

# Construction Market Review

## Q1 2016



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The CIS Construction Market Q1 Review provides a comparative analysis of the construction sector between Q1 2016 and Q1 2015. It 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.

## 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 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 identify relevant opportunities, assist you in making important decisions quickly and generate all specific leads for your pipeline.

## 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 statistics. A number of indicators including the Ulster Bank Purchasing Index have shown significant growth in the first quarter of 2016 with February at 68.8 and March at 62.3, where 50 represents no growth. In fact February was the highest ever recorded PMI.

The monthly employment rate is at 8.6%, down from 9.85 in March 2015 and Consumer Price Index shows prices 0.3% lower in March compared to March 2015 according to the CSO. The cost of transport and oil derived products were the biggest movers in the index with Transport falling 5.9%. Oil has recovered slightly so we may see a return to positive inflation in the next few months.

The construction sector has grown by 20% in Q1 of 2016 in relation to Q1 2015 and this ties in with the Bruce Shaw Ireland Handbook. They also predict construction inflation will grow by 7% in 2016 up from 6% in 2015.



*Submitted Plans for €67m Office Development Near Dublin Airport*

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There are a number of issues which may hinder the recovery of the industry. There are continuing concerns surrounding the wider global economy with a number of economies slowing or stagnating. The upcoming Brexit vote is a major concern with the OECD warning that the British withdrawal from the EU could spark an international financial shock and in turn doubts over the future of the Single Market and the European Union project.

The continuing lack of a stable government is likely to cause further delays in large publicly funded projects including some road schemes and major infrastructural projects. This is also likely to be an issue with regard to the current housing crisis with no one seemingly willing or able to provide real leadership and direction.

## Republic Of Ireland

According to CIS construction activity data, the value of all construction projects which went \*on-site in Quarter 1 (Q1) 2016 in the Republic of Ireland was €2.1 billion, an increase of 20% compared to Q1 2015. The number of major projects on-site has risen from 431 to 597 in the same period, which is an increase of 38%. All regions are showing growth year on year apart from Connacht. This can be explained by the Gort to Tuam PPP Road Scheme which started in Q1 2015 and has skewed the comparative data.



Fig 1.1

\*'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

## Value of Projects by Region

\*\*Leinster continues to have the largest share of the market with a value of almost €1 billion, but this is mainly attributable to two major road projects which began in Wexford in Q1 2016, as per figure 1.2 below. Leinster's share of the market has increased from 23% to 47% since last year.

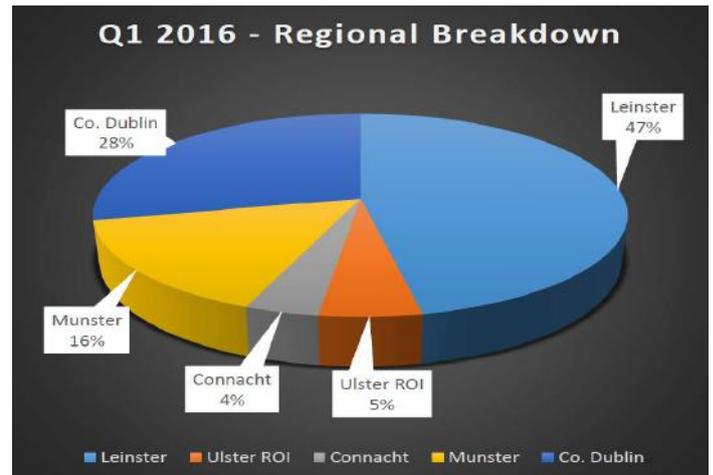


Fig 1.2

## Plans Granted - An Overview

### Planning Activity – Future Pipeline

According to our Data, the value of plans granted in Q1 2016 has increased by almost 58% when compared with the same period last year. All regions have experienced a significant uplift with Ulster (ROI) up 28% while Leinster has increased by 77%. The total value of plans granted in the quarter is over €2 billion. Dublin has over a €1 billion of projects which have been granted planning permission.

Dublin has over €1 billion worth of projects granted planning permission which represents 48% of the market. Major projects include the Exo Building and The Frascati Shopping Centre extension. Other projects of note are the Centre Parcs Holiday Resort (which is currently subject to appeal) and the Microsoft Data Centre.



Fig 1.3

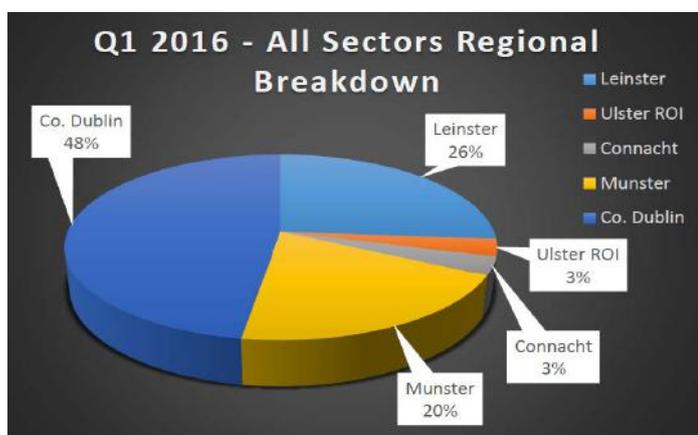


Fig 1.4

## Plans Submitted - An Overview

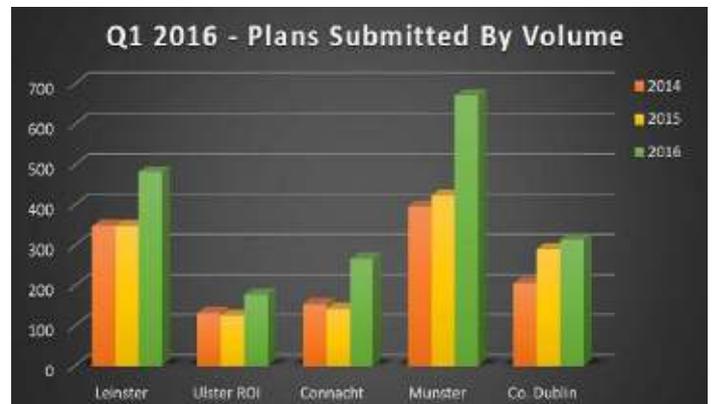


Fig 1.5

CIS analysis shows there has been a 44% increase in plans submitted in Q1 2016 when compared with Q1 2015. The region with the largest number of applications is Munster with 671, closely followed by Leinster and then Dublin. All regions have experienced an uplift, with the smallest uplift being 8% in Dublin. Major projects which have submitted for planning include the Liffey Valley Shopping Centre Extension, the Curragh Racecourse redevelopment as well as a large Office development in Cork.

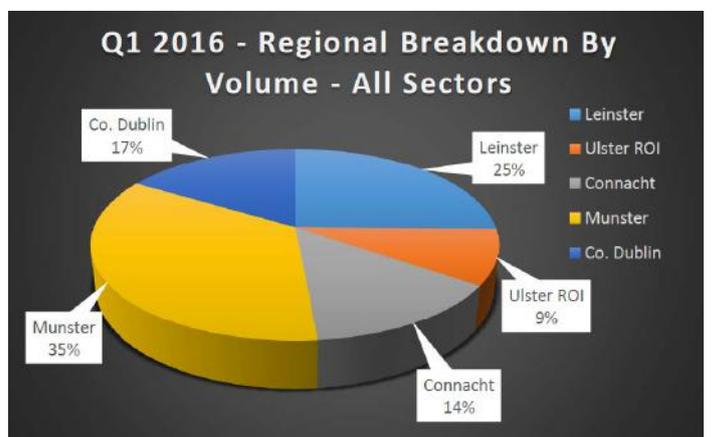


Fig 1.6



## Residential Sector

According to CIS data, 2,050 units started on-site in Q1 2016. This is an increase of 72% on the same period last year, which was in turn a 25% increase on 2014 figures. However, it should be noted that most projects over 50 units will be completed on a phased basis

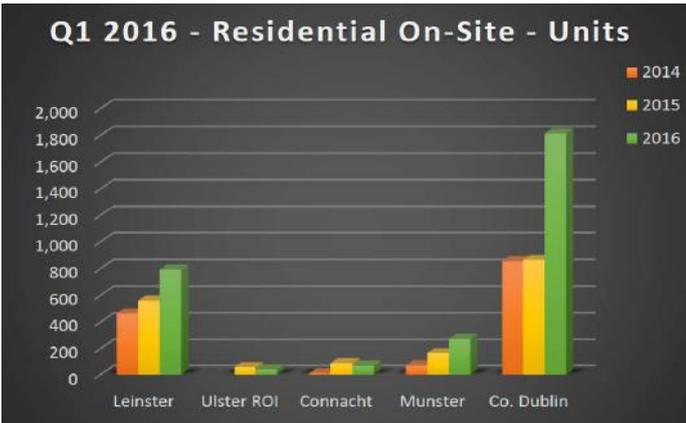


Fig 1.7

However, continuing issues in this sector include funding of projects, profitability for developers and building regulations. The lack of infrastructure including roads and water are 'major issues' in areas where development might otherwise be economically viable. The continued absence of a Government following the general election will likely further delay the rectification of these issues.



Fig 1.8

In a continuation of 2015 trends, there is a 100% increase in the value of projects on-site in Q1 2016 when compared to Q1 2015. Unsurprisingly, Dublin continues to outperform other regions with a growth rate of 170% when compared with the same period last year. Leinster, Ulster (ROI) and Connacht have fallen slightly while Munster has shown significant growth of 150% in the same period, albeit from a small base.

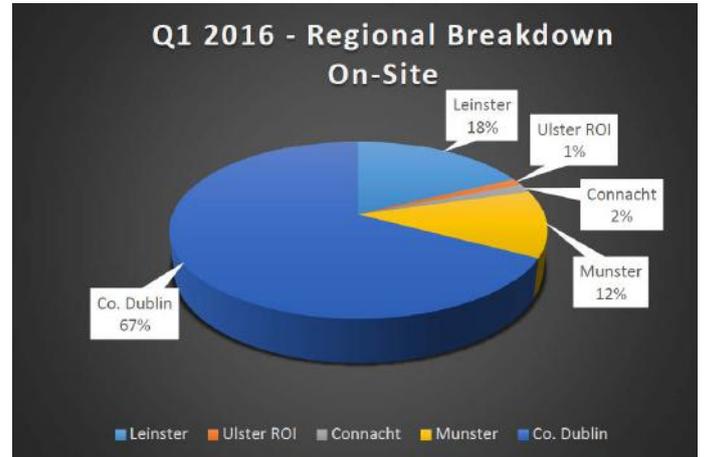


Fig 1.9

## Planning Activity – Future Pipeline

In further positive news for the sector, the number of units granted planning in Q1 2016 is 3,900. This is an increase of over 60% when compared with the same period last year. CIS estimates the value of these projects to be over €530 million with all regions growing significantly. Dublin has over €360 million worth of projects which have been granted planning permission in this period. We have also seen an increase in projects in both Ulster (ROI) and Connacht in Q1 with over €20 million in projects granted planning in Connacht.

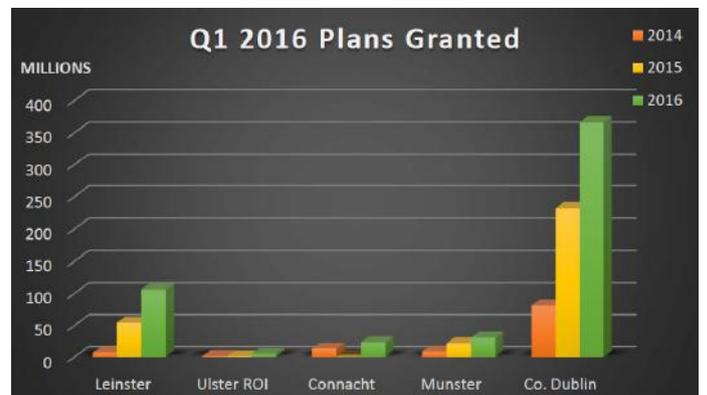


Fig 1.10

## Industrial Sector

CIS has seen a massive jump of over 500% in the value of Industrial projects on-site in Q1 2016. However, this increase is mainly due to the number of data centres which have gone on-site in Q1 2016. Most of the project value in Leinster is sourced to one data centre in Meath which we estimate the shell and core cost to be €90 million.

Similarly, there are three data centres in Dublin which make up the bulk of the growth in this region. If we strip out these data centres from the figures we arrive at a more modest but still excellent growth of almost 200%. Clearly the regional breakdown heavily favours the Leinster and Dublin regions due to these factors.

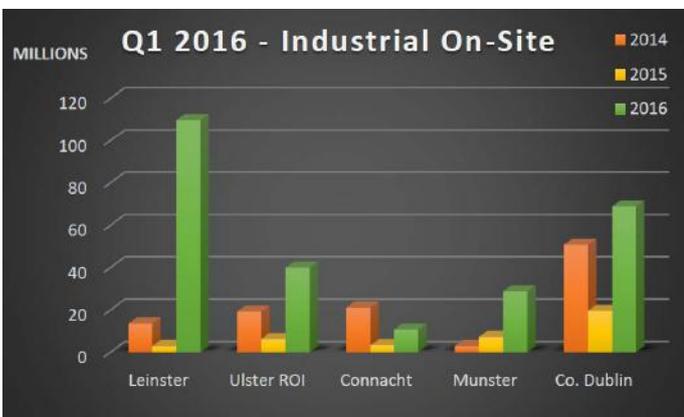


Fig 1.11

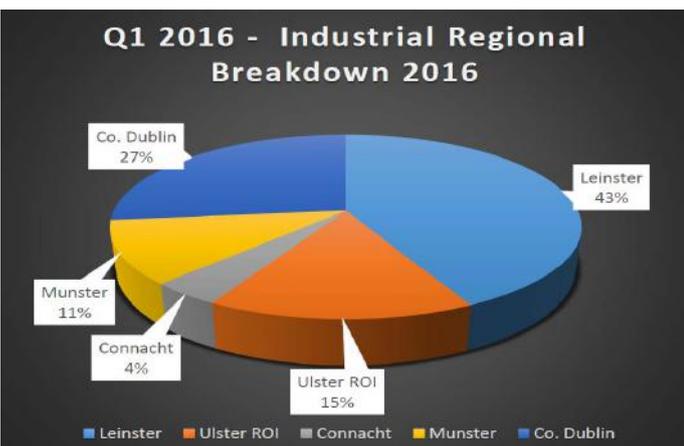


Fig 1.10

### Planning Activity - Future Pipeline

Our statistical evidence points towards the sector continuing to grow with an increase of 46% in projects at plans granted in Q1 2016 over the comparable period in 2015.

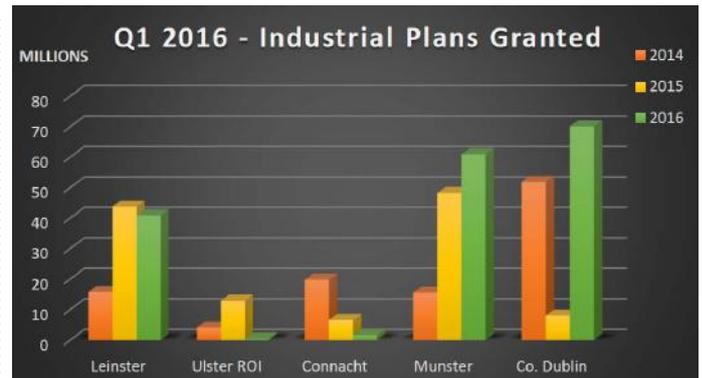


Fig 1.13

## Civil & Utilities Sector

The value of projects on-site in Q1 2016 has increased from €680 million to over €1 billion or a 50% increase. However as can be seen from Fig 1.14 below, the growth is directly attributable to two large scale projects in Leinster (Gorey PPP and New Ross Bypass). This is a major issue when trying to analyse trends in this sector. If we strip out these projects from Q1 data and the Tuam to Gort PPP from the Q1 2015 data, there is an underlying trend of growth in the sector when comparing data from the three data sets.

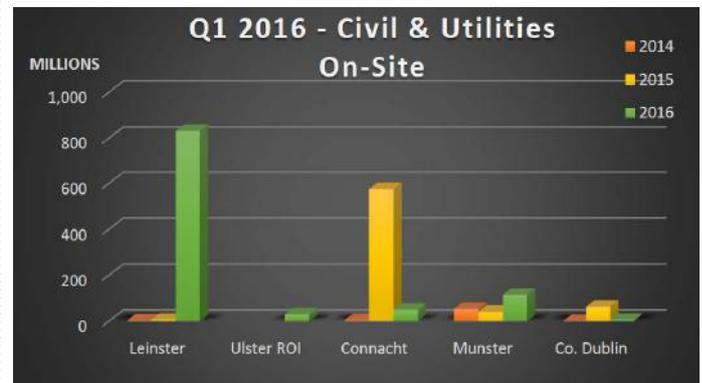


Fig 1.14

### Planning Activity - Future Pipeline

Further Government confidence in the economic recovery is likely to see an acceleration of large scale projects being given the green light in the next number of years but this is not directly reflected in the plans granted figure in Q1 2016 analysis, with only €5 million worth of civil and utilities projects being granted planning in the first quarter of 2016.

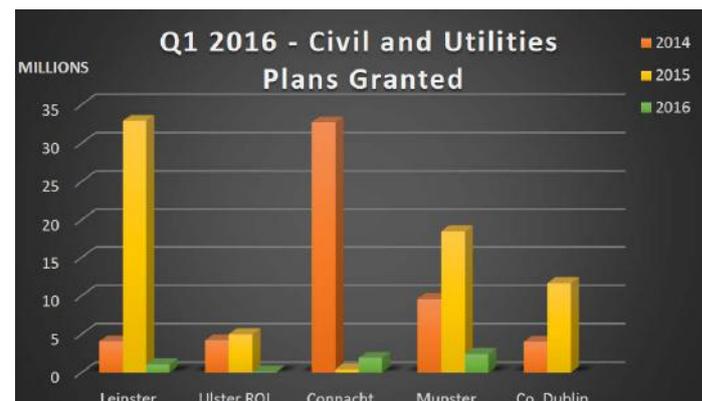


Fig 1.15

## Medical and Care Residential Sector

The medical sector has shown a continued increase in activity in Q1 2016. CIS estimate that over €70 million worth of projects have gone on-site in this period. This is an increase of 20% on the same period last year, however it still significantly down on the €98 million of projects which went on site in Q1 2014. 39 projects have gone on-site in Q1 2016, down from 41 in the same period last year.

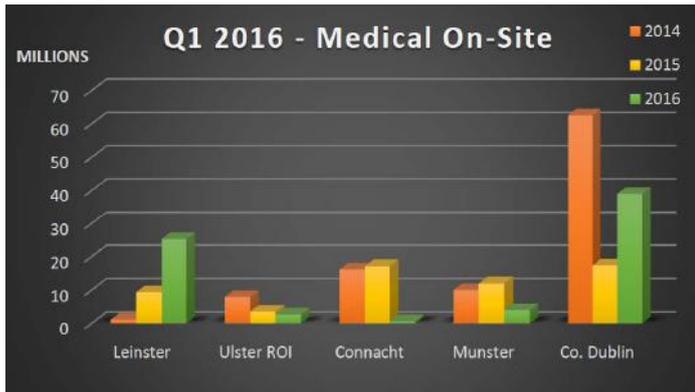


Fig 1.16

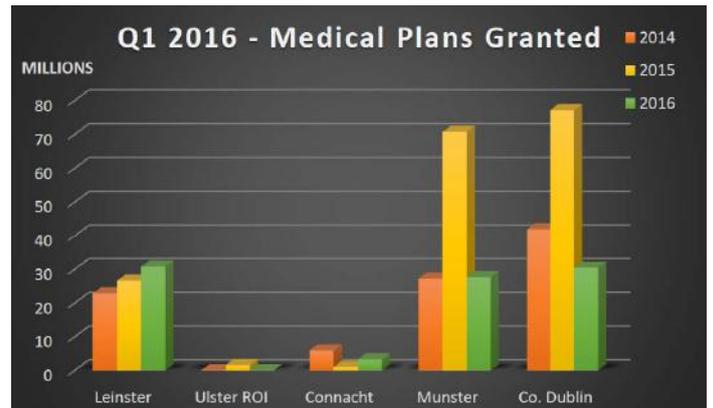


Fig 1.18



CGIs of Granted Plans for the €650m National Children's Hospital

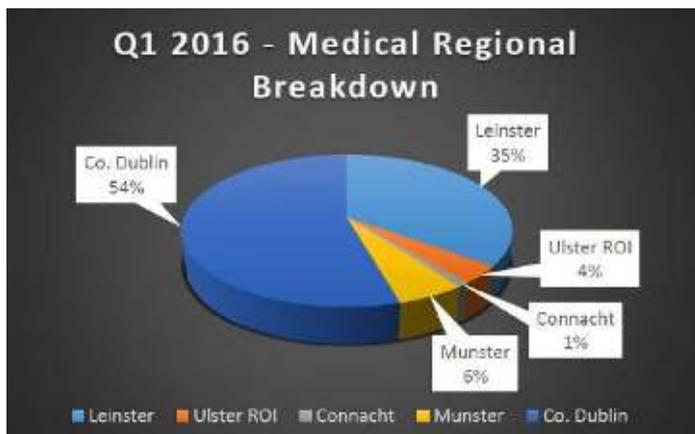


Fig 1.17

### Planning Activity – Future Pipeline

The value of projects which have been granted planning permission in Q1 2016 has fallen by 48%. The figures in Q1 2015 are somewhat skewed by the €64 m hospital extension for Bon Secours in Cork and the €40 million National Rehabilitation Hospital refurbishment and a number of primary care centres.

However as we were publishing this Q1 Construction Market Review, the new 650m National Children's Hospital has been granted planning permission by An Bord Pleanala.

## Commercial & Retail Sector

CIS recorded a decrease of 10% in the value of projects on-site in Q1 2016 when compared with the same period last year. The former Bank of Ireland headquarters redevelopment which started in Q1 2015 skews the data in the sector. We estimate the cost of this project at €100 million. However, if this project is removed, the underlying trend in this sector is one of growth.

This sector in particular faces capacity challenges for Tier 1 contractors in their ability to source professional and trade personnel to meet the opportunities in this sector.

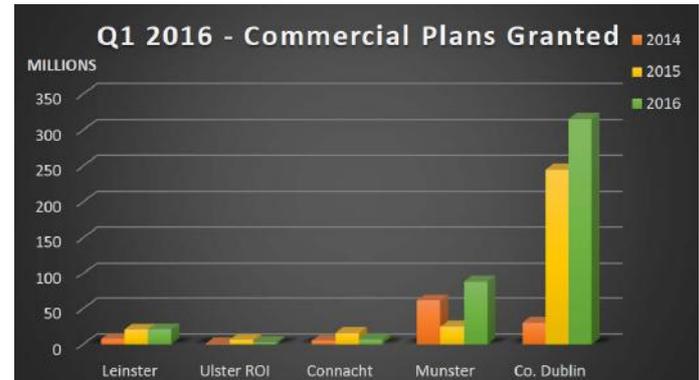


Fig 1.21

## Education Sector

CIS estimates that over €140 million worth of projects have gone on-site in Q1 2016. This is an increase of 36% on the same period last year. One major project in Dublin is responsible for the majority of the value on-site in 2016 with the €70 million Trinity Business School.

Ulster (ROI) has fallen significantly but we still have five projects on the system commencing in Q1 2016. The regional breakdown shows the disparity in the regions with Dublin representing over 75% of the sector.

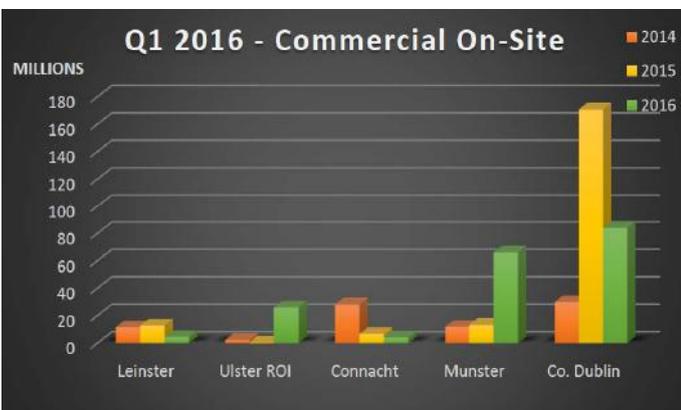


Fig 1.19

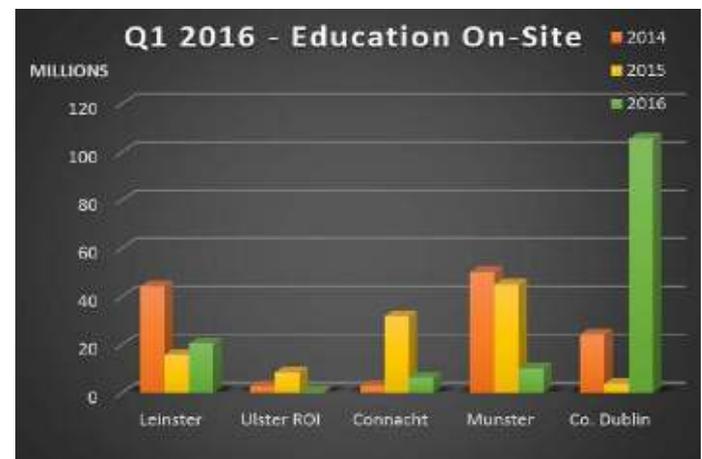


Fig 1.22

The regional breakdown in Fig 1.20 shows both Dublin and Munster as the principle drivers of the sector with 45% and 36% market share respectively.

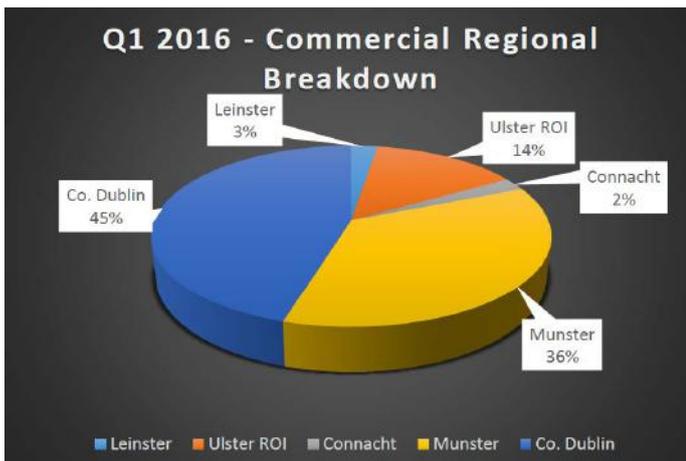


Fig 1.20

## Planning Activity – Future Pipeline

We expect further growth in this sector as over €430 million in projects have been granted planning in Q1 2016 in the Commercial & Retail Sector, and this represents a 40% increase on the same period last year. Much of the activity is Dublin based but we expect this situation to improve in the next few years.

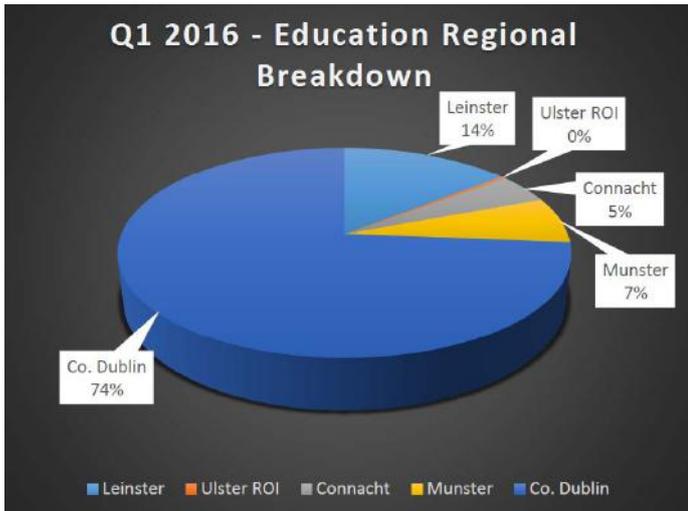


Fig 1.23



€70 million Trinity Business School

## Planning Activity – Future Pipeline

The prospects for the sector are not as positive with a 27% decrease in plans granted for the period Q1 2016 when compared with the same period in 2015.

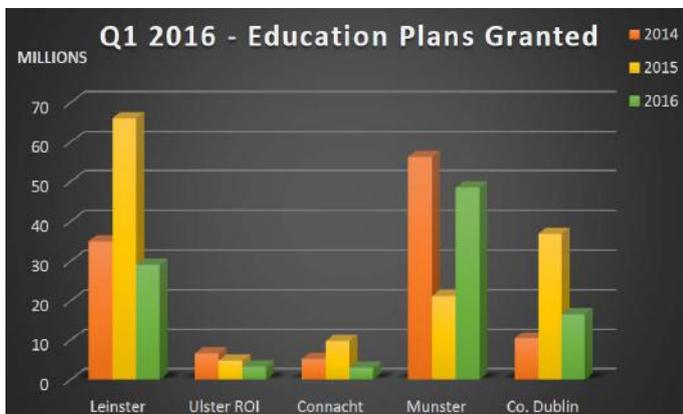


Fig 1.24

## Hotel & Catering Sector

The Hotel and Catering Sector continues to perform strongly with an 83% increase in projects on-site in Q1 2016 compared to Q1 2015. Much of the growth in the sector can be attributed to large scale refurbishments for both the Mount Juliet and Adare Manor Hotel complexes which provides further evidence of renewed confidence in the sector. CIS are also seeing a number of student accommodation developments taking place in this sector.



Fig 1.25

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

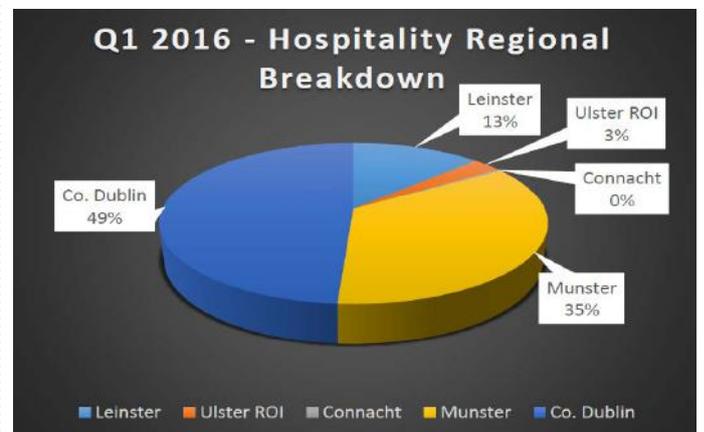


Fig 1.26

## Planning Activity – Future Pipeline

We expect further growth in this sector and this is proven by the growth in plans granted by 390% when compared to the same period last year.

Failte Ireland has predicted Irish Tourism will grow by 6% in 2016 after a bumper year in 2015 when over 8 million foreign visitors in Ireland in 2015. The Irish Tourist Industry Confederation is of the view that 5000 new bedrooms are needed by 2020 to meet demand, with Dublin particularly constrained.



Fig 1.27

## Social, Sports & Leisure Sector

The outlook for this sector appears to be on a downward trend as we have seen a 65% fall in on-site projects in Q1 2016 when compared to the same period last year. The spend for the last two years in Q1 has been around €80 million, partly due to the effects of capital sports grants, and this year the value of projects on-site is only €30 million for the quarter.

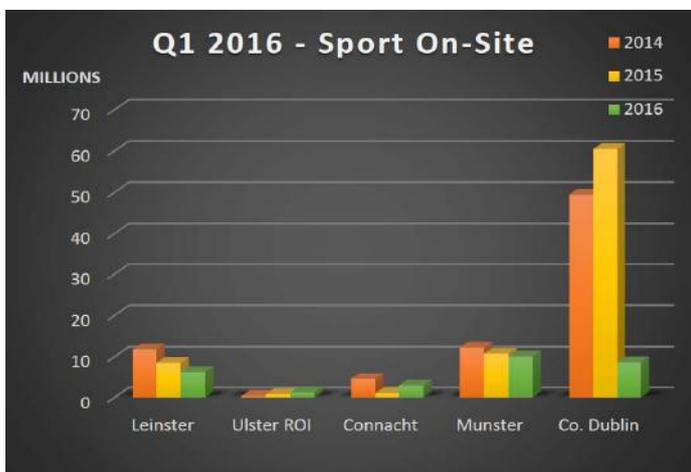


Fig 1.28

The regional breakdown in Fig 1.29 shows an even spread of projects by value in Dublin, Leinster and Munster.

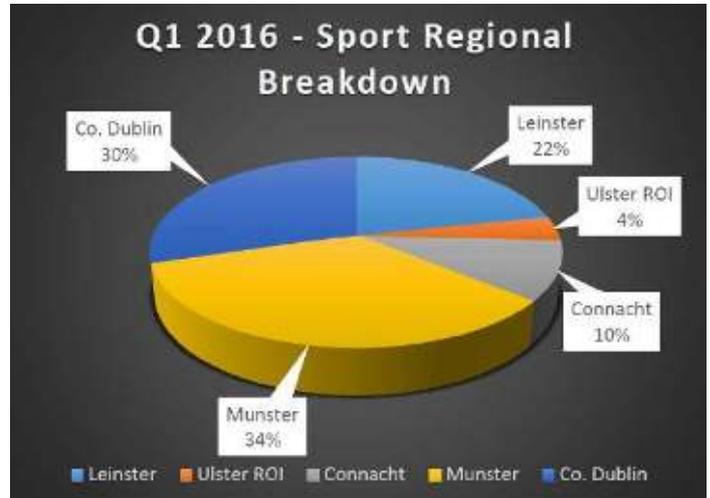


Fig 1.29

## Planning Activity – Future Pipeline

Over €270 million worth of projects have been granted permission in Q1 2016 but most of this is made up of the €230 million Centre Parcs development in Longford which has now had an appeal lodged against it.

If we remove this one project from the data set, the underlying trend shows a steady decline in projects being granted planning permission in Q1 of 2014, 2015 and 2016 from over €60 million in 2014 to just over €40 million in 2016.

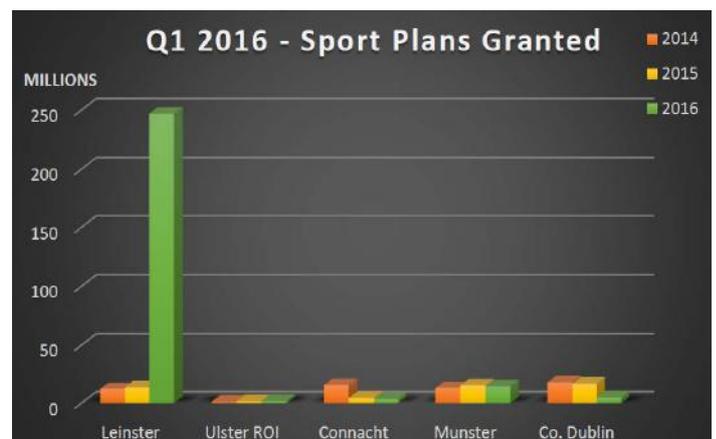


Fig 1.30

## Agriculture Sector

The Agricultural Sector has increased the value of on-site projects by just over 2% in the quarter to just over €10 million. With commodity markets in stagnation, we expect this sector's glum performance to remain the same as farmers hold off on many large scale investments until the market improves.

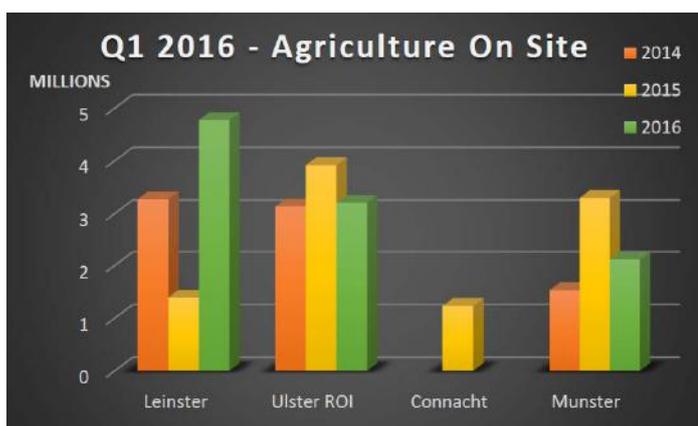


Fig 1.31

## Planning Activity – Future Pipeline

Despite the weak growth in on-site projects in the sector, the value of projects moving to plans granted stage in the sector has grown by 131% to €190 million in Q1 2016 compared to Q1 2015.

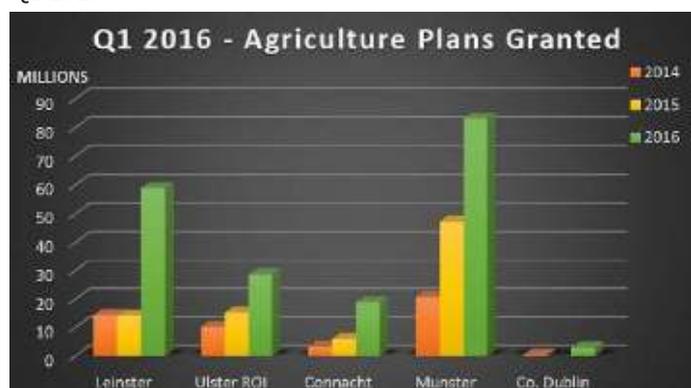


Fig 1.32

## Conclusion

Our Q1 2016 Construction Market Review reveals the underlying trend for all regions and sectors is one of significant growth year on year. This is in line with the overall positive sentiment and predications from leading commentators on the future for the industry. That said, the impact of Britex on the Irish economy is still unquantifiable, a global economic slowdown could negatively affect the GDP forecasts, increasing domestic pressures on rising costs and the capacity of tier one contractors to deliver on the number of large scale projects (€100 million +) is going to be difficult, all of which could impinge on this positive momentum.

When compiling our data, we focused on what the underlying trends are for each region and sector, as major projects often skew the results and give a misleading picture of what is actually happening. I am glad to report that the trends are positive in all cases, albeit in some cases marginal. These trends are supported by one of the latest forecasts for 2016 which predicts the construction sector to grow by up to 21%. This follows 14% and 15% increases in 2015 and 2014 respectively.

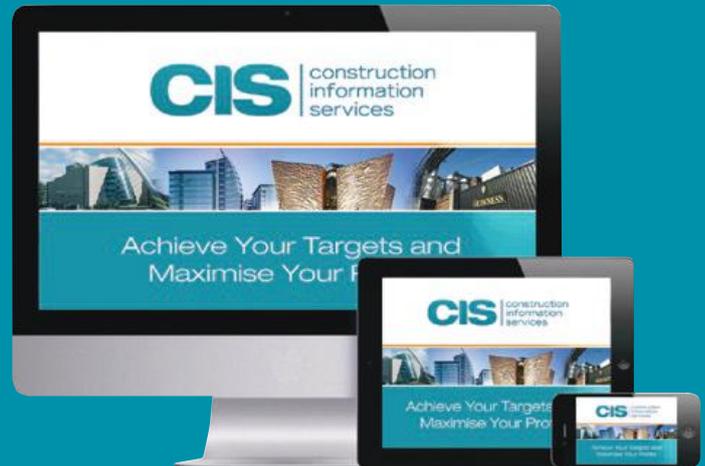
The sectors showing substantial increases year-on-year are Industrial and Commercial and Retail. The Industrial sector has seen over a 500% increase in the value of projects starting on-site, much of which is attributed to the number of data centres commencing construction. The Commercial and Retail sector continues its strong momentum with a 40% increase in granted planning permissions in Q1 2016. Our data also demonstrates the first real signs that activity is starting to pick up outside Leinster and Dublin; examples being the €50m Capitol Cinema Retail development in Cork, the €20m Instaspace Office development in Donegal and the €13m Sheltered Housing Scheme in Limerick. The Hospitality sector also continues to perform strongly with an 83% increase in projects going on-site in Q1 2016. In addition, the recently announced Schools Summer Works scheme will be welcomed news for the many medium and small contractors as it is worth circa €80 million in total. Tenders for the first round are now being sought.

The Residential Sector continues attract the most attention as it struggles to meet the demands for all types of housing. Our researchers are reporting delays in green field projects commencing due to difficulties obtaining infrastructural services such as water, roads, etc. The current prediction is for circa 12,000 units to be completed in 2016, which is well short of the calculated annual requirement of 25,000 units. In Q1 2016, our researchers reported that just 2,050 units started on-site, and while this is a 32% increase over the comparable period in 2015, it is difficult to see how the estimated output will be delivered. However, in recent months there have been a number of announcements which should assist the sector achieve the targets required, namely the Government proposal to invest €2.2 billion in social housing over three years and the relaxation of apartment sizes.

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- 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.