

VIEWPOINT

Irish Development Land Market Update

CBRE RESEARCH
MAY 2024



Market Activity

Like many segments of the Irish market, development land sales have been lower than historical averages over the last 18 months. However, as we approach the midpoint of 2024, there are some signs of positivity, with the sale of some notable landbanks approaching a conclusion, several sale processes kicking off, a rebound in the level of demand for sites evident, and residential development activity enjoying good momentum.

Land Sales

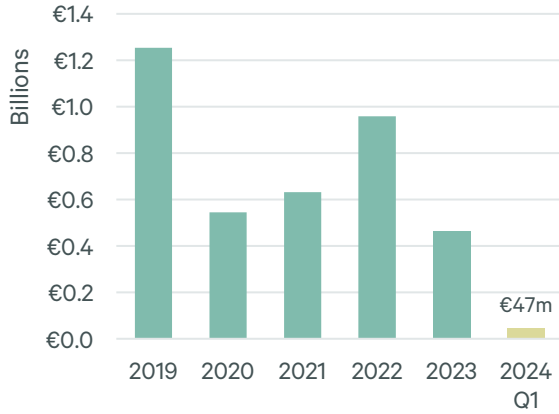
- The opening quarter of the year saw just under €50m worth of land sales in Ireland, with these sales almost exclusively (90%) for sites with residential development potential. While the State was involved in the largest land acquisitions in the market in 2023 and continues to be active in 2024, several larger and smaller private Irish developers also acquired sites in Q1.
- Despite this lower volume of transactions, the sale of some notable large-scale landbanks suitable for residential development are currently in the process of closing or have just been launched to the market. Recently launched sale processes include a 0.23-acre site at Appian Way in Dublin 4 (zoned Z1 'Sustainable Residential Neighbourhood') and 'Bakers Yard' in Dun Laoghaire (F.P.P for a 276 bed PBSA development).
- Overall, CBRE Ireland expect this to contribute to a higher level of transactional activity through the rest of this year.

Underlying Demand

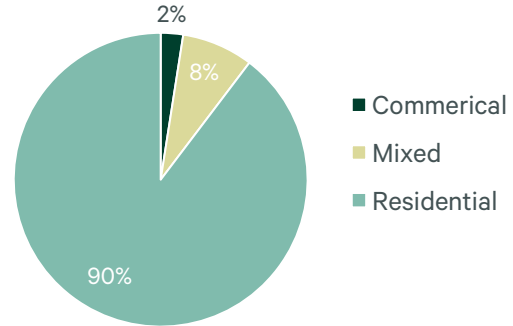
- Ongoing conversations with developers in 2024 indicate that there has been a rebound in the level of demand for sites nationally, particularly for those with residential planning permission in place. While the large-scale Irish homebuilders are now moving forward with more intent, particularly where there is the opportunity for strategic partnerships with the State in the form of the Land Development Agency or financing through the Home Building Finance Agency.
- Legislative changes, planning risk and viability challenges continue to be highlighted as impediments to development in Ireland, but national residential commencements have been exceptionally strong in the opening quarter of the year (11,956 units), following the highest annual level of national new dwelling completions since prior to the Global Financial Crisis, in 2023 (32,626 units).
- There are also a number of other catalysts that should support an uptick in sales in H2 of this year. Firstly, ECB base interest rates are expected to start to fall from June 6th, residential property prices are back an upward trajectory nationally, and construction costs are largely falling or stabilising. Add to this, the impending first payment date for the Residential Zoned Land Tax (the first payment date for property that is liable is on February 1st 2025), while valuations are also closer to stable levels in some commercial sectors, including industrial & logistics and hotels. All factors that could stimulate an increase in intent from both sellers and buyers this year.

Development Land Market - Key Indicators

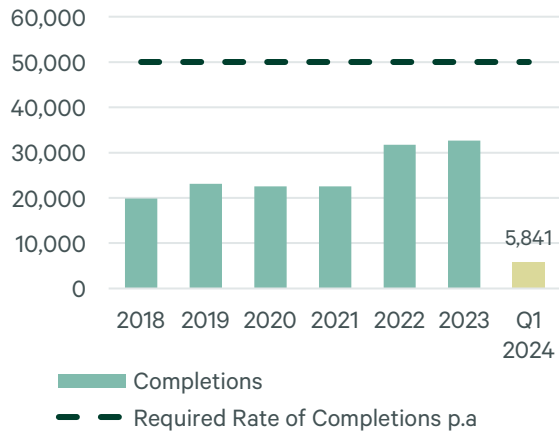
Ireland - Land Sales Volumes



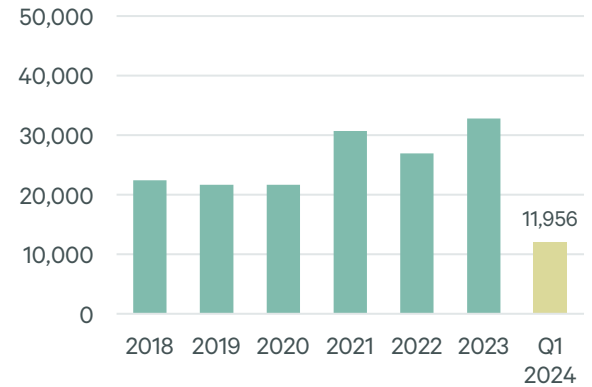
Ireland - Land Sales Q1 2024 - Split By Intended Use



Ireland - New Dwelling Completions - CSO



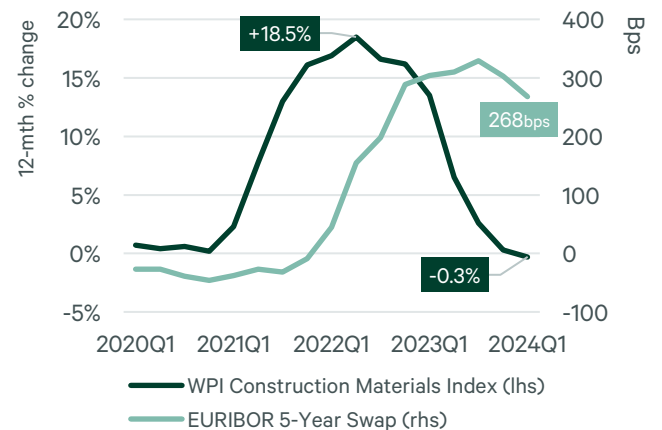
Ireland - Residential Commencements - DHLG



Residential Property Price Index - 12-Mth % Change



Construction Materials & Financing Costs



Source: CBRE Research, Central Statistics Office, DHLG

State Involvement

- State involvement and initiatives are now proving to be hugely positive in stimulating new housing supply, particularly in instances where an ongoing development may have become unviable given the swift change in market conditions over 2022 and 2023. The activity of State bodies in acquiring, financing and leasing properties means that the country is now in the early stages of an accelerated cycle of new social & affordable housing delivery, which will have huge societal benefits. Notwithstanding the fact that social housing waiting lists remain elevated.
- However, clearly, both private and public financing and development are required to ensure that the required scale of residential development can be reached in Ireland in the coming years, and also to ensure the development of an appropriate mix of tenures nationwide. Without an examination of policies such as the current rent cap regulations, the development of new private rental apartments will continue to be stymied.

Other Commercial Sectors

- Outside of the residential sector, some of the focus of commercial development land trades in recent months has been in the industrial sector. Although these transactions have largely been in the form of small parcels of land adjacent to existing business parks. Large-scale land acquisitions for speculative development have been slower in Dublin over the last 18 months, however the outlook for the sector generally is robust.
- Development opportunities in the hotel sector remain sought after. A number of Dublin city centre buildings are currently being sold as redevelopment opportunities for hotel or hostel use. Again, the occupational fundamentals of the sector in Dublin are very healthy.

Repurposing

- The structural changes that have occurred or that are ongoing in both the retail and office sectors indicate that over time there will be some sort of shift away from these use types for buildings in parts of Dublin city centre. Despite the viability challenges of office to residential conversions, CBRE Ireland believes that over the long term, the city will see more retail and office buildings adapted for living sector use. Indeed, this has already started to play out, with several examples emerging in recent weeks, including the sale of a long-term vacant office on Middle Abbey St. to Summix Capital (office to student accommodation use). While a separate, large-scale city-fringe office sale process is ongoing, that will also likely see a change of use.

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