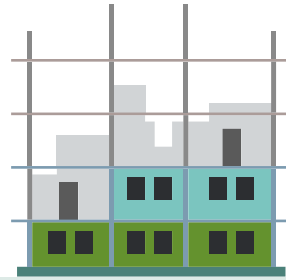




2017 NEW HOMES CONSTRUCTION SURVEY



It is my pleasure to introduce the 2017 Knight Frank New Homes Construction Survey.

2016 has seen many unexpected political events come to pass such as Brexit and the election of Donald Trump as President of the United States. While the domestic economy has continued to perform strongly in the face of the resultant uncertainty, it is clear that the Dublin new homes construction market is still in a state of flux. Despite rents and prices increasing at a rapid pace over the past year, new housing starts and completions are still running at less than a third of what is required to meet market demand. In order to understand the reasons behind this lack of construction, we have once again surveyed our database of developers to shine a light on the roadblocks and the steps that can be taken to overcome them.

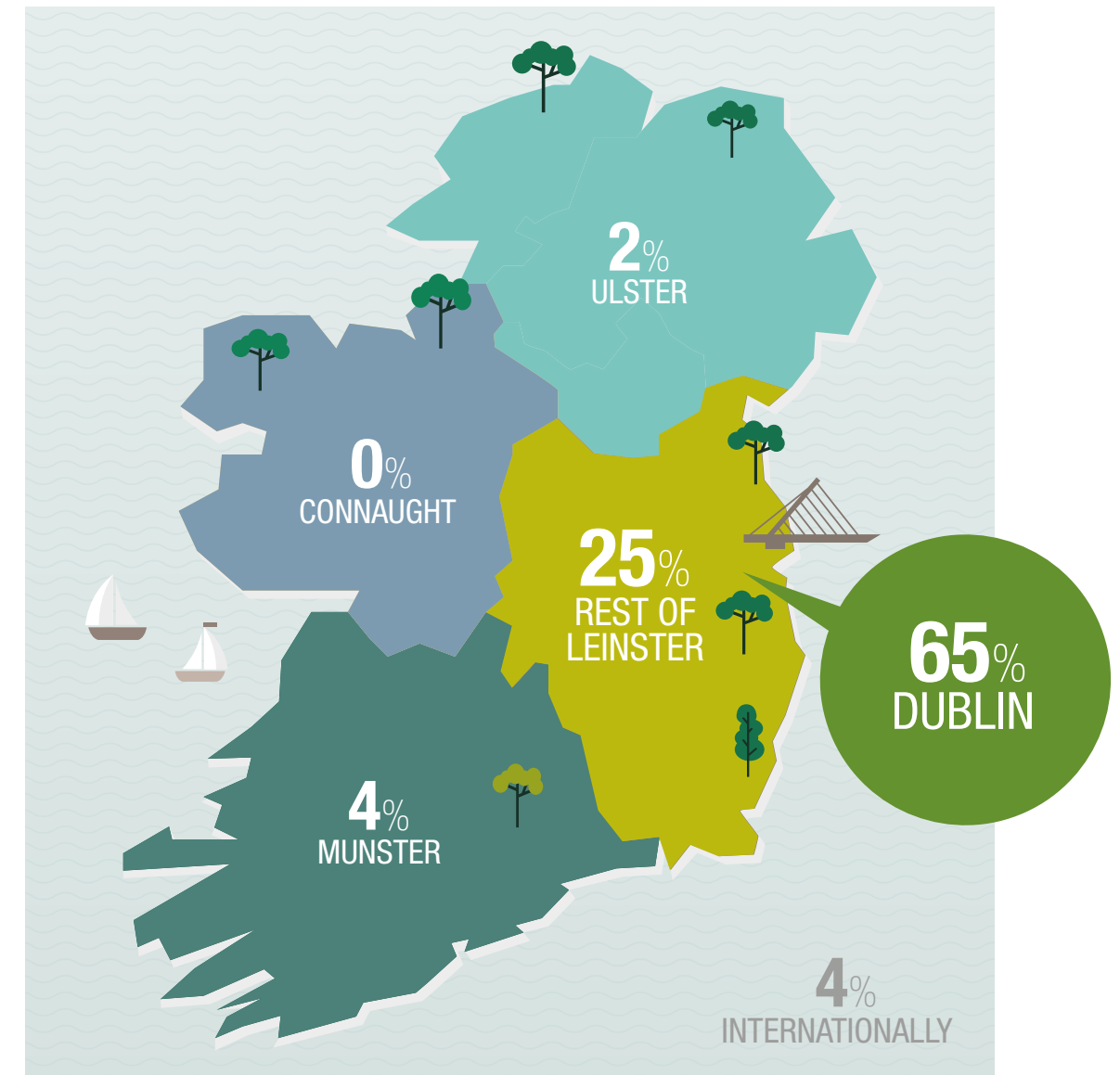
Arguably, the most compelling result from the survey shows that house prices ultimately remain below a level that makes development viable, with low prices cited as the number one obstacle to new construction. While the Central Bank has recently amended its mortgage lending rules, it is apparent that the regulations have constrained new housing supply, with 91% of developers of the opinion that they have had a negative impact on the market. Developers are largely positive about the government's effort to help first-time buyers in this regard, with 54% believing the help-to-buy scheme will be effective in boosting construction. This is more than those who feel that the amendments to apartment design standards have been successful, with 40% believing the changes have been effective. Opinions are divided when it comes to the implications of Brexit, which reflects the understanding by developers that the vote represents both an opportunity and a challenge to the sector.

We hope you enjoy browsing through the results of our survey and please do not hesitate to contact us to discuss the results and implications in further detail."

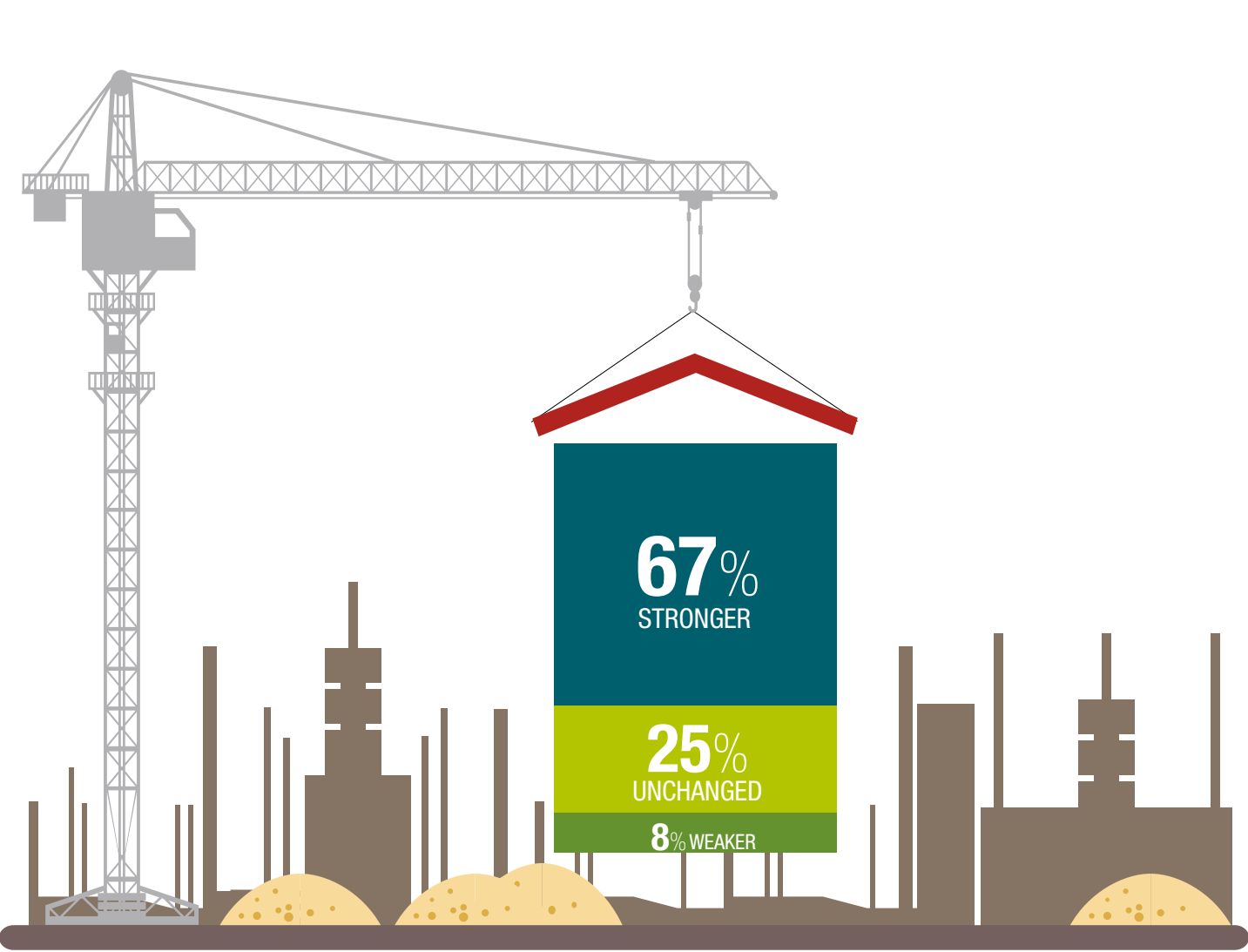
JAMES MEAGHER

DIRECTOR, NEW HOMES AND DEVELOPMENT LAND

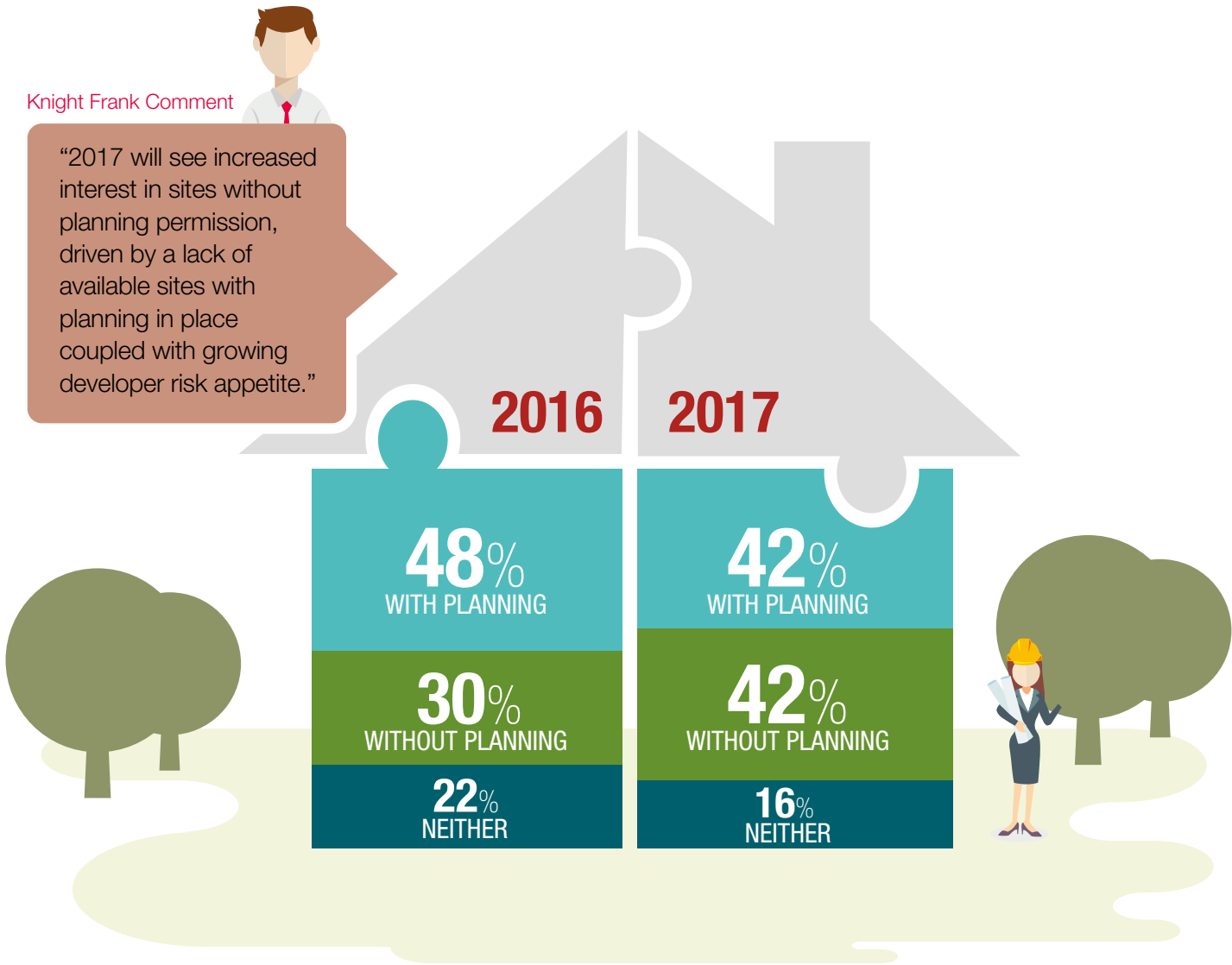
Below is a breakdown of where survey respondents develop



Two thirds of developers surveyed are witnessing stronger construction activity

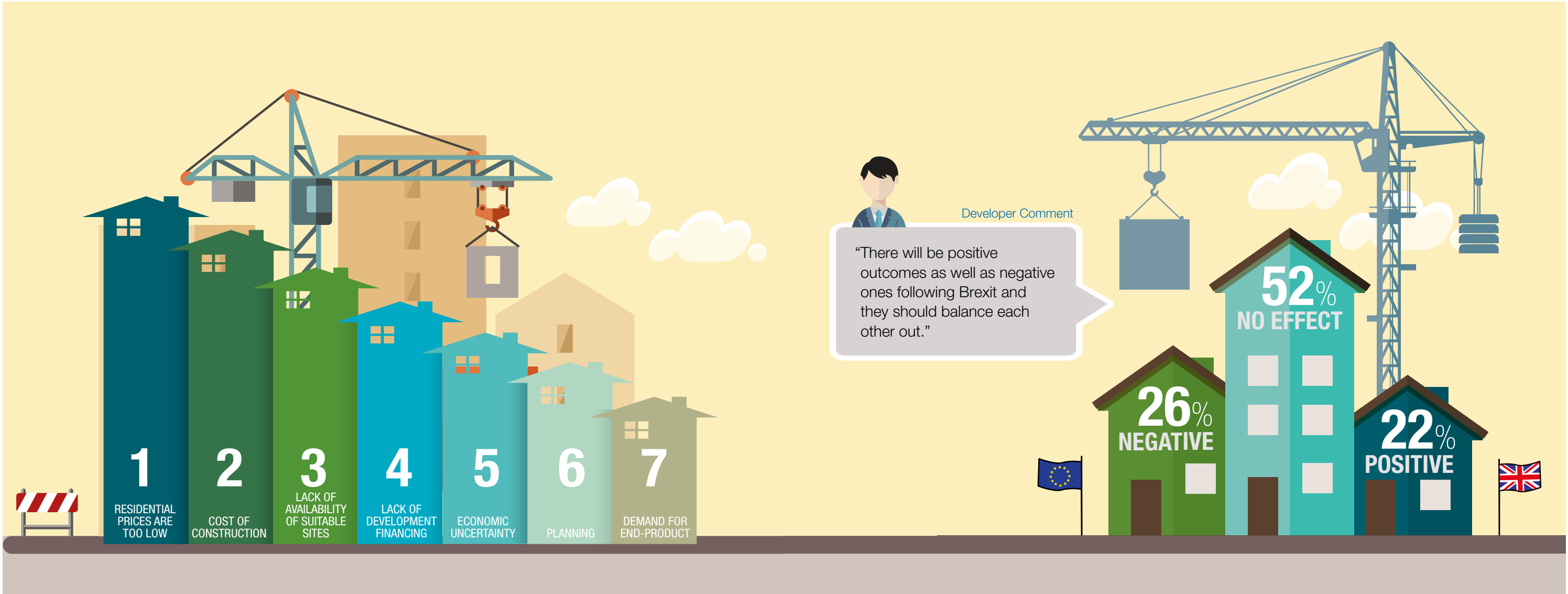


84% of developers expect to make site acquisitions in 2017

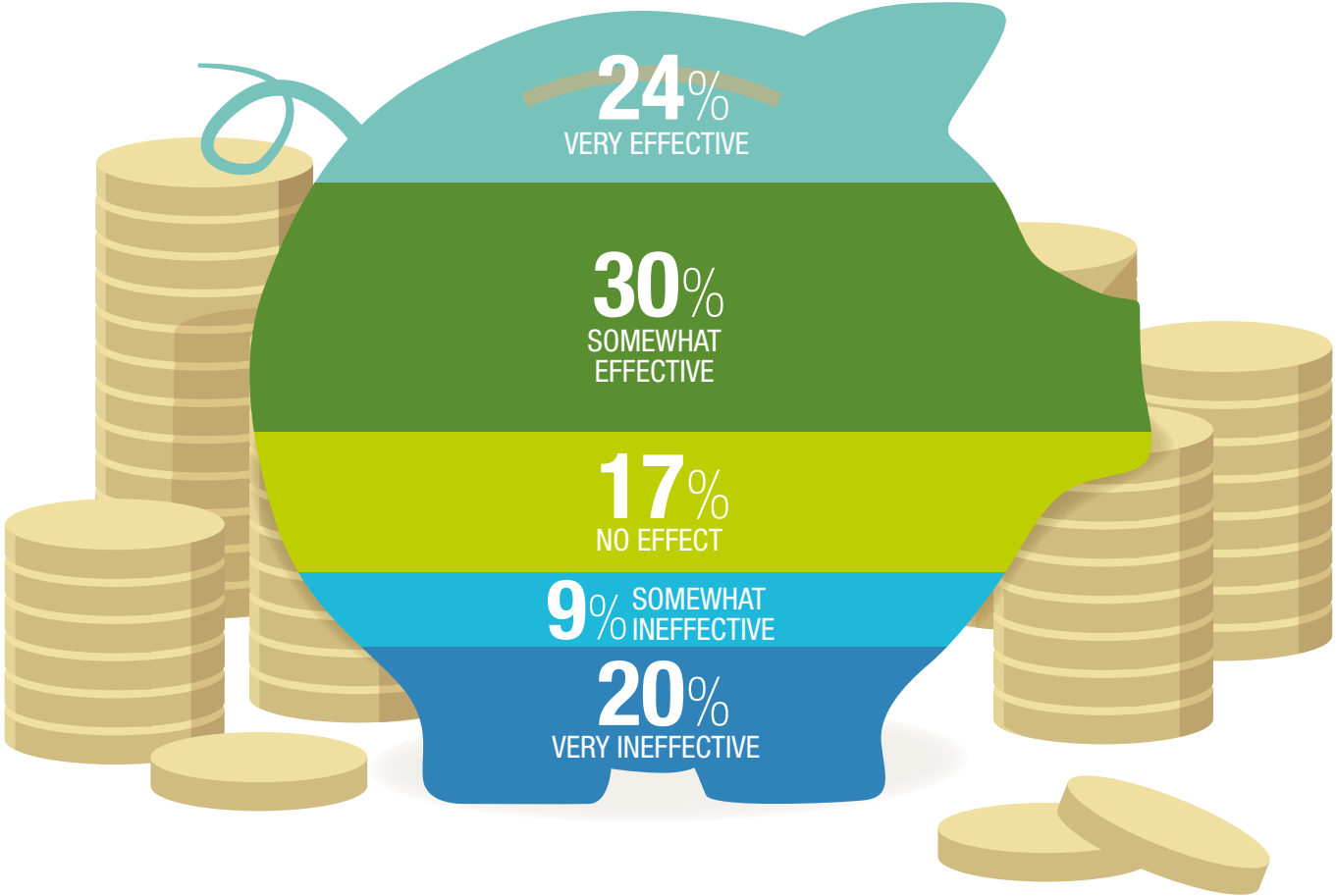


Low residential prices are cited as the principle obstacle to construction

Respondents are divided on whether or not Brexit will have an impact on residential construction



54% believe the help-to-buy scheme will be effective

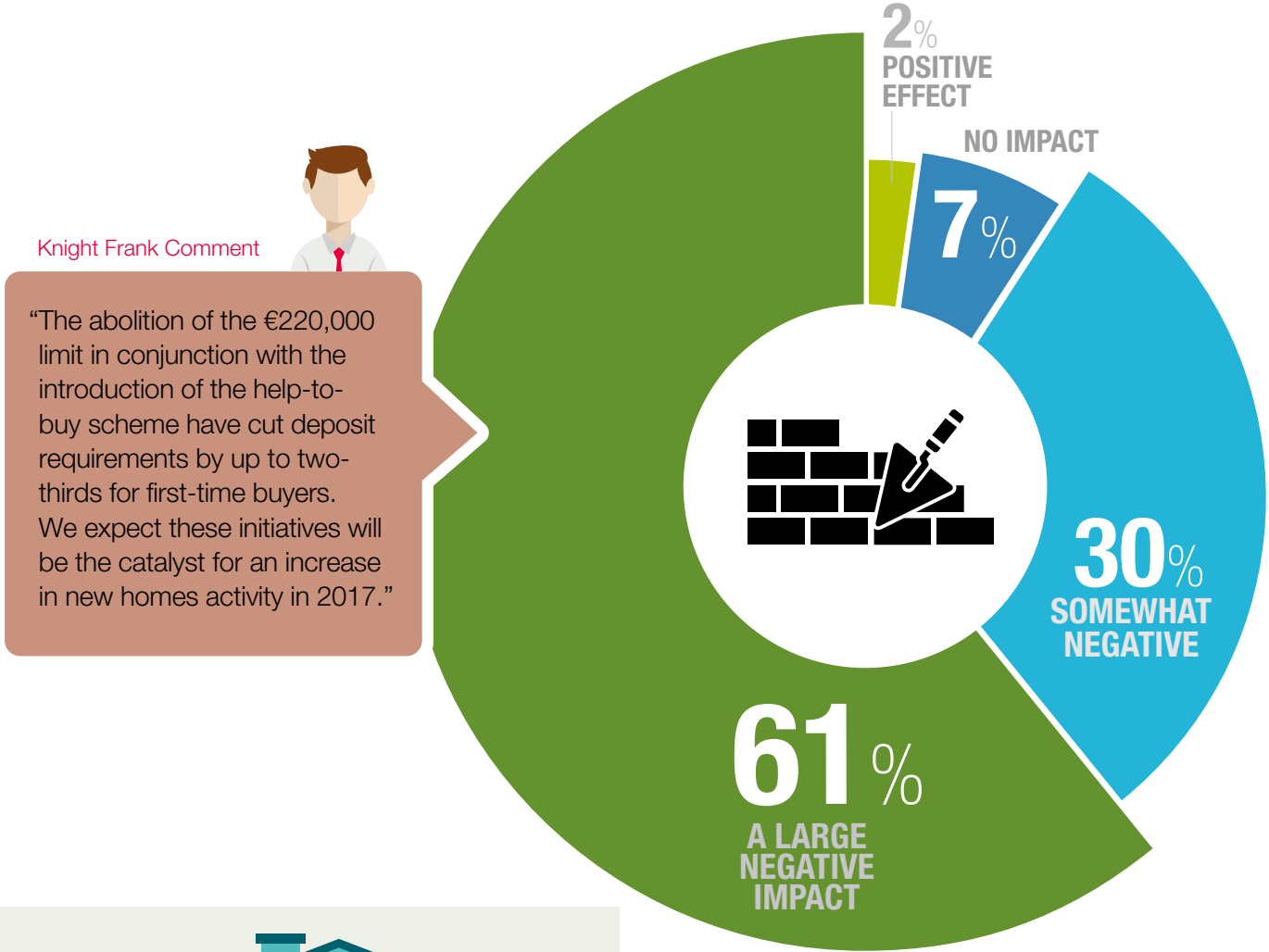


In your opinion, which aspect of the Central Bank's mortgage rules have been the most restrictive?*

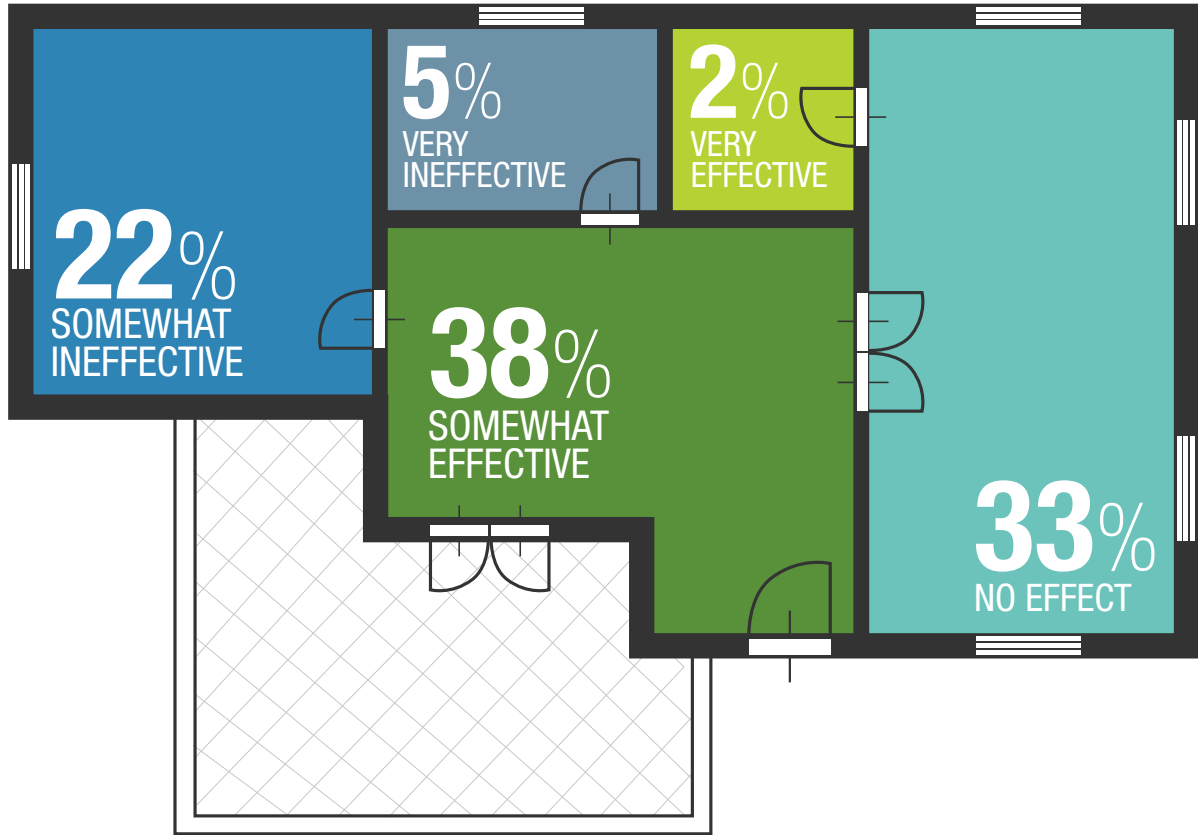
Respondents are split regarding which aspect of the Central Bank's mortgage rules have been most restrictive.

*Note, survey taken prior to Central Bank change of deposit threshold for FTBs.

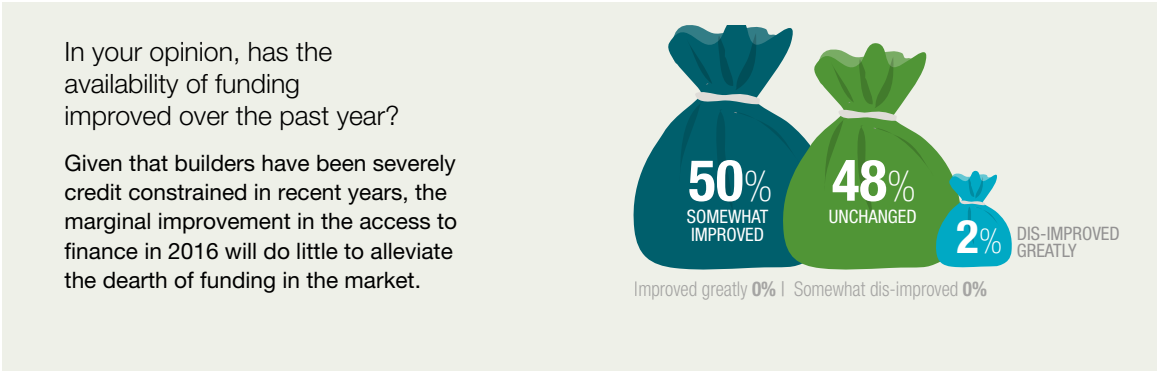
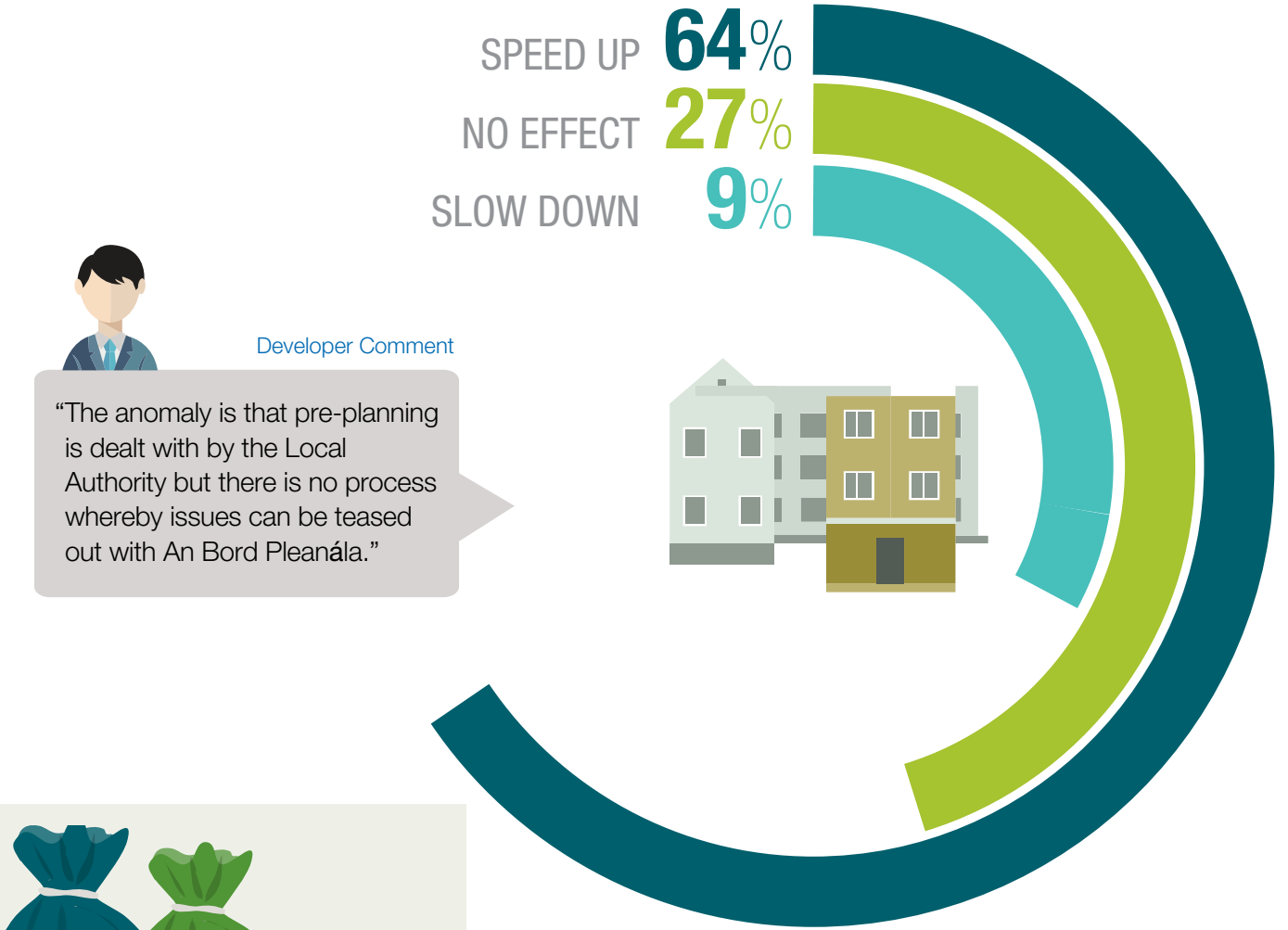
91% of respondents believe that the Central Bank's mortgage lending rules have had a negative impact on residential construction

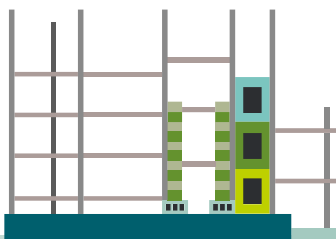


Surprisingly, just 40% believe that the amendments to Dublin City Council’s apartment design standards have been effective in boosting construction



64% believe that the proposal for schemes of over 100 units to go directly to An Bord Pleanála will speed up the planning process





Conclusion

The 2017 Knight Frank New Homes Construction Survey has once again highlighted the challenges facing today's developer.

Although the current paralysis of the housing market may seem intractable, our survey results do provide grounds for optimism. In particular, policy interventions in the form of the help-to-buy scheme, the amendments to minimum apartment design standards and the proposal for direct planning applications to An Bord Pleanála are promising initiatives in addition to the Central Bank changes to the deposit requirements since the survey was conducted. And while none of the measures alone will prove to be the silver bullet for the industry's ills, taken together they offer substantial potential to get the industry building again. Areas for further consideration include introducing incentives to help bring private landlords back into the market, reducing the VAT rate, freeing up more land for residential construction and relaxing height restrictions to allow greater densities in strategic areas of the country.

Finally, it is worth remembering that overall market fundamentals remain extremely robust with Ireland having among the brightest economic and population growth prospects in Europe. This will ensure – amongst current challenges – a positive long-term trajectory for the new homes construction industry in Ireland over the medium term.

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