

Pricing and affordability of Ireland's new Cost Rental tenure

A Microdata Exploration

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1 The gap in Ireland's rental system

1/21

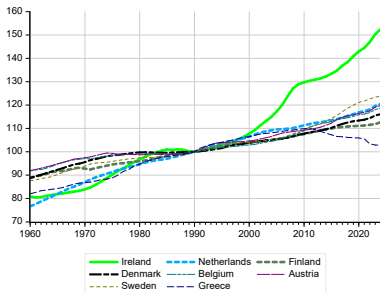
- ▶ Declining homeownership & rapid population growth have increased reliance on the PRS (Slaymaker et al., 2022)
- ▶ Persistent affordability pressures (Corrigan et al., 2019) that extend well up the income distribution: middle-income renters face poor affordability outcomes vs European peers (Disch & Slaymaker, 2023)
- ▶ Much of the PRS stock is poorly suited to long-term housing needs, including in terms of energy efficiency, dwelling quality and landlord investment horizons (Kren et al., 2025)

This leaves a gap for affordable, secure and suitable long-term rental housing for “squeezed middle” households

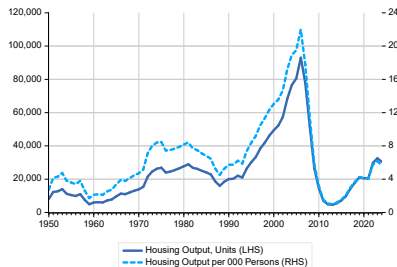
1 Ireland: demographic and housing supply pressures

2/21

Population



Housing supply



- ▶ Housing supply has not kept pace with underlying demographic and economic developments leading to a structural undersupply (Bergin & Egan, 2024; Conefrey et al., 2024)
- ▶ Resulting pressure on rents and house prices has worsened affordability pressures

1 What we do in this research

3/21

1. Profile the emerging cost rental sector

- ▶ Examine spatial, dwelling and provider characteristics

2. Estimate like-for-like rental price differences

- ▶ Use hedonic methods to compare cost rental rents with private market rents, controlling for property and location characteristics

3. Assess affordability and effective access

- ▶ Assess how much cost rental reduces rent-to-income burdens and if affordability issues remain

4. Examine broader market impacts

- ▶ Early price dampening effects on PRS?

1 What is Ireland's new cost rental tenure?

4/21

- ▶ **New tenure** Introduced via Affordable Housing Act 2021
 - > Intermediate tenure between income-linked social housing rents and market-driven PRS
- ▶ **Rents linked to economic cost of provision**, not market rent
 - > Costs - 40 year calculation: building, financing, management, maintenance
 - > Providers: Approved Housing Bodies, Land Development Agency, local authorities
 - > Initial rents $\geq$ 25% below market
- ▶ **Target group**: above social housing income thresholds but unable to afford PRS or homeownership:
 - > Net household income: $< \text{€}66,000$ (Dublin) & $< \text{€}59,000$ (elsewhere)
- ▶ **Allocation** Lottery; affordability requirement: rent $\leq$ 35% of net income (some providers flexible)
- ▶ **Security of tenure** Six-month probation period followed by unlimited duration

1 How can cost rental achieve below-market rents? - Mechanisms

5/21

Non-profit provision

- ▶ Cost-recovery basis with no developer margin

Lower upfront and ongoing financing costs

- ▶ State-supported, long-term, low-cost financing (HFA, CREL, AHF, STAR)

Access to public or discounted land

- ▶ Particularly through LDA-led schemes

Profile of cost rental sector

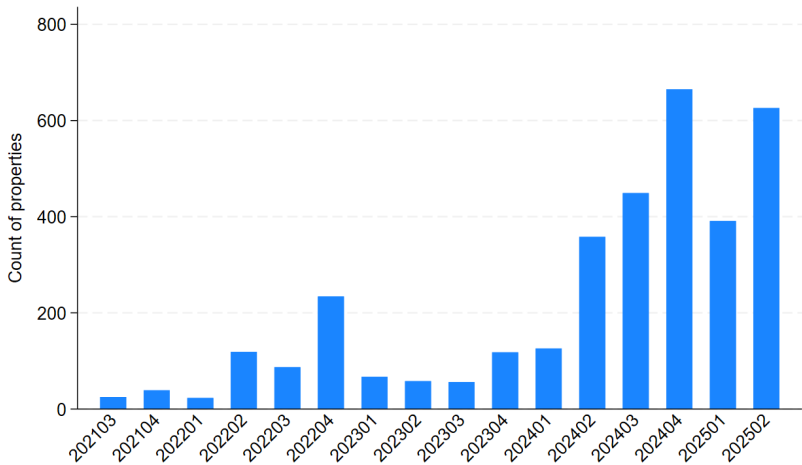
2 Data overview

6/21

- ▶ **Source:** Residential Tenancies Board (RTB) administrative tenancy register
 - > Compulsory for landlords to register annually
- ▶ **Coverage:** All cost rental units; 3,595 properties (Q3 2021–Q2 2025); all new PRS tenancies
 - > Cost rental $\sim$ 1% of Ireland's total rental stock
- ▶ **Comparator:** PRS restricted to 30 LEAs with cost rental presence

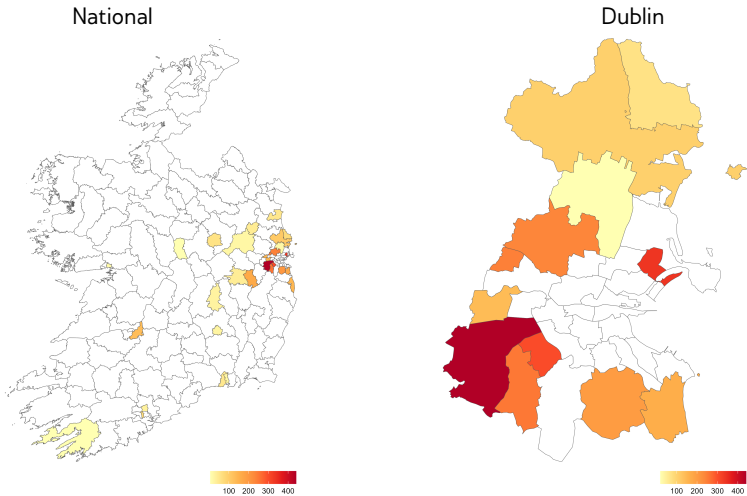
2 Number of cost rental properties by quarter first seen

7/21



2 Cost rental properties by local electoral area (LEA)

8/21



2 How do cost rental properties compare to PRS in the same LEAs?

9/21

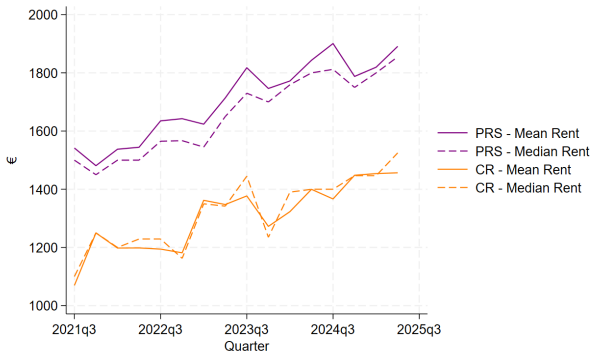
	PRS*	Cost Rental
Region		
Dublin	45.1	71.1
GDA	7.8	16.2
Outside the GDA	47.1	12.7
Housing Type		
House	43.5	22.0
Apartment	56.5	78.0
Number of Bedrooms		
1	21.9	26.8
2	38.4	54.3
3 or more	39.8	19.6
Building Energy Rating		
A(1-3)	8.2	60.4
B(1-3)	7.3	0.0
C(1-3)	16.3	0.0
D1 or below	14.3	0.0
Unknown	53.9	39.6
Provider		
LDA		39.8
Other		60.2

Cost rental properties:

- ▶ Smaller: more 1&2 beds - addresses important gap in existing stock
- ▶ More apartments
- ▶ More energy efficient
- ▶ **Caution** when comparing raw prices as not like for like

2 How do raw average cost rents compare to PRS rents (new tenancies)?

10/21



- ▶ Taking Q2 2025: €1,891 PRS vs €1,457 cost rental
- ▶ Across period, mean cost rent ranges from €300-500 lower per month vs PRS
- ▶ **Caution** - not comparing like with like re property locations & characteristics

Estimating the like-for-like price discount

3 Estimating the like-for-like rent discount - 2 approaches

11/21

Raw rents are not directly comparable: cost rental and PRS homes differ in location and characteristics.

1 Quarterly average discount

- > Compare cost rental and PRS rents, controlling for property characteristics, location and quarter.
- ⇒ Estimates the **average adjusted price gap in each quarter**.

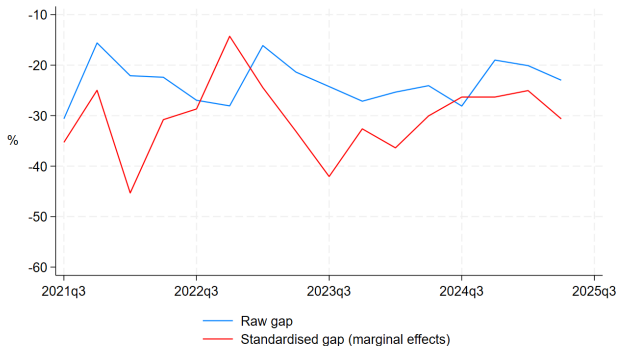
2 Property level counterfactual PRS rent

- > Estimate relationship between rent and property characteristics using PRS sample
- > Apply the estimates to each cost rental property to predict its counterfactual PRS rent & compare with its actual cost rent
- ⇒ Shows the **distribution of discounts** and variation by size and provider

1 tracks the average discount over time & 2 shows how it varies across properties.

3 Adjusting for property differences reveals a larger rent discount

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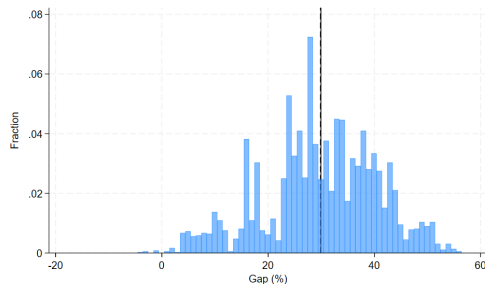
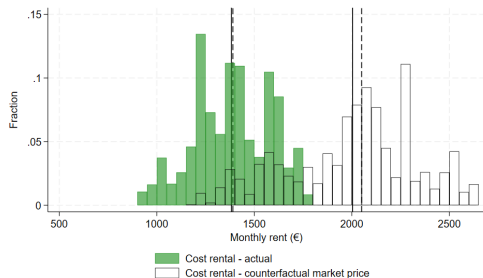


- ▶ Quarterly hedonic estimates indicate cost rents approx. 25-30% below comparable PRS rents
- ▶ Adjusted gap is generally larger than the raw difference
- ▶ Raw comparisons understate the cost rental advantage because the stock is newer and more energy efficient

3 Average property level counterfactual discount of almost 30%

13/21

Taking account of their location and characteristics, what would these cost rental properties be expected to rent for in the PRS?



- ▶ Mean and median estimated discount: 29.9%
- ▶ Most discounts in 25-45% range
- ▶ Average cost rent is €625 below their average PRS counterfactual rent

3 How do discounts vary by provider and property size?

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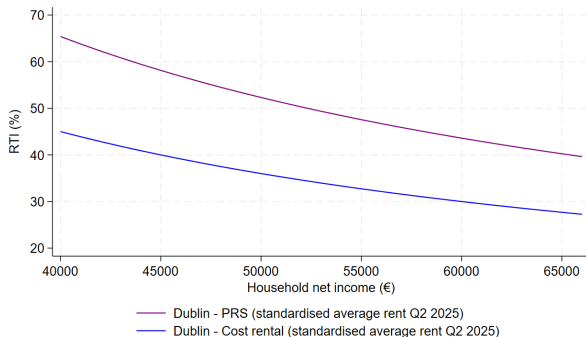
	Mean (%)	Median (%)
<i>No. bedrooms:</i>		
1	37.5	37.5
2	28.8	28.2
≥3	22.5	23.3
<i>Provider:</i>		
LDA	33.9	34.1
Other	27.1	28.1
Total	29.9	29.9

- ▶ Higher discounts in LDA developments
 - > consistent with differences in location, development scale & access to public land
 - > AHBs often in smaller markets
 - > AHBs may purchase 'turnkey' from private developers (Norris et al., 2026)
- ▶ Higher discounts for smaller units
 - > may partly reflect their concentration in larger developments

Affordability and effective access

4 Affordability: Cost rental can materially reduce rent-to-income ratios

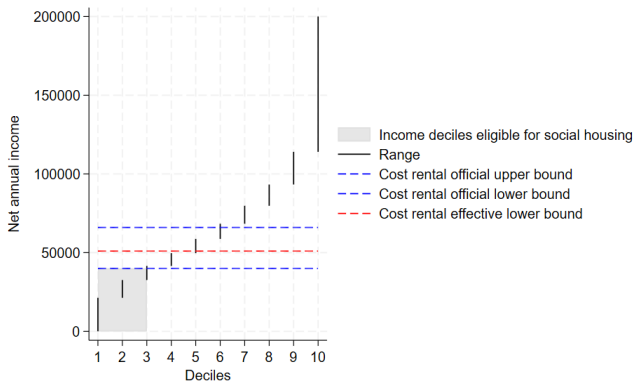
15/21



- ▶ Illustrative analysis using Q2 2025 average Dublin rent and scheme income thresholds
- ▶ Sizeable reduction in RTI
~15pp
- ▶ In practice some may trade-off part of affordability benefit to raise quality of dwelling (Byrne et al., 2024)
- ▶ **But** <€51k RTI still above 35%

4 Eligibility does not always translate into effective access

16/21



- ▶ Cost rental targeted at income deciles 4-6
- ▶ Some in 4th decile cannot satisfy affordability test ($\leq 35\%$ RTI)
- ▶ The group able to access cost rental is narrower than the intended target population
- ▶ This reflects the interaction between household income, underlying delivery costs, income limits and affordability assessments

Broader market implications?

5 Cost rental: objectives, current scale & broader market implications ^{17/21}

Two broad objectives

- 1 **Direct:** enable access to housing otherwise unattainable in the PRS (affordability, quality, security of tenure)
- 2 **Indirect:** exert downward pressure on PRS prices and rental inflation

Scale (as at Q2 2025)

- ▶ Still small: approx. 1% of rental stock
- ▶ Growing fast: 6.4% of new tenancies in 30 LEAs with cost rental; $\geq 10\%$ in 11 LEAs
- ▶ Rising share of new dwelling completions: 5.3% (2024) and 6.7% (2025H1)
- ▶ No local rent dampening effect detectable so far - unsurprising given scale

6 Summary of key findings

18/21

- ▶ Cost rental provides substantial rent discounts vs market rents: 30% on average on like-for-like basis
- ▶ Standardised price gap is larger than the difference in raw average rents - Cost rental stock is newer & more energy efficient
- ▶ Heterogeneity in rent discounts across providers & property size
- ▶ Material affordability improvements: lower illustrative RTI burdens (~15pp)
- ▶ But affordability constraints remain for some households at the lower end of the intended income range
- ▶ Provision is geographically concentrated in suburban Dublin and commuter areas
- ▶ No wider PRS rent dampening effect detectable so far - unsurprising given scale

6 Discussion: sustaining affordability as cost rental scales

19/21

- ▶ Significant policy innovation addressing structural affordability challenges
- ▶ Long-term success will depend on achieving balance between tenant affordability, effective access & financial viability
- ▶ Long-term, low cost finance and public or discounted land central to achieving that balance
- ▶ Over time move towards rents based purely on economic cost
 - > Phase out $\geq 25\%$ below market requirement and set rents purely on *economic cost*
 - > Insulate provision from market fluctuations and reduce the risk of pro-cyclical delivery

6 Discussion: developing cost rental as a broader rental tenure

20/21

► **Broaden geographical reach**

- > Higher market rents & incomes have made suburban Dublin & commuter belt most viable areas to date
- > Expansion into other locations may require different combinations of land, finance, subsidy & delivery models

► **Complementary roles of different providers**

- > Leverage LDA scale & public land to deliver larger discounts in urban markets
- > AHBs/LAs can help sustain provision in smaller towns & at smaller scale

► **Review scheme parameters together**

- > Rent levels, income limits and affordability assessments jointly determine effective access
- > Periodic microdata informed review of scheme parameters
- > Consider broadening income eligibility bands as tenure matures

Thank you

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7 Cost rental funding schemes

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- ▶ **HFA Loans:** Long-term, low interest loans to AHBs and local authorities, typically covering up to 50% of development costs.
- ▶ **Cost Rental Equity Loan (CREL):** For AHBs; covers up to 55% of development costs through a 40-year state loan plus an equity contribution of up to 20%.
- ▶ **Affordable Housing Fund (AHF):** Grants for local authorities, providing up to €150,000 per unit in non-repayable capital support.
- ▶ **STAR Scheme:** For the LDA and private investors; subordinated state investment of up to €175,000 per unit in Dublin (€150,000 elsewhere), interest free for 50 years, to attract institutional capital.
- ▶ **CRTiS (Cost Rental Tenant in Situ):** Enables the Housing Agency to acquire properties from landlords exiting the market to preserve tenancies for households at risk of homelessness under cost-rental terms.