

Building Information Index

Q1-Q2
2022

2020 2021 2022



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



According to recent research by the Society of Chartered Surveyors "Commercial construction tender prices increased by 7.5% in the first half of 2022, a higher increase than that recorded during the celtic tiger era. Chartered Surveyors say national annual rate of construction price inflation is now running at 14%". This provides the backdrop to our half year report, with high inflation in the industry driving significant pressures on delivery of construction projects nationwide.

As always when analysing the data, 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 going into the latter end of 2022, and on into 2023. Our half year Index uncovers a full and deep understanding of the shape of the Irish construction industry throughout the first 6 months of 2022 and compares it with the same time period in 2021 and 2020. Covid restrictions appear to be well and truly behind us now, but challenges remain in terms of inflation, supply chain and labour skills.

When we compare new planning application activity for the first 6 months of 2022 with that of 2021, we see a massive 50% increase nationally. The increase is from €13.6bn to €20.5bn year on year. It is worth noting that all our calculations in this Index have factored in the inflation outlined above. Nevertheless, this shows another huge increase in applications and is a continuation of the trend we saw in Q4 2021 also. Strategic housing development applications made up a large portion of the residential applications in 2021, and in 2022 the new large residential development planning process has taken its place.

Factoring in inflation, we see capacity for a 22% rise in activity levels, when measured in monetary terms, in the short to medium term. In reality, this is better represented as an 8% rise in activity. There are other factors at play however beyond the analysis in our data and recent reports from BNP Paribas Real Estate Ireland Construction PMI in June and July suggest a real fall in confidence in the industry through the summer months. Conversely however the same report suggests that inflationary pressures are easing, and this should hopefully release some pressure on both suppliers and contractors in the construction sector as we progress through the latter half of 2022.

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

The total value of new planning applications in the first half of 2022 was 50% higher than in the same period of 2021. All regions showed an increase, with the largest region Dublin, showing a 79% increase in new applications. Connacht Ulster was largely unchanged with a marginal increase of just 1%. This is a small decrease in actual projects once inflation is stripped out. Granted permissions had a year-on-year increase of 3%, which was driven by the Munster province with all other areas showing a decrease. Commencements showed a minor change nationally, up 6% with the same period in 2021, which is pretty static activity wise once inflation is removed.



CONNACHT ULSTER

€1.4 BN
+1%

LEINSTER
€4.0 BN
+14%

DUBLIN
€10.9 BN
+79%

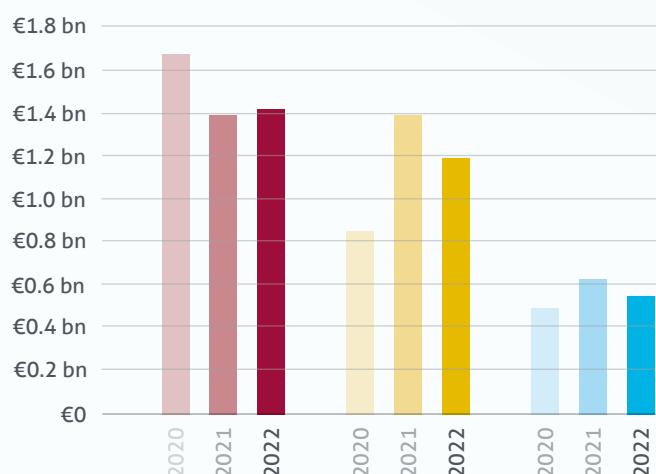
MUNSTER
€4.1 BN
+59%

Connacht/Ulster

Applications Grants Commencements

€1.4 bn €1.2 bn €507 m

+1% -16% -18%

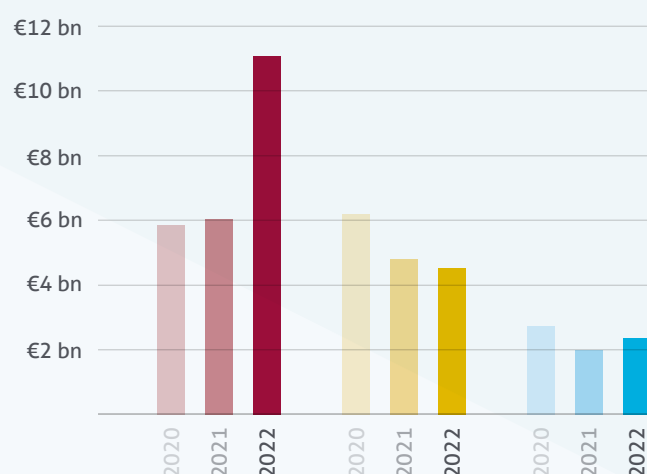


Dublin

Applications Grants Commencements

€10.9 bn €4.9 bn €2.4 bn

+79% -1% +19%

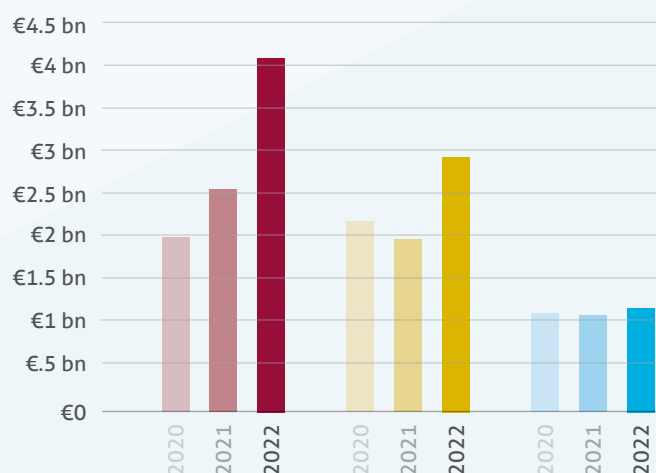


Munster

Applications Grants Commencements

€4.1 bn €2.9 bn €1.1 bn

+59% +48% +9%

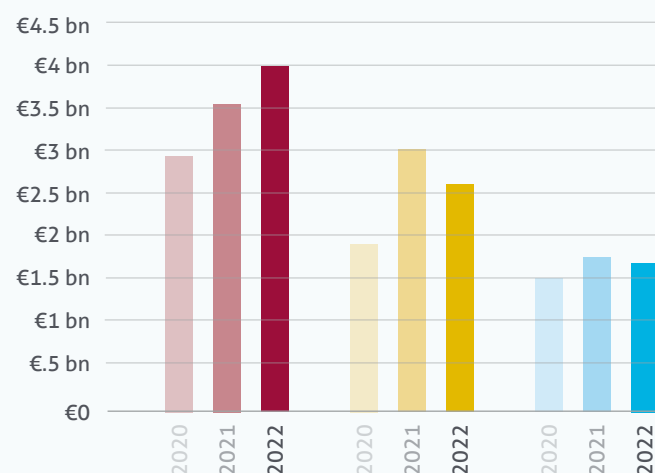


Leinster

Applications Grants Commencements

€4.0 bn €2.6 bn €1.6 bn

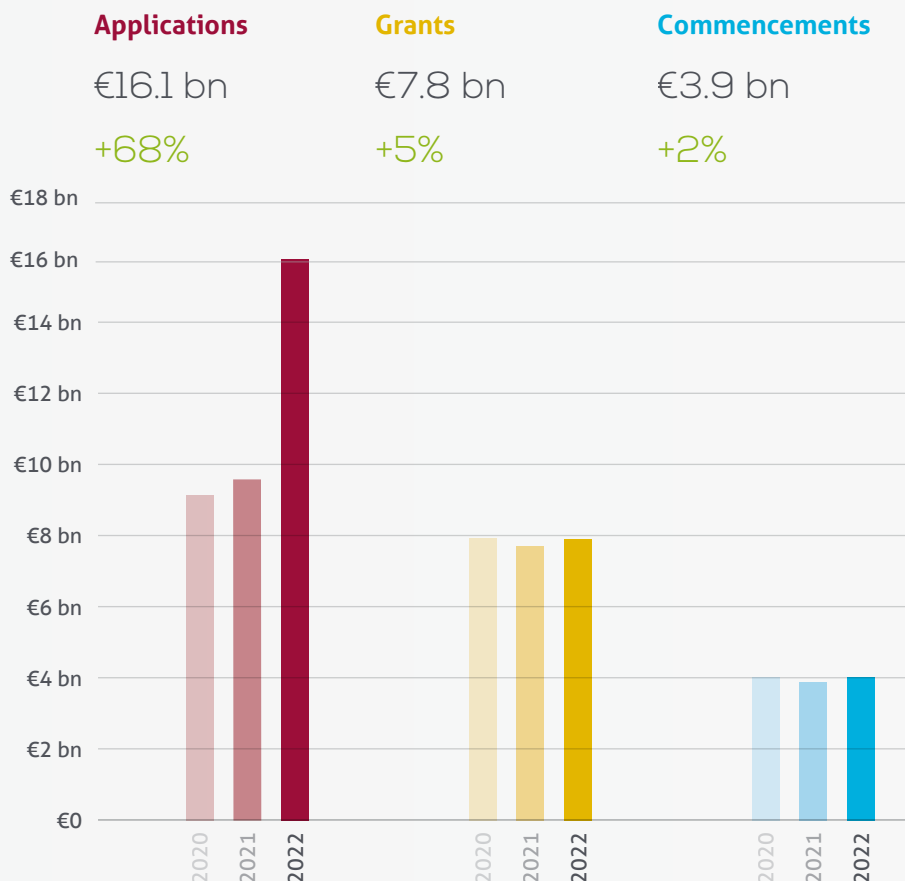
+14% -12% -3%



RESIDENTIAL

Residential planning applications are up 68% in the first 6 months of 2022 when compared to the same period in 2021. This is a considerable increase, mostly driven by Strategic Housing Development (SHD), and the new Large Residential Development (LRD) applications, all of which have projects of 100 units or more. Commencements are up a marginal 2% in the same period. Granted applications also increased by 5% nationally for the year.

Activity Trends 2020/2021/2022



New applications were centred mainly around Dublin and Cork, showing as gains of 94% and 95% respectively for Dublin and Munster, continuing the trend we saw last year. Granted applications were up significantly in Munster, however there was a national increase of just 5% in granted permissions for residential developments.

Residential project commencements were quite static with a minor 2% increase nationally. When we look at the unit count, we see a decrease in commencements of 9%, down to 14,811 from 16,238 in the first half of 2021. The total number of multi-unit residential developments starting in the same period fell marginally from 364 to 362. In our previous Index we pointed to potential capacity issues in the industry in terms of ability to increase output to meet demand. These numbers suggest that limitation is still prevalent.

There is a continued distinction between the average durations involved in self build (57 weeks) and developments (95 weeks) from application date to start date. These numbers have improved since last year where self build durations were at 60 weeks and residential developments were at 102 weeks. This is still significantly slower than the industry average which currently stands at 63 weeks.

Average time from application to commencement



Sector outlook

The outlook for the residential sector is positive, with our analysis suggesting for a 15% increase in activity possible in the short term. Delays in planning and limitations of delivery are hampering that estimate.

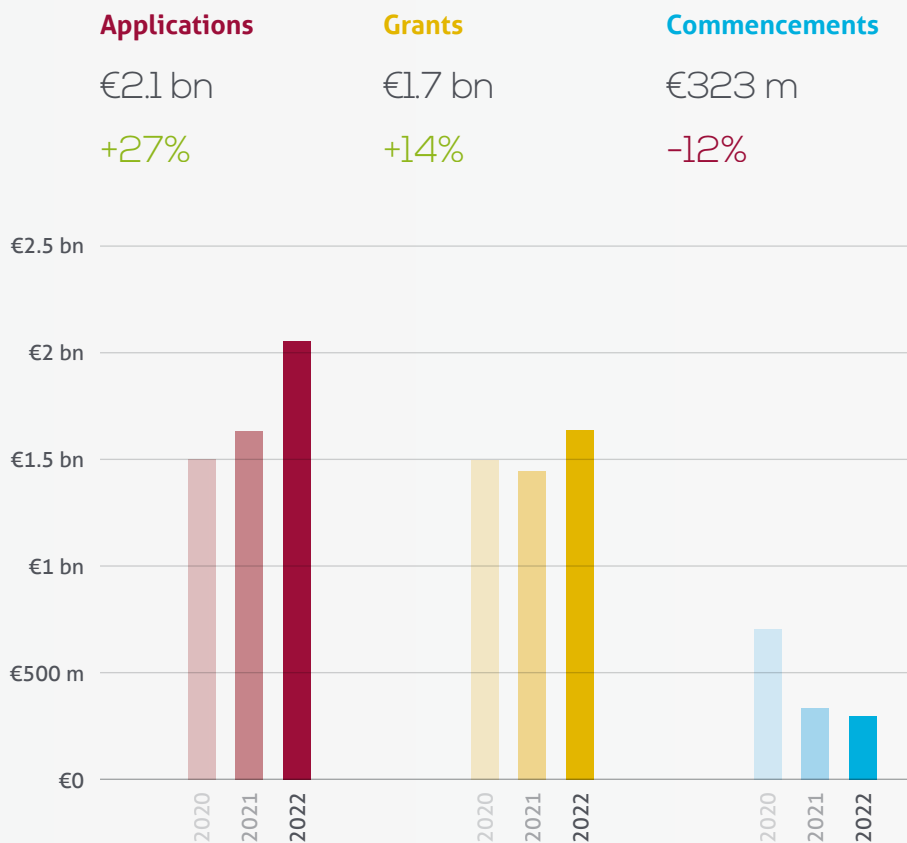
Q1-Q2 2022 applications regional distribution



COMMERCIAL & RETAIL

Construction activity in the commercial & retail sector has continued to decline, however planning activity suggests that it may have turned a corner. Lead times are still longer than average but are improving.

Activity Trends 2020/2021/2022



In terms of planning applications, commercial & retail was up 27% in the first half of 2022 vs the same period in 2021. This growth was evident in Dublin and Munster, with Leinster and Connacht Ulster continuing to show declines of 10% and 38% respectively. Granted applications increased also in the period, but only in line with inflation. There has been very little change in this metric for the past 3 years.

Commencements in this sector continue to decline. Nationally the volume of activity was down 12% on 2021 and 54% on 2020. Growth of 20% in commenced activity in Dublin suggests a changing dynamic and the hope is that this will soon be reflected in the rest of the country.

Average time from application to commencement



Sector outlook

A positive outlook for construction in the commercial & retail sector for the short-term, is a first since pre covid. Planning volumes have recovered, and activity is stabilising. We expect a modest increase in construction activity going into 2023.

Q1-Q2 2022 applications regional distribution

CONNACHT/ULSTER

€99 M
-38%

LEINSTER

€210 M
-10%

MUNSTER

€281 M
+12%

DUBLIN

€1.5 BN
+50%

MEDICAL

The first 6 months of 2022 has again been a relatively stable period for construction in the medical sector when compared with the same period in 2021. The pipeline of planning activity is increasing slightly, however commencements have fallen off compared with H1 2021.

Activity Trends 2020/2021/2022

Applications

€488 m

+12%

Grants

€533 m

+19%

Commencements

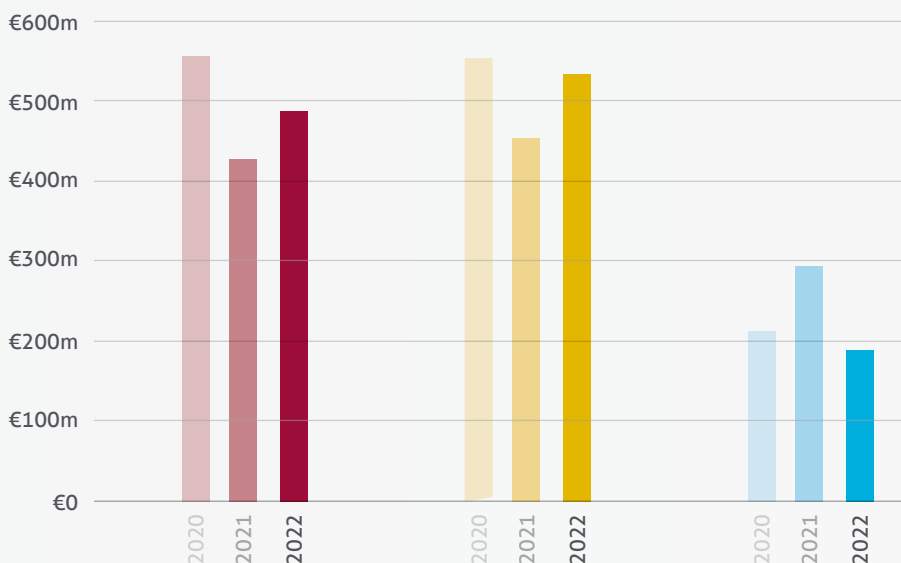
€185 m

-37%

Planning applications were up 12% nationally compared with 2021. This was the case in all regions except Dublin which recorded a decrease of 17%. Granted permissions were up 19% nationally compared with 2020 and this increase was seen everywhere except in Leinster which was down 60%.

Commencements in the sector were down 37% year on year. This was largely felt across the entire country except for Dublin which recorded a spike of 60% over 2021.

As a small sector with a relatively low number of high value projects, fluctuations are the norm. Overall, factoring in all metrics, it is a steady sector. The turnaround times on projects are broadly in line with the industry average, running at 66 weeks.



Average time from application to commencement



Sector outlook

The outlook is neutral for medical construction in the short term, as was the case in the previous 2 indices. The pipeline of works looks to be on the rise, but current activity on the ground has slowed somewhat during 2022 to date.

Q1-Q2 2022 applications regional distribution



EDUCATION

A large increase in project commencements in the education sector in the first half of 2022 is driving a surge in activity in this sector when compared with the first 6 months of 2021. The pipeline of activity is steady in this sector.

Activity Trends 2020/2021/2022

Applications

€277 m

-30%

Grants

€317 m

+43%

Commencements

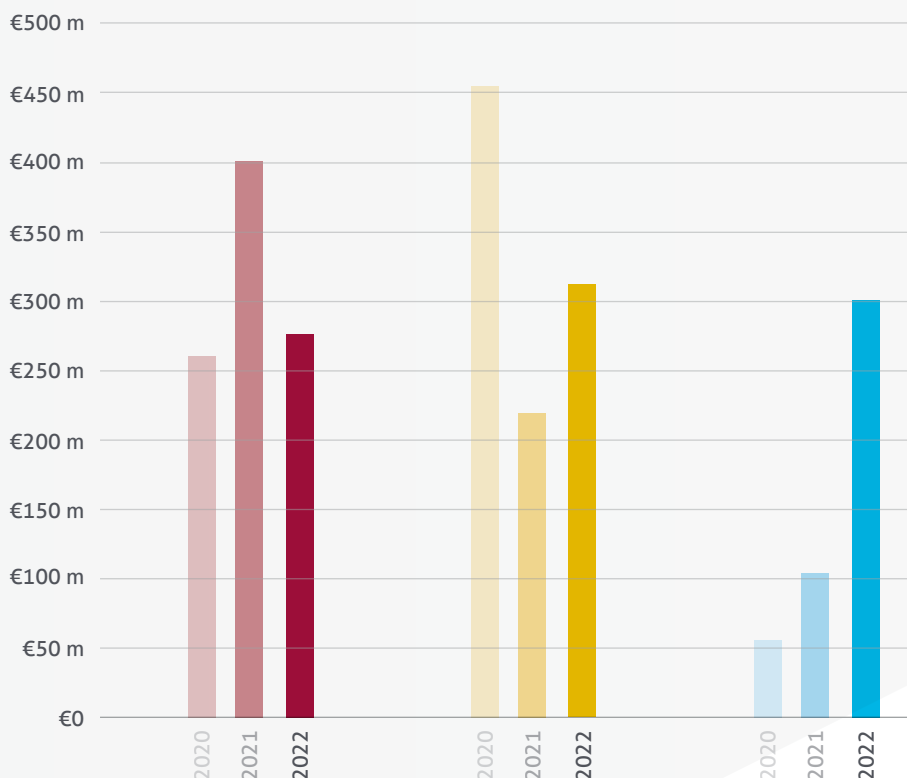
€302 m

+170%

Planning applications in education were down 30% nationally compared with 2021, but still remain higher than in the first half of 2020. Granted applications were up 43% in the year nationally. All regions except for Dublin (down 17%) showed this increase.

Commencements were up in all regions however, except for Munster which was down 11%. The sector showed a 170% increase nationally when compared with 2021. This is also a further increase on 2020 which was displayed in our previous indices.

Turnaround times are however relatively slow for education projects running at 75 weeks. This has improved since last year but not at the same speed as the industry average.



Average time from application to commencement



Sector outlook

The outlook for the education sector is very positive with an increase in activity expected throughout 2022 and into 2023.



Q1-Q2 2022 applications regional distribution



AGRICULTURE



The agriculture construction sector is showing significant decreases in all metrics for the first half of 2022 when compared with the same period in 2021. Turnaround times are quick however, with projects getting processed faster than the industry average.

Activity Trends 2020/2021/2022

Applications

€77 m

-56%

Grants

€92 m

-43%

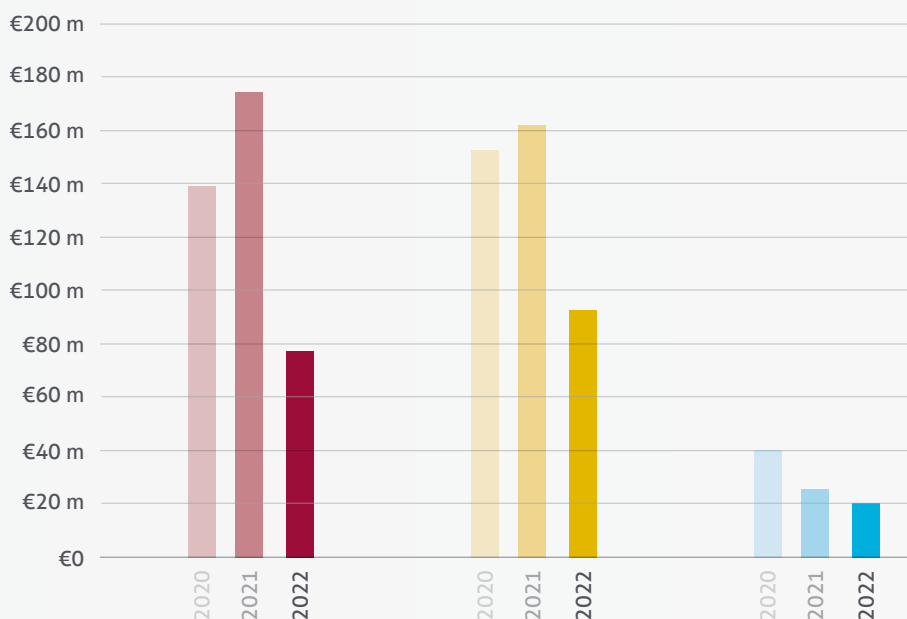
Commencements

€21 m

-17%

Planning applications are down 56% nationally year on year with all regions recording large decreases. Similarly granted applications were down 43% for the year, again all regions bearing the brunt of the decline equally.

Commencements for the sector in the first 6 months of 2022 were down by 17% nationally and this was demonstrated evenly across all 3 regions. If any, Munster seems to be the weakest of the regions, and it makes for dim reading across all metrics we are working with. The only silver lining is that the turnaround times on projects has improved sharply. Inflation in the price of steel through 2021 and 2022 seems to have hit this sector hard, coupled with ever changing market conditions.



Average time from application to commencement



Sector outlook

The outlook is negative for agriculture, with little in the way of positive indicators. A sizable decrease in output is expected into 2023. The pipeline is falling sharply and activity on the ground has begun to slow.

Q1-Q2 2022 applications regional distribution



INDUSTRIAL

Planning applications are up for the first 6 months of 2022 vs 2021 in the industrial sector, granted permissions are down, and work on site increased significantly.

Activity Trends 2020/2021/2022

Applications

€1.0 bn

+15%

Grants

€1.0 bn

-19%

Commencements

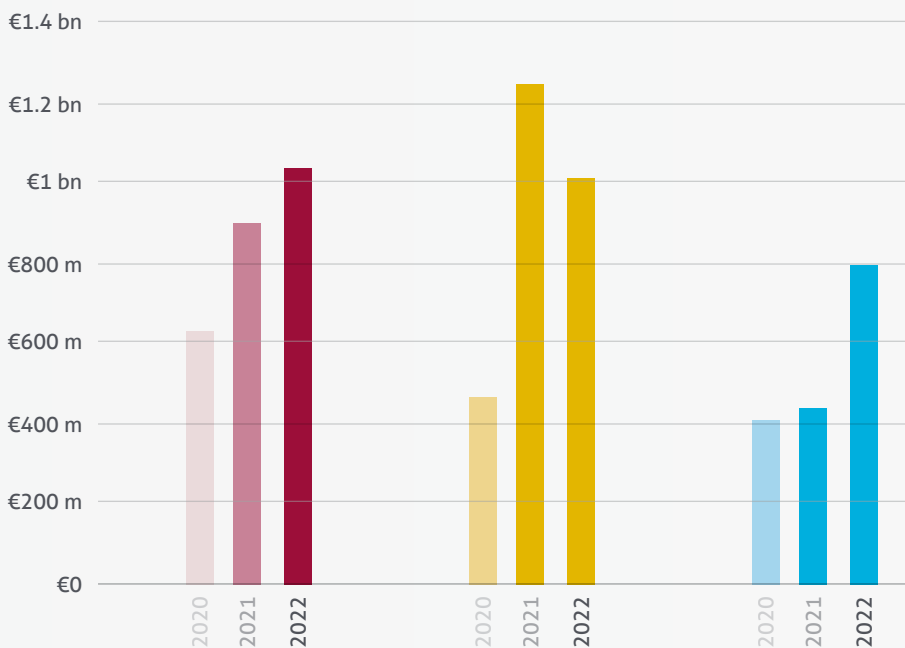
€797 m

+76%

New applications are up 15% in H1 2022 when compared with 2021 figures. This is particularly evident in Dublin which recorded a 72% increase. Granted applications are down 19% year on year and all regions are seeing the same trend.

The first half of 2022 saw a significant increase of 76% in commencements taking place across the country, compared with the same period in 2021. Munster showed huge gains (+185%) with strong activity in Cork. This is a continuation of what we saw in our 2021 year end index.

Turnaround times are relatively short for industrial projects and are currently at 66 weeks. This is just 3 weeks longer than the industry average which is largely influenced by residential data. This is another small indicator of the strength in this sector.



Average time from application to commencement



Sector outlook

The outlook for industrial construction through 2022 and into 2023 is positive with expected growth in line with inflation throughout short and medium terms. All metrics are relatively positive in this buoyant sector.

Q1-Q2 2022 applications regional distribution

CONNACHT/ULSTER

€112 M
-31%

LEINSTER
€268 M
-3%

MUNSTER
€260 M
+12%

DUBLIN
€397 M
+72%

SOCIAL

Activity and demand in the social sector is down sharply in the first half of 2022 vs 2021 despite positive signs last year. Turnaround times are particularly slow so any growth will be slow to appear.

Activity Trends 2020/2021/2022

Applications

€368 m

-16%

Grants

€200 m

-49%

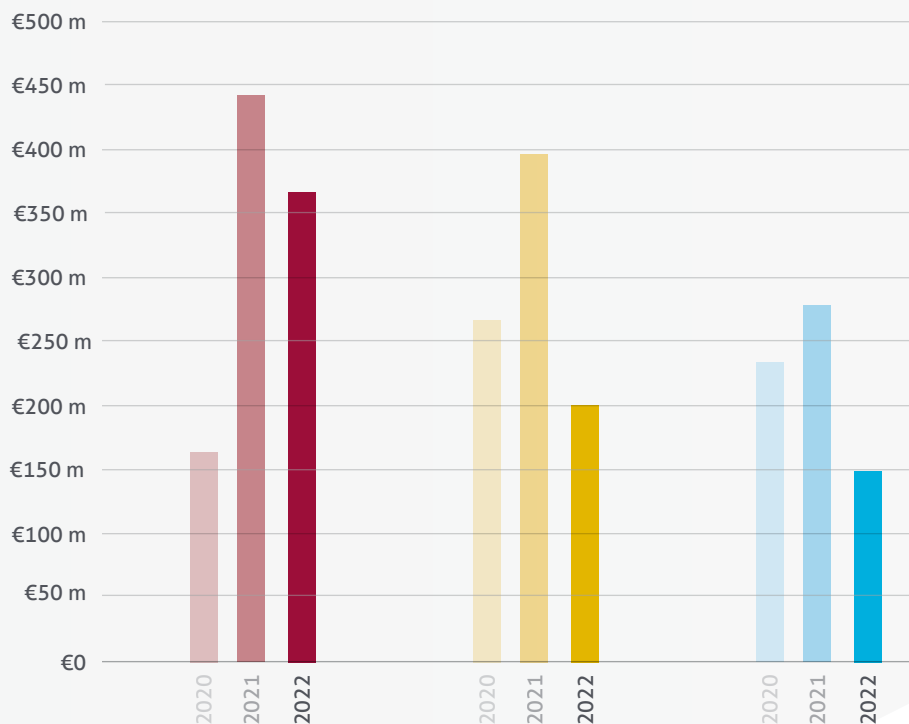
Commencements

€147 m

-48%

New applications fell by 16% nationally. This decrease was seen in all regions except for Leinster which recorded a 23% increase. Granted applications were also down, by 49% and this too was reflected in all regions throughout the period.

Commencements in the social sector were more varied, with the national average down 48% despite strong growth in Dublin and Connacht Ulster in particular. Regionally there was a significant fall in Leinster, which showed a decrease of 92%. Turnaround times are currently at 88 weeks, and while this is very slow indeed, it has improved significantly from 97 weeks in 2021. This trend would have to continue to improve a lot for positivity to return to the sector.



Average time from application to commencement

63 weeks | INDUSTRY AVG

88 weeks | SOCIAL

Sector outlook

The outlook is negative with expectations of a decline in activity going through the second half of 2022.



Q1-Q2 2022 applications regional distribution



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

Methodology: BuildingInfo measures the actual (estimated) monetary build value of every construction project per sector. The data contained in the Building Information Index is aggregated by BuildingInfo from real time planning and project information. Projects with a value of less than €200k were omitted from this index, with the exception of the agriculture sector where lower value projects were included.

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About the author: Danny O'Shea is Managing Director of Building Information Ireland. Building Information Ireland is the portal for every current planning application, approval and commencement in the country. Queries concerning the index or requests for further bespoke analysis are always welcome. Danny can be contacted at doshea@buildinginfo.com.

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