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## The Irish Residential & Development Markets



by

Hooke & MacDonald

September 2014

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## 1.0 Introduction

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## 1.1 Introduction

- This Report represents a snapshot of activity in residential property and development at a critical time for the market. Unfortunately, the excesses in the property and banking sectors in the years leading up to the collapse in 2007 and the ensuing drought in house building over a six year period has created a severe shortage of residential properties for sale and rental. This in turn is forcing up prices and rents.
- There is now a realisation by all stakeholders in the economy that an accelerated programme of new residential construction of both private and social housing is essential in bringing stabilisation to the market and supplying all categories of people with suitable accommodation in the right locations.
- The achievement of this objective is hindered by a number of obstacles which the Government have stated that they are committed to addressing. These include planning issues and local authority levies inherited from more prosperous times, lack of development finance and site availability. However, it is important that any measures taken to improve the position should be geared towards stimulating supply not demand.
- A positive aspect of the matter, assuming the obstacles are addressed, is that the key stakeholders are ready and willing to address the supply shortage. NAMA controls a substantial number of sites and is committed to promoting development on these, either by funding developers or through professional development management teams involving receivers. Private developers and investment funds are also poised to commence work on a number of sites in Dublin, surrounding counties and in key urban locations such as Cork and Galway.
- One of the dangers of the present state of shortages in the housing market is that, in a rush to satisfy demand, the wrong type of product could be built in the wrong places, as happened a decade ago. Many existing planning permissions need to be re-assessed and re-designed to bring them in line with current market requirements.
- This is a difficult time for aspiring purchasers, whether they are first time buyers, mover buyers or retirees wishing to trade down from larger homes. They should be facilitated in their decision-making by being allowed to consider what's on offer in a calm atmosphere and should not have to queue for long periods and then be rushed into making a decision. There are ways to avoid this occurring and it is in everyone's interest, both purchaser and vendor alike, that they are implemented.
- The next two to three years should be a very interesting period in the housing market with a number of suburban and in-fill sites being progressed and the next chapter in the development of the already well established Dublin Docklands taking place.
- Apart from Dublin Docklands there is another part of the city that merits a form of rejuvenation and which should be included in any package of measures which is produced to solve the problems in the housing market – namely the area known as the South Georgian Core, comprising Merrion Square, Fitzwilliam Square and the adjoining Georgian streets. Less than 10% of the properties in the area are in residential use yet a substantial proportion of the space is either empty or awaiting office tenants. These buildings are ideal for use as family homes, like the centre of Edinburgh, either as single homes or divided up, subject to being able

to navigate through the planning, conservation and building control regimes. Dublin City Council are pro-active on changing the usage in the area.

- Employment in the construction industry has been decimated in recent years with most of the skilled personnel having to emigrate. Hopefully, the recovery in market conditions will encourage these to return. The industry needs their involvement if the improvement in supply is to be undertaken.
- There is a mistaken perception that investors are a bad influence on the market. The reality is that without investors the current escalation in rental levels would be much worse as investors are the providers of stock into this sector. The solution for the rental market is to create conditions for the increase in the supply of rental accommodation, not to vilify the providers of accommodation. An introduction of rent control would stifle supply and cause a deterioration in the rental market, as happened 14 years ago when the Bacon measures were introduced.

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## 2.0 Executive Summary & Forecasts

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## 2.1 Executive Summary & Forecasts

### Residential Transactions & Prices

- Sales were closed on 4,984 residential properties in Dublin in the first six months of 2014 generating sales revenue of €1.66 billion, compared to 3,617 units in the same period of 2013 with sales revenue of €1.08 billion, representing a 30% increase in volume and 54% in sales revenue.
- Hooke & MacDonald forecast that 11,500 residential properties will be sold in Dublin in 2014 with a sales value of €3.8 billion, an increase of 15% in volume and 40% in sales revenue over the 9,959 units sold in 2013 for €2.7 billion.
- Owner occupiers are currently the dominant force in the residential market, accounting for 75% of sales with first time buyers being the most active grouping followed by those trading up.
- Cash purchasers accounted for just over half of sales in Dublin in 2013 and 45% in the first half of 2014.
- There were 188 residences sold in Dublin in 2013 for over €1 million, compared to 161 for 2012. In the first six months of 2014 there were 130 homes sold for over €1 million totalling €213 million, an increase in volume of 69% and in sales revenue of 64% over the same period of 2013 when 77 homes were sold for a total of €130 million.
- Dublin accounted for a third of all property sales in Ireland in 2013 and just over half of the market in revenue terms. This trend is continuing in 2014.

### Residential Supply

- There were 1,436 completions in Dublin in the first 6 months of 2014 with 486 in Dublin City, 404 in Dun Laoghaire Rathdown, 268 in South Dublin and 278 in Fingal.
- Hooke & MacDonald forecast that there will be 3,200 residential completions in Dublin in 2014, an increase of 135% on the 1,360 completions in 2013 but still well short of the 8,000-10,000 demand for new residential properties in Dublin annually. The company forecasts 5,000 completions in Dublin in 2015 and 6,500 in 2016 assuming the supply blockages are dealt with.
- There were 8,301 residential units completed nationally in 2013, following 8,488 in 2012. Hooke & MacDonald forecast that there will be 11,500 completions nationally in 2014, an increase of 38% representing the first increase in housing completions since the peak of 2006/07. The company forecasts 14,000 completions nationally in 2015 and 17,000 in 2016.
- The Hooke & MacDonald estimate of 2,500 new residential starts in Dublin in 2014 represents a 72% increase on the properties started in 2013 but it is still a very low figure, off a very low base, being just a quarter of the actual requirement in Dublin.

### The Residential Development Sites Market

- Hooke & MacDonald predict that development site sales will exceed €700 million in Dublin in 2014 which would represent a sevenfold increase on the 2013 sales of just over €100 million.

- Site prices increased by 25% in 2013 and increased by over 30% in the first half of 2014 with a 50% increase likely for the year as a whole. Although these are significant price increases they are still well short of the prices being achieved at the peak in 2006-2007 and again are coming off a very low base where demand was virtually at a standstill.
- International investment funds have joined forces with a number of local developers to purchase and develop sites for residential development. A number of banks are selling off large loan books which contain valuable development sites.
- Most of the sites which have come on the market in the past year have been sold to cash-rich purchasers, some are builders and developers who have successfully survived the downturn in the market over the past six years; there are other developers who have started new partnerships. There are also new entrants into the marketplace, both domestic and international, which are well funded. Apart from these parties, other purchasers included providers of student accommodation and hotel developers.
- As the property investment market has become more competitive and the economy and housing market have improved more parties are looking at development to provide returns.
- The lack of development activity over the last six years and the shortage in the supply of new residential properties in Dublin, Kildare, Meath & Wicklow has led to an upsurge in demand for residential development sites in these areas.
- The strong development sites market represents an excellent opportunity for stakeholders with residential development sites to sell them and benefit from the current imbalance between supply and demand for sites.
- NAMA is supporting the construction industry by funding several residential developments in Dublin as well as examining joint venture opportunities. NAMA are putting €3 billion into development / construction projects in the short term.

## Residential Market Demand in 2014 & Trends

- There is increasing focus by purchasers & tenants on the sustainability / energy rating of accommodation.
- All new homes built since January 2007 must include a Building Energy Rating (BER). The CSO stated there had been a significant improvement in standards, with 92% of homes built between 2010 and 2014 achieving an 'A' or 'B' rating. This compares with just 40% between 2005 and 2009.
- Good design, energy efficiency & on-site facilities & landscaping are proving to be key elements in successful new developments.
- The type of housing required varies with the location. Since it is not feasible to build conventional houses in the city centre/Docklands, apartments will continue to be the most popular form of accommodation in these areas and also in many suburban locations which are on transport infrastructure.
- One of the main challenges for the future is to ensure that planning permissions and developments are suited to changing market requirements. Many existing approved plans need to be re-assessed and revised to achieve this with the input from market/sales professionals being necessary to ensure that the correct mix of apartment / house types are built to meet current and future demand.

- Most demand is for 3 & 4 bedroom family houses in suburban areas and on in-fill sites in close to city locations and for 1, 2 and 3 bedroom apartments in the city centre & locations close to public transport infrastructure.
- The main categories of cash purchasers includes those who sold properties in recent years, people living abroad wishing to buy at prices which have fallen since the peak by over 60% and investors returning to the property market.

## The Residential Investment Market

- Investors have returned to the property market in greater numbers due to the improving economy, increased confidence in the property market, rising rents, better investment yields, lower interest rates on bank deposits and improved confidence in the housing market.
- Smaller scale investors have re-entered the market and are bidding strongly for city & suburban apartments in Dublin due to the attractive yields, prices that are below construction costs, the healthy rental market and continued lower interest rates on bank deposits.
- Most residential investors are seeking apartments rather than houses due largely to their popularity with tenants and the fact that they produce better yields than family houses. They are also generally in more central locations than houses.
- Current investment yields on individual properties in Dublin range mainly from 6%-8%, depending on the quality of the property and the location.
- Most investors are buying for long term investment and a steady income stream rather than short capital appreciation which was a motivating factor for many investors a decade ago.
- The conditions need to be created by Government and Local Authorities to stimulate the construction of, not just family houses, but also new apartments in key employment zones to meet tenant demand and to help keep residential rents at affordable levels.
- Investors fulfil a vital role in the residential market as they help to boost the supply of properties to rent thus contributing to a stabilisation in rental costs. Over 90% of investors are cash buyers so they are not competing with owner occupiers in the mortgage market.
- Approx half of investment acquisitions this year are being purchased for under €250,000 while a further 40% are in the €250,000 - €550,000 bracket.
- A significant feature of the market in 2013 and in 2014, is the acquisition of multi-unit residential investments by Irish and international investment companies and funds, most of whom are taking a professional approach to the residential and rental sector. Over 3,000 residential units have been purchased in the past year in Dublin by international investors.
- One and two bedroom apartments are more popular with investors than three bedroom units as they are generally a better letting proposition with stronger rental demand.
- The Budget measure which provides a capital gains tax exemption for properties purchased prior to 31st December 2014 and held for 7 years has proved to be an attractive stimulus for investors and an intensification of buying actively is occurring prior to the cut-off date.

## Finance – Mortgages and Development

- In the first six months of 2014 there were 8,228 mortgage drawdowns totalling €1.38 billion, an increase of 5.5% on the same period in 2013 when 5,297 drawdowns occurred totalling €849 million.
- Of the total mortgage drawdowns in 2013, first time buyers accounted for 50.7%, 35.6% by owner buyers and less than 4% by investors. In the first half of 2014 first time buyers accounted for 50.7%, 35.4% by mover buyers and 4.5% by investors
- Mortgage volumes for 2014 should exceed 20,000 drawdowns totalling €3.5 billion which would represent an increase of 33% in volume and 40% in mortgage amounts over 2013. This is still less than half the €8-9 billion which current market demand would require. However, it does represent a welcome increase in lending by the main lenders, AIB, Bank of Ireland, KBC, Ulster Bank and Permanent TSB.

## The Rental Market

- 32% of the Dublin population are now in rented accommodation. The increase in households renting is concentrated mainly among people in the 28-35 age group.
- There is strong demand for good quality well-presented 1, 2 & 3 bedroom apartments to rent throughout the city, particularly in central Dublin and suburban areas well served by public transport. Houses are also in good demand in established suburban locations.
- In August 2014 there were almost 40% fewer properties available to rent compared to the same time last year, according to the Daft.ie quarterly Rental Report. The 2,000 units available to rent represent less than a third of actual demand of over 6,000 units in Dublin at this time.

## Supply

- The Housing Agency Report of April 2014 "Housing Supply requirements in Irelands Urban Settlements 2014 – 2015" identified a minimum requirement of almost 80,000 housing units nationally over the next five years, having regard to national population growth. Almost half of these, 37,500, i.e. 7,500 per annum, they stated will be required in this period in the Dublin region. This may underestimate the true level of demand.
- There are several obstacles to development which need to be addressed, including development levies, housing densities, development funding, planning delays and reform, and zoning difficulties. A fast-track planning regime is long overdue. Several major schemes have been held up or put at risk by planning delays.
- NAMA are committed to supporting national recovery and alleviating the housing shortage by:
  - Funding the delivery of 4,500 new homes in the next eighteen months by development on 200 of the sites under their control in the Greater Dublin area;
  - Supporting the delivery of 2,600 homes in Dublin Docklands where it holds security over 75% of undeveloped SDZ sites;
  - Progressing planning and facilitating delivery of a further 25,000 houses and apartments;
  - Development of substantial housing on 2,600 hectares of residentially zoned lands it controls in Wicklow, Kildare, Meath and Louth.

## Dublin Docklands

- The hugely successful re-generation of Dublin Docklands which began 28 years ago has been one of the most important factors in raising the profile of Ireland internationally and in attracting the top companies in the world to Dublin. It has boosted amenities, tourism, education, transport, business and retail activity and employment, with 40,000 people working there and 14,000 households resident there.
- There is a great opportunity now to work on what has been achieved to date in the Dublin Docklands, and to provide high quality residential & commercial developments which will help ease the current shortage of homes and offices. Dublin City Council have stated that the ambition for the area is for it to become one of the great living urban environments of Europe, providing a unique and enriching life choice and experience for residents . The regeneration policies of the past two and a half decades have delivered high quality housing for contemporary urban living in the Docklands, this positions Docklands as a place that attracts a variety of residents and family types, providing opportunities to live in a safe people-friendly environment.
- The DCC proposal for the next phase in the evolution of the Docklands is to foster and create openings for high quality and innovative designs. A core objective is for Housing that attracts a new population and provides choice and options for the existing residents within the SDZ and adjoining communities to stay living in their location.
- The approval of the SDZ allows for 2,600 apartments and 366,000 square metres of office space to be developed across 22 hectares. A number of undeveloped sites have existing Section 25 certificates for development, but if they are not substantially constructed in 2014 they may lose their permissions under planned legislation. However, the framework is now in place to move forward into the next tranche of development.
- NAMA have stated that they are keen to play a key role in the next phase of the Docklands development and are in a position to do so. NAMA controls or has stakes in 15 hectares in the area. The Strategic Development Zone (SDZ) for North Lotts and Grand Canal Dock areas was approved in April 2014 by An Bord Pleanala. NAMA has a number of options on how to participate in the Docklands development including joint ventures with developers or construction through contractors through professional development teams and receivers.
- Dublin Docklands has grown steadily in importance on a national and international scale. It is a thriving vibrant location. The next phase in its development should be every bit as exciting and successful as the first phase. It presents a superb opportunity for all concerned to ensure that this occurs.

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### 3.0 Residential Transactions, Prices and Supply

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### 3.1 Residential Transactions & Prices

- Sales were closed on 4,984 residential properties in Dublin in the first six months of 2014 generating sales revenue of €1.66 billion, compared to 3,617 units in the same period of 2013 with sales revenue of €1.08 billion. This was a 30% increase in volume and 54% in sales revenue.
- There were 9,959 residential properties sold in Dublin in 2013, with sales revenue of €2.73 billion, compared to 9,005 units sold in 2012 with sales revenue of €2.51 billion. This is a 10.6% increase in volume terms and a 9 per cent increase in sales revenue terms.
- There were 1,096 residential properties sold in Kildare in 2013, an increase of 3.8% on the 1,056 sold in 2012, representing a sales value of €220 million, and an increase of 5.2% on the 2012 sales revenue.
- There were 650 residential properties sold in Kildare in the first 6 months of 2014, generating €138 m in sales revenue. This represents a 45% increase in volume and 70% in sales revenue on the same period in 2013 when there were 448 sales with sales revenue of €81 million.
- There were 816 residential sales in Meath in 2013, an increase of 2% on the 799 sales in 2012, with a sales value of €144 million, just a marginal increase on the €143 million in sales in 2012.
- There were 516 sales recorded in Meath in the first six months of 2014, with sales revenue of €93 million, representing a 39% increase in volume and a 57% increase in sales revenue over the 371 units sold in the same period of 2014 for €59 million.
- There were 832 sales in Wicklow in 2013, a 5% increase on the 787 sales transacted in 2012, with a sales value of €201 million, up 7% on the €188 million in sales in 2012.
- There were 565 residential sales recorded in Wicklow in the first six months of 2014 with sales revenue of €140 million. This was a 54% increase in volume and 61% increase in sales revenue for the same period of 2013 when 366 units were sold for €87 million.

**Table 3.1.1 Residential Transactions and Prices 2012 - 2014**

Year		Dublin	Kildare	Meath	Wicklow	Totals
<b>2012</b>	Units	9,005	1,056	799	787	11,647
	Revenue	€2.51 bn	€209 m	€143 m	€188 m	€3.05 bn
<b>2013</b>	Units	9,959	1,096	816	832	12,703
	Revenue	€2.73 bn	€220 m	€144 m	€201 m	€3.295 bn
<b>Jan – June 2013</b>	Units	3,617	448	371	366	4,802
	Revenue	€1.08 bn	€81 m	€59 m	€87 m	€1,307
<b>Jan-June 2014</b>	Units	4,984	650	516	565	6,715
	Revenue	€1.66 bn	€138 m	€93 m	€140 m	€2.051 bn
<b>% increase Jan – June 2013/14</b>	Units	30%	45%	39%	54%	40%
	Revenue	54%	70%	57%	61%	55%

Source: National Property Price Register; analysis Hooke & MacDonald Research.

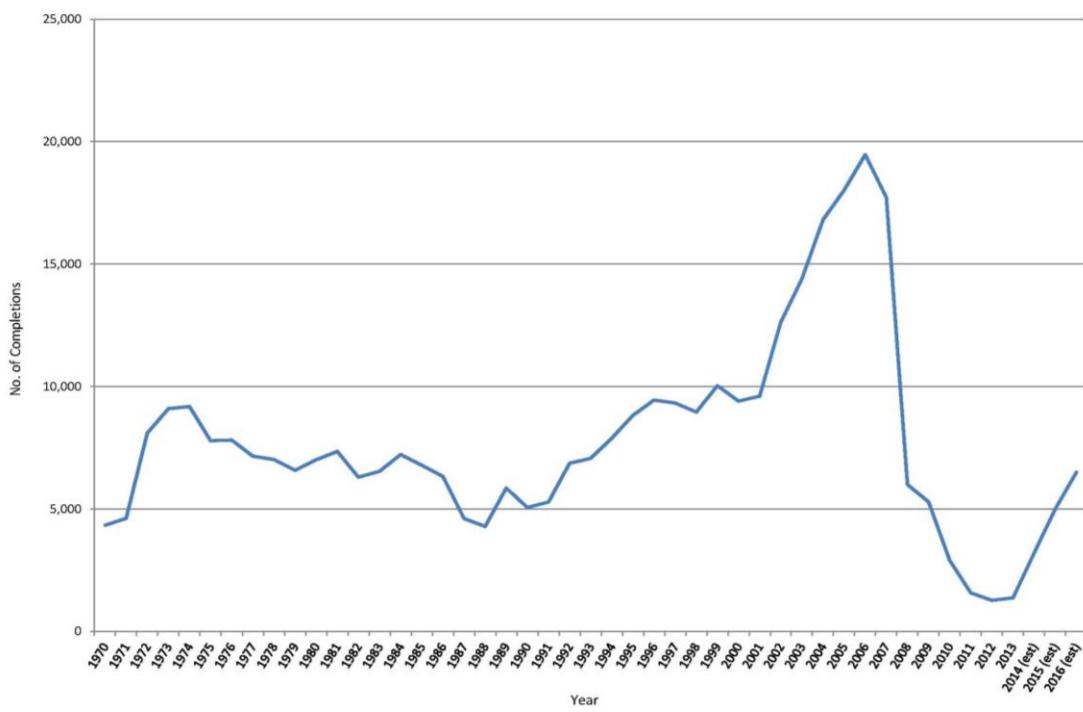
- Hooke & MacDonald forecast that 11,500 residential properties will be sold in Dublin in 2014 with a sales revenue of €3.8 billion, an increase of 15% in volume and 40% in sales revenue over the 9,959 units sold in 2013 for €2.7 billion.
- Dublin house prices in 2013 increased by an average of 15% although certain Dublin areas experienced increases of over 18% caused largely by a shortage in supply and a rise in consumer confidence.
- Prices in Dublin had fallen by 60% from peak levels in 2006/2007 and have over-corrected in some locations. As of September 2014 they were still 42% off their peak.
- Hooke & MacDonald estimate that Dublin residential prices will rise by an average of 20% in 2014 but should return to single digit increases in 2015/16 when supply improves.
- Owner occupiers are currently the dominant force in the residential market, accounting for 75% of sales with first time buyers being the most active grouping followed by those trading up.
- Dublin accounts for a third of all property sales in the country and just over half of the market in terms of sales revenue.
- The main category of cash purchasers includes those who sold properties in recent years, people living abroad wishing to buy at prices which have fallen significantly and investors returning to the property market.
- Cash purchasers accounted for just over half of sales in Dublin in 2013 and 45% in the first half of 2014.
- There were 188 residences sold in Dublin in 2013 for over €1 million, compared to 161 for 2012. In the first six months of 2014 there were 130 homes sold for over €1 million totalling €213 million, an increase in volume of 69% and in sales revenue of 64% over the same period of 2013 when 77 homes were sold for a total of €130 million.
- Less than 10% of the residential properties sold in Dublin in 2013 were newly constructed homes, reflecting the shortage of stock in this sector.
- The increase in the number of small investors in the market is because they are attracted by good yields, rising rents and the perception that residential property is undervalued and the fact that low interest rates are payable on bank deposits.

## 3.2 Supply

- There is currently planning permission for over 10,000 new residential units in Dublin but the development of many of these is held up by factors such as the inability of stakeholders to develop sites under their control, a lack of development finance, unsuitable planning permissions resulting in non-viable projects and an imbalance between building costs and sale prices.
- Completions in Dublin from 1973-1993 averaged 6,000 units per annum. They then increased by nearly 1,000 more per annum, from 7,063 in 1993 to 14,394 in 2003. They continued rising each year, peaking at 19,470 in 2006, and falling sharply since then.

- Dublin completions in 2011 were only 1,571 and they fell further in 2012, to 1,266 and increased slightly to 1,360 in 2013.
- There were 1,436 completions in Dublin in the first 6 months of 2014, 486 in Dublin City, 404 in Dun Laoghaire Rathdown, 268 in South Dublin and 278 in Fingal.
- Hooke & MacDonald forecast that there will be 3,200 residential completions in Dublin in 2014, an increase of 135% on the 1,360 completions in 2013 but still well short of the 8,000-10,000 demand for new residential properties in Dublin. The company forecasts 5,000 completions in 2015 and 6,500 in 2016. This assumes action will be taken to deal with the supply impediments.
- Demand for new homes is steadily increasing in parts of counties Kildare, Meath & Wicklow but supply in these areas is restricted. Hooke & MacDonald forecast approximate completions in 2014 to be; Kildare 528, up 16% on 447 in 2013; Meath 380, up 33% on 286 in 2013; and Wicklow 260, similar to 2013. Over three quarters of the completions in 2013 in these counties were completions for one-off single houses leaving a very small stock available for purchase.
- There were 8,301 residential units completed nationally in 2013, following 8,488 in 2012. Hooke & MacDonald forecast that there will be 11,500 completions in 2014, an increase of 38% representing the first increase in housing completions since the peak. Of 2006/7. The company forecasts 14,000 completions in 2015 and 17,000 in 2016.
- There were 6,000 homes listed for sale on Daft.ie for the first half of 2014, according to Ronan Lyons of Trinity College, representing a 36% increase on the 4,000 listed for the same period in 2013 and a further 25% increase on the previous year, when first six months listings were 3,500.

**Figure 3.2.1      Dublin Residential Completions 1970 – 2016 (2014-16 est.)**



Source: DECLG, 2011 CIF & Hooke & MacDonald Research (forecasts 2014, 2015, 2016).

- Demographics and household formation trends point to an annual demand for approximately 25,000 new homes nationally over the coming years, with 8,000-10,000 of them in Dublin. The Dublin demand is becoming more urgent much quicker than the provincial demand based on the existing stock of vacant properties in each area.

**Table 3.2.1 Dublin Residential Completions 2011 – 2014**

<b>Year</b>	<b>Dun Laoghaire Rathdown</b>	<b>South Dublin</b>	<b>Dublin City</b>	<b>Fingal</b>	<b>Totals</b>
2011	192	160	557	662	1,571
2012	175	220	507	364	1,266
2013	260	203	502	395	1,360
2014* (forecast)	672	758	1,100	670	3,200

Source: DOELG, CIF; analysis Hooke & MacDonald.

\* Q1-Q3, 2013 actual figures. Q4, 2013 Hooke & MacDonald Research estimate. 2014 are Hooke & MacDonald forecasts.

**Table 3.2.2 Kildare, Meath, Wicklow Completions 2011 – 2014**

<b>Year</b>	<b>Kildare</b>	<b>Meath</b>	<b>Wicklow</b>	<b>Totals</b>
2011	407	369	284	1,060
2012	372	353	217	942
2013	447	286	257	912
2014 (forecast)	528	380	260	1,168

Source: DOELG, CIF; analysis Hooke & MacDonald.

\* Q1-Q3, 2013 actual figures. Hooke & MacDonald Research estimate for 2014 are Hooke & MacDonald forecasts.

**Table 3.2.3 Greater Dublin Area (Dublin, Kildare, Meath, Wicklow) Completions 2011 – 2014**

<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014 (forecast)</b>
2,631	2,208	2,272	4,368

Source: DoE, CIF; analysis Hooke & MacDonald.

\* 2014 are Hooke & MacDonald forecasts.

**Table 3.2.4 Dublin Residential Starts / Commencements 2012 - 2014**

<b>Year</b>	<b>Dublin</b>	<b>Kildare</b>	<b>Meath</b>	<b>Wicklow</b>	<b>Totals</b>
2012	766	112	142	67	1,087
2013	1,451	199	167	78	1,895
2014*	2,500	290	280	150	3,220
% increase (2013-14)	72%	46%	68%	92%	69%

Source: DOEGL, CIF; analysis Hooke & MacDonald.

\* 2014 figures are estimated by Hooke & MacDonald Research

- The Hooke & MacDonald estimate of 2,500 new residential starts in Dublin in 2014 represents a 72% increase on the properties started in 2013 but it is still a very low figure, off a very low base, being less than a quarter of the actual requirement of 8,000-10,000 units per annum in Dublin.
- The estimated 290 new starts in Kildare in 2014 is a 46% increase on the 199 starts in the previous year. The projected starts in Meath at 280 represents an increase of 68% on the 167 in 2013; Wicklow at 150 would be an increase of 92% over 2013. It should also be noted that up to two-thirds of new starts in Kildare, Meath and Wicklow are for single / one-off houses which will not be coming to the market.
- The completions in 2014 should exceed starts because a proportion of the completions relate to buildings that were part complete and stalled during the downturn but are now being completed.

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## 4.0 The Residential Development Sites Market

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## 4.1 The Residential Development Sites Market

- Hooke & MacDonald predict that development site sales will exceed €700 million in Dublin in 2014 which would represent a sevenfold increase in the 2013 sales of just over €100 million.
- Site prices increased by 25% in 2013 and increased by over 30% in the first half of 2014 with a 50% increase likely for the year as a whole. Although these are significant price increases they are well still short of the prices being achieved at the peak in 2006-2007 and again are coming off a very low base where demand was virtually at a standstill.
- The biggest site to be offered for sale in 2014 is the 400 acres at Cherrywood, Co. Dublin along with Cherrywood Business Park. 24 acres at Scholarstown Road achieved €37 million in August. 4.5 acres in Drumcondra at €13.5 million and a number of smaller in-fill sites were sold as part of mixed portfolios along with residential and commercial properties being sold by NAMA, receiver, banks and private owners.
- International investment funds have joined forces with a number of local developers to purchase and develop sites for residential development. A number of banks are selling off large loan books which contain valuable development sites.
- As general economic conditions improve, the shortage in the supply of residential properties in Dublin, Kildare, Meath & Wicklow has led to an upsurge in demand for residential development sites in these areas.
- Most of the sites which have come on the market in the past year have been sold to cash-rich purchasers, mostly builders and developers who have successfully survived the downturn in the market over the past six years; there are other developers who have started new partnerships. There are also new entrants into the marketplace, both domestic and international, which are well funded. Apart from these parties, other purchasers included providers of student accommodation and hotel developers.
- The most popular method of sale has been Private Treaty which, if sufficient competitive interest was generated, sometimes progressed to best & final bids or private tenders. In the last six months there has been an increase in the number of sites offered for sale by public auction.
- The fact that significantly less development finance is required for the construction of houses rather than apartment buildings has ensured that the strongest demand exists for housing sites, especially those with ready-to-build planning permissions. Another reason is that construction costs for apartments are less than achievable sale prices, except in some prime locations.
- The shortfall between apartment construction costs and sale prices for completed units, coupled with the strong rental market has led to some well-funded builders offering their completed apartments for rental rather than sale in anticipation of future increases in capital values.
- As the residential market improves and yields for residential and commercial investments become less attractive some property investors are looking for opportunities in residential development, in addition to the traditional builders and developers.
- Due to the limited number of sites brought to the market in Dublin, Kildare, Meath and Wicklow over the last 3 years, combined with the improved residential sales market, there have been a

large number of disappointed bidders on sites that have been brought to the market in the past year. Some site disposal prices are at levels in excess of the current market feasibility on projects and developers are relying on future price increases for completed units in order to achieve development profits.

- Competition for sites that come up for sale is from an ever broadening group of buyers including residential and office developers and funding partners, and also hotel developers and student accommodation providers.
- The strong development sites market represents an excellent opportunity for stakeholders with residential development sites to sell them and benefit from the current imbalance between supply and demand for sites.
- Taking into account the depth of end use demand and the large numbers of builders / developers who want to build housing but cannot acquire sites, even a reasonable influx of development sites to the market would be absorbed and strong prices are likely to still be achieved.

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## 5.0 Residential Market Trends and Demand in 2014

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## 5.1 Trends

### Energy Efficiency

- There is increasing focus by purchasers & tenants on the sustainability / energy rating of accommodation. Currently non-Irish nationals tend to be more focused on this than Irish people but this is starting to change as awareness continues to grow locally of its importance in cost saving. The BER Energy Rating System is contributing positively to this.
- The BER energy rating regulations for residential and commercial property has caused participants in the market to put particular focus on this aspect of their appraisal before purchasing.
- Changes to building regulations have led to new homes built in Ireland in the last few years being among the most energy efficient in the world. New figures from the Central Statistics office (CSO) show that 23% of all homes built here between 2010 and 2014 have achieved an A rating, meaning they are warmer and cheaper to heat. This compares with just 1% of all homes built between 2005 and 2009 achieving the same rating.
- As a result of new regulations all new homes built since January 2007 must include a Building Energy Rating (BER). The CSO said there had been a 'dramatic improvement' in standards, with 92% of homes built between 2010 and 2014 achieving an 'A' or 'B' rating. This compares with just 40% between 2005 and 2009.

### Design

- Good design, energy efficiency & provision of on-site facilities & landscaping are proving to be key elements in successful new developments.
- There is a growing appreciation of the need for good design in the next wave of new residential and commercial buildings currently being planned. There exists a great opportunity to develop sustainable buildings in sustainable locations with particular emphasis on the requirements of the end user, whether they are home occupants or office workers.
- The long term trend of reduced numbers of occupants per dwelling is set to continue and the natural rate of obsolescence for the housing stock also creates the requirement for new homes.

### Amenities

- There is continuing to be an increasing residential demand in areas with good public transport infrastructure – Luas, DART and Quality Bus Corridors and a lessening of demand for areas dependent on car-based transport.
- People are more inclined to buy homes in locations that already have existing amenities such as schools, shopping and leisure rather than rely on planned facilities that may never materialise. The reluctance to commute long distances from the capital will intensify.

### The Market

- As supply continues to be restricted and demand increases there are more opportunities for sales off plans (with a showhouse) in some popular locations.

- Owner occupiers will continue to be the dominant force in the marketplace and new residential developments planned are having to reflect the requirements of this category. One of the changes that will occur will be a return to medium density development in some suburban locations with higher density concentrated mainly on inner city/Docklands locations and certain suburban locations close to transport modes.
- REIT's have made a big impact on the Irish market in a very short timeframe. They are tax efficient vehicles to channel investment in to property. They represent an easy route for investors to acquire a stake in mostly prime Irish residential and commercial property.
- The type of housing which will be required over the next 10 years and beyond will be influenced by many factors, including housing formation, population and demographic trends and the state of the economy.
- The type of housing required varies with the location. Since it is not feasible to build conventional houses in the city centre/Docklands, apartments will continue to be the most popular form of accommodation in these areas and also in many suburban locations which are on transport hubs.
- Two bedroom apartments will continue to be more popular than one or three bedroom units, although three bedroom units should increase in demand, but to a limited degree, in the coming years as family accommodation in certain locations.
- The residential types most in demand for the next 5-10 years and thereafter will be 3 & 4 bedroom family houses, both semi-detached & terraced and also 1, 2 & 3 bedroom apartments. The delivery of new well designed residential units at affordable levels will become a guiding principle in planning and undertaking new development.
- Duplex units were a common feature of the housing market especially during the nineties & early part of the next decade. Investors were the main purchasers. They may form part of the solution for parts of the inner city residential market.
- One of the main challenges for the future is to ensure that planning permissions and developments are suited to changing market requirements. Many existing approved plans need to be re-assessed and revised to achieve this with the input from market/sales professionals being necessary to ensure that the correct mix of apartment and house types are built to meet current and future demand.
- The need to achieve high densities in town / city centre location, to meet market demand could allow developers and their professional teams to take innovative approaches to design, taking from the experience of Scandinavian, Dutch and other European countries.

## 5.2 Factors influencing the 2014 residential market

- Continued improvement in the economy and employment levels.
- Rising in consumer confidence.
- Freeing up of sites for development at feasible prices.
- Increased availability of development finance for builders/developers.
- Adequate mortgage availability for purchasers.
- Easing of Local Authority development levies.
- Over-restrictive regulations by Dublin City Council for apartment buildings.

- Resolution of the Part V, 20% social & affordable housing legislation difficulties.
- Inadequate supply of 3 & 4 bedroom family houses and 2 & 3 bedroom apartments in sought-after locations.

### 5.3 Who are today's buyers?

- Many of today's buyers are people seeking good quality family homes, many of whom have sold another property and are currently renting.
- Most first-time buyers are seeking 2 & 3 bedroom houses, and also apartments in certain locations, mainly the City Centre/Docklands and suburban locations well served by public transport. People trading down are generally seeking the same but in suburban locations.
- Irish people abroad seeking properties as investments or Irish bases and/or as homes for themselves when they eventually return home.
- Young couples/first-time buyers in secure jobs with good savings.
- Individual investors – many from provincial Ireland, the U.K. and further afield attracted by the lower prices and increased yields have been buying apartments & houses throughout Dublin.
- Large scale investors - There is strong demand from Irish & international investors for well-located multi-unit residential investment properties and portfolios, with gross yields varying mainly from 5% - 7% for prime properties in strong letting locations and 7.5% & upwards for secondary locations.
- Multiple bidding is now the norm especially for well-located 3, 4 & 5 bedroom houses and 1, 2 and 3 bedroom apartments with the guide prices regularly being exceeded.
- There are thousands of owner occupiers and first-time buyers who bought in the early to mid-2000's who are in negative equity and are effectively locked into their existing property.
- People on tracker mortgages are generally not moving house as they do not want to lose their tracker status, thus limiting available supply.
- A significant portion of young people who acquired apartments in the mid-2000's and are currently in negative equity, have now established families are looking to rent out their apartments & move to 3 or 4 bedroom rental houses. There is very limited stock of these properties available to rent.

### 5.4 Who will future buyers be?

- Owner occupiers will continue to dominate the market, first time buyers and people trading up and down.
- The surge in Irish birth rates from 1977-1982 is creating a significant increase in first-time buyers who traditionally purchase mainly in the 27-33 age groups, notwithstanding the fact that many of this grouping have emigrated in recent years.
- Thousands of potential first-time buyers are currently in rented accommodation having first of all held off buying on account of the high prices and then due to the downturn in economic conditions.
- There is a large proportion of non-Irish nationals who came to Ireland in the past 10-20 years, who are not included in the birth rate figures, but who are of home buying age. According to

Census 2011, the majority of these are in the 25-35 age bracket and are becoming more active in the marketplace.

- Large scale multi-unit investors will continue to be active as long as yields & letability remain favourable.
- Due to the fall in prices in recent years 3 & 4 bedroom houses in suburban locations have become more affordable for owner occupiers and demand for these will continue to increase.
- Due to depleting supply, coupled with rising population and household formation levels, there will be steady demand for apartments in locations with good public transport infrastructure.
- Numerous people approaching or at retirement age will be in the market for 2 & 3 bedroom houses or apartments, preferably in or close to the areas they have already lived in.
- Non-Irish nationals living and working in Ireland will have similar home-buying aspirations to Irish owner occupiers and first-time buyers but having come from cultures where apartment living is more prevalent than in Ireland they will be quite comfortable with apartment purchases.
- Dublin can be divided into primary & secondary locations from a home-buying perspective. Most of the traditional mature areas of the city fall into the primary location category. Much of the future construction & sales activity will take place in the secondary locations.
- Within the secondary locations there will be a significant divergence in demand based on a number of factors including:
  - Public perception of the area;
  - Stage of area development/maturity;
  - Transport infrastructure;
  - Local amenities such as schools, shopping & leisure;
  - Proximity to sources of employment.

## 5.5 What & where are buyers seeking?

- The owner occupiers currently active in the market are seeking good quality 3, 4 & 5 bedroom family houses in established locations with good transport infrastructure & proximity to amenities, in varying price brackets.
- Many owner occupiers, both first-time buyers and people trading up or down are active in the market for 2 & 3 bedroom apartments in mature areas well served by transport and amenities and convenient to major employment hubs. Most apartment purchasers are in the market for properties in the €125,000 - €350,000 range but there is steady demand in certain prime locations for properties in the €350,000 - €750,000 bracket.
- The majority of first-time buyers are seeking 2 or 3 bedroom houses or apartments but there is a shortage of properties at affordable prices in the preferred locations and there is insufficient new stock under construction.
- Investors for existing houses & apartments are prevalent where they perceive prices to represent good value, especially in Dublin city centre and mature suburban locations.
- Investors for multi-unit residential properties base their offers mainly on yield, location, letability and future prospects for rental levels and capital uplift. Areas favoured include

Dublin city centre, Dublin 4 & 6 and north & south suburbs well served by public transport & key amenities.

- Demand for residential properties in parts of Kildare, Meath and Wicklow has improved considerably in the past year. Areas in particular demand include Naas, Ashbourne and Bray.

## 5.6 New versus existing housing

- Aspiring home owners in the past six years have had to concentrate their attention on existing properties due to the lack of new construction activity.
- Now that the market has improved and the construction of new houses and apartments is gradually returning, people are examining the advantages of new homes compared to existing ones.
- The key advantages in buying a newly constructed home are:
  - They have a much higher level of energy efficiency, with most of them possessing an A or B BER rating compared to most existing homes which are mainly C, D, E & F ;No repairs or upgrades needed on a new home;
  - Generally they have a better design and layout with modern kitchen and bathrooms;
  - There is a set price on new homes which avoids the trauma of being out-bid by unknown other parties;
  - One can apply in advance for a mortgage on a new home at a set known price as opposed to an unknown price for a second-hand one;
  - New homes generally pass the test of a banks survey whereas many existing ones do not, due to compliance issues or building deficiencies.

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## 6.0 The Residential Investment Market

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## 6.1 The Residential Investment Market

- Investors have returned to the property market in greater numbers due to the improving economy, increased confidence in the property market, rising rents, better investment yields and lower interest rates on bank deposits.
- Most residential investors are seeking apartments rather than houses due largely to their popularity with tenants and the fact that they produce better yields than family homes.
- Current gross investment yields on individual properties in Dublin range mainly from 6%-8%, depending on the quality of the property and the location.
- Most investors are buying for long term investment and a steady income stream rather than short capital appreciation which was a motivating factor for many investors a decade ago.
- One and two bedroom apartments are more popular with investors than three bedroom units as they are generally a better letting proposition with stronger rental demand.
- The conditions need to be created by Government and Local Authorities to stimulate the construction of, not just family houses, but also new apartments in key employment zones to meet tenant demand and to keep residential rents at affordable levels.
- The new regulations relating to bed-sit type accommodation are helping to improve standards in this sector but as predicted they are contributing to a reduction in the supply of rental accommodation with many of the properties previously in pre-63 use, being converted back to owner occupation. The measure has removed over 6,000 units from the rental market.
- The Budget measure which provides a capital gains tax exemption for properties purchased prior to 31<sup>st</sup> December 2014 and held for 7 years has proved to be a significant incentive for investors.
- Investors fulfil a vital role in the residential market as they help to boost the supply of properties to rent thus contributing to a stabilisation in rental costs. Over 90% of investors are cash buyers so they are not competing with owner occupiers in the mortgage market.
- Approx 50% of investment acquisitions this year are being purchased for under €250,000 while a further 40% are in the €250,000 - €550,000 bracket.

## 6.2 Multi-Unit Investment Sales

- A significant feature of the market in 2013 and in 2014, is the acquisition of multi-unit residential investments by Irish and International investment companies and funds.
- Up to recent years residential investments were sold mainly on the basis of individual break-up or potential re-sale value rather than on the basis of yields, which was the accepted barometer in the commercial market.
- Since the downturn in the market and the influx of international buyers for multi-unit residential investments yields have been the basis of valuing & bidding on these assets as NAMA and banks looked to exit the market.
- Over 3,000 multi-unit residential properties have been purchased in the past year in Dublin by international investors. They bring a professional approach to the rental market. Part of their modus operandi is to improve facilities and management facilities to maximise rental levels.

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## 7.0 Finance – Mortgages and Development Finance

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## 7.1 Mortgage Finance

- National mortgage drawdowns in Ireland in 2013 totalled 14,985 amounting to €2.5 million, a decrease of 5.6% on 2012, when there were 15,881 drawdowns totalling €2.63 billion, according to the Irish Banking Federation/PWC Mortgage Marketing Profile.
- In the first six months of 2014 there were 8,228 mortgage drawdowns totalling €1.38 billion, an increase of 5.5% on the same period in 2013 when 5,297 drawdowns occurred totalling €849 million.
- Of the total mortgage drawdowns in 2013, first time buyers accounted for 50.7%, 35.6% by owner buyers and less than 4% by investors. In the first half of 2014, first time buyers account for 57%, 35.4% by mover buyers and 4.5% by investors.
- Mortgage volumes for 2014 should exceed 20,000 drawdowns totalling €3.5 billion which would represent an increase of 33.5% in volume and 40% in sales revenue over 2013. This is still less than half the €8-9 billion which current market demand would require. However, it does represent a welcome increase in lending by the main lenders, AIB, Bank of Ireland, KBC and Permanent TSB.
- Drawdowns are a more accurate indication of mortgage activity than mortgage approvals as many approvals do not end in drawdowns, due often to approved parties being outbid for properties they are interested in.
- A new entrant to the mortgage market is Dilosk, an Irish financial services company. They recently purchased the ICS Building Society portfolio. They have stated that they are prepared to lend to both owner occupiers and investors

## 7.2 Development Finance

- Some of the banks, including AIB and Bank of Ireland, have stated that although they had been out of the market for development finance for some time, an inhibiting factor in getting new residential construction underway, they are now back into this sector on a limited basis and are targeting certain developers with funding proposals.
- There is an opening for private funders to acquire sites or to partner builders / developers in the construction of new residential developments or to fund or part fund new projects. Castlehaven and Lotus Investment Group are in this market.
- If output in the construction industry is to be increased significantly to meet demand new sources of funding for development will need to be utilized.
- The €3 billion funding that NAMA announced recently for development properties will assist significantly in easing supply shortages.
- It is likely that a significant portion of development funding in the coming years will be private equity sourced with the strong fundamentals in the Irish economy attracting investors.

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## 8.0 The Rental Market

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## 8.1 The Rental Market

- The upsurge in apartment building over the last two decades modernised the stock of available rental accommodation since the majority of the apartments were purchased by investors. The Section 23 tax incentives were hugely influential in achieving this. Now that the incentive is terminated and new construction is limited there is very little supply chain for this sector. This in turn is putting pressure on rental levels especially in Dublin and other urban areas.
- 475,000 households were renting in Ireland on Census Night 2011. This is a significant increase since Census 2006 when just c. 300,000 households were renting. The decline in bedsit type accommodation continued – only 1% of the rental market, just over 5,000 households, were renting bedsits.
- 32% of the Dublin population are now in rented accommodation. The increase in households renting is concentrated mainly among people in the 28-35 age group, many of who intend purchasing when they can afford to do so.
- There is strong demand for good quality well-presented 1, 2 & 3 bedroom apartments to rent throughout the city, particularly in central Dublin and suburban areas well served by public transport. Houses are also in good demand in established suburban locations.
- The Daft.ie report states that Dublin city centre asking rents have risen by 28% in the past three years, with Dublin County rising by 26%. Rents in Dublin rose by 15% from May 2013 to May 2014, and are now just 9% below peak rental levels of 2007. Rents in Dublin's commuter counties rose by 10% in the same period.
- The PRTB Rent Index for Quarter-1 2014 shows that annual growth in the Dublin market was up by 8.4%, with Dublin house rents up by 6.7% and Dublin apartment rents higher by 10.3%. In contrast, annual growth in rents for the market outside Dublin was more subdued, recording growth of 0.8% when compared to the first quarter of 2013. Again the performance differs by property type. Monthly rent for houses outside Dublin increased by just 0.1%, while apartments outside Dublin experienced an increase of 2.1%.
- In the first quarter of 2014 according to the PRTB Rent Index, monthly rents were close to 23% lower than their peak in late 2007, with Dublin rents down 16.4% from peak according to the PRTB rent index. Rents for houses are 24.0% lower than they were in the fourth quarter of 2007. Rents for houses outside Dublin are 26.5% lower than their peak, while rents for Dublin houses are 15.0% lower than in late 2007. Monthly rents for apartments are nearly 21% lower than they were in the first quarter of 2008. Apartment rents outside Dublin are 24.6% lower than their peak, while rents for Dublin apartments are 15.0% lower than in late 2007. Dublin apartments account for 22.8% of registrations with the PRTB.
- There were just 2,000 properties available to rent in Dublin in September 2014, one sixth fewer than a year previously. The 2,000 units available to rent represent less than a third of actual demand of over 6,000 units in Dublin at this time.
- The shortage of properties for rent is forecast by Hooke & MacDonald to result in rent increases of 12% in Dublin for 2014. If supply increases significantly in 2015/16, single digit increases could be anticipated in those years. Based on tenant's capacity to pay there is a limit to what the market can bear in terms of rental cost increases.
- The CSO Consumer Price Index shows that rental levels peaked in 2008, then declined until December 2010 by 26%.

- As public transport continues to improve, increasing numbers of renters and some owner occupiers are satisfied to live without the requirement for a car space but planners have not responded to this so far by reducing car park and other excessive requirements, and thus building costs, in city centre apartment buildings.

## 8.2 Student Accommodation

- The shortage of rental accommodation in Dublin has proved to be very disruptive for students. Many property owners, rightly or wrongly, prefer to rent to professional & business people rather than to students on 9 month leases.
- The clampdown by Dublin City Council on bedsit/studio accommodation which traditionally were popular with students, has led to a further deterioration in supply.
- A number of international companies specialising in the provision of student accommodation have entered the market here and have acquired sites and buildings for this purpose. There is now a strong demand for sites in the capital suitable for student accommodation with a consequent rise in value for sites.
- Companies active in this sector include Ziggurat who have converted the Montrose hotel beside UCD into student accommodation, also Urban Agency and Knightsbridge Students Housing from London, and Bennetts along with several others.
- The government initiative to attract non-Irish national students to Irish Colleges and Universities has increased the already strong demand for accommodation.
- There was a 13% rise in incoming students in 2013 in Dublin and the same level is anticipated for 2014 so a fast-track approach to planning and development of suitable accommodation is urgently needed.
- The Section 50 tax incentives which were introduced in 1999 for providers of student accommodation were very successful in stimulating new construction in this sector, resulting in over 5,000 student apartments/15,000 rooms. There is a strong case now for their restoration in targeted areas for say a limited 3 year period.

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## 9.0 Demographics

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## 9.1 Demographics

- Census 2011 showed that the Irish population grew by 341,421 in the five year period from 2006 and now stands at 4.58 million. The population increased since 2011 and is forecast to continue to increase.
- Despite the economic downturn the increase in the number of non-nationals here continues to increase with more than one in six people resident in Ireland being born elsewhere, up from one in seven in 2006 and approximately one in twenty in 1999.
- The Greater Dublin Area will experience a population increase of 178,000 to just under two million in the next seven years, by 2021, and by over 400,000 in the next seventeen years, by 2031, according to the figures issued by the CSO in December 2013, assuming internal migration patterns return to the expected traditional pattern evident in the mid-1990's.
- In 2011 Dublin accounted for 27.6 per cent of the total national population while the Mid-East (Counties Kildare, Meath & Wicklow) represented 11.7 per cent of the total, giving an overall total of 40 per cent of the national population. Leinster now accounts for 54.6% of the population.

**Figure 9.1.1 Population by Year of Age (Census 2011)**



Source: CSO, Census 2011. Analysis: ESRI, 2011.

- The above graph showing the 2011 population by year of age illustrates the large portion of the population in the key house buying & household formation age brackets (c.27 – 33 years of age).
- Census 2011 showed an unexpectedly large increase in the size of the occupied housing stock – with nearly 1.698 million properties occupied, representing an increase of 205,700 households or about 41,150 per annum over the five year period to 2011.
- The increase in household formation is driven by an increase in the proportion of young adults leaving the family home to set up their own households; an increase in the level of marital/partnership break-ups leading to the formation of more single-adult households is also a factor.

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## 10.0 Housing Composition and Demand

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## 10.1 Housing Composition and Demand

- The Housing Agency Report of April 2014 "Housing Supply requirements in Irelands Urban Settlements 2014 – 2015" identified a minimum requirement of almost 80,000 housing units nationally over the next five years i.e. 7,500 per annum, having regard to national population growth. Almost half of these, 37,500 will be required in this period in the Dublin region.
- The Housing Agency Report shows that household composition is changing. It highlights that 57% of all households in the Dublin region in the next five years will be for one and two person households, with three person households accounting for a further 18%. That leaves four person households accounting for only 25% of the total population.
- The household composition figures illustrate that the predominant requirement is for housing suitable for one and two person households, that is mainly one and two bedroom units/apartments.
- The figures show that there is an immediate supply requirement in Dublin of 5,663 units in 2014 rising to a yearly minimum requirement of 8,970 in 2018.
- The report shows demand in Kildare over the next five years at 5,204, Meath 3,766 and Wicklow 3,032.

### Construction 2020

- The Government's strategy for the building industry was set out in a document, Construction 2020, which was published in May 2014. A number of the proposed 75 measures, if and when implemented, would help to alleviate the considerable shortages of residential accommodation for sale and letting. However, there is an urgent need to take action sooner rather than later as prices and rents are rising at an unnecessarily fast rate due to the shortage of stock.
- There are several obstacles to development which need to be addressed, including development levies, housing densities, development funding, planning delays and reform, and zoning difficulties. A fast-track planning regime is long overdue. Several major schemes have been held up or put at risk by planning bureaucracy.
- The proposed measures in Construction 2020 include the following:
  - Creation of a National Framework for Housing Supply and an annual National Statement of Projected Housing Supply & Demand
  - Improvement in property data sources
  - National Policy toward professionalising the private rental sector
  - Publication of a social housing Strategy and regulation of the Approved Housing Body sector
  - Housing supply Co-ordination Taskforce for Dublin
  - Legislation for a tenancy deposit protection scheme
  - Review of Part V requirements
  - Development of a National Planning Framework, publication of the Planning Bill
  - Establish Regional Assemblies to prepare new regional Spatial and Economic Strategies replacing Regional Planning Guidelines

- Create statutory Industry Register
- NAMA to deliver development funding, with focus on areas in particular supply shortages
- Increased engagement with EIB
- Ensure that developers can avail of reduced development contributions for existing planning permissions
- Identification by local authorities of infrastructure capacity issues needed to deliver development plans
- Development of a kick-start initiative for prime areas where infrastructure is in place
- Flexibility in early phase densities in larger developments
- Streamlined planning and appeals processes
- Support e-planning and e-fees
- Reform of commercial property rates for empty properties and incentives by local authorities for use and development of vacant sites
- Review of Strategic Development Zones
- High Level Working Group on sustainable bank financing for development
- Identification and removal of obstacles to increasing development financing
- Complete implementation of the Construction Contracts Act

## 10.2 Supply Proposals

- A number of parties have issued proposals on how best to accelerate the supply of residential units and to achieve a moderation in prices and rental levels. A number of these are summarised hereunder.

### NAMA

- **NAMA** are committed to alleviating the housing shortage by:
  - Funding the delivery of 4,500 new homes in the next eighteen months by supporting development on 200 of the sites under their control in the Greater Dublin Area
  - Supporting the delivery of 2,600 homes in Dublin Docklands where it holds security over 75% of the undeveloped sites in the SDZ area.
  - Development of substantial housing on 2,600 hectares of residentially zoned lands it controls in Wicklow, Kildare, Meath and Louth
  - Progressing planning and activating activity on sites under their control which could result in the building of up to 25,000 new homes.

## Society of Chartered Surveyors Ireland

- The Society of Chartered Surveyors Ireland in its Budget 2014 submission recommended to the government a plan to address the housing strategy.
- Key Measures include:
  - Introduce a 'Builders Finance Fund' to support SME builders completing developments
  - Reduce development contributions for a period of 2 years
  - Streamline planning process to speed up decisions and reduce delays
  - Reduce VAT on new home construction from 13.5% to 5% for two years
  - Reduce windfall tax on land from 80% to 33% to bring it in line with Capital Gains tax
  - Introduce Vacant Site Levy on sites of strategic importance in a targeted and transparent manner
  - Encourage NAMA to licence developers to build out sites in strategic areas in its portfolio
  - Introduce a Local Property Tax exemption for people 'trading-down' to smaller units to increase the availability of second-hand homes
  - Introduce a Revolving Infrastructure Fund (RIF) to finance infrastructure provision upfront before development
  - Greater action needed on reducing the number of mortgages in arrears, particularly in the 'Buy to Let' sector
- Ensure Financial Viability in Planning is taken into account by Local Authorities
- Extend Living Cities initiative
- Introduce a standard mortgage application form and extend approval to 6 months
- Do not introduce a cap on rent as this will disincentive investment in the private rented sector
- Explore the possibility of introducing a build to rent scheme
- Increase the provision for investment in the public capital programme for social housing
- Support PPP's with private developers to build social housing schemes on land owned by local authorities
- Review proposed Custodial Deposit Protection Scheme in a careful manner.

## Property Industry Ireland

- The **Property Industry Ireland** Submission recommends a number of measures including:
  - Prioritise funding of Ireland's Social housing needs
  - Prioritise construction of 5,500 new social housing units, by ring-fencing income from selling surplus state property and investing in housing fund schemes

- Harness private institutional and charitable investment in social housing construction and speed up delivery through planning reform. Improve more efficient use of existing social housing by centralising and professionalising property management
- Reform and improve the delivery of Part V by amending social housing requirements for small residential developments; Mandate professional housing bodies to engage with developers at pre-planning stage and zone land specifically for social housing to create an efficient delivery model.
- Require Local Authorities to approve planning decisions on social housing developments within six weeks, form a dedicated team within An Bord Pleanala to make decisions on appeals within a further six weeks.
- Reduce non-construction costs of new property by reducing the Windfall Tax on re-zoned land to the standard rate of CGT. Introduce a time-limited 9% VAT rate on the construction of residential property.
- Reform building standards and planning policy to facilitate purpose-built student accommodation, and property for the active-retired, especially in city centre locations.
- Implement the Actions in Construction 2020 to co-ordinate the provision of city infrastructure to unlock the potential of brownfield development.
- Support the conversion of un-used retail units in town centres for residential use, especially those on the ground floor of developments which would provide important accommodation for people with disabilities by providing a time-limited and targeted VAT rebate.

## Construction Industry Federation

- The Construction Industry Federation has proposed:
  - A special development finance fund and a help-to-buy scheme
  - A VAT rate reduction to 9% and property tax rebates for homebuyers, with more generous ones for first-time buyers
  - Full interest relief for investor in residential rental properties
  - A 1% levy on all home sales.

## ESRI

- The **Economic & Social Research Institute** (ESRI) have proposed:
  - The construction of 12,500 residential units a year the east coast up to 2021
  - That an acceleration of the building of new homes in Dublin take place to meet projected 8,000 new households being formed there each year
  - The ESRI Special Article by Kieran McQuinn in Summer 2014, 'Bubble Bubble Toil & Trouble', provides an interesting assessment of the current state of the Irish housing market. It forecasts that Irish house prices will grow in real terms by an annual average of 6.5% from December 2013 – 2017. It also confirms earlier findings of Kennedy & McQuinn (2012) that Irish house prices at end – December 2013 were still significantly undervalued, with undervaluation estimates varying between 12% and 27%, and that the housing market would appear to have overcorrected in the post 2007 period.

- The ESRI Research Note by Edgar Morgenroth, billed Projected Population Change & Housing Demand finds that the annual average increase in the number of households in Dublin is projected at almost 8,000; that 60,000 housing units need to be built in Dublin between 2011 and 2021. Since only 2,626 have been built in the years 2012/2013 and if 3,200 are built in 2014 that leaves 54,000 units required for the next seven years, that is almost 8,000 per year. If only 4,000 are built in Dublin in 2015 then, based on the above ESRI Note projection of 60,000 housing units, 8,400 units will be needed annually for the remaining six years.

## ULI

- The **Urban Land Institute Ireland** (ULI) have proposed a number of measures to stimulate supply in the market in papers they produced and at meetings.
- At a ULI meeting in April 2014 Dr William Hynes of Future Analytics pointed out that, comparing census results on household formations for 2002, 2006 & 2011, the largest increase has been in households of 1 to 2 persons by 20%, 30% of housing units are occupied by 3 persons, 24% by 4 persons and 26% by more than 4 persons
- John O'Connor of the Housing Agency said that in terms of the overall population, 9% of the population lives alone but occupies 25% of the housing stock with 2 persons accounting for a further 30% of the housing stock
- Brian Moran, Chairman of ULI Ireland and Managing Director of Hines Ireland stated that housing for 'Key Workers' is a sector which is being neglected in Ireland. Brian pointed out that Dublin City Council planning requirements could be altered without any diminution in standards or overall quality, that a 33% reduction in development costs is required to make developments viable. The key points are:
  - A basement car parking space per unit is a very expensive add-on to the unit cost base. In the city centre and within 500m – 1k of a Luas/DART this should be reduced. Car sharing (provided by Go car, or similar) is now standard in the U.S. 1 PER 4 units
  - Typically a stair and lift core should have 8-10 apartments off it to be economic. Rather than reduce the number of units, ask developers to have wider corridors or better quality landings
  - The DCC space standards are well above European averages. There is no provision for a studio unit which should be allowed to cater for young workers, who want to live in modern accommodation in the city centre. The current DCC standards are designed for "owner occupiers", however many people who aim to live in apartments are renters
  - The city should allow developers who plan to develop "build to rent" developments to modify these standards
    - Studio 38 sq.m
    - 1 bed 48-50 sq.m
    - 2 bed 76-80 sq.m
    - 3 bed 93 sq.m

- The trade-off for the DCC planners would be that 1) the apartment block is kept under single ownership and is professionally managed and 2) there is residents amenity space provided at lower levels, in particular party rooms, that allow tenants to have friends over, without the risk of annoying neighbours
- Finally, according to Brian Moran, apartment developers within the city centre should have the restrictive "dual aspect" and no north facing requirements relaxed. These can render many sites unviable or lead to a very inefficient use of land. The amenity of 'living in town' offsets any negative from this. The DOE apartment guidelines from 2007 have good wording for this whereby the developer must do his best to meet these requirements, but not if it affects the viability of a scheme. A developer has to work with the site orientation within the city; on a green field site, there is more flexibility.
- Andrew Griffin an architect with Urban Agency at a ULI meeting stated that we need to embrace density, reduce car parking, replace redundant retail areas with street level family living, have more apartments per core, more communication & social interaction between apartments and provide for student & key worker housing.

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## 11.0 Dublin Docklands

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## 11.0 Dublin Docklands

- The hugely successful re-generation of Dublin Docklands which began 28 years ago has been one of the most important factors in raising the profile of Ireland internationally and in attracting the top companies in the world to Dublin. It has boosted amenities, tourism, education, transport, business and retail activity and employment, with 40,000 people working there and 14,000 households resident there.
- The Finance Act 1986 introduced financial incentives to encourage urban renewal investment by the private sector. The Finance Act 1987 introduced a 10% rate of corporation tax for approved companies to commence operations in the International Financial Services Centre (IFSC).
- These measures were successful in attracting half of the world's top 50 financial institutions and half of the world's top 20 insurance companies, along with an impressive list of IT companies such as Google and Facebook, as well as top legal and accountancy firms.
- There is a rich multi-cultural population in the Dublin Docklands with 55% of the population born in Ireland, 20% in other European countries and 16% from the rest of the world.
- The age profile of the population in the new Special Development Zone (SDZ) is young, with two thirds of residents in the 25 – 44 years of age category. The second highest category is 15 – 24 years (14%) and the third highest is 0-14 years (11%). Therefore, 90% of the residents are under 44 years of age. Just 3% of residents are over 65.
- Two person households represent 46% of the total, with 29% single person, 18% three person households, just 7% with 4 persons.
- The unemployment rate is just 5%, which is half of the city rate. Professional workers make up the largest occupation group at 31% followed by associate professional and technical at 21%, 11% of administrative workers and managers and directors at 9%.
- Seventy eight per cent of the population in the SDZ area aged 15 and over have a third level qualification, which is significantly higher than the city overall at 35%.
- The 2011 Census recorded 2,759 housing units within the SDZ boundary. Of the total households recorded 93% live in apartments compared to 33% throughout the city. Of these 62% are in private rented accommodation, 24% owner occupied and 11% are rented from either the local authority or a voluntary body.
- In the city overall, owner occupiers account for 52% with private rented 32% and rented from local authorities or voluntary bodies 13%.
- Seventy six per cent of the residential units in the SDZ area have been built since 2001, 14% between 1991 and 2000. Older housing stock, pre 1990, only accounts for 3% of the total.
- The strategic focus on economic development has been a key driver to date and has led to a critical mass of niche service sectors locating in the area. The concentration & clustering of this activity is of increasing importance to the Dublin region, to the national economy and impacts significantly in a competitive global context.
- Allied to the economic role are a number of strategic spatial dimensions: the building of a strong addition to the expanded inner-city and the re-connection of the capital with the sea and the bay. In tandem, with livelihood and jobs, there is a need to focus on quality of life which can best find expression in an exemplar new urban quarter and attractive neighbourhood, according to the DCC draft Planning Scheme 2013.

- There is a great opportunity now to work on what has been achieved to date in the Dublin Docklands, and to provide high quality residential & commercial developments which will help ease the current shortage of homes and offices. Dublin City Council have stated that the ambition for the area is for it to become one of the great living urban environments of Europe, providing a unique and enriching life choice and experience for residents . The regeneration policies of the past two and a half decades have delivered high quality housing for contemporary urban living in the Docklands, this positions Docklands as a place that attracts a variety of residents and family types, providing opportunities to live in a safe people-friendly environment.
- To enable the area to develop to meet the needs of the existing and future residents of the area the objective in the DCC plan is for new development to deliver:
  - High quality spacious residential units with good levels of amenity in terms of open space, daylight and sunlight
  - Adaptable and flexible units that readily provide for changing needs over time including the needs of families with children
  - High-quality well designed communal areas
  - Good property management
  - Effective phasing for longer development to front load benefits, including social infrastructure.
  - Sustainable building design which are energy efficient and utilise renewable energy sources.
- The DCC proposal for the next phase in the evolution of the Docklands is to foster and create openings for high quality and innovative designs and successful models of multiple unit management quality. Housing that attracts a new population and provides choice and options for the existing residents within the SDZ and adjoining communities to stay living in their location is a core objective.
- NAMA has stated its intention to play a key role in the next phase of the Docklands development and is in a position to do so. NAMA holds security over 75% of the undeveloped sites in the SDZ area. The Strategic Development Zone (SDZ) for North Lotts and Grand Canal Dock areas was approved in April 2014 by An Bord Pleanala. NAMA has a number of options on how to participate in the Docklands development including sale of sites, joint ventures with developers or on funding construction through Receivers.
- The approval of the SDZ allows for 2,600 apartments and 366,000 square metres of office space to be developed across 22 hectares. A number of undeveloped sites have existing Section 25 certificates for development, but if they are not substantially constructed in 2014 they may lose their permissions under planned legislation.
- There are mixed views about the efficiency and appropriateness of the SDZ as a vehicle for development of the Docklands. Some parties feel that they lack flexibility in providing for the office requirements of incoming multinational companies; others are disappointed that there is a continuation of the policy of low-rise buildings in the Docklands except for two locations.
- However, it provides a framework to kick-start the next tranche of development.
- Dublin Docklands has grown steadily in importance on a national and international scale. It is a thriving vibrant location. The next phase in its development should be every bit as exciting and successful as the first phase. It presents a superb opportunity for all concerned to ensure that this occurs.

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## 12.0 The Team & Resources

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## 12.1 The Team & Resources

- The Hooke & MacDonald Residential and Development Teams have an outstanding record in the sales of houses & apartments and advising on site disposals, acquisitions and development, particularly in Dublin and surrounding counties. This is a highly responsive, dedicated team that works closely with Clients and adheres to the highest professional standards. They bring a wealth of experience to each project. The key features are:
- The company's established team of senior personnel have decades of experience in the Irish property market and have been through a number of market cycles. This experience is invaluable in dealing with the current issues our clients are facing.
- Hooke & MacDonald directors and senior personnel are fully engaged on a day to day basis, with a hands-on approach, dealing with all aspects of the sales process.
- Excellent back up team of experienced qualified professionals who are led by senior vastly experienced team members/directors who are actively involved in each engagement.
- Conversant and pro-active with legal, planning, taxation, facilities, insurance, HR, health & safety, energy ratings and other statutory requirements.
- Hooke & MacDonald have an excellent reputation in the marketplace based on the professionalism and integrity of its personnel & systems and with an ethos of client confidentiality and transparency.
- Excellent financial & activity reporting and IT systems that have been constructed with security, speed & reliability as the key principles.
- Hooke & MacDonald are committed to an internal culture of best practice quality control in all aspects of its services.

## 12.2 The New Homes Specialists

- The fact that Hooke & MacDonald have very strong and experienced Residential and Development Teams, with a track record that includes sales of 20,169 residential properties for over €7 billion, and development land sales of over €750 million in transactions up to €165 million, between 1<sup>st</sup> January 2000 and end of December 2013 places the company in a perfect position to advise on site disposal and acquisition, sales, marketing, planning, densities, layouts, plan types, design research, phasing and pricing.
- As part of the sales role, the experienced sales team of Hooke & MacDonald devises a strategic sales / marketing plan for each development. The team implements the agreed strategy, as required, in consultation with the client and utilises its unrivalled experience and expertise in this field to achieve sales in an organised manner through all stages of the sales process.

## 12.3 New Homes Case Study – Honeypark, Dun Laoghaire, Co. Dublin – Over 150 houses sold

- Hooke & MacDonald are the appointed sales agents on the Cosgrave Group site of the old Dun Laoghaire Golf Course, titled Honeypark.
- Work commenced on the first phase of 65 four and five bedroom houses and associated environmental & amenity works in 2011 and the first houses were brought to the market in April 2012 before the market had recovered.
- The development has many positives including the quality of the location, the construction and finishes, the A3 energy rating and the exceptional amenity & on-site leisure facilities.
- A phasing programme was agreed for sales. 22 houses were released and sold in 2012, mostly off the plans with the benefit of showhouses and a further 40 houses were released and sold in 2013 (apart from the retained 3 showhouses).
- A further 52 houses were released for sale in April 2014 and all were sold. Prices averaged over €600,000 for the four bedroom houses of 198 sq.m. Prices were raised for various phases. A further phase of 20 houses were released and sold in June 2014.
- Considerable through-flow of viewers / prospective buyers was generated by the marketing campaign, made up of good editorial coverage and strong newspaper & website exposure
- Sales at Honeypark in 2014 will exceed 100 houses.



## Key Success Factors in sale of houses at Honeypark

- Reputable Developer;
- Provision of amenities prior to launch;
- Good internal layouts & finishes and overall design features;
- Good site presentation;
- Houses available for purchase at various stages of completion;
- Positive Energy Rating;
- Experienced sales Team;
- Vibrant marketing & sales campaign and techniques.

## 12.4 Pioneers in Regeneration of Dublin Docklands

- Hooke and MacDonald pioneered the development and sale of apartments in Dublin in the 1970's promoting 'City Living' as a solution to the city's housing problems, with particular emphasis on the rejuvenation of the heart of the city including Dublin Docklands;
- Hooke and MacDonald worked closely with Government departments and agencies, Dublin City Council and Dublin Docklands Development Authority (DDDA) to identify suitable brownfield sites for re-development and to encourage developers to acquire sites and move from traditional suburban housing construction to the development of apartment building and associated retail, office and neighbourhood facilities;
- The Company is recognised as the leading agent in Ireland for the sale of apartments for the last four decades having advised on and sold over 15,000 apartments including 3,316 in the Dublin City Centre / Docklands area.
- Hooke and MacDonald was involved from the outset in all aspects of the Spencer Dock residential development in the Docklands including unit design and layout, mix, amenities, end use demand, target market, pricing, marketing publicity and pre-sales off plans of over 400 apartments, with the benefit of a state-of-the-art marketing suite.



## 12.5 Key Residential and Development Team Members

Key members in the Residential Team and the Development Teams are detailed below. They are also supported by other dedicated personnel and back-up team:

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## 13.0 The Track Record and Defining Characteristics

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## 13.1 The Track Record

- Established in 1967 Hooke & MacDonald has 47 years property market experience and has successfully sold residential properties through several market cycles. The company has a comprehensive knowledge of the Irish residential market especially in the Dublin & mid-East region.
- Hooke & MacDonald have successfully carried out literally thousands of sales campaigns and launches over the years and bring the experience gained on these to each engagement. Our sales approach is tried and tested and is based on having directors and senior sales personnel meeting prospective buyers on site for appointments/viewings.
- The company can demonstrate that it has the capability and resources to competently carry out major sales assignments by the fact that it has successfully managed and carried out disposals on numerous large developments and portfolios over a long number of years.
- Hooke & MacDonald's intimate knowledge of the residential property market in Dublin places it in an excellent position to predict the volume and timing of sales and to execute marketing strategies to maximize these revenues.
- Hooke & MacDonald places a strong emphasis on its integrity, on building customer relationships and the level of service provided by the company. These attributes form the basis for successful negotiations with prospective purchasers.
- Hooke & MacDonald are one of the leading experts in the sales and letting of residential properties, and development sites, and have been involved in the marketing and selling of more new homes than any other firm in Ireland for a number of years.

## 13.2 The Defining Characteristics

The Defining Characteristics of the Hooke & MacDonald Service are summarised under the following headings:

### The Right People

- Proven sales & marketing ability
- Have successfully carried out hundreds of sales campaigns
- Experienced & enthusiastic sales team
- The property / development is fully exposed to the market to ensure the best possible prices are achieved
- Professionally qualified personnel

### The Right Knowledge

- Excellent systems, reporting & engagement with Clients, solicitors & purchasers
- Ensure early contract signings & closures
- Pro-active approach to each development
- Large Enquiry Database
- Extensive Market Knowledge
- Excellent reputation and over 45 years' experience
- Planning Expertise
- Design Expertise – internal, external & specifications
- Up to date on purchaser requirements & market trends
- Demographic knowledge
- Innovative marketing
- Expert local knowledge of the Leinster market & amenities
- Mortgage options and availability
- Excellent relationship with fellow professionals, architects, engineers, town planners & solicitors
- Provision of regular update reports to the Client on all aspects of the marketing campaign

### The Right Attitude

- Focus on maximising values / results driven
- Pro-active approach with 'can-do' attitude
- Transparency & integrity
- Confidentiality

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## 14.0 Sources

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## 14.1 Sources

We acknowledge the following sources:

- National Property Price Register;
- Central Statistics Office;
- NAMA Statements on the housing market;
- Department of Environment & Local Government housing monitoring reports
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- Irish Banking Federation/PWC Quarterly Mortgage Market Profiles
- Dr Brian Hughes FSCSI FRICS Housing Market Research
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- William Hynes, Future Analytics Consulting

### Care

While every effort has been made to provide accuracy in this report we do not take responsibility for its use by third parties. They should not rely on the contents but should undertake their own investigations of the matters covered.





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