

Review

Davis Langdon

PKS

Grand Canal Square



National Development Plan VITAL FOR OUR FUTURE

It is vital for the future economic and social well being of this island that the National Development Plan 2007-2013 is delivered in full.

The National Development Plan is an ambitious framework for the continuing economic development of Ireland.

The Plan published in 2007 with the title **“Transforming Ireland – A Better Quality Of Life For All”**, sets out a six year programme for development.

Conceived and published in a more optimistic economic climate, it is, in a way, even more important in today’s more difficult times.

In the past it has been all too easy for The Minister for Finance to raid the Public Capital Programme when things are tough. Politically it is easier to slow down investment than to reduce public services or increase taxes.

Our new Taoiseach and Minister for Finance should ponder carefully the lessons from the past when a slowdown in investment led to greater unemployment and a reduced tax take. Such decisions in the past, have, to some extent, led to our underinvestment in roads and public transport that must now be targeted as a key part of the National Development Plan.

Things may be tough for Brian Lenihan, the Minister for

Finance, with the tax take down and ever increasing demands on current expenditure. However, this must be put in context. Ireland is one of the few countries in Europe to continue to have a positive or near positive current account – i.e. our current expenditure is approximately equal to our tax take. Prudent borrowing can ensure we have the resources to deliver the National Development Plan by 2013.

The National Development Plan is not only about physical infrastructure. A major focus of the Plan is on investment in education, science, technology and innovation – all equally important keys to Ireland’s future.

A key component of the Plan is “value for money”. With tender levels low and contractors scrapping for every new project, there is no better time to achieve real value for money. In the past we have tended to invest at a time when the construction industry has been busy and tender levels high with negative effects all around. Today we can invest in infrastructure at a time when the industry is hungry for new work and skilled operatives are available in all sectors of the industry.

The Taoiseach, when Minister for Finance, said that the Government would deliver the National Development Plan despite the current economic slow down. We would urge him and the new Minister for Finance to hold their nerve and to ensure that the pace of investment in infrastructure and education is maintained if not accelerated. Future generations will laud them for their courage.

Summer 2008



Construction Output Falls

This year will see a further reduction in the volume of construction output.

The Irish construction industry has experienced 13 years of continuous growth. 2007 saw a reduction in construction volume for the first year since 1993 with a minor reduction of -1.6%.

The reduction in volume in 2008 is likely to be more significant with projections from -11.9% to -16.8%. This reduction is entirely driven by the very dramatic change in the housing market.

New house construction grew steadily over the last 15 years to peak at 93,000 in 2006. A dramatic figure that was unsustainable. Projections for new house completions for 2008 range from 43,000 to 55,000. Based on an estimated 50,000 completions we would expect construction volume to reduce by 13% in 2008.

General Construction will continue to grow partly supported by the Public Capital Programme and the completion of office and retail developments already on site.

Anecdotal evidence suggests a slowdown in Government expenditure on schools and other public buildings but this has been denied by the Government.

Road construction will show some reduction on the level achieved in 2007 but will be compensated by increased investment in public transport – rail and Luas.

Most commentators do not expect housing to pick up until the end of 2009 with the result that overall construction volume is expected to continue to decline in 2009 albeit at a slower pace. Projections range from -0.6% to -2.6%. The good news is that growth is expected to resume in 2010.

In all the talk of a reduction in volume in 2008 we must not lose sight of the fact that the Irish Construction Industry will see a total investment of €32.5 billion in 2008 – still a major investment that will keep very many people very busy.

Atlantic Quarter, South Docklands, Cork



Published projections for construction volume may be summarised as follows:-

	2007	2008	2009	2010
Davis Langdon PKS	-1.6%	-13%	-2%	+2%
ESRI	-1.6%	-11.9%	-2.6%	+5.6%
Central Bank	0.8%	-12.5%	-0.6%	
DKM	2.2%	-16.8%		

Construction Prices

Construction prices increased by +5% between March 2007 and March 2008. This increase was recorded by the Society of Chartered Surveyors Construction Cost Index which monitors the input costs of labour and materials.

However, tender levels – the prices contractors bid for new work have been much more competitive if somewhat erratic.

The perceived shortage of new work coming on to the market has led contractors to submit exceptionally low prices for those projects which are available. Price reductions in the order of -5% to -15% have been recorded. With labour and materials prices increasing such tender price reductions are risky and may lead to difficulties down the road. We expect input prices to increase by +3% and average tender levels to decrease by -8% in 2008.



APARTMENTS

The dramatic reduction in the total number of new houses and apartments completed during the second half of 2007 and the first half of 2008 has been influenced by a number of factors.

Firstly the record number of 93,000 units completed in 2006 was unsustainable in a market where the net demand was in the order of 50,000 units per year. This was partly due to under provision in previous decades, the real increase in the population and relatively low interest rates.

However, there are a number of other, less appreciated factors that influence the market:

- 1 New Regulations – as we have pointed out in previous Reviews, increased standards due to new regulations while universally laudable are not cost free. Regulations increasing the size of apartments and requiring dual aspect apartments while obviously a GOOD THING, cannot be achieved without cost. In the present market such cost increases affect the viability of new projects.

The recent collapse of proposed so called PPP housing developments are but one example of the effect of this trend.

- 2 Financial illiquidity – while we may blame the US Financial and sub-prime markets for the current financial position we cannot ignore the fact that finance is the oil that lubricates the housing market as well as the economy at large. When that oil is scarce, the market will seize up, and until the governing banks take a more realistic attitude the market will stay stalled.



Images from top: Radisson SAS Hotel Dublin 8; O2 Store Arklow; Galway Racecourse; Terminal 2 Dublin Airport.

Sailors

Our sponsored sailors failed to qualify for the Irish squad of the Beijing Olympics. Our congratulations to those who did qualify and our best wishes to Roger Craig (Laser) and Maurice O'Connell and Ben Cooke (Star) whose training, preparation, dedication and sheer hard work must be admired by all.



Promotions

Davis Langdon PKS

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The Directors of Davis Langdon PKS are pleased to announce the following promotions with effect from 1st May 2008:

Regional Director

Tomás Kelly

Associates

Cost Management

Michael O'Driscoll
Anthony McDermott

Project Management

Dominic Kearney
John Quinlan
Stuart Griffin

The promotions not only add strength to the Management Team but confirm the expansion of our service offered to our Clients as we continue to broaden our range of quality services both in Dublin and the Regional Offices.



Davis Langdon
PKS announced in
Top 50 Companies
to Work for in
Ireland

Davis Langdon PKS were named as one of the top companies in this years Great Place to Work Institute listings in the Irish Independent.

This award follows on from Davis Langdon being named in the Sunday Times Best 100 UK Companies to work for 2008 and for the 14th year in succession - Best International Cost Consultancy in Building Design World Architecture magazine.



Tomás Kelly



Anthony McDermott



Dominic Kearney



Michael O'Driscoll



John Quinlan



Stuart Griffin



University College Dublin SLLS Building



Hanover Quay, Dublin 2



The Point Depot