

PRS WAS
43% OF ALL
INVESTMENT
SPEND
IN 2019

07

PRS

WELL ESTABLISHED & IN DEMAND

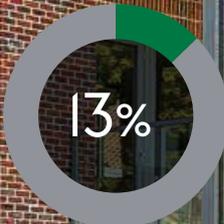
The Private Residential Sector (PRS) is now well established in the Irish market, having emerged as a sector in 2012.

Generally, PRS refers to a block or blocks of apartments that are in single ownership and management, and where there are dedicated amenities and facilities for residents. Since 2012 it has evolved in various stages. Early on, it comprised unsold apartments from the recession era that were originally built-to-sell. Then it moved on to newly built schemes that were originally designed for the individual sales market but acquired before completion. The most recent phase, build-to-rent (BTR), has come about since BTR guidelines were published by Government in 2018. However, some schemes are not seeking specific BTR planning grants, instead seeking a conventional planning permission despite the fact that the property will be in the PRS sector.

Demand for PRS stems from changing demographics. These include a growing population that is both young and ageing; people getting married later and renting for longer; the fact that Ireland is more international and more urbanised. The evolution of demographics means the way people live is changing. This has implications for the type, size, tenure and location of future housing. While many will always choose more traditional forms of accommodation, others want choice. Being more international, a greater variety of housing options are being demanded, particularly in city areas. FDI companies bring with them highly skilled international workers (jobs tourism) who are accustomed to a different way of living – apartment, city living, close to work. It is this cohort that PRS and co-living is catering to.



€4.7BN
SPENT SINCE
2012



OF THE
OVERALL
INVESTMENT
MARKET
2012

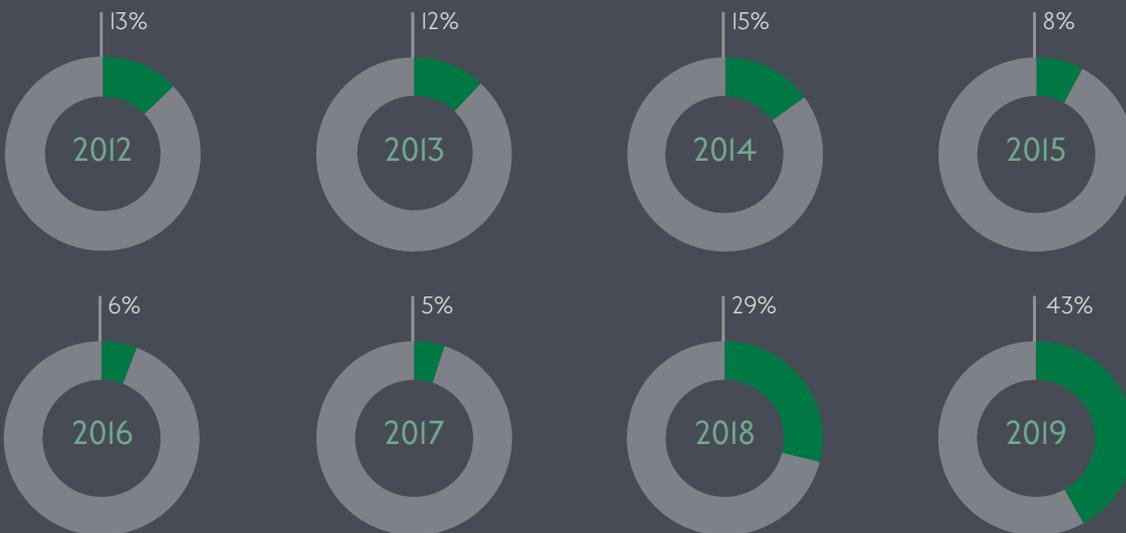


OF THE
OVERALL
INVESTMENT
MARKET
2019

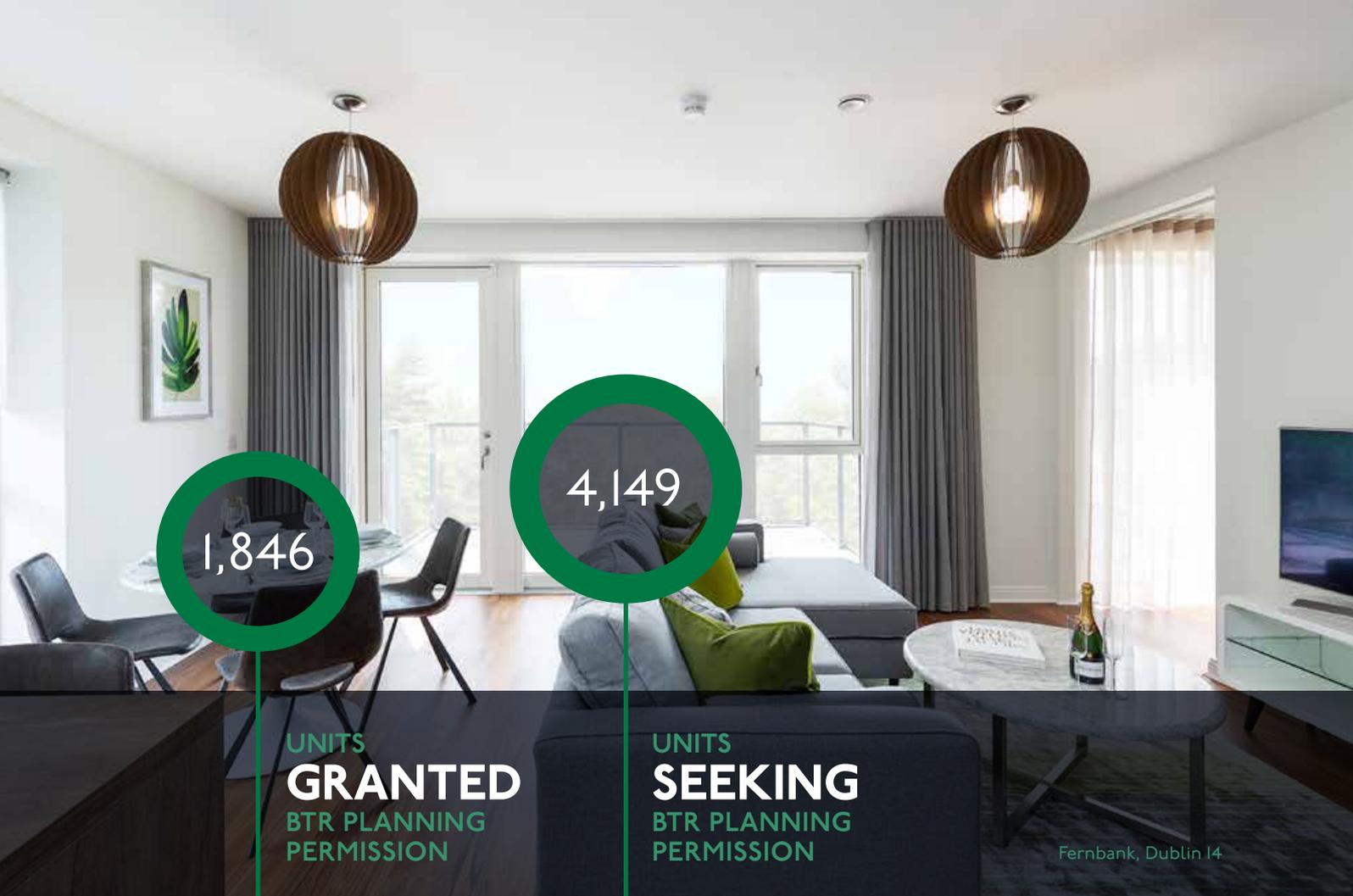
Fernbank, Dublin 14

Investors and developers are seeking to cater to this demand. In the investment market, €4.7bn has been spent on PRS assets since 2012, both completed and occupied blocks and forward purchases of schemes under construction. As a percentage of the overall investment market, the sector's representation is growing. Having been about 13% of the market in its early years, it was 43% of all investment spend in 2019. This level of investment is similar to other global investment markets such as the US and UK.

PRS INVESTMENT SUMMARY



Source: Lisney



1,846

UNITS
GRANTED
BTR PLANNING
PERMISSION

4,149

UNITS
SEEKING
BTR PLANNING
PERMISSION

Fernbank, Dublin 14

In terms of future supply, based on schemes going through An Bord Pleanála's fast-track system, 1,846 units across seven schemes have been granted BTR planning permission, all of which are in Dublin. A further 4,149 units / 12 schemes are currently seeking BTR permission (two schemes are in Cork). But as noted on the previous page, not all PRS will seek BTR planning grants and it is difficult to give precise figures on these. Data from the Dublin Housing Supply Coordination Taskforce (Q2 2019) show that there are almost 3,800 apartments under construction in Dublin with a further 23,000 apartments with planning permission. A proportion of these will go into the PRS market.

Tenant demand is also a significant consideration in PRS. As the demand / supply imbalance remains in the rental market, PRS schemes carry with them little void risk at present. However, residential rents are at an all time high and affordability concerns are in focus. Understanding tenant mix and their requirements will be important for landlords in the coming years.

CO-LIVING

Co-living is a sub-sector of PRS and is a trend that is gathering momentum globally. It continues to attract further attention in the Irish market, not always positively. The concept is accommodation that has a community centred environment but with private spaces. Generally it comprises an en-suite bedroom and maybe a small kitchenette as private space but with significant communal living and recreational spaces like a games room, laundry rooms, a study, gym, social areas, a kitchen and co-working spaces. It is very similar to purpose-built student accommodation and rents are at all-inclusive rates.



“ WITH URBANISATION, ISOLATION IS AN ISSUE FOR MANY. CO-LIVING OFFERS A MORE SOCIALABLE OPTION TO TENANTS. ”

Fernbank, Dublin 14

The question often posed is, “have we not always co-lived?”. The answer is obviously “yes”; from hunter-gather times right up to Silicon Valley hacker houses and even individuals sharing traditional family homes or apartments. However, with urbanisation, isolation is an issue for many, particularly young professionals working in a new city. While some want traditional type living, others want options. Many do not want to be anonymous, living in a one-bed apartment. And while homeownership may still be a longer-term goal, for a time they may require something more socialable. The modern co-living concept seeks to fulfil this requirement. It is not seeking to replace traditional housing but providing one of a range of options to tenants.

In Ireland, co-living has come to the fore since the publication of the ‘Design Standards for New Apartments’ in 2018. It sets out various requirements. In terms of sizes, minimum bedroom floor areas range from 12 sqm to 18 sqm with minimum common living areas at 12 sqm per person. For refurbished buildings, other formats will be considered.

Co-living can get negative attention due to the size of the living accommodation. However, international examples suggest that if they are designed well with adequately-sized personal space and adhering to people to living space ratios, they can be successful. There are some notable international examples such as schemes operated by The Collective in London and New York.

The Collective is bringing its model to Ireland. Teaming up with MM Capital, it acquired a site in Fumbally Lane in 2019, where planning permission has been sought for 69 co-living units (unit sizes ranging from 18 sqm to 24 sqm) along with a hotel. MM Capital has also teamed up with SQRE Living, receiving permission for a 129-bed complex on Hill Street near Mountjoy Square in December 2019 with average unit sizes at 19 sqm and 28 kitchen stations. Other operators and developers are also focusing on the market. Bartra Capital applied for three co-living schemes in 2019, one of which was refused, one received planning and one is awaiting a decision. Additionally, Spencer Place Development Company has applied for planning for 84 units at Spencer Dock, adjacent to the new Salesforce office building.



STUDENT ACCOMMODATION

“ THE OUTLOOK FOR 2020 AND BEYOND REMAINS POSITIVE WITH OVER 5,800 BEDS UNDER CONSTRUCTION ACROSS FOUR COUNTIES – DUBLIN, CORK, GALWAY AND KILDARE. ”

Binary Hub, Dublin (Source: Hines)

KEY TRENDS

There were several key trends in the Purpose-Built Student Accommodation (PBSA) sector in 2019, which will continue in 2020. These include the continued expansion of stock levels, the impact of rent predictability measures and the greater reliance on summer income to justify new development.

In terms of stock, 1,700 bed spaces completed construction in 2019, all of which were in Dublin, and added about 3% to supply levels nationwide. The outlook for 2020 and beyond remains positive with over 5,800 beds under construction across four counties – Dublin, Cork, Galway and Kildare. Most of this will complete in 2020 but with some schemes due in 2021. It is notable that construction is being driven by private operators, which account for 80% of the bed spaces with just 20% being built by Higher Education Institutes. In terms of the pipeline, there is a further 10,180 bed spaces either with planning or in the planning system that have not yet commenced construction. However, the demand / supply imbalance remains. The Government's National Student Accommodation Strategy detailed a 2019 demand of 66,441 beds, which is over 25,000 beds more than the current supply.

Rents also continue to increase, albeit at a much-reduced pace to more recent years; now running at 4% per annum in Dublin. For the 2019 / 2020 academic year, the average rent in Dublin was close to €8,900, however this varied between schemes, particularly depending on if they were on or off-campus. Over the last five years, average rents in Dublin have grown by 47%, however it should be noted that our calculation of average now includes a significantly greater number of schemes, all of which are new, of better quality and containing more facilities and amenities – hence not a fully accurate like-for-like comparison. But it does highlight the rental growth trend in recent years, which is the reason why PBSA now comes under the Residential Tenancies (Amendment) Act 2019. This Act means that all tenancies or licences between students and PBSA operators must be registered with the RTB; if located in a rent pressure zone, annual rental increases cannot exceed 4%; and at least 28 days written termination notice must be given to students or seven days in cases of serious anti-social behaviour.



ADDED TO SUPPLY LEVELS NATIONWIDE

1,700 BED SPACES COMPLETED CONSTRUCTION IN 2019

ALL OF WHICH WERE IN DUBLIN

IT IS NOTABLE THAT CONSTRUCTION IS BEING DRIVEN BY PRIVATE OPERATORS, WHICH ACCOUNT FOR 80% OF THE BED SPACES WITH JUST 20% BEING BUILT BY HIGHER EDUCATION INSTITUTES.

Given that students generally only take accommodation for the academic term (averages about 39 weeks per year), there is additional potential to generate a rental stream from summer lettings to both students and tourists. From schemes publically advertised, it appears that weekly summer rates are generally similar to weekly academic term rates, albeit with some higher. Nightly rates can also be higher. This additional summer income is becoming increasingly more important when considering the viability of potential new schemes. This is due to the fact that the sector is in much greater development competition with the private rental sector (PRS), competition that was less of a factor two to three years ago.

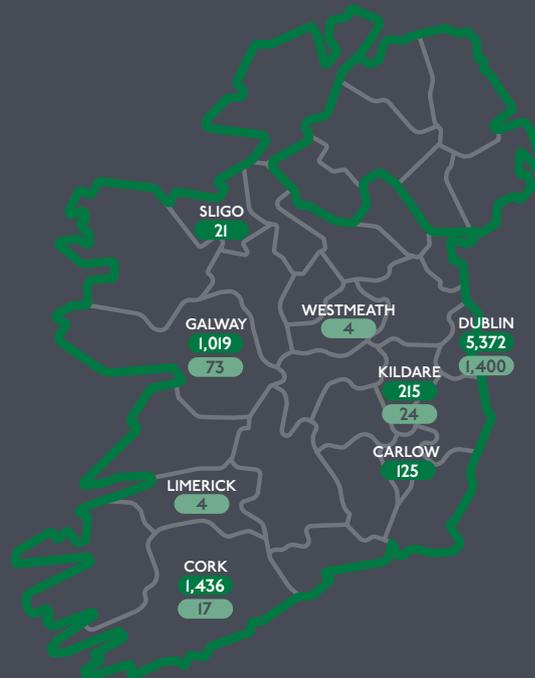
BED SPACES UNDER CONSTRUCTION



● UNDER CONSTRUCTION END 2019

Source: Lisney / CIS

BED SPACES IN THE PIPELINE



○ PIPELINE PLANNING GRANTED END 2019

● PIPELINE IN PLANNING END 2019

Source: Lisney / CIS