

**DEVELOPMENT LAND
& NEW HOMES
REPORT**

Q3 2020



GREATER DUBLIN AREA

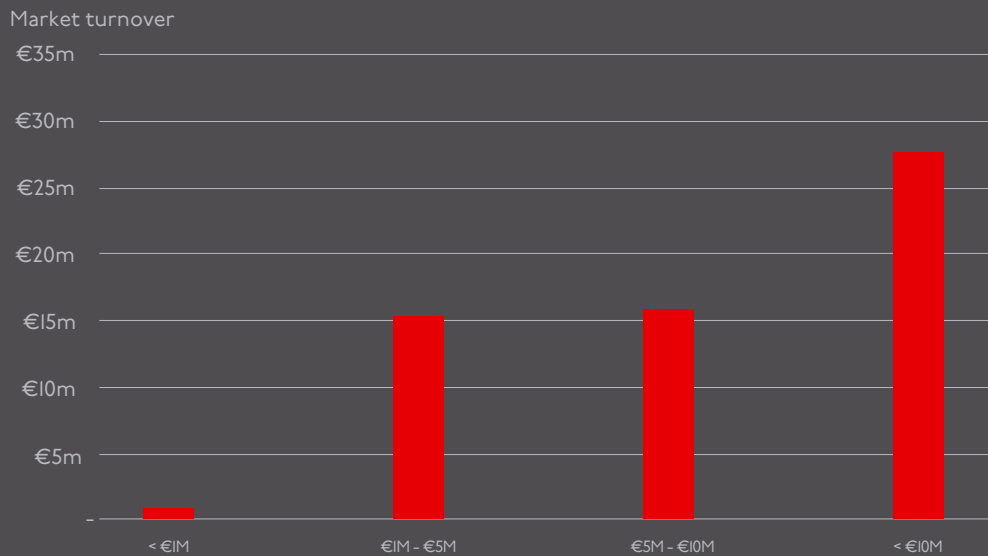
ACTIVITY

The development land market in the GDA was significantly busier in Q3 compared to the previous three months as much of the economy, both domestically and globally, reopened over the summer months. Market turnover exceeded €60m, bring the total for the first nine months of 2020 to almost €180m.

As with the previous two quarters, most of the development land coming to the market and transacting comprised smaller lot sizes with domestic developers most active. There was only one transaction in Q3 in excess of €10m; the 52.6 acre site at Harbour Point in Bray, where Ballymore purchased the two lots for a price reportedly in excess of the €27.5m guide. Also of note was the sale of The Magic Carpet public house in Cornelscourt (2.7 acres), which is suitable for a mixed-use development. The average lot size of the other 11 transactions was just €2.1m.

In the coming months, the number of off-market transactions will increase. This is a similar trend to other sectors of the property market, particularly investment and PRS.

GDA DEVELOPMENT LAND MARKET TURNOVER Q3 2020



Source: Lisney

DEMAND

In July, it was confirmed that Pembroke Ventures, a consortium comprising Ronan Group Real Estate and Colony Capital, was the preferred bidder to acquire an 80% interest in the former Glass Bottle site in Ringsend, Dublin 4. Over 3,500 residential units and 93,000 sqm of commercial space is envisioned for the 37 acre site. There was a 30 day deadline to complete the deal, however it has been reported that the purchaser was granted a four month extension to close the deal and in addition, Oaktree would replace Colony in the consortium. It is understood that several underbidders, including Ballymore, Quintain and Hines, have expressed their continued interest in the lands. It is likely to be 2021 when this deal closes.





THE MAGIC CARPET PUBLIC HOUSE IN CORNELSCOURT (2.7 ACRES)

Also during the quarter, Diageo confirmed that it had chosen Ballymore as its partner to transform 12.6 acres of its St James's Gate site. The area will be known as the Guinness Quarter and will seek to create a new urban quarter. It will reportedly be the first zero carbon district in Dublin, re-using some of the existing buildings and utilising renewable energy sources.

Both of these high profile mixed-use deals bode well for developer demand in light of the ongoing pandemic and current economic climate. Also positive is the fact that some deals that were put on hold earlier in the year due to COVID-19, have now been re-agreed.

Demand for sites suitable for residential development also continued in Q3. This was particularly the case for those with planning permission and within areas of interest to Approved Housing Bodies (AHB) and PRS operators. The stability in house prices and rents have assisted in providing developers with confidence to progress schemes. Additionally, the increase of the help-to-buy scheme maximum rate to €30,000 in the July stimulus package (and extended in Budget 2021) is positive for ready-to-go sites.

However, it was noted in Q3 that lenders have taken a more cautious approach to financing development opportunities. Lower loan-to-value ratios are on offer, which can mean that cash buyers have an advantage in the market.

SUPPLY

In terms of supply, about €270m worth of lands remained either sale agreed (but not yet closed) or on the market available for sale at the end of September 2020. In terms of sale agreed sites, the combined asking prices were close to €180m, including €125m for the glass bottle site, while there was a further €90m available for sale.

The key issue in Q4 and into the new year will be the lack of new sites coming on the market. Vendors are reluctant to release sites to the market given the uncertainty created by COVID, Brexit and the US Presidential election. However, greater certainty should be in place in early 2021, which will assist with improved supply.

NEW HOMES

Despite the unprecedented times, new home purchaser demand remained strong in Q3, from starter homes up to properties priced at over €1m. With show homes closed for several weeks and only reopening in June, pent up demand was very real in the quarter, particularly from first-time-buyers (FTB). The increase in the help-to-buy incentive in the July Stimulus and in Budget 2021 to a maximum of €30,000 (from €20,000) is hugely significant for buyers and has assisted in keeping many FTB in the market.

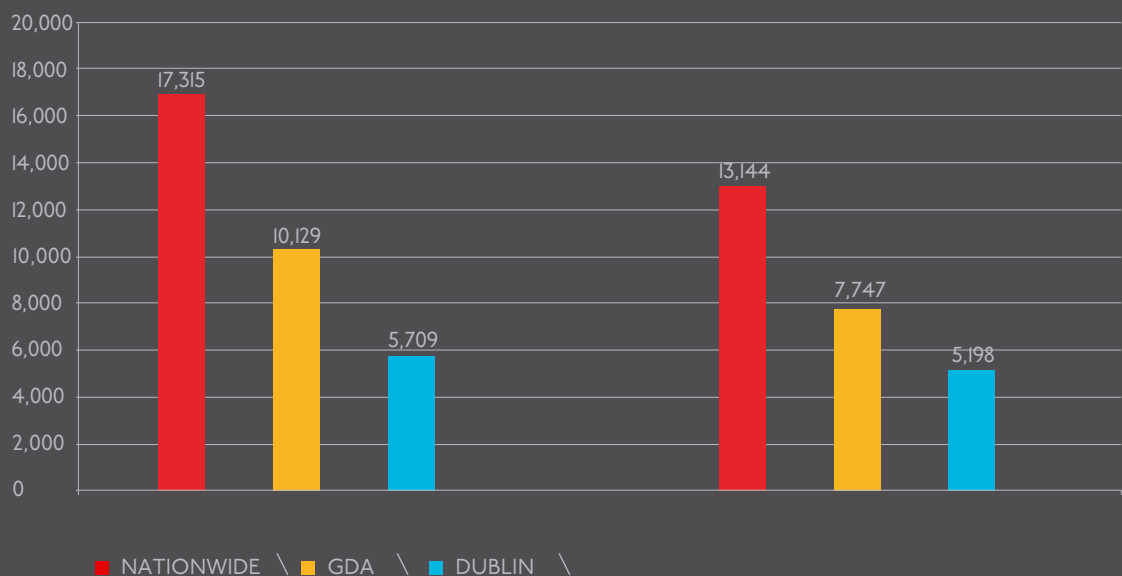
Surprisingly, there is also a good number of cash buyers in the market. They have been cautious in recent months about purchasing but their requirement for a home remains. It is likely that this cohort will be very active in the short-term and will no longer wait to secure their preferred home.

There remain challenges in the lending market. Many banks are not offering their quota of mortgage exemptions and some lenders are reluctant to provide loans to people receiving the Government's temporary COVID-19 wage subsidy scheme payments. However, on the positive side, the entry of a new mortgage lenders to the Irish market, namely Avant Money, is an important market stimulant. It will push down prevailing interest rate margins sought by traditional lenders and will act as a buying stimulus. Irish rates have been the highest in the eurozone and this is an overdue but positive development in the market.

As building sites were closed for at least seven weeks in Q2 and are now subject to social distancing safety requirements, there will be significantly delayed housing commencements and completions. In the first eight months of 2020, almost 13,150 units were started nationwide (7,750 in the GDA), which is 25% less than the same period of 2019. Additionally, it is likely that just 14,000 residential units will be built nationwide in 2020, a 34% reduction on 2019 and 44% fewer than expected. This will have a serious impact on supply in 2021 and will result in a shortfall.

COMMENCEMENT NOTICES (JANUARY – AUGUST 2019, 2020)

RESIDENTIAL UNITS



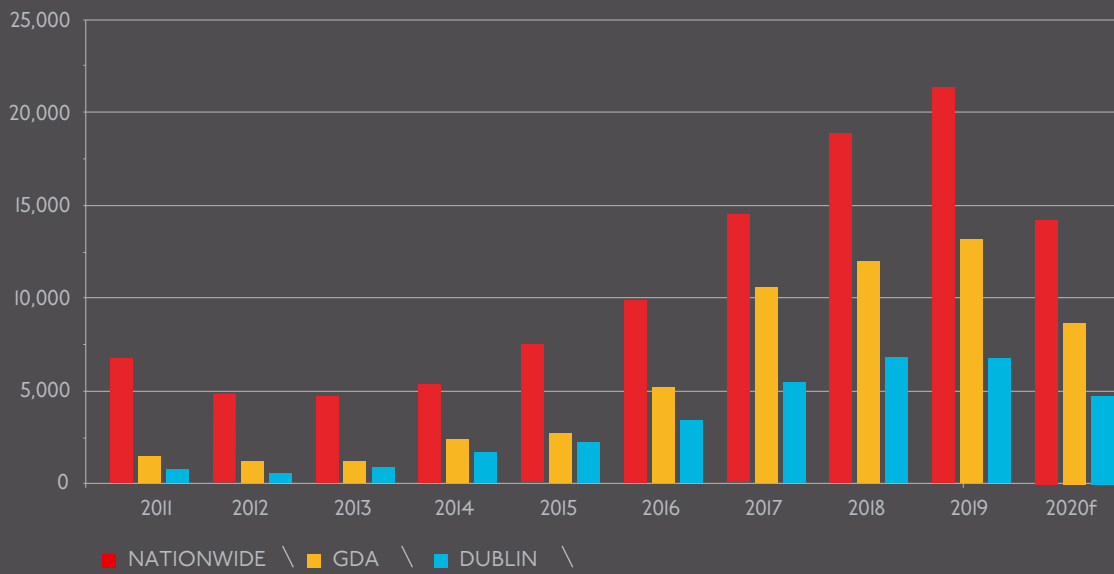
Source: Department of Housing Planning and Local Government, Lisney analysis



OLDTOWN WOODS

PLANNING PERMISSION GRANTS (2011 – 2020F)

RESIDENTIAL UNITS



Source: CSO, Lisney forecast and analysis

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