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NOVEMBER 2024

CONSTRUCTION INDUSTRY FORECAST
FOR THE UK AND REPUBLIC OF IRELAND

2025-2026

Featuring insight directly from industry thought leaders:

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CONTENTS

EXPERT INSIGHTS TO DRIVE YOUR CONSTRUCTION STRATEGY FORWARD

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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

A slowly improving UK economy will help lift construction activity over the next two years. The economy has returned to growth this year after the short-lived recession endured during the second half of 2023. A further acceleration in economic growth is anticipated for 2025 and 2026.

The UK economy is set to grow by around 1% in 2024 supported by higher government spending and a recovery in consumer spending. The early July election helped dispel political uncertainty and improve investor confidence.

The modest rise in consumer spending in 2024 is supported by a small rise in real household incomes. Whilst the rise in average earnings has decelerated sharply from 7.3% in 2023 to around 4% this year, the drop in consumer price inflation has been sharper, providing a lift to households' spending power.

Lower inflation has also paved the way for a gradual easing in interest rates that has bolstered business confidence and lifted housing market activity. Whilst some existing homeowners still face a rise in mortgage payments as their fixed rate deals expire this year and during 2025, the easing in bank base rates is helping to temper the rise.

The Budget brought in several tax measures as the chancellor sought to tackle the government's budget deficit and fund an increase in public sector spending. Whilst the tax burden is increasing, the new measures including changes to inheritance tax, capital gains tax, non-dom rules and VAT on school fees predominantly fall upon wealthier households. This should limit the impact on overall consumer spending growth and confidence during 2025 and 2026.

Higher government spending and recent public sector pay increases will also help lift consumer spending and economic growth over the near term.

The Chancellor's decision to reform the government's fiscal rules will provide a welcome boost to the economy and construction activity over the forecast period, enabling increased government borrowing to fund investment in UK infrastructure and the built environment.

A further strengthening in household incomes is anticipated from 2025. This is expected to benefit consumer-facing construction sectors such as private housing, retail and hotel & leisure. An easing in borrowing costs, improved economic conditions and greater political certainty are also expected to boost investor confidence in industrial and commercial property markets from next year.

Public funded investment has been disrupted this year by the General Election and the subsequent post-election review of existing programmes by the new government. The spending commitments in the Budget for 2025/26 provide greater clarity and should enable government departments to progress existing projects over the coming year.

The Spending Review, scheduled for the Spring, will set out the new government's longer term funding commitments and priorities. This is expected to support a strengthening in public sector construction activity during the second half of the forecast period.

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

The key assumptions around which the forecasts are based include:

- **A gradually improving** UK economic outlook, lower borrowing costs and reduced political uncertainty support a progressive strengthening in private sector investment for non-residential sectors over the forecast period.
- **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 in 2025 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

- ↗ **Political Stability:** The General Election in July reduced political uncertainty and investor indecision, creating a more favourable environment for investment.
- → **Private Sector Projects:** Project starts have stabilised in the second half of 2024 as confidence among private sector investors and consumers has improved.
- ↘ **Public Sector Disruption:** Public sector projects have been disrupted as the new Government reassesses programmes and priorities.

FORECAST HIGHLIGHTS:

2025-2026 OUTLOOK:

– **Construction Project Starts:** Expected to strengthen as UK economic growth gathers pace, supported by increased household spending and business investment.

– **Public Investment:** Projected to rise in the second half of the forecast period, following the new Government's completion of the Spending Review.

RECENT TRENDS IN CONSTRUCTION STARTS:

2023 DECLINE:

– **Overall Construction Starts: 7% decline** due to weak economic activity and high interest rates.

2024 STABILISATION:

– **Second Half:** Construction starts stabilised as private sector confidence improved.

– **Full-Year Forecast:** 1% decrease expected, a smaller decline compared to 2023.

– **Q3 Contract Awards: Up 7%** compared to Q3 2023, indicating a strengthening development pipeline and a positive outlook for upcoming project starts.

SECTOR-SPECIFIC INSIGHTS:

- ↗ **Private Sector:** Improvement in private work has supported the stabilisation of project starts, particularly in areas like private housing, retail, and hotel & leisure.
- ↘ **Public Sector:** Public sector activity slowed during 2024 as the General Election and subsequent government review delayed some planned projects.

FUTURE INVESTMENT AND ECONOMIC BOOST:

2025-2026 GROWTH:

– Renewed construction growth is anticipated as a stronger UK economy boosts consumer and business confidence.

– Expected increases in household spending should support growth in private housing, retail, and leisure sectors.

– Industrial and office project starts are forecast to rise with improved investor confidence.

GOVERNMENT SPENDING:

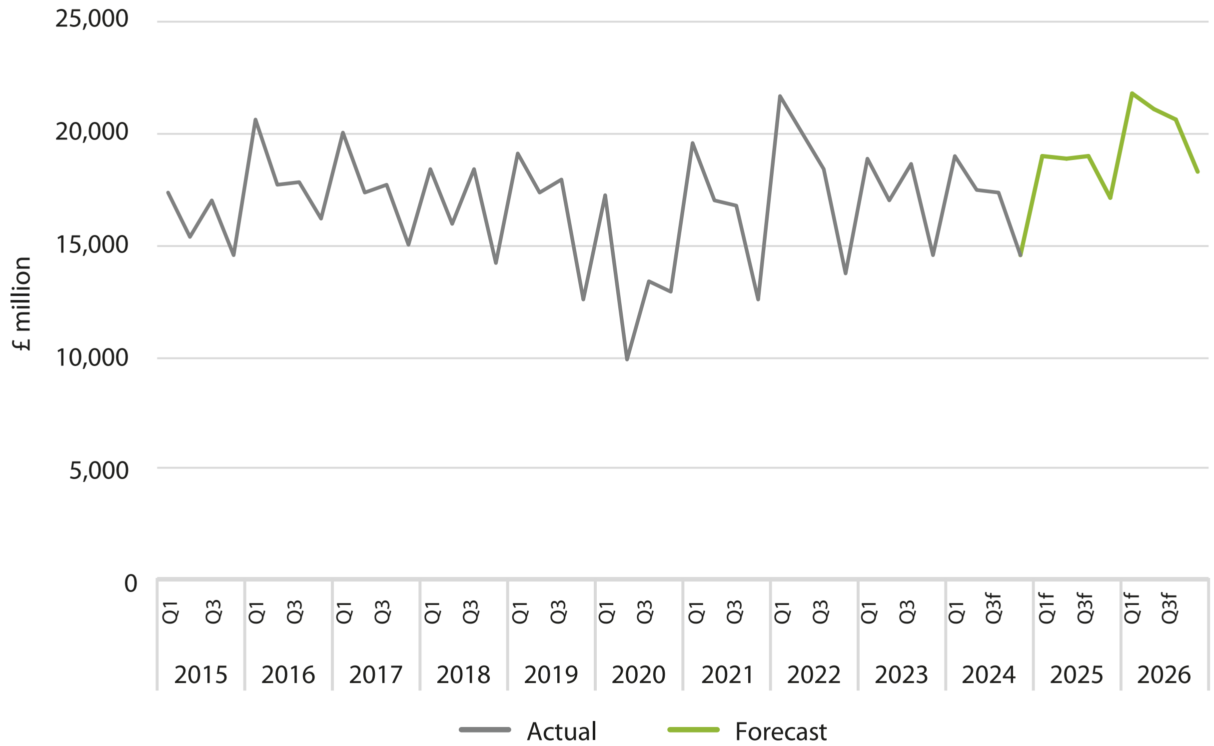
– **Budget 2025/26:** Introduces fiscal rule changes aimed at increasing capital investment, projected to unlock more public sector and infrastructure investment.

– Further government investment strategy details will be provided in next Spring's Spending Review.

Key drivers of growth:

- **Gradual recovery** in private housing starts during 2025 and 2026 as housing affordability improves and economic outlook brightens.
- **Improved consumer spending** lifts retail and hotel & leisure sector starts.
- **Rise in office refurbishment work** as premises are remodelled to accommodate a shift in post-pandemic working practices.
- **Online retailing is a catalyst** for renewed investment in logistics facilities from 2024.
- **Increased public sector investment** in education, health, and community & amenity during 2026.

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	2023	2024f	2025f	2026f
PRIVATE HOUSING	28,106	26,806	30,182	34,699
SOCIAL HOUSING	8,870	7,502	8,356	9,249
INDUSTRIAL	5,241	4,932	5,167	5,559
OFFICES	4,920	3,873	4,567	4,747
RETAIL	1,722	1,961	1,975	2,150
HOTEL & LEISURE	2,799	3,328	3,514	3,829
EDUCATION	5,928	6,223	6,385	6,413
HEALTH	3,256	3,610	3,662	4,044
COMMUNITY & AMENITY	1,497	1,650	1,467	1,541
CIVIL ENGINEERING	6,818	8,593	8,982	9,640
TOTAL	**69,155**	**68,478**	**74,258**	**81,873**

Source: Glenigan. f = forecast

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

Annual Change	2023	2024f	2025f	2026f
PRIVATE HOUSING	-10%	-5%	13%	15%
SOCIAL HOUSING	15%	-15%	11%	11%
INDUSTRIAL	-30%	-6%	5%	8%
OFFICES	-14%	-21%	18%	4%
RETAIL	-13%	14%	1%	9%
HOTEL & LEISURE	-15%	19%	6%	9%
EDUCATION	43%	5%	3%	0%
HEALTH	-8%	11%	1%	10%
COMMUNITY & AMENITY	3%	10%	-11%	5%
CIVIL ENGINEERING	-6%	26%	5%	7%
TOTAL	**-7%**	**-1%**	**8%**	**10%**

Source: Glenigan. f = forecast

PRIVATE RESIDENTIAL

Housing market conditions have stabilised during 2024. An improvement in household incomes, an initial easing in mortgage rates and a brighter economic outlook have helped rebuild house purchasers' confidence. The number of mortgage approvals during the third quarter of 2024 was 39% higher than a year earlier and the Nationwide reports that average house prices increased by 3.2% over the year to September.

Improved market conditions have helped to stabilise private housing starts, after the sharp falls seen during 2023 and the first quarter of 2024. A strengthening in economic growth and further interest rate cuts are expected to further buoy house-buyers confidence during 2025 and 2026. This is forecast to support a strengthening in new housing activity as rising house sales encourage developers to accelerate the development of existing projects and open new sites.

PRIVATE NON-RESIDENTIAL WORK

After a strong post-pandemic rebound industrial starts fell back sharply in 2023 and have weakened further this year. Sharply higher interest rates dented the capital value of industrial property and knocked investor confidence last year, while weak retail spending has constrained the demand for warehousing and logistics space. Following this period of decline, the industrial sector is forecast to return to growth from 2025. Despite the squeeze on household budgets over the last three years, online purchases' share of retail sales is still up on 2019 levels. Higher consumer spending is set to lift the demand for logistics and light industrial space from online retailers and third-party carriers.

Investment by the deep discount supermarkets, Aldi, and Lidl, remains a bright spot with both chains pressing on with plans to expand their store networks and helped drive a 14% rise in project starts during 2024. Strengthening consumer spending as household incomes grow is forecast to support project starts over the next two years. An overhang of empty retail premises is also expected to prompt investment to refresh and repurpose existing excess retail space including shopping centres to create more mixed-use locations.

Improving economic prospects have supported a bounce back in hotel & leisure projects this year.

Hotel & leisure starts have rebounded during 2024 and further growth is anticipated over the next two years. The hospitality sector has faced tough market conditions since the pandemic but has benefited this year from an increase in consumer's discretionary spending as households' financial position has started to improve. A further improvement in consumer spending is expected to underpin a progressive strengthening in investors' confidence and investment in the sector during 2025 and 2026.

Office starts have continued to decline during 2024, dropping by 21%. Higher borrowing costs and an overhang of available floorspace have prompted investors to defer planned projects. The sector is expected to return to growth from next year. 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 from corporate occupiers 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 flow of public sector project starts has been disrupted during 2024 by the general election and the subsequent review of public sector investment programmes by the new government.

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 which the Government expects to enable 100 projects to start during the next 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 have recovered this 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. Next Spring's Spending Review will set out the Government's longer term spending plans, and increased capital funding is expected to support renewed growth in 2026.

Greater cost stability and increased government funding has helped housing associations to increase their development activity this year. Whilst some decline is anticipated over the coming months, the further funding increase for 2025/26 announced in the Budget is expected to lift project starts from the second half of 2025. After a surge in work last year, a drop in student accommodation projects has dampened overall sector starts this year. However, a progressive strengthening in student accommodation projects is anticipated over the next two years.

Whilst several major infrastructure projects have been cancelled or delayed post-election, there has been a strong increase in the value of underlying infrastructure and utilities projects starting on site. Civil engineering starts have rebounded this year, after a 6% decline during 2023. A sustained recovery in infrastructure projects is anticipated over the next two years, with the Budget increasing the funding for smaller scale projects such as road repairs. In contrast the utilities sector is expected to benefit from a rise in major project-starts alongside a broader strengthening in activity. The water industry is seeking the regulator's approval for a substantial increase in capital works to reduce pollution discharges and the new government is set to drive increased investment in renewable energy generation and distribution over the forecast period.

THE POLITICAL LANDSCAPE: THE FIRST MONTHS OF THE NEW GOVERNMENT

Michael Cameron,
Senior Policy Analyst

DeHavilland

WHAT HAS CHANGED SINCE JUNE?

It is fair to say that there has been a degree of political change this year. With the first change in power for 14 years, politics is now largely slipping out of the picture. This is now a Government, fundamentally, in governing mode: the business of devising policy and legislating is back in full swing.

July's King's Speech was one of the busiest in recent years, setting out 40 pieces of legislation that the Government intends to pass over roughly the next 12 months.

Last month's Budget was a significant one, both in tax and spend. The capital expenditure programs, particularly in education and health will be significant. For schools, £6.7 billion was announced for capital and £1.4 billion for the schools rebuilding programme, which will rebuild over 500 schools in England in total with 100 projects starting next year.

For the NHS, there was an additional commitment of £1 billion for hospital repairs and upgrades. The Government also confirmed, as expected, funding to deliver HS2 to Euston (though not funding for an "HS2 Light" between Birmingham and Manchester).

The politics of construction

From the Budget, it is clear that the Government is committed to capital expenditure, particularly in the health and education portfolios; they were the noticeable winners of last month's fiscal events.

Though, the Government displayed a lukewarm approach to infrastructure investment in its first Budget, with their commitment to take HS2 to Euston and deliver existing half-built projects such as East-West Rail and the TransPennine Route Upgrade welcomed by the sector. However, all was not rosy, with road projects including the A1 upgrade at Morpeth being cancelled and no commitment made to fund the Lower Thames Crossing.

The new National Infrastructure and Service Transformation Authority will merge the existing Infrastructure and Projects Authority and National Infrastructure Commission into a new body tasked with both recommending and monitoring infrastructure projects. Over the course of the Parliament, it is likely that the new NISTA will have a key place in the conversations around new grid or water infrastructure. The launch of NISTA will support the 10-year infrastructure strategy, which we expect to be published alongside the Spending Review in the spring.

Remediation will continue to be a key issue for MHCLG and their relationship with developers. A remediation action plan will be launched before the end of the year, aimed largely at increasing the pace of remediation, which is something that the National Audit Office recently suggested had "considerable uncertainty".

Defra will also publish their land use framework, which, while having a principally climate and agriculture focus, will have an impact for the construction sector. It is expected that something close to 10% of the UK's land needs to be repurposed by 2030, likely mostly low-grade farmland. How this framework impacts the provision of new net zero infrastructure and how it interlinks with the 10-year infrastructure strategy will be key to watch.

Looking forward to the spring

The spring will bring two particularly important moments for the sector.

First, we expect the planning and infrastructure Bill to be introduced to Parliament. This legislation will reform the planning system to deliver new "critical" infrastructure, mainly through streamlining the national significant infrastructure planning process. Reforms will also be made to local planning authorities with the aim of speeding up decision making, while the Government will also reform compulsory purchase rules and allow development to better support nature recovery.

Though, as has been alluded to, the more important moment in the spring will be the conclusion of the second phase of the Spending Review – we expect it in the later part of the season.

This will set the departmental spending plans for at least three years – including for capital spending – and will also see the publication of key strategies: the infrastructure strategy, the third road investment strategy, the final industrial strategy and individual sector plans within that, and the 10-year NHS strategy.

Each of these will dictate how the Government wants to see its five missions delivered over the course of the Parliament; the next few months will be key for the construction sector.

Michael Cameron, Senior 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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UK HOUSING OUTLOOK: 2025 RECOVERY DENTED BY BUDGET

Iwona Hovenko,
Senior Equity Research Analyst
Bloomberg Intelligence

The strength of 2025 recovery in UK house sales and prices could be dented by a slower easing in mortgage rates after the new budget, though we still expect better momentum next year vs. 2024. That's after the new UK fiscal plan – which may keep inflation higher – could slow down the pace of BOE rate reductions, with markets implying just one cut by the end of 2024 vs. two seen prior.

The BOE rate might fall to 4.1% in a year vs. 3.9% expected just a month ago, based on market pricing, though that's far lower than the 4.6% year-ahead view in June. After that, the bank rate is seen remaining near 4% by mid-2027. That's much more hawkish than Bloomberg Economics' forecasts for the BOE benchmark reaching 3% by 3Q26, with other economists pointing to a similar level, suggesting a possible better outlook for homebuyers.

No (Major) Budget Bad News Is Good News for Housing

Some of the potentially detrimental changes for housing – such as hikes of capital gains or council tax – have been avoided in the budget. Yet a higher employers' National Insurance contribution may dampen wage growth and job creation, weighing on housing. There were no direct inheritance-rule changes for housing, but thresholds have been frozen for two more years until 2030, which may drag more families into paying the tax, if house prices keep rising.

A stamp-duty surcharge hike on additional homes to 5% from 3% may force some investors to rethink and abandon the deal or switch to cheaper regions, where the extra tax bill is lower and rental yields are higher.

Sales to Return to Long-Term Trend as Higher Rates Set In

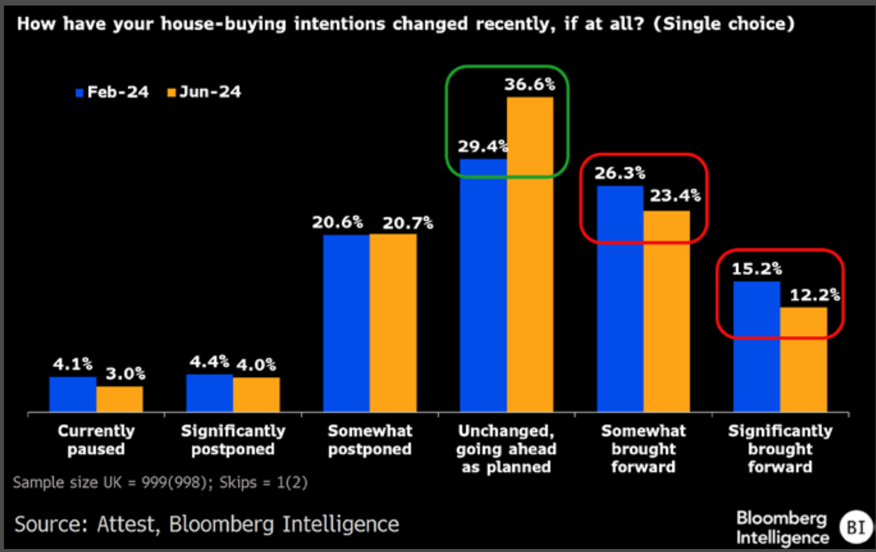
Lower mortgage rates vs. 2023 may support a recovery in UK housing transactions, with buyers getting used to the "new normal" of rates near 4%, while the prior sub-2% level is unlikely to return anytime soon. Rates are key to supporting a rebound, even as their decline may be slower than expected prior to the recent UK budget. Transactions may return to long-term average of about 1.2 million house sales in 2025, even as the distribution may be distorted by the reversal to lower stamp-duty thresholds from April.

Weak 2022-23 Mortgage Approvals = Pent Up Demand?

Buyers Getting On With Purchases Flag High-Rates Adjustment

Buyers getting used to high rates and proceeding with purchases as planned may support housing activity and sales of homebuilders, who're dependent on wider housing-market sentiment, given new builds account for only about 15% of annual transactions. That's as a growing proportion of survey respondents said in June that their buying plans were unchanged (37% in June vs. 29% in February), more than offsetting the decrease in the share of those who brought their plans forward. Notably, though, the fear of further price rises was by far the most-often cited reason for respondents who brought their plans forward.

UK Homebuyers Getting on With Purchase Plans



Stamp-Duty Bands Heading in Wrong Direction as Prices Rise

A reversal to lower stamp-duty thresholds from April 2025 may create a rush of buyers seeking to beat the deadline – especially among first-time buyers who may see a bigger tax hike – immediately followed by lower sales. Yet the relatively small savings (up to £2,500 for most) could mean a cliff edge could be avoided. First-time buyers may be harder hit (paying as much as £6,250 in increased tax), which might lead them to put off deals after the hike amid a high cost of living and record rents.

Prospective homeowners are already facing steep affordability challenges, especially as prior support for first-time home buyers (Help to Buy) ended just as interest rates soared.

Steep Affordable-Home Targets Need Help for Math to Work

Developers focused on affordable and entry-level homes, may be well-aligned with the government goals. Yet steep affordable-housing targets (40-50%) expected for some projects could make the math tough for homebuilders and hinder delivery. That's unless land values reflect the more onerous burden or some subsidies help improve viability.

The government also can't solely rely on profit-driven developers to deliver its target of 1.5 million homes over five years, given the cyclical nature of the industry, which aligns build rates to demand. Attracting smaller builders back into the market – after many exited amid hefty regulation and capital intensity, with only the largest ones able to cope – is key to diversifying housing supply, making the planning overhaul and accessible funding key.

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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NEW TECHNOLOGIES AND INNOVATION AS AN ENABLER FOR HARNESSING RESILIENCE AND GROWTH IN THE UK CONSTRUCTION INDUSTRY

Krystle Drover, B.Eng, P.Eng,
Associate Director, Major Project Advisory
KPMG in the UK

INTRODUCTION

The UK construction industry stands on the brink of recovery, driven by economic growth and a stabilised political landscape. The role of advanced technologies in improving data management and unlocking insights to enable critical business decisions is now more than ever front of mind for the sector to build on the successful traditional approaches while enabling future innovation. One popular example is Artificial Intelligence (AI), a frequently discussed technology that exemplifies digital enablement in today's market1 (footnote 1). The anticipated economic upturn and increased public sector investment offer a unique opportunity to integrate technology-driven solutions across the sector, paving the way for innovation, efficiency, and resilience to ever-changing market factors. Leveraging digital tools, data-driven insights, and innovative construction methodologies in areas such as budget forecasting, programme planning, procurement, and risk management can be transformative, enabling the construction industry to not only meet increased demand but also optimize resources and improve outcomes.

Technology and Risk Management

Integrating technology solutions and new approaches to data collection, flow of information, governance and consistency in evaluation, can create better predictability and cost certainty, which has the potential to substantially enhance risk management within the construction industry, particularly in baseline analysis and forward planning. Traditionally, the effort to gather and structure data meaningfully has strained internal resources, often resulting in a "rearview" perspective that limits proactive decision-making and leads to cost inflations and project disruptions. However, this is a journey where the first step involves qualifying historical baseline data to improve future performance.

A "right-fit" approach to technology integration, tailored to leverage historical data and identify gaps in traditional construction practices can bridge this divide. New technologies offer an opportunity to monitor, measure, and assess the effectiveness of historically chosen key performance metrics, highlighting areas where new methodologies or tools can enhance productivity, strategy, and sustainability. By embracing this data-backed approach, the construction sector can improve on its current well-established strategies and experience to balance a staged approach to future change. This can be balanced with the right level of risk appetite of an organisation to help build resilience to market strain and costs through well selected innovative approaches in an evolving market while ensuring steady project progress.

Identifying and Addressing Gaps for Innovation

For example, if AI highlights delays in procurement as a recurring issue, the construction industry can prioritise innovative approaches, such as new digital procurement tools or predictive models, to streamline this part of the process. Similarly, identifying a lack of skilled labour in certain regions could guide investments in construction innovations, innovative products or other labour-reducing approaches to the build process itself, to maintain productivity and project timelines. This targeted approach to innovation enables the construction sector to implement changes that drive measurable improvements in performance and productivity.

In addition to supporting operational improvements, AI can help the construction industry pinpoint specific areas within organisations where improvements are needed, providing a data-driven basis for focusing on the highest-impact areas. By analysing patterns in historical performance delivery data, AI can highlight gaps in existing processes or areas with productivity bottlenecks. This insight is invaluable for guiding innovation efforts, as it allows organizations to focus on developing solutions, whether in processes, materials, or construction products that directly address these identified gaps.

Similarly, construction innovation products tailored to address productivity losses or labour shortages can significantly reduce delays, improve build quality, and mitigate the impact of skilled labour gaps. Such innovations improve industry margins and lead to enhanced construction outcomes, making them essential to any modern, resilient construction strategy.

Given the Glenigan forecast expectations for stable construction growth, leveraging new technologies, when integrated in a tailored approach, can serve as valuable allies in achieving reliable planning, streamlining predictability in project timelines, and securing cost certainty. However, it should be noted that any technology and innovation will still rely on a cultural shift to adoption and approaches to investment. This traditionally has not been without its own challenges, but now, more than ever is acknowledged as a key enabler to growth, efficiency, and insight to evolve the sector. Moreover, these technologies and innovations can help enable the construction sector to unlock improvements in productivity, forecasting, and proactive risk identification, helping to offset potential future disruptions.

Footnote 1: AI is used here as an illustrative example of a popular technology. Many other innovations exist in business enablement, including advancements in construction processes, new materials, and emerging digital tools. This commentary presents AI solely as an example, not as a comprehensive solution or approach.

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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

2024 -5%   2025 +13%   2026 +15%

- **Private housing project starts stabilise during second half of 2024**
- **Housing project starts to grow in 2025 and 2026 as market conditions improve**
- **Budget support for SMEs and build to rent to help broaden development activity**

Improved market conditions have helped to stabilise private housing starts, after the sharp falls seen during 2023 and the first quarter of 2024. A strengthening in economic growth and further interest rates cuts are expected to further buoy house-buyers confidence during 2025 and 2026.

PRIVATE HOUSING STARTS

	2023	2024f	2025f	2026f
£ million	28,106	26,806	30,182	34,699
Growth	-10%	-5%	13%	15%

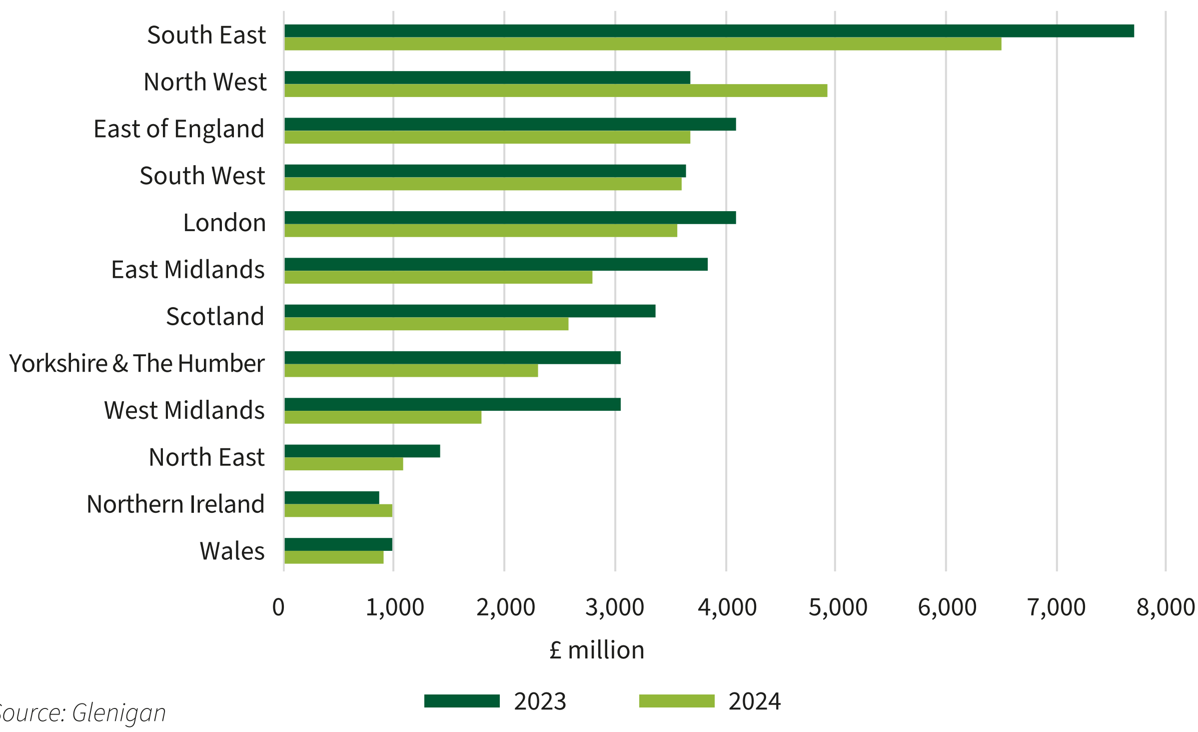
Source: Glenigan. f = forecast

STATE OF THE SECTOR

Housing market conditions have stabilised this year, after the sharp decline in activity during 2023. The UK housing market faced headwinds in 2023 as rising inflation and interest rates squeezed households' disposable income. Fewer property transactions and weaker house prices deterred developers from opening new sites, with starts dropping 10% last year and remaining sluggish during the opening months of 2024.

An improvement in household incomes, an initial easing in mortgage rates and a brighter economic outlook have helped rebuild house purchasers' confidence as 2024 has progressed. The number of mortgage approvals during the third quarter of 2024 was 39% higher than a year earlier and the Nationwide reports that average house prices increased by 3.2% over the year to September. The improvement in market conditions has enabled housebuilders to accelerate activity on existing projects and has stabilised project starts during the final six months of the year.

CHART 2: Value of Private Housing Projects Securing Planning Approval



Source: Glenigan
N.B. 2024 data is based on January to September pro rata

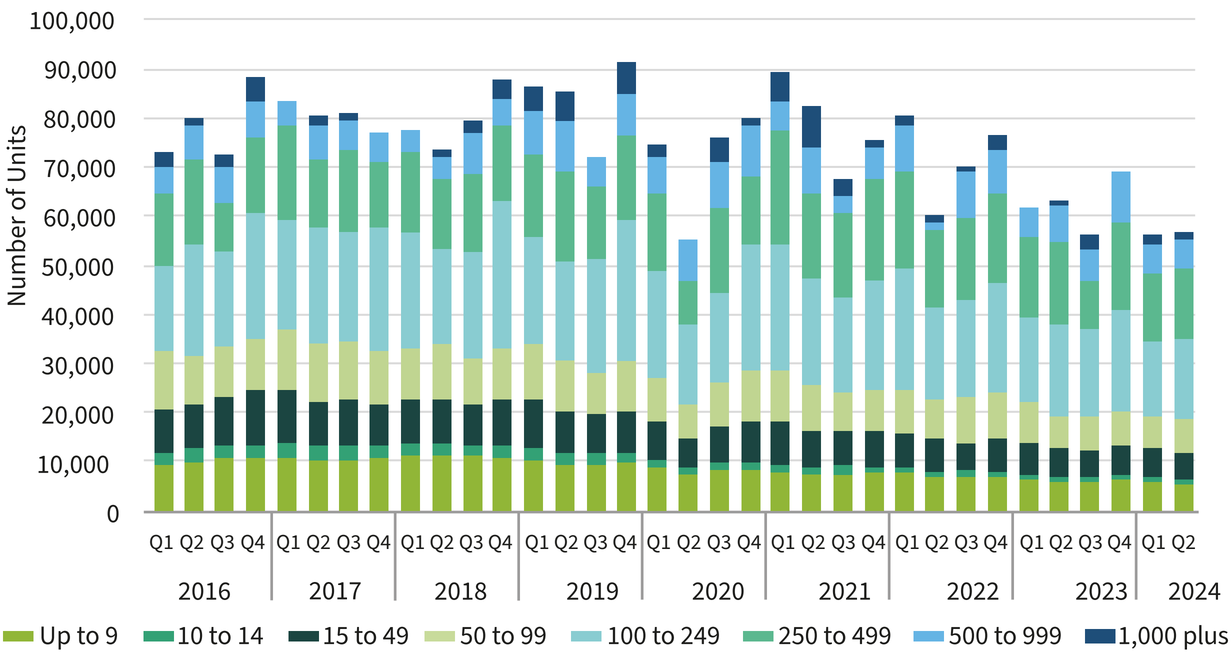
THE FUTURE OF THE SECTOR

A strengthening in economic growth and further interest rates cuts are expected to buoy house-buyers confidence during 2025 and 2026. Although UK wage growth slowed to 4.9% in the three months to August according to the Office for National Statistics, lower inflation and the easing in interest rates have improved affordability. With inflation back on target, the Bank of England is expected to ease interest rates further over the coming months. An upturn in housing transactions and house prices is anticipated over the next two years.

This is forecast to support a strengthening in new housing activity with developers accelerating the development of existing projects and opening new sites. Although approvals have been on a downward trend for the most part this year, housebuilders have a strong pipeline of previously approved developments. Furthermore, the government's planning reforms are expected to support an uptick in new approvals and housing development over the forecast period.

In addition, the Budget included £3 billion in support for SMEs and the build-to-rent sector. This should help foster new and smaller developers, potentially unlocking smaller sites that are of less appeal to more established housebuilders, and lift overall new housing supply.

CHART 3: Private Housing Detailed Planning Approvals by Project Size



Source: Glenigan

SOCIAL HOUSING

2024 -15% 2025 +11% 2026 +11%

- → **Social housing is a key political priority for Labour, with new policies set to drive growth in 2025 and 2026**
- ↗ **Allowing local governments to retain earnings from council housing sales is expected to boost housing starts over the next two years**
- ↗ **More student accommodation projects are planned for 2025 and 2026**

Greater cost stability and increased government funding has helped associations to increase their development activity this year. Whilst some cost saving is anticipated over the coming months, a further funding increase for 2025/26 announced in the Budget is expected to lift project starts from the second half of 2025. After a surge in work last year, a drop in student accommodation projects has dampened overall sector starts this year. However, a progressive strengthening in student accommodation projects is anticipated over the next two years.

SOCIAL HOUSING STARTS

	2023	2024f	2025f	2026f
£ million	8,870	7,502	8,356	9,249
Growth	15%	-15%	11%	11%

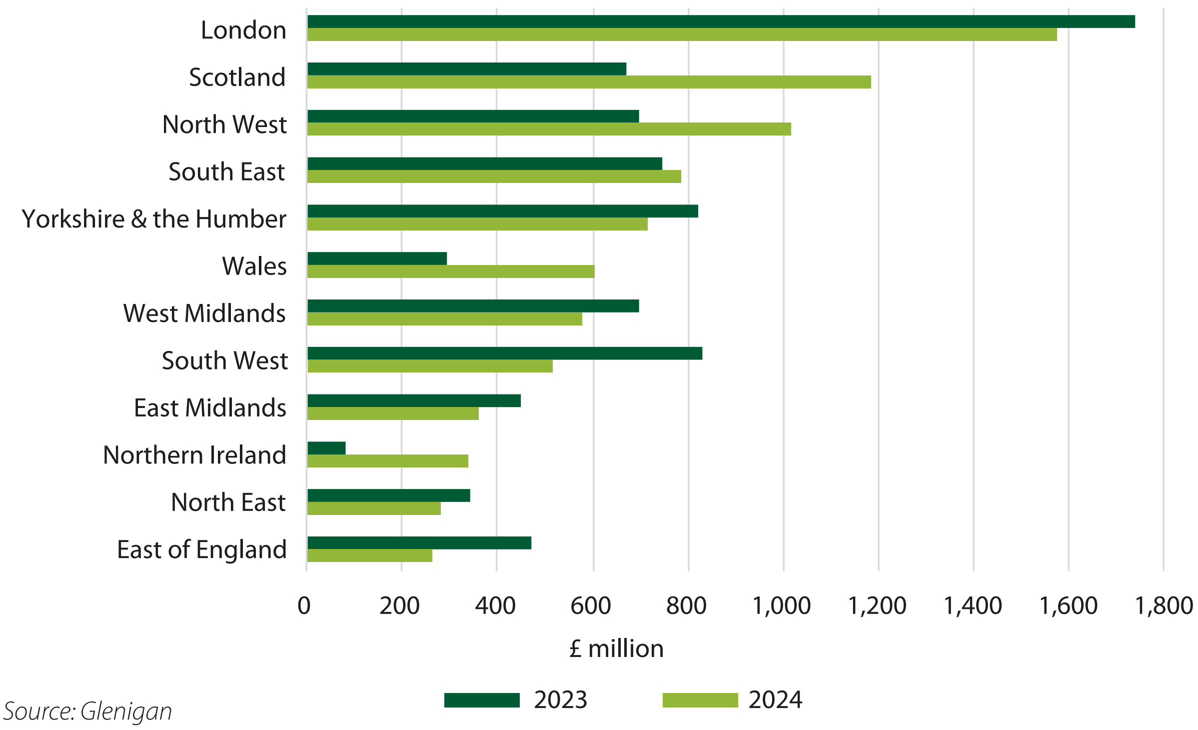
Source: Glenigan. f = forecast

STATE OF THE SECTOR

Housing associations have focussed their development activity on low rise housing projects this year at the expense of apartment schemes. Housing projects are estimated to have grown by 40% this year, accounting for 52% of sector activity. In contrast, apartment project starts have dropped 20% and accounted for a quarter of sector activity, down from 33% in 2023. The decline in apartment projects commencing on site may reflect the added cost and delays associated with high rise projects following the introduction of the Building Safety Act.

After a surge in starts last year, student accommodation projects are estimated to have declined by 20% in 2024.

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



Source: Glenigan
N.B. 2024 data is based on January to September pro rata

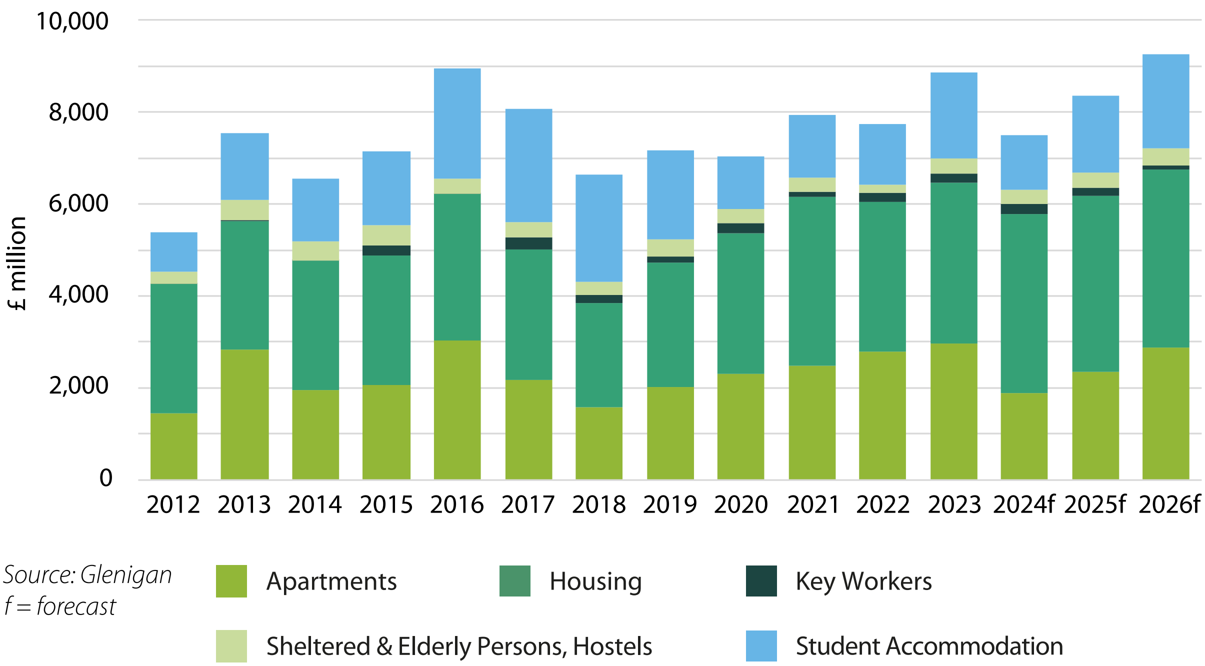
THE FUTURE OF THE SECTOR

While a slight slowdown in housing association development is expected in the near term, new social housing provision is set to strengthen over the forecast period. Improved cost stability has given housing associations greater confidence to plan and move forward with their development projects. The Budget provided an additional boost for the sector, with an extra £500 million increasing the Affordable Homes Programme for 2025/26 to £3.1 billion. The Government is also reducing the discounts on right to buy sales, with local authorities able to retain full receipts from any sales to fund new social housing.

The Spending Review is expected to include a further rise in capital funding over the course of this parliament, with social housing provision set to make an important contribution towards the Government's target of 1.5 million new homes. Additionally, plans to allow above inflation increases in rents over the next five years will enable social landlords to borrow more to fund new build projects.

Student accommodation starts are forecast to return to growth over the next two years. Easing interest rates will improve the financing of new developments. In addition, the demand for purpose-built student accommodation is likely to grow despite a plateauing in student numbers as buy to let investors exit the market following tax and regulatory changes.

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



Source: Glenigan
f = forecast

INDUSTRIAL

2024 -6%   2025 +5%   2026 +8%

- ↘ **Moderate decline anticipated in 2024**
- ↗ **Stronger economic growth expected to drive growth from 2025 onward**
- ↗ **Increased investment projected in manufacturing and warehousing facilities**

The industrial sector has seen further reduction in project starts this year after the post-pandemic boom in logistics facilities. Following this period of consolidation the sector is forecast to return to growth from 2025 as investor confidence is lifted by brighter economic prospects, easing interest rates and revived demand for logistics space.

INDUSTRIAL STARTS

	2023	2024f	2025f	2026f
£ million	5,241	4,932	5,167	5,559
Growth	-30%	-6%	5%	8%

Source: Glenigan.   f = forecast

STATE OF THE SECTOR

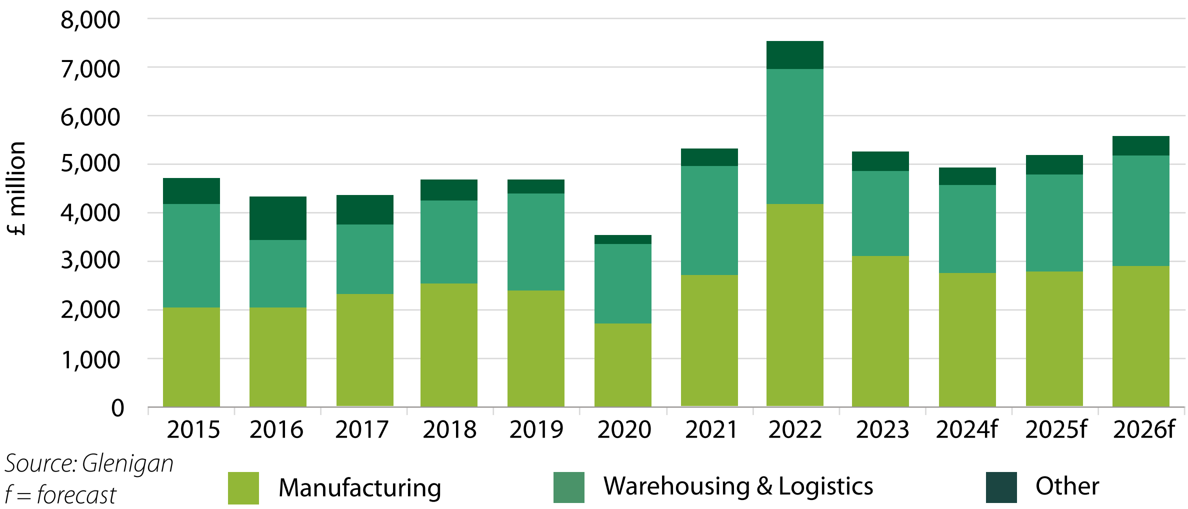
After a strong post-pandemic rebound industrial starts fell back sharply in 2023 and have weakened further this year. Sharply higher interest rates dented the capital value of industrial property and knocked investor confidence last year, while weak retail spending has constrained the demand for warehousing and logistics space. Project starts decreased 30% in 2023 and a further moderate 6% decline in industrial starts is expected this year.

Demand for warehousing and logistics space has weakened as a result of a decrease in consumer spending. However, a strong rise in retail sales in the year to September 2024 provides some optimism.

The industrial and logistics sector will also be impacted by the proposed changes in planning policies, outlined in the National Planning Policy Framework released at the end of July.

The Government has proposed that local planning authorities should identify suitable commercial sites for investment to support economic growth. There is also a strong focus on expanding the tech sector, with rising demand for industrial and logistics space driven by growth in the semiconductor industry.

CHART 6: Value of Underlying Industrial Project-Starts (under £100 million) by Year



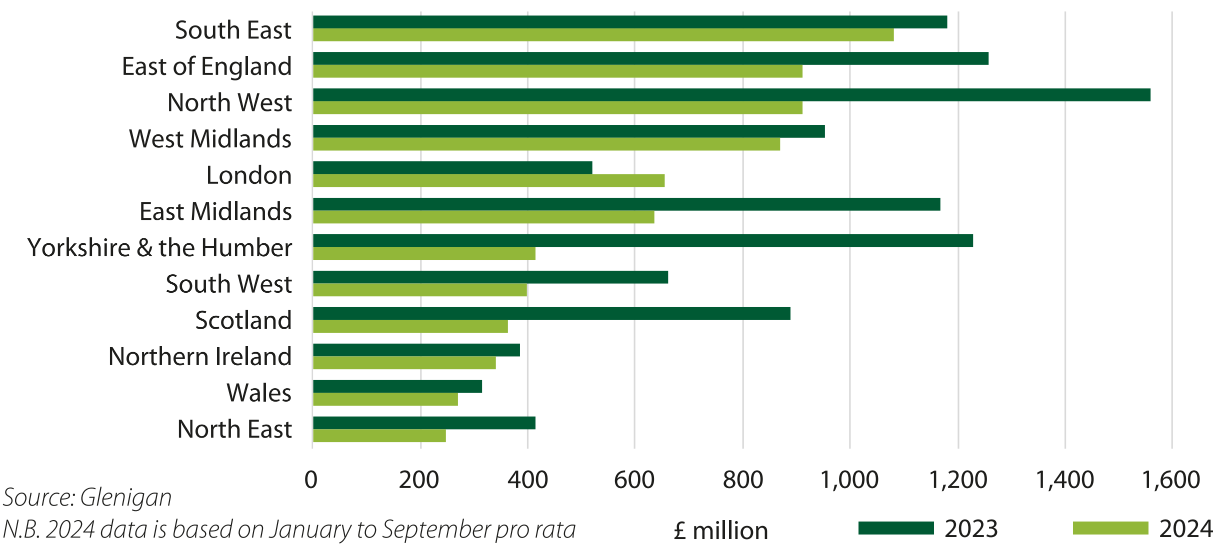
Source: Glenigan
f = forecast

THE FUTURE OF THE SECTOR

The sector is expected to gradually recover from next year, mainly driven by manufacturing and warehousing projects. Although the online retail market has long passed its peak after the start of the pandemic, its share remains higher than pre-pandemic levels and is expected to continue growing, driving the demand for warehouse and logistics space. Higher consumer spending is set to lift the demand for logistics and light industrial space from online retailers and third-party carriers.

Although the value of planning approvals has fallen back this year, there is a significant pool of previously approved projects that developers and investors can take forward over the next two years in response to the strengthening in demand for industrial floorspace.

CHART 7: Value of Underlying Industrial Project Approvals (under £100 million) in 2023 and 2024 Pro-Rata



Source: Glenigan
N.B. 2024 data is based on January to September pro rata

OFFICES

2024 -21%   2025 +18%   2026 +4%

- ↘ **Decline anticipated in 2024, with recovery expected in 2025-2026 as investor confidence rebounds**
- ↗ **Advances in AI may boost demand for data centres**
- ↗ **Strong interest in sustainable office spaces**

Office starts have been on a downward trajectory throughout the year, as high interest rates dampened investor confidence. The sector is expected to decline 21% in 2024; however, the brighter economic outlook promises growth in the longer term.

OFFICE STARTS

	2023	2024f	2025f	2026f
£ million	4,920	3,873	4,567	4,747
Growth	-14%	-21%	18%	4%

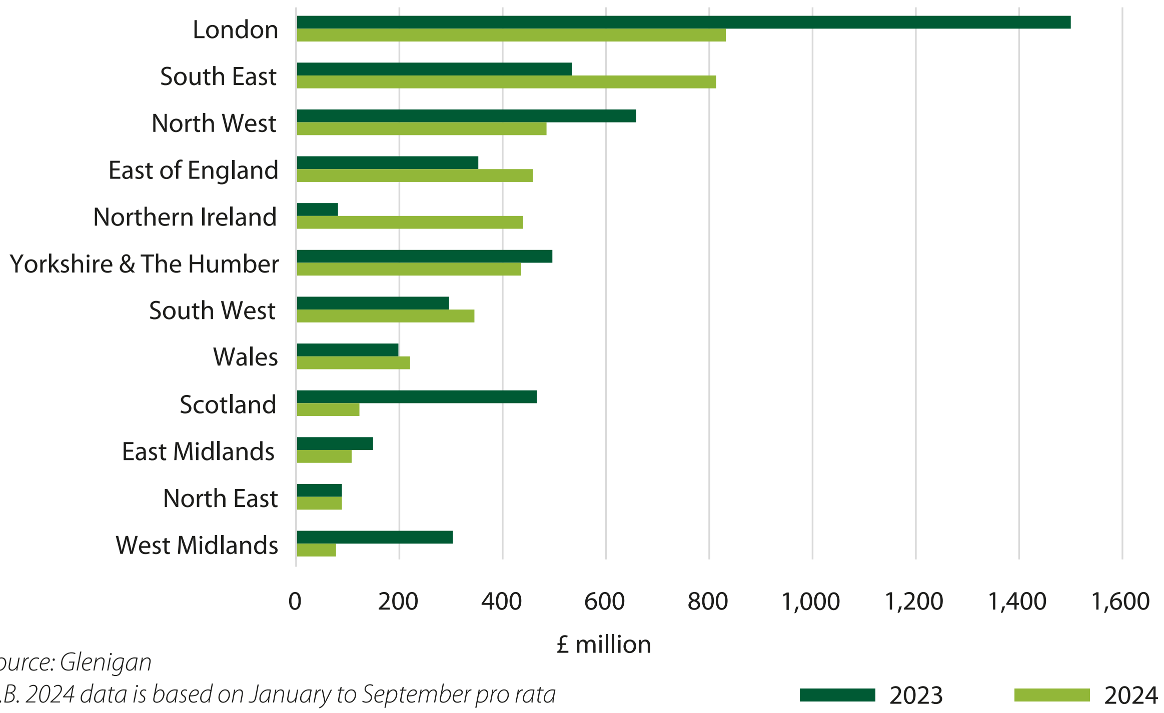
Source: Glenigan. f = forecast

STATE OF THE SECTOR

Office starts have continued to decline during 2024, dropping by 21%. Stalling economic growth and the spike in interest rates led to a 14% decline in office starts in 2023. Additionally, a slowdown in the job market, with rising unemployment and falling vacancy rates, further eased the demand for new office space. This slowdown has continued during 2024, with investor confidence remaining low. Office starts are estimated to have declined by 33% in the third quarter of this year. However, there has been some improvement in the pipeline as detailed planning approvals increased by 28% from the previous quarter, standing 1% higher than last year.

Additionally, increased office lettings in the Big 6 regional markets – Birmingham, Bristol, Edinburgh, Glasgow, Leeds, and Manchester – indicates greater employer optimism for higher office attendance.

CHART 8: Value of Underlying Office Project Approvals (under £100 million) in 2023 and 2024 Pro-Rata



Source: Glenigan
N.B. 2024 data is based on January to September pro rata

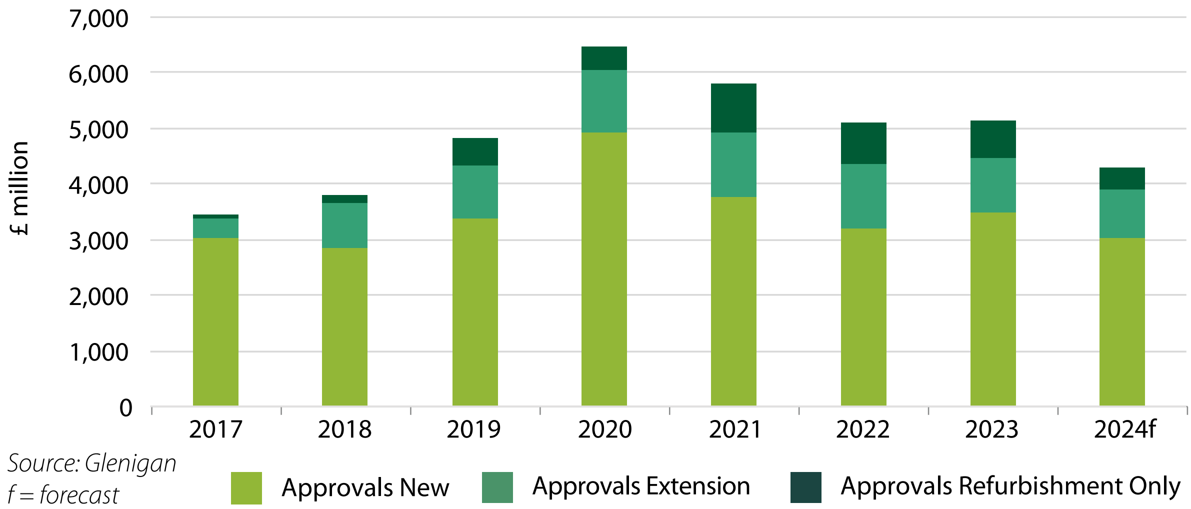
THE FUTURE OF THE SECTOR

In October, Technology Secretary Peter Kyle announced a £6.3 billion investment in data infrastructure. With the rapid advancement of AI, demand for data centres is expected to keep rising, boosting overall sector activity in the latter part of the forecast period.

Hybrid working trends are projected to drive sector growth in 2025 and 2026, with new builds and refurbishments in demand. Although total office space requirements are set to decline, there remains strong demand for high-quality, centrally located office spaces as companies reassess their needs. Tenants are also placing greater emphasis on environmentally efficient buildings to lower their carbon footprint.

Despite a decrease in detailed planning approvals, there is a robust pipeline of projects ready for construction, led by London and followed by the South East.

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



Source: Glenigan
f = forecast
N.B. 2024 data is based on January to September pro rata

RETAIL

2024 +14% 2025 +1% 2026 +9%

- **A positive economic outlook supports an increase in retail projects during the forecast period**
- **Growth expected to be led by shops and supermarkets**

The retail sector is projected to see a strong recovery in project starts this year. Further growth is anticipated in 2025 and 2026, driven by rising consumer spending. Supermarkets are expected to play a key role in this expansion.

RETAIL STARTS

	2023	2024f	2025f	2026f
£ million	1,722	1,961	1,975	2,150
Growth	-13%	14%	1%	9%

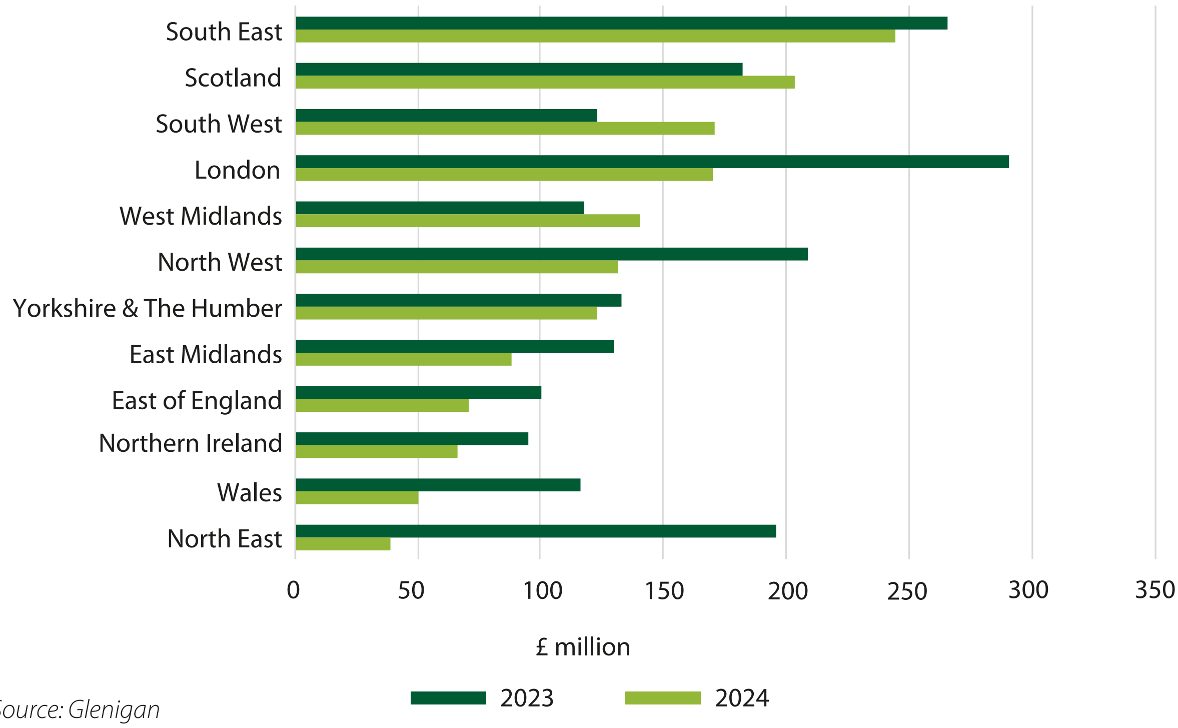
Source: Glenigan. f = forecast

STATE OF THE SECTOR

The retail sector has improved this year, as stronger consumer spending has helped ease some of the pressures on UK retailers. In 2023, retail construction faced challenges from weak consumer demand, rising costs, and the shift toward online sales, leading to a 13% drop in project start values and a 7% decline in detailed planning approvals.

However, signs of recovery are emerging, with retail project starts estimated to grow by 14% this year. Investment from discount chains like Aldi and Lidl continues to be a bright spot, as both move forward with plans to expand their store networks.

CHART 10: Value of Underlying Retail Project Approvals (under £100 million) in 2023 and 2024 Pro-Rata



Source: Glenigan
N.B. 2024 data is based on January to September pro rata

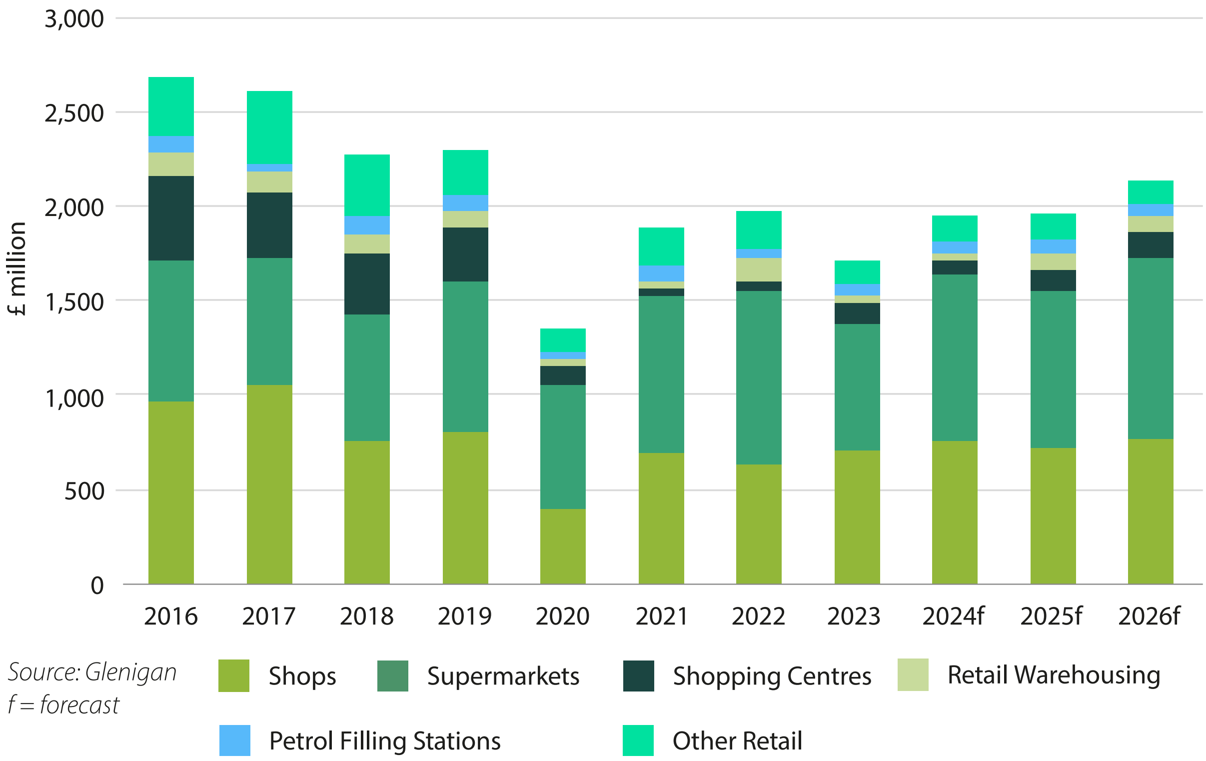
THE FUTURE OF THE SECTOR

A steady increase in retail project starts is expected over the next two years, driven by anticipated growth in consumer spending. This trend is likely to encourage retailers and developers to advance planned projects, with supermarkets leading the growth, followed by other retail shops.

However, the abundance of vacant stores may slow the pace of growth over the forecast period. On a positive note, the Government has pledged to reduce the business rates burden on smaller retailers. The recent Budget provides temporary relief for small businesses in the next financial year, 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 spaces.

With inflation down to 1.7%, consumer purchasing power is set to improve, boosting retail sales as low inflation persists. As a result, strong growth is anticipated in 2024, followed by a more moderate increase in project starts in 2025 and 2026.

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



Source: Glenigan
f = forecast

HOTEL & LEISURE

2024 +19% 2025 +6% 2026 +9%

- **Hospitality industry projected to recover as consumer spending rises**
- **Increased tourism is a promising sign for hotel and leisure developments**

After enduring a period of economic hardship, hotel & leisure starts have rebounded during 2024 and further growth is anticipated over the next two years. Rising disposable incomes and a projected surge in tourism are expected to be the key catalysts, fuelling investment and propelling project starts over the next two years.

HOTEL & LEISURE STARTS

	2023	2024f	2025f	2026f
£ million	2,799	3,328	3,514	3,829
Growth	-15%	19%	6%	9%

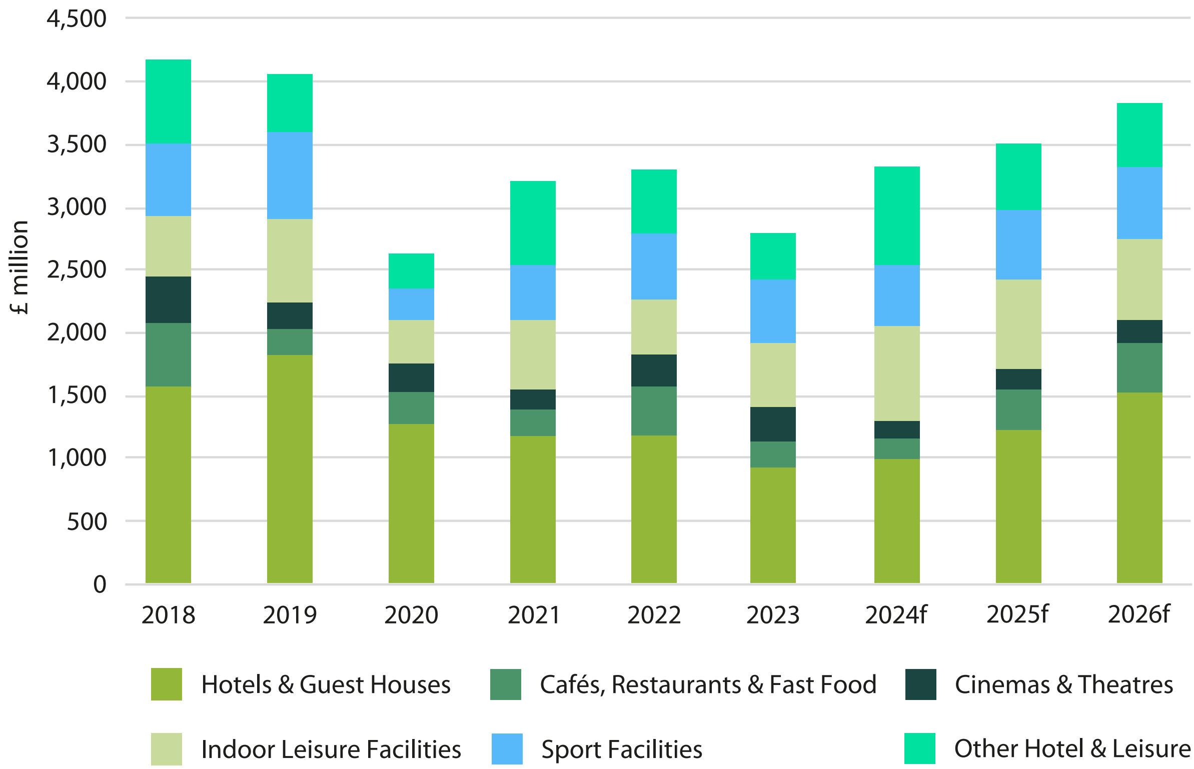
Source: Glenigan. f = forecast

STATE OF THE SECTOR

The hospitality sector faced significant challenges post-pandemic, which contributed to a decline in project starts in 2023. However, hotel & leisure projects have rebounded this year, benefiting from increased consumer discretionary spending. In the third quarter of 2024, hotel & leisure starts grew by 29% from the previous quarter, standing 83% higher than the same period last year.

With the economy gradually improving and inflation decreasing, consumers' disposable income is increasing, allowing for more spending on leisure activities. Although tourist spending has declined, the number of visitors to the UK has risen since 2022, encouraging hotel investments. VisitBritain reports that inbound visits finally exceeded pre-pandemic levels in early 2024, with further growth in visitor numbers over the first half of the year compared to 2023 and 2019.

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



Source: Glenigan. f = forecast

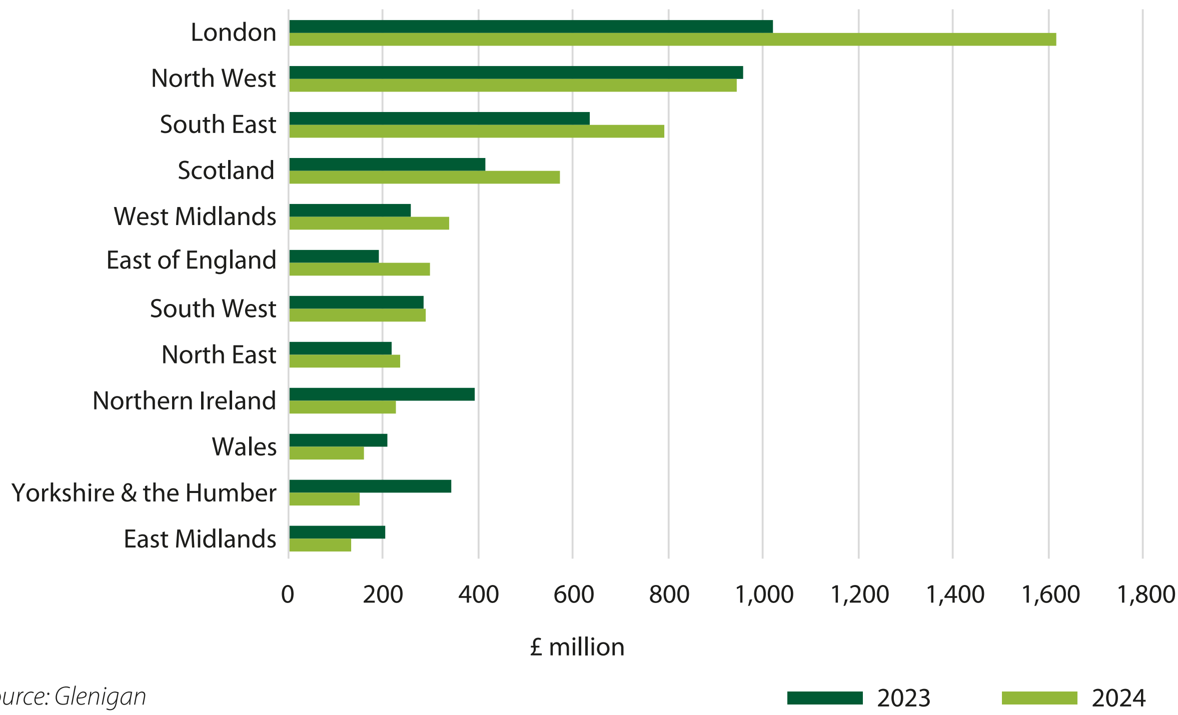
THE FUTURE OF THE SECTOR

A gradual rise in household income is expected to boost discretionary spending on hospitality and leisure over the next two years. This, along with a continued recovery in international tourism, should attract investors and drive project starts in the sector.

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.

The project pipeline has also strengthened this year, with detailed planning approvals up 4% in the third quarter – 35% higher than the same period last year. This rise in approvals is expected to support a 19% increase in project starts in 2024, helping to reverse the decline from 2023. However, the introduction of a tourist tax may add a cost burden to the hospitality sector, potentially slowing the pace of recovery over the next two years.

Chart 13: Value of Underlying Hotel & Leisure Project Approvals (under £100 million) in 2023 and 2024 Pro-Rata



Source: Glenigan
N.B. 2024 data is based on January to September pro rata

EDUCATION

2024 +5% 2025 +3% 2026 0%

- ↗ **School construction projects expected to rise in 2025 and 2026**
- ↗ **Additional funding directed toward the School Rebuilding Programme and addressing RAAC issues**
- ↘ **Fewer higher education projects anticipated due to university budget constraints**

Education starts have grown by 5% this year. Building on the 43% surge in activity seen during 2023. Last year's jump was fuelled by an increase in capital funding for the Department of Education. Looking ahead, more modest sector growth is anticipated in 2025 with starts stabilising in 2026 as an increase in school building projects is offset by a weakening in higher education investment.

EDUCATION STARTS

	2023	2024f	2025f	2026f
£ million	5,928	6,223	6,385	6,413
Growth	43%	5%	3%	0%

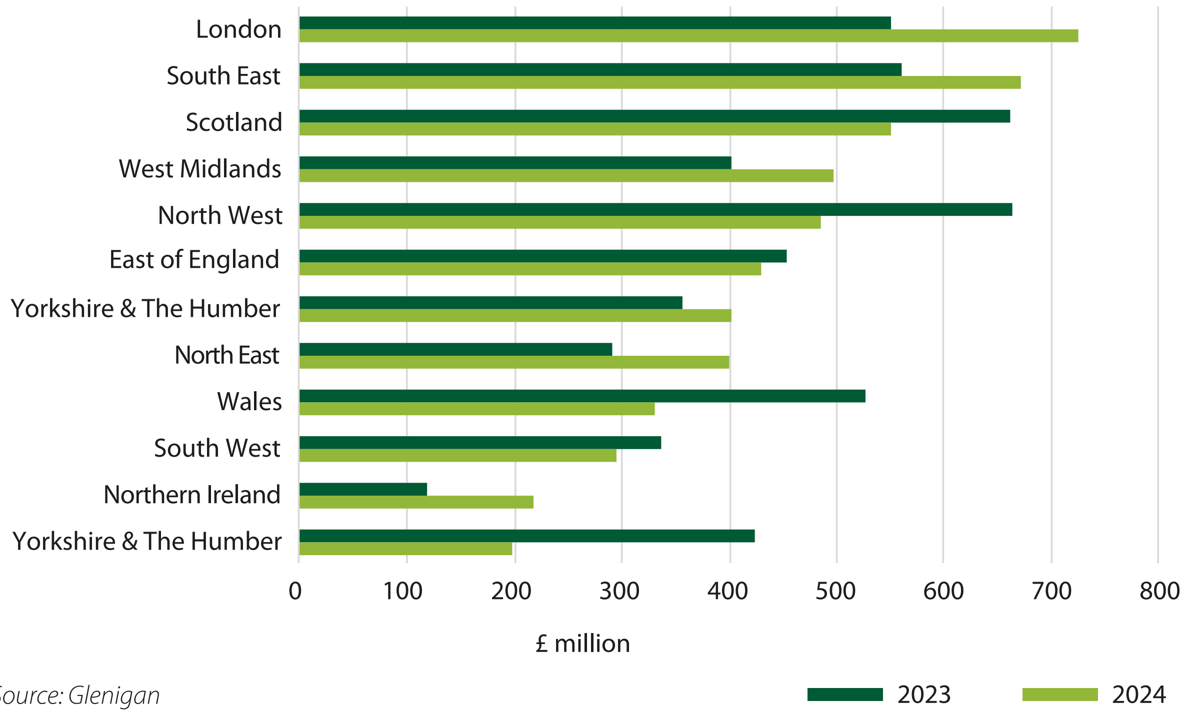
Source: Glenigan. f = forecast

STATE OF THE SECTOR

School building projects have seen steady growth, increasing by 10% this year and accounting for 68% of sector starts. This growth builds on a 42% surge in 2023, supported by higher departmental capital funding to address a 17% rise in secondary school enrolment since 2016.

Additional 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 2023 and 2024 Pro-Rata



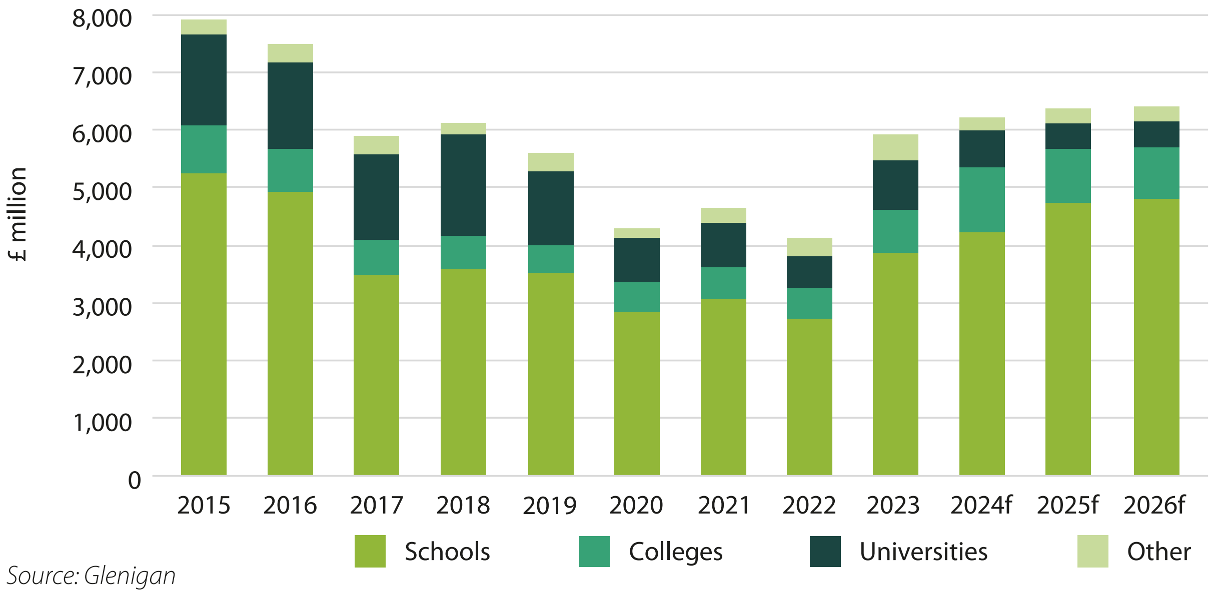
Source: Glenigan
N.B. 2024 data is based on January to September pro rata

FUTURE OF THE SECTOR

The education sector is forecast to grow by 5% this year, then stabilise in 2026. School building projects will likely remain the sector's main driver, supported by a 22% capital budget increase in 2025/26, including an additional £500 million for the School Rebuilding Programme. Further growth is anticipated in 2026, with a possible increase in demand for secondary school facilities if private school enrolment decreases due to new VAT on fees. This could drive new construction and upgrades for secondary school buildings to meet increased demand.

In contrast, the university sector faces ongoing challenges. After a brief spike in 2023, university project starts have declined. Unchanged tuition fees for UK students since 2017 and recent visa restrictions impacting overseas enrolments have created financial strain on universities, limiting their ability to fund new projects. Research by PwC for Universities UK suggests that a significant proportion of universities are vulnerable to these pressures, and with no apparent increase in funding for higher education, university construction is expected to remain under pressure.

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



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

HEALTH

2024 +11% 2025 +1% 2026 +10%

- **NHS is a top priority for the new Labour government**
- **Increased funding is set to boost healthcare projects over the forecast period**
- **Sharp growth forecast for 2026 as funding rises**

The long-term outlook for the health sector remains positive. Health project-starts have recovered this year following the disruption to programmes during 2023.

Improving the NHS is a high priority for the new Government. Near term, the recent Budget included increased capital funding for the NHS in 2025/26. Next spring's Spending Review and a promised 10-year plan for the NHS will set out the government's strategy and spending plans for the health service in more detail.

HEALTH STARTS

	2023	2024f	2025f	2026f
£ million	3,256	3,610	3,662	4,044
Growth	-8%	11%	1%	10%

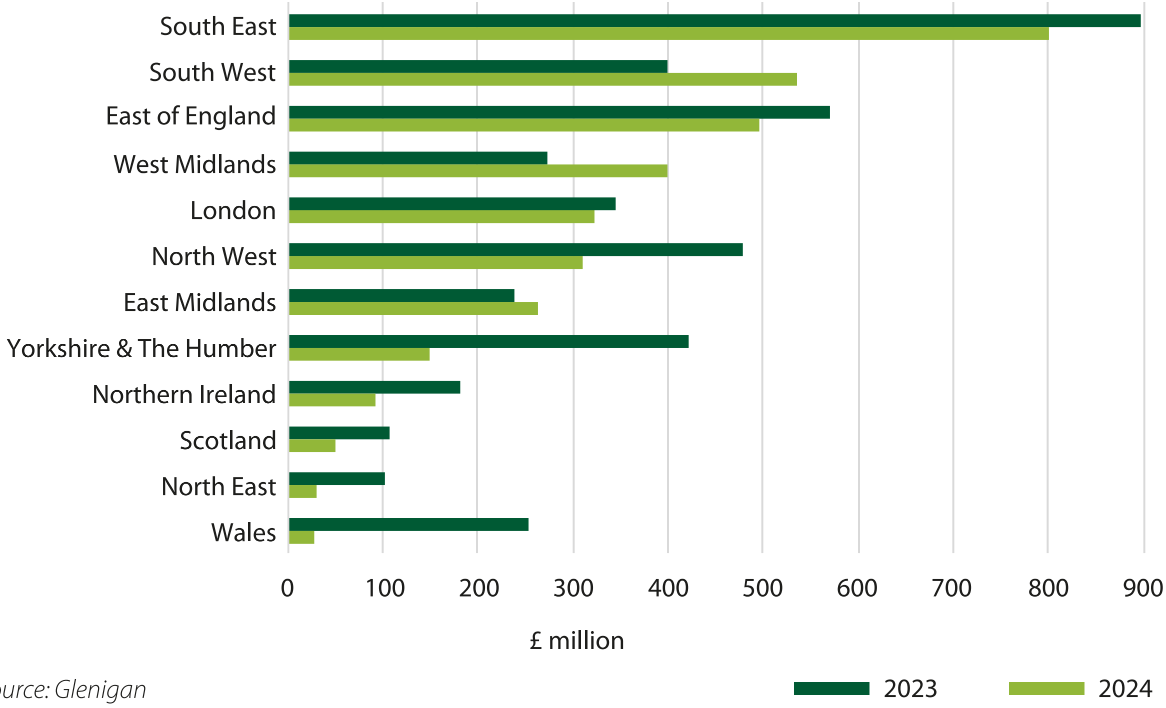
Source: Glenigan. f = forecast

STATE OF THE SECTOR

Project starts in the health sector rebounded by 11% this year, reversing the 8% decline from 2023 when resources were redirected toward industrial disputes and long waiting lists. Although delays have impacted major projects in the New Hospital Programme, smaller projects moved forward this year.

While the NHS remains a high priority for the Government, a 17% decline in detailed planning approvals during the first nine months of 2024 may limit new project-starts in the near term.

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



Source: Glenigan
N.B. 2024 data is based on January to September pro rata

THE FUTURE OF THE SECTOR

The Chancellor announced a 15% increase in NHS capital funding for 2025/26 in this year's Autumn Budget, with funds allocated to technology and diagnostic equipment, RAAC repairs, and maintenance of existing facilities. This increase is expected to support a modest rise in project starts in 2025, along with continued progress on the New Hospital Programme.

Sector growth is expected to strengthen in 2026, with the government's long-term spending plans to be outlined in the spring Spending Review. The forthcoming 10-year NHS plan, which aims for 2% productivity growth, is expected to focus on infrastructure improvements that enhance efficiency. The increased capital budget of £3.1 billion, including funds for repairs, hospital beds, and testing facilities, will support critical projects to expand capacity and address maintenance backlogs.

CIVIL ENGINEERING

2024 +26% 2025 +5% 2026 +7%

- **Government aims to expedite energy project delivery**
- **Funding approved for the HS2 tunnel to London Euston**
- **Ongoing major projects like HS2 continue to support the sector's activity**

Underlying civil engineering starts (under £100 million) have rebounded strongly this year, after a 6% decline during 2023. Further growth is anticipated for 2025 and 2026. Utilities work is 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

	2023	2024f	2025f	2026f
£ million	6,818	8,593	8,982	9,640
Growth	-6%	26%	5%	7%

Source: Glenigan. f = forecast

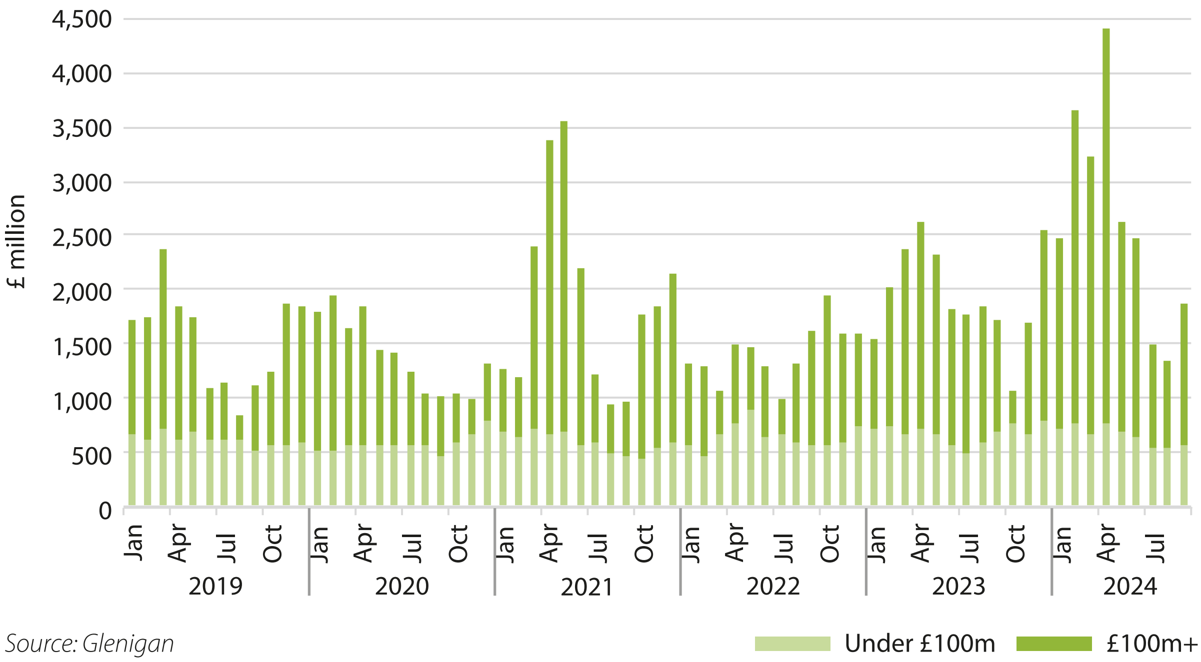
STATE OF THE SECTOR

While several major infrastructure projects have been delayed or cancelled, underlying infrastructure and utility project starts grew significantly in 2024. Civil project starts valued under £100 million rose by an estimated 26%, with government funding channelled into smaller infrastructure projects and utility investments continuing.

The development pipeline has expanded, with detailed planning approvals rising by 23% in the first nine months of 2024. Utilities work contributed strongly, with approvals up 33% during the same period.

Although major project starts declined, ongoing work on large projects, including HS2 Phase One, has sustained overall activity and will continue to drive the sector in the forecast period.

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



Source: Glenigan

FUTURE OF THE SECTOR

Project starts in the civil engineering sector are expected to grow steadily over the next two years, driven by utilities projects. Utility starts are likely to strengthen in 2025 as water companies begin implementing their investment programs. The expansion of fibre-optic broadband across the UK will also contribute to sector growth.

Water companies have proposed doubling capital investment to £96 billion for AMP8, the next five-year control period, which includes projects such as new reservoirs and river quality improvements. While the regulator may scale back some plans, a substantial increase in water industry investment is expected.

Energy investment is set to grow, with a focus on renewable energy and grid enhancements to support Net Zero goals. This includes both major projects, like offshore wind farms, and smaller developments, such as onshore wind and solar PV projects.

Additional short-term funding, including £500 million for road repairs, is expected to support a 5% rise in infrastructure starts in 2025. The green light for the HS2 rail tunnel to Euston and the Government's commitment to key rail projects like the TransPennine route upgrade and East-West rail link will further support long-term sector activity. The upcoming Spending Review will provide clarity on the funding and timeline for these projects.

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.

ECONOMIC CONTEXT

After many years of external shocks to the economy, Ireland appears to be entering a period of relative calm. Inflation rates in Ireland have reduced to levels commensurate with stability, with the resultant real wage growth being reflected in increased consumer spending.

The economy is operating at full employment. Boosted by net inward migration, employment continues to grow, but bottlenecks remain in the construction industry in the areas of housing and infrastructure.

In September 2024, the seasonally adjusted unemployment rate was 4.3%, which was down from a revised rate of 4.4% in August 2024. On an annual basis, the seasonally adjusted unemployment rate fell to 4.3% in September 2024 from a revised rate of 4.5% in September 2023.

Externally, GDP, driven largely by foreign-dominated sectors, will contract in 2024 by 0.4% followed by a recovery to a growth rate of 2.5% in 2025.

Despite a notable decline in headline investment levels, the overall outlook remains positive for the Irish economy. Real wage growth is expected to continue, interest rates are predicted to decline further and demand for labour is strong.

The ESRI Nowcast October report estimates that Modified Domestic Demand (MDD) is growing at 3% year-on-year, driven primarily by tax revenue and house price growth. MDD is regarded as a more accurate measure of underlying Irish economic performance.

There are some notes of caution however as outlined in the government's Summer Economic Statement:

- → Geopolitical tensions make for an uncertain outlook.
- ↗ While the headline position remains positive, public finances remain heavily reliant on volatile 'windfall' corporate tax receipts that are not linked to the domestic economy.
- ↘ On an underlying basis, i.e. excluding windfall receipts, a deficit is in prospect again this year.
- → Over the medium term, the "4Ds" – demographic change, decarbonisation, digitalisation and deglobalisation – will have profound implications for public finances.
- → Limiting the exposure of the public finances to concentration risk and helping future Governments address the structural challenges on the horizon is at the heart of the Government's decision to establish the Future Ireland Fund and the Infrastructure, Climate and Nature Fund.

CONSTRUCTION STARTS

Data included to end of Q3 2024, Forecast data for Q4 2024 to 2026

Construction starts in Ireland are already at record levels in 2024. At the end of the third quarter, starts, at €13.4bn, have surpassed the total value of starts in 2023 (€11.6bn).

This sharp rise in on-the-ground activity is attributable primarily to the residential sector, where government-led incentives have prompted a huge rise in housing commencements. At the end of quarter three this year, 55,000 new housing units had commenced, already surpassing last year's record high of 33,000. In the non-residential sector (excluding Civil), starts this year are projected to rise by nearly 30% before steadying off again. The Civil sector looks set to record a 49% fall in investment which reflects the erratic nature of this sector which is skewed by large scale infrastructure projects.

TABLE 3: Value of Underlying Project Starts (under €100 million) by Sector

€ million	2023	2024f	2025f	2026f
AGRICULTURE	56	59	60	62
CIVIL AND UTILITIES	2,348	1,200	1,250	1,275
COMMERCIAL	795	438	440	470
COMMUNITY AND SPORT	182	263	275	280
EDUCATION	422	273	320	365
HOSPITALITY	99	375	385	410
INDUSTRIAL	1,280	1,168	1,100	1,200
MEDICAL	308	1,521	435	441
RESIDENTIAL	6,104	12,000	4,500	5,500
ALL	**11,594**	**17,296**	**8,765**	**10,003**

Source: CIS & Glenigan. f = forecast

TABLE 4: Growth in the value of Underlying Project Starts (under €100 million) by Sector

Annual Change	2023	2024f	2025f	2026f
AGRICULTURE	-14%	6%	2%	3%
CIVIL AND UTILITIES	90%	-49%	4%	2%
COMMERCIAL	6%	-45%	0%	7%
COMMUNITY AND SPORT	-12%	44%	5%	2%
EDUCATION	-18%	-35%	17%	14%
HOSPITALITY	-10%	280%	3%	6%
INDUSTRIAL	3%	-9%	-6%	9%
MEDICAL	-29%	394%	-71%	1%
RESIDENTIAL	16%	97%	-63%	22%
ALL	**18%**	**49%**	**-49%**	**14%**

Source: CIS & Glenigan. f = forecast

RESIDENTIAL

The current housing market in Ireland is marked by several key trends and challenges. House prices in Dublin, Cork, and Galway are still high due to strong demand driven by economic growth, job opportunities, and the presence of multinational corporations, especially in the tech and pharmaceutical sectors. This demand has kept prices rising, though at a more moderate pace compared to the post-pandemic surge.

While demand is lower in rural areas, there is growing interest in picturesque regions and those in proximity to urban centres. However, price growth in these areas is more restrained due to limited job opportunities and infrastructure. The affordability gap is significant, especially in the Greater Dublin Area. Despite efforts to increase housing construction, the supply of new homes is not meeting the demand. This shortage is exacerbated by a skills gap in the construction sector, which hampers the speed at which new housing can be developed and the cost of materials.

Many landlords are exiting the market due to complex rent legislation and low net rental returns. This has led to a contraction in the number of available rental units, pushing rents higher. Mortgage approvals for residential investment lettings have also declined, tightening the rental market even further. Historically, low interest rates have made mortgages more accessible, sustaining demand in the housing market. However, any future increases in interest rates could impact affordability and potentially cool the market.

The Irish Government has implemented various measures to address housing affordability and supply issues. These include the Help to Buy scheme for first-time buyers and initiatives to promote higher-density developments in urban areas. The impact of these policies on the housing market is ongoing and being closely watched.

The housing sector in Ireland is influenced by various initiatives, including a notable waiver of development contributions. This waiver, introduced to stimulate housing development, is a temporary, time-limited measure applicable to all development contribution schemes under the Planning and Development Act 2000.

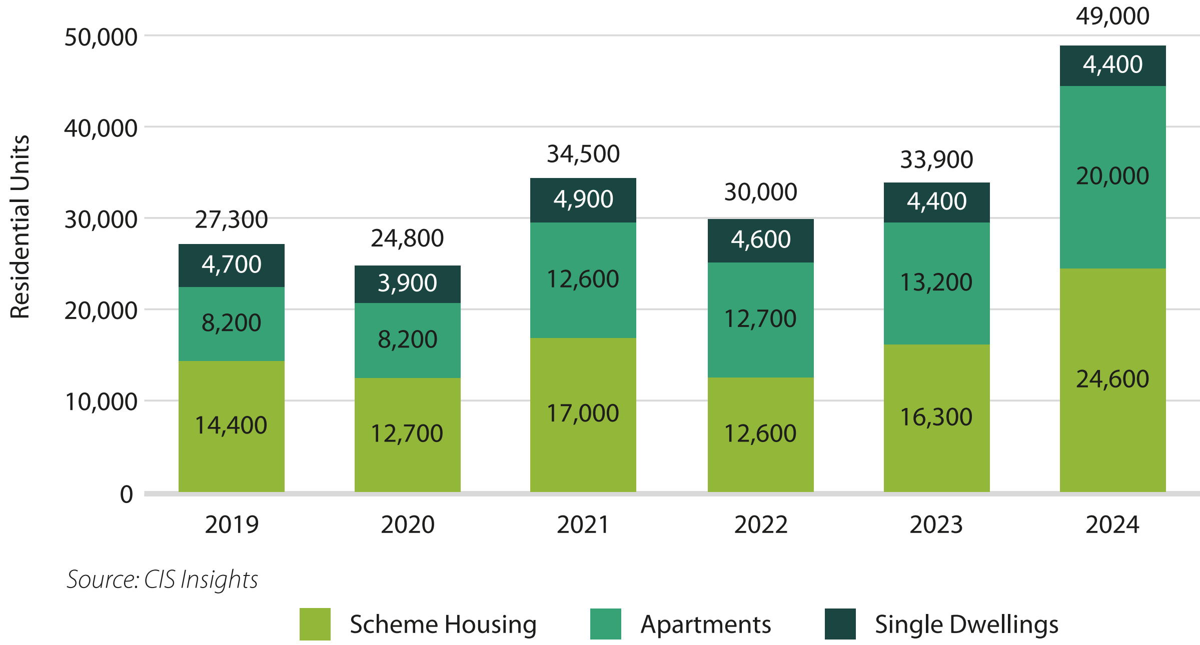
As a direct result, the end of Q3 2024 saw 55,000 new homes started, already surpassing the total of all starts in 2023 (33k) by a significant margin, with a further increase expected before the waiver deadline expires at the end of the year.

CHART 18: Housing Commencements by Residential Units (Data to Q3 2024)

Source: CIS Insights

Investment levels were also high in this sector. By the end of Q3 2024, 869 new housing developments had started comprising over 45,000 units with a further 4,400 in self-builds.

CHART 19: New Investment in the Residential Sector by Volume of Units (data for 2024 is to Q3 only)



Source: CIS Insights

On the supply side, housing delivery is struggling to keep pace with government targets. At the end of Q3 this year 20,000 new homes had been built. It will be challenging, to say the least, for the Government to reach its target of 33,500 new homes.

CHART 20: Housing Completions (data to Q3 2024)

Source: CIS Insights

Government initiatives to boost supply, outlined above, have had the desired effect on housing commencements and we expect this to be reflected on the supply side in 2025 and 2026 based on the waiver's completion deadline. However, this 'front-loading' of supply coupled with lower levels of pipeline planning looks likely to have a significant impact on commencements in 2025 and 2026 and as such we foresee a significant decline in starts in these years before recovering to more stable rises in future years. Regardless, the pressure to supply new homes will continue unabated and investment levels look set to rise for the foreseeable future.

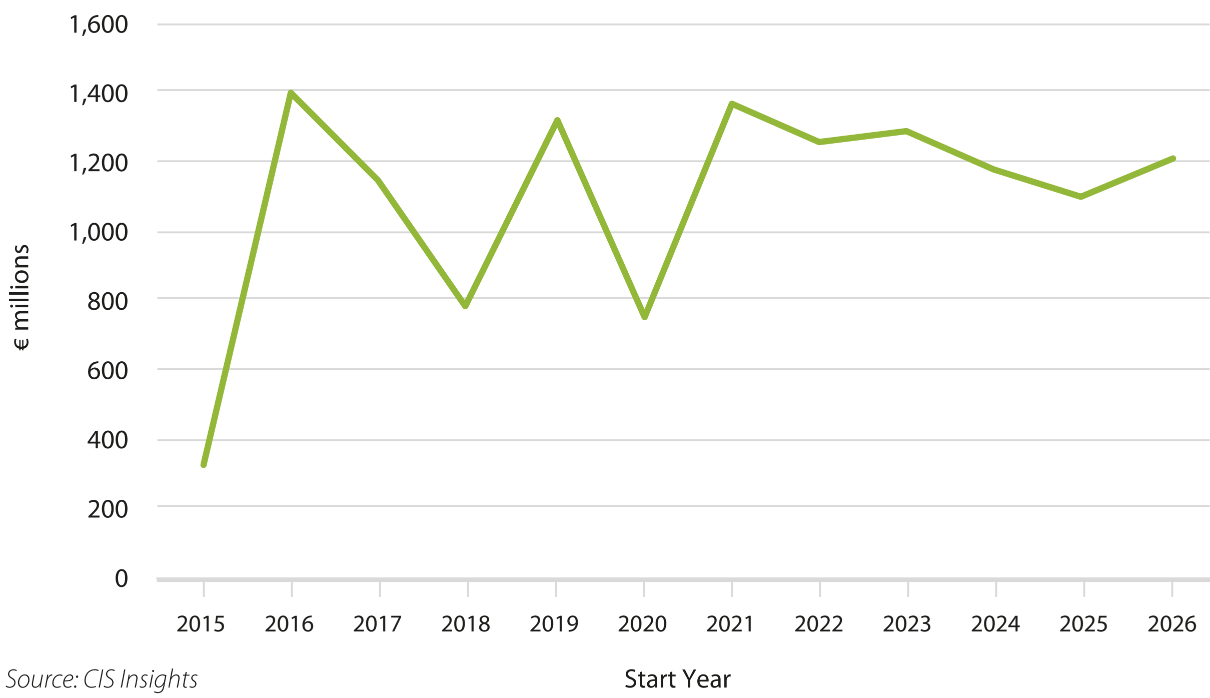
PRIVATE NON-RESIDENTIAL

INDUSTRIAL

Including Data Centres, Manufacturing, Warehousing and Logistics and Pharma

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.

CHART 21: Industrial Sector Investment



Source: CIS Insights

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.

In May 2024, Walls Construction commenced works on the €200 Million Diageo Brewery Development, Newbridge, County Kildare. The project will bolster the local economy by being the second largest brewing operation in Ireland – creating 1,000 construction jobs and the creation of a further 70 permanent jobs when operational.

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.

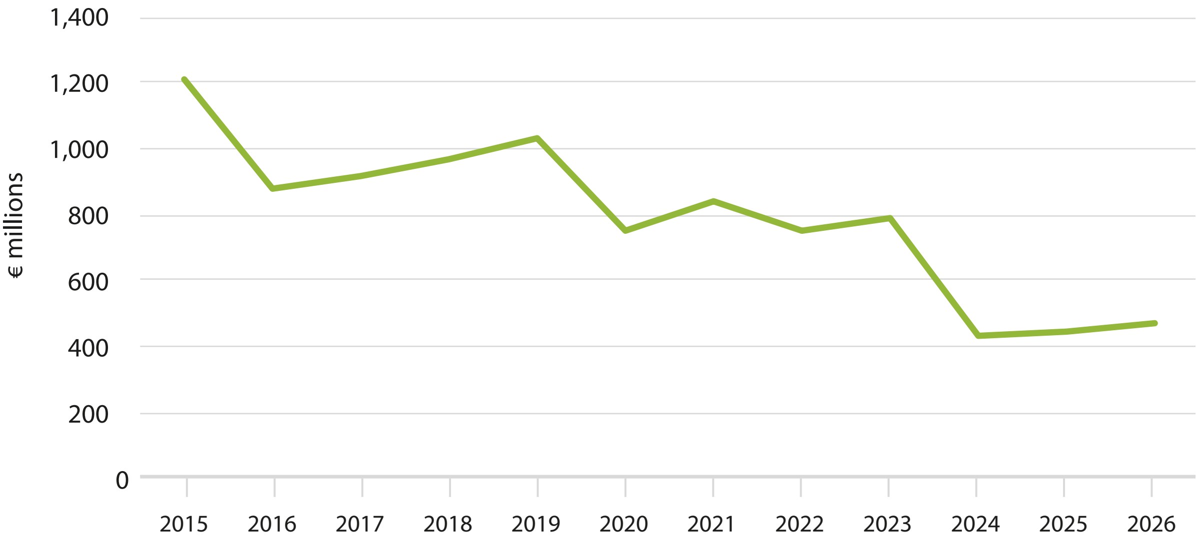
After an initial decline in new starts in 2024, the sector is forecast to grow steadily over the next two years. The pipeline of planning applications submitted and approved remains strong.

COMMERCIAL

Including Office and Retail

The slowdown in commercial activity looks set to continue with low and declining levels of investment and a less-than-buoyant pipeline. This sector is driven primarily by the office market which is still seeking to define itself post-pandemic. Project starts are at their lowest since 2019 and we estimate the value of new investment in the sector will fall by 45% in 2024 compared with 2023. The pipeline too is muted reflecting the uncertainty. The sector is expected to emerge from this lull, however, by redefining the office environment to offer a more enticing place of work.

CHART 22: Commercial Sector Investment



Source: CIS Insights

There's a growing emphasis on sustainable building practices, with many new projects aiming for green certifications like LEED or BREEAM. This includes the use of eco-friendly materials and energy-efficient designs. Like many sectors, challenges such as labour shortages, working environments, consumer buying behaviour, rising material costs, and regulatory hurdles are still providing blockers to consistent activity levels.

Recent global supply chain issues have also impacted project timelines and budgets. Significant public and private infrastructure projects are underway, aimed at improving transport links and urban development, which will further stimulate commercial construction.

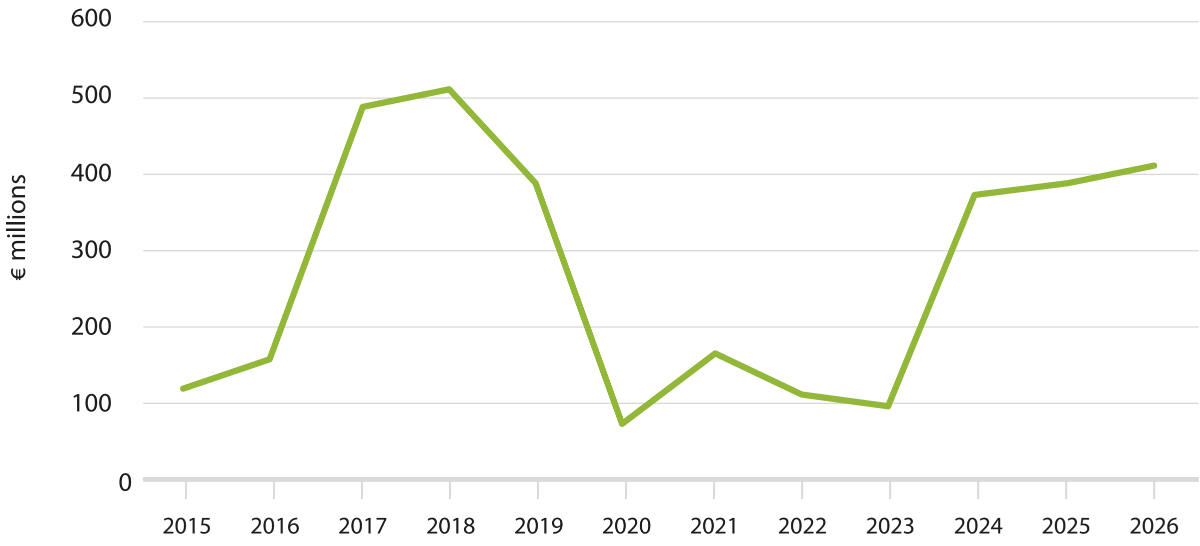
HOSPITALITY

Including Hotels, Restaurants, Bars

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. Figures released in early 2024 by the Dublin Airport Authority show that over 31 million passengers passed through the terminals of Dublin Airport in 2023 — 60% higher than they were a decade ago. Investment in hospitality and leisure services in Ireland remains key despite many challenges including a lack of hospitality staff, wage increases, and increases in food and energy costs.

Given the rising demand and increased consumer spending, we expect investment in the hospitality sector to continue in an upward trend. In 2024, investment in new hotels, bars, etc., rose by 240% from 2023. At the end of Q3 2024, construction has already begun on 40 new projects which will deliver 2,235 new hotel beds – outstripping the 644 beds brought to the market last year from new developments. The pipeline of projects in planning remains healthy with plans submitted to date comprising 2,338 new beds and planning grants for 1,569.

CHART 23: Hospitality Sector Investment



Source: CIS Insights

SPORT & SOCIAL

Including Sports and Leisure Facilities, Churches and Community Centres and Public Buildings

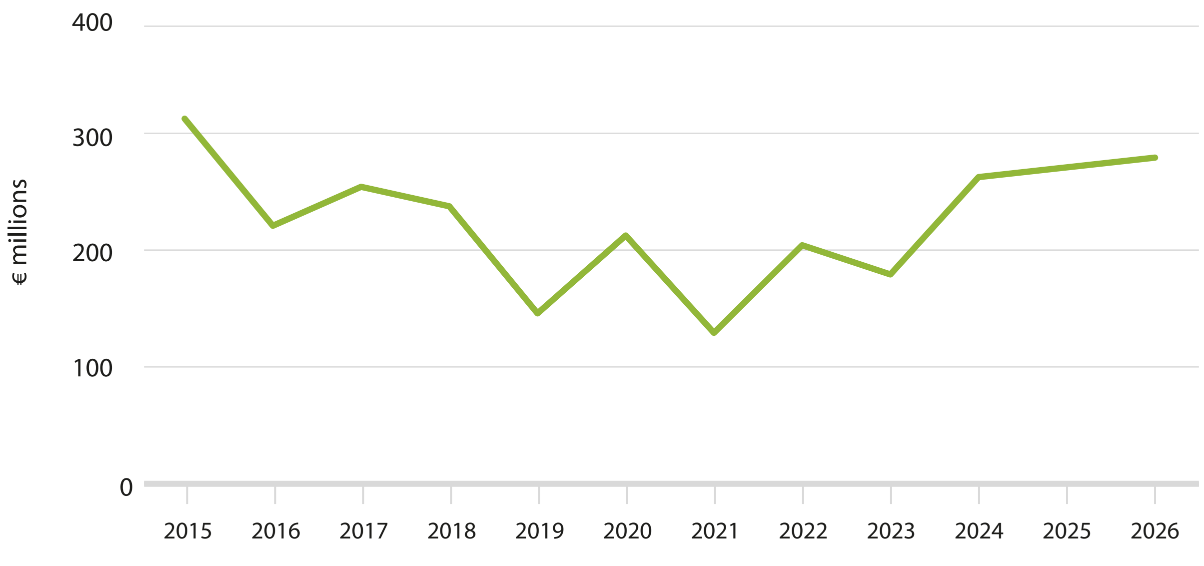
Local authorities often partner with sports clubs and community organisations to fund and build new facilities. The continuation of Initiatives like the Sports Capital Grant and Equipment Programme provide much needed funding for local projects.

While there are many opportunities, challenges remain, including funding constraints, planning regulations, and ensuring accessibility for all.

Early this year it was announced 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 Scheme has approved over €177 million for almost 1,800 projects across the country.

Project starts in 2024 are set to rise by over 40% compared with 2023 and we see a continued steady rise in the years ahead reflective of a healthy pipeline.

CHART 24: Sport and Social Sector Investment



Source: CIS Insights

EDUCATION

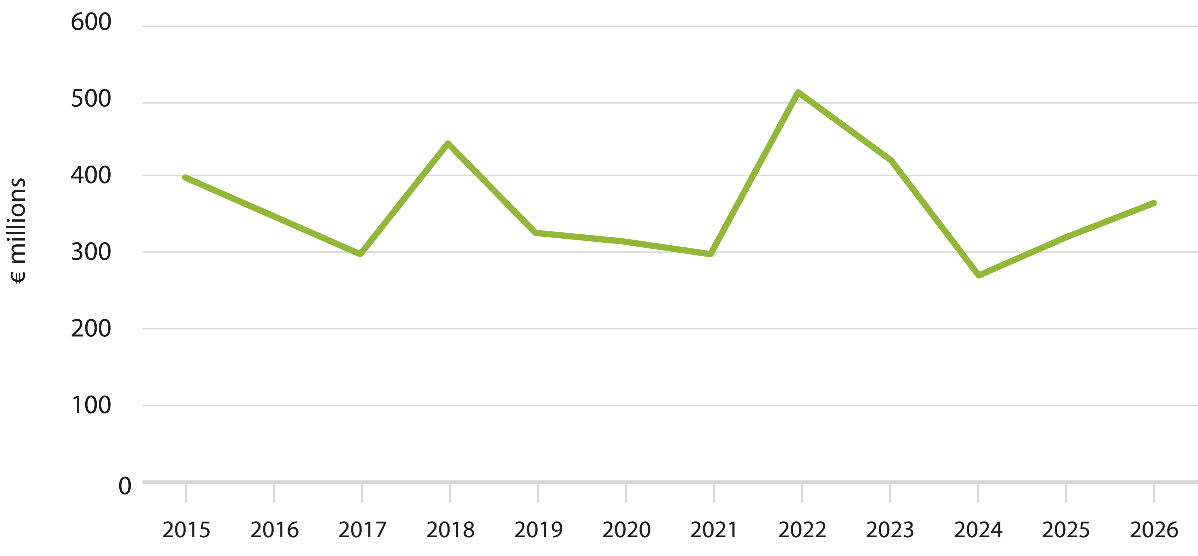
Including Schools, High Education, and Nurseries

The education sector has experienced an ongoing backlog of projects awaiting approval from the Department of Education. There is a growing demand for new schools and educational facilities due to rising student populations and demographic changes.

During the first quarter of 2024, the Government revealed plans to roll out the next phase of the Department of Education's building plan. In late summer, it was stated that **90 school buildings that are currently at the tender stage will see approval being secured to proceed to the next stage. This is being carried out from 2024 to 2025.**

Many existing educational facilities are undergoing upgrades to meet modern standards, including sustainability initiatives and the integration of technology. Some projects are being delivered through PPPs, such as the Devolved Schools Bundle and the Higher Education Bundles, which help accelerate development while sharing financial risks. The sector faces challenges such as supply chain issues, labour shortages, and inflation, which can impact project timelines and budgets. Overall, the education construction sector in Ireland is seeing a push for improvement and expansion, aligning with both government priorities and community needs.

CHART 25: Education Sector Investment



Source: CIS Insights

As expected, new investment in education has slowed in 2024 given the issues highlighted above. **Starts are projected to fall by 35% in value this year but the pipeline remains steady, and many delayed contracts will soon begin again pointing to steady growth. New school developments this year will deliver approximately 650 new classrooms.**

MEDICAL

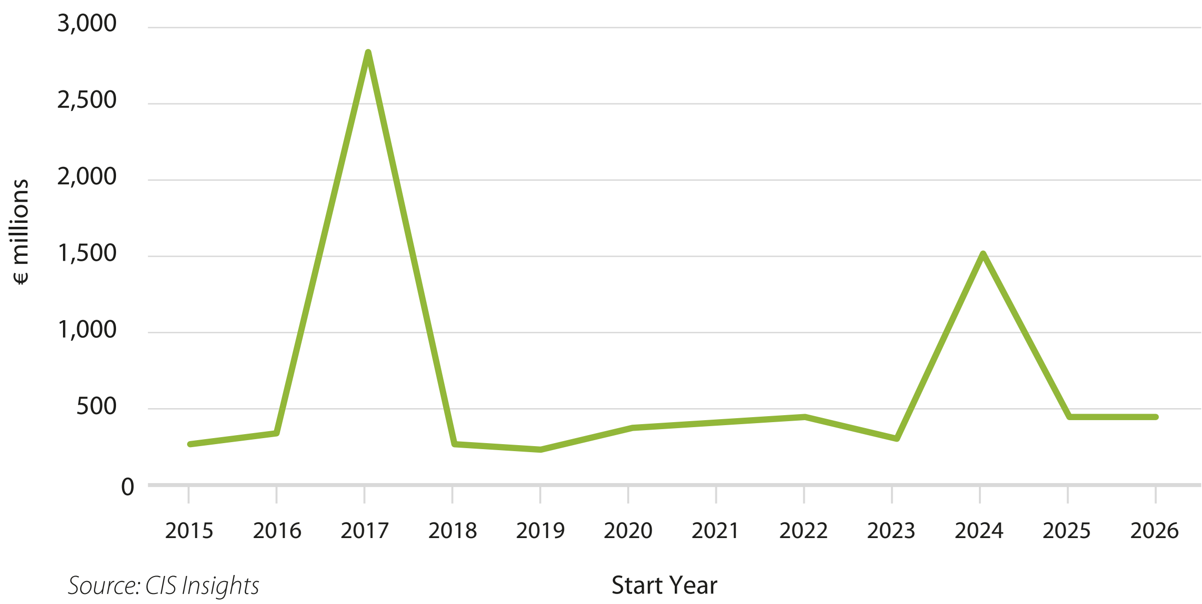
Including Hospitals, Nursing Homes, Medical Centres and Surgeries

Construction in the medical sector in Ireland has seen significant growth in recent years, driven by increasing demand for healthcare services and infrastructure. There has been substantial investment in new hospitals, clinics, and specialised medical centres at both the pipeline and delivery stages.

The private healthcare sector is also expanding, with new facilities and services being established to meet the needs of a growing population and an aging demographic. Modern medical construction projects increasingly incorporate advanced technologies, including telehealth capabilities, smart building technologies, and sustainability measures.

Starts in this sector rose significantly in 2024, due in large part to the €800m National Maternity Hospital in Dublin. Growth is expected to continue at a steady pace in the years ahead to match demand, and the planning pipeline is healthy enough to support rising demand for now.

CHART 26: Medical Sector Investment

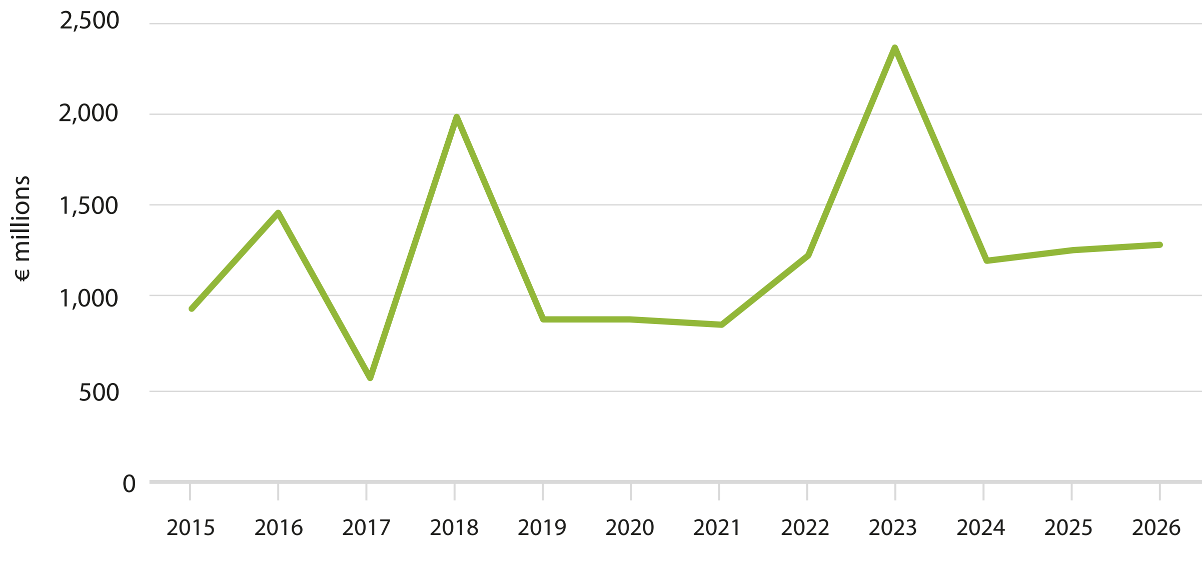


Source: CIS Insights

CIVIL AND 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 critical infrastructure requirements, and address the ongoing housing crisis.

CHART 27: Civil and Utilities Sector Investment



Source: CIS Insights

As the sector navigates challenges such as supply chain disruptions, labour shortages, and the increasing need for sustainable practices, industry stakeholders will seek to 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.

Project starts in 2024 are projected to fall by 49% following the very high level of investment in 2023, which included the €1bn investment for the Celtic Interconnector. However, steady growth is set to continue in future years in line with the government's strategic plans.

KEY RECOMMENDATIONS

for the Construction Industry over the Next Two Years

The construction sector is set for gradual market improvement over the next two years, driven by a more positive economic outlook and new government initiatives in education, health, and social housing. Additionally, there are ambitions to attract investment into energy infrastructure and emerging growth industries.

TARGETING NEW GROWTH AREAS

An improving economy and new government policies will shift construction activity across different sectors and regions. Structural changes are opening new opportunities in warehousing & logistics, office refurbishments, and repurposing redundant commercial premises.

Reforms to planning regulations are expected to support a gradual increase in both private and social housing developments over the next two years. While a government review of capital programmes post-election has delayed some projects, increased capital funding in the Budget should allow these delayed projects to proceed in 2025. Firms should be ready to pivot towards emerging opportunities to keep their workflows steady.

Regionally, construction in the north of England is forecast to outperform London and the south as government funding is redirected to economically weaker areas. To make the most of these shifts, firms should focus on building expertise and resources for new markets and regions.

FACTORING IN SUPPLY-SIDE CONSTRAINTS

While material availability and price inflation have stabilised, costs remain high for some products, and contractors should stay alert to possible supply interruptions, especially from overseas.

Labour supply has temporarily stabilised with the average earnings rise dropping below 4%. However, this may be short-lived as skills shortages and labour costs are expected to increase with stronger sector growth from 2024. Additionally, the newly announced National Insurance rise will add 2% to labour costs, which firms should consider when planning project bids.

MITIGATING RISK

Supply chain disruptions over the past two years have lengthened project schedules, impacting workload, turnover, and cash flow. For example, the construction phases of projects completed in 2023 were, on average, 15% longer than those finished pre-pandemic. With additional delays due to new regulatory oversight under the Building Safety Act, firms may experience further setbacks in stage payments and in the timely completion of late-stage work.

To mitigate these effects, contractors might consider distributing their workforce across more projects to balance out lower revenues per site. 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 current slowdown in activity may provide 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.

ADOPTING 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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