

Planning & Development Outlook Q1 2020

Industry Snapshot

As the effects of the Covid-19 restrictions are felt both locally and globally, Deloitte Real Estate Advisory examine the effects on the Irish planning system, the status of the residential and commercial real estate markets in Ireland and also take a look at some key market statistics from Quarter 1 2020.

The Planning System

Legislative Alterations

The Government made an order to the effect that the period from **29th March 2020 to the 20th April 2020, inclusive**, be disregarded when calculating any appropriate period, specified period, or other timelines in the Planning and Development Acts. A new provision (Section 251A) has been inserted into the Planning and Development Act 2000 (as amended). The provision is a modified version of the existing Section 251 provision which applies in normal circumstances every year over the Christmas period.

What do these alternations mean?

- The Orders made by the Minister and the Government, will **add 23 days** to the statutory time periods for processing planning applications within the Planning Acts. Planning applications can continue to be made by post, and authorities can engage with applicants by electronic means, accepting submissions by post and electronic means. Most authorities have on-line systems for inspecting planning applications. The extended time will also apply to planning appeals, which An Bord Pleanála will continue to receive by post.
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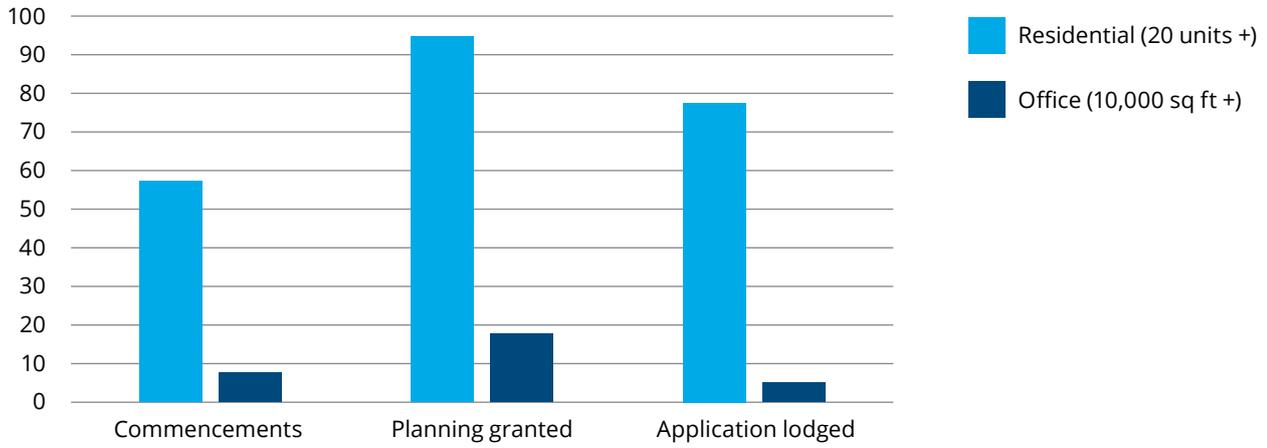
- The Department is also recommending to planning authorities that public meetings on all Plans, are deferred for the period of the extension. This includes Development Plan, Development Plan Variations and Local Area Plan processes.

Why is a fully functioning planning system critical to economic recovery?

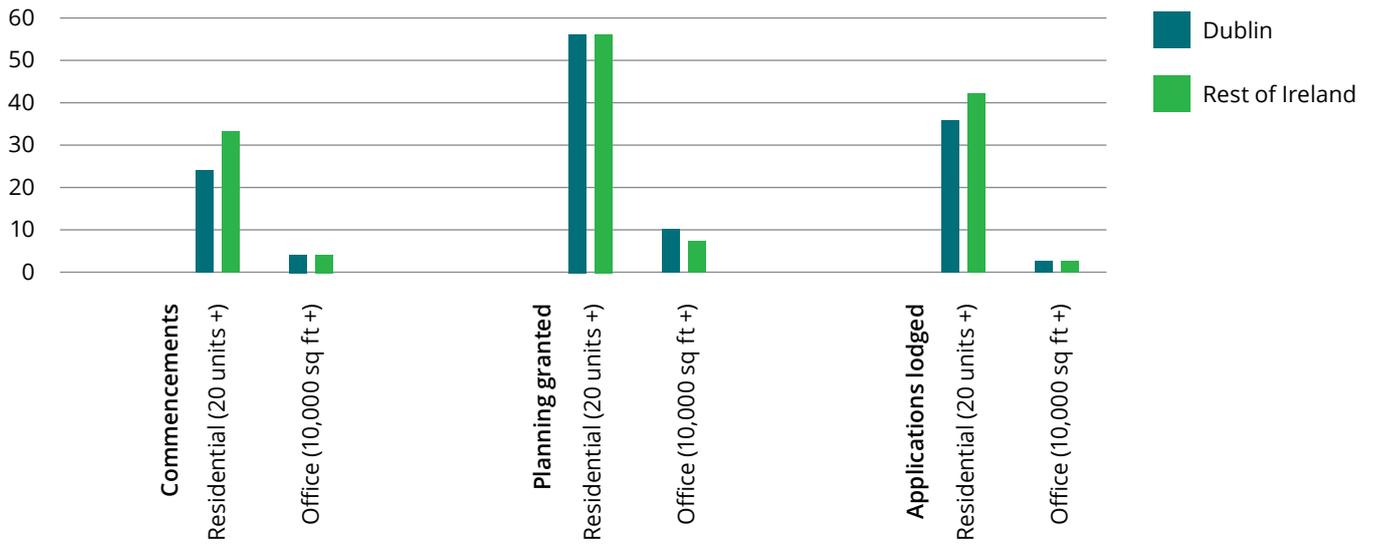
- In preparation for a drive towards economic recovery from the current situation, the ongoing operation of the Irish planning system is vitally important so it can be demonstrated that Ireland is ready to progress with the development of key infrastructure, commercial, residential and industrial projects nationwide.
- A fully functioning planning system is critical at this time to ensure that delays to the assessment of current applications are minimised, while also avoiding a backlog of applications for assessment later in 2020. This will ensure that the construction industry can continue to be active in delivering critical residential, commercial and infrastructural projects.

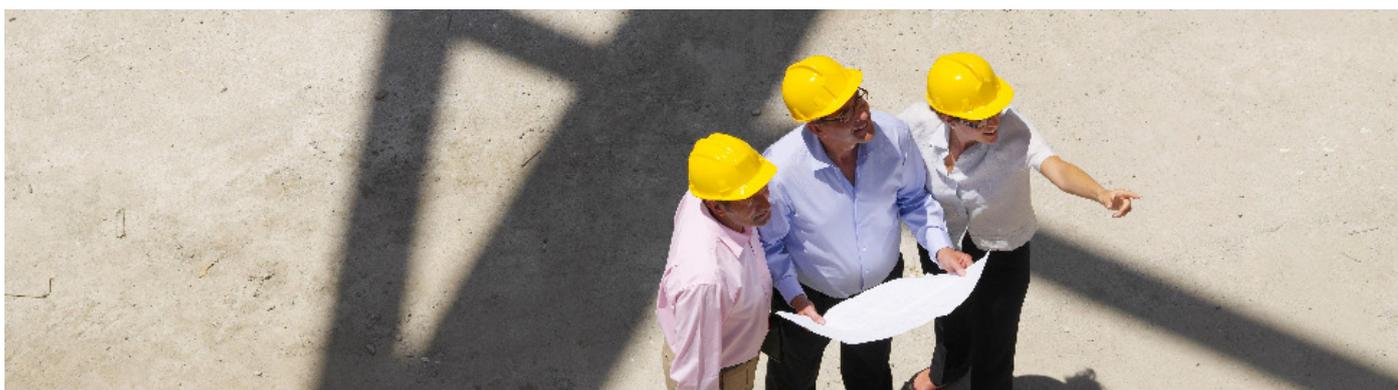


Nationwide planning stats - Q1 2020



Dublin vs Rest of Ireland stats - Q1 2020





Residential Market

Q1 Key Stats

- Prior to current restrictions, there was strong planning activity nationally over the first quarter of the year. While the level of planning grants and commencement notices lodged in Q4 2019 remained relatively consistent in Q1 2020, the level of applications submitted fell by 28% in Q1 2020 from Q4 2019.

	Q1 2020	Q4 2019
Granted Planning	95 schemes / 11,274 units	102 schemes / 10,140 units
Applications Submitted	78 schemes / 13,616 units	108 schemes / 15,052 units
Commencement Notice Lodged	57 schemes / 5,939 units	55 schemes / 5,876 units

- Of the 78 new scheme planning applications submitted in Q1 2020, 46% were in Dublin, 30% in the rest of Leinster, with the remaining 24% in the rest of Ireland.
- Of the 95 schemes granted planning permission in Q1 2020, 41% were in Dublin, 27% in the rest of Leinster, with the remaining 32% in the rest of Ireland.
- Of the 57 schemes that had commencement notices lodged in Q1 2020, 42% were in Dublin, 32% in the rest of Leinster, with the remaining 26% in the rest of Ireland
- Timing of grants of planning remains an issue for developers, with the average time for residential schemes to secure planning permission across Ireland being 153 days.
- The mix of unit types subject to commencement is relatively even, with 5,075 apartments units and 5,257 housing units with subject to commencement notices to be delivered across Ireland. A further unclassified 942 units of mixed development (approx. 50/50 apartment/house mix) is also contained within this.



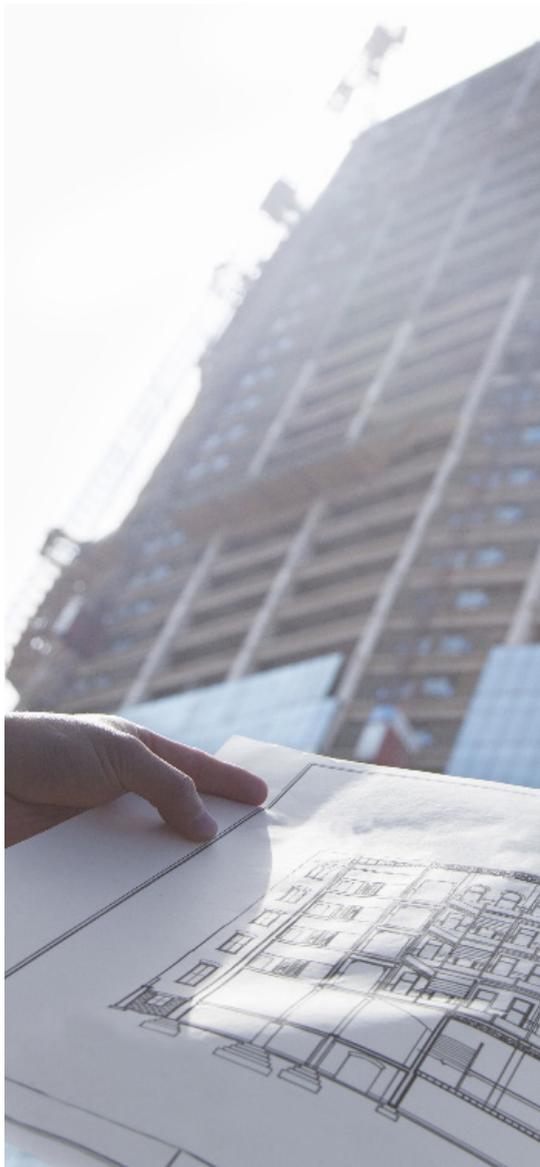
Residential Market

Outlook

- The strong requirement for housing has not disappeared due to the current Covid-19 crisis, with a significant pent up demand for rental accommodation. This is however being alleviated somewhat in the shorter term due to short stay accommodation returning to the rental market due to current restrictions.
- Affordability is likely to become an even more significant issue, in particular due to the recent mitigation factors employers have had to take due to the economic contraction following COVID-19 which could lead to a delay in commencement of projects currently in planning and a slowdown in the release of phases in schemes currently underway.
- The number of units being delivered will likely be significantly impacted by recent events. At the very least, there will be a delay in delivery, as site works have been curtailed or have ceased entirely for a period of time. It is likely that many of the schemes which have been granted permission in Q1 2020 and also potentially those in Q2, may delay development commencement until a level of economic certainty returns. Phasing of schemes currently commenced may also slow down once restrictions are lifted.
- Forward purchase investments of residential stock will likely stagnate until such time as certainty over construction timeframes and scheme completion timeframes can be provided – institutions will need certainty as to when income can start being generated from schemes.
- The role of Local Authorities and Associated Housing Bodies will be crucial going forward, and government policy surrounding same, as there will likely be a reduction in the supply chain of private developers delivering residential stock for social & affordable purposes.
- The continued operation of the Planning System is also crucial in mitigating a further slowdown in the delivery of residential stock. The speed of the market rebound will depend on the period of the pandemic and the pace at which functionality returns coupled with investor confidence.

Office Market Q1 Key Stats

- The focus on office development has been predominantly in Dublin, with approximately 50% of schemes in the application process have been applied for, granted, or commenced within Dublin City & County. This is a similar statistic to Q4 2019.
- There remained a healthy appetite for office development with 8 schemes commencing across Ireland in Q1 2020 and is up from 5 in Q4 2019.
- Whilst 18 schemes were granted planning permission in Q1 2020 (17 in Q4 2019), the number of applications lodged in Q1 2020 (6 lodgements) remained at the same level as Q4 2019 (6 lodgements).
- Despite isolated examples taking over 200 days to be granted planning, the planning process for office development which commenced in Q1 2020 took on average 91 days.



Office Market Outlook

- The co-working and serviced office market, which was a significant driver in take up over the past number of years, will likely be extremely hard hit by the current Covid 19 crisis. This is primarily due to the short term, costly nature of co-working/serviced office operations. Large multinationals who have taken short term “swing space” within these offerings are likely to consolidate or contract into existing office space to reduce costs.
- Proactive and productive landlord and tenant interaction over Q2 and Q3 will be essential as leases are restructured to allow for repayment of rents.
- There is unlikely to be a reduction in the requirement for office space in the longer term. Whilst flexible and remote working will become more common in the workplace, it is unlikely to shift the way the traditional office is perceived and will in fact strengthen the office space as a “place to work” and “do business”.
- Occupiers may look to reimagine their existing layouts and occupancy levels from an internal fit perspective, to become more collaborative places to work while also being cognisant of an appropriate level of distancing between workspaces.
- In the shorter term, tech infrastructure has become a critical feature of the workplace, and recent events have proved the importance of this for office occupiers. Occupiers will continue to demand the highest standard of technology infrastructure in their buildings. Landlords will need to ensure connectivity and access to attract occupiers.
- There will also likely be an impact on the operational aspect of building management as a result of the current crisis. Strategy plans and contingency provisions will likely be required by occupiers in engaging with Landlords & will likely increase in property management structures and costs. Similarly, occupiers are likely to seek to incorporate relief clauses in new leases to account for situations such as this.

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