INSTITUTE OF DIRECTORS IN IRELAND

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# The Irish Property Market Outlook

## with Marian Finnegan, Sherry FitzGerald Group

IoD Ireland Briefings Series: Sponsored by Accenture

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Sherry FitzGerald
ADVISORY

**PAST, PRESENT, PROJECTIONS**

# MARKET OVERVIEW

Institute of Directors

January 14th, 2021

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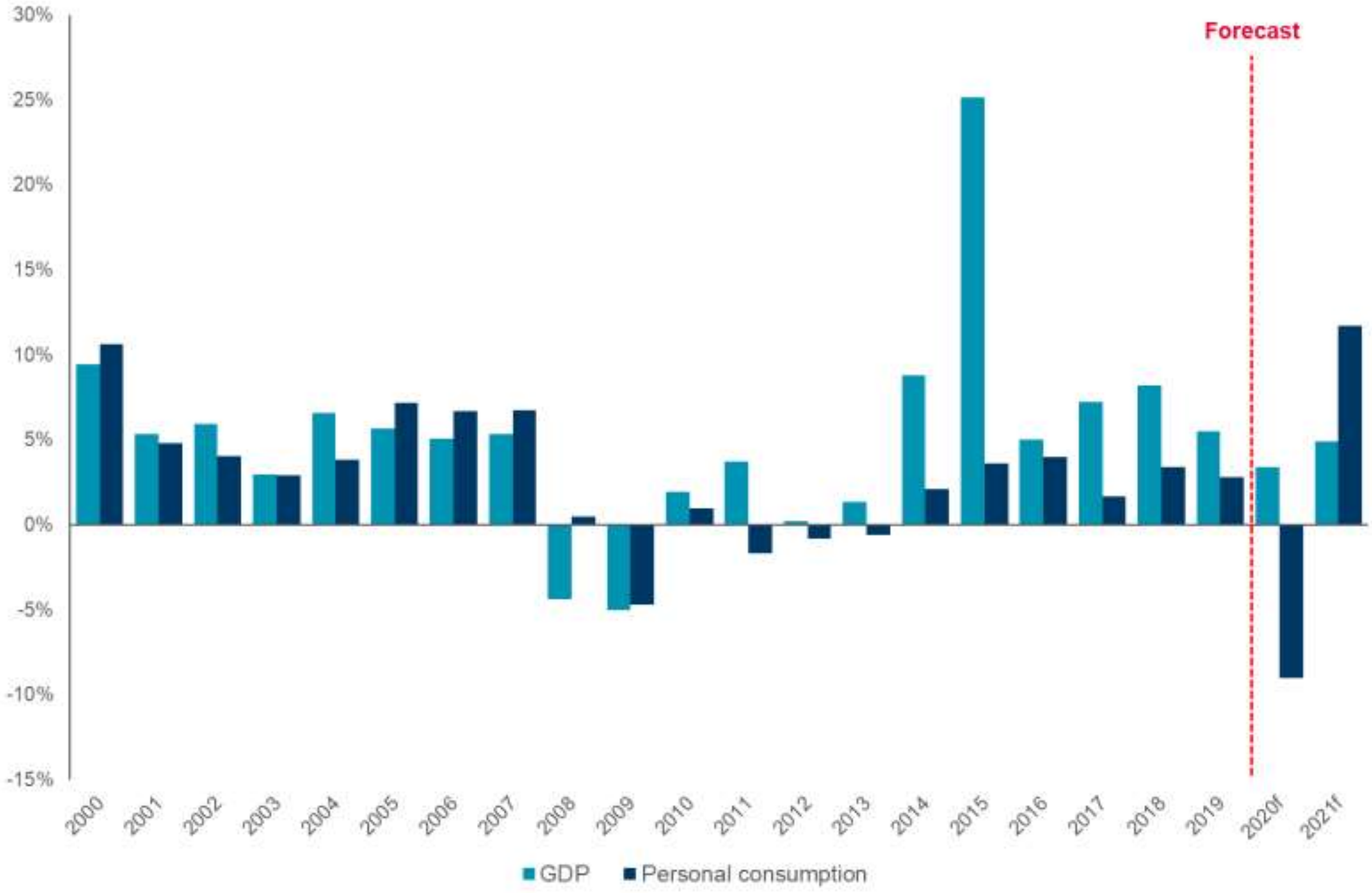
# 01

# ECONOMIC AND POLITICAL BACKGROUND

# GDP & PERSONAL CONSUMPTION

ANNUAL PERCENTAGE




SOURCE: CSO/ESRI

# UNEMPLOYMENT RATE

2008 Q4 – 2021F


SOURCE; CSO / ESRI FORECASTS

# CONSUMER SENTIMENT INDEX

01

**DECEMBER 1996 – DECEMBER 2020**


SOURCE: KBC

# CENTRAL BANK

## PROPERTY MEASURES

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

### 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 2020

**51,637**
*Applications*

**22,576**
*At Claim stage*

**21,921**
*Approved by Revenue*

**76%**

Of those at claim stage

| | | | |
|---|---|---|---|
| Dublin | 6,336 | Cork | **2,591** |
| Meath | 2,737 | Galway | **1,028** |
| Kildare | 2,386 | Limerick | **731** |
| Wicklow | 982 | | |

76% of claims in the **€151,000 - €375,000** range

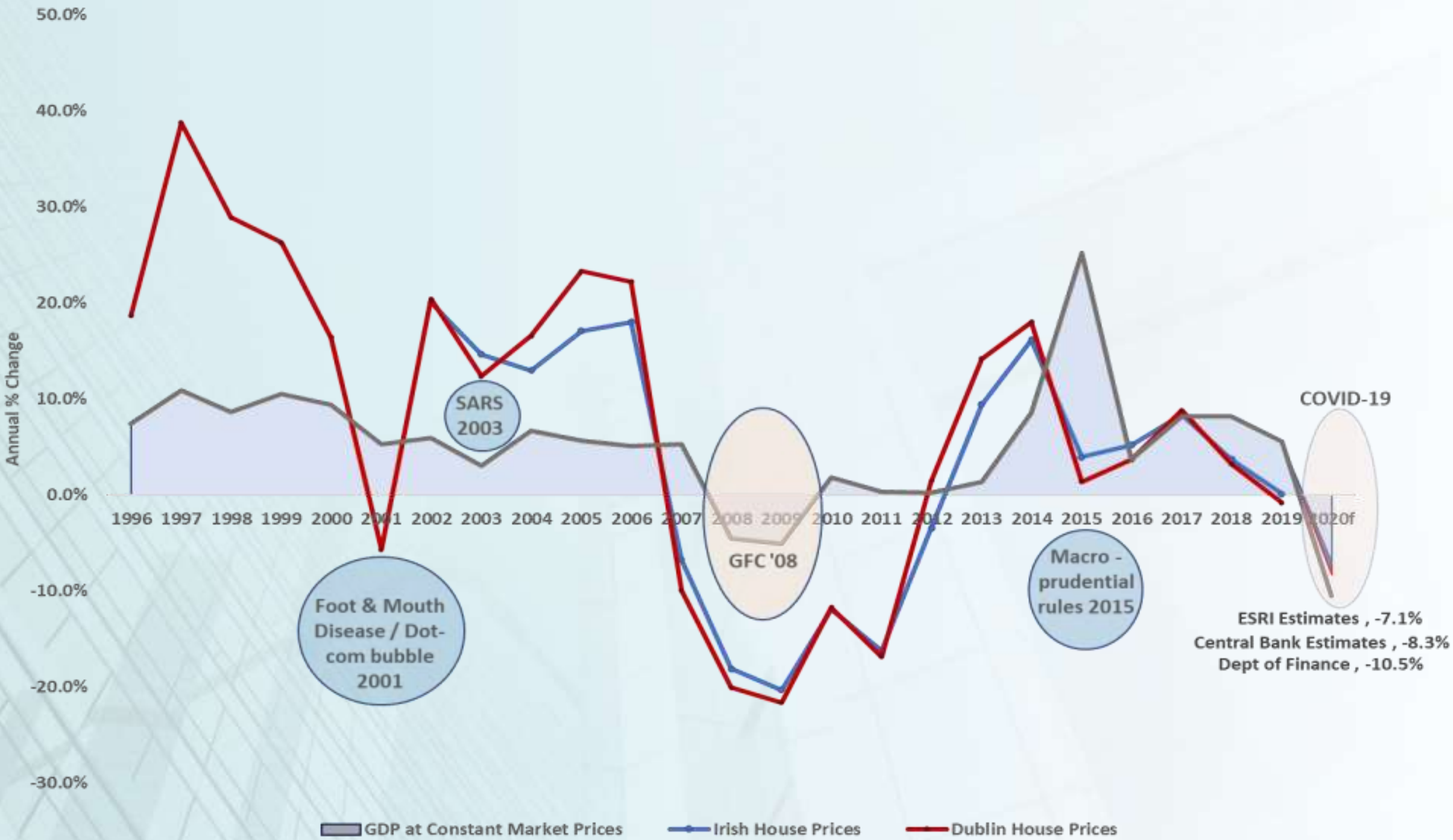
Source: An Bord Pleanála/Revenue/Sherry FitzGerald Research

# 02

# RESIDENTIAL MARKET

# GDP & HISTORICAL HOUSE PRICES

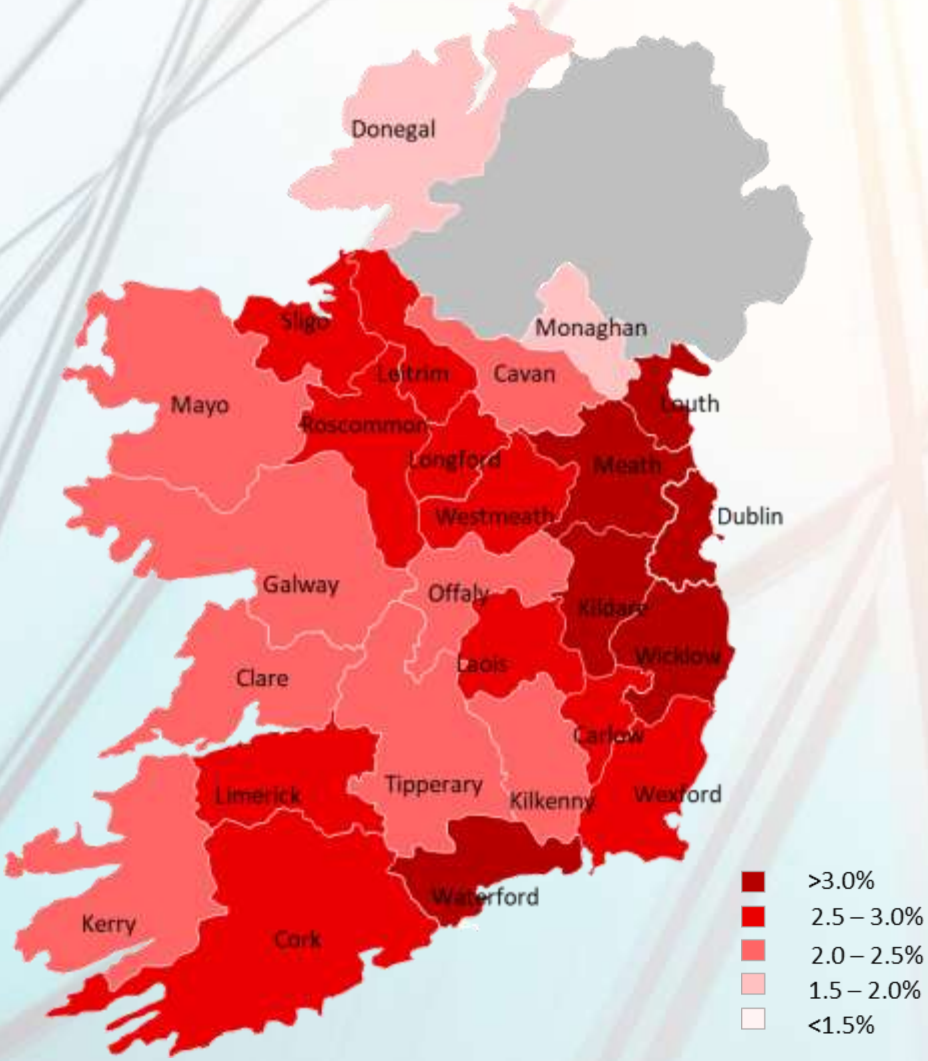
1996 – 2020F




Sherry FitzGerald Research / CSO

# MARKET ACTIVITY - VOLUMES

2019




| County | % of Housing Stock Sold |
|---|---|
| Kildare | 4.1% |
| Meath | 3.7% |
| Wicklow | 3.6% |
| Dublin | 3.5% |
| Waterford | 3.2% |
| Louth | 3.1% |
| Laois | 2.9% |
| Westmeath | 2.9% |
| Cork | 2.8% |
| Carlow | 2.8% |
| Wexford | 2.8% |
| Longford | 2.8% |
| Limerick | 2.7% |
| Sligo | 2.6% |
| Roscommon | 2.6% |
| Leitrim | 2.5% |
| Kilkenny | 2.5% |
| Cavan | 2.5% |
| Galway | 2.5% |
| Tipperary | 2.5% |
| Offaly | 2.3% |
| Clare | 2.3% |
| Kerry | 2.2% |
| Mayo | 2.0% |
| Donegal | 1.9% |
| Monaghan | 1.6% |
| State | 2.9% |

Source: PPR/Sherry FitzGerald Research

## Ireland

**55,300**

(2.9% of private stock transacted)

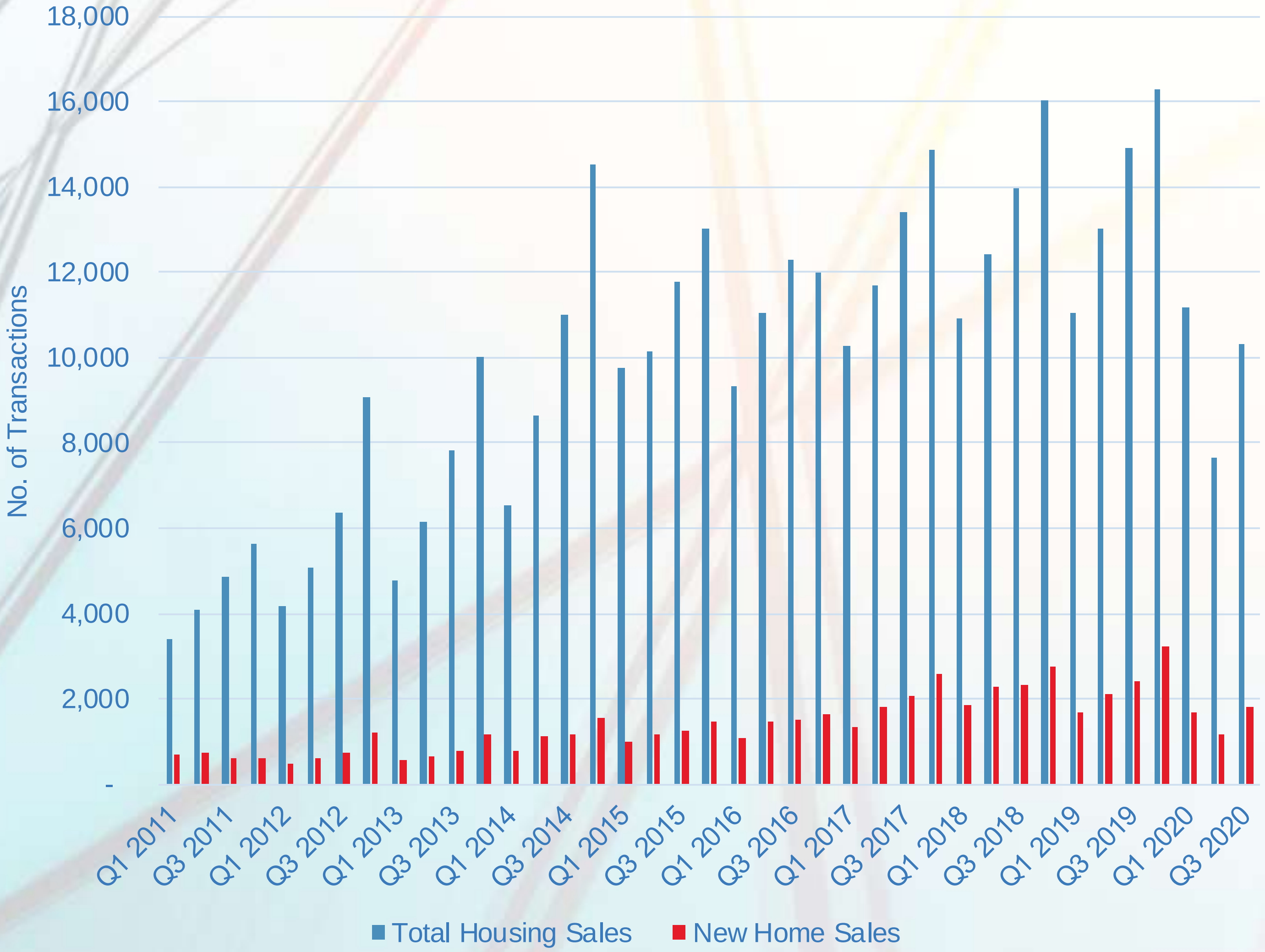
## Dublin

**17,300**

(3.5% of private stock transacted)

# VOLUME OF SALES

## Q1 2011 – Q3 2020




**29,100**

sales in Ireland*
in YTD Q3 2020

down **25%** Y-O-Y

New Home Sales

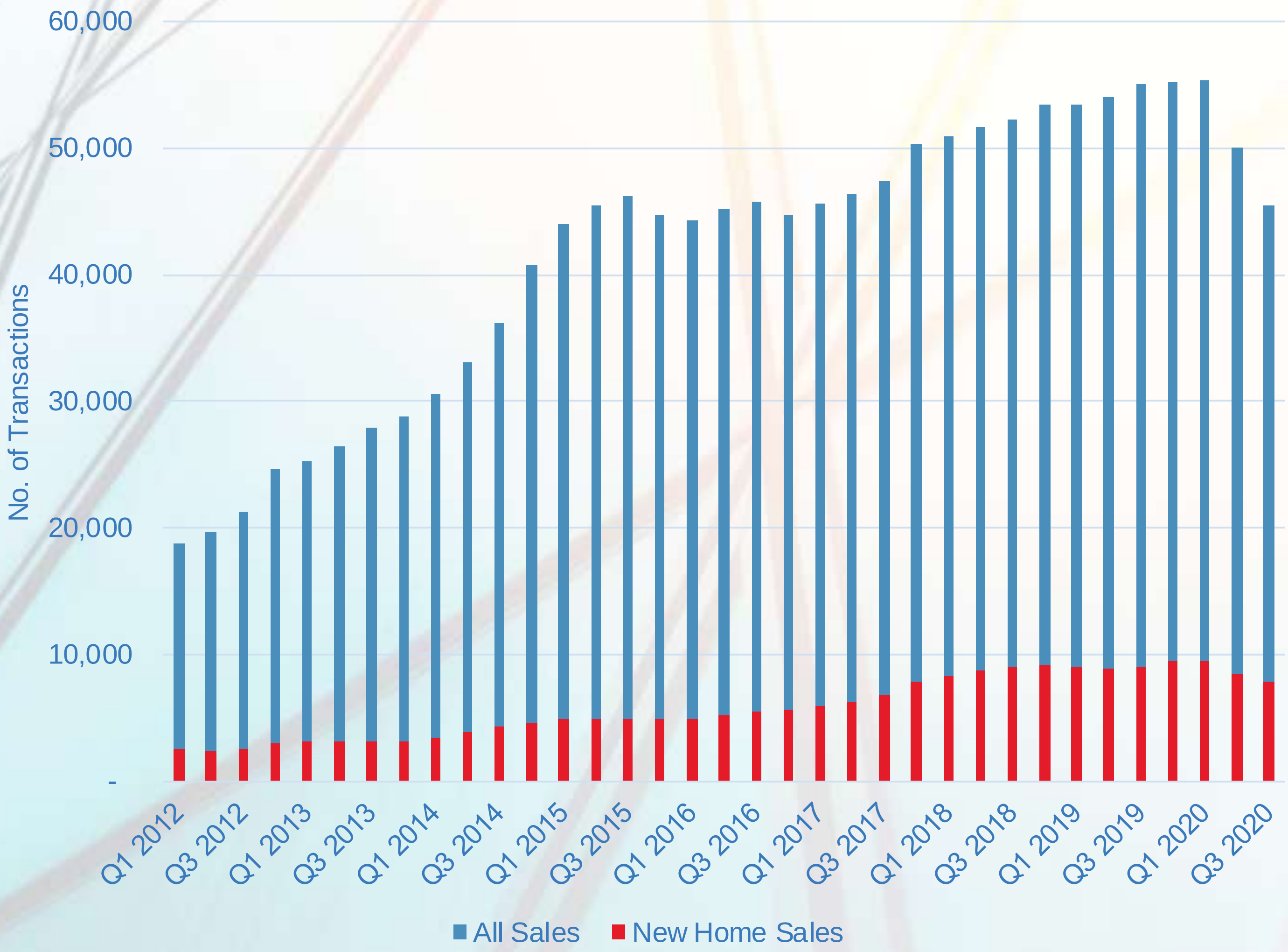
down **25%** Y-O-Y

Source: PPR/Sherry FitzGerald Research

*Excludes multi-family/block sales and rounded

# VOLUME OF SALES - ANNUALISED

## Q1 2012 – Q3 2020




**45,400**

sales in Ireland*
annually to Q3 2020

down **17%** Y-O-Y

New Home Sales

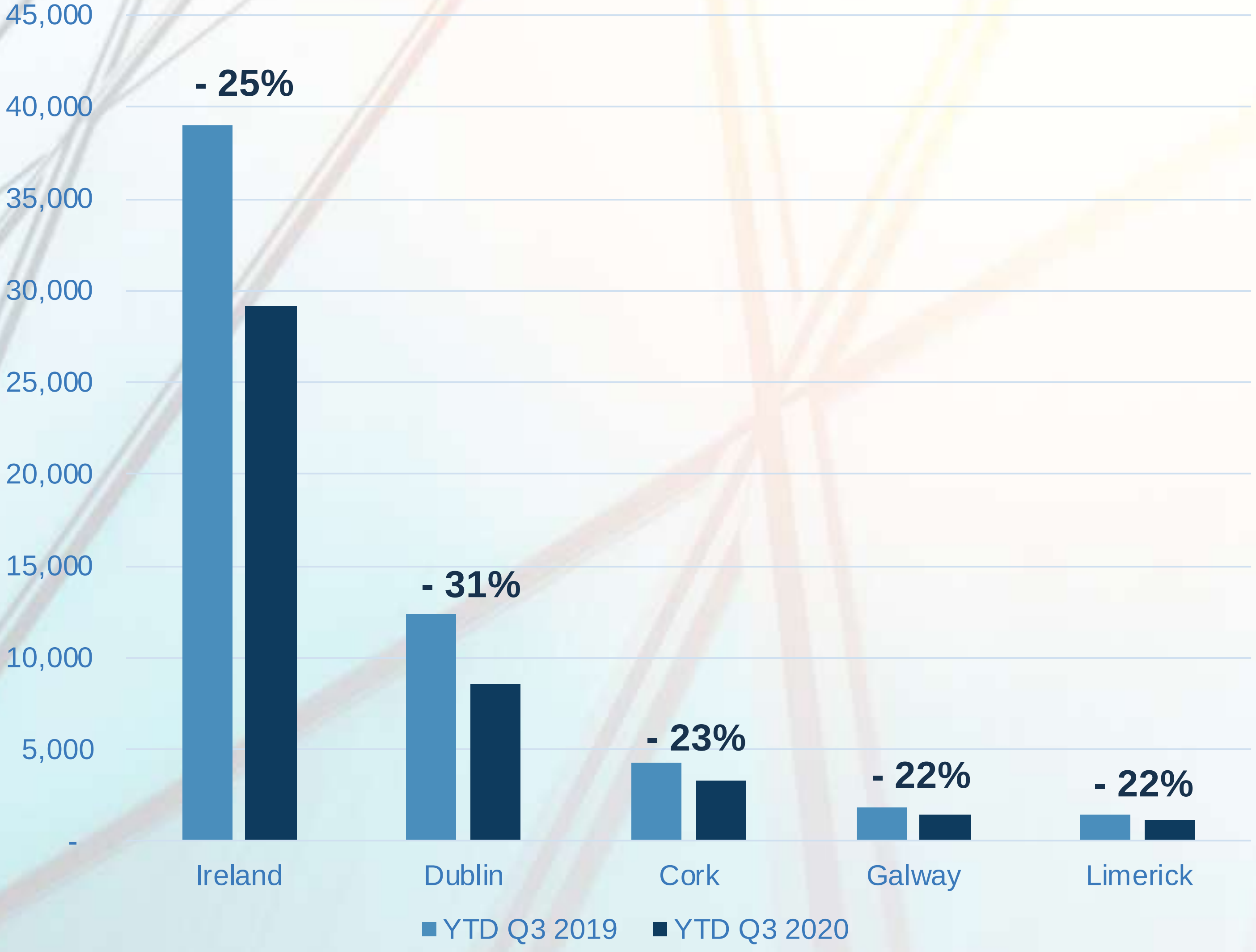
down **13%** Y-O-Y

Source: PPR/Sherry FitzGerald Research

*Excludes multi-family/block sales and rounded

# VOLUME OF SALES

## YTD Q3 2020 VS YTD Q3 2019




Source: PPR/Sherry FitzGerald Research

*Excludes multi-family/block sales and rounded

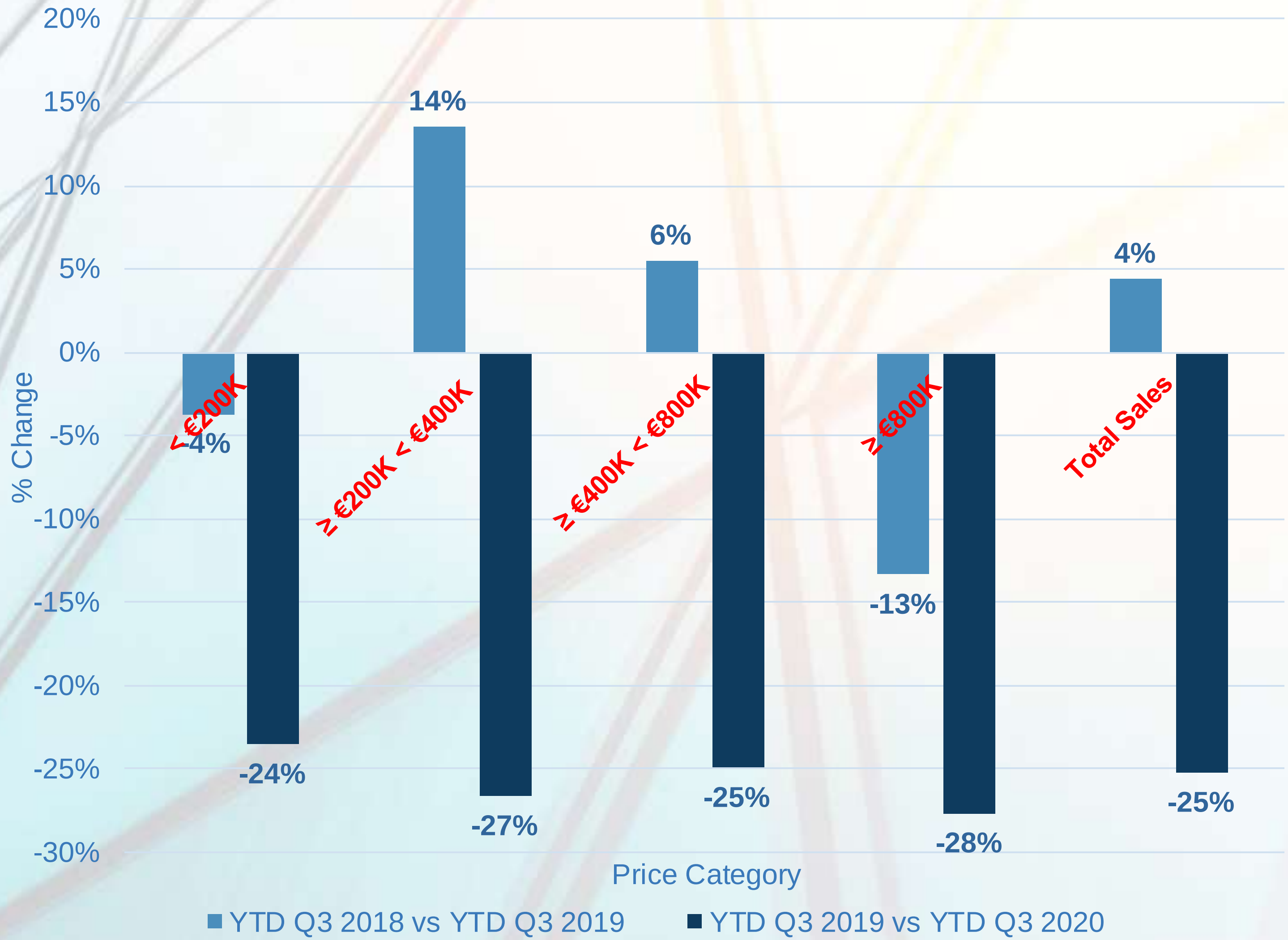
**8,600**

sales in Dublin*
in YTD Q3 2020

down **-31%** Y-O-Y

# VOLUME OF SALES – PRICE CATEGORY

## YTD Q3 2020 VS YTD Q3 2019 – VS YTD Q3 2019 VS YTD Q3 2018




Total Sales down

**-25%**

for YTD Q3 2020 vs YTD Q3 2019,

This compares to

**+4%**

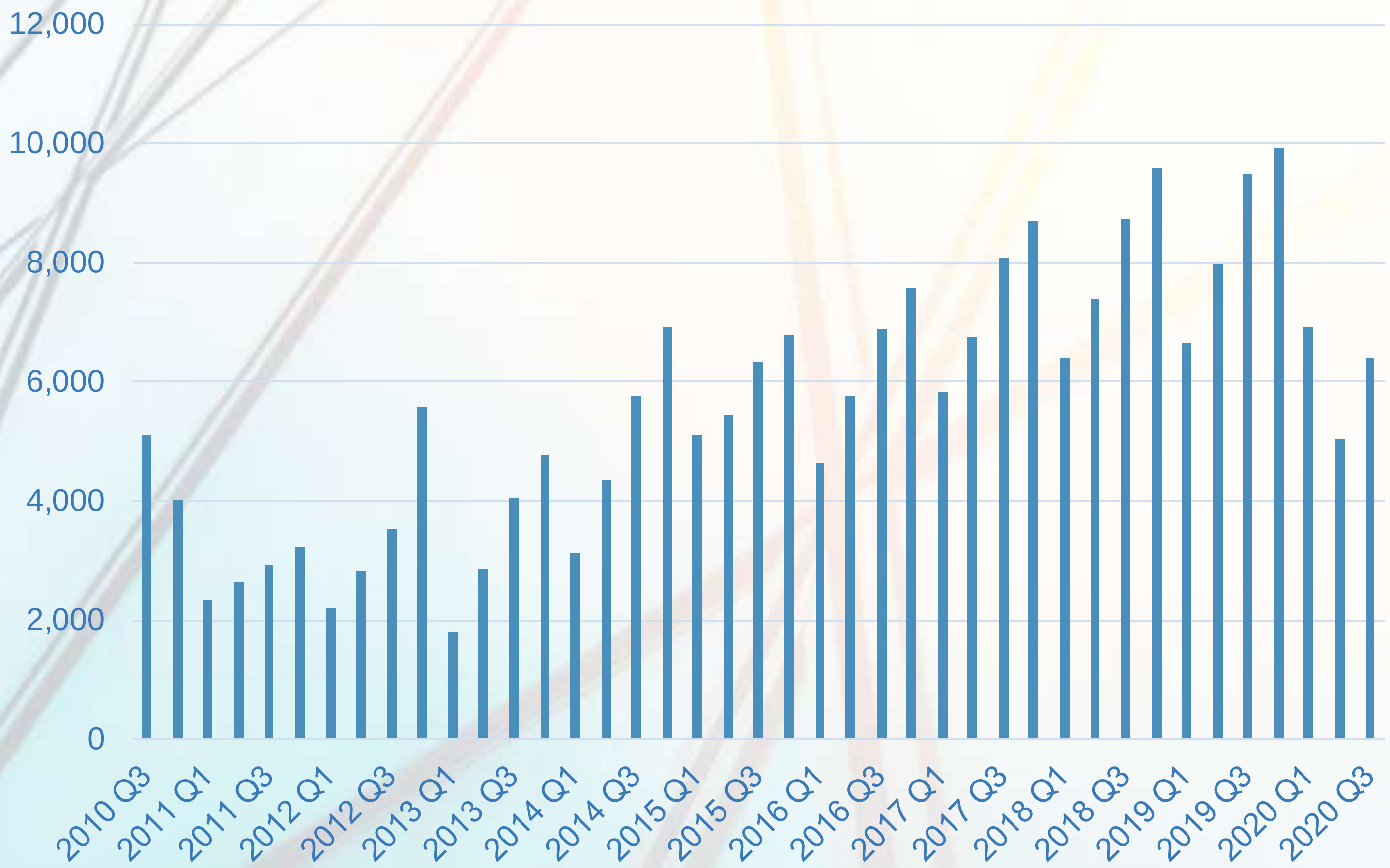
for YTD Q3 2019 vs YTD Q3 2018

Source: PPR/Sherry FitzGerald Research

*Excludes multi-family/block sales and rounded

# MORTGAGE DRAWDOWNS

## Q3 2010 – Q3 2020




### Cash Buyers

**Cash buyers** account for 36% of the market in H1 2020

.

**18,363***

Mortgages with a value of

**€4.4 billion**

drawn down in

YTD Q3 2020

Source: BPFI

*Excludes top-ups and re-mortgages

# PROFILE OF PURCHASER

2ND HAND STOCK – 2020

## Ireland

Owner Occupation
80%

Investment
13%

Additional residence
6%

Other
1%

## Dublin

Owner Occupation
85%

Investment
11%

Additional residence
5%

Other
0%

Source: Sherry FitzGerald Research

# FUTURE DEMAND

## DEMOGRAPHIC PROJECTIONS

### Ireland

| | |
|---|---|
| 2016 | 4.76m |
| 2021 | 4.96m |
| 2026 | 5.24m |
| 2031 | 5.52m |

### Dublin

| | |
|---|---|
| 2016 | 1.35m |
| 2021 | 1.40m |
| 2026 | 1.48m |
| 2031 | 1.54m |

Source: Central Statistics Office

# FUTURE DEMAND

## DEMOGRAPHIC PROJECTIONS


35,800

*Average PA*

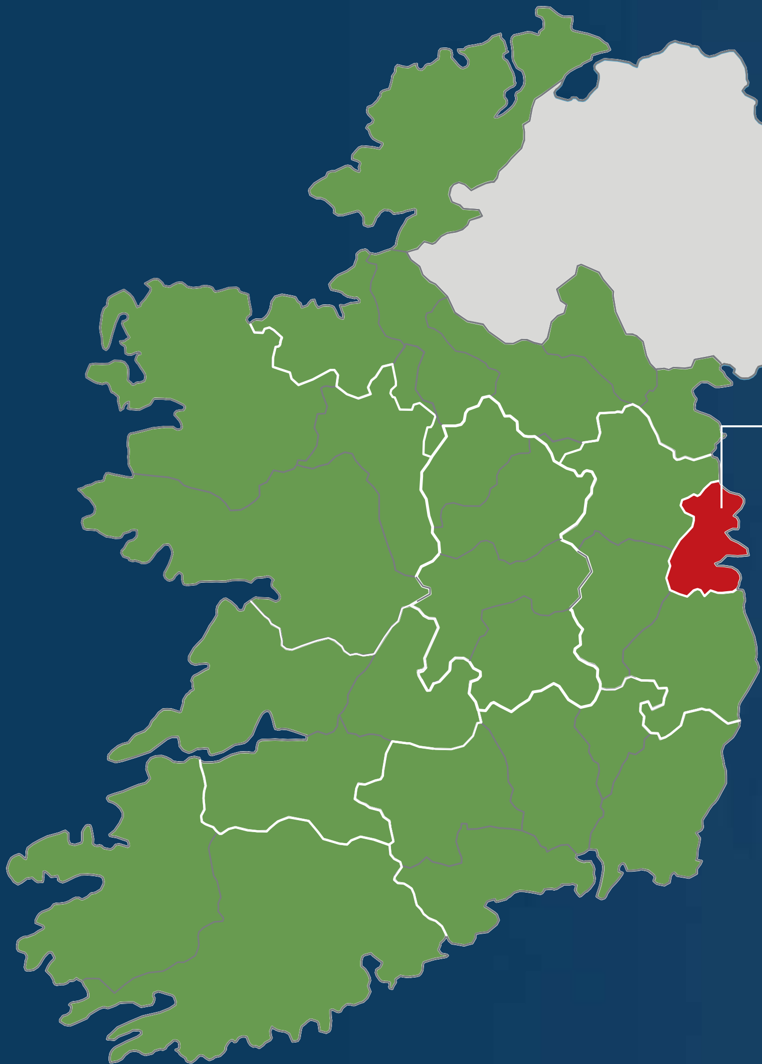
*Ireland - total*

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

Source: CSO/Sherry FitzGerald Research

# FUTURE DEMAND

## DEMOGRAPHIC PROJECTIONS



Dublin

11,050

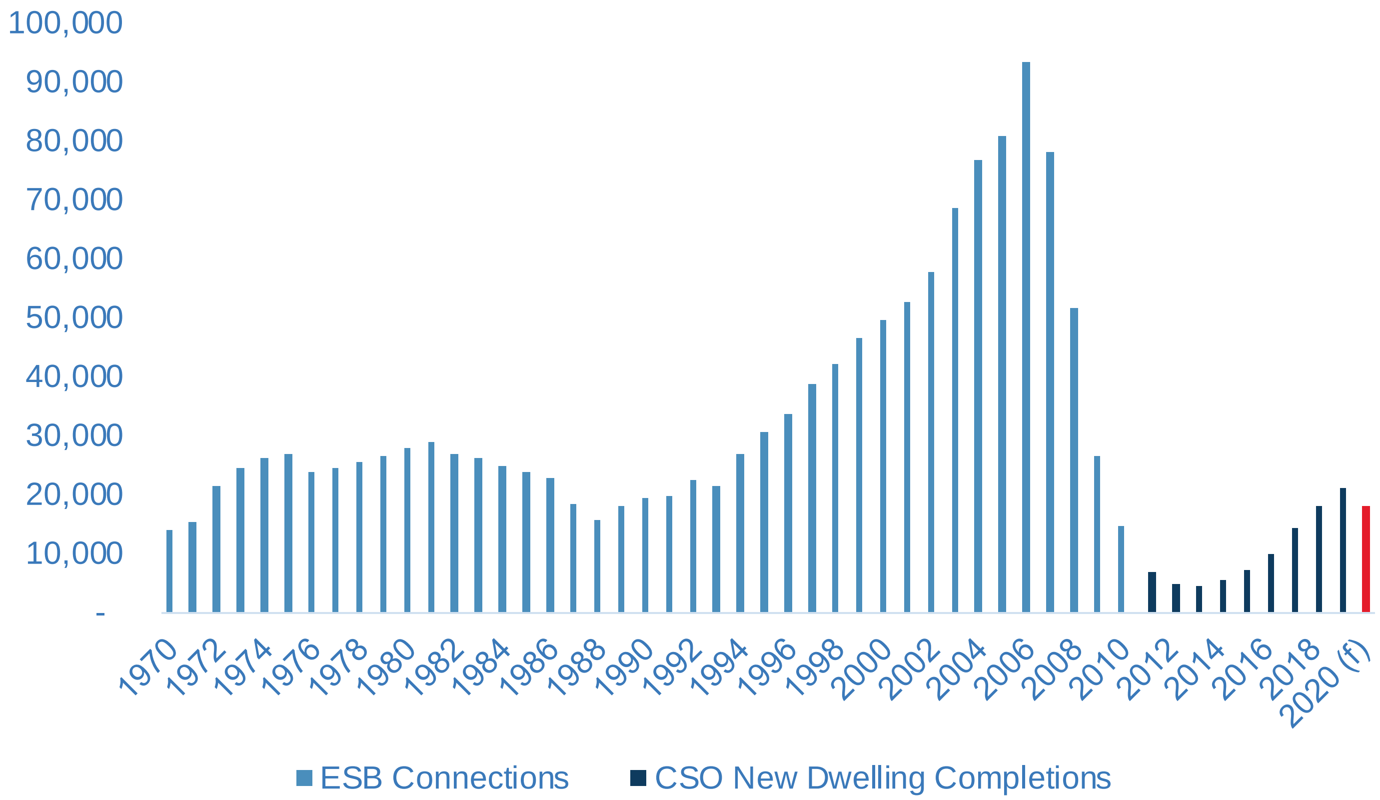
*Average PA*

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

Source: CSO/Sherry FitzGerald Research

# HOUSING COMPLETIONS

## 1971 – 2020(F)




**New dwellings**

**21,241** **no. of new dwellings completed in 2019**

Source: DOHPLG/CSO

**18,000**

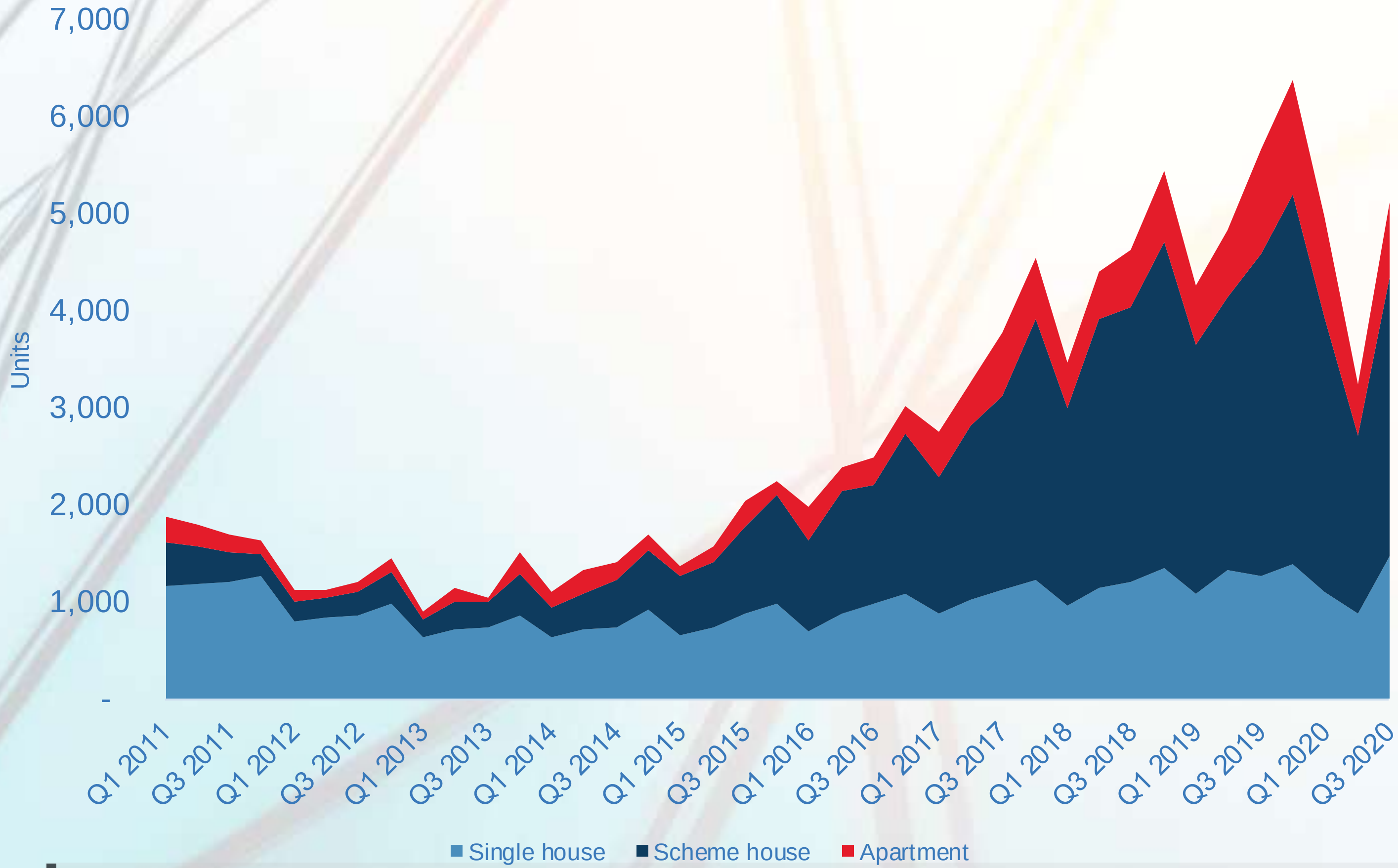
Estimated new dwellings completed in 2020 down Y-O-Y by **15%**

**21,241**

new dwellings completed in 2019 up Y-O-Y by **18%**

# NEW DWELLING COMPLETIONS

## Q1 2011 – Q3 2020




### Apartments

**2,343 apartments built in YTD Q3 2020, on par with 2019 levels.**

Source: CSO

**3,429**

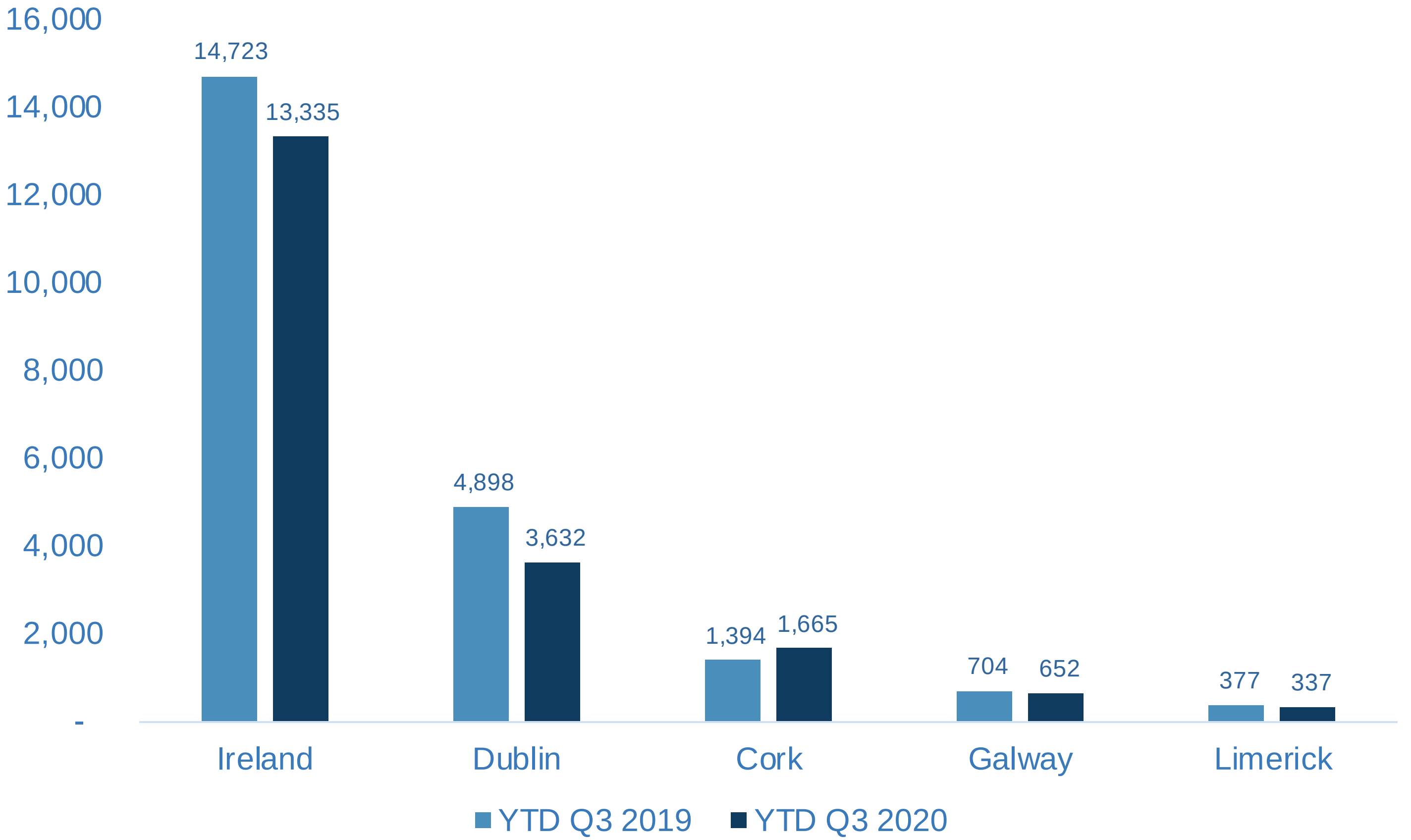
individual houses built YTD Q3 2020

**7,563**

scheme houses built YTD Q3 2020

# NEW DWELLING COMPLETIONS

## YTD Q3 2019 VS YTD Q3 2020




| *Ireland* | *Dublin* | *Cork* | *Galway* | *Limerick* |
|---|---|---|---|---|
| **-9%** | **-26%** | **+19%** | **-7%** | **-11%** |

Source: CSO

Completions in Dublin down from

**4,898**

YTD Q3 2019

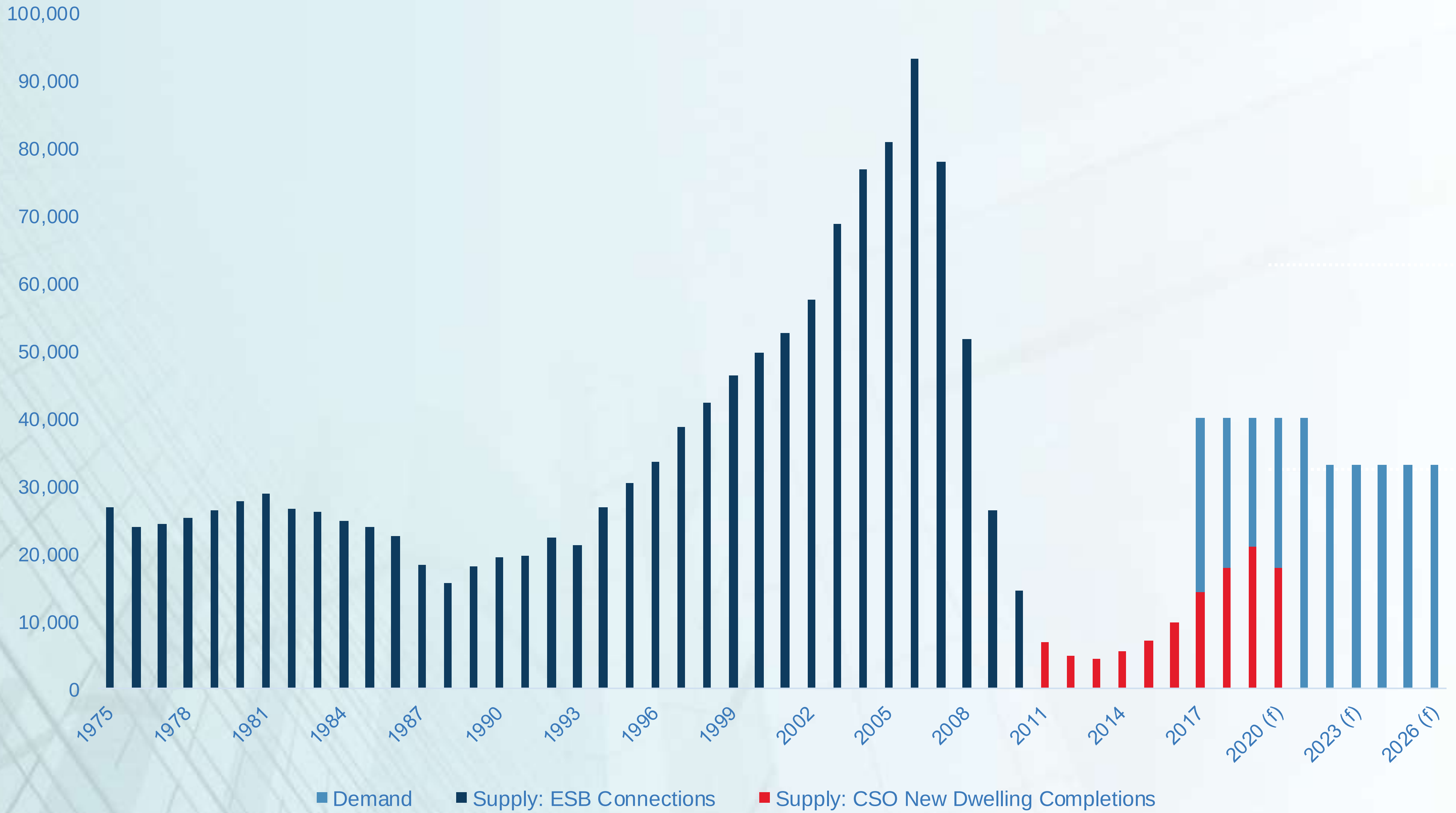
to

**3,632**

YTD Q3 2020

# HISTORICAL HOUSING COMPLETIONS & FORECASTS

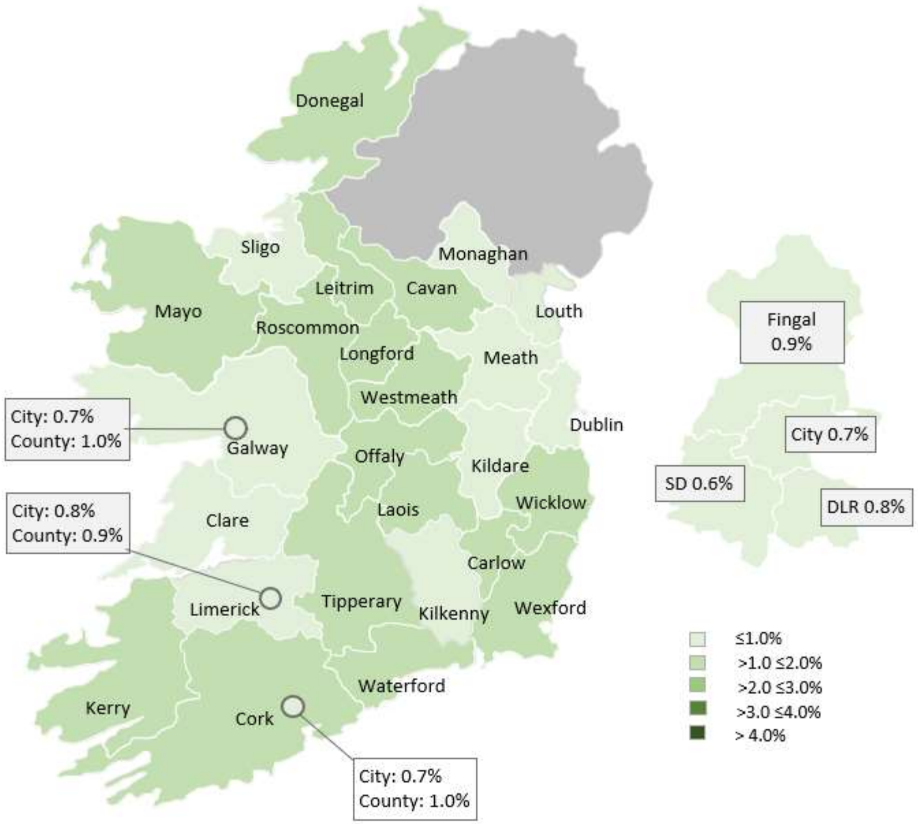
## 1975 - 2026




Source: CSO/Central Bank/Sherry FitzGerald Research

# PRIVATE STOCK ADVERTISED FOR SALE

## JUNE 2020




| County | % of Private Second-Hand Stock Advertised for Sale |
|---|---|
| Monaghan | 0.4% |
| South Dublin | 0.6% |
| Kildare | 0.6% |
| Cork City | 0.7% |
| Dublin City | 0.7% |
| Dublin | 0.7% |
| Galway City | 0.7% |
| Limerick City | 0.8% |
| Clare | 0.8% |
| Dun Laoghaire-Rathdown | 0.8% |
| Meath | 0.8% |
| Louth | 0.8% |
| Fingal | 0.9% |
| Limerick (Total) | 0.9% |
| Kilkenny | 0.9% |
| Limerick County | 0.9% |
| Galway (Total) | 0.9% |
| Sligo | 0.9% |
| Cork (Total) | 1.0% |
| Galway County | 1.0% |
| Carlow | 1.0% |
| Waterford | 1.0% |
| Offaly | 1.0% |
| Cork County | 1.0% |
| Laois | 1.1% |
| Cavan | 1.1% |
| Tipperary | 1.1% |
| Westmeath | 1.2% |
| Donegal | 1.2% |
| Kerry | 1.2% |
| Wicklow | 1.3% |
| Longford | 1.3% |
| Leitrim | 1.4% |
| Wexford | 1.5% |
| Mayo | 1.5% |
| Roscommon | 1.5% |
| **State** | **1.0%** |

**1.0%**

**Total second-hand units advertised for sale represent 1.0% of total housing stock**

.

Source: Sherry FitzGerald Research

**18,100**

second hand units advertised for sale in May 2020,

down **-22%** Y-O-Y

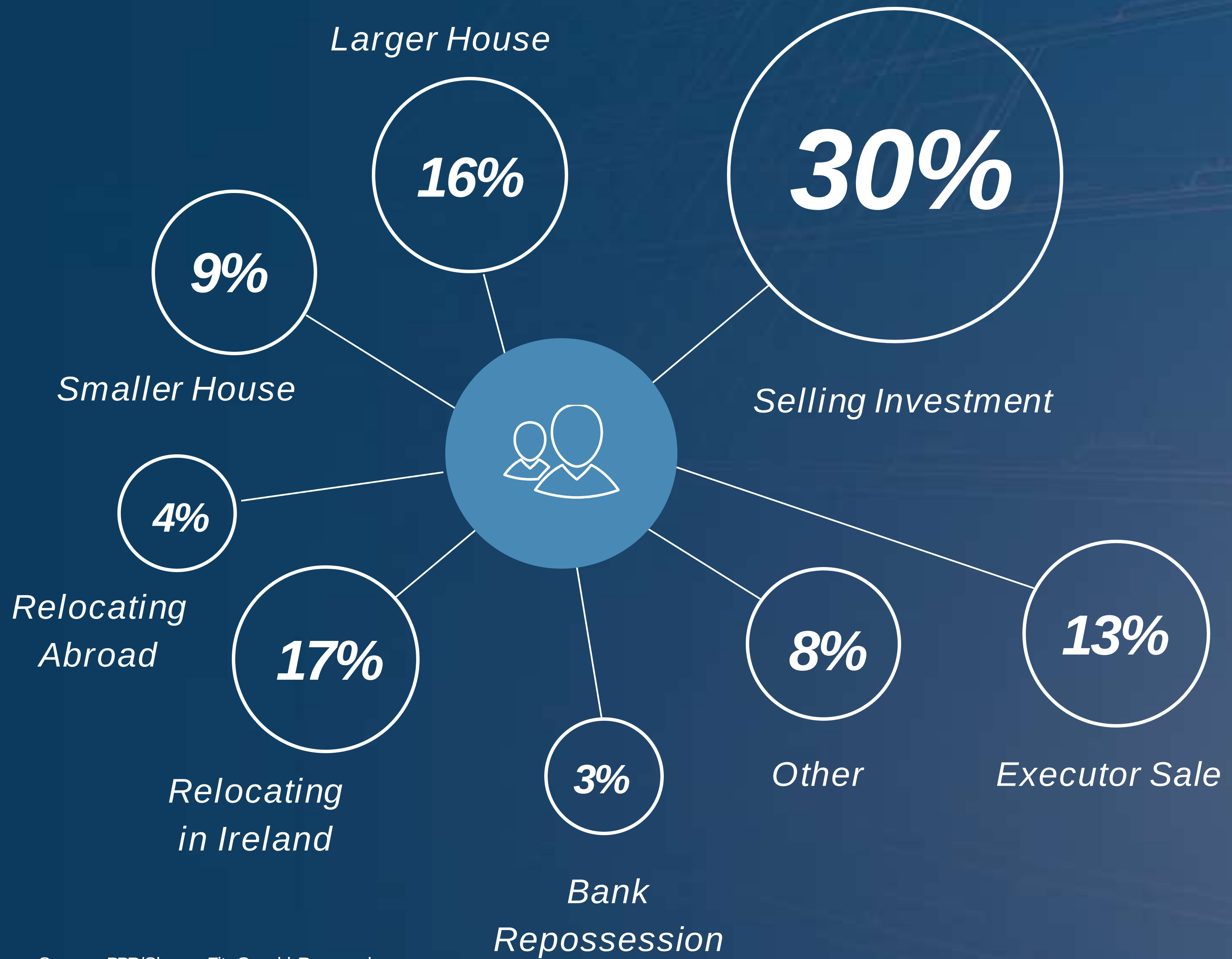
**3,700**

second hand units advertised for sale in Dublin,

down **29%** Y-O-Y

# VENDOR ANALYSIS

2020



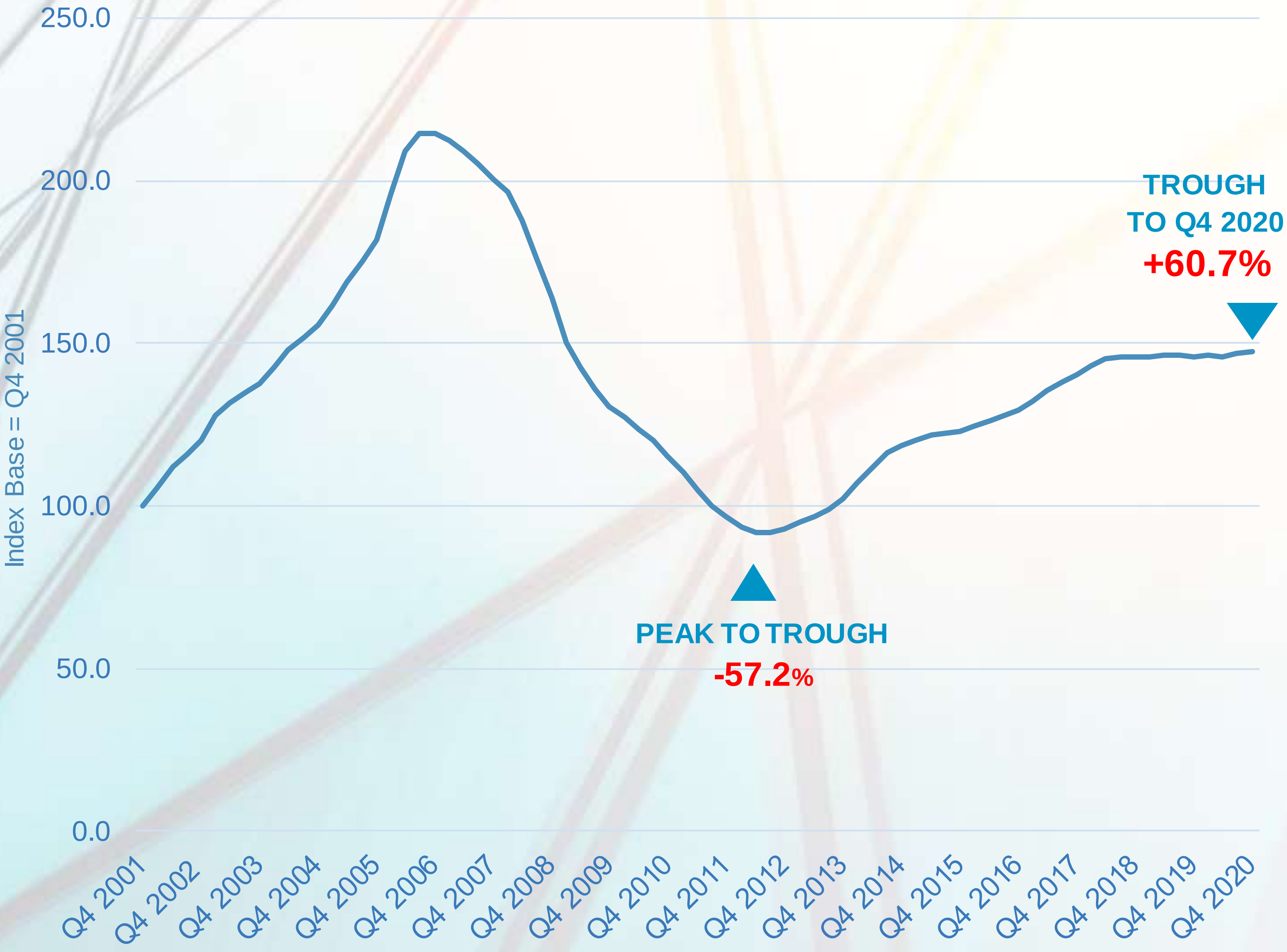

Source: PPR/Sherry FitzGerald Research

30%

of vendors
"selling investment"

# ALL IRELAND BAROMETER

## SECOND-HAND HOUSE PRICES




Source: Sherry FitzGerald Research

**1.2%**

House prices grew by 1.2% in 2020

Compared to a 0.2% rise in 2019

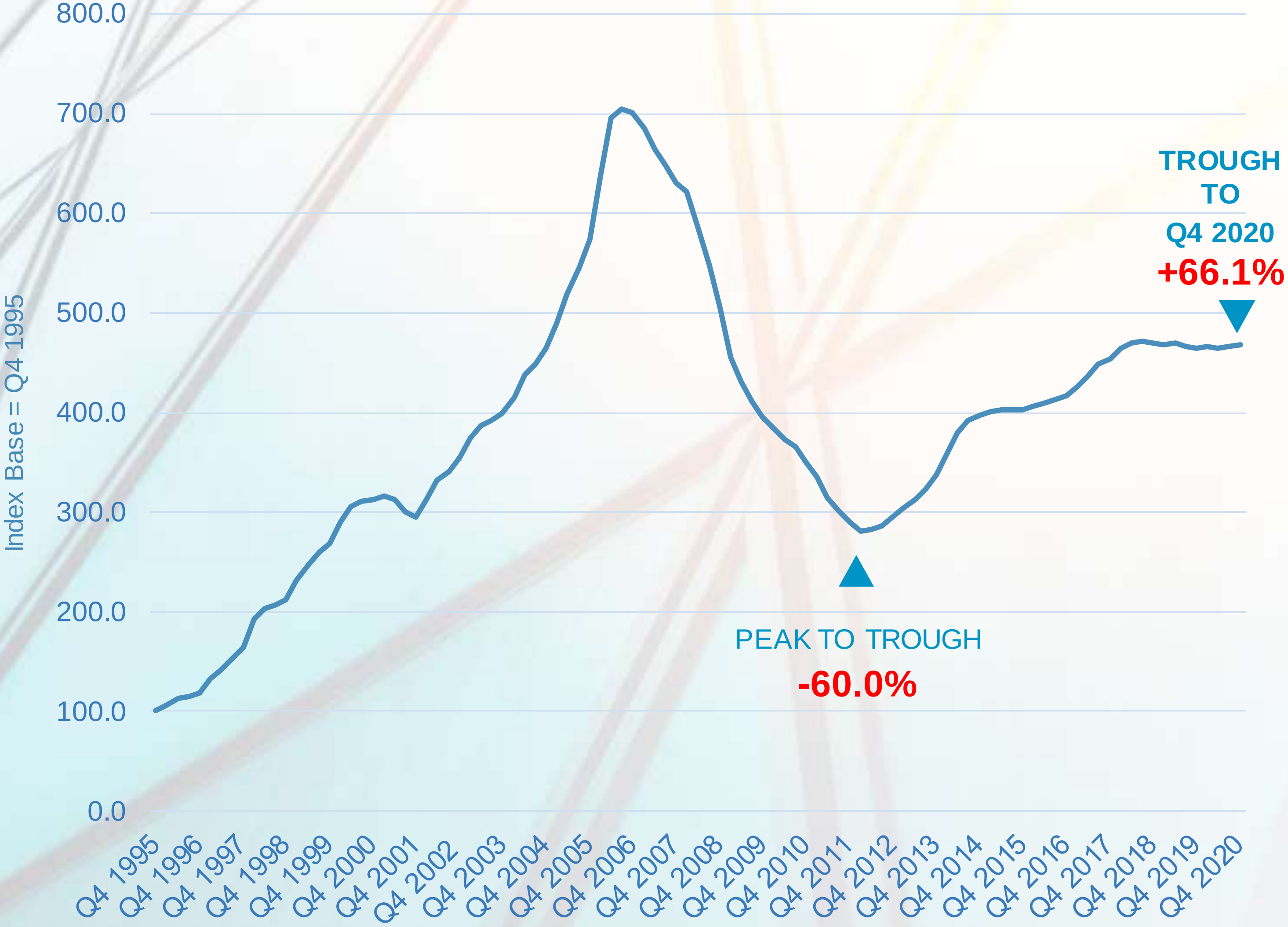
**0.6%**

Prices increased by 0.6% in Q4 2020

Compared to a 0.2% decrease in Q4 2019

# DUBLIN BAROMETER

## SECOND-HAND HOUSE PRICES




Source: Sherry FitzGerald Research

**0.5%**

House prices grew by 0.5% in 2020

Compared to a 0.8% fall in 2019

**0.4%**

Prices increased by 0.4% in Q4 2020

Compared to a 0.3% decrease in Q4 2019

# 03

# PRIVATE RENTAL SECTOR

# RESIDENTIAL INVESTMENT

2020

## €1.2bn in 2020*

Residential Investment

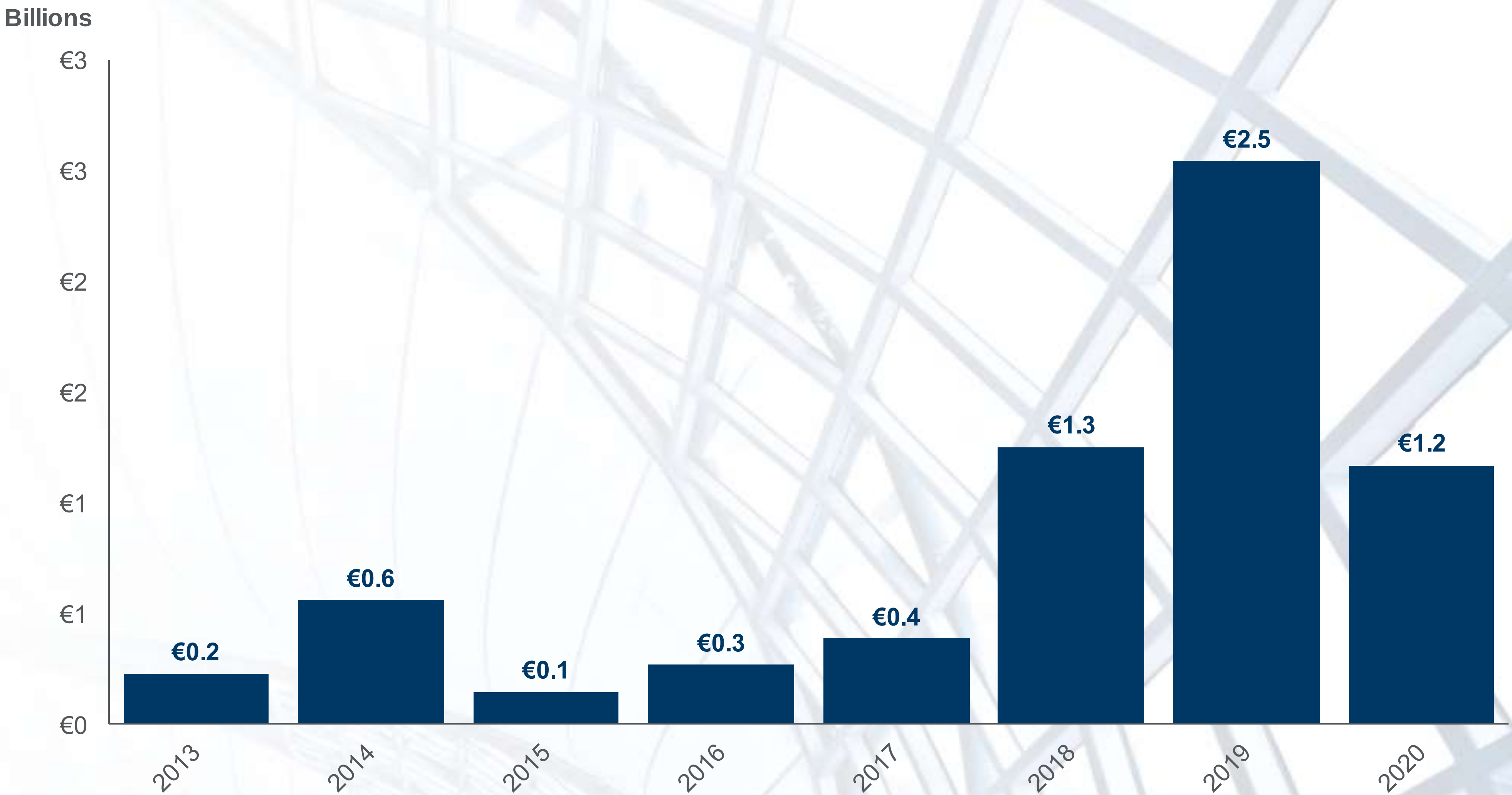
€2.5bn 2019 & €1.3bn 2018

Source: Sherry FitzGerald Research/RCA/Cushman & Wakefield Research

* Preliminary Data

# RESIDENTIAL INVESTMENT TRANSACTIONS

## 2013 – 2020*




Source: Sherry FitzGerald Research/RCA/Cushman & Wakefield Research *Preliminary Data

# TOP PRS INVESTMENT TRANSACTIONS

## 2020

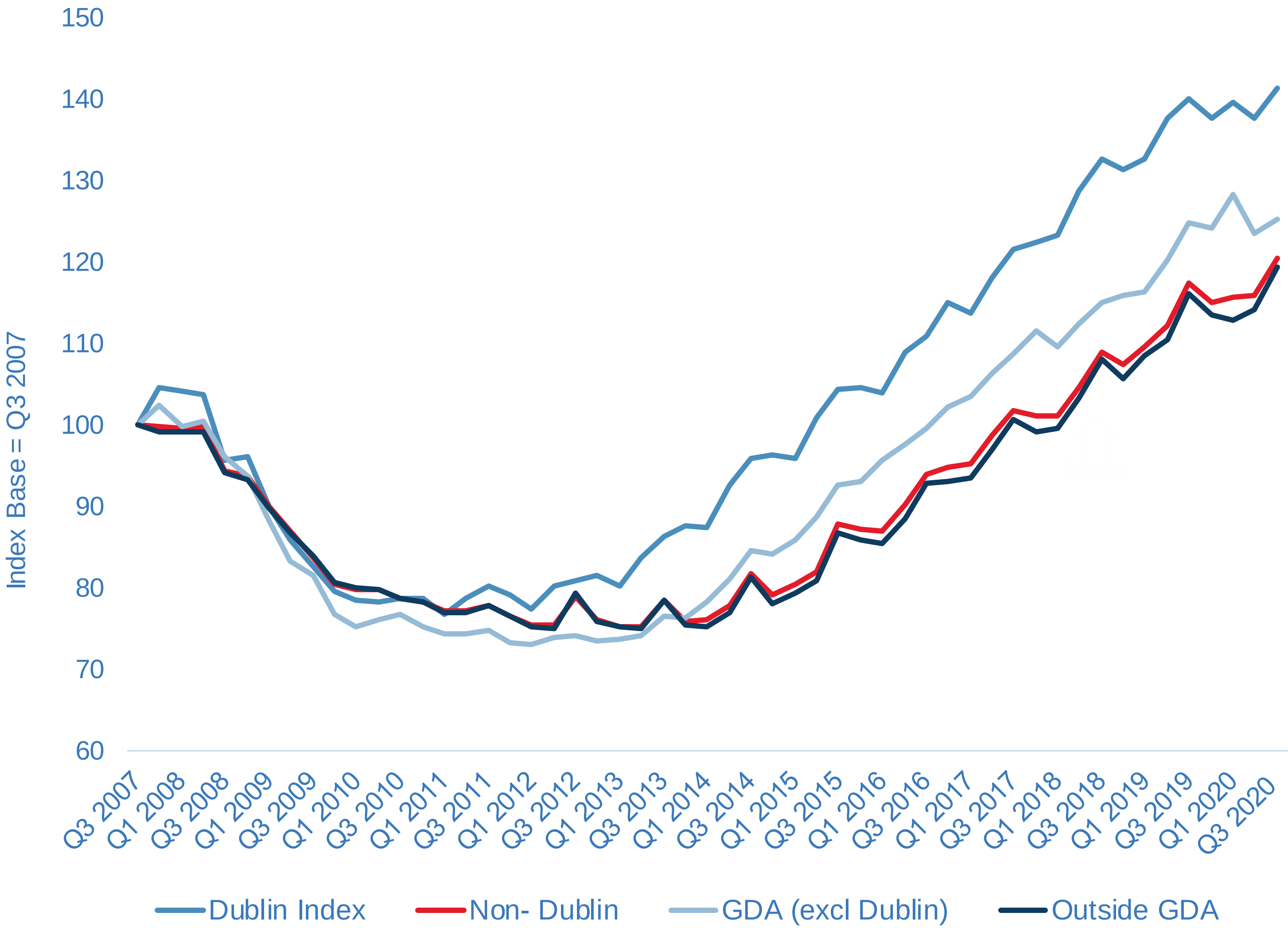
| Asset | Price (€) | No. of Units* | Purchaser | Standing Stock Vs. Forward Commit |
|---|---|---|---|---|
| **Cheevers Court & Haliday House, Cualanor, Dún Laoghaire** | €195m | 368 | DWS | Forward Commit |
| **The Prestige Portfolio** | €148m | 317 | DWS | Part Forward Commit/ Part Standing Stock |
| **Off Market** | €140m | - | Confidential | Forward Commit |
| **Blackwood Square, Northwood, Santry Demesne, Dublin 9** | €123.5m | 297 | Round Hill Capital & QuadReal Property Group | Forward Commit |
| **Clay Farm Phase 1, Leopardstown, Dublin 18** | €75m | 192 | Urbeo Residential | Standing Stock |

*Approx. No. of units

Source: Sherry FitzGerald Research/RCA/Cushman & Wakefield Research

# RTB INDEX – ALL PROPERTY INDEX

Q3 2007 – Q3 2020




Source: RTB

**Dublin**

**€1,758**

Average Standardised Rents

**+0.9%**

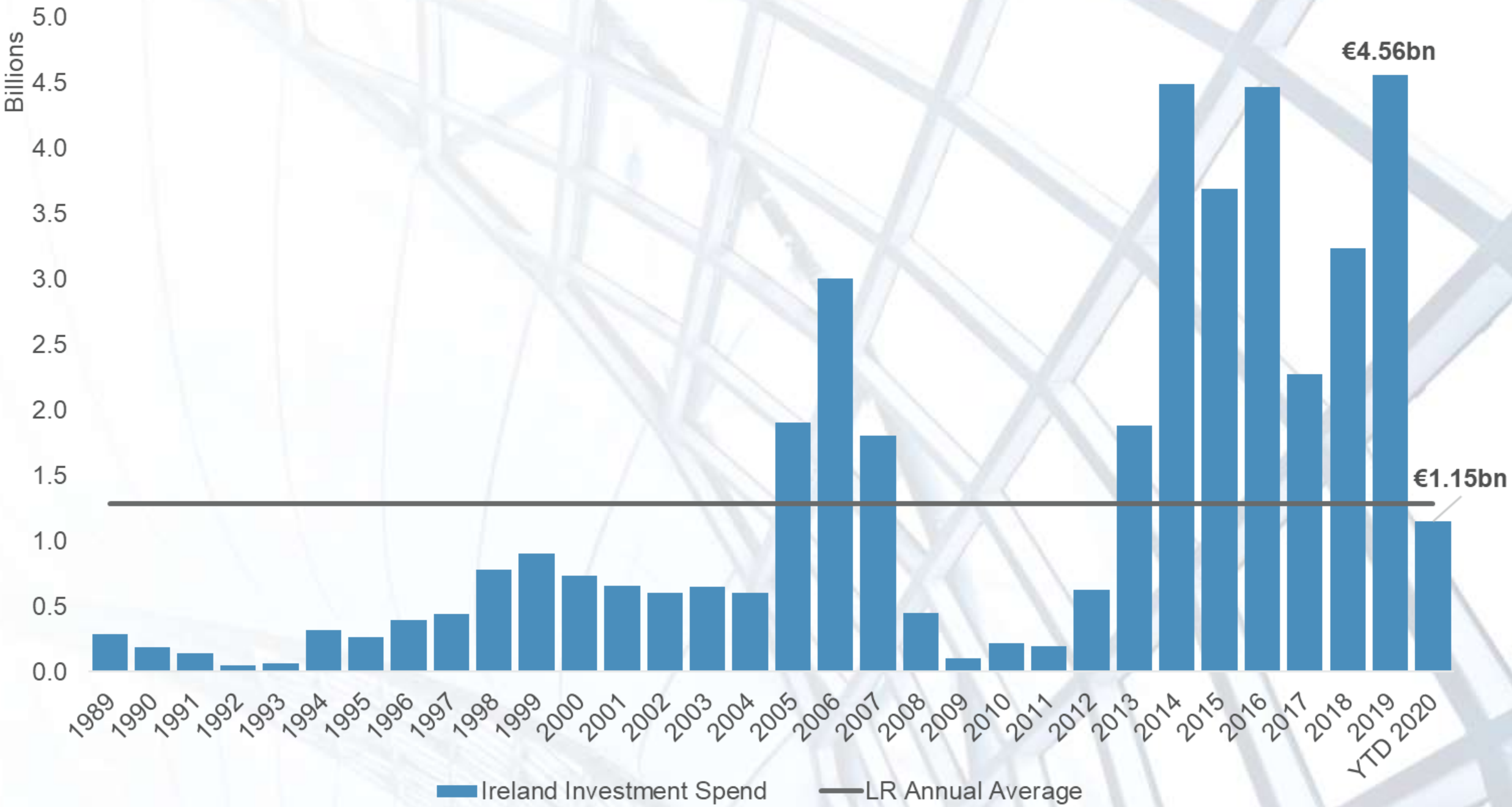
Dublin Standardised Rent in Q3 2019 was €1,742

# 04

## COMMERCIAL INVESTMENT MARKET& OCCUPIER TRENDS

# INVESTMENT MARKET TURNOVER

## INVESTMENT ACTIVITY*, 1989 – YTD SEPT 2020

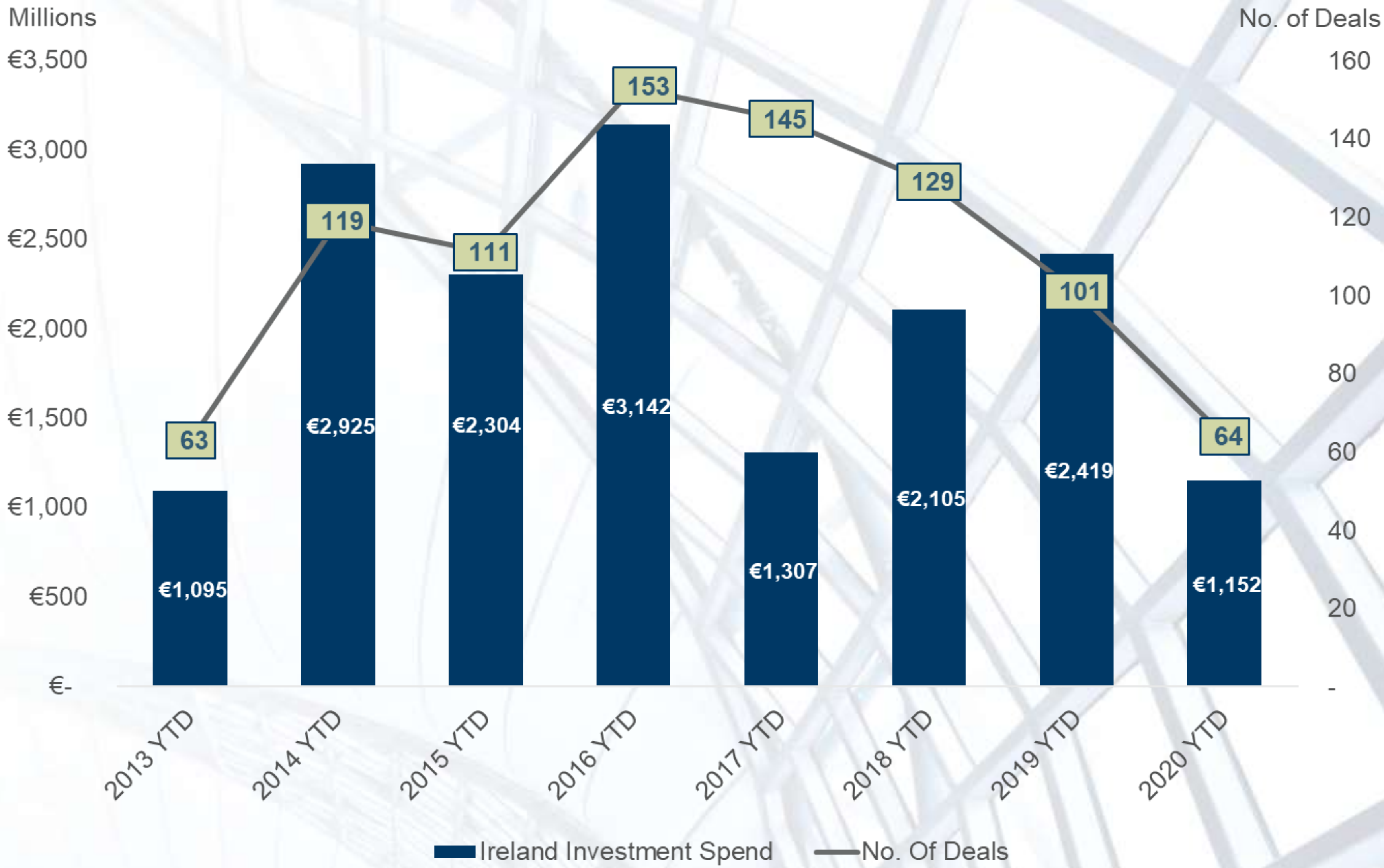



*Deals greater than €1m. Excludes loan sales, forward purchases, company sales, trading assets and auction sales.

Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

# INVESTMENT TRANSACTIONS

## YTD SEPT ACTIVITY, 2013 – 2020




Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

# TOP INVESTMENT TRANSACTIONS - IRELAND

Q3 2020

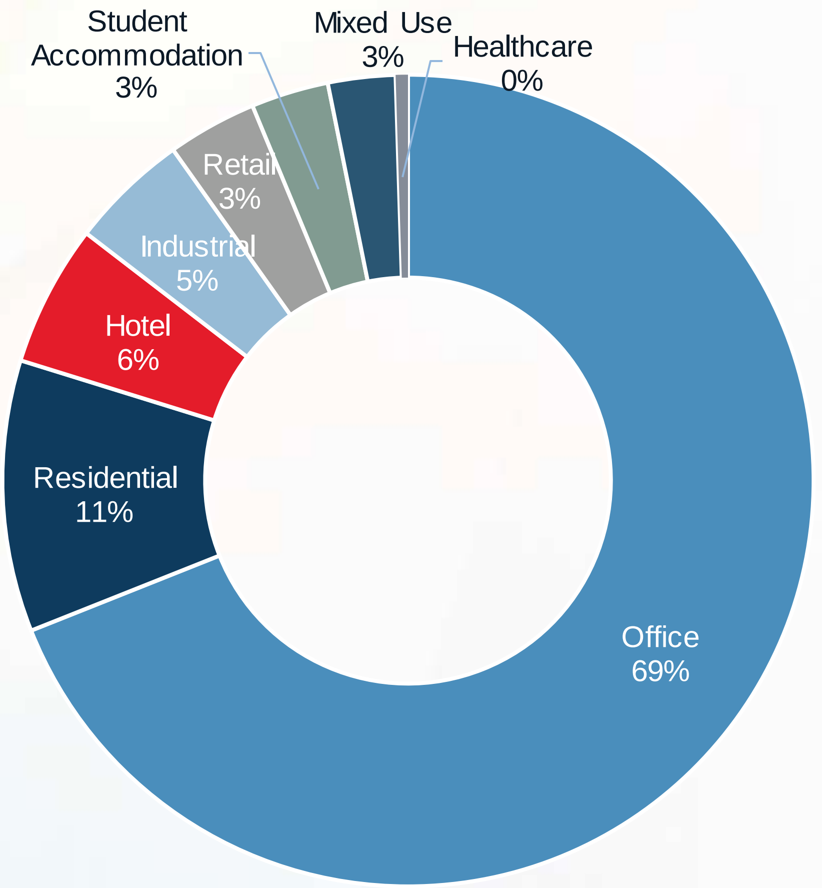
| Property | Price (Approx. €) | Sector | Quarter Sold | Vendor | Purchaser |
|---|---|---|---|---|---|
| **Bishop's Square, Dublin 2** | €183m | Office | Q2 | Hines | GLL Real Estate Partners |
| **The Treasury Building, Grand Canal Street, Dublin 2** | €115.5m | Office | Q1 | Davy/ILIM & Jayfield Ltd | Google Ireland Limited |
| **2 Burlington Road, Dublin 2** | €94m | Office | Q3 | Henderson Park | KGAL |
| **La Touche House, IFSC, Dublin 1** | €84.2m | Office | Q1 | Credit Suisse | Axa IM Real Assets |
| **Clayton Hotel, Charlemont, Dublin 2** | €65m | Hotel | Q2 | Dalata | Deka |
| **30 – 33 Molesworth Street, Dublin 2** | €60m | Office | Q3 | Henderson Park | KanAm Grund Group |

Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

# INVESTMENT TRANSACTIONS – SECTOR BREAKDOWN

YTD Q3 2020

| Sector | Price (€ Approx.) |
|---|---|
| Office | €794.5m |
| Residential* | €124.5m |
| Hotel | €65m |
| Industrial | €54.6m |
| Retail | €41m |
| Student Accommodation | €35.6m |
| Mixed Use | €31m |
| Healthcare | €5.6m |

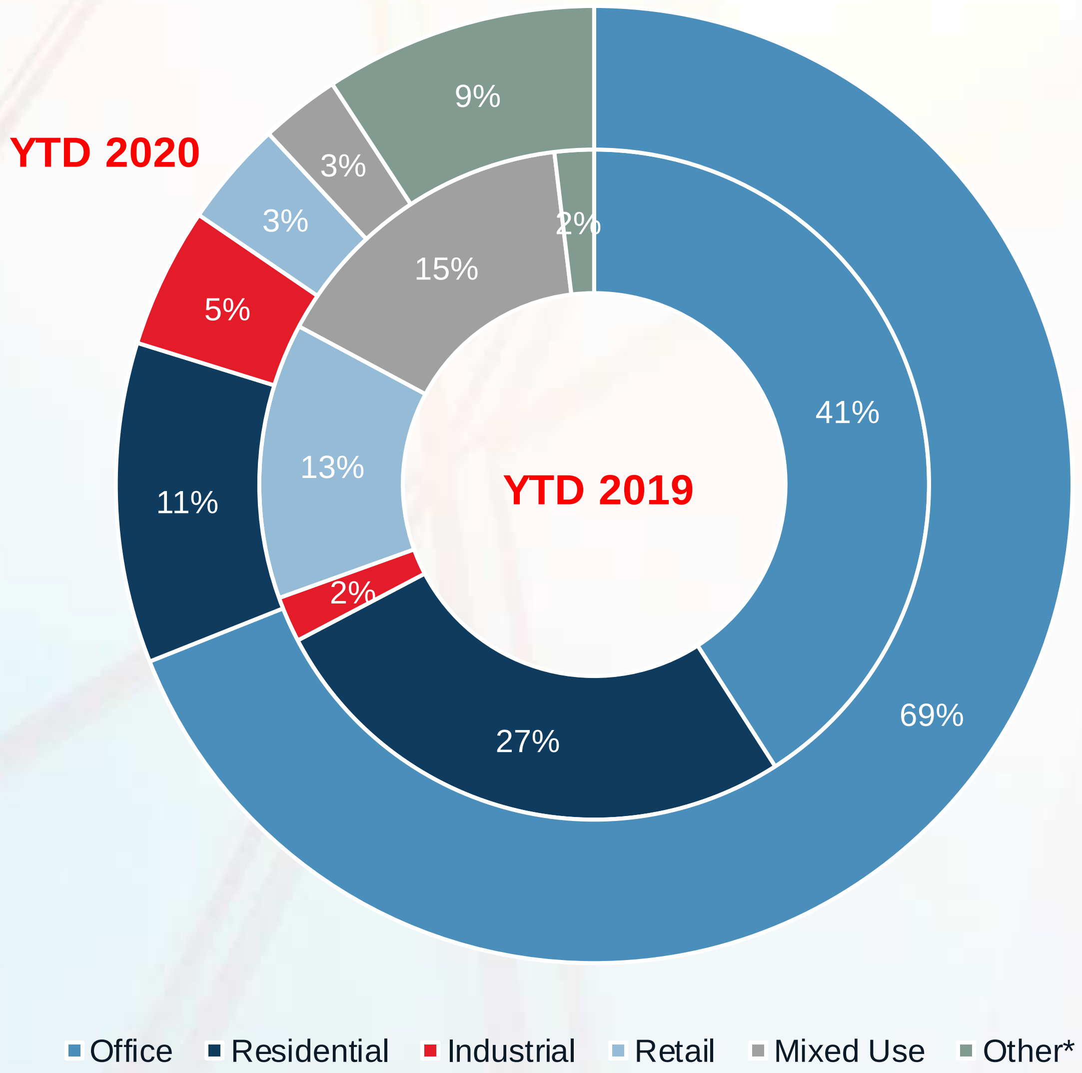



Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

* Residential excludes forward commits

# INVESTMENT TRANSACTIONS – SECTOR BREAKDOWN

## YTD 2020 VS YTD 2019



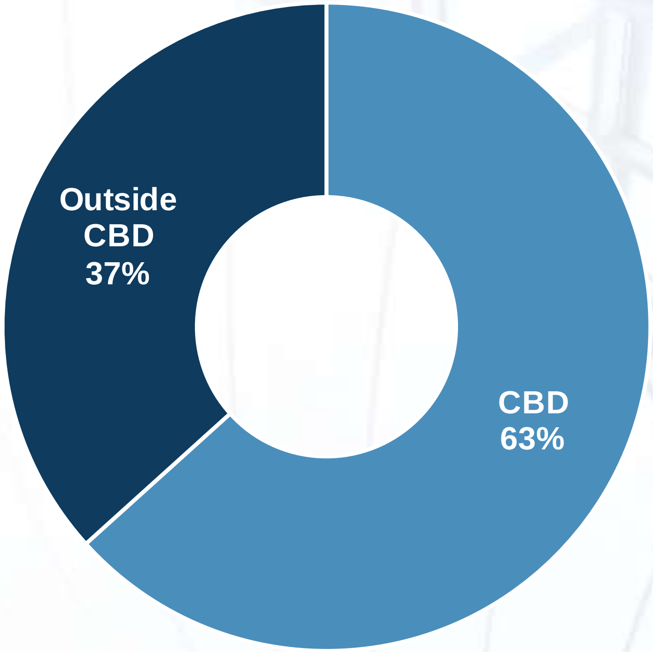

Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

Other includes Unknown, Leisure, Hotel & Other transactions and Residential excludes forward commit transactions

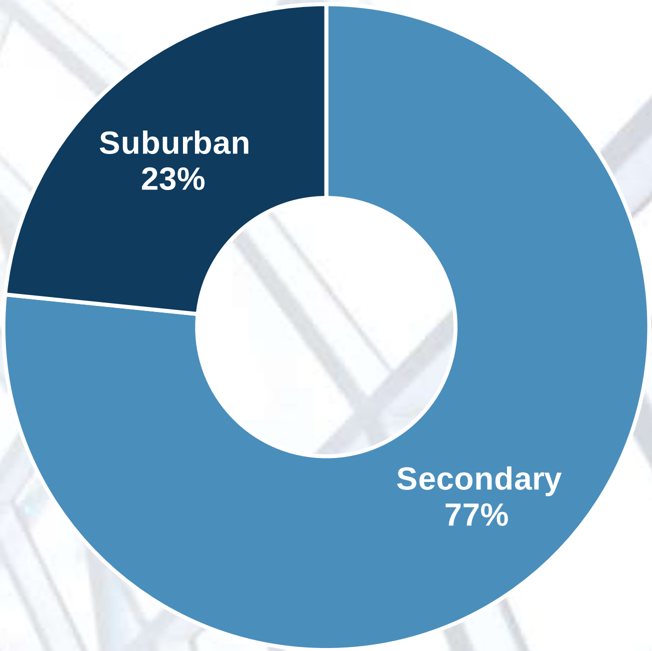
# INVESTMENT TRANSACTIONS – DUBLIN OFFICE SECTOR

## YTD 2020

**Dublin Office Investment by Location, YTD 2020**




**Outside CBD by Location, YTD 2020**

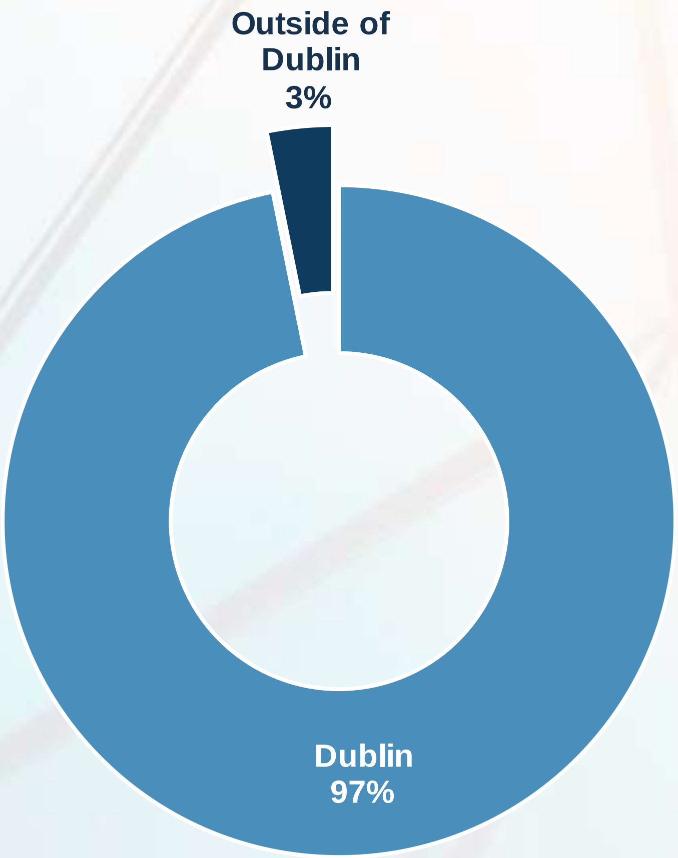



Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

# INVESTMENT TRANSACTIONS – LOCATION BREAKDOWN

YTD 2020

## The share of total spend outside of Dublin in YTD 2020 was 3%



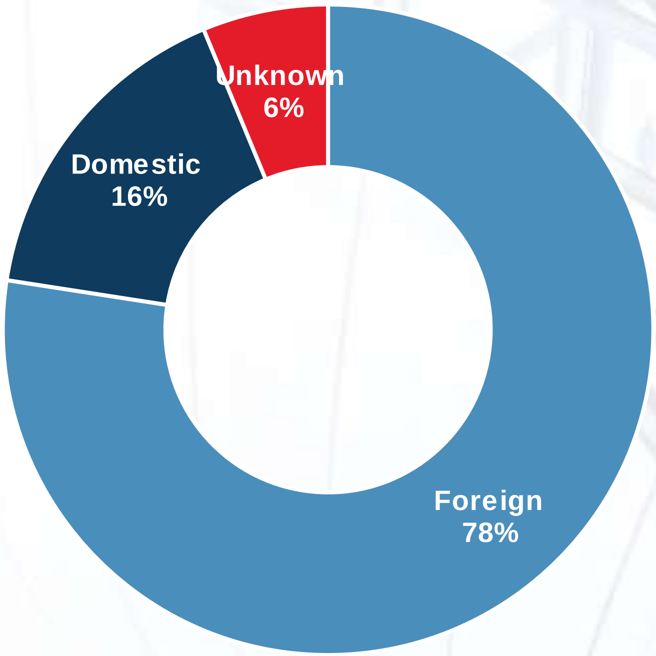

| Location | Turnover (€ Approx.) | No. of Deals |
|---|---|---|
| **Dublin** | €1.1bn | 54 |
| **Outside of Dublin** | €36.4m | 10 |

Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

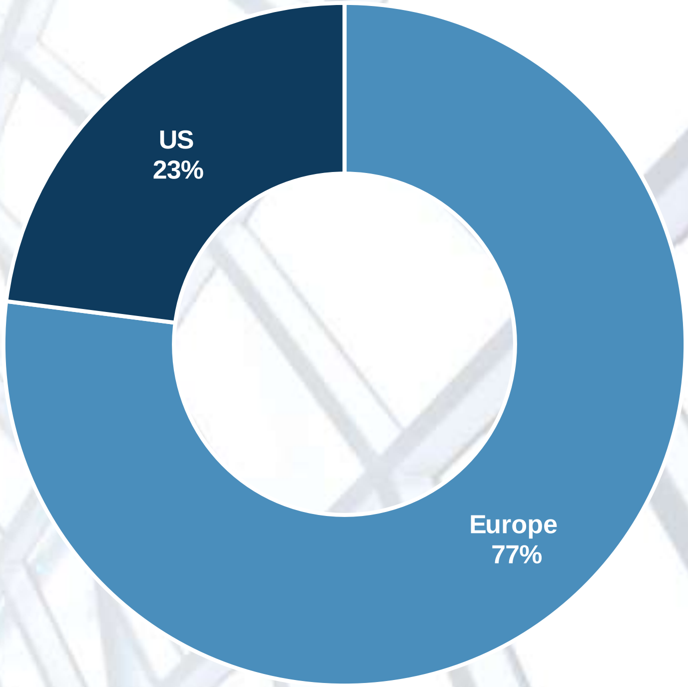
# INVESTMENT TRANSACTIONS – SOURCE OF CAPITAL

## YTD 2020

Source of Capital, YTD 2020




Source of Overseas Capital, YTD 2020




Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

# 05

# OFFICE MARKET

# IRISH OFFICE MARKET

## Q3 2020


### DUBLIN

| | |
|---|---|
| **Market Stock:** | 3.86 million sq m |
| **Take Up YTD Q3'20:** | 104,150 sq m |
| **Take Up 2019:** | 238,150 sq m |
| **Availability:** | 389,500 sq m |
| **Vacancy Rate:** | 10.1% |
| **Under Construction:** | 490,350 sq m |

### GALWAY

| | |
|---|---|
| **Market Stock:** | 308,750 sq m |
| **Take Up YTD Q3'20:** | 2,400 sq m |
| **Take Up 2019:** | 9,950 sq m |
| **Availability:** | 15,150 sq m |
| **Vacancy Rate:** | 4.9% |
| **Under Construction:** | 23,650 sq m |

### CORK

| | |
|---|---|
| **Market Stock:** | 642,000 sq m |
| **Take Up YTD Q3'20:** | 12,600 sq m |
| **Take Up 2019:** | 26,350 sq m |
| **Availability:** | 78,800 sq m |
| **Vacancy Rate:** | 12.3% |
| **Under Construction:** | 23,650 sq m |

### LIMERICK

| | |
|---|---|
| **Market Stock:** | 366,300 sq m |
| **Take Up YTD Q3'20:** | 8,850 sq m |
| **Take Up 2019:** | 32,050 sq m |
| **Availability:** | 39,150 sq m |
| **Vacancy Rate:** | 9.9% |
| **Under Construction:** | 0 sq m |

Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

# DUBLIN OFFICE MARKET

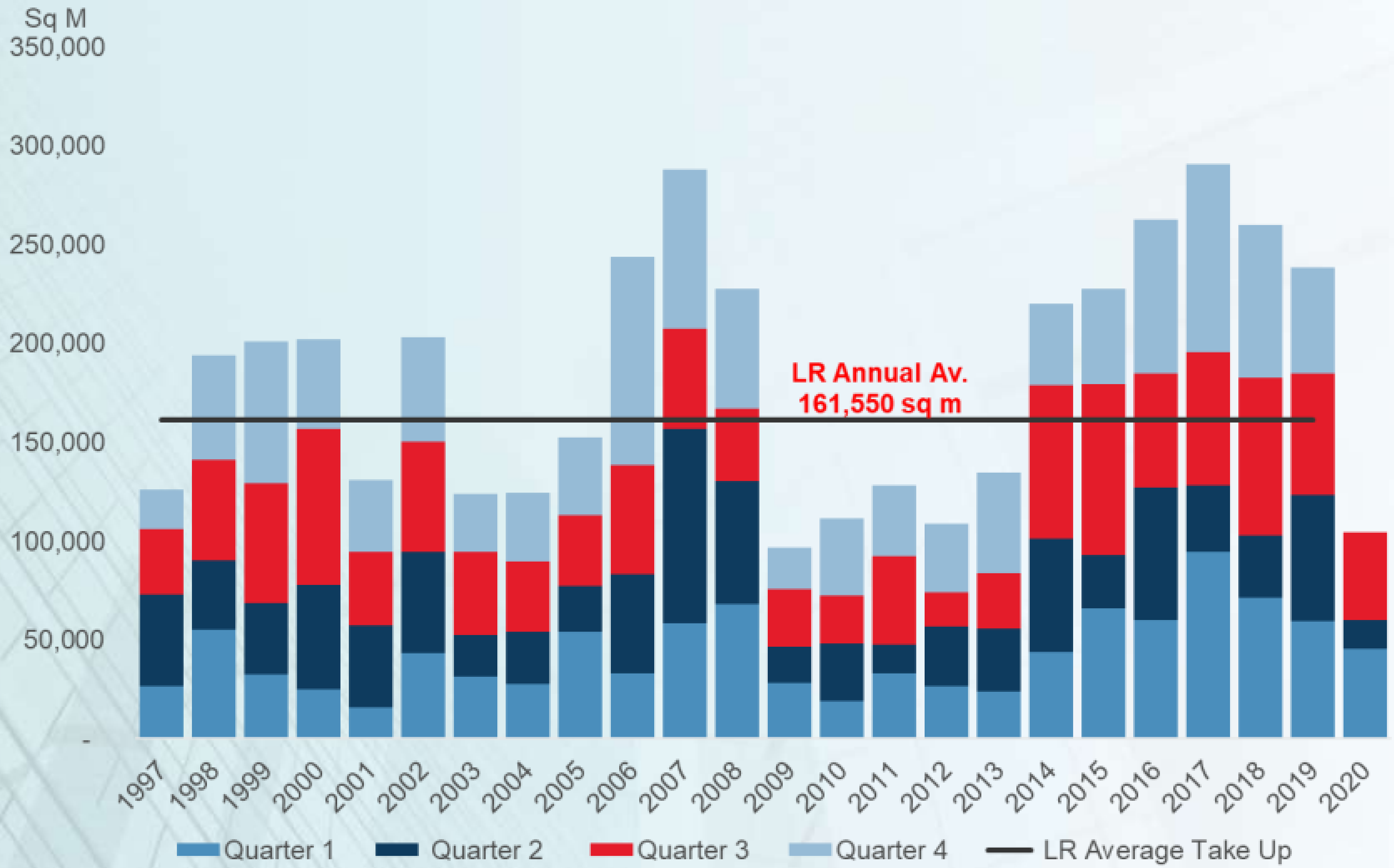
Q3 2020

| Office Market | Dublin | CBD |
|---|---|---|
| **Market Stock** | 3.86 million sq m | 2.06 million sq m |
| **Take Up YTD 2020** | 104,150 sq m | 75,500 sq m |
| **Availability** | 389,500 sq m (Net – 295,950 sq m) | 159,450 sq m (Net – 116,300 sq m) |
| **Vacancy Rate** | 10.1% (Net VR 7.7%) | 7.7% (Net VR 5.6%) |
| **Under Construction** | 490,350 sq m | 393,550 sq m |
| **Pre-Let / Reserved** | 53% / 3% | 57% / 3% |

Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

# DUBLIN OFFICE MARKET

## QUARTERLY TAKE UP (SQ M)




Source: Sherry FitzGerald Research/ Cushman & Wakefield Research

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# The Irish Property Market Outlook

## with Marian Finnegan, Sherry FitzGerald Group

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