

Ireland Market View

Spring 2026

Ready for delivery?





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Economic uncertainty could slow construction's recovery from a disappointing end to 2025.

Iran war could trigger higher inflation and interest rates.

Irish economy forecast to enter a phase of steady, predictable growth.

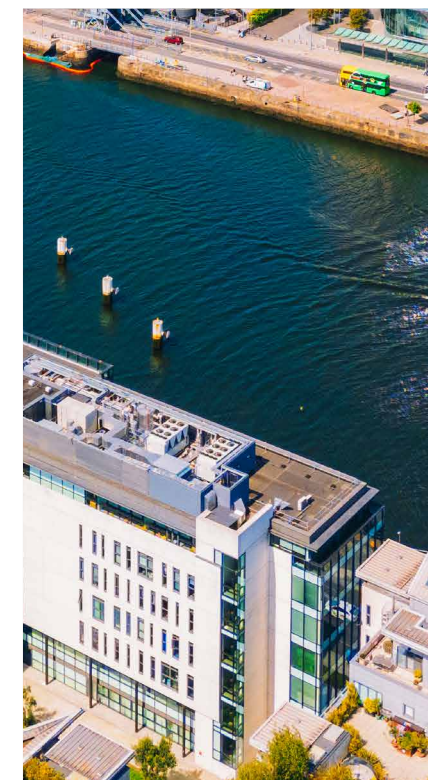
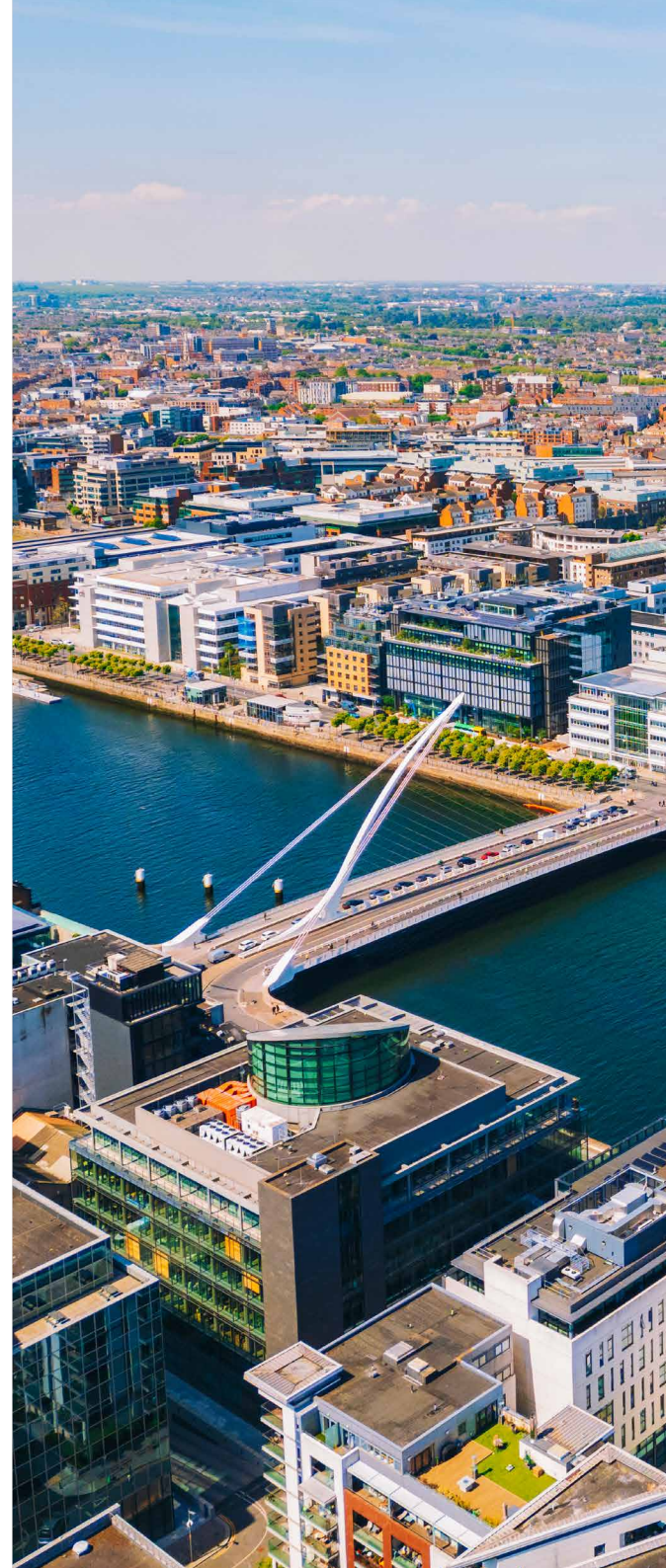
Construction is ready for recovery with spare capacity and an expanded workforce.

Inflationary pressures reduced during 2025, although CBAM will feed through material supply chains in 2026.

Inflation forecasts reduced for 2026 and 2027, but future inflation is expected to rise as workload increases.

Introduction

Just as the Irish economy seemed to be becoming more predictable, new sources of uncertainty have appeared. Could investment be curtailed as a result?





After a tumultuous 2025, during which GDP growth soared to over 10% in advance of the introduction of US tariffs, recent forecasts have suggested that the Irish economy is heading toward a period of greater predictability. Growth and inflation appear to be returning to trend.

However, recent events have complicated the picture for 2026. Changes to US tariff policy following the decision of the US Supreme Court have reduced certainty for customers and investors while also undermining the value of hard-won trade deals. The recent fluctuations in energy prices following the start of the 2026 Iran war have further destabilised the market.

Assuming that short-term turbulence can be set aside, Ireland's economy should enjoy the enviable prospects of high, sustainable growth rates, moderate inflation, and positive earnings growth in 2026. Modified Domestic Demand (MDD) for 2025 grew by 4.9% according to CSO. Unemployment remained steady at 4.7%, consistent with full employment, and earnings growth at 3.1% matched background inflation. Frontloaded pharmaceutical manufacturing in advance of tariff deadlines resulted in bumper Corporation Tax receipts up 17% to total €32 billion in 2025, providing further firepower to deliver the National Development Plan.

Before the start of the Iran war, the European Commission predicted that Ireland's MDD would ease to 2.7% in 2027, with inflation falling from 2.7% in Q1 2026 to 1.7% next year. The expectation was that a more predictable economy would provide the platform for accelerated investment. Ireland has been targeting stability through a new economic framework, which will be challenged in the newly uncertain climate.

The new fiscal plan features three pillars focused on the sustainability of public finances, creation of long-term resilience through investment, and futureproofing of the economy through sovereign wealth funds. Demonstrating the ability to deliver large capital programmes while keeping the economy on track is an important proof of concept for the wider programme.



Like all European economies, Ireland faces many challenges associated with economic transition. These include the ongoing need to attract Foreign Direct Investment while simultaneously addressing the infrastructure deficit that constrains future sustainable growth.

The recent decision to lift a moratorium on data centre power connections could lead to further demand for construction by triggering investment in both on-site energy provision for data centre (DC) operators and in renewables triggered by the six-year transition requirement. Public capital investment is set to increase by around 11% in 2026 as part of year one of the National Development Plan (NDP). This includes a €7.2 billion allocation for housing development.

Delivering investment against a background of strong economic growth is likely to become a challenge shared by both public and private sectors. The housing market has stabilised. New starts in December 2025 totalling 3,065 are consistent with an annual output of 36,000 units, a return to more normal levels of production. However, build rates will need to accelerate further during 2026 if ambitious completion targets are to be achieved, averaging 50,000 per annum over the period to 2030.

Construction market overview

Construction seeks to recover after a disappointing end to 2025. Which sectors will generate growth?



The Irish construction sector faced many challenges during 2025, as a rapid expansion in output at the start of the year lost momentum in the second half. Year on year, output in real terms was up by 4.9% by Q4 2025, according to CSO quarterly GDP data but activity was contracting across all sectors by the end of the year.

Table 1 highlights that both residential and civil engineering output volumes fell in 2025. However, the growth trajectory has been quite different. The residential sector recovered well after a weak start, while the Civils sector contracted steadily after a breakneck Q1, during which output increased by 20%. Q4 2025 was disappointing with the total volume of work contracting by 5%. The ‘Stop Go’ pattern of growth and contraction that has characterised Irish construction for many years remains entrenched.

Despite the sharp slowdown toward the end of the year, contractors in Ireland are in a relatively positive mood. Latest commentary accompanying the AIB Construction Purchasing Managers Index (PMI) points to greater confidence in the housing market, explained by the growth in residential starts. By contrast, opportunities in economic and social infrastructure have not yet trickled through to the supply chain. For example, at least in the short term, the industry is discounting growth in the Civils sector.

The latest PMI score, published in February 2026, came in at 48.7. It signalled contraction but represents a modest improvement in outlook. However, the survey points to some capacity constraints that could frustrate private and public clients alike.



	Residential building (%)	All building (excluding Civil Engineering) (%)	Civil Engineering (%)	All building and construction (%)
Quarterly Change	(6.5)	(2.0)	(6.0)	(5.0)
Annual Change	(0.1)	3.2	(0.9)	0.8

Construction output, real terms growth, Q4 2025. Source: CSO, Arcadis



Looking forward to growth, benefits might be restricted to a small proportion of the supply chain. Based on the latest surveys from the Construction Industry Federation, only 20% of contractors expect to benefit from further growth in Q1 2026, compared to over 30% a year ago.

In common with many large public-sector investment programmes, it will take time for NDP investments to reach the market. Active procurement is already underway for very large programmes, including Metrolink and the Water Supply Project, but these schemes are at a relatively early stage of implementation. If experience from UK programmes is a guide, it will take at least 12 months for smaller public sector programmes, such as those delivering housing, to come to the contractor market.

An early sign of the government's intent came with the publication of the sectoral plan for education, published in late January, which aims to bring forward over 100 projects to tender during 2026 and 2027, worth €1.6 billion.

In the commercial sectors, logistics developers continue to benefit from low vacancy rates in the Greater Dublin Area, resulting in capital growth of 5–6%. Prime office development is also starting to see lower vacancy rates as grey space is absorbed. With approximately 50,000 square metres of offices scheduled for completion in 2026, the pipeline of available space is diminishing at last.

However, as in many other development markets, construction costs for best-in-class facilities are high and remain a viability barrier. Scarcity-driven rents will need to increase further to trigger a broader resumption of the development cycle.

The potential impact of the Iran war

The Strait of Hormuz has been declared closed by a combination of Iranian threats and insurance cover withdrawal. Few vessels have been able to transit since early March. Energy prices have fluctuated wildly since the crisis began. Although reports suggest that negotiations may have begun, the differences between the parties appear difficult to reconcile. Despite the powerful economic and political forces that favour a deal, their positions are now clearly entrenched. Achieving a resolution will require the participation of all combatants.

Traffic through the Strait accounts for 20% of global consumption of both crude oil and natural gas. Beyond energy, the Gulf region is a major producer of fertiliser, plastics, and aluminium, as well as essential precursors used in the manufacture of copper and silicon chips. As a result, the conflict could disrupt a wide range of supply chains.

Under the most optimistic scenarios, it will take three to six months to return to pre-conflict patterns of energy trading due to a combination of security considerations, production restart issues, and the repositioning of the merchant fleet. Supplies of liquified natural gas (LNG) are expected to be disrupted for a longer period, due to extensive damage to Qatar's Ras Laffan LNG terminal, which could reportedly take years to repair. This means that product availability and prices will be unpredictable for an extended period.

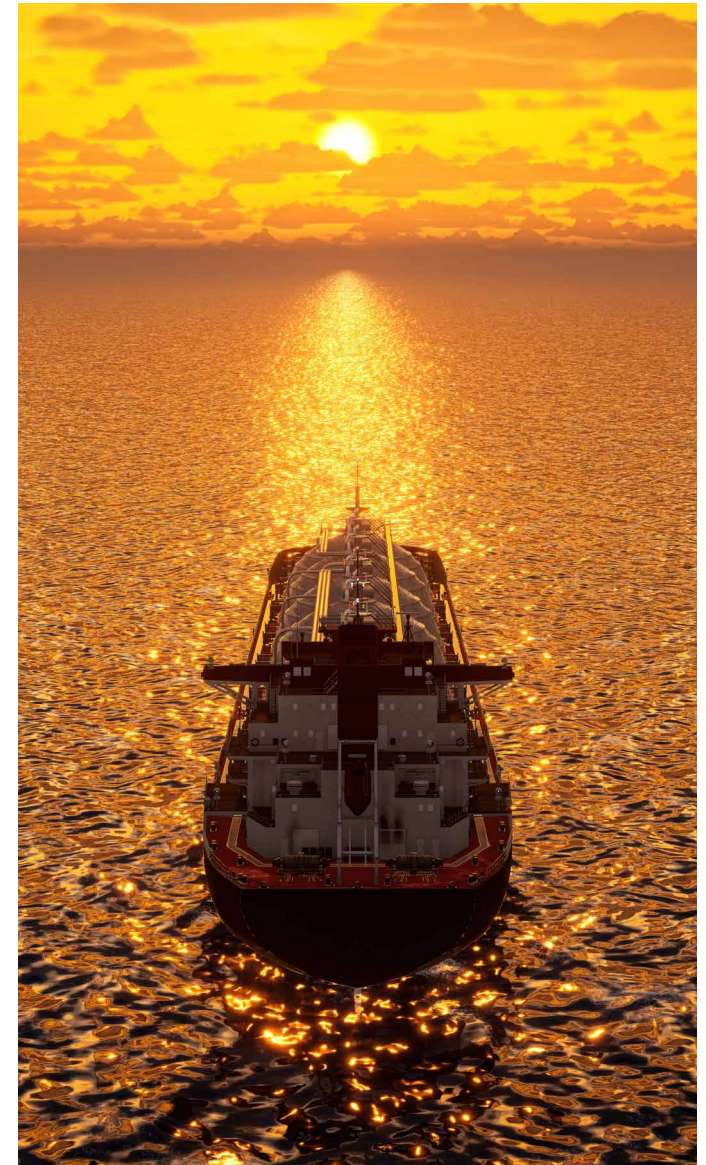
Ireland is indirectly affected by the crisis. Although renewable energy provides a large share of the electricity supply, over 80% of Ireland's total energy demand is imported. The impact of the crisis will be felt in three areas: growth, inflation, and a negative impact on confidence. Furthermore, the ECB might be required to raise borrowing rates across the Eurozone. Higher inflation and lower investor confidence could potentially result in lower levels of demand leading to a stagflation scenario.

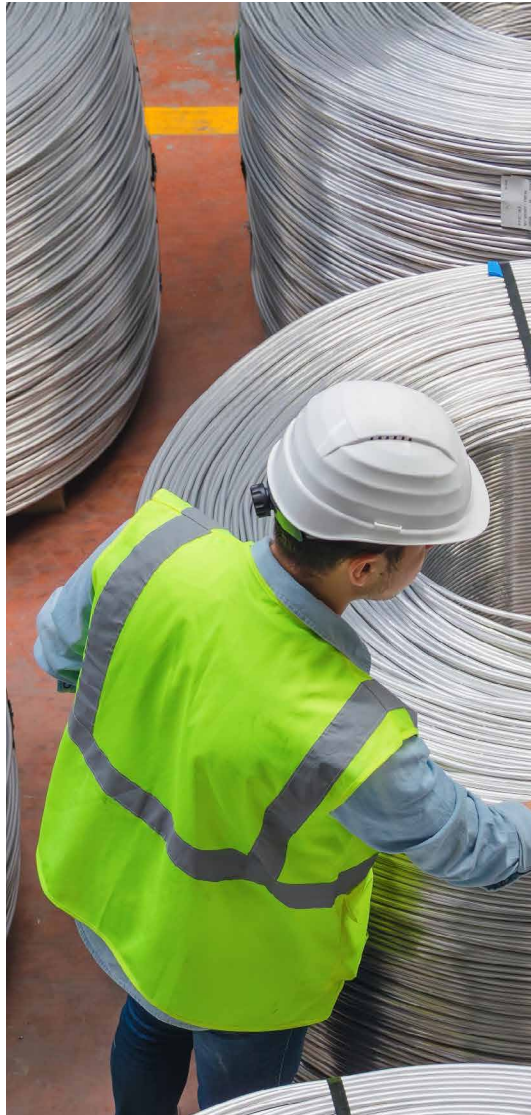
Irish construction will be further exposed because of the energy intensity of many materials, including brick, glass, and cement. Large-scale infrastructure projects will also be affected by increased costs of plant and logistics. Fuel costs typically equate to 15–20% of the costs of hired, operated mobile plant. During the early stage of the crisis, the most immediate inflationary impacts are likely to be from haulage surcharges.

Historic inflation data from 2021 and 2022, which covers the COVID recovery and the Ukraine energy crisis, is unlikely to be an accurate guide to future trends because so many factors were at play. However, that period is a useful reminder of how complex, integrated, and fragile global supply chains can be.

The impact of inflationary trends will also be determined by levels of product demand and pricing power, with busier sectors such as infrastructure and housing likely to be more at risk of inflationary pressure because suppliers will be more confident in the levels of demand for their products.

The upper range of our forecast is intended to account only for the short-term impacts of the crisis.





The impact of CBAM and steel tariffs on construction inflation

A further inflationary factor affecting the Irish construction sector is the Carbon Border Adjustment Mechanism (CBAM) that came into effect in January 2026. A spike in rebar rates suggest that the CBAM is already having an effect.

CBAM is an EU-wide measure to equalise carbon pricing on products imported from outside of the bloc. It is an additional charge equivalent to the difference between local carbon taxation and the costs incurred through the EU Carbon Market. CBAM currently also applies to goods imported from the UK. Although CBAM is phased in gradually, the combination of the added charge, costs of administration, and withdrawal of carbon permits for domestic producers has resulted in an immediate inflationary impact.

Many construction products, including steel and cement, are not only carbon-intensive but also widely traded globally. Up until now, products imported from outside of the EU will have been able to undercut the price of domestically produced goods. CBAM acts like a tariff, and its introduction should enable EU industries to better recover carbon costs through the sales price.

Consequential cost increases are estimated at around 7% for rebar and 3–4% for flat products. Cement prices have increased by around 10–15%. The impacts of CBAM have a disproportionate impact on framed structures, typically adding 1.5–2.0% to the costs of affected elements only. Other affected products include bitumen and heated and smelted products like aluminium, glass, and brick. The overall effect of CBAM on the cost of a typical construction project will be less than 0.5% of the total construction cost.

Further inflationary pressures will follow the introduction of new quotas and tariffs for steel imported into the EU, which will take effect in July 2026. Quotas are being reduced by 47% compared to 2024 levels, and tariffs are increasing to 50%. To add another layer of complication, steel that is not “melted and poured” in its country of origin will automatically be subject to the 50% tariff.

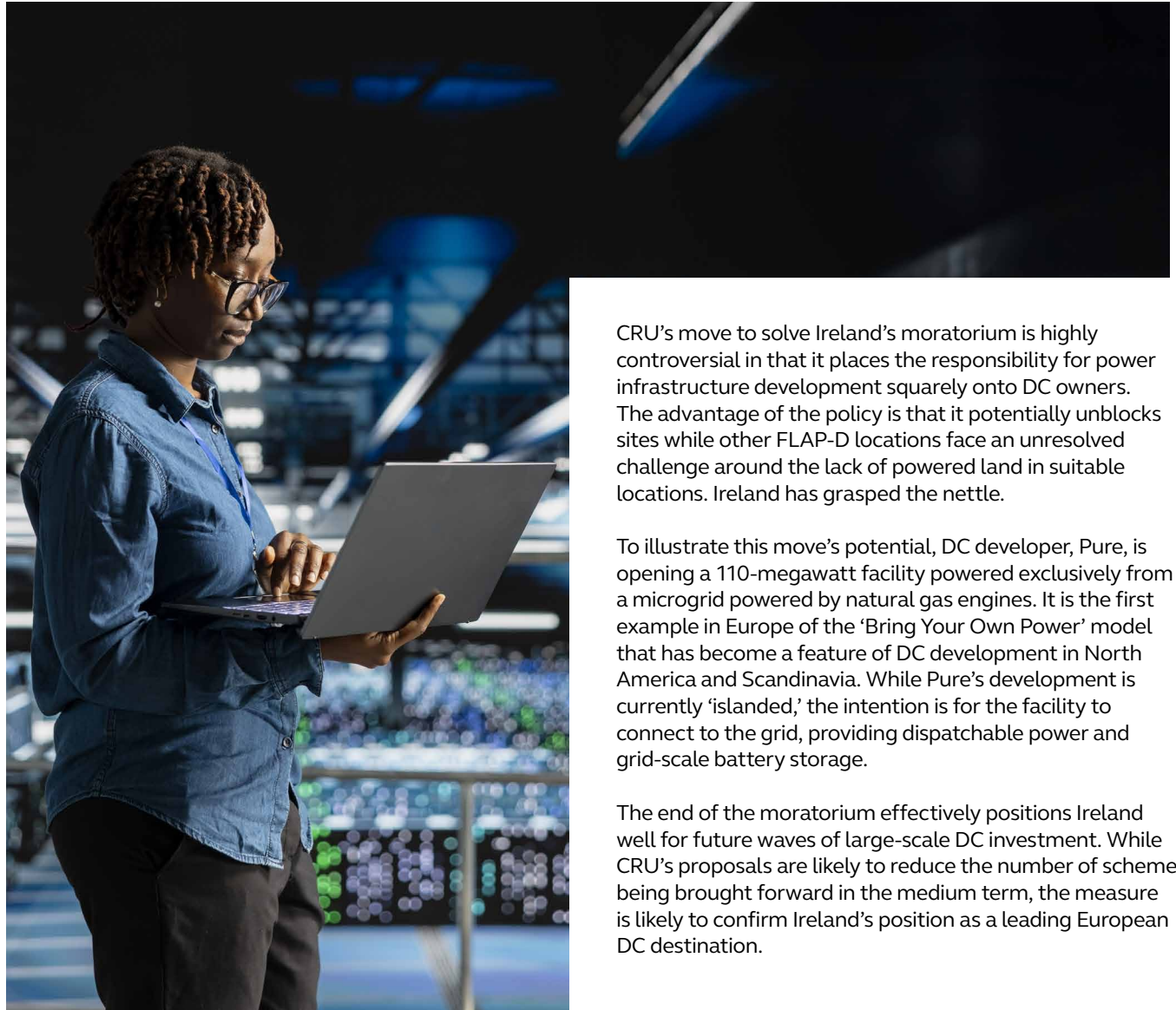
The new regime provides a vital trade barrier to protect the EU steel industry. Chinese steel currently costs about 55% of the price of European product in global markets, according to SteelBenchmarker. However, the tariffs are likely to set a price floor for steel in the EU. The tariff costs are likely to range between €85 and €170 per tonne. Simple products like rebar, which require minimal fabrication, will be most affected. The UK is also introducing a similar scheme.

Unblocking data centre development

Ireland has taken a significant step in 2025 by adopting a radical new ‘producer-consumer’ model to energise sites for new DC development. With DCs currently representing over 20% of Ireland’s total energy demand, network constraints have become an absolute barrier for new schemes, just as the AI boom took off.

By lifting a moratorium on connections to data centre development in the Greater Dublin Area, and by resequencing the connections queue, the Commission for Regulated Utilities (CRU) could unlock a new DC development cycle. However, for large DCs with a maximum import capacity of more than 10 MVA, the new requirements are a significant commitment for operators:

- **Provision of 100% on-site dispatchable power or battery storage.** This effectively doubles CapEx requirements while still requiring a full-sized grid connection. On-site power would typically be provided using hydrogen-ready gas turbine generators.
- **Requirements to participate in the Single Electricity Market for capacity.** This introduces a significant commitment to ensure that the DC’s power assets are available to the national grid on a 24/7 basis.
- **Transition to renewable power.** This is the requirement for a credible plan to secure 80% of energy needs within six years of DC switch-on from additional renewable power. It will increase competition for new green power plant investment in Ireland and could also create operational risks for the DC investor if switch-on is delayed.



CRU’s move to solve Ireland’s moratorium is highly controversial in that it places the responsibility for power infrastructure development squarely onto DC owners. The advantage of the policy is that it potentially unblocks sites while other FLAP-D locations face an unresolved challenge around the lack of powered land in suitable locations. Ireland has grasped the nettle.

To illustrate this move’s potential, DC developer, Pure, is opening a 110-megawatt facility powered exclusively from a microgrid powered by natural gas engines. It is the first example in Europe of the ‘Bring Your Own Power’ model that has become a feature of DC development in North America and Scandinavia. While Pure’s development is currently ‘islanded,’ the intention is for the facility to connect to the grid, providing dispatchable power and grid-scale battery storage.

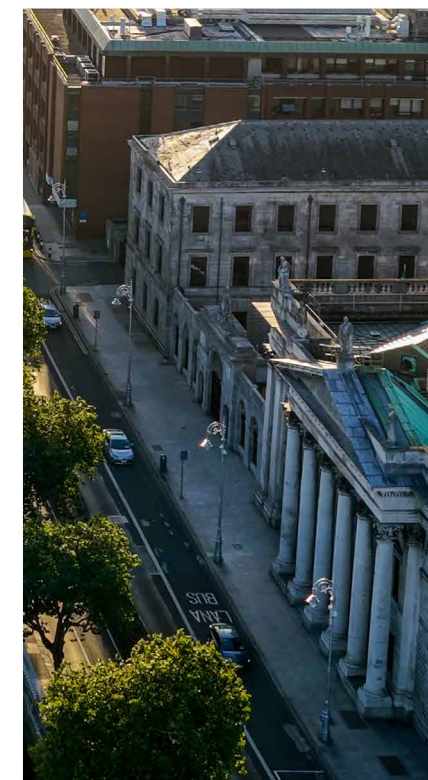
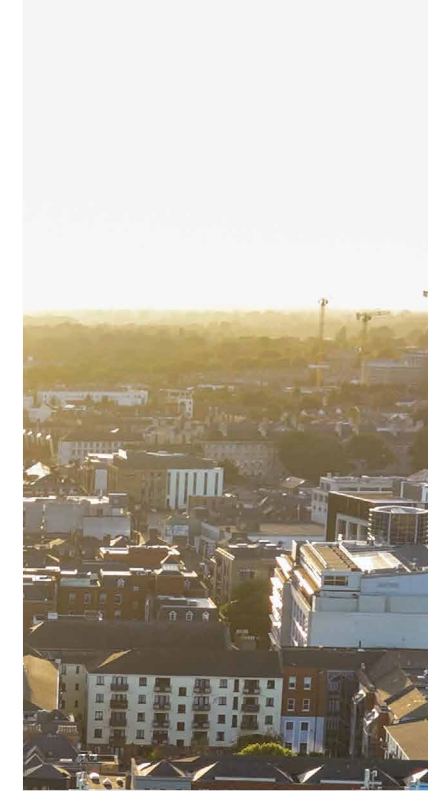
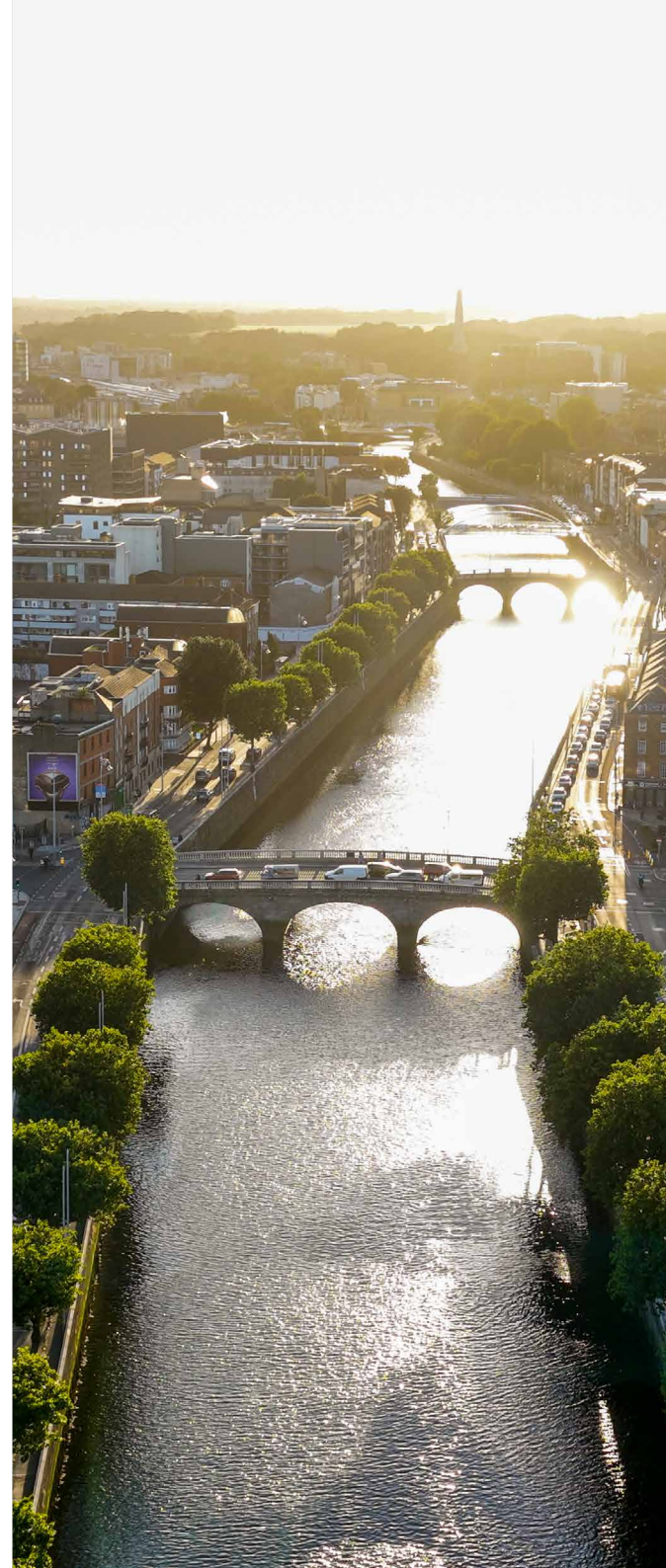
The end of the moratorium effectively positions Ireland well for future waves of large-scale DC investment. While CRU’s proposals are likely to reduce the number of schemes being brought forward in the medium term, the measure is likely to confirm Ireland’s position as a leading European DC destination.

Forecast

A significant slowdown in construction activity in H2 2025 is reflected in adjustments to our short-term forecast.

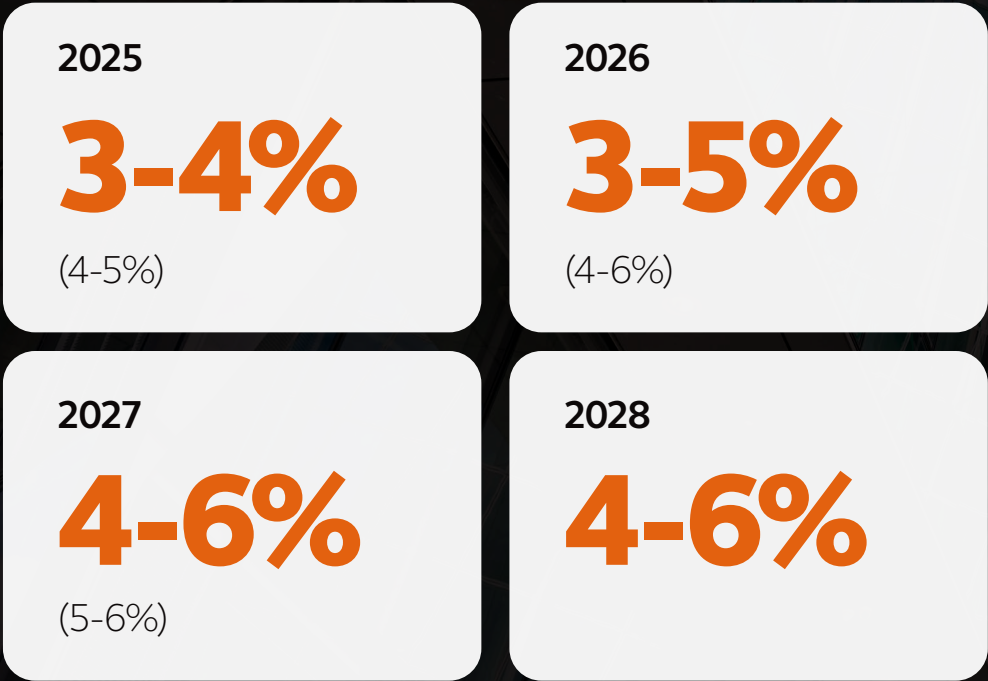
Continuing sources of uncertainty, including the energy crisis, and a new tariff regime could slow recovery. Prices from 2026 onward include a small upward increment for the effects of CBAM and higher energy costs. With early signs of a return to more normal levels of activity in the housing market mean, planning for further acceleration in cost inflation is prudent from 2027 onward. We continue to predict higher inflation in 2027 as NDP delivery accelerates, underscoring inflationary risks associated with a major increase in public expenditure.

The forecast assumes that energy price spikes associated with conflict in the Gulf Region are short-lived.



Annual building construction price inflation. % change pa.

Previous forecast in brackets.



Inflation drivers

Energy prices and material costs

Accelerating workload, including new programmes in the NDP from 2027 onward

Hydrocarbon taxes, including CBAM

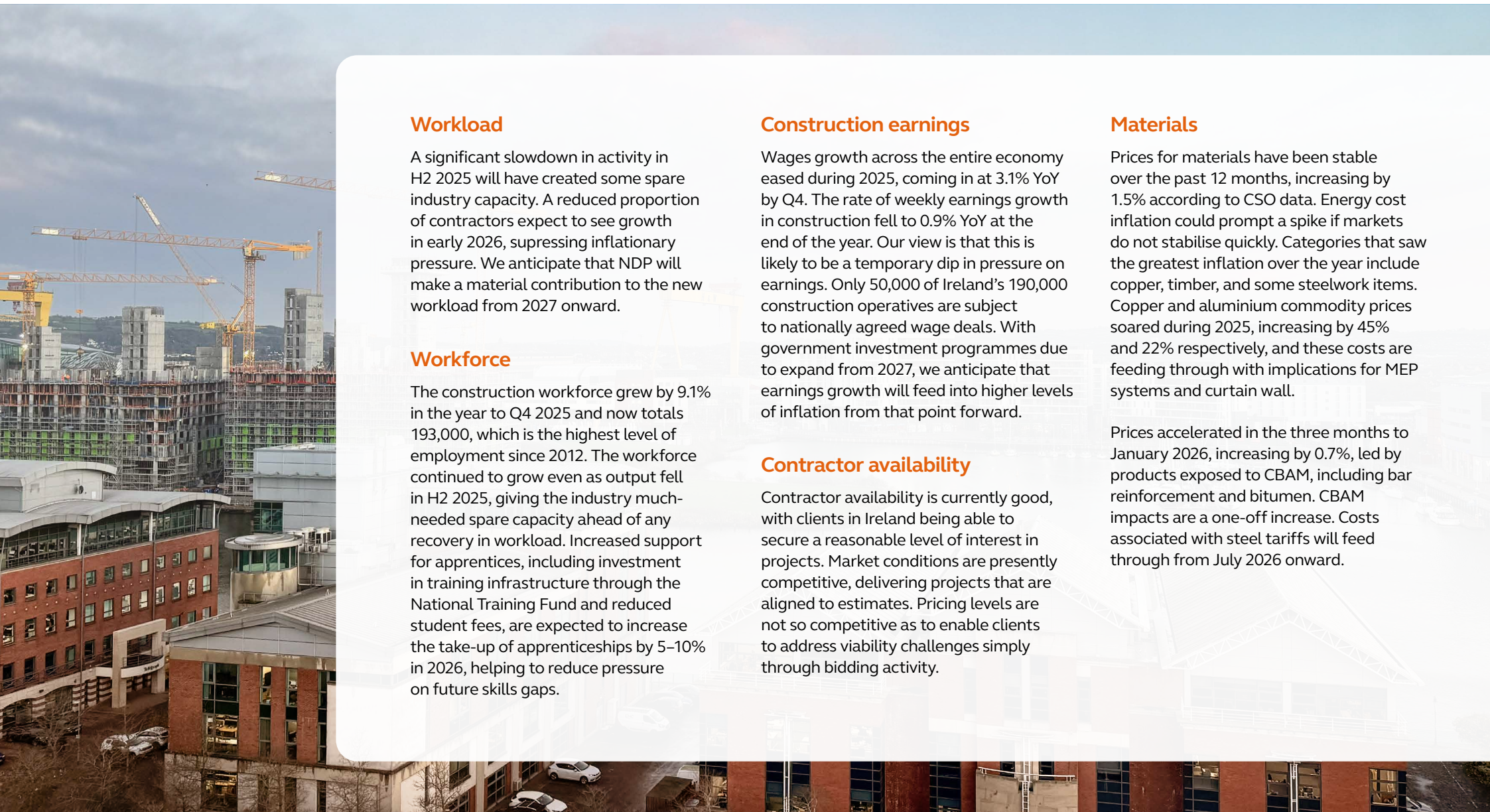
Industry capacity and low levels of competition

Crowding out by public sector-funded investment

Deflation drivers

Short-term spare labour capacity

Delayed project release due to viability issues



Workload

A significant slowdown in activity in H2 2025 will have created some spare industry capacity. A reduced proportion of contractors expect to see growth in early 2026, suppressing inflationary pressure. We anticipate that NDP will make a material contribution to the new workload from 2027 onward.

Workforce

The construction workforce grew by 9.1% in the year to Q4 2025 and now totals 193,000, which is the highest level of employment since 2012. The workforce continued to grow even as output fell in H2 2025, giving the industry much-needed spare capacity ahead of any recovery in workload. Increased support for apprentices, including investment in training infrastructure through the National Training Fund and reduced student fees, are expected to increase the take-up of apprenticeships by 5–10% in 2026, helping to reduce pressure on future skills gaps.

Construction earnings

Wages growth across the entire economy eased during 2025, coming in at 3.1% YoY by Q4. The rate of weekly earnings growth in construction fell to 0.9% YoY at the end of the year. Our view is that this is likely to be a temporary dip in pressure on earnings. Only 50,000 of Ireland's 190,000 construction operatives are subject to nationally agreed wage deals. With government investment programmes due to expand from 2027, we anticipate that earnings growth will feed into higher levels of inflation from that point forward.

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

Prices for materials have been stable over the past 12 months, increasing by 1.5% according to CSO data. Energy cost inflation could prompt a spike if markets do not stabilise quickly. Categories that saw the greatest inflation over the year include copper, timber, and some steelwork items. Copper and aluminium commodity prices soared during 2025, increasing by 45% and 22% respectively, and these costs are feeding through with implications for MEP systems and curtain wall.

Prices accelerated in the three months to January 2026, increasing by 0.7%, led by products exposed to CBAM, including bar reinforcement and bitumen. CBAM impacts are a one-off increase. Costs associated with steel tariffs will feed through from July 2026 onward.



Arcadis

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