



InitiativeIreland

HOUSING 2020

REPUBLIC OF IRELAND

HOUSING 2020 – MARKET OVERVIEW

- There has been an 18% increase in new dwellings in 2019, which is a fourth consecutive year of growth. However, volume of supply delivered still falls significantly below demand nationwide at 52% of demand. Despite an increase in commencements in 2019, we now expect this level of under supply will be maintained in 2020 in light of COVID 19.
- We are continuing to see the trend of new housing in Dublin focussed on servicing higher income families and/or property investors. New housing supply in Dublin remained relatively static at circa 6,000 units, with Wicklow county nearly doubling the amount of new units built. This expansion in the greater Dublin area is linked to first time buyers being out priced in Dublin and moving to commuter towns.
- As of 2018 Ireland's average gross household income stood at €65,400. With the government's '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 for sale last year within the Greater Dublin Area (Dublin, Wicklow, Kildare, Meath).
- It continues to be difficult to build affordable housing in Dublin, with the cost of construction rising 7% for the second year. This is being reflected nationally in the average house prices, with new dwellings costing on average 23% more than the existing dwellings.
- Many are locked out of home ownership within Dublin, forced into an already overheated rental market instead. Many renters could reduce their monthly costs by buying, if they had access to finance at the necessary levels. However Irish households are not allowed to borrow more than 3.5x their household income, locking many into paying excessive rents.
- Brexit has also impacted the rental market with an influx of businesses choosing Dublin as their European hub, placing more pressure on the local rental market.



Report Authors

Padraig W. Rushe – CEO of Initiative Ireland
Sinead Byrne – COO of Initiative Ireland

About the Report

Initiative Ireland has produced this report to help increase awareness of and promote an open dialogue regarding the Irish Housing Market. The report aims to combine publicly available sources of information, in a meaningful way, to provide an objective overview of the market, along with commentary on observable insights and trends.

About Initiative Ireland

Initiative Ireland is a social enterprise managing a growing Impact Finance Community, which co-funds the construction of energy-efficient, social and affordable housing projects nationwide. We aim to deliver societal and environmental impact, while also delivering steady returns for our investor community.

More Information: www.InitiativeIreland.ie

HOUSING 2020 – ECONOMIC OVERVIEW

Macro-Economic

The most recent data indicates that the Irish economy grew at a strong pace of 5.5% in 2019, compared to the Eurozone GDP early estimate of 0.9%. Despite the rise in uncertainty about economic prospects and increasing external headwinds, the buoyancy of domestic economic activity and strong growth in exports supported the growth of the economy over the past year.

Ireland's GDP has increased 50% over the last 5 years, however for every person living in Emergency Accommodation in 2014, today there are three. For every child living in emergency accommodation in 2014, today there are five. This growth is due to a systemic lack of new social and affordable housing stock nationwide relative to demand, creating increased rental pressures.

Young Population

The Irish population increased by 8.6% over the last decade and by 1.3% in 2019. Ireland continues to have one of the highest birth rates of any EU member state. Ireland also has the youngest population in the EU with 54% aged below 40. Despite having a relatively young population, Ireland's population is aging overall, in line with European Trends and has seen a 4% increase in 70+ population in 2019. 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 Ireland. Equally with younger demographics struggling to become home owners, consideration needs to be given to the future housing needs of today's renters, more of whom will retire without ever owning a home.

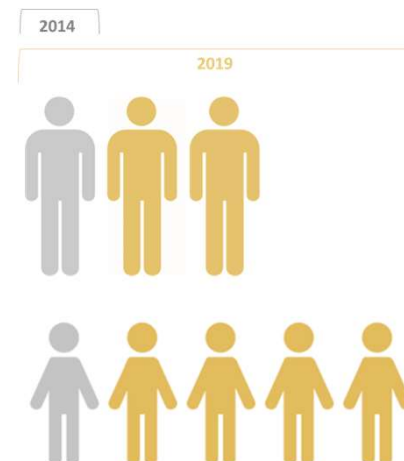
Social Inequality

>10,000

People in Emergency Accommodation

>3,500

Children in Emergency Accommodation



Source: CSO

KEY ECONOMIC METRICS

% Change	2012	2013	2014	2015	2016	2017	2018	2019	2020f*
Real GNP	0.0%	5.8%	9.2%	13.6%	9.9%	5.1%	6.5%	1.5%	1.9%
Real GDP	0.2%	1.3%	8.8%	25.1%	3.7%	8.1%	8.2%	6.1%	4.8%
Unemployment Rate	14.7%	13.1%	11.3%	9.5%	7.9%	6.7%	5.5%	5.5%	4.8%
Consumer Prices (HCP)	1.9%	0.5%	0.3%	0.2%	0.0%	0.3%	0.5%	0.9%	1.6%
Population Growth	0.4%	0.5%	0.7%	0.9%	1.1%	1.1%	1.4%	1.3%	1.1%

Source: CSO/ DOF / Initiative Ireland Research. *Forecasts as of January 2020.

KEY FACTORS IN 2019



Youngest EU Population



Highest EU Birth Rate



GDP Growth Forecast



Highest Employment Rate
Since 2008



International Workforce



Net Migration YOY

Labour

- Employment was at Highest Rate since 2008
- Unemployment 35% Lower than EU Average
- GDP Growth Forecast for 2019 is 2x Euro Area
- 15% International Workforce – 3rd Highest in EU
- The share of 30-34 year olds in Ireland with a third level qualification is 53.5% compared to an EU average of 40%.
- Ireland is the 2nd most competitive economy in the EU and the 7th most competitive in the world according to the IMF.

Source: CSO/ DOF / IMF / IDA

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	2020 & 2021	2022 & 2023	2024 & 2025	2026 & 2027	2028 & 2029	2030 & 2031	Total Needed
	Forecast						Forecast 2020-2031
Greater Dublin Area	14,754	15,490	16,278	17,123	18,030	19,006	201,359
Dublin	10,740	11,279	11,856	12,475	13,140	13,855	146,690
Mid-East Region	4,014	4,211	4,422	4,648	4,890	5,151	54,670
Midland Region	1,772	1,849	1,933	2,022	2,117	2,221	23,827
South-East Region	3,116	3,243	3,380	3,527	3,684	3,854	41,610
Border Region	2,467	2,572	2,683	2,803	2,933	3,072	33,062
West Region	2,169	2,255	2,347	2,446	2,552	2,667	28,871
Mid-West Region	1,456	1,511	1,570	1,633	1,701	1,775	19,291
South-West Region	4,516	4,719	4,936	5,168	5,417	5,685	60,881
Nationwide	30,250	31,639	33,126	34,721	36,435	38,280	408,901

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: Clare, Limerick

South-West Region: Cork, Kerry

NEW HOUSING SUPPLY OVERVIEW

NEW HOMES BY TYPE



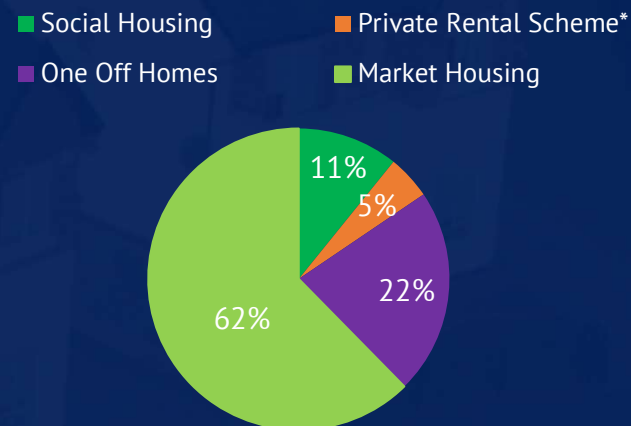
New Homes by Type Definitions:

- Single Houses = Single Units Construction / One-Off Homes, often for private owners
- Development Houses = Multi-Unit Developments of Houses, for market purchase

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

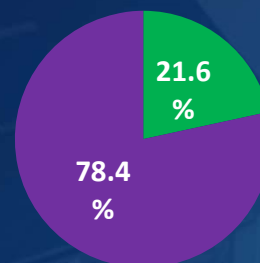
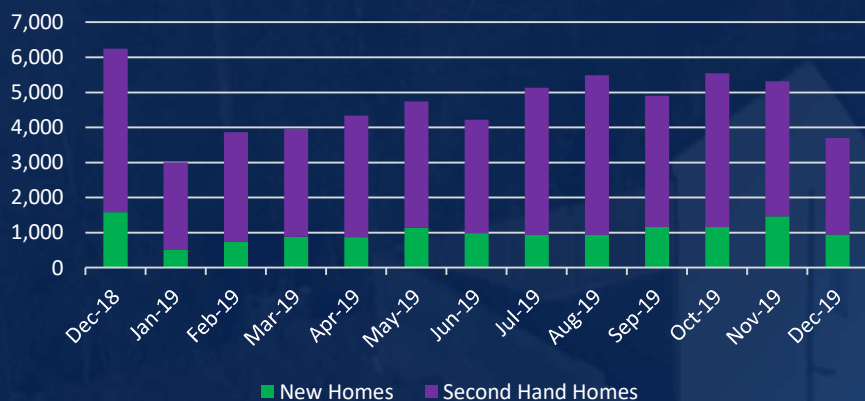
NEW HOMES BY PURPOSE



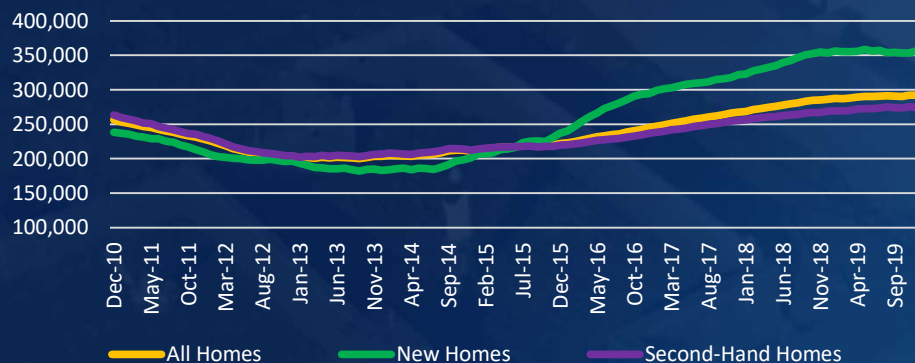
Source: CSO/ *Initiative Ireland Research

DISTINCT HOUSING MARKETS

HOUSE SALES



National House Prices - 12 Month average



New Homes: €365k

All Homes: €283k

Second Hand Homes: €254k

- Overall Housing Sales remained stable in 2019
- New Housing Sales increased 4% YOY nationally with the Dublin market declining slightly.
- Second-Hand Housing Sales reduced in Dublin by 2.5%, but increased 1.8% across the rest of the country.
- The 21,241 units built comprised of:
 - 3,644 Apartments (24%)
 - 12,529 Market Houses (59%)
 - 5,068 One-Off Builds (17%)
- Average house prices increased nationally by 2%
- New house prices were 30% higher than second hand house prices on average in 2019

Source: CSO Dwelling - Executions
Property Price Register

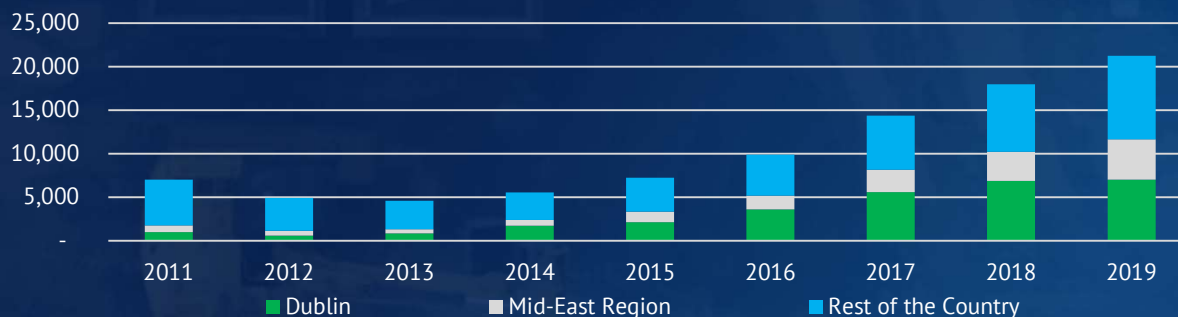
*Values Excludes Non-Market Sales. Figures rounded to nearest thousand

SUPPLY CONTINUES TO FALL SHORT

Completions Relative to 2019 Demand Forecast ^[1]

Region	2019 Demand [1]	2019 Supply [2]	% Delivered	2020 Demand [Adjusted]
Greater Dublin Area	20,998	11,646	55%	19,430
Dublin	13,088	6,991	53%	13,789
Mid-East Region	4,527	4,655	103%	3,950
Midland Region	2,433	852	35%	2,563
South-East Region	4,017	1,841	46%	4,204
Border Region	2,997	1,706	57%	3,113
West Region	2,764	1,674	61%	2,714
Mid-West Region	1,862	938	50%	1,918
South-West Region	5,885	2,584	44%	6,167
Nationwide	40,954	21,241	52%	40,108

NEW DWELLINGS BY AREA



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

[1] Demand based on population analysis and forecast per Initiative Ireland Housing 2031 Report, 2019 demand includes forecast 2019 demand and half of the unmet demand from 2018

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

Nationwide Supply Commentary:

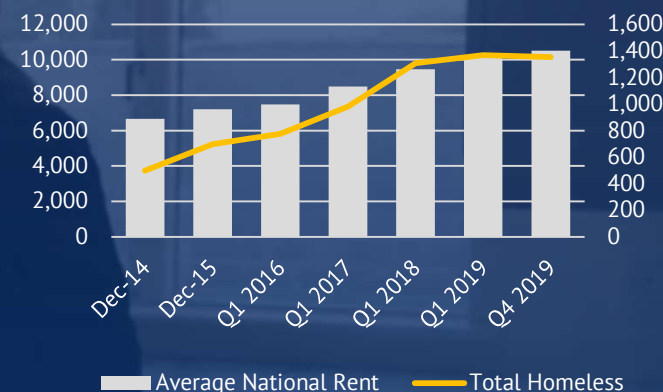
- **Supply increased 18% year on year (YOY).** While this is a significant increase in supply, it is the lowest rate of supply growth since 2014. Growth driven by building outside of Dublin.
- **Growth in Dublin slowed dramatically to 2%,** with the mid-east region increasing by 40%, indicating that sales are moving outside of Dublin due to affordability issues.

Regional Supply Commentary:

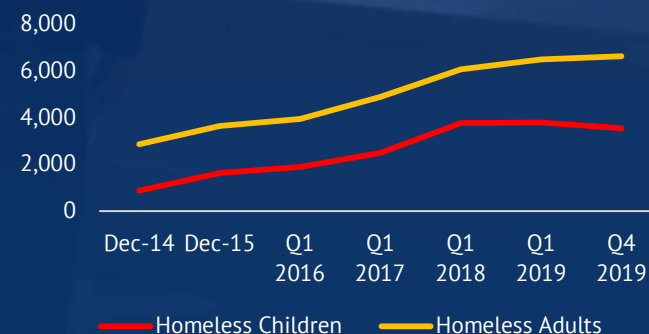
- **Greater Dublin Area:** Supply increased 18% YOY vs. a 23% YOY increase in 2018.
- **Mid-East Region:** Last year the report noted that the Mid-East is the most viable nationwide for development and this proved out in 2019 with a 40% YOY increase and supply exceeding forecast demand. This is offsetting the surplus demand from Dublin.
- **Midland Region:** Despite the small volume of homes delivered, YOY supply growth increased from 27% to 46% in 2019, which was one of the largest increases in the country.
- **South-East Region:** YOY supply grew 17%, from 41% increase in 2018.
- **Border Region:** YOY supply grew by 9%, following a 27% increase in 2018.
- **West Region:** YOY supply grew by 46%, up from 15% in 2018.
- **Mid-West Region:** YOY supply grew 21% compared to a 3% increase in 2018.
- **South-West Region:** YOY supply increased by 21% compared to 26% increase in 2018.

HOMESLESSNESS IN IRELAND

- Across Ireland there were 10,148 people homeless in emergency accommodation towards the end of February 2020. This included 3,574 children.
- The number of homeless families has increased by 275% since February 2015 however it should be noted that these figures exclude the 'hidden homeless' families living with others on a temporary basis, which it is estimated can account for over 60% of displaced families in other countries.
- Historically most people using emergency accommodation were single adults. But in the last five years, there has been a rapid increase in the number of families becoming homeless, and in February 2020, there were 1,610 families accessing emergency accommodation including 3,574 children.
- This is primarily due to the lack of social housing available in the country. Almost 1 in 5 households now live in a privately rented home compared to 1 in 10 ten years ago. This has led to enormous pressure on the private rental market which has resulted in constantly rising rent levels and a lack of properties to rent.
- There are a number of factors impacting why so many families are becoming homeless including:
 - landlords selling up or being repossessed,
 - shortage of properties to rent driving up rents,
 - scarcity of properties accepting rent supplement,
 - Inability to access affordable housing stock for purchase



Homeless Families



NEW HOUSING - AFFORDABILITY

Current Affordability	Family A	Family B	Family C	Family D	Family E
Household Income	€ 35,000	€ 65,000	€ 85,000	€ 100,000	€ 150,000
Mortgage Now (3.5x)	€ 122,500	€ 227,500	€ 297,500	€ 350,000	€ 525,000
Purchasing Power***	€ 149,750	€ 250,250	€ 327,250	€ 385,000	€ 577,500

New Housing – % Market Access

	Family A	Family B	Family C	Family D	Family E
Purchasing Power	< €149,750	< €250,250	< € 327,250	< €385,000	< €577,500
Greater Dublin Area	2%	4%	12%	33%	80%
Midland Region	6%	50%	84%	92%	94%
South-East Region	5%	51%	85%	91%	99%
Border Region	35%	77%	91%	96%	99%
West Region	11%	33%	60%	77%	96%
Mid-West Region	9%	30%	63%	84%	97%
South-West Region	5%	22%	46%	71%	93%
Nationwide	4%	15%	38%	59%	90%

New Housing – Volume of Market Access

Greater Dublin Area	82	173	478	1,293	3,116
Midland Region	13	116	196	214	232
South-East Region	34	340	574	611	664
Border Region	114	248	294	309	319
West Region	48	141	258	330	413
Mid-West Region	40	136	287	382	443
South-West Region	64	297	621	964	1,264
Nationwide	426	1,682	4,175	6,420	9,778

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

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

- Analysis this year was based on the 2018 social conditions survey with income indexed to 2019.
- The Property Price register is used to determine the number of new houses sold last year, with care given to remove duplications and errors.
- There were 10,852 new houses sold in 2019, of which 9,779 (90%) were affordable for Family E.
- New housing in the Greater Dublin Area remains unattainable for Family A and B with less than 100 houses sold in the last year below €250k.
- This shows how the most vulnerable families are the worst impacted by the lack of new affordable housing, placing greater pressure on the government to supply social housing in these areas.
- In comparison to last year, new houses have become even more inaccessible for Family A. Family B also struggled to access much of the new housing market in the Greater Dublin Area.

SECOND-HAND HOUSING AFFORDABILITY

Current Affordability	Family A	Family B	Family C	Family D	Family E
Household Income	€ 35,000	€ 65,000	€ 85,000	€ 100,000	€ 150,000
Mortgage Now (3.5x)	€ 122,500	€ 227,500	€ 297,500	€ 350,000	€ 525,000
Purchasing Power***	€ 149,750	€ 250,250	€ 327,250	€ 385,000	€ 577,500

Second-Hand Housing – % Market Access

	Family A	Family B	Family C	Family D	Family E
Purchasing Power	< €149,750	< €250,250	< € 327,250	< €385,000	< €577,500
Greater Dublin Area	3%	24%	50%	64%	86%
Midland Region	46%	88%	96%	98%	100%
South-East Region	38%	80%	92%	95%	99%
Border Region	61%	91%	97%	98%	100%
West Region	39%	74%	90%	94%	99%
Mid-West Region	42%	82%	93%	96%	99%
South-West Region	25%	64%	85%	91%	97%
Nationwide	25%	58%	76%	84%	94%

Second-Hand Housing – Volume of Market Access

Greater Dublin Area	393	3,282	6,700	8,579	11,545
Midland Region	1,302	2,490	2,713	2,772	2,827
South-East Region	1,573	3,329	3,836	3,975	4,135
Border Region	1,992	2,977	3,185	3,237	3,275
West Region	1,537	2,928	3,563	3,742	3,916
Mid-West Region	1,779	3,456	3,911	4,037	4,170
South-West Region	1,609	4,089	5,384	5,772	6,197
Nationwide	11,077	25,736	33,893	37,281	41,860

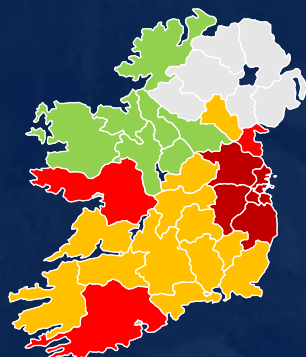
Source: Property Price Register - Initiative Ireland Analysts have adjusted to exclude non-market sales and errors

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

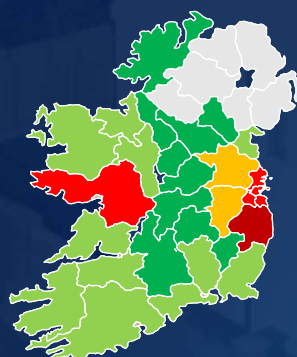
- Second hand housing continues to dominate the housing market and is far more attainable than new homes to lower income families.
- There was 44,311 second hand houses sold in 2019, of which 41,860 (94%) were affordable to the five families.
- Families B and C have good access to properties with at least 24% of the greater Dublin stock available to them.
- Family A however continues to be unable to afford to purchase a home in the Greater Dublin area, but has at least 25% of the stock in the other regions within the affordability range

OVERALL HOUSING AFFORDABILITY

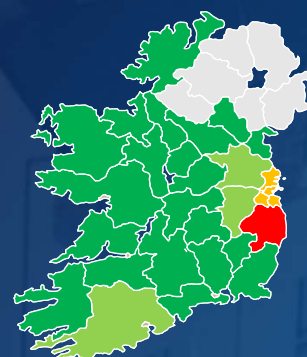
Current Affordability	Family A	Family B	Family C
Household Income	€ 35,000	€ 65,000	€ 85,000
Mortgage Now (3.5x)	€ 122,500	€ 227,500	€ 297,500
Purchasing Power***	€ 149,750	€ 250,250	€ 327,250



Family A



Family B



Family C

< 5% of the stock

Dublin, Meath, Kildare, Wicklow

Wicklow

None

< 10% of the stock

Cork, Galway, Louth

Dublin, Galway

Wicklow

< 30% of the stock

Monaghan, Westmeath, Longford, Offaly, Laois, Tipperary, Kilkenny, Carlow, Wexford, Waterford, Limerick, Kerry, Clare

Kildare, Meath

Dublin

< 60% of the stock

Donegal, Sligo, Mayo, Leitrim, Longford

Louth, Sligo, Roscommon, Clare, Limerick, Kerry, Cork, Waterford, Kilkenny, Wexford

Meath, Kildare, Cork

> 60% of the stock

None

Donegal, Leitrim, Monaghan, Cavan, Longford, Westmeath, Offaly, Laois, Carlow, Tipperary

Donegal, Leitrim, Cavan, Monaghan, Louth, Sligo, Mayo, Roscommon, Longford, Westmeath, Galway, Clare, Offaly, Carlow, Wexford, Waterford, Limerick, Kerry

Source: Property Price Register - Initiative Ireland Analysts have adjusted to exclude non-market sales, deposits 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 €65,000 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.
- While house prices remain more affordable for Family C in most counties, volume of supply remains a challenge.

HOUSING 2020 – COVID 19 COMMENTARY

COVID 19 IMPACTS

The Initiative Ireland Housing 2020 report has been produced to provide an overview of how the market performed in 2019 with the goal of observing medium-term trends, driven by medium to long-term market conditions. While the long-term impacts of COVID 19 on the economy and the speed of economic recovery are difficult to forecast, it is possible to speculate how some of the short-term, direct impacts will likely impact the housing market in 2020 in light of pre-existing market conditions.

- **Housing Supply:** While supply of second-hand homes to the market will likely recover quickly, it is inevitable that new housing delivery will be impacted in 2020. As outlined in the Housing 2020 report, we forecast a need for 40,000 fit-for-purpose housing units nationwide, with the correct allocation of social, affordable and mid-market housing. It is likely that this will not be achieved in 2020, instead we forecast actual delivery shall be closer to 20,000 units.
- **Delivery Forecast:** While actual supply will vary when compared to commencements in a given year, analysis of both figures would suggest that Ireland was on track to deliver approximately 25,000 units in 2020, prior to COVID 19, meaning the pandemic may result in a 20% - 25% reduction in forecast supply, and a 50% shortfall, even if the quarantine is lifted in May. This will be driven by:
 - **Construction Activity:** With activity now on hold nationwide a number of projects will be materially delayed however in some cases these delays could see the viability of certain projects impacted, halting their progress.
 - **Planning & Acquisition:** In addition to direct delays on existing projects, many developers are unable to finance or have opted to postpone or cancel the acquisition of additional sites and projects. This will likely manifest in additional delays to commencements in 2020, resulting in a further shortfall of new housing supply in 2021.



MARKET OUTLOOK - SPECULATIVE

- **Social Housing:** Prior to COVID 19, there were 70,000 people on the social housing waiting list. Demand for social housing is not expected to contract but rather increase in light of the recent economic volatility, as such this segment should prove most resilient for supply and demand.
- **Affordable Housing:** While the supply of affordable housing has improved outside of Dublin, nationwide housing supply remains overly targeted towards high income earners and investors. COVID 19 has likely impacted the employment, income and savings of many lower income families however salary subsidies and supports have been more readily available to this segment. In light of same and the extent of under supply, demand for low cost housing should prove the most resilient within the private market.
- **High-Cost Housing:** Of all the segments, this segment of the market might most reasonably see some price contraction due to the smaller underlying demand (excluding investors who may self-exclude themselves from the market). Salary subsidies have not extended to most buyers in this demographic. It is therefore more likely this segment has seen a reduction in savings and investments, possibly impacting purchasing power.
- **Second-Hand Housing:** In light of delays to existing and new housing developments, it is likely that we will see the increasing unmet demand for new housing shift towards second-hand housing market temporarily over the next year, which could result in increased demand for existing stock in the short to medium term.



InitiativeIreland

Impact Finance Community

About Initiative Ireland

Initiative Ireland is a social enterprise managing a growing Impact Finance Community, which co-funds the construction of energy-efficient, social and affordable housing projects nationwide. We aim to deliver societal and environmental impact, while also delivering steady returns for our investor community. Our investment community is made up of Private, Corporate, Pension and Institutional Clients and all loans are secured against Irish Real Estate. Initiative Ireland is a private limited company and a signatory of the UN Principles of Responsible Investing. More Information: www.InitiativeIreland.ie

About the Report

Initiative Ireland has produced this report to help increase awareness of and promote an open dialogue regarding the Irish Housing Market. The report aims to combine publicly available sources of information, in a meaningful way, to provide an objective overview of the market, along with commentary on observable insights and trends. It is not intended for any other use.

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 and it should not be used as such.

Initiative Financial Services Limited, t/a Initiative Ireland is a private limited company registration number 563769. Initiative Ireland is a registered Data Controller, registration number 16237/A. Initiative Ireland is a partner of MANGOPAY, a public limited company incorporated in Luxembourg (Number B173459) and approved as an electronic money institution by the Financial Sector Regulator (CSSF), Luxembourg. Information provided is provided on a non-advised basis and does not constitute financial advice. For further information, including terms of business which apply, please visit www.InitiativeIreland.ie