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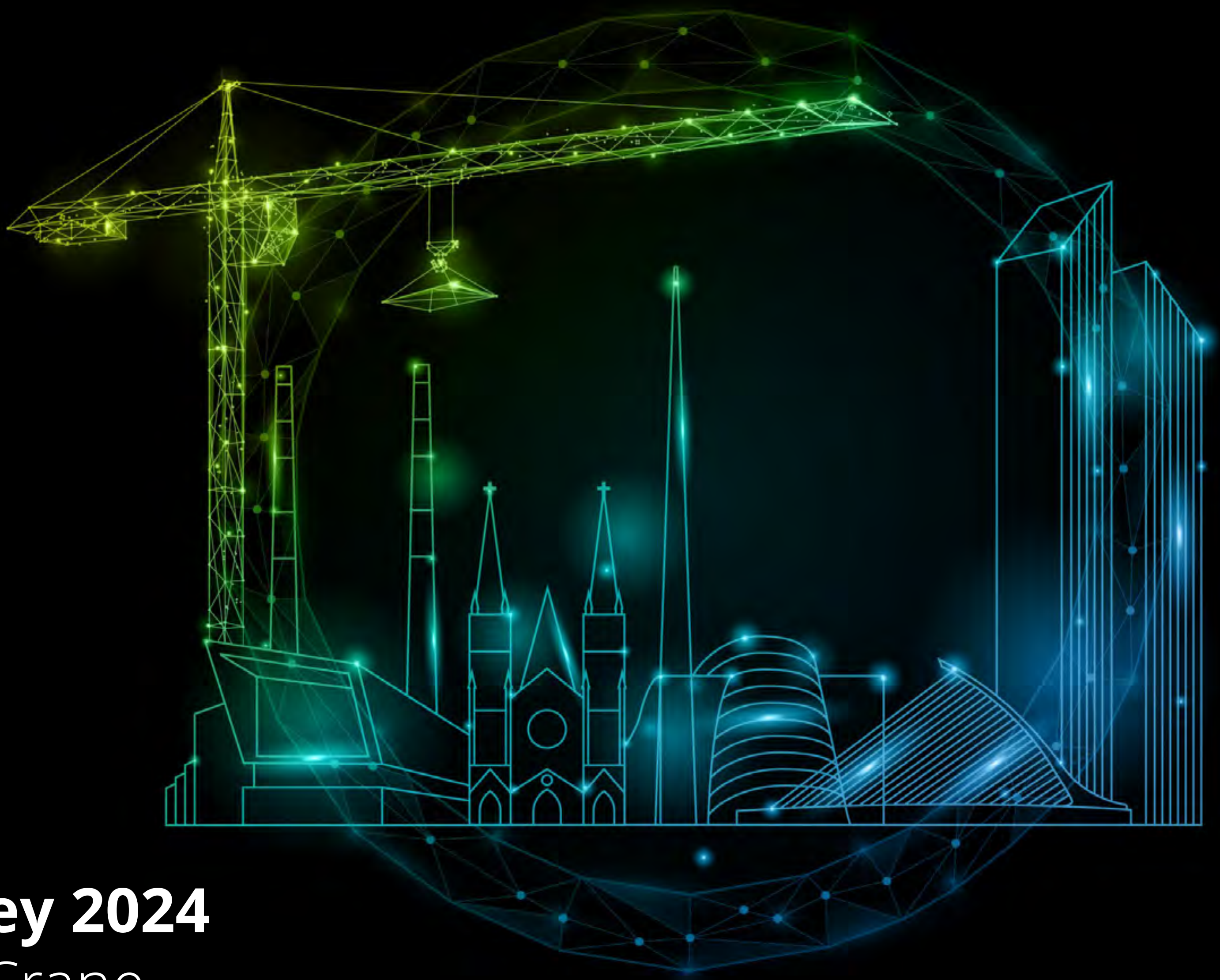
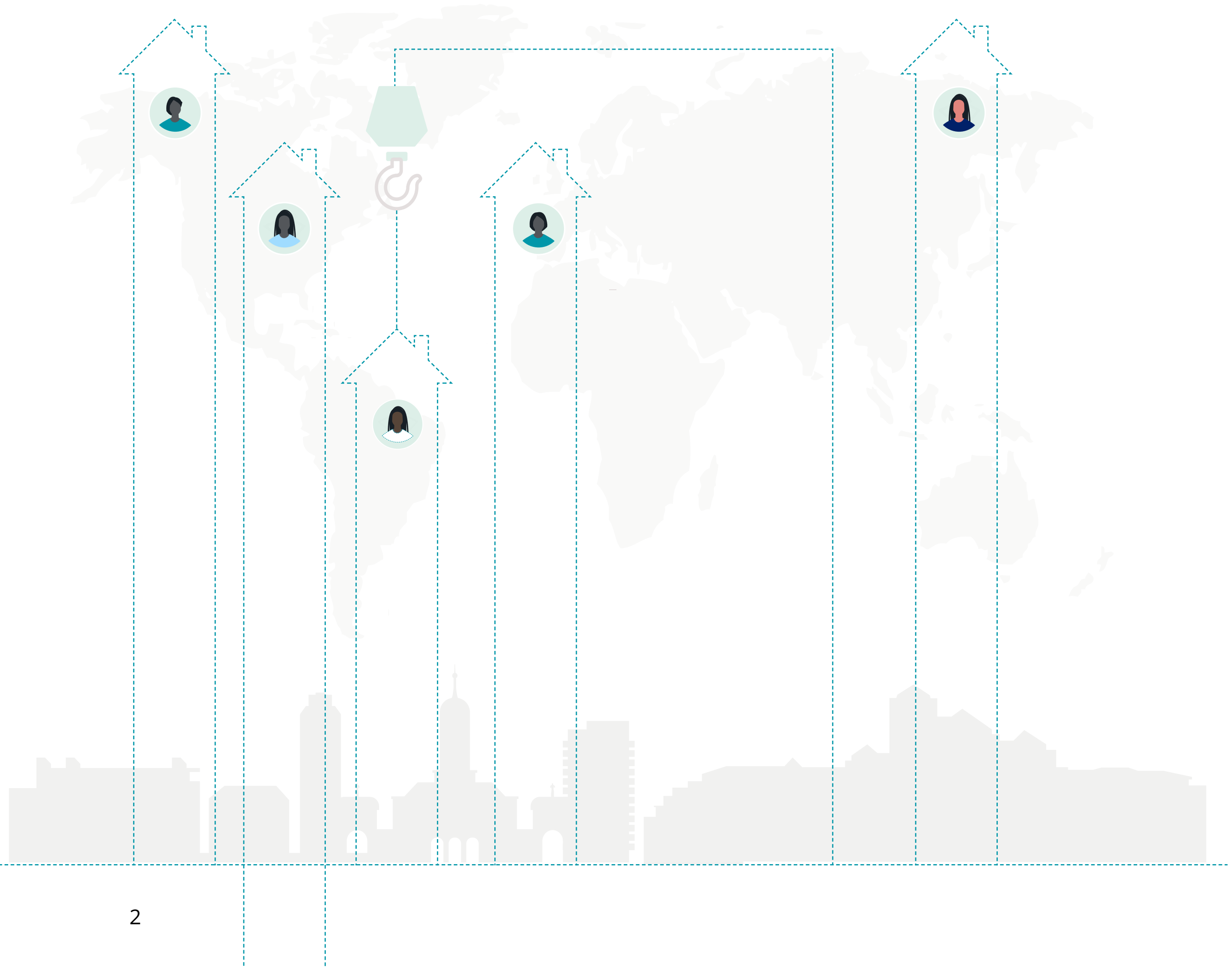


Crane Survey 2024
Beyond the Crane

Table of contents



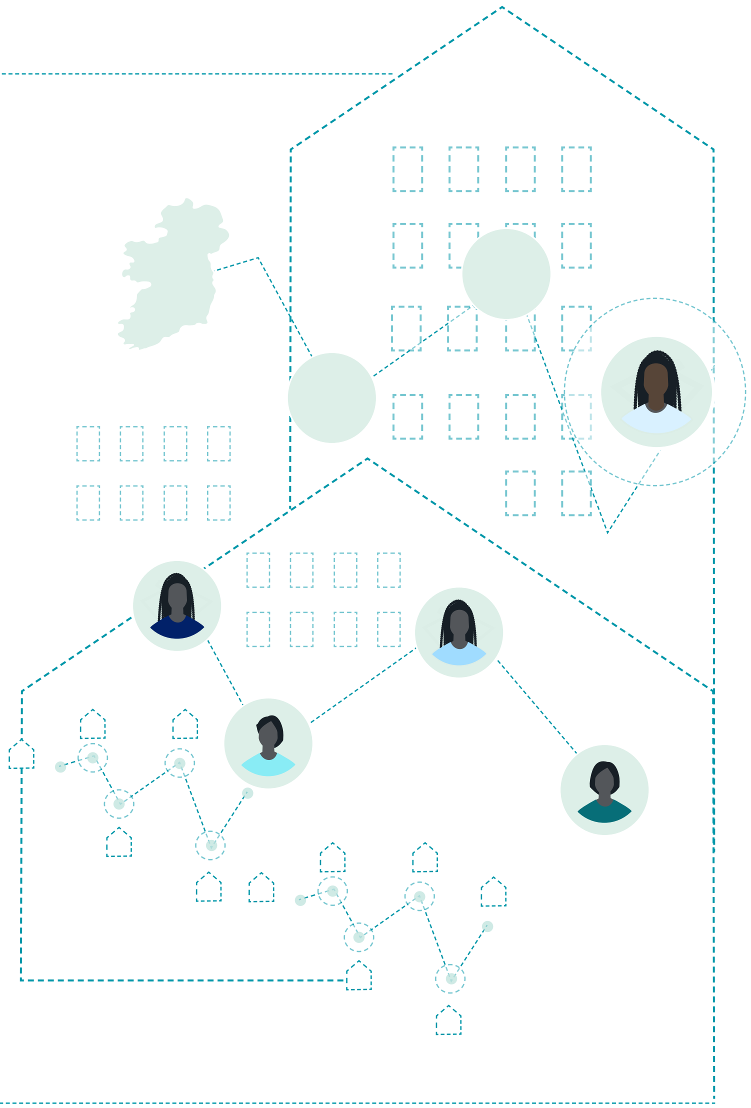
Introduction

Welcome to the Deloitte Annual Crane Survey report.

This report provides a detailed analysis of the development landscape in the Republic of Ireland. It details construction activity across the following sectors; Student Accommodation, Hotels, Offices and Residential. In particular, it discusses the completion of new space in each of these sectors in 2023, along with volumes under construction at present. In addition to analysing development activity, this report also provides an overview of key indicators detailing the changing nature of demand for this new space. Examples of these include trends in student enrolments, tourism data, office valuations and a breakdown of residential stock. Lastly, this report discusses, at a glance, just some of the policies that will likely impact development activity over the coming year.

Do we count cranes?

Sadly not, the Deloitte Crane Survey originated in the UK 28 years ago and has grown to be a respected and trusted brand and publication over time. We use the Crane as a metaphor as it is a clear symbol on the skyline that activity is happening beneath.



Key Headlines

1,630 PBSA beds delivered in 2023

1,160 beds under construction

Three schemes under construction

2,850 hotel rooms under construction

1,650 new keys added in 2023

Hotel stock is expected to grow by 5.2% by the end of this year

378,000 sq m of office space under construction in Dublin across 20 schemes

95,400 sq m delivered in 2023

No space to be delivered outside the city centre after H2 2024

32,695 residential units completed construction in 2023

37,408 residential units commenced in 12 months to March 2024

New supply increased by 10% in 2023

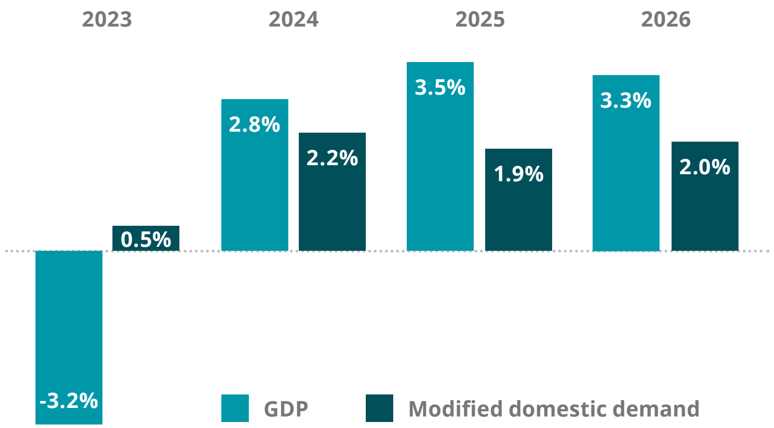
The Economy

Relentless resilience amid escalating external risks

The Irish economy contracted by 3.2% in 2023[1], as measured by GDP, primarily driven by a post-Covid correction in the chemicals and pharmaceutical sector. Forecasts displayed in the adjacent chart[2] indicate that a return to growth will be experienced this year, driven by improved pharma sector exports.

Meanwhile, the domestic economy remains resilient, expanding by 0.5% last year as measured by Modified Domestic Demand, an indicator which excludes globalisation effects. Furthermore, personal consumption on goods and services increased by 3.1% last year, measuring 10.2% higher than the pre-pandemic peak level of spending which occurred in 2019. Growth in personal consumption is expected throughout the medium-term forecast horizon.

Growth forecasts for Ireland
Annual change, %



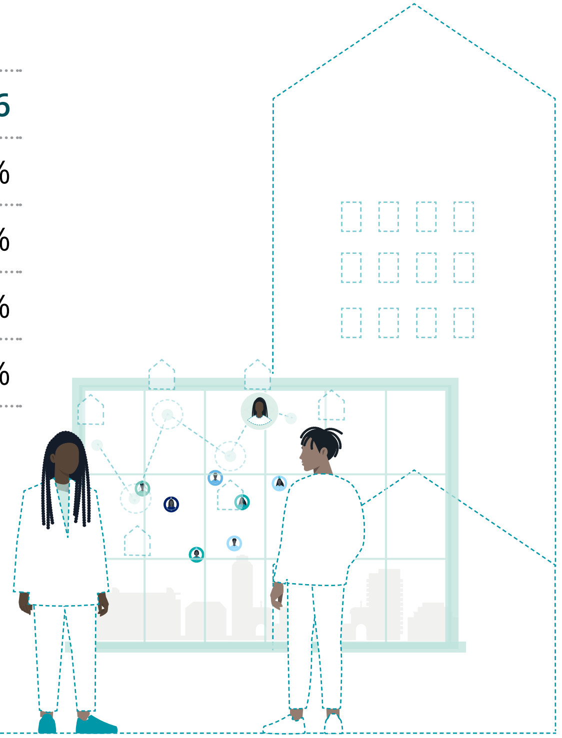
Source: Central Bank of Ireland

Key macroeconomic forecasts from the most recent publication released by the Central Bank of Ireland are displayed in the table to the right[3]. Crucially, inflation as measured by the Harmonised Index of Consumer Prices (HICP) is expected to return to the ECB's target rate of +2.0% per annum this year. Nevertheless, the risk of an escalation of the current conflict in the Middle East could reignite global inflation and hamper growth, potentially delaying the long-awaited cuts to interest rates, according to the International Monetary Fund (IMF). The ECB has indicated that it may begin to cut interest rates in June, with President Christine Lagarde saying that at present, the "disinflationary process is moving according to [their] expectations".

Meanwhile, the resilience of the labour market plays a key role in the resilience of the overall economy. 'Full' employment is widely regarded as an unemployment rate of c. 4%, which is forecast throughout the medium-term. A strong labour market as of Q1 2024 resulted in income tax receipts of €7.9bn (+7.6% YoY)[4]. With a record 2.7 million people in employment, the size of the labour force grew by 3.5% in the year to Q4 2023[5], with recent growth predominantly driven by inward migration.

	2023	2024	2025	2026
Private consumption	3.1%	3.2%	2.9%	1.9%
Exports	-4.8%	3.0%	5.3%	5.2%
Unemployment rate*	4.3%	4.6%	4.5%	4.5%
HICP	5.2%	2.0%	1.8%	1.4%

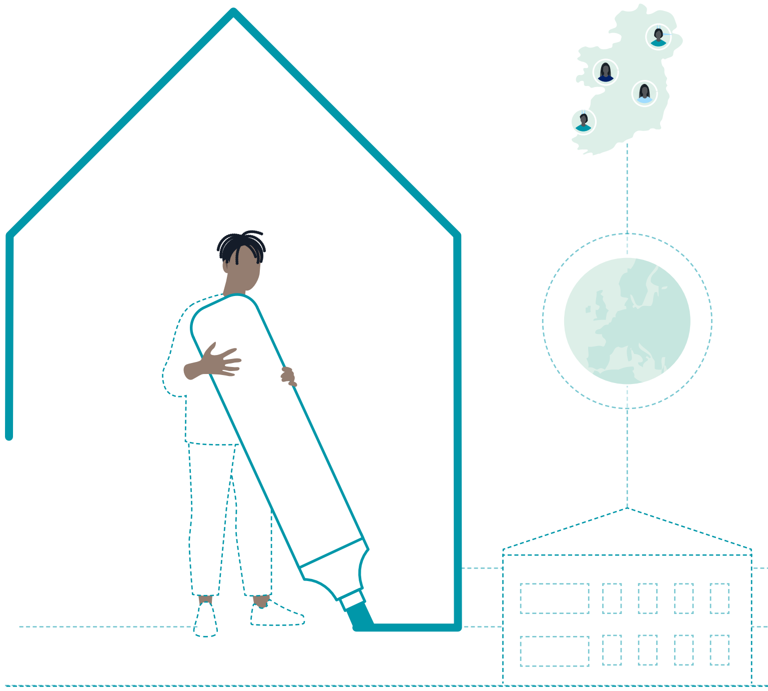
Source: Central Bank of Ireland



Student Accommodation

The Student

International students account for a growing share of Ireland's full-time student population



There were 198,970 full-time students enrolled in third-level institutions in Ireland in the academic year 2022/23[6]. Enrolments have increased by 15% since 2014, owing to a combination of domestic demographics, increased international enrolments and an expansion in course availability.

Domestic demand is heavily influenced by Ireland's demographic curve and its large peaks and troughs in births. This translates to fluctuating demand across all levels of education. In this current cycle, post-primary enrolments are expected to peak in 2024, translating to a peak in third-level enrolments in 2030. Total enrolments (i.e. both domestic and international) in 2030 are estimated to be 240,000 full-time students, marking an increase of 33% from 10 years prior.

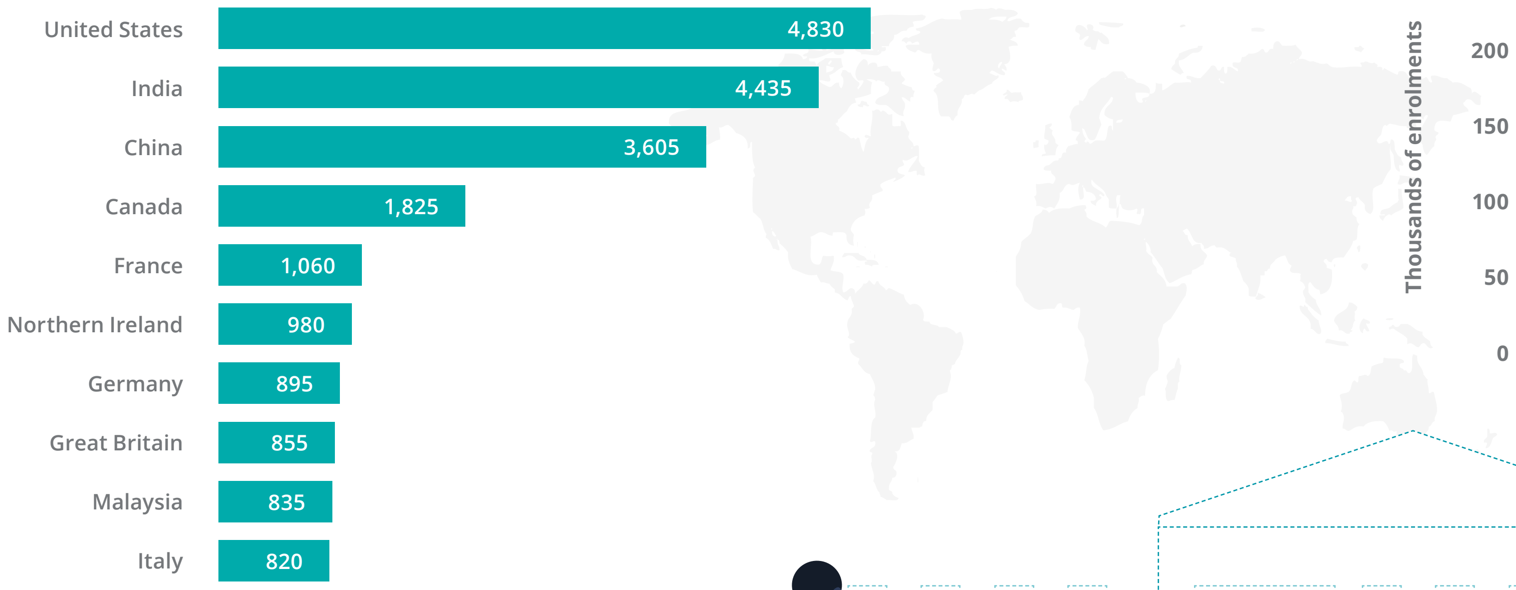
International students accounted for 15% of the full-time student body in Ireland in 2022/23, with a total of 30,500 students. The number of international students in Ireland has increased by 41% since 2016/17. Of the international student population in Ireland, 42% of students hail from the United States, India and China.

The number of international students in Ireland has increased by

41%

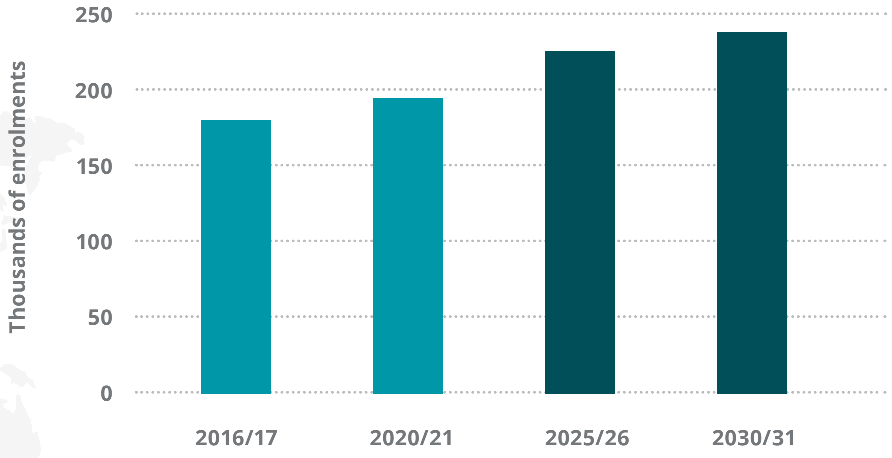
since 2016/17

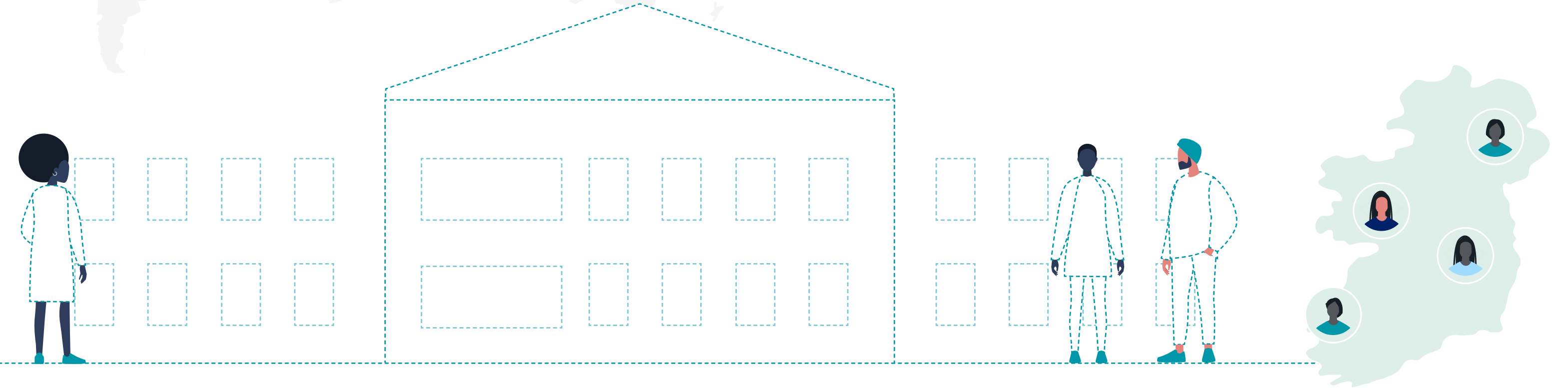
International students enrolled in Ireland by top 10 countries of origin
Full-time students, 2022/23



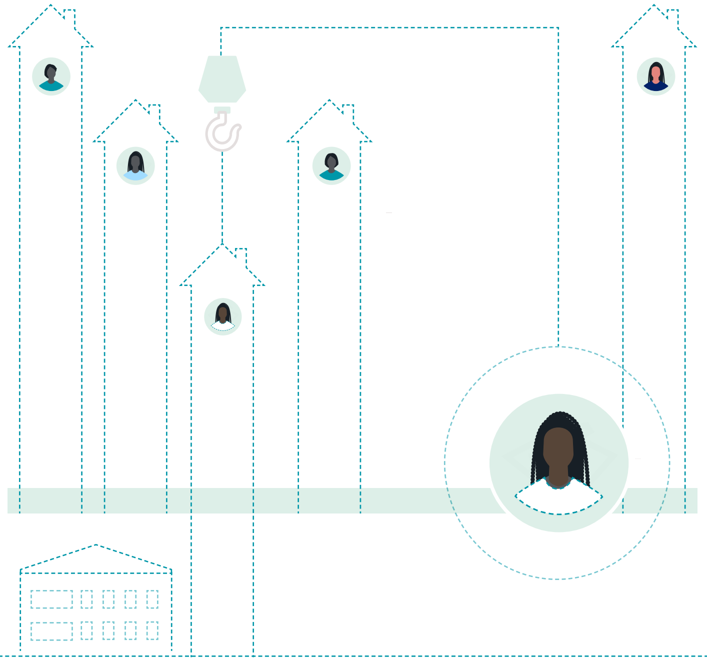
Source: HEA, Department of Further and Higher Education, Research, Innovation and Science

Ireland's projected full-time third-level enrolment





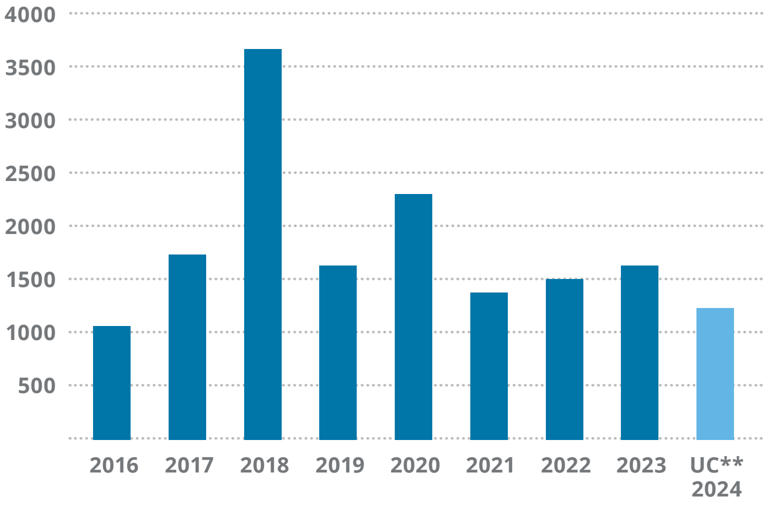
The Crane
Construction activity falls however overall development activity is on the rise



Construction activity in student accommodation dwindled in the opening months of 2024, as several completions took place in 2023. An estimated 1,630 beds were added to the stock of purpose-built student accommodation (PBSA) in 2023, with Cork absorbing the largest share (814 beds). In Cork, beds were added by UCC at their Crows Nest scheme, with 255 rooms completing in H1 2023. Elsewhere in the city, 559 beds were opened across two private schemes by Roundhill Capital and Harrison Street. The latter is being operated by Mezzino, their first scheme in the city, while Nido expanded its footprint on Washington Street.

Completions in 2024 will be more limited, as just three schemes, totalling 1,160 beds were actively on site at the start of 2024. The largest of these, Novel Bottleworks, was completed recently at the former Coca-Cola bottle factory on the Carrigrohane Road in Cork and is taking bookings for the 2024/2025 academic year. This brings total stock in the Cork market to just over 7,100. Similarly, a refurbishment at *From Here: Blackhall Place* has seen an additional 80 beds complete construction and open to bookings for the 2024/2025 academic year.

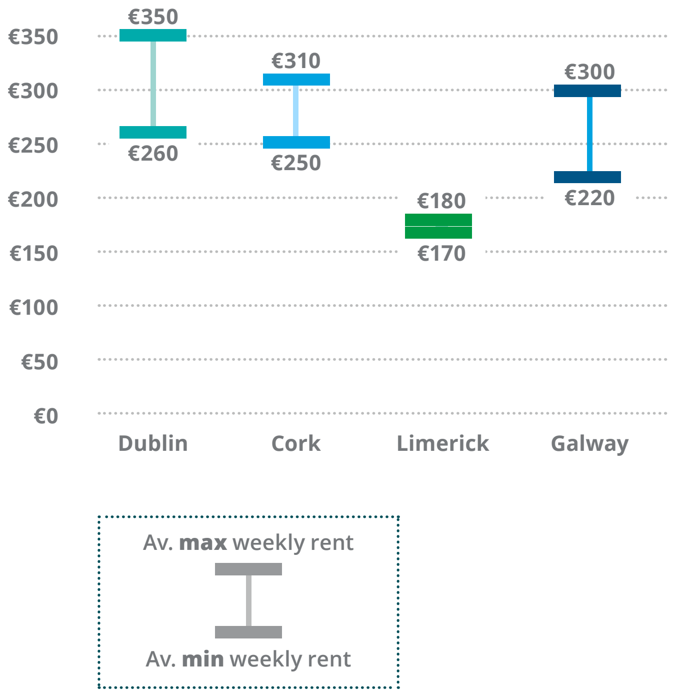
PBSA completed and under construction*
No. of beds



Source: Deloitte Real Estate Research
*PBSA in Dublin, Cork, Limerick and Galway **UC = Under Construction

Current construction activity perhaps underestimates the level of activity and investor interest in student accommodation at present. Planning applications lodged towards the end of 2023 and start of 2024 are a prime example of the renewed interest in the sector. Planning applications of scale are located across Dublin, Cork and Waterford, through Large-scale Residential Development (LRD) applications. In total, there are over 10,900 units in the planning pipeline across plans applied and plans granted. How many of these will translate into new PBSA stock remains uncertain, as Strategic Housing Development (SHD) delays and viability concerns weigh on some of these schemes. However, it is also worth noting that in the Housing for All Q1 2024 update, the government announced an allocation of €100 million in additional funding to the Department of Further and Higher Education, Research, Innovation and Science to deliver more than 1,000 PBSA beds at UCD (493), DCU (495) and Maynooth University (116).

Average weekly rent
2024/2025 academic year*

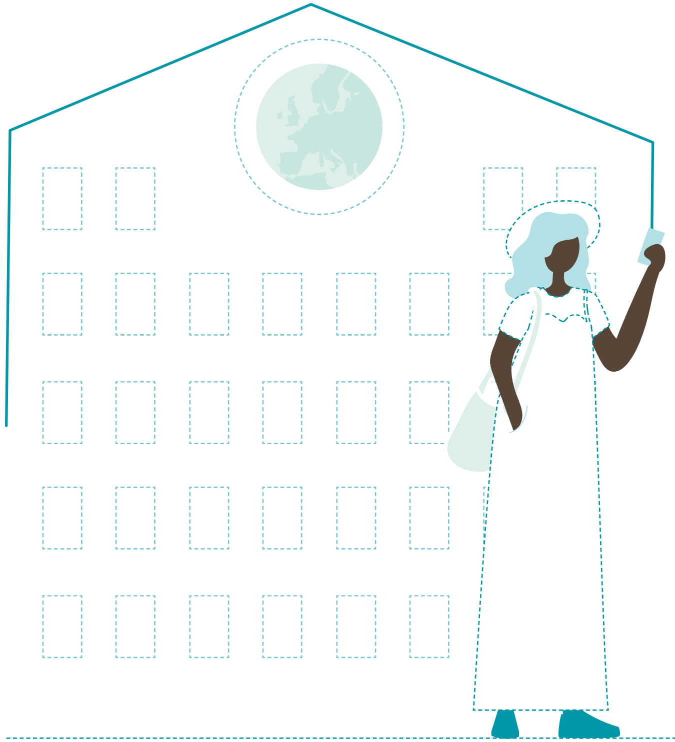


Source: Deloitte Real Estate Research
* Average weekly rent in schemes completed since 2016

Belfast Student Accommodation
The Belfast student accommodation market is undergoing a boom, with over 1,000 new student accommodation rooms completed during 2023 and an additional 774 rooms due to complete in 2024. This follows no completions in 2022. High levels of investment are set to continue, with the Belfast Region City Deal programme containing a number of major education-orientated schemes, along with the ongoing demand for student accommodation. Queen's University has earmarked £100 million to help meet an estimated 3,000-room deficit in supply. Read more in **Deloitte's Belfast Crane Survey.**

Hospitality

The Tourist
Post Covid domestic tourism booms, but for how long?



Last year marked a stellar year for the hotel sector, buoyed by air passenger arrival figures exceeding pre-Covid levels, along with a record-breaking number of domestic trips by Irish residents. The Average Daily Rate (ADR) commanded by hotels in Dublin City was €204, the highest rate since records began and 22% higher than the pre-Covid average recorded in 2019[7]. Meanwhile, the Revenue Per Available Room (RevPAR) was €164 last year in Dublin City, also a record-breaking figure, and 17% higher than the 2019 average. While rates vary considerably in the surrounding Dublin area and elsewhere in Ireland, across the board these record-breaking trends held true.

Just under 6 million people from overseas visited Ireland during the 11-month period from April 2023 to February 2024[8]. Of these visitors, 38% hailed from Great Britain (GB) with the next highest cohort (18%) coming from the US, and the majority of the remaining visitors arriving from Western Europe. In February 2024, the average US visitor spent a total of €1,660 on their trip to Ireland (incl. air fares), while GB visitors spent considerably less at €570 per trip, with these visitors most likely to stay with friends and family while visiting Ireland. Due to data limitations, it is not possible to compare to the number of overseas visitors or the average spend of visitors who arrived prior to April 2023.

In February 2024, the average US visitor spent a total of

€1,660

on their trip to Ireland (incl. air fares).

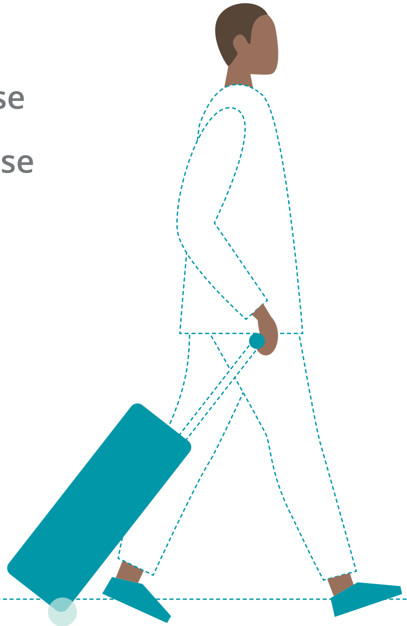
Dublin Central hotel statistics

	March 2019	March 2023	March 2024	
Occupancy	84%	78%	79%	▲
ADR	€158	€197	€180	▼
RevPAR	€133	€154	€143	▼

▲ Annual increase

▼ Annual decrease

Source: STR



The popularity of domestic trips by Irish residents has increased considerably since the outbreak of the Covid-19 pandemic, with 10.9m trips in the first nine months of last year, representing an increase of 22% on the same period in 2019[9]. The majority of domestic visitors stay with family and friends while on these trips, with 26% of visitors choosing to stay in a hotel. Included in the overall domestic tourism statistics are domestic business trips, of which 486,000 occurred in the first nine months of 2023. Whether business trips would resume in the post-Covid-19 era of remote working and online meetings was a topic of great debate at the onset of the pandemic. Data now reveals that not only did the number of domestic business trips exceed those taken in 2019 by 32%, but the estimated spend on these trips increased by 50% on 2019 levels also, to a total of €128m.

However, despite all these positive indicators, there are risks to this growth and questions surrounding the ability to uphold market performance. Initial market soundings suggest a possible softening in hotel performance indicators this year. Occupancy, ADR and RevPAR each recorded a decline in the year to March 2024. Hotel groups have cited the increased VAT rate and increased competition in the market as contributors towards potential declines. Market intelligence suggests that the weaker start to the year is also evident in other European markets. Whether this is due to weakening consumer demand, or whether 2023 marked a market peak remains to be seen. With a number of key events in the calendar, including Taylor Swift and Bruce Springsteen concerts, hoteliers will be hoping to offset the sluggish start to the year over the coming summer months.

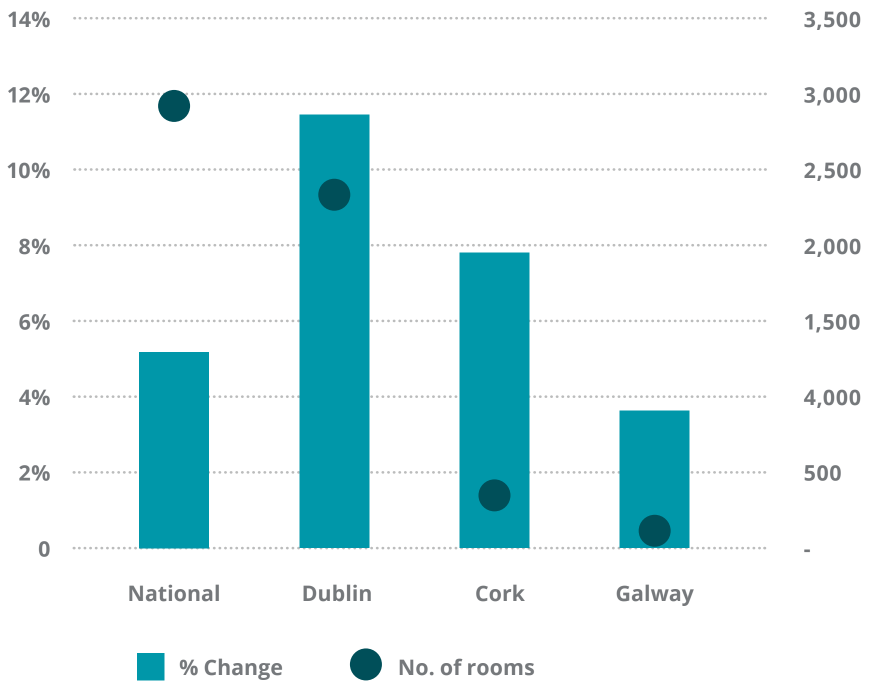
The Crane
New brands look to Ireland

Last year was a year of recovery for the hotel market, with a number of new assets entering the market. An estimated 1,650 new rooms opened in 2023, and although down from 2022, this represents an improvement on 2019 levels. The majority of these completions were in Dublin, with ReZz, Premier Inn and Travelodge Plus all adding beds to their Irish portfolios.

At the start of 2024 just under 2,850 rooms were under construction across Dublin, Cork and Galway, with the majority due for delivery in 2024. In fact, over 550 rooms completed in the first quarter. A further 1,080 rooms are due to complete construction before the end of the year, with the remainder falling into 2025 and 2026. The completion of new stock over the coming years will bring with it new brands to the Irish hotel market. These include the Hoxton, Citizen M and Ruby Hotels, following the recent arrival of ReZz and NYX.

Beyond what is currently under construction, it is difficult to assess potential new deliveries in the years ahead. Across Dublin, Cork, Limerick and Galway just under 4,000 hotel rooms had planning granted since 2022 and are yet to commence construction. A number of these are under appeal, while market intelligence indicates viability due to high construction costs is under pressure at others. An estimated 800 rooms have been refused planning in the past 12 months. In Dublin, planning policy for hotels is restrictive, following public opposition to the level of hotel versus residential development in the city. Dublin City Council's policy states that to ensure balance, there will be a general presumption against an overconcentration of hotels and aparthotels. It also requires a report outlining all existing and proposed hotel and aparthotel developments within a 1km catchment of the proposed scheme to be submitted with the planning application.

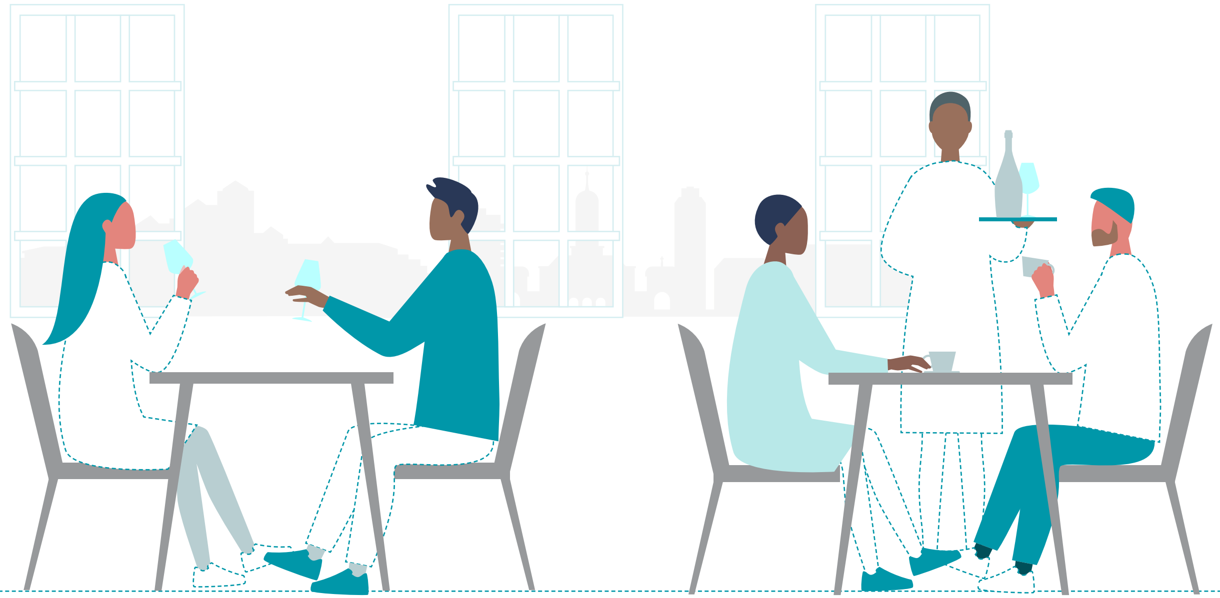
Estimated growth in stock between 2022-2024



Source: Deloitte Real Estate Research

Upcoming Completions

Ruby Hotel	Dublin 7	278 Keys
Citizen M	Dublin 8	247 Keys
Moxy Hotel	Cork	201 Keys
The Hoxton	Dublin 2	129 Keys



Offices

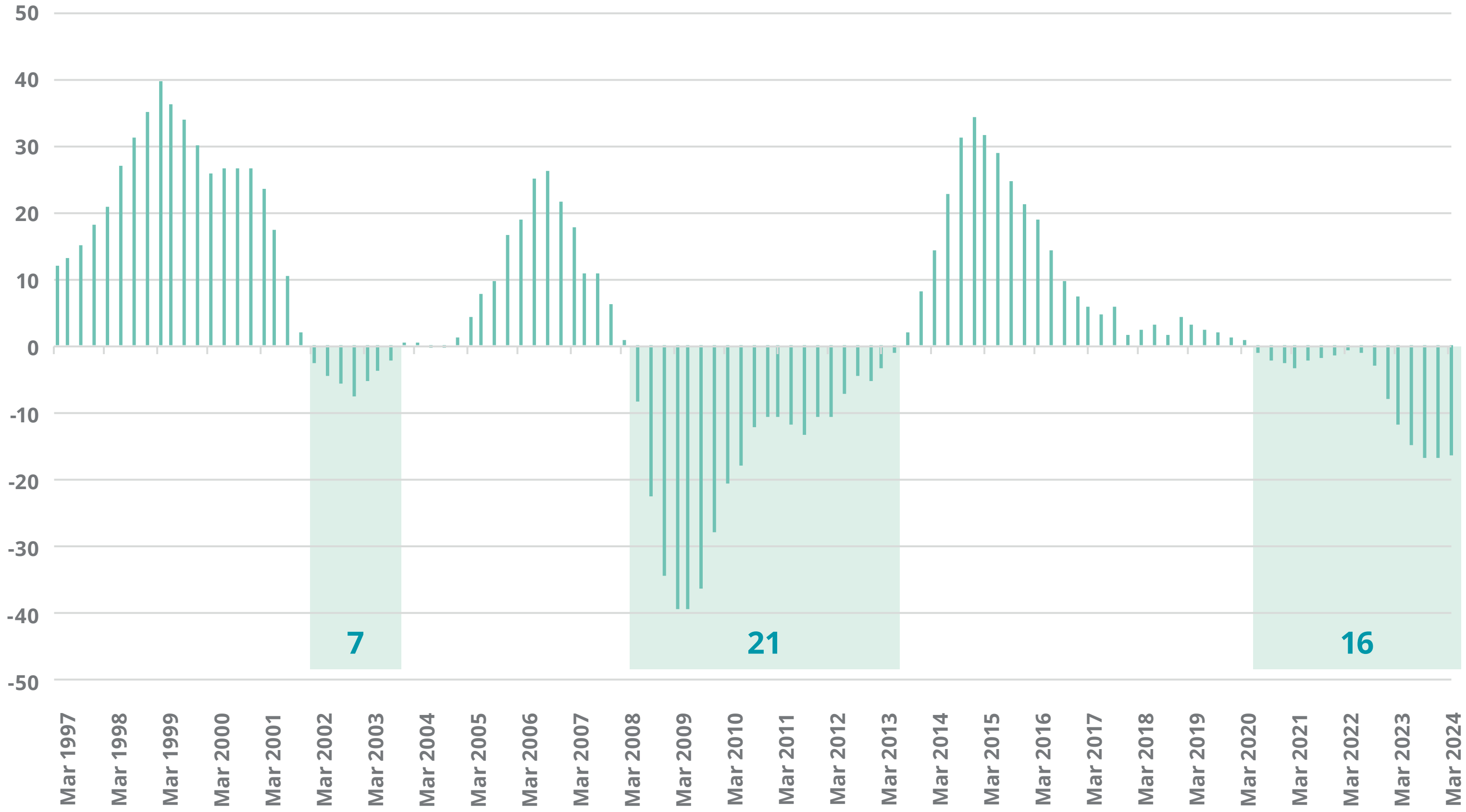
The Occupier & Values
A structural and cyclical change is at play

Office values have declined consistently since the onset of the Covid-19 pandemic, triggered by the introduction of public health restrictions and the subsequent shift towards remote working which ensued. There have been 16 consecutive quarters in which a decline has been recorded on an annual basis. It remains to be seen whether the current cycle of decline will exceed the consecutive 21 quarters of contraction, recorded in the wake of the Great Financial Crisis (GFC). However, the factors at play are considerably different this time around. While the unemployment rate soared in the post-GFC era, peaking at 16.2% in December 2011[10], the labour market is vastly different today, with a record number of people in employment (over 2.7m as of Q4 2023[11]) and an unemployment rate of just 4.3% as of March 2024. Last year, over 80,000 jobs were added to predominantly office-oriented sectors such as ICT, professional services, finance and administration, however this has failed to translate into an upward lift in office values or a decline in the office vacancy rate.

So, what is so different this time around? A cyclical factor is at play, as a result of well-documented interest rate hikes, along with ongoing macroeconomic uncertainty. Additionally, there is a sense of a structural change within the market, partly driven by the enduring preference among employees towards remote working. Almost one third of the workforce, (750,000 people) spend at least one day each week working from home[12]. Also attributing to the structural change within the market is employers' increased commitment to Environmental, Social and Governance (ESG) policies. Just 2% of all offices awarded BER certificates since 2009 have received a Grade A rating. Meanwhile, occupier demand, particularly for large corporates, is increasingly focussed on buildings boasting a high energy rating. Indeed, 93% of Dublin

Capital value growth
Annual change, %

Source: MSCI

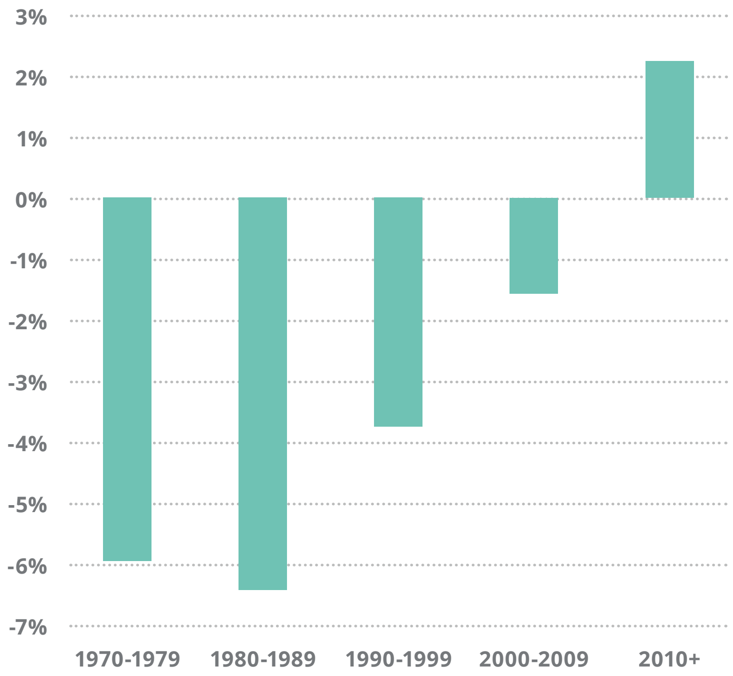


office take-up of over 30,000 sq ft in the last three years had a BER rating of A[13].

Reflective of the fall in values and rise in interest rates, yield expansion has been recorded across offices in Dublin and in other major cities. Yields have moved out by +1.25 basis points (bps) in Dublin from Q1 2022 to Q4 2023, with London City expanding by +2.0 bps, and Paris by +1.5 bps during the same period[14]. It is important that the Dublin office market moves in tandem with cities overseas, insofar as outward yield movements recorded in cities overseas are mirrored here, to ensure that Dublin remains a competitive and viable destination. A yield differential has been experienced historically and is expected to continue.

Meanwhile, office rental growth has not shifted to the same extent. However, the difficulty with reported rents is that they reflect prime headline rents only, and

Office market rental value by building age
Change from March 2020 - March 2024



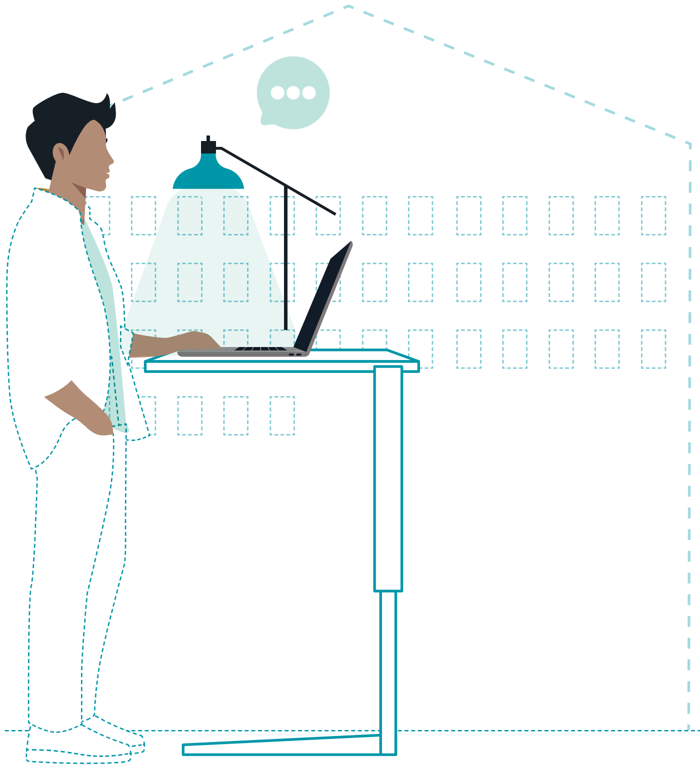
Source: MSCI

fail to account for changes to incentives, or changes outside of prime. Since March 2020, the rental value of older office stock has declined, while buildings constructed post 2010 have increased in rental value[15]. Nevertheless, agents have reported a reduction in prime office rents in Dublin in the year to Q4 2023, with declines ranging from €1.00 - €7.50 per sq. ft[16].

Are there further structural changes to come? A recent report by Oxford Economics identified offices as the property sector which is most exposed to the impact of generative AI[17]. This is due to office-based occupations having a greater potential for generative AI to automate tasks, and additionally, these businesses are also more likely to adopt this technology.

The Crane

Completions to rise significantly in 2024 before a dramatic fall off which follows

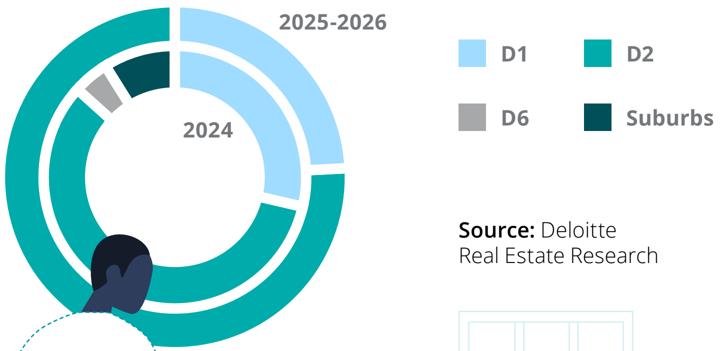


Construction activity within the office market is being kept under a watchful eye as new completions will further increase vacancy rates. In 2023, approximately 95,400 sq m of office space was delivered to the Dublin market. This represents a decline of almost 60% on 2022 and a notable fall from expectations at the beginning of the year, as several larger projects saw their practical completion date moved to 2024.

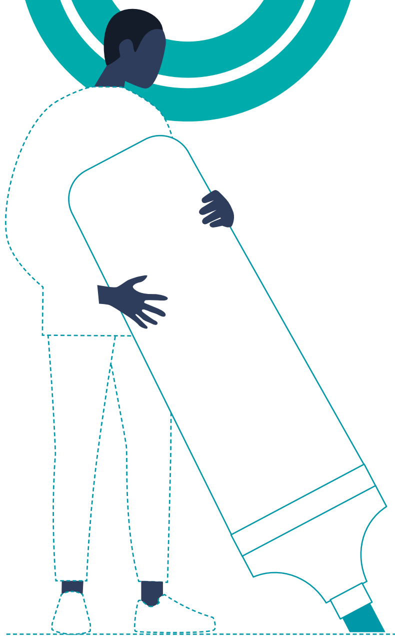
At the start of 2024, an estimated 378,000 sq m of office space was under construction across 20 schemes in Dublin, with the vast majority of this located in the city centre and close to 230,000 sq m due to reach practical completion in 2024. In fact, the first quarter alone saw notable completions at Two & Three Wilton Park, with Four soon to follow. Approximately 30% of the space due to complete in 2024 is already pre-let, however it is worth noting that this includes space at Wilton Park, which is due to come on to the market as grey space. With just 17,500 sq m[18] of take up in the opening quarter of the year there is no doubt that vacancy rates will rise once this space reaches completion.

Beyond 2024, the development pipeline reduces significantly. An estimated 97,000 sq m is due to complete construction in 2025, with the remainder due in 2026. However, with all space due in 2026 already pre-let, the last delivery of available new stock to the market will be next year. Although timelines may move, this evaporation of speculative construction in the short-term is noteworthy. Similarly, beyond H1 2024, there is set to be no new space delivered outside of Dublin 1 and Dublin 2.

Dublin office development activity
By location, Sq m



Source: Deloitte Real Estate Research



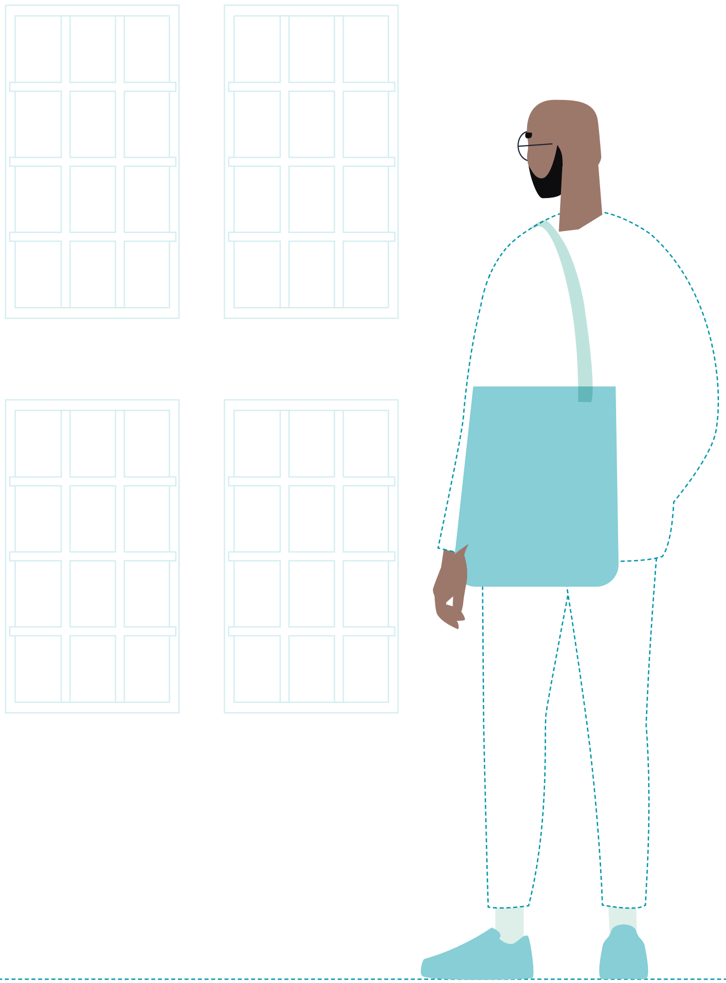
Recent office completions
Glencar House, Dublin 4
Four & Five Park Place, Dublin 2
9-12 Dawson Street, Dublin 2
Coopers Cross, Building 1, Dublin 1
Two & Three Wilton Park, Dublin 2
Upcoming
Coopers Cross, Building 2, Dublin 1
Four Wilton Park, Dublin 2
The Sidings, Dublin 2

Outside of construction activity, there is sign of movement which indicates speculative development will return, however when that will be, remains uncertain. Who will move first? For example, demolition work has commenced at Carrisbrook House, Dublin 4. The existing 8-storey building extending to 3,750 sq m, has planning permission to be replaced by a 10-storey building of 12,000 sq m gross floor area. Similarly, IPUT received planning permission for the redevelopment of 29 Earlsfort Terrace and Garryard House, Dublin 2 in January. Planning is set to see the two adjoining buildings demolished to make way for a 9-storey new office scheme of close to 18,000 sq m. Within proximity, 25 – 31 Adelaide Road was also granted planning permission in September 2023 for an 8-storey office block measuring close to 28,700 sq m. Blackstone have appointed joint leasing agents on the building to be known as *Florian* once complete.

Outside of Dublin, the picture is mixed with development activity more constrained than in the capital. In **Cork**, construction is under way for 33,500 sq m of space, between No. 2 Horgan's Quay in the city, and Apple's extension in Hollyhill. Furthermore, site preparation work has begun at the Former Sextant Pub site in the city, where planning permission is granted for a 15-storey office building. Planning for residential use had been received for the site also, however due to viability constraints with apartments in the city, the site is reverting back to office development.

In **Limerick**, where development activity has been limited in recent years, construction at the end of 2024 reflected just 7,500 sq m at Bishop's Quay. The 9-storey development is pre-let in full to Verizon, a deal completed in 2023. However, since the beginning of 2024, work has also begun at One Opera Square, where 12,100 sq m will be delivered over 5 storeys. The building is being developed in joint partnership by ISIF and Limerick 2030.

Lastly, in **Galway**, Bonham Phase 2 continues construction with almost 8,000 sq m. Phase 1 was completed in 2022 and was fully pre-let by the time of completion.



Residential

The Household
Ireland's households, a standout in Europe

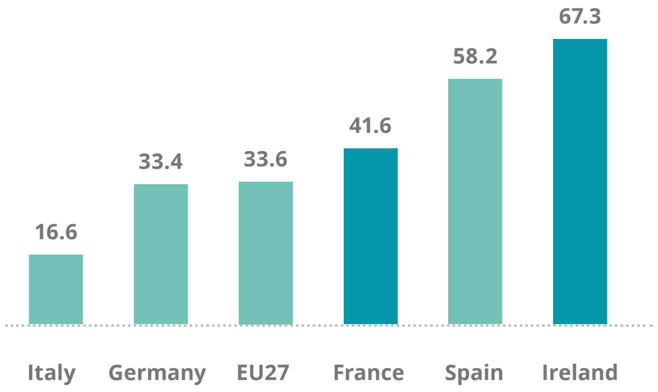
Despite a turbulent 12 months, which saw high inflation and rising interest rates, the Irish household has displayed resilience. Mortgage activity gives a good insight into this resilience. In 2023, First-Time Buyer (FTB) mortgage approvals rose to over 30,450[19]. This reflects a rise of 9% annually, or up over 21% since 2019. The first two months of 2024 have seen this trend continue, with FTB mortgage approvals continuing to climb higher. However, the same trend is not evident in Mover-purchasers, whose volume of approvals decreased 6.8% annually in 2023 and sit 15% below 2019 levels. Government policy has sought to increase affordability for first time buyers through policies such as the First Home Scheme and the Help-to-Buy. The First Home Scheme was created to help FTBs and others to bridge the gap between their mortgage, deposit and the price of a new home. In 2023, a total of 2,446 applicants were granted approval, with 1,118 homes purchased through it.

Data available for Q1 2024 shows a further rise in the volume of approvals within the scheme, a trend which mirrors the rise in mortgage approvals.

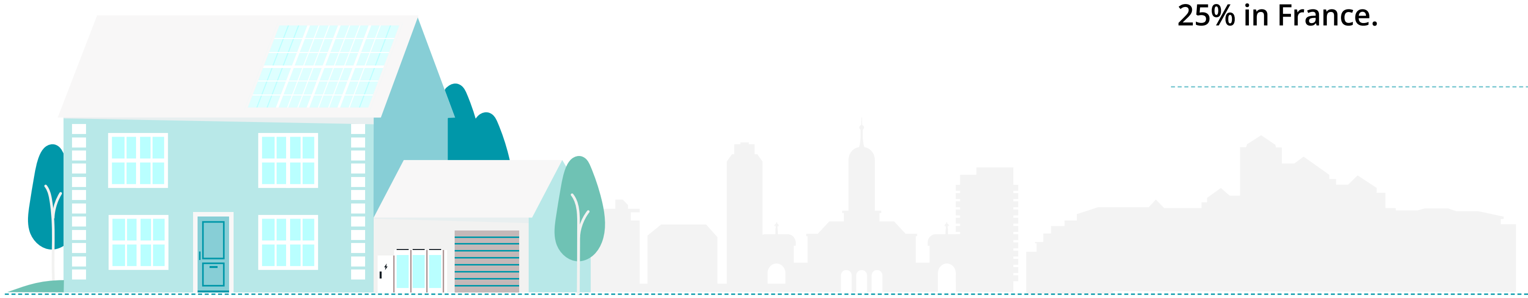
Growing FTB demand against a backdrop of increasing yet insufficient new supply and reducing release of second-hand stock to the market, places further pressure on the residential market. This is evidenced by the increase in prices, particularly over the past 6 months. Data released by Eurostat provides further insight into Irish households, how they compare to their European counter parts, and provokes consideration regarding our housing stock and its ability to meet all stages of life.

According to Eurostat, Ireland is in the top 3 for the proportion of under-occupied dwellings. Eurostat considers a household to be "under-occupied if it has at its disposal more than a minimum number of

Share of people living in under-occupied dwellings, %



Source: Eurostat



rooms considered adequate[20]", i.e. it is deemed too large for the household living in it. In Ireland, this rate is 67.3%, compared to an EU average of just 33.6%. This is not surprising as Ireland has an average of 2.1 rooms per person, compared to 1.6 rooms as the EU average.

Eurostat data shows that

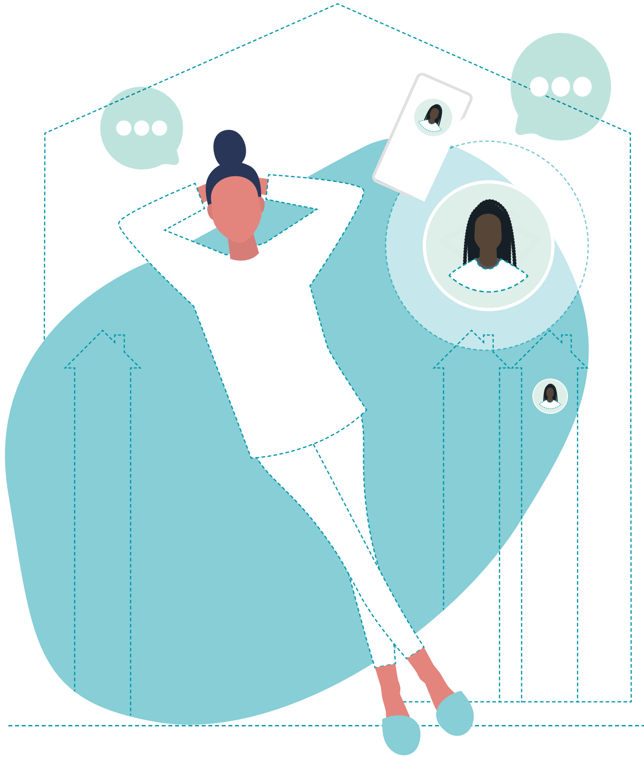
41% of **adults between 25 and 29 live with their parents in Ireland** as of 2022. This compares to just **6% in Finland, 20% in Germany, 25% in France.**

Driving this differential is the accommodation type. In Ireland, 89% of people live in a house, with just 11% in apartments. This is by far the lowest share of apartment living in Europe. In fact, only one other country sees the proportion of persons in apartments dip below 20% (Netherlands at 19%). Interestingly, this stark difference between the breakdown of houses and apartments in Ireland versus Europe holds through when looking at cities, towns and rural areas.

The ESRI[21] notes "the lack of smaller housing options poses challenges for people who want to adapt their housing situation to stages of their lifecycle". Whether it be older couples who want to downsize, young professionals who want to leave their family home and everyone in between, the lack of diversity in housing units limits this choice. Eurostat data shows that 68% of adults between 25 and 29 live with their parents in Ireland as of 2022. This compares to just 6% in Finland, 20% in Germany, 25% in France.

The Crane

Government policy drives upward trend in residential commencements

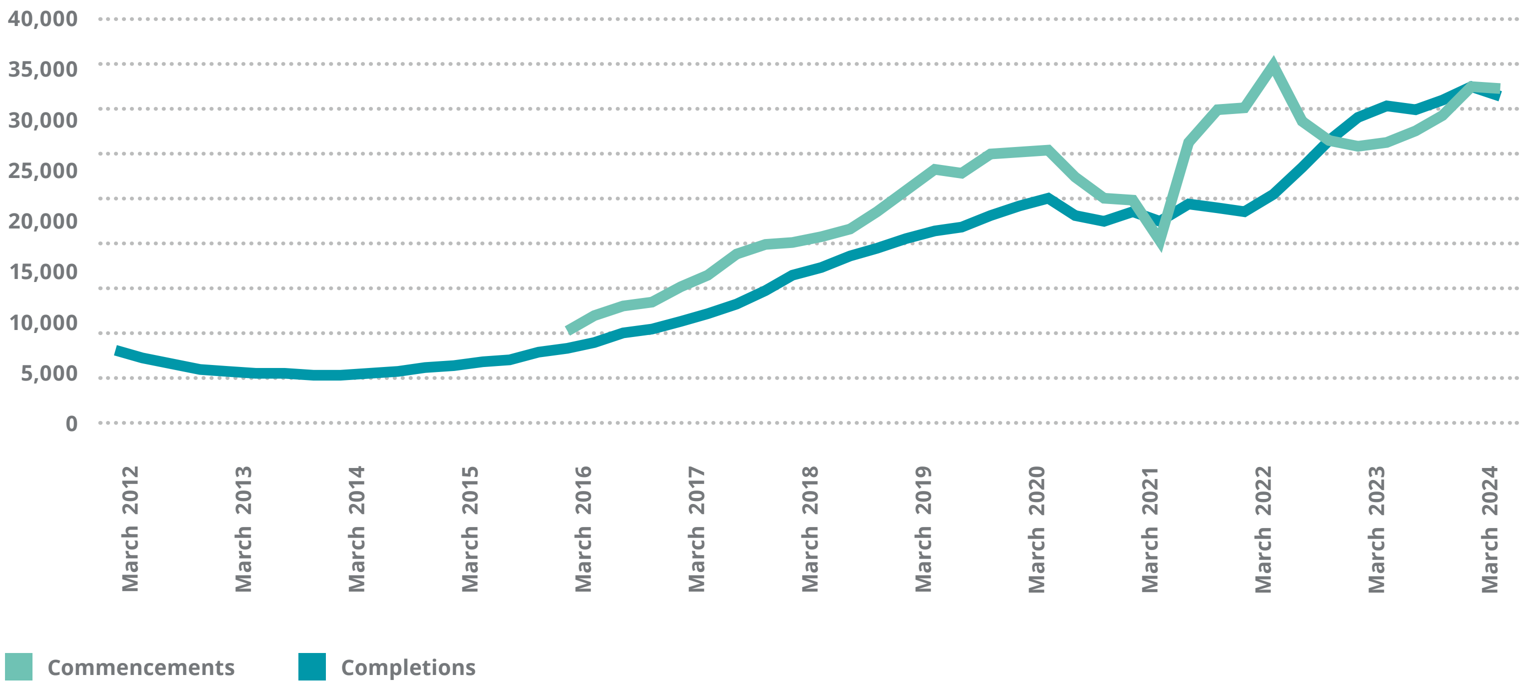


Development activity within the residential sector is perhaps the most reported statistic in the construction sector at present. Significant political focus on the delivery of new homes is expected to continue as the next election looms, and thus with it the focus on the data. Let's start with completions. In 2023, a total of 32,695 units were completed across Ireland. This was the highest level during this development cycle and is a welcomed improvement.

A significant driver of this increase was the volume of apartments delivered. Apartments increased to 11,600 units, up from just over 9,100 in 2022, or just 3,450 units in 2019. In contrast the delivery of scheme houses (or multi-unit developments) remained largely unchanged, with 15,500 units completed versus 15,140 the year prior. Unsurprisingly, apartment delivery has been concentrated in Dublin, accounting for just over 78% of 2023 new supply. In turn, completions rose 22% annually in Dublin, versus 1% in Cork, or even declining by 6% in Meath, Kildare and Wicklow combined.

Importantly, residential commencements also recorded a notable rise, with government policy influencing performance. In 2023, some 32,800 units commenced construction, a 22% annual increase. This increase has continued into the start of 2024, where in the first quarter just under 12,000 units commenced. On an annual basis, this figure sits at 37,410, the highest level reached during this development cycle. Key to this significant increase is the development levy waiver and water charge refund which was introduced in April 2023. Market intelligence indicates the waiver and refund scheme improve viability, making units viable that otherwise would not have been. Government estimates the policy has saved home builders in the region of €12,500 per unit[22]. This waiver

Residential commencements and completions
Rolling 4Qtr total



Source: CSO, Department of Housing, Local Government & Heritage, Deloitte

was due to expire on April 24th however in recent weeks, the government has announced an extension of the development levy waiver until the end of 2024, and the water charge refund until the beginning of October 2024.

Residential completions in 2023

Dublin	12,600
Cork	3,100
Limerick	790
Galway	1,320
Meath, Kildare, Wicklow	5,690

Source: CSO

In addition to the previously mentioned government policy, other forms of intervention have assisted delivery, and combined helped place Ireland as an outlier for residential construction over the past year. On the supply side, schemes such Project Tosaigh, Croí Cónaithe (Cities), and the Secured Tenancy Affordable Rental Investment Scheme (STAR) set out to activate and incentivise the delivery of cost rental and affordable purchase units. Despite tweaks required for these schemes to make a large impact, their introduction has improved sentiment within the sector. Similarly, there is an increasing level of activity by the LDA, AHBs and Local Authorities, with joint ventures between state and private players evident. It is worth noting, the overall improvement in sentiment for delivery within the sector has boosted the funding landscape, as outlined in our **Debt & Capital Advisory EMEA Marketbeat** and our **Outlook Report.**

Commencements data trends over the coming months will prove interesting. The uncertainty regarding the extension of the policy created a spike in commencements in recent months, as developers rushed to get schemes on site. With any exceptional rise, a moderation typically follows; a consequence of making the decision quite late may just be that. Commencements may moderate in the coming months, which if they do, won't make for pretty headlines. However, any potential pull-back in new commencements in May/June should not discredit the positive impact this policy is having on viability and bringing critical new supply to the market.

The Policies

At a glance

Policy has a significant impact on both demand for, and supply of, new developments. This section outlines at a glance, some of the wider policy changes which may impact the development environment over the coming year. It does not cover all policies currently at play in the market.

Sustainable Residential Development and Compact Settlements Guidelines

At a glance

The Sustainable Residential Development and Compact Settlements Guidelines for Planning Authorities were published in January 2024 and came into immediate effect. The guidelines set out policy and guidance in relation to the planning and development of urban and rural settlements, with a focus on sustainable residential development and the creation of compact settlements.

Key changes

The guidelines are enforced through the Specific Planning Policy Requirements (SPPRs) which allow for less apartments and more own door units, reduced private open space and less separation distances between houses, duplexes and apartments. New density ranges are also set out for urban areas. Public open space provision is set at a minimum of 10% of the net site area, however it is no longer listed as an SPPR.

Market soundings

The new guidelines have had an immediate and effective impact for residential proposals in allowing for more compact form due to the reduction in separation distances, whilst the maximum car parking standards have also brought clarity.

As with all Section 28 guidelines a crucial factor is their interpretation, be that by local authorities, An Bord Pleanála or indeed the courts. In the initial bedding in phase, some nuances in interpretation of the new guidelines were noticeable between different local authorities.

On a positive note, residential schemes which were struggling with viability issues in the delivery of apartments (which were required to reach density targets) are pivoting to low-rise own door units. This change can maintain densities whilst crucially allowing for phasing of the residential units, cost reduction (when compared to apartments) and delivery of what appears to be a more market friendly product.

The potential to deliver equivalent densities without the need for taller blocks of apartments can also reduce local opposition to residential schemes and mitigate to some extent the risk of judicial review.

Debates regarding the precise definition of an 'Urban Neighbourhood' versus a 'Suburban/Urban Extension' are likely to be a feature of applications utilising the guidelines.

Planning and Development Bill 2023

At a glance

The Committee on Housing, Local Government and Heritage completed its consideration of the Planning Bill in March. The Committee considered over 1,000 amendments to the bill.

What is next?

The final report stage of the legislation is now being progressed by the Department of Housing, Local Government and Heritage before it returns to the Dáil which is expected to be towards the end of May / early June. Government have committed to ensuring the bill passes before the summer recess. The Dáil is set to have its last sitting day on the 11th of July.

Market soundings

Many of the queries raised at committee stage were left unanswered by the Department and concerns remain that this hugely complex piece of legislation is being fast-tracked with problems stored up for implementation stage or future legal challenges. Planning legislation interacts with a vast array of other legislation and regulations, along with European environmental law, and has generated a huge amount of case law from the High Court and from the Court of Justice of the European Union (CJEU). A wholesale rewrite was always going to be an enormous undertaking, however the views of stakeholders and those tasked with implementing and working with the legislation on a day-to-day basis is of paramount importance. A range of stakeholder concerns remain unaddressed at this stage.

Resourcing remains a huge issue across the planning system and bandwidth for added complexity and additional responsibilities is miniscule.

NPF Review

At a glance

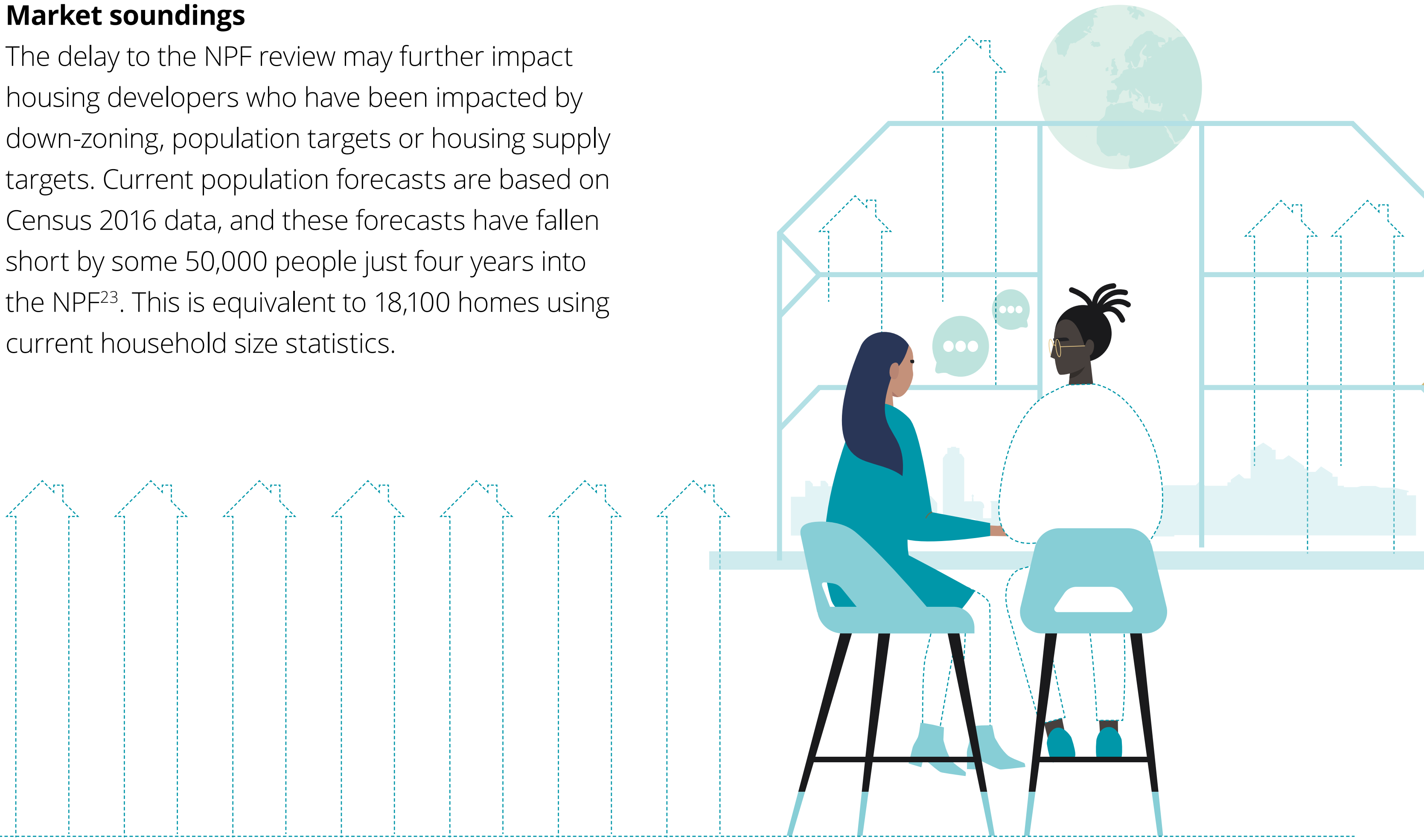
The Planning and Development Act 2000 includes mechanisms to allow for regular revision of the National Planning Framework (NPF). Earlier this year, the government announced a delay to the NPF review, largely attributed to a delay in the publication of population projections by the ESRI. This issue arose due to the postponement of Census 2021 due to the Covid-19 pandemic. Projections from the ESRI will help to establish structural housing demand projections, relating to factors such as headship and obsolescence.

What is next?

The draft revised NPF will open for public consultation in June. An amendment stage will follow in August, and the final document will be published, subject to approval, in September 2024.

Market soundings

The delay to the NPF review may further impact housing developers who have been impacted by down-zoning, population targets or housing supply targets. Current population forecasts are based on Census 2016 data, and these forecasts have fallen short by some 50,000 people just four years into the NPF[23]. This is equivalent to 18,100 homes using current household size statistics.



Funds Sector Review

At a glance

A public consultation to identify a framework to maintain Ireland's leading position in both fund management and servicing was opened by the Department of Finance last year. A key component includes the examination of the regimes for Real Estate Investment Trusts (REITs) and the Irish Real Estate Funds (IREFs) and their role in the property sector, including how they support housing policy objectives.

What is next?

Consultation responses are currently being analysed, and a draft report will issue to the Minister for Finance this summer.

Market soundings

Institutional investors play a key role in the Irish real estate sector, as the scale of investment required to fund the property market, both debt and equity, is not available domestically and, as a result, international capital is required. Furthermore, this type of funding reduces the exposure of the pillar Irish banks to property development, and in turn reduces the risks to the wider Irish economy.

Deloitte's response to the Department of Finance recommends simplifying the tax treatment of investment products, as the current regime is unnecessarily complex. Furthermore, both the IREF and REIT regimes should be maintained without any significant amendments.

European Performance Buildings Directive

At a glance

The proposed revision of the Energy Performance of Buildings Directive aims to progressively reduce greenhouse gas (GHG) emissions and energy consumption in the EU building sector, making it climate neutral by 2050. Initially created in 2002, it has evolved over time, with the most recent revision taking place last year.

What is next?

A provisional agreement was reached in December 2023, with the formal adoption process underway. Some inclusions of note:

- New buildings: should be zero-emissions as of 2030.
- New public buildings: (occupied / owned by public authorities) should be zero-emissions as of 2028.
- Residential buildings: reduction in the average primary energy used of at least 15% by 2030 and at least 20-22% by 2035.
- Non-residential buildings: the 16% worst-performing non-residential buildings must be renovated by 2030, and the worst performing 26% by 2033, through minimum energy performance requirements.
- Solar installations: to be deployed progressively in public and non-residential buildings (if technically and economically suitable), and in all new residential buildings by 2030.
- Decarbonising heating systems: fossil fuels in heating and cooling to be phased out by 2040. Subsidising stand-alone fossil fuel boilers to be prohibited from 2025, with financial incentives remaining for hybrid heating systems which use a considerable share of renewable energy (e.g. those which combine a boiler with a solar thermal installation or a heat pump).

Market soundings

Newly agreed directive provides clarity to investors and developers. However, with timelines for achieving these targets also tight it also creates urgency. Reaching goals and targets will be challenging both for the public and private sector, with a large assessment of asset portfolios and a retrofit plan required. The directive will create movement within the market as we see some players opt to off load assets not meeting requirements and others spotting the opportunities.

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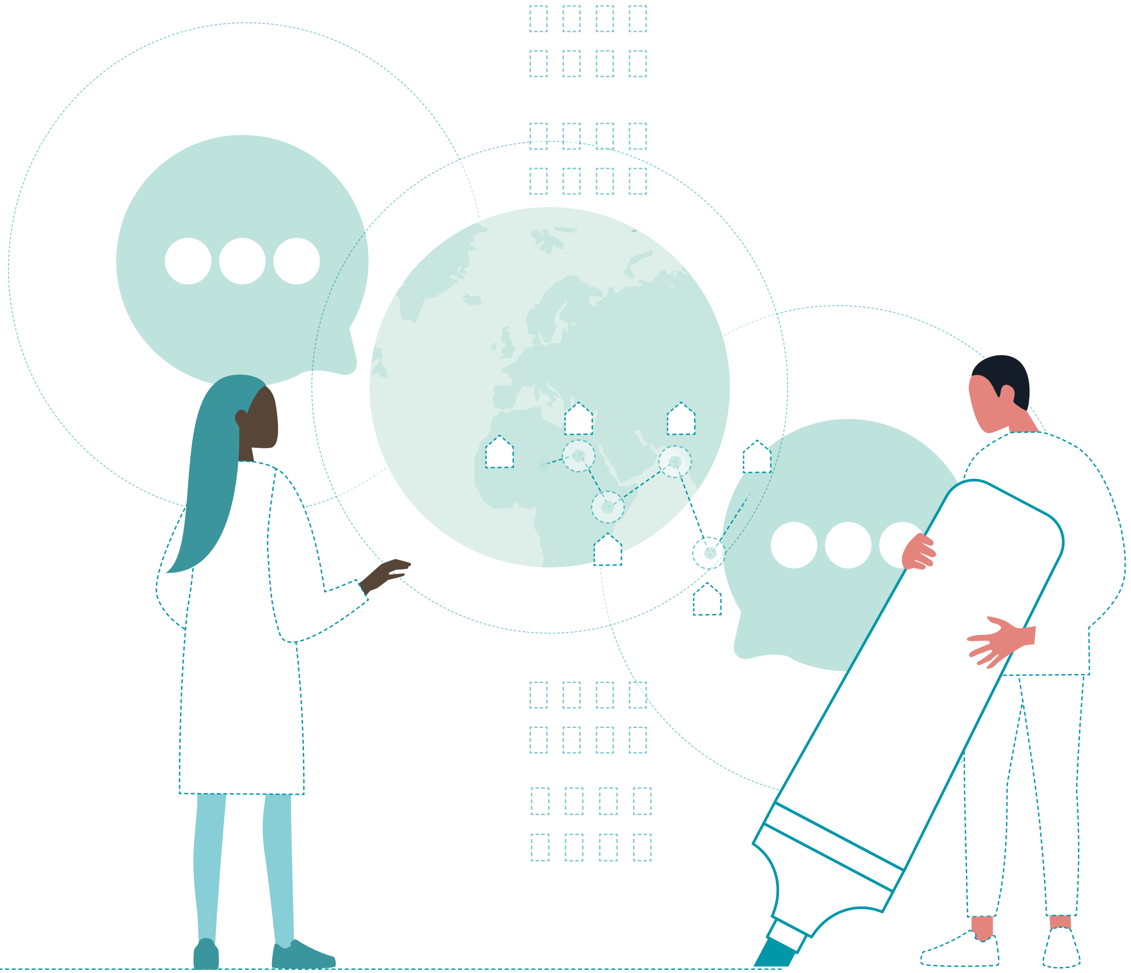

Real Estate Advisory team

Our Real Estate Advisory team can provide you with strategic support at all stages throughout the property development life cycle. By combining property expertise and business advisory skills, we apply in-depth insight drawn from our understanding of all industries and sectors into one integrated solution. Our core Real Estate advisory team comprises of Chartered Quantity Surveyors, Chartered Valuation Surveyors, Chartered Town Planners and Chartered Arbitrators.

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Real Estate Finance team

Our Real Estate Finance team help clients raise capital (equity and debt) for property development and investment. We assist our clients in optimising commercial terms, managing key risks and maximising business flexibility. We raise in excess of €2billion per annum for Irish clients and have a strong global network of equity investors, international banks and direct funders.

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Real Estate Tax Advisory team

Our experienced team of Tax advisors offer a wide range of real estate tax advisory services including, but not limited to, pre-bid support, full tax due diligence to identify and quantify tax risks and opportunities, tax advice on a suitable holding and financing structure and exit strategies. We also offer a wide range of post completion services including assistance with ongoing direct and indirect tax obligations, support with refinancing and reorganisations in addition to optimisation of reliefs such as capital allowances.

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Government & Infrastructure Advisory team

Our Infrastructure and Government Advisory team supports businesses, shareholders, boards, governmental and public sector officials on infrastructure investments and projects in both the public and private sector. We provide financial, commercial, and procurement advice supported by a financial modelling team and a depth of project experience, both in Ireland and overseas.

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Sustainability team

Our sustainability practice provides end-to-end support for organisations to systematically address the sustainability opportunities and threats they are facing. Our team is comprised of multi-disciplinary experts in climate science and decarbonisation, risk management, operations transformation, climate accounting and reporting, service innovation and stakeholder communications and engagement. Deloitte's Retrofit Nexus Solution offers a complete package of support to retrofit commercial buildings, achieve decarbonisation targets and maximise sustainable outcomes.

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Audit & Assurance

Our Real Estate Audit team provide services to both privately owned and public interest entities. The team are committed to excellence and to enhancing the trust of our clients. Quality is our top priority, and by focusing on innovation including utilising our world-class technologies, we continue to raise the bar on quality and deliver greater value to our clients.

Our experienced Real Estate assurance team provide a range of services to our clients including complex accounting advice, internal control assessments, finance function assurance services and ESG and sustainability reporting advice.

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Deloitte.