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Analysis



Dublin PRS Occupier Study

Research 2020

knightfrank.ie/research



AN ACTIVE MARKET

Survey unveils the nuances of the Dublin rental market, revealing varying accommodation needs amongst active tenant groups

Summary

1. Large sample size with over 1,200 responses from active tenants in the market, providing a unique insight into Dublin's rental market during the pandemic
2. Comparing the results with last year's survey, we analyse how the market has evolved over the past year
3. The results are also broken-down by tenant types and locations allowing valuable insights at the granular level

IN ASSOCIATION WITH



Institutional investment in Dublin's Private Rented Sector (PRS) is growing at a rapid pace, with last year's investment volume of €2.2 billion equalling the cumulative amount spent on the sector over the previous five years. While PRS has established defensive

investment qualities in the event of a cyclical economic downturn, the Covid-19 pandemic presents a unique set of challenges. New research contained within this report gives valuable real-time, data-driven insights into Dublin's rental market during this time of uncertainty.

About the survey

This year's survey builds upon the success of last year's inaugural survey. Once again, we teamed up with Daft.ie – Dublin's biggest residential lettings website – to survey those actively searching for rental accommodation in Dublin. Like last year, the survey was undertaken during the summer with the sample size again exceeding 1,200 responses. Once again, we

break-down respondents into distinct tenant groupings in recognition of the varying requirements tenants have at different stages of their life-cycle. In our view, gaining an understanding of each of these tenant sub-groups is crucial to understanding the dynamics of Dublin's rental market. We also analyse the results at a postcode level which allows for location specific insights.

Some of the key findings include:

- **Is the pandemic affecting people's search?**
Yes – 79% of those already renting in Dublin say that the pandemic is influencing their search. Of these, opportunism is the driving factor with 36% saying that the pandemic represents an opportunity to find better/cheaper rental accommodation. Interestingly, 20% are looking for a place more suited to working from home as a result of the pandemic while 14% are looking because they lost their job/had a pay cut while 8% are searching because their previous flatmate(s) moved out as a consequence of the pandemic.
- **Who's active in the market?**
Nesters (see page four for tenant group descriptions) account for the largest share of active tenants in the market (27%), followed by iGens (25%), Sharers (23%) and Soloists (16%). The high share of Nesters reflects the difficulty they have in sourcing rental accommodation due to the shortage of one-bedroom apartments in Dublin. Young and Mature Families account for 4% of the market each while Active Living comprise just 1%. The results also show that Soloists, Nesters and

iGens demonstrate a preference for apartment living while Sharers, Families and Active Living have a desire for house living.

- **How long have they been looking?**
The largest proportion (33%) of respondents have been searching for accommodation for longer than two months, with the long search time reflecting the shortage of rental supply in Dublin. It is, however, down from 49% last year which indicates that the situation has improved during the pandemic. Rental expectations have also decreased by about 10% on average across tenant groups reinforcing this perception of greater availability.
- **Which location is most popular?**
Dublin 6 is the most popular place for people to live, both in terms of where people would ideally like to live and where they ultimately expect to live. Dublin 4 and Dublin 2 are also high on the list of ideal locations while Dublin 8 and Dublin 7 are the next highest in terms of where people expect to rent. Affordability is the number one factor tenants consider when choosing a location, followed closely by proximity to transport links and the ability to get to work easily.

- **Why are people renting as opposed to owning?**
Lack of a sufficient mortgage deposit was the biggest reason (51%) for renting rather than buying for all tenant groups and was highest for Nesters (61%) and Mature Families (58%). The Central Bank's macro-prudential policy combined with the relative high cost of housing in Dublin means that long-term renting is an increasingly dominant form of tenure. 47% of respondents in our survey anticipate staying in Dublin's private rented sector for at least three years.
- **How do prospective renters view professionally managed PRS schemes?**
With long-term renting trends increasing, prospective renters view the security of tenure and reliability of dealing with management as the most appealing features of professionally managed PRS schemes. While value-add amenities such as gyms and games rooms are important in helping a scheme stand out from the competition, it is the rental market's essential need for secure and reliable accommodation that institutional investment in PRS is successfully addressing in Dublin.

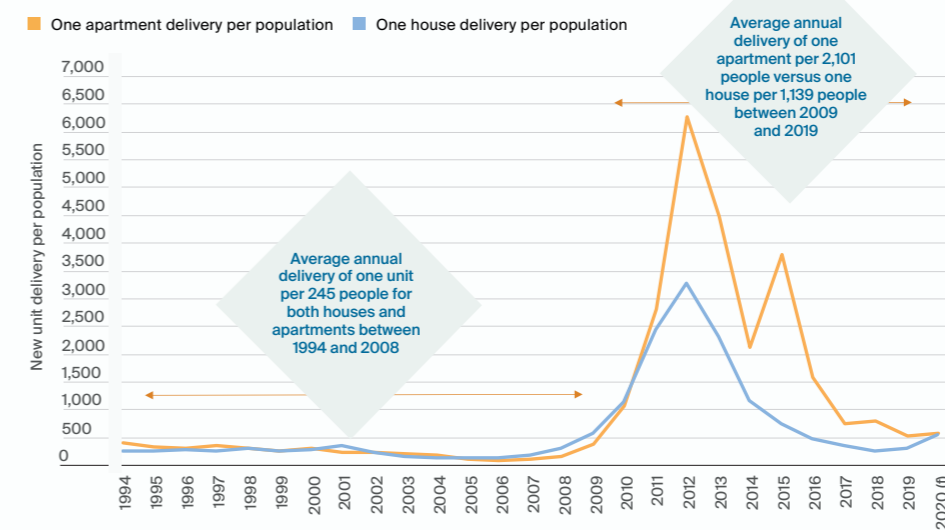
The requirement for a professionally managed PRS sector

As illustrated in the graph to the right, we have been delivering far too few apartments for our population size relative to historical norms. Between 1994 and 2008, we delivered on average one unit per 245 people per annum in Dublin for both houses and apartments. Since then, however, while we have consistently under-delivered both houses and apartments, output has been much worse for the latter. Since 2009, new delivery has averaged one house per 1,139 people per annum while apartment delivery has been almost half this rate at one apartment

per 2,101 people. The reasons for this are numerous but centre around the high upfront cost and risk associated with apartment delivery compared to housing. The development of a professionally managed PRS sector in Dublin should be welcomed by public policy stakeholders and renters alike, as it provides the required investment capital to the sector without government financing while also delivering high-quality, long-term rental options for tenants. Our survey shows that prospective tenants recognise this, with security of tenure and reliable property management listed as the two most

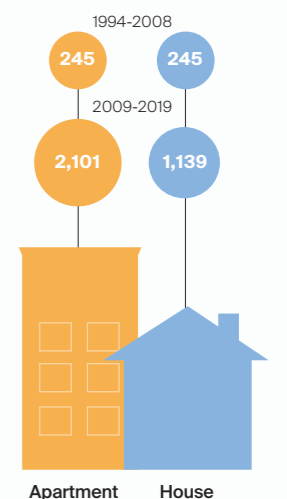
appealing factors when it comes to professionally managed PRS schemes. We can see that institutional investment in this emerging sector is already working with new apartment delivery per population now converging with new housing delivery, and we expect it to surpass it from 2021 onwards. The requirement for professionally managed schemes is only going to grow into the future, with our research showing that the private rented sector in Dublin is going to expand by at least 20% between now and 2036, illustrating why this investment is so badly needed.

Completions per population, apartments v houses



Source: Knight Frank Research, CSO, DoHLGH

Average annual delivery of one unit per population



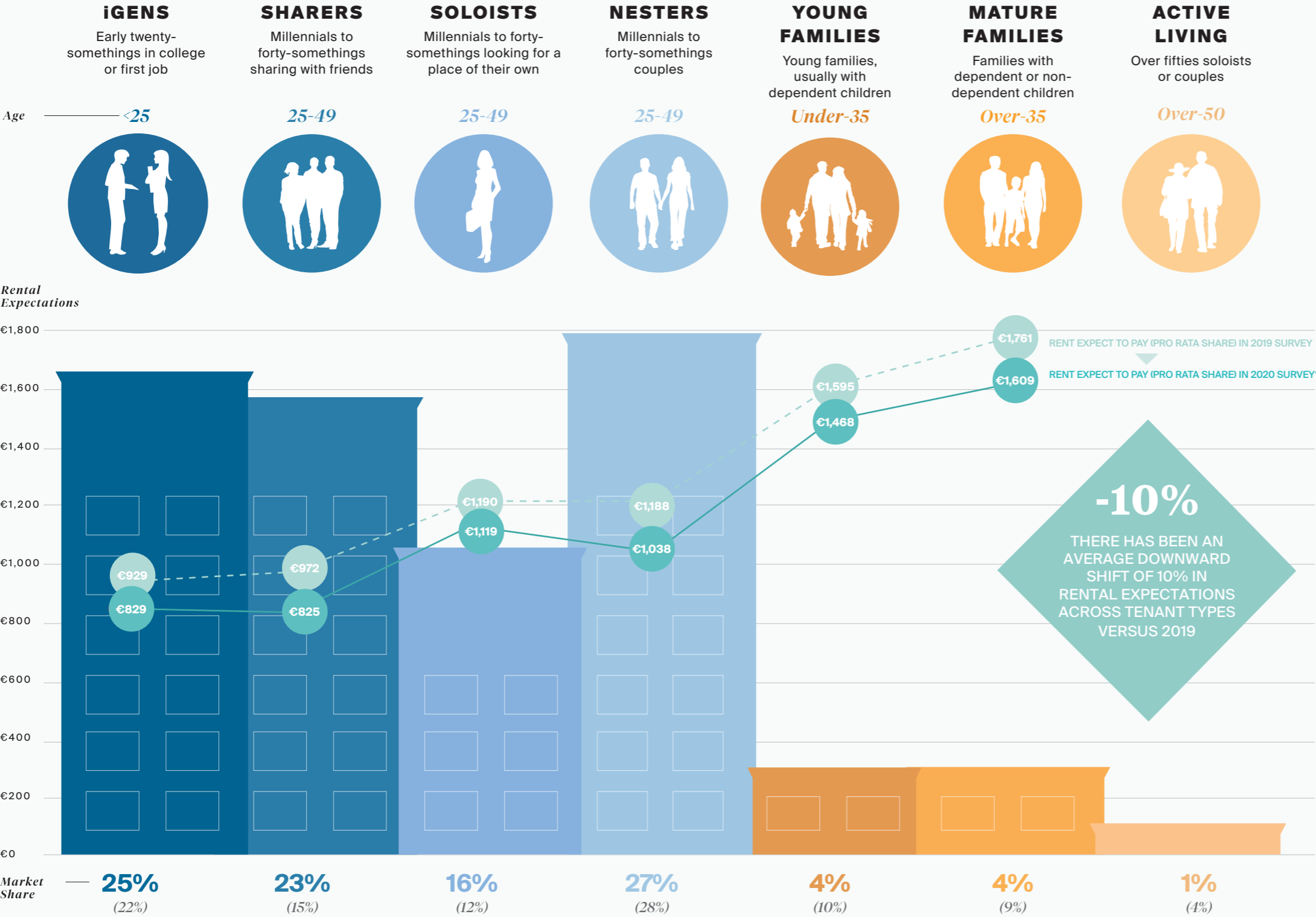
PROFILE OF SURVEY RESPONDENTS R

There are seven distinct categories of renters active in Dublin, grouped by shared socio-demographic characteristics. This categorisation recognises that renters are not a homogeneous group and thus have differing accommodation needs based on their life-cycle circumstances.

KEY TO QUESTIONS

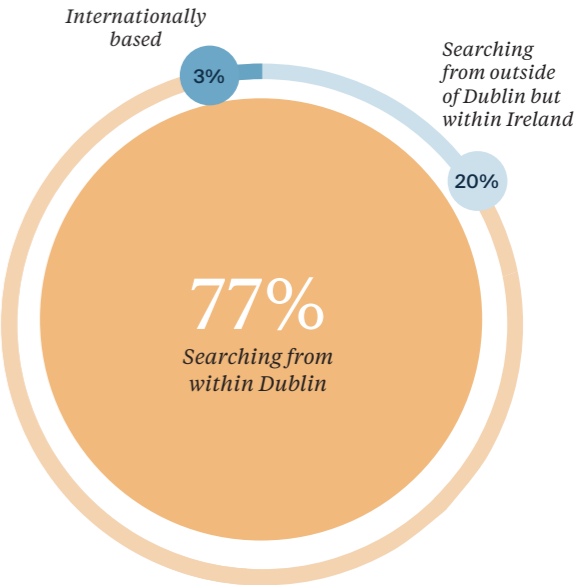
N New question

R Repeat question from 2019, with last year's results represented in brackets next to this year's



*For example, the Nesters category may consist of two young professionals paying €1,038 each towards rent each month if splitting rent evenly while one person in the Young Family household may be responsible for paying the €1,595 rent per month for the whole family if the partner is not working outside of the home. Rent expectations not included for Active Living due to their small sample size

◆◆
As with last year's survey, Nester's are the most active tenant group with a 27% market share, followed by iGens with 25% and Sharers with 23%, with the latter representing a significant increase on the 15% recorded last year. Families, both Young and Mature, are notably less active this year, accounting for a combined market share of 8% versus 19% in 2019.
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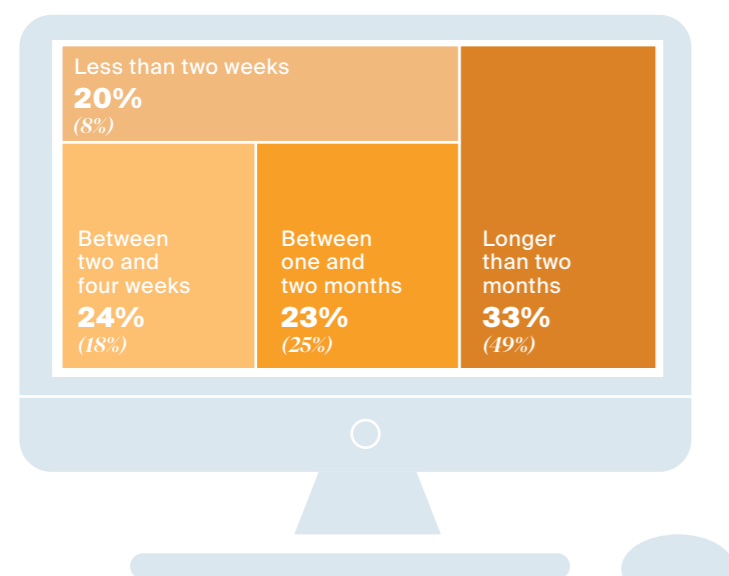
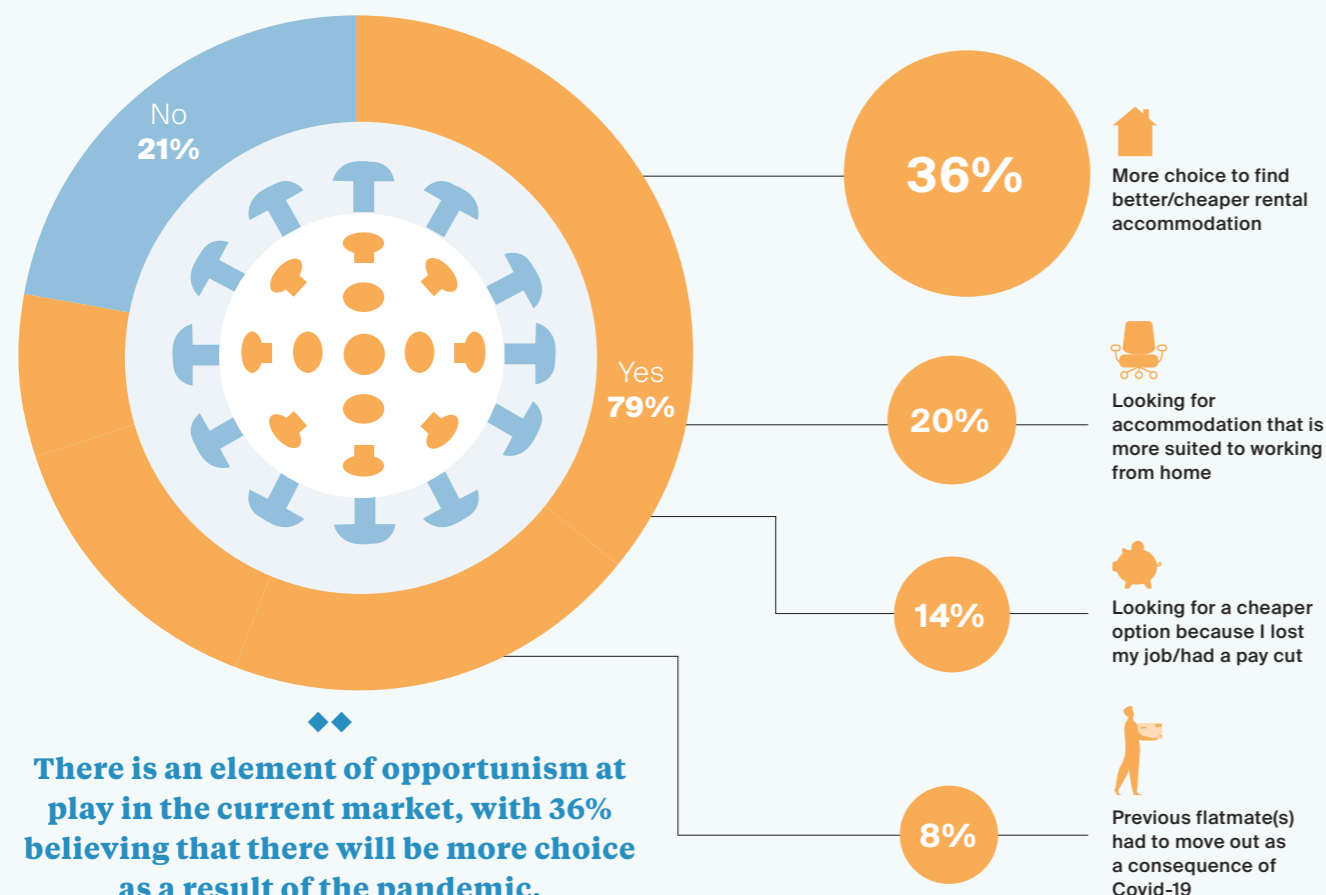
Just over three quarters of active tenants in the market are already based in Dublin, while 20% are outside of Dublin but within Ireland. The remaining 3% are internationally based.

34%
of net income is what respondents expect to pay on rent. Interestingly, despite tenant groups paying varying rental amounts, there is very little variation from this 34% ratio amongst tenant groups.

N

IS COVID-19 INFLUENCING YOUR RENTAL SEARCH?

(if already renting in Dublin)



R

HOW LONG HAVE YOU BEEN LOOKING FOR NEW ACCOMMODATION?

The amount of time people have been looking for rental accommodation has been substantially reduced since last year's survey with 33% looking for more than two months compared to 49% last year. Those looking for less than two weeks rose from 8% last year to 20% this year. This supports the finding above that many active tenants are searching opportunistically for accommodation as they believe that they will find better/cheaper accommodation as a result of Covid-19.

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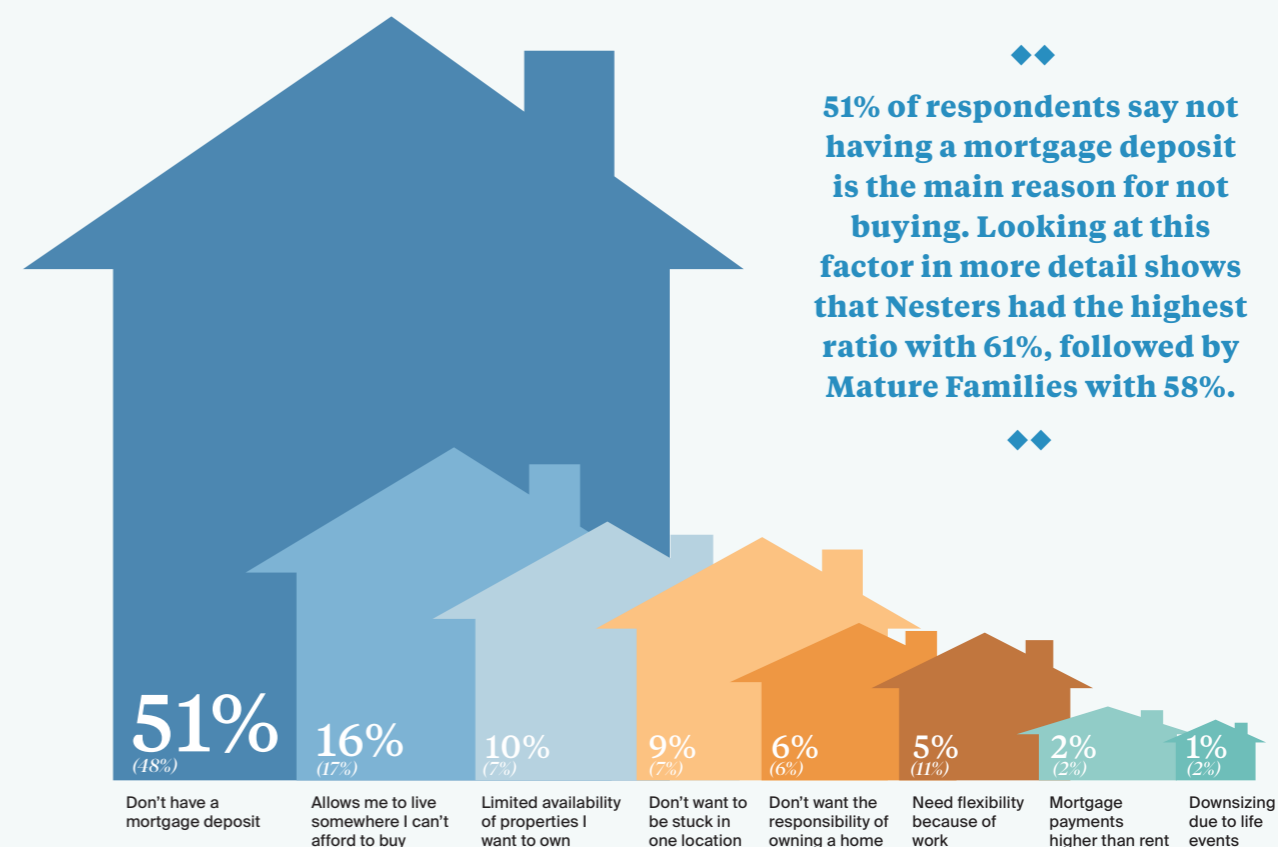
APARTMENT VERSUS HOUSE LIVING

Soloists, Nesters and iGens display a desire for apartment living, while Active Living, Families and Sharers would prefer to rent a house.

	APARTMENT	HOUSE
iGens	60%	40%
Sharers	44%	56%
Soloists	75%	25%
Nesters	66%	34%
Young Families	35%	65%
Mature Families	36%	64%
Active Living	35%	65%

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WHY ARE YOU RENTING RATHER THAN BUYING?





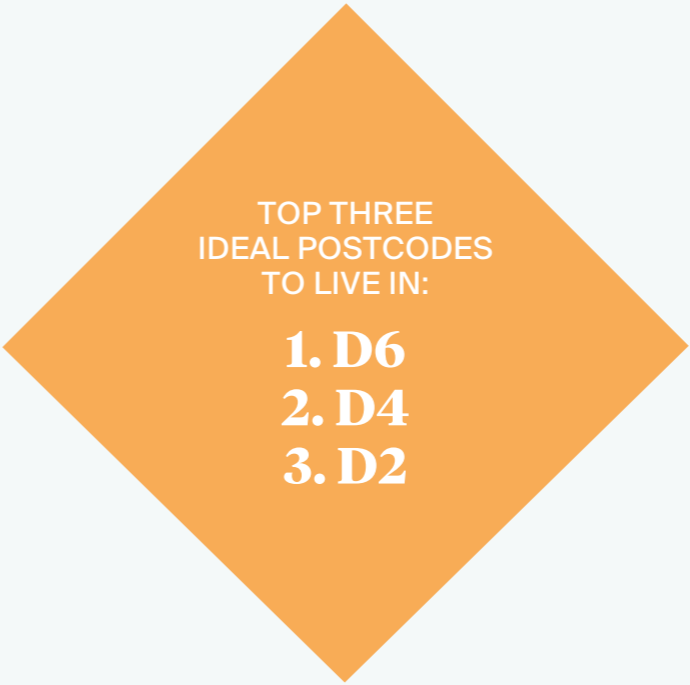
**LOCATION ANALYSIS -
IDEAL VERSUS EXPECTED**

When asked to choose their ideal postcode in which to rent, D6 (14.8%) has the highest desirability followed by D4 (14.1%) – which occupied the top spot in last year’s survey – and with D2 (10.6%) in third. When asked for the postcode in which they expect to rent, D6 is also the number one expected destination (11.0%),

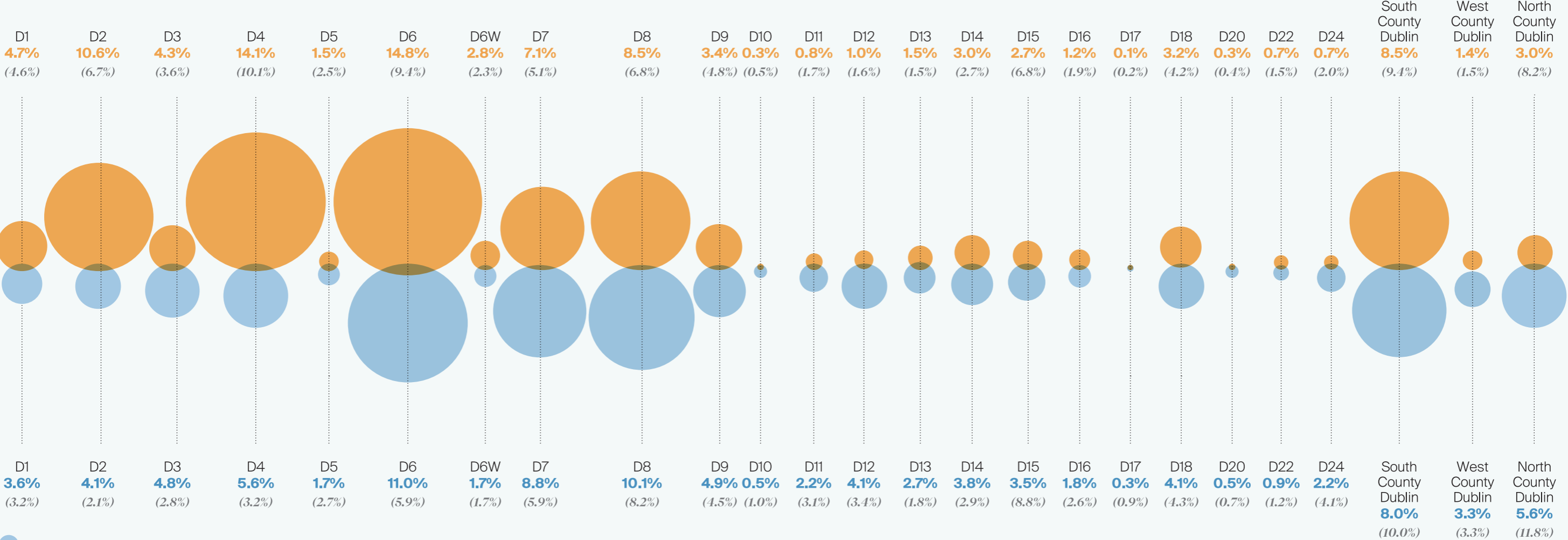
followed by D8 (10.1%) and D7 (8.8%). D6 is particularly sought-after by iGens and Sharers while D18 is the number one expected destination for both Young and Mature Families.

South County Dublin displays the closest match between supply and demand for a

postcode as indicated by the closeness of ideal and expected, while D6, D7 and D8 are also similar. D4 and D2 have the largest gap between those who would like to live there versus those who expect to do so, reflecting the high relative rental costs in these areas. Overall, 45% expect to live in their most desired location.



Where respondents would ideally like to rent



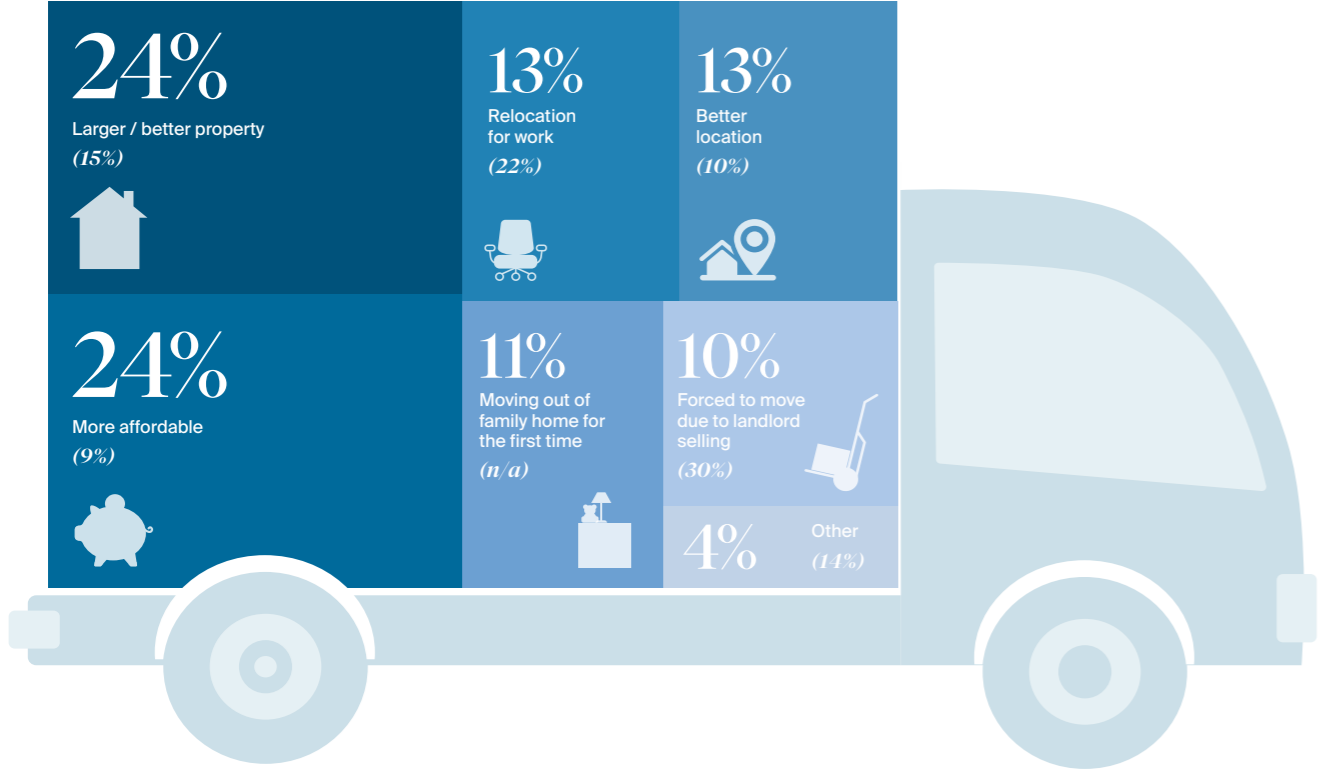
Where respondents expect to rent

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WHY ARE YOU MOVING?

It is clear that respondents believe it is a tenants market, with larger/better property and affordability being the primary motivations to move. Despite the pandemic, relocation for work is the third most cited reason for moving.

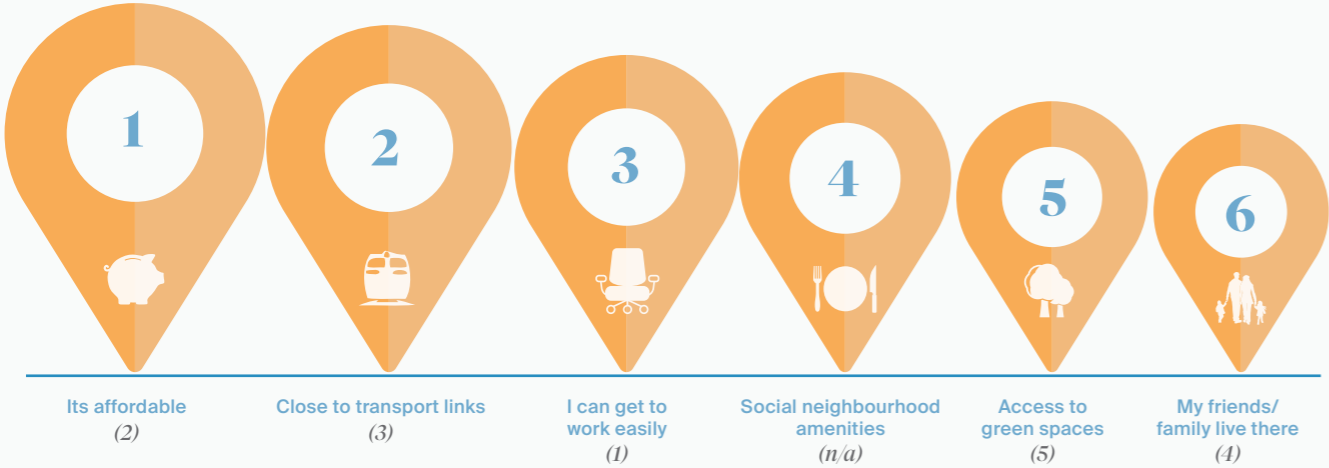
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13% are moving for work despite the economic and ‘working from home’ effects of the pandemic.
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WHAT IS THE MOST IMPORTANT FACTOR WHEN CHOOSING A LOCATION?

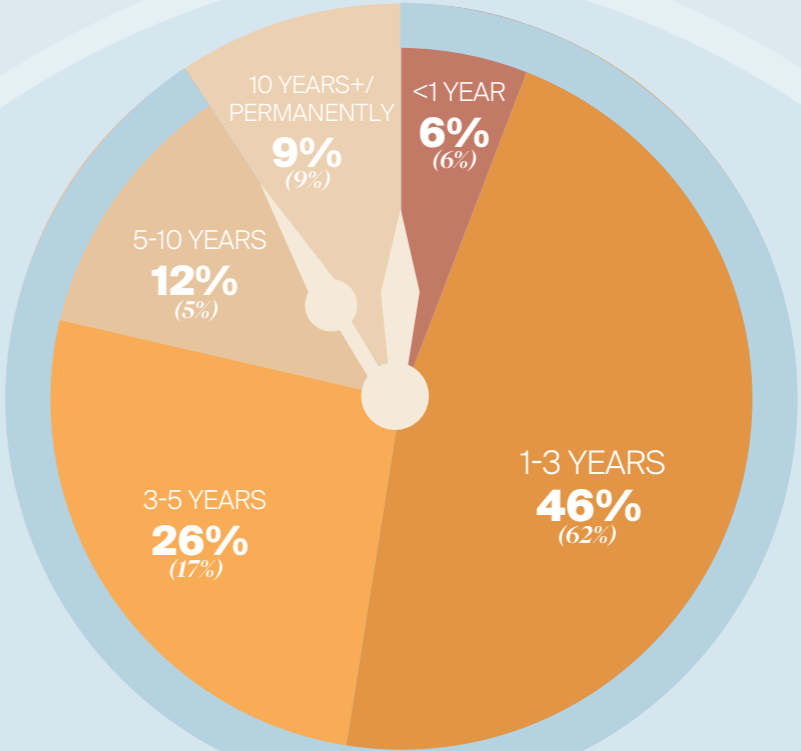
Affordability is the number one factor active tenants consider when choosing a location, followed closely by proximity to transport links with the ability to get to work easily in third. Social neighbourhood amenities such as cafes, bars and restaurants were the next important consideration.



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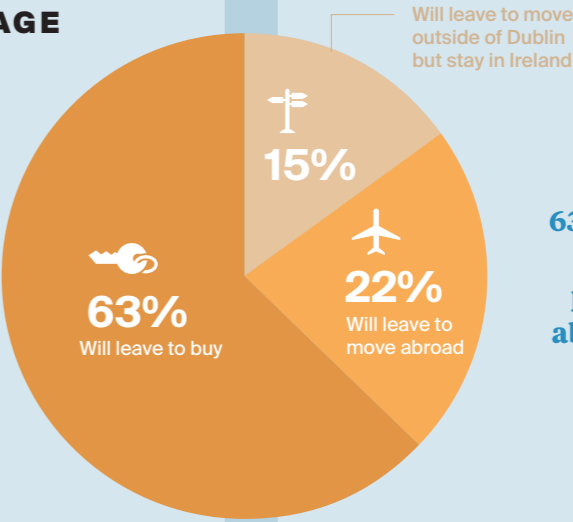
HOW LONG DO YOU SEE YOURSELF RENTING IN DUBLIN?

◆◆
47% expect to stay in Dublin’s private rented sector for at least three years.
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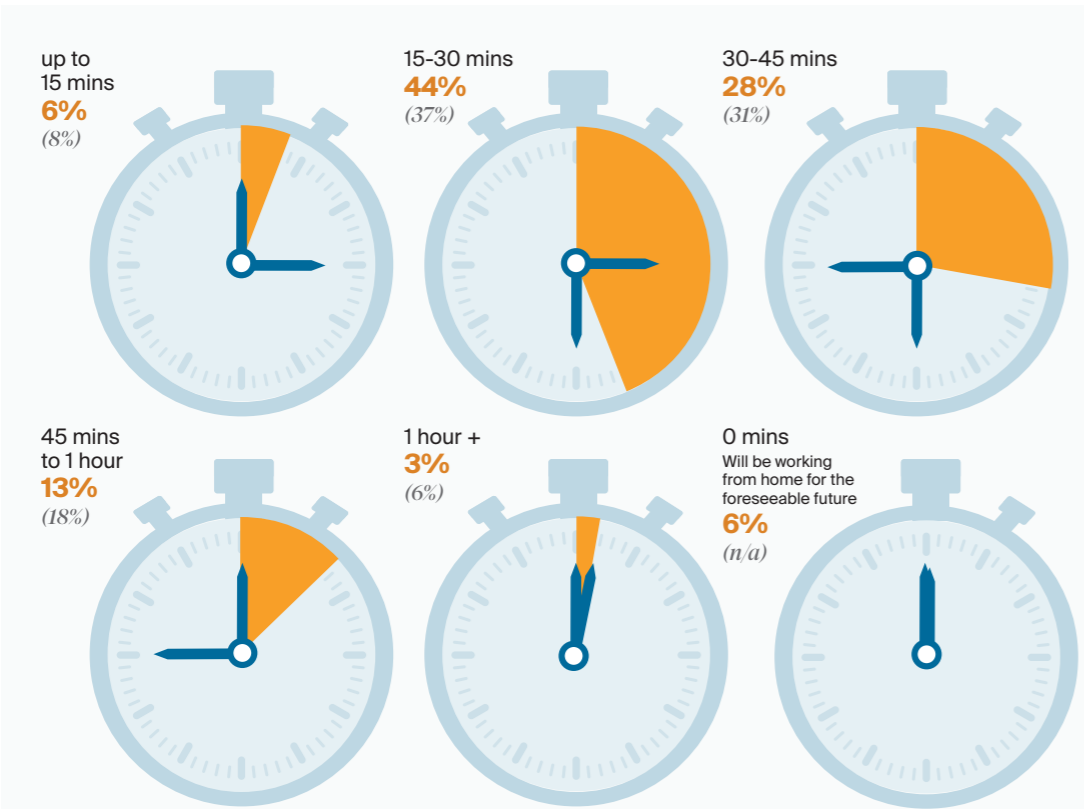
WHY DO YOU ENVISAGE LEAVING DUBLIN’S RENTAL SECTOR?



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63% will leave to buy with the balance planning to move abroad or elsewhere within Ireland.
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HOW LONG DO YOU EXPECT
YOUR COMMUTE TO BE?

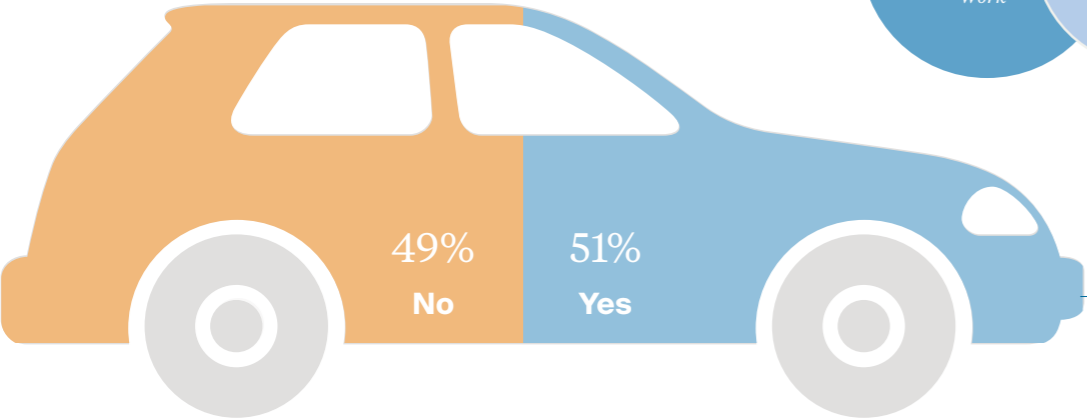
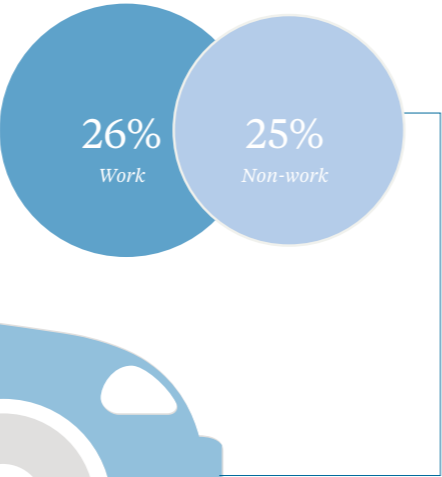


50% expect to be within a
30 minute commute to work.

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DO YOU REQUIRE A CAR?

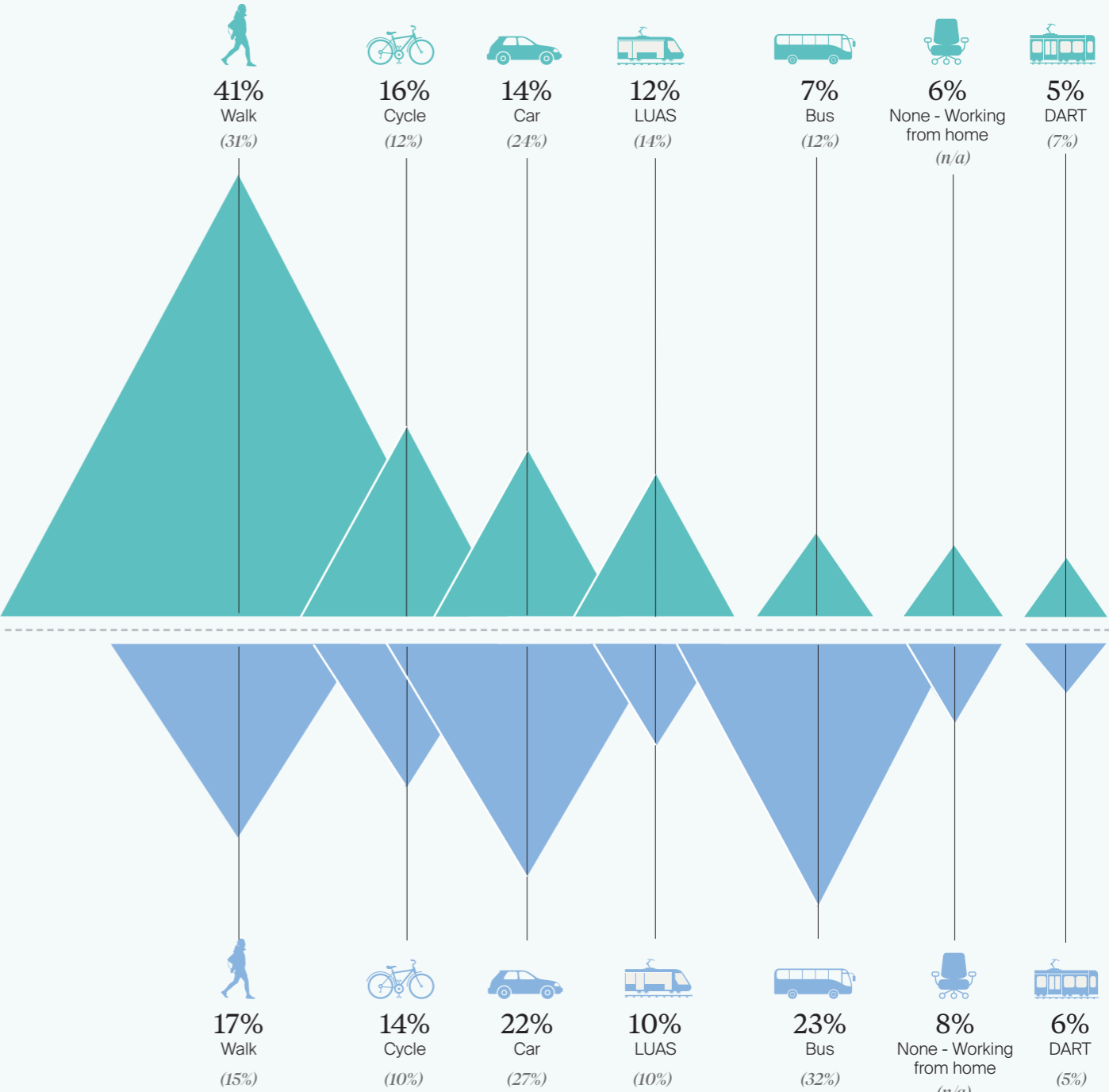
There was almost an equal split between those who do and don't require a car. For those that do, it is almost an even split regarding those that need it for work and non-work purposes.



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TRANSPORT PREFERENCES

Mode of transport respondents would ideally like to use



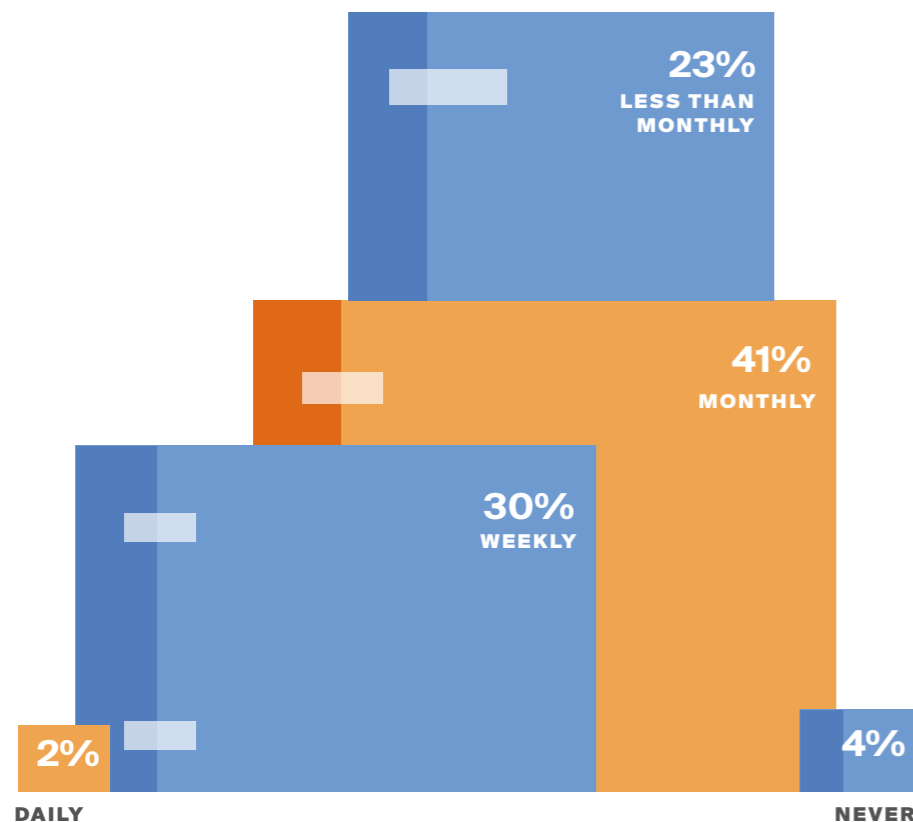
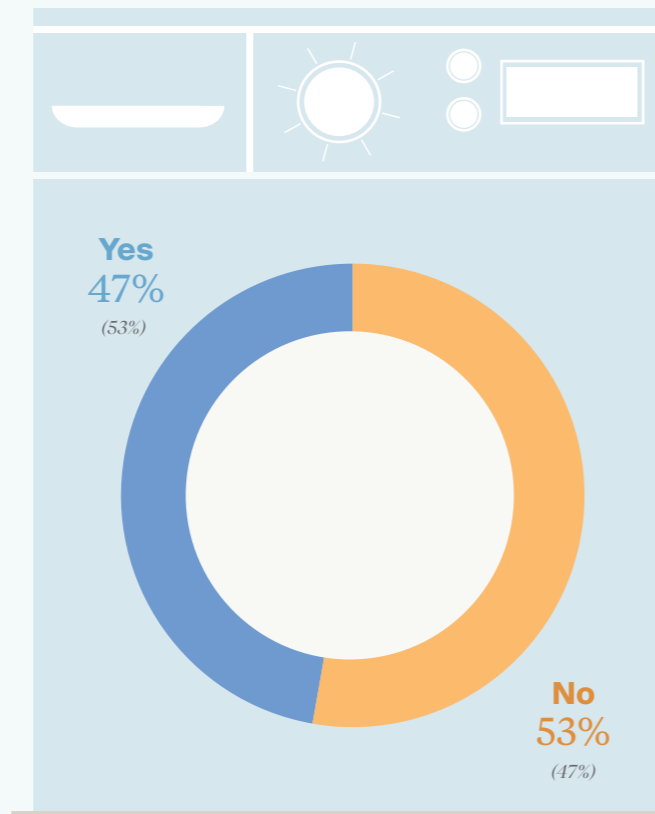
Mode of transport respondents expect to use

While walking would be the preferred mode of transport among active renters, the highest proportion expect to take the bus.

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ARE ON-SITE AMENITIES IMPORTANT TO YOU?

47% of respondents said on-site amenities are important when making a decision on whether to rent a property.

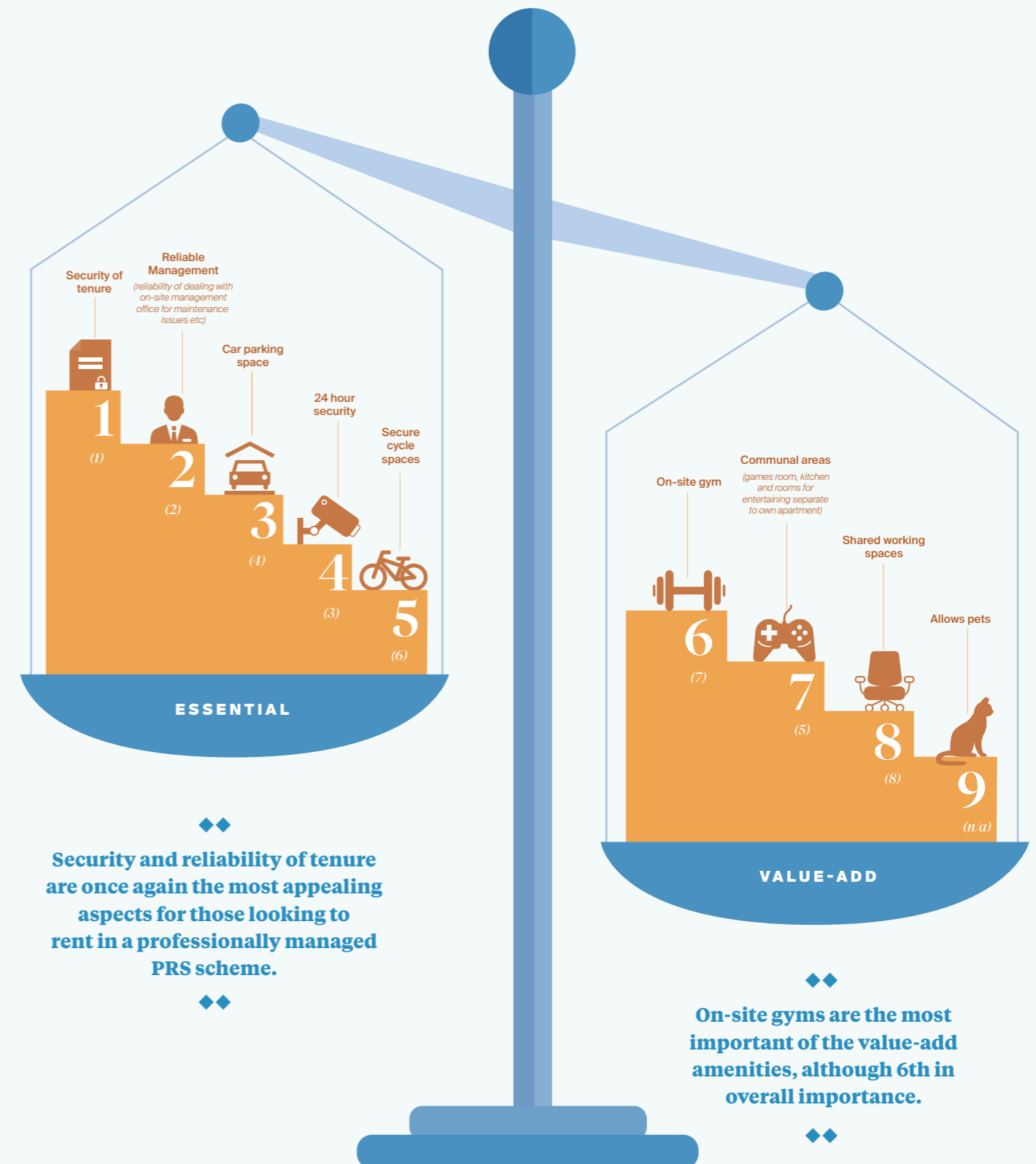


HOW OFTEN DO YOU EXPECT TO RECEIVE PARCELS?

With 73% of respondents expecting to receive parcels at least on a monthly basis, the offering of parcel storage facilities in professionally managed PRS schemes is becoming an increasingly important consideration for tenants.

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RANKING THE APPEAL OF PROFESSIONALLY MANAGED PRS SCHEMES





Brexit Under Pressure



The London Report
2020



The Wealth Report
2020



Dublin Office
Market Overview

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