

Construction Market Review

Q3 2016

A Comprehensive Overview of Current and
Pipeline Activity for the Irish Construction Market



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The *Construction Information Services (CIS) Q3 Market Review* provides a comparative analysis of activity in the building and construction sector for the first 9 months of 2016 and the corresponding periods in 2015 and 2014.

It provides an insight into the overall planning pipeline on a sector by sector basis and also regional analysis of the 26 counties.

About CIS

Construction Information Services' purpose is to create opportunity and insight through the delivery of accurate, comprehensive, timely and accessible information on activity in the building and construction sector. Our values are excellence; integrity; innovation; partnership and passion.

We achieve these through the strong relationships built over the past 44 years with key contacts in planning authorities, design professionals, contracting companies and government agencies. We deliver real-time, verified and in-depth information on building and construction projects from pre-planning to post On-Site commencement.

Our quarterly **Construction Market Review** allows you to compare sector and regional construction data easily and effectively. It is aimed to give you a deeper analysis and intelligence on the construction market, enabling you to forecast trends and assist you in your business planning.

Economic Context

As Irish economy continues to improve at a solid pace, and the construction sector is once again a key pillar in this sustained economic improvement, it will continue to play an important role in the country's economic recovery, which is growing at the fastest rate in Europe.

*The **Ulster Bank Construction PMI** rose to 58.7 in September 2016 from 58.4 in August, helped by quickening growth of new business. Rising workloads fed through to increases in purchasing activity and employment, while sentiment around the prospects for future growth remained strongly positive. Civil engineering saw a welcome return to growth, albeit at a weaker pace than the sharp rates of growth which continue to be reported in the commercial and housing areas. Total construction activity has now risen in each of the past 37 months. Construction PMI in Ireland averaged 58.52 from 2013 until 2016, reaching an all-time high of 68.80 in February of 2016 and a record low of 43.40 in June of 2013.*

There has been numerous strategy documents published by Government in recent years, containing plans to tackle the deficit created in the construction industry during the recession.

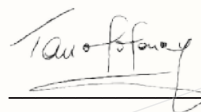
These are namely the Construction 2020 Strategy aimed at restoring a properly functioning, dynamic and sustainable industry; the €3.8 billion Social Housing Strategy outlining how the provision of 35,000 social housing units will be delivered by 2020; the Capital Investment Plan for 2016–2021 which promises to provide €42 billion for key public sector infrastructure projects and support over 45,000 construction related jobs, and the latest announcement of €5.5 billion for social housing and infrastructure.

According to a recent report from **DMK Economic Consultants for the Construction Industry Federation (CIF)** the overall volume of construction output is forecast to increase by 12.5% this year, followed by 8.5% in 2017 and 7.1% in 2018. The average annual growth rate in the period 2016 – 2020 is projected at 9.1%.

There is a substantial pipeline of projects at all stages from pre-planning through to commencing On-Site in the Residential, Commercial and Industrial sectors in particular. This is as a result of the country's continuing economic recovery from late 2013 and increasing population. The sector is set to embrace the most positive forecast in over a decade.

The management of this renewed confidence is dependent on the continued focus in addressing the availability of skilled construction workers; the provision of finance for the funding of private sector projects; the removal of unnecessary delays in delivering on the aforementioned housing and capital strategy plans; the capacity of Tier One contractors to deliver the approved projects; tender price inflation and contingency planning for any potential impacts as a result of Brexit.

Finally, the recent Bulletin from the Central Banks contained the first post Brexit forecast for the Irish economy, which stated that GDP will grow by 4.9% in 2016 and 3.6% in 2017. This is a reduction of 0.2% and 0.6% respectively in each year on their earlier forecast. The Central Bank, despite these downward projections as a result of Brexit, remains broadly favourable on the outlook for the Irish economy in the short-term.



Tom Moloney, Managing Director of CIS

Construction Projects at On-Site Stage in Republic Of Ireland

- Over €6 billion in projects On-Site in the first 9 months of 2016
- 5,000 major projects On-Site
- 1,600 Projects Submitted for Planning in Munster
- 9,000 Residential Multi-units have started*

According to CIS data on construction activity, the value of all construction projects which went On-Site* in the first nine months of 2016 in the Republic of Ireland was just over €6 billion. (Fig. 1)



Fig. 1

This is an increase of 39% compared to the same period in 2015. The number of major projects On-Site has also risen from 939 to 1,342 over the same period. All regions are showing project volume and value growth year on year, apart from Connacht.

County Dublin has the largest share of the market by a value of almost €3 billion, or 49% of the market. Leinster's share of the market is up from 23% to 26% over Q3 2015. Munster has a 17% market share, up 2% from 2015.

Quarter on Quarter Analysis

The value of projects On-Site has increased by almost 90% in Q3 2016 when compared with the Q2 2016 period. Interestingly the number of projects On-Site has grown steadily over the three quarters with growth of 23% and 13% respectively. Over 800 projects have commenced On-Site in Q3 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.



The €750m National Children's Hospital in Dublin at On-Site Stage

Construction Projects at Plans Granted Stage in Republic Of Ireland

The total value of projects which were granted planning permission in the first 9 months of 2016 has risen to almost €8 billion up from just under €5.5 billion in the same period last year (Fig. 2). This equates to a 45% increase in project value. Almost 3,000 major projects have been granted planning on our CIS database in the first 6 months of the year, up from over 2,100 in the 2015 corresponding period.

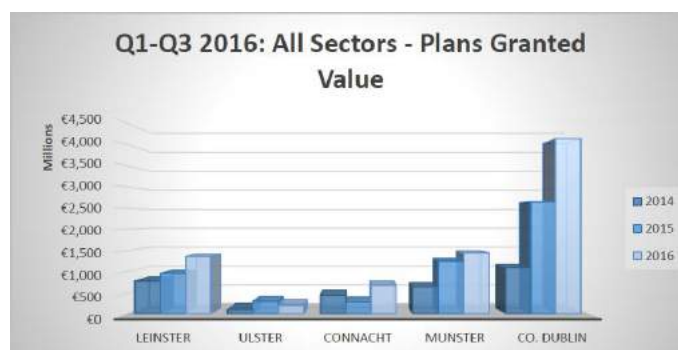


Fig. 2

Dublin is the largest region for the period under review, accounting for 53% of the combined project value. This is an increase from 49% of the market in over Q3 2015. Leinster and Munster represent a further 35% of the pipeline.

Quarter on Quarter Analysis

The value of projects granted planning permission in Q3 2016 is down 21% from Q2 2016. This represents a reduction of over €600 million in value. This drop off can be explained by the granting of the €750 million Children's Hospital scheme. Removing this scheme from the data shows modest growth in the value of Plans Granted from 12% from Q1 to Q2 and 4% from Q2 to Q3.

Construction Projects at Plans Submitted Stage in Republic Of Ireland

CIS has identified over 5,000 new projects which have been submitted for planning in the first nine months of 2016, an increase of 500 projects (+13%) on the same period last year (Fig. 3). Munster has the largest volume of projects with over 1,600 projects submitted. Over 650 of these projects are in the Agricultural Sector alone. CIS has estimated that the value of projects submitted for planning in the period under review is in excess of €7.3 billion.

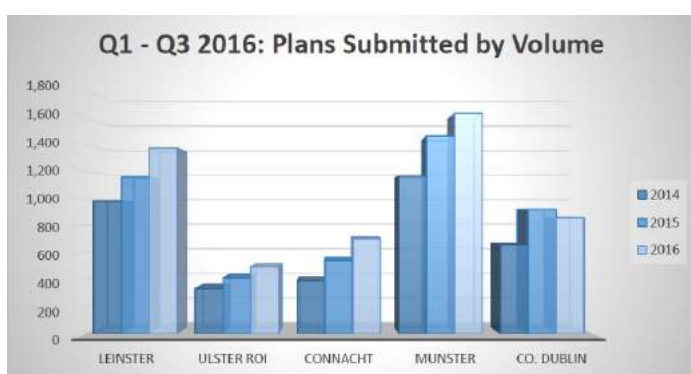


Fig. 3



Commercial Redevelopment in Dublin 2 - Plans Submitted Stage

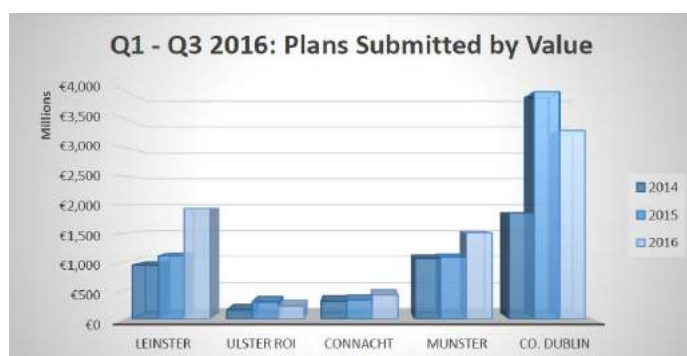


Fig. 4

Quarter on Quarter Analysis

CIS have seen a modest increase of 7% in the value of plans submitted in Q3 2016 when compared to Q2 2016. Dublin has increased by 41% while Leinster is down 38% for the quarter.

Residential Sector

CIS has calculated that almost 9,000 units which form part of multi-unit developments started On-Site in the first 9 months of 2016. This is an increase of 25% on the same period last year which was in turn a 94% increase on 2014 figures (Fig. 5). 4,716 units went On-Site in Dublin while a further 1,400 went On-Site in Munster.

(Note: Just over 2,550 one-off houses started in the period bringing the total number of units being built to just over 11,550.)



Residential Development in Ballsbridge, Dublin - On-Site Stage

Many of the larger schemes are on a phased basis but the increase in Residential activity remains modest in the context of market demand. However, issues remain with regard to funding of projects, VAT, development levies, 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.

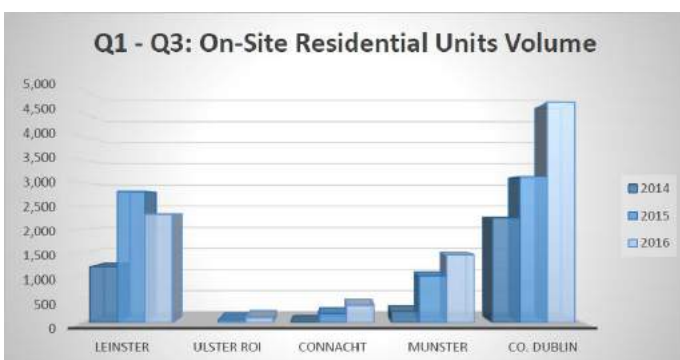


Fig. 5

The value of On-Site Residential projects shows a 34% increase in the value of projects On-Site in the first 9 months of 2016 when compared to the same period in 2015. However this must be read in the context that this increase is coming off a low base (Fig. 6) Connacht is the strongest growing region with a growth rate of 125%. It has a value of almost €44 million of projects moved to On-Site stage in the first nine months of 2016 when compared with the same period last year. Dublin, as expected, has over €800 million in projects On-Site in the period under review.



Fig. 6

Future Pipeline of Residential Sector Projects

In further positive news for the sector, the number of units granted planning permission in the first 9 months of 2016 is over 12,388. This is an increase of over 52% when compared with the same period last year. The Leinster region has had almost 4,000 units granted planning in the first 9 months of 2016, an increase of over 100% on the same period last year with Munster having granted almost 2,000 units, an increase of almost 80% on 2015.

CIS estimates the value of these projects to be over €1.6 billion with all regions growing significantly apart from Ulster (ROI). Dublin has over €900 million worth of projects which have been granted planning permission in this period. We have also seen an increase in value of projects in both Munster and Connacht in this period with over €51 million in projects granted planning in Connacht (Fig. 7).



Fig. 7

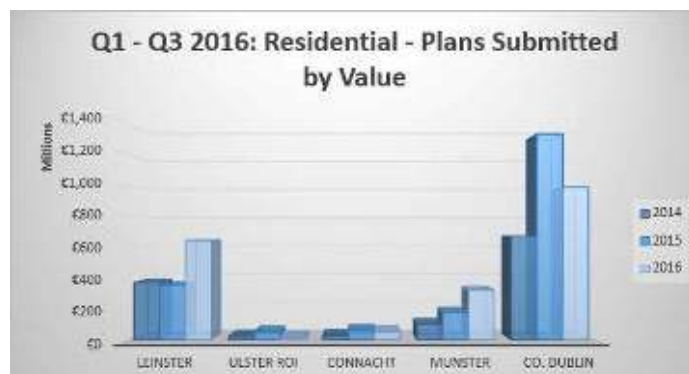


Fig. 8

Industrial Sector

CIS have calculated that over €600 million worth of projects have gone On-Site in the first 9 months of 2016 which is a 175% increase on the same period last year (Fig. 9). 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 to some extent.

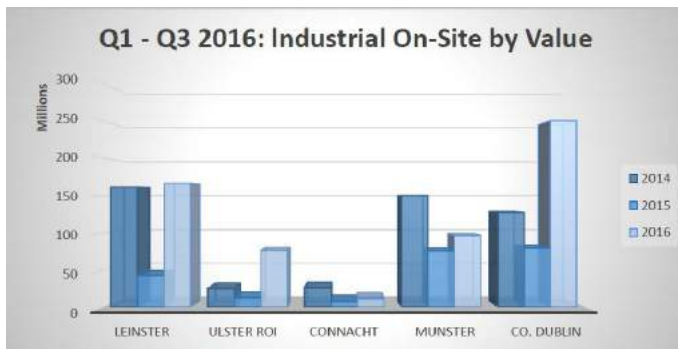


Fig. 9



Facebook Data Centre in Clonee, Co. Meath at On-Site Stage

This volatility in the market makes it extremely difficult to recognise patterns in the sector. We may discern some analysis from looking at the number of projects in each period. 167 projects have gone On-Site in this period of 2016. This is up from 148 in the same period last year which is in turn up 39 projects from the previous period in 2014 (Fig. 10).

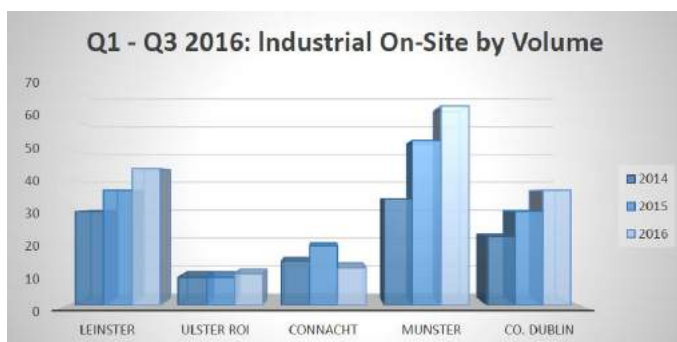


Fig. 10

Future Pipeline of Industrial Projects

According to our research, the sector has grown by 10% when compared with the same period in 2015. As can be seen from Fig. 11, Dublin and Connacht have experienced significant growth with Ulster ROI showing a drop of €65 million in the period compared to last year.

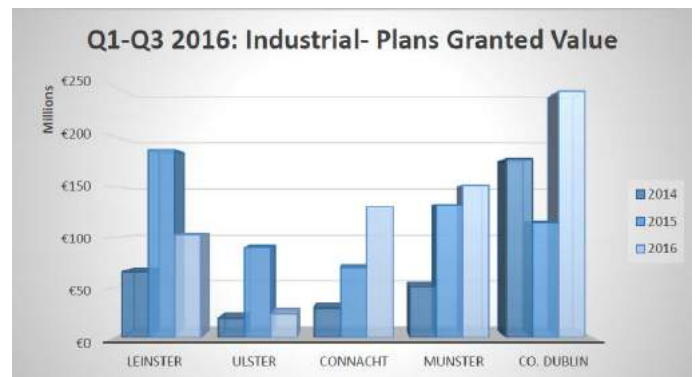


Fig. 11

Looking further down the line, we can see an increase in activity in the sector with the value of projects which had Plans Submitted in the first nine months of 2016, up by €60 million on the same period last year (Fig. 12). We estimate that over €750 million in projects have been submitted for planning in this period.

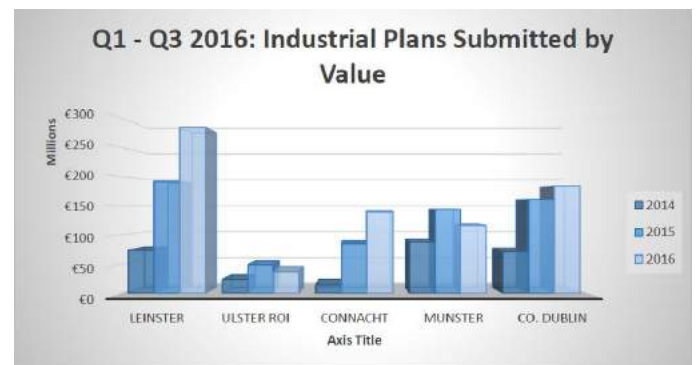


Fig. 12

Civil & Utilities Sector

The value of projects On-Site in the first 9 months of 2016 has increased by 6% from €1.29 billion in 2015 to over €1.36 billion. However, as can be seen from Fig. 13, the growth is directly attributable to one or two large scale projects in Leinster.

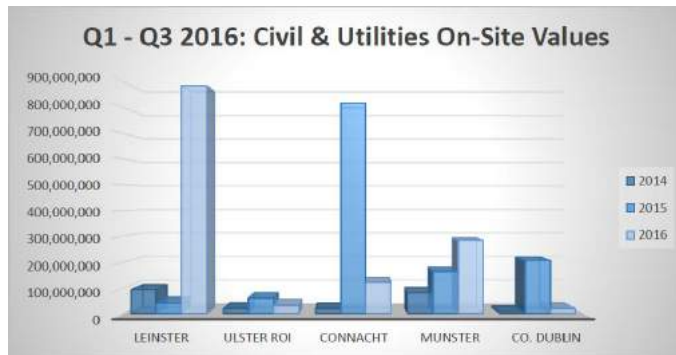


Fig. 13



On-Site Gort to Tuam Motorway scheme

Only 8 projects over €10 million have commenced On-Site in Q3 2016, split evenly between wind farms and flood relief schemes.

Future Pipeline of Civil Sector Projects

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 over €610 million worth of Civil & Utilities projects being granted planning in the first 9 months of 2016. This is up from €490 million, or 25% in the same period in 2015 (Fig. 14).

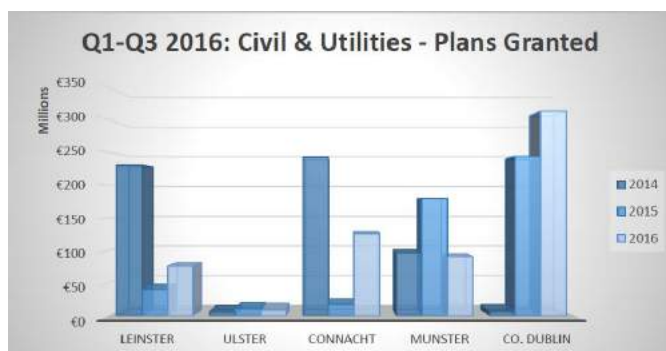


Fig. 14

Two major projects account for €400 million of the total Plans Granted projects, in the form of the Ringsend Waste water treatment works extension and the Oweninny Wind Farm. Dublin has over 50% of the projects by value with Connacht with a further 20%.



Dublin's Ringsend Water Treatment Plant Extension at Plans Granted Stage

2016 has seen a surge in Plans Granted for renewable energy projects with 17 solar farms granted planning as compared to just 1 in the same period last year (Fig. 15). Unsurprisingly the south east has the majority of these projects.

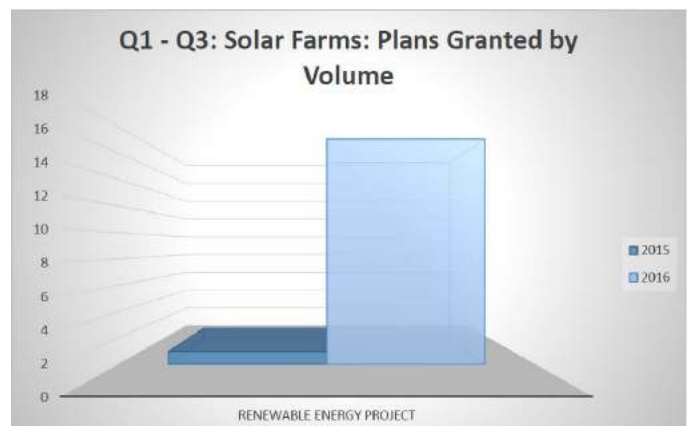


Fig. 15

The number of projects submitted for planning in the first nine months of 2016 is up 45% on the same period last year with almost 200 projects in the sector. Leinster and Munster are the biggest regions in the sector by volume with 61 and 66 respectively.

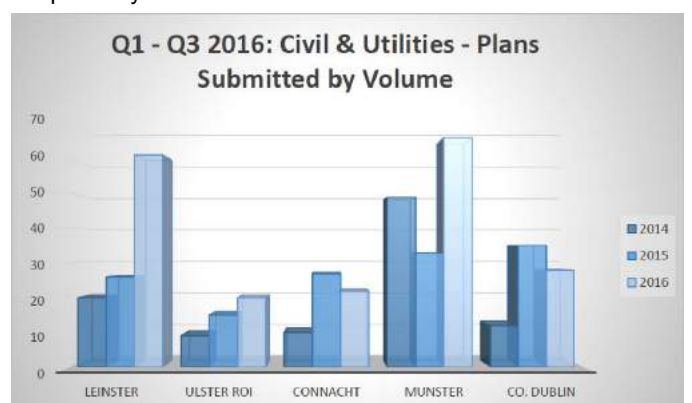


Fig. 16

Medical & Care Residential Sector

The Medical Sector has shown an increase in activity in the first 9 months of 2016. CIS estimate that over €1 billion's worth of projects have gone On-Site in Q3 2016 (Fig. 17). This is an increase of over 300% on the same period last year.

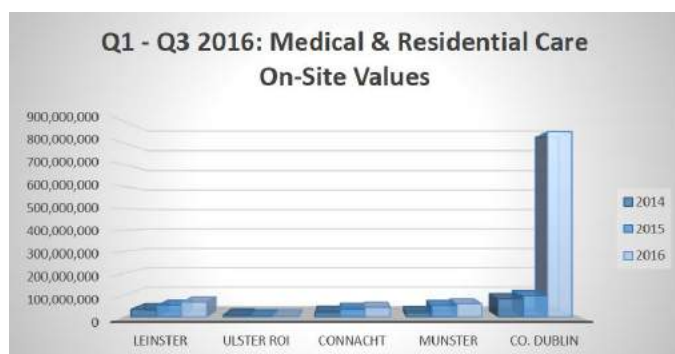


Fig. 17

This massive jump can be accredited to the €750m National Children's Hospital where enabling works have begun for the new hospital at St James, Dublin. If we remove this hospital from our data we get a more modest 14% increase in project value for the period. In terms of the regional breakdown, all regions have shown growth for the 9 months.



The €750m National Children's Hospital at On-Site Stage

Future Pipeline of Medical & Care Residential Projects

The number of projects which have been granted planning permission in the first 9 months of 2016 has fallen by 9% (Fig. 18), but when we look at from a value perspective, we see growth of 90% for the 9 months year on year, due to the National Children's Hospital being granted permission in Q2 2016 (Fig. 19).

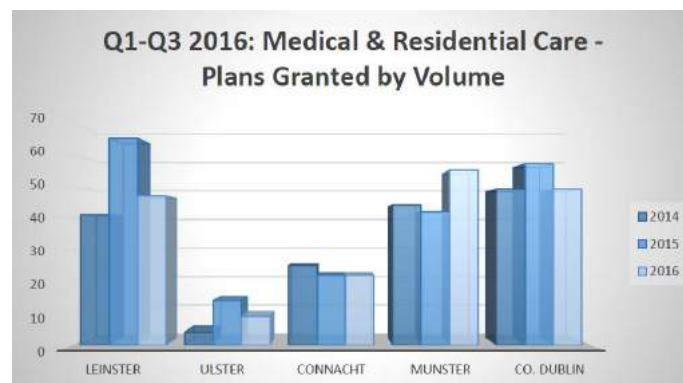


Fig. 18

A trend of decline in investment appears to be emerging with the number of projects granted planning down 24% to 56 in Q3 compared with Q2 2016. This trend can be further evidenced in Plans Submitted with a 17% decrease in projects for the first 9 months of 2016 when compared with 2015.

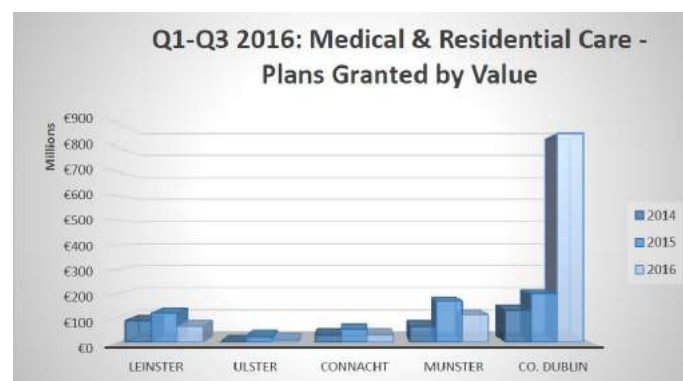


Fig. 19

Commercial and Retail Sector

In this sector CIS recorded an increase of 10% in the value of projects On-Site in the first 9 months of 2016 when compared with the same period last year (Fig. 20). There was over €750 million in projects which went On-Site in the period under review.

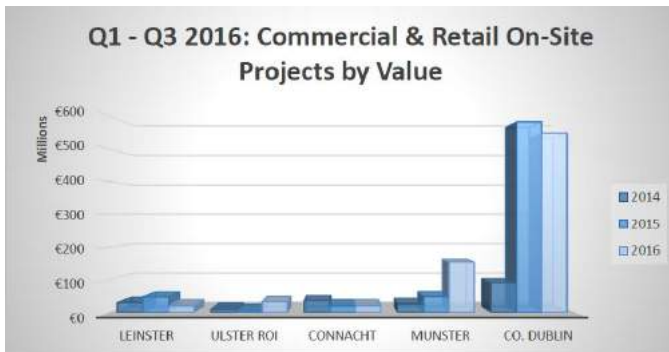


Fig. 20

The regional breakdown shows Dublin with a 70% market share in the sector. Munster has grown strongly this year with a 20% share at over €150 million in projects On-Site.

Future Pipeline of Commercial and Retail Projects

CIS expect further growth in this sector as over €1.8 billion in projects have been granted planning in the first 9 months of 2016 in the Commercial & Retail Sector (Fig. 21). This represents a 55% increase on the same period last year. Much of the activity is Dublin based with over 70% of the value, but CIS expect this situation to improve in the next few years.

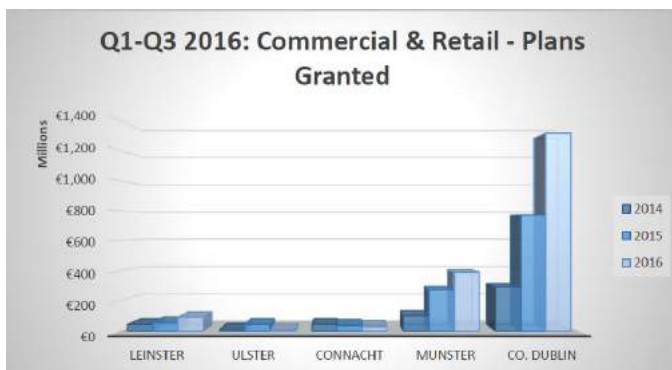


Fig. 21



€90m Office Development in Cork City at Plans Granted Stage

Over €1.8 billion of projects have been submitted to planning in the first 9 months of 2016, up from just under €1.2 billion in the same period last year (Fig. 22). Munster accounts for over €400m of this figure.

The overall value represents a growth rate of 120% for the Q3 period. Dublin had over €1.2 billion of Plans Submitted for the period, up 40% from the same period last year.

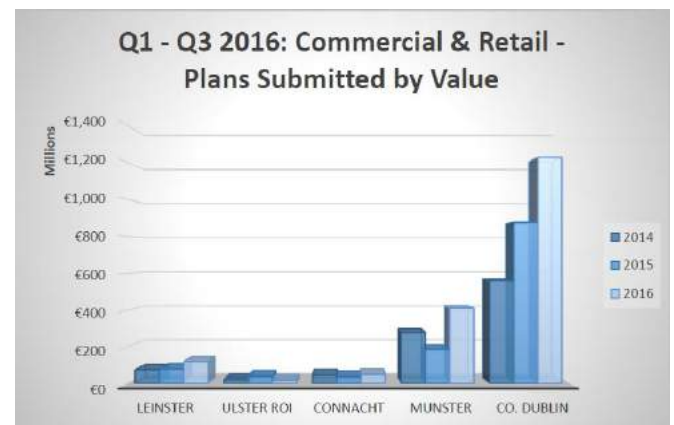


Fig. 22



€90m Commercial Development on Nassau Street in Dublin City at Plans Submitted Stage

Education Sector

CIS estimates that over €350 million worth of projects have gone On-Site in the first 9 months of 2016 (Fig. 23). This is an increase of 10% on the same period last year. One major project responsible for the majority of On-Site values in 2016 is in Dublin with the €70 million Trinity Business School which commenced in September. Munster and Connacht's On-Site values have fallen significantly in the period, down 44% and 31% respectively.

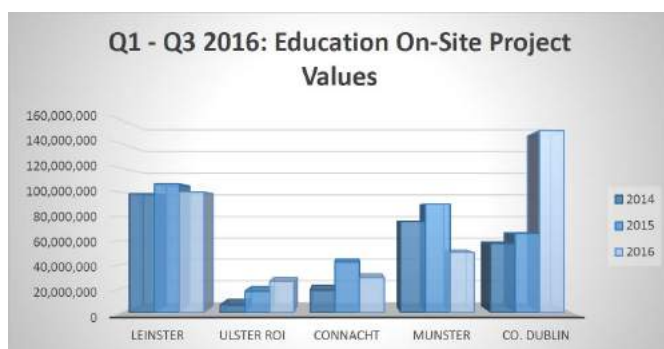


Fig. 23

The regional breakdown shows Dublin representing just over 42% of the sector, with Leinster a further 28%.



€70m Trinity Business School in Dublin at On-Site Stage

Future Pipeline of Education Projects

The sector shows a decrease of over 50% in the value of project granted planning permission for the first 9 months of 2016, when compared with the same period in 2015 (Fig. 24). This may be due to the number of large college schemes which have passed through the planning process in 2015, such as Grangegorman and the Trinity Business School.



€70m East Quad Development at Grangegorman in Dublin at Plans Granted Stage

There is almost €260 million in projects which have received planning permission in the first 9 months of the year with Munster having the highest value of projects at 31%.

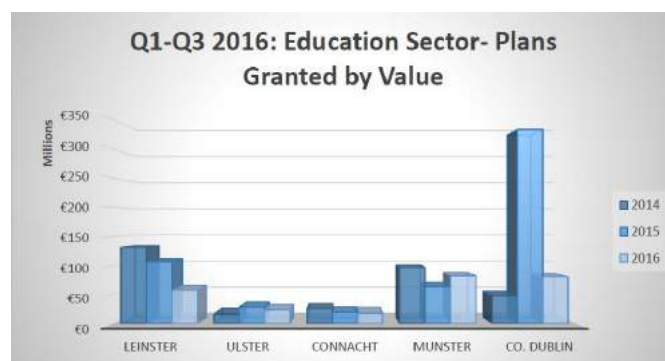


Fig. 24

The value of projects which were submitted for planning in the first 9 months of 2016 is also down significantly from the same period last year, with just over €280 million of projects in the pipeline (Fig. 25). This is down over 42% on the same period last year.

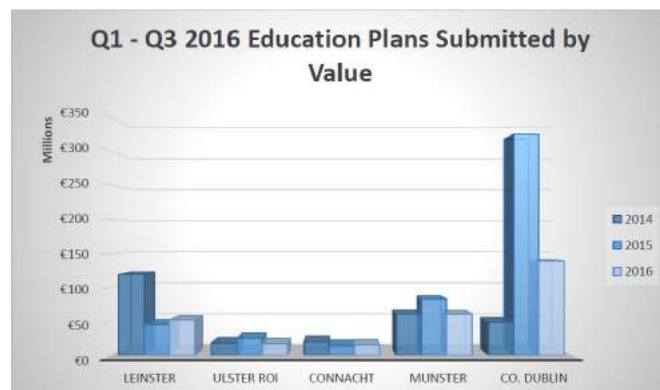


Fig. 25

Hotel & Catering Sector

The Hotel and Catering Sector continues to perform strongly with a 180% increase in the value of projects going On-Site in the first 9 months of 2016 (Fig. 26).

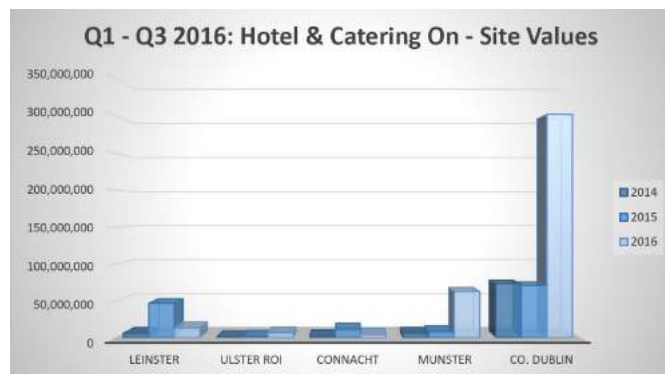


Fig. 26

Much of this sector's growth in Dublin can be attributed to a new hotel on Aungier Street where demolition has begun. We are also seeing a number of large student accommodation developments taking place in this sector.

The regional breakdown shows Dublin performing exceptionally well with 78% of market share, up from 61% in Q1. Munster has a 16% share and Connacht, Leinster and Ulster only have 6% of the market between them.



Aungier Street Hotel in Dublin at On-Site Stage

Future Pipeline of Hotel & Catering Projects

CIS expect further growth in this sector and this is evidenced by the growth in Plans Granted by 34% when compared to the same period last year (Fig. 27). Over €531 million in projects have been granted planning in the period, with Ulster, Connacht and Munster experiencing triple digit growth rates.



Fig. 27

There is another €650 million in projects submitted for planning in the first 6 months of the year with a growth of 34% against the corresponding period last year (Fig. 28).

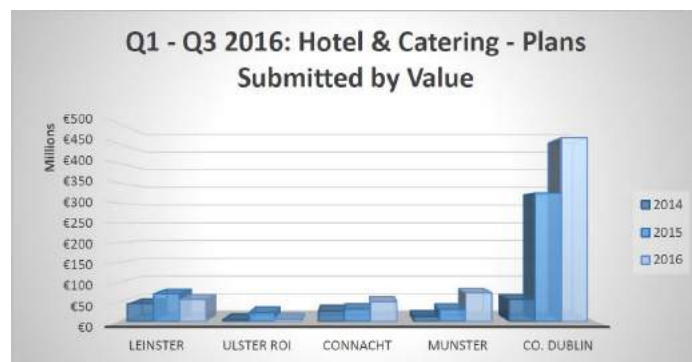


Fig. 28

The proposed €150 million hotel and office redevelopment for the former Clery's building represents a significant opportunity that has been submitted this quarter.



Clery's Store Redevelopment in Dublin City at Plans Submitted Stage

Social, Sport & Leisure Sector

CIS has seen a 33% increase in project values when compared with the same period last year. Over €190 million in projects has gone On-Site in the first 9 months of the year (Fig. 29). The €53 million Event and Convention Centre in Cork started in September. Removing this project from the data would show a flat sector.

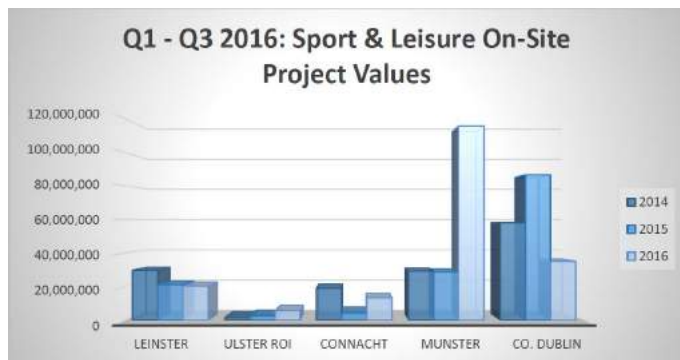


Fig. 29

The regional breakdown shows Munster with over 60% of the value of projects which have started in the first 9 months of 2016.



€53m Events and Convention Centre in Cork City at On-Site Stage

Future Pipeline of Social, Sport and Leisure Projects

Over €475 million worth of projects have been granted permission in the first 9 months of 2016 but much of this is made up of the €230 million Centre Parcs development in Longford which has now been approved after appeal.

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 also a major contributor to the total.



Fig. 30

As can be seen from Fig. 31 below, most regions are on a negative trajectory with the exception of Leinster where the racecourse redevelopment at the Curragh, and Dublin where the RDS Re-development delivers positive growth of 33% to the sector.

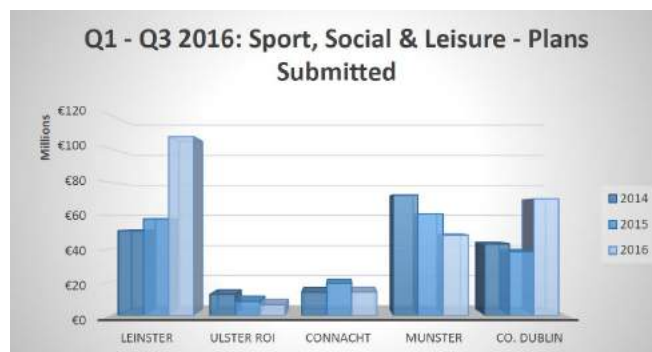


Fig. 31

The volume of projects submitted for planning has fallen by 25% in the period under review, down from 409 to 308.



RDS Re-Development in Dublin at Plans Submitted Stage

Agriculture Sector

On-Site project values in the Agricultural Sector has decreased by just over 9% in the first 9 months of 2016, to just over €84 million.

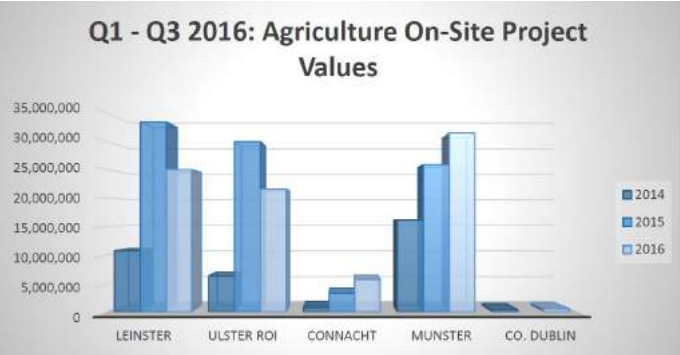


Fig .32

Future Pipeline of Agricultural Projects

Despite the weak growth in On-Sites in the sector, the value of projects having reached Plans Granted has grown by 39% to €545 million in 2016 compared to the same period in 2015. (Fig. 33) Almost 1,600 projects have been granted planning in the period under review, up from 875 in the same period last year.

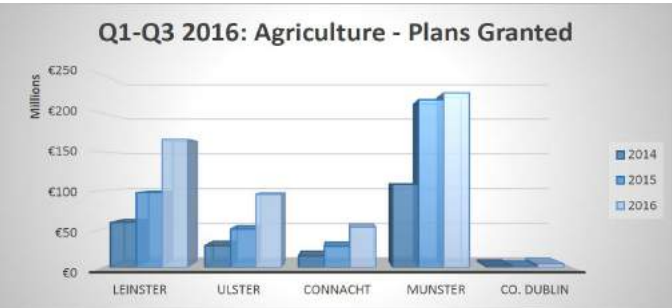


Fig .33

There is a further €508 million in Plans Submitted for the first 9 months of the year, an increase of 1% on the same period last year. (Fig. 34) This was made up of 1,618 projects compared to 1,267 in the same period last year.

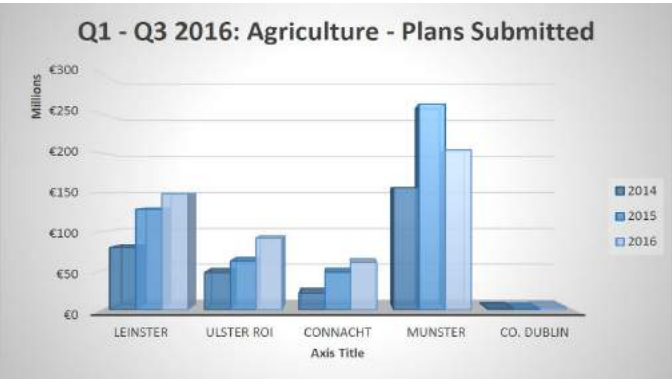


Fig .34

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- We count the largest proportion of the project where projects are multi sectoral.