

Webinar: The Future of Investment Property

30 September 2020

Today's speakers:

Aengus Burns (Partner, Grant Thornton)

Andrew Webb (Director and Chief Economist,
Grant Thornton)

Johnny Horgan (Managing Director, BidX1 Europe)



Grant Thornton in Ireland

A focus on Ireland

Grant Thornton is Ireland's fastest growing professional services firm. We deliver solutions to all business challenges. Clients choose us because the breadth of financial and business services they need is available, delivered innovatively and always to the highest standards. At Grant Thornton we are committed to long term relationships. We are different. We are Grant Thornton.

The firm comprises over 1,450 people operating from offices in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.



€150m
Turnover in 2019



Office locations
Dublin, Belfast, Cork,
Galway, Kildare, Limerick
and Longford



1,450+ employees



**55 partners in
Ireland**



"Our clients choose us because of our commitment to addressing their business needs in an innovative and collaborative manner."

Our client relationships are built on our passionate approach to providing the highest quality of service at all times."

Michael McAteer, Managing Partner Grant Thornton Ireland



Agenda



Acquiring Investment Property through Pension Structures

Aengus Burns

Partner, Grant Thornton



The economy after Covid-19 - challenges and future direction

Andrew Webb

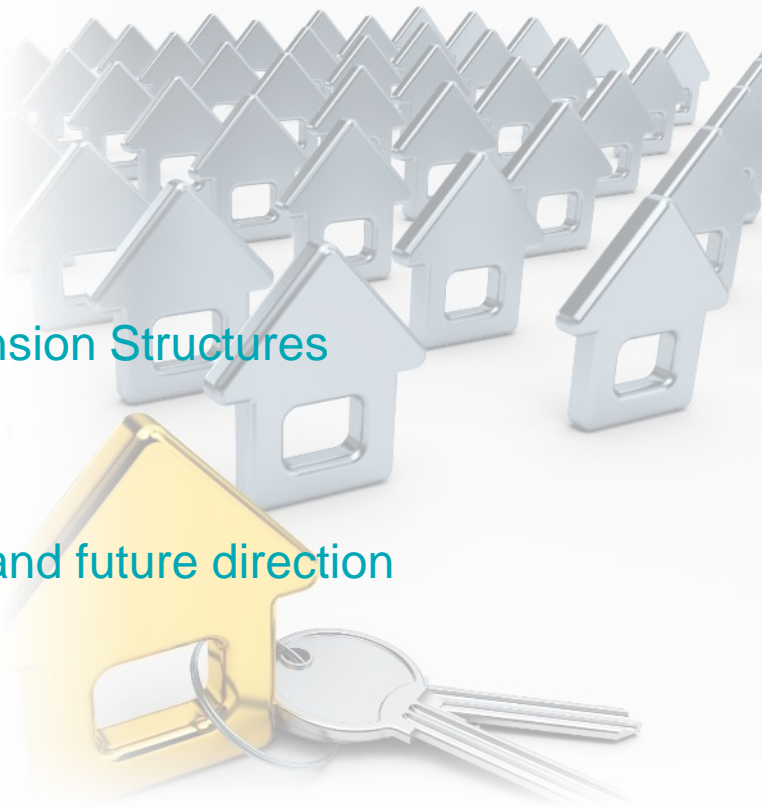
Director and Chief Economist, Grant Thornton



The Future of Investment Property

Johnny Horgan

Managing Director, BidX1 Europe

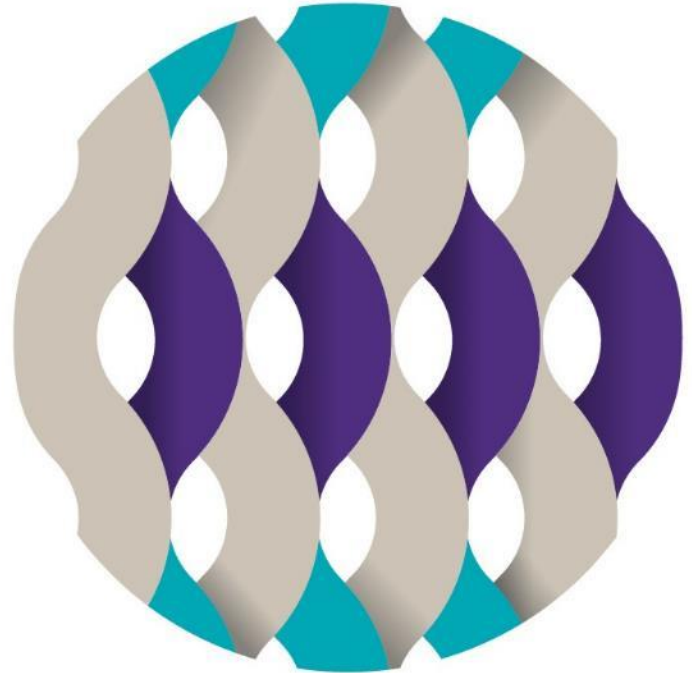


Acquiring Investment Property through Pension Structures

Aengus Burns

Partner

Grant Thornton



Options for purchasing Investment property

Personally

- tax on equity and income and gains
- reduced capital allowances

Company

- tax on income and gains in the company
- tax on distributions from company

Pension

- tax relief on contributions by employer
- no tax on equity or income or gains
- €2m Standard Fund Threshold
- transfer of assets to ARF continues to grow tax free
- tax on distributions from ARF after Tax Free Lump Sum



Pension property investments

Standard pension offering

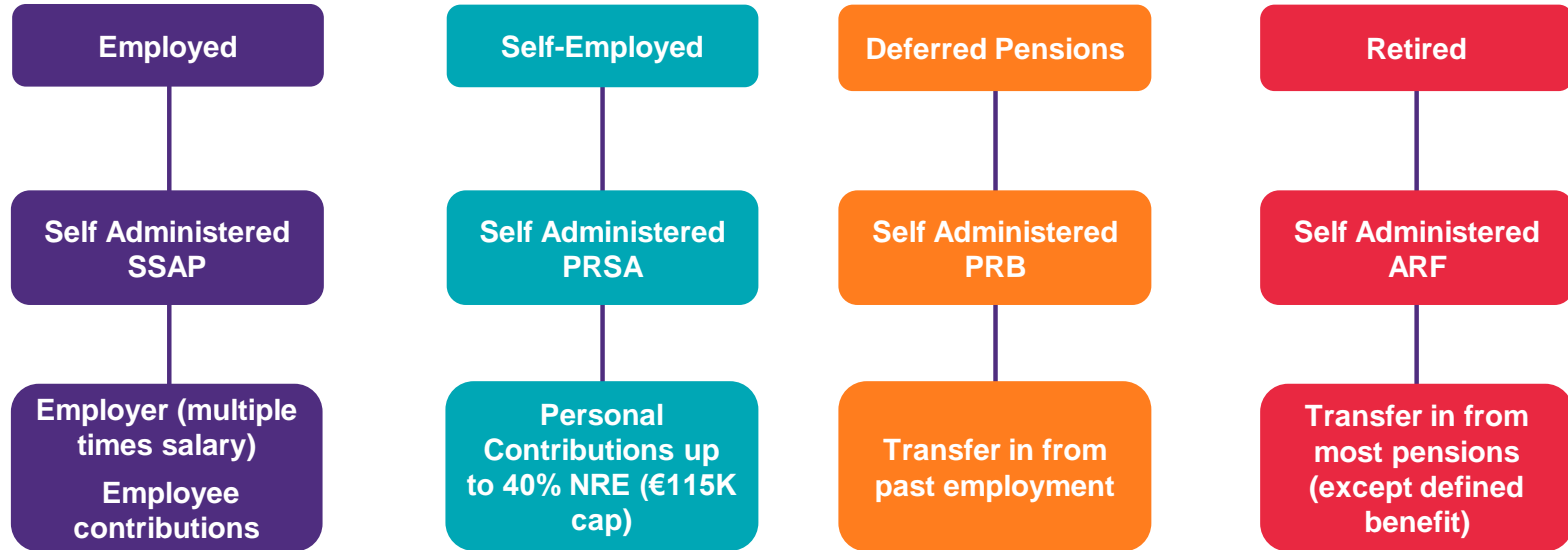
- choice of funds mainly limited to property funds, ETF's and REIT's

Self-Administered pension offering

- more open architecture includes:
- direct property residential and commercial
- syndicated investment property
- loan notes and other investment vehicles
- jointly managed with Pensioneer Trustee
- debt available



Self-administered options



Investment Options the same for all – e.g. direct property, deposits, shares, funds, etc.

Direct property purchase case study

No borrowing Property purchase example with €250,000 pre-tax funds		
	Personal	Pension (SSAP)
Funds taken out of company	€250,000	€250,000
Income tax	€100,000	€0
USC/PRSI	€37,500	€0
Amount available for investment*	€112,500	€250,000
Comparison		
	Personal	Pension (SSAP)
Purchase price	€112,500	€250,000
Rental est. (p.a.)	€7,200	€14,400
Property agent & trustee fee (p.a.)	€0	€2,474
Rent net of tax (higher rate)*	€3,240*	€11,926

Key revenue restrictions on property purchases

- arms length requirement (connected parties rule)
- property development is not allowed i.e. investing not trading
- direct investments in private companies are limited
- scheme must have sufficient liquid assets to provide benefits

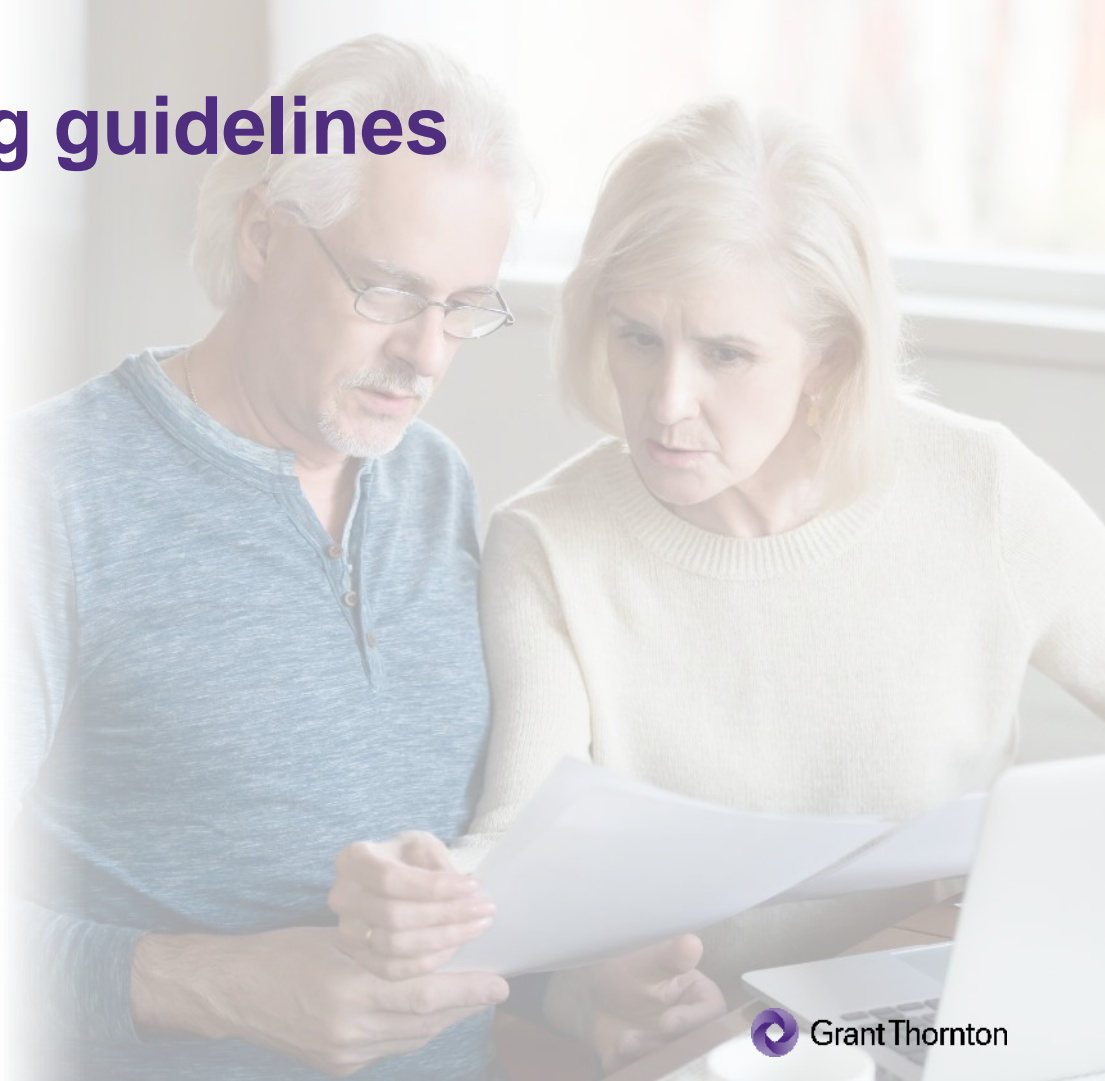


Direct geared property purchase case study

With Borrowing		
	Personal	Pension (SSAP)
Equity	€112,500	€250,000
Over 15 years @ 5.45%	(55% LTV) €137,500	(55% LTV) €250,000
Amount available for investment	€250,000	€500,000
Rental est. (p.a.)	€14,400	€28,800
Property agent & Trustee fee (p.a.)	€0	€4,948
Income Tax*	€5,308	€0
Rent net of tax/agent/trustee (p.a.)	€9,093	€23,852
C&I Bank Repayments p.a.	€12,834	€23,334
Net (deficit)/return p.a.	-€3,742	€518
*Income Tax after deduction for interest and other allowable costs		

Revenue borrowing guidelines

- no recourse to other assets
- no assignment of rental income
- no interest only loans
- no loans over 15 years
- no refinancing
- no direct borrowing in ARF



Property opportunities

- multi tenanted properties
- residential/commercial properties
- commercial property
- social housing

- joint investors
- syndicated investments
- loan note investments



Takeaways

- company structure works best for pension contributions
- self-administered structure more flexible than insured pension
- property provides income in retirement
- when purchasing investment property explore your pension options first



Thank you

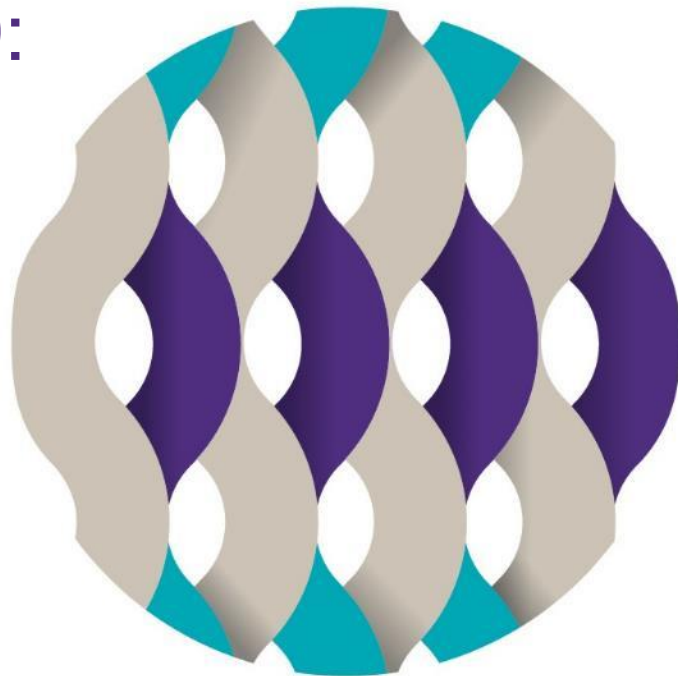


Aengus Burns
Partner - Advisory
Grant Thornton
E: aengus.burns@ie.gt.com
T: +353 (0) 91 532 480

The economy after Covid-19: Challenges and future direction

Andrew Webb

Director and Chief Economist
Grant Thornton

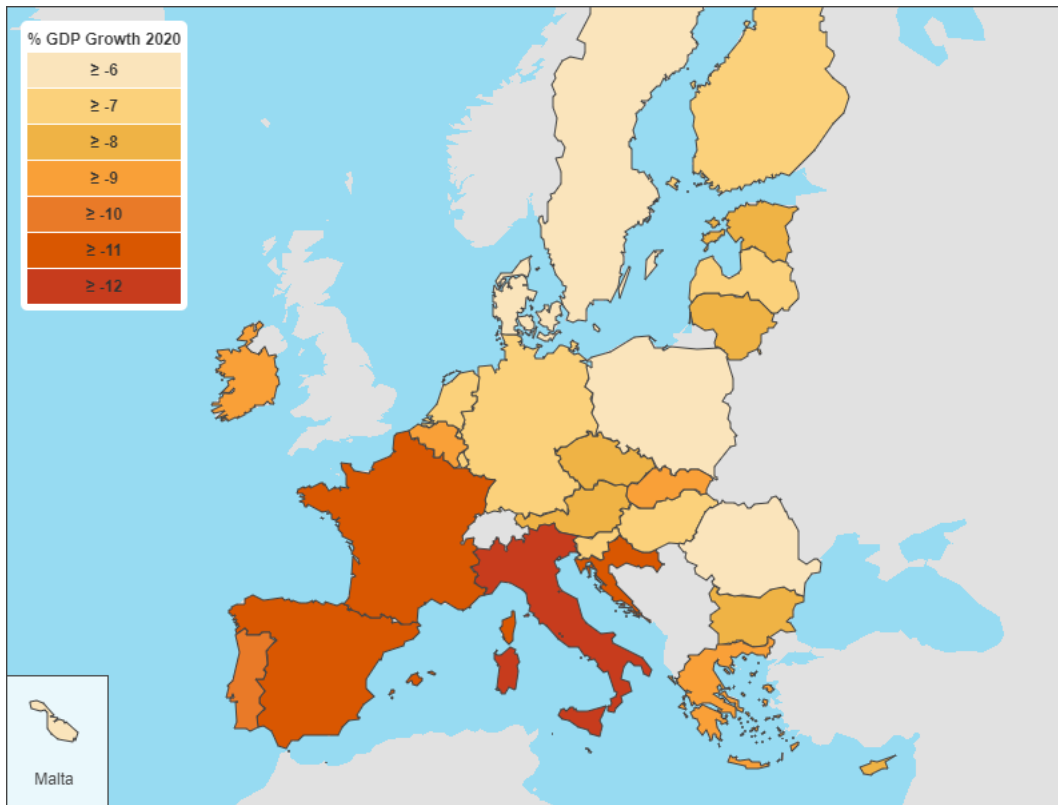


Contents

- a deep and damaging decline
- impacts vary across sectors
- consequences and links across the whole economy
- recovery Alphabet
- uncertainty prompts large stimulus package
- sustained Bounce Back?
- disruptions to the housing market
- other issues are still with us

A deep and damaging decline

- The EU's Summer 2020 Economic Forecast projects that the euro area economy will contract by 8.7% in 2020 and grow by 6.1% in 2021.
- The EU economy is forecast to contract by 8.3% in 2020 and grow by 5.8% in 2021.



Impacts vary across sectors

COVID-19

Social Distancing Risks for European Workers

LOW

Sectors;

- Financial, insurance or real estate services
- Supply, management or treatment of water
- Public administration & support services
- Construction
- Manufacturing

Occupation;

- Other elementary workers
- Legal & social professionals
- Technical labourers
- Assemblers
- Office associate professionals
- Technical managers
- Handcraft & paint operators
- Metal & machinery workers
- Legal & social associate
- Electro engineering workers

VERY HIGH

Sector;

- Accommodation & food services
- Wholesale & retail trade, sales, shop work
- Social & personal services

Occupation;

- Care workers
- Sales workers
- Personal service workers
- Hospitality & retail managers
- Health professionals
- Food preparation helpers
- Health associate professionals

VERY LOW

Sector;

- Supply of gas or electricity, mining professional & scientific services
- Information & communication technology

Occupation;

- Office professionals
- Office support clerks
- Office clerks
- Accounting clerks
- Science & engineering technicians
- Researchers & engineers
- ICT technicians
- ICT professionals

HIGH

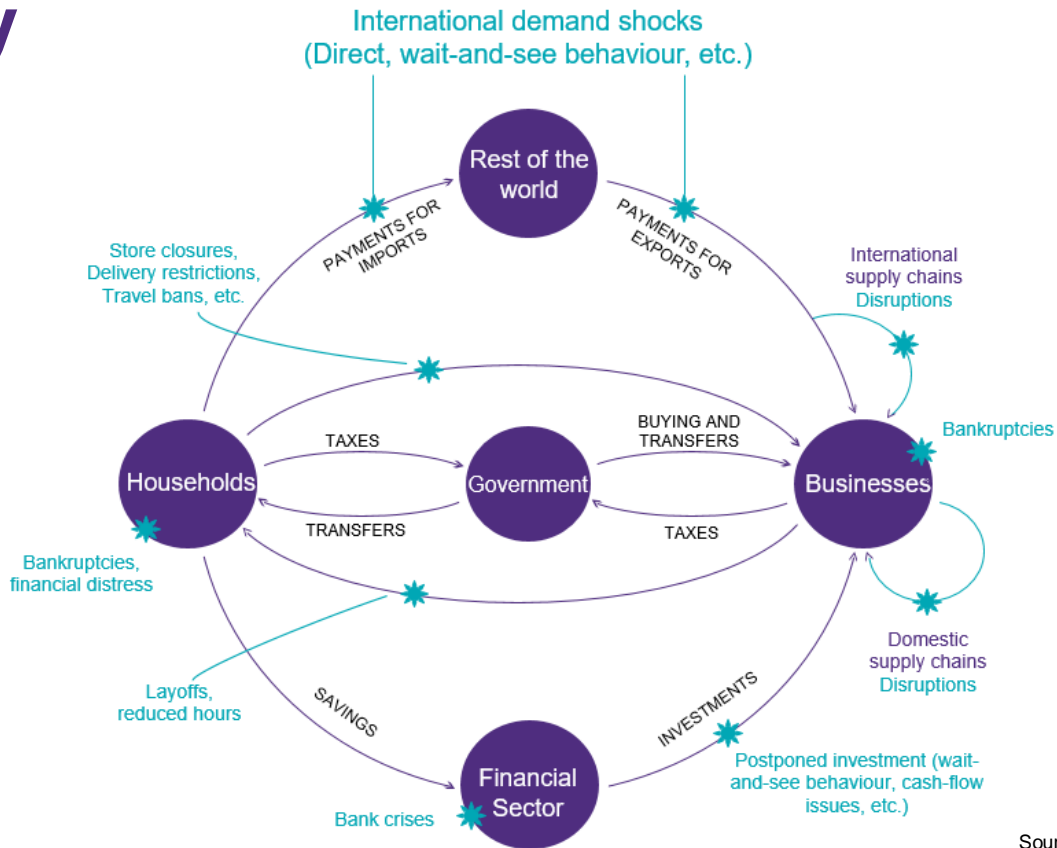
Sector;

- Education or health services
- Agriculture, horticulture, forestry or fishing
- Cultural industries (arts, entertainment)
- Transportation or storage

Occupation;

- Driver & vehicle operators
- Cleaners & helpers
- Customer clerks
- Protection workers
- Street services workers
- Agricultural labourers
- Farmworkers and gardeners
- Construction workers
- Business managers
- Teaching professionals
- Forestry & fishery work
- CEOs, officials & legislators

Consequences and links across the whole economy



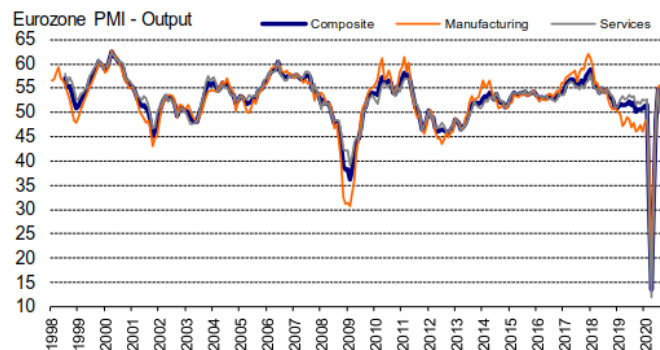
★ Areas of impact

Source: Adapted from Chicago Booth

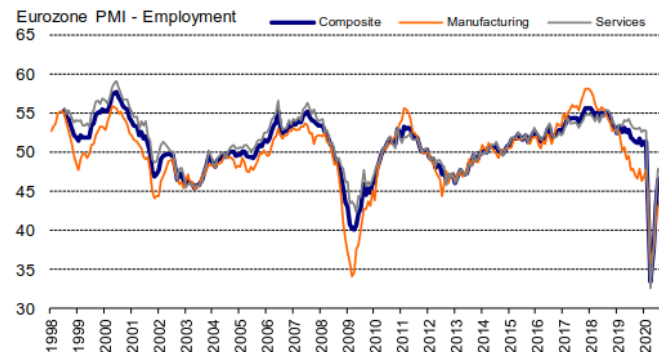
Sustained bounce back?

- The eurozone's rebound lost momentum in August, highlighting the inherent demand weakness caused by the pandemic.
- Recovery was undermined by signs of rising virus cases in various parts of the euro area
- Manufacturers continued to post marked increases in output and new orders.
- Companies remain cautious when making decisions on employment, again opting to lower staffing levels in August amid a lack of confidence in the recovery.

Output

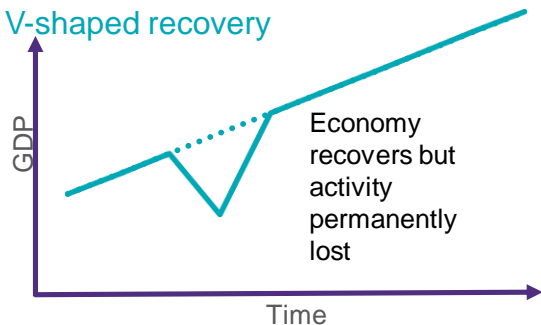


Employment

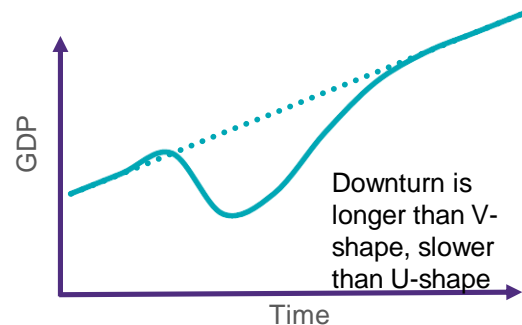
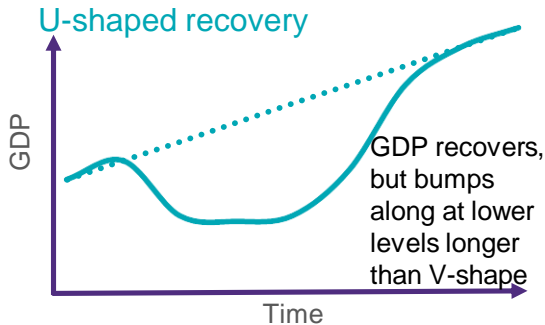


Recovery Alphabet: The recovery path is still unknown

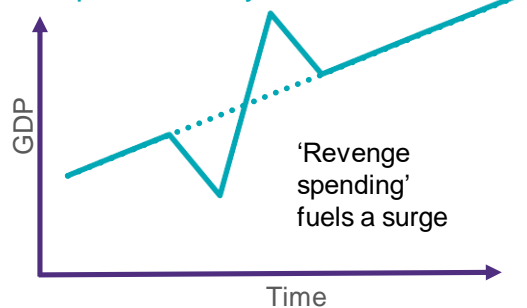
V-shaped recovery



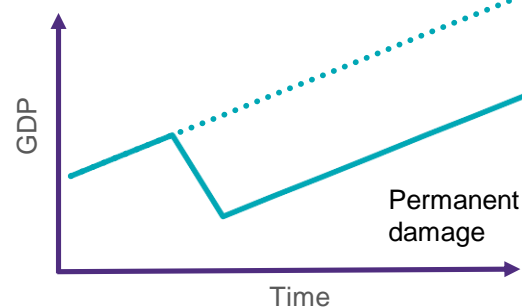
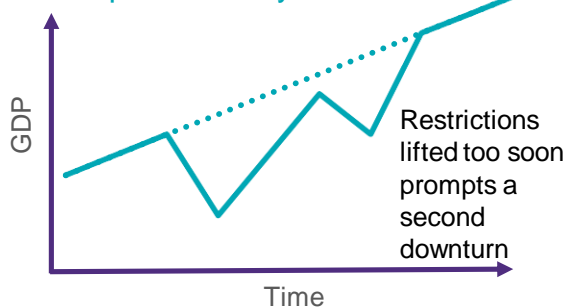
U-shaped recovery



Z-shaped recovery



W-shaped recovery

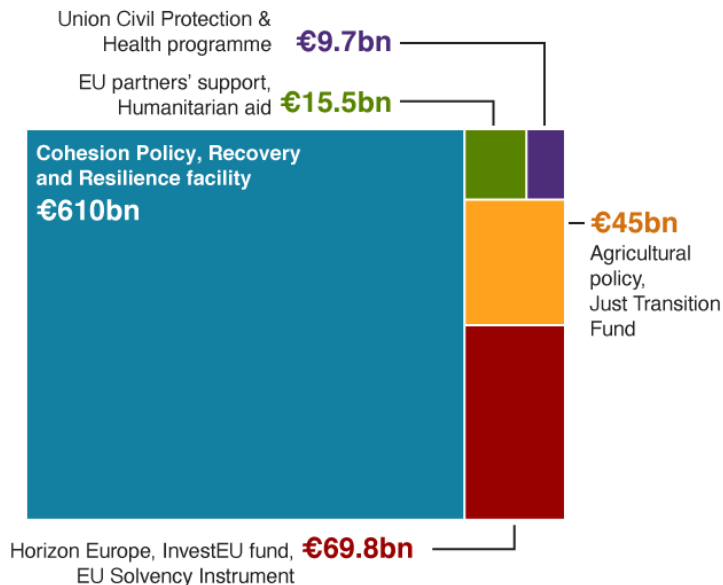


Uncertainty prompts Large stimulus packages

- €750 billion in grants and loans
- Money raised will be paid back over 30 years between 2028 and 2058. How?
 - Carbon taxes?
 - Digital taxes?
 - A tax on non-recycled plastics?

EU stimulus composition

Where the €750bn will be invested



Source: European Commission

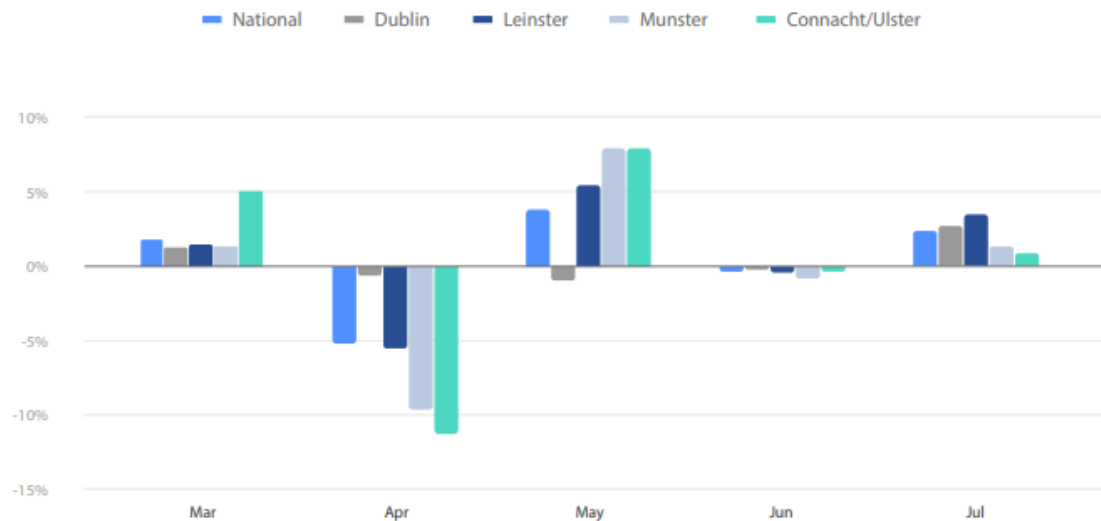
BBC

Post Covid-19: Emerging Considerations

- learning where the fault lines in our businesses are
- smaller commercial footprints?
- from the sharing economy to the isolation economy?
- localism replacing Globalism?
- rise of the Robots?

Disruptions to the housing market

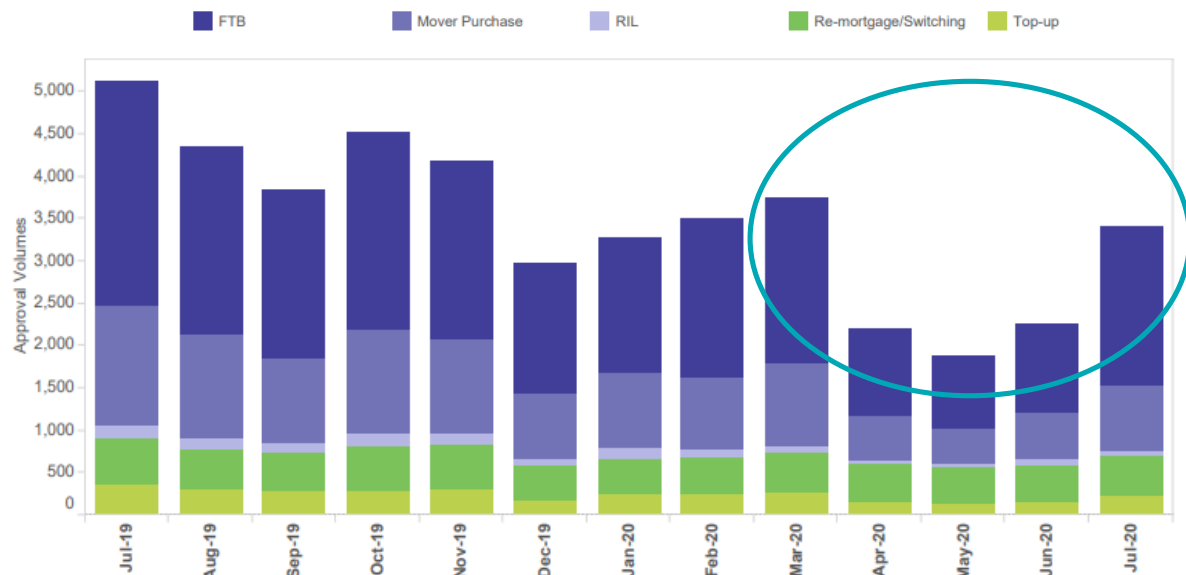
Monthly change in average listed Sale Prices



- €260,000 average sale price in July
- 2.3% M-o-M increase nation wide
- Dublin and Leinster sale prices higher than pre-COVID – 0.7% and 2.4% higher than March 2020 prices
- elsewhere sale prices fall by 1.3% in Munster and 4% in Connacht-Ulster since March
- sale supply falls dramatically by 22% in August from the same date last year – lowest August since 2006

Source: Daft.ie

Disruptions to the housing market



- 3,397 mortgage approvals in July – valued at €811m
- 50.1% increase from June
- however, a 35.8% decrease in volume compared to July 2019
- first-time buyer approvals decreased by 47.4% from July 2019
- central bank of Ireland reports 94,708 approved mortgage payment breaks valued at €14.5bn due to COVID

Source: BPFi

Thank you



Andrew Webb
Director and Chief Economist
Grant Thornton
E: andrew.webb@ie.gt.com
T: +44 (0) 797 601 8801



Johnny Horgan MD BidX1 Europe

Future of Investment Property
30.09.2020



A Digital World

Bid1.

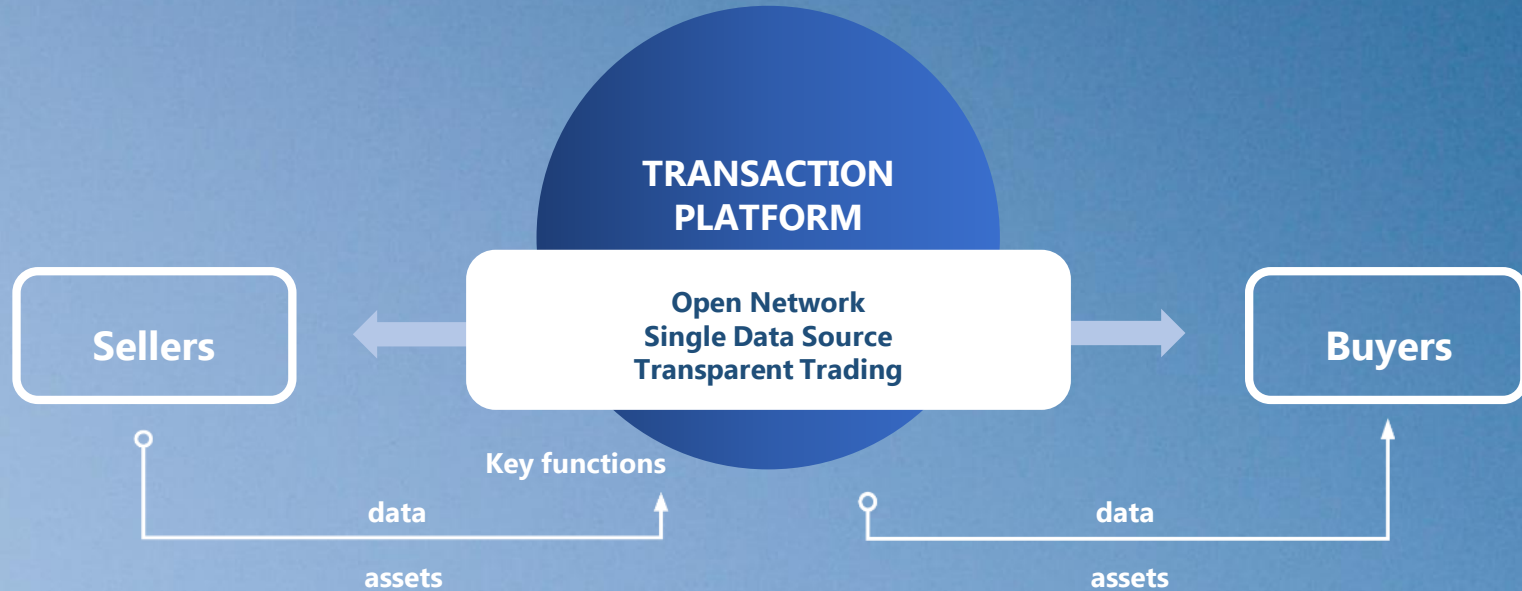


Traditional World

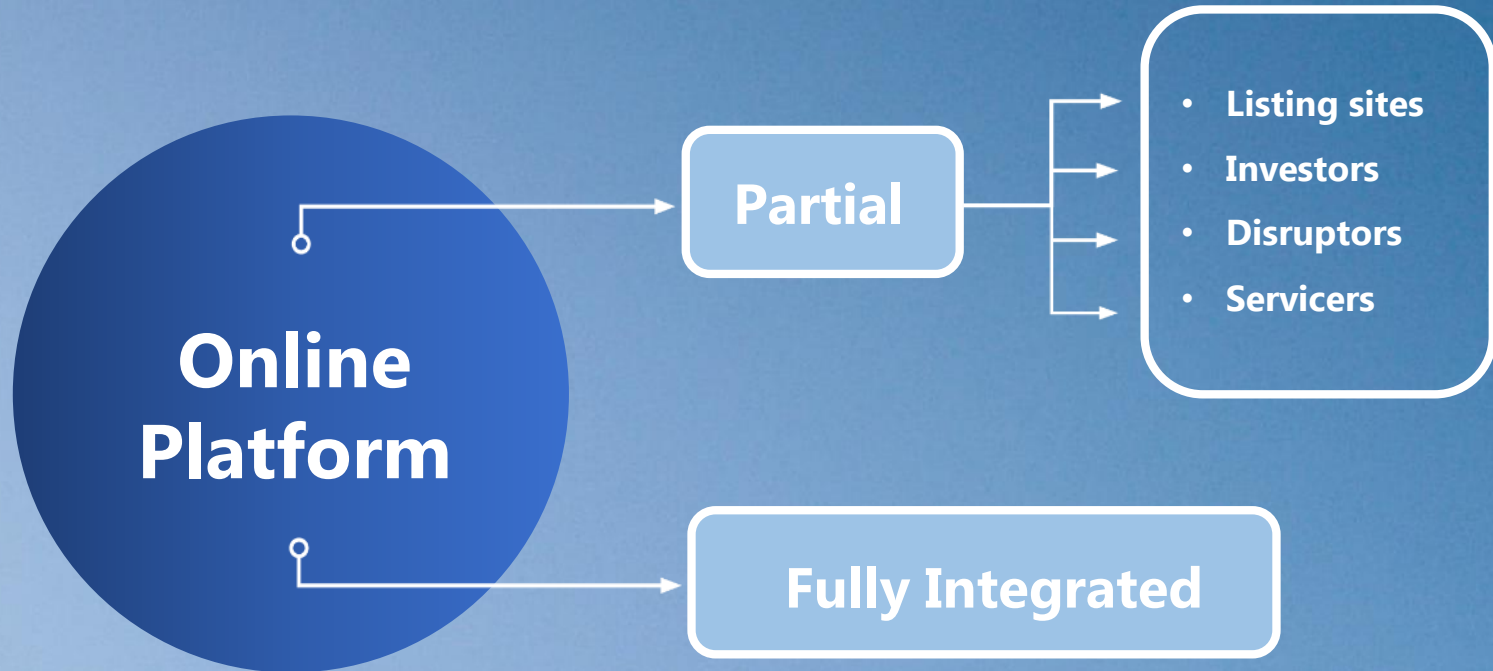
Car Hire | Property Loans | Property | Healthcare



A Digital World



A Digital World



A Digital World

Bid1.

Efficiency

25-50% faster transaction times

Data

unified and easily accessible

Transparency

for buyers & sellers

Best price for clients



BidX1 - Our Story to date

Global market, local buyers. Over 40% of our bidding is on a mobile device.

10,000

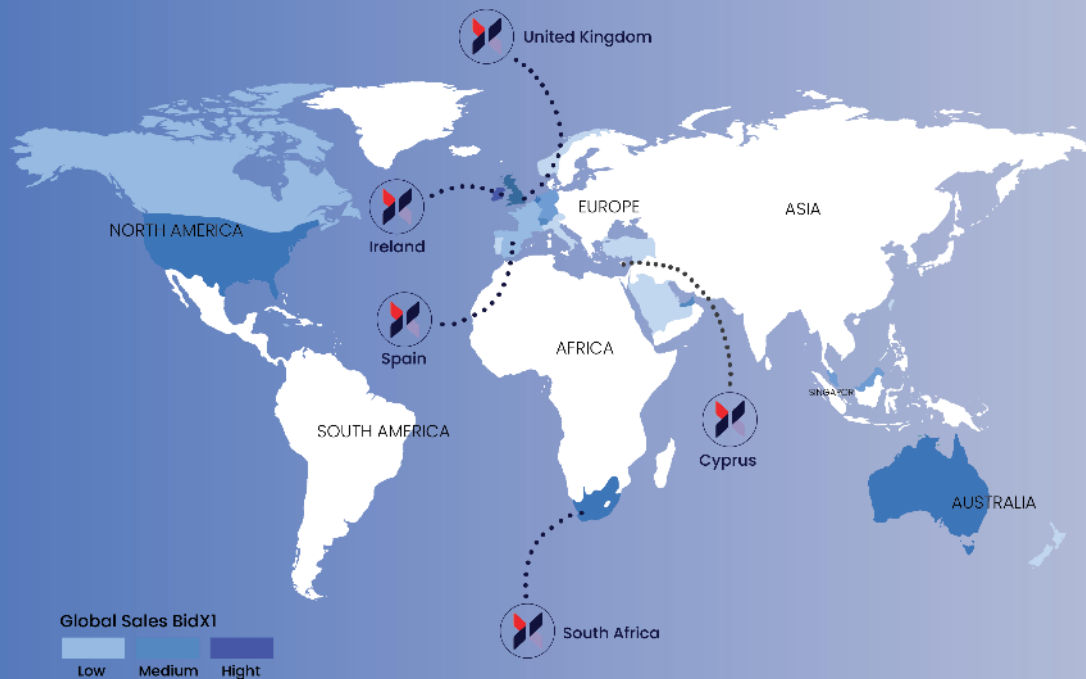
Sold Properties

Bidders

From 30 countries

€1.8BN

sold



Irish Property Post Lockdown



360

Properties
Sold

78%

Success rate

€80m

Sold in June
and July

€220m

of market
liquidity

1,500

Registered
bidders

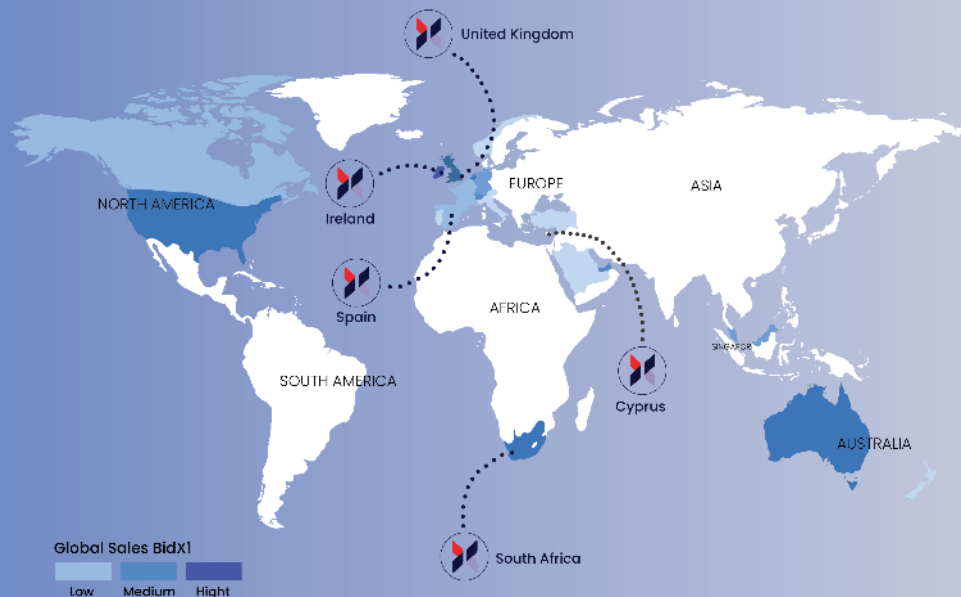
7,200

Bids placed

1,000

Plus bidders
still looking
to
acquire

Site visits from
105 countries,
bidders from 13 countries



Questions for property investing in a Covid world?

Property versus
other asset
classes

Occupier trends
and impact
on rents

Structural shifts in
behaviour – sheds
versus shops

Urbanisation –
stalled or
reversed





The future

A Digital World

Bid1.

Blockchain	Loans & real estate transactions
AI	More efficient due diligence
Integration	FinTech & PropTech
Tokenisation	Real estate & NPLs
Data	Demand side

Pangu Plaza

39 Storeys
139,356 Sq. m

Online Auction
Sold

\$734 million



Thank you

Bid**1.**

Questions





© 2020 Grant Thornton International Ltd. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.