Cork Economic Monitor

September 2009

Cork City Council
Comhairle Cathrach Chorcaí

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1.0 National Context

The Irish economy is in second consecutive year of recession. Outlined below are a number of economic indicators of the State's economic performance.

Public Finances
The Exchequer deficit for the first 8 months of 2009 was €18.7 billion, compared to a recorded annual deficit of €12.7 billion for 2008.

Total tax receipts for the first eight months of 2009 was €20.8 billion, down 16% on the same period last year. VAT receipts, stamp duty and income tax were below target, but corporation tax and excise duties were above target.

Total public spending in the period was slightly lower than the April target at €30.8billion but up from €29.7billion, in the same period in 2008. *(Source Department of Finance)*

Gross Domestic Product fell 1% in 2008; forecast to decrease by 8.3% in 2009.
Gross National Product fell 2.6% in 2008; forecast to decrease by 9.4% in 2009.
(Source Central Bank Quarterly Bulletin)

Table 1.1 Economic Growth / Decline

	2007	2008	*(estimate)* 2009	*(forecast) 2010*
GDP	6%	-1%	-8.3%	-2.7%
GNP	4.1%	-2.6%	-9.4%	-3.5%

(Estimates & forecasts from Central Bank)

Consumer Price Index
Consumer prices had a monthly increase of 0.4% in August, the first increase since Sept. 2008. Prices have decreased by 5.9% for the 12 months to August 2009.

The EU Harmonised Index of Consumer Prices rose by 0.2% in August, resulting in a 2.4% decrease for the 12 months to August 2009.

Inflation
The 2008 annual rate of inflation (CPI) for 2008 was 4.1%, compared to 4.9% in 2007. The 2008 EU Harmonised Index of Consumer Prices (HICP) annual rate of inflation was 3.1%. *(Source CSO, 12/02/09, 10/09/09)*

European Central Bank Interest Rate
The ECB set a record low interest rate of 1.0%, effective 13th May, 2009.

ISEQ Index
The ISEQ index has declined sharply over the past two years, from the record 'end-of-year' high of 9,408 in 2006 to 2,343 in 2008. The ISEQ is currently valued at 3,229 points, (28/09/09). *(Source: Irish Stock Exchange, Watson Wyatt 'Statistics in Ireland')*

2.0 Local Indicators

2.1 Labour Market

Nationally, the seasonally adjusted Live Register total increased from 326,100 in January 2009 to 428,800 in August 2009, an increase of 102,700persons; an unadjusted increase of 192,700 (+82%).

(Source CSO 02/09/09)

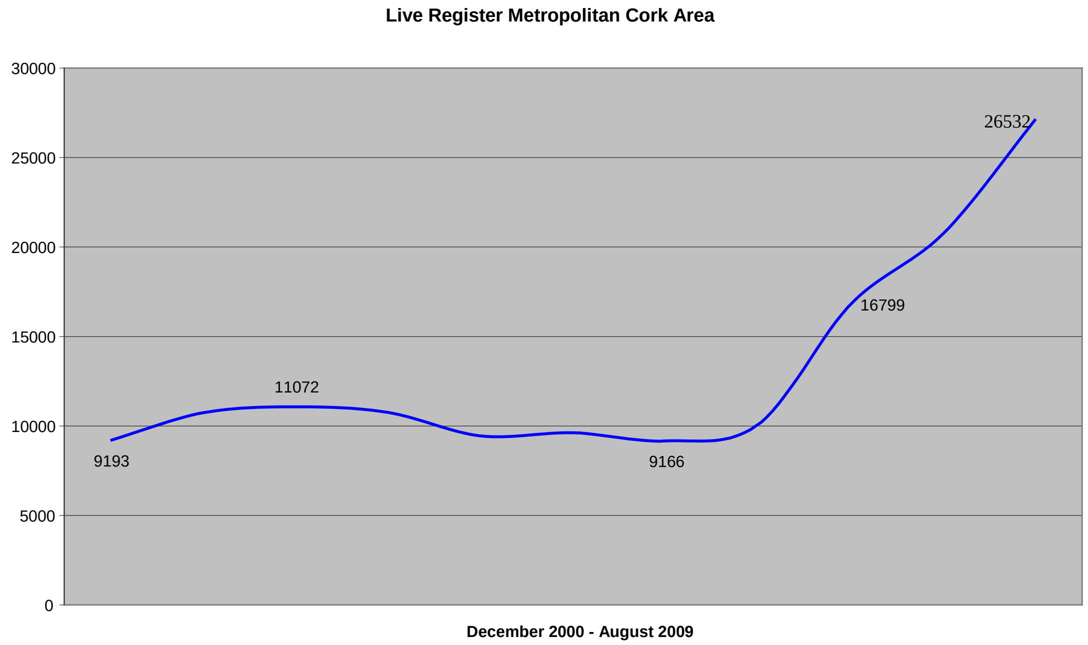
The Live Register total increased by 78% in the Metropolitan Cork area for the period August ’08 - August ’09; compared to a nationwide increase of 76%.

Table 2.1 Live Register 2000 - 2009 Metropolitan Cork

Month	Year	Persons
December	2006	9,166
December	2007	10,090
December	2008	16,799
March	2009	21,921
June	2009	25,814
September	2009	26,532

(Source: CSO)

Figure 2.1 Live Register Metropolitan Cork Area.



Persons on the Live Register 1998-2008
The following table compares Metropolitan Cork area to the National total.

Table 2.2 September 2008 - September 2009

	Metropolitan Cork			Ireland		
	Sept 08	Sept 09	% change	Sept 08	Sept 09	% change
Male	**10,126**	**17,856**	**76%**	**156,055**	**280,384**	**80%**
under 25	2,105	3,338	59%	33,984	57,210	68%
over 25	8,021	14,518	81%	122,071	233,174	91%
Female	**4,709**	**8,676**	**84%**	**84,162**	**143,255**	**70%**
under 25	1,177	1,882	60%	19,682	33,515	70%
over 25	3,532	6,794	92%	64,480	109,740	70%
Total	**14,835**	**26,532**	**79%**	**240,217**	**423,639**	**76%**

(Source CSO, 03/10/08, 02/10/09)

The September 2009 Live Register for **Metropolitan Cork**, (Carrigaline, Cobh, Cork City & Midleton) totals 26,532, an 79% increase on the September '08 figure which is marginally higher than the national increase of 76% over the same period.

The rate of increase of Metropolitan Cork males on the register is 76%, compared to the national rate of 80%, whereas the rate of increase of females is 84%, compared to the national rate of 70%.

The no. of 'males under 25yrs' in Metropolitan Cork has increased by 59%, compared to the national rate increase of 68%. The number of 'females under 25yrs' has risen by 60% in the period, compared to national rate increase of 70%.

However, the number of females 'over 25' in Metropolitan Cork has risen by 92% compared to the national rate of 70%, whereas the no. of males 'over 25' in Metropolitan Cork has risen by 81%, compared to national rate increase of 91%.

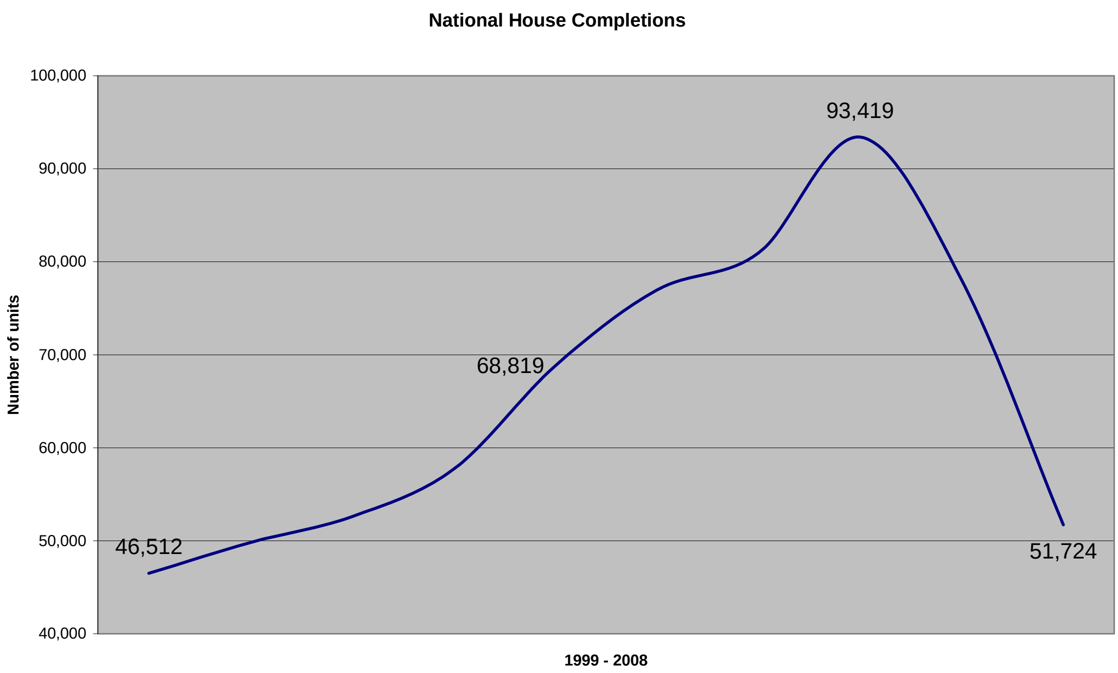
Interestingly, the figures for Metropolitan Cork, reflecting seasonal factors have decreased by 2.3% between August and September, to 27,147persons. This compares to a national decrease of 2.8%. The 2008 figures show a similar pattern where the Metropolitan Cork total decreased by 2.7% and the National total by 3.7%.

The Live Register for the south-west region totalled 59,163 in September 2009, representing an 80% increase on the August 2008 total of 32,838.

2.2 Housing

Housing output
Nationally, output peaked in 2006 at 93,419 units, but declined in 2007 by 16% to 78,027 units and further declined in 2008 by 34% to 51,724 units.

Figure 2.2 National House Completions 1999-2008



Local Authority Housing

Cork City Council's Housing construction programme includes provision of social and affordable housing units. To date, 421units have been completed in 2009.

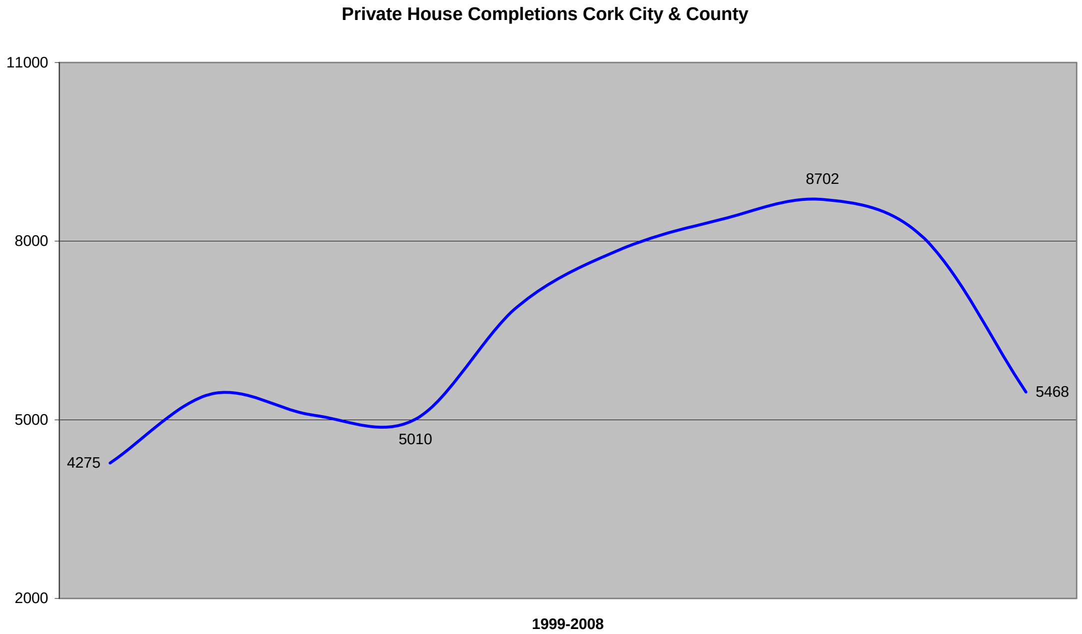
Table 2.3 Social & affordable housing construction programme

	Units completed '08	Units completed '09	Under construction
Social	235	185	389
Affordable	52	218	80
Voluntary Sector	-	28	100

Private House Completions Cork City & County 1999 - 2008

House completions for 2008 declined by 24% to 6,092 units from 8,049 units in 2007 and from 8,702 units in 2006; representing, a 30% decline over two years.

Figure 2.3 Private House Completions (1999-2008)



(Source: DoEHLG: ESB connections)

2.3 Property

House Prices
National house prices have fallen by 10.1% in the first 8 months of 2009. Over the 12 months to August 2009, the 'national average' fell by 13% to €235,260; (falling 18% in Dublin & 12.1% outside Dublin). The national average has fallen by 24.4% since the peak in February 2007. *(Source: Permanent TSB HP Index 28/09/09).*

Nationally, new houses fell by 10.4% for year ending July, compared to 12.9% for second-hand homes. Second-hand house prices decreased by 18% in 2008, and by 15.3% in Cork. *(Source: sherryfitzg.ie; 02/07/09; daft.ie).*

Rents
Daft.ie reports on 18th August, 2009 that the national average rent is down 17% on the same time last year. The CPI index of privately owned rents fell by 10.8% in the twelve months to November 2008. In Cork, rents fell by 5% in the last three months, compared to 7% in Dublin.

Commercial Property

Lisney's report, (June) an national average commercial rental decrease of 22% between June 2008 & June 2009. In the first quarter of 2009, rents declined by 9.3%, and by 5.5% in the second quarter.

Office
Lisney's Cork Update (30th June) reports falling office occupier demand for the first six months of the year. Rental values are at 2004/2005 levels. The total available office space in Cork is circa. 130,000sq.m. In Cork, 15% of vacant office space is in the city centre, 45% in south Cork, compared to a 20% vacancy rate in Dublin, 16% rate in Dublin city centre. (CBRE's September edition Bi-Monthly report states Dublin vacancy rate of 21%).

Retail
Rents continue to fall and vacancy rates are increasing. Nationally, rents are down 18.7% for the year to June. Dunnes Stores opened a new 13,000sq.m. store on St. Patrick's Street in September. The 'Half Moon' & 'Opera Lane' (Academy Street) retail developments, totalling 27,000sq.m. are near completion. Major retail operators H & M, Topshop/Topman and Boots are scheduled to commence trading shortly in the above named premises.

Industrial
Industrial space demand continues to fall, current available space in Cork is estimated at 100,000sq.m.

2.4 Tourism

3.3 million visitors came to Ireland in first half of 2009. Ireland attracted 8.03 million 'out-of-state' visitors in 2008, (an annual decrease of 306,000), of which 3.8 million (47%) visited the South-West region. Tourism revenue generated in 2008 totalled €6,327 million, compared to €6453m in 2007. Tourists spent €1,205.5 million in the South-West region in 2008.

Table 2.4 'Out-of-state' visitors to Ireland

Year	Number of visitors (000's)
2004	6,953
2005	7,333
2006	7,999
2007	8,332
2008	8,026

(Source: Failte Ireland)

2.5 Car Sales
The total number of **new vehicles** licensed (nationwide) between January & August 2009 was 64,227 compared to 178,906 for same period in 2008, a decline of 64%. Whereas, the corresponding figures for **used vehicles** of 57,298 & 62,155 over the same period represents a modest 8% decline.

Nationally, the total number of vehicles licensed in August 2009 was 9,101 compared to 16,639 in August 2008, a decline of 45%. The total number of new vehicles licensed was 3,873 compared to 9,355 in August 2008, a decline of 59%

New private car sales totalled 2,422 vehicles in August 2009 compared to 6,822 vehicles in August 2008, representing a 64% decline. New private car sales between January & August, totalled 49,142, compared to 137,566 for same period in 2008, a decline of 64%.

Table 2.5 New Vehicle Registrations

Year	Cork City & County	State
2005	28,568	219,284
2006	30,114	233,727
2007	31,767	246,446
2008	25,026	194,817
Aug ‘09	-	64,227

(Source Central Statistics Office, July 2009)

3.0 Local Planning

3.1 Cork City Development Plan 2009-2015

The City Council completed the *Cork City Development Plan 2009 -2015,* on 27th April. The City Development sets out a new vision for Cork, to be an attractive, accessible and unique city. The overall strategy focuses development on a hierarchy of mixed-use urban centres, selected on their potential to accommodate growth and be served by sustainable modes of transport where the city centre shall continue to be the economic, social and cultural heart of the city.

3.2 Local Plans

The Farranferris Local Area Plan was adopted by Council, on 13th July.
A draft South Parish Action Area Plan has been prepared for public consultation.
A public consultation period concludes 5th October, for the Blackpool Village Action Area Plan. A non-statutory public consultation period will commence shortly for the North Blackpool Local Area Plan.

3.3 Development Monitoring

Planning Applications
Planning applications have decreased significantly over the past 18 months. Cork City Council received 296 applications for the first half of 2009, granting permission for 260 developments. The number of applications has decreased by 34% compared to the same period in 2008.

Table 3.1 'Quarterly Returns'

Period	No. of Applications
Q1 2008	218
Q2 2008	228
Q3 2008	186
Q4 2008	184
Q1 2009	132
Q2 2009	164

Residential Development
Cork City Council has permitted 380 no. residential units during the 12month period July 2008 - June 2009, (made up of 98 no. dwelling houses, 278 no. apartments, 4 no. granny flats), a net gain of 239 units, having regard to demolitions and changes of use. Apartments account for 73% of all units permitted, dwelling houses, 26%.

In the first six months of 2009, Cork City Council has permitted 101 no. residential units (46 no. dwelling houses, 54 no. apartments, 1 no. granny flat), a net gain of 81 units. The number of units permitted in first six months of 2009 has declined by 64% on the previous six months.

Housing Land Availability Study
Cork City Council's submission to the DEHLG indicates that 142 hectares of zoned lands was available for residential development (30/06/09) with a residential capacity of 9,173 units. There are 1,840 residential units permitted, with at least two years remaining on the duration of the respective permissions.

(Note this survey excludes sites less than 0.5hectares and sites with capacity of less than 20 units and all but 12.5ha of the South Docks Local Area Plan study area due to Seveso and Infrastructural constraints).

Office Development
Cork City Council has permitted 28,102sq.m. gross floorspace during the 12 month period July 2008 - June 2009. This is made up of 17,734sq.m. general office; 1,360sq.m. retail office; 4,155sq.m. business & technology; 4,853sq.m. ancillary office space (to other uses).

Demolitions and changes of use account for a loss of 10,458sq.m. thus resulting in a gain or increase of 17,644sq.m. The most significant loss of office space is due to the change of use of 8382sq.m. to medical/hospital use at the City Gate development in Mahon.

Table 3.2 Office Floorspace Planning Permissions, July '08 - June '09

Location	sq.m. gross	%
City Centre	11,846	67%
Docklands	3,908	22%
Blackpool	2,762	16%
Suburbs	-872	-5%

Retail Development
Cork City Council has permitted 20,681sq.m. net floorspace (15,326sq.m. comparison; 5,355sq.m. convenience) during the 12month period July 2008 - June 2009, resulting in a gain or increase of 15,676sq.m.

64% of permitted comparison floorspace is within the city centre, 36% in district centres and suburban areas. 90% of permitted convenience floorspace within district centres and suburban areas, 10% within the city centre.

The most significant retail permission outside the city centre was in Ballyvolane, consisting of 3,115sq.m. (net) comparison & 2,729 sq.m. (net) convenience floorspace.

Table 3.3 Permitted Development, July ‘08 - June ‘09

Use		no. of units	sq.m.
Residential		**380**	
	Apartments	278	
	Houses	98	
	Granny flats	4	
Office			**28,102 (gross)**
	General office		17,734
	Retail office		1,360
	Business & technology		4,155
	Ancillary		4,853
Retail			**20,661 (net)**
	Comparison		15,326
	Convenience		5,335

City Centre Vacancy Survey (Office & Retail)
South Mall, Grand Parade, Washington Street, Parnell Place, Pembroke Street, Winthrop Street, Oliver Plunkett Street and St. Patrick’s Street were surveyed.

There is 80 buildings vacant (or partially so) or in derelict condition. Of the 80 buildings, there are 47 retail units and 40 offices vacant or unoccupied.
At street level, 61 units are vacant, made up of 47 retail units and 14 offices.

In general, the street level units of the central areas of St Patrick’s Street and Oliver Plunkett Street are fully occupied. However, there are clusters of vacancies on Washington street, the eastern end of Oliver Plunkett Street, the eastern and western ends of South Mall, and the western end of St. Patrick’s Street. Pembroke Street has no vacancies or dereliction.

Table 3.4 City Centre Vacancy Survey

Street	Vacant Retail	Vacant Office	Ground floor vacant units
South Mall	4	19	12
Oliver Plunkett St.	10	7	11
Grand Parade	9	9	10
Washington Street	9	3	9
St. Patrick’s Street	8	4	11
Pembroke Street	0	0	0
Winthrop Street	1	2	1
Parnell Place	8	8	8
Total	**47**	**40**	**61**

4.0 Overall Prospects

The economy continues to experience severe difficulties, and the Central Bank estimates declines of 7.8% in 2009 and 2.3% in 2010, followed by modest, gradual growth dependent of export growth, whereas domestic demand is likely to remain weak until 2011. Davy Stockbrokers (29/09/09) predicts economic growth of 4% in 2011.

Following increasing unemployment and weakening consumer demand, inflation is falling sharply, (estimated at 4.2% in 2009). Overall domestic demand is likely to decline by 14% this year. The decline in employment was heavily concentrated on ‘construction’ at 46%, and ‘wholesale & retail trade’ at 19%.

On the positive side, the balance of payments (imports / exports) should narrow significantly this year, and is expected to be in surplus in 2010. The strength of Irish exports reflects a strong performance by the chemicals-pharmaceuticals sector, where output has increased by 21.6% in the four month period to April.

Manufacturing output is anticipated to decline this year by 3.4%, with the ‘modern’ sector including chemicals declining by 2.4%. Investment in the building & construction sector is forecast to contract by 37.4% in 2009 and by 18.9% in 2010.

Recent monthly indicators suggest that the pace of decline has moderated, retail sales show some signs of improvement and the rise in unemployment has slowed.

Notwithstanding the above, the outlook still remains difficult and challenging with the GDP forecast for 2010 to be 14% below that in 2007, and continuing weak domestic demand to hold back a recovery in the labour market.

However, the Irish economy retains some important strengths, such as a relatively flexible economy and a highly skilled, educated and adaptable workforce and a significant comparative advantage in high productivity modern sectors.

Combined with our skills base and the capacity for a rebound in productivity growth, this holds out the prospect of a return to a potential (and solid) growth rate of 2.5 - 3% in the medium term.
(Source: Central Bank Quarterly Bulletins, July & October ‘09)

With many key industries such as chemicals-pharmaceuticals, ICT, food and tourism in the greater Cork area; the higher education and research centres of UCC, CIT and Moorepark, Cork City is well placed to take advantage of an economic upturn.