanding is one of the reasons behind the increasing regulatory regime and the approach that is adopted on taxation.

2.8.1 Conclusions – Qualitative Research

Letting agents see little slowdown in demand for rental properties. While demand has softened somewhat in some city centre areas, there is still significantly more demand than supply.

They do see the arrival of PRS investment as being important for the market. However, the number of housing units rented in PRS schemes is still small relative to the overall size of the market. The rents charged for properties in these schemes require take home salaries that are well ahead of those that are earned by the typical worker – although these rents can be underpinned by Housing Assistance Payments if the tenant is eligible.

They see the exodus of the small landlord as a fundamental change in the market, they see easier investment options now available to them.

They understand the need for HAP, but the current levels of HAP are acting as a floor underneath the market. HAP also has the unintended consequence of pricing those who don't qualify out of the market.

They believe that supply remains the real issue. In the short term more properties need to be built to counter the absence of building in the decade after the crash.

With some exceptions, all provided rental as part of an overall property services business. But only in 2 out of 13 cases were the portfolio of properties that they were managing increasing.

Again, with some exceptions the portfolios that they are managing are shrinking, as small landlords leave the market. As a revenue source in their business, residential rental is likely to decline. Very large landlords may bring property management in house.

Letting Agents interviewed also describe increased regulatory complexity. That is clearly a challenge for the small and medium landlord. It is also a challenge for them. There will be a point at which the portfolio shrinks to the point where they too become like the small landlord with limited appetite for what may become a non-core activity.



Bord um Thionóntachtaí Cónaithe
Residential Tenancies Board

Residential Tenancies Board, PO BOX 12323, Dublin 2.

01-7028100 / 0818 303037

@RTBinfo

www.rtb.ie

