CBRE

# Justification for Proposed Build-to-Rent Development & Amenity Areas at St. Vincent's Hospital Fairview

St Vincent Hospital Fairview (SVHF) Development Site, Dublin 3 | Justification Report

Prepared by CBRE Research Ireland on behalf of St. Vincent's Hospital

2022

# Contents



# The Proposed Development

- The proposed development is a situated at an 8.79-hectare site at St. Vincent's Hospital, Richmond Road and Convent Avenue, Fairview, Dublin 3, on the fringe of Dublin's north inner city.
- The site is bound by the Grace Park Wood residential development to the northwest, Griffith Court and the 'Fairview Community Unit' nursing home to the north, the An Post postal depot on Lomond Avenue and residential properties on Inverness Road to the east, existing residential and commercial properties on Richmond Road and Convent Avenue to the south and Charthouse Business Centre, Dublin Port Stadium / Stella Maris FC and Ierne Sports and Social Club to the west of the site.
- The site is located approximately 3km north of Dublin City Centre and approximately 1km from both the Clontarf and Drumcondra DART Train Stations respectively. The site is also located close to a number of busy bus routes, including the proposed 'Dublin Bus Connects' 'A Spine' which lies to the west (650m).
- The proposed development comprises nine residential blocks (Blocks A, B, C, D-E, F, G, H, J and L) providing a total of 811 residential units, including 494 standard designed apartments (in Blocks A, B, C, G, H, J and L) and 317 Build-to-Rent apartments (in Blocks D-E and F). Residential amenities and facilities for the residential units are proposed in Block C, D & E and K. A retail unit is proposed in Block A. Block J is proposed as an extension of the existing hospital building (protected structure referred to as Block K).

# The Project Brief

- At the invitation of St. Vincent's Hospital, CBRE Ireland have carried out a research consulting report in respect of a proposed large-scale build-to-rent (BTR) residential development at the subject site.
- In preparing this report, CBRE have had regard to the current supply and demand variables prevailing in the residential property market, in the immediate vicinity of the site and in the wider Dublin market.
- In addition to commenting on the both wider economic and demographic backdrop, CBRE have provided general commentary on the evolution of the Build-to-Rent model in the Irish market and its suitability for the Dublin market.
- This report also responds to Section 5.11 of the '*Apartment Guidelines 2020*' which states *"the provision of specific build-to-rent amenities to renters will vary and the developer will be required to provide an evidence basis that the proposed facilities are appropriate to the intended rental market".*
- The information contained herein has been obtained from sources believed reliable. While we do not doubt their accuracy, we have not verified them and make no guarantee, warranty, or representation about them. Our report has been prepared on behalf of St Vincent's Hospital and its contents cannot be reproduced without their prior approval.

# Economic & Residential Market Context

## Economic & Demographic Overview

- Ireland has been one of the fastest growing economies in Europe over the last cycle with consistent and significant GDP and domestic demand growth year-on year. Irish economic performance has been particularly resilient during the challenges associated with the Covid-19 pandemic and during the high inflationary period of 2022.
- Ireland has evolved into Europe's most exciting growth area for high value employment, particularly in the dynamic technology sector. The activities of multinational corporations in professional sectors have been a fundamental driver of growth, and Dublin has been the prime beneficiary of inward investment.
- The city has seen significant employment growth, particularly in the technology, finance, and professional services sectors, and indeed it serves as the European headquarters for many of the world's leading companies in these sectors.
- Dublin's population is rapidly growing - Co. Dublin has a population of 1.45 million according to the Irish Population Census 2022, with 7.7% population growth since 2016. The Greater Dublin Area has a population of just under 2.1 million as of 2022, reflecting significant urban sprawl due to constrained housing supply in the city.

## Residential Market Overview

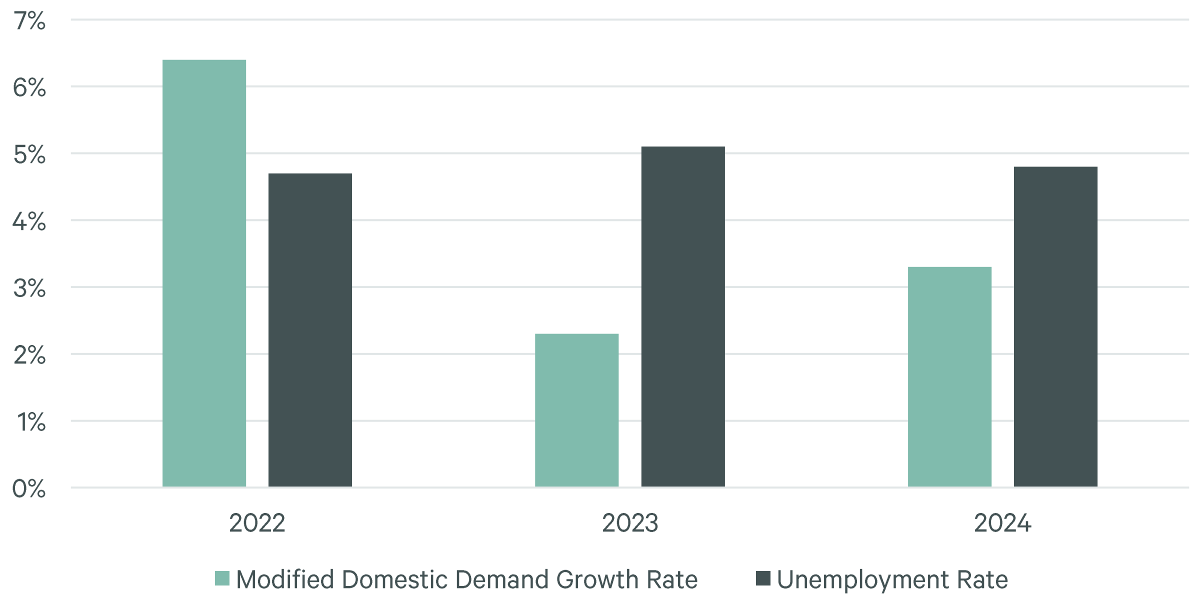
- The Irish housing market is fundamentally undersupplied at present, and a state of disequilibrium has persisted between supply and demand since the mid-part of the last decade.
- Over the last ten years, new dwelling completions nationally have fallen well below the required rate. The consensus from economists and the Irish Central Bank is that between 34,000 and 50,000 new dwelling completions are required per annum in order to meet the requisite current and future demand.
- As such, there is a cumulative undersupply of housing stock across all tenures and regions and despite significant resources being allocated to stimulate the level of supply of new homes in Ireland, new dwelling completions continue to fall below the required rate. This is unlikely to be resolved in the foreseeable future.
- The undersupply of rental stock in Dublin is particularly acute, and we have seen quoting rents for residential units in Dublin city rise significantly for over recent years.
- In cities with a large and growing professional employment market, professional modern rental stock is vital and highly sought after, this is the case in Dublin where there is a dearth of professionally managed rental product.
- Ireland has seen a significant increase in institutional investment into the residential market since 2018 with most of this capital focused on Dublin. The capital deployed by such investors is presently the main source of new rental supply.
- Considering these dynamics, development, investment and or funding of residential product in the Dublin area, particularly in the rental sector, is highly sought after.

# Economics & Demographics

## Economic Overview

### Figure 1: Ireland Economic Forecasts 2022-2024




Source: Central Bank of Ireland

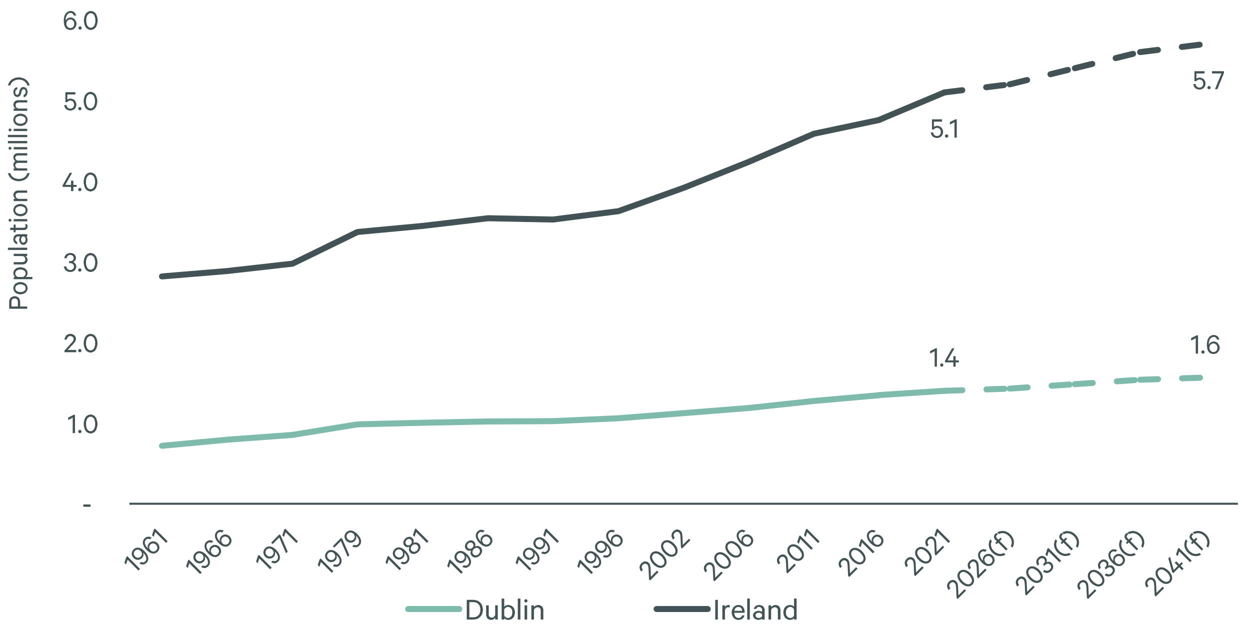
- **Ireland Economy:** Ireland has exhibited the fastest economic growth in Europe over the last decade. And proved particularly robust during the Covid-19 pandemic. Ireland is forecast to be one of Europe's only economies with performance above the long-term average in 2022, despite the ongoing inflationary pressures on global markets.
- The Irish economy expanded on a headline GDP basis by +5.9% in 2020 and +13.5% in 2021. Growth of +6.0% is forecast for Irish domestic demand in 2022 and Ireland is set to continue its outperformance of the broader Eurozone in the coming years.
- This economic growth has been driven by rapid expansion of the multinational sector in Ireland as well as the strong performance of Irish exports. The country has seen significant employment growth over the last ten years, particularly in the technology, finance, and professional services sectors. Indeed, the country serves as the European headquarters for many of the world's leading companies in these sectors.
- More than 36% of Irish economic output emanates from 'Industry' (primarily pharmaceutical manufacturing and exports) and 14% comprises 'Information, Communications and Technology' (ICT) activity.
- **Dublin Economy:** County Dublin alone had a 40.4% share of national GDP as of 2019, this share has remained virtually constant over the last decade – reflecting Dublin's primacy and continued rapid growth alongside the broader national economy
- Technology, professional services, and financial services are responsible for a large share of Dublin's overall contribution to economic output. This reflects Dublin's comparative advantage in skilled, high value-add services sectors.

- The presence of several major universities in Dublin contributes to a growing pipeline of highly educated graduates and has resulted in a large, capable, and technically competent young workforce for the city. This labour pool represents one of Dublin's distinct advantages in attracting multinational employers operating in knowledge-intensive sectors.

## Demographics and Net Migration

- The provisional Census results for 2022 showed the Irish population now stands at 5.1 million, having increased by +7.6% since 2016.
- 'Project Ireland 2040' (a national Government development strategy) shows that Ireland is predicted to grow to a population of 5.7 million by 2040/41, an 11% increase from 2022.
- The population of Dublin County is approximately 1.45 million per the 2022 census, with 7.7% population growth since 2016. This population growth is driven both by significant inward migration and by natural increase as Irish birth rates remain among the highest in the European Union.
- 'Project Ireland 2040' is forecasting that Dublin could reach a populous of 1.6 million people over the next 20 years.

**Figure 2: Ireland Population Growth Forecasts**




Source: CSO

- Net migration into Ireland has been positive over recent years and an analysis of the educational attainment of migrants into Ireland from 2014 onwards shows that the vast majority of those coming to Ireland have a third level qualification and as such are often working in professional employment in cities.
- Another interesting trend that in-turn is fuelling demand for housing is the age profile of migrants, with the traditional household formation age of 25-44 years accounting for the largest proportion of net migration into Ireland each year since 2015 Ireland already has the highest proportion of 25 44-year-olds in the EU, according to the most recent Census of Population, with net migration patterns over recent years.

# Irish Employment Overview

- The employment market in Ireland remains healthy. The nominal employment level in Ireland reached an all-time high of 2.55 million people in Q2 2022, this included 774,000 in employment in Dublin, also an all-time high. The unemployment rate in Ireland at the end of August 2022 was 4.3%, with the Irish economy essentially operating at close to full employment.

## Figure 3: Ireland Technology Employers

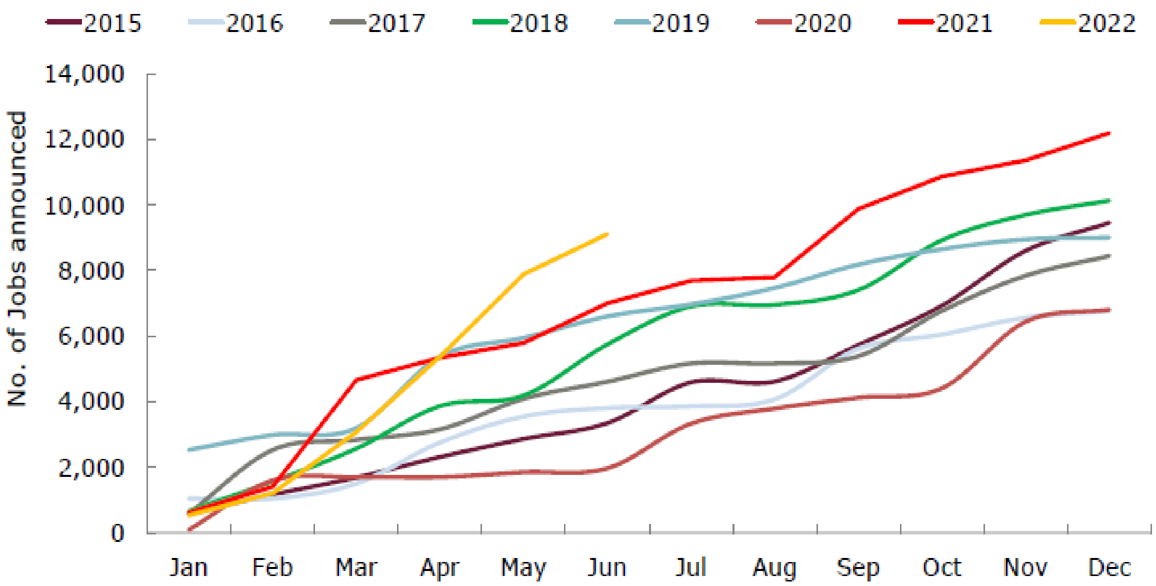
| Technology Company | Primary Location | No. Employees |
|---|---|---|
| Alphabet | Dublin 2 | 8,000+ |
| Apple | Cork | 6,000+ |
| Meta | Dublin 4 | 5,000+ |
| Intel | Co. Kildare | 4,900+ |
| Huawei | Dublin/Cork/Athlone | 3100 |
| IBM | Dublin West Suburbs | 3,000+ |
| Dell | Co. Cork/Dublin South Suburbs | 2,500+ |
| Amazon | Dublin 2 | 2,500+ |
| PayPal | Dublin West Suburbs | 2,500+ |
| Microsoft | Dublin South Suburbs | 2,000+ |
| MasterCard | Dublin South Suburbs | 1,500 |
| Salesforce | Dublin 1 | 1,400+ |
| Oracle | Dublin 3 | 1,400 |
| Workday | Dublin 7 | 1,300 |
| LinkedIn | Dublin 2 | 1,200+ |
| Byte Dance (Tik Tok) | Dublin | 1,100 |

Source: CBRE Research

- Employment growth remains driven by strong foreign direct investment (FDI) inflows, particularly in the technology sector – with firms such as TikTok, Workday and Citigroup creating thousands of jobs in Dublin in 2022 alone.
- The world's largest technology occupiers have long established a significant presence in Dublin and employ thousands of people in both the city centre and the suburbs. Google, Facebook, Salesforce, LinkedIn, Amazon, and Microsoft, have all leased, acquired or developed large office facilities in Dublin over recent years.
- CBRE research suggests that the top-ten technology companies in Dublin occupy 480,000 sq. m of office space in the capital. Using a metric of 10.2 sq. m per employee, this implies the top ten occupiers could employ almost 47,000 tech workers. These "tech" workers are often transient and emanate from overseas, and this demographic is a significant driver of the rental demand.
- Other sectors experiencing significant job creation in 2022 due to FDI include financial services and pharmaceuticals, with firms such as Citibank, Janssen and Gilead Sciences each creating several hundred jobs in Q2 2022.

- Overall FDI job creation numbers are incredibly strong. In 2021, the Industrial Development Agency (IDA) announced record job creation levels for Ireland. Over 29,000 new roles were created. This momentum continued into 2022 and H1 was a record opening half year for FDI related job creation in Ireland.

## Figure 4: Ireland FDI Related Job Creation (Rolling)




Source: IDA Ireland

# Dublin 3

- The subject site at St. Vincent's Hospital is approximately a 15-minute cycle from Dublin city centre. Dublin City Council (DCC) have invested heavily in the implementation of cycle lane facilities in the vicinity of the site in recent years. As outlined in DCC's current policy objectives, the council aim to *'increase the mode share associated with cycling to reach a minimum target of 25%'*. The sites proximity to the city centre is a major driver of rental demand. Notably the subject site is closer and better connected by rail and bus than all the competing (existing) schemes outlined in Figure 8.

- The subject site also sits within walking distance to a range of high-quality transport links into the city centre and to the rest of Dublin. Notably the site is equidistant from two DART stations (city commuter rail), both Drumcondra and Clontarf Road. These are vital transport nodes that help to drive significant rental demand.

- The site also sits within walking distance to several busy bus corridors. Unlike other major European cities, buses are actually the primary form of public transport used in Dublin city.

- The subject site is within 8-minute walking distance of the Drumcondra Road 'Quality Bus Corridor', the location of the proposed 'Dublin Bus Connects' 'A Spine', which lies to the west (650m), via a proposed connection through Grace Park Wood to the northwest. The proposed Bus Connects 'A Spine' indicates a frequency of between 3-4 minutes between buses during peak hours. It is 750m walking distance to the bus stops on Drumcondra Road via Richmond Road. The bus stops on Drumcondra Road Lower include the following bus routes (peak frequencies in brackets): No's. 1 (every 10 mins), 11 (every 15 mins), 13 (every 10 mins), 16 (every 10-12 mins), 41 (every 20 mins) and 44 (every 60 mins).

- The site is also within c. 6 minutes walking distance to the Fairview Strand bus stop to the east (550m) via the main entrance from Richmond Road and c. 3 minutes walking distance to the bus stops on Phillipsburgh Avenue (275m) via the proposed connection through Lomond Avenue to the east. The bus stops at Fairview Strand and Phillipsburgh Avenue are served by Bus Route No. 123 (every 12 mins). 15-minute cycle into the city centre. Please reflect this in 'Dublin 3' section.

- Notably, aside from the Dublin city employment market, the site sits close to a number of other large employment hubs in the north city and county. These include some of the country's largest third level institutions, such as Dublin City University (student body of 17,000), and also large public and private hospitals including both Beaumont Hospital and the Mater Hospital.

- Irelands' primary international airport is 7.5km from the site. The airport facilitates upwards of 30 million international passengers through it on an annual basis.

- While the majority of renters at the proposed schemes would likely be travelling to the city centre for employment, many employees of these institutions would view the subject site as an attractive rental location.

## Figure 5: Notable Employment Hubs

| Notable Employment Locations | Distance to Subject Site (Approx. Km) |
|---|---|
| Dublin City Centre | 3 |
| St Vincent's Hospital | 0.2 |
| All Hallows College | 0.7 |
| Drumcondra | 0.75 |
| Croke Park | 1.0 |
| St. Patrick's College | 1.0 |
| Eastpoint Business Park | 1.9 |
| Mater Hospital | 2.4 |
| IFSC/North Docks | 2.5 |
| Dublin City University | 3.5 |
| Technological University Dublin | 3.5 |
| The Four Courts | 3.7 |
| Beaumont Hospital | 5.6 |
| Dublin Airport | 7.5 |

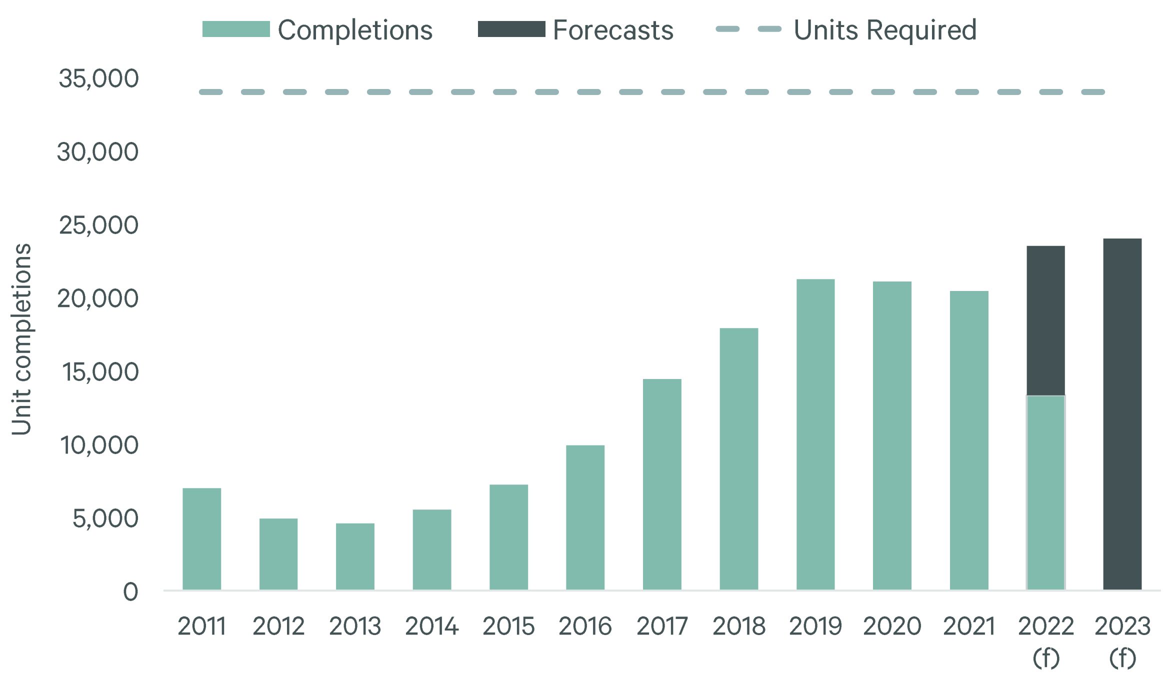
Source: CBRE Research

# Residential Supply

## Irish Residential Supply

- The Irish and Dublin housing market is fundamentally undersupplied at present, and a state of disequilibrium has persisted between supply and demand since the mid-part of the last decade. Over the last ten years new dwelling completions nationally have fallen well below the required rate. The consensus from economists and the Irish Central Bank is that between 34,000 and 50,000 new units are required per annum in Ireland to meet the requisite demand.
- Approximately 50% of these new units are required in Dublin and the surrounding counties i.e., the Greater Dublin Area. We have outlined the number of units delivered per annum in Ireland in Figure 6 below. As the graph shows, there has been a cumulative undersupply of housing stock to the market over the last ten years. We estimate this shortfall to be approximately 150,000 housing units. This will take several years to reverse.
- Supply of new units has picked up in 2022. Data to the end of the first half of the year shows that a total of 13,320 new dwelling completions were delivered in Ireland, with 7,567 of these completions in Dublin and the Greater Dublin Area. However, despite the emphasis placed by Government on stimulating new development, alongside the increased interest of investors and financiers in the market, forecasts suggest that the number of new units delivered to the market in 2023 and 2024 will again fall short of the number of units required.
- For 2022, we expect between 23,000-24,000 units to be delivered to the Irish market, with a slight uplift in 2023 to 24,000-25,000 deliveries. Given that construction costs remain elevated and yields and pricing are now under some pressure, the delivery of units by the private sector will face more challenges over the coming years. This in-turn could place more pressure on housing delivery.

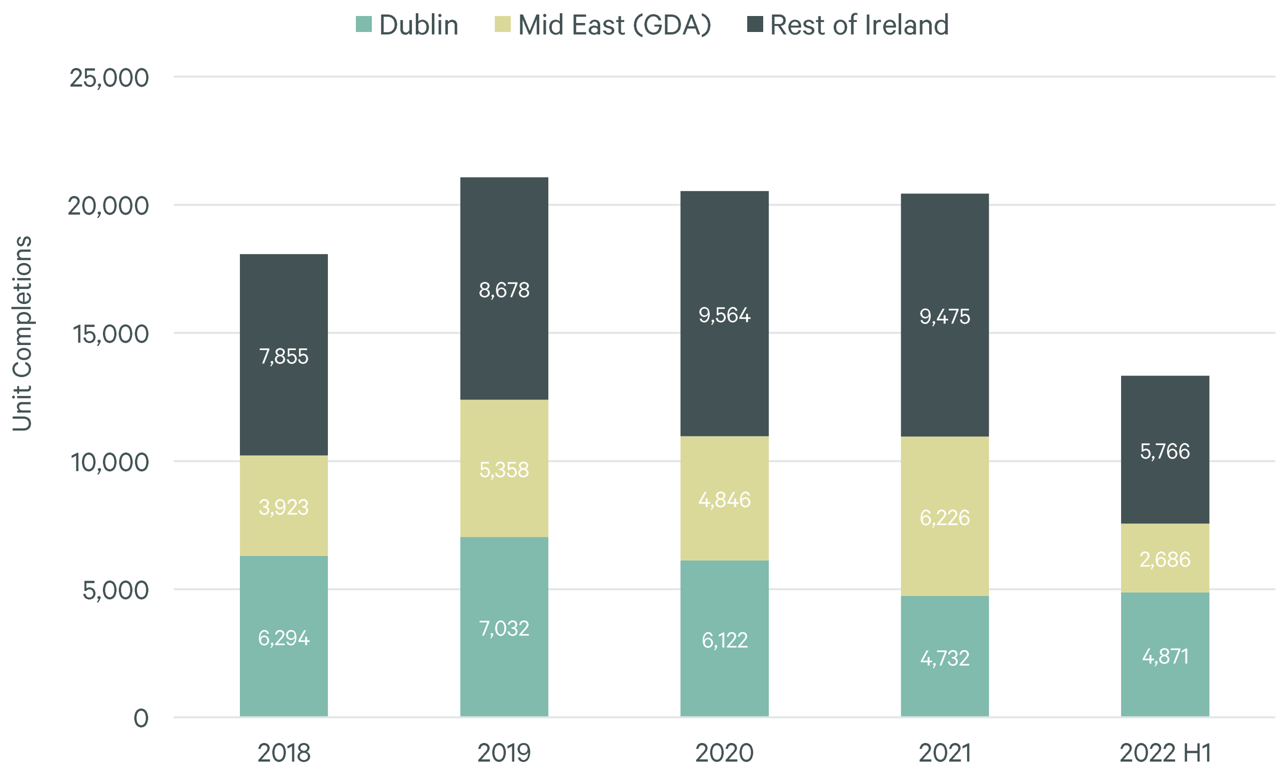
### Figure 6: Ireland New Dwelling Completions vs Required Rate




Source: CSO/CBRE Research

- Alongside these new pressures on housing delivery, the market has faced several other structural issues that have stymied residential supply over the last ten years. These include development challenges such as an undersupplied construction labour market along with a fragmented contractor and developer pool, which has a limited number of developers and contractors who can deliver housing projects at scale.
- Also, the planning process remains a challenge in Ireland, with appeals and judicial reviews holding up processes for lengthy time periods. Albeit the Irish Government has implemented policies such as the 'Large-Scale Residential Development Act'. This applies to developments of 100+ units and helps to streamline planning by allowing appeals only to An Board Planála (the Irish national planning organisation) rather than to the local council.

## Figure 7: Ireland New Dwelling Completions by Region




Source: CSO

# Competing Supply

- There is a limited supply of institutionally owned rental stock in the vicinity of the subject site. Given that the site sits on the fringes of the city centre, there are competing schemes that we have identified in Dublin 1, 3, and 5. We have listed the main competing existing schemes below. Notably none of these particular schemes were initially designated as build-to-rent and instead were designed under building standards designated for the general market.

**Figure 8: Competing (Existing) BTR/PRS Developments**

| Development | Postcode | Units | Landlord | Comment |
|---|---|---|---|---|
| Griffith Wood, Griffith Avenue | Dublin 3 | 388 | Greystar | Newly delivered, high specification |
| Ashbrook, Clontarf | Dublin 3 | 152 | IRES REIT | A mixed development of older stock and some under construction units that will be delivered in 2022 and 2023 |
| Richmond Gardens, Richmond Avenue | Dublin 3 | 98 | IRES REIT | Older stock, immediately adjacent to the subject site |
| Brookwood Court, Killester | Dublin 5 | 90 | DWS | Newly delivered, high specification |
| Verville, Clontarf | Dublin 3 | 73 | DWS | Newly delivered, high specification |
| Strand View, Raheny | Dublin 5 | 68 | DWS | Newly delivered, high specification |

Source: CBRE Research

- The main existing competition to the subject site is Griffith Wood on Griffith Avenue, Dublin 3. While Griffith Wood is owned and operated by Greystar it was not originally designed and designated as a Build-to-Rent scheme. The development has been a massive success, both in terms of the leasing velocity and the rent levels achieved.
- Like most rental product in Dublin at present, this development is heavily oversubscribed, with a significant waiting list of prospective tenants. New supply in the vicinity is desperately required and the rental market would easily absorb the proposed units at the subject site location.

**Figure 9: Competing Future BTR Developments**

| Development | Planning Status | Delivery Date | Units | Developer | Comment |
|---|---|---|---|---|---|
| Holy Cross, Conliffe Avenue, Dublin 3 | Planning Refused | 2025/2026 | 1,614 | Hines | Purpose built BtR development in Drumcondra; Planning refused following judicial review |
| Connolly Quarter, Dublin 1 | Planning Granted | 2026/2027 | 740 | Ballymore | Mixed use development of office, retail and BtR stock close to the city centre |
| Richmond Road SHD, Dublin 3 | Pending Decision from ABP (Ref 312352-231) | 2025 | 183 | Birkey Limited | Purpose built BtR stock immediately adjacent to the subject site |

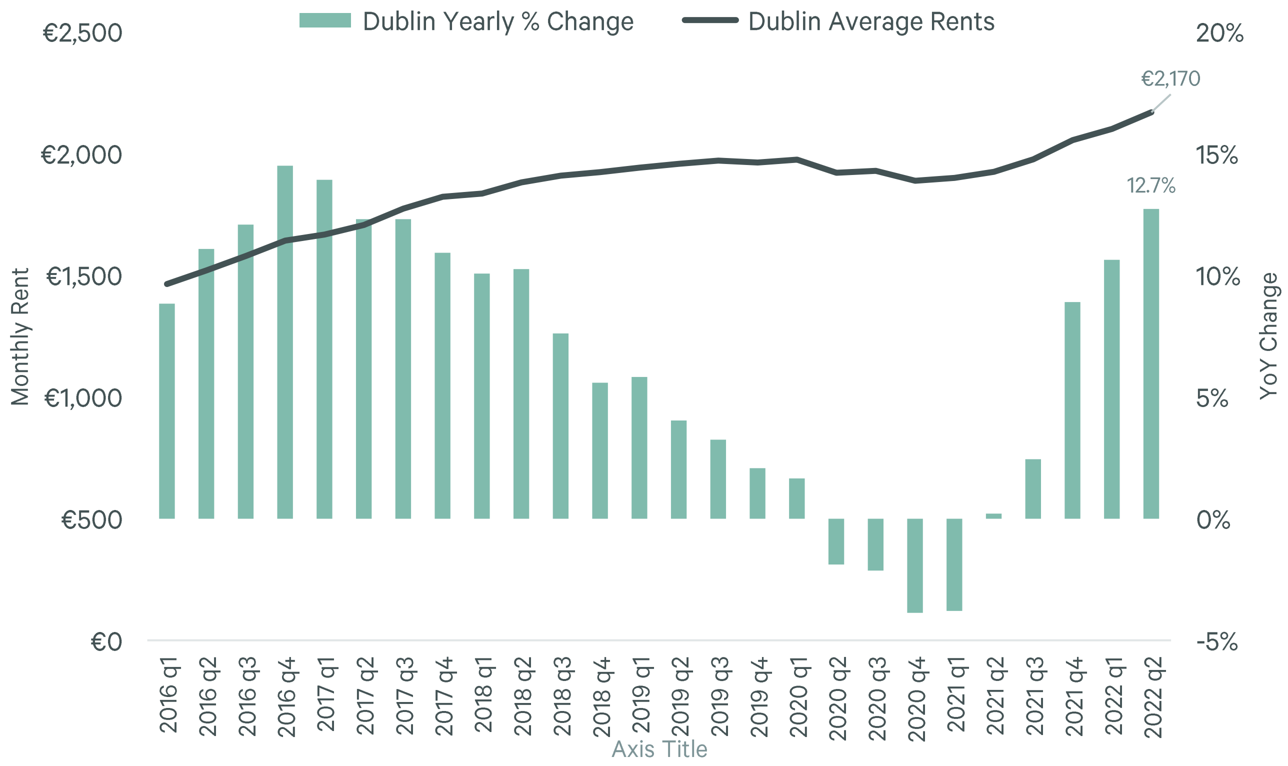
Source: CBRE Research

- The location of the proposed development at St. Vincent's is hugely attractive from a rental perspective due to its proximity to the city, nearby employment hubs and educational/medical facilities. As such, despite the large, proposed developments at nearby locations such as Holy Cross on Clonliffe Road and at Connolly Station, Dublin 1, the subject site will remain an incredibly attractive location for renters.

## Rent Pricing

- The Dublin rental market has been significantly impacted by the undersupply of residential property. Daft.ie quoting rents in Dublin have risen by almost 50% since 2016. This is despite the 'Rent Pressure Zone' restrictions that limited annual rent increases to 4% per annum (we explain this regulation on page 12).
- The latest daft.ie report shows the average quoting rent for a property in Dublin was €2,170 per month. This level has increased by 12.7% over the last 12 months, a marked increase.
- Professionally managed rental stock typically commands a premium in rental pricing when compared to standard rental stock. This is due to the fact that it is typically modern, and purpose built, and typically located in attractive core rental locations.
- The estimated rental value of 2-bed apartments in the Griffith Wood scheme in Dublin 3 is between €2,500-€2,600 per month (p.m.), this is a premium scheme with larger units and typically attracts higher rent than the market average.
- While there is anticipated to be a modest uplift in supply in the coming year, given the current undersupply and the challenges facing the delivery of housing stock, we will continue to see modest upward pressure on rents over the medium term.

### Figure 10: Daft.ie Average Dublin Rent Prices 2016-2022 (All Stock)




Source: daft.ie

**Figure 11: Competing Schemes ERV's ***

| Property | 1-bed per month | 2-bed per month | 3-bed per month. |
|---|---|---|---|
| Griffith Wood, Griffith Avenue, Dublin 3 | €2,100 | €2,500-€2,600 | €2,800+ |
| Verville, Clontarf, Dublin 3 | €1,900 | €2,250-€2,500 | €2,650+ |
| Stand View, Raheny, Dublin 5 | €2,200-€2,400 | €3,000+ | N/A |

Source: CBRE Research
*as at Q3 2022

# Regulatory & Political Overview

- Regulation and political risk are a key topic when considering residential investment in Ireland in 2022. A number of policy changes a have been enacted in recent years, albeit policy makers have acknowledged the role of institutional investment in the market and appear to have settled on current market policy.

  **Some of the policy changes in 2021 include:**

  **HICP Linked Rent Reviews (capped at 2% per annum)**

- In response to rapidly rising rents and a general affordability crisis in the rental market, in 2016 the Irish government implemented a system of rental price controls – known as Rent Pressure Zones (RPZs). Rent Pressure Zones are typically areas of the country where supply and demand imbalances are most acute, i.e., areas where there is much greater demand to live than existing housing supply can accommodate for and hence significant upwards pressure on rents among highly scarce existing stock.

- Since December 2021 rent increases in Rent Pressure Zones (RPZs) have been capped at either 2% per annum or the rate of general inflation (as measured by the HICP), whichever is lower each year. Such rates are applied on a pro-rata basis where the rent on a property is being increased after several years have passed with no change, i.e., rent increases in such a case may reflect the inflation rate (or 2%) for years in which the property's rent was not increased. This replaced a regime operating from 2016 to 2021 whereby rent increases in RPZs were capped at 4% p.a. Properties in a Rent Pressure Zone may only be exempt from RPZ rules (that is, may be let at market rents) in cases where (1) there has been no tenancy in place for the property within the prior 2 years or (2) a "substantial change" to that property has occurred (i.e. an extension or significant environmental retrofit). While in the short-term such measures may alleviate rental price growth to a modest degree, they may act as a disincentive to rental supply in the context of a housing crisis driven by acute undersupply of new housing units, particularly in the rental sector. The latest Daft rental figures for Q2 2022 estimate national rental price growth year-on-year of 12.6%, suggesting price controls are an insufficient approach.

- In a housing market where, new supply is delivered almost exclusively by the private sector, such controls create serious disincentives for investors, and lead to consequently lower housing supply, in turn putting further upwards pressure on rents. An investor in housing has two principal sources of return: capital gains and rental income. Through its capping of rent increases at a maximum of 2% per annum, RPZs significantly limit the potential income growth of these assets, meaning capital gains and more modest rental yields alone must compensate investors for the risk they are taking on in funding a development or purchasing standing stock. In an investing environment such as the present day where lending rates and inflation are both significantly above 2%, such a cap exposes investors to the risk that income returns will be insufficient to cover the cost of debt and/or fail to beat inflation, hence endangering the economic viability of investing in providing new housing supply. Through this supply channel, a policy designed to secure affordability in the Irish housing market likely has a significantly negative impact on affordability. While Rent Pressure Zones may lead to stable and predictable rent increases for incumbent tenants, they may be further exacerbating inequalities between incumbents and those who would like to move to highly in-demand urban areas and the employment opportunities such areas provide.

**Bulk Purchasing of Single-Family Housing**

- The new legislative measures (effective immediately) are aimed at ensuring institutional investors do not displace occupiers from purchasing housing aimed at the occupier market. Firstly, a stamp duty surcharge will be introduced for the 'bulk buying' (10+ units) of houses and duplexes for non-occupier purposes. Stamp duty on these acquisitions will be 10%. Stamp duty on the purchase of apartments will remain at its current rate of 2% (> €1 million). Stamp duty on commercial property transactions (excluding residential) in Ireland is currently 7.5%.

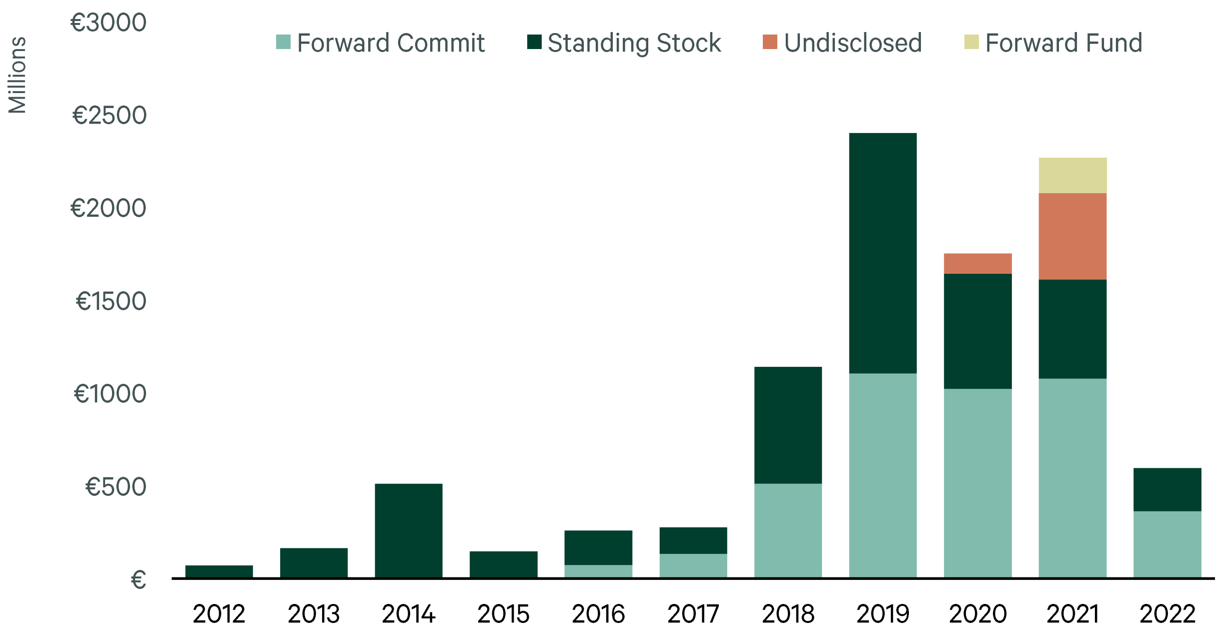
**Housing For All**

- The government released their much anticipated "Housing For All policy document in November 2021. The plans laid in the document are intended to lay the foundations for a stimulation of public and private housing supply for Ireland. The plan commits to over €20 billion in State investment in housing over the next five years with a stated objective of 33,000 new homes delivered on average per year. Encouragingly the document acknowledges that institutional and international investment is needed as part of the overall approach to solving the housing issue in Ireland.

# Investment Market Overview

## Ireland Residential Investment Volumes

### Figure 12: Annual Residential Investment Volumes by Transaction Structure

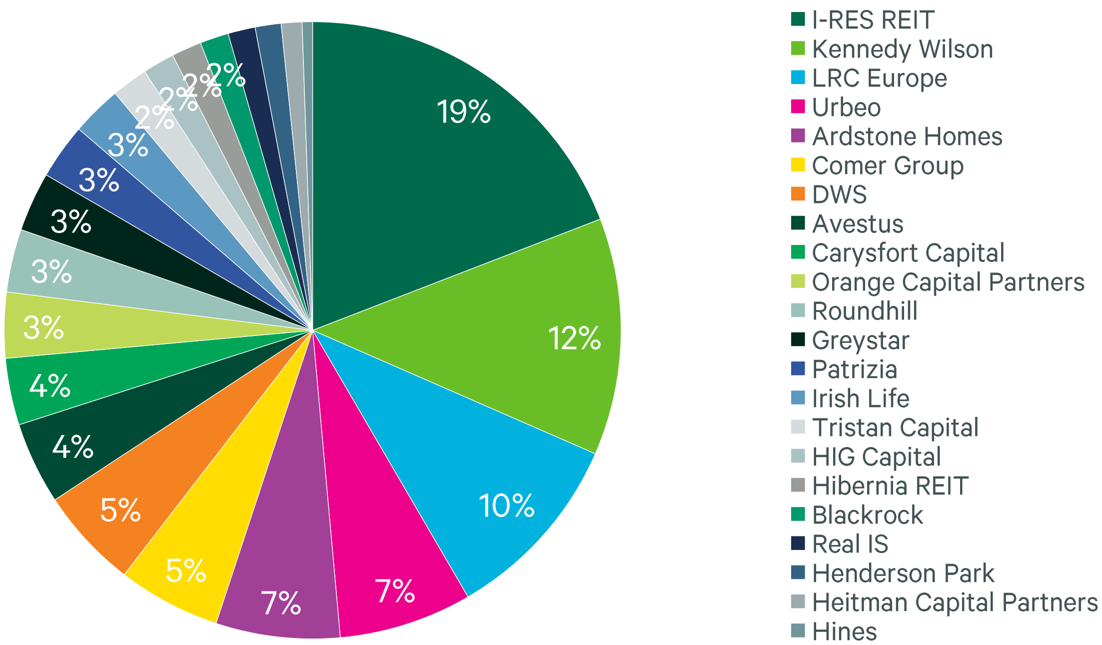



Source: CBRE Research

- The residential sector has evolved into the most sought-after investment sector of the commercial property market in Europe over recent years. The trajectory of spend in Ireland has been no different to other major European cities.
- In the full year 2021, a total of €102 billion was deployed into residential investment assets across Europe, accounting for 29% of all commercial real estate investment.
- Similarly in Ireland, €2.3 billion was deployed into residential in the full year 2021, accounting for 41% of the total Irish market. On a year-to-date basis €1.6 billion has been invested into the sector in 2022, accounting for 33% of all commercial real estate investment spend in Ireland.
- Due to the dearth of standing assets in the Irish market, large scale transactions involving institutional capital are typically taking a "forward purchase" transaction structure, whereby the acquisition is agreed at early or mid-construction stage and the payment and ownership of the development is taken by the investor on completion.
- We have continued to see strong momentum in multifamily investment trades through 2022. Notably Greystar, Union Investment, Irish Life and DWS all made significant acquisitions at strong pricing in Q3 2022.

# Institutional Ownership & Active Investors

### Figure 13: Annual Residential Investment Volumes by Transaction Structure




Source: CBRE Research

- Our research suggests that in the region of 25,000 units are in institutional ownership in Ireland at present, with 95% of these in Dublin and the Greater Dublin Area. When institutional ownership is analysed in the context of the overall Irish housing stock, the proportion of stock in institutional ownership remains extremely low.

- We will continue to see institutional ownership grow over the coming years. The current government recognise that international capital is vital to continue to grow supply.

- CBRE view the professionalisation of the rental market in major cities as a vital requirement to support Irish economic growth going forward.

# Dublin - Large Scale Residential Investment Transactions - 2022

- Large scale investment transactions in the residential sector have continued through Q3. The two most notable trades were at Newtown Gardens in Blackrock and at Station Road in Raheny. These two transactions were forward purchase trades, in prime locations, on the south and north side of the city respectively. The pricing achieved on both trades was very competitive and in-line with CBRE guideline yields for forward purchase PRS assets.
- Transactions in the €50-100 million lot size have been more resilient to pricing adjustment in recent weeks. We expect residential investment volumes to be moderate in Q4 2022 with full year investment volumes likely reaching €1.75 billion.

**Figure 14: Ireland Q3 2022 Residential Investment Sales**

| Date | Name and Address | Location | Purchaser | Deal Structure | Price (Million) | NIY | No. of Units |
|---|---|---|---|---|---|---|---|
| Q3 2022 | Newtown Gardens, Blackrock, Co. Dublin | Prime South Suburbs | Union Invest. | Forward Commit | €76.25 | 3.75% | 140 |
| Q3 2022 | Station Road, Raheny, Dublin 5 | Prime Suburban | DWS | Forward Commit | €52.75 | 3.75% | 105 |
| Q3 2022 | Brickfield, Crumlin, Dublin 12 | Secondary Suburban | Greystar | Forward Commit | €129.0 | 3.89% | 254 |
| Q3 2022 | Carpenterstown SHD, Dublin 15 | Secondary Suburban | Irish Life | Forward Fund | €90.2 | 4.0%* | 192 |
| Q2 2022 | Magna Drive, Citywest, Dublin 24 | Secondary Suburban | Ardstone | Forward Commit | €122.0 | - | - |
| Q2 2022 | Newtown, Malahide Rd, Dublin 17 | Secondary Suburban | Real I.S | Forward Commit | €98.0 | - | 331 |

*blend of PRS and social units

Source: CBRE Research

# Yields & Pricing

- Prime yields in Dublin multifamily remained steady at approximately 4% between 2015 and 2017 but began to compress from 2017 onwards as the volume of international capital targeting investment in the sector began to increase. Investors have been encouraged by the strong economic backdrop and in particular the employment base in Dublin. Pricing has been driven by the scarcity of supply of modern product and the strength of rents.
- Yields on standing stock reached 3.75% in early 2020 and subsequently compressed to 3.6% in December 2020. However, in Q3 2022 pricing started to come under some downward pressure as interest rate increases and the subsequent increase in the cost of debt financing negatively impacted global real estate markets. At the end of Q3, CBRE Ireland adjusted guideline yields on prime Dublin PRS stock to 3.7% and trending weaker. This is specifically in relation to 'standing product' as opposed to 'forward purchase' structured transactions.
- At present, prime yields for forward structured transactions are 3.75% in the Dublin market. This guideline is based on the strength of pricing achieved in two specific transactions in Q3, namely Newtown Gardens, Blackrock, and Station Road, Raheny, which both traded at 3.75% and are included in 'Figure 15'.
- However, the rising cost of debt has put pressure on the buyer pool for real estate assets in Europe, and this has the potential to lead to price softness for forward structured transactions in the final quarter of the year. This is following a similar trend to competing European cities.

**Figure 15: CBRE Guideline Investment Yields**

| Net Yield % | Q4 2018 | Q4 2019 | Q4 2020 | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 | Trend |
|---|---|---|---|---|---|---|---|---|
| Prime Dublin PRS - Standing Stock | 4.0% | 3.75% | 3.6% | 3.6% | 3.6% | **3.6%** | **3.7%** | **Weaker** |
| Prime Dublin PRS - Forward Commit | - | - | 3.75% | 3.75% | 3.75% | **3.75%** | **3.75%** | **Weaker** |

Source: CBRE Research

# Investor Appetite for St. Vincent's Hospital Fairview BTR

- There remains robust demand from both domestic and international institutional investors for apartment stock in Dublin.
- A core rental location such as the subject location at St. Vincent's Hospital will attract a range of bidders.
- There is evidence of recent investment sales in the immediate area including Griffith Wood on Griffith Avenue (342 units) in Q2 2021 and Ashbrook (152 units) on the Howth Road in Q4 2021. Separately in 2020 a portfolio of 317 units split across four developments (including one scheme in Dublin 3 and two in Dublin 5) also transacted, details of which are included in Figure 16. Leasing velocity and end user demand at these developments has been incredibly robust.
- These three investment sales attracted institutional capital, primarily in "forward-purchase" deal structures. The pricing on these transactions was strong. A range of underbidders were engaged in these processes. Capital raising activity by institutions across Europe and investor sentiment indicate that the appetite for Dublin residential rental stock remains robust over the near and medium term despite the near-term challenges faced by markets due to inflation and rising interest rates.
- Should a high specification build-to-rent development such as the proposed development at St. Vincent's come to market, we will see strong demand from investors at early or mid-construction stage.

**Figure 16: Notable Dublin 3 PRS Transactions**

| Date | Name and Address | Location | Purchaser | Deal Structure | Price (Million) | No. of Units | Price Per Unit ('000) |
|---|---|---|---|---|---|---|---|
| 2020 | The Prestige Portfolio, Dublin 3&5 | Prime Suburban | DWS | Forward Commit | €145.0 | 317 | €457.4 |
| 2021 | Ashbrook, Howth Road, Dublin 3 | Prime Suburban | IRES REIT | Forward Commit | €66.0 | 152 | €434.2 |
| 2021 | Griffith Wood, Griffith Avenue, Dublin | Prime Suburban | Greystar | Forward Commit | €177.0 | 342 | €517.5 |

Source: CBRE Research

# Amenities & Services Overview

- The Dublin Development Plan 2022-28, issued on November 18th 2022, includes an increased focus on regulation and guidelines around build-to-rent residential development. Build-to-rent as a tenure is recognised by government and local councils as a significant part of the solution to the undersupply of housing in Dublin. Guidelines have been laid out in the new development plan to ensure a 'community spirit' is fostered within new build-to-rent developments and in the local community in which they reside. The development plan also lays out policy stating that a suitable quantity of services and amenities support each scheme.
- Section QHSN42 of the Dublin City Development Plan 2022-2028 plan states: '*it is the policy of Dublin City Council to foster community both within a BTR scheme and to encourage its integration into the existing community, the applicant will be requested to provide an evidenced based analysis that the proposed resident support facilities are appropriate to the intended rental market having regard to the scale and location of the proposal. The applicant must also demonstrate how the BTR scheme must contribute to the sustainable development of the broader community and neighborhood*'.
- This section of the report will outline the type of amenity facilities provided at the St. Vincent's Hospital (SVHF) development, outline the scale/quantum of these facilities and reference comparisons for relevant comparable build-to-rent schemes in Dublin, while also commenting on the appropriateness of the facilities in the context of the local community.

# Amenities at St. Vincent's Hospital Fairview (SVHF)

- The proposed development includes a total of 4,781 sq. m. of residential amenity space and community facilities for future residents and also the wider public.

**Figure 17: Overall Commercial, Community and Residential Amenity Areas at SVHF**

| Tenant Amenity | Building | Area Sq. M. |
|---|---|---|
| Concierge, Post, Laundry | J | 327 |
| Gym | K1 | 1,459 |
| Dedicated Tenant Facilities | K1 | 711 |
| Creche | K3 | 730 |
| Co-working | K2 | 817 |
| Library | K2 | N/A |
| Community Hall | K4 | N/A |
| Residents Lounge | C | 55 |
| Residents Lounge/Dining/Meeting | DE | 561 |
| Residents Meeting | F+G | 122 |
| **Total Amenity Space at St. Vincent's** | | **4,781.5 sq. m.** |

Source: JSA

**Figure 18: Proposed Residential Support Facilities and Amenities at BTR Element of SVHF**

| Number of BTR Units | Number of bedspaces | Total Resident Services & Amenities | Total Resident Support facilities (note this is shared with SDA units) | Total Residential Support Facilities + Resident Services & Amenities | DCC Requirement (3 Sq. m per person for BTR) | Total Sq. M of Amenity & Services Space per person |
|---|---|---|---|---|---|---|
| **317** | 958 | 1,264.4 sq. m* | 3,713.35 sq. m** – – | 4,977.75 sq. m | 2,874 sq. m of (3 sq. m X 958 no. bedspaces for the 317 no. BTR units). | 5.2 sq. m |

Source: JSA

* Block K1 (residents lounge & library), Block D-E (residents lounges, meeting rooms and a cinema room at ground floor level, resident's lounge, cooking and dining facilities at sixth floor level and a residential lounge at twelfth floor level), Block F (lounge / Meeting Area at ground floor level).

** Block DE (concierge), Block J (concierge, post room, laundry), Block K2 (co-working, community library), Block K4 (community hall), bin store, bike store (NOTE: Resident Support facilities shared with SDA units).

# Analysis of Proposed Amenities at St. Vincent's Hospital Fairview

- **Co-working Space Library:** located in building K2, provision of coworking spaces within BTR schemes has accelerated given the high percentage of residents working (or studying) from home. There is now an emphasis on having a variety of types of "common areas" that can be used for residents to work from. These spaces vary from property to property but can include conference rooms that can be reserved, coworking type offices/suites, etc. Anecdotally, through conversations with operators such as Greystar (owner/operator of Griffith Wood), we have found that communal co-working spaces are widely used by residents.
- **Gym:** an extensive gym is proposed for building K1. The popularity of gyms within BTR facilities has fluctuated. Gyms are not necessarily essential in all BTR schemes, however in larger schemes with an emphasis on community, larger, well-equipped gyms are a large draw for tenants, particularly those in the demographic that BTR facilities typically attract. Small, ill-equipped, poorly lit gym spaces tend to go unused so it is essential to provide a high-quality, well-lit gym if providing one at all. The gym at St Vincent's is of ample size (1,459 sq. m.), considering the volume of apartments.
- **Creche:** the demographic associated with BTR is typically younger professionals, many of them at the early to mid-stage of their career, pre-family and marriage. The Guidelines for Planning Authorities on Childcare Facilities (2001) recommend that 20 childcare spaces be provided for new housing developments of 75 units or more. The proposed childcare facility has capacity to accommodate approx. 77 childcare spaces, however, this could be greater depending on the end users requirements or the operational model and given the generous size.
- **Residents Lounge with Dining & Meeting Facilities:** lounge facilities are proposed across three blocks at St. Vincent's. Block DE contains a large space (561 sq. m.). These facilities are particularly important in order to build a sense of community. The spaces are often easily dividable and should be available to be booked by residents for private use.
- All of the above contribute to creating a strong sense of community. As well as creating a place where people enjoy living, tenants are also more likely to stay and renew their leases if they feel embedded and involved in both the SVHF community and indeed the local community in which the development is located. Amenities/shared spaces are key to this.

# Comparing Amenities Provisions

- In total the internal amenities provided at the BTR element of St. Vincent's provide a ratio of 5.2 sq. m. (see figure 18) of amenities/services per apartment unit.
- This ratio well exceeds the ratio in most comparable BTR development in Dublin. The typical recommendation 1-2 sq. m. of amenity provision per apartment unit.
- As such the amenity space on offer at St. Vincent's comprises both an appropriate quantum and mix and in the opinion of CBRE, these amenities are appropriate for the target market of the scheme.

### Figure 19: Examples of Amenities at Comparable Dublin BTR Schemes

*Honey Park, Dun Laoghaire*

Amenity across the whole site includes:

- Acres of park amenity
- Creche
- Lake
- Sports Area
- Playground
- Lake viewing deck
- Picnic Area
- Gym with views
- Workspace
- Lounge area with roof garden

*Clancy Quay, Islandbridge*

Services at Clancy Quay include:

- State-of-the-art gym (277 sq m)
- Cinema room for screenings
- Business centre with office pods
- Games room with pool table
- Chef-style kitchen for events
- Spacious lounge for relaxing
- Secure underground parking
- Exterior bike cages on-site
- Dedicated property manager
- 24-hour monitored CCTV
- Management office on-site
- After hours management service
- Audio-visual intercom access system
- Secure fob control for resident areas
- Mail room/package storage services

*Vantage Suites, Sandyford*

Amenity includes:

- State-of-the-art fitness centre
- Professional workstations
- Spacious lounge for relaxing
- Games room with pool table
- Cinema room for screenings
- Spacious children's playroom
- Outdoor children's playground
- Chef-style kitchen for events
- Secure underground parking
- Landscaped gardens & courtyards
- 24-hour monitored CCTV
- Management office on-site
- Dedicated property manager
- After hours management service
- Video entry-phone system

Source: CBRE

### Figure 20: Examples of Amenities at Comparable UK BTR Scheme

*Thamesquarter, Reading*


A 315 unit scheme in Reading, a commuter town outside London.

- Entrance Lobby: c220 sqm
- Post Room: c30 sqm
- Waiting / Seating Area: c93 sqm
- Main Amenity Space : c260 sqm
- Amenity Dining Room: c56 sqm
- Amenity Cinema Room: c60 sqm
- Amenity Tech Room: c158 sqm
- Car park
- Cycle storage
- External terraces

*Middlewood Locks, Manchester*


814 unit scheme in Salford, outside of Manchester with mixed use commercial and retail.

Amenity includes:

- Residents garden
- Gym
- Restaurant
- Retail
- Parking
- Bar

*Moda, Brighton & Hove*

600 PRS units and 20k sqft of co-working space.

Amenity includes:

- Gym
- Resident's Sky Lounge
- Roof terraces
- BBQ Area
- Dining space
- Flexible workspace
- Cycle club and maintenance
- Car club

Source: CBRE

# BTR & Community: Response to DDP 2022-2028 - Policy QHSN42

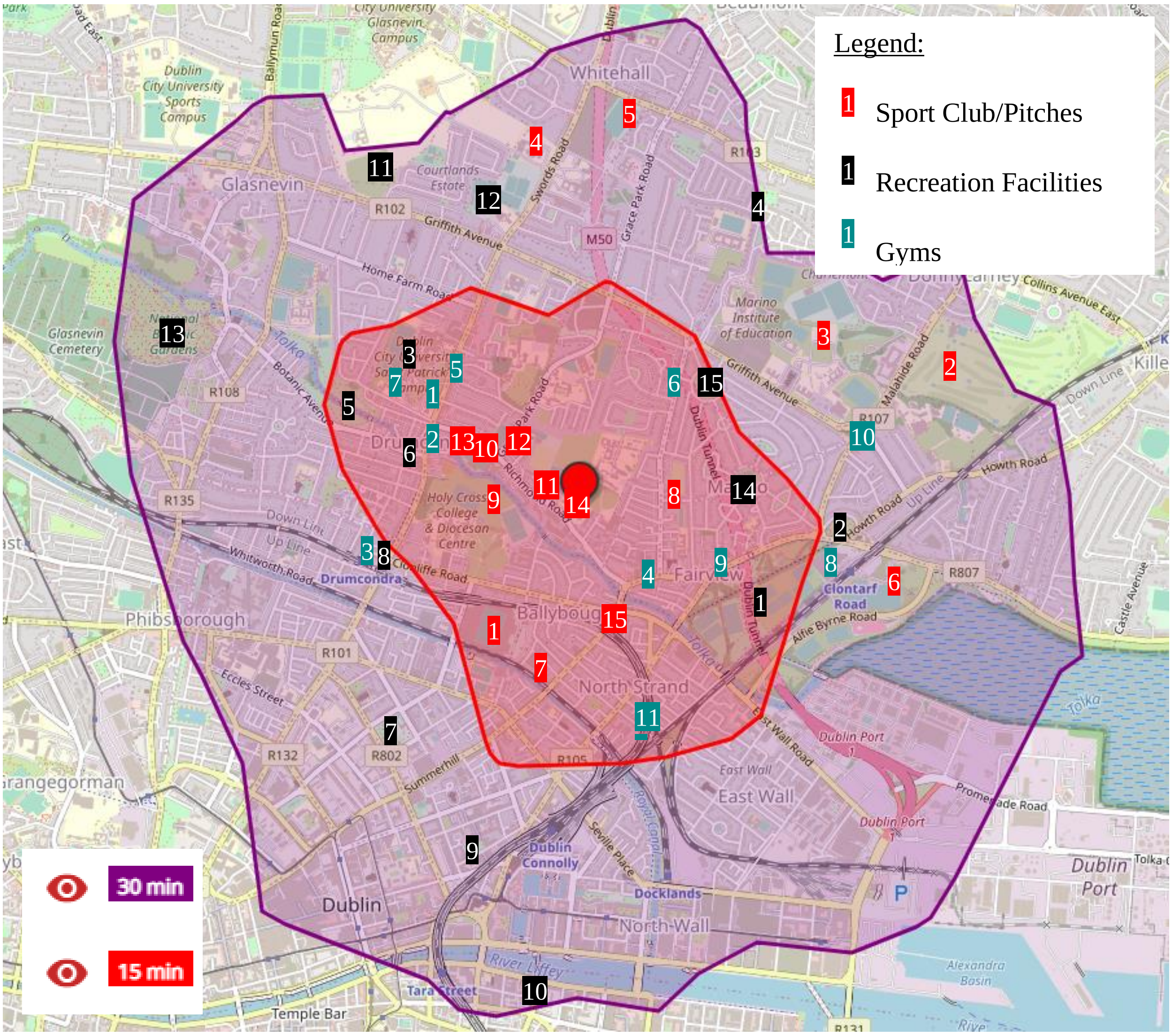
### Community Spirit within the Scheme

- The idea of building a community within large BTR schemes has evolved as the sector itself has matured. In other markets, where the sector is established, the element of community within the building is an integral part of the appeal to residents.
- This community spirit is often driven by the amenities and shared spaces available to residents. The idea also centres around the fact that the 'community' itself is now a new amenity.
- BTR accommodation provides tenants with services and amenities which add to the tenants overall rental experience. The type of accommodation, service and amenity offering is tailored to the location of the scheme and the target market. Professional landlords understand that a high standard of amenity and customer service will attract and retain tenants.
- Our analysis of the proposed amenities at St. Vincent's outlines some of the ways in which each specific amenity can contribute to fostering a community spirit within the development. Co-working spaces, gyms and shared communal space for dining and meetings are key to this. The spaces provided at St. Vincent's a are larger than comparative schemes in Dublin and the UK and the amenity space per sq. m. is also much larger than the typical requirement of 1-2 sq. m.

### Engagement in the Local Community

- The development will include several spaces that are open to the local community including allotments, children's play areas, a central park, a community library, a linear park and an entrance plaza along with retail and café facilities, all open to the public.
- Improving the quality and abundance of local green spaces, and ensuring communities have greater access is an important part of the development. Spending time outdoors and in nature has been proven to improve people's mental health and general well-being, and is crucial to assist in creating a vibrant community.
- These new spaces at SVHF spaces can become the focal-point of the local community in Dublin 3 and the surrounds – helping to foster community spirit and networks between the residents of the development and local residents.
- It should also be noted that the local community is home to a vibrant array of parks, sports clubs (including golf, soccer, GAA and rugby), gyms and third-level institutions.

**Figure 21: Recreational and Social Facilities at the Subject Site**




| Recreation Facilities | Sport Club/Pitches | Gym |
|---|---|---|
| 1. Fairview Park | 1. Croke Park (Stadium) | 1. Zest4life |
| 2. Bram Stoker Park | 2. Clontarf Golf Club | 2. St. Pats Gym |
| 3. DCU Park | 3. Saint Vincents GAA Grounds | 3. Active Plus |
| 4. Grace Park Meadows | 4. Rosmini Gaels GAA Club | 4. Ronin Crossfit |
| 5. Griffith Park | 5. Whitehall Colmcille GAA (sport complex + main pitch) | 5. FLYEfit Drumcondra |
| 6. Our Lady's Park | 6. All Weather Pitches Clontarf | 6. The Edge Marino |
| 7. Mountjoy Square Park | 7. Hand Ball Alley Croke Park | 7. St. Patricks College sports |
| 8. St Anne's Road Pocket Park | 8. Billie Barry Park | 8. West Wood Club |
| 9. Liberty Park | 9. Belvedere Rugby Ground | 9. Bike Row Ski Fairview |
| 10. Elizabeth O'Farrell Park | 10. Shelbourne Football Club | 10. Neo Gym |
| 11. Albert College Park | 11. Dublin Port Stadium Stella Maris F.C. | 11. Fight Club Kickboxing |
| 12. Courtlands Park | 12. Elm Mount, Ierne Sports Club | |
| 13. National Botanic Gardens | 13. Tolka Park (stadium) | |
| 14. Marino Park | 14. The Pool Knight Shack Cuesport Academy | |
| 15. Croydon Park | 15. Ballybough Community, Youth and Fitness Centre | |

Source: JSA

# Demographic Analysis

- The below graph illustrates the population pyramid of the district of Dublin 3, at the time of the last Census in 2016.

**Figure 22: Population Pyramid of Dublin 3 – Census 2016**


Source: CSO

- The area is tracking the typical 'city fringe' demographic evolution i.e. becoming increasingly dominated by a younger cohort who are predominantly renters, oftentimes displacing an older generation who have lived in the area for the duration of their life. New developments in the location are typically apartments, which also encourages a younger population profile.

- We expect the prevalence of a younger demographic to have grown since the time of the last Census. The likelihood is that the prevalence of those in the 20-39 age categories is even more pronounced in 2023. Notably, this age bracket are predominantly renters.

- Another point of note, demographic trends show that people are now renting for longer show people are buying their first home, getting married and having their first child at a later age compared to years previous. Such trends have a consequential result in people renting for a longer period of time and therefore increases the demand and need for rental accommodation in appropriate locations in Dublin, such as at SVHF.

- It is acknowledged that the age of home buyers has been increasing with the median age increasing from 35 to 38 years between 2010 and 2019, across all transactions (sole purchasers and joint purchasers). This indicates the increase of people renting which increases the demand for available rental accommodation.

**The breakdown of the unit mix at St. Vincent's Hospital Fairview is as below:**

| Unit Type | No. Units | % of Total |
|---|---|---|
| Studio | 18 | 2% |
| 1-Bed | 387 | 48% |
| 2-Bed | 349 | 43% |
| 3-Bed | 57 | 7% |
| **Total** | **811** | |

Source: STW

**Target Market by Unit Typologies – Experian Mosaic**

| Unit Type | Target Market |
|---|---|
| Studio | Young professionals or students who work locally in ìn the city centre or in 'city fringe' locations 3 times a week.<br><br>Single occupiers. and either moving from a house share to their first independent space, or moving from a managed Purpose Built Student Accommodation (PBSA). Attracted to the convenience of the service offer of a new BTR scheme, as well as the quality and amenities. |
| 1-Bed | Young professionals or students who work locally in Dublin, and commute 3 times a week.<br><br>Single occupiers. and either moving from a house share to their first independent space, or moving from a managed Purpose Built Student Accommodation (PBSA). Attracted to the convenience of the service offer of a new BTR scheme, as well as the quality and amenities. |
| 2-Bed | Couples. Similar to above – who work locally in Dublin, and commute 3 times a week. Likely to be in their 20s or 30s and looking for better quality accommodation in a vibrant area, close to convenient transport links. Attracted to the quality of the offer.<br><br>These couples may also rent a two-bed apartment so that there is a spare room, or a room for working from home if they can afford to do so. |
| 3-Bed | Relatively young house-shares. These were originally students who became used to the PBSA and are now looking for a 'graduate' version. They will be attracted to the additional amenities and sense of community – as well as the vibrancy and reputation of the location. There may be some younger couples who share an apartment for affordability. |

Source: CBRE

- We have used the 'Experian Mosaic' to analyse the unit typologies that will appeal to different demographic cohorts. The St. Vincent's development will predominantly serve young professionals and young couples.
- As such, the development will suitably serve the demographic of the local area and indeed contribute to addressing the housing needs of Dublin.
- In our opinion the development will provide high quality rental accommodation at an appropriate rental location in Dublin.

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