

A photograph of a construction site at dusk or dawn. Several large yellow tower cranes are visible against a dark blue sky. The foreground and middle ground are filled with the complex metal framework of a building under construction, including scaffolding and rebar. The overall scene is dimly lit, with the primary light source being the ambient light of the twilight sky.

COVID-19
CONSTRUCTION INDUSTRY
LOCKDOWN NR.2 - Week 2 UPDATE

STAY SAFE

COVID-19 – CONSTRUCTION INDUSTRY LOCKDOWN NR.2

Week 2 – UPDATE (18.01.2021)

CONSTRUCTION SITES



- Sites shut from 8th-31st Jan
- Except schools, GDA, social hsg (28 Feb*), private hsg (31 Jan[†]), manufacturing incl pharma, IT, data centres
- Essential works underway



BREXIT & SUPPLY CHAIN



- Ongoing delays at Ports
- Expansion of direct ferries to Europe
- NI Steel Tariffs up to 25%



DESIGN TEAMS



- ‘Hybrid Working Model’ born
- ‘More of the same’ for the next few months
- More disruption due to higher number of people off



PIPELINE



- Active sectors moving (Resi; data centres etc)
- Retail and Hospitality slower
- Early stage pipeline has reduced but likely to rebound post-vaccine



CONTRACTS



- Contract delay notices being issued
- Tender period extensions due to supply chain resource issues



* project must be scheduled to be complete by this date
 † project must be capable of being occupied by this date

Week 2 UPDATE

CONSTRUCTION SITES



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NOTE: Updated text shown in 'white'; previous week's update shown in 'green'

As at 6pm on Friday 8th January 2021, our construction industry went into lockdown again for the second time since the beginning of the pandemic.

Statutory Instrument Nr.4 of 2021 sets out some exemptions, which are as follows;

1. Covid-19 related projects
2. Primary and post-primary schools
3. Certain projects at TUD, Grangegorman
4. Social housing projects, subject to:
 - i. Needed to alleviate homelessness
 - ii. Funded by Dept. of Housing
 - iii. Scheduled to be complete by 28th February 2021
5. Housing adaptation grant projects
6. Pyrite remediation projects

7. Critical transport and utility works
8. Emergency and repair services
9. Housing projects where works can be occupied by the 31st January 2020
10. Construction projects relating to the following manufacturing areas:

- i. the refining of alumina;
- ii. the manufacture of chemicals and chemical products;
- iii. the manufacture of pharmaceutical products and preparations;
- iv. the manufacture of products necessary for the supply chain of essential services;
- v. the manufacture of computers, electronic and optical products (including semi-conductors);
- vi. the manufacture of electrical equipment, machinery and other equipment (including agricultural and forestry machinery);

- i. the manufacture of medical devices or appliances;
- ii. the manufacture of medicinal, health, dental and other personal hygiene products, equipment, appliances and supplies.

8. Construction projects relating to the following Information and communications areas:
 - i. the provision of services necessary to deliver and support wired telecommunication activities and satellite telecommunication activities and other communications activities (including internet and cloud providers);
 - ii. the provision of data centre services and related services.

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So what's different in this lockdown so far?

- Developers are proceeding with essential works that are part of overall schemes e.g. essential water connections.
- Social housing units that are part of an overall scheme.
- Taking a more cautious approach to progressing with planning and pre-construction works where their clients took a hard negotiating on Lockdown Nr.1.
- Some large sites manufacturing and healthcare sites, that closed in the last lockdown are open this time, for the time-being.
- Off-site progress hampered by supply chain's lack of productivity / closures due to close contacts / actual cases.

- Large data centre sites are open
- The higher rates of infection in the community are having an impact on the number of people off-sick or self-isolating.
- Contractor's ability to stockpile products and supplies is being hampered by the Covid-Brexit double-whammy.

It is understood the CIF are reviewing their SOP to ensure it picks up any new changes in the latest wave. People may have to redo their induction to obtain an up-to-date Digital Card.

Contractor's direct labour on-site are likely to be furloughed this week or redirected to 'essential works' sites. It is understood that some of the large sites still operating under the exemptions have seen an increase in the number of people working on site.

The current restrictions are in place until the 31st January 2021 but will be reviewed prior to this date and likely to be extended unless the number of new daily cases have substantially decreased.

Week 2 UPDATE

BREXIT & SUPPLY CHAIN



- Ongoing delays at Ports
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The long delays at ports on the Ireland-UK routes continued this week as traders & hauliers are still getting to grips with the new onerous customs checks. The food and manufacturing industry seem to be bearing the brunt of the Brexit impact due to food safety and rules of origin paperwork.

The delays have led to many hauliers by-passing the UK land bridge with direct ferry services to Europe via Dublin Port and Rosslare. This surge in demand for direct services has led to ferry companies pulling vessels from British routes to increase services direct to Cherbourg, Bilbao and a new route to Dunkirk. It's not all plain sailing however, with the Freight Transport Association writing to the Taoiseach last week to express concerns that the expansion of services will not be enough to meet freight demand with overbookings on some services.

A really concerning development this week was that Northern Ireland could face immediate tariffs of up to 25% on steel imports from around the world, and could also apply to steel imports from Britain within months. This is due to protective measures the EU introduced in response to US imposed tariffs in 2018 that were designed to prevent large quantities of steel landing on the European market.

This means the UK will have a quota for steel exports to both the EU and Northern Ireland, under the Brexit Northern Ireland Protocol, and once the quota is used up then tariffs of 25% will apply to steel entering Northern Ireland. Also, any steel that is imported from the rest of the world to Northern Ireland will face the same 25% tariff. It's expected that the UK quota will be maxed out in the coming months and when the tariffs apply the price of steel in Northern Ireland will be become uncompetitive.

This is expected to have significant implications for the Irish construction industry as the North is understood to be a key supplier of steel to the island.

The lockdown is an ideal time for clients and their advisors to engage fully with the supply chain to thoroughly review the impact Brexit is having on materials, logistic routes and tariffs.

It's also a good opportunity to ensure that products from UK based supply chains have a CE marking from an EU registered notified body.

Week 2 UPDATE

DESIGN TEAMS



- 'Hybrid Working Model' born
- 'More of the same' for the next few months
- More disruption due to higher number of people off



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The majority of design teams have been working from home since March. Before the latest lockdown there was the start of some more face to face, socially disgreenced meetings as people intrepidly approached a return to more normal working practices but these were put on ice to deal with the latest surge in infection.

The uncertainty about the future of the office seems to have become somewhat clearer over the recent months. The office is not dead. We know we need the social interaction and all that brings but we also like the comforts that home-working can bring. And so – the **Hybrid Model** was born. It will take a couple of years for it to settle down and new work practices to be formed but likely to be a more flexible offering for all.

The endless hibernation has taken its toll on design teams working full-time at home. It is positive to see companies address the mental wellbeing of their employees by talking about the issues being experienced, putting mental healthcare programmes and helplines in place and generally having an open discussion on the topic.

The holidays will have served to charge-up the much depleted reserves used on the run up to Christmas.

The lockdown will prove to be another challenge to companies who will have to divert resources and reassess their operations. School and creche closures are also going to add to the pressure of working at home for parents/guardians.

A lot of companies availed of the Temporary Wage Subsidy Scheme (TWSS) after the first lockdown was announced, which undoubtedly saved jobs in the industry.

Similar to the rest of the industry, albeit to a lesser extent, more people are off-sick due to Covid. The lower numbers are due to the fact that most people have been working from home and didn't have to visit sites pre-lockdown with site meetings being held online.

Project teams don't seem to be gaining the same amount of traction with contractors and sub-contractors due to absence or contractors reducing their time input in a bid to reduce losses this time around.

Week 2 UPDATE

PIPELINE



- Active sectors moving (Resi; data centres etc)
- Retail and Hospitality slower
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In the weeks coming up to the festive break, there was a general feeling of positivity in the market with news of the vaccine and lower number of cases. Pre-construction projects were being pushed through with a view to starting in the new year. Of course, January started with a bang and projects were suddenly put on hold again.

in the design phase. Office projects in key locations have proceeded also. Generally, there has been a noticeable drop-off in the number of new commissions in Q4, a time usually associated with new appointments.

The so-called Tier 1 main contractors have healthy order books for the year ahead including the backlog from 2020 and larger PRS apartment projects, data centres and other major schemes that are in the market. The tiers below tier 1 appear to have more capacity, due to the wider field, and are pricing competitively.

Our view on the pipeline at the various stages, may be summarised as follows:

a) Projects pre-planning application:

Developers have been cautious in the Retail and Hospitality sectors and have only proceeded with the best located projects underpinned by a rock-solid business case. We have seen an increase in the amount of residential projects with some major projects

b) Projects in design:

Funded projects continued unabated in active sectors but this pipeline is being worked through and requires fresh commissions to replenish the early stage pipeline.

d) Projects at contract signing stage:

As reported in our last update (7 July 2020), projects were proceeding through the design stages up to contract signing stage. Some did proceed but many had a long journey with revised appraisals and some refinancing and were planning a new year start. These are obviously now on hold temporarily.

c) Projects at tender stage:

Similar to the design stage, projects are proceeding to tender stage and are being priced by the contractors.

The tendering field is quite complex at the moment and far from uniform.

e) Projects on site:

As per notes on 'Construction Sites'.

Week 2 UPDATE

CONTRACTS



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So, is it going to be any different in Round 2? For many project teams on pre-covid contracts, it will feel like Round 12.

The protracted negotiations from the first lockdown are mostly complete but there are still some to be finalised. The second lockdown will further complicate negotiations as project budgets are already under pressure and parties that have yet to conclude negotiations will find it even more difficult to conclude commercial discussions now.

The projects that are on *post-covid* contracts that have defined clauses are likely to fair better in terms on concluding matters swiftly but it is still a bitter pill to swallow or both sides as they deal with additional costs, postponed revenue and higher finance bills.

The positive side is that contractors adapted very well to the new CIF SOP and there won't be new setup costs for the sites. The new practices themselves will continue to have an impact on productivity although our experience shows that it is not as severe as originally thought.

Contracts with post-covid clauses seek to clearly define cost and time provisions in the event of a shutdown. Contracts were generally found wanting in the aftermath of the first shutdown as parties grappled with the contractual definition of *Force Majeure* and what was covered by the legislative enactment clauses in the various bespoke contracts.

This is now being addressed in post-covid contracts.

Clients are defining what is paid in a government mandated lockdown, for how long and to whom.

Issues that may arise now is that some live post-covid contracts have a maximum lockdown period that is payable for and this lockdown may use up the majority of that period.

Some of the deals on pre-covid contracts for the first lockdown concluded that no further payments would be made for any further shutdowns on the project, which will make for interesting relations going forward.

The first of the contract notices have started to arrive on our projects.

Also, we are seeing contractors seeking extensions of time to tender periods due to resource issues with their supply chain.

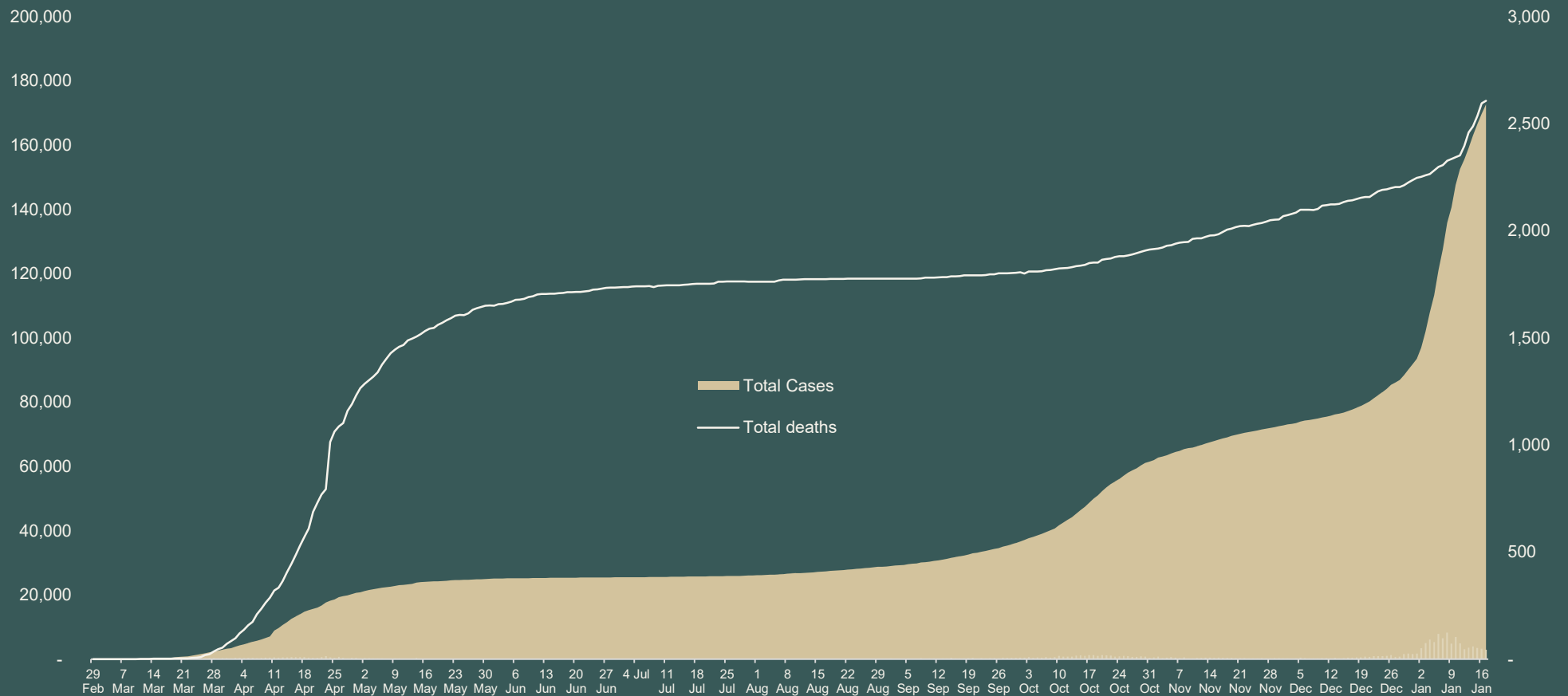
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Source: HSE

COVID-19 STATISTICS

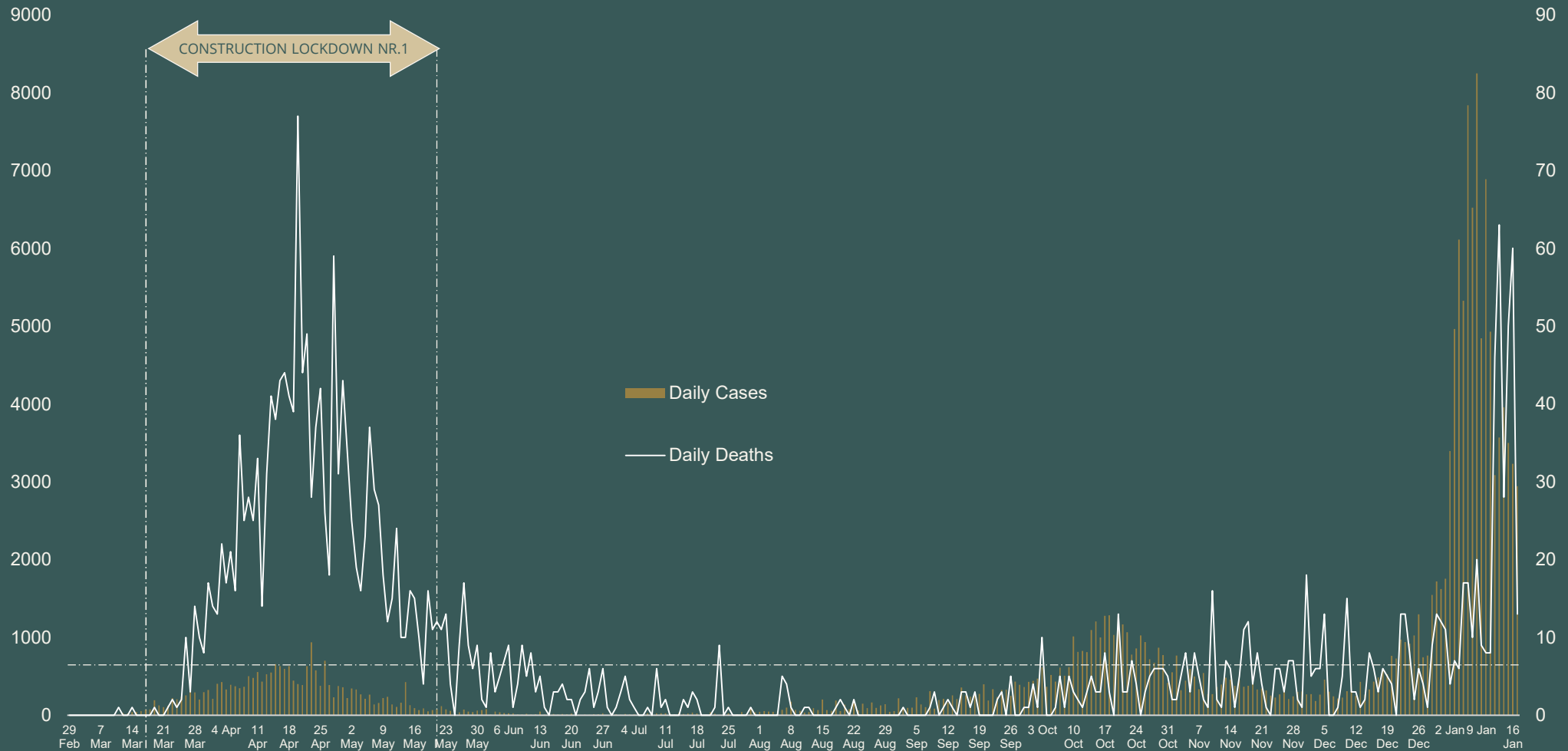
Metric	End of 1 st Lockdown (18 May 2020)	10 Jan 2021	18 Jan 2021
Total Cases	24,200	147,613	172,726
Total Deaths	1,547	2,344	2,608
14-Day Incidence rate	56	1,291	1,530
Positivity rate	3.5%	21.8%	14.6%



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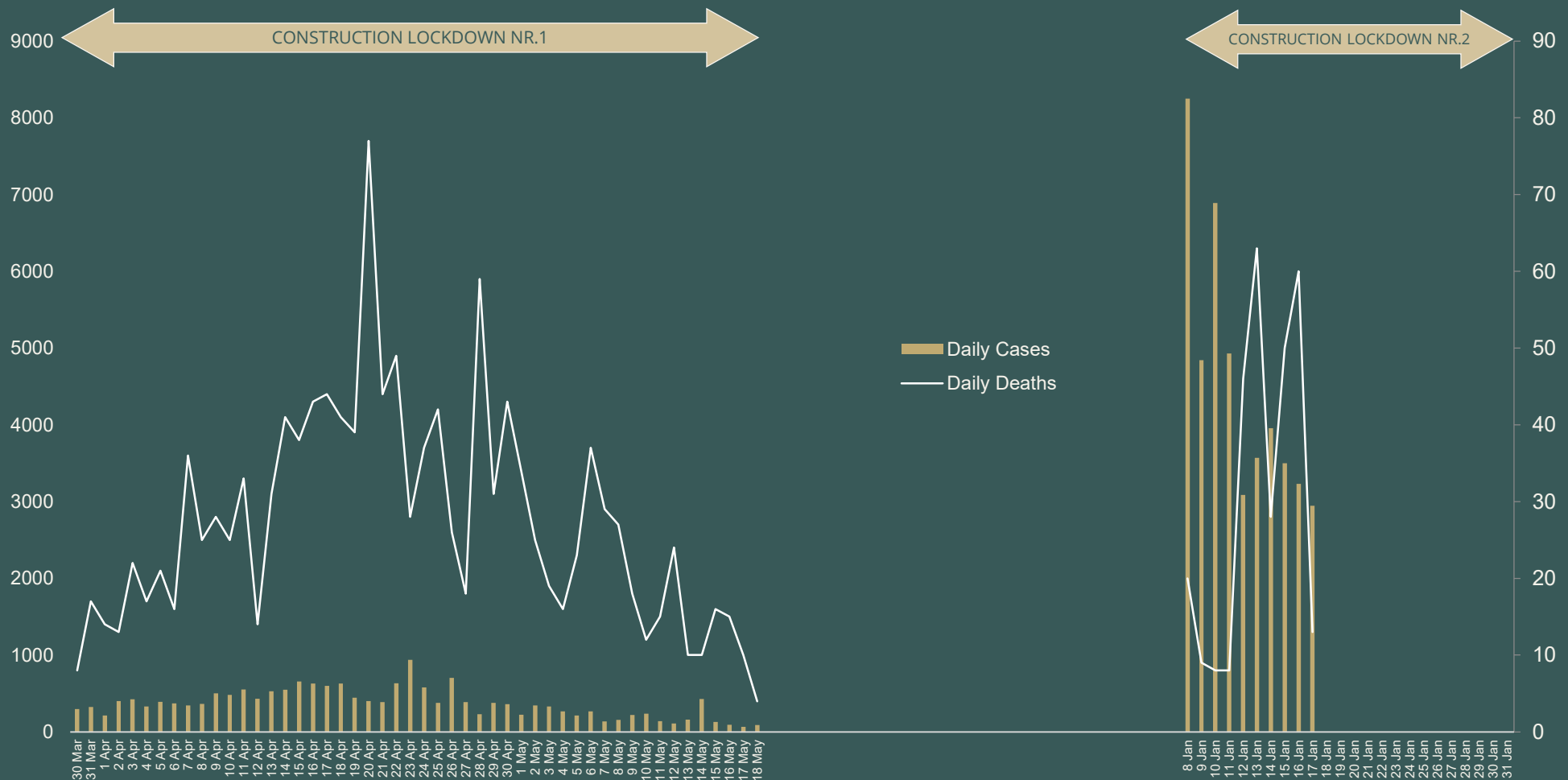
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