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Cairn Homes plc  
**Half Year Results Presentation**  
04 September 2018

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[www.cairnhomes.com](http://www.cairnhomes.com)

# Half Year Results Presentation 2018



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Glenheron, Greystones

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# Half Year Results – Financial Highlights

Unit Sales		ASP's			Revenue
		Houses	Apartments	Overall	
H1 2018	293	€326k	€599k	€393k	€130.2m
H1 2017	94	€280k	-	€280k	€41.2m
3 September 2018	399	€324k	€603k	€393k	€157m
3 September 2018 – Forward Sales	517	€323k	€609k	€428k	€221m

## Gross Profit: €26.1m

(H1 2017: €7.7m)

Gross Margin **20.0%** (H1 2017: 18.7%).

## Operating Profit: €18.1m

(H1 2017: €2.5m\*)

**Sevenfold increase** year on year.

\* After exceptional item

## 2018 & Beyond – Outlook & Returns to Shareholders

On track to deliver revenue of in excess of **€350m** (including **800+** unit sale completions).

Increasing our medium term target to deliver revenue of **c. €550m** from **c. 1,400 to 1,500** units annually from **2021**.

Strong outlook for cash returns to shareholders.

*Note: all ASPs and Sales Revenue are exclusive of VAT*

# Half Year Results – Operational Highlights

## Significant Scale Achieved

Active on 13 developments which will deliver in excess of 3,750 new homes.

4 further site commencements planned over the next 6-12 months.

## Quality Homes and Exceptional Locations Driving Sales Demand

Selling off 9 developments.

Demand is very strong across all buyer profiles.

Sales absorption rates increasing with average weekly sales rate of 2.8 units per active development.

## Broadening Buyer Pool

Sale of Six Hanover Quay for €101m (incl. VAT).

Agreed to sell completed student development at Blackhall Place and two student accommodation developments for €45m since period end.

## HPI and Build Cost Inflation

House price inflation has averaged 5.6%.

Annualised build cost inflation 2.9%.

## Enhancing Land Value / Land Acquisition Strategy

1,631 units granted planning permission in 2018 (2,818 units since the start of 2017).

No new major sites acquired over the last 15 months.

Continue to add value to our exceptional, well located 14,500 unit land bank.

## Talented Team

Talented team of homebuilders in place continuing to build the best homes in the best locations.

Cairn is proud to be supporting over 2,500 jobs across our developments.

*Note: House Price Inflation and Build Cost inflation based on last 12 months*

# Macroeconomic Drivers for Cairn

## Strong macroeconomic fundamentals

### Population

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

### Employment & Wage Inflation

Employment + **392k** since 2012

Wage inflation + **2.5%** in 2018

### Annual Housing Demand

Estimate **36,000 – 53,000**

### Supply

**16k** new homes in the year to June 2018

- only **12k** in multi unit developments of which 8k are in the GDA

GDA annual demand – **c. 25k**

### Shortfall in New Homes

In excess of **100k** in the 5 years to June 2018

### Competitive Mortgage Market

Competition intensifying on headline mortgage rates

Drawdowns (value) +**24.2%** in year to June 2018

### Owning *versus* Renting

+ **42.1%** dearer to rent than own a 3-bed home in Dublin

### Rents and House Prices

Rents are **27%** higher than previous peak

Dublin house prices are **22%** below peak

Source: CSO, ESRI, Banking Payments Federation of Ireland, Daft.ie, Davy, Goodbody



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## Income Statement for the six month period ended 30 June 2018 (Unaudited)

	For the Six Months Ended 30 June 2018 (Unaudited)			For the Six Months Ended 30 June 2017 (Unaudited)		
	Before Exceptional Items €m	Exceptional Items €m	Total €m	Before Exceptional Items €m	Exceptional Items €m	Total €m
<b>Revenue</b>	<b>130.2</b>	-	<b>130.2</b>	<b>41.2</b>	-	<b>41.2</b>
Cost of sales	(104.1)	-	(104.1)	(33.5)	-	(33.5)
<b>Gross profit</b>	<b>26.1</b>	-	<b>26.1</b>	<b>7.7</b>	-	<b>7.7</b>
% margin	20.0%		20.0%	18.7%		18.7%
Other income	-	-	-	0.5	-	0.5
Administrative expenses	(8.0)	-	(8.0)	(5.2)	(0.5)	(5.7)
<b>Operating profit</b>	<b>18.1</b>	-	<b>18.1</b>	<b>3.0</b>	<b>(0.5)</b>	<b>2.5</b>
Net finance costs	(5.9)	(3.3)	(9.1)	(2.9)	0.0	(2.9)
<b>Profit/(loss) before tax</b>	<b>12.2</b>	<b>(3.3)</b>	<b>9.0</b>	<b>0.1</b>	<b>(0.5)</b>	<b>(0.4)</b>
Tax (charge)/credit			(0.9)			0.1
<b>Profit/(loss) for the period</b>			<b>8.0</b>			<b>(0.3)</b>
Basic earnings/(loss) per share			0.99 cent			0.04 cent
Diluted earnings/(loss) per share			0.95 cent			0.04 cent

## Commentary

- Revenue of €130.2m predominantly from the sale of 293 units (€115.2m) and site sales (€14.4m).
- Gross profit margin of 20.0% and a gross profit of €26.1m, up from 18.7% and €7.7m in 2017.
- Administrative expenses of €8.0m reflect the development of our operational platform to support our growth plans.
- Operating profit (pre exceptional items) of €18.1m (2017: €3.0m).
- IFRS 3 requires an exceptional cost of €3.3m for contingent consideration paid in relation to the Swords site which was acquired as part of the Argentum acquisition in 2016.

30 June 2018 Interim Results (contd.)

## Balance Sheet at 30 June 2018

	Unaudited 30 June 2018 €m	Audited 31 December 2017 €m
PP&E and intangibles	2.3	2.2
Restricted cash	17.0	17.0
<b>Non-current assets</b>	<b>19.3</b>	<b>19.2</b>
Inventories	950.7	911.5
Other receivables	5.6	5.5
Cash	46.4	68.8
<b>Current assets</b>	<b>1,002.7</b>	<b>985.8</b>
<b>Total assets</b>	<b>1,022.0</b>	<b>1,005.0</b>
Share capital	0.8	0.8
Share premium	749.6	749.6
Share based payment reserve	14.8	14.2
Retained earnings	(37.2)	(44.7)
Non-controlling interest	2.3	1.8
<b>Total equity</b>	<b>730.3</b>	<b>721.7</b>
Loans and borrowings	227.9	226.8
Deferred taxation	5.3	5.6
<b>Non-current liabilities</b>	<b>233.2</b>	<b>232.4</b>
Loans and borrowings	11.8	18.4
Trade and other payables	46.7	32.5
<b>Current liabilities</b>	<b>58.5</b>	<b>50.9</b>
<b>Total equity and liabilities</b>	<b>1,022.0</b>	<b>1,005.0</b>

## Commentary

- Total assets of €1,022m (2017: €1,005m).
- Total equity of €730m (2017: €722m).
- Inventories of €951m represents all owned sites, including construction work in progress (€151m).
- Net debt €176m (2017: €159m) includes €63m total cash (of which €17m was restricted cash). Net debt to inventories of 18.5% as at 30 June 2018.

30 June 2018 Interim Results (contd.)

## Cash Flow Statement for the six month period ended 30 June 2018 (Unaudited)

	Unaudited Six Months Ended 30 June 2018 €m	Unaudited Six Months Ended 30 June 2017 €m
<b>EBITDA</b>	<b>18.8</b>	<b>2.8</b>
Increase in inventories	(39.1)	(39.2)
Increase in deposits paid	0.0	(10.8)
Increase in receivables	(0.0)	(5.6)
Increase in payables	11.3	11.5
Tax paid	(0.3)	0.0
<b>Net cash used in operating activities</b>	<b>(9.3)</b>	<b>(41.3)</b>
Purchases of PP&E and intangibles	(0.3)	(0.8)
<b>Net cash used in investing activities</b>	<b>(0.3)</b>	<b>(0.8)</b>
Proceeds from issue of share capital, net of issue costs paid	0.0	50.6
Proceed from borrowings, net of debt issue costs	5.3	22.3
Repayment of loans	(11.9)	0.0
Investment in subsidiary by non-controlling interest	0.0	1.4
Settlement of Argentum contingent consideration	(3.3)	0.0
Interest paid	(2.9)	(2.7)
<b>Net cash (used in)/from financing activities</b>	<b>(12.8)</b>	<b>71.6</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(22.4)</b>	<b>29.5</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>68.8</b>	<b>45.6</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>46.4</b>	<b>75.1</b>

**Commentary**

- EBITDA of €18.8m (2016: €2.8m).
- €39.1m increase in inventories represents 2018 site acquisitions plus spend on active developments, less sales releases and site sales.
- Cash and cash equivalents of €46.4m at 30 June 2018 (excluding restricted cash of €17m).

# Bank Debt Refinance and Private Placement

## €277.5m Bank Syndicate

## €72.5m Private Placement

	
Amount:	€277.5 million
Term:	€72.5 million
RCF:	€200 million
Maturity:	December 2022

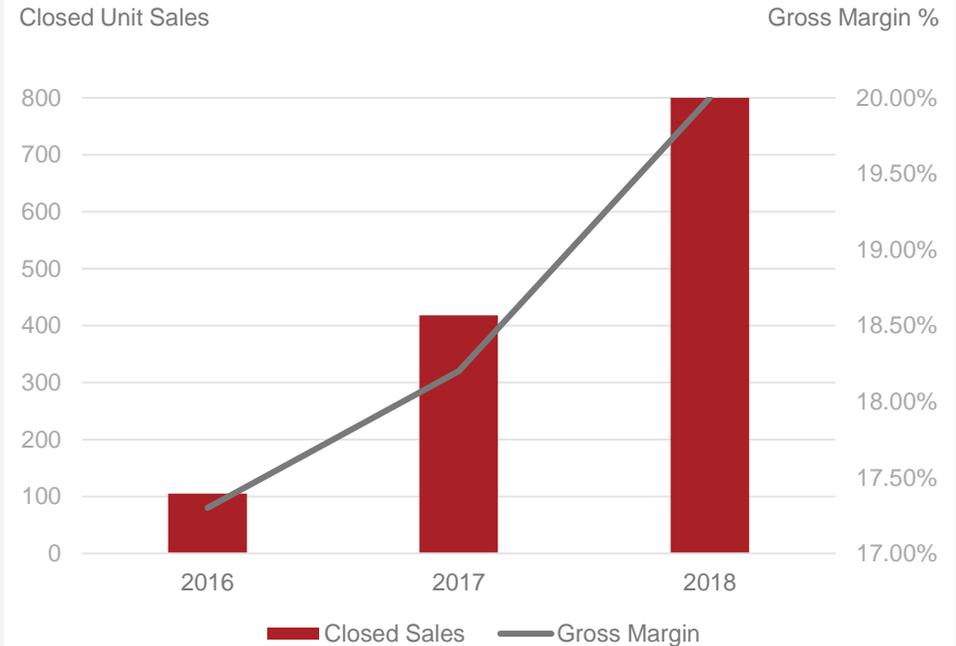
	
Amount:	€72.5 million
Type:	Loan Notes
Maturity:	July 2024 – July 2026

- Previous €200 million corporate facility with AIB and Ulster Bank matured in December 2019.
- New facility provides greater flexibility, reduces our costs of funds and extends the maturity profile of our debt.
- Private placement complements bank funding, provides diversification of funding and longer-term core balance sheet debt funding.

# Financial Outlook

## Gross Margin Progression

- Strong gross margin progression delivered to date as the business has scaled.
- Unit sales have grown from 105 units in 2016 to 800+ units in 2018. In the same period, gross margin has increased from 17.3% to 20% for 2018.
- Based on our standard modelling assumption of no house price inflation or build cost inflation, we will continue to see gross margin progression. We expect the impact of mix and moving on to sites where we have achieved planning gains to be gross margin enhancing over the coming financial periods.



## Central Costs

- Accelerated investment in central costs in 2017 (in particular our investment in people) has now normalised. Central costs, as a percentage of revenue, reducing to c. 3.5% over the period 2019-2021.

## Cash Generation

- The outlook for cash generation is strong. We expect to generate cumulative revenue of c. €1.5bn in the three year period FY 2019 to FY 2021. Taking into account our increased WIP spend as we grow to our c. 1,400 to 1,500 unit target, we estimate that we will generate free cash, before dividends, of c. €350m to €400m by the end of FY 2021.



Student Accommodation, Blackhall Place

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# 2018 Sales Analysis

H1 Sales Analysis			Completed Sales to 3 September 2018	
Type	Units	ASP	Type	Units
Housing	221	€326,000	Housing	300
Apartments	72	€599,000	Apartments	99
<b>Total</b>	<b>293</b>	<b>€393,000</b>	<b>Total</b>	<b>399</b>

## Forward Sales to 3 September 2018:

Type	Units	ASP	Revenue
Housing	327	€323,000	€105m
Apartments (incl. PBSA)	190	€609,000	€116m
<b>Total</b>	<b>517</b>	<b>€428,000</b>	<b>€221m</b>

- Apartments include 120 apartments in Six Hanover Quay scheduled to complete in Q1 2019 and 33 student apartments in Blackhall Place scheduled to complete in H2 2018.

*Note: all ASPs are exclusive of VAT  
PBSA – Purpose Built Student Accommodation*

## Strong Sales Rates

- Average 2018 weekly sales rate of **2.8 units per active sales outlet as at 3 September 2018** (compared to **2.4 units** per active sales outlet per week in FY 2017).
- Our larger sales outlets continue to witness significant, realisable levels of demand:

Site	Total Units	Units Sold / Sale Agreed	Av. No Units per Phase	Formal Sales Launch	Average Weekly Sales since Formal Sales Launch
Parkside	671	426	134	Sep-15	3.0
Churchfields	397	268	199	Oct-16	3.0
Shackleton Park	1,073	232	214	May-17	3.8
Glenheron	510	65	128	Apr-18	4.6
Marianella	231	181	208	Nov-16	2.2
Elsmore	500	65	128	Feb-18	1.7

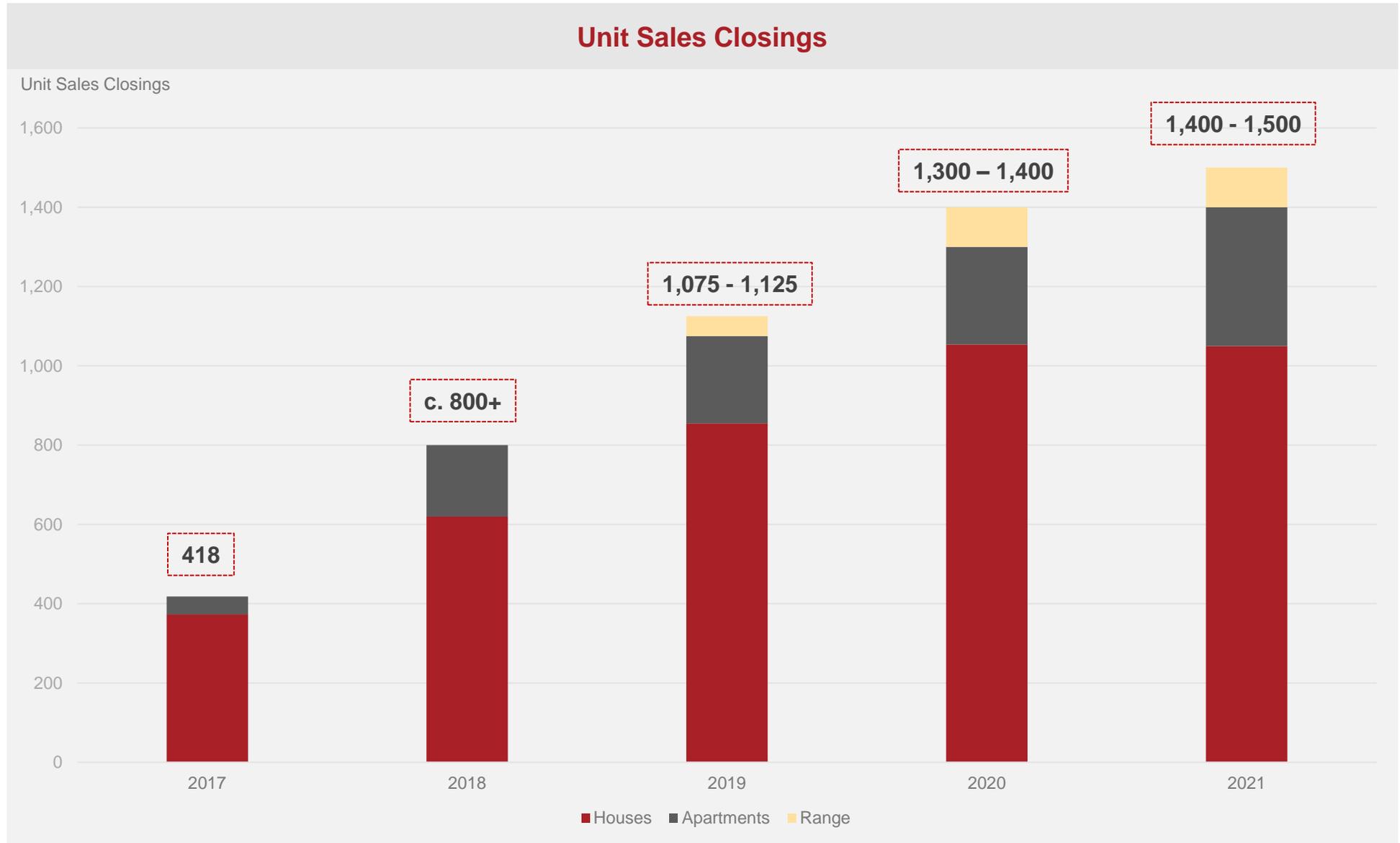
The scale of our developments and delivery model enables us to react very quickly to increasing demand.

Industry / Peer Group average =

**c. 0.75 units**

per active sales outlet per week.

# Continued Volume Growth



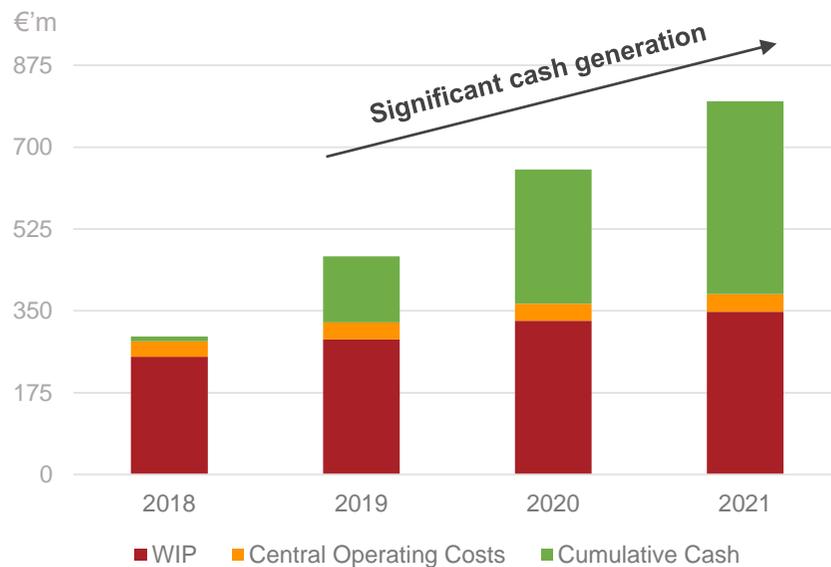
# Characteristics of Housing, Apartments and PBSA

Key Metrics and Characteristics	 Housing	 Apartments	 PBSA	Total Land Bank
Capital Allocation	52%	42%	6%	100%
Total Units	10,600	3,400	500	14,500
Average Cost per Unit	€38k	€96k	€99k	€54k
Average Selling Price (estimated) (ex. VAT) (no HPI)	€302k	€533k	€620k	€364k
NDV	€3.2bn	€1.8bn	€0.3bn	€5.3bn
<b>Land (at historical cost) as a % of NDV</b>	<b>12.6%</b>	<b>18.1%</b>	<b>16.5%</b>	<b>14.8%</b>
Average Site Size (units)	480	211	100 (344 beds)	
Typical Purchaser Income	c. €80 – €90k (single or joint)	€150k +	N/A	
Purchaser Profile	Mortgage Backed (incl. Help to Buy)	Cash Purchasers and Mortgage Backed	N/A	

Note: NDV (Net Development Value) is Total Units multiplied by Average Selling Price (estimated) (ex. VAT) (no HPI)  
Numbers rounded

# Illustrative Cash Generation 2018 – 2021

## Business transitioning to significant cash generation



## Assumptions behind the Cash Generation Illustration to 2021

- Drawn bank debt remains constant at €200m.
- Strategic / adjoining / JV land investment c. €100m to FY 2021.
- No HPI or build cost inflation.
- Central operating costs include central costs, finance costs and tax.
- c. 25% of annual WIP spend is on apartment developments.

## Dividend Policy

- Cairn generating distributable profits.
- The Board intends to initiate a regular annual dividend from FY 2019 profits. This dividend will be declared and paid in early 2020. The payout ratio is expected to be in line with sector averages.
- This illustration shows the potential strong cash generation by the business over the next 3 financial years. Management estimate that the Company has the potential to generate of c. €350m - €400m in free cash by the end of FY 2021. This will enable the Board to implement a progressive dividend policy and provide the opportunity to consider special dividends from FY 2020 onwards.

## Significant Cash Generation to 2021

- c. **€350m - €400m** before dividends

# House Price Inflation and Build Cost Inflation

## House Price Inflation (HPI)

HPI has averaged 5.6% across our housing and apartment developments in the last 12 months:

### Housing

HPI of 4.7% resulting in an average sales price in our FTB houses of €298k in the year to 30 June 2018.

Our low land bank cost and the scale and economies of our business allow us to continue to price our new homes competitively and at a level where our FTBs can obtain mortgage approval.

### Apartments

Higher HPI at 7.5% due to the significant shortage of new supply coming to the market for:

- better value in buying than renting apartments (c. 41% cheaper);
- the increasing number of younger professionals working in Dublin City Centre; and
- customers looking to release equity from their family home and move into more suitable apartment accommodation.

## Build Cost Inflation (BCI)

A key factor in Cairn's business model ensuring that we can continue to price our homes competitively is how we manage our BCI.

The Company has experienced BCI of 2.9% in the last 12 months across all of our 13 active developments.

# How Cairn Manages Build Cost Inflation

## Our Model

- Cairn is a “Developer Contractor” - our business model is based on the use of subcontractors across an average of c. 15 trades on starter home schemes.
- Trade packages tendered to a pool of established Cairn subcontractors (many with 25 year+ relationships with senior management).
- Longer duration contracts awarded (average 12 months) on multi-phase developments (average 4 phases).
- Subcontractors have visibility over our development pipeline and scale. Many of our subcontractors work across multiple sites.
- Top 15 subcontractors paid €140m in the last 12 months, compared to €23m in first full year of construction activity in 2016.
- Majority of building materials are centrally procured and prices are novated to subcontractors.
- Over 95% of materials sourced domestically and in the EU – no currency exposure.
- Use of both traditional and new off-site construction methods (OSM). Partnership with Kingspan Group plc.
- Economies of scale driven by standardisation - c. 550 of the expected 800 unit sales in 2018 will be standardised house types, both in terms of building envelope and identical internal finishes.

## Fixed Construction Costs

- Fixed price contracts in place across all active construction sites providing certainty over construction costs on active developments:

	2018	2019	Cumulative
% of Build Costs Fixed	95%	79%	84%



**Expected €250m spend on procurement in 2018 delivers 2.9% BCI.**

## The Main Contracting Sector

- Developers who retain main contractors to complete developments on a design and build contractual basis are exposed to the Tender Price Index which increased by 7.5% in the 12 months to June 2018 (source: SCSl).
- This is driven by a number of factors including a smaller pool of main contractors with full order books who are all operating across multiple construction sectors.

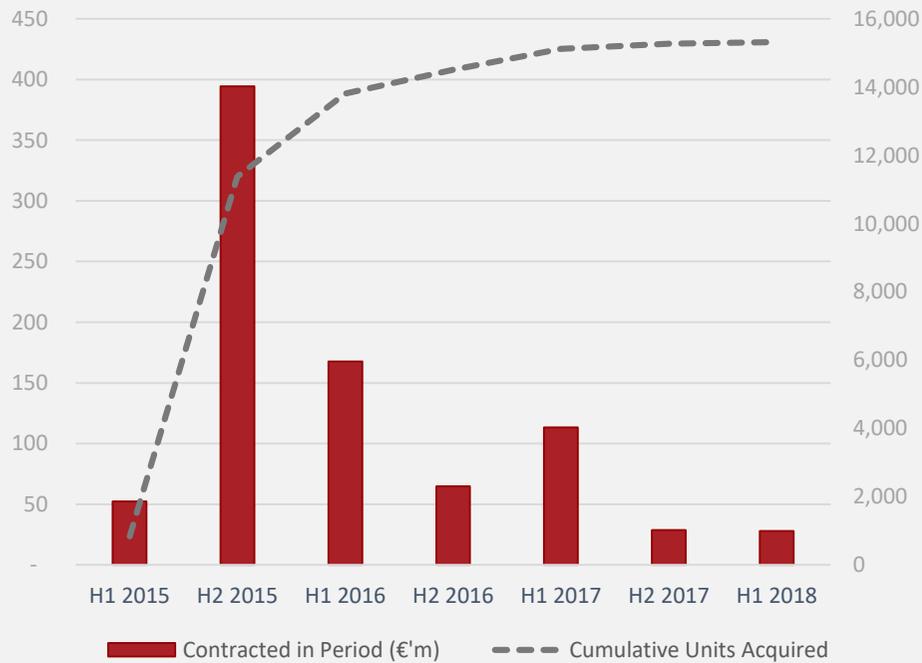


Churchfields, Ashbourne

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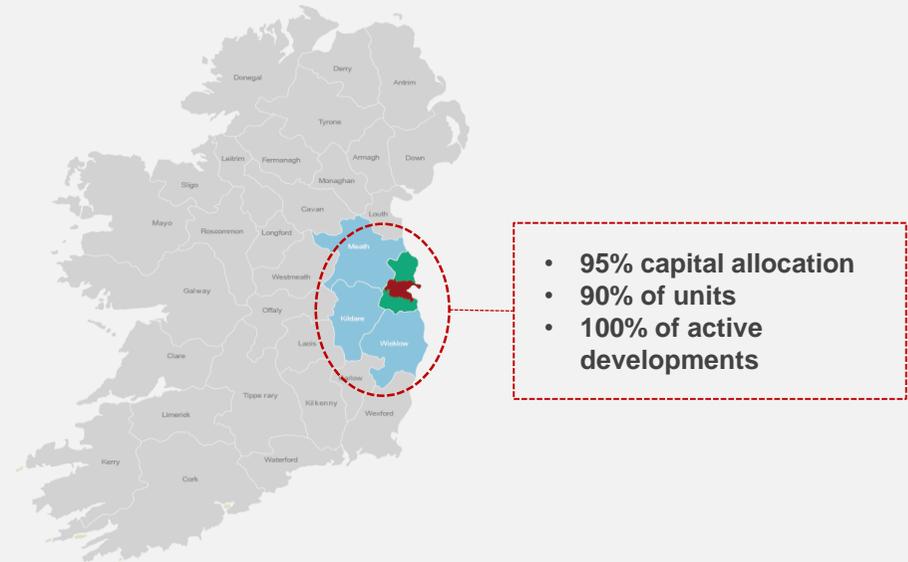
# Capital Allocation

**Timing of Land Bank Acquisition**



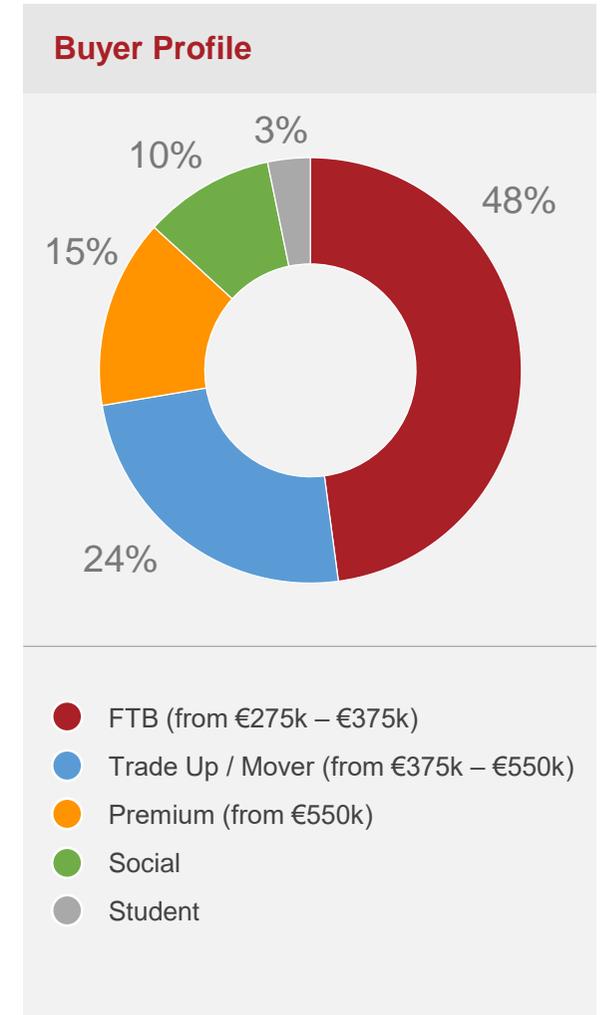
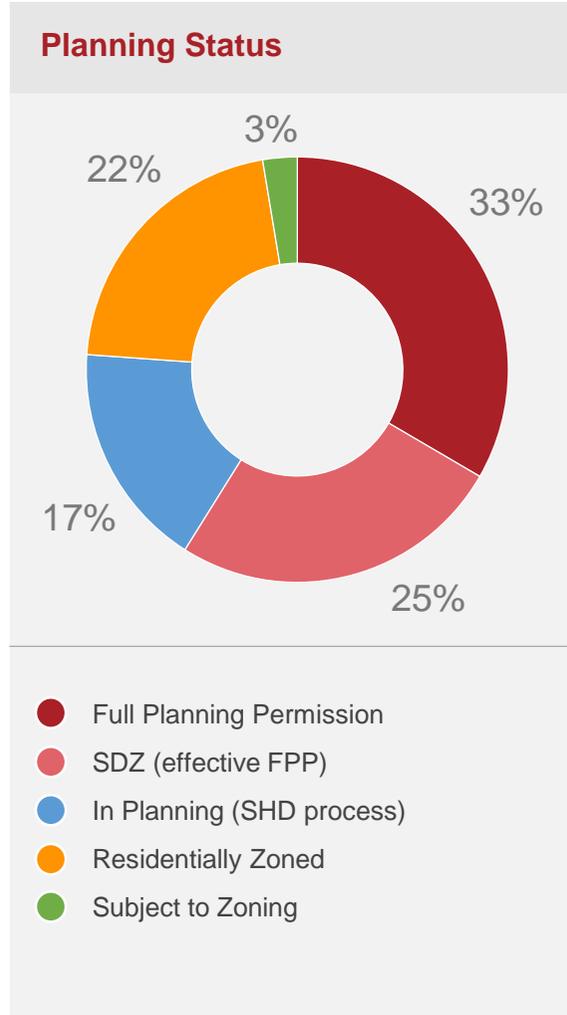
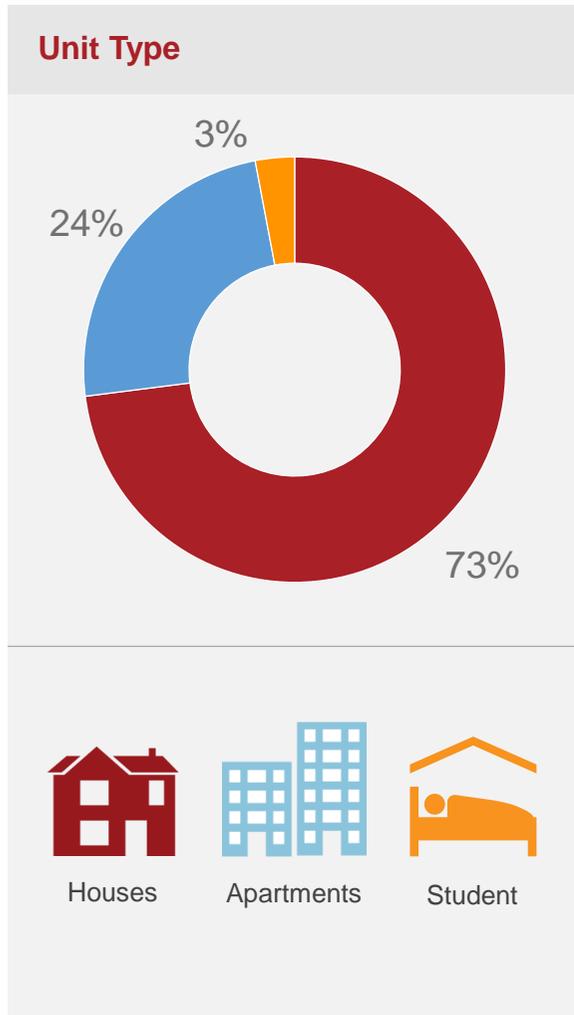
- €849m capital invested in a land bank of c. 14,500 units.
- 90% of units and 75% of total capital investment in land bank within 1 year of IPO.
- Low level of land acquisitions in the last 15 months.

**Targeted Capital Allocation Focused on the GDA**



	Units	Investment Allocation
Dublin – within M50	3,232	47%
Dublin – outside M50	5,775	20%
GDA	4,058	28%
Regional	1,435	5%
<b>Total</b>	<b>14,500</b>	<b>100%</b>

# Composition of c. 14,500 Units



# Irish Planning Environment

## Strong Track Record

- 51 successful grants of planning since IPO: 100% success rate delivering 4,251 units.
- 1,631 units granted planning permission in 2018 to date.
- Applications for an additional c. 1,700 units formally in the planning process.
- 700 additional units added to our total land bank this year through planning gains.

## Planning Processes

### Strategic Housing Development (SHD) Process

*One step planning process*

3 applications granted full planning (1,000 units)

4 application in process (c. 1,600 units)

Average duration of formal applications – **28 weeks**

### Strategic Development Zone (SDZ) Process

*Eight week fast track planning process (no appeals)*

4 applications granted full planning

2 applications at design stage

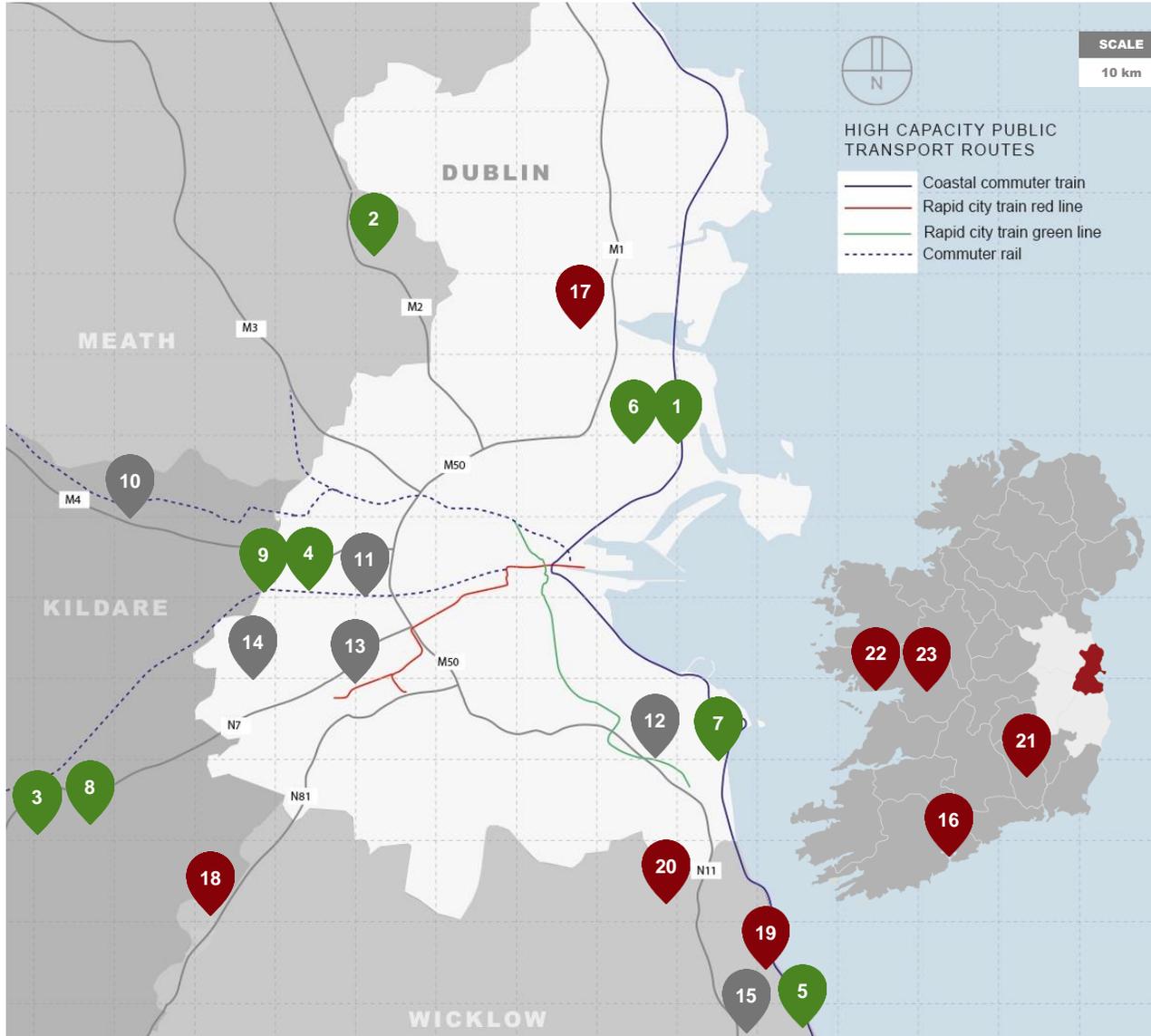
Average duration of formal applications – **8 weeks**

- Outside of SDZs, the SHD process covers our entire residentially zoned land bank (c. 4,250 units).

Cairn = **16%** of all units granted planning permission and **20%** of units consulted through the SHD process

Housing Map

Well located housing sites (c. 10,600 units) with excellent public transport links and no planning risk



Active	Units
1. Parkside, Malahide Road	295
2. Churchfields, Ashbourne, Co. Meath	397
3. Elsmore, Naas, Co. Kildare	500
4. Shackleton Park, Lucan	700
5. Glenheron, Greystones, Co. Wicklow	393
6. Parkside NAMA JV	71
7. Albany, Killiney	20
8. Craddockstown, Naas, Co. Kildare	251
9. Airlie Stud, Lucan	237

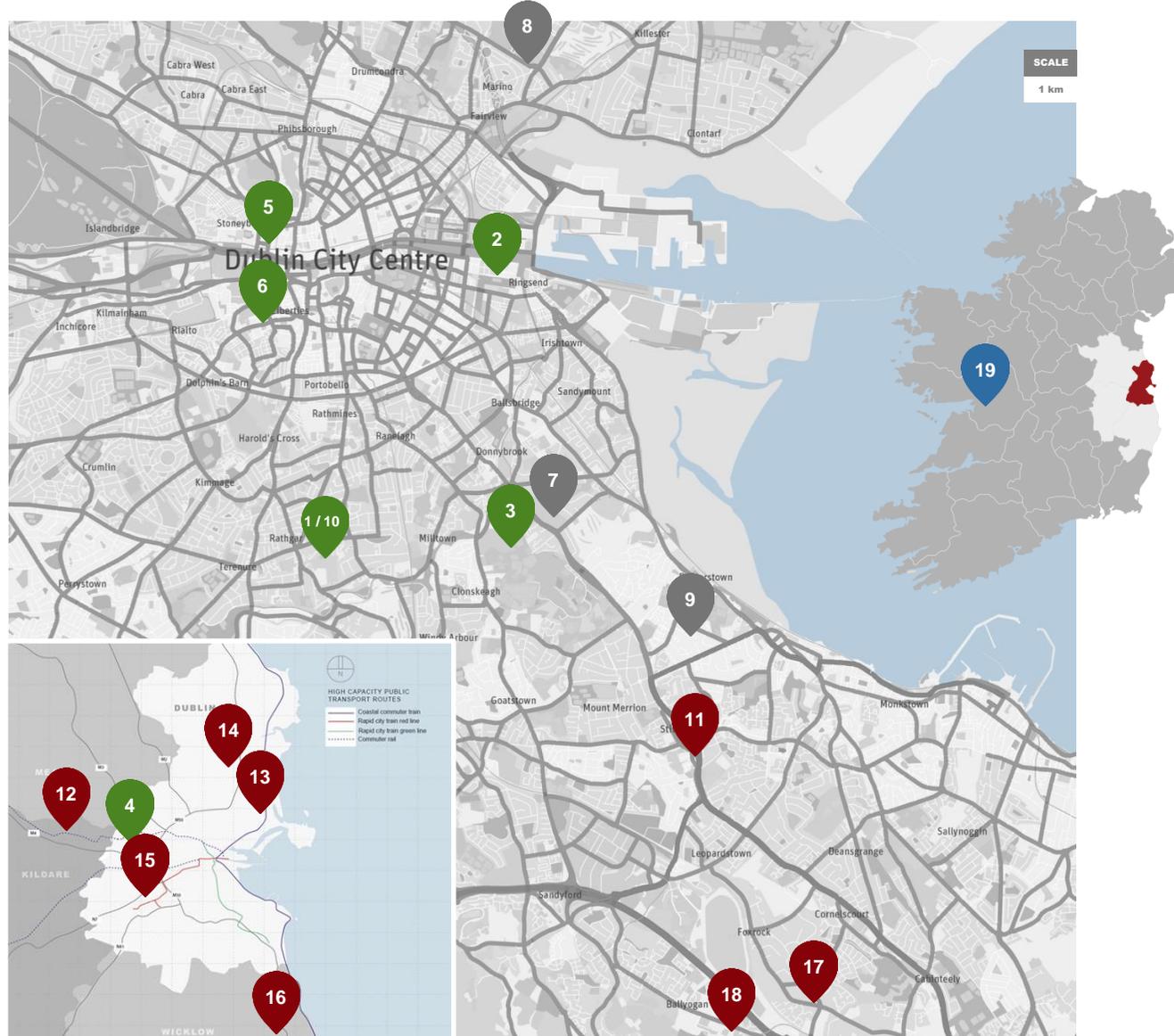
2018/19 Commencements
10. Mariavilla, Maynooth, Co. Kildare
11. Clonburris, Dublin 22
12. Cherrywood, South Co. Dublin
13. Citywest, Dublin 24
14. Newcastle, Co. Dublin
15. Farrankelly, Delgany, Co. Wicklow

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

Cost per Site	Average Estimated Selling Price per Unit (Net)
€38k	€302k

# High Density Apartments & PBSA Map

## Prime Apartment and PBSA sites (c. 3,600 units) in and near Dublin City



Active		Units
1	Marianella, Rathgar, Dublin 6W	208
2	Hanover Quay, Dublin 2	120
3	Donnybrook Gardens, Dublin 4	86
4	Shackleton Park, Lucan	60
5	Blackhall Place, Dublin 7 (PBSA)	33
6	Cork Street, Dublin 8 (PBSA)	90

Planned 2018/19	
7	Montrose, Dublin 4
8	Griffith Avenue, Dublin 9
9	Cross Avenue, Blackrock, Co. Dublin
10	Marianella, Rathgar, Dublin 6W (new phase)

Future	
11	Stillorgan, Co. Dublin (incl. PBSA)
12	Mariavilla, Maynooth, Co. Kildare (PBSA)
13	Parkside, Malahide Road
14	Swords, Co. Dublin
15	Citywest, Dublin 24
16	Glenheron, Greystones, Co. Wicklow
17	Barrington Tower, Carrickmines, Dublin 18
18	Glenamuck Road, Carrickmines, Dublin 18
19	Eyre Square, Galway (PBSA)

Cost per Site	Average Estimated Selling Price per Unit (Net)
<b>Apartments - €96k</b>	<b>€533k</b>
<b>PBSA - €99k</b>	<b>€620k</b>



Elsmore, Naas

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# Outlook

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Cairn is reaching maturity and is now well positioned to benefit from the opportunities in the Irish residential market

Irish economic and housing market conditions remain very positive

Unique land bank with housing and apartment sites in the best locations

**Increasing medium term target to deliver revenue of c. €550m from c. 1,400 to 1,500 units annually from 2021**

**Strong profit and cash generation in 2018 and 2019 supporting our progressive dividend policy**



Churchfields, Ashbourne

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Sites

# Housing Developments – Status Updates

#	Development	Total Units	Update
<b>Housing – Active &amp; Selling</b>			
1	Parkside, Malahide Road	395	Phase 1 and 2 (307 units) built and sold. Phase 3 (88 units) under construction, Phase 4 (205 high density units) in design phase.
2	Churchfields, Ashbourne	397	Phase 1 (173 units) sold out and construction complete. Phase 2 (224 units) construction, sales and sales completions ongoing.
3	Elsmore, Naas (2 sites)	500	Phase 1 (117 units) construction continuing. New Devoy Link Road built and open. Sales ongoing and first legal completion in early Q3 2018.
4	Shackleton Park, Lucan	770	Phase 1 (208 units) nearly construction complete. All units sold. Phase 2 (268 units) commenced in May 2018. Sales and closings ongoing.
5	Glenheron, Greystones	393	Phase 1 (50 units) construction complete. All units sold with final closings in Q4 2018. Phase 2 (192 units) construction progressing with unit closings in Q4 2018.
6	Parkside NAMA JV, Malahide Road	71	Development is now finished with remaining units sold in early Q3 2018.
7	Albany, Killiney	20	Sales ongoing.
8	Oak Park, Naas	251	Construction commenced in June 2018.
9	Airlie Stud, Lucan	237	Phase 1 (237 units) commenced in August 2018.
<b>Housing – 2018/19 Commencements</b>			
10	Maynooth - Mariavilla	462	Full Planning Permission granted in July 2018 and preparations underway to start construction in Q4 2018
11	Clonburris	3,124	Estimated approval date for the enlarged SDZ by ABP is Q1 2019.
12	Cherrywood	294	Phasing of SDZ being reviewed by DLRCC (local authority). Anticipate approval by the end of 2018.
13	Citywest	165	Planning application for 459 houses and apartments lodged through the SHD process in August 2018.
14	Newcastle	TBC	Masterplan prepared. To enter the SHD process by the end of 2018.
15	Delgany - Farrankelly	TBC	Masterplan prepared. To enter the SHD process by the end of 2018.
<b>Housing – Future</b>			
16	Douglas, Cork	TBC	Masterplan prepared. To enter the SHD process by the end of 2018.
17	Swords, Co. Dublin	TBC	Detailed design underway. SHD application.
18	Blessington, Co. Wicklow	TBC	Detailed design underway. SHD application.
19	Coolagad, Greystones, Co. Wicklow	TBC	Masterplan underway. SHD application.
20	Enniskerry, Co. Wicklow	TBC	Masterplan underway. SHD application.
21	Callan Road, Kilkenny	TBC	Masterplan underway. SHD application.
22	Rahoon, Galway	TBC	Masterplan underway. SHD application.
23	Ballymoneen Road, Galway	TBC	Masterplan underway. SHD application.

# High Density Apartments – Status Updates

#	Development	Total Units	Update
<b>Apartments – Active &amp; Selling</b>			
1	Marianella, Rathgar, Dublin 6W	208	Phase 1 (208 units) nearing construction completion. Sales ongoing and units in Block C now closing also.
2	Hanover Quay, Dublin 2	120	Construction due to finish in Q4 2018. Completed development sold with legal completion scheduled for Q1 2019.
3	Donnybrook Gardens, Donnybrook, Dublin 4	86	Construction underway. Units to be launched for sale in H1 2019.
4	Shackleton Park, Lucan	60	Construction underway and will complete in Q1 2019.
5	Blackhall Place, Dublin 7 (PBSA)	33	Refurbishment completed. Contracted for sale.
6	Cork Street, Dublin 8 (PBSA)	90	Contracted for sale.
<b>Apartments – 2018/19 Commencements</b>			
7	Montrose, Dublin 4	TBC	In the SHD process with formal planning application to be submitted in Q4 2018 / Q1 2019.
8	Griffith Avenue, Dublin 9	c. 354	In the SHD process with formal planning application to be submitted imminently.
9	Cross Avenue, Blackrock, Co. Dublin	c. 221	In the SHD process with formal planning application to be submitted imminently.
10	Marianella, Rathgar, Dublin 6W (new phase)	TBC	Planning application to be submitted through the SHD process in Q4 2018.
<b>Apartments – Future</b>			
11	Stillorgan, Co. Dublin (PBSA)	103	Full planning permission.
12	Mariavilla, Maynooth, Co. Kildare (PBSA)	179	Full planning permission.
13	Parkside, Malahide Road	TBC	Detailed design underway.
14	Swords, Co. Dublin	TBC	Masterplan underway.
15	Citywest, Dublin 24	294	Planning application for 459 houses and apartments lodged through the SHD process in August 2018.
16	Glenheron, Greystones, Co. Wicklow	TBC	Masterplan underway.
17	Barrington Tower, Carrickmines, Dublin 18	TBC	Masterplan underway.
18	Glenamuck Road, Carrickmines, Dublin 18	TBC	Masterplan underway.
19	Eyre Square, Galway (PBSA)	TBC	Contracted for sale.



Shackleton Park, Lucan

**1.**

Highlights

**2.**

Financial

**3.**

Operations

**4.**

Landbank

**5.**

Outlook

**6.**

Appendix

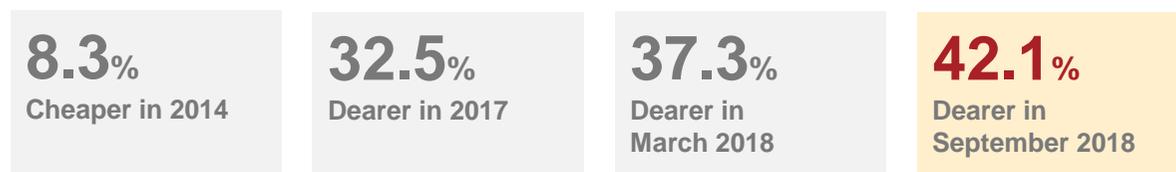
Other

## Owning versus Renting

## The First Time Buyer Decision Tree – To Rent or Buy?

	2014	Sep-17	Mar-18	Sep-18
Salary	€80,000	€83,983	€86,082	€86,082
Annual After-tax Income	€60,138	€63,874	€65,317	€65,317
Monthly After-tax Income	€5,012	€5,323	€5,443	€5,443
Standard Variable Rate (per CBI)	4.20%	3.35%	3.32%	3.29%
Monthly Mortgage Repayments	€1,344	€1,290	€1,323	€1,374
Monthly Pay after Tax and Mortgage	€3,668	€4,033	€4,120	€4,069
3 Bed Rental – Monthly Cost (Daft.ie Q2 18 Rental Report)	€1,232	€1,709	€1,817	€1,952
Monthly Pay after Tax and Rent	€3,780	€3,614	€3,626	€3,491
<b>Difference between Renting and Owning - €</b>	<b>€112</b>	<b>-€419</b>	<b>-€494</b>	<b>-€578</b>
<b>Difference between Renting and Owning - %</b>	<b>8.3%</b>	<b>-32.5%</b>	<b>-37.3%</b>	<b>-42.1%</b>

## Renting vs Owning...



## 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 (March):** 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).
- **2018 (September):** As per 2018 (March) with additional 4.3% HPI increasing the purchase price of the same house to €349,150 (applying Eurostat March 2018 Irish new homes HPI of 8.6% for a further period of 6 months).

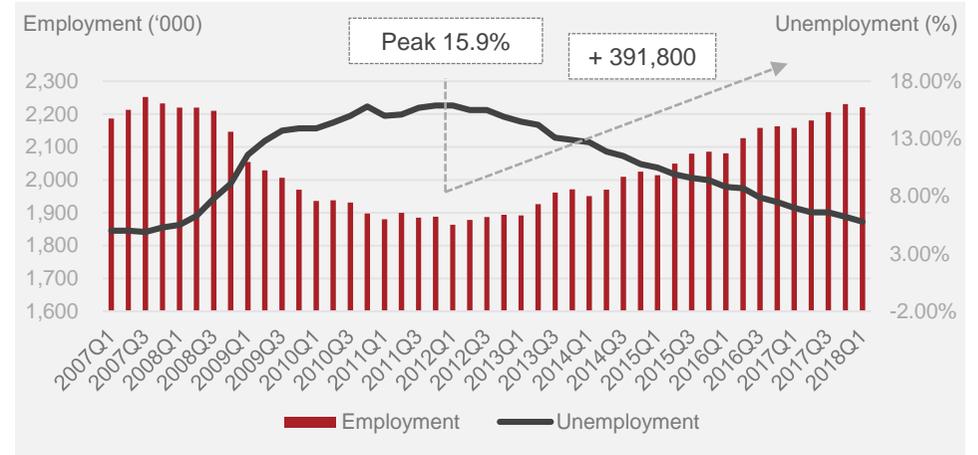
Source: TaxCalc.ie, theguardian.com/money/mortgage calculator, Daft.ie Q4 2017 Rental Price Report, ec.Europa.eu/Eurostat, CBI Retail Interest Rates – June 2018

# Key Drivers Boosting Affordability

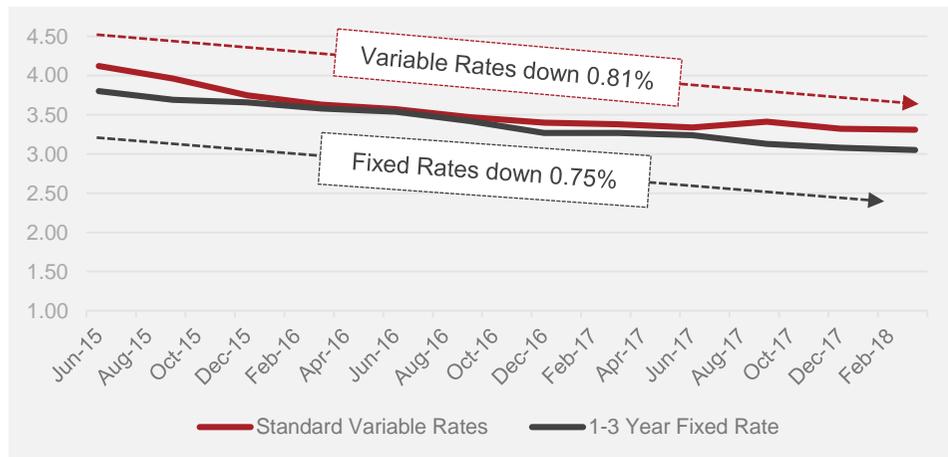
## Wage Inflation Outstripping Consumer Price Index



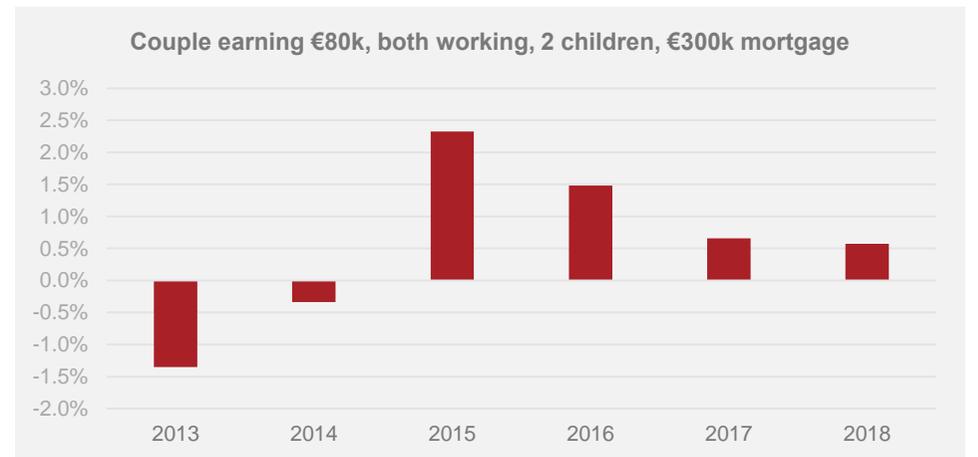
## Strengthening Irish Labour Market



## Mortgage Rates Falling Slowly



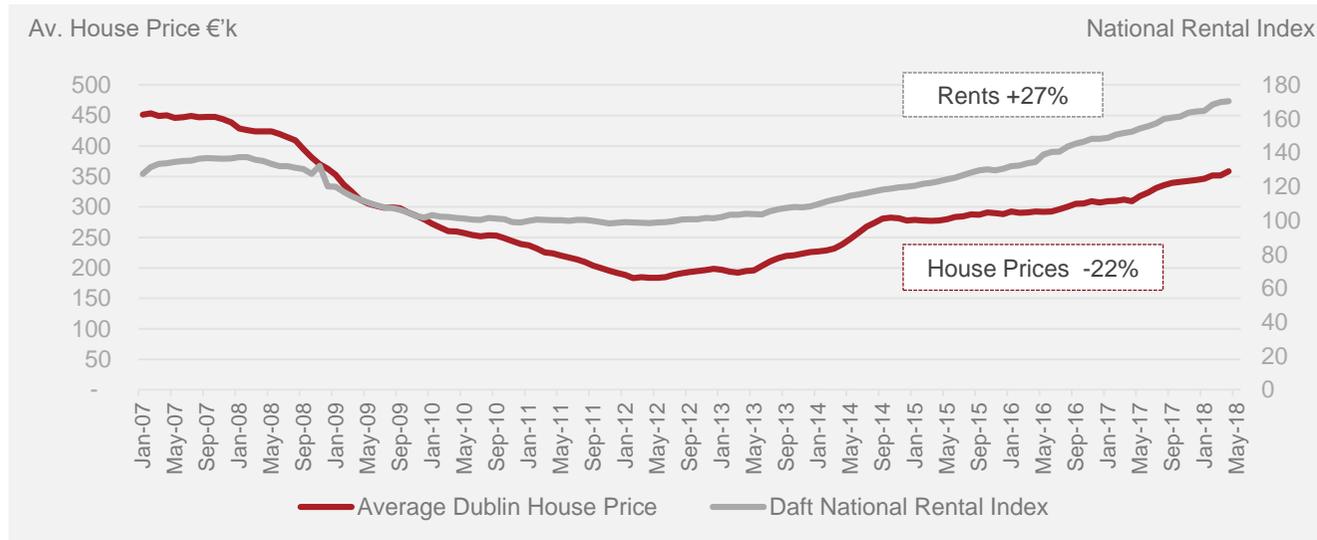
## Expansionary Budgets – Impact On Take Home Pay



Source: CSO, Goodbody, CBI, TaxCalc.ie

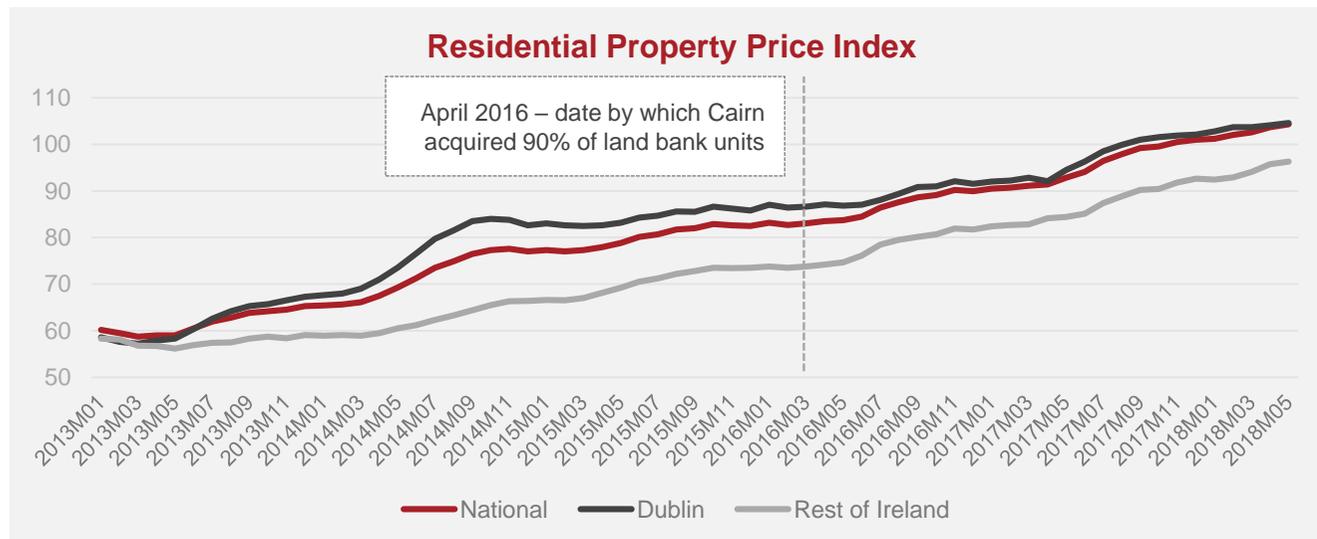
## National Residential Price Recovery vs Rental Price Recovery

### Private Rents 27% Above Peak, Dublin House Prices Still 22% Below Peak



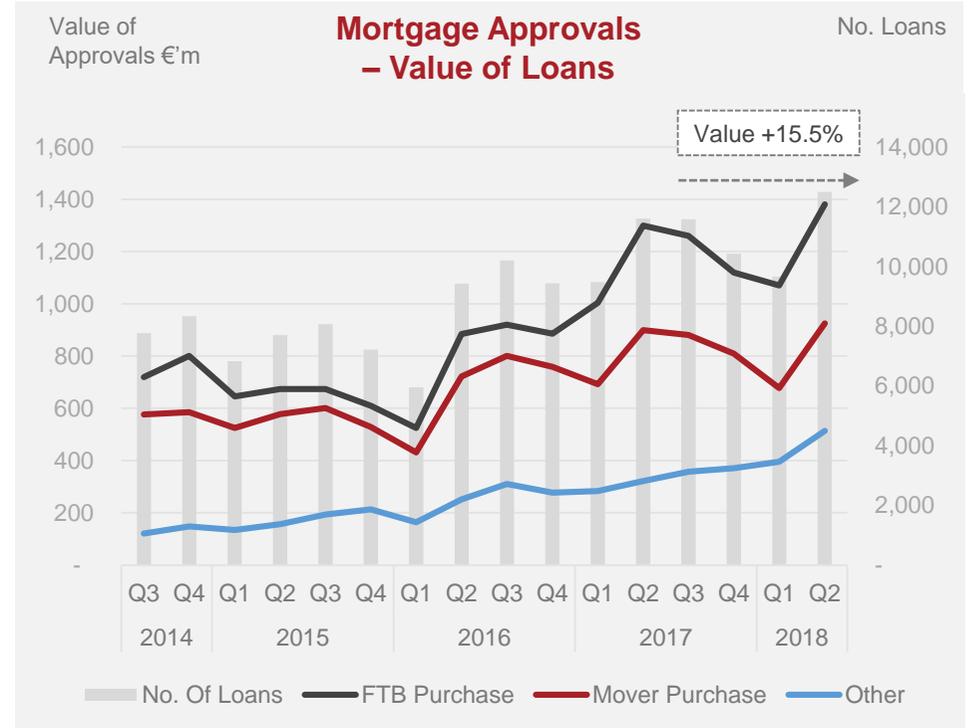
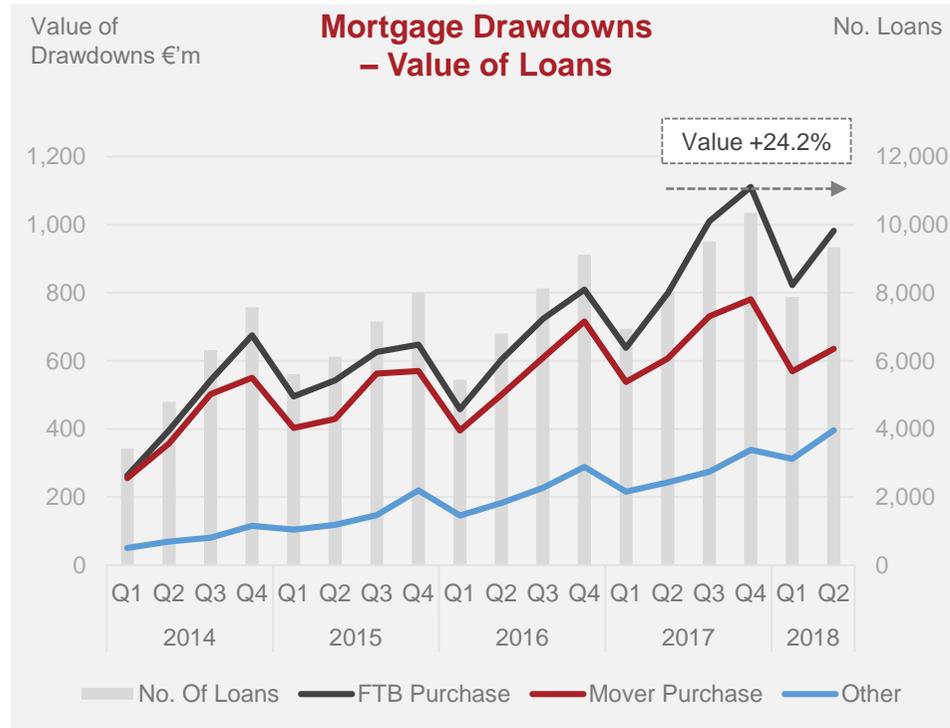
### Commentary

- Dublin average house price €355,652 as at July 2018, **22%** below €453,638 peak in February 2007.
- The Daft National Rental Index reached 175.4 in July 2018, **27%** above February 2008 peak.
- Daft Q2 2018 Rental Price Report identifies that rents in Dublin are now **34%** above their previous 2008 peak, following annual rental inflation in excess of 13% for over two years.
- Residential property prices increased by 12.0% in the year to June 2018:
  - Dublin +9.0%
  - Rest of Ireland +15.2%



Source: CSO, Goodbody, Daft

**Strong Mortgage Drawdown and Approval Trends**

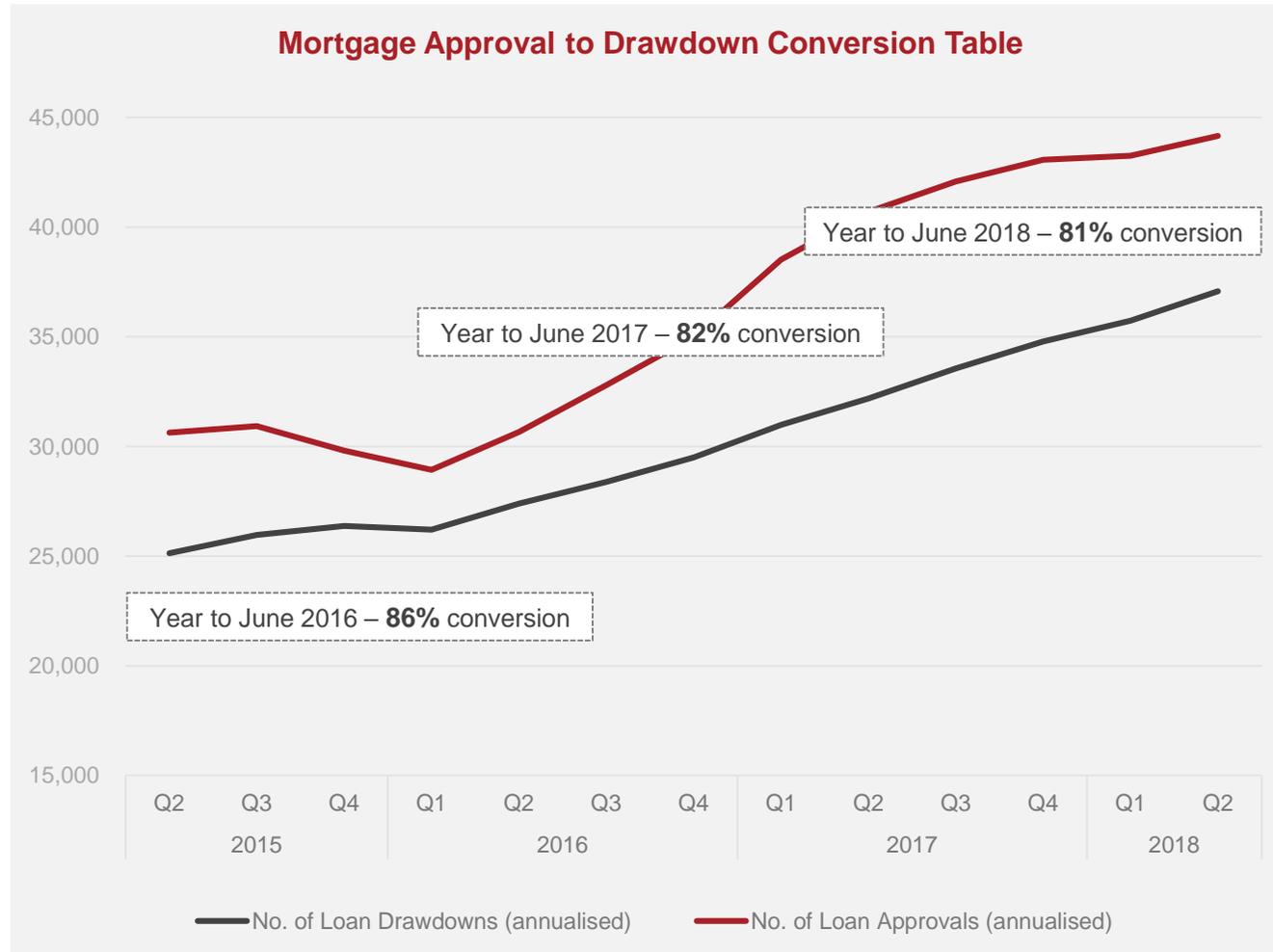


**Commentary**

- Mortgage drawdowns +24.2% in value terms (€7.96bn) and +15.2% in volume terms, in the 12 month period to June 2018.
- Mortgage approvals +15.4% in value terms (€9.76bn) and +8.5% in volume terms, in the 12 month period to June 2018.
- Goodbody forecast continued mortgage drawdown growth from €7.3bn in 2017 to c. €8.6bn in 2018 and c. €10.1bn in 2019 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,

## Mortgage Approved Borrowers Cannot Find Houses



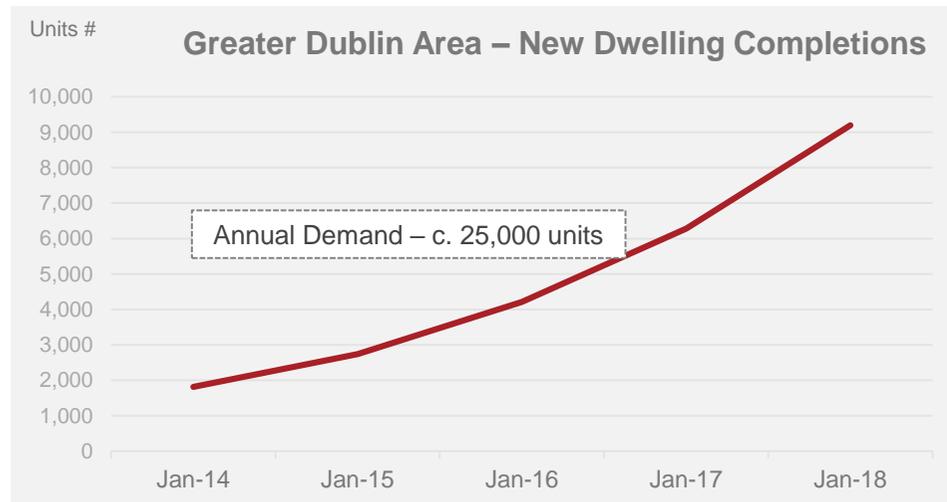
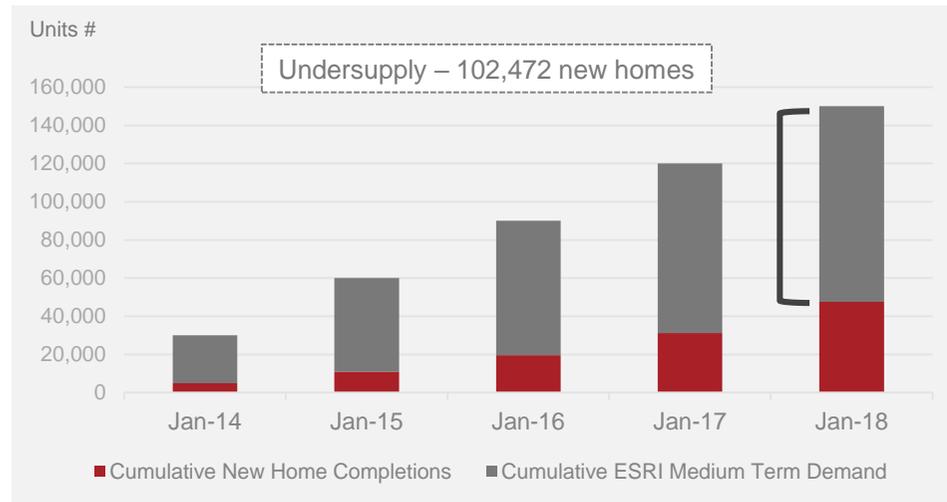
### Commentary

- The number of individual mortgage approved loans converting to mortgage drawdown loans continued to deteriorate in the year to June 2018.
- Mortgage conversion in period was 81%, down 1% year on year and 5% compared to the year to June 2016.

Note: Rolling 12-months  
Source: Banking Payments Federation of Ireland

## Supply Still Lagging Demand

# Supply Less Than One Third of Medium Term Demand Level



### Commentary

- The Central Statistics Office (CSO) have replaced the Department of Housing in analysing new home completions through the New Dwelling Completions quarterly report (NDC) launched in Q1 2018. The new methodology adopted is the most accurate analysis available to date and replaces the governments previous preferred (and unreliable) method of assessing the supply of new homes (electricity grid connections).
- The NDC has revisited housing completion statistics back to 2011.
- 16,274 new homes were completed nationally in the year to June 2018. This included 4,497 one-off houses.
- The ESRI estimates that the medium term demand for new homes in Ireland is 30,000 new homes per annum. Cairn estimates that this is higher and between 40,000 and 50,000 new homes.
- The new NDC statistics indicate an undersupply of 102,472 new homes in the five year period to June 2018.
- The current level of demand for new homes in the Greater Dublin Area (Dublin, Kildare, Meath and Wicklow) is in the region of c. 25,000 homes per annum to meet the housing needs of a growing population, annual obsolescence and catch-up on the level of under-supply witnessed since 2009.
- 9,196 new homes were delivered in the year to June 2018, including 807 one-off homes, meaning only 8,389 new homes were delivered in multi-unit (6,298 homes) and apartment (1,846 units) developments.

(1): Economic & Social Research Institute (Ireland's Economic Outlook: Perspectives and Policy Challenges, December 2016)

Source: CSO

# Government Response to Supply Challenges

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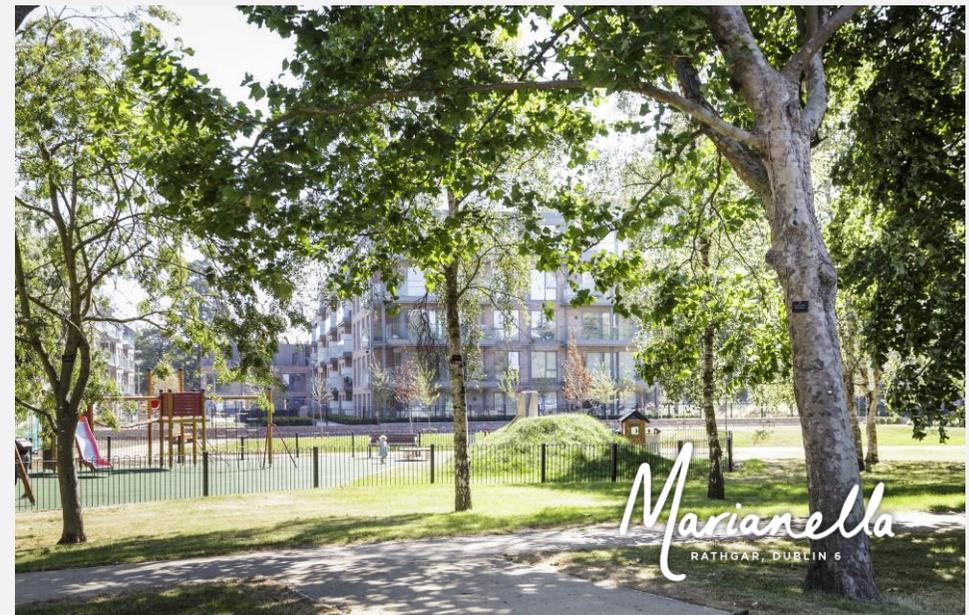
Local Infrastructure Housing  
Activation Fund (LIHAF)

Project Ireland 2040

Help To Buy

Apartment Design Guidelines  
&  
Urban Development and Building Heights  
– Guidelines for Planning Authorities

# A Selection of our Developments



# The Cairn Team



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