



Ireland's Biggest Property Website

The Daft Report

Quarter 4 2004

An analysis of recent trends in the Irish Rental Market

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Introduction to the Daft Report

Daft.ie is Ireland's biggest property website with over 600,000 visits per month and in excess of 12,000 properties on the site at any one time. Since its inception in 1997, Daft.ie has become synonymous with renting property in Ireland. Each year over 75,000 rental properties are advertised on Daft. These properties are sourced from over 900 estate agents and 34,062 registered landlords around the country.

Over the last 7 years we have collected enormous amounts of data on the Irish Rental Market. Realising that this information is invaluable to people who are considering buying a property, we have decided to compile this data into a publicly available quarterly report. Our hope is that this report will help investors and in particular first-time-buyers (who wish to service their mortgage by renting out a room) make informed decision about purchasing.

This is the first Daft Report to be issued. The report will be released at the end of each quarter and will be available from www.daft.ie/report

Highlights from this report

Looking back, 2004 was a year of general stability in rents which was a welcome change from the steady decline of between 6% and 8% each year since the highs of 2001.

The figures from December '04 and January '05 are quite positive indicating a possible recovery in the Irish rental market and in particular the Dublin market.

Daft.ie National Rent Index

	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Jan	104.7	100.0	90.9	89.3
Feb	103.2	101.4	89.4	
Mar	101.0	99.2	90.7	
Apr	99.3	96.7	88.6	
May	102.1	97.1	89.5	
Jun	97.8	97.0	90.7	
Jul	97.8	96.1	90.6	
Aug	100.4	95.1	91.1	
Sep	99.4	93.8	89.9	
Oct	95.6	93.3	90.4	
Nov	100.7	94.3	90.4	
Dec	98.0	92.7	86.6	



How the index works:

This index is a simple way of showing trends in the rental market. It does not show actual average rents, instead, it shows the average rent for a particular month as a percentage of the total average over all of 2002. The average rent is a weighted average over all property types and bedroom numbers.

For example, the average rent in Jan 2005 is only 89.3 percent that of the average in 2002

The already noticeable gap in rental yields between Dublin and the rest of the country increased over 2004, with Dublin largely compensating for everywhere else in the National Rent Index above.

Dublin vs. Rest-of-Country

Looking at the Dublin Rent Index below, 2004 was a solid year of stability and modest growth.

In fact, 2005 opened extremely positively for Dublin with a signs of a recovery in the Dublin rental market. January '05 was the first time since September '01 that there was an increase in year-on-year average rents in Dublin - January '05 being 1.39% higher than January '04.

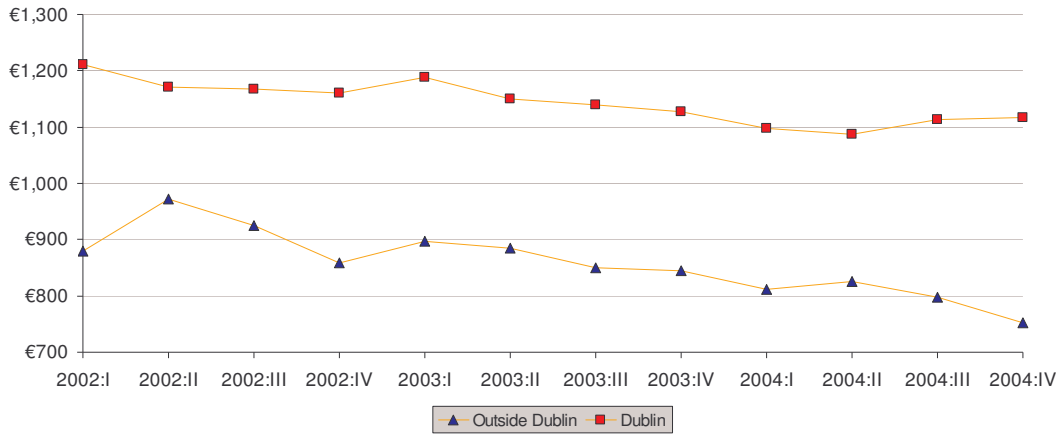
These results suggest that this growth will continue into the first quarter of 2005.

Dublin Rent Index					Rest-of-Country Rent Index				
	2002	2003	2004	2005		2002	2003	2004	2005
Jan	104.7	100.5	93.5	94.2	Jan	97.0	104.9	89.6	88.3
Feb	103.1	102.2	92.8		Feb	93.4	96.9	89.0	
Mar	100.8	100.3	93.5		Mar	100.2	94.1	89.3	
Apr	99.2	97.6	91.8		Apr	97.9	96.4	89.4	
May	101.8	97.6	92.2		May	109.2	100.2	90.2	
Jun	97.3	97.8	93.2		Jun	114.0	95.6	92.9	
Jul	97.6	97.6	93.6		Jul	99.1	93.4	91.1	
Aug	100.4	97.0	95.0		Aug	101.0	95.1	86.8	
Sep	99.3	95.8	95.0		Sep	105.0	91.8	85.4	
Oct	95.6	95.4	96.8		Oct	96.7	91.8	81.1	
Nov	101.2	96.3	95.7		Nov	97.1	96.5	83.4	
Dec	99.0	95.4	92.1		Dec	89.6	90.5	83.9	

Unfortunately for some, the index for the rest of the country shows a different trend. Although rents remained steady in the first six months, they fell back thereafter, finishing the year well below the figures for previous years. Overall, the average rent in 2004 outside Dublin was 8% below that of 2003 – twice the fall of the previous year.

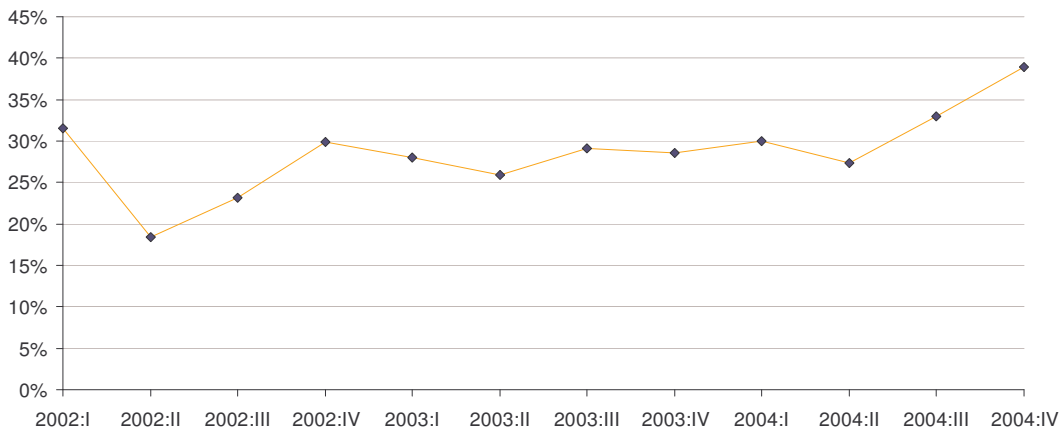
December '04 and January '05 saw the rate at which rent were falling outside Dublin turn positive. This may be the early sign of a recovery similar to that which occurred in Dublin in February '04, 10 months earlier.

Average Rents Nationwide, 2002-2004



This lack of or, at best, belated recovery outside Dublin means that the gap between average Dublin rents and the rest of the country grew during 2004. The average differential rose from just under 28% during 2003 to 32.3% from 2004. As is shown in the graph below, this is a continuation of an existing trend, with the average gap for 2002 just 25.8%. The gap rose particularly noticeable in the last two quarters.

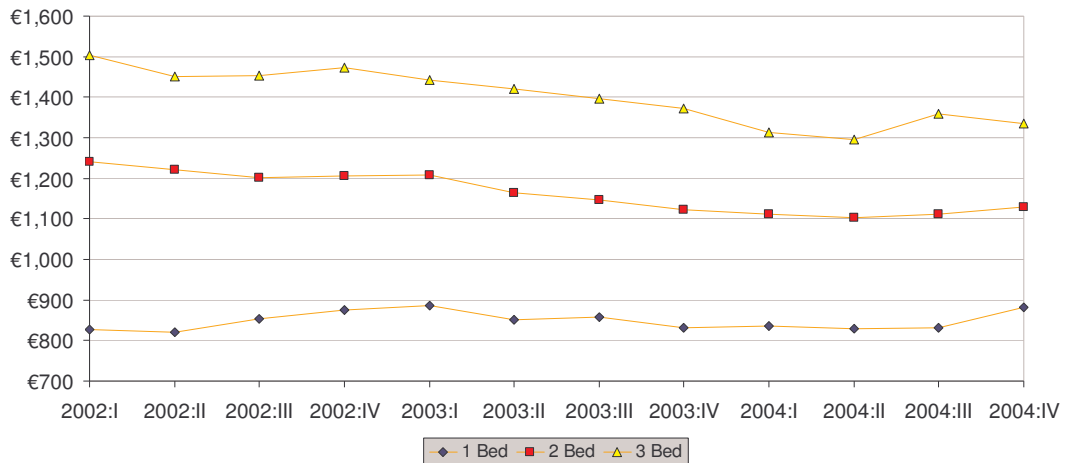
Dublin vs. Outside Dublin - % Rent Difference



Breakdown by number of bedrooms:

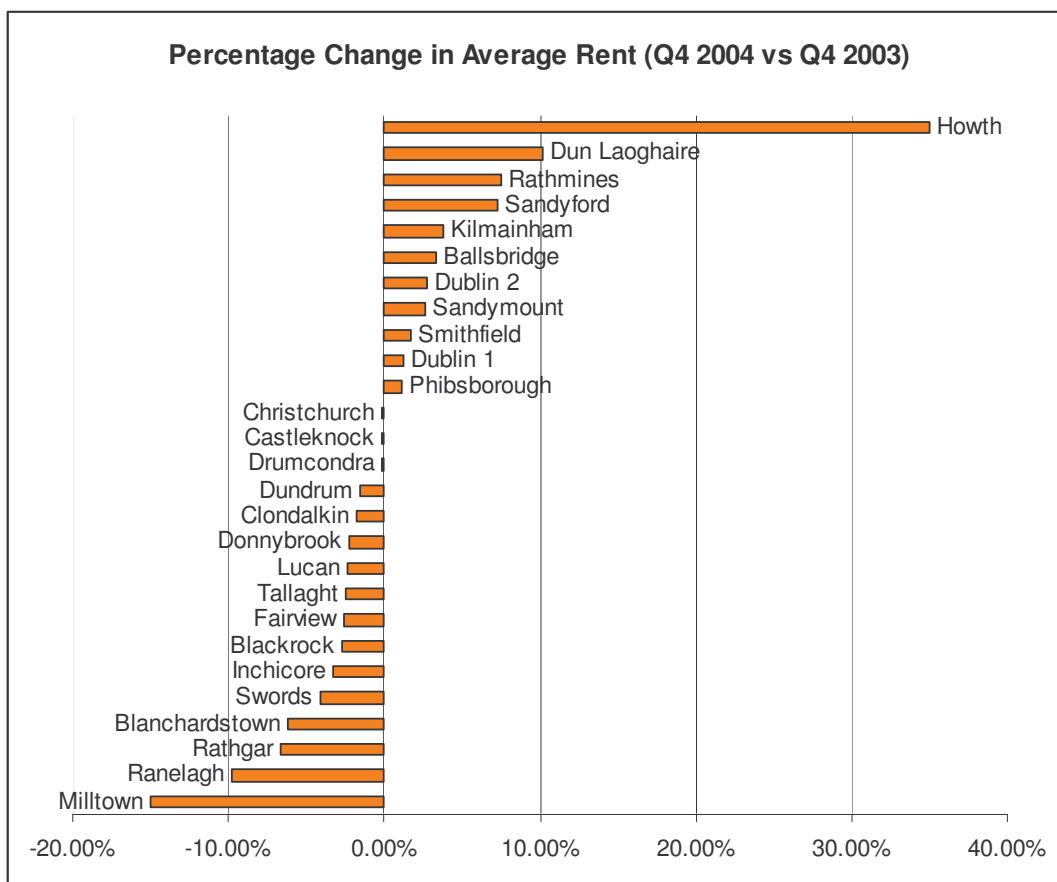
Breaking the Dublin market down into its three largest components, the one- two- and three-bedroom segments, the data show the one-bedroom segment of the market to be the most robust to the downward pressure, with rents staying at between €800 and €900 per month. The two and three-bedroom sectors, on the other hand, show persistent downward pressure on rents, from the start of 2002 to the second quarter of 2004. All three segments of the market show the recovery of the Dublin rental market from summer 2004 on.

Average Rents in Dublin by Number of Beds



Dublin Winners & Losers in Q4 2004:

We have taken the most popular rental areas in Dublin in Q4 2004 and compared their weight adjusted average rents¹ with that of Q4 2003. Some areas have declined by up to 15% while other areas have increased by over 30%. The graph below shows the breakdown in some of Dublin's most popular rental locations. It should be noted that some areas such as Rathgar and Sandymount have seen a significant rebound in January '05 but this is not reflected on the graph. Likewise other areas such as Lucan have seen a significant drop. The next Daft report will show whether these trends will continue into 2005.



¹ Weight adjusted average rent takes the average rent of each property type (i.e. 1 bed, 2 bed, 3 bed etc) and averages the rent out, while taking into account the supply of each type of property. For example, in a lot of areas there was an increase in the average rent for 1 bed properties, but a drop for 2 bed properties. Since 2 bed properties make up a bigger proportion of the market, the weight adjusted average rent for these areas will be negative

Special Feature: *The LUAS Effect*

One of the questions we were trying to answer with this report was whether there would be any effect on the rental market after the LUAS started running. We noticed pre-LUAS that although there was a surge in prices in properties for sale there was no surge in the rental prices. We based this analysis on differences in average rent between September '04 and January '05.

After five months of the LUAS we are seeing some interesting effects. Closer to town, we have actually seen a drop in rents (Milltown and Ranelagh), this may be because they were overvalued in the first place (Milltown still yields the best rents for one bed apartments). Further out of the city as you reach Dundrum and especially Sandyford, there has been an increase in the rents by over 10%. This is obviously because the LUAS becomes more valuable to commuters the further out you go.

Below we show the differences in rent between September 2004 and January 2005 in the main LUAS areas (Sandyford Line):

	1 Bed Properties	2 Bed Properties	3 Bed Properties
Ranelagh	€825 => €767	€1,361 => €1,214	€1,679 => €1,655
Milltown	€1,169 => €1,100	€1,285 => €1,277	€1,771 => €1,733
Dundrum	€907 => €833	€1,137 => €1,192	€1,325 => €1,359
Sandyford	€855 => €912	€1,106 => €1,233	€1,234 => €1,283

Methodology and Sample Size

The statistics are based on all properties listed for rental on Daft.ie for a given month or quarter. The average sample size for a month over the period 2002-2005 is 6,742 properties. Indices are based on standard methods, with the annual average of 2002 used as the base.

Coming in the next Daft Report

The next report, to be released mid-April '05 will feature amongst other things:

1. Updated Daft.ie Rent Indices for the first quarter of 2005.
2. A detailed analysis of the accommodation sharing market, including:
 - The best and worst areas (rent-wise) for renting out rooms. This will be of particular interest to people that are planning to service their mortgage by renting out a room.
 - The impact of people renting rooms on the standard rental market, detailing the areas most affected. Preliminary evidence suggests that areas that experienced a drop in rents were those areas in which there was a large accommodation sharing sector.
3. An update on Dublin vs. Rest of Country rents and whether the projected recovery outside Dublin continues on course.
4. The next report's special feature will focus on the effect of such things as parking, central heating etc. on rent prices. This will help landlords decide whether upgrading their properties will give them a sufficient return on investment.