

## Land

Anything supplied by nature which helps in the production of goods and services

### Characteristics of Land

- **Land is fixed in supply**
  - An increase in price being offered for land will not bring about an increased supply. The supply curve for land is a vertical straight line. Quantities of land can be reclaimed and soil erosion may take place but these have little effect on total supply.
- **Land has no cost of production to society as a whole**
  - As land is a gift provided by nature it has no cost of production to society as a whole. Any payment to land is above its supply price of zero and this is termed economic rent.
- **Land is a non-specific factor**
  - Land can be used for various purposes. It can be switched from agricultural use to industrial / residential use.

### Factors that caused the fall in residential property prices (07-13)

- **Property market collapse**
  - As a result of more and more land being rezoned and the construction boom, the supply of property exceeded the demand for it, except in the larger cities (Dublin). Many parts of the country now have ghost housing estates, particularly in areas in the West of Ireland.
- **The Banking Crisis**
  - Due to a change in lending guidelines and greater credit controls following the banking collapse, many banks now are unable to lend out money as the criteria to secure loans makes it almost impossible for them to do so. There are also fewer banks operating in the Irish economy now.
- **Economic recession / Weaker demand in housing market**
  - With the downturn in the economy and the accompanying drop in economic growth, there has been a decrease in the demand for housing. Increases in taxation have resulted in lower disposable incomes leading to reduced demand and prices. Economic uncertainty resulted in some people not trading up to larger houses.
- **Emigration**
  - With the downturn in the economy and lack of job opportunities, many young people have been forced to leave the country, with a consequent drop in demand for residential property.
- **Speculation in housing**
  - During the boom, increases in property prices fuelled speculative demand with more people seeking investment opportunities. With the onset of the recession, fewer people were willing to invest in property as it is deemed a very unstable investment.

## **Factors that caused the recent rise in property prices**

- **Increased lending by commercial banks**
  - With the increased capitalisation of Irish banks, there has been an increase in the level of mortgage lending. Recent rules from the central bank regarding mortgage lending may affect the recent spurt in property lending.
- **Lack of Supply in certain areas**
  - As the construction industry collapsed during the recession, the building of new homes ceased in urban centres. This has led to a lack of supply of family homes in cities since we exited the recession.
- **Pent up Demand**
  - As consumer sentiment dropped during the recession, and the housing market collapsed, people were unwilling to purchase property in case prices would fall further in the future. Those not harshly affected may have increased their savings during this time and there is now, in some areas of the country, a glut of buyers, with cash reserves, bidding on family homes
- **NAMA**
  - The National Asset Management Agency owns a large portfolio of housing stock and development land in the country. Its stake in the market is so large that it has the ability to impact on prices through controlling supply.
- **Rising Employment**
  - As the unemployment rate drops, there are more people who match the credit criteria of lending institutions, which increases demand for mortgages.
- **Low Interest Rates**
  - Interest rates are at an all time low in the ECB. Borrowing for houses is relatively cheap at the moment which increases demand
- **Low Stamp duty**
  - Stamp duty, the tax on the purchase of property, is currently 1% on houses up to €1 million. This is much lower than it has ever been, which encourages demand.

## **Factors that affect the location of firms in Ireland**

- **Closeness to similar firms**
  - Many IT/ Tech companies (Google, LinkedIn, Facebook) have now located within the same area in Dublin (known as the "Silicon valley" of Dublin). The essential support services are available close by.
- **Availability of a skilled workforce**
  - Firms need a workforce with diverse language skills / engineering skills /IT Specialists so that they can commence operations and do so with minimum training costs.
- **Proximity to market / raw materials**
  - A firm which relies on a steady flow of consumers must locate close to the market i.e. a boutique. A firm which relies on the usage of large amount of raw materials must locate close to the availability of these e.g. a power generating station.
- **Well developed infrastructure**

- Having a well developed infrastructure is crucial when firms are deciding where to locate. This includes road, rail and air transport network etc. The availability of high speed broadband is also critical in this regard.
- **Government Incentives**
  - Availability of Advance Factories together with attractive grants are another consideration to take into account when deciding where to locate. The IDA and Enterprise Ireland provide supports.
- **Commercial Property Prices**
  - With the downturn in the economy and the property crash, commercial property prices together with commercial rents have significantly reduced. This has made Ireland a more attractive place to locate industry. Google has purchased commercial property recently in Barrow Street, Dublin.
- **Social Infrastructure**
  - Firms will consider the availability of schools, hospitals, parks etc so that their workforce can have a good lifestyle.
- **Planning Laws**
  - Planning law can dictate how land is used. If a business wants to set up on a particular piece of land it must make sure that the land has been zoned for commercial purposes by the local council.
  - Irish planning laws are flexible enough to facilitate large multinationals who wish to set up here. Such laws facilitated the construction of the Swedish Ikea outlet close to Dublin, which led to the largest retail outlet in the history of the state, being built.