

2018 NEW HOMES CONSTRUCTION SURVEY





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It is my pleasure to introduce the 2018 Knight Frank New Homes Construction Survey.

The report provides an annual snapshot of the state of the new homes construction market by surveying the nation's top residential developers. By directly canvassing those responsible for the delivery of new supply, the survey shines a light on the opportunities and challenges faced by developers in meeting market demand.

With the report now in its third year, we have been able to create indexes on a number of topics to track how developer sentiment is evolving. For example, the results show that developer activity expanded for the third successive year in 2017, and is expected to strengthen further for 80% of our developers in 2018.

The increase in sentiment has been driven largely by the growth in house prices. In ranking the biggest obstacles to construction, low residential prices have fallen from first position in last year's report to fifth this year. This key result is evidence that prices have now risen to a level that makes construction viable again, shifting the focus to other factors. With the lack of suitable sites now ranked as the largest obstacle to construction, the religious orders may have a significant role to play with recent estimates suggesting that they have 30 sites with the potential to deliver 6,500 homes on their lands.

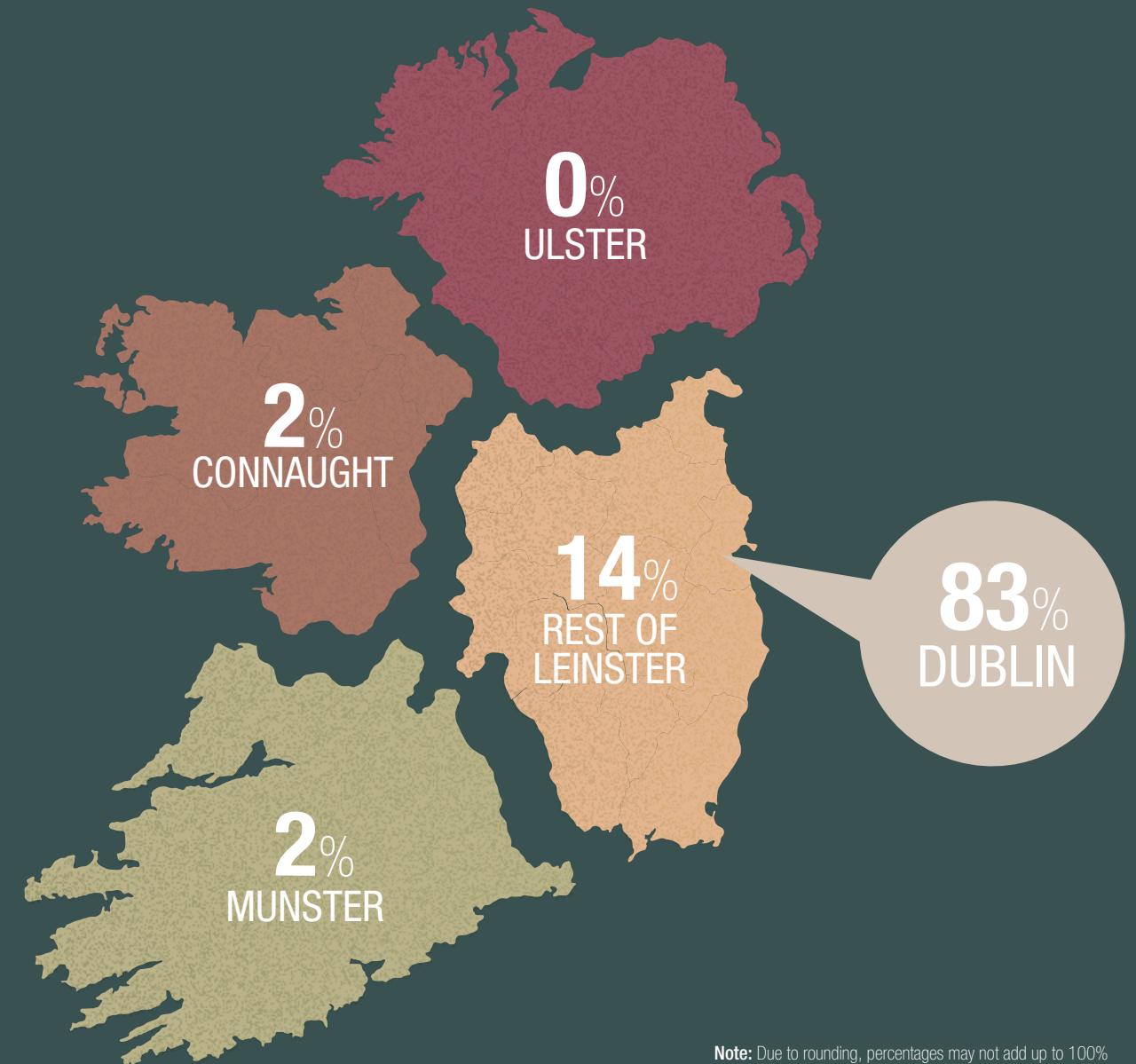
With the high cost of construction cited as another major obstacle, policy changes to the car parking requirements along key transport nodes will remove a major cost for developers in the delivery of apartments. Similarly, three quarters of survey respondents believe that relaxing height restrictions will also help increase the viability of apartment delivery. One of the more interesting findings is the gathering in positive sentiment behind Brexit. Driven by the continued resilience of domestic economic growth coupled with high-profile office relocation announcements, 44% now believe Brexit will boost new homes construction activity, double the number of last year's report.

We hope you enjoy delving into the report and please do not hesitate to contact us to discuss the findings contained within in greater detail.”

JAMES MEAGHER

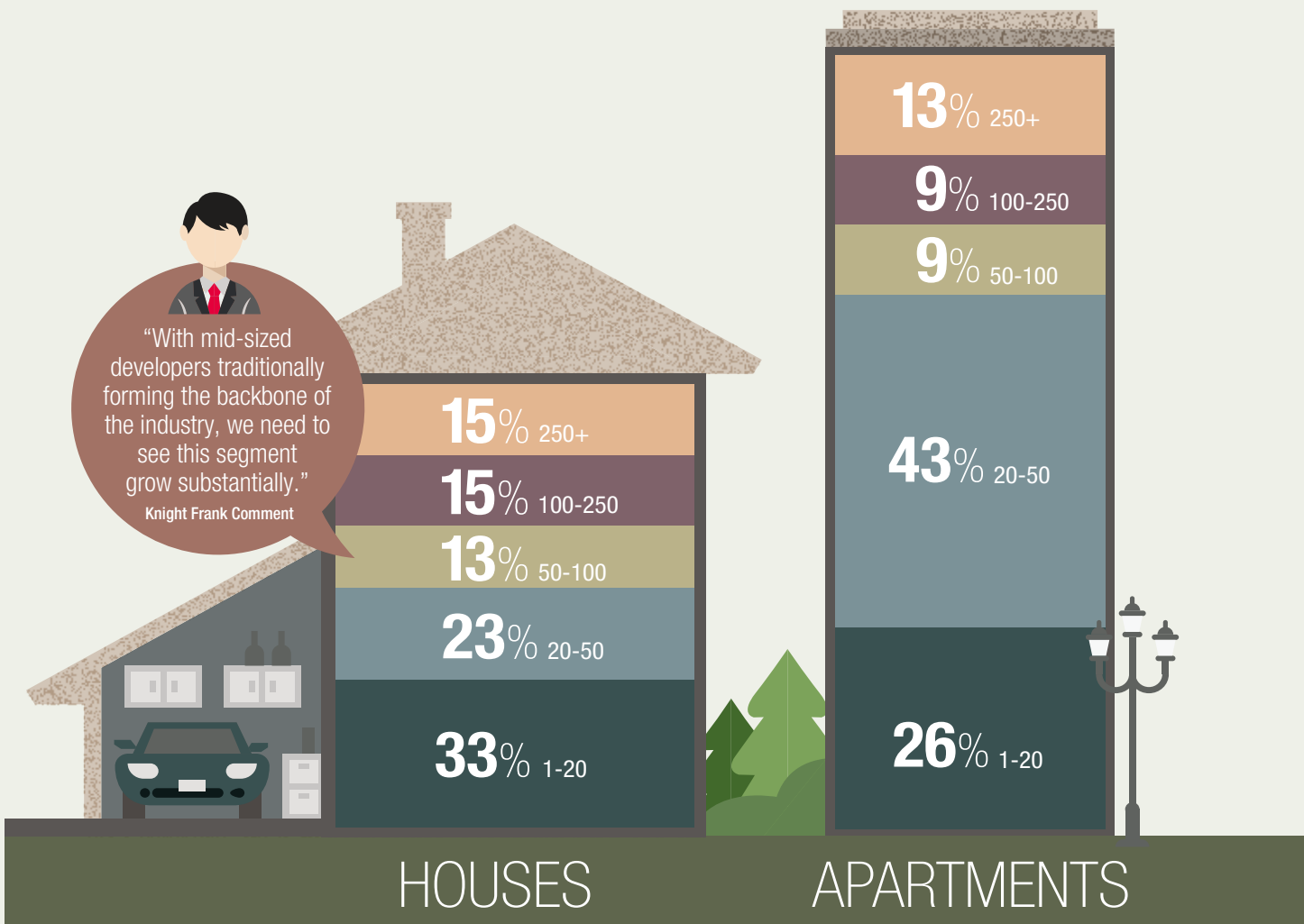
DIRECTOR, NEW HOMES AND DEVELOPMENT LAND

Below is a breakdown of where our survey respondents develop

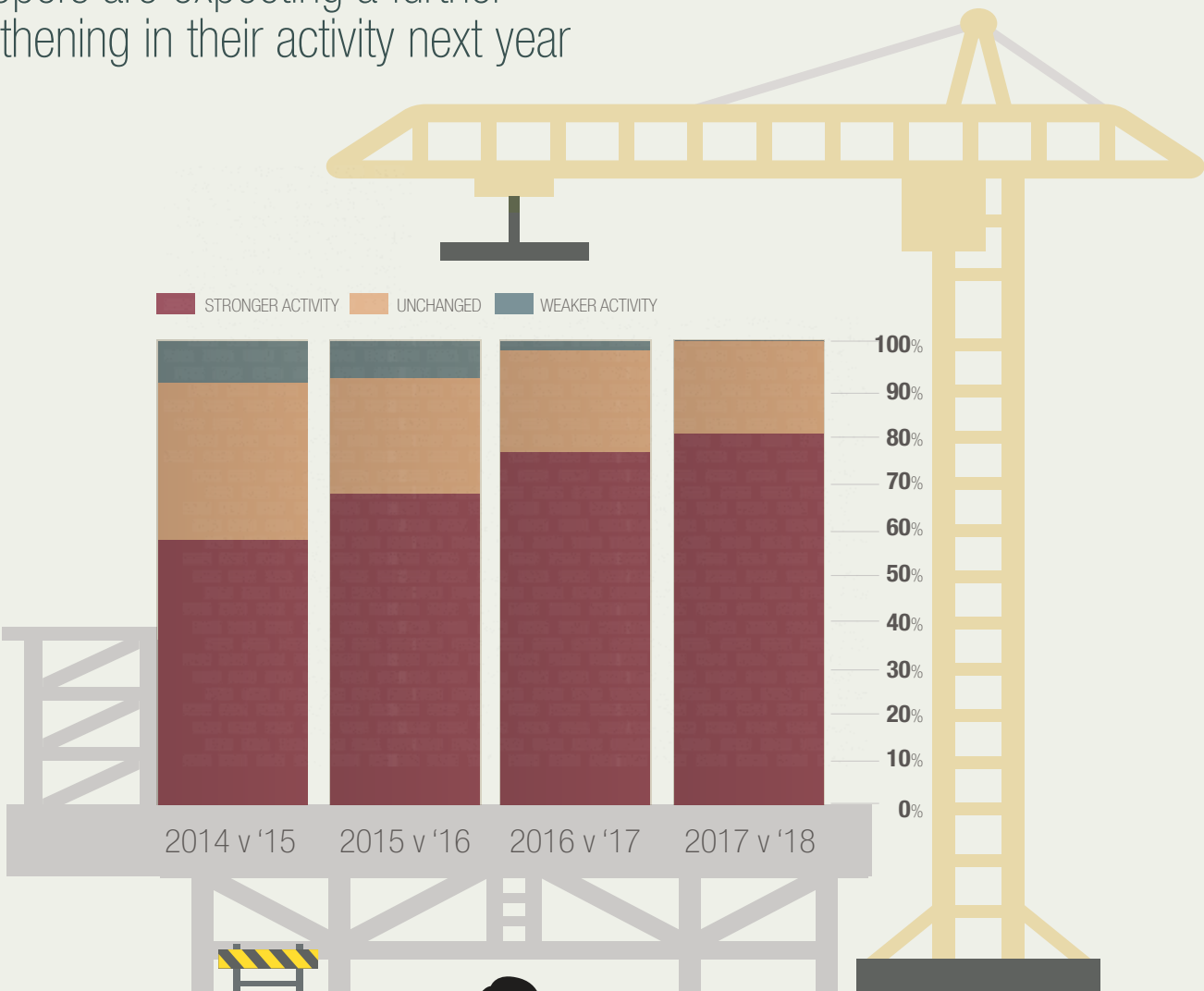


Note: Due to rounding, percentages may not add up to 100%

Mid-sized developers (50-100 houses per year) account for just 13% of delivery

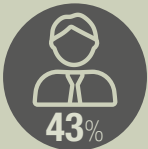


Developers are expecting a further strengthening in their activity next year



Combines data on expectations of new homes construction activity from the current survey with our two previous New Homes Construction Surveys

FIRST-TIME BUYERS ACCOUNT FOR THE MAJORITY OF NEW HOME SALES



FIRST-TIME BUYER



MOVER-PURCHASER

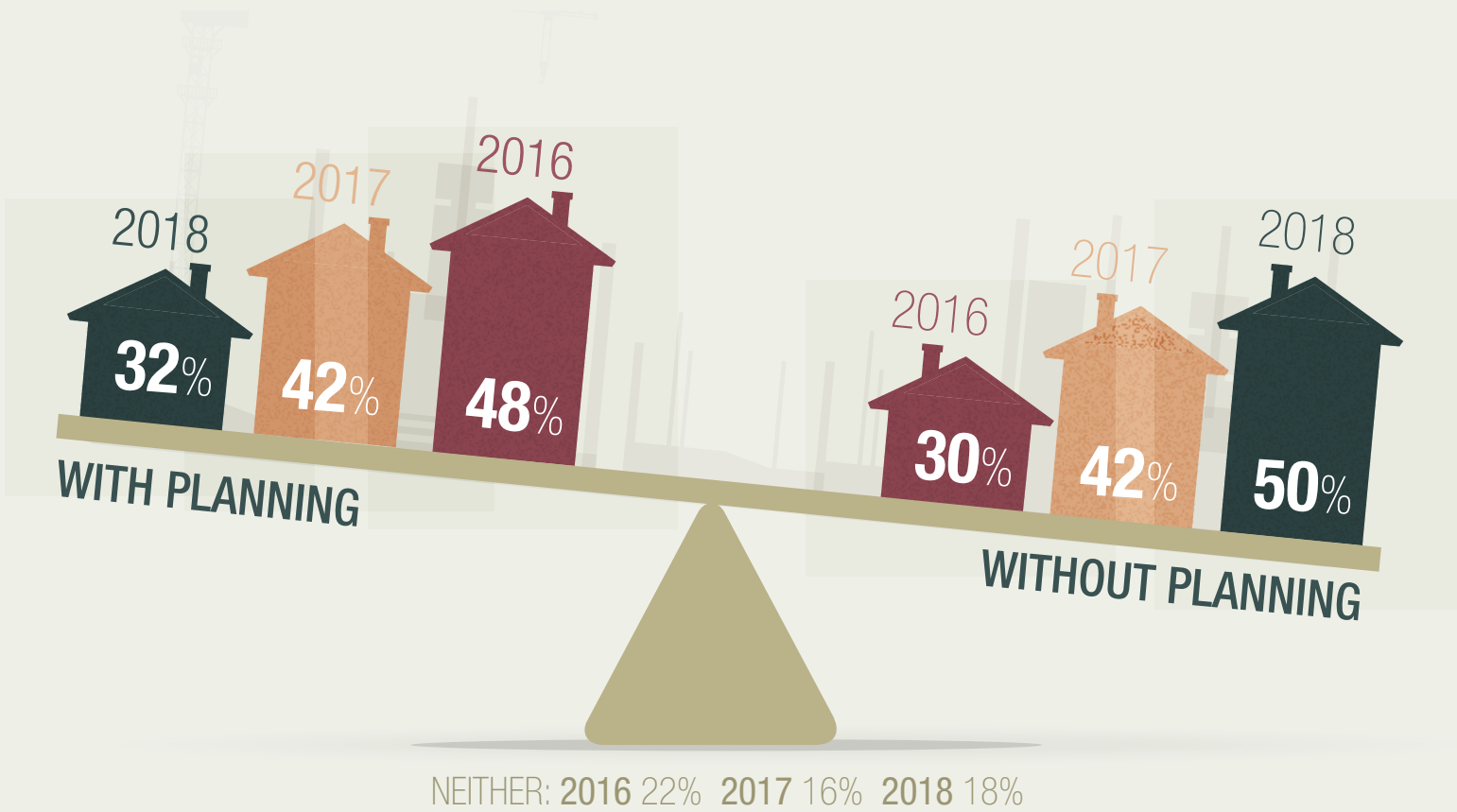



INVESTOR

“On average, 25% of all sales were to cash buyers according to our survey.”

Knight Frank Comment

The swing towards site acquisitions without planning permission is set to continue



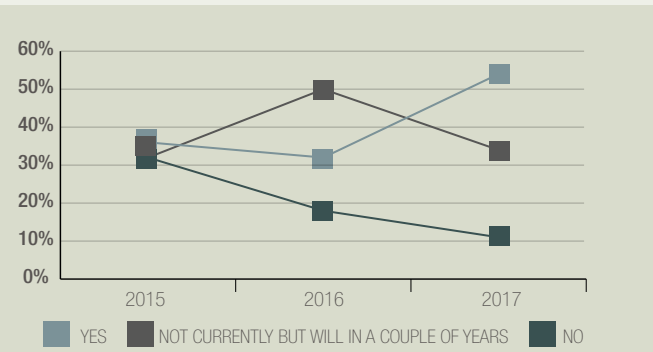

“Labour costs have increased by 30% in the last three years.”
Developer Comment

54% OF DEVELOPERS ARE NOW REPORTING THAT A SHORTAGE OF SKILLED LABOUR IS HAMPERING PROJECTS

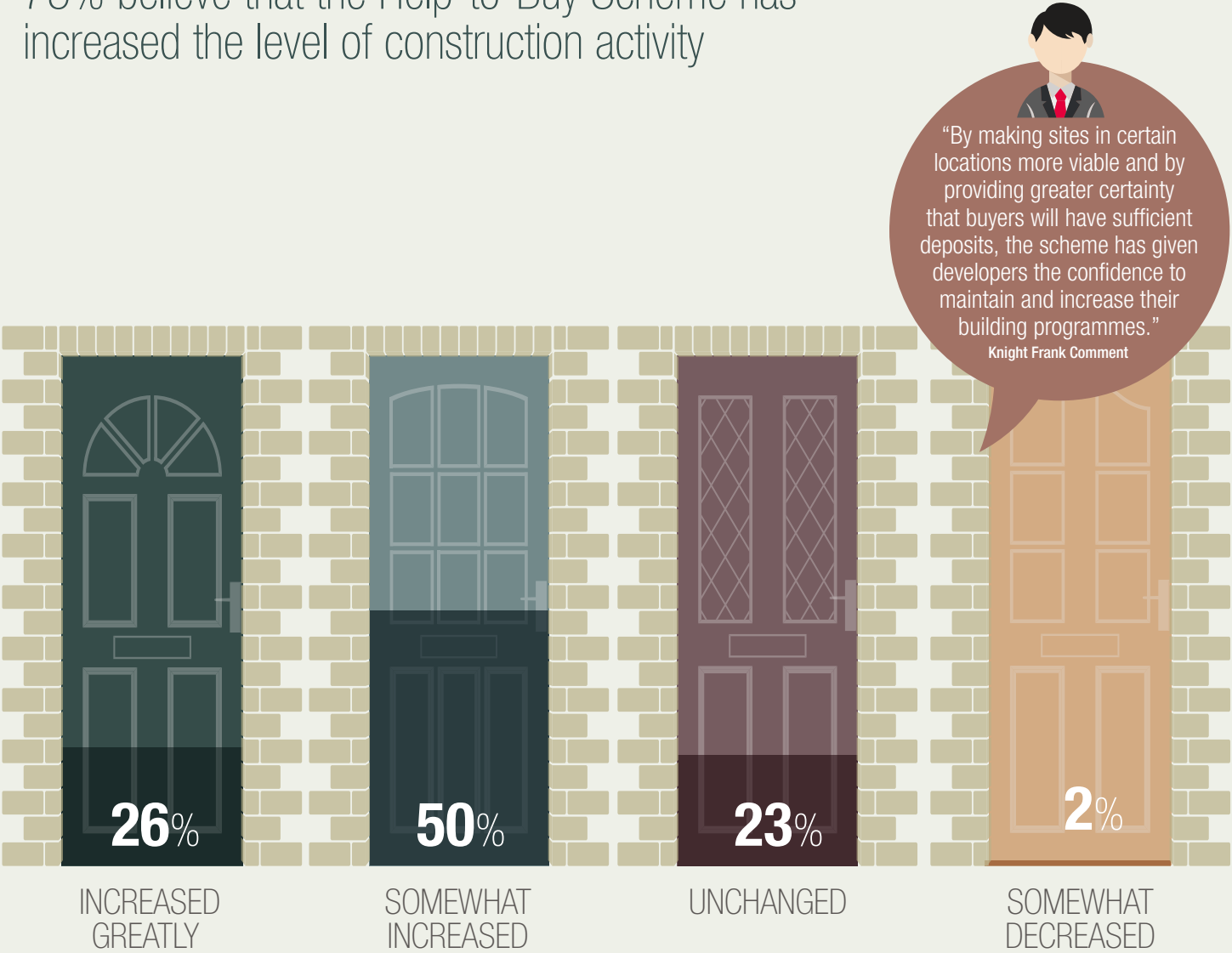
Low residential prices are no longer the biggest obstacle to construction



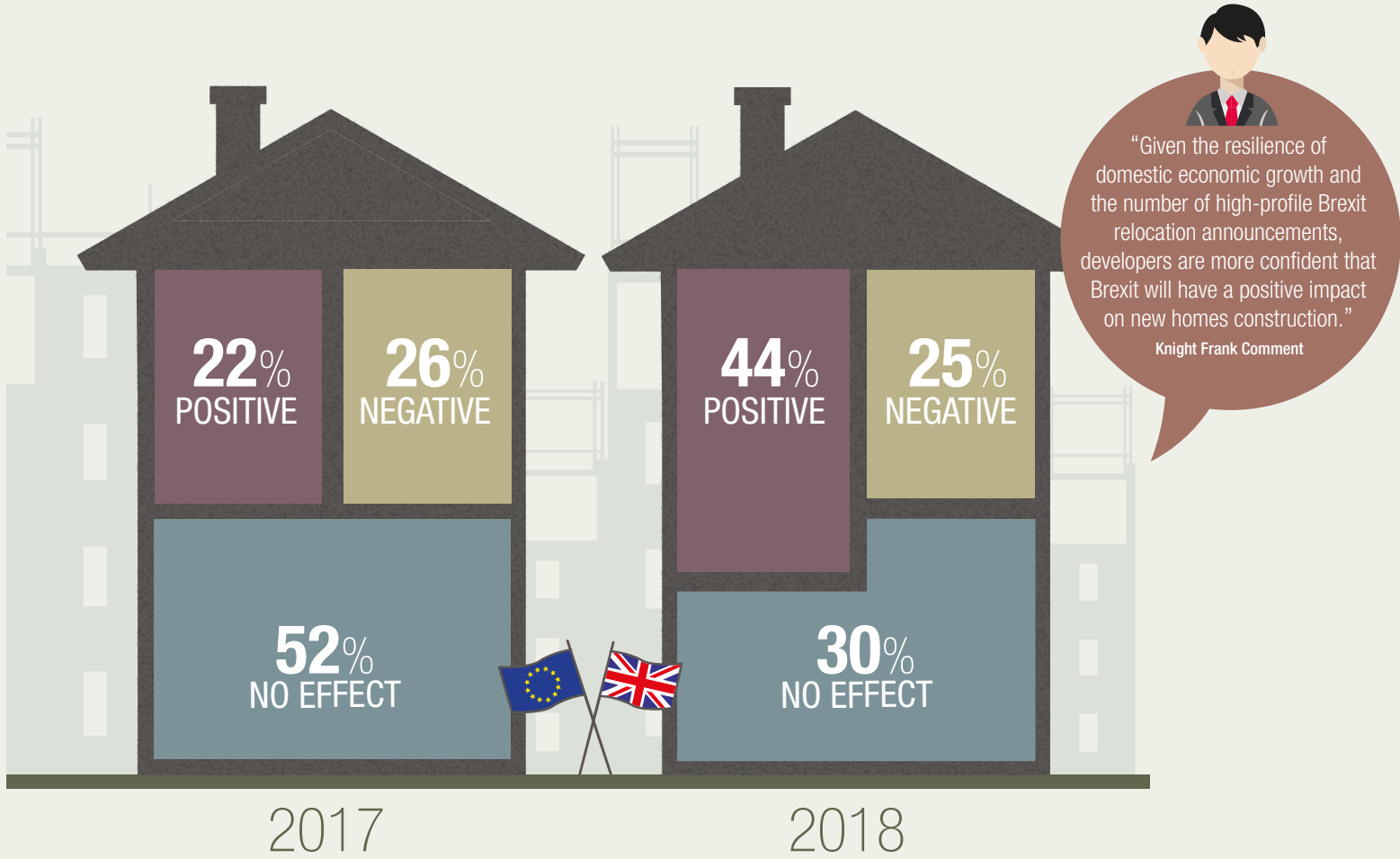

“Having represented the largest obstacle to construction last year, this key result shows that low prices have now risen to a level that makes construction viable again, shifting the focus to other factors. While financing remains a significant barrier, 67% of developers stated that access to finance improved over the past year.”
Knight Frank Comment



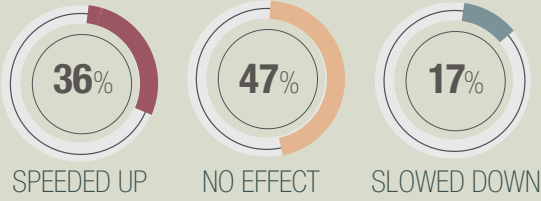
75% believe that the Help-to-Buy Scheme has increased the level of construction activity



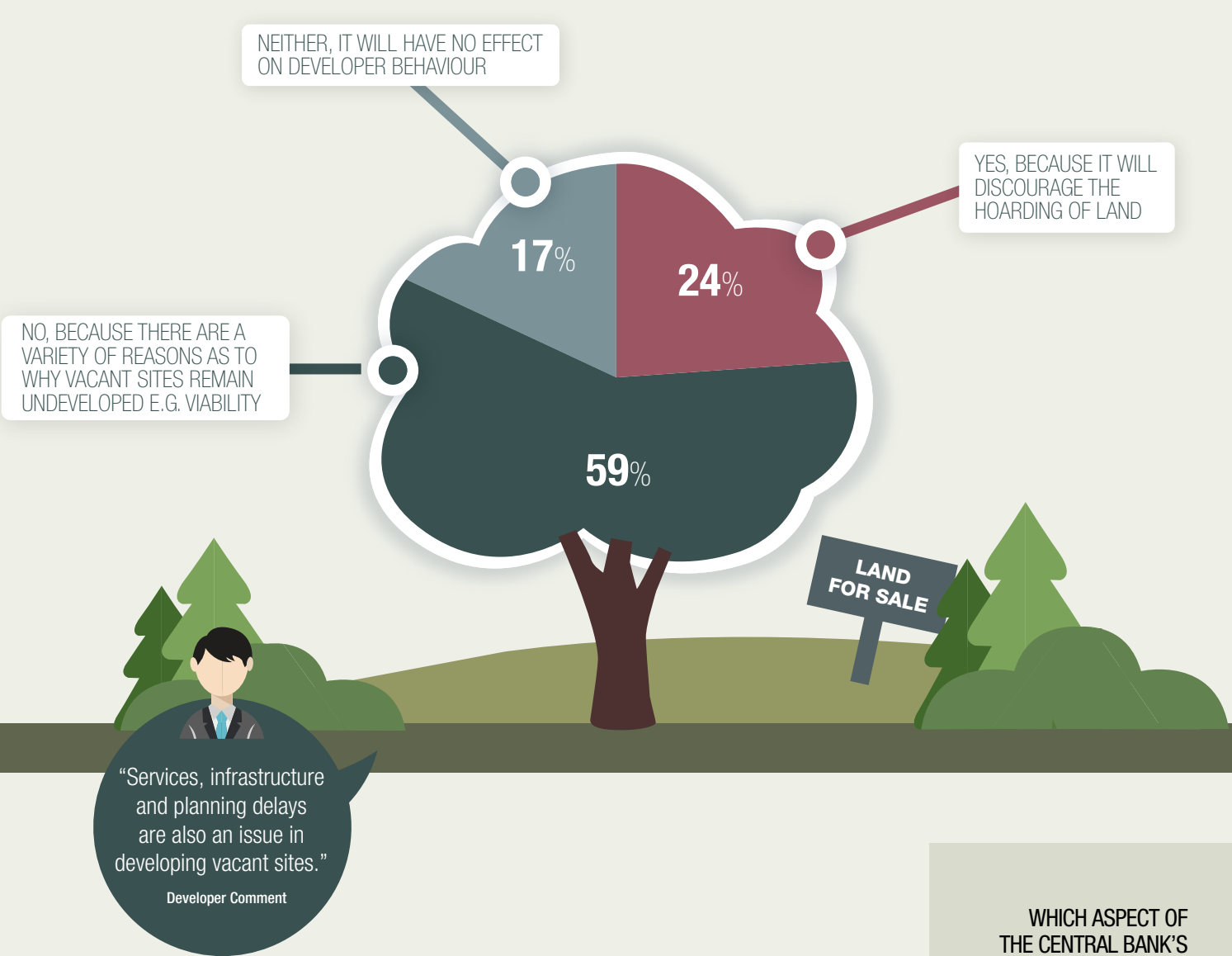
Since last years report, there has been a strengthening of sentiment towards Brexit, with twice as many developers now believing it will have a positive impact on the new homes market



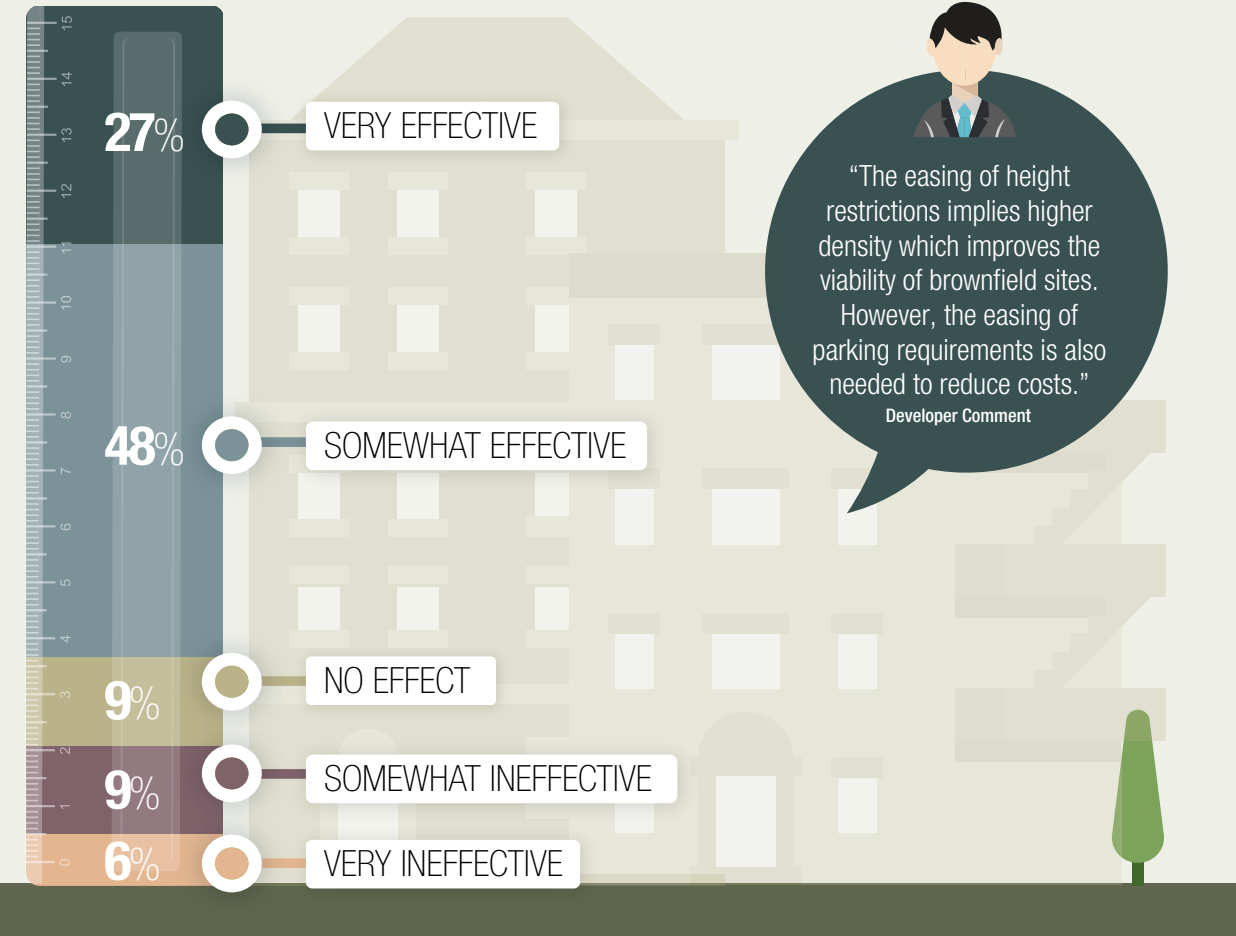
ONLY 36% BELIEVE THE PROVISION TO LODGE PLANNING FOR OVER 100 UNITS DIRECTLY TO AN BORD PLEANÁLA HAS SPEEDED UP THE PLANNING PROCESS



76% believe that the increase in the vacant site levy will not drive the development of vacant sites



75% believe that relaxing height restrictions will increase the viability of apartment construction



WHICH ASPECT OF THE CENTRAL BANK'S RULES HAVE BEEN THE MOST RESTRICTIVE?



78%
LOAN-TO-INCOME
RATIO

VS

22%
LOAN-TO-VALUE
RATIO



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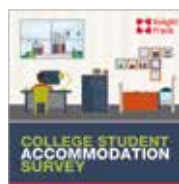
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