

**CAIRN**

DESIGNED FOR LIVING  
BUILT FOR LIFE.

Cairn Homes plc  
2018 Preliminary Results Presentation

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# BUILT TO LAST

Marianella, Rathgar



# 2018 Preliminary Results Presentation

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**Michael Stanley**

Chief Executive Officer & Co-Founder



**Tim Kenny**

Group Finance Director



**Declan Murray**

Head of Investor Relations

## Table of Contents

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*Page*

<b>01</b>	Highlights	02
<b>02</b>	Financial	09
<b>03</b>	Land Bank	13
<b>04</b>	Operations	18
<b>05</b>	Outlook	25
<b>06</b>	Appendices	27



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Parkside, Dublin

# 01

## Highlights

## Financial Highlights

# €337m

### Revenue

(2017: €149.5m)

Sales	Units	ASPs			Revenue
		Houses	Apartments	Overall	
2018	804	€323k	€505k	€366k	€294.2m
2017	418	€286k	€552k	€315k	€131.5m
2019 – closed and forward sales	471	€322k	€714k	€428k	€201.4m

# €69.1m / 20.5%

### Gross profit / Gross margin

(2017: €27.1m / 18.2%)

# €53.2m

### Operating profit

(2017: €14.5m)

# 4.4 cent

### Adjusted EPS

(2017: 0.7 cent)

# €933.4m

### Inventories

(2017: €911.5m)

# €40.1m

### Operating Cash Flow

(2017: cash outflow €128.6m)

# €134.4m

### Net Debt

(2017: €159.4m)

Intention to announce a first interim ordinary dividend of 2.5 cent per share in September 2019



# Operational Highlights

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## Mature Business

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Active on **13** sites - **c. 4,750** homes  
**5** upcoming site commencements,  
including 4 large-scale multifamily  
PRS sites

Talented and experienced  
homebuilding team

## Quality and Location Driving Sales Demand

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Selling on **9** sites - 5 sales launches  
planned

Strong sales rates - **2.8** units per  
active site per week

House price inflation **c. 4.5%**

## Enhancing Inherent Land Value

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**2,106** units – granted planning  
in 2018

Total planning gains – **3,000** units

**15,100** unit land bank

## Operational Efficiencies

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Procurement advantage through  
scale

Established subcontractor base

Off-site manufacturing

**2.75%** build cost inflation

## Land Acquisition Strategy

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No large sites acquired

Focused on more strategic  
opportunities

## Cash Generation

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Significant free cash flow and  
€550m share premium conversion  
underpinning capital returns

First dividend in September 2019

Land bank to normalise to **c. 6-7**  
year supply

# Cairn's Sustainable Model

## Opportunity:

### Fastest Growing Economy in the EU

Average 5 year GDP  
+**10.7%**

Employment growth  
+**418k** since 2012

### Undersupply of New Homes

Supply – **13,373**

Demand – **35,000**

### Demographics

+**350k** couples can afford to buy homes priced between **€275k** and **€375k** \*

### Attractive PRS Market

**c. €7bn** capital seeking PRS opportunities in the GDA

## Position:

### Best Located, Low Cost Land Bank

**15,100** units

Average unit cost **€49k**:

Housing - **€37k**

Apartments - **€76k**

### Pipeline and Planning Maturity

**32** sites - **70%** of our sites are active or “ready to go” which underpins medium term guidance

### Competitive Priced Starter Homes

**c. 8,400** of our starter homes can be priced between **€275k** and **€375k**

### Multifamily / PRS

**c. 2,500 – 3,000** of our apartment units could satisfy more than **€1bn** of multifamily PRS demand

# Our Vision, Mission and Values

## Our vision

Be the most trusted, respected and safest homebuilder in Ireland

## Our mission

Building in great locations to create places and homes where people love to live

## Our values



**Agile & Innovative**



**Honest & Straightforward**



**Collaborative**



**Commercially minded**



**Committed & Engaged**

## Strategic pillars:

### People

Attract and retain the best talent and trusted partners



### Homes

Design and build high quality homes



### Customers

Deliver the best customer experience



### Places

Create places for communities to prosper



### Operational excellence

Leverage a high performing commercial operational platform

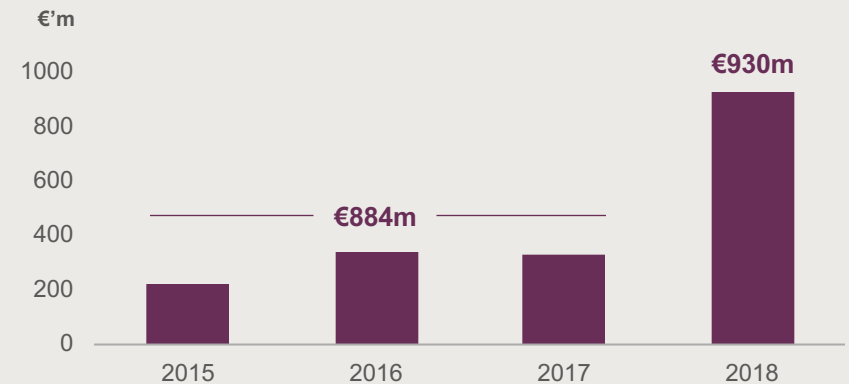




# The Irish Multifamily PRS Market

## Backdrop

- Multifamily PRS 30% / €930 million of the Irish property investment market in 2018 - forecast to grow to c. €1.5bn in 2019
- Prime residential yields in Dublin 4.0% and 2018 rental inflation was 8.8%
- c. €7 billion of institutional equity targeting multifamily PRS
- Cairn will commence construction and potentially the forward sale of 4 large multifamily PRS sites
- Following on from successful sale of Six Hanover Quay for €101m (incl. vat)

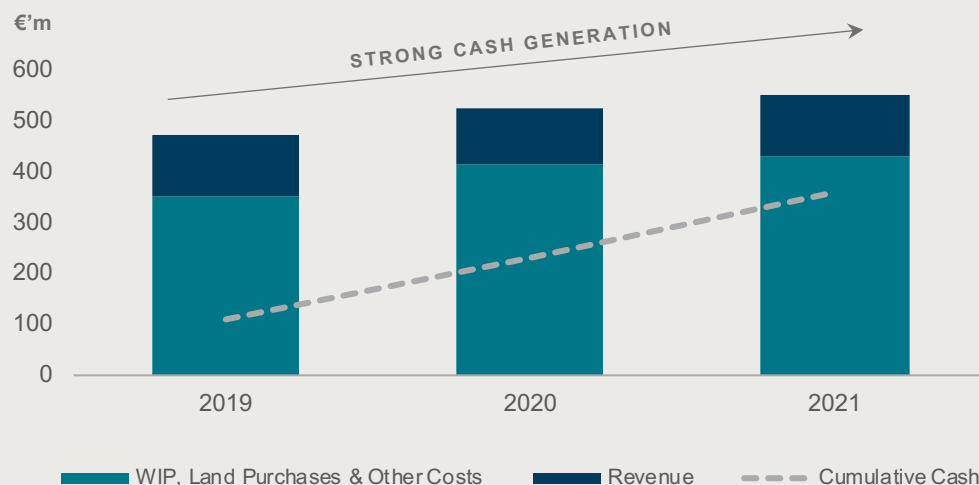


## Citywest Multifamily PRS Forward Sale

- 280 apartments located beside a light rail stop in Citywest with direct access into Dublin City Centre
- Site works commenced in January 2019
- Formal sales process launching this month
- Anticipated completion date of H2 2021



## Illustrative Cash Generation 2019 – 2021



### Assumptions behind the Cash Generation Illustration to 2021

- Term bank debt remains constant at €150m
- Strategic / adjoining / JV land investment c. €75m to FY 2021
- No HPI or build cost inflation
- Land bank reducing over this time to c. 11,500 units

### Significant Free Cash Generation 2019 to 2021

**c. €350 - €400m**

### Progressive Capital Returns

At our interim results announcement in September 2019, the Company:

- Intends to announce a first interim ordinary dividend of 2.5 cent per share; and
- Expects to outline our approach to ordinary dividends, special dividends and/or share buybacks

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Elsmore, Naas

# 02

## Financial



# Income Statement for the Year Ended 31 December 2018

	2018 Unaudited			2017 Audited		
	Before Exceptional Items	Exceptional Items	Total	Before Exceptional Items	Exceptional Items	Total
	€m	€m	€m	€m	€m	€m
<b>Revenue</b>	<b>337.0</b>	<b>-</b>	<b>337.0</b>	<b>149.5</b>	<b>-</b>	<b>149.5</b>
Cost of sales	(267.9)	-	(267.9)	(122.4)	-	(122.4)
<b>Gross profit</b>	<b>69.1</b>	<b>-</b>	<b>69.1</b>	<b>27.1</b>	<b>-</b>	<b>27.1</b>
% margin			20.50%			18.20%
Administrative expenses	(15.9)	-	(15.9)	(12.1)	(0.5)	(12.6)
<b>Operating profit</b>	<b>53.2</b>	<b>-</b>	<b>53.2</b>	<b>15.0</b>	<b>(0.5)</b>	<b>14.5</b>
Net finance costs	(11.7)	(3.9)	(15.6)	(8.5)	-	(8.5)
<b>Profit before tax</b>	<b>41.5</b>	<b>(3.9)</b>	<b>37.6</b>	<b>6.5</b>	<b>(0.5)</b>	<b>6.0</b>
Tax charge			(6.2)			(1.0)
<b>Profit for the year</b>			<b>31.4</b>			<b>5.0</b>
Basic earnings per share			4.0 cent			0.6 cent
Adjusted basic earnings per share*			4.4 cent			0.7 cent

## Commentary

- Revenue of €337.0m from the sale of 804 units (€294.2m) and site sales (€41.7m)
- Gross profit margin of 20.5% and a gross profit of €69.1m, up from 18.2% and €27.1m in 2017 (+ 230bps)
- Operating profit of €53.2m (2017: €14.5m) (+ 267%)
- Adjusted earnings per share 4.4 cent (2017: 0.7 cent) (+ 529%)

## Balance Sheet at 31 December 2018

	2018 Unaudited €m	2017 Audited €m
PP&E and intangibles	2.2	2.2
Restricted cash	-	17.0
<b>Non-current assets</b>	<b>2.2</b>	<b>19.2</b>
Inventories	933.4	911.5
Other receivables	8.0	5.5
Cash	62.2	68.8
<b>Current assets</b>	<b>1,003.6</b>	<b>985.8</b>
<b>Total assets</b>	<b>1,005.8</b>	<b>1,005.0</b>
Share capital and share premium	750.4	750.4
Share-based payment reserve	7.8	14.2
Retained earnings	(6.1)	(44.7)
Non-controlling interest	4.4	1.8
<b>Total equity</b>	<b>756.5</b>	<b>721.7</b>
Loans and borrowings	147.3	226.8
Deferred taxation	5.9	5.6
<b>Non-current liabilities</b>	<b>153.2</b>	<b>232.4</b>
Loans and borrowings	49.3	18.4
Trade and other payables	46.8	32.5
<b>Current liabilities</b>	<b>96.1</b>	<b>50.9</b>
<b>Total equity and liabilities</b>	<b>1,005.8</b>	<b>1,005.0</b>

### Commentary

- Total assets of €1,005.8m (2017: €1,005m)
- Total equity of €756.5m (2017: €721.7m)
- Inventories of €933.4m. All owned sites, including construction work in progress (€180.8m)
- Net debt €134.4m (2017: €159.4m) includes €62.2m cash. Net debt to inventories of 14.4% as at 31 December 2018
- Undrawn facilities at 31 December 2018 of €199m

# Cash Flow Statement for the Year Ended 31 December 2018

	2018 Unaudited €m	2017 Audited €m
<b>EBITDA</b>	<b>54.7</b>	<b>15.6</b>
(Increase) in inventories	(21.4)	(184.3)
Decrease in loan assets	-	16.0
Other working capital movements	6.8	24.1
<b>Net cash from / (used in) operating activities</b>	<b>40.1</b>	<b>(128.6)</b>
Purchases of PP&E and intangibles	(0.6)	(1.2)
Transfer from restricted cash	17.0	10.0
<b>Net cash from investing activities</b>	<b>16.4</b>	<b>8.8</b>
Proceeds from issue of share capital, net of issue costs paid	-	50.4
Proceed from borrowings, net of debt issue costs	94.2	96.9
Repayment of loans	(145.6)	-
Other net cash movements	(1.3)	1.3
Interest and other finance costs paid	(10.4)	(5.6)
<b>Net cash (used in) / from financing activities</b>	<b>(63.1)</b>	<b>143.0</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(6.6)</b>	<b>23.2</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>68.8</b>	<b>45.6</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>62.2</b>	<b>68.8</b>

## Commentary

- EBITDA of €54.7m (2017: €15.6m)
- Net cash from operating activities €40.1m (2017: outflow €128.6m)
- €21.4m increase in inventories represents 2018 site acquisitions plus spend on active developments, less sales releases and site sales. Total spend on construction work in progress €241.9m (2017: €95.2m)
- Cash and cash equivalents of €62.2m at 31 December 2018



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Donnybrook Gardens, Dublin 4

# 03

## Land Bank

# Characteristics of Housing and Apartments

## Key Metrics and Characteristics



## Housing



## Apartments \*

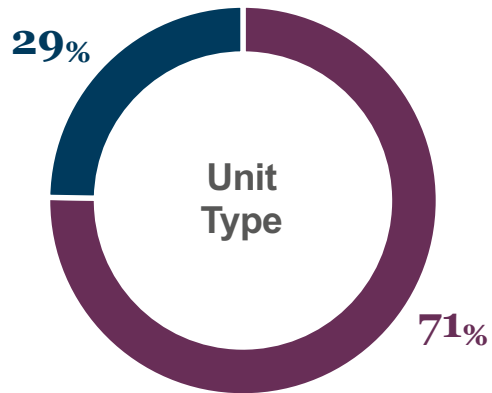
## Total Land Bank

Capital Allocation	54%	46%	100%
Total Units	10,700	4,400	15,100
Average Cost per Unit	€37k	€76k	€49k
Average Selling Price (estimated) (ex. VAT) (no HPI)	€309k	€541k	€377k
NDV	€3.3bn	€2.4bn	€5.7bn
<b>Land (at historical cost) as a % of NDV</b>	<b>12.0%</b>	<b>14.1%</b>	<b>12.9%</b>

Average Site Size (units)	475	260
Typical Purchaser Income	c. €80 – €90k (single or joint)	€150k +
Purchaser Profile	Mortgage Backed (incl. Help to Buy)	Mortgage Backed, Cash Purchasers, Institutional / Multifamily PRS Investors

\* Includes apartments which will be built for homeowners, private investors and institutional buyers of multifamily PRS

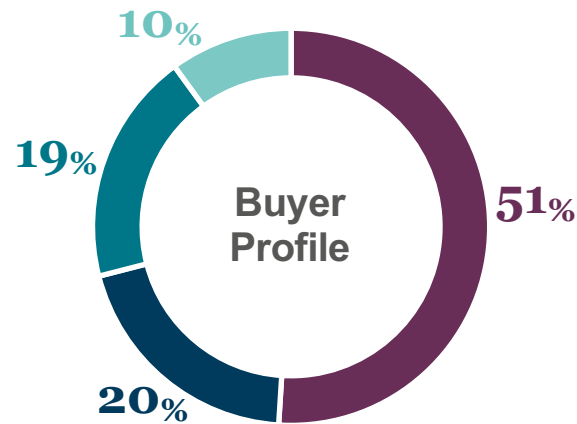
## Composition of c.15,100 units



Houses



Apartments



- FTB (from €275k – €375k)
- Trade Up / Mover (from €375k – €550k)
- Premium (from €550k)
- Social

## Targeted Capital Allocation



- GDA – 95% capital allocation
- 90% of units
- 100% of active developments

	Units	Investment Allocation
Dublin - within M50	3,850	25.5%
Dublin - outside M50	5,950	39.4%
Rest of GDA	3,880	25.7%
Regional	1,420	9.4%
<b>Total</b>	<b>15,100</b>	<b>100.0%</b>



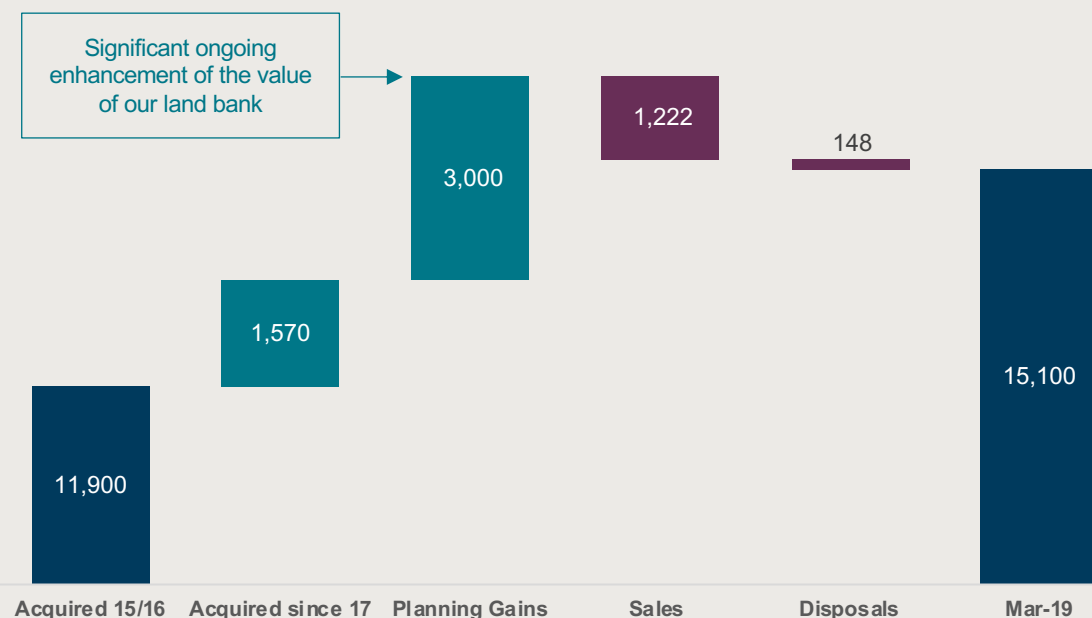
## Evolution of our Landbank

### Balance Sheet

	2015 / 2016	2017	2018
Land acquisitions	€693m*	€150m	€34m
Land (at cost) at year end	€690m*	€789m	€751m
Construction work in progress (at cost)	€37m	€104m	€181m

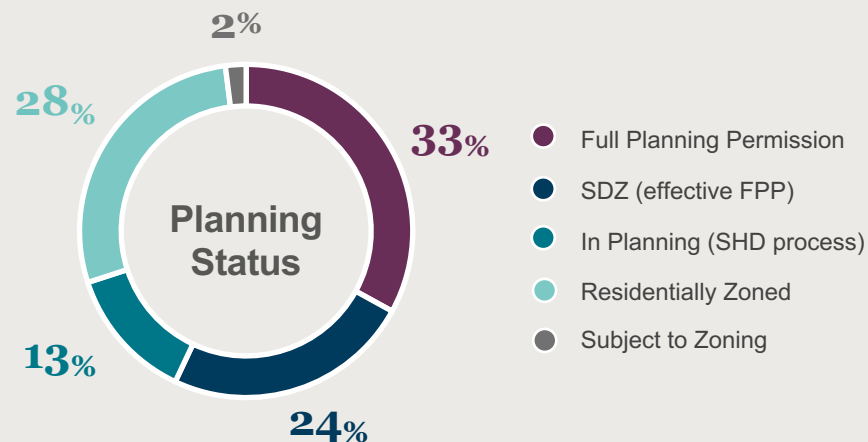
### Land Bank in Numbers

- €751m invested in land of 15,100 units
- 87% of units bought or contracted in 2015
- 80% of total capital invested in 2015 and 2016
- c. 3,000 incremental unit gains, including c. 1,100 units in 2018



# Planning

## Land Bank Planning Status



- **59** successful grants of planning since IPO:  
**100%** success rate delivering **4,931** units
- **2,106** units granted planning permission in 2018
- **98%** of land bank with no planning risk

## Efficient Planning Processes

- The Strategic Housing Development (SHD) and Strategic Development Zones (SDZ) processes covers our entire residentially zoned land bank:

### SHD Process

One step planning process

**5** applications granted planning  
(**1,620 units**)

**5** applications in process  
(**c. 1,800 units**)

Average duration –  
**30 weeks**

### SDZ Process

Eight week fast track planning  
process (no appeals)

**4** applications granted  
planning (**894 units**)

**3** applications at design  
stage (**c. 1,000 units**)

Average duration –  
**8 weeks**



Gandon Park, Lucan

# 04 Operations

## 2018 Revenue and 2019 Closed and Forward Sales Analysis

Product Mix	Units	ASP	Revenue
Housing – Starter Homes	532	€307k	€163.5m
Housing – Trade Up / Down	80	€421k	€33.7m
Apartments	192	€505k	€97.0m
<b>Total</b>	<b>804</b>	<b>€366k</b>	<b>€294.2m</b>

### 2019 Closed and Forward Sales (as at 6 March 2019):

Product Mix	Units	ASP	Revenue
Housing – Starter Homes	262	€300k	€78.6m
Housing – Trade Up / Down	82	€392k	€32.2m
Apartments *	127	€714k	€90.6m
<b>Total</b>	<b>471</b>	<b>€428k</b>	<b>€201.4m</b>

**Starter Homes: 532** sold in 2018 and **262** closed / forward sales in 2019 - ASP of **€305k** on **794** units

# Strong Sales Rates

## Sales

- Average 2018 weekly sales rate of **2.8 units per active sales outlet** (2017: 2.4 units)

Site	Average Weekly Sales since Formal Sales Launch
Parkside	2.7
Churchfields	2.7
Shackleton Park	4.2
Glenheron	3.5
Marianella	2.1
Elsmore	1.9
Mariavilla	4.0

## Spring selling season

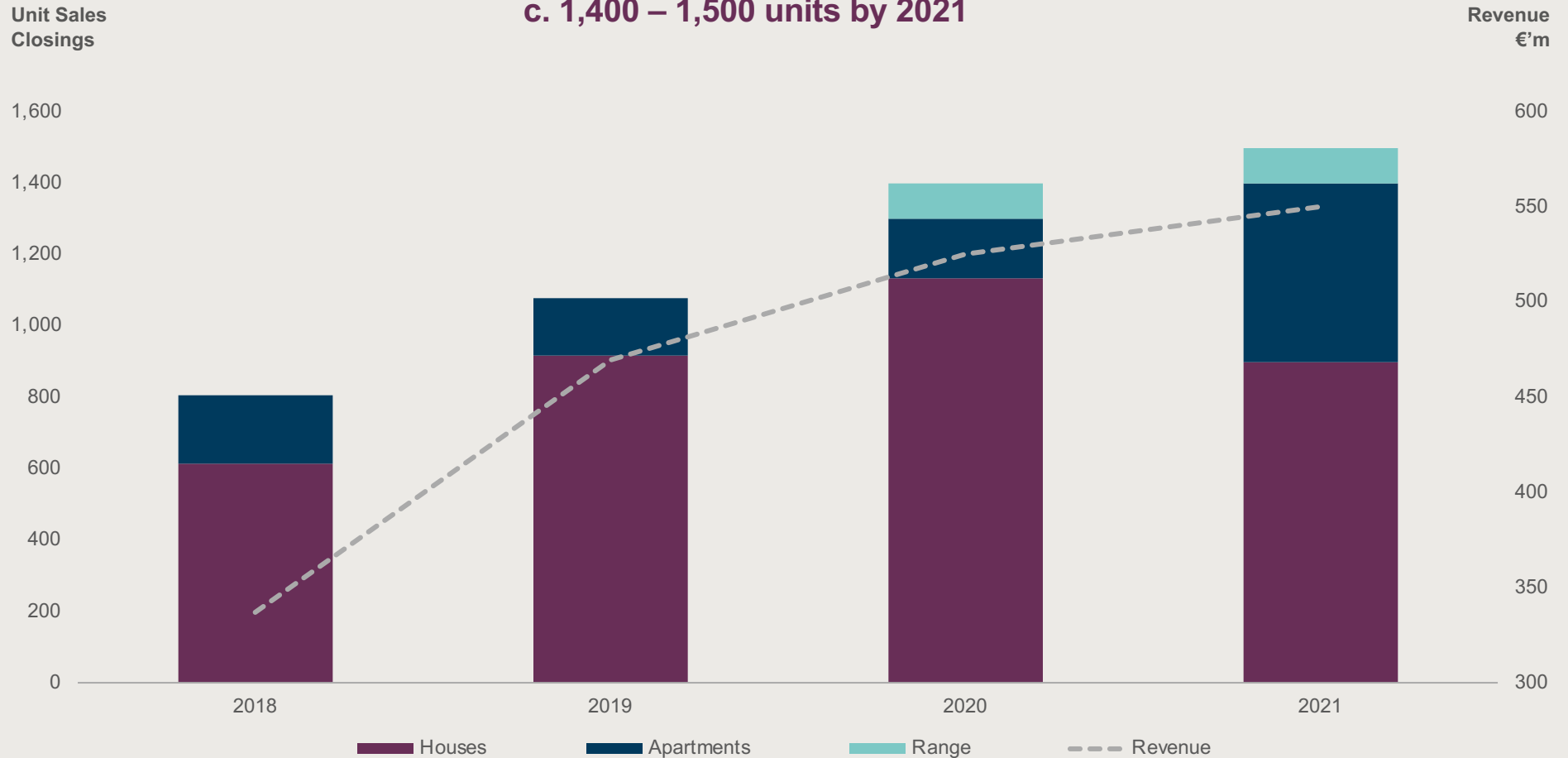
- Positive start with 7 launches to date
- Mariavilla (Maynooth) recently launched
- New show units launched for next phase in Shackleton Park (Lucan)
- Further launches in Donnybrook Gardens (Dublin 4), Gandon Park (Lucan) and Oak Park (Naas)
- Multifamily PRS sales launches planned





## Continued Revenue and Volume Growth

On track to deliver medium term target of  
c. 1,400 – 1,500 units by 2021



## Our Construction Model

Central procurement and site management leverages our scale and established subcontractor base

Procurement – current committed order book on active sites	€250m
Top 15 subcontractors	60%
Average total contact value awarded to Top 15 subcontractors	€18m
Average number of sites of Top 15 subcontractors	5

€242m procurement in 2018

2.75% annual build cost inflation

Fixed price agreements in place on active developments providing certainty on costs	Fixed Construction Costs	2019	2020
	% of Build Costs Fixed	81%	71%

Continuing to closely manage build cost inflation including the cost of new building regulations (NZEB) and wage inflation

# Procurement Advantages and Key Suppliers

## Procurement Advantages

- Scale
- Continuity of workload
- Standardisation
- Payment security
- Development pipeline visibility
- Quality and integrity of procurement process
- Safe and supportive working environment
- Cairn culture and values

## Key Suppliers



Strong Irish supplier base (>90%) with limited exposure to UK materials

# Cairn Brands

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*Marianella*  
RATHGAR, DUBLIN 6



SIX HANOVER QUAY



DONNYBROOK  
GARDENS



OAK PARK



Churchfields  
ASHBOURNE, CO. MEATH



SHACKLETON PARK  
LUCAN



EDENBROOK  
CITYWEST



Park  
Side



MARIAVILLA



GLENHERON  
GREYSTONES

**Elsmore**  
Family homes to love in the heart of Kildare



ALBANY



GANDON PARK



Mariavilla, Maynooth

# 05 Outlook



## Outlook

**5 new site commencements this year and strong forward sales pipeline underpins medium term target of c. 1,400 – 1,500 units by 2021**

**Continue to leverage significant demand for competitively priced starter homes, build to sell apartments and multifamily PRS units**

**Strong cash generation – c. €350m to €400m by the end of 2021**

**Intention to announce a first interim ordinary dividend of 2.5 cent per share in September 2019**

**Approach to capital returns in the form of ordinary dividends, special dividends and/or share buybacks to be outlined in September 2019**



# 06

## Appendices

# Macroeconomic Drivers for Cairn

## Population

**+1.3% (+ 64,500)**  
in the year to April 2018  
(3x EU average)



## Supply

**18.1k** new homes  
in 2018 – only  
**13.4k** in multi unit  
developments of which  
9.4k are in the GDA  
GDA annual  
demand – **c. 20k**

## Annual Housing demand

ESRI Estimate  
**35,000**



## Employment & Wage Inflation

Employment  
**+418k** since 2012  
Wage inflation  
**+3.4%** in 2018

## Shortfall in New Homes

**c. 75k** since  
June 2015 IPO

## Competitive Mortgage Market

Competition  
intensifying on headline  
mortgage rates  
Drawdowns (value)  
**+19.2%** in 2018

## Government Initiatives

Rebuilding Ireland  
Project Ireland 2040  
LIHAF  
Fast-track Planning  
Help to Buy  
Apartment Design  
Guidelines  
Building Height Guidelines

## Owning versus Renting

**+40%** more expensive to  
rent than own a 3-bed  
home in Dublin

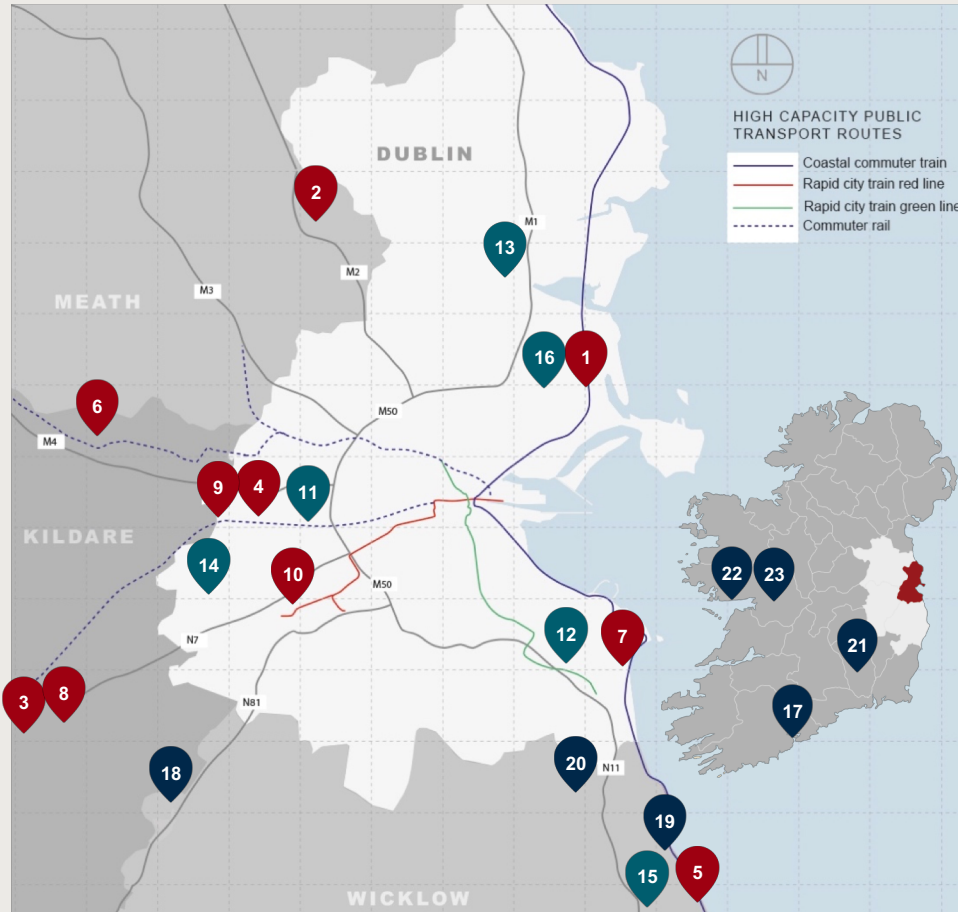
## Dublin Rents and House Prices

Rents **31%** higher than  
previous peak  
House prices **21.4%**  
below previous peak



## Well Located Housing Sites

(c. 10,700 units) with excellent public transport links and no planning risk



### Active

	Units
1 Parkside, Malahide Road	395
2 Churchfields, Ashbourne, Co. Meath	397
3 Elsmore, Naas, Co. Kildare	500
4 Shackleton Park, Lucan	768
5 Glenheron, Greystones, Co. Wicklow	393
6 Mariavilla, Maynooth, Co. Kildare	462
7 Albany, Killiney	20
8 Oak Park, Naas, Co. Kildare	251
9 Gandon Park, Lucan	237
10 Citywest, Dublin 24	165

### 2019 / 20 Commencements

11 Clonburris, Dublin 22
12 Cherrywood, South Co. Dublin
13 Swords, Co. Dublin
14 Newcastle, Co. Dublin
15 Farrankelly, Delgany, Co. Wicklow
16 Parkside, Malahide Road (NAMA JV)

### Future

17 Douglas, Cork
18 Blessington, Co. Wicklow
19 Coolagad, Greystones, Co. Wicklow
20 Enniskerry, Co. Wicklow
21 Callan Road, Kilkenny
22 Ragoon, Galway
23 Ballymoneen Road, Galway

### Cost per Housing Site

€37k

### Average Estimated Selling Price per Unit \*

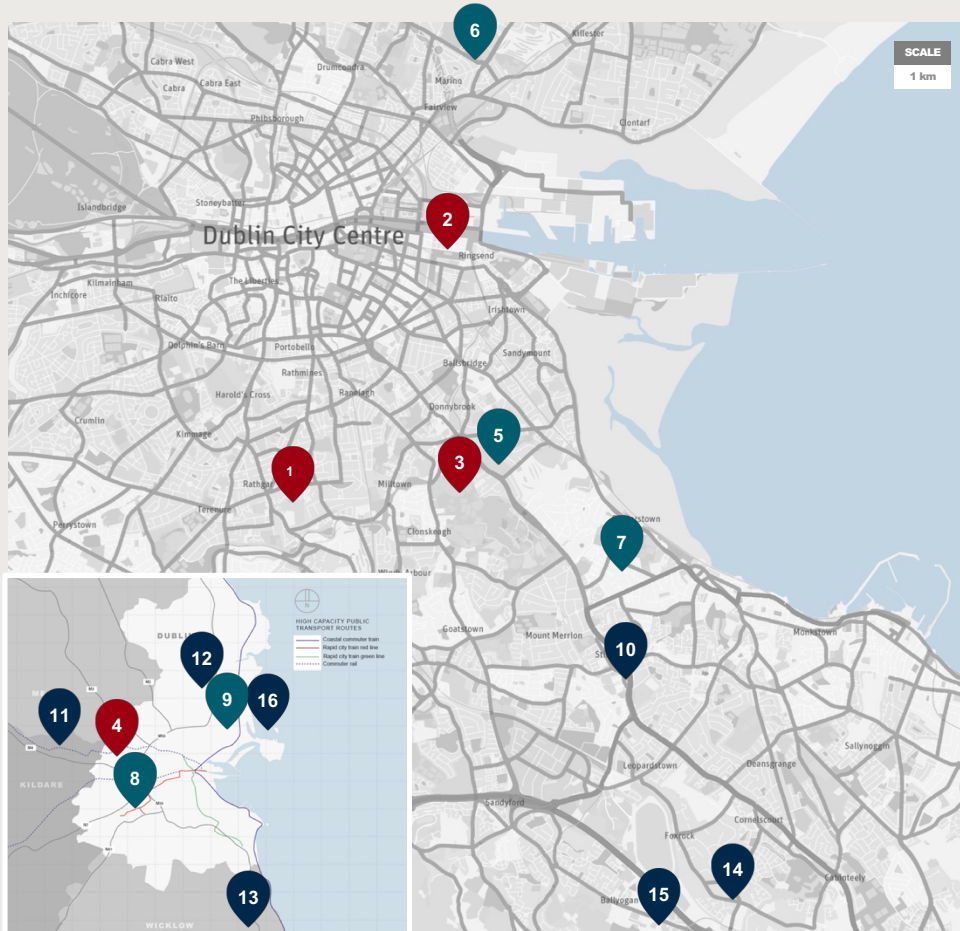
€309k





# Prime Apartment Sites

(c. 4,400 units) in and near Dublin City



Active	PRS Opportunity	Units
1 Marianella, Rathgar, Dublin 6W		208
2 Hanover Quay, Dublin 2	✓	120
3 Greenfields, Donnybrook, Dublin 4		86
4 Shackleton Park, Lucan		60

## Planned 2019 / 20

5 Montrose, Dublin 4		
6 Griffith Avenue, Dublin 9	✓	
7 Cross Avenue, Blackrock, Co. Dublin		
1 Marianella, Rathgar, Dublin 6W (new phase)	✓	
8 Citywest, Dublin 24	✓	
9 Parkside, Malahide Road	✓	

## Future

10 Stillorgan, Co. Dublin (incl. PBSA)	✓	
11 Mariavilla, Maynooth, Co. Kildare (PBSA)	✓	
12 Swords, Co. Dublin	✓	
13 Glenheron, Greystones, Co. Wicklow	✓	
14 Barrington Tower, Carrickmines, Dublin 18	✓	
15 Glenamuck Road, Carrickmines, Dublin 18	✓	
16 Parkside, Malahide Road (NAMA JV)	✓	

Cost per Apartment Site

€76k

Average Estimated Selling Price per Unit \*

€541k



# The Profile of our Competitively Priced House Buyers

## Profile:

## Outlook:



### The First Time Buyer

- Individuals earning in excess of €70k (or combined for couples) with a preference for 3 bedroom houses (60% of Cairn FTB's)
- Mortgage dependent
- Help to Buy support

- Demand is at it's strongest in this segment of the owner occupier market
- Significant supply constraints remain
- Very positive outlook



### The Up-sizer

- Seeking a 4 or 5 bedroom house to accommodate expanded families
- Generally mortgage dependent – levels of equity vary with those who bought pre-2000 carrying significantly more equity into their new homes
- Location important

- Supply challenged as they are location specific and new homes at their price points are not being built
- Strong demand and positive outlook for those who bought their first home before 2005 and after 2010 (have equity), while challenged for those who bought between 2005 and 2008 (in negative equity)



### The Down-sizer

- Empty nesters downsizing from larger houses purchased in the 1970's - 1990's containing significant equity
- Generally cash purchasers, mainly seeking smaller houses or apartments

- Very strong demand in this segment – 60% of apartment purchasers in Marianella are Down-sizers
- Positive outlook



# The Profile of our Apartment Buyers

## Profile:

## Outlook:



### The Young Professional

- Individuals earning in excess of €80k, city centre location focused - want to live near where they work in 1 and 2 bedroom apartments
- Mortgage dependent and less price sensitive than FTB's

- Very strong demand in this segment but limited number of new apartments being built near where they work
- Growing market driven by an increasing number of higher paid jobs in Dublin's CBD, with numerous tech firms continuing to expand and Brexit relocations
- Very positive outlook



### Individual Investors

- Generally cash purchasers seeking 2 or 3 bedroom apartments for onward rental
- Living and working in Ireland, or Irish working overseas buying a residential property in Dublin as a potential future home

- Residential "buy to let" (BTL) investment is generally discouraged from a tax perspective, albeit full interest relief is now available in Ireland
- Improving funding environment - 20% of purchasers in Marianella were investors
- Neutral outlook



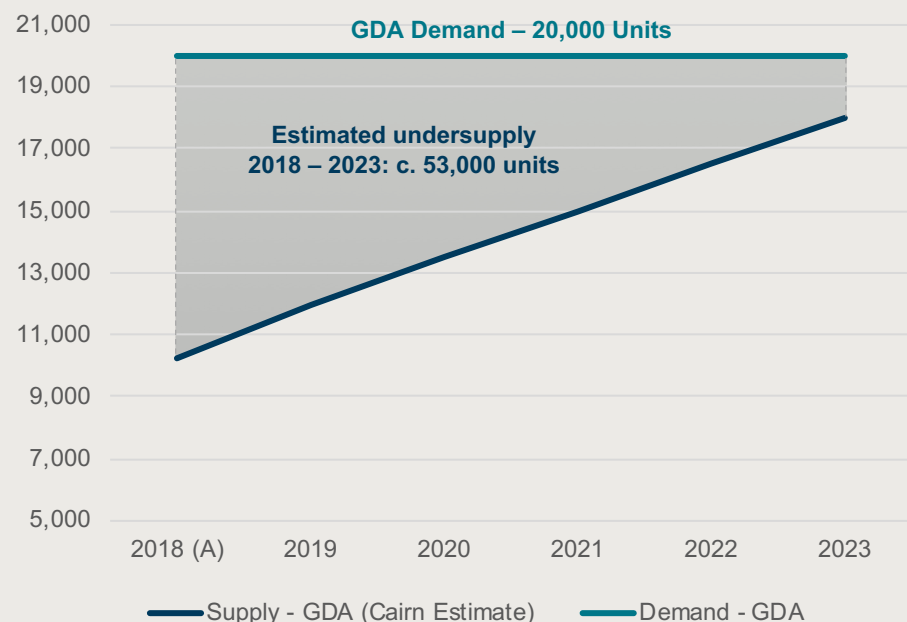
### Institutional Investors

- International institutional investors, multifamily PRS operators and Irish REIT's seeking entire apartment blocks to build multifamily PRS portfolios of scale
- Particular focus on Dublin (strong rents and attractive yields)

- Institutional investors actively seeking multifamily PRS opportunities
- Rents continue to increase and the supply of apartments, particularly in the CBD, will continue to be constrained
- Very positive outlook

# GDA Supply – Lagging Demand

## Cairn GDA Supply Forecast



- 10,245 new units delivered in the GDA in 2018. We estimate that output will increase by c. 1,500 units per annum into the medium term

## 2018 GDA

**10,245** completions include 830 (8%) one off houses

GDA supply is c. **50%** below demand levels

Only **1,833** apartments built

**70%** of national multi-unit supply

## 2018 National

**18,072** completions include 4,699 (26%) one off houses

Scale of undersupply of new homes in Ireland since Cairn IPO in June 2015: **75,827**



# Undersupply of Apartments

## In Dublin's Central Business District (CBD) there is a critical undersupply of apartments

- Despite the large number of apartment schemes that are through planning or in planning, and benefitting from density and height changes, we estimate that less than **4,000** apartments will be delivered by the end of **2021** in Dublin's CBD
- This is a critical undersupply for a capital city that is growing at the pace of Dublin and attracting continued FDI and Brexit displacement jobs
- Only **1,754** units are currently under construction in the CBD which is the maximum number of apartments that can be delivered by the end of 2020 due to the known construction timeline of an apartment development:

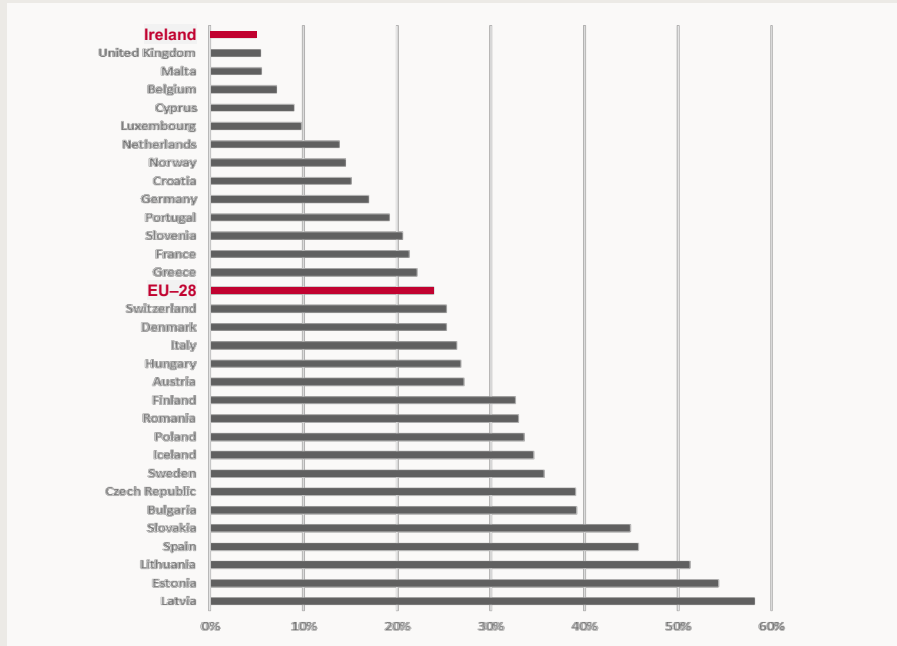
Status	Dublin 1	Dublin 2	Dublin 4	Dublin 8	CBD Total
Under Construction	756	382	370	246	<b>1,754</b>
FPP (construction not commenced)	828	178	379	216	<b>1,601</b>
Planning Application Lodged	560	0	202	93	<b>855</b>
Pre-Planning	810	0	600	0	<b>1,410</b>
Total	2,954	560	1,551	555	<b>5,620</b>

### Data Sources

1. Cairn's proprietary land and planning management information system;
2. An Bord Pleanála weekly lists and monitoring updates (SHD process schedules etc);
3. Commencement notices through Building Control Management System;
4. [www.buildinginfo.ie](http://www.buildinginfo.ie);
5. Broader media publications

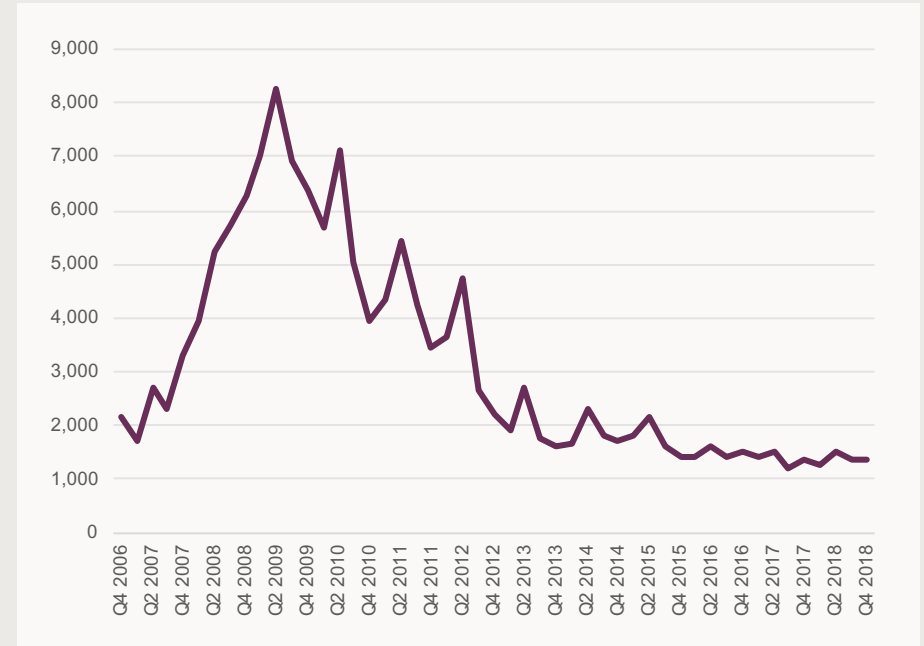
## Undersupply of Apartments (continued)

### Percentage of Population Living in Apartments



- The table highlights the level of undersupply of apartments in Ireland which has the lowest percentage of population living in apartments in the EU at 4.8%
- The EU average is 23.8%

### Dublin Properties to Rent



- The overall undersupply of apartments is further highlighted with only 1,350 properties to rent in Dublin as at 31 December 2018
- Availability of rental stock remains at record low levels at less than 0.3% of the total Dublin housing stock

## Snapshot of Recent Multifamily PRS Transactions

Property	Buyer	No. of Apartments	Reported Price
Neptune Building, Dun Laoghaire	International institutional investor	197	€72.5m
Leona & Charlotte Buildings, Dun Laoghaire	International institutional investor	319	€132m
Hampton Wood, Finglas, Dublin 11	REIT	128	€40m
Fernbank, Churchtown, Dublin 16	Domestic institutional investor	262	€138.5m
Elmfield, Leopardstown, Dublin 18	International institutional investor	185	€68.5m
Six Hanover Quay, Dublin 2	Irish asset manager	120	€101m
The Grange, Stillorgan, Co. Dublin	Domestic institutional investor	274	€126m
Bridgefield, Northwood Demesne, Santry, Dublin 9	International institutional investor	216	€84m
Dublin Landings, Dublin 1	Under negotiation - international institutional investor	268	€170m
Herbert Hill, Dundrum	Preferred bidder - international institutional investor	90	€50m
Belgrave Collection, Dublin 2, 4, 6 & 8	International institutional investor	265	€68m
Marrsfield Avenue, Clongriffin, Dublin 13	International institutional investor	372	€112m
Fairways, Dun Laoghaire	Preferred bidder - international institutional investor	214	€95m
<b>Total</b>			<b>€1.26bn</b>

## Depth of FTB Market

What would a couple have to earn to afford a new home:

Joint Income (€)	Number of Couples	Maximum Mortgage (3.5x Income) (€)	Can Afford a House at this Price (€)
72,500	221,000	253,750	282,000
93,000	133,000	325,500	362,000
114,000	83,000	399,000	443,000
135,000	47,000	472,500	525,000

Irish Revenue statistics indicate that there are:

**484k** couples who can afford to buy a house priced between **€282k** and **€525k**

**166k** individuals who can afford to buy a house priced between **€303k** and **€486k**.

What would an individual have to earn to afford a new home:

Income (€)	Number of Individuals	Maximum Mortgage (3.5x Income) (€)	Can Afford a House at this Price (€)
78,000	57,000	273,000	303,000
88,500	36,000	309,750	344,000
99,000	23,000	346,500	385,000
125,000	50,000	437,500	486,000

% of Cairn FTBs that are couples

**90%**

Average 2017 and 2018 Wage Inflation

**2.7%**

## Depth of FTB Market (continued)

If we assume that 25% of these couples and individuals own their own homes (less than 15% of all people aged under 49 own their own home), our addressable market (those who can afford to buy a new Cairn home, subject to having a deposit and mortgage approval) is:

Purchaser	House Price Bands (€'000)	Cairn Land Bank Units
FTB	275 – 300	4,100
	300 – 325	1,700
	325 – 350	1,400
Trade up/Mover	350 – 375	1,200
	375 – 400	500
	400 – 425	1,000
	425 – 450	300

For our **7,200** Starter Homes =  
**265k** couples and **69k** individuals  
(**100k** couples / **45k** individuals in the GDA)

For our **3,000** Trade-Up / Down Homes =  
**98k** couples and **55k** individuals  
(**28k** couples / **38k** individuals in the GDA)

Employment Growth 2017 and 2018

**+117,800 (+5.4%)**

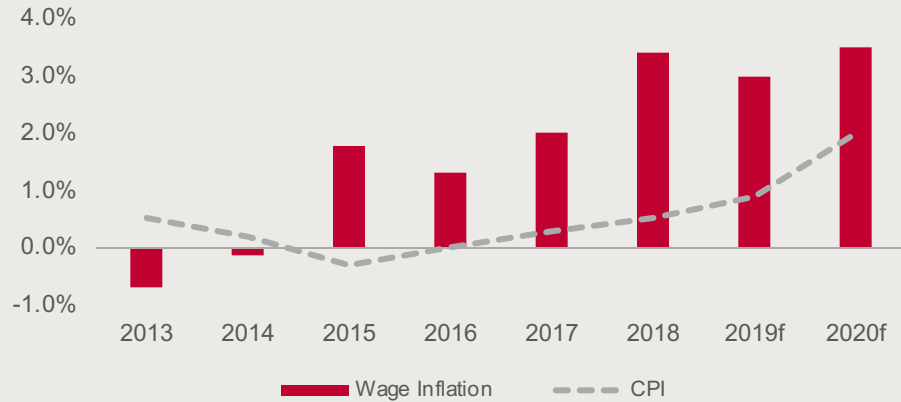
Number of Cairn FTB homes (sub €350k)

**7,200**

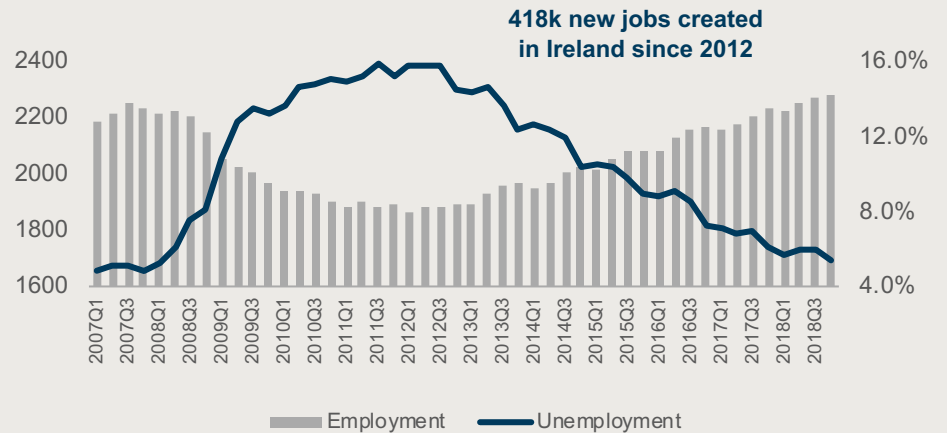


# Positive Outlook for Affordability

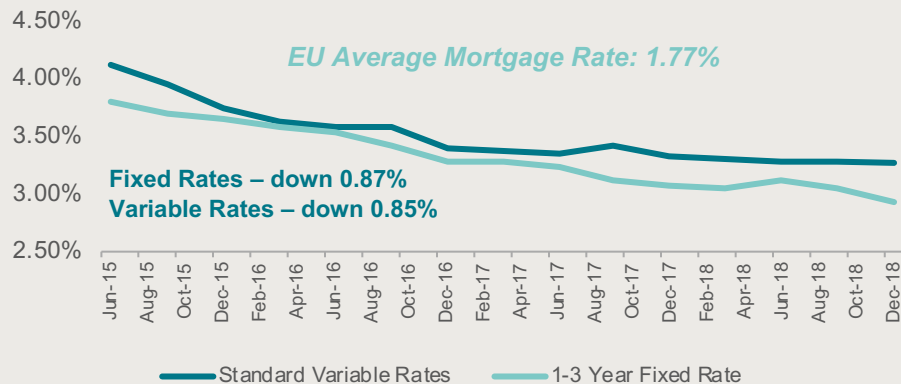
## Wage inflation outstripping Consumer Price Index



## Strong labour market

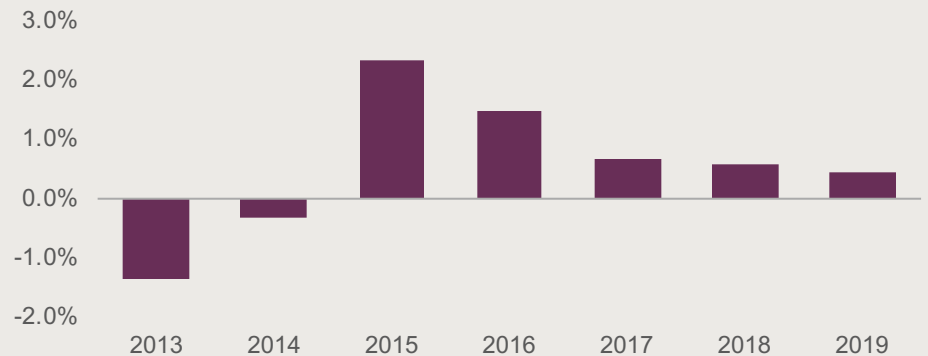


## Mortgage rates falling slowly



## Expansionary budgets

Impact on a couple earning €80k

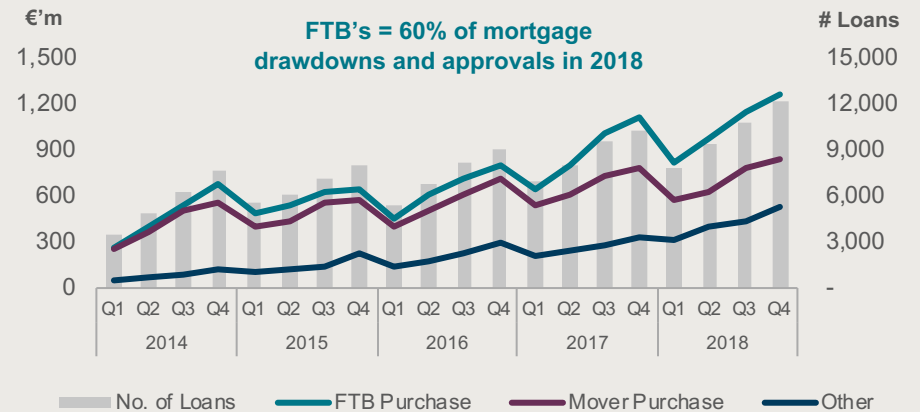


# Mortgage Market Conditions

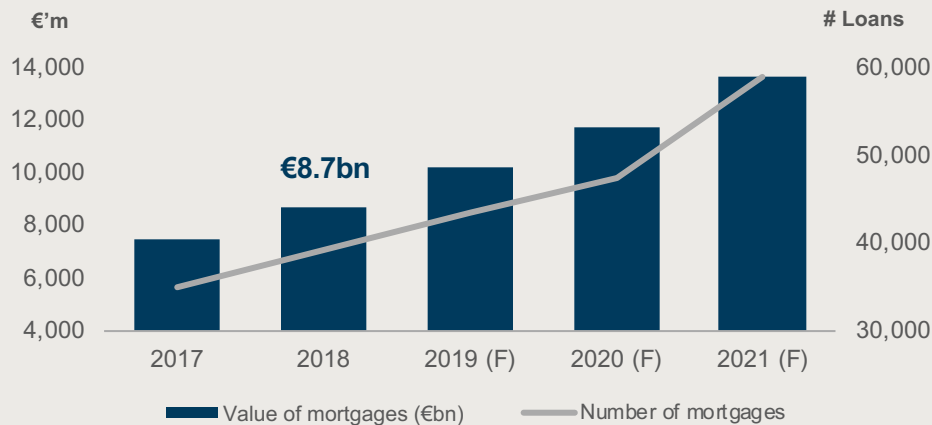
## New entrants making the market more competitive



## Mortgage drawdown growth is driven by FTB's



## Size of mortgage market expected to grow significantly



## Key facts

Since the introduction of Help to Buy in July 2016, 71% of FTB mortgage drawdowns have been for secondhand homes

In 2018: 21,919 mortgages approved for FTB's  
6,237 mortgage drawdowns for FTB's for new homes

Competition amongst mortgage providers is targeted at fixed rate customers – fixed rates as low as 2.3% available compared to standard variable rates at c. 3.27%

Average FTB age is 34 and LTV is 80%

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