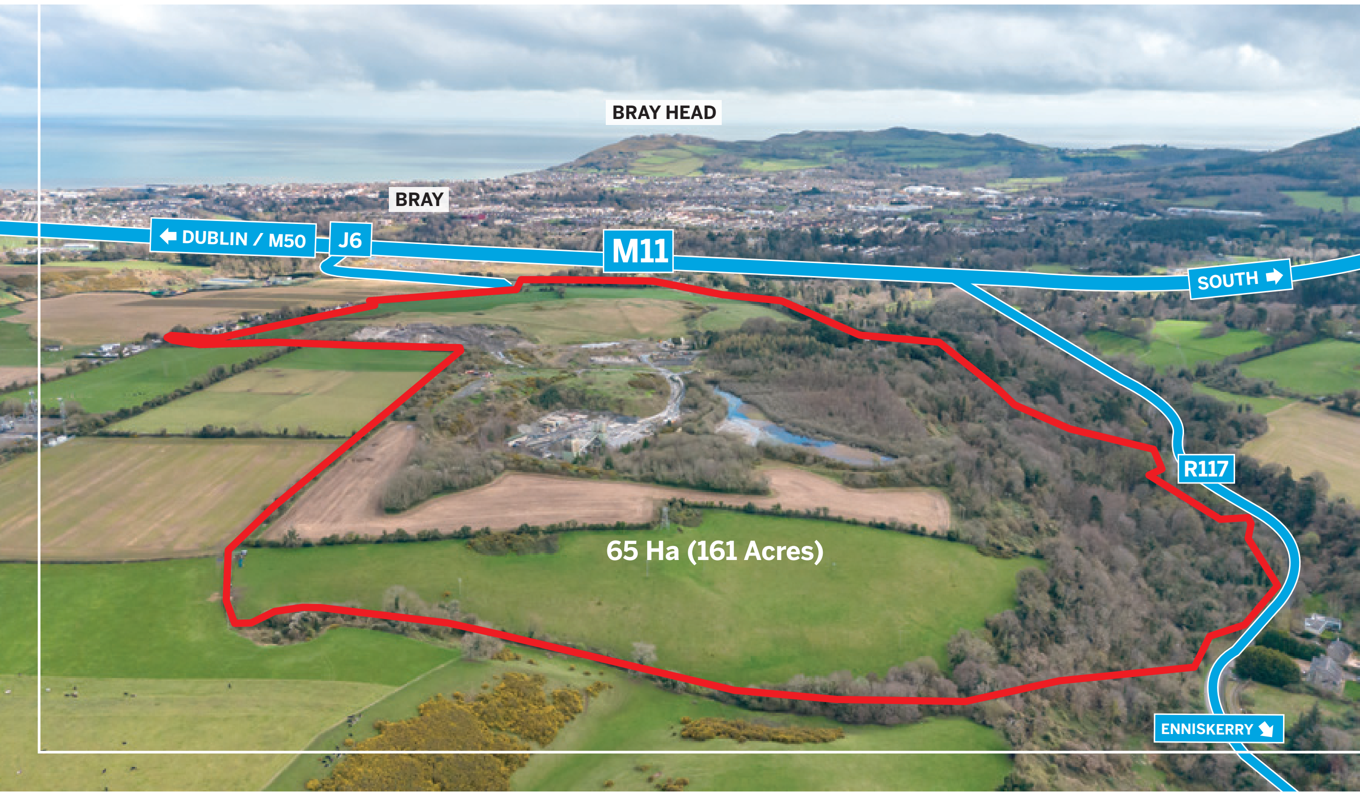
OUTLOOK 2025

2 DEVELOPMENT LAND

The outlook for 2025 is positive in terms of increased supply and activity, and will be assisted by falling interest rates.

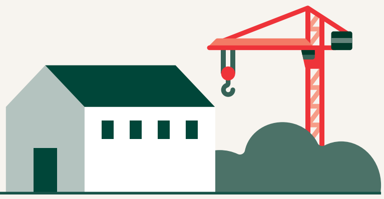
- In 2024, development land market turnover was approximately €370m in the Greater Dublin Area, which will be emulated in 2025 with incremental increases in **activity**. This will be in spite of the established challenges around high construction costs, planning delays and finance remaining features of the market.
- As has been the case for several years, **demand** will be greatest for sites with viable residential planning permissions (both greenfield and brownfield). This is due to the lengthy delays, costs and risks involved in achieving a finalised planning grant. Encouragingly, the Planning & Development Act 2024 should take full effect this year and if it materialises in practice as envisaged, planning delays should reduce, particularly for larger schemes subject to judicial reviews. The gap in value between zoned land and land with a finalised planning permission may widen further this year before improving in the medium-term.
- Some buyers in 2025 will be adopting a **longer-term strategy** and acquiring well-located, residentially zoned lands without planning permissions. For these acquisitions, pricing will reflect the cost of holding the lands for several years (including future zoned land taxes), planning-related risks, and the extended timeframe for development.
- While **supply** has been constrained in recent years, there will be continued improvements in both on and off-market offerings in 2025. This will come from various types of vendors, including those that are under pressure from funders (including owners in receivership), those selling due to an inability to develop-out schemes because of higher cost, and others because of the zoned residential land tax. Certain institutions will also bring lands to the market.

Fassaroe, Junction 6 M11, Bray, Co. Wicklow



Brighton Road, Foxrock, Dublin 18

THE PUBLIC SECTOR THROUGH THE LAND DEVELOPMENT AGENCY, LOCAL AUTHORITIES AND APPROVED HOUSING BODIES WILL BE THE KEY PURCHASERS OF LAND IN 2025



- In terms of new scheme **viability**, there will be both positive and negative factors at play. Construction cost inflation should stay relatively stable this year, but costs will remain 35% to 40% more than pre-pandemic. Following some declines last year, global interest rates are predicted to fall further over the course of the year, which will assist in the cost and availability of finance – both to buy land and fund development. However, **funders** will remain cautious around development and will continue to assess the risk profile of the proposed development and the developer, and make judgements on margin based on the profile. This will mean that cash purchasers will be in a strong position, but they will be selective and will only progress with deals where they perceive clear value.
- The new Programme for Government outlines plans for 12,000 new social homes annually. Consequently, there will continue to be considerable funding available for **government-backed** entities such as Approved Housing Bodies (AHBs), local authorities, and the Land Development Agency (LDA) and they will remain very active buyers in the market. They will engage in straight forward land purchases as well as engaging in joint ventures, pre-funding and turnkey deals with private developers. However, the overall pace in activity may be constrained by individual bodies' capacity limitations – particularly around staffing.

- The **Planning & Development Act 2024** was finally signed into law in October. Not all of the Act has commenced, but most (if not all) sections will become operational in 2025 and will have an impact on the land market and development sector. The key components of the Act include extending development plans to 10-years but with a midpoint review; replacement of LAPs with three types of focused Area Plans (Urban, Priority and Co-ordinated); upgrading S28 Ministerial Guidelines and Policy Directives to National Planning Statements; renaming An Bord Pleanála to An Coimisiún Pleanála and changing its structure to include a governing board and a separate operational section of planning commissioners; mandatory pre-application consultations for large schemes; strict timelines for planning decisions; and changes to Judicial Reviews including refined eligibility (must have direct or indirect material impact, and unincorporated bodies such as residents associations must fulfil certain requirements to bring proceedings), changes to costs, and a correction of error can be made.

- The **Residential Zoned Land Tax** (RZLT) will also have an impact on the market in 2025. The aim of the tax is to encourage housing development on zoned and serviced lands. Maps identifying liable sites will be updated annually and will be taxed at 3% of market value each year. The first liability date is 1st February 2025 with landowners self-assessing value and registering it with Revenue's online system. There are limited exemptions including existing residential properties that are paying the Local Property Tax and land that is currently being used for the operation of a business. Farmers can request an exemption in 2025 if they seek to rezone their land to reflect farming activity. Payment deferral is also possible where there is a judicial review pending or where a commencement notice has been lodged.

- The **Updated Draft Revised National Planning Framework** was published in November 2024 and is awaiting final approval from government. The key change within the draft is a new set of home building targets – 50,500 homes per year initially, scaling up to 60,000 homes in 2030 and maintained at this level thereafter is included. This is a more realistic requirement and is positive, however resources in terms of funding and skills will be required to achieve this, particularly given that the targets were missed in 2024.

Site C, M1 Business Park, Junction 5 M1 Motorway, Balbriggan, Co. Dublin

Gilford Road, Sandymount, Dublin 4

- The Government published its long-awaited **Land (Zoning Value Sharing) Bill** in October 2024, the aim of which is to enable the State to benefit financially in the uplift in value of lands rezoned for certain uses. The levy is proposed at a rate of 25% (originally discussed at 30%) which will be paid before a commencement notice can be submitted for a development. Despite the government formation talks remaining ongoing at the start of 2025, this is likely to progress further during the year.
- While the Programme for Government contains many proposed actions related to the property sector. Notable is the desire to create a **land price register**. We welcome this transparency in the market and believe that a robust register feeding from stamp duty returns is the best option rather than a register based vendor or purchaser input.

THE PLANNING & DEVELOPMENT ACT 2024 WAS FINALLY SIGNED INTO LAW IN OCTOBER

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