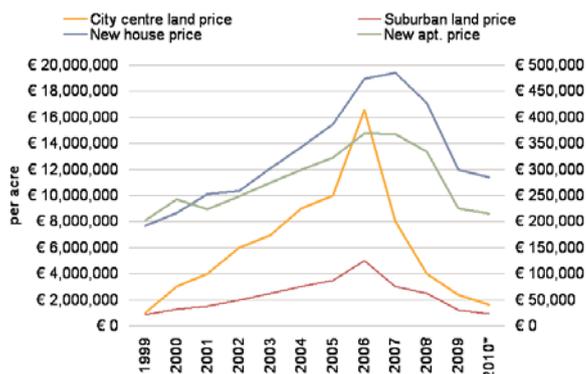


# Ireland Development market in minutes

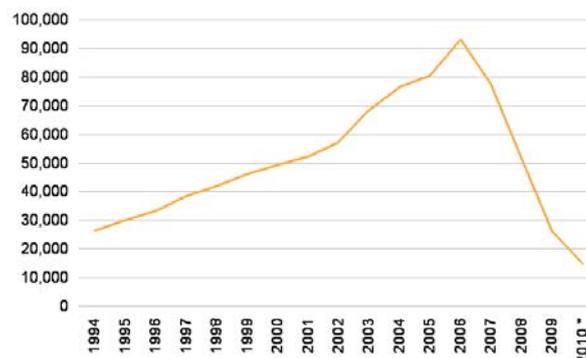
## Summer 2010

### Dublin: Average land and house prices



Source: Savills Research \*Forecast

### House completions



Source: DoELG / Savills Research \*Forecast

**“Development land values are down significantly from the peak of the market in 2006 and spend on land has effectively dried up. Demand will be very limited for the foreseeable future, with the emergence of license agreements as a means to developing out larger ready to go sites expected to be a key part of the market going forward”.**

Joan Henry (Head of Research)

- There is a significant correlation between house prices and land values. Data currently indicate that development land values per acre are back to 1999/2000 levels. House prices are back to 2002 levels and to 2001 in some areas. Apartment prices are back to 2000/2001 levels.
- Both city-centre sites and South Dublin Suburban sites peaked at the same time in 2006. From 2002-2006 the gap between land prices and new house and apartment prices narrowed as the price of land accelerated very quickly.
- In 2009/2010 – both development land and house price declines have started to steady – the rate of decline is slowing – indicating that the bottom of the market has been reached. The gap between land and house prices is now back to a similar gap as in 1999/2000.
- The value of small sites & serviced plots is likely to recover more quickly than for bulk land. There will be demand for fully serviced infill plots in prime locations with low levels of built & unsold stock.
- Sites with planning will very often need to be redesigned in order to be viable in the new, changed housing market. There is and will be for the foreseeable future, little demand for large infrastructure hungry sites with no planning consent.
- We are seeing the return of license agreements as a route for developing out viable, ready to go sites.

Savills  
Research

[savills.com/research](http://savills.com/research)



# Ireland Development market in minutes

## Market trends

Spend on development land in Ireland was down an estimated 90% in 2009 from the peak in 2006, while values have fallen by up to 75% to 90% from their peak particularly in provincial towns. Many sites purchased between 2005 and 2007 are now largely uneconomic to develop given the price paid.

Overall the development land sector has been the worst affected sector by the economic downturn and credit crunch. There is virtually no funding available for development land transactions and this when coupled with oversupply of completed property in many sectors, falling property values and weak occupier demand, means that the potential to develop new sites is very limited.

What little demand there is, is predominantly confined to prime small residential infill sites in Dublin. Transactions that do occur are taking longer to complete - 9 to 12 months in many cases and most are being conducted off market by private treaty.

## Outlook

Activity of house builders is going to be focused on low-risk quality in-fill sites. The market value of small sites and serviced plots is likely to recover more quickly than that for bulk land. There will be demand for fully serviced plots, smaller sites or smaller phased parcels within a larger scheme. Those sites which have detailed planning permission and without major infrastructure requirements will be the most attractive. However, some sites that currently have planning

permission may need this to be re-planned or re-designed to be viable in the current market.

There is little demand for large infrastructure hungry sites with no planning consent, where the site needs lengthy / costly promotion and development.

We are seeing the return of license agreements as a route for developing out ready to go sites. In principle these agreements allow for the Licensor to provide the land and the selected Licensee (House builder) to be responsible for development and the full cost of carrying out the development.

The licenses are usually for an agreed period of time and the development is to be completed in line with an agreed phasing plan. The Licensee enters into a Building Contract with the eventual house purchaser and the Licensor will enter into a site agreement with the house purchaser. The price in the site contract with the purchaser will be the site fine figure and the price in the Building Contract will be the total sales price of the house less the site fine figure.

Once we see a slow and steady recovery in residential transactions and steady increase in mortgage availability / approvals then we would expect to see confidence return to the development land market. Activity in the new homes market in the short-medium term is expected to be curtailed by the limited availability of finance, weak economic activity, changing labour market conditions and overall consumer confidence.

## For further information please contact



**Mark Reynolds**  
Director  
+ 353 1 618 1326  
mark.reynolds@  
savills.ie



**Jonathan Preston**  
Associate  
+ 353 1 618 1445  
jonathan.preston@  
savills.ie



**Anna Gaymer**  
Surveyor  
+353 1 618 1373  
anna.gaymer@  
savills.ie



**Joan Henry**  
Head of Research  
+353 1 618 1487  
joan.henry@savills.ie



**Davina Gray**  
Research analyst  
+353 1 618 1483  
davina.gray@savills.ie

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 180 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. A unique combination of sector knowledge and entrepreneurial flair give clients access to real estate expertise of the highest calibre. We are regarded as an innovative-thinking organisation backed up with excellent negotiating skills. Savills chooses to focus on a defined set of clients, therefore offering a premium service to organisations with whom we share a common goal. Savills takes a long-term view to real estate and works hard to invest in long term and strategic relationships and is synonymous with a high quality service offering and a premium brand.

*This bulletin is for general informative purposes only. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The bulletin is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research. (c) Savills Ltd June 2010*

Savills  
Research

[savills.com/research](http://savills.com/research)

savills