Real estate and infrastructure in Ireland
A fresh perspective
Insight

Real estate
Over the last decade the Irish real estate market achieved rapid growth. The velocity of this growth, particularly in the investment and development sectors, was primarily driven by easy access to capital for both consumers and the industry. The credit crisis brought tough challenges to the industry and a climate emerged where the need to survive overtook the primary strategic direction of most players in the real estate sector. An over dependence on property activity has not helped Ireland’s reputation globally and has somewhat reduced the country’s attractiveness as a location for foreign investment in property.

As the global economy begins to recover, real estate investors have begun to implement forward thinking strategic plans with greater confidence. Prime real estate product with good long-term income is most in demand and currently generating cross-border interest, which offers opportunity to those in a position to dispose of assets and also those looking to acquire quality assets in a cash poor environment. This trend is bolstered by the restructuring of the main Irish banks through the National Asset Management Agency— a move by the Government which aims to lay the foundation to restore international confidence in the Irish market.

Infrastructure
Over the last decade infrastructure development benefited greatly from a significant injection of funds from the Irish government. The credit crisis has since brought challenges to this industry particularly in the area of sourcing long-term funding and accessing large volumes of debt, however smaller projects continue to progress.

The Irish Government, through the National Development Plan for the period 2007 to 2013, provides for estimated infrastructure spend of approximately €184 billion. When the plan was originally drawn up, it was envisaged that these projects would be funded primarily from exchequer funds. However, the recession, recapitalisation of the banks and NAMA have severely reduced the availability of exchequer funds. It is likely that Public-Private Partnerships (PPPs) are one of the only remaining funding sources that are viable for any significant future projects.

PPPs have become increasingly common internationally and Ireland has emerged as one of the leading countries in the sector. The Irish Government used different partnership delivery models to develop and deliver all manners of infrastructure including schools, roads and service stations. Utilising a full range of PPP delivery models will provide new investment opportunities for private equity, pension funds and other sources of private financing both nationally and internationally. By making best use of the delivery models available to it, Government can maximise the likelihood of meeting its infrastructure objectives while strengthening the current funding environment, controlling the impact on the public coffers and absorbing some of the spare capacity residing in the construction sector.
Why Deloitte?

Our range of services look to respond to the diverse challenges faced by the real estate and infrastructure sector

Today’s challenging environment poses obstacles to real estate and infrastructure stakeholders such as constrained borrowing opportunities, reduced asset values, cash flow difficulties and profit margin pressures.

In many instances there is a requirement for a reassessment of existing or planned projects and development feasibility studies, a review of funding structures and capital provisions, tighter management of resources and restructuring of cashflow and debt arrangements.

We recognise the challenges facing the sector.
We understand the complex and co-dependent nature of the industry and the solutions that can be put in place to encourage continuous growth from this point onwards. Our range of services is designed to respond to these issues with value enhancing advice.

Our ability to advise clients across this diverse sector is informed by our execution experience on some of the most complex, landmark development and infrastructure projects in Ireland.

Deloitte has a dedicated team of real estate and infrastructure professionals with the expertise, resources and relationships to assist investors, developers, construction companies and public sector procuring bodies to address today’s market challenges.

With our global network of real estate and infrastructure professionals, our in-depth sector experience and our cross functional Irish team dedicated to the provision of high quality advice, we are in a unique position to provide clients with industry specific advice to meet their requirements.
## Our services

### Real estate investments

**Key issues:**
- Valuation of real estate assets
- Meeting loan covenants
- Cash flow management
- Sourcing finance to fund further investment or new acquisitions
- Inefficient property investment structures

### Corporate Finance
- Assistance in sourcing and structuring new debt
- Managing existing facilities and covenants
- Financial planning and cash flow management advice
- Company valuations
- Advice on the acquisition/disposal of investments
- Forensic and dispute advice on complex disputes

### Taxation & Legal
- Financial planning and real estate advice from experienced professionals
- Estate planning and wealth management
- Administrative and compliance requirements
- Investment structuring

### Audit & Accounting
- Revenue recognition advice
- Technical accounting advice
- Provision of book-keeping and accounts preparation services

### Consulting & ERS
- Internal audit outsourcing
- Segregation of duties and fraud reviews
- Integration of systems and new system implementation

### Real estate development

**Key issues:**
- Funding non-cash generating assets during planning and construction phases
- Sourcing finance to fund further investment or new development
- Review of development appraisals to reflect market conditions
- Inefficient property investment structures
- Cash flow management

### Corporate Finance
- Financial planning and real estate focused advice from experienced professionals
- Assistance on structuring debt to match cashflows
- Review of capital debt structures and loan covenants
- Raising new debt to fund developments
- Advice on the acquisition/disposal of developments

### Taxation & Legal
- Estate planning and wealth management
- Administrative and compliance requirement reviews
- Revenue audits
- Group reorganisation to effectively manage tax costs
- Tax structuring advice on acquisition/disposal of assets

### Audit & Accounting
- Technical accounting advice – IFRS transition and acquisition accounting
- Assurance on business processes and controls
- Advice on accounting for complex property transactions
- Assistance on going concern reviews

### Consulting & ERS
- Corporate governance
- Internal audit outsourcing
- Risk management
- System and process health checks
### Construction

**Key issues:**
- Fall in commercial and domestic activity leading to lower tender prices and profit margins
- Sourcing adequate working capital is increasingly difficult
- Legacy loss making projects leading to cash losses
- Maintenance of a healthy balance sheet is key to survival but increasingly difficult
- Requirement to diversify

**Corporate Finance**
- Assistance on structuring debt and working capital funding to meet business needs
- Guidance and assistance on project appraisal, financial modelling and bid support

**Taxation & Legal**
- RCT advice
- Revenue audit
- Assistance with personal tax, payroll taxes and VAT issues
- Advising on tax efficient remuneration strategies

**Audit & Accounting**
- Accountants reports
- Revenue recognition
- Technical accounting advice – IFRS transition and acquisition accounting
- Assurance of consumer process and controls

**Consulting & ERS**
- Internal audit outsourcing
- Segregation of duties and fraud reviews
- Integration of systems and new system implementation
- Recruitment and human resource transformation

### Infrastructure/PPP

**Key issues:**
- Uncertainty surrounding Government’s ability/desire to execute planned projects
- Increased funding costs including equity leading to higher project IRR
- Highly competitive tendering
- Diminished capacity to bid for major projects
- Suitable project partners
- Optimum funding structures key to project success

**Corporate Finance**
- Assess project feasibility, suitable project partners and funding strategies
- Advice on response to procurement body, coordination and guidance on bidding process and project management
- Advice on PSB, payment mechanism and unitary charge
- Funding competitions, raising debt and/or equity facilities

**Taxation & Legal**
- Tax structuring for complex PPP deals
- Review of bid and financial models from tax perspective
- Advising on tax efficient structures
- Assistance with corporate tax, payroll taxes and VAT issues
- Revenue audit

**Audit & Accounting**
- Technical accounting advice – IRFS transition and acquisition accounting
- Accountants reports
- Review of bid and financial models from accounting perspective

**Consulting & ERS**
- Corporate governance
- Internal audit outsourcing
- Risk management
- System and process health checks
Our experience

Complex transactions need a balanced and experienced team.

Private sector bidder, Waste to Energy Project
Lead financial advisors to an energy multinational on its bid to provide a €400m+ thermal treatment plant to treat household and commercial waste which cannot be reused or recycled. The project is known as the “Dublin Waste to Energy Project” and is being procured under a DBFO PPP Model. Deloitte provided PPP, financing, financial modelling, accounting and tax advice.

Debt advisory to a leading private sector construction and development company
The Deloitte debt advisory team advised a leading Irish construction and property development group on refinancing debt of €400m associated with a number of investment and development properties. Key tasks included a review of the group’s business plans and debt agreements, preparation of cashflow models and individual project financing plans for each of the group’s banks and consideration of the various available options. The development of a group wide funding solution encompassed negotiations with a range of financial institutions and securing a refinancing arrangement including additional debt draw downs.

Group restructuring
The Deloitte tax advisory team advised a leading Irish land dealing, development and investment group with net assets of c. €300m on restructuring the ownership of their operations tax efficiently. This involved advice on the amalgamation of the business and assets of various land dealing and investment entities, and a land dealing corporate group into a new holding company group structure. The restructuring was carried out in a tax neutral manner.

Corporate filing structure
A major Irish privately owned property company engaged Deloitte to review the group structure. We recommended the incorporation of new limited and unlimited Irish companies and also the incorporation of new foreign companies. This new structure achieved the dual purpose of retaining sensitive financial information within the organisation and also providing limited liability protection for shareholders.

NDFA - Thornton Hall PPP
The Deloitte team acted as financial advisor to the NDFA on the procurement, through PPP, of the Thornton Hall PPP Prison project, on behalf of the Irish Prison Service. The new prison at Thornton Hall, incorporating space for 1,400 prisoners, will replace the existing four prisons at Mountjoy. Deloitte provided advice on the financial aspects of the project documents, developed the payment mechanism and completed the evaluation of all submitted bids.

Acquisition and post merger integration support
A major Irish construction company engaged Deloitte to advise on the development of a diversification strategy. We identified the medical equipment and supplies distribution sector as offering strong growth opportunities in the medical devices sector, as well as providing a more stable flow of revenue and profitability over the medium term, complimentary to the cyclical nature of construction. Our mix of deal origination and project management skills ensured our client executed on its diversification strategy.
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Deloitte profile
Deloitte’s 1,100 people in Dublin, Cork and Limerick provide audit, tax, consulting, and corporate finance services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 140 countries, Deloitte brings world class capabilities and deep local expertise to help clients succeed wherever they operate.

Deloitte’s approximately 169,000 professionals are committed to becoming the standard of excellence. Deloitte’s professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte’s professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

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