



THE ROLE OF INSTITUTIONAL INVESTMENT IN THE IRISH REAL ESTATE MARKET

A report prepared for IIP by Jim Power Economics

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EXECUTIVE SUMMARY

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- Institutional investment is playing an important and valuable role in the Irish real estate market and economy, and the populist criticisms of the sector fail to understand the critical role played by the sector in enabling economic recovery and growth. The reality is that institutional investment became a feature of the Irish property market at a time when the market was in deep crisis; when domestic investment had dried up; and when development was brought to a standstill due to the restricted availability of investment capital from the banking sector due to the financial crisis.
- The real estate sector invests in, develops, maintains, and supports the real estate assets that constitute the built environment infrastructure that is an essential element of economic, business, and social life.
- In the aftermath of the 2007/08 global financial crash, institutional capital has become a significant component of the Irish real estate market. Institutional investors include pension funds, specialist private equity firms and Real Estate Investment Trusts (REITS). The investment has been in commercial office, retail, and industrial space, with residential housing becoming a growing segment of the market. Institutional investment brings the benefits of creating a more professionalised sector; better management and maintenance of properties; a strong focus on sustainability and building long-term partnerships with key stakeholders.
- In 2019, international investment accounted for 72% of total investment in the Irish real estate market. This is up from zero in 2007, when most debt was financed by the Irish banking system. International investment filled the void left by the collapse in the debt funded model in 2010.
- Ireland has a very significant housing challenge, and addressing this challenge is a key element of the Programme for Government. Institutional investment is playing its part in meeting the challenge but can and should play a more significant role in the future.
- Research from the Department of Finance concluded that in 2017, the combined purchasing activity of property funds, real estate firms and real estate investment trusts was relatively small. Furthermore, it states that institutional investment in the residential sector offers significant advantages. Such firms are *'investing in high quality, high density and well-located units for the rental sector.'*
- In its recently published annual report for 2019, the Residential Tenancies Board points out that "the presence of large-scale institutional investors is continuing to grow in the private rental sector in Ireland. This is true particularly in urban areas, and as they expand their market share, they are going to have a significant impact on the rental sector, not least in terms of delivering new supply to the private rental sector. Nevertheless, mid-sized and smaller landlords continue to play a vital role and still provide the vast majority of private tenancies in the rental sector".

- Institutional investment is key to the delivery of apartments. The cost of building apartments in Dublin is higher than many aspiring owner-occupiers or first-time buyers can borrow or afford, and therefore large-scale apartment development is not economically viable for the “build to own” market. A report published by Irish Institutional Property (IIP) shows that construction costs for apartments stand at €225,000 per unit rising to over €300,000 when legal, planning and finance costs are included. The addition of VAT, land, levies and equity sees the final cost rise to over €460,000.
- The willingness of institutional investors to acquire large scale blocks and pay the required price is facilitating the supply of apartments that would otherwise not have been constructed. Forward purchasing commitments from institutional investors are now driving apartment development.
- Private investors borrowed €7.9 billion from the banking system in 2006, but the equivalent in 2019 was just €184 million. It no longer makes sense for private investors to borrow and invest in the market because borrowing is less freely available and more expensive and tax incentives for private investors have become less favourable since the crisis. In addition, rent controls, greater compliance and regulatory costs, and the difficult experience for private investors from 2008 onwards as house prices and the economy fell heavily resulted in many private investors experiencing significant financial stress.
- Institutional investors put €2.5 billion into the residential market in 2019, but this is only a fraction of overall investment by private investment in the market in 2006. The change in apartment codes in 2015; the introduction of REIT and ICAV structures; increased confidence from institutional investors: these have all combined to deliver increased institutional investment. The reduction in bond yields is also a significant driver of institutional investment in real estate of all types.
- The economic activity and employment generated by institutional investors in Ireland over the past decade is very significant. The reality is that in a country like Ireland, with a lack of embedded wealth in the system, it is almost certainly necessary to import up to 80% of capital for real estate development. This facilitates economic development. Institutional investors, in the main backed by pension funds, are focused on the long term, seeking sustainable annual returns of 4-6%.
- Real estate development will play an important role in the rebuilding and recovery of the Irish economy. Institutional investors have the capacity to play a key role in that process, just as they did in the past decade. Following the crash of 2008, institutional investors came into the Irish market and gave the market scale and depth.
- Care is needed to preserve the attractiveness of the country for overseas investment. The market for institutional capital is intensely competitive, and Ireland needs to be able to compete effectively. The political pushback against institutional investors who committed capital to the economy when nobody else was willing to, has been quite strong in recent years, especially in the residential sector. Recent tax changes to stamp duty and REITS plus the perception that further tax changes are possible have made Ireland much less competitive in attracting such investment at a time when we are still in the very early stages of building a sustainable real estate sector, as compared to other advanced economies.

INTRODUCTION

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Institutional investment has become a significant feature of the Irish real estate market over the past decade. In 2019, Irish Institutional Property (IIP) was formed to become the voice of institutionally financed investors with significant international backing in the Irish real estate market.

The mission statement of IIP is to promote the development of a sustainable world class real estate sector in Ireland, which would benefit the members, the economy, communities, and wider society.

IIP seeks to achieve these aims by focusing on the following key objectives:

- Foster proactive and open communication between members and with all key stakeholders on matters of common interest.
- Leverage member insight to provide thought leadership which supports the development of a sustainable property sector.
- Constructively engage with government, legislators, policy makers and other relevant stakeholders to maintain a stable and properly functioning property market.
- Position Ireland as a preferred location for institutional capital investment, supporting economic growth and the development of sustainable communities and workplaces.
- Support the modernisation and professionalisation of the sector by continuously improving the quality of the built environment.

This report was commissioned by IIP to set the proper context for the role of institutional investment in the Irish property market. The report covers the following areas of interest:

- The role that institutional investment has played in the Irish property market.
- The economic impact that institutional capital has had on the Irish economy through investment, employment generation, the types of properties delivered, and the role that this investment has played in the Irish real estate market.
- Assessment of other international markets where institutional investment is a strong feature of the local market.
- Assessment of where the Irish real estate market is now, and what the challenges are.
- Analysis of policy alternatives for creating a better functioning Irish real estate market and how the market can be shaped to best serve the future needs of the Irish economy and Irish society.

SECTION 1

ROLE OF INSTITUTIONAL INVESTMENT IN IRISH PROPERTY MARKET

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Real estate assets are a key element of any functioning economy and society. Those assets basically constitute the essentials of business and society, including as they do, offices, shops, factories, industrial and warehousing space, leisure facilities, hospitality, and housing. Real estate assets are necessary for the functioning of an advanced economy and society generally, as they are essential to support economic activity and employment.

The real estate industry invests in, develops, maintains, and supports the real estate assets that constitute the built environment infrastructure that is an essential element of economic, business, and social life. It includes activities such as development; construction; maintenance, repair, and refurbishment of real estate assets; transacting; property management; fund and portfolio management activities. These activities are essential elements of the real estate sector and make a significant economic and employment contribution.

Other contributions from the sector include:

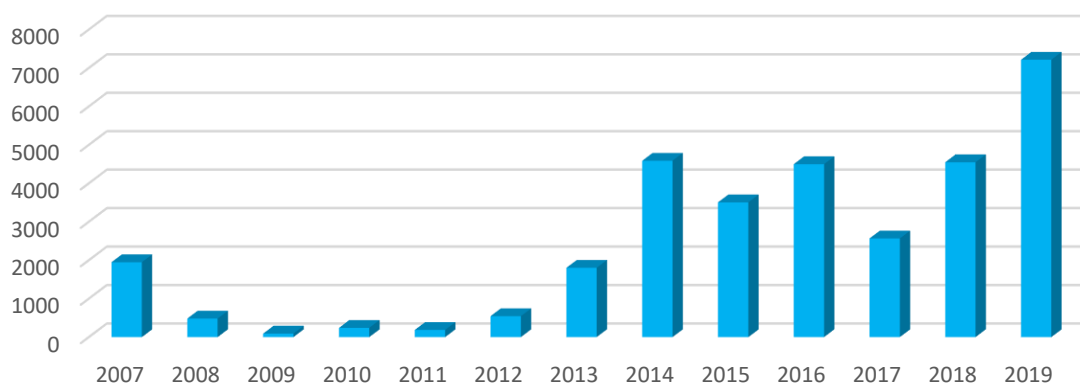
- Tax paid to the Exchequer both directly and indirectly.
- Jobs for both skilled and unskilled employees during the construction phase.
- Better quality and modern premises improve employee productivity.
- Revival and improvement of idle or under-used buildings.

RECENT TRENDS IN REAL ESTATE INVESTMENT

Since the economic shock of 2007/2008, institutional capital has become a much more significant component of the Irish real estate market. Institutional investors include pension funds, specialist private equity firms and Real Estate Investment Trusts (REITS).

The investment has been in office, retail, and industrial space, with residential housing becoming a growing segment of the market. Institutional investment brings the benefits of creating a more professional sector; better management and maintenance of properties; and a much greater focus on long-term leases. The Irish housing market has traditionally been dominated by owner-occupiers, and relatively small-scale buy-to-let investors or landlords, who tended to dominate the private rented sector. This has changed somewhat since the global economic crisis of 2007/2008, which had a devastating impact on the Irish property market and the overall Irish economy.

Figure 1: Total Investment in Irish Real Estate (€m)



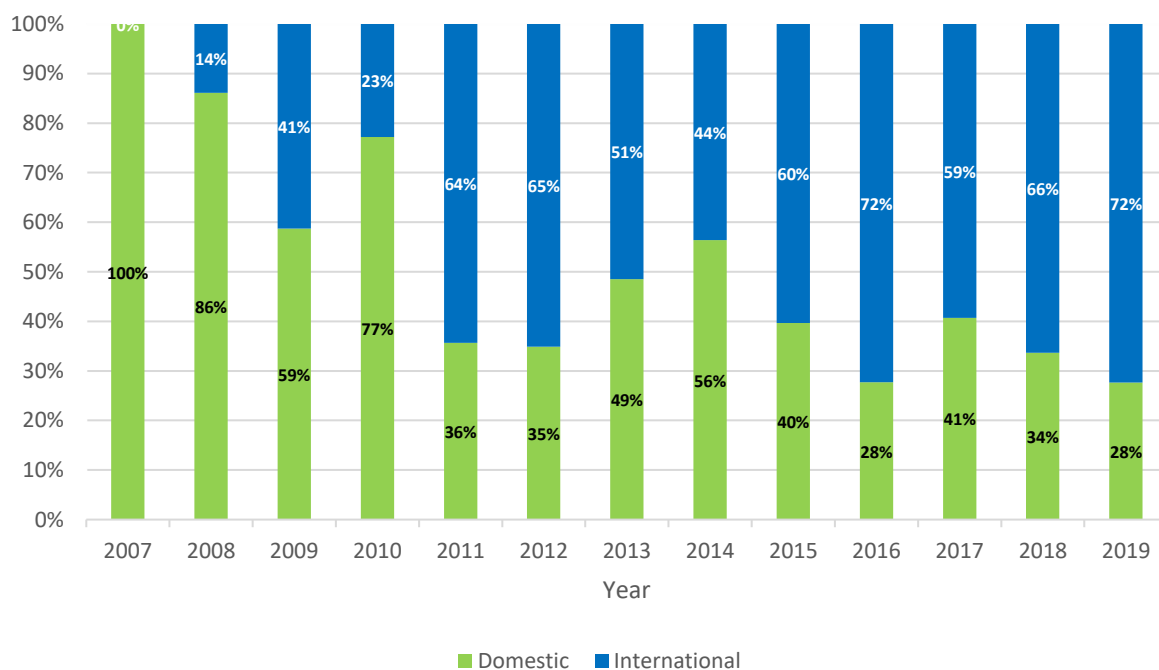
Total investment in Irish real estate fell to just €92 million in 2009. It subsequently recovered strongly to reach €7.2 billion in 2019. This growth in investment reflected the recovery in the economy; sustainable returns from real estate investment; low interest rates making bond markets unattractive; and strong international interest in the market.

Figure 2 shows the structural change that has occurred in Irish real estate investment in recent years. In 2007, there was no international investment in the Irish real estate market. Much of the investment was debt provided by Irish banks, raised by debt finance in Europe rather than deposits. Institutional investors stayed out of the market. In 2019, international investment accounted for 72% of total investment in the market.

This growth in the international share of real estate investment is due to several factors:

- The lack of domestic capital in the market.
- The perceived potential for sustainable investment returns following the 2008 economic shock.
- Ireland’s favourable demographics and economic prospects, and membership of the Euro Area.
- The transparency of the Irish market, as measured by JLL’s Global Real Estate Transparency Index.
- The Irish authorities’ modernisation of the policy framework and incentives to make the Irish market more competitive in attracting international capital.

Figure 2: International Investment Flows as % of Total Expenditure on Irish Real Estate

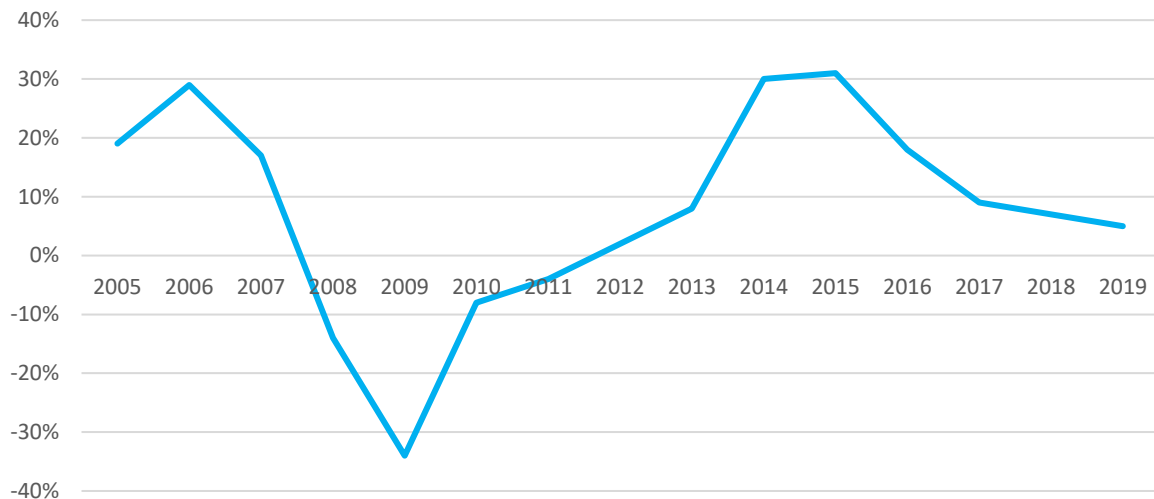


Source: CBRE

Returns from Irish real estate investment fell heavily from 2008 onwards, with an annual decline of 14% in 2008, 34% in 2009, 8% in 2010, and 4% in 2011. Against a background of sharply lower values and prospective economic recovery, investment flows and returns from the market increased significantly from 2013 onwards.

In 2010, the real estate market reached very low levels and there was little domestic capital available to invest in the market. Confidence in the sector was at a very low level. International investors filled the void left by the collapse of the debt funded model, and subsequently played a significant role in the overall recovery of the sector. Such investment was crucial in taking the economy out of the very difficult situation that it had been thrust into.

Figure 3: Irish Real Estate Market Returns



Source: MSCI/IPD 2020

Figure 3 demonstrates the level of volatility in Irish real estate market returns. Between 2005 and 2019, the standard deviation of Irish returns was 17.8%. Between 2005 and 2015, the standard deviation of Irish returns was 20.8%. This level of volatility is considerably higher than in the US or Europe, and it demonstrates the historically volatile nature of the Irish market.

The arrival of institutional investors has helped create a more stable and less volatile market. Between 2016 and 2019, the standard deviation of Irish returns was just 5.7%.

SECTION 2

IRELAND'S RESIDENTIAL HOUSING CHALLENGE

SECTION 2 IRELAND'S RESIDENTIAL HOUSING CHALLENGE

In the political campaign leading up to General Election 2020, housing, health, climate action and quality of life dominated debate. The housing market was undoubtedly top of the agenda. Discussion typically revolved around the affordability issue (for renters and aspiring purchasers), and homelessness.

In recognition of this reality, housing has formed a central element of the Programme for Government (June 2020)ⁱ.

The central tenet of the Programme for Government in the context of housing is that *'everybody should have access to good quality housing to purchase or rent at an affordable price, built to a high standard and located close to essential services offering a high quality of life.'* Specifically, over the next five years, there is a commitment to:

- Put affordability at the heart of the housing system.
- Prioritise the increased supply of public, social, and affordable homes.
- Progress a State-backed affordable home purchase scheme to promote home ownership.
- Increase the social housing stock by more than 50,000, with an emphasis on new builds.
- Tackling homelessness.
- Ensure local authorities are central to delivering housing.
- Work with the private sector to ensure an appropriate mix and type of housing is provided nationally.
- Improve the supply and affordability of rental accommodation and the security of tenure for renters.

The three prospective (as they were) parties of Government express a recognition of the important role that private housing supply will continue to play, and are committing to addressing challenges such as viability, access to finance, land availability, the delivery of infrastructure, building quality, building standards and regulation, and an adequate supply of skilled labour.

The success or failure of the next government will be largely determined by the success in delivering sufficient housing to create an affordable choice for renters and owner purchasers; solving homelessness; and ensuring that housing does not undermine the competitiveness of the Irish economy.

Lyons (2020)ⁱⁱ estimates that between 2020 and 2025, demand for housing is likely to be 47,000 per year. Over the past five years, just 70,550 new residential dwelling have been delivered. These figures demonstrate the magnitude of the challenge facing the incoming government in solving the housing crisis.

The appendices attached to this report clearly demonstrate the status of the housing and mortgage market and the challenges ahead.

Appendix 1 shows the recent trend in house prices, rent levels, and house building activity. This shows the escalation in house prices since 2013, the rapid growth in rents, and the failure to deliver adequate housing supply. The key problem in the market is the fact that demand exceeds supply, with negative economic and social consequences.

Appendix 2 analyses recent trends in mortgage lending by the Irish banking system, and the role that the Central Bank's mortgage lending rules play in the market. In 2006 mortgage lending totalled €39.8 billion, and then declined to a low of €2.46 billion in 2011. It has subsequently expanded to total €9.5 billion in 2019. One of the most interesting features of the mortgage market in recent years is the almost total

withdrawal of private investors. In 2006, private investors borrowed €7.95 billion, and in 2019, they borrowed just €184 million.

Appendix 3 analyses structural trends in the Irish residential market. The home ownership rate declined from 81.7% in 1991 to 67.6% in 2016. The average number of people per household has declined from 3.4 in 1991 to 2.7 in 2016. Apartment living has not traditionally been a feature of the Irish housing market, but it is growing in significance. In 2016, 8.9% of the population lived in apartments. This compares to 41.9% for the EU as a whole and 14.7% in the UK.

Appendix 4 looks at the future demand for housing. Based on a growing population, falling household size and other factors, the demand for housing both for home ownership and rental purposes is likely to increase. The market will inevitably struggle to deliver the requisite supply.

The scale of the future housing challenge in Ireland is immense. Institutional investment is playing its part in meeting the challenge but can and should play a much more significant role in the future.

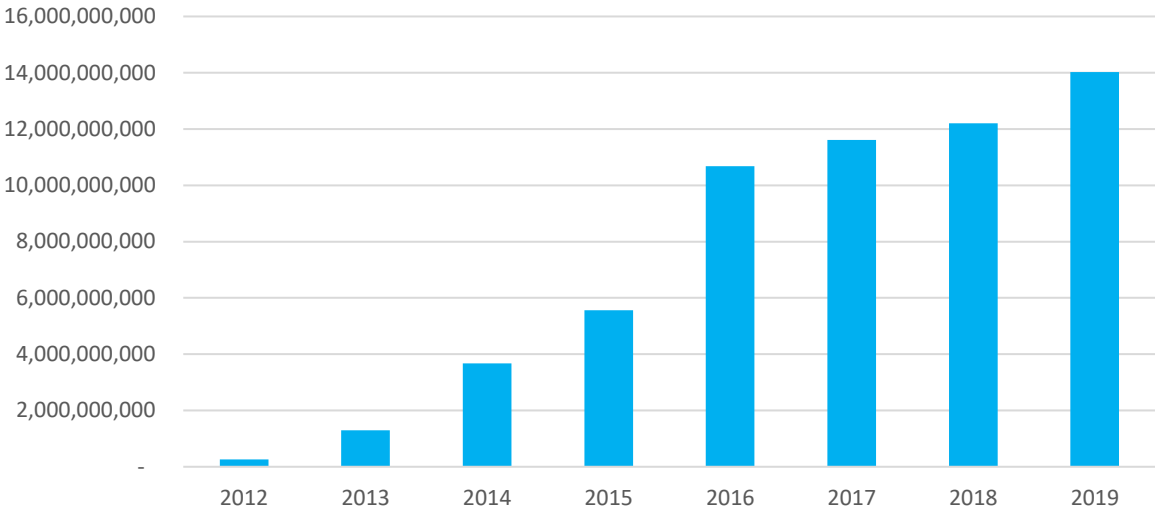
SECTION 3

INVESTMENT OF IIP MEMBERS IN THE IRISH ECONOMY

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The members of IIP have built up their investment in the Irish real estate market from €263 million in 2012 to €14 billion in 2019.

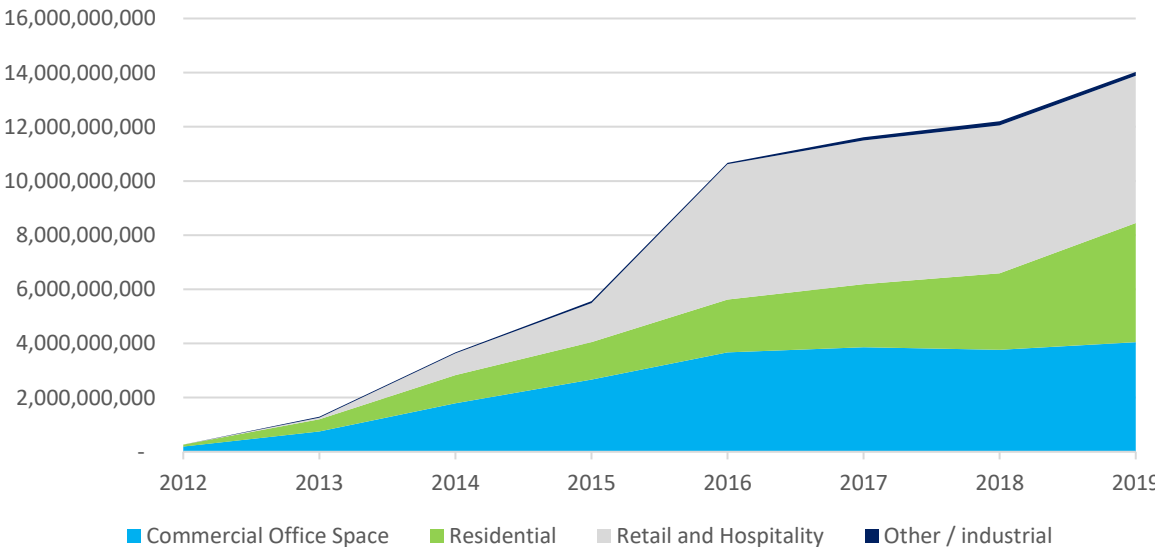
Figure 4: Assets Under Management by IIP members (€)



Source: IIP

In 2019, IIP members had €4.0 billion invested in Commercial Office assets; €4.4 billion in Residential assets; €5.4 billion in Retail and Hospitality assets; and €138 million in Industrial assets.

Figure 5: Assets Under Management by Sector



Source: IIP

In the period from 2012 to 2019, IIP members were responsible for the development of:

- 5,235 housing units.
- 1,472 student beds.
- 1,849,985 square feet of commercial office space.
- 174,147 square feet of retail space.
- 811,000 square feet of hospitality space.
- 122,000 square feet of industrial space.

IIP members employ c.6,000 people in Ireland, and they indirectly employ a further 22,000 people. The tenant companies in their properties employ more than 35,000 people.

If the economic impact/multiplier methodology used in the US real estate market (outlined in Section 6) is applied to the actual IIP investment in development between 2016 and 2019, the very significant economic and employment impact of the investment flows is illustrated.

Between 2016 and 2019, direct expenditure of €4.8 billion on the development of real estate assets:

- Contributed €13.9 billion to Irish GDP, which is a national construction multiplier of 2.895.
- Generated €4.4 billion in personal earnings in the Irish economy. This is an earnings multiplier effect of 0.9106.
- Supported 92,065 jobs in the Irish economy. This translates into approximately 19 jobs per €1 million of construction activity.

The activities of IIP members make a significant contribution to the Exchequer finances. During the construction phase, VAT, development levies and labour taxes accrue to the State. 85% of their profits are distributed by REITS, with a withholding tax of 25%.

The construction employment between 2016 and 2019 would have generated over €1.5 billion in payroll taxes; the direct employment supported by IIP members generates around €60 million in payroll taxes; and the employment in tenant companies generates around €350 million per annum in payroll taxes. The activities of IIP members are tax rich.

SECTION 4

NON-HOUSEHOLD INVESTORS IN IRISH RESIDENTIAL PROPERTY MARKET

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The Central Statistics Office provides data on the activities of 'non-households' in the Irish residential property market. The non-household sector comprises private companies, charitable organisations, and state institutions.

The non-household sector is very broad and includes Construction companies; Financial & Insurance (banks, holding companies, trusts, funds and similar financial entities); Real Estate (real estate management companies, companies buying, selling, renting or operating their own real estate); Human Health & Social Work (includes Approved Housing Bodies, residential care institutions etc.); and Extra-Territorial (companies with an address outside of Ireland).

Within the category of 'non-households', Financial & Insurance, and Real estate companies can be described as institutional investors in the residential property market.

The non-household sector is growing its market share of the overall market, and within that sector, *Finance & Insurance* and *Real estate Companies* have been growing their market share.

In 2018, 53,644 dwellings were bought and sold, with a total value of €15.3 billion. Of these transactions, non-households made up 9,145 purchases (17% of total) with a value of €2.4 billion (15.6% of total market value). This is up from 3.9% of total market volumes, and 3.3% of the total value of the market in 2010.

Table 1: Value and Volume of Non-Household Market Purchases Filed with Revenue (2018)

SECTOR	VALUE (€m)	%	VOLUME	%
Construction	202	8.4%	694	7.6%
Financial & Insurance	650	27.1%	2,197	24.0%
Real estate	309	12.9%	1,144	12.5%
Public Administration/Education/ Human Health & Social Work	708	29.5%	3,193	34.9%
Extra-Territorial	297	12.4%	1,040	11.4%
Other	231	9.7%	877	9.6%
Total	2,397	100.0%	9,145	100.0%

Source: CSO

Table 1 shows the share of units purchased by each component of the non-household sector in 2018. In value terms, institutional investors accounted for 40% of the total value of non-household purchases, and 36.5% of total market volume. This is up from 13.7% of total value and 10.3% of total volume of non-household market in 2010.

Table 2 looks at the breakdown of purchases of apartments by the Household and Non-Household sectors. The contribution of the Non-Household sector has been growing steadily since 2010 and reached 60.7% of the market in 2018. From 2013 onwards, the non-household sector stepped in to buy many unfinished and

unsold developments from the banks and NAMA. In 2018, the non-household sector bought just 12.1% of houses.

Table 2: Market Based Purchases of Apartments

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Household	2,187	1,681	2,364	3,467	5,323	5,915	6,061	7,386	7,308
Non-Household	346	325	726	701	2,470	2,718	2,771	3,739	4,436
Total	2,533	2,006	3,090	4,168	7,793	8,633	8,832	11,125	11,744
Non-Household	15.8%	19.3%	30.7%	20.2%	46.4%	46.0%	45.7%	50.6%	60.7%

Source: CSO

Table 3 shows the contribution that Financial & Insurance and Real estate companies made to the overall market purchase of apartments. In 2018, Financial & Insurance and Real estate companies purchased 19% of the total. Between 2010 and 2018, Financial & Insurance and Real estate companies accounted for 16.6% of total apartments purchased.

Table 3: Market Based Purchases of Apartments by Real estate and Financial & Insurance

	2010	2018
Total Purchases	2,533	11,744
Financial & Insurance	14	1,547
% of Total Purchases	0.6%	13.2%
Real estate	3	678
% of Total Purchases	0.1%	5.8%
Total	0.7%	19.0%

Source: CSO

Table 4 shows the contribution that Financial & Insurance and Real estate companies made to the overall market purchase of houses. In 2018, Financial & Insurance and Real estate companies purchased 2.7% of the total houses transacted. Between 2010 and 2018, Financial & Insurance and Real estate companies accounted for 2.6% of total houses purchased.

Table 4: Market Based Purchases of Houses by Real estate and Financial & Insurance

	2010	2018
Total Purchases of Houses	16,069	42,200
Financial & Insurance	39	703
% of Total Purchases	0.2%	1.7%
Real estate	20	416
% of Total Purchases	0.1%	1.0%

Source: CSO

Research from the Department of Finance (February 2019)ⁱⁱⁱ concluded that in 2017, the combined purchasing activity of property funds, real estate firms and real estate investment trusts is relatively small. Furthermore, it states that institutional investment in the residential sector offers significant advantages. Such firms are *'investing in high quality, high density and well-located units for the rental sector.'*

This is an important consideration, because as the Department of Finance research points out, 'large scale landlords (both companies and individuals with 200 units or more) own just 0.04% of the total housing stock, and 2.8% of the total rental stock (excluding local authorities and AHBs)'.

In its recently published annual report for 2019, the Residential Tenancies Board points out that "the presence of large-scale institutional investors is continuing to grow in the private rental sector in Ireland. This is true particularly in urban areas, and as they expand their market share, they are going to have a significant impact on the rental sector, not least in terms of delivering new supply to the private rental sector. Nevertheless, mid-sized and smaller landlords continue to play a vital role and still provide the vast majority of private tenancies in the rental sector".

To summarise, institutional investors are an important and growing force but are not in any sense forcing individuals from the market (as the term "cuckoo fund" suggests).

SECTION 5

BENEFITS OF INSTITUTIONAL INVESTMENT IN IRISH REAL ESTATE MARKET

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There is considerable criticism and controversy in relation to the role of institutional investment in the Irish real estate market.

The reality is that institutional investment became a feature of the Irish property market at a time when the market was in deep crisis; when domestic investment had dried up; and when development was brought to a standstill due to the restricted availability of investment capital from the banking sector due to the financial crisis.

THE RATIONALE FOR THE TAX TREATMENT OF REITS

The Finance Act 2013 introduced substantial new legislation into Irish law, which provided a tax framework for real estate investment trusts (REITs). REITs were first established in the US in the 1960s and have been for some time now an established element of the real estate investor across almost all advanced economies. The rationale for establishment used by the Department of Finance is outlined by Donaghy (2013).^{iv} It states that before the introduction of REITs, investment in property through corporate vehicles was not generally a tax-efficient option, due to the double layer of taxation that applied to profits earned in a company and then paid out to shareholders in the form of dividends.

The consequence was that investors in both commercial and residential property tended to invest personally, thereby concentrating risk into a small portfolio of assets, or to use other vehicles such as investment funds, which generally were only suitable for high-value investors. This resulted in a significant concentration of risk in a small number of buy-to-let properties for most residential landlords.

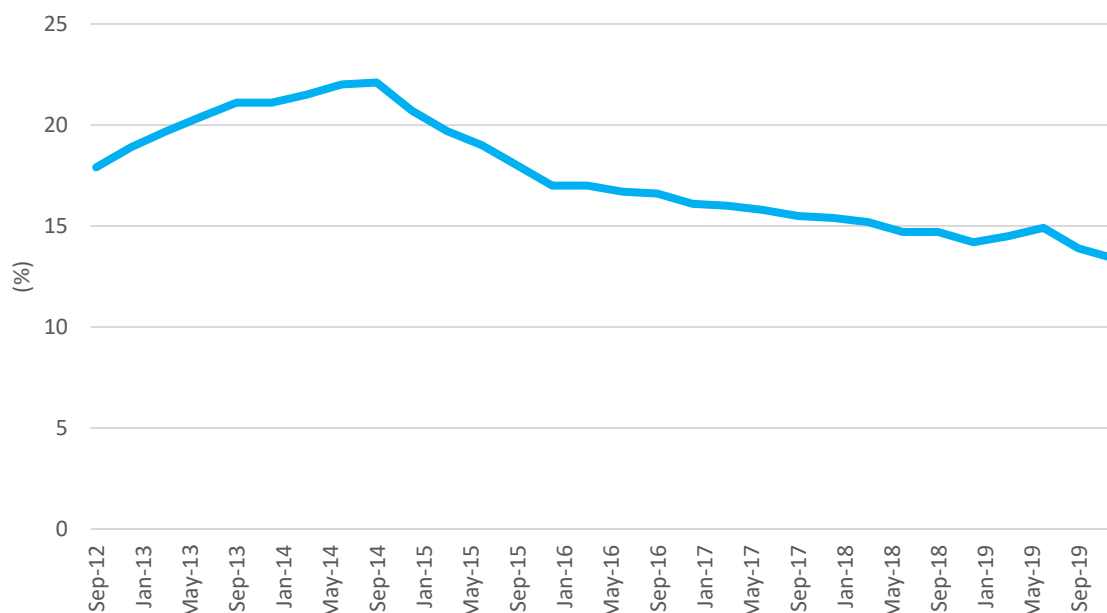
Furthermore, Donaghy states that investment in residential buy-to-let property involved a significant level of borrowing by investors, exposing them to significant risks in a time of financial contraction. These risks included:

- Negative equity.
- Inability to let the property due to net emigration from the area caused by job losses.
- A rise in interest rates, which would force mortgage repayments up higher than rental income.

The risks were highlighted clearly after the 2008 economic, housing, and banking crash. Buy-to-let mortgage arrears increased sharply after the crash. At the peak in 2014, 22.1% of buy-to-let mortgages were in arrears of more than 90 days. Despite the subsequent improvement, it remains an issue. At the end of 2019, 13.4% of outstanding buy-to-let mortgages (13,901) were still in arrears of 90 days or longer. The outstanding balance on these mortgages amounted to €3.6 billion, equivalent to 21% of the balance outstanding on all buy-to-let mortgages. A total of 13,307 buy-to-let mortgages were categorised as restructured at the end of 2019.

The economic and financial crash caused serious difficulties for buy-to-let investors and highlighted a major structural problem in the rental market.

Figure 6: Buy to Let Mortgage Arrears over 90 Days



Source: Central Bank of Ireland

Donaghy also states that ‘the proliferation of small landlords leads to a lack of consistent standards in the residential property market. This creates difficulties for tenants seeking accommodation but also for landlords, who may face difficulties in finding good long-term tenants in a rental market that has not traditionally been geared towards this market’.

REITS were established:

- To remove the problems caused by the double layer of taxation.
- To help spread risk across a range of different property types, locations, and sectors.
- To allow investors participate in returns from the property market without the need to manage and maintain a property personally, as REITS are generally managed by professional property asset managers.
- To allow small investors access returns from investment grade property that would be beyond their reach as an individual investor.

INSTITUTIONAL INVESTORS KEY TO DELIVERY OF APARTMENTS

Hooke & MacDonald research^y (April 2019) addressed the populist narrative that investment transactions are militating against people wishing to purchase properties for owner occupation. The research points out that the cost of building apartments in Dublin is higher than many owner-occupiers or first-time buyers can afford, and therefore large-scale apartment development will not occur as it is not economically viable. The willingness of institutional investors to acquire large scale blocks and pay the required price is facilitating the supply of apartments that would otherwise not have been constructed.

A report published by Irish Institutional Property (IIP)^{vi} shows that the construction costs alone of a two-bedroom house in Dublin city or suburbs are a €158,000, but this rises to over €200,000 when costs such as planning, professional fees and finance are added. When VAT, land, levies and the cost of equity are included, the figure rises further to a final cost of over €330,000.

For apartments, construction costs are higher at €225,000 per unit (due to more onerous requirements around foundations, parking, provision of lifts etc), rising to over €300,000 when legal, planning and finance costs are included. The addition of VAT, land, levies and equity sees the final cost rise to over €460,000.

The key reason why institutional investors are willing to pay the high price associated with the development of new apartments is that they use a time horizon of more than 20 years to calculate their return on investment. Private and opportunistic investors tend to look for a much quicker payback.

If the institutional investors pulled out of the market, private and opportunistic investors would not step in to fund the development, unless rents were significantly higher than they are today. There would be very few buyers for apartments and very few would get built. Without these institutional investors, fewer apartments would get built.

Investors have always been a significant component of the apartment market. Hooke & MacDonald suggests that in its 40 years' experience of selling apartments in Ireland, investors have been a critical part of the market for a large proportion of new developments. Investors have supplied accommodation into the rental market for many years and have been critical in the development of large volumes of apartments in the period from 1980 through to 2008. The firm carried out a review of a sample of 20 Dublin developments from 1980 through to 2008 and found that 77% were sales to investors.^{vii}

INSTITUTIONAL INVESTMENT VITAL FOR RESIDENTIAL AND COMMERCIAL MARKET

The Irish residential housing market is currently characterised by significant imbalances. The demand for housing is much greater than the supply, and this has resulted in escalating house prices and rents (outlined in Appendices to this report). This is not desirable from a social or economic perspective. Institutional investment is playing some role in the market now, but over the coming years it will have to play an increasingly important role in helping achieve a new equilibrium in the market.

The mortgage lending rules put in place as a macro-prudential measure by the Central Bank of Ireland (**Appendix 2**) are affecting affordability for aspiring owner-occupiers and more people are forced to rent. However, the supply of rental properties, particularly apartments, is constrained by viability issues, the lack of low-cost capital funding, and the legacy of the crash in 2008. The result has been an escalation in private rents, which based on CSO data, have increased by 73.6% between December 2010 and April 2020.

Private investors borrowed €7.9 billion from the banking system in 2006, but the equivalent in 2019 was just €184 million. It no longer makes sense for private investors to borrow and invest in the market, because borrowing is less freely available and more expensive and tax incentives for private investors have become less favourable since the crisis. In addition, rent controls, greater compliance and regulatory costs, and the difficult experience for private investors from 2008 onwards as house prices and the economy fell heavily resulted in many private investors experiencing significant financial stress.

Institutional investors put €2.5 billion into the residential market in 2019, but this is only a fraction of overall investment by private investment in the market in 2006. The change in apartment codes in 2015

(new guidelines on design standards for apartments were published by the Department of Environment in 2015 to encourage an increase in supply), the introduction of REIT and ICAV structures and increased confidence from institutional investors all combined to deliver increased institutional investment. The reduction in bond yields is also a significant driver of institutional investment in real estate.

Forward purchasing commitments from institutional investors are now driving apartment development. Data from Savills Research^{viii} show that 3,110 of the 5,884 Private Rental Sector (PRS) units purchased in 2019 (53%) were bought through forward purchase. The research suggests that given the scarcity and cost of finance for speculative development, and the higher peak debt levels required to build apartments, it is arguable that in the absence of institutional investors willing to pre-commit, many of these units would have been delayed or not delivered at all.

Having a well-structured, professional, and properly regulated rental market is essential, and institutional investors already do, and will increasingly play an important role in this regard.

AIB research^{ix} points out that Dublin has a narrower spread of rental values from the highest to the lowest, compared to eight other major cities considered across the globe. The tight spread between high and low rents is due to a lack of stock, with the consequence that poor quality stock tends to command high rents. If the supply of new stock were to expand significantly, lower quality stock would drop in price. Institutional investment will be crucial to the delivery of such new stock.

The existence of institutional investment also offers many attractions for the business sector:

- The ability to lease rather than own premises offers flexibility to business, both large and small. Around 40% of all European commercial property is rented office space, allowing companies the wherewithal to channel more of their capital into investment and growth in their business.
- Many businesses prefer the flexibility of renting and are often not in a financial position to commit the capital and management time required of owner-occupation. Institutional investment meets the need by investing in and providing accommodation services to business. This helps cashflow, allows investment in the business, and allows business focus on its core activities.

For personal investors in many countries, and particularly for smaller investors new to property investment who are unable or unwilling to purchase their own building, non-listed property funds and REITS represent popular and convenient routes for individual investors to get an exposure to property.

From an environmental perspective, institutional investors are important for investing in the environmental credentials of the built environment. Listed and non-listed property companies and funds across Europe are constantly being forced to evaluate and improve their sustainability record through their participation in the Global Real Estate Benchmarking (GRESB) annual survey.

The economic activity and employment generated by institutional investors in Ireland over the past decade is very significant. The reality is that in a country like Ireland, with a lack of embedded wealth in the system, it is almost certainly necessary to import up to 80% of capital for real estate development. It is also important to bear in mind that institutional investors are not looking for outsized returns and are quite happy to receive annual average returns of 4-6%.

PMA (Property Market Analysis, the real estate research consultancy) considered office investment in 18 countries in the period 2018-19 and showed that Ireland had the fourth highest level of international investment, with just over 10% of investment coming from domestic investors. ^x

In the context of the economic difficulties arising from the ongoing COVID-19 crisis, the fact that real estate investment is mainly funded from outside and is not dependent on domestic bank credit provides a certain

level of security that the economic crisis will not morph into a banking crisis. The fact that institutional investment is not backed by domestic bank debt offers a support buffer for the Irish economy and its banking system. It is worth pointing out that institutional investors are less geared than the Irish property syndicates were in the run up to the Global Financial Crisis (GFC) of 2007/08.

SECURING IRELAND'S PLACE FOR INSTITUTIONAL INVESTMENT

Real estate development will play an important role in the rebuilding and recovery of the Irish economy. Institutional investors have the capacity to play a key role in that process, just as they did in the past decade. Following the crash of 2008, institutional investors came into the Irish market and subsequently gave the market scale and depth. The political pushback against these same investors who made investments in the economy when nobody else was willing to, has been quite strong in recent years, especially in the residential sector. Recent tax changes to stamp duty and REITS plus the perception that further tax changes are possible have made Ireland much less competitive in attracting such investment at a time when we are still in the very early stages of building a sustainable real estate sector, as compared to other advanced economies. Care is needed to preserve the attractiveness of the country for overseas investment.

The latest Investment Intentions Survey from INREV (2020)^{xi} shows that respondents intend to invest a further €98.1 billion in global real estate in 2020. Of this total, €88.5 billion is expected to come from investors and €9.6 billion from funds of funds. Of the €88.5 billion, 61.1% is expected to come from Europe; 19.3% from North America; and 19.4% from Asia Pacific. €41.3 billion is expected to be invested in non-listed vehicles, with €22.3 billion specifically targeting non-listed real estate funds.

Ireland features in the top 10 as a preferred destination country. Of the respondents, 25.5% of investors and 40% of funds of funds expressed a preference for investing in Ireland. Of those investors with a preference for Ireland, 6.3% are from Asia Pacific; 35.7% from Europe; and 28.6% from North America.

Of those with a preference for Ireland, 23.5% of investors preferred residential.

When investors invest in non-listed real estate funds, their primary motivation is to access expert management, followed by achieving diversification benefits in an existing multi-asset portfolio and gaining quick access to specific sectors.

SECTION 6

THE ECONOMIC SIGNIFICANCE OF REAL ESTATE IN THE EU AND US

SECTION 6 THE ECONOMIC SIGNIFICANCE OF REAL ESTATE IN THE EU AND US

Ireland is at the very early stage of its journey towards building a sustainable real estate sector, particularly when compared to other advanced economies. The separation of ownership and occupation of buildings has long been a feature of the US and many European countries. These activities make a very significant contribution to economic activity, employment, and social life. This section looks at the structure of real estate investment in the EU, and the economic and employment contribution that real estate makes to the US economy and society.

COMMERCIAL REAL ESTATE IN EU-28

Research commissioned by INREV and EPRA estimates^{xii} that the commercial property industry directly contributed €385 billion to the EU-28 economy in 2017, which is equivalent to 2.8% of EU-28 GDP, and that it employs 4 million people. Indirectly, it is estimated that real estate activities '*contribute a value-added multiplier of 2.96 to employment across the construction supply chain, business and consumer services, professional, scientific and technical services, and public and private administration and support services*'. The impact on consumption is estimated to induce a further jobs multiplier of 0.8.

These numbers clearly highlight the role that the real estate sector plays in the economic, business, and social life of Europe.

The market value of commercial property (not including residential) in the EU-28 is estimated at approximately €7.2 trillion in 2017. Around 37% of all commercial property is held as an investment, valued at €2.6 trillion. Non-listed funds account for almost one third of total investment property.

The amount of commercial property held by non-EU institutions, including sovereign wealth funds, is estimated at €160 billion in 2017. The INREV/EPRA research points out that global investment is becoming an increasingly important source of capital in the EU commercial property market.

Table 5: Breakdown of Investor Investment in EU-28 Commercial Property Market

Institutions from outside EU	€160 bn
EU Insurance Companies & Pension Funds	€215 bn
EU Property Companies & REITS	€484 bn
Non-Listed Funds	€790 bn
Various other types of investor	€997 bn
Total Investment	€2,646 bn

Source: INREV/EPRA

The research also shows that large investors are steadily growing their investment in residential property holdings in recent years. For large investors, houses, apartments, and student accommodation represented 18% of total holdings in 2017. This is up from 9% in 2011.

The INREV/EPRA research also shows that the long-term cash flows generated from property investment provided an important source of diversified income in the portfolios of European savers and investors.

Various types of property accounted for €1.1 billion of European pension fund investments in 2017, which is an allocation of 6.5% of assets under management.

CONTRIBUTION OF COMMERCIAL REAL ESTATE DEVELOPMENT TO THE US ECONOMY

Real estate development and maintenance makes a significant contribution to US economic activity and employment.

The economic impact of real estate development can be estimated using different multipliers:

1. Output multiplier measures the contribution of expenditure on the overall economy.
2. Employment multiplier measures the total number of jobs that are supported.
3. Personal earnings multiplier measures the total personal earnings (wages and salaries) generated directly and indirectly.

Since 2008, the NAIOP Research Foundation, which is the research arm of the Commercial Real Estate Development Association in the US has commissioned a study, conducted with DODGE Data & Analysis, to estimate the economic contribution of commercial real estate development to the US economy.

The total economic and employment contribution from real estate development, and the operations of existing real estate is very significant. In 2017, the contribution to GDP was \$935.1 billion, which is equivalent to 4.8% of GDP; the contribution to employment was 7.57 million jobs, which is equivalent to 4.9% of US employment.

The analysis of real estate investment in the US is a good case study in demonstrating that real estate is a very important driver of economic activity and employment and makes a very strong economic, business, and social contribution. (Details in [Appendix 5](#)).

APPENDIX 1

THE CURRENT STATUS OF THE IRISH RESIDENTIAL MARKET

APPENDIX 1 THE CURRENT STATUS OF THE IRISH RESIDENTIAL MARKET

RECENT TRENDS IN IRISH HOUSE PRICES

The Irish housing market experienced a very sharp correction from 2008 onwards, in terms of both prices and delivery of housing stock as the economy experienced a very sharp decline in activity levels.

Average house prices recovered strongly between 2013 and 2018, but they moderated during 2019. The strong recovery in house prices from 2013 onwards was driven by pent-up demand coming back into the market after the economic crash; supportive economic fundamentals, particularly the strong recovery in employment; a greater level of confidence about the future; and population growth. This rebound in demand came up against a lack of supply following the collapse in house building, and the net result was a significant recovery in prices.

During 2019, house price inflation decelerated at a significant pace due to a combination of factors. These included: increased new home supply; the Central Bank's mortgage lending restrictions, which reduced affordability; and Brexit uncertainty.

Figure 7: Residential Property Price Index



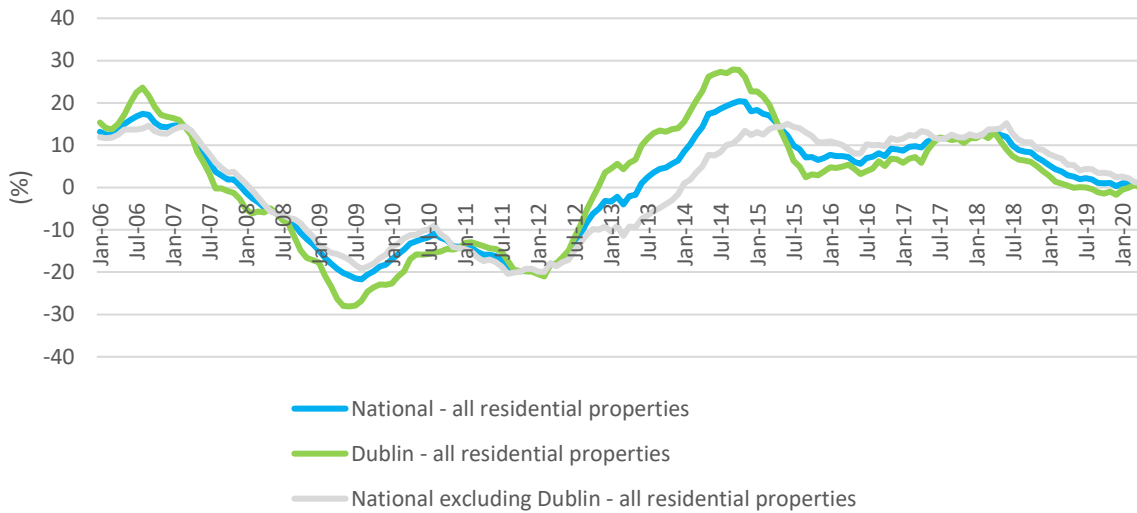
Source: CSO

The latest residential property price data from the CSO show:

- National average residential property prices declined by 55.2% between the peak of the market in April 2007 and the low point of the market in March 2013. Between March 2013 and April 2020, prices increased by 82.4%. Prices in April 2020 were 0.5% higher than a year earlier. The national index is still 18.1% lower than its highest level in 2007.
- In the Rest of Ireland (excluding Dublin), average residential property prices declined by 56.5% between the peak of the market in May 2007 and the low point of the market in May 2013. Between May 2013 and April 2020, prices increased by 81.7%. Prices in April 2020 were 1.1% higher than a year earlier. Despite the recovery, prices outside Dublin in April 2020 were still 21.1% lower than their May 2007 peak.

- In Dublin, average residential prices declined by 59.6% between the peak of the market in February 2007 and the low point of the market in February 2012. Between February 2012 and April 2020 prices increased by 91.8%. Prices in April 2020 were 0.1% lower than a year earlier. Prices in Dublin in April 2020 were still 22.6% lower than their February 2007 peak.

Figure 8: Annual Residential Property Price Growth



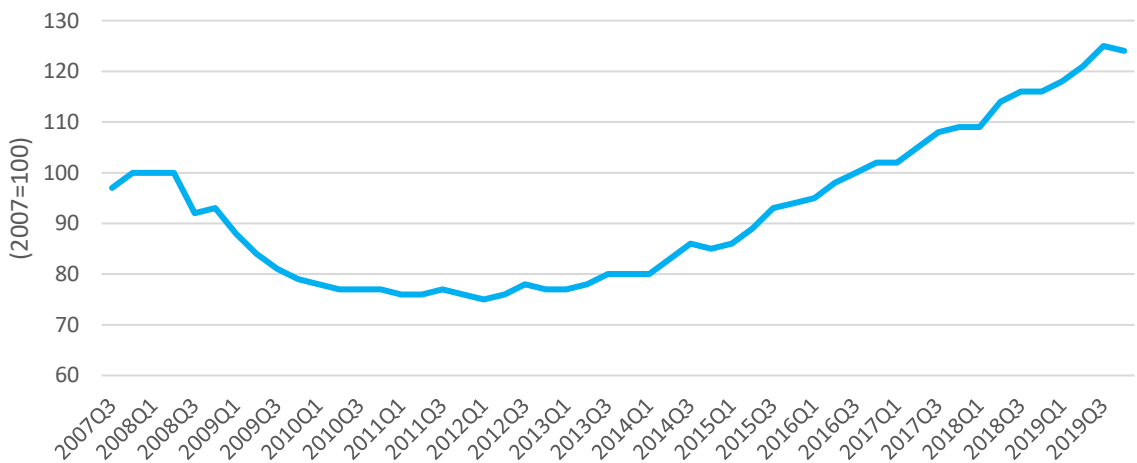
Source: CSO

THE COST OF RENTS

The Residential Tenancies Board (RTB) and the Central statistics Office (CSO) are two important sources of rent price data in the Irish market.

The RTB index is based on the RTB's national register of private tenancies and captures actual rents being paid for rented properties. Between the first quarter of 2008 and the first quarter of 2012, rents declined by 25%. Between the first quarter of 2012 and the final quarter of 2019, rents increased by 65.3%.

Figure 9: Residential Tenancies Board National Rent Index

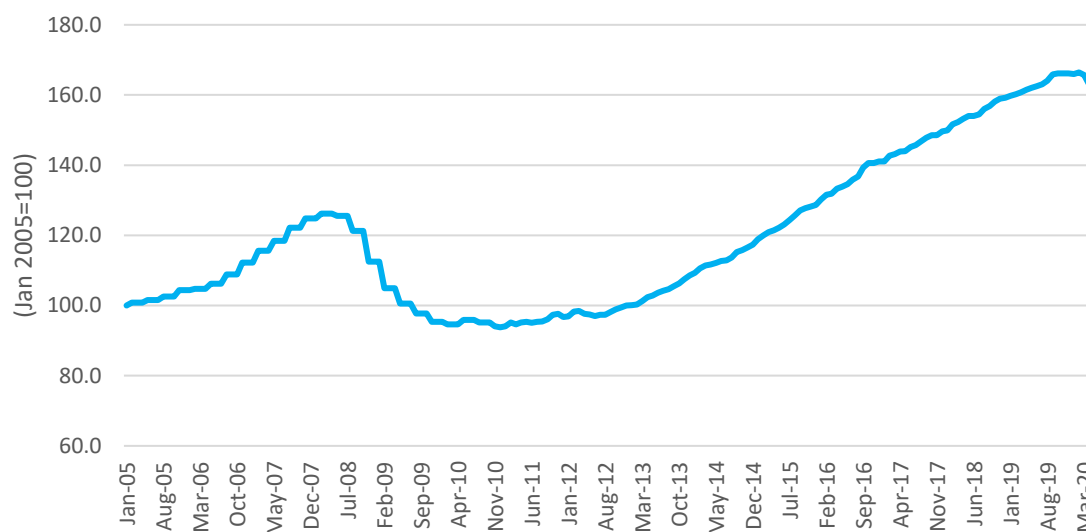


Source: Residential Tenancies Board

The RTB index is based on the RTB’s national register of private tenancies and captures actual rents being paid for rented properties. Between the first quarter of 2008 and the first quarter of 2012, rents declined by 25%. Between the first quarter of 2012 and the final quarter of 2019, rents increased by 65.3%.

The CSO’s private rent index is based on a sample survey of letting agents. It shows that between April 2008 and December 2010, average private sector rents declined by 25.7%. The market bottomed out at the end of 2010, and between December 2010 and May 2020, average rents increased by 71.5%. In May 2020, there was a year-on-year decline of 0.7%, which is a direct result of the COVID-19 crisis, and particularly the consequent increase in supply of Airbnb properties in the rental market.

Figure 10: CSO Average Private Rent Index



Source: CSO

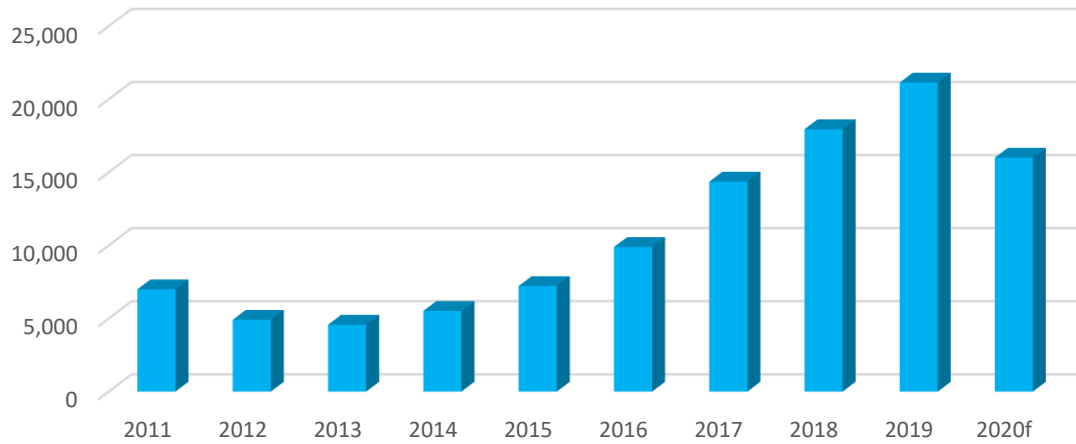
Both rental indices should somewhat different magnitudes of change, but the market direction is similar in both. The lack of adequate supply has pushed rental costs up, and the only viable solution is to increase supply.

HOUSE BUILDING ACTIVITY

The supply of new housing units has been gradually increasing since 2014. In 2019, 21,138 new dwellings were delivered, which is 17.8% higher than 2018. This was nearly five times higher than in 2013. Ireland is still clearly not building enough homes, but it is gradually moving in the right direction. In the first quarter of 2020, 4,986 new dwellings were completed, which is 17.2% higher than the first quarter of 2019. However, home building activity has been seriously disrupted by COVID-19, and although the construction sector has now returned to work, building activity has been disrupted and completions this year could be as low as 16,000.

Lyons^{xiii} estimates that between 2020 and 2025, demand for housing is likely to be 47,000 per year.

Figure 11: New Dwelling Completions



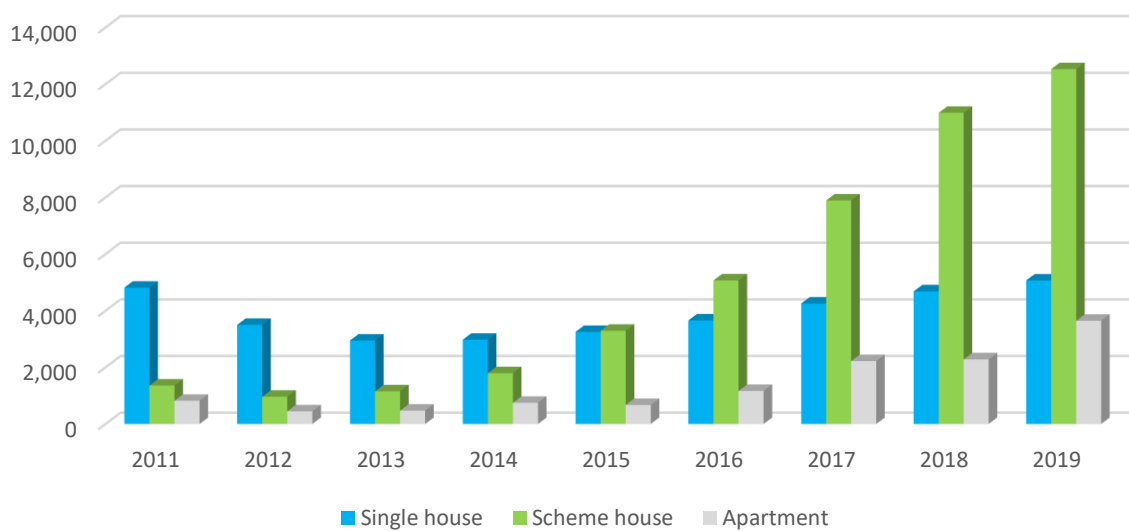
Source: CSO

Figure 12 shows the breakdown of new dwelling completions between 2011 and 2019.

A total of 92,548 dwelling units were completed. Of this total:

- Single houses accounted for 35,144 or 37.9% of the total.
- Scheme houses accounted for 45,030 or 48.7% of the total.
- Apartments accounted for 12,374 or 13.4% of the total.

Figure 12: Completions by Dwelling Type



Source: CSO

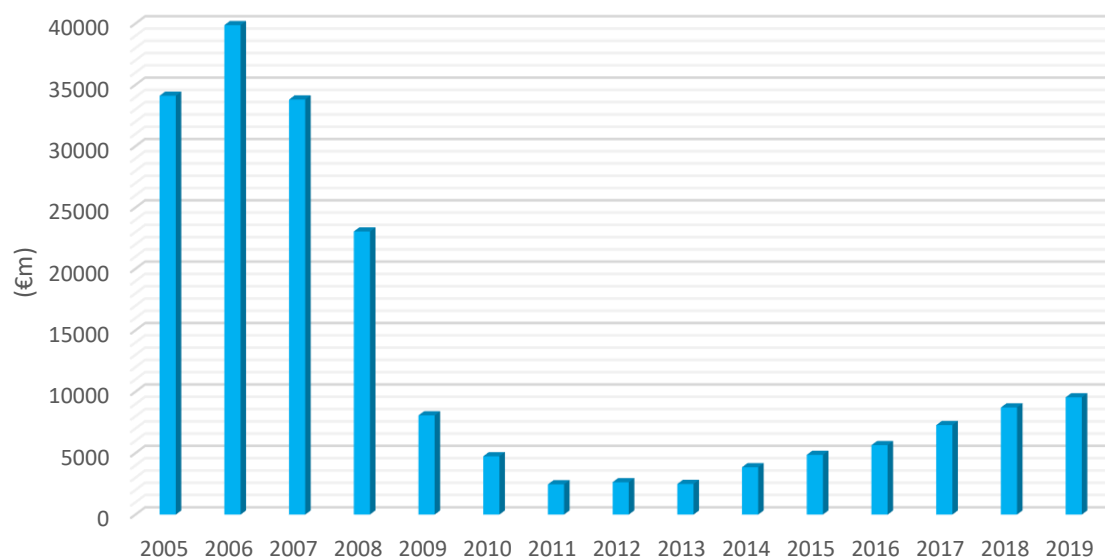
APPENDIX 2

THE MORTGAGE MARKET

APPENDIX 2 THE MORTGAGE MARKET

The value of mortgages drawn down peaked at €39.9 billion in 2008 and then fell heavily to bottom out at just €2.5 billion in 2011. It has subsequently gradually expanded and reached €9.5 billion in 2019.

Figure 13: Value of Mortgages Drawn Down



Source: BPFi

Table 6 shows the evolution of the mortgage market by borrower component between 2006 and 2019. In 2006, investors accounted for 28.5% of total mortgage lending at €7.9 billion. In 2019, investors accounted for just 1.9% of the total market at €184 million.

Table 6: Value of Mortgages Drawn Down by Component 2006 v 2019

	2006		2019	
	€m	%	€m	%
First Time Buyer	8,449	21.2%	4,873	51.1%
Mover Purchase	11,367	28.5%	2,896	30.4%
Residential Investment Letting	7,950	19.9%	184	1.9%
Re-Mortgage/Switching	6,067	15.2%	1,333	13.9%
Top-Up	6,039	15.2%	256	2.7%
Total	39,872	100.0%	9,542	100.0%

Source: BPFi

CENTRAL BANK MORTGAGE LENDING REGULATIONS

In 2015, the Central Bank of Ireland introduced new mortgage lending rules for mortgage lenders in the Irish market. The new measures set limits on size of mortgages that consumers can borrow, using loan-to-value (LTV) and loan-to-income (LTI) limits.

The key mortgage lending rules are:

First-Time Buyers

- The mortgage is capped at 3.5 times income, but 20% of mortgages can be above this limit.
- A deposit of 10% is required, but 5% of mortgages can have a lower deposit.

Second-Time Subsequent Buyers

- The mortgage is capped at 3.5 times income, but 10% of mortgages can be above this limit.
- A deposit of 20% is required, but 20% of mortgages can have a lower deposit.

Buy-to-Let

- A deposit of 30% is required, but 10% of mortgages can have a lower deposit.
- Buy-to-Let mortgages exempt from Loan to Income (LTI) limits.

Other Exemptions

- Negative equity mortgages exempt from LTV limits.
- Switcher mortgages exempt from LTI and LTV limits.
- Lifetime mortgages exempt from LTI limits.

The Central Bank is committed to annually reviewing the calibration of the mortgage measures in the context of wider housing and mortgage market developments, to ensure that they continue to meet their objectives of:

- Increasing the resilience of banks and borrowers to negative economic and financial shocks
- Dampening the pro-cyclicality of credit and house prices so a damaging credit-house price spiral does not emerge.

Despite much criticism from many quarters, the Central Bank is adamant that these rules remain in place. In the context of the COVID-19 impact on mortgage repayment difficulties over the next couple of years, the prudent lending limits imposed by the Central Bank should improve the resilience of the mortgage market in the face of the COVID-19 economic shock.

APPENDIX 3

STRUCTURAL FEATURES OF THE IRISH HOUSING MARKET

APPENDIX 3 STRUCTURAL FEATURES OF THE IRISH HOUSING MARKET

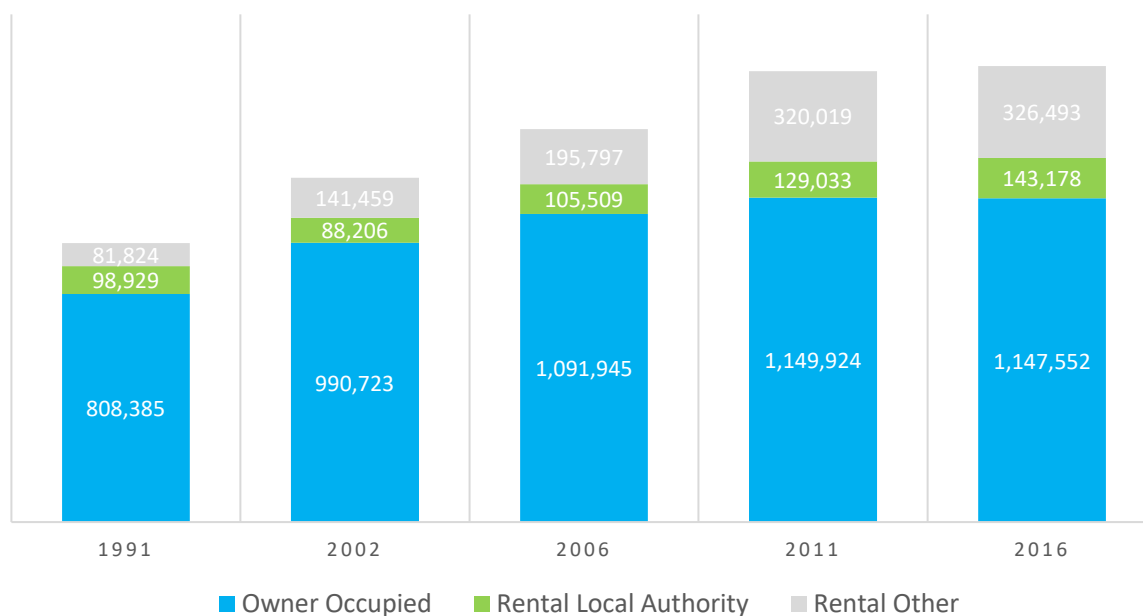
This Appendix looks at the key structural characteristics and trends in the Irish housing market.

RECENTS TRENDS IN HOUSING TENURE

The tenure of housing in Ireland has changed significantly in recent years. Figure 15 shows the trend in type of tenure since 1991. Between 1991 and 2016, the total number of households increased by 63%. The number of owner-occupied households increased by 42% and the number of non-local authority renters (private landlords and voluntary bodies) increased by 299%.

Between 1991 and 2016, non-local authority renters have grown from 8.3% of total households to 20.2%. Over the same period, the home-ownership rate has declined from 81.7% in 1991 to 67.7% in 2016.

Figure 14: Tenure by Type



Source: CSO, Census

In 2016, owner occupiers accounted for 67.7% of total households; the private rental market accounted for 18.2% of total households; and another rental accounted for 9.4%.

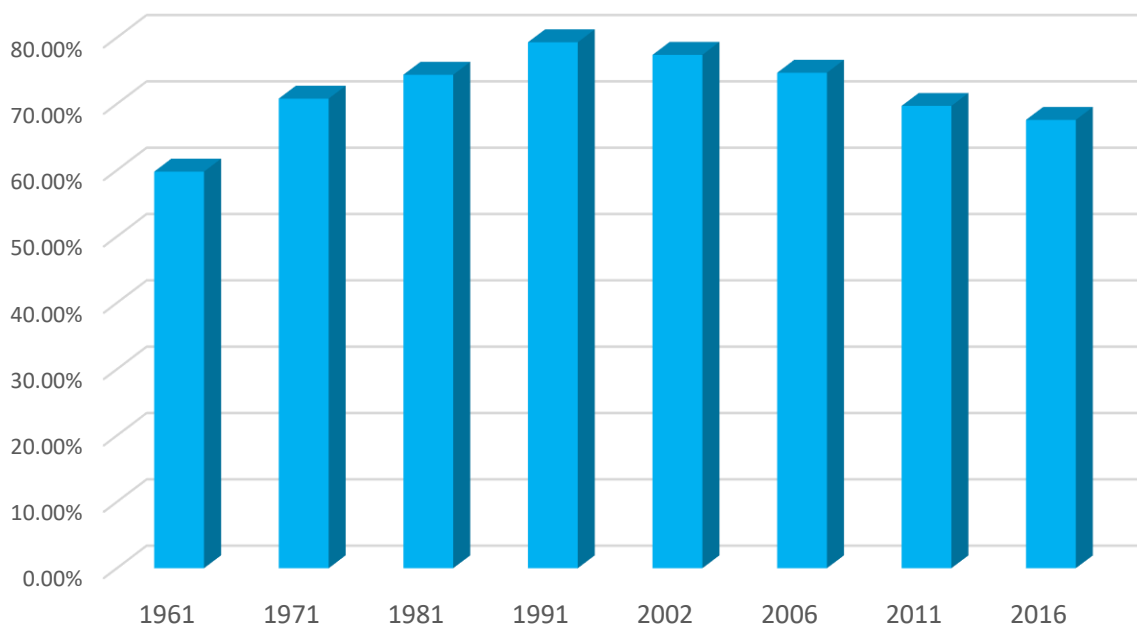
Table 7: Breakdown of Tenure

TENURE	2011		2016	
Owner Occupied	1,159,924	69.9%	1,147,552	67.6%
Rented - Private Landlord	305,377	18.4%	309,728	18.2%
Rented – Local Authority	129,033	7.8%	143,178	8.4%
Rented – Voluntary Body	14,942	0.9%	16,765	1.0%
Occupied Free of Rent	25,436	1.5%	27,440	1.6%
Not stated	24,696	1.5%	53,002	3.1%

Source: CSO Census

Ireland has traditionally had a very high level of home ownership, largely due to cultural reasons. However, this is changing. Between 1991 and 2016, the home-ownership rate declined from 81.7% in 1991 to 67.6% in 2016. This is the lowest level of home ownership since 1971. The EU-28 average was 69.3% in 2018.

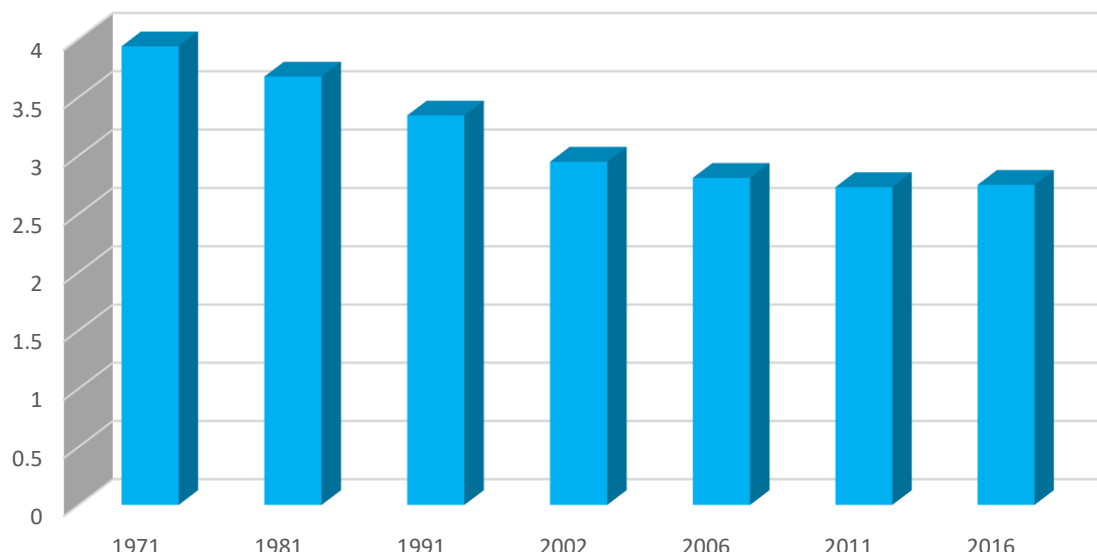
Figure 15: Home Ownership Rate



Source: CSO, Census

Figure 16 shows the steady decline in the number of people per household. The average number of persons has declined from 3.9 in 1971 to 2.7 in 2016.

Figure 16: Average Number of people per Household



Source: CSO, Census

Apartment living has not traditionally been a feature of the Irish housing market, but it is growing in significance. In 2016, 8.9% of the population lived in flats or apartments. This compares to 41.9% for the EU as a whole and 14.7% in the UK.

Table 8: Housing Mix

(2016)	Number of People	% of Population
Detached House	2,095,910	44.9%
Semi-Detached House	1,354,418	29.0%
Terraced House	730,771	15.7%
Flat or Apartment	415,012	8.9%
Bed-Sit	4,588	0.1%
Not stated	61,677	1.4%
TOTAL	4,666,376	100.0%

Source: CSO, Census

APPENDIX 4

FUTURE DEMAND FOR HOUSING

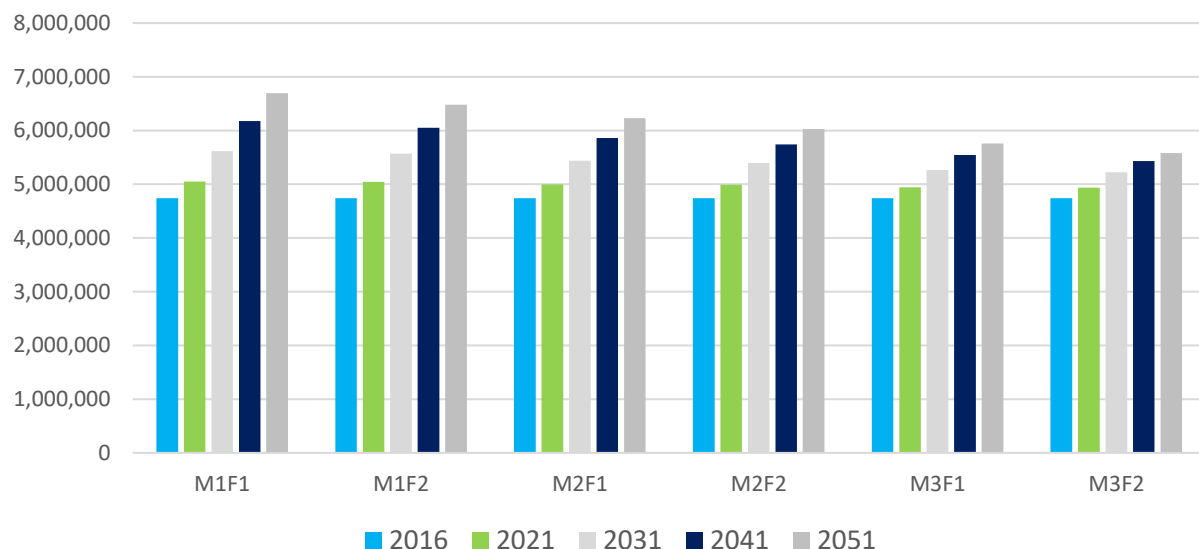
APPENDIX 4 FUTURE DEMAND FOR HOUSING

This section looks at the factors that determine the demand for housing in the Irish economy and the projected future demand for housing based on these factors.

Demand for housing is determined by a range of factors. These include demographic change; trends in household formation; household size; and the general economic environment. Affordability tends to affect tenure choice, rather than overall demand for housing.

Population growth is driven by fertility rates, mortality rates and net migration. The CSO (July 2018) projected population forward to 2051, because on various combinations of these factors. Depending on the assumptions used, population is projected to increase to between 5.6 million and 6.7 million by 2051.

Figure 17: Projected Population Growth (2016-2051)



Source: CSO, July 2018

Forecasting these factors is by its very nature fraught with difficulty and uncertainty and certain assumptions must be made.

The Central Bank of Ireland^{xiv} (December 2019) assumed unchanged headship rates and concluded that an average of around 34,000 new homes would be required per year out to 2030.

Another estimate for future housing demand from Property Industry Ireland (PII)^{xv} (April 2019) projects that, based on CSO analysis:

- household formation will average nearly 32,000 per annum between 2019 and 2051
- the average household size will decline to 2.1 persons by 2051
- the number of households will reach close to 2.8 million by 2051.

This would imply an average demand of around 35,000 houses per annum.

Lyons (2019)^{xvi} argues that 'Ireland really needs to learn how to build the full life-cycle of housing. This includes student accommodation and co-living' and 'medium-to-high rise city centre living and downsizer

apartments in suburban areas'. It seems clear that apartments and a more diverse mix of dwelling will be required in Ireland over the coming years. Lyons (2020) believes that Ireland has a requirement for 47,000 new dwellings per annum between 2020 and 2025.

Apart from the uncertainties that are always implicit in long-term forecasting of future housing at the best of times, the impact of COVID-19 is very difficult to gauge at this stage. Economic activity has fallen sharply from March onwards, but with the economy now being re-opened on a gradual basis, economic activity should improve steadily over the coming months. It seems likely that the economy will grow below potential over the next 18 months or so and unemployment is set to be higher than in recent years. In addition, the public finances will be much more constrained due to the very negative impact of COVID-19 on taxation receipts and public expenditure. This means that the Government is unlikely to have the resources to deliver on the required delivery of social and affordable housing.

The problem is that Ireland has failed to deliver anything approaching the previously mentioned projected level of housing demand in recent years. Between 2012 and 2019, a total of 85,719 new units were delivered, which is an average of just 10,714 per annum.

It will be difficult to achieve the level of residential supply necessary to meet demand over the coming years. However, it will remain a political imperative and there will be significant popular pressure on the political system to deliver.

APPENDIX 5

CONTRIBUTION OF REAL ESTATE TO US ECONOMY

APPENDIX 5 CONTRIBUTION OF REAL ESTATE TO US ECONOMY

The NAIOP Research Foundation research focuses on and seeks to measure the expenditures made during four distinct phases of the development process. The four stages are pre-construction (soft costs); site development; on-site construction (hard costs); and tenant improvements.

Multipliers are applied to the direct expenditures to calculate the contribution to U.S. GDP, personal earnings and jobs supported during each distinct phase of the development process. The full measure of the economic impact includes on-site construction costs, but also the wide range of professional and business services utilised, such as:

- Architecture and engineering services.
- Legal services.
- Marketing and management services.
- Grading, paving, and landscaping services.
- Site engineering services.
- Interior design and construction services.

The NAIOP research suggests that in 2017:

- Direct expenditure of \$187.09 billion on the development of commercial real estate buildings, contributed \$541.01 billion to US GDP, which is a national construction multiplier of 2.895.
- Direct expenditure of \$187.09 billion on the development of commercial real estate buildings generated \$173.54 billion in personal earnings in the US. This is an earnings multiplier effect of 0.9106.
- Direct expenditure of \$187.09 billion on the development of commercial real estate buildings supported 3.6 million jobs in the US economy. This translates into approximately 19 jobs per \$1 million of construction activity.

The research also analysed the economic and employment contribution from the operation of existing buildings. It looked at 46.4 billion square feet of existing real estate.

In 2017:

- Direct expenditure for building operations totalled \$155.2 billion.
- Total economic contribution to GDP totalled \$394.1, giving a multiplier effect of 2.53.
- The direct expenditures of \$155.2 generated \$112.9 billion in personal earnings, giving a multiplier of 0.73.
- The direct expenditures of \$155.2, supported a total of 3.95 million jobs.

If the impact of development of new real estate is combined with the operation of existing real estate, the following results are achieved:

- Direct expenditures of \$342.3 billion generated contribution of \$935.1 billion to GDP.
- Generated \$286.4 billion in personal earnings.
- Supported a total of 7.57 million jobs.

The total economic and employment contribution from the four phases of real estate development and the operation of existing real estate is very significant. Real estate is a very important driver of economic activity and employment and makes a very strong economic, business, and social contribution.

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