Building Information Index

Q1-Q2
2020

2018 2019 2020

BuildingInfo

Ireland's Construction Projects Database

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Welcome to the latest volume of the Building Information Index brought to you by Building Information Ireland www.buildinginfo.ie.

A lot has changed since our previous Index was published for year-end 2019. At that time the construction industry in Ireland was strong and resilient in the face of Brexit uncertainties. Indeed, the previous 2 indices, both year-end 2019 and our half yearly H1 2019 reports, pointed to a very steady and stable environment with not much in the way of growth or decline. As it turns out 2019 it would seem is likely to be a peak in terms of output in the industry and it may take a while to recover.

As Covid-19 took hold, our sector was rocked like many others. The closure of sites at the end of March heralded a period of uncertainty that has not been seen before. Although the industry shut down, it was one of the first to reopen, albeit on a phased basis. A new suite of regulations and guidance was quickly put in place with impressive diligence by the CIF and others, and a new dawn was ushered in Ireland's construction industry.

So, what has been the impact of all of this on construction output as a whole? Our H1 2020 Index is the first to calculate the true scale of influence Covid-19 is having on the industry. As before, we look to key indicators such as new planning applications, decisions, and project commencements across all sectors and stages to evaluate not only what has happened, but also the current trajectory and what is likely to unfold for the remainder of the year.

In total, when comparing the first half of 2020 with the same period in 2019, new planning applications are down 3% in value from €10.9bn to €10.5bn. A minor decline given the environment. Commencements took a larger dive, down 16% from €5bn to €4.2bn. This coupled with the new slower construction timelines on active sites suggest that the overall decline in activity so far this year stands at somewhere between 8.5% and 9%. Our analysis suggests that the contraction will continue in the short-term by a further 10% - 11%, although nothing is certain in this unprecedented economic climate.

Continue through this report to explore the sectoral and regional impact in more detail.

Danny O'Shea
CEO
Building Information Ireland

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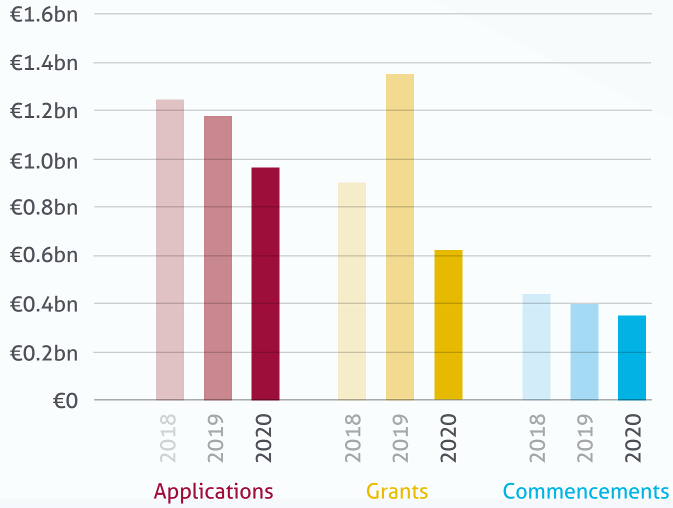
THE BIG PICTURE

Regional Applications

While the total value of new planning applications was down 3% nationally for the first 6 months of 2020 vs 2019, regionally we saw a sizeable increase of 19% in Dublin. All other regions show significant declines. A similar trend is showing with applications that were granted permission in the same period. For commencements, all sectors showed a decline, with Dublin the least affected. Dublin now accounts for almost 50% of commencements across the country, which is a high point in recent times. The capital is showing to be the most resilient in terms of how it has been affected by Covid-19.

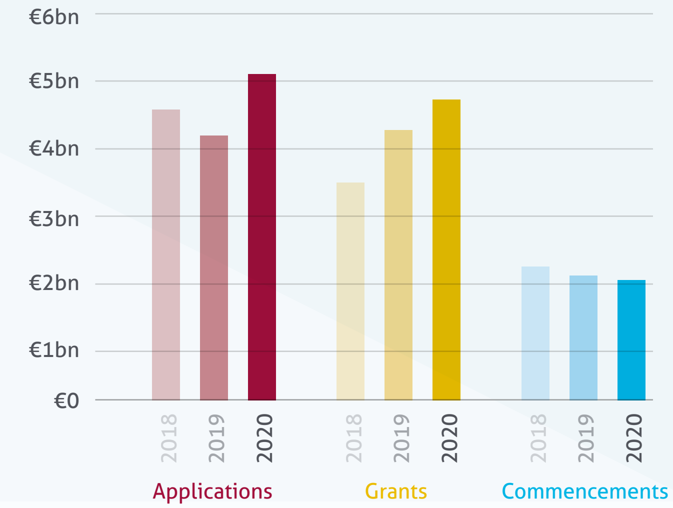
Connacht/Ulster

Applications	Grants	Commencements
€990m	€665m	€344m
-14%	-51%	-14%



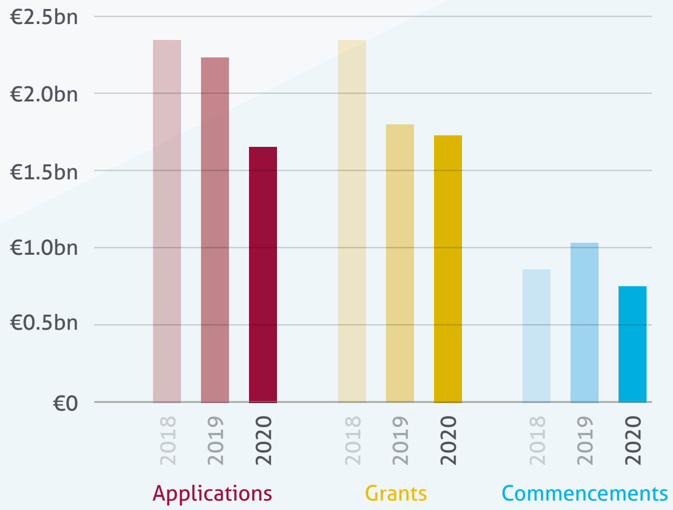
Dublin

Applications	Grants	Commencements
€5.11bn	€4.82bn	€2.07bn
+19%	12%	-6%



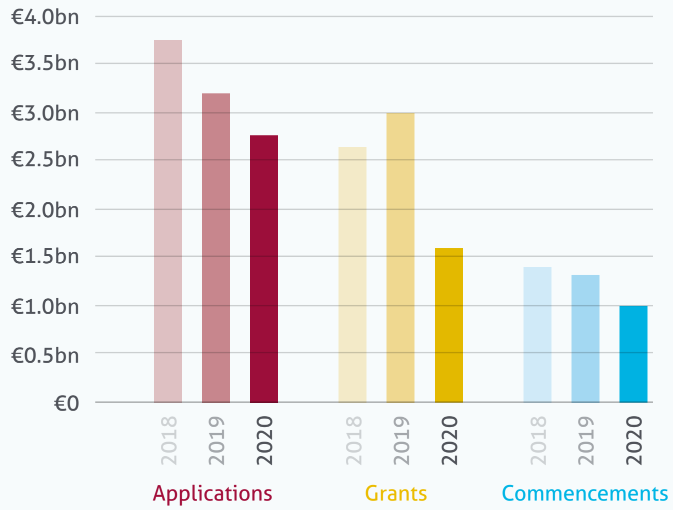
Munster

Applications	Grants	Commencements
€1.66bn	€1.73bn	€764m
-26%	-4%	-26%



Leinster

Applications	Grants	Commencements
€2.76bn	€1.68bn	€1.00bn
-14%	-44%	-27%

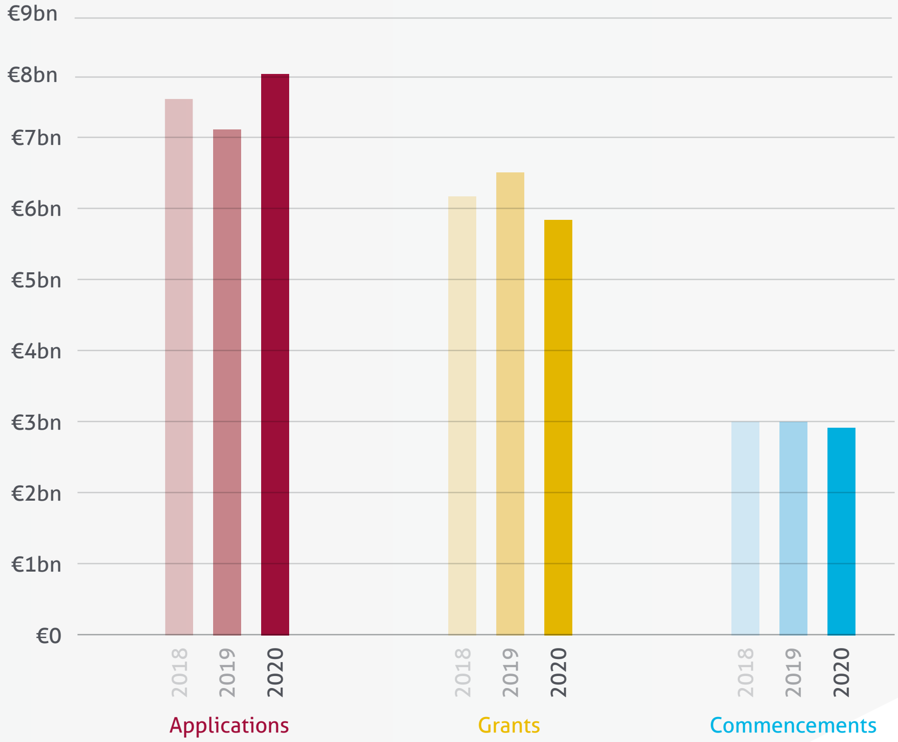


RESIDENTIAL

This sector accounts for the majority of the industry and as such is hugely important to the overall activity levels. It is also one of the stronger sectors with applications up 11% and commencements down just 5%.

Activity Trends 2018/2019/2020

Applications	Grants	Commencements
€8.06bn	€5.84bn	€2.90bn
+11%	-10%	-5%



With housing demand still strong it is good to see that applications nationally are up 11%. Granted permissions are down 10% and commencements down 5%.

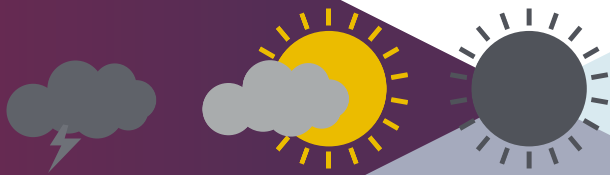
Regionally Dublin again is where the activity lies, with applications up a huge 53% year on year. All other regions are showing decreases in the same period. This shows that the national increase is very much a Dublin centric increase. This does suggest a strong pipeline of project activity into the future, and it is mainly due to a significant flow of large Strategic Housing Developments going through the planning process. These are fast tracked applications and should, in theory at least, go to site in a prompt fashion.

Similarly, with granted applications and commencements, Dublin is showing growth despite Covid-19 with all other regions registering declines.

Average time from application to commencement

The Residential sector includes projects such as housing developments, apartments, & mixed developments

Sector outlook



The residential outlook is neutral with steady activity levels forecast in the short-term. A low drop off in current activity and a strong pipeline of projects suggest no major problems are afoot. Dublin will dominate the sector looking into 2021.

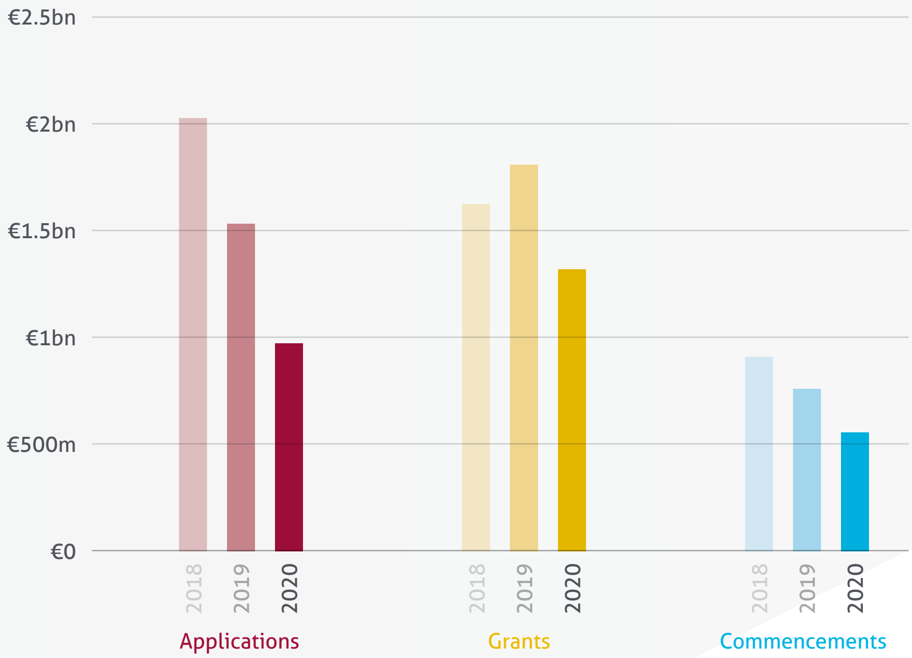
Q1-Q2 2020 applications regional distribution

COMMERCIAL & RETAIL

The commercial & retail sector has taken a significant hit as a result of Covid-19. All stages are showing sizeable decreases nationally.

Activity Trends 2018/2019/2020

Applications	Grants	Commencements
€985m	€1.32bn	€575m
-36%	-30%	-26%



Back in 2019 the outlook for this sector was negative, albeit marginally so. Brexit had already taken its toll and starting into 2020 the prospects were not good when Covid-19 came along. Temporary closures of businesses in this sector has left little cause for optimism.

Applications are down 36%, permissions granted down 30% and commencements are down 26%. Some pockets of positivity exist in the metrics, with Leinster registering an increase in applications in the period, and Munster showing an increase in commencements. However, with the sector containing hospitality, retail and office developments, a lot of uncertainty remains.

The duration from planning to construction in this sector was quite low in 2019 at 61 weeks but has since dropped to 65 weeks displaying a weakening sentiment among stakeholders.

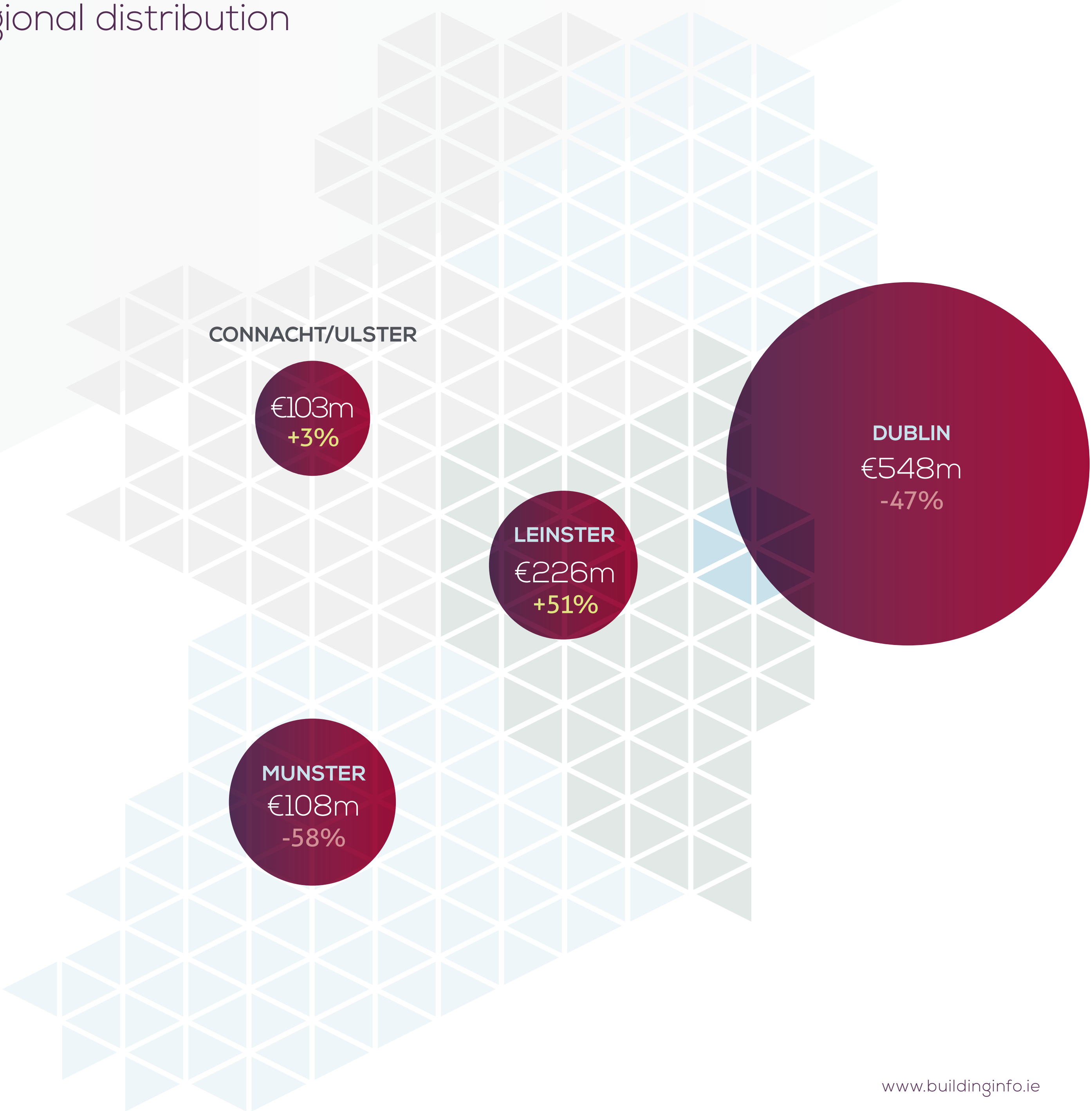
Average time from application to commencement

The Commercial & Retail sector includes projects such as offices, shops, hotels, bars & restaurants

Sector outlook

A continued slowing of activity is expected for the remainder of 2020 and into 2021 for this sector.

Q1-Q2 2020 applications regional distribution

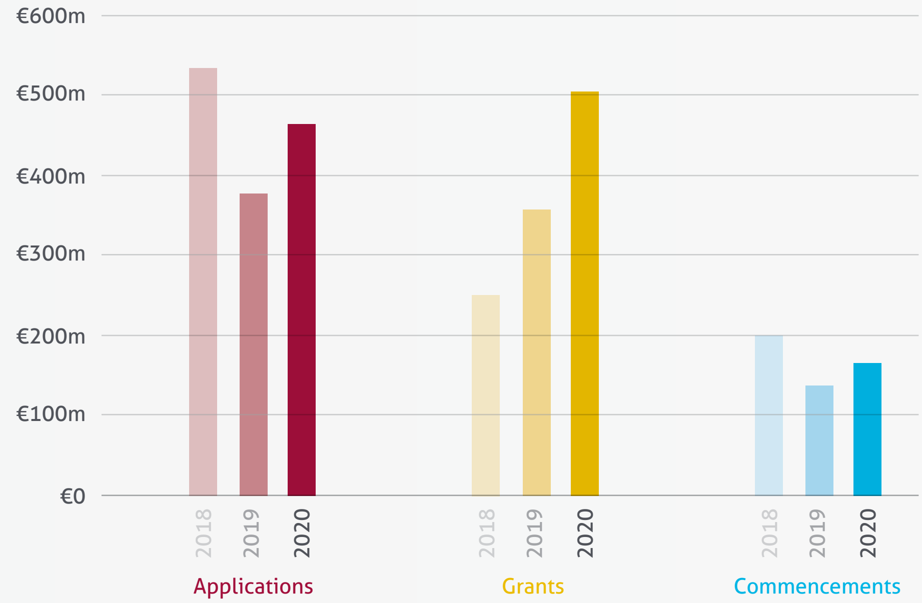


MEDICAL

One of the few sectors to show an overall increase in activity in the first 6 months of 2020. New applications, granted permissions and commencements are all up nationally

Activity Trends 2018/2019/2020

Applications	Grants	Commencements
€462m	€501m	€168m
+22%	+45%	+16%



A notable planned increase in capital expenditure in the medical sector has been noted so far in 2020. All metrics are showing increases nationally with some regional fluctuations, particularly in Connacht Ulster. Relatively low volumes of high cost projects will explain these variations that will always occur in the medical sector, and the best guide is always to view the national trends.

It is worth noting that we have excluded all short-term temporary works in relation to Covid-19 in our calculations for H1 2020 and focused solely on continued capital investment. Turnaround times are still slow in this sector and one would expect that to change in the second half of the year.

Average time from application to commencement

The Medical sector includes projects such as hospitals, medical centres & care homes

Sector outlook

The medical sector has an overall positive outlook with growth of close to 30% expected into 2021.

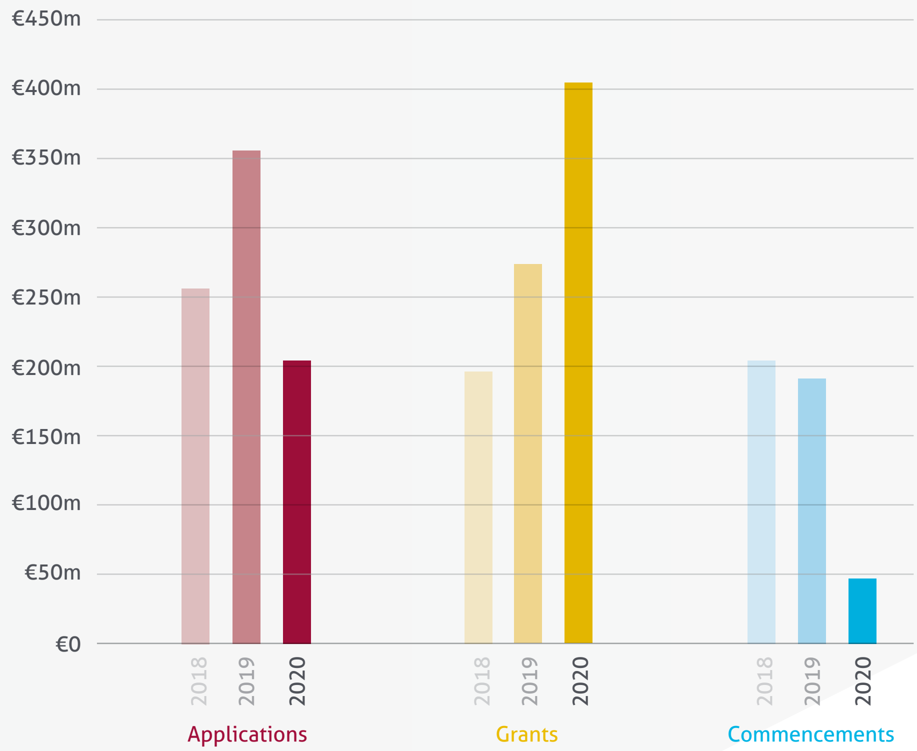
Q1-Q2 2020 applications regional distribution

EDUCATION

The steady levels of activity in the education sector we saw throughout 2019 have declined and nationally we have a large drop in both new applications and commencements in the first half of 2020.

Activity Trends 2018/2019/2020

Applications	Grants	Commencements
€205m	€404m	€47m
-43%	+48%	-75%



The decline in construction activity in the education sector is felt in all regions and stages. Some exceptions to this include granted permissions in Munster which is largely due to 3 new schools which are in the pipeline across the province, along with 2 large IT investments.

A 75% decline in commencements for the first 6 months of the year is striking, with all regions affected. A weakening pipeline also exists with new applications down 43% on the same period last year. Turnaround times from planning to construction are a little below average and continuing to reduce, which is a small positive in a largely negative sector.

Average time from application to commencement

The Education sector includes projects such as universities, schools & pre schools

Sector outlook

The outlook for the education sector is negative with a potential 25% decrease in activity in line for the remainder of the year.

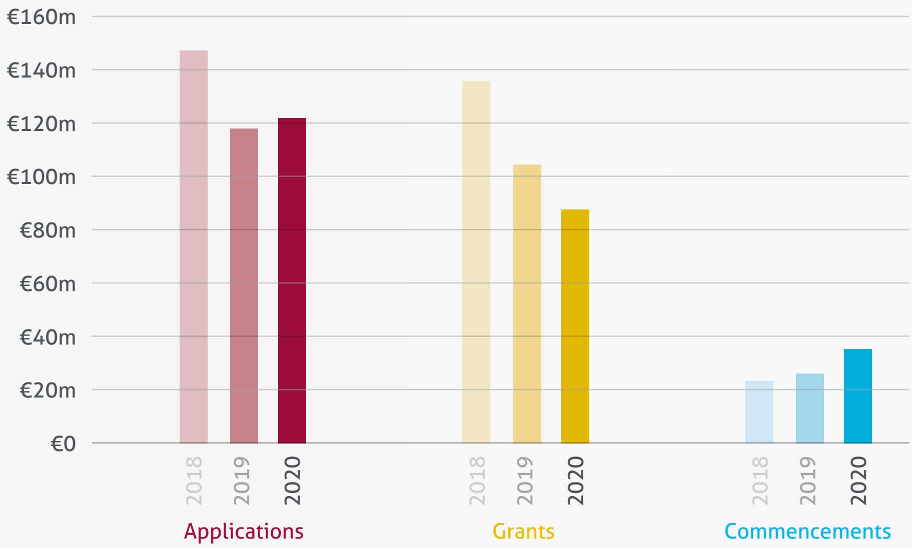
Q1-Q2 2020 applications regional distribution

AGRICULTURE

Despite a decrease in planning activity, the agriculture sector has seen a year on year growth in the first half of 2020.

Activity Trends 2018/2019/2020

Applications	Grants	Commencements
€122m	€89m	€35m
+3%	-17%	+35%



A sector that saw huge unease throughout 2019 mainly due to Brexit concerns, the agriculture construction sector has seen an increase of commencements nationally of 35% for the first 6 months of the year. That increase was mainly felt in the Munster and Connacht Ulster regions.

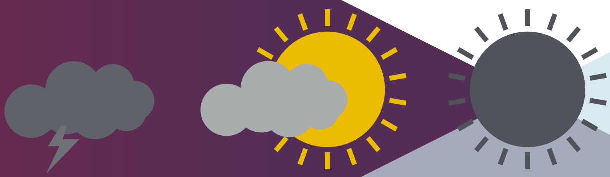
The planning pipeline of new applications is showing a slight increase on 2019. This growth is predominantly based in Munster, with other regions in decline. Granted permissions are down 17% year on year, with the exception of Munster which is showing as the most positive region of growth in the agriculture construction sector.

While turnaround times are decreasing in line with other sectors, agriculture is still a little slower than the industry average.

Average time from application to commencement

The Agriculture sector includes projects such as dairy units, poultry houses & slatted sheds

Sector outlook



The outlook for agriculture has gone from negative in both reports from 2019, to neutral for the first half of 2020. No major change in activity levels are forecast into 2021.

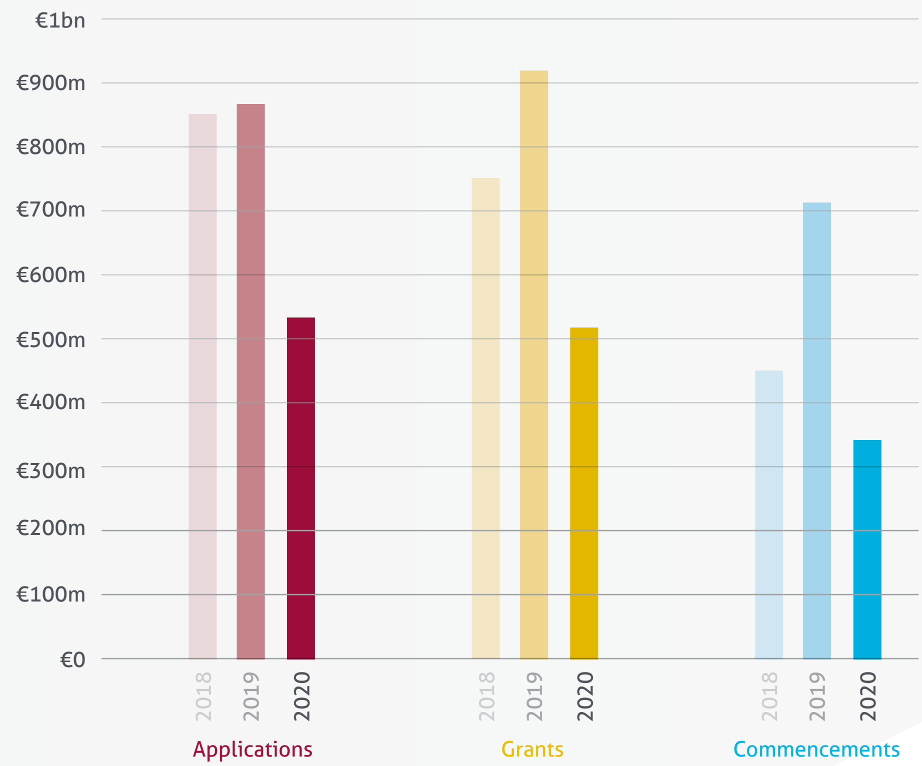
Q1-Q2 2020 applications regional distribution

INDUSTRIAL

The industrial sector is another to have felt the effects of Covid-19 and all key metrics are showing a decrease in the first 6 months of 2020.

Activity Trends 2018/2019/2020

Applications	Grants	Commencements
€535m	€524m	€362m
-39%	-43%	-49%



New applications, granted permissions and commencements show decreases of 39%, 43% and 49% respectively in the industrial sector nationally. Again, Dublin is the least affected region, and while it had a marginal increase in new application, it showed a sizeable increase in commencements, up 35% year on year. All other regions are uniformly down on last year, across all stages.

A positive, in a difficult sector is that of boasting the shortest turnaround time from planning to construction of all sectors. Standing at just 52 weeks it is down 6 weeks on 2019 figures and 9 weeks shorter than the industry average. This bodes well for its ability to bounce back quickly when the pipeline of planning activity increases.

Average time from application to commencement

The Industrial sector includes projects such as factories, warehouses & industrial units

Sector outlook

The short-term outlook for the industrial sector is poor with a continued decline in construction activity for the remainder of 2020.

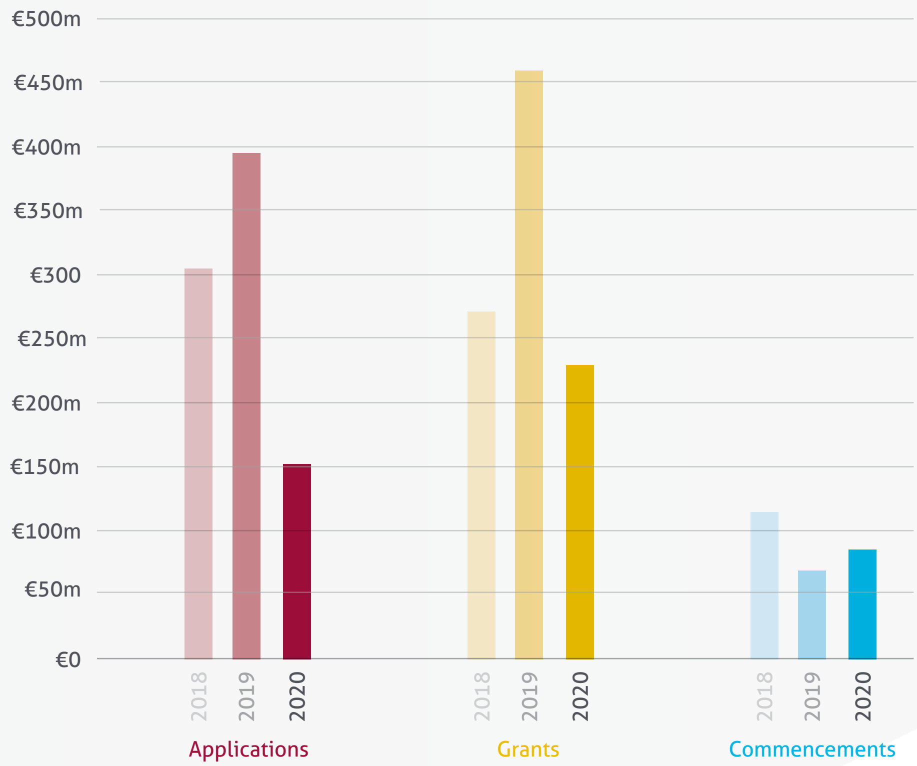
Q1-Q2 2020 applications regional distribution

SOCIAL

A small increase in commencements for the social sector is offset by large declines in planning applications and granted permissions.

Activity Trends 2018/2019/2020

Applications	Grants	Commencements
€153m	€229m	€84m
-61%	-50%	+9%



New applications fell by 61% nationally in the social sector, and that decline is seen across all regions equally. Granted permissions show some increases in Dublin and Munster, but overall are down 50% on the first half of 2019. Commencements saw a decline in Dublin and increases across the rest of the country, which bucks the general 2020 trend of construction activity gravitating towards the capital.

The problem of a declining pipeline is compounded with the longest turnaround time of any sector in the industry, at 85 weeks. In 2019 there were grounds for optimism in the social sector. This is no longer the case unfortunately, the elongated turnaround times from planning to construction suggest this sector will struggle to improve into 2021.

Average time from application to commencement

The Social sector includes projects such as sports developments, community projects, churches & public buildings

Sector outlook

Despite the increase in commencements, a further large decline in activity is projected for the social sector in the short-term.

Q1-Q2 2020 applications regional distribution

For full details on all projects aggregated to produce The Building Information Index visit www.BuildingInfo.ie and register for our free access all areas trial.

Methodology: www.buildinginfo.ie measures the actual (estimated) monetary value of every construction project per sector. The data contained in the Building Information Index is aggregated by Building Information from real time planning and project information. Projects with a value of less than €200k were omitted from this index.

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About the author: Danny O'Shea is Managing Director of Building Information Ireland and Residential Construction research consultancy Link2Plans. Building Information Ireland is the portal for every current planning application, approval and commencement in the country. Previously Danny was Managing Director at Riverside Manufacturing (Ireland). Danny holds a Diploma in Computing (1986) and an MBA from DKIT (2006) and has been involved in systems development, management, innovation and online development for the past 25 years.

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