



Lisney  

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Sotheby's  
INTERNATIONAL REALTY



# OUTLOOK

2023

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## DEVELOPMENT LAND

The development land market remains challenging. Significant construction cost inflation, along with the higher cost of finance, has impacted the viability of schemes.

### ACTIVITY

#### LOWER PRICES ACHIEVED

The development land market remains challenging, a trend that will continue into much of this year. Significant construction cost inflation in the last 18 months (various materials up anywhere between 10% and 110%), along with the higher cost of finance (if available at all), has impacted the viability of schemes. This has led to significantly reduced levels of activity in the market and lower prices being achieved. It is likely to be at least mid-2023 before demand for sites improves and into the second half of the year before activity levels increase.

### PURCHASERS

#### CASH TO DOMINATE

Many primary and secondary funders will remain largely absent from the market in the opening months of 2023, unwilling to lend until there is more certainty on interest rates stabilising.

This will mean that cash purchasers will be the dominant buyer type in the short-term, but they will only consider deals when they see value. Those requiring debt to acquire lands will find it more difficult, however some funding will be available to those with debt-free viable sites and are willing to build-out schemes.



St Mary's Church, Ballsbridge, Dublin 4

## SUPPLY

### VARIOUS TYPES OF VENDORS

Supply this year will come from various sources, including those who have postponed sales in recent years, from institutions, and from those who are not now in a position to develop out schemes due to rising costs or changes to policy. Some supply will come from developers and investors that acquired sites using secondary money in the last 24 months and need to refinance. Given the cost and availability of finance from both traditional and alternative lenders, refinancing will be difficult, and some will be forced to sell.

## LEGISLATION

### 2000 ACT TO BE REPLACED

A comprehensive new planning act is due in 2023, which will replace the 2000 Act and all of its amendments. Waiting for this legislation did cause some upheaval to the market last year, as many were awaiting the certainty provided by new legislation. This was especially significant given the large amount of change in planning and residential policy in recent years. Once adopted, it should assist in providing greater certainty to developers and landowners. It should also help in addressing the long delays in planning decisions, addressing the appointment of staff to An Bord Pleanála, which is vastly under resourced, along with streamlining judicial reviews.

The Residential Zoned Land Tax will apply to serviced residentially zoned lands from the 1st January 2024. However, the final identification of applicable land will be in the coming months, and it will be important for landowners to make submissions to the relevant local authority if they intend on keeping lands in their existing use for the foreseeable future.

It has been reported that the apartment regulations are due to be amended, removing the different minimum requirements set out for Build-to-Sell and Build-to-Rent apartments. It is unclear yet what minimum standards will be set for all apartment or if they will be different to the existing Build-to-Sell standards. This may have a large impact on the viability (positive or negative) of apartment lands, depending on how the standards change.

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