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Built for Life.

CAIRN HOMES plc
2017 PRELIMINARY RESULTS PRESENTATION
06 MARCH 2018

WWW.CAIRNHOMES.COM

2017 PRELIMINARY RESULTS



Michael Stanley
Chief Executive
& Co-Founder



Tim Kenny
Group Finance
Director



Declan Murray
Head of Investor
Relations



1. Highlights

2. Financial

3. Land Bank

4. Outlook

5. Appendix incl.

- a) Cairn's Sites
- b) Market Backdrop



Hanover Quay – 6th Floor Penthouse

Financial Highlights

Revenue: €150m

(2016: €41m)

418 completions (ASP - €315k) up from 105 completions (ASP - €295k) in 2016.

Gross Profit: €27m

(2016: €7.1m)

Gross Margin 18.2% (2016: 17.3%).

Inventories: €911m

(2016: €727m)

34 individual sites containing c.14,100 residential units.

€807 million land held for development (including non-core assets).

€104 million construction work in progress.

Operating Profit*: €15m

(2016: €3.6m)

* Pre exceptional items of €0.5m (2016: €1.4m).

Forward Sales: 383 units

Forward sales pipeline of 383 units (sales value €143.2) million, at an ASP of €374k (all ex. VAT) with an **expected** gross margin of 19%.

Four additional sales launches in H1 2018.

Revenue Outlook

Forecast total revenue in excess of **€350m** (including c. **800+** unit sale completions) and a gross profit margin of c. **20% in 2018**.

We also expect our medium-term run-rate to deliver total revenue of c. €500m from between 1,300 and 1,400 sales completions annually from 2020 (IPO target was 1,000 unit sales completions).

Operational Highlights

Land Acquisitions

Cairn's well located land bank has been acquired at a cost of 16% of estimated NDV (excl. HPI), comfortably ahead of IPO target of 20%.

2017 acquisitions were targeted towards specific city centre apartment sites.

Nama is the only remaining 'unnatural owner' with a significant land bank in a tightening land market and further JV opportunities may prove attractive.

Enhancing Value in Unique Land Bank

1,447 units granted planning permission since the start of 2017.

c. 1,900 incremental units granted planning permission or expected to be gained on existing sites through increased densities.

Six Hanover Quay

Due to significant demand from international capital, we have commenced a formal sales process to sell the entire development.

Construction well advanced with an expected transaction close date at the start of 2019, assuming a successful sales process.

Shares Dual Listed

Primary listing on the Irish Stock Exchange on 26 July 2017.

Added to the FTSE Global Small Cap Index in Q3 2017 and the ISEQ-20 Index in Q4 2017.

Customer - Product

Business has been aligned operationally to manage the three elements of our construction activities – housing, apartments and student apartments - more efficiently.

Cairn today has a highly experienced and committed team of people to deliver our vision of building great homes and great places where our customers will love to live.

11 Active Sites 8 Selling Sites

Active on 11 developments (5 at the end of 2016), which will deliver in excess of 3,650 new homes.

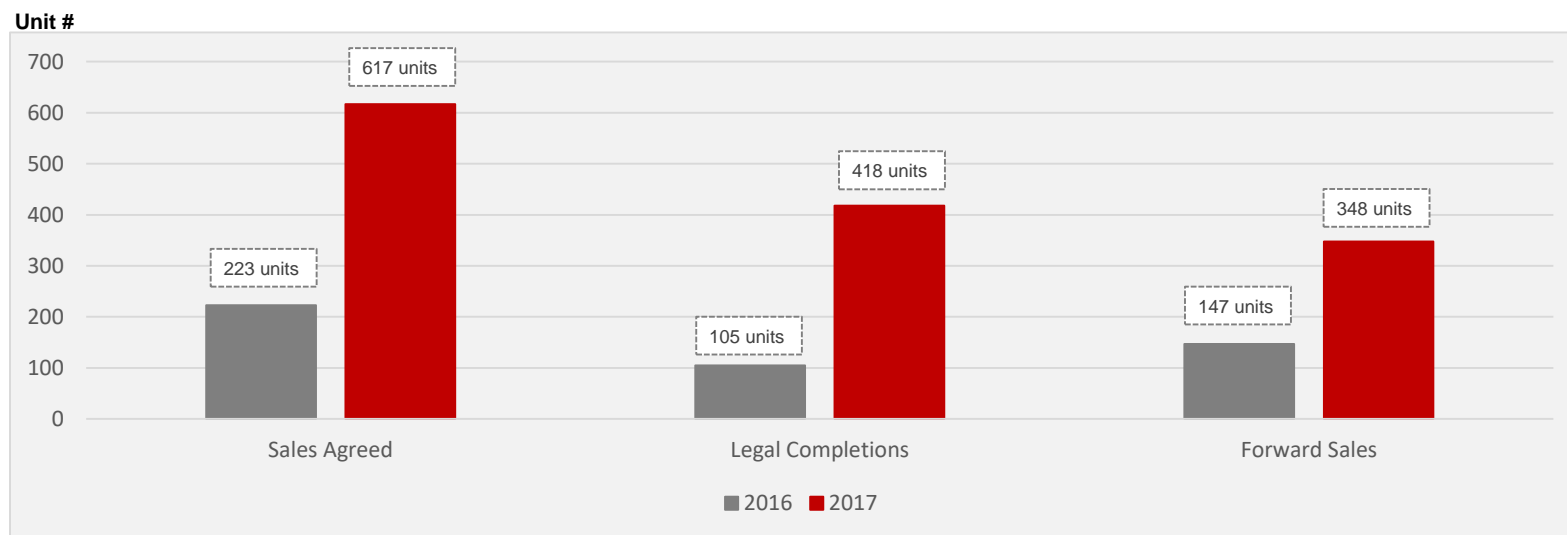
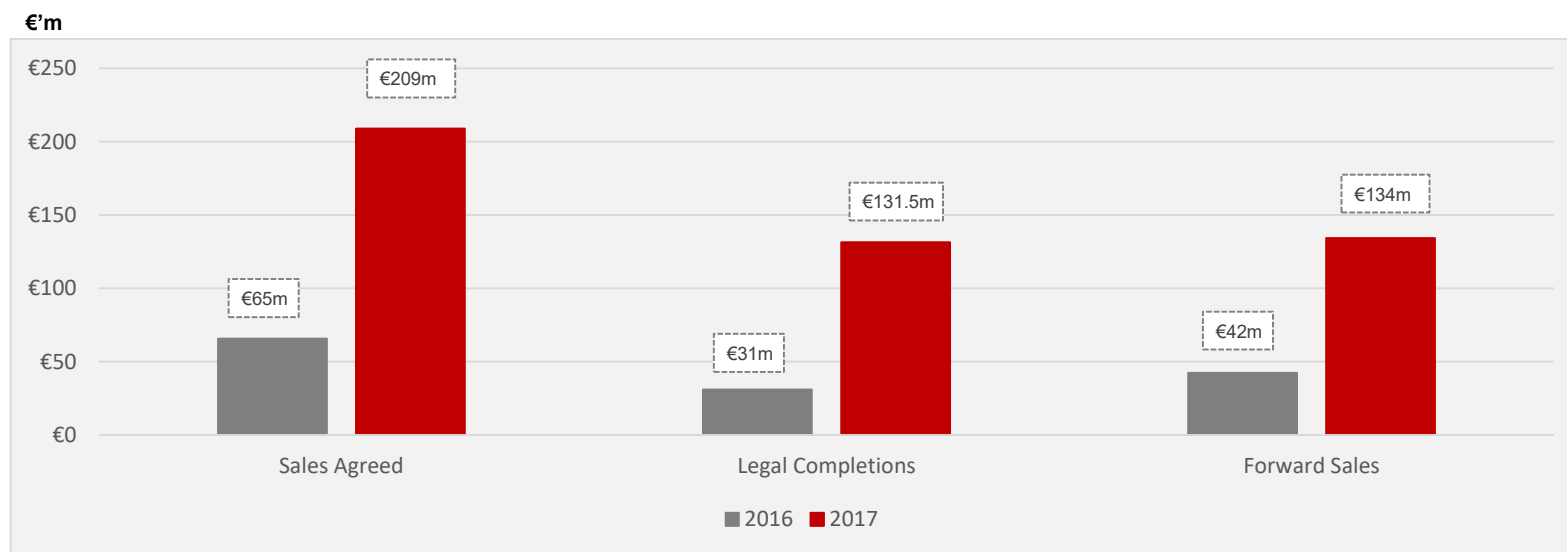
3 new site commencements planned for 2018.

Scale of land bank and planning maturity presents numerous site commencement options going forward.

Financial Highlights

Considerable Progress to Achieve Medium Term Objectives

Sales agreed, legal completions and forward sales by unit numbers and revenue



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Churchfields



Churchfields
ASHBOURNE, CO. MEATH

31 December 2017 Full Year Results

Income Statement for the Year Ended 31 December 2017 (Preliminary)

Commentary

	Year ended 31 December 2017 (Unaudited)			Year ended 31 December 2016 (Audited)		
	Before Exceptional Items €'000	Exceptional Items €'000	Total €'000	Before Exceptional Items €'000	Exceptional Items €'000	Total €'000
Revenue	149,462	-	149,462	40,906	-	40,906
Cost of sales	(122,325)	-	(122,325)	(33,844)	-	(33,844)
Gross profit	27,137	-	27,137	7,062	-	7,062
% margin	18.2%		18.2%	17.3%		17.3%
Other income	258	-	258	4,425	-	4,425
Administrative expenses	(12,414)	(497)	(12,911)	(7,841)	(1,356)	(9,197)
Operating profit	14,981	(497)	14,484	3,646	(1,356)	2,290
Net finance costs	(8,516)	-	(8,516)	(5,105)	-	(5,105)
Profit/(loss) before tax	6,465	(497)	5,968	(1,459)	(1,356)	(2,815)
Tax (charge)/credit		-	(989)			752
Profit/(loss) for the year			4,979			(2,063)
Basic earnings/(loss) per share			0.6 cent			(0.3 cent)
Diluted earnings/(loss) per share			0.6 cent			(0.3 cent)

- Revenue of €150m predominantly from the sale of 418 houses (€131m) and site sales (€17m).
- Gross profit margin of 18.2% and a gross profit of €27m, up from 17.3% and €7m in 2016.
- Administrative expenses of €12m reflect the development of our operational platform to support our growth plans and broadening mix.
- Operating profit (pre exceptional items) of €15m (2016: €3.6m).
- Exceptional costs of €0.5m in respect of Irish Stock Exchange listing.
- Finance costs consist of interest on the Group's debt facilities including the €50m term loan facility (drawn in July 2017).

31 December 2017 Full Year Results (contd.)

Balance Sheet at 31 December 2017 (Preliminary)

Commentary

	Unaudited 31 December 2017 €'000	Audited 31 December 2016 €'000
PP&E and intangibles	2,193	1,379
Restricted cash	17,002	27,000
Non-current assets	19,195	28,379
Loan assets	-	16,000
Inventories	911,496	727,223
Trade and other receivables	5,540	17,015
Cash	68,803	45,645
Current assets	985,839	805,883
Total assets	1,005,034	834,262
Share capital	828	794
Share premium	749,616	697,733
Share-based payment reserve	14,222	24,779
Retained earnings	(44,741)	(58,935)
Non-controlling interests	1,795	-
Total equity	721,720	664,371
Loans and borrowings	226,838	148,631
Deferred taxation	5,611	5,490
Non-current liabilities	232,449	154,121
Loans and borrowings	18,361	-
Trade and other payables	31,636	15,770
Current taxation	868	-
Current liabilities	50,865	15,770
Total equity and liabilities	1,005,034	834,262

- Total assets of €1bn (2016: €834m).
- Total equity of €722m (2016: €664m).
- Inventories of €911m represents all owned sites, including construction work in progress spend to date (€104m) and development land collateral.
- Net debt €159m (2016: €76m) includes total cash of €86m (including restricted cash of €17m).
- Loans and borrowings represents amounts drawn under debt facilities of €195m plus €50m term loan – net of debt issue costs.

31 December 2017 Full Year Results (contd.)

Cash Flow Statement for the Year Ended 31 December 2017 (Preliminary)

Commentary

	Unaudited Year ended 31 December 2017 €'000	Audited Year ended 31 December 2016 €'000
EBITDA	15,582	2,466
Increase in inventories	(184,273)	(151,105)
Decrease in loan assets	16,000	26,768
Decrease/(increase) in receivables	11,475	(3,796)
Increase in payables	12,607	4,464
Net cash used in operating activities	(128,609)	(121,203)
Acquisition of Argentum	-	(86,074)
Cash acquired on acquisition of Argentum	-	818
Purchases of PP&E and intangibles	(1,212)	(1,310)
Interest received	15	89
Transfer from restricted cash	10,000	-
Net cash from/(used in) investing activities	8,803	(86,477)
Proceeds from issue of share capital, net of issue costs paid	50,402	167,716
Proceed from borrowings, net of debt issue costs	96,937	99,285
Repayment of loans	-	(15,500)
Investment in subsidiary by non-controlling interest	1,268	-
Interest paid	(5,643)	(4,727)
Net cash from financing activities	142,964	246,774
Net increase in cash and cash equivalents	23,158	39,094
Cash and cash equivalents at the beginning of the year	45,645	6,551
Cash and cash equivalents at the end of the year	68,803	45,645

- EBITDA of €15.6m (2016: €2.5m).
- €184m increase in inventories represents 2017 site acquisitions plus spend on active developments, less sales releases and site sales.
- Decrease in loan assets relates to the repayment of the final Project Clear loan asset.
- May 2017 share placing raised net proceeds of €50m.
- Investment in subsidiary by non-controlling interest relates to the joint development with NAMA.
- Cash and cash equivalents of €69m at 31 December 2017.

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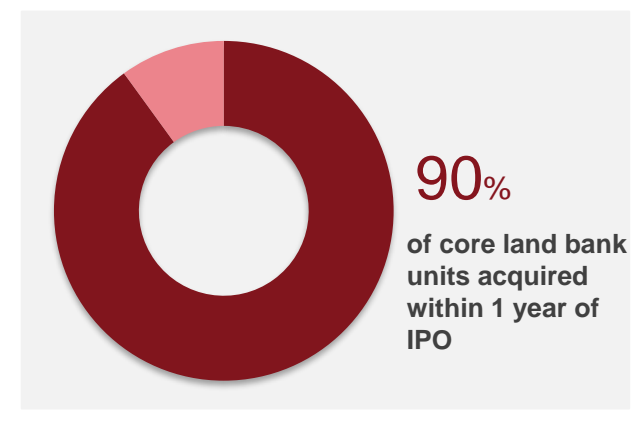
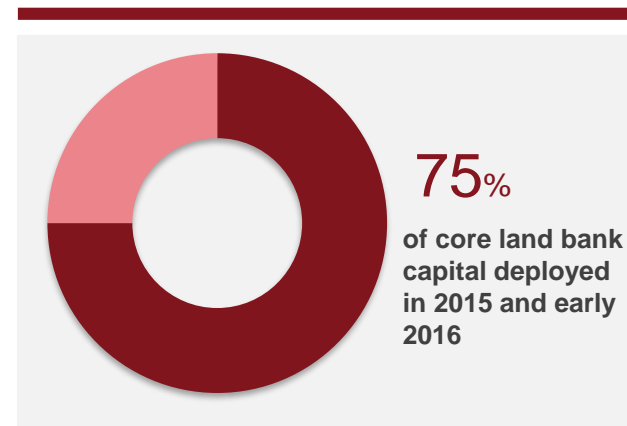
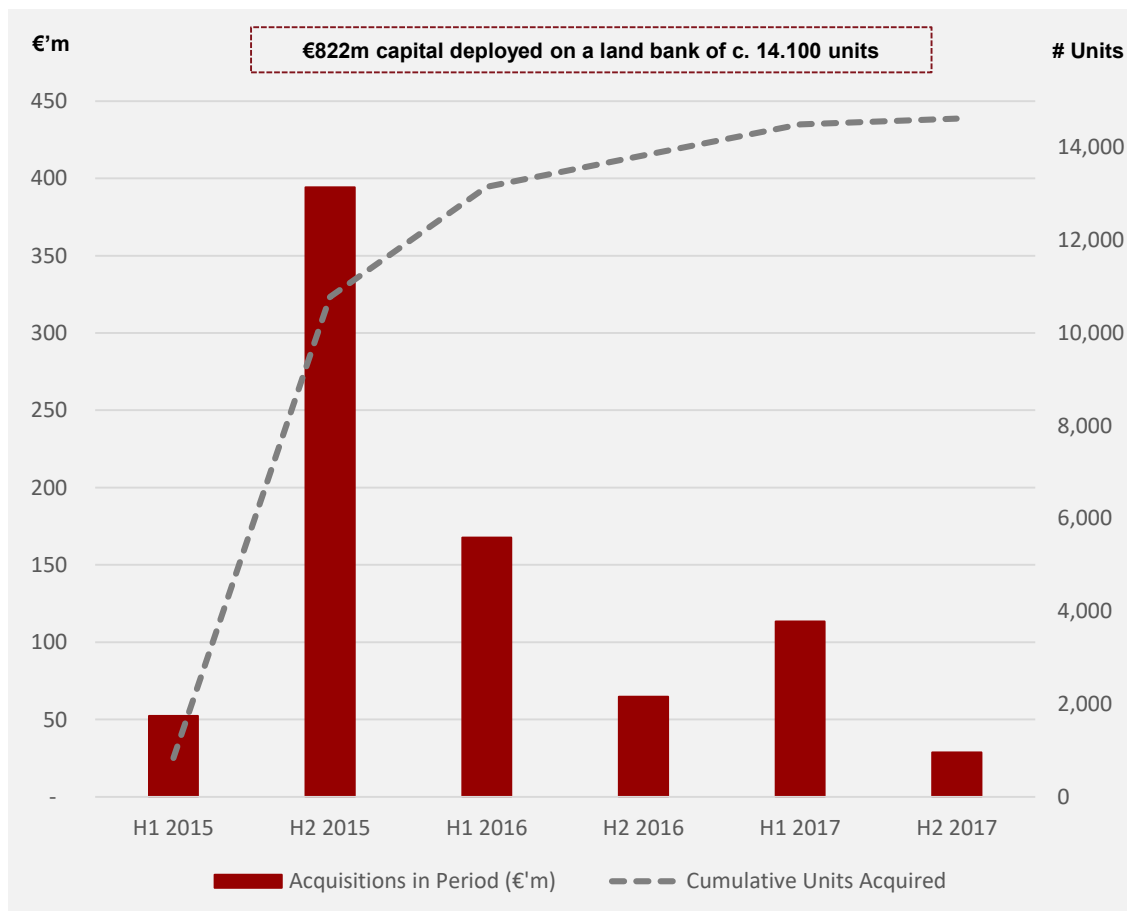
Shackleton Park – Site Team

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SHACKLETON PARK
LUCAN

Core Land Bank – Timing and Location Key Drivers to Future Success

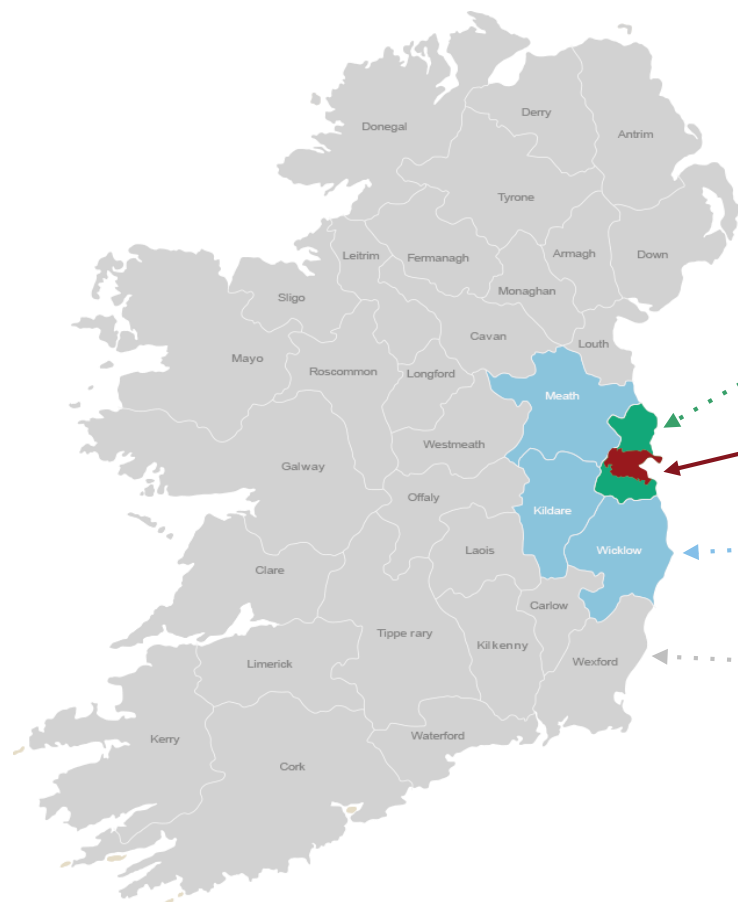
Investment in our Core Land Bank – Capital Allocations Timeline

Core land bank acquisition dates



Core Land Bank – Timing and Location Key Drivers to Future Success

Investment in our Core Land Bank – Capital Allocations Geographical Split



Targeted Capital Allocation Focused on the GDA

18.2% Rest of Dublin €150m

49.8% Dublin within M50 €409m

27.0% Greater Dublin Area €222m

5.0% Regional €41m

45% of all Cairn acquisitions, by value, were concluded through off market deals.

The Brands of our Current Developments

Housing



High Density Apartments



Student Apartments



Cork Street
Stillorgan
Maynooth
Blackhall Place
Galway

Core Land Bank – Enhancing Value

14,100 RESIDENTIAL UNITS ACROSS 34 CORE SITES

Unique Wholly Owned Land Bank with Inherent Planning Upside

		Housing # Units	High Density Apartment # Units	Student Apartment # Units	Total # Units
	Land Bank 1/1/17	9,900	1,618	400	11,918
Less:	2017 Unit Sales	(373)	(45)	-	(418)
Add:	2017 Acquisitions	71	596	33	700
	2017 Planning Gains	902	931	67	1,900
	Land Bank 31/12/17	10,500	3,100	500	14,100

Drivers Behind Planning Gains

- Ongoing enhancement of the value of our existing sites and overall land bank. Additional c. 1,900 units which we have or expect to gain by maximising densities through:
 - Continuing to amend existing planning consents – focus on converting historic densities into current, demand driven higher densities;
 - Strategic positioning of our land bank in response to:
 1. Government and the National Planning Authority looking for housebuilders to make more efficient use of residential land;
 2. Apartment design regulations relaxation (improving densities and efficiencies);
 3. Expected directive on increased building heights (due to be announced on 31 March 2018); and
 4. Response to increased demand for apartment living, changing lifestyle patterns and purchasers seeking homes close to employment and the city centre.

Land Market Transaction Value

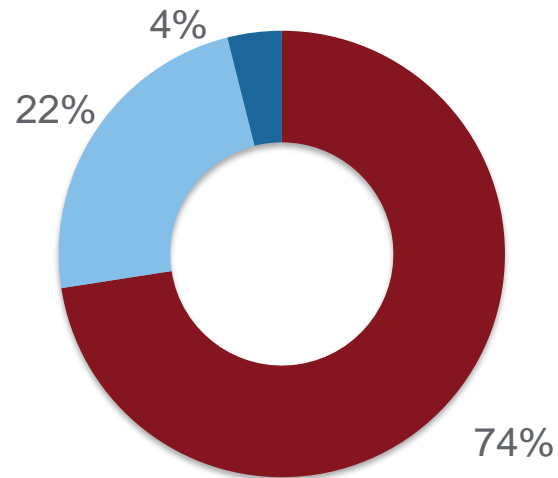
	2015	2016	2017
Development Land Sales	€1.4bn	€900m	€600m

Source: Cushman & Wakefield (incl. all Cairn land acquisitions)

Core Land Bank - Composition

Composition of c. 14,100 Units

UNIT TYPE



Houses

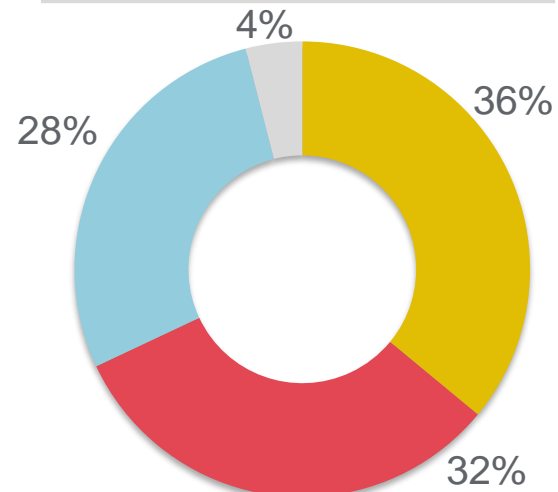


Apartments



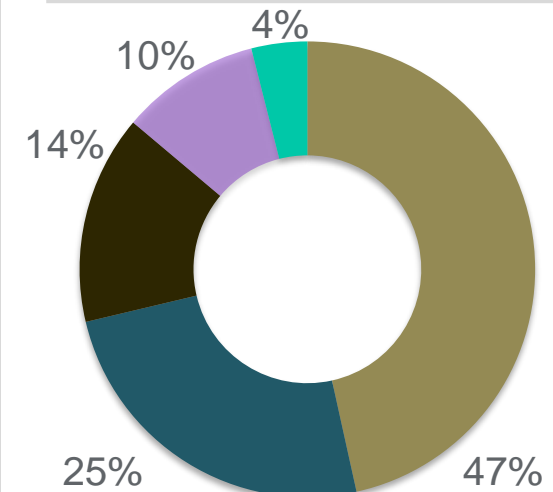
Student

PLANNING STATUS



- Full Planning Permission
- SDZ Effective FPP
- Zoned Residential
- Subject to Zoning

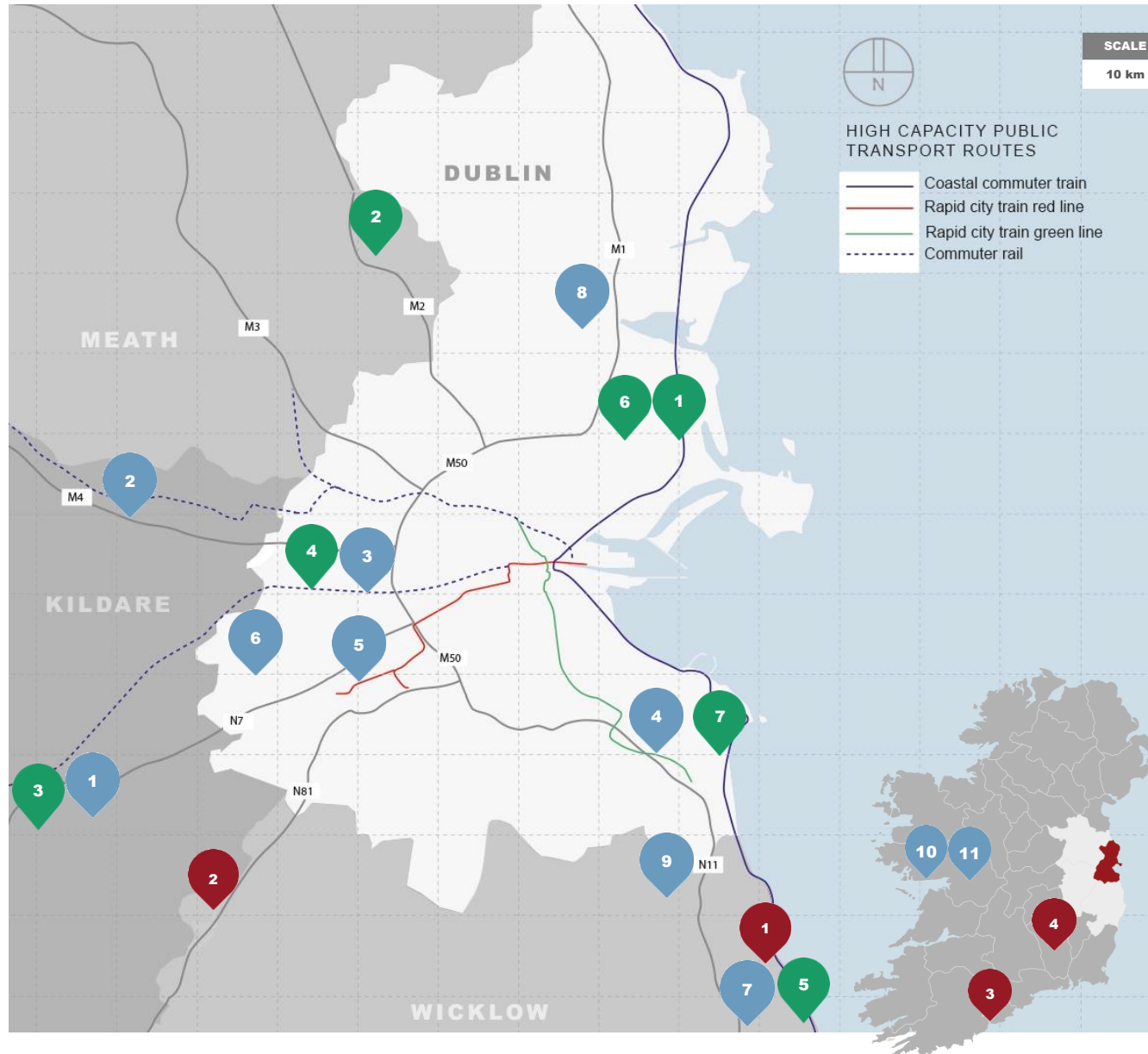
BUYER PROFILE



- FTB (from €250k)
- Trade Up / Mover (up to €600k)
- Premium (from €600k)
- Social
- Student

Core Land Bank Analysis - Housing

22 well located **HOUSING** sites (c. 10,500 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	465
4. Shackleton Park, Lucan	1,005
5. Glenheron, Greystones, Co. Wicklow	352
6. Parkside NAMA JV	71
7. Albany, Killiney	20

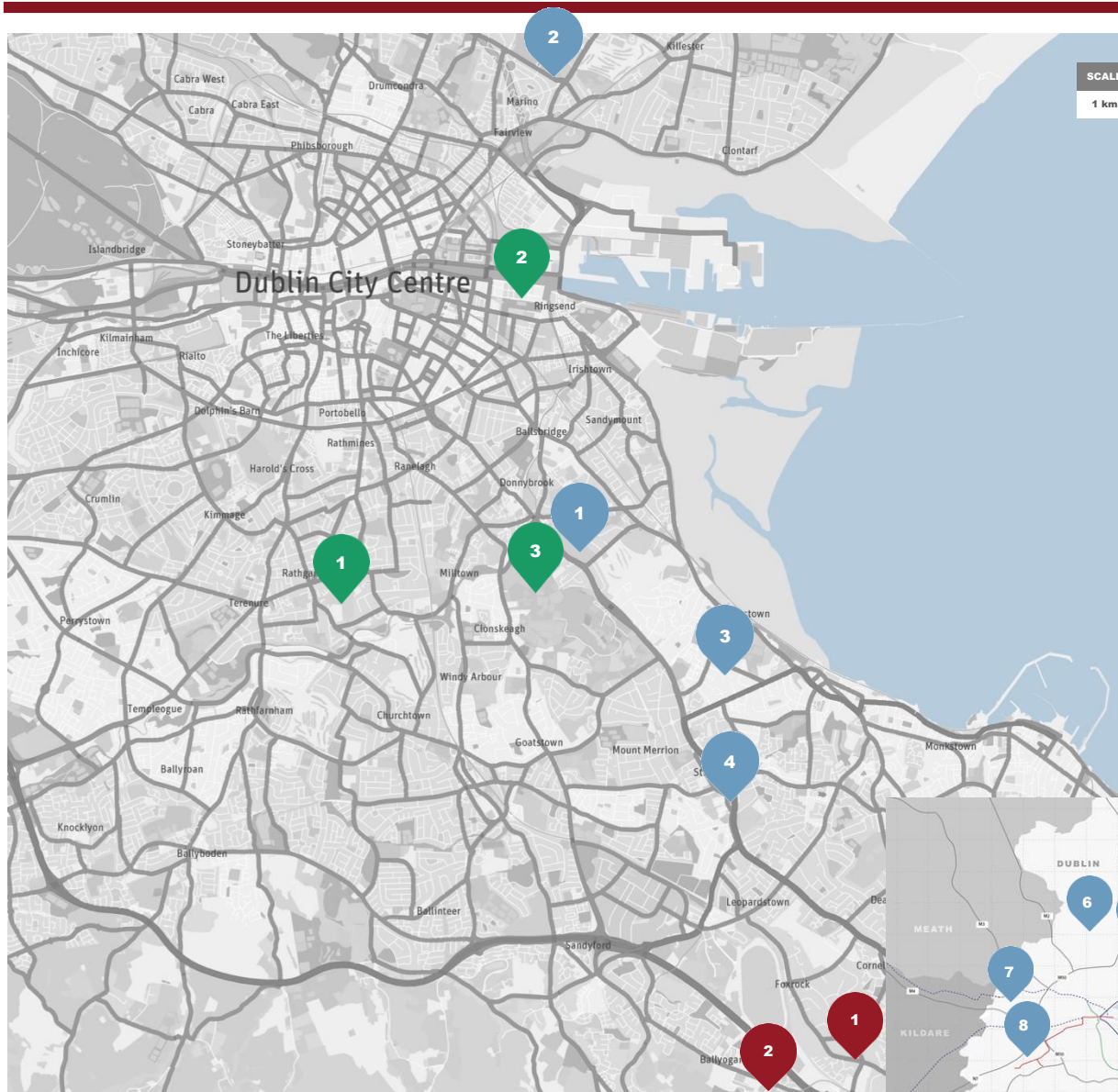
Options for 2018/19 Commencements
1. Craddockstown, Naas, Co. Kildare
2. Mariavilla, Maynooth, Co. Kildare
3. Clonburris, Dublin 22
4. Cherrywood, South Co. Dublin
5. Citywest, Dublin 24
6. Newcastle, Co. Dublin
7. Farrankelly, Delgany, Co. Wicklow
8. Swords, Co. Dublin
9. Enniskerry, Co. Wicklow
10. Rahoon, Galway
11. Ballymoneen Road, Galway

Future
1. Coolagad, Greystones, Co. Wicklow
2. Blessington, Co. Wicklow
3. Douglas, Cork
4. Callan Road, Kilkenny

Cost per Site	Average Estimated Selling Price per Unit
€41k	€335k (gross)
	€295k (net)

Core Land Bank Analysis – High Density Apartments

14 prime **APARTMENT** Sites (c. 3,100 units) in and near Dublin City



Active	Units
1. Marianella, Rathgar, Dublin 6W	231
2. Hanover Quay, Dublin 2	120
3. Greenfields, Donnybrook, Dublin 4	86

Options for 2018/19 Commencements

1. Montrose, Dublin 4
2. Griffith Avenue, Dublin 9
3. Cross Avenue, Blackrock, Co. Dublin
4. Stillorgan, Co. Dublin
5. Parkside, Malahide Road
6. Swords, Co. Dublin
7. Shackleton Park, Lucan
8. Citywest, Dublin 24
9. Glenheron, Greystones, Co. Wicklow

Future

1. Barrington Tower, Carrickmines, Dublin 18
2. Glenamuck Road, Carrickmines, Dublin 18



Cost per Site	Average Estimated Selling Price per Unit
€105k	€586k (gross)
	€516k (net)

Core Land Bank – Options

UNIT DELIVERY OPTIONS AND BROADENING BUYER POOL

Buyer profiles across core land bank continues to expand

Housing - Existing Buyer Profile	High Density Apartments - Existing Buyer Profile	Broadening Pool
First Time Buyers (> €250k)	First Time Buyers (> €250k)	International Institutional Investors
Trade-up/Down	Trade-down	PRS Operators
Social	Premium (> €600k)	Brexit job-relocators
FDI Employees	Retail Investors	Domestic students
	FDI Employees	International Students

Six Hanover Quay

Formal Sales Process Commenced

Background

- There are a large number of international institutional investors and PRS operators looking to own residential assets in Ireland, and particularly in Dublin.
- The Multi-Family / Build to Rent residential investment market in Dublin has seen investment of over €1 billion since 2015.
- Much of capital deployed into this sector in recent years, and particularly in 2015 and 2016, has been on stock which remained partially construction complete following the property crash. New product is now the only way for this capital to gain access to this market.

Six Hanover Quay

- We have received a number of direct enquiries in recent months from international institutional investors and PRS operators seeking to forward purchase a number of our current and future high density apartment developments.
- There has been specific recent interest in Six Hanover Quay given its location in an area of high and growing employment and the demand for prime rental properties in Dublin City Centre.
- We have commenced a formal sales process, through Savills, with a view to selling the entire development (comprising 120 apartments, a 5,000 sq. ft. restaurant and a 1,400 sq. ft. café).
- Construction well advanced with an expected transaction close date at the start of 2019, assuming a successful sales process.

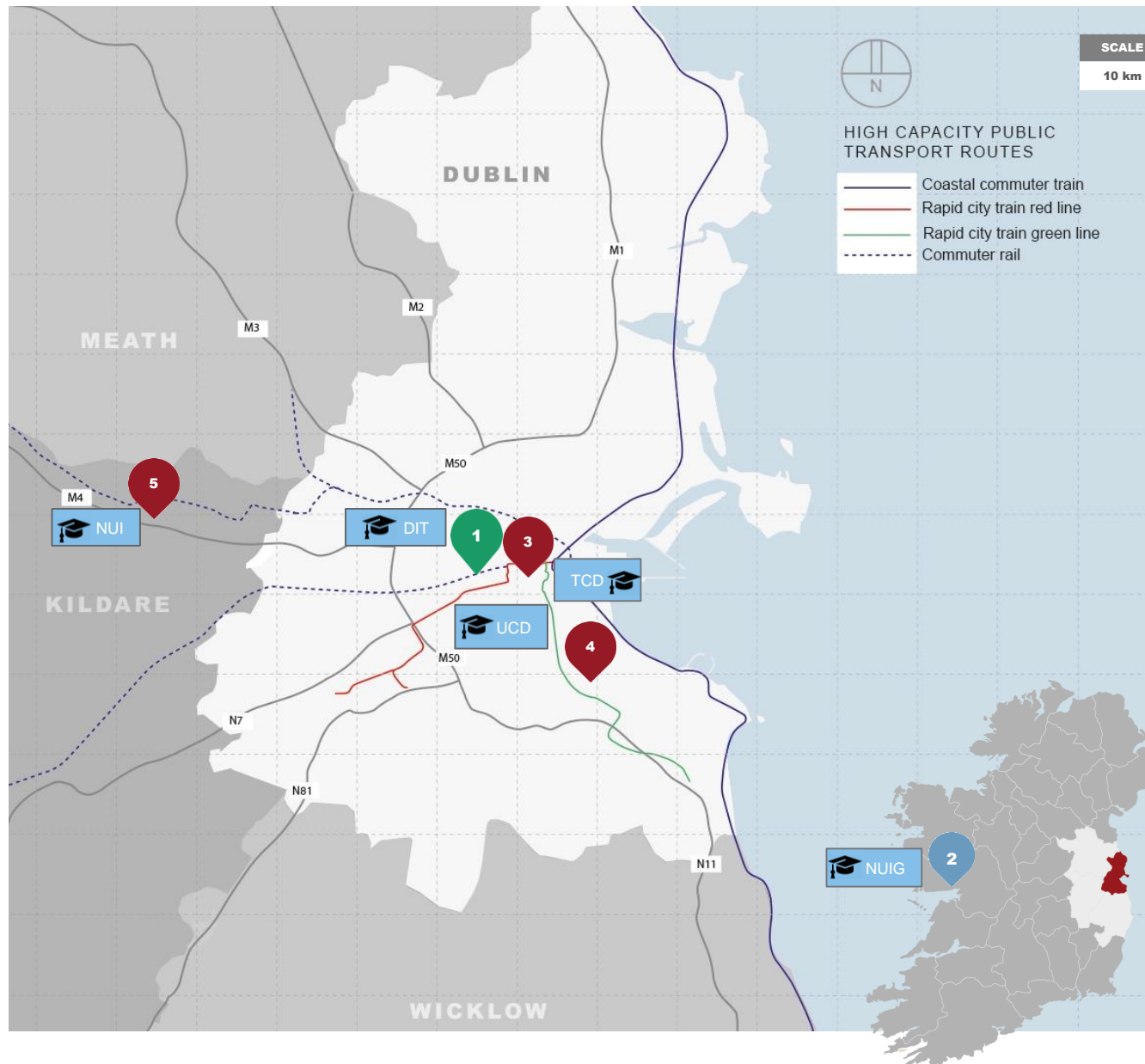


SIX HANOVER QUAY



Core Land Bank Analysis – Student Apartments

c. 1,717 **STUDENT BED** pipeline in close proximity to Ireland's major universities



Under Construction Student Beds

1. Blackhall Place, Dublin 1 **112**

Full Planning Permission Student Beds

2. Eyre Square, Galway **147**
3. Cork Street, Dublin 8 **399**

In Planning Student Beds

4. Stillorgan, Co. Dublin **576**
5. Mariavilla, Maynooth, Co. Kildare **483**

Land Bank Analysis - Student Accommodation – An Irish Backdrop

SIGNIFICANT SUPPLY AND DEMAND IMBALANCE

Dublin, Kildare & Galway	2018	2020	2024
Supply	19,177	27,067	30,901
Demand	37,493	41,062	44,864
Shortfall	18,316	13,995	13,963

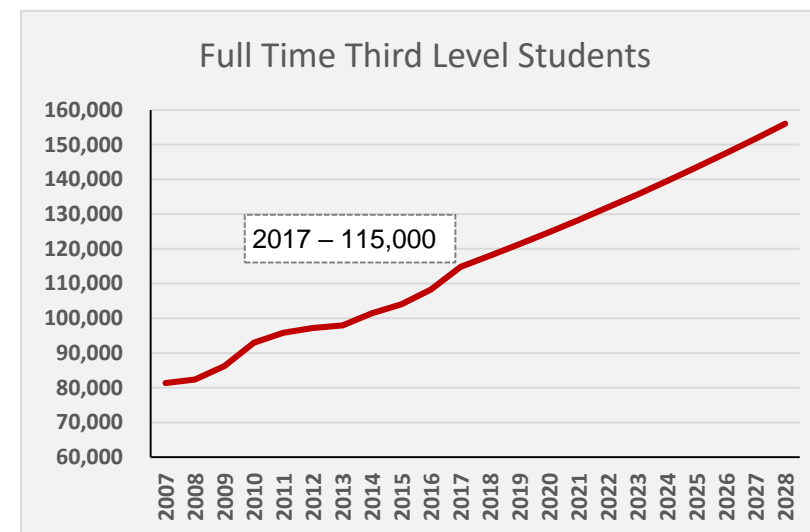
LOW PROVISION RATE OF STUDENT ACCOMMODATION

	2017 (A)	2019 (F)	2020 (F)	2021 (F)	2022 (F)
Dublin & Kildare	16%	17%	19%	22%	23%
Galway	18%	18%	18%	20%	21%

- The provision rate of student accommodation is the total number of purpose built student accommodation beds as a percentage of the total student population.
- Current and forecasted provision rates in Dublin, Kildare and Galway are behind UK comparables.

UK Comparables: 2016	
Edinburgh	33%
Manchester	40%
Liverpool	51%
Bristol	35%
London	24%
Leeds	40%
Oxford	60%

GROWING THIRD LEVEL STUDENT POPULATION



Note: 2007 – 2017 (Actual); 2018 – 2028 (Forecast)

Source: Internal Cairn Estimates, National Student Accommodation Strategy July 2017, Savills and GVA 2016, HEA and Department of Education and Skills

Core Land Bank Analysis

CORE LAND BANK – DEVELOPMENT METRICS

Key development metrics by construction activity

	Housing	High Density Apartments	Student Apartments	Overall Land Bank
Capital Allocation	53%	41%	6%	100%
Total Units	10,500	3,100	500*	14,100
Average Unit Cost	€41k	€105k	€95k	€57k
Estimated ASP (ex. VAT)	€295k	€516k	€600k	€354k
Estimated NDV (no HPI)	€3.1bn	€1.6bn	€0.3bn	€5.0bn
Land (at historical cost) as a % of Estimated NDV	13.7%	20.3%	15.8%	16.0%

* Incorporating c. 1,717 student beds

Business Outlook

Irish recovery complete –
now in expansionary
phase

Supply / demand
imbalance intensifying

Clearly defined strategy
across distinct product
mixes

Unique land bank with
sites in the best locations

Talented and experienced
team of housebuilders in
place

2020 medium-term run
rate of c. €500m revenue,
1,300 to 1,400 units

Strong forward sales
pipeline and strengthening
mortgage market

**Positive outlook with continued significant
growth in sales, profit and cash generation
over the next three years**

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Shackleton Park

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SHACKLETON PARK
LUCAN

PARKSIDE, MALAHIDE ROAD



Total Units: 395
Completions to FYE 17: 245



UPDATE:

Phase 1 (166 units) sold out. Phase 2 (141 units) sold out and nearing completion. Phase 3 (88 units) under construction with further sales launch in H1 2018. Phase 4 (205 units – high density) in design phase.

PARKSIDE NAMA JV



Total Units: 71
Completions to FYE 17: 32



UPDATE:

Sold out and remaining 39 completions scheduled during H1 2018.

CHURCHFIELDS, ASHBOURNE



Total Units: 397
Completions to FYE 17: 130



UPDATE:

Phase 1 (173 units) sold out and construction complete and completions ongoing. Phase 2 (224 units) construction underway, with completions commencing imminently. Most recent sales launch in February 2018.

SHACKLETON PARK, LUCAN



Total Units: 1,005
Completions to FYE 17: 29



UPDATE:

Construction of 199 houses and 68 apartments in Phase 1 at an advanced stage. Latest sales launch in February 2018 from completed show units (c. 130 units sold to date, including two off-plan launches).

GLENHERON, GREYSTONES



Total Units: 352
Completions to FYE 17: 11



UPDATE:

Construction of Phase 1 (50 units) nearing completion. 22 units sold off plans. First show unit will open in H1 2018. Construction underway on Phase 2 (192 units) with an initial sales launch in H1 2018.

ELSMORE, NAAS



Total Units: 465
Completions to FYE 17: -



UPDATE:

Construction of Phase 1 (117 units) advanced with first occupations scheduled in H1 2018. 20 units sold off plans with balance of Phase 1 units to be released from completed show units in Q2 2018.

ALBANY, KILLINEY



Total Units: 20
Completions to FYE 17: 5



UPDATE:

Construction almost complete. Four completions in 2017.

MARIAVILLA, MAYNOOTH

Size: 49 acres
Total Units: 462



UPDATE:

Planning application (462 units – 320 houses, 81 apartments and 56 duplex units) expected to be lodged through the Strategic Housing Development process in Q1 2018.

CRADDOCKSTOWN, NAAS

Size: 30 acres
Total Units: 251



UPDATE:

Full planning permission received for 251 houses in Q4 2017.

CHERRYWOOD, DUBLIN

Size: 10.5 acres
Total Units: 294



UPDATE:

Infrastructure works and completion of public parks progressing. Phasing within SDZ being reviewed and fast-track SDZ planning application to be submitted during 2018.

CLONBURRIS, DUBLIN 22

Size: 177 acres
Total Units: Up to 3,086 units



UPDATE:

Enlarged 280 hectare SDZ expected to be approved by South Dublin County Council in H1 2018. Anticipate full An Bord Pleanála approval by the end of H2 2018 which will facilitate a fast-track (8 week) planning application at that time.

FARRANKELLY, DELGANY

Size: 21.5 acres
Total Units: 440



UPDATE:

Currently in detailed design stage with a view to lodging a planning application through the Strategic Housing Development process in H2 2018.

CITYWEST, DUBLIN 24

Size: 20 acres
Total Units: 354



UPDATE:

Currently in detailed design stage with a view to lodging a planning application through the Strategic Housing Development process in H2 2018.

SWORDS, CO. DUBLIN

Size: 28 acres
Total Units: 500



UPDATE:

Currently in detailed design stage.

Well located site within 1km of proposed Metro North, where a focus will be on higher density development.

RAHOON, GALWAY

Size: 21 acres
Total Units: 220



UPDATE:

Currently in detailed design stage.

High Density Apartments - Active Sites

MARIANELLA, RATHGAR



Total Units: 231
Completions to FYE 17: 45



UPDATE:

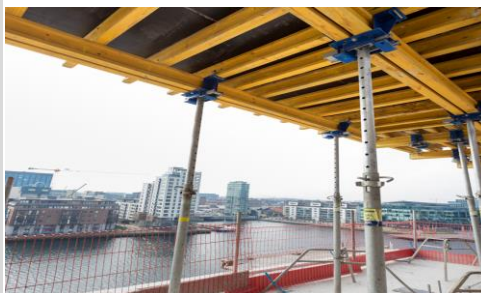
Completions in Block A started in Q4 2017. Strong forward sales and demand for this product. Next sales launch scheduled for March 2018 with penthouse apartments to launch in Q2 2018. ASPs ahead of target.

HANOVER QUAY, DUBLIN 2



SIX HANOVER QUAY

Total Units: 120
Completions to FYE 17: -



UPDATE:

Construction at roof level (eighth floor) and internal first fix commenced. Formal sales process commenced with a view to selling the entire development with a scheduled completion date of Q1 2019.

GREENFIELD PARK, DUBLIN 4



Total Units: 86
Completions to FYE 17: -



UPDATE:

Site clearance works commenced at the end of 2017 and construction commenced in Q1 2018. Development consists of 68 two-bedroom and 18 three-bedroom large apartments across five individual blocks.

High Density Apartments – Options for 2018/2019 Site Commencements

MONTROSE, DUBLIN 4

Size: 8.6 acres
Total Units: TBC



UPDATE:

Site being master-planned presently with a full design team retained ahead of pre-planning consultation with Dublin City Council.

GRIFFITH AVENUE, DUBLIN 9

Size: 7.5 acres
Total Units: TBC



UPDATE:

In detailed pre-planning, design and local authority consultation with a Strategic Housing Development planning application to be submitted in H1 2018.

CROSS AVENUE, BLACKROCK

Size: 8.0 acres
Total Units: TBC

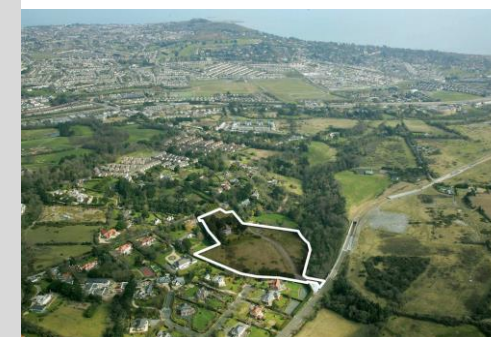


UPDATE:

In detailed pre-planning, design and local authority consultation with a Strategic Housing Development planning application to be submitted in Q1 2018.

BARRINGTON, CARRICKMINES

Size: 12 acres
Total Units: TBC



UPDATE:

Currently in detailed design stage.

Blackhall Place, Dublin 8

Total Units:	29
Total Beds:	112
Size:	2,800 sq.m.
Target Colleges:	TCD, DIT



UPDATE:

Refurbishment underway ahead of completion and letting for the summer student market and the start of the new academic year in September 2018.

Student Apartments – Future Sites

STILLORGAN, DUBLIN

Units:	215
Total Beds:	576
Size:	19,400 sq.m.
Universities:	UCD, IAD



UPDATE:

Planning application submitted through the Strategic Housing Development process in December 2018 with a decision expected on or before 19 April 2018.

CORK STREET, DUBLIN 8

Units:	90
Total Beds:	399
Size:	13,000 sq.m.
Universities:	TCD, DIT, Griffith College



UPDATE:

Full planning permission received through the Strategic Housing Development process in February 2018 for 399 student beds.

MARIAVILLA, MAYNOOTH

Units:	179
Total Beds:	483
Size:	19,600 sq.m.
Universities:	NUI, Maynooth



UPDATE:

Planning application expected to be lodged through the Strategic Housing Development process in Q1 2018.

EYRE SQUARE, GALWAY

Units:	22
Total Beds:	147
Size:	5,750 sq.m.
Universities:	GMIT, NUIG



UPDATE:

Full planning permission in place.

1. Highlights

2. Land Bank

3. Operations

4. Outlook

5. Appendix incl.
a) Cairn's Sites

b) Market Backdrop



Marianella

Marianella
RATHGAR, DUBLIN 6

Market Backdrop – Supporting The Continuing Maturing of Cairn

2017 – Irish Macro Environment

GDP: +8.1%

2016: +5.4%

Core Domestic Demand: +6.7%

2016: +5.4%

Employment: +3.8%

2016: +5.4%

Gross Disposable Income: +5.1%

2016: +5.4%

2017 – Irish Housing Market

Affordability

21.2%

(of net income for FTB)

Mortgage Drawdowns

+ 29%

HPI

+ 12.3%

(new homes 5.9%)

Supply / Demand

9,251 / 30,000+

Transactions

54,092

(2.7% of housing stock)

Available Dublin Rental

Properties

1,300

(0.3% of housing stock)

New Builds per '000

0.2

(UK: 0.33)

Home Ownership

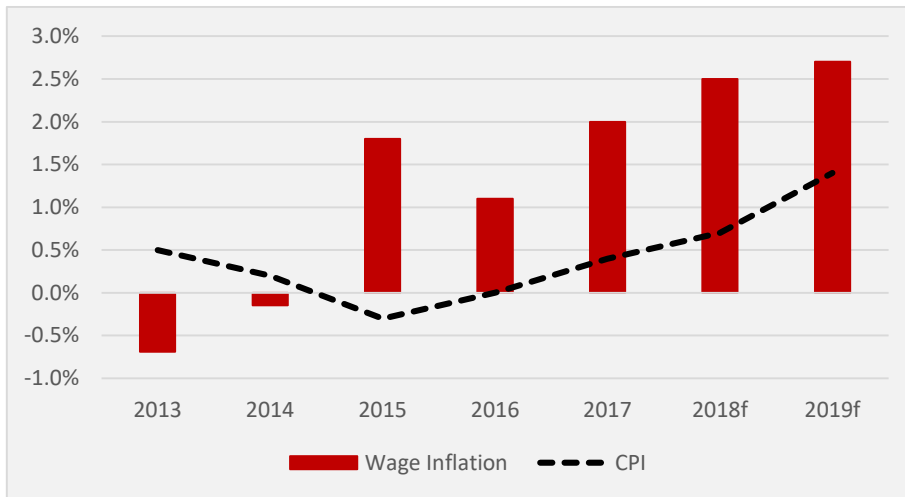
68%

(70% in 2011)

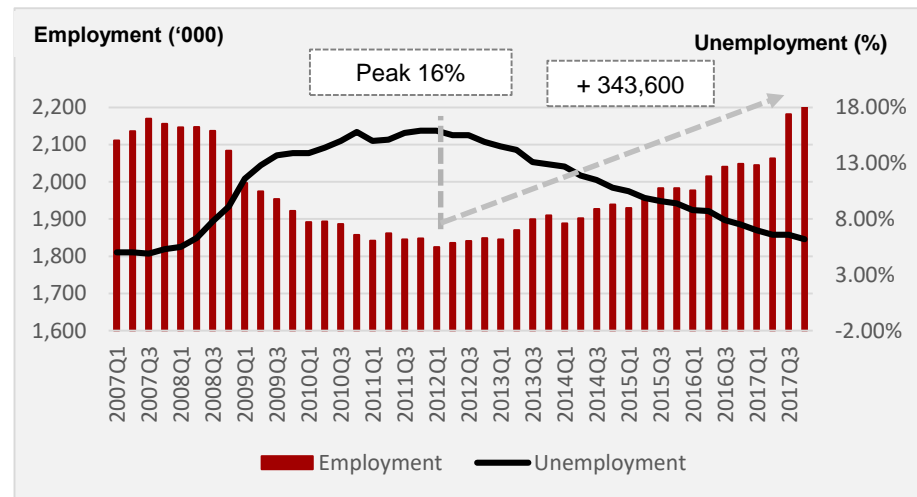
Source: CSO, Goodbody, The Department of Finance, Eurostat, Daft.ie Q4 2017 Rental Price Report, 2017 Property Price Register
EBS DKM Irish Affordability Index July 2017, Banking & Payments Federation Ireland.

Key Drivers Boosting Affordability

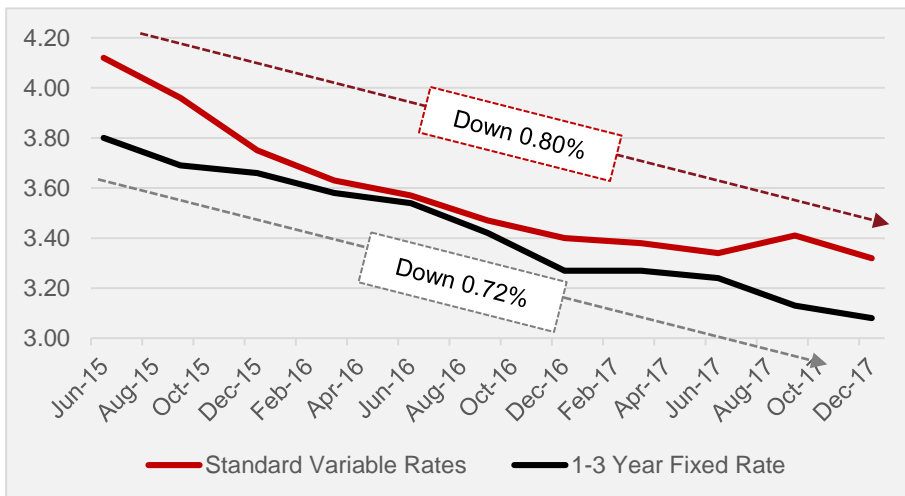
WAGE INFLATION OUTSTRIPPING CONSUMER PRICE INDEX



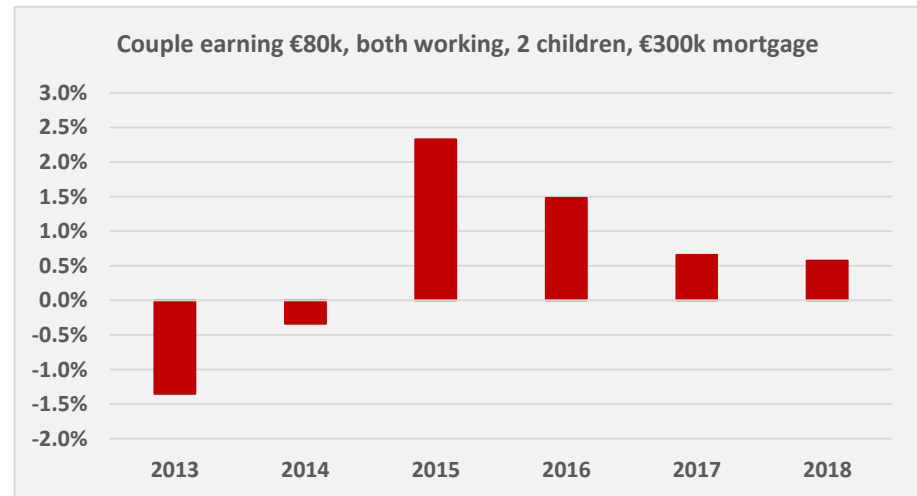
STRENGTHENING IRISH LABOUR MARKET



MORTGAGE RATES FALLING

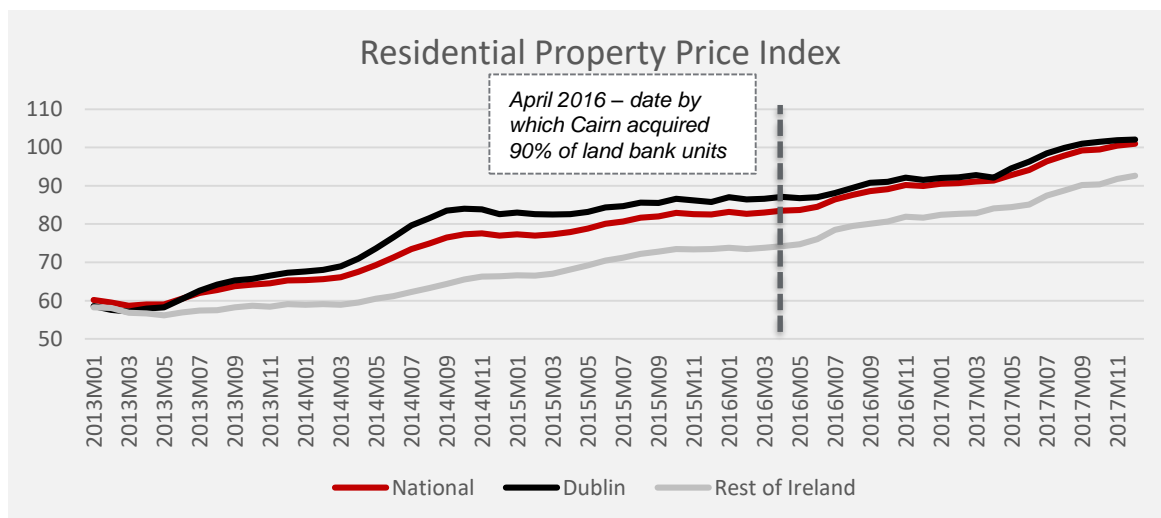
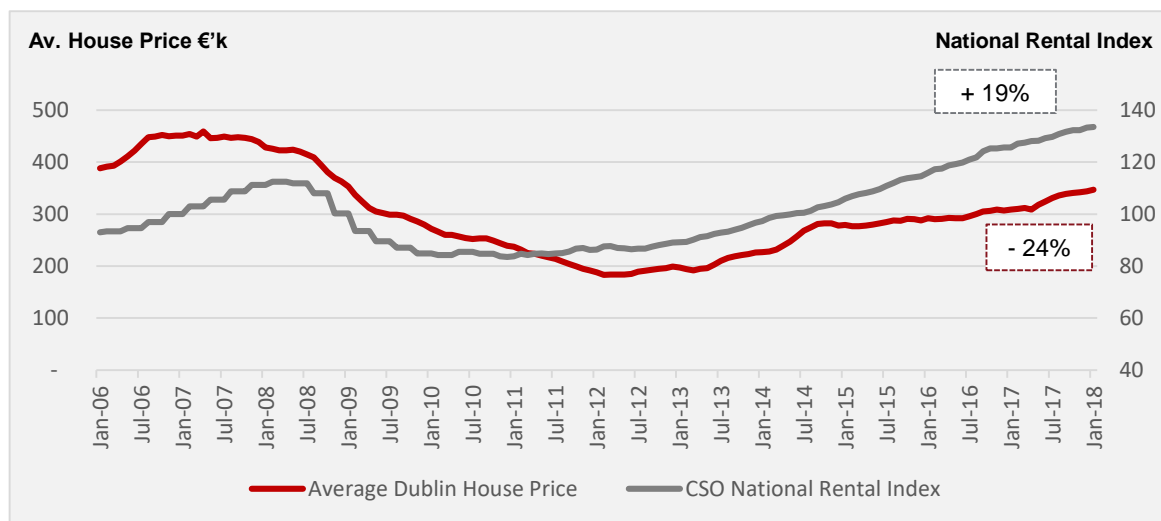


IMPACT OF EXPANSIONARY BUDGETS – HIGHER TAKE HOME PAY



National Residential Price Recovery vs Rental Price Recovery

PRIVATE RENTS 19% ABOVE PEAK, DUBLIN HOUSE PRICES STILL 24% BELOW PEAK



COMMENTARY

- Dublin average house price €344,125 as at December 2017, 24% below €453,638 peak in February 2007.
- The National Rental Index reached 133.5 in December 2017, 19% above April 2008 peak.
- The Daft.ie Q4 2017 Rental Price Report identifies that rents in Dublin are now 19% above their previous 2008 peak, following annual rental inflation in excess of 10% in every year since 2013.
- Residential property prices increased by 12.3% in the year to December 2017:
 - Dublin + 11.6%
 - Rest of Ireland + 13.2%
- Eurostat, the statistical office of the EU, report that 12% national HPI in the year to September 2017 was split 5.9% new homes and 13.1% existing homes.

Source: CSO, Goodbody

Owning v's Renting

THE FIRST TIME BUYER DECISION TREE – COST OF RENTING IS NOW 37.3% DEARER THAN OWNING AND FINANCING A STARTER HOME, AN INCREASE OF 4.8% SINCE SEPTEMBER 2017

	2014	Sep-17	Mar-18	
Salary	€80,000	€83,983	€86,082	
Annual After-tax Income	€60,138	€63,874	€65,317	
Monthly After-tax Income	€5,012	€5,323	€5,443	Take Home Pay +€431
Standard Variable Rate (per CBI)	4.20%	3.35%	3.32%	
Monthly Mortgage Repayments	€1,344	€1,290	€1,323	Mortgage Repayments -€21
Monthly Pay after Tax and Mortgage	€3,668	€4,033	€4,120	
3 Bed Rental - Monthly Cost	€1,232	€1,709	€1,817	Rental Payments +€585
Monthly Pay after Tax and Rent	€3,780	€3,614	€3,626	
Difference between Renting and Owning	€112	-€419	-€494	Now 37.3% dearer to rent than own

RENTING VS OWNING...

8.3%

**CHEAPER
IN 2014**

32.5%

**DEARER
IN 2017**

37.3%

**DEARER
IN 2018**

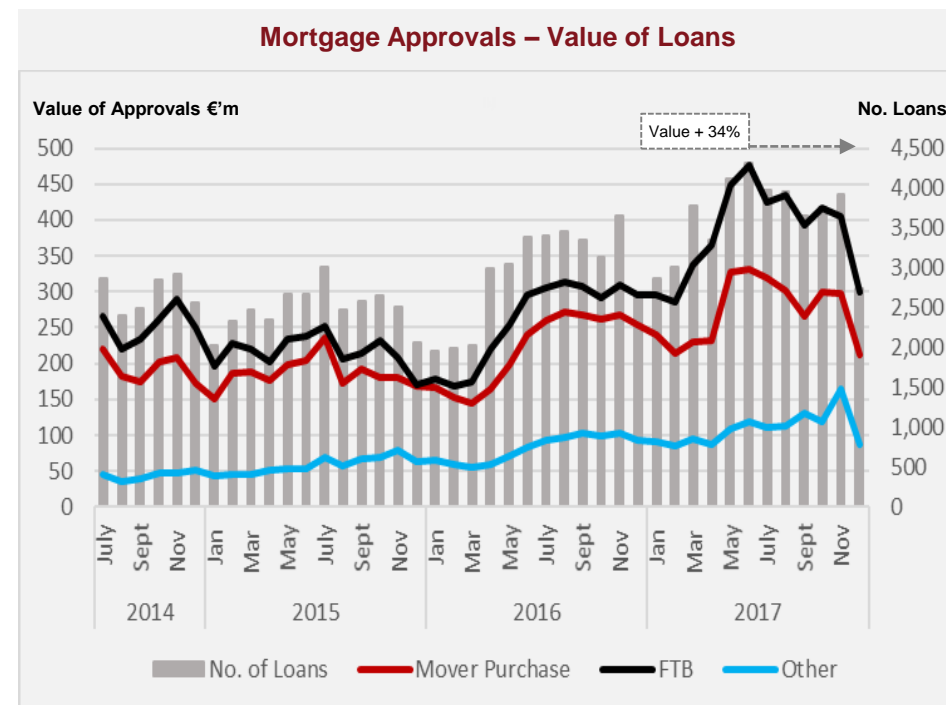
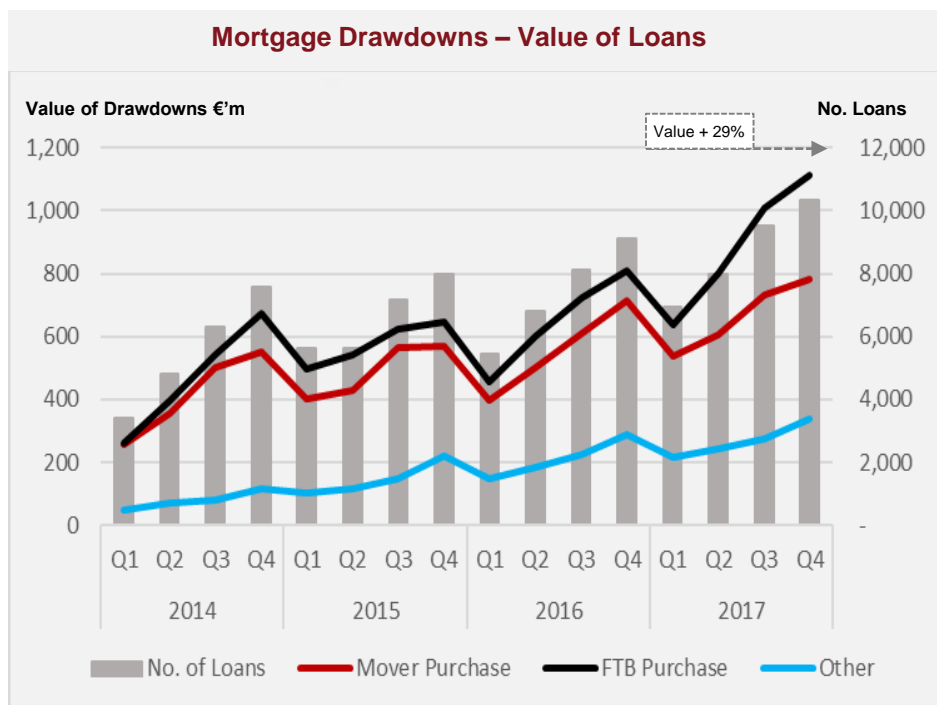
ASSUMPTIONS

- **2014:** Couple, both working, earning €40,000 each.
- First time buyers, purchased a three bedroom house for €295,000 in Dublin 13 (equivalent to Parkside launch price) and obtained a €271,000 mortgage (92% LTV – maximum LTV available at the time) on a 4.20% standard variable rate (SVR) with capital and interest repayments over 30 years.
- Balance of purchase price, €23,600, paid from personal resources.
- **2017:** Same couple benefitted from wage inflation of 1.8% in 2015, 1.1% in 2016, 2.2% in 2017.
- Purchased similar three bedroom house for €325,000 (allowing for 10% HPI in period) in Dublin 13 and obtained a €293,000 (90% LTV) mortgage on a 3.35% SVR with capital and interest repayments over 30 years.
- As first time buyers, they are in receipt of the Help to Buy income tax rebate, reducing their contribution to the purchase price to 5% or €16,250.
- **2018:** Same couple benefitted from wage inflation of 2.5% in 2018 and additional 3% HPI increases the purchase price of the same house to €334,750 (applying Eurostat September 2017 Irish new homes HPI for a further period of 6 months).

Source: TaxCalc.ie, theguardian.com/money/mortgage calculator, Daft.ie Q4 2017 Rental Price Report, ec.Europa.eu/eurostat

The Mortgage Market

Mortgage Drawdown and Approval Trends supporting Cairn Growth Trajectory

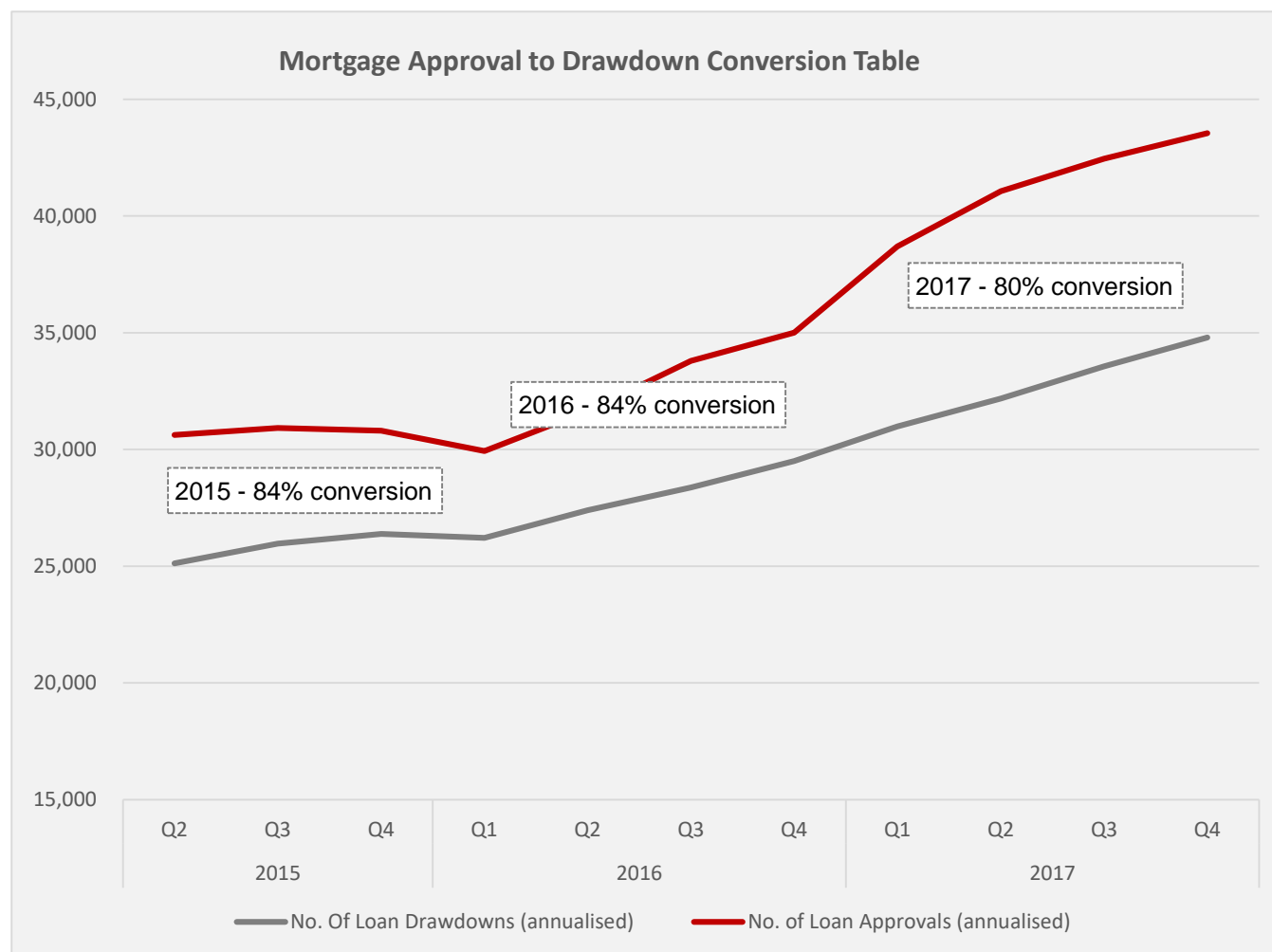


- The mortgage market continues its strong growth trend in 2017 with competition intensifying amongst mortgage providers:
 - Mortgage drawdowns + 29% in value terms (€7.3bn) and + 18% in volume terms;
 - Mortgage approvals + 34% in value terms (€9.3bn) and + 23% in volume terms.
- The mortgage approvals trend has continued as the volume of mortgage approvals grew by 12% (year-on-year) in January 2018. Goodbody forecast continued mortgage drawdown growth in 2018 (c. €8.6bn) and 2019 (€10.1bn) as the mortgage market continues its recovery and moves towards more normalised levels of €12bn - €15bn annual drawdowns, all of which support Cairns growth trajectory.

Source: Banking Payments Federation of Ireland, Goodbody, Davy, Investec

Mortgage Market Trends

MORTGAGE APPROVED BORROWERS CANNOT FIND HOUSES

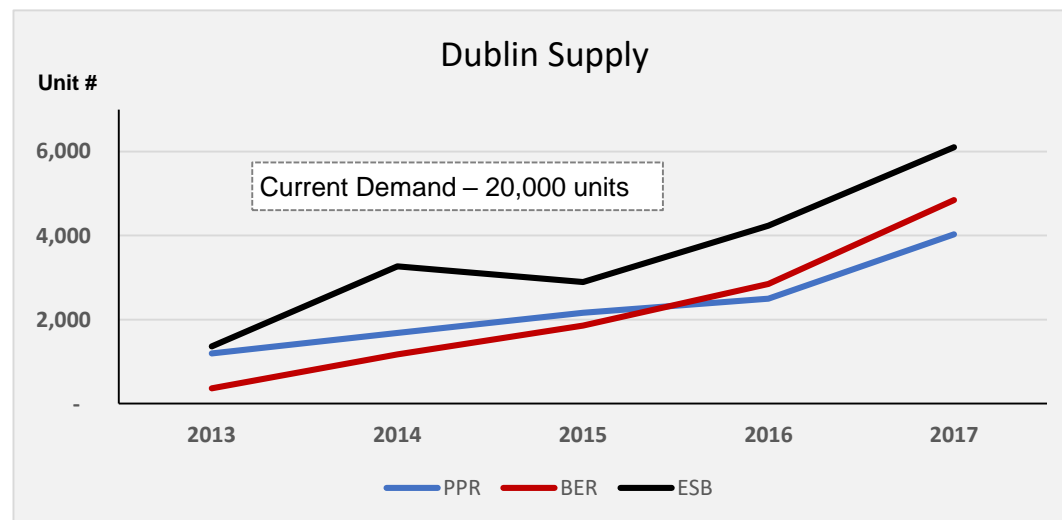
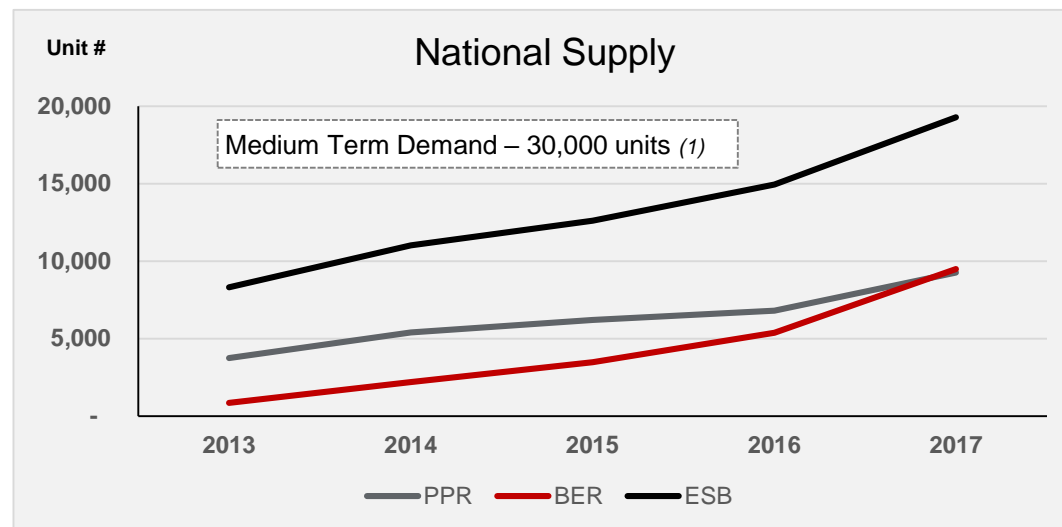


- The number of individual mortgage approved loans converting to mortgage drawdown loans deteriorated significantly in 2017.
- The average conversion rate since Q2 2015 is 83%, however this fell back to 80% in 2017.
- In the 12 months to December 2017, there were 43,546 mortgage approvals for transaction purposes, compared to 34,793 mortgages that were drawn down.
- This suggests 20% of mortgage approved customers cannot source product with which to convert their approval into a house purchase.

Source: Banking Payments Federation of Ireland

Supply Still Lagging Demand

2017 SUPPLY LESS THAN ONE THIRD OF MEDIUM TERM DEMAND LEVEL



COMMENTARY

- The Department of Housing, Planning & Local Government completion statistics indicate that the level of under-supply, based on ESRI medium term demand forecasts, is 87,566 units since the start of 2012.
- These government statistics are based on connections to the electricity grid, however it is accepted that this is not a reliable measurement metric.
- The Property Price Register, which records the sale of new homes based on stamp duty returns, and the Goodbody BER Housebuilding Tracker, which measures completion activity through the issuance of build energy ratings, provide a more reliable measurement of supply:

	PPR	BER	ESB
2013 - 2017 Cumulative Supply	31,667	21,410	62,434
2013 2017 Cumulative ESRI Demand	150,000	150,000	150,000
Short-fall in Supply	(118,333)	(128,590)	(87,566)

- The Property Price Register indicates that the actual level of under-supply is actually 118,333 units since the start of 2012, while the BER Tracker indicates a short-fall of 128,580 units (both exclude one-off housing).
- The Property Price Register return for 2017 reflects total new home sales of 9,251 units, of which 4,026 units were sold in Dublin.
- We estimate that Dublin requires 20,000 new home units per annum into the medium term to meet demographically driven demand, annual obsolescence and catch-up on the level of under-supply witnessed since 2009.

(1): Economic & Social Research Institute (Ireland's Economic Outlook: Perspectives and Policy Challenges, December 2016)
Source: Department of Housing, Planning, Community and Local Government, The Property Price Register, CSO

**LOCAL INFRASTRUCTURE HOUSING
ACTIVATION FUND (LIHAF)**

PROJECT IRELAND 2040

HELP TO BUY

APARTMENT DESIGN GUIDELINES

Source: CSO

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