

# H1

## **DUBLIN DEVELOPMENT LAND & NEW HOMES**



**The Difference**

## Development Land

### Overview

The first half of 2018 was busy in terms of development land activity. There was a notable increase in supply levels, particularly in Q2, with large residential land holdings coming to the market in the commuter belt in areas such as Kildare Town, Kilcock and Enniskerry.

### Demand

Prime city centre sites suitable for residential type use are in demand, particularly for student accommodation and build-to-rent residential schemes. In Dublin's mature suburbs, infill residential sites are also well sought after, notably those with full planning permission. In newer suburban areas, there is demand but supply is tight for large sites suitable for immediate development. While lands may be zoned for housing, many lack essential infrastructure, which will impact on their demand and price. There is keen interest in medical and nursing home sites as these sectors offer significant potential to operators.

### Purchasers

Domestic purchasers have dominated the residential infill part of the market in recent times. However, when it comes to larger development sites, purchasers were primarily international private equity firms, often in partnership with Irish developers. The listed developer, Glenveagh Properties Plc, was active in both on and off-market transactions in H1 2018. It raised €550m from the market towards the end of 2017 to acquire land, mainly geared towards the first-time-buyer sector of the market. In terms of Dublin, it has since purchased a 4.9 acre site on East Road, Dublin 3 (suitable for 450 units); development rights on a site adjacent to The Square, Tallaght (excess of 500 units); Project Kells (nine sites suitable for 850 units); two sites in Balbriggan (450 units); and a site at Castleforbes, Dublin 1 (650 units).

### Forward Funding

Forward funding of residential PRS (private rental sector) schemes emerged in mid-2017 with Marlet Property Group and M&G Investments bringing 'Dublin Living' to the market. This portfolio of four sites was expected to achieve around €500m in a sale to Round Hill Capital but is now not going ahead. Irish Life stepped in to this space in Q2 with the acquisition of the part-complete Fernbank development in Churchtown from Park Developments. Irish Life is expected to build on this purchase and acquire further PRS schemes in the short-term.

Demand for PRS sites will intensify as 2018 progresses due to proposed changes to apartment standards. Where schemes are developed as 'Build-To-Rent' (BTR), reduced standards in terms of parking, cores and dual aspect will apply. However, if a scheme receives a BTR planning grant, it must stay in such use for 15 years and cannot be broken up and sold unit-by-unit. All apartment blocks held as PRS investments to date do not fall under this regulation (nor does Fernbank in Churchtown) but going forward, it is likely that new schemes will. In addition to Irish Life, there is new interest in the sector from other long-term hold investors.

### Transactions

Notable sales in H1 2018 include the former home of Taoiseach Liam Cosgrave on 16 acres of residentially zoned land at Scholarstown Road, Templeogue for €32m; the off-market sale of the Hickey's city centre site (1.65 acres) on Parkgate Street for in excess of €25m; 32.4 acres (zoned high technology) in Tyrellstown for approximately €5.2m; and Glenveagh Properties' various purchases mentioned above.

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## Supply

In terms of opportunities currently on the market, a large land bank of 260 acres with the potential to accommodate up to 890 houses is guiding €45m; the former Techcrete and Teeling Motors sites (6.6 acres that could accommodate 340 apartments) at Howth Harbour are guiding over €25m; in the city centre, the high profile residential and commercial sites at City Block 3 (combined area of 5.9 acres) on the north docks are guiding over €110m; Ardstone Capital's 5.3 acre office site in Sandyford with planning permission is seeking €20m; and in terms of infill sites, the 1.6 acres on Church Road in Malahide is guiding €5.5m and a 1.66 acre site on Glenamuck Road is guiding €2.95m.

## New Homes

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The new homes market continued to perform strongly in the first half of 2018, with ongoing demand from a variety of buyer categories including first-time-buyers, those trading up and down, and investors. Notable scheme launches included starter homes at Muileann, Kinsealy; mid-range houses at White Pines, Rathfarnham; and luxury homes at St Pancras, Dublin 6W.

In recent months there has been an increasing number of developers reverting to selling a proportion of units off-plans before any show houses are available to view on-site. Examples include the apartments at the Greystones Marina and Glenveagh Properties' houses at Proby Place in Blackrock. This is a trend that is likely to gather pace in the next few years as buyers become more comfortable with the concept.

The demand / supply imbalance has maintained upward pressure on property prices and rental levels, however in recent months there have been signs of a welcome moderation in the rate of price inflation. This can be attributed in part to the increased supply of new homes, but is also largely down to house prices reaching an affordability limit for many potential purchasers. The impact of the help-to-buy scheme continues to give developers the confidence to commence schemes of starter homes in the outer fringes of Dublin, and within the commuter belt counties. Additionally, we have seen a rise in developers submitting 'fast-track' planning applications under the recently introduced Strategic Housing Development scheme, which applies to developments of over 100 units (see 'In Focus' section below). These trends will ultimately lead to a significant supply of family houses coming to the market in the medium-term.

New apartments are in significant demand from owner-occupiers and private investors at present, with the pace of price growth in excess of houses. However there is a very limited supply of new apartments, with the cost of construction continuing to affect the viability of building such developments in many parts of outer Dublin and surrounding counties. The recently amended design guidelines for apartment developments with smaller average unit sizes, reduced car parking standards, more flexibility on units per core and dual-aspect units will allow for more efficient designs that will result in cost savings. However, the introduction of specific build-to-rent standards means that many apartment schemes will be developed for the rental market and as such, those wishing to purchase a new apartment may find it difficult.



Tandy Court, Lucan



## In Focus

Strategic Housing Development, otherwise known as fast track planning, is in place for one year now. It is for schemes with more than 100 residential units and 200 student accommodation bed spaces, where applications can be submitted directly to An Bord Pleanála (ABP) and by-pass the local authority system. It involves a two-stage process where in stage one, discussions are had between the applicant, ABP and the local authority for a six-week period. Applications then move to stage two where ABP takes 14 weeks to review proposals and make a decision.

Since this was introduced in July 2017, there have been applications for 14,156 units (4,130 apartments, 4,405 houses and 5,621 student

accommodation bed spaces). Five schemes have been refused permission (2,139 units), while 14 schemes / 6,824 units have been granted permission. The remaining 5,193 units across 14 schemes are still in the system.

It is interesting to note that all applications to date have been limited to Dublin, Cork, Galway and Kildare. This means that all proposed large-scale developments in the past year are confined to the three largest city regions. In terms of the greater Dublin area (in this case Dublin and Kildare), 83% of all planning grants nationwide under fast track planning have been here to date. This comprises 5,659 units - 842 apartments, 1,456 houses and 3,361 student bed spaces.

	Apartments	Houses	PBSA Bed Spaces	Total
Current Applications	2,561	1,455	1,177	5,193
Granted	964	2,244	3,616	6,824
Refused	605	706	828	2,139
Total	4,130	4,405	5,621	14,156

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