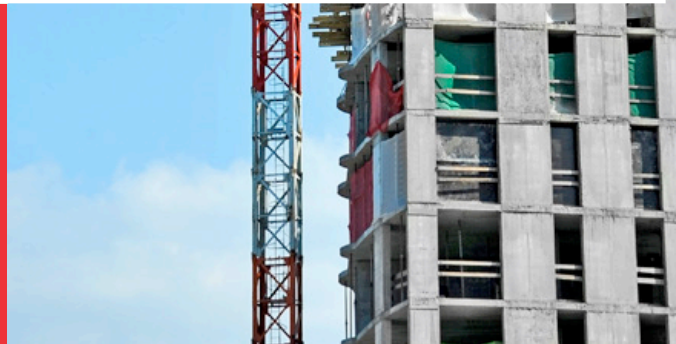


Lisney

COMMERCIAL REAL ESTATE

DEVELOPMENT
LAND

H1
2024



H1 2024

The greater optimism in the development land market entering 2024 has carried through into Q2. While the established challenges in the market around construction costs, planning delays and finance remain, activity levels are improving, albeit slowly. Sites with viable residential planning permissions continue to attract greatest demand but are in short supply.

▼ ≈ €100m

≈ 155 acres

Turnover

▼ 27

Number of Deals

▼ €16m

Lands at Woodtown, Ballycullen,
Dublin 16

Largest Deal

▼ 89%

Dublin

▲ 40%

of Turnover

**Full Planning
Permission**

▼ €4.16m

Average Deal Size

Arrows represent bi-annual trends unless otherwise stated.

Activity

In H1 2024, 27 development sites were reportedly sold in the GDA. The combined selling price was approximately €100m (€44m in Q1 and €56m in Q2) with many off-market deals too. While the H1 2024 turnover figure is relatively low compared to pre-2020 levels, sentiment is improving, and the volume of deals agreed at the end of June (more than €250m) bodes well for the second half of the year.

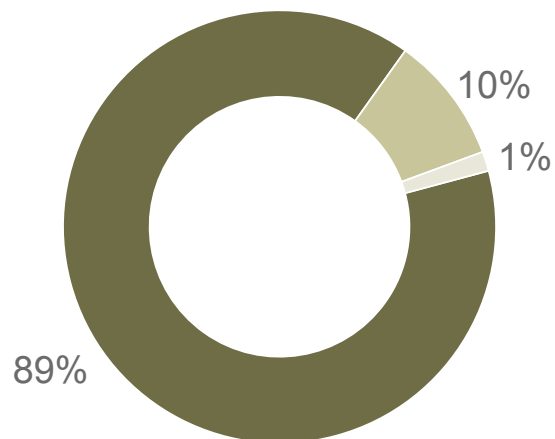
In H1 2024 the average deal size was €4.16m, an increase compared to €3.43m in H1 2023 but less than H2 2023 at €9.7m. Dublin accounted for 89% of the total GDA turnover in the first half of the year, with the remaining 11% spread across Co Meath (10%) and Co Kildare (1%). Out of the 27 sites sold in H1, 12 had planning permission, making up 82% of the total land sold by size (by acres).

Some of the more notable greenfield sites sold in H1 are set out below:

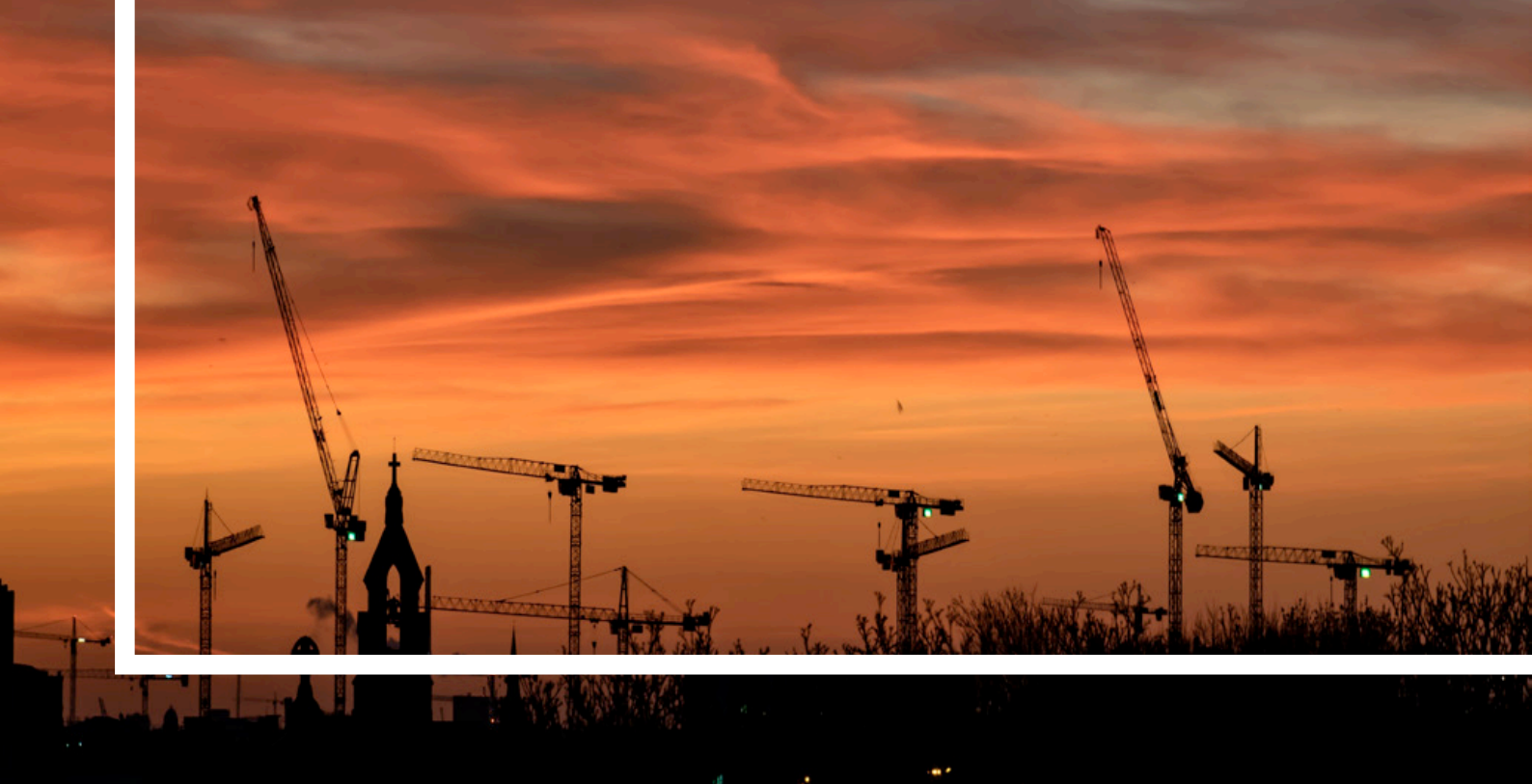
- The largest sale was in Q2 with Langan Homes' purchase of 25.72 acres at Woodtown, Ballycullen, Dublin 16 for around €16m. This accounted for 16% of H1 activity and despite not benefiting from planning permission, a feasibility study illustrated that more than 340 residential units are possible.
- In Q1, an 18.5 acre greenfield site in Kenure, Rush, Co Dublin with full planning permission for 159 residential units (114 houses and 45 apartments) was bought by Ballymore for a reported €11.225m.
- Also in Q1, Lot 2 at Brennanstown, Co Dublin, comprising 9.5 acres but part of a larger land holding, was sold by a Receiver without planning with Dun Laoghaire Rathdown County Council buying the lands for a reported €10.75m.
- At Brighton Road, Foxrock, 3.14 acres was sold in Q2 with full planning permission for 57 residential units (21 houses and 36 apartments) for €10.5m.

- Outside of Co Dublin, within Co Meath, 72 acres at Rooske in Dunboyne were sold for €8.35m. 26 acres are zoned new residential with the remaining 46 acres unzoned. The site is located along the southern boundary of the town and there is no planning permission in place.

GDA Development Land Activity (H1 2024)



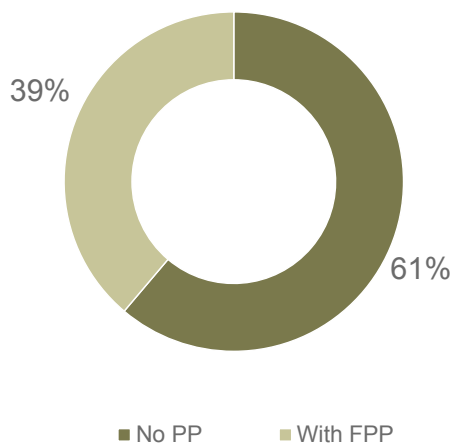
Source: Lisney



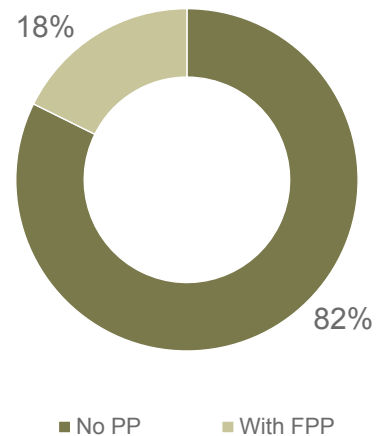
In term of Dublin city centre brownfield redevelopment opportunities, there were several deals completed in Q1. These included Independent House, Dublin 1 (0.72 acres) sold for €7.1m; Shamrock Place, North Strand, Dublin 1 (0.4 acres) sold for €3.25m with planning for 41 apartments; 48/49 James Place East, Dublin 2 (0.15 acres) sold for €2.215m; and Charlemont Quarter, Dublin 2 (0.11 acres) sold for €1.79m with the benefit of planning permission for 19 apartments. In Q2, the only notable city redevelopment opportunity sold was at Phibsborough Road, Dublin 7 where 0.7 acres of land with the potential to deliver 61 apartments was sold for €3.25m.

Outside of Dublin, an existing licensed premises (Swan Dowling's) on 0.91 acres in Naas, Co Kildare was sold for €1.45m with a feasibility study suggesting the potential for 83 residential units. Lisney has discussed many times the redevelopment opportunity of suburban / edge of town pubs with car parks for future redevelopment, both with and without a licensed premises in the new scheme. This sale is a further example of this ongoing trend.

Turnover by Planning Status (H1 2024)*



Acres by Planning Status (H1 2024)



* Excludes three P&C sales

Source: Lisney

Supply

A number of large sites became available through on and off-market sales processes these included:

- CRH lands (161 acres) at Fassaroe, Bray, Co Wicklow, which is on the market for €20m and suitable for around 1,700 homes and community facilities over several phases.
- Griffith Avenue site in Drumcondra, Dublin 9 (9.6 acre) with potential for 650 residential units. It is on the market for €35m.
- Land at Cuchulainn Castle, Mount Avenue, Dundalk (approximately 98 acres) currently sale agreed in region of €12m.
- And Cosgraves lands at Fassaroe, Bray extending to over 300 acres.

Demand

Most potential purchasers are seeking land with planning permission. This is predominantly driven by the time delays and risks associated with obtaining planning permission, particularly larger schemes that are often the subject of a Judicial Review.

However, there is a cohort of purchasers that will take a longer-term view of well-located residentially zoned lands without planning grants, but the price paid will reflect the cost of holding the lands (future zoned land tax), the risks with achieving planning, and the extended horizon and cost of delivery.

Lenders continue to be wary of lending on land due to high interest rates and economic uncertainties. Cash buyers hold the upper hand, but they will only consider deals when they see value. In addition, government-backed buyers (AHBs, Local Authorities and the LDA) continue to be very active in the market. Significant government funding is available, however individual bodies' capacity constraints may hold back activity.



In the coming months, new supply is expected to come from various types of vendors.



In the coming months, new supply is expected to come from various types of vendors. Some are under pressure from funders, while others will be selling due to higher development costs and challenges in progressing with building works or planning. Certain institutions will also bring lands to the market.

In Focus – Residential Building Costs

The SCSI's Real Cost of New Housing report from December 2023 stated that hard costs (i.e. building materials and construction labour) account for 49% of the overall cost of delivery of a new home in the GDA (and 53% nationwide).

This means that hard costs averaged just over €227,000 in the GDA with the total cost of delivering a three-bed semi-detached scheme home at €461,000 in the region. Three years previous, these figures had been at €179,000 and €371,000 respectively, which highlights the substantial increases in a short period of time and the viability challenges that persist.

Focusing on building costs, it is positive that the cost of materials appears to have peaked. In the 12 months to the end of June 2024, the CSO's Wholesale Price Index for Building and Construction Materials remained relatively stable – falling by

just 0.1%. However, it is interesting to note that the same index remains 36.6% higher than pre-COVID in February 2020. In the past year, steel products have experienced declines, some by up to 17%. Timber products (with the exception of rough hardwood) held steady in the past year but remain about 40% higher than four years ago. Concrete products grew on average by about 4% annually and remain about 37% higher than in 2020. We anticipate some further declines over the remainder of 2024, although prices are unlikely to return to 2019 levels.

Wholesale Price Index for Building and Construction Materials (June 2024)

TYPE OF MATERIAL	ANNUAL CHANGE	PRE-COVID CHANGE
All Materials	-0.1%	36.6%
Stone, sand and gravel	3.3%	34.5%
Sand and gravel	8.2%	19.5%
Stone	2.3%	38.0%
Cement	5.7%	57.4%
Ready mixed mortar and concrete	4.1%	47.4%
Concrete blocks and bricks	3.6%	38.9%
Other concrete products including precast	0.4%	24.2%
Structural steel and reinforcing metal	-11.6%	52.3%
Structural steel	-8.9%	67.0%
Other structural steel	0.1%	50.3%
Structural steel fabricated metal	-9.5%	68.6%
Reinforcing metal	-17.4%	26.1%
Other steel products	1.8%	29.7%
Rough timber (including plain sawn)	0.3%	40.2%
Rough timber (softwood)	-0.3%	45.5%
Rough timber (hardwood)	8.1%	-0.7%
Machined, treated engineered timber	0.8%	37.5%
Other treated timber	0.0%	44.1%

TYPE OF MATERIAL	ANNUAL CHANGE	PRE-COVID CHANGE
Other treated timber	0.0%	44.1%
Wooden windows and doors	1.7%	33.0%
Bituminous macadam, asphalt and bituminous emulsions	1.0%	26.3%
Bituminous macadam and asphalt	1.3%	26.9%
Bituminous emulsions	-7.4%	11.0%
Electrical fittings	-1.8%	31.8%
Lighting equipment	0.0%	0.0%
Protection and communication equipment	-0.3%	17.0%
All other materials	1.7%	30.3%
Plumbing materials including sanitary ware	-1.2%	39.0%
HVAC (heating and ventilation equipment)	2.7%	16.0%
Insulating materials	1.0%	23.3%
Pipes and fittings	1.8%	40.4%
PVC pipes and fittings	0.4%	48.7%
Copper pipes and fittings	2.4%	37.5%
Plaster	-3.4%	71.5%
Paints, oils and varnishes	1.9%	34.8%
Glass	0.0%	11.5%
All other metal fittings	-3.9%	3.0%
All other products	2.6%	25.2%

In terms of construction labour, industry bodies state that there remains a shortage of skilled labour and labour costs are rising. According to the SCSl, labour is now the main driver in tender price increases and is the main challenge facing the industry at present. There were 171,700 people employed in the construction industry in Q1 2024, which accounts for 6.3% of the working population. It is positive that this figure has increased by 5% in the past year and by 16% since early 2020 – and is at a slightly faster rate than employment overall (at 2% and 14%). However, the need for trade skills remains. A survey by the Hardware Association of Ireland found that the lack of tradespeople was slowing and preventing building projects with plumbers, plasterers and electricians the main trades in short supply. In terms

of earning, the average weekly earning in the construction sector has been slower to increase compared to the market overall since the beginning of the pandemic (15% v 21%), but the rate of growth began to pick up in Q1 this year, a trend that will be watched closely in the coming months in terms of its impact on overall costs.

With €250m worth of lands in the GDA sale agreed at the end of June, market turnover in the coming months should be healthy.



Outlook

With €250m worth of lands in the GDA sale agreed at the end of June, market turnover in the coming months should be healthy. In reality, this figure is likely to be larger given the amount of activity occurring off-market. Depending on what sites come to the market in the Autumn, market turnover is unlikely to exceed €500m in 2024.

It is now appearing unlikely that the Planning & Development Bill will get passed before the impending end of the current Dáil and a general election takes place. Albeit, it is at the 8th stage (committee stage) and there is hope. While the proposed legislation is not perfect, it does bring with it positives.

Many primary and secondary funders will remain largely absent from the market in the months ahead, unwilling to lend until interest rates begin to move downward at a steady pace. 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.

The guidelines on 'Sustainable Residential Development and Compact Settlements' from January has the potential to improve supply and increase the viability of lands by allowing more flexibility around housing types. The Government-backed Help-to-Buy and First Home schemes are crucial for new home buyers and play a large part in achieving viable schemes.

The Government extended the S48 waiver in development levies and rebates on utility connections till the end of 2024. This has been a very successful measure to encourage residential commencements. To keep the momentum going, they should consider further extension in the upcoming Budget to end of 2026.

The Draft Revision of the National Planning Framework (NPF), the overarching policy and planning strategy for the social, economic and cultural development of Ireland has been published and the consultation period for submissions is Wednesday 10th July 2024 up to 5pm on Thursday 12th September 2024 (both dates inclusive).

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