

Review of Maximum Rent Limits 2010

Introduction and Purpose

The purpose of rent supplement is to provide short-term support to eligible people living in private rented accommodation, whose means are insufficient to meet their accommodation costs and who do not have accommodation available to them from any other source. The Department currently funds approximately 50 per cent of the private sector rented accommodation. Accordingly, it is essential that State support for rents are kept under review, reflect current market conditions and do not distort the market in any way.

This is the second review since rental prices reached their peak in 2007. Since the last review (June 2009), rental values have fallen on average, using CSO data (the most conservative) by 9.5%. Other sources showed reductions in rental prices of between 11.5% and 16%.

Methodology

The Department used publicly available data sources to ascertain both the market trends and the current asking prices for one, two and three bedroom properties throughout Ireland on a county by county basis. The only exception to this was Dublin, in which it was decided to isolate Fingal as a separate entity. The following were the main data sources used:

1. CSO Rental Indices: CPI Section collects price data on rental accommodation from thirty-three letting agents in seventeen locations around the country. Dublin with eight and Cork with six quotes respectively are the areas with greatest coverage. Each of the areas quoted is weighted by reference to their population.
2. Private Residential Property Board (PRTB) Databases: A snapshot of the PRTB's database which stores all annual rental values and relevant addresses.
3. Publicly available data sources.

These data sources were used to calculate the average rental value of properties allowing analysis for both rural/urban and bedroom mixes. These composite average figures were then used as the basis for

the new rent levels. Once these agreed rent limits were established, a stress test was conducted to ensure that the proposed limits allowed suitable accommodation to be obtained in each county's major urban area. Average rents for Quarter 1 2010 were also reviewed to ensure that rental levels were still falling; this final piece of analysis showed further drops in rental values since Q4 2009.

Consultative Process

The Department engaged with the various actors within the private rented sector. This included St. Vincent de Paul, Threshold and various other bodies. The main outcome from this process was concerns over the current single person rate; which was considered to be already too low and should not be subject to further reductions. This view was borne out during the review and accordingly the single rates for the majority of counties were not adjusted.

The Department also engaged with a number of SCWOs during the review and provided relevant analysis of market values pertaining to their areas. The outcome of this part of this review confirmed that the rental values provided did reflect the current market trends for their areas.

Discussions in relation to rent limits were also held with the Department of Environment, Heritage and Local Government and key Local Authority representatives in the context of the transfer of rent supplement tenants to local authority provided accommodation.

Results and Savings

The rent limits reduction should over time yield a minimum of €20m in savings to the Exchequer. As the market adjusts to the new rates it is expected that further savings will arise.

The analysis found that despite the rental correction over the last eighteen months, County Dublin's rent values are still in line with the current rent limits in place. Fingal is the exception where rental values are now lower than the prevailing maximum rent limits for the county. To address this situation a new rent limit structure for Fingal is proposed, separating this area from the rest of Dublin.

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1. Purpose of Maximum Rent Limit and Impact of Current Rent Limits

Maximum rent limits are established on a county basis¹ and offer benchmarks to SCWOs working in their respective areas. From the Department's point of view their chief purpose is to provide oversight and a degree of governance, ensuring that different categories of eligible tenant households can secure and retain suitable rented accommodation, having regard to the different rental market conditions that prevail in various parts of the State. SCWOs can use the maximum limits set by the Department to establish local limits for the different towns, streets, areas etc. within their districts. The maximum rent limits for their county, allied with their understanding of the local rental market allows them to establish relevant local limits.

2. Current Maximum Rent Limits Structure

Up to 2007 the maximum rental limits were set based on the former health board areas. This meant that all counties within a health board area had the same rent limits. This did not take into account individual counties' inherent rental supply / demand or a county's particular reference to a major urban area. Since 2007 rent limits have been set on a county by county basis. The last review, which reduced rent limits did not consider the characteristics of the rental markets within individual counties and relied on national indices to apply an across the board reduction to all rent limits. It was clear during this review that each county's rates and trends for accommodation tended to be unique to that county².

The old limits structure also used a composite of weekly and monthly rates. In the interest of simplicity, all figures quoted in this report are quoted using monthly rates:

1. *Current Single Person Rate*: Range €368 - €529; 11 counties have €468 as their limit within this range and 9 have a maximum rent limit of €407. This rate was largely unaltered during the review.

¹ Fingal is a new rent limit area for this review, this is not strictly a county as Fingal is situated in County Dublin.

² For example, some counties had a high concentration of holiday homes (e.g. Westport, Mayo; West County Cork); other counties benefited significantly from tax breaks during the past years and currently have over supply issues; other counties are feeder counties to major urban areas with good rail / road links.

2. *Current Couple / One Parent Family (OPF) with 1 Child Rate*: Range €568 to €932; 8 counties have rent limits of €568, 9 counties have €607, and 5 have rates of €706.
3. *Current Couple / OPF with 3 Children Rate*: Range €663 - €1110; 8 counties have €663, 5 have €745; and 3 are at the €1110 rate.

The snapshot below of the current maximum rental limits structure highlights the linkages from the county limits back to the former health board area.

County	Single person in shared accommodation	Couple in shared accommodation	Single person	Couple with no children	Couple with 1 child or one-parent family with 1 child	Couple with 2 children or one-parent family with 2 children	Couple with 3 children or one-parent family with 3 children
DUBLIN	€399	€399	€529	€806	€930	€1,110	€1,110
WICKLOW	€399	€399	€529	€767	€880	€1,110	€1,110
KILDARE	€399	€399	€485	€719	€880	€1,110	€1,110
LONGFORD	€286	€286	€407	€485	€568	€624	€685
WESTMEATH	€286	€286	€407	€485	€568	€646	€706
OFFALY	€286	€286	€407	€485	€568	€646	€706
LAOIS	€286	€286	€407	€485	€568	€646	€706
LIMERICK	€286	€286	€446	€529	€607	€685	€745
TIPPERARY NTH	€286	€286	€407	€529	€607	€685	€745
TIPPERARY STH	€329	€329	€468	€529	€607	€685	€685
CLARE	€286	€286	€407	€529	€607	€685	€745
LOUTH	€286	€286	€468	€529	€646	€685	€806
MONAGHAN	€286	€286	€368	€490	€568	€607	€745
CAVAN	€286	€286	€368	€490	€568	€607	€745
MEATH	€286	€286	€468	€568	€706	€767	€806
DONEGAL	€286	€286	€368	€485	€568	€598	€685
LEITRIM	€286	€286	€368	€485	€568	€598	€663
SLIGO	€286	€286	€407	€485	€607	€685	€685
WEXFORD	€329	€329	€468	€529	€607	€685	€685
WATERFORD	€329	€329	€468	€529	€607	€685	€685
CARLOW	€329	€329	€468	€529	€607	€685	€685
KILKENNY	€329	€329	€468	€529	€607	€685	€685
KERRY	€308	€308	€407	€620	€620	€741	€793
CORK	€308	€308	€468	€620	€706	€767	€819
MAYO	€286	€286	€468	€468	€706	€780	€780
GALWAY	€286	€286	€468	€568	€706	€806	€806
ROSCOMMON	€286	€286	€468	€468	€706	€780	€780

3. New Maximum Rent Limits Structure

The proposed maximum rental limits rely on publicly available data for rental prices, reflecting the fall in rental levels generally throughout the country. It should be noted that all data used to establish new rent limits were advertised asking prices. The proposed limits will ensure that different categories of

eligible tenant households can secure and retain suitable rented accommodation, having regard to the different rental market conditions that prevail in various parts of the State. They will also result in €20m in savings to the exchequer. The new proposed rental limits are set using monthly rates only – the main highlights are as follows:

1. Couple / OPF with 1 Child Rate: Range €400 to €930; 5 counties have rent limits of €550, 3 counties have €600. The change in this limit's former range (€568 to €932) is significant.
2. Couple / OPF with 3 Children Rate: Range €500 - €1,100; 4 counties have €600, 3 have €650. The change in this limit's former range (€663 - €1110) reflects the major falls in 3 bedroom rental rates throughout Ireland over the past eighteen months.

County	Single person in shared accommodation	Couple in shared accommodation	Single person	Couple with no children	Couple with 1 child or one-parent family with 1 child	Couple with 2 children or one-parent family with 2 children	Couple with 3 children or one-parent family with 3 children
DUBLIN - FINGAL	€350	€390	€529	€770	€930	€1,000	€1,050
DUBLIN - OTHER Local Authorities	€390	€400	€529	€800	€930	€1,050	€1,100
WICKLOW	€315	€325	€529	€710	€850	€900	€910
KILDARE	€320	€325	€485	€600	€750	€850	€900
LONGFORD	€195	€200	€345	€350	€400	€450	€500
WESTMEATH	€220	€260	€407	€450	€550	€590	€600
OFFALY	€220	€240	€407	€485	€550	€590	€600
LAOIS	€235	€240	€407	€485	€550	€590	€600
LIMERICK	€255	€260	€446	€500	€605	€650	€700
TIPPERARY NTH	€260	€265	€407	€450	€550	€640	€655
TIPPERARY STH	€250	€255	€468	€455	€555	€645	€650
CLARE	€220	€260	€407	€450	€550	€600	€650
LOUTH	€285	€286	€468	€529	€600	€685	€700
MONAGHAN	€195	€200	€368	€390	€500	€540	€550
CAVAN	€195	€200	€368	€400	€450	€500	€510
MEATH	€260	€265	€468	€550	€650	€700	€750
DONEGAL	€235	€240	€368	€455	€500	€550	€560
LEITRIM	€190	€200	€368	€390	€400	€450	€500
SLIGO	€220	€240	€407	€485	€540	€550	€600
WEXFORD	€260	€300	€468	€520	€600	€650	€660
WATERFORD	€270	€280	€468	€470	€550	€650	€660
CARLOW	€260	€300	€468	€500	€600	€650	€660
KILKENNY	€260	€300	€468	€520	€600	€650	€665
KERRY	€235	€240	€407	€500	€550	€640	€650
CORK	€285	€290	€468	€610	€705	€765	€800
MAYO	€220	€225	€450	€455	€550	€600	€610
GALWAY	€255	€260	€468	€550	€700	€750	€760
ROSCOMMON	€190	€195	€370	€375	€450	€500	€520

4. Overview of Rental Reductions by County

The table below shows the level of adjustment for each category of tenancy for each county. The main highlights to be noted are as follows:

1. Dublin was generally unaffected under the proposal as average asking prices from the analysis were still in line with the current rent limits. Rent limits specific to the Fingal Local Authority area are proposed to reflect the different rent levels in the area
2. Large reductions in rent limits for 2 and 3 bedroom rural properties outside Dublin are proposed. The review identified that in certain counties, there was convergence on both these property rates. This reflected the situation whereby 2 bedroom properties tended to be concentrated in towns whilst 3 bedrooms tended to be outlying.
3. In order to reflect current market rates it is proposed to reduce the rate for 2 and 3 bedroom properties, the couple no child rate and the single and couples in shared accommodation.

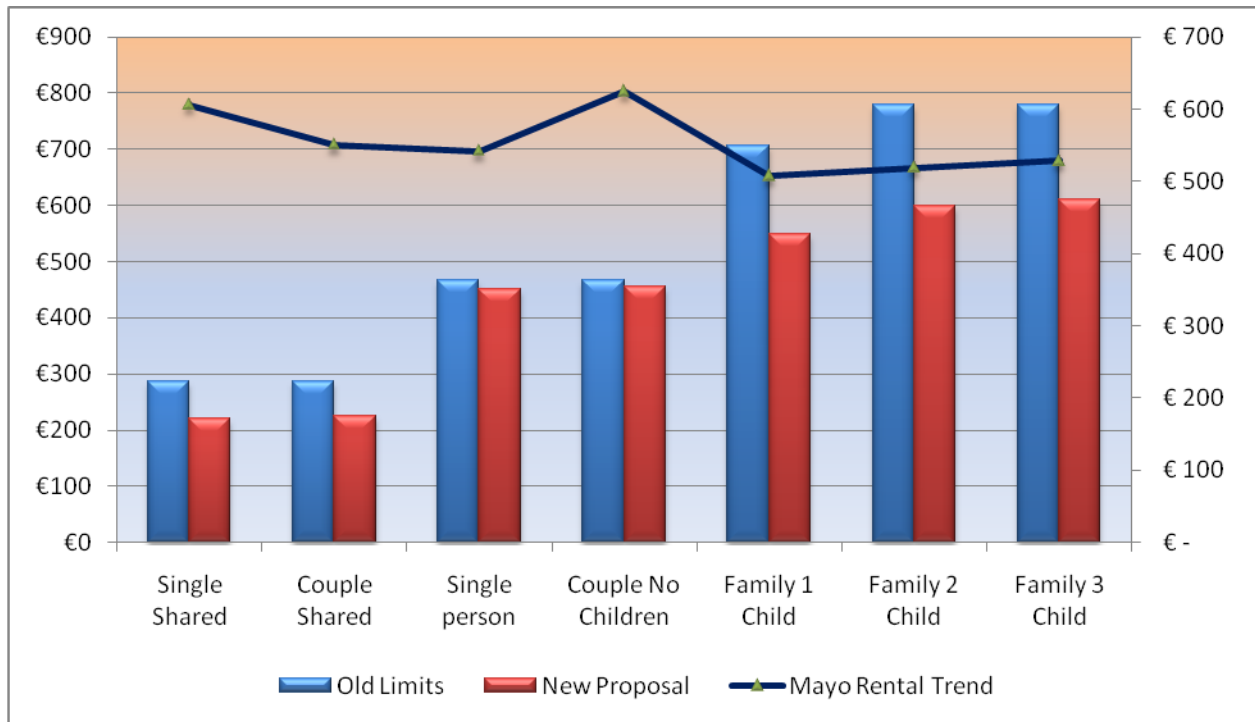
County	Single person in shared accommodation	Couple in shared accommodation	Single person	Couple with no children	Couple with 1 child or one-parent family with 1 child	Couple with 2 children or one-parent family with 2 children	Couple with 3 children or one-parent family with 3 children
DUBLIN - FINGAL	(€49)	(€9)	€0	(€36)	€0	(€110)	(€60)
DUBLIN - OTHER Local Authorities	(€9)	€1	€0	(€6)	€0	(€60)	(€10)
WICKLOW	(€84)	(€74)	€0	(€57)	(€30)	(€210)	(€200)
KILDARE	(€79)	(€74)	€0	(€119)	(€130)	(€260)	(€210)
LONGFORD	(€91)	(€86)	(€62)	(€135)	(€168)	(€174)	(€185)
WESTMEATH	(€66)	(€26)	€0	(€35)	(€18)	(€56)	(€106)
OFFALY	(€66)	(€46)	€0	€0	(€18)	(€56)	(€106)
LAOIS	(€51)	(€46)	€0	€0	(€18)	(€56)	(€106)
LIMERICK	(€31)	(€26)	€0	(€29)	(€2)	(€35)	(€45)
TIPPERARY NTH	(€26)	(€21)	€0	(€79)	(€57)	(€45)	(€90)
TIPPERARY STH	(€79)	(€74)	€0	(€74)	(€52)	(€40)	(€35)
CLARE	(€66)	(€26)	€0	(€79)	(€57)	(€85)	(€95)
LOUTH	(€1)	€0	€0	€0	(€46)	€0	(€106)
MONAGHAN	(€91)	(€86)	€0	(€100)	(€68)	(€67)	(€195)
CAVAN	(€91)	(€86)	€0	(€90)	(€118)	(€107)	(€235)
MEATH	(€26)	(€21)	€0	(€18)	(€56)	(€67)	(€56)
DONEGAL	(€51)	(€46)	€0	(€30)	(€68)	(€48)	(€125)
LEITRIM	(€96)	(€86)	€0	(€95)	(€168)	(€148)	(€163)
SLIGO	(€66)	(€46)	€0	€0	(€67)	(€135)	(€85)
WEXFORD	(€69)	(€29)	€0	(€9)	(€7)	(€35)	(€25)
WATERFORD	(€59)	(€49)	€0	(€59)	(€57)	(€35)	(€25)
CARLOW	(€69)	(€29)	€0	(€29)	(€7)	(€35)	(€25)
KILKENNY	(€69)	(€29)	€0	(€9)	(€7)	(€35)	(€20)
KERRY	(€73)	(€68)	€0	(€120)	(€70)	(€101)	(€143)
CORK	(€23)	(€18)	€0	(€10)	(€1)	(€2)	(€19)
MAYO	(€66)	(€61)	(€18)	(€13)	(€156)	(€180)	(€170)
GALWAY	(€31)	(€26)	€0	(€18)	(€6)	(€56)	(€46)
ROSCOMMON	(€96)	(€91)	(€98)	(€93)	(€256)	(€280)	(€260)

5. Sample of Counties – Findings and Analysis

The following counties have been selected to present a high end presentation of some of the analysis collated during this review: Mayo; Roscommon; Galway; Fingal, and Wexford. A trend line for each county's average rents for the last seven quarters is presented with bar charts showing the proposed movements for the maximum rental limits for each category. The trend line's axis is the on the right, whilst the axis on the left (i.e. bar chart values) shows the values associated with the rent limits. The rental trend line is a combined average of 1,2, and 3 bedroom properties by quarter for the county as whole. All figures quoted unless stated are as at 31st December 2009.

i. Mayo

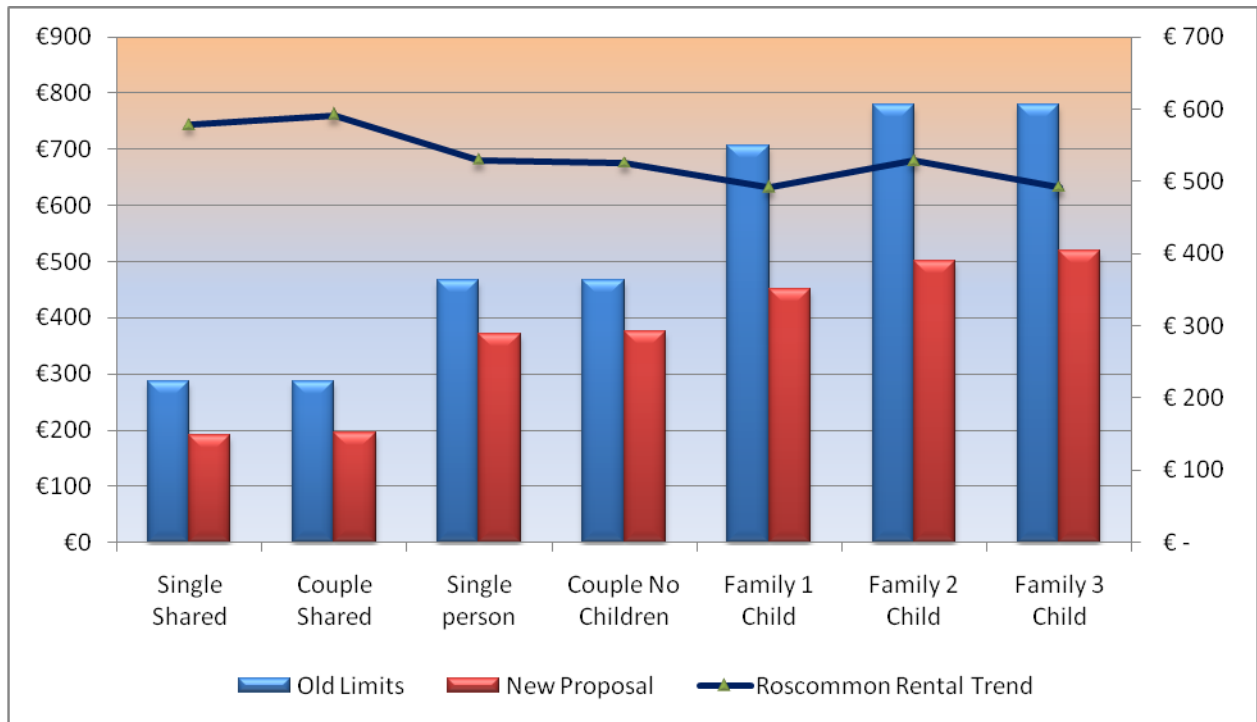
Mayo's proposed rent limits have been reduced substantially from their current position. The three bedroom maximum rent limit has been revised downward by €170 (€780 to €610). Current average rents for Mayo are approximately €520 (weighted average of 1, 2 and 3 bedroom rental levels) as at Q1 2010. Rent levels have fallen by approximately 13% over the last seven quarters. Rent limits in this county have been historically out of line with the rental market due to their association with Galway rent limits under the former Health Board structure.



The total number of persons in receipt of rent supplement in Mayo is 3,090 (3.3% of the total number of rent supplement recipients). The total expenditure on rent supplement for 2009 for Mayo was €14.8m. Mayo's average rent supplement payment was the fourth highest nationally (excluding Dublin). The average payment of rent supplement (€399 per month) was higher than: Cork; Louth; and Wexford. It is expected, that the proposed reductions for Mayo will yield over time €1.0m in total savings to the exchequer.

ii. Roscommon

Roscommon has the most significant proposed reductions in terms of maximum rent limits. For the three 'family rates' an average reduction of 35% is proposed. The most recent quarter's (Q1 2010) average price for a 3 bedroom property is approximately €480; the rent limit proposed is €520. It is expected that rent levels for Roscommon as a whole will reduce further as the rent supplement tenancy rates become more aligned with the 'non-rent supplement market'. It is expected that this should cause Roscommon's overall rental accommodation rates to fall significantly in the short to medium term.

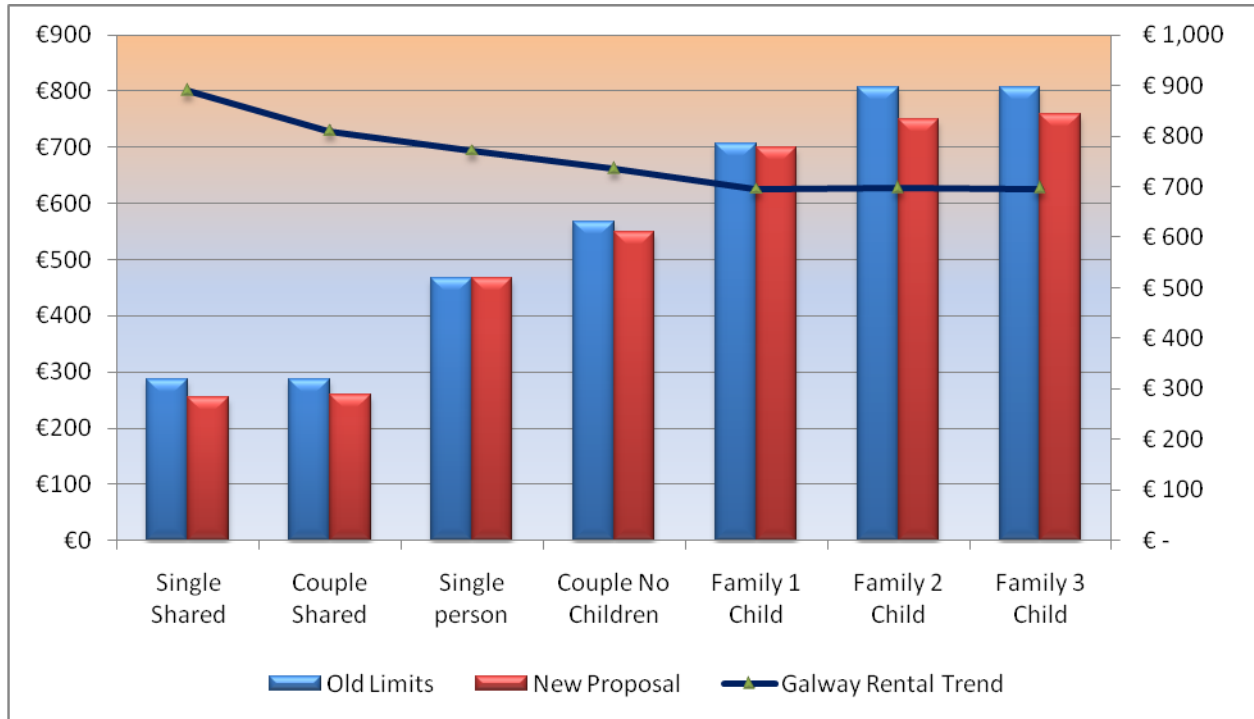


The total number of persons in receipt of rent supplement in Roscommon 1,285. The total expenditure on rent supplement for 2009 was €5.5m.

iii. Galway

Total Galway rental values have fallen over the last seven quarters, from €890 to €700 as at Q1 2010, a 21% reduction over this period. This fall reflects the national decline of 2 and 3 bedroom rental accommodation rates. Despite the fall in rental values for Galway, the average rent of approximately €700 is still in line with the current maximum rent limits and illustrates that there is little scope for

significant changes to rent limits in the larger urban areas outside of Dublin. The evidence of this review only allows for some marginal savings on 2/3 bedroom properties in Galway.

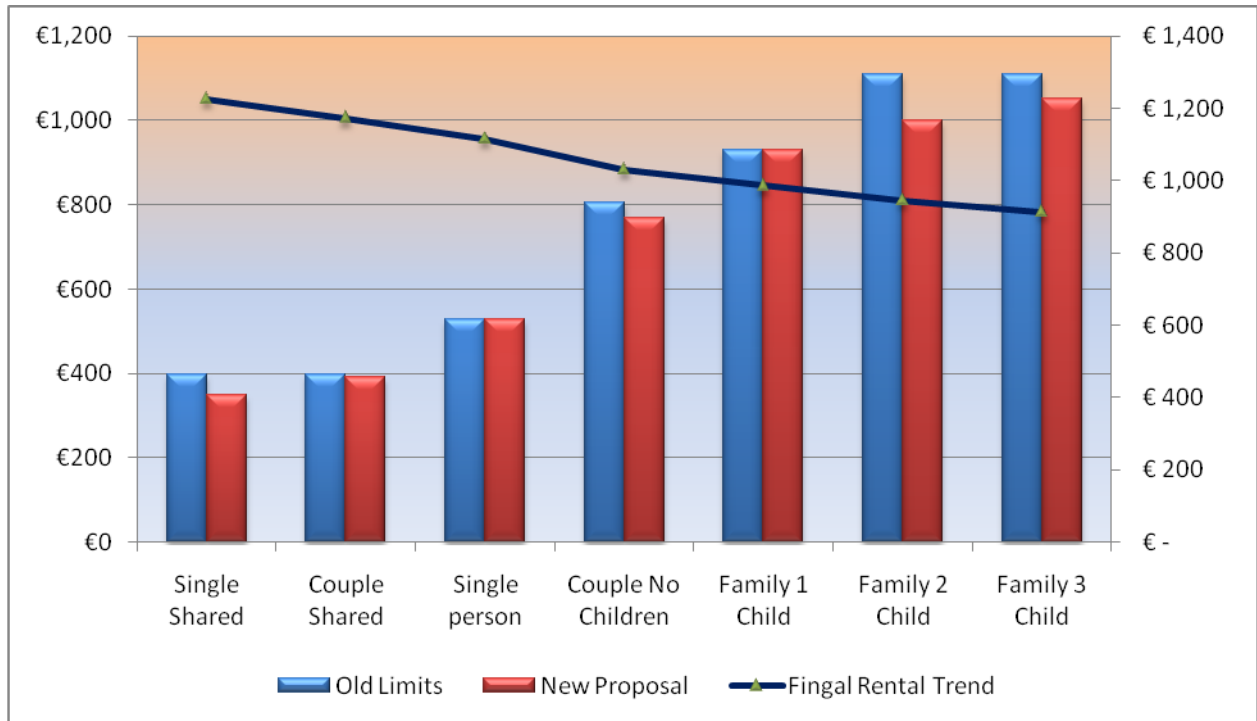


The total number of persons in receipt of rent supplement in Galway is approximately 5,000. The total expenditure for rent supplement recipients in Galway 2009 was €21.5m.

iv. Fingal

During the review it emerged that Fingal’s rental market was lower than County Dublin as whole. It was decided to analyse Fingal as a separate entity in order to reflect the current market for that area and to achieve savings. The rest of Dublin’s (non-County Fingal) rental levels are still in line with the current maximum rent limits.

Two postal districts fall within Fingal, Dublin 13 and Dublin 15. Dublin 15’s major suburban area is Blanchardstown. Blanchardstown has approximately 4,000 rent supplement tenancies, with the highest average rent supplement payment, €714, for the entire country. Other major population centres within Fingal catchment area (by the number of rent supplement tenancies) include: Balbriggan (1,000); Swords (783); Rush (203); Skerries (190); Lusk (157); and Malahide (142).



Fingal's proposed maximum rent limit reductions centered on the 2 (€1,110 to €1000) and 3 bedroom (€1,110 to €1,050) rates.

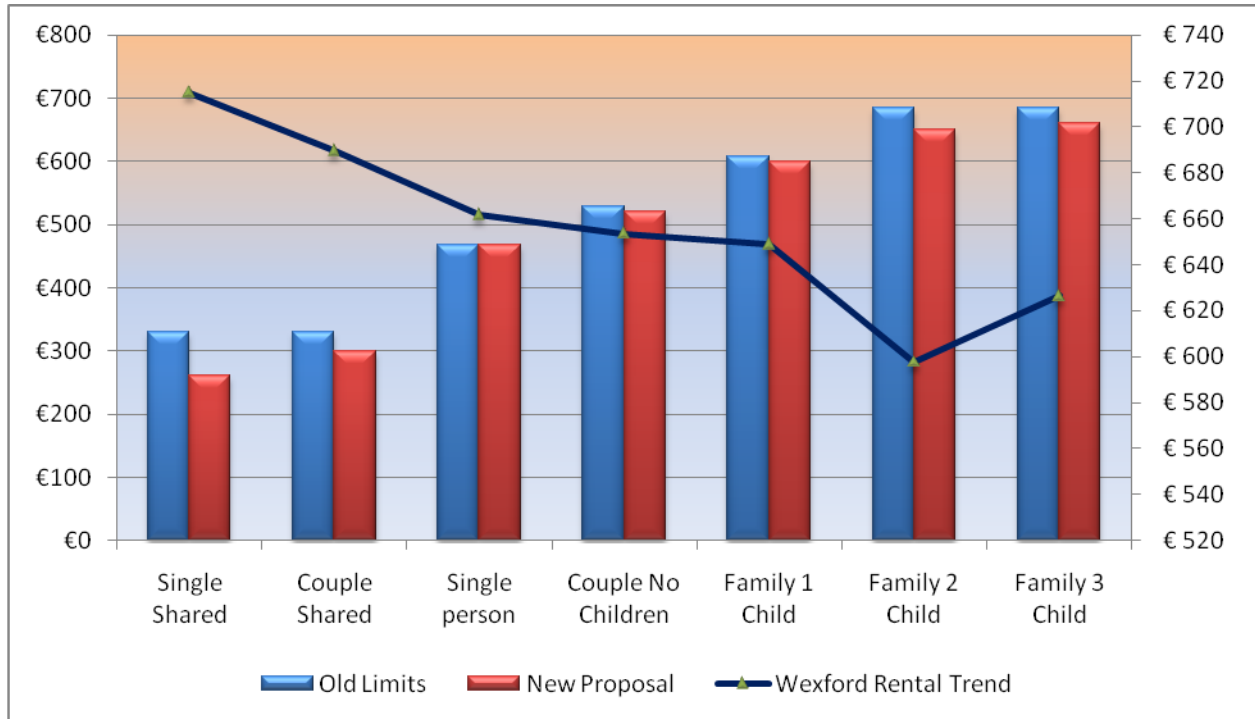
In terms Ireland as a whole, 30% of the total number of rent supplement recipients live in Dublin, the total cost for County Dublin for 2009 was €220m, representing 43% of the total rent supplement outturn for 2009. The trend for the Fingal area, in line with County Dublin as a whole, still appears to be moving towards lower rents, illustrating ongoing market corrections still taking place within the Dublin area.

v. Wexford

Wexford's rental market has seen significant reductions in line the rest of the country. It appears to be falling at a faster rate than most rural areas due to its proximity to Dublin via the N11. This may be, in part, due its perception as an extension to the feeder county belt surrounding Dublin, which are experiencing more proportionate falls than other rural areas.

The three major housing supply areas are: Gorey; Enniscorthy; and Wexford Town. The composite average rental value as at December 2009 for a 3 bedroom house was €648, the maximum rent limit set

was €660, a €25 reduction from the older limit. As at Q1 2010, the current average rent for a three bedroom rate for County Wexford is €626.



The total number of recipients of rent supplement as at December 2009 was 3,745; total outturn attributable to Wexford for rent supplement was €17.2m.