Glenigan
A Hubexo Product

November 2026

Construction Industry Forecast

For the UK and Republic of Ireland

2027-2028

Featuring insight directly from industry thought leaders:

Bloomberg Intelligence

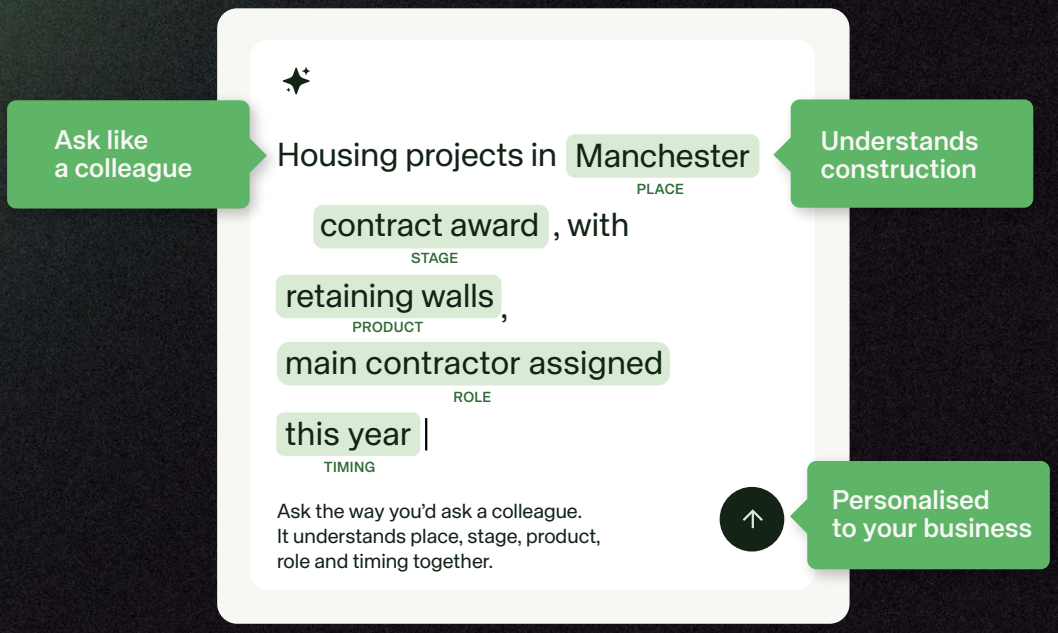
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Contents

Expert Insights	4
Economic Background	5
Executive Summary	7
UK Mortgage Rate Spike: Bloomberg Intelligence	12
Construction Recovery at Risk: CITB	14
Private Housing	16
Social Housing	19
Industrial	22
Offices	25
Retail	28
Hotel & Leisure	31
Education	34
Health	37
Civil Engineering	39
Republic of Ireland	42
Key Recommendations	51



Expert Insights

to drive your construction strategy forward

Glenigan's bespoke research service provides construction businesses and sales leaders with actionable, data-driven insights to grow their pipelines. Led by industry expert Allan Wilén, alongside our Economics Unit, we bring decades of experience in UK construction forecasting and analysis.

Supported by a team of experienced economists, our insight helps hundreds of businesses make informed strategic decisions each year. Trusted by industry bodies and widely recognised across the sector, Glenigan delivers expert analysis for commercial clients, government, and trade organisations.

From strategic forecasts to tailored reports, we provide the intelligence you need to plan with confidence.

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Methodology

Glenigan's Construction Forecast draws on our comprehensive database of UK construction projects, combined with proprietary modelling and market analysis to provide a forward-looking view of industry activity.

Forecasts are informed by project-level data across the construction pipeline, from early planning through to start on site, supported by macroeconomic indicators, sector drivers, and historic trends. Activity is analysed by sector, with regional breakdowns and a distinction between underlying projects, defined as those below £100 million, and major projects valued at £100 million and above. As with all forward-looking analysis, projections are indicative of trends and subject to revision.

Elements of this report have been prepared using AI-assisted drafting tools applied to Glenigan's proprietary data. All content is reviewed, edited, and verified by Glenigan's economics team prior to publication.

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Economic Background

Conflict in the Middle East is casting a lengthening shadow over the global economy, exerting upward pressure on energy prices, inflation and interest rates. In the Summer 2026 Glenigan Construction Industry Forecast, an early easing of geopolitical tensions was expected to support a gradual improvement in economic conditions. Since then, the conflict has persisted, increasing the risk of further escalation and creating a more challenging environment for construction investment and growth.

To date the UK has weathered the storm well. The economy continued to grow during the three months to July, according to ONS, with manufacturing and services output expanding by 0.5% and 0.6% respectively. Indeed, the IMF has raised its GDP forecast for the year to 1.3%. Unfortunately, construction has been a weak spot, as geopolitical uncertainty, rising costs and interest rate fears have deterred investment. Construction output contracted 0.5% during the three months to July and Glenigan has recorded a sharp drop in projects starting on site this year.

Household finances are under renewed pressure from the pick-up in inflation and a weakening labour market. Consumer price inflation rose to 3.3% in August, with higher energy costs expected to accelerate inflation over the coming months. The labour market has weakened, with unemployment edging up, job vacancies declining and average earnings rising by 3.9% in the three months to July, the slowest rate of growth since 2020. This retrenchment is being felt in related sectors such as retailing and the housing market.

Outlook to 2028

Further modest economic growth is anticipated for 2027 of around 1.2%, rising to 1.4% in 2028 as energy prices and inflationary pressures ease. The Bank of England expects CPI inflation to peak above 4% early in 2027. We expect the bank base rate to rise to 4.25% by mid-2027 as inflationary pressures ease.

However, inflation remains the main source of uncertainty. A prolonged or widening conflict would keep energy costs and inflation higher for longer. It would also increase the risk of second-round effects on wages and prices.

Household spending will remain under pressure during the next six to nine months from higher inflation and interest rates, while tax measures unveiled in the Budget may deter discretionary spending by higher income households. An easing in inflation and firmer economic growth are expected to subsequently help lift household incomes and consumer spending.

A 1.7% rise in business investment during the second quarter of 2026 was driven by higher spending on ICT and plant & machinery, suggesting businesses are prioritising productivity and cost efficiency rather than building new facilities and expanding capacity. Business investment is expected to remain weak in the near term amid geopolitical uncertainty and subdued economic growth, before recovering modestly from mid-2027.

In contrast, government investment has rebounded this year and is expected to be a major driver of overall UK investment growth over the forecast period. Public sector investment was up 10.6% year on year in the second quarter of 2026, marking the start of the new Spending Review period. The government has committed to a substantial increase in capital spending over the coming years, which should provide significant support for construction activity. However, progress in bringing forward schemes has been slower than anticipated, and there is a risk that higher borrowing costs and a changing political landscape could affect the delivery of departmental programmes.



Elevated construction costs, tighter lending standards and weaker end-market values in some sectors have led to projects being delayed, redesigned or cancelled over the past year. With these pressures expected to persist into 2027, developers are likely to prioritise schemes offering stronger returns and lower risk, constraining the volume of projects progressing through the pipeline.

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:

- The conflict in the Middle East does not widen materially. Energy prices remain elevated through the winter before easing during 2027.
- Consumer price inflation peaks at above 4% in early 2027 before falling back towards 2% during 2028. Bank Rate rises to 4.25% before gradually easing from the second half of 2027.
- Real household incomes remain under pressure in the first half of 2027 before recovering thereafter. As a result, a recovery in housing market activity and private housebuilding is delayed until the second half of 2027 and into 2028.
- Business investment recovers modestly from 2027 as uncertainty eases, supporting growth in industrial, warehousing and logistics, and data centre projects.
- The Autumn Budget broadly maintains the capital allocations set out in the 2025 Spending Review, supporting public sector construction activity through 2027 and 2028.
- Investment in renewable energy, electricity networks and nuclear power accelerates in support of net-zero objectives, alongside increased spending on water infrastructure through AMP8 and road and rail investment programmes under RIS3 and CP7.

Executive Summary

-13%	+11%	+7%
2026	2027	2028

Geopolitical instability: The prolonged conflict in the Middle East has pushed up energy prices, inflation and borrowing costs. Higher living costs and a weakening labour market are placing renewed pressure on household spending. UK economic growth is expected to remain modest at around 1.2% in 2027 before strengthening in 2028 as energy prices and inflationary pressures ease. Heightened uncertainty has weighed heavily on investment decisions, contributing to an estimated 13% fall in project starts during 2026. Activity is forecast to recover by 11% in 2027 and a further 7% in 2028.

Private sector caution: Financial viability remains a key constraint across much of the private sector. Elevated construction costs, tighter lending conditions, softer end-market demand in some sectors and wider economic uncertainty have led to project redesigns, delays and cancellations. As a result, developers are increasingly prioritising schemes with stronger margins and lower risk profiles.

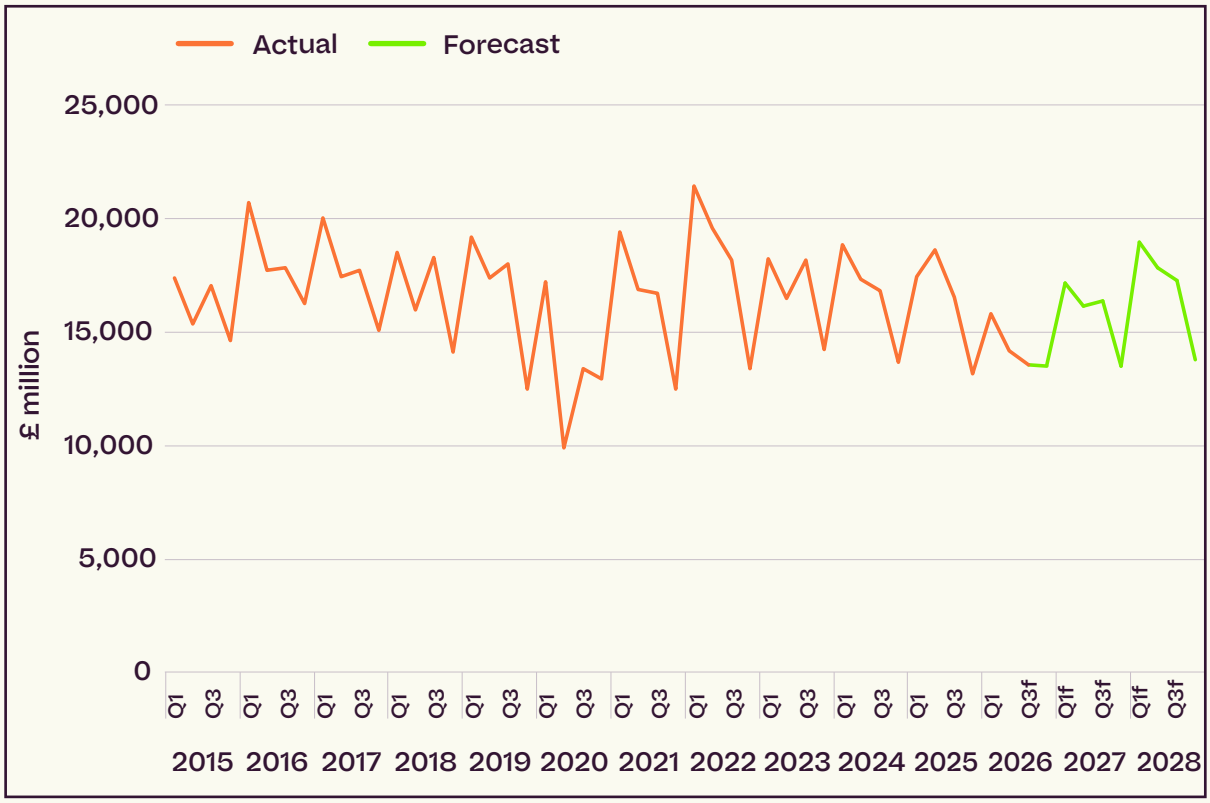
Public sector recovery: Increased capital funding announced in the Spending Review has so far been slow to translate into construction starts. Consequently, education and health starts are forecast to rise by just 1% in 2026. However, stronger growth is expected from 2027 as investment programmes gain momentum and major schemes, including the School Rebuilding Programme and New Hospital Programme, progress to site. Education starts are forecast to increase by 9% in 2027, while health starts are expected to rise by 11%.

- **Private Housing:** A sluggish housing market, higher mortgage rates and rising development costs have weighed on new home sales, prompting developers to defer opening new sites. As a result, private housing starts are estimated to fall by 24% in 2026. A gradual recovery is expected from 2027 as consumer confidence improves and housing market activity strengthens.
- **Industrial & Commercial:** Business investment is expected to remain constrained in the near term by economic uncertainty and higher borrowing costs. Industrial starts are forecast to decline by 14% in 2026, recover by 4% in 2027 and ease back in 2028. Office activity has remained flat in 2026 but is forecast to grow by 11% in 2027 and a further 8% in 2028.
- **Public Investment:** Increased capital funding announced in the Spending Review is expected to drive stronger public sector activity from 2027, following a slower-than-anticipated rollout of programmes in 2026.
- **Civil Engineering:** Starts are forecast to fall by 9% in 2026 before recovering by 11% in 2027 and a further 10% in 2028, supported by increased investment in water, electricity and transport infrastructure.

Key Drivers of Growth:

- **Recovery in consumer spending** supports private housing and retail activity from 2027 as inflationary pressures ease, with hotel and leisure starts returning to growth in 2028.
- **A rebound in office construction** from 2027, alongside continued demand for refurbishment and remodelling projects.
- **Growing demand for data centres and modern commercial space**, although recovery in industrial and warehousing activity is expected to be gradual.
- **Higher public sector investment** drives growth in education and health construction from 2027.
- **Expansion in infrastructure and utilities work** linked to net-zero objectives and regulatory investment programmes.

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	2025	2026f	2027f	2028f
Private Housing	24,632	18,621	21,791	24,239
Social Housing	8,144	7,756	8,179	8,560
Industrial	5,352	4,592	4,761	4,533
Offices	4,314	4,324	4,815	5,198
Retail	1,292	1,432	1,568	1,614
Hotel & Leisure	3,993	3,582	3,380	3,567
Education	5,055	5,081	5,554	5,961
Health	2,977	2,994	3,332	3,290
Community & Amenity	2,577	1,908	2,201	2,588
Civil Engineering	7,442	6,767	7,523	8,257
TOTAL	**65,777**	**57,058**	**63,102**	**67,805**

Source: Glenigan. f = forecast.

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

Annual Change	2025	2026f	2027f	2028f
Private Housing	-2%	-24%	17%	11%
Social Housing	3%	-5%	5%	5%
Industrial	5%	-14%	4%	-5%
Offices	17%	0%	11%	8%
Retail	-26%	11%	9%	3%
Hotel & Leisure	21%	-10%	-6%	6%
Education	-17%	1%	9%	7%
Health	-23%	1%	11%	-1%
Community & Amenity	55%	-26%	15%	18%
Civil Engineering	-9%	-9%	11%	10%
TOTAL	**-1%**	**-13%**	**11%**	**7%**

Source: Glenigan. f = forecast.

Private Residential

A tentative improvement in the housing market at the start of 2026 has faded as the year progresses. Rekindled inflation, weaker earnings growth and rising mortgage costs have squeezed affordability and deterred first time buyers. House price inflation has slowed, although regional divergence persists as stronger demand in more affordable regions offsets weaker conditions in higher-value markets, particularly in the south. The number of mortgage approvals has also softened in recent months.

In addition to weak demand, developers have faced rising construction costs as higher energy prices have fed through to material costs, alongside the expense of redesigning schemes to meet BSR requirements and the building safety levy. These factors have undermined the viability of some sites in the current market, prompting an estimated 24% fall in the value of project starts this year.

A gradual recovery in private housing is expected from mid-2027, supported by lower borrowing costs, rising real incomes and improving confidence. However, the pace of recovery will remain dependent on the improved financial viability of schemes, with developers continuing to prioritise lower-risk, higher-margin projects. Despite the rise, the value of project starts is expected to remain below 2025 levels by the end of the forecast period.

Private Non-Residential Work

The industrial sector has lost momentum this year as the deteriorating geopolitical outlook and the prospects of higher borrowing costs, prompted investors to defer planned projects. The value of projects has declined by an estimated 14%. Although demand remains underpinned by structural shifts in e-commerce and supply chain restructuring, constrained business investment is expected to limit the recovery to a modest 4% rise in 2027, followed by a 5% decline in 2028.

Following a 17% rise in 2025, office starts have held steady this year, as economic uncertainty delays investment decisions. Demand remains concentrated in high-quality, sustainable office space, as occupiers prioritise energy efficiency and flexible space. An increase in both new build and refurbishment office projects, together with new data centre developments, is forecast to lift starts by 11% in 2027 and by a further 8% in 2028.

Retail construction remains subdued, having contracted sharply by 26% in 2025, with the sector facing ongoing structural and cyclical challenges. Rising operating costs, subdued consumer demand and an overhang of surplus retail space are constraining investment in new developments. Starts are estimated to have risen by 11% this year from a low base, with further growth of 9% in 2027 and 3% in 2028. However, activity is expected to remain subdued by historic standards.

After two years of strong growth, including a 21% rise in 2025, the hotel and leisure sector is expected to slip back by 10% this year, as sluggish consumer spending and rising hospitality costs deter investment. Pressure on household budgets is expected to prompt a further 6% decline in 2027, before a 6% recovery in 2028 as household incomes strengthen and discretionary spending picks up.

Increased Government Investment

The reassessment of capital programmes by the new government continued to disrupt the flow of public sector project starts last year. Increased departmental capital funding from the start of the Spending Review period in April has so far been slow to convert into project starts, but is expected to generate new opportunities from 2027. Social housing starts are forecast to dip by 5% this year before rising by 5% a year in 2027 and 2028.

In education, starts fell by 17% in 2025 and are forecast to edge up by just 1% this year. Activity is expected to strengthen in 2027 and 2028, rising by 9% and 7% respectively, as a clearer funding pipeline helps accelerate the School Rebuilding Programme and boost investment in further education projects. By contrast, with many universities under financial pressure, higher education building will remain subdued.

Health starts fell by 23% in 2025 and are forecast to edge up by 1% this year. Major schemes such as the New Hospital Programme are set to lift starts by 11% in 2027, before activity levels off in 2028. However, delivery will depend on the pace at which funding is converted into approved and procured projects.

The Spending Review has set out a longer-term framework for transport investment. However, civil engineering starts are set to fall by 9% this year, a second successive annual decline, before recovering by 11% in 2027 and 10% in 2028. The current Road Investment Strategy provides funding for a sustained rise in capital renewal projects from 2027/28.

Utilities are expected to provide a more consistent source of growth. The AMP8 regulatory cycle is driving increased investment in the water sector, while the UK's net zero commitments are underpinning sustained spending on renewable energy generation and electricity network upgrades. Together, these programmes are expected to support civil engineering activity throughout the forecast period.



UK Mortgage Rate Spike Could Test Strained Housing Resilience



Iwona Hovenko
Senior Equity Research Analyst

Bloomberg Intelligence

Despite the brief improvement of UK housing sentiment over the summer, activity is again at risk of deteriorating, as mortgage rates rise further, after soaring energy prices pushed UK swap rates to their highest level since at least mid-2024. UK mortgage rates have already risen sharply since late February, weighing on confidence and prompting homebuyers to delay plans until headwinds ease.

Buyers with mortgage offers secured prior to the rate spike supported activity earlier this year, but resilience is now being tested as those deals vanish.

The UK housing market's resilience to numerous headwinds over the last several years supports our view that it may withstand the new risks. Even so, it may not be completely immune, with signs of a deterioration in activity – interrupting the slow recovery since 2024 – evident as mortgage approvals weaken and fall below their long-term average. Meanwhile, even as house prices still hover near 2022 peak, they have softened, based on indices from Rightmove and Nationwide, capturing values earlier in the purchase process than the better-performing, though most delayed Land Registry index. That's as higher inflation, paused BOE cuts – with a rising risk of hikes as energy costs soar, according to Bloomberg Economics – and a steep jump in mortgage rates weigh on activity, triggering a "wait-and-see" response among some buyers.

Less onerous mortgage affordability checks, needs-driven buyers and a competitive rental market could nevertheless prop up homebuying demand. Two-year fixed-rate deals, near their five-year equivalents, may also tempt those determined to move but hesitant to commit to longer-term fixes.

State Help Key as Glacial Homebuilding Recovery Faces More Risks

The lingering housing-market headwinds could dampen an already-tepid UK homebuilders' completions recovery, putting more weight on recently announced government incentives to revive new-home sales, especially as volume expectations for fiscal 2026-28 have already been slashed vs. December 2024 predictions. The rebound was already trailing the recovery following the global financial crisis. The weak backdrop has hit orders and reservations of major UK homebuilders, with Barratt Redrow, Bellway, Berkeley and Taylor Wimpey also trimming land purchases, which may hurt volume growth.

New-home demand has trailed the wider market for years, making the recent softening concerning, given property portals Rightmove and Zoopla point to declining agreed sales. New builds also face competition from elevated existing-home listings, which were at a 12-year high in August and September, based on Rightmove. Given the far larger number of secondary-market home sales, even a small rise in listings may represent a large increase vs. new-home volume. New homes also command a 15-20% price premium over existing homes, potentially pushing them out of reach of stretched buyers.

End of War, UK Budget Key to Rates, Housing Demand Rebound

Mortgage rates remain the critical lever for housing activity, with the resolution of the Iran conflict key to curbing inflation and pressure on rates, though such prospects now seem distant. It's also important that the Oct. 28 UK budget release doesn't undermine fiscal responsibility or weigh on growth through a greater tax burden, or it could risk adding upward pressure on mortgage rates. Direct policy proposals are also vital for housing and the overall sentiment, making it crucial that the government doesn't dampen the stimulus from the new homebuyer support program through other policies.

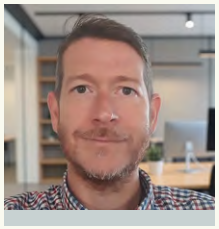
Mortgage rates of about 4% or less – like those in early 2026, prior to the outbreak of Iran war – have proven supportive of housing activity. Though sub-4.5% rates could already be helpful, even that's not the case now. Even buyers with the largest deposits (40% or more) still face rates of over 4.9%.

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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Construction's recovery is at risk if the workforce continues to shrink



Lee Bryer
Insight Manager
CITB

The pipeline is looking a little less pipelined

The picture for construction is softening, and there are growing questions about the strength and timing of the recovery we had been expecting. The concern is not simply that output will be weaker in the short term, but that the longer the industry remains in a low-growth environment, the greater the risk that its workforce and skills base will be eroded. This could leave construction less well placed to respond when demand eventually picks up, potentially constraining future growth and adding to wage inflation – swapping one set of viability concerns, around energy and materials costs, for another.

The latest CITB *Construction Workforce Outlook* (CWO), published in June 2026, forecast that construction output would contract by 0.2% in 2026. However, a downward revision to 2025 and a weak first half of this year point towards a deeper contraction, potentially in the region of 1–2%. Employment in construction-related occupations is also expected to fall, reflecting the weaker outlook. Although growth is forecast to resume in 2027, with output expected to increase by 1.8%, this depends to a large extent on the expected pipeline of work translating into actual activity.

The issue is not simply whether the pipeline is large enough, but whether projects proceed when expected. Continued delays could push activity further into the forecast period, leaving the recovery increasingly back-end loaded and more dependent on work materialising later.

For businesses counting on forthcoming infrastructure work, a pipeline only provides confidence if projects are likely to proceed within a realistic timeframe. Announced investment is not the same as work reaching site. Repeated delays can undermine decisions to retain workers, recruit apprentices and invest in training, particularly for smaller employers with less scope to maintain capacity through prolonged weak demand.

The missing workers haven't all come back

We appear to have seen a structural change in the construction labour market since the pandemic, with a significant loss of self-employed workers who have seemingly not returned in large numbers. The extent to which this represents a permanent change remains uncertain, but it raises an important question: are we looking at a workforce that can readily expand when demand recovers, or one whose capacity is systematically constrained?

This matters because self-employment has traditionally been an important part of construction's ability to respond to changing workloads. A smaller pool of available workers could make it harder for firms to scale up activity when projects come forward. Workers also take experience, occupational knowledge and practical skills with them when they leave, and replacing that capability takes time. If the people who have left are not coming back, a return to growth will not necessarily bring the workforce back with it.

The market that wouldn't quite cool

There is another warning sign. Although construction vacancies have fallen recently, they remain comparable with pre-pandemic levels. Their persistence, even during a period of modest and sometimes negative growth, suggests limited spare capacity. While vacancies do not translate directly into skills shortages, their persistence suggests that recruitment pressures have not simply disappeared alongside weaker output. If employers are already struggling to fill some roles while activity remains subdued, a sustained recovery would naturally intensify competition for workers. This could be particularly difficult where demand increases in specific occupations or locations. A national recovery does not guarantee that the right skills will be available where projects need them.

The regional picture adds another layer of complexity. Growth will not be evenly distributed across the country, and neither will the demand for skills. CITB's recent Workforce Mobility and Skills in the UK Construction Sector 2025 report highlights how construction workers tend to remain within their local and regional labour markets, with limited movement between regions and declining movement between trades.Workforce planning therefore needs to reflect local investment, activity and skills needs, while joining up across regional boundaries. Major projects may draw on workers from neighbouring areas or compete with other sectors and infrastructure programmes. Training and recruitment will need to respond to where demand emerges, rather than assuming the labour market will adjust automatically.

Workforce capacity cannot simply be switched back on when economic conditions improve. Prolonged weakness can discourage young people from entering the industry, reduce apprenticeship recruitment and limit opportunities to develop skills. These effects may not be immediately apparent in output statistics but can persist long after the original weakness in demand has passed. This also raises a longer-term question about how the industry refreshes its workforce. Apprenticeships and other routes into work help develop the experienced workers construction will need in the years ahead, but these depend on employers being willing and able to create opportunities for people to learn on the job. If prolonged weakness leads to fewer opportunities for young people to enter the industry and gain experience, the consequences could extend beyond today's recruitment challenges, weakening the pipeline of skills needed for future growth.

Recovery is not just a question of demand

The CWO forecasts that an additional 41,200 people will need to be recruited into construction each year between 2027 and 2030, taking account of both workforce demand and people leaving the industry. That is a substantial requirement, even on the assumption that output returns to growth. If the workforce and skills base are further depleted before demand strengthens, meeting it becomes more difficult. Employers could face greater competition for workers, skills shortages could become more acute, and wage pressures could increase, adding to project costs and potentially affecting delivery.

The medium-term pipeline remains significant, and there are reasons to expect construction activity to strengthen. But the longer the current weakness persists, the greater the risk that the industry loses some of the capacity needed to deliver that future workload.

The immediate challenge is therefore not just to get construction output growing again, but to ensure that the industry has the people, skills and capacity needed to support that growth. If planned investment continues to slip and weak demand persists, the consequences may extend well beyond another year of disappointing output. We risk weakening the very workforce on which a sustained recovery depends.

Lee Bryer, Industry Insight Manager, CITB

Lee Bryer is an Industry Insight Manager within the Industry Analysis and Forecasting Team at CITB. His work focusses on understanding the challenges facing the construction industry, specifically how economic trends and policy impact skills planning and workforce development.

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Private Housing

-24%	+17%	+11%
2026	2027	2028

- Renewed financial squeeze on households and higher mortgage rates stall housing market
- Sharp fall in private housing project starts in 2026
- Progressive recovery during 2027 and 2028 as housing market conditions improve

A sluggish housing market, higher mortgage rates and rising development costs have held back sales of new homes and prompted developers to defer opening new sites, driving a 24% fall in private housing starts this year. A progressive strengthening in project starts is anticipated from 2027 as borrowing costs ease and consumer confidence improves.

Private Housing Starts

	2025	2026f	2027f	2028f
£ million	24,632	18,621	21,791	24,239
Growth	**-2%**	**-24%**	**17%**	**11%**

Source: Glenigan. f = forecast

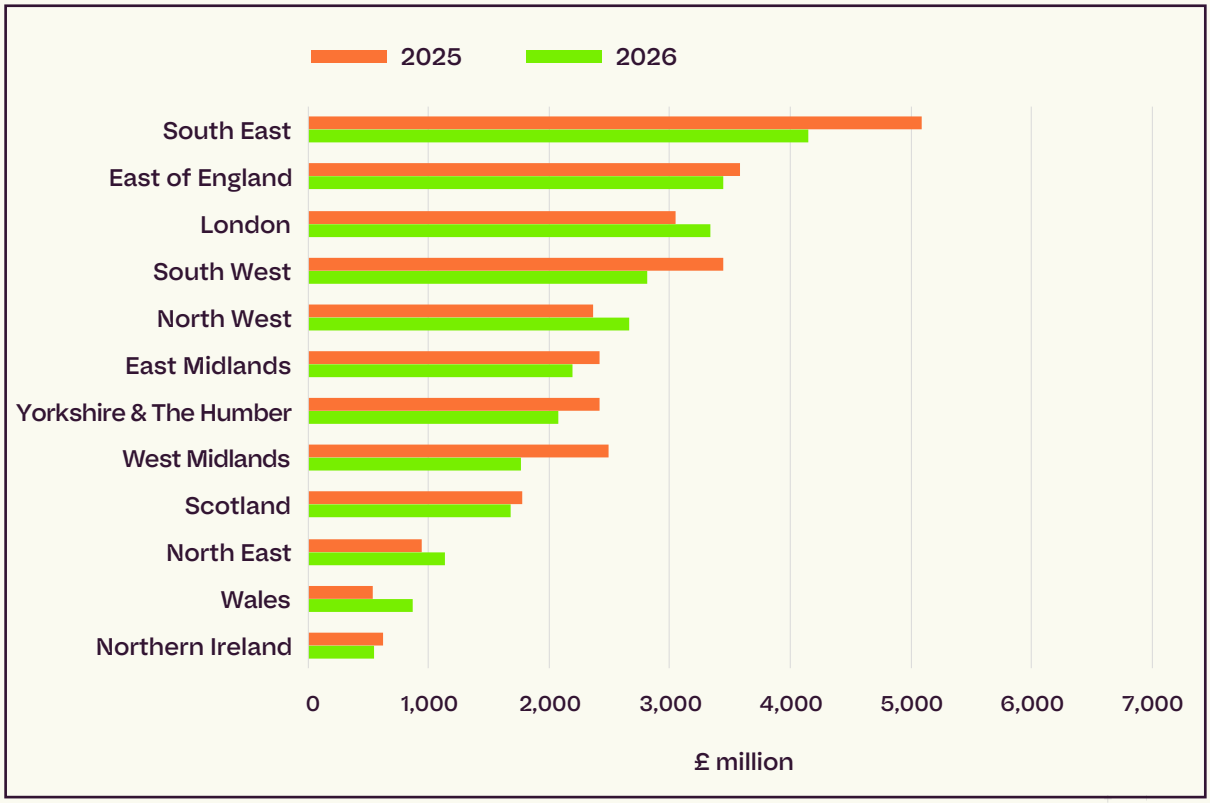
State of the Sector

As anticipated, the Iran conflict has compounded a difficult year for the UK housing market. Residential transactions fell in August both year on year and month on month. Lloyds reported that house prices were flat in September, following their first decline in three years in August, as high mortgage rates weighed on demand. With inflation above target and bank base rates likely to remain high near term, affordability and investor confidence remain under pressure.

In addition to weak demand, developers have faced rising construction costs driven by higher energy and material prices, as well as the need to redesign schemes to meet BSR requirements and pay the building safety levy.

Private housing starts therefore fell more sharply in 2026 than in 2025. Low-rise dwellings recorded the steepest decline, while apartment starts also edged down. Weak residential approvals in the first half of the year reinforce our expectations of a 24% fall in private housing starts in 2026.

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



Source: Glenigan.
N.B. 2026 data is based on January to September pro rata

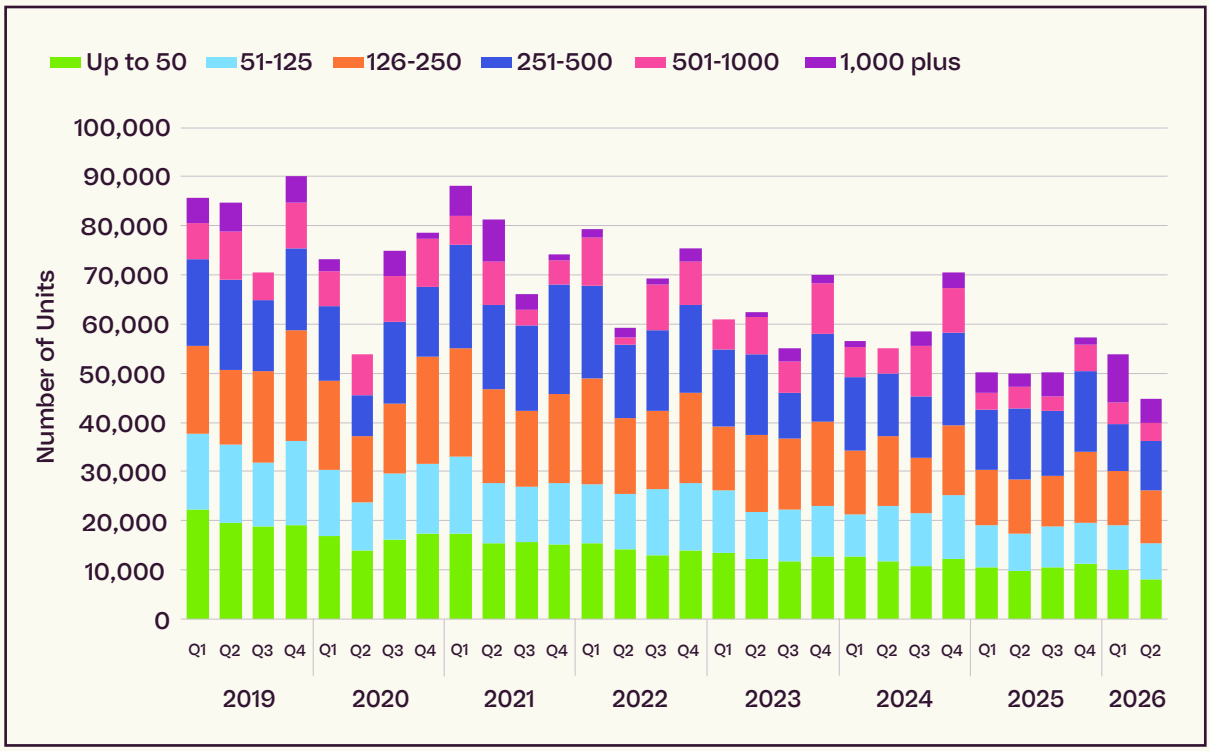
Future of the Sector

After a poor first half of 2026 planning approvals strengthened in the three months to September, signalling a tentative recovery in confidence. A gradual recovery in private housing is expected from mid-2027, supported by lower borrowing costs, rising real incomes and improving confidence.

However, the pace of recovery will remain dependent on the improved financial viability of schemes, with developers continuing to prioritise lower-risk, higher-margin projects. Despite the rise, the value of project starts is expected to remain below 2025 levels by the end of the forecast period.

Planning reforms would help to accelerate construction activity. However, based on current delivery rates, the government's target of building 1.5 million new homes by the end of this Parliament appears increasingly unlikely to be achieved.

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



Source: Glenigan.



Social Housing

-5%	+5%	+5%
2026	2027	2028

- Social Housing sector is expected to decline this year
- Increases in government funding to support the sector
- Modest growth expected over the medium and long term

Social housing starts slowed during 2026 despite the increase in capital funding available to RSLs from April. This subdued performance reflects the lead time required to secure planning consent and progress projects through the pre-construction phase. However, activity is expected to recover steadily from 2027, supported by increased funding announced in the Spending Review.

Social Housing Starts

	2025	2026f	2027f	2028f
£ million	8,144	7,756	8,179	8,560
Growth	**3%**	**-5%**	**5%**	**5%**

Source: Glenigan. f = forecast

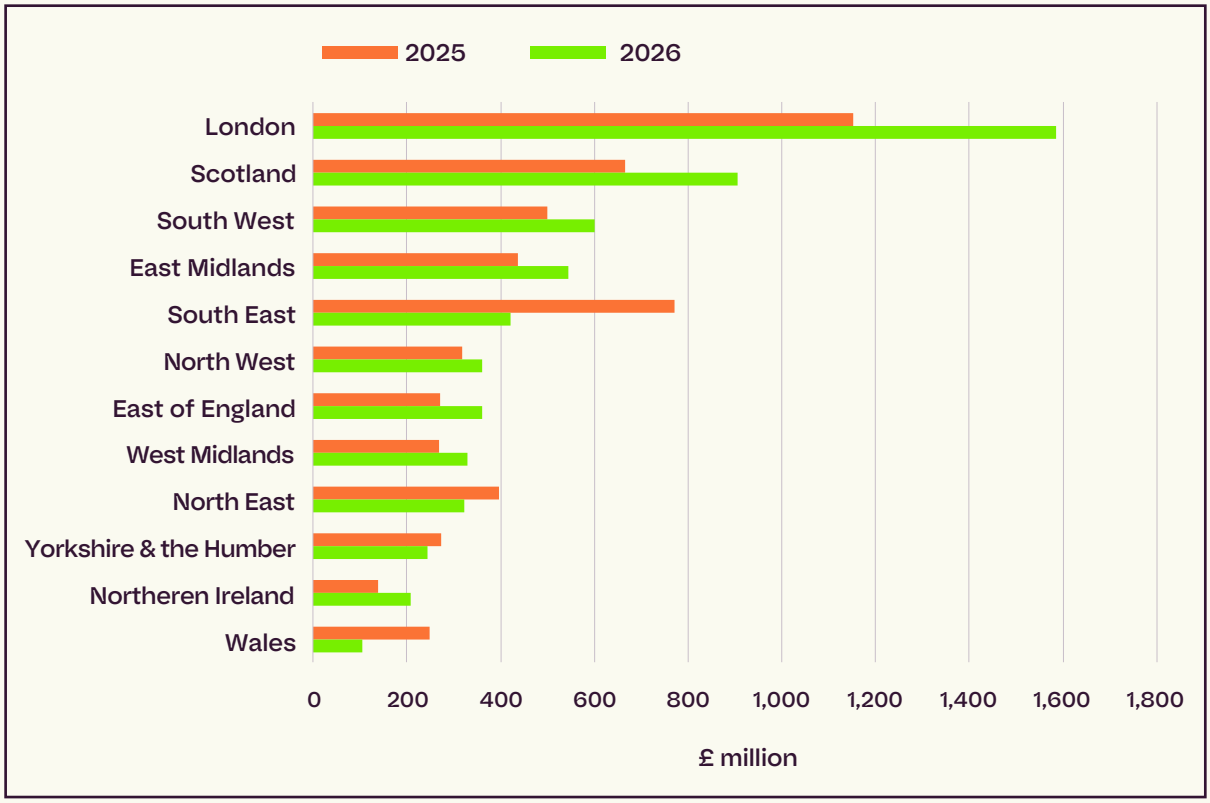


State of the Sector

Social housing proved slightly more resilient than private housing in 2026, although affordable housing starts still declined by 5%. The fall was concentrated in low-rise developments, the sector's largest segment, while student accommodation activity also weakened. Strong growth in apartment projects suggests that BSR-related delays may be easing, but this was not enough to offset the overall decline.

Planning approvals have also weakened sharply in recent months, reflecting rising development and borrowing costs.

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



Source: Glenigan.
N.B. 2026 data is based on January to September pro rata

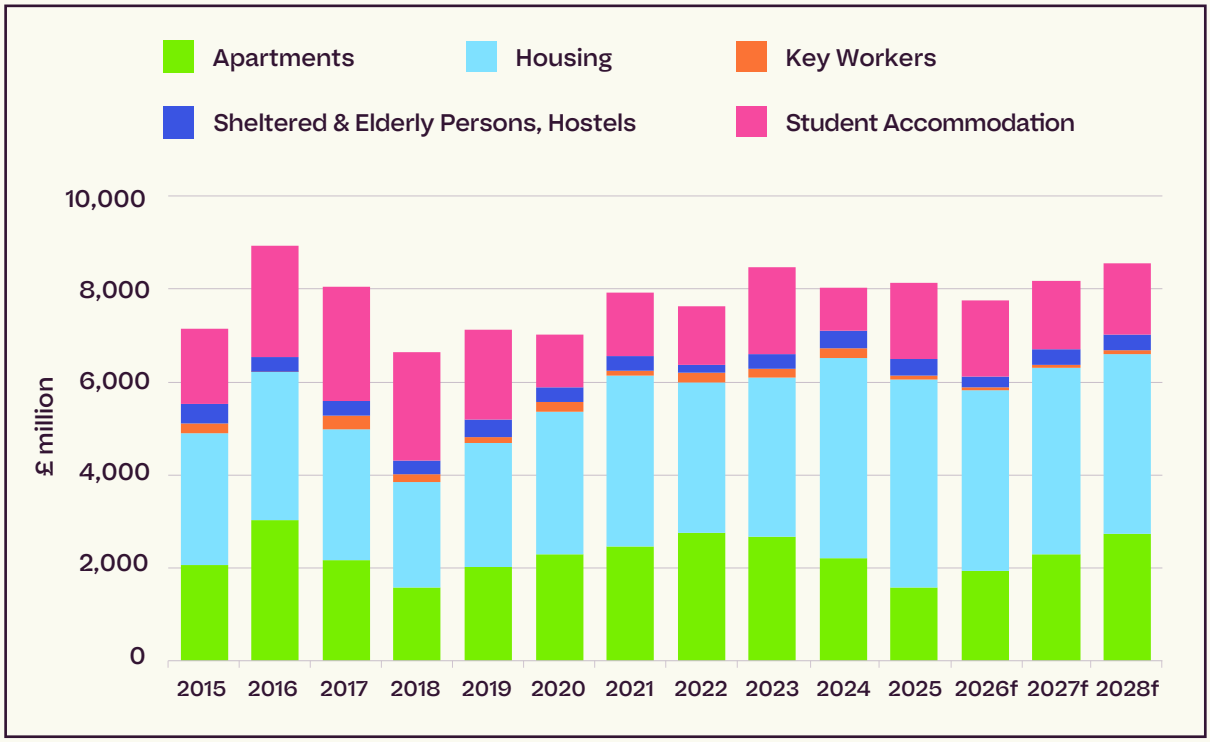


Future of the Sector

Affordable housing activity is expected to recover in 2027 as government funding rises. The £39 million Social and Affordable Homes Programme will support longer-term growth, while the Social Housing Bill aims to strengthen provider confidence.

Student accommodation is forecast to remain weak in the medium term. Apartment led developments are expected to account for a growing proportion of sector activity over the forecast period as faster Building Safety Regulatory approvals enable more high-rise apartment schemes to progress to site.

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



Source: Glenigan. f = forecast



Industrial

-14%	+4%	-5%
2026	2027	2028

- Retrenchment in warehouse and logistics projects weighs on sector performance in 2026
- Warehouse and logistics activity returns to growth from 2027 as investor confidence improves
- Manufacturing activity contracts in 2027 and 2028

Industrial project starts are estimated to have fallen by 14% in 2026, following growth of 5% in 2025. The decline was driven by a sharp slowdown in warehousing and logistics activity, as geopolitical uncertainty and higher borrowing costs prompted investors to defer projects. The sector is forecast to return to growth in 2027 as market conditions improve, before marginally contracting again in 2028.

Industrial Starts

	2025	2026f	2027f	2028f
£ million	5,352	4,592	4,761	4,533
Growth	**5%**	**-14%**	**4%**	**-5%**

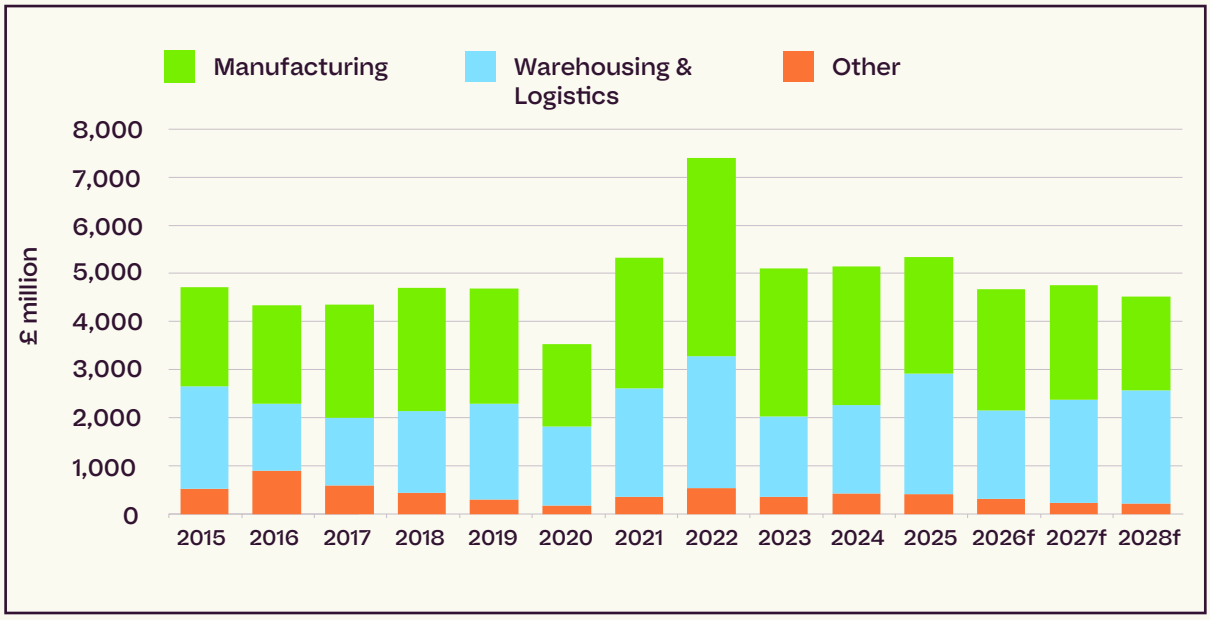
Source: Glenigan. f = forecast

State of the Sector

The long-term outlook for the warehouse market remains positive, supported by the continued growth of online retailing and demand for modern distribution facilities. In the near term, however, warehousing and logistics starts are estimated to have fallen by 27% this year, as renewed pressure on household finances, combined with rising development and borrowing costs, prompted investors to postpone planned projects.

In contrast, manufacturing starts have remained relatively stable, increasing by an estimated 4% in 2026 despite challenging market conditions for the sector.

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



Source: Glenigan. f = forecast

Future of the Sector

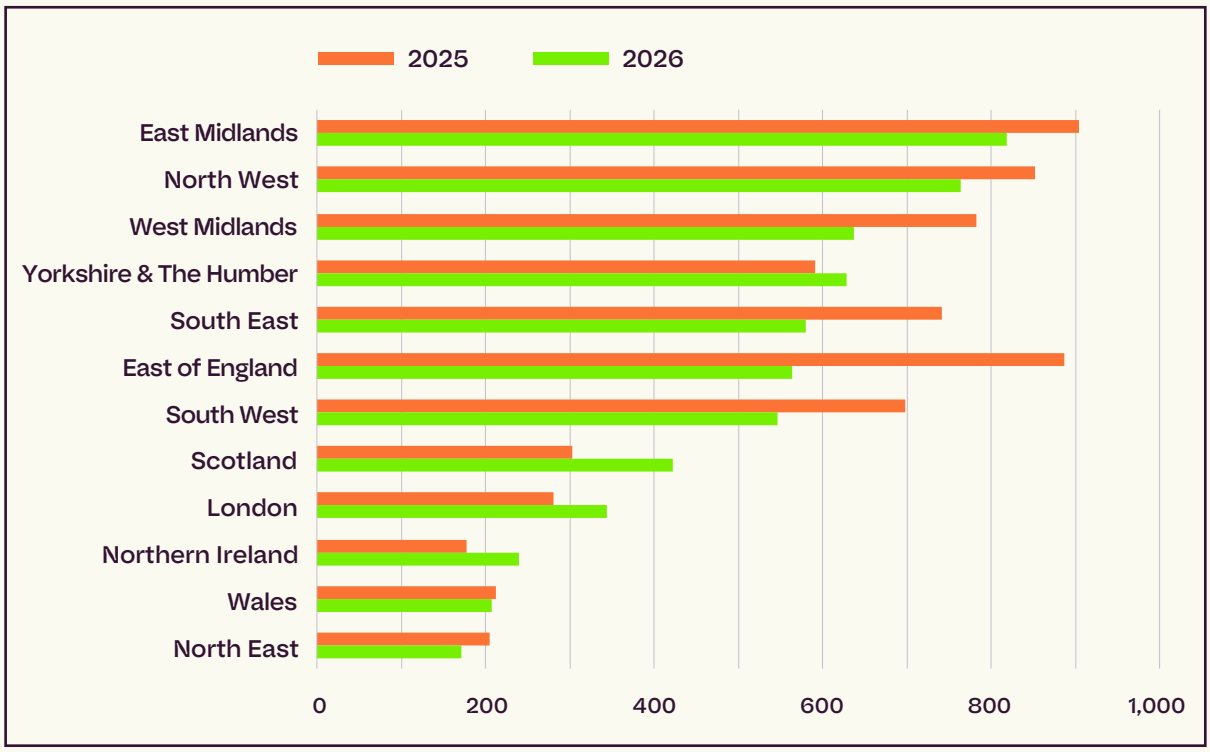
Industrial starts are forecast to recover by 4% in 2027 before declining by 5% in 2028.

Warehousing and logistics starts are forecast to increase by 17% in 2027 and a further 10% in 2028 as geopolitical uncertainty eases, the UK economic outlook improves and investor confidence returns. Growth will be driven by the continued expansion of logistics networks, rising demand for last-mile delivery facilities and occupier requirements for larger, more technologically advanced distribution centres. The ongoing growth of online retailing and investment in supply chain resilience are expected to provide sustained support for the warehouse market.

Policy support through the National Planning Policy Framework and the wider Industrial Strategy is also expected to facilitate development, including the allocation of land for logistics hubs, advanced manufacturing facilities and strategically important developments such as gigafactories.

In contrast, manufacturing starts are forecast to decline by 6% in 2027 and a further 18% in 2028. Despite policy support for battery production, automotive manufacturing, aerospace and advanced materials, activity in the segment is expected to weaken over the latter part of the forecast period.

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



Source: Glenigan.
N.B. 2026 data is based on January to September pro rata



Offices

2026	2027	2028
0%	+11%	+8%

- Value of Office construction starts to remain unchanged this year
- Renewed growth from 2027
- AI is driving data centre demand, but projects vulnerable to delays

After a strong start to 2026, office starts have eased, with economic uncertainty weighing on investor confidence. Growth is expected to pick up from 2027, driven by rising activity in both new-build and refurbishment schemes, together with continued expansion in the data centre market.

Office Starts

	2025	2026f	2027f	2028f
£ million	4,314	4,324	4,815	5,198
Growth	**17%**	**0%**	**11%**	**8%**

Source: Glenigan. f = forecast

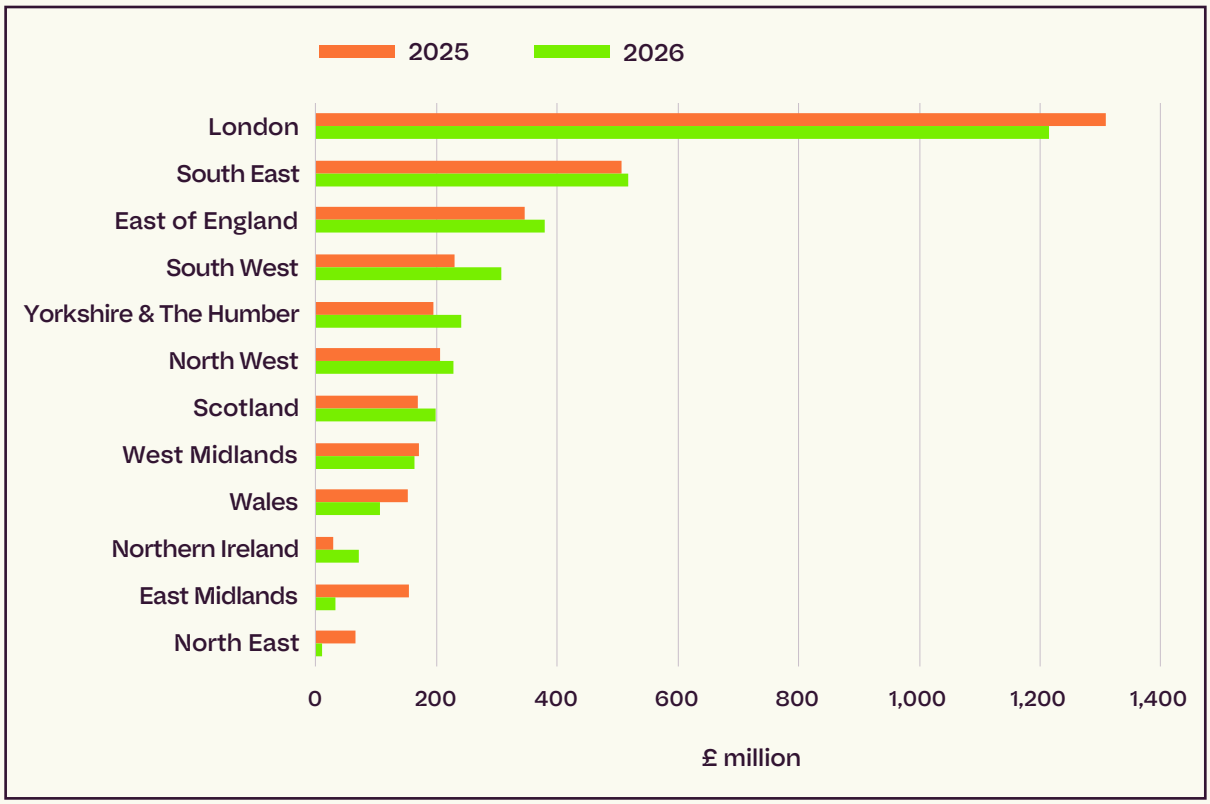


State of the Sector

The office sector made a strong start to 2026, however activity has slowed in recent months. Ongoing conflict in the Middle East has increased economic uncertainty, leading investors to adopt a more cautious approach amid concerns over slower employment growth, weaker demand for office space and elevated borrowing costs. A softer development pipeline has further dampened project starts.

Refurbishment schemes remained the main driver of activity, reflecting the continued evolution of workplace requirements, while extensions also represented a sizeable share of starts.

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



Source: Glenigan.
N.B. 2026 data is based on January to September pro rata

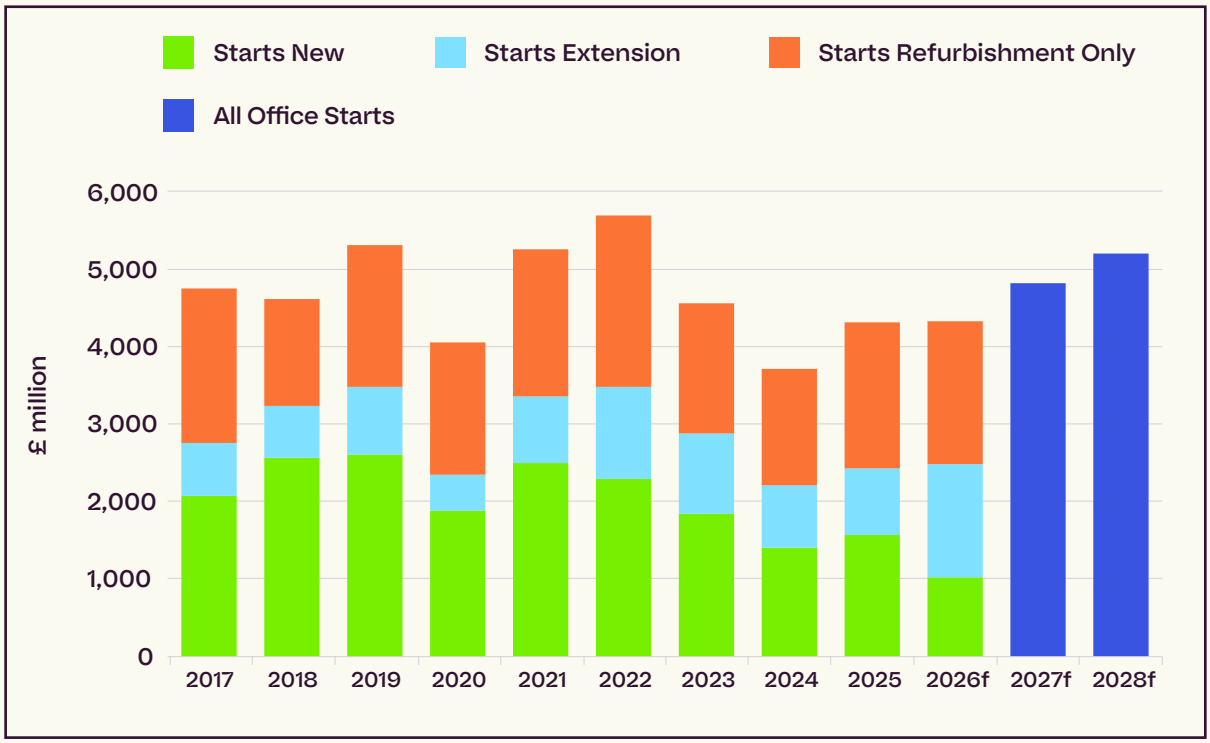


Future of the Sector

The office sector is expected to recover gradually during 2027 and 2028, regaining much of the ground lost this year. Growth will be supported by an increase in both new-build and refurbishment projects, alongside continued expansion in the data centre market.

Demand for office space remains concentrated on high-quality, sustainable buildings, as occupiers prioritise energy efficiency, modern amenities and flexible working environments. At the same time, the growth of AI is driving increased demand for data centres. The government's Tech Prosperity Deal and the £30 billion investment announced to support an AI growth zone in the North East are expected to provide further momentum. However, the recent decision by OpenAI to pause a proposed data centre project due to high UK energy costs highlights the challenges facing the sector and the uncertainty surrounding this rapidly evolving market.

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



Source: Glenigan. f = forecast



Retail

+11%	+9%	+3%
2026	2027	2028

- Online shopping continues to gain market share, keeping retail property vacancy rates high and demand for new-build developments selective
- Supermarkets are leading the recovery in retail sector starts
- Despite the forecast recovery, activity is expected to remain well below historical levels

Retail construction is recovering from a low base. Starts are forecast to rise by 11% in 2026, following a 26% decline in 2025, with further growth of 9% in 2027 and 3% in 2028. Despite this improvement, activity will remain well below historical levels, with the £1.61 billion forecast for 2028 around one-third below the 2015-2019 average.

Retail Starts

	2025	2026f	2027f	2028f
£ million	1,292	1,432	1,568	1,614
Growth	**-26%**	**11%**	**9%**	**3%**

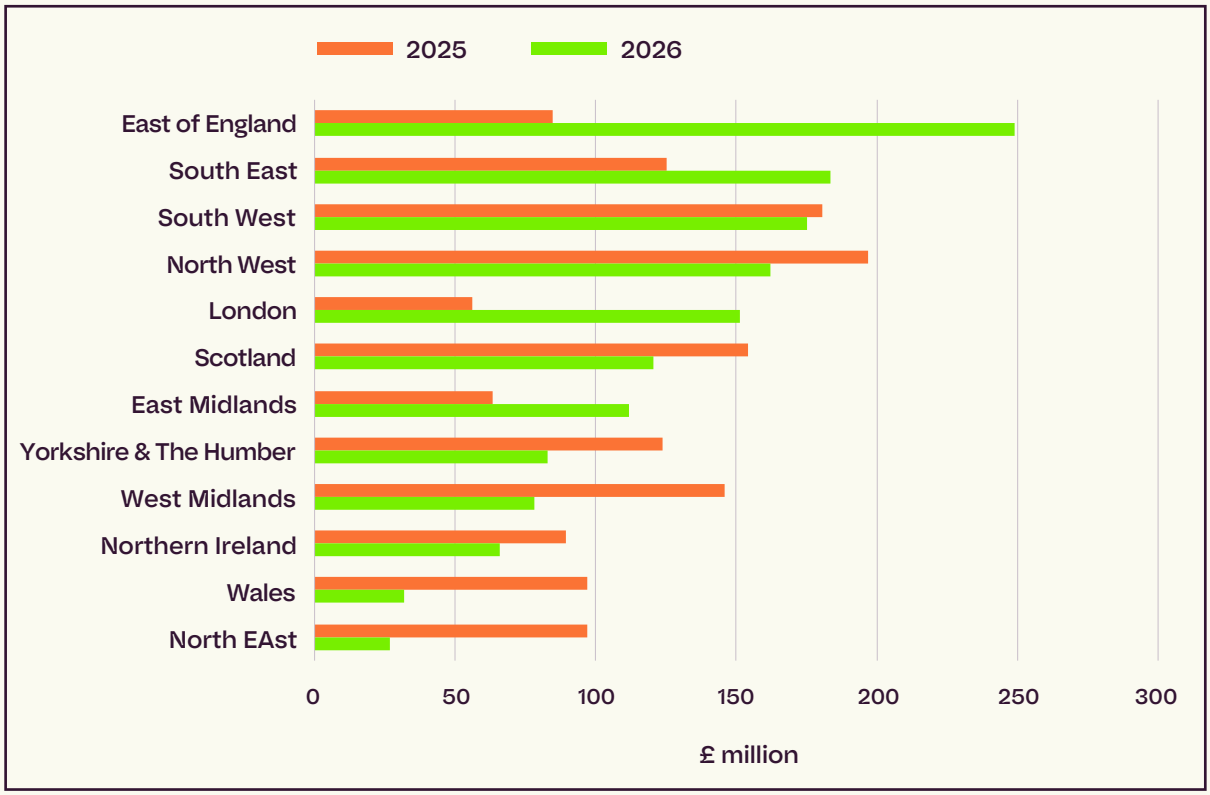
Source: Glenigan. f = forecast

State of the Sector

Supermarkets are driving the recovery in 2026, with starts estimated to increase by 28% to around £845m. Shopping centre starts have also rebounded sharply, rising to around £200m from just £26m in 2025. Overall approvals are broadly unchanged at a pro rata £1.44 billion, up 2% year on year, although activity has shifted markedly towards London and the East of England.

Retail sales continue to improve, but the outlook remains fragile. ONS data shows that retail sales volumes rose by 0.9% in the three months to August and were 2.4% higher than a year earlier. However, BRC data indicates that sales growth slowed to 1.3% in September, while footfall fell 2.9% year on year, underlining the growing shift towards online retailing. This, combined with a surplus of vacant retail units, continues to weigh on demand for new development.

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



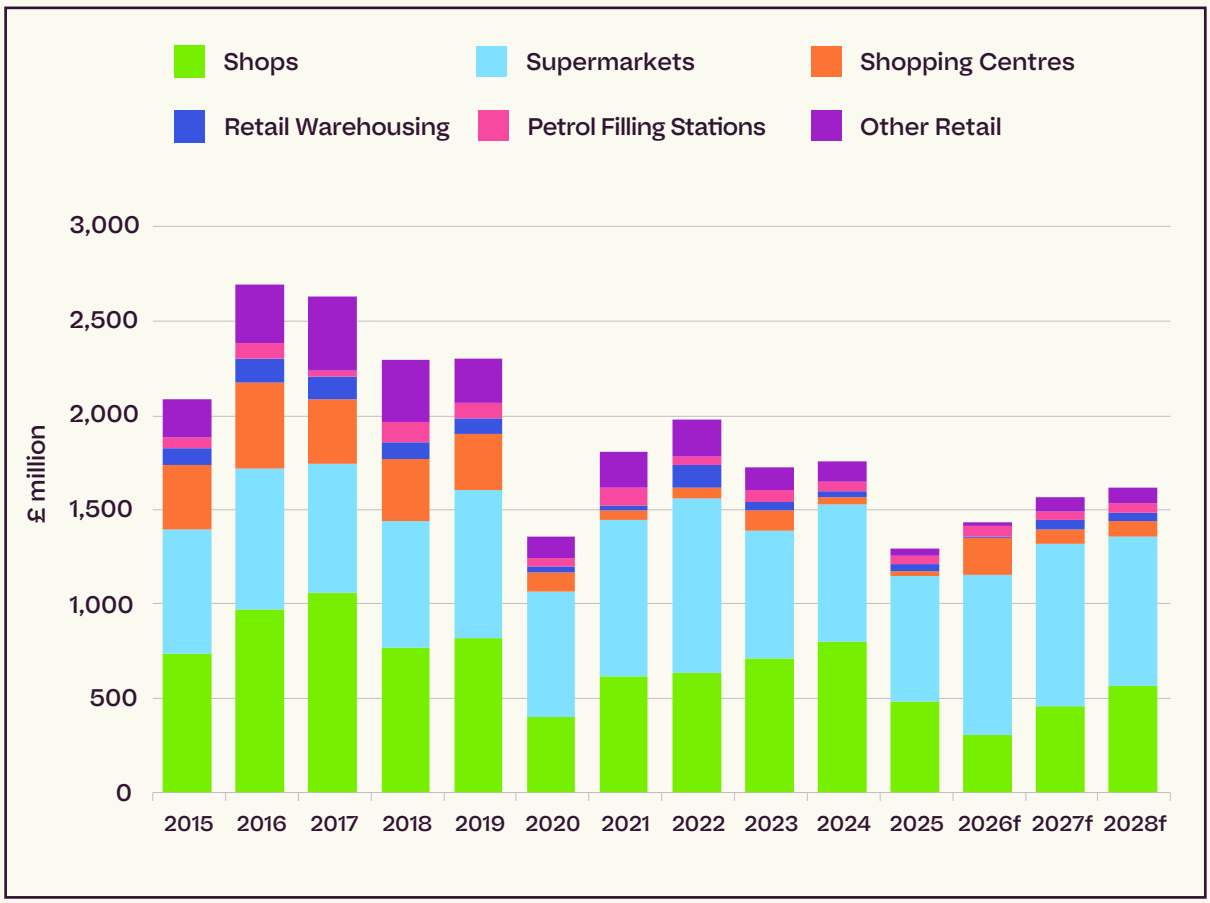
Source: Glenigan.
N.B. 2026 data is based on January to September pro rata

Future of the Sector

Retail approvals have increased by 9% in the three months to September 2026, indicating improving market confidence. Assuming there are no further economic shocks, retail starts are expected to rise by 9% in 2027, followed by a further 3% increase in 2028. Demand for retail space is expected to remain strongest in grocery, convenience and destination formats, while pressure on non-food high street and shopping centre space is likely to persist. This is expected to generate construction opportunities in:

- Supermarkets and convenience stores
- Refurbishment and fit-out projects, including click-and-collect and returns facilities, rather than new floorspace
- The repurposing of surplus shopping centre and high street units for mixed-use developments

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



Source: Glenigan. f = forecast

Hotel & Leisure

-10%	-6%	+6%
2026	2027	2028

- Renewed squeeze on household budgets deterring investment
- Recent upturn in sector activity reversed during 2026 and 2027
- Improved economic conditions lift starts in 2028

After two years of strong growth, the hotel and leisure sector is expected to contract by 10% this year, with a more uncertain economic outlook and rising hospitality costs dampening investor confidence. The subdued performance is expected to continue through 2027, before the sector returns to growth in 2028.

Hotel & Leisure Starts

	2025	2026f	2027f	2028f
£ million	3,993	3,582	3,380	3,567
Growth	**21%**	**-10%**	**-6%**	**6%**

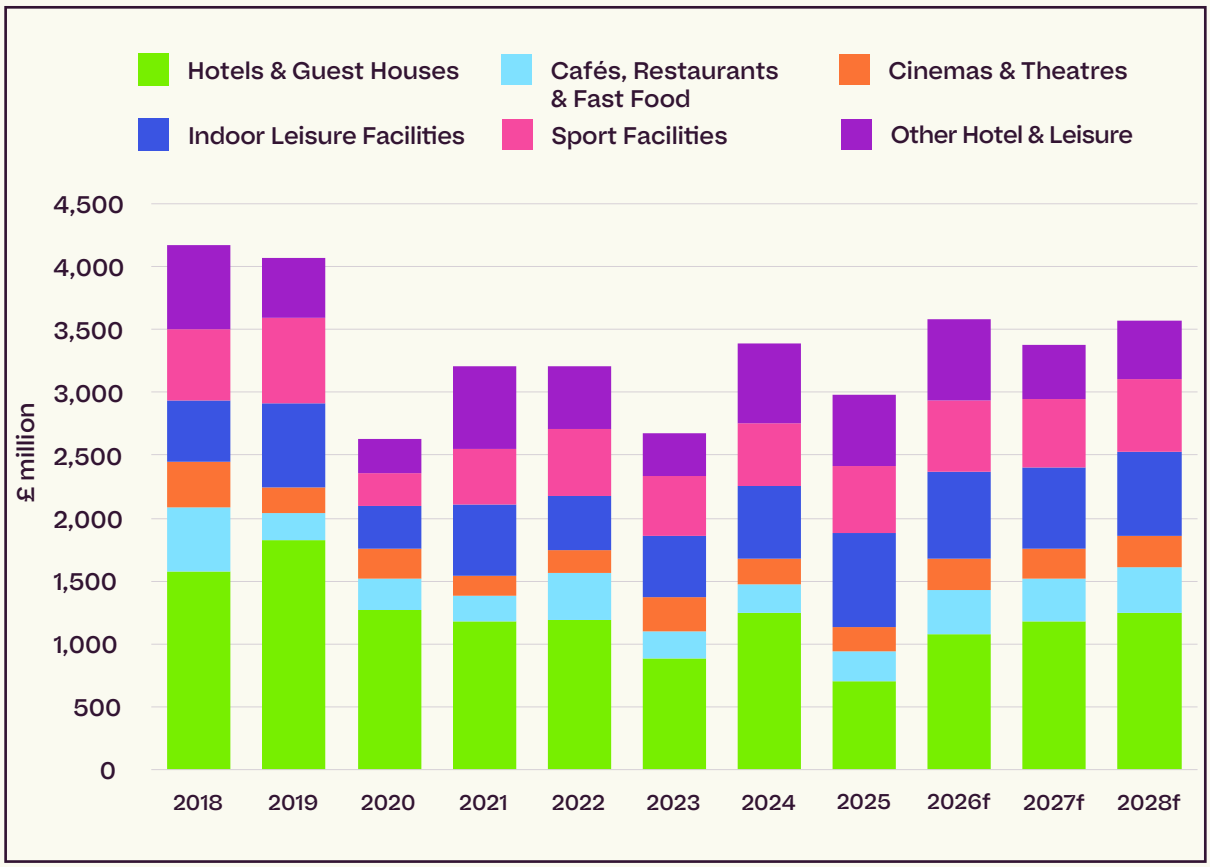
Source: Glenigan. f = forecast



State of the Sector

Hotel and leisure starts are estimated to have fallen by 10% this year, following strong growth over the previous two years, as mounting economic headwinds have weighed on investment. Heightened geopolitical tensions have renewed pressure on household finances and discretionary spending. In addition, higher fuel costs are expected to increase airfares and reduce overseas visitor numbers. Together, these factors are likely to restrain growth in the hospitality sector and dampen investment activity.

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



Source: Glenigan. f = forecast

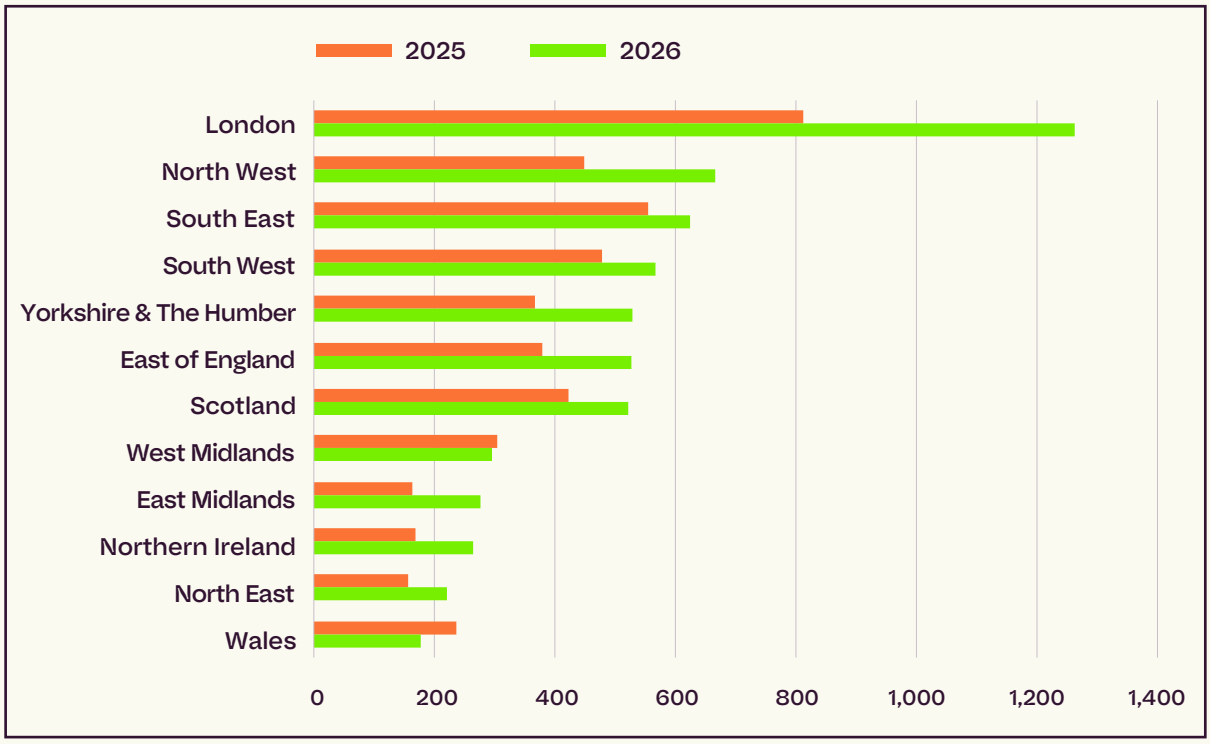


Future of the Sector

The ongoing conflict in the Middle East continues to affect tourism markets worldwide, including the UK. Rising fuel costs are increasing travel costs while also adding to wider cost-of-living pressures. As a result, growth in the hospitality sector is expected to weaken further, with hotel and leisure project starts forecast to decline by 6% in 2027.

Conditions are expected to improve over the longer term, supporting a gradual recovery, as delayed projects begin to move forward. The introduction of permanently lower business rates for retail, hospitality and leisure (RHL) properties from this financial year should also provide support over time by reducing operating costs and improving the viability of new developments, expansions and refurbishment projects.

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



Source: Glenigan.
N.B. 2026 data is based on January to September pro rata

Education

+1%	+9%	+7%
2026	2027	2028



- School construction continues to underpin education sector activity
- Stronger growth is expected from 2027 as enhanced government capital programmes translate into on-site delivery
- University construction remains subdued amid ongoing financial pressures

Education project starts have stabilised in 2026 following a sharp 17% decline in 2025. Growth is expected to strengthen from 2027, with starts rising by 9% in 2027 and a further 7% in 2028. The recovery will be supported by the progression of major government-backed investment programmes and growing confidence across publicly funded education projects.

Education Starts

	2025	2026f	2027f	2028f
£ million	5,055	5,081	5,554	5,961
Growth	**-17%**	**1%**	**9%**	**7%**

Source: Glenigan. f = forecast

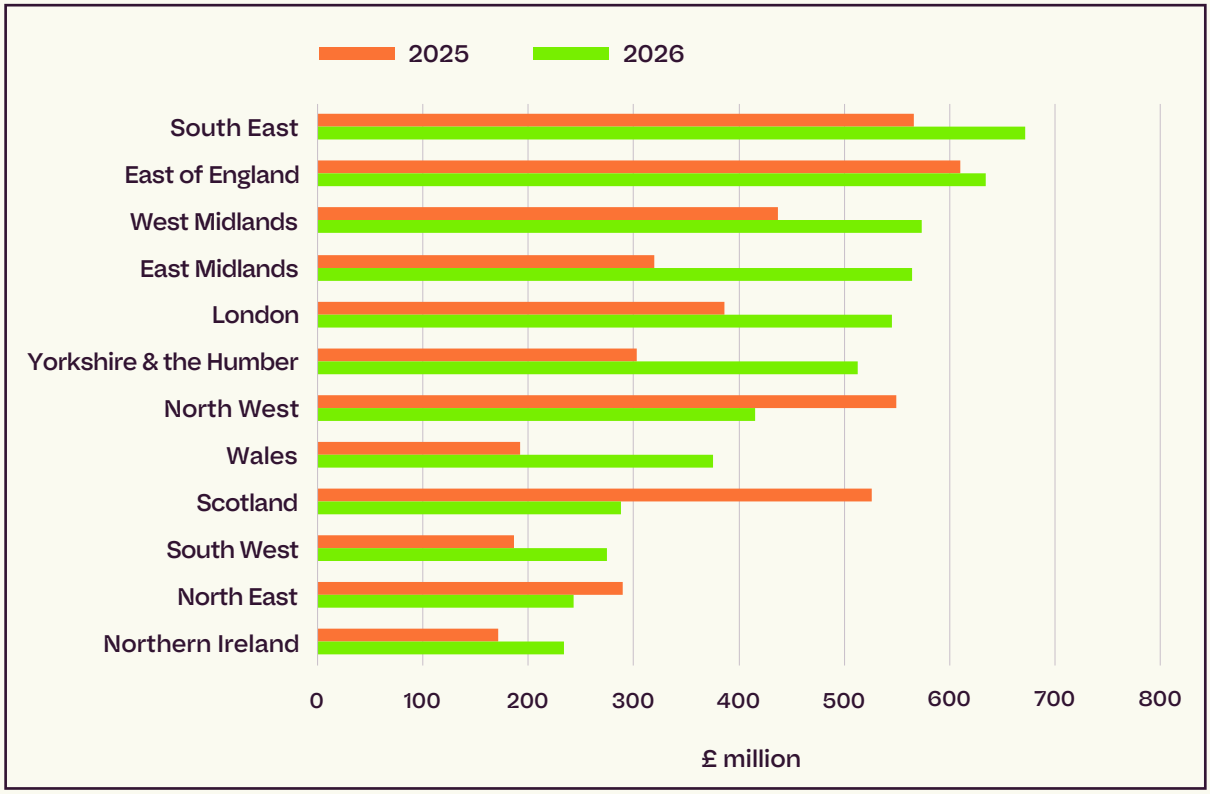
State of the Sector

School projects remain the main driver of education construction activity, accounting for the majority of starts across the sector. Despite strong underlying demand for modern educational facilities, the delivery of new schemes has been constrained by elevated construction costs, procurement challenges and lengthy approval processes. As a result, many developments have been delayed despite continued funding commitments.

The schools market continues to be supported by the government's School Rebuilding Programme, which now encompasses more than 500 schools and sixth-form colleges across England. As schemes progress through procurement and delivery, the programme is expected to provide a substantial pipeline of work over the forecast period.

In contrast, higher education construction remains subdued. Universities continue to face financial pressures from rising operating costs, constrained domestic tuition fee income and uncertainty surrounding international student recruitment. Consequently, many institutions have scaled back or deferred capital investment plans, limiting development activity across the university segment.

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



Source: Glenigan.
N.B. 2026 data is based on January to September pro rata

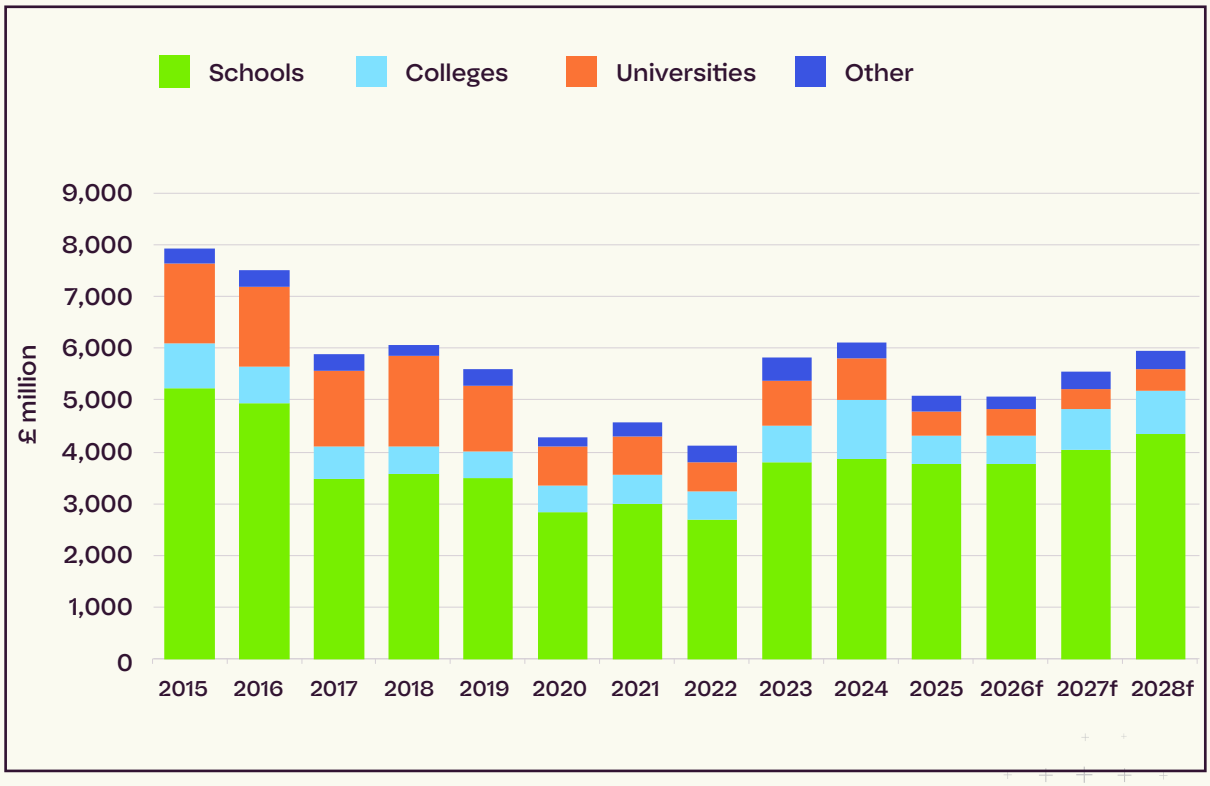
Future of the Sector

Stronger growth across the education sector is forecast from 2027 onwards. Following a relatively flat performance in 2026, project starts are expected to increase by 9% in 2027 and a further 7% in 2028 as government capital programmes gain momentum and a greater proportion of approved schemes progress to site.

Higher public-sector capital spending is expected to drive the recovery. The government's 2025 Spending Review reaffirmed long-term support for the education estate, including continued funding for the School Rebuilding Programme and increased investment in school maintenance and condition improvement works. Additional funding is also expected to support further education facilities and provide extra capacity where required.

Nevertheless, risks remain. The pace of recovery will depend on how quickly funding commitments are translated into construction starts, while ongoing labour shortages and elevated material costs may continue to affect project delivery. Furthermore, the university sector is expected to remain a drag on overall growth, reflecting institutions' focus on financial sustainability rather than estate expansion.

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

+1%	+11%	-1%
2026	2027	2028

- Health starts declined last year as projects were delayed by the government's review of investment priorities
- A gradual recovery is expected over the forecast period, driven by increased capital funding and the release of deferred schemes
- The New Hospital Programme is expected to provide an additional boost to activity as major projects move forward

Health starts fell by 23% in 2025 and are forecast to edge up by just 1% this year. Major programmes, including the Estates Safety Fund, RAAC Eradication Programme and New Hospital Programme, are expected to drive an 11% increase in starts during 2027, before activity levels stabilise in 2028. However, delivery will depend on how quickly funding is translated into approved and procured projects.

Health Starts

	2025	2026f	2027f	2028f
£ million	2,977	2,994	3,332	3,290
Growth	**-23%**	**1%**	**11%**	**-1%**

Source: Glenigan. f = forecast



State of the Sector

The health sector remains heavily influenced by public sector investment decisions. Key NHS capital programmes in England are underpinned by the government's 10-Year Capital Plan for Health and Social Care, published in July, and Spending Review commitments that are set to increase the NHS capital budget to £15 billion by 2029/30. Activity was constrained during 2025 as planned projects were reviewed while the government developed its long-term strategy for the NHS.

A key source of uncertainty has been the delivery schedule for the New Hospital Programme, which was reset in 2025 through a revised, phased implementation plan designed to align delivery with funding availability and construction market capacity. While the revised timetable provides greater long-term certainty, it has pushed some projects further into the future, limiting near-term construction activity.

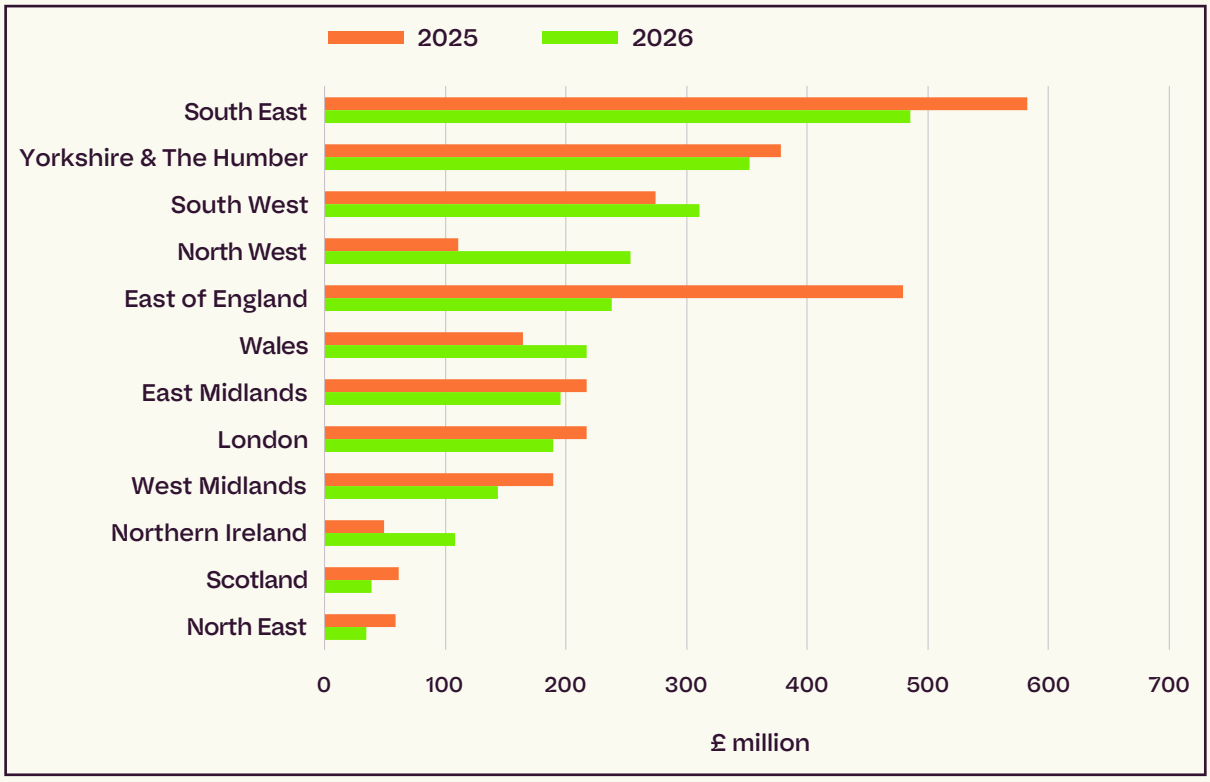
At the same time, pressures across the existing NHS estate continue to reinforce the need for investment. The cost of addressing maintenance backlogs has continued to rise, highlighting the growing requirement for refurbishment, replacement and modernisation projects across healthcare facilities.

Future of the Sector

Following a flat 2026, healthcare project starts are forecast to increase by 11% in 2027 before easing marginally by 1% in 2028. The recovery from 2027 is expected to be driven by deferred schemes progressing through the project pipeline, including programmes funded through the Estates Safety Fund, the RAAC Eradication Programme and the New Hospital Programme, as well as increased investment in Neighbourhood Health Centres and GP premises.

Nevertheless, risks remain. The pace of recovery will depend on how quickly capital allocations are converted into construction starts, while ongoing labour shortages, inflationary pressures and procurement challenges may continue to affect project delivery. Furthermore, the phased delivery approach adopted for major hospital schemes means that construction activity is likely to remain uneven from year to year.

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



Source: Glenigan.
N.B. 2026 data is based on January to September pro rata

Civil Engineering

-9%	+11%	+10%
2026	2027	2028

- Civil engineering activity has slowed in 2026 as project delays and procurement bottlenecks constrain delivery
- Water sector investment is expected to provide a significant pipeline of work over the forecast period
- Major transport and energy schemes are forecast to boost activity from 2027

Underlying civil engineering starts (projects under £100 million) are forecast to decline by 9% in 2026, following a 9% fall in 2025. Delays to major infrastructure schemes, lengthy planning processes and the rephasing of public investment programmes have constrained activity this year. While long-term infrastructure requirements remain substantial, changes to the timing of expenditure have weakened the near-term outlook.

Growth is expected to return from 2027, with starts rising by 11% in 2027 and a further 10% in 2028. The recovery will be driven by increased investment in utilities, major rail and road upgrades, and the continued expansion of the UK's energy infrastructure.

Civil Engineering Starts

	2025	2026f	2027f	2028f
£ million	7,442	6,767	7,523	8,257
Growth	**-9%**	**-9%**	**11%**	**10%**

Source: Glenigan. f = forecast



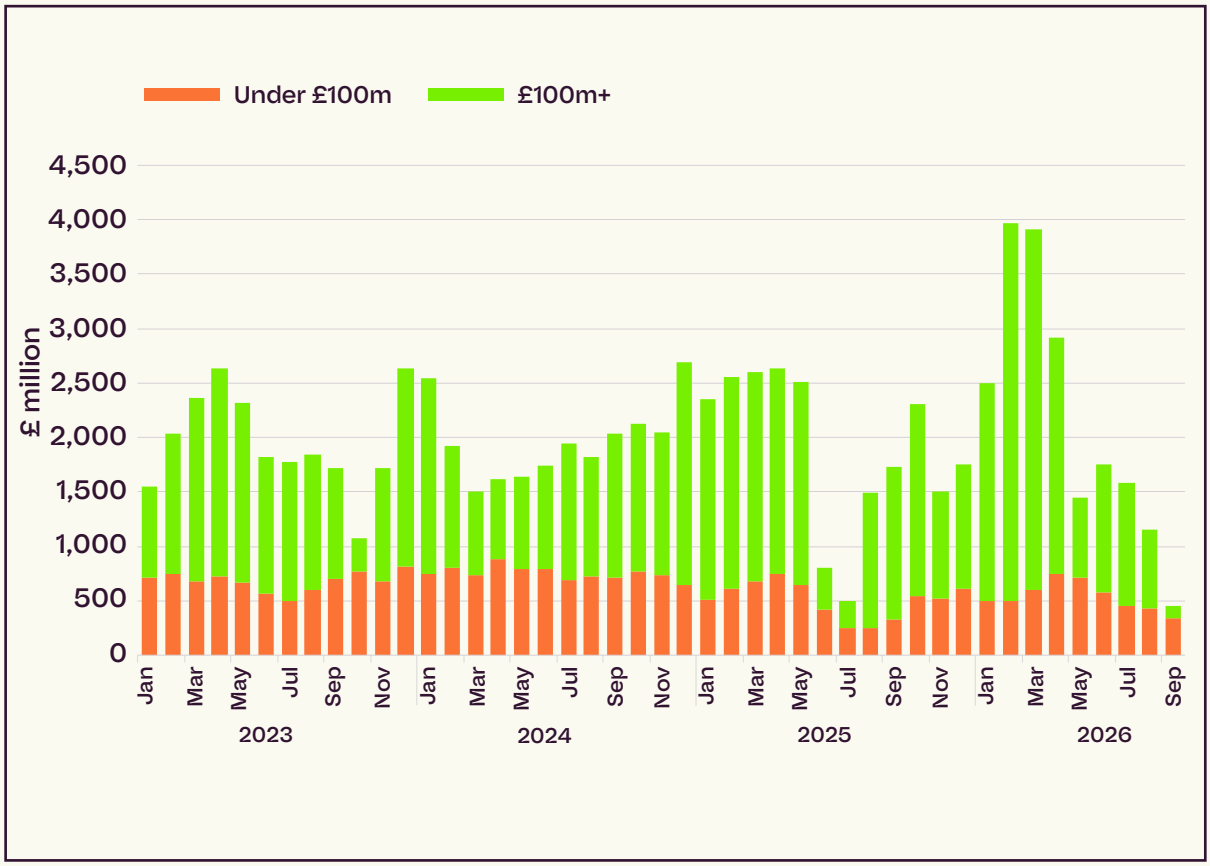
State of the Sector

Procurement bottlenecks and the slower-than-expected rollout of major investment programmes have delayed project delivery and constrained sector activity during 2025 and 2026.

Investment in transport infrastructure has been particularly affected. While the Government remains committed to flagship schemes such as HS2, the TransPennine Route Upgrade and East West Rail, extended delivery timetables have reduced the volume of projects reaching the construction phase this year despite a substantial long-term funding pipeline. Smaller transport schemes have also progressed more slowly than anticipated, with local authority road projects, junction improvements, bridge upgrades and regional rail schemes affected by planning delays, procurement constraints and funding approvals.

Utilities remain a relatively bright spot. Water companies entered the AMP8 investment period in April 2025, supporting a significant increase in infrastructure spending. At the same time, investment in electricity transmission, distribution and renewable energy continues to gather pace as the UK seeks to modernise the grid and support its net-zero ambitions. Major projects such as Hinkley Point C, Sizewell C, and associated transmission upgrades continue to underpin civil engineering activity.

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



Source: Glenigan.

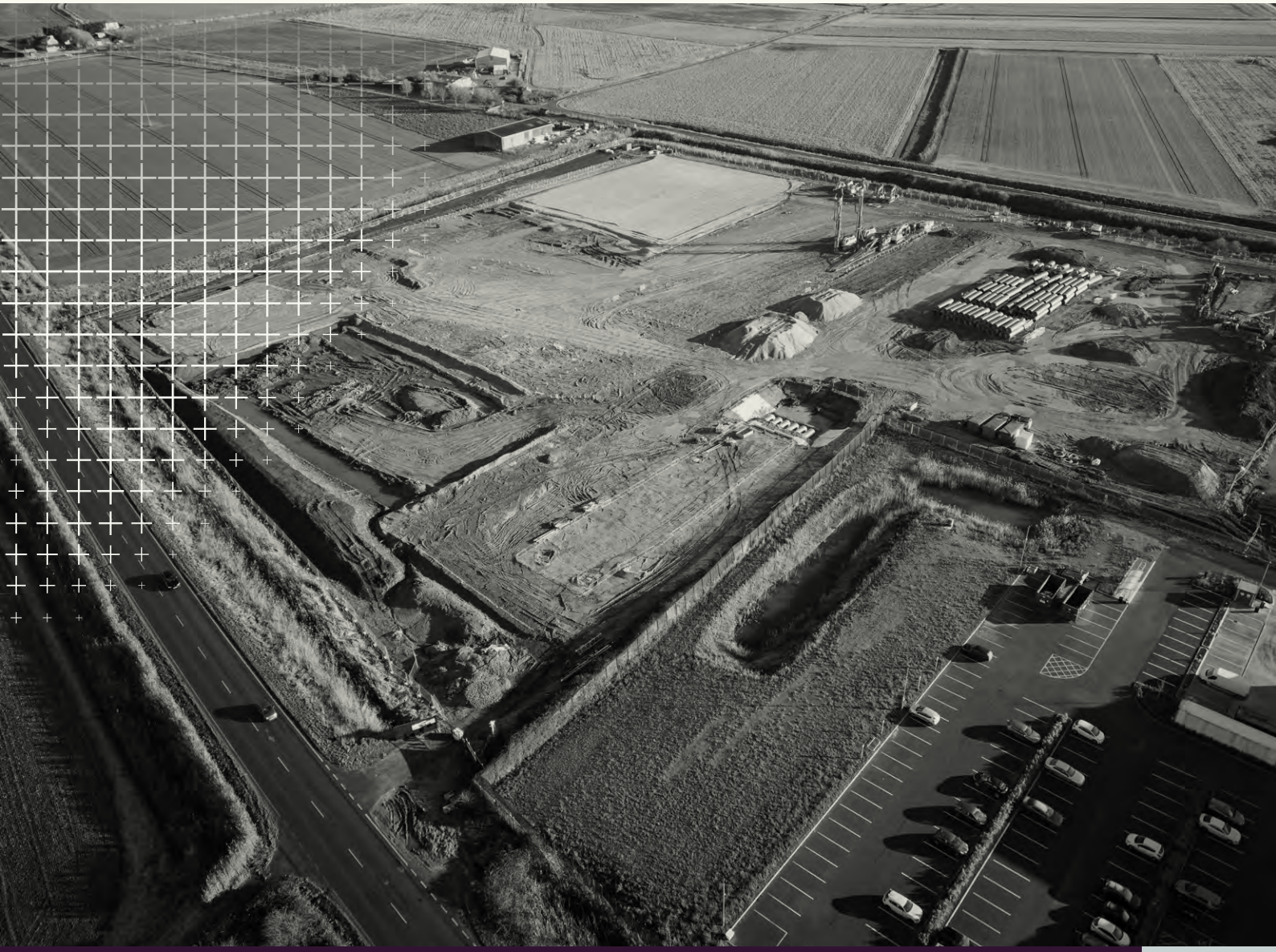
Future of the Sector

The outlook improves markedly from 2027 as infrastructure spending accelerates across the utilities and transport sectors.

Transport infrastructure is set to make a stronger contribution to activity from 2027 onwards. While major schemes such as HS2, the TransPennine Route Upgrade, East West Rail and improvements to Leeds Station continue to progress, much of the resulting construction activity will emerge gradually as projects move through development and procurement. In addition, the Spending Review committed £24 billion to maintaining and improving England's road network between 2026/27 and 2029/30, alongside a £1 billion Structures Fund for bridges, tunnels and flyovers.

Water infrastructure is likely to be one of the strongest growth drivers over the forecast period. Ofwat's AMP8 settlement approved approximately £104 billion of expenditure between 2025 and 2030, representing the largest investment programme since privatisation. This funding will support reservoir developments, water supply resilience projects, upgrades to treatment facilities and major environmental improvement schemes across England and Wales.

The energy sector will provide a further source of growth. Grid reinforcement works, offshore wind connections and investment in low-carbon generation are expected to create a substantial pipeline of civil engineering projects over the medium term.



Republic of Ireland

Contents

Economic Background	43
Construction Outlook	45
Residential	47
Industrial	48
Retail	48
Commercial	49
Education	49
Health	50
Civil Engineering	50

Economic Background

The Irish economy remained resilient through 2026 despite a challenging backdrop marked by higher energy prices, geopolitical tensions and persistent inflationary pressures. Domestic economic activity continued to expand, supported by strong consumer spending, robust employment levels, and significant multinational-led investment, particularly in AI and data centre infrastructure.

Economic Indicators

Constant Prices – Annual Change	2025	2026f	2027f	2028f
Gross Domestic Product	8.0%	-1.4%	4.3%	4.3%
Modified Domestic Demand	4.7%	3.8%	3.4%	3.3%
Total Employment	2.2%	1.2%	2.1%	1.8%
Unemployment Rate	4.7%	5.1%	5.1%	5.2%
Inflation	**2.1%**	**3.4%**	**3.1%**	**2.0%**

Source: Central Bank of Ireland. f = forecast



The Central Bank of Ireland expects modified domestic demand to grow by 3.8% in 2026, revised up from the earlier forecast of 2.9%, with average growth of around 3.5% annually through the forecast period.

Although the labour market remains robust, it appears to be weakening slightly, with the unemployment rate set to increase to 5.1% this year. Employment growth was slower in 2025 and is forecast to decrease further to 1.2% this year.

Despite this growth outlook, inflation remains a key challenge. Following increases in global energy prices linked to conflict in the Middle East, headline inflation is projected to average 3.4% in 2026 before easing to 3.1% in 2027 and returning to the ECB's 2% target by 2028.

These forecasts are built upon the analysis of Hubexo'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.

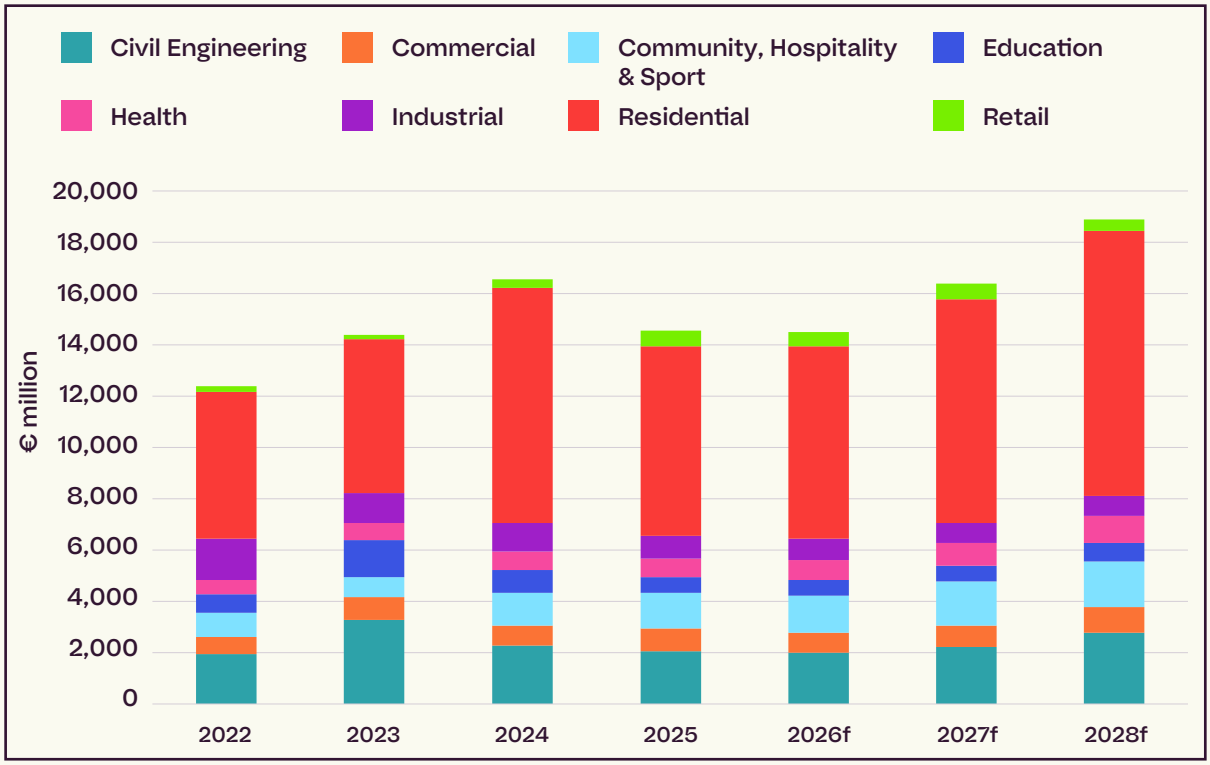


Construction Outlook

0%	+13%	+15%
2026	2027	2028

Economic uncertainty arising from US trade tariffs contributed to a slowdown in construction activity during 2025, ending four consecutive years of growth. The conflict in Iran has created additional headwinds for the market, although the Irish economy has proved more resilient than previously expected. As a result, construction activity is forecast to remain broadly flat in 2026 rather than fall below last year's level. Looking further ahead, project starts are expected to strengthen as market conditions improve and investor confidence gradually returns.

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



Source: Hubexo. f = forecast

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

Starts	2025	2026f	2027f	2028f
Civil Engineering	2,070	1,997	2,212	2,811
Commercial	907	801	875	959
Community, Hospitality & Sport	1,371	1,457	1,676	1,783
Education	586	568	608	718
Health	736	811	932	1,067
Industrial	868	793	775	812
Residential	7,432	7,507	8,723	10,312
Retail	579	562	612	446
TOTAL	**14,550**	**14,496**	**16,413**	**18,908**

Source: Hubexo. f = forecast

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

Starts	2025	2026f	2027f	2028f
Civil Engineering	-10%	-4%	11%	27%
Commercial	19%	-12%	9%	10%
Community, Hospitality & Sport	8%	6%	15%	6%
Education	-34%	-3%	7%	18%
Health	1%	10%	15%	14%
Industrial	-23%	-9%	-2%	5%
Residential	-19%	1%	16%	18%
Retail	67%	-3%	9%	-27%
TOTAL	**-12%**	**0%**	**13%**	**15%**

Source: Hubexo. f = forecast

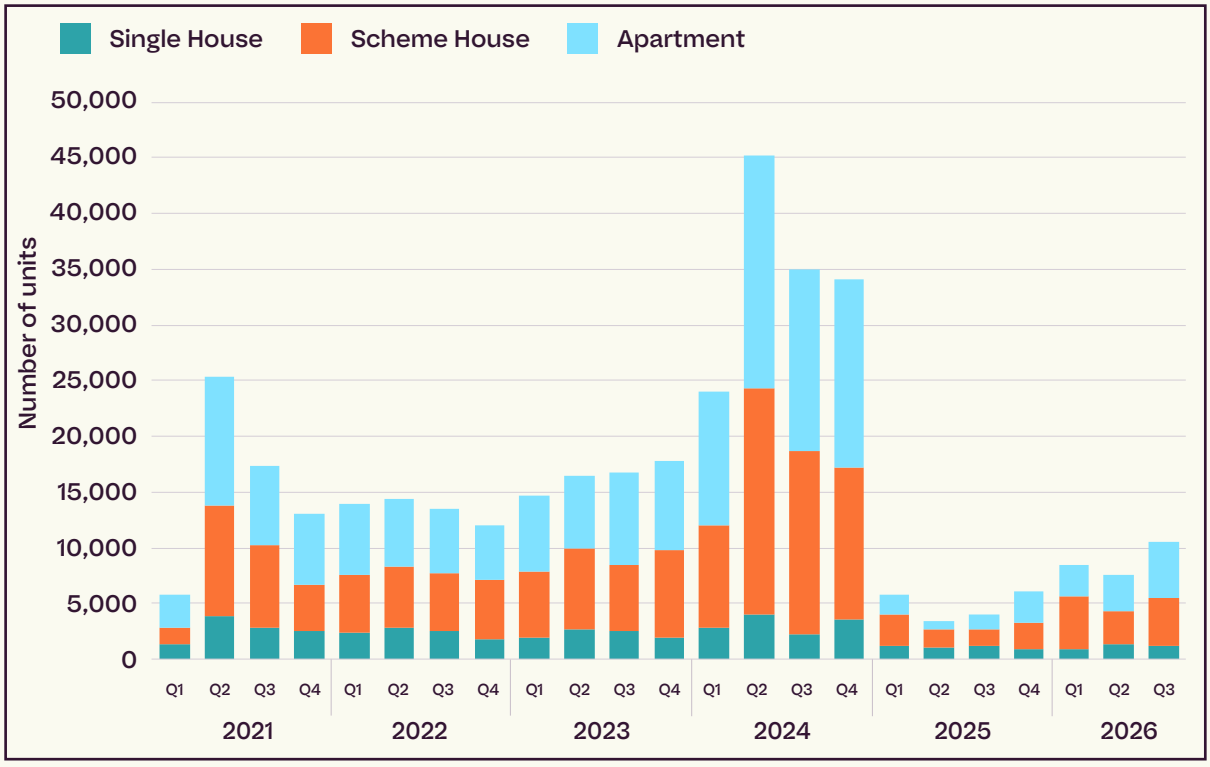
Residential

2026	2027	2028
1%	+16%	+18%

Residential construction remains the largest contributor to activity in Ireland. However, the sector faces significant challenges. Strong population growth has intensified pressure on the housing market, with supply continuing to fall short of demand.

Housing commencements surged during 2024 as developers accelerated projects to take advantage of temporary waivers on water connection charges and local authority levies. This was followed by a sharp correction in 2025 as those incentives expired. More recently, development activity has been constrained by shortages of critical water and energy infrastructure, while geopolitical instability has added further uncertainty to market conditions during 2026.

Chart 19: Number of Residential Units Started



Source: Central Statistics Office

According to data from the Central Statistics Office, only 19,287 new homes commenced during 2025. As a result, the value of residential project starts fell by 19% compared with the previous year.

Activity showed modest growth during the first quarter of 2026 before weakening in response to the economic uncertainty created by the conflict in the Middle East. Elevated interest rates and wider economic headwinds have continued to weigh on investor confidence, limiting growth in residential construction activity. Nevertheless, funding provided through the Housing Programme announced in Budget 2026 is expected to provide some support, with the value of residential project starts forecast to increase by 1% this year. Assuming economic conditions improve, residential construction activity is expected to recover gradually over the remainder of the forecast period.

Industrial



Manufacturing remains a key pillar of the Irish economy, although the industry continues to face heightened uncertainty. Ongoing trade tensions and elevated energy costs have weighed on business confidence, while a softer project pipeline is expected to constrain investment in the near term. Nevertheless, the outlook is supported by a rebound in Irish exports during the second quarter of 2026, driven by a recovery in goods exports and continued strength in multinational-led activity, particularly within technology-related industries.

Against this backdrop, industrial project starts are forecast to decline by 9% in 2026, followed by a more modest fall in 2027 as developers remain cautious. Looking further ahead, stronger export performance, improving business investment and a more stable economic environment are expected to support a return to growth, with industrial starts recovering during 2028.

Retail



The value of retail project starts increased strongly in 2025, supported by favourable economic conditions, rising household incomes and continued population growth, all of which contributed to higher retail sales.

However, the consumer environment has become more challenging during 2026. While the wider economy continues to benefit from strong export performance, particularly in high-tech industries, domestic demand has softened, with retail sales rising by just 0.6% year on year in July. Household confidence has also been affected by broader economic uncertainty and ongoing pressure on household finances.

Against this backdrop, retail project starts are expected to decline modestly during 2026 as developers adopt a more cautious approach to investment. Looking ahead, an improvement in economic conditions should support a recovery from 2027, with starts forecast to increase by 9%. Grocery-led developments are expected to remain the market's principal source of demand. However, the continued growth of online retailing is likely to constrain requirements for traditional comparison retail space, with investment increasingly focused on convenience-led schemes and well-located mixed-use developments.

Commercial

-12%	+9%	+10%
2026	2027	2028

The office market recovered strongly in 2025, with project starts rising by almost 20% compared with 2024. However, the sector has come under increasing pressure during 2026, while a relatively weak development pipeline has further constrained activity. As a result, office starts are forecast to decline by 12% this year.

Nevertheless, underlying occupier demand remains positive, with both office take-up and rental growth improving. Return-to-office policies have supported demand for high-quality Grade A space, and the sector is expected to return to growth from 2027 as market conditions stabilise.

Ireland has also emerged as a major hub for data centre development, with investment in AI continuing to drive demand for additional capacity. However, rising energy costs and constraints on electricity grid capacity are likely to limit the pace at which proposed schemes progress to site.

Education

-3%	+7%	+18%
2026	2027	2028

Education starts weakened in 2025 despite the funding allocations. Budget 2026 also announced an increase of €845 million in core current funding, with the total capital funding increased to £1.6 billion for this year. While this will support the sector and soften the decline, we still expect the sector to fall 3% in 2026 as a result of economic uncertainty and weakening pipeline.

Despite this, we expect the sector to recover in 2027 and 2028, assuming further budget allocations will help drive growth over the coming years.

Health

2026	2027	2028
+10%	+15%	+14%

The Irish healthcare sector is supported by sustained government investment and growing demographic pressures. With the population continuing to increase and the number of people aged over 65 rising steadily, demand for healthcare facilities and services is expected to strengthen over the medium term.

Reflecting these pressures, the Irish Government has allocated a record €27.4 billion to health spending in Budget 2026, reinforcing its commitment to expanding healthcare capacity and modernising existing infrastructure. This funding, together with the ongoing delivery of national health investment programmes, has helped maintain a robust pipeline of planned projects across the sector.

Consequently, the value of health project starts is forecast to increase by 10% during 2026. Further growth is anticipated in 2027 and 2028, as public sector investment continues to drive development activity and support the expansion of Ireland's healthcare estate.

Civil Engineering

2026	2027	2028
-4%	+11%	+27%

Ireland's National Development Plan 2026-2030 allocates €102.4 billion across government departments. Infrastructure is a major beneficiary, with €22.3 billion earmarked for transport programmes, an additional €2 billion for the development of MetroLink, and €25.7 billion allocated to water and energy projects. This substantial investment is expected to support a gradual recovery in civil engineering activity from 2027, with double-digit growth in project starts forecast for both 2027 and 2028.

Key Recommendations
for the construction industry

1. Prepare for programme-led growth

Growth over the forecast period is expected to be driven increasingly by major public investment programmes rather than broad-based private sector expansion. Firms should develop expertise, partnerships and procurement strategies aligned to long-term programmes in healthcare, education, utilities, transport and energy infrastructure.

2. Align resources with public sector delivery

The Spending Review has significantly increased future capital funding, but the conversion of funding into construction starts has been slower than anticipated. Firms should align bidding strategies, delivery capability and regional resources with major programmes such as the School Rebuilding Programme, NHS investment initiatives, AMP8 and key transport upgrades.

3. Prioritise resilient and funded sectors

Focus on markets with strong underlying demand and clear funding visibility, including social housing, utilities, transport infrastructure, education and healthcare. At the same time, target private sector growth areas such as data centres, prime office developments and selected logistics schemes, where long-term demand remains structurally supported.

4. Position for recovery

Many projects have been deferred rather than cancelled. Firms should actively monitor planning approvals, procurement pipelines and funding programmes to secure an early-mover advantage. Building relationships with clients, public bodies and framework providers now will be critical to capturing work as investment activity strengthens from 2027.

5. Remain selective in private sector markets

Geopolitical uncertainty, elevated borrowing costs and viability challenges are likely to continue constraining private sector activity in the near term. Businesses should prioritise schemes with strong commercial fundamentals, including prime locations, clear occupier demand and robust sustainability credentials, while maintaining caution in oversupplied or weaker-demand markets.

6. Strengthen resilience and delivery capability

Continued cost pressures, labour shortages and supply chain risks will require disciplined operational management. Organisations should build appropriate contingencies into bids, strengthen supplier relationships and maintain flexibility to respond to fluctuations in workload and project timing.

7. Invest in productivity and project intelligence

Digital tools, data-led forecasting and modern methods of construction can help improve productivity and mitigate workforce constraints. Enhanced pipeline visibility and better pre-construction intelligence will be increasingly important in identifying opportunities and improving bid success rates.

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