



Capital Markets Day

17 November 2018



Agenda

Page

- | | | |
|----|---|----|
| 01 | Opportunity | 2 |
| 02 | The Questions Investors Are Asking | 7 |
| 03 | Presentation from David Hammond,
Head of Mortgages, AIB
“Mortgage Market Conditions” | 39 |
| 04 | Presentation from Paul Mitchell,
Mitchell McDermott Property Consultants
“Build Cost Environment” | 41 |
| 05 | Conclusion | 43 |
| 06 | Q&A | 45 |



Opportunity

The opportunity

Fastest Growing Economy in the EU

Average annual GDP
9.5% since 2013

Massive Undersupply Likely to Continue

Supply – **12,500** excl.
one off houses
Demand – **c. 35,000**

Demographics

Growing addressable
market – **483k** couples
and **165k** individuals.
High population growth
and family formation

Dublin & GDA Growth

Significant growth in
employment, Brexit job
displacement and
significant residential /
office supply imbalance

How we are positioned

Best Located Land Bank

14,500 units
acquired in
2015/16 when little
competition
existed in the right
locations where
strong demand
exists

Low Cost Land Bank

Average unit cost
less than **50%** of
current land
values

Best Team

Talented,
ambitious and
experienced
homebuilders

Scale

Active on **13** sites
(average site size:
housing - c. **450**
units, apartments
– c. **175** units)

Maturing Business

Current year unit
sale completions
c. 800 and
growing

Source: CSO, Goodbody, Revenue.ie

Our vision, mission and strategic pillars

Vision

Be the most trusted and respected home builder in Ireland

Mission

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

Strategic Pillars



People

Continue to attract and retain the best talent in the market



Homes

Design and build brilliant homes



Customers

Make the home buying journey exceptionally positive for all our customers



Places

Create places for communities to prosper



Operational excellence

Leverage a commercial operational platform

Values

Collaborative

Agile & Innovative

Commercially Minded

Committed & Engaged

Honest & Straight Talking

Our 1000th Customers

We were delighted to welcome Jenny and Colin to their new home in Shackleton Park as our 1000th customers in October 2018



Our active and upcoming schemes



SIX HANOVER QUAY



DONNYBROOK
GARDENS



GANDON PARK



OAK PARK



MARIAVILLA



Upcoming sites:

Montrose, Donnybrook - **Griffith Avenue**, Dublin 9 - **Newcastle**, Dublin - **Citywest**, Dublin - **Farrankelly**, Delgany

- 01 Opportunity
- 02 **The Questions Investors Are Asking**
- 03 Presentation from David Hammond,
Head of Mortgages, AIB
“Mortgage Market Conditions”
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- 05 Conclusion
- 06 Q&A



The questions investors are asking

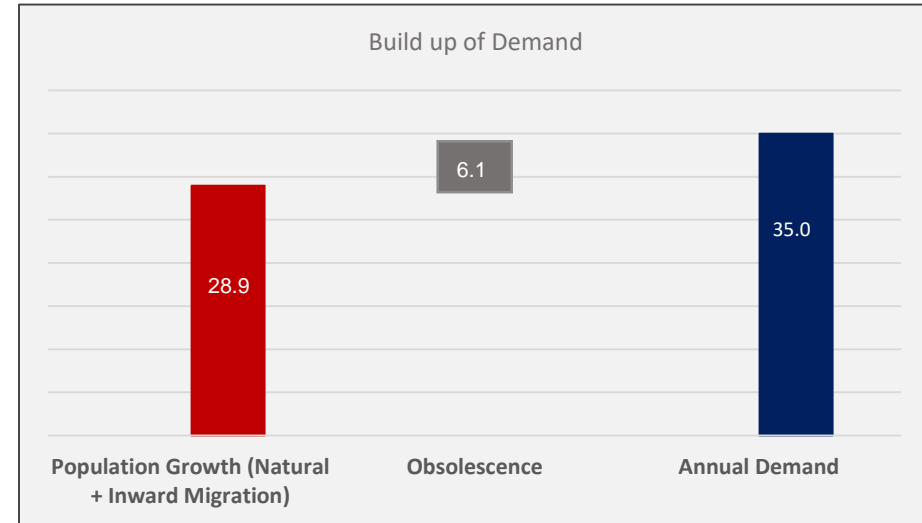
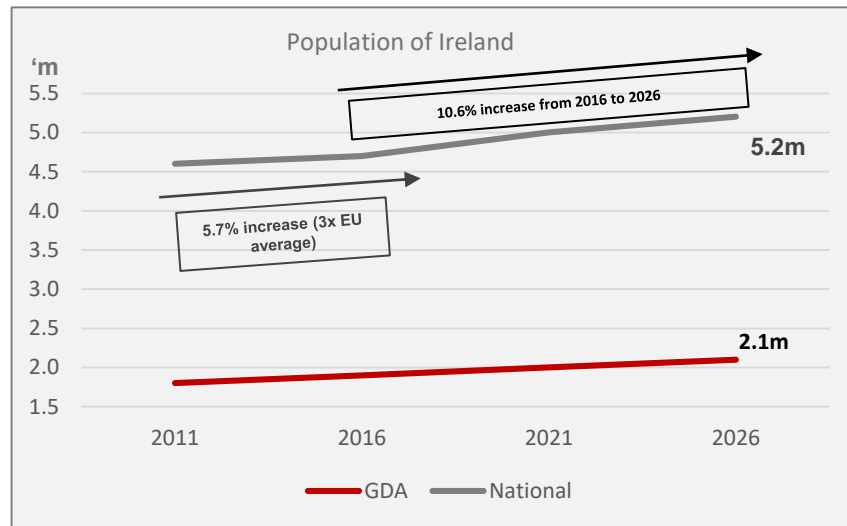
1. What is the likely level of demand for new homes for the next 3 – 5 years?
2. What does affordability look like for the next 3 – 5 years?
3. Can these potential customers obtain mortgages?
4. What is the profile and outlook for our market segments?
5. Does Ireland have a housebuilding industry to meet this demand?
6. How does Cairn use it's scale to manage build cost inflation?
7. What is the outlook for apartment building in Dublin for both build to sell and PRS / multi-family units?
8. How is Cairn uniquely positioned to meet demand in the apartment market?

The questions investors are asking

What is the likely level of demand for new homes for the next 3 – 5 years?

Strong population growth driving 35,000 unit annual demand

There are various estimates of national and GDA housing demand ranging from 30,000 to 55,000 units nationally and 15,000 to 25,000 units in the GDA. We estimate national demand at 35,000 and GDA demand at 20,000 units



Population growth is being driven by:

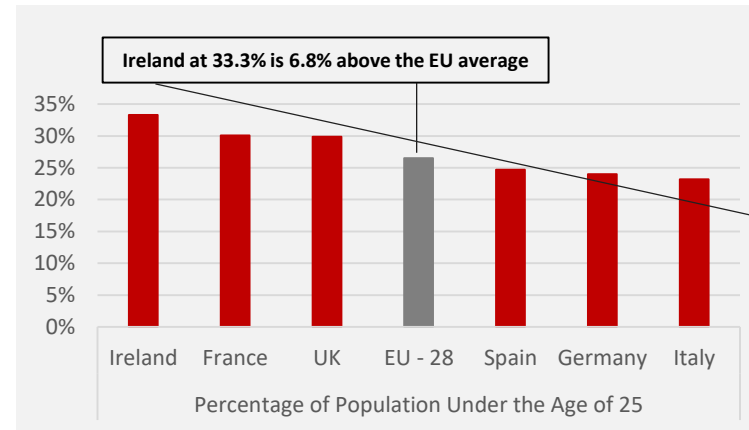
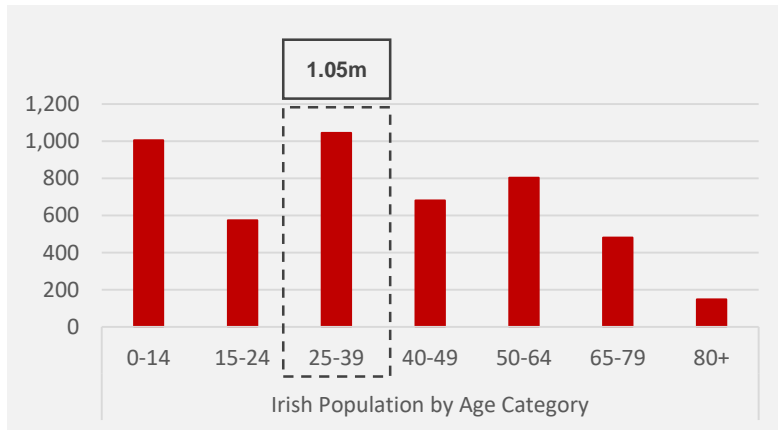
- A high birth rate (13.5 births for every 1,000 of population in 2017 – highest in EU)
- One of the highest household formation sizes in the EU at 2.8x (average 2.3x)
- Inward migration

28.9k annual housing demand from population growth:

- Population in 2016 (4.7m) x headship rate (35.2%) = 1.691m houses needed
 - Population in 2021 (5.0m) x headship rate (36.8%) = 1.836m houses needed
- ➔ $1.836 - 1.691\text{m} = 0.145\text{m} / 5 \text{ years} = 28.9\text{k houses per annum}$
- 6.1k obsolescence = 2.04m million houses in Ireland x 0.3% annual obsolescence

Source: CSO, Eurostat, Goodbody

Demand underpinned by one of the youngest populations in the EU



% of all houses in Ireland owned by people aged < 39

16%

% of all houses in Ireland rented by people aged < 39

58%

Demand will be underpinned by our young population and the cohort of 25-39 year old's who don't own homes and are stuck in the rental trap



In a survey dated July 2018, **90% of those surveyed said their desire was to own a home** – the traditional home ownership rate in Ireland was over 70% and it is not by choice that 58% of all rented homes in Ireland are rented by people aged under 39 - it is because **there are not enough new homes being built**

Indebtedness of 25-34 age category

Amongst lowest in the EU

GDA demand

c. 60% of national total (20k)

Source: CSO, Eurostat, Aviva

The questions investors are asking

What does affordability look like for the next 3 – 5 Years?

Breaking down our addressable housing market for FTB's and Traders

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

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

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

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

Irish Revenue statistics indicate that there are 483k couples who can afford to buy a house priced between €282k and €525k and 165k individuals who can afford to buy a house priced between €303k and €486k.

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
	350 -375	1,200
Trade up/Mover	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)

% of Cairn FTBs that are couples

90%

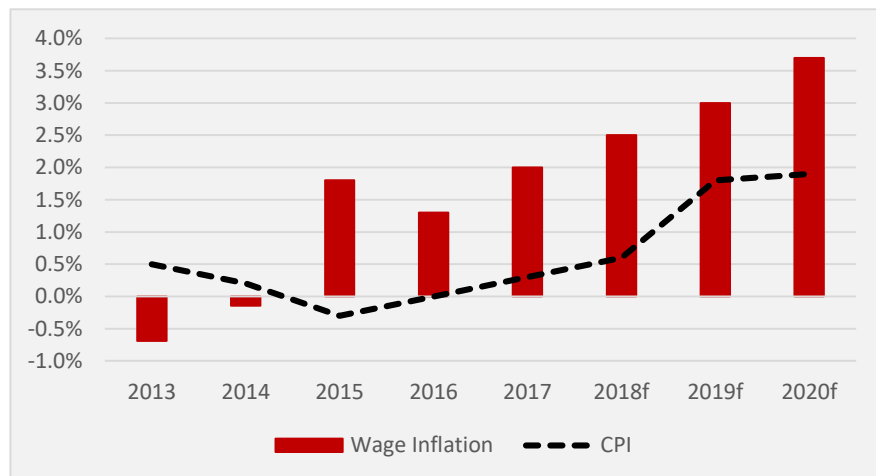
Number of Cairn FTB homes (sub 375k)

8,450

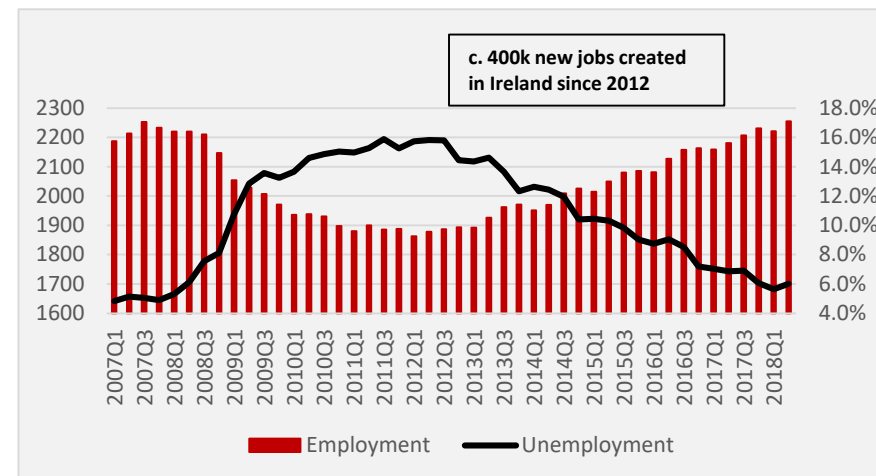
Notes: The table highlights house price affordability based on Revenue.ie 2016 individualised gross income distributions. Individuals then grouped as couples. Wage inflation is added for both 2017 (2%) and 2018 (2.5%). Maximum mortgage calculated as 3.5 times 2018 gross income. Full house price assumes maximum mortgage equates to 90% LTV. These are current affordability levels and not forecasts.

Positive outlook for affordability

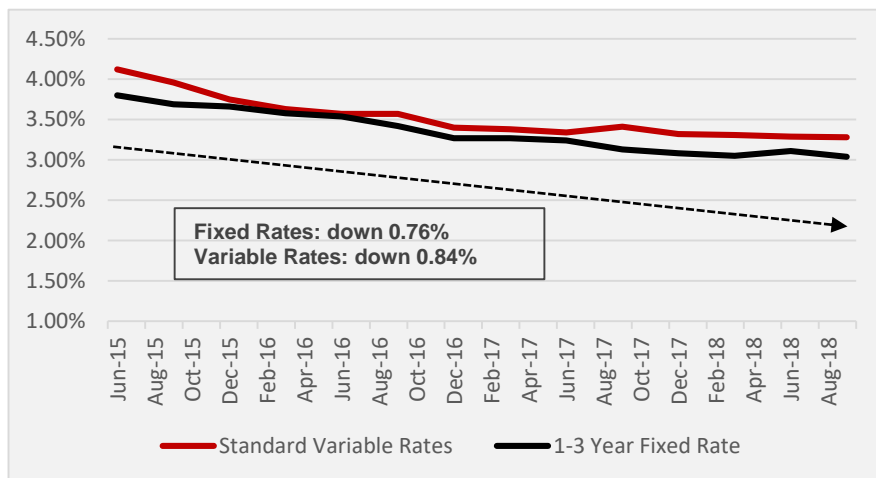
Wage inflation outstripping Consumer Price Index



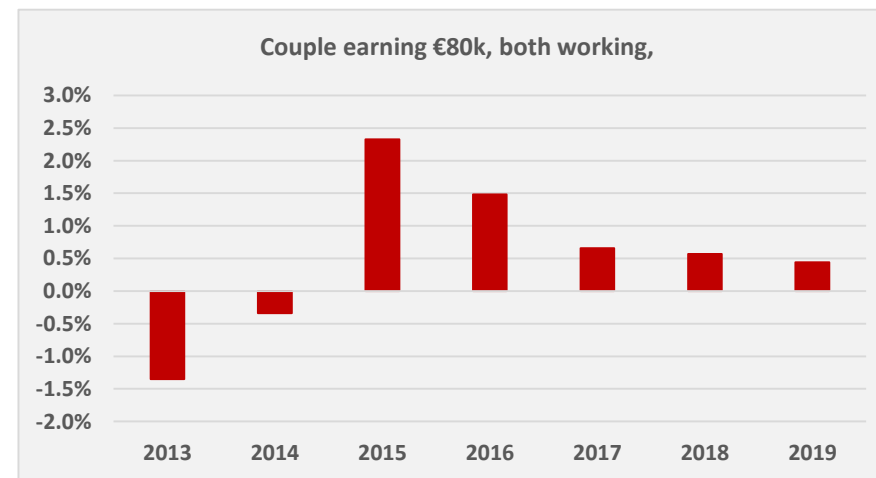
Strong labour market



Mortgage rates falling slowly



Expansionary budgets



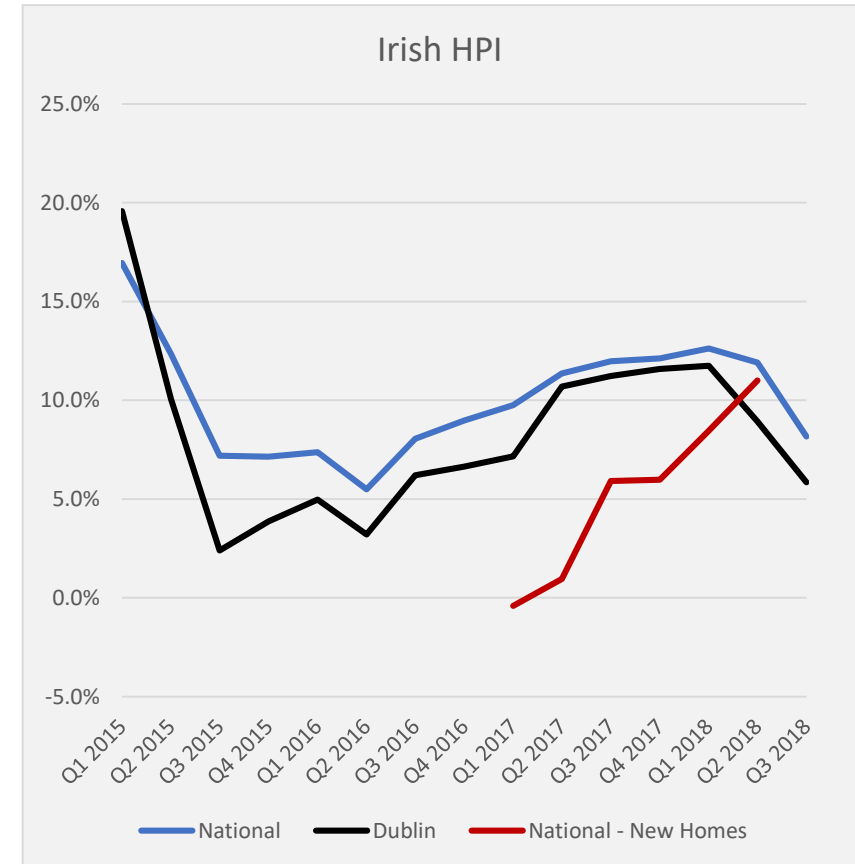
Source: CSO, Goodbody, BPFi, CBI, Taxcalc.ie

Outlook for house price inflation (HPI)

HPI was 8.2% nationally as at 30 September 2018, and have been driven by an illiquid second hand market with only c. 17% of all residential property transactions over the past 3 years relating to new homes completions. HPI specific to new home construction has only been available from Eurostat since 2016

Cairn are currently experiencing c. 6% HPI across our various product categories. The following factors are likely to support a sensible level of HPI going forward:

- Macroprudential lending rules
- Wage inflation and a broadening buyer pool with increased employment
- Continued poor supply response
- Mortgage interest rate competition



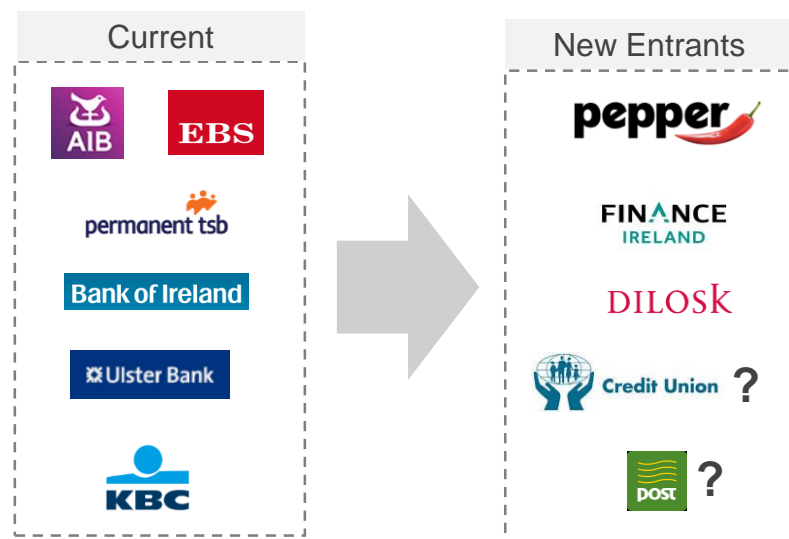
Source: CSO, Eurostat

The questions investors are asking

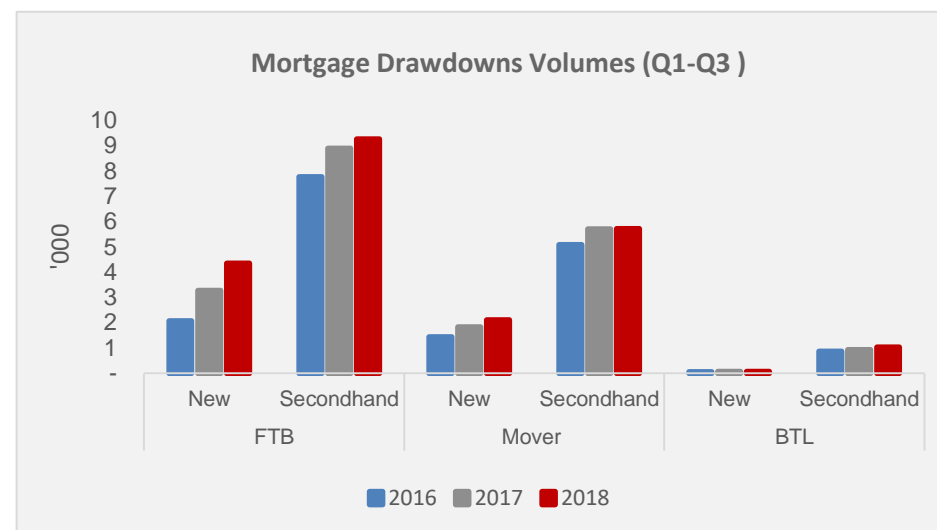
Can these potential customers obtain mortgages?

Mortgage market conditions

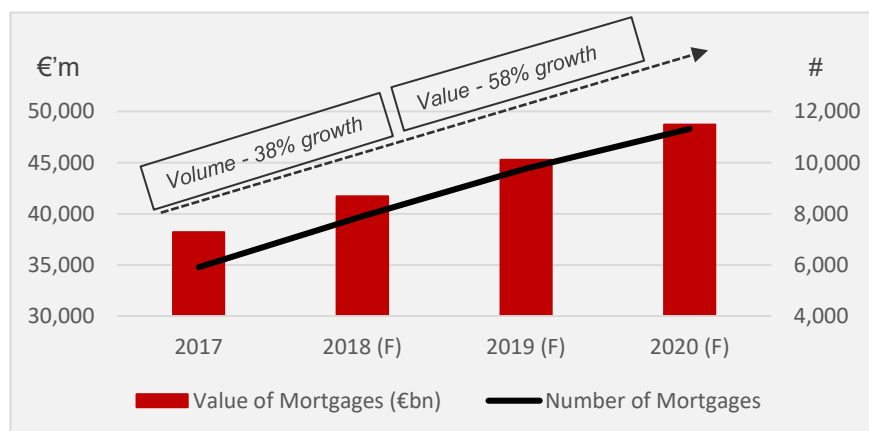
New entrants making the market more competitive



Mortgage volume 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, **72% of FTB mortgage drawdowns have been for secondhand 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. **3.25%**

FTB's account for **60% of total mortgage drawdowns** by volume in the year to September 2018

Average FTB age is **34** and LTV is **80%**

What the banks are saying



"Our market share of mortgage drawdowns in the first half was 32% and our strong trend in applications and sanctions continues. Based on market leading shares in key segments, we are well positioned for further growth" – **2018 Interim Results, 27 July 2018**

Bank of Ireland

"24% increase in new mortgage lending in Ireland where our market share was 28% for the first 8 months of 2018. The Group is re-entering the Irish mortgage broker market in November 2018" – **Interim Management Statement, 25 October 2018**



Europe needs to pass legislation to allow financial services companies to work across borders. The big limit here is the presence of a monopoly," he said. "The answer there is (more) competition" - **Mario Draghi, Dublin, 8 November 2018**

The mortgage market is a high growth strategically important sector for the Irish Banks

The questions investors are asking

What is the profile and outlook for our market segments?



The First Time Buyer

Profile

- 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

Outlook

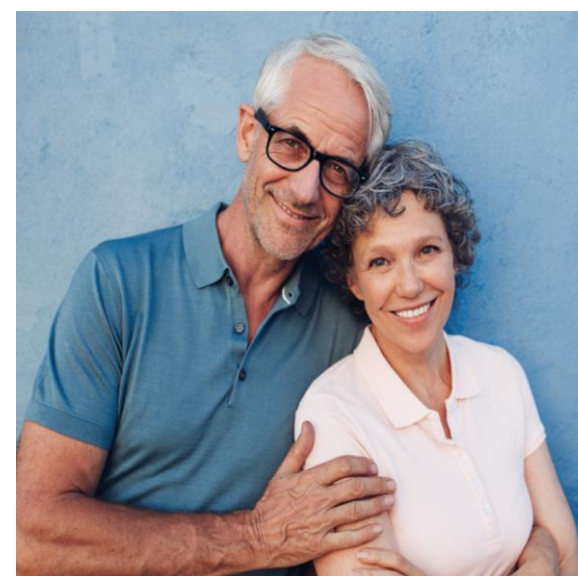
- Demand is at it's strongest in this segment of the owner occupier market
- Significant supply constraints remain
- Very positive outlook



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 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 houses purchased in the 1970' - 1990's containing significant equity
- Generally cash purchasers, mainly seeking a 2 or 3 bedroom apartment in prime locations

- Little or no apartments built in the last 10 years and that trend is continuing, particularly in prime Dublin locations
- Very strong demand in this segment - 60% of apartment purchasers in Marianella are Down-sizers
- Positive outlook



The Young Professional

Profile

- 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

Outlook

- 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



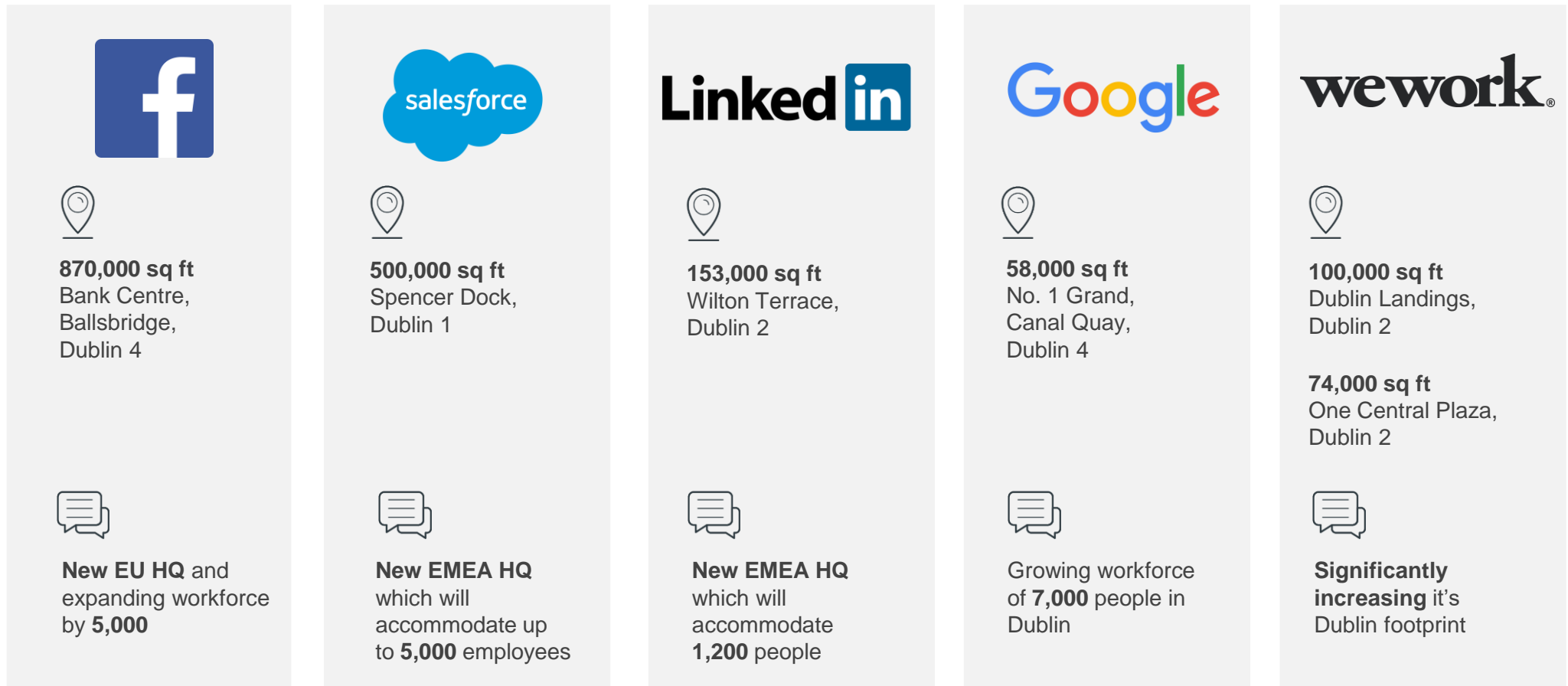
Institutional Investors

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

- REIT's now struggling to find apartment opportunities as the supply of half finished stock from the downturn is gone
- Rents continue to increase and the supply of apartments, particularly in the CBD, will continue to be constrained
- Very positive outlook

The outlook for the CBD look particularly strong (FDI / Brexit)

Recent office lettings in the Dublin CBD:



"It is unquestionably a challenge for the (tech) sector here in Dublin – it is an issue for our company, for the city and for the entire country."

"It's a concern if people can't find suitable accommodation within a proximate distance of the office where their commute time is reasonable and manageable and if they can't do that on an affordable basis."

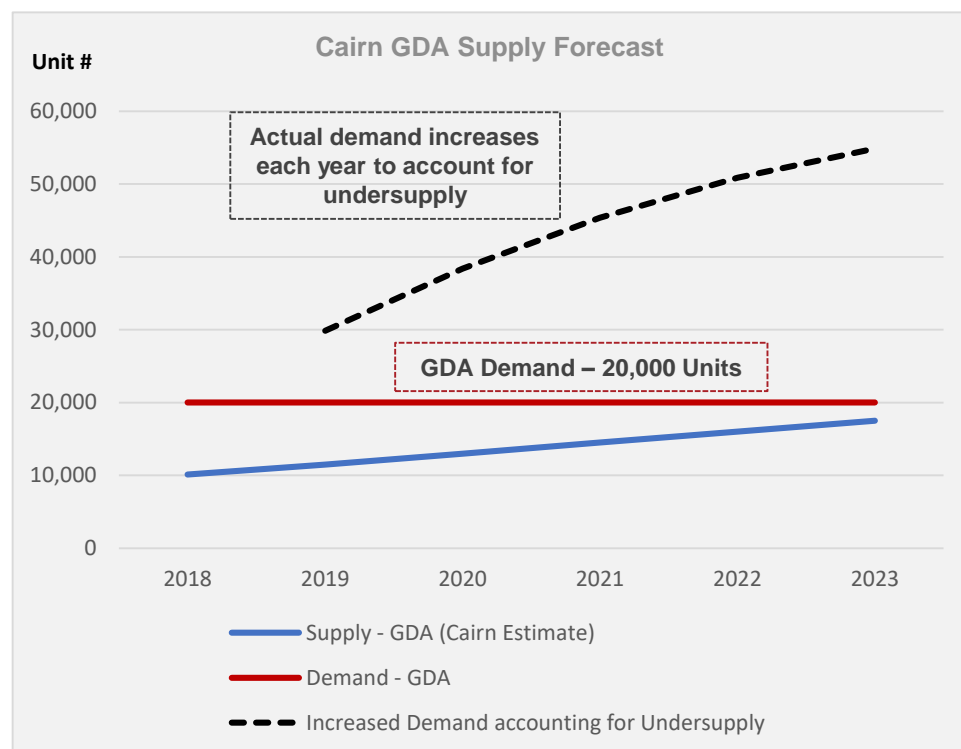
Patrick Scully, MD Yahoo and AOL, Ireland (November 2018)

Source: Savills

The questions investors are asking

Does Ireland have a housebuilding industry to meet this demand?

GDA supply response will continue to lag demand



With c. 10,000 units to be delivered in the GDA in 2018, we estimate that output will increase by c. 1,500 units per annum into the medium term

9,733 completions in the GDA in the year to September 2018 include 825 (15%) one off houses. We forecast c. 10,000 units for full year 2018

GDA supply is **51%** below demand levels

Only **1,725** apartments built in the GDA in the year to September 2018

71% of national multi-unit supply is in the GDA

17,161 completions nationally in the year to September 2018 include 4,574 (27%) one off houses

Scale of undersupply of new homes in Ireland since Cairn IPO in June 2015:
72,548

Only c. 20 live residential schemes that have the potential to deliver in excess of 100 units in 2018

Based on publicly available information on the Property Price Register, it is estimated that there are only 20 live residential schemes nationally which have the potential to deliver in excess of 100 completed unit sales in Ireland in 2018:

#	Development Name	Developer
1	Churchfields, Ashbourne, Co. Meath	Cairn Homes plc
2	Glenheron, Greystones, Co. Wicklow	Cairn Homes plc
3	Marianella, Rathgar, Dublin 6W	Cairn Homes plc
4	Parkside, Malahide Road, Dublin 13	Cairn Homes plc
5	Shackleton Park, Lucan, Co. Dublin	Cairn Homes plc
6	Belltree, Dublin	Peer A
7	Longview, Dublin	Peer A
8	Barnwell, Dublin	Peer B
9	Carton Wood, GDA	Peer C
10	Clay Farm, Dublin	Peer D
11	Cuil Duin, Dublin	Peer E
12	Dunville, GDA	Peer F
13	Elder Heath, Dublin	Peer G
14	Elmfield, Dublin	Peer H
15	Hansfield, Dublin	Peer I
16	Hollywoodrath, Dublin	Peer J
17	Honeypark, Dublin	Peer K
18	Scholarstown Wood, Dublin	Peer L
19	Silverbanks, Dublin	Peer M
20	Stoneleigh, GDA	Peer N

It is very difficult for building companies to leverage scale benefits unless they are building on multiple large scale schemes. The table above clearly illustrates that Ireland today only has 2 companies that are on multiple large scale sites and does not have an efficient, functioning homebuilding industry.

Top 20 homebuilders delivering only 9% of annual national demand

A recent Goodbody note stated that the top 20 homebuilders in Ireland only sold c. 1,600 units in H1 2018

Goodbody report that the top 20 homebuilders in the UK delivered **50%** of total UK supply in 2017

With annual demand at 35,000 units, the output of the top 20 homebuilders equates to c. **9.3%** of total demand on an annualised basis

Increasing supply in the Irish homebuilding industry is being constrained by the inability of Irish homebuilders to scale at pace

New Homes Supply Constraints	Industry	Cairn
Equity base	X	✓
Low cost bank funding	X	✓
Low cost land	X	✓
Building on large sites	X	✓
Multiple active sites	X	✓
Substantial subcontractor base	X	✓
Currently operating at scale	X	✓
Pricing advantage	X	✓
High Margin, ROCE and Cash Generation	X	✓

Source: Goodbody

The questions investors are asking

How does Cairn use it's scale to manage build cost inflation?

Disciplined management of build cost inflation

A key factor in Cairn's model ensuring that we can continue to price our new homes competitively is how we manage build cost inflation:

- We have procured **c. €400m** (orders placed and prices fixed) since IPO;
- Our Top 15 subcontractors account for **c. 60%** of this (**c. €240m**), working across an average of **5** developments each;
- We have fixed price contracts in place across all of our active construction sites which provide certainty over construction costs on these active developments:

Fixed Construction Costs	2018	2019
% of Build Costs Fixed - 16 November 2018	100%	89%
(% of Build Costs Fixed - 3 September 2018)	(95%)	(79%)

Strong and established relationships with subcontractors are central to our approach:

	Niall Gaffney Electrical & Plumbing	Daltech Limited	Duey Brothers Plastering Limited
Trade	Electrical	Engineering	Plastering
Value of Cairn Orders	€19.2m	€5.6m	€7.0m
Number of Cairn Sites Worked On	8	4	2
Number of Cairn Sites Currently Working On	5	4	2
Number of Employees on Cairn Sites Today	c. 75 - 80	c. 35 - 40	45
Revenue Growth: 2015 - 2018	€7m to c. €18m	€772k to c. €2m	€2m to c. €7.5m
Staff Numbers: 2015 - 2018	50 to 205	15 to 60	25 to 93
Comment from Subcontractor	"Capacity to double our production on Cairn sites and are in a position to resource a further 4-5 Cairn sites at current output levels"	"2 similar sites with same delivery"	"Availability for a further 20 tradesmen which would allow us to take on a further two sites of the same scale as we are currently working on"

This approach enables us to maintain build cost inflation below **3%**

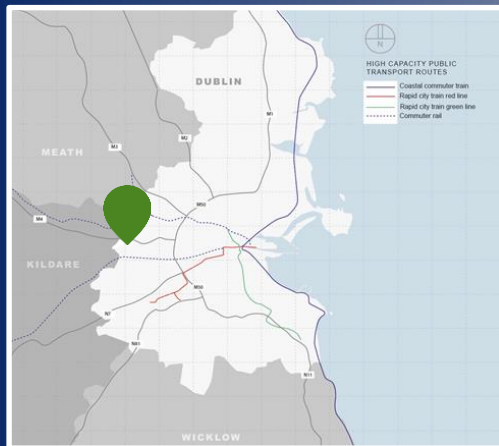
Shackleton Park – our business model in practice

SHACKLETON PARK LUCAN

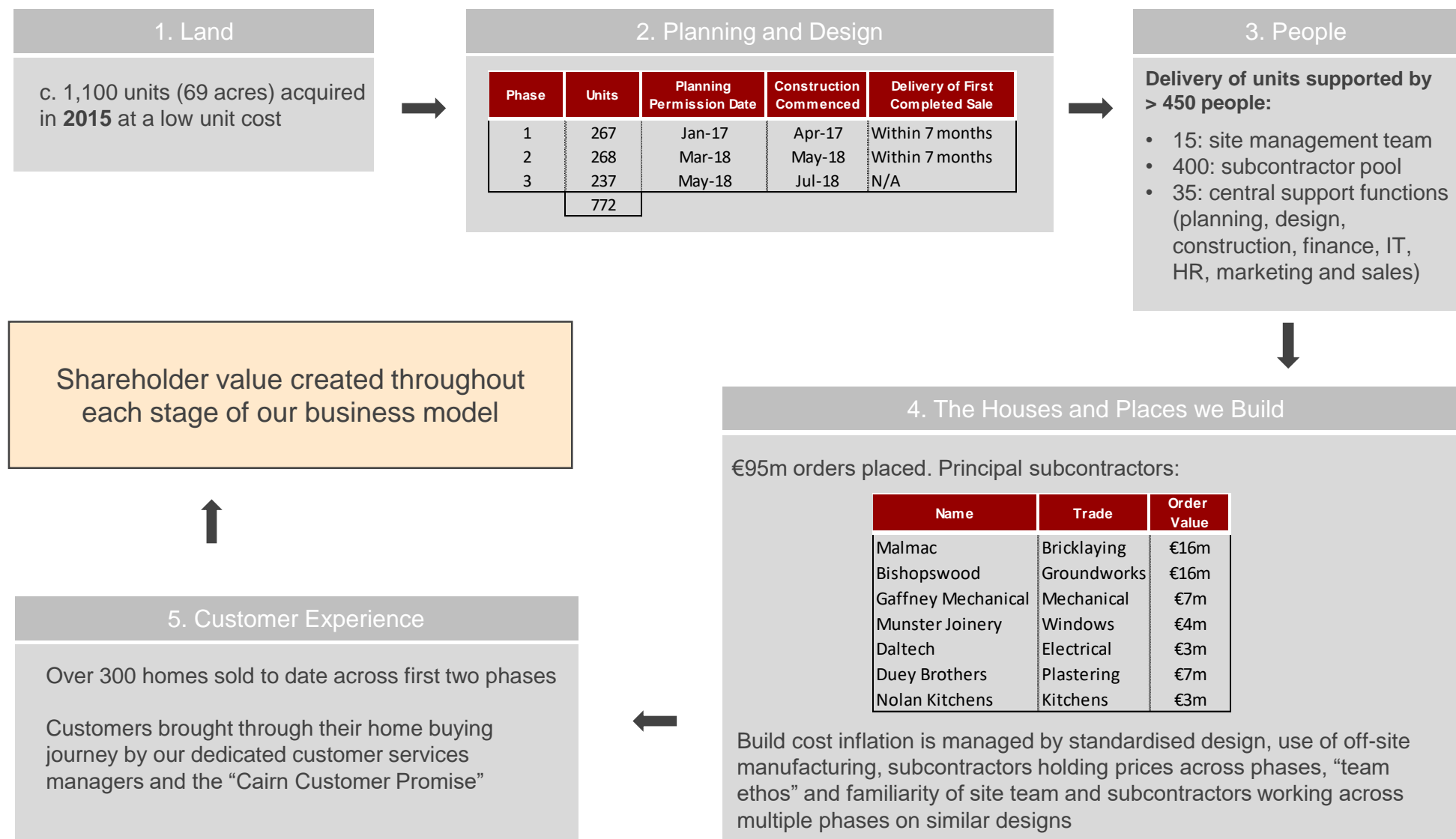
Initial Site Commencement: **April 2017**

Units Sale Completions **200**

Under Construction: **500**



An illustration of how Cairn and one of its large schemes manages build cost inflation



The questions investors are asking

What is the outlook for apartment building in Dublin for both build to sell and PRS / multi-family units?

Not enough apartments under construction in the CBD

Despite the large number of apartment schemes that are through planning or in planning, and benefitting from density and height changes, we estimate that only c. 3,500 apartments will be delivered by the end of 2021 in Dublin's Central Business District (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 1,852 units are currently under construction in the CBD and therefore this is the maximum number of apartments that can be delivered in the next two years due to the known construction timeline of an apartment development:

Status	Dublin 1	Dublin 2	Dublin 4	Dublin 8	CBD Total
Under Construction	610	586	410	246	1,852
FPP (construction not commenced)	828	-	436	162	1,426
Planning Application Lodged	-	-	94	-	94
Pre-Planning	1,200	-	600	-	1,800
Total	2,638	586	1,540	408	5,172

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;
5. Broader media publications

Developers focused on commercial property

The pace of CBD office construction continues to significantly exceed apartment construction. An analysis of current and medium-term anticipated activity in both sectors highlights the ever-growing disparity:

CBD New Apartment Delivery



	2016 - 2017 (a)	2018 - 2021 (f)	Total
Supply (# Apartments)	1,108	5,091	6,199
Average # Occupants per Apartment	2.16	2.16	2.16
Apartment Supply - Bed Capacity	2,393	10,997	13,390

CBD New Office Delivery



	2016 - 2017 (a)	2018 - 2021 (f)	Total
Supply (sq. m.)	190,000	630,000	820,000
Work Space Required per Employee (sq. m.)	10	10	
Number of Jobs Created	19,000	63,000	82,000

With enough office space to be delivered between 2016 and 2021 for 82,000 people in Dublin's CBD, we estimate that just over **6,000** apartments will be built in the same period, meaning over **68,000** employees will be forced to seek accommodation in the suburbs.

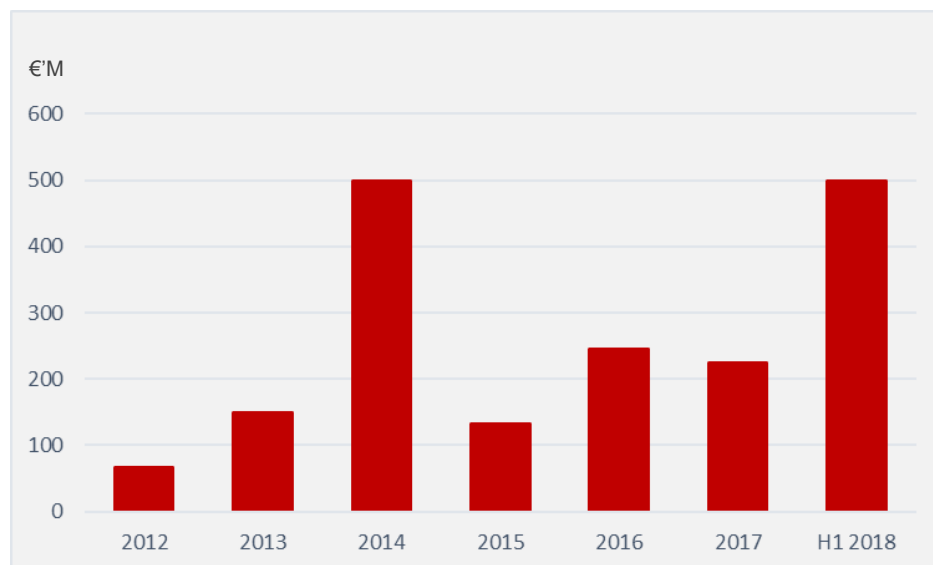
Source: CSO, Savills, Cairn Estimate

Notes: (1) 1,179 units in Q1-Q3 2018 (actual) plus 400 in Q4 2018 (Cairn estimate) plus 1,852 currently under construction (Cairn estimate) plus 1,660 to be delivered in 2021 (Cairn estimate)

(2) Pipeline figures reflect the maximum potential development

The Irish PRS market

Residential Investment Transactions in Ireland 2012 - H1 2018



Source: CBRE

Snapshot of Recent PRS Transactions

Property	Buyer	No. of Apartments	Reported Price
Neptune Building, Honeypark, Dun Laoighaire	SW3 Capital Tristan Capital Partners	197	€72,500,000
Leona & Charlotte Buildings, Honeypark, Dun Laoighaire	Patrizia	319	€132,000,000
Hampton Wood, Finglas, Dublin 11	IRES Reit plc	128	€39,955,000
Fernbank / Notre Dame, Churchtown, Dublin 16	Irish Life	262	€138,500,000
Elmfield, Leopardstown, Dublin 18	SW3 Capital Tristan Capital Partners	185	€68,500,000
Six Hanover Quay, Dublin 2	Carysfort Capital	120	€101,000,000
The Grange, Stillorgan, Co. Dublin	Kennedy Wilson	274	€126,000,000
Bridgefield, Northwood Demesne, Santry, Dublin 9	On The Market	216	€80,000,000

CBRE Marketview – Ireland Residential Investment Q3 2018

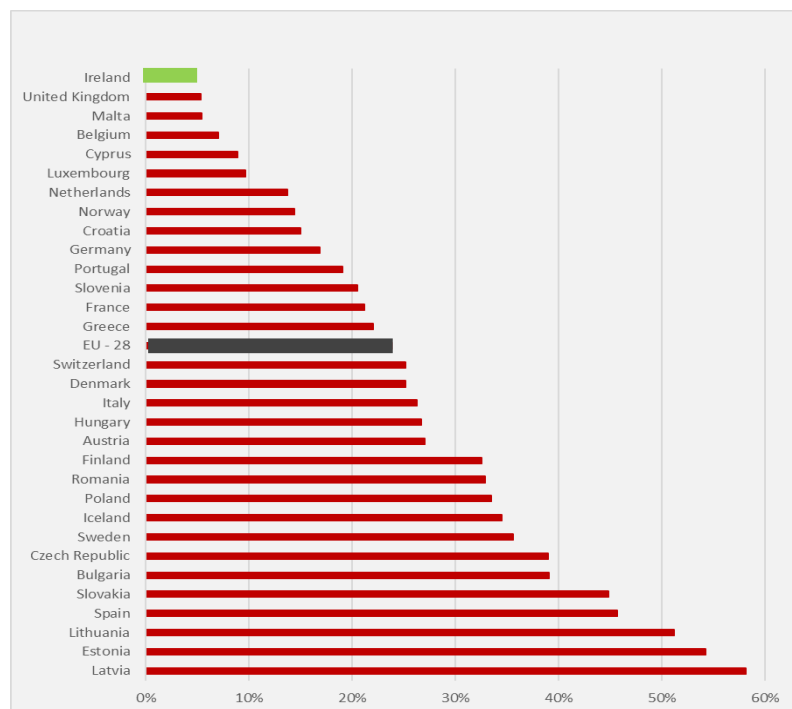
“The volume of institutional equity targeting the residential investment sector in Ireland now exceeds €5 billion with considerable interest from European, Canadian, UK and US investors.”

“Prime residential yields in Dublin currently stand at 4.0% having compressed by 70 basis points in the last 12-month period - a return that is attractive compared to other locations in Europe.”

Source: CBRE, Savills

Under provision of apartments and limited rental stock

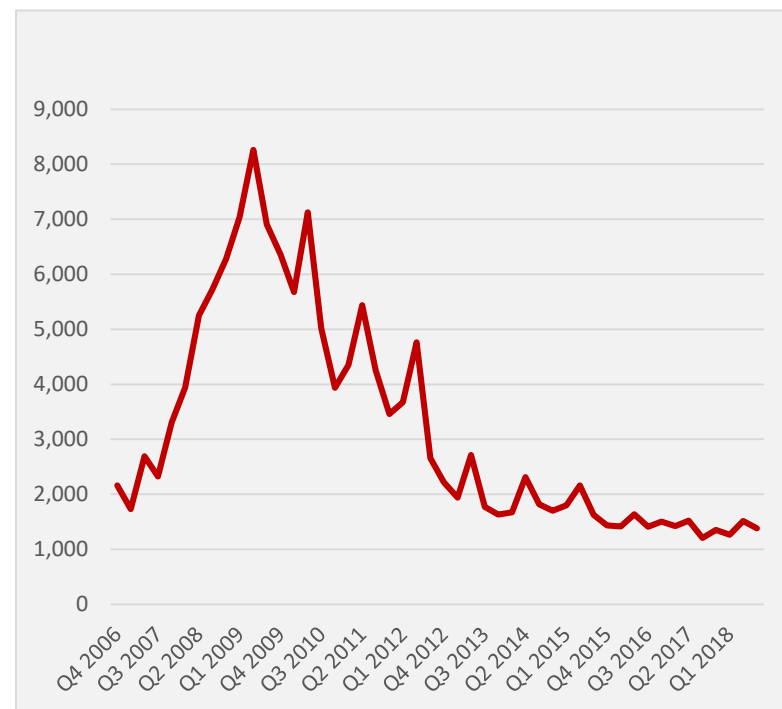
Percentage of Population Living in Apartments



The table above highlights the overall 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 1,379 properties to rent in Dublin as at 30 September 2018

Availability of rental stock remains at record low levels at less than 0.3% of the total Dublin housing stock

The questions investors are asking

How is Cairn uniquely positioned to meet demand in the apartment market?

Cairn strategically positioned in the Dublin apartment market



#	Apartment Development	Acquisition Date	Appraised Units at Acquisition	Units to be Delivered
Active	1 Marianella, Rathgar, Dublin 6W	Jun-15	231	336
	2 Hanover Quay, Dublin 2	Jan-16	100	120
	3 Greenfields, Donnybrook, Dublin 4	Aug-17	78	86
	4 Shackleton Park, Lucan	Dec-15	60	60
2019	5 Montrose, Dublin 4	Jun-17	510	550 - 600
	6 Griffith Avenue, Dublin 9	Dec-15	101 ⁽¹⁾	385
	7 Cross Avenue, Blackrock, Co. Dublin	Dec-15	91 ⁽¹⁾	221
	8 Stillorgan, Co. Dublin (incl. PBSA)	Dec-15	165	165
Future	9 Mariavilla, Maynooth, Co. Kildare (PBSA)	Dec-15	100	179
	10 Parkside, Malahide Road	Jun-15	49 ⁽¹⁾	265
	11 Swords, Co. Dublin	Dec-15	150	375
	12 Citywest, Dublin 24	Dec-15	150	326 ⁽²⁾
	13 Glenheron, Greystones, Co. Wicklow	Dec-15	100	146
	14 Barrington Tower, Carrickmines, Dublin 18	Jun-15	220 ⁽¹⁾	600 ⁽³⁾
	15 Glenamuck Road, Carrickmines, Dublin 18	Dec-15	139	225

Planning uplifts underpin strong apartment market fundamentals

- Majority of apartment sites acquired off historic densities and pre regulatory changes
- HPI higher in this sector
- Strong demand exists across all buyer profiles
- Irish PRS market is now a distinct asset class attracting significant interest as evidenced by the sale of Six Hanover Quay

Key Metrics	
Capital Allocation	48%
Average Selling Price (no HPI, ex-VAT)	€538k
Land (historic cost) as a % of NDV	17.9%

Notes: (1) included an element of houses (2) reduced number of houses (3) includes two adjacent sites acquired

Current land market

Some examples of recent large residential land transactions

Location	Planning Status	Type	Acres	Units	Reported Price €	Reported Price per Unit €
The Grange, Stillorgan, Co. Dublin	Zoned	Apartments	5	263	36,820,000	140,000
North Docks (Project Waterfront)	Zoned	Apartments	3	500	65,000,000	130,000
Techrete site, Howth	FPP / Zoned	Apartments	7	340	30,000,000	88,000
Dublin Docklands	Zoned	Apartments	5	450	45,000,000	100,000

Some examples of residential land sites on the market

Location	Planning Status	Type	Acres	Units	Guide Price €	Guide Price per Unit €
Cabra, Dublin 7	FPP	Apartments	7	419	32,000,000	76,000
Mount Merrion, Co. Dublin	Zoned	Apartments	3	64	13,000,000	200,000
Brennanstown Road, Carrickmines, Dublin 18	Zoned	Housing / Apartments	18	400	30,000,000	75,000
Deer Park Road, Mount Merrion, Co. Dublin	FPP / Zoned	Apartments	2	193	32,000,000	166,000
Sandyford Central, Dublin 24	FPP	Apartments	4	450	36,000,000	80,000
Ashtown, Dublin 15	FPP	Housing / Apartments	12	296	22,000,000	74,000

- 01 Opportunity
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- 05 Conclusion
- 06 Q&A



External presentation

Mortgage Market Conditions

External presentation from:

David Hammond
Head of Mortgages
AIB





The Mortgage Market

David Hammond
Head of Mortgages

17th November 2018

- AIB Group
- Housing Demand
- Home Formers
- Pent-up Demand
- The Mortgage market

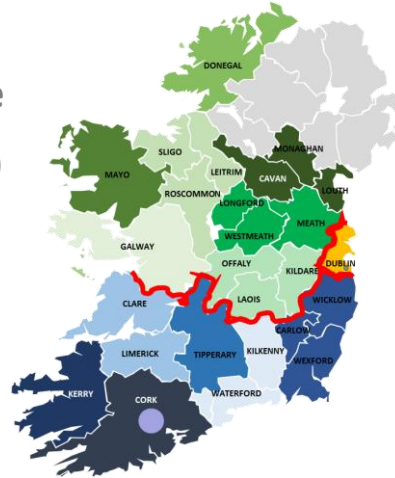
AIB Group

Multi Brand Strategy in Mortgage Market



Over 200 locations nationwide

- New Head of Homes in 19 Local Markets
- 18 Mobile Mortgage Managers
- Fully qualified Homes Advisor in every location



70 EBS offices in Key locations
'Mortgage Masters'



156 Mortgage Brokers nationwide



50 Dedicated Homes Advisors on the phone
Available 9am to 9pm

AIB On-site collaboration with Cairn Homes



Mortgage Demand: Economic & Social Backdrop

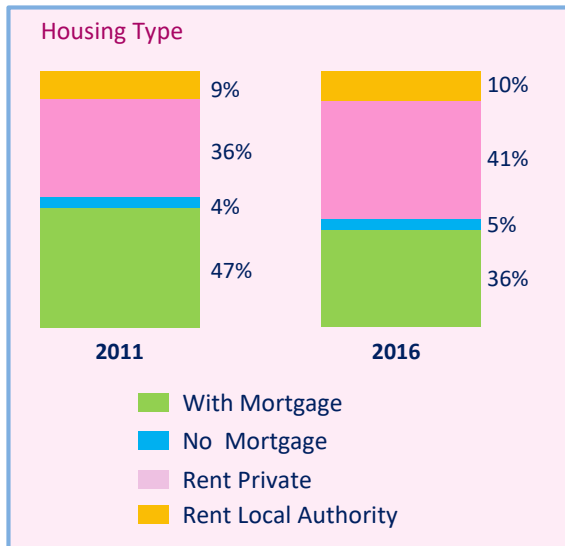


- ✓ There are now more than 2.3 million people at work in Ireland for the first time since 2008.
- ✓ Unemployment has now fallen to below 6%.
- ✓ Net Migration: 31.5% of all migration to Ireland in 2018 has been returning Irish nationals. This figure now exceeds the outflow or emigrating Irish nationals for the first time in 9 years.
- ✓ Wage inflation has also accelerated to 2.5% YTD 2018, the fastest rate recorded since the downturn in the economy (CSO).
 - This equates to an 8.75% increase in borrowing ability based on Loan Times Income (LTI) ratio of 3.5

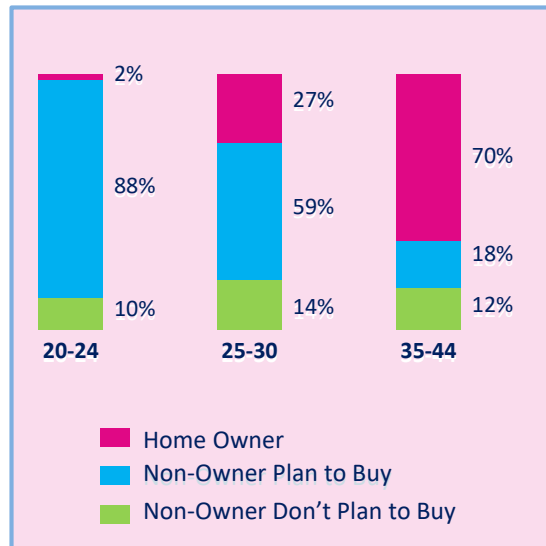
...Fuelling demand for housing and Mortgages

Meet the Home Formers (20-39yrs)

We have seen a big decrease in Home Owners with a Mortgage and a growth rental segment



Yet 90% of Home Formers still want to own their own home



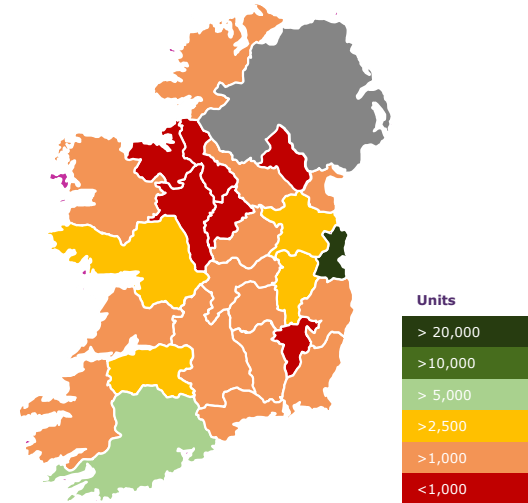
Pent-up Demand



There is considerable pent up demand for mortgages, estimated @ over €12bn.

Location	Pent Up Demand (Units)	Average FTB TX Value (€000s 2016)	Mortgage Leverage (Assumed)	Rebound Potential (€mn, 2016)
Dublin	22,181	€308	80%	€5,465
Kildare, Wicklow, Meath & Louth (GDA excluding Dublin)	11,643	€223	80%	€2,074
Cork, Limerick, Galway	13,908	€191	80%	€2,129
Rest of Country	24,178	€136	80%	€2,637
Total	71,910	€214	80%	€12,304

This pent-up mortgage demand is concentrated in cities and surrounding counties.



Mortgage Market MPM

January 2018

FTB's 20% → 20%

Non FTB's 20% ↓ 10%

Correction in 2018

2017 wash out

AIB Approach

Compliance 31/12

Full year availability

2019 Position

Approvals

FTB's 20%
Non FTB 10%

Current pipeline

- Normalised
- Substantial exceptions available to Draw

Mortgage Market Activity



Market Size

2016 - €5.6 Billion
2017 - €7.3 Billion
2018 - €8.7 Billion (F)
2019 - circa €10 Bn



Approvals

Current pipeline €7bn

€10bn Approvals
(Sep 17- Sep 18)



Drawdowns

Q1 2018 – 7,879
Drawdowns (€1.7bn)
Q2 2018 – 9,339
Drawdowns (€2.01bn)
Q3 2018 – 11,011
Drawdowns (€2.37bn)

Key limiting factor to level of market growth is supply

Underlying demand dynamics strong

Significant level of pent up demand

AIB Group strong focus on mortgage growth

MPM - adjustment period in '18

Thank you

- 01 Opportunity
- 02 The Questions Investors Are Asking
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Consultants
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- 05 Conclusion
- 06 Q&A



External presentation

Build Cost Environment

External presentation from:

Paul Mitchell
Quantity Surveyor
Founder and Partner
Mitchell McDermott Property Consultants



Cairn Homes Benchmark Report

CAIRN
PLC



Contents

Introduction

Executive Summary

Benchmark Projects Overview

Programme

Costs

Appendices

Introduction

Introduction

Mitchell McDermott were appointed by Cairn Homes plc to carry out a **Benchmark Study** on low-density housing including existing Cairn Homes schemes and schemes where Mitchell McDermott are involved.

The benchmark study includes analysis of the following;

1. Programme
2. Construction Costs
3. Preliminaries

Cairn Homes provided the details for **6 Nr.** of their low density schemes and Mitchell McDermott provided **16 Nr.** Different sized schemes.

Overall, 2,518 units were analysed across 2 schemes. 1,579 of these are Cairn schemes and the remaining 939 units are schemes that Mitchell McDermott are involved in. The scheme sizes vary so were categorised as follows:

- Small/Medium: 0-100 units
- Large: 100 units+

The overall schemes sample span from 2015 to 2020 and are constructed using different procurement and funding models which are described later in the report.

The schemes are located in Dublin (60%), Wicklow (16%), Meath (15%) and Kildare (9%).

The executive summary on the following page summarises the findings.

Executive Summary

This presentation includes the high level findings of the construction cost benchmarking exercise carried out on 2,518 units across 22 schemes.

The programme section shows that the six (6) Cairn schemes analysed are 18% faster than the benchmark schemes used when compared on a square footage basis and 30% faster when compared on a unit basis.

The analyses also shows that smaller schemes are much less efficient generally in terms of programme delivery.

The graphical representation included in the slides below compare the six Cairn schemes which are in the large category to other similar sized schemes and also to the overall average of the 22 schemes.

The construction cost benchmarking shows that the six (6) Cairn schemes analysed are 4.6-10.9% cheaper than competitors used in this study. These costs relate to the construction of the house itself.

The preliminary cost benchmarking also shows that Cairn are 4.9% - 15.3% more efficient than the other schemes in the study.

The appendices contain more detailed information which can be used for further analysis.

Paul Mitchell BSc MRICS MSCSI; Dip Con Law
Director
Mitchell McDermott Construction Consultants
pmitchell@mitchellmcdermott.com

November 2018

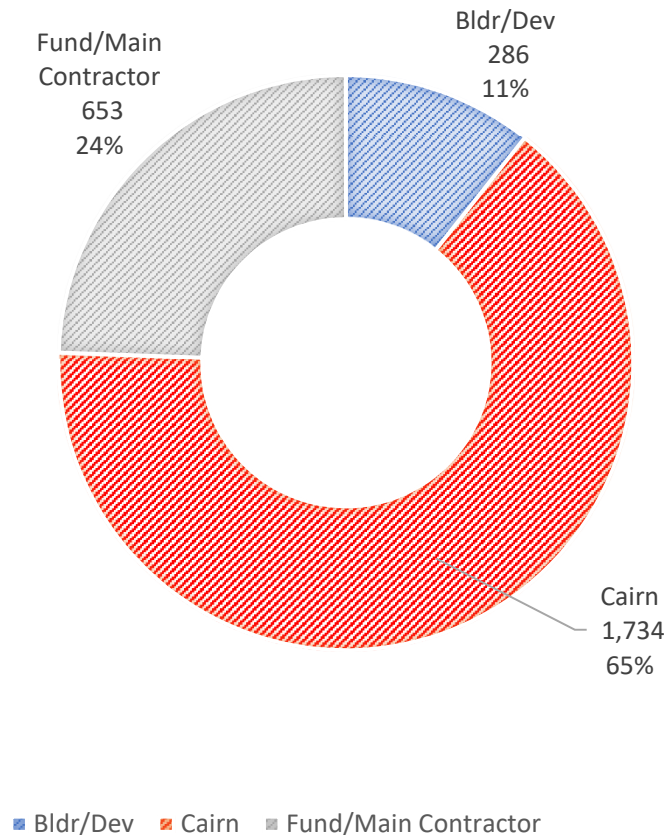
Benchmark Projects Overview

Benchmark Projects - Overview

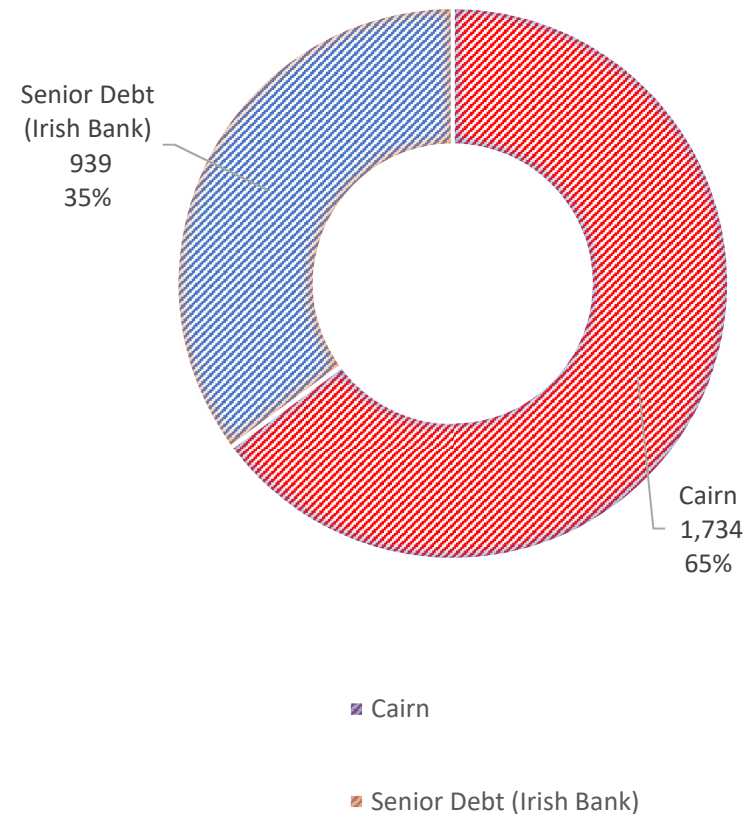
Post recession schemes have seen an increase in the number of main contractors building schemes for Funds.

The non-Cairn schemes are all debt backed schemes but would also included some form of early stage private equity companies.

Developer Type



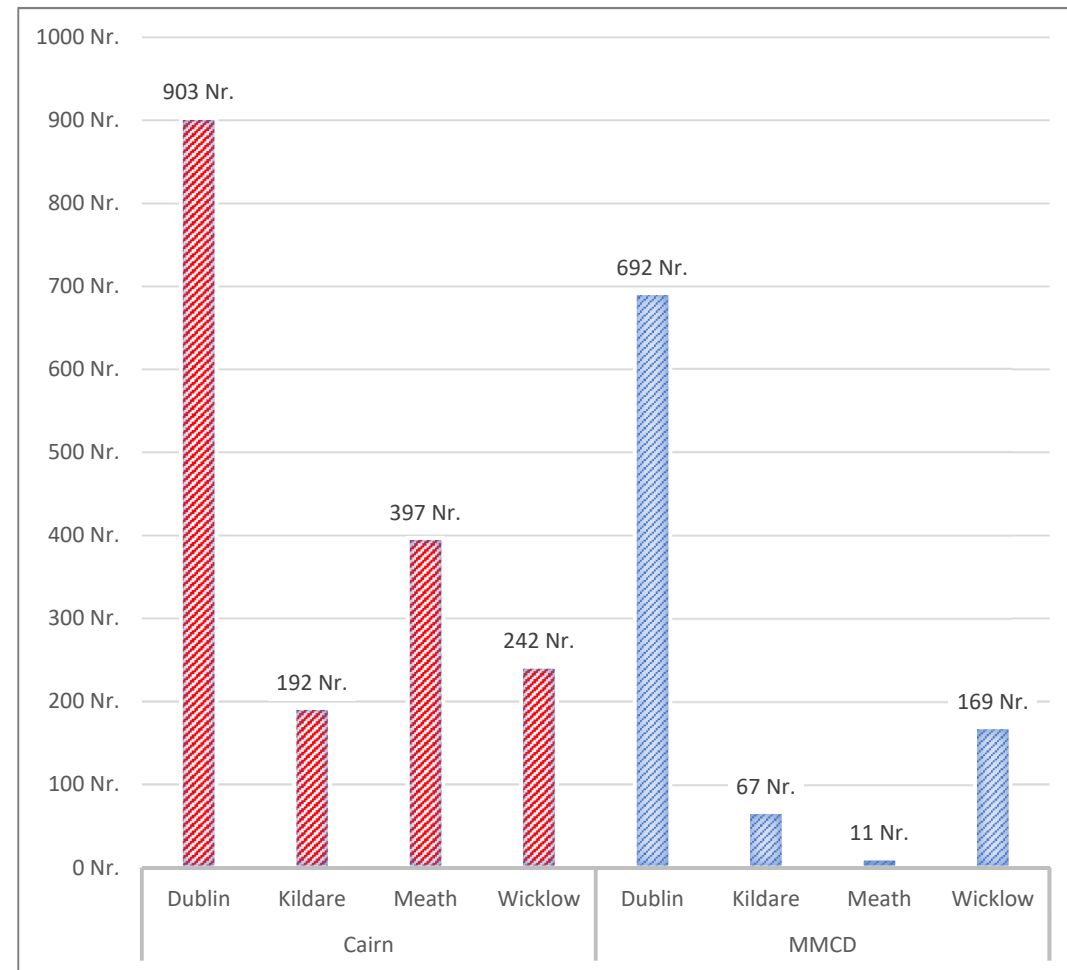
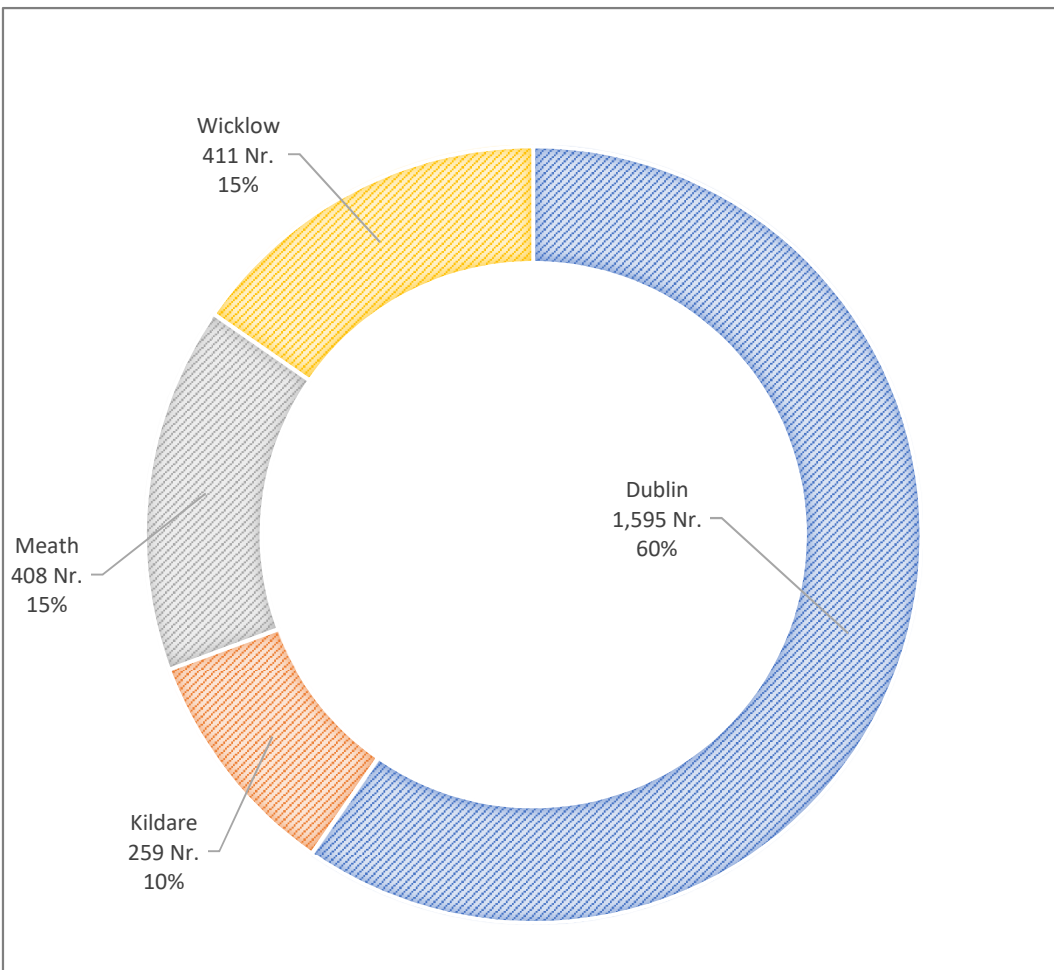
Funding Arrangement



Benchmark Projects - Overview

Both sets of data cover the same counties which are Dublin and surrounding commuter belt counties.

Regional Spread of Projects



1. Programme

1. Programme Benchmarking

The following **Approach** was agreed with Cairn at the outset of the task:

- Cairn to set out programme and nr. of units constructed on a number (say 2-3) of recent schemes showing average period of construction, nr. and type of units delivered etc.

The **Outputs** agreed to be provided by Mitchell McDermott as part of the report were:

- Narrative comparison that sets out how many units Cairn are able to produce on monthly(weekly) basis with size of team compared to other developers
- MMCD Conclusions

Average programme per unit / sq ft

The following table compares the average time it takes Cairn to produce one unit compared to the other benchmark schemes.

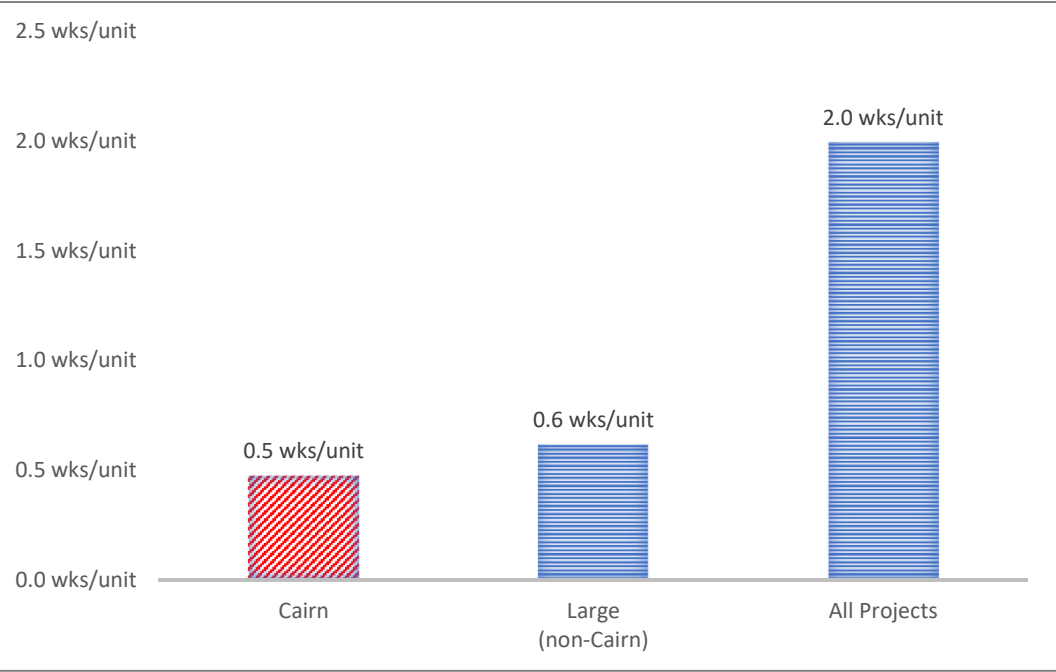
The following analyses compares the Cairn schemes to the non-Cairn large schemes and then to the overall average for all schemes.

It shows that, on a like-for-like basis, on the data set used that Cairn can complete units 30% faster than the other large schemes. This increases to x4.2 times when compared to the overall data set.

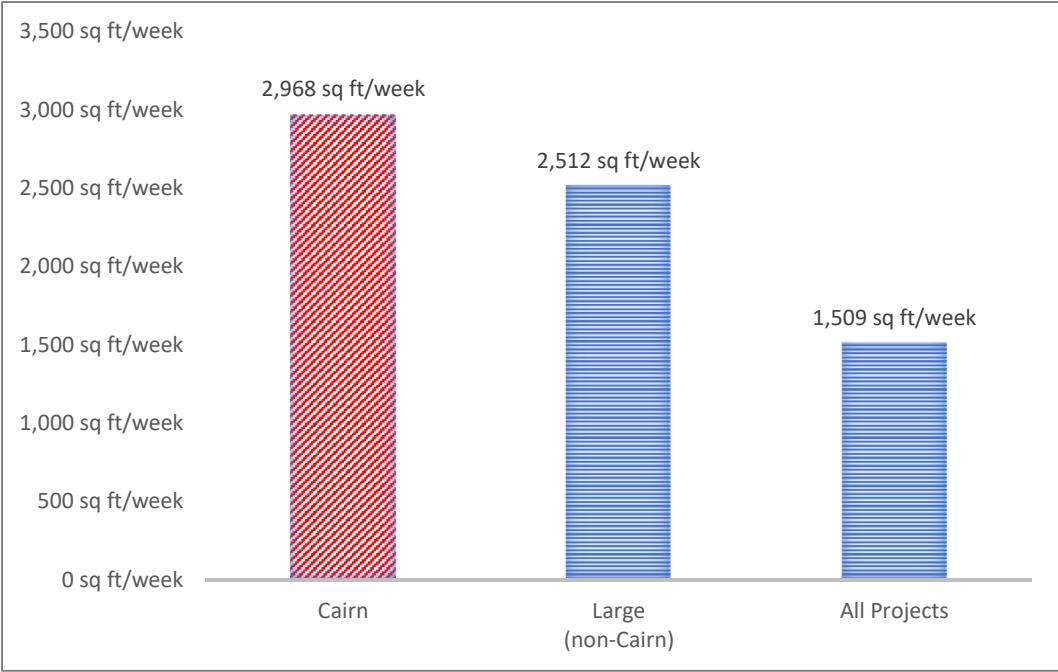
The following graph compares both data sets on a square footage basis which shows that there are bigger houses on average in the non-Cairn schemes. Therefore, the difference between the Cairn schemes and non-Cairn large schemes reduces in this approach to 18% faster.

Overall, Cairn are building units 97% faster than the overall average of schemes assessed.

Average time to complete one unit



Average sq ft completed per week



1. Programme Benchmarking - Conclusions

The analysis shows that Cairn are building 18% faster than the benchmark schemes used when compared on a square footage basis and 30% faster when compared on a unit basis.

The average house size for the large Cairn schemes is 1,370 sq ft and 1,397 sq ft for the non-Cairn schemes, which explains the difference.

Given the timescale involved, the analysis does not explore any underlying differences in phasing, infrastructure or funding restrictions.

The analyses also shows that smaller schemes are much less efficient generally in terms of programme delivery.



2. Cost

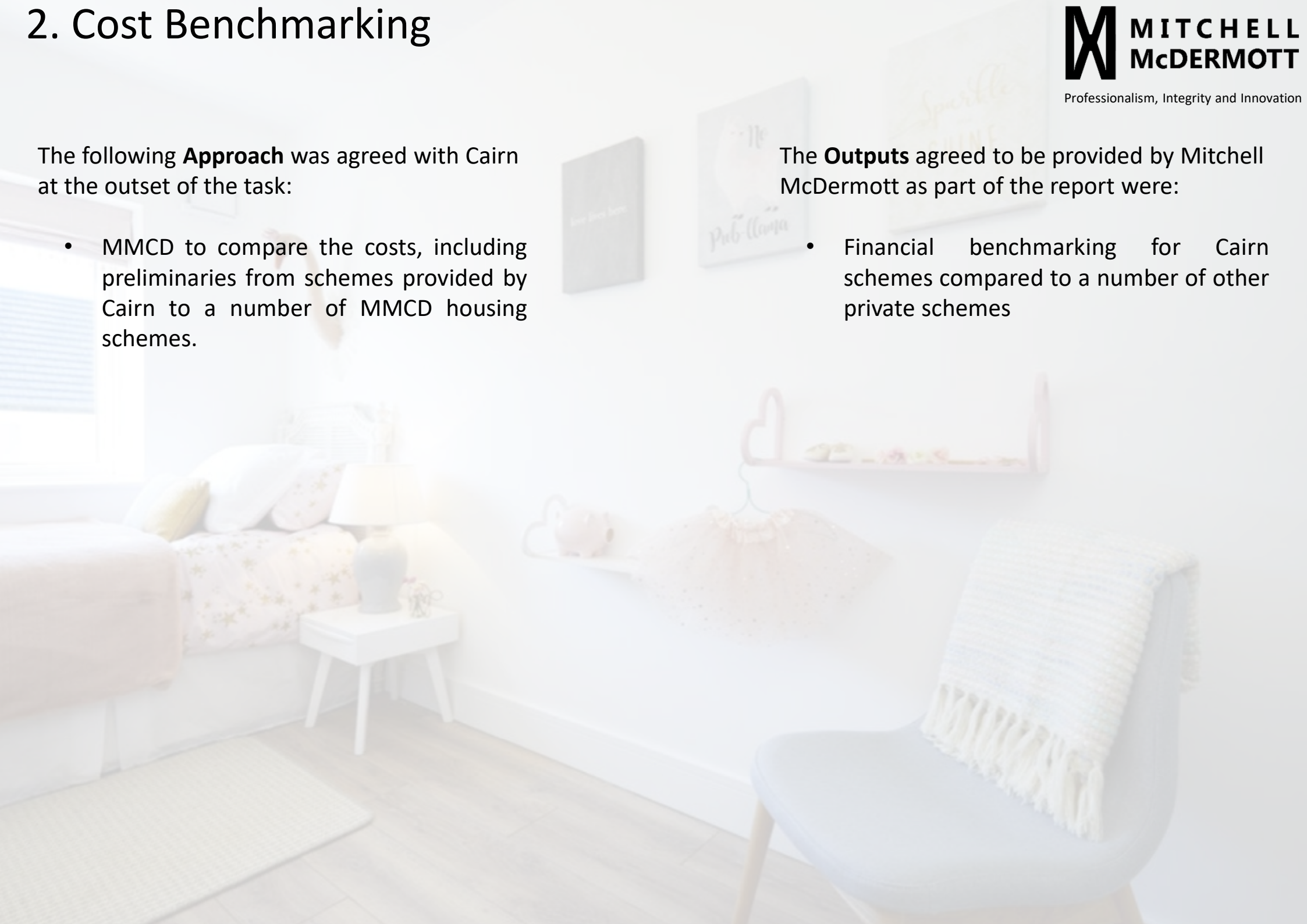
2. Cost Benchmarking

The following **Approach** was agreed with Cairn at the outset of the task:

- MMCD to compare the costs, including preliminaries from schemes provided by Cairn to a number of MMCD housing schemes.

The **Outputs** agreed to be provided by Mitchell McDermott as part of the report were:

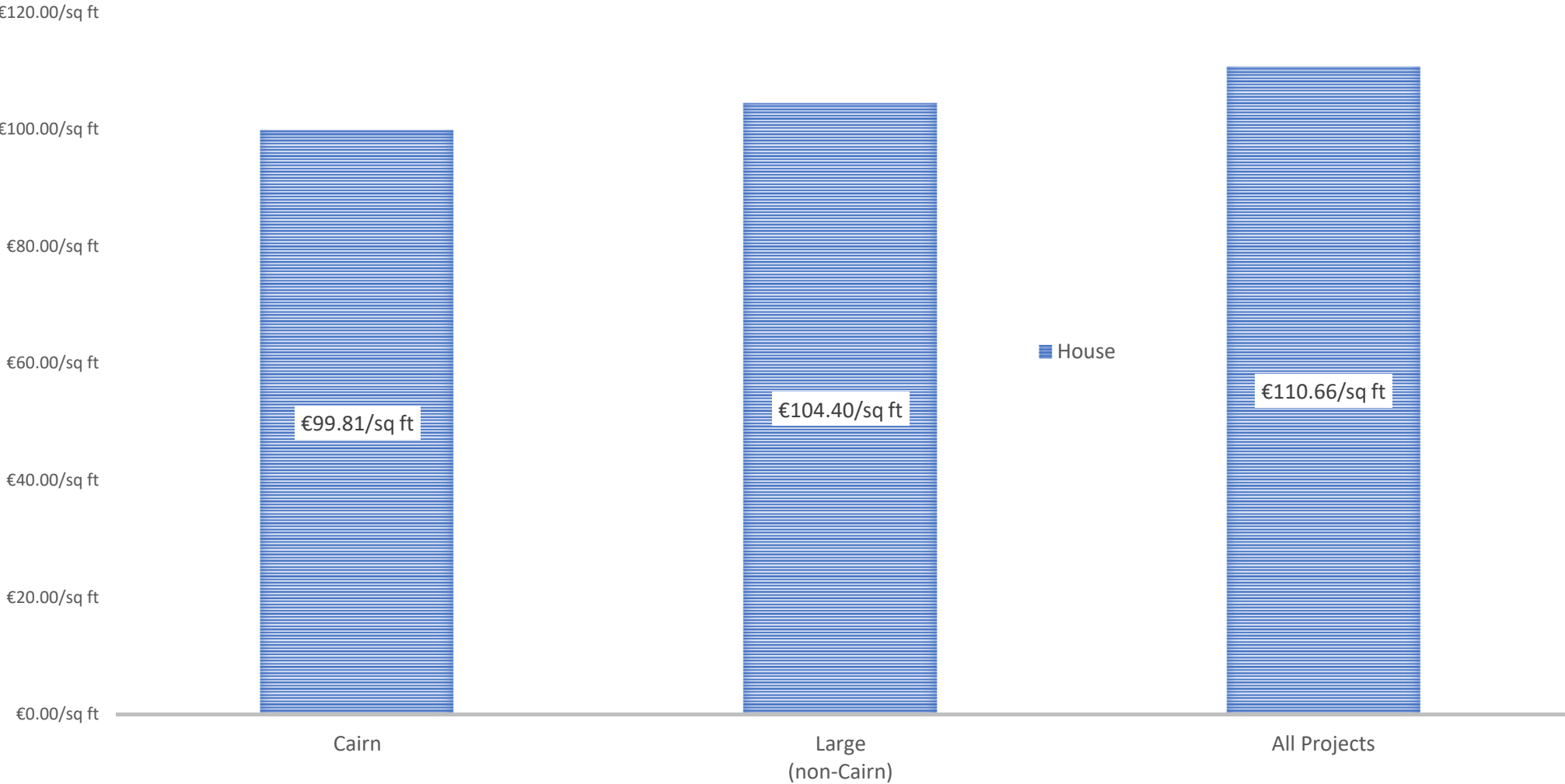
- Financial benchmarking for Cairn schemes compared to a number of other private schemes



Average Construction Cost per unit

The following table compares the average construction cost of a housing unit (excl. siteworks) of the large Cairn and non-Cairn units and the overall average of the full data set.

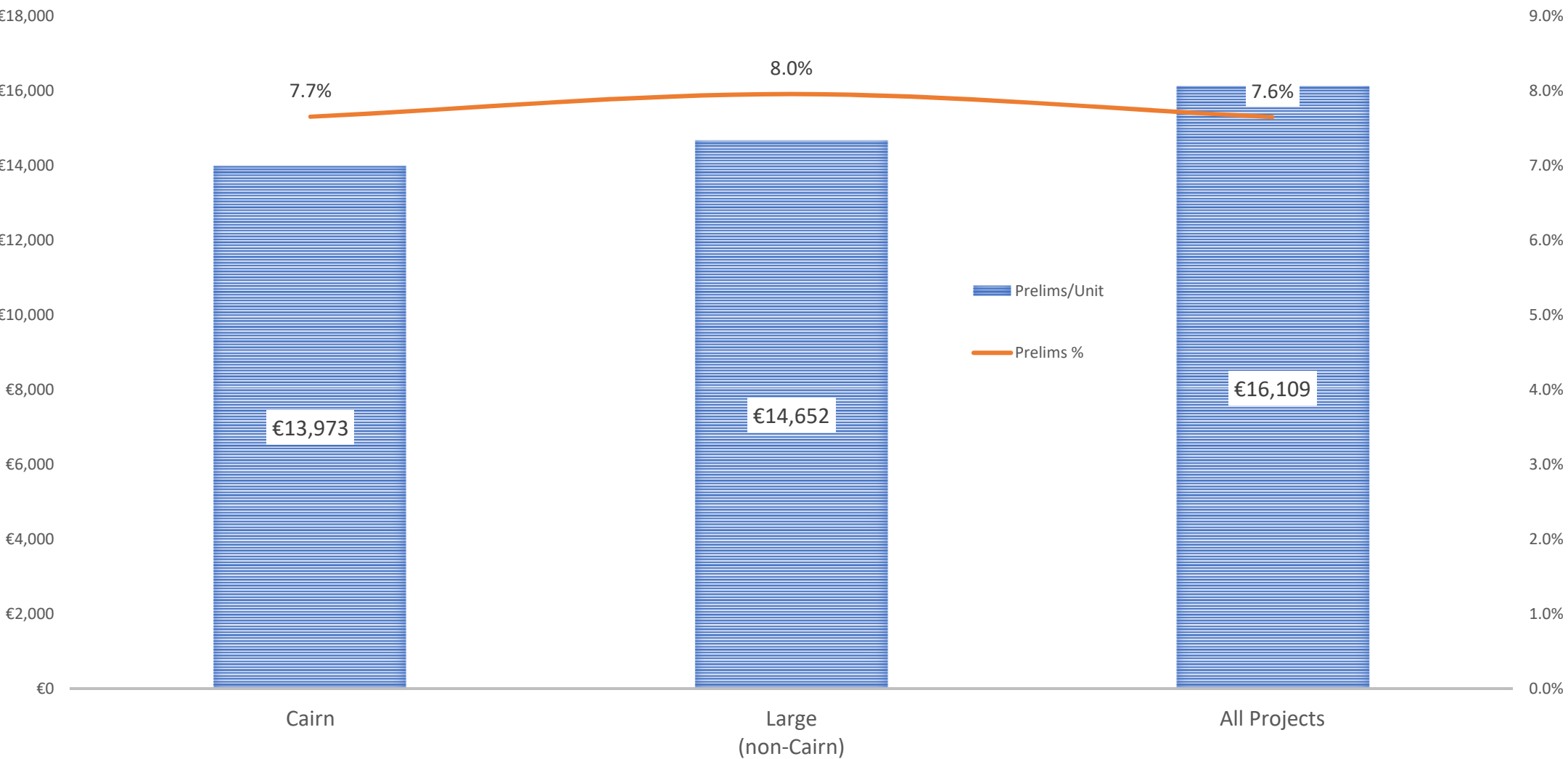
It shows that Cairn are 4.6% less expensive that other similar scale developers and 10.9% less expensive than the average across all schemes.



Average Preliminaries Cost

The following table compares the average preliminaries cost of the large Cairn and non-Cairn units and the overall average of the full data set.

It shows that Cairn are 4.9% less expensive that other similar scale developers and 15.3% less expensive than the average across all schemes.



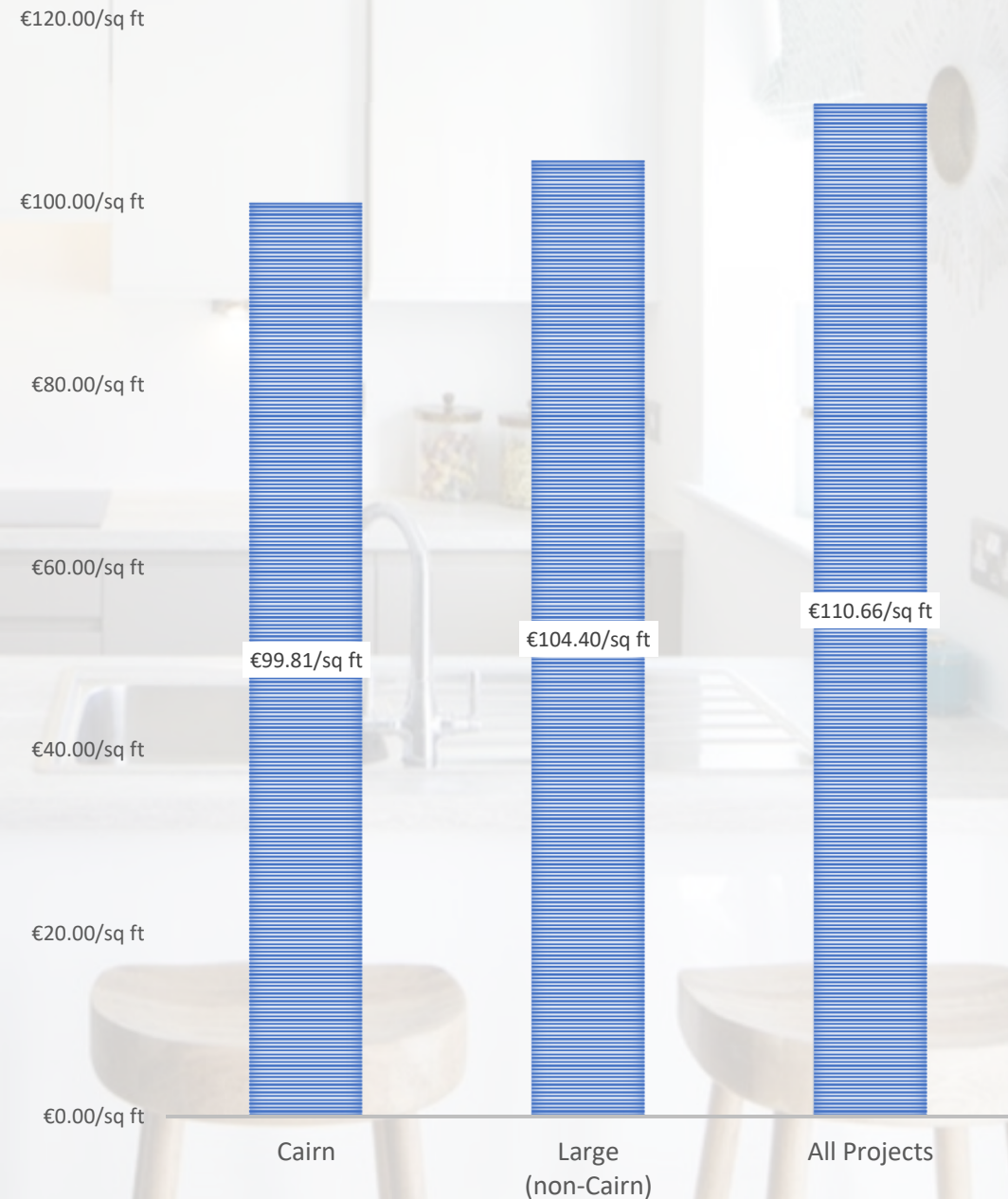
Construction Cost Benchmarking - Conclusions

The construction cost analysis and benchmarking shows that the six Cairn schemes analysed are between 4.6-10.9% cheaper than competitors used in this study. These costs relate to the construction of the house itself.

The research shows that the larger housing schemes benefit significantly from economies of scale.

The preliminary costs also show that Cairn are 4.9% - 15.3% more efficient than the other schemes in the study. The higher percentage relates to smaller schemes and developers and the lower percentage relates to similarly sized schemes.

A more detailed breakdown of the construction costs including site is included in the appendix.



Appendix

Appendix

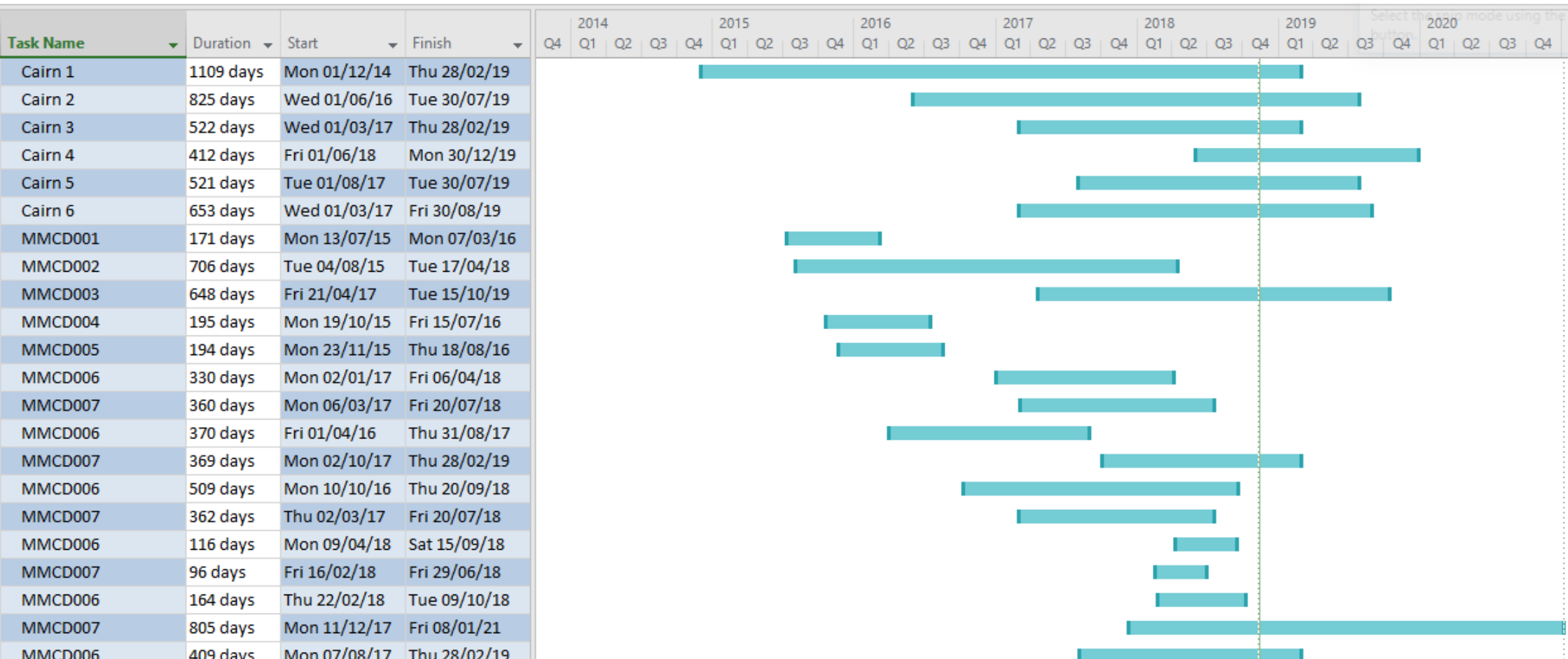
The information contained in the appendices includes backup and introductory information that the reader may find useful.



Benchmark Projects - Overview

The following table shows the start and completion date of each of the schemes.

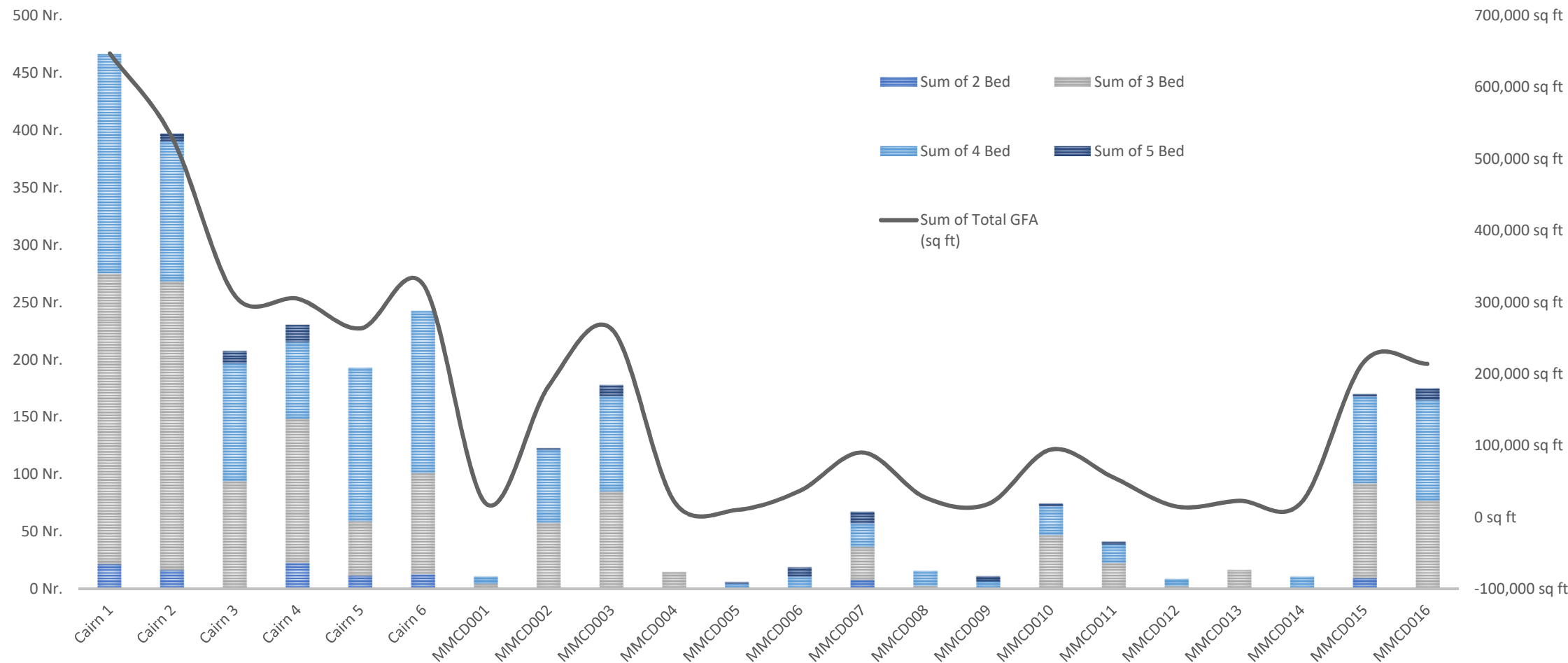
Programme Overview



Benchmark Projects - Overview

The houses are largely 3 & 4 beds. Quite a few of the benchmark schemes are smaller than the Cairn schemes and have been categorised into small/medium and large for more accurate comparison later.

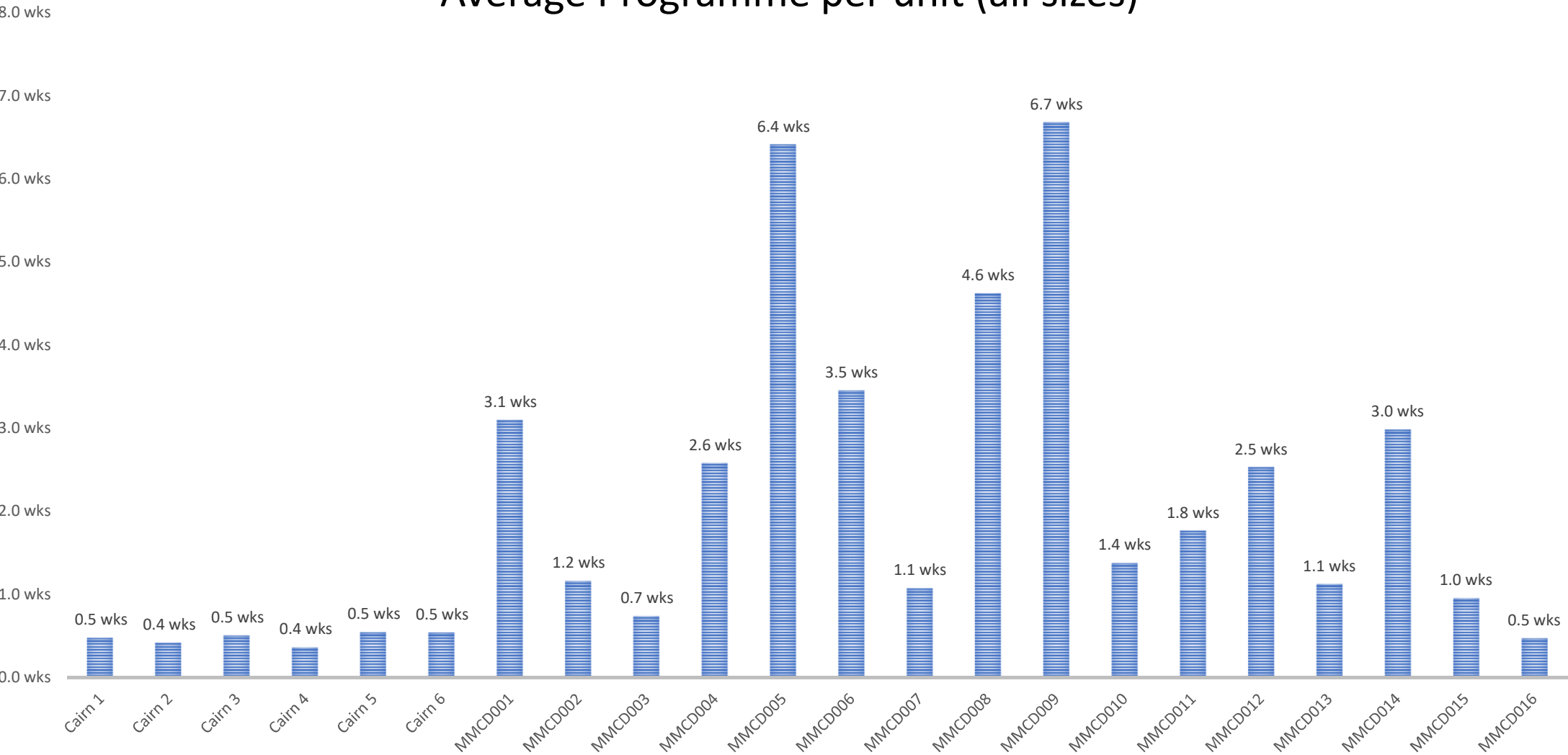
Project Breakdown by Bed Type



Average programme per unit

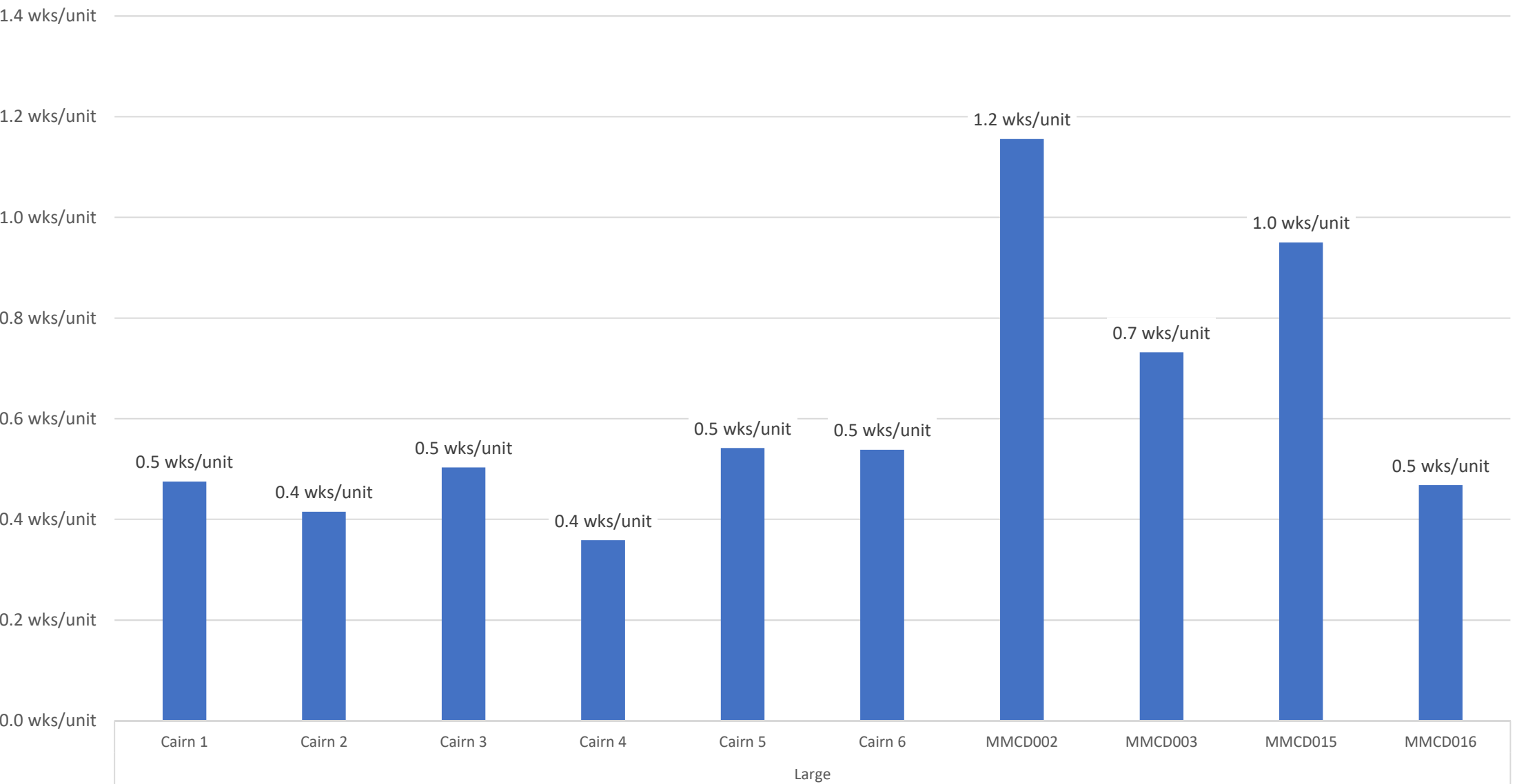
The following graph shows each of the schemes average time to complete one unit.

Average Programme per unit (all sizes)

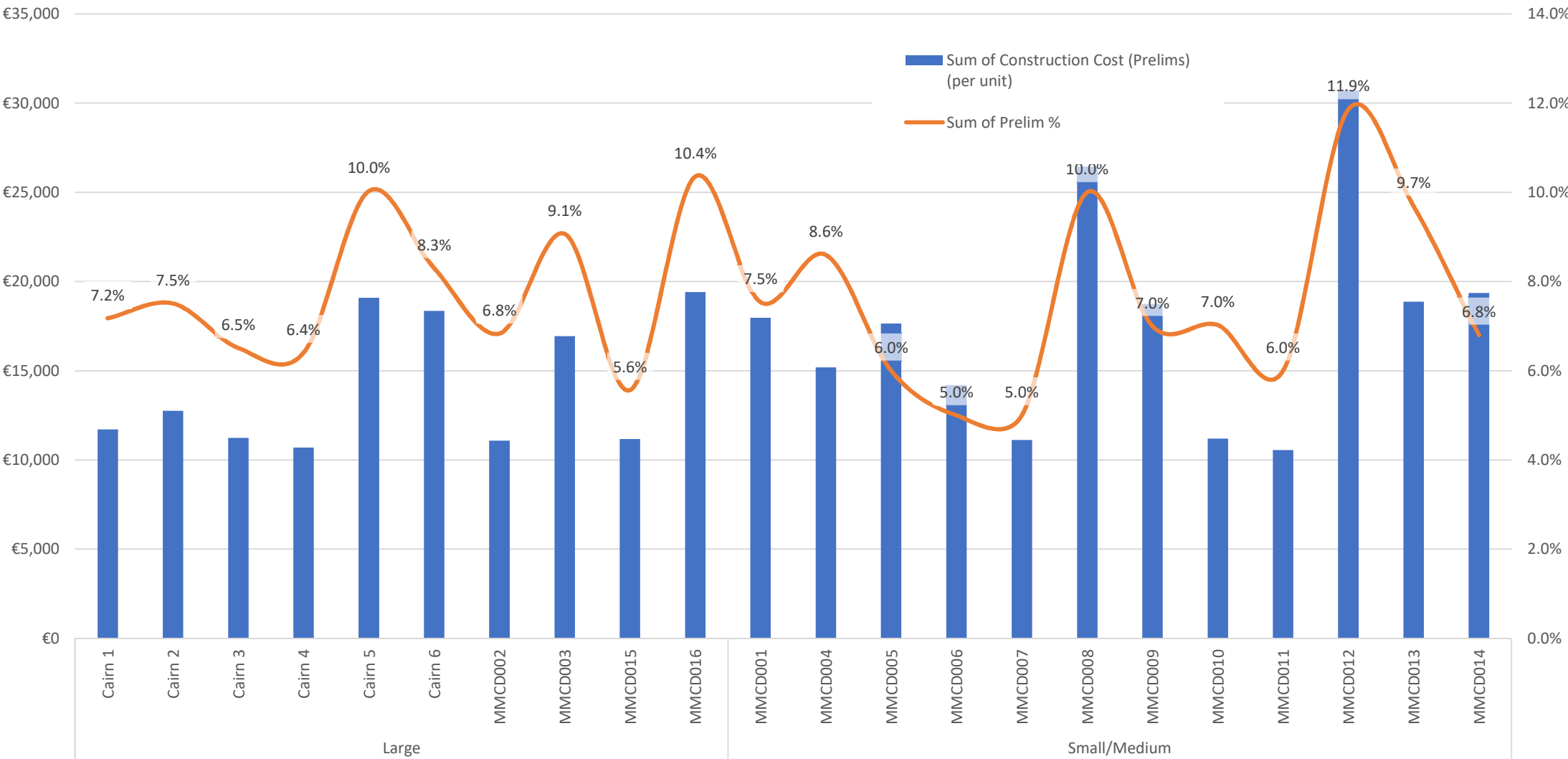


Average programme per unit (large schemes)

Average Programme per unit (large schemes only)



Average Preliminaries per unit (all sizes)



- 01 Opportunity
- 02 The Questions Investors Are Asking
- 03 Presentation from David Hammond,
Head of Mortgages, AIB
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- 04 Presentation from Paul Mitchell,
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“Build Cost Environment”
- 05 **Conclusion**
- 06 Q&A



Conclusion

Unique business in a unique
market at a unique point in
time

Business has successfully
scaled

Ready to take advantage of
the opportunities we have
highlighted today

Our strategy is clear and our
capability is strong

Revenue growing to c. €550m
in 2021

Dividends from FY 2019
driven by very strong cash
generation (c. €350m - €400m
by 2021)

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Mitchell McDermott Property Consultants
“Build Cost Environment”
- 05 Conclusion
- 06 **Q&A**



Q&A

Investor Q&A

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