



Comhshaol, Oidhreachta agus Rialtas Áitiúil
Environment, Heritage and Local Government



Construction industry Indicators

Issue 13

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Coordination Unit**

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Introduction

The availability of good and robust data is important for carrying out analysis of the construction sector, given its growth over the past decade and its importance. Gross investment in the building and construction sector accounted for over three-quarters of total investment in the economy and 23% of GNP in 2007.

This is number thirteen in the series of *Construction Indicators*, prepared for the Department of the Environment, Heritage and Local Government (DEHLG). The purpose of this report is to bring the reader up to date on current levels of activity and trends in the sector. The latest available quarterly and monthly data are presented in graphic form with a brief commentary. This publication also contains a short overall commentary on emerging trends and issues.

The quality and quantity of data on the construction sector has been an issue for some time. In this regard the first results from the CSO's new Quarterly Survey of Construction (QSC) were published in August 2007¹. As this is a relatively new Survey and the results are considered to be experimental by the CSO, we have not yet included it in the *Indicators* series. The DEHLG, with the assistance of the mortgage lending agencies and the CSO, is currently developing a mix-adjusted house price index. Both series will be included in this report in due course.

The indicators presented in this report cover the following:

- Gross fixed capital formation
- Construction employment
- Construction earnings
- Wholesale prices for construction materials
- Construction cost and tender price inflation
- Planning permissions
- Registrations, a proxy for housing starts
- Commencement notices
- Dwellings completed
- Housing loans (value and number)
- House prices
- Private housing rents
- Construction Purchasing Managers' Index
- Construction confidence

The construction industry is known to be affected by seasonal patterns, and some of the above series are seasonally adjusted by the CSO. Where data have not been seasonally adjusted, we have tested for seasonality and where it is present carried out our own seasonal adjustment².

Sources of data include the Housing Section of the DEHLG, the CSO, Homebond, Premier Guarantee, Bruce Shaw Partnership Davis Langdon PKS, Irish Bankers Federation (IBF), permanent-tsb/ESRI, Ulster Bank and Eurostat. The source for each indicator is acknowledged. This publication appears in electronic form on a quarterly basis. It is distributed via the Department's website: www.environ.ie³ and is available on www.dkm.ie.

¹ See www.cso.ie

² Using the Tramo-Seats software via the Demetra interface developed by Eurostat.
<http://forum.europa.eu.int/irc/dsis/eurosam/info/data/demetra.htm>

³ Previous issues are available at
<http://www.environ.ie/en/Publications/StatisticsandRegularPublications/ConstructionIndustryStatistics/>

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An industry comprising three sectors, two of which continue to expand while the housing adjustment unfolds

It is important to recognise that the building and construction sector consists of three main segments which determine the prospects for the sector as a whole. These three segments comprise residential construction, general contracting and civil engineering. Most attention has focused on the housing sector which has weakened considerably over the past eighteen months. This reflects the adjustment which is now underway after the unsustainable expansion in housing activity over the past decade or so. As a result most of the indicators relating to housing portray a sector which is in a period of transition as housebuilding activity, house prices, mortgage lending and employment adjust to more 'normal' levels.

As the housing adjustment works its way through, the construction sector is fortunate in having support from two other sectors where activity continues to expand both in respect of non-residential building and civil engineering activity. As a result the negative impact of the adjustment underway in the housing sector is less than it might otherwise be. This was the case in 2007 when National Accounts data showed that investment in building and construction was 9.2% lower in Q4 2007 than a year previously. This decline reflected an 18.3% contraction in residential construction which was somewhat offset by an 11.6% increase in non-residential (including civil engineering) construction activity.

Private non-residential construction activity should continue to expand in 2008. Indeed commercial construction alone is expected to reach a record level this year, according to a recent Lisney report (April 2008) which stated that already more office space was completed in Q1 2008 than in the whole of 2006. Combined with the €12 billion capital provision for social and productive infrastructure alone in the 2008 public capital programme, non-residential construction activity can be expected to continue to support the construction sector throughout the year, while housing readjusts to more sustainable levels.

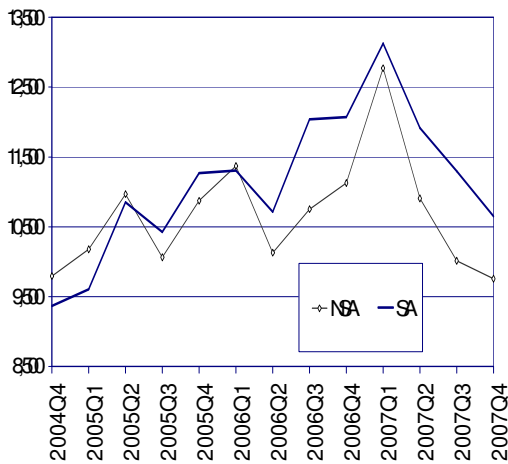
The strong performance from the non-residential (including civil engineering) construction sector may explain why we have not yet seen any dramatic fall in the numbers employed in construction. Although the number of new houses built has declined by almost 19% in the year to March 2008 on the previous twelve month period, the numbers employed in construction in Q4 2007 were only 3.2% (sa) below the peak in Q1 2007. However, a survey of firms with five or more employees shows employment in February 2008 was 11.2% (sa) below its peak in December 2006. Given the labour intensiveness of housebuilding, the full impact of the contraction in residential construction has to show up in the 2008 employment measures.

Despite the contraction in building and construction output, wage inflation accelerated in Q4 2007 to an annual rate of 6.8% while the annual rate of construction cost inflation reached almost 5% in February. However, the emergence of spare capacity in the sector is reported to be putting tender prices under pressure. The latest published tender price indices for general contracting work suggest that tender prices fell by around 1% in 2007 and are expected to fall further by 2.5% to 3% this year.

The number of dwellings completed in Q1 2008 declined by 30% on the same quarter in 2007. The prognosis for housebuilding completions in 2008 will be influenced by the unprecedented weakness in registrations, which were down by 67% in Q1 2008 on the same period in 2007. With anecdotal evidence suggesting a high level of unsold units, the likelihood is that this downward trend in registrations will continue over the coming months. As a result the forecast for completions this year is 43,000, which requires completions to decline by 50% over the remaining nine months of the year. Although the weakening trend in registrations can be expected to adversely impact on housing supply again in 2009, the upward trend in planning permissions (+7.2% in 2007) confirms that confidence in the prospects for a housing recovery over the medium term is strong.

Construction indicators

Figure 1: Gross domestic fixed capital formation
(Quarterly, constant 2005 chain-linked prices)



Source: CSO; National Accounts

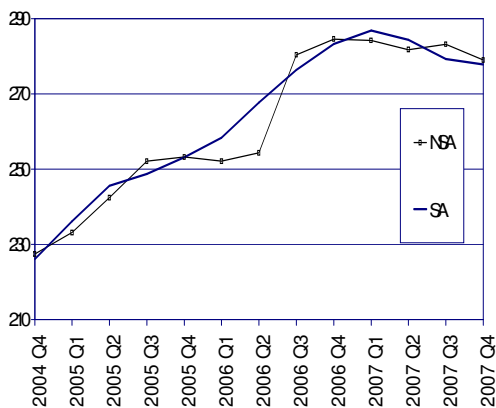
Total investment in the Irish economy continued to decline in Q4 of last year

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
nsa €m.	10,752	11,126	12,771	10,906	10,012	9,755
sa €m.	12,040	12,069	13,126	11,915	11,294	10,648
% change qoq, sa	12.4%	0.2%	8.8%	-9.2%	-5.2%	-5.7%
% change yoy, sa	15.5%	7.1%	16.1%	11.2%	-6.2%	-11.8%

Total investment in the Irish economy (as measured by Gross Fixed Capital Formation, GFCF) fell by 11.8% in the year to Q4 2007, according to the CSO's Quarterly National Accounts release. The main cause of the decline in total investment is the current weakness in the housing market. Investment in new dwellings fell by 22.3% (yoy, nsa) in Q4 of last year. The value of improvements to the existing housing stock continued to grow (by 6.8% in Q4 compared with Q4 2006). However, this was not sufficient to offset the decline in new housebuilding, with the net result that total residential investment fell by 18.3% over the year to Q4.

Non-residential construction activity grew by 11.6% (yoy, nsa). Overall, however, total investment in the construction sector was 9.2% lower (nsa) in Q4 2007 than a year previously. For the second quarter in a row, investment in machinery and equipment shrank by over 10%, reflecting an absence of imports of capital equipment and possibly concern amongst manufacturing firms about the international economic outlook.

Figure 2: Construction employment
(000s, sa)



Source: CSO; QHNS

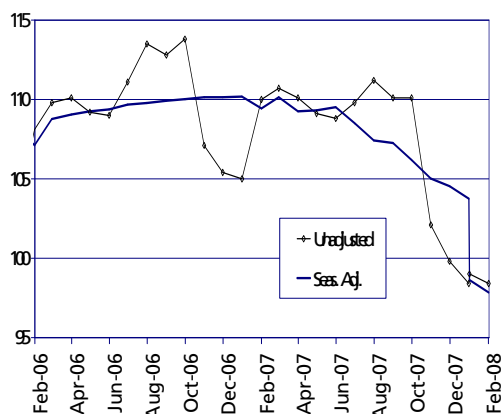
QNHS series shows negative annual growth in construction employment for the first time...

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
(000s) sa	276.4	283.3	286.9	284.4	279.3	277.8
% change qoq, sa	3.2%	2.5%	1.3%	-0.9%	-1.8%	-0.5%
% change yoy, sa	11.1%	11.9%	11.1%	6.2%	1.0%	-1.9%

As expected, the numbers employed in construction continued to decline on the QNHS measure in Q4 of last year. According to the QNHS survey data, construction employment fell by a further 0.5% on the previous quarter, leading to the first annual decline (-1.9% yoy, sa) in construction employment in the series (dating back to Q1 1998).

Despite this decline, we have yet to see any dramatic fall in the numbers employed in construction, with around 280,000 people still working in the sector according to the QNHS figures. The number of self-employed persons working in construction increased by 9,500 over the year, perhaps indicating that those being laid off from larger projects are moving into the repair and maintenance sector. However, we should begin to see the effects of the slowdown in new housebuilding in the employment data from Q1 2008 onwards.

Figure 3: Construction employment index
(2000=100)



Source: CSO

...while the workforce among larger firms contracted for the ninth month in a row

	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08
nsa	110.1	102.1	99.8	98.4	99.0	98.4
sa	106.2	105.0	104.5	103.8	98.6	97.8
% change mom, sa	-1.0%	-1.1%	-0.5%	-0.7%	-4.9%	-0.8%
% change yoy, sa	-3.5%	-4.7%	-5.1%	-5.8%	-9.9%	-11.2%

The CSO's Construction Employment Index shows firms with 5 or more employees shed 11.2% of their workforce in the year to February 2008. In fact, February saw the ninth straight monthly decline in construction employment, recorded by this measure.

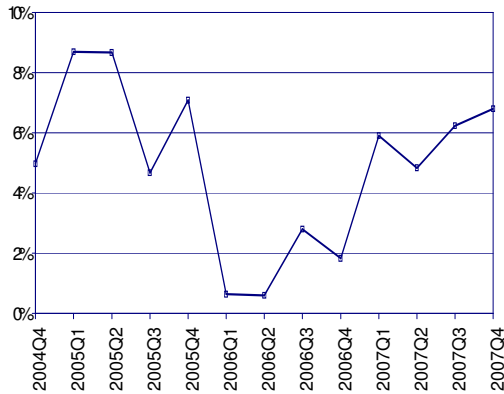
The extent of this decline is perhaps a more accurate reflection of the current slowdown in the construction sector. While it may be that smaller firms and the self-employed are more flexible in their ability to switch to the repair and maintenance sector, we would nonetheless expect further declines in employment to begin to show up in the QNHS figures this year.

We are conscious of the differences in methodology* used for each series and would expect some marginal variation in the two data sources. However, unlike the QNHS series, this index has increased by very little over the past five years. Employment according to the QNHS increased by 48% since 2002 while it only increased by 7.4% over the same period using the short term index. It is difficult to reconcile these differences by size of firm alone.

*The Construction Employment Index is a monthly record of employment levels across 1,000 firms with 5 or more persons, as opposed to the QNHS which is a quarterly record of total employment from household surveys.

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Figure 4: Average Weekly Earnings in Construction
(% change yoy, sa)



Source: CSO

Growth in average earnings accelerated at the end of 2007 despite the housing slowdown

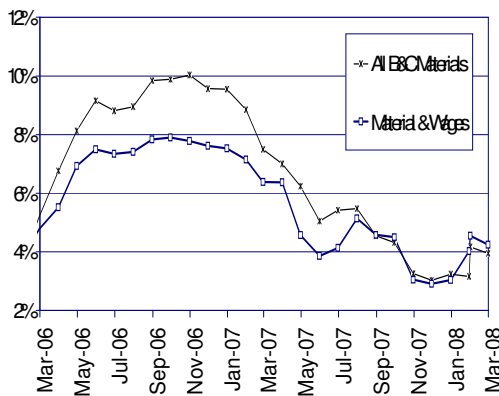
	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
Euro sa	769.9	800.3	780.1	796.6	817.9	854.8
% change qoq, sa	1.3%	4.0%	-2.5%	2.1%	2.7%	4.5%
% change yoy, sa	2.8%	1.8%	5.9%	4.8%	6.2%	6.8%

Wage inflation in the construction sector* accelerated in Q4 of last year according to CSO data. Average weekly earnings grew by an impressive 4.5% (sa) on the previous quarter, leading to an annual increase of 6.8%, up from 6.2% in Q3. Some of the increase may be accounted for by an increase in average hours worked - up 2.7% (sa) on Q3. However, we suspect the main factor responsible was payment of the final pay increase (+2.5%) on 1st October 2007 under the social partnership agreement, *Towards 2016*, which expired on 31st March 2008.

Data on earnings in other sectors was not yet available for Q4 2007 at the time of writing. At €848.56, average weekly earnings in the construction sector are higher than both the industrial average (at €627.24, Q2 2007) and the average in the distribution and business services sector (at €708.56, Q3 2007). The highest earning sectors remain the banking and insurance (at €886.34, Q2 2007) and the public (€918.31, Q3 2007) sectors.

* Date for firms with 10 or more employees.

Figure 5: Wholesale price indices for building and construction materials
(% change yoy)



Source: CSO

Annual inflation in building and construction materials around 4%

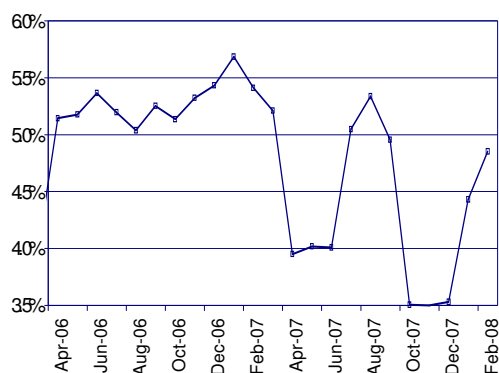
	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
All B&C Materials nsa	142.7	142.8	143.3	143.4	144.9	145.7
% change yoy, nsa	3.3%	3.0%	3.2%	3.2%	4.2%	3.9%
B&C Materials and Wages nsa	155.6	155.7	156.0	157.6	158.5	159.0
% change yoy, nsa	3.0%	2.9%	3.0%	4.0%	4.6%	4.2%

Having dropped to a two-year low of 3% in November of last year, the annual rate of building and construction materials inflation crept back up to 4.2% in February but declined again to 3.9% in March. The Capital Goods index (which covers materials and wages) also saw annual inflation jump from 2.9% (a four-year low) in November '07 to a peak of 4.6% in February '08, but eased back to 4.2% in March '08.

Inflation in the construction industry has eased considerably since the peak of the construction boom in 2006. However, global commodity prices have rocketed in recent months as economic uncertainty and the difficulties being experienced in financial markets have sent investors scrambling for the relative safety of commodities.

Annual inflation in March '08 was particularly strong for oil based products (bituminous emulsions (+24%)), stone, sand and gravel (+11%) with materials' prices for plaster, reinforced metal and plumbing materials all increasing at in excess of 7%.

Figure 6: Construction cost inflation
(% change yoy, nsa)



Source: SCS, Bruce Shaw, Davis Langdon PKS.

...and the upward trend in construction inflation is confirmed by the SCS measure

	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08
SCS CCI	292.3	292.4	292.8	293.3	297.0	298.2
Cost Inflation yoy	5.0%	3.5%	3.5%	3.5%	4.4%	4.9%

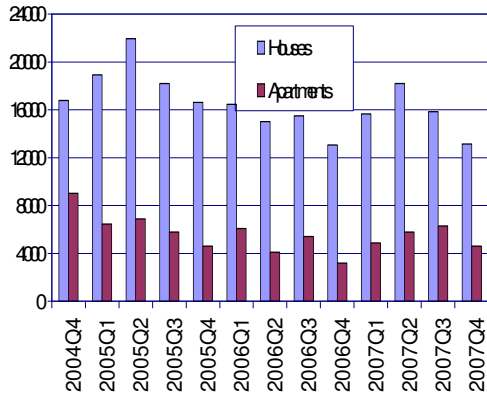
The latest Society of Chartered Surveyors (SCS) figures show annual construction cost inflation accelerating to 4.9% in February '08, from 3.5% at the end of '07. The unexpected upward trend in construction cost inflation might be explained by a combination of stronger than expected wage growth within the industry, and the global rise in commodity prices, as discussed above.

...but tender price trends reveal a very competitive market...

Although a sharp rise has been recorded in both the SCS and the CSO measures of cost inflation in the construction sector, the trend in tender prices reveals a very competitive market. According to published sources (Bruce Shaw and Davis Langdon PKS) average tender price inflation was in the range of -1% to 0% for general contracting work in 2007, leaving tender price inflation well below construction cost inflation. With the expected sharp contraction in new housebuilding this year, these trends are likely to continue, with tender price inflation for general for general contracting work forecast to decline by 2.5% to 3%.

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Figure 7: Planning permissions: houses and apartments
(quarterly, nsa)



Source: CSO

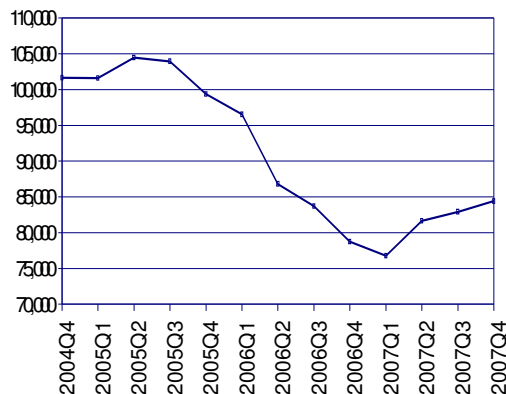
Residential planning permissions tail off at the end of 2007, after a solid year

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
# Houses						
nsa	15,486	13,054	15,654	18,201	15,838	13,135
% chg yoy nsa	-14.9%	-21.4%	-4.9%	21.2%	2.3%	0.6%
# Apartments						
nsa	5,397	3,197	4,884	5,787	6,300	4,598
% chg yoy nsa	-6.8%	-30.4%	-19.5%	41.7%	16.7%	43.8%
Total Units						
nsa	20,883	16,251	20,538	23,988	22,138	17,733
% chg yoy nsa	-12.9%	-23.4%	-8.8%	25.6%	6.0%	9.1%

The number of residential units granted planning permissions in Q4 '07 was up over 9% on the same period a year earlier, with apartments up substantially (+44%) while the number of houses was only up marginally (+0.6%).

Permissions for one-off houses, which accounted for roughly a third of all houses granted planning in Q4 2007, continued their long-term decline – with the number granted in Q4 of last year 5.1% below that recorded in the same period 12 months previously. However, the number of one-offs granted permission totalled 18,555 units in 2007. It is important to note that the number of one-off houses built is not included in the registrations data. With almost 20,000 'individual' houses built in 2007 (some of which we accept would have been in estates and hence would have been included in the registrations data), the number of one-off houses built which are not included in the registrations could nonetheless be significant.

Figure 8: Total residential planning permissions
(four quarters, running total, nsa)



Source: CSO

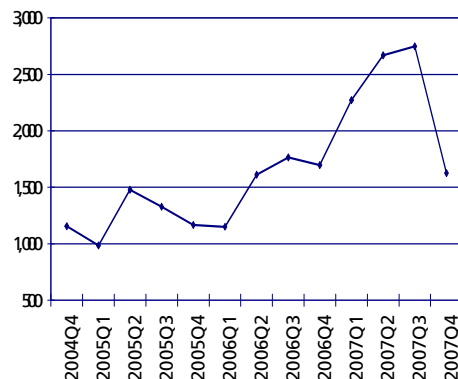
...confirmed by the strength of the 12 month running total figure

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
nsa	83,707	78,755	76,769	81,660	82,915	84,397
% change yoy	-19.5%	-20.7%	-20.5%	-5.9%	-0.9%	7.2%

The 12 month running total for 2007 confirms that confidence in the prospects for a housing recovery is strong. Despite the sharp slowdown in current housebuilding levels, the annual total number of residential planning permissions has increased each quarter during 2007, culminating in a total of 84,397 units in 2007, 7.2% higher than in 2006.

While planning permissions have a five year life, the renewed upward trend is reassuring for the medium-term.

Figure 9: Floor area for new non-residential construction
(quarterly, 000s sq. Metres, nsa)



Source: CSO

A significant level of non-residential projects remain in the pipeline

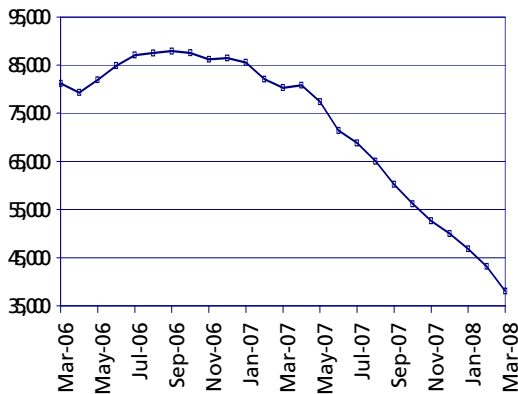
	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
nsa	1,764	1,697	2,272	2,668	2,748	1,626
% change yoy, nsa	32.9%	45.4%	97.4%	65.5%	55.8%	-4.2%

Following three straight quarters of rapid expansion, the level of new non-residential floor space granted planning dropped off significantly at the end of last year. 1.6 million square metres of new non-residential space were granted planning in Q4 of 2007, 4.2% below the figure from the same period in 2006.

In previous issues of the *Construction Indicators* we had noted the rapid expansion in agricultural building, (which accounted for almost half of all planned non-residential construction in Q3 2007), which we attributed to the influence of various EU Directives and other compliance factors. The Q4 data would seem to suggest that this regulatory effect has now worked its way out of the system, with planned agricultural space granted permission falling by 29% on the same period in 2006. At the same time, the volume of planned new commercial (+8%), industrial (+39.5%) and public (+24%) space, was up strongly on Q4 of 2006. With the total planned floor area for new non-residential buildings up by almost 50% for the full year 2007 compared with 2006, this should support non-residential building activity this year and beyond.

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Figure 10: Registrations
(12-month running total)



Source: Homebond, Premier Guarantee, DKM estimate

Trend in registrations has serious downside implications for future housing supply

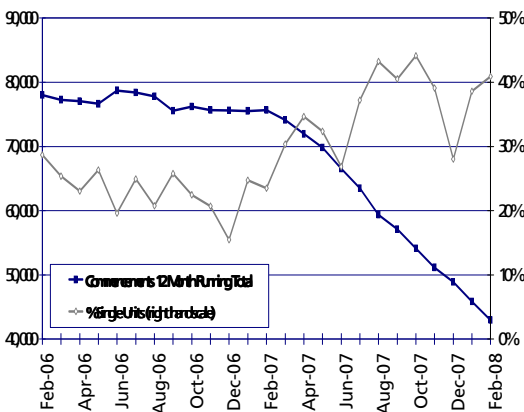
	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
12-mrt	56,205	52,667	50,011	46,855	43,176	38,064
% chg mom	-6.7%	-6.3%	-5.0%	-6.3%	-7.9%	-11.8%
% chg yoy	-35.8%	-38.9%	-42.2%	-45.2%	-47.4%	-52.6%

Registrations (unadjusted) for the month of March 2008, compared with the same month last year, were down 74.5% and by 67% in Q1 2008 on the same period in 2007. Looking at the twelve month running total, and taking our adjusted figures (*), suggests that registrations (at 38,064) have fallen by 52.6% on the twelve months position in March 2007. These figures exclude public sector activity, which delivered 6,671 newbuild units last year.

As a leading indicator of completions, these figures imply a substantial reduction in the level of new supply over the next twelve months.

* Our adjusted figure for total housing registrations is derived by adding an estimate for one-off houses, based on the proportion of one-offs in the planning permissions data, to the registrations figure based on Homebond and Premier Guarantee data, assuming a six month lag between permissions and registrations.

Figure 11: Total residential commencements
(12-month running total)



Source: DEHLG

Similar downward trends evident in the commencements data

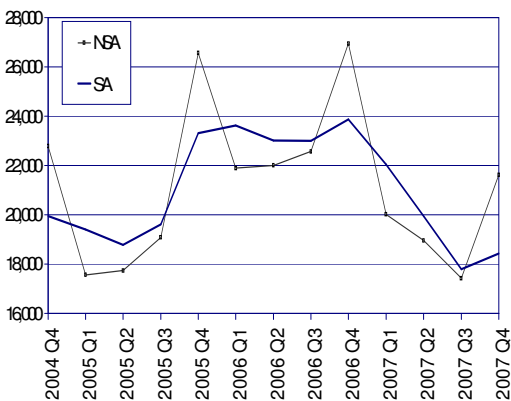
	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08
12 mrt	57,106	54,106	51,118	48,912	45,739	42,930
% chg yoy	-24.4%	-29.0%	-32.4%	-35.4%	-39.3%	-43.3%
% single units	40.5%	44.1%	39.1%	28.0%	38.6%	40.9%
GDA 12 mrt	16,302	15,510	14,517	14,560	13,791	12,529
GDA as % of total	28.5%	28.7%	28.4%	29.8%	30.1%	29.2%

Total commencements in the first two months of 2008 were down by 21.5%. The annual rate of decline has been around 50% since October 2007. Looking at the 12-month running total, commencements totalled 42,930 in February, 43.3% below the corresponding figure in February 2007. The 12-month total figures are surprisingly close to the 12-month registrations figures, if a one month lag is assumed. We expect this downward trend to continue over the coming months as the registrations continue to edge downwards.

It is interesting that the proportion of single units has been around 40% since July 2007 (apart from in December) compared with an average of 29% in the first six months of 2007. One-third of the total single units in the first two months of 2008 (2,182) were commenced in Cork (269), Galway (187), Mayo (151) and Kerry (118).

Note: There remains some concern that commencements data may not be reliable due to differences in the interpretation of units commenced by some local authorities.

Figure 12: Total dwellings completed
(Number, quarterly)



Source: DEHLG, based on ESB residential connections

Completions in 2007 down almost 12% on the 2006 peak

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
Completions, nsa	22,571	26,949	20,018	18,960	17,427	21,622
% change qoq, sa	0.0%	3.7%	-7.7%	-9.5%	-10.8%	+3.6%
% change yoy, nsa	17.3%	2.4%	-6.7%	-13.3%	-22.6%	-19.8%

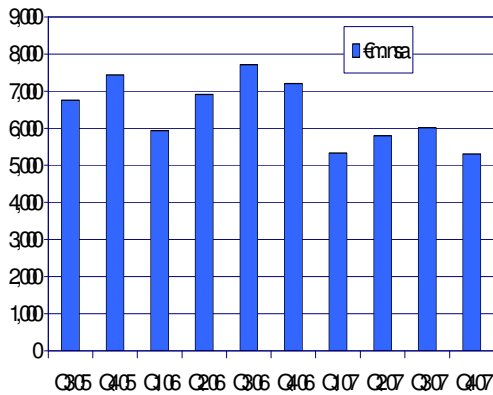
Total completions for 2007 came in at 78,027, down 11.6% on the peak in 2006 (88,219)¹. The total number completed in Q4 was up by 3.6% (sa) after declining in the preceding three quarters. With Q4 typically being the highest quarter in the year, 2007 was no exception with almost 22,000 units completed in Q4 2007. This figure reflects a strong contribution for the public sector (2,468 units) and the highest quarterly private sector figure in the year (19,154). Overall the public sector delivered 6,671 units, a substantial increase on the 2006 outturn (+28%).

Looking at 2008, total completions in Q1 were down 30% (to 14,010) on the same quarter in 2007, the lowest quarter since Q1'03. Based on the weakening trend in registrations and adding on approximately 6,000 public sector completions, our forecast for completions in 2008 is around 43,000. This requires completions to fall by 50% in the remaining nine months of 2008.

¹This figure differs from those published by the DEHLG as we have adjusted for units connected in 2006 that were actually built in 2005.

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Figure 13: Value of housing loans paid out (€m quarterly)



Source: Irish Bankers Federation

Residential mortgage lending growth in March at half its level one year earlier

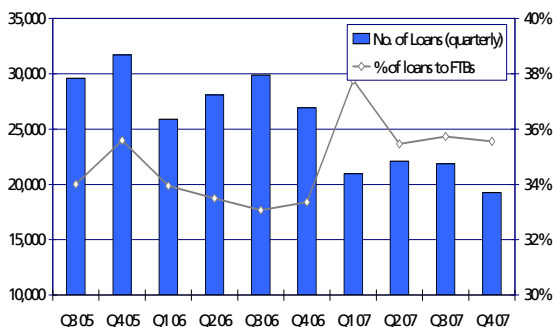
	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
€m. nsa	7,714	7,202	5,332	5,798	6,011	5,308
% change qoq, nsa	11.6%	-6.6%	-26.0%	8.7%	3.7%	-11.7%
% change yoy, nsa	14.2%	-3.1%	-10.2%	-16.2%	-22.1%	-26.3%
Ave loan value, nsa €'000s	258.1	267.4	254.3	262.5	274.8	275.5

Data from the Irish Bankers Federation (IBF) show that the value of mortgage lending in Q4 of last year fell by 11.7% on the previous quarter, and by 26.3% on the same period in 2006. For the year 2007 as a whole, the total value of mortgage lending (excluding re-mortgages and top-up mortgages) stood at €22.5 billion, according to IBF data. This represents a fall of 19.2% (roughly one fifth) on the 2006 total.

Average loan value in Q4 2007 was €275,500. This represents a surprising 94% of the average national new house price in Q4 2007 (€291,826), using ptsb/ESRI data.

The Central Bank reported the growth in residential mortgage lending at 11.6% year-on-year in March 2008, over half the corresponding growth rate one year earlier and the lowest rate of increase since May 1992.

Figure 14: Total number of housing loans paid out (Number, quarterly)



Source: Irish Bankers Federation

...while the number of loans fell by almost a quarter last year

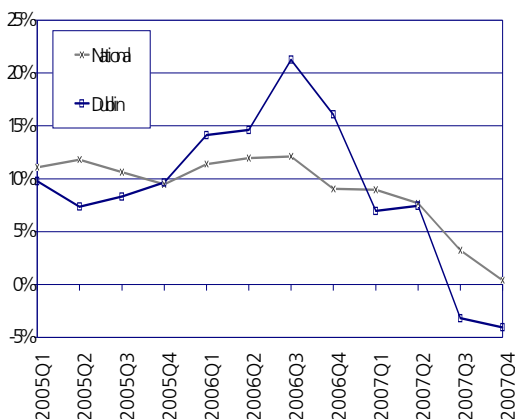
	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
nsa	29,884	26,930	20,966	22,086	21,878	19,264
% chg qoq, nsa	6.4%	-9.9%	-22.1%	5.3%	-0.9%	-11.9%
% chg yoy, nsa	1.0%	-15.0%	-19.0%	-21.4%	-26.8%	-28.5%

The number of housing loans issued in Q4 of last year, at 19,264, was down 11.9% on the previous quarter and 28.5% on the same period in 2006. Taking the total annual figure for 2007, mortgage market activity was 24% lower than in 2006 (IBF data excluding re-mortgage and top-up loans).

Looking at the breakdown of loans in Q4 2007 to the different categories of purchasers, it is clear that the current housing market slowdown has impacted on all sectors of the housing market. Loans to first time buyers were down 23.8% on the same quarter in 2006, while loans to investors fell by 28.4% and to mover purchasers by 32.3%.

Recent hikes in mortgage rates by some lending institutions combined with a generally tighter lending market and the global credit crunch can be expected to result in less mortgages being paid out over the coming months.

Figure 15: New house prices (% change, yoy)



Source : DEHLG.

Average new house prices nationally up 5.6% in 2007, using DEHLG data

	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
National (€) nsa	313,087	320,969	331,947	319,214	314,123
% change qoq, nsa	1.3%	2.5%	3.4%	-3.8%	-1.5%
% change yoy, nsa	9.0%	9.0%	7.7%	3.2%	0.4%
Dublin (€) nsa	419,330	417,800	426,900	412,324	402,346
% change qoq, nsa	-1.5%	-0.4%	2.2%	-3.4%	-2.4%
% change yoy, nsa	16.1%	7.0%	7.4%	-3.2%	-4.1%

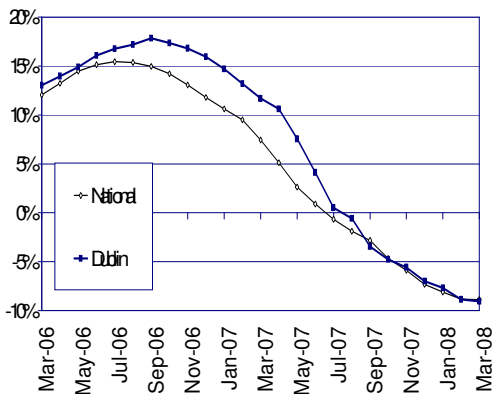
Loan approval data returned by mortgage lending institutions to the DEHLG indicated that average new house prices nationally were up 0.4% year-on-year in Q4 2007 but declined by 4.1% in Dublin. Taking the four quarters of 2007, the annual average increase in new house prices was 5.6% nationally and 2.5% in Dublin.

The chart visibly illustrates the sharp deceleration in house prices nationally since Q3 2006 with an even greater deceleration in Dublin over the same period, with the annual change moving into negative territory in Q3 2007.

If trends in the ptsb/ESRI house price index for Q1 are to be replicated in the DEHLG index, further declines can be expected over the coming months.

Construction indicators

Figure 16: House prices
(% change, yoy)



Source : permanent-tsb/ESRI

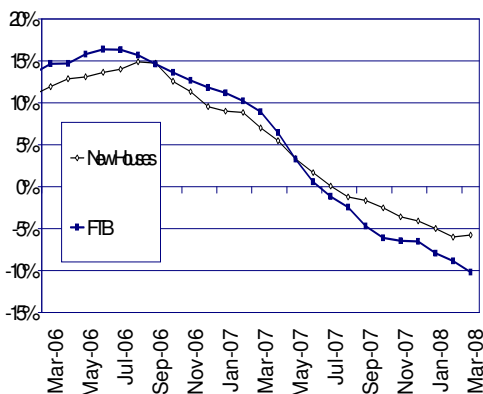
House prices around 9% off their peak levels over one year ago

	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
National index nsa	132.5	131.0	129.1	128.2	127.2	126.3
% chg mom, nsa	-1.3%	-1.1%	-1.5%	-0.7%	-0.8%	-0.7%
% chg yoy, nsa	-4.7%	-5.9%	-7.3%	-8.1%	-8.8%	-8.9%
Dublin Index nsa	133.9	133.8	131.9	131.1	129.7	129.5
% chg mom, nsa	-0.4%	-0.1%	-1.4%	-0.6%	-1.1%	-0.2%
% chg yoy, nsa	-4.8%	-5.6%	-7.0%	-7.7%	-8.9%	-9.1%

National house prices have now been in decline for 13 months, according to the ptsb/ESRI house price index, losing 9.5% of their value since they peaked in February 2007. In the year to date prices nationally are down by 8.9%. The magnitude of the decline has been mirrored across the country, with prices in Dublin down by 9.1% in the past 12 months.

Average house prices in March stood at €281,643 nationally and €390,274 in Dublin. With anecdotal evidence suggesting that reductions of up to 20% are required in order to entice buyers back into the market, further price reduction are likely by the end of the year. As those price reductions are worked through, there is likely to be good value in the market for potential housebuyers currently living in rented accommodation.

Figure 17: House prices
(% change, yoy)



Source : permanent-tsb/ESRI

FTB house prices decline by 10% in last twelve months

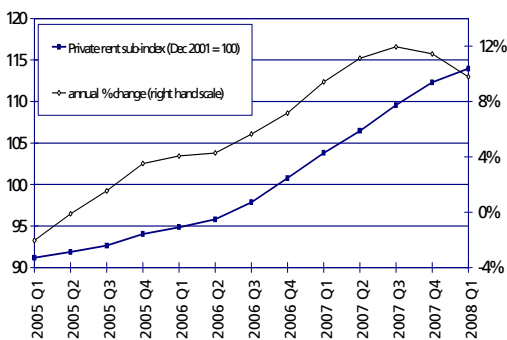
	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
New index nsa	135.2	134.3	134	133.4	132.9	132.3
% chg mom, nsa	-1.3%	-0.7%	-0.2%	-0.4%	-0.4%	-0.5%
% chg yoy, nsa	-2.5%	-3.6%	-4.1%	-5.0%	-6.0%	-5.8%
FTB Index nsa	132.2	132.1	131.7	129.9	128.6	126.9
% chg mom, nsa	-1.0%	-0.1%	-0.3%	-1.4%	-1.0%	-1.3%
% chg yoy, nsa	-6.1%	-6.4%	-6.5%	-7.9%	-8.9%	-10.2%

The latest permanent-tsb/esri data shows average new house prices in March 2008 declined by 5.8% over the past twelve months and were 6.4% below their peak in February 2007.

The decline in FTB house prices has been far greater with average FTB prices down by 10.2% in the year to March 2008. This decline is equivalent to a reduction of €28,500 in the average price. However anecdotal information would suggest that FTB prices are declining by substantially more in absolute terms, which implies that further reductions in the reported price data are likely over the coming months.

While affordability continues to improve with these price reductions, there is concern in some quarters that financial institutions may not pass on the benefits of reductions in ECB rates expected later in the year, due to the global liquidity crisis.

Figure 18: CPI private housing rents sub-index
(December 2001=100)



Source : CSO.

Rental growth moderating but remains at a high level

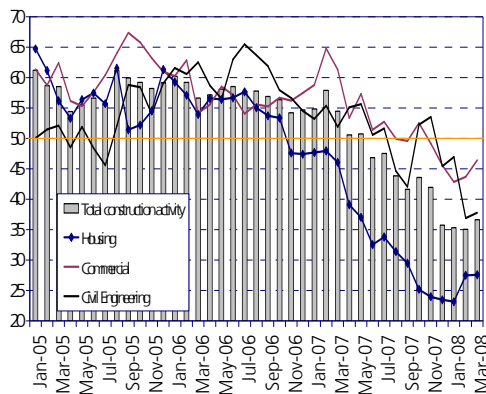
	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08
CPI Rents Index	100.8	103.8	106.5	109.6	112.3	114.0
% change, qoq	3.0%	3.0%	2.6%	2.9%	2.5%	1.5%
% change, yoy	7.2%	9.4%	11.1%	12.0%	11.4%	9.8%

The rate of inflation in the CSO's Private Rents sub-index moderated in the first quarter of 2008, to 9.8%, from 11.4% in Q4 '07. Nevertheless this continues to represent strong growth in private rents and reflects a strong demand for accommodation.

The outlook for the rented sector might be seen as follows. Investors may withdraw from the market, due to declining prices, keeping upward pressure on rents. Some increase in the supply of rental properties for sale would depress house prices further, thus leading to greater value for potential homebuyers. However, anecdotally rents have begun to fall in some areas as reported by Daft.ie, a trend which has not yet been reflected in the CSO data. Lower rents combined with the absence of capital gains for investors would lead to an even greater supply of properties for sale, with positive impact on house prices for potential first time buyers. The pent-up demand for owner occupied housing which was not accommodated during the boom years could then be capable of being accommodated as lower prices bringing more people into the market.

Construction indicators

Figure 19: Construction Purchasing Managers' Index (PMI) (monthly, sa)



Source: Ulster Bank

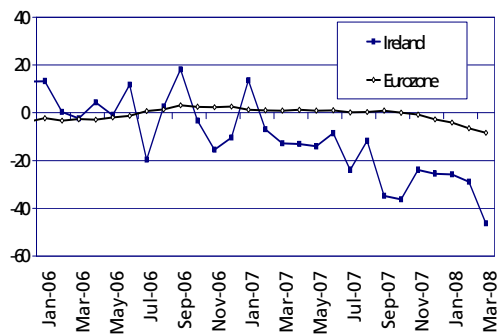
PMI shows a marginal pick up in March but all segments of the industry remain in negative territory

	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
Total construction	42.0	35.7	35.3	35.0	36.6
Housing	24.0	23.5	23.1	27.5	27.6
Commercial	49.2	45.6	42.8	43.7	46.4
Civil engineering	53.5	45.4	47.0	36.9	37.8

Although construction activity was reported at its highest level in March for four months, according to the Ulster Bank PMI*, it still remains substantially below the average reading for 2007 (47.5). The reading has been below 50 since June 2007, indicating a decrease in overall activity over the past ten months. Not surprisingly, the sharpest decline has been recorded in the housing component. The trends in commercial and civil engineering activity move remarkably closely together; although activity levels in both segments have been in negative territory since the second half of 2007.

*The Ulster Bank PMI is a seasonally adjusted monthly index designed to measure the overall performance of the construction economy by tracking output, new orders, employment and prices. A reading above 50 indicates an increase in activity; a reading below fifty indicates a contraction in activity.

Figure 20: Construction confidence



Source: Eurostat

Construction confidence in Ireland tumbles..

	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
Ireland (sa)	-36.3	-23.9	-25.5	-26	-28.9	-46.3
Eurozone (sa)	0	-1	-3	-4	-7	-8

Unsurprisingly, construction confidence* in Ireland, using the Eurostat measure, descended further into negative territory in the early months of this year, reaching new lows in March, according to the Eurostat survey. The Eurozone measure of construction confidence also continued its decline into negative territory, although at a much gentler pace than in Ireland.

Looking at the components of the construction confidence index, the most negative movement was on the measure of price expectations, reflecting negative expectations about house prices in 2008.

*This confidence indicator is a composite index based on firms' order books and employment expectations. Given the high degree of variability, caution is needed in interpreting the results.

Construction indicators

Indicator	Frequency	Source	Unit	Seasonally adjusted	
				Yes/No	By
1 Estimates of fixed investment in B&C	Quarterly	CSO	€m	Yes	CSO
2 QNHS construction employment	Quarterly	CSO	Number	Yes	CSO
3 Construction employment index	Monthly	CSO	Index	Yes	DKM
4 Average weekly earnings in construction	Quarterly	CSO	€	Yes	DKM ¹
5 Wholesale price index for B&C materials	Monthly	CSO	Index	No	DKM ²
6 Capital goods price index for B&C	Monthly	CSO	Index	No	DKM ²
7 SCS construction cost index	Monthly	SCS	Index	No	
8 Bruce Shaw tender price index	Annual	BS	Index	No	
9 Bruce Shaw construction cost index	Annual	BS	Index	No	
10 Planning permissions	Quarterly	CSO	Number	No	(3)
11 Floor area for non-residential new construction	Quarterly	CSO	Sq.mtrs.	No	(3)
12 Total registrations (incl. est. for one-offs)	Monthly	DKM est.	Number	No	(3)
13 Dwelling completions	Quarterly	DEHLG	Number	No	DKM
14 Total value of housing loans paid out	Quarterly	DEHLG/IBF	€m	Yes	DKM
15 Total number of housing loans paid out	Quarterly	DEHLG/IBF	Number	Yes	DKM
16 Average loan value (based on drawdowns)	Quarterly	DEHLG/IBF	€000	Yes	DKM
17 National average new house prices	Quarterly	DEHLG	€000	Yes	DKM
18 Dublin average new house prices	Quarterly	DEHLG	€000	Yes	DKM
19 Permanent TSB national house price index	Monthly	ptsb/ESRI	Index	No	(3)
20 Permanent TSB Dublin house price index	Monthly	ptsb/ESRI	Index	No	(3)
21 Permanent TSB new house price index	Monthly	ptsb/ESRI	Index	No	(3)
22 Permanent TSB FTB house price index	Monthly	ptsb/ESRI	Index	No	(3)
23 CPI private housing rents sub-index,	Quarterly	CSO	Index	No	(3)
24 Ulster Bank purchasing managers' index (PMI)	Monthly	Ulster Bank	Index	Yes	NTC Econ.
25 EU construction confidence index	Monthly	Eurostat	Index	Yes	Eurostat
26 Construction confidence index for Ireland	Monthly	Eurostat	Index	Yes	Eurostat

1) Seasonally adjusted average weekly average earnings calculated using average earnings per hour (sa) and average hours worked (sa).

2) Seasonal pattern rejected because of problem with the reliability of the data.

3) Unadjusted data only presented and denoted nsa (not seasonally adjusted).