

Construction Market Review 2015



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The CIS Construction Market Review provides an analysis of the construction sector in 2015 and aims to provide an insight into the future growth prospects for the sector with regard to the planning pipeline.

In this report we will look at planning activity from both a sectoral and regional analysis of the country.



€18.8m Holiday Inn development on O'Connell Street, Dublin

About CIS

CIS prides itself on the delivery of timely, accurate and in-depth project information at a very competitive price. We owe much of this to the strong relationships our experienced researchers have built over the last 40 years with key contacts in planning authorities, contracting companies, government agencies and design professionals to name but a few.

We provide real time, in-depth information on construction projects from pre-planning to on-site stages. Our

innovative online product ensures your business can make important decisions quickly and generate all specific leads for your pipeline.

CIS Online is compatible with all mobile and tablet devices meaning our customers always have the latest project opportunities with them no matter where they are. CIS Online is designed to let you dictate the criteria for your desired project leads based on what construction sectors you're focused on as well as location, project stage and value range.

Economic Context

Recent forecasts raised the prospect of a GDP growth rate for 2015 in excess of 7.8%. Construction activity has played a large part in this growth and there is further scope within the industry as we continue the economic recovery.

Inflation remains low at 0.1%. This is partly due to the continued depressed price of oil and other commodity prices. The labour market has continued to improve over the past year and the unemployment rate currently stands at 8.6% with 323,000 on the live register. (Source CSO).

The improvements in the construction sector in 2015 has been carried forward into 2016 where we estimate that over €7 billion in construction projects are in the pipeline to commence in 2016 already including the M11 upgrade, the Trinity Business School and the €2.5 billion Project Cherrywood.

There are a number of risk factors for the Irish economy during 2016 and 2017. The Global Economic situation is precarious with plummeting share prices and depressed demand in the global market threatening our small open economy, and the multinationals who employ large numbers of the workforce both directly and indirectly.

The threat of the Brexit (Proposed British exit from the EU), with a referendum due in June 2016, could also have significant consequences for the economic recovery as Britain is one of our main trading partners.

The recent outcome of the General Election 2016 may also have a significant bearing on the economic recovery. **As government forming negotiations continue, there is some uncertainty out there in relation to public funded projects in the construction industry.**

Republic Of Ireland

According to CIS data on construction activity, the value of all construction projects which went On-Site* in 2015 in the Republic of Ireland was €5.6 billion in 2015. This is an increase of 68% compared to 2014. The number of contracts on-site has risen from 1437 to 2213, which is an increase of 54%.

* 'On-Site' describes any projects where building activity has begun.

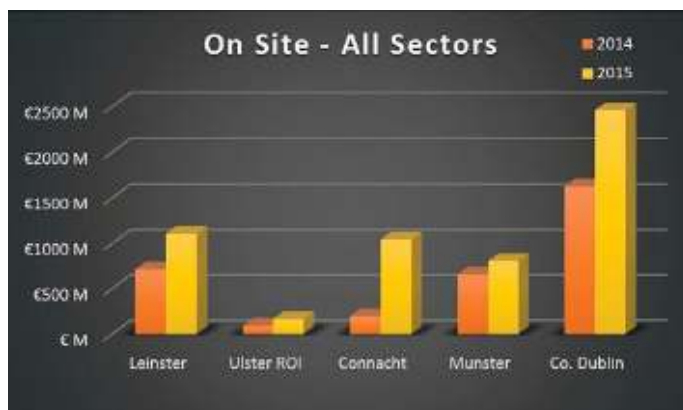


Fig 1.1

Value of Projects by Region

The Dublin region accounts for by far the largest share of projects by value on-site in 2015, accounting for 53% of all projects. However, this is a decrease of 3% from 2014 figures which forecasts a future negative trend of the capitals' dominance (Fig 1.2).

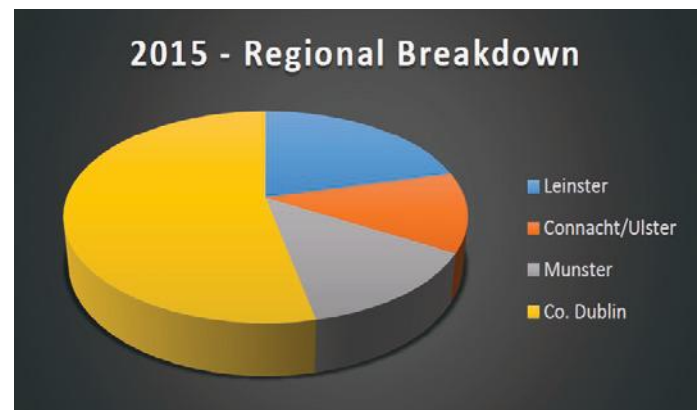


Fig 1.2

*This report excludes One Off Housing and Extensions and any projects where no construction opportunity exists such as Fire and Disability Access Certs. Any discussion of construction projects in this review incorporates this caveat.

*The Leinster region excludes Dublin throughout this report. Dublin is treated as a region in its own right due to its large 'closed' economy and high levels of internal construction activity.



One Albert Quay, Cork

Republic Of Ireland

CIS has seen an underlying increase in the value of projects with plans granted in 2015 in comparison to 2014. (Fig 1.3). All regions experienced an uplift with the exception of Dublin. But if we were to remove the €2.5 billion *Project Cherrywood which was granted planning permission in 2014, we would see an uplift of over 63% in plans granted in 2015 for the country.

**It is important to mention that high value projects may skew data on a one off basis in certain regions/sectors from time to time.*

The volume of plans granted in 2015 also increased by 32% since 2014, with Munster having the largest number of projects that were granted planning permission in 2015 with 1,639. All regions have experience significant volumetric increases in the year with every region showing at least a 19% increase.

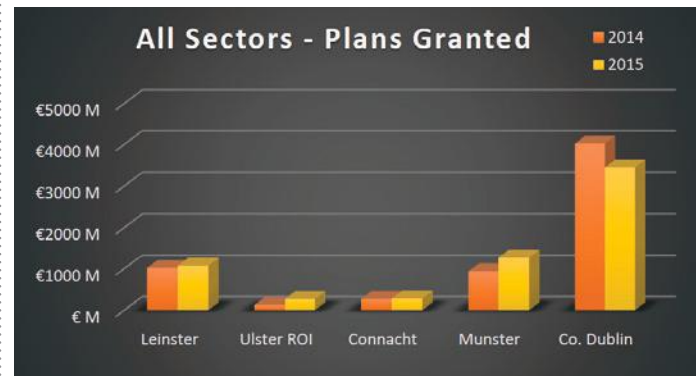


Fig 1.3

Value of Projects by Region

Once again, Dublin has had the lion's share of 'Plans Granted' projects in 2015, but this share has fallen significantly from 2014 where it was over 63% of the projects by value to now stand at 54%.

This can partly be explained by the Project Cherrywood application, so when total number of projects are looked at, this statistical skew can be seen.

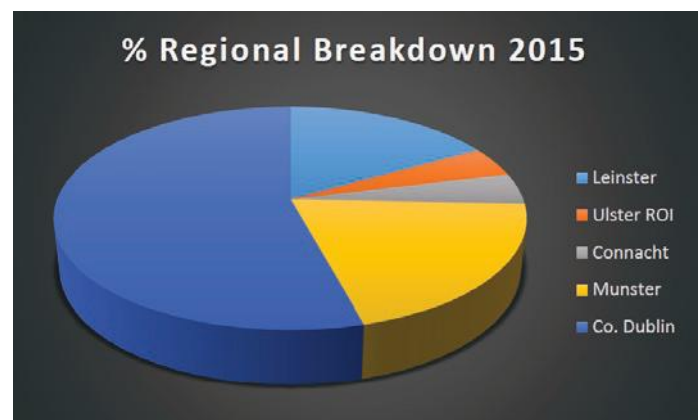


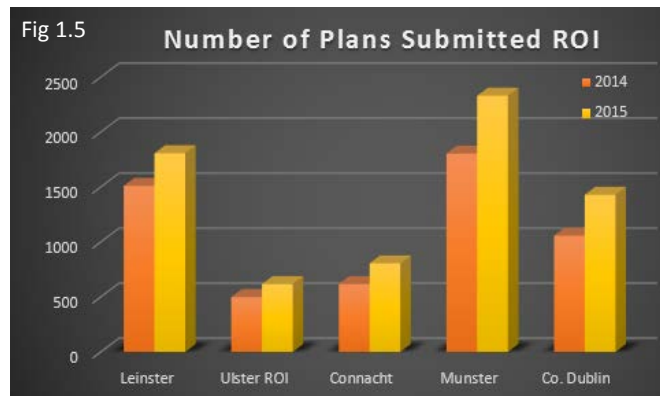
Fig 1.4



Project Cherrywood, South County Dublin

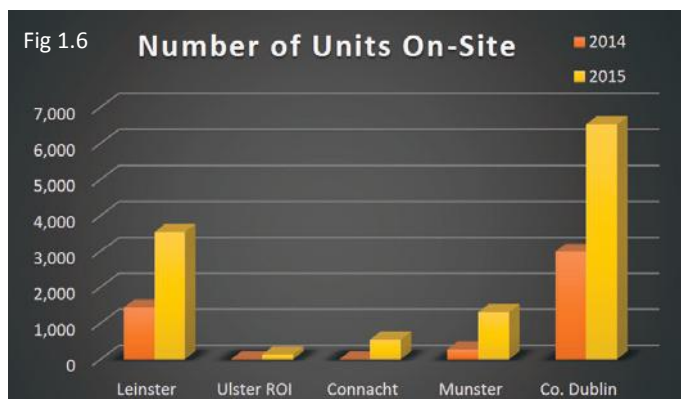
Republic Of Ireland

CIS analysis shows there has been a 27% increase in plans submitted in 2015 for major projects. The region with the largest number of applications is Munster, closely followed by Leinster and then Dublin. All regions have experienced an uplift, with the smallest uplift being 20%.



Residential Sector

Activity in the Residential Sector has significantly increased on 2014 figures with total projects on-site at over €1.5 billion in 2015. This is a 150% increase on 2014 figures.



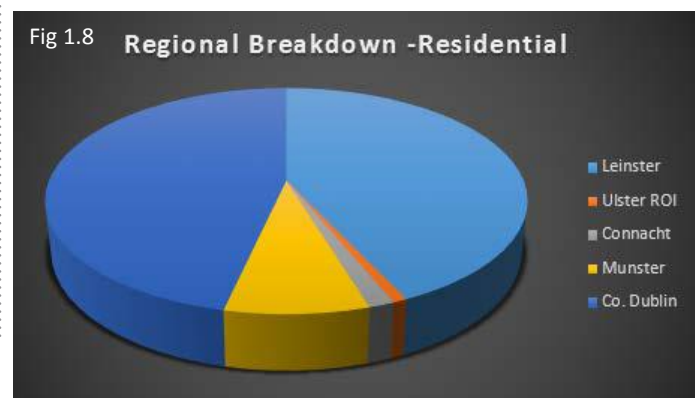
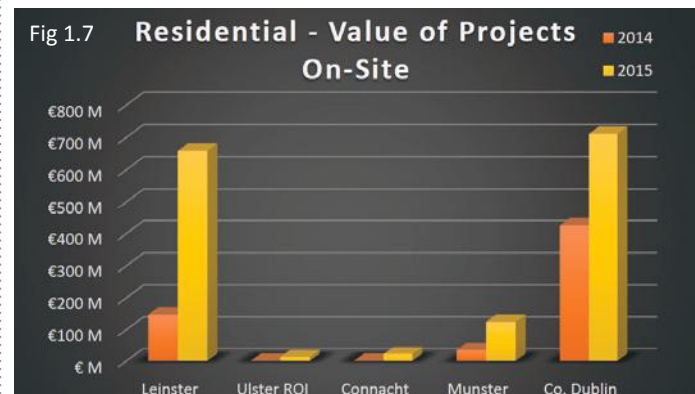
CIS analysis shows that 4,706 houses went On-Site in 2014 and in 2015, house building increased to over 11,000 (Fig 1.6). This is still significantly below what is required in the sector as there is currently no margin to incentivise developers to build the number of houses needed to meet demand.

CIS has noticed that many of the projects going on site this year are going on-site on a phased basis. This could be due to financing issues, or be demand driven.

We are already seeing the effect of the Central Bank borrowing requirements on mortgage applicants. This has cooled the market somewhat in Dublin where prices seem to have stabilised but elsewhere, prices have somewhat improved.

Another major deterrent is the additional costs as strict regulation has made it uneconomical for builders to build at the current market prices. The high prices paid for land may also render building houses at current prices uneconomic. It may be a number of years before we will see a stable residential market.

As can be seen from Fig 1.8, most house building has taken place in Leinster and Dublin this year but we are seeing small signs of improvement in the sector especially in Munster notably Waterford, Limerick and Cork where a number of projects commenced in the latter part of 2015. Some of these projects have been on hold for a number of years.



Planning Activity – Future Pipeline

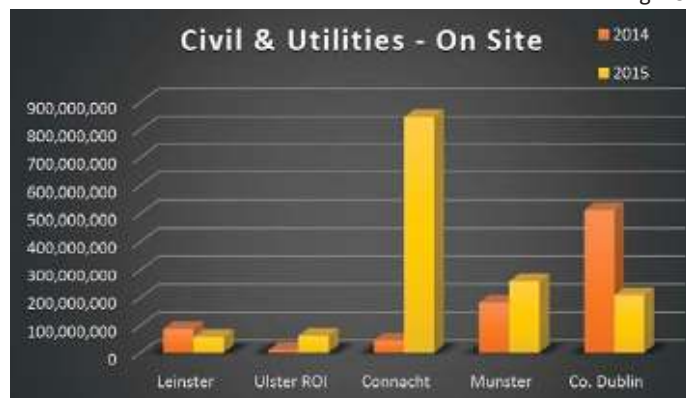
To further illustrate the point, the number of projects that have reached 'Plans Granted' stage in 2015 is up 120% in Munster and 154% in Ulster (albeit from a low starting position). Planning permissions granted are up 64% in the country as a whole. Dublin is by far the biggest region with almost €1.0 billion worth of projects having reached this stage. This does not include extension of durations and projects where the residential element is a small part of the overall build.

Civil & Utilities Sector

**This sector section includes Roads, Civic Buildings, Energy Generation and Civil Works*

The Civil and Utilities Sector has experienced a significant uplift in the past year as a number of capital projects have been given the green light as the economy improves. Overall the value of projects on-site has increased by 59% when compared with 2014.

Fig 1.9



The biggest project to go on-site was the €550 million Gort to Tuam PPP Contract. Also prominent are the new Garda Regional Headquarters, the Courts bundles and a number of large scale wind farms which have already begun. Dublin has shown a decrease of 60% in projects on-site since 2014 while Leinster has fallen by 46%, but all other regions have shown significant increases for the year. It's worth noting that many large scale projects went on-site in Dublin and Leinster in 2014 and that the underlying trend is positive in both regions.

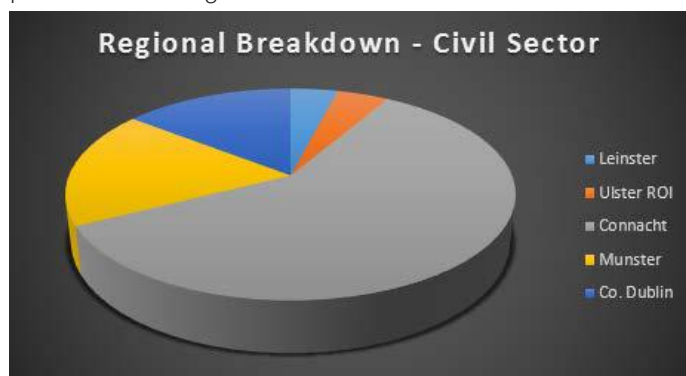


Fig 1.10

As can be seen from Fig 1.10, Connacht has the largest value of projects on-site in 2015. As noted earlier one project makes up over 66% of this figure. It's also worth noting that a large number of wind farms moved On-Site this year.

Planning Activity - Future Pipeline

The value of plans granted has increased by 8% in 2015 in comparison with 2014. We estimate that over €670m worth of projects have been granted planning permission in 2015.

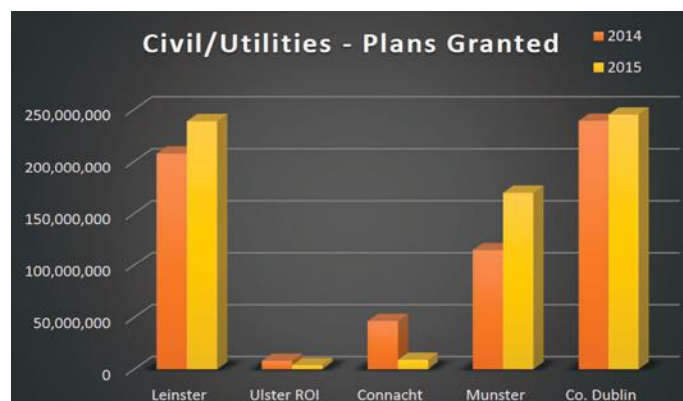


Fig 1.11

Medical & Care Residential Sector

There was an 89% increase in On-Site values in 2015 compared to 2014. Projects totalling over €370 million began in 2015. The regions with the largest growth were Dublin and Munster (Fig 1.12). A large number of primary care centres have started construction coupled with upgrades of the existing hospital infrastructure. Ireland's ageing population has also prompted the construction of a number of large nursing home facilities. A total of 187 projects have begun in the sector in 2015, a large increase compared to 79 projects in 2014.

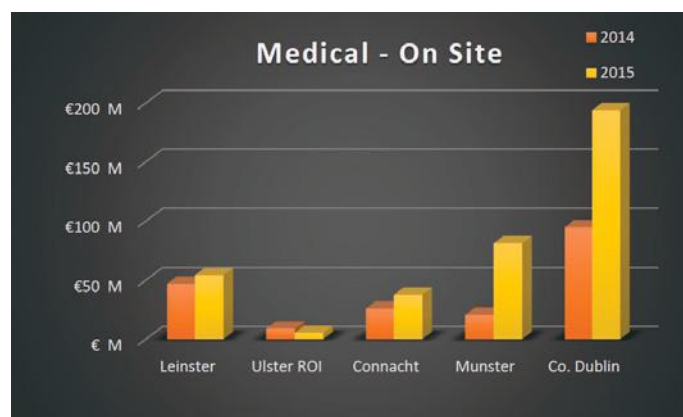


Fig 1.12

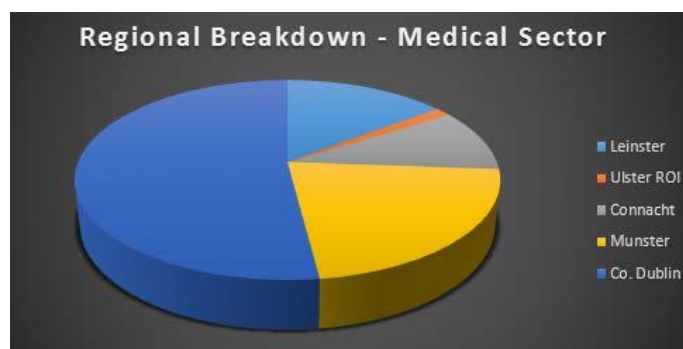


Fig 1.13

As Dublin and Munster have seen the largest growth, they also have the largest spend in the country. Dublin accounts for 52% of the projects by value, with Munster adding a further 22% of the value.

large projects in the planning pipeline for 2016 and beyond. Connacht, Ulster (ROI) and Munster have all shown a drop in values of Commercial and Retail projects going On-Site in 2015.

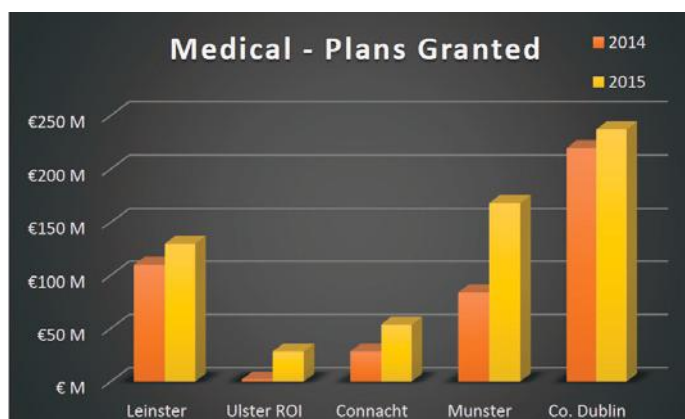


Fig 1.14

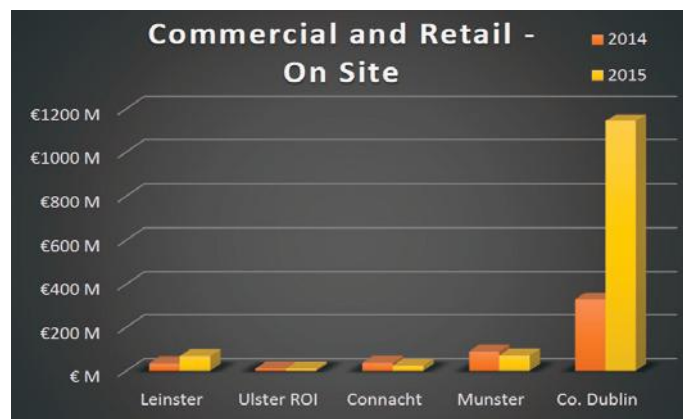


Fig 1.16

Planning Activity – Future Pipeline

Further good news for the medical and care residential sector with an increase of 39% in the value of projects with plans granted for 2015. All regions show an increase in plans granted for the year when compared to 2014.

Commercial and Retail

There has been an increase of 163% in projects by value in this sector which have moved to On-Site in 2015. Much of this growth is concentrated in Dublin which accounted for over 87% of the projects by value on-site in 2015, as illustrated by the diagram below.

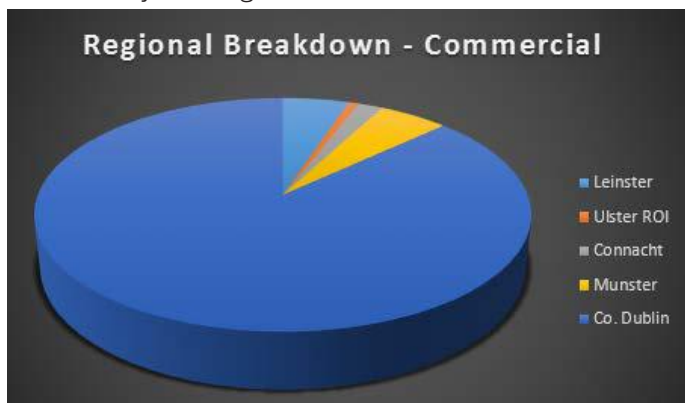


Fig 1.15

The Dublin Docklands and Sandyford regions of Dublin have a number of €100m+ office developments which started in 2015. These two areas also have a number of



Fig 1.17

Planning Activity – Future Pipeline

The forecast for the sector is less positive when we look at plans granted in 2015 with a sharp fall of 56% in the value of projects granted planning permission when compared to 2014. The Dublin region is worst affected with a drop of 63% in value to €1.1 billion. Despite this, CIS still expects a buoyant sector performance as there are a number of projects which have been on hold for the last number of years which we expect to get the green light in 2016. This is coupled with the scarce supply of high quality office space.

The expansion of the recovery is evident with both Munster and Ulster showing significant improvements and planning permissions granted up 23% and 230% respectively.

Education Sector

CIS analysis shows that there has been a small increase of 3% in the value of projects that moved to On-Site in 2015. We estimate the value of projects on-site at €430 million. The table below shows that Dublin has experienced a significant drop of 35% in the value of projects going On-Site. The value of projects On-Site in Connacht has increased by 200% to over €60 million, Ulster isn't far behind with a 177% increase.

When we look at the breakdown of projects on a regional basis we see that Leinster and Dublin, despite the drop in projects going On-Site, still dominate the Education Sector with 71% of the value of projects On-Site. The biggest project to have started in 2015 is the €30m Human Biology Building at NUIG.

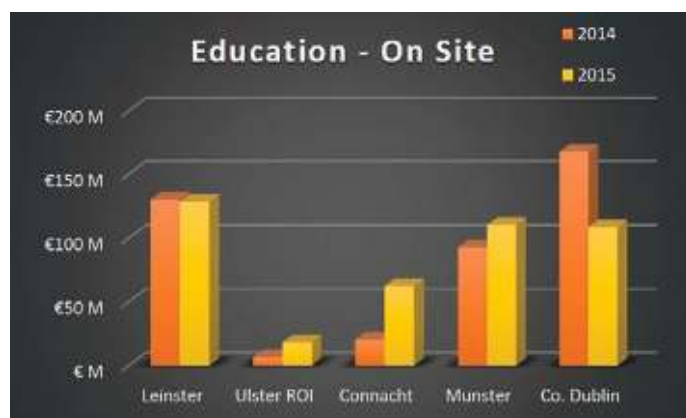


Fig 1.18

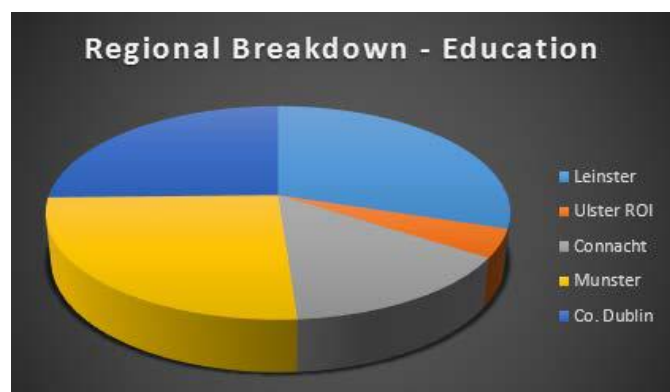


Fig 1.19



€30m Human Biology Building at NUIG

Planning Activity - Future Pipeline

CIS have seen a 50% increase in the value of plans granted in 2015 when compared with 2014. Dublin has experienced a 360% increase in project value but much of this increase can be attributed to the new Business School in Trinity College and the DIT Grangegorman campus. Without these projects there would have been a 10% decrease in the value of projects granted planning permission in 2015.

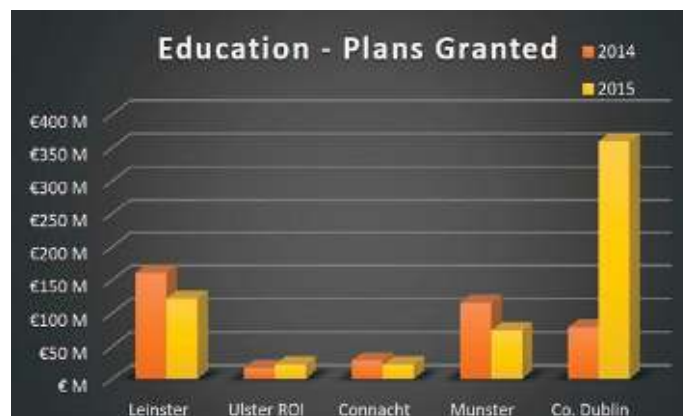


Fig 1.20

Industrial Sector

Industrial sector performance has fallen significantly in the past year with a 36% drop in projects going On-Site to a value of over €310 million. Only Dublin sprung the trend on a regional basis with a 105% increase in value of projects. Every other region has experienced a significant fall in projects by value with Leinster experiencing a 77% fall in project values.

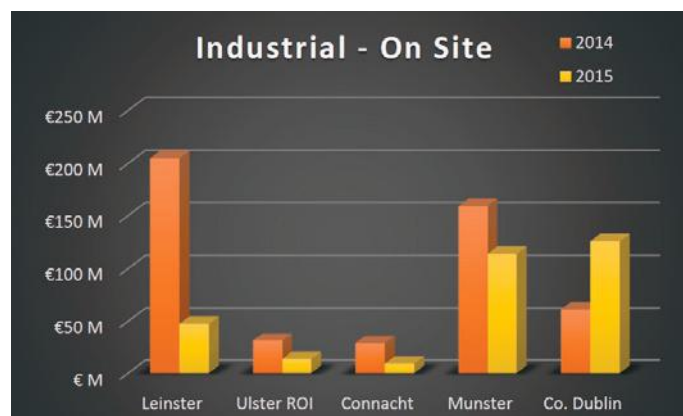


Fig 1.21

A breakdown of the Industrial sector by region in the diagram below shows that Dublin had the biggest slice of activity with 41%, closely followed by Munster with 37%. The largest project to go on-site in 2015 was the estimated €40 million Bristol Myers Squibb Pharmaceutical Facility in Mulhuddart, Dublin 15.

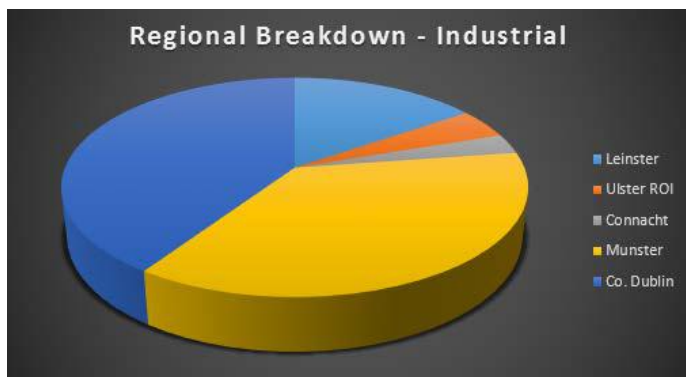


Fig 1.22

Planning Activity – Future Pipeline

More positive news with CIS estimating almost €640 million's worth of projects which have had plans granted in 2015. This is a 64% increase by value in projects with all regions experiencing significant uplifts. It's worth noting a large section of this combined project value is down to a number of data centres being granted planning permission.

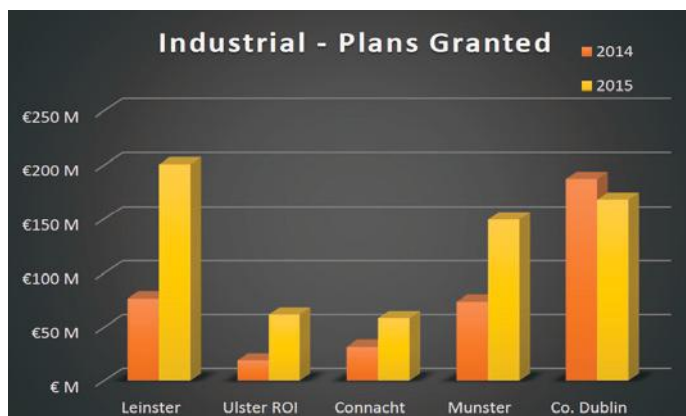


Fig 1.23

Hotel and Catering Sector

The Hotel and Catering sector has increased by 61% in value for projects On-Site in 2015. CIS estimates that there is now over €150 million in Hotel and Catering projects that have begun in 2015. All regions have experienced significant lifts in the year with Leinster and Connacht growing substantially by 343% and 281% respectively. Ulster (ROI) has grown by 49%, albeit from a very small base.

On a regional basis, the hotel and catering sector is dominated by the Dublin market with the €18.8m Holiday Inn development and the €10.7m Red Cow extension

particularly large schemes. Dublin has 68% of the market by value. Leinster represents 17% of the market, while Munster & Connacht have a similar value of projects on-site in the year.

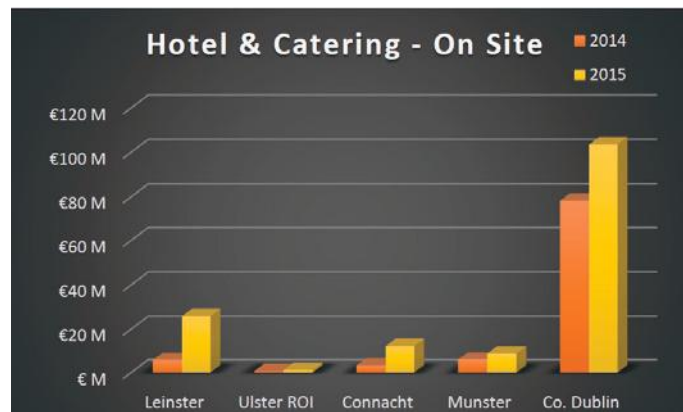


Fig 1.24

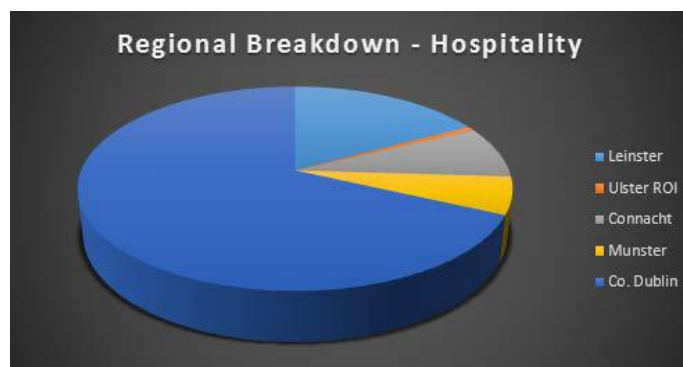


Fig 1.25



€18.8m Holiday Inn development on O'Connell Street, Dublin

Planning Activity – Future Pipeline

CIS predicts this sector growing significantly in the coming years, evident from the value of projects which have been granted planning in the last year. This bodes well for 2016 and beyond. The sector as a whole has increased

by 229% in value when compared with the number of 'Plans Granted' in 2014. We estimate that there is over €430 million worth of projects with plans granted in 2015. All regions have achieved significant improvements with values at least doubling in all regions apart from Connacht which has grown by over 40%.

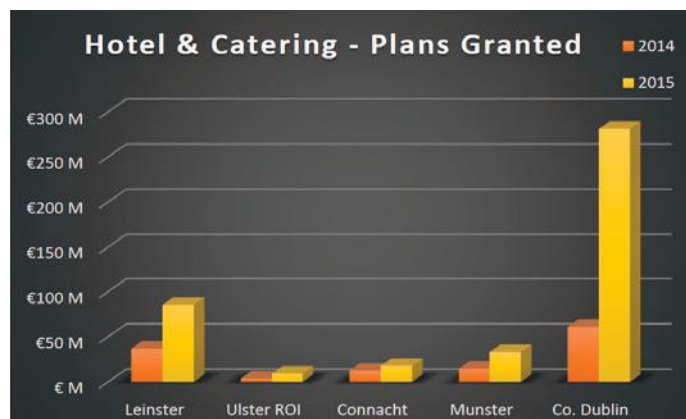


Fig 1.26

Social, Sport and Leisure Sector

CIS has seen an increase of 42% in the value of projects that went on-site when compared with 2014. We estimate that this sector has an On-Site value of over €250 million for 2015. The €67m Pairc Ui Chaoimh redevelopment was the biggest project to start On-Site in 2015.

This has helped Munster increase the value of On-Site projects in 2015 by 227% when compared to 2014. Both Connacht and Leinster have experienced a significant decrease in activity when compared with 2014.



Fig 1.27

Munster was the largest region by value in 2015 with 41% of the market, followed by Dublin achieving a 38% market share. Other notable projects which started in 2015 included the National Indoor Arena in Blanchardstown, Co. Dublin and a new leisure complex in Castlebar, Co. Mayo.

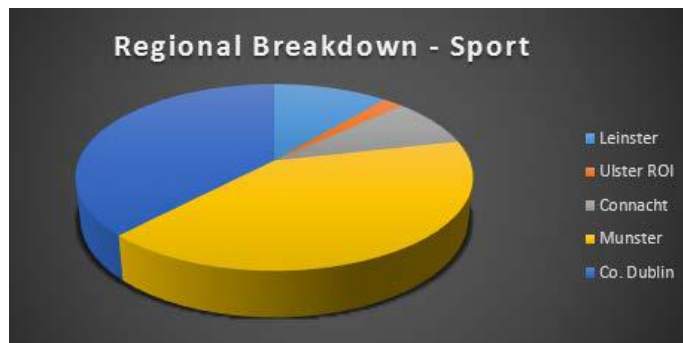


Fig 1.28

Planning Activity – Future Pipeline

The prospects for the sector are not as positive when we look at the value of plans granted in 2015 as they have fallen by 33% when compared with 2014. All regions have experienced significant falls with the exception of Leinster which grew 5% from 2014.



Fig 1.29

Agriculture Sector

Agricultural project On-Sites have increased by 157% since 2014 in the Republic of Ireland. The strongest performing regions are Ulster and Connacht, which have grown by 336% and 623% respectively. This large increase in activity is a result of the abolition of quotas coupled with grants available for upgrade works.

We have seen a large number of milking parlours being built in 2014 and 2015 as farmers look to expand post quota with renewed optimism. It will be interesting to observe how this trend continues into 2016 given where commodity prices are.

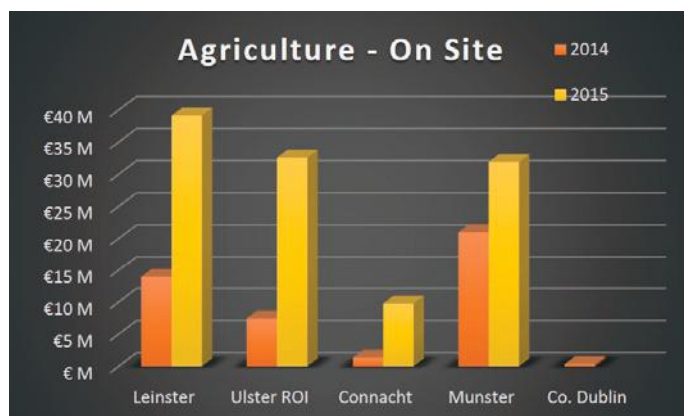


Fig 1.30

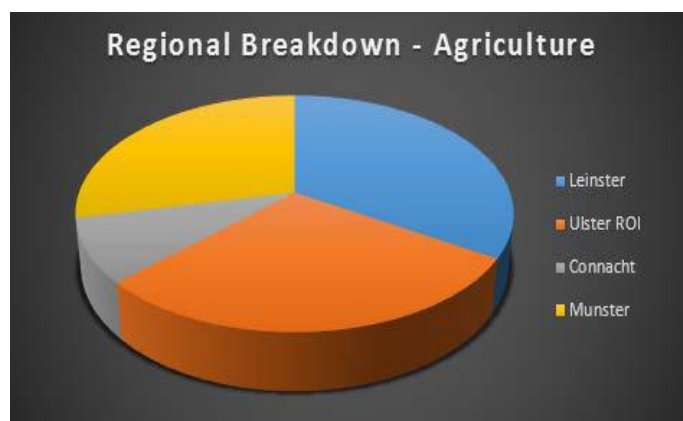


Fig 1.31

Conclusion

Our CIS Construction Market Review demonstrates the continuing recovery across all sectors of the industry. As we all know, there are still significant challenges both domestically and globally facing our economy, which could impede or slow this recovery. However, from our continuous research and communication with all of the main players in the industry, confidence remains high and optimistic.

The sector which is attracting the most attention is Residential and the growing demand for both social and private housing is resulting in the growing upward costs of renting. It is anticipated that approximately 12,000 units will be built in 2016, which is less than half of that required to meet normal demand. The new Government will need to address this critical problem as its top priority and encourage developers to ramp up construction.

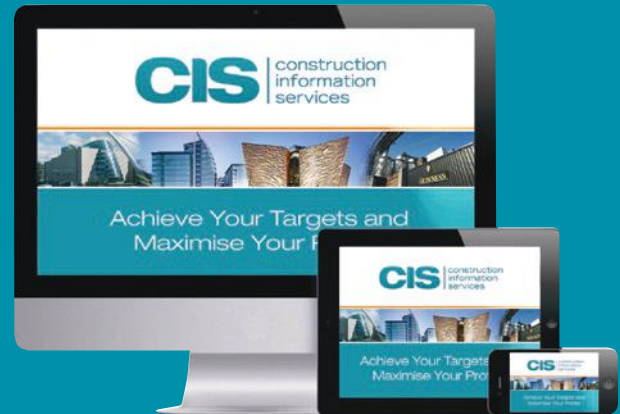
Activity in all other sectors; Commercial, Medical, Industrial, continue at a strong pace with major developments coming on-site every week. Our research tells us that the concern for these sectors is lack of skilled personnel, both professional and manual to maintain the pace of activity. While the IDA continues to attract Foreign Direct Investment (FDI), concern is expressed at the lack of Grade A property to meet the number of companies looking to locate or expand in Ireland. Government expenditure in Education, Court Bundle Scheme and infrastructural projects has and continues provide a steady flow of projects for the industry.

Positive GDP growth forecasts, coupled with low inflation bodes well for the Irish economy. In addition, we estimate that with in excess of €7 billion in construction projects in the pipeline, 2016 will see the growth continuing and hopefully the crisis in the residential sector can be finally addressed.

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CIS Disclaimer

- Values are verified where possible otherwise estimates are used using our in-house cost calculator.
- Those using this information do so at their own risk.
- While every effort is made to verify all our data, we do not make any statement to its accuracy or completeness.
- Plans Granted and Plans Submitted does not include Extension of Durations and Change to Existing Planning
- All Start dates are verified where possible
- We count the largest proportion of the project where projects are multi sectoral.