

# Donkeys and lions led by Lyons



*Daft: the solution to the housing crisis depends on facts-led public-policy but we need to be discriminating about the facts we choose and who chooses them, even when it's Ronan Lyons*



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**G**RADUATE RESEARCH students are often told of a drunk who has lost his keys elsewhere but insists on searching for them under a street lamp “because that’s where the light is”. It is a warning of the danger of relying on data merely because they are available rather than because they address a research question. More formally termed “convenience sampling”, data gathered by this methodology, unlike random sampling, are treated with caution because of difficulty in applying the results generally.

For this reason, academic research papers publish a prominent statement of the limitations of the scope and application of their methodology. Acknowledgements of any such limitations are conspicuously lacking in the coverage of reports of Irish property markets published by the two leading property websites, Daft and MyHome. Nor, for that matter, do such considerations prevent politicians waving these reports at each other across the Dáil chamber as conclusive proof of their arguments.

Admittedly, it is difficult to explain nuance and complexity. But that is precisely the job of experts, and all the more so when they have chosen to put themselves forward as a public commentator. Too many of the contributions to our debate on housing are either blithely, or wilfully, ignorant of just exactly what is being measured in the reports that are so readily quoted.

In some instances, the reports themselves do little to correct these misconceptions. What qualifications

and explanations are to be found skulk at the very back of the reports in the small print.

Daft Reports whose “statistics are based on properties advertised on Daft.ie for a given period” all too readily conflate the observations of its sample with the overall national situation.

And they do so with a shocking casualness that would not be accepted in peer-reviewed academic publications. Just one of the many examples of this tendency is the commentary in its Q4 2021 Rental Report, which refers to “712 ads for rental homes in Dublin”, but, in the report’s headline, this becomes “712: The number of available rental homes in Dublin”. And, in the *Irish Times*: “Daft.ie’s rental price report for the final quarter of 2021 shows there were just 712 properties available in Dublin, the lowest level since its records began in 2006”. This was inaccurate and the *Irish Times* was far from alone in misrepresenting it.

What the Daft property figures measure is not a crisis in supply available to rent, but - to be entirely accurate - a crisis in the number of adverts on its website. While Daft could be, indeed most likely is, experiencing a cashflow squeeze due to underlying market shortage in property supply, such a conclusion is suggested but not proven by their own data.

Property website reports are unable to overcome problems generated because they do not capture transactions that are:

- Not advertised on their website (!);
- Actual prices paid as distinct from the initial prices advertised (also !);

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Supply and Demand is an important analytical construct, but it only holds true when all other things are equal; yet all other things never remain constant; and his policy prescriptions are strong on supply measures but neglect the demand side

- The rents paid by people in existing tenancies;
- Off-market transactions;
- Self builds;
- Institutional activity.

This flawed methodology also explains the discrepancy between Daft’s finding that “(T)he number of available rental homes in Ireland is 1,397” in Q3 of 2021 rental market, and recording by the Residential Tenancy Board of 15,711 new tenancies in the same period. While the data underlying both statistics are true, they present very different pictures from each other.

Differences in research design and methodology inevitable leads to differences in findings. The Department of Finance’s comparisons of property reports from different sources show significant variations in their results. The magnitude of their differences precludes the possibility that all of them are accurate.

The author of the Daft Reports is Ronan Lyons. He has acknowledged on his personal website the need for a “stayer rental index” in addition to a “movers’ rental index”. This would capture information from renters who renew the leases for their current accommodation without their landlord advertising on Daft. Unfortunately, it is not possible, three years after these comments, to see if the methodology for Daft Reports has been amended, as the link provided on the website which promises these important details does not work.

These important methodological flaws are brushed over and do nothing to prevent Daft from claiming that its rental price report “has become the definitive barometer of the Irish rental market”. A claim that is disputed by the Department of Finance in whose opinion “[T]he RTB rent index is the most comprehensive source of rent prices in Ireland” (ibid).

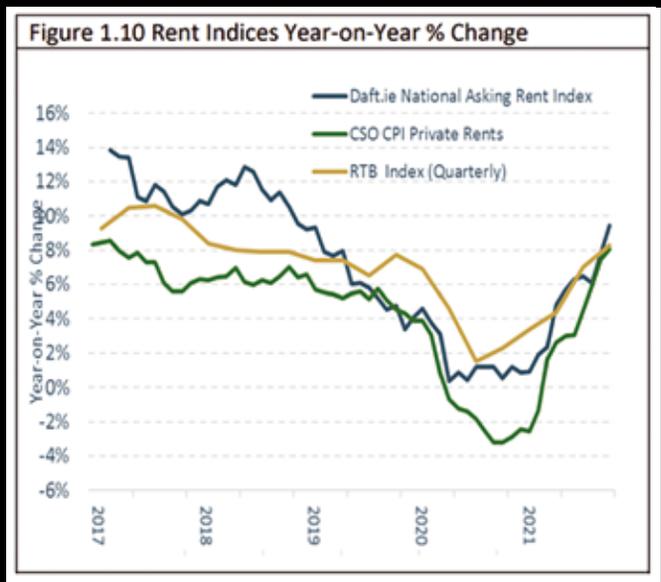
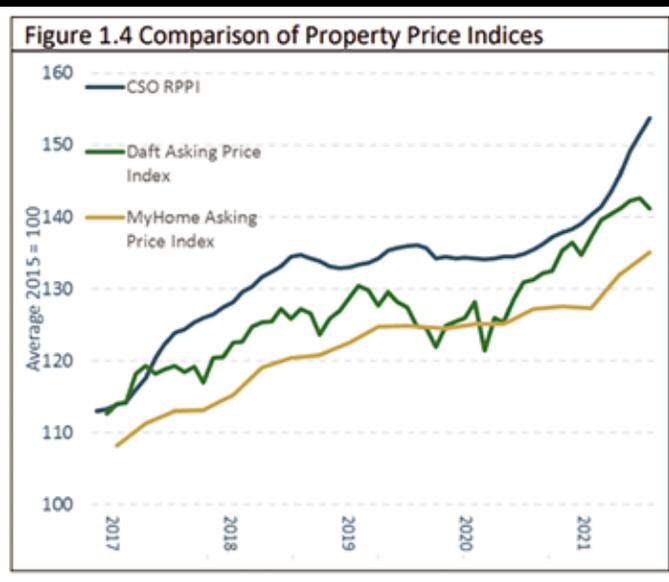
Daft’s coyness over its methodology is at odds with 24 pages of rigorous and detailed criticism of Dublin City Council’s methodology for calculating future housing demand made by Lyons in his personal submission to the Draft Dublin City Development Plan 2022 –2028. Of the 2,824 submissions made to the Draft Plan, *Village Magazine* has, so far (and admitting that the review of the material is not definitive), identified only one other submission that challenged the accuracy of DCC’s Housing Need and Demand Assessment: the submission made by Property Industry Ireland (PII).

The industry body’s view that the tool, (provided to local authorities by the Department of Housing Local Government and Heritage), “seriously underestimate(s) the currently unmet demand in the city” was echoed in the opinion of the Trinity economist that the model had resulted in a “significant understatement of housing need, particular for renting households”. Where Lyons

suggested technical refinements to the Council’s predictive model, PII were satisfied with a call for an “independent review of the HND and supply targets to ensure that Dublin can achieve its full potential”. Both submissions were true to their authors’ track records and concluded that DCC should remove existing restrictions on the construction of build-to-rent projects.

Supply and Demand is an important analytical construct, but it has its limitations. Most notably, it only holds true when all other things are equal; yet all other things never remain constant. This is a point that Lyons made in these pages back in the November 2014 issue: “Everything else being equal... [U]nfortunately, everything is not equal”. The information generated from a simplified model of supply and demand can inform a counterfactual situation: that is what prices would have been for a different quantum of supply. Which, although interesting of itself, only provides a necessary but insufficient first step to explain price movements. Accurate, real-world observations of the property market require more methodological sophistication that, among other things, account for intervening variables and control for differences within a sample population.

For instance, in addition to other limitations, the author qualifies the Daft Report findings by highlighting how market trends have changed due to the increase in the proportion of longer terms tenancies – ie 4-year tenancies. It is difficult to see how the Daft Rental Report controls for this factor as the filter on its website only provides for tenancy terms as far as 3 years. Even then, the 6 properties nationally returned by this filter as available for a minimum tenancy term of 3 years, put the minimum term as 1 year + in the text of their adverts. If the Daft Rent report only uses observations from its own listings, then it is failing to account properly for what its author admits



(Tables taken from Dept of Finance “Housing and Property Sector Chartpack”, December 2021)

is an important change in the rental market.

The value of statistical modelling is not in validating the uncontested truism of the laws of supply and demand, but in informing policy makers and the public about the complexity of the solutions to the housing crisis. While careful reading of academic publications and the various property reports does reveal the intricacies of some of the research design used, public commentary, even among the same authors, soon dissolves into the defense of intellectual positions against armies of straw men.

Public housing policy can no more be decided by relying purely on the laws of supply and demand than one would design an airplane by relying solely on Newton's laws of motion.

Both property websites have a commercial interest in exaggerating the significance of the findings of their quarterly reports. These reports act as both a marketing tool that drive clicks on their websites and, also, in sustaining the model of substituting the private provision of housing in the place public housing on which their businesses are built. Or, as Lyons put it: "(T)he Daft Report is integral to the branding of daft.ie in the marketplace and has become one of the most widely cited economic reports in the country. Each Daft Report is featured in over 50 print articles, reaching a readership of over 1 million people, with a similar audience reach through broadcast".

It must be as personally gratifying as it is professionally rewarding for everyone to be mentioned so prominently in the morning news headlines.

The authors of these private reports benefit from exclusive access to data that are not readily available to other researchers in their field. The fawning coverage of these reports enhances their professional reputations and increases the commercial value of Davy Stockbrokers, (authors of the MyHome.ie reports) investor briefings or, in the case of Ronan Lyons, the price corporate clients are willing to pay for his speaking events

Lyons has yet to meet a housing crisis that couldn't be solved by building more buy-to-rent blocks. In this, he reveals a happy coincidence between his professional interests and the intellectual dogma that colours his analysis.

He is quick to cite the Law of Supply and Demand in public debate, but his policy prescriptions are strong on supply measures but neglect the demand side of that elementary equation. He never satisfactorily explains why additional demand from the increased construction he proposes does not translate into higher construction cost-inflation in a market where supply of qualified and skilled labour is tightly constrained, even though he places a heavy weight on the explanatory power of this factor cost in his calculations).

His commentary easily moves from quantitative research to personal judgement; a bias that has a peculiar prejudice against owner-occupiers. For example he tweeted in May 2021: "everyone seems to have forgotten renters, who are lower-income, in the scramble to look after homeowners" And that "Voter-owner-occupiers are far more likely the bad guys here". And he is prejudiced against the suggestion that local authorities could build social housing. He tweeted in August 2020: "But I would much rather an AHB-only approach,

rather than LA-driven".

Meanwhile, institutional landlords are enthusiastically encouraged because they shift the market into providing more rental accommodation instead of owner-occupier homes. All institutional landlords are welcomed, even if they are buying up residential units that are already completed instead of funding new construction that genuinely increases supply because he is "extremely pessimistic that they can successfully design rules that stop one without affecting the other". (Twitter 7 May 2021) Though this failure might be remedied if Irish Institutional Property were to commission Lyons to conduct a report on this topic rather one that supplements his existing reports for them that seeks to establish the need for more buy-to-rent accommodation.

The reliability of the figures in any body of research requires meticulous scrutiny. But recent media reports showed that figures used by Ronan Lyons to calculate construction costs in Ireland were furnished to him by construction industry representative bodies and contested by other experts. It casts doubt.

All these considerations are important, not because they invalidate any findings, but because they put those findings in context.

Indeed, Lyons' painstaking and granular academic research is a valuable contribution to dispelling the anecdotal comments that unhelpfully pass as accepted facts. For instance, he has debunked the myth that the Capital Dock Development remains 90% unlet. Though even here his finding on this topic suggest further research is required to distinguish between the "active lets" he focuses on and actually occupied units.

It is odd who we allow to define the national conversation: institutions who have a direct financial interest in the private property market - construction industry representative bodies and property advertisers - provide data to selected economists who apply their narrow perspective on the mechanistic operations of the market but whose expertise does not extend to the full range of policy issues. This research is then avidly reported in the media, the print sector of which is dependent for a large proportion of its income on the same estate agents paying to advertise in its property supplements for the same properties that Daft and MyHome used to generate the original data.

This assortment of gatekeepers to the public debate on the housing crisis acts to exclude other experts and consideration of anything beyond price fluctuations. Public policy must address both the abstract and the concrete sides of the housing market, yet the commentary undervalues inter-disciplinary insights by experts such as Orla Hegarty Assistant Professor in School of Architecture Planning and Environmental Policy, UCD and Dr Lorcan Sirr, Senior Lecturer at the School of Survey and Construction Management, TUD. What is unhelpful is when economists turn attempts to expand the conversation into false disagreements with "No, but" responses when "Yes, and" would be more helpful.

The solution to the housing crisis will only come about with facts-led public-policy but we need to be more discriminating about what facts we choose and perhaps who chooses them. 



Figures used by Ronan Lyons to calculate construction costs in Ireland were furnished to him by construction industry representative bodies and contested by other experts