

Exploring the Impact of the COVID-19 Pandemic on Rental Prices in Ireland from January to June 2020: **Early Insights from a Monthly Rent Index**

July 2020



Note: This project has been completed as part of the RTB/ESRI Rent Index Series which tracks developments in the private rental sector in Ireland. For further information, please contact conor.otoole@esri.ie or research@rtb.ie.



Bord um Thionóntachtaí Cónaithe
Residential Tenancies Board

Contents

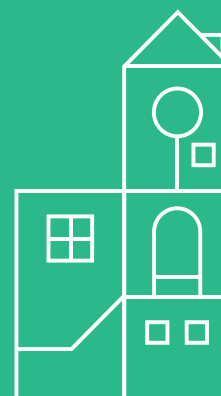
Introduction	1
A Rental Index Measuring COVID-19 Trends	2
Concluding Remarks	5



Exploring the Impact of the COVID-19 Pandemic on Rental Prices in Ireland from January to June 2020: Early Insights from a Monthly Rent Index

Key Findings

- ▶ Rental price inflation has moderated considerably since the pandemic began.
- ▶ National month-on-month declines were registered in three of the four months since March 2020.
- ▶ Rents in Dublin fell year-on-year in April, May and June; rent inflation outside Dublin also dropped sharply.
- ▶ Registrations are down markedly since public health restrictions were put in place.



Introduction

The spread of COVID-19 and the resulting lockdown is likely to impact all facets of the Irish economy. This includes prices in the rental market which have been rising rapidly in recent years due to excess demand and strong economic growth.¹ Already we have seen the impact that the required public health restrictions have had on the Irish labour market, with an unprecedented peak in the unemployment rate of over 28 per cent in April² as businesses and sectors effectively closed.

While the fall in incomes has been offset somewhat by government income supports, the sheer volume of people who have lost their job and the associated increase in uncertainty with regards to their future income is likely to affect demand in the rental market. In order to determine the extent to which COVID-19 and the lockdown has impacted on prices and transactions in the residential rental market we undertake a short-term analysis as part of the regular Rent Index process to provide a short run review of prices and transactions from January to June 2020. As part of this exercise, we draw on the most up to date rent data from the RTB and estimate a monthly rent index covering the period 2019 and 2020 to explore the early impact of the pandemic on rental prices and tenancies.

1 For more see RTB Rent Index Q1 2020.

2 See <https://www.cso.ie/en/releasesandpublications/er/mue/monthlyunemploymentjune2020/> for more details.

A Rental Index Measuring COVID-19 Trends

This estimated index uses the same data structure and modelling strategy as per the quarterly index which is documented in the Rent Index publication series.³ The index is estimated on real time data up until 16th June 2020. The data are therefore subject to potential revisions as many landlords may not yet have registered tenancies that have been agreed during the period in question. In particular, the figures for June 2020 may change once the full months data has been received.

Figure 1 tracks the index of rent prices from January to June of this year. The dotted red line in March separates the periods before and after broad public health restrictions on economic and social life measures were put in place.⁴ It is clear that between March and April of this year, rental inflation has fallen considerably. This fall is particularly evident in Dublin where rents are shown to have declined in April. Outside of Dublin, there was also a decline in rent levels in April, albeit less significant than in the capital. Both inside and outside of Dublin rents were shown to increase in May before dropping off again in June.

Figure 1 – Trends in Rental Prices Since the Onset of the COVID-19 Pandemic - January 2020 to June 2020



Note: * Data only available for tenancies commencing over the first 16 days of the month.

3 More details will be presented in a forthcoming ESRI Research Note by the authors.

4 It should be noted that the rental data for June 2020 was only available for the first half on the month. In addition, additional data for June 2020 and prior months may become available later in the year as applications are often only registered with the RTB in the months after the tenancy start date. The total number of monthly registrations are explored in greater detail later in the report.

Table 1 provides greater detail of the trend in rents nationally. This table shows that the annual growth rate of rent levels declined significantly compared to the period prior to the lockdown. While the annual growth rate in March was over 3 per cent, by April this had fallen to 0.4 per cent. This declined again in May to 0.1 per cent. By June the annual growth rate had turned negative with prices falling by 3.3 per cent compared to the same month the previous year. Please note June estimates are based on small numbers of registered tenancies as it is covering the first half of the month.

Table 1 – Monthly Rent Index for COVID-19 Analysis - January 2020 to June 2020 (2020 M01 = 100)

	Index	Month-on-Month % Change	Year-on-Year % Change
January 2020	100	0.6	4.8
February 2020	102	2.5	6.4
March 2020	100	-2.0	3.2
April 2020	98	-2.7	0.4
May 2020	99	1.7	0.1
June 2020*	97	-2.8	-3.3

Note: * Data only available for tenancies commencing over the first 16 days of the month.

Table 2 breaks out this data, looking at Dublin and the non-Dublin region. It's clear that the rental market in Dublin experienced the most immediate impact of the lockdown with prices falling by 2.6 per cent in April compared to the same period the previous year. Over the same time period rent prices outside of Dublin rose by 3 per cent. However, as we went further into lockdown price growth outside of Dublin gradually began declining at a greater level, with the annual growth rate falling to -3.9 per cent in June compared to -1.8 per cent in Dublin.

Table 2 – Monthly Dublin/Non-Dublin Rent Index for COVID-19 Analysis - January 2020 to June 2020 (2020 M01 = 100)

	Dublin			Non-Dublin		
	Index	Month-on-Month % Change	Year-on-Year % Change	Index	Month-on-Month % Change	Year-on-Year % Change
January 2020	100	1.9	4.9	100	-0.5	5.3
February 2020	103	2.5	5.0	103	2.6	7.9
March 2020	100	-2.4	3.5	101	-2.0	2.8
April 2020	96	-4.5	-2.6	99	-1.4	3.0
May 2020	99	3.4	-1.8	99	0.1	0.8
June 2020*	98	-0.7	-1.8	96	-2.9	-3.9

Note: * Data only available for tenancies commencing over the first 16 days of the month.



Table 3 breaks this data out further with the non-Dublin region broken down into the GDA (excluding Dublin) and the Rest of the Country (RoC). In April rent prices in the GDA (excl. Dublin) increased by just 1.0 per cent compared to the same period the previous year, down from an annual growth rate of 9.3 per cent in March. This is a major change in the trajectory of the inflation rate. In the rest of the country there was an increase in the annual growth rate in April up to 3.3 per cent from 1.4 per cent in March. However, the more recent data for June reveals that prices in the GDA (excl. Dublin) have fallen by 2.0 per cent while prices in the Rest of the Country have fallen by 5.1 per cent relative to the same period the prior year.

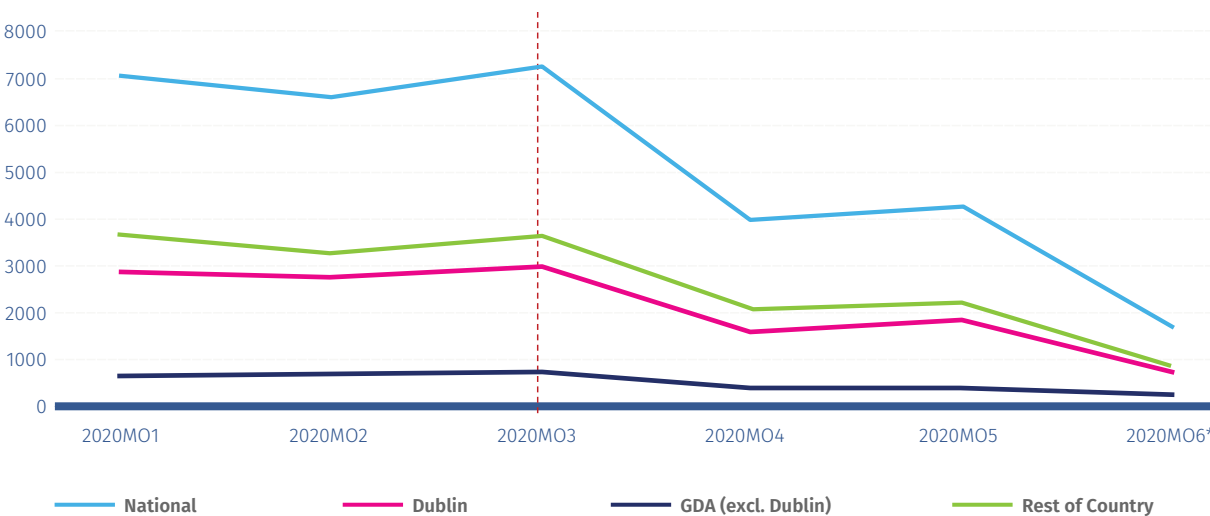
Table 3 – Regional Rent Index for COVID-19 Analysis - January 2020 to June 2020 (2020 M01 = 100)

	Dublin			GDA (excl. Dublin)			Rest of Country		
	Index	Month-on-Month % Change	Year-on-Year % Change	Index	Month-on-Month % Change	Year-on-Year % Change	Index	Month-on-Month % Change	Year-on-Year % Change
January 2020	100	1.9	4.9	100	0.9	8.9	100	-0.7	4.4
February 2020	103	2.5	5.0	104	3.7	12.1	102	1.8	6.2
March 2020	100	-2.4	3.5	104	0.8	9.3	100	-2.2	1.4
April 2020	96	-4.5	-2.6	98	-6.3	1.0	99	-0.2	3.3
May 2020	99	3.4	-1.8	98	0.0	1.4	100	0.2	1.0
June 2020*	98	-0.7	-1.8	95	-2.9	-2.0	95	-4.2	-5.1

Note: * Data only available for tenancies commencing over the first 16 days of the month.

Figure 2 shows that between March and April there was a significant decline in the number of tenancies registered with the RTB. While in March there were over 7,000 registrations, in April this had fallen to less than 4,000. The number of new registrations also remained subdued in May. As the June data only contains applications for half the month, these figures should not be compared with the prior months.

Figure 2 – New and renewal applications by month



Note: * Data only available for tenancies commencing over the first 16 days of the month.

The 3,888 applications in April represent a decline of over 41 per cent compared to the same period the previous year. The annual decline in applications is broadly similar across the different regions with applications down by 42.4, 38.4 and 41.1 per cent in Dublin, the GDA (excl. Dublin) and the Rest of the Country, respectively. Some differences did emerge in May with applications down by 41.8 per cent in the GDA (excl. Dublin) compared to 32.9 per cent in Dublin and 38.4 per cent in the Rest of the Country.

Table 4 – Applications with Tenancies Commenced January to June 16th 2020

	National		Dublin		GDA (excl. Dublin)		Rest of Country	
	Number of Applications	Year-on-Year % Change	Number of Applications	Year-on-Year % Change	Number of Applications	Year-on-Year % Change	Number of Applications	Year-on-Year % Change
January 2020	6980	-4.6	2,796	-2.2	603	-2.7	3,580	-6.7
February 2020	6510	-8.8	2,717	-4.1	599	3.1	3,194	-14.2
March 2020	7160	-19.2	2,908	-16.5	658	-16.1	3,594	-21.7
April 2020	3888	-41.4	1,534	-42.4	349	-38.4	2,005	-41.1
May 2020	4225	-36.5	1,775	-32.9	352	-41.8	2,098	-38.4
June 2020*	1638		707		167		764	

Note: * Data only available for tenancies commencing over the first 16 days of the month.

Concluding Remarks

The findings of this short exploratory note clearly show early downward pressure on rental prices and a lowering in the number of registrations, the latter of which is consistent with the restrictions on economic and social life brought in to stop the spread of the COVID-19 virus. Our early estimates for April through to June 2020 show annualised rental falls in Dublin with a clear reduction in the year-on-year growth rate in other areas.

At the present juncture, with the economic situation relating to the pandemic rapidly evolving, it is difficult to assess the trajectory of prices in the short/medium term. However, it is very likely they will closely mirror developments in incomes and unemployment. A more detailed granular assessment of trends in pricing will be presented in the upcoming Q2 2020 Rent Index which will be published later in the year.





Bord um Thionóntachtaí Cónaithe
Residential Tenancies Board