

**DEVELOPMENT LAND
GREATER DUBLIN AREA
REPORT**

Q3 2022

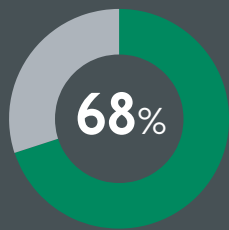
Lisney



TURNOVER

≈ €59_m
≈ 576 ACRES

LOCATION



OF MARKET
TURNOVER
IN DUBLIN
WITH THE
REMAINDER
IN THE
SURROUNDING
GDA COUNTIES

STATUS

8 OF THE
SITES SOLD
HAD PLANNING
PERMISSION

GDA ON-MARKET SUPPLY

€580_m
36% OF WHICH WAS
SALE AGREED AT
THE END OF
SEPTEMBER

LARGEST DEAL

€6.2_m
OFF-MARKET SALE OF
LANDS IN WEST DUBLIN

PLANNING PERMISSIONS GRANTED Q2 2022

503,000 SQM
CONSTRUCTION RESIDENTIAL

189,000 SQM
CONSTRUCTION NON-RESIDENTIAL

Source: CSO

DEVELOPMENT

OVERVIEW

Like many other sectors of the property market, the dynamics within the development land market changed further in Q3. The adjustments in the global economic outlook along with rising interest rates, brought with it a shift in developer and funder attitude. With construction cost inflation running at record levels, along with continued supply chain and labour issues and an increase in the cost of development finance, development land values adjusted downwards as the viability of potential schemes turned negative.

There is evidence of developers who were due to begin schemes in 2022 putting them on hold for six to 12 months as costs are too high. There is also evidence that demand for ready-to-go sites with full planning permission is attracting fewer buyers, again because the costs of development in the short-term are too high. A notable example at the end of the quarter was reports that Ballymore has pulled out of a €45m deal to acquire 27 acres in Clongriffin, where the lands have full planning permission for 1,938 apartments, 58% of which are earmarked for the PRS market. Ballymore had been selected as the preferred bidder on the lands in March, but it has been reported that with rising costs, the developer can no longer make the scheme viable. This is a very concerning development in the market and for the housing crisis. It is also very concerning that the Fianna Fáil party (of which the housing minister Darragh O'Brien is a member) voted to end build-to-rent specific apartment standards. This will further add to the cost of building certain PRS schemes and likely to make many unviable in the future. If PRS schemes do not proceed, the gap left will not be filled by a build-to-sell owner-occupier model as this type of development will be even more unviable. Hence, the supply shortage and the housing crisis will only get worse.

The rising costs and viability issue was further impacted by Budget 2023 towards the end of September as a 10% levy was mooted for concrete products. The Department of Finance has stated that this will add up to €1,600 to the building cost of a typical three-bed semi-detached home, while the SCSi estimate significantly more, at up to €4,000. Given the significant issues in the development space at present, this is a poorly thought-out and ill-timed measure that will have serious negative consequences for housing supply, end prices and construction companies.

ACTIVITY

The weaker market sentiment is reflected in the volume of development land sales. Turnover in the market in the greater Dublin area (GDA) was approximately €59m in Q3. This brings the market turnover for the first nine months of the year to over €340m, about 18% less than the €410m transacted in the same period of 2021. It is also notable that the average lot size has reduced significantly in recent months with no large-scale sites sold.

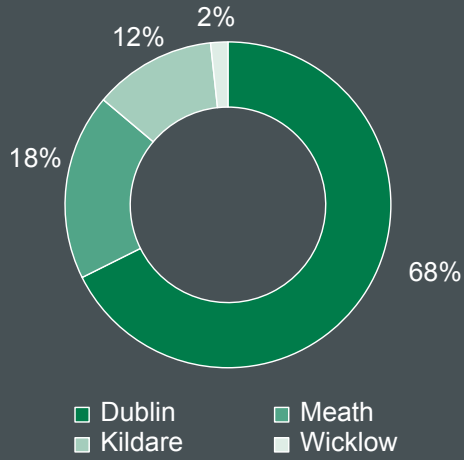
The two largest transactions were both off-market residential sites and both were in West Dublin, one with planning and one without, at €6.2m and €6m respectively. In Co Meath, there were three residential land sales, one in Duleek (12.3 acres / €4m), another in Dunshaughlin (9.02 acres / €3.5m) and one in Ashbourne (5.4 acres / €3.35m). Also of note were 11.3 acres of industrial / warehousing lands on the Monread Road in Naas, Co Kildare, which sold for €4m, almost €355,000 per acre. Despite the significant need for industrial accommodation, there were no further industrial land sales.

SUPPLY

At the end of September 2022, the number of sites available through on-market sales was limited, about 18 available in the GDA. However, we anticipate improvement in supply in Q4 and into the first half of 2023. The quoting price for these lands is likely to be up to 30% less than where values were in 2019 and 2020. Vendors will vary; some will be investors or developers in receivership or forced to sell by funders, while others will be selling due to increased development costs and an inability to progress building works. 'Housing for All' and other policy changes might also feed into landowners' decision to sell, with schemes potentially becoming unviable or more complicated. Delays due to a slow planning process (see In Focus below) may also impact these. Religious orders are always a source of supply and will be sellers as well.

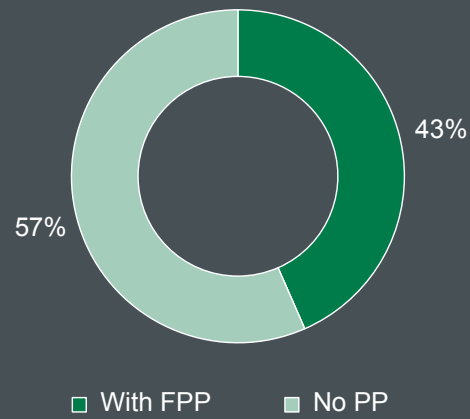
GDA DEVELOPMENT LAND ACTIVITY

Q3 2022



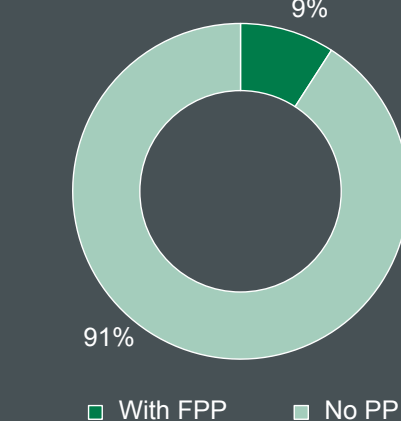
TURNOVER BY PLANNING STATUS

Q3 2022



ACERS BY PLANNING STATUS

Q3 2022



Source: Lisney

IN FOCUS - HOUSING SUPPLY DELAYS

Delays in housing delivery to address the housing crisis has been an important topic of conversation for many years now. Lisney has been talking about the need to build more homes for over a decade. The factors feeding into the delay are wide ranging and continue to evolve. In the last nine to 12 months, significant construction cost inflation, along with labour shortages and supply chain issues have been to the fore. Also to the fore are the delays being caused by Judicial Reviews of grants of planning permission, as well as the long delays in decisions being reached by an understaffed An Bord Pleanála. These latter two issues are considered in greater detail below.

JUDICIAL REVIEWS

What is a Judicial Review?

A Judicial Review (JR) is a mechanism whereby an application can be made to the High Court to challenge the legality of acts of administrative bodies. Applicants seeking to challenge a decision of a planning authority or An Bord Pleanála (ABP) primarily use procedures set out in Sections 50 and 50A of the Planning and Development Act 2000, which must be made within eight weeks of a decision.

Why have planning decisions been subjected to greater levels of JRs in recent years?

The Strategic Housing Development (SHD) system was introduced in July 2017. Its original intention was to fast-track housing development by allowing large-scale residential applications (> 100 houses and apartments and > 200 student beds) by-pass the local authority planning process and make applications directly to ABP. However, the system brought with it fewer opportunities for interested parties to make observations, which has instigated greater levels of JRs as the only means to object. Ultimately, this has resulted in significant delays in a large number of schemes



progressing and has now been replaced by the Large-Scale Residential Development (LRD) system. LRD has restored the two-stage planning process for large residential schemes (> 100 houses and apartments and > 200 student beds), whereby the initial application is to the local planning authority (with prescriptive timeframes for the three stages) with a subsequent right to appeal to ABP.

How much housing supply has been delayed or lost?

According to the FP Logue SHD Tracker, 95 SHD planning grants have been subject to JRs, which accounts for about 30% of all SHD applications granted permission. These 95 schemes contained almost 33,000 units or bed spaces; just over 30,000 houses and apartments, over 1,000 shared living units, and over 1,800 student bed spaces. To date 31 schemes have had their permission quashed by the High Court (i.e. a successful JR), four JRs have been refused while a further 49 are still pending decision. Of the schemes quashed to date, there has been a loss of 9,700 houses and apartments, 294 shared living units, and 597 student beds. The reasons for planning grants being overturned vary, including compliance with national and European law, some suffered from procedural or administrative errors and were set back for approval, additional environmental assessments, or not complying with upcoming development plans.

SHD JUDICIAL REVIEWS – UNITS / BEDS

| | HOUSES & APARTMENTS | STUDENT | SHARED LIVING | TOTAL |
|-------------------|---------------------|---------|---------------|--------|
| Granted / Pending | 18,833 | 1,240 | 771 | 20,844 |
| Quashed | 9,699 | 597 | 294 | 10,590 |
| Refused | 1,509 | | | 1,509 |
| Total | 30,041 | 1,837 | 1,065 | 32,943 |

Source: FP Logue SHD Tracker

An Bord Pleanála

An Bord Pleanála has faced staffing challenges for some time. However, more recently it has faced misconduct allegations with its former deputy chairman not declaring conflicts of interest, which resulted in an independent review and referral to gardaí and the DPP. Consequently, it has not had sufficient staffing resources to manage its significant workload and it has been reported that it is currently taking up to 18 months to receive an appeal decision and up to eight months to get an SHD decision. Unfortunately, the delays are unlikely to be addressed until the 'Planning and Development – An Bord Pleanála Appointments Bill' is enacted. The general scheme of this bill is due and is listed within the Government's legislative programme for the Autumn 2022 season, which means it will be at least 2023 before there is any improvement.

Impact on Housing Supply

The delays in the planning system through JRs and just getting a decision from ABP has begun to impact on housing starts. In the eight months to the end of August 2022, 10,389 units commenced construction. This is 2,519, or 19.5%, fewer than the same period of 2021, which included a three-month period where building sites were effectively closed and only social schemes could start construction. This is a very worrying trend for housing supply in the GDA into 2023 and in particular for the success of the various initiatives adopted to assist first-time-buyers purchasing a newly constructed home, which also means many will be in the rental market for longer. It is also worrying for the rental market as PRS schemes that are providing units to replace private individual investors exiting the market will not come on stream as quickly, if at all.



OUTLOOK

- 1 Supply will improve in the months ahead. While these lands will come with reduced asking prices, this provides opportunities for new owners. Having paid less for the site, their viability level will be different to the previous owner. For deals to complete, vendors and purchasers will need to be aligned on price.
- 2 Sales processes will be more challenging and subject to planning deals may become more acceptable to vendors with non-refundable deposits being sought.
- 3 The costs and supply issues will remain key concerns for developers in the final months of the year and into 2023. Most are hopeful many of issues will be temporary, the continued impact 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.
- 4 Rising interest rates, not just in Europe but around the world, is seriously impacting those requiring debt to acquire sites and develop out schemes. As rates rise further, marginal schemes will become unviable once again.
- 5 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.
- 6 Various housing initiatives / policies have been included on the Government's Autumn legislative programme. These include introducing new provisions to deal with land value sharing and urban development zones, arrangements for ABP appointments, and to review and replace the Planning and Development Act 2000 with a consolidated bill to provide better clarity and structure to the current code.
- 7 Dublin City Council's finalised development plan for the period up to 2028 is due in Q4 and will include some amendments from the original draft to take account of the Office of the Planning Regulator's submission, such as policies related to the development of new PRS schemes. This new development plan will have an impact on the city's development land market in the years ahead.

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