Glenigan
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June 2025

Construction Industry Forecast

For the UK and Republic of Ireland

2025-2027

Featuring insight directly from industry thought leaders:

Bloomberg Intelligence
KPMG
DeHavilland

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 Wilen, 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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Economic Background

An improving UK economy and rising public sector investment are expected to lift construction activity over the next three years. The economy has returned to growth having stalled during the second half of last year. Economic growth is expected to accelerate further during the second half of this year and maintain momentum during 2026 and 2027.

The UK economy is set to grow by around 1% in 2025, with rising consumer and government spending expected to be the main drivers. Above inflation wage increases, lower interest rates and improving consumer confidence are forecast to lift household spending and provide a boost to consumer related construction sectors including housebuilding.

Rising business and public sector investment will take longer to gather momentum but are expected to provide increased support to construction from 2026.

U.S. trade policy has had a detrimental impact on global trade and economic growth. Heightened geopolitical uncertainty has disrupted and deterred business investment including in the UK, tempering the anticipated recovery in economic growth and business investment.

Whilst lower interest rates and brightening economic prospects are forecast to support some recovery in industrial and office construction this year, a firmer and broader strengthening in business investment, including in construction, is anticipated from 2026 as strengthening economic growth lifts business confidence.

Public funded investment was disrupted last year by the General Election and the subsequent post-election review of existing programmes by the new government. Subsequent spending commitments for 2025/26 in the Budget and Spring Statement have provided greater clarity and should enable government departments to progress existing projects during 2026.

The Government's long-term funding commitments and priorities, as outlined in the Spending Review, are expected to support stronger public sector construction activity in the second half of the forecast period.

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 the forecasts are based include:

- A gradually improving UK economic outlook and lower borrowing costs support a progressive strengthening of private sector investment over the forecast period for non-residential sectors as geopolitical turbulence eases.
- A strengthening in real household incomes, together with an easing in interest rates support a recovery in housing market turnover and private housebuilding activity.
- The Spending Review funds increased public sector construction activity during the second half of the forecast period.
- The Government's renewed commitment to delivering net zero accelerates investment in renewable energy and increases civil engineering starts.

Executive Summary

Geo-political Instability: A strengthening in domestic demand, in particular consumer spending, will be the main driver for UK economic growth, amid heightened uncertainty in global markets generated by US tariff policy.

Private Sector Projects: Residential project starts improved during the first four months of 2025, but the disruption to global markets has delayed the recovery in industrial and commercial construction.

Public Sector Delay: Public sector projects have been disrupted as the Government reassessed programmes post-election. The Spending Review provides increased capital funding from 2026.

Forecast Highlights:

2025-2027 Outlook:

- **Housing upturn:** Increase in household incomes 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 during the second half of the forecast period.

Key Drivers of Growth:

Progressive recovery in private housing starts as rising household incomes and lower interest rates lift housing market activity and new house sales.

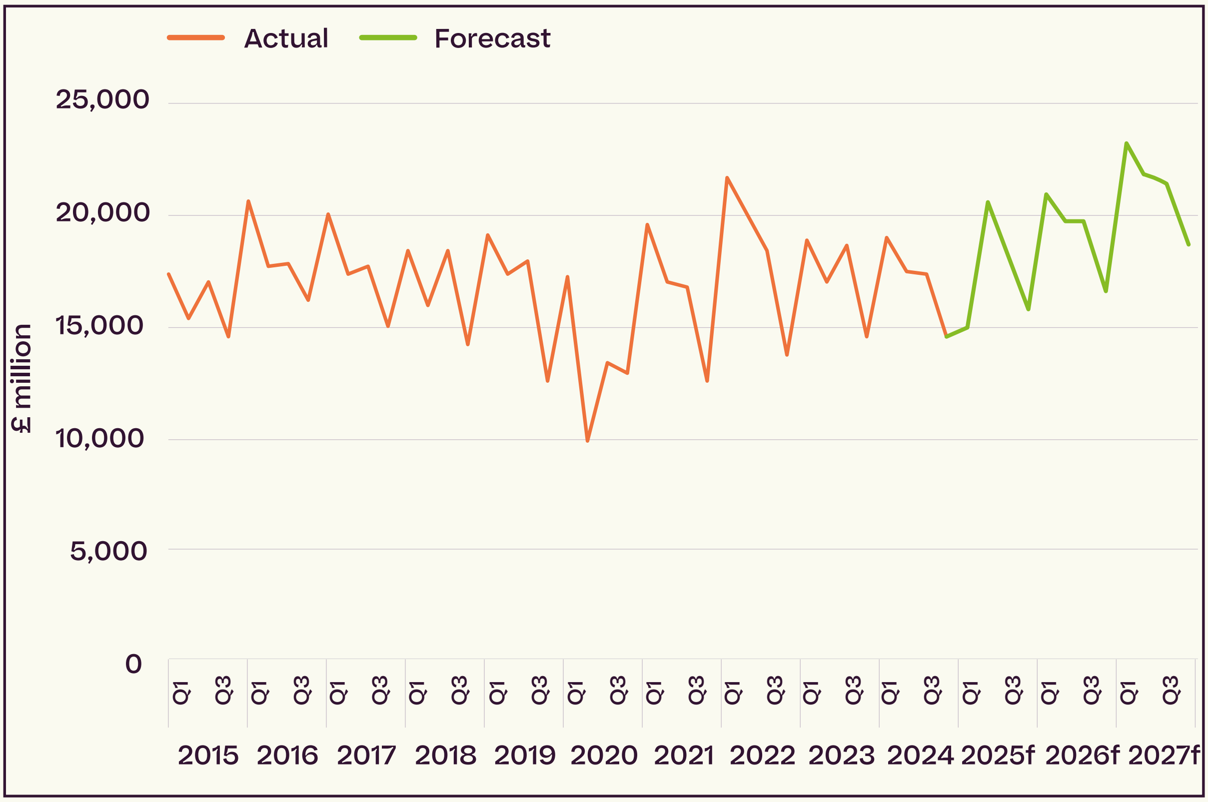
Improved consumer spending lifts retail and hotel & leisure sector starts from 2026.

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, health, and community & amenity during 2026 and 2027.

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



Source: Glenigan. f = forecast.

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

£ million	2024	2025f	2026f	2027f
Private Housing	25,346	27,335	29,948	35,314
Social Housing	7,834	8,074	8,716	9,680
Industrial	5,238	5,424	5,813	6,337
Offices	3,941	4,503	5,539	5,949
Retail	1,834	1,702	1,994	2,169
Hotel & Leisure	3,468	3,466	3,780	3,890
Education	6,432	5,252	5,440	5,639
Health	3,955	3,666	3,794	4,116
Community & Amenity	1,938	2,000	2,007	2,024
Civil Engineering	8,503	8,883	9,991	10,232
TOTAL	**68,491**	**70,306**	**77,021**	**85,349**

Source: Glenigan. f = forecast.

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

Annual Change	2024	2025f	2026f	2027f
Private Housing	-8%	8%	10%	18%
Social Housing	-10%	3%	8%	11%
Industrial	0%	4%	7%	9%
Offices	-16%	14%	23%	7%
Retail	7%	-7%	17%	9%
Hotel & Leisure	28%	0%	9%	3%
Education	10%	-18%	4%	4%
Health	20%	-7%	3%	8%
Community & Amenity	29%	3%	0%	1%
Civil Engineering	22%	4%	12%	2%
TOTAL	**0%**	**3%**	**10%**	**11%**

Source: Glenigan. f = forecast.

Private Residential

Impending stamp duty increases from April provided an added impetus to housing market activity during the first quarter of this year as purchasers rushed to complete ahead of the tax rise. Although some retrenchment is expected in the second quarter, it is likely to be short-lived. Increasing household incomes, lower mortgage rates and a brightening economic outlook are expected to lift housing market activity during the second half of this year and during 2026.

Improved market conditions helped to lift private housing starts during the first four months of 2025. Rising real incomes and further interest rate cuts are expected to further buoy house-buyers confidence over the next three years. Planning reforms are expected to release more development sites, supporting sector growth in the later stages of the forecast period.

Private Non-Residential Work

The industrial sector is forecast to return to growth from 2025. Demand for logistics space is expected to drive sector activity over the next three years as higher consumer spending is set to lift the demand for logistics and light industrial space from online retailers and third-party carriers.

Retail construction will be slower to recover. In the near term, retailers face increased cost pressures due to National Insurance rises and the increase in the minimum wage. An overhang of empty retail premises is also expected to deter investment in new premises although it may also prompt landlords to refresh and repurpose existing excess retail space including shopping centres to create more mixed-use locations. Investment by deep discount supermarkets Aldi and Lidl remains a bright spot, with both chains continuing to expand their store networks.

Hotel & leisure starts rebounded during 2024. Like retailing the hospitality sector is currently facing a marked increase in labour costs that is expected to squeeze margins and limit the funds available for investment near term. However, an improvement in households' financial position is set to benefit the hospitality sector through higher consumer discretionary spending. This is expected to underpin a progressive strengthening in investors' confidence and investment in the sector during 2026 and 2027.

Office starts continued to decline last year, dropping by 16% as higher borrowing costs and an overhang of available floorspace prompted investors to defer planned projects. The sector is expected to return to growth from this year as lower borrowing costs renew investor interest. Although changing working patterns are reducing the overall demand for office space, they also remain an important driver for office refurbishment projects as landlords and occupiers remodel premise to support hybrid working. In addition, regulatory changes and growing demand for premium office space with a good environmental performance is forecast to generate retrofit and new build opportunities over the forecast period.

Increased Government Investment

The General Election and subsequent review of capital programmes by the new government disrupted the flow of public sector project starts. Spending commitments in last autumn's Budget and the Spring Statement will provide some support for departmental programmes during the current financial year, while the Spending Review has outlined longer-term funding plans for 2026 and 2027.

A sharp increase in the Department of Education's capital funding over the last two years and action to tackle RAAC defective buildings helped drive a 41% leap in school building projects in 2023, with further growth seen during 2024. The Budget included increased capital funding for the school rebuilding programme during 2025/26 with the Government expecting 100 projects to start during the current financial year. The Budget also included additional capital funding for further education. Universities' finances are under pressure from capped UK student fees and a sharp drop in overseas student numbers. This is forecast to curb university building projects over the forecast period.

Health project-starts recovered last year following the disruption to programmes during 2023. The Chancellor unveiled increased capital funding for the NHS during 2025/26. Whilst non-construction areas such as technology and diagnostic scanners are priority areas, funding will also be directed at tackling RAAC and the repair backlog on the existing estate. The Spending Review has set out the Government's longer term spending plans and increased capital funding is expected to support renewed growth in 2026 and 2027.

Greater cost stability and increased government funding helped housing associations to increase their development activity last year. Further funding increases for 2025/26 are expected to lift project starts from the second half of 2025. A drop in student accommodation projects dampened overall sector starts last year. A partial recovery in student accommodation projects is anticipated over the next three years.

A sustained rise in infrastructure projects is likely over the next three years. The Budget increased the near term funding for smaller scale projects such as road repairs. The Spending Review has set out a longer-term framework for increased investment in the road and rail networks during 2026, 2027 and beyond.

The utilities sector is expected to benefit from a rise in major project-starts alongside a broader strengthening in activity. The water industry has secured a substantial increase in water charges to fund a near doubling of investment programmes, reaching £104 billion over the next five years, to reduce pollution discharges, cut leakage, and build new reservoirs. Increased investment in renewable generating capacity and improvements to the grid are also expected to lift sector activity with government policy still focused on delivering net zero.

Reform and delivery:
the new Government a year in

Michael Cameron
Lead Policy Analyst
DeHavilland

This Government is close to marking its first year in office and they are continuing with the routine business of Government which was, arguably, lacking in previous years.

While public attention may have shifted from the Government's planning agenda, the Planning and Infrastructure Bill currently progressing through Parliament is emblematic of a Government quietly pressing ahead with some fundamental reforms.

The Bill is the most significant planning reform in decades, designed to streamline infrastructure and new homes delivery and send a signal that the Government – and the UK – is ready to build.

From bat tunnels to bulldozers

Nothing has been more caricatured in the infrastructure space than the now-infamous "bat tunnel" on the HS2 route. Intended to protect a rare bat species, the £100 million mitigation scheme has become political shorthand for an over-regulated, over-permitted, and overly cautious development system. It has been cited by both the Housing Minister and the Chancellor as representative of a planning system that affects growth.

The Bill takes a direct approach to preventing a similar case from happening on future projects. It limits repeated judicial reviews and aims to deliver a new strategic – rather than site – level of environmental mitigation.

A central ambition of the Bill is to realign environmental regulation with 'pro-growth' planning. The new environmental delivery plans (EDPs) and the nature restoration levy have been framed as tools for compromise: offering strategic solutions to mitigate environmental harm while reducing the costly delays from site-specific challenges.

The new EDPs are, however, yet another layer of environmental law on existing planning processes; the Bill ensures that the Habitats Regulations remain as the bedrock of environmental planning and they will only be discharged in specific circumstances.

Not quite zoning but a step away from discretion

Through the Bill, the Government is not abolishing England's discretionary planning system, but is taking a step towards creating a more certain and rules-based system. The Bill will introduce spatial development strategies (SDSs) at the sub-regional level, in a move that seeks to extend the London Plan-format across the country.

Though, similar regional strategies existed under the last Labour Government, and while some achieved moderate success in boosting housing numbers, the actual average delivery of 160,000-170,000 new homes per year between 1997 and 2010 fell short of the then Government's target of 240,000. The Government rejects the comparison, insisting that new SDSs will operate at the right scale to support development.

De-politicising planning?

Perhaps the most politically charged element of the Bill is its reform of planning committees; it is one area where the Conservative Opposition in the Commons has been quick to criticise. With a national scheme of delegation deciding which applications go before planning officers or planning committees and wider local government restructuring creating larger councils, local communities could feel more distant from decision-making which affects their communities.

Seeking an economic boost

The Government's political hopes for this Bill are clear: it wants the Office for Budget Responsibility to formally recognise its planning reforms as growth-enhancing, and they are one step on the way there.

At the Spring Statement, the OBR forecast that changes to the NPPF are set to increase housebuilding to the highest level in 40 years. The OBR forecast 1.3 million new homes will be built across the UK in this Parliament (compared to a 1.5 million new homes target for England). Getting the OBR to similarly recognise and positively forecast the reforms in the Planning and Infrastructure Bill is the Government's next challenge.

That would be welcome for the Government's growth agenda, but the OBR will need convincing that any development unlocked by the Bill's reforms is genuinely "additional", and not simply an accelerating of existing development pipelines. Without a positive OBR forecast, the Bill may end up more political than practical.

Conclusion: planning at a crossroads

The Planning and Infrastructure Bill is both an evolution and a gamble. It builds on long-standing cross-party concerns, including on judicial review delays, fragmented spatial planning, and environmental constraints, but puts them into a single piece of legislation and reforms the planning system, arguably, more than any Government in a generation.

The months ahead will be crucial. As the Bill continues through Parliament and key secondary legislation is drafted, the Government's growth agenda will be tested by the realities of place and politics.

Michael Cameron, Lead Policy Analyst, DeHavilland

Michael specialises in housing, construction, and local government policy within the infrastructure policy team at the political monitoring company DeHavilland.

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Recovery Persists Despite Risks:
UK Housing Outlook

Iwona Hovenko
Senior Equity Research Analyst

Bloomberg Intelligence

Recovery to Resume After Pause; Prices Back at 2022 Peak

A steady UK housing recovery could continue after the end of the stamp duty land tax (SDLT) holiday, with homebuilders and property portal Rightmove pointing to demand resilience despite the near-term softening flagged by the Royal Institution of Chartered Surveyors. Sales agreed in May were up 5% above the prior year period, according to Rightmove, with signs of better demand after an April dip, following the end of the SDLT holiday, and price indices show property values are now largely back to their 2022 peak.

Less-punitive mortgage affordability checks and the lowest rates in years could also lure buyers. For the first time since 2021, two-year fixed-rate deals are now cheaper than five-year ones, which might tempt buyers hoping for lower rates ahead, who were previously unsure about fixing for a long period.

Housing Helped by Low Rates Despite Bumpy Path Down

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

This could drive housing activity, alongside pent-up demand after potential buyers paused plans amid high rates in 2023-24. Expected Bank of England rate cuts could support further mortgage-cost reductions, though the path there could be bumpy and slow, with limited scope for steep declines in the near term.

Swap rates climbing again, even if only relatively modestly, could curb the scope for mortgage-rate declines in the near term, or even push them slightly higher. That's after mortgage costs fell to the lowest level in a long time, which – absent any shocks or surprises – could imply that they are as good as they get for a while. Lessening concern about tariff-driven damage to the UK's economy and a moderating disinflationary outlook have curbed expectations of further Bank of England (BOE) rate cuts, even if rate forecasts are more dovish than just a few months ago.

After Turbulent 2022-23, Mortgage-Rate Swings Moderate

The path for mortgage rates has been very turbulent, and may remain bumpy going forward as fiscal policy, base effects, geopolitics and external factors shift expectations regarding inflation, growth and central banks' rate setting trajectory. Notably though, volatility has moderated, which – given the resilience and prior strong wage growth (though possibly easing now on payroll tax hikes) – could support a steady, if modest, housing activity improvement. That's as buyers' confidence may remain fragile amid domestic and global uncertainty.

New-Home Volume May Worsen Before Getting Better

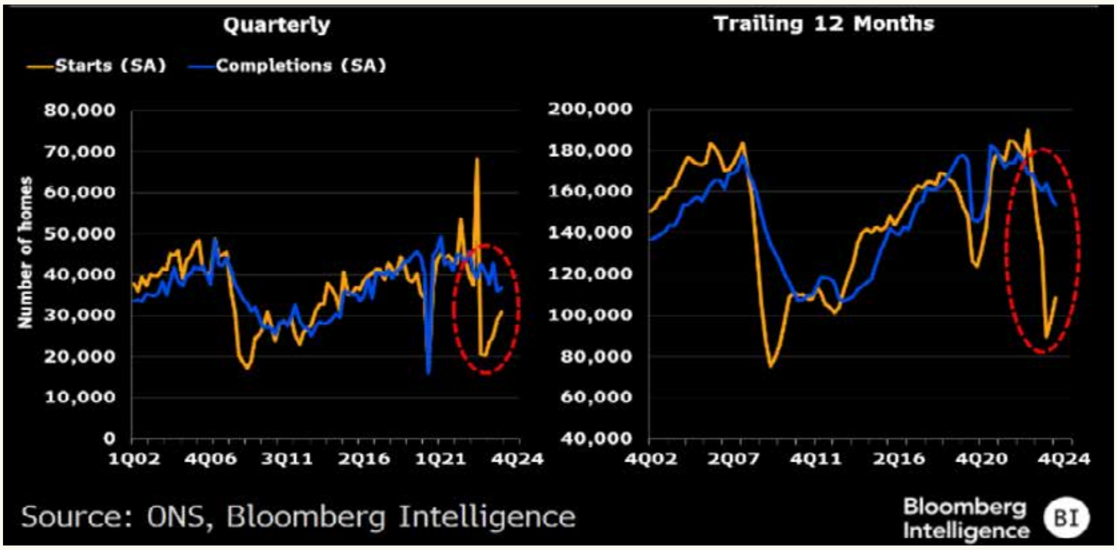
Plunging 2024 UK housing starts suggest completions may decline before there's any boost from higher demand and success in the government's push to lift volume. The setback is clear on a rolling 12-month basis, suggesting a rush of starts ahead of stricter rules from 3Q23 wasn't the only reason. Muted 2023-24 activity, paused land buying, high costs and weak price growth, with a lack of incentives for new homes also offer explanations.

Yet planning delays – which plagued homebuilders, especially smaller ones – may now be dissipating, with developers more upbeat about the increasing ease of getting permits, which may help lift future homebuilding volume. Despite economic angst, Persimmon, Bellway and Taylor Wimpey's 2025 updates flag a steady demand revival with more reservations and orders that may also lift completions.

In early 2023, Centre for Cities estimated the UK had a backlog of 4.3 million homes, based on the rate of homebuilding in the rest of Europe. The think tank suggested that even reaching the government's goal of building 300,000 homes a year would take a century to catch up with the rest of Europe. The ramping up of annual construction volume to 442,000 homes – a level never reached before – would only clear the backlog in 25 years and 654,000 homes per annum would be needed to close the gap in the next decade.

The rising UK population – set to increase by 9 million in the 25 years to 2047, based on the Office for National Statistics – could further worsen the UK's housing shortage. That implies a need for at least 4 million more homes, given current average household size. The sharpest rise is expected in England (14.5%) and Wales (12.9%). London's population is likely to rise by about 1 million in the same period.

BTR may offer an important lever to lift housing supply, helping add new multi- and single-family rental homes.



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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Planning for Opportunity:
Building Momentum in the Construction Industry

Krystle Drover
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KPMG in the UK

KPMG

The construction industry is entering a period of renewed optimism and upward momentum. The latest Glenigan forecast signals an uplift across both the UK and Irish markets, echoing findings from the 2024/25 KPMG Global Construction Survey, where over two-thirds of industry respondents anticipate growth and expansion. Our latest market insights also point to a significant opportunity: nearly $100 trillion USD is expected to be invested in global infrastructure annually by 2040.

While this level of investment presents vast potential for infrastructure growth, challenges remain in accessing the market at scale. Delivery continues to be hindered by an aging skilled labour force with insufficient replenishment, persistent strains on supply chains, and capacity limitations. Yet despite these headwinds, the industry is actively preparing for the future—placing increased focus on strengthened market strategies, transformative business models centred on people, and technology-led innovation to support sustainable growth and talent retention.

Planning for the future

Notably, the KPMG global construction survey indicates, while over 70% of the industry expects to realise substantial gains from technological advances, fewer than half have adopted the tools necessary for automation in foundational areas such as reporting, programme planning, and performance monitoring. These elements are critical building blocks to unlocking the broader benefits of innovation.

To address continued volatility and position for long-term success, the industry is prioritising improved estimating accuracy, risk transfer, and accelerated innovation. But none of these priorities can be achieved without a fundamental focus on planning. As we look to the months ahead, three planning priorities stand out:

1. **Pipeline intelligence and programme planning**
2. **Planning permissions and approvals**
3. **Transformation planning and integration**

Innovation In Action

To support these focus areas, we have seen the development and adoption of a range of technologies, innovations, and automation tools aimed at driving measurable improvement.

Pipeline insight and commercial strategy: Enhanced programme and pipeline intelligence tools are helping the industry plan ahead, reduce uncertainty, and drive commercial value—unlocking up to 30% cost savings and significant improvements in market capacity compared to traditional models.

Accelerated planning approvals: Through computational modelling and GIS integration, planning permission timelines on major development projects have been reduced by up to 80%—dramatically improving market responsiveness and speed to delivery.

Transformation execution and performance tracking: Improved data transparency, automation, and AI integration now allow organisations to track performance and outcomes in real-time, enabling evidence-based decisions and measurable progress against transformation objectives.

The Longview: Transformation as an investment

We are seeing more organisations make upfront capital investments in digital transformation—recognising that long-term returns on investment, productivity improvements, and resilience are grounded in the integration of strategic planning, technology, and operational performance.

As AI and advanced analytics continue to surge in relevance, the need to organise, baseline, and qualify internal data has never been more critical. This foundational work is essential to realise the full value of AI and digital tools. However, as adoption increases, a new challenge is emerging: the technology sector may soon feel pressure to keep pace with growing demand from construction. Organisations are ambitiously setting 12-month goals to implement change, often while continuing to deliver business as usual.

In this new era of opportunity, success will not just depend on optimism—but on execution. Those who plan, invest, and transform today will be best positioned to lead the construction industry into a more resilient and productive tomorrow.

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.

Krystle Drover, Associate Director, Major Project Advisory KPMG in the UK

Krystle is a professional engineer with 20 years of industry experience leading in technical due diligence, industrialisation and innovation. She is recognised in the infrastructure and energy industries for her technical contributions accelerating routes to delivery, unlocking stranded projects and creating evidenced cost efficient innovative solutions. She is a recognised expert in project delivery, commercial, assurance and construction. She has experience in end to end programme management as well as, intellectual property creation and commercialisation.

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Private Housing

+8%	+10%	+18%
2025	2026	2027

- Private housing activity to start recovering in 2025 after last year's decline
- Growth will accelerate in 2026 and 2027 as market conditions improve
- Planning reforms to help with construction activity

While 2024 saw a decline, the rush to avoid stamp duty increases boosted project starts in the first quarter of 2025. Strengthening economic growth and further interest rates cuts are expected to boost confidence in 2026 and 2027.

Private Housing Starts

	2024	2025f	2026f	2027f
£ million	25,346	27,335	29,948	35,314
Growth	-8%	8%	10%	18%

Source: Glenigan. f = forecast

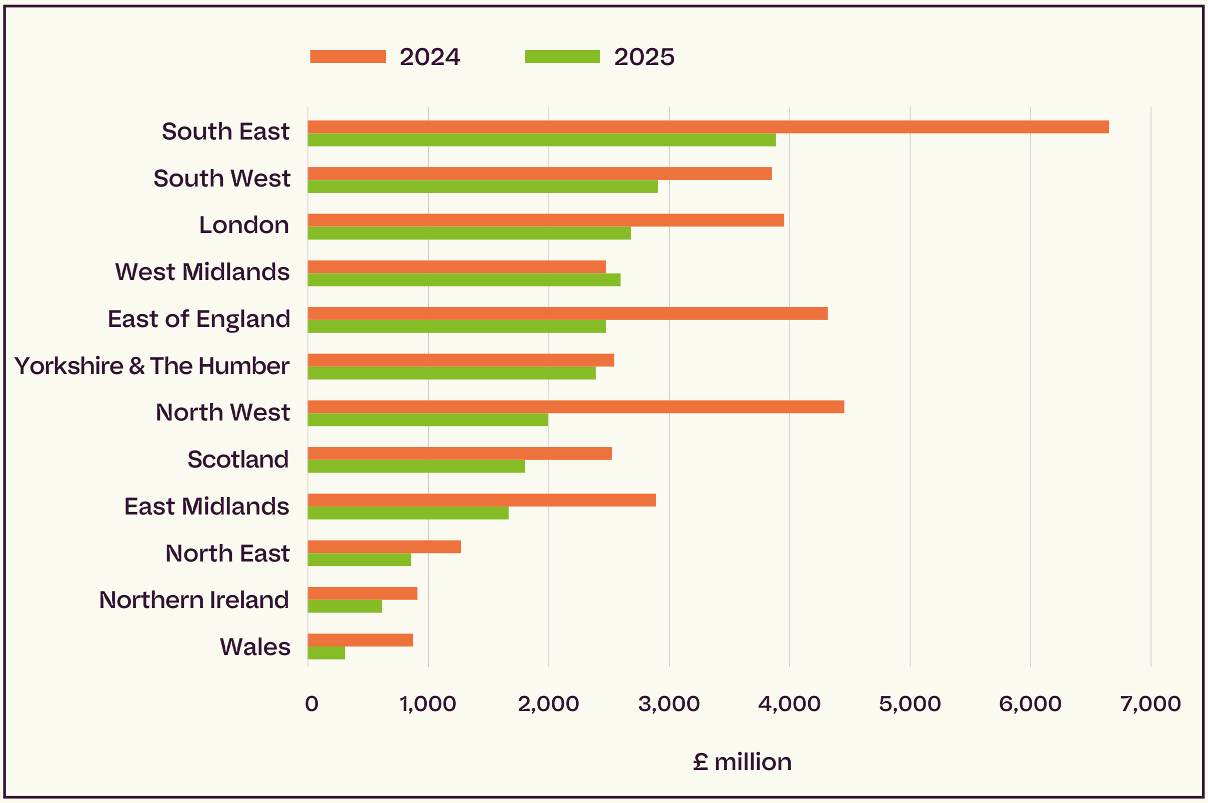
State of the Sector

The economy started to stabilise last year, with inflation rates remaining under 3% for the majority of the year, leading to subsequent interest rate cuts. Confidence began to return to the housing market, with both the number of mortgage approvals and house price inflation growing during 2024. Despite this, the private housing sector faced challenges. Project starts decreased by 8%, with skills shortages and planning constraints delaying the delivery of projects and tighter building regulation adding to cost pressures.

Impending stamp duty increases from April provided impetus to housing market activity during the first quarter of this year as purchasers rushed to complete ahead of the tax rise. Property transactions were up 25% in March on a year ago and annual UK house price inflation rose to 6.4% according to the UK House Price Index published by HM Land Registry.

Whilst some retrenchment is anticipated during the second quarter, this is expected to be short lived. Increasing household incomes, lower mortgage rates and a brightening economic outlook are expected to lift housing market activity during the second half of this year

Chart 2: Value of Private Housing Projects Securing Planning Approval



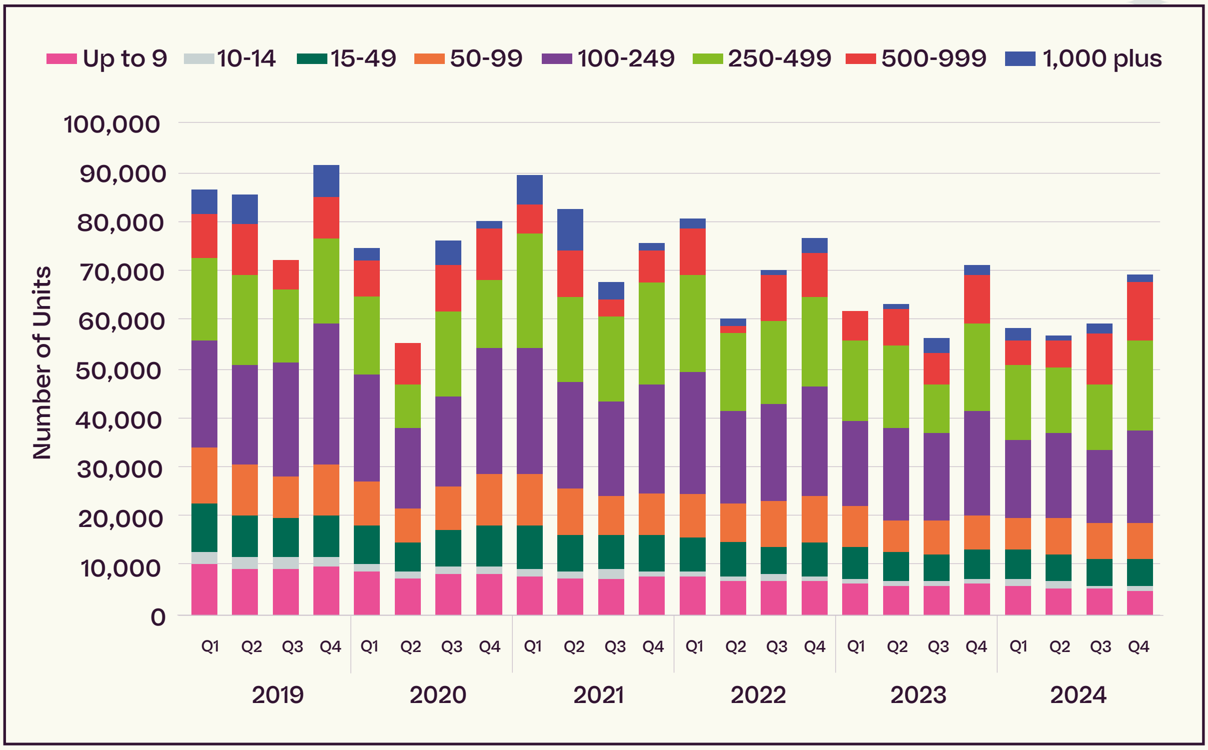
Source: Glenigan.
N.B. 2025 data is based on January to April pro rata

The Future of the Sector

The Bank of England's base rate currently stands at 4.25% and independent forecasts anticipate two or three further quarter point cuts by the end of the year with a further softening in rates during 2026. Combined with rising real incomes, the rate cuts are expected to further buoy house-buyers confidence and market activity during 2026 and 2027.

The Government has set the ambitious target of 1.5 million new homes in England by 2029. It is pressing ahead with a number of planning reforms that are expected to help release additional sites for development, boosting planning approvals and supporting sector growth during the latter stages of the forecast period.

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



Source: Glenigan.

Social Housing

+3%	+8%	+11%
2025	2026	2027

- Progressive rise in social housing project starts over the forecast period
- Increased government funding will help boost new social housing provision and refurbishment projects
- A partial recovery in student accommodation projects over the next three years

Greater cost stability and increased government funding supported housing association development activity last year. Funding allocation for 2025/26 announced in the Budget and Spring Statement is expected to lift project starts from the second half of 2025. Funding increases from the Government is expected to further boost sector starts during the latter half of the forecast. Student accommodation is now showing signs of recovery after the sharp fall in project starts last year.

Social Housing Starts

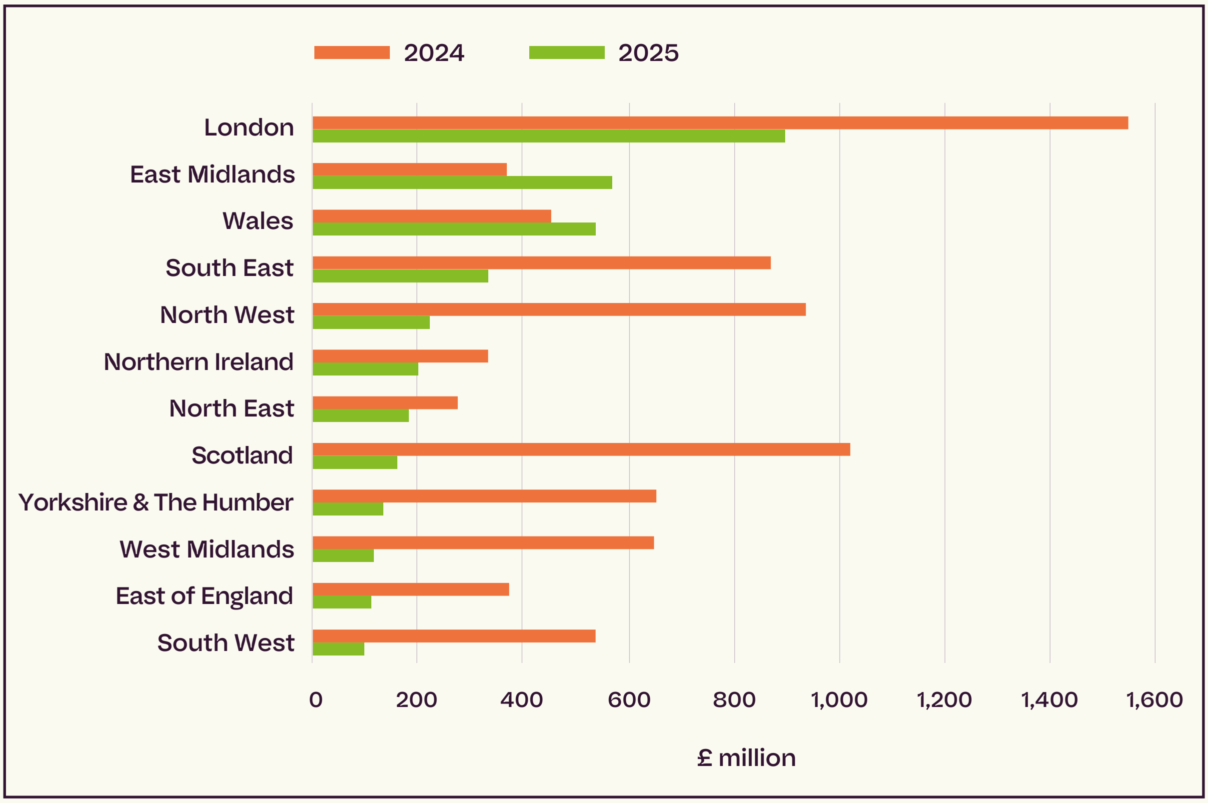
	2024	2025f	2026f	2027f
£ million	7,834	8,074	8,716	9,680
Growth	-10%	3%	8%	11%

Source: Glenigan. f = forecast

State of the Sector

Sector starts contracted 10% last year, dragged down by a sharp decline in student accommodation work after an increase the previous year. The change in government and high construction costs added to the pressures faced by developers. Apartments made up a smaller share of social housing starts last year, as housing associations shifted toward a greater proportion of low-rise developments. This reflects the disruption to high-rise project delivery following the implementation of the Fire Safety Act. Student housing also saw a sharp decline, as tighter visa rules deterred investors and reduced the number of international students coming to the UK.

Chart 4: Value of Underlying Social Housing (under £100 million) Detailed Planning Approvals



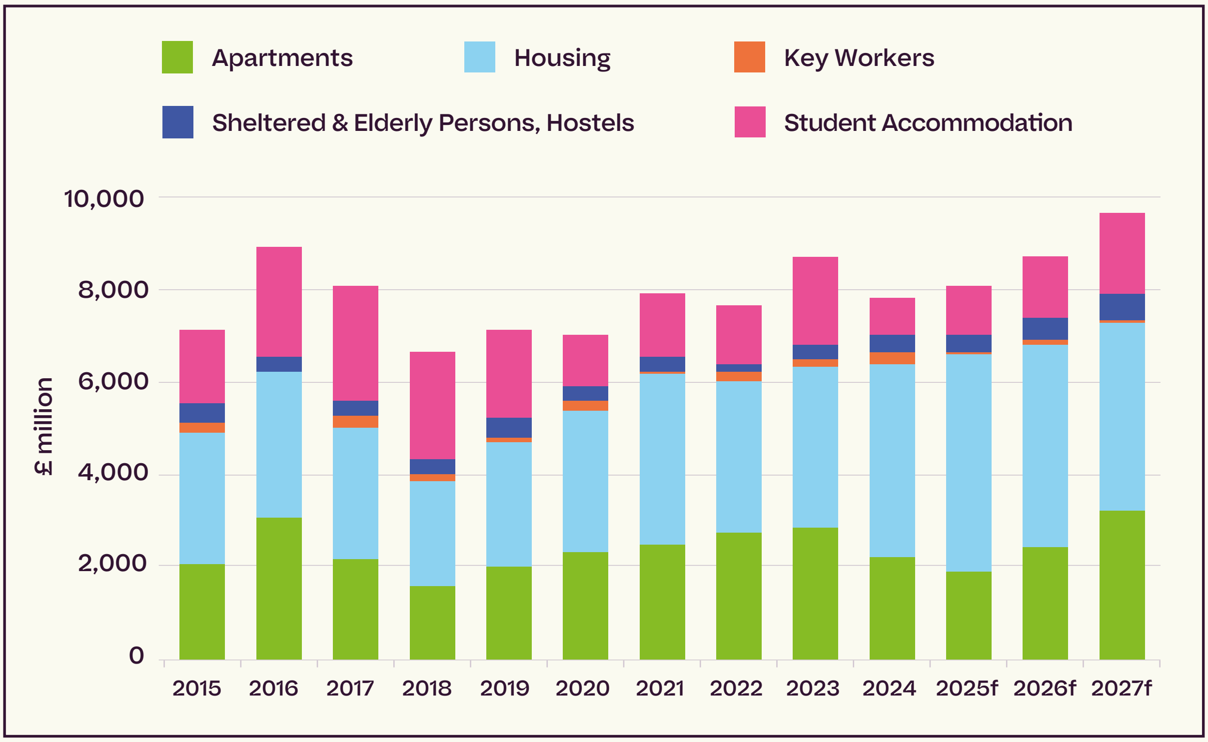
Source: Glenigan.
N.B. 2025 data is based on January to April pro rata

The Future of the Sector

Social housing construction activity is expected to pick up over the forecast period. Increasing social housing provision will be a key part of delivering the Government's housing target of 1.5 million homes. Funding allocations announced in the Budget and Spring Statement are expected to strengthen housing association starts during the second half of this year. Additional funding commitments in the Spending Review are expected to support a strengthening in the development pipeline and subsequent starts during 2026 and 2027.

Despite the additional restrictions on student visas introduced by the new government, a partial recovery in student accommodation starts is expected over the forecast period. Declining interest rates will ease cost pressures, and the demand for purpose-built student accommodation is likely to continue growing as buy to let investors exit the student rental market.

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



Source: Glenigan. f = forecast

Industrial

+4%
2025

+7%
2026

+9%
2027

- Pick-up in industrial starts in 2025 after a period of stability in 2024
- Improved economic and business conditions to lift sector activity over the next three years
- Light manufacturing and warehousing projects expected to drive growth over the forecast period

The industrial sector is set to return to growth, after the recent period of consolidation. As investor confidence rises alongside improved economic conditions, we expect to see revived demand for logistics spaces.

Industrial Starts

	2024	2025f	2026f	2027f
£ million	5,238	5,424	5,813	6,337
Growth	**0%**	**4%**	**7%**	**9%**

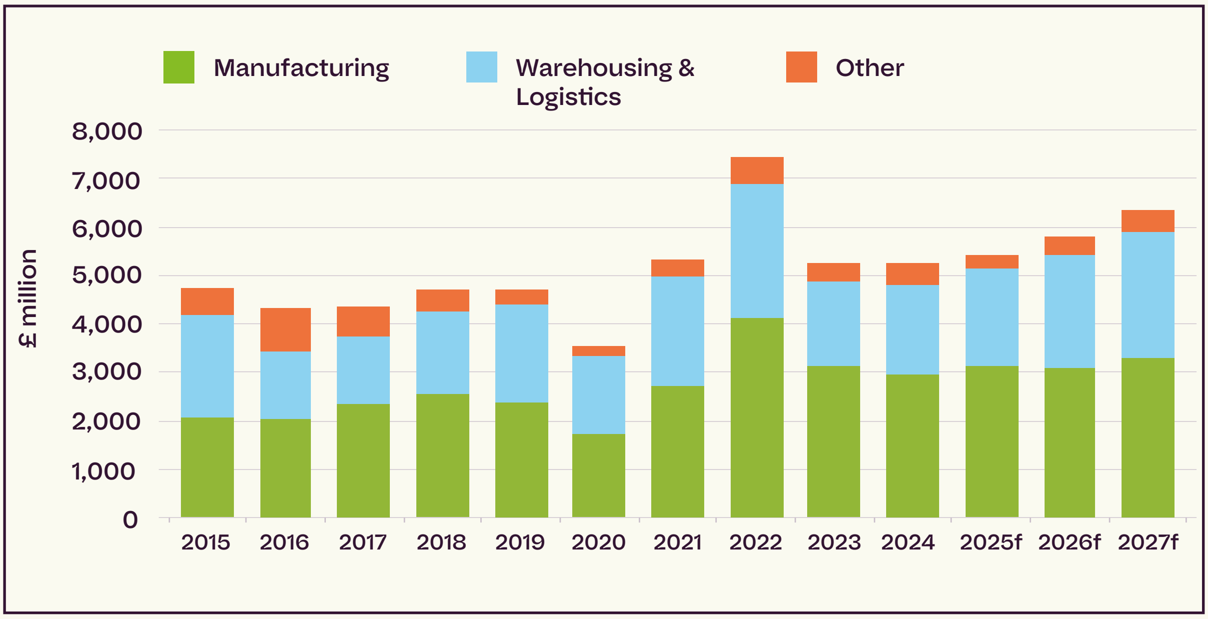
Source: Glenigan. f = forecast

State of the Sector

Sector activity was stable in 2024, and the outlook for 2025 appears more optimistic. A combination of resilient demand for industrial spaces, recovering consumer confidence and an inflow of overseas investment is forecast to lift new project-starts in the sector. The demand for logistics space, driven by ongoing growth in online sales and the need for modern and efficient distribution centres is set to drive an increase in starts this year.

The industrial and logistics sector is also expected to benefit over the forecast period 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 6: Value of Underlying Industrial Project-Starts (under £100 million) by Year



Source: Glenigan. f = forecast

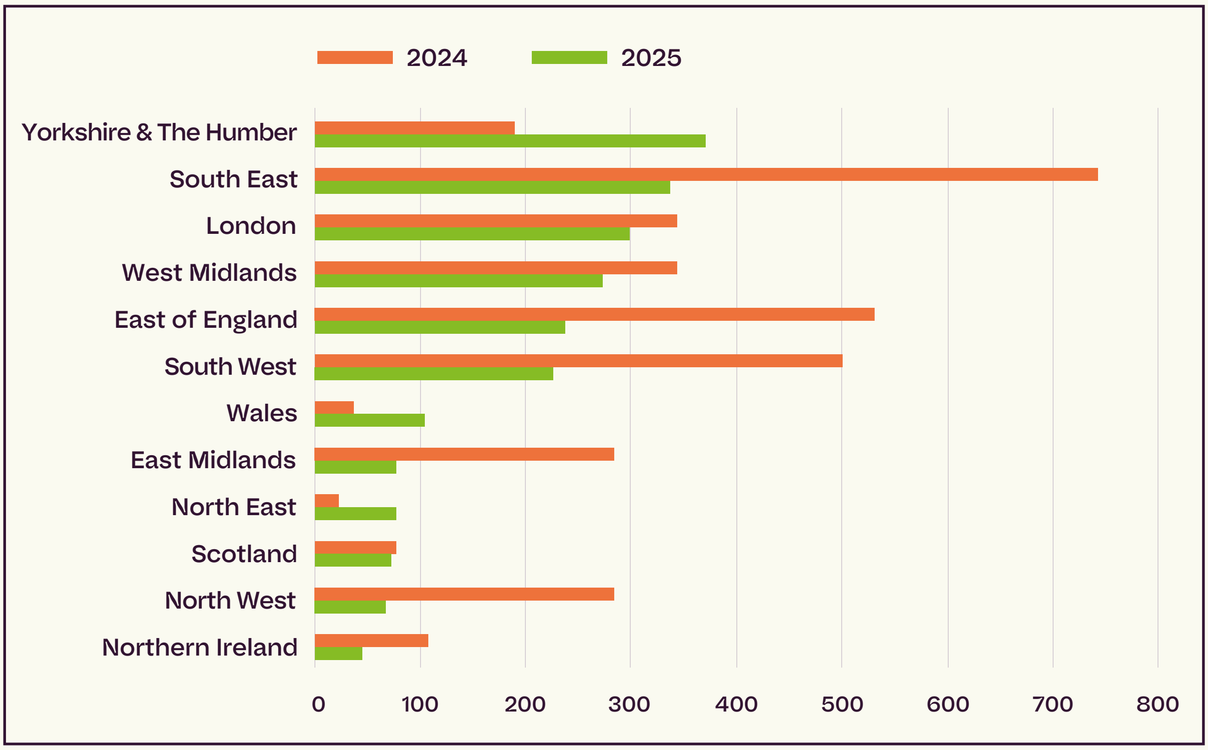
The Future of the Sector

The momentum built in 2025 is forecast to continue into 2026 and 2027, driven by improving economic conditions and sustained demand for industrial and logistics facilities.

Overall growth will be primarily driven by light manufacturing and warehousing projects. The share of online purchases in the retail market remains above pre-pandemic levels and is expected to continue rising over the forecast period. Higher consumer spending is set to boost demand for logistics and light industrial space from online retailers and third-party carriers.

Despite a slowdown in the development pipeline this year, developers and investors can advance a significant number of previously approved projects in the near term. Meanwhile, the new NPPF guidance is expected to help expedite approvals for new sites in response to growing demand for industrial floorspace.

Chart 7: Value of Underlying Industrial Project Approvals (under £100 million) in 2024 and 2025 Pro-Rata



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

Offices

+14%	+23%	+7%
2025	2026	2027

- Progressive rise in office sector activity over the next three years
- Advances in AI may boost demand for data centres
- Hybrid working remains popular, but office-based employment is expected to grow

The office sector is expected to recover after a persistent decline caused by challenging economic conditions. Forecast to grow by 14% in 2025, improved economic conditions are expected to support further growth in the medium and long term.

Office Starts

	2024	2025f	2026f	2027f
£ million	3,941	4,503	5,539	5,949
Growth	**-16%**	**14%**	**23%**	**7%**

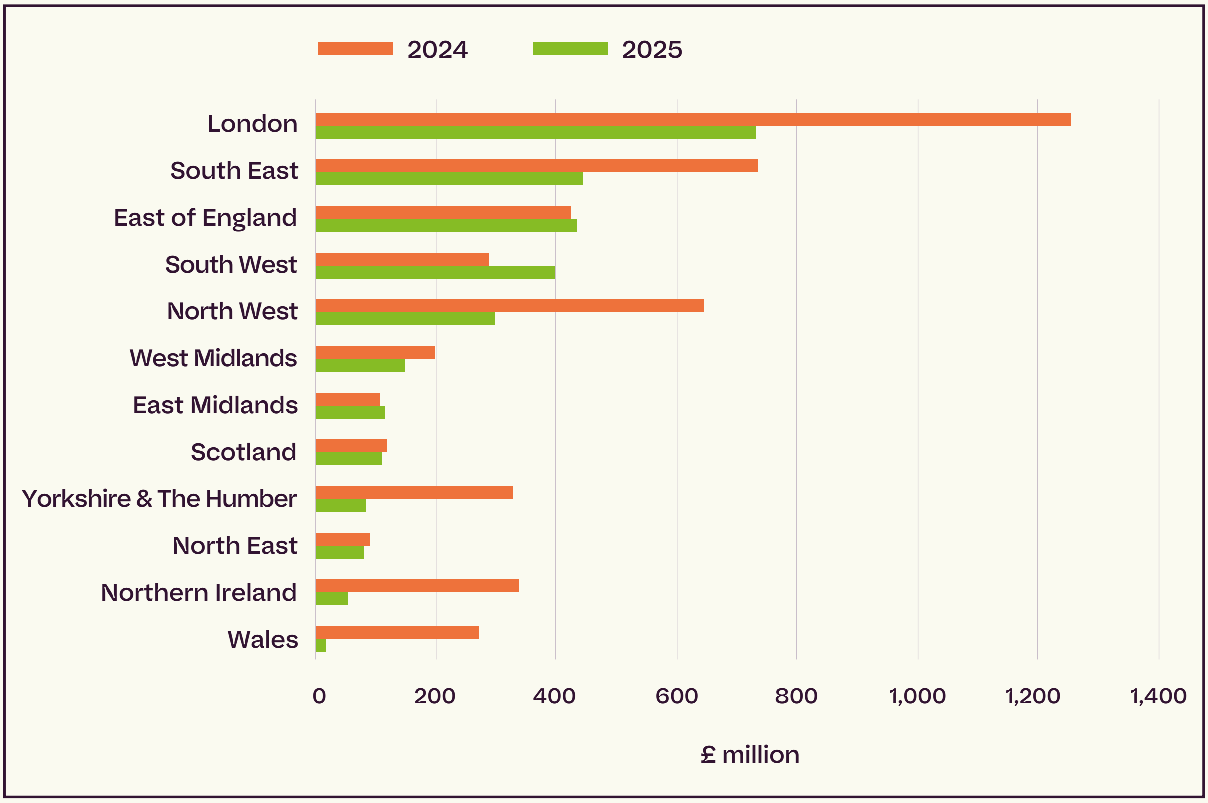
Source: Glenigan. f = forecast

State of the Sector

Office starts faced headwinds last year, declining 16% and extending the slowdown in 2023. Both the financial and professional services sectors have shed labour over the last year, curbing the demand for office spaces. Knight Frank report that, at 9.1%, a high proportion of central London office space remains vacant.

While the development pipeline weakened during the first four months of 2025, with detailed planning approvals down by 33% compared to a year earlier, project starts have improved. The value of projects starting on site increased by 20% over the same period. This divergence indicates improved investor sentiment, with clients progressing previously approved projects that were deferred over the last two years.

Chart 8: Value of Underlying Office Project Approvals (under £100 million) in 2024 and 2025 Pro-Rata



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

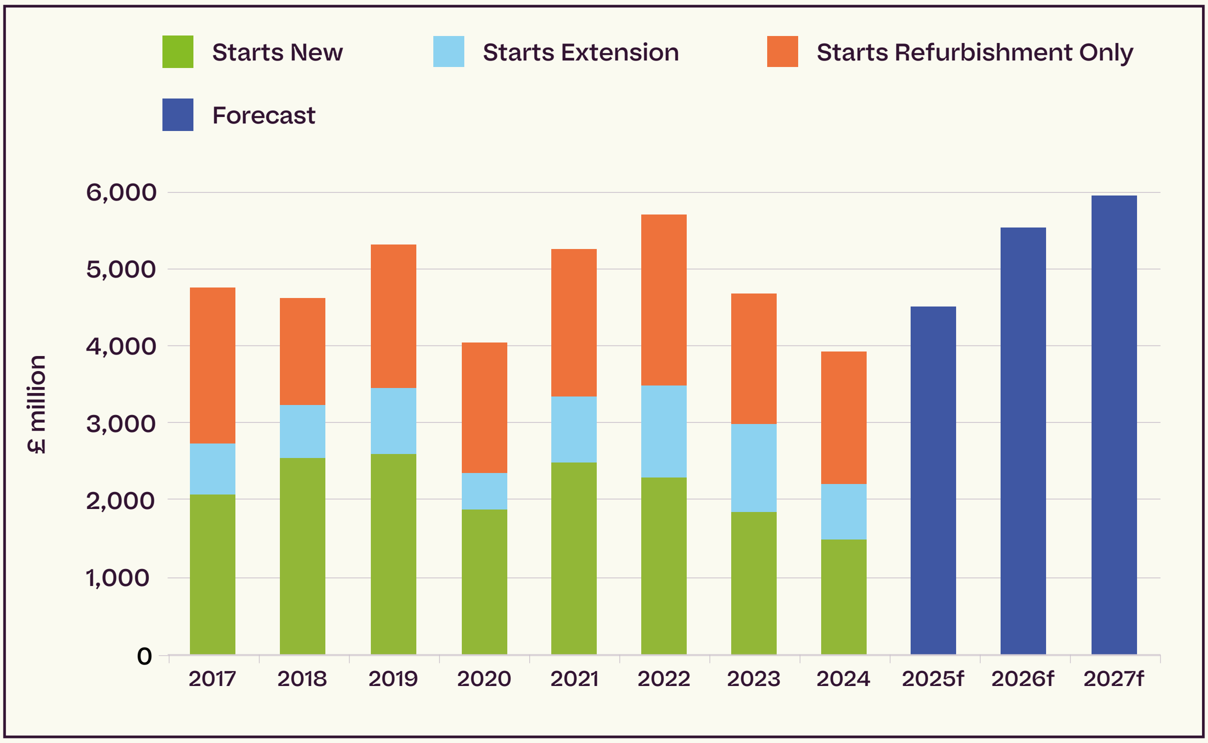
The Future of the Sector

Hybrid working trends are projected to drive sector growth in 2025 and 2026, with new builds and refurbishments in demand. Office lettings were also reported to have increased in the first quarter of 2025 and office-based employment is projected to grow slightly over the next five years, pointing to a potential increase in demand for new office spaces.

Although detailed planning approvals have slowed down, there is a healthy pipeline of approved projects ready for construction. We forecast the sector to grow 14% this year. Further firm growth is expected for 2026 and 2027. Premium offices have outperformed the market sector over the last three years. Growing demand for premium office space with a good environmental performance together with regulatory changes are forecast to generate retrofit and new build opportunities over the forecast period. Sector growth is expected to accelerate in 2026 before easing in the longer term.

In October, Technology Secretary Peter Kyle announced a £6.3 billion investment in data infrastructure. As AI continues to advance rapidly, demand for data centres is expected to grow, further boosting overall sector activity.

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



Source: Glenigan. f = forecast

Retail

-7%	+17%	+9%
2025	2026	2027

- Pressure on retailers' margins is expected to dampen activity in the retail sector in 2025
- Rising consumer spending lifts investment in 2026 and 2027
- Growth expected to be led by shops and supermarkets

The retail sector is projected to see a decline in project starts this year. However, the sector is expected to return to growth in 2026 and 2027, as rising consumer spending lifts retailers' confidence. Supermarkets and shops are likely to play a key role in this expansion.

Retail Starts

	2024	2025f	2026f	2027f
£ million	1,834	1,702	1,994	2,169
Growth	7%	-7%	17%	9%

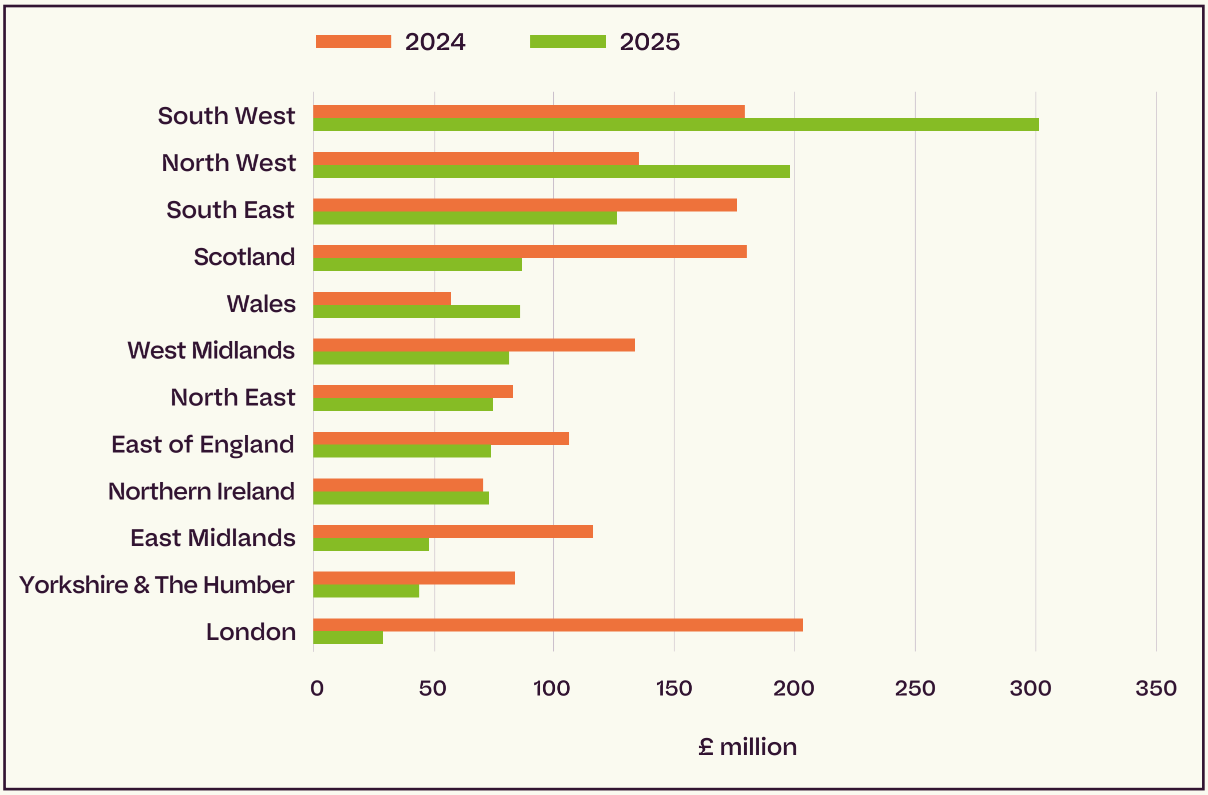
Source: Glenigan. f = forecast

State of the Sector

The retail sector partially recovered in 2024, as a modest rise in consumer spending helped ease some of the pressures on UK retailers. Lidl also increased its store opening programme, having redirected investment towards strengthening its distribution network during the previous year. Sector starts grew 7% last year after a 13% decline in 2023.

Unfortunately, activity in the retail sector has slowed sharply during the first four months of 2025. Retailers are facing increased cost pressures from minimum wage increases and higher National Insurance contributions. The development pipeline has also weakened.

Chart 10: Value of Underlying Retail Project Approvals (under £100 million) in 2024 and 2025 Pro-Rata



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

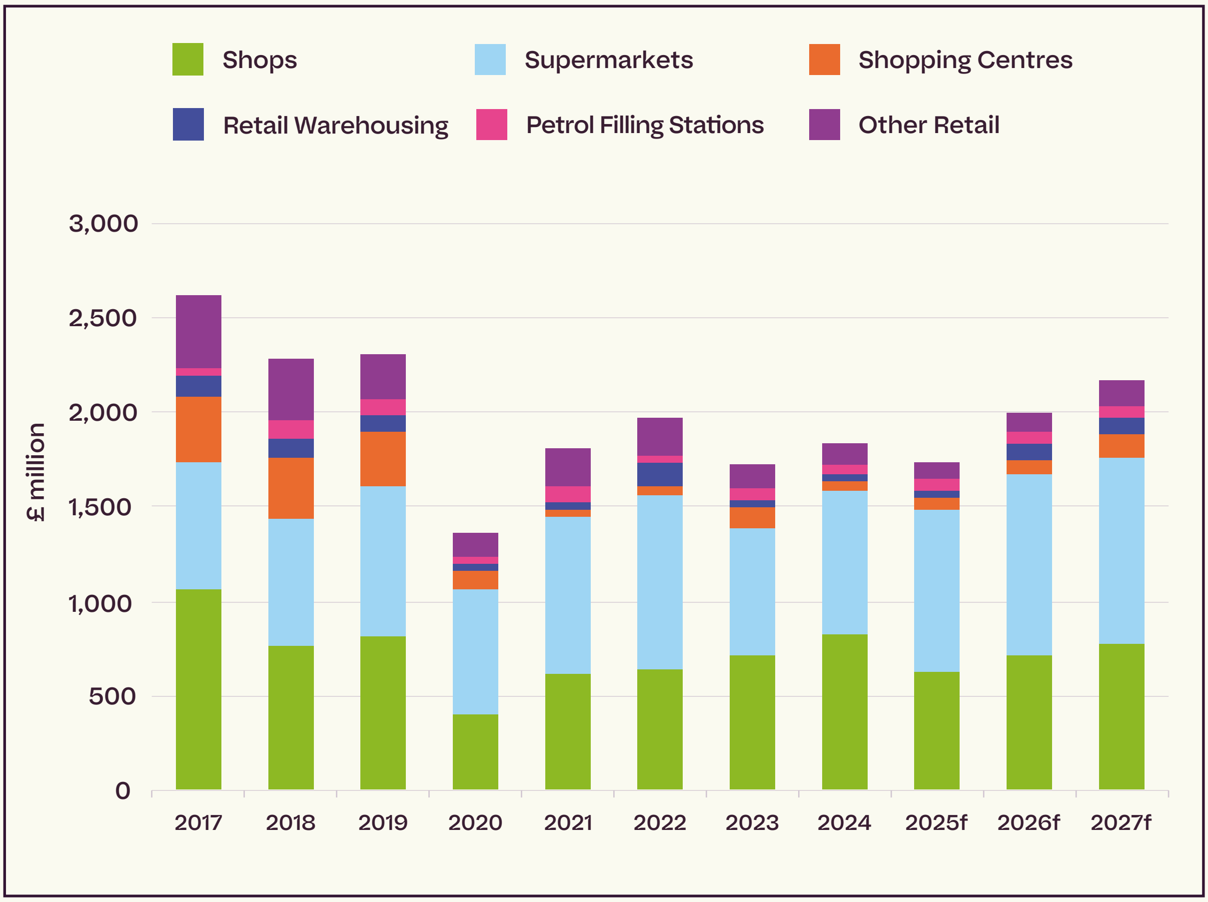
The Future of the Sector

The decline is expected to continue throughout this year, with retail starts forecast to contract 7%. Detailed planning approvals are also projected to decrease. However, we expect the sector to recover in the medium term, with supermarkets and shops leading the growth.

Last year's Budget provided temporary relief for small businesses, with a long-term reform to lower business rates for high street retail, hospitality, and leisure properties starting in 2026-27. This support is expected to stimulate investment in retail space in the longer run. Lower interest rates will also help businesses obtain financing more easily.

Competition within the grocery market also appears to be intensifying in response to Aldi and Lidl's development programmes. Several retailers, including Morrisons, Tesco, Waitrose, and the Co-op, plan to open new stores in the coming years.

Chart 11: Value of Underlying Retail Project-Starts (under £100 million) by Segment



Source: Glenigan. f = forecast

Hotel & Leisure

0%	+9%	+3%
2025	2026	2027

- Project starts will remain unchanged this year
- Higher labour costs squeezing hospitality industry margins and deterring investment
- Increased tourism to help drive growth in hotel & leisure project starts in 2026 and 2027

Hotel & leisure project starts are forecast to plateau this year after strong growth in 2024. However, renewed growth is expected over the next two years, driven by robust consumer discretionary spending and increased tourism, which are encouraging greater investment.

Hotel & Leisure Starts

	2024	2025f	2026f	2027f
£ million	3,468	3,466	3,780	3,890
Growth	**28%**	**0%**	**9%**	**3%**

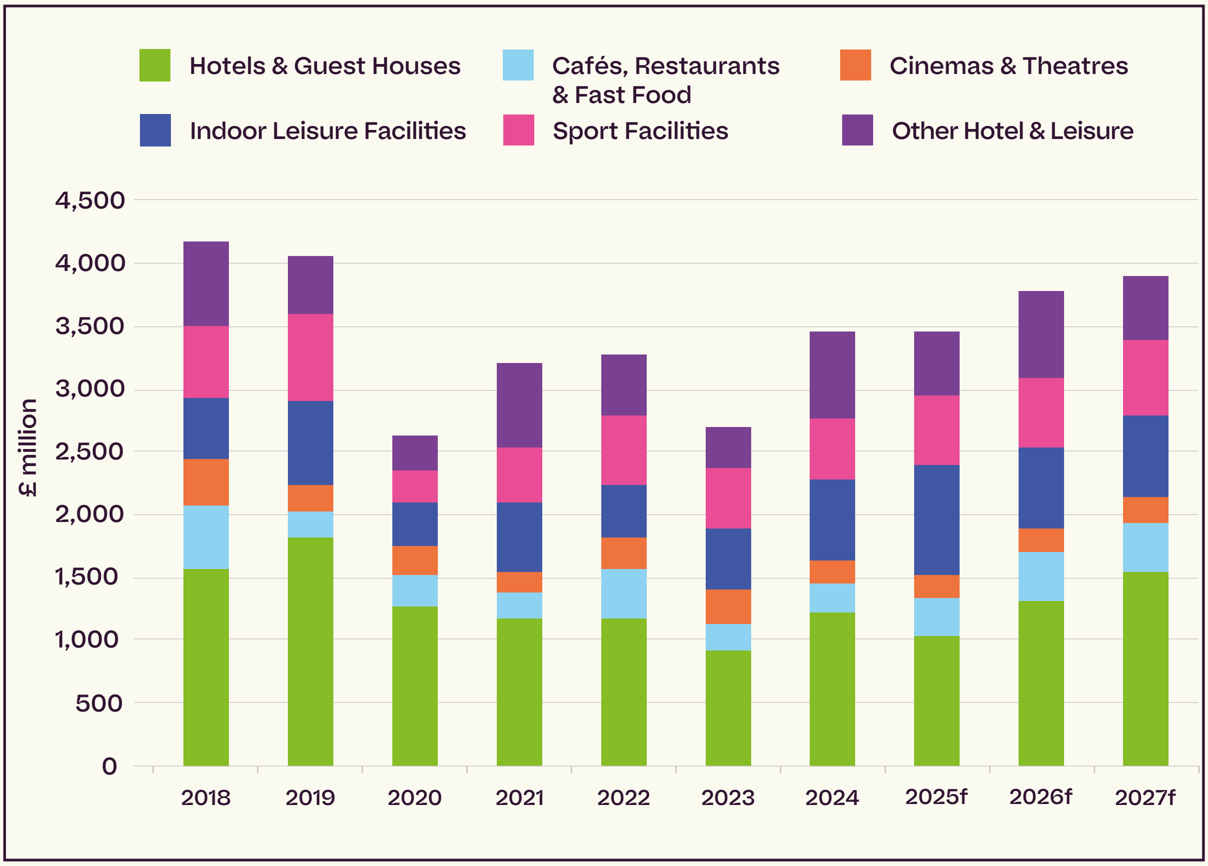
Source: Glenigan. f = forecast

State of the Sector

Activity in the hotel and leisure sector strengthened last year. Project starts grew 28%, in sharp contrast from the 2023 decline. Spending by overseas visitors increased alongside a rise in the number of visitors to the UK, encouraging a 33% rise in hotel project starts. Improving economic conditions also boosted consumers' disposable income, encouraging increased spending.

The sector initially experienced a strong start to 2025, however there was a decline in April. The pipeline has also been weakening.

Chart 12: Value of Underlying Hotel & Leisure Project-Starts (under £100 million) by Year



Source: Glenigan. f = forecast

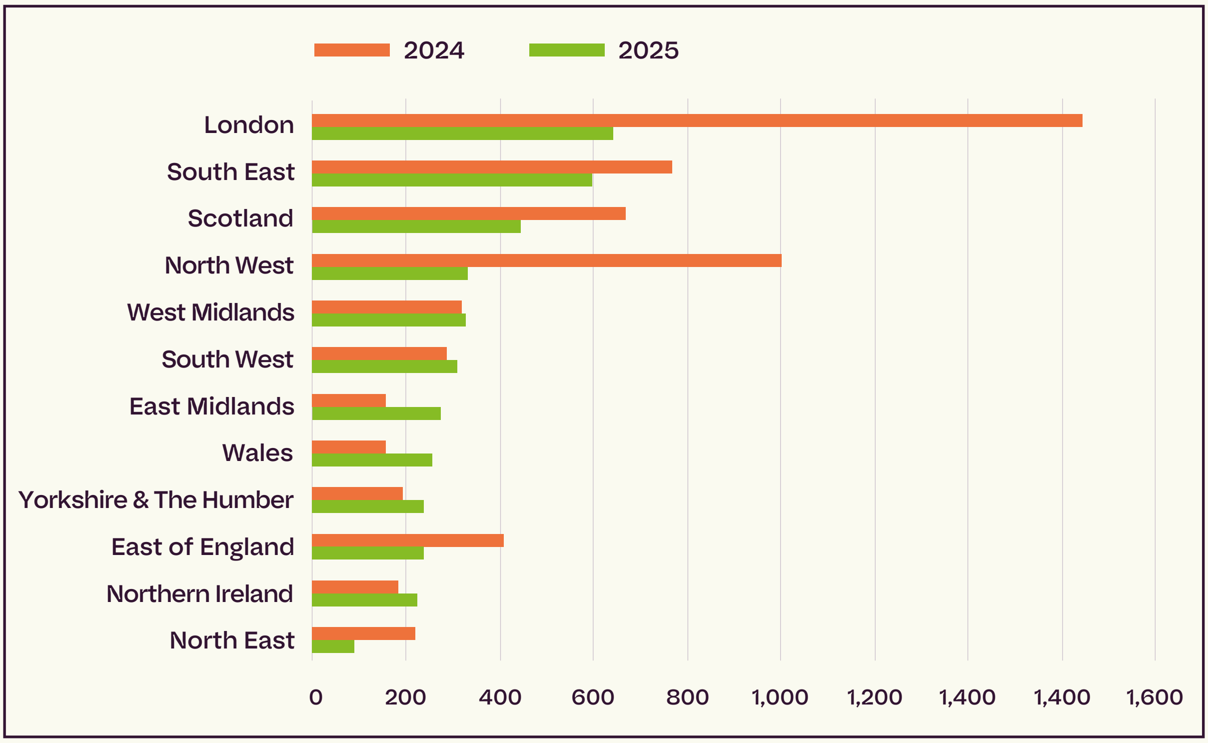
The Future of the Sector

Although VisitBritain forecasts a 5% increase in visitors and a 7% rise in nominal spending, hotel and leisure project starts are expected to remain flat in 2025. Businesses are facing cost pressures from higher minimum wages and increased employer National Insurance contributions, alongside greater geopolitical uncertainty.

However, an improvement in households' financial position is set to help the hospitality sector through higher consumer discretionary spending. Along with the expected rise in overseas visitors, this is expected to support a gradual strengthening of investor confidence and increased investment in the sector during 2026 and 2027.

The introduction of permanently lower business rates multipliers for high-street retail, hospitality, and leisure (RHL) properties in 2026-27 is likely to stimulate growth in hotel & leisure construction. This measure will reduce long-term operational costs, making investments in new developments, expansions, or upgrades more financially viable for businesses. Interest rates are also expected to ease further, which will make financing more accessible.

Chart 13: Value of Underlying Hotel & Leisure Project Approvals (under £100 million) in 2024 and 2025 Pro-Rata



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

Education

-18%	+4%	+4%
2025	2026	2027

- Schools construction starts continue to dominate the education sector
- Increased funding in Spending Review lifts sector activity from 2026
- Cash-strapped universities curb investment in higher education facilities

Education starts are forecast to decline by 18% in 2025, following a 10% rise in 2024. While additional funding provided in last autumn's Budget for the school rebuilding programme in 2025/26 will help stabilise school project starts, activity in other parts of the sector is expected to contract sharply this year. Modest growth of 4% is anticipated in 2026 and 2027, as further funding through the Spending Review supports increases in school building and further education projects.

Education Starts

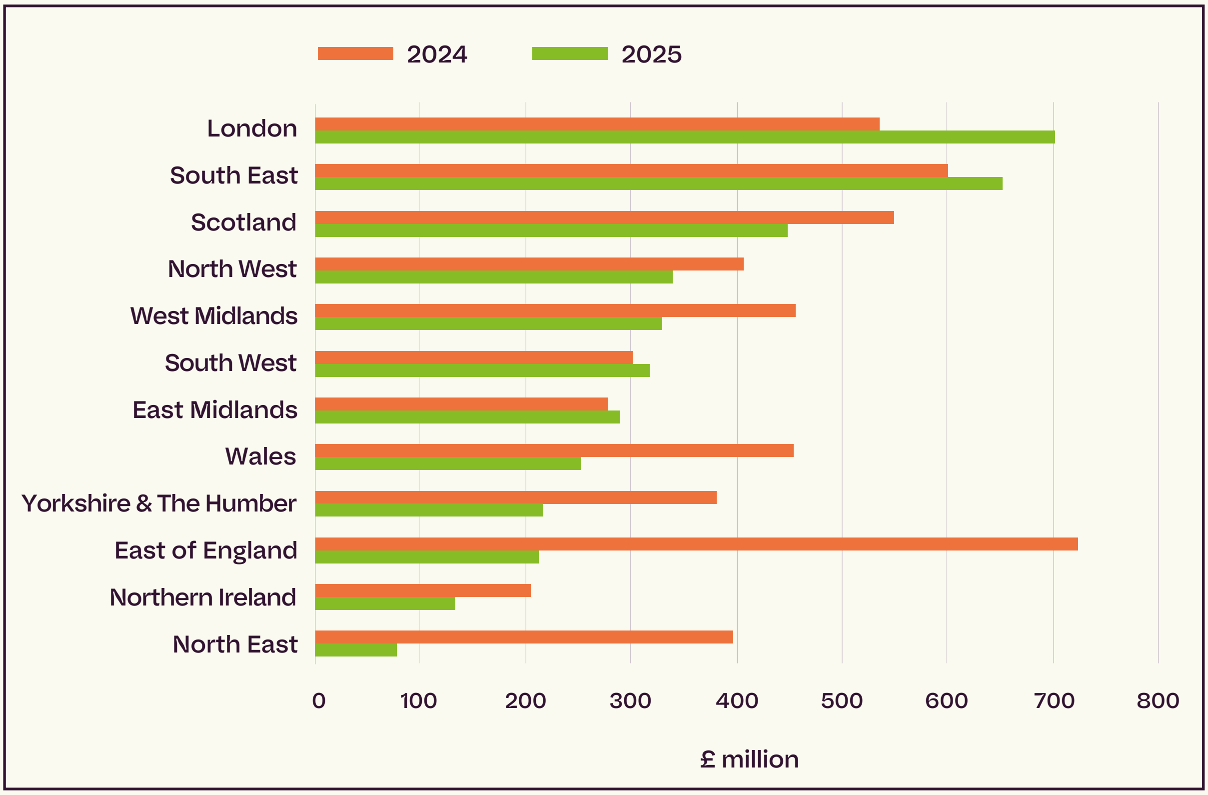
	2024	2025f	2026f	2027f
£ million	6,432	5,252	5,440	5,639
Growth	**10%**	**-18%**	**4%**	**4%**

Source: Glenigan. f = forecast

State of the Sector

School building projects account for around three-quarters of sector activity and are forecast to slip back 2% in 2025. Funding provided through the Government's £1.5 billion school rebuilding programme is expected to help keep school building projects at current activity levels, following two years of strong growth. More funding has also been allocated to address RAAC issues in school buildings. RAAC has been confirmed in 234 schools across England, with over 100 needing major refurbishment or rebuilding and the remaining requiring minor repairs.

Chart 14: Value of Underlying Education Project Approvals (under £100 million) in 2024 and 2025 Pro-Rata



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

The Future of the Sector

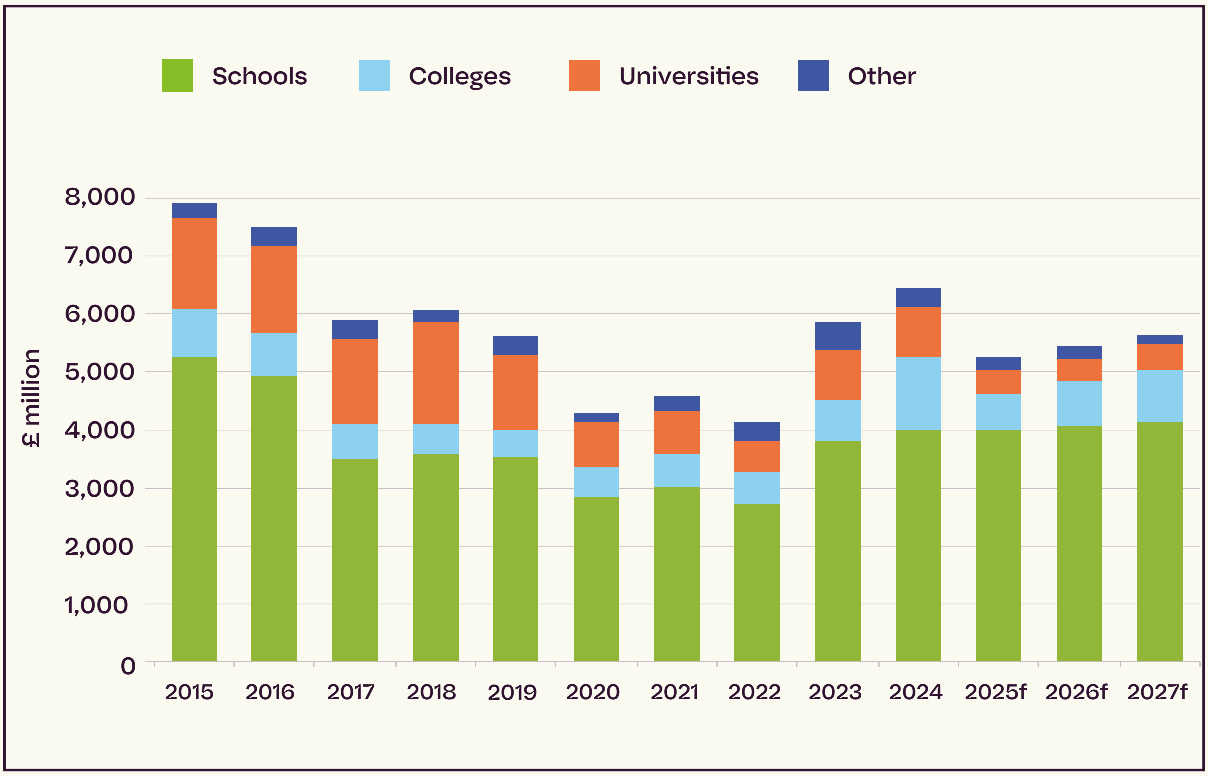
The education sector is set to return to growth in 2026 and 2027 after an expected 18% decline in this year.

The value of project starts declined sharply during the first four months of 2025. While government capital funding is expected to largely sustain school building works this year, university investment in higher education facilities is forecast to fall significantly in 2025.

Increased government capital funding, rising to £6.7 billion for 2025-26, and greater clarity from the Spending Review are expected to unlock a new wave of education activity later in the forecast period, driven by major projects such as school rebuilding.

In contrast, the university sector faces ongoing challenges. After a brief spike in 2024, university project starts are forecast to decline sharply in 2025 and remain subdued through the forecast period. Tuition fees for UK students, frozen since 2017, have been increased by only 3.1% for 2025/26. Additionally, tighter visa restrictions have reduced enrolments of higher fee-paying overseas students, creating financial strain that limits universities' ability to fund new projects. Research by PwC for Universities UK says that a significant proportion of universities are vulnerable to these pressures. With no apparent increase in higher education funding, university construction is expected to remain under pressure.

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



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

Health

-7%	+3%	+8%
2025	2026	2027

- Increased funding is set to drive an increase in healthcare starts in the latter stages of the forecast period
- Decline in 2025 as projects are delayed on site
- Sector set to return to growth in 2026/27 supported by major schemes such as the New Hospital Programme

Health project-starts recovered last year following the disruption to programmes during 2023. The Chancellor unveiled increased capital funding for the NHS during 2025/26. Whilst non-construction areas such as technology and diagnostic scanners are priority areas, funding will also be directed at tackling RAAC and the repair backlog on the existing estate. The Spending Review and the Government's 10-year NHS plan have outlined longer-term spending commitments, with increased capital funding expected to support renewed growth in 2026 and 2027.

Health Starts

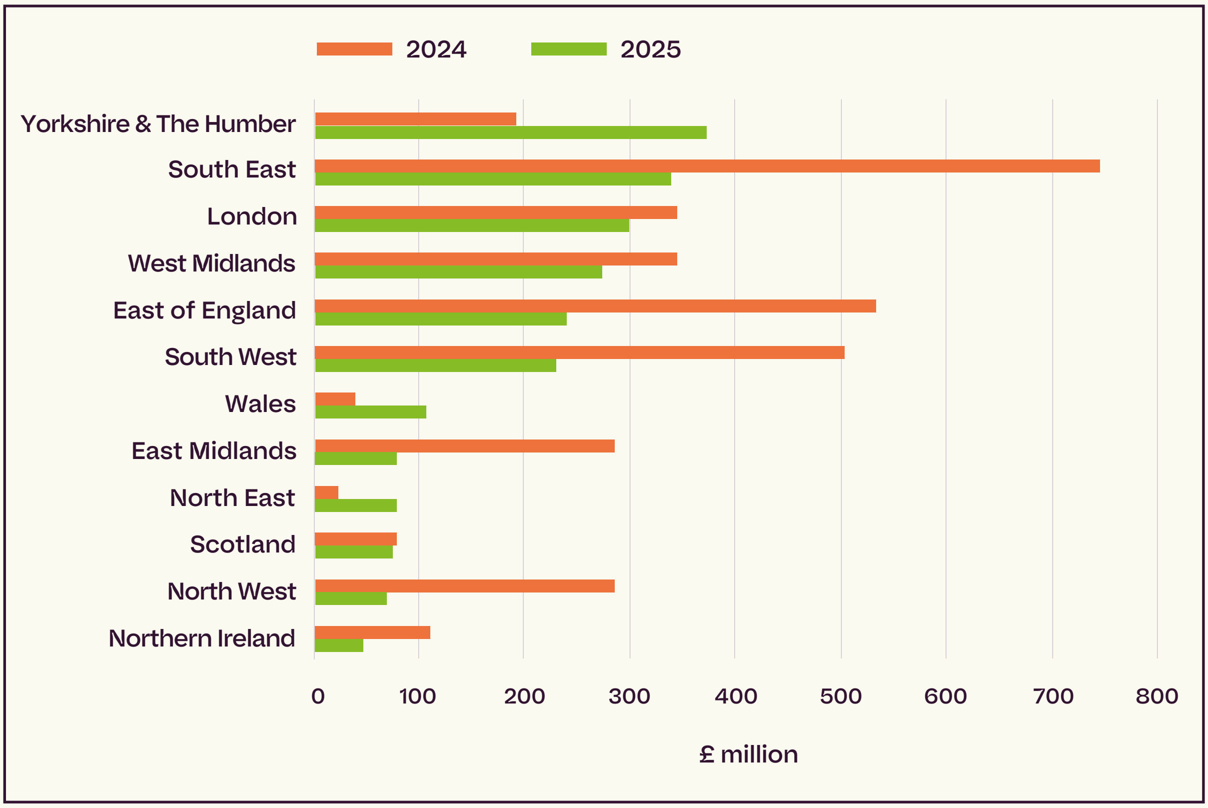
	2024	2025f	2026f	2027f
£ million	3,955	3,666	3,794	4,116
Growth	20%	-7%	3%	8%

Source: Glenigan. f = forecast

State of the Sector

Project starts in the health sector are expected to decline by 7% this year. While project starts rose 20% last year, the development pipeline contracted as the value of detailed planning approvals dropped by 18%. The progress of projects in the development pipeline was disrupted by the General Election and the new administration's review of existing programmes as it shapes its long-term strategy for the NHS. The need to recalculate costs for major projects such as the New Hospital Programme has also led to a slowdown in sector activity in 2025.

Chart 16: Value of Underlying Health Approvals (under £100 million) by Year and Region



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

The Future of the Sector

This disruption is now being reflected in project starts, which were down by 24% during the first four months of 2025 compared to the same period last year. However, the additional capital funding announced by the Chancellor in the Budget, raising NHS capital spending to £13.6 billion for 2025/26, is expected to boost sector activity in the second half of the year. This should partially offset the weak start and provide a solid foundation for growth later in the forecast period.

The Spending Review and the Government's 10-year NHS plan have set out longer-term funding commitments from 2026/27 onwards. Increased capital investment is expected to support renewed growth in 2026 and 2027.

Civil Engineering

+4%	+12%	+2%
2025	2026	2027

- Government to accelerate delivery of infrastructure projects
- Major projects such as HS2 set to support overall sector work
- Development pipeline boosted by major projects such as the Lower Thames crossing

Underlying civil engineering starts (under £100 million) are set to continue the positive trend experienced in 2024, increasing 4% in 2025. Growth is set to continue in 2026 and 2027. A sustained rise in infrastructure projects is anticipated as the Spending Review provides increased investment for the roads and rail networks from 2026/27. Utilities work is also expected to grow strongly, with increased investment in electricity generation and distribution to support the transition to net zero, and as the water industry steps up capital expenditure.

Civil Engineering Starts

	2024	2025f	2026f	2027f
£ million	8,503	8,883	9,991	10,232
Growth	**22%**	**4%**	**12%**	**2%**

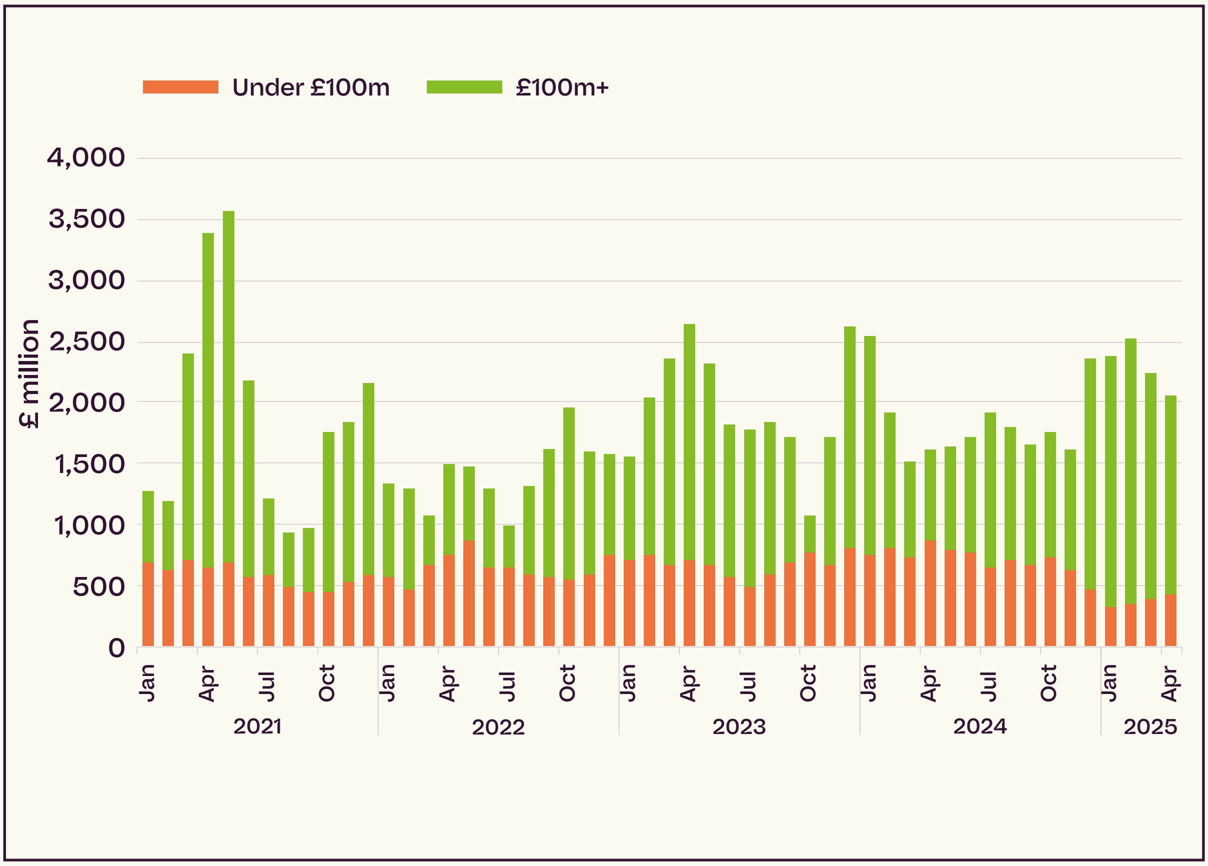
Source: Glenigan. f = forecast

State of the Sector

While various major infrastructure projects are experiencing delays or cancellations, underlying civil engineering project-starts are expected to increase in 2025, building on a strong performance in 2024. Underlying civil engineering starts are expected to rise by 4% in 2025, this momentum is underpinned by increased government funding for smaller projects in the sector.

Ongoing work on large projects such as HS2 and Hinkley Point have helped sustain overall sector activity and continue to support sector activity during the forecast period. The approval of the £10.2 billion Lower Thames Crossing will also provide a boost to sector activity with on-site work gathering momentum during the second half of the forecast period.

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



Source: Glenigan.   f = forecast

The Future of the Sector

Civil engineering project starts are expected to grow steadily over the next three years, with utility-related work leading the way. The utilities sector is set to benefit from a rise in major project starts alongside broader strengthening in activity. The water industry, in particular, has secured a substantial increase in water charges to support a near doubling of investment programmes. Water companies are expected to invest an unprecedented £20 billion between April 2025 and March 2026—the highest annual spend the sector has ever seen. This marks the start of a five-year, £104 billion capital programme running from 2025 to 2030. The funding will support major upgrades, including new reservoirs, improved wastewater treatment, and targeted efforts to reduce pollution and improve river health across England and Wales.

Energy investment is set to grow, with a focus on renewable energy and grid enhancements to support net zero goals, with the sector set to see significant funding focused on accelerating the transition to clean energy. The Government has announced an initial £300 million investment through Great British Energy to support the development of offshore wind supply chains, with the goal of mobilising billions more in private sector funding. This public investment is part of a broader package, as £43 billion in private investment has already been pledged for clean energy projects since July 2024.

A sustained rise in infrastructure projects is expected over the next three years. The Budget increased near-term funding for smaller-scale schemes, with councils in England and Wales receiving £1.6 billion in central government support for road repairs and pothole filling in 2025/26, a near 50% increase on the previous year. The Spending Review has also set out a long-term investment framework for road and rail networks, which is expected to drive further growth in infrastructure starts in 2026 and 2027.

CIS
Powered by Hubexo

Republic of Ireland

CIS is the leading provider of business intelligence to the Northern Ireland and Republic of Ireland construction industry and was acquired by Glenigan in 2021.

ROI Contents

Economic Context

In May 2025, the European Commission released their latest macroeconomic forecast for Ireland showing Ireland in a strong position, predicting moderate growth amid global economic uncertainty.

Indicators

	2024	2025f	2026f
GDP growth (%, yoy)	1.2	3.4	2.5
Inflation (%, yoy)	1.3	1.6	1.4
Unemployment (%)	4.3	4.3	4.4
General government balance (% of GDP)	4.3	0.7	0.1
Gross public debt (% of GDP)	40.9	38.6	38.2
Current account balance (% of GDP)	17.0	12.6	11.6

Source: European Commission

In 2024 GDP rose by 1.2% driven by a rebound in exports. GDP growth is expected to accelerate in 2025 to 3.4% fuelled in the early part of the year by multinational exports ahead of potential tariffs. Modified domestic demand, which better reflects domestic economic activity in Ireland, grew by 2.7% in 2024.

Exports rebounded strongly in 2024 and look to remain strong in 2025 although uncertainty exists around tariffs. Easing inflation and a strong labour market underpin strong private consumption although increased uncertainty will likely temper the rate of growth.

The unemployment rate has remained low and there is continuing evidence of a strong Irish labour market with the latest results for Q1.

Inflation remained low in early 2025 averaging out at 1.6%. The slight rise in rates is due to a slower decline in energy price rises and higher services inflation. However, lower prices for industrial goods and decreases in commodity prices are expected to mitigate these changes with an expected fall of inflation to 1.4% in 2026.

"Today's results highlight the continued strength of the Irish labour market, with around 90,000 jobs added in the year to Q1 2025. On a seasonally adjusted basis, we now have over 2.8 million people employed in our country, while the unemployment rate stood at 4.0 per cent in the first quarter."

Source: Monthly Unemployment Release, Department of Enterprise Trade and Employment 19 May 2025

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 YoY growth for 2025 and 2026
- Capital spending allocations focusing on the housing crisis and infrastructure deficit
- A €14 billion windfall tax
- Growth in domestic demand, steady inflation and employment

Executive Summary

Despite global economic and political uncertainty, Ireland's construction market is expected to continue to grow in 2025. The well documented housing crisis in Ireland has meant that residential construction has dominated the sector. A huge upturn in housing starts in 2024 driven by the Government's development levy waiver has inevitably led to a dampening of new residential starts in 2025. The Government has targeted delivery of 50,000 homes per annum to 2040 and whilst we expect housing completions to rise this year, they are unlikely to meet that target.

As Ireland seeks to address its infrastructure deficiencies which are impacting international competitiveness, Budget 2025 allocated a significant capital for infrastructure, boosted by a €14 billion windfall tax. The infrastructural deficiencies are impacting housing construction, and government curbs on electricity grid access are deterring Foreign Direct Investment.

Return to office policies are driving demand for Grade A office space and we see activity returning to this sector as it settles to the new certainties of hybrid working.

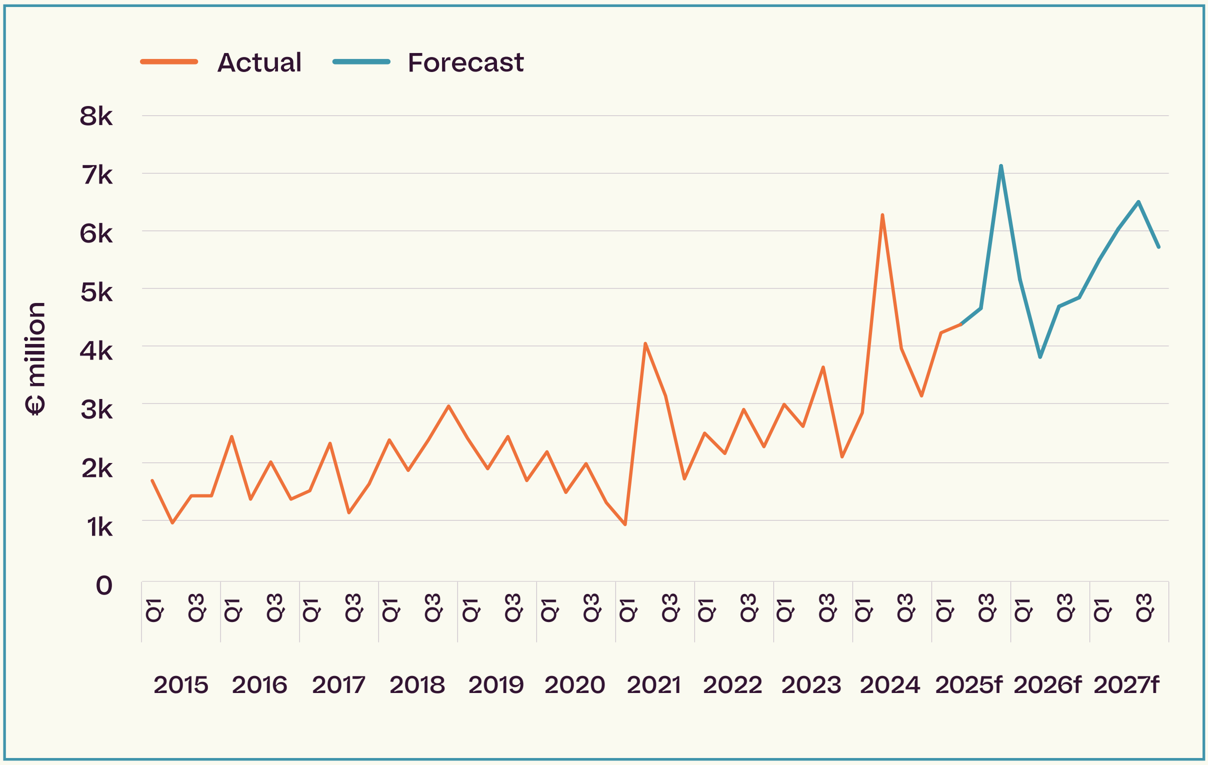
Strong consumer sentiment and favourable underlying economic conditions indicate growth in domestic demand should continue although subject to external global factors.

CSO has reported a continuing downward trend in visitor numbers in the hospitality sector. However, this is disputed by the Irish Hotels Federation, which argues that on-the-ground data does not support the CSO's findings.

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. Capital expenditure priorities include expanding the capacity of early childcare provision with investment in new school facilities. In further education funds have been allocated to modernise Further Education and Training Campuses and expand Higher Education facilities including Technological Universities, Student Accommodation and research and innovation infrastructure.

Ireland's population is growing with a significant increase in the over 65's leading to increased demand for healthcare services. To that end, Budget 2025 has unveiled a record €25.8 billion allocation to the health sector.

Executive Summary: Value of Underlying Project-Starts



Source: CIS Insights. f = forecast.

Table 1: Value of Underlying Project-Starts by Sector

€ million	2024	2025f	2026f	2027f
Housing	11,595	14,392	12,198	16,514
Industrial	1,479	1,389	1,452	1,487
Offices	140	187	190	233
Retail	173	176	199	209
Hospitality	390	258	268	225
Education	282	356	425	411
Health	385	517	396	429
Civil and Utilities	1,467	1,858	2,281	2,799
Sport and Community	390	258	268	257
TOTAL	**16,301**	**19,391**	**17,677**	**22,565**

Source: CIS Insights. f = forecast

Table 2: Growth in the Value of Underlying Project-Starts by Sector

€ million	2024	2025f	2026f	2027f
Housing	89%	24%	-15%	35%
Industrial	15%	-6%	5%	2%
Offices	-68%	33%	2%	23%
Retail	33%	2%	13%	5%
Hospitality	62%	-34%	4%	-16%
Education	-33%	26%	19%	-3%
Health	25%	34%	-23%	8%
Civil and Utilities	-36%	27%	23%	23%
Sport and Community	62%	-34%	4%	-4%
TOTAL	**42%**	**19%**	**-9%**	**28%**

Source: CIS Insights. f = forecast

Housing

+24%	-15%	+35%
2025	2026	2027

- Huge surge in housing starts in 2024 due to government incentives
- 50,000 new homes needed each year to 2040
- Social housing investment up 42% in 2024

Housing Starts

	2024	2025f	2026f	2027f
€ million	11,595m	14,392m	12,198m	16,514m
Growth	**89%**	**24%**	**-15%**	**35%**

Source: CIS Insights. f = forecast

State of the Sector

The Irish housing market continues to face significant challenges. Strong economic performance and a rising population have put pressure on housing supply with ever increasing demand not being met by current supply. This has inevitably led to rising house costs and challenges to affordability with the ensuing economic and social impacts in areas such as attracting new workers and homelessness.

A sharp rise in commencements in 2024, arising from temporary waivers on water connections and levies paid to councils, should see a significant increase in the housing supply in 2025 and 2026, provided works are completed by the end of 2026.

This large surge in commencements in 2024 has led to an inevitable slowdown in commencements this year to date. In Q1 2025 only 2,840 new homes started, in sharp contrast to the previous quarter of 14,379 homes, and indeed to Q1 2024 when work on 11,944 new homes got underway.

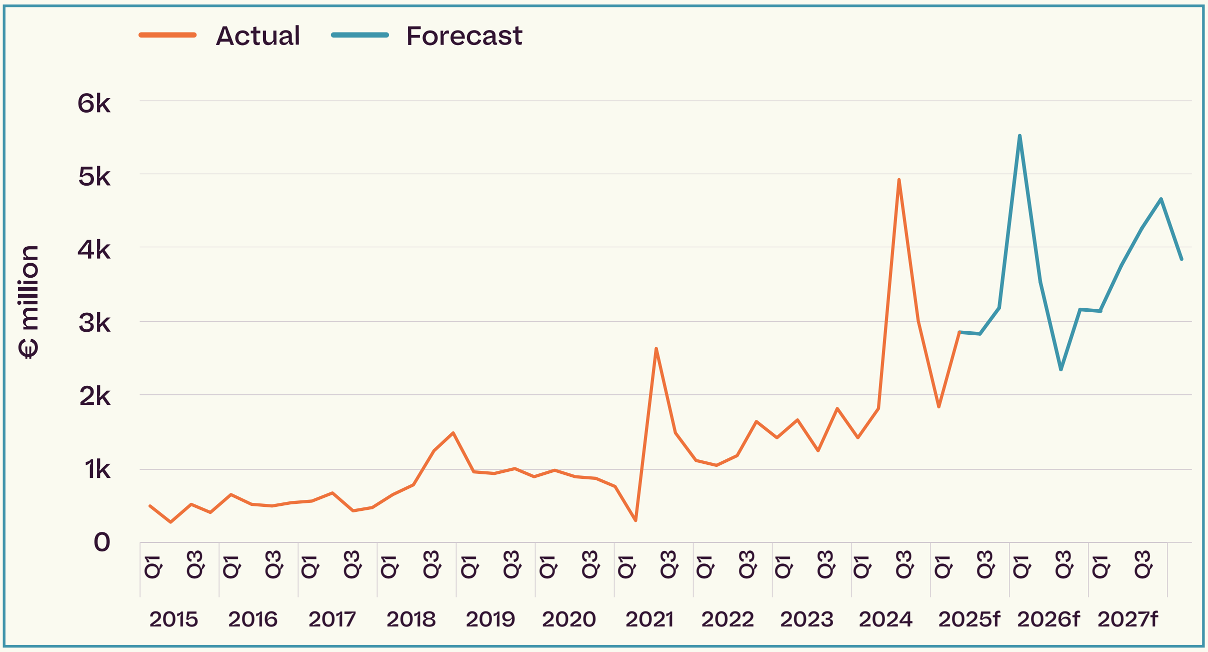
According to Davy, by the end of last year, the Republic had 230,000 fewer homes than it needed. This shortage was spread around the State. Dublin and Munster needed 60,000 dwellings each. Leinster excluding Dublin was 70,000 down, while the shortage in Connacht was 24,000. Davy predicts housing supply figures of 42,000 and 50,000 for 2025 and 2026 respectively while the revised National Planning Framework sets housing targets at 50,000 per annum to 2040. Early indications in Q1 2025 have not shown the expected surge in housing completions, with only 5,292 homes delivered, down from 9,736 in the previous quarter and down from Q1 2024 when just over 6,000 homes were delivered.

Housing Investment

Nevertheless, an increase in project starts is expected to lift unit starts this year. The first quarter saw 284 new housing projects start on site, comprising over 11,000 new homes to be delivered over the coming years. This represents a 20% increase from Q1 2024 when over 9,000 homes across 237 new housing projects got underway. In addition, two new student accommodation projects got underway in Galway and Limerick which will create 459 new student beds.

While new investment surged in 2024 by 89% on the back of the development levy waivers, those levels are unsustainable from the existing pipeline. However, high demand should see new investment continue to rise at a more modest pace in 2025 (24%), before levelling off in 2026.

Chart 1: Value of Underlying Housing Project-Starts

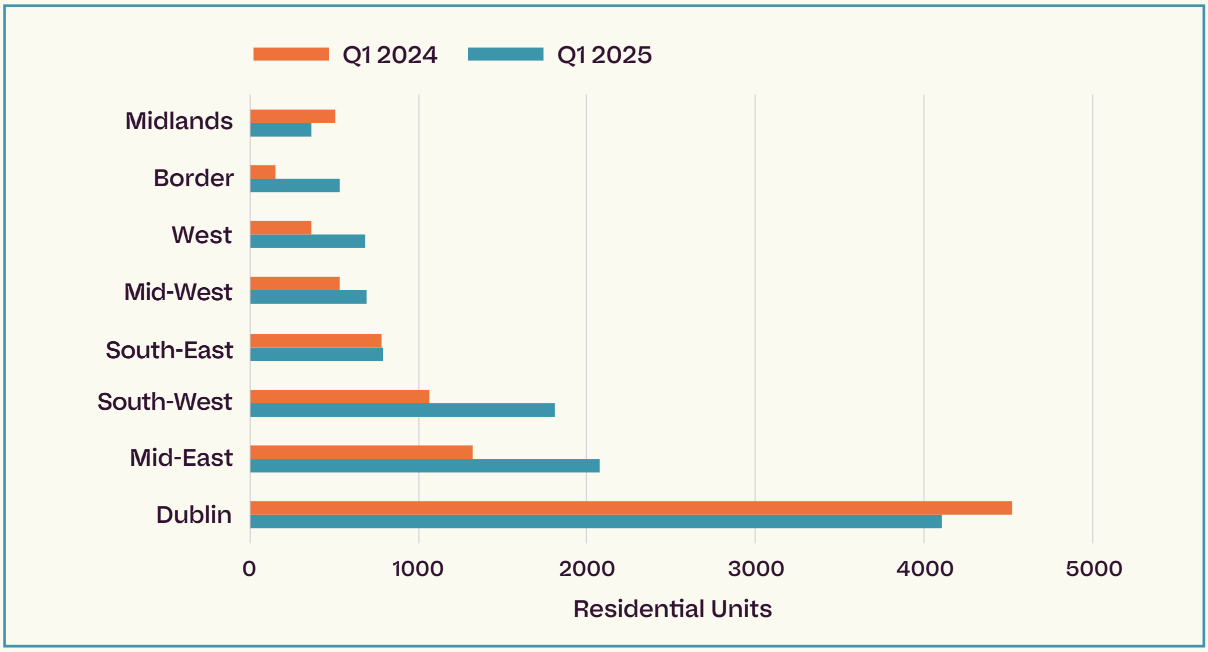


Source: CIS Insights. f = forecast.

The upswing in new project starts in the quarter saw increased activity in the regions outside of Dublin, while Dublin itself saw a 9.2% decrease in the volume of units within the new projects started.

Starting February, the largest new project to start was the €345m LRD in Montrose Dublin for Cairn Homes. The apartment development, approved after appeal, consists of 688 units. In Galway, the €140m Augustine Hill Development, a mixed-use urban regeneration project across 10 development blocks, got underway after appeal and consists of 376 apartment units. In Cork, BAM began construction on the Castlelake SHD in Carrigtwohill, a strategic housing development of 716 units.

Chart 2: New Project Starts by Residential Units Q1 2025



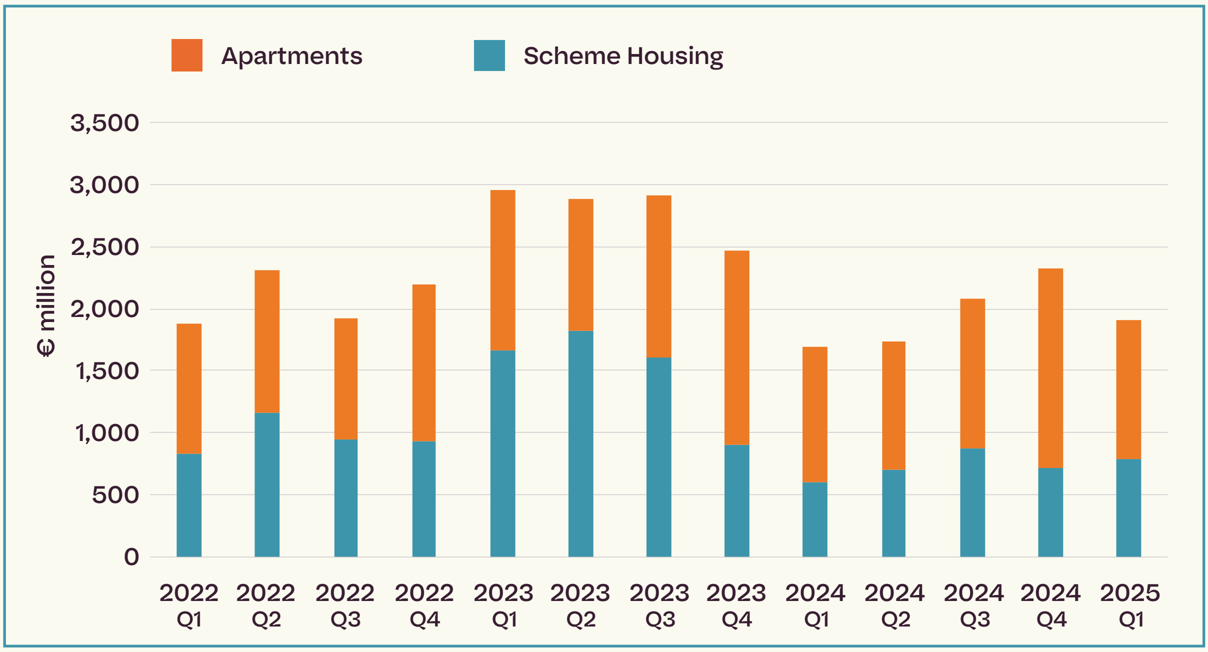
Source: CIS Insights.

The Future of the Sector

In Q1 2025, 263 new housing developments were granted planning permission with a cumulative value of just under €2bn and comprising 8,200 new homes (3,600 apartments and 4,600 traditional housing units). In the same period 773 new student bedrooms are planned.

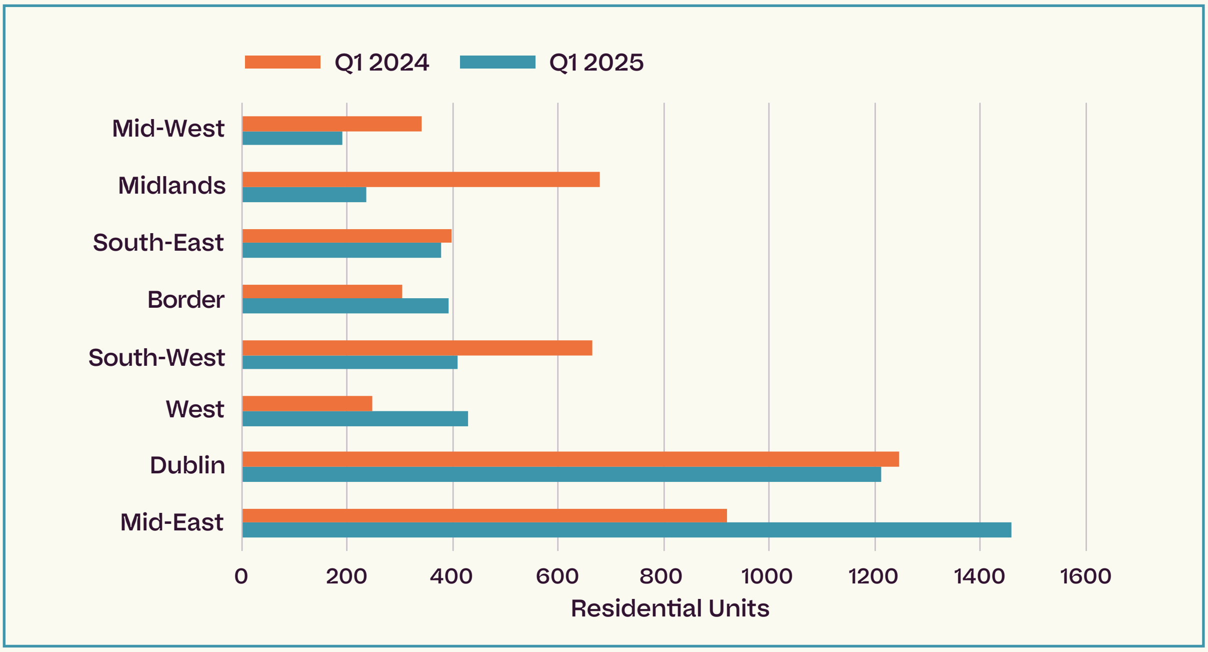
Of the 4,600 scheme housing units, just over 1,200 are planned for Dublin while Meath and Louth account for 760 and 350 respectively. Two thirds of plans for new apartments are in Dublin.

Chart 3: New Housing Planned Investment Figures Q1 2022 to Q1 2025



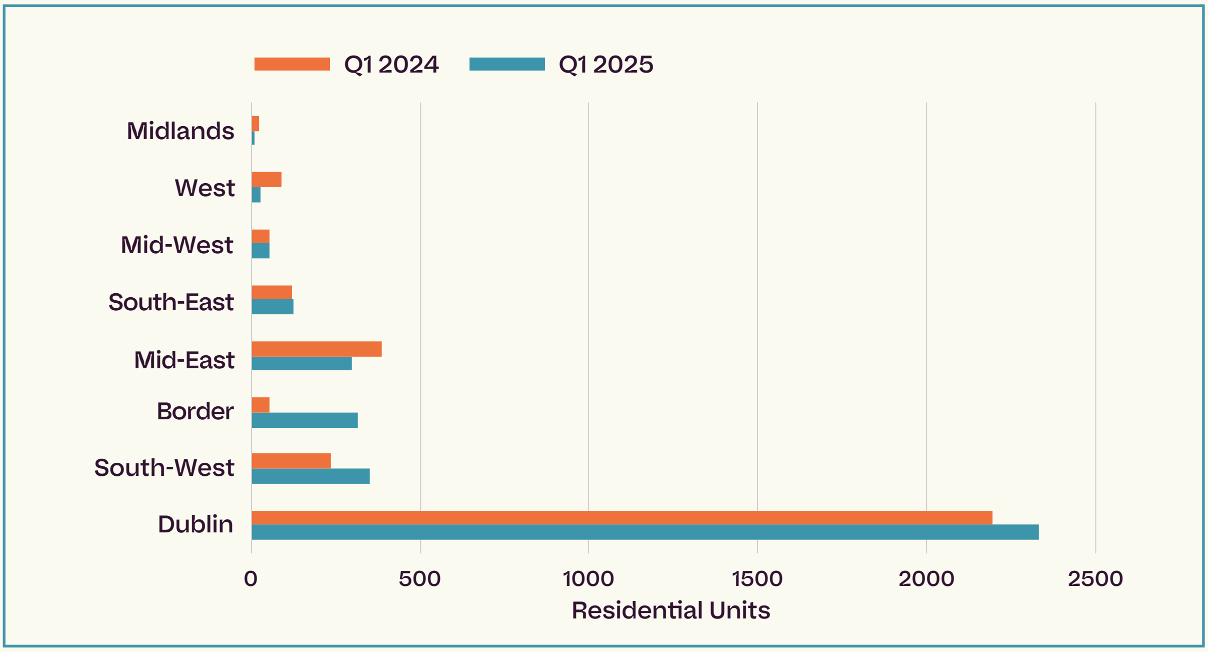
Source: CIS Insights.

Chart 4: Planning Grants Traditional Housing Q1 2025



Source: CIS Insights.

Chart 5: Planning Grants Apartments Q1 2025



Source: CIS Insights.

The largest development granted approval was the €80m Broomfield LRD in Malahide for Birhcwell Developments Ltd, comprising a mix of 297 housing and apartments. This development has now been appealed. Dublin City Council also gained approval for an €80m social housing development in Ballymun for 288 apartments. Outside of Dublin, an LRD development consisting a mix of 207 housing and apartments has been give the go ahead in Sligo for Novot Holdings Ltd.

Public Housing

An encouraging start to 2025 saw 50 new public sector housing schemes get underway, comprising 1,375 new houses and 377 apartment units. This represents a 143% increase in public sector housing starts from Q1 2024 and a 108% increase from the previous quarter. Over half of the new homes planned are in Dublin including a 274-unit development in Swords for Fingal County Council.

The value of social housing starts rose by 42% in 2024 and, giving underlying need and government policy direction, we expect further significant investment in the coming years.

Public Housing Starts

	2024	2025f	2026f	2027f
€ million	795m	1,061m	1,233m	1,543m
Growth	**42%**	**33%**	**16%**	**25%**

Source: CIS Insights. f = forecast

Industrial

-6%	+5%	+2%
2025	2026	2027

- Exports to the US surge by 34% to €72 billion
- Challenges to operations costs with rising wages, energy and material costs
- Data centre developments restricted by grid infrastructure

Manufacturing plays a crucial role in the Irish economy employing over 220,000 with exports of manufactured goods reaching €214bn in 2024. Major exporting sectors include pharmaceuticals, medical devices and food. Exports to the US surged by 34% last year to €72.6bn while exports to the UK reached €22.5bn. Major challenges in this sector are those impacting operational costs - increasing wages, energy and raw material costs. Many companies are now looking to AI initiatives to boost efficiency and productivity. Despite the challenges, over 70% of firms surveyed in 2024 express positivity though there was less optimism in the food and drink sector. The potential impact of US tariffs this year has yet to be realised but they do pose a real threat to the sector with pharmaceutical and medical device manufacturers' significant reliance on the US market.

Industrial Starts

	2024	2025f	2026f	2027f
€ million	1,479m	1,389m	1,452m	1,487m
Growth	15%	-6%	5%	2%

Source: CIS Insights. f = forecast.

State of the Sector

New starts in the Industrial sector have remained relatively steady over recent years although 2024 figures showed a 15% increase in value over 2023 to reach €1.48bn. There has been a slow start to new investment in Q1 2025 but looking ahead we see that Q2 figures will bring the sector back in line with 2024 figures. Despite the challenges and the uncertainties of tariffs, the sector has proved resilient and although we expect a modest decline of 6% in investment this year, we see that figure rebounding in 2026 as economic turbulence from tariffs settles and measures to address the challenges come to fruition.

Investment in manufacturing more than doubled in 2024 with new project starts reaching €719m. In Q1 2025, the volume of new projects started was up from the same period last year but the underlying value of those projects at €50m is down over 50%.

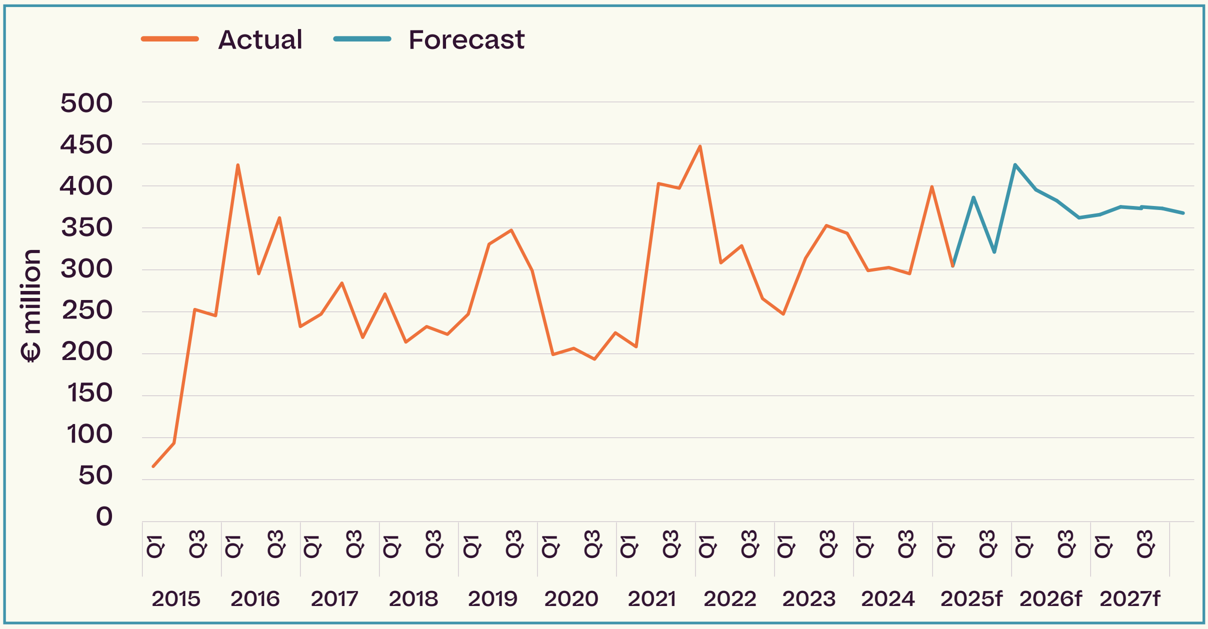
Warehousing and logistics investment is characterised by a strong demand for modern facilities, rising rents and a shortage of available space for new investment. These challenging conditions have seen a decline in new investment from a high of €554m in 2021 to €325m and €333m in 2023 and 2024 respectively. The sector itself however is experiencing strong growth overall. Despite a slow start in Q1 2025, new starts in Q2 have already seen new investment figures for the year surpassing total investment in 2024. This is due in part to a €285m investment by IPUT management services for the creation of 12 logistic/warehouse buildings in Dublin. Works started in late April with delivery due in 2 years' time.

Ireland's pharmaceutical industry is projected to grow to nearly €2.4bn in 2025 despite potential challenges arising from US tariffs. Ireland has established itself as a major drug manufacturer and with a tax friendly environment and strong R&D facilities the sector growth trajectory is likely to continue.

New starts in pharma fell 75% last year to €90m from a high of €363m in 2023. This year to end of May investment figures are already down 11% on 2024.

Data centres are an important component of the Irish economy, and this market is expected to grow in coming years. However, the market currently faces constraints due to grid infrastructure forcing potential investors elsewhere. Two new data centres got underway in 2024 in Kildare and Meath but to date this year there have been no new developments.

Chart 6: Value of Underlying Industrial Project-Starts

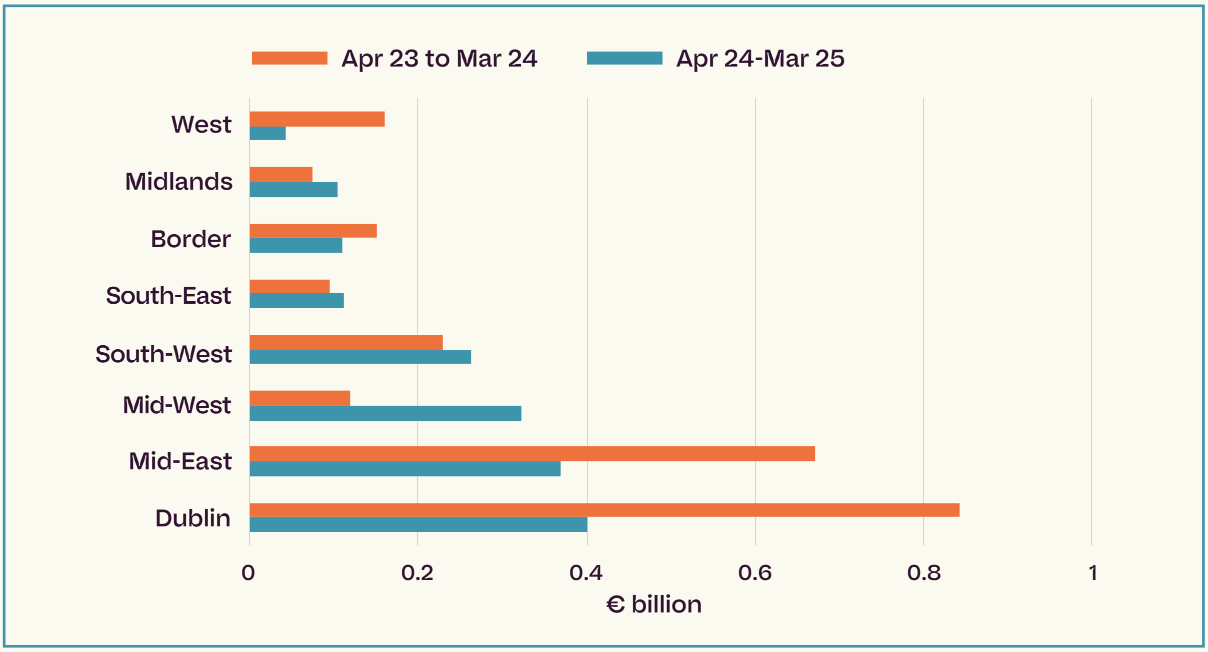


Source: CIS Insights. f = forecast.

The Future of the Sector

There is a relatively strong pipeline in the Industrial sector although planned investment levels fell in 2024 by 19% from €2.27bn in 2023 to €1.85bn. In Q1 2025 planning grants across 108 new projects amounts to €550m, 12% down on the same period last year. The largest project gaining approval, after appeal, was for the €143m development of two data halls in Fingal for Huntstown Power Company.

Chart 7: Value of Underlying Project Approvals (April 2023 to March 2025)



Source: CIS Insights.

Offices

+33%	+2%	+23%
2025	2026	2027

- Dublin office market showing signs recovery
- Return to office policies driving demand for Grade A office space
- Weak pipeline indicates lag in new development to meet rising demand

The Irish office market continues to show signs of recovery, especially in Dublin where most of the office activity is centred. A changing market has seen a shift towards high spec premium office space in a bid to encourage people back to office working. Whilst hybrid working is likely to continue as a facet of working life in Ireland, more companies are enacting return-to-office policies. Office vacancy rates have been falling as a result and demand for limited Grade A office space is increasing leading to rent increases.

There are signs of increased investment in new office developments although the construction pipeline is still historically low. These facts will put further pressure on rents as demand outstrips available supply.

"Based on what we have seen in the first quarter the Dublin office market continues to show recovery signs. The stronger tone to take-up over the past few quarters was visible again in Q1 while data on availability, reserved space and space under construction all point to a market which is rebalancing for the better."

Ronan Corbett, Head of Offices at Cushman & Wakefield

Office Starts

	2024	2025f	2026f	2027f
€ million	140m	187m	190m	233m
Growth	**-68%**	**33%**	**2%**	**23%**

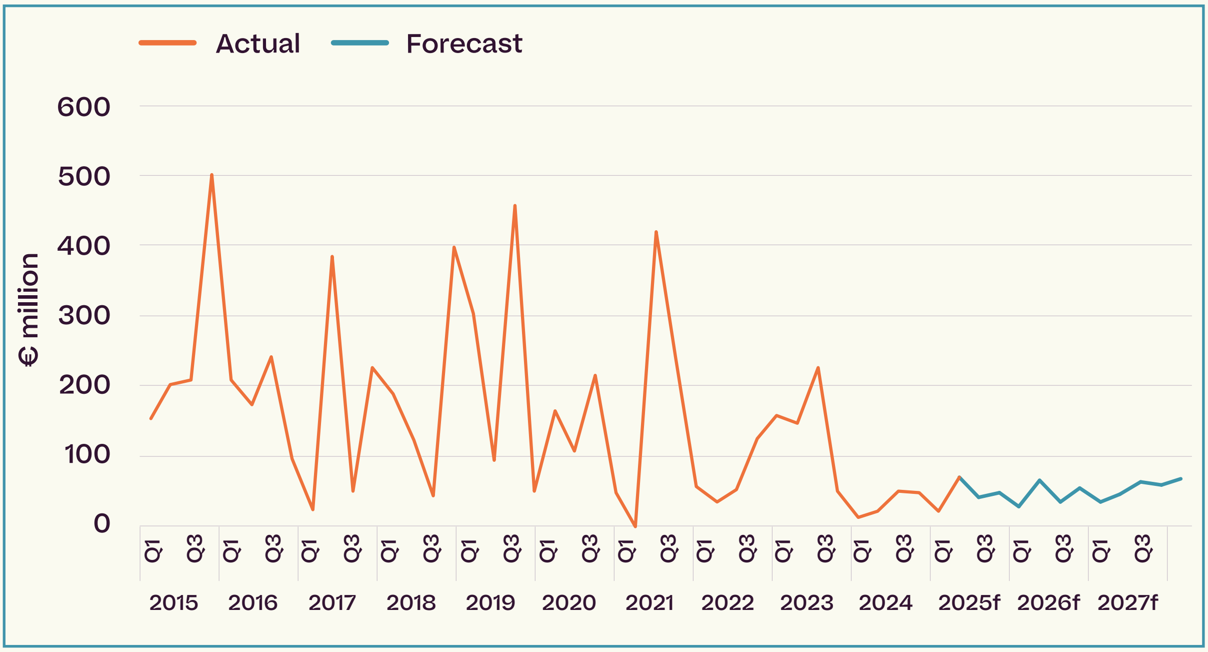
Source: CIS Insights. f = forecast.

State of Sector

New office development has been in steady decline post pandemic as the sector realigns itself to new ways of working. New office starts in 2024 fell to a low of €140m, a 68% fall from the previous year. However, new starts Q1 2025 at €70m are already well up on the same period last year and seem to indicate the market is recovering to meet rising demand. The largest project started in late January was a 10 storey, 20,519 Sqm office development in Dublin 2 for Irish Life Assurance plc.

Over 60%of new office development is in Dublin.

Chart 8: Value of Underlying Project Starts by Year



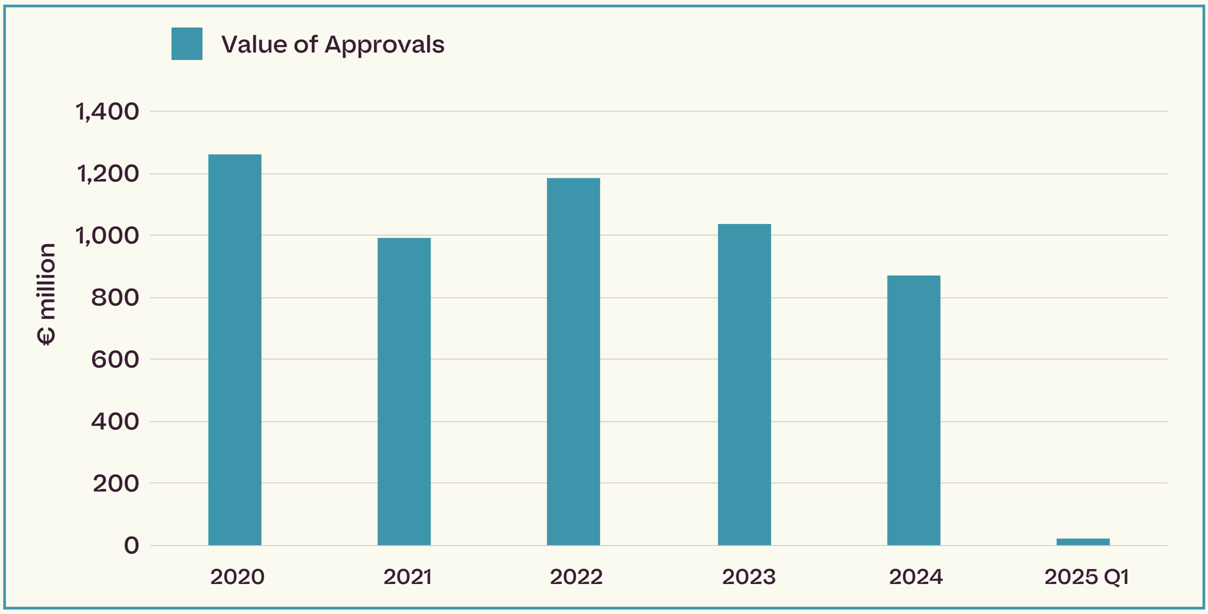
Source: CIS Insights. f = forecast.

Future of the Sector

The pipeline for new office developments has been in decline and has struggled to pass the €1bn mark in 2024 when plans were approved for 439k Sqm of office space – a 14% fall from 2023. Q1 2025 has not pointed to any great change with only 38 office development projects granted planning permission in the quarter with a combined value of just €22m.

We expect the office market to continue an upward trend, but new office development is needed to meet rising demand as back to work trends continue. The time lag of development, evident from the planning pipeline, indicates that development will struggle to meet rising demand in the short term.

Chart 9: Value of Underlying Project Approvals to Q1 2025



Source: CIS Insights.

Retail

+2% 2025

+13% 2026

+5% 2027

- Strong consumer sentiment and favourable underlying economic conditions
- Online spending continues to rise
- Strong demand for grocery

The Irish retail market is experiencing steady growth as consumer sentiment remains high and underlying economic factors such as low unemployment and increased earnings remain favourable. Grocery stores continue to be a major driver of growth with a continuing movement to local community shopping over multinational alternatives. In other areas of retail, online shopping is expected to continue to rise.

Retail Starts

	2024	2025f	2026f	2027f
€ million	173m	176m	199m	209m
Growth	33%	2%	13%	5%

Source: CIS Insights. f = forecast.

State of the Sector

In 2024, the value of retail investment as measured by new project starts, rose by 33% from 2023. Although new investment figures for Q1 were disappointing at €34m, figures to mid-May have shown increased activity with the value of new project starts rising to €119m, trending across 81 projects, this represents a 95% increase on the same period last year.

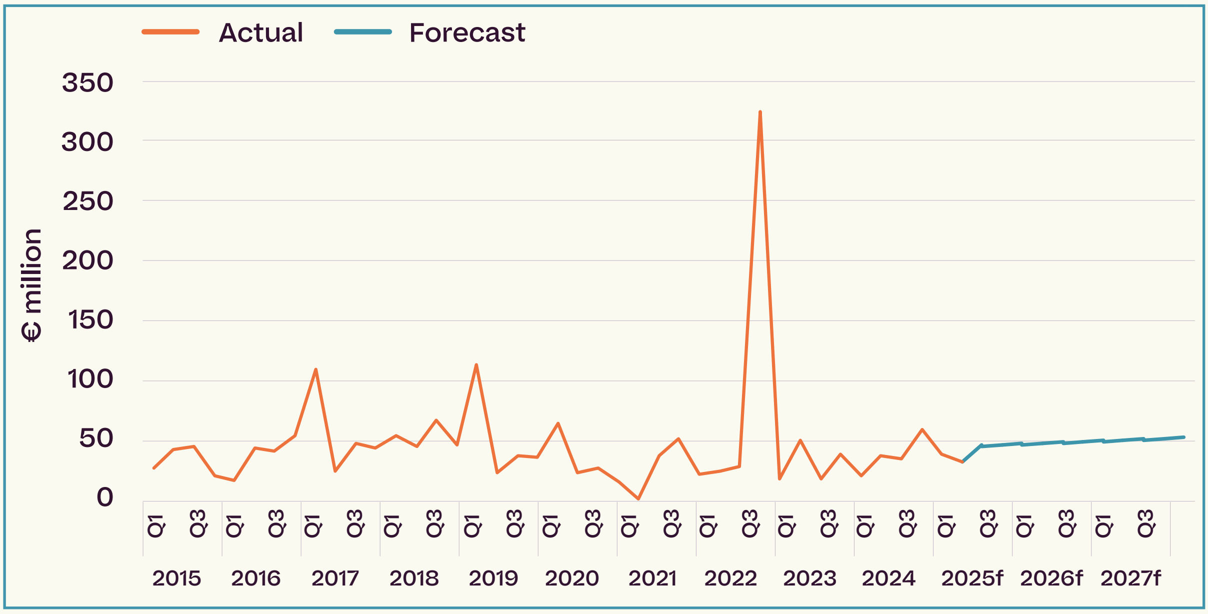
Future of the Sector

The counterbalance between strong grocery retail growth and rising online transactions means that we can expect low level growth in this sector to continue although subject to external factors such as US tariffs, creating uncertainty in the market and threatening increased prices.

Planned retail investment is strongest in Dublin and the Mid-East and investment is trending upwards in both locations.

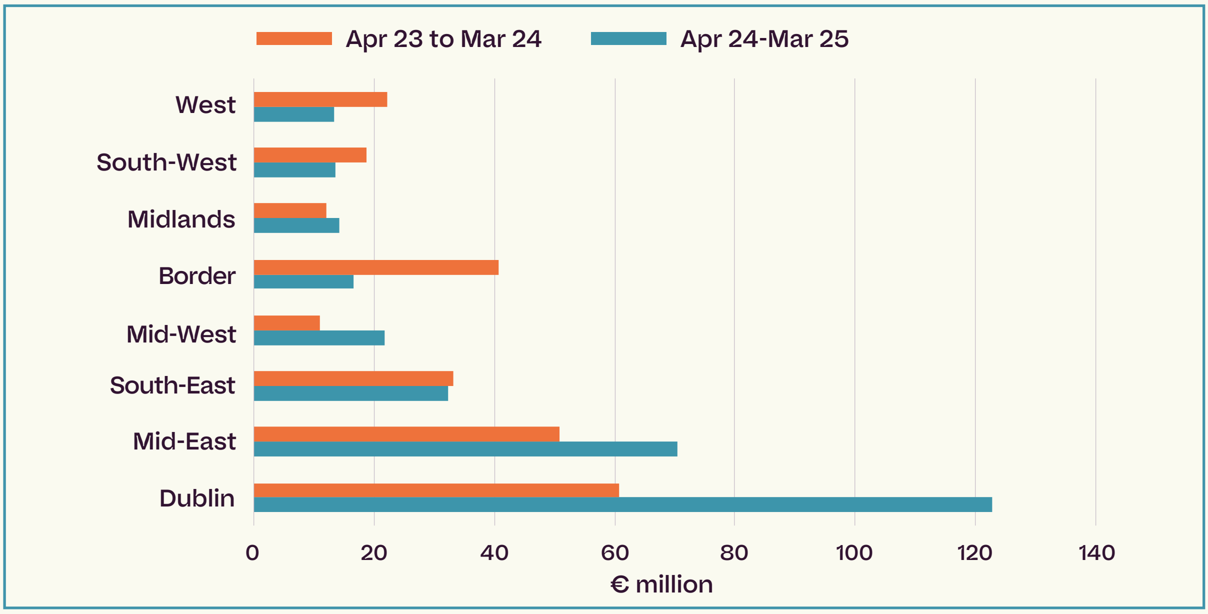
The pipeline of planning approvals has been trending around the €300m per annum since 2022. Figures for Q1 2025 are up 22% from 2024 indicating strong confidence in this sector and indications for a strong year ahead.

Chart 10: Value of Underlying Retail Starts



Source: CIS Insights. f = forecast.

Chart 11: Value of Underlying Project Approvals (April 2023 to March 2025)



Source: CIS Insights.

Hospitality

-25%	-22%	+10%
2025	2026	2027

- Declining visitor numbers and spend
- Global political and economic uncertainty
- Strong pipeline of new investment

Latest CSO figures for Q1 2025 report a continuing downward trend in visitor numbers evident from September 2024. Their results show that foreign visitors were down 23% compared to Q1 2024 and 7% from 2023. Visitor's expenditure in Ireland for this period was €326m, representing a 22% decline from Q1 2024. The Irish Hotels Federation has claimed that these figures do not correlate with industry data on the ground.

According to IHF, tourism activity is holding up in 2025 and bookings are up 2% YoY. They have acknowledged that forward bookings are currently down 2% to August.

Challenges in this sector arise from global political and economic uncertainty and Ireland's high-cost base.

Hospitality Starts

	2024	2025f	2026f	2027f
€ million	352m	264m	205m	205m
Growth	**257%**	**-25%**	**-22%**	**10%**

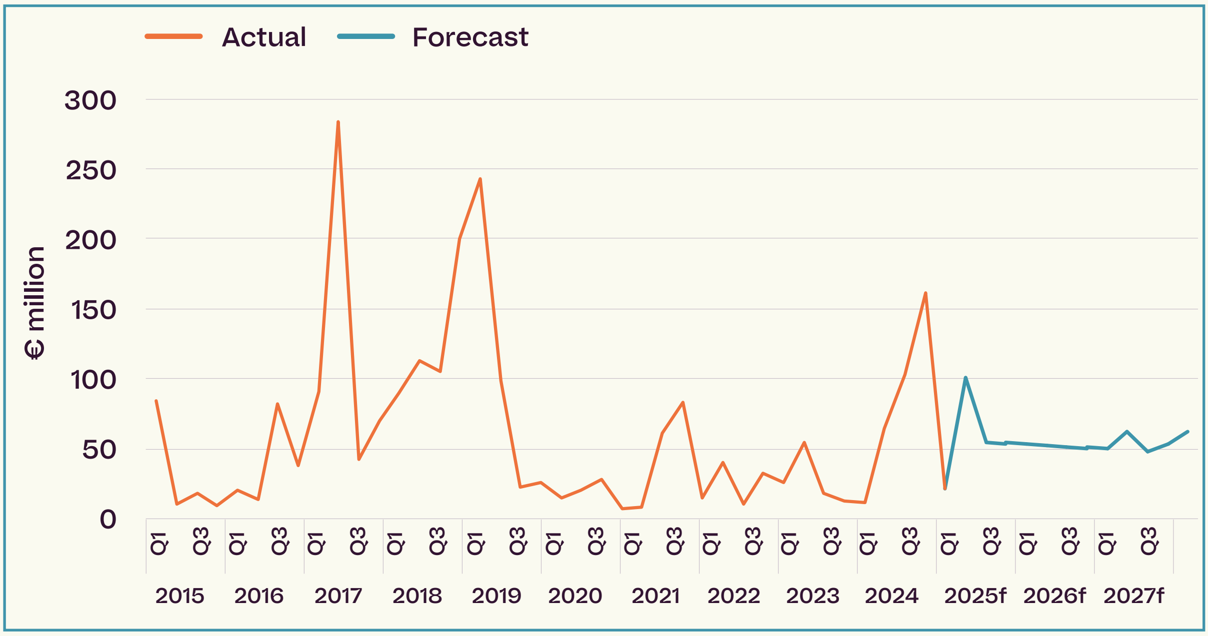
Source: CIS Insights. f = forecast.

State of the Sector

2024 was a bumper year for investment in the hospitality sector. The number of projects getting underway rose by 36% to 203 with an accumulated value of €352m. When complete, these projects will add an additional 2,278 hotel beds to the sector.

In Q1 2025, a further 883 hotel beds are planned from new developments getting underway, already a 64% increase 2024's record figures. 820 of these beds will be in Dublin. These figures point to high levels of optimism in the sector although the additional capacity will take time to realise. As it stands, the sector is in a period of steady growth and with higher levels of investment in 2024 continuing, initially at a lower rate to 2026.

Chart 12: Value of Underlying Hospitality Starts

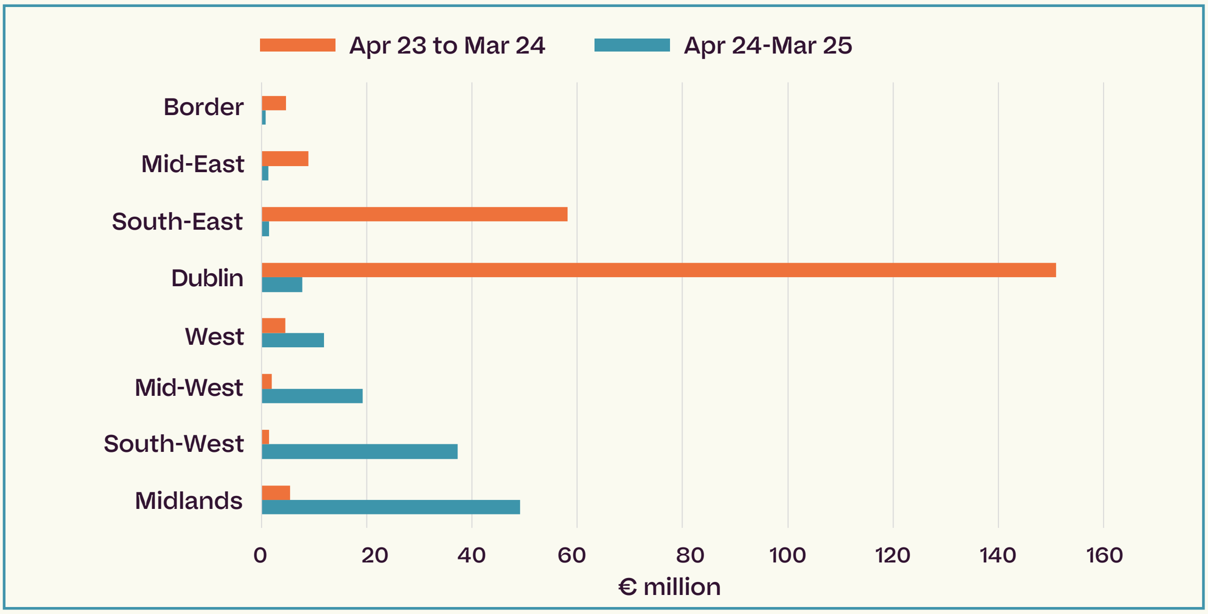


Source: CIS Insights. f = forecast.

Future of Sector

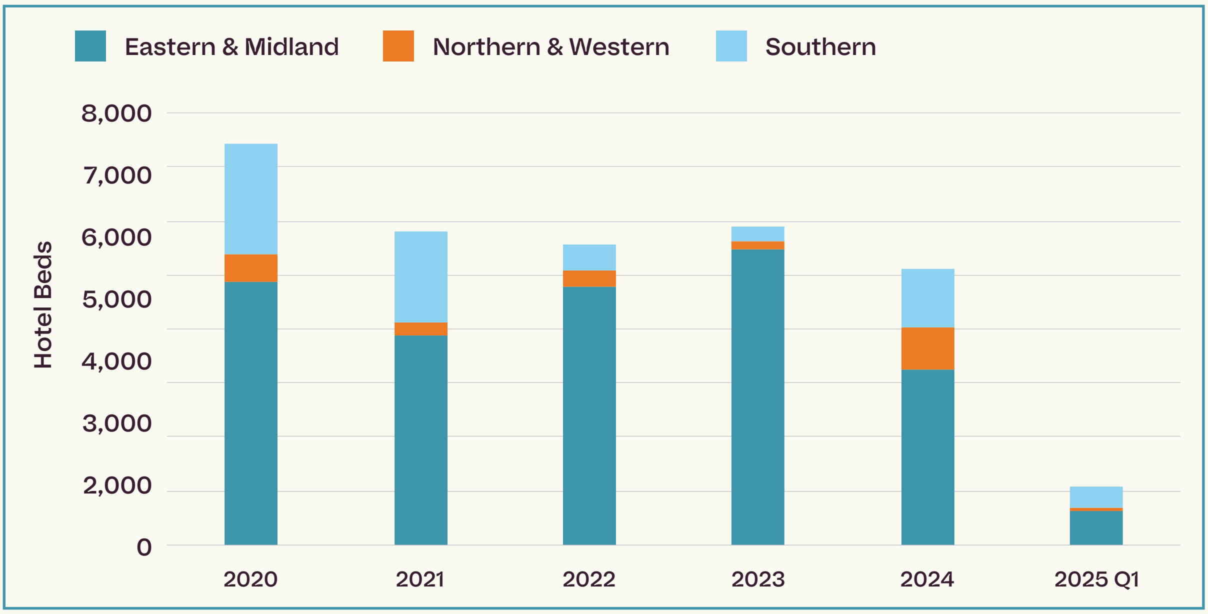
The hospitality pipeline remains steady. In 2024, plans were granted for 246 projects valued at €507m with 2,558 new hotel beds planned. These figures represent a 9% decrease in the value of planned investment from 2023. Q1 2025 figures show a further decline from Q1 2024 figures at €129m but are on an upward trend from previous quarters in that year. There is a good regional spread of planned investment in Q1 2025.

Chart 13: Value of Underlying Hospitality Planning Approvals Q1 2025



Source: CIS Insights.

Chart 14: Trends in Hotel Beds Granted Planning Approval



Source: CIS Insights.

Education

+26%	+19%	-3%
2025	2026	2027

- Largest capital allocation in history for 2025 €1.3 billion
- Expansion of childcare capacity
- Strong pipeline of new investment

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.

Capital expenditure priorities from the National Development Plan, revised in April 2025, include:

- Expanding capacity of early childcare provision with investment in new facilities
- Investment in new schools and refurbishment of existing schools and investment in special education infrastructure
- Modernisation of Further Education and Training Campuses
- Expansion of Higher Education facilities including Technological Universities, Student Accommodation and research and innovation infrastructure

Education Starts

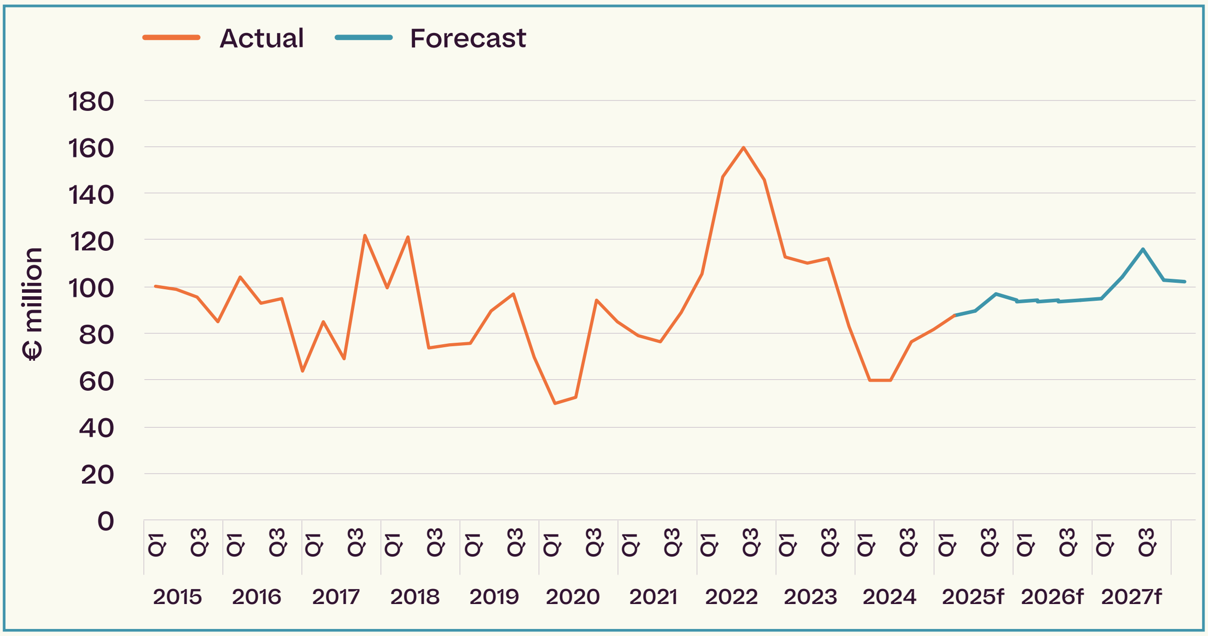
	2024	2025f	2026f	2027f
€ million	282m	356m	425m	411m
Growth	-33%	26%	19%	-3%

Source: CIS Insights. f = forecast.

State of the Sector

Capital investment in education has faced challenges in recent years, with rising construction costs leading to the cancellation of tenders and contracts that had become financially unviable. A record budget allocation for 2025 and revised priorities promise a strong rise in expenditure in this sector across the board. Despite a challenging 2024, we see a significant increase in starts in 2025 and 2026.

Chart 15: Value of Underlying Project Starts (3 Qtr. moving average)



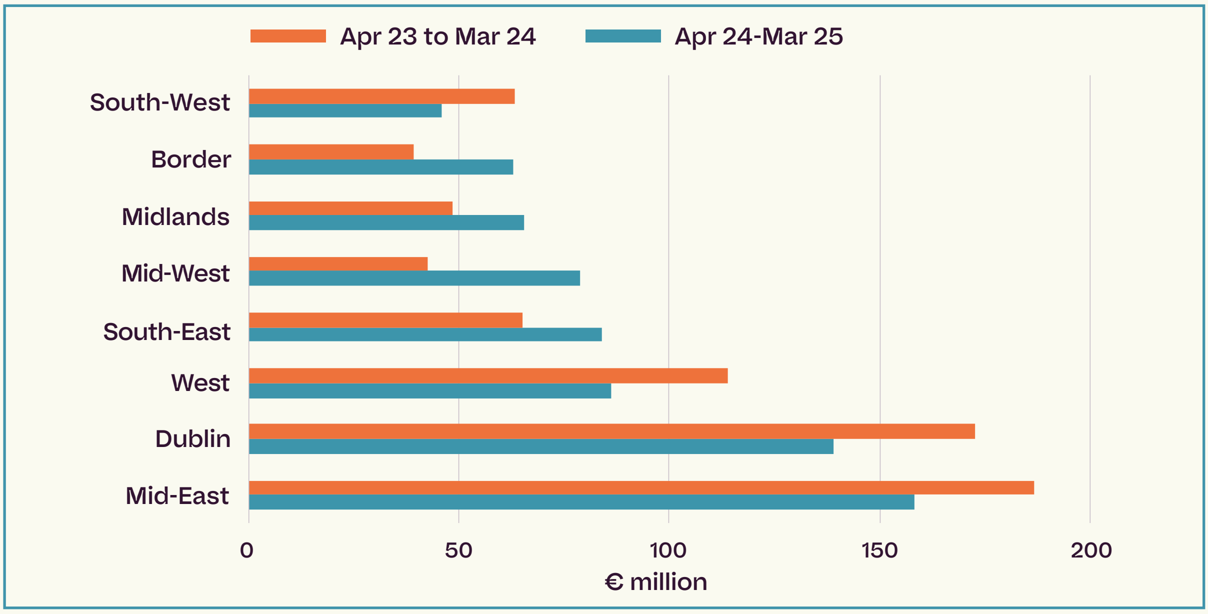
Source: CIS Insights. f = forecast.

Last year 284 projects got underway in the Education sector with a combined value of €282m, delivering 679 new classrooms. This however represented a continuing downward trend in the value of new starts with values falling by 28% in 2023 and 15% in 2024. In Q1 2025, 62 new projects got underway valued at €75m, a 104% increase from Q1 2024. This trend has continued into Q2 and at the end of May, the value of new starts had risen to €250m, a 200% rise from the same period in 2024. Schools and further education investment increased by 191% and 309% respectively while investment in early education infrastructure fell by 8%.

Future of the Sector

The planning pipeline for education is strong. In 2024, 275 new projects were granted planning approval valued at €874m, a 30% increase from 2023. Although Q1 figures have fallen from Q1 2024, we expect to see an upturn in planning activity in later quarters to reflect increased capital in budgets.

Chart 16: Value of Underlying Project Approvals (April 2023 to March 2025)



Source: CIS Insights.

Health

+34%	-23%	+8%
2025	2026	2027

- Growing population with significant increase in over 65s
- Expansion of Primary Care Centres
- Focus on healthy communities and lifestyles with new policies

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 €1.51bn in 2024 to €1.83bn for 2025. Ireland's population is growing and with a significant increase in the over 65's, leading to increased demand for healthcare services.

The revised national development focusses on delivering a healthier population with:

- The promotion of active lifestyles with walkable, cycle friendly neighbourhoods and support for Healthy Ireland and the National Physical Activity Plan
- Expansion of Primary Care Centres (PCCs)
- Improvements in environmental health with cleaner air and water quality and green and blue infrastructure
- Enhance shared medical services with Northern Ireland

Health Starts

	2024	2025f	2026f	2027f
€ million	385m	517m	396m	429m
Growth	**25%**	**34%**	**-23%**	**8%**

Source: CIS Insights. f = forecast.

Major projects include:

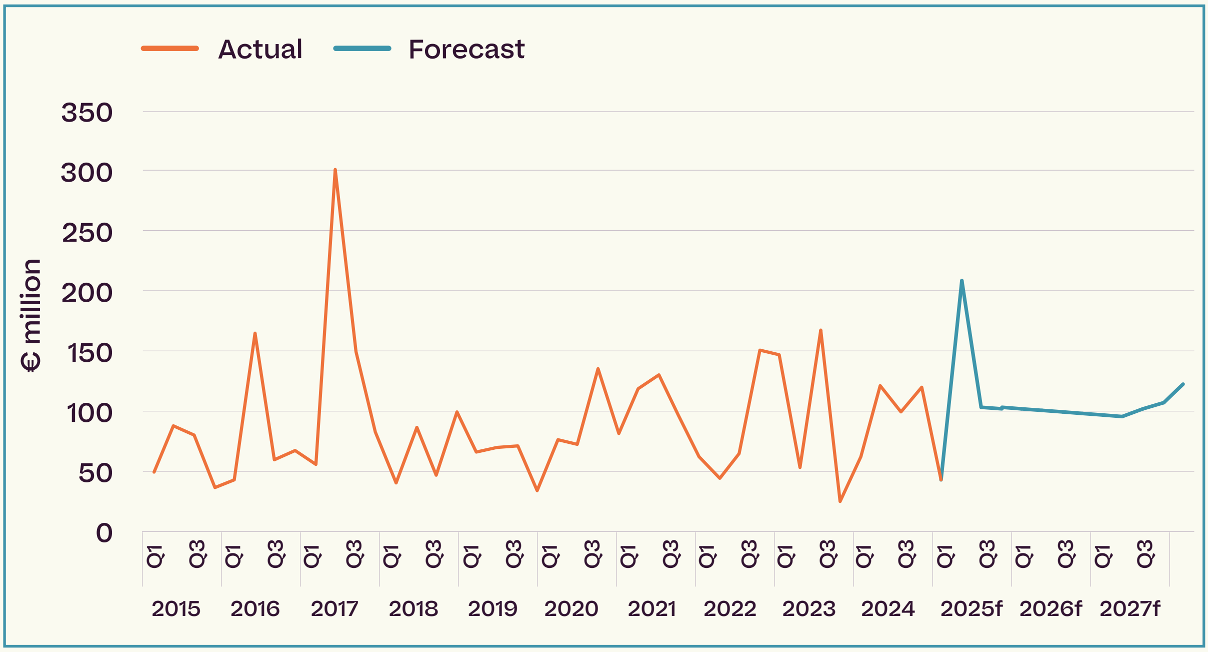
- New Children's Hospital at St. James's Campus
- Completed Paediatric Outpatient and Urgent Care Centres at CHI Connolly (Blanchardstown) and CHI Tallaght
- Elective Care Centres and Surgical Hubs to separate scheduled and unscheduled care

State of the Sector

New investment in the health sector as measured by new developments, has remained relatively steady over recent years although there is evidence of increased activity in 2025 as a result of a healthy pipeline. In 2024 new starts increased to 385m, a 25% increase from 2023 resetting that year's 25% drop from 2022. Figures to late May 2025 show a 93% increase in investment over the same period last year, adding an additional 210 hospital beds and 333 nursing home beds. In summary in Q1 2025:

- 210 hospital beds will be created as part of fourteen new hospital projects which have a combined value of €78m, up 12% on Q1 2024.
- 333 new nursing home beds will be created from 5 new projects costing €83m
- Investment in Primary Care Centres and other medical projects remained steady at €47m

Chart 17: Value of Underlying Project Starts[1]



Source: CIS Insights. f = forecast.

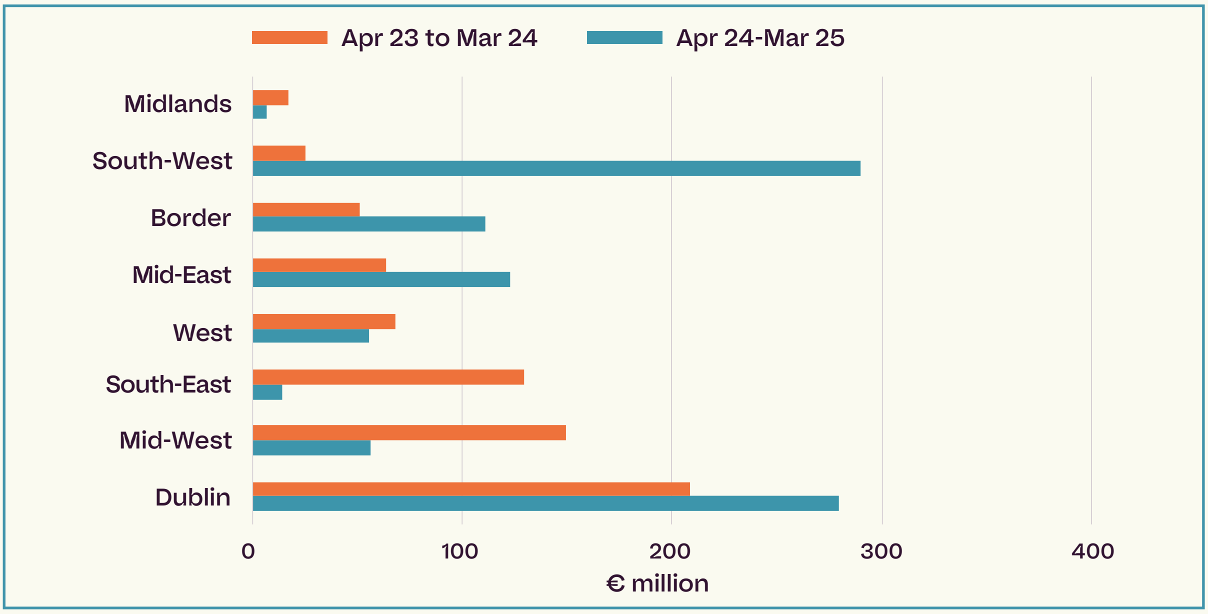
[1] Excludes €2.4bn National Children's Hospital started in April 2018

Future of the Sector

Increased budget allocations and current health policy has maintained a healthy pipeline of planned investment in the health sector. In 2024, 203 projects received planning approval. This amounted to a 10.3% rise in value to €806m from 2023. Q1 2025 has seen planned investment rise by 60% to €347m from Q1 2024.

Seven new hospital projects and five new nursing home projects received planning approval in the quarter valued at €132m and €77m respectively. However, most of the planned investment at €138m came from other medical facilities especially primary care centres.

Chart 18: Value of Underlying Project Approvals (April 2023 to March 2025)



Source: CIS Insights.

Civil and Utilities

+27%	+23%	+23%
2025	2026	2027

- Infrastructure deficiencies impacting Ireland's competitiveness
- Large budget allocation for water and transport projects
- €14 billion windfall tax receipts - creation of infrastructure funds

Ireland's Budget 2025 programme allocates nearly €15 billion to capital expenditure in 2025, representing Ireland's highest ever allocation to capital spend. As Ireland seeks to address its infrastructure deficiencies which are impacting international competitiveness, budget 2025 allocates a significant capital allocation for infrastructure. 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).

The major infrastructure allocations are:

- A new Infrastructure, Climate and Nature Fund to support infrastructure projects
- €750m for energy and offshore infrastructure
- Uisce Eireann allocated €1 billion for capital investment in water infrastructure
- €2.9 billion allocated to transport

Civil and Utility Starts

	2024	2025f	2026f	2027f
€ million	1,467m	1,858m	2,281m	2,799m
Growth	-36%	27%	23%	23%

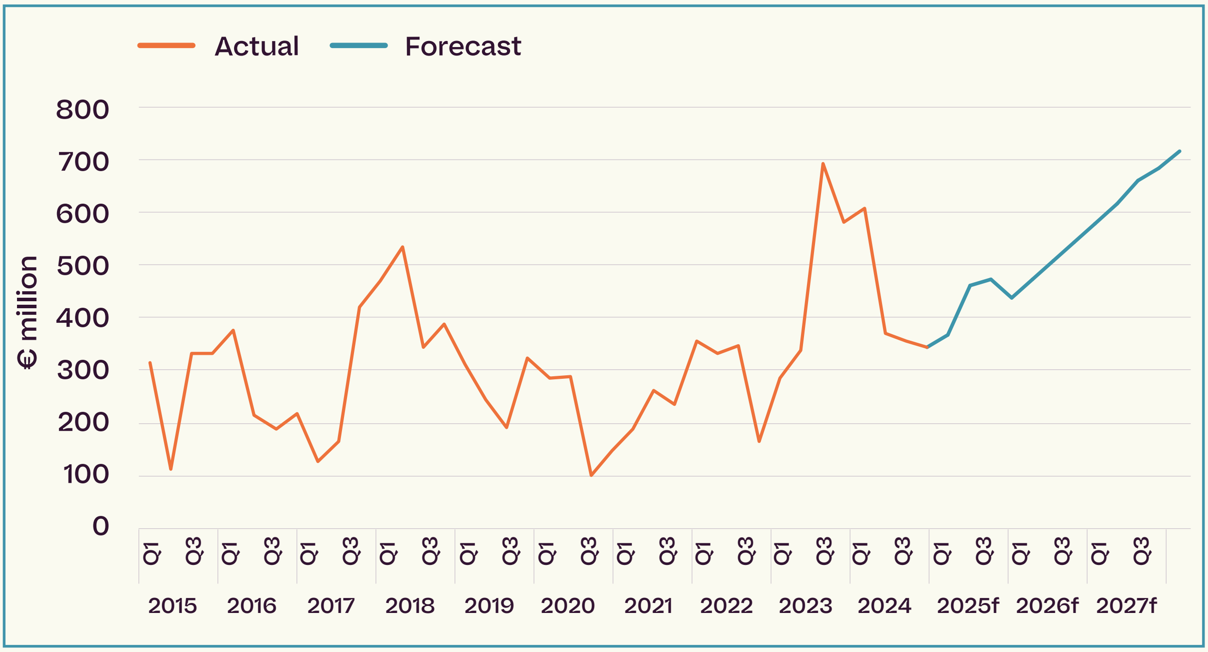
Source: CIS Insights. f = forecast.

State of the Sector

New project starts fell by 36% in the Civil sector in 2024 to €1.57bn from a five year high of €2.46bn in 2023. 2024 was a challenging year with construction cost inflation, supply chain issues, planning and regulatory hurdles and labour shortages in key areas.

Increased capital allocations and a strong pipeline of shovel ready projects should see a more buoyant 2025 and 2026. In Q1 2025, 40 new projects started costing €634m, a 37% increase from Q1 2024. The transport sector accounted for €526m of this figure.

Chart 19: Value of Underlying Project Starts (3 Qtr. moving average)



Source: CIS Insights. f = forecast.

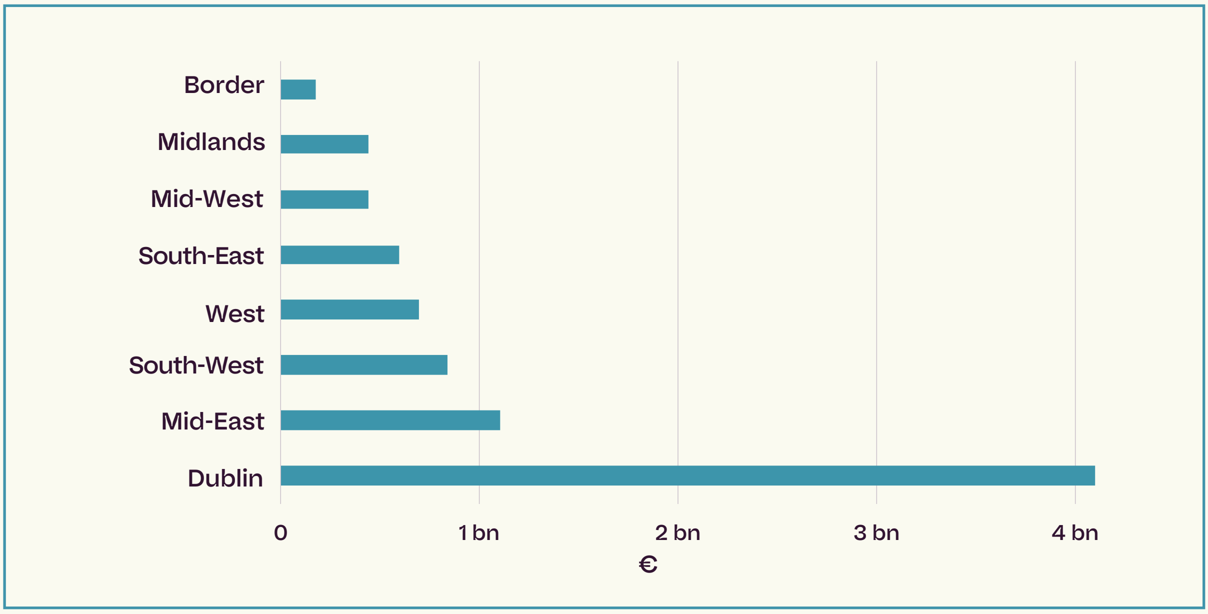
Future of the Sector

Given the record allocations to capital expenditure, we expect on-the-ground activity to increase over 2025 and 2026 although Ireland has had major difficulties delivering large infrastructure projects quickly.

2023 and 2024 saw significant increases in the value of construction tenders rising to €8.1bn and €8.9bn respectively.

In Q1 2025 planning grants were issued to 51 projects costing €885m. From 2023 to the end of Q1 2025 projects valued at €8.4 billion have been granted planning approval. Just under 50% of the planned investment is for Dublin although €3.5bn of this was for two DART projects.

Chart 20: Regional Allocation of Planned Investment 2023 to Q1 2025.



Source: CIS Insights.

Key Recommendations
for the construction industry over the next three years

Construction faces a progressive improvement in market conditions over the next three years. The brightening economic outlook will generate private sector opportunities. In addition, the Government's Spending Review promises to unlock increased investment in education, health and social housing from next year. Civil engineering is set to benefit from increased government investment in transport infrastructure, as well as rising investment by water companies and in energy infrastructure.

Targeting new growth areas

A strengthening economy and changing government policy will drive a shift in construction activity across sectors and regions. Structural changes are also creating new opportunities in warehousing & logistics, office refurbishment and fit out, and the repurposing of redundant commercial premises.

Planning reforms promise to improve the supply of development land for residential development. As these reforms feed through, they should support a progressive strengthening in both private and social housing developments over the next three years.

The review of government capital programmes post-election has disrupted the progress of existing projects and dampened activity in publicly funded sectors, disrupting many firms planned workflow. While several delayed projects are now going ahead, firms will need to remain alert to new opportunities that can help fill any gaps in their work programmes.

Regionally, construction markets in the northern half of England are set to outperform London and southern England over the forecast period. This reflects a shift in government funding and policy as the new administration looks to direct funding towards economically weaker regions.

Firms will need to target these new and shifting opportunities, ensuring that they have the ability and resources to increase their exposure to growing markets and locations.

Factor-in supply side constraints

Overall material availability and inflation has stabilised, although prices are still high and the cost of some products is still volatile. Contractors and sub-contractors should remain alert to possible supply interruptions, especially from overseas sources. In particular, the current US instigated disruption to global trade may affect the availability and cost of overseas sourced products and those incorporating imported components.

Skills shortages and labour costs are expected to grow alongside the strengthening in starts. Contractors and sub-contractors should factor-in the impact on their costs and development schedule when bidding for work.

Mitigate risk

Over the last two years supply-side constraints have disrupted project schedules and extended construction times, with implications for workload, turnover and cashflow. The typical time taken for a project to secure detailed planning consent or to progress from approval to work starting on site is over 40% longer than in 2019. Planned construction programmes on some projects are being further disrupted by regulatory supervision of projects as the Building Safety Act comes into force.

The extended pre-construction lead times potentially increases uncertainty around the initiation of planned projects with implications for contractors' and sub-contractors' workload. To mitigate these effects, contractors might consider an increased portfolio of targeted opportunities to offset the risk of pre-construction delays to individual projects.

Given the rise in insolvencies, firms could reduce risk by diversifying their client base and ensuring a wider pipeline to protect against financial or contractual challenges with any single client. Similarly, supply chains should be evaluated to avoid over-reliance on a limited number of suppliers.

On-site efficiency and collaborative working

While supply disruptions are expected to ease, skilled labour shortages will likely remain a significant challenge. The sector's workforce has been reduced due to lower access to EU labour, post-pandemic shifts to other industries, and early retirements. Although the recent slowdown in activity may have provided short-term relief, firms should plan for skilled labour shortages that could drive up costs and delay project delivery.

The Building Safety Act is also changing how projects are managed, particularly high-rise and 'high-risk' residential structures. The Act mandates a more detailed pre-construction design and planning process, increasing the cost and risk of changes made during construction. This shift presents an opportunity to leverage offsite manufacturing and prefabricated systems, reducing on-site labour demands.

Investing in improved design solutions, site management practices, and offsite options will be critical to completing projects efficiently and profitably. Many firms may find that this requires a more collaborative approach and the adoption of digital tools to streamline workflows and minimise waste.

Adopt digital solutions and processes

The pandemic accelerated the adoption of digital solutions across pre-construction and on-site processes, as traditional work practices were disrupted. Investing in customer relationship management (CRM) systems, digital marketing, and sales process improvements can help firms identify and target emerging opportunities more effectively. Embracing digital tools can also cut business costs, improve efficiency, and enhance profitability, supporting a more resilient and agile approach to future market challenges.

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