

Ireland Development Land Market

February 2024

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

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TRENDS IN ACTIVITY

€386 million worth of development land traded in H2 2023, a more than threefold increase on the €117 million that transacted in H1 2023. This increase was largely attributed to the sale of the Former Jurys Hotel in Ballsbridge for €152 million to the US State Department who plan on constructing a new embassy on the site. The sale however belies the subdued nature of activity in H2 which was impacted by rising interest rates and construction costs.

“€503 million worth of development land traded in 2023, a fall of almost one-third compared to the €731 million that transacted in 2022.”

In H2, demand was strongest for smaller sites (sub-€10 million) which accounted for 61% of spend followed by mid-sized (€10-€20 million) and larger sites (€20-€50 million) which accounted for 11% and 28% of turnover respectively*. This trend is concerning given that sites of sub-€10 million are not capable of facilitating the large-scale development that is required to address the housing shortage, with upwards of 50,000 units per annum now required to satisfy demand.

Given the scale of the housing shortage, residential sites, particularly those capable of supporting the delivery of schemes for first-time buyers, social

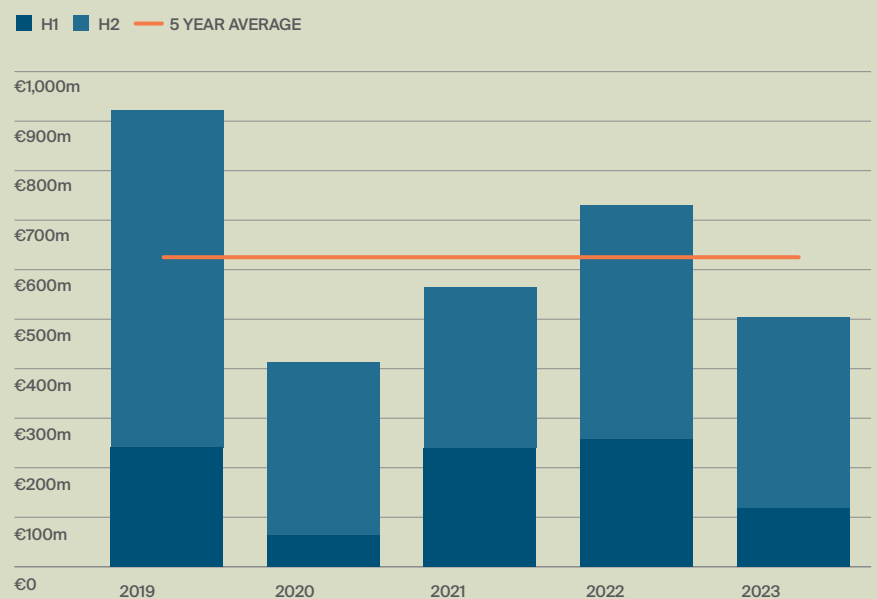
housing and students, were the most sought-after accounting for 81% of spend in H2*. The State was particularly active, as evidenced by two significant acquisitions by the Land Development Agency in Clongriffin which include Project Capital North for €38 million and the adjoining lands for €6 million (both sites have the capacity to deliver 2,300 units). Additionally, Fingal County Council purchased lands at Rathbeale in Swords (which could accommodate 700-900 units) for €27 million. Commercial sites accounted for 10% of spend while mixed-use and other sites comprised the remaining 9%*.

Uncertainty in the planning system also continued to weigh on activity in H2.

“Strong demand and significant premiums continue to be paid for sites with planning, ranging from 30% to 40% depending on the project.”

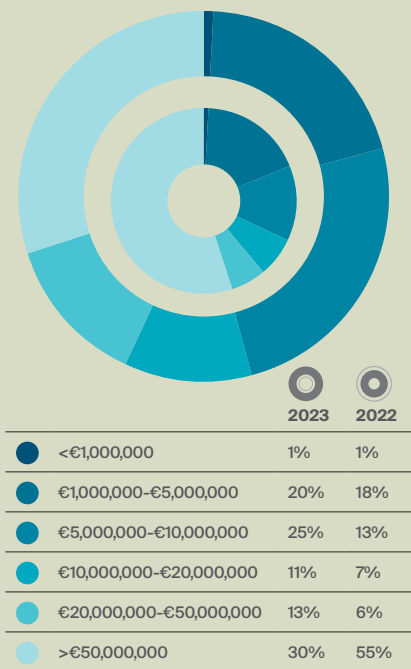
With prospective buyers having to factor in a wait time of at least three to four years in order to obtain planning, funders are particularly cautious about financing the acquisition of residentially zoned land without planning.

Value of development land sales 2019-2023



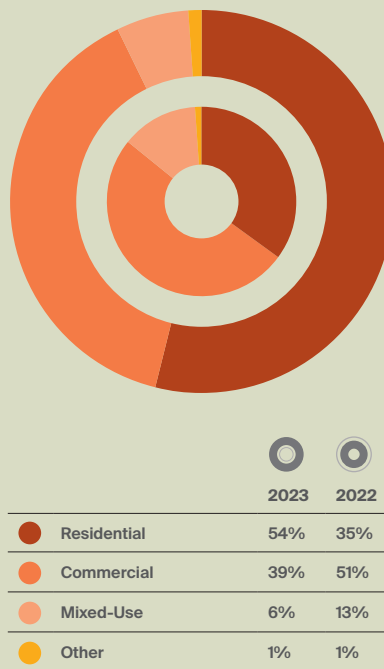
*Excludes the sale of the Former Jurys Hotel which sold for €152 million

Value of development land sales by size 2023 vs 2022



Source: Knight Frank Research

Value of development land sales by sector 2023 vs 2022



Source: Knight Frank Research

“Knight Frank expect strong demand for residentially zoned land with planning to continue in 2024, with the State remaining an active buyer. A key challenge however will continue to be the availability of such sites.

Commercial sites with the capacity for hotel and industrial development will remain keenly sought-after as will opportunities to repurpose older office schemes.”

OUTLOOK

The outlook for the market has somewhat improved since our last report. Expectations are that interest rates have peaked and there is increasing consensus that they will be lower by year-end. Additionally, build cost inflation has moderated significantly with the CSO reporting that the wholesale price of construction products increased by just 0.3% in the year to December 2023, down from 16.2% a year earlier. This is expected to give buyers more certainty in relation to funding and delivery costs in 2024 which will support land sales.

A number of welcome initiatives introduced by the State last year, including Croi Conaithe, Project Tosaigh

and the Development Contribution Waiver, will be complimented by the recent publication of the Sustainable Residential Development and Compact Guidelines which will further support viability and land sales in 2024.

However, the temporarily delayed Residential Zoned Land Tax, as well as the proposed Land Value Sharing Scheme, will continue to weigh on sentiment. There have also been some positive developments in relation to the planning system which could reduce wait times and support land sales in 2024.

An Bord Pleanála continues to increase its headcount. As of October 2023, there were 249 people working at the board, more than any time

previously. Once all the approved posts have been filled, over 300 people will be employed at the board, a 50% increase in comparison to 2021. This should help the board to meet its aim of substantially reducing its excess caseload by the end of Q2 2024. It was recently reported that applications for 22,000 units under the Strategic Housing Development System were still awaiting determination.

Meanwhile, the Planning & Development Bill 2023, which will hopefully be enacted this year, contains a number of measures to reform the judicial review process including the removal of leave for application; refinement of grounds; clarification of sufficient interest and the introduction of a new Environmental Legal Cost Scheme.

Top 5 development land deals 2023

Site	Acres	Price	Activity Type	Buyer
Former Jurys Hotel, Ballsbridge, Dublin 4	4.2	€152,000,000	Commercial	US State Department
Project Capital North, Clongriffin, Dublin 13	27.4	€38,000,000	Residential	Land Development Agency
Rathbeale, Swords, Co Dublin	62.0	€27,000,000	Residential	Fingal County Council
Rockbrook, Sandyford, Dublin 18	5.0	€17,000,000	Residential	The Comer Group
Lands at Maglin, Cork	73.0	€15,000,000	Residential	Private

Source: Knight Frank Research

Outlook



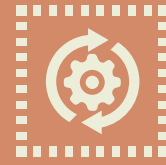
1.

Activity is anticipated to recover as expectations of a more favourable interest rate environment gain momentum and construction cost inflation continues to recede. However, the Residential Zoned Land Tax and the Land Value Sharing Scheme will continue to weigh on sentiment.



2.

A number of state initiatives aimed at improving viability should also support activity. Additional staffing resources at An Bord Pleanála and the enactment of the Planning & Development Bill 2023 should begin to reduce wait times, further supporting activity.



3.

Demand will remain strong for residentially zoned land with planning as well as commercial sites that can support industrial and hotel development. Opportunities to repurpose older office stock will also be popular.



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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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