



Construction industry indicators

Issue 12

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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. This is number twelve 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. A short overall summary is also given.

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 new *CSO Quarterly Survey of Construction Output* were published in month (August)¹. Work is currently underway in the Housing Section of the DEHLG on the development of improved house price data. In due course this data will be included in this report.

The indicators presented relate to the following:

- Gross fixed capital formation
- Construction employment
- Construction earnings
- Wholesale prices for construction materials
- Construction cost and tender price inflation
- Planning permissions for residential and non-residential development
- Registrations, a proxy for housing starts
- Commencement notices
- Dwellings completed
- Housing loans (value and number)
- House prices
- Private housing rents
- 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, permanent-tsb 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.

1. 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/>

Housing faces difficult year: some compensation in other sectors

The construction sector has been receiving a lot of attention over recent months. This has to do with the significance of the residential construction sector for overall economic activity. It is now very clear that the housing market has slowed sharply from the peak in activity levels in 2006. Looking at the various indicators that are available, we know that mortgage lending, house prices, housing registrations and completions have all recorded volume declines since 2006 when the industry built a record level of over 88,000 units and mortgage lending reached almost €40 billion.

Residential construction plays an important role in the determination of economic growth. New residential construction accounts for around 40% of total investment in the economy which is captured in the gross fixed capital formation (GFCF) figure in the National Accounts. We know from the most recent data that the volume of GFCF fell by 5.5% in Q3 2007 compared with the same period in 2006. The volume of residential investment (new plus R&M) declined by 13% over the same period, while construction activity overall declined by 4.4%, due to a strong performance from the non-residential construction sector. We don't have full outturn yet for 2007 but based on information available we expect the volume of investment in construction in 2007 to decline by a modest 1.5% compared with growth of 3.7% in 2006.

It is no surprise, therefore, that construction employment declined (sa) – for the second quarter in a row – for the first time in five years. The annual growth rate in Q3 2007 (1.8%) also fell below the total employment growth rate (3.3%) across the economy for the first time in five years. Average earnings, however, increased strongly in Q3 (+6.9% yoy) which is at odds with the employment trends.

In terms of the future prospects for residential construction this year, much of the focus again has been on what the likely level of completed units will be this year. There are various forecasts: based on a review of eleven forecasts which we have assembled, they range from around 60,000 to 40,000, the most recent projection from IIB (early February). Indeed four of the forecasts (from Sept/Oct/Nov/Jan) suggest around 60,000 completions this year while the average of the eleven figures is 51,600. Based on this average, completions would fall by around 36,600 or by 41.5% on their peak level in 2006 or by 34% on the 2007 outturn. This would reduce GNP growth by 3.2% in 2008 given that every 10% decline in new residential construction reduces GNP output growth by around 1% – after allowing for the effect on imports but assuming no change in the other components of GNP.

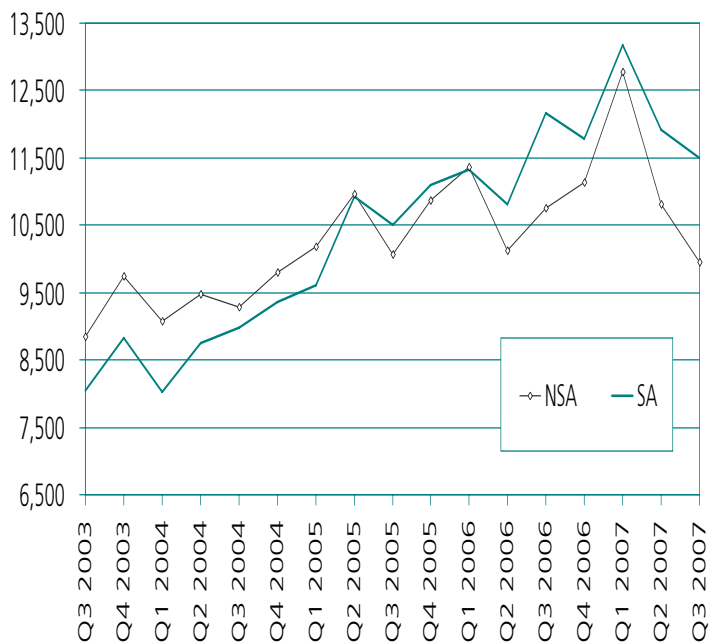
Much will depend on confidence amongst the housebuilding fraternity. If builders build what they have registered to build we would expect completions this year of around 50,000 compared with the baseline forecast of 60,000 in the *Annual Construction Review and Outlook* published last September.

In terms of other housing indicators, average house prices were 6% off their January peak in November 2007 (as per the permanent-tsb price index), while the number of mortgages to first-time-buyers and existing owners declined by 22% to 49,000 in the first nine months of 2007 compared with the same period in 2006. The one positive trend is in the planning permissions data where the running twelve month total for the number of residential units granted planning permission recovered for the second quarter in a row in Q3 2007 and was up by 8% to almost 83,000. This may suggest that housebuilding activity levels will recover in 2009 to more sustainable levels.

Looking at the rest of the industry, the non-residential sector continues to perform strongly, reflecting buoyant levels of commercial building activity and healthy public capital commitments with respect to public sector infrastructure projects. There has been a sharp upturn in agricultural buildings which accounted for almost half (48%) of all planned non-residential construction in Q3 2007. The pipeline for commercial building activity is strong, provided the slower economic and employment growth this year does not damage sentiment.

However confidence in the sector has been damaged by the negative developments in the housing market over the past twelve months. The most recent Ulster Bank Construction PMI index provides evidence on this, with the index in December 2007 recording its lowest reading since the series began in June 2000. The substantial decline recorded in activity by the PMI was attributed by firms to the conclusion of existing projects and a lack of new work to replace them. In order to ensure the index falls no further, it will be essential that the public sector capital commitments are honoured and that all projects, both in the private and public sector, are brought to the construction stage as quickly as possible.

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



Source: CSO; National Accounts

Total investment fell sharply in Q3 of last year as the residential sector continued to weaken

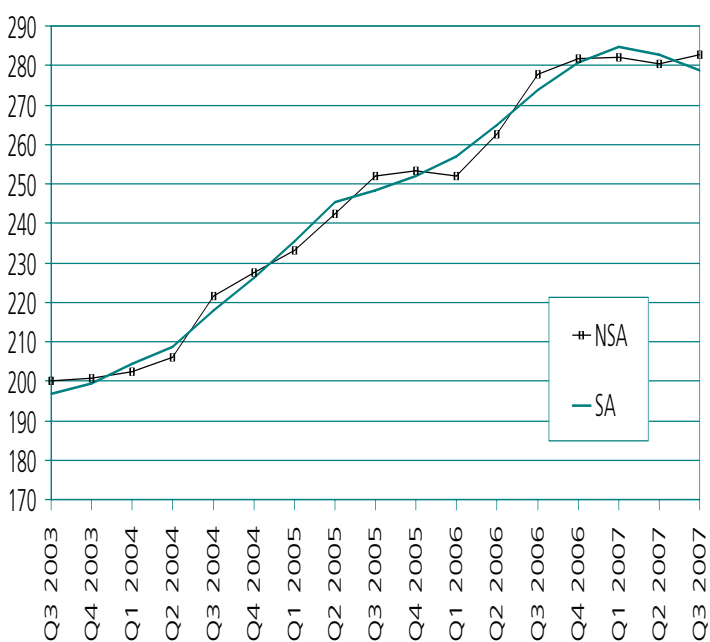
	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
nsa (€m)	10,129	10,752	11,126	12,773	10,804	9,946
sa (€m)	10,807	12,169	11,785	13,178	11,919	11,501
% change (qoq, sa)	-4.5%	12.6%	-3.2%	11.8%	-9.6%	-3.5%
% change (yoy, sa)	-1.1%	15.9%	6.3%	16.4%	10.3%	-5.5%

CSO Quarterly National Accounts for Q3 2007 show total investment in the economy (measured by gross fixed capital formation, GFCF) fell by 5.5% (sa) on the same period in 2006.

Total residential investment was down 13% (yoy, nsa) in Q3 despite a strong performance in home improvements (+23.2%, yoy nsa). This fall off in residential construction was offset to some extent by another big increase in non-residential construction activity, which grew by 19.5% (yoy, nsa). Overall, however, total investment in the construction sector was 4.4% lower (nsa) in Q3 2007 than a year previously.

The weakness in the construction sector was compounded in Q3 of last year by a fall off in the level of investment by firms in new machinery and equipment. This category fell 12% (yoy, nsa), having previously recorded large increases during the first half of 2007. Lower investment by firms towards the end of last year more than likely reflects the emergence of a weaker economic outlook for 2008.

Figure 2: Construction employment
(000s, sa)



Source: CSO; QNHS

Negative growth in construction employment for second quarter in a row

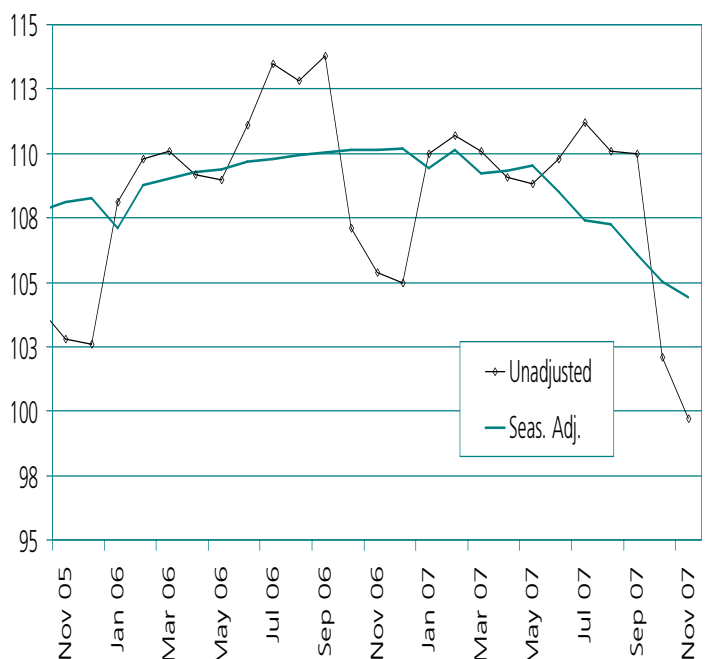
	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
(000s) sa	265.0	273.8	280.6	284.8	282.6	278.7
% change qoq, sa	3.2%	3.3%	2.5%	1.5%	-0.8%	-1.4%
% change yoy, sa	7.9%	10.3%	11.4%	10.9%	6.6%	1.8%

Construction employment fell for the second quarter in a row in Q3 2007, with qoq growth of -1.4% (sa) following a fall of 0.8% in Q2 – the first time in five years (since Q2 2002) that the quarterly growth in construction employment has turned negative. In terms of annual growth, the rate of increase moderated to just 1.8% in Q3 2007, having consistently recorded double-digit growth for much of the previous two and a half years.

Also for the first time in five years, the annual rate of growth in construction employment (+1.8%) has now dropped below the rate of total employment growth in the economy (+3.3%). The QNHS report notes that this modest annual increase in construction employment was entirely attributable to the self-employed (+5,700), while the number of employees in the construction sector actually declined by 1,000 persons in the year to Q3 2007. Almost 55% of the annual increase in total employment in the economy was attributable to a growth in part-time employment, although this increase was primarily concentrated in sectors other than construction.

The continued growth in construction employment in yoy terms is surprising given the decline in new residential construction in the second half of 2007. It may suggest that either firms are postponing the laying off of workers or are turning to the non-residential construction sector. We would expect, however, the numbers employed to continue to decline in Q4 2007.

Figure 3: Construction employment index
(2000=100)



Source: CSO

Construction firms with five or more employees continue to shed workers

	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07
nsa	109.8	111.2	110.1	110.0	102.1	99.7
sa	108.5	107.4	107.3	106.1	105.0	104.4
% change (mom, sa)	-0.9%	-1.0%	-0.1%	-1.1%	-1.0%	-0.6%
% change (yoy, sa)	-1.1%	-2.2%	-2.4%	-3.6%	-4.7%	-5.2%

Construction employment in firms with five or more employees continued to fall through the latter months of last year. By November 2007, employment in this category had fallen 5.2% on a year previously, following six consecutive months of negative month-on-month growth.

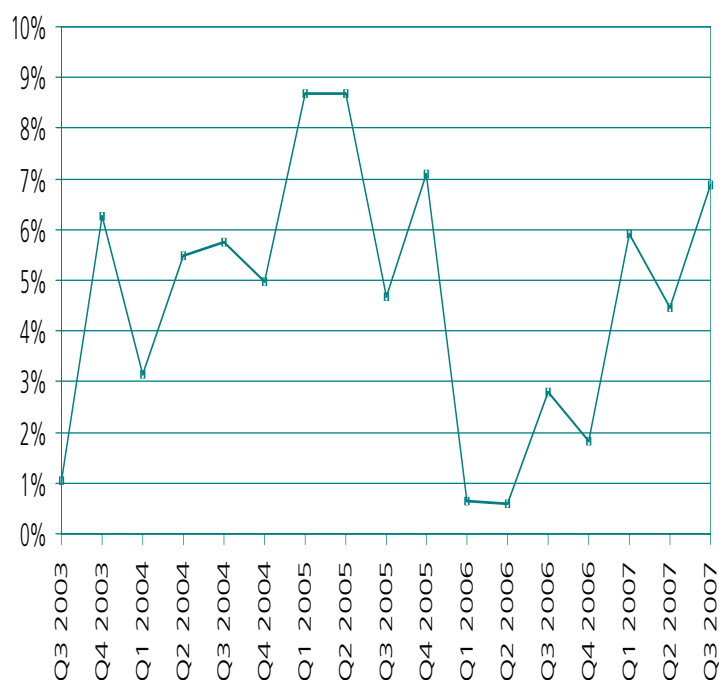
This negative job growth has yet to show up in the QNHS figures. This may suggest that layoffs are taking place in firms with five or more persons, while smaller firms (with four or less employees) and the self-employed are more likely to be able to switch to the repair and maintenance sector. Alternatively, it may be that the effects of the decline in new housebuilding on employment in smaller firms have yet to come through in the QNHS figures, which are not yet available for Q4 2007.

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 five year 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.

Construction indicators

Figure 4: Average weekly earnings in construction
(% change yoy, sa)



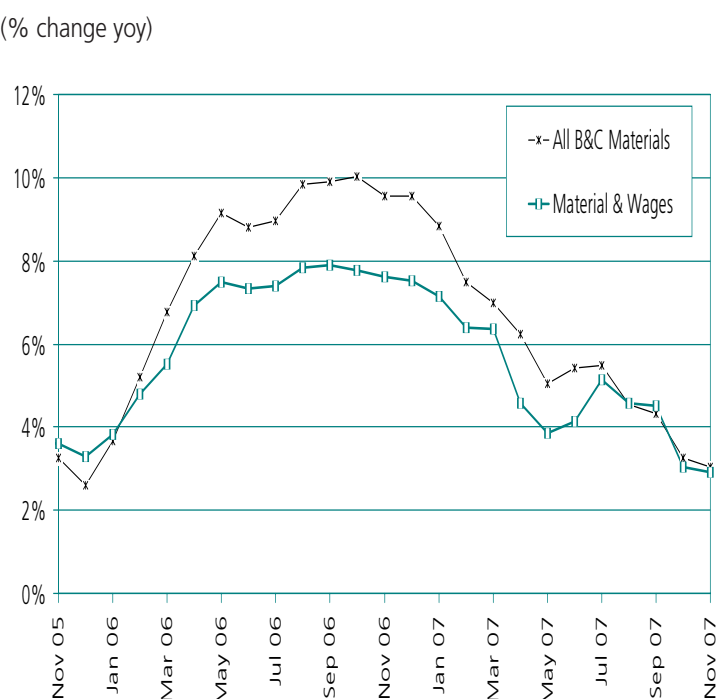
Source: CSO

Continued wage inflation in Q3 defies the housing market slowdown

	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
sa (€)	759.8	769.9	800.3	780.1	793.7	822.9
% change qoq, sa	3.2%	1.3%	4.0%	-2.5%	1.7%	3.7%
% change yoy, sa	0.6%	2.8%	1.8%	5.9%	4.5%	6.9%

The average construction worker worked longer hours and earned significantly more in Q3 2007 than in the same period one year previously. Average weekly earnings continued to surge ahead in Q3 of last year, with seasonally adjusted figures showing a 3.7% increase on the previous quarter. The annual rate of increase stopped just short of 7% (+6.9% yoy). Average hours worked also increased in Q3 (+1.1% yoy) to reach 44.5 hours per week. With employment figures in the sector in decline, the continued strength of wage inflation and the recorded increase in average hours worked would appear counter-intuitive. We are aware that the final payment under the current wage agreement, *Towards 2016*, was due on 1st October last year and therefore this would not explain the strong Q3 figure. We suspect that the workers laid off in the industry to date may comprise a high proportion of agency workers which may have boosted the earnings figure in Q3. The only other sector for which Q3 2007 data is available is the distribution and business services sector. Annual growth in average weekly earnings in this sector was 4.2% in Q3 of last year – a strong increase, but still some way behind the figure recorded in the construction sector. Average weekly earnings in construction, at €824.35 in Q3 of last year, were well ahead of both the industrial average (at €627.24, Q2) and the distribution and business services sector (€708.56, Q3). The leading sectors in terms of average weekly earnings remain the banking and insurance (at €886.34, Q2) and public (€926.64, Q2) sectors. The above data for construction workers from the CSO is obtained from firms with 10 or more employees. Although there are increasing numbers of small firms working in the sector, we have no information on the average earnings of their employees.

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



Source: CSO

Annual inflation in Building and Construction Materials drops to just 3%

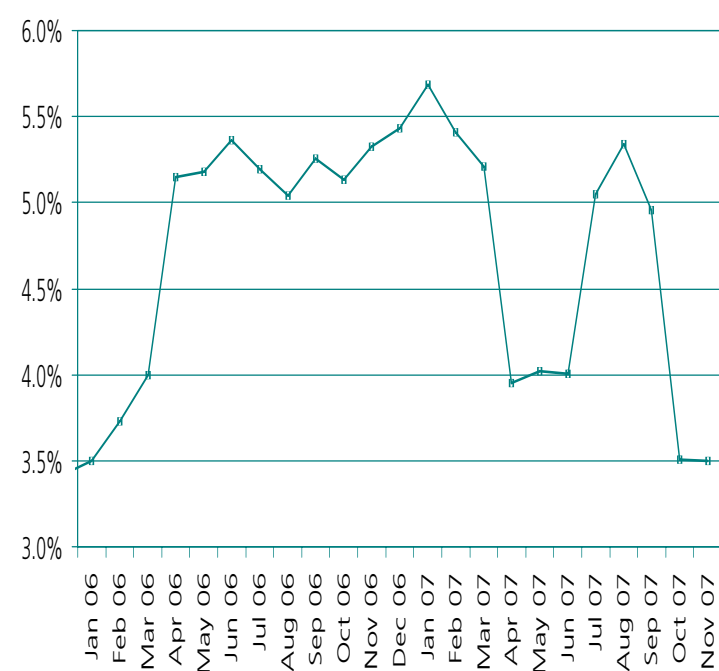
	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07
All B&C materials (nsa)	141.9	142.5	142.4	142.6	142.7	142.8
% change (yoy, nsa)	5.4%	5.5%	4.6%	4.3%	3.3%	3.0%
B&C materials and wages (nsa)	153.7	155.5	155.4	155.6	155.6	155.7
% change (yoy, nsa)	4.1%	5.1%	4.6%	4.5%	3.0%	2.9%

The annual rate of building and construction materials inflation dropped to its lowest level in two years in November (+3.0%), while the Capital Goods index (which covers materials and wages) fell below 3% (+2.9%) for the first time since December 2003. Both of these indices have been on a downward trajectory since the end of 2006, as lower activity in the housing sector has reduced the demand for construction materials, easing wholesale price pressures.

Despite the overall moderation of wholesale prices for construction materials, price inflation remained stubbornly high for certain categories of materials in November 2007. Stone, sand and gravel (+9.0%), cement (+9.6%) and bituminous materials (+8.9%) recorded the highest rates of annual price inflation in this period.

The Capital Goods index (a composite of the hourly wage and materials price index) has generally grown at a slower rate than the materials index, while maintaining a similar trajectory. However, the two series converged in the latter months of 2007 as wage growth remained relatively strong while materials inflation continued to soften.

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



Source: SCS; Bruce Shaw; Davis Langdon PKS

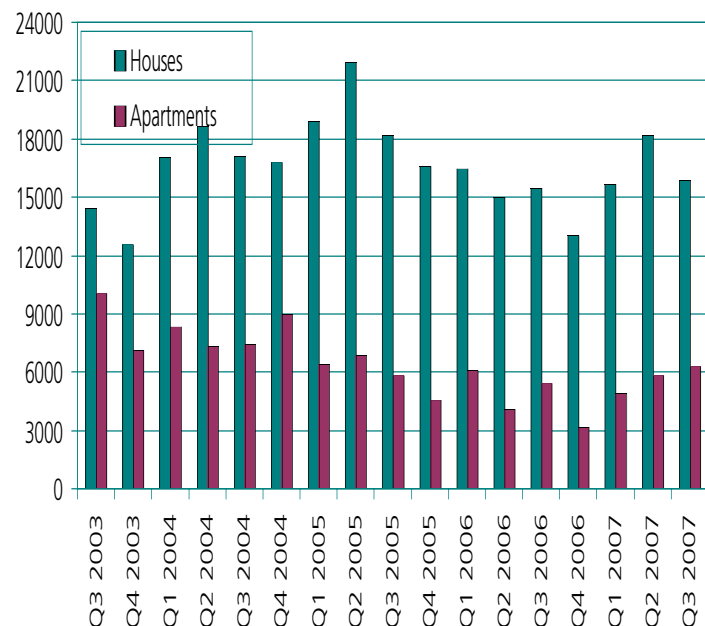
...while the SCS measure of construction cost inflation fell to 3.5% in October

	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07
SCS Construction Cost Index	288.0	291.3	292.1	292.3	292.4	292.8
Cost inflation (yoy)	4.0%	5.0%	5.3%	5.0%	3.5%	3.5%

The latest Society of Chartered Surveyors (SCS) figures have followed the trend observed in the CSO's Wholesale Price Index, with the SCS measure of construction cost inflation falling to 3.5% in October of last year and remaining unchanged in November. These figures would appear to confirm the suggestion that lower levels of construction activity, particularly in new house building, have reduced price pressures in the construction industry.

The SCS tender price index shows a 3.6% yoy increase in the first half of 2007, the latest information available. According to other sources the outturn for tender price inflation in 2007 was much lower than forecast: Bruce Shaw estimate that tender prices were unchanged in 2007 compared with 2006, despite their projection of +3% for last year. Similarly, PKS maintain that tender prices fell by 1% in 2007 compared with their projection also of 3% inflation in 2007. Clearly, the slowdown in housebuilding has resulted in increasing spare capacity within the industry, which has impacted on tender prices. Recent projections from Bruce Shaw and Davis Langdon PKS suggest that tender prices will fall by between 2 and 3% in 2008, indicating that further spare capacity will emerge in the industry this year.

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



Source: CSO

Total residential planning permissions continue to hold up well in Q3

	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
Number of houses						
nsa	15,014	15,486	13,054	15,654	18,201	15,838
% change yoy nsa	-31.6%	-14.9%	-21.4%	-4.9%	21.2%	2.3%
Number of apartments						
nsa	4,083	5,397	3,197	4,884	5,787	6,300
% change yoy nsa	-40.7%	-6.8%	-30.4%	-19.5%	41.7%	16.7%
Total units						
nsa	19,097	20,883	16,251	20,538	23,988	22,138
% change yoy nsa	-33.7%	-12.9%	-23.4%	-8.8%	25.6%	6.0%

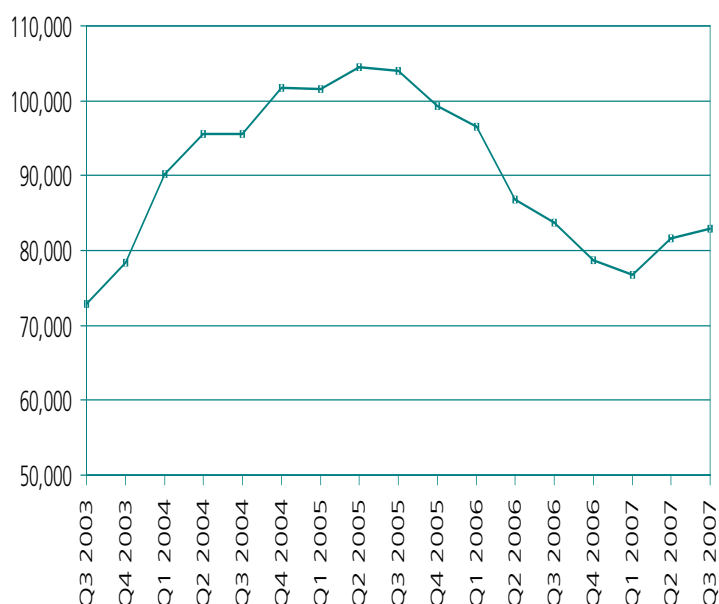
Total residential planning permissions granted in Q3 2007 fell by 4.8% on the previous quarter. However, this still represents an impressive performance, given the spectacular turnaround in planning permissions data in the previous quarter (+25.6% yoy). In fact, yoy growth remained strong in Q3 (at +6.0%), suggesting there remains a strong underlying confidence in the long run health of the housing market here.

Growth in planning permissions granted for apartments (+16.7%) was again stronger than for houses (+2.3%). One-off houses, which accounted for 30.8% of all houses granted planning in Q3 2007, were down (-4.0%) on the same period last year – the 11th quarter in a row to record a negative annual change in the number of one-off houses granted permission.

Looking at the regional breakdown, year-on-year growth in the number of units granted planning was positive in every region, with the strongest figures recorded in the South-East (+78.5%) and the South-West (+65.8%). Dublin recorded the lowest increase at +5.1% on Q3 2006 – further evidence of the underlying confidence amongst housebuilders for the medium term.

Note: All planning permission data reported is unadjusted as time series is too short to rely on the seasonally adjusted pattern.

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



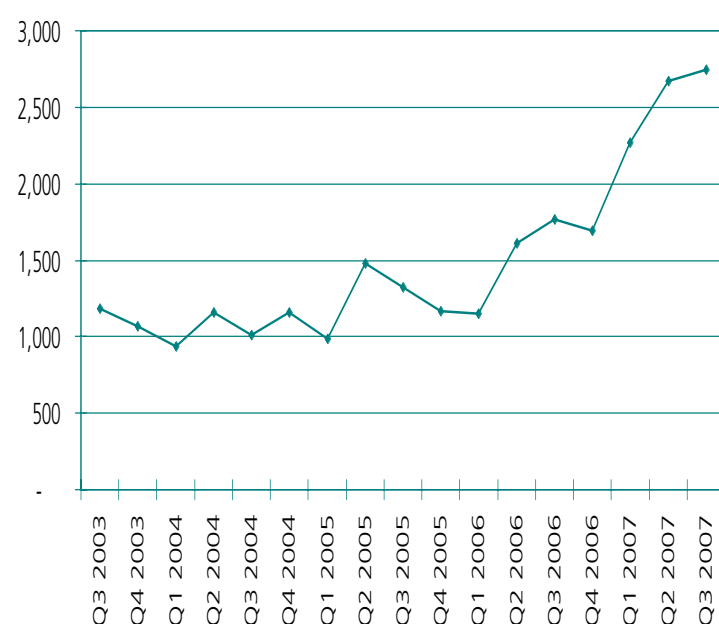
Source: CSO

...as the recovery in the 12-month running total continues

	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
nsa	86,805	83,707	78,755	76,769	81,660	82,915
% change yoy	-16.9%	-19.5%	-20.7%	-20.5%	-5.9%	-0.9%

Having declined consistently since its peak in Q2 2005, the 12-month running total finally reversed the downward trend in Q2 of last year. In the last edition of the *Construction Indicators* we posed the question was this merely an aberration in an otherwise downward trending series, or an indication of a real recovery in future housing supply. The latest data from Q3 2007 – showing a qoq increase of 1.5%, and a yoy decline of just 0.9% – would seem to lend weight to the theory that we could be seeing the first signs of a modest recovery in housing supply over the medium-term.

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



Source: CSO

Non-residential construction set to expand rapidly

	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
nsa	1,612	1,764	1,697	2,272	2,668	2,748
% change yoy, nsa	9.1%	32.9%	45.4%	97.4%	65.5%	55.8%

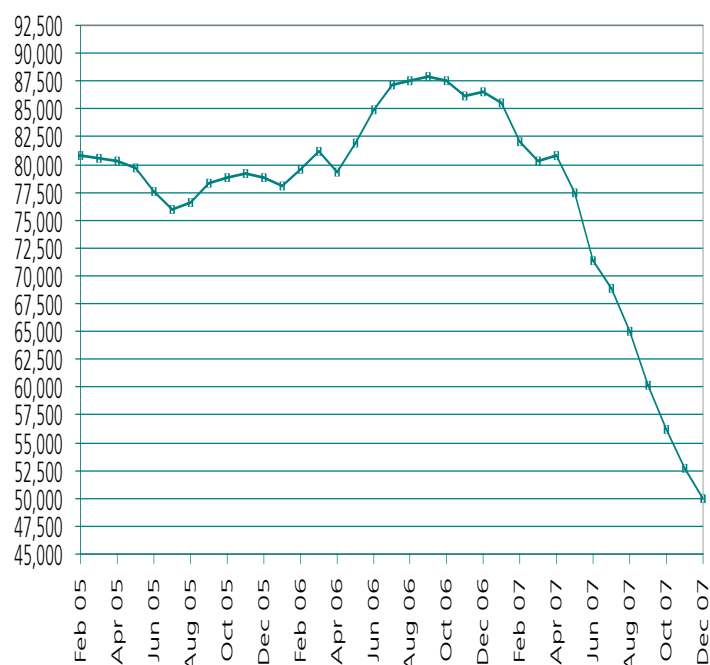
For the third quarter in a row, the total floor area for new non-residential construction granted planning permission was over 50% higher than a year previously. At 2.8 million square metres, the total new non-residential construction granted planning in Q3 2007 was 55.8% higher than in the same period in 2006. These figures represent a clear indication that a significant level of non-residential construction projects remain in the pipeline for 2008 and beyond.

Within the total (including new construction and extensions), agricultural building accounted for almost half (48%) of all planned non-residential construction, while commercial projects made up a further 26%. As stated in previous issues of the *Construction Indicators* report, we believe that the level of planned investment in farm buildings reflects the influence of various EU Directives and other compliance factors, which require farmers to keep their farms in a good environmental and agricultural condition.

Construction indicators

Figure 10: Registrations

(12-month running total)



Source: Homebond; Premier Guarantee; DKM estimate

Total registrations for 2007 down 62% on the 2006 figure

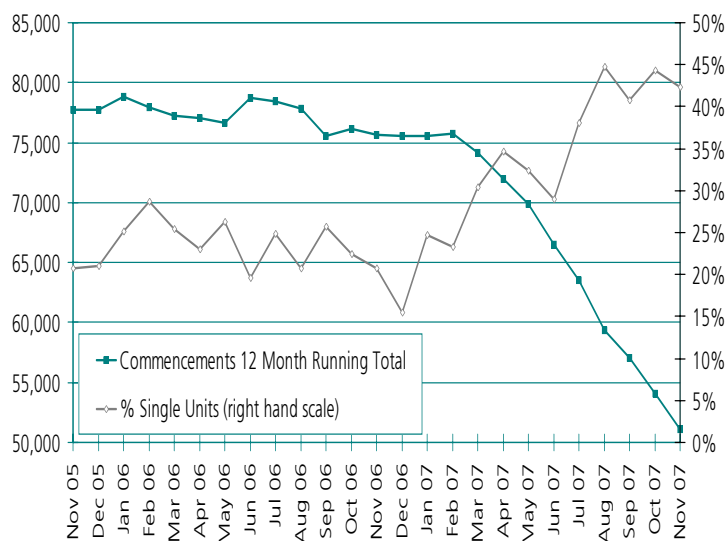
	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07
12-month running total	68,820	65,048	60,224	56,331	52,924	50,336
% change mom	-3.6%	-5.5%	-7.4%	-6.5%	-6.0%	-4.9%
% change yoy	-21.0%	-25.7%	-31.5%	-35.7%	-38.6%	-41.8%

Total registrations (recorded by Homebond and Premier Guarantee) for the year 2007 stood at 37,824, down 62.3% on 2006. This unadjusted figure for registrations does not include one-off houses. Taking our adjusted figures (*) we would estimate total registrations at approx. 50,000 units for the year. Adding on an estimate for public sector (local authority and social) housing, suggests that total completions in 2008 are likely to be around 55,000. However, allowing for some further reduction in registrations in Q1 of 2008, we expect the total number of units built this year to be closer to 50,000.

* 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

Commencement data suggests activity this year likely to be down at least 30% on 2007

	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07
12-month running total	66,540	63,507	59,377	57,106	54,106	51,100
% of single units	29.0%	38.1%	44.7%	40.7%	44.3%	42.4%
Greater Dublin area 12 mrt	20,287	18,917	17,077	16,308	15,516	14,558
GDA as % of national total	30.5%	29.8%	28.8%	28.6%	28.7%	28.5%

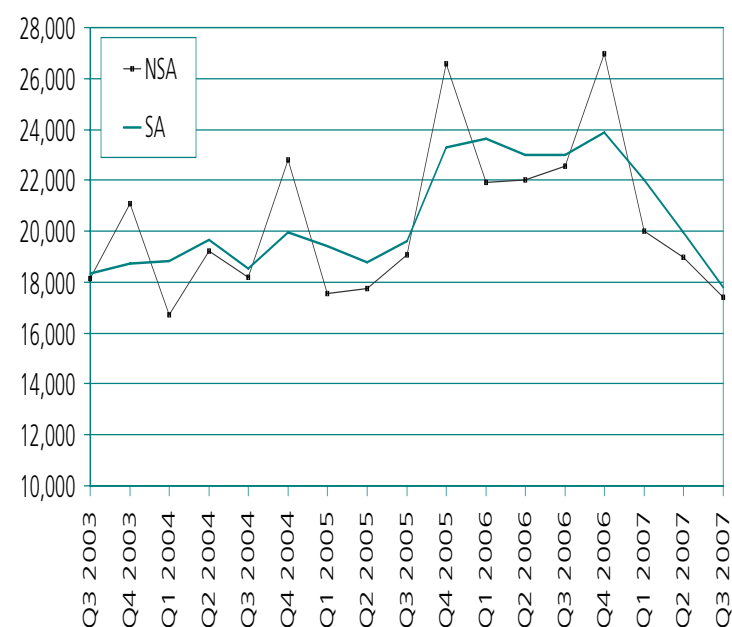
The 12-month running total for commencements has been in freefall since February of last year. The latest figures for November 2007 show the cumulative 12-month total at just 51,100, down 32.5% on November 2006, providing further evidence in support of the expected slowdown in activity this year.

Total commencements in the Greater Dublin Area (GDA) saw an even sharper fall in the latter half of 2007, with the November figures showing a decline of 38% in the seven months from February to November of last year.

However, we would be concerned that the 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 down 22.8% year-on-year in Q3 2007*

	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
Total completions (nsa)	22,005	22,571	26,949	20,018	18,960	17,427
Total completions (nsa)**	18,905	22,571	26,949	20,018	18,960	17,427
% change qoq, sa	-2.6%	0.0%	3.7%	-7.7%	-9.5%	-10.8%
% change yoy, nsa**	22.5%	17.3%	2.4%	-6.7%	-13.8%	-22.8%
Private completions (nsa)	20,647	21,365	25,070	18,866	17,701	15,635
sa	21,204	21,696	22,764	20,057	18,258	16,037
% change qoq, sa	-4.9%	2.3%	4.9%	-11.9%	-9.0%	-12.2%
% change yoy, sa	21.2%	19.0%	4.4%	-10.0%	-13.9%	-26.1%
Public completions (nsa)	1,358	1,206	1,879	1,152	1,259	1,792
sa	1,809	1,311	1,104	1,980	1,686	1,761
% change qoq, sa	36.4%	-27.5%	-15.8%	79.4%	-14.8%	4.5%
% change yoy, sa	40.1%	-4.4%	-26.8%	49.3%	-6.8%	34.3%

* Data is available for ten months of 2007

** adjusted for connections backlog in 2005/06

A sharp fall off in completions emerged in the third quarter of 2007, with yoy growth falling to -22.8% in Q3 following an almost unchanged position, y-o-y in the first half of 2007 (+0.7%)¹. The position after the first ten months of the year is that total completions were 8.7%* lower than in the same period in 2006. We expect to see a continued decline in Q4, which has tended to be the record quarter each year historically. At this stage we expect completions to come in at around 78,000 for the year 2007, down around 11.6% on the peak in 2006 (88,219).

As previously covered under registrations, our forecast for completions in 2008 is 50,000. This represents a downward revision on our previous estimate in the *Annual Review and Outlook* (60,000) and assumes some further reduction in registrations in Q1 2008. Should builders decide in large numbers not to build what they have registered their intention to build this year, this would seriously damage the prospects for economic growth and employment.

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

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



Source: DEHLG, Irish Bankers Federation

Value of housing loans fell by almost a third (yoy) in Q3 of last year

	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
nsa (€m)	6032.4	7083.4	7033.9	4817	5312	5146.9
sa (€m)	5963.1	6526.4	6719.4	5762.6	5254.8	4745.5
% change qoq, sa	-6.7%	9.4%	3.0%	-14.2%	-8.8%	-9.7%
% change yoy, sa	16.8%	18.9%	7.2%	-9.8%	-11.9%	-27.3%
Average loan value, sa (€'000s)	211.0	246.0	242.0	236.7	232.4	230.2

Seasonally adjusted data from the DEHLG (based on returns from mortgage lending institutions) show the total value of loans paid out fell by almost 10% (-9.7% qoq) in Q3 2007. In annual terms, the value of lending was down by 27.3% on Q3 2006. Data from the Irish Bankers Federation (IBF) suggests that the total value of mortgage lending in Q3 2007, excluding re-mortgages and top-up mortgages (at €6,011m), fell to a lesser degree, at -22.1% on Q3 2006.

Average loan value in Q3 2007 was €230,200, according to DEHLG figures. This represents 72.1% of the average national new house price in Q3 2007.

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



Source: DEHLG, Irish Bankers Federation

... with mortgage market activity falling back to more sustainable levels

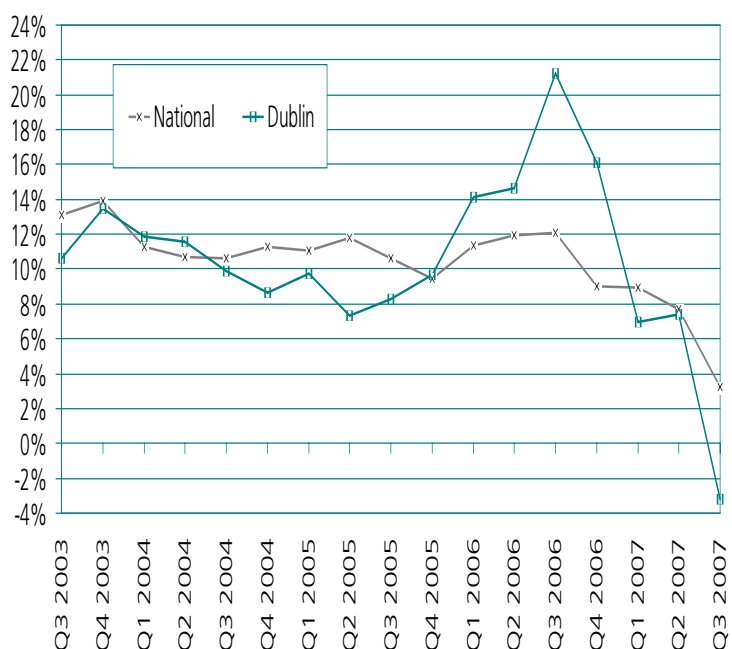
	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
nsa	28,822	28,558	28,046	21,181	23,058	21,318
sa	28,264	26,534	27,766	24,351	22,612	20,615
% change qoq, sa	-6.4%	-6.1%	4.6%	-12.3%	-7.1%	-8.8%
% change yoy, sa	10.5%	-1.4%	-4.5%	-19.3%	-20.0%	-22.3%

According to DEHLG data, a total of 21,318 housing loans were paid in Q3 2007 (sa), 22.3% below the figure one year earlier and 29.3% off the peak number recorded in Q1 2006 (using seasonally adjusted figures).

Data from the Irish Bankers Federation (IBF) show the number of housing loans paid out in Q3 2007 fell significantly on a year previously across all categories of purchasers. Loans to FTBs were down 16.9%, to mover-purchasers by 32% and to investors by 27.6%. The fact that the largest fall in activity was in the mover-purchaser category perhaps reflects the knock-on effect of shaky consumer confidence and the difficulties experienced by existing owners selling their properties.

Mortgage market data on both the number and value of loans issued in Q3 2007 reaffirm the suggestion that housing activity will be down significantly in 2008. It remains to be seen whether or not the greater degree of market certainty following December's budget, combined with falling prices and stable mortgage rates, will be enough to entice buyers back into the market over the course of the year.

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



Source: DEHLG

Annual new house price inflation in Dublin dipped into negative territory in Q3 of last year

	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
National (€) nsa	308,302	309,206	313,087	320,969	331,947	319,214
% change qoq, nsa	4.7%	0.3%	1.3%	2.5%	3.4%	-3.8%
% change yoy, nsa	11.9%	12.1%	9.0%	9.0%	7.7%	3.2%
Dublin (€) nsa	397,337	425,925	419,330	417,800	426,900	412,324
% change qoq, nsa	1.7%	7.2%	-1.5%	-0.4%	2.2%	-3.4%
% change yoy, nsa	14.6%	21.3%	16.1%	7.0%	7.4%	-3.2%

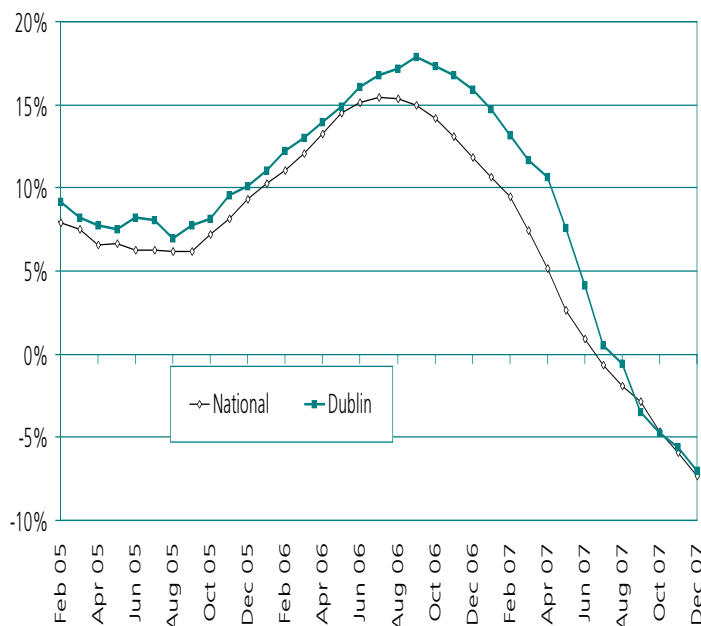
Annual new house price inflation in Dublin took a nosedive in Q3 2007, dipping into negative territory (-3.2% yoy) for the first time since Q1 2002. Nationally, new house prices also fell by 3.8% on the previous quarter, with annual new house price inflation moderating to just 3.2%. These movements were hardly unexpected, with the quarterly data from the DEHLG following the recent negative movements in the monthly permanent-tsb/ESRI house price index.

Nationally, the average price for a new house in Q3 2007 stood at €319,214, while the equivalent figure for Dublin was €412,324. Our previous assertion that house prices most likely peaked in Q2 of last year, seems to have been borne out in the data.

Construction indicators

Figure 16: House prices

(% change, yoy)



Source: permanent-tsb

...while the ptsb/ESRI index shows national prices fell 7.3% in year to December

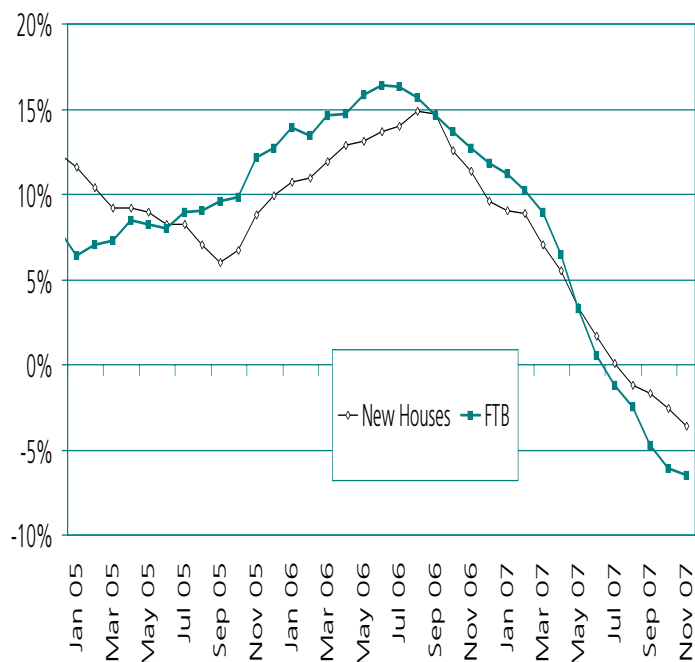
	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07
National index (nsa)	135.1	134.7	134.3	132.5	131.0	129.1
% change (mom, nsa)	-0.4%	-0.3%	-0.3%	-1.3%	-1.1%	-1.5%
% change (yoy, nsa)	-0.7%	-1.9%	-2.8%	-4.7%	-5.9%	-7.3%
Dublin Index (nsa)	136.4	136.2	134.5	133.9	133.8	131.9
% change (mom, nsa)	-1.9%	-0.1%	-1.2%	-0.4%	-0.1%	-1.4%
% change (yoy, nsa)	0.5%	-0.6%	-3.4%	-4.8%	-5.6%	-7.0%

The permanent-tsb/ESRI house price index for December shows that house prices were falling across every category covered in the latter stages of 2007. Nationally, the average price of a house fell by 1.5% in December, leaving the year on year change at -7.3%. In Dublin the fall in average prices was marginally lower at -7.0% yoy.

Average house prices in November were at €287,887 nationally and €397,507 in Dublin. The prospects of a rebound in house prices in 2008 look increasingly remote. It would appear that prices may yet have further to fall before the market 'bottoms out'.

Figure 17: House prices

(% change, yoy)



Source: permanent-tsb

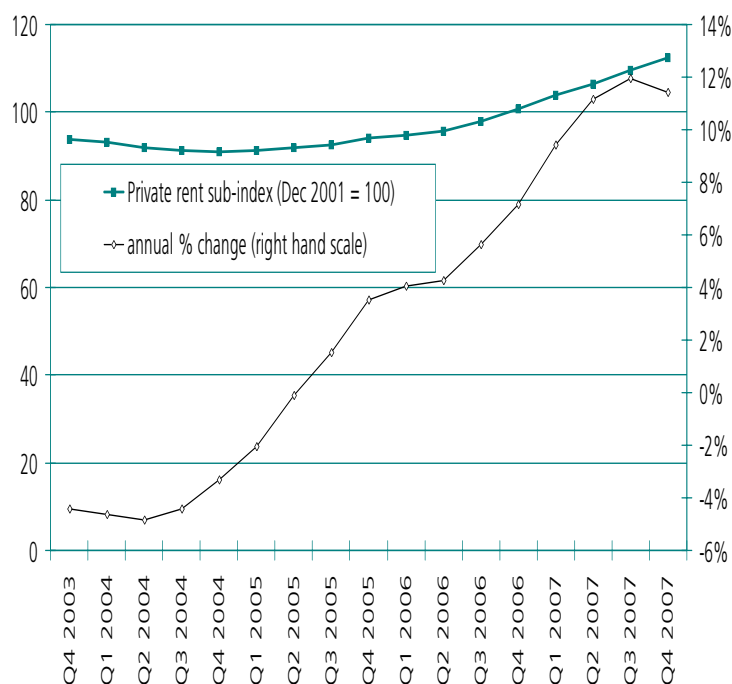
Declining prices in the new-house and FTB categories should improve affordability

	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07
New index (nsa)	138.0	137.5	137.0	137	135.2	134.3
% change (mom, nsa)	-0.7%	-0.4%	-0.4%	0.0%	-1.3%	-0.7%
% change (yoy, nsa)	1.7%	0.1%	-1.2%	-1.7%	-2.5%	-3.6%
First-Time-Buyer Index (nsa)	136.4	135.8	135.8	133.6	132.2	132.1
% change (mom, nsa)	-0.9%	-0.4%	0.0%	-1.6%	-1.0%	-0.1%
% change (yoy, nsa)	0.6%	-1.2%	-2.4%	-4.7%	-6.1%	-6.4%

The fall in new house prices continued through October and November of last year, with the average price paid for a new house 3.6% lower in November 2007 than a year previously. Similarly, the average price faced by FTB's dropped significantly (-6.4%) in the year to November 2007. However, these falls may not be enough to attract FTB's back into the market.

Figure 18: CPI private housing rents sub-index

(mid-December 2006=100)



Source: CSO

The annual growth in private rents remained in double digits into Q4 of last year

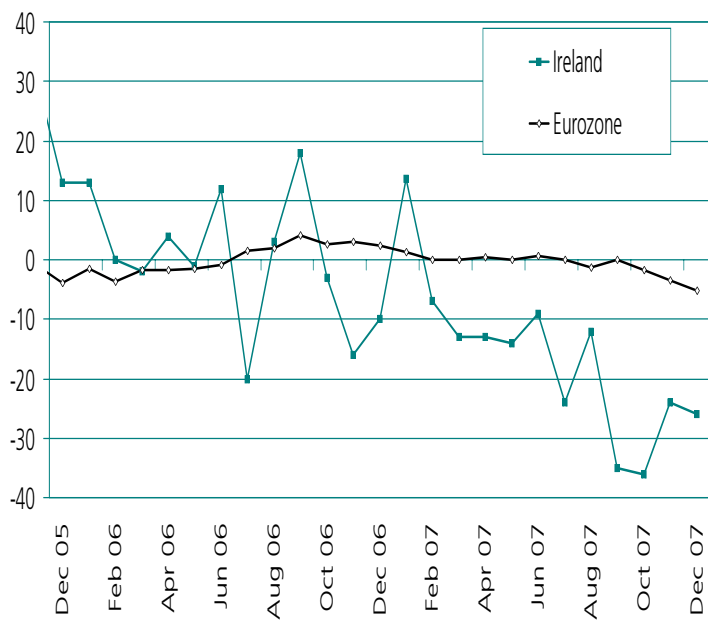
	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
CPI private housing rents*	97.9	100.8	103.8	106.5	109.6	112.3
% change, qoq	2.2%	3.0%	3.0%	2.6%	2.9%	2.5%
% change, yoy	5.6%	7.2%	9.4%	11.1%	12.0%	11.4%

* Sub-index

Growth in private rents remained exceptionally high throughout the latter half of 2007, with the annual percentage increase in Q4 of last year, at +11.4%, fractionally below the +12% recorded in the previous quarter.

As noted in Issue 11 of the *Construction Indicators* report, the current uncertainty in the housing market has forced many prospective buyers into rented accommodation as they wait to see the extent of the correction in house prices over the coming months. The continued weakness in demand for property from investors (loans to investors fell 27.6% yoy in Q3 2007) may constrain the supply of rented accommodation, forcing rents up further. This should eventually encourage renewed demand for owner occupied properties.

Figure 19: Construction confidence



Source: Eurostat

Slight rebound in construction confidence towards the end of 2007

	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07
Ireland (sa)	-24	-12	-35	-36	-24	-26
Eurozone (sa)	0	-1	0	-2	-4	-5

Construction confidence in Ireland rebounded slightly in November and December of last year, having reached new lows in October. The Eurozone measure of construction confidence began to decline into negative territory in the latter months of the year.

Looking at the components of the construction confidence index, managers' assessments of current activity levels and employment expectations both improved in the latter months of the year, with the outlook becoming somewhat less pessimistic. However, the measure of price expectations was almost unchanged, reflecting negative expectations about house prices in 2008.

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

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 Bruce Shaw tender price index	Annual	BS	Index	No	
8 Bruce Shaw construction cost index	Annual	BS	Index	No	
9 Planning permissions	Quarterly	CSO	Number	No	(3)
10 Floor area for non-residential new construction	Quarterly	CSO	Sq.mtrs.	No	(3)
11 Total registrations (incl. one-offs, estimated)	Monthly	DKM est.	Number	No	(3)
12 Dwelling completions	Quarterly	DoEHLG	Number	No	DKM
13 Total value of housing loans paid out	Quarterly	DoEHLG	€m	Yes	DKM
14 Total number of housing loans paid out	Quarterly	DoEHLG	Number	Yes	DKM
15 Average loan value (based on drawdowns)	Quarterly	DoEHLG	€000	Yes	DKM
16 National average new house prices	Quarterly	DoEHLG	€000	Yes	DKM
17 Dublin average new house prices	Quarterly	DoEHLG	€000	Yes	DKM
18 Permanent TSB national house price index	Monthly	Perm.TSB	Index	No	(3)
19 Permanent TSB Dublin house price index	Monthly	Perm.TSB	Index	No	(3)
20 Permanent TSB new house price index	Monthly	Perm.TSB	Index	No	(3)
21 Permanent TSB FTB house price index	Monthly	Perm.TSB	Index	No	(3)
22 CPI private housing rents sub-index,	Quarterly	CSO	Index	No	(3)
23 EU construction confidence index	Monthly	Eurostat	Index	Yes	Eurostat
24 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).