

MARKET OVERVIEW

The Irish economy is resilient in a challenging environment.

The Irish economy again delivered a stellar performance in 2022, achieving double digit GDP growth notwithstanding the emergence of higher energy prices and recessionary conditions across Europe in the second half of the year.

Strong GDP growth in 2020, 2021 and 2022 marks Ireland out as one of very few economies delivering growth throughout that period.

As in the pandemic, Ireland's buoyant and defensive export sector is expected to prove resilient to likely recessions across Europe and the UK, helping GDP growth to stay in positive territory entering 2023.

Ireland is also expected to remain one of the best performing economies in the eurozone for domestic demand. This will support continued growth in consumer spending and employment.

Ireland's public finances continued to beat expectations in 2022 and this provided the government with flexibility to support households prudently in its Budget 2023 plans.

These factors underpin the buying power in the population and consequent demand in the economy. A strong level of consumer confidence is returning to the Irish economy, notwithstanding the more challenging economic environment more generally.

Affordability supported by legislation and policy changes

A combination of new legislation and updated policy measures from the Government and other bodies such as the Central Bank of Ireland (CBI) should help support affordability in this more

challenging economic environment of rising interest rates and high inflation.

The benefits of Housing For All, introduced in 2021 as the government's housing delivery plan to 2030, are slowly beginning to materialise. A range of schemes, discussed below, have been introduced to secure delivery of large scale sustainable mixed-tenure communities, representing an overall investment of €20 billion over the five years to 2026. The plan is designed to cater for prospective buyers and renters for which market dynamics and market rules have made either owning or renting a property a difficult prospect.

The Help to Buy ('HTB') scheme helps first-time buyers of newly-built homes to buy a new house or apartment. This incentive of €30,000 per qualifying property is in place until at least December 2024. In FY 2022, 87% of our first home purchasers availed of this scheme.

The cost rental scheme is designed to relieve the burden on renters, where the state will take ownership of new build properties at market cost and rent them to the tenant at a rate that is at least a 25% discount to the private market.

The First Home scheme was launched in July 2022 and is designed to support first-time buyers in purchasing new-build homes in private developments. Prospective buyers can use this scheme in conjunction with the HTB scheme.

The government will take up to a 30% stake in the property to reduce the burden on the buyer from a financing perspective. The regional limits

MARKET OVERVIEW CONTINUED

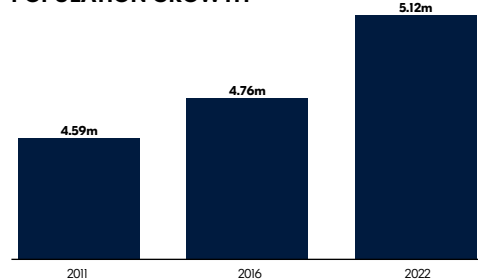
on purchase prices that apply in this scheme were increased in January 2023, further supporting buyers here.

The CBI also introduced a significant policy amendment in October 2022, that became effective in January 2023. In its annual review of macroprudential rules, the CBI eased the loan-to-income ('LTI') multiple from 3.5x to 4x for first-time buyers while also adjusting exceptions and easing loan-to-value ('LTV') requirements for second and subsequent borrowers. This is an important support to affordability for first-time buyers in particular. Macroprudential rules continue to remain very conservative by European standards.

Demand remains strong

Demand for housing continues to be very strong in Ireland. Alongside private demand, the state is also contributing to demand with homes also being purchased by the Land Development Agency, Approved Housing Bodies and local authorities. Underlying demand is being driven by a combination of population growth, economic growth, and insufficient underlying supply. Latent demand, built up over the course of a decade of under-supply in the aftermath of the financial crisis, is also contributing to the existing imbalance.

POPULATION GROWTH



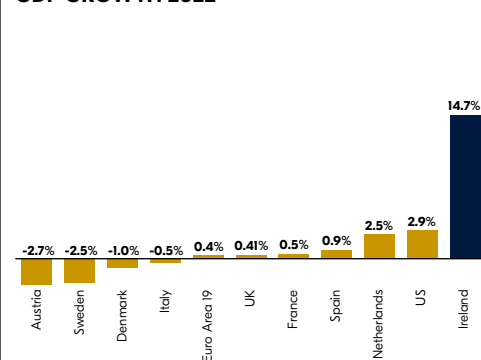
The preliminary results from Census 2022 indicates that the Irish population totalled over 5.1 million people, the first time the population has exceeded 5 million in a census since 1851^A. Domestic population growth as well as increasing net inward migration has resulted in an increase in population of approximately 535,000 people since 2011. Additional housing stock is an essential requirement in this context.

Economic growth is also a main driver of demand for housing in Ireland. Ireland has high GDP versus the OECD average, a high employment rate, with above-average salaries and solid wage growth.

Average employment growth was estimated at over 6% in FY 2022 and is forecast to grow further in 2023 and 2024^B. Employment has risen by more than 650,000 since 2012^C. This has created the capacity and the desire among the population to own their own homes.

In addition, during 2022 the employment rate was at levels last reached in 2007. This high employment rate, combined with wage inflation which is forecast to average 3-4% per annum in coming years, will create further capacity and increased affordability for people to purchase new homes in Ireland.

GDP GROWTH 2022



The growth in mortgage approvals has reflected this underlying demand trend. There has been almost continual growth in approvals since 2011 and in 2022 the volume of approvals grew by 9%^D, albeit driven in the second half of the year by re-mortgaging and switching to minimise the impact of rising interest rates.

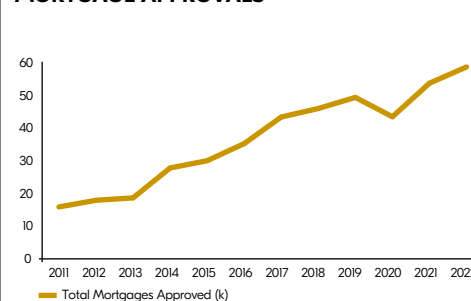
Supply shortages persist

The long term under-supply of housing in Ireland has created a latent housing demand that, when combined with the continued demand drivers of economic growth and demographics, can only be solved with accelerated supply and an effective planning system and policy.

Data from the 2022 Census indicated that the total housing stock increased by just over 6% since 2011, only half of the 12% increase in the number of households over the same period.

There has been some improvement in liquidity in 2022 as measured by the stock of homes listed for sale^E. At the end of 2022, there was a total of 15,200 homes listed for sale, an increase from the trough of 11,200 earlier in 2022 but still well down from the 20,000 average through 2017-2019. These low levels reflect years of under-supply and also the disruption caused by the COVID-19 pandemic.

MORTGAGE APPROVALS



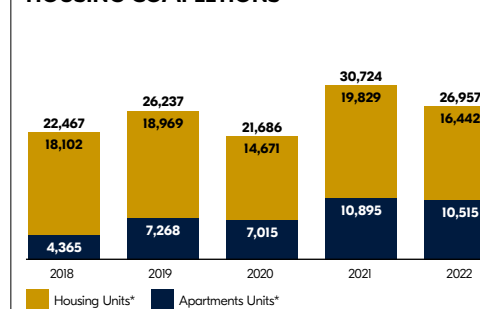
A: Source: CSO
 B: Source: Goodbody
 C: Source: Labour Force Survey Q3-2022

However, the pace of new development is being impacted negatively by supply-chain issues, input price inflation and ECB rate increases. There is now evidence of a marked slowdown in the level of housing commencements. In 2022, commencements fell by 12% year-on-year and were up just 3% compared to 2019, prior to any COVID-19 related volatility. The annual total for 2022 was 27,000, compared to a peak rolling 12-month total of approximately 35,000 earlier in the year. The annual total lagged that of housing completions at 30,000.

These challenges can disproportionately impact what is a fragmented homebuilding industry. There is a risk that smaller scale developers will be unable to provide supply while these challenges persist.

The planning system has also been a major factor in the lack of supply of housing in Ireland. Planning system reform requires an effective national planning appeals board in the first instance, with sufficient resources to address the current backlog of applications and to ensure efficient streamlining of new applications. The longer-term structural supply issues need to be addressed with reform of planning policy, including a clearer alignment of the Housing for All strategy and the National Planning Framework.

HOUSING COMPLETIONS



D: Source: BPF
 E: Source: MyHome.ie report Q4-2022