

The Irish Property Market Outlook

With Marian Finnegan, Sherry FitzGerald Group

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PAST, PRESENT, PROJECTIONS

MARKET OVERVIEW

INSTITUTE OF DIRECTORS

JANUARY 23RD, 2020

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01

ECONOMIC AND POLITICAL BACKGROUND

ECONOMY

AN OVERVIEW

% Change	2012	2013	2014	2015	2016	2017	2018	2019f	2020f
Real GNP	0.0%	5.8%	9.2%	13.6%	11.5%	4.4%	6.5%	5.2%	3.8%
Real GDP	0.2%	1.3%	8.8%	25.1%	5.0%	7.2%	8.2%	5.8%	3.3%
Exports	-0.9%	2.9%	14.6%	39.3%	4.4%	7.8%	10.4%	9.6%	6.3%
Investment	15.8%	-3.7%	18.3%	50.8%	51.7%	-31.0%	-21.1%	45.0%	4.7%
Consumption	-0.8%	-0.6%	2.1%	3.6%	4.0%	1.6%	3.4%	2.7%	2.5%
Unemployment Rate	14.7%	13.1%	11.3%	9.5%	7.9%	6.7%	5.8%	5.0%	4.6%
Consumer Prices (HICP)	1.9%	0.5%	0.3%	0.2%	-0.0%	0.3%	0.7%	1.0%	1.2%



LOAN TO VALUE (LTV) FOR PRINCIPAL DWELLING HOUSES (PDH)

PDH mortgages for non-first time buyers are subject to a limit of 80 per cent LTV.

For first time buyers of properties a maximum LTV of 90 per cent will apply.

These LTV limits should not be exceeded by more than 20 per cent of the euro value of all housing loans for second and subsequent PDH purposes, and not be exceeded by more than 5 per cent of the euro value of all housing loans for first time buyers, during an annual period.



LOAN TO VALUE (LTV) FOR BTL MORTGAGES

BTL mortgages are subject to a limit of 70 per cent LTV.

This limit can only be exceeded by no more than 10 per cent of the euro value of all housing loans for non PDH purposes during an annual period.



LOAN TO INCOME (LTI) FOR PDH MORTGAGES

PDH mortgage loans are subject to a limit of 3.5 times loan to gross income.

Taking effect on the 1st January 2018, the Central Bank has made revisions to the Loan-to-Income Allowances.

From this point on only 10 per cent of the value of new mortgage lending to second and subsequent buyers can be above the LTI cap, while 20 per cent of the value of new mortgage lending to first time buyers can be above the LTI cap.

Previously, the LTI limit was not to be exceeded by more than 20 per cent of the euro value of all housing loans for PDH purposes during an annual period.

GOVERNMENT INITIATIVES

HELP TO BUY SCHEME

From launch to end November 2019



34,760

Applications



16,550

*At Claim
stage*



15,903

*Approved by
Revenue*

77%

Of those at claim stage

Dublin	5,217
Meath	2,000
Kildare	1,612
Wicklow	767

Cork	1,786
Galway	716
Limerick	522

77% of claims in the
€151,000 - €375,000
range

GOVERNMENT INITIATIVES

THE STRATEGIC HOUSING DEVELOPMENT PLANNING SYSTEM

Effect in July 2017



*Fast-track
development
of **100+** homes
or **200+** student
beds*



23,026

*residential
units approved
to date*



6,962

*houses granted
permission*



16,064

*apartments
granted
permission*



8,686

*student beds
granted
permission*

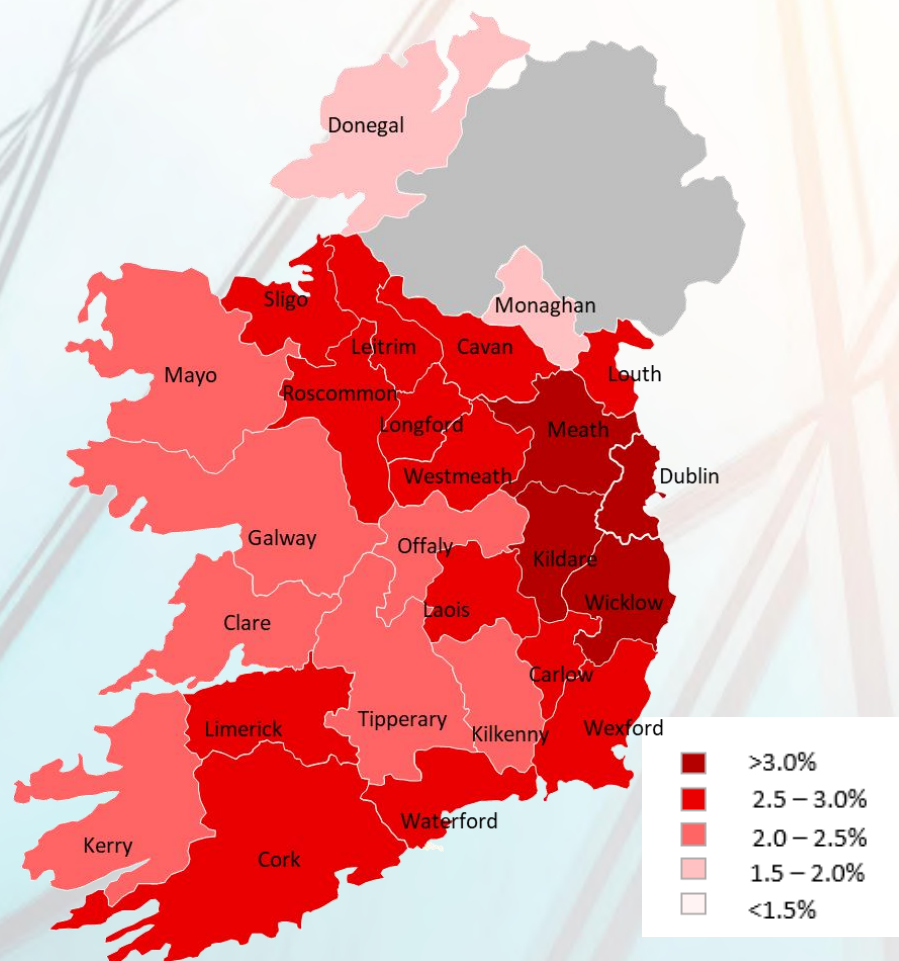
The background of the slide is a dark blue gradient with a faint, white architectural floor plan overlaid. The plan shows various rectangular rooms, corridors, and structural lines, with some dimensions like 1500, 900, and 700 visible along the right side.

02

RESIDENTIAL MARKET

MARKET ACTIVITY - VOLUMES

2018



Ireland

53,800

(2.8% of private stock transacted)

Dublin

17,500

(3.5% of private stock transacted)

VOLUME OF SALES

Q1 2011 – Q3 2019



Source: PPR/Sherry FitzGerald Research

*Excludes multi-family/block sales and rounded



38,700

sales in Ireland*
in YTD Q3 2019

Up **4%** Y-O-Y

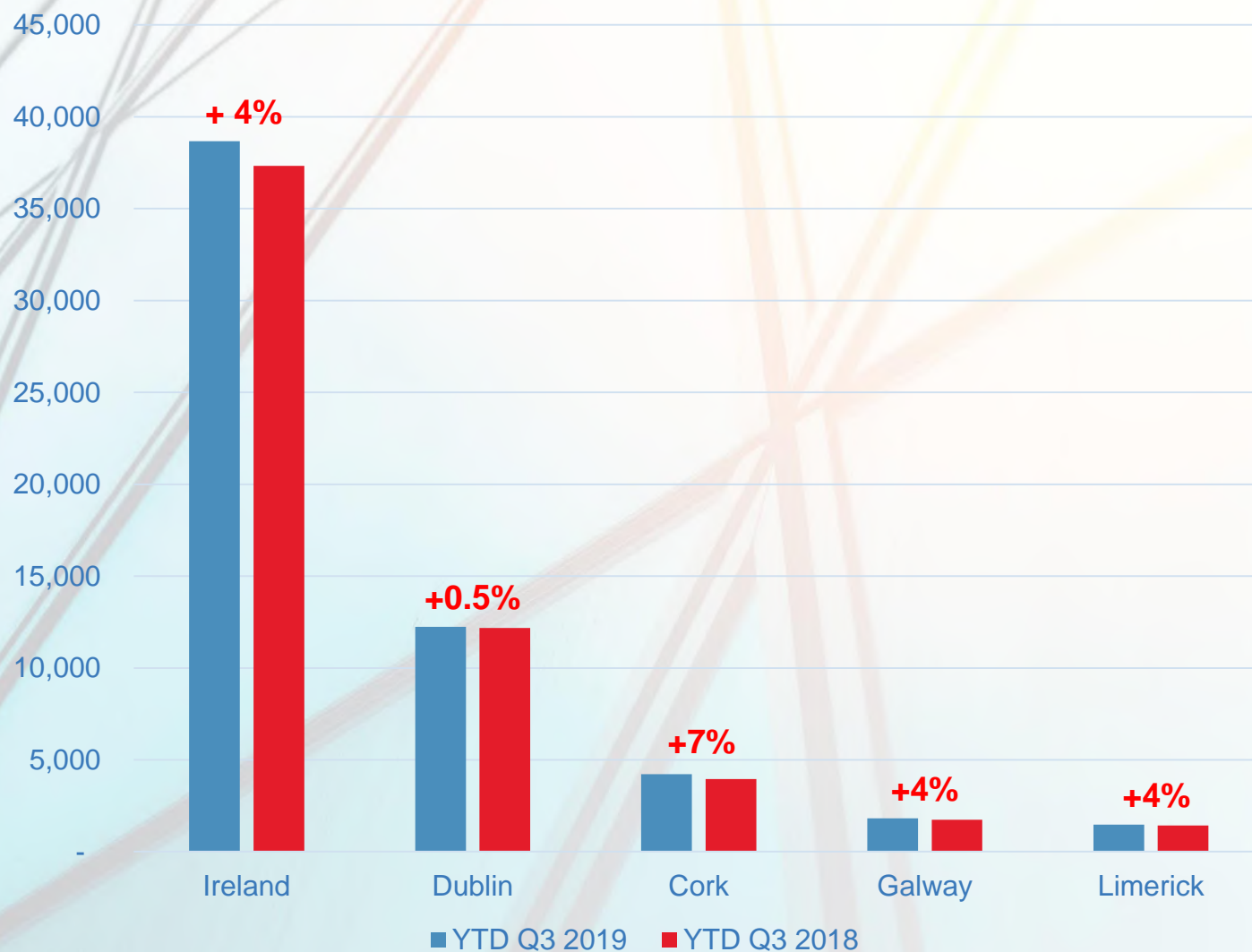


New Home Sales

Down **-4%** Y-O-Y

VOLUME OF SALES

YTD Q3 2019 VS YTD Q3 2018



Source: PPR/Sherry FitzGerald Research

*Excludes multi-family/block sales and rounded



12,200

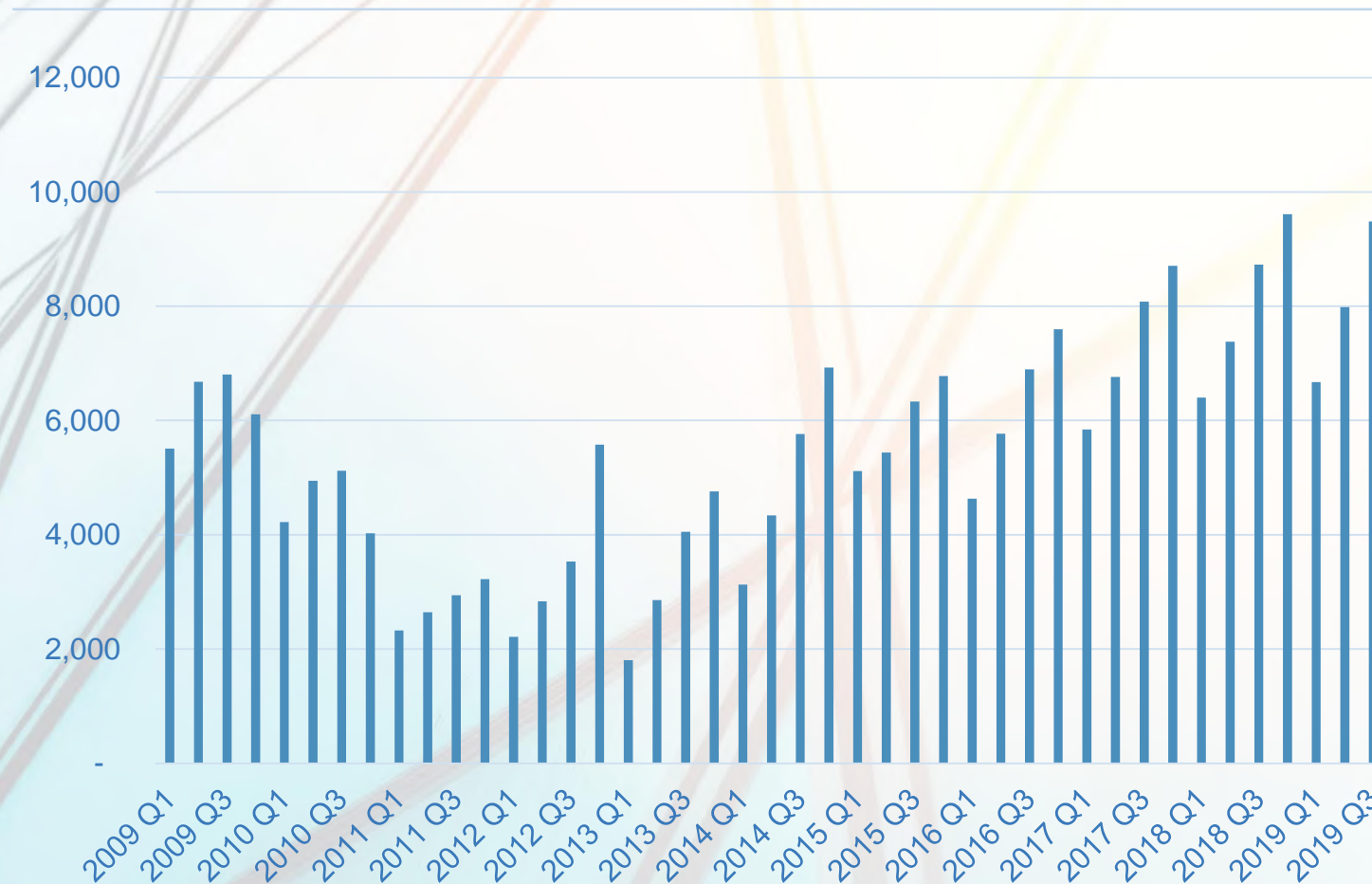
sales in Dublin*
in YTD 2019



UP +0.5% Y-O-Y

MORTGAGE DRAWDOWNS

Q1 2009 – Q3 2019



Cash Buyers

Cash buyers account for 38% of market in YTD Q3 2019



24,146*

Mortgages with a value of

€5.6 billion

drawn down in YTD
Q3 2019



PROFILE OF PURCHASER

2ND HAND STOCK – 2019

Ireland



Owner
Occupation

78%



Investment

15%



Additional
residence

6%



Other

1%

Dublin



Owner
Occupation

81%



Investment

13%



Additional
residence

6%



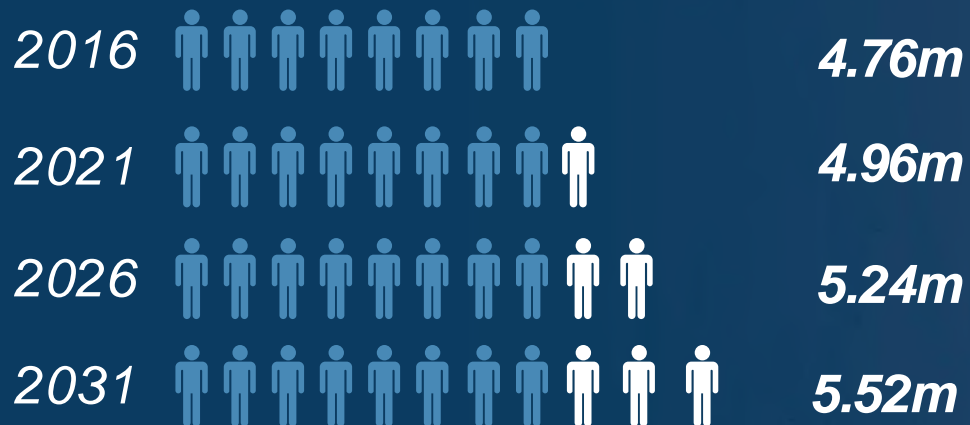
Other

0%

FUTURE DEMAND

DEMOGRAPHIC PROJECTIONS

Ireland



Dublin



FUTURE DEMAND

DEMOGRAPHIC PROJECTIONS



35,800

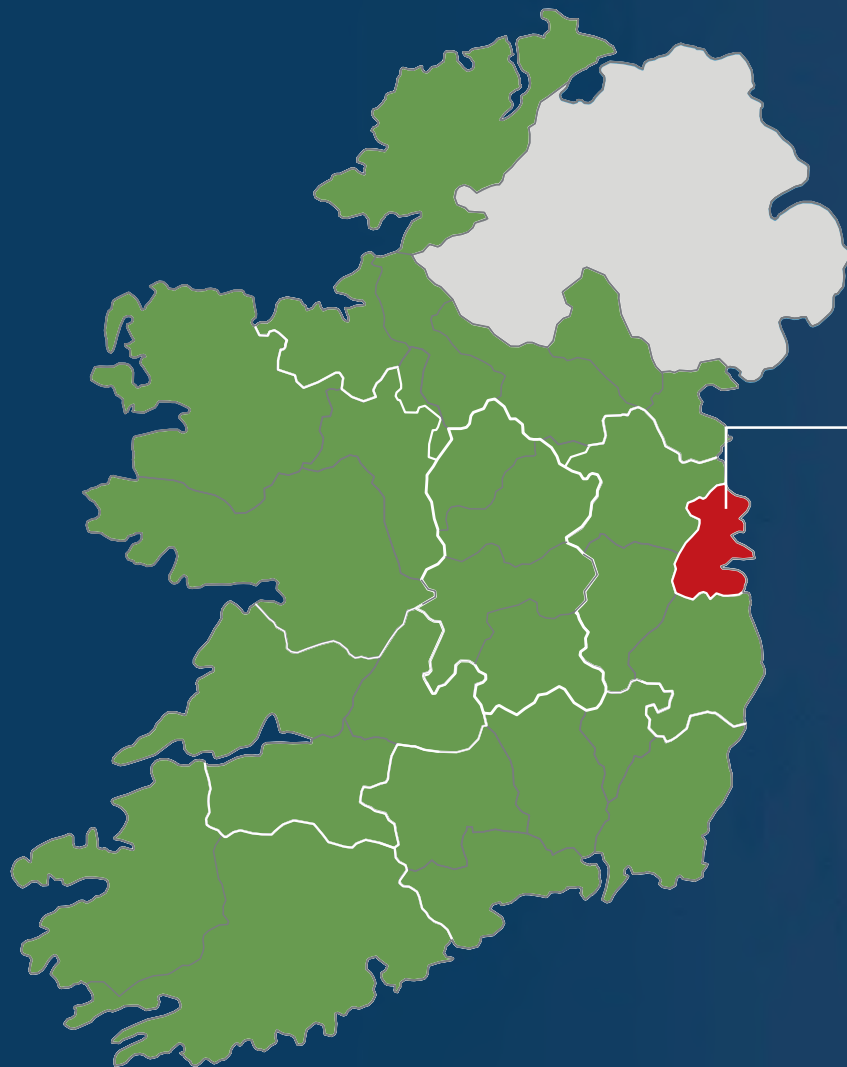
Average PA

Ireland - total

Year	Housing Demand
2017 - 21	40,050
2022 - 26	33,300
2027 - 31	34,150

FUTURE DEMAND

DEMOGRAPHIC PROJECTIONS



Dublin



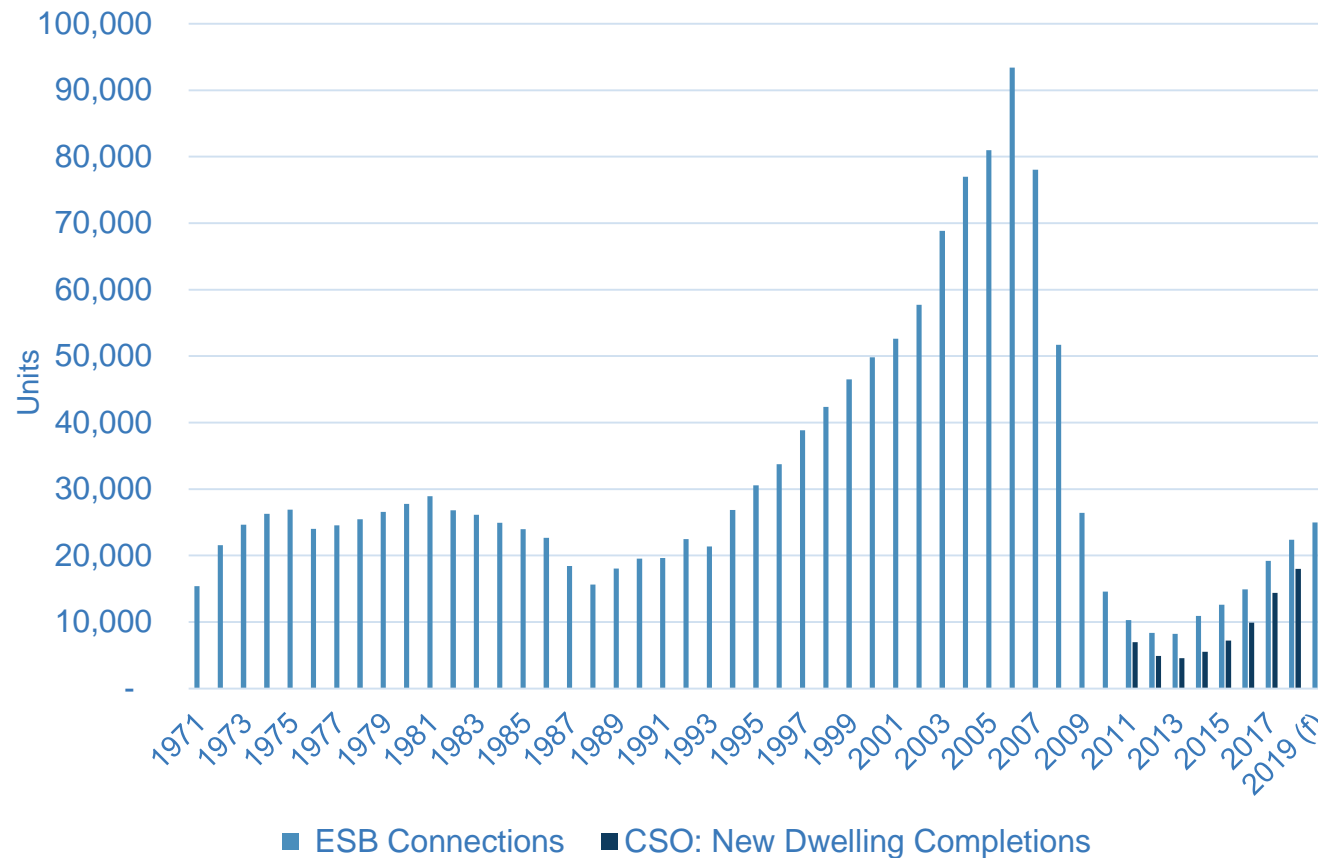
11,050

Average PA

Year	Housing Demand
2017 - 21	13,650
2022 - 26	9,650
2027 - 31	9,900

HOUSING COMPLETIONS

1972 - 2018



21,500

Estimated new dwellings
completed in 2019
up Y-O-Y by **19%**



17,995

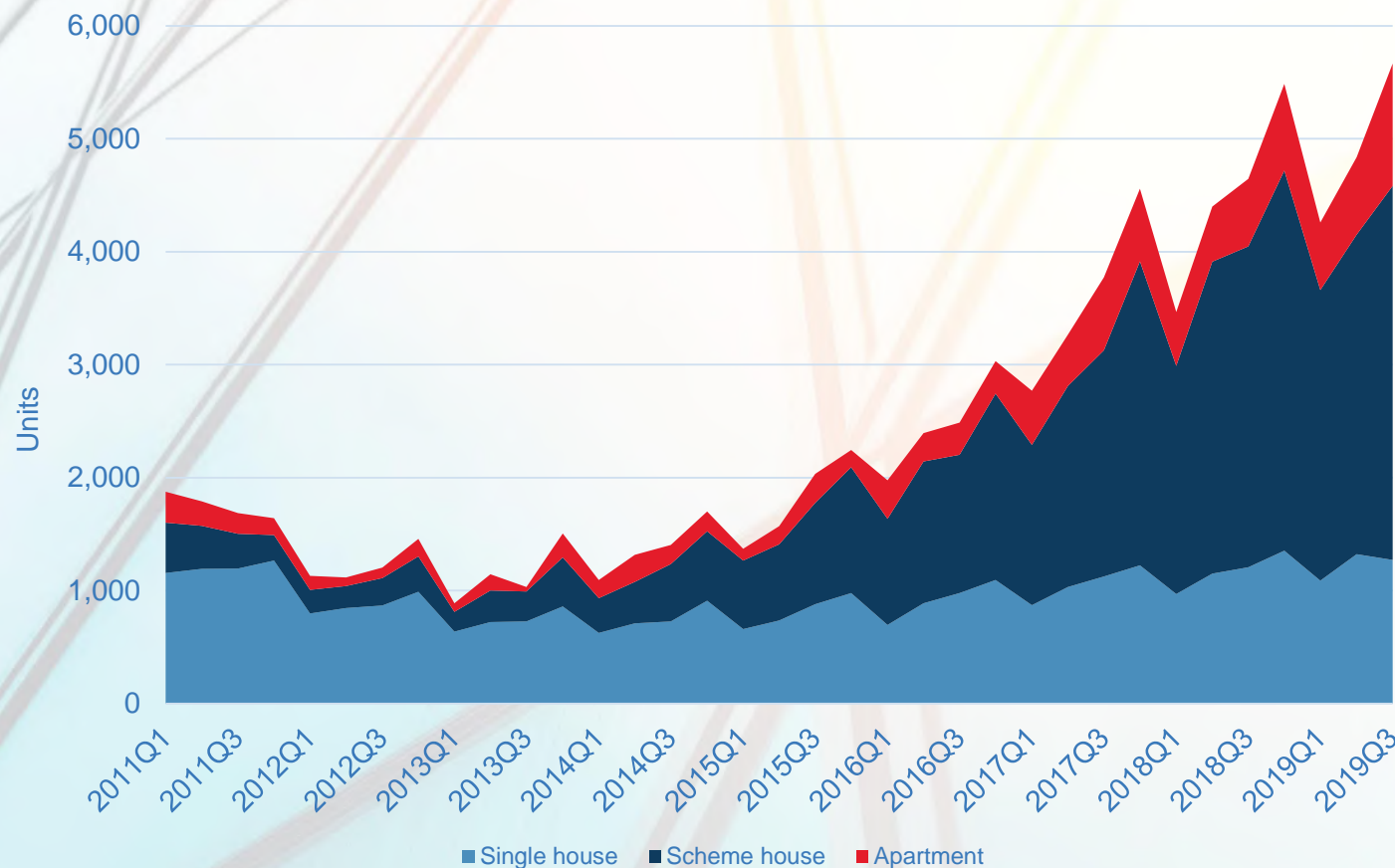
new dwellings
completed in 2018
up Y-O-Y by **25%**

New dwellings

21,500 estimated number of new dwellings completed in 2019

NEW DWELLING COMPLETIONS

Q1 2011 – Q3 2019



Apartments

1,083 apartments built in Q3 2019



1,273

individual houses built
in Q3 2019

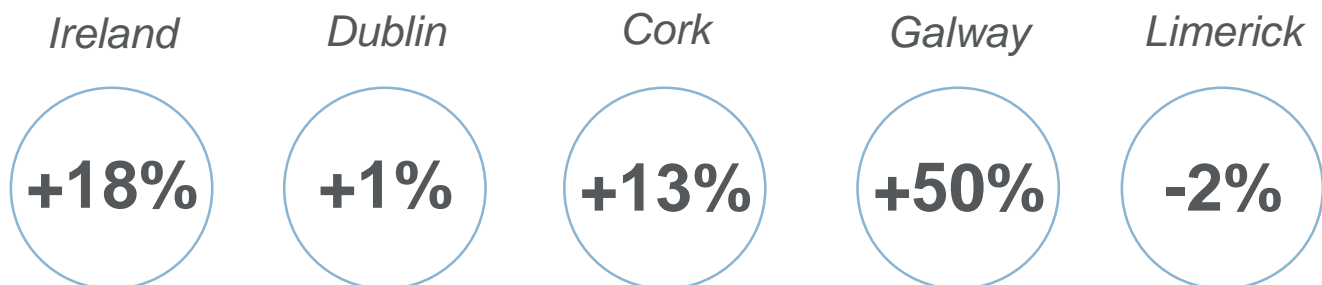
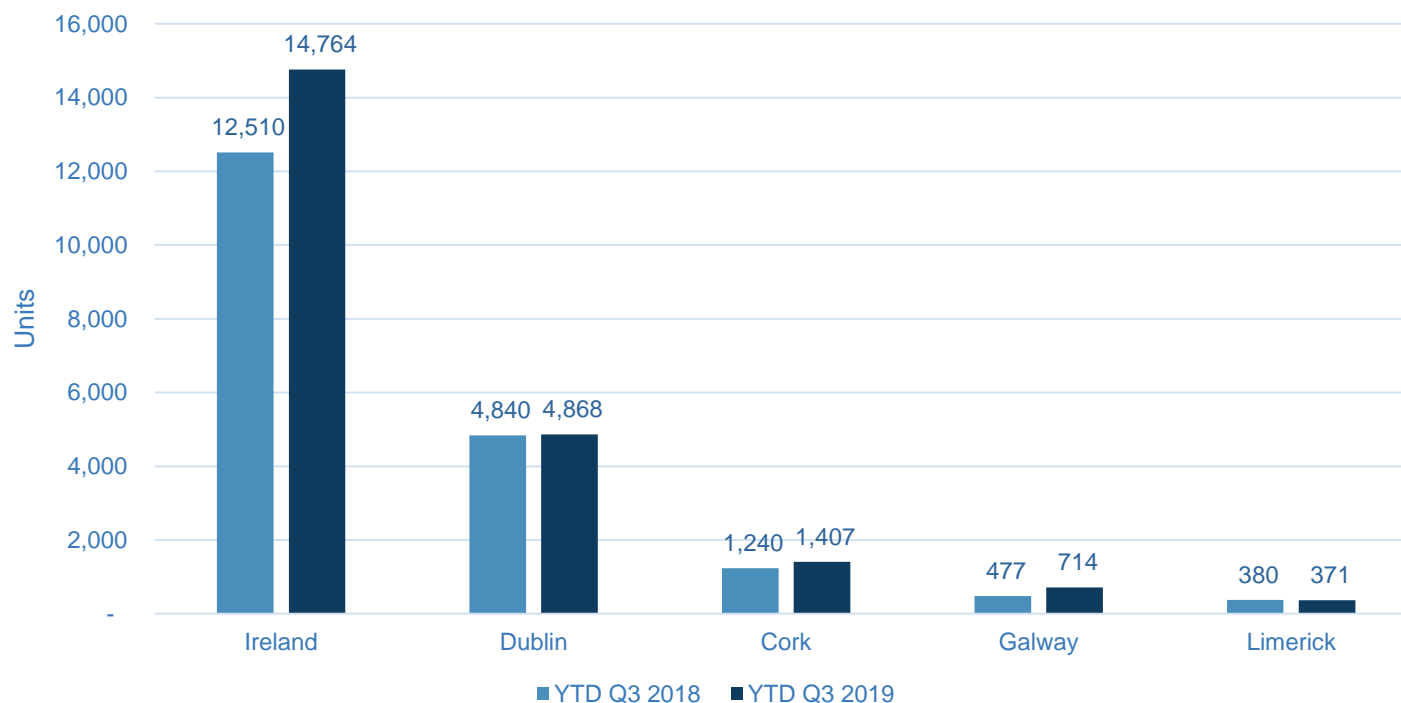


3,311

scheme houses built
Q3 2019

NEW DWELLING COMPLETIONS

YTD Q3 2018 VS YTD Q3 2019



■ YTD Q3 2018 ■ YTD Q3 2019



Completions in
Dublin up from

12,510

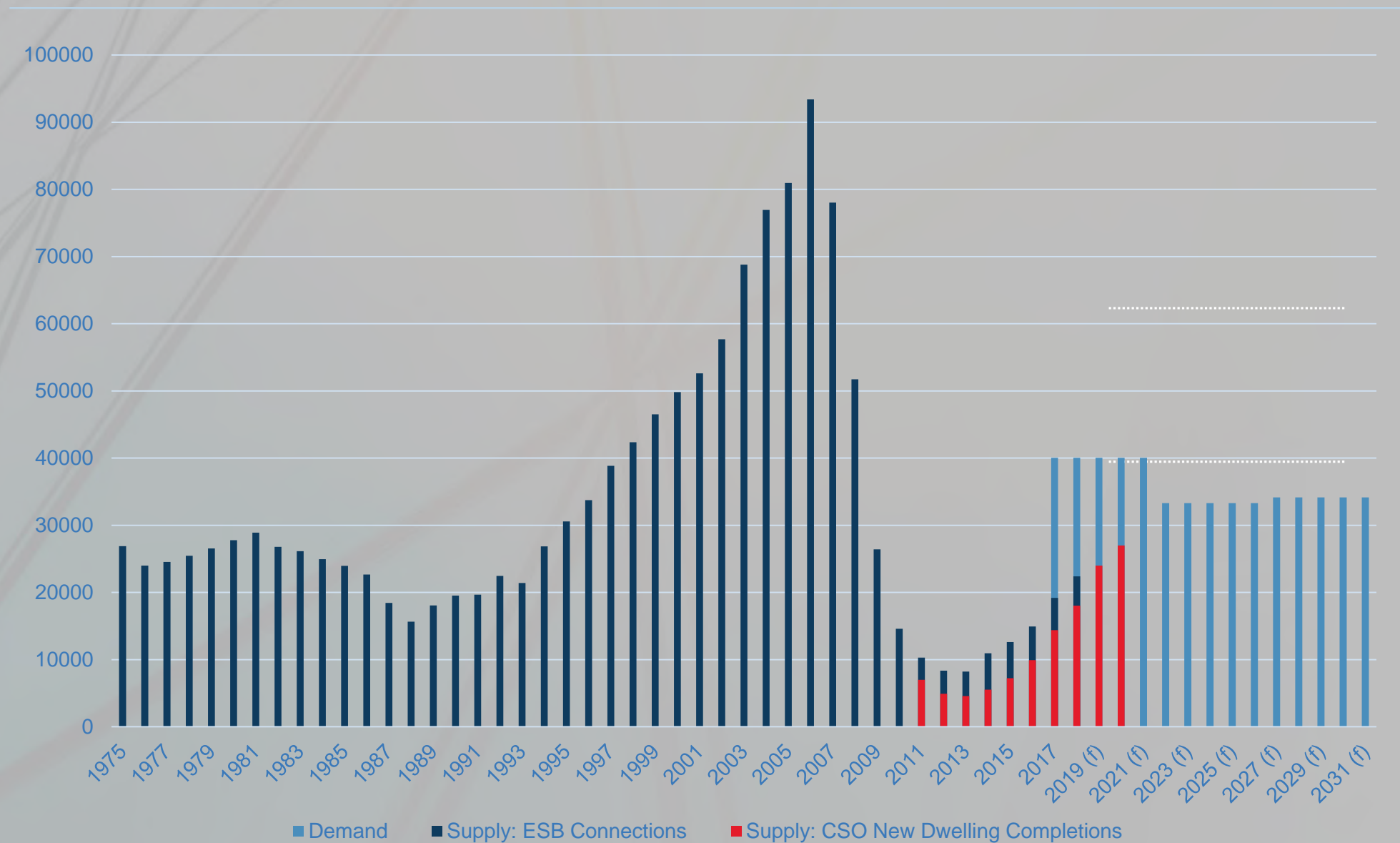
in YTD Q3 2018
to

14,764

in YTD Q3 2019

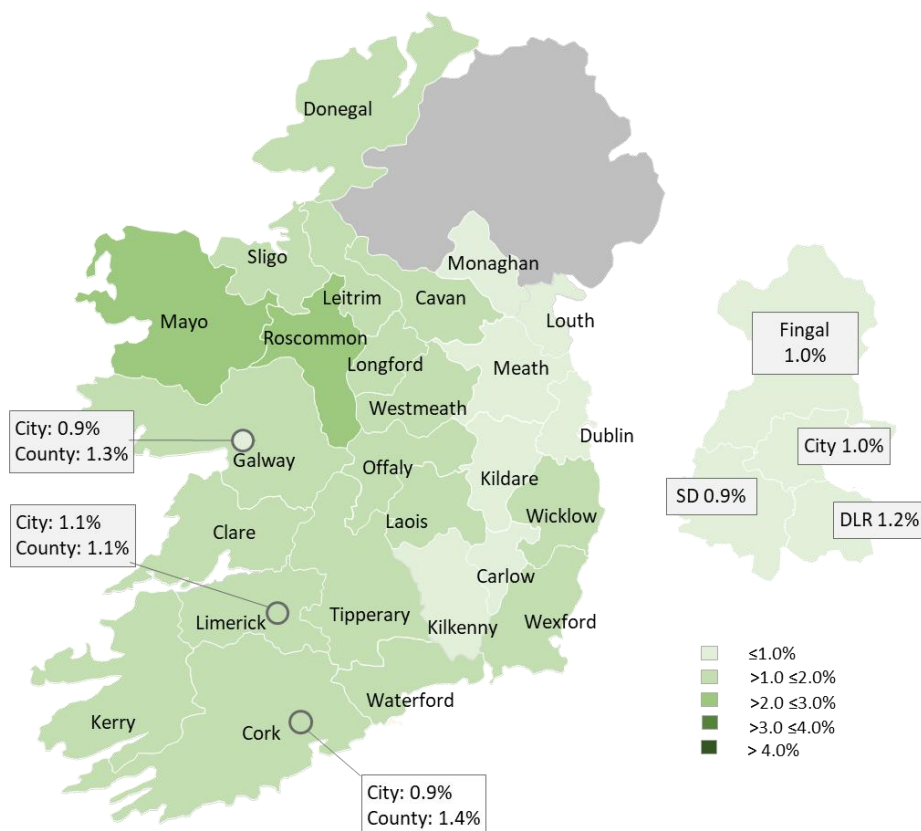
HISTORICAL HOUSING COMPLETIONS & FORECASTS

1975 - 2031



PRIVATE STOCK ADVERTISED FOR SALE

JULY 2019



County % of Private Second-Hand Stock Advertised for Sale

Monaghan	0.6%
Kilkenny	0.9%
South Dublin	0.9%
Cork City	0.9%
Kildare	0.9%
Galway City	0.9%
Louth	1.0%
Dublin City	1.0%
Dublin (Total)	1.0%
Fingal	1.0%
Meath	1.1%
Clare	1.1%
Sligo	1.1%
Limerick County	1.1%
Limerick (Total)	1.1%
Limerick City	1.1%
Galway (Total)	1.2%
Carlow	1.2%
Waterford	1.2%
Dun Laoghaire-Rathdown	1.2%
Laois	1.2%
Galway County	1.3%
Offaly	1.3%
Tipperary	1.3%
Cavan	1.3%
Cork (Total)	1.3%
Donegal	1.4%
Longford	1.4%
Cork County	1.4%
Kerry	1.4%
Westmeath	1.5%
Wicklow	1.5%
Wexford	1.7%
Leitrim	1.7%
Mayo	1.8%
Roscommon	2.0%

State 1.2%



23,200

second hand units
advertised for sale in
July 2019,

down **-3%** Y-O-Y

5,100

second hand units advertised
for sale in Dublin,

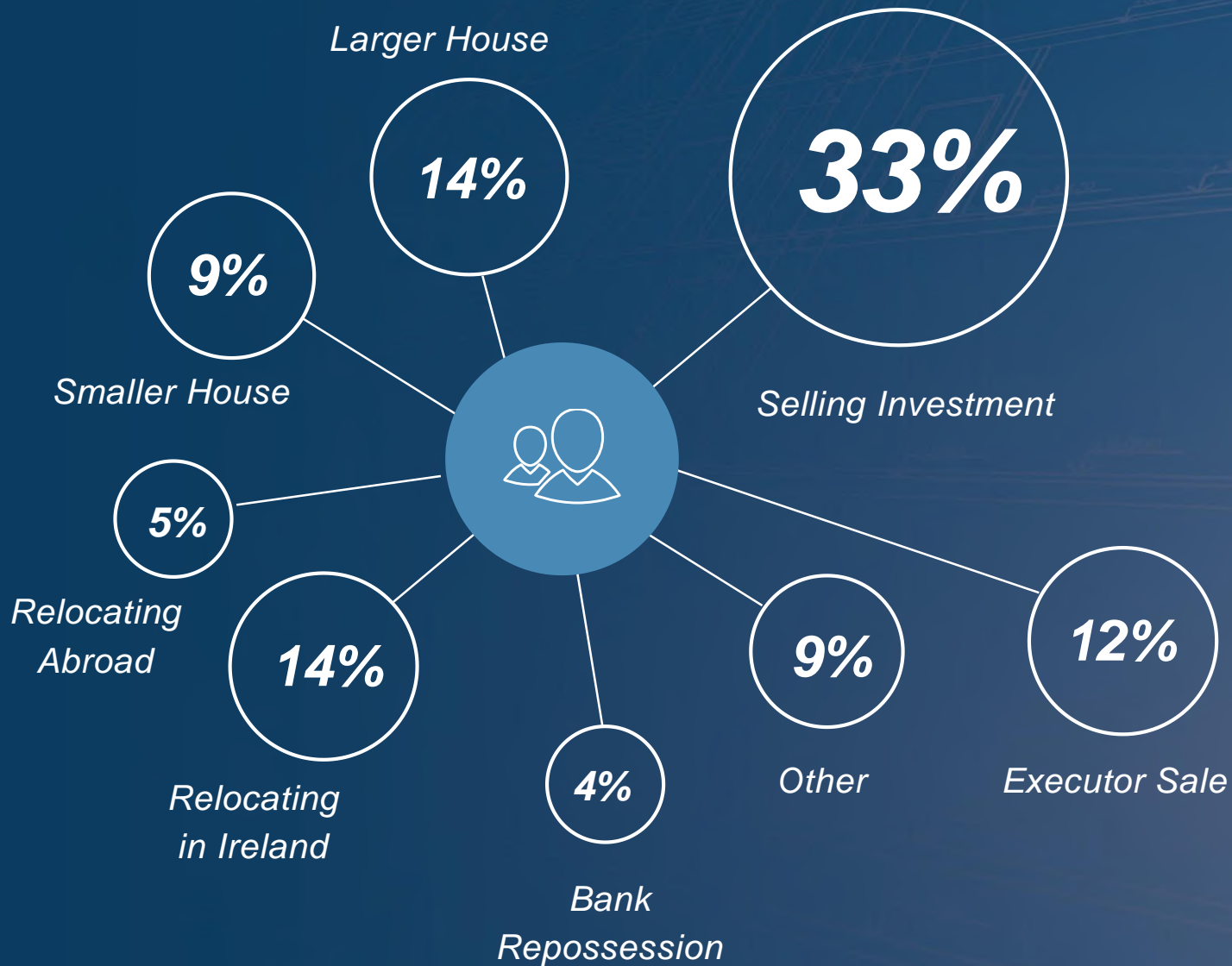
up **7%** Y-O-Y

1.2%

Total second-hand units advertised for sale represent 1.2% of total housing stock

VENDOR ANALYSIS

2019

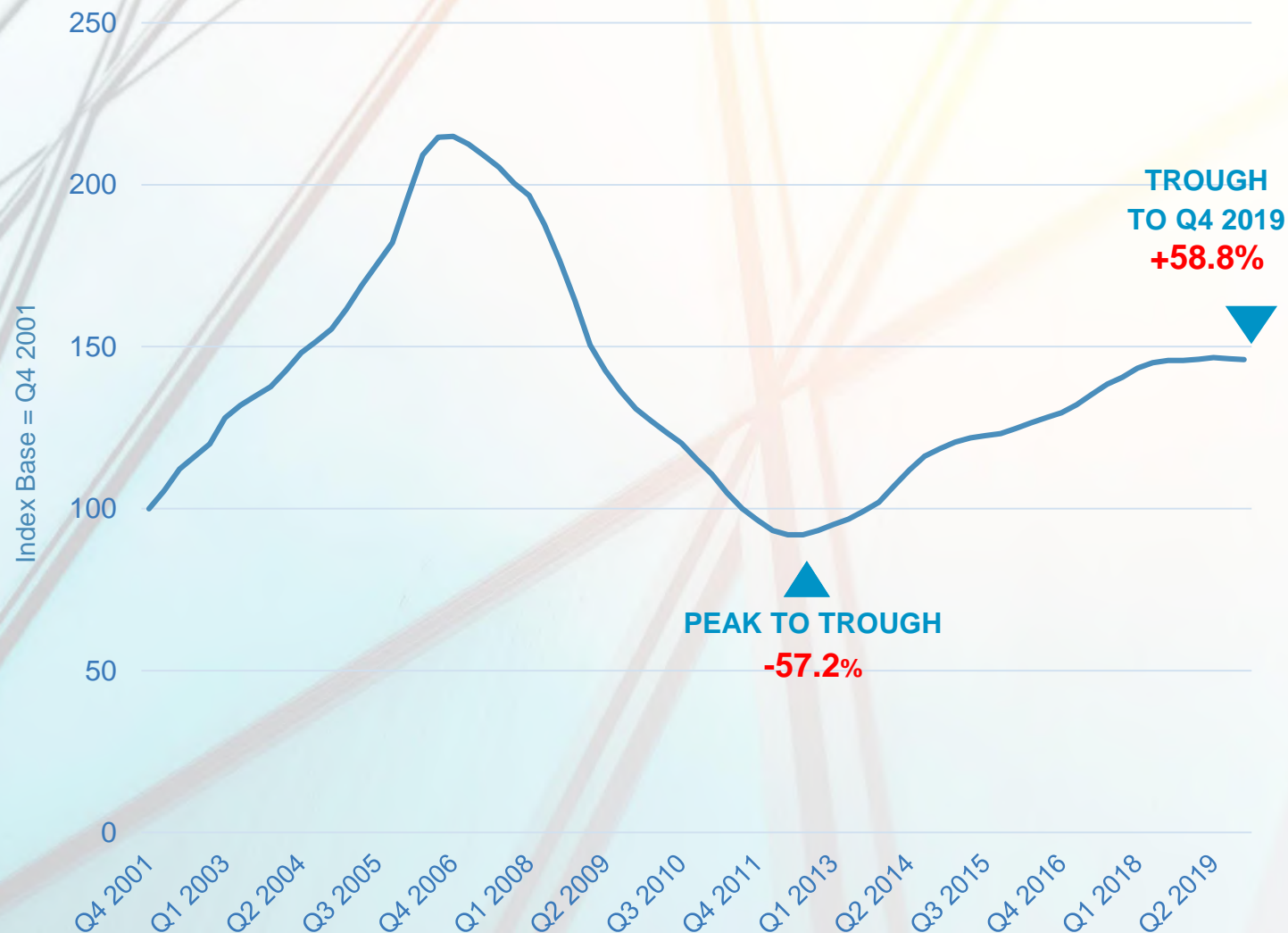


33%

of vendors
"selling investment"

ALL IRELAND BAROMETER

SECOND-HAND HOUSE PRICES

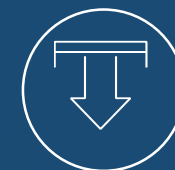


Source: Sherry FitzGerald Research

0.2%

House prices grew by 0.2% annually to Q4 2019

Compared to 3.7% annually to Q4 2018



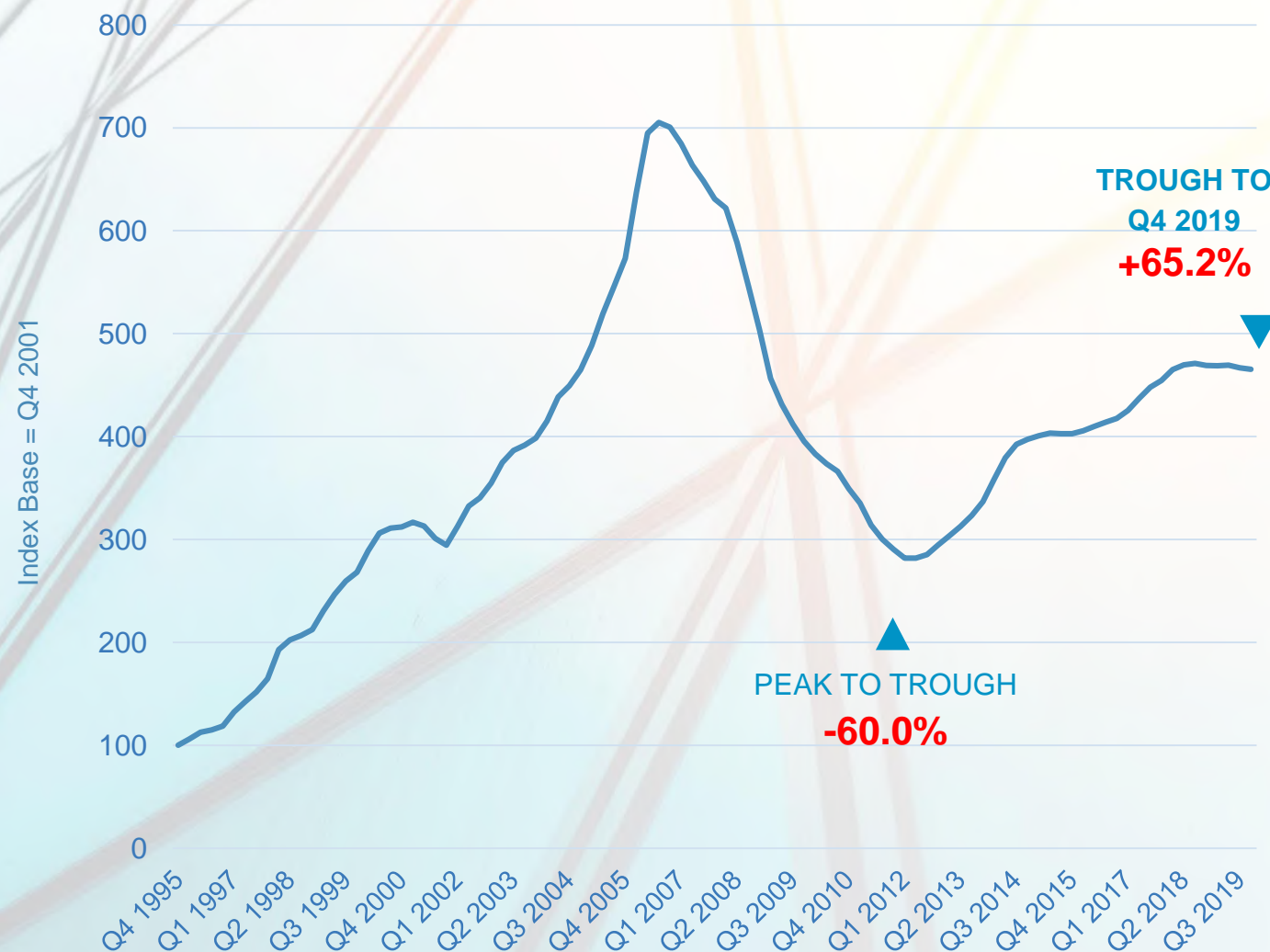
-0.2%

Prices decreased by 0.2% in Q4 2019

Compared to a 0.0% increase in Q4 2018

DUBLIN BAROMETER

SECOND-HAND HOUSE PRICES

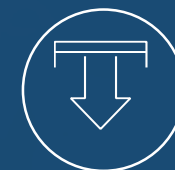


Source: Sherry FitzGerald Research

-0.8%

House prices decreased by
0.8% annually to Q4 2019

Compared to a 3.2% annual
increase to Q4 2018



-0.3%

House prices decreased by
0.3% in Q4 2019

Compared to a 0.4% decrease
in Q4 2018

03

PRIVATE RENTAL SECTOR



RESIDENTIAL INVESTMENT

YTD SEPTEMBER 2019

€1.45bn in YTD 2019

Residential Investment
€1.25bn in 2018



TOP PRS INVESTMENT TRANSACTIONS

YTD SEPTEMBER 2019

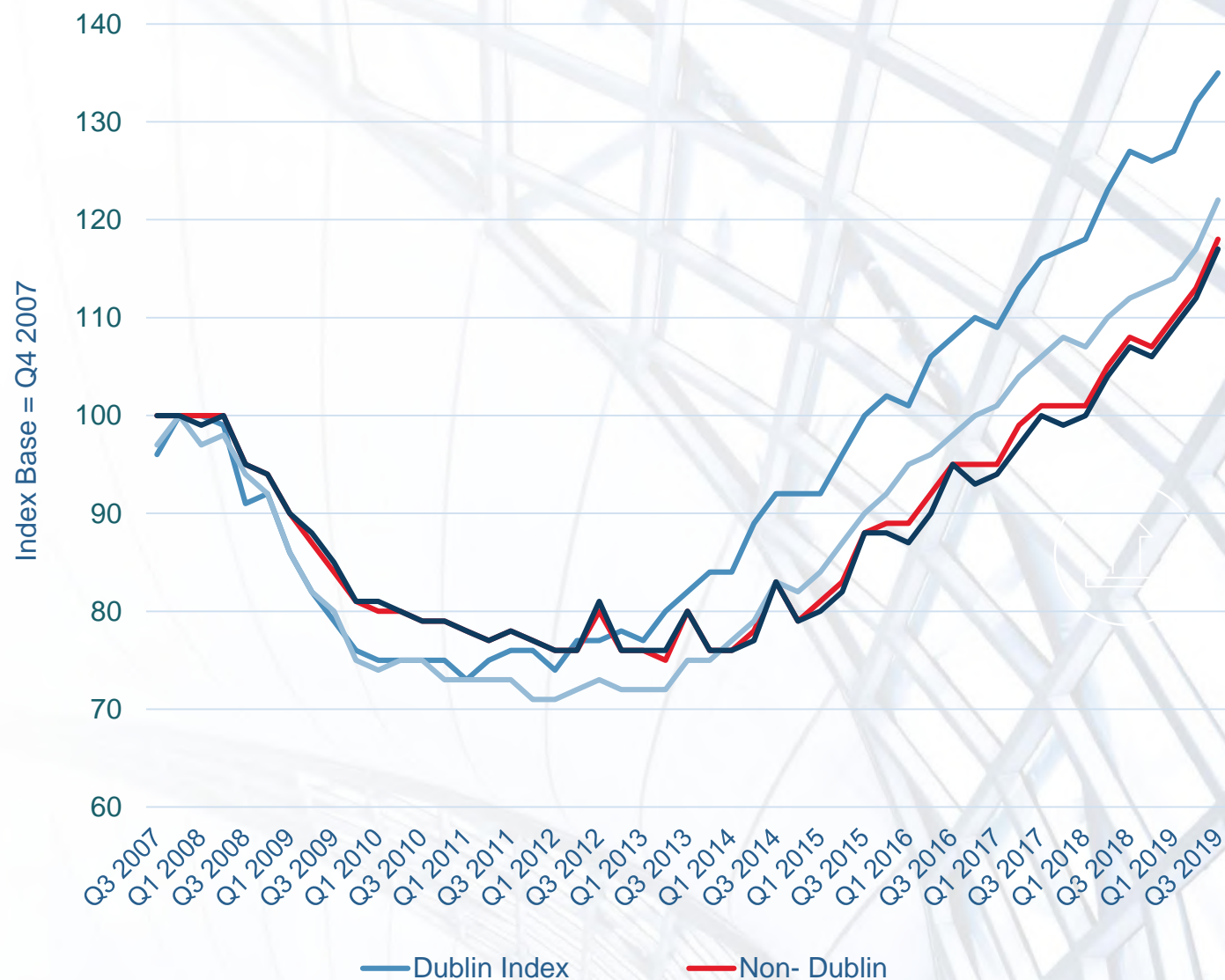
Asset	Price (€)	No. of Units	Purchaser	Standing Stock Vs. Forward Commit
XVI Portfolio, Dublin & Cork	€285m	815	IRES REIT	Standing Stock
Dublin Landings PRS	€175.5m	268	Greystar	Forward Purchase
Heuston South Quarter, Dublin 8	€135m*	266	Henderson Park & Chartered Land	Standing Stock
Off-Market Nationwide Portfolio	€150m	540**	LRC Group	Standing Stock
Fairways, Dun Laoghaire, Dublin	€108m	214	DWS	Forward Sale

*Approx. residential proportion of transaction total

**Approx. No. of units

RTB INDEX – ALL PROPERTY INDEX

Q3 2007 – Q3 2019



Dublin

€1,762

Average Standardised Rents

+6.7%

Dublin Standardised Rent in
Q3 2019 was €1,762

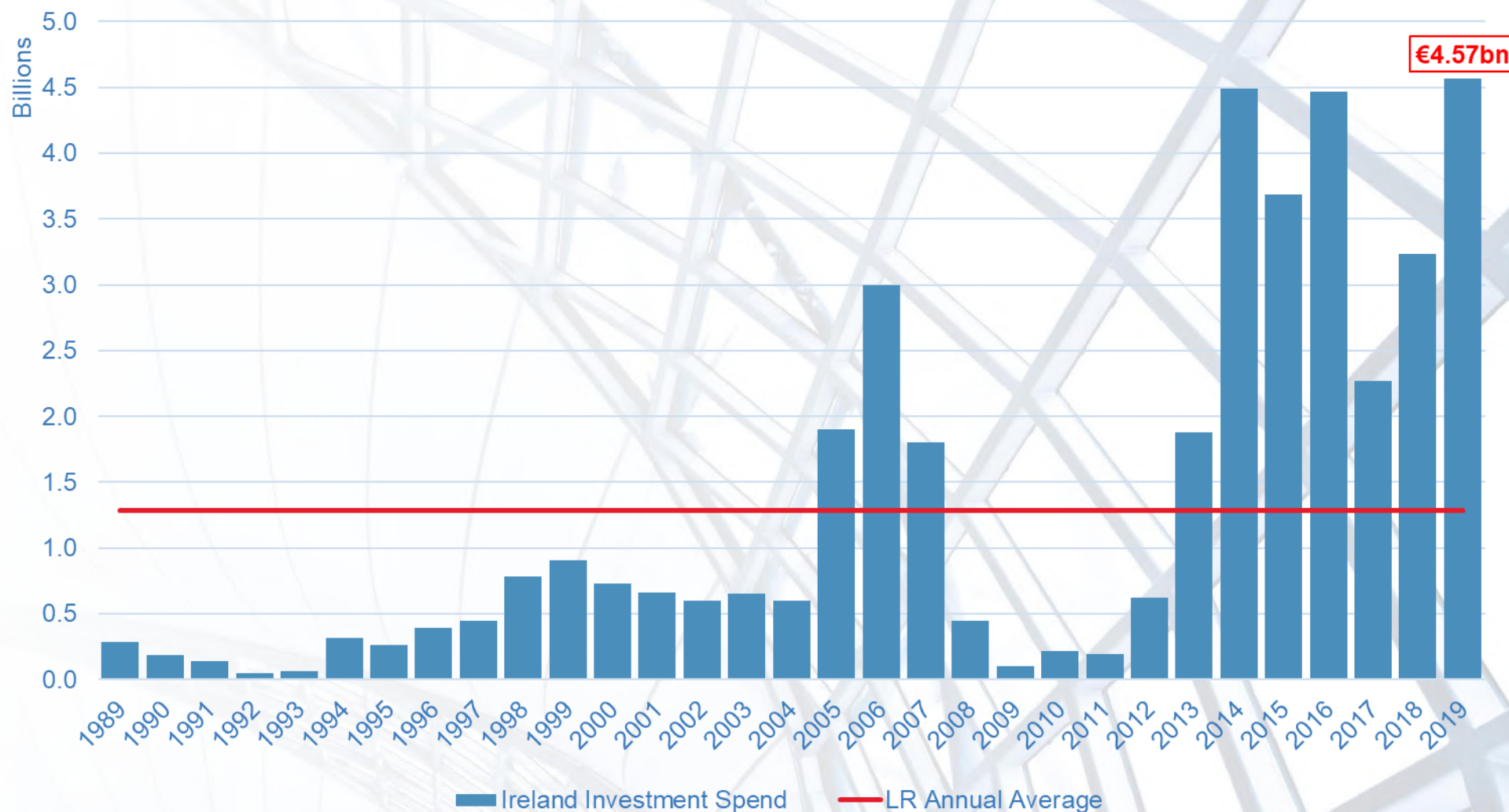
04

COMMERCIAL MARKET INVESTMENT & OCCUPIER TRENDS

INVESTMENT MARKET TURNOVER

€BN*: 1989 – 2019

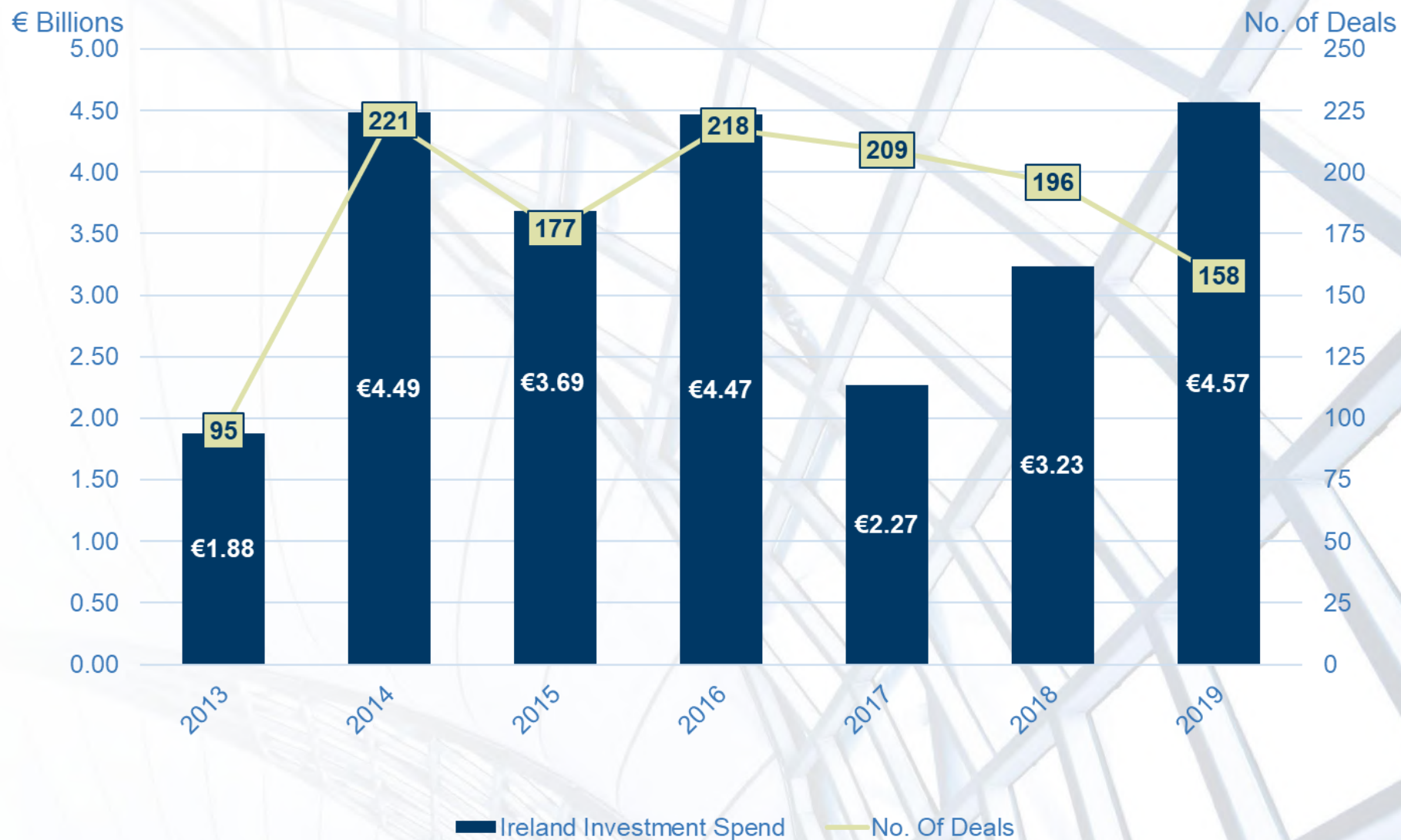
“€4.57bn invested in the Irish commercial property market in 2019”



*Deals greater than €1m, excludes loan sales, trading assets and auction sales.

INVESTMENT TRANSACTIONS

2013 – 2019



TOP INVESTMENT TRANSACTIONS - IRELAND

Q4 2019

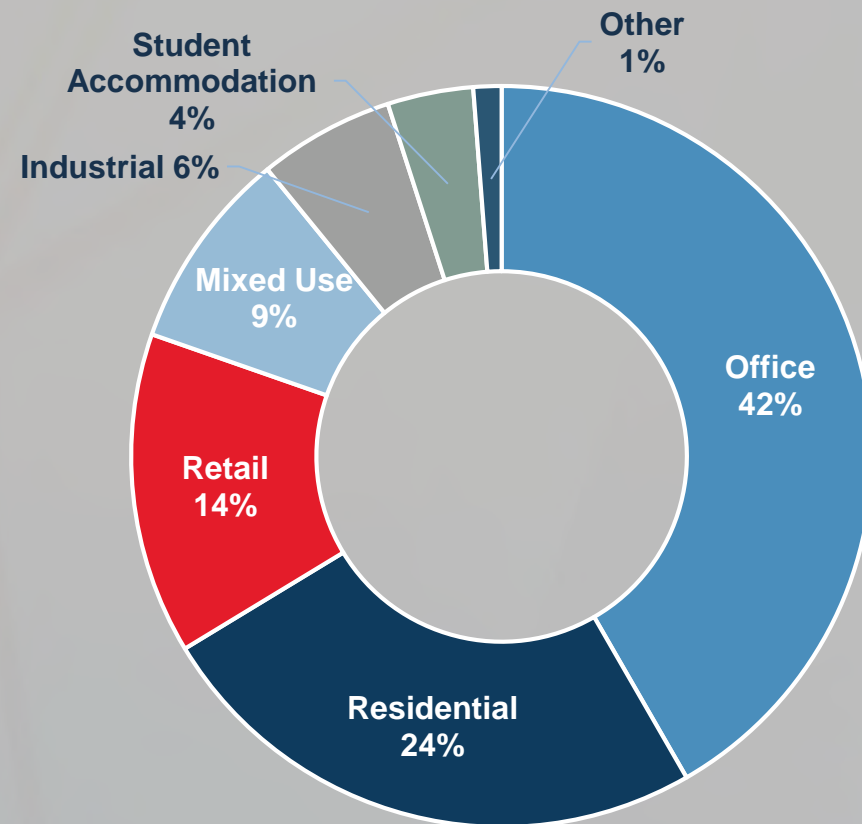
Property	Price (€)	Sector	Vendor	Purchaser
Starwood Portfolio, Dublin	€530m	Office	Starwood Property Trust	US Private Equity
Project Vert Honeypark, Dun Laoghaire & Elmfield, Leopardstown	€216.1m	Residential	Tristan Capital Partners & SW3 Capital	Avestus Capital Partners
St Stephens Green SC, Dublin 2	€175.5m	Retail	Irish Life, Madison International Realty, & Pierce Molony	Davy Real Estate
Point Campus, Dublin 1	€171m	Student Accommodation	BlackRock Real Assets & Michael O'Flynn	DWS Group
Tesco Distribution Centre, Donabate, Co. Dublin	€160m	Industrial	South African Fund	KTB Investments & Securities and KTB Asset Management
The Reflector, Hanover Quay, Dublin 2	€155m	Office	Park Developments	Deka Bank

INVESTMENT TRANSACTIONS – SECTOR BREAKDOWN

2019

Sector Breakdown, 2019

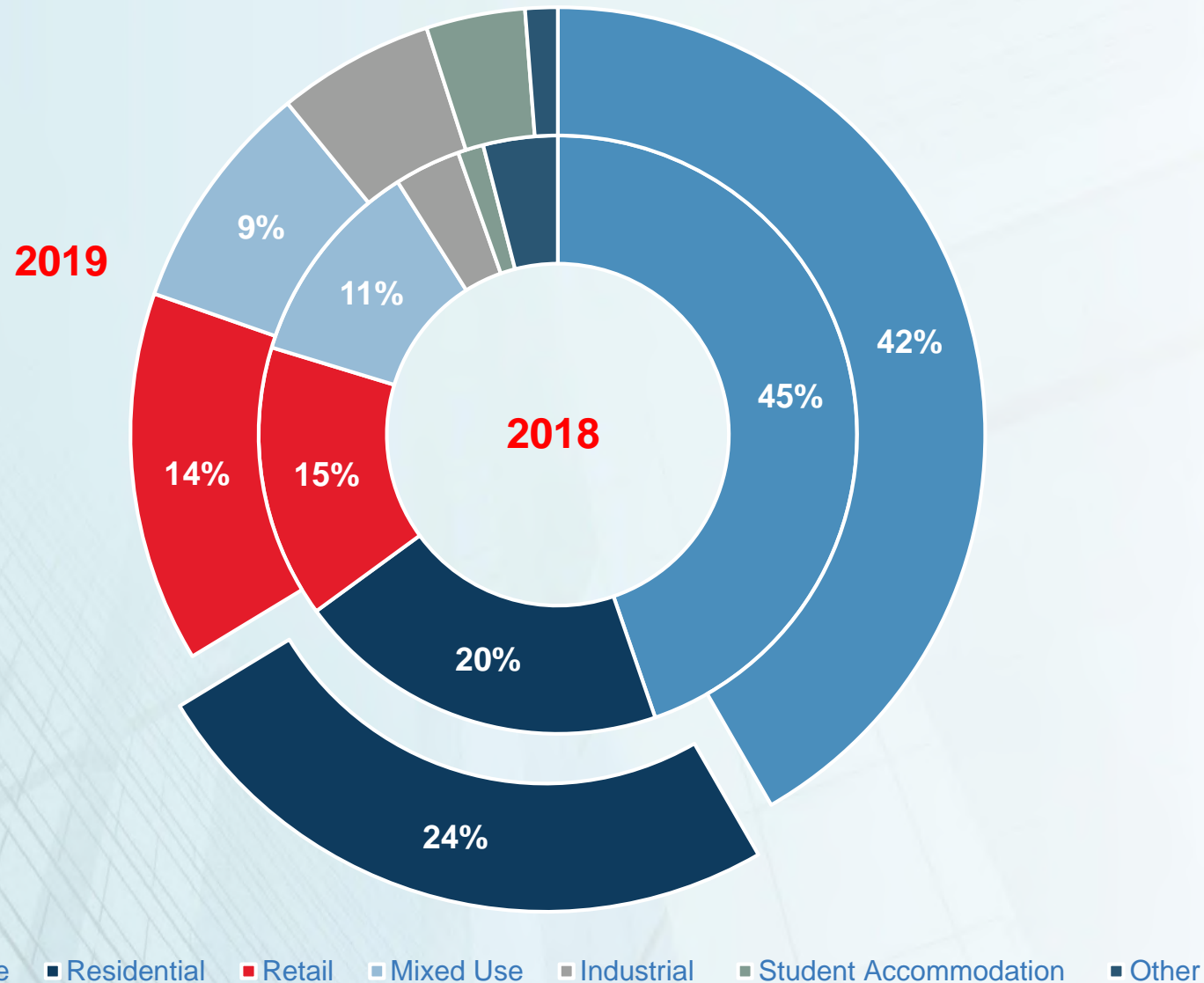
Sector	Price (€ Approx.)
Office	€1.9bn
Residential	€1.13bn
Retail	€641m
Mixed Use	€400m
Industrial	€271m
Student Accommodation	€171m
Other	€56m



*Other includes Unknown, Leisure, Hotel & Other transactions

INVESTMENT TRANSACTIONS – SECTOR BREAKDOWN

2018 VS 2019



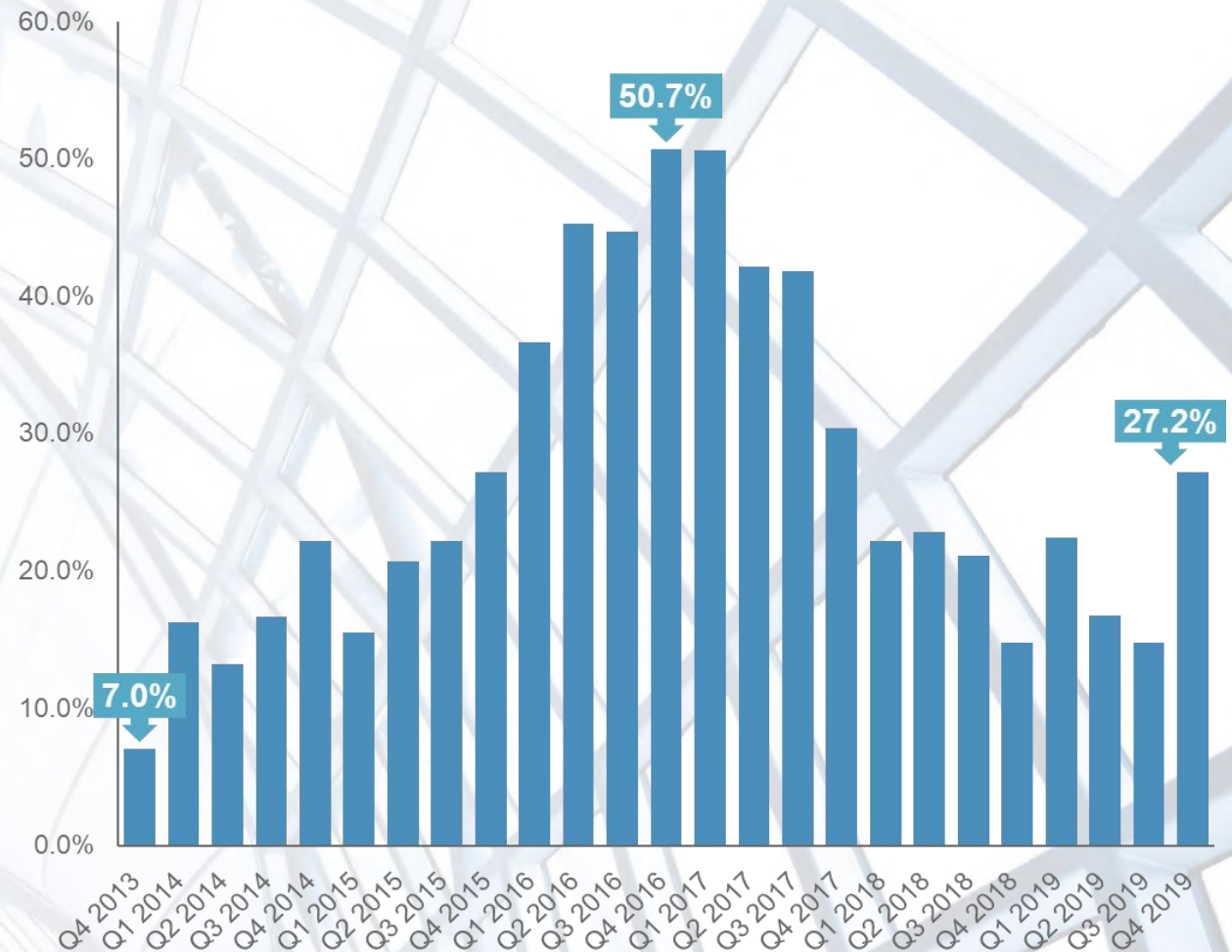
INVESTMENT TRANSACTIONS – RETAIL SECTOR

Q4 2019

Top Retail Transactions – Q4 2019

Asset	Price (€)	Vendor	Purchaser
St. Stephens Green SC, Dublin 2	€175.5m	Irish Life, Madison International Realty, & Pierce Molony	Davy Real Estate
Northside SC, Dublin	€49.2m	Patron Capital	AM Alpha
Golden Island SC, Athlone	€35m	P&C	Davy

Retail % of Total Investment Spend, Rolling Annual Average



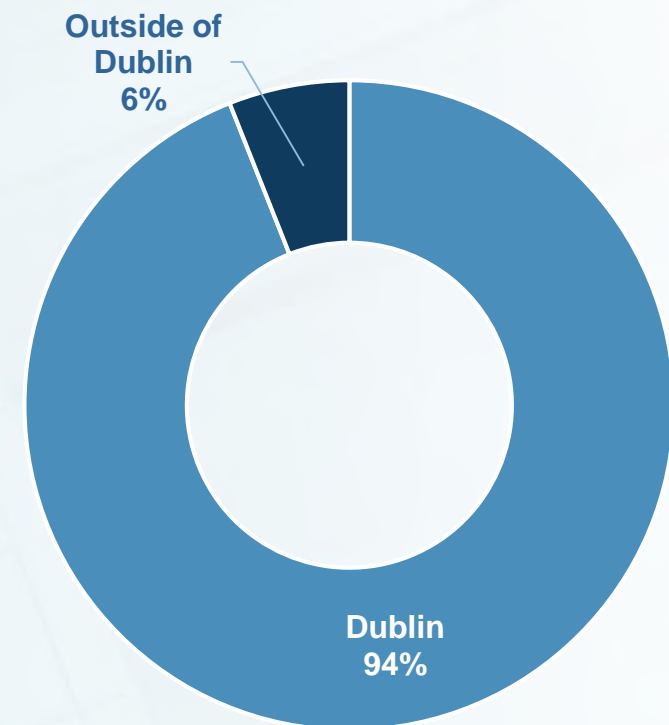
INVESTMENT TRANSACTIONS – OFFICE SECTOR

Q4 2019

Top Office Transactions – Q4 2019

Asset	Price (€)	Vendor	Purchaser
Starwood Portfolio, Dublin	€530m	Starwood Property Trust	US Private Equity
The Reflector, Hanover Quay, Dublin 2	€155m	Park Developments	Deka Bank
Block B, Elmpark Green, Dublin 4	€53.1m	Aberdeen Standard	Quadoro Doric
Shelbourne House, Ballsbridge, Dublin 4	€35m	Cerberus	Quanta Capital
Kilmainham Square, Dublin 8	€32m	Avestus Capital Partners	Corum
Classon House, Dublin 14	€30m	P&C	Corum

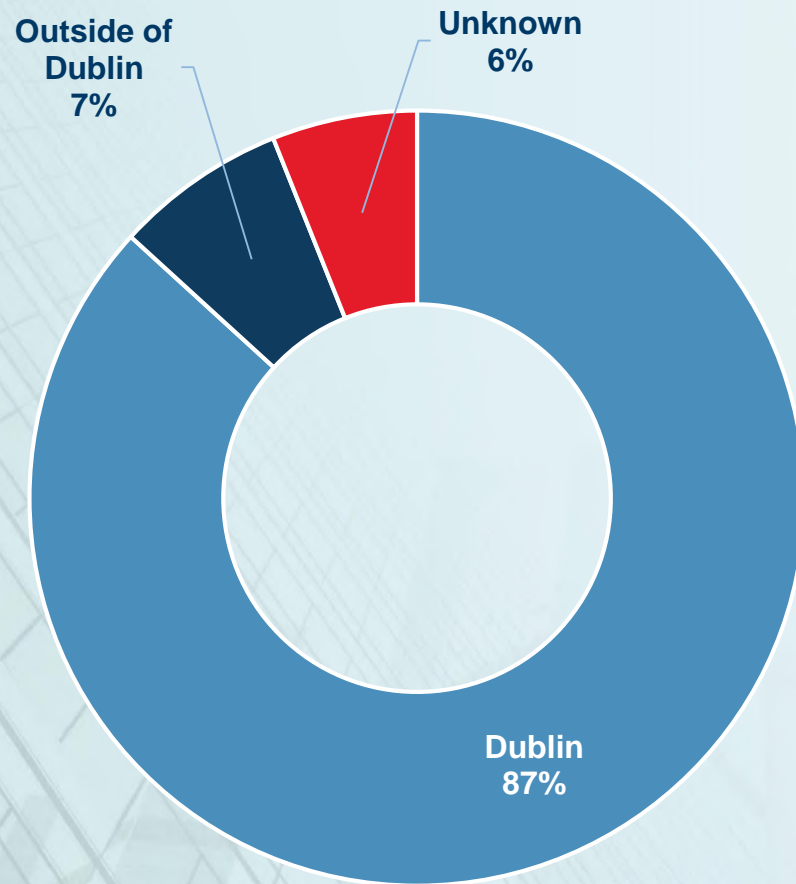
Office Investment by Location, 2019



INVESTMENT TRANSACTIONS – LOCATION BREAKDOWN

2019

The share of total spend outside of Dublin in 2019 was 87%

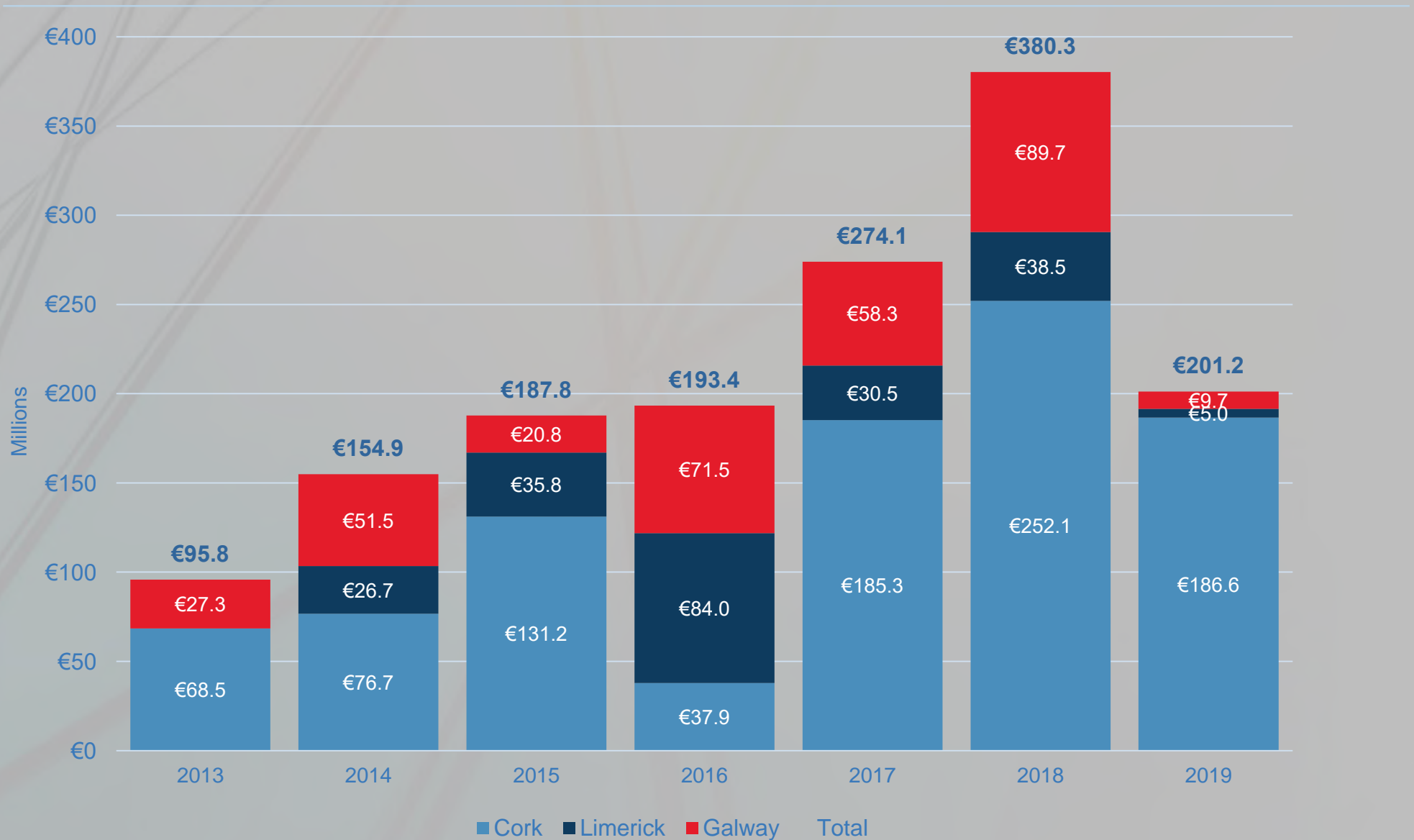


Top Transactions Outside Dublin, 2019

Asset	Price Approx.(€)	Sector	Purchaser
Mahon Point Retail Park, Cork	€56m	Retail	Iput
Westpark Shannon Business Campus, Clare	€50m	Office	Fine Grain Property
Half Moon Street, Cork	€36.3m	Mixed Use	Kennedy Wilson
Golden Island Shopping Centre, Athlone	€35m	Retail	Davy
Cork Airport Business Park	€21.3m	Office	Bartra Capital
Tesco Gorey, Gorey, Co. Wexford	€20.8m	Retail	European Fund

INVESTMENT ACTIVITY IN THE REGIONAL CENTRES

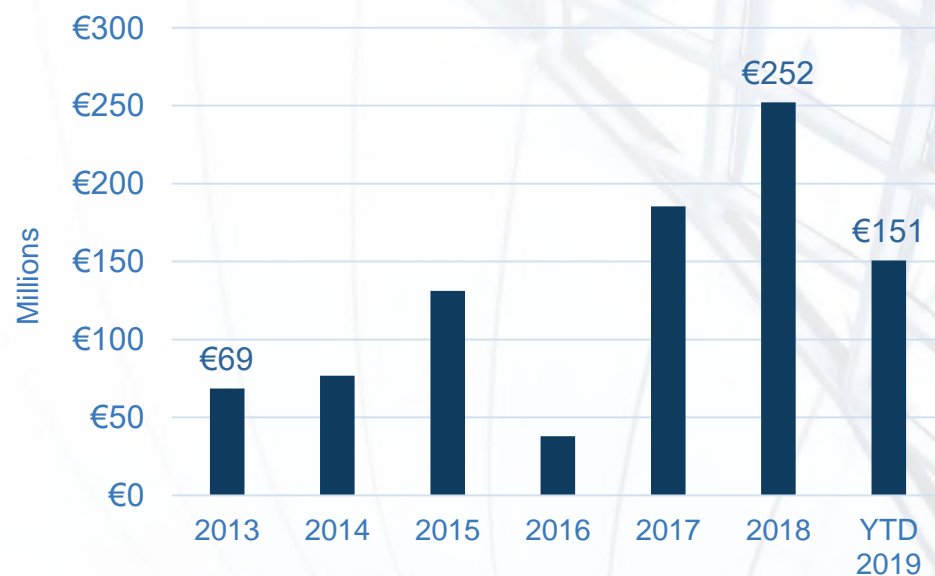
2013 - 2019



INVESTMENT MARKET – CORK IN FOCUS

2013 – YTD 2019

Top Transactions YTD 2019



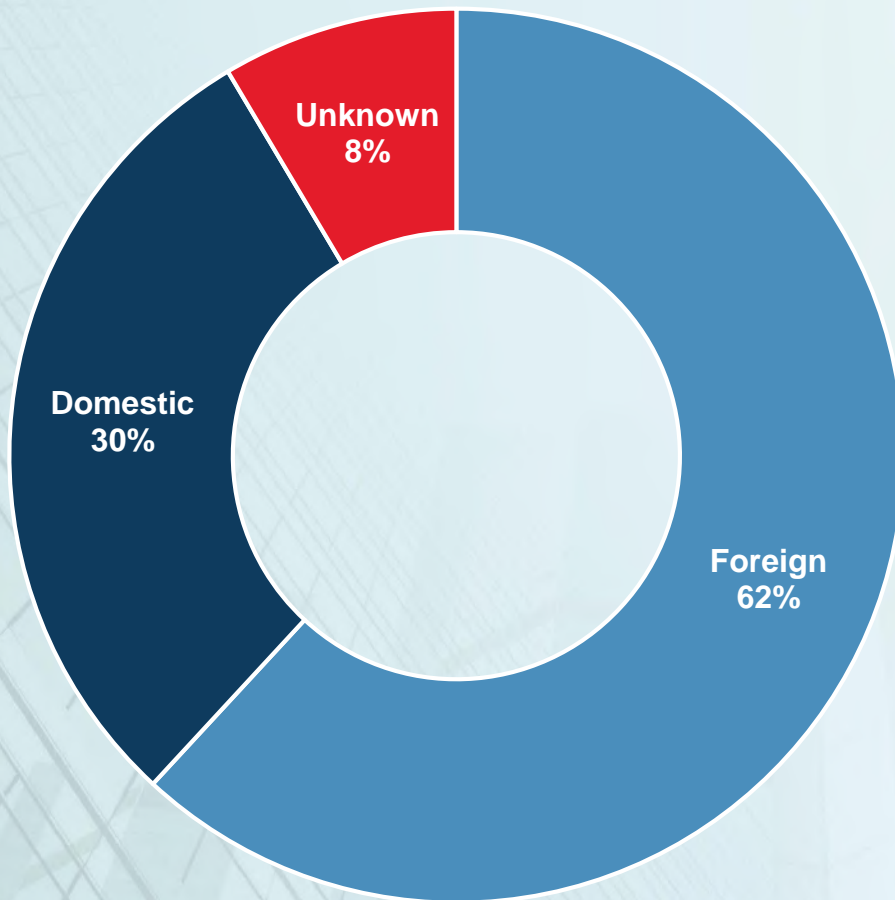
Asset	Price (€)	Sector	Purchaser
Mahon Point Retail Park	€56m	Retail	Iput
Half Moon Street	€36.3m	Mixed Use	Kennedy Wilson
Cork Airport Business Park	€21.2m	Office	Bartra Capital
CastleWest Shopping Center	€19m	Retail	Davy
Building 2600, Cork Airport Business Park	€7.5m	Office	Yew Grove Reit

Deals greater than €1m, excludes loan sales, trading assets and auction sales.

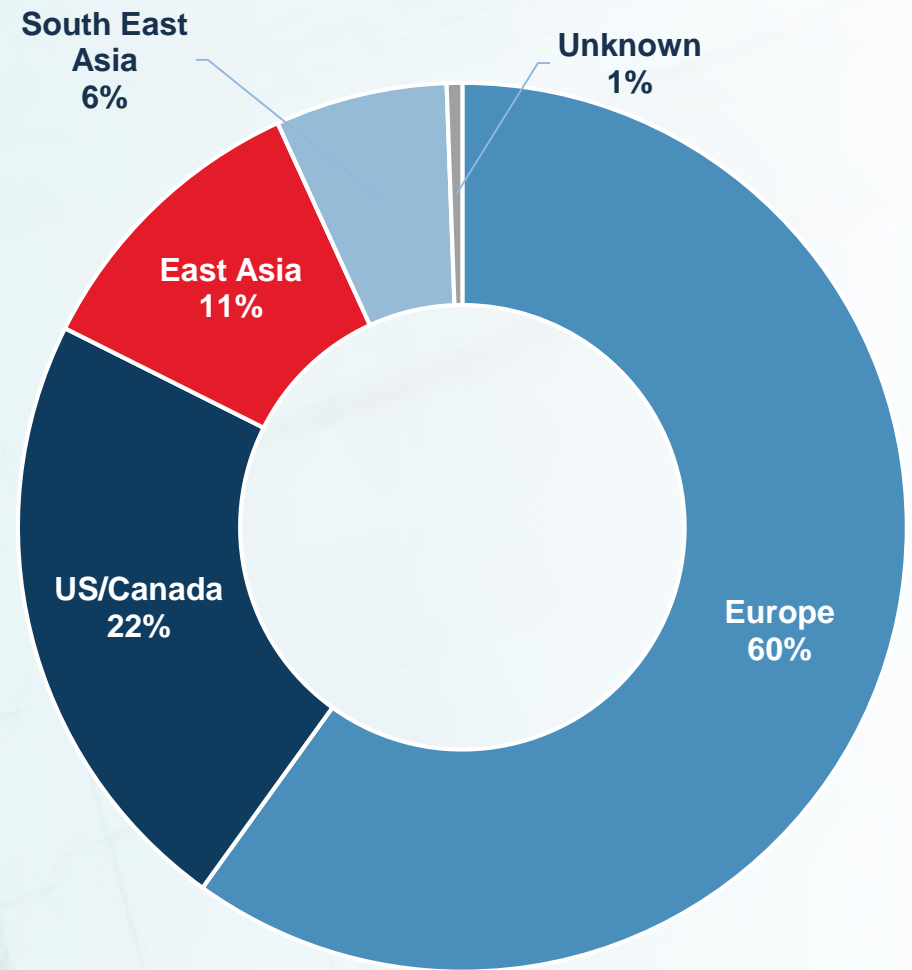
INVESTMENT TRANSACTIONS – SOURCE OF CAPITAL

2019

Source of Capital



Source of Overseas Capital





05

OFFICE MARKET

IRISH OFFICE MARKET

Q4 2019



DUBLIN

Market Stock:	3.77 million sq m
Take Up 2019:	238,150 sq m
Availability:	315,100 sq m
Vacancy Rate:	8.4%
Under Construction:	586,400 sq m

GALWAY

Market Stock:	308,750 sq m
Take Up 2019:	9,550 sq m
Availability:	16,900 sq m
Vacancy Rate:	5.5%
Under Construction:	20,900 sq m

CORK

Market Stock:	607,900 sq m
Take Up 2019:	26,350 sq m
Availability:	58,300 sq m
Vacancy Rate:	9.4%
Under Construction:	38,500 sq m

LIMERICK

Market Stock:	363,550 sq m
Take Up Q1 – Q3 2019:	11,300 sq m
Availability Q3:	55,300 sq m
Vacancy Rate Q3:	13.9%
Under Construction Q3:	5,200 sq m

DUBLIN OFFICE MARKET

Q4 2019

Office Market	Dublin	CBD
Market Stock	3.77 million sq m	2 million sq m
Take Up	238,150 sq m	113,900 sq m
Availability	315,100 sq m (Net – 176,900 sq m)	134,800 sq m (Net – 53,400 sq m)
Vacancy Rate	8.4% (Net VR 4.7%)	7.1% (Net VR 2.7%)
Under Construction	586,400 sq m	467,150 sq m
Pre-Let / Reserved	39% / 15%	39% / 15%

DUBLIN OFFICE MARKET

QUARTERLY TAKE UP (SQ M)

Sq M
350,000

300,000

250,000

200,000

150,000

100,000

50,000

1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

Quarter 1

Quarter 2

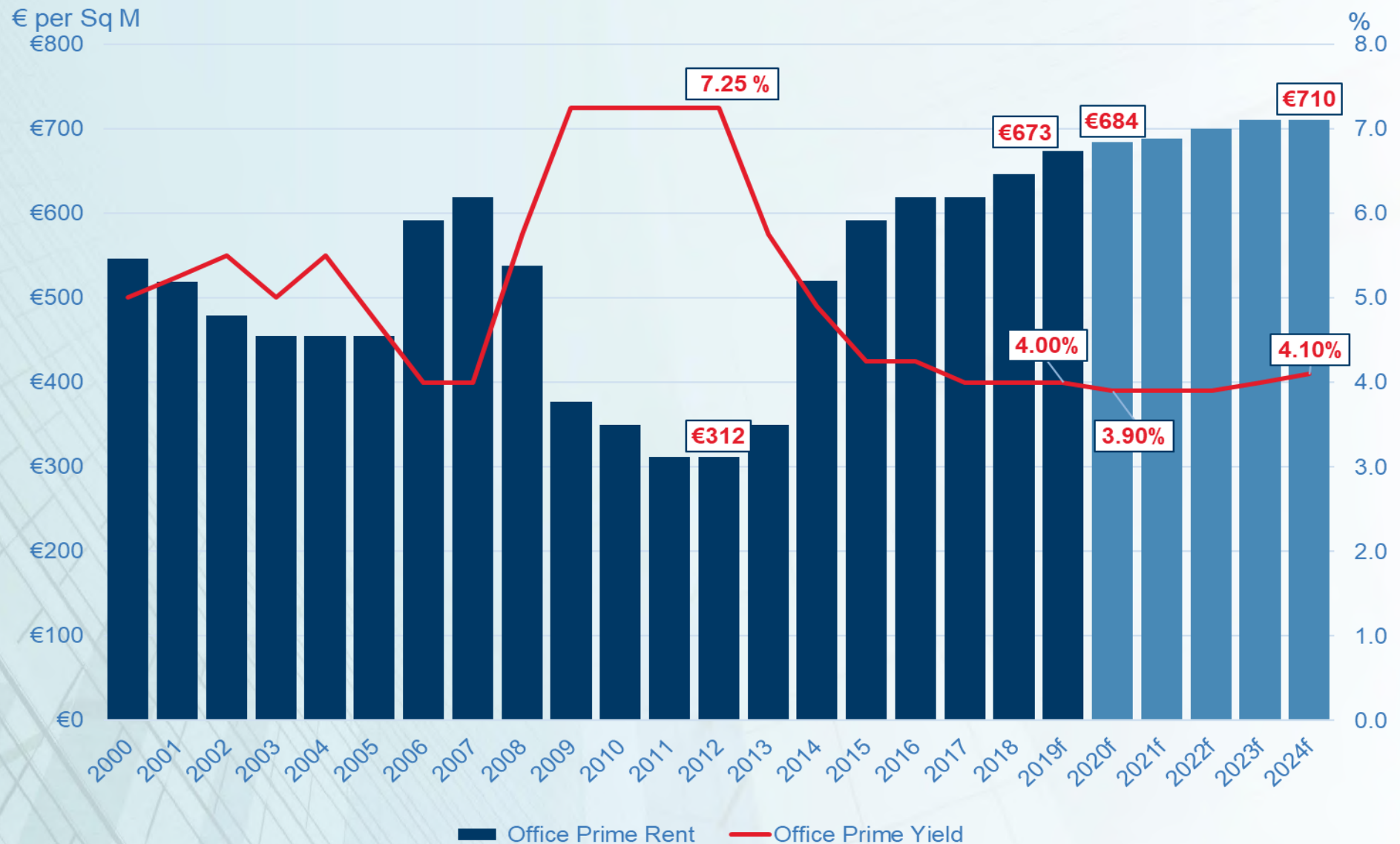
Quarter 3

Quarter 4

LR Average Take Up

PRIME OFFICE RENTS (€ PER SQ M) AND YIELDS (%)

DUBLIN OFFICE MARKET – Q4 2019 FORECAST





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Marian Finnegan

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