

CONSTRUCTION INDUSTRY FORECAST

FOR THE REPUBLIC OF IRELAND

2024-2026

Featuring expert commentary from:



CONTENTS

About the Authors.....	3
Executive Summary	4
Private Residential.....	6
Private Non-Residential.....	9
Government Investment.....	12
Northern Ireland	14

ABOUT THE AUTHORS



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Allan heads up Glenigan's Economics Unit and has over 30 years' experience in providing insightful market analysis and forecasts on UK construction and the built environment. Following 20 successful years as Economics Director at the Construction Products Association, Allan joined Glenigan 15 years ago. During this time Allan and his team have helped hundreds of businesses confidently develop their market strategies.

Allan sits on the Consulting Committee on Construction Industry Statistics for the Dept for Business, Energy & Industrial Strategy (BEIS), is member of a Construction Leadership Council working group and is a guest lecturer in construction at the University of Reading.

Yuliana and Drilon provide research and analysis for Glenigan's suite of monthly industry reports, and regularly support customers with their strategic decision-making by offering industry insights and expertise.

EXECUTIVE SUMMARY

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

2024 ^{+16%} 2025 ^{+11%} 2026 ^{0%}

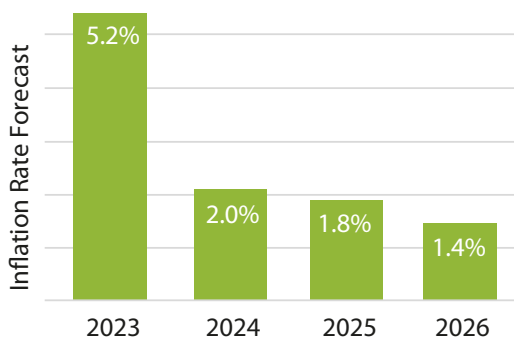
Construction starts in Ireland continue an upward trend, driven in the most part by a strong residential sector and by a strong Irish economy, bucking trends in the wider European market.

In 2023 new project starts rose by 18% from the previous year and further double-digit growth is expected in 2024 (16%) and 2025 (11%) before levelling off in 2026.

As the shocks from the pandemic and global unrest wane, Ireland finds itself in a strong position, where the strong economic performance in 2022 has continued with growth of 2% predicted out to 2026. Headline inflation is decreasing faster than previously anticipated driven by an easing of global energy prices.

The Irish labour market remains strong with unemployment close to historical lows, a strong factor influencing consumer confidence and spending. This year, pay increases outpaced inflation for the first time since 2022. Ireland however remains vulnerable to external global threats and uncertainty persists around corporation tax revenues.

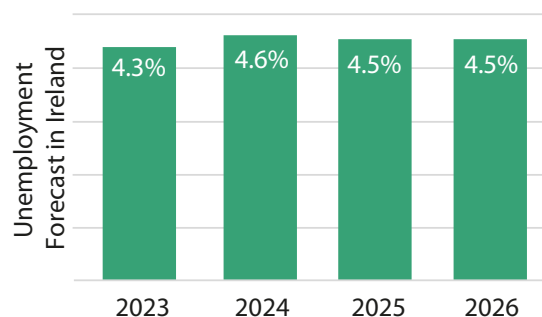
CHART 1: Inflation rate forecast



Note: Harmonised Index of Consumer Prices

Externally-driven inflationary pressures have abated, while domestically-driven inflation remains sticky.

CHART 2: Unemployment forecast in Ireland



Note: International Labour Organisation Definition

Unemployment projected to remain low with positive real wage growth.

TABLE 1: Value of Underlying Project Starts (under €100 million) by Sector

€ million	2023	2024f	2025f	2026f
AGRICULTURE	56	38	38	13
CIVIL AND UTILITIES	2,226	1,600	2,210	2,730
COMMERCIAL	831	800	850	870
COMMUNITY AND SPORT	184	182	185	190
EDUCATION	375	300	350	385
HOSPITALITY	100	170	185	200
INDUSTRIAL	1,252	1,259	1,415	1,512
MEDICAL	308	412	409	414
RESIDENTIAL	6,099	9,010	9,500	9,250
ALL	11,431	13,770	15,142	15,564

Source: CIS & Glenigan. f = forecast

TABLE 2: Growth in the value of Underlying Project Starts (under €100 million) by Sector

Annual Change	2023	2024f	2025f	2026f
AGRICULTURE	-14%	-32%	0%	-1%
CIVIL AND UTILITIES	102%	-28%	12%	5%
COMMERCIAL	12%	-4%	6%	2%
COMMUNITY AND SPORT	-11%	-1%	2%	3%
EDUCATION	-23%	-20%	17%	10%
HOSPITALITY	-8%	70%	9%	8%
INDUSTRIAL	2%	1%	12%	7%
MEDICAL	-26%	34%	-1%	1%
RESIDENTIAL	15%	48%	5%	-3%
ALL	18%	16%	11%	0%

Source: CIS & Glenigan. f = forecast

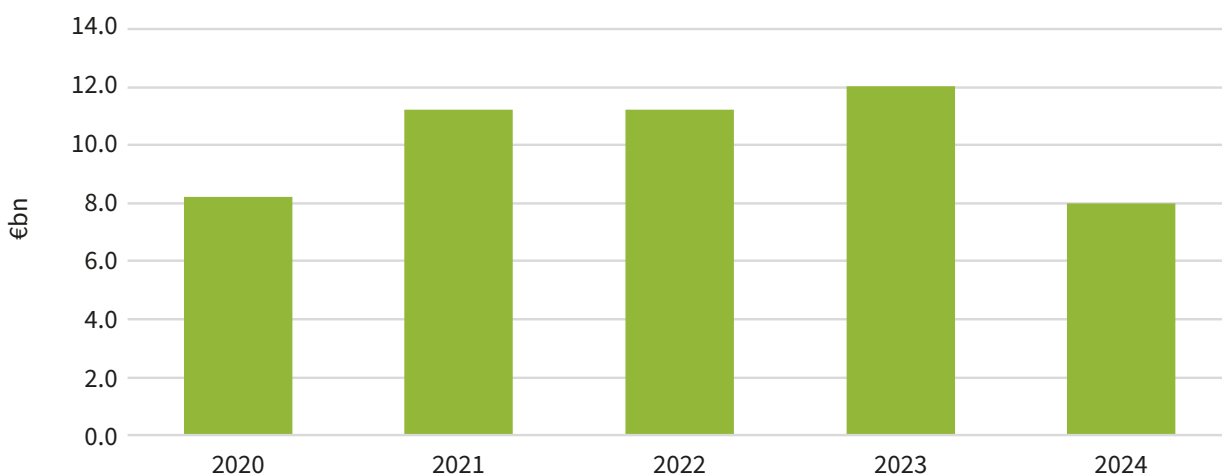
Fiscally, Ireland remains strong with the Government continuing to post surpluses. In addition, Budget 2024 seeks to enhance the resilience of the public finances by the establishment of the Future Ireland Fund and Infrastructure, Climate and Nature Fund. Supported by new legislation, the fund will benefit from an annual contribution of 0.8% of GDP, potentially €100 billion by 2035.

TABLE 3: Key Macroeconomic Variables - Quarter-on-quarter, per cent change (unless stated)

	2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
CONSUMER SPENDING	0.0	0.9	0.7	1.2	1.1	0.5	0.3	0.3
MODIFIED DOMESTIC DEMAND	-0.2	1.0	1.2	1.2	0.2	0.2	0.1	0.1
INFLATION RATE	7.5	5.5	4.9	3.3	3.6	2.8	2.6	2.5
UNEMPLOYMENT RATE	4.2	4.2	4.1	4.1	4.2	4.2	4.2	4.3

Source: Budget 2024 Economic and Fiscal Outlook, Department of Finance

CHART 3: Project Start Trends to May 2024



PRIVATE RESIDENTIAL

The Irish government has set ambitious targets for 2024 to combat the ongoing housing crisis, aiming to build 30,000 new units. This goal, rooted in historical targets and the need to boost housing supply, highlights the urgency of the situation.

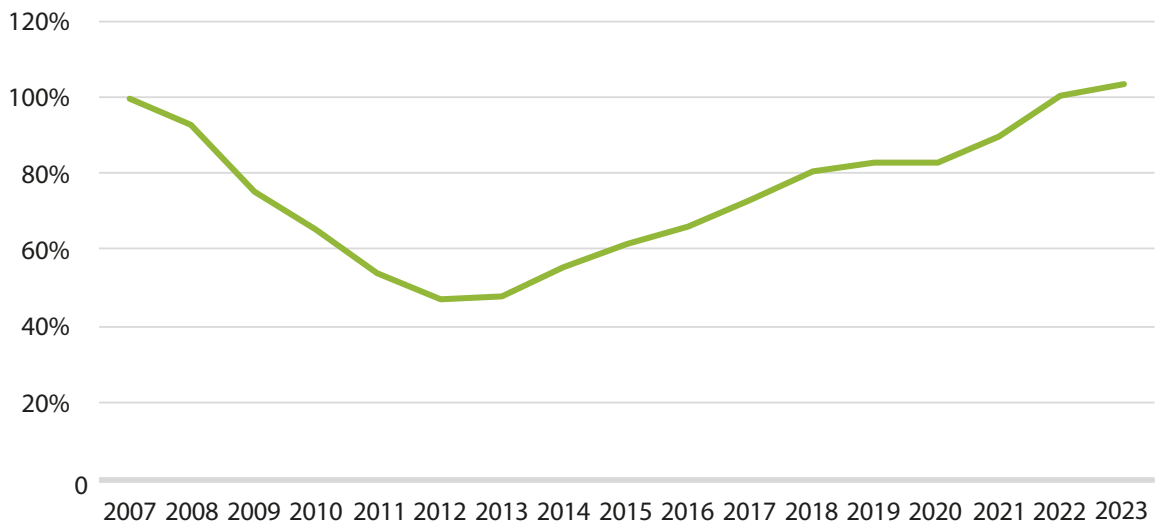
Last year saw 1,400 planning applications submitted, representing over 47,000 units. Housing commencements were strong, with 787 projects starting, resulting in almost 30,000 new dwellings.

Planning grants were issued in 2023 for over 56,000 new homes, a 14.3% increase from 2022. This in part contributed to a high level of new starts and strong housing completion figures.

Earlier this year the Government extended the deadline on the Development Contribution Waiver Scheme, which exempts developers from development contributions and allows them to seek refunds on water connection fees. The scheme required developers to begin new housing schemes, or phases thereof, by the 24th of April 2024 and complete them by 31 December 2025. The result of this action was a huge spike in new housing commencements in Q2 of this year. However, there is concern that the steady flow of housing will fall after 2025 as much of the planned development has been squeezed into a shorter development timeframe.

House prices continue to rise in Ireland as demand continues to outstrip supply. The Residential Property Price Index December 2023 below highlights the erratic nature of this market.

CHART 4: Residential Property Price Index December 2023



Source: Central Statistics Office
 Note: 2007 = 100%

CHART 5: Residential Planning Grants to end of May 2024

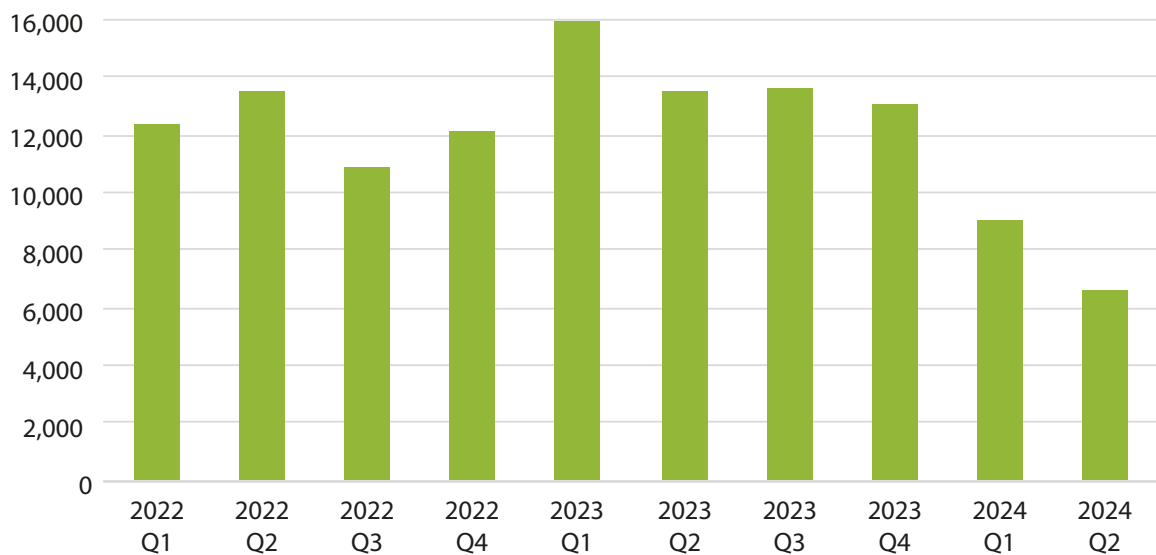
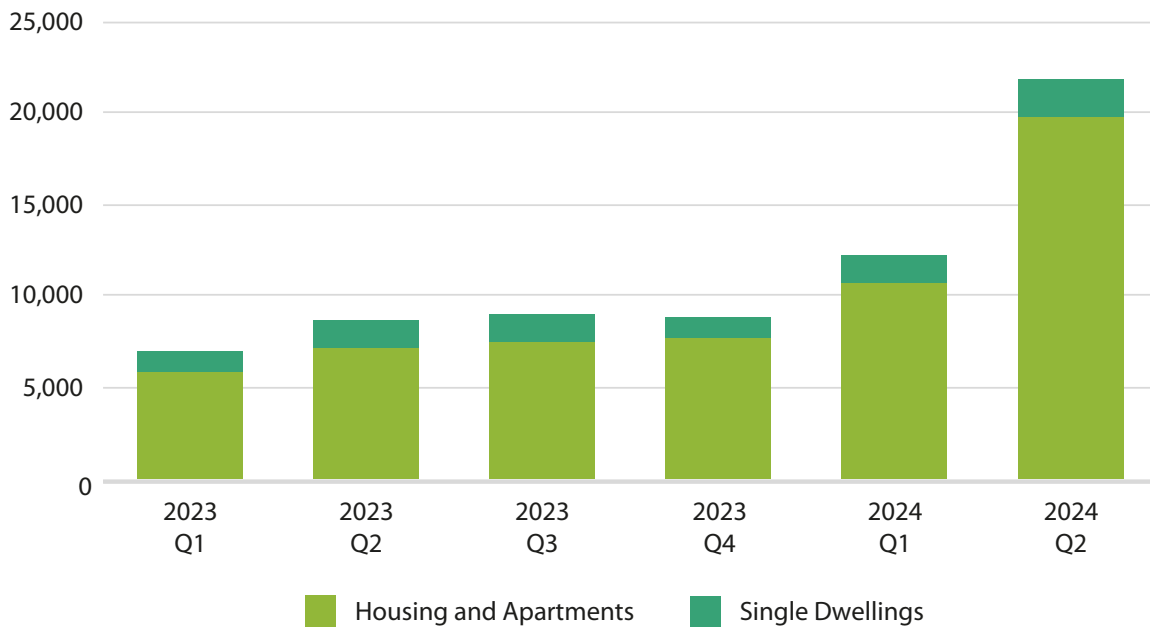


CHART 6: Housing Completions to end of May 2024



CHART 7: Housing Starts (Units Commenced)

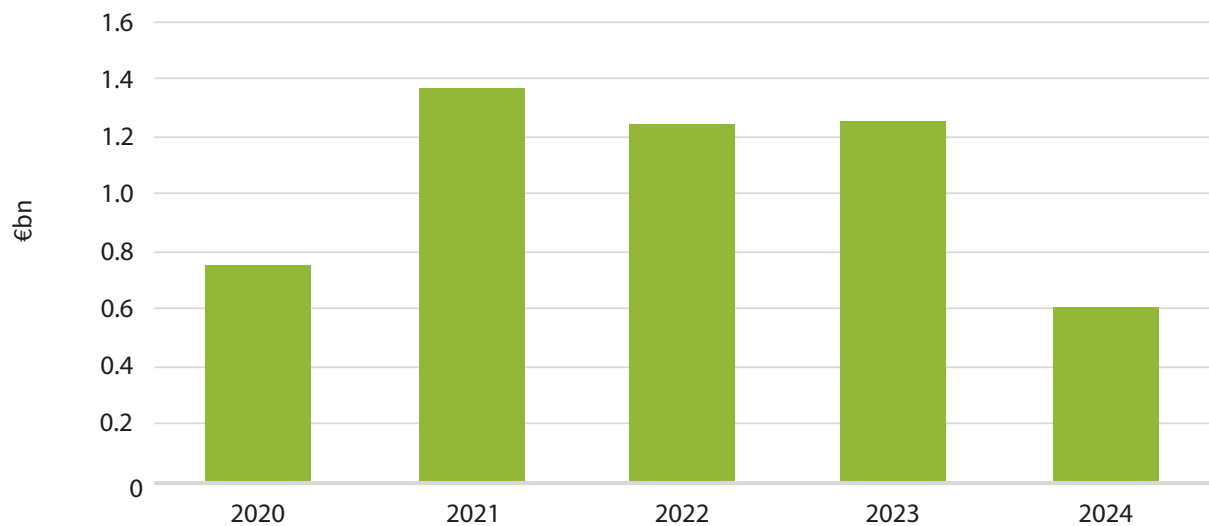


PRIVATE NON-RESIDENTIAL INDUSTRIAL

As a vital contributor to the country’s economic development, the industrial sector provides the necessary infrastructure for sustained enterprise, manufacturing and logistics which all feed back into economic growth. In 2024, industry stakeholders must navigate a complex environment marked by supply chain disruptions, labour shortages and the pressing need for sustainable practices in planning and construction. Global players in the pharmaceutical industry are continuing to engage with domestic contractors, who are offering innovative construction solutions responding to the advancing needs of research and development in the areas of new product expansion, retrofitting and sustainability.

By embracing innovation, fostering collaboration, and prioritising sustainability, contractors and suppliers in construction can drive growth and position themselves as leaders in the Irish industrial sector. This necessitates a focus on delivery excellence and implementing strategic recommendations to address challenges like supply chain disruptions, labour shortages and the need for sustainable practices.

CHART 8: Industrial project start trend in Ireland (to May 2024)



COMMERCIAL

The commercial sector has suffered most in post-pandemic Ireland. There is uncertainty in the commercial office sector as flexible working and rising costs impact new office developments. This is reflected in the pipeline as represented by planning grants and by the number and value of new office developments starting. The retail sector fares better with steady growth projected from 2024 in line with rising consumer confidence.

CHART 9: Office and Retail plans granted by value (to May 2024)



CHART 10: Office and Retail new starts by value (to May 2024)



HOSPITALITY

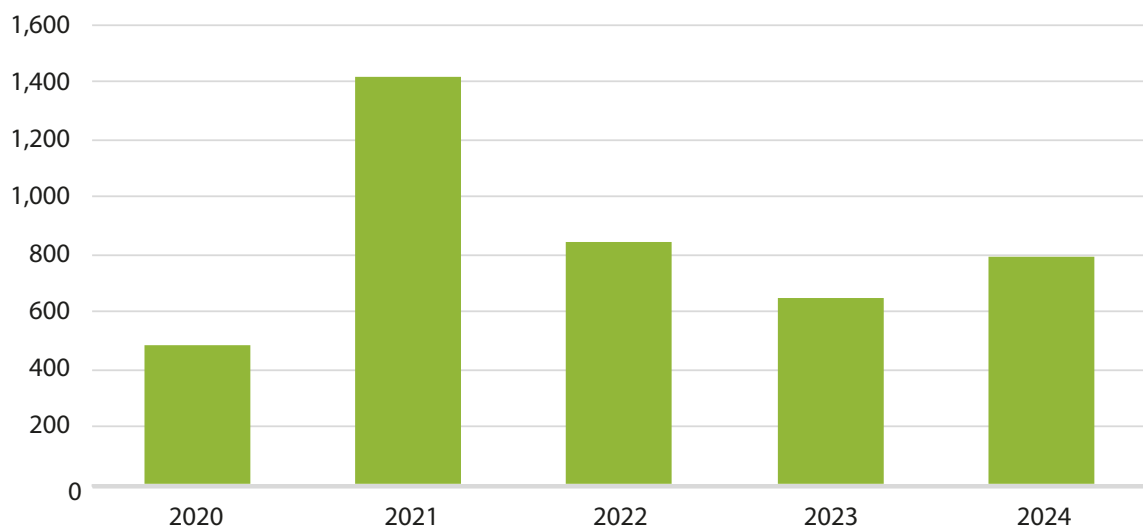
2024 has so far seen a steady stream of planning applications submitted for the hotel and hospitality sector and there are certainly some large schemes on the drawing boards. In terms of hotel development, between January 2024 and April 2024, new planning applications account for 17 potential new projects, amounting to €110.9 million in build costs.

Demand for hotel rooms in Ireland is on the rise and the Irish Tourism Industry Confederation has already voiced concern that the number of rooms being built will not meet the projected demand going forward in the next decade, so more needs to be done.

Other areas of the hospitality sector such as bars, restaurants and guesthouses have shown an increase in planning applications being submitted for potential new builds, refurbishments and conversions (January 2024-April 2024) which should lead to a healthy pipeline of work for 2024/2025.

Figures released in January 2024 by the DAA show that 31.08 million passengers passed through the terminals of Dublin Airport in 2023. Passenger numbers at Dublin Airport are now 60% higher than they were a decade ago. Investment in hospitality and leisure services in Ireland remains key despite many areas potentially hindering development such as a lack of hospitality staff, increase in minimum wage, increase in food costs, increase in utility/energy bills/rents which are ever present.

CHART 11: Hotel beds completed to May 2024



SPORT & SOCIAL

The sport & social sector has experienced a recent decline in the volume of applications submitted and approved. Plans approved however, have seen an increase of approximately 32%. The volume of project starts this year show an increase of over 10% compared to the same time last year.

It was announced recently that funding of over €20 million will be available under the Town and Village Renewal Scheme for regeneration projects in rural towns and villages in Ireland. Since being established in 2016, the Town and Village Renewal Scheme has approved over €177 million for almost 1,800 projects across the country.

GOVERNMENT INVESTMENT

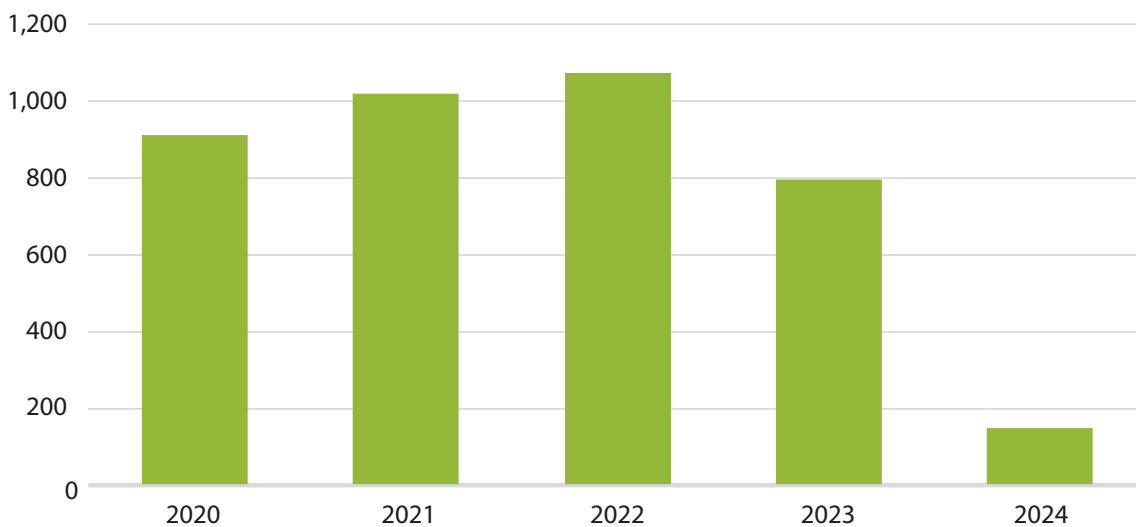
EDUCATION

The education sector has experienced what appears to be an ongoing backlog of projects currently awaiting approval from the Department of Education.

During the first quarter of 2024 the Government revealed plans to roll out the next phase of the Department of Education’s building plan. It has been stated that 90 school buildings that are currently at tender stage will see authorisation to proceed and this will be carried out over 2024 into 2025.

Compared to 2023 there has been a decrease in the number of project starts by classroom of 36.5% (141). It is agreed that the rising costs of materials and labour has created this delay, with many schemes having to adjust budgets. If the roll out picks up pace the education construction sector looks set to have an active time ahead.

CHART 12: Project start trends by classrooms (to May 2024)



MEDICAL

The medical sector has been on a steady track this year so far. Overall, there has been a volume increase in new project starts of 5.2% compared to this period last year. There has been continued progress on the National Children’s Hospital. March saw the completion of the Ronald McDonald House, a four-storey family accommodation unit on the grounds of St. James Hospital Site. This has been a welcome advancement in what has been a slow project. On a positive note, plans to build new elective hospitals in Cork and Galway have issued the publication of tenders for design and cost control teams. It is expected that the design phase may take up to a year before applications for planning are submitted.

We have also seen projects shelved or placed on hold due to the rising cost of materials and labour. Contractors have found that their original costings are no longer valid. The HSE is now in a position, that it must increase budgets on these projects to progress.

CIVIL & UTILITIES

The civil engineering sector is crucial to Ireland’s economic development, providing essential infrastructure for housing, commerce, connectivity and sustainable communities. In 2024, the sector stands at a pivotal juncture, poised for growth and transformation amidst a rapidly evolving landscape. Addressing these challenges is crucial for the sector to deliver on its growth potential, meet the critical infrastructure needs and to address the ongoing housing crisis.

As the sector navigates challenges such as supply chain disruptions, labour shortages, and the increasing need for sustainable practices, industry stakeholders must embrace strategic initiatives throughout project lifecycles. Early involvement by contractors and the adoption of innovative solutions are essential to effectively address rising costs, funding approval issues, supply chain constraints and skills shortages. The adoption of modern construction methods, offsite manufacturing, and digital technologies will be essential to improve productivity and reduce project costs.

Despite positive growth forecast for 2024, sustained efforts are needed to drive public investments, adopt sustainable approaches in planning and construction and advance technological innovation. By emphasising delivery excellence and strategic recommendations, the civil engineering sector can overcome challenges and achieve significant growth in 2024 and beyond.

NORTHERN IRELAND

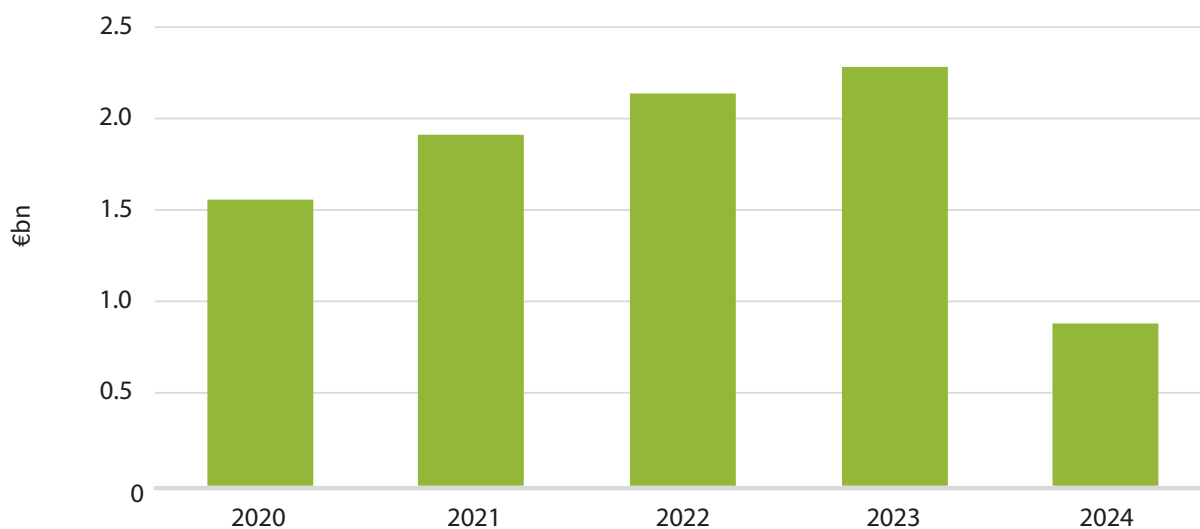
So far this year we have seen a decrease in the volume of planning applications submitted in Northern Ireland. A 22% decrease in Q1 2024 compared to the same period last year. In contrast, the value of these applications saw an increase of 54%.

The Education sector saw a spike in planning applications approved this year. In February 2024 it was announced that seven new build projects will now be progressed. It had previously been announced in May 2023 that the process for 28 schools earmarked for new buildings were paused.

One major factor that affected planning and construction works in Q1 2024 is the “housing crisis” in Northern Ireland. 19,000 homes are reportedly being held up by wastewater capacity limits. We can see the impact that these issues are having already in Q1 2024, with plans submitted, approved and projects starting on site all down compared to the same time last year.

Devolved government returned to Northern Ireland in February 2024 after a 24-month hiatus. Following the return, CEF, which represents around 70 per cent of construction in Northern Ireland, set out a 10-point plan for stimulating the country’s construction sector. The list includes planning reform, fresh housing targets and the creation of an independent infrastructure commission.

CHART 13: Planning grant trends Northern Ireland to May 2024



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