Annual Construction conference

Opportunities in complexity

04 November 2015

#GTgrowth

Opportunities in Complexity

Grant Thornton Annual Construction Conference 2015

Barry O'Leary

November 2015


sky NEWS
Department of the Taoiseach
LIVE DUBLIN
BREAKING NEWS IRELAND BAILOUT
IRISH PM: EUROPEAN UNION HAS APPROVED OUR APPLICATION FOR FINANCIAL ASSISTANCE
20:50 TERS HAVE APPROVED APPLICATION
BREAKING NEW

Shenzhen
November 2010

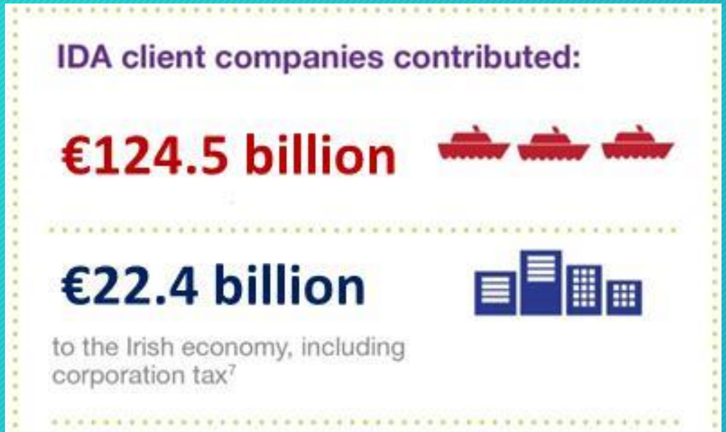
Ireland’s Reputation

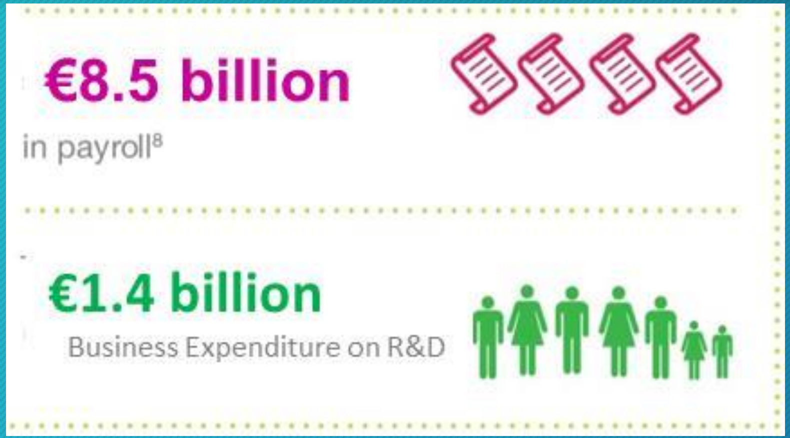
- Impact on FDI

- Record Levels of FDI since then

- Construction activity 2011-2013 – mainly FDI driven

Current Impact of FDI





Sample of Manufacturing Facilities Under Construction / Pending Construction

REGENERON $300 MILLION

ALEXION

€450 MILLION

West

€100 MILLION

12,000 SQ.M NEW FACILITY

Pramerica

Bristol-Myers Squibb

$900 MILLION

Dublin Office Market
Sample of Projects Supported by IDA Ireland (2014-2015)

workday — 100,000+ sq.ft

twitter — 100,000 sq.ft

N3 — 5,500 sq.ft

amazon — 70,000 sq.ft

LinkedIn — 200,000 sq.ft

- Almost 60% of total office lettings in 2014 to IDA client companies – **c.1.49 million ft^2**
- Average Size letting in Market place – 7,500 ft^2
- Uptake in Suburban demand – 56% of all lettings in 2014 were in Suburban Locations
- Next 18-24 months c. 2 million ft^2 Grade A office space CBD

airbnb — 40,000 sq.ft

Dropbox — 40,000 sq.ft

zalando — 7,500 sq.ft

CALYPSO — 7,000 sq.ft

SurveyMonkey — 10,000 sq.ft

facebook — 120,000 sq.ft

NOVARTIS — 85,000 sq.ft

HEDGESERV — 10,000 sq.ft

tripadvisor — 4,000 sq.ft

Deutsche Bank — 100,000 sq.ft

Recent Investment by IDA Clients in Construction and Facilities

AMGEN

Abbott

GRIFOLS

ALLERGAN

ANALOG DEVICES

stryker

amazon

Mylan

intel

MERIT MEDICAL

Google

hp

Microsoft

Pfizer

Coca-Cola

VISTAKON
Division of Johnson & Johnson Vision Care, Inc.

Lilly

Nypro

Sample of Regional / Property Projects 2014 / 2015

ebay tm

tyco

Pramerica

Jazz Pharmaceuticals®

SAP®

MERIT MEDICAL™

ALEXION

SITA

viagogo

Patterson
A Subsidiary of Patterson Pump Company USA
PUMP IRELAND LIMITED

Elanco™

West™

Teleflex®

BAUSCH + LOMB
See better. Live better.

AMAX®

REGENERON

Renew Health

Economic Outlook

TAILWINDS

- Confidence
- Debt / GDP
- Budget Deficit
- Low borrowing costs
- Employment growth
- Investment rising
- Consumer demand
- Demographics
- Global growth in services
- Dollar / Sterling Strength

HEADWINDS

- Global v Local
- China, UK, US, Germany
- Emerging Economies weakness
- Subdued global growth
- OECD / BEPS
- War for Talent
- Taxation pressures
- Speed of Response
- Competitive pressures

From Turmoil to Transition

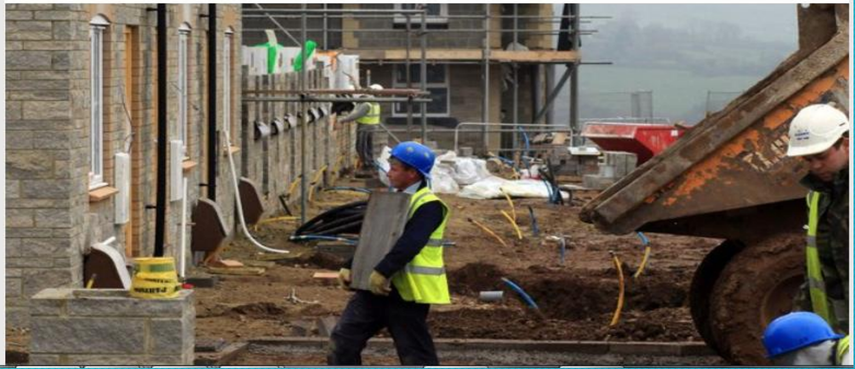
RTÉ News

HOME | IRELAND | WORLD | BUSINESS | SPORT | PLAYER

Construction activity sees fastest growth in 6 months

56 | 43

Monday 08 June 2015 09.18



Building and Construction Output increased by 5.5% in 2nd quarter 2015

Property/Construction Impact
IDA estimates that for every 10 jobs generated by Foreign Direct Investment (FDI), another seven are generated in the wider economy. A particularly strong economic contribution is generated from FDI investments for the property and construction sectors, which have faced unprecedented challenges over recent years.

It is estimated that approximately 10,000 people are currently employed on construction projects underway with IDA client companies, providing a considerable economic boost to the sector and the wider economy.

Employment increased in ten of the fourteen economic sectors over the year . The largest rates of increase were recorded in the *Construction* (+19.1% or 19,600) and the *Financial*, *insurance and real estate activities* (+4.7% or 4,600) sectors.

MORE THAN 50% OF IRISH CONSTRUCTION COMPANIES EXPECT TO GROW THEIR BUSINESS THIS YEAR

81% are currently engaged in onsite construction activity and 43% have seen an increase in activity compared to the same period last year.

Opportunities in Complexity

- Commercial – offices / retail
- FDI – specific builds, data centres
- Student Accommodation
- Schools / Universities
- Hotels / Aparthotels
- Hospitals
- Tourism – Leisure
- Government Capital Programme / Infrastructure
- Food sector
- Professional services

Jim Power Economics

Irish Housing Needs

Grant Thornton Construction Conference

November 4th 2015

The Irish Residential Property Market

- National Prices +33.2% off lows: Dublin +51.1%; Rest of Country +21.5% (Sept 2015)
- Year to Date National +4.9%; Dublin 3.3%; Outside of Dublin 6.4%
- Rental market chaotic Private Rents 35.6% off lows

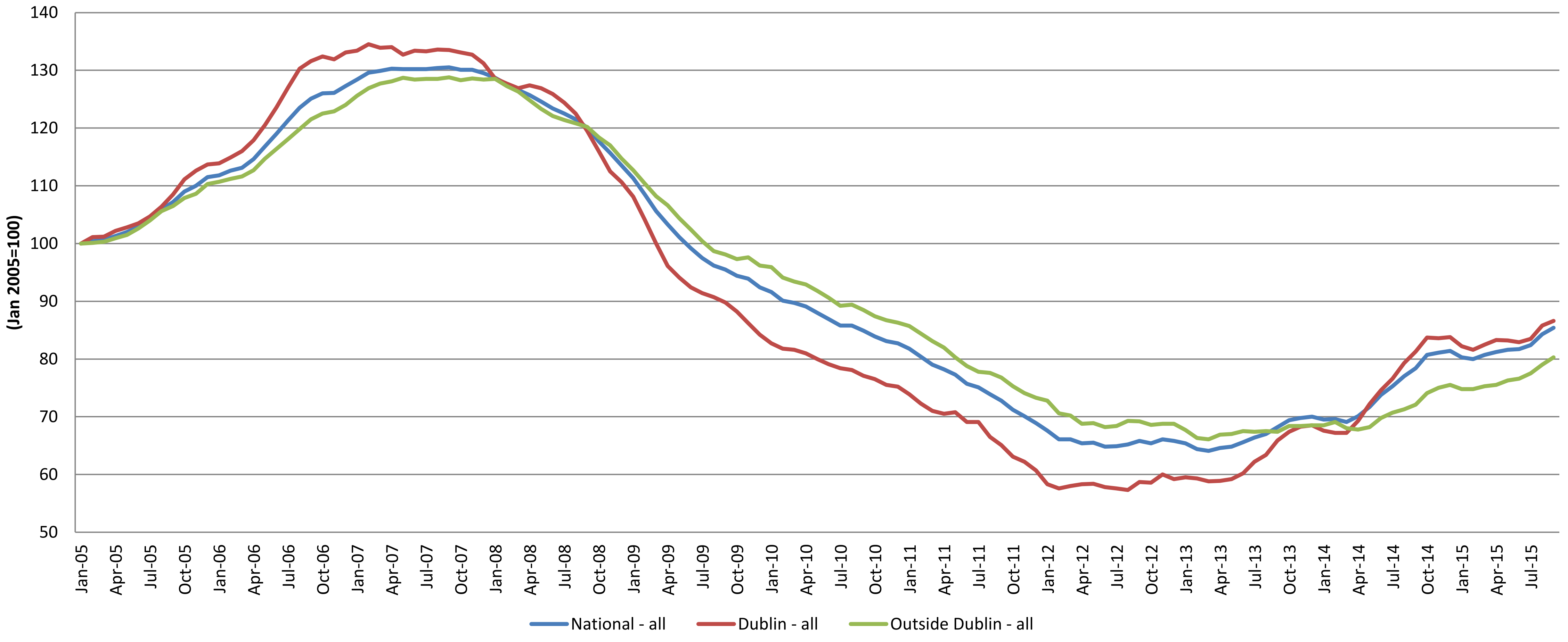
Pent-Up Demand meets Limited Supply

- Improved confidence about future
- Economic recovery
- Stronger labour market
- Mortgage market showing some signs of life
- Demographics

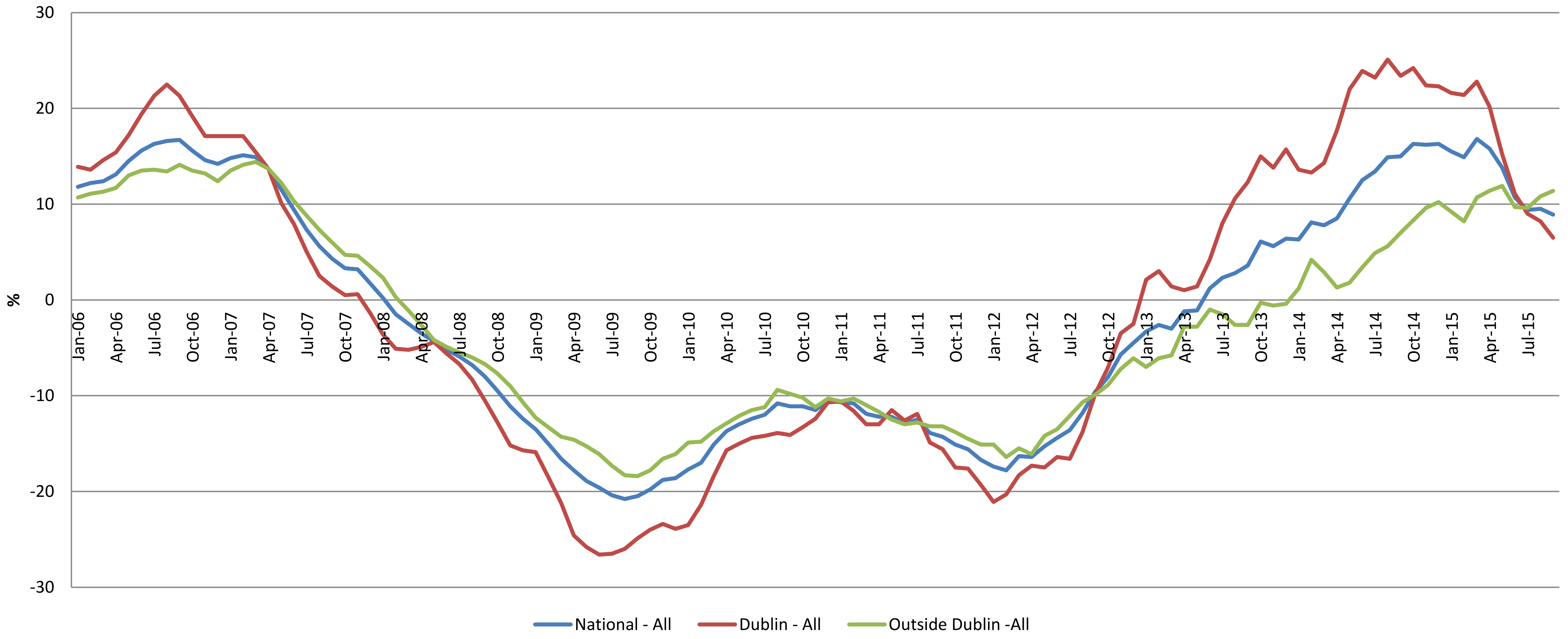
Central Bank limits having impact – sensible policy

Needs to be focus on increasing supply

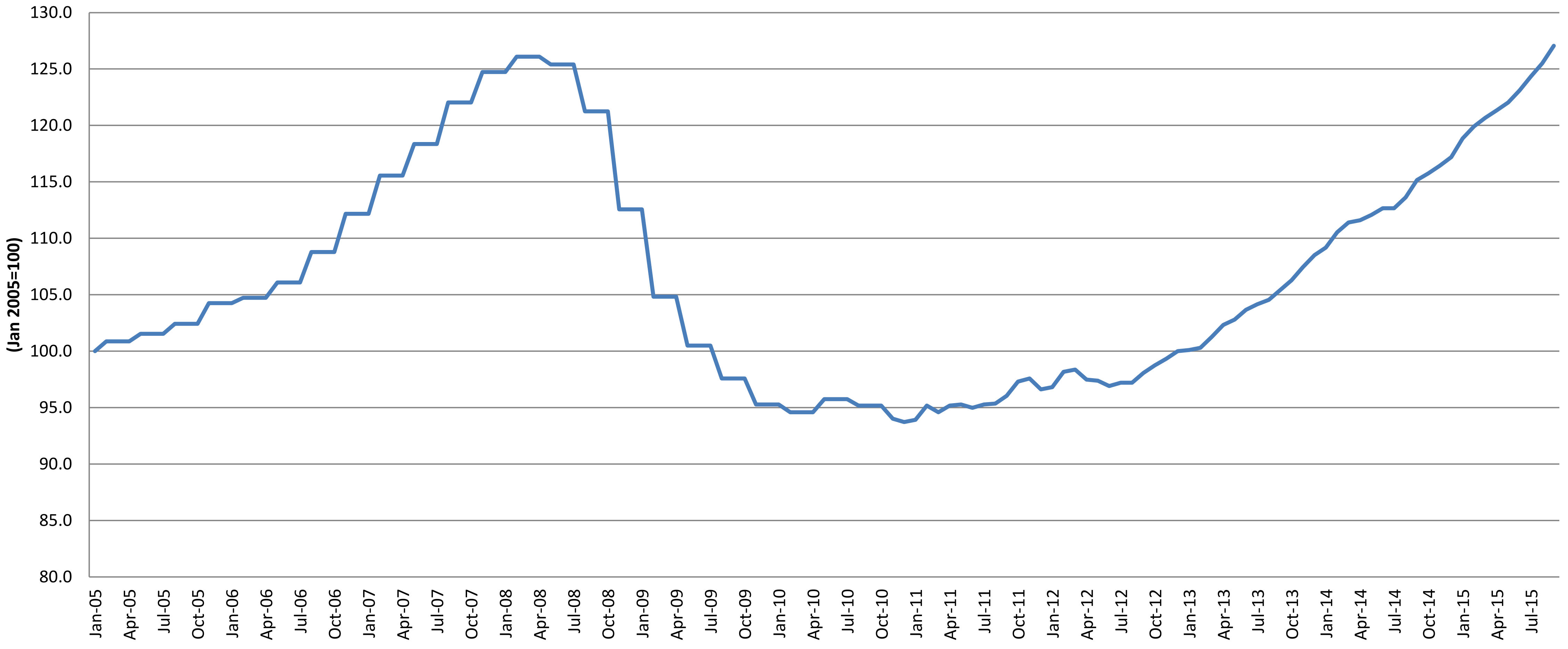
House Price Index (CSO)



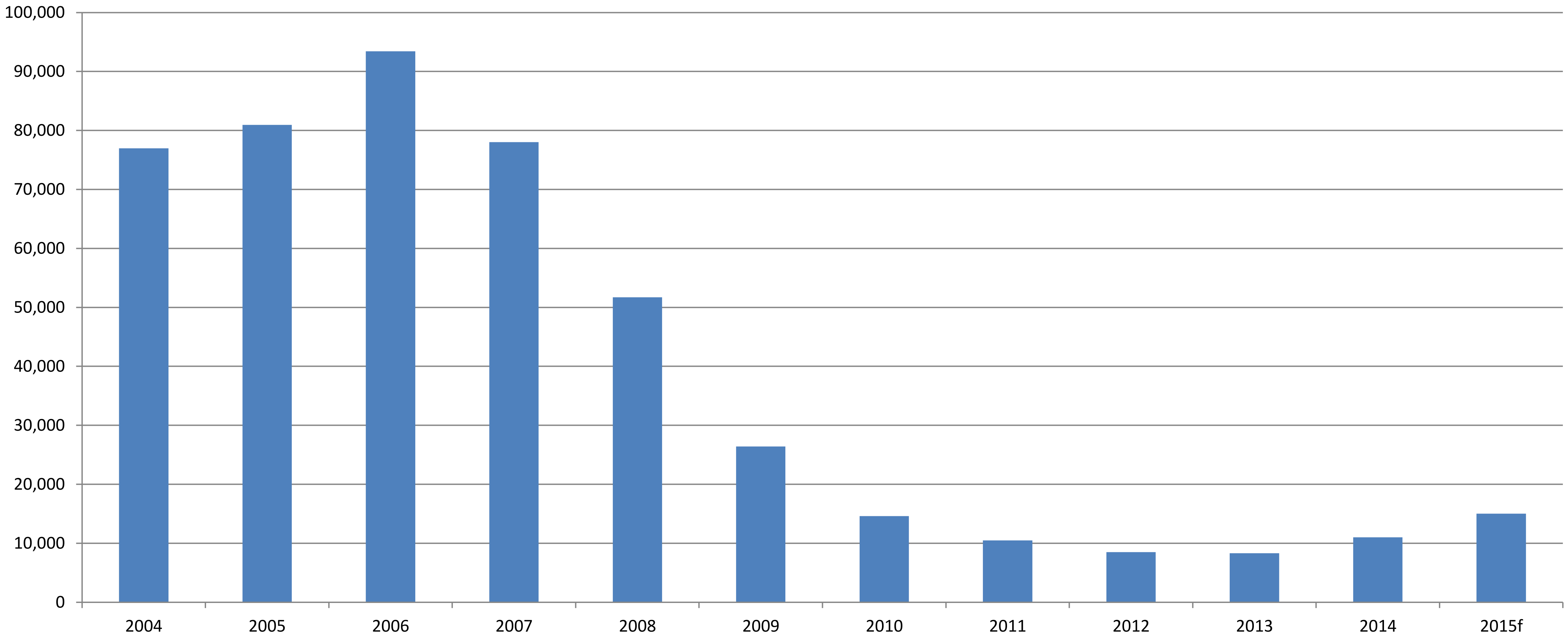
House Price Growth (YoY)



Private Rents (CSO)



New House Completions



Future Demand

- Population growth – births, death, migration
- Headship Rates – number of people who are counted as heads of households
- Economic performance
- Mortgage availability and Affordability
- ESRI estimates minimum requirement 20,000 p/a out to 2030
- Key demand will be in Dublin and Dublin Commuter Belt

How to Deliver?

- More houses need to be built – owner occupier or rental
- Do we have enough developers with finance?
- Role of NAMA
- Planning issues
- Infrastructure
- Role of incentives?

- THANK YOU!

Planning Dublin City

John O'Hara

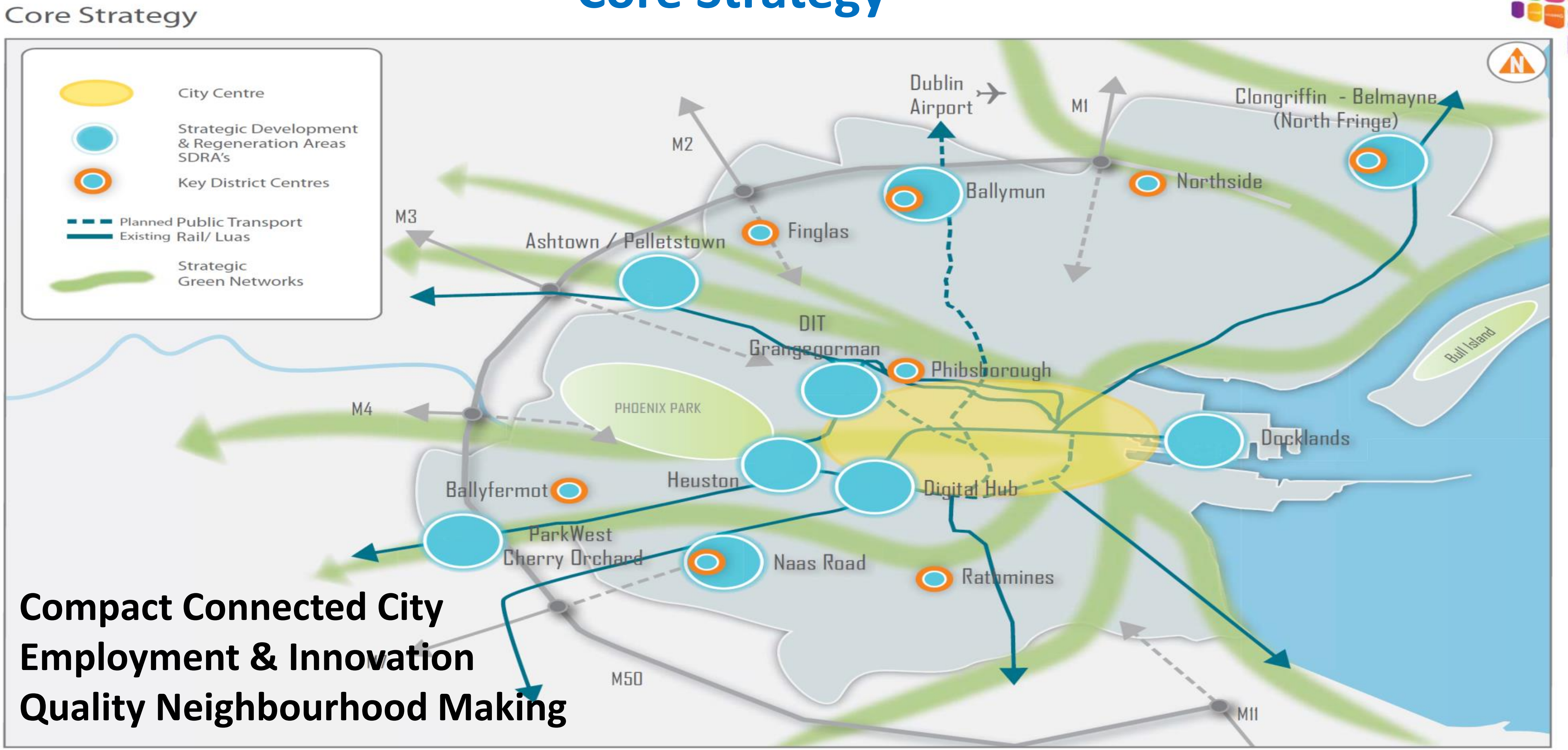
City Planner (A)

Head of Land Use Policy

Dublin City Council

Comhairle Cathrach Bhaile Átha Cliath
Dublin City Council

New Dublin City Development Plan (draft)
Core Strategy



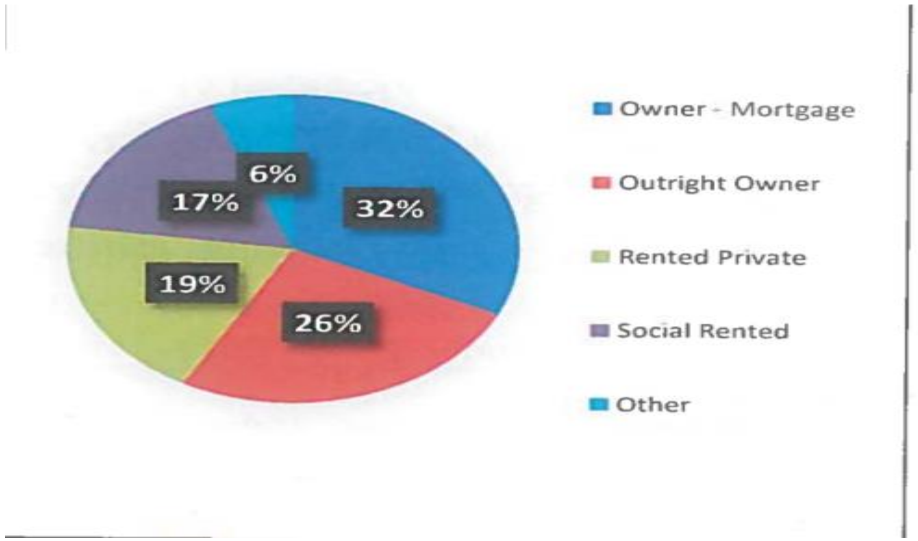
Compact Connected City
Employment & Innovation
Quality Neighbourhood Making

Background to City Development Plan 2016 - 2022

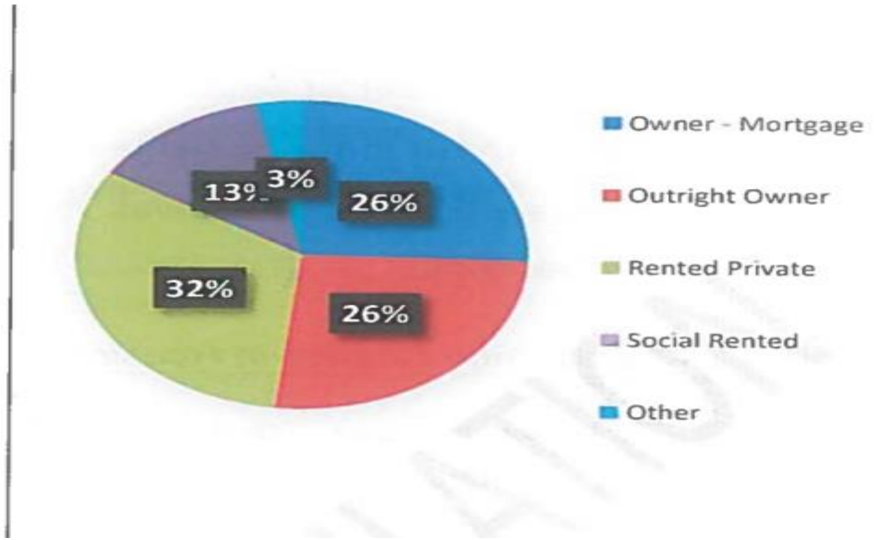
2006	2011	2022
Population		
506,000	526,000	606,000 (RPG)
	Population Growth 2015 - 22	59,000 (7 years)
Household Size		
2.4	2.17	1.9
Residential Completions		
7,000	500 (2011) - 900 (2014)	
Housing Demand	4,200 units per annum + 3,000 social housing strategy	

Background to Development Plan

Dublin City 2006



Dublin City 2011



Household Size: 1 or 2 person households = 57%

Housing Land Availability	c.440 Ha
Housing Capacity (at 120uph) (at 60uph)	50,000 units 26,000 units

76% of Housing output between 2004 - 14 was apartments

Quality Housing

Strategy

- To increase the supply of quality homes which meet peoples needs
- To provide homes with long life, adaptable through life stages, and with quality internal/external space

Housing for different population groups:

1. Student accommodation
2. Refurbishment / vacant upper floors
3. Older people
4. Managed private rental accommodation
5. Approved Housing Bodies

Apartment Internal Space Standards (sq.m)
(Not Building Control Standards)

	Studio	1 bed	2 bed	3 bed
Dublin City DP		55	70-80	100
DEHLG Apartment Guidelines		45	73	90
Cork City DP		55	80-90	100
Dún Laoghaire Rathdown DP		55	85-90	100
Fingal DP[1]		51	67-73	76-94
South Dublin DP[2]		45	63-73	76-94
London Housing Design Guide	37	50	70	86
English Partnerships		51	77	93
Germany	48	60	88	100
Denmark		70	83	96
Sweden	47	65	80	96
Norway		53.9	63.6	83.6
Average	**44**	**55**	**77**	**93**

No change proposed to reduce space standards for new 1,2,3 bedroom units. Relaxed for refurbishment of existing buildings in specific circumstances such as Living City Initiative. (1 bed min 45sq.m)

Design Standards Aspect / Core

	Current	Proposed
Dual Aspect	85%	50%
Single Aspect	North or East facing not permitted	East facing permitted North facing not permitted
No. Units per Core per Floor (Max)	6	6
Mix Of Units	Max 20% 1 bed Min 15% 3 bed	Max 30% one bedroom units – due to changing demographics

Potential to allow up to 25% of one bedroom units to be studios (min 45 sq.m) in purpose built managed schemes over 100 units and subject to criteria - Rental Market (Inner City/Docklands only) ie 7% of total.

Housing Taskforce Report 2014

	Tier 1 Permissions Granted		Tier 2 (a) In Pipeline		Tier 2 (b) Other Zoned Land	
	Houses	Apts	Houses	Apts	Units	Totals
FCC	7,260	2,063	965		11,000	21,288
DCC	542	1,630	143	457	6,741	9,513
SDCC	1,166	962	526	59	6,446	9,159
DLRCC	1,957	2,464	226	290	1,320	6,257
Dublin Total	**10,925**	**7,119**	**1,860**	**806**	**25,507**	**46,217**

City & Regional Economy

•350,000 employed in the city

• Student Accommodation: 40m Euro in Digital Hub

•Café / Food Sectors

• Craft Distilleries and Visitor Centres

Teelings € 10m Euro, 75,000 Projected Visitors

•Growth in Tourism: e.g. Cruise Tourism

•Importance of National Hospitals/Third Level Education as economic drivers

Movement and Transport

- Improve facilities for pedestrians and cyclists
- City Centre Transport Integration Strategy: NTA
- Luas Cross City
- Phoenix Park Tunnel opens 2016
- Parking is a maximum: Reduction if other transport modes

Shape and Structure of City

- Height policy /standard expressed in metres, rather than storeys, for clarity and to avoid disjointed streetscapes

Proposed Draft Dublin City Development Plan 2016-2022		
Category	Area	Height (m)
Low – rise (relates to the prevailing local height and context)	Inner City Rail hubs Outer City	Up to 28m (9 storey res) Up to 24m Up to 16m

- Density: need 60 units per Ha + to support physical and social infrastructure
- Vacant Lands : 65Ha in Inner City

Strategic Development & Regeneration Areas

Grangegorman SDZ

North Lotts – Grand Canal Dock SDZ

SDRA AREA: 66 Ha

DEVELOPMENT SITES: 22Ha

Development Potential

Residential: 2,600 units

Commercial: 360,000 sq.m approx

New Parks: 13,000 sq.m

Estimate Population: 5,8000

Employees: 23,000

City Blocks

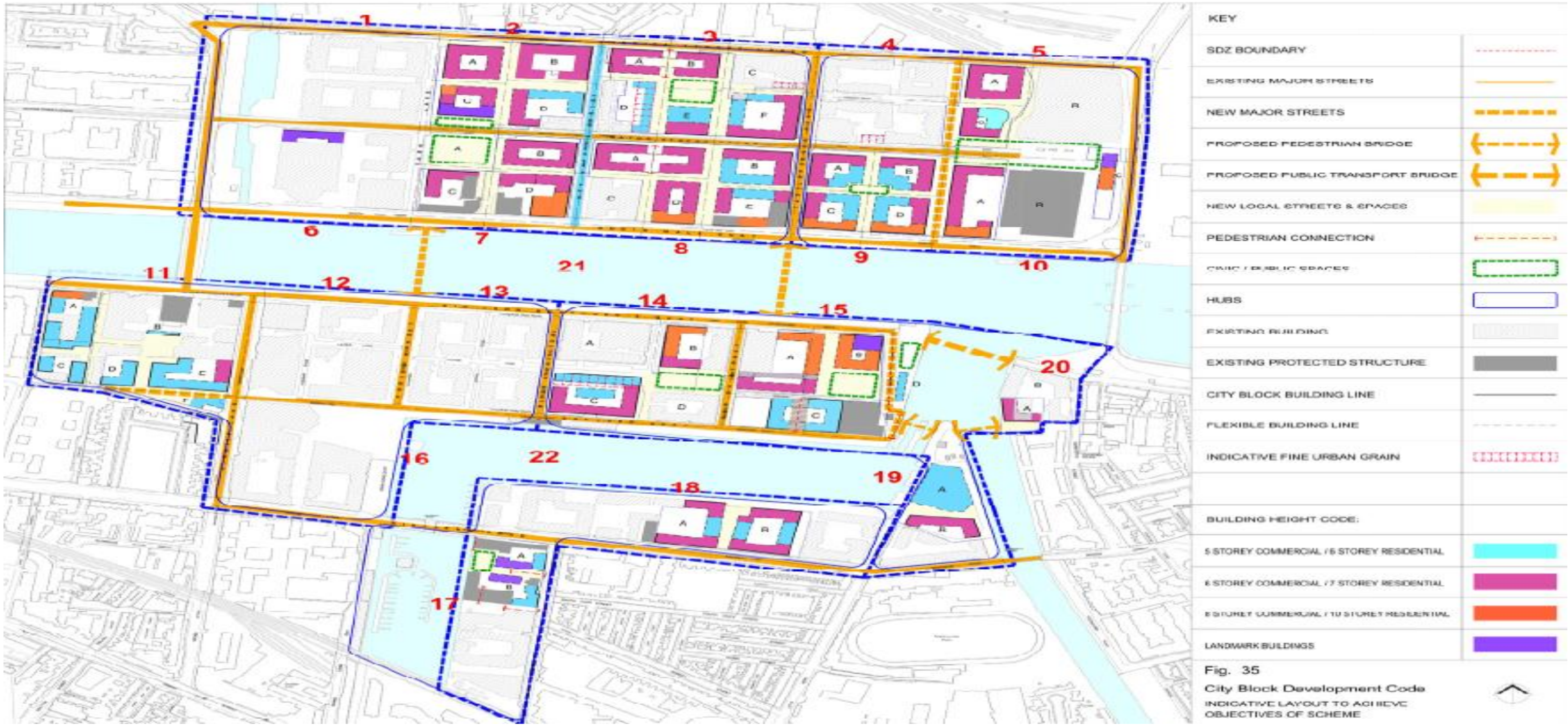
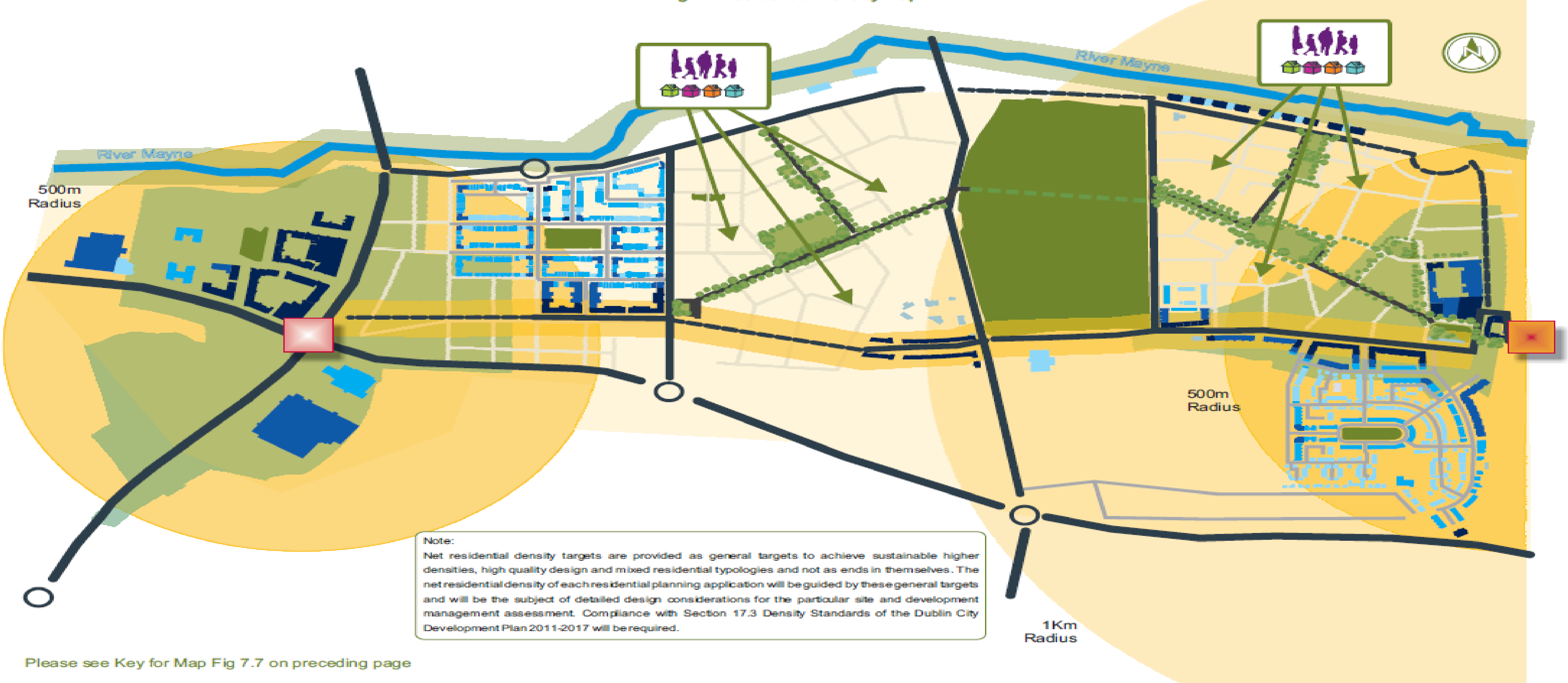


Fig. 35
City Block Development Code
INDICATIVE LAYOUT TO ACHIEVE OBJECTIVES OF SCHEME

NORTH FRINGE (CLONGRIFFEN BELMAYNE) LAP

Fig 7.7 Residential Density Map



Note:
Net residential density targets are provided as general targets to achieve sustainable higher densities, high quality design and mixed residential typologies and not as ends in themselves. The net residential density of each residential planning application will be guided by these general targets and will be the subject of detailed design considerations for the particular site and development management assessment. Compliance with Section 17.3 Density Standards of the Dublin City Development Plan 2011-2017 will be required.

Please see Key for Map Fig 7.7 on preceding page

Development Management

- Commercial & Residential Applications

- Importance of Pre Application Consultation

- Further Information Requests minimised

- Compliances within 2 months

Some Conclusions

- New draft development plan on public display to 11th December 2015
- Sufficient zoned & serviced land for housing, employment & amenity needs in city
- Need to respond to changing demographics
- Must make best use of urban land – sustainable cycle
- Active land management by all stakeholders

Vision

Compact, quality, connected , innovative city of neighbourhoods

Thank You

Comhairle Cathrach
Bhaile Átha Cliath
Dublin City Council

Structuring construction

Maximising tax deductibility and corporate structures

04 November 2015

Sasha Kerins
Tax Director
E sasha.kerins@ie.gt.com

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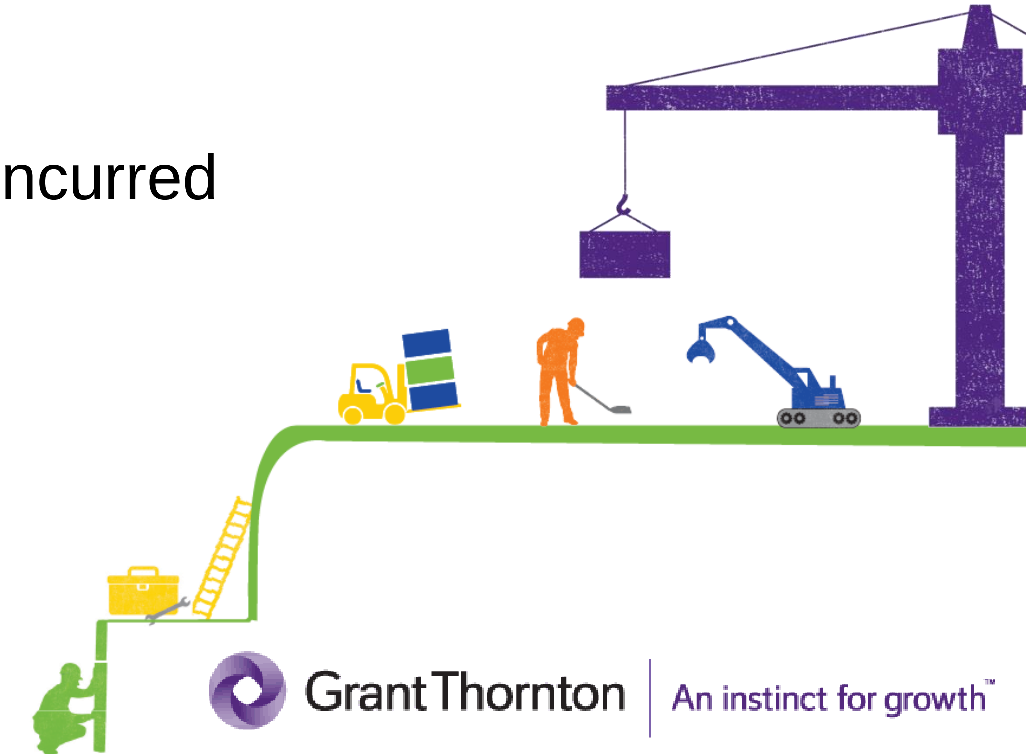
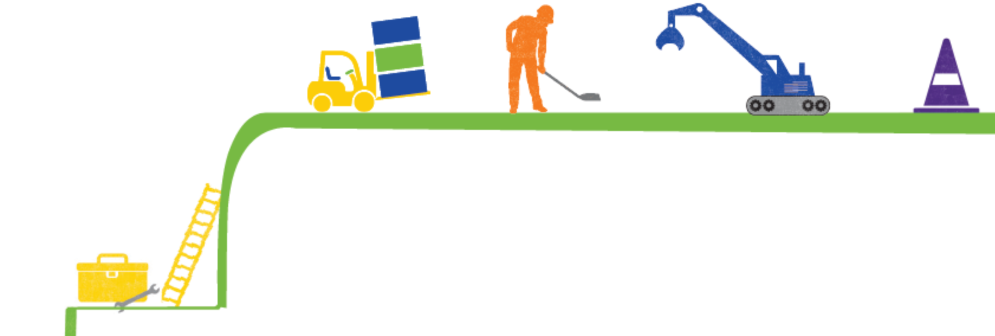
Types of expenditure

- revenue related expenditure
  - repair in nature, rather than replacement
  - year one deduction
- capital related expenditure
  - expenditure enduring beyond the period it is incurred
  - plant and machinery
  - industrial building allowances
  - energy efficient allowance claims.



Types of tax deductible capital expenditure

- plant and machinery:
  - equipment, furniture, certain fixtures, motor vehicles
  - 12.5% per annum over eight years
- industrial buildings:
  - buildings used in manufacturing, aviation and hospitality
  - 4% per annum over 25 years.
- energy efficient allowances:
  - listed on SEI website
  - 100% in year one.



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Types of tax deductible capital expenditure

Indicative range of plant and machinery allowances

Property Type	**Lower range PMA's**	**Higher range of PMA's**
Offices	20%	35%
Hotels	30%	50%
Industrial / manufacturing *[Plus IBA's]*	10%	25%
Shopping Centres	5%	20%
Retail fit out	60%	80%
Office fitting out works	50%	80%

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Analysis to maximise tax deductible capital expenditure

- no approved list of qualifying items of expenditure – case law/revenue precedence
- detailed review needed to establish entitlement/identify qualifying expenditure
- tax savings and funding:
  - corporation tax:
    - 12.5% trading v 25% investment
  - income tax:
    - 40% income tax
- timing of review – new build/second hand acquisition.

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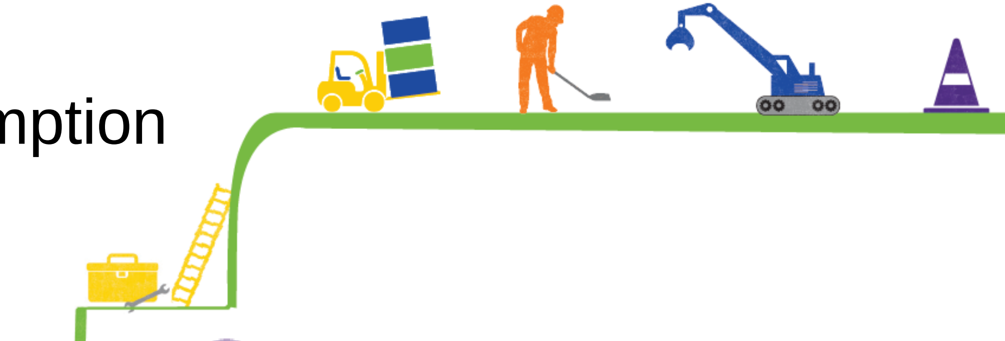
Corporate structuring

- options available:
  - SPV – separate for each build
  - existing entity – history, losses forward
  - within an existing group – lending, profit distribution
- plan exit at the start:
  - how asset is held
  - future intentions - three tax rates: construction/dealing/investment
  - interaction with CGT reliefs – seven year exemption and participation exemption relief.



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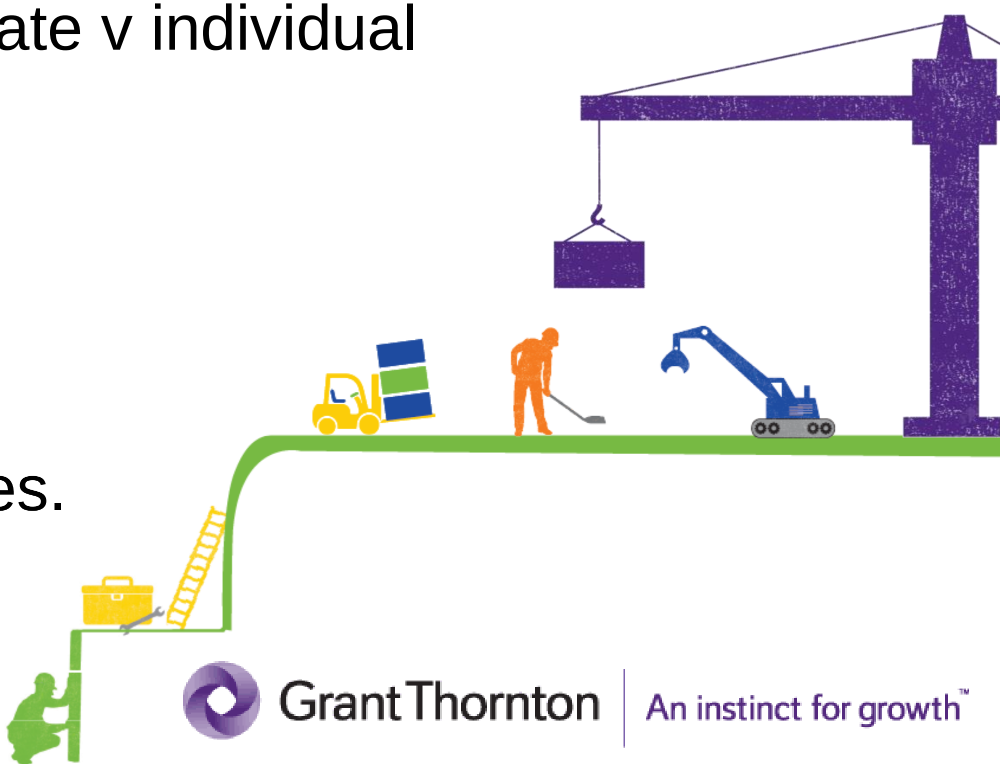
Corporate structuring

- funding:
  - who
    - bank
    - shareholders
    - third party investors - tax residence, corporate v individual
  - how:
    - debt
    - share capital
    - other financing structures
  - tax deductions for debt costs – s110 companies.



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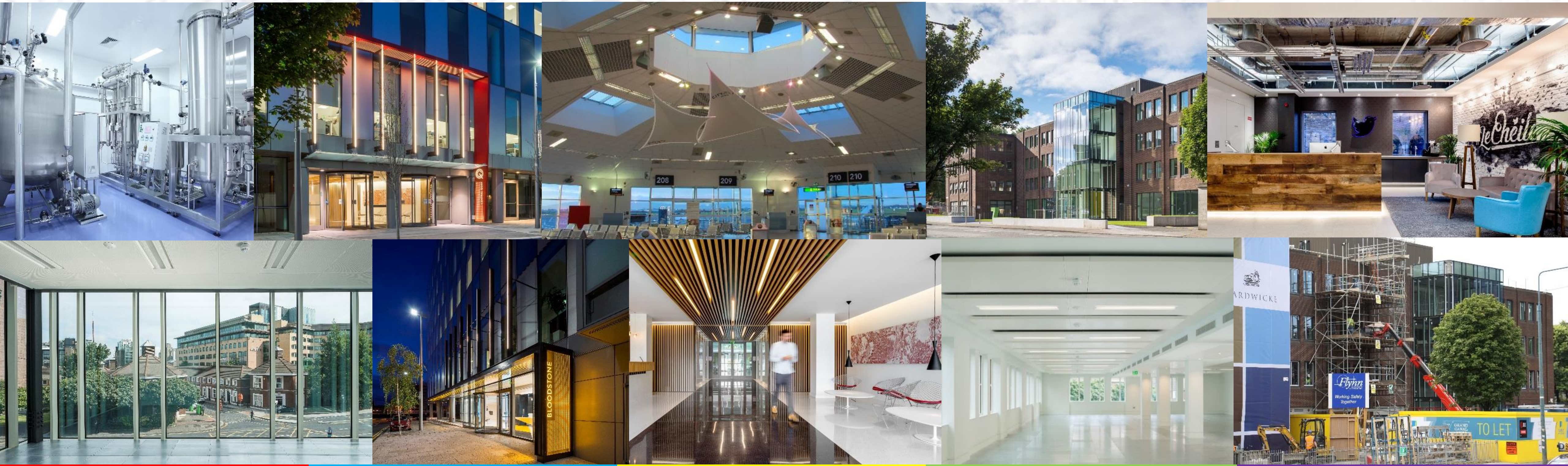
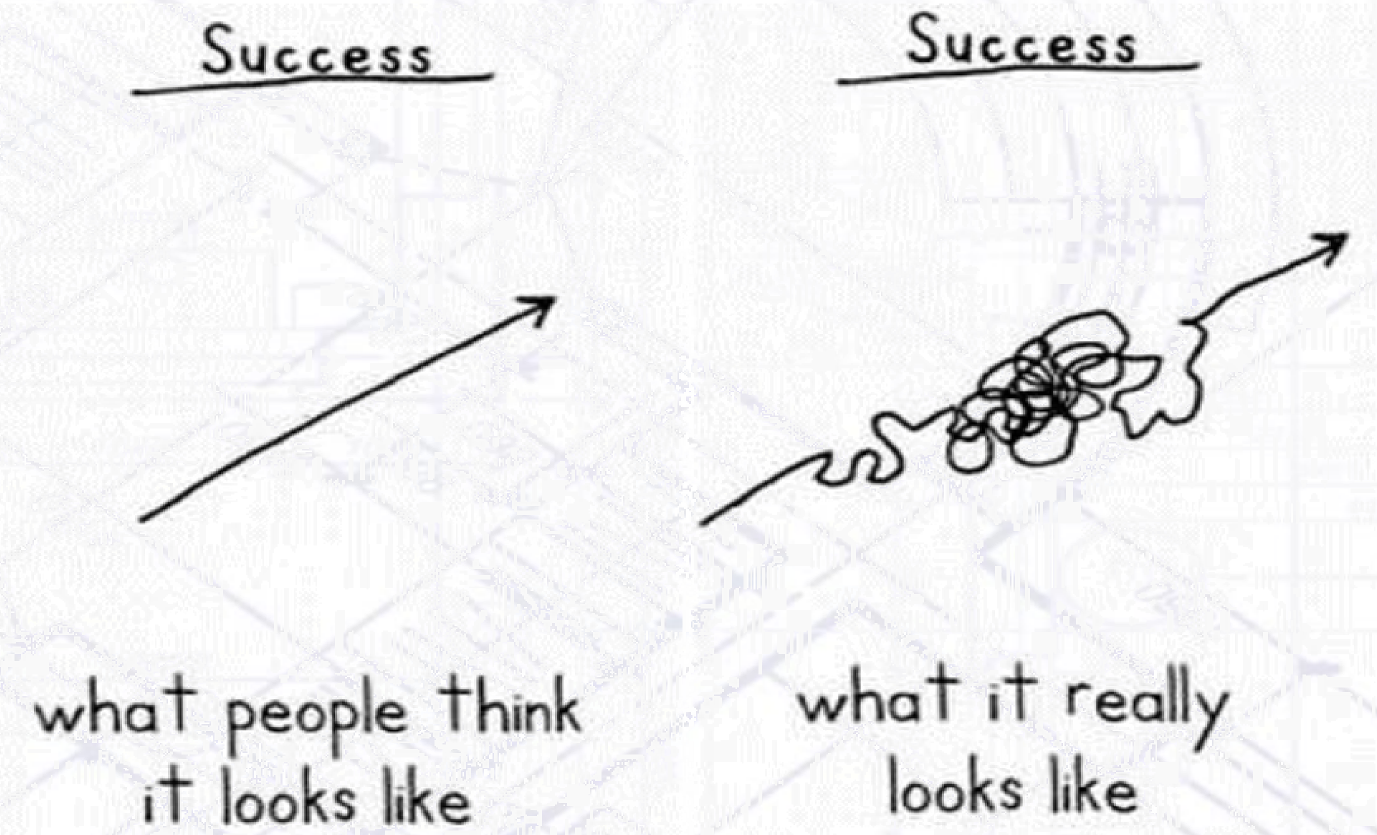
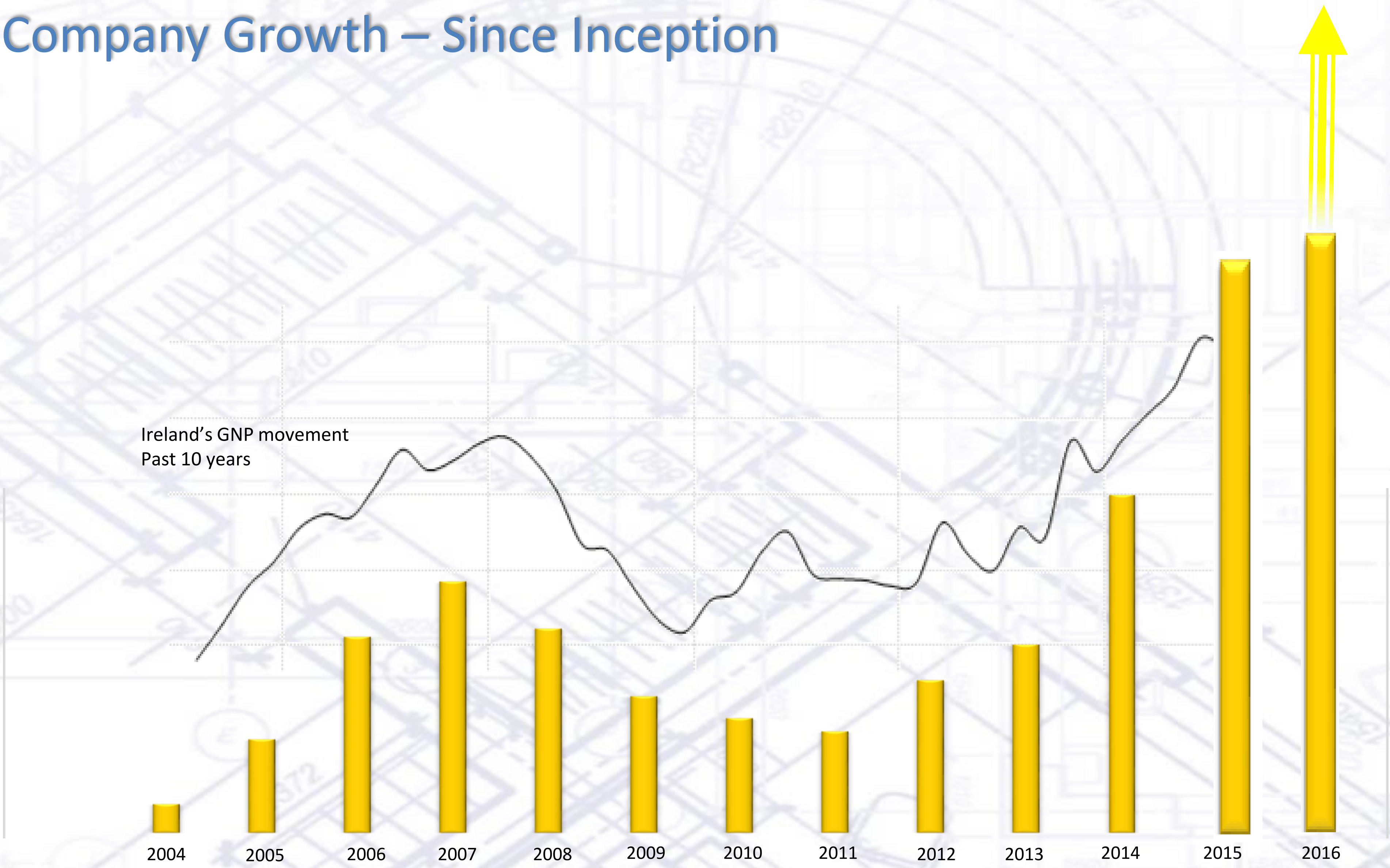
Flynn
MANAGEMENT
& CONTRACTORS




Success
Success
what people think it looks like
what it really looks like

Company Growth – Since Inception



A Growing Team

"Never underestimate the power of a small group of committed people to change the wold. In fact, it is the only thing that ever has"

Margaret Meade

Regional Office

2015 has seen an expansion in the company, with the opening of our new regional office in Limerick

Derek Murphy
Director

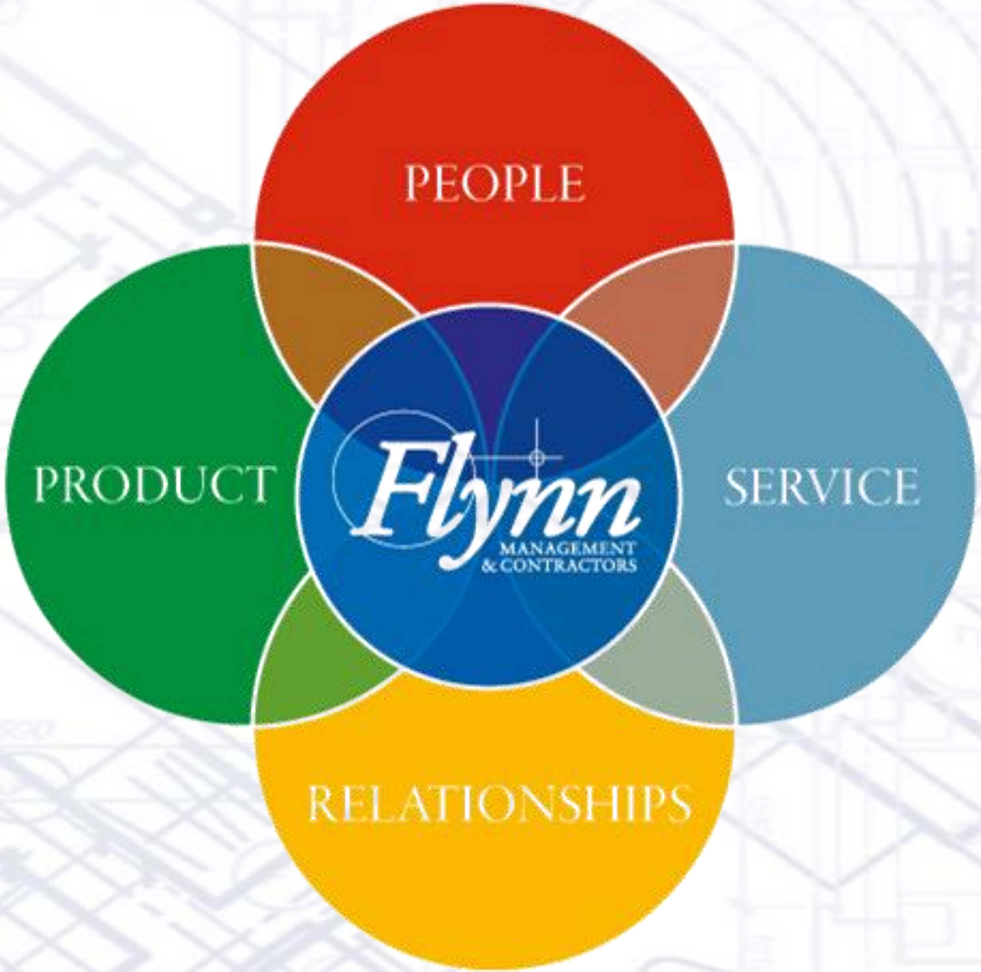
William O'Brien
Commercial Manager

Why we Care?

"People don't care how much you know until they know how much you care.

Zig Ziggler

Growing with our Clients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MANAGEMENT & CONTRACTORS
SERVICE
RELATIONSHIPS

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Annual Construction conference 2016

19 October 2016

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