

# Ireland Development Land Market

H1 2023

An overview of activity and trends in the Irish development land market in H1 2023

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## SHARP FALL IN DEVELOPMENT LAND SALES

€106 million worth of development land transacted in H1 2023, down from €256 million in H1 2022.

There were no large-sized transactions (>€50.0m and €20.0m-€50.0m) completed in H1 2023, with this category accounting for 51% of spend in H1 2022. Mid-sized (€10.0m-€20.0m and €5.0m-€10.0m) and small-sized transactions (€1.0m-€5.0m and <€1.0m) comprised 62% and 38% of spend respectively in H1 2023, up from 26% and 23% in H1 2022. The average deal size in H1 2023 was €3.5 million, a significant decrease compared to €6.7 million in H1 2022.

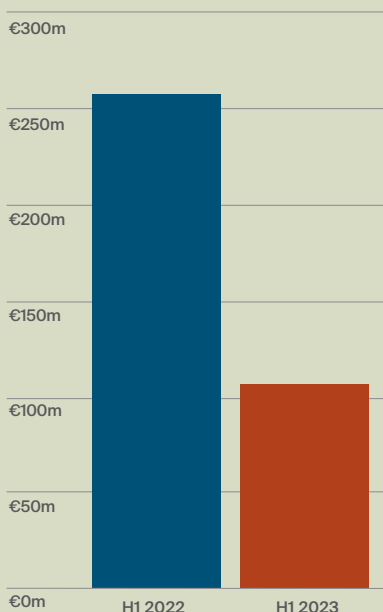
Acquisitions have become increasingly difficult due to the rise in build costs and interest rates during the past year which have impacted the viability of many projects. Acquisitions have also been impacted by delays in the planning approval process and the increased incidence of judicial reviews which have made it more challenging to achieve planning permission and attract funding.

As a result, shovel-ready sites are particularly sought-after. Sites with planning permission accounted for 67% of spend in H1 2023, up from 55% in H1 2022. However, such sites are scarce and are currently commanding premiums in the order of 20%.

“Acquisitions have also been impacted by the ongoing uncertainty in the planning system, which is now a major concern for developers.”

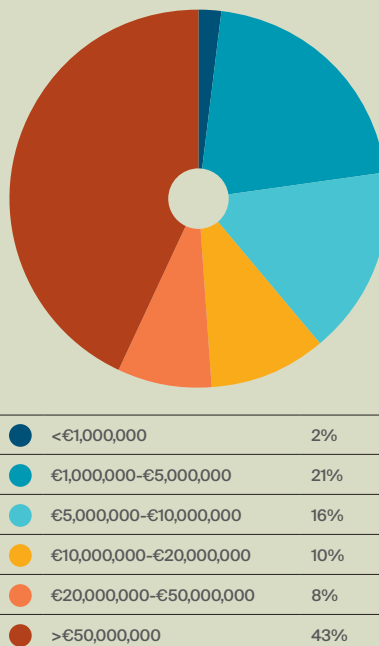
Despite the current challenges in the market, the fundamentals underpinning residential development remain favourable. Demand, which is benefiting from strong economic and population growth, continues to outpace supply.

Value of development land sales – H1 2022 & H1 2023



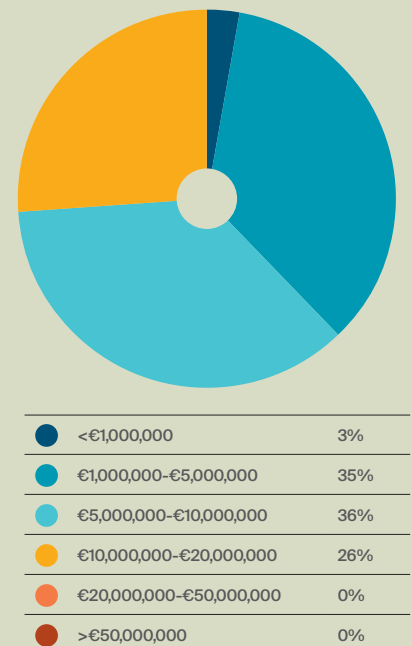
Source: Knight Frank Research

Value of development land sales by lot size – H1 2022



Source: Knight Frank Research

Value of development land sales by lot size – H1 2023



Source: Knight Frank Research

**“Residential sites comprised 74% of spend in H1 2023, up from 55% during H1 2022.”**

The largest transaction of H1 2023 consisted of the Comer Group’s acquisition of the Rockbrook site in Sandyford, Dublin 18 from IRES REIT for €17.0 million. This site, which has planning for 428 units, neighbours the Sentinel Building which the Comer Group also own and which has planning for a further 102 units. Aside from this transaction, in general, we have seen developers pivot away from sites that support the construction of

large build-to-rent projects towards sites that are capable of delivering build-to-sell schemes or where the exit is secured by social and affordable housing. Other residential development transactions of note included Bridgewater Home’s acquisition of a site at Ardarostig in Bishopstown, Cork from Ardstone for €10.4 million which has planning for 276 units. Elsewhere, Wexford County Council bought lands at Ballynagee, Wexford for €7.5 million which are capable of delivering approximately 500 social and affordable homes.

The fundamentals underpinning industrial and city centre office development also remain favourable. Both sectors are witnessing strong demand, the former being driven by ecommerce growth while the latter is

benefiting from efforts by businesses to transition towards ESG accredited stock in order to meet their environment and sustainability targets.

Supply of such space is limited however, with rental levels remaining elevated in both cases. There is a dearth of these sites on the market currently which has resulted in the commercial sector’s share of spend falling from 34% in H1 2022 to 18% in H1 2023.

The largest commercial transaction of H1 2023 was the sale of the Castletown lands in Celbridge, Co. Kildare to Killross Properties and Springwood Developments for €5.0 million. Significant zoning potential exists on a portion of the site which is located strategically near Intel’s Collinstown Campus, the Kildare Innovation Campus and the M4 motorway. A historic planning permission had been granted on a portion of the site for a large-scale business park.

**ACTIVITY TO REMAIN SUBDUED IN H2**

While there are signs that build costs are stabilising, they are doing so at an elevated level. The funding landscape will also remain challenging.

While An Bord Pleanala now has a full complement of board members and is trying to increase its staff headcount, it will be some time before it can work through the backlog of cases. Additionally, the new Planning and Development Bill has been delayed which will also prolong the uncertainties around wait times. Taken together, dealmaking is likely to remain sluggish in H2 2023.

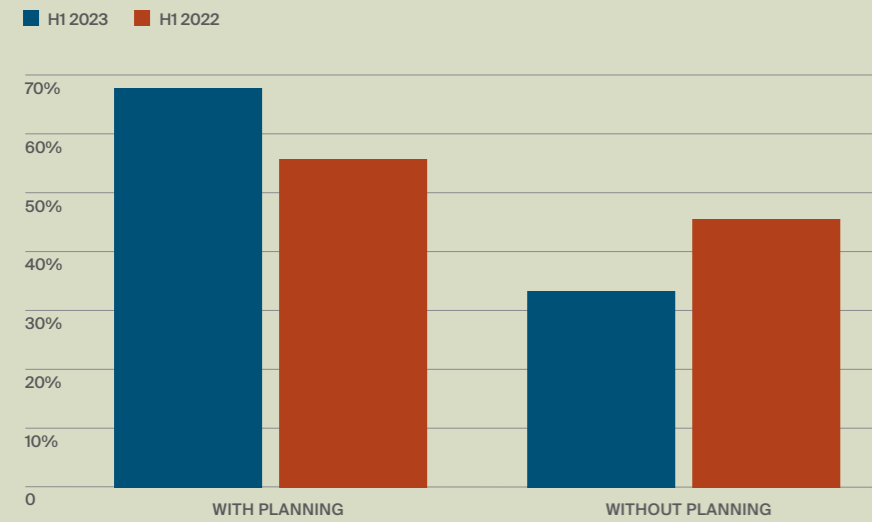
H2 2023 will be a crucial phase in the implementation of the residential zoned land tax (RZLT) with the final maps to be published in December. An Bord Pleanala is currently working its way through a large number of appeals against local authority decisions to include lands within the scope of the RZLT. According to the latest data, among the 67 cases already settled, An Bord Pleanala has confirmed the local authority determination in 52

cases. The remaining 542 cases must be decided by the 1st of September.

The revised Land Value Sharing Bill, which remains in draft form, will also concern developers. According to the revised scheme, the 30% charge on the difference between the existing use value and the market value of sites that have been zoned for housing will apply

to both existing and newly zoned land. This will represent a significant cost for developers in addition to VAT, stamp duty, development levies, connection fees and Part V obligations, and we may see a pause on new acquisitions and commencements until the market can digest how the Bill will work in practise.

**Value of development land sales by planning status - H1 2022 & H1 2023**



Source: Knight Frank Research

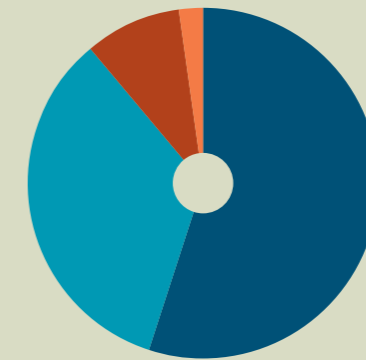
**Top 5 development land deals, H1 2023**

Site	Acres	Price	Activity Type	Buyer
Rockbrook, Sandyford, Dublin 18	5.0	€17,000,000	Residential	The Comer Group
Ardarostig, Bishopstown, Cork	22.0	€10,400,000	Residential	Bridgewater Homes
Ballynagee, Wexford	54.0	€7,500,000	Residential	Wexford County Council
North King Street, Dublin 7	0.8	€7,350,000	Mixed-Use	Private
Old Bray Road, Cabinteely, Dublin 18	3.2	€6,100,000	Residential	Private

Source: Knight Frank Research

**“While we may see some sites come to the market from landowners not willing or able to pay the RZLT, in general, we expect the shortage of shovel-ready sites to continue into H2 2023, exacerbated by land zoning decisions by county councils, ongoing issues with connecting sites to infrastructure and planning delays. Premiums will continue to be paid for these sites into 2024.”**

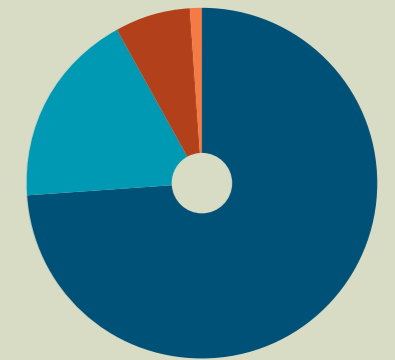
**Value of development land sales by activity type - H1 2022**



Residential	55%
Commercial	34%
Mixed-Use	9%
Other	2%

Source: Knight Frank Research

**Value of development land sales by activity type - H1 2023**



Residential	74%
Commercial	18%
Mixed-Use	7%
Other	1%

Source: Knight Frank Research

**Outlook**



**1.**

Development land sales will continue to be curtailed for the rest of 2023, as debt market challenges and a continued elevation in construction costs are compounded by planning delays and uncertainty in relation to government policy decisions.



**2.**

Some land may come to the market from those unable/unwilling to pay the residential zoned land tax. However, land with planning permission will remain scarce and will continue to command a premium into 2024.



**3.**

The revised Land Value Sharing Bill will add to the cost of construction and may further stall acquisitions and commencement activity until the market can digest how it is going to work in practice.



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Report Q2 2023



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New Homes Construction  
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The Wealth Report 2023

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We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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