



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



Construction industry Indicators

Issue 20

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Local Government**

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Construction indicators

Introduction

The availability of good and robust data is important for carrying out analysis of the construction sector, especially at a time when the industry is experiencing a major adjustment such as the one which is underway at present. Gross investment in the building and construction sector accounted for approximately 66% of total investment in the economy and 12.8 % of GNP in 2009. New residential construction alone accounted for 3.4% of GNP compared with 7.3% in 2008 and approximately 11.2% in 2007.

This is number twenty in the series of *Construction Indicators*, prepared for the Department of the Environment, Heritage and Local Government (DEHLG)¹. 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 2007². As the results are considered to be experimental by the CSO, we have not yet included them in the Indicators series. In addition, the CSO, in conjunction with the DEHLG, is currently developing a mix-adjusted house price index which will take account of different property, location and purchaser characteristics. 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 adjustment³.

Sources of data include the Housing Division 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.ie⁴ and is available on www.dkm.ie.

¹ This report is produced by DKM Economic Consultants. DKM was given editorial independence by the DEHLG to prepare its views, analysis, forecasts and economic commentary on data and statistical trends in the construction sector. The views expressed herein are DKM's views and do not necessarily coincide with the views of the Department.

² See www.cso.ie

³ Using the Tramo-Seats software via the Demetra interface developed by Eurostat.

<http://forum.europa.eu.int/irc/dsis/eurosam/info/data/demetra.htm>

⁴ Previous issues are available at

<http://www.environ.ie/en/Publications/StatisticsandRegularPublications/ConstructionIndustryStatistics/>

Construction indicators

As most indicators continue to subside, some positives have emerged in the form of slower rates of decline

Having been contracting relentlessly for approximately three years, the severe lack of demand in the building and construction industry has been a significant factor in contributing to negative economy-wide growth rates. The level of GNP has declined by 13.8% between 2007 and 2009, while investment in Building and Construction has declined by 47.5% from peak (Q1 2007) to trough (Q1 2010). In this 20th Issue of the *Construction Indicators*, data is now available for the whole of 2009 for the majority of indicators with some data available for the opening months of 2010. While the industry is in a very weak position there are no signs of any return to growth just yet but a common trend throughout is the emergence of slower rates of decline in many of the indicators.

Overall investment levels in the economy, as measured by Gross Fixed Capital Formation (GFCF), declined by 28.1% year-on-year in Q4 2009. New residential investment (-45.4% yoy) as well as other building and construction (-30.5% yoy) were amongst the biggest contributors to this decline. In comparison, investment in machinery and equipment fared quite well in 2009 having increased in Q4 2009 by 2.2% year-on-year. The other major component of GFCF, improvements, experienced a reduction of 20.6% year-on-year in the final quarter of 2009 despite a strong performance during the first half of the 2009. Overall, investment in Q4 2009 was down by 52% since the peak in Q1 2007.

The latest figures released from the Quarterly National Household Survey (QNHS) indicate that construction employment had fallen by 37% year-on-year in Q4 2009. This is equivalent to approximately 78,000 jobs lost in the sector during 2009. While the quarterly reduction in Q4 2009 remained in double digit territory (-10.3%), it was lower than the declines recorded in Q1 and Q2 of 2009 which were -13.0% (qoq) and -12.4% (qoq) respectively. The industry currently accounts for around 7% of total employment, down from 13.7% at the beginning of 2007. There were just 132,800 people employed in the construction sector at the end of 2009. With little or no new housebuilding underway, it is likely, as existing non-residential projects are completed, that further job losses can be expected over the coming months. However, there were 4,100 additions to the Live Register in Q1 2010, a significantly lower figure compared with the same quarter in 2009. This may suggest that the fall off in employment is slowing.

Figures for the overall level of planning permissions granted in 2009 confirm that it was an extremely bad year in terms of the pipeline of supply. The total number of residential planning permissions granted was down 63.9% year-on-year in Q4 2009 to 4,964. Planning permissions for houses fell by 66.7% year-on-year to 3,457 units. Despite such a large annual decline, Q4 recorded a quarterly decline of just -5.3% (sa) compared with -39.3% (sa) in Q2 and -23.7% (sa) in Q3 2009. Planning permissions granted for apartments also declined in Q4 2009 (-55.6% yoy). In terms of floor area for new non residential planning permissions, there was just 3,064 square metres granted in 2009 compared with 5,155 in 2008. The first three quarters of 2008 remained quite stable hovering above the 870,000 square metre mark during each quarter before falling by 54.4% (qoq) in Q4 2009 to 407,000 square metres. It is also possible that a number of the permissions recorded in 2009 just represent renewals, following the lapse of planning permission after a five year period. It is evident from a breakdown of planning permissions by building type that buildings for Education and Science have proved rather resilient at a time when most other building types are showing substantial declines in the total floor area granted permission.

Other supply indicators in the form of housing registrations and commencements continued their dramatic declines in the opening months of 2010. Registrations in March 2010 have fallen by more than 95% since their peak in September 2006 while commencements in January 2010 were down by almost 90% since they peaked in 2005. The continuation of such trends has led to revised forecasts for residential completions in 2010 to approximately 6,000-8,000 units of which a large proportion are expected to be single units.

According to the Irish Banking Federation's Mortgage Market Profile for Q4 2009, the number of mortgage loans and the value of such loans suffered simultaneous year-on-year declines of 35.1% and 42.7% respectively. Despite this however, the mortgage market remained quite stable during 2009, albeit at much reduced levels compared with the boom years. In 2009 there was approximately 26,000 mortgages paid out with an average value of €226,000 (excluding re-mortgage and top-up loans). The average loan requirement for a first time buyer purchase stood at €206,865 in Q4 2009 – down 8.5% from €226,041 in Q4'08. With house prices continuing to fall, the average first time buyer mortgage is likely to descend well below the €200,000 mark.

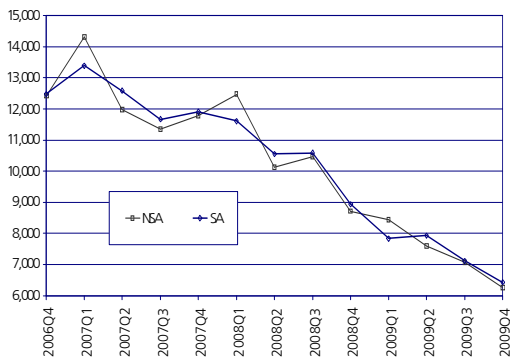
According to the latest Permanent TSB/ESRI House Price Index, average national house prices fell by 4.8% in the first 3 months of 2010 with these latest declines sending average national house prices back to end-2002 levels. Since the peak in Q4 2006, average national house prices nationwide have fallen by approximately 34.1%. Dublin house prices fell by 10.3% in the first 3 months of 2010 implying that house prices in the capital fell by 24.5% year-on-year in Q1'10. Average Dublin house prices, as of Q1'10 have had their value reduced by 41.8% since they peaked in Q1'07.

Respondents in the most recent Ulster Bank Purchasing Managers Survey reported lower new business, lower demand for inputs, intense competition amongst suppliers and further reductions in employment. The civil engineering industry recorded the steepest contraction in activity and has now been contracting for 28 consecutive months. According to the Ulster Bank New Orders Index, construction firms continue to believe that the industry will show signs of recovery as they look one year ahead, with the future expectations index above 50 for each of the opening three months in 2010.

Construction indicators

Figure 1: Gross domestic fixed capital formation

(Quarterly, constant 2007 chain-linked prices)



Source: CSO; National Accounts

Investment in fixed assets fell by 28.1% (yoy) in Q4 2009

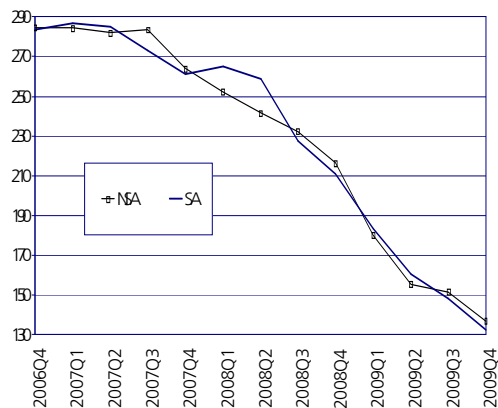
	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
nsa €m.	10,461	8,711	8,440	7,595	7,060	6,252
sa €m.	10,587	8,936	7,825	7,940	7,121	6,429
% change (qoq, sa)	0.3%	-15.6%	-12.4%	1.5%	-10.3%	-9.7%
% change (yoy, sa)	-8.3%	-25.7%	-32.6%	-24.7%	-32.7%	-28.1%

The CSO's Quarterly National Accounts for Q4'09 show that total investment in the economy (as measured by gross fixed capital formation, GFCF) suffered a further quarterly decline (-9.7%) in the final quarter of 2009 – contributing to the overall reduction of 28.1% in investment in the year to Q4'09. In absolute terms, the level of investment in Q4'09 (€6,429m sa) is now back at 1997 levels. The sheer magnitude of the collapse in the residential market has been largely responsible for the decline in total investment. Investment in new dwellings was down by 45.4% (yoy) in Q4'09 to just under 17% of overall investment, having accounted for over 40% in 2006.

The market for improvements/maintenance has proved to be the most resilient component of investment in recent years but despite this, the sector experienced a fall off in investment levels of just over one-fifth (-20.6% yoy) in the year to Q4'09. Over the same timeframe investment for 'other building and construction' fell by 30.5% (yoy). With a return to economic growth expected in the latter half of 2010, investment in fixed assets should begin to display signs of levelling off. While a halt to the overall sustained period of falling investment will be welcomed, building and construction investment levels are unlikely to reverse the trend anytime soon, thus remaining at these very much subdued levels for some time. Investment in machinery and equipment is likely to lead the recovery in investment.

Figure 2: Construction employment

(000s, sa)



Source: CSO; QHNS

During 2009, 46.5% of all job losses were in construction

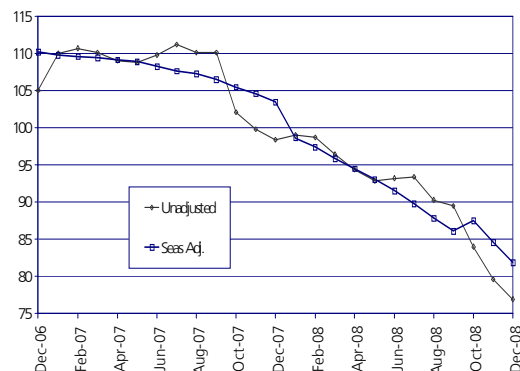
	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
sa (000s)	227.7	210.8	183.4	160.5	148.0	132.8
nsa (000s)	232.3	216.3	179.9	155.4	151.5	136.7
% change (qoq, sa)	-11.9%	-7.4%	-13.0%	-12.4%	-7.8%	-10.3%
% change (yoy, sa)	-16.5%	-19.3%	-30.8%	-37.9%	-35.0%	-37.0%

The number of people directly employed by the construction sector fell to 132,800 (sa) in Q4'09, implying that in excess of 15,000 (sa) construction workers lost their job in the final quarter of 2009. The aggregate number of persons employed in the construction sector was 51.7% lower than the sector's peak employment level of 275,200 (sa) in Q2'07. The quarterly decrease in employment was above 10% in Q4'09. With little or no new housebuilding underway, it is likely, as existing non-residential projects are completed, that further job losses can be expected over the coming months.

Approximately 78,000 (sa) construction workers lost their job in 2009, which equates to 46.5% (sa) of the total jobs lost in Ireland during 2009. Given that the overall unemployment rate has increased from 7.6% to 12.4% in the year to Q4'09, and notwithstanding the fact that the construction downturn has inevitably been responsible for other indirect job losses, it is clear that direct job losses in the construction downturn are playing a major role in driving overall unemployment figures. The dramatic fall off in construction demand in this male dominated sector has had a disproportionate effect on overall unemployment levels: the overall male unemployment rate in Q4'09 stood at 16.6% (sa) compared with a much lower rate of 9% (sa) for females.

Figure 3: Construction employment index

(2000=100)



Source: CSO

Construction employment index declined by 21% in 2008

	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
nsa	93.4	90.3	89.5	84	79.6	76.9
sa	89.7	87.0	85.6	87.5	84.6	82.2
% change mom, sa	-1.6%	-3.0%	-1.7%	2.2%	-3.3%	-2.8%
% change yoy, sa	-16.5%	-18.7%	-19.5%	-17.1%	-19.4%	-21.0%

The monthly construction employment index (CEI), which is based on a survey of firms with five or more persons, revealed yet another marked contraction in the final months of 2008. The 3.3% monthly decrease in November was in fact the largest monthly decrease since the index began over twenty years ago.

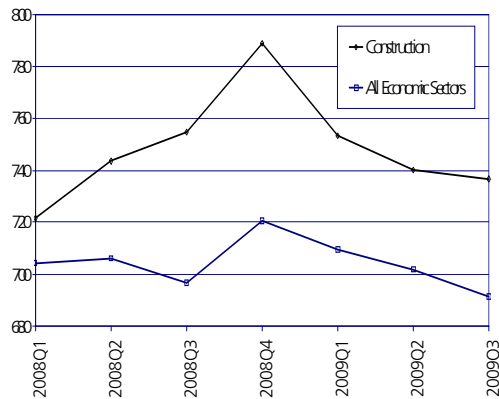
These figures provide further worrying evidence of the pace at which labour is being shed by larger firms in the construction sector. A combination of weakening demand and confidence, difficulty in shifting current stock and the stringent credit markets have led to liquidity issues in the industry, reduced incomes and an inevitable response from employers of cutting labour to reduce their cost base.

**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. The CSO ceased publication of this index in December 2008.*

Construction indicators

Figure 4: Average weekly earnings in construction

(euro)



Source: CSO

Average construction earnings fell by just 2.4% in year to Q3'09 – the equivalent of a €19/week reduction

	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09
Weekly earnings	743.61	754.72	789.17	753.33	740.08	736.74
% change yoy				4.4%	-0.5%	-2.4%
Hourly earnings	19.78	20.15	21.16	21.00	20.83	20.52
% change yoy				8.9%	5.3%	1.8%
Average weekly hours	37.6	37.5	37.3	35.9	35.5	35.9

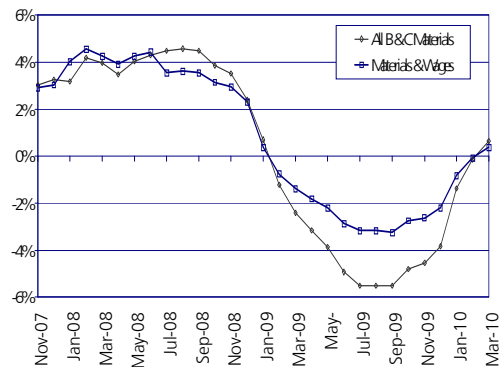
The Earnings, Hours and Employment Costs Survey (EHECS) has replaced the four-yearly Labour Cost Survey. The EHECS results are available from Q1'08 and show data on average weekly earnings, average hourly earnings and average weekly paid hours.

Of the 16 broad economic sectors covered in the Survey, Construction had the sixth lowest earnings in Q3'09 at an average of €736.74 per week: over 100% above earnings in the lowest paid sector 'Accommodation and Food Services Activities'; 25% below earnings in 'Public Administration and Defence' and 18% below earnings in 'Financial, Insurance and Real Estate Activities'. Average weekly earnings in Construction declined by 2.4% in year to Q3'09, the equivalent of a €19 euro reduction per week over the twelve months.

The Irish economy is undergoing a period of transition with wage levels right across the board having to adjust in an effort to restore competitiveness. Competition in the badly hit construction industry together with the substantial underutilised resources which exist suggests that earnings are likely to decline further over the coming months as firms continue to reduce costs in an effort to remain in business.

Figure 5: Wholesale price indices for building and construction materials

(% change yoy)



Source: CSO

First increase in the cost of building materials in March for 14 months

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
All B&C Materials, nsa	141.1	141.1	141.1	142.4	142.9	143.1
% change yoy, nsa	-4.8%	-4.5%	-3.8%	-1.4%	-0.1%	0.6%
B&C Mat's & Wages nsa	156.1	156.1	156.1	156.9	157.2	157.4
% change yoy, nsa	-2.7%	-2.6%	-2.2%	-0.8%	-0.1%	0.4%

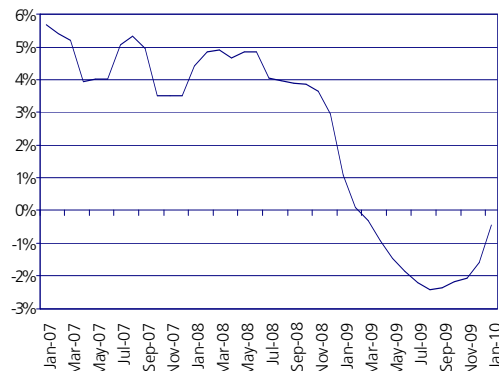
The cost of building and construction materials increased modestly in March'10 by 0.6% (yoy), the first annual increase in fourteen months. The wholesale prices of some materials continued to decline, most notably some timbers (-4.3% yoy), Structural Steel (-3.7%) and Ready Mixed Mortar and Concrete (-3.3%). The wholesale prices of most other building materials were either unchanged on 12 months previously or up very modestly. The exception was Bituminous Emulsion materials, which increased by around 30% yoy for the fourth month in a row.

The composite index for building and construction materials and wages also recorded a modest increase in March (+0.4% yoy), the first increase in fourteen months.

Building and construction prices have declined by just 4% since they peaked in Sept'09, while construction wages, based on the EHECS above, had declined by 6.3% in just nine months - between Q4'08 and Q3'09. While the evidence suggests that material prices may have bottomed out, construction wages are expected to decline further, a trend which will keep downward pressure on the composite index at least.

Figure 6: Construction cost inflation

(% change yoy, nsa)



Source: SCS, Bruce Shaw, Davis Langdon PKS

...while the SCS measure of construction cost inflation fell by just 0.4% in the year to Jan'10

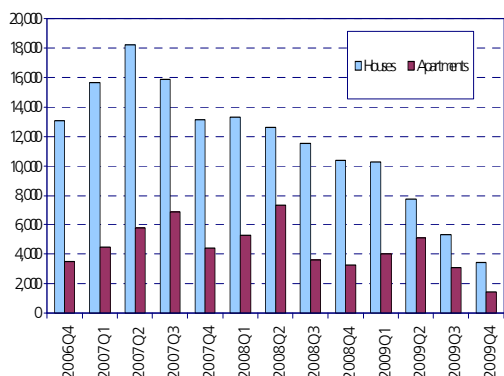
	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
SCS Const. Cost Index	296.4	296.5	297.1	297.2	297.2	298.9
Cost Inflation yoy	-2.4%	-2.4%	-2.2%	-2.1%	-1.6%	-0.4%

The Society of Chartered Surveyors' (SCS) measure of construction inflation has now been declining yoy for eleven consecutive months, having declined by a further 0.4% in the year to Jan'10. This was the smallest annual decline since the peak in Feb'09. Nonetheless, this is by far the longest period of sustained negative growth since the index began almost two decades ago. These trends are consistent with the CSO data above.

The latest CSO data above suggests that the period of falling construction material costs may be coming to an end, although construction wages may have further to fall. While the much reduced volume of work in the market is expected to maintain competition for construction work at a high level, the fact that costs are beginning to level off may bring some stability to construction tender prices.

Construction indicators

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



Source: CSO

Planning permissions fell by 63.9% year-on-year in Q4'09 to less than 5,000

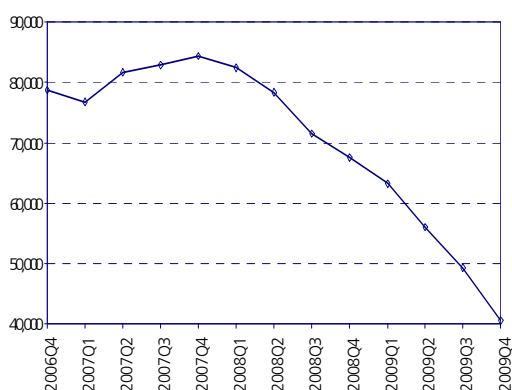
	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
# Houses						
nsa	11,532	10,375	10,256	7,739	5,362	3,457
% change yoy nsa	-27.2%	-21.0%	-22.9%	-38.6%	-53.5%	-66.7%
# Apartments						
Nsa	3,761	3,392	3,921	5,092	3,222	1,507
% change yoy nsa	-40.3%	-26.2%	-25.8%	-30.7%	-14.3%	-55.6%
Total Units						
nsa	15,293	13,767	14,177	12,831	8,584	4,964
% change yoy nsa	-30.9%	-22.4%	-23.7%	-35.7%	-43.9%	-63.9%

The total number of houses granted planning permission in Q4'09 stood at just 3,457 (nsa) having declined by 66.7% (yoy) – the largest annual decline yet. Moreover, planning permissions granted for apartments declined by 55.6% (nsa) in the year to Q4'09 to just 1,507. With such a sharp decline in planning permissions for Q4'09, this has meant that in a single quarter, the total units granted planning dropped below 5,000. This is significantly lower (-82.7%) than the peak level of almost 28,818 (nsa) units granted planning permissions in Q2'05.

The number of one off houses granted planning permission was 1,624 in Q4'09. This represented 32.7% of all units granted planning in Q4 with the increasing share of single units reflective of the substantial fall off in multi-development residential units.

With planning permissions at such extremely low levels, the prospects for new residential building in 2010 are unequivocally bleak.

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



Source: CSO

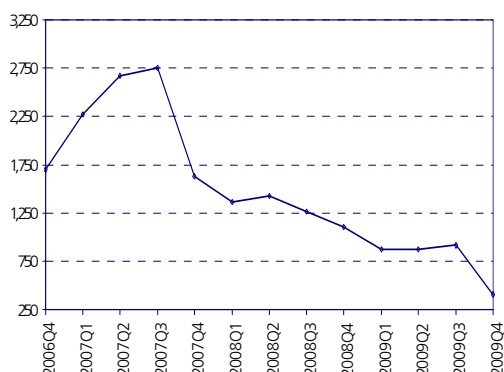
...while the total number of units granted planning descends towards 40,000

	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
nsa	71,550	67,584	63,179	56,068	49,359	40,556
% change yoy	-13.7%	-19.9%	-23.4%	-28.5%	-31.0%	-40.0%

The 12-month running total of residential units granted planning permission fell by as much as 40% in the year to Q4'09 to just 40,556 units. This compares with a peak level of almost 105,000 units in Q2'05. This measure has now been falling continuously for almost two years having first recorded a year-on-year decline in Q2'08. However, since then the annual declines have been getting progressively steeper with the latest growth of -17.8% (yoy) in Q4'09 the steepest reduction yet.

The 12-month running total of residential units granted planning permission in Q4'09 now stands at approximately half the number of permissions granted at the beginning of the decade. With an existing overhang of residential units and issues surrounding house prices and the availability of mortgage credit, it is likely that the number of permissions will remain suppressed over the coming quarters with this measure set to fall even further. Indeed it is possible that a number of the permissions recorded in 2009 just represent renewals, following the lapse of planning permission after a five year period.

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



Source: CSO

Non-residential floor area granted planning permission plummets to 407,000 square metres in Q4'09

	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
nsa	1,265	1,103	868	873	915	407
% change yoy, nsa	-53.9%	-32.1%	-36.3%	-38.8%	-27.7%	-63.1%

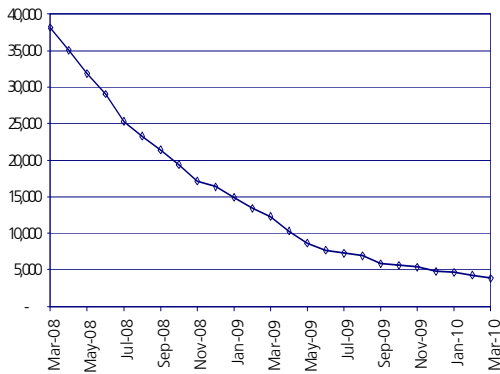
The level of non-residential floor area granted planning permissions in Q4'09 suffered a substantial reduction, equivalent to 63.1% (yoy) or to just 407,000 square metres. In absolute terms, this equates to a reduction in planning permission for non-residential floor area of 696,000 square metres during 2009.

Virtually all building types recorded a decline in the total floor area granted permission in the year to Q4'09: industrial buildings were down by 83.0%, health and welfare buildings were down by 79.8%, transport buildings were down by 70.0% and buildings for trade and administration were down by 72.1%.

Buildings represented by the group Education, Culture, Science and Research, were the only building type to record an increase, equivalent to the 22.2% in Q4'09. With the government's capital budget for 2010 projected to increase spending on education and science by 26.0%, and given the move towards the Smart Economy, it is likely that this category should remain strong over the coming quarters.

Construction indicators

Figure 10: Registrations
(12-month running total)



Source: Homebond, Premier Guarantee, DKM estimate

Registrations in Mar'10 have fallen by 69.1% year-on-year...

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
12 mrt *	5,590	5,325	4,755	4,637	4,221	3,796
% change mom	-3.7%	-4.8%	-10.7%	-2.5%	-9.0%	-10.1%
% change yoy	-71.1%	-68.8%	-71.0%	-68.8%	-68.5%	-69.1%

The dearth of housebuilding activity is evident from the latest data on registrations. There were just 429 registrations (as recorded by Homebond and Premier Guarantee) in the first three months of 2010 and just 131 in the month of March alone. The latter compares with almost 8,000 per month reached in June'06.

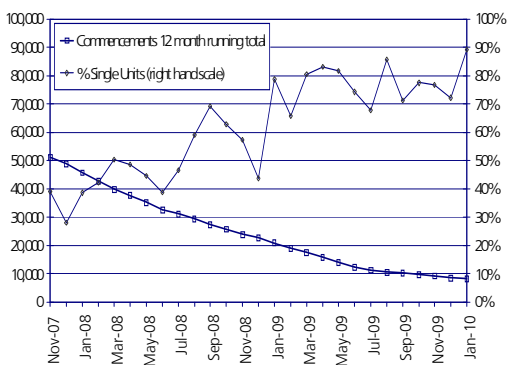
The latest figures published on www.environ.ie show that total registrations fell to just 3,006 in the year to March'10. This represents a 68.4% (yoy) decline on the previous 12-month running total to March'09.

After our adjustment* the 12-month running total in March'10 becomes 3,796 which is a 69.1% fall off from the previous year.

The residential oversupply situation combined with the lack of confidence amongst buyers and builders suggests that registrations are likely to remain subdued for the remainder of 2010 at least.

* 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

...while residential commencements plummet to 8,604 in 2009

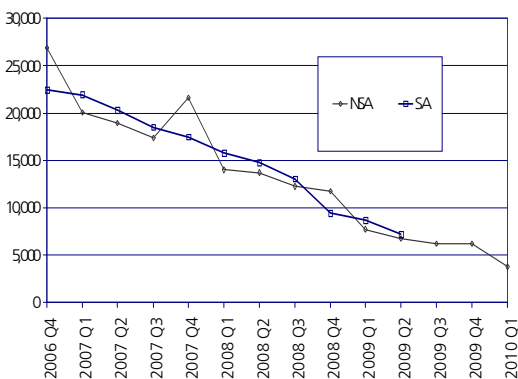
	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
12 mrt	10,531	10,208	9,671	9,187	8,604	8,277
% of single units	85.7%	71.2%	77.5%	76.7%	72.1%	89.2%
GDA 12 mrt	2,866	2,792	2,664	2,427	2,064	1,967
GDA as% of nat tot	27.2%	27.4%	27.5%	26.4%	24.0%	23.8%

Data on residential commencements, which is provided by the DEHLG, captures the number of units (excluding public sector) for which the builder has commenced preliminary and other site works in advance of proceeding to construction. The latest figures confirm that in the year to Jan'10 there were 8,277 commencements across the country – down considerably (-60.3%) on the previous year.

In Jan'10, the 12 month running total for commencements had fallen by 89.5% since the peak level of 79,148 recorded in Sept'05. A noticeably large proportion of commencements (89.2%) in the year to Jan'10 were single units implying that there were just 894 commencements in the year to Jan'10 that formed multi developments compared with levels in excess of 50,000 reached during 2006.

Residential commencements in Dublin have fallen by 76.2% in the year to Jan'10 having stood at 1,022 for the year, while there were 1,967 commencements in the Greater Dublin Area implying a reduction of 68.0% over the same timeframe. The palpable trend of single unit commencements accounting for the majority of the total has been influenced predominantly by patterns outside of Dublin and the Greater Dublin Area, where single units commencements have remained relatively low in comparison.

Figure 12: Total dwellings completed
(Number of ESB connections, quarterly)



Source: DEHLG, based on ESB residential connections

Proxy for completions down by 51.3% year-on-year in Q1'10

	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Total Completions, nsa	11,738	7,711	6,768	6,178	6,163	3,759
% change qoq, sa	-28.1%	-7.5%	-17.3%	N/A	N/A	N/A
% change yoy, nsa	-45.7%	-45.0%	-50.7%	-49.6%	-47.5%	-51.3%

The proxy for total completions, ESB residential connections, fell to their lowest level since 1989 in Q1'10. Total quarterly completions (i.e. connections) were down 51.3% to 3,759 compared to levels in Q1 the previous year. This translates to an 86% reduction from the peak level of almost 27,000 completions recorded in Q4'06. There were 1,294 completions during the month of March, a slight increase on the previous two months, but unlikely to indicate any signs of a recovery in new housebuilding.

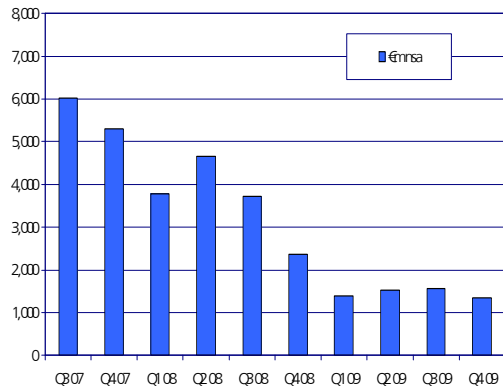
The latest figures suggest that completions totalled 22,868 in the year to Mar'10. This is likely to be an overestimate of the true level of new house building, as trends in commencements, registrations and construction employment would suggest that new building activity is exceptionally weak. The likelihood is that some of these 22,868 units were built over the period 2007-2009 and have only been connected for electricity this year, following a more recent transaction/sale.

In terms of actual house building in 2010, the vast majority are expected to be one-off/single units. When the limited number of new units under construction in estates is taken into account we expect the actual level of new house building this year to be in the range 6,000-8,000.

Construction indicators

Figure 13: Value of housing loans paid out

(€m quarterly)



Source: Irish Bankers Federation

Average FTB loan at €206,865 in Q4'09 – down 13.1% year-on-year

	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
€m. nsa*	3,723	2,352	1,388	1,530	1,558	1,348
% change yoy, nsa	-38.1%	-55.7%	-63.2%	-67.1%	-58.2%	-42.7%
Avg. loan value, nsa €'000s	262.0	249.8	252.0	229.1	202.2	220.7

* (excluding re-mortgages and top-up loans)

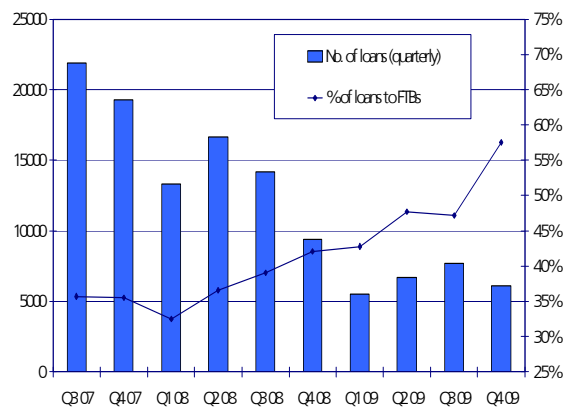
The most recent data from the Irish Bankers Federation (IBF) indicates that the value of mortgage lending* fell by 13.5% (qoq) in Q4'09 despite 2 modest quarterly increases in Q2 and Q3'09. The value of mortgage lending recorded yet another substantial annual decline (-42.7% yoy) in Q4'09 leaving the total value of mortgage loans paid out 42.7% below what was provided in Q4'08. The overall value of loans paid out was 82.5% lower than the peak in Q3'06.

The latest IBF Mortgage Market Profile for Q4'09 indicate that the average loan (excluding top-ups and remortgages) fell to €220,700 from €283,500 in Q1'08. Mover purchasers took out mortgages that were an average of €242,793 in value, €22,000 lower than Q4'08. The average loan paid out to first time buyers stood at €206,865 in Q4'09 – down 8.5% from €226,041 in Q4'08. With house prices continuing to fall in the opening months of 2010, the average FTB loan seems poised to drop below €200,000.

Consistent declines in house prices together with a reduced demand for mortgages, the increase in unemployment and an overall lack of confidence in the market are the key factors responsible for the continued fall off in mortgages. As such it is difficult to ascertain precisely the extent to which difficulties obtaining mortgage credit are contributing to the current situation.

Figure 14: Total number of housing loans paid out

(Number, quarterly)



Source: Irish Bankers Federation

...while FTB loans accounted for 57.5% of all residential loans in Q4'09

	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
nsa	14,208	9,415	5,508	6,678	7,707	6,107
% change yoy, nsa	-35.1%	-51.1%	-58.6%	-60.0%	-45.8%	-35.1%

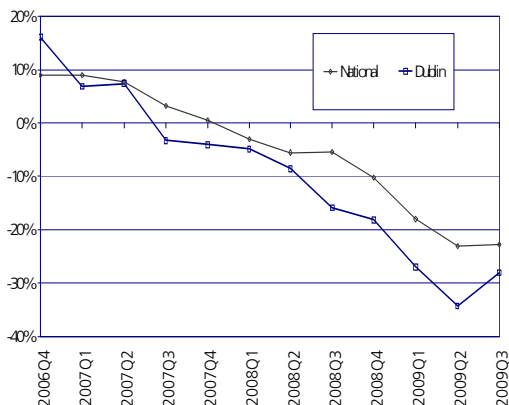
* (excluding re-mortgages and top-up loans)

The number of mortgages* provided in Q4'09 fell for the 13th consecutive quarter having been declining since Q4'06. The reduction of -35.1% (yoy) in the number of mortgages provided during Q4'09 is not as sharp as previous quarters but is very sizable nonetheless. Despite substantial year-on-year reductions in quarters gone by, it does appear that the number of mortgages provided began to level off somewhat during 2009. Q1'09 was the lowest point of the year with just 5,508 mortgages paid out.

It is clear from the graph that the proportion of first time buyers receiving mortgages has been steadily increasing while the overall number of mortgages has been in decline. This trend is reflective of the disproportionate reduction in demand from mover purchasers who have become reluctant to sell their properties at much reduced prices while residential investments, which were characteristic of boom times, have reduced substantially.

Figure 15: New house prices

(% change, yoy)



Source: DEHLG.

The average price of a new house nationwide fell by 29.8% in Q3'09 from the peak just over 2 years previously

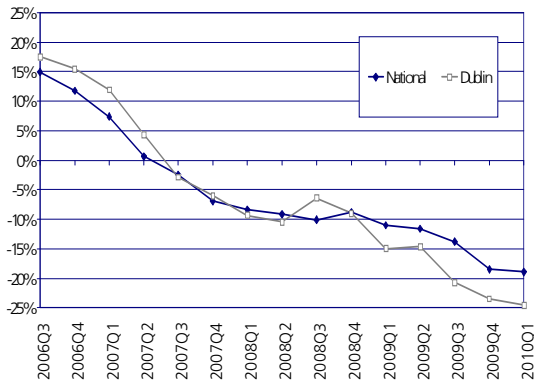
	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09
National (€) nsa	313,678	301,680	282,023	255,029	241,288	233,189
% change qoq, nsa	0.8%	-3.8%	-6.5%	-9.6%	-5.4%	-3.4%
% change yoy, nsa	-5.5%	-5.5%	-10.3%	-18.0%	-23.1%	-22.7%
Dublin (€) nsa	390,544	347,233	329,625	290,402	256,749	250,081
% change qoq, nsa	-1.8%	-11.1%	-5.1%	-11.9%	-11.6%	-2.6%
% change yoy, nsa	-8.5%	-15.8%	-18.1%	-27.0%	-34.3%	-28.0%

The average price of a new house in Ireland fell further to €233,189 in Q3'09, according to latest data available from the DEHLG. New house prices have lost 29.8% of their value since they peaked at almost €332,000 in Q2'07. New house prices in the capital continued to decline in value at a much more rapid rate in Q3'09, by 28.0% in the year to Q3'09. The price of a new house in Dublin is now on average 41.4% below the peaked of almost 427,000 in Q2'07.

New house prices in Dublin have been falling at a much faster rate than those nationwide since the downward price adjustments began in 2007. From Q3'09 data it is apparent that the convergence of house prices has left new house prices in Dublin an average of just €16,892 higher than new house prices nationwide. This compares with a price difference of €116,719 in Q3'06 between new houses in the capital and nationwide.

Construction indicators

Figure 16: House prices
(% change, yoy)



Source : permanent-tsb/ESRI

Nationwide house prices down 34.1% since the peak in Q4'06

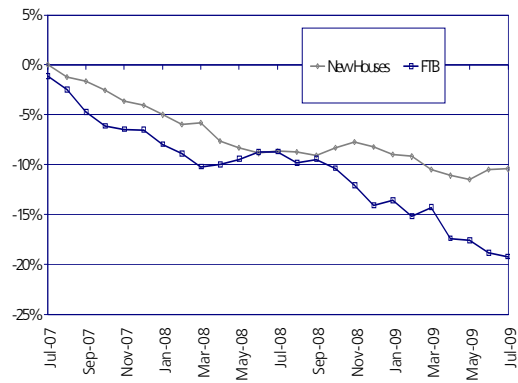
	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
National index, nsa	118.3	113.2	108.8	104.5	96.5	91.9
% change qoq, nsa	-2.4%	-4.3%	-3.9%	-3.9%	-7.7%	-4.8%
% change yoy, nsa	-8.8%	-11.0%	-11.6%	-13.8%	-18.5%	-18.9%
Dublin Index nsa	121.2	110.3	106.4	100.3	92.8	83.2
% change qoq, nsa	-4.2%	-9.0%	-3.5%	-5.7%	-7.5%	-10.3%
% change yoy, nsa	-9.0%	-15.0%	-14.6%	-20.7%	-23.4%	-24.5%

Average house prices across the State fell by 18.9% (yoy) in Q1'10, according to latest figures from Permanent-TSB/ESRI. It is evident that year-on-year house prices nationwide have been declining in value at an accelerating rate in recent quarters with growth rates falling deeper into double-digit figures. The result is that national house prices have now fallen by more than one-third since they peaked in Q4'06.

Average house prices in Dublin have also been losing their value at an accelerating rate throughout 2009, with prices down by -23.4% yoy in Dec'09. Dublin house prices declined by as much as -10.3% (qoq) in Q1'10 resulting in the steepest year-on-year decline in Dublin house prices so far, with prices in the capital down by almost one-quarter in the year to Q1'10. This has contributed to a fall in value in Q1'10 of 41.8% since they peaked in Q1'07.

* The permanent tsb house price index is based on the agreed sale price and is calculated using data from mortgage drawdowns. The index is now issued on a quarterly basis having previously been issued monthly.

Figure 17: House prices
(% change, yoy)



Source : permanent-tsb/ESRI

Average FTB house prices fell below €200,000 for the first time since October 2003

	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
New index, nsa	120.7	118.4	115.3	112.9	112.6	112.5
% change mom, nsa	-0.6%	-1.9%	-2.6%	-2.1%	-0.3%	-0.1%
% change yoy, nsa	-9.2%	-10.5%	-11.1%	-11.5%	-10.5%	-10.4%
FTB Index, nsa	109.1	108.8	104.3	102.8	101.1	100.2
% change mom, nsa	-2.8%	-0.3%	-4.1%	-1.4%	-1.7%	-0.9%
% change yoy, nsa	-15.2%	-14.3%	-17.4%	-17.6%	-18.8%	-19.2%

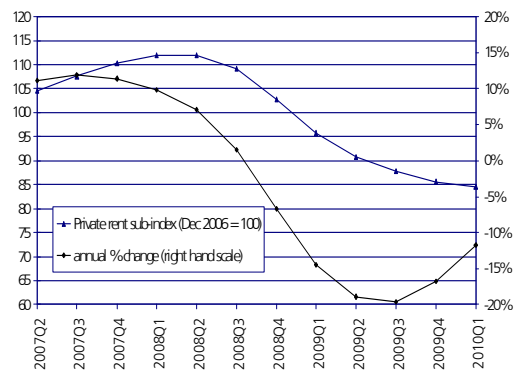
The average price of a new house in Ireland fell by 8.5% in the seven months to July 2009 bringing the year-on-year decline to -10.4%. The monthly decreases have slowed somewhat in July to -0.1% following a record monthly decline of -2.6% in April. In absolute terms, the average price of a new house in Ireland stood at €243,719, down 20% from the peak of €306,328 in February 2007.

The average price of a FTB house has continued to decline much faster than the new house price index with average prices down by 19.2% (yoy) in July 2009. The average price paid by FTB's in July fell below €200,000 for the first time since Oct'03 and was some 18.6% below the national average new house price in the same month and 29% lower than what FTB's were paying in March 2007 (€279,795).

* Data has not been available since July due to the small sample size. However, in line with national trends in house prices, the average prices of new and FTB houses have continued falling since July 2009.

Figure 18: CPI private housing rents sub-index

(December 2006=100)



Source : CSO

Private rents continue to fall in Q1'10 - down 1.3% on the previous quarter

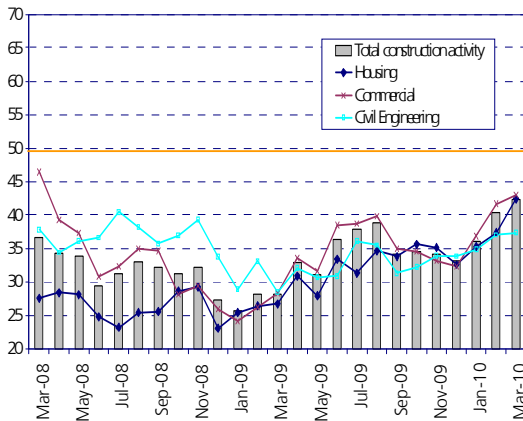
	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
CPI Rents Index	102.9	95.8	90.8	87.8	85.6	84.5
% change, qoq	-5.9%	-6.9%	-5.2%	-3.3%	-2.5%	-1.3%
% change, yoy	-6.7%	-14.5%	-18.9%	-19.6%	-16.8%	-11.8%

The CSO's private rents index recorded its 7th successive quarterly decline in Q1'10 with an average decline of 1.3% in rental costs – a more modest rate of decline compared with previous quarters. Private rents have now been falling year-on-year since Q4'08 with rents down 11.8% (yoy) in Q1'10. These latest figures do suggest that rents are no longer falling as fast as they were in 2009 which saw close to 20% (yoy) declines in some quarters. Notwithstanding this however, the -11.8% (yoy) in Q1'10 implies that private rents are almost 25% below their peak values in Q2'08.

The latest Daft Rental Report, published in Q4'09, provides a detailed analysis of trends in private rents across the country. In Dublin City Centre the average monthly rent was €909 in Q4'09, down 28.9% from the peak followed by respective falls of approximately 29% in both North and South County Dublin. Similar trends are noted across the country although they are not as severe as Dublin. Rents in Munster and Connaught for example had fallen in Q4'09 by 24.3% and 18.5% from their respective peaks. The Daft Report points to the fact that 20% of stock was withdrawn from the market in the second half of 2009 in response to such trends. It also points to anecdotal evidence which suggests that rents, focused in Dublin inner city, recorded a slight increase in January.

Construction indicators

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



Source: Ulster Bank

PMI reports further falls in construction activity – albeit the headline PMI was up for the third month in a row

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Total construction	34.5	34.2	33.1	36.1	40.4	42.3
Housing	35.6	35.1	32.6	35.3	37.4	42.4
Commercial	34.5	33.2	32.3	36.8	41.7	43.0
Civil engineering	32.2	33.9	33.8	34.8	37.0	37.4

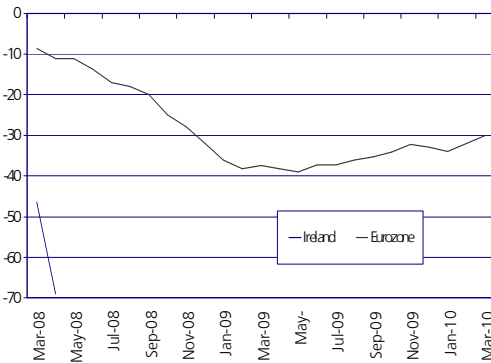
According to latest data from the Ulster Bank PMI* business conditions in the domestic construction sector weakened for the 34th month in a row in March. The March reading of the headline PMI at 42.3 was still well below the expansion threshold of 50, thus clearly pointing to ongoing falls in activity. However, the PMI managed to rise for the third month in a row and the March level is the highest reading seen in almost two and a half years.

Overall the respondents reported lower new business, a lower demand for inputs, intense competition among suppliers and further reductions in employment. The civil engineering industry recorded the steepest contraction in activity, and has now been contracting for 28 consecutive months.

The future expectations index for the industry saw further improvements in Mar'10 with firms expecting signs of a recovery (i.e. a reading above 50) for the 3rd month in a row as they look one year ahead. This would suggest that construction activity levels would not return to expansion levels until at least Jan'11 – implying that activity will continue to contract throughout 2010 albeit at an overall slower rate than '08 and '09.

*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

While EU construction confidence remains severely weakened in the opening months of 2010

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Eurozone (sa)	-34	-32	-33	-34	-32	-30

Data on construction confidence in Ireland from the Eurostat survey has not been updated since April 2008. However, given the performance of other indicators quoted in this report, we might expect the series to have continued its dramatic plunge into negative territory. The confidence index experienced a downward trend since the end of 2006, declining at an accelerating pace since February 2008.

Latest data on the EU measure of construction confidence for March has pointed to a further slowing in the deterioration of confidence levels. While construction confidence in the Euro area remains deep in negative territory, it is now back at end-2008 levels, with 2009 evidently the worst affected year since 1996.

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.

*The latest data for Ireland relates to April 2008 only as there was a temporary discontinuation of the Business, Consumer and Building Surveys in Ireland in May.

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).