Lisney

DEVELOPMENT LAND
GREATER DUBLIN AREA
REPORT

Q4 2022

TURNOVER

≈€188m

≈113 ACRES

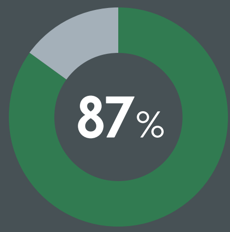
LARGEST DEAL

REPORTED

€100m

OFF- MARKET SALE OF WATERFRONT, CITY BLOCK 9 SITE

LOCATION



OF MARKET TURNOVER IN DUBLIN

WITH THE RE-MAINDER IN THE SURROUNDING GDA COUNTIES

STATUS

10 OF THE 18 SITES SOLD

HAD PLANNING PERMISSION

GDA ON-MARKET SUPPLY

€218m AVAILABLE

€144m SALE AGREED

PLANNING PERMISSIONS GRANTED Q3 2022

318,000 SQM

CONSTRUCTION RESIDENTIAL

81,000 SQM

CONSTRUCTION NON-RESIDENTIAL

Source: CSO

DEVELOPMENT

OVERVIEW

The development land market in the greater Dublin area (GDA) performed well in Q4 2022 with activity levels of €188m. Despite this, the market remains challenging with demand for good quality well-located ready-to-go sites attracting fewer buyers due to the elevated costs of development in the short-term.

The adjustments in the global economic outlook along with rising interest rates brought 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 in 2022 as the viability of many potential schemes turned negative. There is evidence that developers who were due to begin schemes in 2022 put them on hold for six to 12 months. Some developers are acquiring long-term redevelopment opportunities that generate income for the short to medium term until costs stabilise.

ACTIVITY

In Q4 2022, a total of 18 development sites were sold in the greater Dublin area (GDA) totalling approximately €188m. This brings the market turnover for 2022 to over €522m, a similar level to €525m transacted in 2021. Dublin accounted for 87% of the total turnover, with a further 11% in Co Wicklow and the remainder spread across Co Meath and Co Kildare. Ten of the 18 sites sold had planning permission, representing 57% of all land sold in terms of the total size (acres) and 82% of the turnover. The average development site deal size in Q4 was €10.5m which was substantially above the average size in Q3 (€3m) and was driven by the top four deals, each of which was over €10m. Three of these are in Dublin and one in Co Wicklow. Combined, the top four deals accounted for 82% of the Q4 turnover. Most land sales were sold for sub €5m (12 sites).

The largest transaction was the sale of an off-market development site in the North Docks, Dublin 1 for a reported €100m (4.6 acres). The entire site has planning permission for a mixed-use development comprising office and residential elements. As reported, the sale included the commercial element only and on completion, a portion of it will serve as Citi Bank's new European HQ.

A 0.95 acres site with no planning permission at Beach Road in Sandymount, Dublin 4 was sold for €15m. The site previously had planning permission for 89 residential units and was sold on a subject-to-planning basis for 112 units. A notable transaction outside Dublin includes DRES acquisition of a site in Newtownmountkennedy, Co Wicklow for €21.5m (47.6 acres). The site has planning permission for 488 residential units.

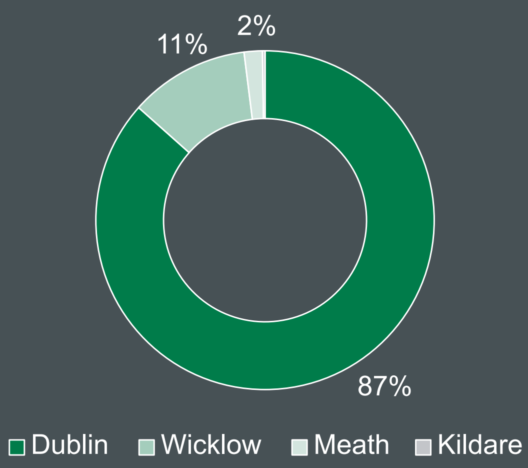
In addition to the development land sales, there were several significant redevelopment opportunities sold in Q4, all of which are in Dublin. They all comprise existing buildings in situ that are generating income and have no planning permission granted, although some have had feasibility studies carried out. The most notable transaction comprised the sale of the existing Citi Bank HQ (a 6-storey over basement office building) at No.1 Northwall Quay in Dublin 1 which was sold to Ronan Group for €140m. Citi Bank will remain in occupation until their new HQ in the North Docks is complete. Feasibility studies for a refurbishment; refurbishment and extension; and a full redevelopment has been completed. Other notable redevelopment opportunities include 19-24 St Andrew's Street, Dublin 2, the ground floor of which is occupied by An Post (sold for €11m); 12A Camden Row, Dublin 8 operating as a business centre with 66% occupation (sold for €8.25m); and 85 - 87 Lagan Road, Dublin Industrial Estate in Glasnevin let to WestRock (sold for €4.75m).

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.

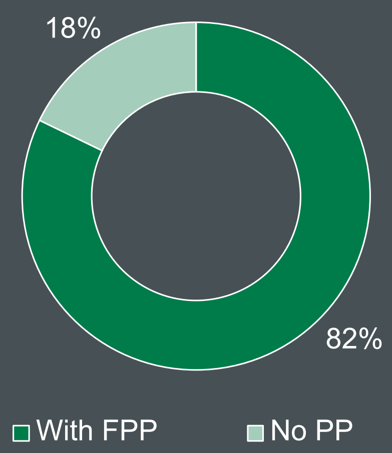
GDA DEVELOPMENT LAND ACTIVITY

Q4 2022



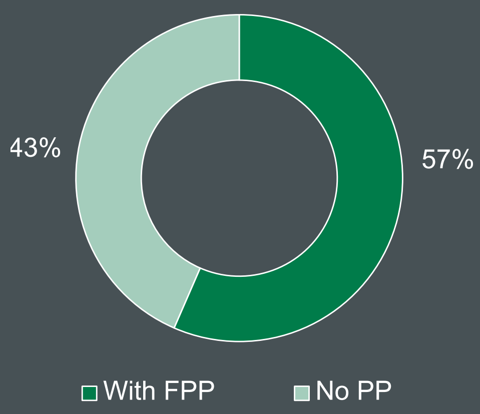
TURNOVER BY PLANNING STATUS

Q4 2022



ACERS BY PLANNING STATUS

Q4 2022



Source: Lisney

IN FOCUS - LEGISLATION

A comprehensive new planning act is due in 2023, which will replace the 2000 Act and all of its amendments. Waiting for this legislation did cause some upheaval to the market last year, as many were awaiting the certainty provided by new legislation. This was especially significant given the large amount of change in planning and residential policy in recent years. Once adopted, it should assist in providing greater certainty to developers and landowners. It should also help in addressing the long delays in planning decisions, the appointment of staff to An Bord Pleanála, which is vastly under-resourced, along with streamlining judicial reviews.

The Residential Zoned Land Tax will apply to serviced residentially zoned lands from the 01 January 2024. However, the final identification of applicable land will be in the coming months, and it will be important for landowners to make submissions to the relevant local authority if they intend on keeping lands in their existing use for the foreseeable future.

It has been reported that the apartment regulations are due to be amended, removing the different minimum requirements set out for Build-to-Sell and Build-to-Rent apartments. It is unclear yet what minimum standards will be set for all apartments or if they will be different to the existing Build-to-Sell standards. This may have a large impact on the viability (positive or negative) of apartment lands, depending on how the standards change.

69 AND REAR GARDEN 67 ROCK ROAD, BLACKROCK, CO. DUBLIN

SITES 3000A, 3002 & 3011 LAKE DRIVE,
CITYWEST BUSINESS CAMPUS, DUBLIN 24

OUTLOOK

1. It is likely to be at least mid-2023 before demand for sites improves and into the second half of the year before activity levels increase.

2. Many primary and secondary funders will remain largely absent from the market in the opening months of 2023, unwilling to lend until there is more certainty on interest rates stabilising. This will mean that cash purchasers will be the dominant buyer type in the short-term, but they will only consider deals when they see value. Those requiring debt to acquire lands will find it more difficult, however some funding will be available to those with debt-free viable sites and are willing to build-out schemes.

3. Supply will improve in 2023 and 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. Sales processes will be more challenging and subject to planning deals may become more acceptable to vendors with non-refundable deposits being sought.

4. The costs and supply issues will remain key concerns for developers in 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.

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. 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.

MEET OUR TEAM

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