

PRESS RELEASE – FEBRUARY 2007

Major Report on the Construction Market - Republic of Ireland 2007

AMA Research has recently published the **2nd Edition** of the **Republic of Ireland Construction Market** report. The report should be of particular interest to individuals and institutional investors, and provides a comprehensive and easy to use review of the rapidly evolving Irish construction sector.

The Irish construction industry has seen considerable growth over the last decade underpinned by unprecedented development in the house-building market, and this report focuses on market characteristics, recent developments and key suppliers to the €36 billion sector. The report analyses the activities of the major contractors within the market and provides a comprehensive review of all key aspects of the construction sector.

Areas covered in the report include a detailed assessment of the major sectors within the private non-residential construction market and a review of the major construction contractors in terms of corporate activity, key project experience, financial indicators and forecasts of major trends. The Report also provides an overview of the construction market in Ireland, both on a National and Regional basis including sectoral output, the impact of both the 2000-2006 and 2007-2013 National Development Plans, Public Private Partnerships, planning issues and forecasts of future trends.

Analysis of market developments has been based upon both quantitative and qualitative assessments of both primary and secondary source data. Interpretation of relevant data has been undertaken to explore and support trends within the construction market and to provide a basis for forecasts of future prospects. The report comprises of **87** pages and **30** tables and charts and is available now, priced to give excellent value, for money at **£625**.

Editors Note:

Enclosed is a summary of the report. Please use brief extracts if you wish, but we would request that references to company market share are not published with our prior permission. If you require further information please consult our website, or contact: -

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NB: It would be appreciated if a copy of the review could be forwarded to AMA Research. Thank you.

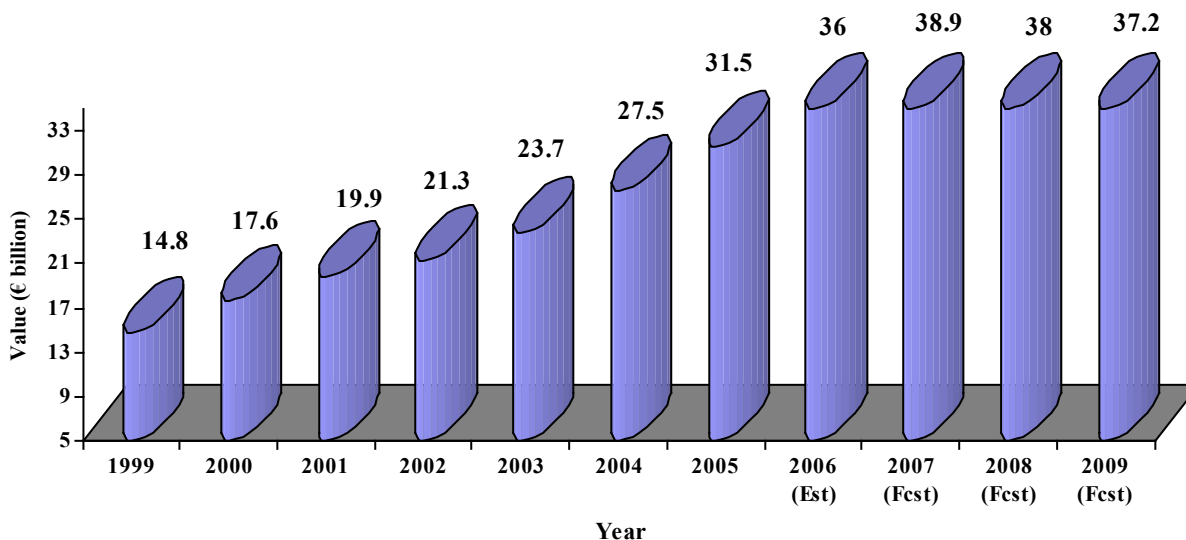
MAJOR REPORT ON THE CONSTRUCTION MARKET - REPUBLIC OF IRELAND 2007

SUMMARY

The construction industry now accounts for around **one quarter of Ireland's economic activity** and has become a major growth sector within the context of the overall economy. As a percentage of GDP, construction output represented around 19.5% in 2006 and 13% of the national labour force are now engaged in construction activities. Although now slowing, output of Ireland's construction sector has risen rapidly over the past decade, with strong demand for residential, commercial and infrastructure development, underpinned both by rapid economic growth and by the country's demographic profile.

The value of output in the **overall construction industry** during 2006 was estimated to be around €36 billion, which represents a 15% increase on the previous year when the value of output stood at €31.5 billion. The value of output in the construction industry is forecast to increase to €38.8 billion in 2007, which represents an increase in value terms of almost 8%. The following table shows the value of construction output over the 10-year period 1999 to 2009 with forecasts for output from 2007-2009. The figures are based on all new work within the construction industry and include all housing, infrastructure, commercial and industrial output in both the public and private sectors.

Value of Construction Output New Work 1999-2009 (€ billion)



Source: Department of the Environment/AMA Research

Current estimates suggest that output in the Irish construction industry will begin to slow in 2007, with output values up just 8% to reach €38.8 billion. After that, the industry is expected to slow in 2008 and 2009 to reach output values of €38 billion and €37.2 billion respectively.

In 2006 the key driver of growth again, was the **house building** sector with current indications suggesting that the number of residential completions could be higher than in 2005, around 92,000, contributing to a total estimated output value of €24.1 billion for the sector, around 67% of total construction output.

The **private non-residential** sector, which includes all industrial, commercial, agricultural, religious and leisure construction output has been one of the growing sectors in the construction market, accounting for 11% of output at €3.9 billion in 2006, including RMI work. This growth represents an increase in output of 13% since 2005 driven by a resurgence of the commercial sector, buoyant economic conditions boosting employment growth and considerable new activity in the hotel and tourism sector. Strong consumer expenditure growth and growth in real incomes continued to boost the demand for retail space in 2006, with significant amounts of development under construction or planned over the 2006-2007 period.

The value of construction related investment associated with new **social infrastructure** projects reached an estimated output value of €2.3 billion in 2006. There has been a substantial increase in the level of investment in new works, alterations and additions under the **Public Capital Programme**, while investment in local authority services has been boosted by spending under the **Waste Infrastructure Capital Grants Scheme**.

Productive infrastructure is also expected to rise by around 11% during 2006 to reach an output value of €5.8 billion, boosted by the first public transport projects under the Government's ten-year transport investment programme, **Transport 21**, published in November 2005. The overall performance is led by roads and energy, where the value of construction related investment expected to rise to €2.2 billion and €1.6 billion respectively. Investment in road and energy projects account for almost three-quarters of the total value of construction investment in this civil engineering sector.

Construction employment over the last decade or so has experienced sustained growth and has substantially exceeded the rate of overall employment growth in the economy since Q2 2003, according to the **Quarterly National Household Survey** issued by the **Central Statistics Office**. At its peak in Q2 2005 construction employment growth reached almost 18% year-on-year. The most recent figures (Q3 2006) show construction employment at 277,800, representing around 13% of persons employed in the total Irish economy. In Q3 2006 the total number of people at work in the Irish economy was just under 2.1 million compared with 1.9 million a year earlier.

The current construction employment figures, recording a 13% average increase in 2005 and a 10% increase in 2006, are supported by the exceptional growth in building and construction output, estimated at over 15% in 2006. Forecasts for 2007 predict that whilst growth in employment levels in construction will remain relatively high, they will begin to slow from current levels of around 10% to 8% in 2007 reaching around 300,000. The rate of growth is expected to decline further to around 6% into 2008 and 2009 as construction output levels fall.

The recent announcement of the new **National Development Plan** to cover the 7 year period until 2013 should stimulate construction activity in the public economic and social infrastructure sectors through increased investment in transport, environmental services, and housing, education, health, childcare and research and development areas. The construction industry will undoubtedly benefit from the Plan, with levels of investment reaching around €184 over the 7 year period. As expected, this second Plan contains a strong emphasis on infrastructure investment, with almost €80 billion or 50% of 2007 GNP budgeted for infrastructure spending (both economic & social) over seven years.

On a regional basis, around 71% of the total output for Ireland was generated in the Southern and Eastern (S&E) region compared with 29% generated in the Border, Midlands and West (BMW) region. One-quarter of the total output was generated in the Dublin region in 2005 and only two regions represented less than 10% of the total: Midland (7%) and Mid-west (8%) The West, South-east, Border, Mid-east and South-west regions accounted for 10%, 11%, 12%, 13% and 14% respectively of total construction output. The regional breakdown of construction output in 2005 is broadly in line with the regional population distribution according to the 2006 Census. The exception is Dublin which currently accounts for one-quarter of the total construction output and 28% of the total population.

The Irish Government is committed to developing the **Public Private Partnership (PPP)** process as a viable procurement option for appropriate projects under the **National Development Plan (NDP)**, although progress in some areas has been slower than in the United Kingdom. The Government has set ambitious targets for Central Government PPP financed investment in the NDP, which provides for some €13.35 billion in PPP funded capital investment over the 2007-2013 period, of which €7.0 is project to be spent on Ireland's transport infrastructure.

The case for the development of PPPs in Ireland has been strengthened by a prolonged period of economic growth in the Republic over the past 10 years, which has placed additional pressures upon the Country's infrastructure, especially in roads and public transport.

The **supply structure** for the Irish construction market is highly fragmented with a large number of small to medium sized companies, many of whom specialise in repair and maintenance activities and operate on a regional basis, with just 12-15% of the estimated 6,000 construction firms employing more than 20 people. The sector is so fragmented that it is estimated that, with the exception of **John Sisk and Sons**, no one concern has more than 3% of the market, and, unlike the UK market, which is dominated by a dozen or so large, quoted companies with separate commercial, civil engineering and house-building operations, the Irish market is characterised by a number of smaller companies who operate across both residential and commercial sectors.

The fragmented nature of the Irish construction industry has been further complicated by the practice of larger contractors employing specialist subcontractors rather than expanding their own labour force. It is also estimated that around 42% of total construction output is undertaken by contracting firms employing more than 20 people, with the remainder being undertaken by smaller firms.

Ireland's leading 150 construction firms turned over more than €9.28 billion (29% of total construction output) in the last financial year for which comprehensive data is available (2005), up from €8 billion in 2004, confirming that Ireland's construction sector continues to boom. It is estimated that the aggregate turnover for total construction firms in 2005 was almost €15 billion (2004 - €12.4 billion).

The Top 20 Irish construction companies turned over more than €5.5 billion (around 17% of total construction output), of which the top 5 contractors accounted for around €3 billion, representing 55%.

The main players include **John Sisk & Son, McInerney Holdings Plc, Pierse Contracting, Michael McNamara, Ascon Contractors, P J Hegarty, P Elliott & Co., John Paul Construction, Roadbridge, John Fleming Construction, G & T Crampton and SIAC Construction.**