

Ireland Living Sectors

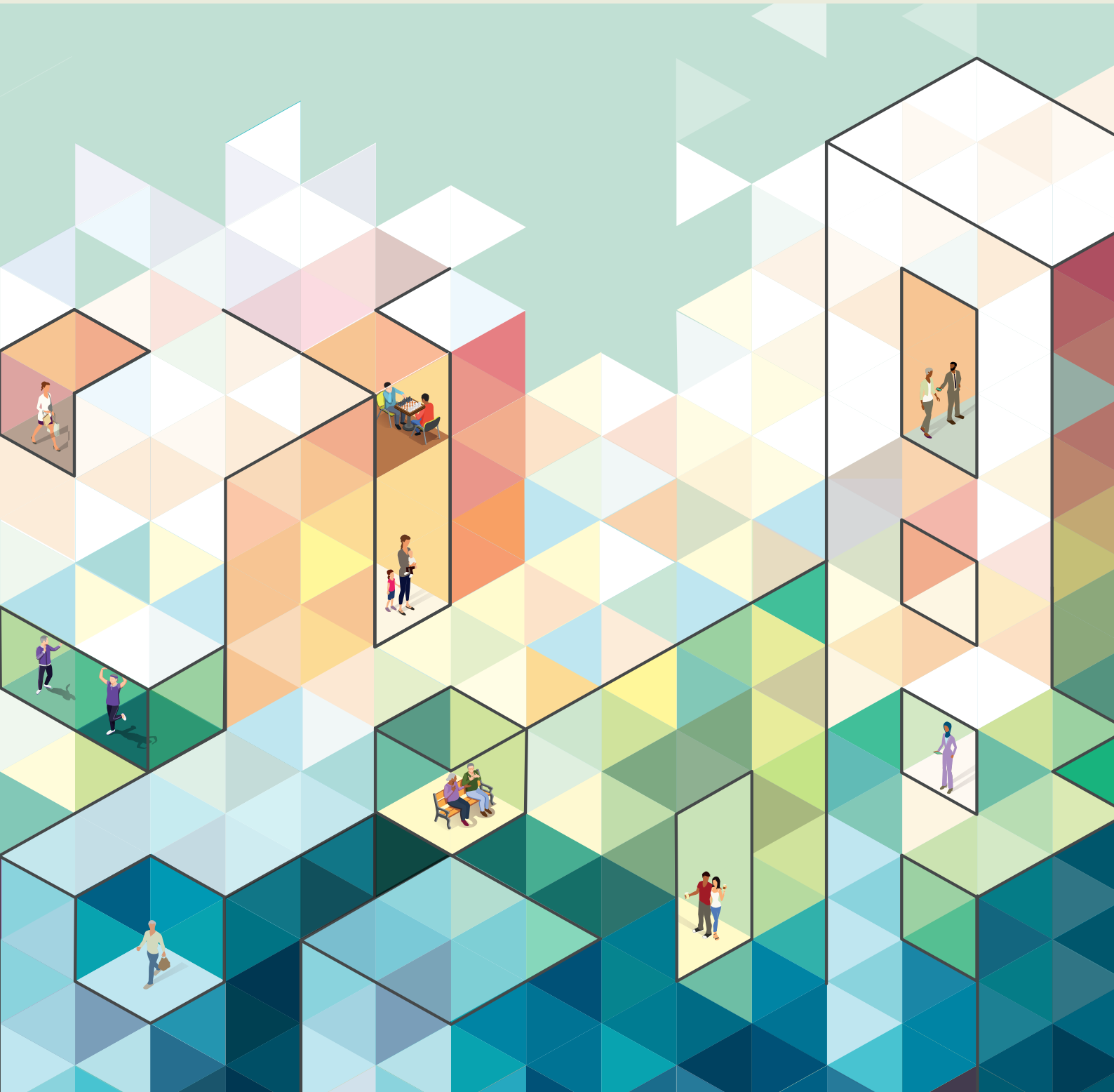
Market Report



2024

Knight Frank assess the evolving Living Sector in Ireland, demand, supply & key challenges

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Foreword

Much has been and continues to be said about the extent of the housing supply issue in the Irish market.

While there were 32,695 housing units completed in 2023, a 10% increase compared to 2022, the total remains considerably behind the amount of housing units required per annum to meet current and future demand.

What is becoming more clearly evident than ever before is the need for housing policy in Ireland to allow for the delivery of housing by product type, to meet the requirements of each age category and the buyer profile that typically matches each age.

Increasingly important at this point is not only the total number of units required, but the amount of units required by type across the various Living Sector categories; with for example, Knight Frank estimating that almost 4,000* student beds are required per annum, almost 32,000 First Time Buyer and family houses/apartments (to rent or buy) and over 9,000 senior living housing units are required nationwide per annum, out to 2027.

There are numerous pressure points evident when looking at the age profile of the population and projecting forward, out to for example 2027.

“Knight Frank Research estimate that a total of 58,000 housing units are required per annum out to 2027 to meet the current trend in the population.”

(61,000 if include students beds)

There are clear bulges in for example the number of people that will be aged 20-25, 25-30, 50-55 and above the age of 75, over the next five years and a lack of product coming on stream to address both the level of demand and the product required.

Add to the mix, the important ESG agenda, in particular the need for energy efficiency and buyer/renter preferences for amenities and services and then the level of employment across the economy (currently at a high of over 2.7m), the need for new innovative housing choices for all living sector categories has never been more acute.

The UK market and other markets are more evolved in terms of their living sector offerings, in particular in relation to student and senior housing.

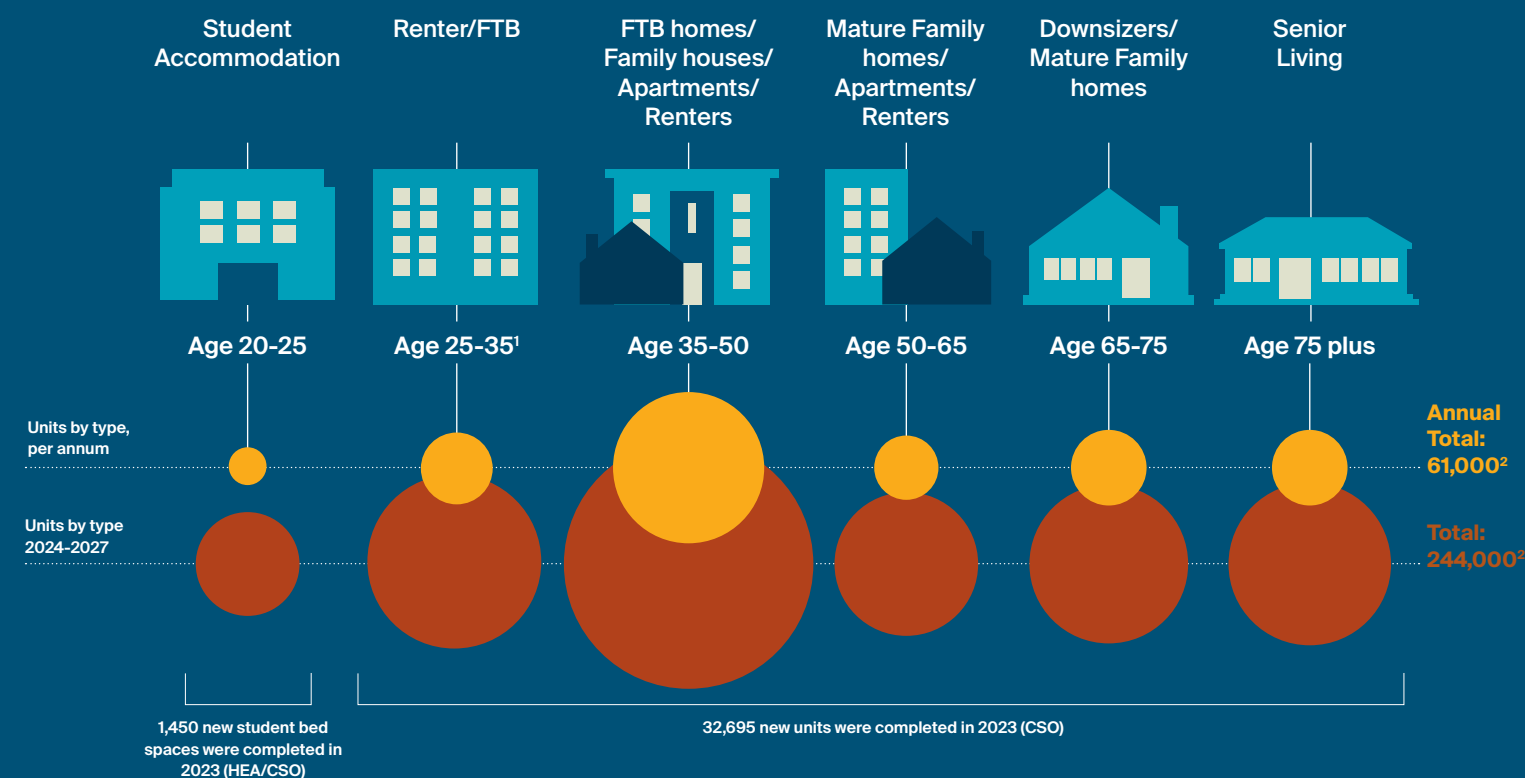
Ireland is lagging behind and given the projected demand for housing and forecast population profile over the coming years, it is imperative that government, the planning authorities, construction sector and funders work together to increase the supply of units for all housing types.

Joan Henry

Chief Economist & Director of Research, Knight Frank Ireland

*all numbers are rounded

FORECAST* OF ESTIMATED LIVING SECTOR UNITS REQUIRED BY TYPE, 2024-2027



Assumptions

1. Total population growth of 4% over the 2022-2027 period
2. Demand is driven by a preference for new product, that suits buyer preference
3. Renovations of existing housing stock is not adequate to impact the demand profile
4. Age 0-4 year are allowed for in the FTB and Family houses/apartments/renters categories

Source: Knight Frank Research/CSO estimate
¹ allows for emmigration in line with trend 2016-2022 ² including student housing demand

Economic context



Employment

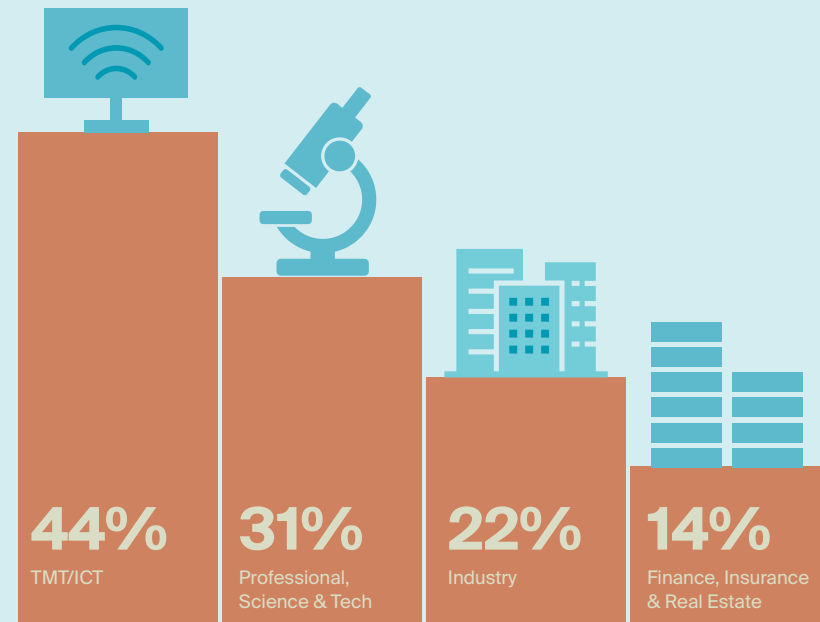
Employment in Ireland reached a new high of just over 2.7m people at the end of 2023.

The labour force increased by 94,700 in 2023.

Four key high value adding sectors account for 30% of total employment.

There were 24% more people employed in these four sectors combined at the end of 2023, compared to Q1 2019 (this takes account of any job losses in the TMT any all sectors).

Increase in employment by sector
Q1 2019 - Q3 2023



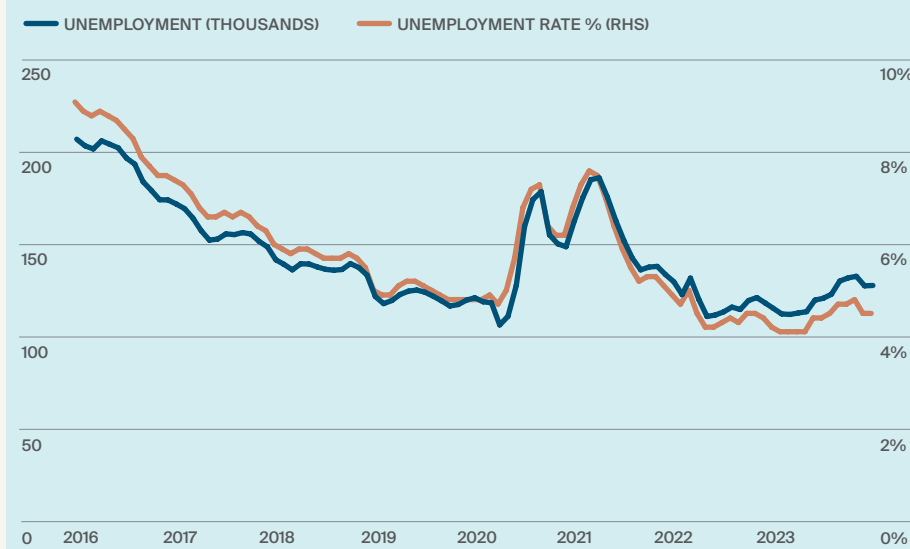
Source: Knight Frank Research/CSO



Unemployment

Unemployment, at 4.1% in February 2024, remains effectively at full employment, despite the increase in the labour force.

Unemployment



Source: Knight Frank Research/CSO

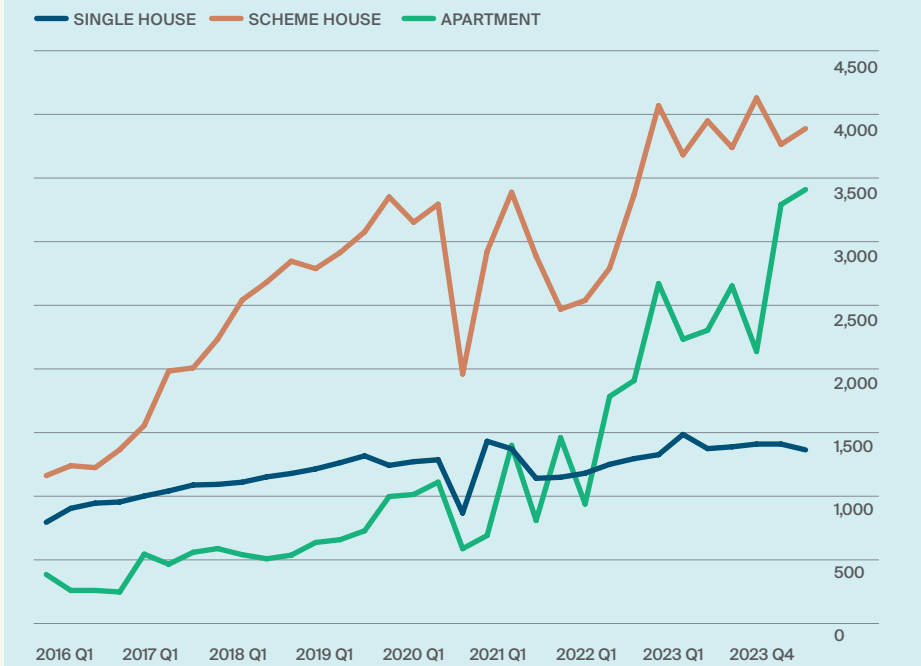


Total housing units delivered 2016-2023

A total of 165,636 housing units were completed between 2016 and 2023.

The population increased by an average of 65,000 per annum between 2016 and 2022, while the average number of housing units completed per annum was 19,000.

Total New Housing Units completed in Ireland by type
2016-2023



Source: Knight Frank Research/CSO

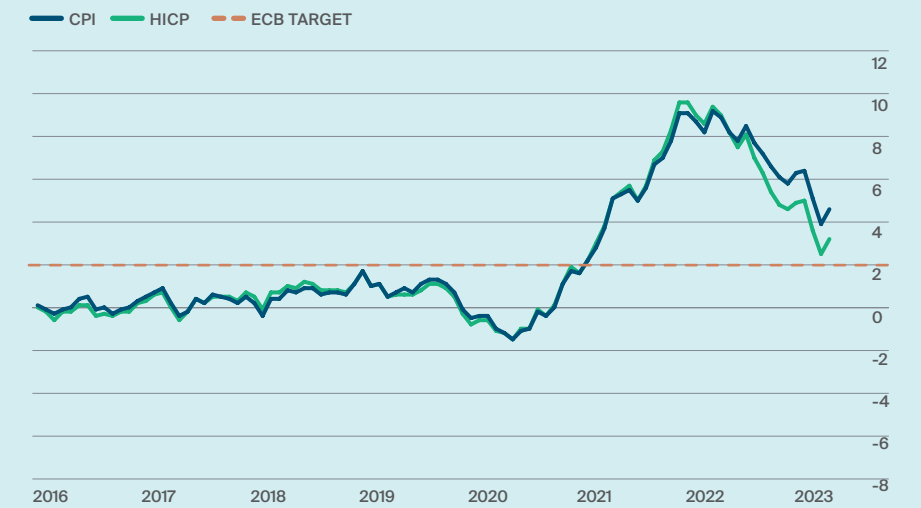


Inflation

Prices pressures have eased considerably as consecutive interest rate increases take effect.

Overall further declines are expected throughout 2024, taking inflation closer to the ECB's 2% target rate.

Ireland - CPI & HICP inflation rate
Annual % Change



Source: Knight Frank Research/CSO

Demographics show clear pressure points for the evolution of Ireland's Living Sector

The population of Ireland has increased by 11% in the period 2011-2022 with an acceleration in the 2016-2022 period when the population increased by 8%.

This reflects the performance and increased value add of the economy and the openness that membership of the European Union and the free movement of people have allowed.

It also reflects the natural increase in the population, which in itself has evolved over the last decade with a very considerable increase in mortality rates and a gradual decline in births.

The net result is that the natural increase in the population remains a strong contribution to population growth. The components of the increase are important in terms of determining the makeup of product required across the Living Sectors in Ireland, with the current and expected increase in older age groups one of the most significant developments.

“There are a number of clear pressure points emerging within the trends in population growth over the last decade which will impact demand for product in the Living Sector over the next decade.”

+11%

People aged 15-25

+23%

People aged 45-55

+30%

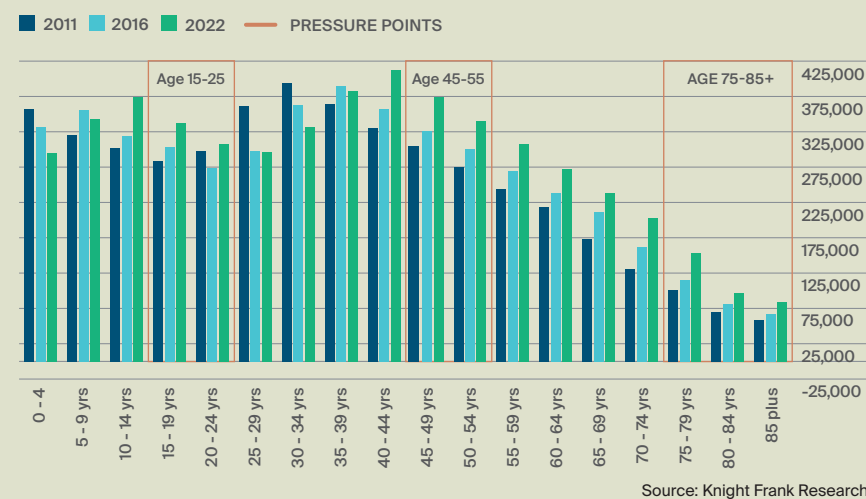
Aged 75 and above

The age group from 5-15 has seen an increase of 15%, between 2011 and 2022, reflecting high birth rates in preceding years.

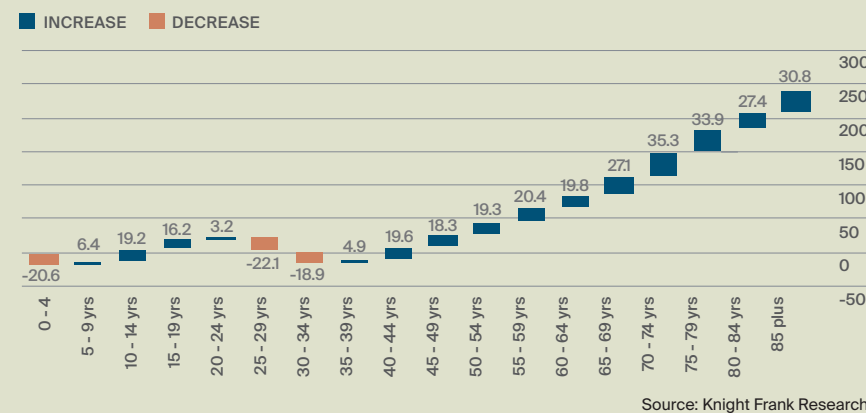
From a strong starting point, there has been a gradual decline in the number of births, with 20% less aged between 0-4 in 2022 compared to 2011 (there were still almost 300,000 in the 0-4 age group in 2022).

“There has been an average annual increase of 47,000 in the total population between 2011-2022 and an average annual increase of 65,000 between 2016 and 2022.”

Total population by age group 2011-2022



% change in total population 2011-2022



Living sector investment market activity in Ireland, compared to a more evolved UK market

2023 was a difficult year for the Irish investment market, mirroring trends across other European and Global capital markets.

Overall investment volumes were down nearly 70% on the year previous. The living investment sector had a year of two halves. The vast majority of the deal volume for 2023 was transacted in the first half of the year.

Excluding the Government / AHB acquisitions in the first half of the year, total residential investment spend for 2023 was €301 million, of which 98% occurred in the first six months of the year.

There were no Senior Living or Co-Living transactions in the Irish market, the former is not regulated for and the much needed senior living sub-sector is in its infancy.

Multifamily remains dominant

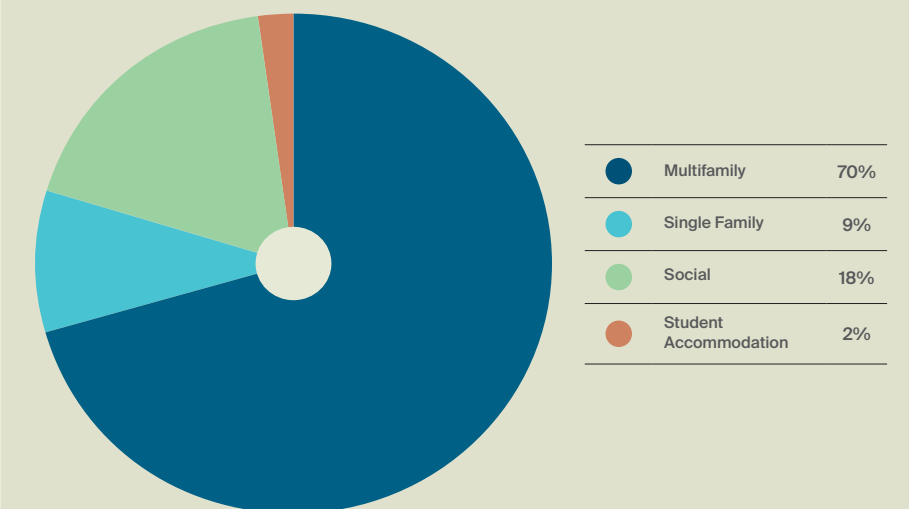
The multifamily sector remains the dominant living sector making up 70% of residential transactions in 2023. The remaining 30% of deals were social, single family and PBSA transactions at 18%, 10% and 2% respectively.

As the year progressed, investor appetite increased for operational / existing stock, which accounted for 41% of transactions, up from 33% in 2022 and 20% in 2021.

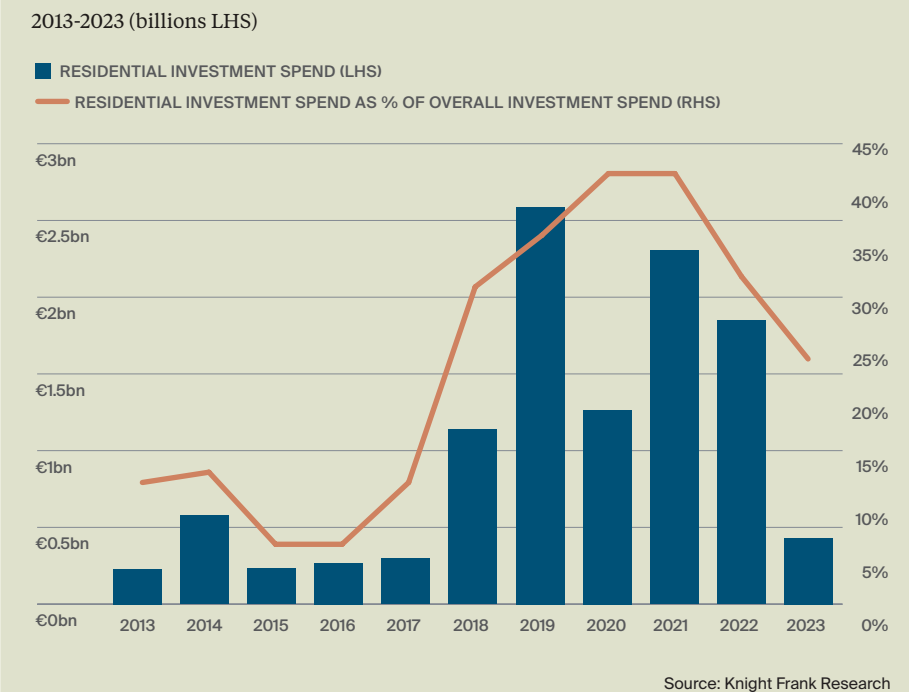
Forward commit transactions grind to a halt

One large forward commit multifamily deal was completed in the first quarter of 2023. All other forward commit deals were social and single family transactions. All other multifamily deals were existing stock trades.

Irish residential investment spend by sub-sector 2023



Ireland - Residential/Living Sectors investment spend 2013-2023 (billions LHS)



Irish living sectors market overview – potential for new sub-sector growth

“Since 2013/2014, the Living Sector market in Ireland has been dominated by the multifamily sub-sector with a small proportion of student accommodation and social deals over the years.”

Comparison with the UK market

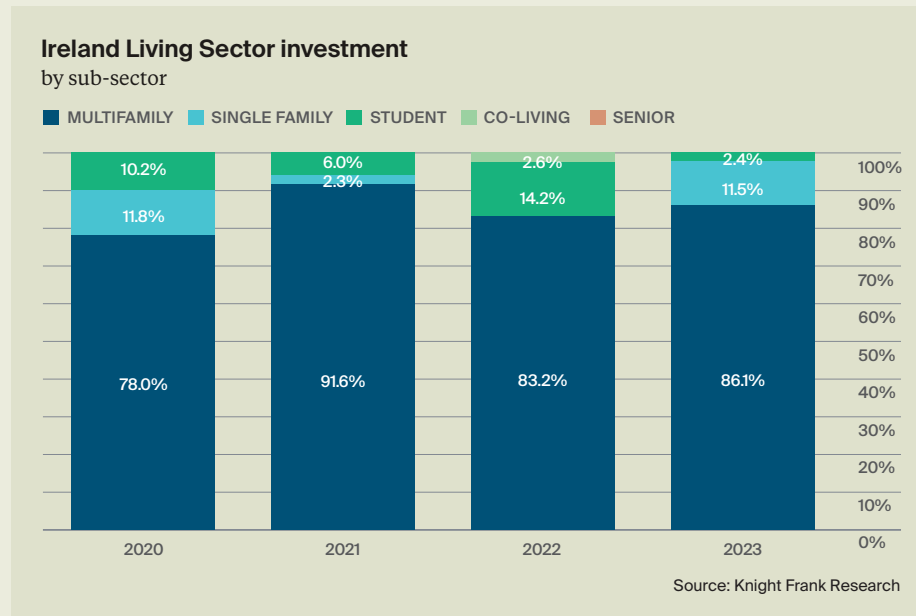
It is only in the past four to five years that new Irish sub-sectors are emerging in the living sector market in the form of PBSA, co-living and single family investments.

Even with these new sub-sectors, multifamily investment spend has been on average 86% of transaction volumes since 2020 [when social investment is excluded].

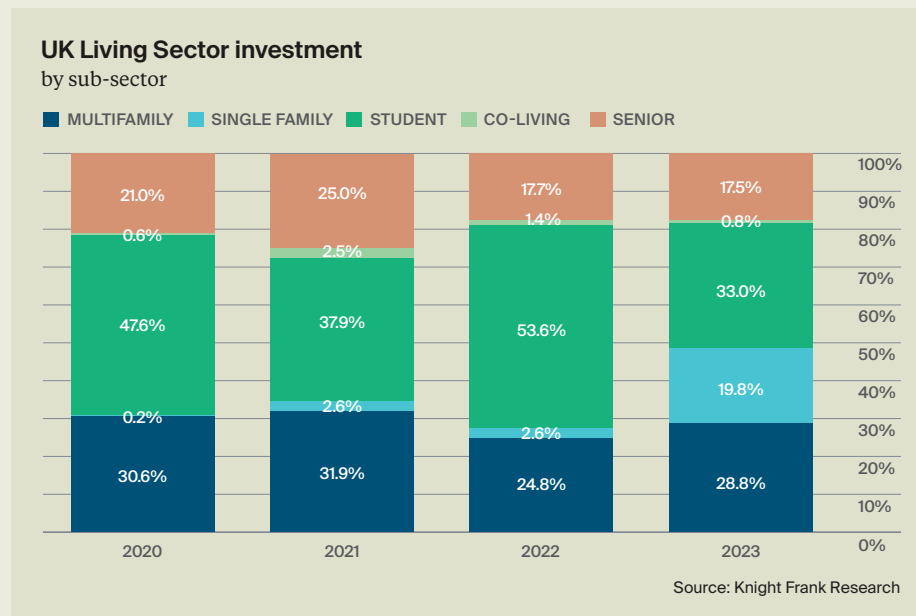
Student accommodation investment has outperformed Multifamily every year in UK with an average of 44% of living sector capital going into this segment of the market. In contrast, student investment transactions equated to an average of 9% of transactions in Ireland.

The Senior Living sector is non-existent in Ireland. However it is a larger part of the market in the UK, where investor spend on Senior Living ranged from 18%-25% of total living sector investment spend over the last four years.

Single family investment has become a major growth area in the UK market, increasing from 0.2% of living sector spend in 2020 to 19.8% in 2023. This segment of the living sector market is arguably the most challenging in the Irish market and is historically considered solely for the



“Excluding the Government / AHB acquisitions in the first half of the year, the total residential investment spent for 2023 was €301 million, of which 98% occurred in the first six months of the year.”



purpose of build to sell on a single unit by unit basis.

The Government has introduced restrictive rules to curb multi-unit transactions in this sub-sector which limits further growth in this area.

Co-Living is expected to be a big growth area globally over the next five years.

At the moment Co-Living is an emerging sector in the UK market with a small number of deals transacting over the past four years.

In 2022 one co-living deal transacted in Ireland however it is currently not an allowed use in terms of new plannings.

Student accommodation, Co-Living and single family investment are some of the biggest growth markets in the UK

“The UK Living Sectors Investment market by comparison is considerably more evolved and has a more diverse and balanced spread of sub-sector spend when compared to the Irish market.”

and globally. Through various planning and legislative initiatives introduced, these sectors which form a part of the housing solution, are constrained in the Irish market.

Dublin does not currently rank in the top 10 cities for PBSA (Purpose Built Student Housing) and Seniors Housing.

This can be attributed to the low level of standing stock for both of these categories, in particular for Seniors Housing.

Planning complexities & restrictions along with a market that is only starting to evolve also accentuate this.

On the other hand, investors rank Dublin as their 3rd preferred market for the more evolved BTR/PRS sub-sector. This can be attributed to Ireland's recent and forecast population growth, increase in employment in high value add sectors and positive economic outlook.

How global investors in the Living Sectors rank cities

	PBSA	BTR/PRS	SENIORS HOUSING	TOTAL
1	London	London	London	London
2	Milan	Madrid	Milan	Madrid
3	Madrid	Dublin	Barcelona	Milan
4	Paris	Milan	Madrid	Paris
5	Glasgow	Glasgow	Paris	Glasgow
6	Berlin	Paris	Berlin	Berlin
7	Bristol	Berlin	Malaga	Bristol
8	Lisbon	Malaga	Bristol	Dublin
9	Barcelona	Valencia	Lisbon	Barcelona
10	Amsterdam	Bristol	Birmingham	Malaga

Source: Knight Frank Europe, Living Sector Investor Survey 2023/2024

Supply challenges

1. AVAILABILITY OF ZONED LAND REMAINS A CHALLENGE FOR FUTURE LIVING SECTOR SUPPLY

The supply of residential zoned land has become an increasingly acute problem in the market.

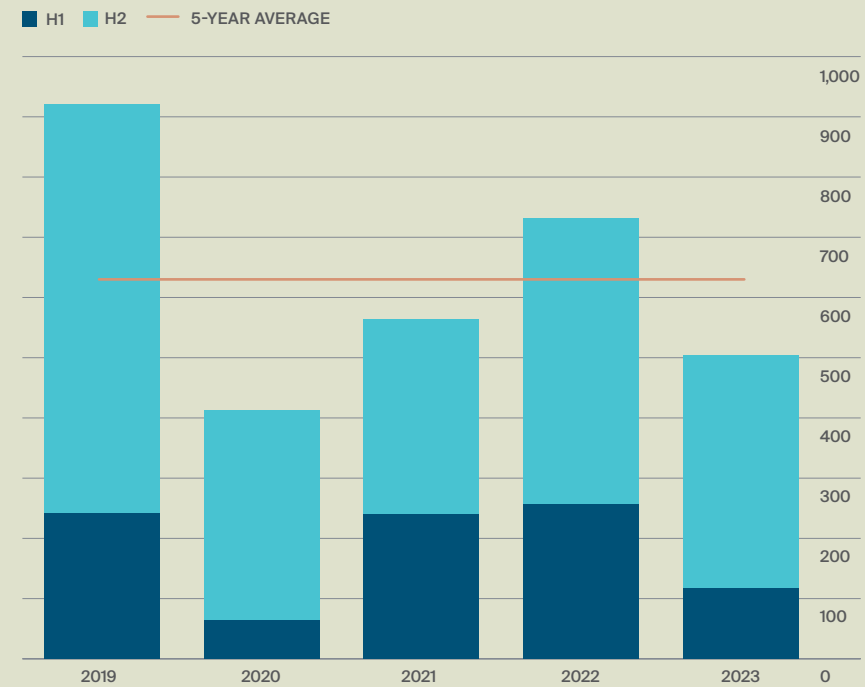
Overall while sales of residentially zoned land made up 55% of total land sales in 2023, the total volume of sales in the market were down almost one third.

Expectations are that activity will increase in 2024, with demand for land that is zoned residential expected to be strong.

However, both the volume of sites that will be made available to the market and the scale and type of product that the land is zoned for is not expected to be enough to meet the overall demand requirements in the market.

2. POLICY UNCERTAINTY AND PLANNING SYSTEM DELAYS CONTINUE TO LIMIT MARKET ACTIVITY, AT A TIME OF UNPRECEDENTED DEMAND FOR ALL HOUSING TYPES

Value of development land sales 2019-2023 (€millions)



Source: Knight Frank Research

Grants of planning permissions granted in the Irish Market, by type *

2016-2023

	PRIVATE FLATS/ APARTMENTS	MULTI DEVELOPMENT HOUSES	ONE OFF HOUSES	TOTAL
2016	3,632	n/a	n/a	15,950
2017	5,336	n/a	n/a	20,776
2018	8,975	14,483	5,481	28,939
2019	18,898	13,941	5,622	38,461
2020	24,662	12,417	5,292	42,371
2021	26,272	9,220	7,499	42,991
2022	16,723	10,530	6,924	34,177
2023	21,487	14,706	5,032	41,225

Source: Knight Frank Research/CSO

*grants of planning does not directly co-relate to the delivery pipeline as not all permissions commence/complete

Outlook



1.

Investor interest in Ireland's Living Sector is expected to increase considerably in 2024. As evidenced by the Knight Frank European Living Sectors Investor Survey, fundraising is firmly focussed on Dublin as a destination for investing in PRS/BTR.



2.

Given the level of demand for housing and forecast population profile over the coming years, it is imperative that government, the planning authorities, construction sector and funders work to a much needed increase in the supply of units for all housing types.



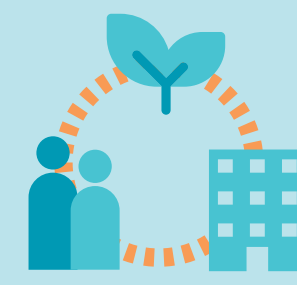
3.

Strong employment and an expected return to and acceleration in economic growth in 2024 and into 2025, support the case for action now on this topic.



4.

Creating housing for all tenures and trends is imperative to solve an increasing housing supply issue. Demand will continue to increase across all sub-sectors including PRS/BTR, PBSA, City/City fringe living and single family housing (SFH).



5.

ESG will remain in focus and will not only have a major impact around the funding markets but by occupiers and how they want to live in a highly sustainable building from a construction and operational perspective.

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