

The Impact of Covid-19 on The Private Rental Sector

DATE

1st July 2021

VENUE

ESRI/Threshold Conference

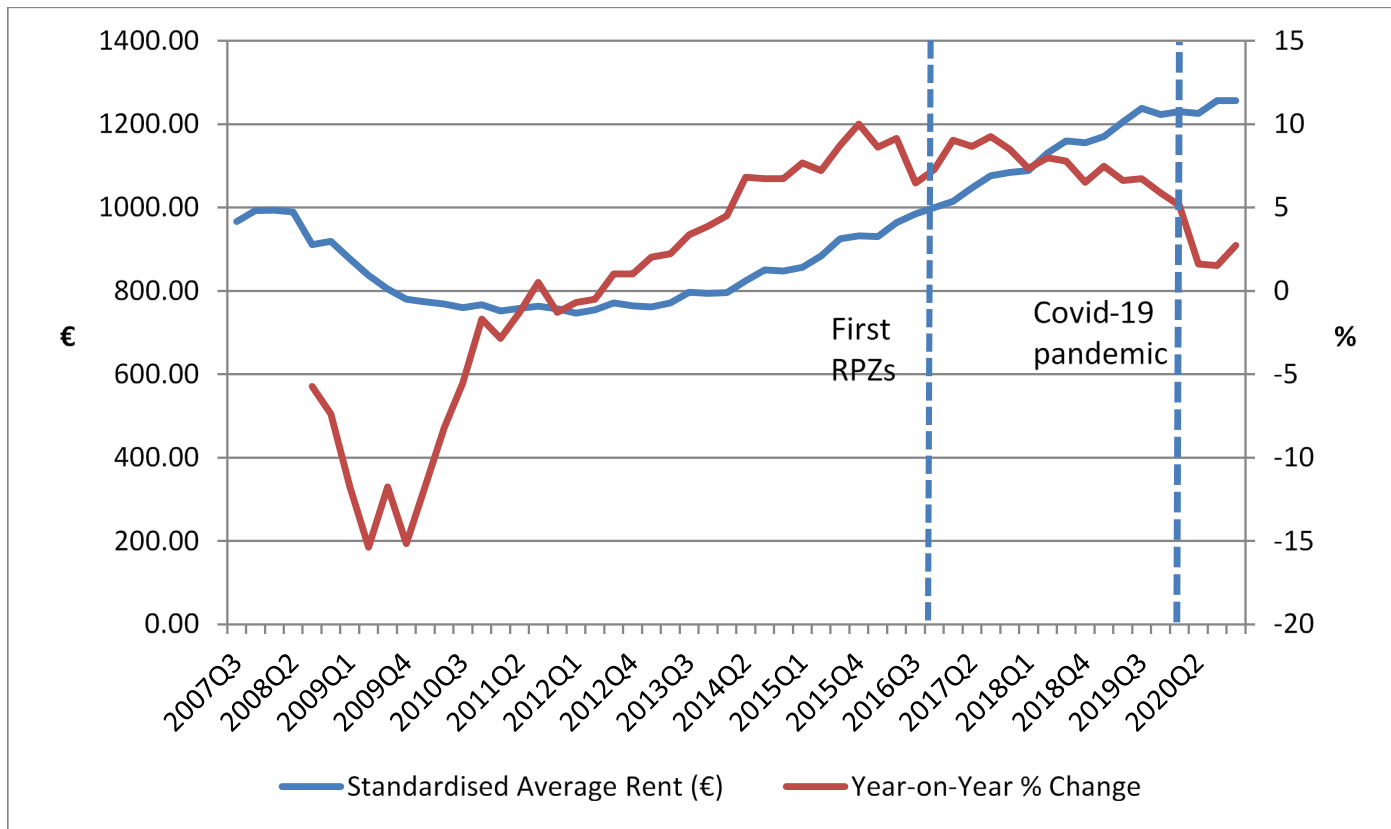
AUTHOR

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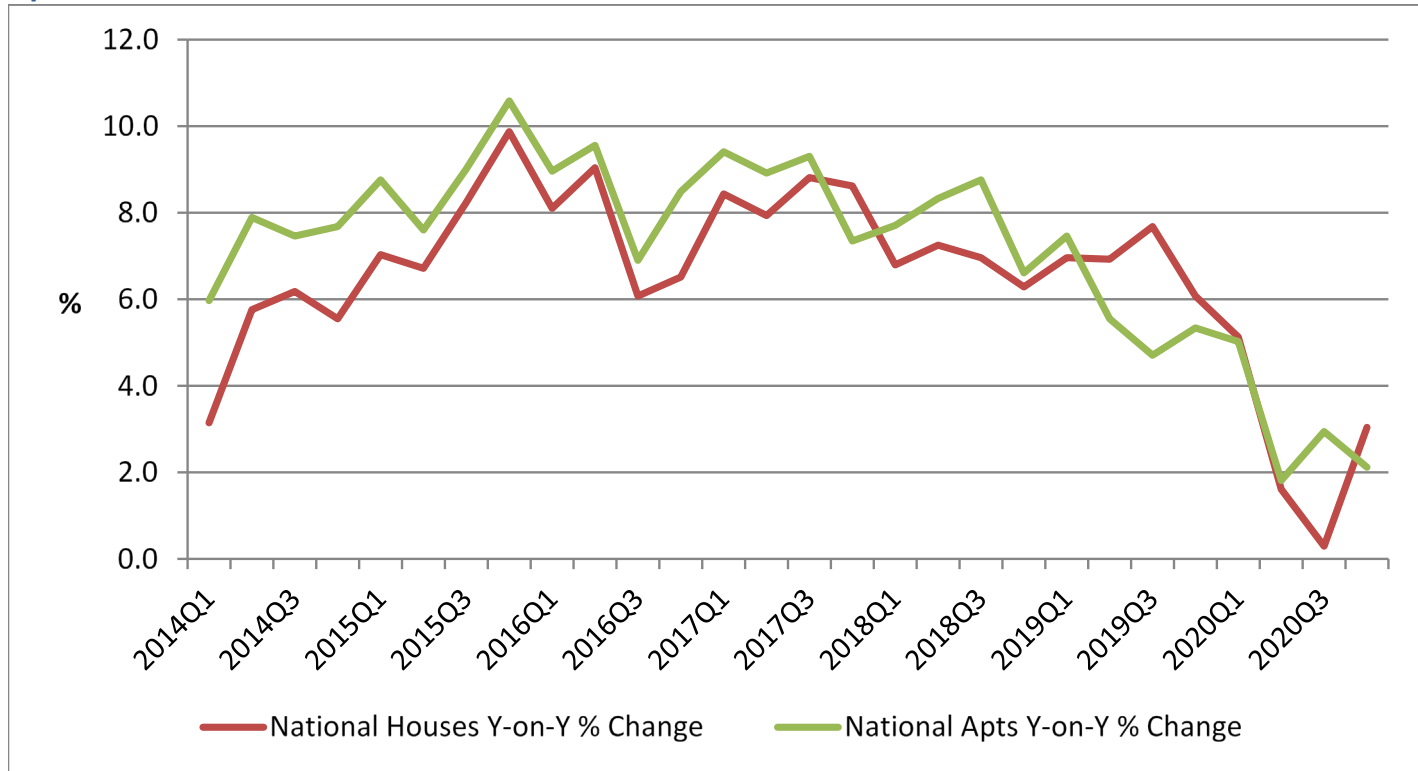
Overall trend in rental prices....

RTB Rent Index - Evolution of Standardised Average Rent (€) (LHS) and Year-on-Year Rate of Change (%) in Standardised Average Rent (RHS) - National



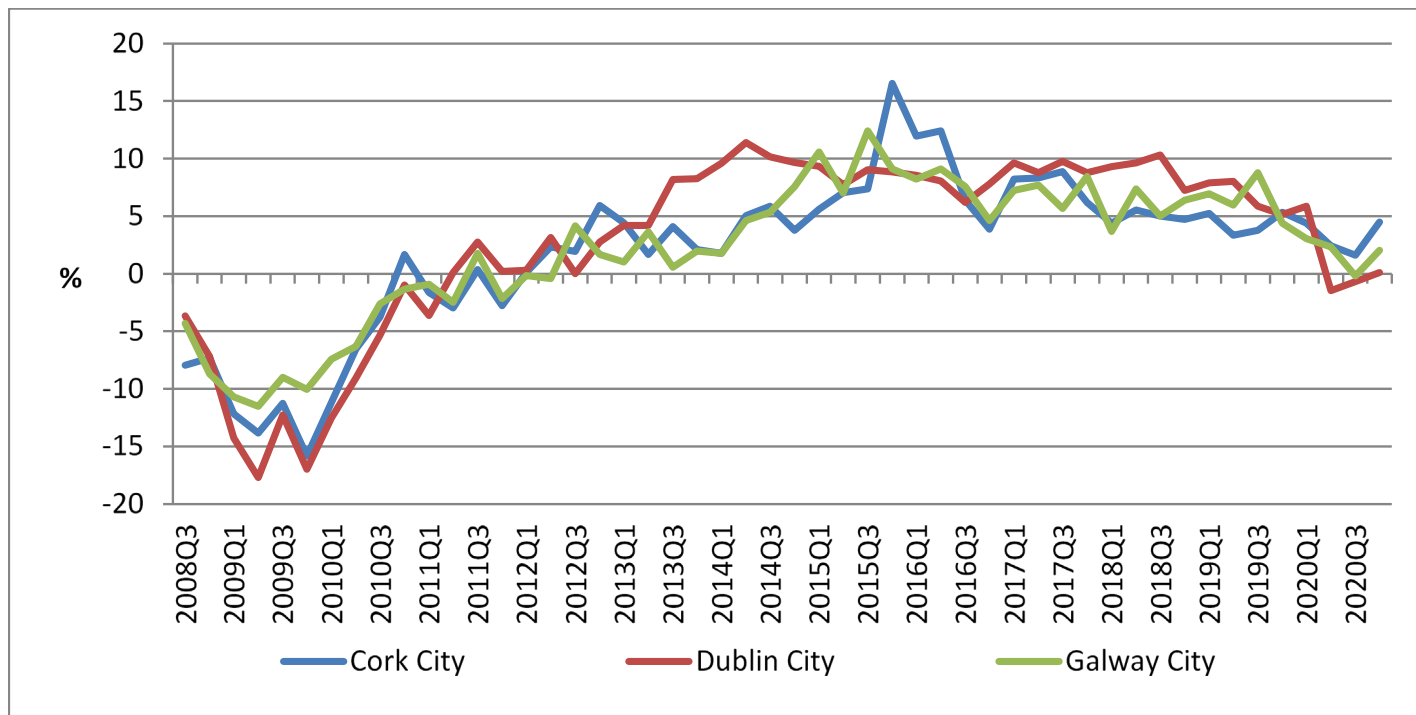
Rental inflation by type of accommodation

RTB Rent Index - Year-on-Year Rate of Change (%) in Standardised Average Rent for Houses and Apartments - National



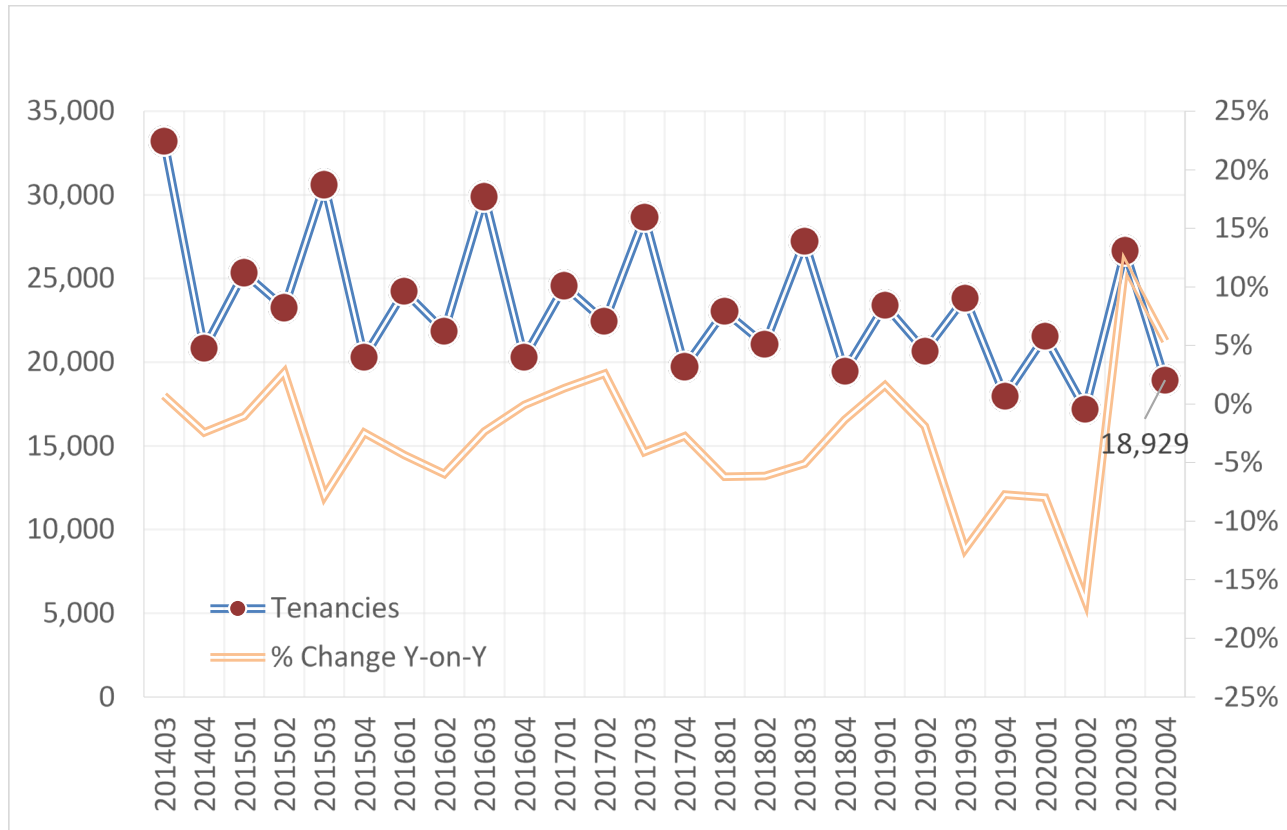
More adjustment taking place in Dublin City....

. RTB Rent Index - Year-on-Year Change (%) in Standardised Average Rents for Cork City, Dublin City, Galway City, Limerick City and Waterford City



Impact on tenancies ...

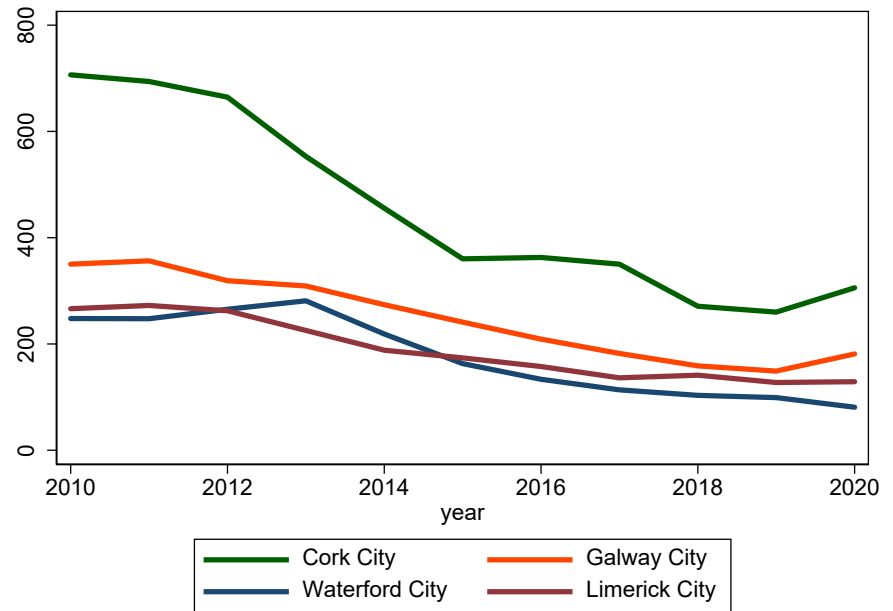
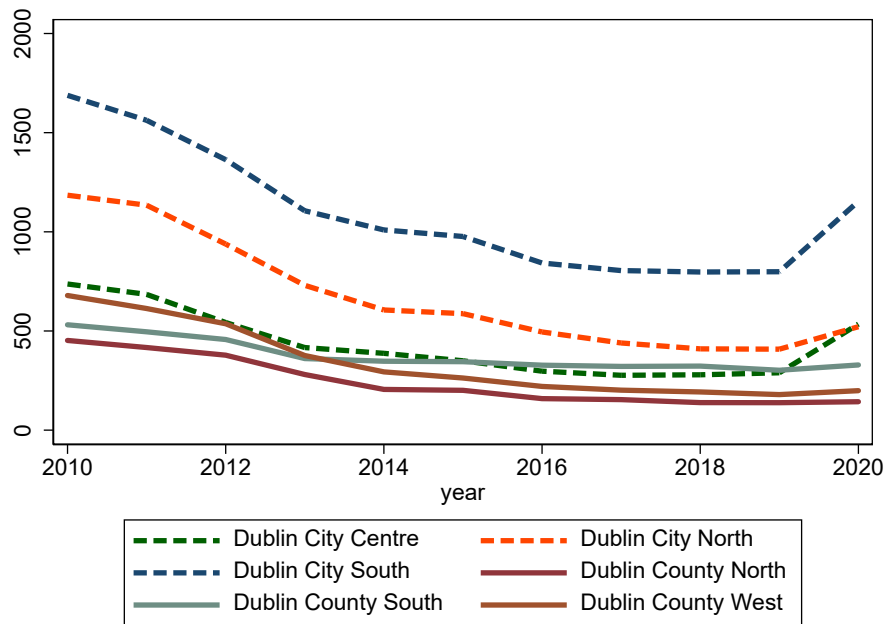
RTB Rent Index - Number of and Year-on-Year Rate of Change (%) in Registered Tenancies Included in Analytical Sample



Regional

Increased listings in city areas?

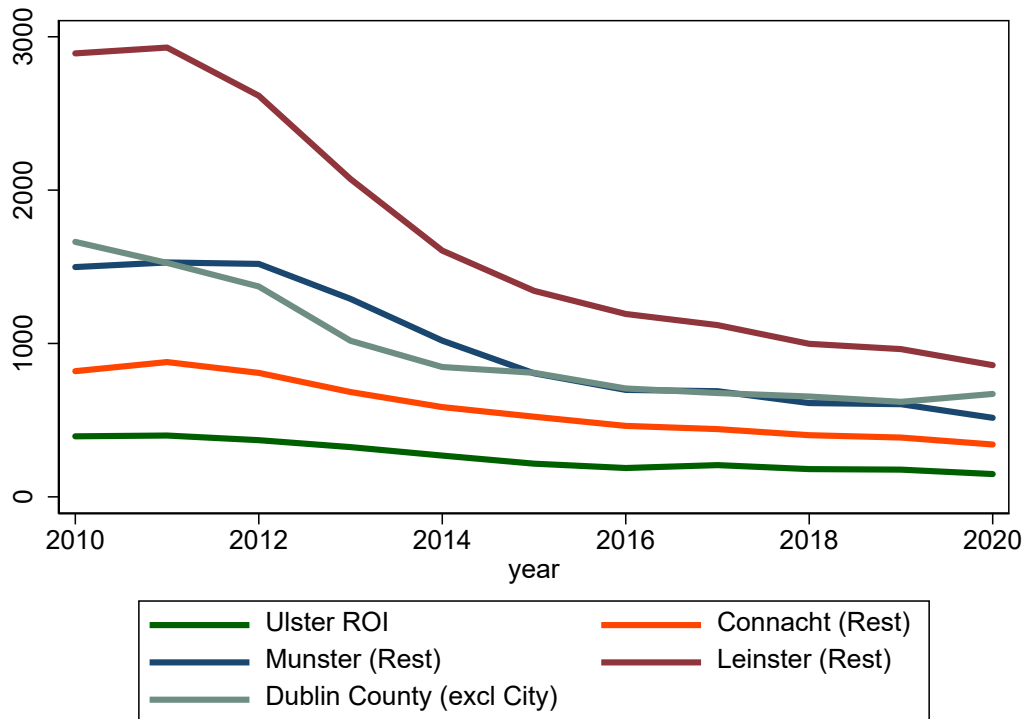
Daft.ie Flow of listings (average monthly number of ads by region and year)



Source: Daft.ie

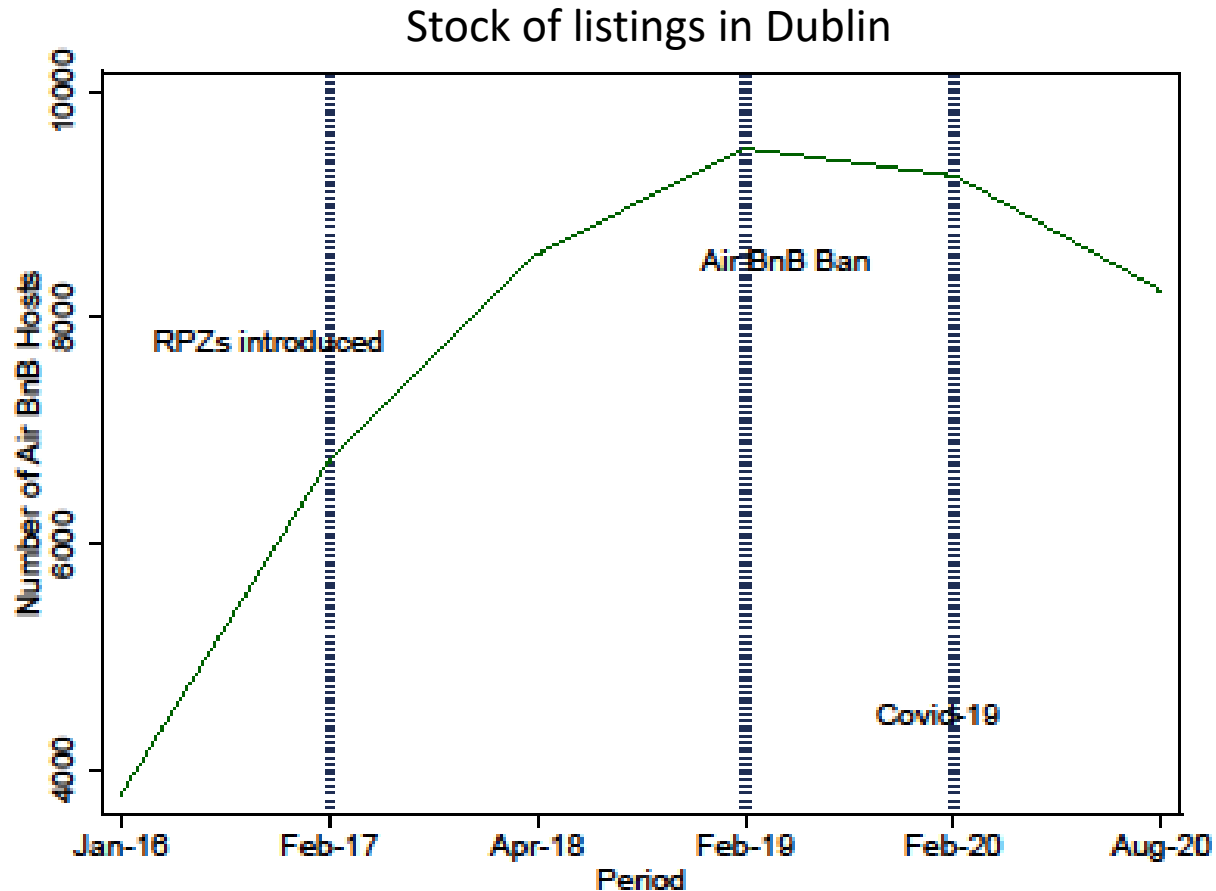
Not elsewhere...

Daft.ie Flow of listings (average monthly number of ads by region and year)



Source: Daft.ie

What might explain this? Air bnb maybe?



Source: Inside Air BnB

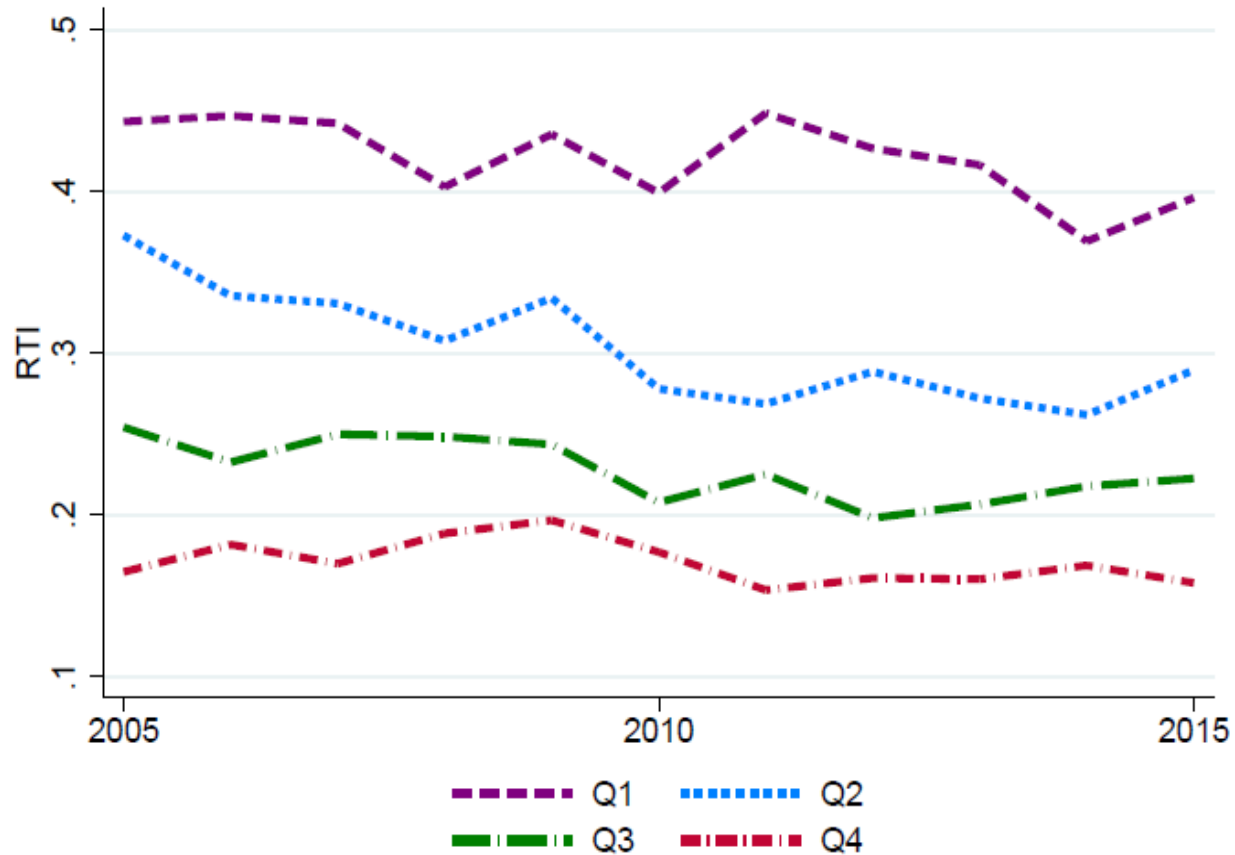
WHAT ABOUT AFFORDABILITY AND RENTERS?

Housing affordability in Ireland

- Housing affordability of upmost importance to Ireland at present
 - Considerable social challenge
 - Economic considerations
- Impact of Covid-19 pandemic felt disproportionately on low income renters in terms of employment shock
- Consider the affordability context and the rental market outlook

Housing Payment Costs by Income Quartile

Figure: Rent to Income Ratio (Average) by Income Quartile



- Simulate impacts of early stages of pandemic
 - Income support policies brought in
 - Temporary Wage Subsidy Scheme and Pandemic Unemployment Payment
 - Loosened eligibility criteria for rent supplement (up to €800 per month)
 - Unemployment by sector
 - Consumption changes due to constrained consumption basket
- Microsimulate the impact of income changes and consumption changes on households
- Test how these cumulate impacts affected households affordability to summer 2020 (initial pandemic impact)

Look At Impacts on Affordability – June 2020

- Use a residual income approach – how much money do households have left after rent and is it enough to cover a minimum standard of living?
 - Income Sufficiency Ratio – (residual income/MESL)
 - > 1 more than minimum
 - < 1 less than minimum
 - Proportion less than one used as indicator of affordability stress
- Three scenarios presented:
 - Baseline is pre pandemic
 - PUP-TWSS is pandemic unemployment and supports
 - PUP-TWSS Adjusted – changes the MESL in line with consumption data

TABLE 3.9 IMPACT OF EXPENDITURE REDUCTIONS ON INCOME SUFFICIENCY RATIO AFFORDABILITY MEASURE

	Baseline	PUP-TWSS	PUP-TWSS with adjusted MESL
Mean ISR	1.78	1.51	2.10
Median ISR	1.44	1.23	1.78
% with ISR < 1	30.1	41.0	18.75

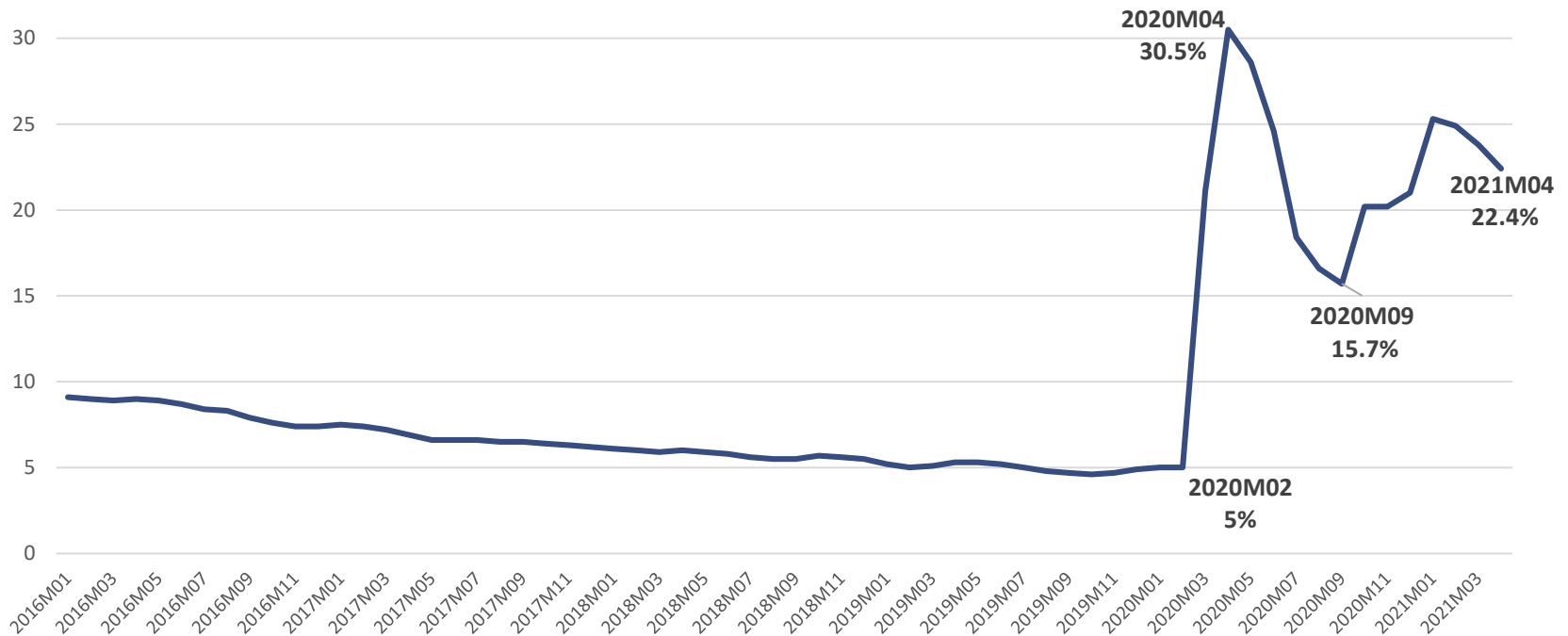
Source: Authors' calculations using SILC 2018.

RENTAL MARKET OUTLOOK

What has happened since Covid-19?

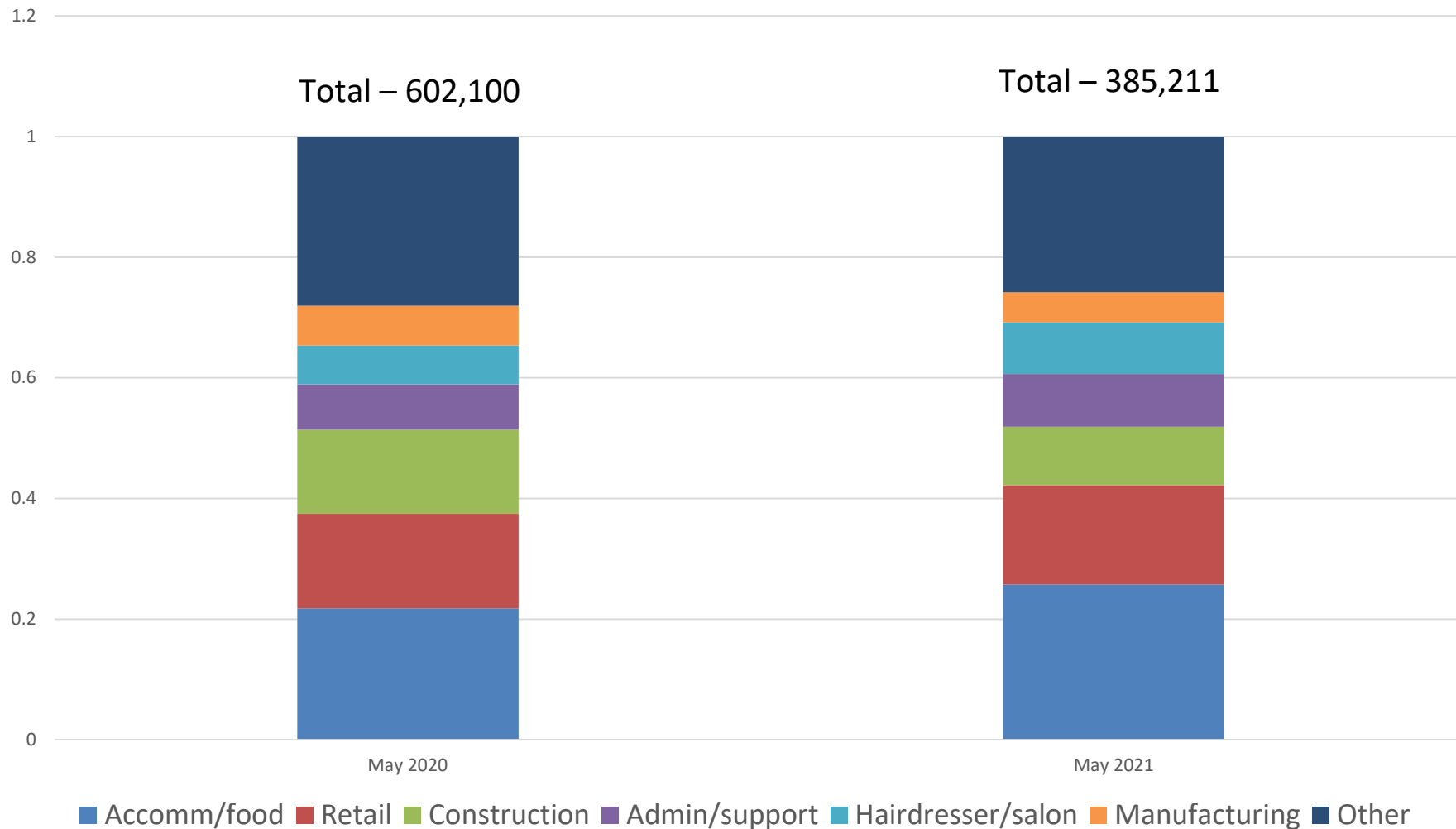
Continued labour market disruption...

Unemployment rate (Covid-Adjusted)



Source: Central Statistics Office

PUP Recipients Still Disproportionately on Sectors with More Renters



Source: Secondary data from fiscal council databank

Conclusions

- As economic recovery becomes more ingrained, employment prospects should improve but rental price pressures may materialise
- Affordability challenges likely to remain for proportion of rental sector
- Long term solution is increased supply
 - Potential for cost rental tenure to play role
 - Likely preference for transition for many renters to homeownership which may or may not materialise
- Policy context is important
 - Pandemic supports for renters
 - HAP now available and buffer some of the housing cost burden in short run
 - Rent stabilisation measures through RPZs etc

Contacts and links

Many thanks.

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Papers are here:

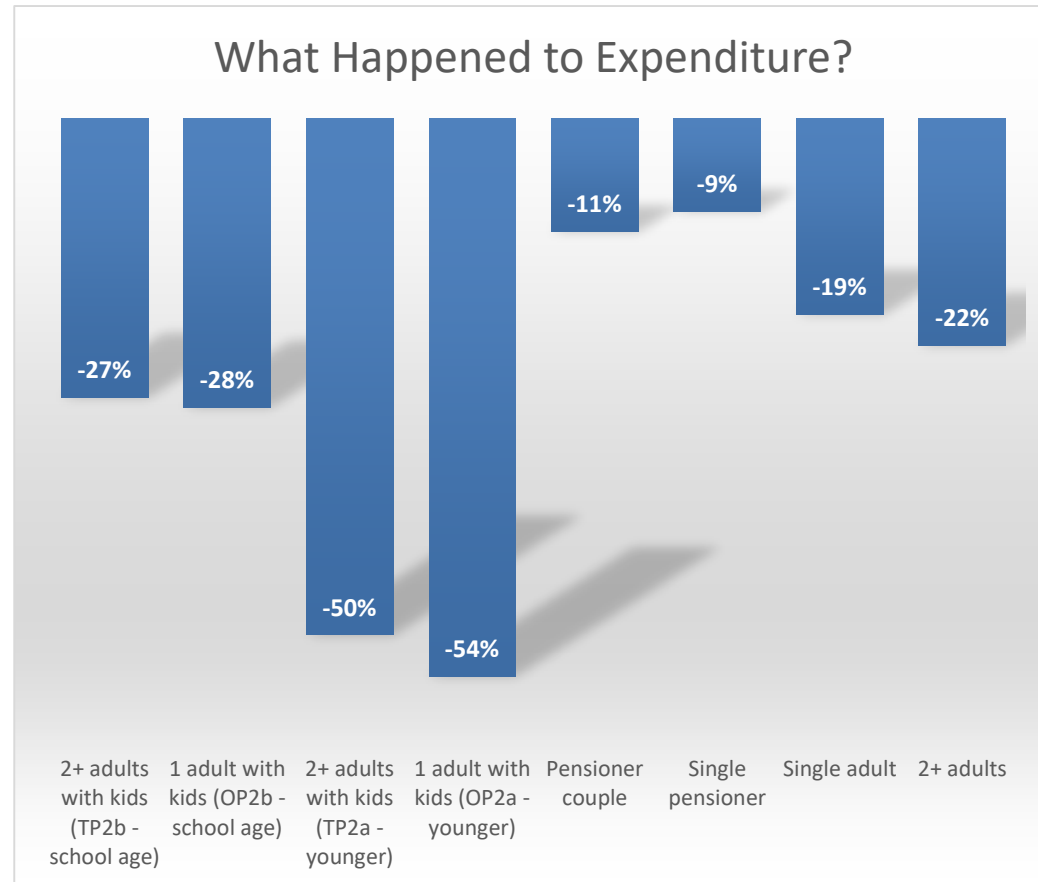
<https://www.esri.ie/article/view/1121>

<https://www.esri.ie/publications/exploring-the-short-run-implications-of-the-covid-19-pandemic-on-affordability-in-the>

Annex

But the first lockdown was unique?

- But expenditure was “constrained” by public health measures?
- Can we simulate what these changes would imply in the short run for household required expenditures?
- We adjust the MESL data downward to changes in consumption basket from lockdown



Do we have a short term solution?

TABLE 3.10 IMPACT OF RENT SUPPLEMENT ON AFFORDABILITY OUTCOMES

	Baseline – pre-COVID-19	Pandemic Income Supports – PUP & TWSS	Pandemic Income Supports with Rent Supplement
Mean RTI	25.8	30.1	24.7
Median RTI	23.6	25.9	23.6
% with RTI>30%	25.7	32.3	24.2
Mean Residual income (monthly)	3461	2958	3383
Median Residual income (monthly)	3224	2765	3153
Mean ISR	1.78	1.51	1.74
Median ISR	1.44	1.23	1.40
% with ISR<1	30.1	41.0	26.9

Source: Authors' calculations using SILC2018.

Changes to income (to June 2020) by household type

TABLE 3.5 COVID-19 INCOME SHOCKS

	Non-supported Private Rental		All Households	
	Pandemic Income Supports – PUP & TWSS	Traditional Income Supports – Jobseeker’s Benefit & TWSS	Pandemic Income Supports – PUP & TWSS	Traditional Income Supports – Jobseeker’s Benefit & TWSS
Mean % change in net income	-8.8	-16.5	-6.8	-11.3
% Households whose incomes:				
Fall	48.3	60.0	36.2	43.6
No Change	33.6	33.6	52.8	52.8
Rise	18.1	6.4	11.0	4.5

Source: SILC 2018.