

Construction Market Review

Q1 2017

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

Table of Contents

| | |
|--|----|
| Introduction to CIS Construction Market Review..... | 3 |
| Overview of Construction Activity – All sectors..... | 5 |
| Residential sector..... | 7 |
| Industrial sector..... | 8 |
| Civil & Utilities sector..... | 9 |
| Medical and Care Residential sector..... | 10 |
| Commercial and Retail sector..... | 11 |
| Education sector..... | 12 |
| Hotel and Catering sector..... | 13 |
| Social, Sport and Leisure sector..... | 14 |
| Agriculture sector..... | 15 |
| CIS Subscription packages..... | 16 |

About CIS

The Construction Information Services (CIS) Q1 2017 Construction Market Review provides an analysis of activity in the construction sector for the first quarter of 2017 and a comparative analysis against the corresponding period in 2016.

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

Overview

The overall level of construction activity in the first quarter of 2017 was down when compared to the same period in 2016. The number of planning applications lodged (excluding self-build and residential extensions) was almost static at -0.6%, while the construction values were down -29.3%, due to the scale and mixed of projects involved. Projects granted planning permission decreased by -16.7% in volume terms and -15.7% in construction value. The number of developments commencing on-site also remained static. However in value terms, the decrease was -30.1%, which can be attributed to two major road schemes in Wexford, which commenced in the first quarter of 2016 and had a combined value of €600 million.

In analysing these overall numbers, it will be no surprise to read that the **Residential sector** activity at all three stages continues to increase year on year. There were 281 residential applications (5,300 units) submitted in Q1, up 22.2% on 2016. While the number of applications granted permission increased by just two over Q1 2016, the number of units involved decreased by 620 to 3,280 units and this represents a drop in value of €113 million. However, the number of developments which commenced on-site increased by 34.6% to 105 schemes and this represents in excess of 2,800 units. The buoyant self-build market saw 900 projects commence in the first quarter compared to 600 in Q1 2016.

The **Educational sector** recorded an -11.5% decrease in planning applications in Q1 compared to the same period 2016 and the number of projects granted permission also decreased by -8.7% or €48 million on the same period last year. There was a slight decrease -3.8% in the number of projects commencing on-site and represents a decrease in construction values of €57 million, part of which can be attributed to the Trinity Business School enabling works which commenced in Q1 2016.

Medical and Care Residential sector followed a similar pattern to the Education sector, in that planning application numbers were down -28.2%, projects granted permission decreased -27.1% and the number of schemes commencing on-site decreased by -8.1%.

Although the value of projects commencing on-site increased by €35 million, two of them relate to the €25 million Oncology Centre in Cork and a €20 million Nursing and Sheltering Housing Campus in Galway.

Following a surge in activity in the **Commercial and Retail sector** throughout 2016, the sector has remained static in Q1 2017 when compared to Q1 in 2016, with only the number of planning applications submitted increasing by 18 to 252 projects. However, the collective value of these projects has fallen by a significant €531 million. The same scenario applies to the values of projects granted permission in Q1 2017. The actual number granted remained static at 209, but the associated values dropped by €293 million. With regard to developments progressing to on-site stage, the numbers and values remain static at 137 projects and €227 million respectively for Q1.

Moving to the **Industrial sector**, marginal increases year-on-year for both applications submitted and granted were 7.7% and 10.5% respectively. In construction value terms, applications increased by 45.8% to €210 million, however, granted permission values dropped by -60.4% to €113 million. The number of project's commencing construction remained static for Q1 2017, at 46.

The **Community and Sports Sector** showed a surge in planning applications in Q1 2017, representing a 135.9% increase to 243, which can be attributed to the Capital Sports Programme. The number of projects granted permission remained static at 102 when compared to the same period in 2016. However, the number of projects progressing to on-site was down -39.1%, or 25 projects compared to Q1 2016, but values are up significantly to €83 million due to the commencement of the Curragh Racecourse redevelopment worth circa €65 million.

The **Hotel and Catering Sector** continues to push ahead with planning applications up 39.2% in Q1 2017, granted permissions were on par with the same period last year as was the number of developments progressing to on-site. Construction values remained consistent with Q1 2016. We have separated Student Accommodation from the overall stats in this sector, as it is attracting a lot of attention and there is a major drive by the Higher Educational Authority (HEA) to accelerate construction of Student Accommodation. In Q1 2017, four planning applications have been submitted for 1,066 units/beds, worth €51 million, which accounts for a 107.4% increase in the number of units/beds to be created compared to the same period in 2016.

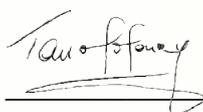
Planning permissions in Q1 2017 are on a par with 2016, however, the number of developments proceeding to on-site has gone from €40 million in Q1 2016 to €150 million in 2017 and this will result in 2,867 beds becoming available on completion.

The increases in the **Civil and Utilities sector** relate to both planning submitted and granted, with 27.9% and 38.1% respectively recorded in Q1 2017. The number of project commencing construction has fallen by -22.6% in the same period. It should be noted that some projects do not follow the traditional planning channels and will be identified when they reach the Tender stage.

The **Agricultural sector** recorded decreases in Q1 2017 for projects at plans submitted – 38.2% and plans granted – 44.2%. However, there is a healthy increase in projects moving on-site; up 75% in project numbers and 110% in values to €21 million for the quarter.

In conclusion, the construction sector is continuing with its positive momentum, which was highlighted in the recent Ulster Bank Construction PMI Report for the Republic of Ireland. It reported a third monthly rise in the 2017 index from 57.9 in February, 60.8 in March to 61.3 in April and further noted that this increase was the most marked since October 2016.

Many challenges still lie ahead for the Government in terms of the provision of infrastructure and access to finance to fund developments in residential and commercial sectors. Other potential 'storm clouds' abound in terms of the impact of Brexit, developments in the USA and what a change in Taoiseach may have on the Government Capital Expenditure Programme. But that said, the underlying trajectory remains upward and should continue for some time to come.



Tom Moloney, MD

Q1 2017: Key Construction Activity Overview

- Over €1.4b worth of projects moved on-site in Q1 2017
- Value of projects on-site down 30% compared to Q1 2016
- 1,200 projects granted planning in Q1 2017
- Volume of projects at plans submitted stage remains relatively static

Construction Projects at On-Site Stage in Republic Of Ireland

According to CIS construction activity data, the volume of major projects moving to on-site stage is relatively static at 584. However, the value of projects moving on site in Q1 2017 is down 30% to over €1.4 billion on Q1 2016 levels.

Much of this decrease in value can be attributed to the two major road schemes (totalling €675m) which started on-site in Q1 2016. If we delve deeper, we see that Residential is the largest sector for the period with 23% market share, followed by Commercial, Industrial and Hotel & Catering.

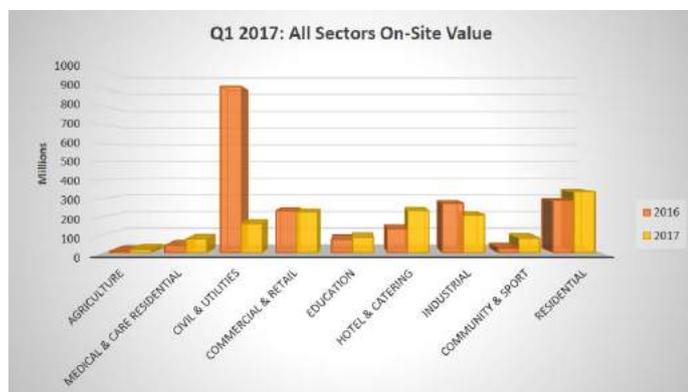


Fig. 1

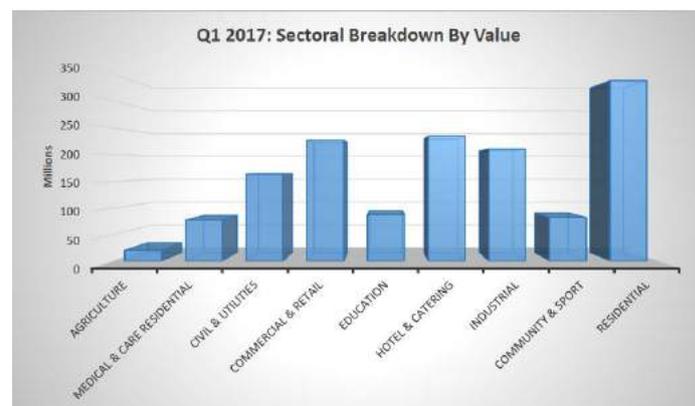


Fig. 2

All regions have experienced a drop in the value of projects on site with the exception of Connacht. Dublin has the largest share of the market at 37%, with Leinster at 26% and Munster at 20%

* '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

According to our CIS Data, the value of plans granted in Q1 2017 has fallen by 16% when compared to the same period last year. All sectors have experienced a drop in values with the exception of Civil & Utilities, and Hotel & Catering. Similarly all regions have experienced a drop off in activity apart from Connacht which has shown a 77% increase in value, which is off a low base.

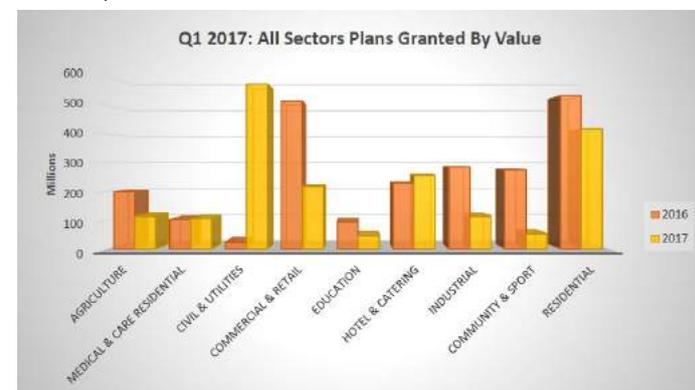


Fig.3

| Q1 2017: All Sectors On-Site By Volume | | |
|--|------------|------------|
| Sector | 2016 Q1 | 2017 Q1 |
| Agriculture | 16 | 28 |
| Medical & Care Residential | 37 | 34 |
| Civil & Utilities | 62 | 48 |
| Commercial & Retail | 137 | 137 |
| Education | 79 | 76 |
| Hotel & Catering | 67 | 71 |
| Industrial | 46 | 46 |
| Community & Sport | 64 | 39 |
| Residential | 78 | 105 |
| Grand Total | 586 | 584 |

The number of residential units per scheme has fallen from 33.5 units to 26.7

The volume of projects granted planning has also fallen with only 1,207 projects granted in the period, down from 1,449 in Q1 2016. Much of the reduction can be explained by Agricultural projects where only 313 projects were granted planning in Q1 2017, as compared with 561 in Q1 2016.

| Q1 2017: All Sectors Plans Granted By Volume | | |
|--|-------------|-------------|
| Sectors | 2016 Q1 | 2017 Q1 |
| Agriculture | 561 | 313 |
| Medical & Care Residential | 59 | 43 |
| Civil & Utilities | 42 | 58 |
| Commercial & Retail | 208 | 209 |
| Education | 92 | 84 |
| Hotel & Catering | 118 | 121 |
| Industrial | 95 | 105 |
| Community & Sport | 104 | 102 |
| Residential | 170 | 172 |
| Grand Total | 1449 | 1207 |

Construction Projects at Plans Submitted Stage in Republic Of Ireland

The number of projects submitted for planning has fallen slightly from Q1 2016 levels, from 1,692 to 1,682. The value of projects has also fallen by 29% in the period, with only Hotel & Catering, Industrial and Community & Sport showing positive growth. On a regional basis only Leinster and Connacht are in positive territory for the quarter.



Tenders being sought for €80m Exo Building in Dublin 1

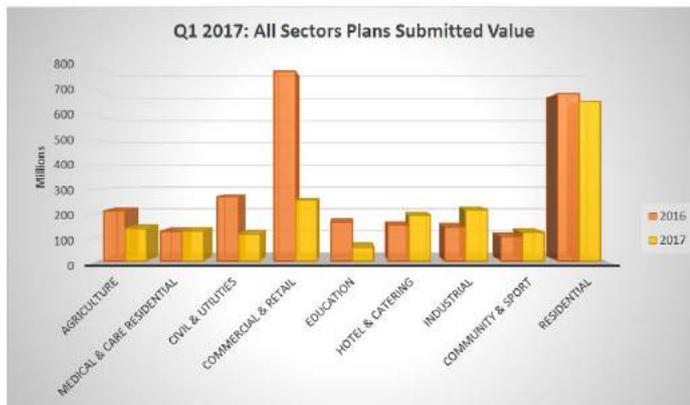


Fig. 4

| Q1 2017: All Sectors Plans Submitted By Volume | | |
|--|-------------|-------------|
| Sector | 2016 Q1 | 2017 Q1 |
| Agriculture | 651 | 402 |
| Medical & Care Residential | 71 | 51 |
| Civil & Utilities | 61 | 78 |
| Commercial & Retail | 234 | 252 |
| Education | 130 | 115 |
| Hotel & Catering | 105 | 146 |
| Industrial | 107 | 114 |
| Community & Sport | 103 | 243 |
| Residential | 230 | 281 |
| Grand Total | 1692 | 1682 |

Residential Sector

According to CIS Data, over 2,800 units in multi phased developments started on site in Q1 2017. This represents a 35% increase in the number of units when compared to the same period last year.

(A further 900 self-build houses have commenced building in the quarter, bringing the total to over 3,700 units). Interestingly, Leinster has the largest volume of units on site as over 1,350 units have begun with large developments commencing in Meath, Kildare, Louth and Wicklow.



Fig. 5



Fig. 6

Future Pipeline of Residential Sector Projects

The value of projects granted planning in Q1 2017 was almost €420 million. This represents a decrease of 22% when compared with the same period last year. As can be seen from the graph below, all regions have experienced a fall in projects granted planning. The volume of units granted planning in the period has fallen to 3280 from over 3,900 in Q1 2016.

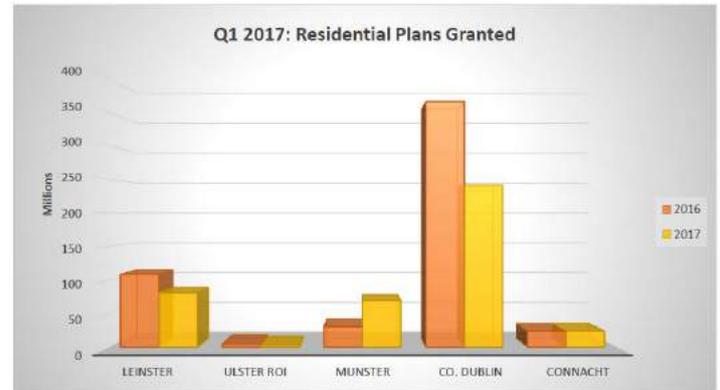


Fig. 7

However, the number of units submitted for planning has increased to over 5,300 for that period. This represents an increase of over 26% when compared to the same period last year. The number of units submitted for planning in Munster has doubled to over 1,700.

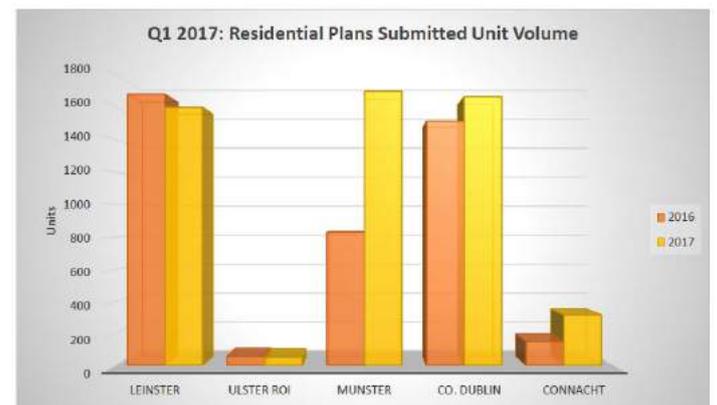


Fig. 8



€11m Residential Development in South Dublin at Plans Submitted stage

Industrial Sector

There has been a decrease of 23% in the value of projects on-site in the Industrial sector in Q1 2017 when compared to the same period last year. This is as a result of the number of data centres which started construction in Q1 2016.

The total value of projects on-site is over €210 million with almost half of this value made up from one project in Roscommon which started in Q1 2017. All other regions have experienced significant decreases in the sector.

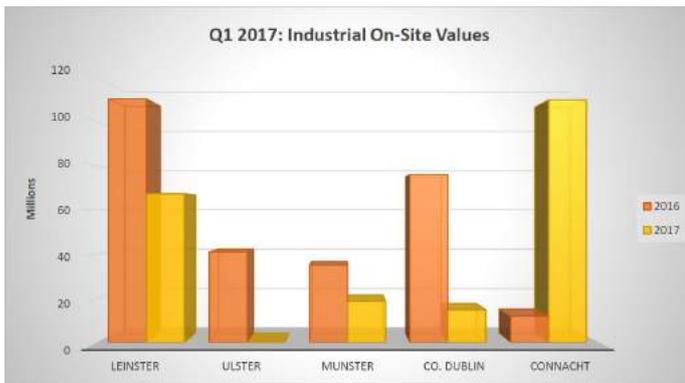


Fig. 9



€90m Film Studios in Co. Wicklow at Plans Submitted Stage

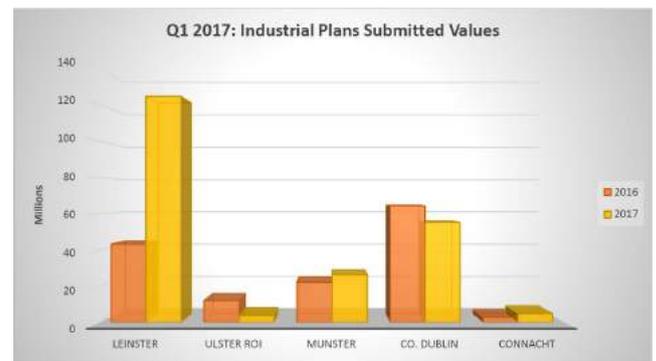


Fig. 11

Future Pipeline of Industrial Projects

The value of projects granted planning for Q1 2017 has fallen 60% on the same period last year. Total value of plans granted is just over €110 million. Only Connacht and Ulster have shown an increase, albeit from a low base.

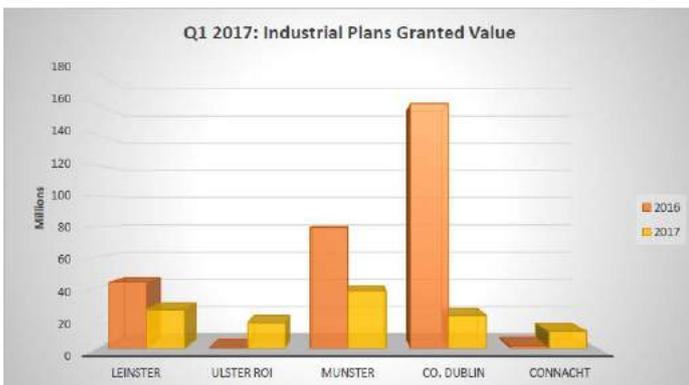


Fig. 10

The volume of projects submitted for planning in Q1 2017 has risen 7% to 114 for the sector. Munster and Leinster represent the main regions in the sector. The value of projects submitted for planning was over €210 million in the period with the Film Studios in Wicklow representing a large proportion of the sector.

Civil & Utilities Sector

The value of projects has fallen significantly by 82% to €160 million in Q1 2017 when compared with the same period last year. As mentioned earlier, the two large road schemes in Wexford which began in Q1 2016 are the principle reason for this decrease. The volume of projects has fallen by 23% in the same period.

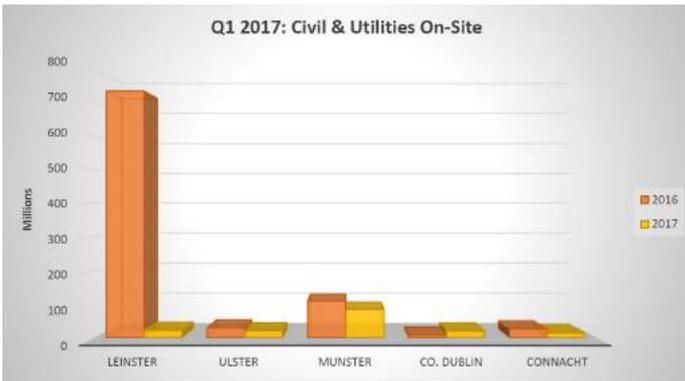


Fig .12

The Dublin Airport Runway which was granted permission in Q1 2017 represents over 50% of the value of the breakdown of projects in the period. This, coupled with the large number of solar farms granted permission has helped ensure high project value. Although the small number of civil projects is a cause for concern with a concentration of projects in only three areas.

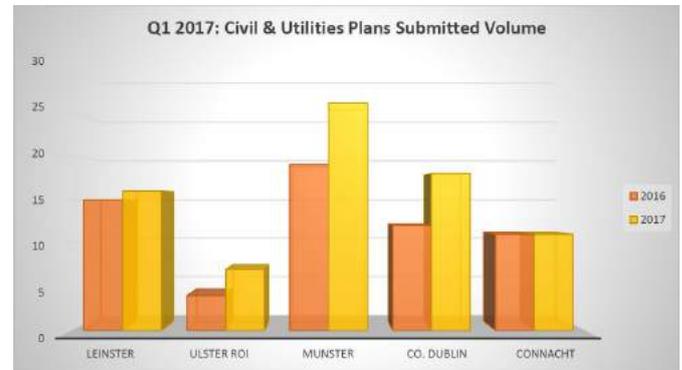


Fig. 14



€455m - M11 Gorey to Enniscorthy Road Scheme at On-Stage Stage



Fig 13

Future Pipeline of Civil Sector Projects

As can be seen from Fig. 14 below, nearly all regions have seen growth in the volume of projects submitted for planning in the period, with 22 Civil, 46 Utilities and 10 Transport projects submitted.

Medical & Care Residential Sector

CIS estimate that over €77 million worth of projects have moved on-site in Q1 2017. This is an increase of 10% on Q1 2016. We made an adjustment to the Q1 2016 figures as two nursing home projects totalling €27 million which had started in Q1 2016 have subsequently been postponed. These sites have also been put up for sale.

The number of projects on-site is down slightly to 34 for the period. The new €25m Radiation Oncology Centre in Cork represents the bulk of the growth in the sector in Munster, while the €20m Nursing and Sheltering Housing Campus Development in Galway makes up nearly all of the Connacht total.



€25m Radiation Oncology Centre in Cork at On-Site Stage

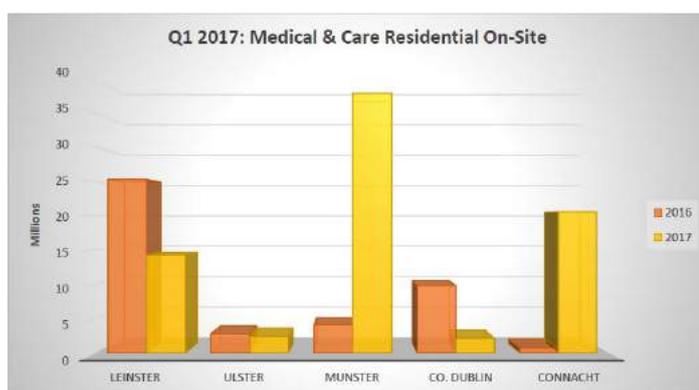


Fig. 15

Future Pipeline of Medical & Care Residential Projects

The value of projects which have been granted planning permission in Q1 2017 is up 3% to €105m on the corresponding period last year. Only 43 new projects have been granted in this quarter, down from 59 in the same period last year.

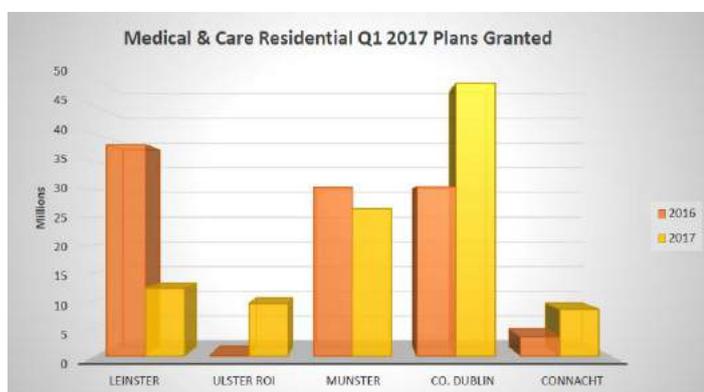


Fig.16

The volume of projects submitted for planning in Q1 2017 has fallen from 71 to 51 in the first quarter when compared with the same period last year.

Commercial and Retail Sector

CIS recorded an overall decrease of 2% in the value of projects on-site in Q1 2017 when compared with the same period last year. However, the Dublin market continues to perform strongly with a 7.5% increase in the value of projects on-site. The €67m Frascati Shopping Centre redevelopment accounts for almost 50% of this market which could skew the figures somewhat. The €40m Bishops Quay development in Limerick makes up the bulk for the Munster region.

Of the 137 projects which went on site in Q1 2017, only 32 were new builds with the remainder represented by Change of Use, Extension or Renovation/Refurbishment.



€67m Frascati Shopping Centre at On-Site Stage in Dublin

The volume of projects submitted for planning has increased by 8% over the same period last year, with 252 projects submitted for planning in Q1 2017.



Fig. 17

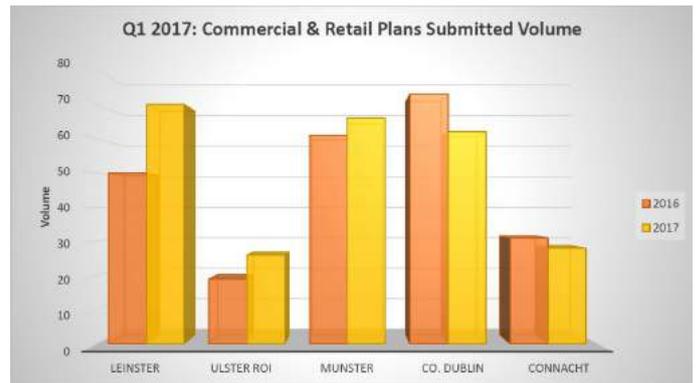


Fig. 19

Future Pipeline of Commercial and Retail Projects

The volume of projects granted planning in Q1 2017 in the Commercial and Retail Sector has remained relatively static with 209 projects having been granted planning permission. However the value has fallen over 55% from the same period last year to only €220m.

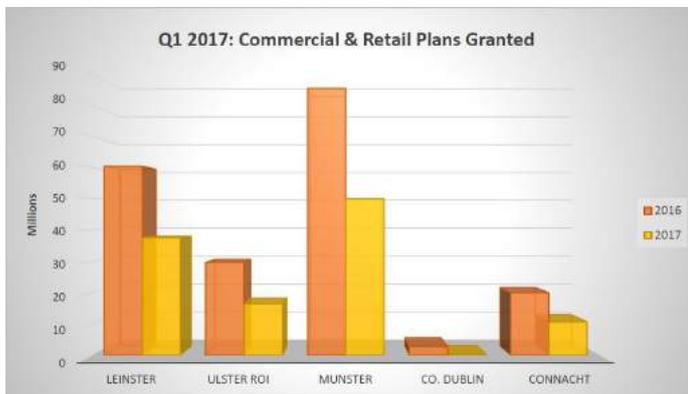


Fig. 18

Education Sector

CIS estimates that over €87 million worth of projects have moved on-site in Q1 2017. This is a decrease of 39% on the same period last year. Dublin is the only region to experience a drop in sectoral value as the Trinity Business School enabling works commenced in Q1 2016 with main construction starting in Q3 2016.. The volume of projects moving on-site has fallen from 79 to 76 in Q1 2017.

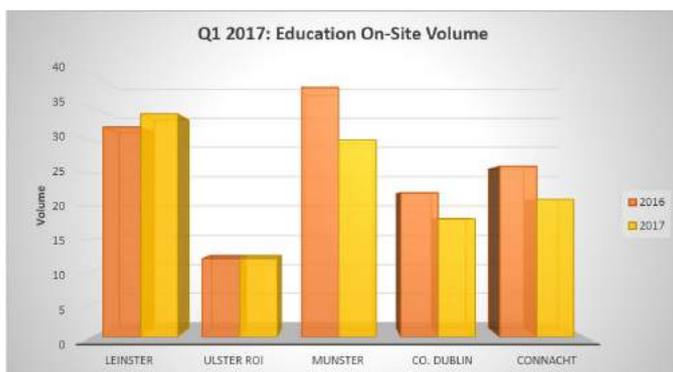


Fig. 20

Future Pipeline of Education Projects

The value of Education projects granted planning continues to fall with only €46 m in projects granted planning, down from €94m in Q1 2016.

In the plans submitted category, only 115 projects have been submitted for planning in Q1 2017, down from 130 in Q1 2016.

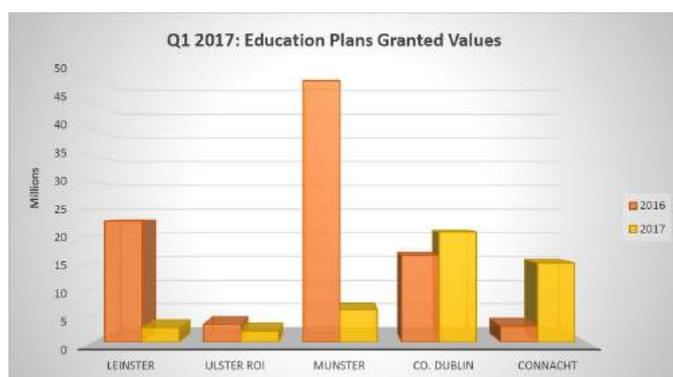


Fig. 21

Hotel & Catering Sector

The Hotel & Catering sector continues to perform strongly with an increase in the value of projects on-site of over 70% to over €230 million. Over €150m of this total is represented by student accommodation where more bed spaces began construction in Q1 2017 than the total volume of bed units constructed in 2016.



Fig. 22

Future Pipeline of Hotel & Catering Projects

The value of plans granted has increased by a further 12% in Q1 2017 when compared with the same period last year. The value of projects has increased to over €250m in the first quarter of 2017.

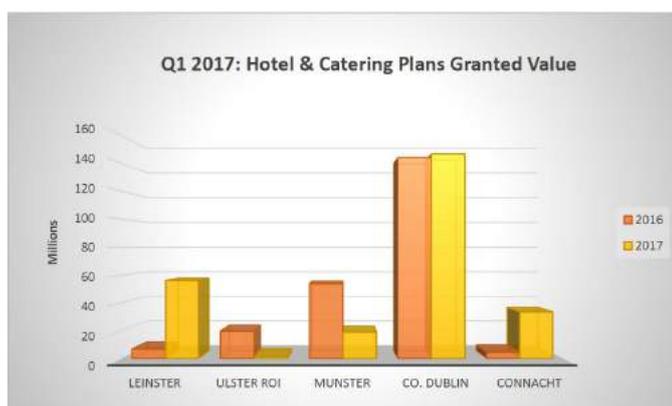


Fig. 23

A further 146 projects have been submitted for planning in Q1 2017, up from 105 in Q1 2016. All regions have experienced an increase in the number of projects in the quarter compared to the same period last year.

Community and Sport Sector

The value of Community and Sport projects has increased to over €80m for the period under review, but most of this value can be attributed to the Curragh Racecourse redevelopment where enabling works have begun for the €65m project. Only 39 projects have started on-site, which is down from 64 in Q1 2016.

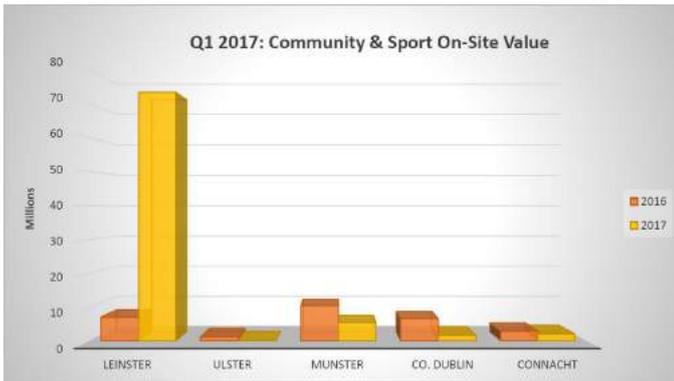


Fig. 24

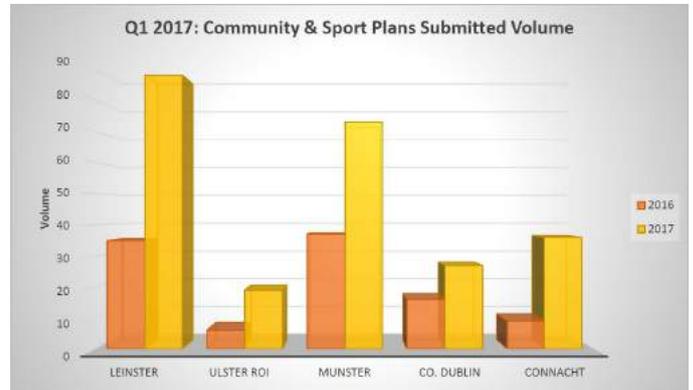


Fig. 26

Future Pipeline of Social, Sport and Leisure Projects

The sector is continuing to experience a downward trend as the value of projects granted planning has decreased by 80% in the period under review. The €230m Centre Parcs development in Q1 2016 skewed the figures.

Over €50m in projects have been granted planning in the first quarter, with the €6.2m Punchestown Racecourse redevelopment being the largest. Over 100 projects were granted planning in the period, down slightly on the same period last year.

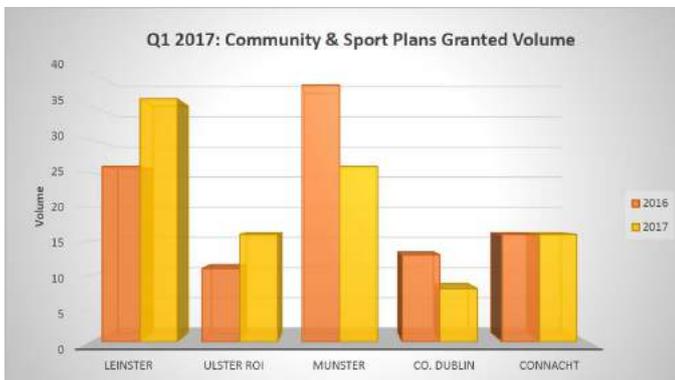


Fig. 25

The new Capital Sports Programme has witnessed a surge in planning applications in Q1 2017 when compared with Q1 2016. Over 240 planning applications have been received in the hope that their projects will receive capital funding.

Agriculture Sector

The number of projects which have moved to on-site stage has increased by 75% in Q1 2017 compared to the same period last year, albeit from a very low base.

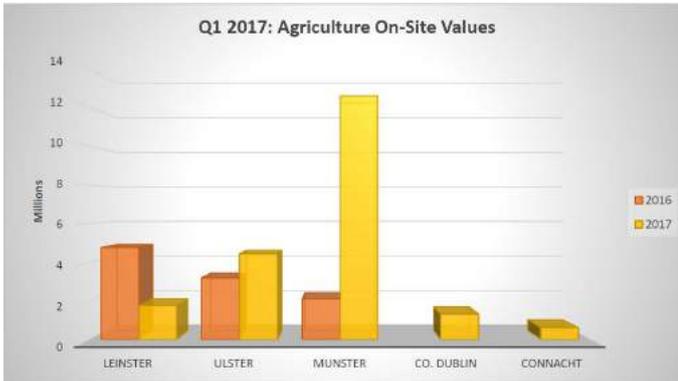


Fig .27

Future Pipeline of Agricultural Projects

The future for the sector is not positive as all regions have experienced a drop in the value of projects granted planning. The sector is down 42% in total with the Munster region almost halving in value.

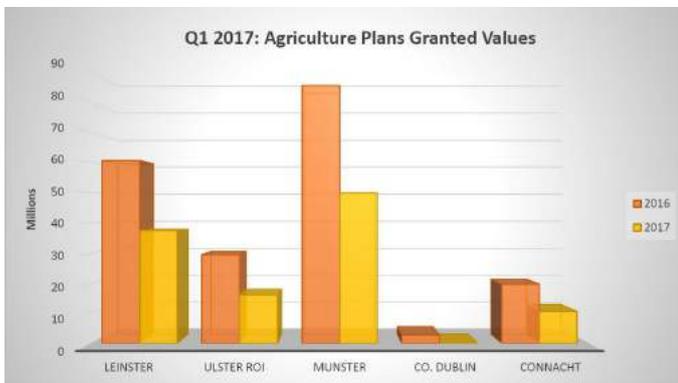


Fig .28

The volume of projects submitted for planning is also down significantly to 400 projects from over 650 in the same period last year.

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