Building Information Index

Q1-Q4
2023

2022 2023 2024

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

Our year-end 2023 Building Information Index continues to show cause for optimism in the industry in the short to medium term with perhaps some cause for concern as we look further down the line.

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 2024 and beyond.

Commencements, that is work starting on site, increased by a healthy of 21% when compared to 2022. This could be seen as the industry continuing to ramp up to meet the demand that undoubtedly exists, especially in the residential sector. Residential accounted for 73% of the overall commencements figure of €13bn. In unit terms just short of 40k housing units commenced in 2023.

The value of projects granted permission in the year remained steady, up 1% on 2022, at a respectable €20bn. The residential sector with €13bn of projects granted, up 2% on 2022, again accounted for the lion's share of the overall figure. The transition from the Strategic Housing Developments (SHD) to the Large-Scale Residential Development (LRD) scheme appears not to have had any negative impact. Anecdotal evidence suggests that the LRD scheme appears to be functioning more efficiently and it would appear that the planning system is eventually getting to grips with the bottlenecks that have hampered it in the past.

So far, so good, the short and medium-term metrics remain positive.

New applications lodged in 2023 however, appear to have slowed considerably. Nationally, the value of new applications was down 41%. The Residential sector, which is the prime mover in the industry, was down 52% and when examined regionally the Residential sector in Dublin was down 72%. This is interesting to note considering that demand exists and by all accounts will continue to exist into the foreseeable future. So why such a decrease? Is it simply too-expensive to build at the moment? Are we seeing the effects of the increase in interest rates causing PRS (Private Rental Schemes) to leave the market? Are developers awaiting clarity as to which model is best suited to deliver on the aforementioned demand? Other key sectors such as the Industrial sector have shown an increase in new applications so only time will tell as to whether this decrease in residential applications is a temporary blip or the beginning of a new trend.

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

Danny O'Shea
CEO
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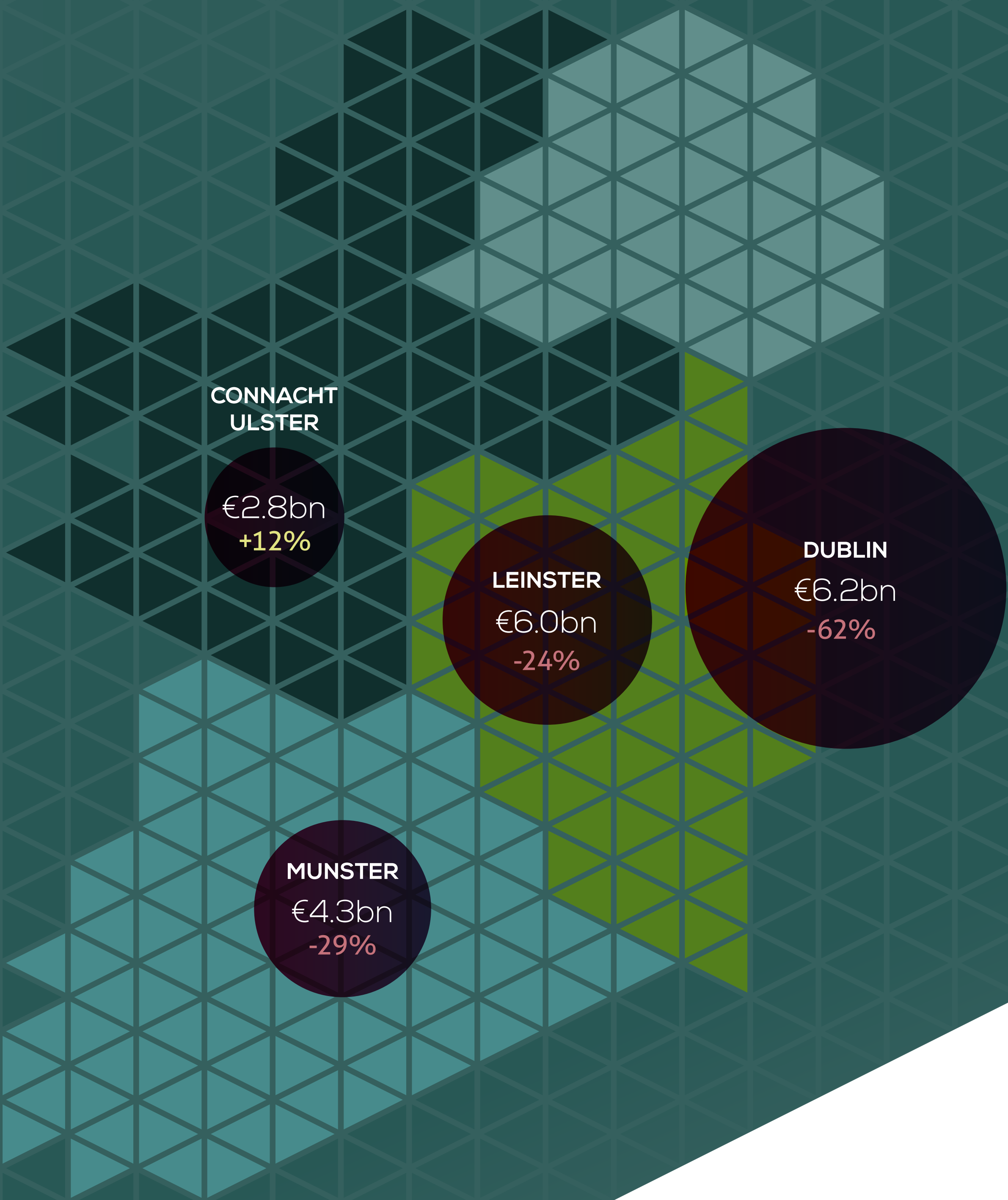
THE BIG PICTURE

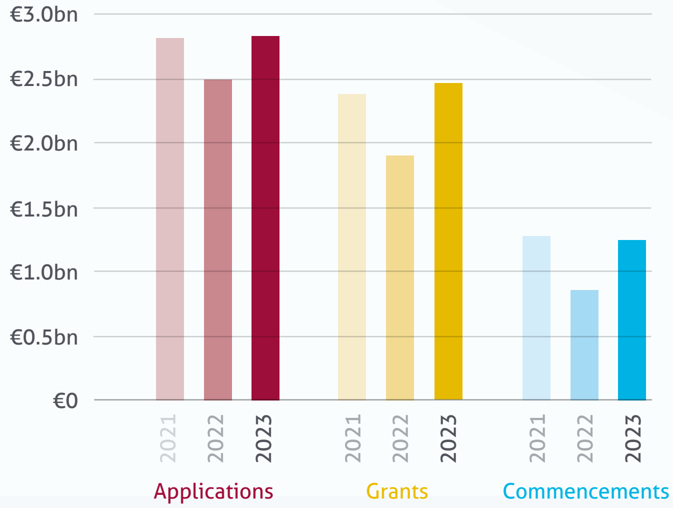
Regional Applications

The pace of Commencements continued to quicken in 2023 increasing by 21% on 2022. The immediate pipeline for Commencements is projects where plans are Granted. These remained steady up 1% on 2022. The short and medium-term prospects are good. However, the total value of new planning applications in 2023 decreased by 41% over the previous year. The decrease was primarily in the residential sector, down by 52%. Regionally within this sector Dublin accounted for the biggest percentage decrease, down 72%.



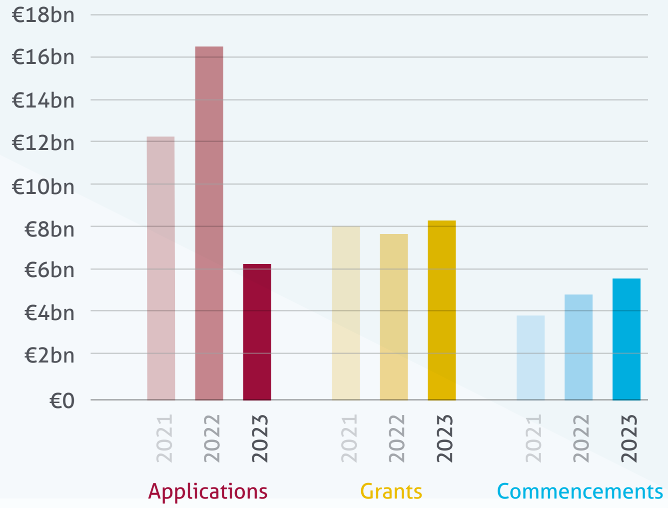
Connacht/Ulster

Applications	**Grants**	**Commencements**
€2.8bn	€2.5bn	€1.2bn
+12%	+30%	+41%



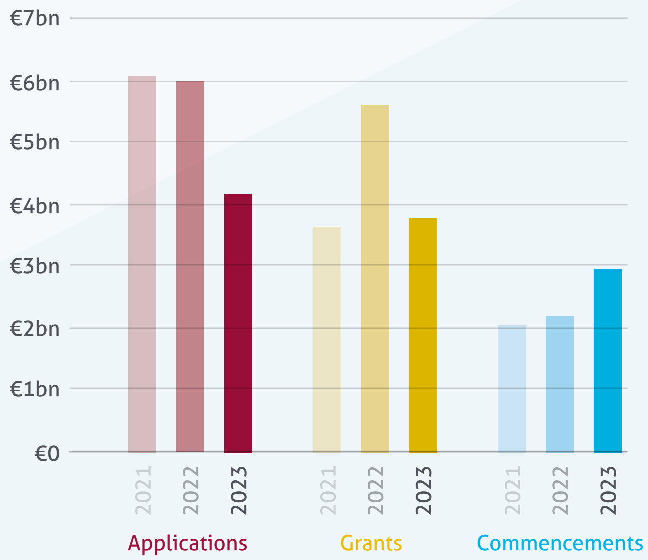
Dublin

Applications	**Grants**	**Commencements**
€6.2bn	€8.4bn	€5.3bn
-62%	+11%	+12%



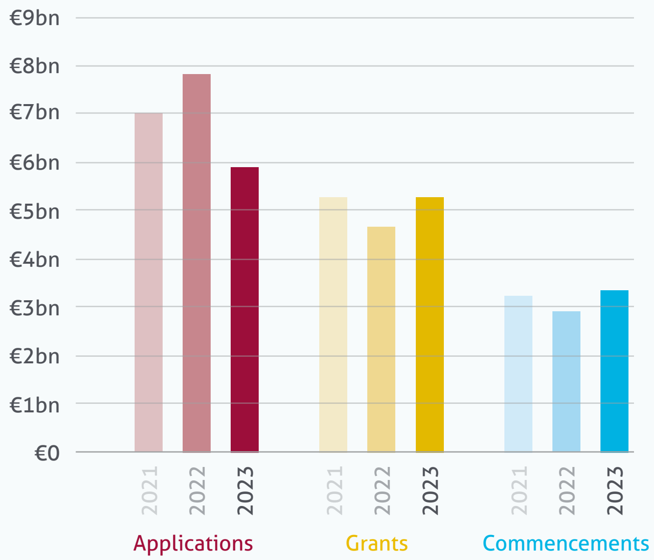
Munster

Applications	**Grants**	**Commencements**
€4.3bn	€3.8bn	€2.9bn
-29%	-31%	+34%



Leinster

Applications	**Grants**	**Commencements**
€6.0bn	€5.3bn	€3.5bn
-24%	-31%	+34%

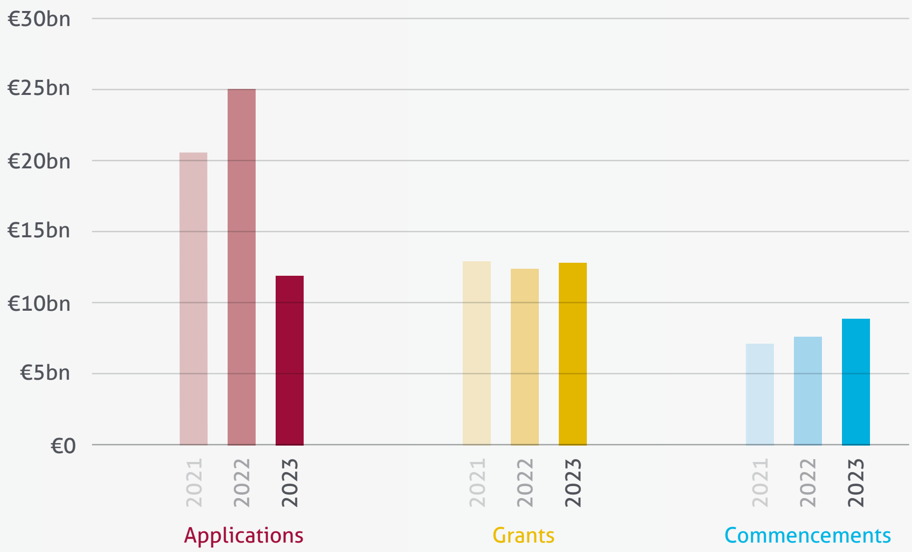


RESIDENTIAL

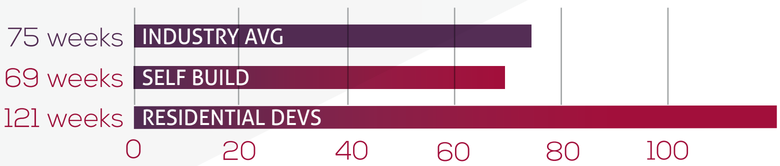
Residential project Commencements were up 23% nationally when compared to 2022. There was an increase across the board regionally. Dublin with an increase of 19%. Leinster, Munster and Connacht Ulster recorded increases of 8%, 48% and 39% respectively. In unit terms, projects with almost 40,000 units started work in 2023, up over five thousand on 2022. Is this 17% increase symptomatic of an industry ratcheting up to meet demand?

Activity Trends 2021/2022/2023

Applications	Grants	Commencements
€12.0bn	€13.0bn	€9.4bn
-52%	+2%	+23%



Average time from application to commencement



The value of projects Granted permission was slightly up, +2%, to €13bn. 2023 saw the eventual phasing out of the SHD (Strategic Housing Development) scheme and the ushering in of the LRD (Large-Scale Residential Development) scheme. There appeared to be no adverse effects of this transition and Dublin showed an increase of 28% or in unit terms an increase of just over four thousand.

Residential planning applications are down a substantial 52% in 2023 when compared to 2022 and 42% when compared to 2021. This decrease was recorded in each region but most obviously in Dublin which was down 72%. Leinster, Munster and Connacht Ulster recorded decreases of 26%, 41% and 12% respectively.

This decrease is somewhat surprising given the ongoing demand for housing. The new planning applications in 2023 are added to the existing pool of projects that are granted and not yet started so the effect of this decrease may not be seen for some time.

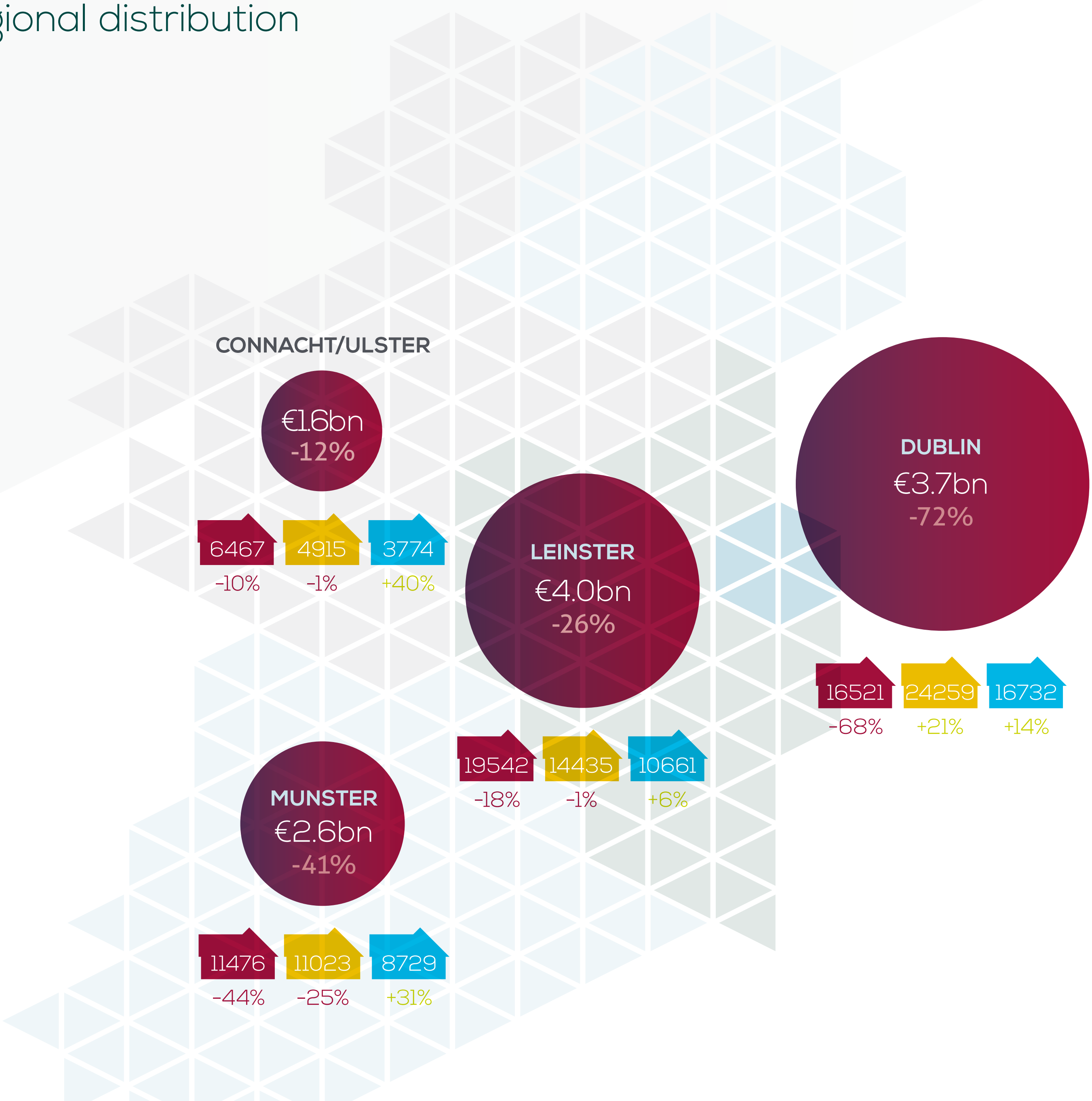
The average duration from when a residential project applied for permission and when it starts is 121 weeks. This has drifted out from last year's average of 102 weeks. However, with SHD's being replaced with the more efficient LRD's it is hoped that this lead time will tighten in the future.

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

Sector outlook

Despite the increase in Commencements and ongoing level of Grants the outlook for the residential sector is Negative. The dramatic fall off in new applications is something that needs to be monitored.

Q1-Q4 2023 applications regional distribution



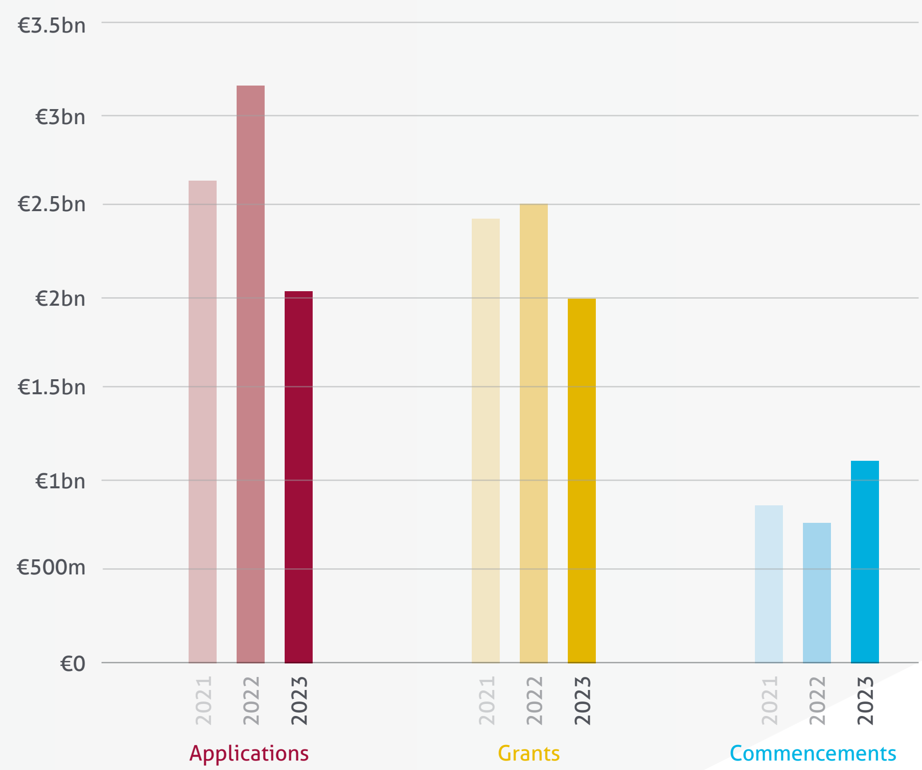
No. of residential units

COMMERCIAL & RETAIL

Current activity in commercial & retail sector improved strongly in 2023 but a decline in new applications may lead to a slowdown in the future.

Activity Trends 2021/2022/2023

Applications	Grants	Commencements
€2.1bn	€2.0bn	€1.1bn
-35%	-20%	+46%



Average time from application to commencement

Commencements in the sector were up 46% year on year. This was due to a strong increase in applications and grants in the years immediately previous.

In terms of current planning applications, commercial & retail was down 35% on 2022. Granted applications were also down by 20% in 2023 when compared to 2022. Geographically all regions with the exception of Connacht Ulster saw decreases in application activity. Dublin and Munster had decreases of 51% and 21% respectively and Leinster was down 2%. Connacht Ulster was the only positive with applications up 33%. Geographically all regions where down in terms of granted permissions.

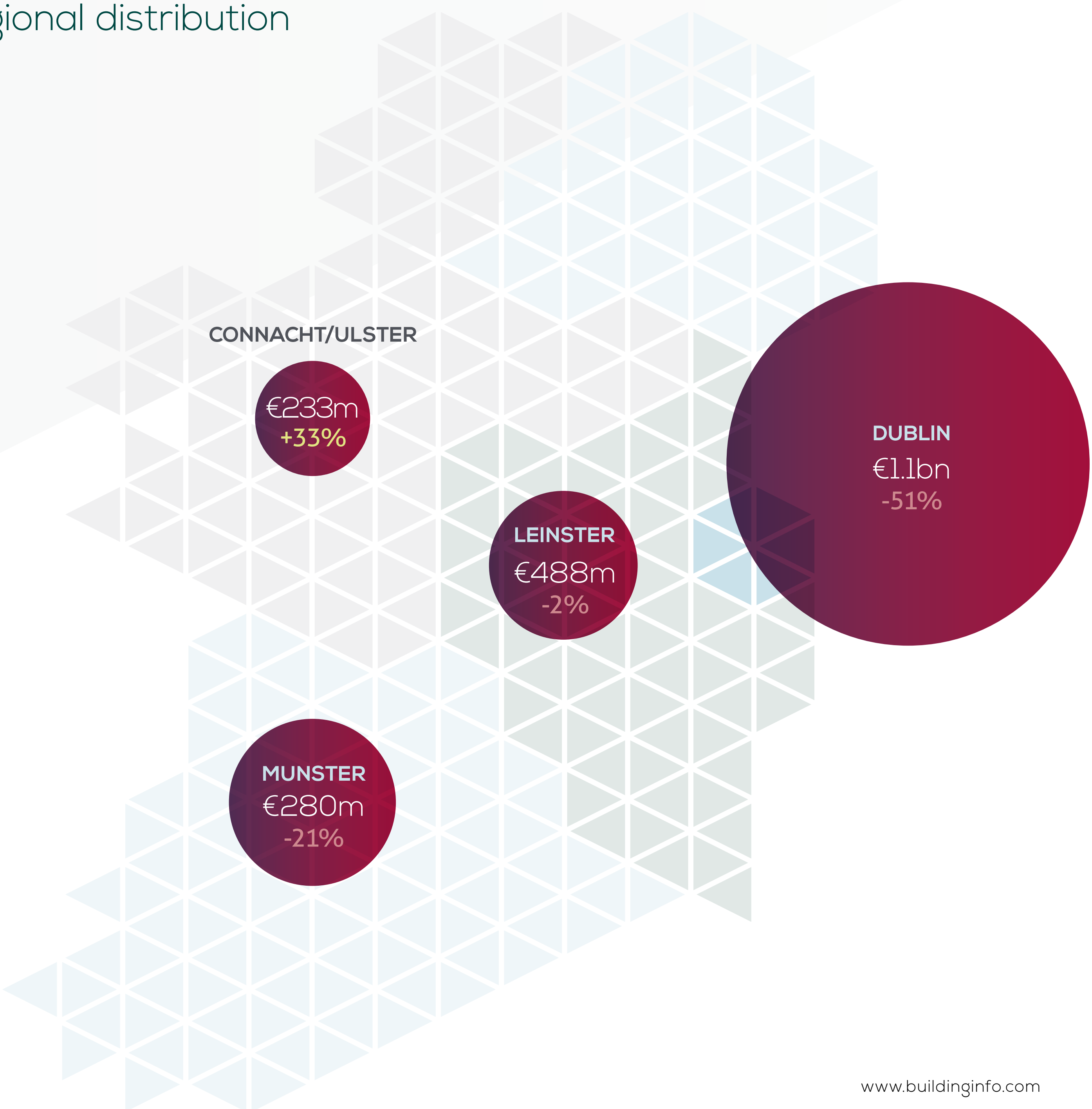
Continuing pressure on traditional high street retail may be a contributing factor in the decline in applications in this sector. That allied to the ongoing challenges faced by the hospitality industry make this a sector where investment is perhaps more cautious. While anecdotally it is believed a move is underway to "return to the office" the commercial office sector is perhaps still suffering from the adoption of new hybrid models of home/office work.

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

Sector outlook

Despite the current increase in commencements, the various factors point to negative outlook for construction in the commercial & retail sector for the medium-term, and into the long term.

Q1-Q4 2023 applications regional distribution

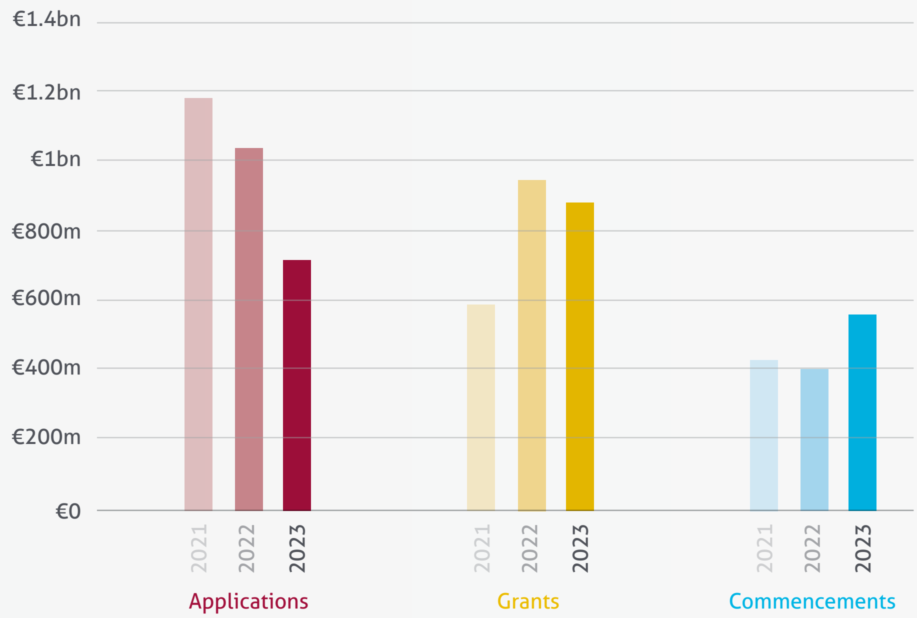


MEDICAL

On-site activity has been a relatively strong in the medical sector during 2023. But the pipeline has weakened with a decline in grants and applications.

Activity Trends 2021/2022/2023

Applications	Grants	Commencements
€710m	€879m	€562m
-31%	-7%	+36%

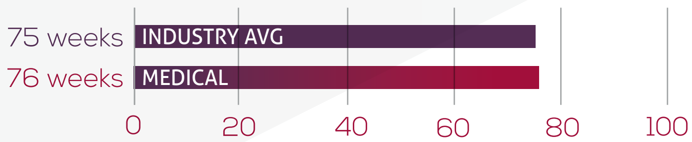


Commencements in the sector were up 36% year on year. This increase comes on the back of a further increase last year so the trend is to be welcomed.

Planning applications were down 31% nationally compared with 2022. This comes on the back of a decrease also in 2022 and points to a slowing trend. Regionally Munster and Connacht Ulster reported an increase of 19% and 28% respectively. Dublin and Leinster were down 38% and 64% respectively. Granted permissions were also down 7% nationally compared with 2022.

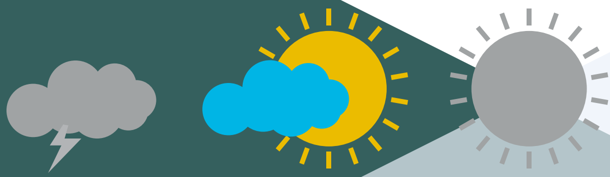
The pipeline certainly seems to be slowing in the medical sector. While it may seem in the dim past, the impact of emergency Covid expenditure may be affecting capital projects in this sector. Also, the Children's hospital still under construction and the latest estimate costing north of €2bn must impact other proposed projects.

Average time from application to commencement



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

Sector outlook



The fall in current applications is somewhat offset by the current strong on-site work and previous applications. Therefore, the outlook is neutral for medical construction in 2024, as was the case in the last three years.

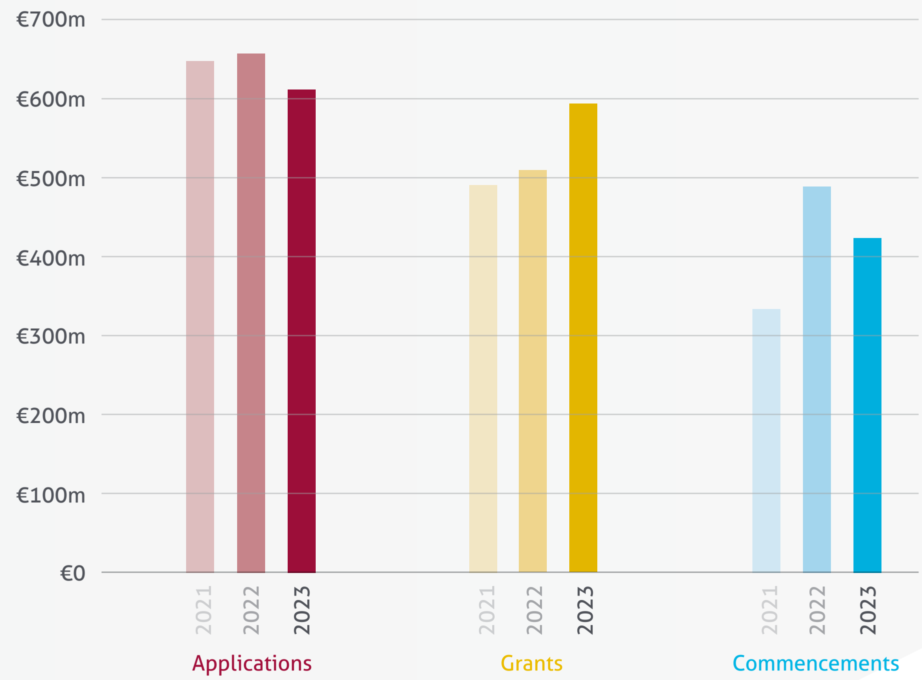
Q1-Q4 2023 applications regional distribution

EDUCATION

Activity in the Education sector decreased during 2023 following a three-year run of increases. Planning applications were down 5% when compared to 2022.

Activity Trends 2021/2022/2023

Applications	Grants	Commencements
€619m	€593m	€424m
-5%	+15%	-12%

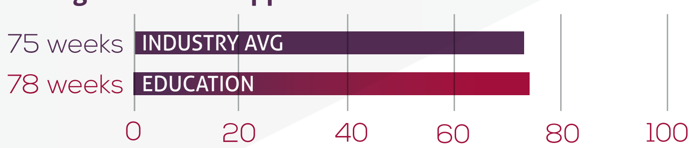


Nationally granted applications were up 15% in the year, with Dublin and Munster being the only regions recording a decrease.

Commencements were down 12% nationally. Leinster and Connacht Ulster showed increases of 123% and 80% respectively. Dublin and Munster conversely had decreases of 53% and 31%.

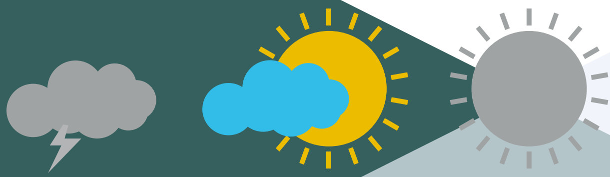
Modular type developments seem to be the quick solution to address immediate demands for educational spaces. Interestingly these modular type solutions are used for both smaller extensions and larger scale projects.

Average time from application to commencement



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

Sector outlook



Despite the fall in applications funding does not appear to be a problem especially for public projects. This factor and a relatively stable pipeline as well as on-going demand sees the outlook for the education sector as neutral.

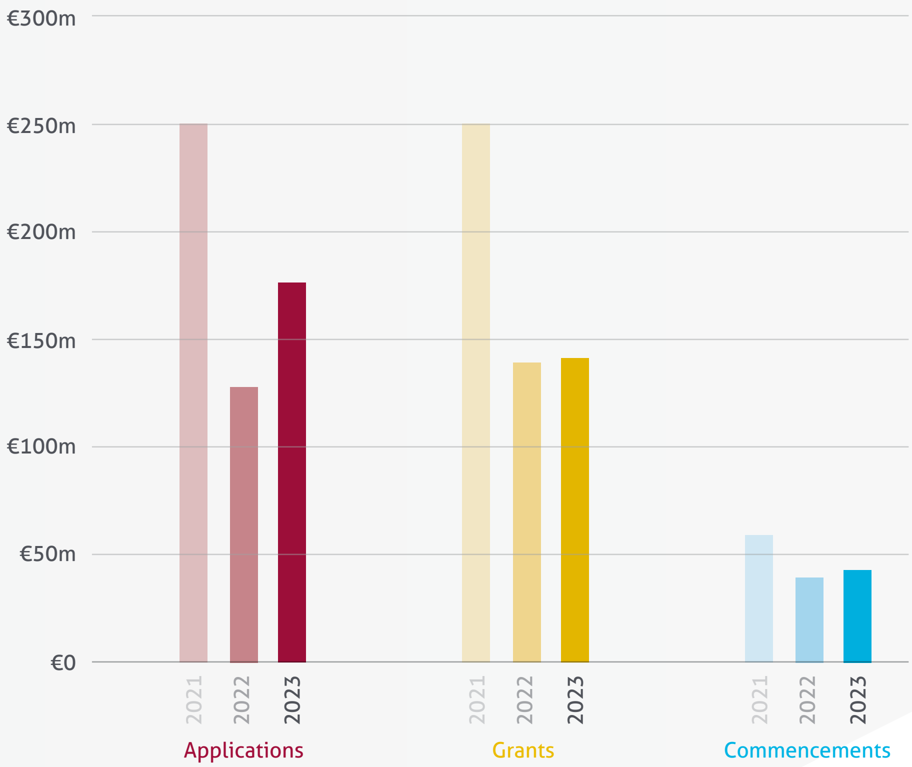
Q1-Q4 2023 applications regional distribution

AGRICULTURE

The agriculture construction sector is showing increases in all metrics for 2023 when compared with 2022.

Activity Trends 2021/2022/2023

Applications	Grants	Commencements
€176m	€141m	€43m
+42%	+2%	+16%

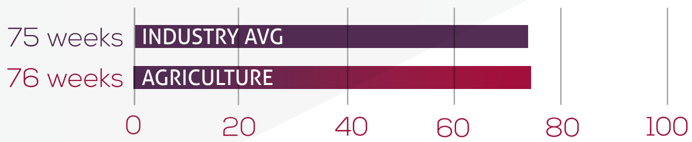


Planning applications are up 42% nationally year on year. Leinster has an increase of 33% in applications year on year, with Munster up 44% and Connacht Ulster up 59%. Granted applications were also up, albeit just 2%.

Commencements for the sector in 2023 were up 16% nationally.

This is a good result for the agriculture sector reversing the negative downward trend of the previous report.

Average time from application to commencement



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

Sector outlook

With all the metrics on the up the forecast for the sector is positive.

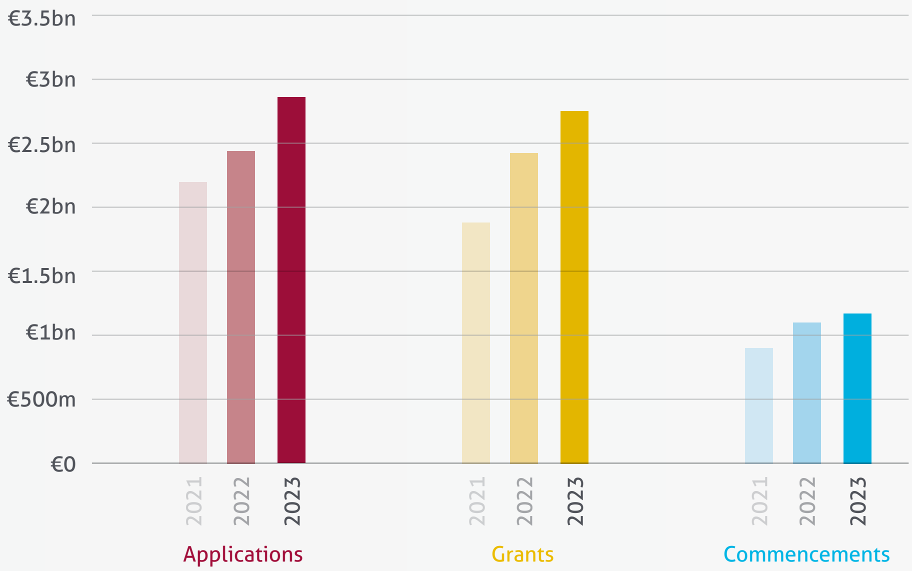
Q1-Q4 2023 applications regional distribution

INDUSTRIAL

All metrics are displaying increases nationally for the industrial sector. Demand remains strong in IT, manufacturing, and pharmaceuticals and this is showing in the industrial construction sector results

Activity Trends 2021/2022/2023

Applications	Grants	Commencements
€2.9bn	€2.7bn	€1.2bn
+16%	+13%	+5%



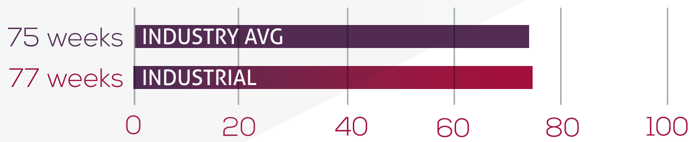
New applications were up 16% in 2023 when compared with 2022 figures. It should be noted that this increase is on top of three years previous growth. All regions reported growth in applications with the exception of Leinster which was down 30%. Leinster however had exceptional growth in 2022 and despite the decline the 2023 figure is up 20% on the figure reported in 2021.

Granted applications are up nationally 13%, this again, making it part of a four-year growth trend. Only Dublin recorded a decline in granted permissions in the last two years.

2023 saw an increase of 5% growth in commencements across the country when compared with 2022. These are good numbers and show an increase in activity of 28% when compared with 2021

All of the metrics are very good in the sector coming as they are as increases on an equally strong 2022 and 2021. Turnaround times for industrial projects are at just 72 weeks faster than the industrial average of 75.

Average time from application to commencement



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

Sector outlook

The outlook for industrial construction through 2023 is positive with expected growth of 12% throughout the year. All metrics are good and international demand continues to be met.

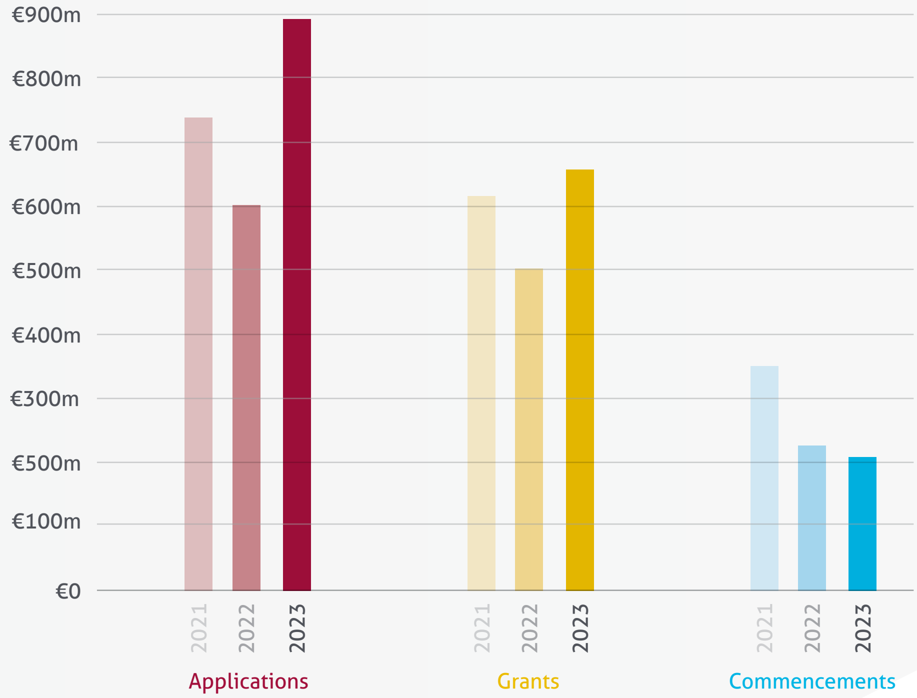
Q1-Q4 2023 applications regional distribution

SOCIAL

Activity and demand in the social sector has increased considerably in 2023 following a weak 2022.

Activity Trends 2021/2022/2023

Applications	Grants	Commencements
€885m	€655m	€218m
+43%	+26%	-9%

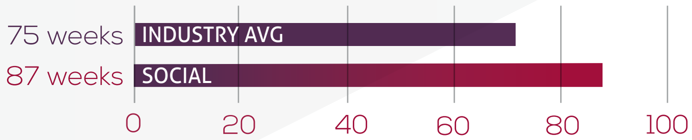


New applications increased by 43% nationally in 2023 with all regions enjoying the same positive trend. Granted applications were also up by 26% but regionally only Munster and Connacht Ulster reflected this increase with an upturn of 121% and 87% respectively.

Commencements in the social sector were down nationally 9%. Regionally there was a significant gain in Leinster but decreases in all other regions.

It will be interesting to monitor activity in this sector with the outcome of the OSCAR Sports Capital Grant Scheme 2023. It must be assumed that his scheme is responsible for the increase in applied and granted projects. Obviously whether many of them come to fruition will be dependent on funding from this source.

Average time from application to commencement



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

Sector outlook

With strong medium to long term metrics the outlook is positive. An increase in commencements is expected in 2024 and going forward.

Q1-Q4 2023 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. BuildingInfo reserve the right to amend methodology as required.

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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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