



Ireland construction trends

Industry report



A Munich Re company

Five key trends that are influencing the construction market

The Irish construction industry has bounced back impressively since the Covid-19 pandemic, achieving notable growth following increased investment in infrastructure, residential and commercial projects. The demand for housing has never been greater, whilst the Irish government has committed significant funding towards public sector infrastructure initiatives. However, for all its buoyancy, Ireland's construction industry faces major challenges stemming from inflationary pressures, costs, and a rising skills shortage.

While it is difficult to predict the exact outlook for the sector over the next 12 months, it is likely that the construction industry will experience both challenges and opportunities in equal measure. From mitigating the impact of higher materials costs, to investing in new technologies to tackle the country's housing crisis, this report will consider how these trends are shaping the sector and impacting construction insurance risks.



Evolving investment landscape



Fluctuating costs



Availability of finance causes project delays



Sustainability: a growing challenge and opportunity for Construction



Increased investment in technology



Evolving investment landscape

Irish construction industry set to grow by **4%** between 2024 and 2027

The Irish construction market is forecast to decline by **4.1%** in real terms during 2023, having grown by **15.3%** in 2022. The decline can be attributed to high inflation, rising interest rates, and construction material cost pressures. Increases in the cost of borrowing have impacted the availability of finance as banks tighten their requirements for loan approvals, further stalling construction activity.¹

Although output has fallen recently, the future outlook for construction appears more optimistic as the wider economy slowly recovers from the cost of living crisis. The Irish construction industry is anticipating projected growth of more than **4%** between 2024 and 2027, owing largely to a resurgence of investment across its energy, utilities, and transport sectors.

The construction market in Ireland is enjoying a boom in Dublin, Cork, and Galway due to numerous residential, commercial and public sector infrastructure projects. Cork in particular has seen significant demand for housing and commercial space following a surge in population, with the region alone receiving **14%** of Ireland's planning permissions in 2022 and now employing **10%** of Ireland's construction workforce.²

In 2024, construction work will commence to revitalise Cork's docklands. The **€350 million** project will see the development of office, retail, and residential units on a 1.5 hectare site on Kennedy Quay in the city, with the potential to create 5,000 new jobs.²

Other major projects



€182m development for new national maternity hospital

A new national maternity hospital at St. Vincent's University Hospital has gone to tender. The hospital will be relocated to a new campus, with 244 beds on a 10.55 hectare site.



€250m schools upgrade programme

Construction has begun on Project Nore to create capacity for 4,000 additional students. The project will fund seven school buildings in counties Tipperary, Kilkenny, Westmeath and Kildare.



€500m Foynes to Limerick road and Adare bypass

Plans have been approved for a road linking Foynes to Limerick as well as the Adare bypass. The major project will also connect the port of Foynes to the motorway network.



Fluctuating costs

Global economic factors and industry challenges will continue to influence construction costs in 2024. These challenges include rising materials and labour costs, fluctuating energy prices and interest rates, as well as international influences such as the war in Ukraine.

86% said rising materials costs is their main concern

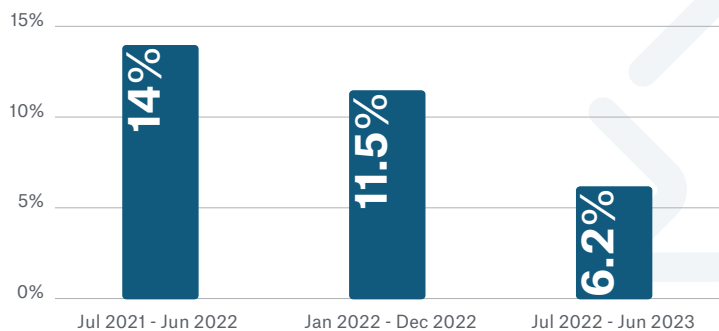
In Ireland, cost and inflationary pressures continue to hamper growth and profit margins. **96%** of construction firms have experienced a rise in the cost of building materials, with **86%** citing this as their main area of concern ahead of access to skilled labour and the cost of labour.³ A study has also revealed that construction costs for homes are up to **30%** higher in Dublin compared to comparable cities in other European countries, such as Denmark, Germany, the Netherlands and the UK, due to escalating labour costs and more stringent building regulations.⁴

Costs are being influenced by high construction demand as a result of economic growth and population expansion. However, there are clear signs that construction inflation is beginning to stabilise for a range of materials. Energy prices and other manufacturing materials used for insulation and steel reinforcement are settling down, but the cost of concrete products continues to spiral.

The Irish government's decision to introduce a **5%** concrete levy from September 2023 was a further blow to construction companies who were already constrained by labour, finance and inflation challenges.⁵

Commercial construction inflation

Annual median national rate of inflation⁵



Tips

- Construction firms, together with their insurance broker, should review whether their limits of indemnity remain adequate as the cost of construction has increased.
- Focus procurement on cost reduction by considering more collaborative contracting frameworks.
- Develop a deeper understanding of supply chain capacity to help proportion risk and plan for challenges ahead.



Availability of finance causes project delays

44% of construction companies are struggling due to the availability of finance and funding

The Irish construction industry relies heavily on finance to fund construction projects, which is becoming difficult to obtain following increases in interest rates by the European Central Bank.

Research conducted by the Society of Chartered Surveyors Ireland has revealed that **44%** of construction companies are struggling due to the lack of availability of finance and insufficient grant funding. In turn, this is having a negative effect on meeting targets for the National Residential Retrofit plan – an Irish government initiative to improve energy efficiency in homes by installing 400,000 heat pumps to replace older, less efficient heating systems by the end of 2030.⁶

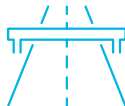
Surveyors believe the ‘viability of projects’ stemming from a hike in interest rates is the principal reason for them struggling to raise development finance and secure bank lending and credit approval. Even when funding is made available, the process of applying for finance can take several months. In some instances, funding has been put on hold due to the volatility of cost pressures.

Project delays



Social housing

74 Irish social housing projects have been delayed after running out of funding, and require additional finance in order to be completed.



Roads

The M28 Cork to Ringaskiddy road upgrade, originally planned for 2026, won't be delivered until 2028 following analysis of how inflationary pressures could impact the project, as well the availability of plant, labour and materials.



Educational buildings

58 school building projects across Ireland, due to go to tender or construction in 2023, have been paused due to funding pressures.

Tip

– As traditional sources of finance have become increasingly risk adverse when approving loans, contractors will need to explore alternative finance options.



Sustainability: a growing challenge and opportunity for Construction

Approximately **37%** of carbon emissions in Ireland come from construction, **23%** from heat, light and cool buildings, and **14%** from the production of construction materials. Ireland's commitment to halving its greenhouse gas emissions by 2030 will, therefore, depend heavily on the construction industry placing a greater emphasis on sustainable practices.⁷

The demand for more housing in Ireland has reached a critical point. The Irish government's Housing for All plan aims to provide 300,000 new homes by 2030, which is expected to drive growth and employment opportunities in the residential construction sector.

Employing innovative methods of construction are key to delivering energy efficient homes to reduce carbon emissions, whilst also solving Ireland's housing crisis.

3D printing is being explored as a potentially faster, more cost-effective method for constructing homes compared to traditional methods. 2023 has seen Dublin construction firm Harcourt Technologies build Ireland's first 3D printed house. Developers hope this significant milestone could revolutionise construction by providing a more cost effective and sustainable way to build, as well as streamlining building processes.

Sustainability represents a significant opportunity for the construction industry to invest in green technologies to meet regulatory demands and gain a competitive advantage. For example, since switching to an electric telehandler from a diesel-powered version at the Coopers Cross site in Dublin docklands, Irish contractor Sisk has saved 22 tonnes of CO2 emissions during 1,500 hours of work, and reduced noise pollution.⁸

Furthermore, the electrically powered equipment was able to outpace the work a traditional diesel version could have achieved with neither battery charge or range being an issue.

Tip

- Due to a heightened focus on environmental considerations, contractors' insurance needs may evolve. Businesses should assess whether they need specialist coverage to manage construction-related risks associated with sustainable initiatives.

Ireland's first 3D printed house was built in 2023





Increased investment in technology

A substantial influx of skilled construction workers could be needed to address Ireland's housing shortage, which is struggling with rising population and oversubscribed amenities. The housing crisis has become one of Ireland's biggest social, economic and political issues, which is undermining the country's growth and ability to compete for new investment.⁹

A shortage of skilled workers is leading to increased competition for workers and higher wage costs.

Irish construction industry skills shortage

Peak of **115,550** workers employed in 2007⁹

63,500 workers employed in 2022⁹

284,000 additional and upskilled workers required by 2030¹⁰

As a result, the construction sector is turning to modern technology to bridge the skills gap and improve productivity.

Three quarters of Irish construction businesses increased their investment in digital transformation in 2023 to mitigate the challenges caused by economic volatility. Increased tech spending is also being made with one eye on the future. One in two construction businesses expect the number of construction projects to increase by up to **20%** in the next 12 months.¹¹

Construction company The Mace Group has completed a project using a four-legged robot to automate time-consuming tasks. The robot was used to conduct extensive scans to capture the as-built details of large warehouses and bigger building projects.¹² Benefits of robotics technology include freeing up human workers to focus on more skilled and value-added tasks, and improving safety on construction sites.

Other emerging trends include the adoption of augmented reality to streamline project planning and communications by providing real-time information overlays, which can help to reduce errors and improve collaboration.

In addition, building information modelling (BIM), which can help visualise construction designs from many angles, is being further enhanced with artificial intelligence (AI). Used in conjunction with BIM, AI can improve the accuracy of quantity take-offs and speed-up the extraction of information around required building materials.

Three quarters of Irish construction businesses have increased their investment in digital transformation in 2023

Tip

- Digital technologies herald a new era in construction, reducing labour needs and boosting sustainability. However, it's important to consider the risks from these technological advances, such as vulnerability to cyber-attacks.





Conclusion



2023 has been a challenging year for construction in Ireland, influenced by volatile economic headwinds, an ongoing social housing conundrum and stalled projects arising from restricted access to finance. The industry continues to battle cost pressures, whilst also trying to bridge the gap created by a dwindling labour skills shortage, which is crucial to delivering the country's Housing for All project to boost economic growth.

Although construction output has stagnated this year, the sector is expected to return to growth in the medium-term, which should coincide with major investment opportunities in Dublin, Cork, and Limerick. Sustainable construction methods are set to become more mainstream, which is anticipated to drive the demand for off-site construction manufacturing.

The Irish construction industry's willingness to embrace new technologies and sustainable practices suggests the future for the sector is bright. A strong public sector pipeline will drive construction growth, combined with the government's unwavering focus to fulfil its social housing commitments, are all reasons for optimism in the year ahead.

Footnotes:

- 1 Ireland Construction market size, trend analysis by sector and forecast, 2023-2027 | Globaldata.com
- 2 Planning permissions quarter 4 and Year 2022 | Central Statistics Office
- 3 Most Irish construction companies report increase in cost of materials | Plant & Civil Engineer
- 4 Building in homes in Dublin are up to 30% more in Europe due to 'higher spec', Government told | The Irish Times
- 5 Sharp drop in construction cost inflation | Irish Examiner
- 6 Construction constrained by labour, finance and costs | RTE
- 7 Going green - is it time to consider the use of climate clauses in construction projects | Irish Building Magazine
- 8 Electric good, hydrogen better for construction? | Irish Times
- 9 Ireland 'needs influx of construction workers' | BBC News
- 10 Construction skills shortage threatens Ireland's climate and housing targets | BusinessPlus.IE
- 11 Economic headwinds accelerate digital tech spend in construction | Verdict
- 12 Spot the robot dog earns its keep with tech-savvy construction contractor | Equipment World

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