

SELF-SABOTAGE... SMUG COMPLACENCY MATT COOPER AND IAN GUIDER ON IRELAND'S FDI WOES



Business Post

October 13-14, 2024 • Vol 37 No 41 • businesspost.ie • Price €4.90







Funding crunch holding back housing push, developers warn

• Industry experts warn finance issues are threatening ability to meet housing targets

DONAL MACNAMEE

A major funding crunch, particularly from the country's pillar lenders, is now a significant obstacle to house building, big-name developers have warned.

sizes have told the Business Post it is now "extremely challenging" to access debt and equity.

High-profile industry figures have warned they are struggling to access sufficient finance in the midst of a continued slowdown in development lending at the country's pillar banks.

A Business Post analysis shows how Bank of Ireland and AIB, the domestic banks that finance the construction of homes, have dramatically shrunk their exposures to development since the financial crisis, partly due to strict rules

imposed by regulators. At AIB, development lending – encompassing residential and commercial lending - has fallen steadily in the last decade, down from €6.6 billion in 2011 to €992 million last year. As a share of the loan book, residential development dropped from 5 per cent in 2011 to 1.2 per cent in 2023.

Bank of Ireland has also embraced a bare-bones approach – with development lending down from €3.7 billion in 2011 to €540 million

A number of developers – including Michael O'Flynn, Housebuilders of varying the chief executive of O'Flynn Group, and Patrick Phelan, managing director of Ballymore in Ireland – said more debt and equity is needed if the country is to meet demand for homes.

> It comes as senior government figures have admitted the country needs to significantly increase the number of houses it builds each year, with some suggesting 60,000

We're all for being conservative, but there's a housing crisis and vou probably need banks to be more creative about equity issues

homes a year are needed to meet demand.

"If we are going to get to 60,000 homes a year, we need to build more apartments. And to do that house builders are going to need substantially more debt and probably a lot more equity," Phelan said.

"Even the well-funded bigger players would say that we are definitely going to need more debt and more equity in the system to build the apartments that are required,"

O'Flynn said funding new homes has been "extremely challenging" for developers, which "makes viability a real issue"

"Both pillar banks have stepped up but they are constrained in terms of their funding limits. With the very obvious increase in housing targets, which is long overdue, the funding challenge is going to become very acute," he noted.

In a report published in July, the Housing Commission warned the country's banking industry is "constrained in its ability to substantially increase development lending capacity to meet the scale of funding" required to address the housing crisis.

Bank of Ireland, lending for residential land and development currently stands at about €1.6 billion between

AIB and Bank of Ireland. Both lenders have this year announced substantial increases in future commitments to fund residential development, amounting to around €1.25 billion of extra debt financing.

Ali Ugur, chief economist at the Banking and Payments Federation Ireland (BPFI) industry group, said the banks' risk appetite has "changed significantly" in the years since the crash, which he pointed out was a good thing.

Ugur said the key issue for small and medium developers was the gap between the debt finance banks can offer them under capital requirements set down by regulators, and the actual cost of funding a development.

"What seems to be happening is developers are getting 70 per cent debt maximum, and you're still left with 30 per cent equity. And most of the SME builders are lacking that equity. They might have 10-15 per cent equity. But that leaves a 15 per cent gap," he said.

The BPFI is urging the government to set up a credit guarantee scheme - under which the state would promise to repay loans to a bank if an SME developer was unable

According to the Central to – to underwrite 15 per cent of the value of the loan.

In many cases, banks can lend up to 65 per cent of costs to a developer, with builders required to source the remainder either through their own funds or via expensive equity finance.

director of Alder Homes – a Kildare-based developer that went into receivership earlier this year - said access to finance was a major problem for SME developers, alongside infrastructure problems.

"Mainline banking is not participating in the market at Eugene Finn, managing all and hasn't for a long time,"

he told the Business Post. "They may provide facilities for larger players but [it's] not available at the lower levels."

Ciarán Fitzpatrick, managing director of Fitzpatrick & Heavey Homes, which he called a "medium-sized" developer, said banks were "definitely keen to lend mon-

ey", but added the "equity gap" was posing a problem.

"We're all for being conservative, but there's a housing crisis, and you probably need to look at ... banks could be more creative about addressing the equity issues," he said.

Full story, page 10

Revealed: Tourism firms bank high profits from refugee crisis

KILLIAN WOODS

Some businesses providing accommodation and services to asylum seekers are recording profit margins of more than 50 per cent on revenues earned from state contracts.

A Business Post investigation has found firms are being provided a highly lucrative opportunity by the state to exit the hospitality sector at a time when profit margins in the industry are razor thin for businesses – and many face closure.

An analysis of the financial



accounts filed by a sample of 50 of the more than 800 firms currently in receipt of state funds for housing protection applicants found they banked an average 40 per cent as after-tax profit.

And 17 of the limited companies examined by the Business Post recorded profit margins in excess of 50 per cent.

Firms across the country have responded to the government's pleas for assistance in its response to the large increase in people seeking protection in recent years and acute shortages for International Protection Accommo-

dation Services applicants. Many of the businesses are former hotels or bed and breakfast operators, who have exited the tourism sector to solely provide these services

to protection applicants. Many hotels and bed and

breakfasts have closed their tourism accommodation operations to dedicate their properties towards housing people seeking protection.

In some instances, this has left areas of the country with a shortage of beds for tourists. The analysed companies were those that had so far filed accounts with the Compa-

nies Registration Office for

the 2023 year period. They earned a total of €143 million last year from the state, with 14 recording between €1 million and €4 million of profit. None of the firms recorded a profit of less than €200,000 in 2023.

The profit levels recorded in the financial accounts do not reflect the full earnings made by firms involved in refugee services provision, since in many cases the companies also paid their owners six and seven-figure salaries in 2023.

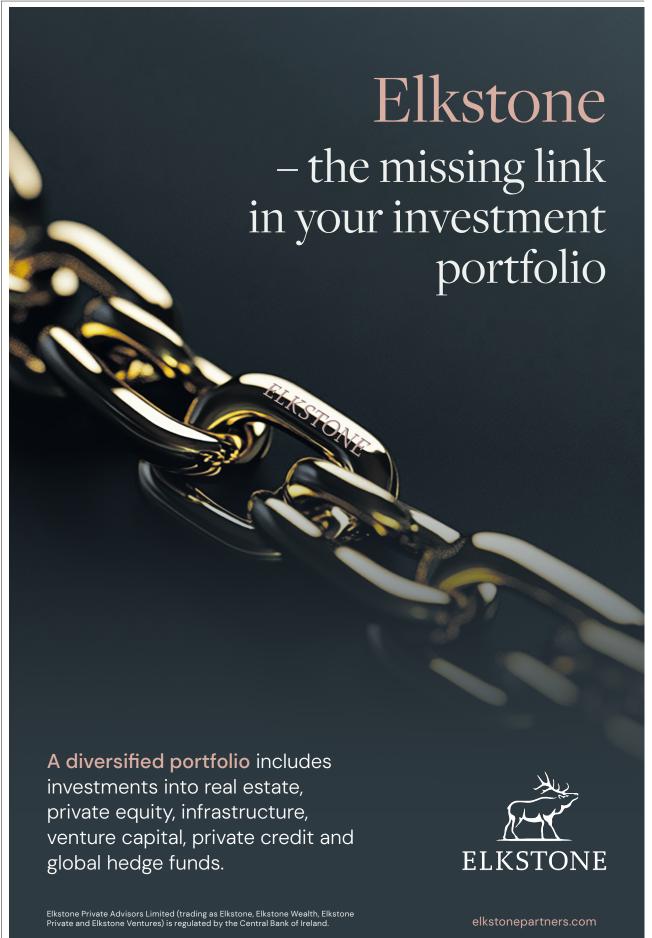
The state has been required to significantly increase its spending on services for those seeking protection since the beginning of the war in Ukraine in February 2022.

In 2022, more than €829 million was spent by the Department of Integration on refugee-related services.

The following year, spending rose to more than €1.8 billion. In the first half of this year, the state spent €930 million on refugee accommodation services.

In total, €3.56 billion worth of purchase orders have been paid by the Department of Integration to around 800 private sector firms involved in refugee service provision since January 2022.

Full story, page 4



4 News
October 13, 2024



Revealed: Firms bank millions from state for refugee services

Businesses are making big profits off the billions being spent on accommodation and other asylum services



Killian Woods

irectors of the companies providing emergency accommodation and services to refugees are banking significant profits from the cash they make from state contracts and extracting millions of euro from their firms.

Last year, more than 800 companies and businesses were paid €1.8 billion by the state to provide accommodation and other services to Ukrainians who have arrived in Ireland and people in International Protection Accommodation Services (Ipas).

Well-known hospitality sector operators, including Dalata, Travelodge and the operators of the Citywest Hotel, bed and breakfast owners, nursing homes, sole traders who own properties and food businesses have secured lucrative state contracts to provide the services.

They are providing much needed accommodation at a time of acute shortages for International Protection Accommodation Services (Ipas) applicants across the country.

Many of the businesses use accounting practices, unlimited company status and offshore entities which limit the amount of financial information published about their operations.

A Business Post investigation has analysed a selection of firms involved in the provision of emergency services to Ukrainians and Ipas applicants that have published detailed financial accounts in the past year.

The research found companies are, on average, banking 40 per cent of funds

🐿 Solarstream

Fully Funded Solar Installations with no

Fix your energy price for 15 years with

PAY AS YOU SAVE

COMMERCIAL SOLAR

they earn from the state as after-tax profit. Some firms recorded margins in excess of 70 per cent.

Directors at many of the firms analysed by the Business Post are also paying themselves large six- and seven-figure consultancy fees on an annual basis and sending millions of euro in dividends to holding companies they control.

In one case, the average wage paid to 11 staff working for a firm providing refugee services was close to $\in 200,000$.

Corduff Jg Enterprises

Members of the McEnaney family, including the former Monaghan GAA football manager Seamus McEnaney, have been involved in refugee services for many years.

Corduff Jg Enterprises Limited, con-

trolled by Gavin McEnaney, received €6.6 million in state contracts last year. Financial filings by the company, of which Gavin McEnaney is the sole di-

which Gavin McEnaney is the sole director, show it made a €2.1 million in profit in the same period.

On top of this profit banked by Gavin McEnaney in 2023, he also paid a \in 2 million dividend to another company he owns and earned \in 1.2 million in director's fees.

According to the accounts, the company had 11 staff who were paid an average wage of €147,000. The previous year, when there were eight staff, the average wage was €210,000.

Longfield Ventures

Two other members of the McEnaney family involved in refugee services are John and Gary McEnaney, who are directors of Brother Baghin Limited, Fernboro Limited and Longfield Ventures Limited.

The latter firm earned \in 4.9 million from the state in 2023 and recorded an after-tax profit of \in 1.9 million in the period.

In addition to the profit, the company

Directors' pay Company

Bideau Limited

Stompool Investments Limited Barlow Properties Limited Igo Cafe Limited Fazyard Limited Harveydale Limited Haymarket Company Limited

Haymarket Company Limited
Knockrow Trading Limited
Corduff Jg Enterprises Limited
Longfield Ventures Limited
Copperwhistle Limited
Murach Group Limited
Orana Estates Limited

also paid the pair \in 526,000 in directors' fees, which was higher than the \in 317,000 paid in 2021 and \in 470,000 in 2022.

Copperwhistle

One specific company linked to the McEnaney family recorded a profit margin of more than 50 per cent in the year that ended August 2023.

Copperwhistle Limited, which lists Cathal McEnaney, Frank McEnaney and Mary McEnaney as directors, made €666,000 from state contracts and a profit of €338,000.

In the 12-month period, the company also paid €658,080 in fees to the directors, compared to €200,000 the previous year.

Raeton

Ten companies linked to businesswoman Sheila O'Riordan are now involved in Ukrainian and Ipas accommodation provision

O'Riordan previously ran the Key Collection, a large provider of short-term lets in Dublin, until it went into liquidation in 2020.

Three of her firms have published accounts that cover 2022 and 2023, including Raeton Limited, which earned €1.5 million from the state and made a profit of €684,000 in 2023.

Pireaus Limited also showed a high level of profit after tax, making €465,000 in profit in 2023 after earning €900,000 from the state.

Abbytop Limited published accounts that covered May 2022 to 31 December 2022, and in that period it earned €472,000 from the state and made €364,000 in profit.

Igo Cafe

Igo Emergency Management, a business owned by Igo Cafe Limited, was one of the biggest recipients of funds from the state in the second quarter of this year when it earned €13.3 million.

The firm behind the Igo Cafe in Sallynoggin, which lists Ann Murphy and Cristina Andries as directors, has stepped up its involvement in Ukrainian and Ipas service provision steadily in recent years.

As it has done so, the directors have

paid themselves higher fees.

Last year, the company took in €14.3 million during 2023. Recently published

million during 2023. Recently published accounts for the year show it made €882,000 in profit that year.
In 2023, the company also significantly

Murphy and Andries.

Between 2020 and 2022, fees to the directors rose steadily from €22,000 to

increased the amount paid to its directors

€0 €0 €0 €133,0

2021

€348,320

€276,250

€45,013

€233,240

€42,524

€38,127

€294,746

€317,306

€0

Companies paid by the state to provide accommodation and

2020

€348,797

€272.500

€23,934

€22,573

€227,956

€40,965

€13,251

€32,438

n/a

€0

€0

accommodation and services in 2023.

Paid by the state for accommodation and services last year.

409

The average banked as after-tax profit by companies

€133,000. Last year, the directors' earnings increased nine-fold to €1.2 million.

2022

€313,707

€133,015

€58,201

€293,621

€470,842

€200,000

€195,000

n/a

2023

€484,583

€391,667

€209,916

€553,515

€169,295

€526,325

€658,080

€230,000

€766,525

Bideau

Four companies controlled by Alan Hyde and Tadhg Murphy are currently involved in refugee accommodation, and made €9.7 million from state contracts.

Bideau Limited recorded a loss of €21,000 after Hyde and Murphy shared €803,000 in directors' fees.

They were also paid €484,000 in fees by Stompool Investments Limited and a further €391,000 by Barlow Properties Limited.

In addition to the directors' fees, the two aforementioned firms recorded $\mathfrak{C}552,000$ and $\mathfrak{C}362,000$ in profit, and a fourth firm called D & A Pizza's Limited made $\mathfrak{C}670,000$ in profit.

Parr

The company behind the Grand Central hotel in Bundoran, which has been shut to the public since 2022 in order to accommodate Ukrainian refugees, is Parr Limited.

Accounts for the company, which lists Patrick Joseph Doherty, Nicholas Adam Doherty, Patrick Power and John Doherty as directors, show it recorded revenue of $\[\]$ 4.3 million in 2023 and a profit of $\[\]$ 2.3 million in that period.

Fazyard

The company controlled by Sean Lyons Jnr and Graham Carry has been involved in direct provision for a number of years.

It ran the Clondalkin Towers Hotel in west Dublin, which was the largest direct provision centre in Dublin, before its closure in 2018.

Fazyard Limited is still involved in emergency accommodation, taking in €8.9 million in the 12 months to the end of November 2023, and recording profit of €381,000.

Since 2020, directors of Fazyard Limited have been consistently paid six-figure sums annually, earning $\mathfrak{C}1.2$ million in the period. Some $\mathfrak{C}612,000$ of that was paid in 2022.

Other firms linked to the pair, Mint Horizon Limited and Oscar Dawn Limited, are also involved in state accommodation services, earning €388,000 and €689,000 in profit respectively in their most recent accounts.

Murach Group Geraldine Kent and John Kent, who run

Kent Homes, the development firm, have one firm involved in emergency accommodation.

Murach Group Limited, set up four years ago, is already paying large fees to them since it started providing services in 2022.

Last year, the firm made €1.2 million from the state and made a profit of €391,000. In that year, the directors also received €230,000, compared to €195,000 in 2022.

Orana Estates

This firm, controlled by directors Joseph and Eoghan Deane, has also been involved in refugee services since 2022.

In the year to the end of November 2023, it earned \in 2 million from the state. During that financial period, it recorded a \in 354,697 profit and topped up the directors' pension pot to the tune of \in 766,000.

Haymarket Company

Kenneth Ewing, who is the sole director of Haymarket Company Limited, also topped up the director's pension pot with €500,000, the most recent accounts show.

This came after it made \in 4.5 million in the year to the end of August 2023 from the state, and recorded a \in 2.5 million profit.

The Business Post contacted directors for Raeton Limited, Igo Cafe Limited, Parr Limited, Murach Group Limited, Haymarket Company Limited and the McEnaney family. No comment was received.

The publication attempted to reach directors of other firms mentioned in the piece for comment, but could not find contact details.



AN IRISHMAN'S ADVENTURES FROM 1980S AUSTRALIA

Michael Cullen

TO ORDER COPIES, EMAIL MGMCULLEN@GMAIL.COM

