Lisney

DEVELOPMENT LAND
GREATER DUBLIN AREA
REPORT

H1 2022

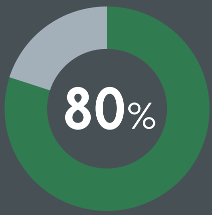
DEVELOPMENT

TURNOVER

≈€262m

576 ACRES

LOCATION



OF MARKET TURNOVER IN DUBLIN

WITH THE REMAINDER IN THE SURROUNDING GDA COUNTIES

STATUS

13 OF THE SITES SOLD

HAD PLANNING PERMISSION

(EITHER THE ENTIRE OR PART OF THE LANDS)

GDA ON-MARKET SUPPLY

€570m

41% OF WHICH WAS SALE AGREED AT THE END OF JUNE

LARGEST DEAL

REPORTED €63m

1-4 EAST ROAD, DUBLIN 1
SOLD IN Q2 2022

PLANNING PERMISSIONS GRANTED Q1 2022

532,000 SQM
CONSTRUCTION RESIDENTIAL

446,000 SQM
CONSTRUCTION NON-RESIDENTIAL

Source: CSO

OVERVIEW

The development land market in the greater Dublin area (GDA) performed reasonably well in H1 2022 with activity levels exceeding €260m. Demand remained for good quality well-located ready-to-go sites. New development plans will come into effect for all four Dublin local authorities in 2022 and 2023, which will have various impacts on the development land market going forward. Key developer concerns in the market remain focused on construction cost inflation, supply chain constraints, labour shortages and rising debt costs.

IFSC, DUBLIN 1

ACTIVITY

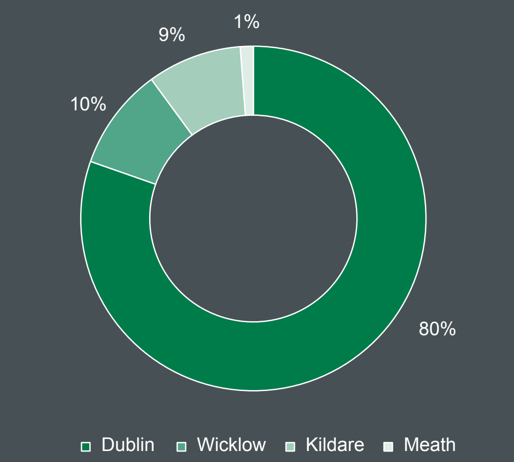
The opening months of 2022 were reasonably quiet in the GDA's development land market as developers adopted a slight wait-and-see approach, digesting 'Housing for All', growing costs (both finance and construction), supply chain and labour issues. In spite of these ongoing issues, activity picked up in Q2 and market turnover for the first half of the year was just over €260m. The average deal size in H1 was €7.3m, up from €5m in Q4 2021, although, it remained substantially below €15m in Q3 2021. There was a total of 36 deals concluded in the first six months of the year in the greater Dublin area. Most activity took place in the sub-€5m lot size category with 24 sales accounting for approximately 22% of the total turnover. There were five deals larger than €10m, two of which were in excess of €50m each. Combined, these two deals accounted for 44% of the H1 turnover.

The largest transaction (in terms of price) comprised Glenveagh's off-market sale of 5.2 acres at 1-4 East Road in Dublin 3, which was acquired by Eagle Street Partners Group for a price in excess of €60m. The site has full planning permission for 554 apartments with office/ enterprise, retail and a crèche uses on the ground floor. The second largest sale comprised IPUT's acquisition of 118 acres of greenfield 'general employment' land at Killamonan Business Park for over €50m. The land is adjacent to the 64-acre Cherryhound site on the M2 acquired by IPUT in 2021, where IPUT intends to develop Nexus Distribution Park.

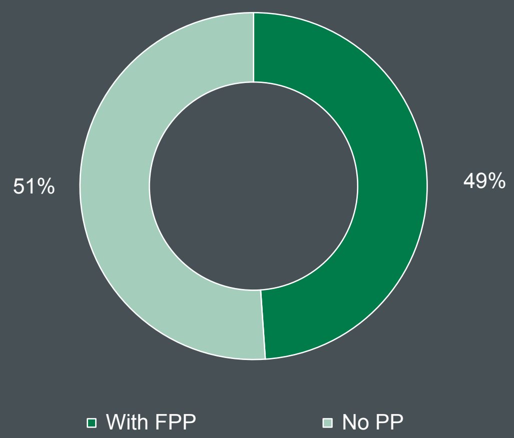
In H1 2021, 13 out of 36 sites sold had planning permission. This represents 30% of all land sold in terms of the total size (acres), however, when considering the turnover share, these sites account for 49% of all activity. In addition and similar to other sectors of the market, there has been a notable increase in off-market deals taking place directly between vendors and developers. This trend is likely to continue in the short to medium-term with also the possibility of more subject to planning deals.

As highlighted previously, redevelopment opportunities will be a source of supply, particularly from the licensed trade sector. This was seen in the first half of the year in Dublin with four pubs sold for redevelopment purposes (Walkinstown House, The Red Parrot, The Kestrell Inn and McEvoy's). There were also notable older office buildings sold that will be redeveloped.

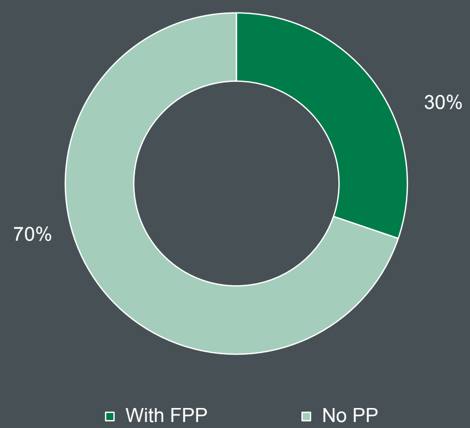
GDA DEVELOPMENT LAND ACTIVITY
H1 2022



TURNOVER BY PLANNING STATUS
H1 2022



ACERS BY PLANNING STATUS
H1 2022



DEVELOPMENT

SUPPLY

At the end of June 2022, the number of sites available through on-market sales were limited with potential vendors remaining reluctant to bring opportunities to the market. While this was due to COVID-related restrictions in 2020 and 2021, in more recent months it is more so because of constrains and inflation in the construction industry, as well as uncertainty brought about through proposed housing policy. On-market supply in the GDA was approximately €570m at the end of June 2022, 41% of which was sale agreed.

COUNTY DEVELOPMENT PLANS

All four Dublin local authority areas will implement new development plans in 2022 or 2023. Dun Laoghaire Rathdown has already adopted its new plan with Dublin City and South Dublin due later this year and Fingal to follow in 2023. In terms of the three still to be finalised and implemented, the Office of the Planning Regulator (OPR) has provided assessments on draft plans and recommended changes. Much of this relates to aligning with national policies and legislation with one of the most notable recommendations relating to build-to-rent (BTR) in Dublin City.

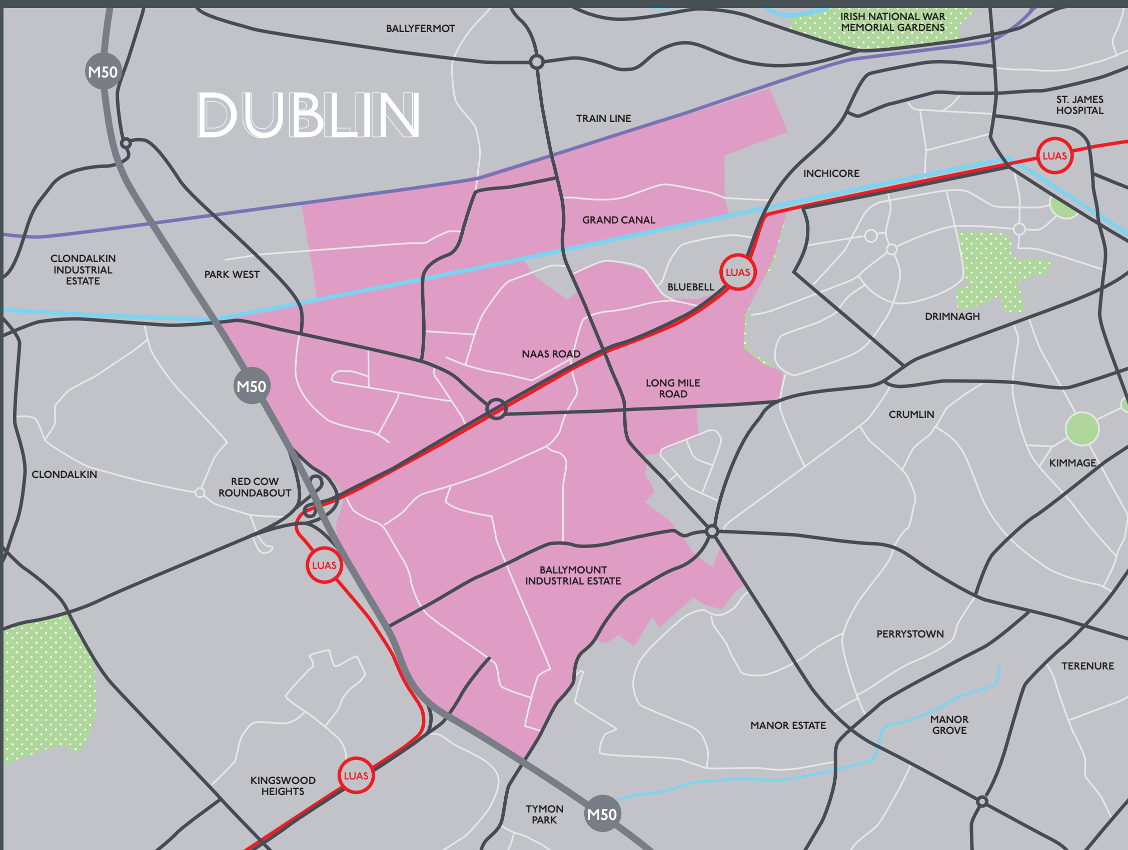
In our Lisney Outlook 2022 document (January 2022), we highlighted some concerns relating to the draft Dublin City Development Plan 2022 – 2028. Some of these were also highlighted by the OPR. One of our key concerns centred on the BTR sector, and the presumption against BTR schemes containing fewer than 100 units but also a presumption against BTR schemes with more than 100 units that were 100% directed towards the rental market. In terms of the latter, to be viewed favourably by the authority, 40% of units must be available to individual purchasers. While we understand why DCC's plan was adopting this approach given the lack of new apartments available to buy by homeowners (and the perceived excessive BTR development in the city), it did fail to recognise that build-to-sell (BTS) apartment development generally remains unviable to construct in most areas. Consequently, we had a fear that such restrictive measures could delay the development of apartments in the city (where greatest demand comes from renters).

The OPR also had concerns on these BTR measures. Specifically, it highlighted the lack of clarity on how a 60/40 split between BTR/BTS would work in practice; the national policy on apartment standards; and the fact that there is no policy or evidence to support the view that a scheme with less than 100 units cannot provide meaningful communal facilities. The OPR has recommended the following:

- The potential for over-concentration of BTR apartment development in the city is dealt with through the planning system by requiring BTR applications to contain an assessment of other permitted BTR developments within a 3km vicinity and then demonstrate how the subject scheme would not result in an over-concentration of one housing tenure in a particular area.
- Discouraging BTR schemes with fewer than 100 units is contradictory to compact growth and the policy must be omitted from the development plan.

CITY EDGE PROJECT

Lisney 2022 Outlook document also discussed the City Edge Project, a joint initiative between Dublin City and South Dublin County Councils. The aim of the project is the regeneration / re-imagination of over 1,700 acres around Park West, the Naas Road and Ballymount. While we welcome this project in terms of compact growth and the intensified use of lands, there has been very little engagement with existing businesses in the area. It will be important for these businesses, and indeed residents, to engage with their local authorities prior to this plan becoming statutory – likely to be later this year. At present, many businesses could easily become displaced and with available industrial and commercial premises at record low levels, alternative suitable accommodation will be difficult to source.



CITY EDGE PROJECT

Source: City Edge Project

METROLINK

Just at the start of Q3, the Minister for Transport secured Cabinet agreement to progress MetroLink with an application due to be lodged in September. This will comprise 19.4km of rail line and 16 stations (most underground), connecting Charlemont in the city centre with Swords (and Dublin Airport). It is not due to be operational until 2030 (construction commencing in 2025) but will be able to carry 20,000 passengers per hour in each direction. By way of reference, the Luas Green Line carries 9,000 passengers per hour in each direction. According to the government, 175,000 people and 250,000 jobs will be accessible to the MetroLink stations by foot, but they will also be accessible to more than one million people in Dublin when combined with other public transport. The project carries an estimated cost of between €7.16bn and €12.25bn, one quarter of which will be funded by public private partnership.

This is very positive news, particularly for development potential north of the River Liffey. It will provide shorter commutes for city centre workers and provide tourists (and indeed Dubliners) with a direct train line to Dublin Airport. It will assist in development viability, particularly for apartment schemes outside of the inner-city.

SOURCE: Transport Infrastructure Ireland

DEVELOPMENT

OUTLOOK

OUTLOOK

1 Demand will remain strongest for good quality ready-to-go development sites over the remainder of the year. However, developers will be cautious when considering all sites – those with and without planning permission. Sales processes will be more challenging due to changing viability caused by rising costs (both finance and construction), labour shortages and supply chain issues. Subject to planning deals may become more common.

2 The costs and supply issues will remain key concerns for developers in the second half of the year. While public sector projects will be less impacted due to the co-operation framework put in place to fund up to 70% of additional construction costs since the beginning of the year, private sector projects will need to absorb the growing costs. Most are hopeful many of these will be temporary, but the continued impacts of the pandemic and war in Ukraine will likely need to stabilise before significant improvements will be seen. This is unlikely to be before mid-2023.

3 Rising interest rates, not just in Europe but around the world, will begin to impact those requiring debt to acquire sites and develop out schemes. This may make currently marginal schemes unviable once again.

4 Redevelopment opportunities will continue to come to the market as a source of supply, including some public houses in the suburbs and older city centre commercial buildings.

5 The government has prepared a general scheme of bill in relation to the 'Housing for All' proposals for Land Value Sharing (LVS) and Urban Development Zones (UDZ). The preliminary bill is being independently assessed at present, however, as drafted there are a number of areas of concern. These include issues on market value definitions and its calculation; incorrectly combining 20% Part V requirement with 30% land value sharing to arrive at a 50% sharing despite each calculation coming from a different base; lack of clarity on ringfencing monies collected and how it will be spent; and how LVS and UDZ will interact with the proposed zoned land tax, among other matters.

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