The Dublin Residential Investment Report H2 2020

Hooke & MacDonald OVER 50 YEARS EXPERIENCE

NAI Hooke & MacDonald Commercial

FEBRUARY 2021

Contents

FRONT COVER PAINTING BY MICHELLE ROGERS

Michelle Rogers is a Human Rights and Environmental artist and activist of international standing. Born in Dundalk, Ireland and based in Rome, Michelle's work has received widespread acclaim having been exhibited in Ireland and internationally. Hooke & MacDonald, in line with the company's support for the arts, commissioned Michelle to paint a vintage type watercolour of Clontarf, Dublin for the cover of its latest Dublin Residential Investment Report.

ACKNOWLEDGEMENTS

Dr. Ronan Lyons; The Central Bank; Dr. Brian Hughes; The Housing Agency; Colm Lauder, Dermot O'Leary, Sarah Stokes and Robert Eason – Goodbody; Conall McCoille – Davy; Pat Farrell – Irish Institutional Property; BPFI; ULI; SCSI; IPAV; Daft, Build Costs AIB; BOI; Ulster Bank; RTB; PWS; CIF; PII; ESRI; DCC; Airbnb; NTMA; David Browne, RKD, Fidelma McManus, Beauchamps; Brian Moran, Hines, Robert Gallagher, Activate Capital; C50; Eurostat EY-DKM Economic Advisory Services & GeoDirectory, Irish Cities 2070 Group, Brendan Kenny, DCC. Cover artwork provided by Michelle Rogers.

1. Market Review

The multi-family/private rented sector market weathered 2020 with considerable resilience. Internationally, multi-family is now recognised as a mainstream investment category, a long term and stable asset class, with low vacancy and voids.

SOUND FUNDAMENTALS

In an Irish context the market has shown consistent strength and maturity underpinned by sound fundamentals – low vacancy rates and positive portfolio performance, a rising population, a significant imbalance between supply and demand and government policy supportive of the housing market. This is helping to alleviate the loss of small investors, who are exiting the PRS market. An increasing allocation of funds is now being diverted by long term holders, such as pension funds and sovereign wealth investors, towards the residential investment sector and this is increasing new supply of housing along with supporting pricing and yield assumptions in Dublin. One can see why this sector has an important role to play in Ireland into the future.

The government's October 2020 budget was very supportive of the housing market with several significant measures to boost supply in both the public and private sectors. Multi-family/private rented sector is now being generally recognised as part of the solution to the housing crisis rather than part of the problem. However, the main drawback to realising its full potential is the lack of viability on potential new approved apartment developments on hundreds of sites that have planning permission in parts of Dublin, and many of which are outside of Dublin, in Cork, Galway and Limerick.

Without viability, these approved developments cannot be funded or started and the permissions will wither. There is a damaging misconception among some commentators that every site that has planning permission can be developed. Viability needs to be addressed as a matter of urgency in order to alleviate the shortage of rental accommodation in urban centres.

MAJOR TRANSACTIONS SIGNED

The multi-family/private rented sector investment market in Dublin continued to consolidate in the third and fourth quarters of 2020. Investor interest and demand for good properties remained strong. A number of major transactions have been signed and closed, and the majority of these were 'off-market' deals.

There were 2,696 multi-family/private rented sector properties sold in Dublin in 2020 in 25 main transactions for a total of approximately €1.2 billion. 2,049 (76%) of these were new build properties, 647 (24%) were existing stock.

The largest residential investment transaction of the year was the forward sale of 368 apartments by the Cosgrave Property Group at Cualanor, Dún Laoghaire for c. €200 million to SW3 Capital/DWS. Notably, this was also the largest investment deal of the year in the one location and the largest joint investment transaction of the year in Dublin across all asset classes.

An off-market portfolio transaction comprising 317 residential units spread over four developments in North Dublin achieved c. €145 million and was also acquired by SW3 Capital/DWS. There was another off-market portfolio transaction across three locations of approx. 300 properties on a forward sale basis for €140 million signed just before the Christmas break. 297 apartments were sold in November at Blackwood Square, Northwood, Santry by Cosgraves to Round Hill Capital and QuadReal Property Group for €123.5 million. There were also 192 apartments sold at Clay Farm, Leopardstown by Park Developments in a €75 million transaction to Urbeo.

PRS SALES DOMINATED H2 2020 INVESTMENTS

In terms of overall Dublin investment transactions, multi-family/private rented sector properties led the way in 2019 with 44 per cent of all transactions equating to €2.4 billion, followed by offices at 32 per cent. There was approximatively €3 billion transacted in the Dublin investment market in 2020. PRS and office transactions each had 40 per cent of the total, equating to approximately €1.2 billion. It is significant that PRS transactions in the final six months of the year accounted for €1.029 billion, 53 per cent of the overall investment market in Dublin with offices coming in at 29 per cent, followed by industrial at 13 per cent and retail at 4 per cent.

Market Review (continued)

Unsurprisingly, most PRS transactions occurred in H2, 2020 and the tables in section 5 of this report illustrate this and the strong performance in this period. The flurry of activity in the final quarter had a number of further transactions, including the sale of 146 residential properties by Flynn & O'Flaherty at the Phoenix Park Racecourse in Castleknock to I.RES Reit for €60 million, the forward sale of 94 apartments by Winterbrook at Harbour Road, Dalkey to ILIM for c. €54 million and the investor-to-investor portfolio sale of 151 existing stock apartments by I.RES to Orange Capital for €48 million. While most of the transactions in the market are forward sales, there are opportunities emerging for some forward funding.

Cairn announced in mid-January 2021 the first PRS multi-family forward transaction of the year, selling 150 apartments and duplexes in Lucan, Co. Dublin to Carysfort Capital / Angelo, Gordon & Co. for €48.6 million. These will be delivered on a phased basis between H2 2021 and H2 2022.

2016-2020 TRANSACTIONS

13,026 multi-family/PRS sector residential units have traded in Dublin in the five years 2016-2020. 56 per cent, 7,260 were new build properties and 44 percent, 5,766 were existing stock.

NEW BUILD COMPLETIONS AND DEMAND

There were a total of 3,643 new houses and apartments completed in Dublin in the first nine months of 2020, 38 per cent (1,386) were in Dublin City Council, 28 per cent (1,011) in Fingal County Council, 19 per cent (697) in South Dublin County Council and 15 per cent (549) in Dún Laoghaire/Rathdown. This was actually 234 more units than were completed in the same nine months of 2019.

Of the 3,643 new homes built in Dublin in Q's 1-3 2020, 48 per cent (1,748) were estate houses, 47 per cent (1,725) were apartments and 5 per cent (170) were single houses.

There were a total of 1,725 apartments completed in Dublin in the first nine months of 2020, 68 per cent (1,183) in Dublin City Council, 14 per cent (242) in Dún Laoghaire/Rathdown, 13 per cent (217) in Fingal County Council and just 5 per cent (83) in South Dublin County Council. The apartment completion figures in 2019 and 2020 fall way short of demand for both the sale and rental markets.

Nationally, there were 13,394 new homes built in the first three quarters of 2020, 56 per cent (7,567) were estate houses, 26 per cent (3,433) were single one-off houses and 18 per cent (2,394) were apartments.

COMPLETIONS 2020/2021

In the entire of 2020 there were just under 6,000 new homes built in Dublin, 48 per cent being apartments and a similar percentage being estate houses with the balance of 4 per cent being single one-off houses. This was a creditable performance by the construction industry when the lockdown is taken into account. Under the circumstances it compares well with the 6,994 new homes built in Dublin in 2019.

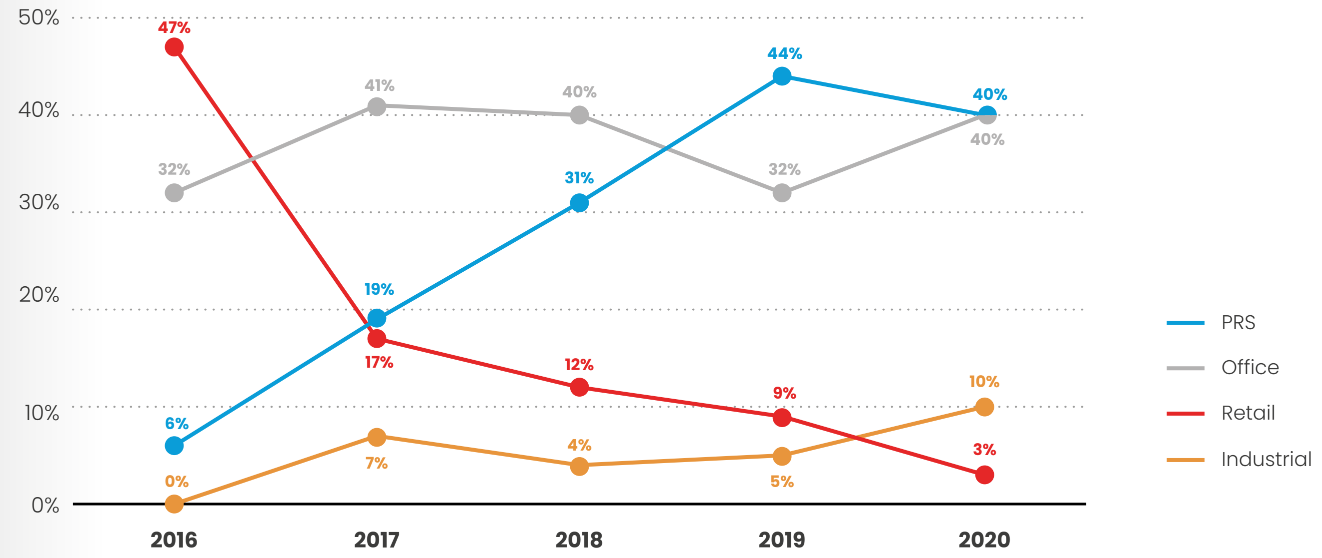
Nationally, excluding Dublin, there were almost 14,000 new homes built in 2020, 53 per cent being estate houses, 40 per cent single one-off houses and just 7 per cent being apartments. Hooke & MacDonald estimate that, despite the January-March construction lockdown, at least 22,000 new homes should be built nationally in 2021. The pity is that, on present trends, only around a quarter of these will be apartments for urban homeowners or renters, with three quarters comprising estate houses and single one-off houses. To achieve in excess of 22,000 homes nationally there needs to be a sharp pickup in housing commencements. These lagged somewhat in the latter half of 2020 when most emphasis was of necessity on getting homes completed and occupied for those requiring accommodation.

LACK OF APARTMENTS IN CITIES

The shortage of apartment construction in Dublin and other Irish cities which are badly needed for city living is of serious concern. Apart from the shortage in Dublin, there were only 56 apartments built in Cork City in 2019 and only 122 in the first nine months of 2020; in Galway City there were only 65 apartments built in 2019 and just 5 in the first nine months of 2020; in Limerick City there were only 15 apartments built in 2019 and 33 in Q's 1-3 2020; in Waterford City 24 apartments were built in 2019 and 40 in Q's 1-3 2020; 38 in Kilkenny City in 2019 and 25 in Q's 1-3 2020.

The apartment completion figures in Irish cities are collectively less than a quarter of what is required for the sale and rental markets and they show clearly the damage being caused by the lack of viability in apartment construction costs.

Dublin Investment Transactions by Sector & Volume (€)



Analysis: Hooke & MacDonald Research

***146 residential units at The Phoenix Park Racecourse, Castleknock, Dublin 15** developed by Flynn & O'Flaherty were purchased by I.RES for €60 million in Q4 2020.*

Dublin Multi-Family - An Evolving Market with Growth Potential

The first Irish new build forward sale multi-family PRS investment was the Neptune Building in Honeypark, Dún Laoghaire by Cosgrave's in Q3, 2016. The market since then has expanded in terms of the type and depth of capital looking to secure investments, the number of opportunities for acquisitions, expected returns and with a focus on quality and ESG.

THE LIVING SECTOR

The Irish market has followed international trends towards investing in 'beds' and 'living' asset classes including student accommodation, multi-family, single family, affordable & social housing, co-living and in some locations senior living. At one stage these were niche alternative investment sectors but over the last four or five years multiple investors on a pan-European and global basis, including leading blue-chip investors, have raised capital to target the 'living' space. How this capital is and will be deployed varies by investor, but the main focus in these sub-sectors has been on multi-family, and this is likely to be the case for the foreseeable future.

The challenges of Covid-19 have impacted operation and income streams for purpose-built student accommodation (PBSA) in 2020 and 2021 but there is an expectation that the necessary moves to on-line learning will be rebalanced towards a mix of on-campus and on-line to allow for the experiential part of the college life and suitable affordable accommodation will be required.

With the challenges around housing increasing populations wishing to live in well-serviced and connected urban locations at costs they can afford, the social and affordable housing sectors are areas of focus for most national and local governments across Europe. The current Irish Government's strategy, including through the LDA (Land Development Agency), is positive and there will be considerable activity and investment in the sector over the next 5 years or more. It will be interesting to see what opportunities these sectors bring for private capital to get involved; there is reluctance among some policy makers and stakeholders towards opening avenues for public/private partnerships.

A number of Irish social housing providers, or Approved Housing Bodies (AHB's), are geared up for expansion and have impressive capabilities and track records. One of the AHB's, Clúid Housing recently secured a commitment from Legal & General Investment Management for debt to fund an element of their expansion plans – further details of this are contained in section 10 of this report.

MULTI-FAMILY AND PRS A KEY FOCUS

The business case for multi-family and PRS investment is being driven by supply/demand imbalances, challenges around increasing supply, populations moving towards urban areas, and the defensive and relatively stable and long-term nature of the asset class, with income streams spread across multiple occupants and generally minimal voids. As outlined in this report, there has been considerable flows of income towards the sector in 2020 despite the unstable wider market. Based on Hooke & MacDonald sales to and interactions with international capital in 2020 and over the first few weeks of 2021, we envisage continued investment activity/demand in Dublin for the right product, with most investors having nuanced requirements.

There is undoubtedly a desire by international investors to differentiate their schemes from other alternatives in the market and future-proofing them for a time when there is more choice for tenants. The leading Irish developments are incorporating the 'Build-to-Rent' design and operational principles and these are the most sought after by investors, most notably where the developers can illustrate strong track records in high quality apartment development. The design and specification of the developments across the common areas, ample amenity spaces and inside the apartments is critical

***The Quarter at Citywest, Co. Dublin** developed by Cairn PLC and sold to Urbeo for €94m in Q3 2019.*

to the short and long-term success of new projects. These elements literally form the building blocks for the delivery of the investor's platforms in Ireland, where they typically add in some level of branding and their own strategy around management and building sustainable communities.

STRATEGIES FOR INVESTMENT & TYPES OF CAPITAL

In an Irish context to date there have generally been two main strategies to secure multi-family investment assets – forward purchase opportunities from experienced Irish developers and direct land purchase jointly with Irish based development partners and developing out a platform. The forward purchase transaction has been more prevalent than forward funding for a range of reasons, but we are likely to see some successful forward funding opportunities announced as the market matures. The forward purchase is essentially what Irish developers had been doing by selling off plans in the 1990's and early 2000's for new apartment developments except in this case they are selling to one investor rather than multiple. Forward purchase is less risky for the investor, but they have to wait until lease up to start earning a return; whereas with forward funding the investor can start earning a return through the construction phase, but in return they are taking on elements of development risk.

The type and sources of capital have also continued to evolve as the market has developed; from the original more opportunistic capital seeking relatively high returns versus the more long-term capital such as pension funds and sovereign wealth funds. With the introduction of long leaseholds (25 years) into the social housing sector through Local Authorities and Approved Housing Bodies there is an expectation that more long-income funds will be investing also. The arrival of longer-term capital is positive and illustrates the maturing nature of the market and the positive sentiments towards the Irish economic and investment story; by their nature they have a stable approach to their investments, which is more sustainable for the market.

LONG TERM CAPITAL

Long-term capital typically has lower investment return requirements over multiple decades, and this has lowered yields. It has meant that some of the original investors are now looking at taking on more development risk to secure investments and higher returns. The market has also seen increased investment in single family assets, and this is expected to be a feature into the future, similar to other mature jurisdictions.

What is significant at this stage in the cycle in Dublin is that of say twenty-five of the most active investors looking at the Irish residential market and bidding on or investing in opportunities, at least fifteen of these investors now have PRS developments that are completed and let in the Dublin market. This was very significant in 2020 when there was some initial turbulence in the occupier market as a result of Covid-19 but there were favourable rents achieved, collection rates and portfolio performance. These positives and experiences assisted in ensuring that a number of the sales that were transacted or agreed in the second half of 2020 went ahead. If these investors didn't have this positive first-hand experience of the Dublin lettings market and underwriting investments here it would have been more difficult to be comfortable with investing.

Another illustration of the progression of the Irish multi-family investment story is the fact that on one of Hooke & MacDonald 2020 forward sales in suburban Dublin at Cualanor, Dún Laoghaire feedback was received from a number of parties who had assessed the development that they regarded it as 'core' investment product based on the high quality of the buildings and the overall development and the performance of the location over the course of four years, including through the let up of over 700 apartments and associated successful professional management strategies.

RENTAL MARKET CONDITIONS

Considering the challenges in the wider economy and the segments of the labour market that were put on hold because of the pandemic and lockdowns, the Dublin rental market has proved highly resilient over the last year. What has been evident is that tenants in the market are seeking space and value – many are willing to look for accommodation in parts of Dublin that they would not have considered before. This has been prompted by 'remote working', with many employees not having to travel to their places of work for large parts of 2020. More affordable schemes in the suburbs, inside and outside the M50 Motorway, have rented well throughout most of 2020 with many of the newly completed properties renting very well.

Rental levels have largely remained steady in most parts of the market for newer properties. There has been a softening in demand in some upper tier schemes in parts of the city, including as a result of the freeing up of stock from short term lettings and the lack of new entrants coming to the country, however, indications and expectations are that as employees from the multinationals return to Ireland, travel opens up and there is more natural movement in the market, that demand will return. There is an expectation of increases in these inflows in Q2, 2021.

What is also apparent is the continued divergence between the demand and pricing for new versus older rental stock. In an Irish context of the 303,023 private tenancies only approximately 15,000 or 4.5 per cent are attributable to larger scale and institutional landlords. Less than half of these would be for newer stock, built in the last 8 years. Renters response to Build-to-Rent multi-family developments is telling, with most tenants appreciating not just the higher build and energy efficient standards of new developments but also the improved on-site offerings (amenities & management), the proactive management approach and focus on community and lifestyle.

Working from home is going to be a feature of society, including renters, from now on. We are seeing developers planning for this in terms of accommodating working from home features and landlords also considering it i.e. space and provision of desks, chairs and internet connectivity in individual apartments; but also providing for co-working type spaces in designated residents amenity areas. This is going to be popular with residents and we envisage developments with these features being more in demand.

SOCIAL AND AFFORDABLE HOUSING

As referenced above, the social and affordable housing sectors are going to be very active over the coming years as a result of local and national Government focus on the sectors and requirements for delivering increased supply as part of the Programme for Government. This is across both multi-family and single family housing. The Local Authorities and several AHB's have been gearing up towards increasing delivery either through direct build or acquiring private stock over recent years. The advent of the long-term lease agreements ('Standard' or 'Enhanced' with rents at a discount on market rent of generally between 5% and 20%) as part of national housing policy has meant that there are going to be opportunities for private capital to fund the sector through the acquisition of pre-leased investments. A number of developers are negotiating these leases at present and the first few of these opportunities are already coming through.

From Hooke & MacDonald's recent engagement with investors there is increasing focus by them on the sector. The net yields are sub-4% for new stock based on secure long leases with the discounted rents and this pricing is attractive to both vendors and purchasers. We have already been involved in a number of sales of mixed tenure investments, where there is a mix of private housing and social, with the social element related to the Part V statutory requirements but we are also seeing other opportunities where the social element makes up a larger percentage – there will be more of these in the future, especially on schemes of over 100 properties.

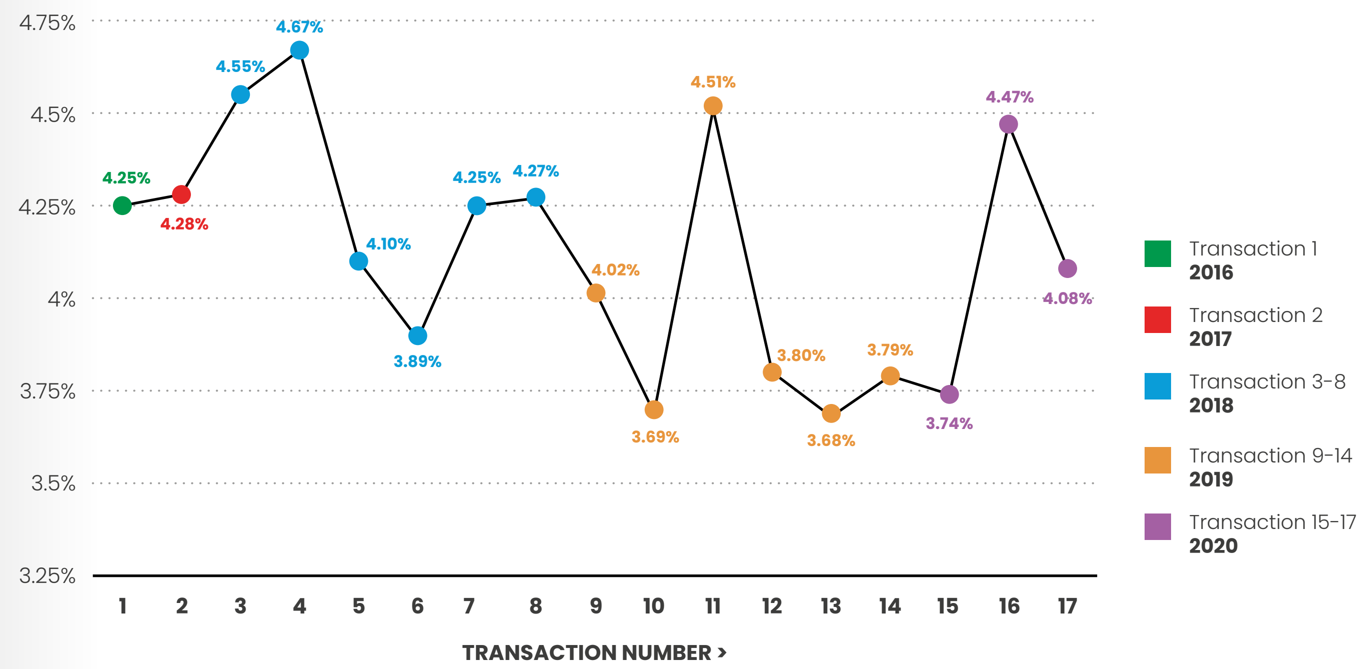
YIELD TRENDS

A study by Hooke & MacDonald of the yield trends for seventeen leading PRS transactions across the Dublin market for new build forward sale apartment projects of over 100 units sold between Q3, 2016 and the end of 2020 shows that prime yields have remained steady, at around 3.75%, and yields in other locations are trending downwards as the market matures - see Net Yield graph on this page. The review included a total of €1.85 billion of investment sales, relating to 4,026 apartments with an average lot size of 237 apartments and €109 million, equating to an average apartment price of €468,000. It is worth noting that the all of the seventeen transactions included in the analysis were single location investments and do not include the two large portfolio transactions that occurred in 2020 (€145 million and €140 million).

The lowest yields have been secured for Dublin city and south Dublin properties, where a number of the initial transactions occurred, and there has been a premium for projects overlooking water or adjacent to the canals and on the train line or Luas. As market conditions, including viability on some sites, and demand improved a number of north and west city transactions have been brought forward, which is a very positive development. Pricing and yields are very location specific and naturally depend on the associated assumptions around rental levels. What we have also seen is that in emerging locations with larger developments, where we have had the opportunity to bring another phase or block to the market, yields have been contracting.

Hooke & MacDonald has been sales agents on over 50% of the seventeen transactions and as a result, combined with the company's new homes experience and management of a portfolio of over 2,500 properties in the Dublin region, has unique knowledge of successful development, rental & management strategies, specification, capital markets, purchaser requirements and pricing of these investments, which can be passed on for the benefit of the development of this important sector.

Estimated Net Yields across 17 New Build Forward Sale PRS Investment Transactions in Dublin over 100 Apartments - Q3 2016 - Q4 2020



Analysis: Hooke & MacDonald Research
Note: The above chart does not include multi-location portfolio sales

SUSTAINABILITY, ESG AND THE IRISH MARKET

Investors are motivated to acquire properties that have sustainable characteristics. During the turbulence in the market in 2008 through to 2011, sustainability fell down the agenda for some parties but currently it is rated as being very important for purchasers and occupiers. Sustainability also forms part of the wider ESG (Environmental, Social and Corporate Governance) agenda that is becoming critical for many organisations.

Older properties are more challenging to retrofit and as a result there is a focus on newer buildings. Ireland compares very favourably on an international basis. As a result of the high standards, including the constantly evolving Irish building regulations, newly developed Irish properties are the perfect fit for parties with a sustainable and impact investing agenda. For investors, these new build properties, be they offices, residential or other asset classes, assist in rebalancing portfolios that in many cases may have a majority of older stock.

Material sustainability issues are going to become increasingly relevant in the future in terms of capital values and liquidity. If you are buying a property today that is designed, delivered, operated and monitored to the highest standards then you can have confidence that if you ever go to sell that property or have it valued it will present well; and it should perform better than a property that doesn't have sustainable characteristics as an intrinsic part of its nature.

The sustainable characteristics of a development form an important part of investors underwriting and due diligence assessment. If a property has these characteristics it is more likely to attract parties who are focused on these factors. Sustainability and ESG are no longer a six-monthly chat in organisations but are now weekly and in many cases a daily topic. Sustainable performance and financial performance are becoming more intertwined. In recent years, several Irish developers have very much taken ownership of sustainability, which bodes very well for the future.

POTENTIAL IN OTHER IRISH CITIES

There is considerable need for new multi-family accommodation in the main Irish cities of Cork, Galway, Limerick and Waterford. As a result of viability issues, it has not been feasible over recent years for large apartment schemes to be brought forward and viability is still a challenge in these locations. The right opportunities would be welcomed in the market and investor interest in these cities is increasing.

Recent analysis Hooke & MacDonald has carried out on the Galway market showed particularly strong potential taking into account a number of factors in the city including demographics, the range of traditional and modern industries located in and around the city, the influence of the hospital, the university and tourism, the mismatch between supply and demand, the compact and attractive nature of the city and the lack of new stock and demand for high quality rental accommodation.

Harbour Road, Dalkey, Co. Dublin *being developed by Winterbrook was sold to Irish Life for c. €54 million in Q4 2020.*

Rathborne Park, Ashtown, Dublin 15 *by Castlethorn, acquired by Urbeo.*

Cheevers Court & Haliday House, Cualanor, *Dún Laoghaire, Co. Dublin by Cosgrave Group, acquired by SW3/DWS.*

What The Future Holds...

DEMOGRPAHIC DRIVERS

In section 16 of this report, Dr. Brian Hughes, who is a member of the Government's Central Statistics Office Expert Group on Population, Migration and Labour Force Projections has issued new research that has highlighted recent demographic trends in Ireland, the importance of the Dublin region and the movement of the Irish population towards its cities, and also the inconsistencies between Irish Government policy and the realities of population movement and demographic demand, which are strong forces within the economy and housing market.

There is an expectation of continued population growth in Ireland, particularly in its cities, in the medium to long term through in-migration and natural growth, along with obsolescence in the current housing stock, all of which will put further pressure on a market that has significant supply and demand imbalances. These factors will continue to drive the need for new housing in urban and suburban locations, especially apartments for a number of reasons, including affordability.

PLANNING VERSUS DELIVERY OF HOUSING

The key challenge is delivering new supply and in particular new apartments. There are thousands of units in the planning system but the progression even after securing planning permission to practical completion is a long, arduous and resource intensive one; and there are relatively limited numbers of well-funded stakeholders with control of land with planning permissions that have the capabilities to bring substantial projects forward at scale. This is going to be a continued restraint to supply in Ireland for the foreseeable future. The lockdown of sites as a result of the pandemic has also impacted housing output.

There is demand for an estimated 35,000 - 50,000 houses and apartments in Ireland per annum, depending on the forecaster, and 20,000 of these required in Dublin; and supply levels for Ireland estimated to be just under 20,000 in 2020 and forecast to be approximately 22,000 in 2021, the supply demand imbalance will continue indefinitely. The Irish State needs all sectors of the property market and construction sector to be operating at full pace in order for supply to increase over the coming years – private and social – owner occupier and rental.

RENTAL MARKET & UNDERWRITES

Activity in the rental market over the last ten years has seen significant demand both in Dublin city centre and also in suburban locations for a range of accommodation types; and where new PRS schemes have been brought to the market they have generally rented exceptionally well. This demand has assisted in underwriting much of the investment activity in these locations in recent years and will form the basis of underwriting for the expanding market in 2021 and beyond. Affordability and being able to understand sub-market characteristics and correctly estimate rents in specific locations will be critical to successful site acquisition, development and investment going forward.

Hooke & MacDonald expects continued strong demand in the lettings market, especially as the economy opens up and there is an expectation that there will be an inflow of multi-national employees from March 2021.

The impact of Covid-19 will be seen in the rental market for years to come. Many parts of the population will have some element of 'working from home' into the future. This will have an impact on the location of properties in demand and characteristics of the properties. Larger properties with opportunities for remote working within the properties, or in common areas or neighbourhoods, will be more popular.

There will be continued increasing focus by renters on higher quality newer accommodation, especially where it includes Build-to-Rent characteristics. Much of the existing stock in Dublin that was built prior to 2008 is quite aged at this stage, and because of unsupportive Government policy towards the small investor in the Private Rented Sector (i.e. paying tax at the marginal rate on rental income – over 50%), these properties have seen limited upgrading since they were built and there is currently little incentive to improve them. Many of these are now been sold off into the owner occupier market as prices have recovered. As highlighted in the very comprehensive Residential Tenancies Board Annual Report 2019, registered private tenancies have declined by 16,799 or over 5 per cent between 2016 and 2019 (2016: 319,822 tenancies; 2019: 303,023); and 86.5 per cent of landlords manage just one or two tenancies. A large proportion of these reductions are attributable to smaller owners selling their rental properties and leaving the sector permanently. This contraction in supply is despite there being increases in new construction delivery and highlight the challenge facing the industry and wider economy.

We expect that as a result of the above factors that rents in Dublin will remain steady for the year ahead and there is likely to be increases in some locations.

PURCHASING AND FUNDING OPPORTUNITIES

Unlike in the 1990's and early 2000's, the individual sale markets to private owner occupiers and small investors are not viable or bankable at present for apartment schemes of scale. In the current climate, where there is naturally an aversion to higher risk strategies and unwillingness among developers and funders to proceed with projects without a clear exit strategy, a lot of stakeholders are looking to PRS and/or social housing development opportunities for their sites – this was the case prior to the pandemic and is even more so now. The social sector generally has smaller lot sizes than the PRS sector.

As planning permissions come through the system, more opportunities, with varying levels of Build-to-Rent characteristics and readiness, are being shown to investors. The number of these being offered has increased substantially and we expect this to continue. As result of the challenges in the industry around funding and scale, it is expected that only a relatively small number of the planned developments are likely to make it to site and to practical completion. In the current market the value is in the delivery of projects, turning the bare resource of land into a finished development. The delivery team is seen as a critical part of the offering, and the delivery timeline is also important. Soundly underwritten projects by reputable developers should attract debt and equity investment over the course of the coming 24 months.

INVESTOR APPETITE & YIELD TRENDS

Long-term sustainable income with an attractive yield is what is being sought the world over. There are increasing capital allocations towards the 'living' sectors globally and within the EU. Provided the right conditions for investment in Ireland remain, including positive national and local government policies, we expect to see continued development of the multi-family investment sector and based on our interactions with capital markets and investors, there is a strong appetite to invest in the wider Dublin market for the right opportunities.

Investors have increased scrutiny of underwriting assumptions, but we expect yields (at realistic rents) to remain largely steady in prime locations at 3.75% and trend downwards in other locations as more capital is drawn to the sector and it matures further. This will be important in a Dublin context to bring liquidity to the market but also to ensure that more sites for much needed higher density apartments become viable, as viability is still challenging in many areas, particularly in the west and north county locations. While there are over 25 investors with varying forms of investments in the Dublin PRS market, there are several new investors looking at the market that have yet to acquire properties and this will have a positive influence on the progression of the market over the next 12-24 months.

The lowest yields are likely to be achieved for built and stabilised stock (below 3.5% net for some larger PRS investments) but there are limited opportunities of available investments constructed in the last six or seven years in this category. The closer to practical completion that projects are sold on a forward sale basis the more favourable the yield. We expect to see a number of projects that will reach practical completion in the next 12-18 months being brought to the market soon and being well sought after; and there are also projects being undertaken by experienced developers, contractors and professional teams that have slightly longer lead times that will be in demand.

2. Urban Regions and the Multi-Family/ Private Rented Sectors

By Donald MacDonald, Director, Hooke & MacDonald

As more people in Ireland migrate towards urban living and working, there will be an increased requirement for greater housing density including more apartments.

WORKING ENVIRONMENT

One of the topics that has received attention due to the Covid-19 restrictions is the merits or otherwise of city or urban living. Working from home has been in many ways successful due largely to advances in technology, with virtual meetings being a prominent feature of everyday life. For many workers, this approach will continue for some time, either on a part or full-time basis. However, it has become apparent that it can be difficult to adequately replace the advantages of working together in a collaborative environment where ideas are shared and a dynamic and camaraderie develops among colleagues, leading to meaningful interactions, enhanced team-work and an evolution of thought enhancing flexibility and positive results.

This has mutual benefit for both the organisation and for team members. Human beings are generally social animals and the personal interaction that can occur in an office setting is hugely positive and helps to develop a strong organisational culture and enhanced personal development for the individual. As the months have gone on, many people have also found the logistics of working from home to be difficult, not conducive to a healthy lifestyle and well-being, with some feeling isolated, as a result of a lack of direct interaction with colleagues or the outside world.

WELL PLANNED CITIES & TOWNS

UN-Habitat, the United Nations Programme for Human Settlements, was mandated by the UN General Assembly in 1978 to address issues of urban growth. According to UN-Habitat their October 2020 'World Cities Report 2020 convincingly affirms that well-planned, managed, and financed cities and towns create economic, social, environmental and other unquantifiable value that can vastly improve the quality of life of all'. Globally, around 55 per cent of all people live in urban areas: a figure that is expected to rise to nearly 70 per cent by 2050, according to the United Nations. Urban areas are the main drivers of economic growth worldwide.

Ireland is similar to other countries around the globe; our cities are the main drivers of economic growth. Demographic trends in Ireland show the population moving towards city regions, especially Dublin which is the main economic engine of the country's economy. Ireland is currently one of the least densely populated countries in Europe. Into the future our urban areas and their neighbourhoods will still be the main places of residence for most people and the densification of our urban regions needs to continue, facilitated by enhanced public transport and social infrastructure.

The advent of Covid-19 will advance attention on the location and design of residential buildings and the development industry is adapting to this. Urban and suburban locations with good transport options and proximity to amenities including parks will be preferred, as will apartments and houses with good internal and external leisure and work space.

STRATEGIES TO FOSTER INVESTMENT

One of the biggest challenges facing cities is housing the populations that wish to dwell there and this is experienced in most countries across the world. Many cities employ various strategies at their disposal to foster investment in, and the delivery of, housing, recognising the importance of affordable housing in the quality of life for its citizens, and that new supply is one of the most challenging and critical factors in moderating the cost of housing. For example in the US many cities offer tax credits to developers to ensure

***Grand Canal Dock,** Dublin 2*

development happens. It is appreciated that without private development the cities have no chance of meeting their housing goals and the needs of the population.

Household sizes are decreasing and we need a diverse range of housing to meet the needs of the Irish population, incorporating both public and private housing for both sale and rental including social, affordable cost purchase and cost rental. To accommodate smaller households, we need more apartments.

Unfortunately, due to the large costs and complexity associated with apartment development, many of which are State costs (e.g. VAT 13.5%), it is difficult to achieve viability on most sites in Ireland. Without viability, many developments that have planning permission cannot be funded or started and the permissions will expire. There is a damaging misconception among many commentators that every site that has planning permission can be developed – this is not the case in reality. According to the Urban Land Institute the four factors that determine development feasibility are land, public policy (planning permission), market feasibility and capital. The latter two are the impediments to development in most cases today for apartment sites across Ireland.

MULTI-FAMILY PART OF SOLUTION

The multi-family sector, including PRS, represents part of the solution to housing supply into both the private and public markets. The private rental investment sector has supplied over 5,500 homes into the rental market in the last five years, predominantly in Dublin due to viability constraints elsewhere. Institutional investors, such as our own pension funds, are very slowly making up for the individual owners of Irish rental housing that have been selling their properties over the last 10 years. However, 95 per cent of stock is still owned by small investors.

While the numbers can sound large, in reality we require thousands more properties to meet demand in the private and non-private rental sectors over the coming years. Ireland is very fortunate at present that institutions are willing to supply capital to assist in building the countries much needed housing infrastructure, but it would be wholly imprudent to take this for granted and think that this will remain if the right conditions are not in place to support investment.

There is the responsibility on stakeholders to ensure that supportive conditions are in place. In this way both the state and private sector can assist in meeting Ireland's housing needs.

3. Irish Cities 2070 Group

The Irish Cities 2070 Group is a leading group of professionals from the public and private sectors dedicated to fostering the proper planning of Irish towns and cities. They have produced a comprehensive study focused on the future growth, role and character of our towns and cities. Hooke & MacDonald are grateful to the Group for giving us permission to include in this report the following excerpt from the brilliant December 2020 Irish Cities 2070 Group Update Report.

INTRODUCTION – IRISH CITIES 2070 GROUP

While the 'National Development Plan' and 'Ireland 2040' are turning points in Irish spatial planning, the Irish Cities 2070 Group believes that longer term thinking is needed to flesh out a vision for the country and its cities further into the future, as the island's population grows towards 10 million. The work featured in this article has been led by architects Jim Coady and David Dwyer of the Irish Cities 2070 Group.

WHY IS A CITY OF WELL-BEING IMPORTANT?

Jim Coady believes that Cities of Well-Being, focussed on active travel and denser, greener neighbourhoods, will improve citizens' quality of life, facilitate active living and recreation in touch with nature, and support healthier patterns of work and recreation closer to home, with lower carbon use.

David Dwyer has prepared compelling research demonstrating that it is possible to greatly densify existing suburban housing estates to increase their population within a 5-minute walk of their local centres by three to five fold. Such transformation could create a network of more sustainable and vibrant neighbourhoods around our cities which would complement the major urban centres and city centres.

City of Well-Being

PHYSICAL AND MENTAL HEALTH, AND PLANNING: THE CITY OF SHORT DISTANCES

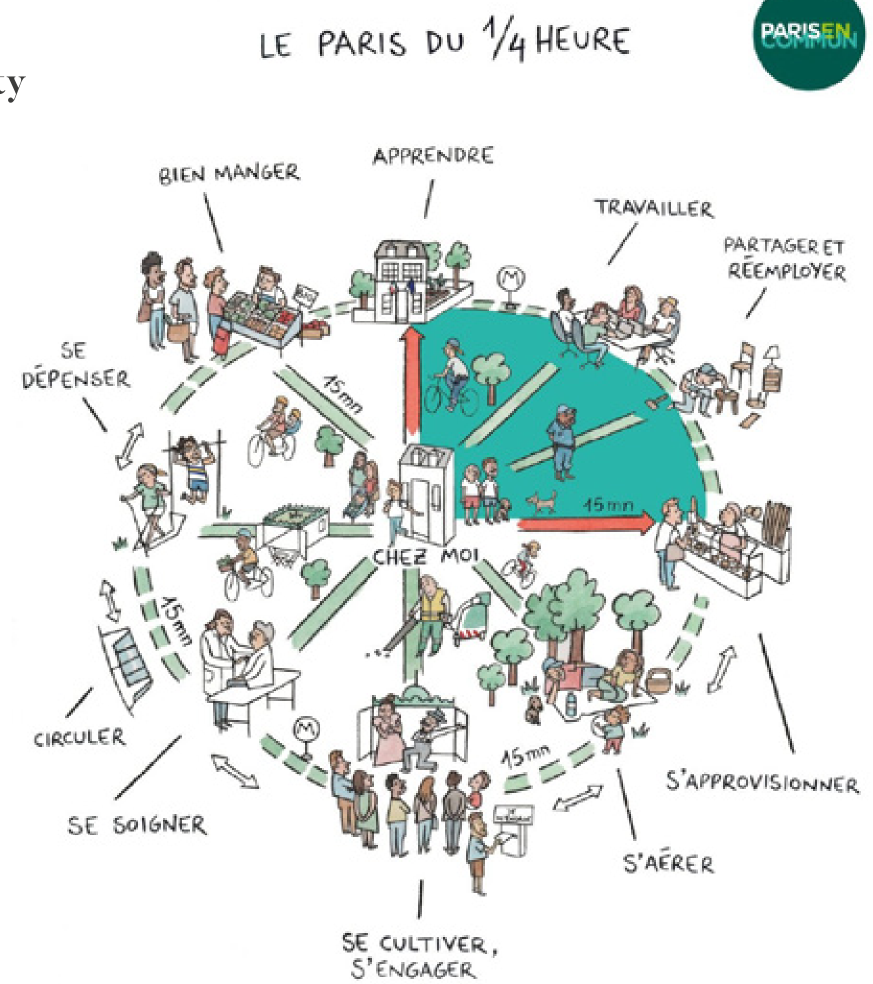
Physical health is facilitated by:

- The City of Short Distances, where education, health, employment, recreation, neighbourhood and district centres are accessed on foot, bike or public transport, rather than by car.
- Walkable environments that prioritise pedestrians and cyclists, with school access by bike a priority.
- Home grown food in allotments, community gardens.

Mental wellbeing and social capital are encouraged by:

- Contact with nature in street trees, gardens and green infrastructure.
- Reducing noise and encouraging recreation in safe streets and play spaces.
- Multiple opportunities for social networking and pursuing activities.
- Ensuring diversity of age, tenure and uses in each neighbourhood.
- Interconnecting neighbourhoods to widen opportunities.
- Involving residents in the changes in their neighbourhood.

Paris as the 15 Minute City



Source: Paris Commun

Irish Cities 2070 Group/City of Well-Being (continued)

LOCAL ECOLOGY OF CITIES + WELLBEING

Cities contribute to the resilience and ecological health of the planet and citizens by developing green infrastructure, reducing impacts and consumption of water, food, energy and goods, and encouraging contact with the natural world through.

- Green infrastructure – linked greenspaces, nature reserves, water resources, parks, and treed streets combine to link citizens to nature, support wildlife and absorb carbon.
- Active travel on foot and bicycle, linked to city wide cycleways and public transport.
- Conservation of water though demand management, reuse, effective sewage treatment, slowing run-off and re-charging aquifers.
- Achieving biodiversity in the green infrastructure, water resources, wildlife refuges and corridors, gardens, streets and roofs of the city.
- Facilitating local food production in private and community gardens and allotments.

SUSTAINABLE URBAN FORM + DENSITY: THE COMPACT CITY

The Compact City, a City of Neighbourhoods has 5 key urban form drivers:

- The Greenspace System which derives from the city's geography – with natural features linked in a network of nature reserves, waterways, parks and playgrounds
- Movement – where walking and cycling, linked to accessible public transport with high frequency service – is prioritised over the car.
- Uses - Commercial, retail, educational, health and leisure uses are graded and located in the centre, in mixed use neighbourhoods, district centres or on orbital roads or railways.
- Housing that is accessible, close to jobs, facilities and public transport: on brownfield sites where available: with comprehensive infrastructure: serving a mix of incomes to ensure social health and a vibrant local economy:
- Higher residential densities close to centres and public transport, including housing for disabled and elderly, typically at net densities of 100-175 ppha.

Current Version of Finger Plan

HEALTHY NEIGHBOURHOOD DESIGN

Accelerate construction of a new breed of age-friendly housing in 'smart' socially supportive multigenerational neighbourhoods, employing innovative technologies, business and service models, together with an enabling ecosystem, to improve health and wellbeing and reduce the financial burden on Citizens and State.

Hammarby Sjöstad, Stockholm, Sweden

LESSONS FROM INSPIRATIONAL CITIES

Health, opportunity and quality of people's life linked to air and environmental quality, economic success and health of the planet. In the healthy city:-

- Love affair with the car is over – cities must promote physical activity, **active travel** on foot, bike, linked to public transport – **the 'City of Short Distances'.**
- Transport and land use are fully integrated at local, urban and regional scales.
- Encourage appropriately higher densities to support local facilities, amenities and frequent public transport.
- Car-based suburbs retro-fitted to higher densities for sustainability and wellbeing.
- New neighbourhoods are planned with good permeability, cycle and walkways, greenspace and access to nature, diversity of incomes, housing, density and tenures, and flexibility in building use – all in a clear urban framework.

Strategic plans for cities must have coherent urban structure and support:

- Economic development – an economic plan for every city and town!
- Steady population growth.
- Full spectrum of housing provision.
- Effective transport and land use.
- Social and green infrastructure.
- Supportive urban form.

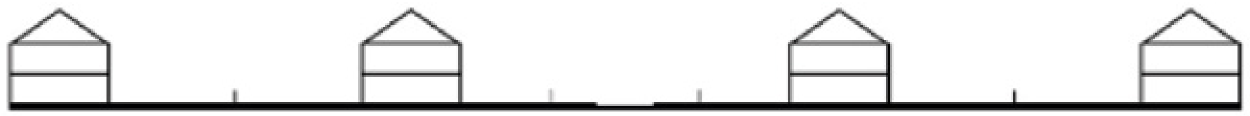
Bo01, Malmö, *Sweden*

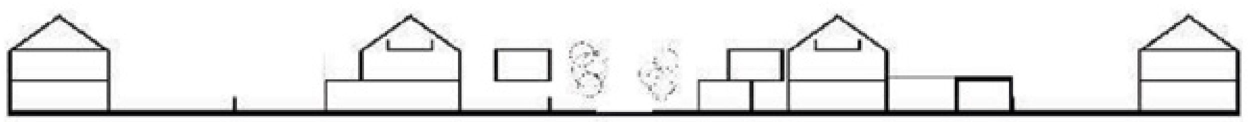
Hammarby Sjöstad, *Stockholm, Sweden*

Inner and Outer Suburbs – The Future Neighbourhood

THE EXISTING CONDITION

- Nineteenth century - exodus from urban centres-low density-large plots.
- Twentieth century - pre war period -higher density typology - coherent and sustainable urban fabric.
- Latter half of the century - low density car centric monotype housing at the edge. Lacks:-
  - Permeability and connection to the wider urban context.
  - Capacity for sustainable communities.
  - Legibility-creating non place - Choice.
  - Accessibility - making for social segregation and exclusion.
  - Mix of type and use - decreasing household size, - lack of choice - reduction of critical mass.
- The contiguous built-up area of Irish cities occupy more than twice the area of European cities of similar population.
- Housing built since 1960 = 60% of housing in metropolitan areas.
- Retrofit and intensification to contribute to the sustainability of metropolitan regions as whole by retrofitting to create a morphology of mixed uses that supports a fifteen-minute neighbourhood and a density that can facilitate a viable public transport network at a city scale.





OBJECTIVE

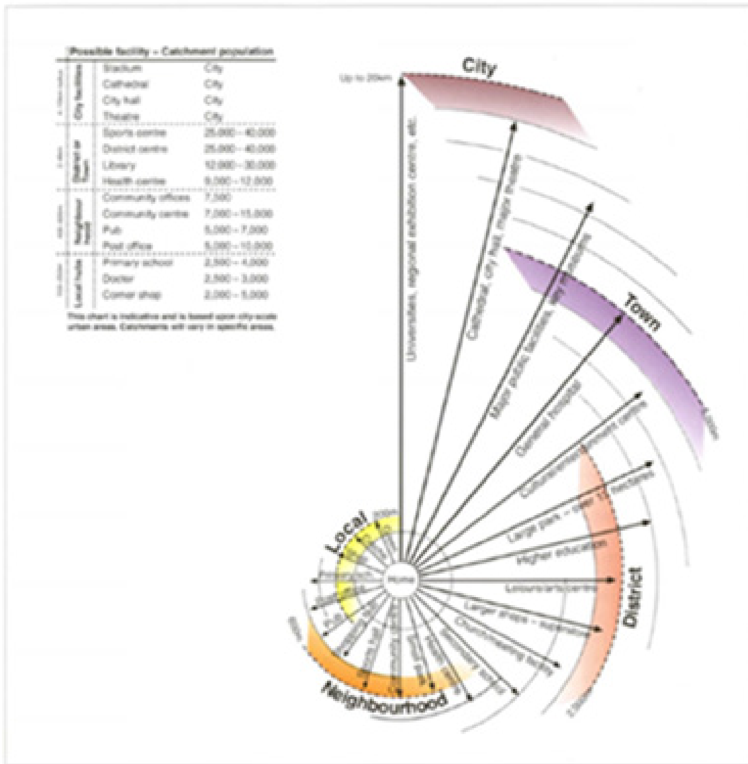
Establish an overarching framework identifying:

- a methodology for retrofitting existing suburbs and mechanisms to prevent further urban sprawl,
- morphological and formal similarities to establish a range of existing neighbourhood types given by the temporal conditions of their formation;
- the appropriate approaches to retrofitting for each typology to achieve resilient (long life, loose fit) neighbourhoods that contribute to wellbeing of people place and planet, enabling the creation of equitable, healthy, and sustainable community
- making provision for housing needs which allow for a more diverse social and demographic mix locally, enabling age friendly hybrid typologies. ameliorating deficient mix in existing neighbourhoods;
- opportunities for improving legibility and creating meaningful well connected places balancing housing needs with the requirements of place making in existing mono building type neighbourhoods, by Introducing infill development of differing tenure form and type and the ability to relocate downsize within in existing communities;

Establish an overarching framework to promote:

- the principles of good placemaking; (people centred)
- the appropriate catchment to support local facilities and a mix of uses, in a resilient form;
- Quality, legible, permeable, safe space, providing all one's daily needs within walking/cycling distance, adopting the concept of a 15 minute neighbourhood; (sustainable age appropriate mobility)
- social interaction, a healthy lifestyle and economic vitality
- substantial growth to accommodate choice of appropriate household types;
- Ecological continuity and environmental sustainability and Healthy biosphere
- Promoting health and wellbeing in people, place, and planet
- Socioeconomic resilience /mixed (use tenure and type)/ choice
- Energy neutral
- Legible Place

Transport hubs and town centres both justify higher population densities and a more diverse mix of uses (UTF 2000)



(Andrew Wright Associates) Source: Adapted from 'Sustainable settlements guide', University of the West of England different places, each with a different capacity to respond to change. It is clear that if we are to work with the drivers for change we need to understand how they are already affecting English towns and cities to produce a new urban geography.

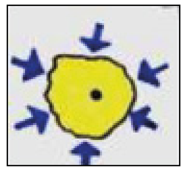
Irish Cities 2070 Group (continued)

Inner and Outer Suburbs – The Future Neighbourhood

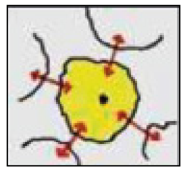
OUT PUTS

Determinants of a healthy neighbourhood

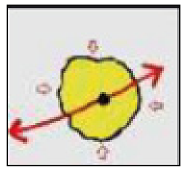
- a balanced demographic, and varied housing opportunities suitable to a range of needs;
- diversity of use – housing, business, shopping, social, cultural, cultural, educational and health activities, offering easy accessibility and choice;
- pedestrian, bicycle, public transport networks within the neighbourhood, linking to the wider city and region, permeable, connected environment and real mobility choice;
- a people centred public realm enabling a healthy social life and an attractive, environment at a human scale;
- ecologically responsive development principles consistent with social inclusion and reducing pollution and resource use, creating a greenspace network that provides accessible open space, with effective water, energy, wildlife and climate management;
- a fine-grained neighbourhood, structured around public transport accessibility, with varied densities, providing opportunities for gradual renewal and adaptation to new needs;
- an opportunity for active and frequent participation engagement with all stakeholder in the neighbourhood



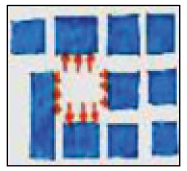
Assemble/Intensify



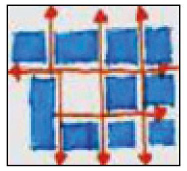
Connect with context Respect and harness nature



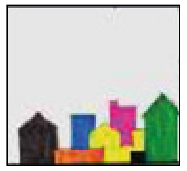
Activity and public transport to coincide



Active edges Human scale Respect existing morphology



Legible/ Permeable Walkable



Mixed and adaptable

The Irish Cities 2070 Group comprises experienced professionals from the public and private sectors including architects, planner, engineer, surveyor and an economist/geographer.

PRS Developments in Dublin City & Suburbs

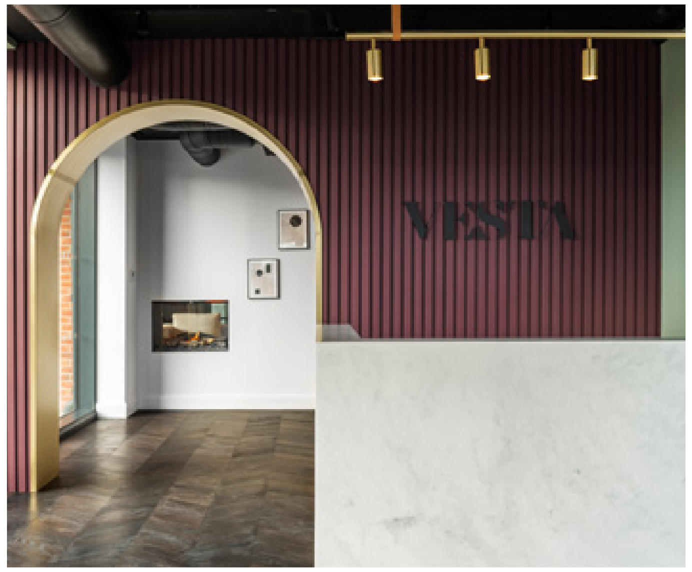
Opus, Six Hanover Quay, Grand Canal Dock, Dublin 2 *developed by Cairn PLC and purchased by Carysfort Capital and which is 87% occupied.*

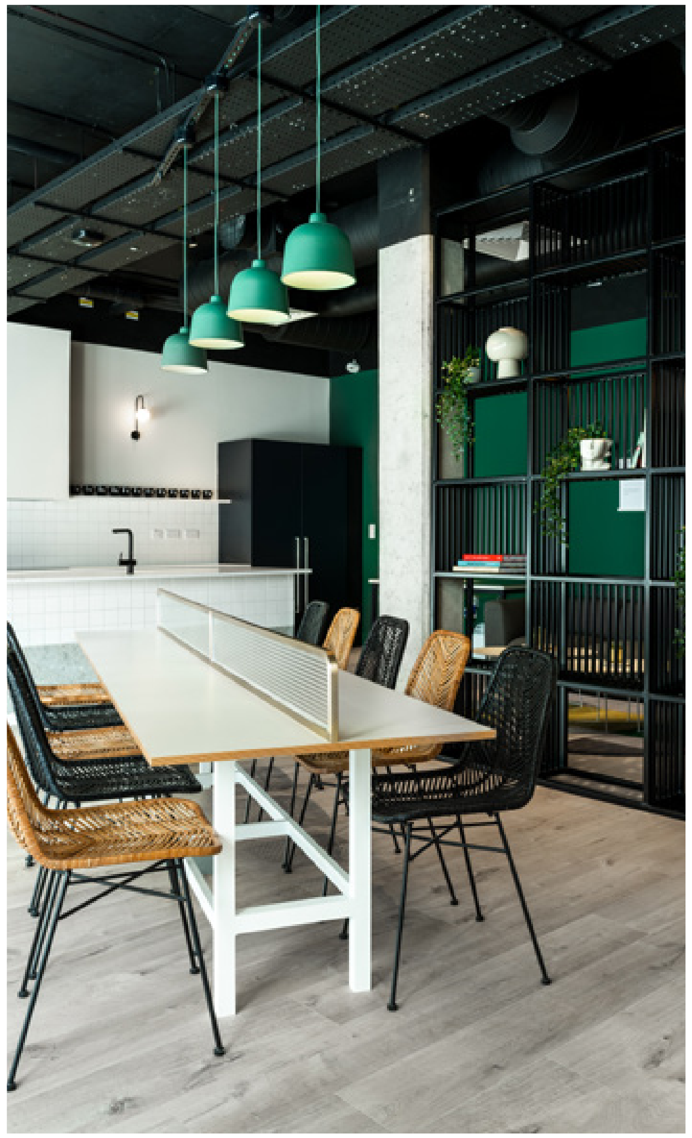
Blackwood Square, Northwood, Santry Demesne, Dublin 9 *being developed by Cosgrave Property Group was forward sold by Hooke & MacDonald for €123.5m to Round Hill Capital & Quad Real Property Group.*

4. Examples of high quality PRS resident amenities

GREAT RESIDENT AMENITIES

One of the key features of new apartment developments that are being built in Ireland now is the quality, extent and variety of resident amenities being provided. This is a very welcome feature as it improves the quality of life for tenants in conjunction with the professional management approach and range of services in these developments.





A selection of photos of residential amenity space developed by Twinlite and purchased by Tristan Capital Partners at Vesta, One Three North, Marrsfield Avenue, Clongriffin, Dublin 13.

5. Top Multi-Family/PRS Transactions in Dublin

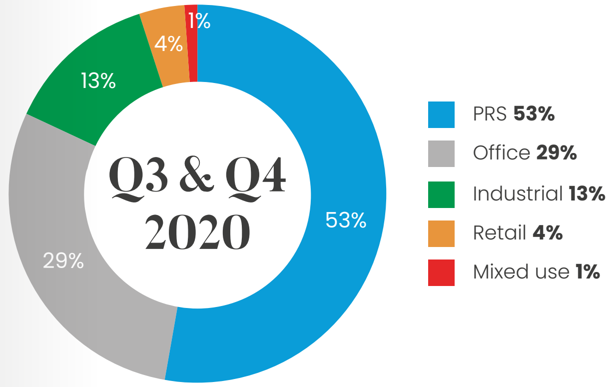
Top Multi-Family/PRS Transactions in Dublin in H2 2020

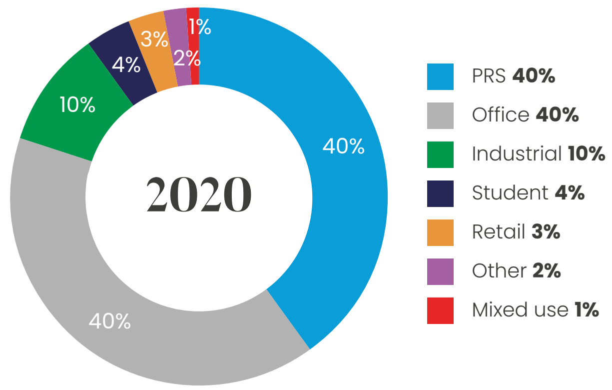
	PROPERTY	NO. OF UNITS	TYPE	REPORTED PRICE	AVG. PRICE PER UNIT	VENDOR
1	Cheevers Court & Haliday House, Cualanor, Dún Laoghaire, Co, Dublin	368	New Build	€200m	€530,000	Cosgrave Group
2	Off-Market Portfolio - North Dublin	317	New Build /Existing Stock	€145m	€457,000	Private
3	Off-Market Portfolio - Dublin	300	New Build	€140m	-	Private
4	Blackwood Square, Northwood, Santry Demesne, Dublin 9	297	New Build	€123.5m	€416,000	Cosgrave Group
5	Clay Farm IC, Leopardstown, Dublin 18	192	New Build	€75m	€391,000	Park Developments
6	Phoenix Park, Racecourse, Castleknock, Dublin 15	146	New Build /Existing Stock	€60m	€411,000	Flynn & O'Flaherty
7	Harbour Road, Dalkey, Co. Dublin	94	New Build	c. €54m	€521,000	Winterbrook
8	Project Connect - Dublin	151	Existing Stock	€48m	€318,000	I.RES
9	Off-Market - South Dublin	101	New Build	€45m	€446,000	Private
10	Off-Market - South Dublin	60	New Build	€32m	€533,000	Private
11	Off-Market - Dublin 24	-	New Build	€22m	-	Private
12	Off-Market - Dublin 18	-	New Build	€21.75m	-	Private
13	Off-Market - Dublin 12	-	New Build	€9.73m	-	Private
14	Greeg Court, Parrnell Street, Dublin 1	25	Existing Stock	€9.6m	€384,000	Private
15	The Willows, Sandymount, Dublin 4	19	Existing Stock	€9.2m	€484,000	Private Irish
16	Off-Market - Dublin 8	20	New Build	€8m	€400,000	Private
17	Off-Market - Dublin 7	-	Existing Stock	€7.37m	-	Private
18	The Ice Rink, Dolphin's Barn, Dublin 8	20	Existing Stock	€6.25m	€312,500	UK Investor
19	Tudor House, Clontarf, Dublin 3	18	Existing Stock	€4.5m	€250,000	Private Irish
	H2 2020 Total	2,283		€1,020,900,000		

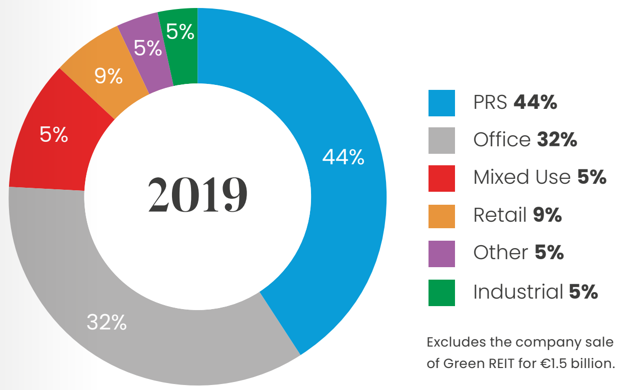
Top Multi-Family/PRS Transactions in Dublin in H1 2020

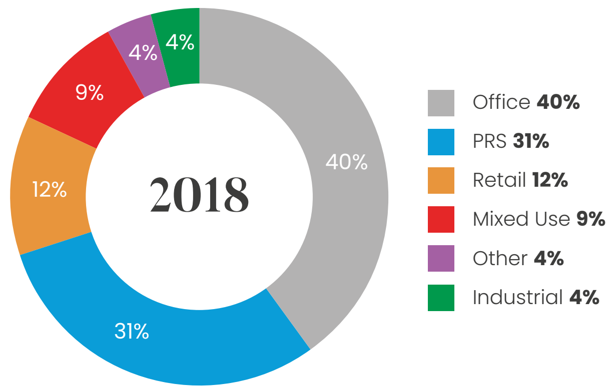
	PROPERTY	NO. OF UNITS	TYPE	REPORTED PRICE	AVG. PRICE PER UNIT	VENDOR
1	Off-Market - Dublin (Portfolio of properties across Dublin)	138	New Build	€58.85	€426,000	Private
2	Herberton, Dublin 8	102	Existing Stock	€36.5m	€358,000	Deloitte
3	Off-Market - North Dublin	60	New Build	€30m	€500,000	Private
4	Rathgar Road Collection, Dublin 6	61 + 2 commercial units	Existing Stock	€18m	€285,000	Private Irish
5	Rathmines Square, Rathmines, Dublin 6	40	Existing Stock	€16m	€400,000	John Paul Construction
6	Off-Market - Dublin	12	Existing Stock	€3.25m	€271,000	Private
	H1 2020 Total	413		€162,600,000		
	2020 Overall Total	**2,696**		**€1,183,500,000**		

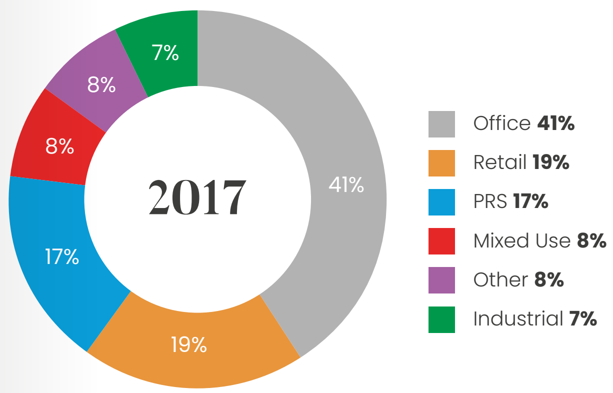
Total Dublin Investment Market Transactions by Value

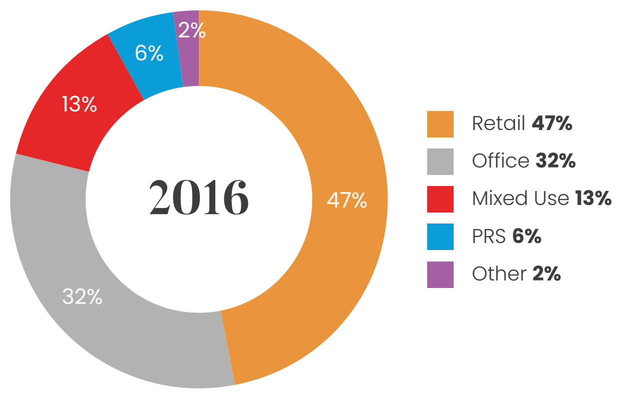








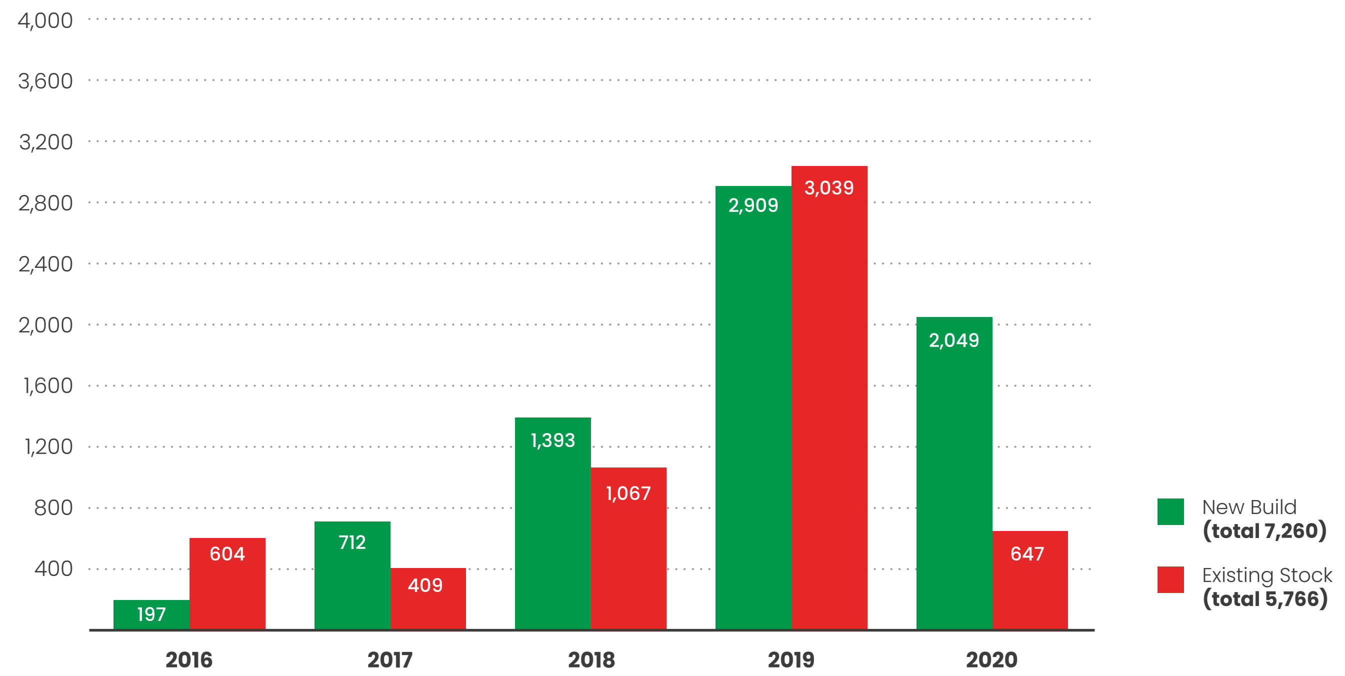




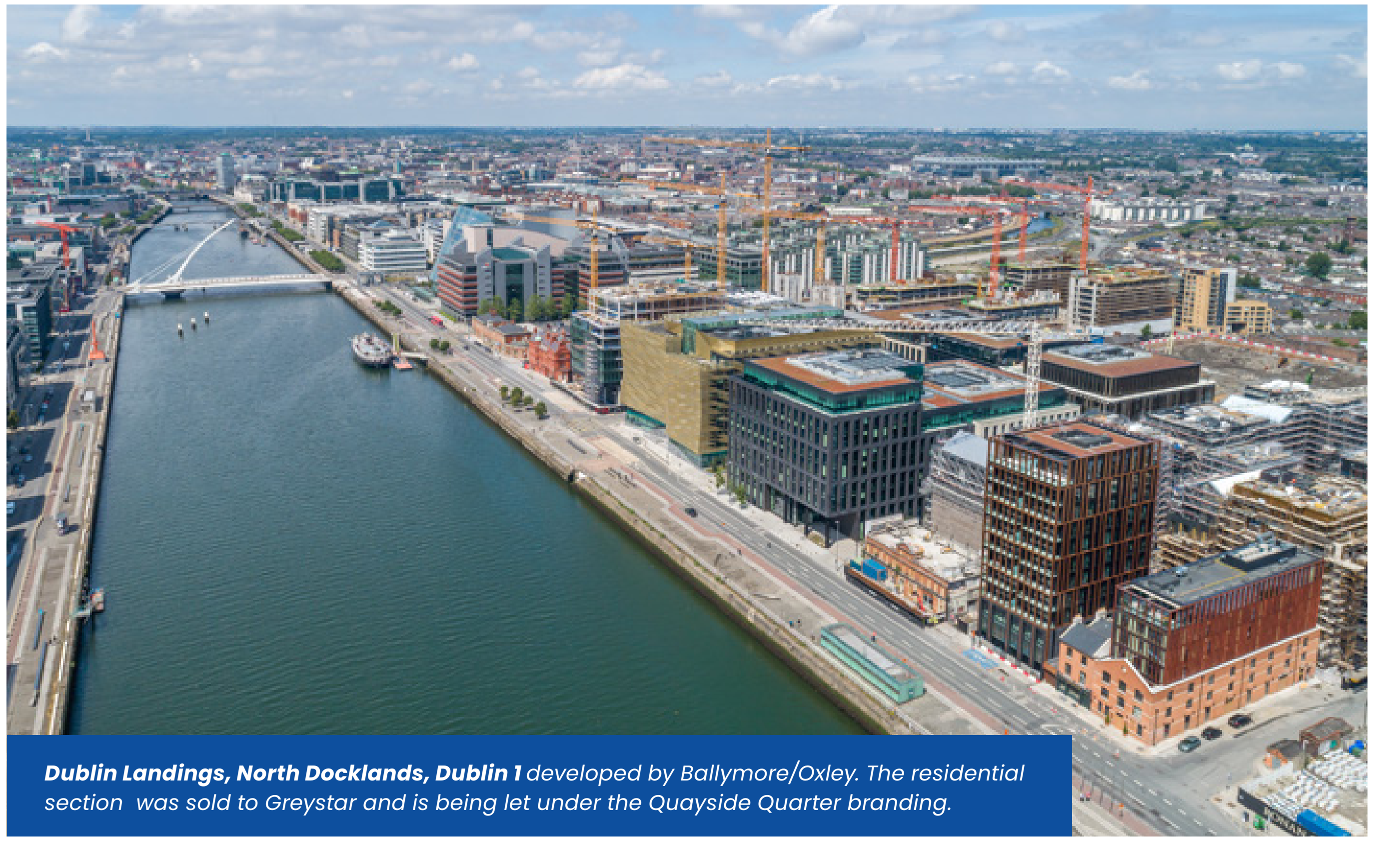
Analysis: Hooke & MacDonald Research

6. New Build Multi-Family/PRS Sales

Dublin Multi-Family/PRS Volume of Residential Units Transacted 2016-2020



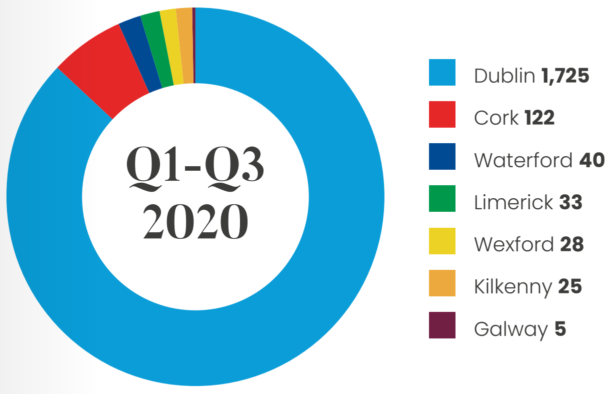
Source: CSO. Analysis: Hooke & MacDonald Research

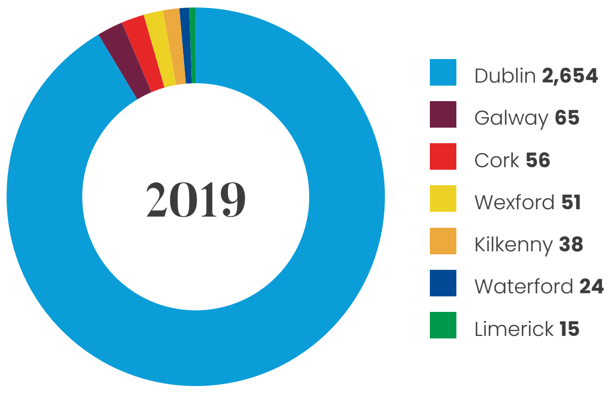


***Dublin Landings, North Docklands, Dublin 1** developed by Ballymore/Oxley. The residential section was sold to Greystar and is being let under the Quayside Quarter branding.*

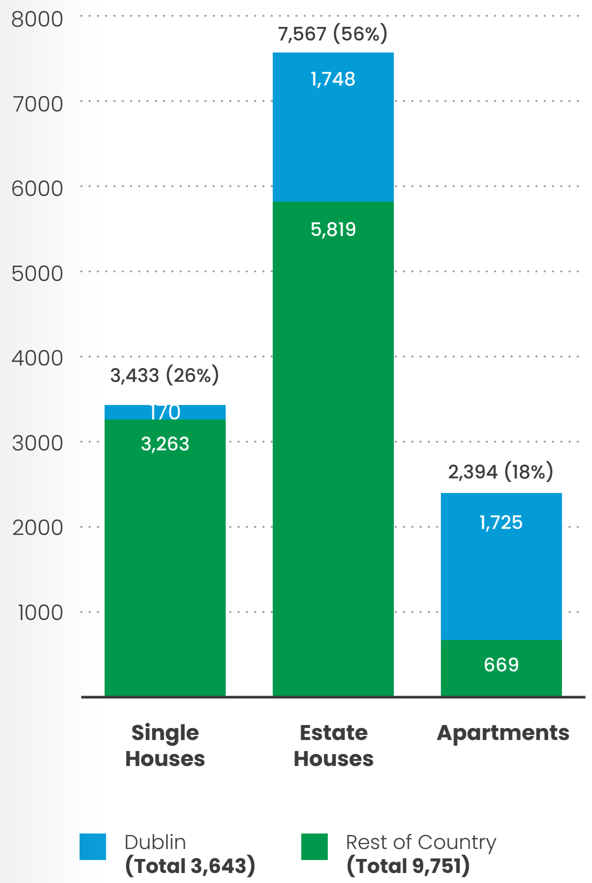
7. Nationwide Housing Completions

Apartment Completions in Irish Cities/Towns

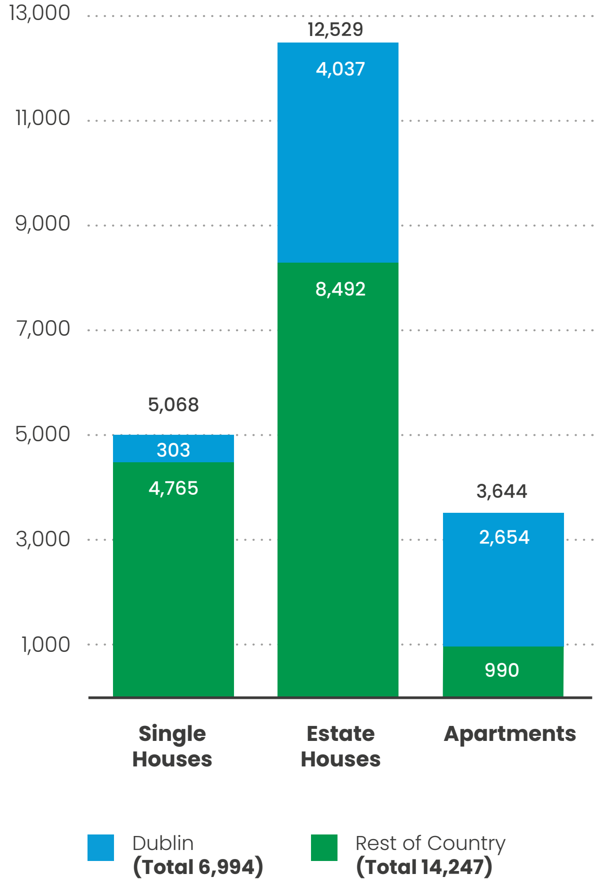




New Residential Completions Nationwide Q1-Q3 2020



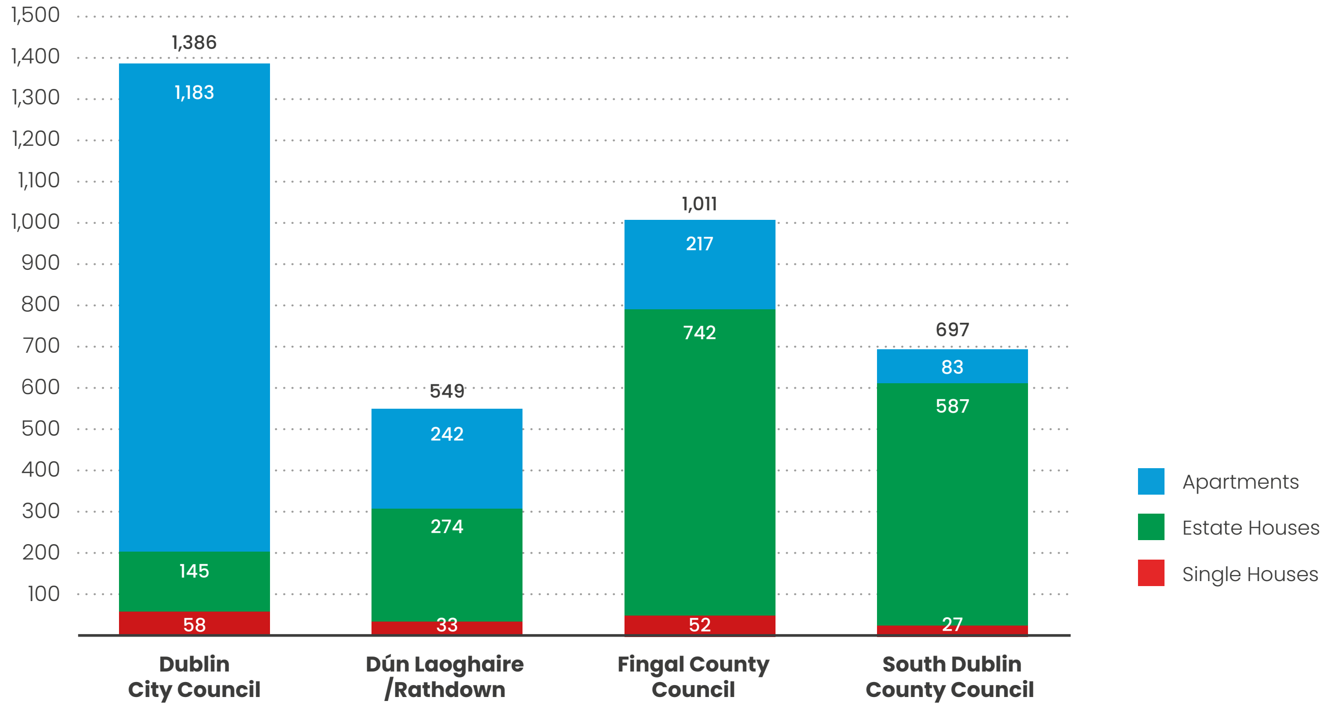
New Residential Completions Nationwide 2019



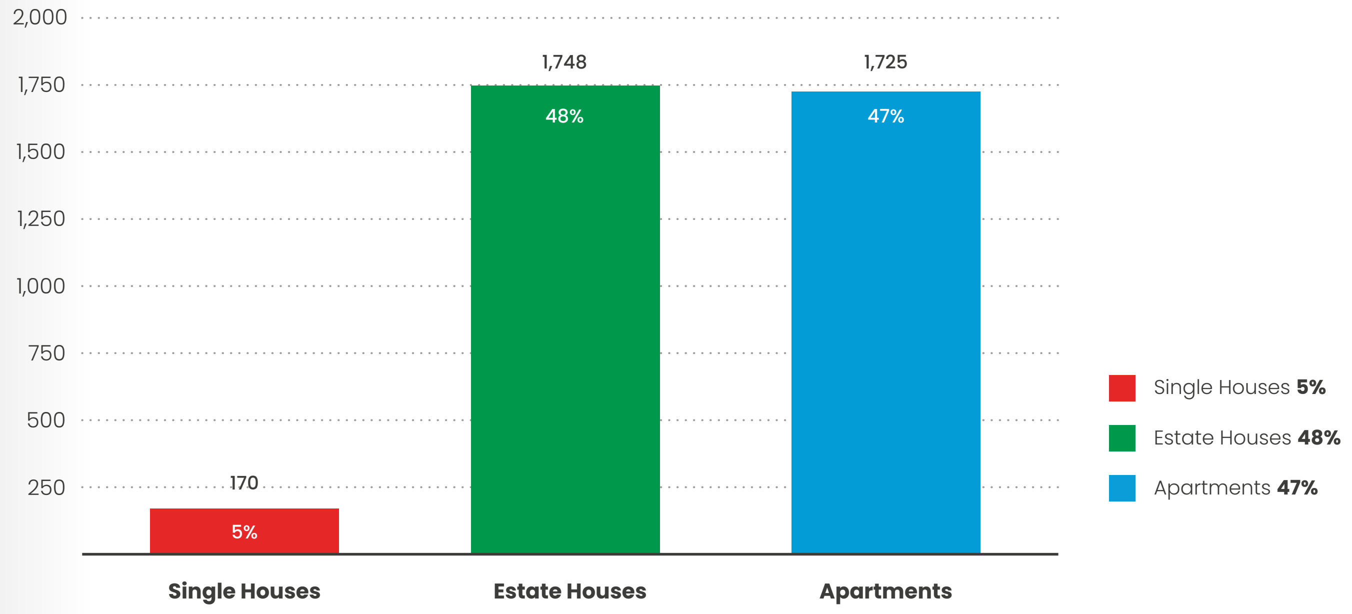
Source: CSO. Analysis: Hooke & MacDonald Research

8. New Residential Completions in Dublin

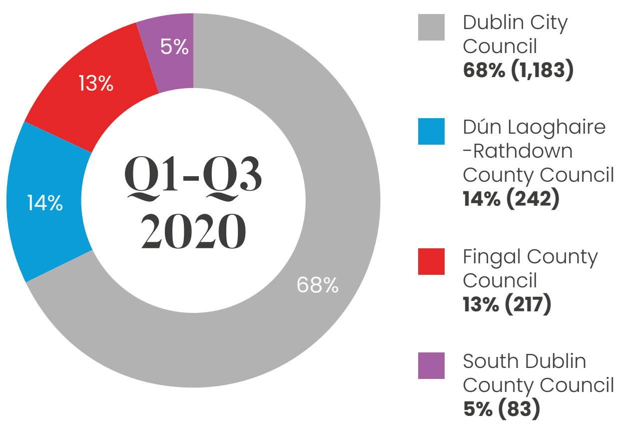
Q1-Q3 2020 Completions of New Homes in Four Dublin Local Authorities



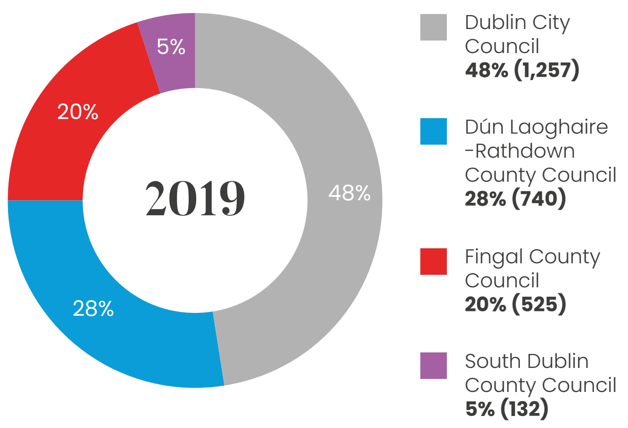
New Residential Completions Dublin Q1-Q3 2020



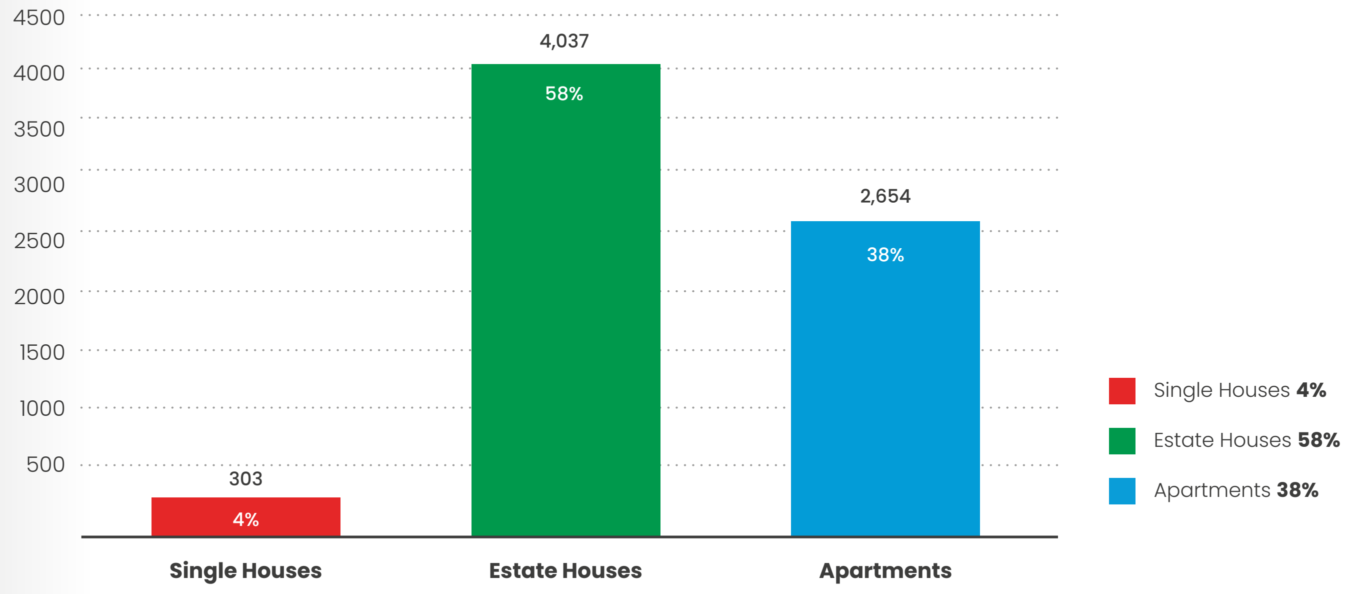
1,725 Apartments completed in Dublin in Q1-Q3 2020



2,654 Apartments completed in Dublin in 2019



New Residential Completions Dublin 2019



Source: CSO. Analysis: Hooke & MacDonald Research

Source: CSO. Analysis: Hooke & MacDonald Research

9. Development Finance in the PRS Marketplace

By Robert Gallagher, CEO of Activate Capital Limited

The Private Rented Sector (PRS) is an established component of the overall delivery of housing stock across OECD economies.

RENTAL DEMAND GROWING

The demand for rental accommodation in Ireland is growing, particularly in our urban centres, where according to the CSO c. 36 per cent of the population is now renting (across both the PRS & State sectors), having increased from c. 24 per cent in 2002. The demand side is fundamentally underpinned by urbanisation, population growth and the increasing desire for accommodation to reflect the various stages of housing need.

Pension funds and investment firms globally have long identified that well located PRS accommodation is a secure and predictable investment asset class and are strongly investing in it. These trends are equally true in Ireland and today facilitate the much-needed scale production of apartments in our cities. As Ireland has one of the lowest levels of built apartment stock in the EU, institutional investors are increasingly seeking to acquire newly built apartments here, creating in parallel what is known as Build to Rent ("BTR") sector. While there has been much public commentary about this phenomenon, it is worth noting that historically c. 20 per cent of the Irish mortgage market was comprised of non-professional investors acquiring newly built residential units for the purposes of rental. While these investors were in the past the primary supplier of new PRS accommodation to the market, they have since largely disappeared, thus creating a supply-side void that the professional institutional investor has started to fill.

DEBT & EQUITY REQUIREMENTS

BTR accommodation is primarily delivered as new apartment developments and the level of debt and equity required to construct is often underestimated. For example, a 300-unit apartment block could cost > €100 million to complete and thus €1 billion of capital might deliver only c 3,000 apartments. This is in the context of a market with an estimated overall annual new home requirement of c 35,000 per annum. Without a broad, deep and diversified debt marketplace, advancement of these much-needed projects would be materially curtailed.

So, who in Ireland provides debt capital to the BTR market and what matters to them in their decision to invest? In assessing this it must first be recognised the role that NAMA, as a lender, played in the creation of the BTR market. They actively funded the Cosgrave Group with early projects in Dún Laoghaire and Santry. The BTR debt market has deepened materially subsequently and is now well served by AIB, Bank of Ireland, HBFI and Specialist Development Lenders. All lenders will look to the track record of the customer, the realism of rental, occupancy and yield assumptions, and ultimately the likelihood of securing an exit on completion via forward sale to an institutional investor.

There are attractions to both the developer and purchaser in phased apartment delivery. For the developer, it may reduce the peak working capital need and thus the required equity commitment. Equally, for the purchaser, it provides the optimal circumstances within which to stabilise the building/investment. Increasingly, it is likely that renters, institutional investors and lenders will differentiate by location. It is notable that in excess of 10,000 PRS units have been approved by An Bord Pleanála over the past 12 months alone, however, some of the peripheral locations may be challenged in attracting development capital.

DEVELOPERS ARE RISK FOCUSED

In the funding by Activate Capital of eight BTR projects to date we have learned that developers are very focused on the fine balance between retaining maximum optionality and containing risk. In many cases this drives their selection of development lender. All projects commence with site acquisition and in most cases the site acquired has residential zoning but is not (optimally) planned. Some lenders will only finance fully planned land so the field of potential lenders at this stage is more limited. On securing a viable planning permission, the developer may explore the option to forward sell the development pre the commencement of construction, or to delay the engagement with institutional investors for a period of say (12) months. The delay decision is usually anchored in a conviction that a better price (via tighter yield) can be achieved in the future. The implications of this decision on debt funding options will likely be reflected in lesser leverage until the forward purchase is locked in. Another example, in the developer decision tree, is whether to self-build or third-party contract. Many forward purchasers seek the risk containment attractions of third party contracting, however this can come at increased cost to the developer.

As one might expect for such large scale development projects there is substantial alignment between the developer and lender regarding the commercial and legal terms of the forward purchaser relationship. Both parties will want to see in the Forward Sale Agreement that the contracted off-taker has substance, or if it is a subsidiary of a larger group that adequate intergroup guarantees exist. Both parties will equally want to ensure that an adequate delivery Longstop is in place, to address potential delays in construction. It is essential that the specification of the units to be delivered is clearly established with the purchaser. Some of our customers have used precedent delivered units as the template, whilst others fully mock-up the agreed unit. In addition to the Forward Sale Agreement there is always also a Direct Agreement between lender and the forward purchaser.

FORWARD FUNDING

In the UK, Continental Europe and the United States an alternative to Forward Sale exists and is called Forward Funding. In that case the institutional investor acquires the site from the developer at commencement, agrees to fund the construction, and makes a final payment including a profit margin on completion. This may have a role in the Irish market in the future, but few, if any, of these have closed to date. Most institutional investors prefer to acquire the completed building through forward purchase, rather than to step-in the shoes of the developer via a forward fund. For a variety of reasons Forward Funding transactions tend to be slower to consummate. I would equally suggest that from a developer perspective, a Forward Fund transaction may reduce risk but minimise development flexibility and economic optionality. BTR developers are now delivering well built, high quality apartments in our urban conurbations. Over the next 24 months the scale of delivery will materially contribute to the overall residential accommodation delivery. Institutional investors, who are typically long term in outlook, are motivated to run and maintain these developments well. Crucial to the generation of apartment output is a well-functioning and broadly based debt funding marketplace. Real strides in this regard are evident and continued thoughtful evidenced based risk assessment will underpin longevity of this lending.

ROBERT GALLAGHER

Robert is CEO of Activate Capital Limited. Prior to the establishment of Activate Capital in 2015, Robert was a Director with KKR and led the firm's credit investment activities in Ireland. From 2005 to 2011, he was an Executive Director of Ulster Bank, where he was responsible for the corporate and business banking franchises. Robert has also worked at AIB Group, Citibank and KPMG. From 2009 to 2011, he was a board member of the European Banking Federation and president of the Irish Banking Federation.

Activate Capital is the leading specialist provider of development finance in Ireland. It offers senior loans for the development of traditional housing, social housing, apartment, student, and mixed-use schemes. Activate's customers are amongst Ireland's leading developers, including family owned businesses, public companies and institutional property investors.

10. A Healthy Housing Market

By Fiona Cormican, Business Director, Clúid Housing

Ireland has long since sought a properly functioning housing market which provides affordable homes to rent or buy to all cohorts of society. We have been living under the shadow of the term 'housing crisis' for too long at this stage.

The worldwide Covid -19 pandemic has had an impact on housing delivery targets as much as it had on other areas of the economy but the impetus and drive towards new housing supply over the past number of years, across the property market, is starting to bear fruit and we are making real progress in increasing the supply of new homes, both private and public.

In recent weeks, we have seen some interesting commentary from our national media outlets and across various social media channels. The assertion is that the public sector can directly build social homes for less than the cost of purchasing them from private developers. In some instances, the difference was reported was as much as 50%. These claims obviously give rise to concerns as to whether we are achieving the best value for money in our quest to meet the social housing need and while raising such questions is imperative, it is equally important to contextualise the figures and to establish what the numbers represent and ensure that we are comparing like for like.

St Marys Mansions redevelopment project, *Dublin 1*

BUILD COST INCONSISTENCIES

The figures we have seen reported in relation to private and public approaches to housing delivery do not appear to evidence the type or size of property being built or acquired. This would be a good first step in setting the record straight for those keen to deliver value for money on all sides of the argument. When quoting figures for homes produced by local authorities or their agents, on state owned lands it would be important to know what is included in these costs. Is the cost of land included for example? Are development levies included? It is highly unlikely that a local authority would apply these costs to their own projects. What additional subsidies, such as the provision of services on the site, may have been applied to the social housing scheme? Time is money in the property development business and here too we need to establish the timelines covered. On average, it takes roughly 1 to 3 years to tender a social housing development. That leaves a gap of up to 3 years for land and others costs to increase or decrease between tendering and delivery.

Listing figures without any interrogation is misleading, on the basis that it suggests that prices paid to developers for turnkey homes are far and above the cost of production. This is simply not true in many cases. When an approved housing body or a local authority purchases a turnkey home from a developer, all the above costs are included as well as the cost of designing the scheme, funding the project and market risks. We are not denying that there is an element of profit included in a turnkey home supplied by a developer. The fact is, where developers take a risk on property development, profit is required. That is not to undermine the importance of value-for-money, and in particular the value of housing delivered on public land at affordable prices by not-for-profit developers, like Clúid. However, if we are to make these arguments effectively, we need to be transparent with our facts, and clear about the figures we quote.

NEW SOCIAL HOUSING ESSENTIAL

Social housing is a critical element of Ireland's housing market. Meeting the demand for good quality, new, social housing relieves pressure on the private market by providing long term solutions for families on lower incomes, rather than depending on renting homes from the private market to meet this need. For our part, Clúid purchases turnkey houses and apartments from developers, many of which are delivered through Part V of the Planning and Development Act. We often purchase an additional percentage of the available homes on the same project, where the socio-economic mix of the project can sustain additional social housing. In 2019, Clúid delivered just over 800 social homes. This comprised a combination of our own construction programme and developer-led turnkey homes. Thanks to the foresight of the Government in designating social housing as essential, we expect to deliver similar numbers in 2020, despite the impacts of Covid -19.

While the absolute scale of required housing output may be debated, the need for the delivery of new homes to the market and for social housing is not. The assumption that the public/AHB sector, alone, has the capacity to deliver all required social housing, is not realistic at present. Delivery of much-needed social and affordable housing needs to be a collaboration between the private and public sector to achieve the scale required.

DEVELOPERS IMPORTANT INPUT

Leaving institutional investor/developers aside, there are many small to medium sized developers across the country delivering social housing for Clúid, other AHBs and local authorities. These local developers encourage local employment, support local businesses and deliver small housing schemes of between 4 and 40 homes, which also serves to support a better social mix in many areas. These small developer/builders take on the risk of purchasing land, bringing the project through the planning process and then offering the homes to the public sector. The quantity of stakeholders and processes involved in delivering social housing represents a challenge for any small developer brave enough to enter into this market. However, once they become comfortable with it, they become valuable repeat business partners, who deliver much needed homes across the country. If you consider that Ireland's cities are home to 85% of jobs but just 65% of residents, these small builder/developers are a critical element of the housing market as well as the wider economy.

DIRECT BUILD PROJECTS

In addition to our developer turnkey pipeline of homes, Clúid manages a very robust design and build construction programme across the country. By the end of 2020 Clúid will have 17 projects on site that will deliver over 700 homes and have a pipeline of a further 30 projects equating to over 1,000 homes. As a result, we have a very good understanding of the cost of production of apartments and houses across our major cities and smaller commuter towns. While this particular supply route affords us quality and control, we are subject to public procurement and government contracts and it is very resource-intensive compared to the purchase of completed new build, turnkey homes from a developer. Our extensive knowledge of the cost of production of various types of property, from 3 bed semis in smaller towns to one bed apartments in larger urban areas, allows us to fully interrogate the price we are paying for turnkey units from developers and ensures that we can negotiate for the best possible price.

A Healthy Housing Market by Fiona Cormican (continued)

SIGNIFICANT GROWTH BY CLÚID

Clúid has seen significant growth in its portfolio over the past few years, with assets now valued in excess of €1b and over 8,000 properties in management in all counties in Ireland. This means that we currently provide homes to over 20,000 people. We have a business plan target of over 3,000 more social homes by the end of 2022. We deliver social homes where there is a clearly quantified need and we currently have new social housing schemes in progress in almost every county. Clúid have recently announced a €54m debt-financing agreement with one of Europe's largest institutional asset managers and a major global investor, Legal & General Investment Management (LGIM). This corporate loan will enable the delivery of circa 200 new social homes and marks a number of 'firsts' for both the housing sector and the asset manager. Clúid, is the first Irish AHB to secure a financing agreement of this scale with an international institutional asset manager. The deal also marks LGIM's first investment in the Irish social housing market. The first homes financed through this agreement are expected to be delivered in Q1 2021.

VOTE OF CONFIDENCE IN IRELAND

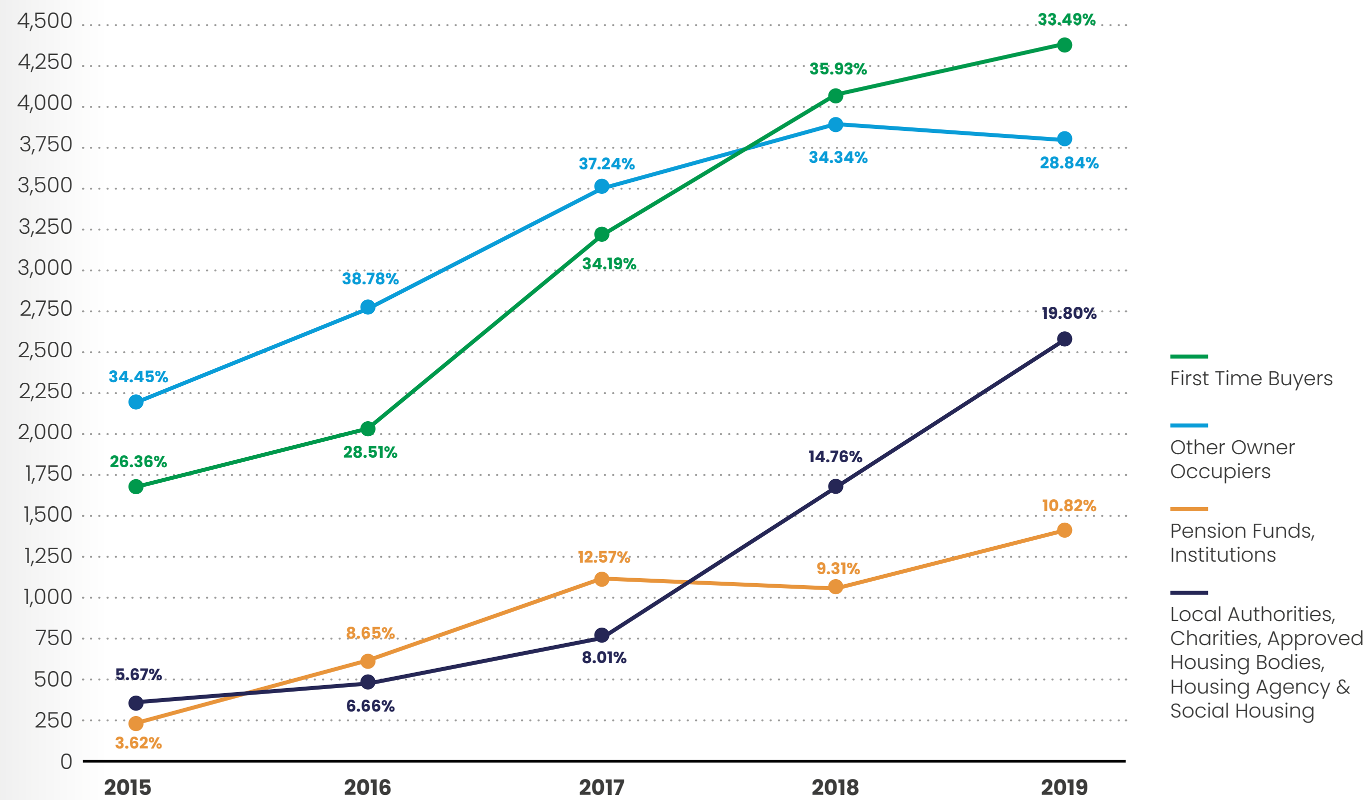
This agreement [with Legal & General Investment Management] is not just a vote of confidence in Clúid, it is a vote of confidence in the housing sector in general and in the Irish economy. There has been a lot of concern expressed recently about the financialisation of housing, much of which is justified when the aim is high profit returns with little regard to the impact on access to housing for those on lower incomes. Clúid were very cognisant of this when it came to choosing a financial partner and our choice was based on the willingness of our partner to support our business model of long term sustainable, affordable homes, with security of tenure for our residents. This corporate loan is a cost-effective, long-term finance arrangement that will work alongside the Government's Capital Advance Leasing Facility (CALF) and Payment and Availability Agreement (P&A) to deliver even more value for public money. The new loan facility will enable Clúid to deliver more social homes whilst relieving pressure on Government finances, without a reduction in the quality of homes or management services delivered. Clúid's operating model ensures that any surplus generated is reinvested in the development of new social housing stock and the management and maintenance of existing Clúid properties. With interest rates at historic lows, Clúid is accessing this financing to ensure a sustainable future supply of social housing and with a view to delivering the maximum amount of social homes for the best value for money.

FIONA CORMICAN

Fiona Cormican is Clúid Housing's New Business Director. Fiona has over 20 years' experience in social housing development and holds a masters in project management from the University of Limerick. Fiona currently manages Clúid's extensive new business portfolio and has overseen a 40% increase in Clúid's housing stock over the past five years. Clúid now holds over €1 billion in assets with plans to deliver a further 3,000 homes by 2022. Clúid's growth strategy is aligned with meeting the targets of Rebuilding Ireland and the delivery of new supply to the housing market.

The Cluid Housing, St Marys Mansions redevelopment project, *Dublin 1*

Composition of Purchasers of New Homes in Ireland 2015-2019



Sources: CSO, RTB, Eurostat, Geo Directory, Goodbody, Hooke & MacDonald Research

11. Construction costs for direct-build Dublin City Council residential developments - The Facts

By kind permission of Brendan Kenny, Deputy Chief Executive, Dublin City Council

In recent weeks, there has been a lot of focus including media reports on the cost of constructing residential units by Local Authorities particularly in Dublin City. Direct building by Local Authorities means putting the final design out to the market and a subsequent decision to select the Most Economically Advantageous Tender (MEAT).

When national data on average construction costs gets published from time to time it often does not demonstrate the higher costs that prevail in large urban areas such as Dublin City. Over recent years as housing construction has ramped up throughout the country, there can be big variations depending on the date picked for the data analysis.

For example projects completed in the period 2016-2019 would have been tendered in the period 2014-2017 at a time when construction costs were a good deal cheaper, and in the Dublin City context we were still building houses rather than apartments (apartments are much more expensive to build). Indeed our level of new build was still quite low during that period (big emphasis on acquisitions at that time) in comparison to the following period of 2019 to 2022.

MISLEADING INTERPRETATION OF DATA

A further issue that can result in misleading interpretation of data on construction costs is whether the data includes the totality of all-in costs. Examples of these costs are VAT, professional fees, utilities etc. Sometimes VAT is not included in data published that can distort the figures for comparison purposes.

In some situations, there could be expenditure, prior to going to tender on site clearance including demolition, de-contamination, security etc on land owned by the Council and these would be regarded as sunken or legacy costs that also have to be recouped, as part of the construction project. In some cases, there may be additional claims for various reasons made against the Council by the contractor and these too will end up included in the all-in costs for a particular project.

All this means that data on construction costs for Local Authority new build does require a reasonable level of interrogation and analysis to ensure that it does reflect the realistic position. That type of analysis and interrogation was clearly missing from some of the commentary around this issue in recent times.

In a reply to a Parliamentary Question from Deputy Richard Bruton (Number 297) dated 1st December 2020 the Department of Housing, Heritage and Local Government confirmed average unit construction costs of €338,609 for 6 projects in Dublin City that were approved after 1/1/2019.

The figure is broadly in line with what we have been quoting over recent months and consistent with the data outlined in the table below. However, it does not include VAT on construction and therefore this would bring the all-in cost up to €435,396 per unit.

DETAILS OF 7 CURRENT PROJECTS

The table hereafter shows detail on seven of our existing projects that are currently under construction and close to completion, the average unit all-in cost of the 461 units involved is €429,271. This average figure is brought down because of the lower build costs for the scheme of houses only.

These facts on construction /all-in costs dispel the notion that it is cheaper for Dublin City Council to directly deliver the construction of social housing and it is important to note that none of the seven projects listed below include any land costs because in each case the land is wholly owned by Dublin City Council.

It is essential that different methods of delivering much needed housing are seriously considered, and used, including innovative partnerships with private developers, acquisitions, leasing etc.

For example, the O'Devaney Gardens project will deliver high quality social and affordable housing to the City Council for an average unit cost of €390,000 (incl VAT) which is significantly less expensive than those now being delivered directly by Dublin Council. The abandoned Oscar Traynor Road project would have delivered social and affordable housing at similar prices.

Social Housing Construction Costs on 7 Existing DCC Projects

SOCIAL HOUSING CONSTRUCTION UNIT COSTS		SCHEME 1	SCHEME 2	SCHEME 3	SCHEME 4	SCHEME 5	SCHEME 6	SCHEME 7
Dwelling Types		Houses & Apts	Houses & Apts	Houses	Apts	Apts	Houses & Apts	Houses & Apts
Year	-	2018	2018	2018	2019	2019	2019	2019
No. of Units	461	54	56	88	55	57	78	73
Construction Unit Cost (Tender)	€323,111 (Overall Avg.)	€372,842	€303,636	€215,316	€334,238	€351,814	€326,703	€357,230
Other Costs (Soft)	-	-	-	-	-	-	-	-
Utilities/Levies	-	€5,850	€5,850	€5,850	€5,850	€5,850	€5,850	€5,850
Construction VAT at 13.5%	-	€50,334	€40,991	€29,068	€45,122	€47,495	€44,105	€48,226
Professional/ Design Fees	-	€54,062	€44,027	€31,221	€48,464	€51,013	€47,372	€51,798
Vat on Design Fees at 21%	-	€11,353	€9,246	€6,556	€10,178	€10,713	€9,948	€10,878
Construction Unit All-in Cost	€429,271 (Overall Avg.)	€494,441	€403,750	€288,011	€443,852	€466,885	€433,978	€473,982

The above figures do not include possible contractor claims, legal fees, or sunken/legacy costs on sites.
The above figures do not include any land acquisition costs because the land in each case is owned by DCC.
Scheme number 3 consisted of houses only.

Construction costs for direct-build Dublin City Council residential developments by Brendan Kenny (continued)

EXPERIENCED COSTING DIVISION

We have a strong and experienced Costing Division in Dublin City Council that is headed up by Mark Bourke, Chief Quantity Surveyor, which monitors and oversees all costs involved in the provision of housing by the City Council. Mark and his team will be continuing their analysis of unit costs into 2021 and will be revisiting all the data outlined in this report to provide ongoing commentary on the differences between public and private construction expenditure. We will share this analysis in the first instance with the DCC Housing Strategic policy Committee. The following will be some of the issues included in this analysis:

- Many of Dublin City Council's housing projects are in inner city locations, some in parts of the medieval city. They are often contiguous to existing building with restricted road or operational access. In other cases, they are part of a regeneration scheme of older flat blocks that require de-tenanting and demolition, sometimes on a phased basis. This effectively means we can have a live building site within an existing community that brings its own challenges and costs.
- These particular inner city sites cannot be compared to green field sites in terms of construction difficulties, but green field sites in the suburbs do bring substantial costs around open space, community facilities, roads and other infrastructure. Apartments, particularly those with higher density and height, are much more expensive than traditional houses mainly because of basements, structure and sub structure, lift cores, lifts, piling, cranage and car parking etc.
- Private developers on private sites have to absorb land costs but have efficiencies not available to Dublin City Council such as long term relationships with subcontractors etc where multiple, sequential projects can be scheduled to negotiate down on price and embed efficiencies through scale and assurance on future projects. They certainly do not have to go through the very extensive process that a Local Authority has to go through in order to deliver a residential scheme.

NO RECURRING WORK

- Every project for Dublin City Council is a new procurement event with no possibility of recurring work, except for where we bundle sites that has proved effective but this is not always possible. There is no workable procurement methodology for the City Council to negotiate on price with contractors. It is an open tender process.
- Limited Procurement Process is also very limited on excluding bidders based on past performance. Many builders do not apply for public work contracts given their complexity and the level of oversight that the City Council carries out on sites. This often limits the field where increased competition might provide better prices. However, our rigorous oversight does ensure the highest quality and optimum compliance. The number of contractors competing for major DCC residential projects has reduced in recent years.
- The quality of our new builds does save money in terms of long term maintenance/repairs and life cycle costs that are not evident in the unit prices often published. Private developments would often take a different approach as they are normally selling off the properties.
- We have to undergo very significant consultation at the pre-planning/design phase, often continuing during construction but this is essential, as opposition to social housing is the norm rather than exception that can lead to long delays and even legal challenges.
- It is essential in the Dublin City context that the focus is firmly on the provision/delivery of housing, and not so much on how it is done and who does it, relying on Direct Build will not on its own solve the existing and serious housing shortage in Dublin City. It is not just about high construction costs, it is also about a rapidly decreasing supply of residential land in DCC ownership.

Brendan Kenny
Deputy Chief Executive, Dublin City Council
November 2020

NEW PRIVATE SECTOR PRS DEVELOPMENTS

Clay Farm 1C, *Leopardstown, Dublin 18 by Park Developments.*

Bridgefield, Santry Demesne, Dublin *developed by Cosgrave Property Group was purchased by Round Hill Capital for €84 million.*

12. Is cost rental the new weapon in the fight to increase housing supply?

By Fidelma McManus, Partner & Head of Housing, Beauchamps Solicitors

Few would dispute that more homes must be built in Ireland, but the more pertinent question is how we build the right type of homes, to meet the long-term diverse needs of Irish society.

Inherently, the housing market in Ireland will only ever supply housing that can be adequately financed, but this has meant that historically there have been inevitable winners and losers in the Irish housing market. The latest figures from the Economic and Social Research Institute (ESRI), in a study conducted with the Department of Housing, Local Heritage and Government, suggest Ireland needs to build at least 28,000 new houses each year, over the next two decades. What raw statistics such as this do not illuminate, however, is where the demand is coming from, or give insight into the type of person that is driving the significant demand for new housing. It is not an easy question to answer and it is therefore natural that the varied stakeholders in the housing sector have justifiably been stating their specific cases to Government, to address their particular angle on the broad objective of increasing supply of housing to the market.

EXISTING MODELS OF HOUSING DELIVERY

How to increase the housing supply is complex because the system and market is complex, logically meaning that any strategy needs to be sufficiently diverse and flexible itself over the long-term, to adapt to the shifting market demand and supply. For instance, there has been a recent trend for the "turnkey" model, whereby the financial risk through development and construction is shared across stakeholders and lies with the most appropriate stakeholder at each stage. Crucially, funding (or at a minimum a planned exit strategy) for the development is secured in advance with a local authority, an Approved Housing Body (AHB) or an investor agreeing to contractually buy the properties, but only paying upon delivery of the completed units.

This model has been successful in Ireland, as well as the UK and continent, in providing high volumes of housing but, in itself, this is not and will not deliver enough of a long-term solution to increase our housing stock.

There has also been merit in the use of the "forward-funding" model, whereby investors and certain AHBs agree to acquire a completed development at the beginning or early on in the development process, providing the financial security and removing the financial risk for the developer, thus stimulating supply on a larger scale. This model has particular advantages in bridging the financing gap when bank lending is harder to come by or the loan-to-value rate is less economically viable to a developer, and although the financial risk is abated with forward funding, appropriately, the development risk lies with the developer. As such, this forward funding model was particularly beneficial when bank lending dried up following the financial crash and recession in Ireland and continues to be attractive where the cost of such lending remains a challenge to even seasoned developers.

LONG-TERM ENHANCED LEASE

Another recent option introduced in 2018, to help solve the issue of funding for development projects, is that of the long-term enhanced lease, as part of the Government's "Rebuilding Ireland: An Action Plan for Housing and Homelessness". This scheme sees local authorities lease properties directly from institutional and private developers on 25-year leases. The local authority then becomes the landlord to the tenant and collects the rent from the tenant. The local authority, in turn, pays a rent to the lessor that is up to 95% of the current market value rent, reviewed every three years. Importantly, only properties newly built or due to be built, that have not been leased or rented within the previous 12 months are eligible for the enhanced leasing model, to ensure that the scheme stimulates the supply of new housing, which is the ultimate goal.

The other important element of the long-term enhanced lease is that the property owner remains responsible for the ongoing management and maintenance of the property, thereby lowering such costs to the local authority as well as reducing its risk. Long-term leases will continue to be beneficial in adding new homes, due to the eligibility requirement for investors to hold a minimum of 20 houses or apartments. Whereas both the enhanced and standard long-term lease models offer more immediate housing solutions and are beneficial in adding to delivery of social housing units as they open the sector up to investors at home and abroad, these leasing models are not designed to tackle the need for lower rents. Further, many commentators and stakeholders object to the significant investment of public funds (through guaranteed state backed rents) into schemes which will do nothing to add to the permanent stock of public housing.

COST RENTAL EQUITY LOAN (CREL) SCHEME

If models such as those referred to above have not, so far, been able to provide an adequate supply of housing that meets the needs of all sections of Irish society, new solutions are needed. Across the housing sector, debates have been held as to what else can and should be done to increase and diversify our housing supply to meet the demands of all. One area that has, until now, arguably been under-represented is that of the affordable housing sector. How do we meet the needs of those that are in work and have an income, do not qualify for social support, but are likely to never be able to afford to buy their own home? Now, at last it seems the voice of the affordable housing sector has been heard within Government.

It is extremely welcome news that the Government has now issued 'Calls for Proposals' to the new Cost Rental Equity Loan (CREL) scheme, as was originally announced in Budget 2021, and also contained in the Programme for Government (PfG).

The PfG included an ambitious commitment to increase social housing stock by 50,000 units, led by local authorities with the assistance of AHBs – who supplied over 40% of social housing in 2019 – at the same time as aiming to move AHBs off balance sheet, with the objective of speeding up the procurement of new homes and enabling access to alternative funding. What was clear at the time of the PfG was that, it was imperative that Ireland's stock of public housing is maintained, and is best achieved through a suitable cost rental model to meet the affordable housing needs of those who would otherwise have few long term housing options. While the notion of land ownership, and home ownership, is an important life goal for many in Irish society, and could be said to be a distinct element of Irish culture in a way that it is not for much of the continent, for whatever reason, there are many in our society who will not reach this goal. They should nevertheless be afforded the same long-term housing security as those able to afford to buy their own homes.

Bord Gáis Energy Theatre, *Grand Canal Square, Dublin*

Is cost rental the new weapon in the fight to increase housing supply? by Fidelma McManus (continued)

THE COST RENTAL MODEL

The CREL scheme is no doubt an important step forward in providing this housing security. In essence, the principal of a cost rental model is that a state body, such as a local authority or AHB, provides rental accommodation to those who are above the threshold for social housing but unable to afford to buy their own property or rent on the open market, at cost. This means the low rent charged is calculated to only cover the cost of delivering, managing and maintaining the home. With the costs spread over the long-term and not subject to open market rent fluctuations, this should provide a long-term sustainable housing solution. The "Vienna Model" is a popular and proven example of a cost rental scheme that has delivered sustainable and high-quality affordable housing in the Austrian capital and a model that we should inevitably look to replicate here.

For any cost rental model to succeed, low-cost, long-term and stable finance is required. This is why the Government's CREL scheme is a big step forward for the cost rental model. The €35 million made available by the Government will be in the form of long-term loans on "favourable terms" – meaning low interest rates. This is intended to cover up to 30% of the development or acquisition cost to AHBs for new cost rental homes with a further €100 million of long-term commercial loans due to be made available by the Housing Finance Agency, to fill the remaining development cost gap for AHBs. The Government has announced that this fund will support AHBs to deliver approximately 350 cost rental homes next year prior to delivery of further homes by the Land Development Agency and forms part of a larger allocation of €468 million for all housing affordability measures.

It is important to note that cost rental is intended to complement social housing adding to the public housing stock by leveraging the proven expertise and capacity of the AHB sector, demonstrated in their development and management of social housing units. It is envisaged these homes will be made available to applicants who meet defined eligibility criteria which will be set in advance of the completion of the first projects. All of this will be underpinned by a new affordable housing Bill, that will define and regulate this new sector. The detail of this Bill will be important and something Beauchamps will be monitoring closely for our clients.

SUCCESSFUL PILOT SCHEME

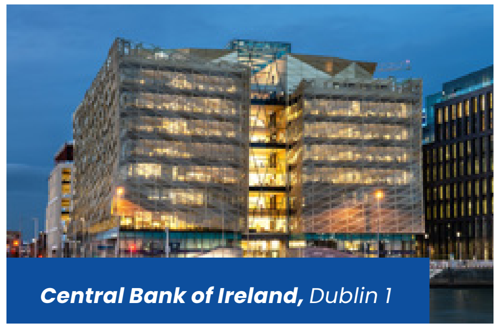
This commitment from Government is important validation for our AHB clients, who have been championing the cost rental cause for some time. For example, Beauchamps are extremely proud to have worked closely with Respond, in conjunction with Tuath Housing, on the Enniskerry Road Cost Rental Project. This is a successful pilot scheme for the cost rental model that has demonstrated to Government that this type of cost rental scheme works in providing a solution to a significant gap in the market.

The project comprises 155 homes in the south Dublin area of Stepaside, with 105 social homes and 50 cost rental homes which will be the first cost rental homes to be delivered in Ireland. The scheme is managed and operated by Respond and Túath Housing as the site owners, with the Department of Housing, Planning and Local Government providing initial funding and the Housing Finance Agency providing the important long-term financing that makes this model viable. Support from Dún Laoghaire Rathdown County Council, as the responsible local authority for the area, has been crucial, as has the involvement from the Housing Agency in providing the land. With the land provided by the state, the conditions of the land transfer included provision that the land must be used for social and affordable housing for at least 70 years, a key facet of the long-term nature of the project that makes long-term funding possible.

With the land provided by the state, it brought down the monthly rental cost figure by €150 (all figures approximate and per month). The serviced site funding brought the figure down by a further €250 and the long-term low-cost finance from the Housing Finance Agency brought the cost down again by €300. A further €100 was saved through reduced margins and other economies made.

***Jim Larkin Statue,** O'Connell Street, Dublin 1*


***TU Dublin Grangegorman,** Dublin 7*


***Central Bank of Ireland,** Dublin 1*


***Christ Church Cathedral,** Dublin 8*

COST RENTAL MODEL IS VIABLE

These figures are all important and illustrate how and why a cost rental model is viable, with the support and joined up work of the right people and organisations, complimenting existing social housing models. It is testament to all those involved in this pilot scheme that the evidence provided has resulted in the Government now green-lighting an expansion of the cost rental model through the announcement of the CREL and a specific funding model tailored for cost rental. It is a significant show of faith from the Government, with such options greatly opening up the sector to new investment that is sorely needed. This greater plurality of housing models is the only way forward in tackling the diverse housing requirements in Ireland.

Beauchamps will continue to support our partners in delivering new homes for all sections of society and look forward with optimism to further improved housing provision in Ireland.

FIDELMA MCMANUS

Fidelma McManus is a Commercial Property Partner who heads up Beauchamps' specialist housing team. She is an acknowledged market leader in the acquisition and management of social housing projects and her practice extends to the acquisition, structuring, financing, disposal and leasing of all types of property, including distressed and partially complete residential developments, shopping centres, retail parks and offices. She also advises on all aspects of landlord and tenant law. Working with clients ranging from Approved Housing Bodies and public bodies to receivers, developers, institutional and private investors, Fidelma has unique insights into all issues relating to the provision of affordable and social housing.

13. Idea that only councils should build social housing is flawed

By Pat Farrell, Chief Executive of Irish Institutional Property

The recent rejection by Dublin City councillors of proposals to build new homes at Oscar Traynor Road was a significant setback to efforts to tackle one of the biggest housing challenges this country has ever faced.

Not only was the chance lost to get families off the housing list and allow for many more to buy their own home, but the decision would appear to have been made based on ideology and misunderstanding of the facts. The reaction that followed the decision was sometimes scathing but often, unfortunately, favourable. Many welcomed the rejection of the building of private homes on the site, even though that housing would have added to the social mix of the locality and be delivered in tandem with social and affordable homes. Some observers went so far as to say that the decision would not even result in a delay in the provision of housing at the location, should the Council executive simply decide to build.

This analysis is flawed. So too is much of the commentary on the recent report by the Irish Government Economic Evaluation Service (IGEES), which examined the State's social housing build programme and which many have used to justify their view that it is cheaper for local authorities to directly build social housing rather than relying on the private sector to do so within their own developments.

AVAILABILITY OF DATA

IGEES itself admits in its analysis that it has arrived at the comparative cost for public sector direct builds despite a dearth of data and that it "can often be the case that the data is not recorded completely or accurately". The report also notes that "data from the six local authorities under review . . . included incomplete data entries", that the six case studies were based on incomplete data and that "paper-based" processes make it difficult to arrive at a complete record of social housing delivery costs.

Neither does the IGEES report use comparable public and private models of housing delivery upon which to make an analysis. Higher density and higher cost "regeneration projects" are omitted from the public numbers but included in the average private sector projects.

Even with its flawed approach, IGEES suggests a directly-built local authority house will cost €230,000, while one built by the private sector and ready to have a family move in comes in at a cost €258,000. On the assumption that the €230,000 cost includes VAT - which is not clear - the difference of €28,000 includes the costs of land and finance for the developer. As the State excluded more complex projects, it may well be that if they were included there would be no cost differential at all or that the private sector could deliver homes more cost effectively. No wonder the analysis comes with the caveat that "the views presented in this paper do not represent the official views of the Department or Minister for Public Expenditure & Reform".

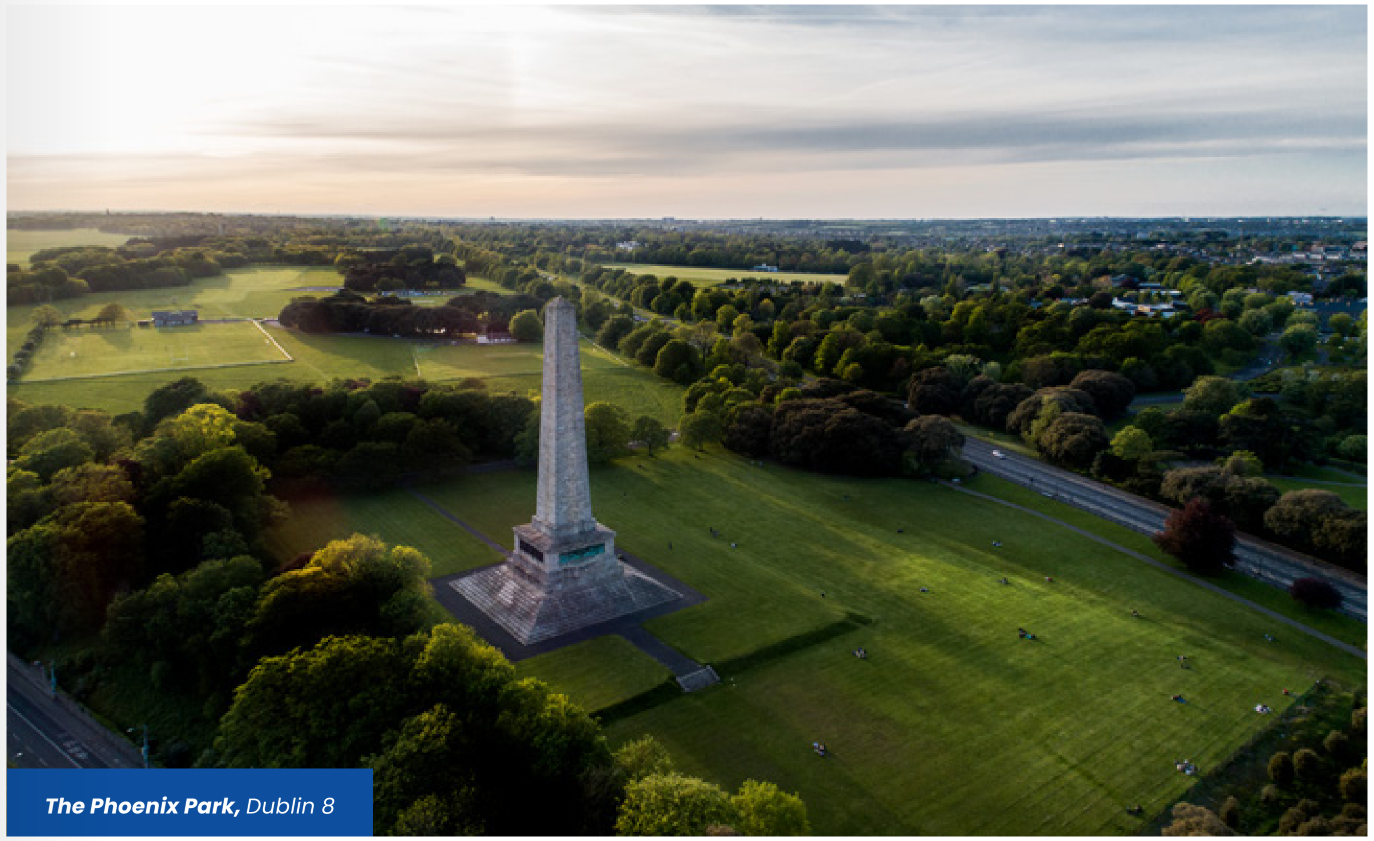
No wonder, either, that Brendan Kenny, Dublin City Council's Head of Housing went on Newstalk radio in November 2020 to dispel the notion that Dublin City Council, and local authorities, can build cheaper than other ways, saying that "the idea that direct build by the local authority is cheaper, it's just not on". And that the suggestion of it being cheaper for a local authority to build "is just not true".

PRIVATE SECTOR PROVISION OF PUBLIC HOUSING

More recently, Kieron Brennan, chief executive of Co-operative Housing Ireland (CHI) is reported as saying that the acquisition of so-called turn-key properties bought directly from private developers for social housing tenants is key to solving the State's housing crisis, adding that there was no way the Government's 50,000 target could be met without the acquisition of turn-key housing and that the public versus private argument was misplaced.

On December 1st, the Minister for Housing Daragh O'Brien provided some additional insights in an answer to Richard Bruton in the Dáil. It noted that in Dublin City and Fingal, since January 2019, the cost of a direct build has been €382,000, while the cost of a "turnkey" has been €373,000. It seems that some of those who opine on the state of the housing market will clutch at straws to prove that the State can deliver housing much more cheaply than the private sector, with the secondary argument that the price of land is the root of all problems being often deployed to buttress their case. Neither of these assertions is true. All such arguments do is distract from the real answers, leading to the cancellation of plans to deliver homes at Oscar Traynor Road and elsewhere.

Given the seriousness of the housing crisis, we need to forego ideology and promote realistic solutions that will drive delivery. What we need is a strong and expanded State-backed direct build programme to complement private sector delivery, given that the evidence emerging and supported by data, points to the private sector as a cost efficient and significant partner for the State in realising their ambitious social and affordable housing objectives.



The Phoenix Park, *Dublin 8*

HOUSEHOLD SIZES FALLING

With household sizes falling, and the need for more compact cities to meet the challenges of climate change, that means delivering the right type and size of housing. Even the IGEES report notes "oversupply of larger units, which do not match the social housing need should be avoided, which may necessitate increased... construction of smaller units on public land". In this context, the report notes - astonishingly - that only 9% of local authority units built - that it examined - were for single people despite the majority of the local authority housing lists being made up of single people.

It also means recognising that most people aspire to own their own homes and then taking the requisite measures to make that a reality. This means examining shared equity and shared ownership models that have been successful in other countries that faced similar challenges to ours. The delivery of privately owned, rented and local authority homes by the private sector is a feature of every functioning housing market in the world. The evidence shows that in Ireland, as elsewhere, this can be done efficiently and at a cost that is not out of line with the direct build of those homes by local authorities. It is imperative that we recognise these facts and get building.

14. Delivery Costs and Affordability Vary Significantly By Location and Type

(Houses vs. Apartments)
By kind permission of Hines

New Greenfield Masterplan Costs

	2 BED TOWN HOUSE	2 BED APARTMENT
Site Purchase & Stamp Duty	€33,000	€33,000
Site Development & Construction	€186,000	€260,000
Levies & Utilities	€18,000	€16,000
Soft Costs	€31,000	€56,000
Cost of Equity	€21,000	€55,000
Vat on Sales	€39,000	€57,000
Total (Incl. VAT)[1]	**€328,000**	**€477,000**

Note: 2 Bed Town House incurs higher levies and infrastructure costs than typical 'infill' sites.
The higher construction cost of the units in the masterplanned site reflect the additional costs that building infrastructure in a masterplan incurs. A masterplanned site has a downward pressure on land cost, but overall costs, when added up, tend to be higher.

Land Costs are not the major expense. The examples illustrate that they are **typically only 8-14%** of the purchase price.

Source: Hines

Typical Apartment

2 BED APARTMENT
Medium Rise

Site Purchase & Stamp Duty	€43,000
Site Development & Construction	€240,000
Levies & Utilities	€13,000
Soft Costs	€53,000
Cost of Equity	€52,000
VAT on Sales	€54,000
Total (Incl. VAT)[1]	**€455,000**

City Centre Apartment

2 BED APARTMENT
Medium Rise

Site Purchase & Stamp Duty	€81,000
Site Development & Construction	€305,000
Levies & Utilities	€17,000
Soft Costs	€69,000
Cost of Equity	€70,000
VAT on Sales	€73,000
Total (Incl. VAT)[1]	**€615,000**

Typical House

2 BED TOWN HOUSE

Site Purchase & Stamp Duty	€43,000
Site Development & Construction	€166,000
Levies & Utilities	€13,000
Soft Costs	€28,000
Cost of Equity	€20,000
VAT on Sales	€36,000
Total (Incl. VAT)[1]	**€306,000**

Costs for Delivery of Masterplan on State Owned Land

2 BED TOWN HOUSE — 2 BED APARTMENT

For Sale

FOR SALE DELIVERY COSTS	2 BED TOWN HOUSE	2 BED APARTMENT
Market Value of State Land	€43,000	€43,000
Site Development & Construction[2]	€182,000	€265,000
Levies & Utilities	€13,000	€13,000
Soft Costs	€33,000	€51,000
Cost of Equity[3]	-	-
VAT on Sales	€37,000	€50,000
Total (Incl. VAT)[1]	**€308,000**	**€422,000**

POTENTIAL AFFORDABLE PURCHASE PRICE	2 BED TOWN HOUSE	2 BED APARTMENT
For Sale Cost Total (Incl. VAT)[4]	€308,000	€422,000
Less: State Subvention or Loan (equal to land value and VAT)	€80,000	€93,000
Subsidised Delivery Cost	**€228,000**	**€329,000**

Cost Rental Model

COST RENTAL MODEL DELIVERY COST	2 BED TOWN HOUSE	2 BED APARTMENT
Market Value of State Land	€43,000	€43,000
Site Development & Construction[2]	€182,000	€265,000
Levies & Utilities	€13,000	€13,000
Soft Costs	€33,000	€51,000
Cost of Equity[3]	-	-
VAT	€32,000	€48,000
Total (Incl. VAT)[1]	**€303,000**	**€420,000**

POTENTIAL AFFORDABLE COST RENTAL PRICE	2 BED TOWN HOUSE	2 BED APARTMENT
Cost Rental Model Total (Incl. VAT)	€303,000	€420,000
Less: State Subvention or Loan (equal to land value and VAT)	€75,000	€91,000
Subsidised Delivery Cost	**€228,000**	**€329,000**

Note: Assumption is the land cost is not passed on to a purchaser or a renter.

2. Cost is 10% higher than the private market reflecting the premium charged by contractors because of the risk transferred.

3. Funding costs are calculated by combining 60% debt and 40% equity. Funding costs for apartments vs. houses is significantly higher as interest and an investment coupon are required over a much longer period. The cost of funding for the state is less than market funding. The 'Soft Costs' include state financing costs at 3%.

4. The 'For Sale Cost Total (Incl. VAT)' included in this report is not a proposed for sale price but is the required sales price to justify the development.

15. Ireland's Contrasting Demographics

By Dr. Brian Hughes

Populations generally gravitate towards economic opportunities and Ireland is no different. Ireland's population is increasing and the demographic trends continue to illustrate the growing importance of the country's cities and the Greater Dublin Area, including from an economic and real estate development point of view. Housing delivery is falling short of demand requirements and being underestimated by the Government; and the long-term policy of restricting the growth of the Dublin region, which is the powerhouse of the national economy, is misguided. The future success of the Dublin region will contribute to wider economic prosperity for the State and this needs to be recognised.

GEOGRAPHIC REVIEW

The Government's all-island initiative under the Department of An Taoiseach is contributing to Ireland's post-Brexit movement in helping to understand and reconcile its two political parts.

The new all-island approach will involve a process of 'getting to know' each other's territory in a more meaningful way than hitherto. See for example, Belfast City Council's http://www.belfastcity.gov.uk/resilientbelfast, June 2020 promotional document and the establishment of their Commissioner for Resilience.

Likewise, this State's demographic divide needs to be properly recognised and understood for spatial planning and real-estate development purposes. Table 1 paints a stark contrast of the surface area and density contrasts between the Greater Dublin Area (GDA) and the Rest of State (RoS). The difference between these two principal areas of State - the new GDA (which now includes Co Louth as well as Counties Dublin, Wicklow, Kildare & Meath) and the Rest of State is profound.

The RoS area experienced no overall population growth throughout Ireland's twentieth century of independence, with its 1926 population unsurpassed again until the census of 2002. As this Table shows, it had a 2016 population density of just 17 per cent (i.e. 45 / 262) of the GDA but with a surface area of nearly 8 times (i.e. 60,694 / 7,772) the GDA's area.

In the Demographic Section, pages 28-31 of Hooke & MacDonald's Q2 2020 Private Rented Sector Investment Report on Dublin, particular focus was paid to Ireland's improving population performance for 2011-2016 period. It is therefore apposite, now, to focus on the most recent period for which CSO data is emerging and to consider the significance of the 2016-2020 performance - in the first instance and in an overall context - Ireland's demographic progress since 2011 is examined.

CONTRASTING IRELAND'S REGIONAL POPULATION GROWTH PERFORMANCES (2011-2020)

It is instructive to consider the demographic contrasts for these two parts of the State over the recent past, using the CSO Population and Migration Estimates (P. & M.E.) data.

The overall nine-year picture as shown in the next Table 2, shows that the GDA Region comfortably exceeded the RoS area, both in population increase and in its growing population share. The GDA's nine-year growth was just over 12 per cent compared with the RoS area's population growth of over 6 per cent, giving a growth superiority rating of c.89 per cent.

Table 1: Surface Areas and Population Densities, 2016

AREA	2016 POPULATION	AREA/ SQ.KM.	% OF STATE	DENSITY/SQ.KM.
New GDA	2,036,216	7,772	11%	262
RoS Area	2,725,649	60,694	89%	45
RoI Population	4,761,865	68,466	100%	70

Source: CSO 2016 Census
Analysis: Brian Hughes

Table 2: Nine Years of Population Growth - 2011 to 2020

YEAR	GDA	ROS	STATE	GDA SHARE OF POPULATION	ROS SHARE OF POPULATION
2020 ('000s)	2,151	2,826	4,977	43%	57%
2011 ('000s)	1,919	2,656	4,574	42%	58%
Growth ('000s)	232	170	402	-	-
% growth	12%	6.4%	9%	-	-
Growth Share	58%	42%	-	-	-

Source: CSO's 2020 Regional Population & Migration Estimates
Analysis: Brian Hughes

***Quayside Quarter/Dublin Landings, North Docklands, Dublin 1** developed by Ballymore/Oxley which was sold to Greystar.*

This resulted in the GDA's share of State population increasing from 42 per cent to 43 per cent by April 2020. Within the GDA's population growth rates there was overall consistency, with Dublin's increase of 12 per cent is slightly ahead of the Mid-East's 11 per cent (GDA = The counties of Dublin, Wicklow, Kildare, Meath & Louth. Mid-East = The counties of Wicklow, Kildare, Meath & Louth only). This, itself, is an important statistic because it provides CSO Population and Migration evidence of Dublin's demographic consolidation despite some over-spill to other regions. This is due, not least, to the completion and occupation of increasing numbers of apartment developments in the capital.

Focusing on the 2016-2020 differences between the GDA and the RoS area, Table 3 confirms that the GDA's population growth for this recent period is 47 per cent superior to the RoS area, thus:

Table 3: Recent Years of Population Growth - 2016 to 2020

YEAR (APRIL)	GDA	ROS	STATE
2020 ('000s)	2,151	2,826	4,977
2016 ('000s)	2,027	2,713	4,740
Growth ('000s)	124	113	238
% growth	6%	4%	5%

Source: CSO 2016 Census
Analysis: Brian Hughes

RAPID GROWTH IN MID-EAST

Within the GDA, Dublin's percentage growth is similar with that of the Mid-East planning region, as set out in Table 4. This is significant because particularly since the 1971 census, the Mid East's rapid growth has been largely driven by sustained population spill-over from Dublin. Included within these figures are internal migration movements from Dublin over the past four years, of 7,230 to the Mid-East Region and a further 10,130 to the RoS area.

Table 4 confirms that with a 28 per cent share of Ireland's 2016 population, Dublin accounted for 34 per cent of its total population growth over the subsequent four-years. Likewise, the Mid-East planning region's 2016 population share of almost 15 per cent, enjoyed an 18 per cent share of the State population growth. As discussed at a later point in this Report, these growth shares are of significance for the assessment of demand for residential units.

Table 4: Regional Growth Estimates 2016-2020

YEAR	STATE	DUBLIN	MID-EAST	GDA (DUBLIN & MID-EAST)
2020 ('000s)	4,977	1,418	733	2,151
2016 ('000s)	4,739	1,336	691	2,027
Growth ('000s)	238	82	43	124
% growth	5%	6%	6%	12%
Share of Growth	100%	**34%**	**18%**	**52%**

Source: CSO: 2011 Census and 2020 P. & M.E. Regional data
Analysis: Brian Hughes

GROWTH IMPLICATIONS FOR IRELAND'S PLANNING STRATEGY

During the 2016-2020 period, there has been a significant upward trend in inward migration, thereby boosting that migration component's increasing contribution to the State's population growth. This has meant that the property market has been more Covid-resistant than earlier expected.

Anecdotal, end-year commentary reported from the housing market take-up also points to skilled and capital-endowed in-migration, responding to FDI and Professional employment opportunities, particularly focusing on city locations. In November 2020, the Banking and Payments Federation Ireland confirmed value of mortgage approvals was at the highest level recorded since 2011.

Table 4's summary of the total population (2016-2020) confirms that the GDA (including Louth) accounted for 124 thousand growth being 52 per cent of the State's population growth, compared with the RoS area's 113 thousand or almost 47 per cent of that growth.

The GDA growth rate was 6.14 per cent on its 2016 population of 2,027 thousand as compared with the RoS area's growth on rate of 4 per cent on its 2016 population of 2,713 thousand in population. Accordingly, during this period, the GDA has had a 48 per cent superior growth rate to that of the RoS area.

This recent and impressive growth has a major knock-on for the remaining twenty years of population increase, for the National Planning Framework's (NPF) questionable growth projections to 2040. Its baseline scenario, for an additional State population of only 926,000 for the entire 2016-2040 period translates to an annual growth rate of 38,583, which is only 64 per cent of what the CSO has reported for Ireland's population growth 2016-2020. It means that for the remaining twenty years of the Plan, the NPF's annual growth target is even lower, at just 34,405 or just 57 per cent of the State's actual growth rate since 2016.

IRELAND'S HOUSING NEEDS – HOW MANY AND WHERE?

With the Economic and Social Research Institute's (ESRI) December 2020, broad endorsement of the State's National Planning Framework (2016-2040) for the assessment of annual housing demand in the 28,000 to 34,000 range, little, if any attention has been paid to Ireland's near 60,000 per annum population growth in the four years to April 2020 following on from the recovery growth path 2011-2016.

Neither is there any ESRI criticism of the NPF's 50:50 proposal, to limit Dublin's growth to 250,000: the same as that of the four provincial cities. What does this imply? In having just 37 per cent of Dublin's 2016 population, the provincial cities' populations would be required to grow at 2.7 times that of Dublin to achieve this 2040 target. However, when account is also made for their much lower natural growth propensities, the provincial cities existing populations would have to grow at over four times that of Dublin and would require net inward migration augmentation, at an historically unprecedented level.

This writer questions the ESRI's support for the NPF strategy. It is likewise puzzling for that NPF strategy's questionable proposal, in risking the economic consequences of slowing down Dublin's current growth momentum by abandoning the successful 'business as usual' economic momentum that Ireland has enjoyed since the end of the Troika era.

The alternative, weaker proposal, is to promote an unprecedented and untested level of in-migration growth for the provincial cities in the fatuous quest to achieve balanced regional development. There would appear to be little appreciation of the adverse consequences for the State that would result from this risk-laden approach to severely constrain Dublin's growth.

***Croke Park,** Dublin 3*

ESRI & NPF FIGURES INCORRECT

Neither the ESRI Report nor the NPF strategy confront the undisputable fact that Dublin's growth is paramount and needs to be maintained, if the State's capital resources are to be adequate enough to then develop the RoS area, to be achieved by way of core-periphery spill-over. This author opines 'yes', that the provincial cities may add 250,000 to their aggregate population by 2040, but only if Dublin's current growth path increases by 540,000 to 2040, and eventually results in a core-periphery re-balanced State population of 6.14 million by that date. This raises the demographic issue of net inward migration. Clearly, the need for migration levels to return to the peak levels of 2006 are certainly not envisaged in the ESRI Report or by this author. Quite the opposite, where its lowest projection of just 5,000 per annum, the ESRI assumes short-term, low levels of air travel and consequently leading to single figure thousands in net in-migration.

Adequate flows of net inward migration is the critical labour force issue for Ireland's future economy because if its Natural Growth-trend continues to decline, migration will need to maintain its recent pattern of contributing an increased share to overall population growth, whilst also responding to future, dynamic employment demand as Ireland's economy further progresses.

This is not just an FDI labour-force supply issue but is also one which also applies to the constrained building industry and to its identified skills' shortages. Today, there is insufficient construction labour to build Ireland's true housing demand.

HOUSING DEMAND – FOR DUBLIN, THE GDA, THE ROS AREA AND FOR THE STATE:

If demography is destiny, the first, vital task is to align Ireland's population growth progress with the computation of Ireland's true housing demand, by comprehensively assessing all of the four 'heads' that comprise this assessment, which are; 1. Obsolescence; 2. In-migration; 3. Natural growth; 4. Headship rate.

Commencing with the first 'head' Obsolescence: the ESRI Report cites the 'FitzGerald Methodology' for the assessment of Obsolescence. It takes the housing stock of consecutive censuses, calculates the national housing stock-change and compares this with total housing completions for that time-period 2011-2016 – incidentally the lowest output rate in modern times.

***Fernbank, Churchstown, Dublin 14** was developed by Park Developments and sold to Irish Life in Q2 2018.*

The conclusion from this approach is for a physical obsolescence rate of 0.2 per cent per annum. This implies an unrealistic, average life-span of 500 years for an average residential property, having regard to types and age-profiles of Ireland's housing stock. The ESRI Research does not address the many different and complex forms of obsolescence, focusing as it does only on physical obsolescence. Likewise, it is entirely inappropriate to use that formulation based on the scanty housing completions during 2011-2016.

In a real estate context, it is the site element that is the significant manifestation of location: what's on it is just a temporal 'tent '- unless the dwelling is listed as Heritage or of other forms of the 40,000 properties of all types and uses, that have 'Preservation' status. On this author's own road, comprising of 1950s mainly detached and semi-detached houses, some have been completely demolished and replaced, others have had a couple of walls retained but effectively are new builds and the majority of the remaining dwellings have received a comprehensive capital investment make-over with significant extensions added. There are also three infill additions to corner or split sites which represents a 4 per cent addition to the housing unit-stock. Development is constantly ongoing and the 'white vans' and builders' skips are ubiquitous. It's the same for one's late parents' road, also in South Dublin.

FIXED CAPITAL INVESTMENT

All of these significant capital additions form part of the State's fixed capital investment, some of which reflects larger and sometimes new houses or greatly extended ones. However, few if any of these improvements, each costing hundreds of thousands of euro, result in additions to the overall housing stock-count.

In the real world, such fixed capital investment is a continuous spend, not just for physical obsolescence as the ESRI Report implies, but also for statutory, functional, social, user or locational obsolescence. This author's fifty years' experience in the built

***Heuston Station,** Dublin 8*

***Samuel Beckett Bridge,** Dublin*

environment industries suggests that 0.5 per cent per annum obsolescence reflects the real world count, which will still represents a generous average life-span of 200 years. With over two million dwelling units in the State and using such realistic 'rate' of obsolescence, this 'head' requires a replacement rate of just over 10,000 units per annum.

The next facet of housing demand relates to the importance of in-migration. It is estimated that Ireland needs 4,000 additional housing units for every 10,000 additional in-migration. Elsewhere in this Study, emphasis is placed on net inward migration as the major contributor to economic growth, skills-endowment and as offering the only alternative substitute for Ireland's reducing natural growth rate.

To meet the annual demand for say 25,000 net additional migrants per annum, the figure under this head is a further 10,000 dwellings per annum. It is noted since 1996, that the in-migration count has been just over 20,000 per annum, on a then population of just 3,626,087 as compared with a current population which is nearly 38 per cent greater and on a State workforce of nearly 81 per cent greater (non Covid-adjusted).

Ireland's Contrasting Demographics by Dr. Brian Hughes (continued)

A third tranche of 12,000 units caters for the population's natural growth (NG), which although decreasing, due to the combination of reducing births and higher age-profiles, will be counter-balanced, to some extent, by the NG effect of high net in-migration.

DETERIORATING HEADSHIP ISSUE

In quantifying the State's housing demand, the most pressing issue is to reverse the fast-deteriorating Headship issue, which is exacerbated by the current high level of pent-up demand (Headship Rate definition: The headship rate for the population is the proportion of that population who are heads of household). It must be anticipated that this serious, ongoing problem cannot be resolved by reference to current spatial planning policy and likewise it is surprising that it receives little commentary in the subject ESRI Report.

It is incontrovertible that the 2022 Census will report a further deterioration in Headship to a c. 2.8-plus level, having been 2.73 in 2011 and then regressing to 2.75 in 2016. If nothing else, Covid has magnified the dangers of overcrowding and these trend figures are disimproving. In 2016, the State's total population of persons in private households was 4,666,380 who lived in 1,697,670 permanent housing units, giving a headship rate of 2.7487. The corresponding data for 2011 were 4,500,570 living in 1,649,410 such units, with a headship rate of 2.7286. Accordingly, that specific population increase was 165,810, the private household growth was 48,260 and the headship dis-improvement was 0.0201 during 2011-2016.

What is not generally appreciated is that, in the Central Bank's Economic Letter of 2019, authored by Conefery and Staunton, notes that in order to bring Ireland's Headship rate into line with the UK or the EU's 2.25 level, Ireland would need to be completing c. 47,000 to 51,000 units per annum. Interestingly, Footnote 24 at page 32 of the ESRI Report states that an extra 10,500 units will be required for convergence with the U.K. by 2040 (7,000 for a 2050 convergence).

HOUSING STOCK SHORTFALL

In contrast, the ESRI appears to take a neutral stance in its December 2020 Report on this critically aspect of housing demand under the NPF. In estimating the Headship 'gap' the question is: can it be resolved by 2040, at which point, it is likely that comparable international rates will be 2.15 or less? So, to meet this headship level and with this author's 2040 population projection of 6.14 million, the State's housing stock will have to increase by almost 950,000 units to 2.977 million dwellings, excluding stock losses due to all forms of obsolescence. Over the remaining twenty years to 2040, in respect of 'Headship', an average annual 16,000 units will have to be provided, that is in addition to the other three 'heads' already discussed.

Estimating the regional allocation of housing demand requires a detailed knowledge of Ireland's accruing pent-up demand for its principal regions, their cities and to its large and fast-growing towns. It also needs to be related to the most recent evidence of demographic growth and to the principal components of such growth. The evidence of this Paper in general terms, points to Dublin needing up to 35 per cent of the State's total output, to the Mid-East's demand, of about 20 per cent.

The RoS area overall demand of 45% must be appropriately managed, to divert a sizable portion of rural one-off demand, to be re-located to towns – many such towns struggle to maintain their existing populations. It is a salutary reminder that Ireland's four largest RoS area towns all lost population 2011-2016, i.e. Letterkenny, Sligo, Ennis and Tralee. The provincial cities, likewise, need further consolidation and housing supply in anticipation of new employment opportunities.

MAINTAINING A POSITIVE OUTLOOK

With the successful avoidance of a no-deal Brexit, the trade negotiations completed and the Covid-19 vaccination programme underway, Ryanair's Michael O'Leary and all the thousands operating and working in the Airline, Tourism, Food, Drink, Culture, Sports and Entertainment industries can be optimistic that full economic activity may re-commence far sooner and more robustly than previously envisaged. Accordingly, it is reasonable to assume that most transportation activity will resume and that Ireland's intensive, net in-migration trends will re-emerge, responding to renewed employment creation.

Likewise, it is important that the Covid interruptions to Ireland's housing output are imposed for the shortest period, consistent with public wellbeing, thereby enabling the construction industry to resume its upward growth curve. Year 2020 is expected to report of 20,000 dwelling completions which would have meant a target shortfall of about 5,000 units due to the first Covid lockdown.

In conclusion, there is a growing realisation that managing Ireland's resources and real estate investments requires a multi-disciplinary approach. Its history of strategic spatial planning has been one of inconsistency and of political indifference. If we fail to plan, then we plan to fail.

Note: the figures and percentages have been rounded in this article for ease of reading.

Trinity College Dublin, *Dublin 2*

GPO, *O'Connell Street, Dublin 1*

DR BRIAN HUGHES

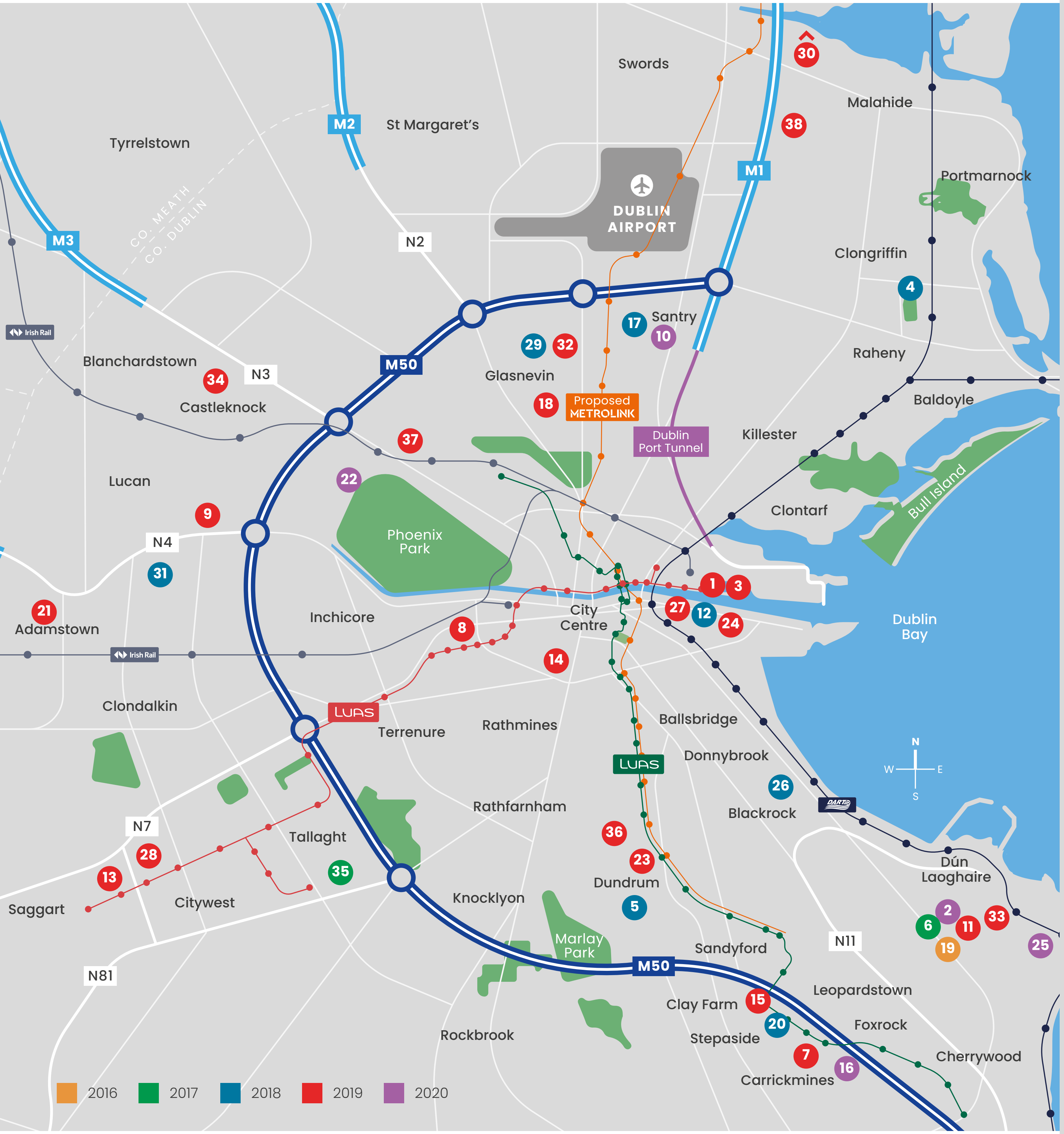
- Brian is an Urban Economics and Demographic Consultant for both the Private and Public Sectors.
- He researches in the areas of Urban Economics, Demography and Growth Centre Agglomeration.
- A Graduate in Environmental Economics, Brian qualified as a Planning and Development Chartered Surveyor, working in Property Investment, Estate Management and Development with Irish Life PLC, before moving full time into academia.
- He was the first Membership Secretary of the new Regional Studies Association, Irish Branch in 1975.
- He lectured in Urban Economics and Demography, Dublin Institute of Technology and likewise to Masters of Urban and Regional Planning in University College Dublin.
- He holds an Honours Masters in Spatial Planning and his Dissertation uses population and daytime working population measures for growth-centre selection.
- Brian's PhD Thesis focused on areas of urban economics and demography: It posits that the GDA will become Ireland's City State of the late 21st Century.
- He is a member of the Government's CSO Expert Group on National and Regional Population, Migration and Labour Force Projections and he is also a member of the Statistical and Social Inquiry Society.

16. The Top Multi-Family/PRS Transactions in Dublin in 2019

	Property	No. of Units	Type	Price Achieved	Gross Yield	Vendor	Purchaser
1	XVI Portfolio*	815 (c.765 in Dublin)	Existing Stock	€285m (c.€272.5m in Dublin)	5.1%	Avestus/ Marathon	I•RES REIT
2	Project Vert, Elmfield, Leopardstown & Neptune, Dún Laoghaire	385	Existing Stock	€216.1m	Private	SW3 Capital / Tristan Capital Partners	-
3	Dublin Landings, North Docklands, Dublin 1	268	New Build	€175.5m	5.3%	Ballymore/Oxley	Greystar
4	Off-Market - South Dublin	265	New Build	c. €127m	Private	Private	Private
5	Off-Market - Dublin	Assumed 300	Assumed New Build	€125m	Private	Private	Private
6	Project Turner**	600 (c.370 in Dublin)	Existing Stock	€150m (c.€123m in Dublin)	Private	TIO	LRC
7	Fairway, Cualanor, Upper Glenageary Road, Dún Laoghaire, Co. Dublin	214	New Build	€108m	4.89%	Cosgrave Group	DWS
8	Heuston South Quarter, Dublin 8***	266	Existing Stock	€95m	Private	Marathon	Henderson Park & Chartered Land
9	The Quarter at Citywest, Dublin 24	282	New Build	€94m	6.02%	Cairn PLC	Urbeo
10	Mount Argus, Harold's Cross, Dublin 6W	166	New Build	€93m	5.03%	Marlet Property Group	PATRIZIA
11	Woodward Square, Glencairn Gate, Leopardstown, Dublin 18	160	New Build	€85m	Private	Parks Development	Irish Life
12	Off-Market - North Dublin	247	New Build	€74m	Private	Private	Urbeo
13	Belgrave Fund II - Dublin	220	Existing Stock	€69m	Private	Private	Private
14	Off-Market - West Dublin	189	New Build	€63.1m	Private	Cairn PLC	Carysfort Capital
15	Herbert Hill, Dundrum, Dublin 14	90	New Build	€55m	Private	Glenveagh	Real IS
16	The Benson Building, Grand Canal Dock, Dublin 2	72	New Build	€52.5m	5.52%	TIO	PATRIZIA
17	The Circle Collection - Dublin	213	Existing Stock	€52m	7.25%	Private	Heitman
18	Ropemaker Place, Cardiff Lane, Dublin 2	213	New Build	€46m	-	Marlet Property Group	Real IS
19	Off-Market - Citywest, Co. Dublin	129	New Build	€46m	Private	Davy Hickey	Urbeo
20	Project Trine - Dublin	95	Existing Stock	€42m	Private	Bain Capital	Avestus
21	Taylor Hill, Balbriggan & Semple Woods, Donabate	118	New Build	€38.2m	6.7%	Glenveagh	I•RES REIT
22	Off-Market - West Dublin	154	Existing Stock	€38m	Private	Private	Private
23	Off-Market – Hansfield, Dublin 15	95	New Build	€30m	Private	Private	Private
24	Hampton Wood (Phase II), Finglas, Dublin 11	92	New Build	€35m	Private	Dwyer Nolan	Approved Housing Body
25	Off-Market, Co. Dublin	67	New Build	€30m	Private	Private	Private
26	Project Acorn - Dublin	122	Existing Stock	€28.5m	Private	Seapoint Capital	Private
27	Off-Market - South Dublin	55	New Build	€28m	Private	Private	Private
28	Rathborne Park, Ashtown, Dublin 15	46	New Build	€18.51m	Private	Castlethorn	Urbeo
29	Waterside, Malahide, Co. Dublin	55	New Build	€18.5m	6.45%	Cannon Kirk Group	I•RES REIT
30	The Coast, Baldoyle, Dublin 13	53	Existing Stock	€14.3m	4.38%	Receiver	I•RES REIT
31	Off-Market Sale - North Dublin	37	New Build	€13m	Private	Private	Private
32	Garters Lane, Citywest, Dublin 24	84	Existing Stock	€10m	Private	Tetarch	Cluid
33	Off-Market, Dublin 4	41	Existing Stock	€13.1m	Private	Private Irish	Private
34	Off-Market - Dublin 8	28	Existing Stock	€9.75m	Private	Private Irish	Approved Housing Body
35	Applewood, Swords, Co. Dublin	47	Existing Stock	€9m	8%	Gannon Homes	LRC
36	Longboat Quay, Grand Canal Dock, Dublin 2	17	Existing Stock	€8.5m	Private	Duff & Phelps	Marlet Property Group
37	Off-Market - Dublin 2	6	New Build	€7.575m	Private	Private	Private
38	Round Gardens, Citywest, Saggart, Dublin 24	32	Existing Stock	€7.25m	7.72%	Private	Private
39	Grove Court, Blanchardstown, Dublin 15	30	Existing Stock	€7.2m	6%	Receiver	Private
40	Fairview Close, Richmond Avenue, Dublin 3	24	Existing Stock	€6.5m	5.77%	Duff & Phelps	Private
41	Whately Place, Stillorgan, Co. Dublin	19	Existing Stock	€6.2m	5.3%	Receiver	LRC
42	The Ice Rink, Dolphins Barn, Dublin 8	20	Existing Stock	€4.7m	6.4%	Deloitte	Private
43	The Fuel Yard, Finglas, Dublin 11	18	Existing Stock	€4.25m	6.1%	Private	RediResi
44	St. Helens Court, Dún Laoghaire, Co. Dublin	17	Existing Stock	€4.1m	Private	Private	Private
45	Mayeston Hall, Finglas, Dublin 11	19	Existing Stock	€3.4m	Private	RSM Ireland	RediResi
	Total	**5,948**		**€2.4 billion**			

* Fifty of the properties are located in Cork.
** Approximately 30% of the 600 properties are located outside of Dublin.
*** Heuston South Quarter sold for €220m, comprising of 266 apartments, 9,877 sq.m of grade A office space and 1.47 hectares of development land. We have apportioned €95m to the sale of the 266 apartments, which equates to approximately €360,000 per apartment.
**** Based on Portfolio XVI & Project Turner which have approximately 280 units outside Dublin this would equate to 1,689 units in Dublin. For the purpose of this report we have apportioned €12.5m to the 50 apartments located in Cork within the XVI portfolio. We have apportioned €27m to the reported 230 units located outside of Dublin in Project Turner.

17. The Top New Build Multi-Family/ PRS Developments brought to market in Dublin since 2016



	PROPERTY	YEAR	NO. OF UNITS	REPORTED PRICE	GROSS YIELD EST.	VENDOR	PURCHASER
1	Spencer Place, North Docklands, Dublin 1	Q1 2021	393	Guiding €220m	Private	Ronan Group Real Estate	Private
2	Cheevers Court and Haliday House, Cualanor, Dún Laoghaire, Co. Dublin	Q3 2020	368	c. €200m	Private	Cosgrave Group	Private
3	Dublin Landings, North Docklands, Dublin 1	Q3 2019	268	€175.5m	5.47%	Ballymore/Oxley	Greystar
4	One Three North, Clongriffin, Dublin 13	Q4 2018	376	€140m	5.68%	Twinlite	Tristan Capital Partners
5	Fernbank, Churchtown, Dublin 14	Q2 2018	262	€138.5m	5.43%	Park Developments	Irish Life
6	Leona & Charlotte, Honeypark, Dún Laoghaire, Co. Dublin	Q2 2017	319	€132m	5.68%	Cosgrave Group	PATRIZIA
7	Off-Market Sale, Leopardstown, Dublin 18	Q2 2019	295	Sale Agreed €130m	5.46%	Park Developments	Private
8	Off-Market - South Dublin	Q4 2019	265	c. €127m	Private	Private	Private
9	Off-Market - Dublin	Q4 2019	300	€125m	Private	Private	Private
10	Blackwood Square, Northwood, Santry Demesne, Dublin 9	Q4 2020	297	€123.5m	Private	Cosgrave Group	Round Hill Capital & Quad Real Property Group
11	Fairway, Culanor, Upper Glenageary Road, Dún Laoghaire, Co. Dublin	Q1 2019	214	€108m	4.89%	Cosgrave Group	DWS
12	Opus, 6 Hanover Quay, Grand Canal Dock, Dublin 2	Q2 2018	120	€101m	5.1%	Cairn PLC	Carysfort Capital
13	The Quarter at Citywest, Co. Dublin	Q3 2019	282	€94m	6.02%	Cairn PLC	Urbeo
14	Mount Argus, Harold's Cross, Dublin 6W	Q3 2019	166	€93m	5.03%	Marlet Property Group	PATRIZIA
15	Woodward Square, Glencairn Gate, Leopardstown, Dublin 18	Q4 2019	160	€85m	Private	Park Developments	Irish Life
16	Clay Farm 1C, Leopardstown, Dublin 18	Q3 2020	192	€75m	Private	Park Developments	Private
17	Bridgefield, Santry Demesne, Dublin 9	Q4 2018	216	€84m	5.67%	Cosgrave Group	Round Hill Capital
18	Off-Market - North Dublin	Q4 2019	247	€74m	Private	Private	Urbeo
19	Neptune & Honeypark, Dún Laoghaire, Co. Dublin	Q2 2016	197	€72.5m	5.82%	Cosgrave Group	SW3 Capital & Tristan Capital Partners
20	Elmfield, Ballyogan Road, Leopardstown, Dublin 18	Q1 2018	185	€68.5m	Private	Dwyer Nolan	SW3 Capital & Tristan Capital Partners
21	Shackleton Park & Gandon Park, Lucan, Co. Dublin	Q4 2019	229	€78.7	Private	Cairn PLC	Carysfort Capital
22	Phoenix Park Racecourse, Castleknock, Dublin 15	Q4 2020	146	€60m	5.33%	Flynn & O'Flaherty	I.RES REIT
23	Herbert Hill, Dundrum, Dublin 14	Q4 2019	90	€55m	Private	Glenveagh	Real IS
24	The Benson Building, Grand Canal Dock, Dublin 2	Q3 2019	72	€52.5m	5.52%	TIO	PATRIZIA
25	Harbour Road, Dalkey, Co. Dublin	Q4 2020	94	c. €54m	Private	Winterbrook	Irish Life
26	Project Merrion, Merrion Road, Dublin 4	Q4 2018	69	€47.05m	Private	Dalata	I•RES REIT
27	Ropemaker Place, Cardiff Place, Dublin 2	Q4 2019	56	€46m	-	Marlet Property Group	Real IS
28	Citywest Village, Citywest, Co. Dublin	Q1 2019	129	€46m	6.5%	Davy Hickey	Urbeo
29	Hampton Wood, Finglas, Dublin 11	Q1 2018	128	€40m	6.08%	Dwyer Nolan	I•RES REIT
30	Taylors Hill, Balbriggan & Semple Woods, Donabate, Co. Dublin	Q1 2019	118	€38.2m	Private	Glenveagh	Private
31	Off-Market -West Dublin	Q1 2018	100	€38m	Private	Confidential	Confidential
32	Hampton Wood, Finglas, Dublin 11 (Phase II)	Q3 2019	92	€35m	Private	Dwyer Nolan	Approved Housing Body
33	Off-Market - Dún Laoghaire, Co. Dublin	Q4 2019	67	€30m	Private	Private	Private
34	Off-Market, Hansfield, Dublin 15	Q4 2019	95	€30m	Private	Private	Urbeo
25	New Bancroft, Tallaght, Dublin 24	2017	131	€30m	7.5%	Park Developments	DAD/Urbeo
36	Off-Market - South Dublin	Q3 2019	55	€28m	Private	Confidential	Confidential
37	Rathborne Park, Ashtown, Dublin 15	Q2 2019	46	€18.51m	Private	Castlethorn	Urbeo
38	Waterside, Malahide, Co. Dublin	Q1 2019	55	€18.5m	6.45%	Cannon Kirk Group	I•RES REIT

18. Hooke & MacDonald Investment and Development Team

The Hooke & MacDonald dedicated investment and development team would be glad to discuss any queries you may have on this report, the market or any existing or future projects.

Hooke & MacDonald's expertise and strong track record in multi-unit development, lettings and property management puts the company in a unique position to advise on new project design, lettability, management costs, capital values, investment yields and sales.

KEN MACDONALD
MANAGING DIRECTOR
ken@hmd.ie
T 01 661 0100
M 086 256 3851

DAVID CANTWELL
DIRECTOR
davidc@hmd.ie
T 01 631 8402
M 086 256 3852

DAVID LAWLOR
DIRECTOR
davidl@ hmd.ie
T 01 631 8402
M 086 821 9848

ENDA MOORE
DIRECTOR
endam@hmd.ie
T 01 631 8452
M 086 255 6445

DONALD MACDONALD
DIRECTOR
donaldm@hmd.ie
T 01 631 8450
M 087 207 0283

GAVIN HANLON
DIRECTOR
gavinh@hmd.ie
T 01 631 8454
M 086 238 1388

Hooke & MacDonald OVER 50 YEARS EXPERIENCE

NAI Hooke&MacDonald Commercial

RENAGH MACDONALD
DIRECTOR
renaghm@hmd.ie
T 01 661 8404
M 086 819 7797

DES DONNELLY
DIRECTOR
desd@hmd.ie
T 01 661 8402
M 086 250 3591

CONOR STEEN
ASSOCIATE DIRECTOR
conors@hmd.ie
T 01 631 8433
M 086 816 8836

NIALL DELANEY
ASSOCIATE DIRECTOR/ LETTINGS MANAGER
nialld@hmd.ie
T 01 631 8424
M 086 047 8678

SEBASTIAN JUDD
ASSOCIATE DIRECTOR
sebastianj@hmd.ie
T 01 631 8443
M 087 782 2013

LUCY O'TOOLE
MARKETING & COMMUNICATIONS MANAGER
lucyo@hmd.ie
T 01 631 8419

CHRISTINE MCGOWAN
ASSOCIATE DIRECTOR
christinem@hmd.ie
T 01 631 84 93

TOM MILLER
ASSET MANAGER
tom@hmd.ie
T 01 631 8436

GAVIN FITZPATRICK
PROPERTY MANAGER
gavinf@hmd.ie
T 01 631 8404

RECENT HOOKE & MACDONALD REPORTS:

Housing Market Funding and New Homes Composition of Purchasers and Investment Update

By Hooke & MacDonald
(October 2020)

CLICK TO DOWNLOAD

The Dublin Multi-Family/PRS Investment Report Q1 2020

By Hooke & MacDonald
(April 2020)

CLICK TO DOWNLOAD

The Dublin Multi-Family/PRS Investment Report Q4 2019

By Hooke & MacDonald
(January 2020)

CLICK TO DOWNLOAD

The Dublin Multi-Family/PRS Investment Report Q3 2019

By Hooke & MacDonald
(October 2019)

CLICK TO DOWNLOAD

Apartment Development In Ireland

By Hooke & MacDonald
(October 2019)

CLICK TO DOWNLOAD

The Dublin Multi-Family/PRS Investment Report Q2 2019

By Hooke & MacDonald
(July 2019)

CLICK TO DOWNLOAD

The Dublin Multi-Family /PRS Investment Report Q1 2019

By Hooke & MacDonald
(April 2019)

CLICK TO DOWNLOAD

The Multi-Family PRS/Investment Market in Dublin Q4 2018

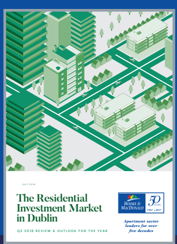
By Hooke & MacDonald
(January 2019)

CLICK TO DOWNLOAD

The Multi-Family PRS/Investment Market in Dublin Q3 2018

By Hooke & MacDonald
(September 2018)

CLICK TO DOWNLOAD



The Multi-Family PRS/Investment Market in Dublin Q2 2018

By Hooke & MacDonald
(July 2018)

CLICK TO DOWNLOAD

The Multi-Family PRS/Investment Market in Dublin Q1 2018

By Hooke & MacDonald
(April 2018)

CLICK TO DOWNLOAD

Housing Solutions to Assist Ireland in Realising its Potential – An Irish Housing Research Report

By Downey Planning, Hooke & MacDonald and Dr Brian Hughes
(December 2017)

CLICK TO DOWNLOAD

118 Baggot Street Lower,
Dublin 2, Ireland
PSRA: 001651
www.hmd.ie

Hooke & MacDonald OVER 50 YEARS EXPERIENCE

Hooke & MacDonald Commercial