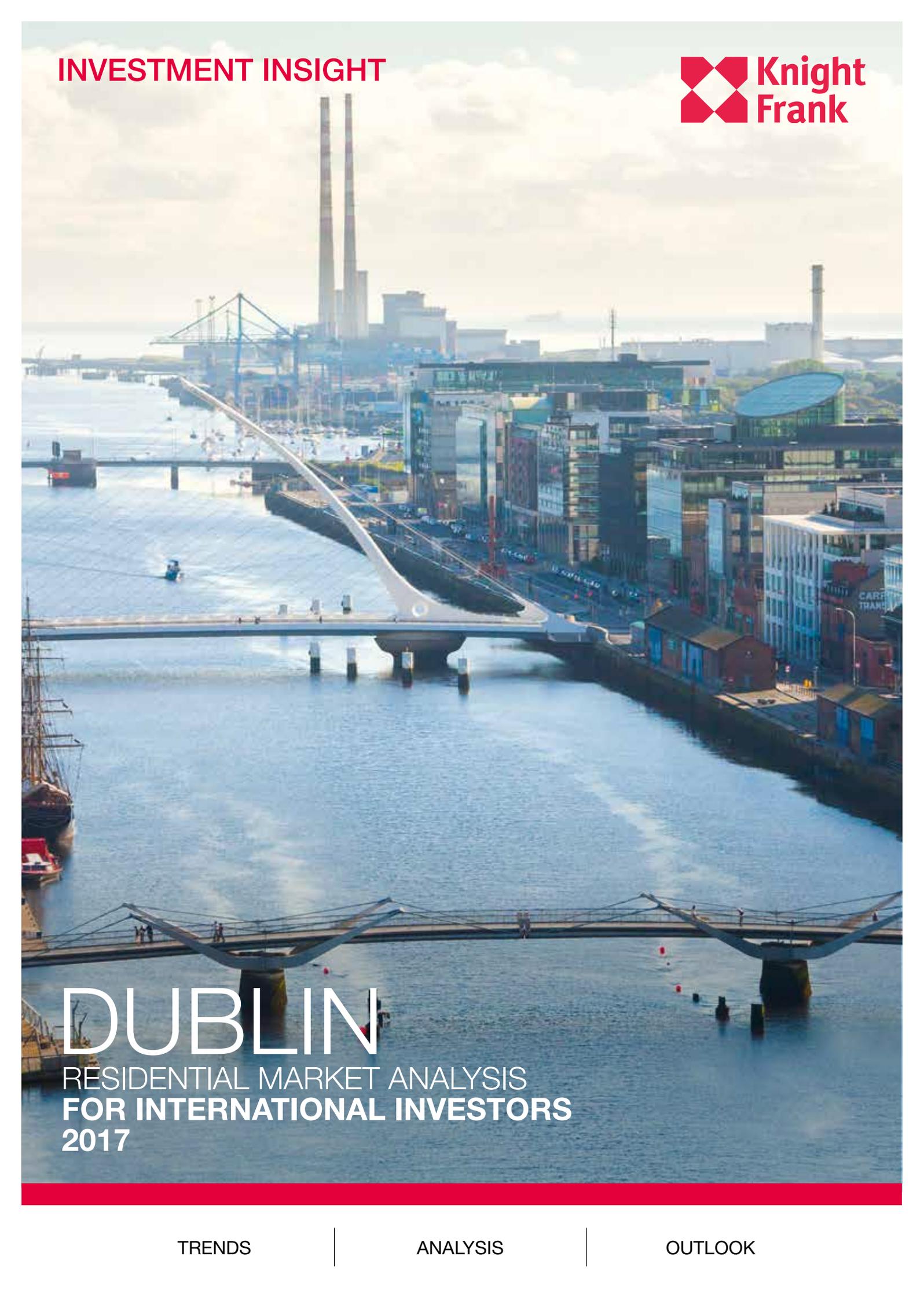


INVESTMENT INSIGHT

A wide-angle photograph of the Dublin cityscape, featuring the River Liffey in the foreground. The Haughlands Bridge is prominent in the middle ground, with its distinctive white, curved structure. In the background, industrial buildings and chimneys are visible against a cloudy sky. The water is a deep blue, and the overall scene is captured during the day.

DUBLIN

RESIDENTIAL MARKET ANALYSIS
FOR INTERNATIONAL INVESTORS
2017

TRENDS

ANALYSIS

OUTLOOK

SUMMARY

1. Dublin is the capital city of Ireland, Europe's fastest growing economy
2. In addition to economic opportunities, Dublin has a rich cultural and lifestyle offering
3. Ireland is undergoing a population boom, underpinning long-term demand for housing
4. Despite recovering by 68%, residential prices remain 31% below their previous peak level
5. Dublin compares very favourably to major international cities across a range of metrics

INTRODUCTION

As the capital city of Ireland, Europe's fastest growing economy, Dublin's residential market is increasingly on the radar of international investors. This report examines the factors driving this heightened interest.

Overview

The appeal of investing in Dublin's residential market is underpinned by the city's commercial success, which is complemented by its educational and lifestyle offering. Dublin is a dynamic, outward looking city, and home to the European Headquarters of many of the world's leading companies including Google, Facebook, Twitter, LinkedIn and Microsoft to name just a few. Dublin's success in attracting these companies is a reflection of the wider success the city has had in positioning itself as a leading global business and financial hub within the European Union.

The draw of Dublin can be attributed to soft and hard factors. For instance, Ireland's long history of emigration enables the country to yield substantial soft power by leveraging its influence with the Irish diaspora in senior positions in major multinationals. At a more hard-nosed business level, Dublin's low corporate tax rate of 12.5% is one of the lowest 'onshore' statutory corporate tax rates in the world.

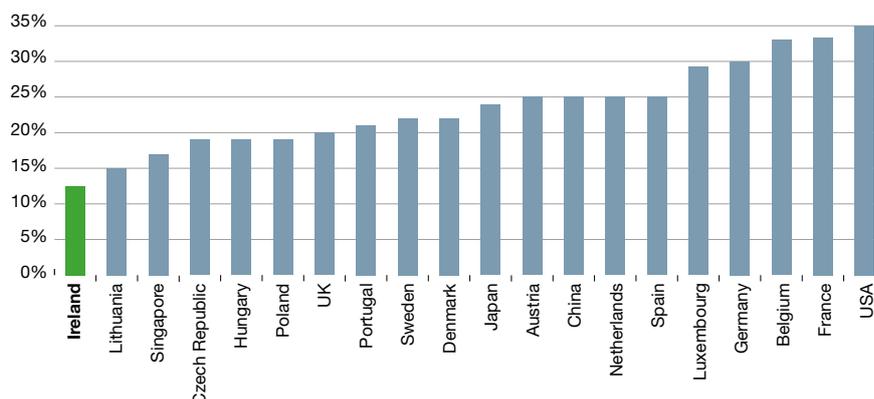
While a favourable tax rate acts as a significant pull factor, Dublin's young,

highly educated English speaking workforce is also of central importance for employers:

- 33% of the population is aged under 25, the highest rate in Europe
- 53% of 30-34 year olds have a degree, also the highest rate in Europe
- Ireland is ranked first in the world for being open to foreign ideas and also for flexibility when faced with new challenges according to the IMD World Competitiveness Yearbook.

The incentivised tax treatment that businesses enjoy also extends to individual investors. There are a number of fund structures that allow tax efficient investing through vehicles such as the Qualifying Investor Alternative Investment Fund (QIAIF), which is open to suitably qualified investors making a minimum initial subscription of €100,000. As a further incentive, the Immigrant Investor Programme has been established which allows non-EEA nationals and their families, who commit to an approved investment in Ireland, to secure residency status. The ease of investing in Dublin is facilitated by Dublin Airport, which offers

FIGURE 1
Selected global corporate tax rates



Source: IDA, 2016

excellent global connectivity due to its strategic geographic position between Europe and the United States.

Educational draw

Dublin’s educational institutions have a growing reputation abroad with international student numbers expanding by 25% since 2012. Dublin is increasingly

becoming a primary destination to study medicine for students from Asia with the Royal College of Surgeons, UCD and Trinity College Dublin all offering medical training to overseas students. Trinity College, a sister college of Cambridge and Oxford in the UK, is Ireland’s most prestigious university and attracts thousands of tourists annually to its historic campus in Dublin City Centre.

IRELAND – UNITED STATES PRECLEARANCE

Ireland has an aviation preclearance agreement with the US since November 2008. Under the agreement, passengers of all US bound flights from Dublin and Shannon Airports are fully cleared for US immigration, customs, agriculture and security controls before leaving Ireland. This means that passengers travelling to the US are treated as domestic passengers on arrival in the US and do not face any further US entry controls.

From the passenger’s perspective, the preclearance process allows for more efficient use of preboarding time at Dublin Airport. The experience on arrival in the US is also greatly improved as it avoids a lengthy entry process and can allow transit passengers to remain airside for connecting flights.

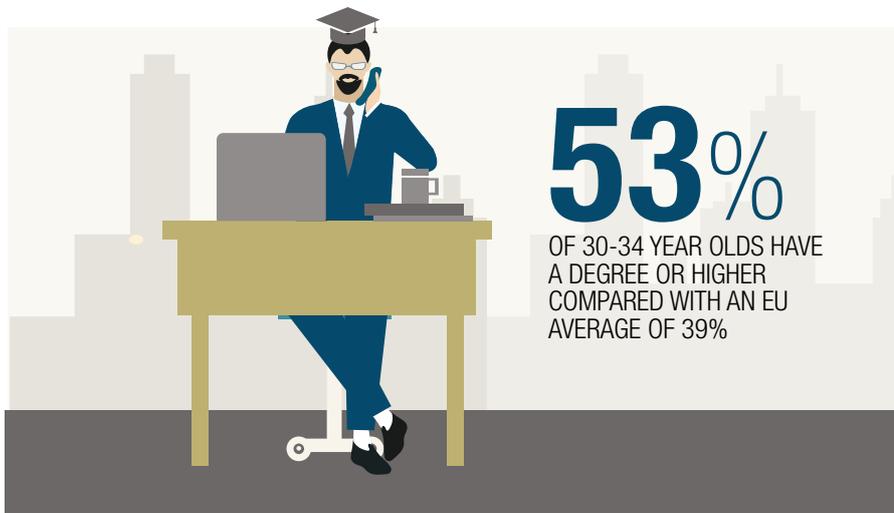
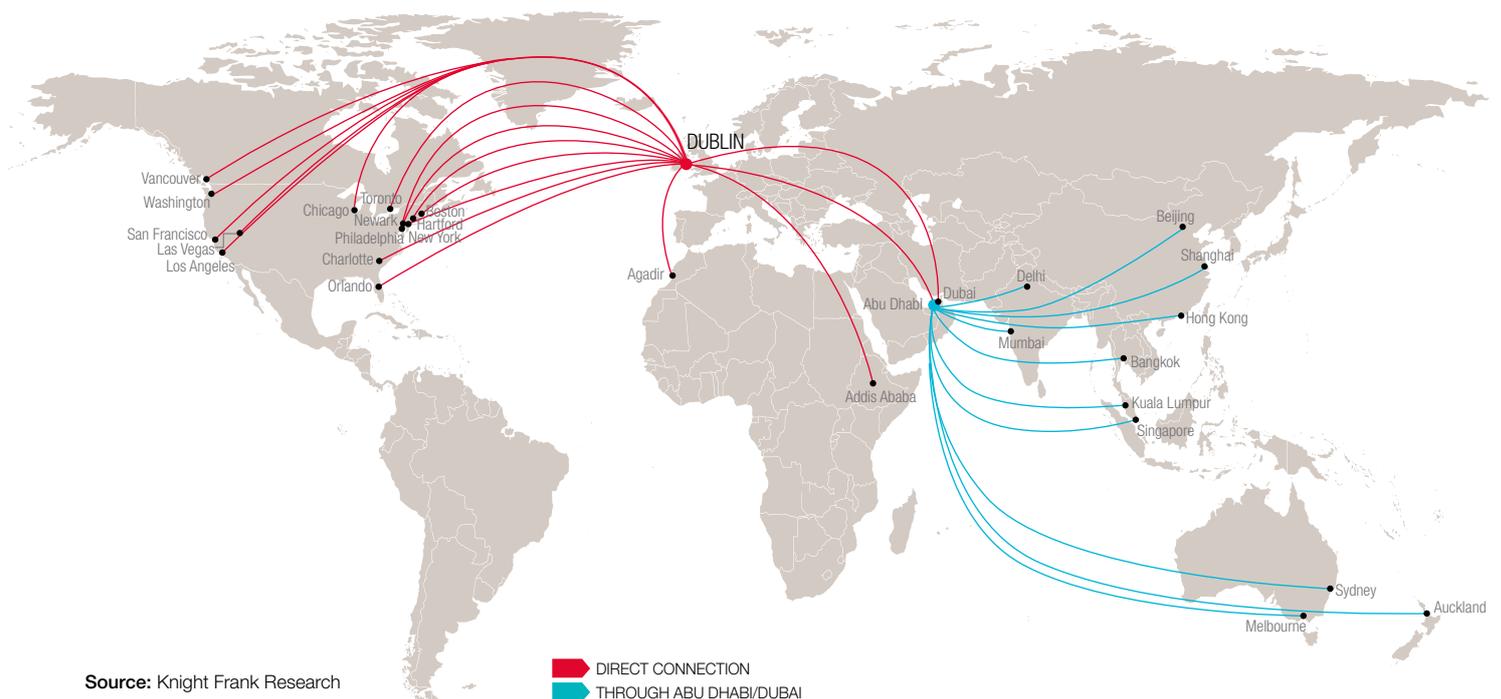


FIGURE 2
Flight connectivity ex Europe



Source: Knight Frank Research



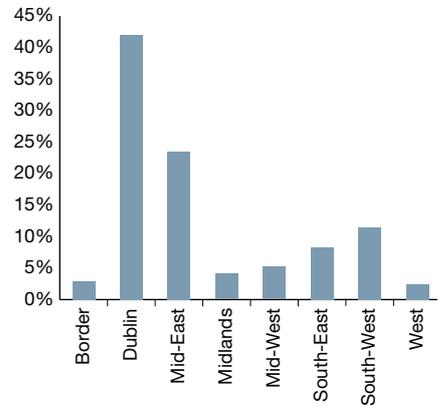
Lifestyle appeal

In addition to the commercial and educational appeal, Dublin has cultural and lifestyle pull factors that helped the city rank third in the world for top cities to visit in 2016 by Lonely Planet. Chief amongst these is the city's rich literary heritage with Oscar Wilde, Samuel Beckett and James Joyce just some of the famous writers and playwrights to hail from the city. Indeed, Dublin was the setting for Joyce's great 20th century novel, Ulysses.

Dublin's environs offer fantastic outdoor activities, especially in the golfing and horse breeding arenas. Ireland is home to over 400 golf courses, producing some of the world's leading professionals including Rory McIlroy, Darren Clarke, Graeme McDowell, Paul McGinley and Padraig Harrington. Irish golf courses, renowned worldwide for their picturesque landscapes and rich heritage, attracted 172,000 people to play in 2015 according to Failte Ireland. Famous courses include the Old Head Golf Links in Cork and The K Club located just outside Dublin.

Ireland is currently the largest producer of thoroughbreds in Europe and the fourth largest in the world with over 7,000 registered breeders from around the globe choosing to base their operations here. These include John Magnier's Coolmore Stud, Prince Khalid Abdullah's Juddmonte Farms, Sheikh Mohammed bin Rashid Al Maktoum's Darley Stud and Sheikh Hamdan Al Maktoum's Derrinstown Stud.

FIGURE 5
Projected share of population growth to 2031



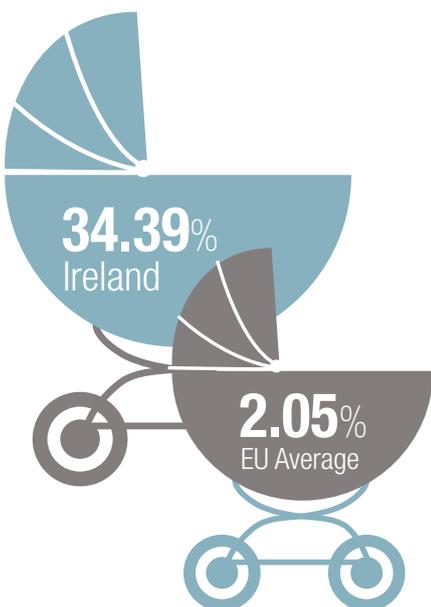
Source: CSO

Demographic drivers

Ireland is experiencing a population boom, providing a natural long-term source of demand for housing. Over the period 1991-2016, the population grew by 35% compared to a growth rate of 7% for the EU as a whole. Leinster - the province in which Dublin is located - accounted for 55% of the population in 2016, which represented a 5% increase on 2011.

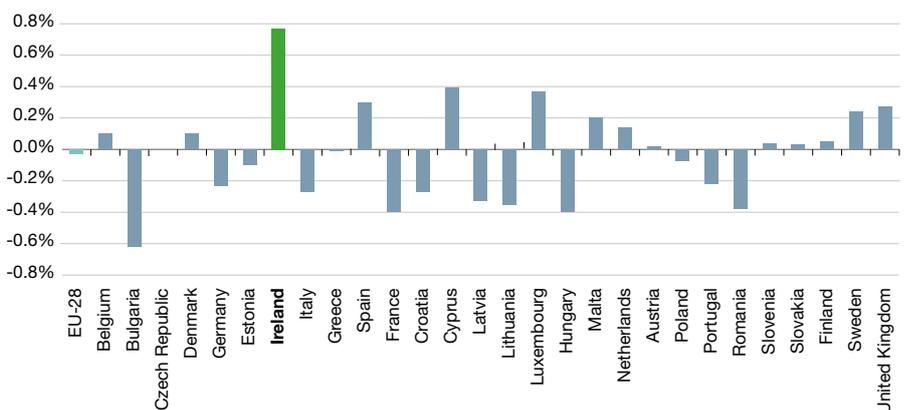
A high fertility rate in conjunction with lower mortality rates, has resulted in a natural annual population growth rate of 0.77%, which is far in excess of any other European state. The high growth rate is set to continue with Eurostat projecting that the population of Ireland will increase by 34.39% during the period

FIGURE 3
Population projections 2015-2080



Source: Eurostat

FIGURE 4
Natural population growth rate



Source: Eurostat, 2015

2015 to 2080 compared to just 2.05% for the EU-28.

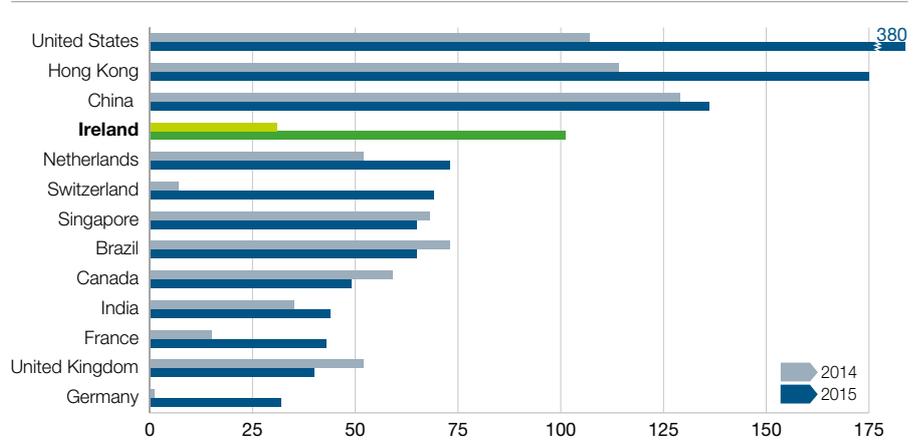
Due to trends in urbanisation, Dublin is set to benefit most from this population growth. According to the UN, 80% of people in Ireland will live in urban areas by 2050, up from just over 60% currently. According to the CSO, over 40% of population growth in the coming years will be concentrated in Dublin. Furthermore, the counties surrounding Dublin in the Mid-East region (Meath, Kildare and Wicklow) have the next highest potential accounting for approximately 25% of projected growth. Clearly then, Dublin will be the focal point of future population growth which will underpin long-term demand for housing.

Economic drivers

The EU Commission is forecasting economic growth of 4.0% for Ireland in 2017, more than twice the growth rate of the Euro area. Growth is supported by heightened foreign investment inflows, with Ireland being the fourth largest recipient of global direct foreign investment behind only the United States, Hong Kong and China.

Consumer confidence has rebounded sharply, with the volume of retail sales ex motors increasing by 6.4% in the year to April. Personal consumption grew

FIGURE 6
FDI Inflows
(Billions of US dollars)



Source: UNCATD

by 3.0% in 2016 with a 3.1% further expansion forecast for 2017, indicating that the recovery is becoming increasingly domestically led.

Government debt as a percentage of GDP declined from a peak of 124% during the height of the euro crisis to now stand at approximately 75% while tax revenue increased by 3.2% in the year to March 2017. The improvement in the public finances, combined with the strong momentum behind Irish economic growth, has led to Ireland recovering its coveted

A grade rating on debt from Moody's in 2016. Ireland's success in turning around its finances following the euro crisis has earned it a 'star pupil' reputation in Europe and created the stable environment which has spurred large capital inflows from international investors. Additionally, Brexit will provide a further boost to Dublin with relocations of well paid office jobs from London expected, adding an additional layer of high-value demand to the residential market.

RETAIL SALES ARE UP

6.4%

The illustration shows a street scene with several buildings of varying heights and colors (blue, grey, light blue, green). Silhouettes of people are visible in the windows and on the sidewalks, suggesting a busy retail environment. The text 'RETAIL SALES ARE UP' is positioned at the top left, with '6.4%' in large, bold blue font below it.

RESIDENTIAL MARKET OVERVIEW

The Dublin residential market is characterised by a chronic lack of supply which is driving price and rental inflation.

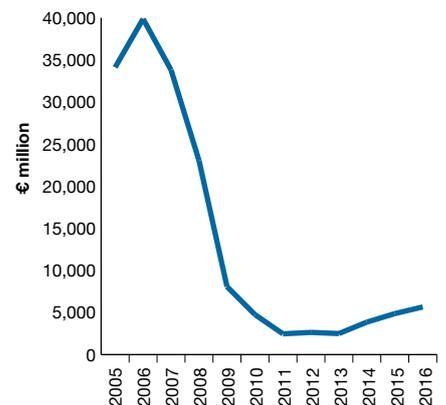
“In contrast to the latter stages of the Celtic Tiger, the residential market is now dominated by first-time buyers illustrating that the market is being driven by positive fundamentals rather than unsustainable speculation.”

Ireland was one of the worst affected countries of the Global Financial Crisis (GFC) as an overvalued residential market underwent a correction simultaneously as the GFC hit. In the aftermath, prices fell by almost 60% in Dublin, making it one of the worst housing crashes on record anywhere in the world. However, as it became clear that the market had substantially overcorrected, prices rebounded strongly, growing by over 68% although they remain 31% below peak. While rents did not fall as much as prices during the crisis, they have also witnessed heightened inflation and now stand approximately 10% above previous peak levels.

Keen to learn from past mistakes, the Central Bank introduced stability measures at the start of 2015, which has seen price inflation moderate to 8.2% in the year to March. Other public policy measures introduced include the Government’s ‘Help-to-Buy’ scheme which will assist first-time buyers in obtaining a deposit for a new home by providing a rebate of income tax that has been paid over the previous four years up to a maximum of 5% of the purchase price of a new home valued up to €400,000.

The latter policy is aimed at boosting supply, with Dublin witnessing the lowest levels of housing delivery since records

FIGURE 8
Mortgage drawdowns

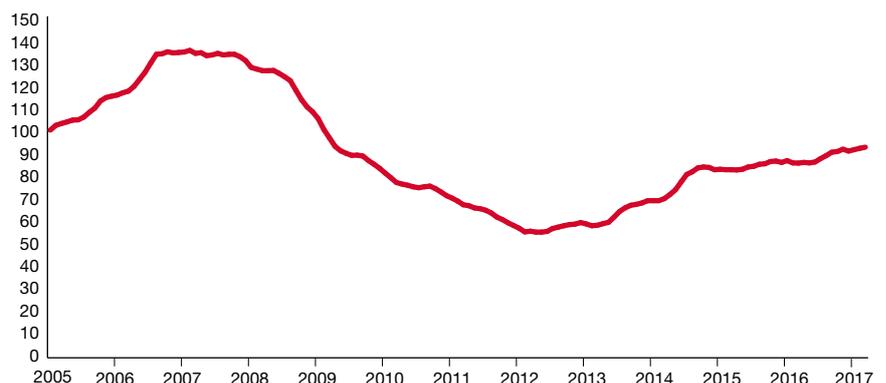


Source: BPF1

began in 1970. In 2016, just over 4,000 units were delivered despite an annual need for over 10,000 units per annum as identified by our research. As a result of the lack of construction, the stock of properties for sale and for rent is at its lowest ever point.

To compound issues, the purchase market has suffered from a dearth of finance with the value of mortgage drawdowns falling from €39.9 billion in

FIGURE 7
Dublin Residential Price Index



Source: CSO

2006 to €5.6 billion in 2016 as bank funding reduced significantly following the economic crisis. This low lending figure is despite the market being driven by strong fundamentals with first-time buyers accounting for 46% of the mortgages obtained compared to 20% leading up to the crash.

Furthermore, buy-to-let investors now account for 3% of the market compared to approximately 20% previously which is a further sign that the market is being driven by positive fundamentals rather than unsustainable speculation.

Summary

The Dublin residential market represents a unique opportunity for investors to gain exposure to Europe’s fastest growing economy. In addition to being Ireland’s economic engine, accounting for 28% of the national population but 39% of national output, Dublin is also the focal point for Ireland’s population boom which will ensure a long-term demand for housing.

With the majority of advanced economies experiencing the dual forces of economic stagnation and aging populations, Dublin has stood out as a beacon of growth. In the process, the city has attracted the attention of the largest investment funds such as Singapore’s Oxley Holdings who are funding a mixed-use scheme extending to over 1 million sq ft in the heart of Dublin’s docklands. With indicators such as prices, rents and supply all pointing in a favourable direction from an investor’s point of view, the outlook remains bright.

These same dynamics have also raised the market’s profile for international individual investors who are also attracted by Dublin’s educational and lifestyle offering in addition to the aforementioned economic case. And while the residential market faces serious issues such as the difficulty in obtaining mortgage financing, this creates an opportunity for foreign buyers who are not hindered by funding obstacles. With both the residential market and the economy in the relative early stages of recovery, international interest is only set to grow.



International Comparison

Dublin compares favourably to London and New York across a range of metrics. As illustrated in the table below, Ireland has a GDP per capita in excess of that of the UK and the United States but Dublin has a cost of living that is lower at 25th in the world compared to 24th and 9th for London and New York respectively, the former having fallen from 6th in 2015 mainly due to the depreciation of Sterling following the Brexit referendum.

However, the value proposition that Dublin offers really comes to the fore

when one examines the purchasing power one million euro would buy you in Dublin vis-a-vis London and New York. In Dublin, one can purchase over four times the quantum of prime space than in London and New York. Furthermore, property taxes are much lower with an investor paying €10,000 on acquisition of a one million euro property in Dublin compared to approximately €69,000 and €28,000 in London and New York respectively. For the same property, annual property tax would be €1,491 compared to €1,490 in London and €11,995 in New York.

Category	Dublin	London	New York
GDP Per Capita¹	€54,626	€39,279	€50,175
Cost of Living Index²	25th	24th	9th
How much space will €1 million buy³	1,432 sq ft	342 sq ft	292 sq ft
Stamp Duty⁴	€10,000	€68,518	€28,250
Property Taxation⁴	€1,491	€1,490	€11,995

¹ For Ireland, UK and the US respectively using World Bank data for 2015, currency translations correct as at 29th May 2017

² Economist Intelligence Unit – Worldwide Cost of Living Survey 2016

³ Knight Frank Research

⁴ Based on €1 million home

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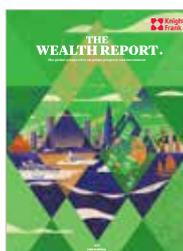
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