Housing Market Trends, Past, Present and Projections

NAMA National Housing Supply Conference

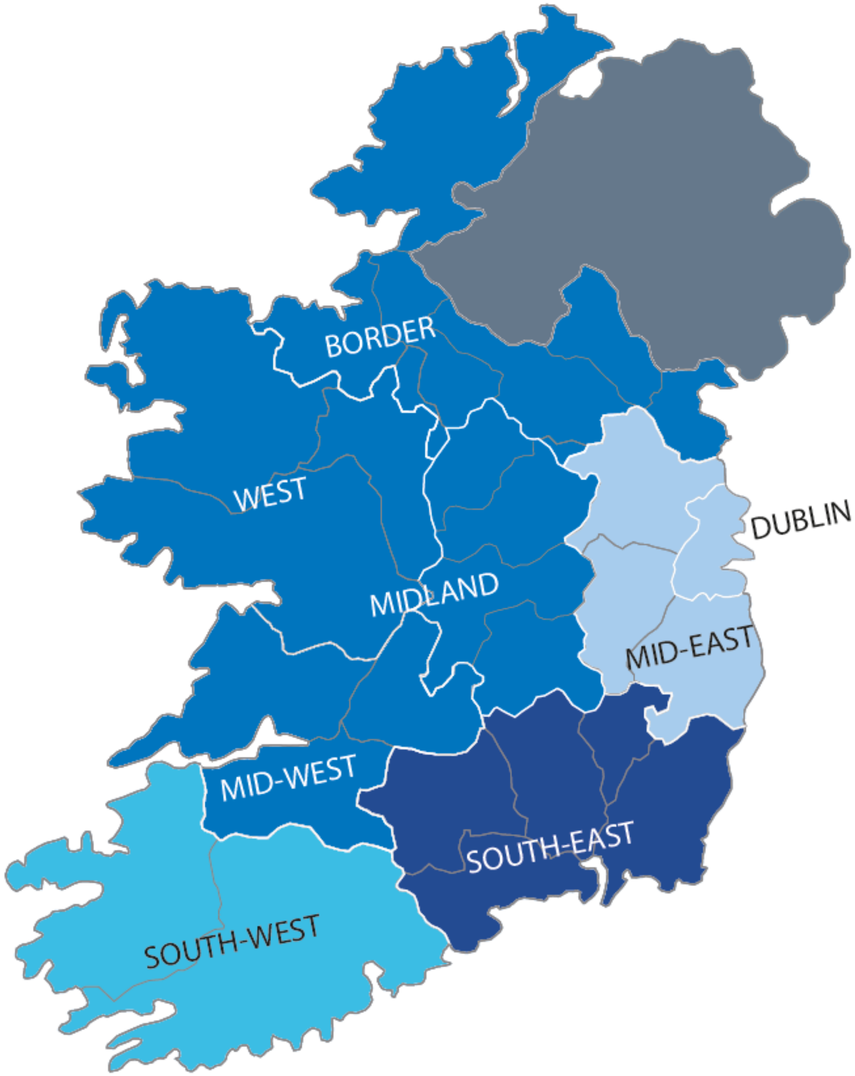
Marian Finnegan, Chief Economist, Sherry FitzGerald

Economy, An Overview

% Change	2011	2012	2013	2014	2015	2016	2017	2018
Real GNP	-1.6%	1.8%	3.2%	2.7%	2.3%	2.5%	2.7%	2.7%
Real GDP	2.2%	0.2%	0.2%	2.1%	2.7%	3.0%	3.5%	3.5%
Exports	5.4%	1.6%	1.1%	2.1%	3.2%	4.2%	4.4%	4.4%
Consumption	-1.6%	-0.3%	-0.8%	2.0%	1.6%	1.2%	1.2%	1.2%
Unemployment Rate	14.4%	14.7%	12.1%	11.5%	10.5%	9.7%	8.9%	8.0%

Source: Department of Finance

Unemployment Rate (%) Border Regions, Q2 2014

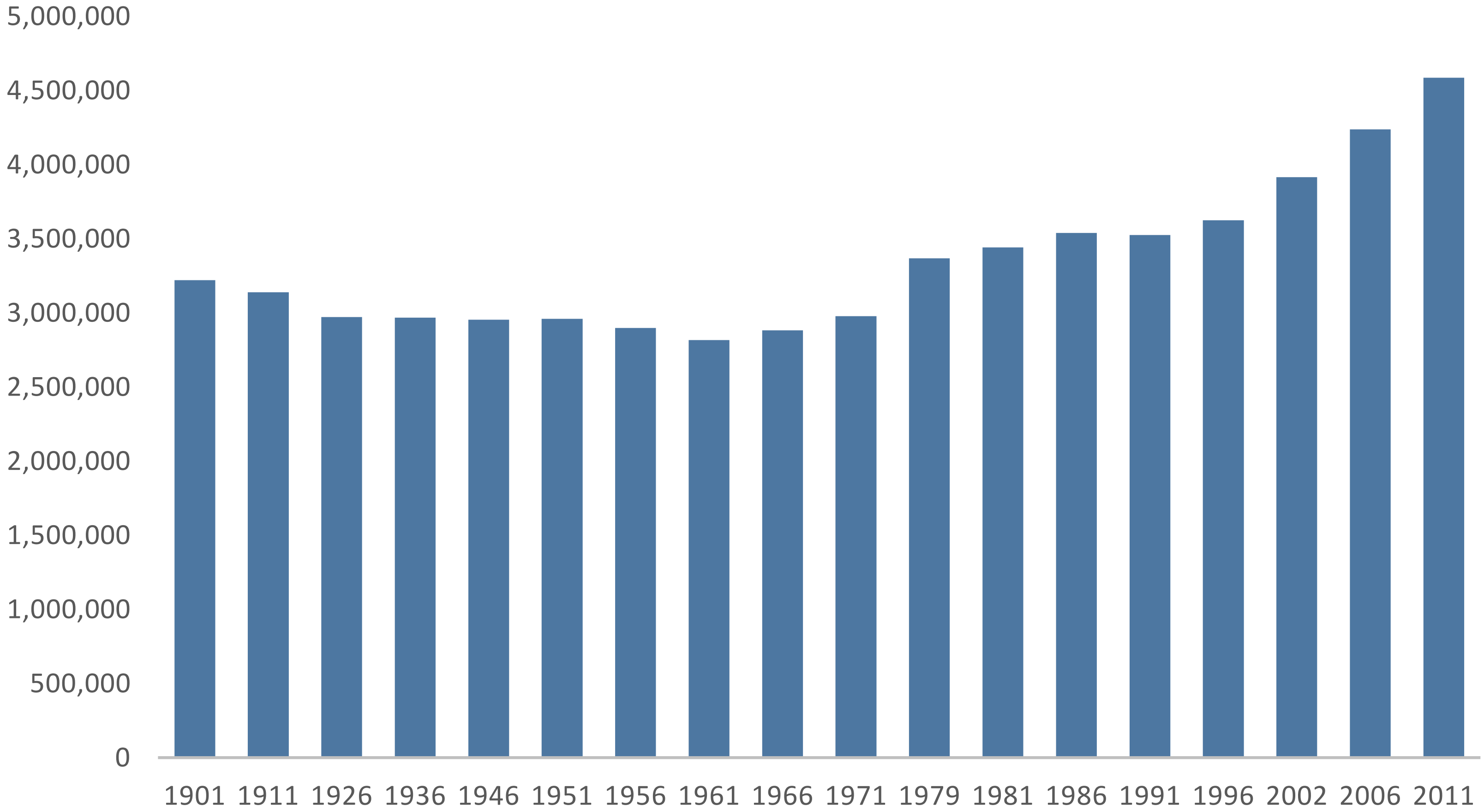


Border Region	Unemployment Rate Q2 2014
Dublin	10.0%
Mid-East	10.8%
South-West	11.1%
Border	13.0%
West	13.1%
Mid-West	13.2%
Midland	13.9%
South-East	14.3%
State	**11.5%**

Source: CSO

Residential Property Market

Ireland's Population



Population: 4.58 million in 2011, 8.2% growth on 2006

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Source: CSO

How We Live in 2011 Compared to 2006:

Nature of Occupancy	2011	2006
Permanent Private Households	1,649,408	1,462,296
Own with Mortgage or Loan	583,148	593,513
Own Outright	566,776	498,432
Renting from Private Land Lord	**305,377**	**145,317**
Renting from Local Authority	129,033	105,509
Voluntary/Co-op	14,942	50,480
Live rent free	25,436	21,701
Not Stated	24,696	47,344

Significant growth in rented households

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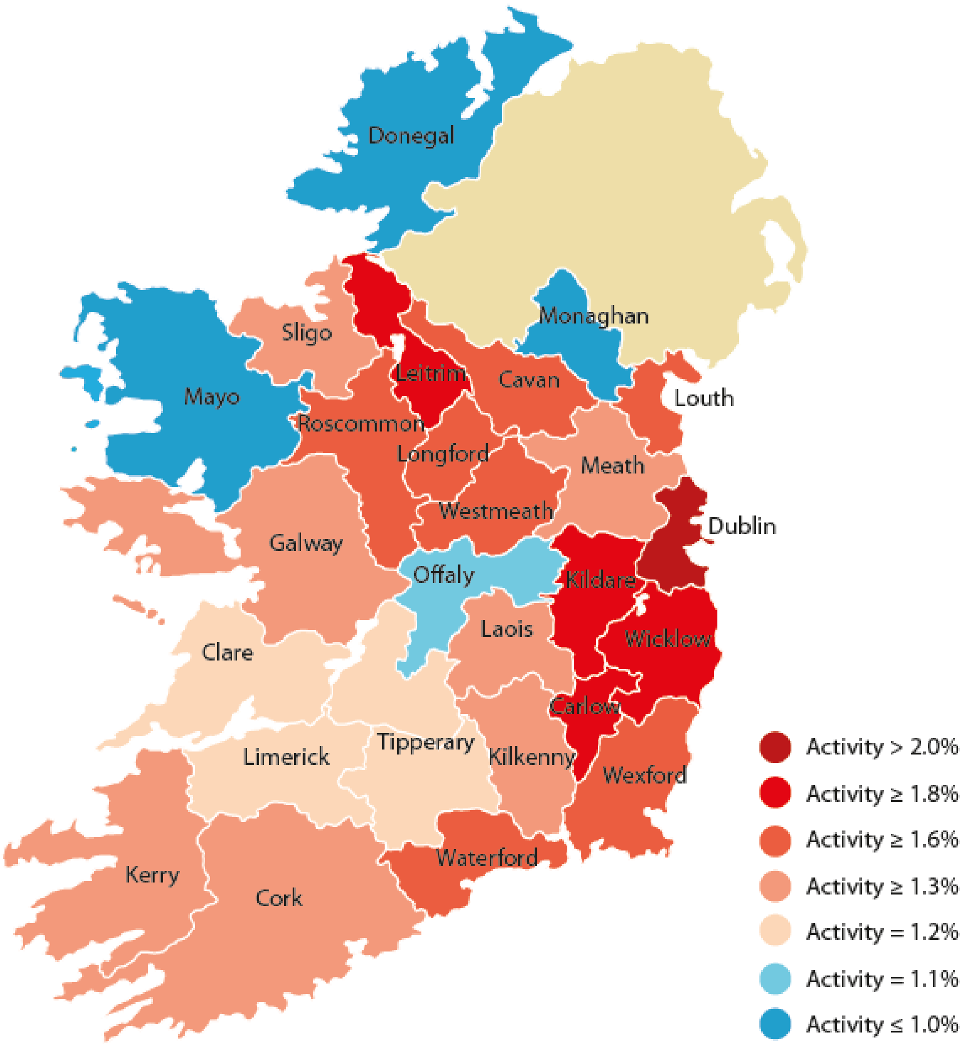
Source: CSO

County by County analysis of Market Activity



County	% of Housing Stock Versus Sales 2013
Dublin	2.2%
Wicklow	2.0%
Leitrim	2.0%
Kildare	1.8%
Carlow	1.8%
Roscommon	1.7%
Louth	1.6%
Wexford	1.6%
Cavan	1.6%
Waterford	1.6%
Westmeath	1.6%
Longford	1.6%
Cork	1.5%
Meath	1.5%
Galway	1.5%
Sligo	1.4%
Laois	1.4%
Kilkenny	1.3%
Kerry	1.3%
Clare	1.2%
Limerick	1.2%
Tipperary	1.2%
Offaly	1.1%
Monaghan	1.0%
Donegal	1.0%
Mayo	1.0%
State	**1.6%**

Source: Sherry Fitzgerald Research

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Profile of Purchasers, H1 2014

Purchaser Reason for Purchase

- Owner Occupation – 73%
- Additional Residence – 4%
- Investment – 19%
- Development – 4%
- Of Total, First Time Buyers - 20%

19% of Purchasers were investors

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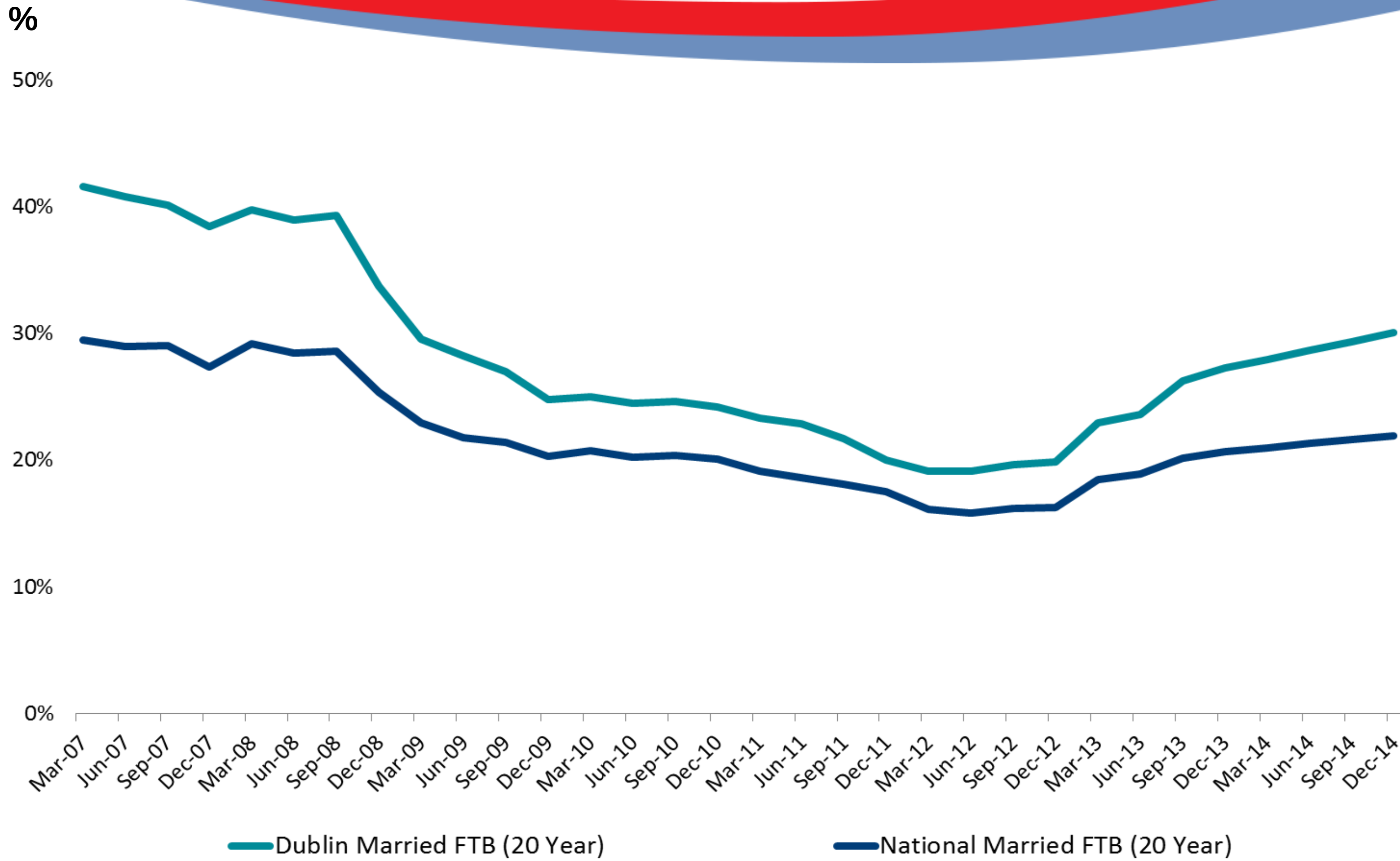
Source: Sherry FitzGerald Research

Affordability Ratio: Ireland & Dublin, First Time Buyer Couple - 20 Year Term



A FTB couple in Dublin will spend 27% of net income to finance a mortgage

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Source: Sherry FitzGerald Research

Future Demand, Demographic Projections

Year	Population
2011	4.58 million
2016	4.69 million
2021	4.88 million
2026	5.04 million

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Source: CSO/Sherry FitzGerald Research

Future Demand, Demographic Projections

Year	Housing Demand
2012-16	22,500
2016-21	33,500
2021-26	34,500
Average PA	**30,000**

Source: Sherry FitzGerald Research

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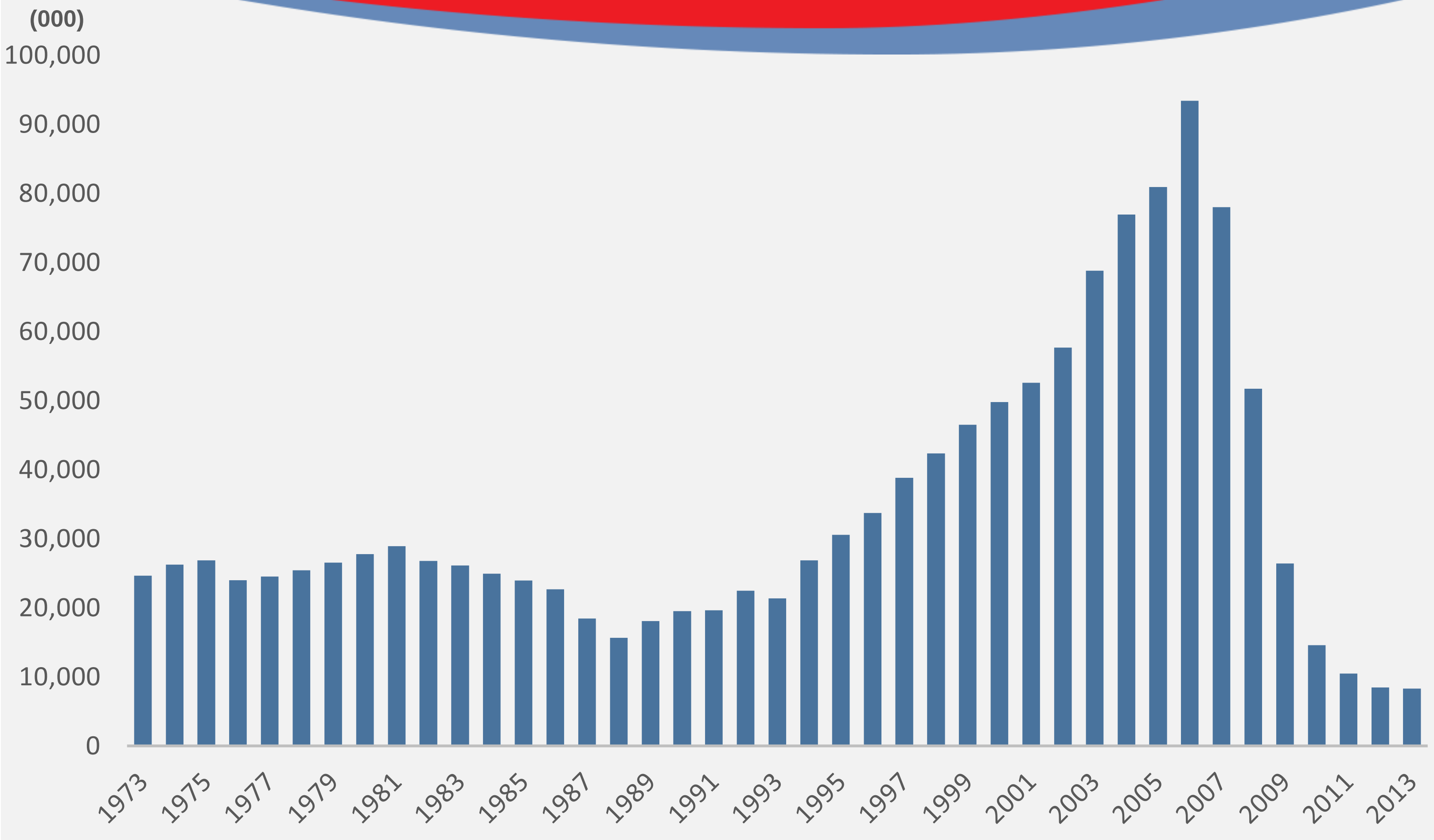
Future Demand, Demographic Projections - Dublin

Year	Housing Demand
2012-16	6.300
2016-21	11,700
2021-26	10,100
Average PA	**9,700**

Source: Sherry FitzGerald Research

Supply Analysis

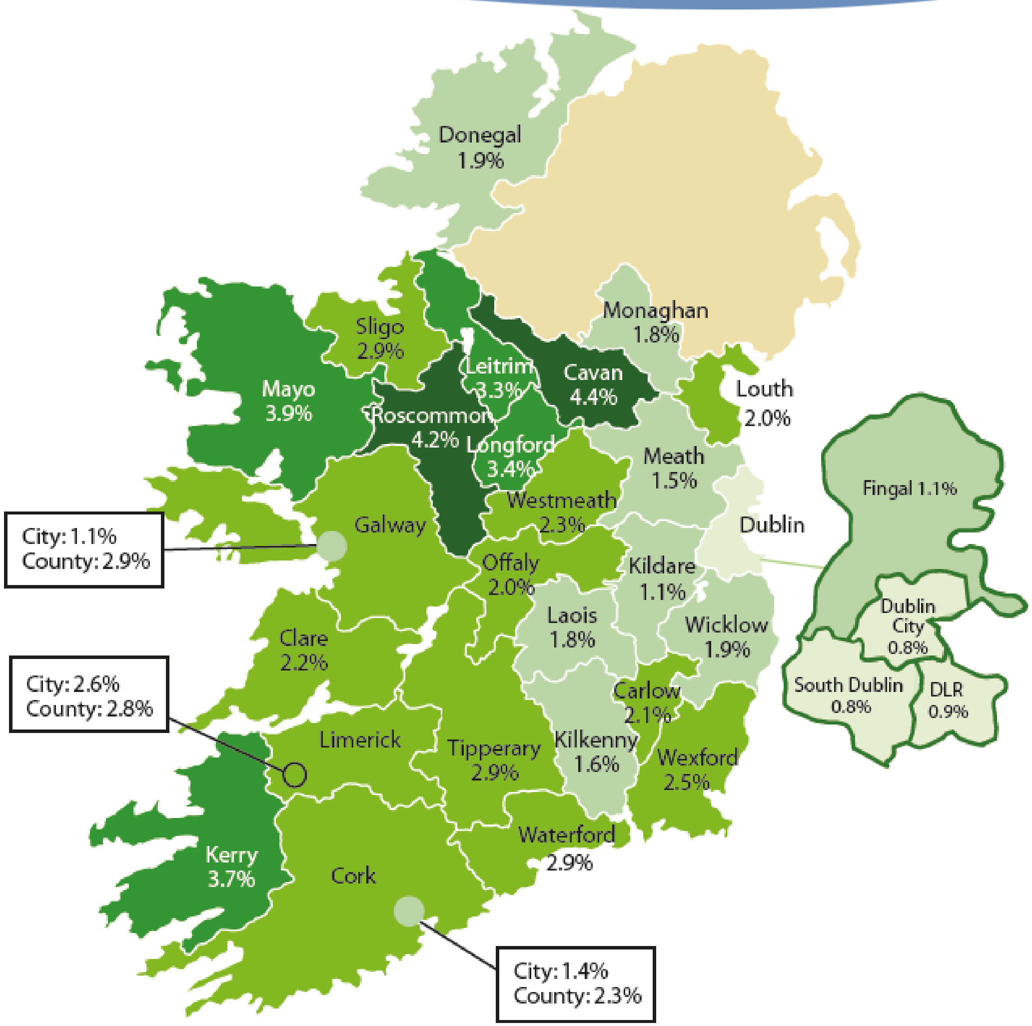
Housing Completions 1973-2013



LT average: 33,655 units

Source: DOE

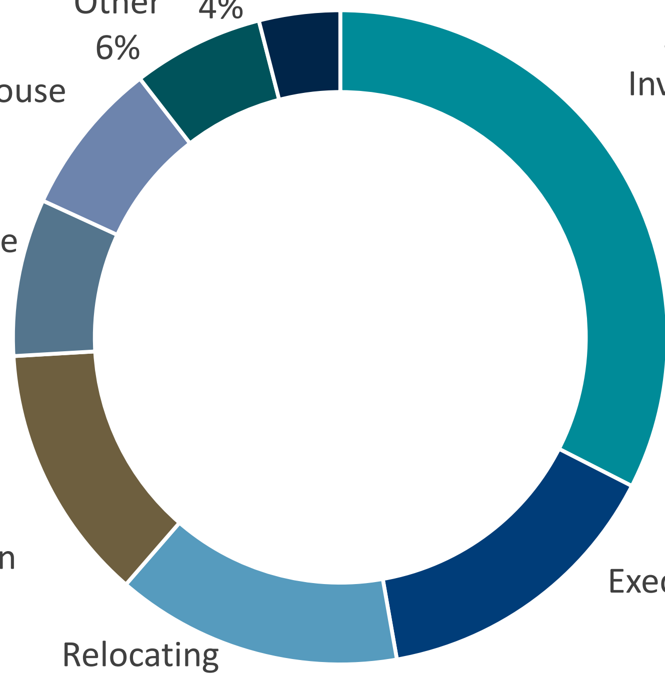
% of Private Housing Stock Advertised for Sale July 2014



County	% of Second Hand Private Stock Advertised for Sale July 2014
Dublin City	0.8%
South Dublin	0.8%
Dun Laoghaire-Rathdown	0.9%
Fingal	1.1%
Galway City	1.1%
Kildare	1.1%
Cork City	1.4%
Meath	1.5%
Kilkenny	1.6%
Laois	1.8%
Monaghan	1.8%
Wicklow	1.9%
Donegal	1.9%
Louth	2.0%
Offaly	2.0%
Carlow	2.1%
Clare	2.2%
Westmeath	2.3%
Cork County	2.3%
Wexford	2.5%
Limerick City	2.6%
Limerick County	2.8%
Sligo	2.9%
Waterford	2.9%
Tipperary	2.9%
Galway County	2.9%
Leitrim	3.3%
Longford	3.4%
Kerry	3.7%
Mayo	3.9%
Roscommon	4.2%
Cavan	4.4%
State	**2.0%**

Source: Sherry Fitzgerald Research

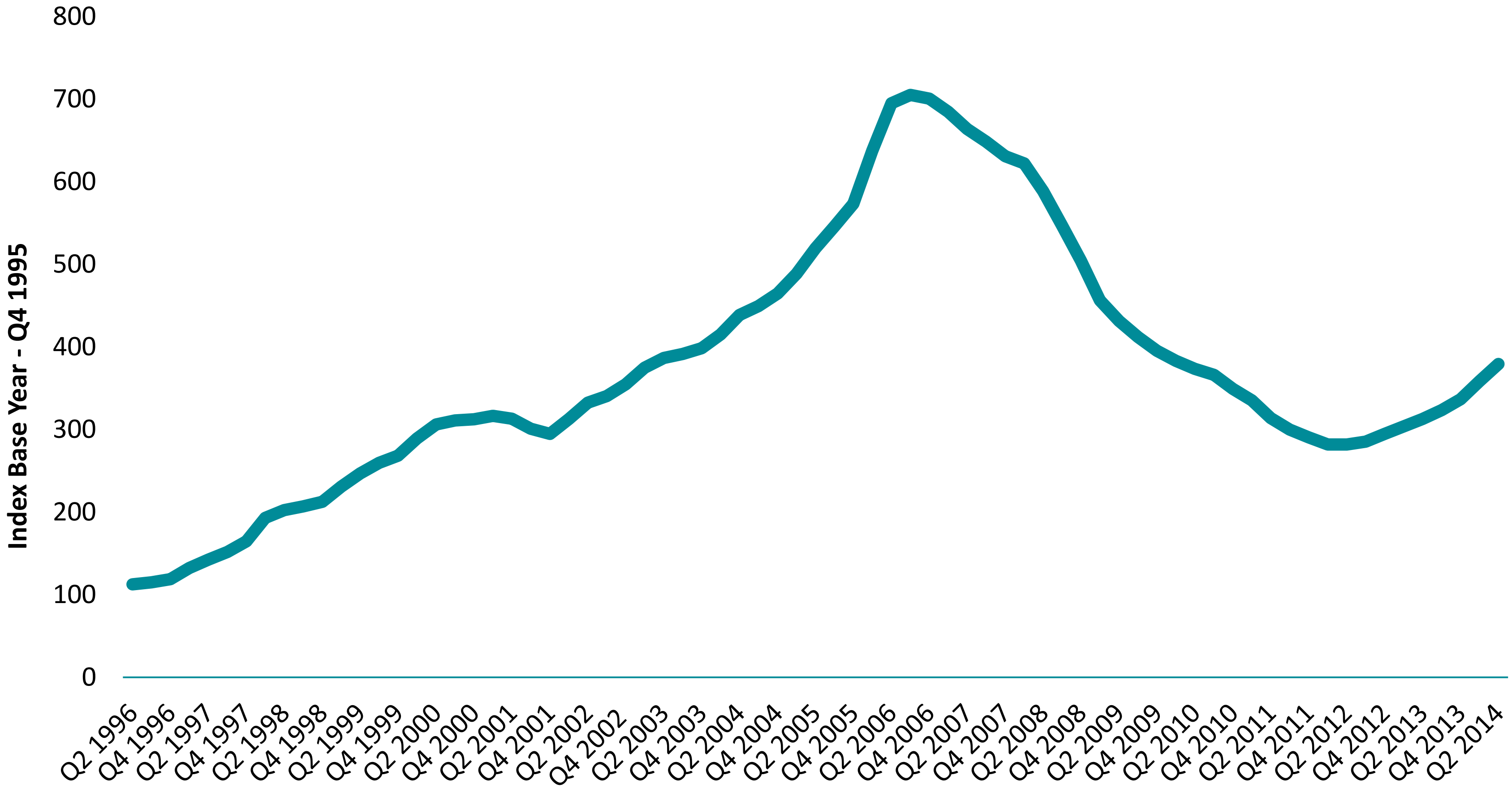
Profile of Vendors – H1 2014



32% of Vendors "Selling Investment" in H1 2014

Source: Sherry FitzGerald Research

Dublin Second Hand Market



Dublin Market rose 12.6% in H1 2014

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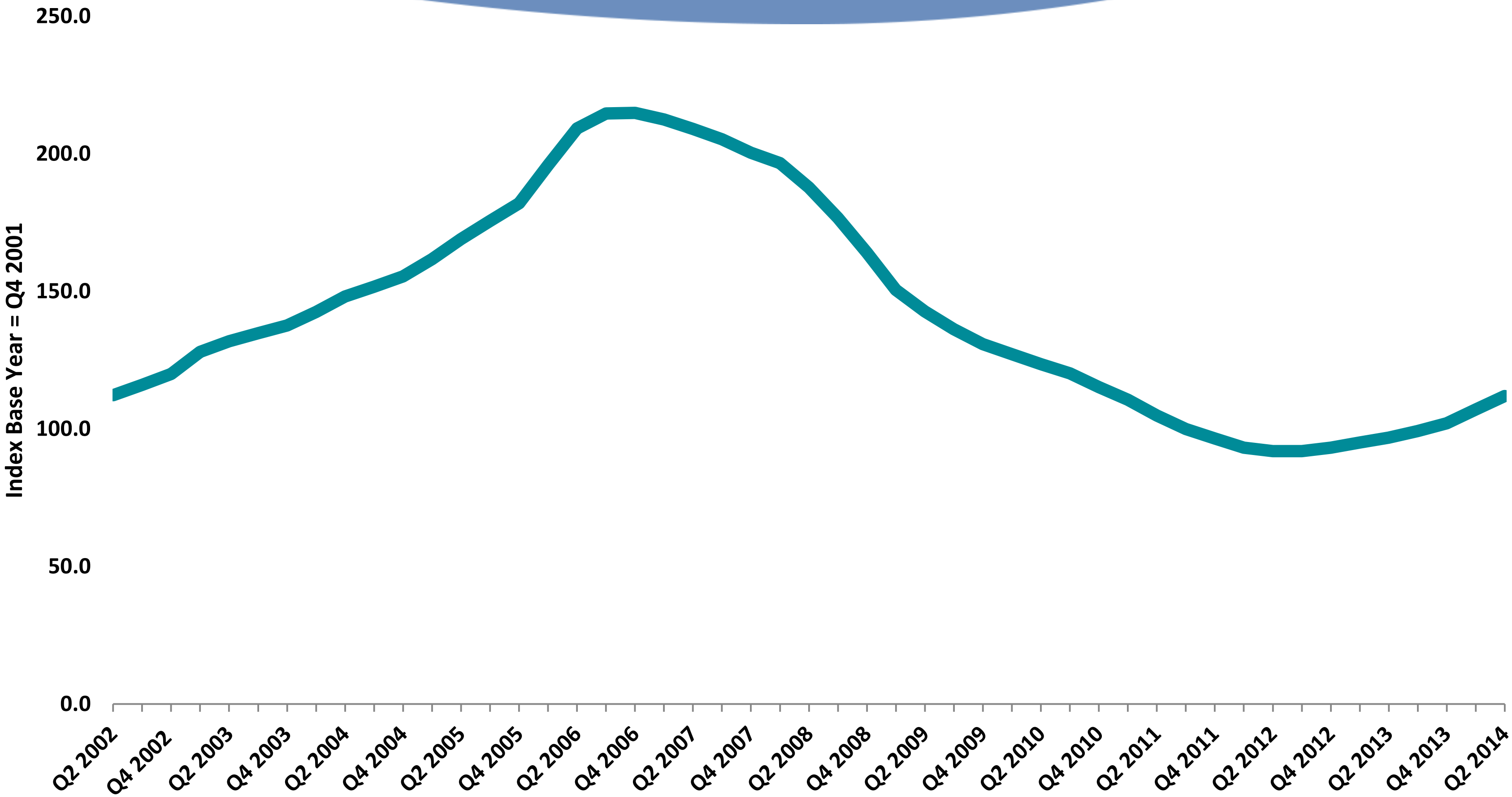
Source: Sherry FitzGerald Research

Ireland Second Hand Market



Irish Market rose 9.8% in H1 2014

Source: Sherry Fitzgerald Research

What does all this mean for residential property?

- Established Market – Price Growth re-emerged in 2013 and accelerated in 2014
- Regional Centres and Mid East suffering a dearth of supply
- Price and Rental Inflation in Dublin, Cork and Galway
- Stabilisation of the market more broad-based
- Latent Demand: Doubling in quantity of households in rented accommodation
- Long term: Requirement for approx. 30,000 new builds per annum

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CAVEATS

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