

Construction Market Review

2016

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

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About CIS

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

It also provides an insight into the overall planning pipeline for 2017 and beyond on a sector by sector basis and in addition a regional analysis of the Republic of Ireland.

Overview

In 2016, the positive momentum was maintained, ending the year on a positive note with increased activity across several sectors and outside of Dublin. It is estimated that construction output was in excess of €14 billion, an increase of 15% on 2015. Employment in the sector continues to grow at an accelerated pace, with the CIF committed to attracting back the workforce displaced by the recession, to sustain the volume of ongoing construction activity. Over €8 billion in projects across all sectors moved On-site in 2016, up from €5.7 billion in 2015 and €3.4 billion in 2014 – 40% and 135% respectively.

2016 witnessed the UK vote to leave the European Union and the election of Donald Trump as the US President, the impact of both will take some time to play out in terms of the effect on the Irish economy and construction sector. In the closing months of 2016 there was consensus among industry commentators regarding the challenges facing the sector in 2017, namely the shortage in skilled resources, the lack of speculative investment in areas such as the residential sector, the funding for large scale developments and the unknown elements emanating from the Brexit decision.

Looking at the pipeline for 2017 and beyond, most sectors are demonstrating positive increases in projects at Plans Submitted, Plans Granted and projects commencing On-site. It will come as no surprise to note that the Residential sector is the showing the largest increase in plans being submitted. This is as a result of numerous initiatives by Government and NAMA in terms of social housing and developers commencing numerous large scale private sector projects such as Lansdowne Place in Ballsbridge, Dublin 4. Speculative development for some private developments may prove slow following the recent 4% cap on rent increases, however, the underlying activity appears to be healthy.

The vibrant Commercial sector will have in excess of 300,000 square meters of office space nearing completion in 2017. The sector has experienced an increase of 41% in projects commencing construction in 2016 compared to 2015 and over €1.9 billion has been submitted for planning approval in 2016, all of which will support the increasing demand from FDI companies looking to locate and/or expand in Ireland, in addition to the potential interest from global organisations who may be affected by Brexit. In terms of activity spreading to other regions, there has been a 95% increase in planning applications over 2015 for Munster, albeit it coming off a small base.

Government spend on infrastructure across all regions remains slow, with the value of projects moving to On-site falling by 6% in 2016 when compared to 2015, although there was an increase of 30% in the number of projects. The value of projects granted permission in 2016 increased by 174% over 2015, with a value in excess of €1.5 billion. According to CIS data, there is in excess of €6 billion in projects at Plans Submitted, Plan Granted or at Tender stage and it could be inferred that some of these projects may progress to On-site following the recent announcement of €2.65 billion in capital spending in the second half of 2017, to face the challenges of Brexit and ensure greater regional development.

The commencement of enabling works at the New Children's Hospital in 2016 skews the data in terms of construction values. The value and volume of Medical projects going On-site in 2016 remained static when compared to 2015. The trend is heading downwards, with projects submitted for planning permission falling by 21% over 2015.

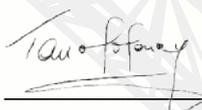
The Education sector is showing declines in volume and value of 40% and 13% respectively of projects being granted permission in 2016 over 2015. Plans submitted also declined albeit at a much smaller rate of minus 3%.

The Hospitality sector is currently enjoying a resurgence in activity, assisted in no small measure by 'Tourism Ireland'. 2016 witnessed a 179% increase or €440 million in projects commencing On-Site compared to 2015.

The volume and value of projects being submitted and granted permission are continually increasing, with strong performance in Connaught and Munster.

The Social, Sport, and Leisure sector experienced a 32% increase in the number of projects commencing construction in 2016. However, the value of these projects decrease by 10% when compared to 2015. The volume of projects at both Plans Submitted and Plans Granted stages in 2016 are trending downward, which will have a knock on effect for 2017.

Finally, in our recently published Construction Forecast Report 2017, we identified in excess of €19 billion in key projects which are under construction, going On-site or due to commence across all sectors throughout the Ireland (excluding the buoyant self-build market). This indicates that the industry will remain in an upward trajectory for some time to come.



Tom Moloney, MD

2016: Key Construction Activity Overview

- Over €8 billion in projects moved On-Site in 2016
- 2,800 projects Moved On-Site (ex. one-off housing)
- Almost €11 billion worth of projects moved to Plans Granted stage
- Volume of Plans Submitted projects up 5%
- Over 16,500 Residential Units were granted planning

Construction Projects at On-Site Stage in Republic Of Ireland

CIS estimates that over €8 billion in projects across all sectors have moved On-Site in 2016, up from €5.7 billion in 2015 and €3.4 billion in 2014 (Fig. 1)



Fig. 1

This is an increase of over 25% (excluding single dwelling and residential extensions.) However, the Commercial, Education and Sport and Social Sectors have decreased in value terms in 2016. All other sectors show an increase in activity by value (Fig. 2). The Residential and Civil & Utilities sectors were the largest in terms of value in 2016.

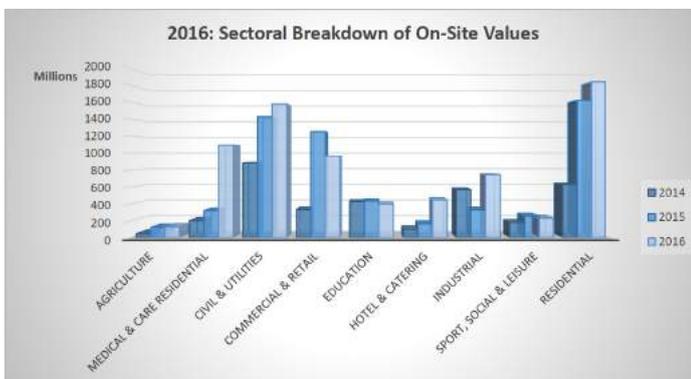


Fig. 2

The volume of projects moving On-Site increased by 27% to over 2,800 in 2016.

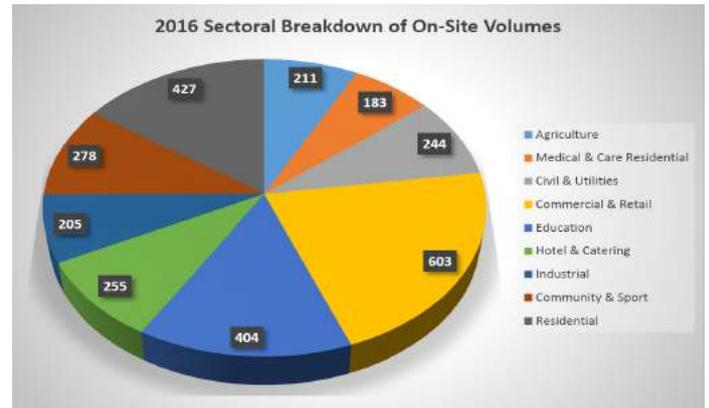


Fig. 3

* '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.

Construction Projects at Plans Granted Stage in Republic Of Ireland

The value of projects that moved to Plans Granted stage in 2016 is up 37% over 2015, to almost €11 billion (Fig. 4).

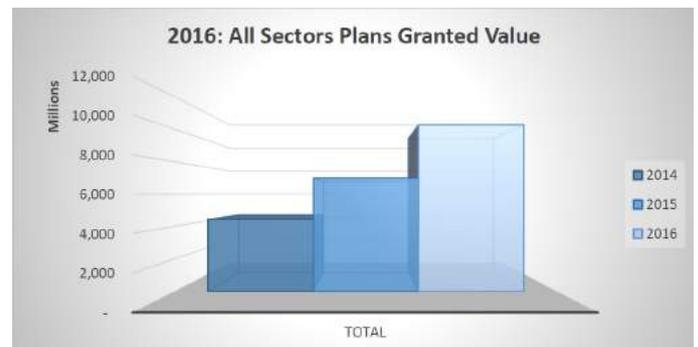


Fig. 4

The value of projects granted planning has more than doubled in two years (Fig.5). The Residential and Commercial sectors are the leading two in terms of collective project value.

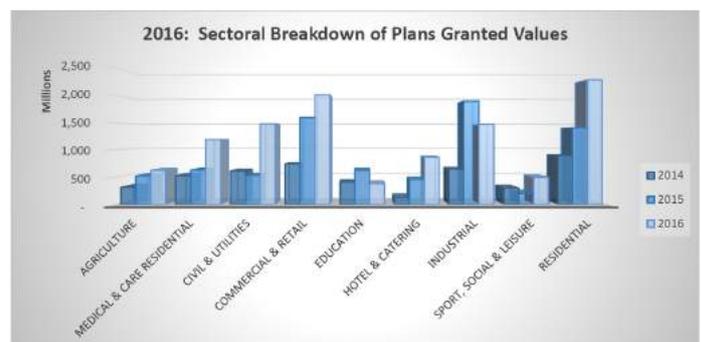


Fig. 5

The overall volume of projects granted planning in 2016 is up 12% on 2015 levels. The Medical & Care Residential, Industrial, Education, Sport, Social & Leisure sectors are all down slightly in terms of project volume (Fig. 6). Every other sector is growing.

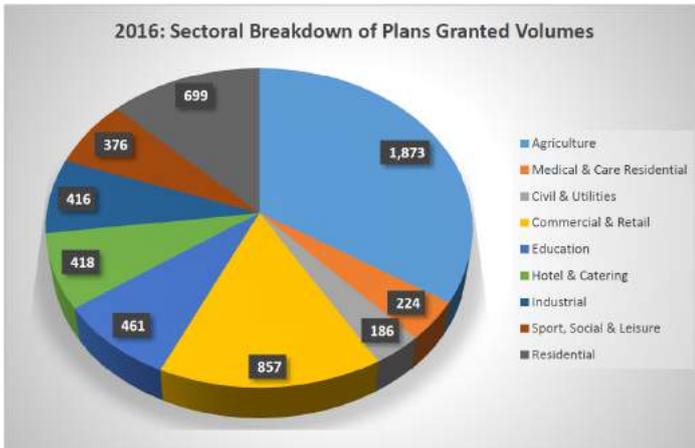


Fig. 6

The volume of projects which have been submitted for planning in 2016 is up by 5% on 2015 levels (Fig. 9). Unsurprisingly, and in keeping with the trends in the other stages, the Sport, Social & Leisure, Education and Medical & Care Residential sectors are all down slightly in project volume while all other sectors have grown in the period under review.

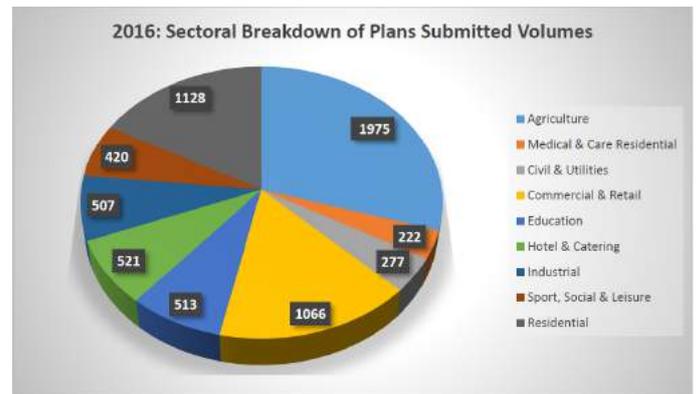


Fig. 9

Construction Projects at Plans Submitted Stage in Republic Of Ireland

The overall value of projects in 2016 at Plans Submitted stage is up 3% on 2015 levels (Fig. 7).

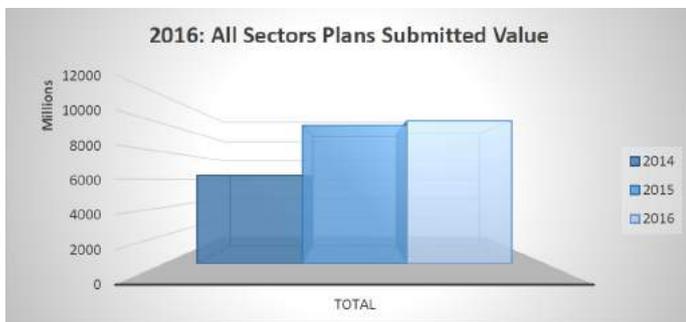


Fig. 7

The Agriculture, Medical, Education, Industrial, and Sport sectors are all down slightly in terms of total project value. Residential is the largest sector at this stage of the pipeline (Fig. 8).

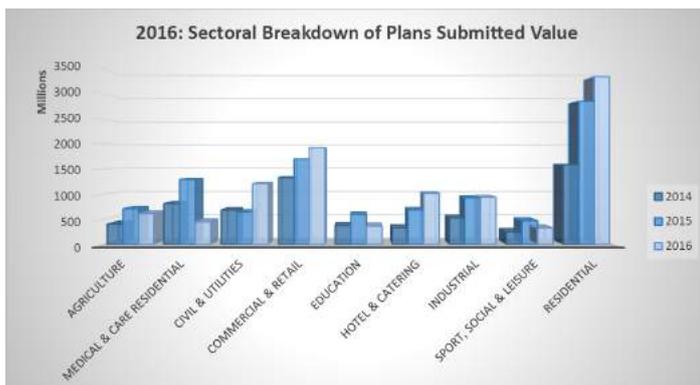


Fig. 8

Residential Sector

The value of On-Site Residential projects in 2016 is up 34% on 2015. Dublin had over €1 billion worth of projects in the Residential Sector which went On-Site in the year, an increase of over 40% on 2015 (Fig.10). Leinster has seen a slight decrease of 4% in residential project values in 2016 compared to the previous year.

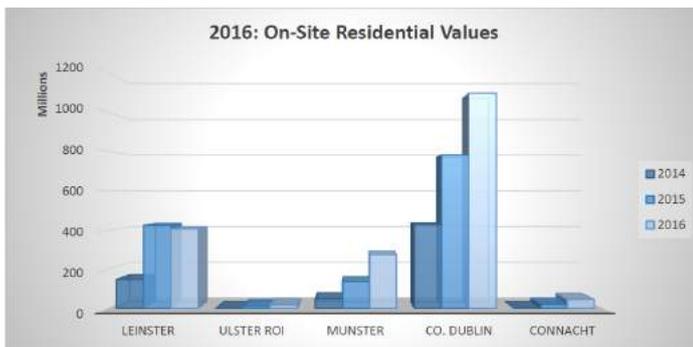


Fig. 10

Over 13,200 units have moved On-Site in 2016 in multi-unit developments, an increase of 32% on 2015. (*a number of these units will be build on a phased basis) In 2016, 6,800 units have started in Dublin alone with a further 3,400 in Leinster (Fig. 11).

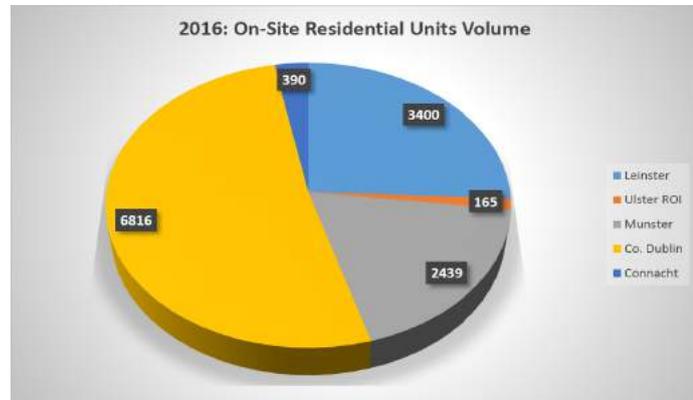


Fig. 11

Munster has shown the largest percentage increase with a doubling of the number of units started. Connacht and Ulster regions grew strongly in the period, albeit from a very low base.

(Note: a further 3,300 one-off housing units began construction in 2016, bringing the total number of houses under construction last year to over 16,500, compared with 2015)

Future Pipeline of Residential Sector Projects

Over 16,000 units (excluding one-off housing units) in the Residential Sector have been granted planning in 2016, which is a 48% increase on 2015 figures (Fig. 12).

As expected, Leinster and Dublin are the strongest performing regions, both in terms of market share and growth rate. Over 5,000 units have been granted planning in the Leinster region as price inflation moves from Dublin to surrounding counties.

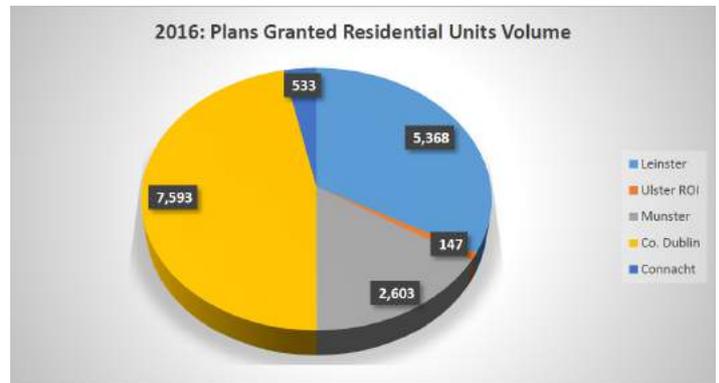


Fig. 12

CIS estimates the value of these projects to be just under €2.3 billion, an increase of 58% over 2015, with all regions growing significantly apart from Ulster (ROI). Dublin has over €1.2 billion worth of projects which have been granted planning permission in this period (Fig. 13). There has also been an increase in the value of projects in both Munster and Connacht in this period, with over €63 million in projects granted planning in Connacht alone.

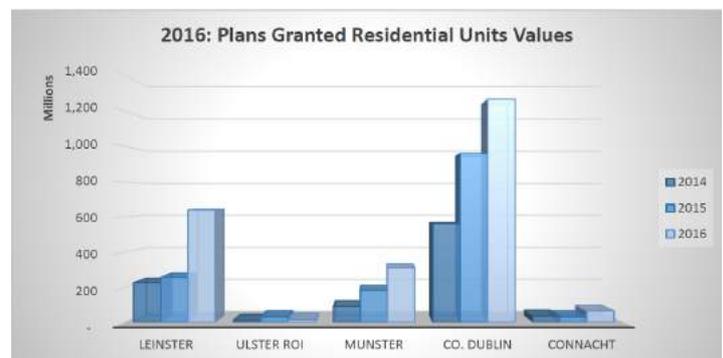


Fig. 13

The value of Residential projects submitted for planning in 2016 has increased by 17% over the previous year (Fig.14).

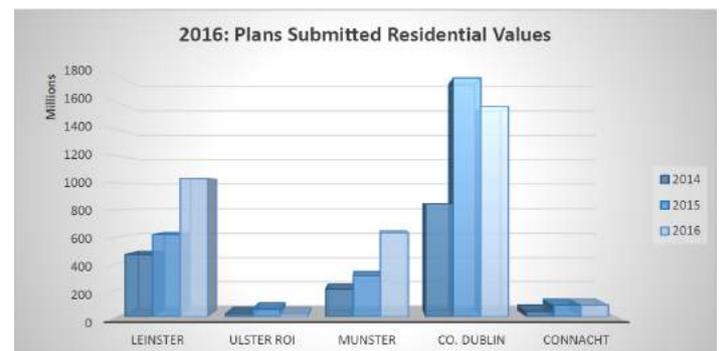


Fig. 14

Industrial Sector

CIS has calculated that over €740 million worth of projects have moved On-Site in 2016 which is a 127% increase on 2015 (Fig. 15). However, a large part of this increase is due to a small number of data centres which have moved On-Site this year in Leinster and Dublin to some extent.

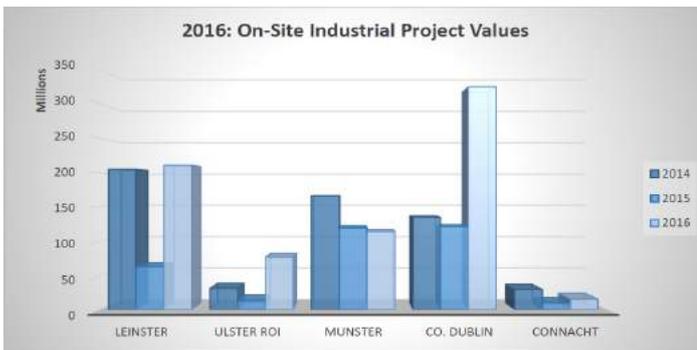


Fig. 15

Due to the differing values of projects in this sector, it is sometimes difficult to discern patterns. However if we look at the number of projects On-Site in this sector, this metric has risen 7% in 2016 over 2015 with in excess of 200 projects started (Fig. 16). All regions have shown positive growth with the exception of Connacht.

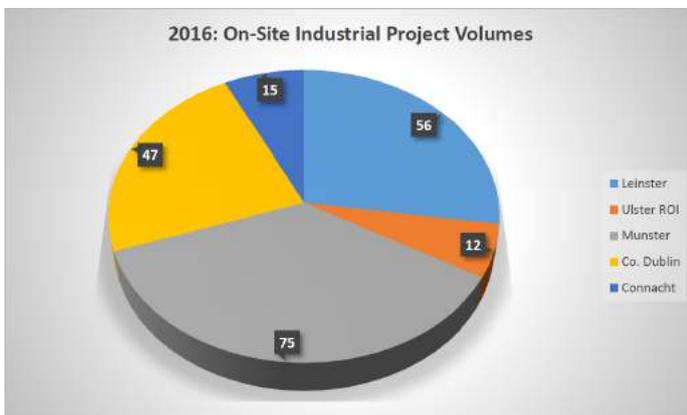


Fig. 16

Future Pipeline of Industrial Projects

According to CIS research, the value of projects granted planning in 2016 in the sector has fallen by 2% when compared with 2015 (Fig.17). Connacht and Dublin have both increased in value while all other regions have fallen. It is worth noting that Connacht's value increase can be mostly attributed to the granting of plans for the €850m Apple Data Centre in Athenry, Co. Galway.

Dublin's gain has been negated by the fall in value in Leinster. Munster has remained almost static. Overall, €830 million worth of industrial projects received planning permission in 2016.

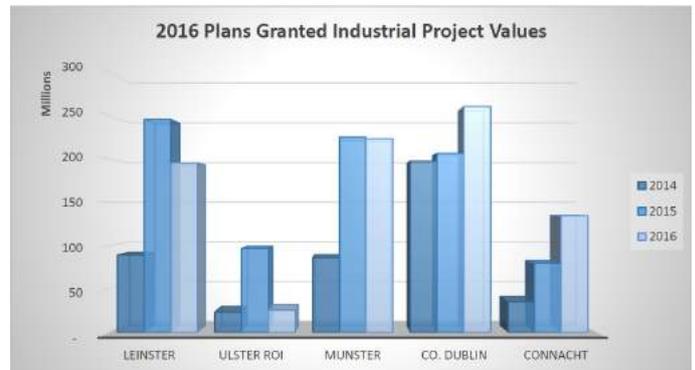


Fig. 17

Looking further into the future, we see a stagnant market with minimal growth of 1% in the sector at Plans Submitted stage in 2016. Over €940 million worth of industrial projects were submitted for planning in 2016 (Fig. 18).

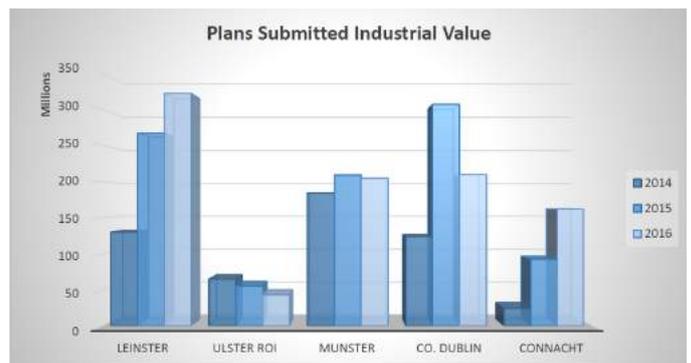


Fig. 18

Civil & Utilities Sector

The value of Civil projects moving to On-Site stage in 2016 has fallen 6% when compared with 2015, down from €1.68 billion to €1.58 billion (Fig. 19).

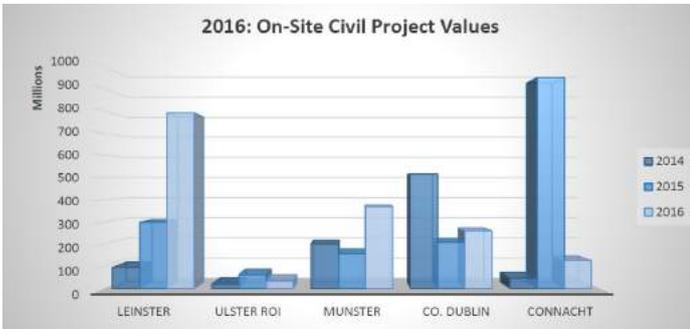


Fig. 19

However, when we look at the number of projects, we see a 30% increase in projects started as the Government ramps up its capital program (Fig. 20). Over 240 projects began in 2016, with 100 in Munster alone.

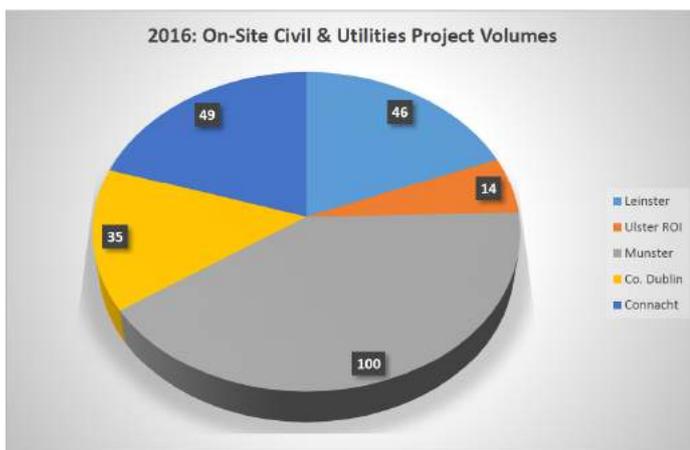
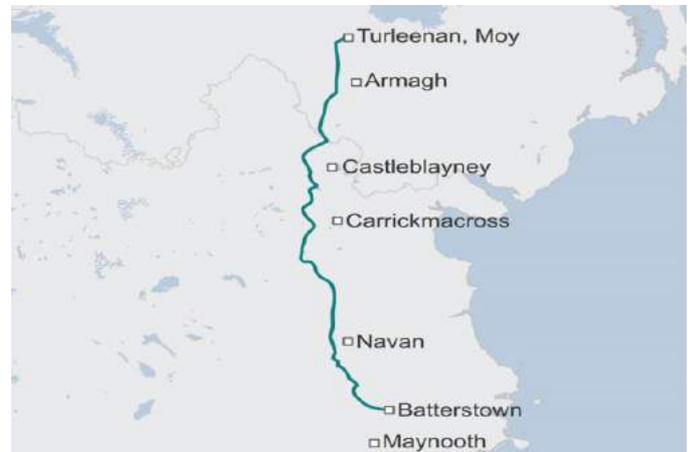


Fig. 20

Future Pipeline of Civil Sector Projects

The value of Civil projects granted planning in 2016 has increased by 174% when compared with 2015 (Fig. 21). Over €1.5 billion of projects are in the pipeline with a regional spread of over €300 million in each region (with the exception of Munster which has only €120 million at Plans Granted stage).

The North-South interconnector which was controversially granted planning by An Bord Plenala in December 2016 is classed as an Ulster project but will be also routed through much of Leinster.



Map of North-South Interconnector at Plans Granted stage

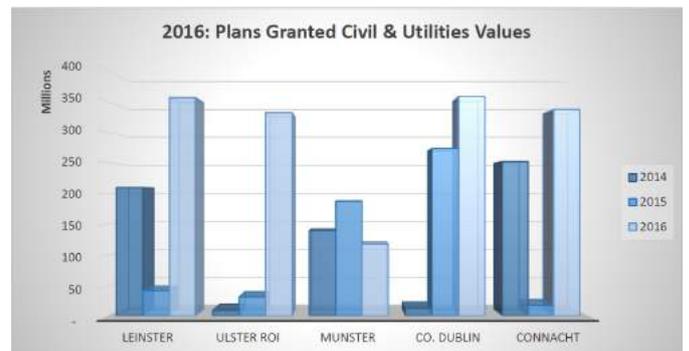


Fig. 21

The number of Civil projects submitted for planning in 2016 is up 29% on 2015 levels with over 275 projects submitted for planning (Fig. 22). Leinster has the largest share of the market with 95 projects in this category, or 35% of the market.

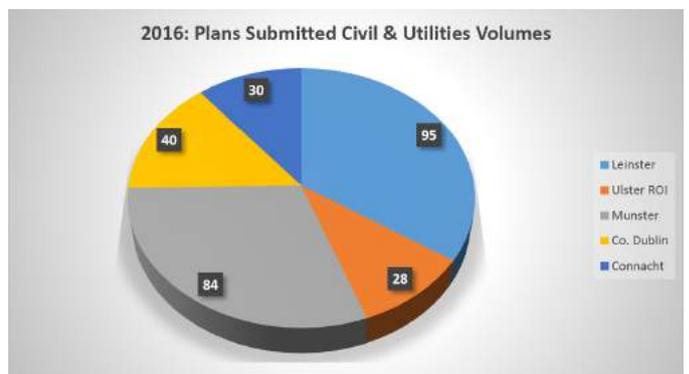


Fig. 22

Medical & Care Residential Sector

The commencement of enabling works on the New Children's Hospital in 2016, with its updated value of €200m to €950 million, sees a growth of 245% in On-Site values to almost €1.1 billion in 2016 versus 2015. The number of Medical & Care Residential projects has actually fallen by 2% in 2016 from 186 to 183 projects.

**The increased value of the New Children's Hospital to €950m will further skew the data in future reports.*

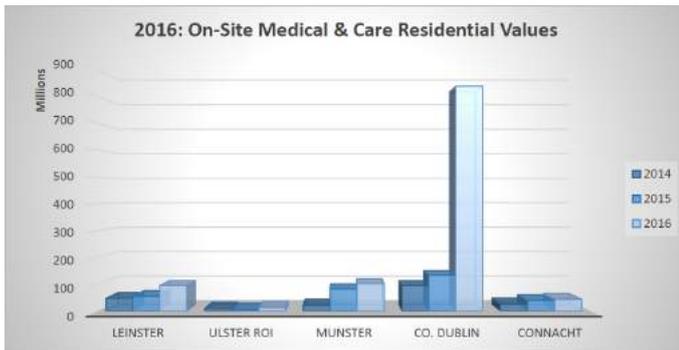


Fig. 23

While the volume of projects on site in the Medical & Care Residential sector has remained static, the volume of primary care/surgery projects on site has increased by 43% when compared with 2015 (Fig. 24). This trend is in line with the Government pledge to take the pressure off the acute hospitals by treating patients in the community.

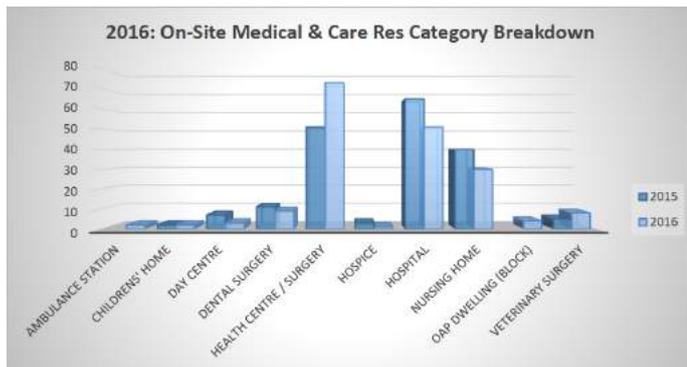


Fig. 24

Future Pipeline of Medical & Care Residential Projects

The number of projects granted planning in 2016 has fallen by 11% year on year with only 224 projects granted planning. Almost €1.2 billion in projects has been granted planning permission with the New Children's Hospital representing the majority of the total at €950 million.

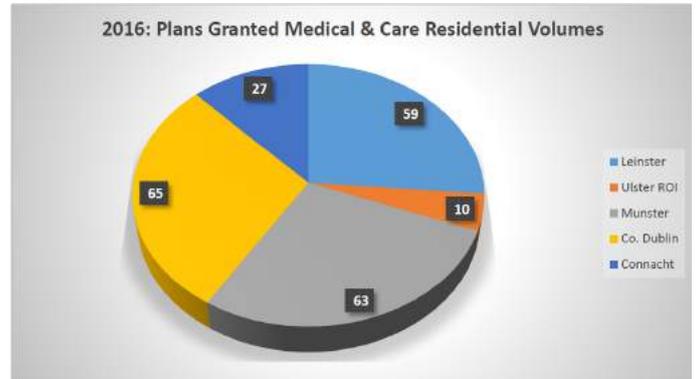


Fig. 25

The sector is trending downwards with only 222 projects submitted for planning in 2016, down from 282 in 2015 or minus 21%. All regions are experiencing this decline (Fig. 26)

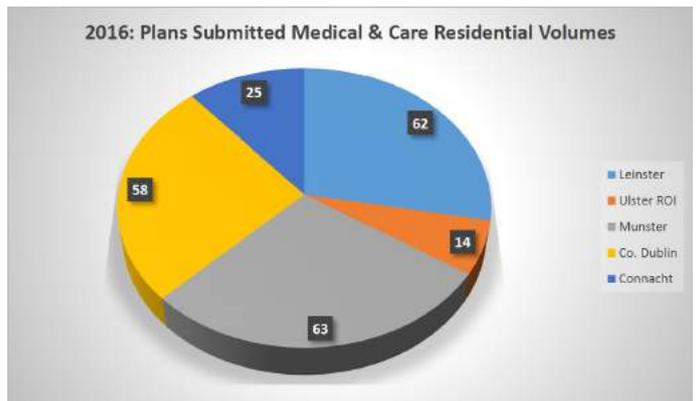


Fig. 26



€40m National Rehabilitation Centre Project - Phase 1 at Tender Stage

Commercial and Retail Sector

In the Commercial and Retail Sector the overall value of projects commencing On-site in 2016 has decreased by 23% on 2015, the main impact relates the number of tier one projects. When we look at the volume of projects that moved to On-site there was an increase of 41% in the same period.

To demonstrate this further, over 600 projects commenced country wide, with over 405 of these based in Dublin, but the value of these commencements in Dublin was down over €400 million on 2015 (Fig. 27).



Fig. 27

Currently in excess of 600,000 square meters of commercial developments are On-Site, with a construction value of circa €1.5 billion. The largest proportion of this is office and retail developments (Fig.28).

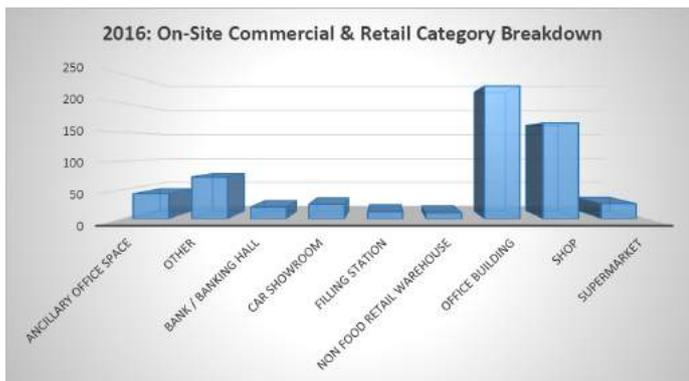


Fig. 28

Future Pipeline of Commercial and Retail Projects

CIS predicts probable further growth in this sector in 2017 as over €2 billion in projects have been granted planning in 2016, an increase of 24% over 2015 (Fig. 29) . The number of projects granted planning is however only up 2% on 2015.

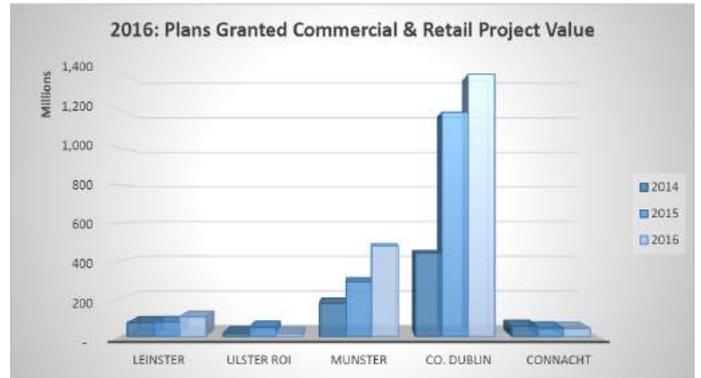


Fig. 29

Over €1.9 billion of Commercial projects have been submitted for planning in 2016, an increase of 13% on 2015 levels. Munster has shown a 95% increase in projects submitted for planning in 2016 when compared with 2015.

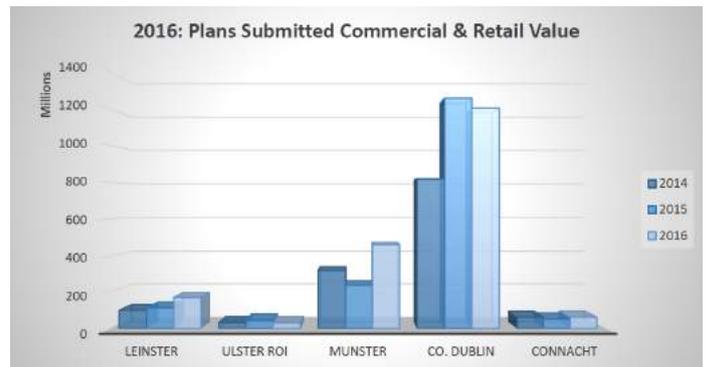


Fig. 29a



€67m Mix-Use Office Development in Swords, Co. Dublin at Plans Granted Stage

Education Sector

Just over 400 Education projects moved On-Site in 2016. This is a decrease of 2% on 2015. Leinster has the largest share of the market at 120 projects with Munster closely behind with just over 100 (Fig. 30).

In monetary terms the value of projects On-Site in 2016 fell 9% to just under €400 million compared to 2015 data. Leinster, Munster and Connacht all experienced reductions in spending with only the Trinity Business School in Dublin minimising the drop in value.



€6m School development in Co. Clare at Plans Granted Stage

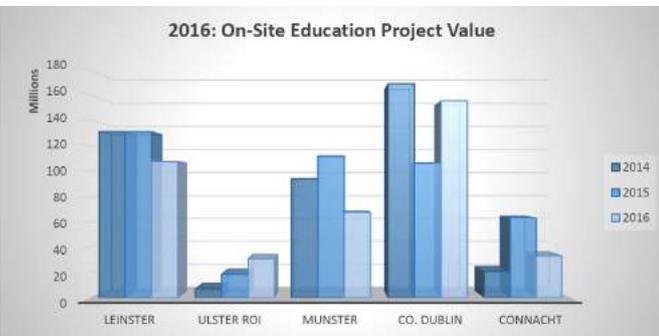


Fig .30

Future Pipeline of Education Projects

The sector has experienced a 40% decrease in the value of projects granted planning permission in 2016 when compared with 2015 (Fig. 31). This is due in no small part to the number of college campus schemes which went through the planning process in 2015.

The volume of Education projects which have been submitted for planning in 2016 has fallen 3% with 513 projects submitted in 2016 when compared with 2015. Munster and Leinster have the largest proportion of the sectoral breakdown.

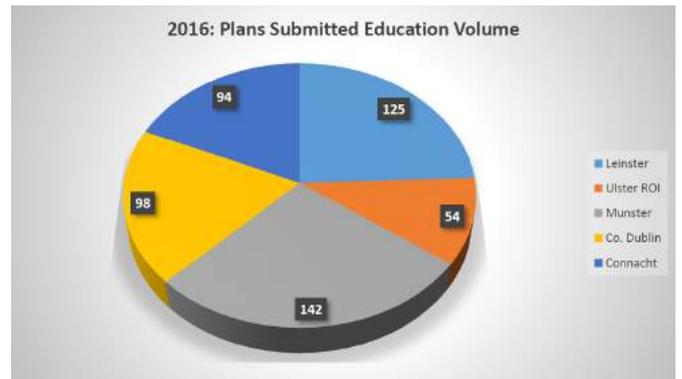


Fig .32

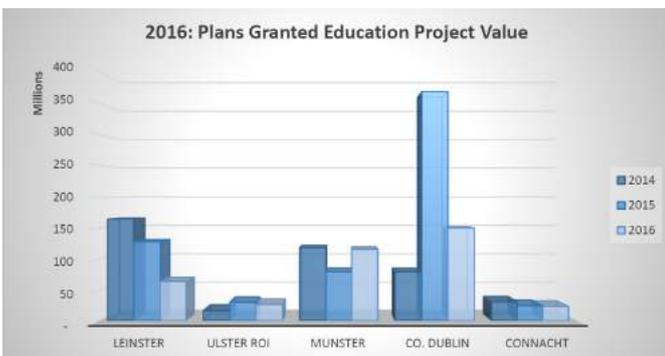


Fig. 31

Hotel & Catering Sector

CIS estimates that over €440 million in projects went On-Site in 2016 in the hotel and catering sector. This is a 179% increase on 2015 levels. As can be seen from Fig. 33, Dublin has experienced significant growth in this sector as the lack of investment in this sector in the past 8 years looks to be rectified.

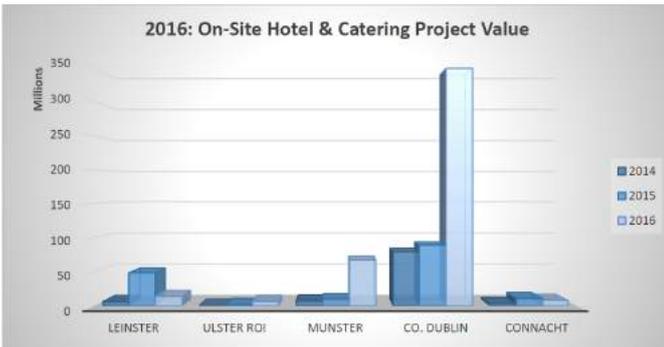


Fig. 33

Over 250 projects have begun in 2016, an increase of 53% on 2015 levels. All regions have experienced an increase in the number of projects On-Site (Fig. 34).

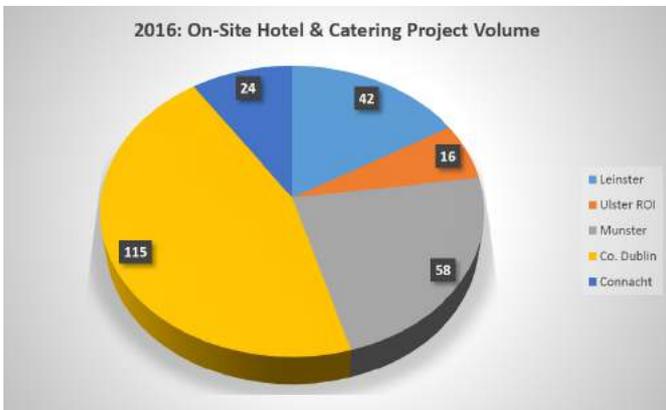


Fig. 34



Radisson Hotel Development near Dublin Airport at Plans Granted Stage

The volume of plans submitted has increased by 4% in 2016 when compared with 2015 (Fig. 35). Dublin, Ulster (ROI) and Leinster have all experienced a decrease in the number of projects submitted for planning in 2016. This has been offset by strong performance from Connacht and Munster in the year.



Fig. 35

Future Pipeline of Hotel & Catering Projects

The volume of projects granted planning in the sector in 2016 has increased by 9% when compared with 2015 analysis. However, when we look at the value of projects, the increase is 87% up to over €860 million from €460 in 2015.

Social, Sport, & Leisure Sector

CIS has identified over 275 projects which have moved On-Site in 2016, an increase of 32% on 2015 volumes. However, there is a 10% decrease in the value of projects when compared with the same period last year. Almost €230 million worth of projects have gone On-Site in 2016.

As can be seen by Fig. 36, Munster has performed strongly in 2016 with the €67 million redevelopment of Pairc Ui Chaoimh.

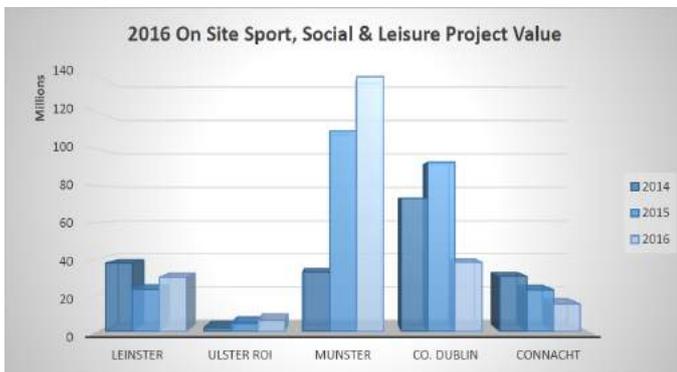


Fig. 36

Future Pipeline of Social, Sport and Leisure Projects

CIS estimates that over €500 million in projects have been granted planning in 2016, an increase of 130% on 2015 levels with the bulk of the value in Leinster (Fig. 37).

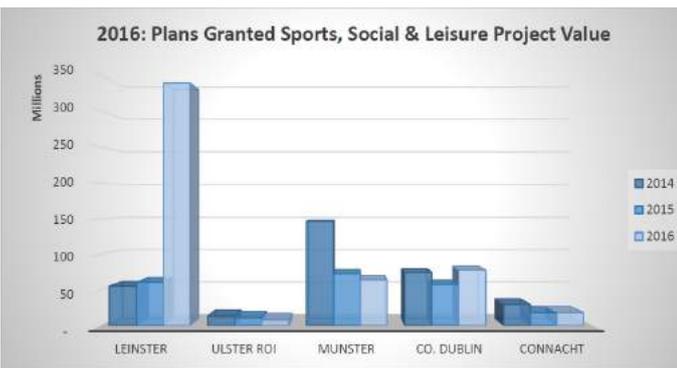


Fig. 37

This can be explained by the Curragh Racecourse redevelopment and the Center Parcs Activity Centre in Longford. The number of projects granted planning in 2016 is actually down 17% on 2015 levels.



Center Parcs Development in Longford at Plans Granted Stage

The volume of projects submitted for planning in this sector in 2016 is also down by 20% when compared with 2015 levels. (Fig. 38). CIS estimates that only 420 projects were submitted for planning in 2016, down from over 500 in 2015.

All regions have seen the number of projects submitted for planning fall, with the exception of Leinster where a 1% increase has been identified.

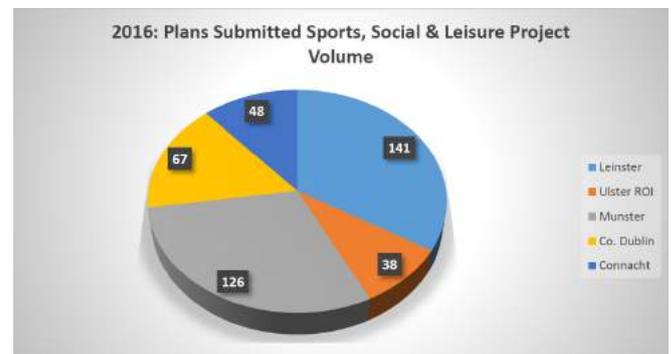


Fig. 38

Agriculture Sector

On-Site project values in Agriculture has increased by 7% in 2016 in comparison to 2015 with over €120 million (Fig. 39). Ulster and Munster have experienced strong growth in the sector with Connacht and Leinster experiencing some fall in activity.

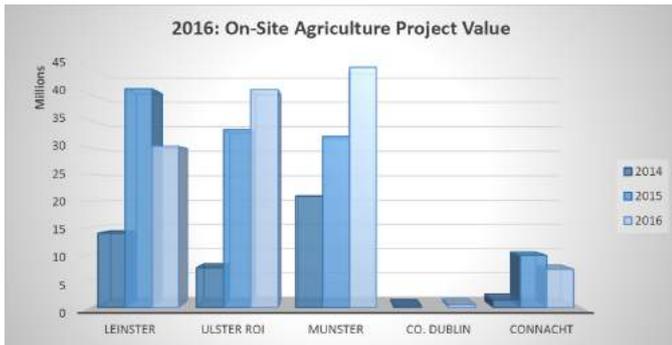


Fig.39

Future Pipeline of Agricultural Projects

The value of projects granted planning in 2016 has increased by 17% in 2016 to over €630 million (Fig. 40). Munster is the only region to experience a decrease in activity in 2016 at Plans Granted stage. Almost 1,900 projects have been granted planning in 2016, an increase of 39% on 2015.

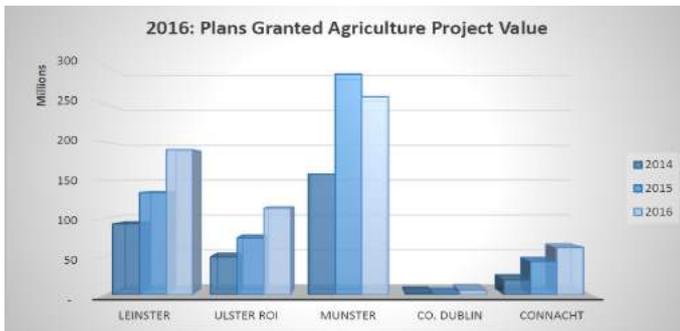


Fig.40

CIS have calculated that there was a 7% increase in the volume of Plans Submitted in 2016 when compared with 2015, with over 1,975 projects being submitted for planning (Fig. 41). The value of projects submitted for planning has actually decreased by 13% when compared with 2015 figures.

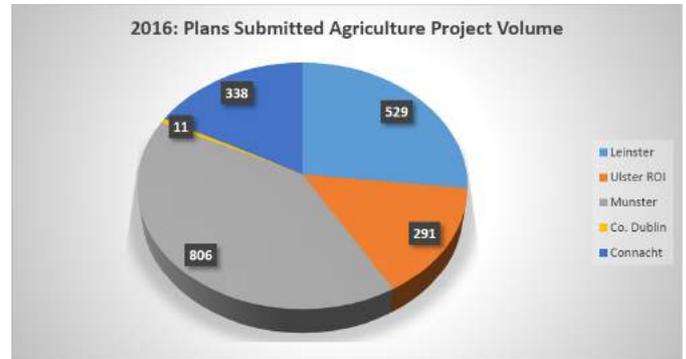


Fig.41

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- Plans Granted and Plans Submitted does not include extension of durations and Change to existing Planning
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- We count the largest proportion of the project where projects are multi sectoral.