Built For Good

Cairn Homes plc

DEW Economic Policy Conference 2023

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01.

Housing Supply & Demand

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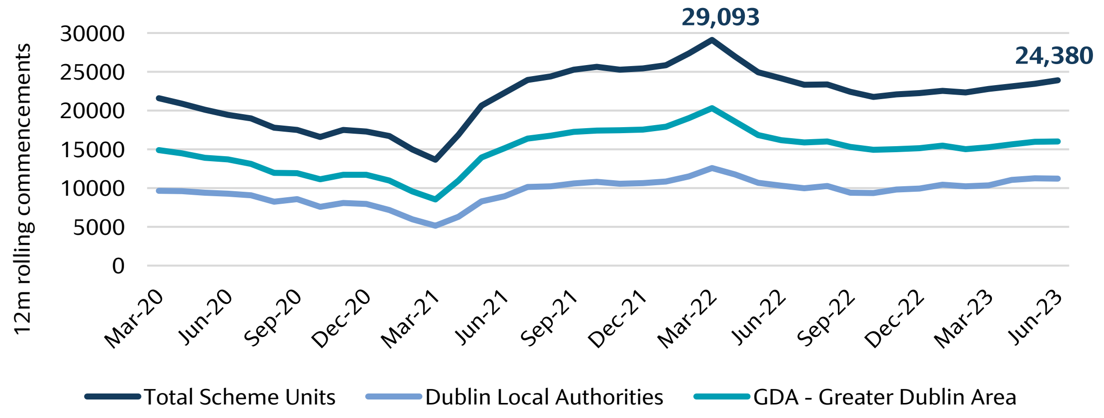
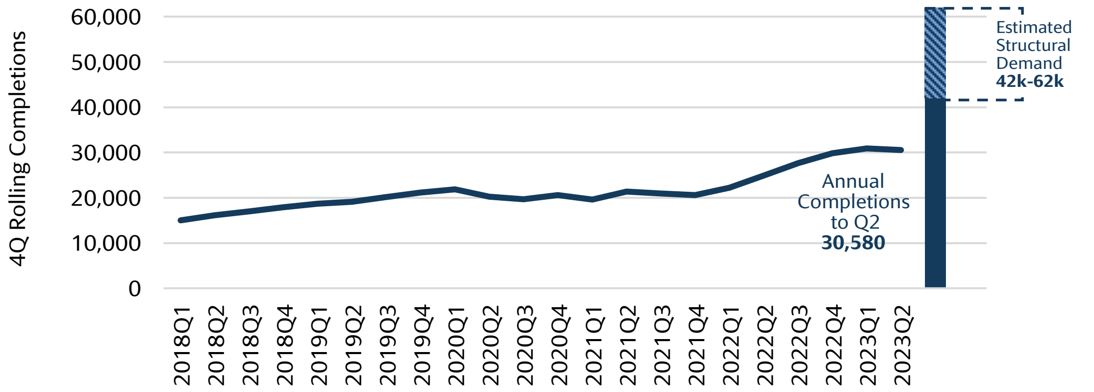
Ireland has a housing shortage that will take years to overcome

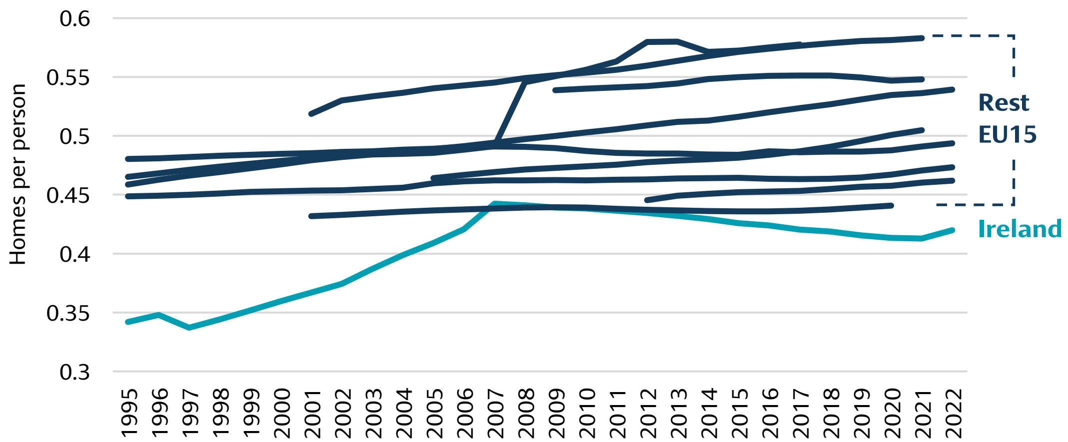
New home commencements are flat year-on-year (excl. one-off)



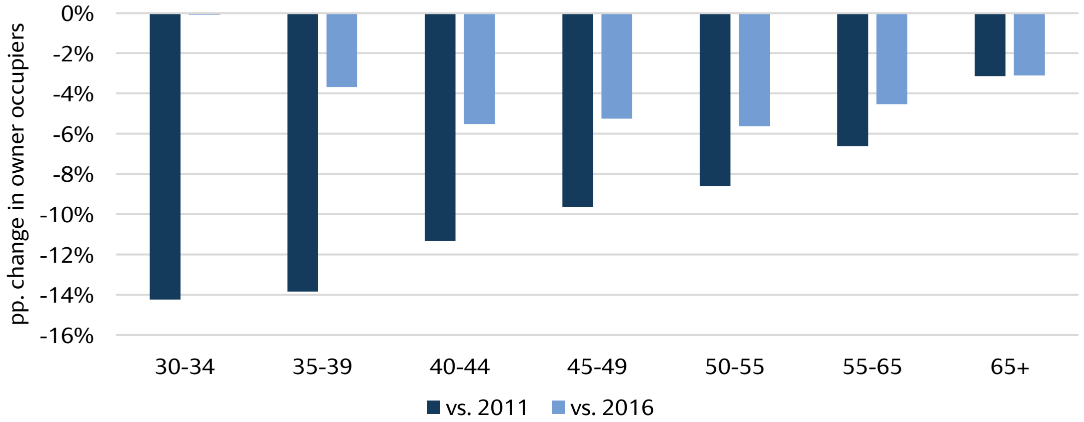
Annual completions flat, but significantly below demand estimates



Ireland's housing stock lags peer countries



Census data confirms falls in home-ownership across age cohorts



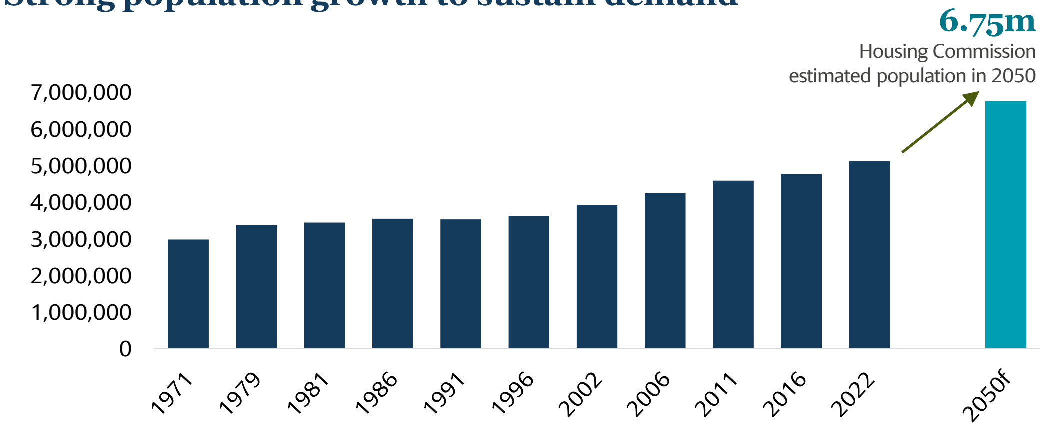
Sources: DHLGH, CSO, Housing Commission (as reported), IFAC.

Demographics driving strong structural demand

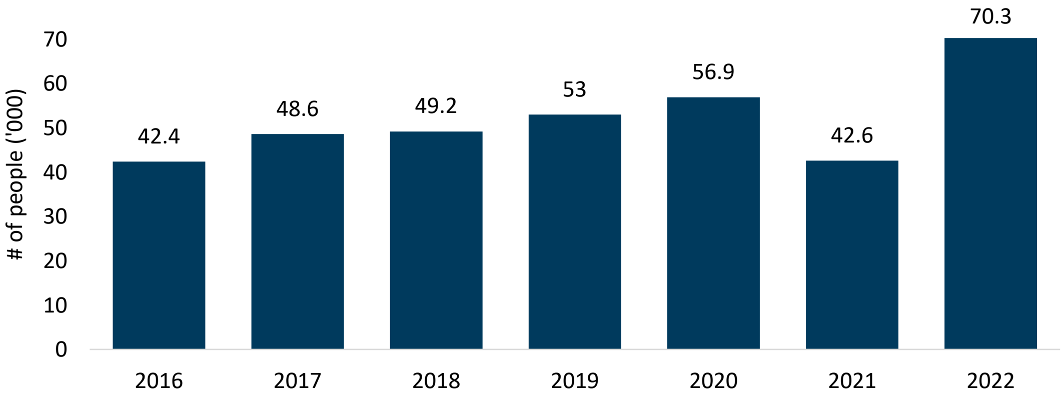
Strong population growth

- Population of 5.15m as at April 2022, the highest since 1851, an increase of 8.1% since Census 2016
- The Housing Commission has forecast population growth to 6.75m by 2050
- Ireland's population in 2022 was the second youngest in the EU
- Net migration of 220k people since 2016, accounting for 56% of our population increase
- The number of third level educated immigrants, nearly all of whom will require housing, moving to Ireland increased significantly in 2022

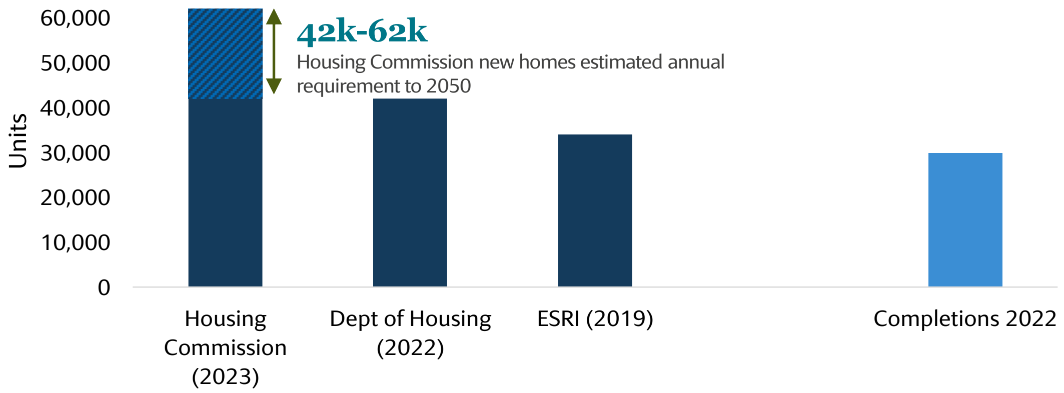
Strong population growth to sustain demand



Immigration of third level educated immigrants has increased significantly



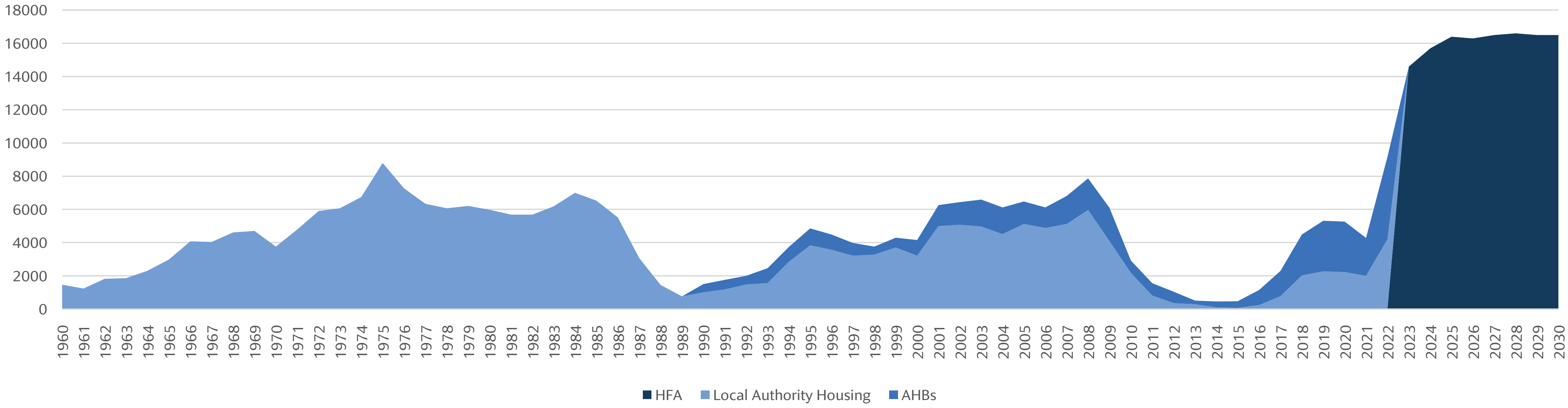
What is medium-term structural housing demand?



Source: CSO, ESRI, DHLGH, Housing Commission (as reported).

Ambitious plan to deliver 140,000+ Social & Affordable new homes

Historic delivery of social housing in Ireland highlights the ambitions of Housing For All



Annual Social & Affordable targets to 2030

Tenure	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Social Homes	9,000	9,100	9,300	10,000	10,200	10,200	10,200	10,200	10,200	**88,400**
Affordable & Cost Rental Homes	4,100	5,500	6,400	6,400	6,100	6,300	6,400	6,300	6,300	**53,800**
Total	**13,100**	**14,600**	**15,700**	**16,400**	**16,300**	**16,500**	**16,600**	**16,500**	**16,500**	**142,200**

02.

A Sustainable Residential Sector

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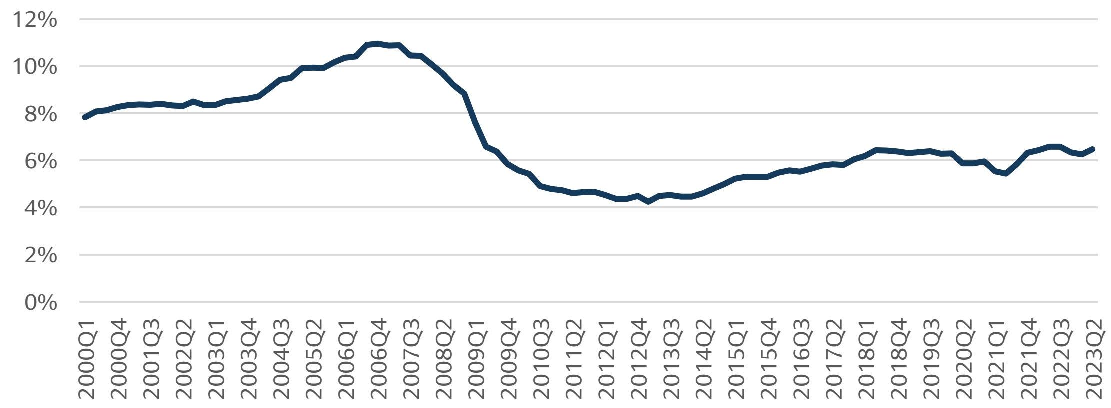
To solve this we need a sustainable residential construction sector

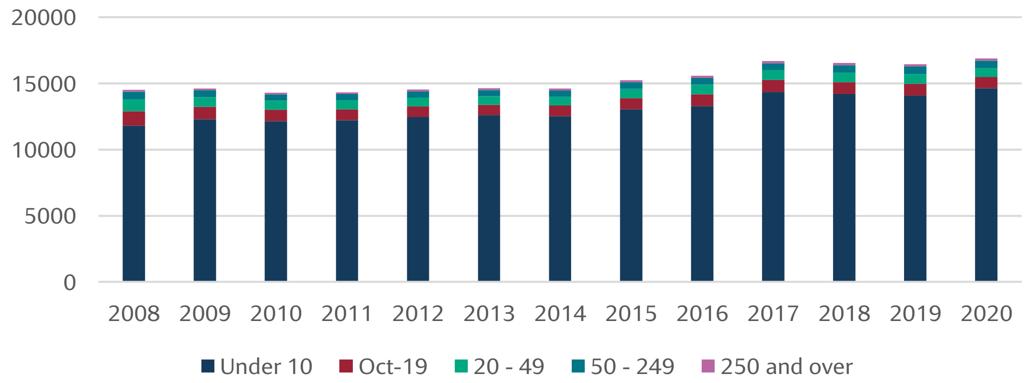
Construction employment in Ireland has been boom bust

Construction employment as a percentage of total employment



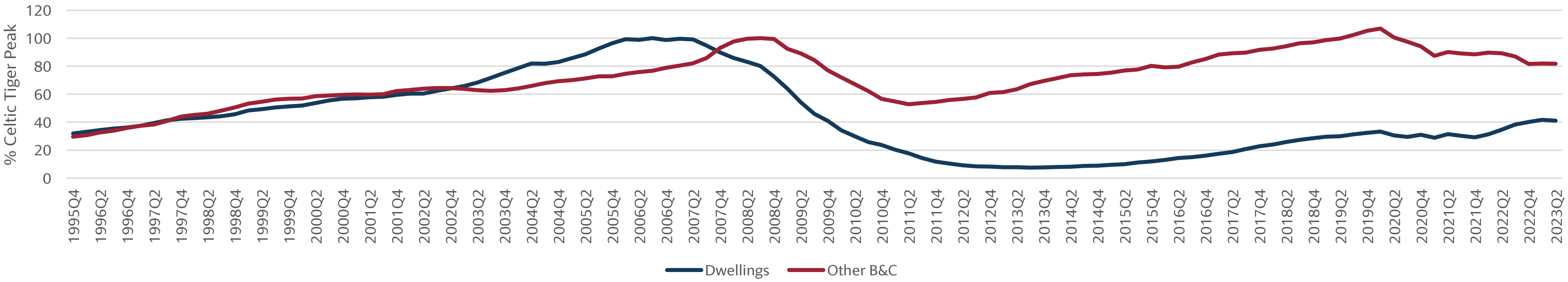
Construction activity is dominated by small firms

Active enterprises in construction by no. of employees



Residential construction output is only 40% of its peak size – while other B&C has recovered more substantially

Gross fixed capital formation by sector, % of 1995 – 2010 peak, 4Q average

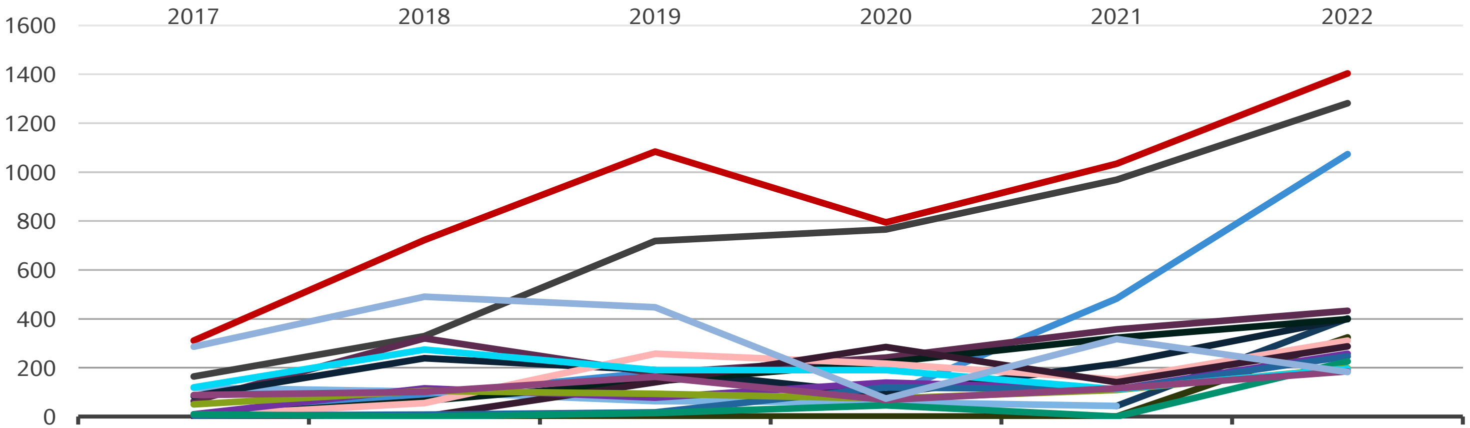


Source: Irish Fiscal Advisory Council (using national statistics offices data), CSO, the Housing Commission (as reported)

To solve this we need a sustainable residential construction sector

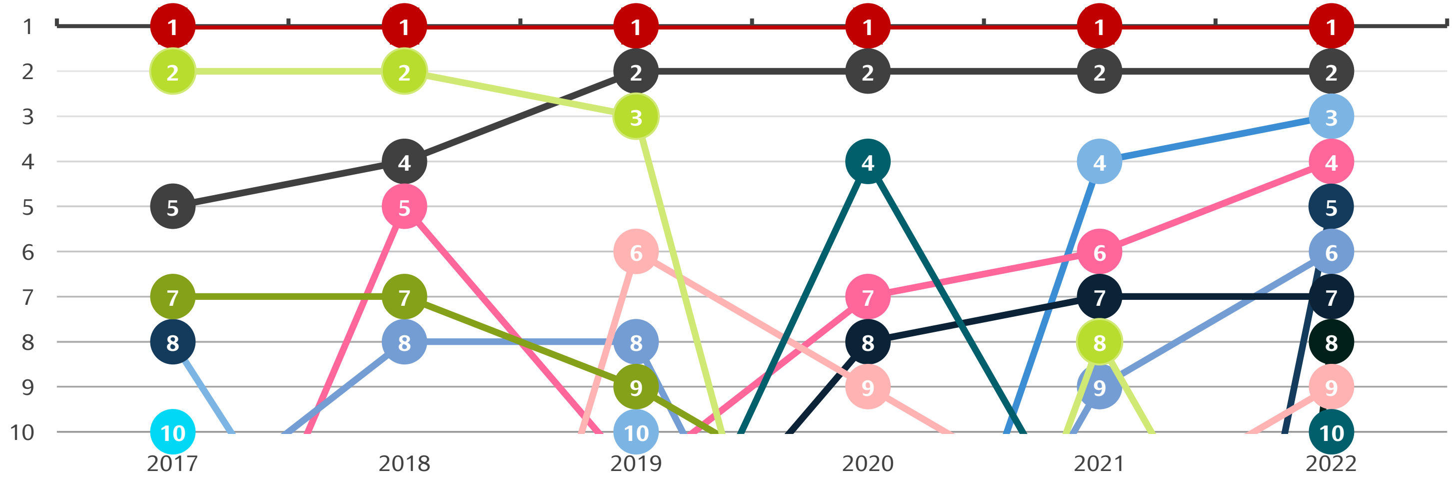
Residential construction continues to lack scaled market participants

Residential delivery by unit-output



Residential construction sector continues to be volatile

Ranking of delivery by unit-output



BCMS Data & Findings

The top 20 ranking is shown for 2022 based on the total number of new homes completed and the rankings are then shown for these top 20 for each of the preceding 5 years. The data excludes one-off homes.

The graphs illustrate how volatile the homebuilding industry has become, and critically how few properly scaled homebuilders actually exist in Ireland. It is suggested that viability and funding are among the primary reasons for this.

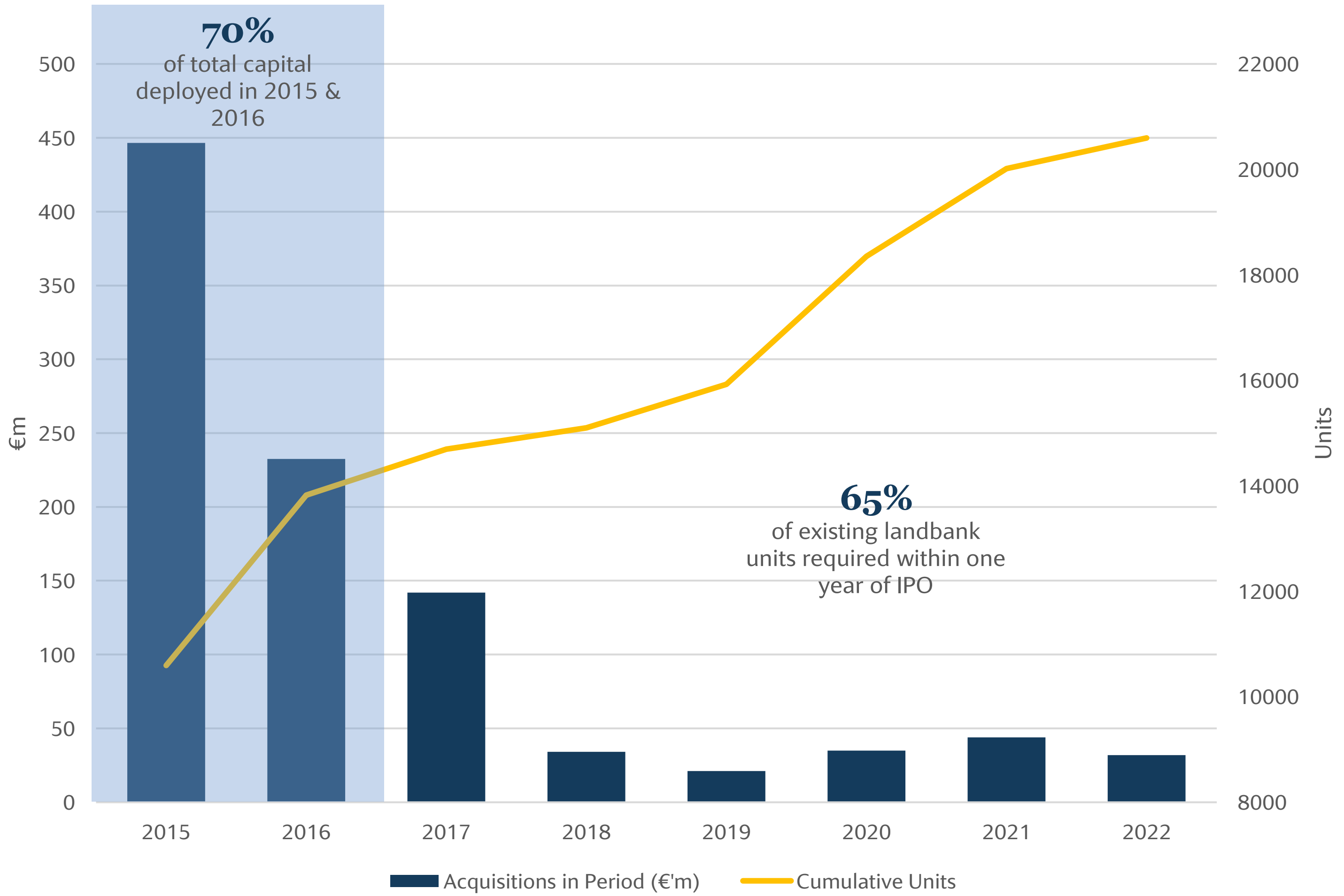
2022 Completions	No. Units
Scheme	15,163
Apartments	9,166
Totals (excluding One-Off)	**24,329**

Top 20 2022	
By Unit	8,407
% By Scheme Units	**34.6%**
Delivery >1,000 Units	3
Delivery <500 Units	17

A sustainable business needs a secured supply chain

Cairn Portfolio c.16,800 Unit Landbank

Balance Sheet Value €628m



Total landbank **16,800** units

In planning **26%**

SDZ (effective full planning permission) **31%**

Full planning permission **32%**

Residentially zoned **9%**

Subject to zoning **2%**

03.

Review of National Planning Framework

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We need a meaningful & comprehensive Review of the National Planning Framework

National Planning Framework

In 2018, the Government published the National Planning Framework (NPF) as part of Project Ireland 2040.

It is the overarching policy and planning framework for Ireland's social, economic, environmental, and cultural development.

Regional Spatial & Economic Strategies

RSES have replaced the Regional Planning Guidelines.

The objective of each RSES is to support the NPF and the economic policies and objectives of the government.

Each strategy is a long-term planning and economic framework for the development of each region.

County Development Plans

The development plan outlines planning policies for a local community. It sets out the land use, amenity and development objectives and policies of the planning authority, for a six-year period.

It sets out a list of objectives how each county will develop and improve in a sustainable way in the six-year period. The core strategy of the plan shows that the plan is consistent with the National (NPF) and Regional (RSES) policies.

The review of the National Planning Framework is Welcomed

- Confirmation sought on transitional arrangements
- Census data is a critical indicator of activity in the economy, however household formation size, headroom, obsolescence, pent up demand are all drivers of housing demand
- Align policy requirements with structural demand and remove ceilings imposed within CDP's
- Review conversion / activation rates within a development plan. Estimates on how much zoned land actually needed are often unrealistic

Dublin and the Mid-East has been downzoned by 60,000 units

County	Old CDP's		New CDP's			
	Time Period of Plan (Previous)	Housing Target in Plan	Time Period of Plan (New)	HNDA Units / Housing Target	Δ from Old Plan	Δ %
Wicklow	2016-2022	15,471	2022-2028	8,467	-7,004	-45%
Kildare	2017-2023	32,497	2023-2029	9,144	-23,353	-72%
Fingal	2017-2023	39,948	2023-2029	16,245	-23,703	-59%
South Dublin	2016-2022	39,649	2022-2028	15,576	-24,073	-61%
Dun-Laoghaire Rathdown	2016-2022	19,870	2022-2028	18,515	-1,355	-7%
Dublin City	2016-2022	29,500	2022-2028	40,150	10,650	36%
Meath	2013-2019	12,942	2021-2027	16,958	4,016	31%
Louth	2015-2021	3,111	2021-2027	6,524	3,413	110%
Total Dublin & Mid-East		**192,988**		**131,579**	**-61,409**	

Source: data extracted from relevant county development plans and core strategy documents

Analysis taken of the Dublin and Mid East counties within the EMRA Regional Assembly. 5 of 8 have significantly reduced the HNDA / Housing Target under new plans.

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Activation rates should assist realistic land yields

County	Old CDP's				New CDP's			
	Time Period of Plan (Previous)	Housing Yield of Zoned Land	Completions	% Activation	Time Period of Plan (New)	Housing Yield of Zoned Land	HNDA Units / Housing Target	Implied Conversion Full Delivery to Zoned Land Yield
Wicklow	2016-2022	23,513	5,666	24.1%	2022-2028	22,902	8,467	37%
Kildare	2017-2023	32,558	10,839	33.3%	2023-2029	9,144	9,144	100%
Fingal	2017-2023	49,541	11,643	23.5%	2023-2029	41,500	16,245	39%
South Dublin	2016-2022	40,098	7,861	19.6%	2022-2028	21,490	15,576	71%
Dun-Laoghaire Rathdown	2016-2022	33,600	7,084	21.1%	2022-2028	20,886	18,515	89%
Dublin City	2016-2022	52,300	12,954	24.8%	2022-2028	49,175	40,150	82%
Meath	2013-2019	49,098	5,556	11.3%	2021-2027	46,586	16,958	36%
Louth	2015-2021	57,418	3,301	5.7%	2021-2027	56,101	6,524	12%
Total Dublin & Mid-East		**338,126**	**64,904**	**19.2%**		**267,784**	**131,579**	**49%**

Review of the conversion ratios within the Dublin & Mid-East region highlight that estimates on how much zoned land authorities need are often unrealistic.

Land activation measures such as RZLT will assist in greater amount of activation, however, activation expected to remain below implied conversion rates.

Source: data extracted from relevant county development plans, core strategy documents and CSO completions / commencements

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04.

Concluding Remarks

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Concluding Remarks

Ireland has a housing shortage that will take years to overcome

Government initiatives are supporting increased delivery and making a real difference

To meet current and future housing need we need a sustainable residential sector

A comprehensive review of the National Planning Framework provides a unique opportunity to positively impact delivery across all housing tenures

Seven Mills

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