



Turner & Townsend

# Republic of Ireland market intelligence survey

Summer 2020

#TTRIMI

making the **difference**

# Introduction

The arrival of COVID-19 has dramatically changed the Republic of Ireland's economic landscape over the past few months. The Irish construction industry, while remaining strong, faces key challenges in the short and medium term.

As the Government looks at stimuli to re-start key segments of the economy, the construction industry waits for signs of these to filter through to increased tender opportunities and to instil confidence in the sector. Results from our latest Republic of Ireland market intelligence survey for Q2 in 2020 echo this sentiment, with 61.5 percent of respondents believing that the construction market is cooling.

COVID-19 has had a significant effect on the outlook for the Irish construction industry with respondents reporting the market to have stalled and being very difficult to predict. There is also general agreement that the full effects won't be known for a while yet and that tendering conditions will become more difficult in the short to medium term.

Current productivity levels, despite the restrictions of working in a COVID-19 environment, remain relatively high with 83.3 percent of surveyed contractors reporting productivity at between 80 and 100 percent at the end of June. Of these, 41.7 percent reported productivity to be between 90 and 100 percent. Respondents also reported that current productivity levels are closely related to what stage a particular project is at, with the trades for the latter elements of projects being most adversely affected.

According to surveyed contractors, the market in the Republic of Ireland is weakening, with a combined total of 83.3 percent of surveyed contractors believing current tender conditions to be cold or lukewarm. This is a major change to the survey results for Q4 in 2019 where only 43.8 percent of respondents considered the market to be cold or lukewarm.

Notwithstanding the effects of COVID-19 on the economy, the housing and residential sector, unsurprisingly, continues to perform strongly with 46.2 percent of surveyed contractors indicating this sector as being their top performer. Among the respondents, public sector work has increased dramatically as one of the top performing sectors and 30.7 percent now rank this as their top performing sector, a large increase from 6.3 percent in our previous survey. The emerging importance of public sector projects as an attractive proposition to contractors during these difficult times has no doubt contributed to this.

From an employer's perspective the good news arising from the survey is that increased levels of competition, due to an anticipated reduction in tendering opportunities, will lead to reduced tender price inflation levels and these are expected to reduce noticeably on previous forecasts. While this is welcome, the situation may change quickly with any improvement in economic circumstances.

Figure 1:  
Tender Price  
Inflation - Annual  
percentage change -  
(contractor  
expectations)

Republic of Ireland	(as of) Q4 2019	(as of) Q2 2020
2020	+4.6%	-0.2%
2021	+4.3%	+0.2%
2022	+3.5%	+1.8%

## Background to this report

Turner & Townsend regularly interact with the supply chain in order to better understand the market dynamics which are fundamentally affecting construction price and cost movements in the Republic of Ireland. Every six months we collate survey responses from Irish contractors, allowing us to glean a snapshot of the local market place. This enables us to provide our clients with the most relevant and up to date market intelligence.

# COVID-19 particular issues

Due to COVID-19, sentiment shows a market that is not confident in its short to medium term outlook. Some 61.5 percent of contractors surveyed believe that the market is cooling while 38.5 percent believe the market to be staying the same. Combined with a poor outlook on tendering conditions, where a majority of respondents suggest that the market is cold or lukewarm, the immediate outlook for the industry is clearly unhealthy.

Main findings from surveyed contractors on COVID-19 related issues:

- 69.2 percent of contractors surveyed have suggested that there is now increased commercial tension applied to their supply chain. As workflow becomes less plentiful this is to be expected.
- 83.3 percent of respondents reported that productivity at the end of June was between 80 and 100 percent. Of these 41.7 percent reported productivity to be at between 90 and 100 percent. As contractors become more used to working in a COVID-19 environment we can expect an increase in productivity.
- 36.4 percent of contractors suggested that productivity will be restored after 18 months while 27.3 percent say that it will be restored fully within 12 months
- 84.6 percent suggest that if productivity is not restored they will continue to work at current levels but with an element of improvement.
- 69.2 percent of respondents suggest that lead times will increase
- On average the cost of a contractor's preliminaries for each project is expected to rise by 11.2 percent to comply with COVID-19 safe working practices. Inevitably these costs will be passed on to the clients
- On average, it is estimated that programme lengths will increase by approximately 9 weeks to comply with COVID-19 safe working practices; the median increase was estimated at 6 weeks
- 46 percent of contractors anticipate a shortage of labour as a result of COVID-19 while 54 percent of contractors anticipate a shortage of materials as a result of COVID-19

In summary COVID-19 has resulted in a short sharp shock to the Irish construction industry. As contractors get used to the new normal and find ways of improving their project's performance they are eagerly looking to the Government to introduce stimuli to help the industry to recover to pre-COVID-19 levels.

Figure 2:  
**Is the construction market getting warmer, cooler or staying the same?**

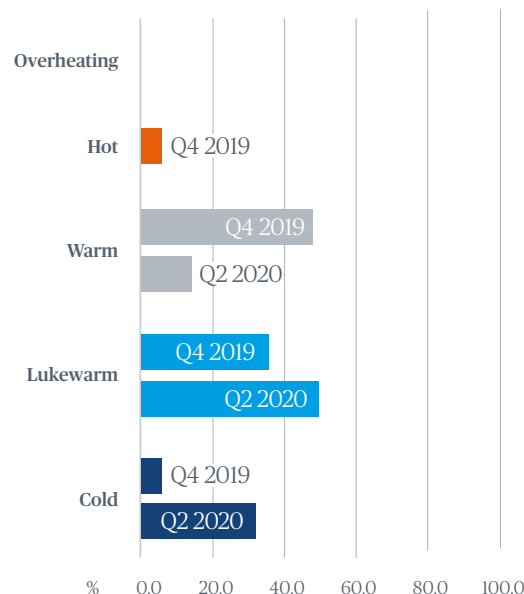
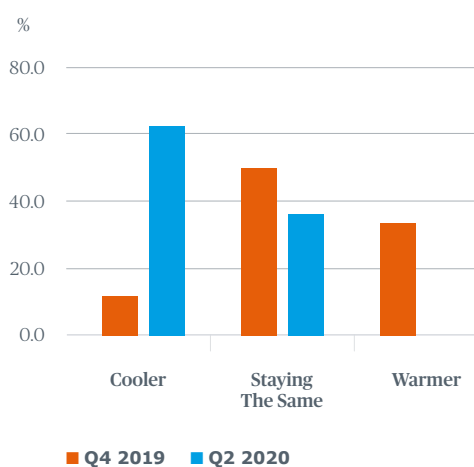


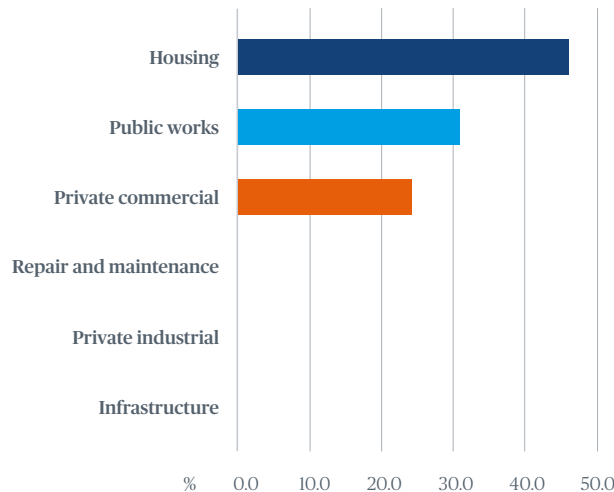
Figure 3:  
**How would you describe market tendering conditions**

- **Overheating**  
Shortage of builders, minimal competition, prices very high.
- **Hot**  
Little competition, work easy to get, tender prices high.
- **Warm**  
Moderate competition, moderate tender prices.
- **Lukewarm**  
Strong competition, moderate tender prices.
- **Cold**  
Intense competition, not much work, prices low.

# Residential sector continues to grow

The residential sector is again the top performer according to respondents, with 46.2 percent of respondents stating it as their top performing sector.

Figure 4:  
What is the top performing sector within your region of work?



Residential, including housing has been a focus in the Irish construction industry for the past 18 months and we expect this to continue into the foreseeable future.

The public works sector is now perceived as the 2nd strongest performing sector among surveyed contractors and 30.8 percent of respondents now consider this sector to be their top performing sector. Our previous survey from December 2019 noted that only 6.3 percent of contractors considered this to be their top performing sector. This represents a big jump in the past 6 months and is reflective of the current perceived importance of the more stable and safe public sector works projects.

The private commercial sector lags behind at 23.1 percent, reflecting the lack of projects, including commercial fit-outs.

Despite COVID-19, contractors have again reported healthy current order books although this has decreased to 81.0 percent from 83.4 percent for the period ending December 2019. This relatively healthy order book is, however, based on projects won, and will quickly fall off should sufficient market opportunities not arise. Despite COVID-19 margins remain relatively static and are currently 4.2 percent on average of surveyed contractors.

Figure 5:  
On a typical medium commercial job (5000m2 GFA), what are your margins, preliminaries and overheads & profit?

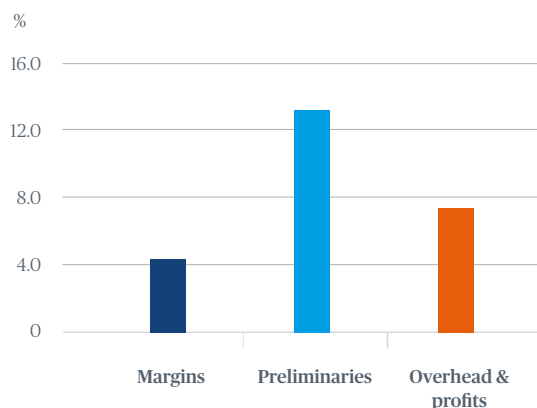


Figure 6:  
Approximately how full is your order book for the following financial years

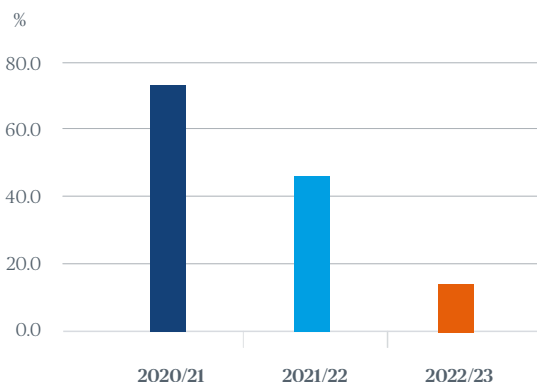


Figure 7:  
What capacity (%) is your company currently operating at? (100% = full capacity)



**81.0%**

88% as of Q4 2019



# Ireland output summary

Construction activity in the Republic of Ireland increased by 4.7 percent during the first three months of 2020 and by 14.9 percent during the past 12 months, this represents a sizeable level of growth up to the point of COVID-19.

During the first three months of 2020 the largest increase in construction volume was in civil engineering projects, which increased by 11.7 percent and is a welcome sign after having been relatively quiet sector for the past number of years. During the past 12 months the residential sector has again seen continued and significant growth and has increased in volume by 29.9 percent, reflecting the upsurge in both private and public residential projects being commissioned.

Index: 2015 = 100

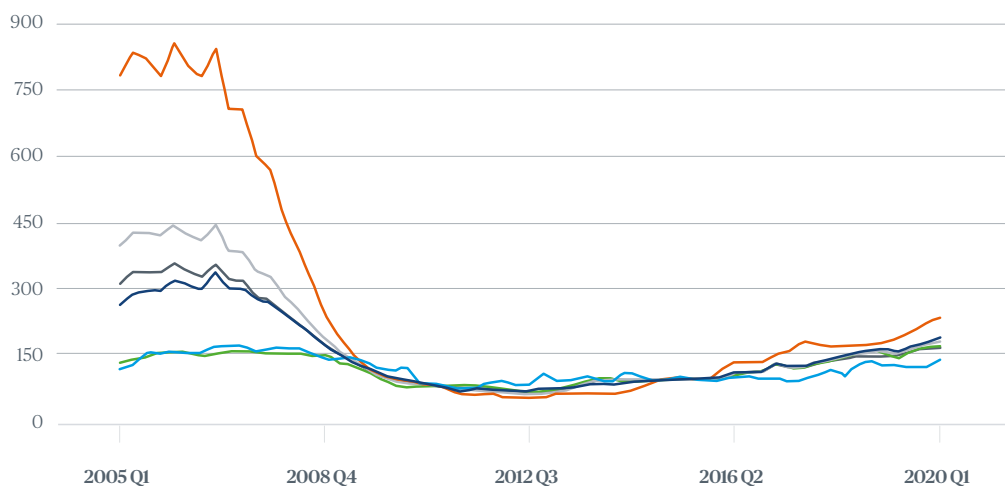


Figure 8:  
**Volume of production index  
in building and construction  
(seasonally adjusted)**

- Civil engineering
- Building (excluding CE)
- Non-residential building
- All building and construction
- Residential building
- All building and construction (Value Index)

Source: Central Statistics Office  
- Data as of Q1 2020

“COVID-19 has put huge pressure on contractors and cash flow, with effectively no public works being tendered since 27 March, and this will lead to more contractors chasing less work.”

10 Pembroke Place ApartHotel

# Labour and material inflation

Figure 9:  
Percentage increase (in nominal terms) of  
construction costs in the last 12 months

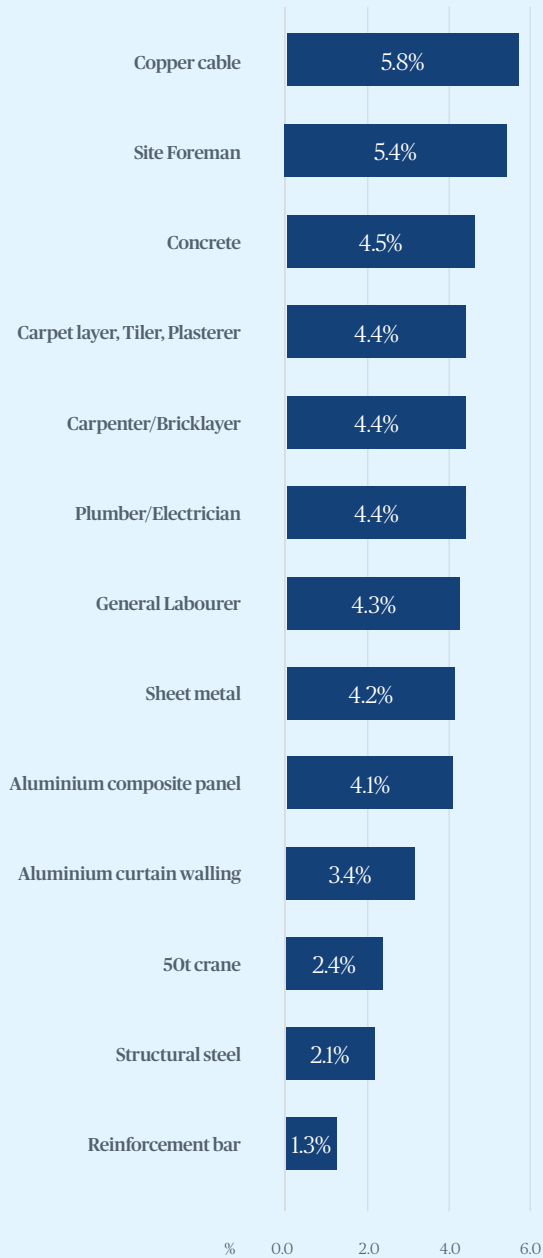
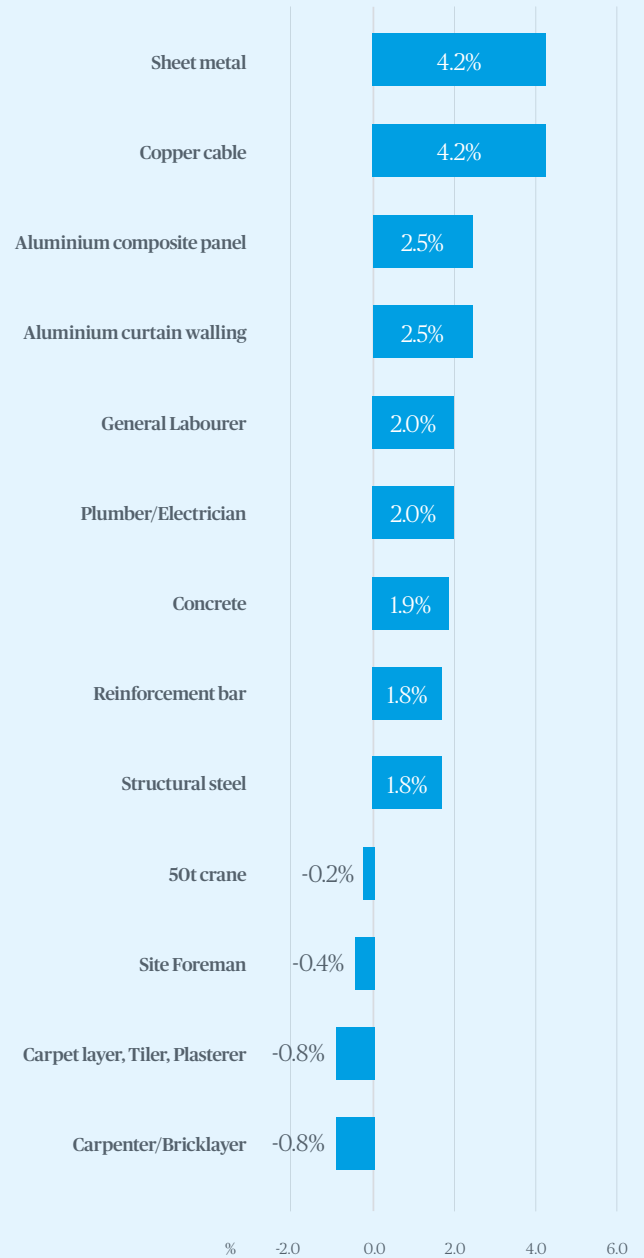


Figure 10:  
Expected percentage increase (in nominal terms) of  
construction costs in the next 12 months



“The difficulty in securing site management staff continues although certain disciplines such as engineers have eased in the past few months. Sub-contractor resources remain very difficult to obtain, as labour and the cost of labour is an issue for them in turn. The regions also remain very unbalanced, with a huge proportion of the works occurring in Dublin and its immediate environs.”

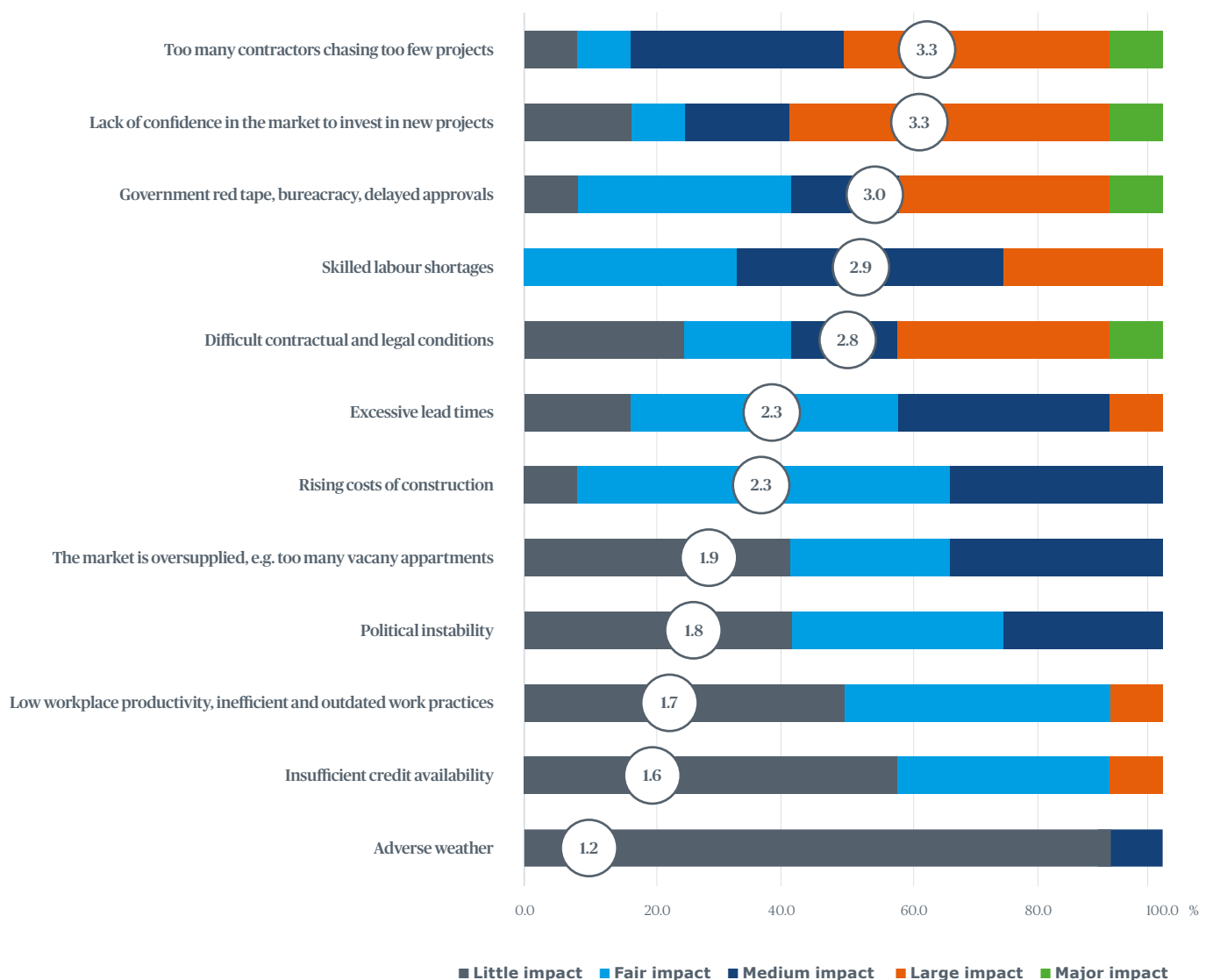
# Key challenges facing the industry

Since our last survey in Q4 2019 the market has changed to such an extent that the key challenges facing the industry are now seen in a totally different light.

For the period up to December 2019 the primary challenges were skilled labour shortages, followed closely by the rising costs of construction. This ties in with where the Irish construction sector was pre COVID-19, a very healthy industry under some pressure, leading to shortages of skilled labour and the accompanying rising costs.

The results of our current survey show that the respondents now perceive the major challenges in order of priority as too many contractors chasing too few projects, a lack of confidence in the market to invest in new projects and delayed approvals including Government red tape and bureaucracy. The primary key challenge is obvious – not enough current work to go around based on the contractors existing sizes and capabilities. The second and third challenges are linked to a delay in decisions being made to proceed with projects, happening on both private and public projects. While many of these projects will eventually receive approval to proceed it is also inevitable that some will be postponed or cancelled.

“The hospitality market has paused and there is a shortage of private work. Many contractors are focusing back on public works, which is leading to intense competition. There will inevitably be numerous companies going into insolvency as they were relying on cashflow.”



The coloured bars represent the proportion of respondents indicating what each challenge is having on delivering construction works. The challenges are then ranked, on a scale of 1 - 5, according to their response.

# About Turner & Townsend

Turner & Townsend is an independent professional services company specialising in programme management, project management, cost and commercial management and advisory across the real estate, infrastructure and natural resources sectors.

With 110 offices in 45 countries, we draw on our extensive global and industry experience to manage risk while maximising value and performance during the construction and operation of our clients' assets.

We been working in Ireland for over 60 years. From our Dublin office, our project, cost and advisory specialists work across the island, applying our global expertise on local projects.

## Our team



**Mark Kelly**  
Director, Real Estate and  
Strategic Lead  
e: mark.kelly@turntown.com



**Philip Matthews**  
Director, Project Management  
e: philip.matthews@turntown.com



**Mark Coady**  
Director, Cost Management  
e: mark.coady@turntown.com



**Bryn Griffiths**  
Director, Cost Management  
e: bryn.griffiths@turntown.com



**John Robinson**  
Director, Infrastructure Cost  
Management  
e: john.robinson@turntown.com



**Tom Carey**  
Director, Advisory  
e: tom.carey@turntown.com



**Kris Hudson**  
Senior Economist  
e: kristoffer.hudson@turntown.com

### Dublin office:

Ashford House  
Tara Street  
Dublin 2, D02 VX67  
t: +353 (0)1 400 3300

**[www.turnerandtowntsend.com](http://www.turnerandtowntsend.com)**

© Turner & Townsend Limited. This content is for general information purposes only and does not purport to constitute professional advice. We do not make any representation or give any warranty, express or implied, and shall not be liable for any losses or damages whatsoever, arising from reliance on information contained in this document.

It must not be made available or copied or otherwise quoted or referred to in whole or in part in any way, including orally, to any other party without our express written permission and we accept no liability of whatsoever nature for any use by any other party.

VN/04/2/RE/137/1