

Construction Market Review

Q2 2016



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The CIS Construction Market Q2 Review provides a comparative analysis of the construction sector between Q1 & Q2 2016 and the same periods in 2015 and 2014.

It gives an insight into future planning pipelines for each sector. In this report we will look at planning activity from both a sectoral and regional analysis of the country.

About CIS

CIS prides itself on the delivery of timely, accurate and in-depth project information to the construction sector.

We will continue to do this through the strong relationships our experienced Research Team 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, verified and in-depth information on construction projects from pre-planning to On-Site stages.

Economic Context

With the economy predicted to grow by 4-6% in 2016, CIS expect the construction sector to continue to grow and this is evident in our Q1 && Q2 statistics. This is reflected in our Q2 Construction Market Review data and supported by the recent announcement by the Ulster Bank's PMI index for July revealing an increase to 60.1, which is the 35th successive month where construction activity has increased

The monthly employment rate is now at 7.8%, down from 8.6% in March 2016 and Consumer Price Index shows prices 0.4% higher in June compared to June 2015 according to the CSO. Oil has recovered slightly so we have now seen a return to positive inflation over the last few months.

The Government has pledged €5.5 billion over the next 5 years with the intention to build 25,000 houses per year by 2021, with 47,000 social housing units to be built over this 5 year period. These ambitious targets will require real leadership and direction with issues regarding infrastructure, skills shortages, finance and the planning process, all having the potential to derail these plans.



Submitted Plans for €67m Office Development Near Dublin Airport

Our innovative online product ensures your business can identify relevant opportunities, assist you in making important decisions quickly and generate all specific leads for your pipeline.

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.

However, there are also number of issues which may hinder the recovery of the industry.

There are continuing concerns surrounding the wider global economy. A report by the OECD outlines that the global economy is stuck in a low growth trap, with growth flat in advanced economies and is slowing in many of the emerging economies. This may have ramifications for further construction activity within Ireland.

The UKVote to leave the EU presents many challenges to the sector with the possibility of a hard border between the North and South of Ireland being the most obvious concern. We have already seen the wild fluctuations in the value of Sterling and the possibility of a recession in the UK having knock on affects in Ireland. UK headquartered companies may also hold off on investments due to the uncertainty of the Article 50 timeline.

On the positive side, the Brexit decision has resulted in imports from the UK becoming significantly cheaper. Furthermore, some financial institutions may decide to relocate from the City of London for other regions within the EU. This may lead to further demand for commercial and residential building in Ireland if we can make a strong business case.

On-Site Construction Projects in Republic Of Ireland

According to CIS data on construction activity, the value of all construction projects which went On-Site in the first six months of 2016 in the Republic of Ireland was €3.6 billion. This is an increase of 25% compared to the same period in 2015. The number of major projects On-Site has risen from 939 to 1,342 in the same period.

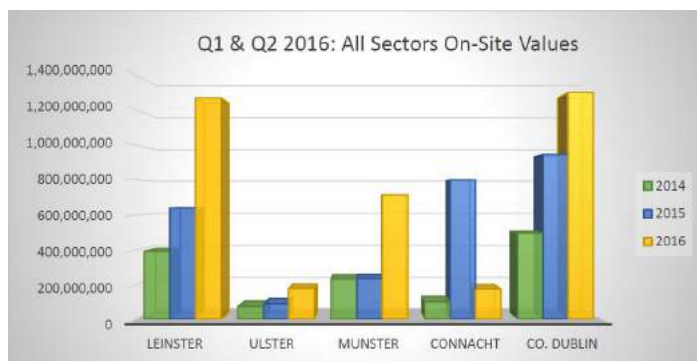


Fig 1.1

Leinster and County Dublin have the largest share of the market by value of almost €1.3 billion each, or 35 and 36% of the market respectively. Leinster's share of the market has increased from 24% to 35% since the same period last year. Munster have a 19% market share.

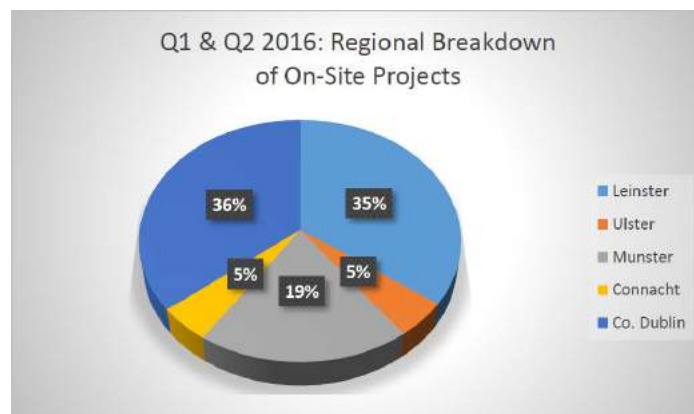


Fig 1.2

Quarter on Quarter Analysis

The value of projects On-Site in Q2 (€1.5bn) is down 29% when compared to Q1 2016 (€2.1bn). Most of this decrease can be attributed to the two road schemes in Leinster although there is also a 25% decrease in the Dublin region. However, if you look at the number of projects On-Site, there is an increase of 25% (or 148 projects) more than Q1 2016.

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

**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.

***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.



N11 Gorey to Enniscorthy PPP Road Scheme

Plans Granted

The value of projects which were granted planning permission in the first six months of 2016 has risen to almost €5 billion, up from just under €3 billion in the same period last year. This equates to a 70% increase in value of projects.

There is a large number of major schemes, valued at over €50 million, in Medical, Utilities, Leisure, Commercial Offices and Residential schemes. Almost 3,000 major projects have been granted planning on our system in the first 6 months of the year, up from over 2,100 in the corresponding period last year, representing a 42.8% increase.

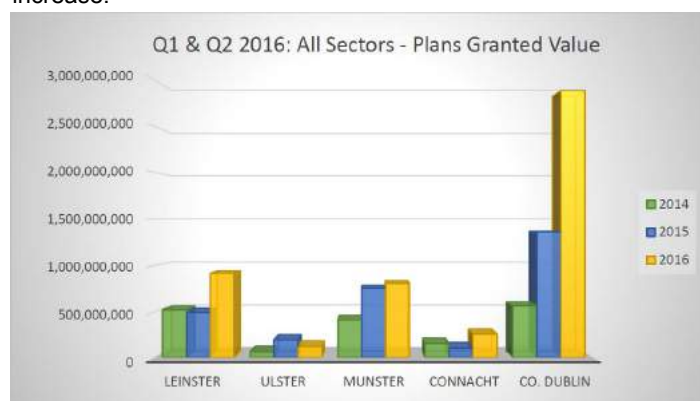


Fig 1.3

Dublin is the largest region for the period under review with almost 60% of the value of projects. This is an increase from 47% of the market in this period last year. Leinster and Munster represent a further 35% of the pipeline.

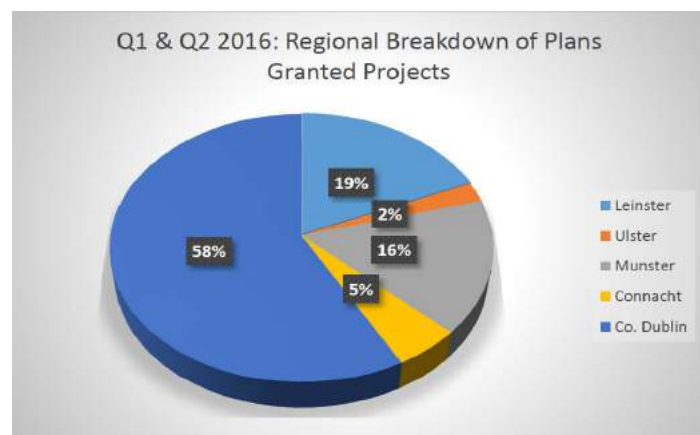


Fig 1.4

Quarter on Quarter Analysis

The overall value of projects granted planning in Q2 2016 is up almost 40% on Q1 2016 with Dublin experiencing an 88% increase while Leinster, Ulster and Munster have fallen slightly.

Plans Submitted

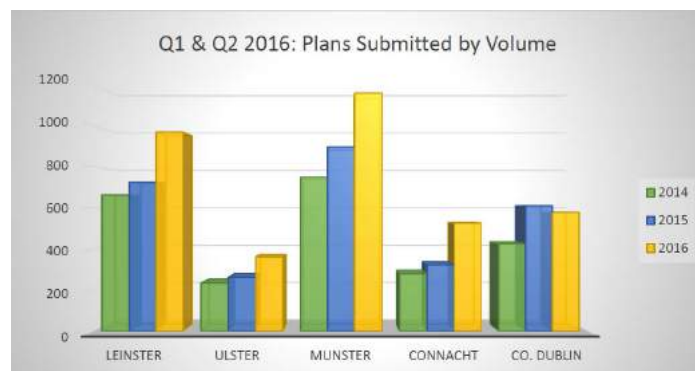


Fig 1.5

CIS has identified 3,600 new projects which have been submitted for planning in the first half of 2016, an increase of 800 projects (or 28%) on the same period last year. Munster has the largest volume of projects with 1,150 projects submitted in the Agricultural Sector alone. We estimate that over €4.4 billion of projects have been submitted for planning in the period under review.

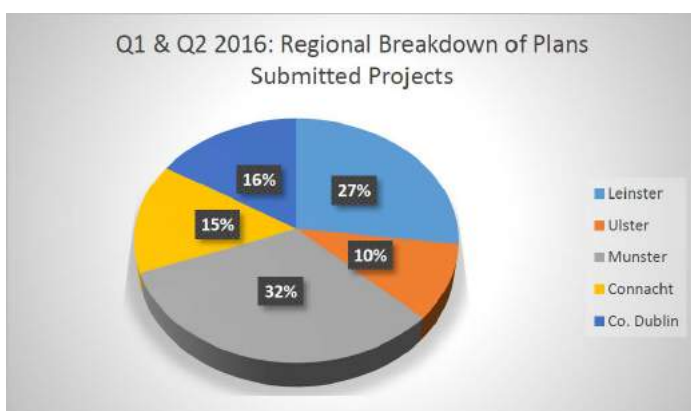


Fig 1.6

Quarter on Quarter Analysis

The overall value of Plans Submitted in Q2 2016 is down 11% on Q1 2016 with Dublin down 28% and Munster down 46%.



Hawkins House Office Redevelopment in Dublin 2 - Plans Submitted Stage

Residential Sector

Construction Information Services (CIS) estimates that almost 5,600 units within a number of multi-unit developments started On-Site in the first 6 months of 2016. This is an increase of 36% on the same period last year which was in turn a 71% increase on 2014 figures. Over 3,000 units went On-Site in Dublin while a further 1,000 went On-Site in Munster. In addition, 1,550 one-off houses started in the period bringing the total number of housing units being built up to just over 7,150.

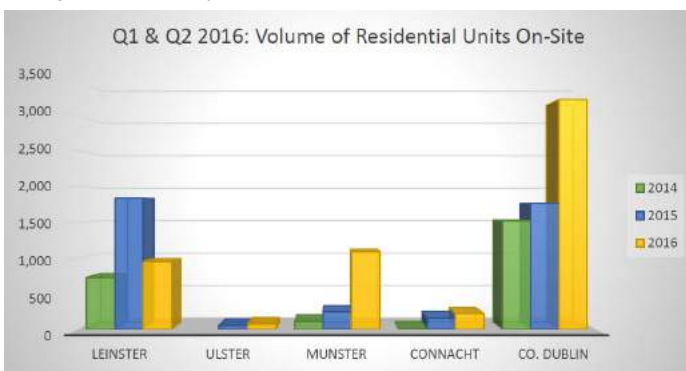


Fig 1.7

It should be noted that many of the larger schemes are on a phased basis but the overall activity is moving in the right direction. However, issues continue with regard to funding of projects, profitability for developers and building regulations as well as the Central Bank minimum deposit requirements. The lack of infrastructure including roads and water are major issues in areas where development might otherwise be economically viable. It is hoped that the recent Government allocation of €200m to address these issues will produce an acceleration of house building.

The Government's recently published housing strategy may improve matters; they have an ambitious target of 25,000 units per year being built by 2021 with 47,000 social housing units in total, with €5.5 billion pledged.

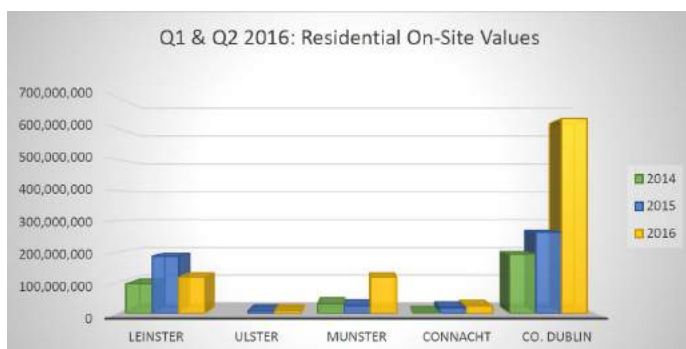


Fig 1.8

In a continuation of 2015 trends there is almost an 80% increase in the value of projects On-Site in the first 6 months of 2016 when compared to the same period in 2015.



Fig 1.9

Munster has the strongest growing region, with a growth rate of 370%. It has a value of almost €120 million of projects gone On-Site in the first half of 2016 when compared with the same period last year. Dublin has over €600 million in projects On-Site in the period under review.

Future Pipeline of Residential Sector Projects - Plans Granted

In further positive news for the sector, the number of units granted planning in Q1 & Q2 2016 is over 7,500. This is an increase of over 45% when compared with the same period last year.



Residential Development in Sheriff St. Upper, Dublin 2 - Plans Granted Stage

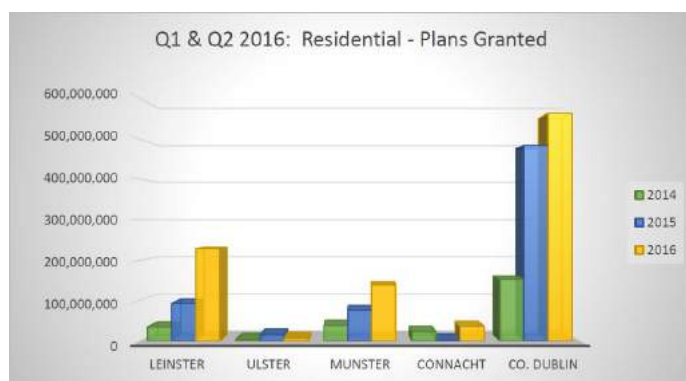


Fig 1.10

CIS estimates the value of these projects to be over €970 million with all regions growing significantly apart from Ulster (ROI). Dublin has over €560 million worth of projects which have been granted planning permission in this period.

CIS has also seen an increase in value of projects in both Munster and Connacht in this period with over €35 million in projects granted planning in Connacht.

Future Pipeline of Residential Sector Projects - Plans Submitted

The value of Plans Submitted shows no change from the same period last year with the reduction in projects in Dublin being offset by the growth in both Leinster and Munster and to a lesser extent, Connacht.

However the number of units submitted for planning is down 17%, with 9,075 units submitted for planning. This is down from 10,991 in the first half of 2015.

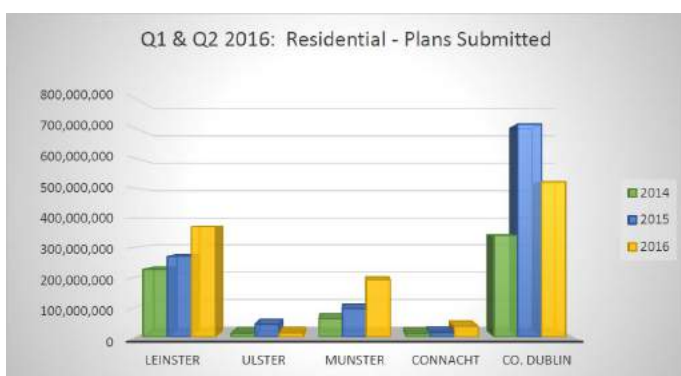


Fig 1.11



€37.5 Residential Development in Dublin 12 - Plans Submitted Stage

Industrial Sector

CIS estimates that over €360 million in projects have gone On-Site in the first half of 2016 which is a 350% increase on the same period last year. However, a large part of this increase is due to a small number of data centres which have gone On-Site this year in Leinster and Dublin.

The current instability in the market makes it extremely difficult to identify patterns in the sector. We may discern some analysis from looking at the number of projects in each period. 107 projects have gone On-Site in the first half of 2016. This is up from 86 in the same period last year which is in turn up 15 from the previous period in 2014.

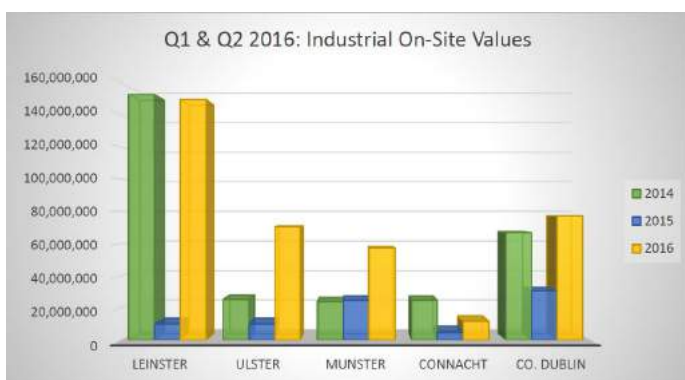


Fig 1.12

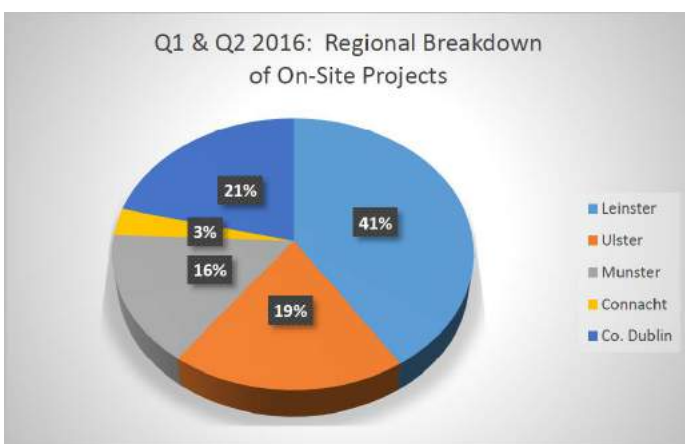


Fig 1.13

Future Pipeline of Industrial Projects - Plans Granted

According to our evidence, the sector has fallen slightly by 1.5% when compared with the same period last year. As can be seen from Fig 1.14, Dublin, Connacht and Leinster have experienced significant growth with Ulster ROI showing a drop of €80 million in the period compared to last year.

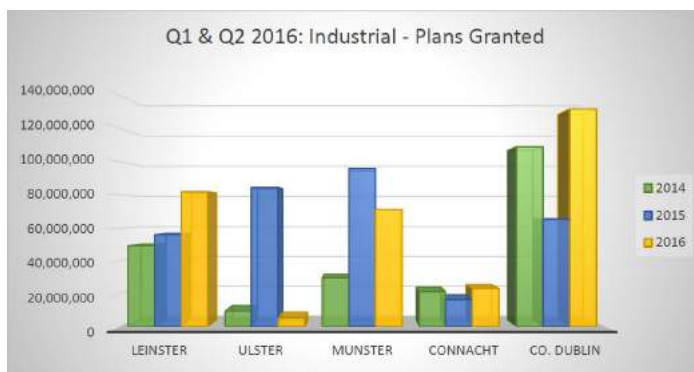


Fig 1.14



€850m Apple Data Centre in Co. Galway - Plans Granted Stage

Future Pipeline of Industrial Sector Projects - Plans Submitted

Looking further down the line, we can see a further drop off in sector activity with the value of projects which had Plans Submitted in the first half of 2016, down by 205 on the same period last year.

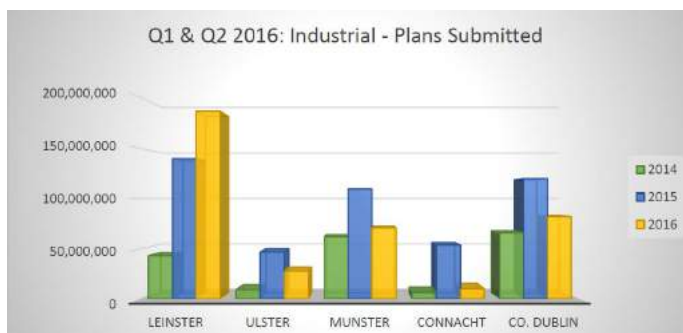


Fig 1.15

Civil & Utilities Sector

The value of projects On-Site in the first six months of 2016 has increased from €843 million in 2015 to over €1.185 billion or a 40% increase. However, as can be seen from Fig 1.16 the growth is directly attributable to one or two large scale projects in Leinster.

This is a major issue when trying to analyse trends in this sector. The one region of significant growth in Q2 2016 is Munster where demolition work has begun on the €20 million Limerick Prison and two large scale wind projects have commenced.

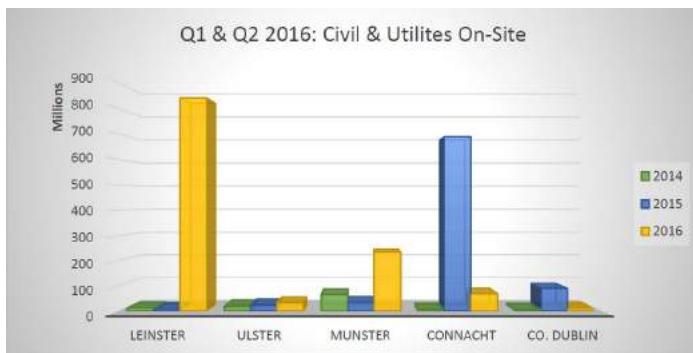


Fig 1.16

Future Pipeline of Civil Sector Projects - Plans Granted

Further government confidence in the economic recovery is likely to see more large scale projects being given the green light in the next number of years with €430 million worth of Civil & Utilities projects being granted planning in the first half of 2016, up from €190 million in the same period in 2015.

Two major projects account for €400 million of the total in the form of the Ringsend Waste Water treatment works extension and the Oweninny Wind Farm.

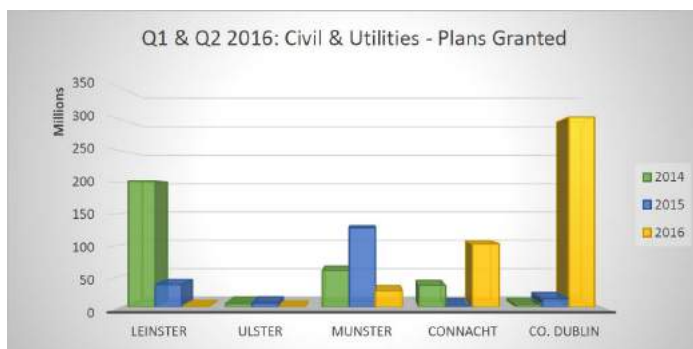


Fig 1.17

An area of note for 2016 is the proliferation of Plans Submitted for renewable energy projects with 35 in the pipeline, compared to 1 in the same period last year.

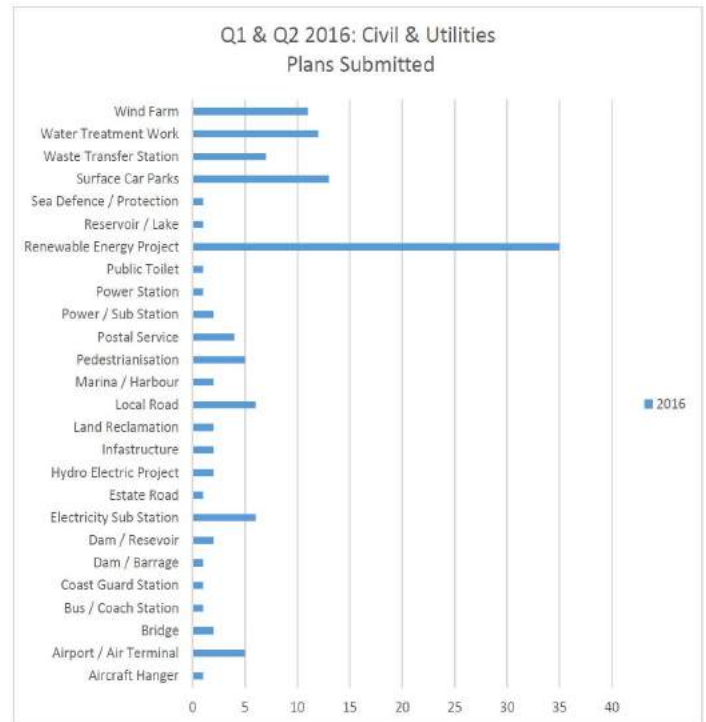


Fig 1.18



€126m Harbour Redevelopment in Co. Galway- Plans Submitted Stage

Medical & Care Residential Sector

The Medical Sector has shown an increase in activity in the first 6 months of 2016. CIS estimate that over €215 million worth of projects have gone On-Site in this period. This is an increase of almost 50% on the same period last year.

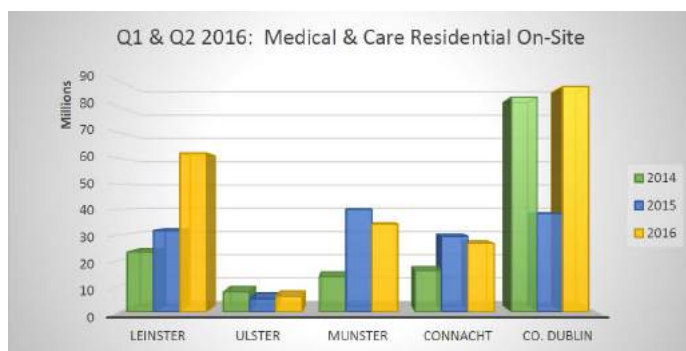


Fig 1.19

In terms of the regional breakdown, Dublin and Leinster make up the bulk of the value but almost all regions have significant developments ongoing.

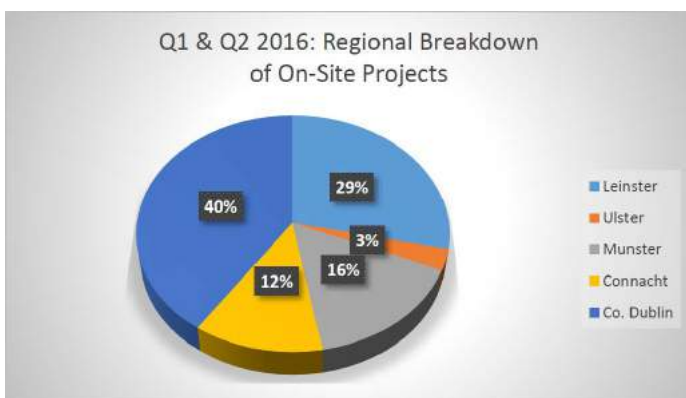


Fig 1.20

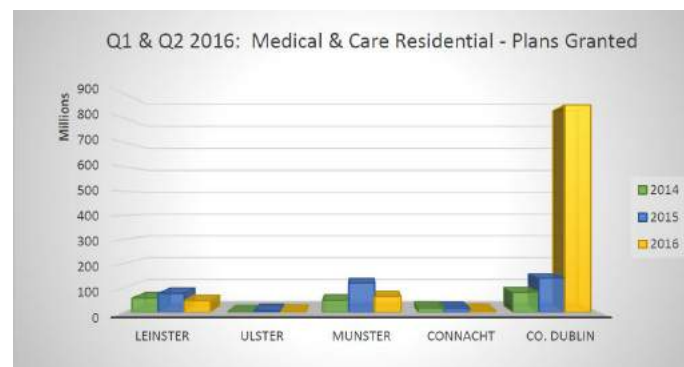


Fig 1.21



€750m National Children's Hospital - Plans Granted Stage

The value of Plans Submitted in the first 6 months of 2016 is down 5% on the same period last year, but up 3% on the same period in 2014 at just over €250 million.

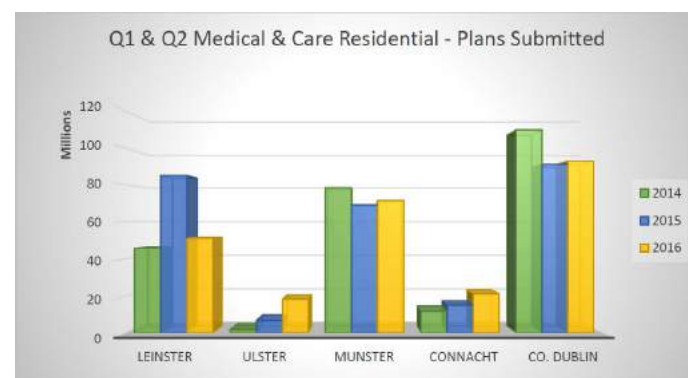


Fig 1.22

Future Pipeline of Medical & Care Residential Projects - Plans Granted

The value of projects which have been granted planning permission in the first half of 2016 has grown by 171% but all of this is accounted for by the new Children's Hospital which was granted planning permission in Q1 2016. If we remove this project from the data we note a 40% drop in the value of projects, which may be due in part to the Primary Care Centres PPP Scheme and the National Children's Hospital having moved On-Site.

Commercial and Retail Sector

CIS recorded a drop of 13% in the value of projects On-Site in the first half of 2016 when compared with the same period last year. However, there was still over €380 million in projects which went On-Site in the period under review. The regional breakdown shows Dublin with 56% of the market share in the sector.

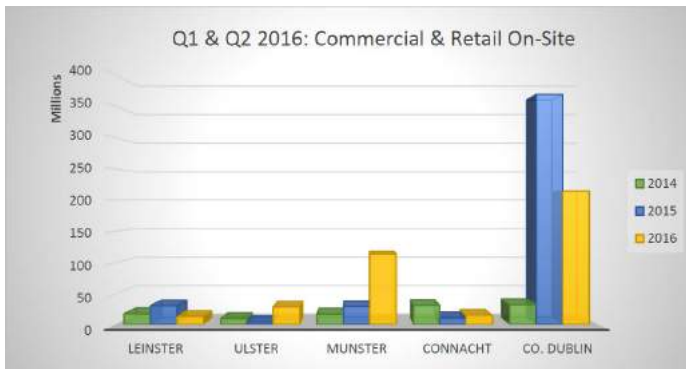


Fig 1.23

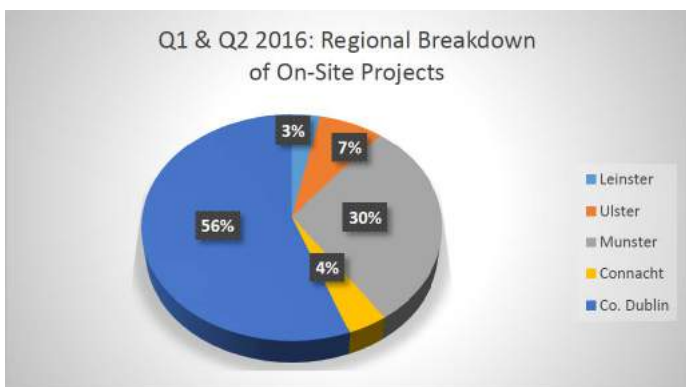


Fig 1.24

Future Pipeline of Commercial and Retail Projects - Plans Granted

CIS expect further growth in this sector as over €860 million in projects have been granted planning in the first 6 months of 2016 in the Commercial & Retail Sector. This represents a 30% increase on the same period last year. Much of the activity is Dublin based with over 70% of the value. (CIS expects an improved regional spread over the next few years.)



Mix-Use Development in Dublin 2 - Plans Granted Stage

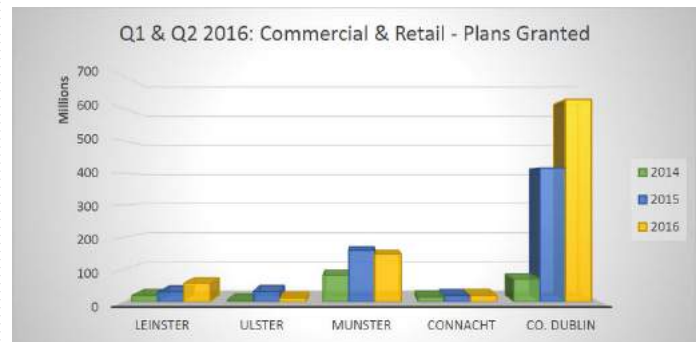


Fig 1.25

Over €1.3 billion of projects have been submitted to planning in the first six months of 2016, up from just under €600 million in the same period last year. Munster accounts for almost €300m of this figure. This is a growth rate of 125% for the Munster region alone and a 116% overall growth for all regions.

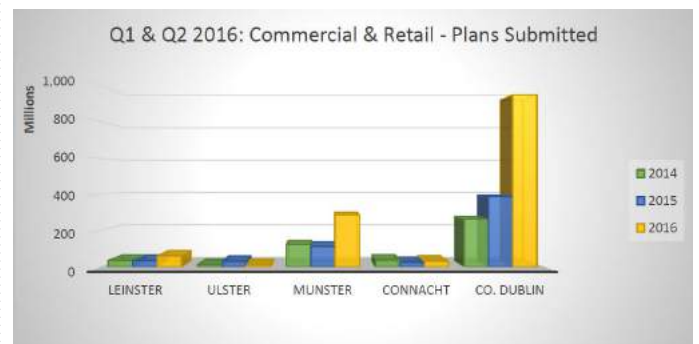


Fig 1.26



€120m Office Development in Dublin 18 - Plans Submitted Stage

Education Sector

CIS estimates that over €230 million worth of projects in the Education Sector have gone On-Site in the first six months of 2016. This is an increase of 25% on the same period last year. One major project in Dublin is responsible for the majority of On-Site values in 2016, which is the €70 million Trinity Business School.

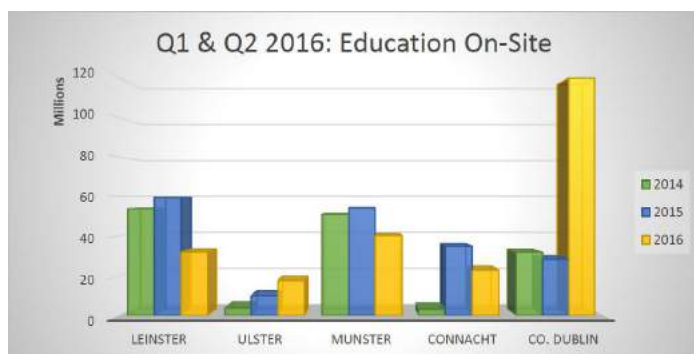


Fig 1.27

The regional breakdown shows Dublin representing just over 50% of the sector down from 75% in the first quarter review.



Fig 1.28

Future Pipeline of Education Projects - Plans Granted

The sector shows a decrease of just under 1% in the value in Plans Granted for the reviewed period in 2016, when compared with the same period in 2015. There is almost €190 million in projects which have received planning permission in the first 6 months of the year, with Munster having the highest value of projects.

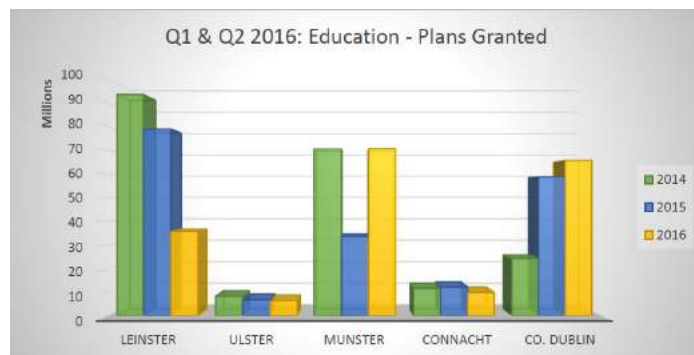


Fig 1.29

Future Pipeline of Education Projects - Plans Submitted

The value of projects which were submitted for planning in the first 6 months of 2016 is down significantly from the same period last year with just over €230 million of projects in the pipeline.

This is down over 44% on the same period last year, but up 21% on the same period in 2014 which is a more reliable indicator as the Trinity College Business School and some of the projects in the Grangegorman Campus were submitted in 2015.

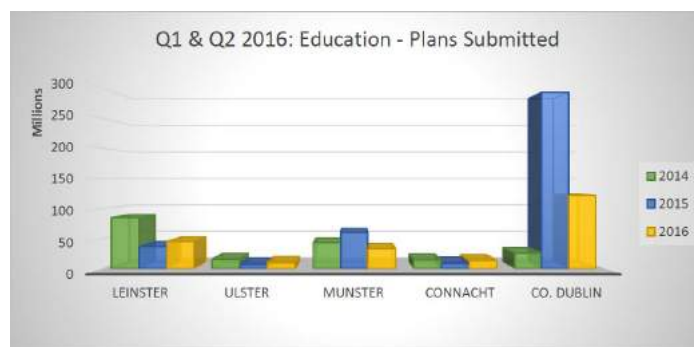


Fig 1.30



€70m Trinity Business School in Dublin City - Plans Granted Stage

Hotel & Catering Sector

The Hotel and Catering Sector continues to perform strongly with a 100% increase in projects On-Site in the first half of 2016. Much of the growth in the sector can be attributed to large scale refurbishments for both the Mount Juliet and Adare Manor Hotel complexes; further evidence demonstrating renewed confidence in the sector.

We are also seeing a number of student accommodation developments taking place in this sector. The value of projects On-Site is unsurprisingly down significantly on Q1 of 2016 as we head into the peak tourist season.

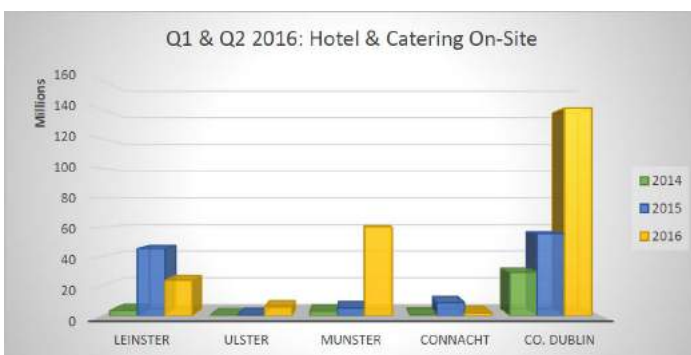


Fig 1.31

The regional breakdown shows both Dublin and Munster performing well in this sector with the aforementioned projects representing the bulk of the work.



Fig 1.32



Fig 1.33

There is another €330 million in projects with Plans Submitted in the first six months of the year with growth of 11% in the corresponding period last year.



Fig 1.34



€12m Hotel Development in Dublin 7 - Plans Submitted Stage

Future Pipeline of Hotel & Catering Projects - Plans Granted

CIS expect further growth in this sector and this is evidenced by the growth in Plans Granted by 115% when compared to the same period last year. Over €440 million of projects have been granted planning in the period.

Social, Sport & Leisure Sector

This sector appears to be on a downward trend as CIS have seen an 11% fall in project values when compared with the same period last year. The spend for the last two years (for the first half of each year) has been over €100 million. This is partly due to the effects of the capital grants, and this year the value of projects On-Site is down to €90 million for the quarter.

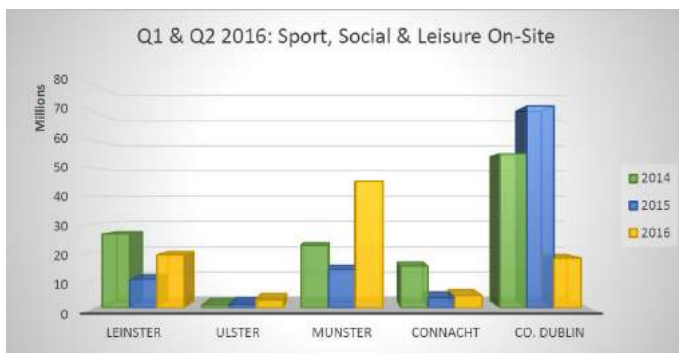


Fig 1.35

The regional breakdown shows Munster with over 50% of the value of projects which have started in the first half of 2016.

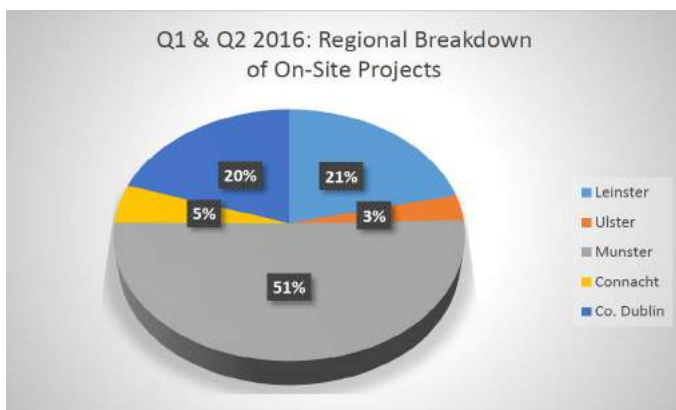


Fig 1.36

Future Pipeline of Social, Sport and Leisure Projects - Plans Granted

Over €400 million worth of projects have been granted permission in the first 6 months of 2016 but much of this is made up of the €230 million Centre Parcs development in Longford which has now been granted planning by An Bord Pleanála.

If we take this one project from the data set, the underlying trend shows an increase in projects being granted planning permission by 50% when compared to the same period last year. It's worth noting that the Curragh Racecourse redevelopment was a major contributor to the total.

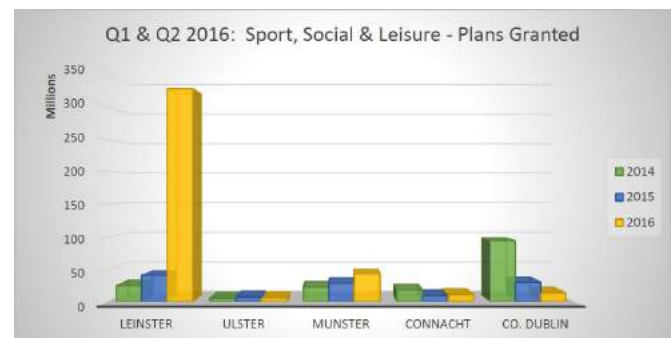


Fig 1.37

As can be seen from Fig 1.38 below, most regions are on a negative trajectory with the exception of Leinster where the racecourse redevelopment at the Curragh delivers positive growth to the sector.

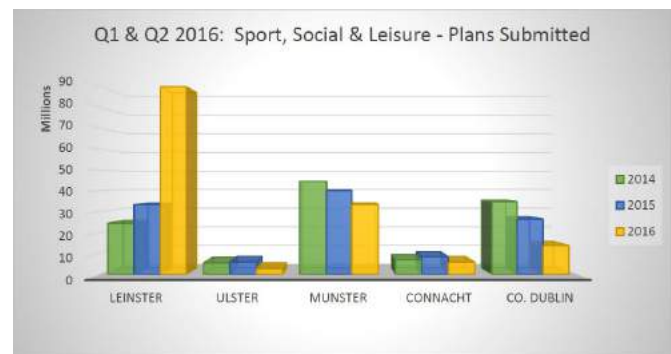


Fig 1.38



€233m Center Parcs Holiday Resort in Co. Longford - Plans Granted Stage

Agriculture Sector

Agricultural Sector projects decreased in On-Site value by just over 24% in the first half of 2016 to just over €32 million. With commodity markets in the doldrums, we expect this sector to remain gloomy as farmers hold off on many large scale investments until the market improves.

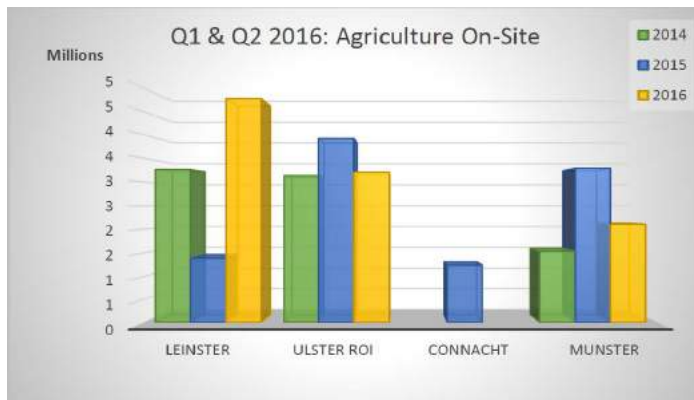


Fig 1.39

Future Pipeline of Agricultural Projects - Plans Granted

Despite the weak growth in On-Sites in the sector, the value of projects having reached Plans Granted has grown by 110% to €385 million in 2016 compared to the same period in 2015. Over 1,100 projects have been granted planning in the period under review, up from 416 in the same period last year.

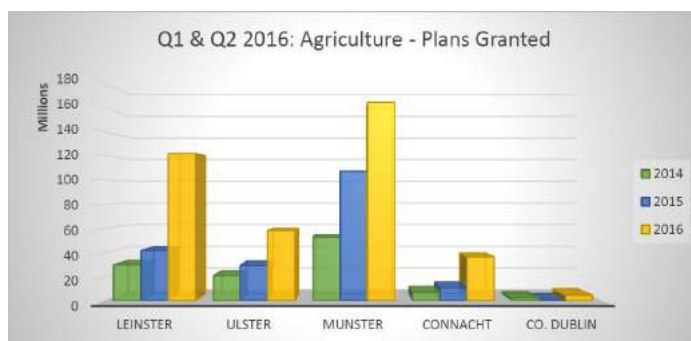
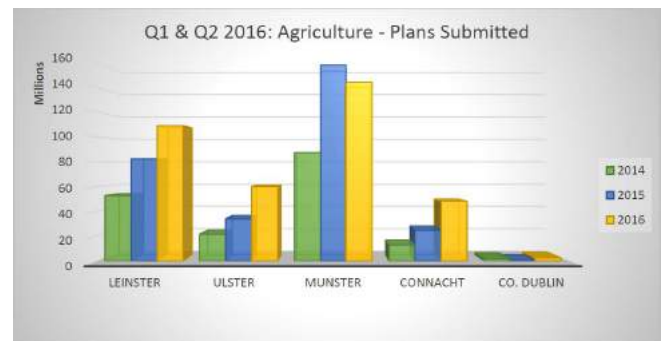


Fig 1.40

There is a further €364 million in Plans Submitted for the first half of the year, an increase of 21% on the same period last year. This was made up of 1,258 projects compared to 622 last year. 690 of the 1,258 projects have been granted planning permission by mid-July.



Conclusion

Fig 1.41

Construction activity continues its positive trajectory which is reflected in our Q2 Construction Market Review data. Our report information is supported by the recent announcement by Ulster Bank's PMI index for July, revealing an increase to 60.1, which is the 35th successive month where construction activity has increased.

The recent welcome announcement of €5.5 billion in Government investment for residential housing; both social housing (47,000 units) and private developments over 5 years, includes an initial €200 million to address infrastructural issues which have been delaying many residential developments.

Our Construction Market Review continues to track the underlying trend for all regions and sectors, as significant developments in any particular sector can mask what is actually happening. Most sectors are showing a positive growth trend in both volume and value of projects either going On-Site, Plans being Granted or Submitted; the latter being the indicator for future pipeline activity.

The overall volume of projects going On-Site in Quarter 2 rose by 25% on Quarter 1 (or 148 projects). However, the value of these projects was lower by €600 million or 29%. The year to date increase over the corresponding period in 2015 is 25% in values and 43% in the number of projects.

When we analysed projects being Granted Permission our data showed a 70% increase over the same period in 2015. Major projects (€50+ million) in the Medical, Utilities, Leisure, Commercial and Residential sectors account for 42% of this increase. The volume of Planning Applications being submitted continues to increase and this year to date is 28% up on 2015.

Looking at the volume of future construction activity, the Residential sector, with the assistance of Government will continue to improve with the objective that by 2021, in excess of 25,000 units will be built each year thereafter to meet the population needs.

Industrial, Medical and Agricultural sectors are currently showing signs of a drop off in new applications, which will impact on the latter part of 2017. The Civil and Utilities sectors are dependent on Government funding but as confidence in our economy continues to grow, more funding should become available to address our infrastructural requirements.

One area worth noting is the continuous increase in Renewable Energy projects, for example, there are 35 Solar Farm developments in the pipeline this year when compared to 1 in 2015. Commercial and Retail and Hospitality sectors continue to increase year on year and is reflective of the positive economic environment. The Education sector remains on par with previous years but given the growing population, activity should be positive over the next couple of years.

Finally, our data is commencing to show positive signs of activity spreading through to all parts of the country, with all Regions recording slight increases at either On-Site, Plans Granted or Submitted. While Dublin and Leinster will continue to dominate in terms of volume and value of projects in the medium term, the acceleration of this modest growth will be dependent on continuation of positive economic growth, Foreign Direct Investment and availability of liquidity from financial institutions.



Tom Moloney, Managing Director of CIS

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