

EMEA

LIVING INVESTOR SURVEY

2024

IRELAND SNAPSHOT



CUSHMAN &
WAKEFIELD

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01

INTRODUCTION

INTRODUCTION

As a real estate sector, the Irish living market is relatively new from an institutional investment perspective with investment volumes growing meaningfully from 2015 onwards. Yet with the country reaching its highest population in 170 years in 2022, home ownership rates dwindling and insufficient supply to meet existing demand in the private rental, student accommodation and affordable housing segments (amongst others) it is clear that the Irish economy and Irish society requires significant investment in the living sector over the next decade.

Ireland is not alone here – many countries across Europe face acute challenges in meeting housing demand as their populations grow and mature. In order to meet Ireland's future living market demand both the public and private sectors have crucial roles to play. Indeed, this was a key motivation behind the publication of our inaugural Cushman & Wakefield EMEA Living Investor Survey - to get investors' views on the outlook, the opportunities and the challenges that exist in living markets across the EMEA region right now.

As part of this research, we also gathered investors' views specifically on Irish living markets. Our findings here shed light on important investor matters such as investors' exposure to Ireland and their reasons for investing, the market segments they are targeting and the key challenges currently associated with investing in the living sector in Ireland. In our view this information is an important part of the puzzle in helping Ireland create the right policy environment to allow private sector living output to flourish.



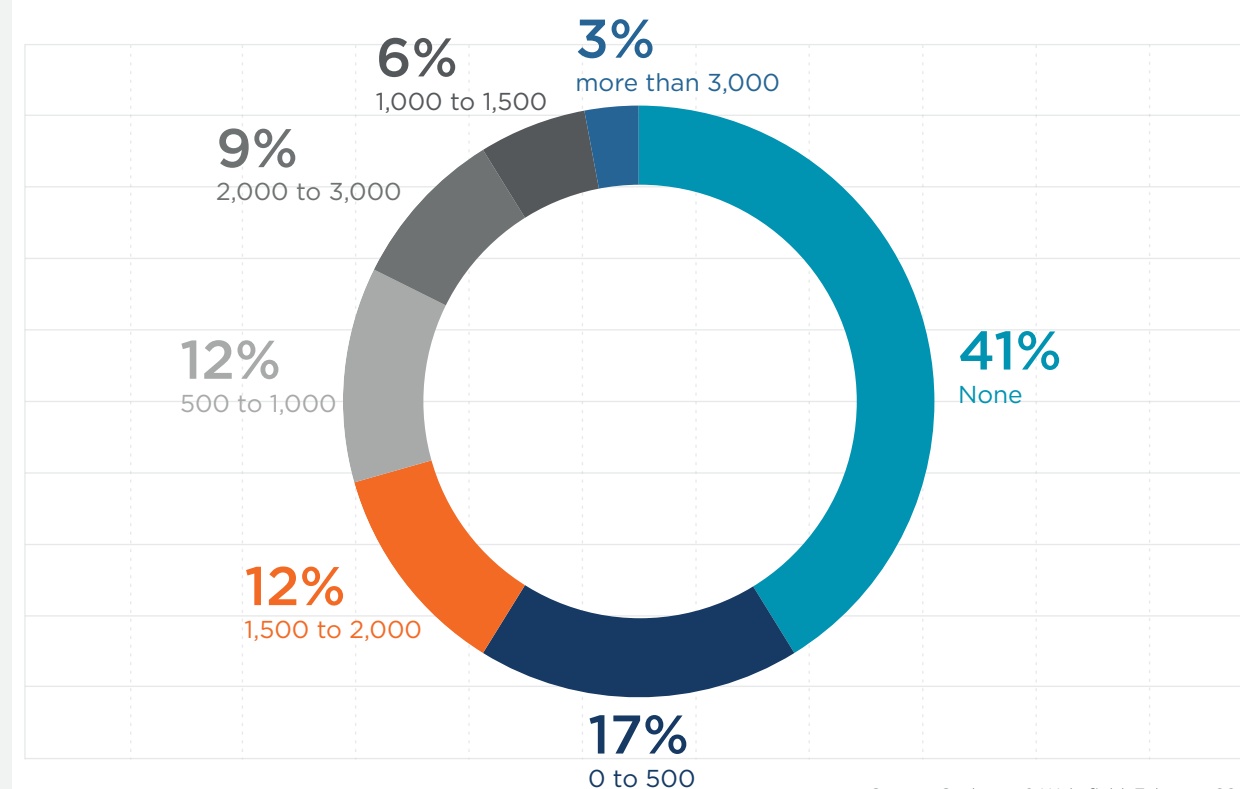
INTRO

DUCT

LARGE INVESTORS HAVE A **MODEST** EXPOSURE TO IRELAND'S LIVING MARKETS

IN TERMS OF INVESTMENT EXPOSURE, OUR DATA INDICATES THAT THE OVERALL INVESTOR POOL WE POLLED HAVE SOMETHING OF A BARBELL APPROACH TO IRELAND WITH INTERNATIONAL INVESTORS HAVING SMALLER EXPOSURES TO THE MARKET IN CONTRAST TO DOMESTICALLY BASED INVESTORS WHO ARE MORE HEAVILY IRISH WEIGHTED.

ARE YOU CURRENTLY INVESTED IN THE IRISH LIVING SECTOR? HOW MANY UNITS DO YOU CURRENTLY HAVE IN YOUR REAL ESTATE PORTFOLIO?



Source: Cushman & Wakefield, February 2024

IN RECENT YEARS WE HAVE SEEN INSTITUTIONAL INVESTORS' FOOTPRINT INTO THE IRISH LIVING MARKET GROW. HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH ZERO OR SMALL HOLDINGS TENDS TO BELIE SOME RECENT COMMENTARY THAT INSTITUTIONAL INVESTORS ARE HAVING A DISPROPORTIONATE INFLUENCE ON IRISH LIVING MARKETS.

The CSO's data on the activity of 'non households' in the housing market also tends to back this up. Its data show that on a 'net basis' (taking into account sales into the housing market minus purchases from it, see table 1) the categories 'Finance and Insurance' and 'Real Estate' (which might broadly correlate with groups of larger investors) have consistently added to Ireland's residential market stock rather than taken from it in the past decade.

TABLE 1: 'INVESTOR' FOOTPRINT IN IRISH HOUSING MARKET* 2013-2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Financial & Insurance	1,241	2,186	2,957	4,288	4,185	3,971	4,581	2,166	2,165	37
Real Estate	109	— 997	260	161	— 189	20	— 477	178	— 750	652
TOTAL	1,350	1,189	3,217	4,449	3,996	3,991	4,104	2,344	1,415	689
Financial & Insurance	4.7%	5.4%	6.5%	9.2%	8.2%	7.4%	7.9%	4.4%	3.7%	0.1%
Real Estate	0.4%	— 2.4%	0.6%	0.3%	— 0.4%	0.0%	— 0.8%	0.4%	— 1.3%	1.0%
TOTAL	5.1%	2.9%	7.1%	9.5%	7.8%	7.4%	7.0%	4.8%	2.4%	1.1%

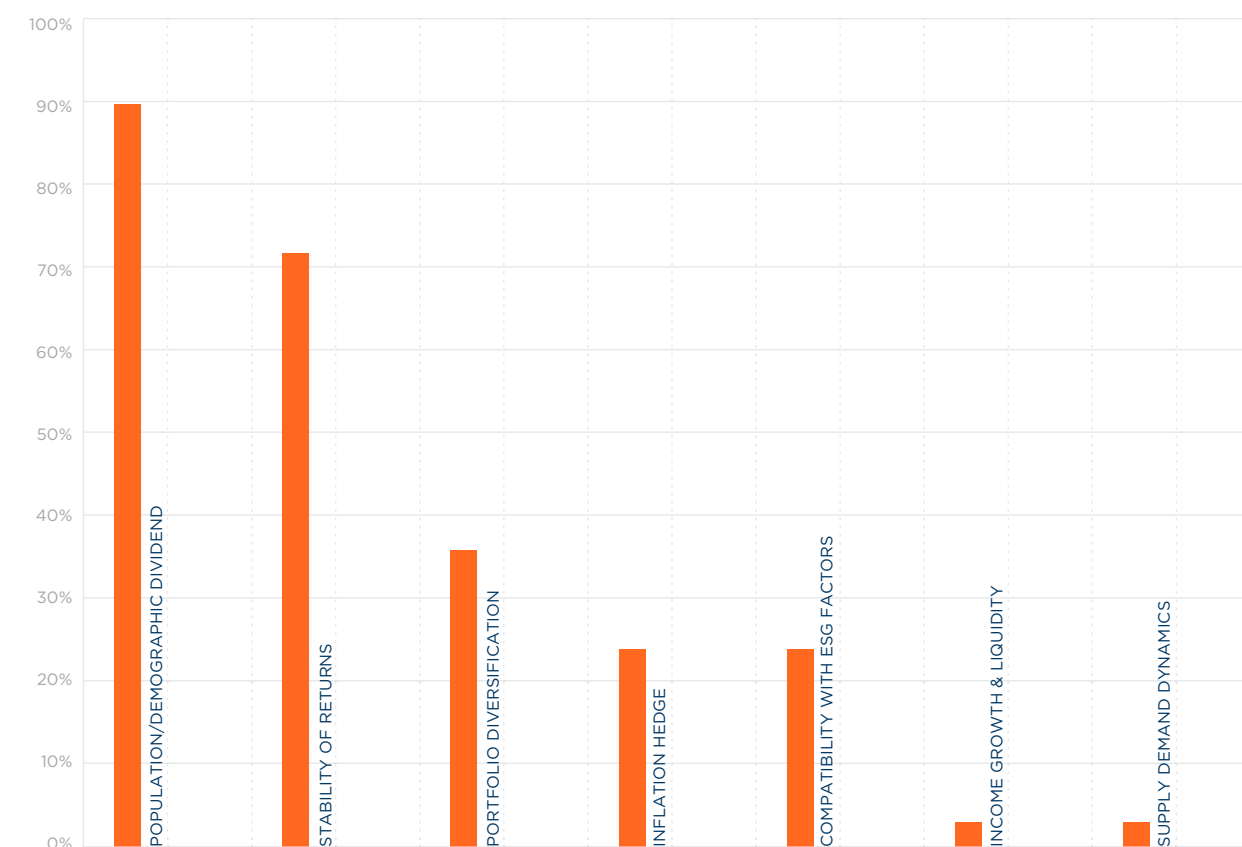
*Source: CSO, Cushman & Wakefield February 2024, *Sales minus Purchases - negative numbers imply net purchases of housing stock Refers to the approximation of investor net exposure in Irish housing market based on CSO NACE classifications

DEMOGRAPHIC DRIVEN DEMAND AND RETURN STABILITY ARE IMPORTANT FACTORS FOR EMEA LIVING INVESTORS



With Ireland's population hitting its highest levels in 170 years in 2022 and continued strong demand for housing likely over the next decade one might expect to see Ireland feature strongly as a market of interest for international investors.

THE DEMOGRAPHIC DIVIDEND AND RETURN STABILITY ARE KEY ATTRactions FOR INVESTORS IN THE LIVING SECTOR*



Source: Cushman and Wakefield, February 2024 *Percentage of respondents citing the following factors in response to the question 'what are the key attractions of investing in the living sector?'

ACROSS EMEA REGION IRELAND RANKS HIGHLY AS A DESTINATION FOR LIVING INVESTMENT



However, outside of these core European markets Ireland registered as one of the more attractive markets for living investment, a clear signal that investors are aware of Ireland's uniquely positive demographic backdrop.

IN TERMS OF GEOGRAPHIC PREFERENCES EMEA LIVING INVESTORS APPEAR MOST FOCUSED ON THE UK AND GERMANY WHICH IS TO BE EXPECTED SOMEWHAT GIVEN THE GREATER PROPENSITY FOR HOUSEHOLDS TO LIVE IN PRIVATELY RENTED ACCOMMODATION IN BOTH COUNTRIES.

PREFERRED GEOGRAPHIC MARKETS

1. UK
2. GERMANY
3. SPAIN
4. IRELAND
5. FRANCE
6. NORDICS



STRONG ECONOMIC FUNDAMENTALS ARE A KEY IRISH ATTRACTION, WITH MOST INTEREST IN PRS AND PBSA MARKETS

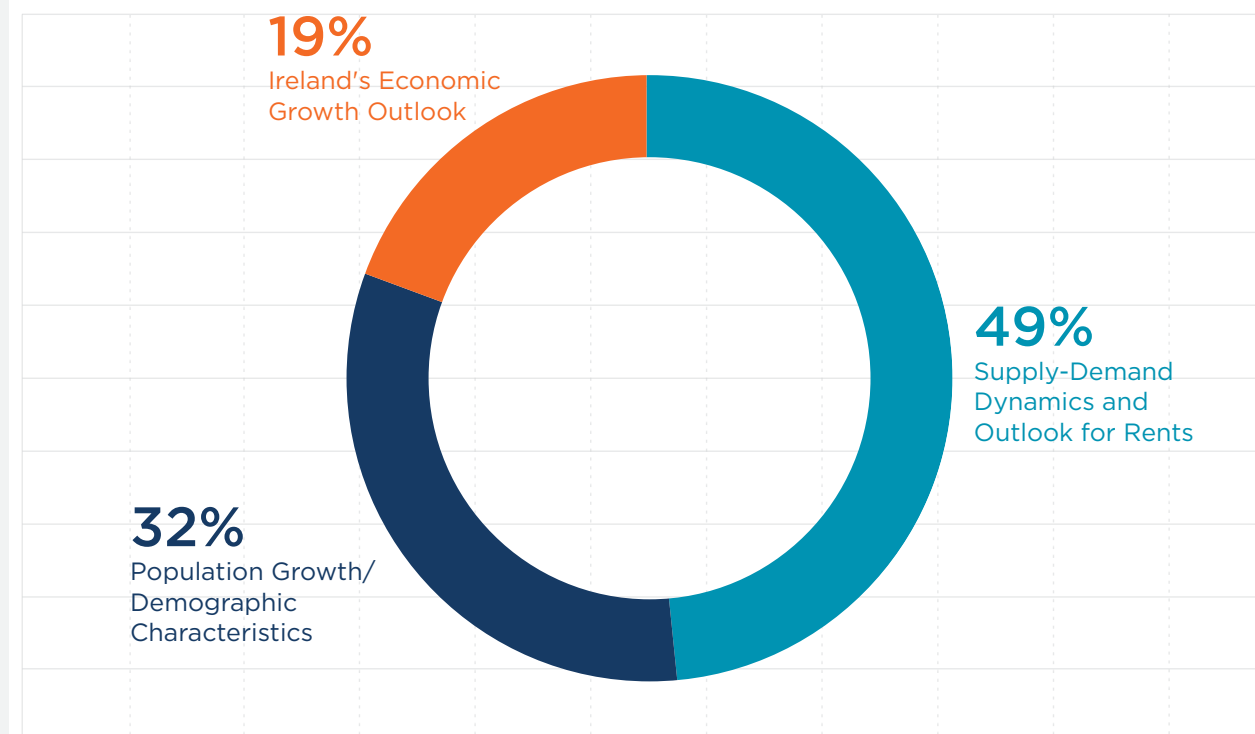


IT IS ALSO CLEAR FROM OUR SURVEY RESPONSES THAT IRELAND'S ECONOMIC GROWTH OUTLOOK AND THE TIGHT SUPPLY/DEMAND PICTURE IN OUR LIVING MARKETS REPRESENT FURTHER REASONS WHY INVESTORS ARE ATTRACTED TO THE IRISH MARKET AND WHY IT RANKS HIGHLY IN THE LIST OF PREFERRED DESTINATIONS FOR EMEA INVESTORS.

The Private Rented (PRS) and Purpose-Built Student Accommodation (PBSA) segments are the ones investors are most focused on although many also see potential around affordable and social housing.

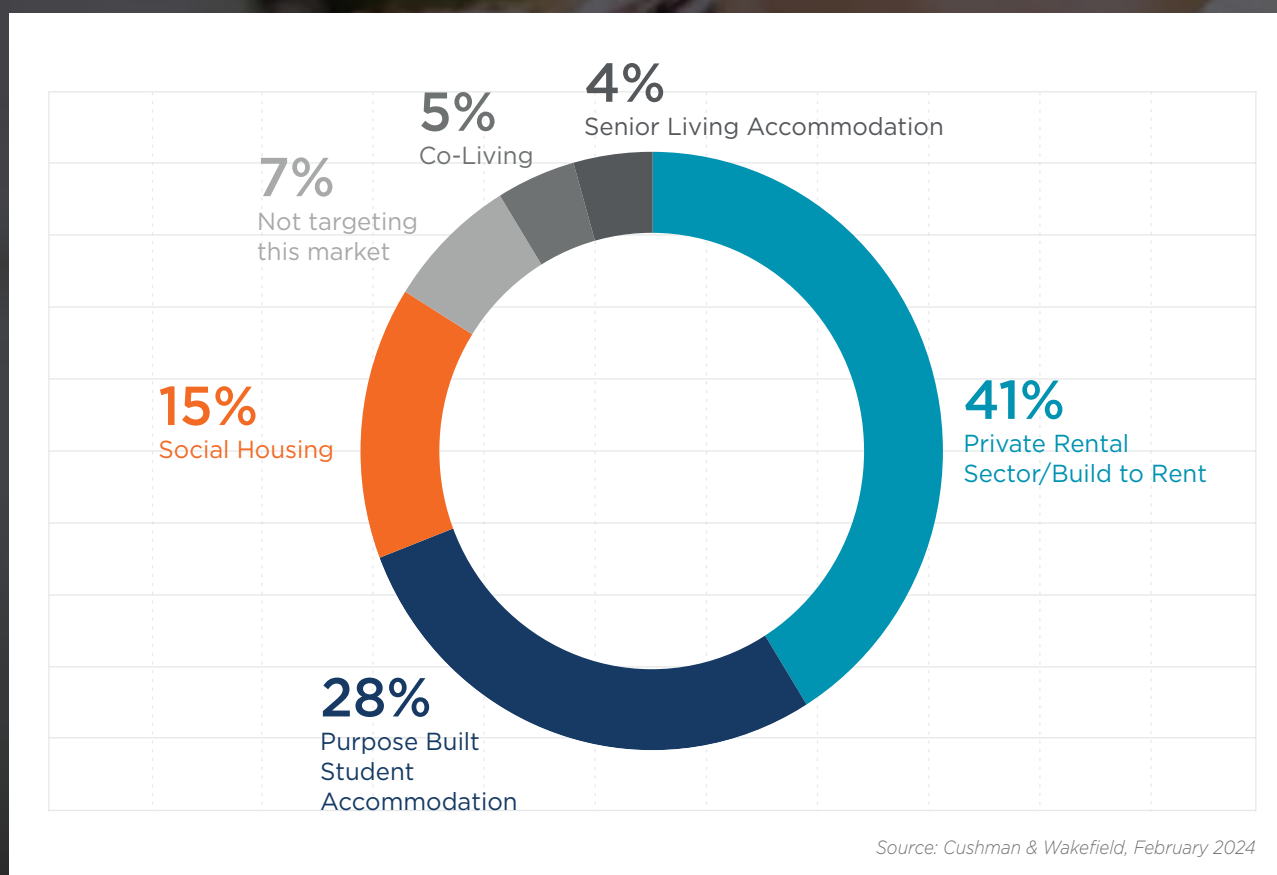
Furthermore, most investors polled are still investing almost exclusively in the Dublin market with only approximately 10% of respondents targeting living investment in the Cork, Galway or Limerick markets.

WHAT IS THE MAIN ATTRACTIVENESS OF THE IRISH MARKET TO YOU?



Source: Cushman & Wakefield, February 2024

WHICH SEGMENTS OF THE IRISH LIVING SECTOR ARE INVESTORS ACTIVELY TARGETING OVER THE NEXT 1-3 YEARS?



RENT CAPS AND POLITICAL INTERFERENCE SEEN AS MAJOR OBSTACLES TO FURTHER LIVING INVESTMENT IN IRELAND

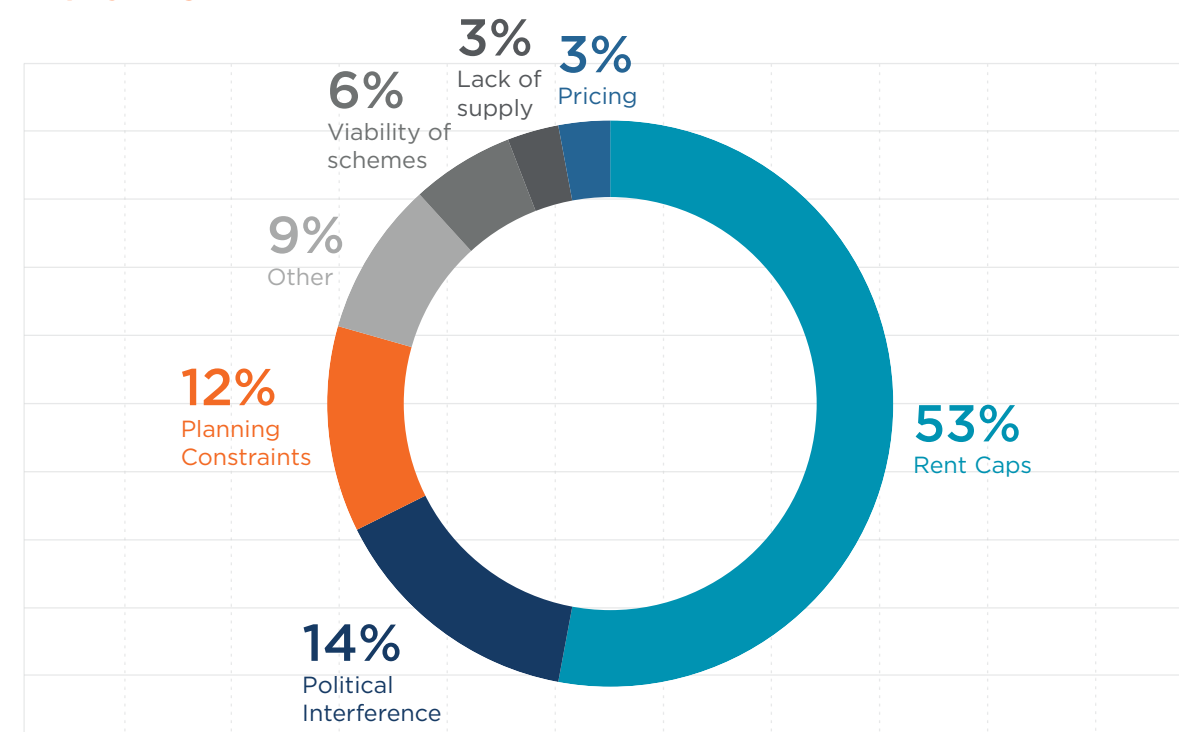
Recent years have seen several government policy initiatives aimed at both easing housing inflation and curbing investors' perceived influence in Ireland's housing markets. Two important ones revolved around the introduction of Rent Pressure Zones (RPZs) and a 10% stamp duty levied on purchases of ten or more residential homes. Rent pressure zone legislation was introduced in 2016 to effectively cap rental increases and was quickly adopted across most of the country while the 10% stamp duty on purchases of ten homes or more came into effect in 2021.

As we noted earlier while we acknowledge institutional investors' growing footprint in Ireland's living

markets, the view that such investors are purchasing large chunks of residential output each year in Ireland is a very one-sided observation which ignores the role these investors also play in delivering housing output into the Irish market.

In terms of challenges to investing in the Irish living sector, our survey results indicates that investors see rent caps as a big barrier at present, echoing similar research findings from the Residential Tenancies Board in particular. For example, when we asked investors what they say as the biggest barriers to investment in Ireland, rent caps were cited by over half of respondents with political interference and planning issues also referenced by investors.

WHAT DO YOU BELIEVE IS THE BIGGEST BARRIER TO YOU INVESTING IN IRELAND?



Source: Cushman & Wakefield, February 2024

RENT AFFORDABILITY SEEN AS A GROWING ISSUE FOR INVESTORS

RENT AFFORDABILITY IN IRELAND HAS UNDOUBTEDLY COME INTO MUCH SHARPER FOCUS AS AVERAGE RENT LEVELS HAVE INCREASED OVER THE PAST NUMBER OF YEARS.

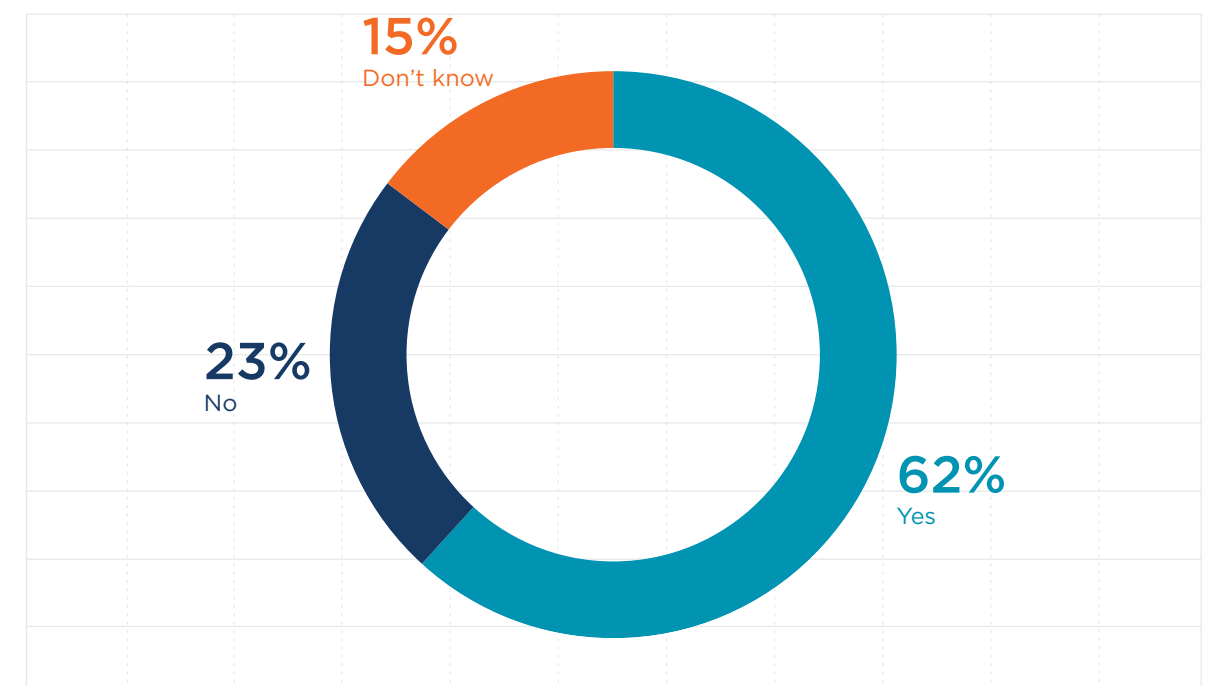
For example, the ESRI research shows that households in urban areas tend to pay higher shares of their income on rent. Furthermore, those households in higher income quintiles (thereby not qualifying for housing supports) also tend to pay out greater shares of their incomes on rents.

The nuanced findings on rent affordability from the ESRI tend to validate the views on this topic provided

as part of our survey. Overall, 62% of respondents to our survey answered that they felt rent affordability could become more of an issue over the medium term. Since most respondents are heavily exposed to the Dublin private rental market it may be that they are reflecting some of the ESRI findings around higher rent burdens among urban and higher income households.

Ultimately, we believe that increasing supply in the rental market is critical to easing inflation rates and improving affordability and this will require the right medium-term balance between matching supply, demand and regulation in our housing market.

DO YOU BELIEVE THAT RENT AFFORDABILITY IS LIKELY TO BECOME AN ISSUE IN THE IRISH MARKET?



Source: Cushman & Wakefield, February 2024



SUMMARY

SUMMARY

BASED ON THE HEADLINE FINDINGS FROM OUR INAUGURAL EMEA LIVING INVESTOR SURVEY, THE SIGNS LOOK PROMISING FOR THE IRISH LIVING MARKET. OVERALL, WE BELIEVE THAT INFLOWS INTO THE EMEA LIVING SECTOR COULD AVERAGE €70-85 BILLION PER ANNUM OVER THE NEXT FIVE YEARS WHICH WOULD CERTAINLY REPRESENT A POSITIVE BACKDROP FOR IRISH INVESTMENT.

Furthermore, positive demographics appear to be a factor highly valued by investors seeking to deploy capital into the living sector. Ireland therefore appears well positioned to benefit from increased private sector investment, especially when one considers its positive longer term economic outlook and relatively tight living supply/demand picture. All in all, then it's perhaps not surprising that Ireland ranked highly as a preferred location for investment within the EMEA region.



Short term challenges certainly exist in developing living assets across EMEA in the form of elevated construction and finance costs as well as increased regulation although we are optimistic that some of these headwinds will slacken in 2024. From an Irish perspective regulation and rent caps in particular appear to represent the most visible barrier to further international living investment, underpinning the importance of a balanced approach in this area if Ireland is to capitalise on the undoubted investor interest in the country.

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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more.

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