

The Residential Land Supply Study

How the cutting of land is impacting the housing market



The Residential Land Supply Study

Introduction

Land to a developer is akin to wood to a carpenter – it's the essential raw material from which everything else flows. In order to address why residential delivery is so low in Ireland, we need to go back to basics. We need to start with land. By comparing the land available for new housing delivery between current and previous county development plans, within the GDA, we can see that there has been a reduction in land available for development to the tune of over 100,000 units, more than the last ten year's supply.

“ **By comparing the land available for new housing delivery between current and previous draft county development plans, within the GDA, we can see that there has been a reduction in land available for development to the tune of over 100,000 units, more than the last ten year's supply.** ”

The reduction in land between county development plans is not being driven by the councils themselves. Rather, it is a consequence of national planning policy as outlined in the National Planning Framework (NPF), the guiding document which determines how Ireland will develop over the long-term out to 2040. A focus on compact urban development is at the heart of this strategy, a laudable and necessary objective if we are to achieve our climate change objectives, whilst also avoiding the legacy of urban sprawl that characterised the Celtic Tiger period. In the midst of housing crisis, however, we must also ensure that we are delivering enough housing to satisfy our population needs.

As part of the development plan process, county councils are now required to undertake Housing Need and Demand Assessments (HNDA's) to estimate housing requirements for the coming six

years. The analysis takes account of various factors such as population projections, age structures, tenure types and affordability considerations. The issue, however, is that rather than using the baseline spatial population scenario produced by the ESRI, the NPF uses the 50:50 balanced growth scenario. More a policy goal rather than likely outcome, this envisages growth to be equally split between the mid-east region (which incorporates Dublin) and the rest of the country with Dublin City penciled in to grow by between 20% and 25% by 2040, a rate of growth just ahead of the national average. In contrast, the cities of Cork, Limerick, Galway and Waterford are allocated to grow by 50% over the period, more than double the rate of Dublin. Basing planning on desired growth patterns is flawed because they are unlikely to come to fruition. Economies of scale and resulting agglomeration effects in sectors such as tech are leading to a strengthening, rather than a weakening, of Dublin. Incoming foreign direct investment will not consult the goals of the NPF when deciding if and where to locate in Ireland. The majority will continue to go to Dublin where the talent pool is deepest. In this context, utilising the unrealistic 50:50 population projection means we are structurally under provisioning housing supply in the Dublin region for the next twenty years.

“ **As part of the development plan process, county councils are required to undertake Housing Need and Demand Assessments (HNDA's) to estimate future housing requirements for the coming six years. The analysis takes account of various factors such as population projections, age structures, tenure types and affordability considerations.** ”

“ **The goals of compact development are laudable aims. However, in the midst of a housing crisis, we must first and foremost ensure that our goals are achievable rather than aspirational.** ”

Furthermore, the quantum of land zoned for residential development contained within the various development plans is too little to realistically deliver the required housing, even at the low targets prescribed by the HNDA's. The NPF contains a maximum land headroom allowance of just 25% over the quantum required to deliver on the HNDA target output. This headroom allowance is down from the 50% contained within the previous planning guidelines, and relies upon the vast majority of sites being developed within the time period of a development plan – an unrealistic assumption for anyone familiar with the development land process. There are many reasons why development may not proceed, even with the best will in the world, with risks such as inflation, the rising cost of finance and labour shortages just some of the serious challenges facing builders on a day-to-day basis.

What's more, it is now required that 40% of delivery take place on brownfield sites, i.e. sites already within urban areas. These sites are more expensive to develop due to logistical and

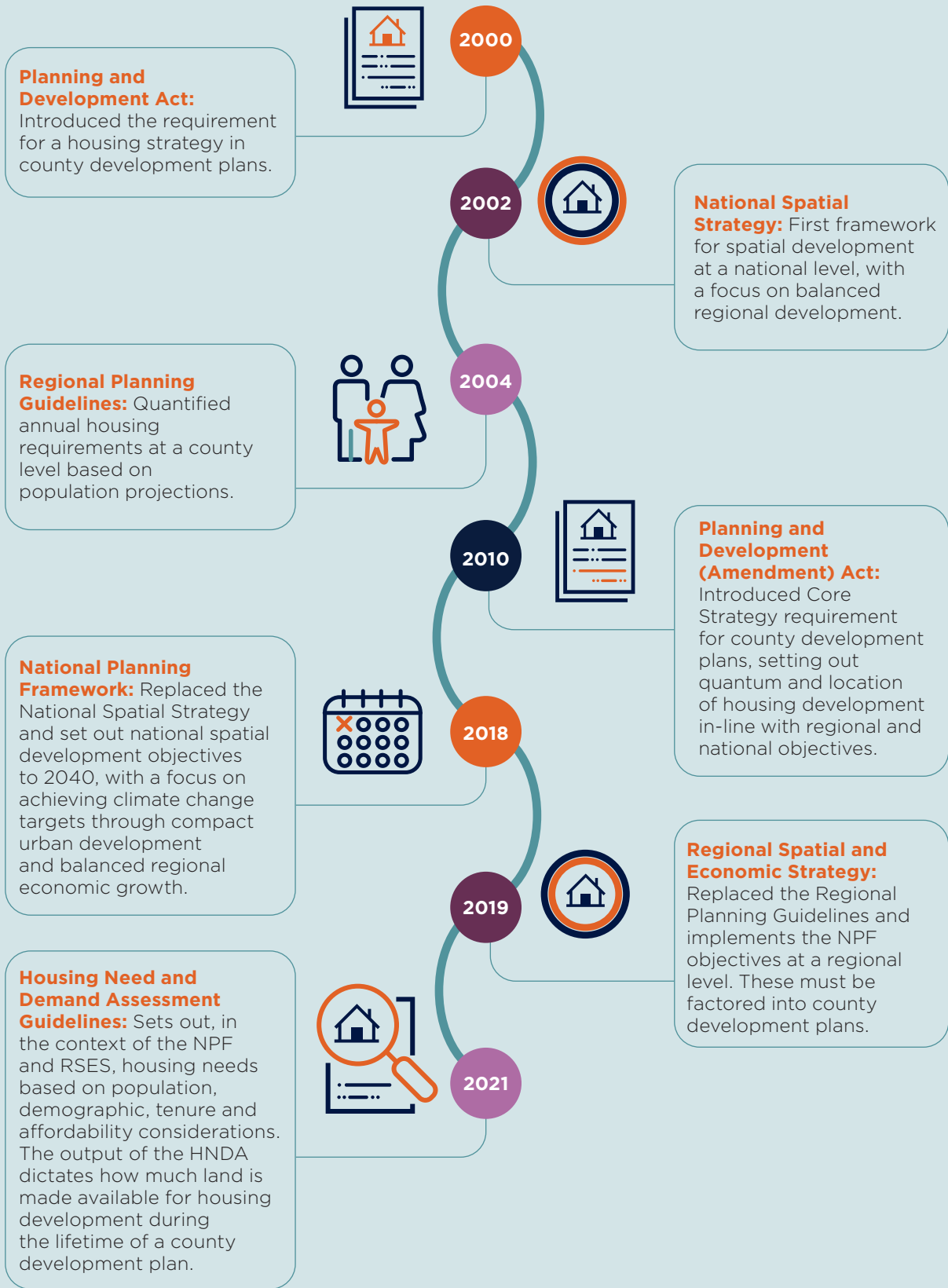
environmental factors, being smaller in scale, as well as having legacy ownership structures which complicate delivery. If we really want to plan properly, the councils would need to put in place a system where they can reasonably ascribe a probability for each site such that an overall projection of likely supply is achievable within the timeframe of a plan. For the councils, this would require additional resources not currently at their disposal. The reality is that many of these brownfield sites are not going to proceed for a variety of factors, thus ensuring housing delivery targets are missed in the coming years.

The goals of compact development are laudable aims. However, in the midst of a housing crisis, we must first and foremost ensure that our goals are achievable rather than aspirational. By having a public policy perspective that is based on desires rather than reality, we are planning to fail. In this report, we examine ten key considerations that need to be addressed if we are to ensure that enough residential development land is available to alleviate the current housing crisis.

40%
of delivery is now required to be on brownfield sites



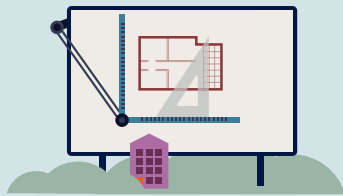
Evolution of housing planning policy



1

Reduction in land for more than 100,000 homes in the GDA

In the context of the housing crisis, many may be surprised to learn that – calculated by comparing current with previous county development plans – there has been a large reduction of zoned residential land available for development within the Greater Dublin Area (Dublin, Meath, Kildare, Wicklow)¹. This land has the capacity to accommodate over 100,000 units, or the equivalent of ten years supply. It should be noted that the reduction in land for development is not being driven by the councils themselves, but rather by national planning policy as outlined in the National Planning Framework, the guiding document which determines how Ireland will develop out to 2040.



Estimated change in capacity of zoned residential land between county development plans

County Council	Estimated reduction in units
Meath	28,400
Kildare	21,600
South Dublin	17,400
Wicklow	16,800
Fingal	15,400
Dún Laoghaire-Rathdown	10,100
Dublin City	3,300
Total	113,000

Source: Savills Research, respective county development plans

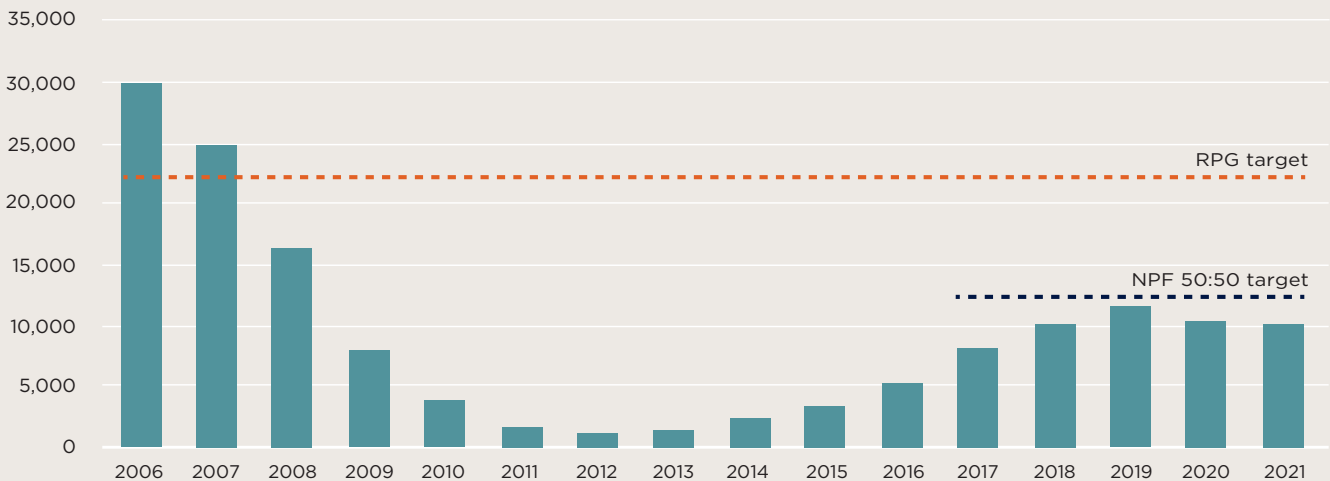
2

Planning based on aspiration rather than reality

A key underpinning of the NPF is the aspiration to achieve balanced population growth between the Dublin region and the rest of the country. The default household and population projection used to forecast housing needs to 2040 is not based on the most likely population scenario (baseline) developed by the ESRI. Rather, it is based on the policy goal of splitting future population growth in a 50:50 manner between the Eastern and Midlands region (of which

Dublin is part of) and Southern, Northern and Western regions. This is unlikely to occur given historical trends, with the Eastern and Midlands region accounting for 62% of population growth in the last ten years. This also results in a large reduction in the GDA housing target to 12,000 per annum, compared to the 22,000 per annum identified within the preceding National Regional Planning Guidelines 2006-2022.

GDA new residential completions



Source: Savills Research

¹With the exception of Meath and South County Dublin, all plans are currently in draft phase. Meath was adopted in 2021 while South County Dublin was adopted this year. All figures are directly derived from the potential units figures in the respective plans with the exception of Kildare and Wicklow, which are conservatively indirectly estimated.

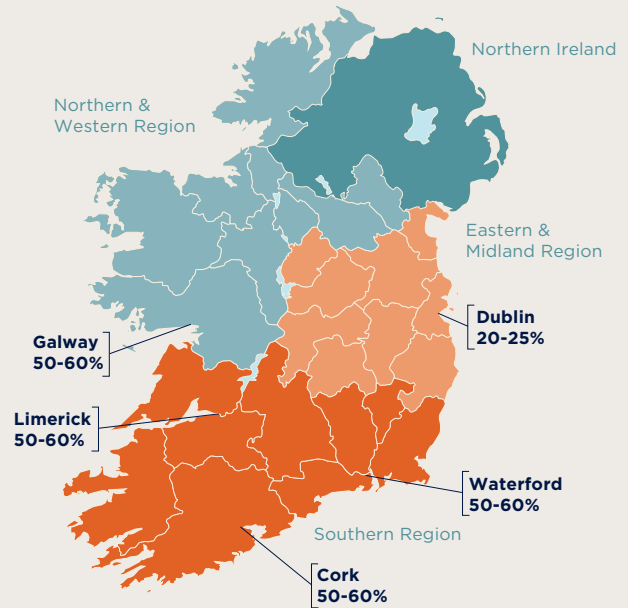


3

Plan will structurally undersupply housing for Dublin

Delving into populations projections at a city level, the NPF forecasts Dublin’s population to grow by between 20% and 25% by 2040. This is less than half the rate of Ireland’s four other main cities, which are all forecast to grow by over 50%. While this may be an aspiration of policy, it is unlikely to happen. Foreign direct investment will continue to be drawn to Dublin due to the deep talent pools available, and the benefits of economies of scale provided by the capital city. This means that it is likely to structurally underestimate the number of households that will be required for Dublin and its hinterland out to 2040. For example, modelled housing need for Fingal is expected to fall from 2,034 per annum in 2017 to 642 by 2040, with Donegal pencilled in to surpass it, going from 668 to 734 over the same period.

Targeted population growth by city to 2040



Source: National Planning Framework

4

HNDA and housing strategy formation

ASSESS	<p>Housing Need Demand Assessment: HNDA is prepared as the first step in the development of a Housing Strategy as required under the NPF.</p>
DEVELOP	<p>Develop Housing Strategy: Using the evidence from the HNDA to describe need and develop the policy response. The quantum of land to be made available for development is decided, with a maximum headroom allowance of 25%.</p>
PLAN	<p>Development Plan: Incorporates the Housing Strategy and specifies the residential development objectives.</p>
REVIEW	<p>Office of the Planning Regulator reviews the Development Plan including the Housing Strategy.</p>
FINALISE	<p>Development Plan is finalised.</p>

Source: National Planning Framework, Savills Research

Housing demand modelling needs improvement

The quantum of land being made available for residential development by city and county councils is linked to housing demand as identified by the newly developed Housing Needs Demand Assessments in association with housing strategies. Where previously housing need was just a function of population projections, the undertaking of HNDA's allow for the detailed modelling in relation to the need for housing type broken-down between social, affordable, private ownership and private rental. Professor William Hynes of KPMG Future Analytics notes a number of points where the HNDA process can provide helpful guidance in the formulation of evidence-based housing needs:

1. **Scenario modelling** – A range of future population, housing and macro-economic scenarios are included as standard, that can be run in order to examine various outcomes, rather than holding to a single point estimate. Custom scenarios can be modelled once robust justifications are provided.
2. **Monitoring and review** – The HNDA process allows for dynamic assessment of changing needs throughout the course of a development plan period, although specialised skills and expertise are required to undertake this process.

Professor Hynes further notes a number of areas where enhancements to the current HNDA process would provide improved outcomes:

- a) **Spatial granularity** – HNDA's are currently completed at city or county level, however, the undertaking of more granular analysis in the future will deepen insights into local housing needs. For example, Dublin City Council commissioned a supplementary HNDA analysis comparing two north and south inner areas of the city to demonstrate this point.
- b) **Modelling for housing type** – where identified needs are aligned with suitable unit types in urban and rural settings.
- c) **Modelling for household composition and special provision** – alignment with family sizes, students, travellers, elderly, etc.
- d) **Ingesting the latest data** – ensuring that there is a mechanism in place to more regularly update input data.

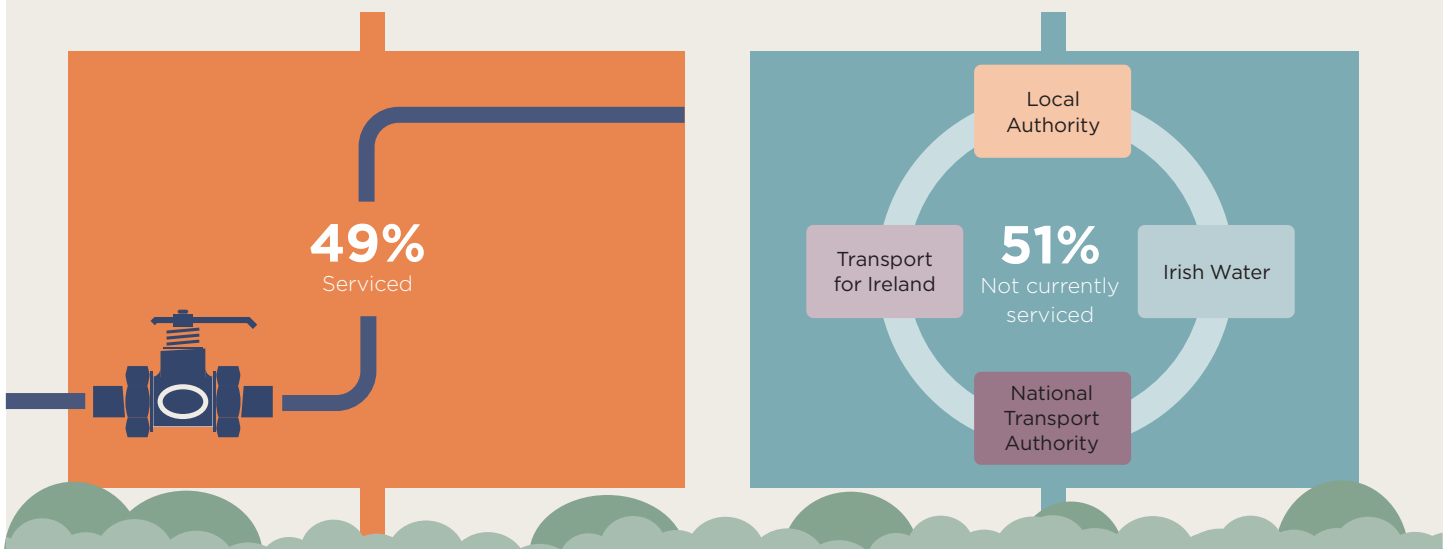
5

Land headroom not realistic

As a result of the NPF, the maximum quantum of land councils are allowed to make available for housing is just 25% above that indicated by the HNDA. This means that four out of every five sites must be developed within the development plan period to meet the housing target. Anyone familiar with the development land process will know this 'headroom' allowance is far too little, due to the many hurdles that must be overcome to successfully

develop out a site. Furthermore, a large proportion of the land earmarked for development is not currently serviced and thus not ready for development, even if it is envisaged that it will become so during the period. For example, in South County Dublin, just over half of the land made available for development is not currently serviced. This adds further uncertainty as to whether this land will be developed during the lifetime of the plan.

Split of serviced versus unserviced land identified for development in the South Dublin County Development Plan, 2022-2028



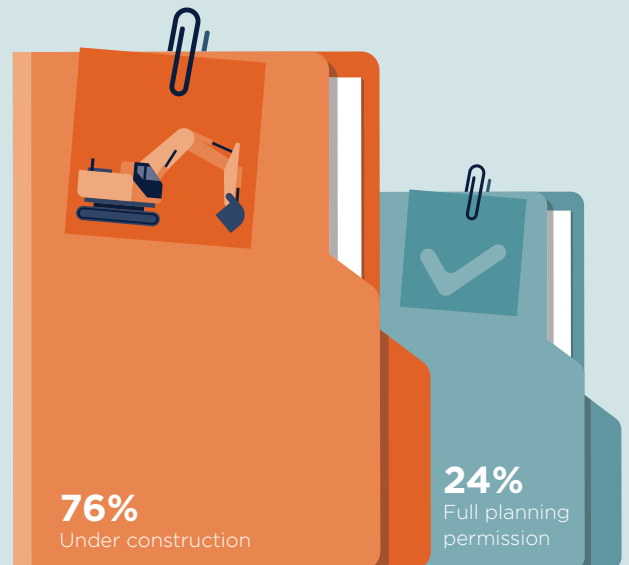
Source: Development Plans, Savills Research

6

Certainty of delivery for each site must be clear in advance

The curtailed land headroom approach only has the potential to work if there is a high level of visibility regarding site delivery timelines. This means assessing and understanding, in detail, the viability of each site and its likely timeline to delivery. For example, Manchester City Council produces a Strategic Housing Land Availability Assessment (SHLAA), which is an annual assessment of land suitable for residential development. The time horizon of the assessment spans over 15 years, from which the council produces a further assessment of delivery within the next five years. The success of this approach is demonstrated by the fact that 76% of the housing need for the five-year period is already under construction, with the balance of 24% having full planning permission, ensuring that housing targets will be met.

Delivery certainty of five-year plan in Manchester



Source: Manchester Strategic Housing Land Availability Assessment

7

Curtailing greenfield sites does not make brownfield sites viable

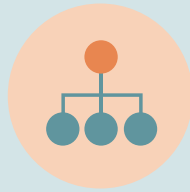
The argument for curtailing the amount of land for development is to force the activation of existing sites located within urban cores and thus combat urban sprawl. The NPF takes a sequential approach to zoning and requires that 40% of required delivery be developed in these brownfield sites, such that lands closer to the urban cores retain

planning at the expense of those in more viable greenfield sites. This analysis misunderstands the significant challenges developing brownfield compared to greenfield sites, particularly in regional locations. It is these challenges – and not the viability of greenfield sites – that hinder brownfield site development.

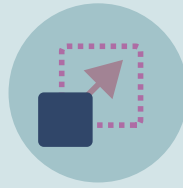
Challenges to brownfield development



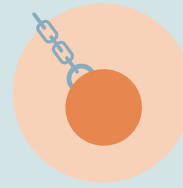
Greater planning objections



Complicated legacy ownership/legal structures



Scalability constraints



Demolition costs



Archaeological assessments



Site contamination



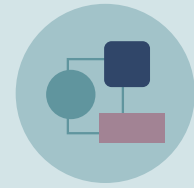
Density requirements



Working hour restrictions



Site accessibility challenges



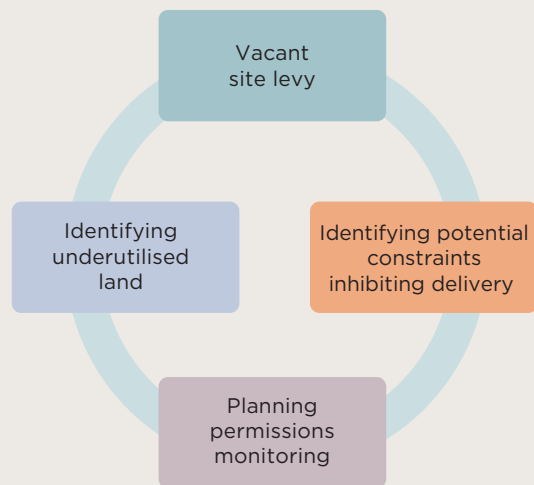
Planning bias against piecemeal development

8

Viable incentive strategies needed for 'stuck' land

As part of their county development plan, each council is required to undertake an Active Land Management Strategy in order to activate brownfield sites. The vacant site levy was expected to be the primary tool by which brownfield sites would be spurred into development. However, more than half of county councils have yet to collect any money since its introduction in 2018, illustrating that the levy has not worked. In acknowledgement of this, it is due to be replaced with the Zoned Residential Tax as outlined in the Government's 'Housing for All' strategy. This too has run into difficulties, with reason to believe that it will not be implemented before 2025 at the earliest. If sites are to be activated, a carrot rather than a stick approach would be more likely to work, via measures that aim to increase viability of 'stuck' brownfield sites, rather than adding on another cost to an already unviable market.

Current land management strategies for county councils



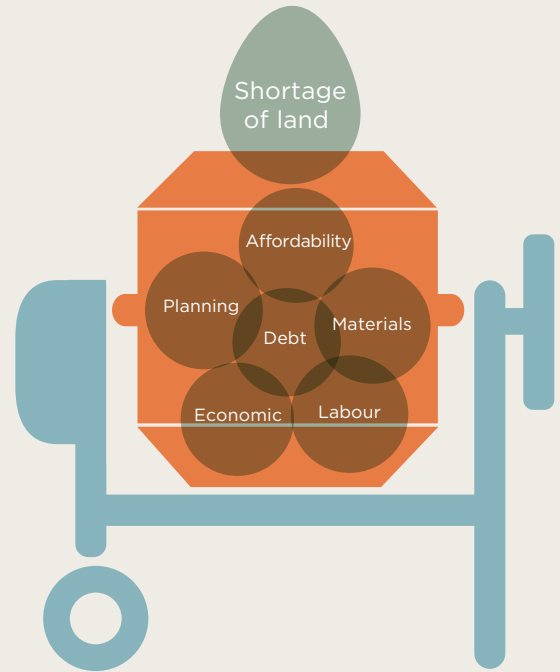
Source: Development Plans

9

Cutting land at a time of heightened headwinds

The timing of the reduction in the supply of land available for residential development adds a further hurdle to an already challenged construction market. Planning uncertainty has been especially elevated in recent years, making it very difficult to underwrite planning risk. Meanwhile, material and labour shortages continue to drive up the cost of construction, while borrowing costs are also increasing steeply. The culmination of these considerations impact the viability of schemes and drive house price increases to cover the development costs, thus further eroding buyer affordability at a time of increasing economic volatility. Development uncertainty has arguably never been higher, and cutting the supply of land at this juncture adds a further viability challenge into the mix.

Development challenges



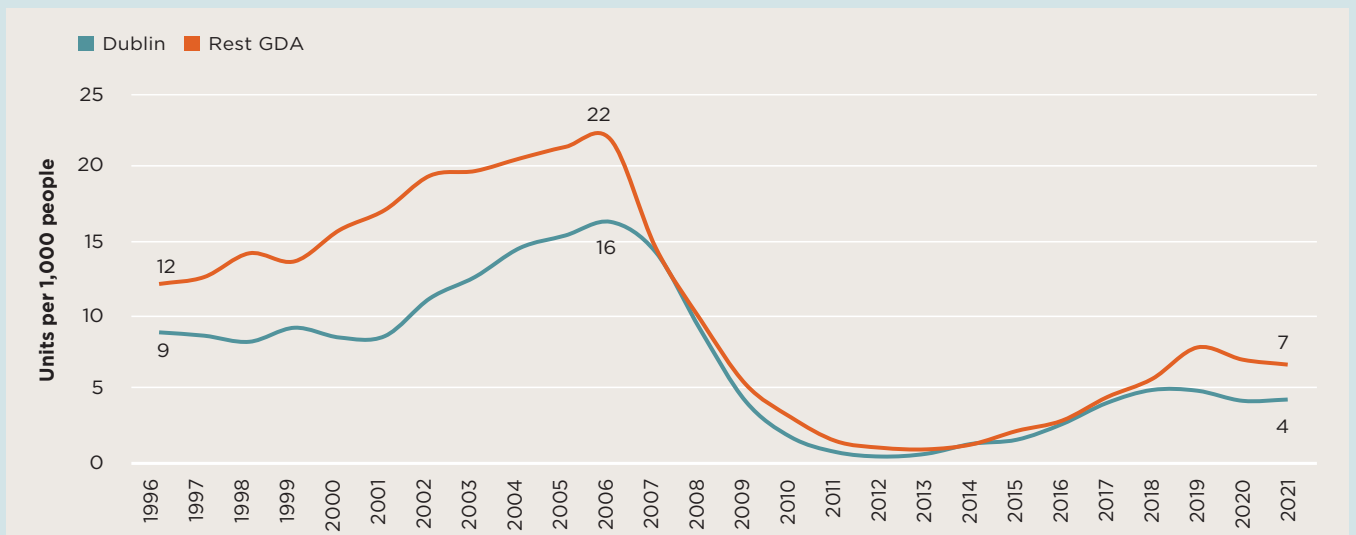
10

Switch focus to boosting rather than capping supply

Finally, the overall emphasis of the National Planning Framework is on capping, rather than boosting housing supply. Many fear that planners are fighting the last battle rather than tackling the current issue of the day. The focus should be on ensuring that minimum targets are met rather than maximum's exceeded. We need a floor rather than a ceiling for housing delivery. After a lost decade of housing delivery, we are

producing just four homes per 1,000 people in Dublin, less than half of the nine per 1,000 recorded twenty-five years ago. Similarly, in the rest of the GDA we are producing seven homes per 1,000 compared to 12 per 1,000 people previously. We need to implement stretch targets at this time to reflect the urgency of the situation, rather than limiting our ambitions to goals that are likely to fail.

New residential completions per 1,000 people



Source: Savills Research



Savills team

Please contact us for further information



John Ring
Director, Research
+353 (0) 1 618 1431
john.ring@savills.ie



Cara McDowell
Graduate Research Analyst
+353 (0) 1 618 1317
cara.mcdowell@savills.ie



John Swarbrigg
Director, Development Agency & Consultancy
+353 (0) 1 618 1333
john.swarbrigg@savills.ie



Peter O'Meara
Director, Commercial
+353 (21) 490 6114
peter.omeara@savills.ie



David Browne
Director, New Homes
+353 (1) 618 1347
david.browne@savills.ie



Ebba Mowat
Divisional Director, Development
Agency & Consultancy
+353 (0) 1 618 1413
ebba.mowat@savills.ie



Andrew Sherry
Divisional Director, Development
Agency & Consultancy
+353 (0) 1 618 1452
andrew.sherry@savills.ie



Raymond Tutty
Associate Director, Planning
+353 (01) 1 618 1316
raymond.tutty@savills.ie