Glenigan
A Hubexo Product

November 2025

Construction Industry Forecast

For the UK and Republic of Ireland

2026-2027

Featuring insight directly from industry thought leaders:

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Business Intelligence for the UK Construction Industry

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- Reduce risk and avoid costly delays

Glenigan Analytix is built on the UK's most comprehensive and up-to-date construction data, trusted by the ONS, government, and leading media.

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Contents

Expert Insights

to drive your construction strategy forward

Glenigan's bespoke research service provides construction industry businesses and sales leaders with actionable, data-driven insights, specifically tailored to expand their business pipeline.

Our team is led by Allan Wilén, a highly respected construction industry expert with over 30 years of experience in market analysis and forecasting. Together with our Economics Unit, Allan brings a wealth of expertise on the UK construction and built environment markets. With a background that includes 20 years as Economics Director at the Construction Products Association, Allan continues to deliver valuable insights and in-depth market analysis. Supporting him are Yuliana Ivanykovych and Drilon Baca, two seasoned economists who provide rigorous research and analysis, enabling hundreds of businesses each year to make informed strategic decisions.

Glenigan's analysis is trusted by industry bodies and widely respected across thousands of construction businesses, from large infrastructure organisations to smaller enterprises. Featured in leading media, our market analysis team is the UK's go-to source of intelligence on the built environment. Our team of economists and analysts delivers custom research for commercial clients, government agencies, and trade organisations alike. From strategic forecasting to fully tailored reports, we provide the intelligence your organisation needs to plan confidently.

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Authors

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30 years experience in providing insightful market analysis and forecasts on UK construction and the built environment that can inform companies' business development and market strategies.

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Economist

Drilon provides analysis and insights for Glenigan's monthly industry reports. He collaborates with clients to deliver tailored data and expertise, helping to inform their strategic decisions.

Economic Background

The expected boost to construction activity from strengthening UK economic growth has been slow to materialise. A tentative economic upturn at the start of 2025 has lost momentum in recent months due to ongoing geopolitical uncertainty and weak investor confidence. Looking ahead, an improving economy combined with rising public sector investment is expected to support growth in construction activity during 2026 and 2027.

Overall, the UK economy is estimated to have grown by around 1% this year, with rising consumer and government spending the main growth drivers. Above inflation wage growth and lower interest rates have helped improve households' expectations about their own financial position and to lift discretionary consumer spending.

However, the upturn in consumer discretionary spending has been slow to filter through to related areas such as private housebuilding, retail and hotels & leisure construction. A further improvement in household incomes over the next two years is expected to support growth in consumer-related sectors.

Whilst lower interest rates have helped to support a recovery in industrial logistics and office construction this year, a firmer and broader rise in business investment is forecast from 2026 as strengthening economic growth and further interest rate cuts lift business confidence.

Public funded investment has been sluggish as departmental programmes were disrupted by post-election reviews by the incoming government. Completion of the Spending Review has now provided greater clarity and is expected to support a strengthening in departmental investment programmes during 2026 and 2027.

These forecasts are built upon the analysis of Glenigan's database of current and planned construction projects which have been examined alongside other market and economic variables.

Key assumptions around which the forecasts are based include:

- A strengthening in UK economic growth and lower borrowing costs support a progressive strengthening of private sector investment during 2026 and 2027.
- A strengthening in real household incomes, together with a further easing in interest rates support a recovery in housing market turnover and private housebuilding activity.
- Increased capital funding allocated in the Spending Review lifts public sector construction activity from mid-2026.
- Accelerated investment in renewables and the electricity grid to help deliver net zero, and in the renewal of water infrastructure.

Executive Summary

-6%	+8%	+13%
2025	2026	2027

Geo-political instability: UK economic growth will be driven primarily by domestic demand, particularly consumer spending, amid continued uncertainty in global markets caused by US tariff policy.

Private sector projects: A sluggish economy and slow building safety regulatory approvals have delayed the recovery in residential project starts. Meanwhile, stronger demand for logistics facilities and increased investment in new and refurbished office space are supporting growth in private non-residential construction.

Public sector delay: Public sector projects have been disrupted as the government reassessed programmes following the election. The Spending Review provides for increased capital funding from April 2026.

Forecast Highlights:

2026-2027 OUTLOOK:

- **Housing upturn:** Rise in average earnings and lower interest rates lift housing market activity and private housebuilding.
- **Industrial & Commercial**: Expected to strengthen as UK economic growth gathers pace, supported by increased business investment.
- **Public investment:** Increased funding in the Spending Review drives a rise in capital programmes from mid-2026.
- **Civil engineering:** Boost from rise in water and electricity infrastructure investment.

Key Drivers of Growth:

Rise in private housing starts as rising household incomes and lower interest rates lift housing market activity and new house sales. Improved BSR approval regime accelerates apartment project starts.

Improved consumer spending lifts retail and hotel & leisure sector starts.

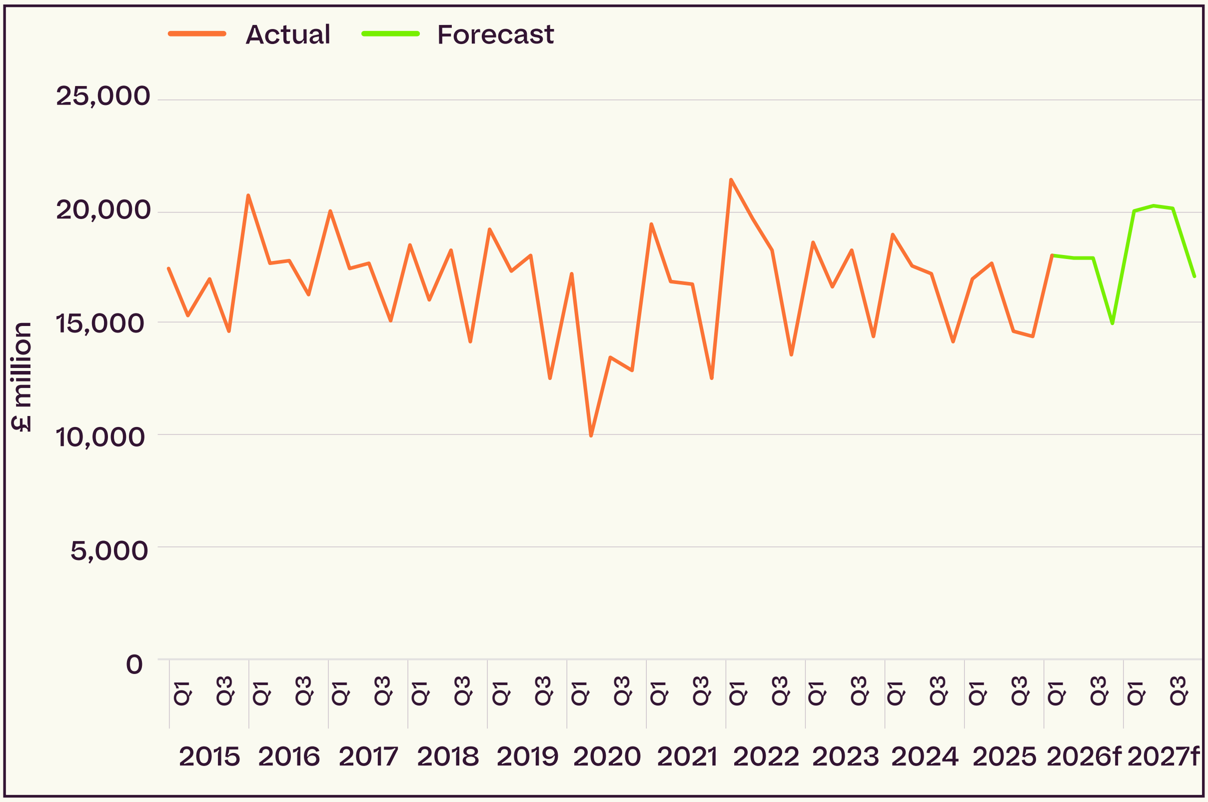
Upturn in new office construction alongside continued investment in refurbishment and remodelling projects.

Online retailing is a catalyst for renewed investment in logistics facilities over the forecast period.

Increased public sector investment in education and health construction during 2026 and 2027.

Drive towards net zero increases investment in renewables and nuclear generation and upgrading the electricity grid.

Chart 1: Value of Project-Starts (under £100 million)



Source: Glenigan. f = forecast.

Table 1: Value of Project-Starts (Under £100 million) by Sector

£ million	2024	2025f	2026f	2027f
Private Housing	25,331	23,054	24,507	28,902
Social Housing	8,054	8,206	8,709	9,790
Industrial	5,181	5,016	5,593	6,342
Offices	3,851	4,481	5,051	5,164
Retail	1,783	1,404	1,400	1,542
Hotel & Leisure	3,462	3,892	4,102	4,578
Education	6,211	4,548	5,230	5,430
Health	3,863	2,943	3,060	3,509
Community & Amenity	1,812	2,353	1,979	1,753
Civil Engineering	8,390	7,838	9,189	10,524
TOTAL	**67,938**	**63,735**	**68,821**	**77,534**

Source: Glenigan. f = forecast.

Table 2: Growth in the Value of Project-Starts (Under £100 million) by Sector

Annual Change	2024	2025f	2026f	2027f
Private Housing	-8%	-9%	6%	18%
Social Housing	-6%	2%	6%	12%
Industrial	0%	-3%	12%	13%
Offices	-18%	16%	13%	2%
Retail	4%	-21%	0%	10%
Hotel & Leisure	29%	12%	5%	12%
Education	6%	-27%	15%	4%
Health	18%	-24%	4%	15%
Community & Amenity	22%	30%	-16%	-11%
Civil Engineering	21%	-7%	17%	15%
TOTAL	**0%**	**-6%**	**8%**	**13%**

Source: Glenigan. f = forecast.

Private Residential

Property transactions and house prices temporarily softened during the second quarter following April's stamp duty increase. Housing market activity has been broadly stable during the second half of the year. Rising household incomes have supported housing market activity with the number of mortgage approvals for house purchases close to their pre-pandemic average. Nationally annual house price inflation during the third quarter was 2.3%, with weaker price rises in the south of England offsetting strong price rises in other parts of the UK. Higher household incomes, a further easing in mortgage rates and stronger economic growth are expected to lift housing market activity over the next two years.

An initial rise in private housing starts during the first four months of 2025 proved short-lived, with starts falling back during the second half of the year. Apartment projects were especially weak as slow building safety regulator (BSR) approval delayed project starts. Rising real incomes and further interest rate cuts are expected to lift house-buyers confidence from 2026. Supply side restraints are also expected to ease as the BSR reduces the backlog of projects awaiting approval. Planning reforms are expected to help release additional sites for development, supporting sector growth during the latter stages of the forecast.

Private Non-Residential Work

The industrial sector slipped back during 2025 as a decline in manufacturing projects offset an upturn in warehousing starts. Renewed growth is anticipated over the next two years as higher consumer spending lifts the demand for logistics and light industrial space from online retailers and third-party carriers.

Retail construction will be slower to recover. Retailers are facing increased cost pressures from NI increases and the rise in the minimum wage. An overhang of empty retail premises is also deterring investment in new premises, although it may also prompt landlords to refresh and repurpose existing excess retail space. Supermarkets remain a bright spot, with the discount supermarkets, Aldi, and Lidl, pressing on with their expansion plans.

Like retailing, the hospitality industry's margins have been squeezed by increased labour costs, limiting the funds available for investment near term. The growth in hotel & leisure starts has slowed over the last 12 months, after a strong rebound in activity during 2024. Progressive improvement in households' financial position is set to benefit the hospitality sector through higher consumer discretionary spending over the next two years. This is expected to lift investors' confidence and support increased investment in the sector during 2026 and 2027.

The office sector returned to growth this year. Lower borrowing costs have renewed investor confidence, driving increases in both refurbishment and new build projects. Hybrid working patterns and regulatory changes are reshaping demand for office space, with many firms remodelling existing premises to better support hybrid work and improve environmental performance. Rising demand for high-quality, sustainable offices is also expected to create new build opportunities over the next two years.

Increased Government Investment

The General Election and subsequent review of capital programmes by the new government have disrupted the flow of education and health project starts over the last 12 months. However, the Spending Review has set out a longer-term rise in capital funding plans that is forecast to support an increase in project starts from mid-2026 onwards.

Although the new government increased capital funding for the school rebuilding programme and further education in 2025/26, earlier uncertainty appears to have disrupted local authorities' development plans, leading to a decline in the value of school and college project starts this year. A clearer funding pipeline is expected to boost activity across the sector in 2026 and 2027, with particularly strong growth forecast in further education as the government prioritises vocational training. Despite a small rise in UK student fees, universities' finances are likely to remain under pressure due to reduced overseas student income, which is expected to limit new university building projects over the forecast period.

While the Chancellor announced increased capital funding for the NHS in 2025/26, most of this funding has been allocated to non-construction areas such as technology and diagnostic scanners. The Spending Review, however, outlines a more sustained rise in capital funding from next April, which is expected to enable NHS trusts to tackle the repair backlog across their existing estate.

Additional funding commitments in the Spending Review and greater access to private sector funding is expected to support a strengthening in housing associations' development pipelines and project starts in 2026 and 2027. A recovery in student accommodation starts is also underway after a halving in activity during 2024. A further rise in student accommodation projects is anticipated over the next two years.

Road and rail projects were delayed by the post-election review of government programmes. This has prompted a dip in infrastructure project starts this year, despite the government providing near term funding for smaller scale projects such as road repairs. The Spending Review set out a longer-term framework for increased investment in the road and rail networks that is forecast to support a resurgence in project starts from 2026.

A progressive rise in water industry activity is forecast to lift utilities starts during 2026 and 2027 as the AMP8 investment programmes gather momentum. Increased investment in renewable generating capacity and improvements to the grid are also expected to lift sector activity.

Fragile UK Housing Recovery Faces New Headwinds

Iwona Hovenko
Senior Equity Research Analyst

Bloomberg Intelligence

The UK housing market's steady recovery since the end of the stamp-duty holiday has shown resilience, with transactions and mortgage approvals holding up, despite the sharply deteriorating sentiment in the latest RICS surveys. Major house-price indices indicate values have broadly returned to 2022 peaks, though monthly trends point to a slowdown, alongside a moderation in annual gains, as elevated stock of existing homes for sale slows appreciation.

Even so, less-onerous affordability checks and the lowest mortgage rates in several years have been attracting buyers. Two-year fixed-rate deals–now cheaper than five-year equivalents for the first time since 2021 – may also encourage demand from those previously hesitant to commit to longer-term fixes.

UK mortgage rates are supportive of housing activity despite still elevated levels, after they fell sharply from 2022-23 highs and remain below levels seen in 2023 and most of 2024. Based on price-comparison site data – more timely than that from the Bank of England – rates are near their 2024 low.

This could support housing activity, alongside pent-up demand after some prospective buyers delayed plans due to high rates in 2023-24. Yet the expected pause in Bank of England rate cuts and jitters ahead of the UK budget could cap demand, with limited scope for mortgage rate declines in the near term.

BI Survey: UK Homebuying Window Opens, But Risks Loom

Based on our early September survey, UK housing activity appears set to remain resilient despite pre-Nov. 26 budget jitters, paused rate cuts, a softening labor market and April's activity-distorting stamp-duty hike.

The solid activity in 2025 also confirmed our January survey prediction that the early-2025 rush wasn't driven just by hopes to beat April's stamp-duty hike.

A record share of respondents plan to proceed, with three times more accelerating than delaying purchases. Though slowing UK house price growth, amid a deluge of existing-home listings, has led to a slight easing in the share of house hunters who scrambled to beat rising prices (30% vs. 32% in January), it's remained the top reason to rush while the absolute number rose 7%.

Yet 18% respondents reported bringing purchase plans forward after getting a "good deal or a discount" from the seller – with 22% of those who significantly accelerated it vs. 13% for the group who didn't hurry as much – implying slowing price growth amid elevated home listings.

The share of buyers postponing or pausing a purchase fell to just 15% from 29% in early 2024 (2023: 36%; 2022: 44%), a survey low.

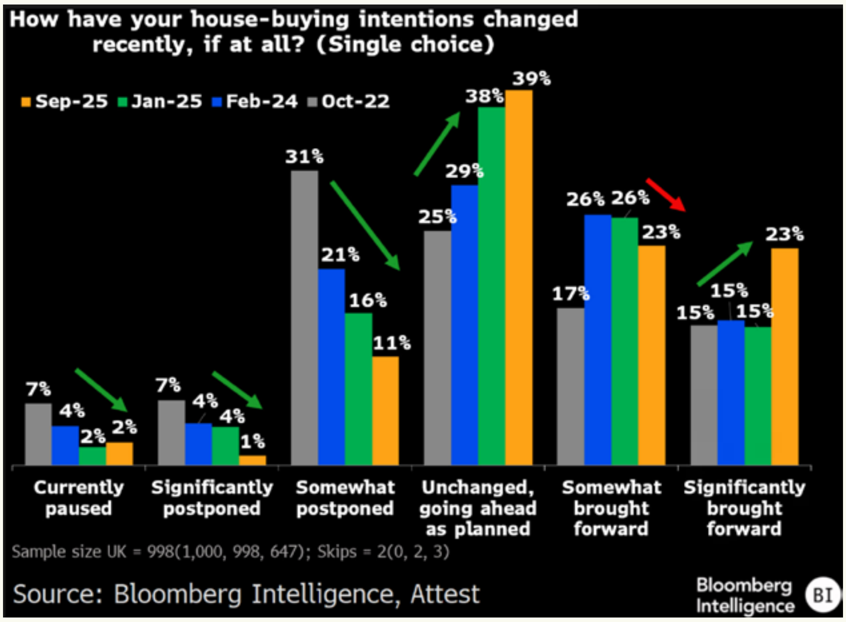
Buyers also increasingly favor urban areas, with London gaining even among outsiders, possibly amid office-return policies. London prices lagged behind national gains in 2020-25, which may now make the city relatively better value, helped by a return to office working and the cost of long regional commutes.

The proportion of buyers who prefer a new home over other properties rose to 30%, a survey high vs. 17-18% in our four polls in 2022-24, a positive sign for homebuilders, especially as it's the second increase. Yet buyers of new homes are more likely to have gotten a good deal or a discount from the seller (27% vs. 12% for others), suggesting incentives are still needed to drive sales of homebuilders such as Barratt Redrow, Bellway, Persimmon and Taylor Wimpey, in line with their comments. Better build quality became an even more popular reason to buy a new home (56% vs. 38% in early 2024), followed by higher energy efficiency.

Though high house prices remain the biggest obstacle to homebuying, based on our survey, improving affordability – with income growth outpacing house prices – has meant the share of those who listed it as one of their top-three hurdles has shrunk to 52% in September from 56-57% in previous two surveys. That's as high interest costs slipped to No. 3 from No. 2 before (reported by 35% respondents vs. 45% in mid-2024) as mortgage rates moderated to the lowest in years. The high cost-of-living has also eased, with 21% of respondents feeling pressured, vs. 25% in the past two surveys.

Slowing UK house price and rent growth, more listings and easing lending are helping more first-time buyers purchase a home, with more buying plans in the next 3-6 months, our survey shows.

UK Homebuyers Get on With Purchase Plans



Iwona Hovenko, Senior Equity Research Analyst, Bloomberg Intelligence

Iwona Hovenko is a Senior Equity Research Analyst with Bloomberg Intelligence. She covers European housing, with a focus on the UK market, looking at the companies operating in that space, as well as the wider industry trends.

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Optimising Value Streams in UK Construction Engineering:
A Strategic Imperative

Dr Frederick Levy
Associate Director, KPMG UK

Delays in public sector procurement and the sluggish economy, present an opportunity for organisations to reflect on how they have delivered in the past. Systemic inefficiencies undermining both project delivery, through bureaucracy and duplication, and organisational resilience, being able to delivery efficiently with the right skills, are contributing to the lack of productivity growth in construction. The industry also faces mounting external pressures: resource constraints, stakeholder demands, inflation and geo-instability. The imperative for companies to use this time to identify and optimise how they deliver has never been greater. Organisations that are willing to invest upfront in how they realise value faster, cheaper, greener, and better will be in pole position for the Glenigan forecasted £150,000m of project starts over the next two years.

The Cost of Inefficiency

Global construction productivity has seen only incremental improvement over the past decade. Organisations need to be able to organise themselves effectively for project initiation, delivery, handover and benefits realisation. However, worldwide, inefficient processes can cost an organisation an average of 650 hours per employee per year (APQC, 2022), with 126 hours lost searching for information, 85 hours recreating or working around broken processes, and 135 hours spent managing workplace communication. Furthermore, with the stop-start and transactional nature of most major programmes, there can be little incentive to standardise or optimise at the organisation level, resulting in process creation, organising and implementation at the project level with learning lost to the enterprise (Addyman & Smyth, 2023). These inefficiencies are not just operational irritants - they directly erode margins in the long term, delay delivery, and frustrate employees, leading to lower job satisfaction. Whilst the former is reflected on the balance sheet, attrition and resource churn can have lasting effects on employee engagement, morale and productivity (Gallup, 2025).

Why Value Streams Matter

Whilst most construction organisations have good delivery and supporting functional processes—for example, project mobilisation or invoicing processing; cross-functional blindness and conflicts remain —say between a project manager's desire to progress versus engineering assurance. Function Service Level Agreements (fSLAs), matrixed-employees or dedicated resource augmentation are typical solutions; however, they only mask the problem and add-in undesirable bureaucracy, and foster internal transactional behaviour. Clear cross-functional processes at enterprise level that describe how collaboration occurs can release this tension.

The "value stream" is the end-to-end sequence of enterprise processes that delivers value to the customer. In construction engineering, these streams cut across traditional functional silos—encompassing lifecycle process, for example planning, design, procurement, mobilisation, delivery, and handover. Each activity in the value stream has identified success criteria, along with required inputs and time duration.

The creation of value streams in existing organisations is no easy task. The approach needs to be owned at the executive level to avoid siloed decision making and encompass the right functional stakeholders with delegated decision to streamline activities. When elevating existing processes to realise cross-functional value, there needs to be clear, documented activities and distilled responsibilities to avoid adding additional layers of governance and process "sludge," resulting in duplicated effort and unclear ownership.

The Role of AI and Automation

Artificial Intelligence (AI) is emerging as a powerful enabler in the optimisation of value streams. By leveraging machine learning and data analytics, AI can help organisations identify bottlenecks and inefficiencies within value streams that may not be visible through traditional analysis. For example, AI can detect patterns in project delays, resource allocation, or procurement cycles, allowing teams to proactively address issues before they escalate.

AI also enables automation of low-level activities within the value stream, such as document classification, progress tracking, and compliance verification, reducing manual effort and improving consistency. Furthermore, AI excels at handling non-standard, unstructured data, such as site photos, sensor outputs, or contractor notes, transforming them into actionable insights.

This capability enhances decision-making by providing real-time, data-driven recommendations, improving forecasting accuracy, and enabling scenario planning. As a result, organisations can respond more swiftly to changes, reduce risk, and maintain momentum across complex delivery environments. Standardisation of practice, also allows organisations to benchmark performance, intervene where necessary to continuously improve and adopt lessons learned imediately.

Workforce Implications and Agility

Optimising value streams is not just about efficiency; it also improves workforce agility and resilience. By 2029, the UK will need 239,300 extra workers (CITB, 2025), in this context, streamlining processes and automating routine tasks becomes essential to maximise the impact of existing talent, to break the increasing turnover equals increasing FTE. In our experience, we have seen implementation reduce business and operations reporting by up to 30% contributing to an overall 10% increase in year-on-year sales.

Organisational consistency enables employee mobility, allowing staff to transition more easily between projects or functions. This supports career development, improves job satisfaction, and helps organisations respond to shifting delivery demands. By reducing waste and clarifying roles, companies can better attract and retain skilled professionals, critical in a sector facing demographic pressure and skills scarcity.

Conclusion

For UK construction companies, the identification and optimisation of value streams is not optional, it is essential. By embracing value stream mapping and optimisation, supported by AI and a focus on workforce agility, organisations can move from fragmented, inefficient operations to integrated, high-performing enterprises. The result is greater value delivered to clients, enhanced employee engagement, and a more resilient sector ready to meet the £150,000m pipeline.

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. In the major projects advisory team, we are a market leader in partnering with clients to maximise value through significant capital investments and complex transformations, working across projects, programmes and portfolios. Our multidisciplinary, diverse, outcome-focused team of 100+ industry experts are driven by purposeful work to achieve positive change for our local communities and make a lasting global difference.

Dr Frederick Levy, Associate Director, KPMG UK

Frederick is Fellow of the Institution of Civil Engineers with over 20 years' experience in delivery of capital investment portfolios. He has been accountable for the commercial success of major projects and programmes across infrastructure and defence organisations. Frederick has applied knowledge on mobilisation, delivery, handover and recovery of projects, and has led multi-disciplinary teams in academia, consultancy, civil engineering, and asset owner type organisations. This diverse experience across the lifecycle enables him to understand the challenges faced by his clients, and where wider opportunities may lie. He has also worked with overseas governments on behalf of the UK government to establish and enhance their own local project delivery capability leading training courses on project delivery.

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Private Housing

-9%	+6%	+18%
2025	2026	2027

- Private housing project starts decline during second half of 2025
- Sector to recover in 2026
- Growth will accelerate in 2027 as market conditions improve

While the early months of 2025 saw growth in private housing construction activity, the trend reversed after April's increase in stamp duty. We expect the sector to recover in 2026 and 2027 as house-buyers' confidence improves.

Private Housing Starts

	2024	2025f	2026f	2027f
£ million	25,331	23,054	24,507	28,902
Growth	-8%	-9%	6%	18%

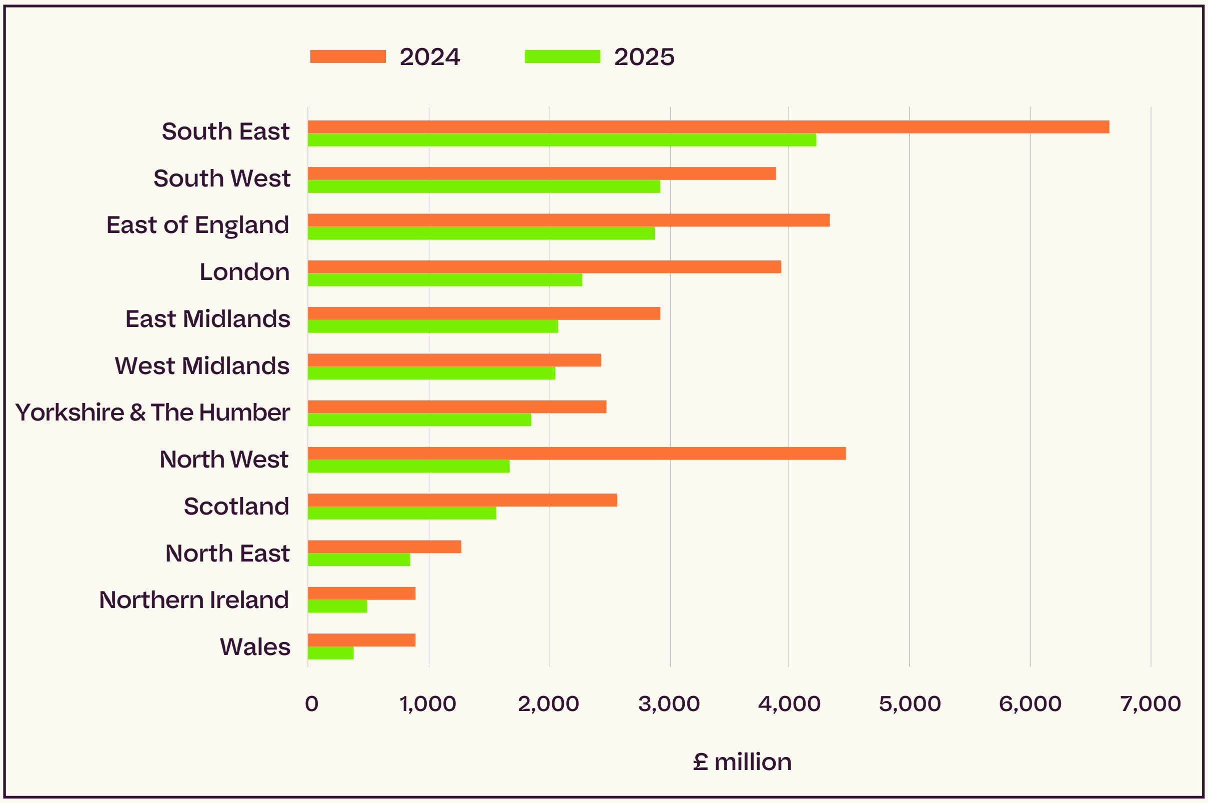
Source: Glenigan. f = forecast

State of the Sector

The first quarter of 2025 saw a strong increase in housing market activity as purchasers rushed to complete ahead of the rise in stamp duty. As expected, property transactions initially fell back after the increase but have subsequently stabilised. Unfortunately, this was insufficient to lift sector activity. A rise in private housing starts during the first four months of 2025 was short-lived, with starts falling back during the second half of the year.

Inflation has picked up this year, delaying the decline in interest rates. There is also growing uncertainty ahead of the Autumn Budget which is deterring both potential house buyers and developers from opening new sites. In addition, apartment projects were especially weak as slow building safety regulator (BSR) approval delayed project starts. Private housing starts are forecast to decline by 9% this year.

Chart 2: Value of Private Housing Projects Securing Planning Approval (Under £100 Million)



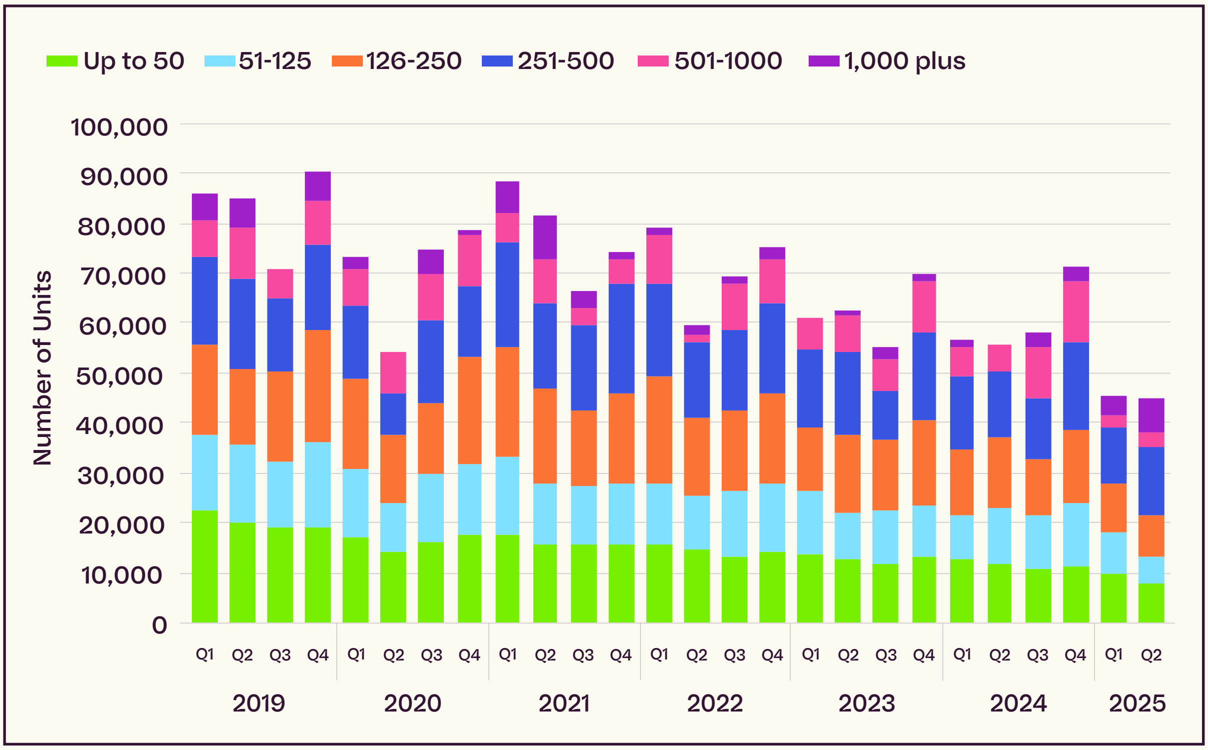
Source: Glenigan.
N.B. 2025 data is based on January to September pro rata

Future of the Sector

Wage growth has moderated in recent months but continues to outpace inflation. Inflation and interest rates are both expected to ease over the next twelve months. The rise in household incomes and lower borrowing costs is expected to buoy house-buyers confidence and market activity during 2026 and 2027.

Supply side restraints are also expected to ease as the BSR reduces the backlog of projects awaiting approval. Planning reforms are expected to help release additional sites for development, supporting sector growth during the latter stages of the forecast.

Chart 3: Private Housing Detailed Planning Approvals by Project Size (Number of Units)



Source: Glenigan.

Social Housing

+2%
2025

+6%
2026

+12%
2027

- Social housing starts stabilised this year
- Renewed growth expected over the medium and long term
- Increases in government funding and recovery in student accommodation to support the sector

Funding allocation for 2025/26 announced in the Budget and Spring Statement has helped stabilise project starts during 2025. Further increases in government funding are expected to support additional growth in sector starts over the longer term.

Social Housing Starts

	2024	2025f	2026f	2027f
£ million	8,054	8,206	8,709	9,790
Growth	-6%	2%	6%	12%

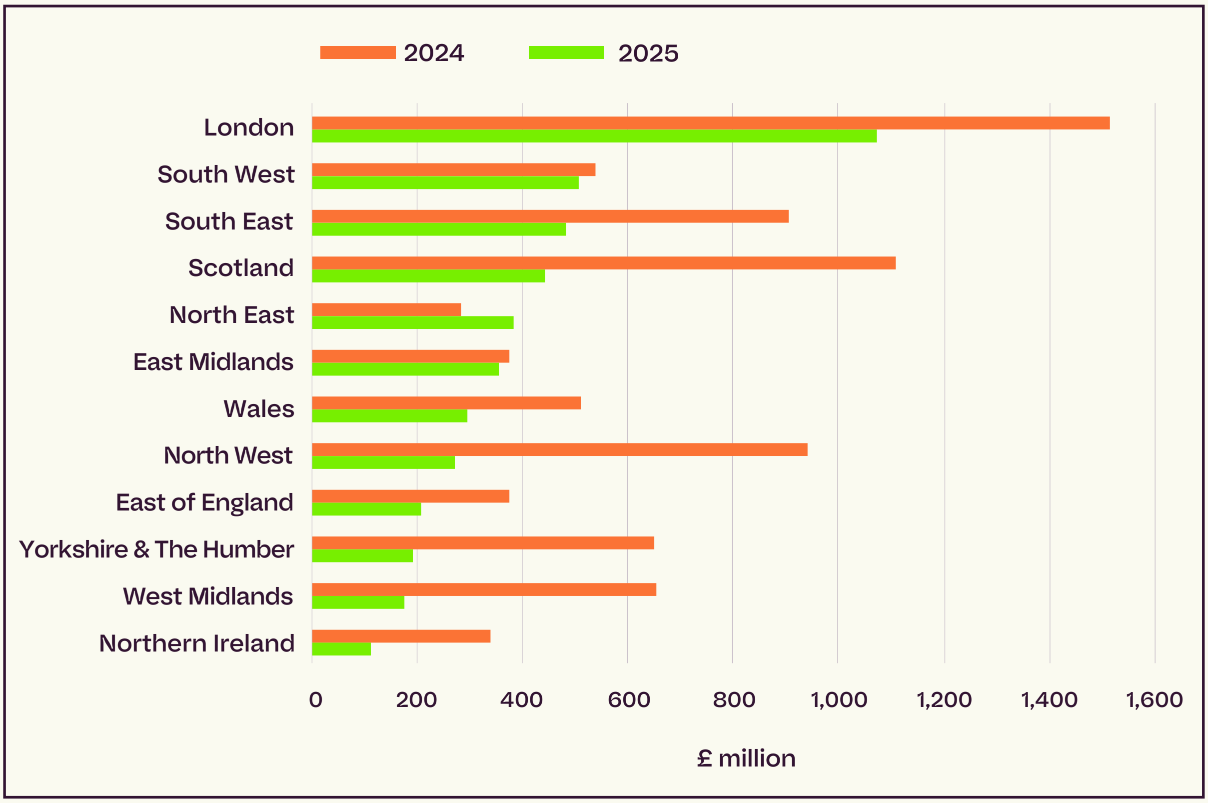
Source: Glenigan.   f = forecast

State of the Sector

Despite a temporary setback around the third quarter, social housing saw a generally positive trend this year. Low-rise developments constituted the largest share of housing association developments, accounting for 58% of the social housing sector. Housing projects are estimated to grow by 10% in 2025. Apartments, on the other hand, continue to decline, reflecting the added cost and delays associated with high rise projects following the introduction of the Building Safety Act.

A recovery in student accommodation starts is also underway after halving in activity during 2024. Regulatory and fiscal changes are prompting many buy-to-let investors to exit the market. While tighter visa rules has reduced the number of international students, developers of purpose-built student accommodation are increasingly looking to retain UK resident students throughout their university studies.

Chart 4: Value of Social Housing Projects Securing Planning Approval (Under £100 Million)



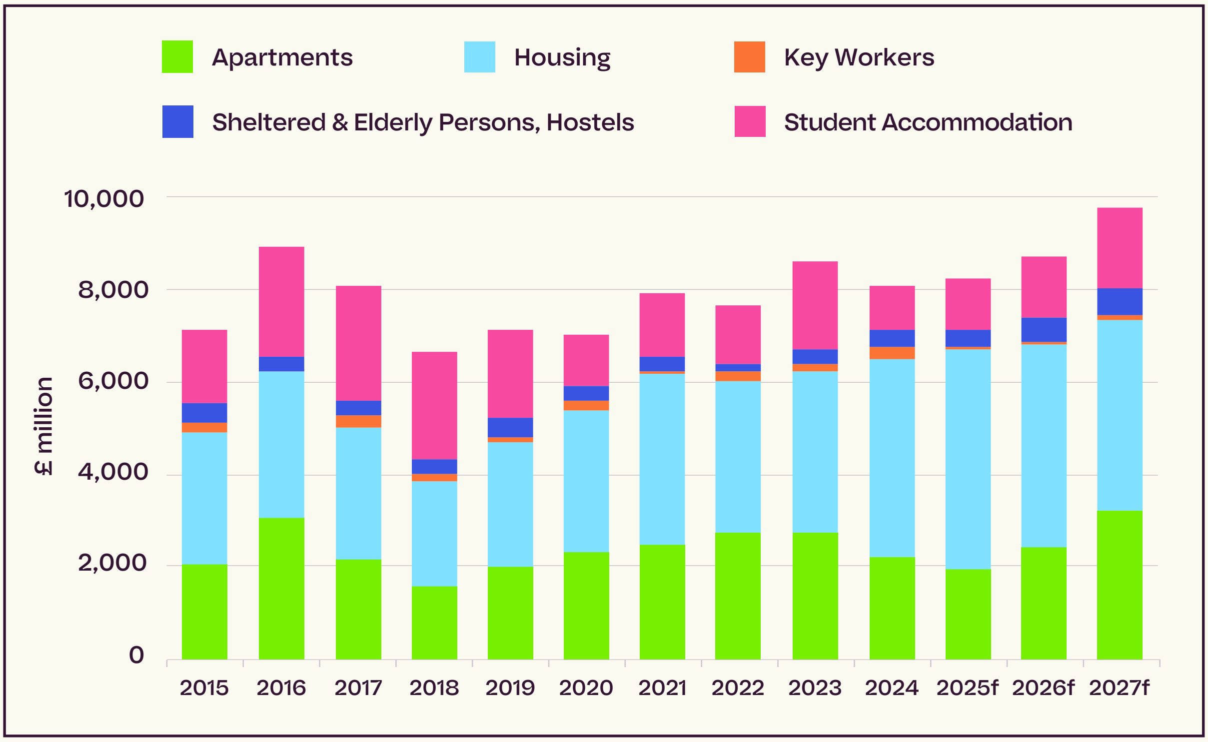
Source: Glenigan.
N.B. 2025 data is based on January to September pro rata

Future of the Sector

Social housing project starts are expected to rise over the next two years. Increasing social housing provision will be a key part of delivering the Government's housing target of 1.5 million homes. Additional funding commitments in the Spending Review and greater access to private sector funding are expected to support a strengthening in housing associations' development pipelines and project starts during 2026 and 2027

Sector activity will also benefit from a further rise in student accommodation projects over the next two years as developers seek to capitalise on the exodus of buy-to-let investors from the student lettings market.

Chart 5: Value of Social Housing Project-Starts (under £100 million) by Segment



Source: Glenigan.   f = forecast

Industrial

-3%	+12%	+13%
2025	2026	2027

- Decline in manufacturing project starts curbs sector activity in 2025
- Improving economic conditions and stronger demand for logistics space lift sector activity over the next two years

The industrial sector is forecast to decline by 3% in 2025. Renewed growth is anticipated over the next two years as higher consumer spending lifts the demand from online retailers and third-party carriers for logistics and light industrial space.

Industrial Starts

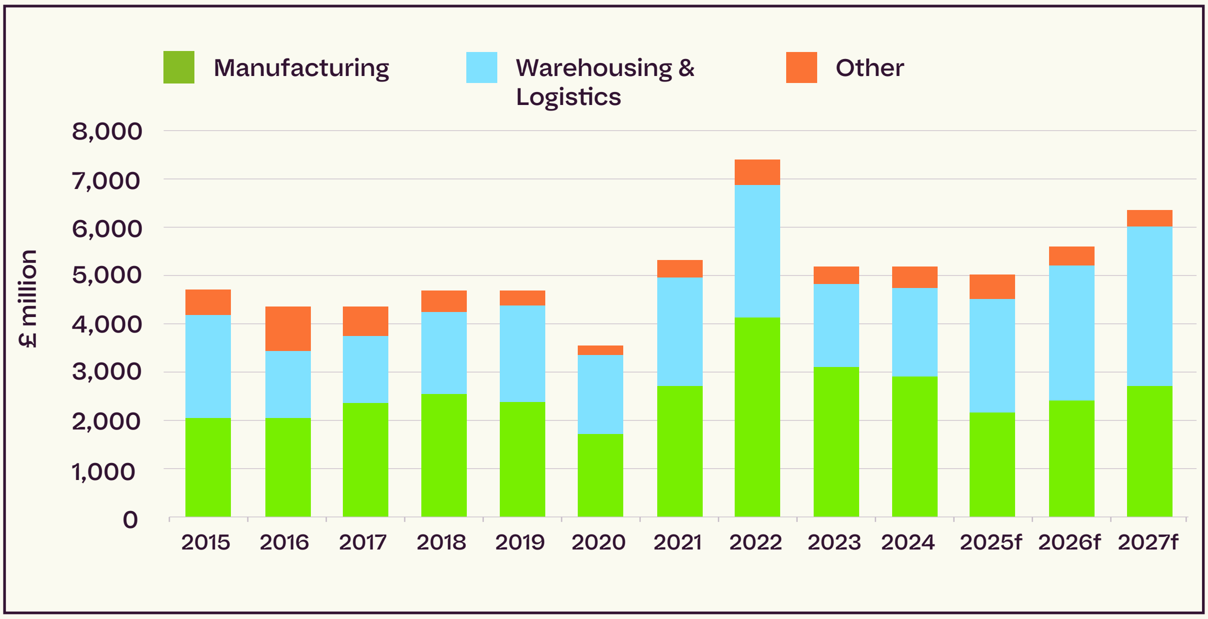
	2024	2025f	2026f	2027f
£ million	5,181	5,016	5,593	6,342
Growth	0%	-3%	12%	13%

Source: Glenigan. f = forecast

State of the Sector

UK manufacturers have faced heightened geopolitical instability, with US tariffs and other measures encouraging the relocation of manufacturing capacity. Following a weakening development pipeline in 2024, manufacturing project starts fell sharply by 6%, limiting sector activity in 2025. This decline outweighed an estimated 27% increase in warehousing projects.

Chart 6: Value of Industrial Project-Starts (under £100 million) by Segment



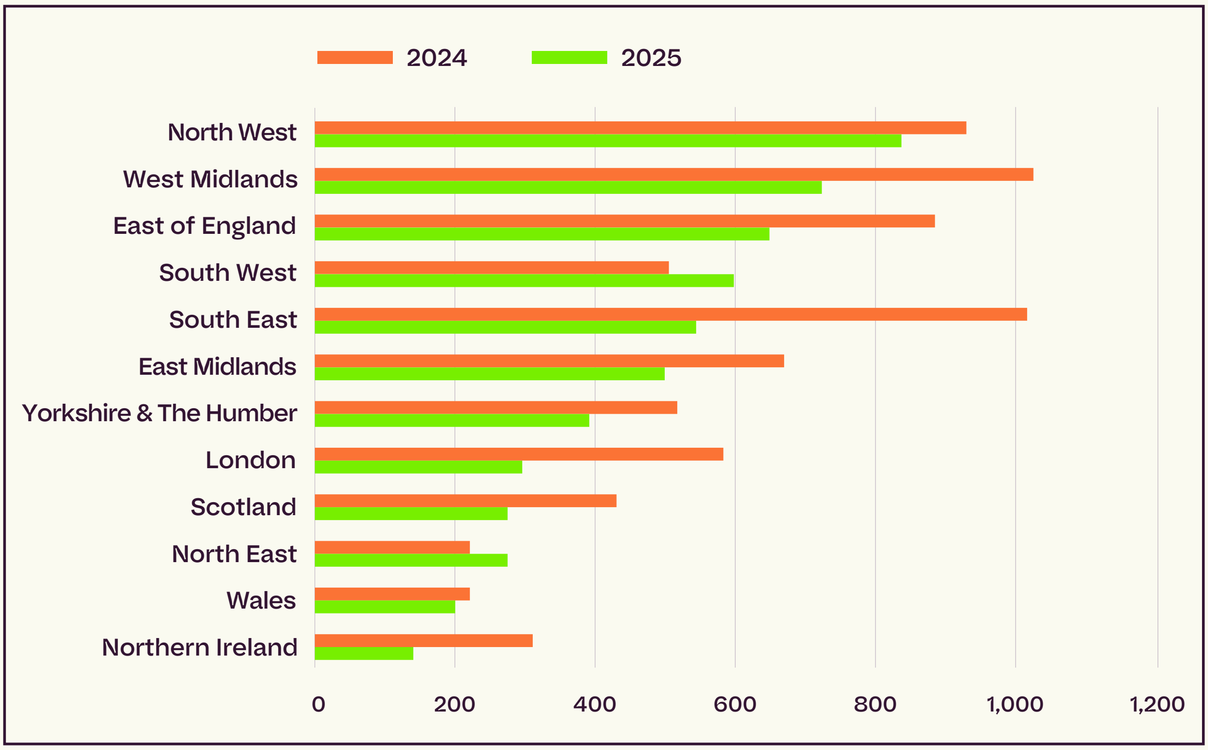
Source: Glenigan. f = forecast

Future of the Sector

Sector growth over the next two years is expected to be driven by a recovery in manufacturing projects and continued growth in warehousing starts. The rise of online retailing is likely to increase demand for logistics and light industrial space, supporting investment in both larger strategic distribution centres and smaller local facilities.

The industrial and logistics sector is also set to benefit from the new National Planning Policy Framework, which requires local authorities to identify strategic sites for local and inward investment, including suitable locations for gigafactories, freight hubs, and logistics facilities.

Chart 7: Value of Industrial Projects Securing Planning Approval (Under £100 Million)



Source: Glenigan.
N.B. 2025 data is based on January to September pro rata

Offices

+16%	+13%	+2%
2025	2026	2027

- Persistent growth in Office construction activity over the forecast period
- Hybrid working remains popular, but office-based employment is expected to grow
- AI development is increasing demand for data centres

A rise in new build and refurbishment projects has driven a rise in office construction starts during 2025. Improved economic conditions are expected to support further growth over the next two years.

Office Starts

	2024	2025f	2026f	2027f
£ million	3,851	4,481	5,051	5,164
Growth	**-18%**	**16%**	**13%**	**2%**

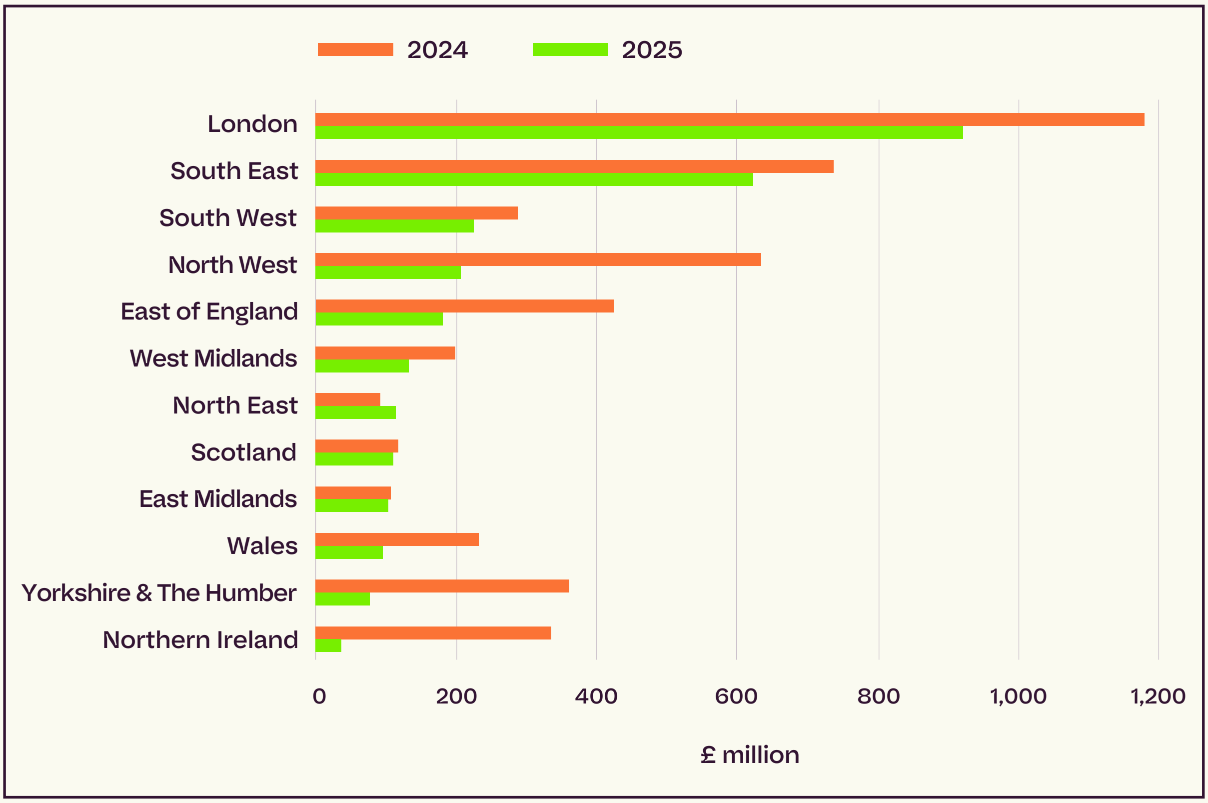
Source: Glenigan. f = forecast

State of the Sector

The office sector returned to growth during 2025. Lower borrowing costs have renewed investor confidence, supporting a rise in both refurbishment and new build projects.

After a weak first quarter, the value of project starts strengthened as the year progressed. Despite a weakening pipeline, with declines in both detailed planning approvals and main contract awards, office project starts grew by 82% in the third quarter.

Chart 8: Value of Office Projects Securing Planning Approval (Under £100 Million)



Source: Glenigan.
N.B. 2025 data is based on January to September pro rata

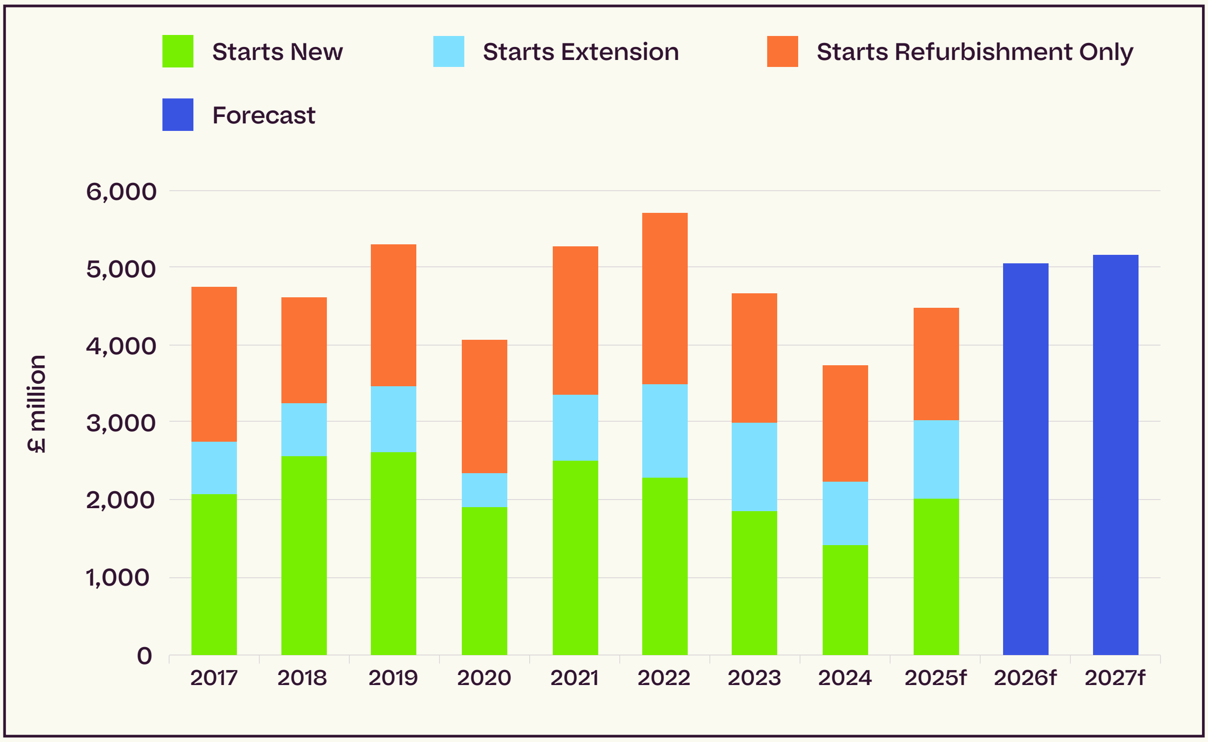
Future of the Sector

The demands of hybrid working continue to reshape the office market. Office lettings are also strong, with office take-up in Q2 2025 reaching the highest figures for three years, indicating increasing demand for office spaces. The sector continues to be driven by both new build and refurbishment projects.

While detailed planning approvals have been easing, there remains a strong pool of previously approved projects that can be brought forward for development. Project starts are forecast to grow over the next two years, with a 13% increase in 2026, followed by a further 2% rise in 2027.

The development of data centres is also expected to be a growing segment within the sector. The government is aiming to attract private sector investment in AI and recently signed a Tech Prosperity Deal, announcing a £30 billion investment to create an AI "growth zone" in the North East.

Chart 9: Value of Office Project Starts (under £100 million) by Type of Development



Source: Glenigan. f = forecast

Retail

-21%	0%	+10%
2025	2026	2027

- Retail sector activity slows in 2025 as a result of cost pressures
- Abundance of vacant premises deters sector growth
- Partial recovery in 2027 accompanied by a rise in consumer spending

Retail project starts are forecast to decline by 21% during 2025. Sector activity will be slow to recover, not returning to growth until 2027.

Retail Starts

	2024	2025f	2026f	2027f
£ million	1,783	1,404	1,400	1,542
Growth	**4%**	**-21%**	**0%**	**10%**

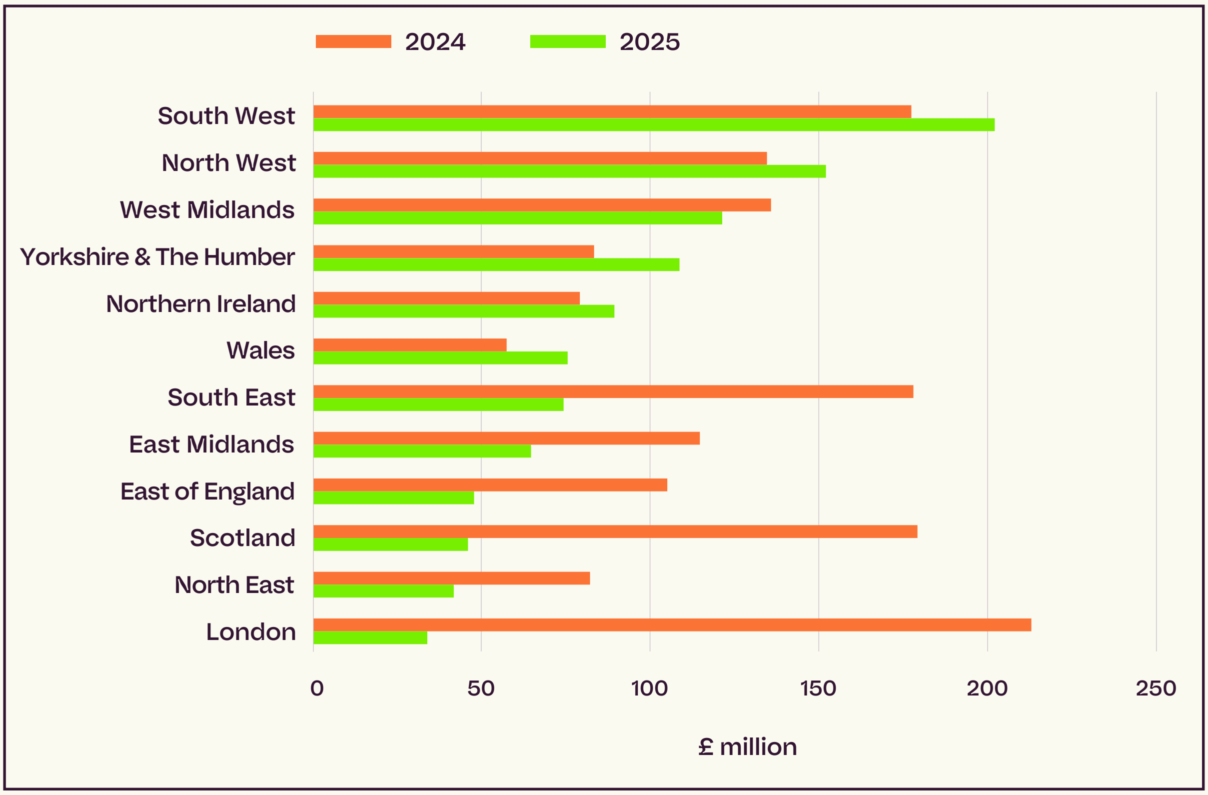
Source: Glenigan. f = forecast

State of the Sector

Retailers are facing cost pressures from increases in National Insurance contributions and the minimum wage. The resulting margin squeeze, combined with competition from online retailing, has dampened investment in new and refurbished premises. An oversupply of empty retail properties is also discouraging new development.

Persistently high inflation throughout 2025 has delayed interest rate cuts, increasing the cost of financing. The development pipeline has contracted, with detailed planning approvals falling 28% in the third quarter of 2025 compared with the same period last year.

Chart 10: Value of Retail Projects Securing Planning Approval (Under £100 Million)



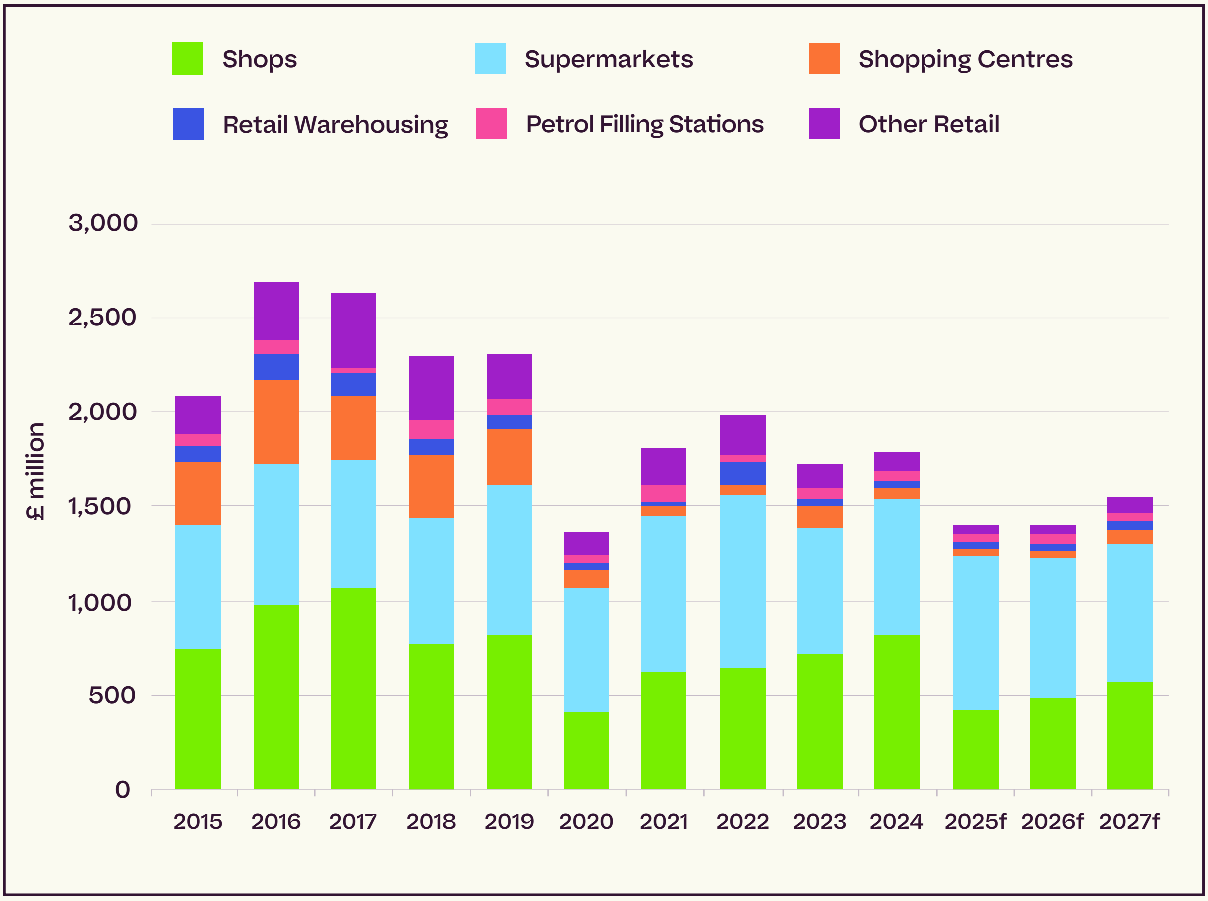
Source: Glenigan.
N.B. 2025 data is based on January to September pro rata

Future of the Sector

Recovery is expected to be slow. With ongoing cost pressures and a surplus of vacant premises, retail project starts are forecast to remain at current levels during 2026. Within the sector, supermarkets remain a bright spot, with deep discount chains such as Aldi and Lidl continuing to expand their store networks.

Retail project starts are expected to increase by 10% in 2027 as reforms to lower business rates for high street retail, hospitality, and leisure properties take effect. The government has pledged to permanently reduce tax rates for these property types in 2026/27, which should encourage further investment in retail developments.

Chart 11: Value of Retail Project Starts (Under £100 Million) by Segment



Source: Glenigan. f = forecast

Hotel & Leisure

+12%	+5%	+12%
2025	2026	2027

- Sector showing resilience after recovering last year
- Growth to persist over the forecast period
- Increased tourism is forecast to help buoy activity in the sector

After recovering in 2024, growth in the hotel and leisure sector has moderated over the past year and is expected to slow further in 2026. Although higher costs have squeezed margins in the hospitality sector, rising consumer discretionary spending is expected to support increased investment and sector activity over the forecast period.

Hotel & Leisure Starts

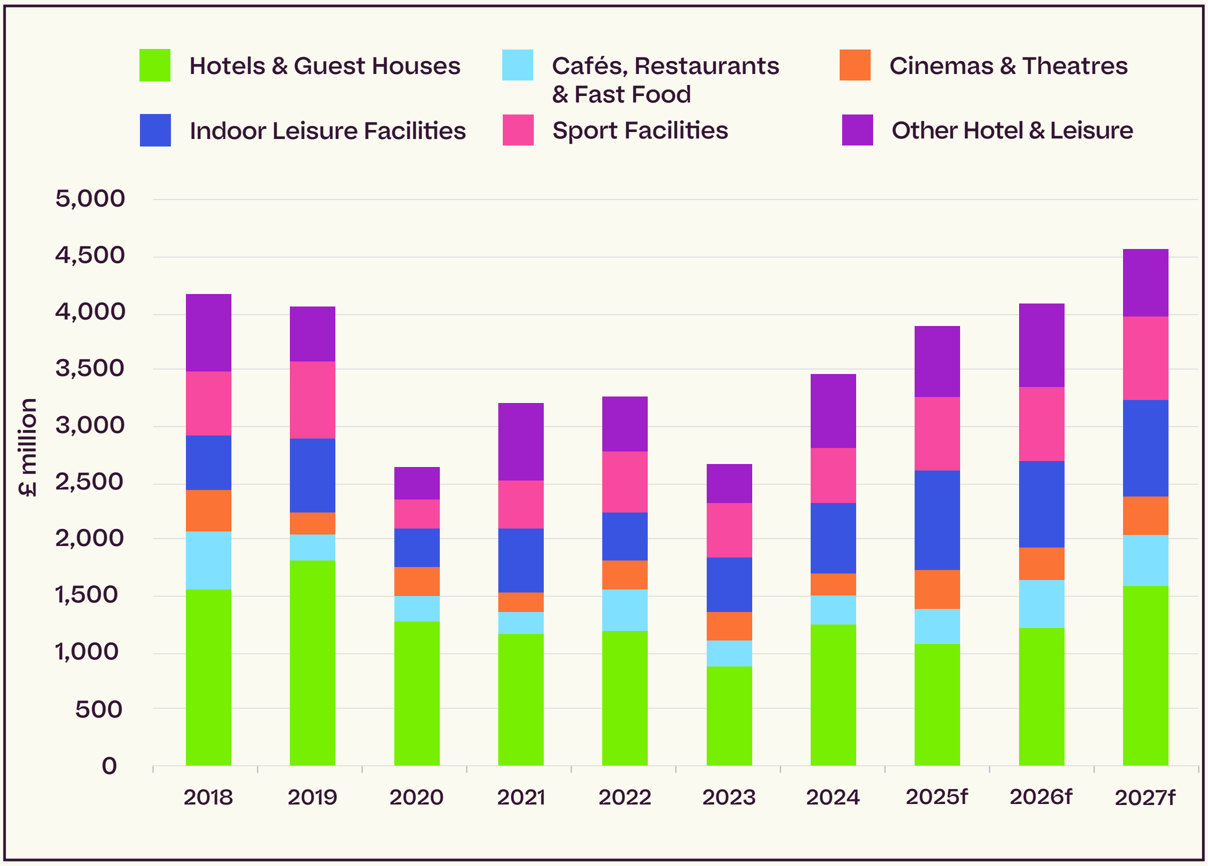
	2024	2025f	2026f	2027f
£ million	3,462	3,892	4,102	4,578
Growth	**29%**	**12%**	**5%**	**12%**

Source: Glenigan. f = forecast

State of the Sector

The hospitality industry's margins have been squeezed by higher labour costs, limiting the funds available for near-term investment. Following a 29% growth in project starts last year, driven by record inbound tourism, growth in hotel and leisure starts has slowed over the past 12 months. However, rising consumer discretionary spending on tourism and leisure, supported by wage growth outpacing inflation, has helped to offset the impact of higher costs.

Chart 12: Value of Hotel & Leisure Project Starts (Under £100 Million) by Segment



Source: Glenigan. f = forecast

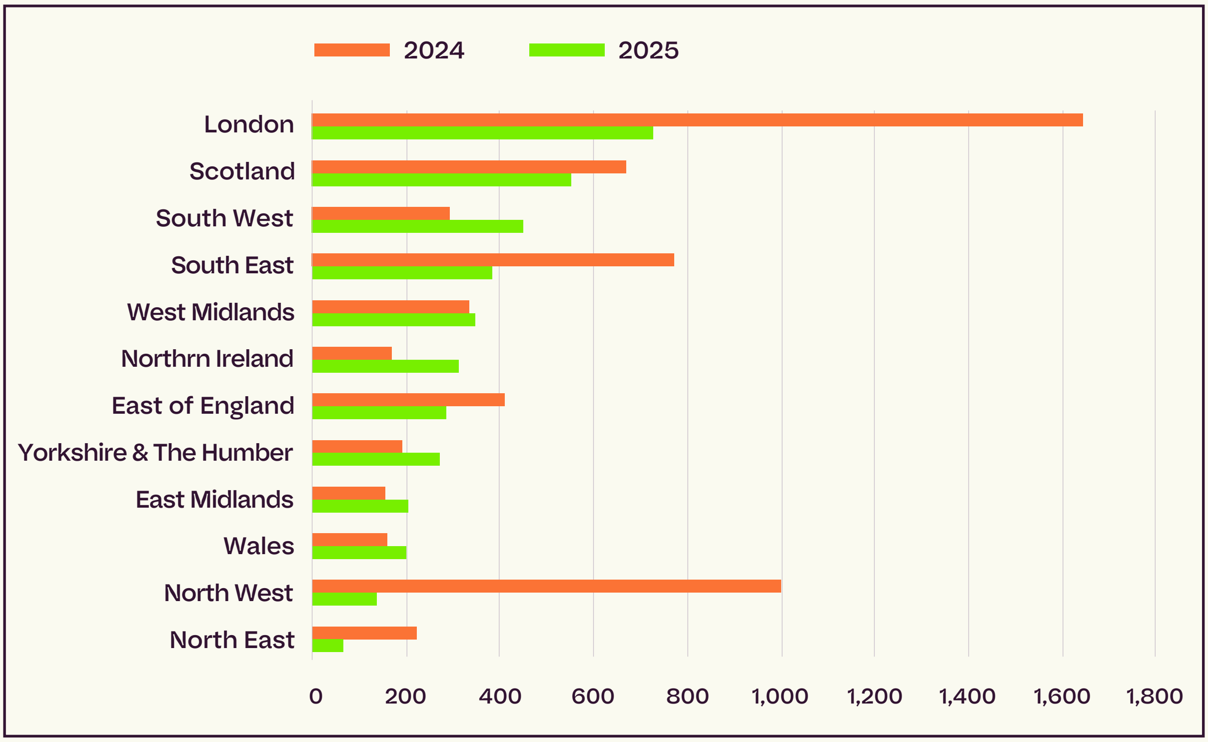
Future of the Sector

Further improvements in households' financial positions are expected to benefit the hospitality sector through higher consumer discretionary spending over the next two years. This is likely to boost investor confidence and support increased sector investment in 2026 and 2027.

Rising volumes and value of inbound tourism to the UK are also forecast to drive growth in sector activity. Project starts are projected to increase moderately by 5% next year, with growth accelerating further in 2027.

The introduction of permanently lower business rates multipliers for high-street retail, hospitality, and leisure properties in 2026/27 is also expected to stimulate hotel and leisure construction. This measure will reduce long-term operational costs, making investments in new developments, expansions, or upgrades more financially viable for businesses.

Chart 13: Value of Hotel & Leisure Projects Securing Planning Approval (Under £100 Million)



Source: Glenigan.
N.B. 2025 data is based on January to September pro rata

Education

-27%	+15%	+4%
2025	2026	2027

- Schools construction starts continues to dominate the education sector
- School rebuilding programme set to lift sector activity from 2026
- Universities struggle despite rising tuition fees

Education project starts are forecast to decline by 27% in 2025, following a 6% rise in 2024. While the additional funding announced in June's Spending Review is positive, project delays and cost pressures have slowed activity this year. Growth of 15% is expected in 2026 and 4% in 2027, supported by further Spending Review funding for school building and further education projects.

Education Starts

	2024	2025f	2026f	2027f
£ million	6,211	4,548	5,230	5,430
Growth	6%	-27%	15%	4%

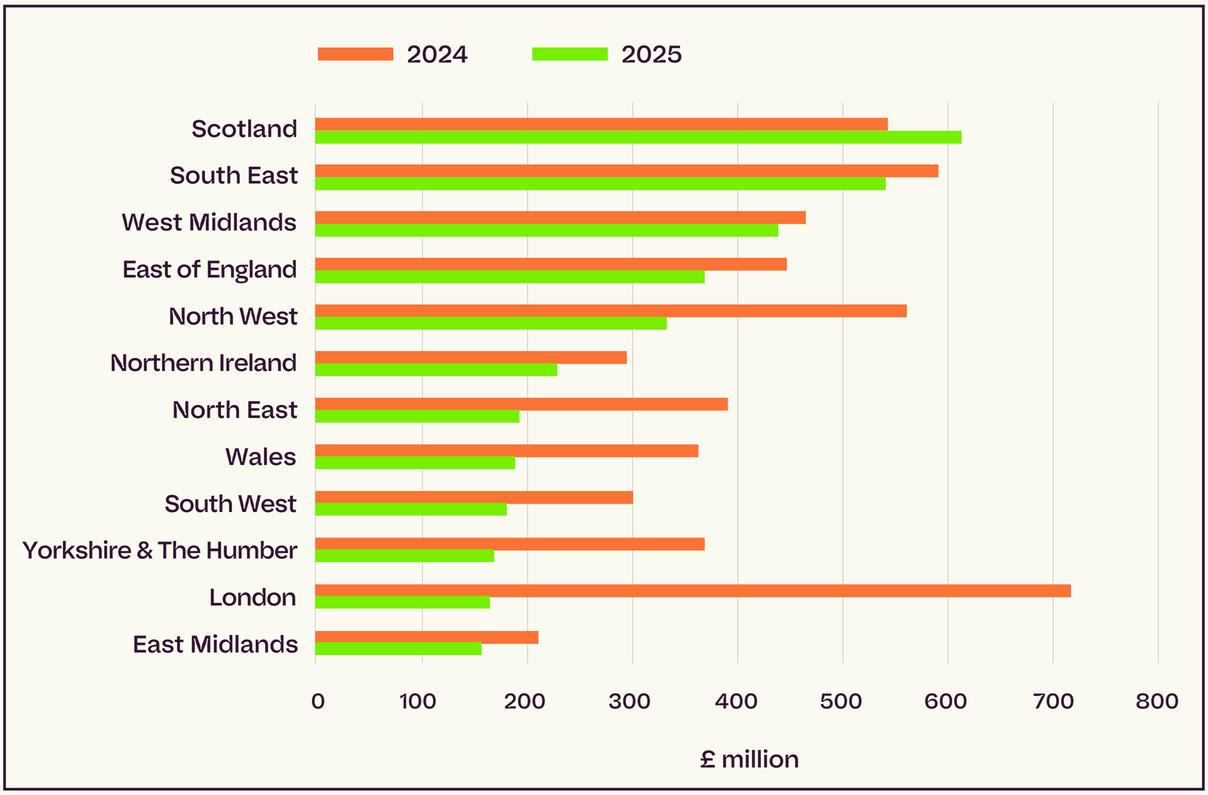
Source: Glenigan. f = forecast

State of the Sector

School building projects account for around 70% of sector activity. While the new government increased capital funding for the school rebuilding programme and further education in 2025/26, earlier uncertainty and cost pressures appear to have disrupted local authorities' development plans, leading to declines in the value of school building and further education college starts this year. School building projects are estimated to have fallen by 7% in 2025, while further education starts dropped 40%, partially reversing strong growth over the previous two years.

Current activity levels are expected to be supported by key schemes such as the school rebuilding programme, as well as ongoing commitments to address RAAC issues in school buildings.

Chart 14: Value of Education Projects Securing Planning Approval (Under £100 Million)



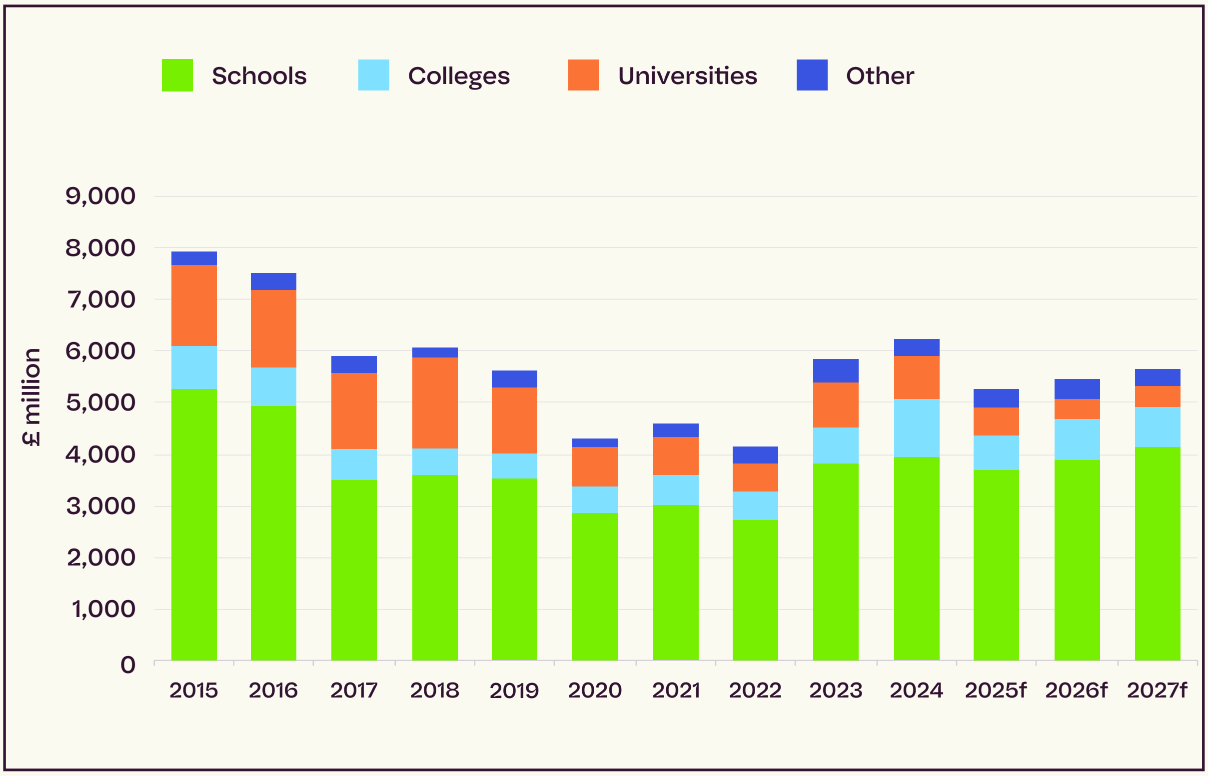
Source: Glenigan.
N.B. 2025 data is based on January to September pro rata

Future of the Sector

The education sector is expected to return to growth in 2026 and 2027. Increased government capital funding, including a £2 billion rise in the core schools budget over the Spending Review period, together with the commitment to rebuild more than 500 schools through the school rebuilding programme, is anticipated to unlock a new wave of education-related activity during the forecast period.

In contrast, the university sector continues to face significant challenges. The first rise in tuition fees in eight years, increasing to an average of £9,535 per year, is a welcome development, particularly as around 43% of institutions would otherwise face a deficit. However, the proposed 6% surcharge on overseas students presents further difficulties, with universities needing to decide whether to absorb the cost or pass it on to students. University project starts are forecast to decline sharply in 2025 and 2026 before stabilising in 2027.

Chart 15: Value of Education Project-Starts (under £100 million) by Segment



Source: Glenigan. f = forecast
N.B. Excludes projects with a construction value in excess of £100m

Health

-24%	+4%	+15%
2025	2026	2027

- Project delays in 2025 amid government review of investment priorities
- Increased funding set to drive an increase in healthcare starts from 2026
- Sector activity to return to growth in 2026/27 supported by major schemes such as the New Hospital Programme

The review of NHS investment priorities following the election has disrupted development programmes this year. However, the Spending Review and the Government's 10-year plan for the NHS have outlined longer-term investment priorities and a sustained increase in capital funding. These measures are expected to support renewed growth in sector project starts during 2026 and 2027.

Health Starts

	2024	2025f	2026f	2027f
£ million	3,863	2,943	3,060	3,509
Growth	18%	-24%	4%	15%

Source: Glenigan.   f = forecast

State of the Sector

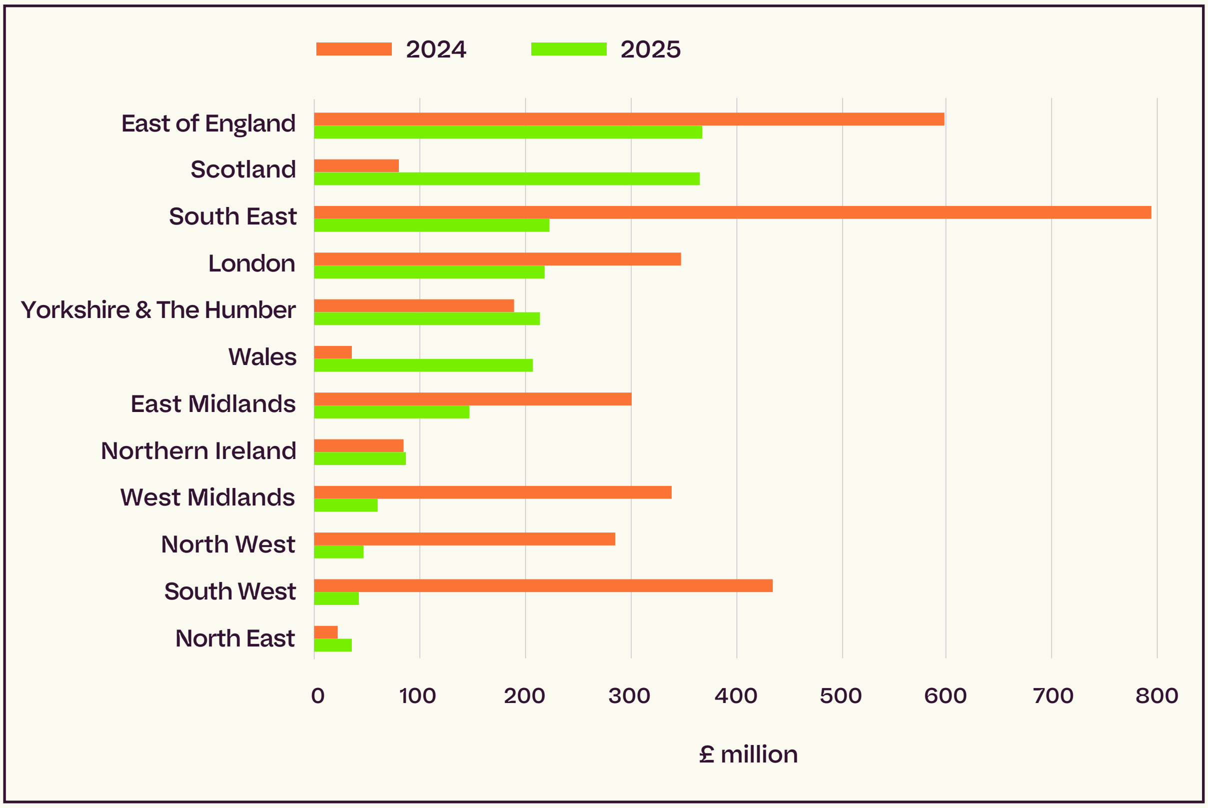
While the Chancellor announced increased capital funding for the NHS in 2025/26, most of the additional resources have been allocated to non-construction areas such as technology and diagnostic equipment.

In addition, the post-election review of NHS priorities disrupted the development pipeline. Although the Government's NHS strategy has now been published, the earlier uncertainty has weighed on activity, leading to an estimated 24% decline in project starts during 2025.

Future of the Sector

The Spending Review and NHS plan signal a sustained increase in capital funding, which will take effect from next April. This is expected to enable NHS trusts to address the repair backlog across the existing estate, with project starts forecast to rise by 4% in 2026 and by a further 15% in 2027. Key initiatives, including the New Hospital Programme, are also expected to support sector growth throughout the forecast period.

Chart 16: Value of Health Projects Securing Planning Approval (Under £100 Million)



Source: Glenigan.
N.B. 2025 data is based on January to September pro rata

Civil Engineering

2025	2026	2027
-7%	+17%	+15%

- Water industry investment programmes gather momentum
- Strong growth in electricity networks and renewables
- Spending Review funding for road and rail upgrades

Underlying civil engineering starts (under £100 million) are forecast to decline 7% in 2025. Growth is set to return in 2026 and 2027, with a 17% and 15% rise respectively.

A sustained increase in infrastructure projects is anticipated, following the Spending Review, which provided additional investment for the road and rail networks from 2026/27. Utilities work is also expected to grow, driven by higher investment in electricity generation and distribution to support the UK's net zero transition, as well as increased capital spending by the water industry. This expansion reflects efforts to modernise infrastructure, integrate renewable energy, and meet rising demand for resilient and sustainable utility services.

Civil Engineering Starts

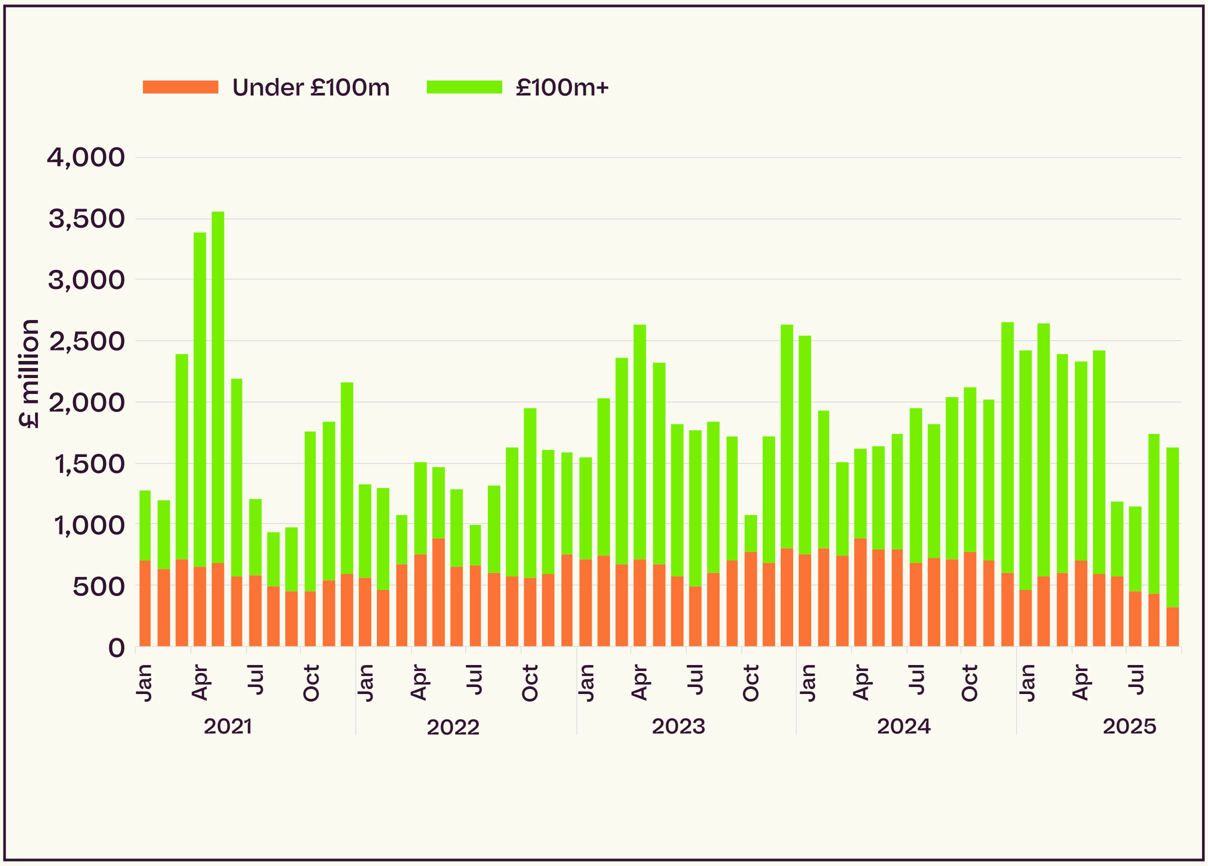
	2024	2025f	2026f	2027f
£ million	8,390	7,838	9,189	10,524
Growth	**21%**	**-7%**	**17%**	**15%**

Source: Glenigan. f = forecast

State of the Sector

Road and rail projects were delayed by the post-election review of government programmes. This has prompted a reduction in infrastructure project starts this year, despite the government providing near-term funding for smaller scale projects such as road repairs. Utilities projects also slipped back due to a temporary dip in renewable generation project starts.

Chart 17: Value of Civil Engineering Main Contract Awards by Month



Source: Glenigan. f = forecast

Future of the Sector

After a weak performance in 2025, the civil engineering sector is set to return to growth in 2026 and 2027, with utility-related work contributing particularly to the increase. Alongside a rise in general activity, the utilities segment will benefit from major projects starting on site. The £104 billion funding package approved by Ofwat for investments between 2025 and 2030 is expected to drive sector activity throughout the forecast period, supporting major upgrades such as new reservoirs and measures to reduce pollution.

Electricity generation and transmission projects are also forecast to boost sector growth. Major projects such as Sizewell C, Hinkley Point C, and the Dogger Bank Offshore Wind Farm will contribute significantly to activity. Government programmes, including the Clean Energy Industrial Plan, which aims to double investment in clean energy to over £30 billion annually by 2035, further reinforce commitments to renewable energy initiatives.

Infrastructure projects are expected to rise across the forecast period. The 2025 Spending Review included £24 billion in capital funding for motorways and strategic road maintenance between 2026/27 and 2029/30. Major railway projects, such as HS2 and the TransPennine Route Upgrade, are also set to support sector growth throughout the period.

CIS
A Hubexo Product

Republic of Ireland

ROI Contents

Economic Background

The fallout from shifting US trade tariffs has added to policy uncertainty and slowed the pace of economic growth in the Republic of Ireland. While the outlook is less favourable than it would have been without the tariffs, the economy is still expected to grow steadily over the next two years.

Economic Indicators

Indicators	2024	2025f	2026f	2027f
Gross Domestic Product	2.6%	10.1%	3.8%	4.8%
Modified Domestic Demand	1.8%	2.9%	2.2%	2.4%
Modified Gross Fixed Capital Formation	-4.2%	2.4%	2.1%	3.2%
Inflation (%, YoY)	1.3%	1.8%	1.4%	1.4%
Unemployment (%)	4.3%	4.6%	4.8%	4.9%
General government balance (% of GDP)	4.1%	0.7%	0.9%	0.6%
Gross public debt (% of GDP)	**38.8%**	**33.4%**	**31.2%**	**30.3%**

Source: Central Bank of Ireland.   f = forecast

The latest forecasts by the Central Bank of Ireland anticipate economic growth of 10.1% this year, with exports and GDP growth both boosted by a surge in pharmaceutical exports to the US during the first five months of the year. Further firm growth is anticipated over the next two years.

Whilst shifting trade policy and the response of multi-national enterprises will continue to impact overall growth, the underlying economic outlook remains positive. Modified domestic demand is expected to grow by 2.9% this year before moderating slightly during 2026 and 2027. Having slipped back durng 2024, fixed investment is forecast to grow by 2.4% this year and 2.1% in 2026, strengthening to a 3.2% rise in 2027.

The Irish labour market remains strong. Employment reached a new record high in 2025 Q2, despite a decline in net inward migration in the year to April. Employment in construction increased by 18.4% and accounted for 46% of total employment growth.

Unemployment is low, but is expected to edge higher over the forecast period, reaching 4.9% in 2027.

The Central Bank expects headline inflation to stand at 1.8% in 2025, before declining to 1.4% for both 2026 and 2027. The anticipated easing in inflation reflects the impact of lower energy prices, an appreciation of the euro and weaker services inflation.

These forecasts are built upon the analysis of CIS's database of current and planned construction projects which have been examined alongside other market and economic variables.

The key assumptions around which this forecast is based:

- A robust Irish economy with sustained economic growth over the forecast period.
- Growth in domestic demand, steady inflation and employment.
- Capital spending allocations focusing on housing crisis and infrastructure deficit.

Construction Outlook

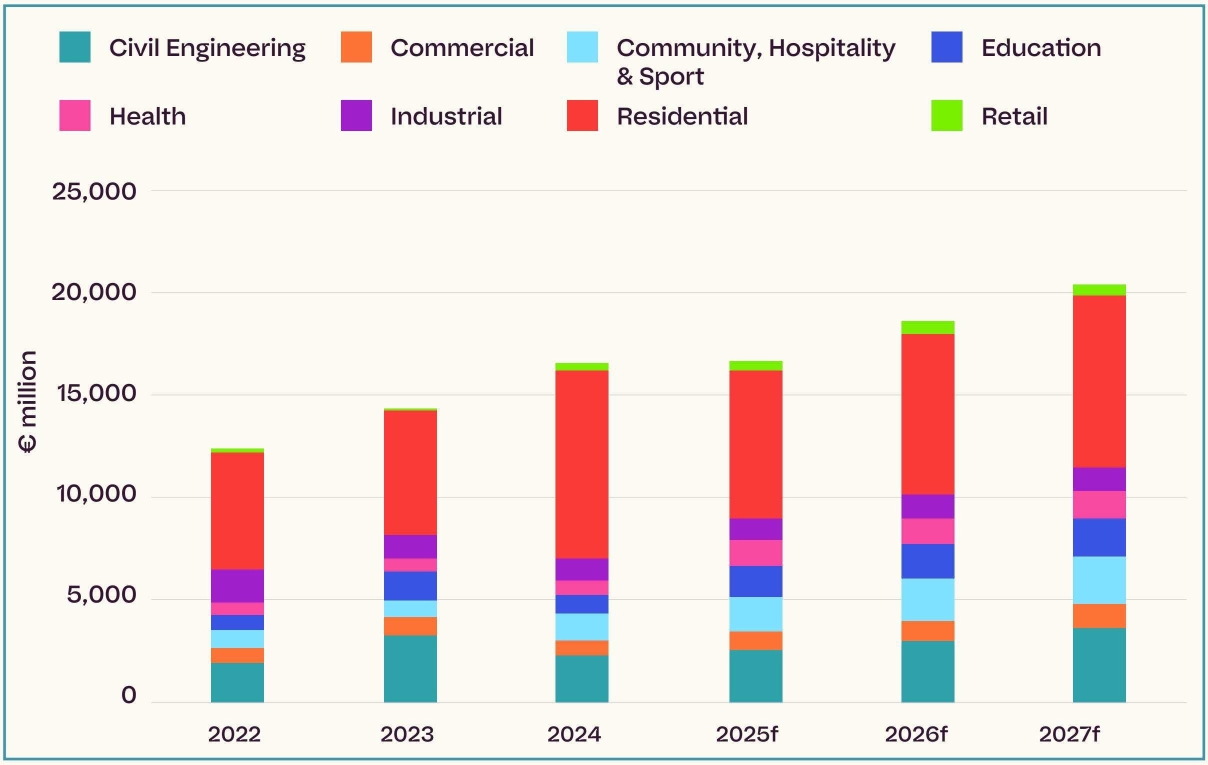
+1%
2025

+11%
2026

+10%
2027

Despite global economic and political uncertainty, Ireland's construction market is expected to grow over the forecast period. The overall pace of growth was dampened this year, by a temporary drop in residential project starts, but is expected to strengthen in 2026 and 2027.

Chart 18: Value of Project-Starts (Under €100 million)



Source: CIS Insights.   f = forecast

Table 3: Value of Project-Starts (Under €100 million) by Sector

Starts	2024	2025f	2026f	2027f
Civil Engineering	2,300	2,547	3,057	3,668
Commercial	762	911	929	1,115
Community, Hospitality & Sport	1,270	1,746	2,095	2,304
Education	888	1,516	1,667	1,917
Health	728	1,194	1,253	1,354
Industrial	1,128	1,089	1,132	1,178
Residential	9,175	7,203	7,923	8,319
Retail	347	518	544	560
TOTAL	**16,598**	**16,723**	**18,600**	**20,415**

Source: CIS Insights. f = forecast

Table 4: Growth in the Value of Project-Starts (Under €100 million) by Sector

Starts	2024	2025f	2026f	2027f
Civil Engineering	-30%	11%	20%	20%
Commercial	-16%	20%	2%	20%
Community, Hospitality & Sport	62%	37%	20%	10%
Education	-38%	71%	10%	15%
Health	7%	64%	5%	8%
Industrial	-4%	-3%	4%	4%
Residential	53%	-21%	10%	5%
Retail	110%	49%	5%	3%
TOTAL	**15%**	**1%**	**11%**	**10%**

Source: CIS Insights. f = forecast

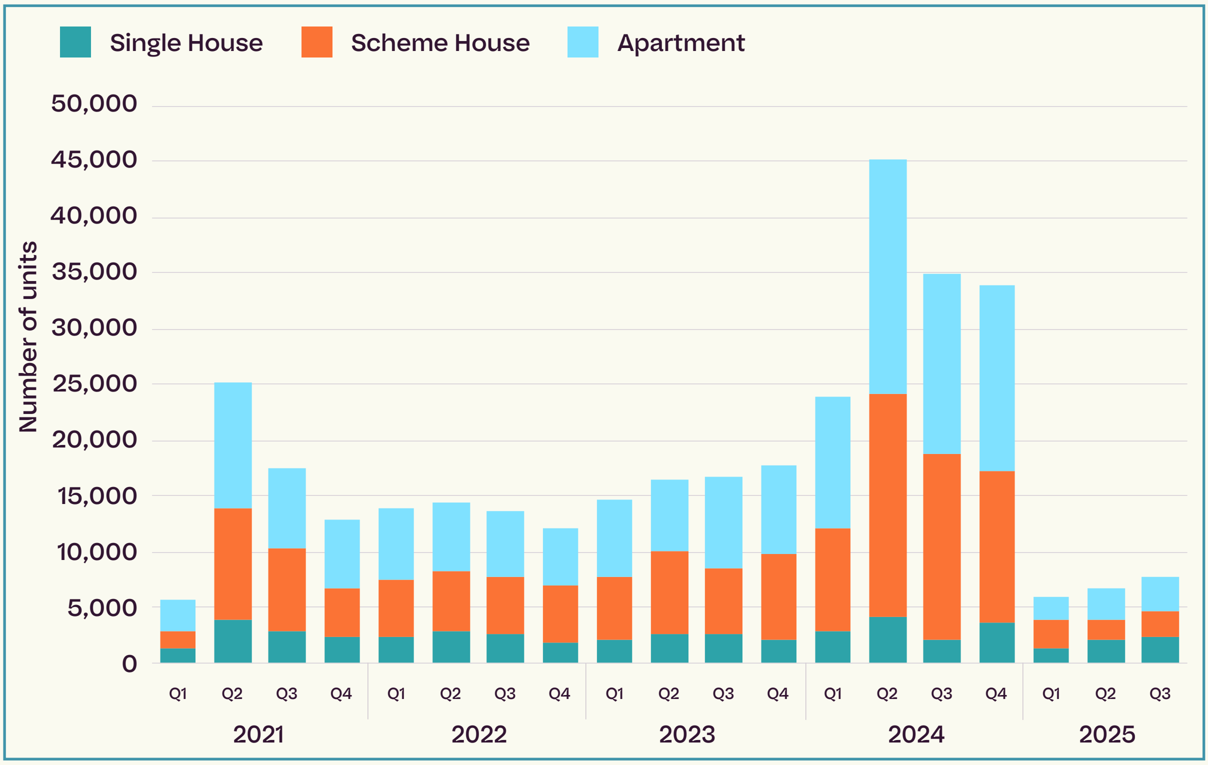
Residential

-21%	+10%	+5%
2025	2026	2027

The Irish housing market faces significant challenges. Strong economic performance and a rising population have put pressure on housing supply with current supply falling short of rising demand.

Last year saw a sharp rise in commencements with 138,120 units started. The surge in starts was driven by temporary waivers on water connections and levies paid to councils, provided that works are completed by the end of 2026. This has supported a steady rise in unit completions this year and developers will be keen to accelerate the build out of sites before the December 2026 deadline. However, the pace of development activity has been disrupted by shortages of key water and energy infrastructure.

Chart 19: Number of Residential Units Started



Source: Central Statistics Office

The large surge in commencements in 2024 has led to an inevitable slowdown in project starts this year. During the first nine months of 2025 only 7,896 new homes commenced. Having doubled last year, the value of residential project starts is expected to fall back by 29% during 2025.

The development pipeline has remained firm, however, with the value of residential approvals during the first nine months of 2025 up 10% on the same period a year earlier. This strengthening pipeline combined with the positive economic outlook is expected to support renewed sector growth during 2026 and 2027.

Industrial

-3%	+4%	+4%
2025	2026	2027

Manufacturing plays a crucial role in the Irish economy. Major exporting sectors include pharmaceuticals, medical devices and food. US trade policy has heightened uncertainty for the manufacturing sector.

Against this background, industrial project starts are expected to slip back by 3% this year, with modest growth of around 4% per annum anticipated during 2026 and 2027.

Retail

+49%	+5%	+3%
2025	2026	2027

Firm economic growth, rising household incomes and a growing population have provided a boost to retail sales and is supporting strong growth in retail construction. Grocery stores continue to be a major growth driver with a continuing movement to local community shopping over multinational alternatives.

A firm development pipeline is forecast to support further modest sector growth over the next two years. The grocery segment is expected to remain a driver for the sector, with the growth of online retailing curbing the demand for other forms of retail space.

Commercial

+20%	+2%	+20%
2025	2026	2027

The Irish office market continues to show signs of recovery, particularly in Dublin, which remains the hub of most office activity. Return-to-office policies are driving demand for Grade A office space. Following the pandemic, new office development has been in steady decline as the sector adjusts to changing ways of working. The value of commercial projects receiving approval has also decreased.

However, 2025 has seen a marked upturn in project starts in response to the recovery in the office market. The weak development pipeline is forecast to temper the pace of sector growth, with starts little changed next year before growing more strongly during 2027.

Education

+71%	+10%	+15%
2025	2026	2027

In October 2024 the Irish government allocated €11.8 billion to education in Budget 2025, the largest education budget in the history of the state. The capital budget increased to €1.3 billion in 2025 to support around 350 building projects that are currently at construction and over 200 other projects proceeding to construction during 2025 and early 2026. The latest Budget 2026 reveals a further increase in capital funding to £1.6 billion for the next financial year.

The planning pipeline for education is strong. In 2024, the value of education projects securing planning approval grew by 60%. This has supported a 52% rise in project starts in the first nine months of 2025 as projects have progressed to site. Further, but more modest growth is anticipated over the next two years, following a dip in approvals during 2025.

Health

+64%	+5%	+8%
2025	2026	2027

Budget 2025 has unveiled a record €25.8 billion allocation to the health sector, marking a €2.94 billion increase compared to 2024. Capital expenditure rose from €1.51 billion in 2024 to €1.83 billion for 2025. Ireland's population is growing and with a significant increase in the over 65's, leading to increased demand for healthcare services.

Increased budget allocations and current health policy has maintained a healthy pipeline of planned investment in the sector. The value of projects securing detailed planning consent has grown by 65% since 2023. This is expected to help lift the value of health project starts by two-thirds this year, with further growth anticipated during 2026 and 2027.

Civil Engineering

+11%	+20%	+20%
2025	2026	2027

Ireland's Budget 2025 programme allocated nearly €15 billion to capital expenditure in 2025 to address infrastructure deficiencies that are impacting international competitiveness. The increased allocation arises from a significant tax windfall of around €14 billion (primarily from back taxes owed by Apple, as a result of EU rulings regarding illegal tax deals). This increase in capital funding is expected to help lift civil engineering starts by 11% this year, with further strong growth anticipated over the next two years.

Key Recommendations
for the construction industry over the next two years

The construction industry is poised for growth over the next two years, presenting opportunities across private housing, logistics, office accommodation, data centres, and civil engineering. Firms can capitalise on these trends by targeting expanding markets, aligning resources with rising government investment in education, health, social housing, transport infrastructure, and utilities, and proactively managing risks to maximise efficiency and profitability. The following recommendations provide practical guidance to capture growth and strengthen resilience.

Target new growth areas

Focus on emerging sectors such as warehousing and logistics, office accommodation, and data centres. Monitor planning reforms that are expected to increase the supply of residential development land, supporting private and social housing. Track public sector capital programmes as investment resumes, particularly regional markets in the northern half of England where growth is projected to outpace London and the South.

Anticipate and manage supply-side constraints

Remain alert to potential disruptions in global supply chains, particularly for imported materials. Factor in labour cost increases and skill shortages when bidding and planning projects to ensure realistic schedules and budgets.

Strengthen risk management

Diversify project pipelines and client portfolios to reduce dependence on individual schemes or clients. Review supply chains to avoid over-reliance on a limited number of suppliers. Plan for extended pre-construction lead times, particularly for high-rise residential projects affected by building safety approvals.

Improve on-site efficiency and collaboration

Address skilled labour shortages by planning recruitment, training, and retention strategies. Leverage offsite manufacturing and prefabrication to reduce on-site labour demands. Adopt collaborative working practices and digital tools to improve site management, streamline workflows, and minimise waste.

Embrace digital transformation

Invest in digital tools across pre-construction, on-site operations, and client engagement. Enhancing customer relationship management systems, digital marketing, and sales processes can improve opportunity identification and targeting. Digital adoption also supports cost reduction, operational efficiency, and business resilience in a changing market.

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