



Purchasing Investment Property - Opportunities and Challenges

Wednesday 25th November 2020

Aengus Burns

Partner, Grant Thornton

Ray McMahon

Director and CCO, Dilosk/ICS Mortgages

Enda McGuane

Managing Director – Winters Property

Welcome to today's webinar which will begin shortly.



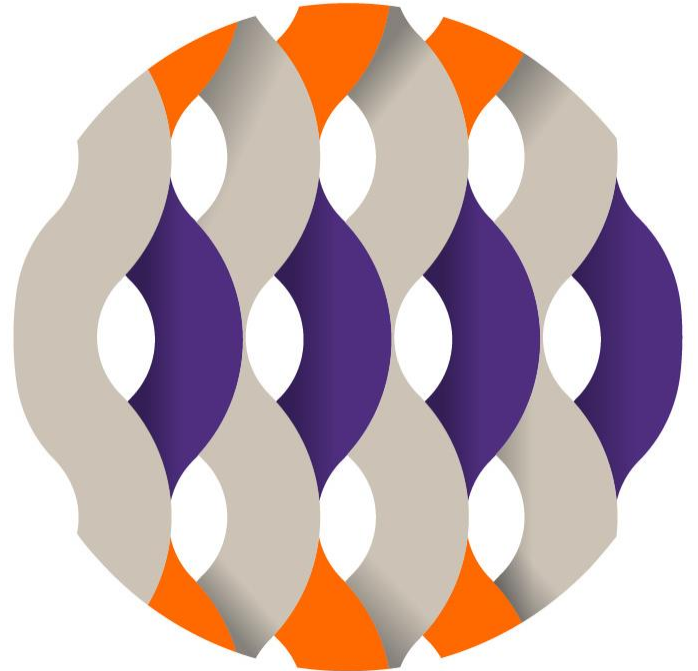


Acquiring Investment Property through Pension Structures

Aengus Burns

Partner

Grant Thornton



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



**54 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

**Fastest growing
professional
services firm in
Ireland**



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

The background of the slide is a composite image. It features a city skyline at night with several tall skyscrapers illuminated. Overlaid on this are various financial charts, including a candlestick chart at the top right and several line graphs with different colored markers (green, red, blue) and trends. The overall color palette is dominated by blues and purples, giving it a professional, financial feel.

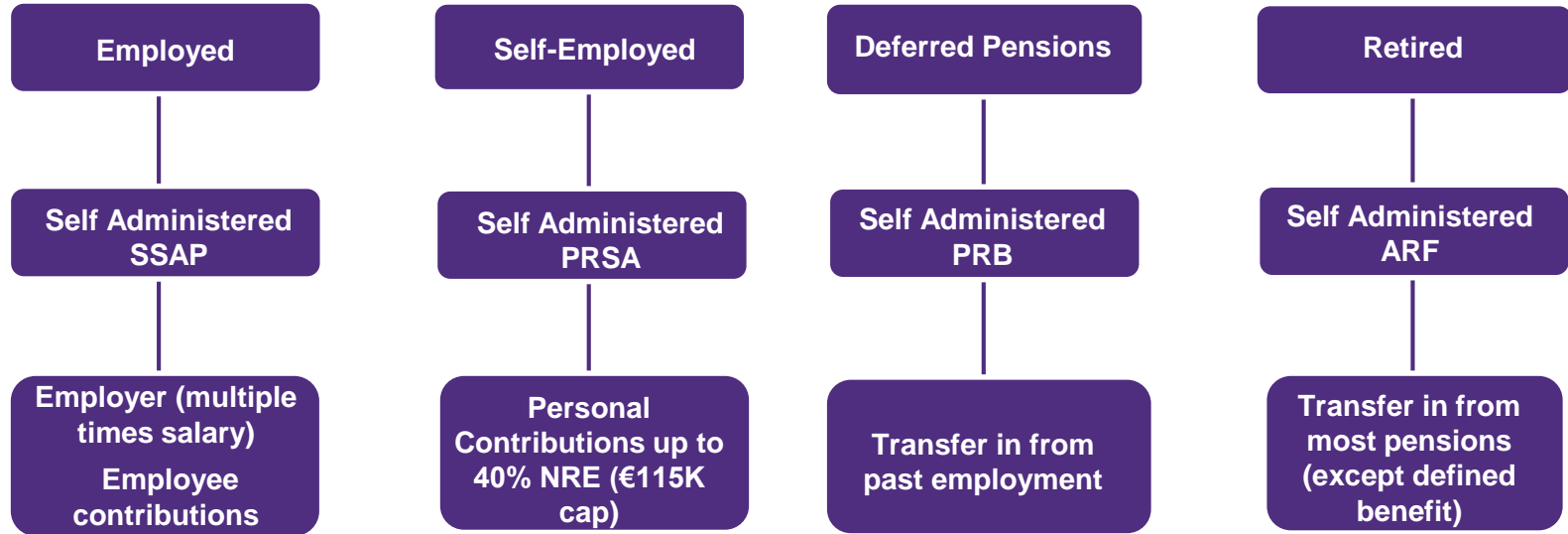
Standard pension offering

- 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 @ 4.25%	(55% LTV) €137,500	(50% 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.	€12,412	€22,568
Net (deficit)/return p.a.	-€3,320	€1,284
*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@ie.gt.com



Ray McMahon
Chief Commercial Officer

Buy-to-Let Mortgages
25th November 2020



DILOSK



Dilosk DAC, trading as Dilosk and ICS Mortgages, is regulated by the Central Bank of Ireland

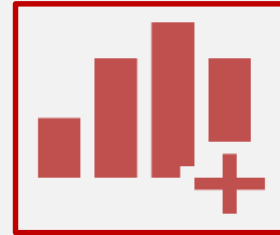
Contents:

(1) Brief Company Overview



(2) Pension Unit-Trust Buy-to-Let Mortgages

- Our proposition and lending guidelines
- Refinancing property portfolios



Company Overview

- Dilosk DAC is an Irish financial services company, regulated by the Central Bank of Ireland
- ICS is one of Ireland's oldest and renowned mortgage brands with a heritage that dates back to 1864
- In 2017 we launched a specialist mortgage business for the Buy-to-Let market and have gained significant market share with our innovative Buy-to-Let mortgage propositions
- In September 2019, we entered the market for owner-occupiers with highly competitive offerings for First-Time Buyers, Movers and Switchers. Our niche segment is Public Sector employees
- All our Mortgages are originated through our direct channel and our network of appointed nationwide brokers
- We now have over €740 million of mortgages under management

Buy-to-Let Mortgages

- Our Proposition and Lending Guidelines
 - Refinancing Property Portfolios

DILOSK



ICSMortgages

Dilosk DAC trading as Dilosk and ICS Mortgages is regulated by the Central Bank of Ireland.

Buy-to-Let Mortgage Specialists

Our Target Market:

- Established Landlords Refinancing Property Portfolios
- New Buy-to-Let Property Investors
- Tailored Solutions for New Portfolios

We Lend to:

- Individuals (up to 4 individuals on a mortgage)
- Companies (including Special Purpose Vehicles)
- Pension (Unit Trusts)



Buy-to-Let – (Pension Unit-Trust)

Loan Purpose	Purchase of Residential Investment Properties
Loan Structure Options	Up to 15 year Capital and Interest
LTV	Up to 50% LTV
Loan Amount	Minimum loan size €40,000 / Maximum loan size €500,000
Loan Term	Minimum term 5 years / Maximum term 15 years
Rates	4.25% Variable rate
Property Value	Minimum property value €100,000 / No maximum property value
Lending Criteria	<ul style="list-style-type: none"> ▪ Confirmation required that all letting/rent collection will be arranged and managed by a third-party property management company ▪ Only one investor/beneficial owner allowed for each sub trust fund ▪ Refinancing debt from existing pension funds, will require evidence of the original purchase transaction in the existing fund ▪ Under Revenue Guidelines, Interest only loans are not permissible. ▪ A copy of the overall liquidity position, post the property transaction, to be provided prior to funds being released ▪ Our recommended requirement is for 12 months mortgage repayments to be available within each fund ▪ Up to date financials for each PUT must be provided on a yearly basis

Borrower Profile	<ul style="list-style-type: none"> • The applicant must reside in the EEA. Applicants from Non EEA may be considered by establishing a Unit-Trust • The BTL property must be located in the Republic of Ireland and not used as a principal private residence • All applicants must be the owner of at least one residential property in the ROI other than the buy-to-let property being financed. • Non- Recourse Lending for Pension (Unit Trusts) only • A valuation of each property is required
Geographic Locations	<ul style="list-style-type: none"> • We will lend for properties in urban centres in Ireland with a population greater than 10,000 people
Lending Criteria	<ul style="list-style-type: none"> • A max of 75% of the gross rental income from the proposed property should equal or exceed 1.2 times the scheduled repayment • A max of 75% of the gross rental income from the proposed property should equal or exceed 1 times the scheduled repayment at an interest rate of 6% • The gross rental income from the property, together with other surplus disposable income should equal or exceed the scheduled repayment (please note for this test all contractual mortgage debt is stressed at the contracted rate plus 2% - regulatory requirement) • Concentration limits may apply on a case by case basis
Age Profile	<ul style="list-style-type: none"> • Minimum age at application 21 years and Maximum age on maturity 75 years

Legal Fees	€1,815 + Outlays							
Application Fee	0.5% of the loan amount.							
Loan to Values	Pension Unit Trust							
Area	LTV	Max Loan Amount						
Main Urban Areas*	50%	€500,000						
Main Urban Areas*								
Others Population > 10,000	50%	€500,000						
Variable Rates	<table border="1"> <thead> <tr> <th>Borrower Type</th> <th>Product</th> <th>≤ 50% LTV</th> </tr> </thead> <tbody> <tr> <td>Pension Unit-Trust</td> <td>Capital & Interest</td> <td>4.25%</td> </tr> </tbody> </table>		Borrower Type	Product	≤ 50% LTV	Pension Unit-Trust	Capital & Interest	4.25%
Borrower Type	Product	≤ 50% LTV						
Pension Unit-Trust	Capital & Interest	4.25%						
	<p><i>*Main Urban Areas include "Dublin (and surrounding counties Kildare, Wicklow, Meath, Louth), Galway, Cork and Limerick"</i></p> <p>Lending guidelines and rates as at 20.10.20 and may be subject to change. Lending criteria, Terms and Conditions apply.</p> <p>Dilosk DAC, trading as Dilosk and ICS Mortgages is regulated by the Central Bank of Ireland.</p>							

Pension Unit Trust Mortgages



- Non-Recourse lending
- Administered in conjunction with Grant Thornton who are on our panel of approved Trustees
- Customers / Beneficiaries must get independent Pension advice to confirm this product is suitable for their needs
- Appeals to individuals who are looking for more options regarding the management of their pension and wish to acquire a Buy-to-Let property in a tax efficient manner.

Specialist Buy-to-Let Refinancing Unit

- We have seen a significant demand in the number of clients wishing to refinance their Buy-to-Let portfolios
- We can refinance existing Buy-to-Let Mortgages in Pension Unit Trusts
- We offer tailored solutions for property portfolio refinancing

- Our portfolio investors are often:
 - On terms with their existing lenders that are coming to an end (e.g. an interest only period due to expire)
 - Looking to release equity to purchase additional properties to add to their portfolio
 - Looking for a more competitive offering
 - Coming up to a break clause with their existing lender
 - Those with unencumbered properties and they wish to release equity

- We offer no cross security which allows for easier portfolio management

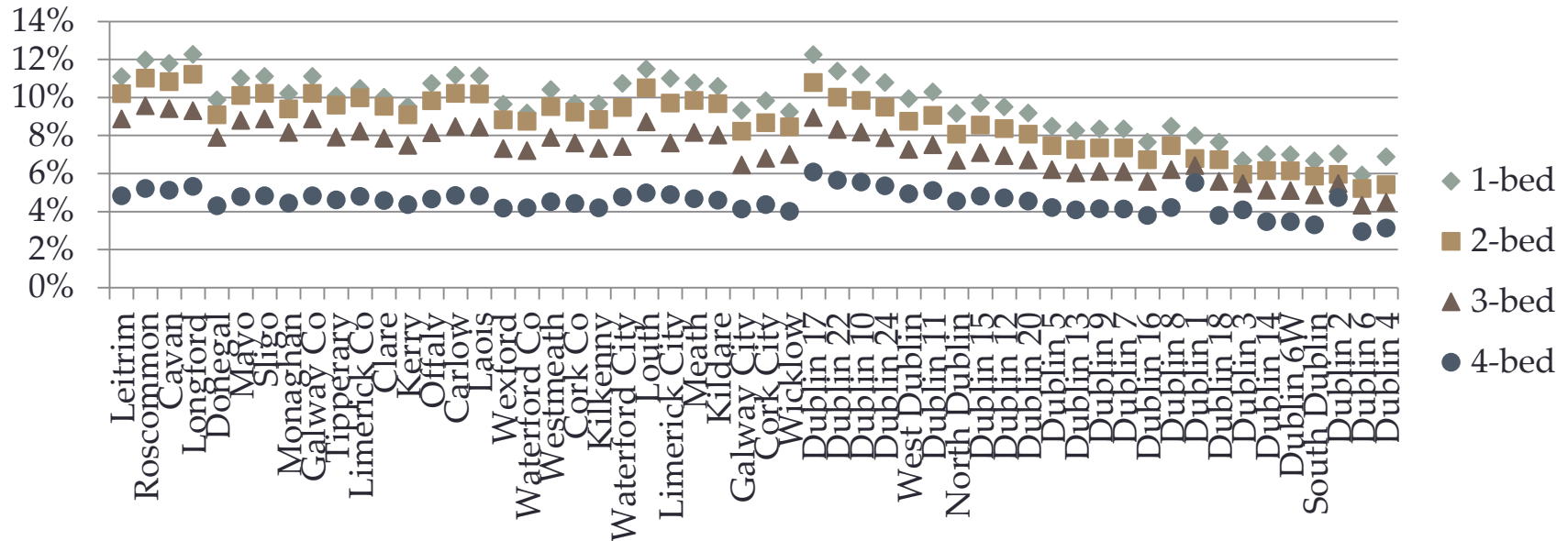
| DILOSK



| ICS Mortgages

Gross yields on residential real estate vary dramatically by market, from over 10% for 1-beds in many locations to 4% or less for 4-beds in the dearest markets

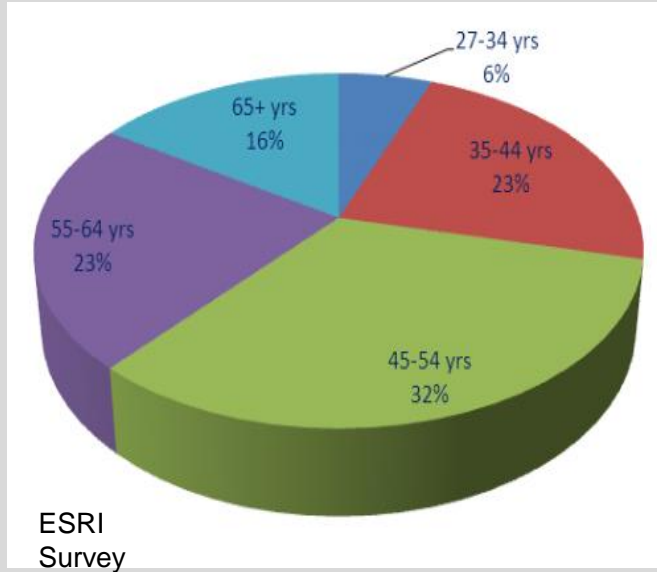
Average gross yield for residential real estate, 2020Q3, by property size and location



Source: Analysis of Daft.ie Report; Markets are sorted from left to right by the 2020 price of a 3-bed semi-detached property

Age Profile of Landlords – Market v's ICS Mortgages

MARKET



The average age of our borrower is 52 years

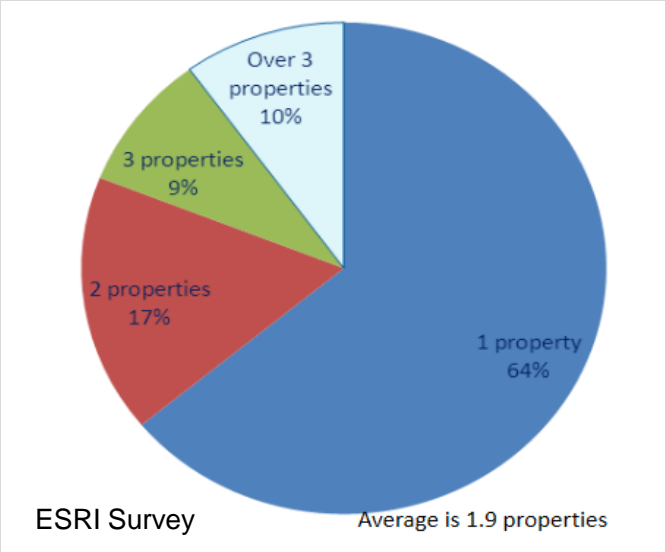
DILOSK



ICS Mortgages

No. of investment properties – Market v's ICS Mortgages

MARKET

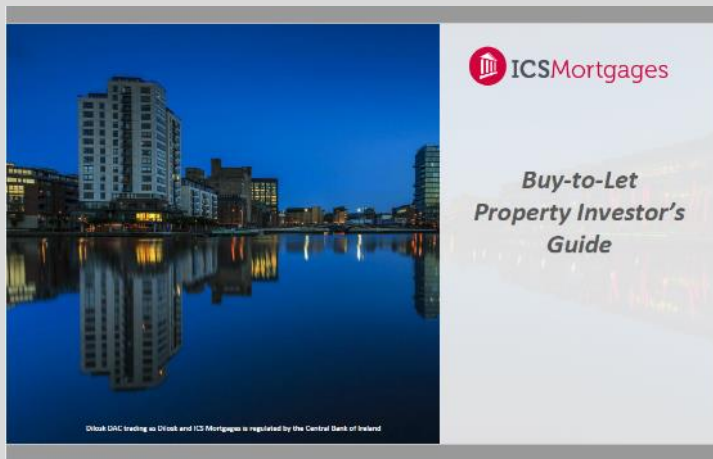


42% of our customers have **3 or more** investment properties

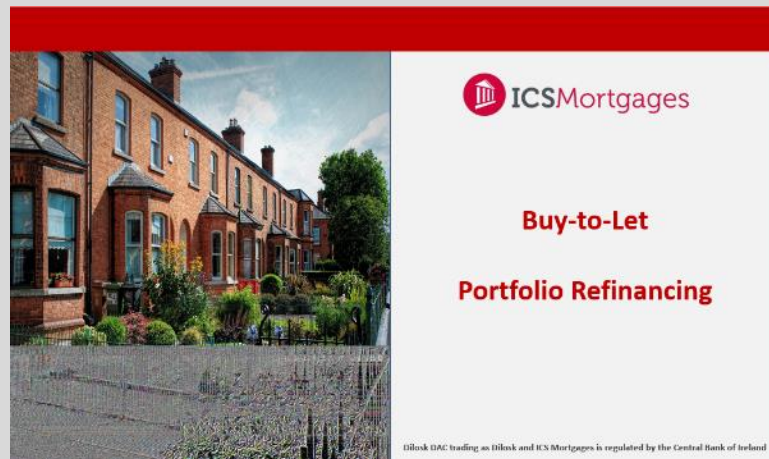
Buy-to-Let Guides

We have produced a comprehensive guides which cover several case examples
Available to download on <https://www.icsmortgages.ie/btl-mortgages>

Guide for Property Investors



Guide to Portfolio Refinancing





We would be delighted to do business with you !

Q&A

Dilosk DAC, trading as Dilosk and ICS Mortgages, is regulated by the Central Bank of Ireland



GT Purchasing Property with your Pension Seminar - Market Analysis

Presented by - Enda Mc Guane

25th November 2020

Content

- **Context – Who, What and COVID!**
- **Trends – Office, Industrial, Retail, Residential**
- **Residential Case Studies – Cork, Limerick, Galway and Waterford**
- **Due Diligence**

About WPM



- 50 Staff employed in 5 Offices.
- 7,000 residential/commercial units under Facilities/Estate Management.
- 800 Units Let and Managed.
- Manage/Oversee operations on over 3,000 student beds
- Provided Consultancy services - Operational Planning, Development Appraisals
- Residential and Commercial - Sales/Valuations
- Recognised Expertise – 12 National awards in the last five years.



WINNER

Property Management Company of the Year



Property Management Company of the Year

WINNER



WINNER

FM Project of the Year – Residential



WINNER

Excellence in Customer Service



WINNER

Client & Service Provider Partnership of the Year



in association with



WINNER

Property Management Company of the Year

Context

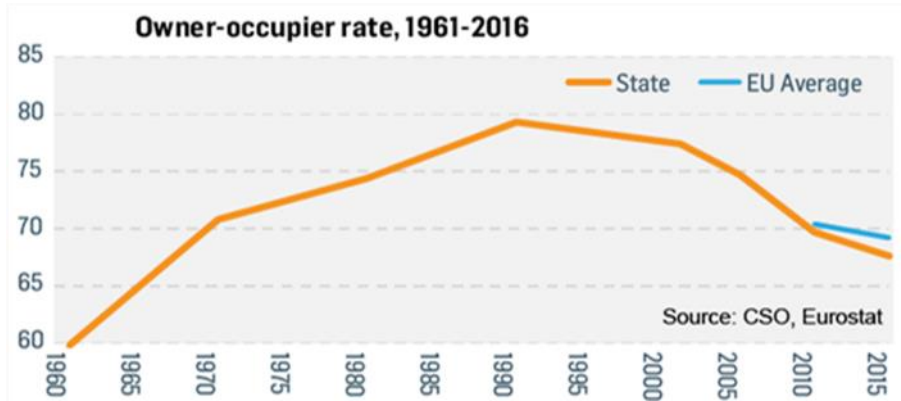


Figure 3.1 Average number of persons in private households, 1991 – 2016

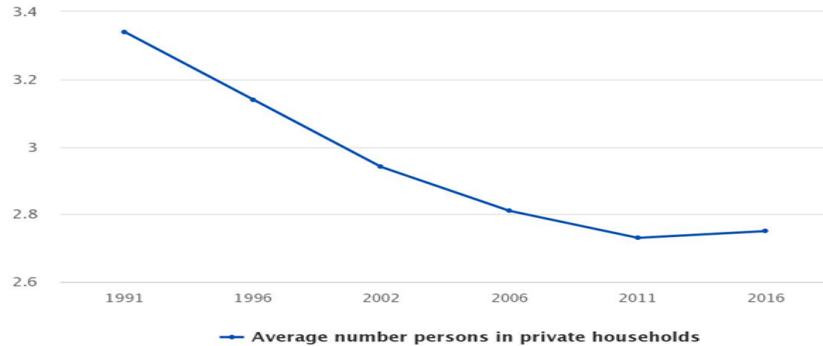
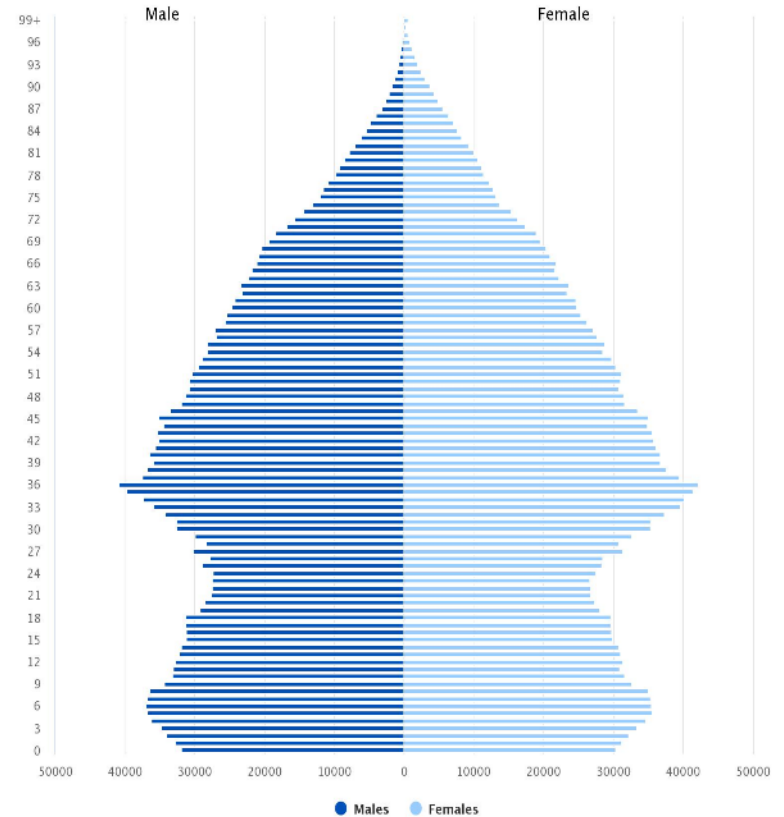


Figure 2.11 Population pyramid by single year of age, 2016



Context

Table 4.1 | Ireland 2040: Targeted Pattern of City Population Growth

City	Population 2016	Population Growth to 2040 ²⁷		Minimum Target Population 2040
		% Range	People	
Dublin - City and Suburbs	1,173,000	20-25%	235,000 - 293,000	1,408,000
Cork - City and Suburbs	209,000	50-60%	105,000 - 125,000	314,000
Limerick - City and Suburbs	94,000	50-60%	47,000 - 56,000	141,000
Galway - City and Suburbs	80,000	50-60%	40,000 - 48,000	120,000
Waterford - City and Suburbs	54,000	50-60%	27,000 - 32,000	81,000

Proposed Cross City Link Corridor
Shown in Blue

Proposed Tuam Road Bus Corridor
Shown in Green

Proposed Dublin Road Bus Corridor
Shown in Magenta

Proposed Canal Cycle Route
Shown in Orange

Proposed Galway City Ring Road (GCRR)
Shown in Red



LEGEND	
Colour Definitions:	
	Existing
	Proposed
	Under Construction
(1) -	NUIG Sports Grounds
(2) -	River Corrib
(3) -	Cross City Link, Proposed Start
(4) -	NUIG
(5) -	Salmon Weir Bridge
(6) -	Proposed Pedestrian/Cycle Bridge
(7) -	Existing Clifden Railway Bridge Abutments
	Location of Proposed New Bridge
(8) -	Dyke Road Regeneration Area
(9) -	County Hall
(10) -	Sandy Road Regeneration Area
(11) -	Sports Ground- Proposed Re-Development
(12) -	Cross City Link, Proposed Finish
(13) -	G-Hotel
(14) -	Crown Square Development
(15) -	Dublin Road & Proposed Bus Corridor & to GMTI & Galway Clinic
(16) -	City Hall
(17) -	Coach Station
(18) -	Galmont Hotel
(19) -	Galway Harbour Development Area Master Plan
(20) -	Nunmo's Pier
(21) -	Ceannt Station Development
(22) -	Bonhham Quay Development
(23) -	Eyre Square
(24) -	Galway Harbour
(25) -	Museum & Spanish Arch
(26) -	South Park
(27) -	Galway Cathedral
(28) -	Nun's Island Regeneration Area
(29) -	Eglington Canal Proposed Cycle Route



Office

- Galway Standing stock rents, at €301 per sq. m,
- Vacancy rate of 4.9%
- Supply Issue, Covid Pause
- Cork - Prime Office €350 per sq.m
- Limerick - Prime Office €243 per sq.m
- Dublin City Centre €673.00 per m
- Dublin - South Suburbs €296.00
- Dublin - North Suburbs €221.00
- Dublin - West Suburbs €193.68



Industrial

- Galway 5.3 per cent vacancy rate
- Prime Industrial units - €85 per sq.m
- Cork - Prime Industrial €91.50 per sq m.
- Limerick - Prime Industrial €70 per sq m
- Dublin - Prime Industrial €113 per sq m.
- Suburban Logistics and warehousing spaces yields in demand.
- Online Retailing/ Last Mile



Retail

- ?????????????
- Location
- Mixed Use
- Trend Acceleration



Residential

- Galway Metropolitan Area
- Average price: €1,164
- Year-on-year change: 2.4% (4.8% Daft)
- Rent Protection Zone
- DATA



November 19 2020

Advertiser Property Galway rent report — autumn 2020

BY ENCA MCCORMACK



Enca McCormack

Year-on-year, it costs 2.4% more to rent a property in Galway in the third quarter of 2020, compared with the same period last year. This is a significant increase, given that rents in the city and suburbs of 24 other areas in the Republic of Ireland have fallen, on average, by 1.1% over the same period. In fact, rents in 10 of those areas have fallen by more than 2%.

Rent disparities

So, what's causing the disparity? For that, we need to look at the rental market in the city and suburbs of 24 other areas in the Republic of Ireland. In 10 of those areas, rents have fallen by more than 2% over the same period. This is a significant increase, given that rents in the city and suburbs of 24 other areas in the Republic of Ireland have fallen, on average, by 1.1% over the same period. In fact, rents in 10 of those areas have fallen by more than 2%.

Rental data

Advertiser Property has analysed the rental market in the city and suburbs of 24 other areas in the Republic of Ireland. In 10 of those areas, rents have fallen by more than 2% over the same period. This is a significant increase, given that rents in the city and suburbs of 24 other areas in the Republic of Ireland have fallen, on average, by 1.1% over the same period. In fact, rents in 10 of those areas have fallen by more than 2%.

Advertiser Property has analysed the rental market in the city and suburbs of 24 other areas in the Republic of Ireland. In 10 of those areas, rents have fallen by more than 2% over the same period. This is a significant increase, given that rents in the city and suburbs of 24 other areas in the Republic of Ireland have fallen, on average, by 1.1% over the same period. In fact, rents in 10 of those areas have fallen by more than 2%.

Case Study 1. - Galway

- **Dunaras Student Village (PBSA)**
- **3 Bed Apartment**
- **Sale Agreed August 2020 €190,000**
- **Rent 19/20 (pre covid) Gross €25,247**
Net €16,488
- **Rental Yield Gross 13.29% Net 8.68%**



Case Study 2. - Galway

- **Mervue Business & Technology Park**
- **Industrial Unit 19,287 sq.ft**
- **On Market €3.75m**
- **Annual rent of €187,209 increasing to €298,871 in August 2021**
- **initial yield 5.% rising to 8% in August 2021**



Case Study 3. - Galway

- Manor Court (West of City)
- 2 identical 2 bed apartments
- Rent Pressure Zone
- Recently rented €9,672 p.a & €12,780 p.a
- Market Value €190,000
- Yields 5.1% & 6.7%



Case Study 4. - Cork

- Lee Vista, Cork City
- 2 Bed Apartment
- On Market €179,000
- Market Rent €17,400 p.a
- Rental Yield 9.7%



Case Study 5. - Limerick

- Dock Rd, City Centre
- 2 bed apartment
- Rent €12,000 p.a
- Market Value €115,000
- Yield 10.4%



Case Study 6. - Waterford

- **Keizer House, High St, Waterford**
- **On Market €120,000**
- **Market Rent €12,600p.a**
- **Rental Yield 10.5%**



State Rental Supports and Conditions

	Housing Assistance Payment (HAP)	Rental Accommodation Scheme (RAS)	Standard Lease with a local authority	Standard Lease with an AHB	Enhanced Lease
Percentage Market Rent	100% - subject to rent limits	92-95%	80-85%	80-85%	95%
General maintenance	Property owner	Property owner	Local authority	AHB	Property owner
Term	Agreed with the tenant, subject to the Residential Tenancies Act 2004	4 – 10 years, subject to Residential Tenancies Act.	10 - 25 years	10 - 25 years	25 years
Payment for vacant periods	No	Yes	Yes	Yes	Yes
Rent Payment guaranteed	Yes, once the tenant pays their rent contribution and does not engage in anti-social behaviour	Yes	Yes	Yes	Yes
Penalties	N/A	Payments made during vacant periods must be repaid if agreement is breached	N/A	N/A	For maintenance failure
Landlord to tenant	Property owner	Property owner	Local authority	AHB	Local authority
Tenant nominated by	Property owner	Property owner / local authority	Local authority	Local Authority	Local authority
Property owner option to exit the scheme	Yes – subject to Residential Tenancies Act 2004	Yes – with penalties and subject to Residential Tenancies Act 2004	Subject to terms established in lease agreement	Subject to terms established in lease agreement	Subject to terms established in lease agreement

Considerations – Cost of Building v Cost of Buying

CITY	Public Build	Purchase
Galway	UK	352,700
Sligo	253,900	156,400
Limerick	209,100	127,500
Cork	266,300	306,800
Waterford	170,100	178,000

Due Diligence

- **Property Survey – Fire/Building Defects**
- **Title**
- **Leases**
- **Legislation – RPZ Expiry?**
- **Auctions – Read the small print!**
- **Service Charges/Maintenance Budget**
- **Research, Research, Research**



**Thank you
Q&A**