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FUTURE

**DEVELOPMENT LAND
& NEW HOMES**
PROPERTY REPORT

Lisney

HI

2019



“ €175m
worth of
land sold
in H1 ”

ACTIVITY

Activity in the Dublin development land market remained relatively healthy in the opening six months of 2019 with approximately €175m worth of land sold. Furthermore, the average lot size in Dublin in H1 was over €10m. It became more evident in recent months that prices have stabilised, most likely due to rising building costs and slower or static growth in end capital values. Demand for smaller, infill sites came mainly from domestic developers while larger sites attracted interest from international private equity firms, usually in conjunction with an Irish development partner.

Like the investment market, greater amounts of activity in the development land sector has occurred off-market. Additionally, many developers have been focussing their attention on achieving planning permission and completing existing schemes. This is due to the significant amount of land that has transacted in the last number of years and the stabilisation of land prices.

“ There has been an increase in the number of land sales by religious orders ”

In terms of development land sold in the first half of the year, there were some notable deals. These included:

- ♦ Newmarket Quarter (1.6 acres) – a Dublin 8 mixed-use site sold off-market for about €36m.
- ♦ 73 North Wall Quay (0.1 acres) – an office site along the quays sold to Oakmount and Core Capital for over €10m.
- ♦ 55 Fumbally Lane (0.6 acres) – Oakmount sold the Dublin 8 land for approximately €10.5m to international co-living company The Collective. The site has planning in place for 34 apartments, but The Collective is likely to seek a new permission for the lands.

SUPPLY

The pace of land coming to the market for sale in the second half of the year will likely be assisted by increases in the vacant site levy. For 2019 (charged annually in arrears in January 2020), it will increase to 7%. This will deter many owners from land hoarding and encourage them to sell. It is likely it will have an impact on prices.

Some of the sites that were on the market at the end of June 2019 included:

- ♦ Sandford Road, Ranelagh – a 10.46 acre site in Dublin 6 guiding €55m.
- ♦ Project Shoreline – a 125 acre site in Baldoyle, Dublin 13 with planning permission for 546 houses and guiding €42m.
- ♦ Cross Avenue, Blackrock – a 3 acre site in south County Dublin guiding €20m.
- ♦ South County Business Park, Leopardstown – a 0.84 acre site in Dublin 18 guiding €5m.

RELIGIOUS ORDER LANDS

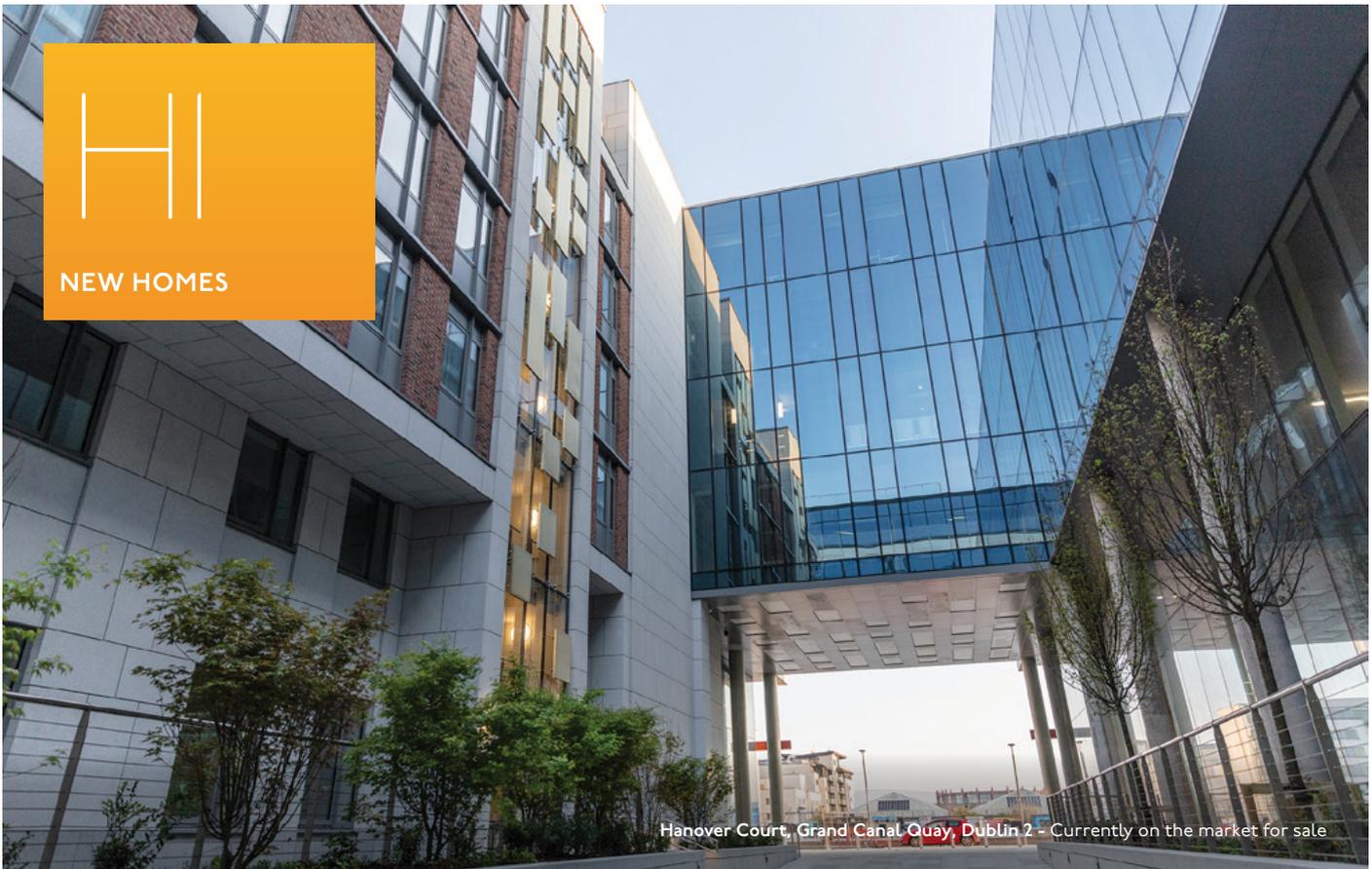
There has been an increase in the number of land sales by religious orders in the year so far. Part of the Jesuit Milltown Park Campus, comprising a range of period buildings and situated on 10.5 acres, was available for sale at the end of June with a guide price in excess of €55m. Additionally, the Carmelite Order is reportedly set to secure up to €35m from the sale of 8 acres of land attached to its student and novitiate house at Ballinteer in south Dublin. The Stella Maris Convent and Retreat House on Howth Head (the Religious Sisters of Charity) was brought to the market during Q2 through tender and was signed at the end of the quarter.

LAND REZONING

In the more medium to longer-term, further lands suitable for development are likely to come to the market due to land use zoning changes. Plans are being put in place by some Dublin local authorities to rezone industrial lands for housing. Examples of locations identified include Jamestown Business Park, Finglas Business Centre, Dublin Industrial Estate, Ballyboggan Road, Oscar Traynor Road, Malahide Road, Coolock Drive, Malahide Road Industrial Park, Newtown Industrial Estate, Kylemore Road, Park West Road (including a small Z7 landbank), Inchicore Works and Lands East of Kylemore Road.

STRATEGIC DEVELOPMENT ZONES (SDZ)

Notably, approvals have been granted for Clonburris SDZ and Poolbeg SDZ. Approximately 280 ha of land at Clonburris, to the east of Adamstown along the Dublin-Kildare railway line, has been designated an SDZ, which will eventually accommodate more than 8,400 homes. Permission has been granted for 3,500 new homes on Dublin's Poolbeg peninsula with 25% earmarked for social and affordable housing.



Steadily increasing supply, coupled with strong demand, and more moderate price inflation have been the main talking points in the new homes sector in the first half of 2019. As a proportion of sales in the overall Dublin residential market, new home sales are making up a growing percentage. In 2012, new homes accounted for just 10% of all residential sales in Dublin. This compares to 24% in 2018.

Supply is slowly improving. Nationwide, planning permissions granted for residential units increased sharply over 2018 (+30%), with a particularly notable increase in apartment units granted (+73%). That said, these figures are from a relatively low base.

For the first five months of 2019, 1,072 new homes were completed in Dublin, 25% less than the same period of 2018 but 6% more than 2017.

	Unit Completions
Jan - May 2019	1,072
Jan - May 2018	1,423
Jan - May 2017	1,010

The pipeline of new residential units granted planning permission consists of both traditional type new homes schemes, but also an increasing number of PRS / Build-to-Rent developments. The viability of build-to-rent and build-to-sell can be different given the varying dynamics of each. In areas that are marginal for traditional apartment schemes where units are sold individually,

PRS may be viable. This has led to significant investment in the PRS sector in the past 18 months. The amended apartment standards from March 2018, along with the fast-track planning process, has also assisted growth in the PRS sector.

Two measures that are likely to negatively affect the supply of new homes in the medium-term are the help-to-buy scheme and fast-track planning. The former is due to end in December 2019 and to date, the Government has not confirmed any extension, and is unlikely to do so. The fast-track planning process is currently under review. It is also due to end shortly, but the Government has the option of extending it for a further two years. We believe that both measures should be extended.

In terms of the help-to-buy scheme, it has played a substantial part in increasing the supply of new homes. This is because it offers significant assistance to first-time buyers, while giving developers the confidence to bring new developments to the market knowing that there is stable demand. The lack of information around whether it may be extended or altered is creating uncertainty amongst developers and their funders. This will ultimately impact on new dwelling commencements and planning applications. There has been speculation that the scheme will be continued but with a possible reduction to the €500,000 maximum threshold. There are concerns about this change, given that Dublin properties make up a large proportion of all help-to-buy purchases. In July 2019, a total of 13,367 claims had been made under the scheme with 4,471 of these located in Dublin (33%). Any reduction would disproportionately impact on new developments within Dublin, given the higher average values.

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