

DEVELOPMENT LAND

H2 2023



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While the development land market in the greater Dublin area (GDA) improved in H2 2023, it remained challenging amid global economic uncertainties. Demand primarily continues to be focused on sites with full planning permission, but it was hampered by elevated construction and finance costs. While market activity levels will improve in H1 2024, caution from funders may continue to impact debt-funded purchases. The outlook for the market remains uncertain due to delays and other issues in the planning system but inflation pressures are alleviating.

▲ ≈ €330.3m

≈ 210 acres

Turnover

▲ 35

Number of Deals

▲ €152m

Lands at Lansdowne Place, Dublin 4

Largest Deal

▲ 93%

Dublin

▼ 71%

of Turnover

**Full Planning
Permission**

▲ €9.7m

Average Deal Size

Arrows represent bi-annual trends unless otherwise stated.

Activity

The development land market, like other sectors in the commercial and residential property markets, faced continued challenges in the second part of 2023 amid the global economic and geopolitical landscape.

The impact of elevated inflation and tighter monetary policies worldwide has resulted in a decline in commercial real estate values and liquidity, leading to a slowdown in development land sales volumes in 2023. The increasing cost of debt remains a concern. However, there are some positive signs as construction cost inflation, which has been a headwind to market activity, is gradually easing.

In H2 2023, a total of 35 development sites with combined selling prices of €330.3m were sold in the GDA. The largest deal was the USA Embassy's acquisition of 4.23 acres at Lansdowne Place (former Jurys Hotel) in Ballsbridge, Dublin 4 for €152m where a new embassy will be built. This accounted for 46% of H2 activity. Other notable transactions include:

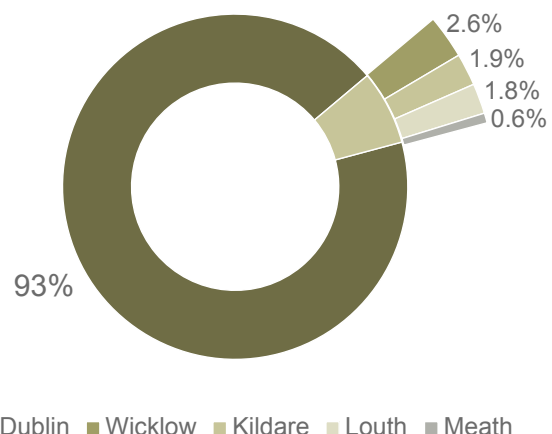
- €38m (€1,390 per acre) sale of 27.4 acre lands in Clongriffin laid out in 2 lots. The site has full planning permission for 1,823 residential units, a 209-bedroom hotel with 20 apartments for short-term lettings and 22,700 sqm of commercial space.
- €27m sale of 62 acre site at Rathbeale Road in Swords. The site has no planning permission (€435,000 per acre), however, there is the potential to deliver in excess of 1,000 residential units.
- €15m (€3m per acre) sale of 5 acres at Rockbrook, Sandyford sold by IRES to Comer Group which will hopefully see the former Sentinel Building redeveloped.
- The sale of lands at Shackleton Road in Celbridge extending to 11.6 acres. The site also has no planning permission and was sold for €6.38m (€550,000 per acre).
- A 6.6-acre site at in Sandymount was sold for €6m or €910,000 per acre. The site has no planning permission and currently generates an income of €200,000pa.

The average deal size of development sites sold in H2 2023 was €9.7m, an increase compared to €3.3m in H1 2023. Notably, if the former Jurys Hotel site is excluded, the average deal size falls to €5.4m.

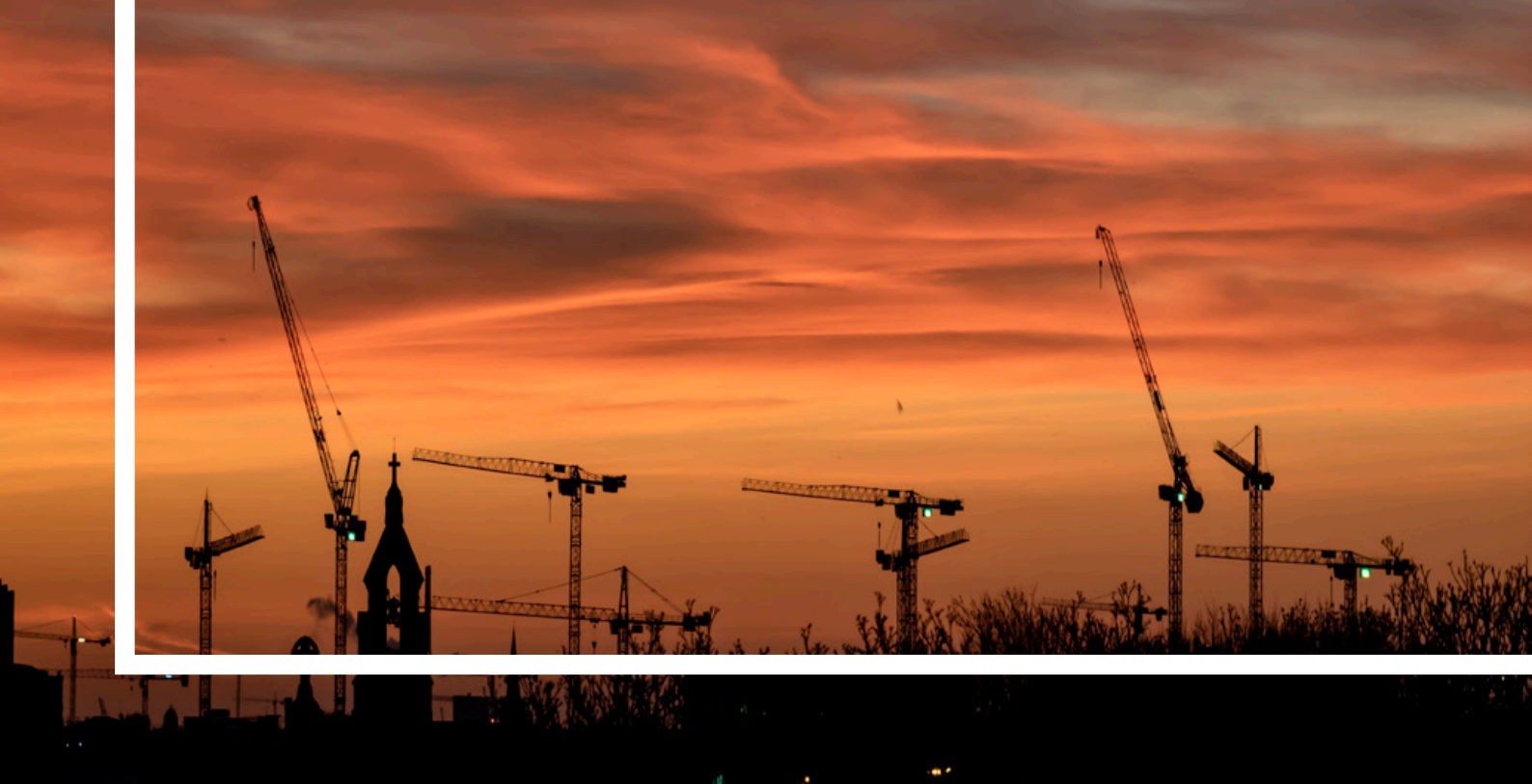
Dublin accounted for 93% of the total turnover in H2 2023, with the remaining 7% spread through Co Wicklow (2.6%), Co Kildare (1.9%), Co Louth (1.8%) and Co Meath (0.6%).

Out of the 35 sites sold in H2 2023, 15 had planning permission, making up 37% of the total land sold by size (by acres) and 29% of the turnover.

GDA Development Land Activity (H2 2023)



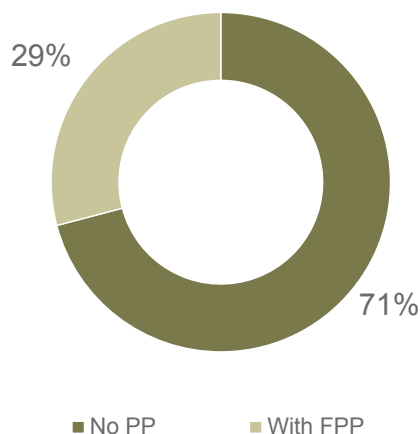
Source: Lisney



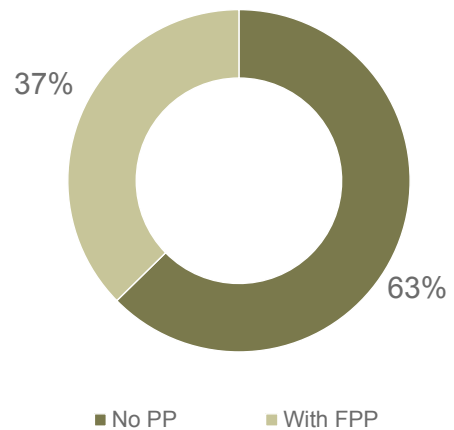
The low sales volume indicates the challenging conditions in the market, driven by uncertainties and cost pressures. Discrepancies between national and local planning policies, along with a rise in judicial reviews of approved planning applications, have contributed to a reduction in the number of development land deals. As a result, developers are taking a cautious approach and adapting their strategies to effectively navigate the evolving market dynamics. For example, many only have demand for sites with full planning permission that are ready-to-go, and which are economically viable.

However, despite the levels of activity, more than €120m worth of land was sale agreed in the GDA at the end of December 2023. Over 75% of this was in Dublin with the remainder spread across Co Wicklow, Co Kildare and Co Meath. In reality, this figure is likely higher given that about one-third of activity has been taking place off-market in recent times.

Turnover by Planning Status (H2 2023)



Acres by Planning Status (H2 2023)



Source: Lisney

Supply

At the end of December 2023, the number of sites available through on-market sales was limited; about 34 were available in the GDA with combined asking prices of €410m.

In the coming months, new supply is expected to come from various types of vendors. Some will be investors and developers in receivership or forced to sell by funders, while others will be selling due to higher development costs and challenges in progressing with building works. Many developers that acquired sites using secondary funding in the last 36 months may now need to refinance, which might also contribute to the supply.

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However, refinancing may prove challenging given the cost and availability of funds from both traditional and alternative lenders, as such, some will be forced to sell. Furthermore, 'Housing for All' and other policy changes might also impact landowners' decisions to sell, as certain developments may become unviable or more complicated to deliver.

Demand

Currently, most potential purchasers are only seeking land with planning permission. This is predominantly driven by probable time delays and risks associated with obtaining planning permission.

The demand for zoned land without planning permission depends on its location and access to services and amenities. It must be priced right to sell.

In the private sector, many primary and secondary funders will remain largely absent from the market in the opening months of 2024, reluctant to lend on land until interest rates begin to come down and there is more certainty on the direction of the economy generally. There may however be some construction lending for those with debt-free viable sites. That said, there remains an acute shortage of 'beds and sheds', which will drive demand. Cash purchasers will be in a very good position, but they will only consider deals when they see value.

In addition, the public sector through the Land Development Agency, local authorities and approved housing bodies will be the key purchasers of land and forward commitments of schemes in 2024. Significant government funding is available, however individual bodies' capacity constraints may hold back activity.

Building materials and interest rates have likely peaked and declines are expected over the course of 2024.



Outlook

Building materials and interest rates have likely peaked and declines are expected over the course of 2024.

The new Planning and Development legislation is earmarked to be enacted in mid-2024, and it is hoped it will speed up the planning process.

It is likely that activity levels will continue to increase as the year progresses.

Many primary and secondary funders will remain largely absent from the market in the months ahead, 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.

Meet The Team

THE DEVELOPMENT LAND TEAM



Cathal Daughton
Senior Director



Andrew Conlan
Surveyor

THE LISNEY RESEARCH TEAM



Aoife Brennan
Senior Director



Ausra Marcelyte
Senior Research Analyst

OUR OFFICES

DUBLIN

St. Stephen's Green House,
Earlsfort Terrace, Dublin 2,
D02 PH42

t: +353 (0) 1 638 2700

e: dublin@lisney.com

CORK

1 South Mall,
Cork, T12 CCN3

t: +353 (0) 21 427 5079

e: cork@lisney.com

BELFAST

Montgomery House,
29-33 Montgomery Street,
Belfast, BT1 4NX

t: +44 2890 501501

e: belfast@lisney.com

