



# Financing the ramp-up in private housebuilding

Housing Agency Conference

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24 November 2022

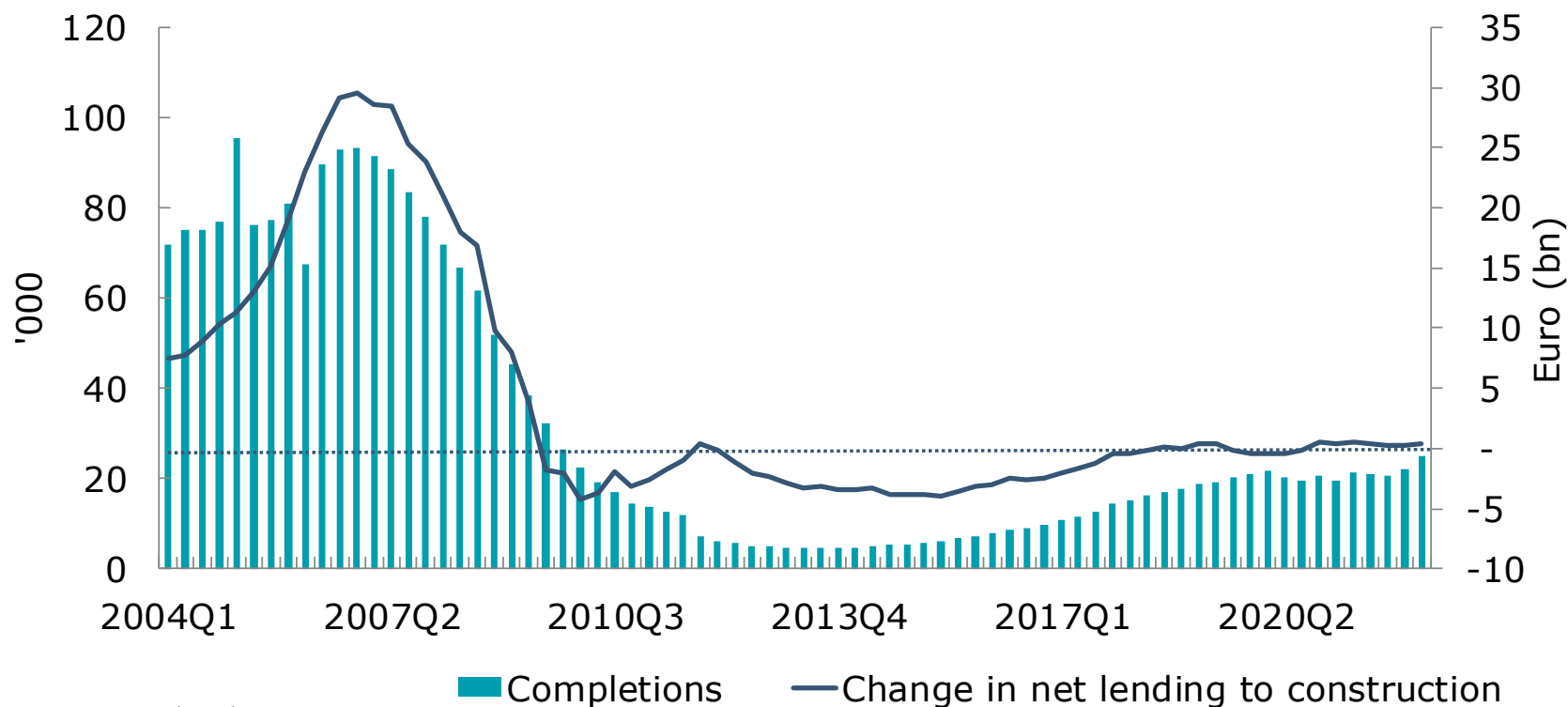
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# Outline

- Historical & future sources of finance
- The structure of Ireland's housebuilding industry
- The role of PRS and the impact of the changed interest environment

# Banks do not have the risk appetite to fully fund the needed increase in housing supply

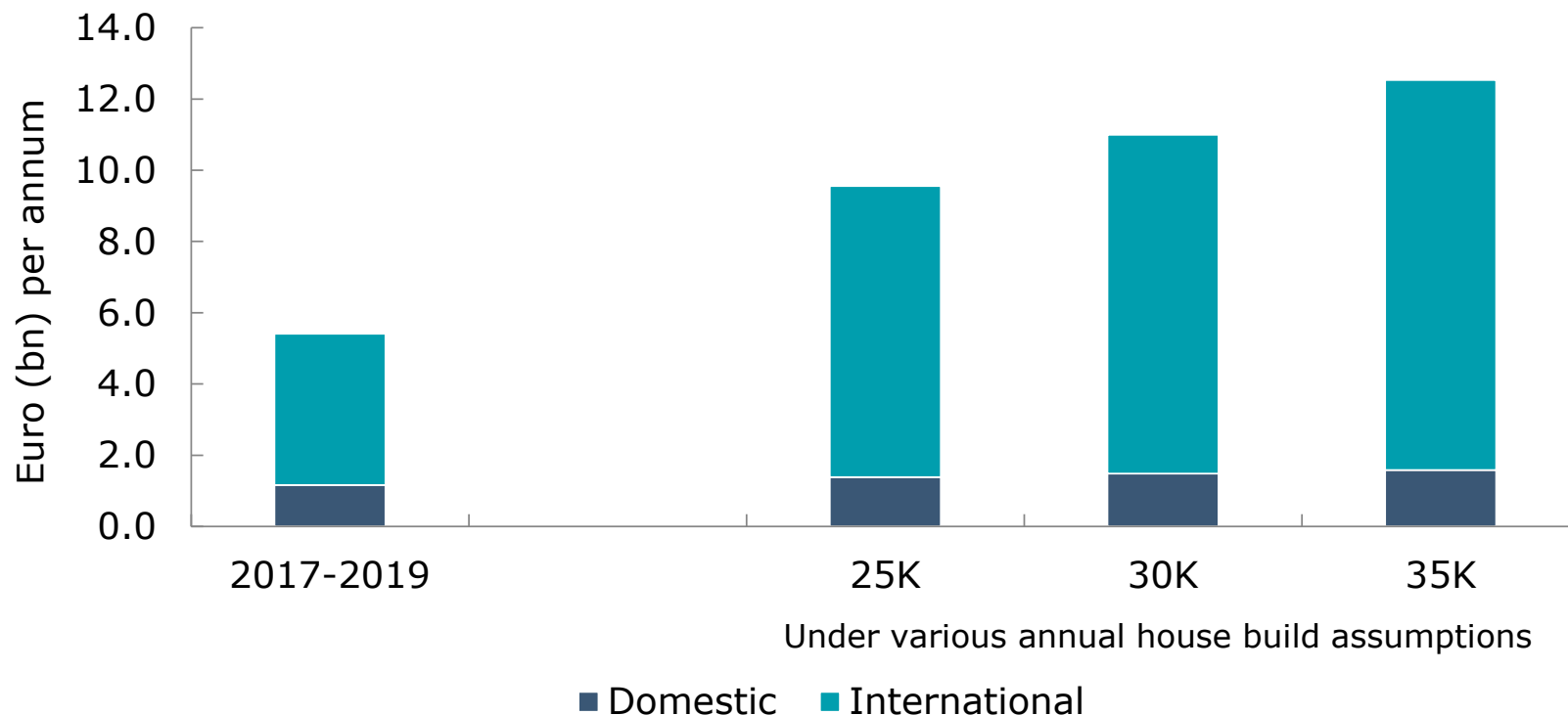
**Surge in supply in 2000s was funded by domestic banks**



Source: Central Bank, CSO, DoHELG

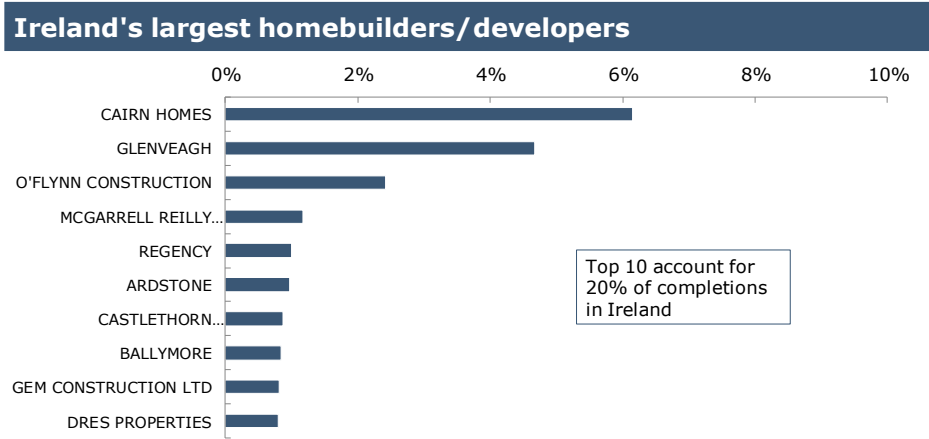
# Funding requirements for growth in housing supply

## Development finance for real estate by source



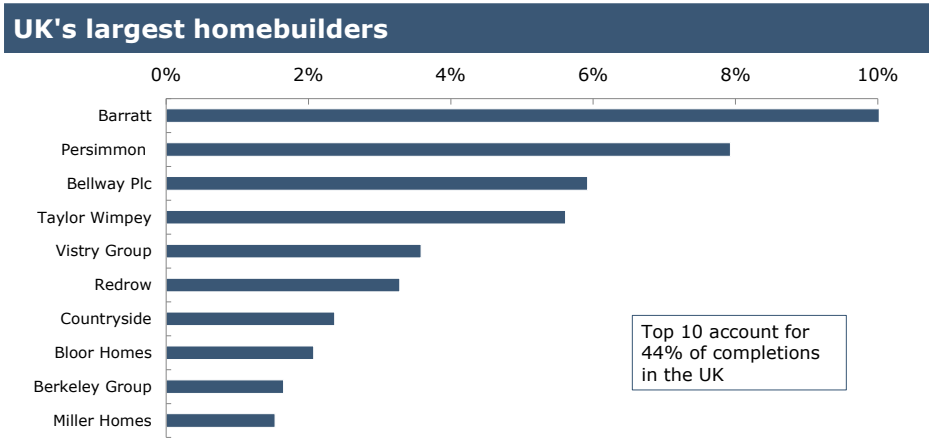
Source: IIP

# Lack of scale is a major issue in Irish market



Source: Goodbody Analytics, PPR

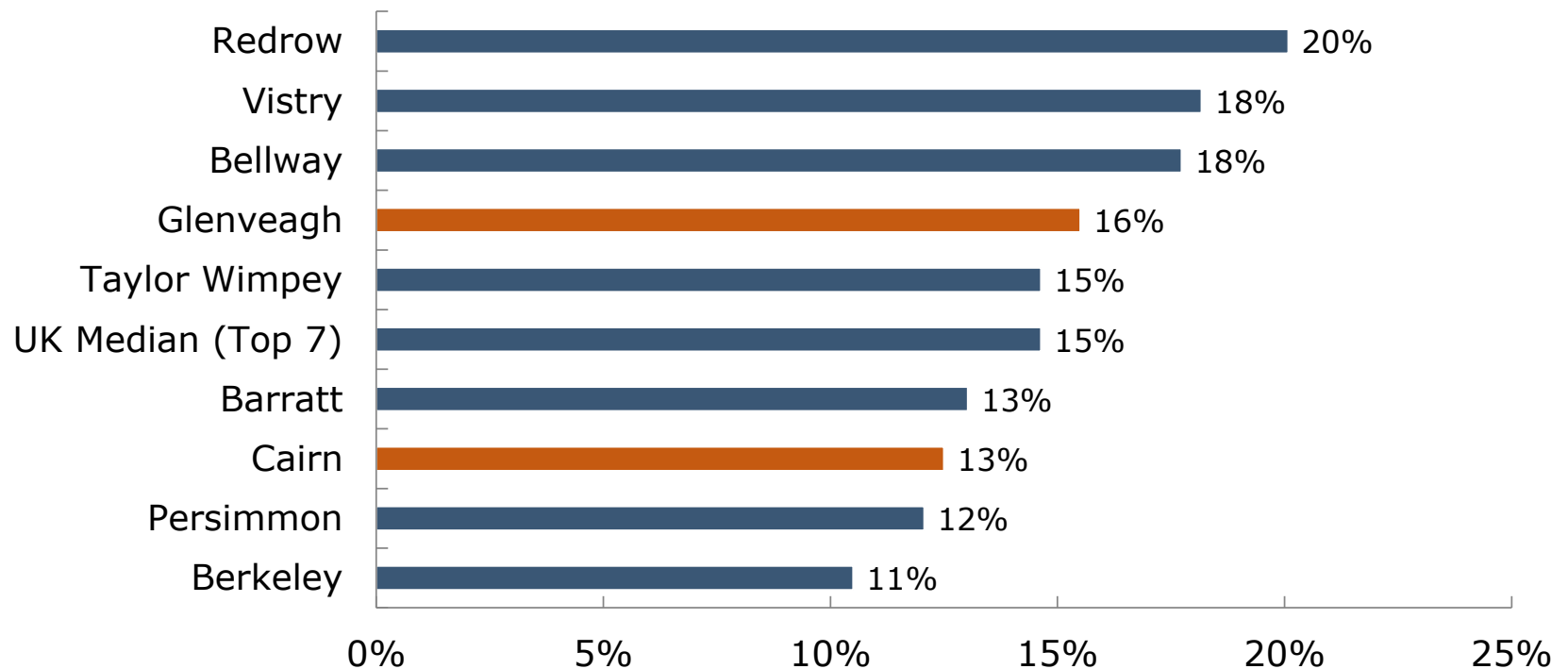
174 housebuilders completed between 10 & 99 homes in 2021



Source: Goodbody

# Land costs are not the major issue in viability of homebuilding in Ireland

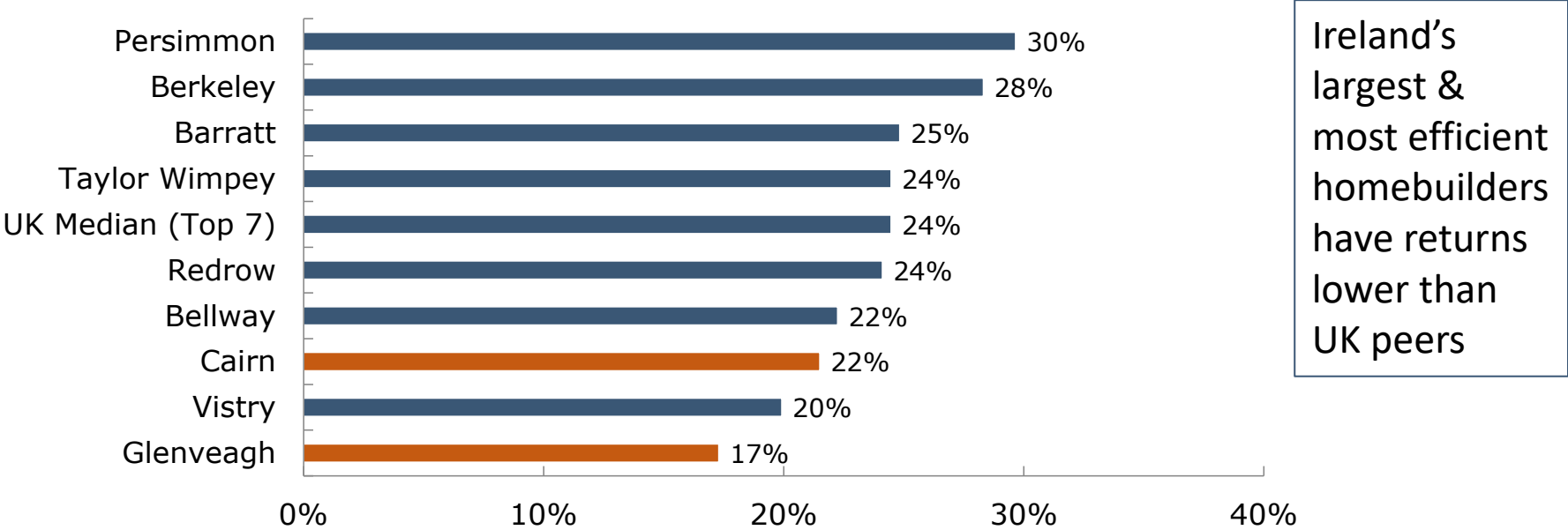
## Land as a % of Average Selling Price



Source: Goodbody, Factset

# Is homebuilding really that profitable in Ireland?

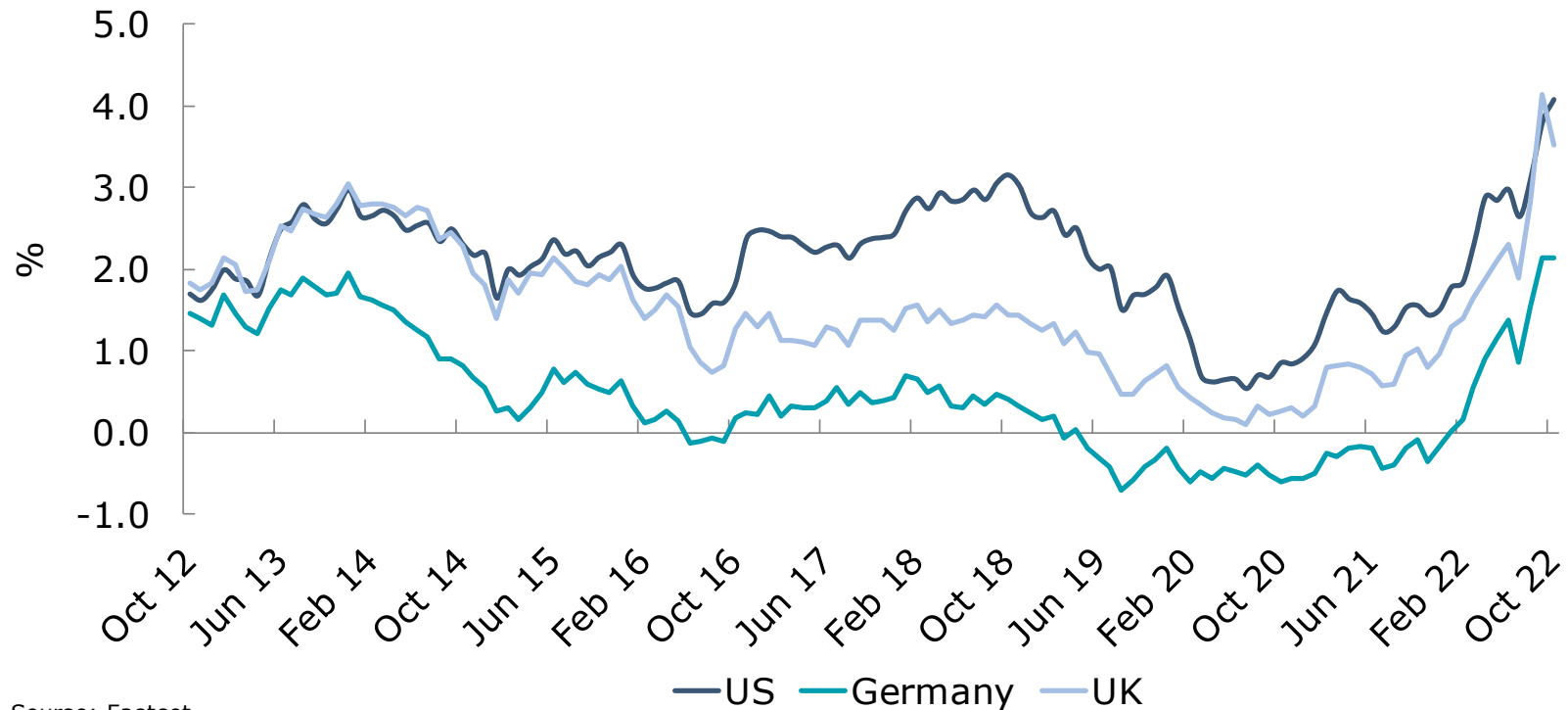
## Gross profit margins compared



Source: Goodbody, Factset

# The interest rate environment has changed significantly...

## 10-year government bond yields



Source: Factset



# ...threatening Build-to-Rent viability

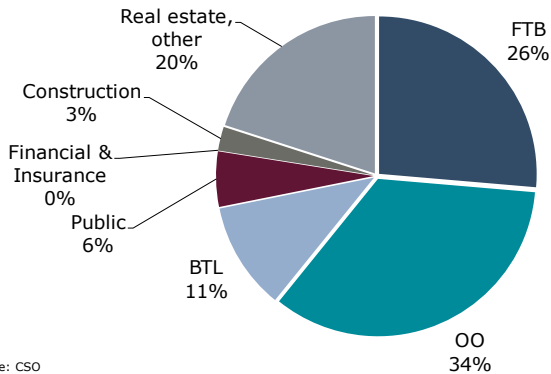
Capitalised rent at various monthly rents & yields							
Monthly rent	Net yield						
	3.70%	4.00%	4.25%	4.50%	4.75%	5.00%	
1,200	311,351	288,000	271,059	256,000	242,526	230,400	
1,400	363,243	336,000	316,235	298,667	282,947	268,800	
1,600	415,135	384,000	361,412	341,333	323,368	307,200	
1,800	467,027	432,000	406,588	384,000	363,789	345,600	
2,000	518,919	480,000	451,765	426,667	404,211	384,000	
2,200	570,811	528,000	496,941	469,333	444,632	422,400	
2,400	622,703	576,000	542,118	512,000	485,053	460,800	
2,600	674,595	624,000	587,294	554,667	525,474	499,200	
2,800	726,486	672,000	632,471	597,333	565,895	537,600	
3,000	778,378	720,000	677,647	640,000	606,316	576,000	

Source: Goodbody

Yields are moving out. Monthly rents need to be well over €2000 per month at current construction costs to make apartment building viable

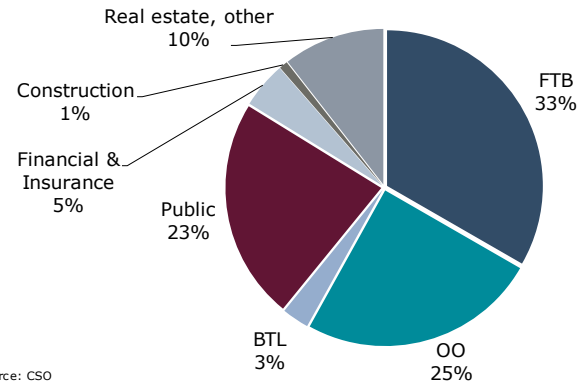
# Government to remain a big buyer of new homes

Purchasers of new homes 2015



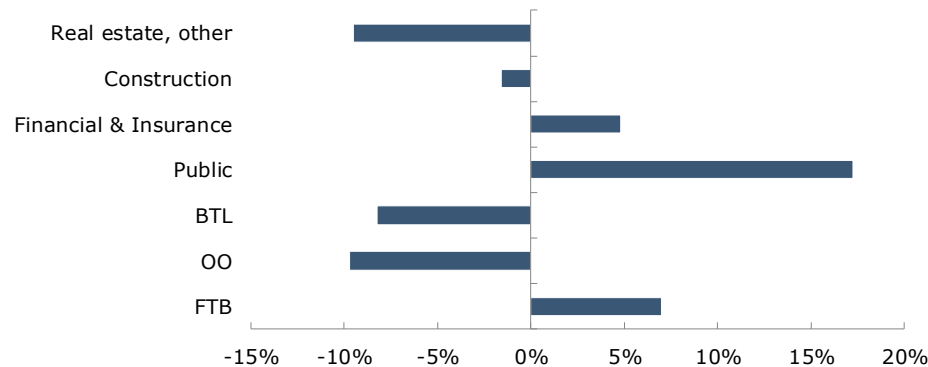
Source: CSO

Purchasers of new homes 2021



Source: CSO

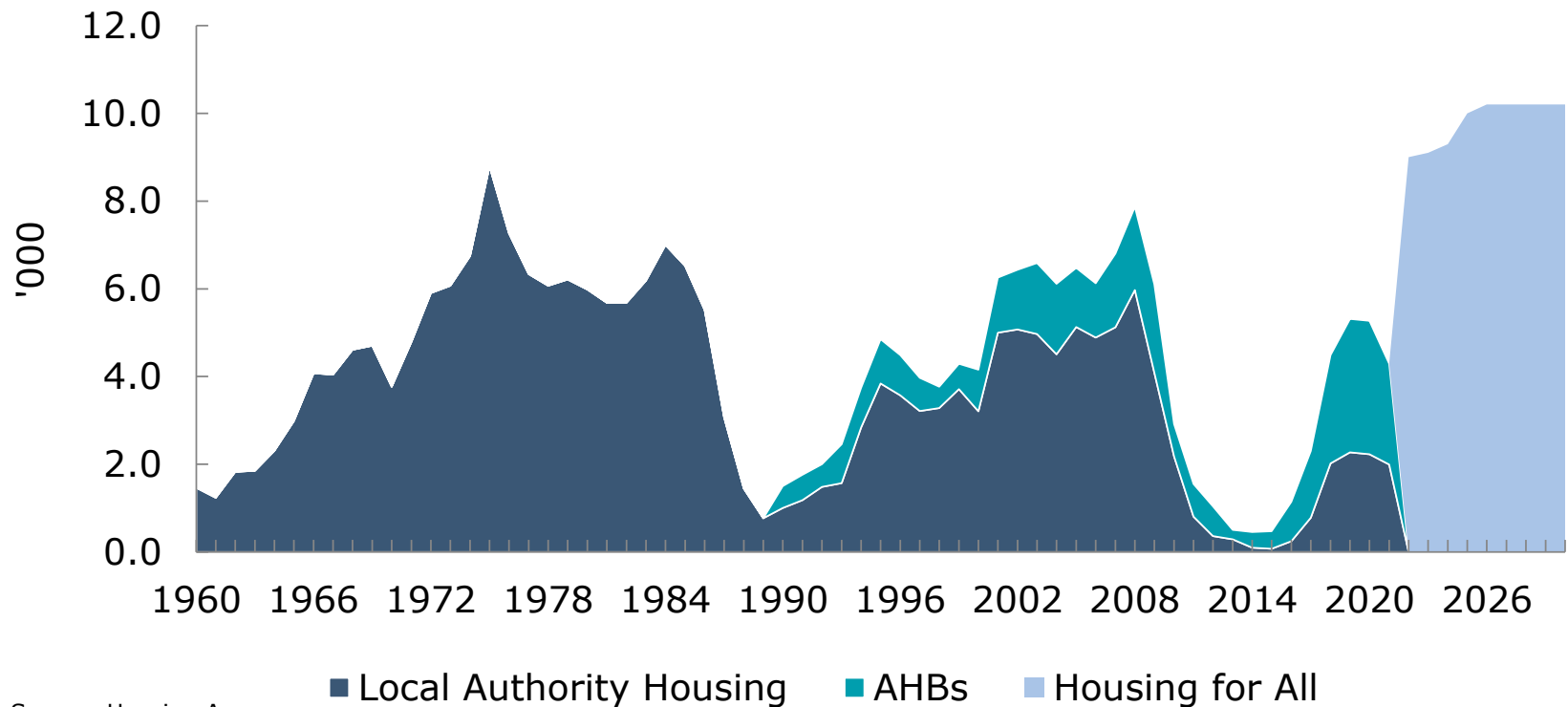
Change in share of new home purchases - 2021-v-2015



Source: CSO

# The shift to social

## Unprecedented increase in social building under Housing for All



Source: Housing Agency

# Leveraging public funding to achieve additional housing supply

- State will be forced to take on a larger role in funding developments that will potentially be mothballed
- Removing risks (planning, services, demand) improves the funding possibilities for housebuilders
- State should not be in competition for housing output with the private sector; it should complement it
- Multi-year commitments for new output between the State (AHBs, LDA, Local Authorities) can reduce risks and improve funding possibilities for further private output

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