

Construction Market Review

Q2 2017

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

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About CIS

The Construction Information Services (CIS) Q2 2017 Construction Market Review provides an analysis of activity in the construction sector for the first half 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 volume of construction projects commencing On-Site in H1 2017 remains almost static at 1,325 when compared to the same period in 2016 (1,317) for the Republic of Ireland, which was in turn up 29% on 2015 levels.

The value of projects commencing On-Site is also static (H1 2017 - €3,597m versus H1 2016 - €3,583m). However, if we removed Civil & Utilities, which is down over 400% on H1 2016 levels due to two major road schemes (totalling €675m) which started On-Site in Q1 2016, there would be more significant growth in project value for this period.

All other sectors are growing with the best performing sector in the analysis being Community & Sport which is up 79% on the same period last year (2017 - €445m versus 2016 - €78m). This increase is attributed to two major developments commencing construction – the Curragh Race Course redevelopment and the new Centre Parcs Holiday Village in Longford.

Looking at the regional analysis in project value terms for H1 2017 versus the same period in 2016, Leinster is down by €250m, however, the number of projects commencing On-site increased by 35. Ulster (ROI) is down both in value and volume - €75m and 4 projects respectively. In Munster, project values increased by €60m but the number of projects decreased by 16. Connaught showed positivity in both value and volume of projects for H1 - €150m and 32 projects respectively. Finally, Co. Dublin showed an increase in values of €151m but the volume of commencements decreased by 39

The market share based on the volume of projects commencing construction is Munster 28%, Co. Dublin 27%, Leinster 24%, Connaught 13% and Ulster (ROI) 8%.

In a continuing trend from Q1 2017, the volume of Plans Granted continues to lag the corresponding period in 2016. The number of plans granted in H1 2017 is 2672, which is down 10.4% or 312 projects on H1 2016.

Agricultural projects have seen the largest decrease in volume with only 694 projects granted planning. Residential (excluding Self-build) recorded an increase in permissions by 48 projects over H1 2016, which amounts to 8,193 units.

The value of projects granted permission in the period under review, reveals a dramatic drop on the corresponding period in 2016. There is a €1,447m decrease, the majority of which is attributed to two sectors – Medical & Care Residential and Commercial & Retail.

On further analysis of these two sectors the €650m Children's Hospital accounts for 90% of the decrease in values in the Medical & Care Residential, while in the Commercial & Retail sector the decrease is made up of a large number of projects in value ranges from €10m to €80m which were granted permission in H1 2016. It will not be surprising that the majority of these were in Dublin and mainly for offices, with the exception of three developments, two in Cork and one in Limerick.

Examining the projects granted in H1 2017 by Region, Munster shows the biggest decrease in volumes compared to 2016 at 208 projects, which represents €168m in value terms. Connaught had 67 less projects granted permission and these represented €253m in construction values. However, in Co. Dublin while the decrease was only 18 projects, the value was in excess of €1billion, which is mainly accounted for by the €650m National Children's Hospital (currently at Contract Awarded), €300m expansion of the Water Treatment Plant in Ringsend (currently at Tender stage) and a €100m Office development at Hanover Quay (currently On-Site).

The volume of projects Submitted for Planning Permission increased slightly in H1 2017 to 3,537 over the comparable period in 2016. This is a positive reflection given we recorded a small decrease in Q1 2017 versus Q1 2016.

Growth in the Residential (24%), Community & Sport (79%), Hotel & Catering (29%) and Education (23%) offset the decreases in Agriculture (-34%) and Medical & Care Residential (-11%).

In terms of construction values there was a €35m decrease in H1 2017 versus H1 in 2016. The Residential sector (excluding Self-build) represented the largest increase in both values and volume. The value of plans submitted amounted to €1.7 billion, which represents 13,199 units, which is an average of 21 units per development.

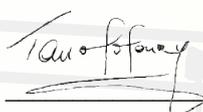
The Hotel & Catering continues its positive momentum with an increase of €205m over H1 2016 or 67 developments. Industrial also recorded increases in both volume and value – 11 projects and €140m respectively. The biggest decrease in value terms was in Civil & Utilities at €443m and when analysed projects such as the €200m Vartry Water Treatment Plant in Co. Wicklow, the €160m Waste to Energy Facility in Co. Cork and the numerous Solar Farms in Co. Wexford all submitted for planning in H1 2016 go towards explaining the decrease.

An analysis of the plans submitted by Region in volume terms reveals the continuing trend of activity increases in Leinster and Co. Dublin, with Connaught (-94), Munster (-45) and Ulster (-9) recording decreases over the same period last year. However, in terms of values the outcome is static, which suggests that in Connaught, Munster and Ulster (ROI) the individual developments are of a higher value versus the comparable period in 2016.

According to the Ulster Bank PMI June 2017, Irish construction firms posted a further strong rise in business activity during June, despite an easing in the pace of growth, which mirrored a slowdown in the rate of expansion in new orders. Construction employment continued to increase at a substantial pace, while business sentiment improved to a 10-month high in June. Commenting on the survey, Simon Barry, Chief Economist Republic of Ireland at Ulster Bank, noted that:

“Irish construction firms continue to experience rapid growth in their activity levels, according to the June results of the Ulster Bank Construction PMI survey. A decline in the headline PMI index, from 63.6 to 58.2, indicates that the pace of expansion did ease somewhat last month. However, this follows a particularly strong May performance (among the strongest in the survey’s 18-year history) and the still very-elevated level of the PMI indicates that the recovery in Irish construction continues apace.

Despite the many challenges facing Ireland and the European Union as we approach the closing stages of the decade, there is a case for cautious optimism on the strength of the current construction statistics laid out in CIS Q2 2017 Construction Market Review. As stated above, the exponential growth in the commercial sector is tapering off but a renewed confidence in the sector due to the commitments of major financial institutions like JP Morgan setting up in Co. Dublin along with Bank of America Merrill Lynch’s planned expansion, proves that Ireland could be lining up to take advantage of the Brexit fallout



Tom Moloney, Managing Director of CIS

H1 2017: Key Construction Activity Overview

- Over €3.5bn worth of projects moved on-site in H1 2017
- Volume of construction projects commencing On-Site in H1 2017 remains almost static at 1,325 when compared to the same period in 2016 (1,317)
- 2,672 projects granted planning in H1 2017
- The volume of projects Submitted for Planning Permission increased slightly in H1 2017 to 3,537 over the comparable period in 2016.

Construction Projects at On-Site Stage in the Republic Of Ireland

The overall volume of construction projects commencing On-Site in H1 2017 remains almost static at 1,325 when compared to the same period in 2016 (1317) for the Republic of Ireland, which was in turn up 29% on 2015 levels. The table below provides an analysis by sector of the two periods under review. The 276 Residential projects below represent 7,596 units in multi-unit developments and equates to an average of 28 units per scheme.

On-Site by Volume	H1 2016	H1 2017
Agriculture	55	119
Medical & Care Residential	94	82
Civil & Utilities	117	86
Commercial & Retail	311	265
Education	177	158
Hotel & Catering	128	137
Industrial	106	107
Community & Sport	132	95
Residential	197	276
Grand Total	1317	1325

As per Fig. 1 the value of projects commencing On-Site is also static (H1 2017 - €3,597m versus H1 2016 - €3,583m). However, if we removed Civil & Utilities, which is down over 400% on H1 2016 levels due to two major road schemes (totalling €675m) which started On-Site in Q1 2016, there would be more significant growth in project value for this period.

All other sectors are growing with the best performing sector in the analysis being Community & Sport which is up 79% on the same period last year (2017 - €445m versus 2016 - €78m). This increase is attributed to two major developments commencing construction – the Curragh Race Course redevelopment and the new Centre Parcs Holiday Village in Longford.

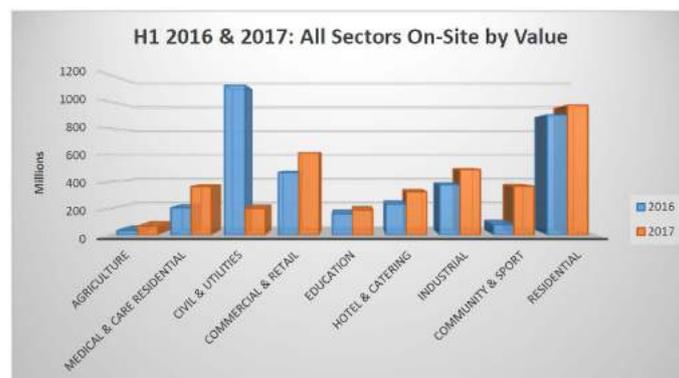
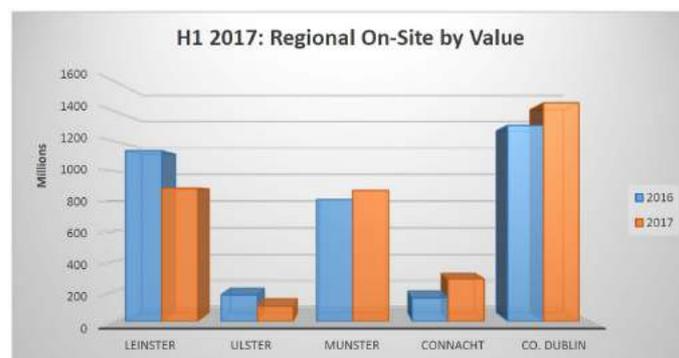


Fig. 1

Looking at the regional analysis in project value terms for H1 2017 versus the same period in 2016, Leinster is down by €250m, however, the number of projects commencing On-site increased by 35. Ulster (ROI) is down both in value and volume - €75m and 4 projects respectively. In Munster, project values increased by €60m but the number of projects decreased by 16. Connaught showed positivity in both value and volume of projects for H1 - €150m and 32 projects respectively. Finally, Co. Dublin showed an increase in values of €151m but the volume of commencements decreased by 39.

The market share based on the volume of projects commencing construction is Munster 28%, Co. Dublin 27%, Leinster 24%, Connaught 13% and Ulster (ROI) 8%.



* '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

In a continuing trend from Q1 2017, the volume of Plans Granted continues to lag the corresponding period in 2016. The number of plans granted in H1 2017 is 2672, which is down 10.4% or 312 projects on H1 2016.

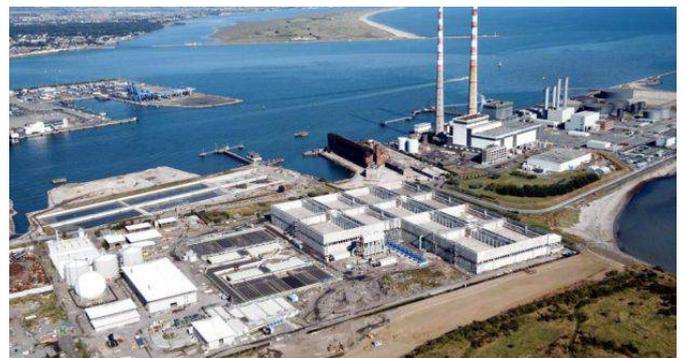
As can be seen in the table below, Agricultural projects have seen the largest decrease in volume with only 694 projects granted planning. Residential (excluding Self-build) recorded an increase in permissions by 48 projects over H1 2016, which amounts to 8,193 units.

The value of projects granted permission in the period under review, reveals a dramatic drop on the corresponding period in 2016. There is a €1,447m decrease, the majority of which is attributed to two sectors – Medical & Care Residential and Commercial & Retail.

On further analysis of these two sectors the €650m Children's Hospital accounts for 90% of the decrease in values in the Medical & Care Residential, while in the Commercial & Retail sector the decrease is made up of a large number of projects in value ranges from €10m to €80m which were granted permission in H1 2016. It will not be surprising that the majority of these were in Dublin and mainly for offices, with the exception of three developments, two in Cork and one in Limerick.

Granted Permissions by Volume	H1 2016	H1 2017
Agriculture	1135	694
Medical & Care Residential	125	83
Civil & Utilities	92	112
Commercial & Retail	430	422
Education	243	252
Hotel & Catering	216	244
Industrial	202	200
Community & Sport	204	280
Residential	337	385
Grand Total	2984	2672

However, in Co. Dublin while the decrease was only 18 projects, the value was in excess of €1billion, which is mainly accounted for by the €650m National Children's Hospital (currently at Contract Awarded), €300m expansion of the Water Treatment Plant in Ringsend (currently at Tender stage) and a €100m Office development at Hanover Quay (currently On-Site).



The €300m Water Treatment Plant Expansion in Ringsend, Dublin

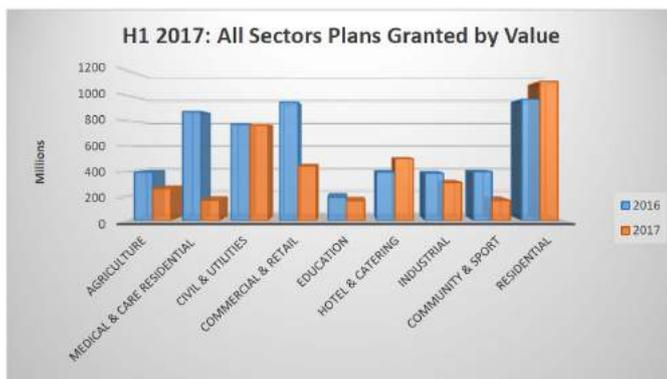


Fig. 3

Examining the projects granted in H1 2017 by Region, Munster shows the biggest decrease in volumes compared to 2016 at 208 projects, which represents €168m in value terms. Connaught had 67 less projects granted permission and these represented €253m in construction values.

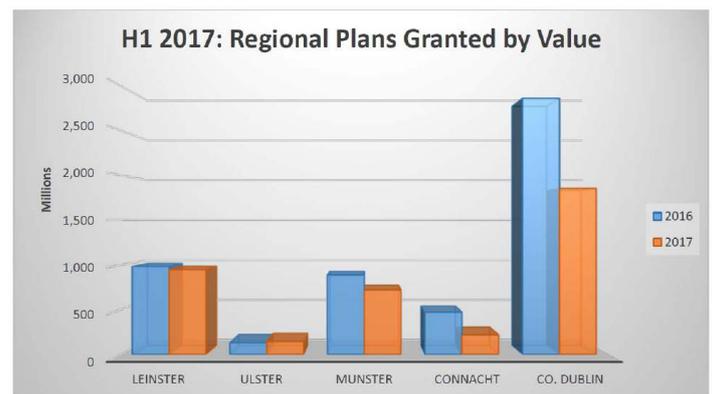


Fig. 4

Construction Projects at Plans Submitted Stage in Republic Of Ireland

The volume of projects Submitted for Planning Permission increased slightly in H1 2017 to 3,537 over the comparable period in 2016. This is a positive reflection given we recorded a small decrease in Q1 2017 versus Q1 2016.

Growth in the Residential (24%), Community & Sport (79%), Hotel & Catering (29%) and Education (23%) offset the decreases in Agriculture (-34%) and Medical & Care Residential (-11%) as reflected in the table below.

Plans Submitted by Volume	H1 2016	H1 2017
Agriculture	1249	829
Medical & Care Residential	127	113
Civil & Utilities	133	142
Commercial & Retail	520	528
Education	297	365
Hotel & Catering	231	298
Industrial	257	268
Community & Sport	210	375
Residential	501	619
Grand Total	3525	3537

In terms of construction values there was a €35m decrease in H1 2017 versus H1 in 2016. The Residential sector (excluding Self-build) represented the largest increase in both values and volume. The value of plans submitted amounted to €1.7 billion, which represents 13,199 units, which is an average of 21 units per development.

The Hotel & Catering continues its positive momentum with an increase of €205m over H1 2016 or 67 developments. Industrial also recorded increases in both volume and value – 11 projects and €140m respectively.

The biggest decrease in value terms was in Civil & Utilities at €443m and when analysed, projects such as the €200m Vartry Water Treatment Plant in Co. Wicklow, the €160m Waste to Energy Facility in Co. Cork (below) and the numerous Solar Farms in Co. Wexford all submitted for planning in H1 2016 go towards explaining the decrease.



The €160m Waste to Energy Facility in Co. Cork.

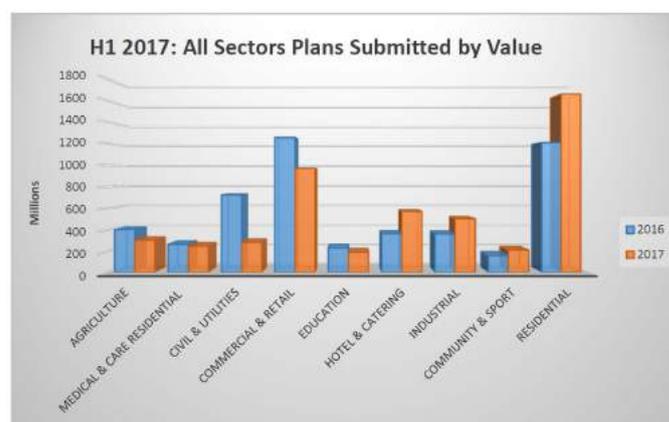


Fig. 5

An analysis of the plans submitted by Region in volume terms reveals the continuing trend of activity increases in Leinster and Co. Dublin, with Connaught (-94), Munster (-45) and Ulster (-9) recording decreases over the same period last year. However, in terms of values the outcome is static, which suggests that in Connaught, Munster and Ulster (ROI) the individual developments are of a higher value versus the comparable period in 2016.

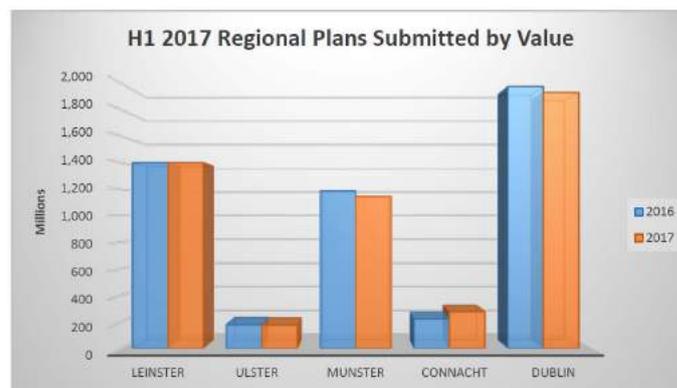


Fig. 6

Residential Sector

According to our research, almost 7,600 units in multi phased developments started On-Site in the first six months of 2017. This represents an increase of 23% on the same period last year. Significantly, Dublin has shown a fall in the number of units On-Site in the period.

Leinster has reported an increase of 63% in the volume of units going On-Site in the period and now the province represents 36% of the volume of units been built. Dublin is still the largest region with 43% market share.

(A further 2100 self-build houses have commenced building in the first half of 2017)



An €18.7m Residential Development in Co. Kildare at On-Site stage



An €11.2m Apartment Development in Co. Kildare at Plans Granted Stage

The value of projects submitted for planning in the sector has increased by 37% for the first 6 months of 2017. Over 13,000 units have been submitted for planning an increase of 48% on the same period in 2016.

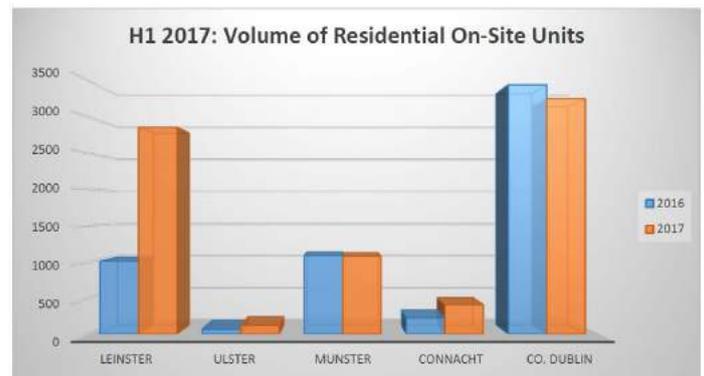


Fig. 7

Future Pipeline of Residential Sector Projects

Just over 380 Residential projects have been granted planning in the first six months of 2017, representing a 14% increase on the same period last year. If all these projects are built, it will represent a further 8100 units, a 13% increase on 2016 levels. Both Leinster and Munster have seen increases of over 40% in the volume of units granted planning in the period. In a continuation of On-Site activity trends, Dublin has shown a decrease of 8% on the same period last year.

Industrial Sector

In a turnaround from Q1 2017, the value of projects On-Site has increased to almost €500m or 23% in Q2 2017. Much of this value is made up of the €200m Biotech Manufacturing Facility in Cork which commenced in May. The volume of projects is almost static at 107. Connacht and Munster are the only two regions which have experienced growth in the sector during this period.

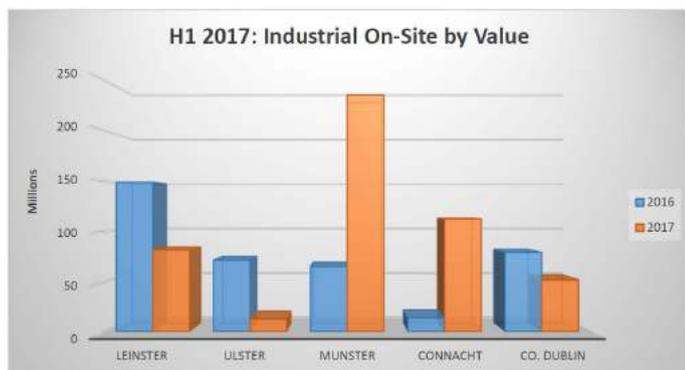


Fig. 8



Plans Submitted for a €14.6m Pharmaceutical Building Extension in Co. Cork



A €40m Pharmaceutical Facility in Dublin 22 at On-Site Stage

Future Pipeline of Industrial Projects

The value of projects granted planning in H1 2017 is down 20% on the same period last year to just over €300m. Ulster and Connacht are the only two regions to have experienced growth albeit from low bases. The volume of projects granted planning is almost static with 200 projects in the sector.

The value of projects submitted for planning is up almost 40% on the same period in 2016. All regions have experienced growth with the exception of Ulster ROI. However, the volume of projects submitted for planning is up only 4% to 268.

Civil & Utilities Sector

Just €200m of projects in the Civil & Utilities (incl. Transport) sector have gone On-Site in the first 6 months of 2017, down from over €1.1 billion in the same period last year. Just 86 projects went On-Site in the period under review, down 36% on H1 2016, with over 60 of the projects been publicly funded. There appears to be a relatively even spread of projects throughout the regions.



A solar farm in Ireland

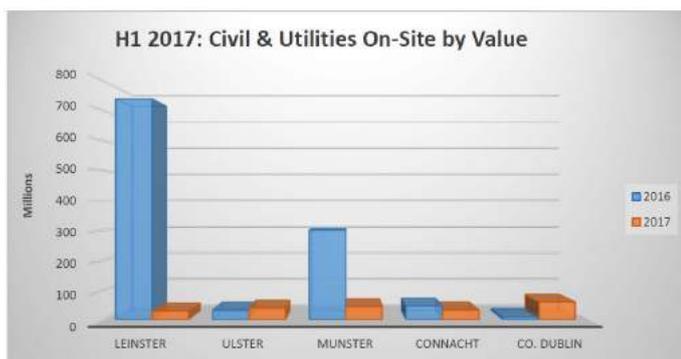


Fig. 9

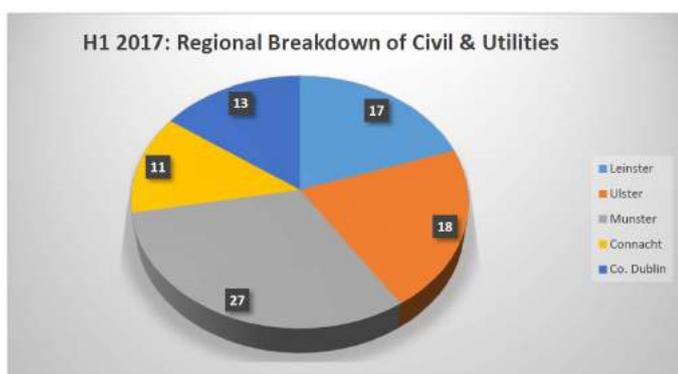


Fig. 10

Future Pipeline of Civil Sector Projects

Just over 110 projects have been granted planning in the first half of 2017 in this sector, up from 92 in 2016, with 39 of them been solar farms of various sizes, mainly in the south east and south of the country. The value of projects granted planning is just under €770 million which is a slight decrease of €5m on the same period last year.

The number of projects submitted for planning in H1 2017 is up 7% on 2016 levels to 142. However the value of these projects only amounts to €280 million down from €720 million in the same period last year.

Medical & Care Residential Sector

Just 82 projects have begun in the first 6 months of 2017, a decrease of 15% on the same period last year. However the value of the projects has increased to over €360 million, a 44% increase on 2016 levels. Much of the value is made up of the €125 million National Forensic Mental Health Facility in Dublin and the €64 Bon Secours Hospital extension in Cork which both began in June 2017.



€125m National Forensic Mental Health Facility in Dublin at On-Site Stage



Plans Submitted for a €6.6m Hermitage Clinic Extension in Dublin 20.

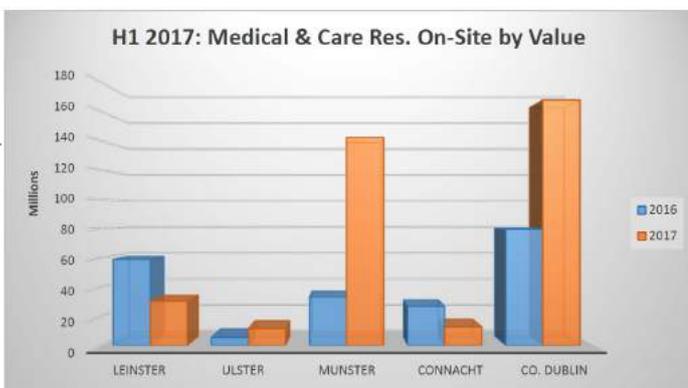


Fig. 11

Future Pipeline of Medical & Care Residential Projects

The value of projects at Plans Granted stage is down 81% on 2016 levels to €165 million. The volume of projects has also fallen to 83 for the six months of the year, down 34% on the same period last year with all regions experiencing a decrease in projects.

The value of projects submitted for planning in the first 6 months of 2017 is down 6% on the same period last year to €245 million, with a similar fall off in the volume of projects submitted for planning.

Commercial and Retail Sector

The value of Commercial projects On-Site in H1 2017 was up 24% on the same period last year to €620 million. Dublin, Leinster and Munster regions have all experienced significant growth in the sector. However, the volume of projects has decreased by 17%, to 265 from 311 in the same period last year. The ESB HQ redevelopment is the largest project to start in this period.



The €150m ESB HQ Development in Dublin City at On-Site Stage



€35m Office Development at On-Site Stage in Dublin 4

The volume of projects submitted for planning has increased by 2% in the first 6 months of 2017 to 528 projects, but this translates to a fall of 23% in the value of projects submitted for planning in the 2017.

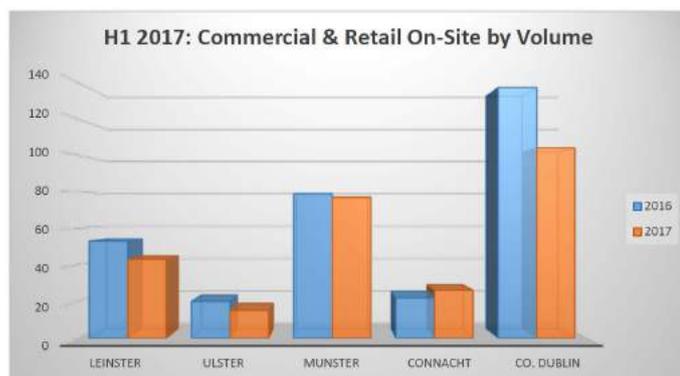


Fig. 12

Future Pipeline of Commercial and Retail Projects

The volume of projects granted planning in the first six months of 2017 has remained relatively static in comparison to the same period last year at just over 420 projects.

However the value of projects has fallen by over 50% in the same period. This is clearly a result of at least 10 projects over €30 million being granted permission in the first half of 2016 as opposed to only 1 over €30m in the same period in 2017.

Education Sector

CIS estimates that over €185 million worth of projects have moved On-Site in the first six months of 2017. This represents an increase of 15% on the same period in 2016.

On a regional basis only Leinster and Dublin show positive growth with a number of large primary and post primary schools moving On-Site. The volume of projects has actually fallen to 158, down from 177 in 2016. Connacht was the only region which showed positive growth in terms of volumes.

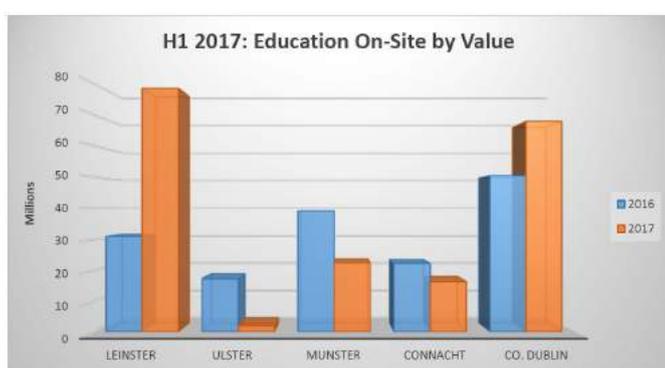


Fig .13



€45m Tallaght IT Development in Dublin 24 at Plans Granted Stage

The value of projects submitted for planning in the first half of the year is down 17% on 2016 levels to just under €190 million. Leinster and Munster were the only two regions to show positive growth.

However, the volume of projects submitted for planning has increased by 23% when compared to the same period last year, with all regions experiencing an increase in activity.

Future Pipeline of Education Projects

The value of projects granted planning permission has fallen 16% in comparison with the same period last year. Only €160 million worth of projects have been granted planning in H1 2017, down from €190 million in H1 2016.

Munster has suffered the biggest fall in value with a 64% decrease in the value of projects granted planning while Leinster, Ulster ROI and Connacht have seen an increase in the value of projects granted planning. The volume of projects granted planning is actually up 4% in the period.



€14m School Development in Co. Galway at Plans Granted Stage

Hotel & Catering Sector

The Hospitality sector is continuing its strong performance with an increase of 29% in the value of projects going On-Site in the first six months of 2017 when compared with the same period last year. The total value of projects moving On-Site in the sector is over €325 million.

As can be seen from the Fig. 14, there has been significant growth in investment in Dublin, Connacht and Leinster while Munster and Ulster have fallen back slightly. Almost 140 projects got under way in the six months under



€43m Hotel/Residential Development in Dublin at Plans Submitted Stage

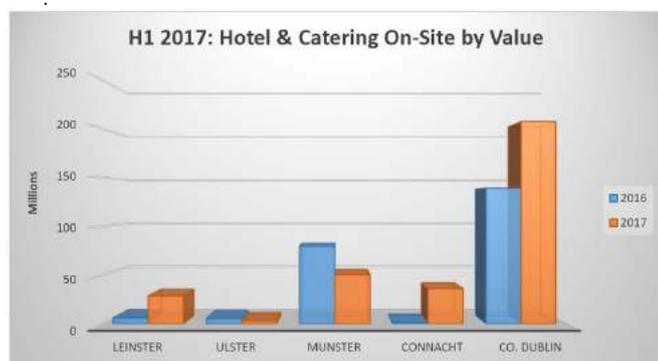


Fig. 14

Future Pipeline of Hotel & Catering Projects

The total value of projects granted planning in the first 6 months of 2017 exceeded €500 million, a 27% increase on 2016 levels. Connacht and Leinster had the highest growth rates albeit from low levels while Dublin continues to dominate the market with over €320 million in projects granted planning.

Almost 300 projects have been submitted for planning in H1 2017, a 29% jump on 2016 figures. All regions are experiencing a strong growth in activity in the sector. CIS estimate the value of projects submitted for planning at over €565 million, an increase of 57% on the same period last year.

Community and Sport Sector

The Community and Sport sector continues to under-perform as only 95 projects started On-Site in H1 2017, a 39% drop on 2016 levels. In value terms, the Centre Parcs Development in Longford and the Curragh Racecourse Redevelopment are the only projects keeping the value of projects On-Site growing as is evidenced by the graph below.

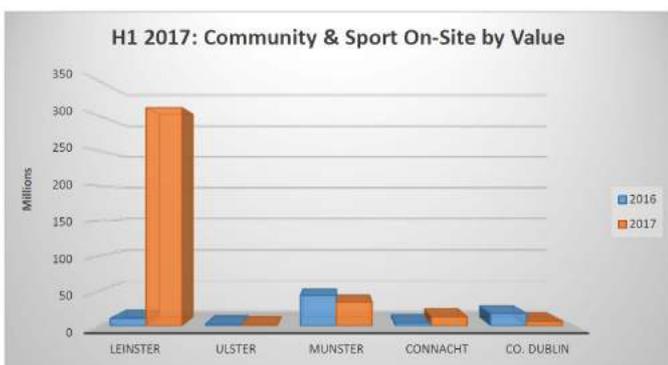


Fig. 15

Future Pipeline of Social, Sport and Leisure Projects

In more positive news for the sector, the volume of projects granted planning in H1 2017 is up 37% to 280 projects. In a reversal of the On-site analysis, the Centre Parcs and Curragh Racecourse developments which were granted planning in H1 2016, leave a decrease of 59% in the value of projects granted planning. If we were to take these two projects out of our analysis, we would then see a positive growth of 61% in the value of projects granted planning.

The value of projects submitted for planning has increased 34% on the same period in 2016 with over €200 million in projects. Over 375 projects have been submitted for planning, a 79% increase on the same period last year.



€65m Curragh Racecourse development in Dublin at Plans Granted Stage

Agriculture Sector

The number of projects moving On-Site has increased by 54% on the same period last year. The value of projects is estimated at over €65 million with all regions showing positive growth.

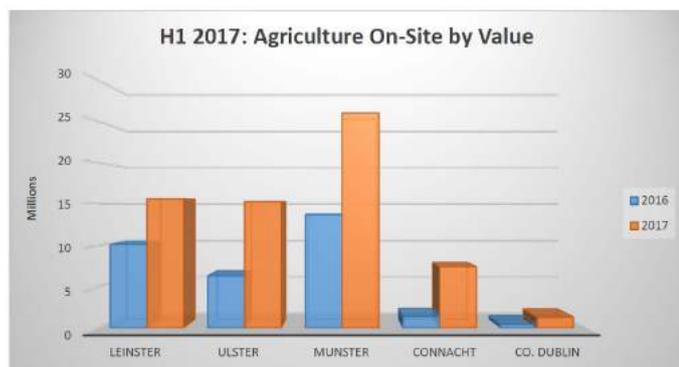


Fig .16

Future Pipeline of Agricultural Projects

The immediate future for the sector is not as positive as our analysis shows a decrease of 34% in the value of projects granted planning in the first 6 months of 2017. Just 694 projects have been granted planning in H1 2017, down from 1135 in H1 2016, with all regions experiencing a downturn.

The volume of projects submitted for planning is also down to 829 from 1249 in the corresponding period last year.

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- 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.