Lockdown 2.0

Covid 2021 – Impact on Residential Construction Output

12th March, 2021

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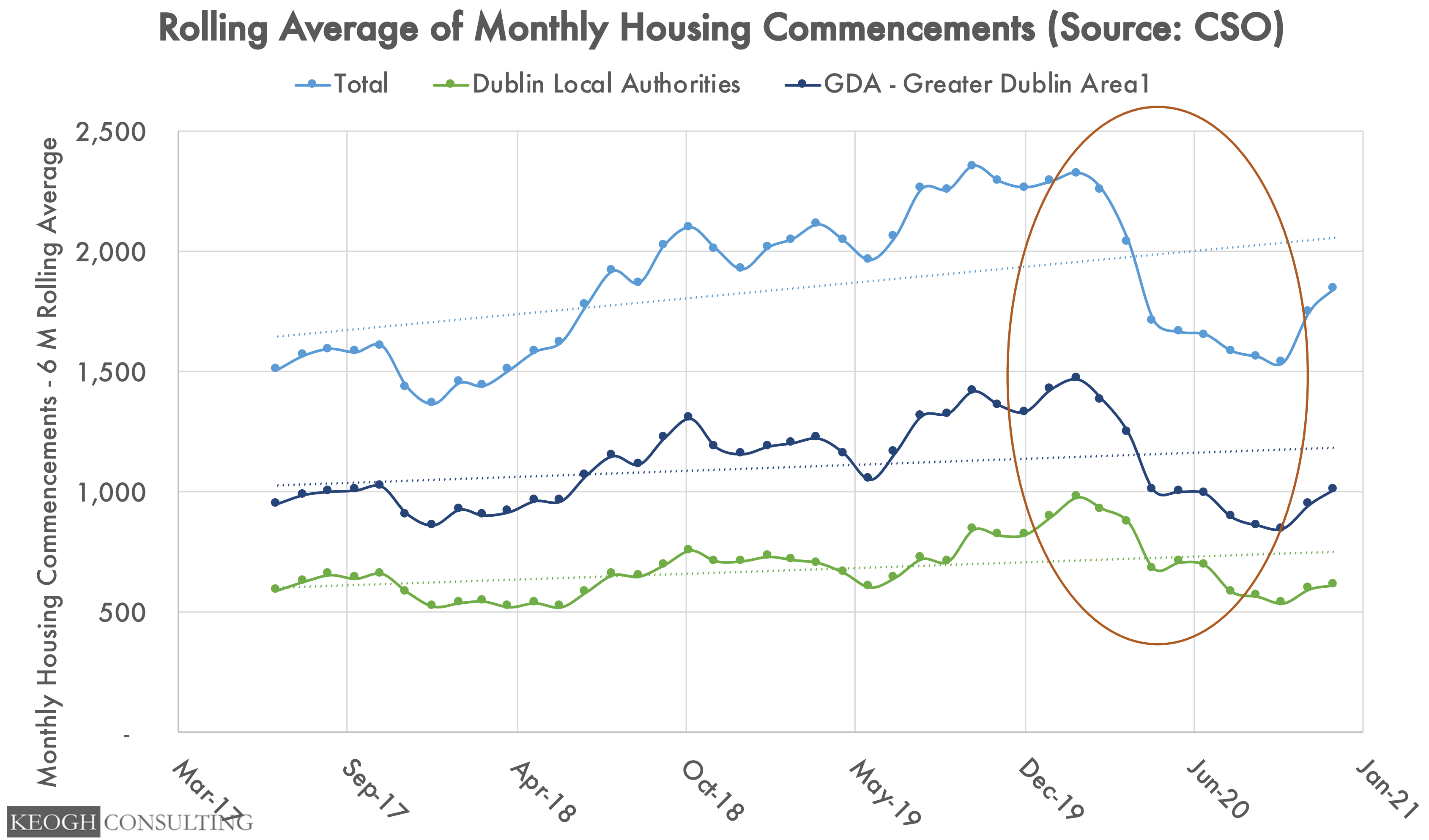
Introduction

- Covid-19 has halted the majority of construction activity. A restart of construction activities on sites will commence hopefully at the beginning of April.
- The pause in construction from January to April, decreased productivity & extended programmes will have an impact on housing completions each month.
- Lockdown is having an impact on output in all sectors of construction activity.
- Social distancing measures that <u>must</u> to be in place have an impact on site productivity and delivery programmes – this will have impact on site overheads.
- Reduced completions will create further difficulties in the housing market and increase the housing supply deficit. Increased Covid saving will have improved affordability of purchase
- Measure to start additional sites from pool of projects with planning granted must be considered

Contents

Reduction of housing commencements in 2020 due to the March/April lockdown – this will have knock on impact on 2021/22 completions



Source: Rolling 6 month average of CSO commencement data

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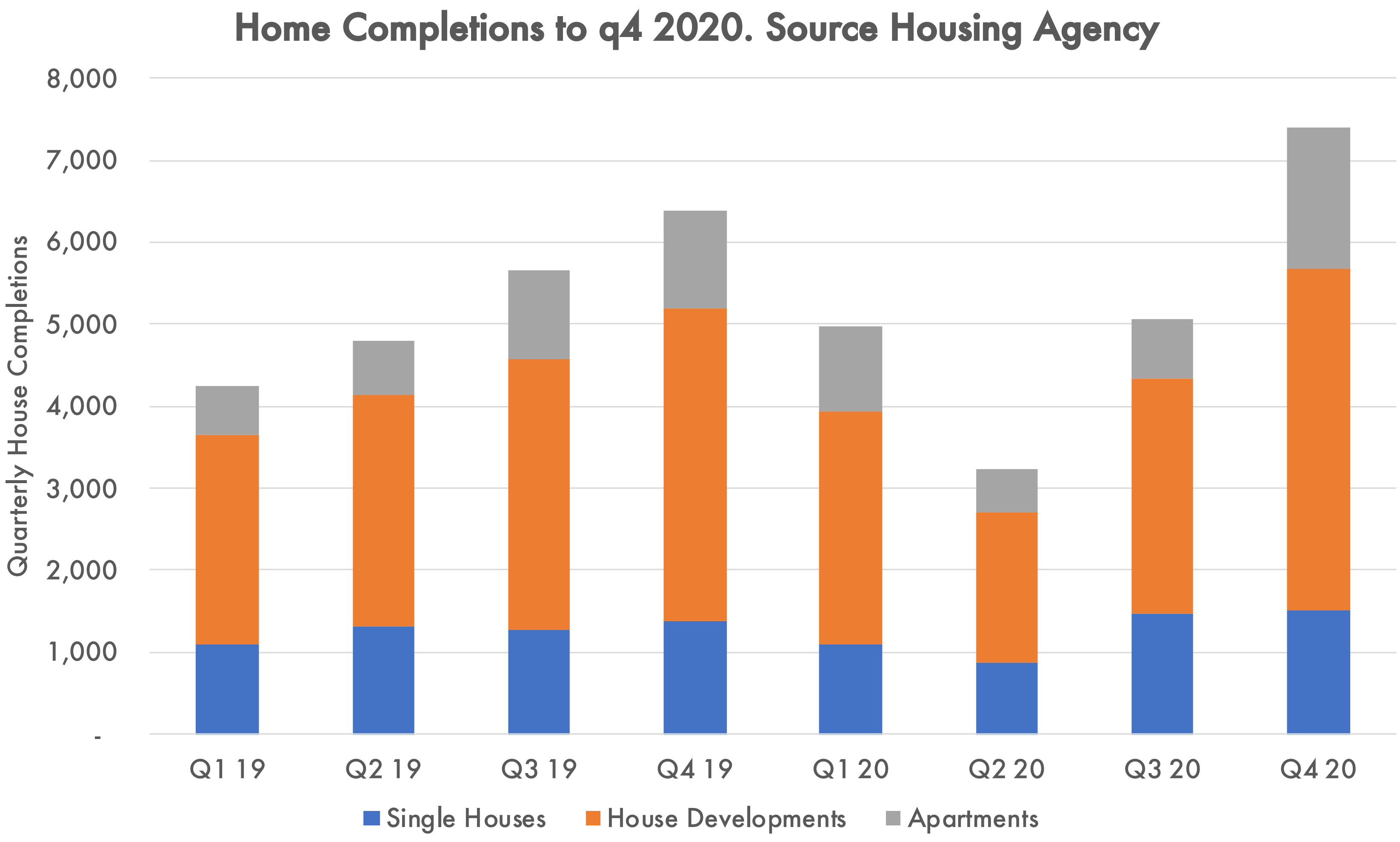
Lockdown and reduced site productivity lowered expected supply in 2020. Completions accelerated in Q4. Similar picture for 2021.



Source: Housing Agency Data

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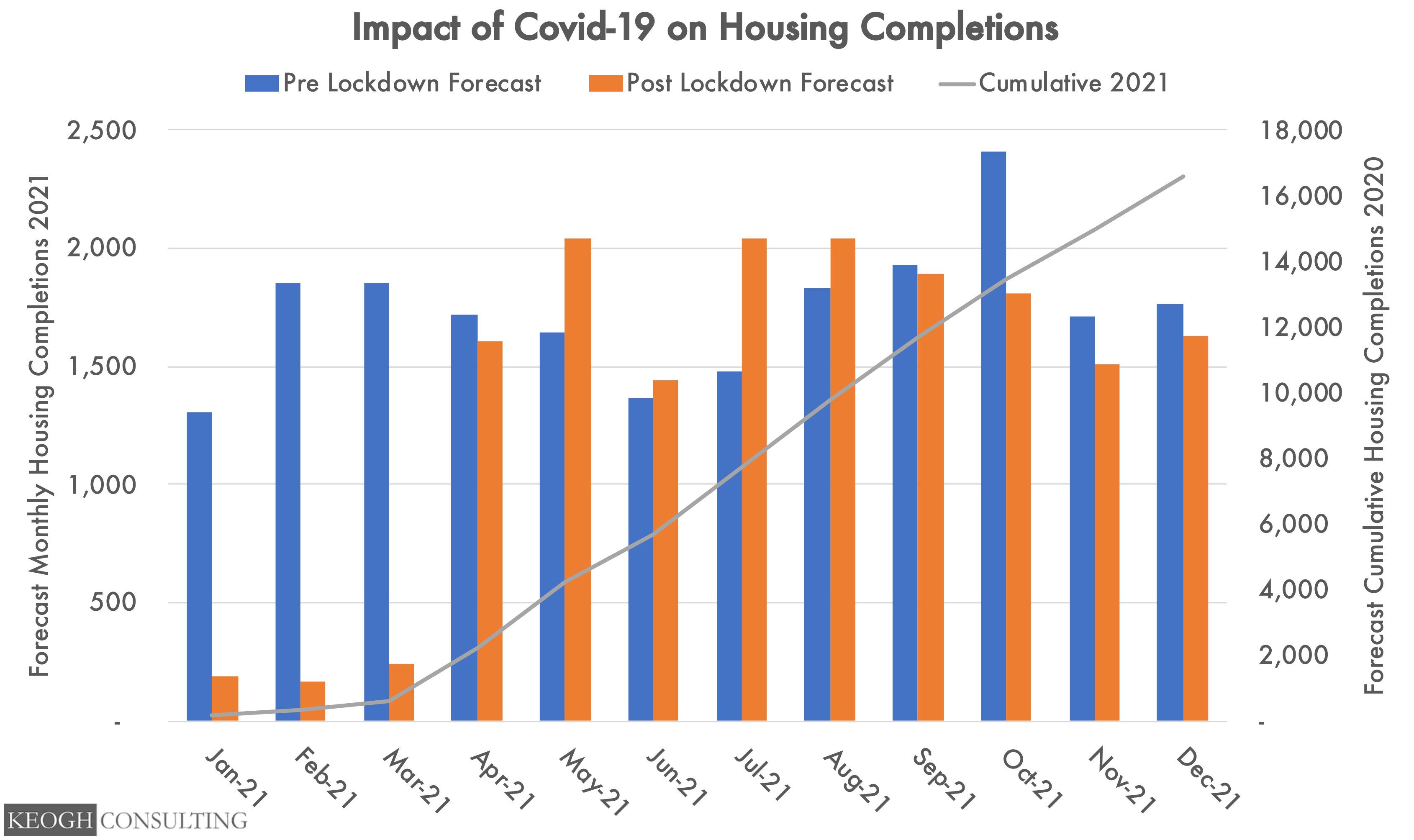
Reduced starts in ‘20 would have had an impact on ‘21 supply without additional impact of Level 5 lockdown to April ‘21.



Source: Keogh Consulting Calculation based on housing starts and assumed time to complete

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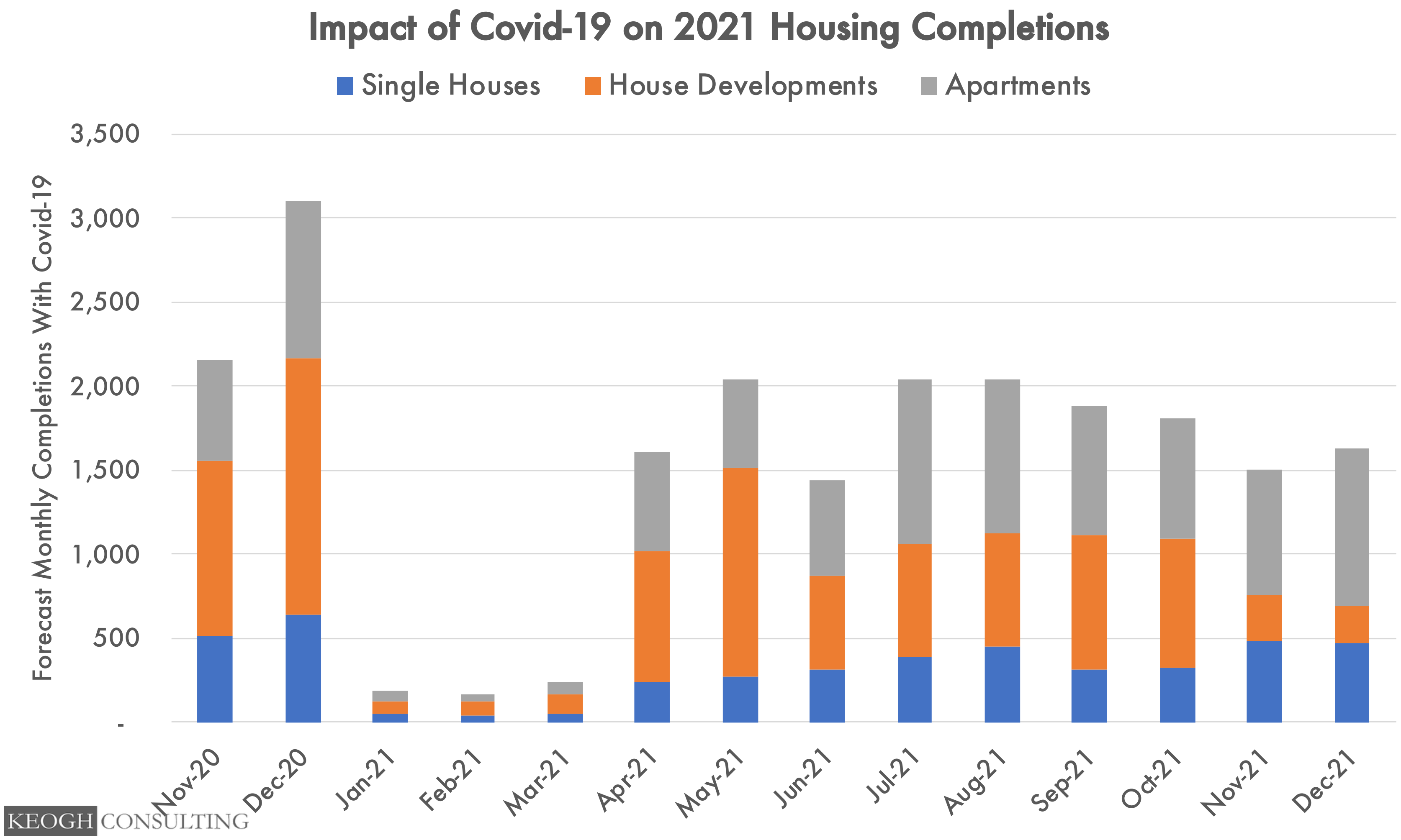
Overall impact is a estimate of output of c.16-18k units in ’21 without any acceleration of activity on sites post lockdown.



Source: Keogh Consulting Calculation based on housing starts and assumed time to complete

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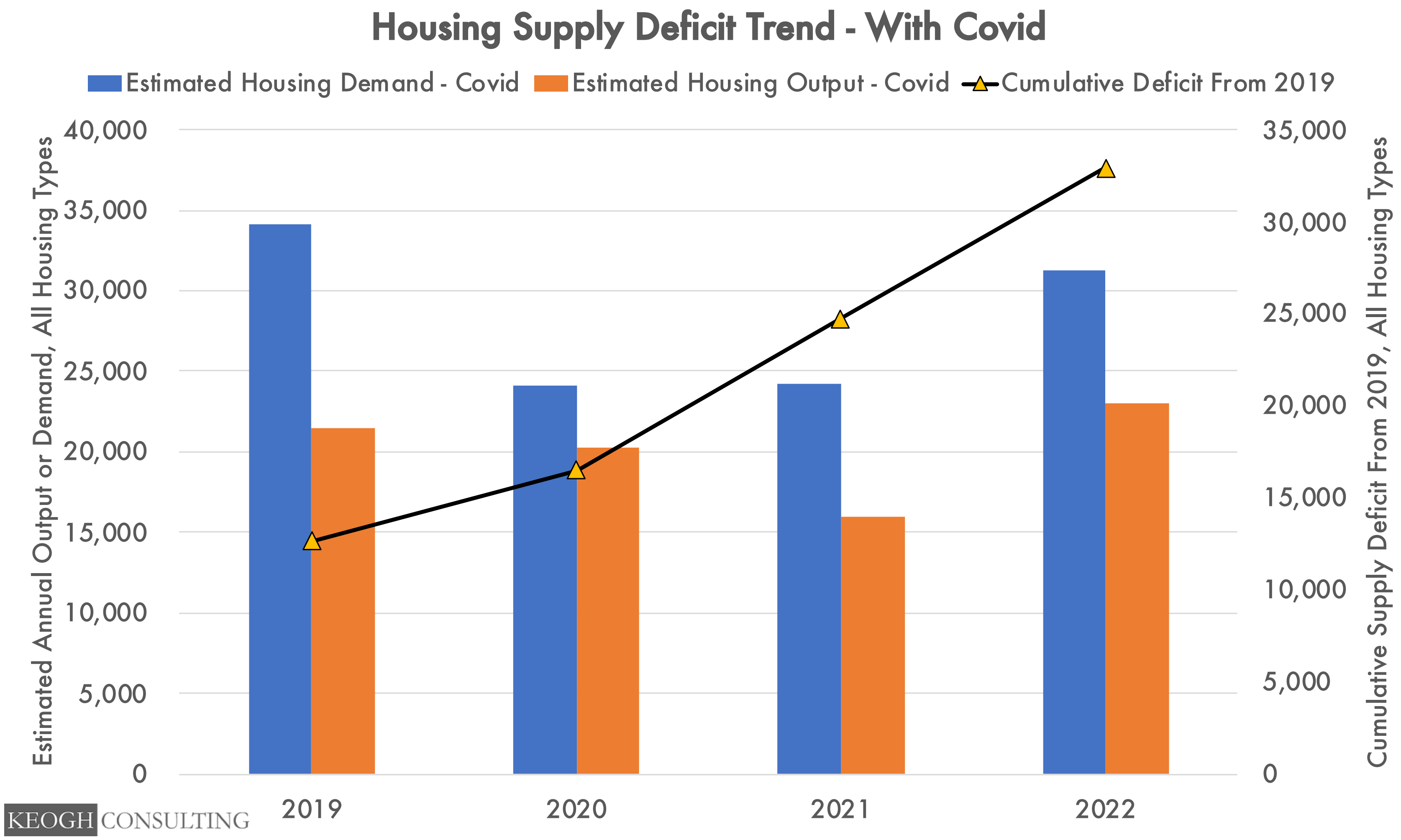
This will result in a bigger housing supply deficit in '21*.



Source: Keogh Consulting Calculation based on housing starts and assumed time to complete, housing demand estimate.

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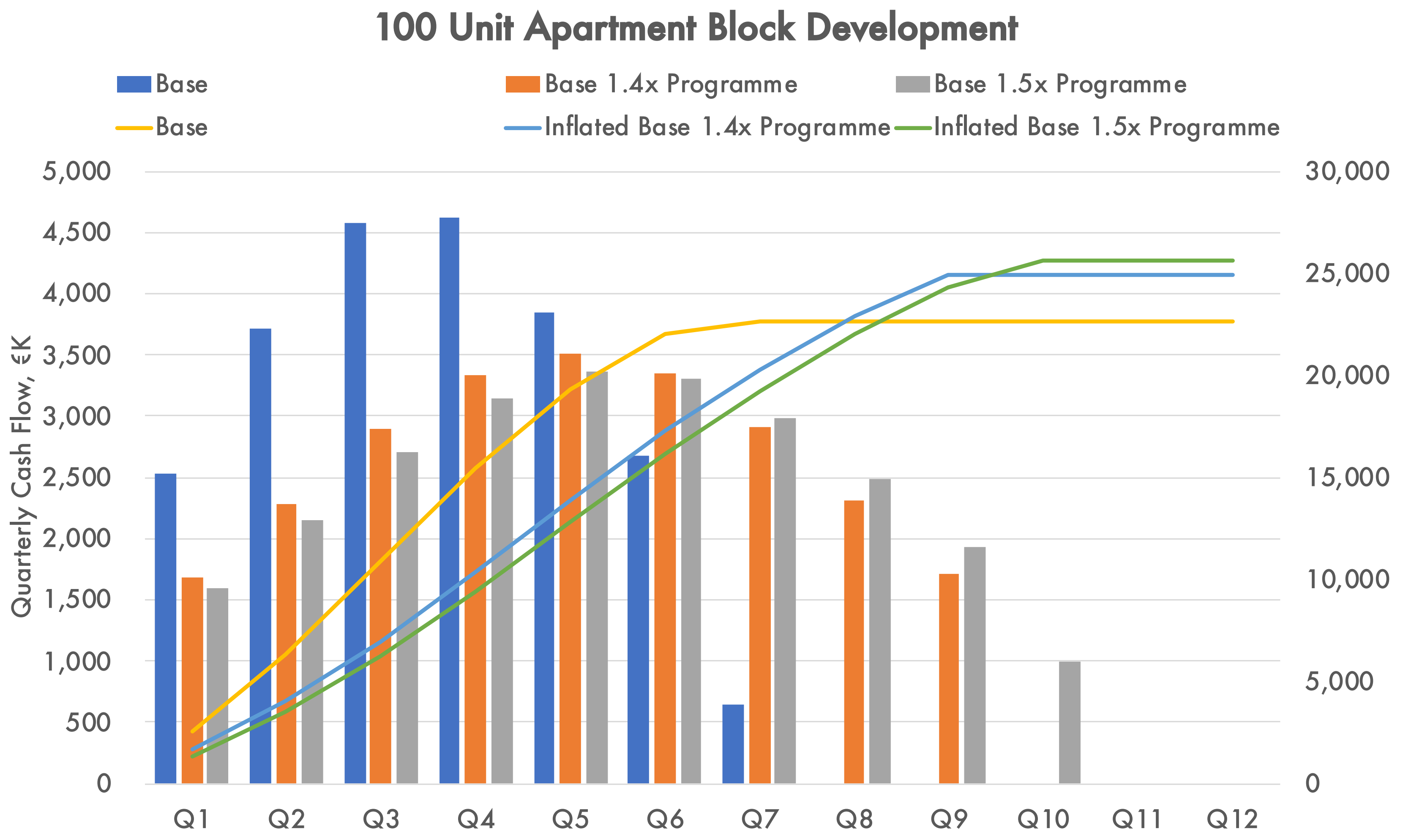
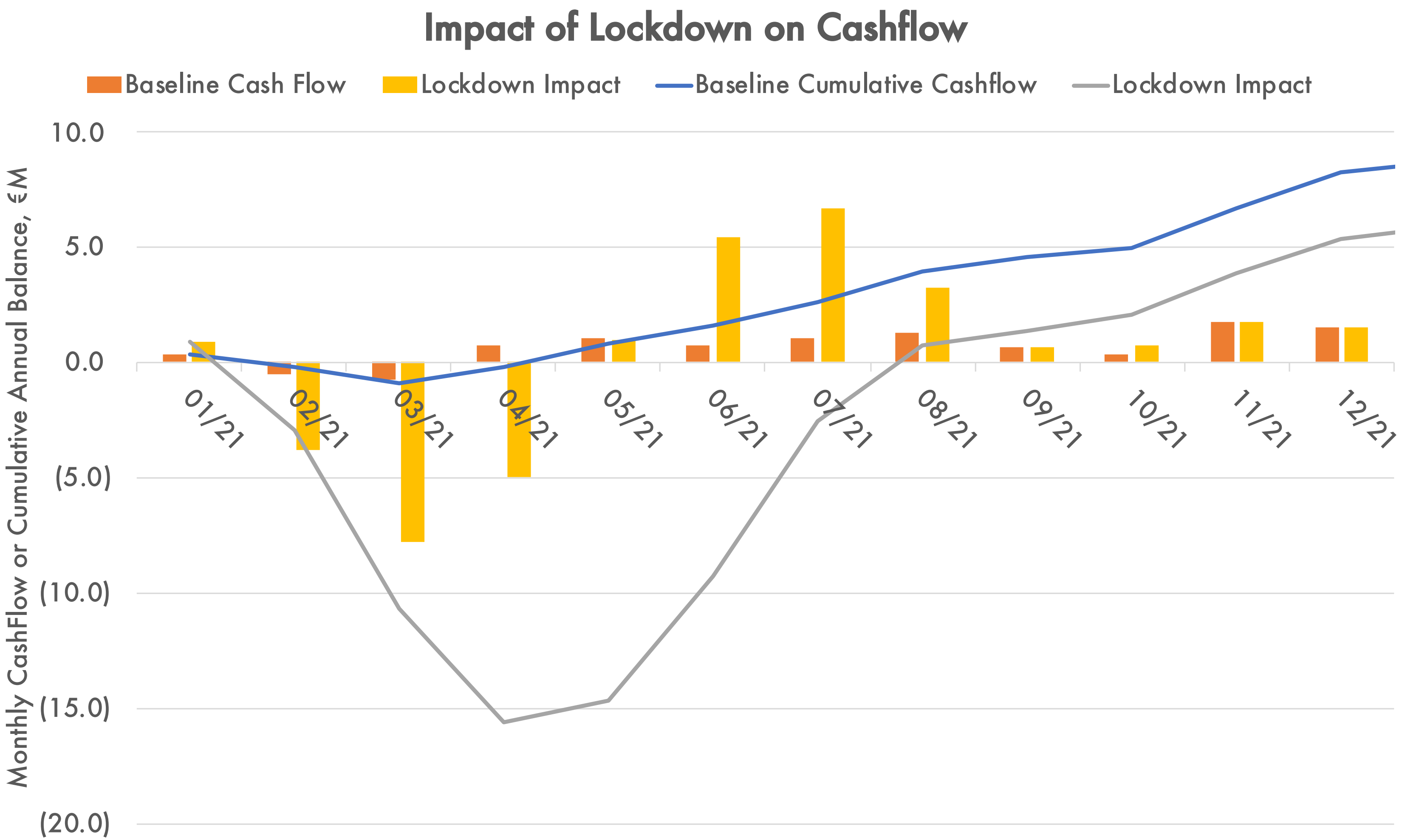
Contractors need to consider the impact of prolonged programmes on cashflow and input costs when pricing new projects

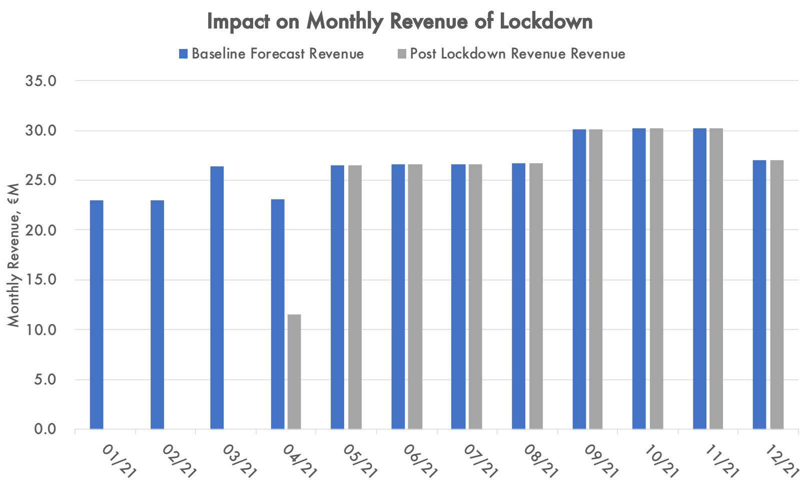


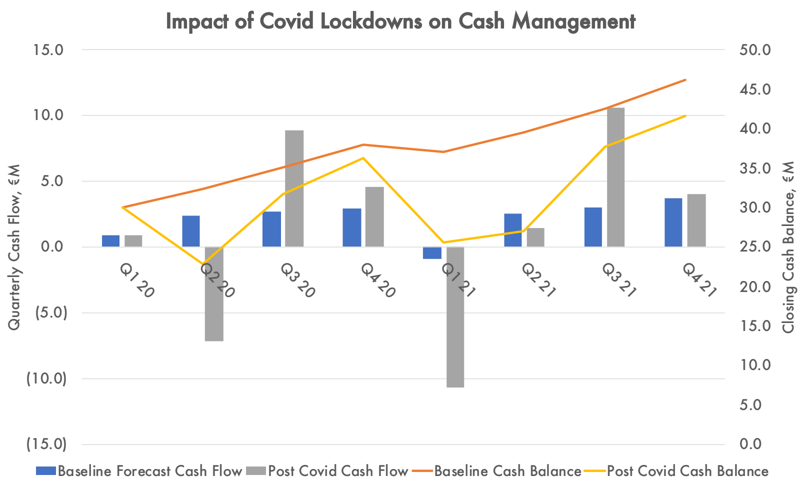
Source: Keogh Consulting calculations

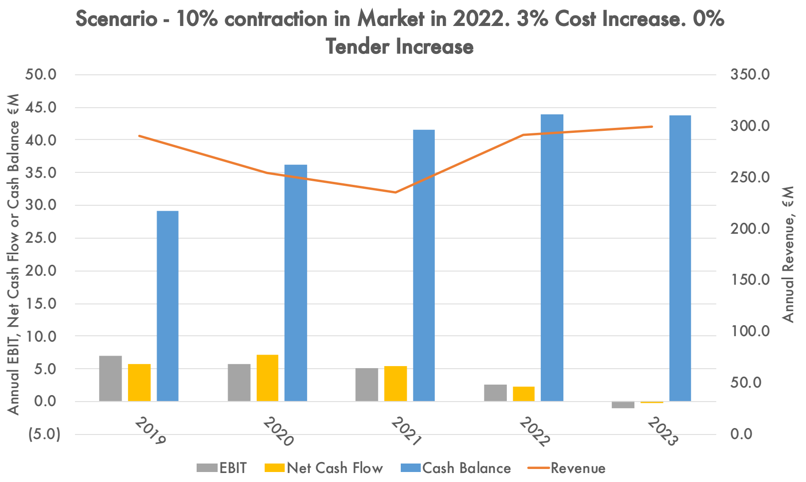
Supply chain relationships are critical. Management of cash cycle key. Up front forecasting helps ensure facilities are in place for pinch points.

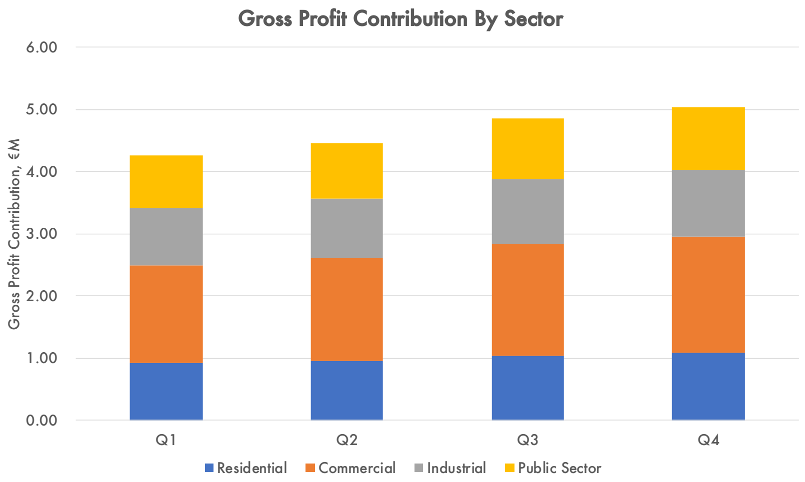


Lockdown has reduced revenues & used up cash. There is a need to look forward to pick sectors to target & price work to retain turnover









Source: Keogh Consulting modelling of indicative €300M turnover main contractor

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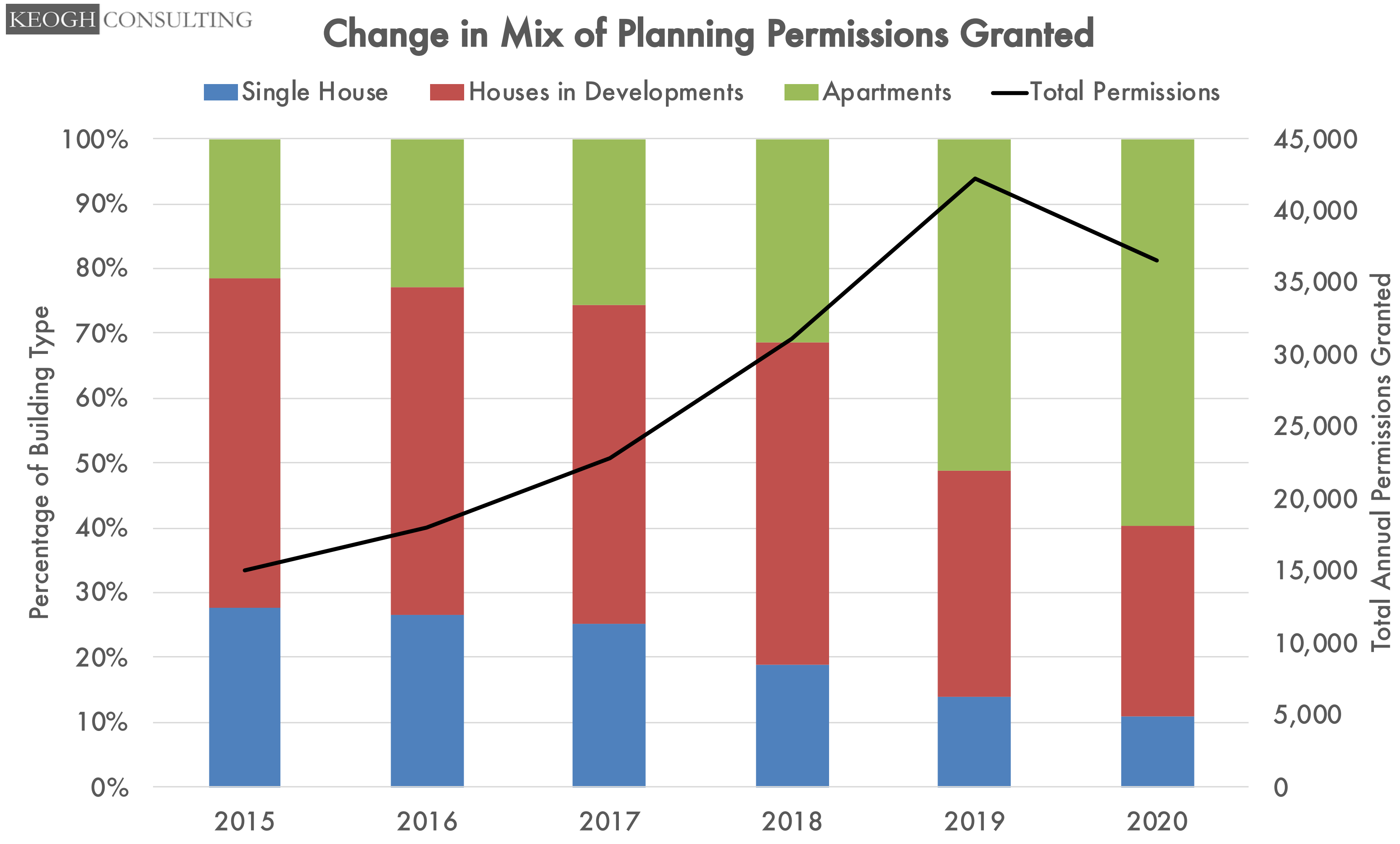
Planning grants are favouring apartments but not converting to commencements due to developer funding challenges



Source: CSO data

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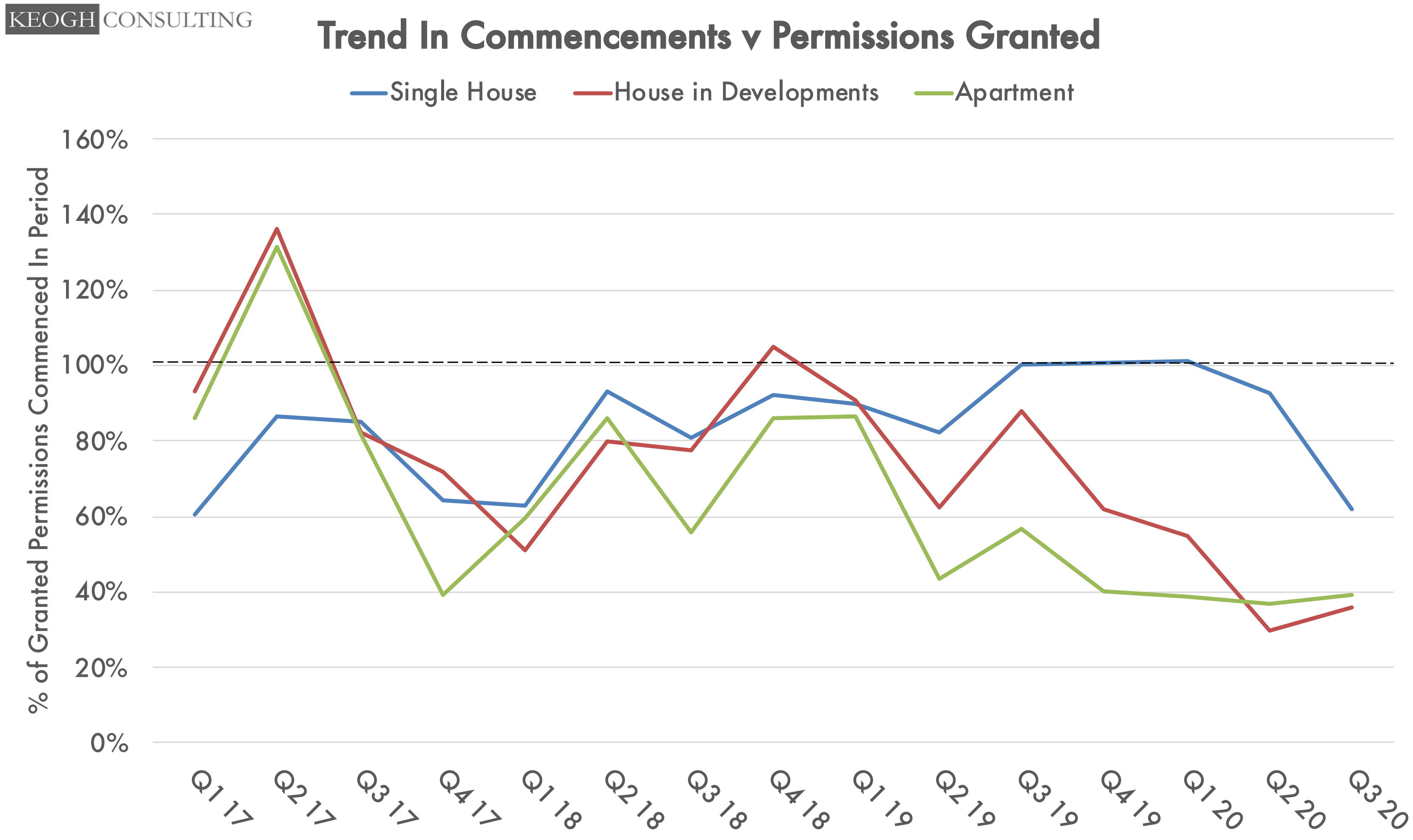
This lack of commencements, with large demand in market, is indicative of current development viability challenges



Source: Keogh Consulting Calculation based on CSO Planning data & CSO housing starts

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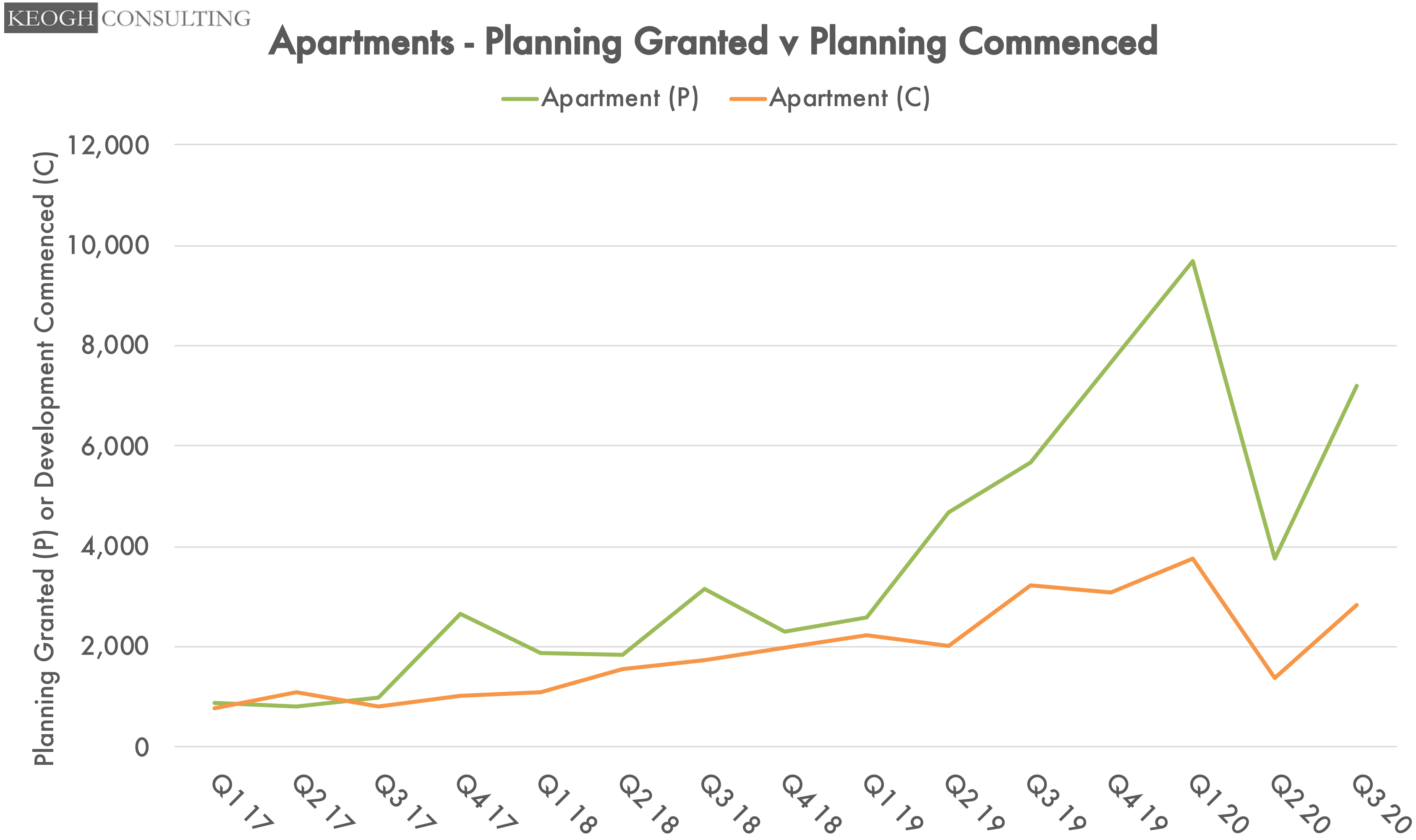
This is particularly the case for apartment development



Source: Keogh Consulting Calculation based on CSO Planning data & CSO housing starts

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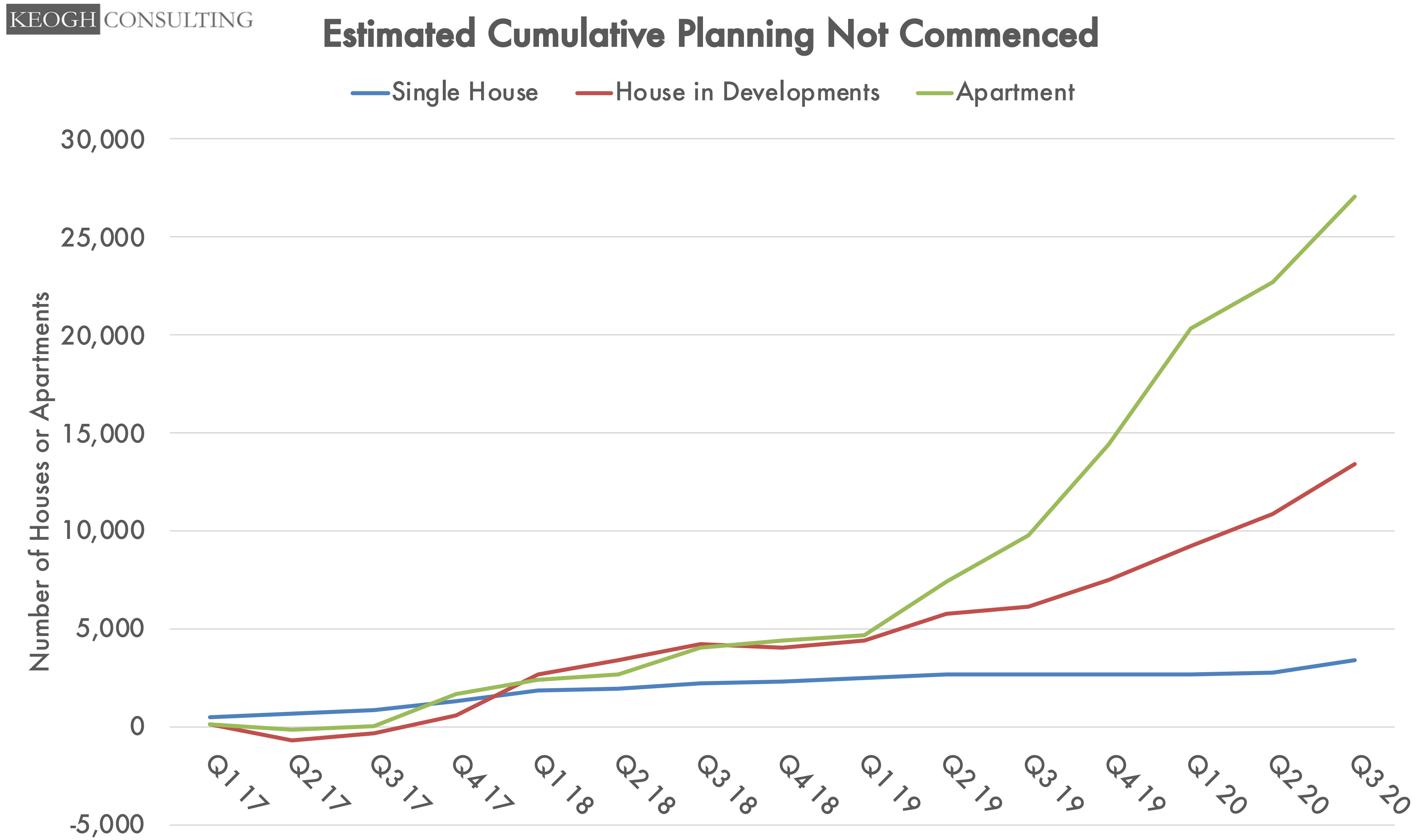
Outcome is a large pipeline (c. 43k units - 2 years of output at current activity levels) ready to start on site.



Source: Keogh Consulting Calculation based on CSO Planning data & CSO housing starts

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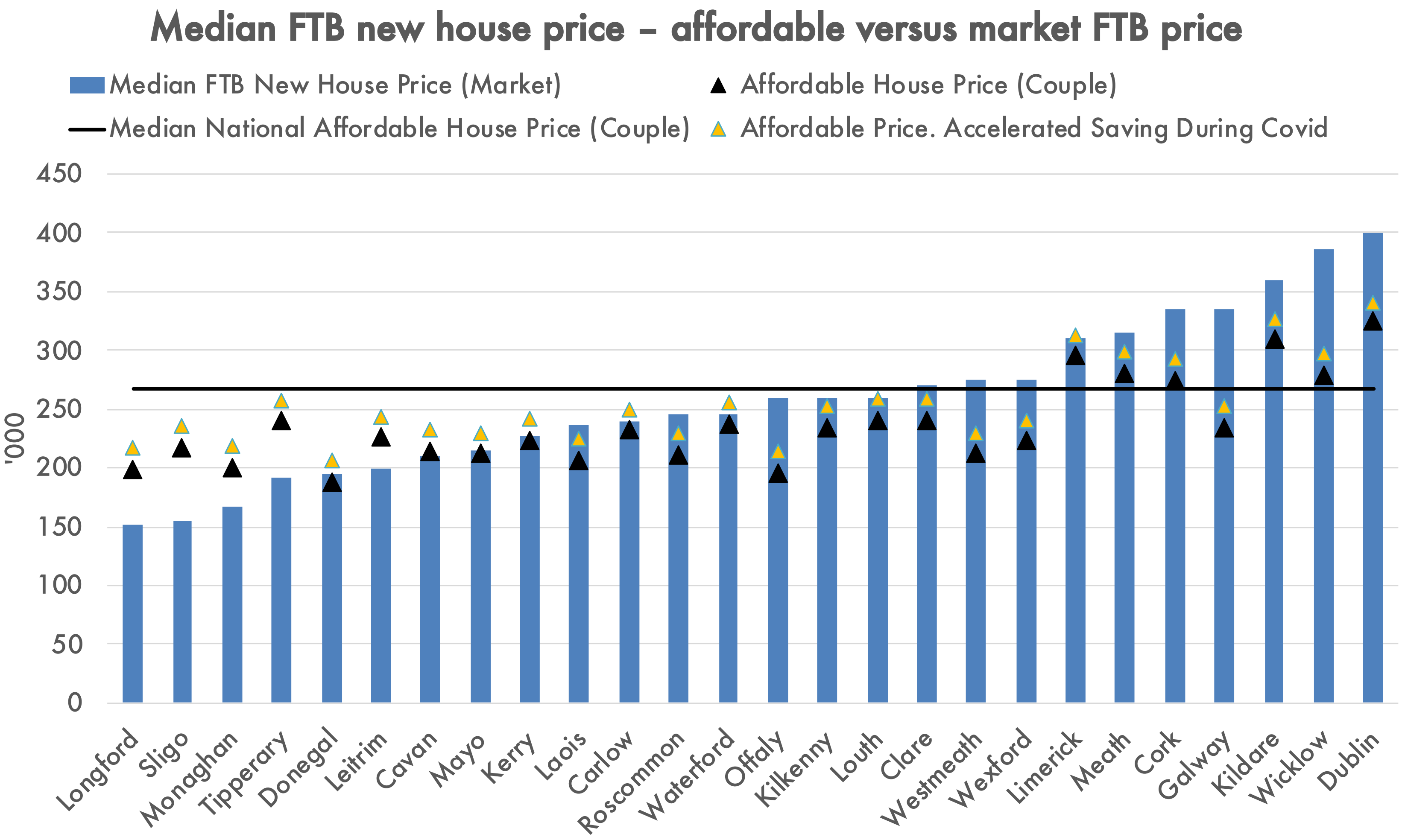
Savings have increased during Covid*. However, estimated increase does not cross the affordability gap for a working FTB couple in most locations



Source: Keogh Consulting Calculation based on CSO Residential Price Register & Uplifted CSO Individual Income per County

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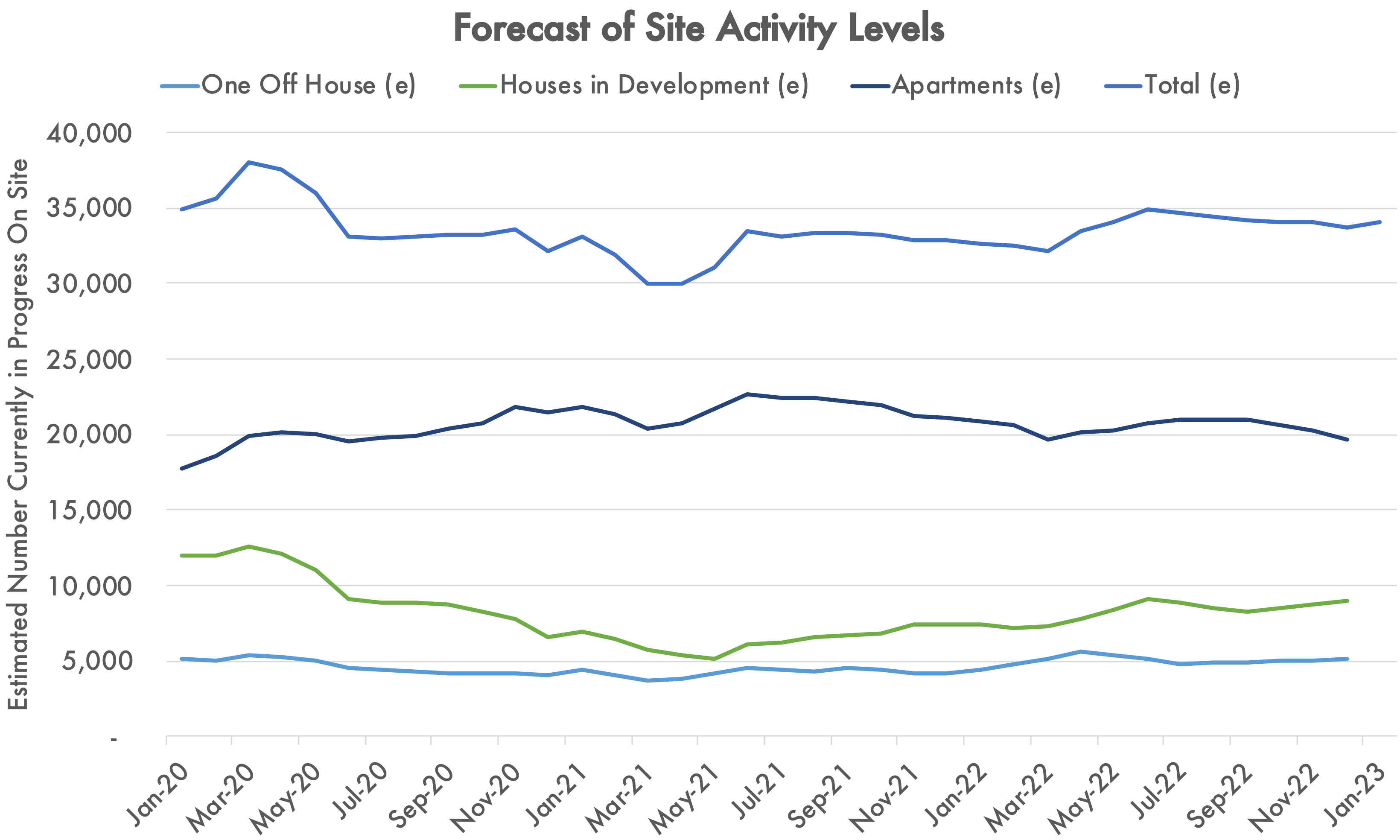
*2 income couple with 80k gross income=>63.6k nett income (NI). Savings from 6.5k p.a. (10.9%NI) to 22.3k p.a. (35.4%NI) during lockdown. Savings data source CSO

Ready to go projects won't start (and activity increase) when delivery cost is above what purchasers are able to afford with loan and savings



Source: Keogh Consulting Calculation based on housing starts and assumed time to complete. Activity = previous close + start - completions

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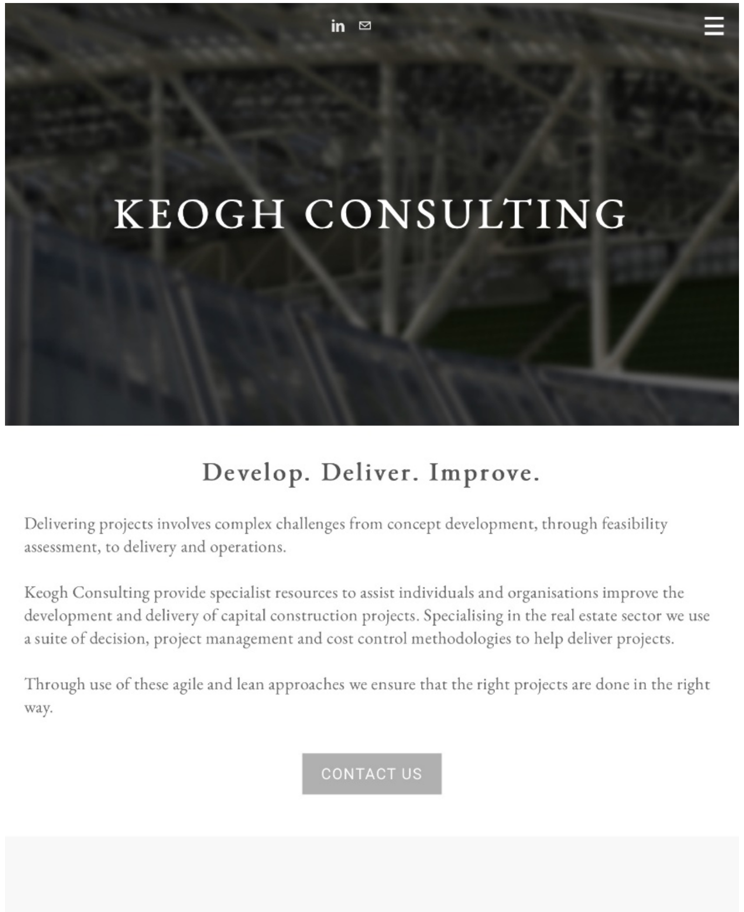

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