

Q2

THE LISNEY DEVELOPMENT LAND & NEW HOMES REPORT



The Difference

Development Land - H1 2017

The development land market has performed well in the first half of 2017. There has been an increase in the volume of sales closing and smaller lot sizes appear to be the trading preference due to a scarcity of larger sized lots on the market. There is particular interest in sites suitable for student accommodation and 'build-to-rent' multi-family residential projects.

Demand for infill residential development remains strong, particularly for sites in mature parts of Dublin and with full planning permission. Large sites in secondary areas may be zoned for housing but many lack essential infrastructure. With larger development sites, purchasers are primarily international private equity firms, often in partnership with Irish developers. Conversely, smaller infill sites are attracting mainly domestic purchasers. In addition, land values across some areas are rising; particularly sites benefitting from residential planning permission.

As a result of The 'Rebuilding Ireland' action plan released last year, sites have been identified (zoned with the potential to deliver significant numbers of homes close to key areas of demand) within the four Dublin local authorities are due to come to the market formally in the coming months. The Dublin City Council sites are O' Devaney Gardens, Infirmary Road, Dublin 7, Emmet Road, Dublin 8 and Oscar Traynor Road, Dublin 9. The identified South Dublin County Council Site is in Kilcarbery, Clondalkin.

NAMA's licensing model to aid the construction of new homes is expected to be used again for some sites in Dublin this Autumn. This sales method allows developers to gain possession of housing sites on the payment of an initial fee. NAMA is then reimbursed once the houses are sold. Sites have been offered in this manner in Maynooth, a site at St. Edmund's in Liffey Valley and another site in Ballycullen, Dublin 24.

The main land transaction of the year so far has been the sale of the RTE lands at Montrose, Donnybrook. RTE reportedly accepted a bid of €107.5m (substantially more than the €75m guided) from Irish listed property group Cairn Homes for 8.64 acres of land at its Montrose complex. Listed company Cairn Homes plans to develop up to 500 apartments and nine houses on the site and the transaction is expected to close shortly.



Botanic Road, Glasnevin, Dublin 9



Some notable sales with planning permission in H1 include:

- Botanic Road, Glasnevin, D9. Zoned residential with full planning for 119 units and potential for an additional 19 more; 2 ha (5 acres) sold in excess of €17m.
- Mount Tallant Avenue, Harold's Cross Road, D6W. Zoned residential with full planning permission for 66 units and potential for an additional 9. Approximately 1.39ha (3.43 acres) sold for in excess of €15m. Former Avid Technologies building, Blackthorn Road, Sandyford, Dublin 18. 2 acre site with full planning permission for 147 apartments sold for €10.3m.
- Verville, Vernon Avenue, Clontarf, Dublin 3. Full planning permission for 19 residential units. 0.53 ha (1.31 acres) sold for €3.6m.

Some notable sales without planning permission in H1 include:

- Silloge, off St. Margarets Road, Co. Dublin. 66 ha (164 acres) of greenfield land zoned for Warehouse & Distribution. Sold for €12.5m.
- Our Lady's Grove, Goatstown, Dublin 14. A serviced residential site of 2.18 ha (5.4 acres) sold for €13m. The site is expected to accommodate 70-80 apartments.
- Castle Park, Dalkey. 1.27 ha (3.14 acre) of land zoned residential adjacent to Castle Park School sold for €5.75.
- Hole in the Wall Road, Donaghmede, Co. Dublin. 1.30 ha (3.21 acres) of zoned residential land with no planning permission sold for €3m. The purchaser of this land has applied for planning permission for 209 apartments
- New Row South, Dublin 8. Zoned for mixed use, approximately 0.22 ha (0.54 acres) sold for €3m.

The largest offering at present on the market is the planned development of up to 1,800 Dublin apartments in a forward funding investor sale by Marlet Property Group; backed by international asset managers, M&G Investments, called Dublin Living. This has been offered to the market guiding €425m. Two of the sites involved are at Mount Argus and St Clare's; both of which are in Harold's Cross, Dublin 6. Construction has already started on one block of apartments at Mount Argus

and that block will be included in the offer. The other two sites are in Cabra and on Naas Road.

The Daughters of Charity of St Vincent de Paul site in Blackrock is also anticipated to attract significant interest. The offering, starting at €25m for the 3.92 ha (9.7acre) complex off Temple Road, has the potential to provide more than 250 houses and apartments and bids were called for in July.

New Homes - H1 2017

The serious shortage of new homes under construction has been well documented, and is contributing to the continuing strong growth in rental levels and property prices. However a number of the measures introduced in the past year are starting to have a positive impact on the level of supply.

The combination of the Help to Buy Scheme, the Central Bank's reduced deposit requirements and the Government's 'Rebuilding Ireland' action plan has served to give more confidence to developers and we have seen a notable increase in on-site activity and commencements in 2017; approximately 27% more houses underway nationwide compared to the previous year according to a recent Construction Industry Federation (CFI) report.

The number of developer-led projects has increased dramatically, with over 2,000 new units registered in the first three months of the year, a 75% increase on 2016. The vast majority of houses were registered in Dublin, with commuter-belt counties Meath and Kildare following behind.

The demand for new homes is evident at all levels of the market. Recent launches of starter home developments in locations including Lucan (Shackleton Park), Baldoyle (Silverbanks) and Adamstown (St. Helens); all of which have attracted strong interest from buyers. It is at this level of the market where the Help to Buy scheme and lower deposit requirements are having the most impact.

Quality family homes at the mid to upper level of the market continue to perform strongly, as was evident at the launches of Knockrabo (Goatstown), Hawthorn (Clonskeagh), and Lonsdale (Raheny); all homes in their initial phases were sold out on the opening launch weekend.

In addition, 2017 has seen the first new luxury apartment launches in recent years with Marianella (Rathgar) and Lansdowne Place (Ballsbridge) enjoying strong sales since releasing off-plan apartments.

In spite of the strong interest and improved level of supply of new homes, the market is still a long way from producing the required number of new homes to meet current demand, not to mention the ongoing supply that will be required to meet a growing population and high number of returning emigrants recorded in Census 2016.



In Focus

The Help to Buy scheme has been a subject of much discussion and controversy since its announcement in Budget 2017 and formal introduction in January 2017.

The scheme aims to increase the supply of new homes by enhancing the purchasing ability of the end user, through a tax rebate which could be used as a deposit top-up. While initial findings suggest that there has been a significant increase in the commencement of starter homes in the first half of 2017, critics claim the scheme is fuelling a surge in house prices.

Ultimately, we feel that it remains too early to accurately judge the success or impact of the Help to Buy scheme. Property prices are experiencing significant increases across the entire sector at present, and while new home developments have seen corresponding increases it is not accurate to attribute these higher prices solely to the scheme.

First time buyers purchasing newly built homes only comprised approximately 2.7% of total sales in Dublin.

While giving a tax rebate to first time buyers has enabled them to secure their required deposit

and bring forward their potential house purchase, the fact that the Central Bank Loan to Income restrictions remain in place ensures that there is still a ceiling on a person's buying power.

The new Housing Minister, Eoghan Murphy, has announced that a review of the scheme is to be undertaken. If the Government do ultimately decide to discontinue the Help to Buy scheme (an announcement is likely by Budget 2018), it will be vital that alternative measures are introduced to counteract any negative impact on the market.

The cost of construction remains high (e.g land and acquisition costs and VAT) therefore apartment developments are not viable outside of prime suburbs of Dublin, while starter homes in many areas still have very small margins.

Lisney believes a temporary reduction in VAT on new homes and a reduction in development levies, making more funding available for providing infrastructure to housing sites, and a further streamlining of the planning system would accelerate the supply of new homes and help bring stability to the housing market.

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