



## DEVELOPMENT LAND MARKET TRANSACTION ACTIVITY

Following the sharp slowdown in activity in 2020 due to COVID-19 related market challenges, the Irish development land market witnessed an increase in activity in 2021. With that, the outturn of 2021 activity points positively towards the market on the path to recovery.

This pickup of activity was predominately recorded in the second half of the year. Quarter three witnessed the largest amount of capital spend on development land in the year, just shy of €210m. While the final three months of the year witnessed €184m worth of development land trade hands.

This brings total spend in the Irish development land market to just shy of €655m 2021, representing a strengthening from the €411m recorded in 2020. Although 2021's turnover represents a decrease from the sum recorded in 2019, €1.18bn, it must be noted how standalone the turnover values in both 2019 and 2018 were for the Irish market.

COMMENTING ON THE MARKET, BRENDAN SMYTH, DIRECTOR, HEAD OF DEVELOPMENT LAND, CUSHMAN & WAKEFIELD IRELAND NOTED;

*“While many market spectators had expected a softening in land values due to increasing construction and labour costs, this has not been the case. Land with full planning permission for BTS or PRS schemes have witnessed a strengthening in values while many developers compete for a limited amount of stock on the market. Looking forward we see an improved level of interest in commercial sites, particularly those suitable for office development within the CBD. Reducing vacancy rates as well as growing occupier requirements is providing opportunities for future speculative development on well located sites.”*

2021 also recorded an annual increase in the number of sites sold, approximately 136 sites, a rise from 109 sites in 2020 and largely in line with the volume recorded in 2019, 142 transactions. Although this uptick in land sales is a positive outcome and bodes well for the story of a market in recovery, it is undeniable that the volume of transactions in the development land market has been on a downward trajectory in recent years. The decline in transaction volumes is strongly linked to rising development costs and a lack of suitable sites for development projects.

## €654.5m

Approximately €654.5m worth of development land sold across the Greater Dublin Area, Cork, Limerick and Galway in 2021.



Irish Development Land Market Activity\*, 2015 - 2021



\*Includes the Greater Dublin Area of Dublin, Kildare, Meath and Wicklow, and the regional centres of Cork, Galway and Limerick

Source: Cushman & Wakefield Research

The largest sale of 2021 was Eagle Street Partners, a pan-European real estate investment and asset management firm, acquisition of 4.6-acre site at Castleforbes Business Park for approximately €78.5m. Acquired from Glenveagh Properties in quarter three, the mixed-use site comes with full planning permissions and is capable of delivering 702 residential apartments and a 219-key hotel.

Also closing in quarter three was the former City Arts Centre on 1-6 Dublin's City Quay. With a guide price of €35m, it is understood that KC Capital acquired the site for a price in excess of €40m. A feasibility study suggests the site could accommodate approximately 13,470 sq m office development.

The largest sale of the final quarter and indeed the largest residential development site of the year was the sale of the Co-Living development site located on Cork Street, Dublin 8. Purchased on a joint venture basis by Irish developer, Grayling Properties, and European private equity investor, Crossroads Real Estate, for approximately €27.5m. The site comes with full planning

permission for a 378 bed spaces co-living scheme.

Other significant transactions to note were the sale of M2 Airlink site at the Cherryhound Junction, Co. Dublin, acquired for €26m by IPUT. At approximately 64.5 acres, the site has the potential scope to offer 65,000 sq m of industrial and logistics. While 142 acres in Millennium Park, Naas, was acquired by Entrepreneur Owen Curtain, for €20.4m. The significant land parcel is adjacent to the M7 motorway and comes with full planning permission for an office building extending to just over 5,760 sq m with 280 car parking spaces.

Market insight notes a robust level of demand and competitive bidding linked with development land sites with strong commercial attributes, such as sites adjacent to motorways or locations suitable for last-mile delivery services, this demand is firmly linked with the growing presence of E-commerce within the economy.

Top Development Land Transactions, 2021

Property	Development Type	Quarter Sold	Size in Acres (Approx.)	Price Achieved (Approx.)
Castleforbes Business Park, Sheriff Street Upper and East Road, Dublin	Mixed Use	Q3 2021	4.6	€78.5m
1-6 City Quay, Dublin	Commercial	Q3 2021	0.6	€40.4m
Cork Street, Dublin	Residential	Q4 2021	1	€27.5m
Airlink, Cherryhound Junction, Co. Dublin	Commercial	Q2 2021	64	€26m
Millennium Park, Naas, Kildare	Commercial	Q3 2021	142	€ 20.4m

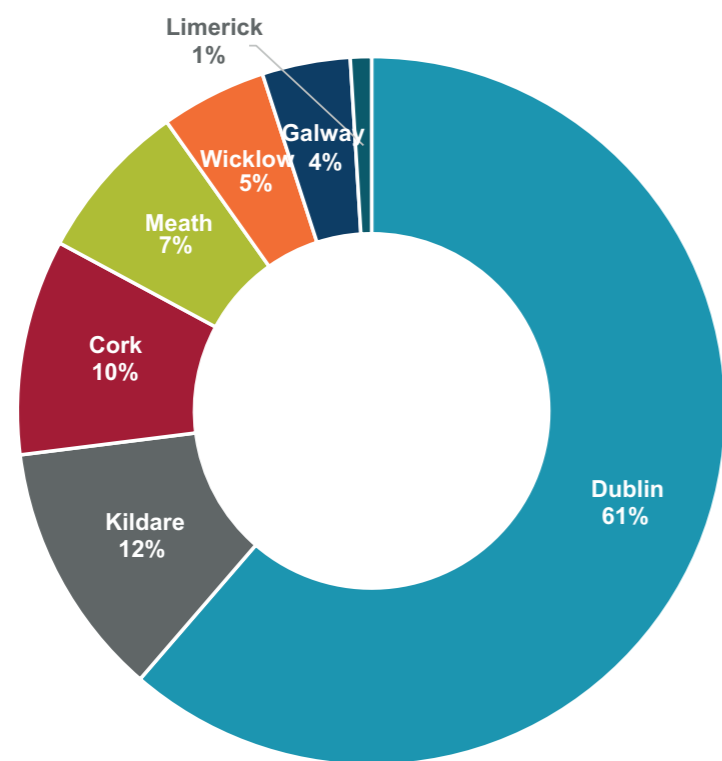
Source: Cushman & Wakefield Research

Turnover in 2021 was largely driven by the Greater Dublin Area (GDA), comprising of Dublin and its neighbouring counties of Kildare, Meath and Wicklow, which accounted for 85% of total spend. Dublin absorbs the vast majority of this turnover, totalling €401m of the €557m recorded.

The regional centres of Cork, Limerick and Galway combined accounted for approximately €97m in 2021. Similar to what was witnessed in Dublin and the GDA, the largest of the regional centres, Cork, absorbs the majority of the combined turnover, totalling €64.4m.



# Development Land Activity by County, 2021



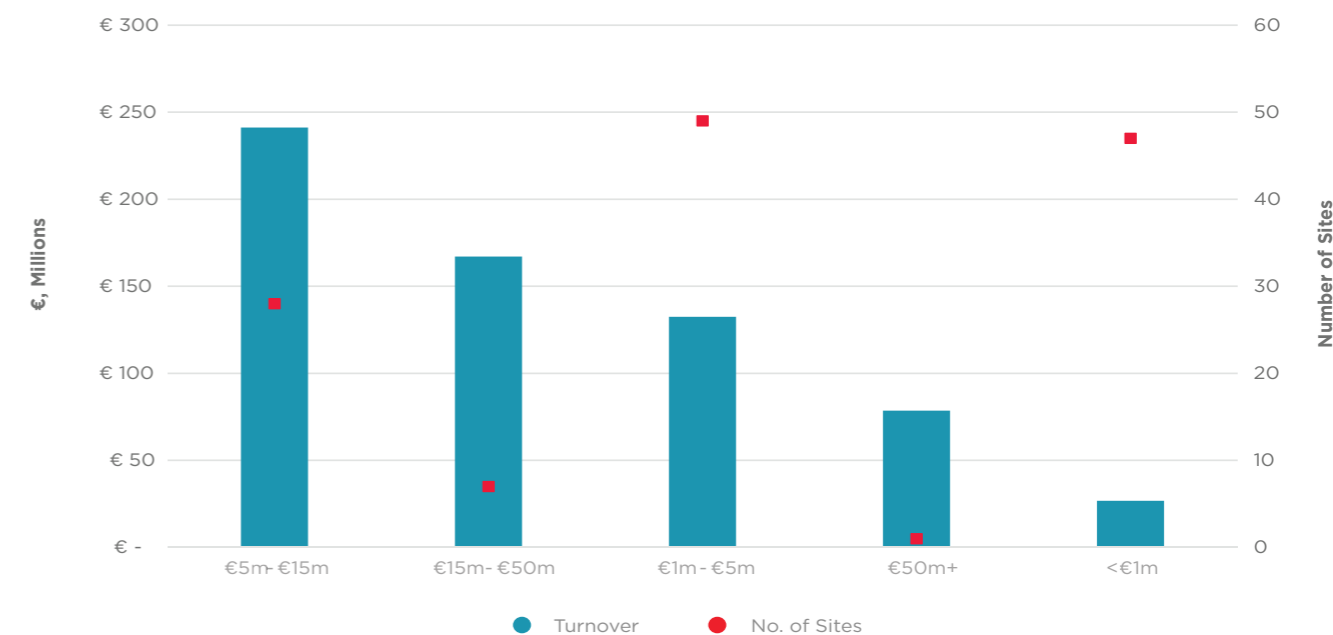
Source: Cushman & Wakefield Research

In terms of lot size, the largest number of sites sold in the €1m-€5m price bracket, 49 sites. This is followed by 47 sites sold in the sub €1m price range. When analysing by value, the €5m-€15m lot size generated the most turnover, €241m equating to 37% to total turnover, while the €15m-€50m bracket recorded approximately €167m over seven development land sales.

Of note, the aforementioned, Castleforbes Business Park site was the only sale which closed in the €50m+ price category. This is an improvement on 2020 where no site sold in excess of €50m, whereas five sites sold with a value greater than €100m in 2019.



# Development Land Activity by Lot Size, Turnover Activity & Sites Sold, 2021



Source: Cushman & Wakefield Research



# DEVELOPMENT LAND MARKET

## LAND BY TYPE OF DEVELOPMENT

Following the continued growth of the Private Rented Sector, where 2021 witnessed €1.7bn worth of residential investments trade hands, and the continued strong demand from the home ownership market, sites sold for the purposes of residential development accounted for the majority share of turnover in 2021. Development land sites which are expected to be utilised for residential purposes accounted for 51% of turnover or just shy of €335m. An analysis of activity from 2015 onwards illustrates the strong demand for residential development sites. Over the seven-year period, sites to be used for residential development purposes ranged from at least 25% to as high as 70% of capital spend on an annual basis.

Of particular interest, 2021 witnessed the largest proportion of commercial development sites transact on an annual basis since Cushman & Wakefield’s detailed series began. In line with the top transactions recorded, commercial sites accounted for 31% of total turnover or €200m. This compares with just 10% and 6% over the comparable periods in 2020 and 2019, respectively.

The robust levels of turnover for commercial development sites correspond with the market narrative of strong investor and developer demand for commercial sites of significant scale. However, the supply of such sites is falling short and satisfying developer requirements for commercial or even mixed-use schemes represents a significant challenge.

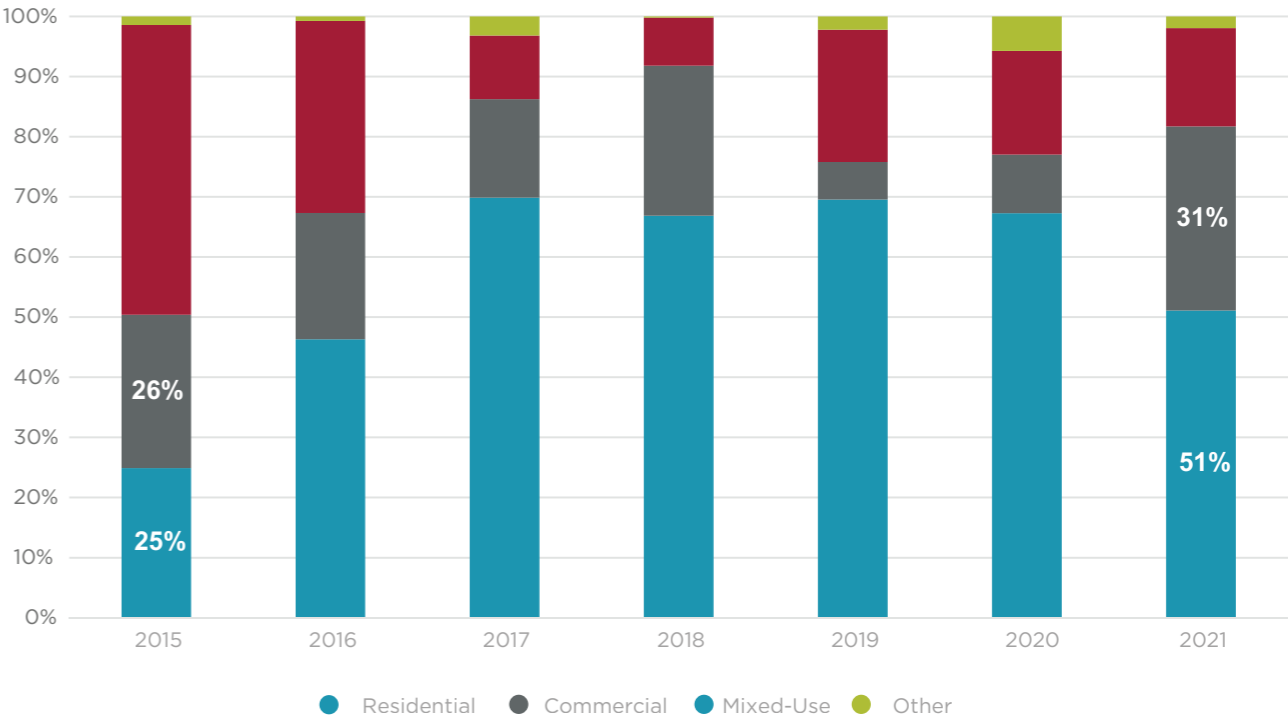
2021 witnessed a number of the top commercial development transactions zoned for industrial and logistics development purposes. Examples of these include the likes of; Airlink site in Cherryhound, Millennium Park in Naas, Liffey Business Campus in Leixlip and Wallingstown, Little Island, Cork. In line with the zealous demand witnessed in the Irish investment market for industrial and logistics assets, where a historic €1bn worth of investor capital flowed into the market, the growth of industrial and logistics development land offerings is likely to continue in 2022. This is further supported by the critically low levels of availability in the occupier market.

Sites to be used for mixed use development purposes accounted for just shy of €107m or 16% of total turnover. Aside from the Castleforbes Business Park site, another large mixed-use transaction in 2021 was the sale of a 1.9-acre site in Deansgrange, Blackrock. The site has full planning permission for 120-unit apartment scheme together with five ground floor commercial units and a crèche.

The remaining 2% of transaction activity in 2021 comprised the Other category, including the 33-acre sale of Balheary, Newtown, Swords, Co. Dublin which has a zoning objective as a Metro Economic Corridor.



Land Activity by Type of Development, 2015 - 2021



Source: Cushman & Wakefield Research



# DEVELOPMENT LAND MARKET

## MARKET OUTLOOK

Despite all the uncertainties on which 2021 commenced, the Irish development land market displayed resilience throughout the year. Activity was constrained in the opening quarter, however as we moved through the summer and autumn periods, movement improved and with-it, activity in the market, leading to what was a solid closing quarter. The outturn of 2021 activity points positively towards the market on the path to recovery following the shock of COVID-19 related disruption.

It is of no surprise, that sites for residential development located in well situated areas will continue to favour purchaser appetite. While sites to be used for commercial development purposes are anticipated to strengthen further, especially considering the growing need for retailers to answer their e-consumer demands. Undoubtedly, market activity will also be influenced by key challenges such as the lack of 'shovel ready' sites and access to finance.

Looking ahead to 2022 a number of key themes will shape the market.

### 1. Sites Including Planning Permission

A trend well under way in 2021 and is set to continue into 2022, is the keen prices achieved for 'shovel ready', 'ready to go' sites. Hypothetical development plans are difficult to fund due to uncertainty around gross development costs, including the time and resources spent preparing for planning permission. The development viability of speculative land purchases on long term land or land without planning permission is being questioned.

Development sites which include planning permission at the point of sale eliminate these uncertainties. Thus, sites with approved development plans are in high demand. When analysing development land activity in 2021, approximately 68% of land transactions sold with some form of live planning permission included, whereas 32% of sites sold without any planning permission attached.

Of particular interest to this trend is the one development site exception, sites which can be used for industrial and logistics purposes are the outlier. According to market advisors, land parcels which are currently zoned for industrial purposes or have the potential for industrial development, but crucially have no official planning permission attached, are in healthy demand. This is unsurprising when looking at the wider drivers of industrial real estate such as consumer

consumption, e-commerce, and supply chain reconfiguration.

### 2. Building Materials & Supply Chain Issues

The Irish Home Builders Association have highlighted how rising material prices and barriers to delivering these raw materials is causing a dilemma for developers as the viability of development again comes into question. Surges in timber, steel and insulation prices largely led by supply chain issues have increased the cost of materials needed for construction combined with the large delays and congestion in customs and ports due to ramifications of Brexit. According to Construction Information Services (CIF), there is a danger that increasing materials costs and supply chain issues will adversely affect the housing delivery promises made by Government.

As we enter 2022, and despite aspirations that construction price inflation will settle in the short term, there is currently no evidence of such, with some developers even entirely modifying development blueprints from timber frame construction to block construction, purely from a viability perspective.

### 3. Labour Shortages

Further to the building materials dilemma, there is also a labour shortage within the construction industry. The effect of COVID-19 on the market and individuals' livelihoods, saw migration of foreign workers returning home when the pandemic began. Connected to this, a further exodus of employees can be attributed towards the growth of the logistics sectors, where previously outdoor construction workers have chosen to move into indoor warehousing and facilities, according to anecdotal evidence.

This departure of workers from construction is ultimately leading to greater costs for developers as there is a surplus of work but not enough employees to complete it, thus competition for employees is high. A recent report by Turner & Townsend, published in the second half of 2021, warns that builders believe labour costs will rise 4.4% in next 12 months.

Market players are desperately calling on government and educational bodies to incentivise workers into trades and construction, with a particular focus of those coming of traditional college admission age.

### 4. Judicial Reviews

As previously noted by Cushman & Wakefield, developers are working the potential delays of judicial review processes into their project timelines. In 2019, 4% of all Strategic Housing Development (SHD) schemes were brought up for JR. In 2020, this had increased to 30%, and in 2021 this had increased to a remarkable 47%, according to data collected by FP Logue Solicitors SHD Tracker.

Due to rising number of judicial review cases, developers are increasingly concerned about the success of their planning permission. JR's can have significant cost impacts on a development project by lengthening the project schedule and in turn leading to higher design team fees. Rising JR cases are set within a backdrop of strong price inflation of goods and a market which desperately needs an injection of housing supply. Thus, market leaders are calling on the Government to counterbalance these steep rises in JR cases and allow large-scale residential developers get on with the task at hand.

### 5. LSRD Bill

The Planning and Development (LSRD) bill will supersede the Strategic Housing Development (SHD) process from February 2022, although by definition the two remaining broadly the same. The bill aims to address the shortcomings of the SHD process by re-introducing the local authorities into the equation for fast-track applications. Furthermore, it will introduce a 'two-step' consenting process for planning applications. Market intelligences suggest this may offset rising judicial review numbers.

In terms of development type, the LSRD bill will apply to developments of more than 100 housing units, student accommodation developments comprising more than 200 bed spaces, or a combination of the same. Under the LSRD the previous 15% limit on commercial space will now be increased to 30%. Additionally, mandatory timelines are being introduced in an effort to make for a more efficient process for large-scale residential development, essentially meaning that the maximum possible duration of the entire process should be 32 weeks.





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