

## Ireland: potential for catching up created by structural backlog in supply of micro-living units

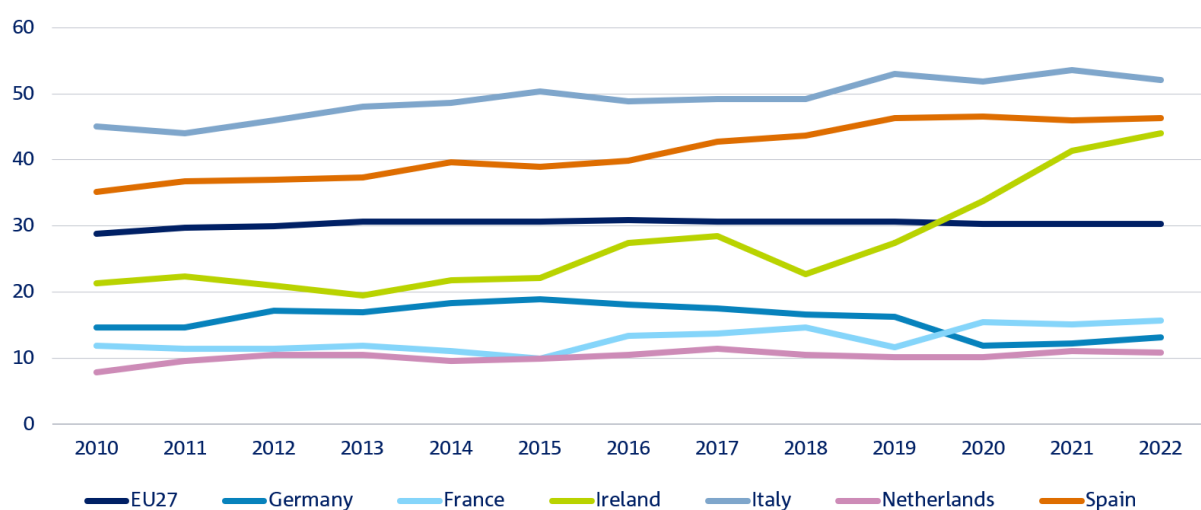
### Shortage of supply on the Irish housing market

The Irish housing market is never out of the headlines. There is a lack of affordable housing, or indeed any housing, with the young most affected as they move to the cities to study or to start their first jobs. However, there is also a shortage of serviced apartments for professionals as well as homes for senior citizens. The Irish government has been trying to address this shortage for years by working with developers, banks and investors, but the structural supply shortage in the housing market is set to continue for the time being.

### Many young Irish people are still living with their parents

Low availability of suitable housing mainly affects young Irish people. According to data supplied by Eurostat, more than 40 % of young adults aged between 18 and 34 are still living with their parents. This percentage exceeds the European average of 30 %. The share is similar in Italy (52 %) and Spain (46 %) only (see figure 1).

Figure 1: Share (%) of young adults aged 18-34 living with their parents (selected European countries)

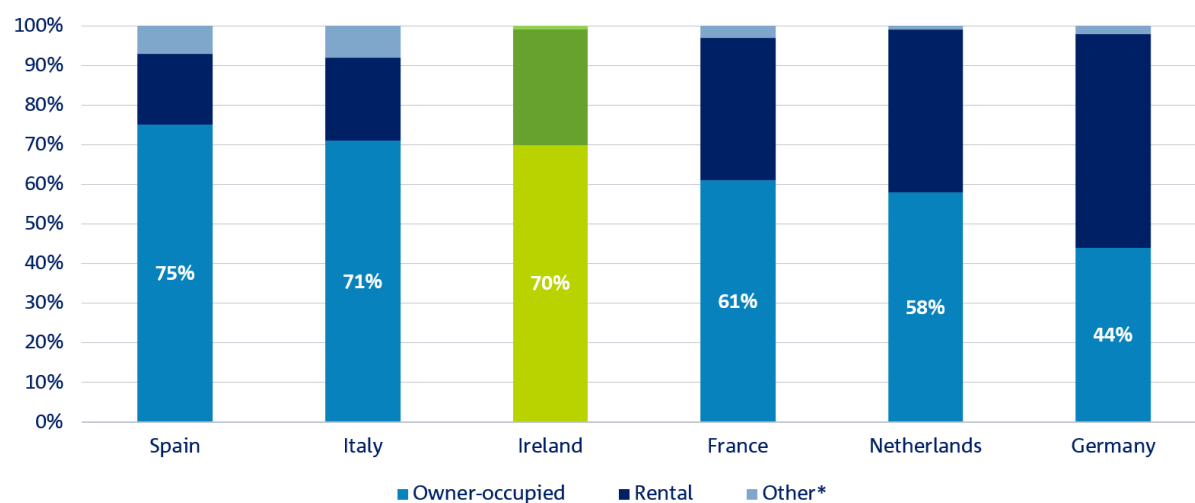


Source: Eurostat, EU-SILC (2023); chart: Real I.S.

One reason for this is certainly that the market for rented housing in these countries remains small. The rate of owner-occupation in the Irish housing market has traditionally been high. In Ireland, the share of owner-

occupied homes is 70 %, according to data collected by the OECD (see figure 2). Once again, only Italy (71 %) and Spain (75 %) register similar shares.

Figure 2: Share of owner-occupied homes in a European comparison (selected countries)



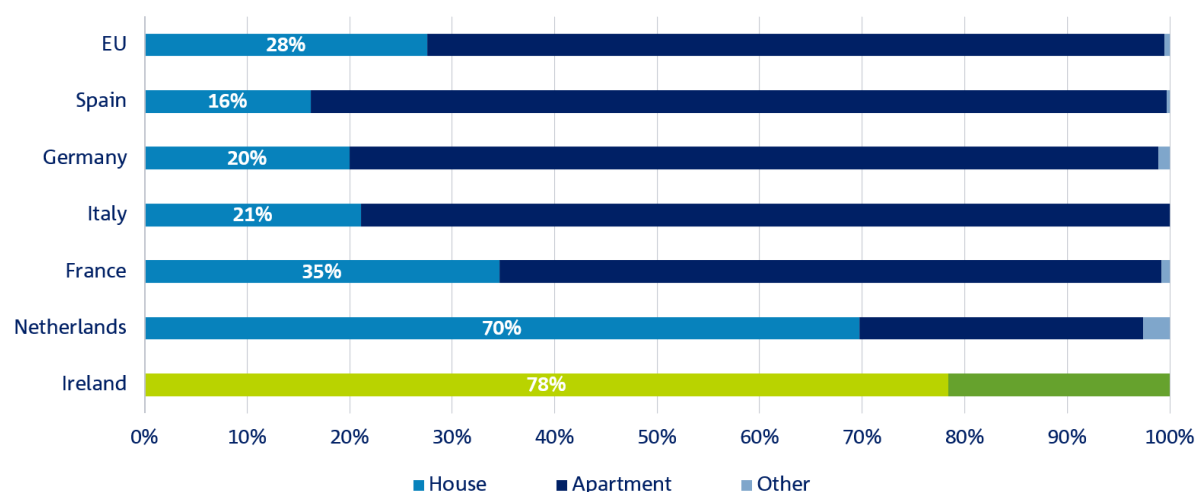
Source: OECD (2020); chart: Real I.S.

\* accommodation provided for free and other, unknown types of housing

## Housing shortage in Ireland's cities is more pronounced than in other European countries

The structural shortage of (affordable) homes for rent is most apparent in the cities. Data from Eurostat shows that Ireland's cities have a smaller proportion of apartments than those of any other European country. Owner-occupied houses account for the largest share of homes in most of the cities. The figures show that 80 % of the residential property market in Ireland's cities consists of houses and just over 20 % consists of apartments (see figure 3). The picture for Italy and Spain is different, as shown in the comparison. Houses account for around 20 % of the residential market in both Italy and Spain, while apartments account for around 80 % – the diametrical opposite of the situation in Ireland.

Figure 3: Type of housing in cities (selected European countries)



Source: Eurostat; chart: Real I.S.

## The Irish government addresses the shortage of housing

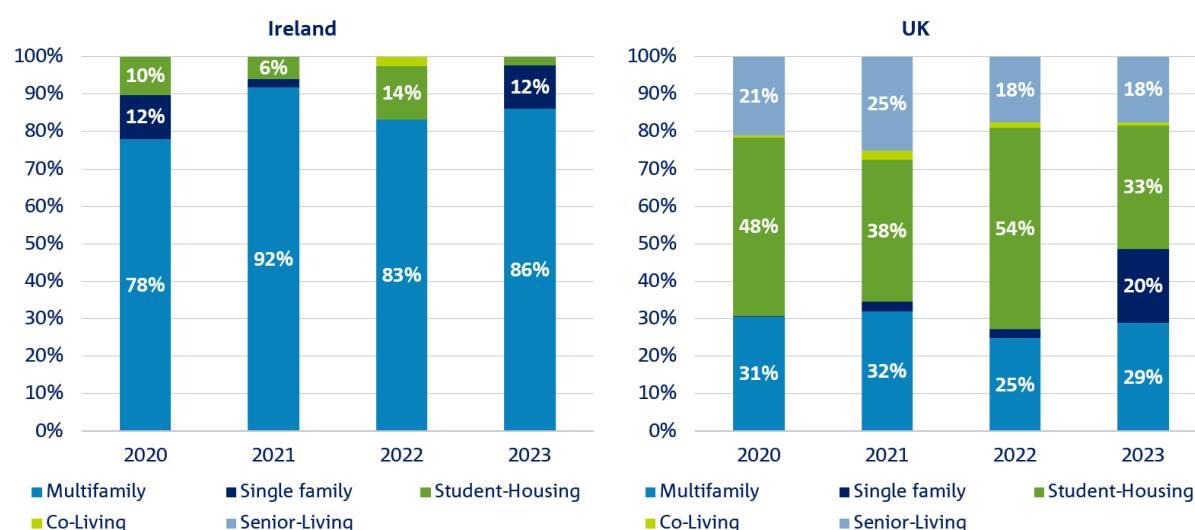
The Irish government is now one of the main players in the country's housing market and is attempting to address the shortage of housing by large-scale investment. In 2023, 34,000 residential units were completed – fewer than needed, but a large number of completions nonetheless.

According to estimates by the brokerage firm CBRE, 40 to 50 percent of these living units are directly or indirectly subsidised by the government, by means of investment, participation or financing. One of the government's priorities is to create an adequate supply of social housing.

## The shortage impacts the investment market

Nonetheless, the structural shortage in apartments and rented housing will persist, in particular as regards furnished micro-living solutions for students, co-living and senior housing. Market liquidity on the investment market for residential properties is still low here. However, there is a structural potential for catching up. Data gathered by Knight Frank for the period from 2020 to 2023 shows that almost no investment deals were concluded in the co-living and senior housing segments. Student living accounted for a share between 2 % and 14 % of the aggregate transaction volume (see figure 4). In the United Kingdom, in comparison to Ireland, the share of these living segments was about 50 to 70 % of the total transaction volume (see figure 5).

Figures 4 and 5: Share of living sector investment



Source: Knight Frank; chart: Real I.S.

## Conclusion: potential for catching up shows market attractiveness

The shortage of supply in the Irish residential property market is set to continue despite the measures taken by the government to tackle it. This applies especially to the cities, and to the market for rented apartments in particular. The lack of supply is not the only issue; demand is also high. Young Irish people are looking for apartments as students or when starting their first job in the cities, but international students and professionals are also seeking furnished apartments in city-centre locations. The potential created by the structural housing backlog makes the Irish market very attractive for investors in the long term.

Kind regards

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