

Savills Research – Review and Outlook 2025

Ireland Development Land Market

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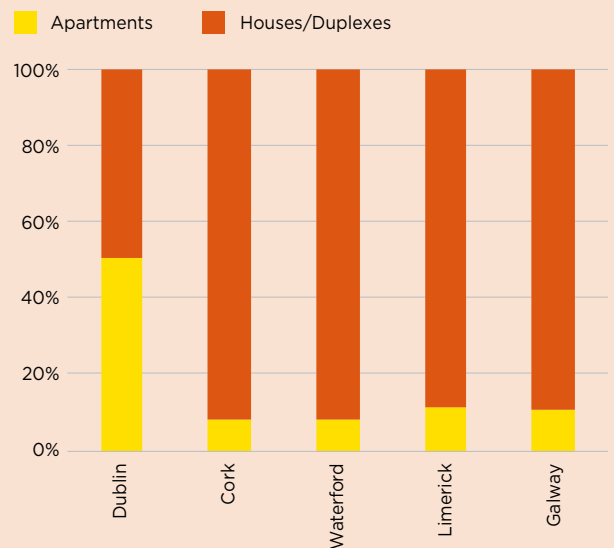
Outlook for 2025

1

Croí Cónaithe to support apartment delivery

Croí Cónaithe will play an important role in apartment delivery in 2025. Established to support the construction and sale of apartments to owner-occupiers, it only applies to developments in the five main cities with a demonstrable viability gap. Funding is provided to developers to bridge the gap between the cost of building a unit and its market sale price. It is envisaged that the scheme will be especially supportive of delivery in locations where the viability challenge is most pronounced. Density is a key objective of the scheme, with eligible developments required to be at least four storeys in height and be of 40 units or more. Eligible apartments must not have commenced before an agreement has been reached with the scheme administrator, the Housing Agency. Participating developers include Park Developments, Glenveagh and Cairn Homes. Overall, the €450m scheme is expected to support the delivery of up to 5,000 apartments primarily in 2026 and 2027. While this is a positive for the market, we believe there would be merit in extending the scheme beyond the major cities if it proves effective.

Figure 1: Apartment supply as share of total, 2011-2024

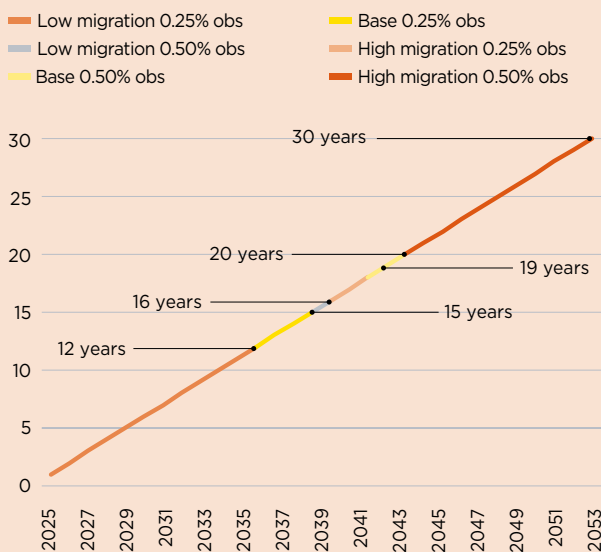


Source: CSO

2

Credible policy needed to target housing deficit

Figure 2: Years to clear housing deficit under annual 50,000 output, by scenario



Source: Housing Commission, ESRI, Savills Research

*percentages refer to obsolescence rates

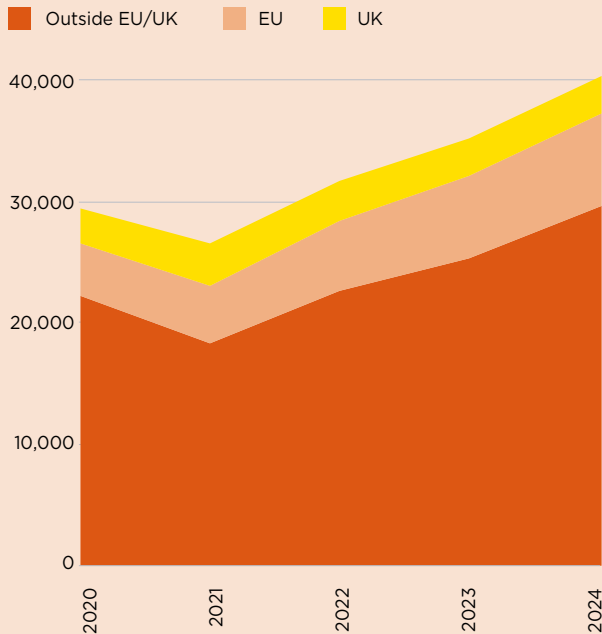
**Omits ESRI scenarios which capture some pent-up demand

The latest National Planning Framework (NPF) updated the annual housing delivery target to 50,000; up 52% from 33,000 previously. This will drive a corresponding rise in the amount of residentially zoned land as local authorities adjust the population projections informing their local development plans in response to the upwardly revised population growth forecasts underpinning the new supply target. While this is a welcome move, this will only result in a pro rata increase in land supply, rather than the actual need. Nor does the policy revision address other supply constraints. These include the provision that 40% of delivery should be on brownfield sites; the fact that a large quantum of land is not currently serviced, and the lack of certainty over viability and the likely timeline to delivery. Thus, there will remain a significant undersupply of land for residential development. For illustrative purposes, we have approximated the length of time it could take to wipe out the existing housing deficit based on the new supply target. We use the Housing Commission's conservative deficit figure of 212,500 and structural housing need scenarios from the ESRI. On this basis, the deficit could take anywhere between 12 and 30 years to clear, underscoring the urgency for more considered housing policy to credibly address the crisis.

3

Purpose-built student accommodation to be a key sector

Figure 3: Ireland's population of foreign students



Source: HEA

A consequence of Brexit has been to displace would-be students of the UK to Ireland instead. Combined with increasing numbers of domestic students entering third-level education, this is raising demand for student accommodation. With beds in short supply, investors have a keen interest in the sector. 2024 research, undertaken by Savills and The Class Foundation, found that 70% of investors expected to increase their European PBSA portfolios by 70% over the next 2-5 years. Interestingly, 29% of respondents already have an exposure to Ireland and the UK. Lenders are currently more comfortable with financing PBSA development than they are other real estate precisely because of the level of demand in the market. PBSA is location sensitive in the sense that sites should be within commutable distance of institutions. As long as they are near student-friendly amenities, however, they do not need to be at the very centre of the city, meaning the sites face less competition for other uses, and are attractive because of their strong rent levels and high occupancy rates. Lenders typically seek nomination agreements stating that a particular institution will take a specific proportion of the beds delivered. Where successful, developers may obtain lending at a loan-to-cost ratio of 65% from traditional banks and 70% or more from alternative lenders.

4

Planning and Development Act to be tested

Passed into law in October last year, the detail of the Planning and Development Act 2024 will now be put to the test, albeit slowly as it will be implemented on a phased basis of at least 18 months. One of the changes concerns the duration of local authority development plans, which have been extended from six to 10 years, to allow them to be more strategic in nature. The Act has also established Urban Development Zones, whereby the Government will be able to make suitable land, which is not already in use, available for development. The legislation has also rebranded An Bord Pleanála as An Coimisiún Pleanála, separating out the decision-making function of the body from its corporate role. As part of the reforms, time limits on dealing with applications and appeals will be imposed, with any potential delays to be communicated to applicants. In respect of judicial reviews, the Act states that applicants must have “sufficient interest” in the case. The criteria for meeting this provision are relatively straightforward, however, raising doubt over its potential to reduce the volume of JR proceedings in practice. Of concern is how the legislation may be challenged in the courts and the resultant uncertainty and delays to development that this would cause.

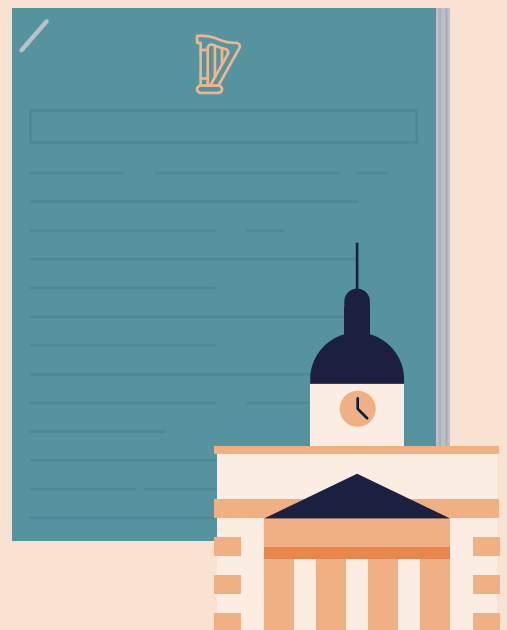
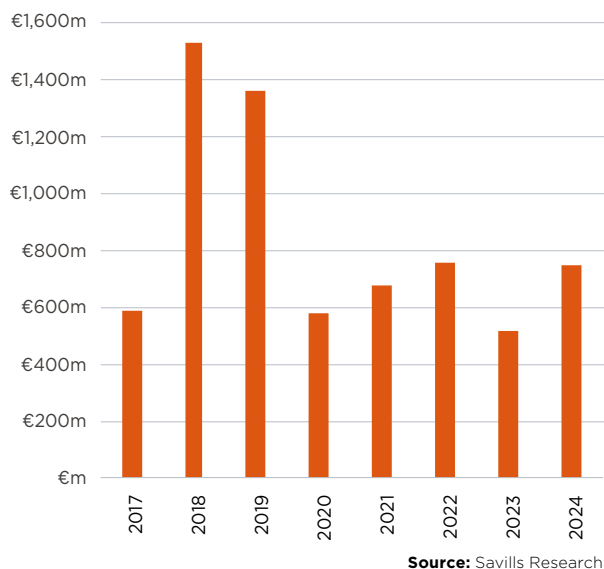
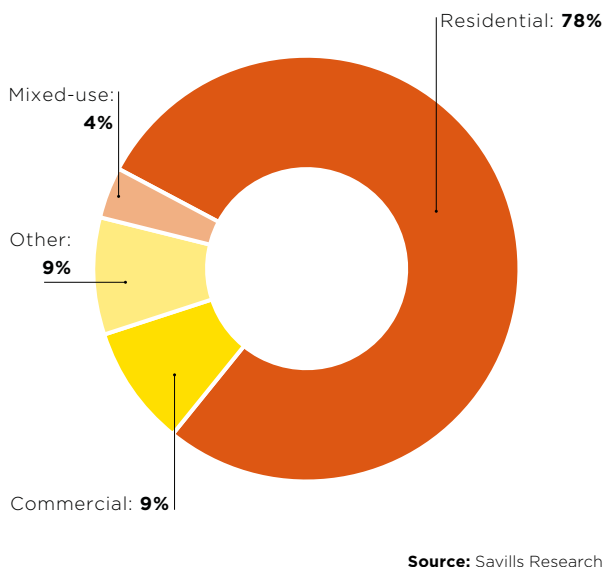


Figure 4: Development land turnover**Figure 5:** Market share by sector

Market Activity

Sales volumes reach a five-year high after growing by 45%.

Development land deals totalled €749m in 2024 across 84 deals, resulting in an average deal size of €9m and marking the best annual performance in five years. This represented an increase of 45% on 2023 and was 15% higher than the five-year average of €654m. A growing feature of the market is the role of the Land Development Agency (LDA) and Approved Housing Bodies (AHBs), which are partnering with developers to deliver housing – typically for larger lot sizes with planning permission in place. While state bodies have a valid role in supporting housing supply, there is evidence that some of this supply has been funnelled away from the private market rather than being additional to what the private sector was due to deliver.

ANALYSIS

Residential deals accounted for all but one of the top five deals in 2024. The largest transaction was Glenveagh's purchase of the Gannon portfolio. The deal was part of a refinancing plan that allows Gannon Homes to exit the National Asset Management Agency (NAMA). The second-biggest deal was Cairn's purchase of almost 100 acres in Donabate, Co. Dublin, from Cannon Kirk for a reported €50m.

This was followed by the LDA's acquisition of Royal Liver Retail Park in Inchicore, Dublin 12, through Savills. These lands hold planning permission for 1,100 residential units as well as 200 co-living units and a proposed office tower of approximately 180,000 sq ft. Elsewhere, Glenveagh purchased a 69-acre residentially zoned site in Old Conna, South Dublin, while the top five was covered off by the confidential purchase of 78 acres for commercial use in Lucan, Co. Dublin. Both transactions stood at a reported €35m.

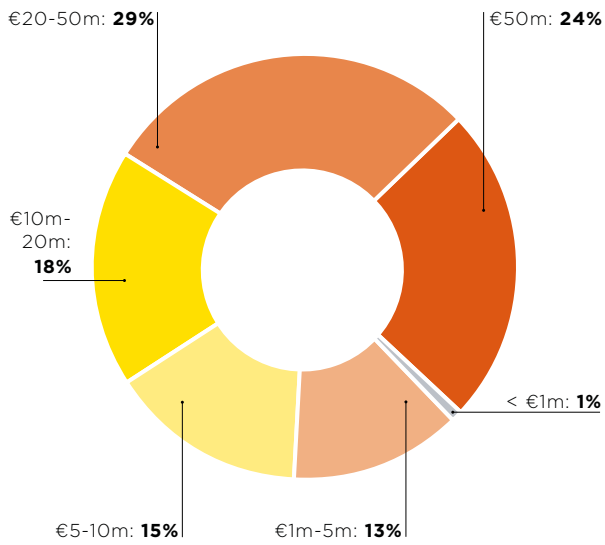
Commercial transactions declined by 65% compared to the previous year. This was partly explained by strong commercial volumes in 2023, which were underpinned by the €152m purchase of the Former Jury's Hotel in Ballsbridge by the US State Department to establish a new US embassy.

Although not strictly a land deal, it is also worth mentioning the purchase of Quintain by the American firm, TPG, for a reported €200m. The sites involved in the deal reportedly have the capacity to deliver 7,700 residential units across the Greater Dublin Area.

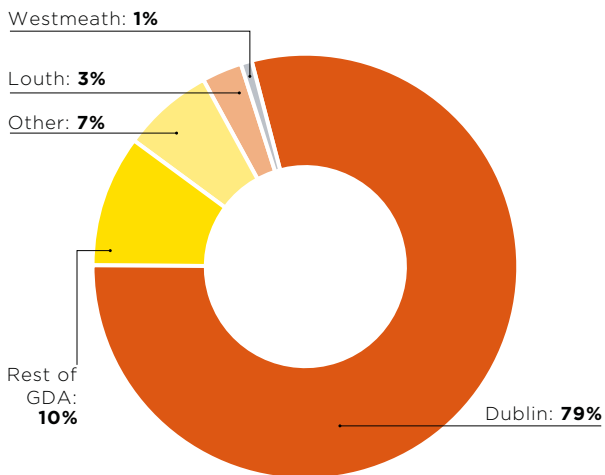
Table 1: Top five transactions, 2024

Property	Quarter	Planning permission	Sector	Size (acres)	Vendor	Buyer	Approx. price	Approx. price per acre
The Gannon Portfolio	Q4	Yes	Residential	P&C	Gannon/NAMA	Glenveagh	P&C	P&C
Corballis East and the Emerald, Donabate, Co. Dublin	Q2	Yes	Residential	99.6	Cannon Kirk	Cairn Homes	€50.0m	€502,000
Royal Liver Retail Park, Dublin 12	Q4	Yes	Residential	9.4	MKN	LDA	P&C	P&C
Old Conna, Co. Dublin	Q4	No	Residential	68.6	Cosgrave	Glenveagh	€35.0m	€510,000
Lucan, Co. Dublin	Q2	No	Commercial	77.8	P&C	P&C	€35.0m	€450,000

Source: Savills Research

Figure 6: Market share by deal size

Source: Savills Research

Figure 7: Market share by location

Source: Savills Research

TRANSACTIONAL ACTIVITY

The number of deals that transacted in the market increased by 6% to 84 in 2024 but remained below the five-year average of 91. In terms of lot size, the highest number of transactions occurred in the €1-5m range at 39. However, this was somewhat below the long-term trend in the number of deals at this price point, putting total sales values in this range 18% below the five-year average. The €5-10m range had the second-highest number of deals at 17, which was consistent with past trends, while the €10-20m range was the third-largest at 11 deals. Taken together, these three size categories accounted for 80% of total deals. Importantly, there were nine sales in the €20-50m range, which was above the five-year average of four – a trend that helped to drive up the overall turnover for the year. Transactional activity has tended to increase towards the end of the year and 2024 was no different, with Q4 accounting for 40% of deals completed. On a value basis, it made up 54% of sales, with the lowest level of activity occurring in Q1 at only 5% in value terms.

MARKET SHARE BY LOCATION

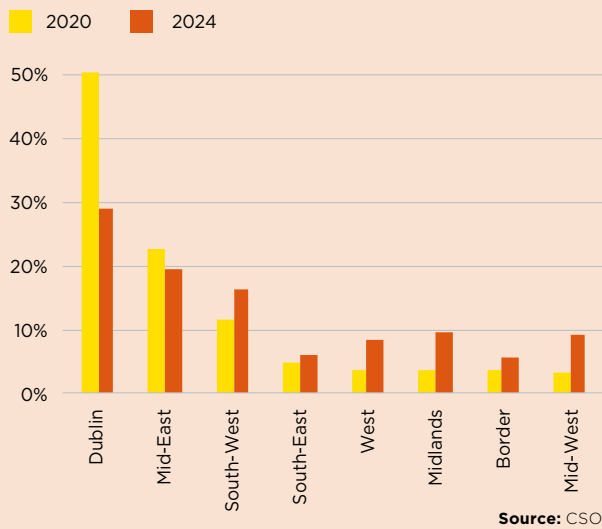
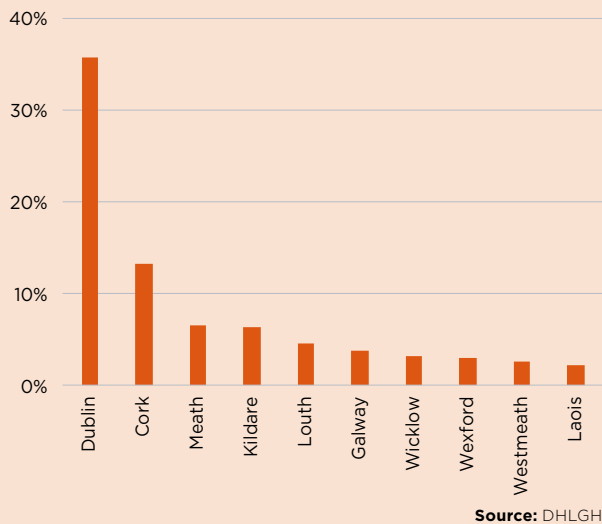
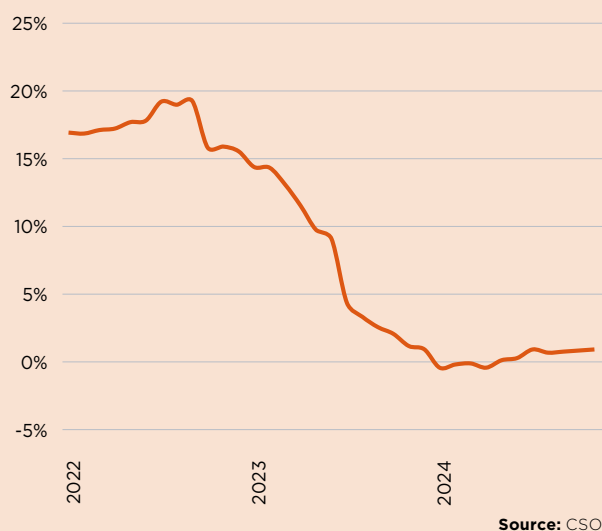
Dublin accounted for 79% of transaction volumes, which was in line with the five-year average. The Greater Dublin Area which includes Kildare, Meath and Wicklow took that share to 88%, highlighting the sustained attraction of the capital to both residential and commercial developers. Notably, Louth experienced its strongest year in the series with over €25m in transactions. This corresponded with a decline in activity in Wicklow where the availability of land for development is a significant constraint. Louth has recently benefitted from infrastructure improvements including increased rail accessibility and continued development of the Louth ring road. Other counties featuring throughout the year were Cork, Galway, Laois, Monaghan, Offaly and Westmeath.

PLANNING PREMIUM

Planning permission continues to demand a premium in the market; the average price for a site with planning was €11m, compared to just €7m for sites without. Residential sites with planning in place could deliver an average of 250 units, while the average size of a site was 15.5 acres. With NAMA scheduled to cease operations by the end of 2025, a significant vendor will exit the Irish market. This may reduce the volume of development land that will become available each year. NAMA sales contributed significantly to high sales volumes in 2018 and 2019. At its peak, NAMA managed €32bn of property assets across the world, but this had fallen to just €150m by the end of 2024.

Figure 8: Number of deals by size and planning status

Source: Savills Research

Figure 9: Distribution of units with planning permission**Figure 10:** Counties with most commencements**Figure 11:** Materials cost inflation

Analysis: The distribution of development

Regions likely to see more activity in the year ahead.

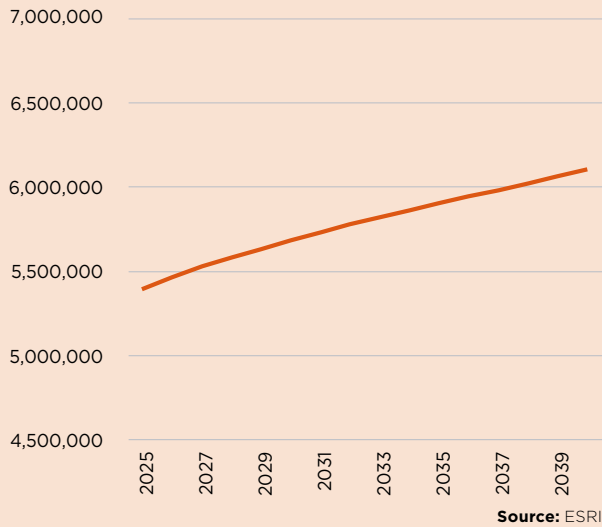
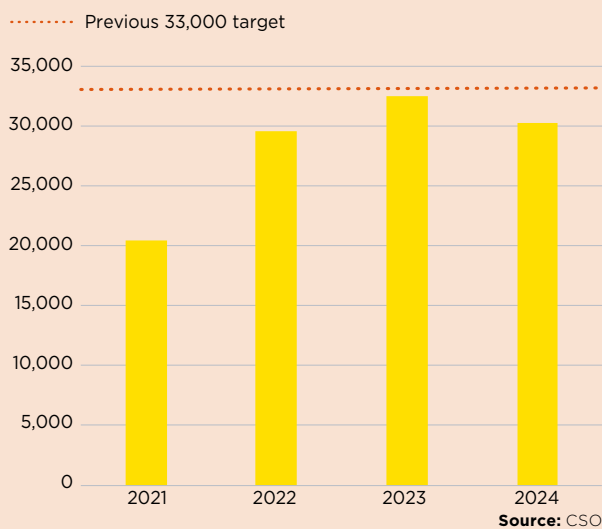
Residential dwellings have accounted for an annual average of 75% of all planning permissions granted over the past ten years. Annual permissions for residential development have peaked at 8,800 permissions this cycle, which is well above the highest annual figures for the other major commercial categories of industry and manufacturing, hotels and restaurants, and offices. Looking at the number of housing units associated with these residential planning permissions in place further shows some change in the distribution by region. In 2020, 49% of units were concentrated in Dublin, with this share falling to 28% in 2024. While the mid-east has slipped slightly to 19%, the shares attributable to both the midlands and the mid-west have risen from 3% to 9%, while the share for the west has doubled from 4% to 8%.

This shift in the distribution of planned development partly reflects the choking off of apartment construction in Dublin, where the number of apartments granted planning permission declined by 56% last year, owing to strict rent controls and restrictions on the bulk purchase of residential schemes. But it has also been shaped by the objectives of the National Planning Framework, which aims for a 50:50 split in growth between the five major cities and the rest of the country. It may, however, be the latter half of 2025 before we see this change in the distribution of delivery materialise on the ground. Commencement notices show that Dublin's share of 36% has been broadly stable over the past few years, with no noteworthy shift across other counties either. That trend will, nevertheless, wash out as these units reach completion and those currently at planning stage go on-site.

OUTLOOK

Underlying all development decisions is the cost of construction. In terms of materials, cost inflation plummeted from a high of 19% y/y in September 2022 to around 1% currently. When labour is included, inflation is somewhat higher at 3%. Energy cost inflation has also reversed from a peak of 54% y/y in June 2022 to become negative for more than a year now. And, to the relief of borrowers, the European Central Bank has begun reducing its key interest rates. Markets expect the deposit rate to be 2.00% by the end of 2025, helping to further ease the pressure on financing costs. Taken together, these trends should ease viability challenges.

Despite these positive trends, headwinds remain. The acute shortage of housing, combined with the lack of zoned land, means sites suitable for development still command a strong premium, especially those located in the most popular areas. Labour persists as a problem, with the number employed in construction still 26% below what it was at the height of the last cycle. And, while interest rates are easing, the consensus is that they will settle at a higher level than in previous decades, meaning borrowing costs will remain elevated by comparison. In that context, government policy has an important role to play in helping to attract institutional investors back into the market.

Figure 12: Forecast path of population growth**Figure 13:** Annual housing supply

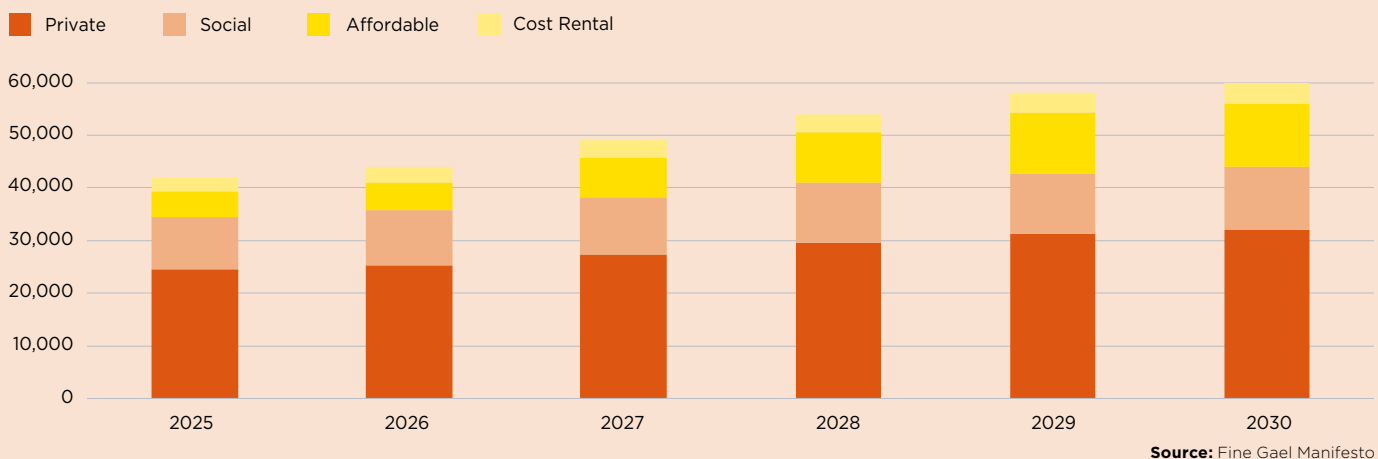
Policy Outlook

How government policy will constrain required development.

The new National Planning Framework confirms the government's commitment to build an average of 50,000 new homes per annum out to 2040. Although the target exceeds the ESRI's structural housing demand figures of an annual 44,000 units to 2030 and 39,700 thereafter, it is insufficient to address pent-up demand in a timely manner. The Report of the Housing Commission estimated that pent-up demand was between 212,500 and 256,000 units in 2022. Given the failure of recent housing delivery to meet the government's previous 33,000 target, which itself underestimated the ongoing housing requirement, that figure has almost certainly increased in recent years. Furthermore, the government's updated supply target continues to underestimate the true need because it does not explicitly set out how to address the backlog of demand. In so doing, it undermines the ability of the system to facilitate growth beyond the 50,000 target. State-owned service providers like the ESB and Uisce Eireann can only scale up for the housing objective set in policy. Everything flows from that because developers cannot build without the land being zoned, serviced and granted planning permission. In this way, the policy – which appears more political than practical – is engineering structural undersupply into the system.

MISMATCH BETWEEN POPULATION AND SUPPLY GROWTH

ESRI forecasts suggest the population will grow by 922,000 persons by 2040. The larger portion of that growth will take place in the years up to 2030 and slowdown in the subsequent decade. At the same time, the two main government parties have indicated that housing supply will only gradually rise to 60,000 units in 2030, underperforming the new target until 2028 based on Fine Gael's annual delivery estimates (the only party to have specified by year). In the short-term, this will add at least 15,000 units to the deficit, indicating that the problem has to get worse before it can get better. While we recognise the challenge in scaling up construction quickly, the urgency of the housing crisis has been well documented. The government has had ample time to prepare for more ambitious timelines yet its most recent policy decisions perpetuate the imbalance between growing demand and undersupply.

Figure 14: Proposed path of housing supply



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