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The Cornerstone of Construction

CIS Q3 2018
CONSTRUCTION
ACTIVITY REPORT

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

The **Education** sector is dominated by the development at the Grangegorman Campus. Our Researchers are noting the year on year decline in project volumes since 2016. Funding and the impact of the liquidation of the Sammon Group have and will contribute towards the slowdown in the sector. Pre-fabricated buildings are being used as a temporary solution until funding is secured for permanent buildings and in some cases, schools are waiting many years.

Similar to the Education sector, funding is a major issue in the **Medical & Care Residential** sector. Due to the ongoing construction of the €1 billion New Children's Hospital at St James' Hospital, a large number of other medical schemes have been put on the back burner for the moment at least. Again, pre-fabricated buildings are being utilised in the medical sector. Recently, the HSE issued Pre-Qualification Questionnaires for the provision of a 60 bed Modular Ward Block for University Hospital Limerick.

In the **Commercial & Retail** sector, it would appear that activity across all three stages (applied, granted and on-site) have plateaued. The Irish office market is at a stage where the main priority is delivery of the existing large-scale projects under construction. It should be recalled that between 2014 and 2016 we witnessed large volumes of projects coming into the construction pipeline and commencing construction, particularly under the North Lotts & Grand Canal Dock SDZ planning scheme and the majority of these are now well into the construction phase.

The **Hotel & Student Accommodation** sector remains buoyant. In Dublin City Council area alone 79 hotels are in the pipeline. 35 of these are either at plans submitted or approved comprising a total of 2,961 bedrooms this year alone. A further 44 hotels comprising 3,903 bedrooms are at tender award or construction stage. As highlighted in previous Construction Activity Reports, Student Accommodation is a lucrative area for developers. The following analysis demonstrates the level of activity on a comparative basis (Fig 6).

Fig. 6

| | H1 - 2017 Student Beds | H1 - 2018 Student Beds |
|------------------------|---------------------------|---------------------------|
| Submitted | | |
| Carlow | 0 | 125 |
| Cork | 753 | 407 |
| Dublin | 2087 | 670 |
| Galway | 345 | 394 |
| Kildare | 0 | 483 |
| Limerick | 8 | 25 |
| Total Submitted | 3193 | 2104 |
| Granted | | |
| Cork | 517 | 686 |
| Dublin | 1790 | 3900 |
| Limerick | 8 | 0 |
| Louth | 300 | 0 |
| Total Submitted | 2615 | 4586 |
| On-Site | | |
| Cork | 236 | 169 |
| Dublin | 2155 | 2911 |
| Galway | 510 | 0 |
| Limerick | 0 | 8 |
| Total On-Site | 2901 | 3088 |

The construction industry has come through a period of restructuring since the collapse in 2009, has regained confidence and is once again an important pillar of the Irish economy. The industry and Government are working together to overcome the continuing constraints hampering activity. The sector is still experiencing short supply of professional managers, skilled and unskilled trades and these coupled planning delays and raising finance are challenging and need to be overcome in order to maintain the current and future growth prospects for the country.



Tom Moloney

OVERVIEW OF CONSTRUCTION ACTIVITY

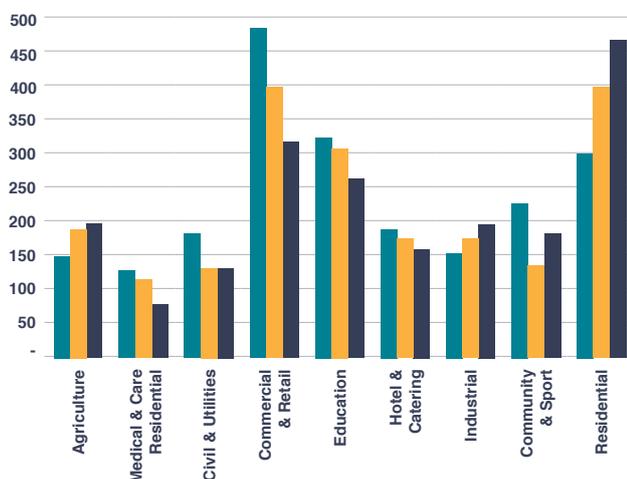
Construction Projects at On-Site Stage in the Republic of Ireland

The volume of projects which has moved On-Site in the first nine months of the year to the end of September 2018 has fallen by 1% on the same period last year, which was similarly down a further 4% on 2017 levels. 2,015 projects commenced in the first 9 months of the year, down from 2,040 in 2017.

As can be seen from Fig. 1, the sectors with positive growth for the period included Civil & Utilities, Industrial, Community & Sport, Residential and Agriculture.

The best performing sector was Industrial which was up 29% on the same period last year, with 194 projects commencing On-Site. The biggest sector in terms of volume is Residential where 466 multi-unit developments started in the first nine months of 2018, up 17% from 2017 levels.

Fig. 1: All Sectors On-Site Stage Q1 to Q3- Volume



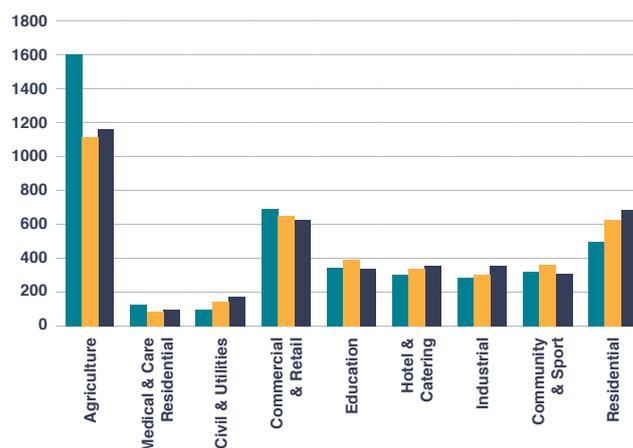
The worst performing sectors, in percentage terms, were Commercial & Retail, down 22% and Medical & Care Residential, down 25%, on the corresponding period last year. Medical & Care Residential is also the smallest sector by volume with just 84 projects starting in the first nine months of 2018.

The value of projects On-Site has increased by 18% when compared with the same period last year. Over €5.7 billion worth of projects have commenced On-Site in the first nine months of 2018, with the Residential sector accounting for almost €2 billion of this total, a 41% increase on the same period last year.

Construction Projects at Plans Granted Stage in the Republic of Ireland

The volume of projects granted planning in the first nine months of 2018 has increased by 3% on the same period last year. Residential is the best performing sector with a 16% increase in the volume of projects granted planning. As can be seen from Fig. 2, the largest sector by volume is Agriculture with over 1,150 projects granted, an increase of 9% on the same period last year. Only two sectors have fallen in volume terms but the decline is minimal in both the Community & Sport and Education sectors.

Fig. 2: All Sectors Plans Granted Stage Q1 to Q3- Volume



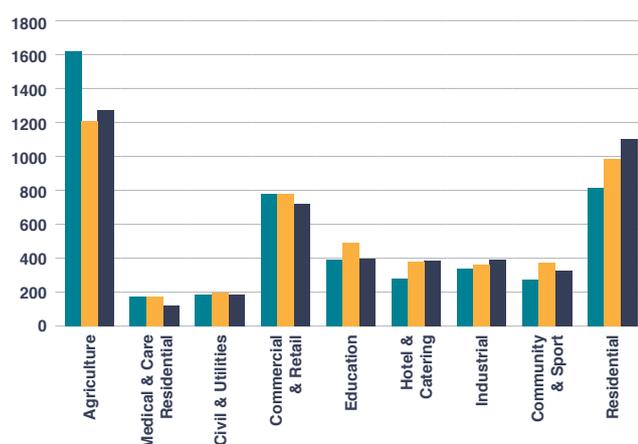
On a regional basis, all areas have experienced an increase in volumes apart from Dublin down 8% and Ulster ROI down 7%. Connacht is the best performing region in percentage terms with a 24% increase in volume terms in the period under review.

In monetary terms, the value of projects granted planning in the first nine months of 2018 is up 23% on the corresponding period last year. Every region has experienced an uplift of at least 10% in the period under review. Dublin is still the largest region by value with a 45% share of the value of projects granted planning permission from the beginning of January until the end of September.

Construction Projects at Plans Submitted Stage in the Republic of Ireland

The overall volume of projects submitted for planning has increased by 1% when compared with the same period in 2017 (Fig. 3). Only Residential, Industrial and Agriculture have bucked the negative trends for the period. The worst performing sectors are Community & Sport which is down 16% on the same period last year and The Medical & Care Residential sector which is down 22% on 2017 levels. The best performing sector is Residential which is up 17% on the period. Over 1,110 projects were submitted for planning in the period, up from 950 in the same period last year.

Fig. 3: All Sectors Plans Submitted Stage Q1 to Q3-Volume



On a regional basis, Connacht, Munster and Leinster have increased the volume of projects submitted for planning while Dublin and Ulster have declined in volume terms, with Dublin down 10% on the same period last year.

Munster is the largest region by volume with almost 1650 plans submitted for planning in the period. Leinster is close behind with 1,575 projects submitted.

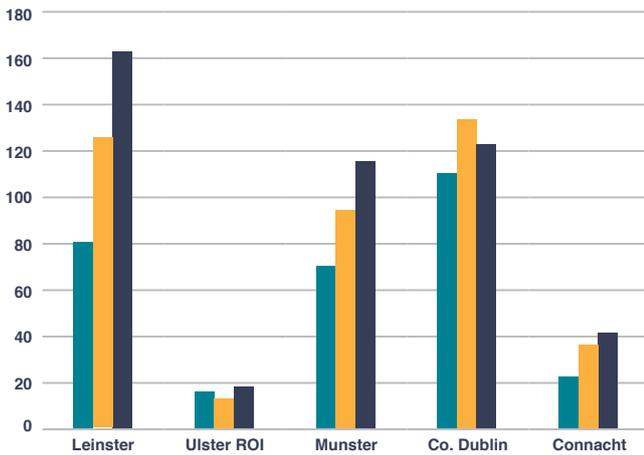
KEY : ■ 2016 ■ 2017 ■ 2018

CONSTRUCTION ACTIVITY REVIEW

Residential Sector

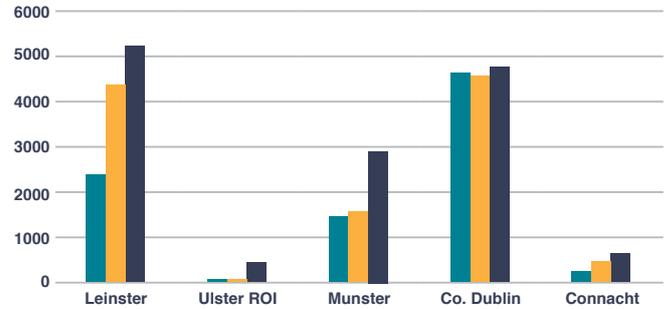
The volume of Residential projects that have moved On-Site in the past nine months has increased by 17% when compared to the same period last year. 466 projects moved to the On-Site stage in this 2018 period, representing over 14,000 units if they are all completed. In a continuing trend Leinster has the largest volume of projects moving On-Site as 166 projects started. As can be seen from Fig. 4, in Dublin, the volume of projects moving On-Site has actually declined, but the number of units still growing but at a more modest 4%.

Fig. 4: Residential On-Site Projects Q1 to Q3 2018 - Volume



In unit terms the volumes have increased by 27% when compared to the same period last year. All regions have shown positive growth from a modest 4% in Dublin to 227% in Ulster (although from a low base point Leinster is the largest region by unit volume with over 5,300 units commenced in the first nine months of 2018. Dublin is the next largest on 4,800 units, and Munster growing by 80% on the same period last year.

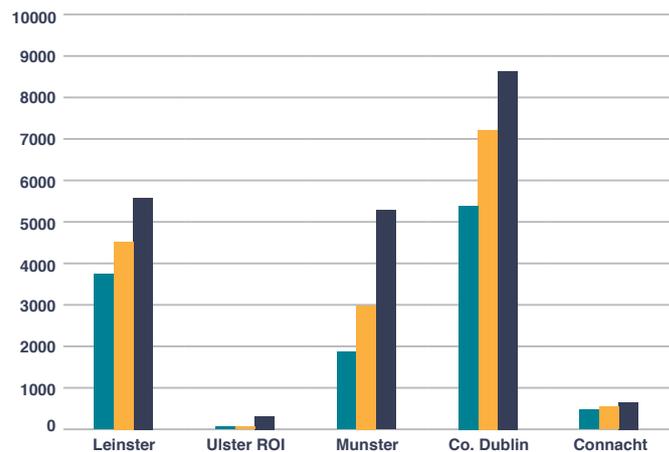
Fig. 5: Residential On-Site Units Q1 to Q3 2018 - Volume



Future Pipeline of Residential Sector Projects

Over 720 projects have been granted planning in the first nine months of 2018, an increase of 16% on the same period last year. If all these projects are completed it will deliver over 20,000 units, a 33% increase on the same period last year. All regions have experienced positive growth as can be seen on Fig. 6. The volume of units per development continues to rise and is now at an average of 28.5 units per development, as compared to 24.8 in the same period last year. In Dublin, the size of development is now at 51 units per projects, up from 37 in the same period last year.

Fig. 6: Residential Plans Granted Units Q1 to Q3 2018 - Volume



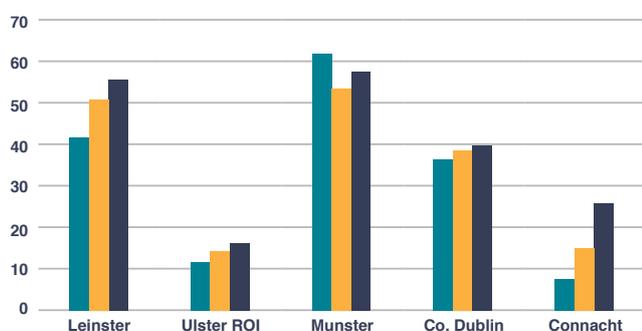
The volume of projects submitted for planning has increased by 17% in the first nine months of 2018. Over 1,100 projects representing 26,500 units shows an increase of 27% on the corresponding period last year. All regions have experienced significant growth with the exception of Dublin which only grew by 1%.

KEY : ■ 2016 ■ 2017 ■ 2018

Industrial Sector

There has been an increase of 14% in the volume of projects moving On-Site in the Industrial sector in the first nine months of 2018 when compared to the same period last year. All regions have experienced an uplift as can be seen from Fig. 7, with Connacht being the fastest growing region, up 50% on the same period last year. Almost 200 projects moved on site in the period, up from 170 in the same period in 2017.

Fig. 7: Industrial On Site Projects Q1-Q3 2018-Volume

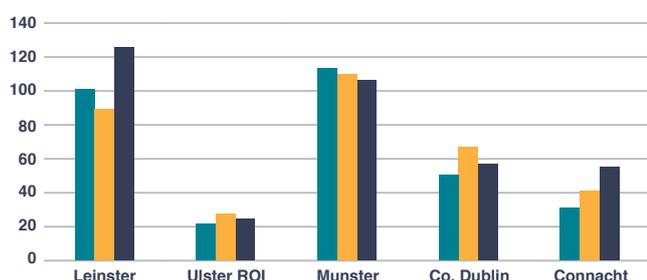


In value terms, the value of projects moving On-Site is down 12% to €642 million, with all regions declining bar Dublin and Leinster.

Future Pipeline of Industrial Sector Projects

The volume of projects granted planning in the first three quarters of 2018 has increased 11% on the same period last year (Fig. 8). Almost 370 projects have been granted planning from January to September of this year. It is an unstable market with some regions showing positive growth while others are declining. Leinster is the best performing region, up 42%, with Ulster down 20% year on year. The total value of plans granted projects is just over €1.1 billion, a 47% increase on the same period last year.

Fig. 8: Industrial Plans Granted Projects Q1 to Q3 2018 - Volume

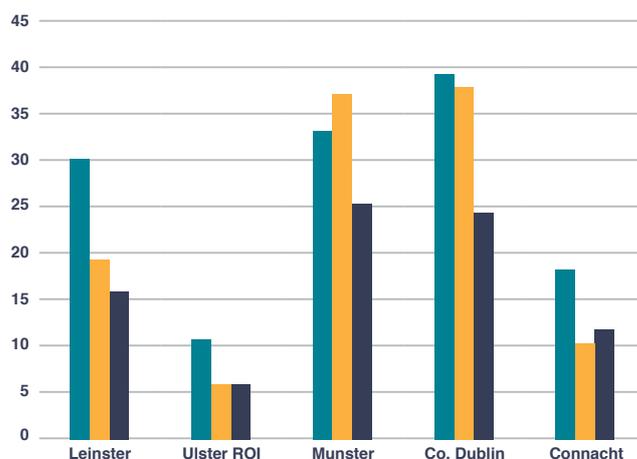


The volume of projects submitted for planning in from Q1 to Q3 2018 has risen 2% to over 415 for the sector. Munster and Leinster are the biggest contributors to the sector in volume terms with 65% of the market. The value of projects submitted for planning was over €1.35 billion up 32% on the same period last year.

Medical & Care Residential

The volume of projects On-Site in the first nine months of 2018 is down 25% on 2017 levels, which was itself a decline of 15% on 2016. As can be seen from Fig. 9 all regions are down with the exception of Connacht and Ulster ROI which is static. Both the Dublin and Munster regions are down over 30% on the same period in 2017.

Fig. 9: Medical & Care Residential On-Site Projects Q1 to Q3- Volume



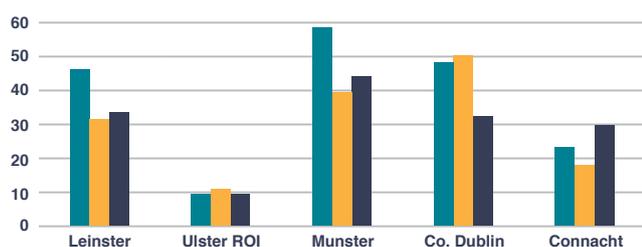
In value terms the trend is also negative, with more than a 70% drop in the value of projects moving On-Site in the period under review. Connacht and Leinster are the only regions to experience positive growth. Just over €145 million worth of projects have commenced from Q1-Q3 2018 in the sector, down from over €500 million in the same period last year.

KEY : 2016 2017 2018

Future Pipeline of Medical and Care Residential Projects

The volume of projects granted planning in 2018 is up 2% on the same period last year with almost 150 projects granted permission (Fig. 10). Both Ulster and Dublin have declined, down 18% and 36% respectively on the same period last year.

Fig. 10: Medical & Care Residential Plans Granted H1 2018 - Volume



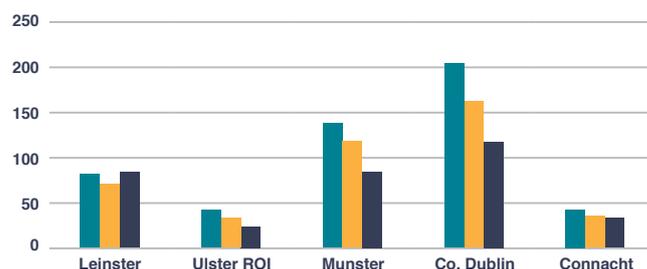
In value terms the sector is down 49% on the corresponding period last year, with both Dublin and Ulster declining while the other regions have grown in value terms. This instability can be partly explained by a few large projects which are granted planning permission and can distort the values in the market. Examples include the €300m National Maternity Hospital and the €1bn New Children's Hospital.

The volume of projects submitted for planning in the period under review is down 22% on Q3 2017 levels. Only 142 projects were lodged for planning, down from 183 in the same period last year, with only Connacht and Munster bucking the trend.

Commercial & Retail Sector

CIS has witnessed a decrease of 22% in the volume of Commercial and Retail projects On-Site in the first nine months of 2018 when compared with the same period last year. As can be seen from Fig. 14, all regions have shown a decline in On-Site project volumes apart from Leinster, up 9%. Just over 310 projects started On-Site in the period, down from 400 in 2017 and 474 in 2016, with Dublin accounting for over 33% of the total. Dublin, Munster and Ulster were all down c. 33% on the year.

Fig. 11: Commercial & Retail On-Site Project Q1 to Q3 - Volume

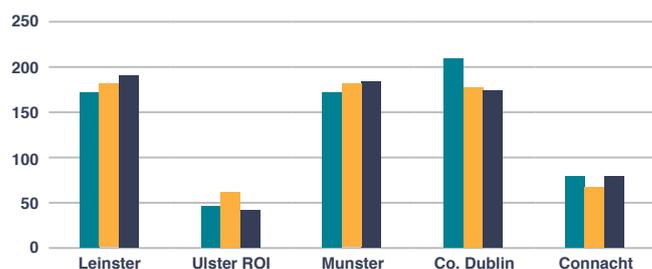


In terms of value, there was a further decrease of 11% in projects commencing in the first nine months of 2018, with just over €620 million in projects moving On-Site. Munster and Dublin are the only regions to have declined over the period, down 61% and 5% respectively. Dublin has the largest market share of almost 70% by value of projects which commenced in the period.

Future Pipeline of Commercial & Retail Projects

The volume of projects granted planning from January to September 2018 in the Commercial and Retail Sector has remained relatively static with 660 projects granted planning permission, a 1% rise on volumes in 2017 (Fig. 12). Ulster recorded the largest decline with a 21% reduction in project volumes, with Connacht up 23%

Fig. 12: Commercial & Retail Plans Granted Projects Q1 to Q3 2018 - Volume



However, the value of projects granted planning has risen by over 42% on the same period last year to over €1 billion, with all regions growing substantially.

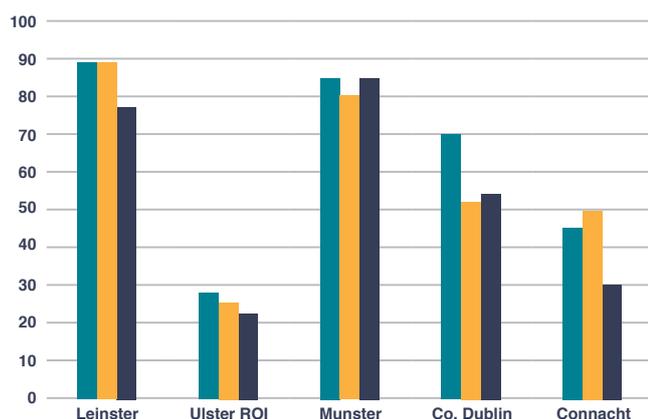
The volume of projects submitted for planning has declined by 4% over the same period last year with 765 projects submitted for planning in the first nine months of 2018 down from almost 800 in the same period last year. Every region has declined with the exception of the Connacht region, which increased 11%.

KEY : ■ 2016 ■ 2017 ■ 2018

Education Sector

The volume of projects commencing On-Site in the first nine months of 2018 is down 10% on the same period last year. Over 270 projects began construction work, down from 301 in 2017. As can be seen from Fig. 13, in regional terms, there are positive growth in Munster and Dublin while all other regions have declined.

Fig. 13: Education On-Site Projects Q1-Q3 2018 - Volume

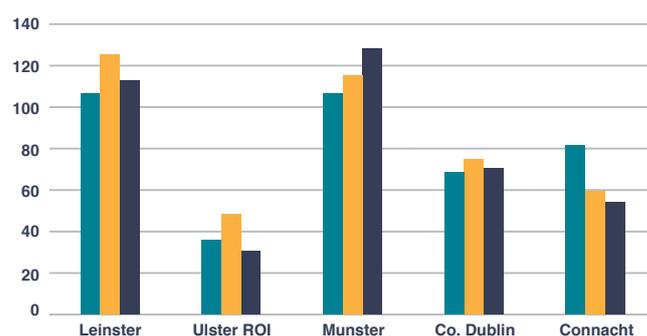


In value terms there has been a 47% increase in value terms but two major projects on the new Grangegorman DIT campus which commenced in Q1 2017 heavily skew the data, as they make up €180 million of the €370 million total. Leinster, Ulster and Dublin have all grown in value terms while Munster and Connacht are down significantly.

Future Pipeline of Education Projects

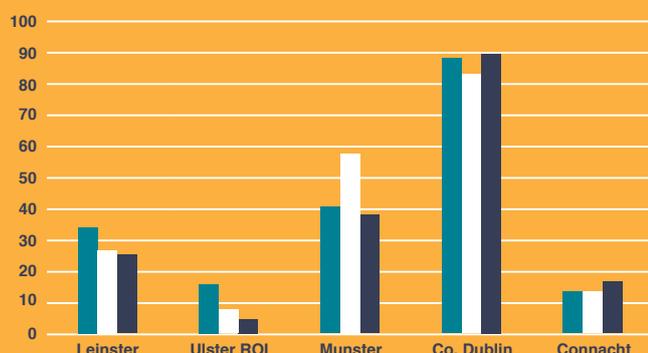
The volume of projects granted planning for the sector has decreased by 7% when compared to 2017 levels as 395 projects were granted planning (Fig. 14). Munster is the only region to experience positive growth (up 15%) with all other regions showing negative growth.

Fig. 14: Education Plans Granted Projects Q1 to Q3 2018 - Volume



The value of projects granted planning is down 14% on the same period last year, with almost €218 million in projects granted planning, down from almost €253 million in 2017. 442 projects have been submitted for planning in the first nine months of 2018, down from almost 500 in 2017, with Leinster and Munster the only regions to grow, up 3% and 8% respectively.

Fig. 15: Hotel & Catering On-Site Projects Q1 to Q3 - Volume

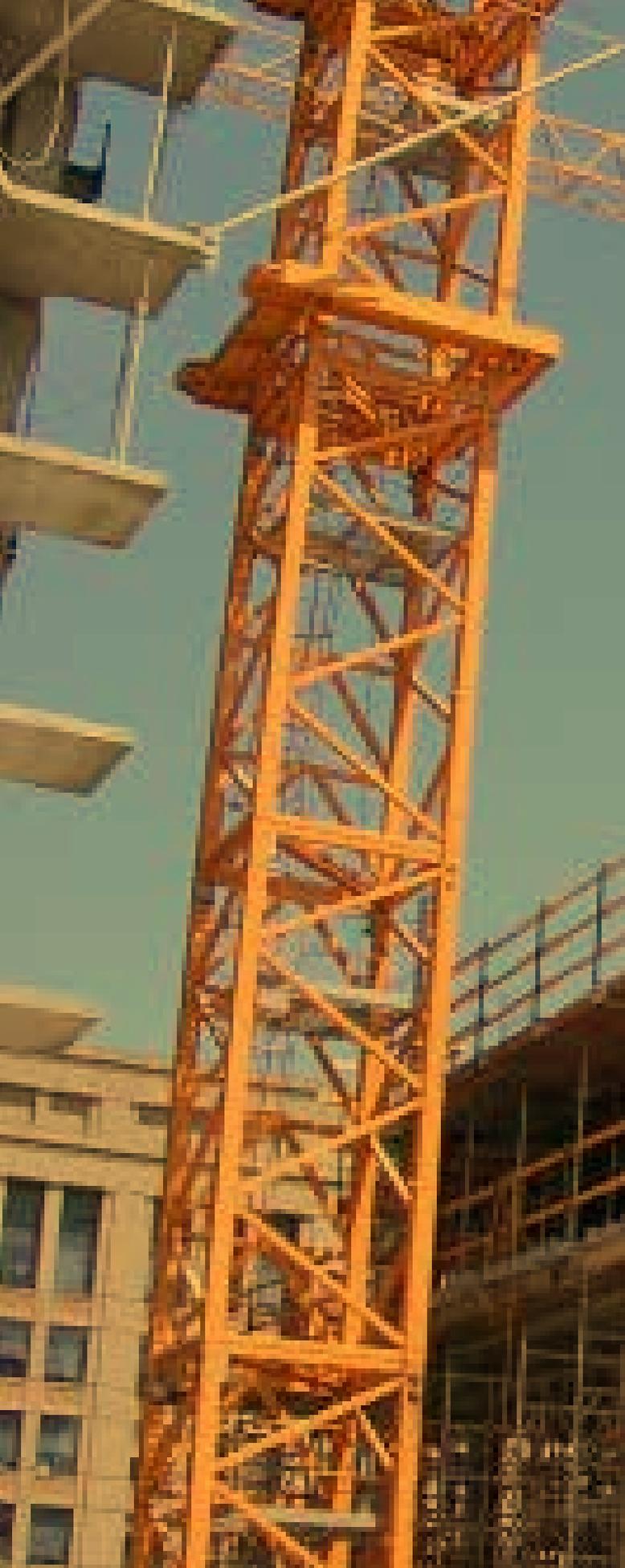


KEY : 2016 2017 2018

Hotel & Catering Sector

The volume of projects commencing in the Hotel & Catering sector has fallen by 7% in the first nine months of 2018 as only 176 projects have commenced in the period, down from 190 in the same period last year (Fig. 15). Only Dublin and Connacht have shown positive growth in the period under review, up 8% and 21% respectively.

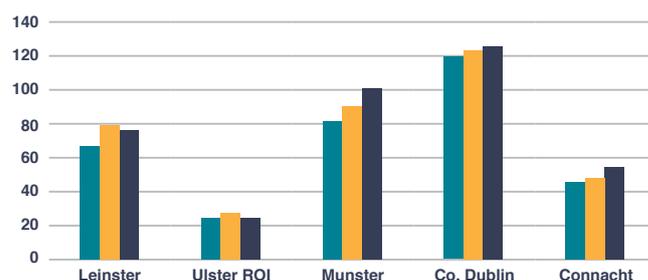
The value of projects moving On-Site is now up 133% to over €820 million, when compared with the same period last year, with over €700 million in Dublin alone. A €300 student accommodation scheme in UCD in Dublin commenced its first phase in Q2 2018 and the Central Bank Renovation is also underway On-Site. The only regions to decline in value terms were Connacht and Ulster ROI.



Future Pipeline of Hotel & Catering Projects

The volume of plans granted in the Hotel & catering Sector has increased by 2% in H1 2018 when compared with the same period last year as 249 projects have been granted planning, up from 242 in H1 2017. Dublin is the only region to show a decline in volume terms.

Fig. 16: Hotel & Catering Plans Granted H1 2018 - Volume

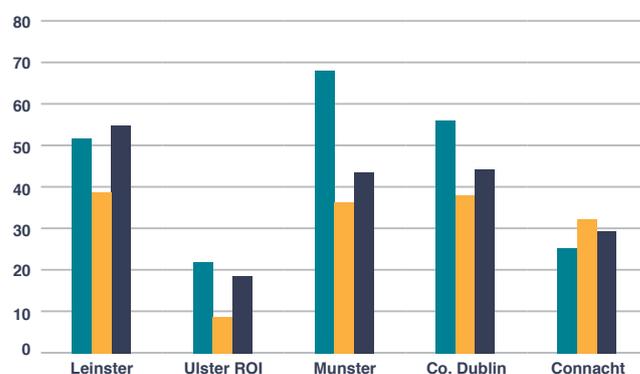


The volume of plans submitted for planning in 2018, is down 3% on the same period last year. All regions have experienced modest declines with the exception of Dublin and Leinster which are up slightly.

Community & Sport Sector

The volume of projects which has commenced in Q1 2018 is up 29% year on year with Connacht being the only region to experience a decline in volume terms (Fig. 17). Over 185 projects commenced On-Site in the first nine months of 2018, up from 144 in 2017. This is still significantly down on 2016 levels when over 222 projects commenced in that corresponding period.

Fig. 17: Community & Sport On-Site Projects Q1 to Q3 - Volume



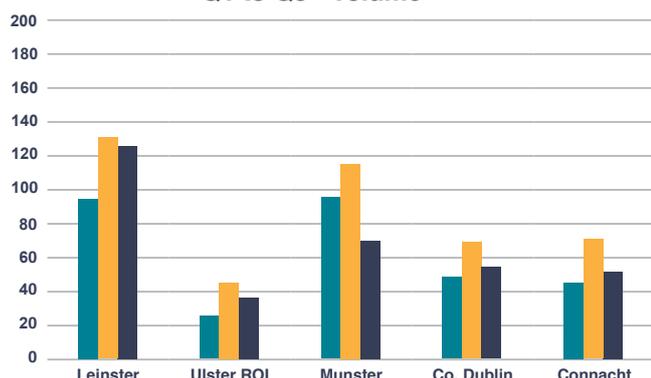
KEY : ■ 2016 ■ 2017 ■ 2018

In value terms, there has been a 63% decline in On-Site Community & Sport projects commencing On-Site in the first nine months of 2018 to €142 million. The €233 million Centre Parcs development which began in Q2 2017 has skewed the figures. Over €100 million of this is derived from projects in Dublin and Leinster where a number of large projects have begun.

Future Pipeline of Community & Sport Projects

The sector is continuing to experience a decline as the volume of projects granted planning has decreased by 20% in the period under review (Fig. 18). Just 342 projects were approved planning in the period, down from 429 in 2017. All regions are experiencing a decline in volume terms. Just under €200 million worth of projects have been granted planning in the period, down from €265 million in the first nine months of 2017.

Fig. 18: Community & Sport Plans Granted Projects Q1 to Q3 - Volume

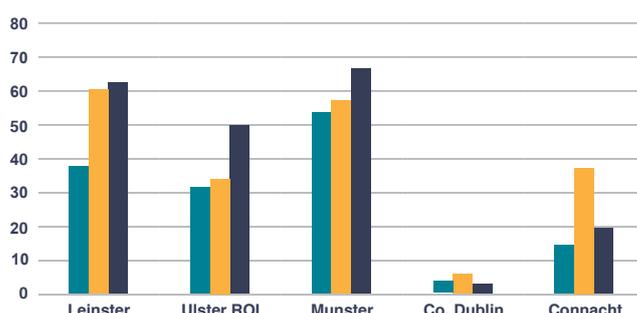


The Capital Sports Programme was responsible for a spike in the number of planning applications in 2017. Now the sector has returned to a more normal footing as 417 projects were submitted for planning, a 16% decrease on 2017 levels, with all regions down. This is an improvement of over 100 on the volumes in the first nine months of 2016.

Agriculture Sector

The number of projects which have moved to On-Site stage has increased by 3% from Q1 to Q3 2018 compared to the same period last year, albeit from a very low base (Fig. 19). According to our analysis, 201 projects have commenced On-Site in the first nine months of 2018, with only Connacht and Dublin declining.

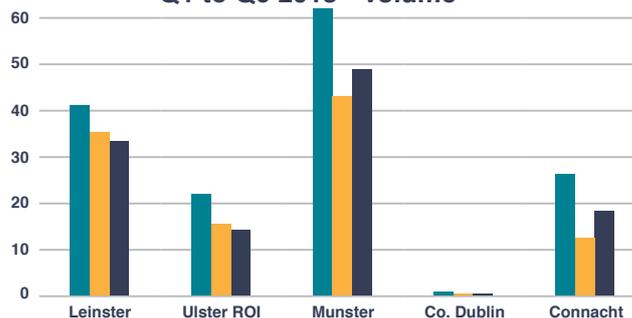
Fig. 19: Agriculture On-Site Q1 to Q3 2018 - Volume



Future Pipeline of Agriculture Projects

As can be seen from Fig. 20 the volume of projects granted planning has increased by 9% to 1,168 projects when compared to the same period last year. This is still significantly off the 1,604 granted in the first nine months of 2016. All regions have experienced a positive increase with the exception of Ulster ROI. Connacht has grown 51% on the same period last year.

Fig. 20: Agriculture Plans Granted Q1 to Q3 2018 - Volume



We see a similar picture in the Plans Submitted stage as the sector bounces back from a dip in 2017. The volume of projects submitted has grown by 10% on 2017 levels, with all regions growing apart from Dublin which is down 17%. Over 1,300 projects were submitted for planning in the first nine months of the year.

KEY : 2016 2017 2018



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