



New Homes Construction Survey

2022

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It is my pleasure to introduce the Knight Frank New Homes Construction Survey 2022.

For many years our highly experienced team has worked closely with national and international developers, landowners and local authorities to deliver financially viable residential development projects. We have utilised this extensive network in order to ask the development and building community their thoughts regarding the future of the new homes construction market.

I trust you will find this report and its insights useful. Please do reach out to myself or my colleagues on the Knight Frank Development Land or New Homes teams if you have any follow up queries.

JAMES MEAGHER
DIRECTOR

The survey findings indicate that significant challenges lie ahead for the development sector in its efforts to meet market demand.

Although 56% of respondents believe that their development activity will be stronger in 2022 compared to 2021, the findings of the Knight Frank New Homes Construction Survey highlights a number of issues such as a shortage of development land, planning delays and spiralling labour and material costs which raises questions about the industry's ability to deliver sustained improvements in the number of completions over the medium-term.

Firstly, while the appetite for acquiring development land remains strong among our respondents, with 73% intending on adding to their landbank in 2022, opportunities are scarce as 84% of respondents believe

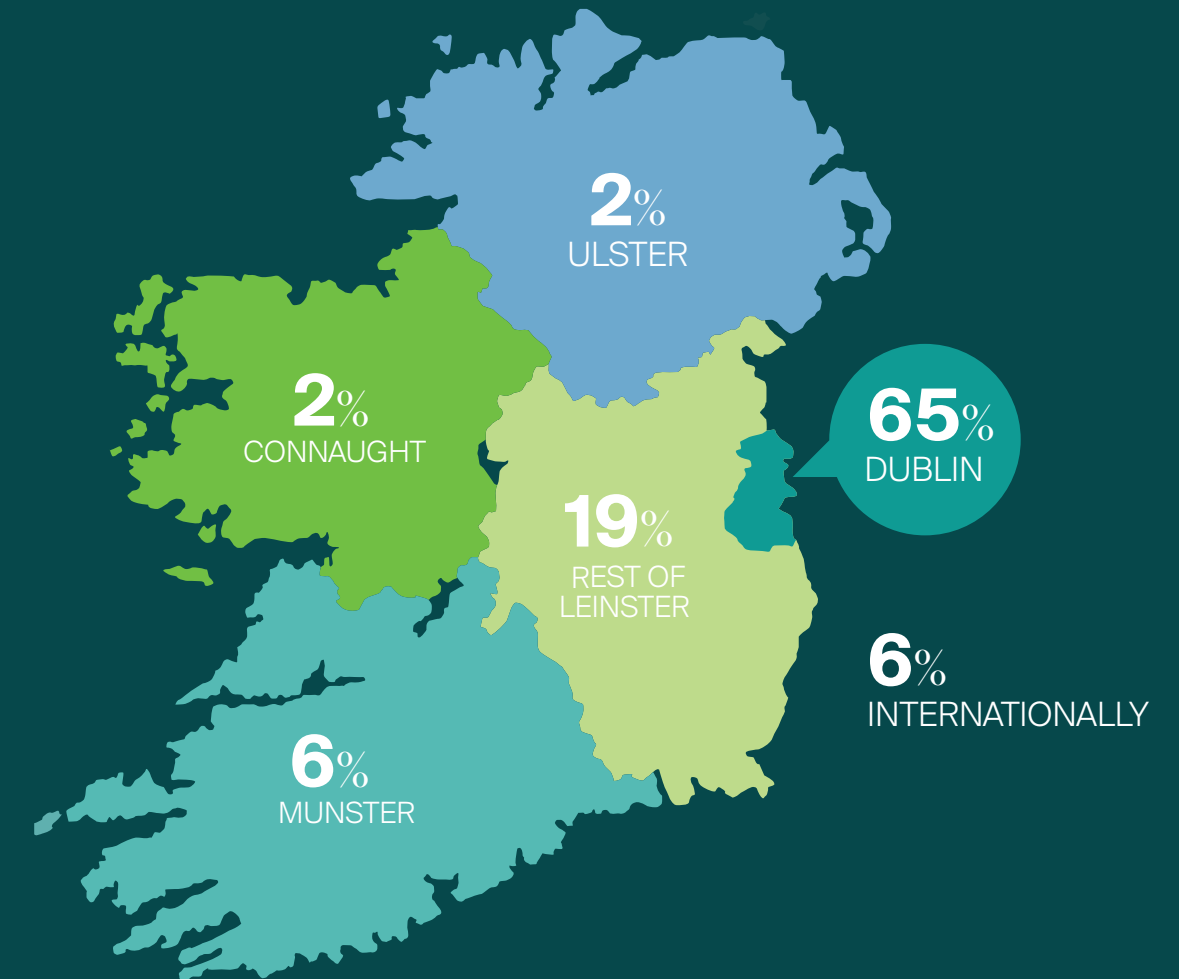
that the supply of residential development land is tight. Secondly, the planning system, in particular the length of time required to obtain permission, is a significant concern for respondents. To illustrate this, 40% of respondents report setting aside between 11-15 months to receive a grant of planning permission from a local authority, while a further 42% are setting aside more than 16 months. Additionally, 61% of respondents report setting aside up to 12 months in the event that their planning is subject to appeal or judicial review, while 39% are setting aside more than 12 months.

Thirdly, the additional shock of the war in Ukraine has put increasing strain on the supply of labour and materials which had already been disrupted by Brexit and Covid-19. Price increases have and are intensifying, with respondents stating that the cost of labour and materials have on average risen by 15% and 24% respectively during this period. Developers are unanimous in their view that the scale of these cost increases are impacting the pricing and completion timelines for current projects as well as the viability of future projects.

In conclusion, the issues raised by respondents in our survey inject a lot of uncertainty into the debate as to whether the industry, having recovered from the impact of the Covid-19 pandemic, can forge ahead and deliver the sustained improvements in completions that are required to reach the target of delivering 35,000 units per annum – which we believe is the minimum number of units that are required to meet demand. We hope you enjoy delving into the report and please do not hesitate to contact us to discuss the findings in greater detail.

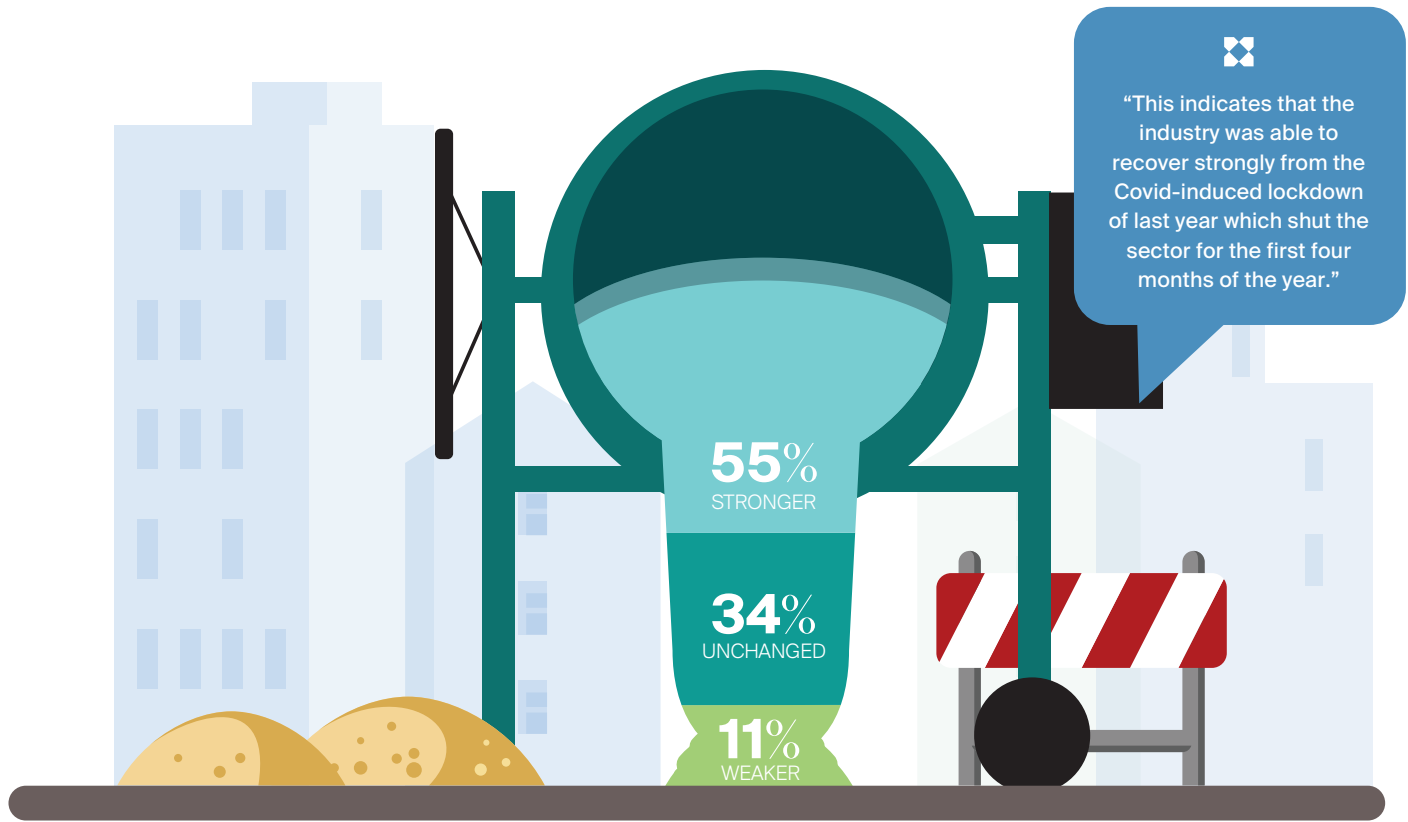
ROBERT O' CONNOR
SENIOR RESEARCH ANALYST

Below is a breakdown of where our survey respondents develop



Supply – 2021

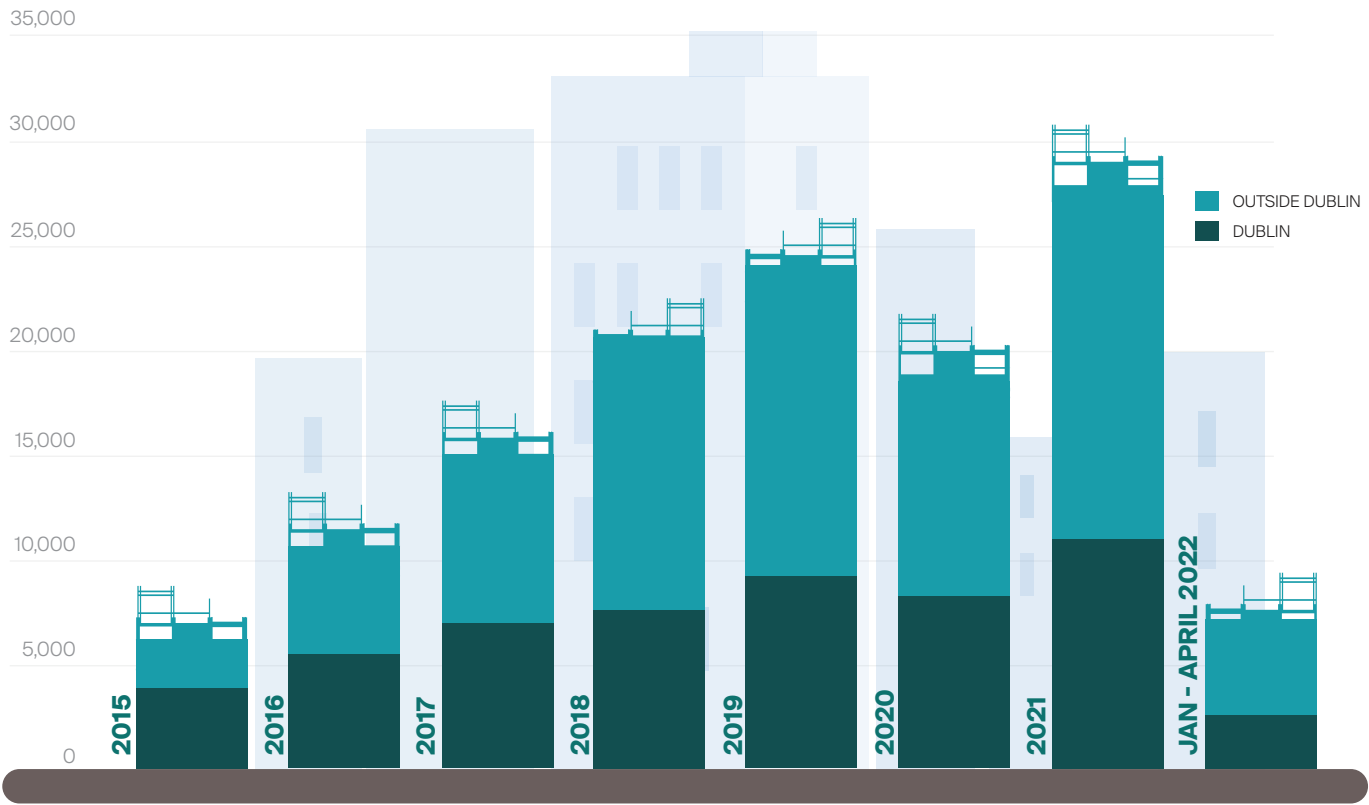
55% of respondents state that their development activity in 2021 was stronger than in 2020.



Source: Knight Frank Research

Commencements

31,000 new units commenced in 2021, the highest on record. Most notably, 64% of these units were commenced outside of Dublin.

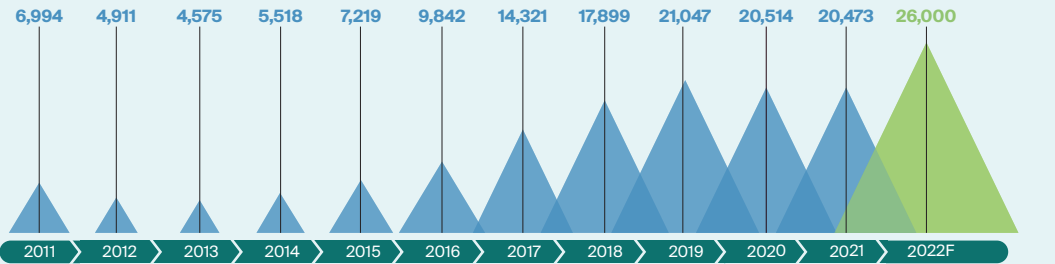


Source: Knight Frank Research/Department of Housing, Local Government & Heritage

Completions

"However, this quantum of completions will still be well short of the 35,000 units that are required to meet demand."

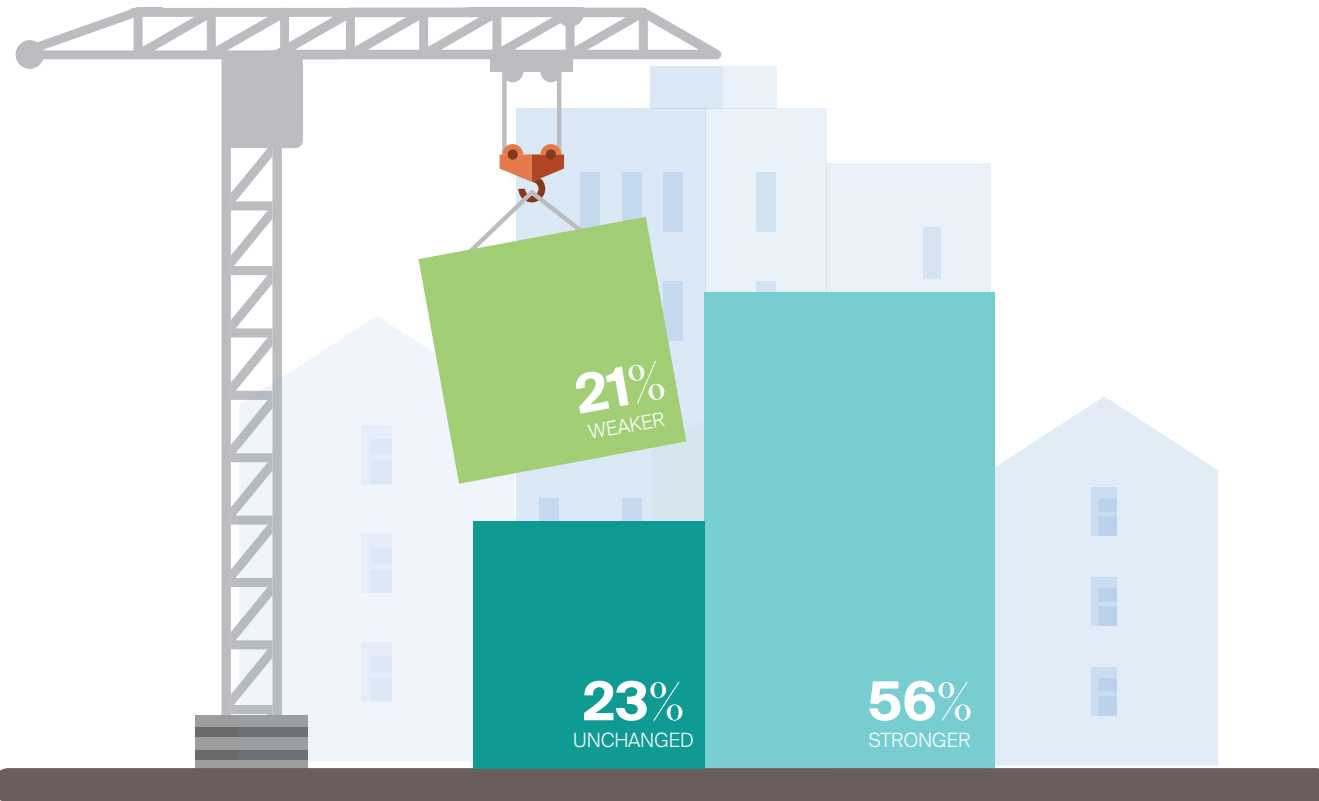
Record commencements in 2021 will feed into an increase in completions in 2022 as 25,000-26,000 units are forecast to be delivered this year.



Source: Knight Frank Research/CSO

Supply - 2022

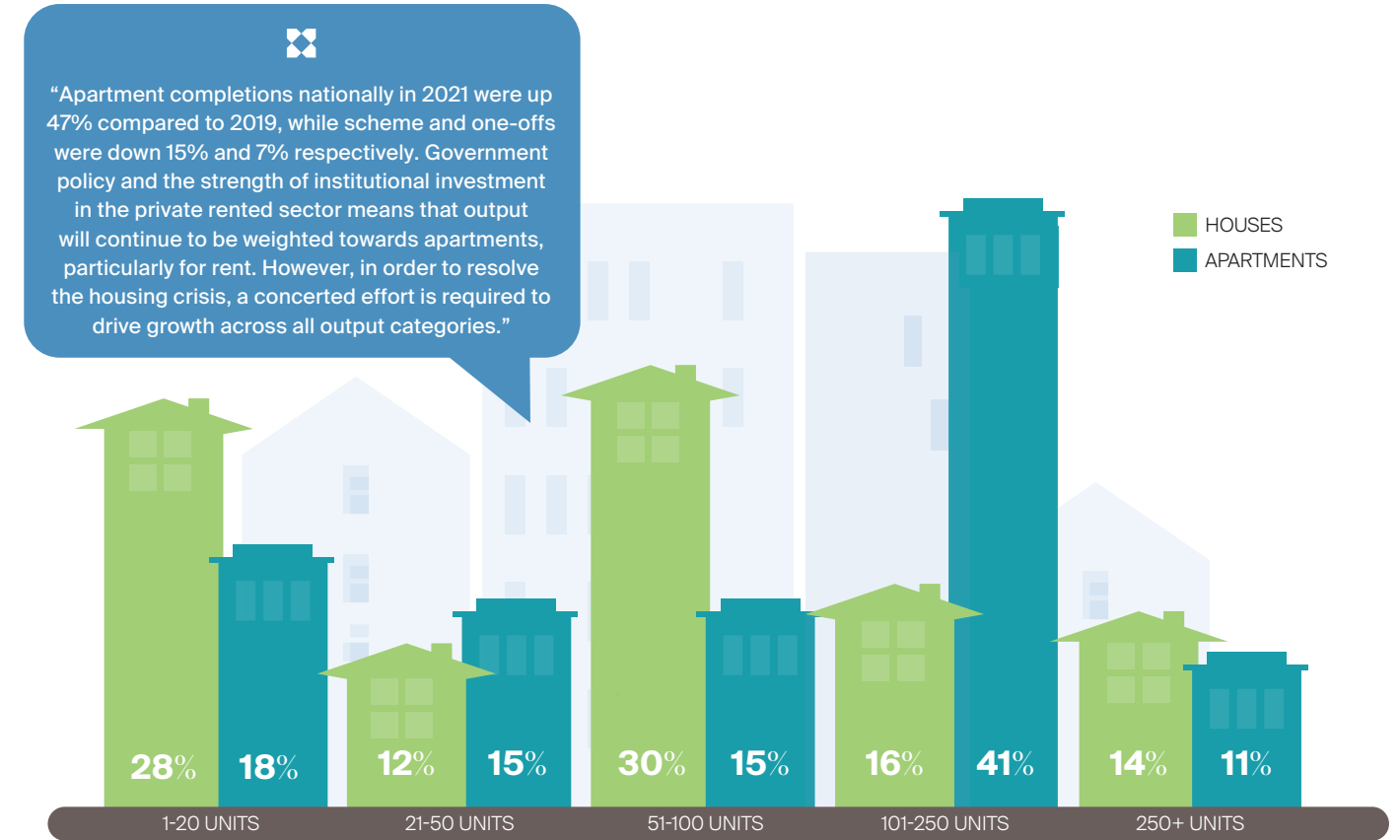
Despite a number of ongoing and emerging challenges, 56% of respondents believe that their development activity in 2022 will be stronger than in 2021.



Source: Knight Frank Research

Trends in Housing Types

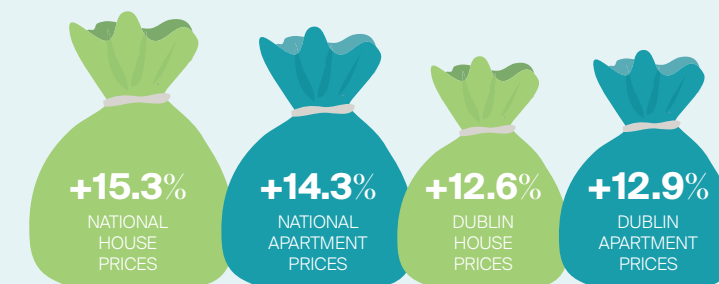
41% of respondents will deliver between 101-250 apartment units in 2022 – the largest of any output category in our survey.



Source: Knight Frank Research

Pricing

The impact of inflationary pressures, demographics and strong levels of economic activity, in conjunction with an under-supply of new units, is evident when looking at what is happening with prices.



Note: Annual price growth to March 2022

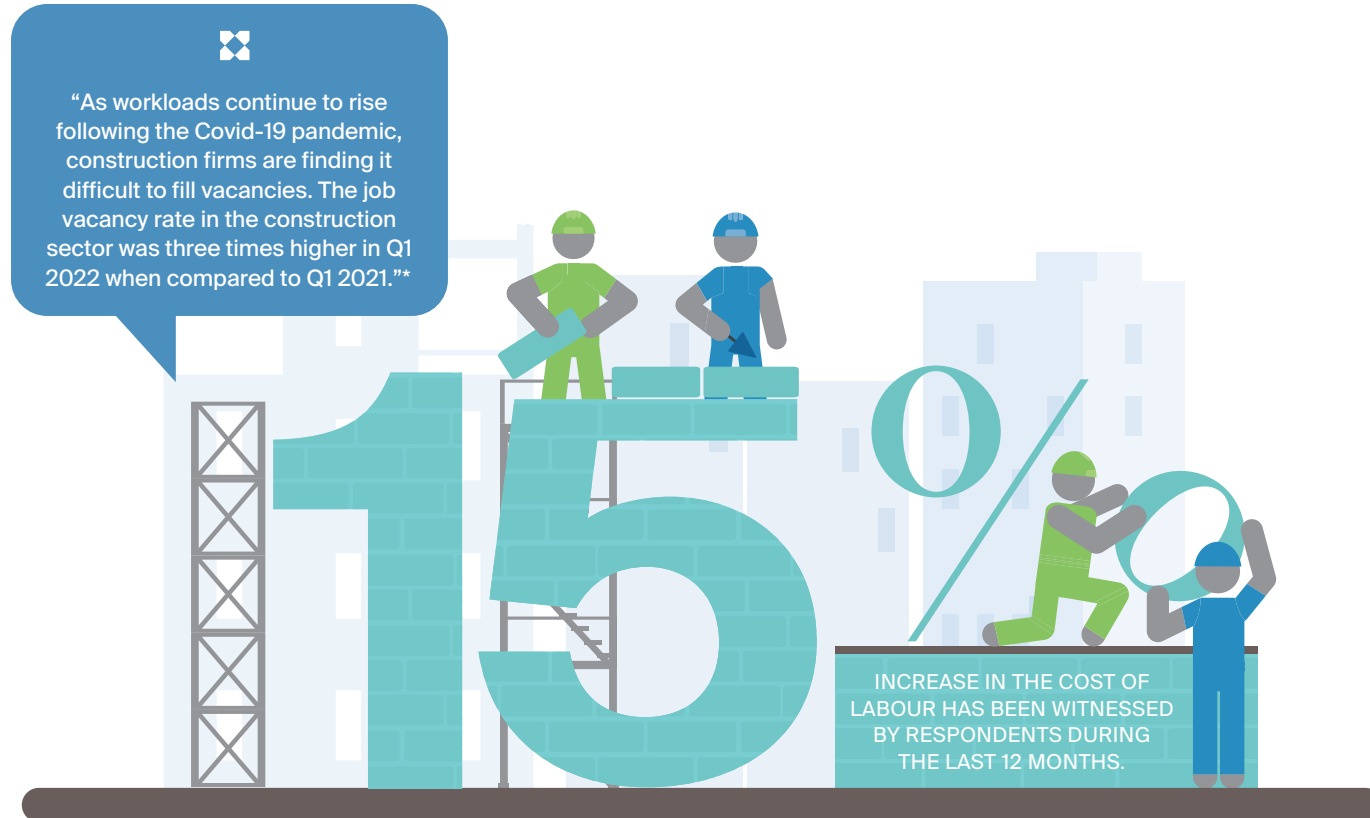
Source: Knight Frank Research/CSO

KNIGHT FRANK COMMENT

DEVELOPER COMMENT

Labour

97% of respondents agree that labour shortages in the construction industry have intensified during the last 12 months.



Source: Knight Frank Research * CSO

Materials

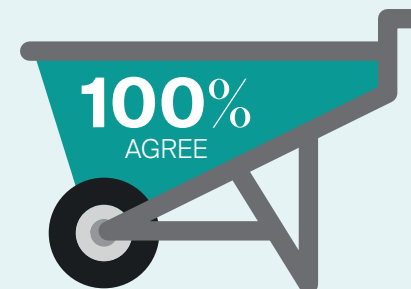
100% of respondents agree that material shortages in the construction industry have intensified during the last 12 months.



Source: Knight Frank Research

Risk to delivery

Respondents are unanimous that labour and material price inflation threatens the industry’s ability to deliver the sustained improvement in completions over the medium term that is required to reach 35,000 units per annum.



ALL RESPONDENTS AGREE THAT LABOUR AND MATERIAL PRICE INFLATION WILL AFFECT DELIVERY TIMELINES FOR CURRENT PROJECTS AND THE VIABILITY OF FUTURE SCHEMES.

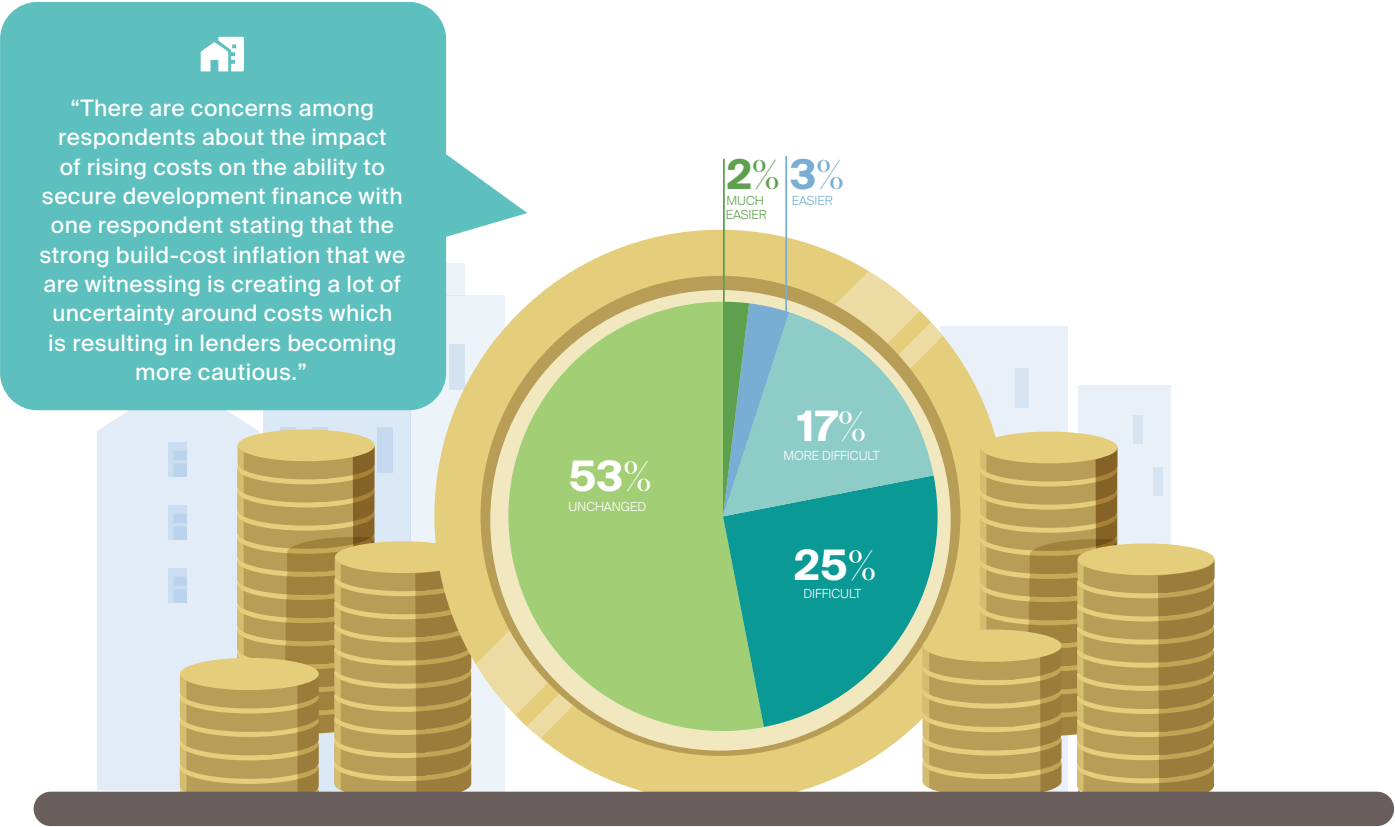
Source: Knight Frank Research

KNIGHT FRANK COMMENT

DEVELOPER COMMENT

Finance

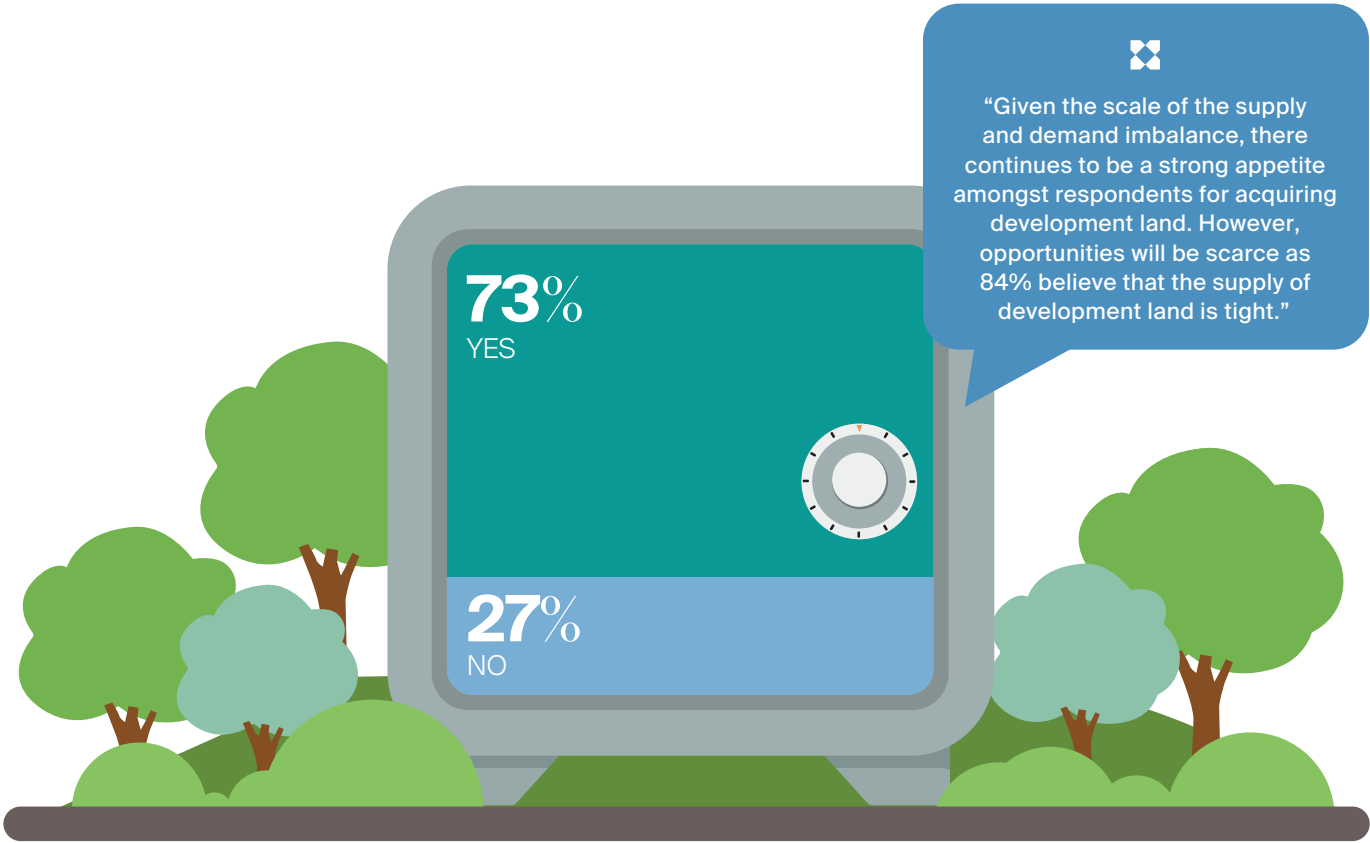
42% of respondents believe that the environment for raising development finance has become more difficult compared to last year.



Source: Knight Frank Research

Land Bank

73% of respondents intend on adding to their land-bank in 2022.



Source: Knight Frank Research

Project Viability

77% of respondents believe that the new Part V regulations – whereby a grant of planning permission for land purchased on or after 1 August 2021 will have a 20% Part V requirement – will have a negative impact on viability.

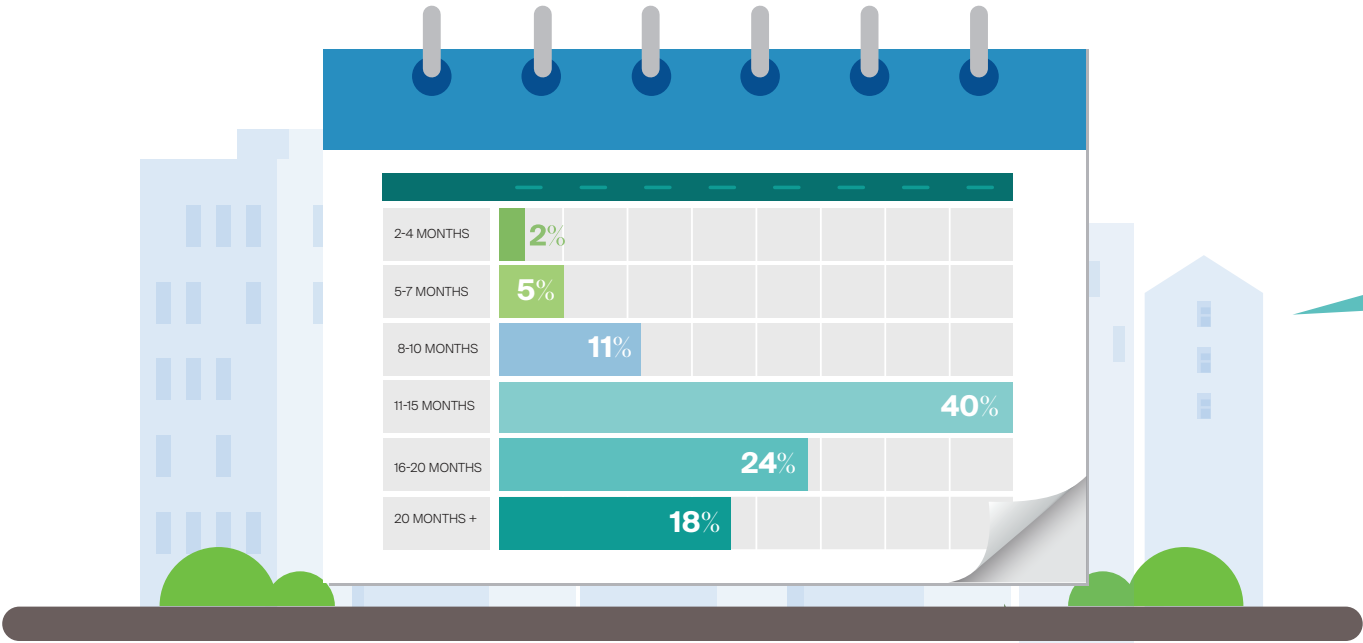
“In an environment of rising construction costs and an inefficient planning system, adding a 20% Part V levy will only serve to delay and undermine financial viability.”



Source: Knight Frank Research

Planning Delays

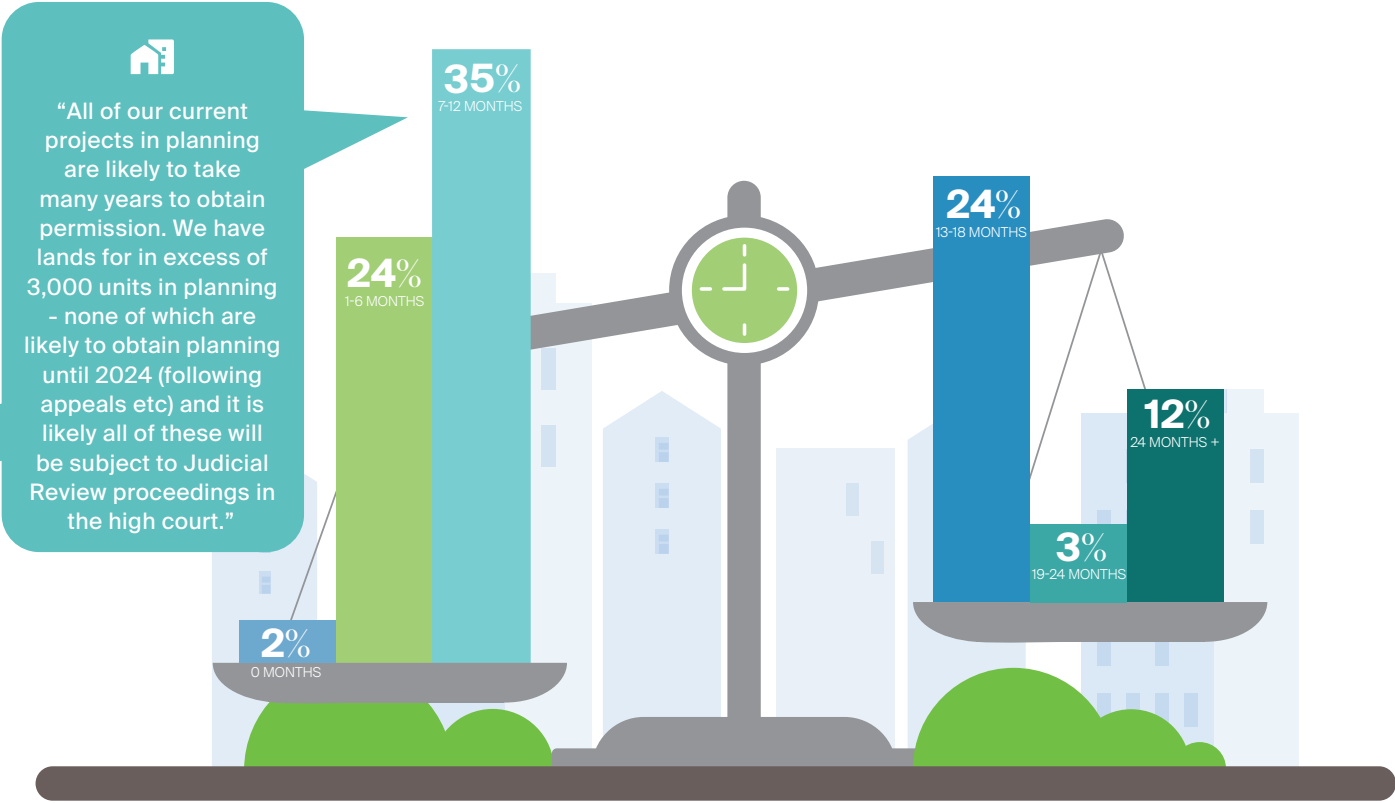
40% of respondents set aside between 11-15 months to receive a grant of planning permission from a local authority. However, 42% expect that it could take in excess of 16 months.



Source: Knight Frank Research

Appeals & Judicial Review

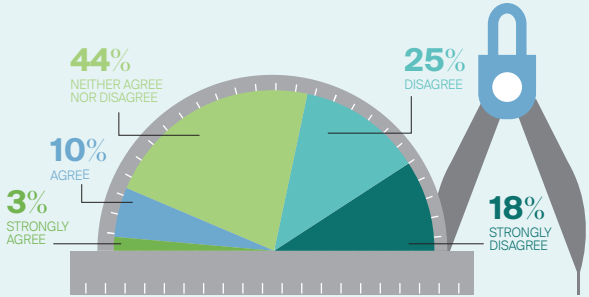
61% of respondents set aside up to 12 months in the event that their planning is subject to appeal or judicial review, while 39% set aside in excess of 12 months.



Source: Knight Frank Research

Planning Reform

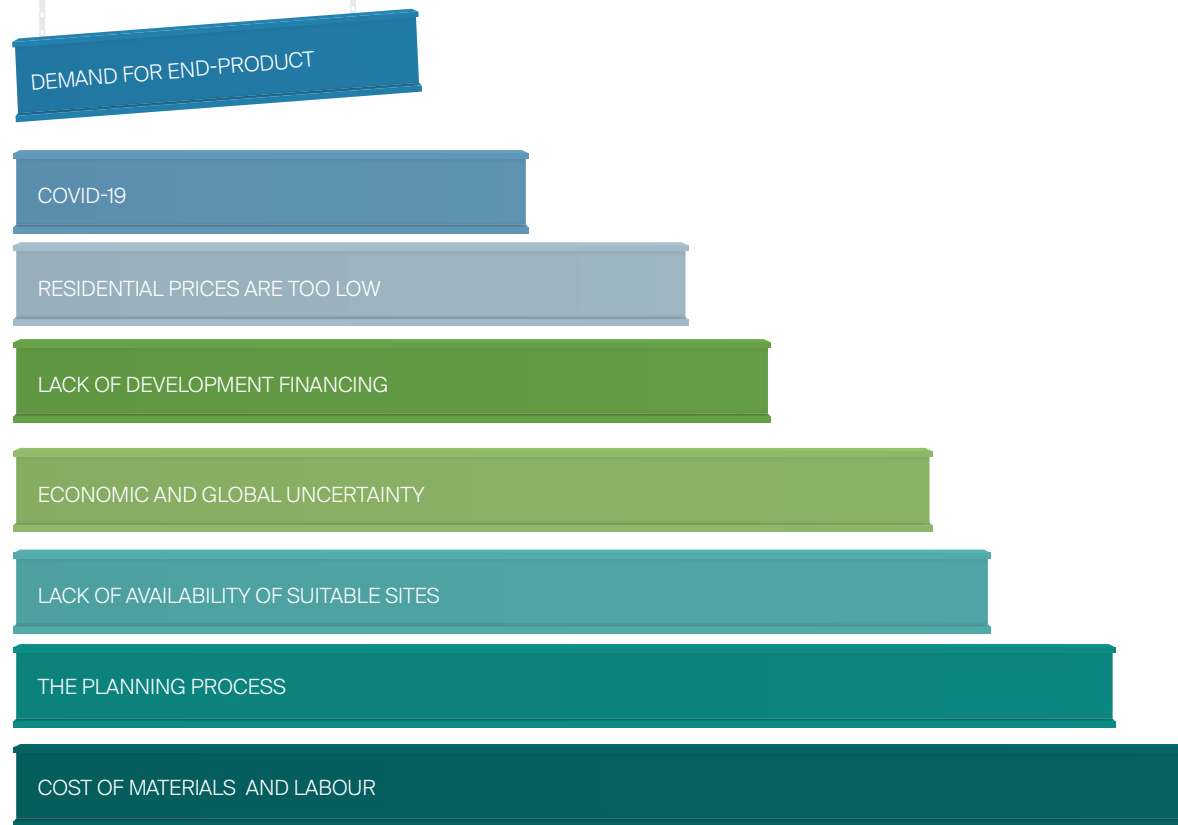
Just 13% of respondents believe that the new planning arrangements for large scale residential developments will speed up the planning process.



Source: Knight Frank Research

Obstacles to construction

The cost of materials and labour were ranked by respondents as the greatest obstacle to residential development for the year ahead.



Source: Knight Frank Research

Summary

5 key takeaways



56% of respondents believe that their development activity will be stronger in 2022 compared to 2021.



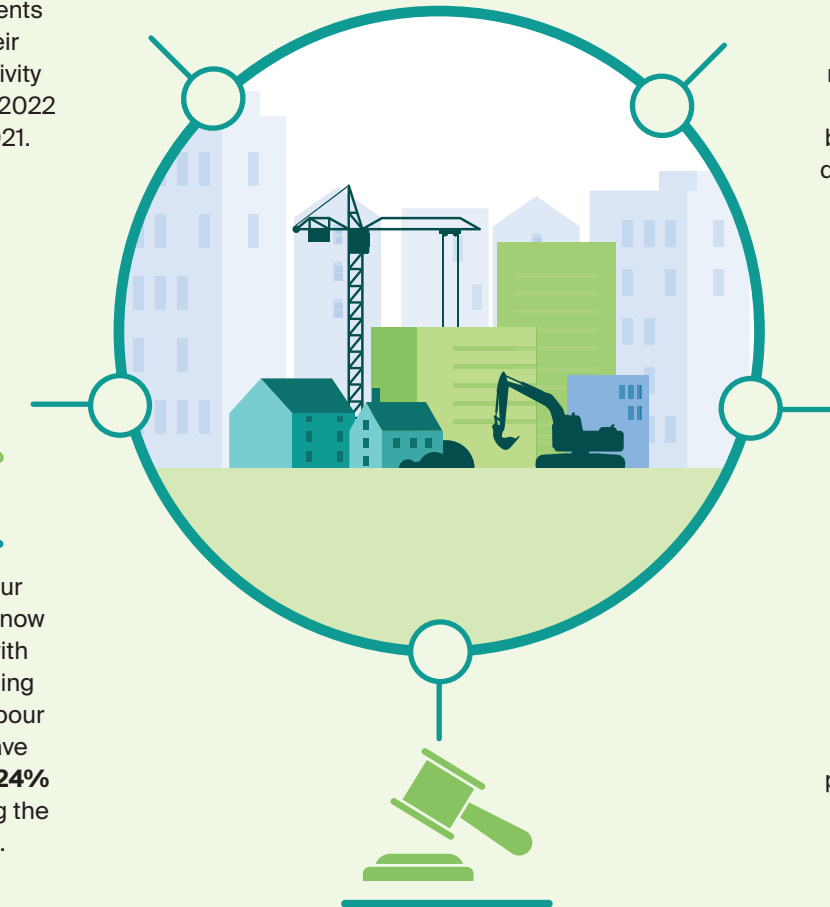
Although the appetite for development land remains strong amongst respondents, **84%** believe that the supply of development land is tight.



The cost of labour and materials are now a key concern, with respondents stating that the cost of labour and materials have risen by **15%** and **24%** respectively during the last 12 months.



Planning delays are also cited as an area of concern as **40%** of respondents report setting aside between 11-15 months to receive permission, with a further **42%** setting aside more than 16 months.



Additionally, **61%** of respondents report setting aside up to 12 months in the event that their planning is subject to appeal or judicial review, while **39%** are setting aside more than 12 months.



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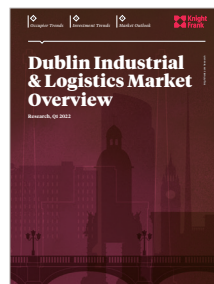
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