ARCADIS

Ireland Market View

Autumn 2025

Managing expectations

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Ireland's construction sector experienced rapid growth in Q1 2025 as investment in infrastructure picked up briskly. Housing production remains in the doldrums even as government market interventions strengthen. With the state signalling an even more ambitious investment programme and with trade tensions subsiding, can Ireland's constructors step up to the challenge of an accelerating building boom?

Irish economy resilient in the face of global trade turbulence. Strong domestic economy underpins construction prospects

Confirmation of **tariffs for pharmaceutical exports** to the US are positive for investment and government tax revenues

Labour cost inflation is significantly above background inflation, highlighting **risks of worker scarcity**

Accelerating construction price inflation forecast in response to growing workload

Rapid growth in construction output driven by civil engineering. **Housing growth remains elusive**

National Development Plan set to **boost construction output further**, with risks of crowding out private sector activity

Introduction

Ireland's economy continues to be robust and is likely to be a net beneficiary of the EU's recently announced trade deal with the US. A small 1% reduction in total GDP in Q2 2025, compared to Q1, reflects tariff-driven trade distortions rather than a slowdown in growth. Although export-driven GDP has grown by 12.5% year-on-year, the domestic economy, measured by Modified Domestic Demand (MDD), expanded by little more than 1%.

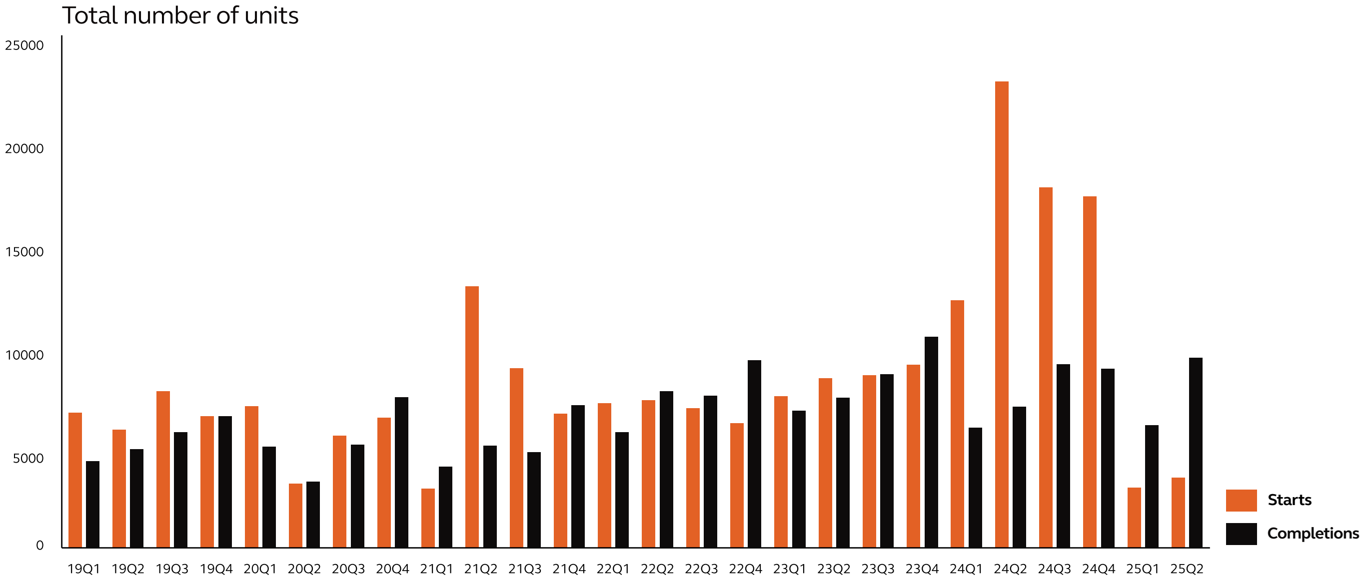
As a small, dynamic, and open economy, Ireland is particularly exposed to potential collateral damage from a trade war, which could affect exports from Irish-based US firms into the EU as well as exports to the US. Although there are signs that Foreign Direct Investment (FDI) is already being redirected back to the United States, local investment in response to the long-term implications of competitiveness, population growth, and climate change is currently expected to offset this loss. In Q1 2025, MDD and employment growth both accelerated, by 0.8% and 3.3%, respectively, even as levels of investment spending fell.

With further details of the EU/US trade deal emerging, some significant risks to the Irish economy are receding. Announcements on 21 August 2025 have set a maximum tariff of 15% for pharmaceuticals and semi-conductors, regardless of the outcome of 'section 232' investigations related to national security. With Irish pharma exports to the US growing by 29% last year to €30 billion, the news that tariff risks have been resolved will bring a positive boost for investment, trade volumes, and all-important corporation tax receipts.

Other measures of the economy point toward welcome stability. Forecasts published by the Central Bank of Ireland in advance of trade deal announcements indicated steady 2% per annum growth in MDD and employment and on-target inflation at between 1.7% and 1.9% for the period 2025 to 2027. One black spot, however, is housing, with completions falling by 7% in 2024. Starts have fallen at an even more dramatic rate, totalling 6,325 in the calendar year to June 2025. There were over 69,000 starts in 2024, more than double the long-term average due to changes in incentives, so there are a lot of active plots to build out. The uneven performance of the housing market highlights construction's key role in solving many of Ireland's long-term challenges. We examine the potential impact of a new raft of housing incentives in a special focus section below.

Below-par productivity and the implications of rapid population growth point to a challenging investment-led response, outlined in the National Development Plan (NDP), that has the potential to reshape the Irish construction industry. Planned capital expenditure of €19.1 billion in 2026 represents a 28% increase on gross voted expenditure for 2025. Much of this investment will target the housing market, as well as rail transport and energy infrastructure. Ireland's ability to simultaneously deliver the investment pipeline while attracting construction capacity from within Ireland and from overseas will determine whether inflationary risks can be managed and whether an upsized construction sector is sustainable for the long term. We review the key features of the NDP in a deep dive below.

Quarterly housing starts and completions



Housing starts and completions: 2019 to 2025. Source: Central Statistical Office.

Construction market overview

Conflicting data points indicate rapidly changing conditions in Irish construction markets. According to official Total Production Indices published by the Irish Central Statistics Office (CSO), the market expanded rapidly in Q1 2025, particularly in the civil engineering sector, where real terms growth exceeded 15%.

	Residential building (%)	All building (excluding Civil Engineering) (%)	Civil Engineering (%)	All building and construction (%)
Quarterly Change	(4.3)	2.2	16.6	4.9
Annual Change	(10.6)	10.3	35.9	13.5

Construction output, real terms growth. Source: CSO, Arcadis

CSO reports a 13.5% year-on-year increase in output volumes in Q1 2025. The dramatic 35% annual increase in civil engineering output is exaggerated because it came from a low base as activity recovered from a slump in 2023. By contrast, housing's recovery is taking longer. The strong start to the year should be viewed with caution, as Ireland's construction market is characterised by significant fluctuations in workload. Current levels of activity measured by CSO point toward some spare capacity, as they remain 10% below levels recorded in the year before the pandemic. However, if robust growth continues into Q2, forecasts for price growth may need to be revised.

The April 2025 Construction Industry Federation market survey is also broadly positive. 27% of responding firms report an increase in turnover, but there is little sense of a market running out of control. A similar proportion report an increase in orders, pointing to further sustained growth.

Housing is reported as the main growth sector, contradicting the latest completions data but potentially highlighting accelerating progress on the many housing starts that were recorded in the second half of 2024. Further growth in housing should be supported by the overwhelming public sentiment in favour of additional housing supply, which became a central issue in the 2024 election campaign.

By contrast, sentiment measures for July 2025, published by S&P, the AIB Ireland Construction PMI, points to a much less certain market, with the index of activity bumping along at 47.1, where a score of 50 indicates no growth. Survey responses point to a continuation of deteriorating conditions affecting production in both the housing and civil engineering markets. Our interpretation is that many smaller house builders and civil engineering contractors are not yet seeing a change in workload, even as output increases. Importantly, contractors report that the forward order book is growing, even as some clients delay decision-making. Furthermore, the latest PMI points to modest growth in the commercial sector that is consistent with market developments on the supply side. In particular, the industrial/logistics sector, which is recording capital growth again, is generating new prospects.

With the cost of commercial borrowing down by 90 bps since December 2024, and with downward pressure on lenders' margins, conditions for developers are undoubtedly improving. However, some sectors, Build-to-Rent, for example, are showing little sign of recovery, with the number of completions down by 24% in 2024.

Presently, a key challenge for construction in Ireland is whether the increase in public sector demand will match any decrease in construction driven by FDI. So far, the indicators are stable. A February 2025 survey undertaken by the American Chamber of Commerce in Ireland (AmCham) found that 80% of members would still hold a positive view of investment in Ireland even in the event of US import tariffs, with the majority calling out Ireland's skilled labour force as an investment draw.

Looking further forward, it is unclear how effectively the existing construction supply chain can manage the switch to public sector programmes dominated by housing and transport. Although there have been no direct cancellations of construction investments related to recent US trade policy, the redirection of large-scale investment to the US points to a likely reduction in the forward pipeline for manufacturing. By contrast, Data Centre (DC) development will not be affected by this redirection of investment. In fact, the new Private Wires policy, facilitating direct generator-to-customer connections, may unlock DC schemes. Accordingly, it is likely that the private sector will continue to deliver megaprojects into the Irish market. However, which market—public infrastructure, private housing, or private megaproject—succeeds best in attracting and retaining contractor interest remains to be seen.

Incentives in the housing sector

Could they trigger a housing boom?

Housing completions fell by 7% to 30,230 in 2024, even as starts increased to 69,060. The slowdown in output added fuel to growing concerns about Ireland's housing crisis. Even so, based on the latest trends, the housing sector in Ireland is busy, with 2024 seeing the second-highest level of completions since 2012.

However, even though completions are 50% above the 10-year average, production needs to increase by a further 65% to a new target of 50,000 per year to deliver 300,000 homes by 2030 in line with updated population growth projections.

In addition to a €20.6 billion five-year capital investment allocation for housing in the NDP, the government is intervening in the market with several major policy developments.

MEASURE	EFFECT	IMPLICATIONS FOR DEVELOPMENT
National Planning Framework	Updated planning framework based on increased population and housing targets. 40% minimum target for housing in built-up areas.	Positive for higher density development, including schemes focused on transport nodes. Build-out rates may be held back by cost and complexity of brownfield development.
Residential Zoned Land Tax	3% annual levy on the market value of serviced land zoned for residential use but not developed.	Should encourage the release of idle land but also runs the risk of negatively affecting cash flow and land value on larger sites. Annual development mapping adds to complexity and development risk. Adds complexity to mixed-use development.
Urban Development Zone	Statutory development plan that will facilitate enabling infrastructure and will increase certainty for plan-compliant development.	Replaces slow-moving Strategic Development Zone model. Potentially complex to develop and reliant on ministerial designation but more enforceable due to limits on judicial review.
Rent Pressure Zone	National introduction of rent caps with a partial carve-out for new-build apartment development. Measures include periodic rent reset provisions.	Strengthens tenant rights but seen as a marginal positive for institutional Build-to-Rent due to rent reset rights and certainty associated with CPI-based rent cap.

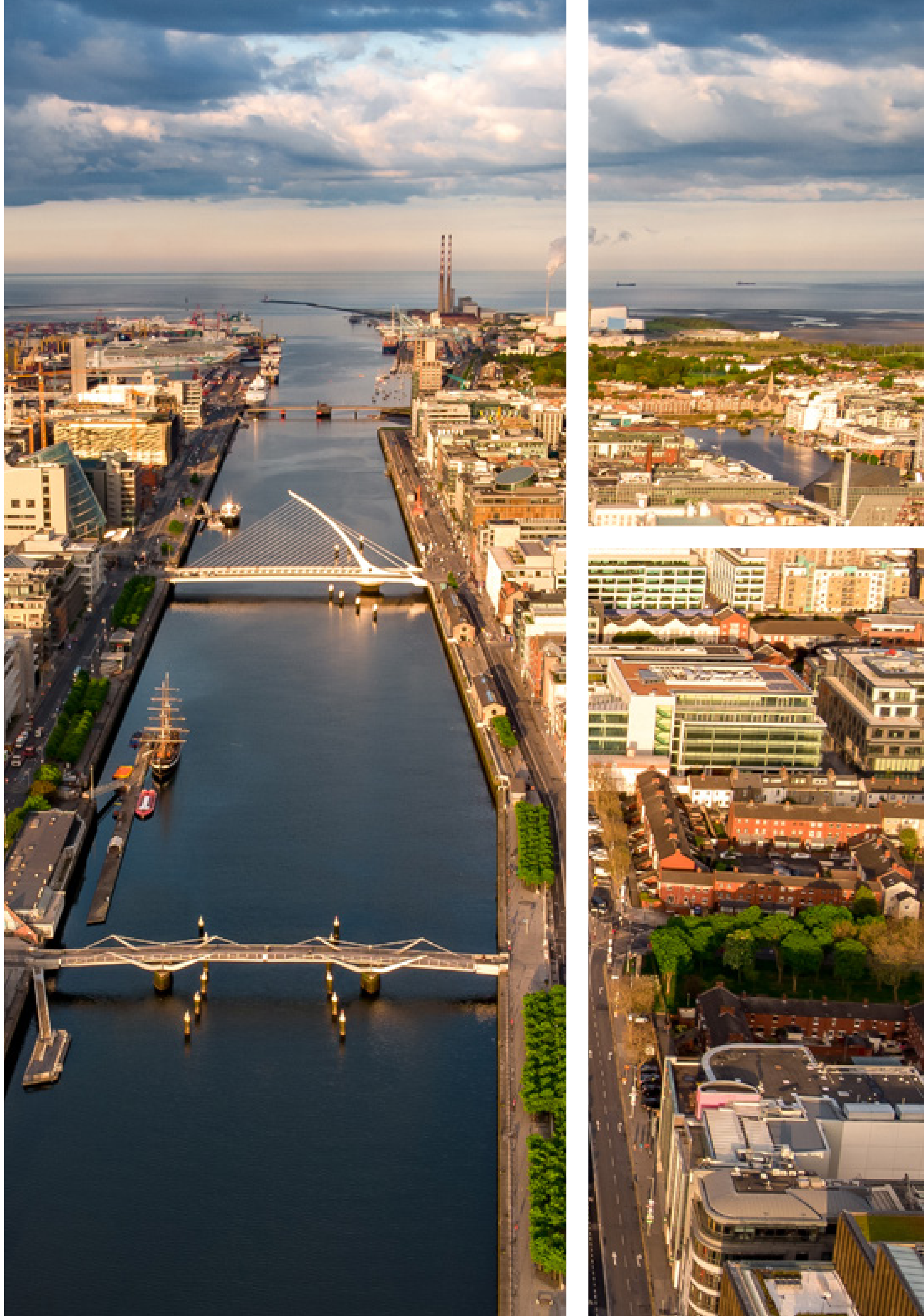
The raft of measures introduced by the government are trying to balance the interests of developers and occupiers, a balance that is always difficult to achieve. Negative incentives are mostly targeted at owners of greenfield development sites but could affect more complex urban development also. The government will be hoping that reforms to planning and substantial financial support will combine with these measures to address viability blockers.

A foreseeable risk aligned to the Arcadis tender price forecast is that increases in rents will not keep up with construction inflation, disincentivising the development of rental homes and potentially driving a focus on for-sale housing where sales prices can respond to market conditions. However, with the rate of market absorption determining overall build-out, Ireland's ambitious housing delivery targets are unlikely to be met without a healthy rental market.

Deep dive

National Development Plan

The National Development Plan (NDP), published in July 2025, sets out proposals to increase Ireland's competitiveness, address a deep infrastructure gap, and respond to challenges affecting the economy, including long-term growth, an expanding population, and the impacts of climate change. Unlike many European economies, Ireland's problem is not one of stimulating growth, but of managing the consequences of export-fuelled growth that continues to be driven by Ireland's unique positioning between the EU and the US.



The 2026 to 2030 NDP is the first stage of Project Ireland 2040, a portfolio of 300+ large programmes intended to deliver a national transformation.

The challenges that the NDP aims to address include a 30%+ infrastructure deficit compared to European peers, some of the lowest construction productivity in the EU, and an increase in housing development in line with a newly updated population forecast. As a result, the NDP has a strong emphasis on investment, potentially raising public sector capital expenditure to 6.65% of GDP, a huge proportion compared to other EU economies.

Much of the investment will support transport, housing, and enabling infrastructure. High-level spending allocations account for over 55% of the €102 billion of exchequer funding planned over the 26/30 period. A further €31 billion of non-exchequer funding is allocated over the same period. In total, capital spending of €275 billion, including non-exchequer funding, is envisaged by 2035. A comparison of funding allocations for the 2020 and 2025 NDP highlights the substantial funding increases, particularly for housing and water.

Detailed short-term investment programmes will be outlined in the budget due in the autumn. However, the combination of an extremely ambitious housing target requiring 300,000 new homes by 2030, and the aim to balance development across all regions and between cities and rural areas, implies simultaneous development programmes across the country.

Transport has received a significantly larger allocation in the latest NDP, up by 70% in current prices. Rail investment is a major priority, and the new allocation will bring forward the Navan rail line and confirms both the Dublin Metrolink programme and the wider implementation of the All-Island Strategic Rail Review. Dart + continues toward contract awards in 2026, so the immediate effect of NDP announcements is to increase confidence in the long-term investability of the Ireland rail programme.

Programme-wide, the NDP will require a significant increase in construction productivity. Construction output has increased by 30% since Q1 2021, but employment has increased by a similar proportion to 182,000, implying no improvement in performance. NDP plans to standardise and scale up development, particularly in housing, but the local construction industry lacks scale. According to CSO data from 2022, only 28 construction firms qualified as large enterprises employing 250+ people, and over 90% of the construction workforce is employed by SMEs.

As Ireland's construction supply chain gears up to respond to the NDP, its challenge is not simply one of growing a skilled workforce but also of reconfiguring the industry to deliver investment as productively as possible. One area that the government could consider is a greater commitment to long-term delivery programmes giving greater certainty for the supply chain to invest in capacity and capability. The government of the United Kingdom has recently committed to 10-year funding for health and education, enabling long-term development of technology and skills. A similar approach in Ireland may be needed to become the client of choice in a crowded field.

Comparison of Total Gross Departmental Allocations for Capital Expenditure, 2020 and 2025 NDP.

Department	2021-2025	2026-2030	% change
Housing, Water, Local Govt, and Heritage	13,548	35,955	165%
Transport	10,336	22,330	116%
Health	4,297	9,250	115%
Education and Youth	3,332	7,550	127%
Climate, Energy, and Environment	3,079	5,640	83%
Tertiary Education, Research, Innovation, and Science	2,237	4,550	103%
Enterprise, Tourism, and Employment	2,097	3,680	75%
Culture, Communications, and Sport	790	2,220	181%
Justice, Home Affairs, and Migration	1,074	2,180	103%
Other infrastructure	1,132	1,962	73%
Defence	555	1,700	206%
Agriculture, Food, and the Marine	1,123	1,625	45%
Rural and Community Development and the Gaeltacht	757	1,329	76%
Other	741	2,426	227%

Comparison of National Development Plan capital spending targets. Source: Government of Ireland, Arcadis

Forecast

We have not changed our forecasts for inflation for 2025 and 2026. The slowdown in housing delivery will create headroom for other construction activity. Mixed market feedback on prospects for civil engineering leads us to wait for the publication of additional data before changing our projection. We predict higher inflation in 2027 as delivery of the NDP accelerates, underscoring inflationary risks associated with a major increase in public expenditure.

Annual building construction price inflation: % change per annum

Previous forecast in brackets.

2024

2-4%

(2-4%)

2025

4-5%

(4-5%)

2026

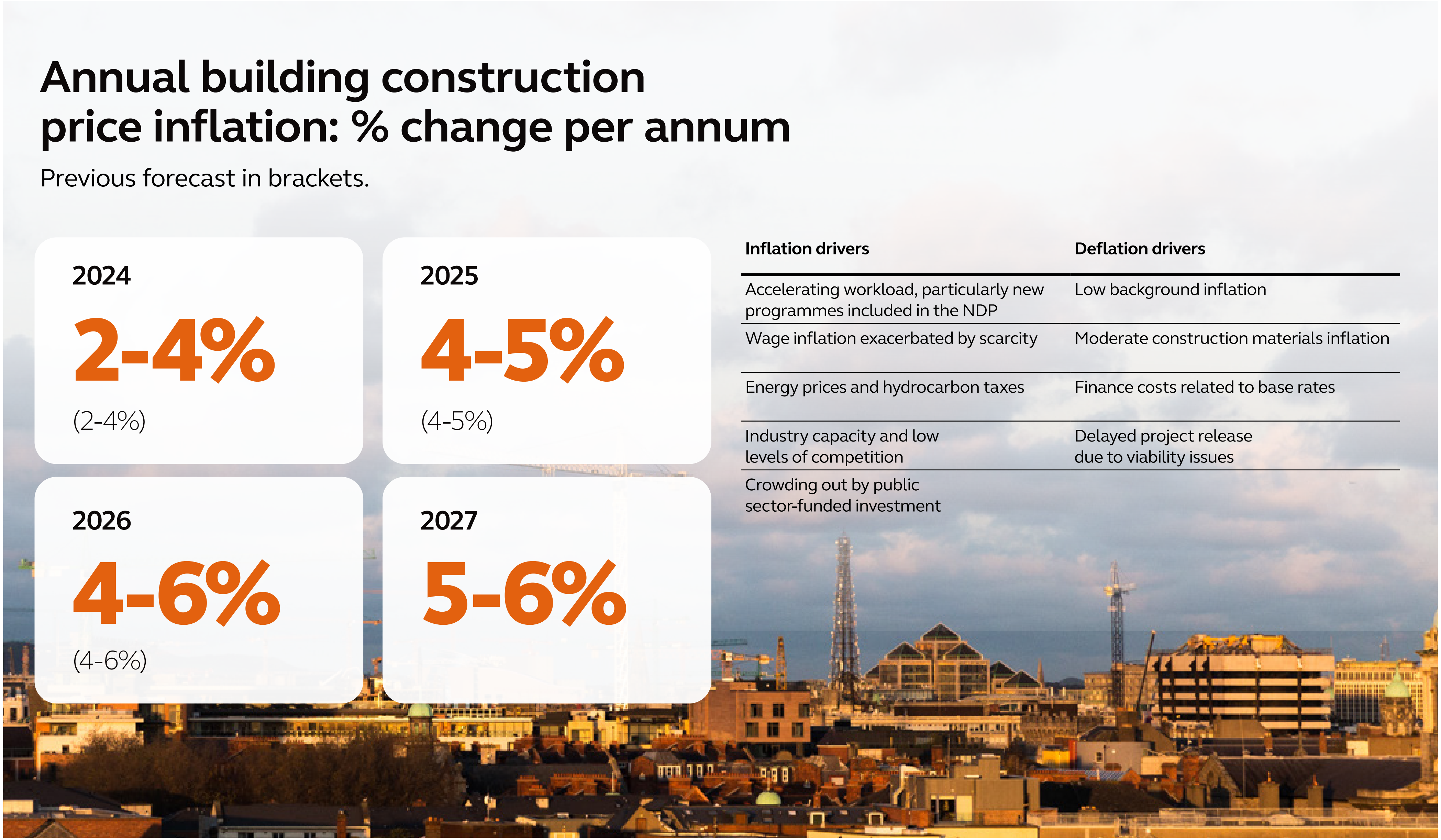
4-6%

(4-6%)

2027

5-6%

Inflation drivers	Deflation drivers
Accelerating workload, particularly new programmes included in the NDP	Low background inflation
Wage inflation exacerbated by scarcity	Moderate construction materials inflation
Energy prices and hydrocarbon taxes	Finance costs related to base rates
Industry capacity and low levels of competition	Delayed project release due to viability issues
Crowding out by public sector-funded investment	



Workload

Based on latest output data it is possible that our 5% annual growth projection for 2025 will be exceeded. However, the weak performance of the housing market is a significant headwind. We will update the forecast once data for 2Q 2025 is available. There is potential for further growth as the national development public programme picks up.

Workforce

The construction workforce grew by 3.5% in the year to Q1 2025 and now totals 182,000, the highest level of employment since 2012, and 26% above the long-term average. Growth in employment since 2021 has been facilitated by migration, with between 15 and 25% of workers being foreign-born. Latest data[1] estimates that between Q2 2021 and Q4 2023, the migrant workforce grew by 27,500, an increase of 84%. Non-EU permit holders are a small proportion, less than 5%, pointing to constraints in future growth in competition with other EU markets.

Construction earnings

Wage growth across the entire economy is significantly above HICP, coming in at 4.2% year-on-year in April 2025. Weekly earnings in construction have been growing at a marginally higher rate, 5.6% but down from growth rates seen in 2024. In a positive sign, the sectoral employment order covering 50,000 of Ireland's 180,000 construction operatives has agreed to a two-year deal from August 2025, averaging 3.3% pa, reducing the potential for above-inflation wage inflation in affected parts of the industry. With government investment programmes due to expand from 2026 onwards, we anticipate that earnings growth will feed into higher levels of inflation from 2026 onwards.

Contractor availability

Contractor availability is currently good, with clients in Ireland being able to secure a reasonable level of interest in projects. Market conditions are presently competitive, delivering projects that are aligned to estimates. Pricing levels are not so competitive as to enable clients to address viability challenges simply through bidding activity.

Materials

In common with other European markets, taken together, prices for materials have been stable over the past 12 months, increasing by 0.9% according to CSO data. Annual cost inflation of 5-6% affecting the cost of aggregates, cement, and concrete has been cancelled out by price cuts in asphalt, structural steel, and steel reinforcement of between 4-8%. However, the extent of deflation has fallen, and some categories, including timber, have switched to inflation in the past three months. Inflationary pressures are currently greater for low-density housing than for complex buildings and infrastructure.

The recent US/EU trade deal reduces the risk of retaliatory tariffs on imports from the US but could trigger global price increases as importers into the US take steps to redistribute the costs of US tariffs across all markets. This trend will most likely affect a small proportion of specialist products.

[1] *National Competitiveness and Productivity Council, quoted in the Irish Times*

Arcadis

Our world is under threat from climate change and rising sea levels to rapid urbanisation and pressure on natural resource. We're here to answer these challenges at Arcadis, whether it's clean water in Sao Paulo or flood defences in New York; rail systems in Doha or community homes in Nepal. We're a team of 36,000 and each of us is playing a part.

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