The seven-acre Northwood site in Santry, Dublin 9 recently sold for more than €10 million

A 278-acre plot of residential development land in Tyrellstown, Dublin 15, recently sold for €65 million

Land hunger draws more sellers to market

The appetite for development sites is showing no signs of abating, particularly in Dublin

Evan Lonergan

Ireland's development land market is particularly healthy at the moment, with strong demand across all product types, according to a recent study by Knight Frank Ireland.

The segment saw a strong first half to the year, with developers showing vigorous demand for product across market sectors.

From a residential point of view, the most interesting aspect has been the greater availability of land coming to the market. This is probably a result of the higher prices being transacted in the market, which are inducing more owners to sell.

With shortage of land identified as one of the key handbrakes holding back the delivery of new residential supply, the pick-up in land sales is viewed as a positive thing.

Vacant site levy

The vacant site levy – which came into effect on January 1 and charges a penalty of 3 per cent on the value of land vacant in 2018, rising to 7 per cent in subsequent years – is also likely to have played a role in the increase in supply.

While the levy may help bring sites with passive owners to the market, it will not work in cases where viability challenges are the main stumbling block. In fact, the levy is likely to increase the viability challenges facing these sites and see developers exit the market in these cases.

Regarding the type of sites coming to the market, those with planning in place are commanding a higher premium than those without as developers seek ready-to-go stock to get working on.

For example, Knight Frank recently sold a significant land bank in Tyrrelstown, Dublin 15 for over €65 million. The 278 acre holding had approx. 100 acres zoned for development and had planning permission in place for 172 houses on part with potential for another 900 units (SPP).

Build-to-rent

Build-to-Rent (BTR) looks set to take-off in a big way, with many heralding the sector as the panacea for Dublin's housing shortage due to its potential to deliver a large amount of stock to the market in a relatively short time frame. The fundamentals underpinning the investment case for BTR in Dublin are numerous.

For a start, Dublin is undergoing a population boom, with recent projections by the Central Statistics Office showing that Ireland's population has the potential to grow by up to 41 per cent by 2051.

In addition, tighter mortgage underwriting standards have seen bank lending fall to a fifth of what it was ten years ago. This has created a structural financing gap which means there is a large cohort of renters who cannot afford to buy.

And there has been a cultural shift in attitudes towards renting, with a recognition of the flexibility it offers, especially among international workers. These factors all mean the demand for rented accommodation is going to continue to increase from its current 25 per cent share of the market .

This is attracting high levels of institutional interest, particularly from pension funds, as the high correlation between real wages and residential rents allows them to offset future pension liabilities. More generally, BTR has unique risk-return characteristics offering diversification benefits for any real estate investor's portfolio.

Recognising the importance of BTR, newly revised design standards have been developed specifically in order to overcome viability hurdles and facilitate investment in the area. In fact, BTR has been designated as a specific asset class and a scheme may be designated as one if it satisfies certain covenants such as being held institutionally for at least 15 years in addition to providing communal and recreational facilities.

Changes to the planning requirements for BTR include easements made to dwelling mix, dual aspect requirements, units per floor and car parking. Ironically, the changes could cause a temporary pause in the delivery of BTR schemes: developers who have acquired sites may go back in for revised planning as the potential financial impact of the changes is quite significant. Beyond the immediate short-term, however, the changes will have a largely positive impact in increasing residential supply.

Pension funds

As mentioned, pension funds are seeking to gain exposure to the private rented sector and will become the natural exit route for developers of apartment schemes, replacing the traditional build-to-sell model. Early examples of this include Irish Life Investment Management's purchase of 262 apartments currently under construction at Fernbank, Churchtown and Axa Investment Managers' purchase of half of Kennedy Wilson's standing apartment stock in the Alliance, Clancy Quay and Sandford Lodge, all of which are located in central Dublin.

Sites that are likely to be developed for the private rented sector include over seven acres in Santry, which Knight Frank recently sold for in excess of €10 million and which is likely to also contain a student housing element.

The emergence of BTR as a distinct asset class is comparable to the rise in student housing over the last number of years. Following on from some 1,400 new beds delivered in Dublin in 2017, a further 1,900 beds will be delivered this year while 4,700 are due to come online in 2019. Schemes due for completion this year are concentrated in the postcodes of Dublin 1, 7 and 8 and include Hines' Beckett House at Summerhill as well as GSA's two projects at Ardcairn House in Grangegorman and The Tannery in the Blackpitts.

Land for offices

Of all the market sectors, the development land office market has witnessed the strongest demand for sites in the first half of the year. This demand is being underpinned by a strongly performing letting market, with take-up for the first six months of the year of approximately 1.5 million square feet [about 140,000 square metres] – broadly in line with the first half of 2017, a year which set a record for take-up.

With more than 3.25 million square feet of active occupier requirements in the market, 2018 could exceed last year's take-up and set a new benchmark for letting activity.

TMT [technology, media and telecoms] firms in particular have been hoovering up office space, such that over 50 per cent of the 2.7 million square feet of new stock due to come on stream this year is already let. Space not due for delivery until 2019 is also being taken off the table as illustrated by Google's purchase of Boland's Quay, which will incorporate a quarter of a million square feet of offices when delivered next year.

Sites for hotel development

Prime city centre sites capable of supporting hotel development are also highly sought after. This demand was recently demonstrated by the sale of a 0.87 acre site on Abbey Street, close to the Jervis Centre, for some €22 million. While a feasibility study illustrated the suitability of the site for a number of uses including offices and student accommodation, indications are that the purchaser will develop a hotel and aparthotel.

Evan Lonergan is Knight Frank Ireland's director of development land

The Alliance building in Dublin 4, whose units are owned by Kennedy Wilson and Axa IM

Google has purchased land for 250,000 square feet of offices at Boland's Quay, Dublin 2

FoodCentral park in north Dublin welcomes new entrant in €4.5m deal

BY TINA-MARIE O'NEILL

FoodCentral, dubbed Ireland's national business park dedicated to the food and drinks industry, is a 280-acre industry park at St Margaret's and beside the northern boundary of Dublin Airport in north county Dublin.

Brandishing the slogan 'Where food business grows', the substantial site was approved for food park development in the Fingal County Development Plan 2011-2017. Its aim is to become a food-centric business and logistics hub for the domestic and export markets.

Recently, the park welcomed a new entrant, British firm Oakland International, in an investment worth in the region of €4.5 million.

Oakland provides contract packing, storage, picking, food distribution and brand development support for food producers. It delivers to retail, convenience, discount, wholesale and food service markets. It distributes ambient chilled and frozen foods on behalf of suppliers into major Irish and British retail and convenience markets including to Dunnes Stores, Aldi, Lidl, Tesco, BWG and Musgrave.

Before moving to FoodCentral, Oakland had originally opened a hub in Ashbourne, Co Meath as part of a joint venture with Caffrey International almost a decade ago. It has now just completed phase one of a 2,547 square metre development on a site of almost five acres at FoodCentral, as a new purpose-built refrigerated food facility.

"The location of Food Central was identified by Oakland International as a prime location for supply chain in Ireland," said Dean Attwell, co-founder and chief executive of Oakland International.

"Its proximity to the port and airport and also to the major distribution platforms around Ireland, including local access roads, is considered by us to be ideal. The FoodCentral site is a supportive environment which is just what we need as a foreign company located in Ireland."

This latest move will boost employment figures at the food and drinks hub, in which some 1,200 people are already working for businesses such as Keelings, Donnelly Fresh Foods, Pallas Foods and HPP Tolling. These were joined in 2015 by Dixon International, a transport company specialising in temperature controlled logistics, which acquired a 6.4-acre site and has developed a temperature-controlled warehouse of some 4,000 square metres on it. Phase two, which comprises about another 1,800 square metres is now under construction.

Earlier this year, Keelings began building a new 6,430 square metre food facility within the St Margaret's based hub.

FoodCentral's agreed masterplan with Fingal County Council for the park's overall development helped in obtaining a speedy planning process for Oakland International. Planning and construction was completed in a total of ten months from planning application stage to delivery of the completed building under the guidance of FoodCentral's development team. The building was delivered on time and below budget.

The actively managed campus is within a six-minute drive of the M1, M2 and M50 motorways, and within about nine minutes of the Dublin Port Tunnel.

There are ongoing discussions between a number of parties and selling agent Finnegan Menton about the sale of sites and for the development of completed buildings within the park, according agent Nicholas Corson. FoodCentral could accommodate enquiries from 500 square metres upwards and site sales from three acres to 50 acres, he said.

More details are available from the agent at 01-6147900 or at 087-2568127.

Oakland International's new facility at FoodCentral in St Margaret's, Co Dublin

Iasc Mara Teoranta in Rossaveal is close to the Aran Islands ferry terminal

Connemara seafood factory up for sale

BY TINA-MARIE O'NEILL

BV Commercial has been appointed to sell Iasc Mara Teoranta, an Irish-owned seafood factory in Connemara.

The company specialises in processing pelagic species, in particular mackerel and herring, in the state fishery harbour of Ros-a-Mhíl, or Rossaveal, in this Gaeltacht village, where some 85 per cent of the population are native Irish speakers. Iasc Mara Teo, as it is known, has been in business on this 3.5 acre site since 1992.

The plant comprises almost 5,650 square metres of industrial and office space, including an intake chilling store, a tractor room, a grading room, boiler house/workshop, a main plant and office building, two cold rooms and a dry goods store.

Rossaveal is a thriving fishing village of about 1,300 people and the plant employs about 25 staff, mostly from the local area. The harbour is close to the Aran Islands ferry terminal and some 23km from Galway city.

Interested parties should contact Alan Loughrey at BV Commercial in Galway at 091-745240 for more information including guide price.