



InitiativeIreland

Building Better Futures

Housing 2019



"In 2018 we saw the introduction of multiple new initiatives and an increase in housing supply but overall we need to do far more to address this crisis and meet demand."

Padraig W. Rushe,
CEO, Initiative Ireland

About the Report

Initiative Ireland has produced this report to help increase awareness of and promote a dialogue with regard to the Irish Housing Market. The report combines publicly available sources of information, in a meaningful way, to provide an objective overview of the market inclusive of insights and overall market trends.

About Initiative Ireland

Founded in 2015, Initiative Ireland is a Social Impact Finance firm, specialising in the sourcing, funding and management of secured social, affordable and mid-market housing development loans across Ireland. The company provides competitively priced loans, to experienced developers. Loans are co-funded by its community of Private, Corporate and Institutional Clients and secured against Irish Real Estate for capital protection.

More Information: www.InitiativeIreland.ie

Ireland's Housing Market in 2019

Macro-Economic

The Republic of Ireland has been a leader within the EU for economic growth over the last 6 years. World Bank figures show that GDP (Gross Domestic Product) per capita reached €66,231 in 2017, compared to a European Average of €33,104. The European Commission has forecast that the Irish economy will grow by 4.1% this year and by 3.7% in 2020, placing Ireland in joint second for growth within the EU.

Domestic factors such as increased household spending and labour market expansion are principle factors underpinning growth to date. These domestic factors are reflected in the growth in GNP (Gross National Product) which increased to €63,140 Million in the third quarter of 2018, achieving an all time high based on figures published by the Central Statistics Office.

Population

The Irish population increased by 7.2% over the last decade and by 0.9% in 2018. Ireland has the highest birth rate of any EU member state, with 15,659 births in quarter 1 2018 or 13.1 births per 1,000 population. Ireland also has the youngest population in the EU with 55% aged below 40. Ireland has continued to experience positive Net Migration rates since 2015, attracting net positive non-national immigration for the last six years, increasing 57% year on year in 2018. Despite having a relatively young population, Ireland's population is aging overall, in line with European Trends. The numbers of people aged 85 and over are projected to almost double by 2030, based on ESRI forecasts. With 94.7% living in Private Accommodation, there is a need for increased life-stage planning across Irish Housing. Equally with younger demographics struggling to become home owners, consideration needs to be given to the future housing needs of today's renting market.

Housing Supply & Demand

Following a decade of under supply and stagnation within the housing construction market, 2016 saw increased recognition of the emerging housing crisis amongst the media and body politic within Ireland. While recent figures do show a significant increase in the volume of housing stock being delivered to the market, the volume of supply delivered still falls significantly below demand nationwide, at around 52%. To offset this shortfall in 2019 would require supply to increase 2.8x.

Also of concern is the nature or make-up of the 18,000 new housing units supplied which disproportionately fall outside of the mortgage affordability range for a significant portion of the Irish population. New Housing delivery in the Greater Dublin Area is largely focussed on servicing higher income families and/or property investors.

Housing Affordability

Ireland's current average gross household income stands at €57,200. With the government 'Help-to-Buy' Scheme and assuming a 90% LTV Mortgage, our analysis indicates that such households would have been able to access less than 5% of the new housing stock delivered last year within the Greater Dublin Area (Dublin, Wicklow, Kildare, Meath).

Within the Greater Dublin Area (GDA) the increased cost of construction and land acquisition costs are proving a challenge for those who aim to deliver housing for lower income families. With mortgage borrowing capped by the Central Bank at 3.5x income for households nationwide, lower income households in GDA are being locked out of the market too soon in the cycle. This is cooling the supply of housing aimed at the lower-end of the market, forcing lower-income families into a rental trap, paying unsustainable rents, without security of tenure.

Positive Economic Performance

% Change	2012	2013	2014	2015	2016	2017	2018f	2019f
Real GNP	0.0%	5.8%	9.2%	13.6%	11.5%	4.4%	5.9%	3.9%
Real GDP	0.2%	1.3%	8.8%	25.1%	5.0%	7.2%	7.5%	4.2%
Unemployment Rate	14.7%	13.1%	11.3%	9.5%	7.9%	6.7%	5.8%	5.6%
Consumer Prices (HCP)	1.9%	0.5%	0.3%	0.2%	0.0%	0.3%	0.7%	1.5%
Population Growth	0.4%	0.5%	0.7%	0.9%	1.1%	1.1%	1.21%	1.3%

Source: CSO/ DOF / Initiative Ireland Research

Key Factors



Youngest EU Population



2nd Highest EU Birth Rate



GDP Growth Forecast



Highest Employment Rate
Since 2008



International Workforce



Net Migration YOY

Labour

- Employment at Highest Rate since 2008
- Unemployment 16% Lower than EU Average
- GDP Growth Forecast for 2019 is 2x EuroArea
- 15% International Workforce – 3rd Highest in EU

Source: CSO/DOF / IMF

Population

- Youngest in EU – 33% under 25, 55% under 40
- 6x EU Average Population Growth 2007 – 2018
- Net Migration increased 57% YOY in 2018
- Highest Net inward migration in 2018 since 2008

Source: CSO/IMF / IMD

Strong Domestic Housing Demand

Forecast Average Housing Unit Demand Per Annum

Region	2018 & 2019	2020 & 2021	2022 & 2023	2024 & 2025	2026 & 2027	2028 & 2029	2030 & 2031	Total
Greater Dublin Area	17,011	14,754	15,490	16,278	17,123	18,030	19,006	235,382
Dublin	12,385	10,740	11,279	11,856	12,475	13,140	13,855	171,459
Mid-East Region	4,627	4,014	4,211	4,422	4,648	4,890	5,151	63,923
Midland Region	2,032	1,772	1,849	1,933	2,022	2,117	2,221	27,892
South-East Region	3,554	3,116	3,243	3,380	3,527	3,684	3,854	48,717
Border Region	2,787	2,467	2,572	2,683	2,803	2,933	3,072	38,637
West Region	2,460	2,169	2,255	2,347	2,446	2,552	2,667	33,791
Mid-West Region	1,650	1,456	1,511	1,570	1,633	1,701	1,775	22,591
South-West Region	5,189	4,516	4,719	4,936	5,168	5,417	5,685	71,259
Nationwide	34,683	30,250	31,639	33,127	34,722	36,434	38,280	478,269

Source: CSO/ Initiative Ireland Research & Population Analysis and Forecasts

Greater Dublin Area: Dublin, Wicklow, Kildare, Meath

Midland Region: Laois, Longford, Offaly, Westmeath

South-East Region: Waterford, Tipperary, Wexford, Kilkenny, Carlow

Border Region: Louth, Leitrim, Sligo, Cavan, Donegal, Monaghan

West Region: Galway, Mayo, Roscommon

Mid-West Region: Claire, Limerick

South-West Region: Cork, Kerry

Housing Supply Trailing

Completions Relative to 2018 Demand Forecast ^[1]

Region	2018 Demand [1]	2018 Supply [2]	% Delivered	2019 Demand [Adjusted]
Greater Dublin Area	17,011	10,245	60%	23,777
Dublin	12,385	6,924	56%	17,846
Mid-East Region	4,627	3,321	72%	5,933
Midland Region	2,032	600	30%	3,464
South-East Region	3,554	1,571	38%	5,537
Border Region	2,787	1,582	35%	3,992
West Region	2,460	1,148	47%	3,772
Mid-West Region	1,650	760	31%	2,540
South-West Region	5,189	2,166	42%	8,212
Nationwide	34,683	18,072	52%	51,294

Source: CSO/ Initiative Ireland Research & Population Analysis and Forecasts

[1] Demand based on population analysis and forecast per Initiative Ireland Housing 2031 Report

[2] Supply based on revised CSO completions reporting standards published 2019

Nationwide Supply Commentary:

- ❑ **Supply increased 25% year on year (YOY).** While this is a significant increase in supply, it is the lowest rate of supply growth since 2014.

Regional Supply Commentary:

- ❑ **Greater Dublin Area:** Supply increased 26% YOY vs. a 57% YOY increase in 2017.
- ❑ **Dublin:** Cost of acquisition and build in Dublin, along with affordability constraints for buyers limiting supply growth in 2019.
- ❑ **Mid-East Region:** Relative to Dublin, Mid-East has proven most viable nationwide for development. Supply in the Mid-East will need to significantly increase to offset surplus demand from Dublin.
- ❑ **Midland Region:** Despite the small volume of homes delivered, YOY supply growth increased marginally from 28% to 30% in 2018.
- ❑ **South-East Region:** YOY supply grew 42%, from 25% increase in 2017.
- ❑ **Border Region:** YOY supply grew by 28%, following a 41% increase in 2017.
- ❑ **West Region:** YOY supply grew by 13%, with a marginal reduction in output in Galway City.
- ❑ **Mid-West Region:** YOY supply grew 29%, following a 45% increase in 2017.
- ❑ **South-West Region:** YOY supply increased 27% compared to 38% increase in 2017.

Housing Supply Breakdown

NEW HOMES BY TYPE



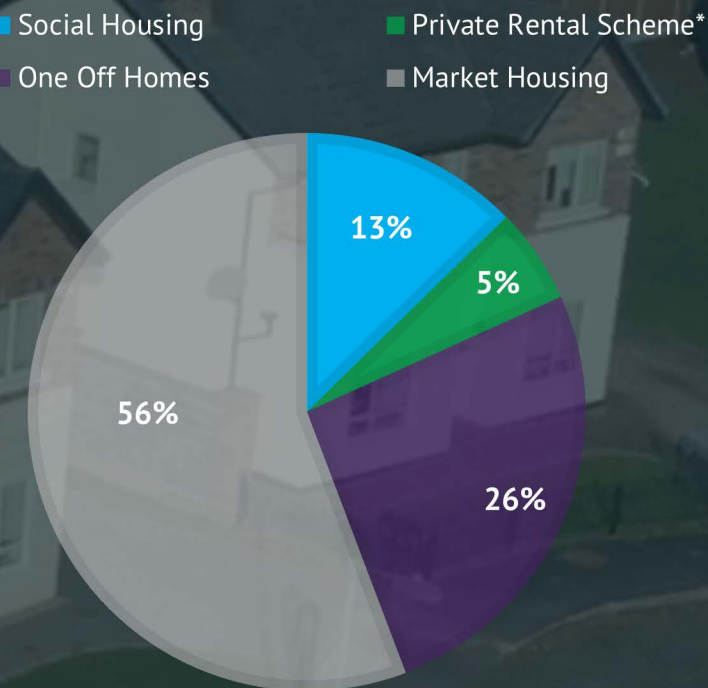
New Homes by Type Definitions:

- Single Houses = Single Units Construction / One-Off Homes
- Development Houses = Multi-Unit Developments of Houses

New Homes by Purpose Definitions

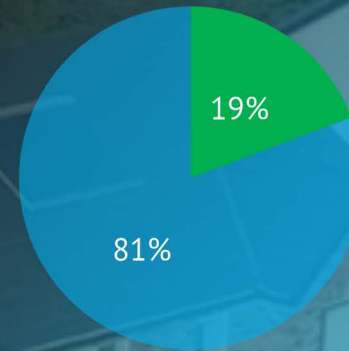
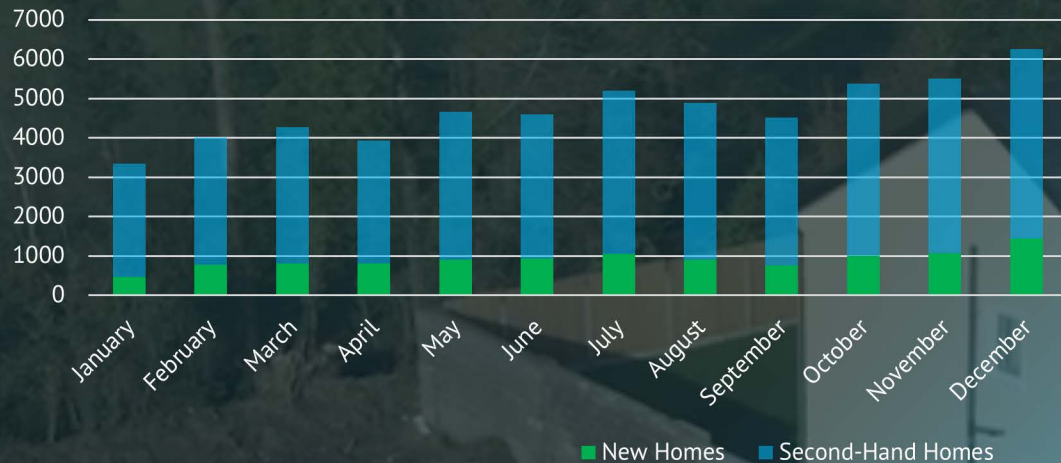
- Market Housing = Multi-Unit Developments built for open market sale
- Social Housing = Houses developed expressly for state funded housing supply

NEW HOMES BY PURPOSE



Distinct Housing Markets

HOUSE SALES



	New Build Average Sales Price € *	New Build Total Sales	Second-Hand Average Sales Price € *	Second-Hand Total Sales
Greater Dublin Area	450,000	6,900	419,500	17,491
Midland Region	215,000	230	157,000	2,494
South-East Region	248,000	571	172,000	5,282
Border Region	216,000	805	144,000	5,456
West Region	228,000	392	193,000	4,559
Mid-West Region	274,000	378	182,000	3,242
South-West Region	319,000	1,098	250,000	7,173
Nationwide	383,000	10,885	286,000	45,647

Source: Property Price Register

*Values Excludes Non-Market Sales. Figures rounded to nearest thousand

- Overall Housing Sales were up 3.5% YOY, totalling 56,532 Units.
- New Housing Sales increased 17% YOY, with an increase of 19% within the Greater Dublin Area (GDA).
- Second-Hand Housing Sales reduced marginally in GDA by 0.7%, but increased 1.7% across the rest of the country.
- The 18,072 units built comprised of:
 - 2,372 Apartments
 - 11,200 Market Houses
 - 4,699 One-Off Builds

The Affordability Divide

Current Affordability	Family A	Family B	Family C	Family D	Family E
Household Income	€ 30,000	€ 50,000	€ 75,000	€ 100,000	€ 150,000
Mortgage Now (3.5x)	€ 105,000	€ 175,000	€ 262,500	€ 350,000	€ 525,000
Purchasing Power***	€ 123,500	€ 205,882	€ 308,823	€ 400,000	€ 583,000

New Housing – Mortgage Market Access

	Family A	Family B	Family C	Family D	Family E
Purchasing Power	< €123,500	< €205,882	< €308,823	< €400,000	< €583,000
Greater Dublin Area	<1%	4%	43%	72%	91%
Midland Region	23%	78%	94%	98%	98%
South-East Region	9%	56%	89%	97%	99%
Border Region	20%	56%	95%	95%	99%
West Region	34%	54%	88%	95%	98%
Mid-West Region	12%	43%	80%	95%	98%
South-West Region	8%	28%	46%	87%	98%
Nationwide	5%	18%	54%	79%	94%

Second-Hand Housing – Mortgage Market Access

Greater Dublin Area	3%	16%	47%	68%	85%
Midland Region	38%	78%	95%	98%	100%
South-East Region	35%	72%	92%	97%	99%
Border Region	49%	80%	95%	98%	99%
West Region	37%	66%	88%	95%	98%
Mid-West Region	34%	68%	91%	97%	99%
South-West Region	23%	53%	82%	92%	97%
Nationwide	22%	47%	72%	84%	93%

Source: Property Price Register - Initiative Ireland Analysts have adjusted to exclude non-market sales and errors

***Help to Buy (HTB) inclusive as applicable

- Access to New Housing Stock in the Greater Dublin Area (GDA) is significantly limited for Households with income of €50,000 or less [Family A & B] even with Help to Buy Schemes and a 10% deposit.
- With >60% of New Housing Stock aimed at Household Incomes over €75,000 and/or Cash Buyers / Investors in Greater Dublin Area, there is limited supply at the lower end of the market despite demographic demand.
- While second-hand homes do offer better market access for lower-income households nationwide, this is still limited in Greater Dublin Area, where competition from investors for the same stock is also highest.
- Although house prices are higher in Dublin, this is driven in part by a lack in lower-income housing supply, driven in part by increased cost of construction and borrowing restrictions.

Mortgage Vs. Rent - The Reality of Affordability

- Minimum cost of construction in Dublin is leaving inadequate margin for development of lower-income housing for the Private Market.
- The Central Bank's nationwide 3.5x Gross Income cap for mortgage borrowing is locking-out buyers at the lower end of the GDA market too soon in the cycle, impacting the viability of new builds.
- The 3.5x Rule does not distinguish by region, cost of finance and as such does NOT adequately address risk or affordability factors.
- A more nuanced borrowing restriction for GDA may be needed to provide lower-income families with a lower cost alternative to rents by stimulating supply.
- Model 1: Limited Regional Adjustment for GDA:
 - 5x Income up to €50,000
 - 4x Income €50,000 - €100,000
 - 3.5x Income > €100,000
 - Subject to Min 5 Year Fixed Rate Term
 - Monthly Repayments <25% of Monthly Income

Example A: 1 Bed, Apartment, Swords

	Monthly Mortgage (Fixed)*	Equivalent Rent**
Family B	€ 720	€ 1,300
% Monthly Gross Income	17.3%	31.2%

Example B: 2 Bed, Second-Hand Home, Crumlin

	Monthly Mortgage (Fixed)*	Equivalent Rent**
Family B	€ 720	€ 1,900
% Monthly Gross Income	17.3%	45.6%

Current Affordability	Family A	Family B	Family C	Family D	Family E
Household Income	€ 30,000	€ 50,000	€ 75,000	€ 100,000	€ 150,000
Mortgage Now (3.5x)	€ 105,000	€ 175,000	€ 262,500	€ 350,000	€ 525,000
Purchasing Power***	€ 122,807	€ 204,678	€ 306,980	€ 400,000	€ 583,000
Mortgage Model 1	€ 150,000	€ 250,000	€ 350,000	€ 450,000	€ 625,000
Purchasing Power***	€176,470	€294,117	€400,000	€500,000	€694,444
	+44%	+44%	+30%	+25%	+19%
% Income Rule	= 24.6%	= 24.6%	= 23%	= 22%	= 20.5%

Table: Affordability Segments designed to illustrate income requirements relative to housing sales

*Mortgage Example = 30 years at 2.80% Fixed for 5 years **Research Source Daft.ie

***Mortgage + Help to Buy (HTB) of 5% on sales up to €400,000 and 10% Deposit



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Disclaimer

The information provided has been gathered from third party sources as disclosed and cleansed of any data considered to be misleading or erroneous, with reasonable care and the intention of providing an accurate view of the market. Initiative Ireland does not make any statement as to the accuracy or completeness of information provided. We reserve the right to vary our methodology and to edit or discontinue the indices, snapshots or analysis at any time for regulatory or other reasons. Persons seeking to place reliance on any information contained in this report for their own or third party commercial purposes do so at their own risk. The publication and distribution of this report does not constitute financial or market advice.

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