

Economic Assessment of Parkgate Street Scheme

Ruirside Developments Limited

Reliance Restricted

19 December 2019 | Final



Building a better
working world



Ernst & Young
Business Advisory Services
Harcourt Centre,
Harcourt Street,
Dublin 2
D02 YA40

Reliance Restricted

Ruirside Developments Limited
Usher House
Main Street
Dundrum
Dublin 14

Parkgate Street Scheme Economic Impact Assessment

19 December 2019

In accordance with the terms of our engagement agreement dated 1 November 2019, we have assisted Ruirside Developments Ltd in an economic assessment of its proposal for the development of the Parkgate Street Scheme (the "Purpose"). Our role is to provide you with our findings for your consideration.

Limitations of Scope

We will not, except to such extent as you request and we agree to in writing, seek to verify the accuracy of the data, information and explanations provided by yourselves, and you are solely responsible for this data, information and explanations. We will therefore rely on the information provided by you to be accurate and complete in all material respects.. This report has been provided to you for the above Purpose only and should not be used or relied upon for any other purpose, nor should it be disclosed to, or discussed with, any other party without our prior consent in writing.

Use & Distribution of this Report

This report is prepared for the purpose set out in the Agreement and may only be used and disclosed, quoted or referred to on the basis set out therein. Ernst & Young only accepts responsibility to the addressees of this letter on the basis of the Agreement and assumes no responsibility whatsoever in respect of, or arising out of, or in connection with the contents of this letter to parties other than yourselves. If other parties choose to rely in any way on the contents of this letter, they do so entirely at their own risk.

We appreciate the opportunity to have provided EY's business advisory services to you. Should you have any queries or comments regarding this report or if we may be of any further assistance, please do not hesitate to contact me on +353 1 221 2611.

Yours sincerely

Simon MacAllister

D Buckley, D Dennis, J Fenton, M Gageby, J Hannigan, S MacAllister, S MacSweeney, B McCarthy, D McSwiney, J Maher, A Meagher, I O'Brien, R O'Connor, F O'Dea, E O'Reilly, M Rooney, C Ryan, P Traynor, A Walsh, R Walsh, F Kane, A O'Brien

The Irish firm Ernst & Young is a member practice of Ernst & Young Global Limited. It is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business in the Republic of Ireland.



Dashboard

Table of contents

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's Pro ...
- 5 Economic Benefits of th ...

Executive Summary

1

Page 4

Introduction

2

Page 6

Strategic context of the scheme

3

Page 8

Analysis of Dublin's Prop ...

4

Page 12

Economic Benefits of th ...

5

Page 21

1

Executive Summary





1 Executive Summary

Key Conclusions

- 1 Executive Summary**
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's Pro ...
- 5 Economic Benefits of th ...

Macro conclusions

Project-specific conclusions

Dublin's population will grow to

1.9m

Projected size of Dublin's population in 2036 compared the current 1.4m in 2019.

If current trends continue, Dublin's population will grow by 33% by 2036. By 2027 the population could reach 1.6m. However, Dublin remains one of the lowest density cities amongst similar-sized cities in Europe. Dublin's must develop higher density housing if it is to meet the goals of Ireland 2040

More on page 13

Office-based jobs

34,000

Could be accommodated in the current pipeline of offices under construction

The current office construction pipeline could accommodate up to 34,000 jobs. Office-based employment in Dublin is up by 16,400 (+6.4%) in the year to Q2 2019, and IDA-supported firms have announced an immediate pipeline of 5,000 new jobs year to date

More on page 20

Residential accommodation for

21,000

people based on housing starts in Dublin in the past 12 months

New housing is not keeping pace with the growth in employment in Dublin. Just 8,714 residential units have commenced construction in the past 12 months, which could accommodate 21,785 persons - below even the most conservative estimate of employment related to the current office pipeline

More on page 20

New homes in the Heuston Area

481

In the new build-to-rent scheme in the Parkgate street development

Analysis of property transactions in the Heuston Station Area shows just 61 new homes have been built between 2012 and 2018. The Parkgate Street development will add 481 new apartments to the housing market in the area, accommodating over 1,100 people

More on page 18

Employment generated

1,150

In the construction and post-construction phase

The scheme will employ up to 700 people over the construction phase, and up to 650 once complete across a range of commercial activities on site, as well as enabling a growing trend towards remote working by residents. Indirect employment will also be generated by the scheme which can be measured ex-post

More on page 24

2

Introduction



2 Introduction

The Parkgate Street Scheme is a vital element of the renewal of the Heuston Station Area

1 Executive Summary

2 Introduction

3 Strategic context of the ...

4 Analysis of Dublin's Pro ...

5 Economic Benefits of th ...

The Parkgate Street scheme represents a major investment in the Heuston Station Area. The Heuston Station Area is designated as a strategic development and regeneration area in the Dublin City Development Plan (2016-2022). These areas are earmarked to deliver the majority of the city's future residential, commercial and social amenities. The scheme will provide 481 apartments accommodating over 1,100 people. The scheme will also include 3,698 sqm of office space, 658 sqm of retail and restaurant space, and two new open spaces at ground level.

The site meets all of the requirements set down in Project Ireland 2040 related to compact and sustainable urban development. Most importantly it provides the opportunity to holistically design and develop a new urban quarter, enabling residents and workers to utilise the area's sustainable transport and public amenities..

This report provides an economic assessment of the scheme. It analyses the scheme in the context of the Ireland and Dublin's strategic plans, and places it in the city's housing and commercial office markets, and scopes the economic impact of this type of urban regeneration scheme. The report structure is outlined below.

Report Structure

- **Section 1** contains the Executive Summary outlining the key conclusions of the report
- **Section 2** sets out the background and context of the report.
- **Section 3** considers the strategic context for the Parkgate Street redevelopment in relation to Ireland's National Planning Framework, and Dublin City Development Plans,
- **Section 4** analyses the current trends in Dublin's housing market. It examines housing market dynamics and provides evidence of a sub-optimum delivery of home in comparison to the rapid growth in office-based employment in the city.
- **Section 5** scopes the economic benefits of urban regeneration schemes and the economic benefits of the proposed development



Parkgate Street Scheme in numbers

3,698

sqm of office
space

658

sqm of retail
and restaurant
space

481

New Homes

Source: Ruiside Developments Ltd

3

Strategic context of the scheme





3 Strategic context of the scheme

The National Planning Framework envisages compact urban growth in Ireland

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of th ...
- 4 Analysis of Dublin's Pro ...
- 5 Economic Benefits of th ...

Half of all new housing and employment must be within Ireland's cities

A shift towards medium-to-high density development is the cornerstone of the Government's National Planning Framework (Ireland 2040). This is not just a vague strategy goal, but a quantified framework set down in legislation. Ireland 2040 envisages 50% of future population, homes, and employment will be within Ireland's five cities. In doing so, these new communities can be better serviced by existing public infrastructure.

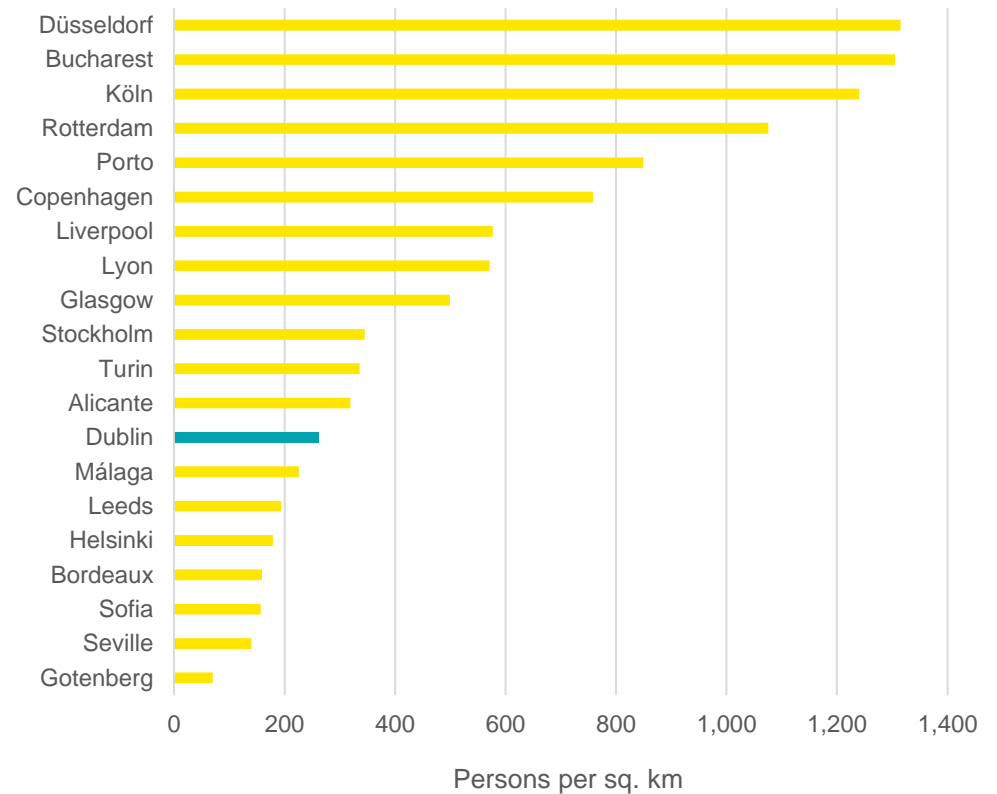
A key benefit of compact development will be reducing environmental degradation such as by reducing land area requirements and preserving natural habitats and green spaces. Ireland's higher than average carbon-intensity per capita must be tackled at a local level, and Dublin, as the capital city, will be crucial in leading this transition to a competitive, low carbon and climate resilient economy. Large-scale, sustainable regeneration of existing brownfield sites will play a key role in achieving this goal.

Place-making is a key focus of the National Planning Framework. High-quality urban places must be designed that are home to integrated communities. There are proven links between the quality of urban place-making, business investment and job creation.

Ireland's cities must be developed to a sufficient scale to be able to compete on an international stage. To facilitate Dublin's forecasted population growth towards 2 million people by 2040, infrastructure investment by both the public and private sector will need to keep pace with a rapidly growing population.

Dublin lags significantly behind European cities in terms of population density. According to Eurostat, the Dublin metropolitan region had a density of 262 persons per kilometre in 2016, placing it towards the bottom of the league table of cities with a similar population. This lack of density in development could impede Dublin's attractiveness to new residents and inward investment. Over the next 30 years, the city needs to move up these rankings if it is to fulfil the goals of the National Planning Framework and contribute to Ireland's climate change efforts.

European metropolitan population density (1.5 - 2.5 million cities)



Source: Eurostat



3 Strategic context of the scheme

The National Planning Framework envisages compact urban growth in Ireland

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of th ...**
- 4 Analysis of Dublin's Pro ...
- 5 Economic Benefits of th ...

The National Planning Framework (Ireland 2040) is underpinned by a shared set of goals or **National Strategic Outcomes**. These form the foundations of all future development planning and delivery, as Ireland builds towards one million extra people by 2040. The Parkgate Street Scheme aligns with the key objectives related to urban development in the Ireland 2040 plan. These are:

“Compact Growth”

The Parkgate Street Scheme regeneration will create a new urban quarter within the current footprint of Dublin City. The NDP states that 50% of new city housing must be within the existing Dublin City and suburbs footprint

“Sustainable Mobility”

The site is adjacent to commuter rail, Luas and primary bus routes. Furthermore, a high-quality cycle route is planned to link the area to the city centre and Docklands along the River Liffey

“A Strong Economy Supported by Enterprise, Innovation and Skills”

A well-planned, mixed-use quarter will foster innovation and attract new indigenous and multinational firms. With 3,698 sqm commercial office space, the Parkgate Street Scheme will support hundreds of new jobs.

“High Quality International Connectivity”

The Parkgate Street Scheme is proximate to bus, commuter rail and light rail networks. Consequently, both the state’s largest airport and port - Dublin Airport and Dublin Port - are easily accessible

“Enhanced Amenity and Heritage”

The area’s unique heritage, waterfront location and panoramic views will be accessible to all via public spaces and a riverside walkway. The development will also be characterised by cafés and shops at ground level to create a vibrant hub for the local community.

“Transition to a Low-Carbon and Climate-Resilient Society”

The Parkgate Street Scheme is within walking distance of the city centre and will be situated on the proposed Liffey Cycle Route. Furthermore, commuter rail and light rail networks are very close by

“Access to Quality Childcare, Education and Health Services”

The development will contain a gym while it is in close proximity to a variety of schools, hospitals and childcare facilities, and several third-level institutions

3 Strategic context of the scheme

Dublin City Development Plan priorities

1 Executive Summary
2 Introduction
3 Strategic context of th ...
4 Analysis of Dublin's Pro ...
5 Economic Benefits of th ...

The key vision of the DCDP

The Dublin City Development Plan sets the strategic path for the city for the period of 2016 to 2022. The Development Plan aims to develop the city in an inclusive way, improving the quality of life of its citizens and attract new residents and visitors.

The key vision in the Development Plan is to move towards sustainable city living by 2030, by prioritising compact growth, fostering enterprise and creativity, and creating sustainable neighbourhoods within the city. While it pre-dates the National Planning Framework, the Dublin City Development Plan was very much a harbinger of the national plan with its emphasis on sustainability. The plan also outlines key strategic development and regeneration areas (SDRA), with the Parkgate Street Scheme situated in SDRA 7.

Strategic Development and Regeneration Area (SDRA) 7: Heuston Station and Environs

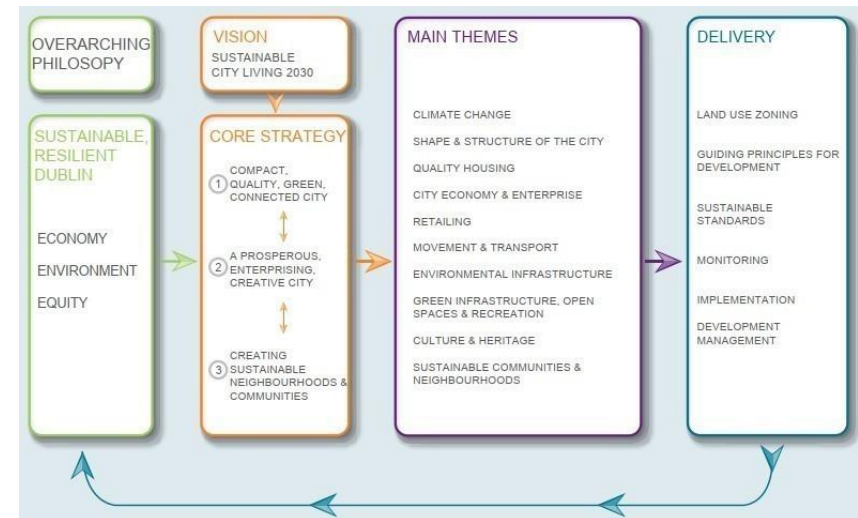
The DCDP states that the following guiding principles should apply to any developments in this area:

1. Developments here must complement their major residential and office uses with vibrant elements of culture, retail and service to transform the area into an excellent destination in which to live, work and socialise.
2. Incorporate sustainable densities within architectural designs of an exceptionally high standard that fuse seamlessly with the existing cultural and natural heritage which characterises the area.
3. Apply best practice urban design principles to prioritise the provision of public space that is integrated within the adjacent urban landscape.

The Parkgate Street Scheme meets the key visions and goals of the DCDP, including

- ▶ The mix of high-quality residential units with ground floor retail, café and ancillary facilities, creating a new urban quarter close to major public transport routes.
- ▶ The development will retain the heritage of the area by retaining and restoring structures contained within the Record of Protected Structures.
- ▶ The construction of two new spaces, one of which is secure, centred upon the protected arch off Parkgate Street, and the other public which will create vibrant meeting points, with a viewing terrace will provide a new dynamic perspective of the city.

Context for the Dublin City Development Plan

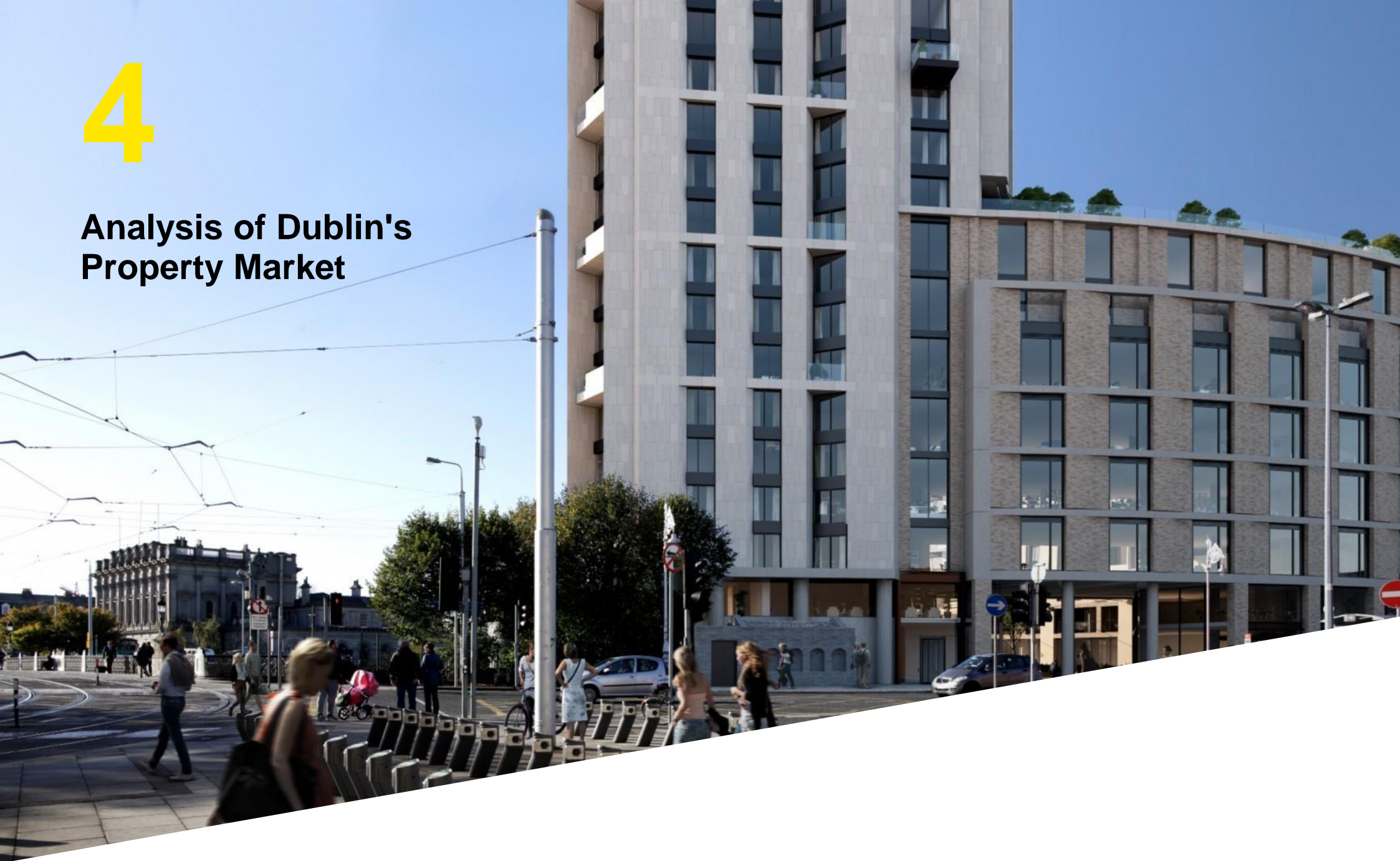


“to create a coherent and vibrant quarter of the city that captures the public imagination with high quality services, development, design and public spaces that consolidate and improve the existing strengths of the area.”

SDRA 7 - Dublin City Development Plan

4

Analysis of Dublin's Property Market





4 Analysis of Dublin's Property Market

Dublin must plan for a population of close to 2 million people by 2036

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's ...**
- 5 Economic Benefits of th ...

Dublin's population set to grow by a quarter by 2036

According to Project Ireland 2040 the overall population is forecast to increase by c.1 million to reach a total of 5.8 million by 2040. Although the overall objective of Project Ireland is to see a rebalancing of economic and population growth away from Dublin to the other regions, estimates from the CSO indicate that just over **40% of Ireland's population growth will be concentrated in Dublin**. Regional and local authorities, therefore, must plan for a significant increase in population density with current urban footprints, if Ireland's growth is to be sustainable in the long term.

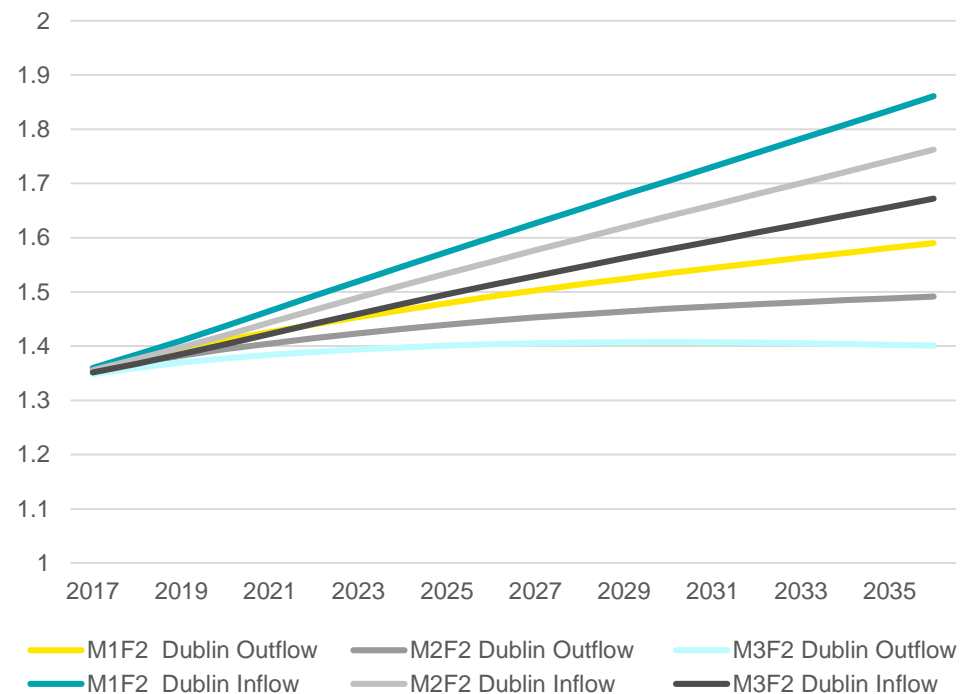
The CSO recently published regional population projections under a number of scenarios¹. With much uncertainty associated with long-range forecasts, the CSO has produced a number of scenarios for Dublin's population by 2036. Given, the wider global trend towards urbanisation, it seems likely that internal (from other Irish regions) and external migration into Dublin will continue in the coming years, as the city remains the engine of Ireland's economy.

In this scenario of inward migration into Dublin, the **population is forecast to grow by 20-33% by 2036**. This implies an additional 276,319 – 465,084 people additional to a population of 1.4 million in 2019. Even over a shorter timeframe, Dublin's population is projected to increase by 116,940 – 204,545 persons by 2026. In the long run, Dublin's local authorities must plan for a population of close to 2 million people. To do so will require major investment in infrastructure, including social, commercial transport, utilities and new housing.

If the current household density average of 2.5 persons holds steady in the long term, **Dublin would require up to 186,000 new homes by 2036** if the population reaches the top-end of the CSO's growth projections.

1.9 million
 Population of Dublin by 2036 if current trends in migration continue, compared to 1.4 million in 2019

Population projections in Dublin, 2017-2036



Source: CSO

CSO population projection notes:

- F2:** Fertility to decrease to 1.6 by 2031 and to remain constant thereafter
- M1:** High net inward migration +30,000 per annum in 2017/2036
- M2:** Net inward migration continuing at more moderate levels +20,000 per annum in 2017/2036
- M3:** Low net inward migration +10,000 per annum in 2017/2036
- Dublin Inflow:** 2016 internal migration flows of -4,400 per annum from Dublin to other regions reverting to the 2006 pattern of -10,200 outflows from Dublin annually by 2021 and remaining constant thereafter.
- Dublin outflow:** 2016 internal migration flows of -4,400 per annum from Dublin reverting to the traditional pattern of +2,100 inflows from other regions to Dublin per annum by 2021 and remaining constant thereafter.

¹ CSO - [Regional Population Projections, 2019 - 2036](#)



4 Analysis of Dublin's Property Market

Dublin's housing market is growing rapidly off a low base, but still not keeping pace with demand

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's ...**
- 5 Economic Benefits of th ...

Overview of Dublin's Housing Market

The recovery in the Irish construction sector commenced in 2013 and has been gathering momentum over the past six years. The latest data for the sector show significant improvements in public and private investment, albeit much of this in the non-residential sector. Housebuilding, in particular, has recorded significant improvements since the trough in 2013 and much of the improvements have been recorded in Dublin, but activity remains at exceptionally low levels.

Following the economic boom years of the mid-2000's the residential market nationally recorded a considerable setback. In 2014 less than 1,000 housing units were commenced across all of Dublin, 230 of which were based in Dublin City. Housing completions too were dampened with only 1,708 recorded across the county in 2014 (546 in Dublin City).

Though there have been considerable improvements in the market since 2013, with 6,474 commencements recorded in the first nine months of 2019 (2,061 or 31.8% in Dublin City) and 4,868 completed units in the first nine months of the year (1,300 or 26.7% in Dublin City), the residential market in Dublin remains imbalanced.

The disequilibrium between supply and demand for housing has resulted in significant price pressures that persisted over several years. In Dublin City alone, residential property prices have increased by approximately 86% over the past six years, with the median sales price for a house at €390,000 in July 2019 (+69.6% since July 2013). However, house prices are still 21% lower than the previous peak in 2007, and remain below replacement cost in many areas. House prices have begun to show some early signs of stabilisation in recent months with residential property prices in Dublin City recording negative growth year-on-year in February 2019 (-7%) for the first time in six years.

Rental prices, on the other hand, continue on a prominent upward trend with the average monthly rent level in Dublin City up 8.8% YoY in Q2 2019 to €1,691, an almost 43% increase in average rents since 2013, signalling a significant lack of supply in the rental market.

With Dublin's population expected to grow by 20-33% by 2036 and the pressures in the market resulting from low supply levels, there is renewed pressure to provide the level of residential accommodation required, in the right locations, so as to generate sustainable growth both regionally and nationally.

-24.0%

YoY change in number of flats/apartment units granted planning permission (4Qrs to Q2 2019/2018)

2,204 (4Qrs to Q2 2019)**+51.8%**

YoY change in number of house units granted planning permission (4Qrs to Q2 2019/2018)

460 (4Qrs to Q2 2019)**+32.8%**

YoY rise in new dwelling completions (4Qrs to Q2 2019/2018)

2,219 (4Qrs to Q2 2019)**€390,000**

Median sale price - house July 2019 (+1.9% YoY)
(apartment: €327,500; +4.0%)

Source: CSO planning permissions to Q2 2019; Completions to Q2 2019; Prices at July 2019

- 4% increase in the number of sites with planning permission
- 6% increase in the total number of units with planning permission
- 50% decrease in the number of active sites
- 25% decrease in the number of units under construction

Period: Q2 2019 compared with Q2 2018

Source: Housing Supply Coordination Task Force, Quarter 2 2019 Returns



4 Analysis of Dublin's Property Market

Dublin housing and rental prices have risen rapidly in recent years

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's ...**
- 5 Economic Benefits of th ...

Residential property prices

According to the CSO, mix-adjusted residential property prices in Dublin City more than doubled since its trough in April 2012 (+110%). The annual rate of inflation has been negative for the past two months and was -1.3% in September. Annual growth in Dublin property prices has been moderating since early 2018.

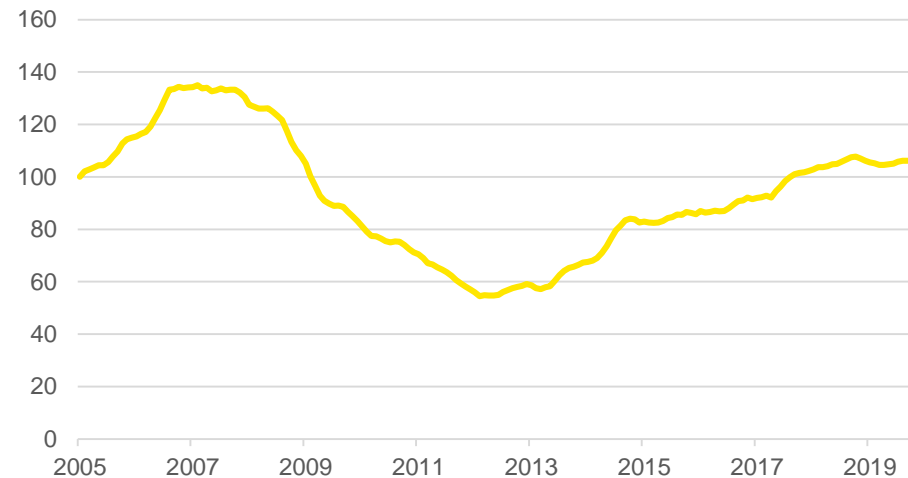
There are several reasons for the current slowdown in house prices recorded in the market. A number of contributory factors have been noted in recent reports, including the issue of affordability for consumers and the Central Bank mortgage rules. The latter may be a factor explaining the appreciable drop in the number of mortgage approvals for properties in excess of €350,000 nationally. The rules have created a ceiling on house prices which is now evidenced in the data. Indeed, in its latest review of its macro-prudential measures the Central Bank estimates that house prices this year would be 15% to 25% higher than they currently are without the introduction of the mortgage lending rules.

Residential rents

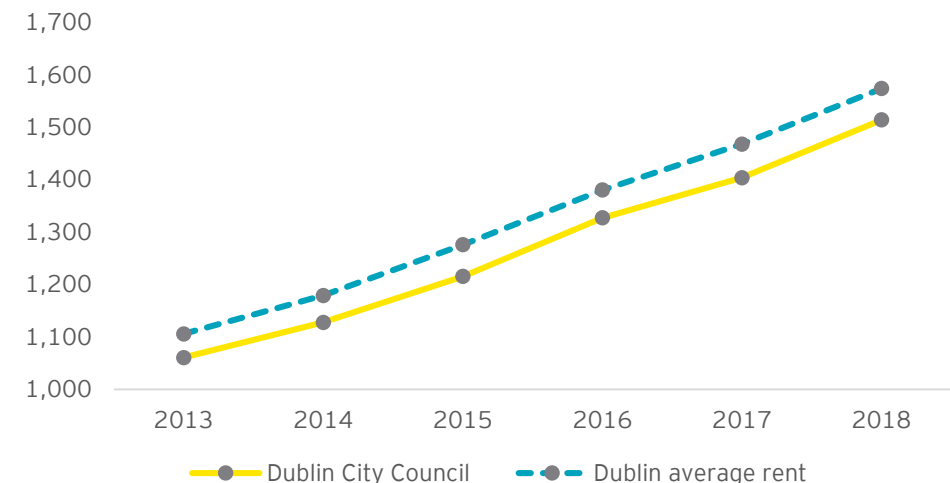
The rental market has been under considerable pressure in recent years, a direct consequence of the housing supply issues in the market. Legislation regarding Rent Pressure Zones, introduced in 2016, has had a marginal positive impact on rent inflation. The Q2 2019 Daft.ie Rental Report shows that rents across Dublin are up close to 100% compared to the trough recorded in 2010/2011. According to this report the average rent in the City Centre was €2,064 in Q2 2019 (+4% YoY).

Average residential rents in the Dublin City area grew by 42.8% in the five-years preceding 2018 (annualised growth of 7.4%) and the latest data from the Residential Tenancies Board indicates that the average monthly rent was €1,691 in Dublin City in Q2 2019. The annual growth rate was 8.8%. This average figure masks large differences within the city itself. For example, the average monthly rent in Grand Canal Square, Dublin 2 was in excess of €2,900 in 2018.

Residential Property Price Index, Dublin, January 2005- Sep 2019



Average Residential Rents, Dublin City, 2013-2018



Source: Residential Tenancy Board, CSO, daft.ie



4 Analysis of Dublin's Property Market

Housebuilding activity is growing rapidly, albeit off an exceptionally low base

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's ...**
- 5 Economic Benefits of th ...

Planning permissions

Although the grant of planning permission does not always result in a commencement, the number of planning permissions granted is an important indicator of future supply. The improvement recorded since 2015 across the Dublin City market must be considered against the low base from which activity is growing from.

Over the past five years there has been clear improvement in the market, much of which has been driven by the move towards apartment building. In 2018, 2,337 housing units were granted planning permission in Dublin City, 1,914 (82%) of which were for apartment units. This represents a considerable improvement in the market since 2013 when a total of 779 planning permissions were awarded, 247 (31.7%) of which were apartments. However, the total units granted planning permission was down by 13.6% YoY in 2018, with apartments down by 20.2%.

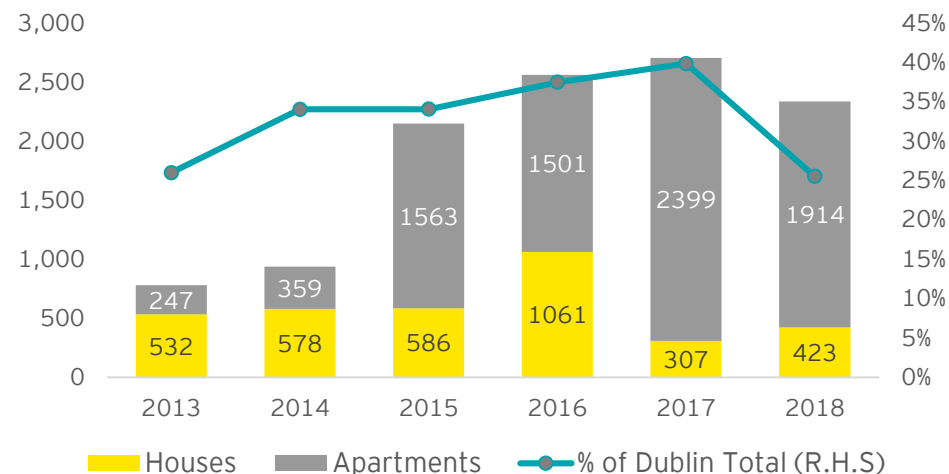
According to the Housing Supply Coordination Task Force for Dublin report from Q2 2019, there has been a 4% increase in the number of Dublin City sites with planning permission, up from 138 sites in Q2 2018 to 143 sites in Q2 2019, while there has been a 6% increase in the total number of units with planning permission in the same period (from 10,906 to 11,629).

Housing commencements

The level of commencements, the point at which development levies are collected, has been on an upward trend since 2015. There were 2,256 residential commencements in Dublin City in 2018, 24.6% above the corresponding level in 2017 and up from just 855 in 2015. A total of 2,061 units were commenced in the first nine months of 2019, 23% above the corresponding total in the first nine months of 2018. Dublin City accounted for 29.3% of the total commencements in Dublin in 2018 and 32% in the first nine months of 2019.

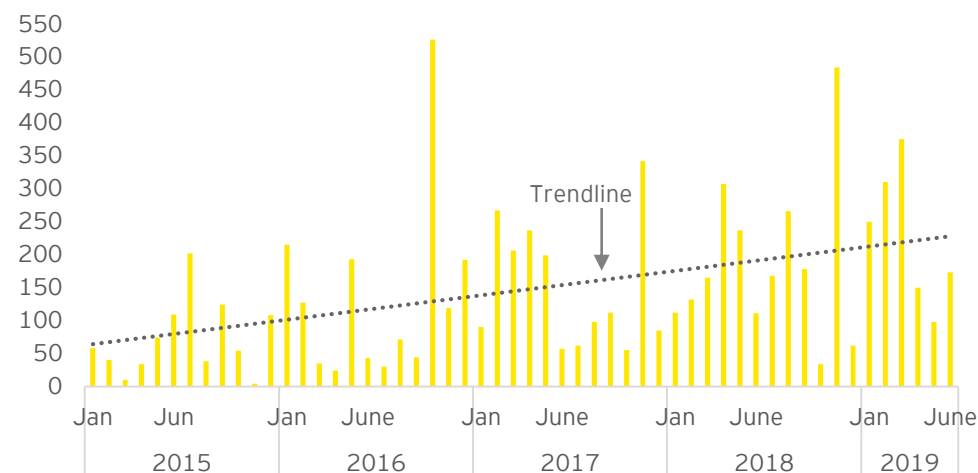
However, according to the Task Force for Dublin report from Q2 2019, there has been a 50% reduction in the number of active sites in the city. This suggests that while the number of unit being constructed is rising, activity has become concentrated in a smaller number of large sites.

Number of units granted planning permission, Dublin City, 2013-2018



Source: CSO

Housing Commencements, Dublin City, January 2015 - June 2019



Source: Department of Housing, Planning and Local Government (DHPLG)



4 Analysis of Dublin's Property Market

PBSA and Built-to-Rent market in Dublin

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's ...**
- 5 Economic Benefits of th ...

Purpose Built Student Accommodation in Dublin

The inclusion of student accommodation in *Rebuilding Ireland: Action Plan for Housing and Homelessness* (July 2016) was designed to both increase the supply of housing for students and to reduce the dependency of students on the traditional private rented sector. The Action Plan set a target of 7,000 additional Purpose Built Student Accommodation (PBSA) bed spaces to be delivered by end 2019.

Analysis completed by us in February 2019 concluded there are approximately 6,364 PBSA bed spaces currently operational within the canals of Dublin city centre, growing to over 9,000 operational by 2020, given the number under construction at present. There is the potential for a total of approximately 14,000 PBSA bed spaces to be available for students by 2024, given the number of PBSA bed spaces approved and in the planning process at present. PBSA bed space provision in Dublin City is on track to meet the National Student Accommodation Strategy (NSAS) supply target of at least an additional 16,374 PBSA bed spaces to provide an overall supply of 28,806 PBSA bed spaces in the Dublin area by 2024. However, this would address only one-third of the predicted demand for PBSA bed spaces by 2025 in the Dublin area, estimated at over 50,000 as identified in the report.

The current position, according to the Higher Education Authority (HEA), is that 4,384 units are on-site, of which 2,884 are in Dublin City. Plans have also been granted for 5,258 PBSA units across Dublin, of which an estimated 2,955 are in Dublin City. These include some of the larger schemes at the Jameson Gate Development (494 units) by Park Shopping Centre, the Brewery Block (349 units) by Summix Developments, and at Phibsborough Shopping Centre (341 units) by MM Capital. Based on this current position, there are a further 5,839 bed spaces in the pipeline in Dublin City.

PBSA bed-spaces on site and granted permission, Dublin, 2017-2019

	2017	2018	2019	Total
On site	250	3,028	1,106	4,384
Plans granted	1,403	1,567	2,076	5,258

Source: Student Accommodation Development Activity, Higher Education Authority, June 2019

Build-to-Rent market in Dublin

The Build-to-Rent (BTR) sector has been acknowledged by Government as playing an important role in addressing the shortage of rental accommodation. The Government is keen to support the development of large-scale, institutionally funded and professionally managed purpose-built residential accommodation, in order to increase and improve the stock of rental accommodation in the Irish market. This 'professionalisation' of the rental sector is a big departure from the prevailing system in Ireland whereby rental accommodation was, for the most part, provided by small Buy-to-Let landlords and provided none of the amenities or common areas (wet & dry leisure, cinema rooms, residents lounges/game rooms, workstations, private dining rooms, storage facilities, crèche etc.) often associated with purpose-built rental accommodation.

According to CBRE, the number of residential units under institutional ownership in Ireland is approximately 11,700 (3.5% of the rental stock) with 15 institutional owners now operating in the market. To date, most new apartment developments in the BTR sector have been provided in the Dublin market.

The latest Daft.ie Rent Report¹ noted that the majority of BTR developments and other rental development in the Capital will occur in Dublin City (12,912 units) and South County (9,662 units). Daft.ie have identified that approximately 80,000 new rental homes would need to be built in the capital in the short run to address the current supply-demand issues in the market.

Building pipeline for Dublin with BTR and private residential rental development pipeline 2019-2025

	City Centre	North City	South City	North County	West County	South County
BTR	9	7	9	5	2	15
Private	7	5	9	1	0	9
No. units	4,393	2,984	5,535	2,611	1,096	9,662

Source: Daft.ie Rental Report Q2 2019

¹ <https://www.daft.ie/report/2019-Q2-rental-daftreport.pdf>



4 Analysis of Dublin's Property Market

The delivery of residential units in the Heuston Station Area has been minimal

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's ...**
- 5 Economic Benefits of th ...

Minimal new residential delivery in Heuston and Environs

The area in which the proposed scheme is being developed is in the Heuston Station and Environs or SDRA 7. As discussed in section 2 of this report, the land-use framework for SDRA 7 envisages a “new urban gateway” and a “high-quality destination to live, work and socialise in”. EY analysis of housing activity in this area suggests the goals of the framework have not been met in recent years.

In the SDRA 7 area, just seven new-build homes have been transacted between 2012 and 2018, while within a 1km radius of Heuston Station 61 new homes were transacted in the same period. In 2018, 30 new-build homes were transacted at a median price of €470,000. To the immediate west of this area, over 400 new apartments have been completed recently at Clancy Quay, the only major delivery of new supply in the Heuston environs in last few years. This low level of residential development is despite this area encompassing densely populated neighbourhoods of the north-west and south-west inner city including Stoneybatter, The Liberties, and Kilmainham.

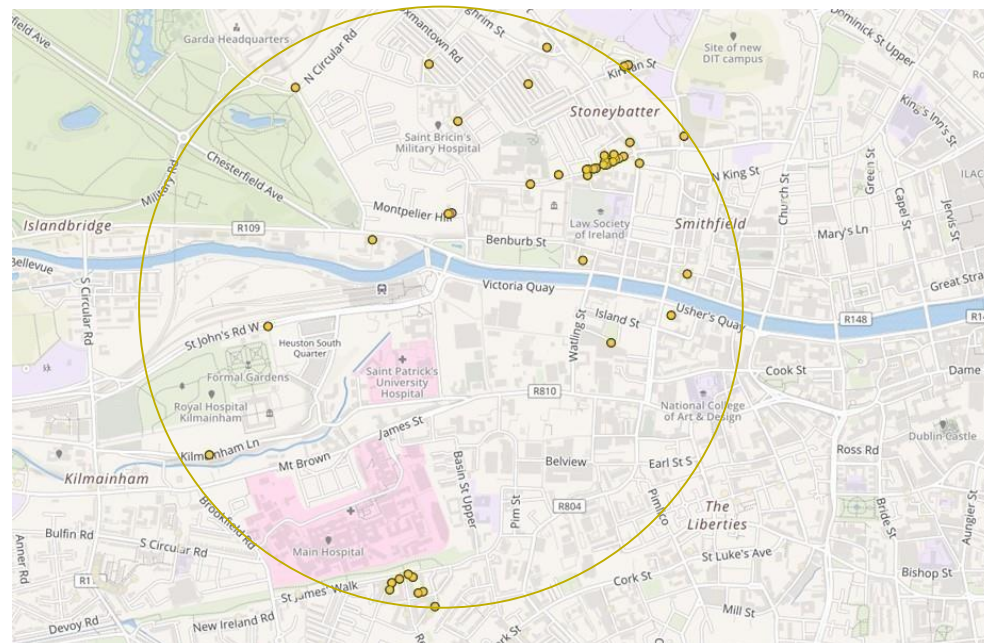
A visualisation of new home sales between 2012 and 2018 reveals activity has been largely confined to small pockets around Stoneybatter and St James’s Hospital, despite the area have among the best public transport links in Dublin City.

In 2018, the median new home sales price was €470,000. This compares to a median household income ranging between €32,750 and €67,561 according to CSO income data¹, or 7-14x incomes. According to Daft.ie, rents in Dublin 8 ranged from €1,730 for a 1-bed apartment to a €2,285 for a 3-bed house. Annual rental inflation for a 1-bed apartment in Dublin 8 was 6.5% in Q2 2019, well above the city-wide average of 3.4%, suggesting demand is far outstripping the supply of new housing in this area.

61 new build homes

have been transacted within a 1km radius of Heuston Station between 2012 and 2018

New home sales within a 1km radius of Heuston Station, 2012-2018



Source: EY Property Analytics Tool, Property Price Register

New home sales in the Heuston Station Area , 2012-2018

	2012	2013	2014	2015	2016	2017	2018
New Home Sales	6	6	3	6	6	4	30
Median Price (€000)	238	164	374	207	365	386	470

Source: Property Price Register

Rental prices in Dublin 8, Q2 2019

	1-bed apt	2-bed house	3-bed house	4-bed house	5-bed house
Monthly Rent	1,730	1,967	2,285	2,489	2,654
Annual % change	6.5	5	4.3	3.2	0.1

Source: Daft.ie

¹ CSO Earnings Analysis using administrative sources



4 Analysis of Dublin's Property Market

Demand for office space in Dublin driven by strong domestic economy and unrepresented foreign direct investment

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's ...**
- 5 Economic Benefits of th ...

Strong economy drives office demand in Dublin

The growing economy and labour market are supporting strong demand for office space in Dublin. Demand is driven by international tech companies, professional services and the public sector. This robust demand for office space is set to continue with a strong pipeline of FDI investment announced by the IDA year to date. Our analysis of FDI job announcements by the IDA shows over 5,000 new roles will be created in Dublin in the near term, 4,000 of these in the international tech sector.

This is supported by recent employment data which shows that 16,400 (+6.4%) additional persons have been employed in the main office-based sectors in Dublin in the year to Q3 2019, bringing the total to 271,600. In total, these five sectors have added 80,600 jobs in Dublin between Q1 2012 and Q3 2019. Within this, the information and communication sector accounted for 30,500 jobs, and the public sector 15,300.

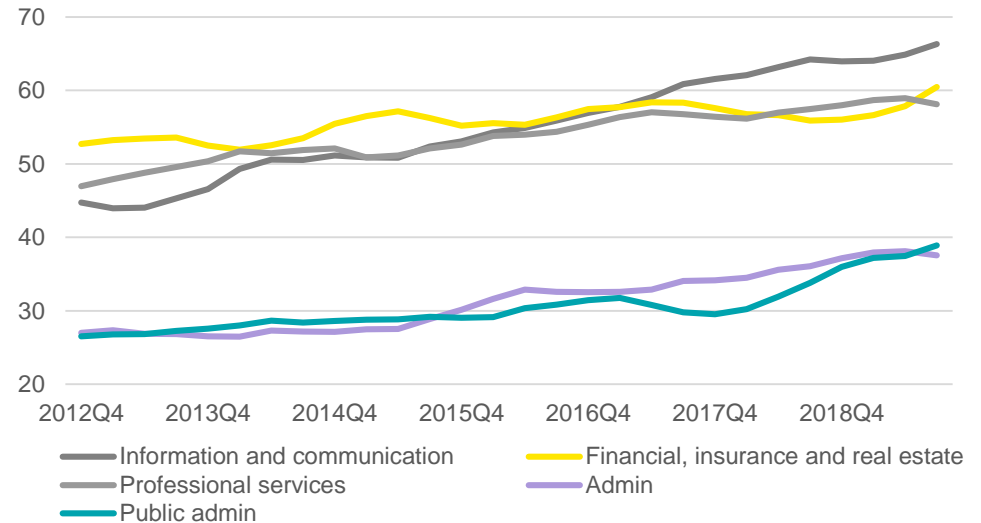
Property agent Savills estimates the delivery of new office space in Dublin at 461,789 sqm between 2015 and 2018. Assuming a conservative estimate of net internal area at 80% of the gross area delivered and a density of 12sqm per employee implies approximately 30,786 jobs have been accommodated in these newly completed developments.

Total demand at the end of Q3 2019 was 388,600 square metres, of which 56% was estimated to be in the city centre by CBRE. They expect the Dublin office market to continue to see strong levels of take-up, due to the expansion of the tech, finance, serviced offices and professional services occupiers.

30,786 jobs

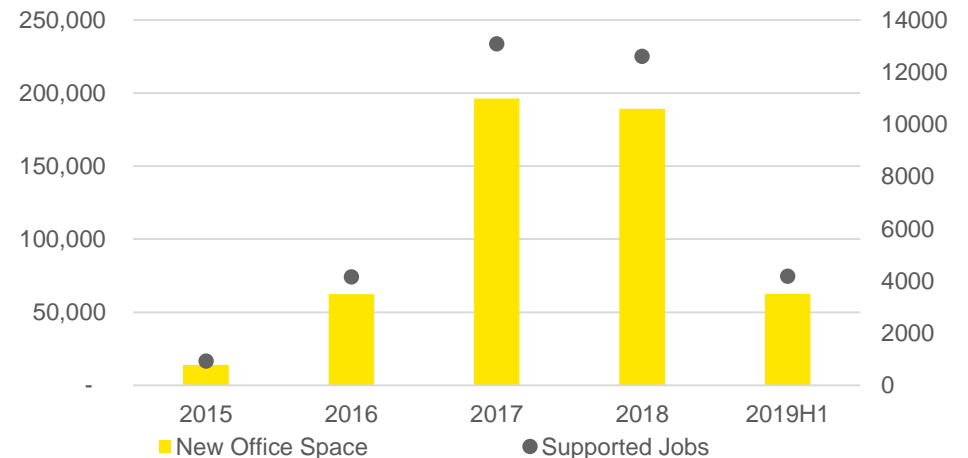
could be accommodated in the new office space delivered in Dublin between 2015 and 2018

Employment growth in office-based sectors in Dublin, 2012-2014



Source: CSO

New office space delivered in Dublin (000's sqm)



Source: Savills



4 Analysis of Dublin's Property Market

Residential delivery has not kept pace with office space delivery in Dublin

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's ...**
- 5 Economic Benefits of th ...

Pipeline of office employment outstripping residential pipeline

Estimates for current office construction in Dublin vary from 336,150 to 511,363 sqm, which could potentially support a further 24,000 – 34,000 jobs in the city.

- ▶ Lisney estimated that 77,200 sq.m of new stock is due for completion by end 2019, with a further 215,000 sq.m of new supply under construction in Q2 2019 and due for completion in 2020 and 2021.
- ▶ Cushman & Wakefield reported that there were 473,350 sq.m of office space under construction, of which 88% or 416,548 sq.m consisted of new office space, the balance representing refurbishment.
- ▶ BNP Paribas estimated that 410,430 sq.m are under construction in the City Centre (Dublin 1, 2, & 4), with a further 100,933 sq.m under construction in the suburbs.
- ▶ More recent figures suggest that at the end of Q3 2019, there were 32 office schemes under construction in Dublin City Centre, extending to almost 435,000 sq.m between them, of which 45% was already pre-let (CBRE).

In addition, CSO planning permission data for Dublin show that 679,000 sqm of non-residential floor area was granted planning permission in the year to the end of Q2 2019. This compares to total residential floor space granted of 1.1 million sqm, or 10,888 units in the same period. At an average household size of 2.5 persons, these recent planning permissions could potentially accommodate 27,220 people. This would be insufficient to house the current pipeline of office space under construction which equates to up to 34,000 people.

However, planning permission does not necessarily translate to a housing unit. For a better gauge of the current pipeline it is more instructive to track housing commencements. In the year to September 2019, 8,714 residential units commenced construction in Dublin, which could accommodate just 21,785 persons. This figure is below even the lowest estimate of employment-related to current office construction in the city.

34,000 Jobs

accommodated in the new office space currently under construction

Total non-residential floor area granted planning permission in Dublin (000's sq.m)

	Q3'18	Q4'18	Q1'19	Q2'19	4Qrs to Q2'19
Commercial Buildings	144	113	125	96	478
Buildings for Agriculture	22	1	1	3	27
Industrial Buildings	20	18	14	24	76
Govt., Health and Education	24	2	16	2	44
Other Buildings for Social Use	15	5	28	6	54
Total non-residential	225	139	184	131	679
<i>Total Residential</i>	356	195	236	347	1,134
<i>Total Residential (Units)</i>	3,358	1,781	2,237	3,512	10,888

Source: CSO

Estimated Office Space under construction in Dublin (sq m)



Source: Property Agents

21,785 people

could be accommodated in housing commenced in the past year

5

Economic Benefits of the Scheme





5 Economic Benefits of the Scheme

Regeneration of brownfield sites yield significant benefits

1 Executive Summary
2 Introduction
3 Strategic context of the ...
4 Analysis of Dublin's Pro ...
5 Economic Benefits of t ...

Benefits of regeneration not just confined to employment gains

Research by the UK Department for Communities & Local Government (DCLG) in 2010 suggests the benefits of regeneration policies significantly outweigh the cost of investment. Benefit-Cost Ratios (BCR) in the table across detail the net additional outputs generated over time, in both a standard and cautious scenario. BCR's are calculated by dividing the present value of benefits generated by the annual public expenditure from which it was generated. Overall the BCR of regeneration schemes was found to range from 2.3 to 3.5.

Urban regeneration which provides new housing not only relates to the delivery of residential units but the spin-off benefits of building new communities and the environmental benefits of providing new green and communal spaces. The DCLG analysis estimates a BCR of 2.6 in the delivery of new housing and a BCR of 2.7 in the delivery of new open spaces.

However, the benefits of regeneration are not just confined to new homes. The study finds the acquisition, demolition and new build on brownfield sites generates a BCR of 5.5 as under utilised land is brought back into more productive use.

The analysis also calculates BCRs related to increased community activities such as new organisations and volunteering activity. While BCRs related to these types of social activities are lower than elsewhere, they nonetheless emphasise the importance of careful planning and place-making within regeneration schemes. Providing new open spaces (2.7x) and creating a new public realm delivers quality of life improvements to nearby occupants.

“...successful regeneration is about achieving additional economic, social and environmental outcomes that would not otherwise have occurred”

DCLG (UK) - Valuing the Benefits of Regeneration

Benefit-Cost Ratios associated with regeneration activities

Theme & subcategories	BCR (standard)	BCR (cautious)
Worklessness, skills and business development		
Tackling worklessness	1.04	1.04
Skills and training	2.2	1.6
General business support	8.7	6
Start-up and spin-outs	9.3	6.8
Business enterprise R&D	2.5	1.8
Homes, communities and environment		
New build housing	2.6	1.7
Housing improvement	2	1.3
Acquisition, demolition and new build	5.5	3.7
Communities: volunteering	1.1	1.1
Communities: investing in community organisations	1.8	1.3
Environmental: open space	2.7	1.8
Environmental: public realm	1.4	0.9
Neighbourhood renewal	3	3
All categories	3.5	2.3

Source: Dept. for Communities & Local government [“Valuing the Benefits of Regeneration”](#) (2010)



5 Economic Benefits of the Scheme

Generating Employment: Parkgate Street Scheme will support over 1,000 jobs

- 1 Executive Summary
- 2 Introduction
- 3 Strategic context of the ...
- 4 Analysis of Dublin's Pro ...
- 5 Economic Benefits of t ...**

Construction phase will support 600-700 jobs

The Parkgate Street Scheme will act as a significant generator of employment in the Heuston Station Area. During the construction phase, peak employment is expected to be approximately 400 people, broken down between 330 general operatives, 35 management, and 35 design team members. However, over the lifecycle of the project, the scheme is expected to support 600-700 full-time jobs.

Completed scheme will generate 550-650 jobs

Once completed, the scheme will support a significant level of employment across various sectors and flexible workspaces, detailed in the table across. These include new office and co-working working spaces, retail units, a restaurant unit, on-site operatives, and remote workers. The estimated employment generated is detailed in the table across.

Working from home an emerging trend

Notably, the growing trend towards remote and flexible working practices implies that employment generation will not be just confined to commercial spaces. Census 2016 data shows 94,955 people worked mainly from home, equivalent to 4.8% of workers¹. This was an increase from 83,326 (4.7%) in 2011. In the UK, the rate is even higher at 6.1%, while sectoral data shows office-based employment sectors have working from home rates closer to 10%, with 18% of tech employees working from home. This growing trend suggests up to 10% of residents in the Parkgate development could work from home. Based on 1,190 people living in the scheme, a conservative estimate of 7.5% working remotely implies 90 people could be employed and working mainly from home.

Indirect employment will be generated

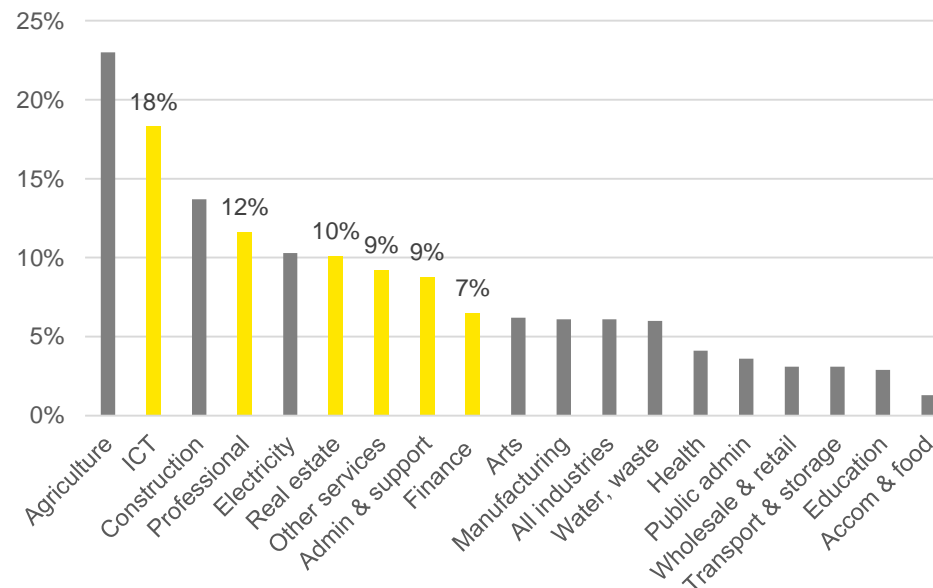
The regeneration of the Parkgate street area into a new mixed-use quarter will also provide spin-off employment indirectly in the wider economy. While the estimation of this is beyond the scope of this analysis, indirect employment can be estimated once the development is completed using an economic impact model. This will be driven by the increase in employment in firms in the supply chain and the increased employment generated household expenditure.

Estimated jobs in completed development

Area	Jobs Estimate
Office & co-working	410 - 510
Retail unit	10
Restaurant Unit	30
Operations Staff	10
Work from Home	90
Construction Employment	600-700
Total	1,150 - 1,350

Source: Ruirside Developments Ltd

Working from home by sector in the UK, 2017 (% of employment)



Source: Office for National Statistics

¹ Census 2016 Profile 6 – [Commuting in Ireland](#)