

MARKET WATCH BEWARE KNEE-JERK ATTACKS ON PRIVATE LANDLORDS

Far from robbing first-time buyers of the chance to buy a home, the private rental sector helps to supply them, claim experts

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When estate agent Hooke & MacDonald released a report on Dublin's private rented sector (PRS) last month, one law firm — ByrneWallace — looked on with interest. For the first time, the company realised that it had advised buyers and sellers in eight out of the top 25 transactions in Dublin last year.

Among those eight was the largest PRS investment transaction of the year: developer Twinlite's €140m deal with Tristan Capital to build 372 apartments in Clongriffin, Dublin 13.

Since the start of this year, ByrneWallace has advised on the sale of the Coast, a development of 53 homes in Baldoye, between receivers and investor I-Res Reit.

It has also acted on two deals that are at sale-agreed stage, and for the European property company LRC Group in its purchase of about 600 residential and commercial properties



Private residential sector investments accounted for 15% of the overall Dublin market

from Targeted Investment Opportunities.

ByrneWallace undoubtedly has skin in the PRS game, but it also has valuable knowledge of the sector, which has come under attack from parts of

the media who have dreamt up the term "cuckoo fund" and accused PRS investors of competing with individual buyers.

Michael Walsh, head of ByrneWallace, says this isn't the case, especially

when it comes to the build-to-rent sector.

"Traditional builders are saying there isn't enough demand to meet capacity. Many need finance to be drawn down quickly for the development and

construction to get under way. By selling the entire block in advance, it is easier to raise finance. What would people prefer? That you have the labour idle?"

He says there are different types of rented-sector deals. Some investors are buying existing stock, which comes in bulk, often sold by receivers or funds that got in when the market was beginning its recovery.

Forward sales are another. Here the buyers say they are willing to buy only when a property is built. Forward funding is a third — a fund buys land and partners with a developer to build on it.

All three formats are busy at the moment, largely because of "confidence in the economy, labour market, stability of the workforce and ability to pay rents", according to Walsh.

However, while news of PRS deals makes good headlines, it's worth putting things into perspective. According to figures from the Hooke & MacDonald

report, private residential sector investment transactions accounted for 15% of the overall Dublin investment market in the first quarter of this year, and 30% of the market last year.

The vast majority of build-to-rent deals are completed on apartments. Of the 6,931 homes built in Dublin last year, 4,888 (71%) of them were houses in estates and 1,766 (25%) were apartments. The remaining 4%, 277, were one-off houses.

"The increase in planning approvals for apartment developments has not led to an equivalent increase in commencement of developments, as the cost of sites, coupled with planning delays, are constraining factors, as are taxes and levies on new construction," said the Hooke & MacDonald report.

It also pointed out that fewer than 5% of tenancies were controlled by landlords with 100 tenancies or more.

The estate agent has said repeatedly that the cost of

building apartments is too high to satisfy the first-time buyers' market, so the presence of institutional investors is facilitating their supply.

Ken MacDonald, the company's head, has also pointed out that most developers who are selling to institutions are also building and selling to individual buyers. They include Cosgrave Property Group, Cairn Homes, Glenveagh Properties and Castlethorn.

Walsh warns against knee-jerk reactions from government to the media coverage. "More than anything, we need additional capital in the market. There is significant capital coming into the market [through PRS]. It would be counter-intuitive to place barriers to that coming in," he says.

"We need a diverse group of protagonists in the property market to ensure it is as broadly based as it can be. I think there is a lot to be said for welcoming PRS."