



# **New Homes Construction Survey**

## **2023**

# New Homes Construction Survey 2023



## **It is my pleasure to introduce the Knight Frank New Homes Construction Survey 2023.**

For many years our highly experienced team has worked closely with national and international developers, landowners and local authorities to deliver financially viable residential development projects. We have utilised this extensive network in order to ask the development and building community their thoughts regarding the future of the new homes construction market. This is the eighth edition of this report and the findings come at a particularly interesting and challenging time for the market. I trust you will find this report and its insights useful.

Please do reach out to myself or my colleagues on the Knight Frank Development Land or New Homes teams if you have any follow up queries.

**JAMES MEAGHER**  
DIRECTOR

## **Two-thirds of respondents expect their output in 2023 to be unchanged or lower in comparison to 2022.**

This suggests that the industry will be unable to build on the progress that was made in 2022 when 29,851 units were delivered, a notable increase in comparison to the 21,000 units that were completed each year in 2019, 2020 and 2021. This finding is worrying, particularly in the context of research carried out by the Housing Commission which found that there is a need for 42,000-62,000 units each year between now and 2050 in order to satisfy demographic pressures brought on by population growth, in-migration and falling household sizes.

The planning process is the greatest obstacle to increasing output in 2023, overtaking concerns about the cost of building materials and labour which was found to be the biggest obstacle in our 2022 analysis.

Obtaining planning permission from Local Authorities, in addition to appeals and judicial reviews, can take anywhere in the region of four years resulting in significant wait times and costs for developers. In the interim, other issues such as the rising cost of building materials and labour as well as difficulties obtaining development finance have the potential to make any planning application navigating its ways through the planning process unviable.

Respondents predict that while annual building material and labour cost inflation will ease in 2023, it will remain at an elevated level for the year ahead – 43% of respondents believe that annual building material and labour cost inflation will range between 7-9%, while 38% predict it will vary between 4-6%. In addition, successive interest rate increases over the past year and recent turmoil in the global banking sector will make the task of raising development finance even more difficult this year according to 72% of respondents (up from 42% in last year's analysis).

The impact of the Residential Zoned Land Tax has already garnered considerable attention this year and as such is a key focus of this year's research. The way the tax is currently structured makes no distinction between developers who have taken reasonable measures to position their sites for development, but who are unable to commence construction due to delays in the planning system, the rising cost of building materials and labour as well as difficulties obtaining development finance, and those who have not. For the former, the tax will represent another cost that will threaten the viability of any units within its scope.

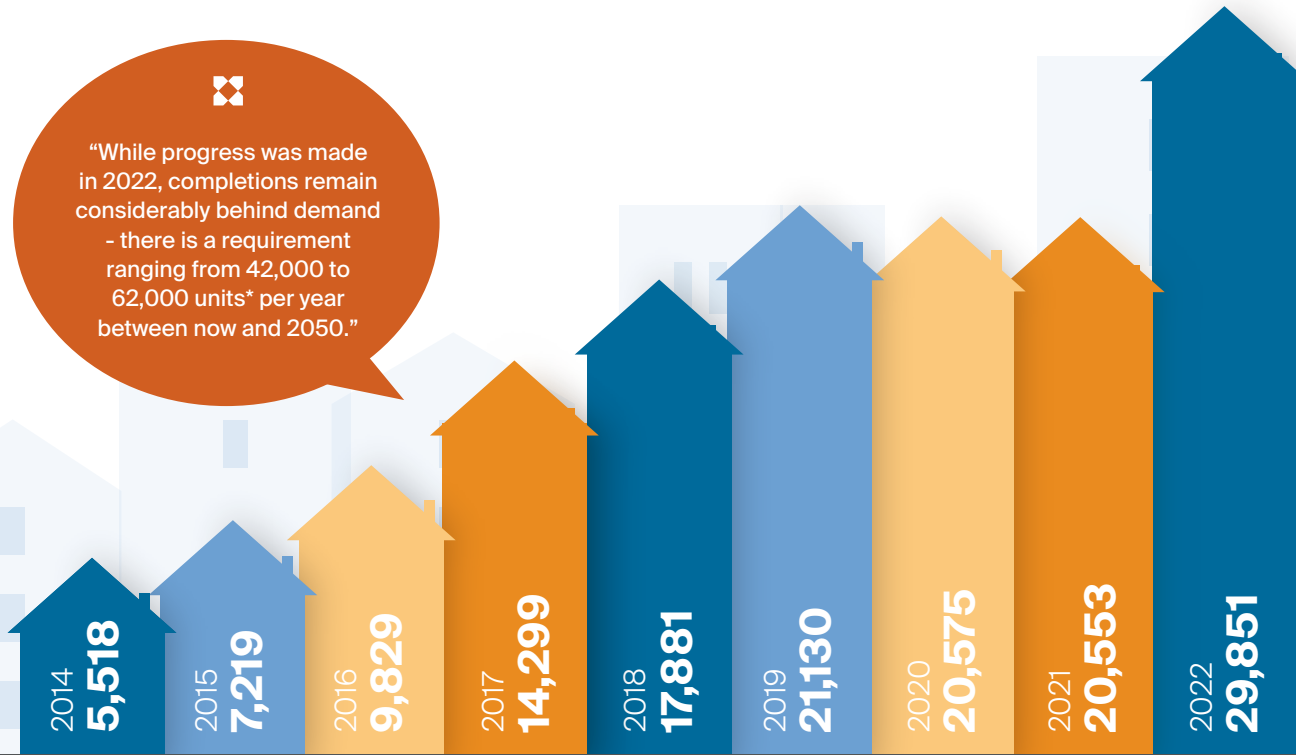
Given the scale of the challenge confronting us, we cannot have a situation where policy acts as another barrier to viability. We hope you enjoy delving into the report and please do not hesitate to contact us to discuss the findings in greater detail.

**ROBERT O' CONNOR**  
ASSOCIATE DIRECTOR



# Completions

29,851 units were completed in 2022 - a considerable increase when compared to the 21,000 units that were delivered each year in 2019, 2020 and 2021.

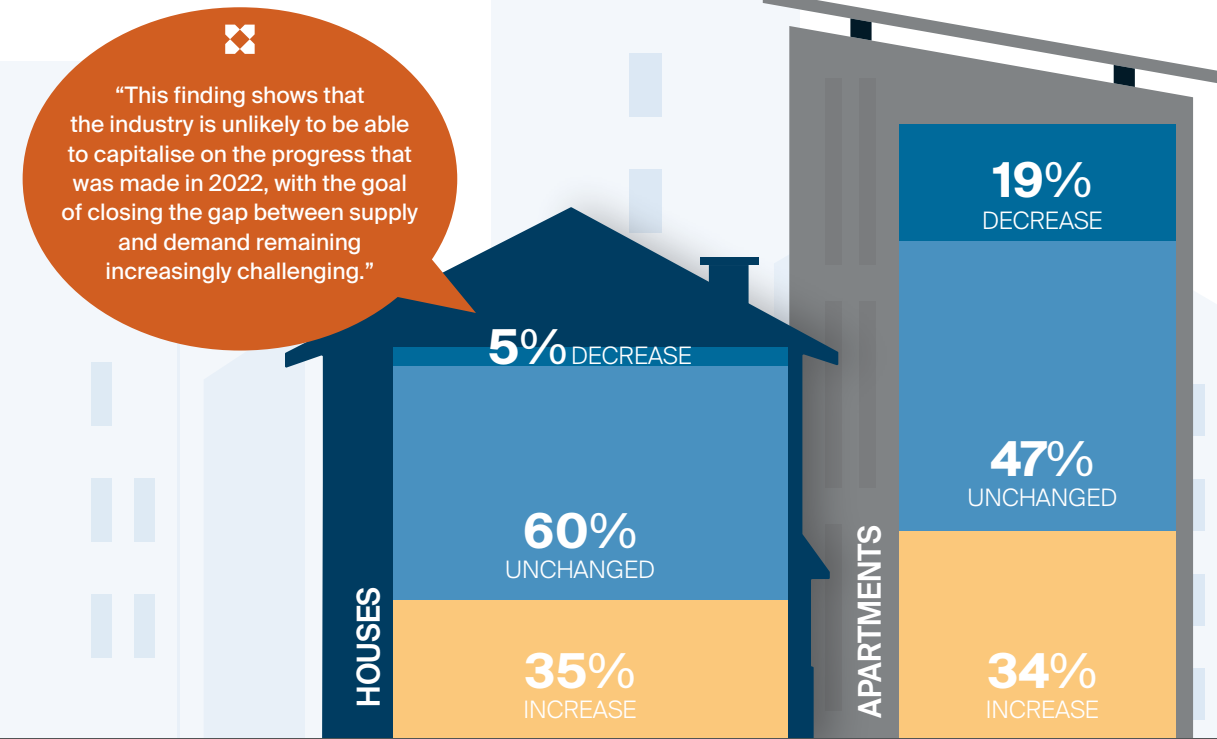


\* = Housing Commission

Source: Knight Frank Research/CSO

# Supply 2023

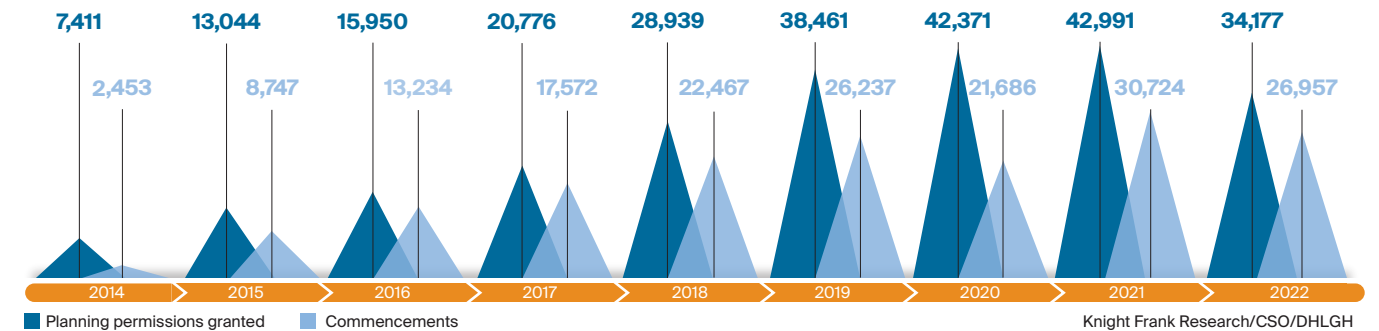
Two-thirds of respondents state that their output in 2023 will be unchanged or lower in comparison to 2022.



Source: Knight Frank Research

## Commencements & Planning Permission

Weaker sentiment amongst respondents in terms of their output for 2023 is supported by a number of indicators which are on a downward trajectory.



Knight Frank Research/CSO/DHLGH

# Obstacles to Construction

An analysis of responses shows that the planning process is the greatest obstacle to increasing output in 2023.

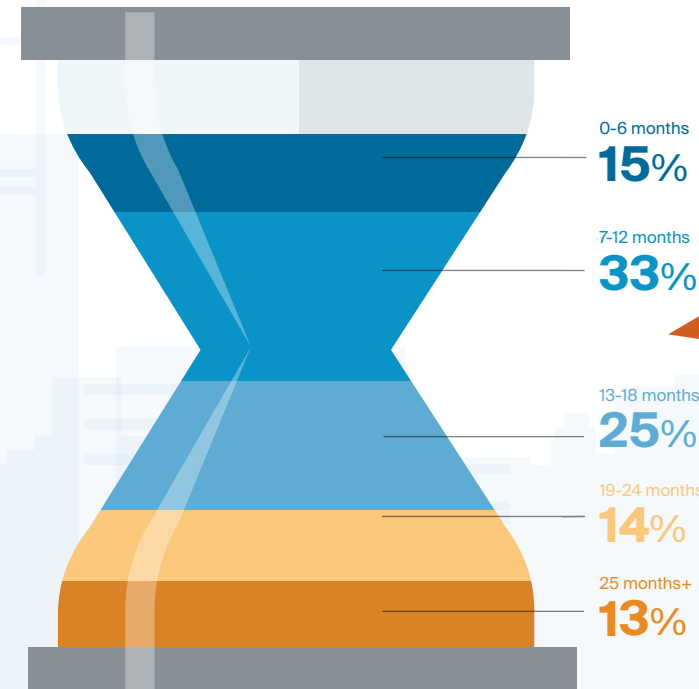


“The planning process replaces the cost of building materials and labour which was the biggest obstacle in last year’s survey.”

Source: Knight Frank Research

# Planning Delays

33% of respondents report that it is currently taking between 7-12 months to receive a grant of planning permission from a local authority.



“In total, these results show that obtaining planning permission from Local Authorities, in addition to appeals and judicial reviews, can take anywhere in the region of four years resulting in significant wait times and costs for developers. There are 70,000 units\* awaiting a decision from An Bord Pleanála in relation to an appeal or from the Courts in terms of a judicial review. Even if they manage to work their way through the planning process, there is a risk that many of these units could be unviable given the rising cost of building materials and labour as well as difficulties obtaining development finance in the interim.”

\*=Construction Industry Federation

Source: Knight Frank Research

# Appeals and Judicial Reviews

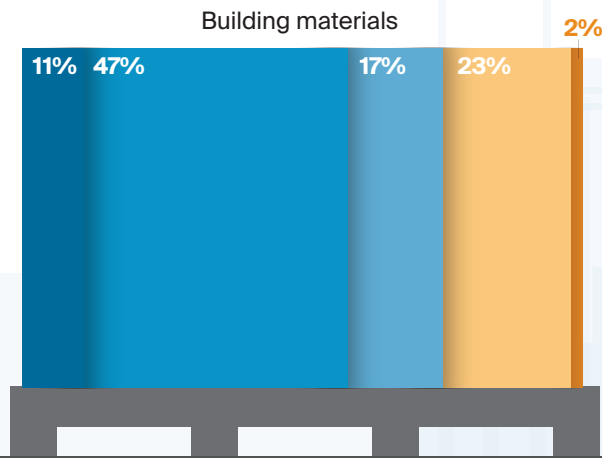
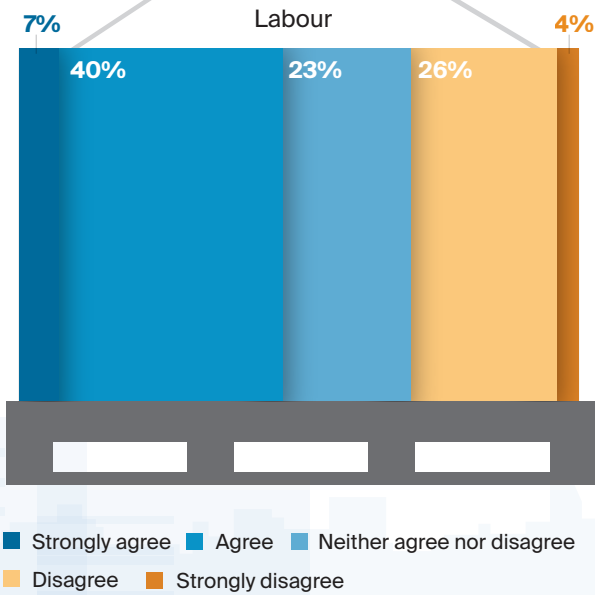
Appeals and judicial reviews are adding a considerable amount of time to the planning process as 32% of respondents believe that an appeal could add 11-15 months while 46% of respondents believe that a judicial review could add anywhere in excess of 21 months.



Source: Knight Frank Research

# Materials & Labour

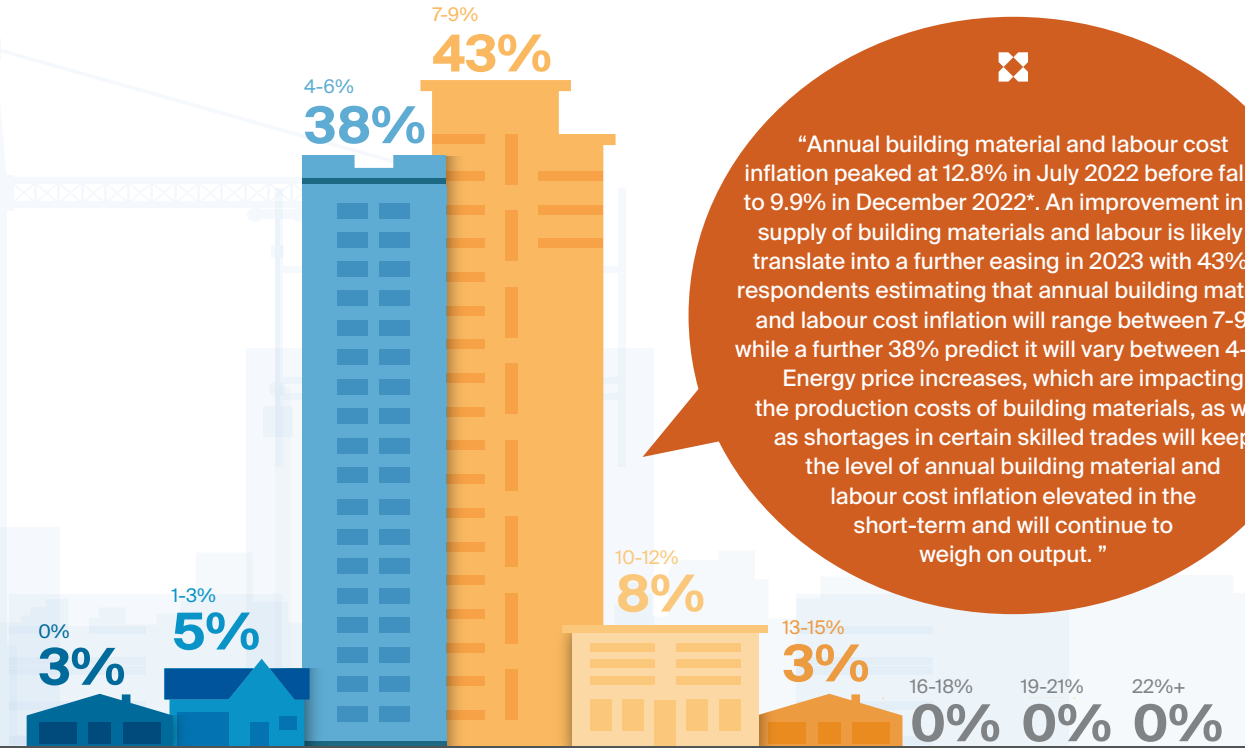
Respondents expect to see an improvement in the supply of building materials and labour in 2023.



Source: Knight Frank Research

# Cost Inflation

And while annual building material and labour cost inflation is forecast to ease in 2023, the majority expect it to remain at an elevated level.



“Annual building material and labour cost inflation peaked at 12.8% in July 2022 before falling to 9.9% in December 2022\*. An improvement in the supply of building materials and labour is likely to translate into a further easing in 2023 with 43% of respondents estimating that annual building material and labour cost inflation will range between 7-9% while a further 38% predict it will vary between 4-6%. Energy price increases, which are impacting the production costs of building materials, as well as shortages in certain skilled trades will keep the level of annual building material and labour cost inflation elevated in the short-term and will continue to weigh on output.”

\*=CSO

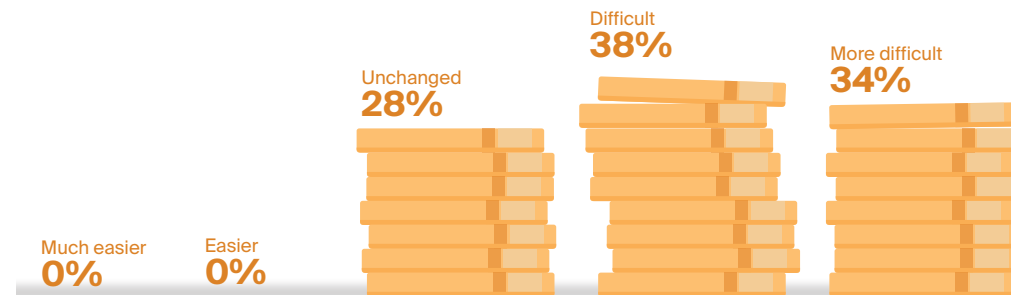
Source: Knight Frank Research



“A combination of successive interest rate increases over the past year and recent turmoil in the global banking sector is contributing to the pessimism amongst developers in relation to the task of raising development finance this year which is likely to also curtail output.”

# Development Finance

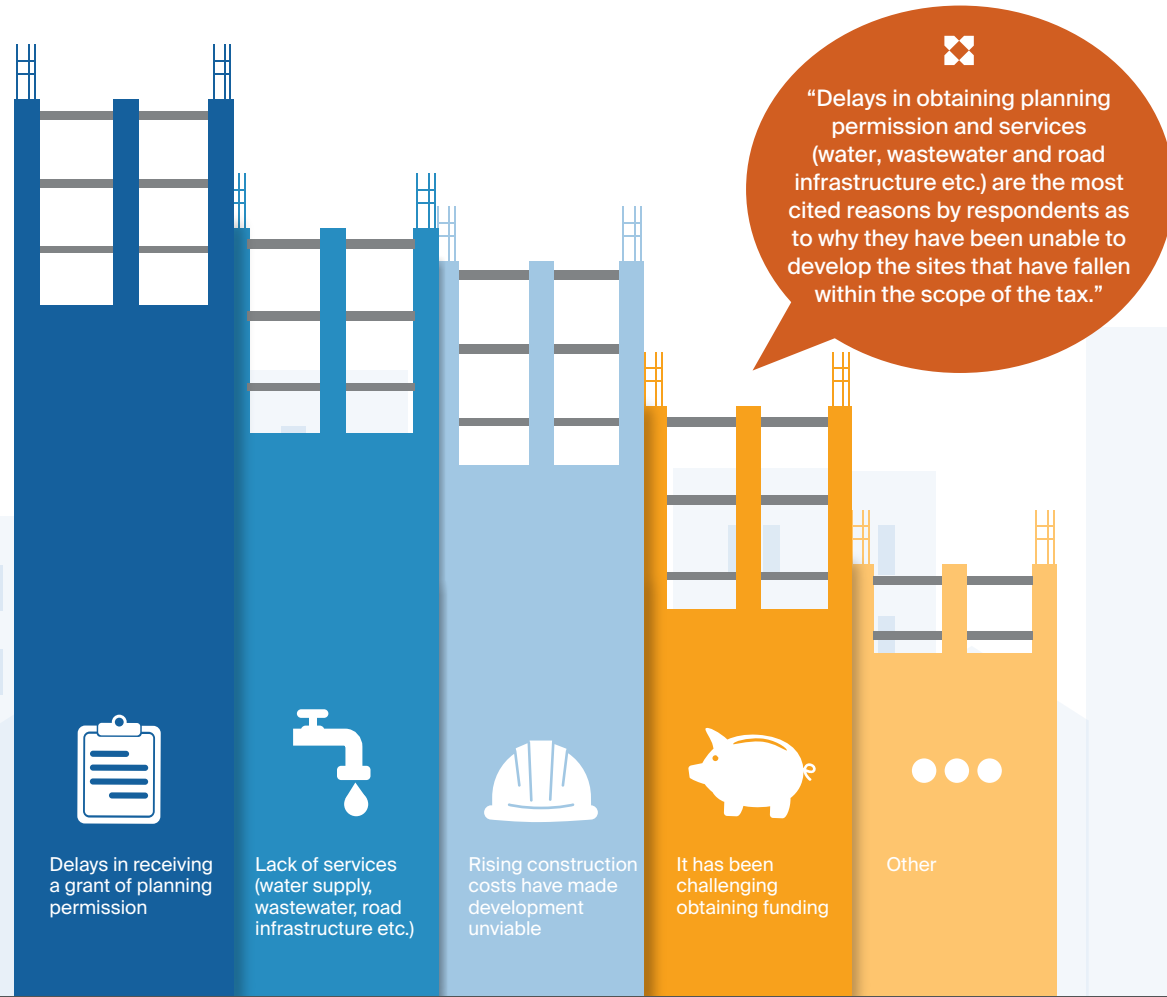
72% of respondents believe that it will be difficult or more difficult to obtain development finance in 2023 when compared to 2022.



Source: Knight Frank Research

# Residential Zoned Land Tax

71% of respondents own sites that have fallen within the scope of the residential zoned land tax.

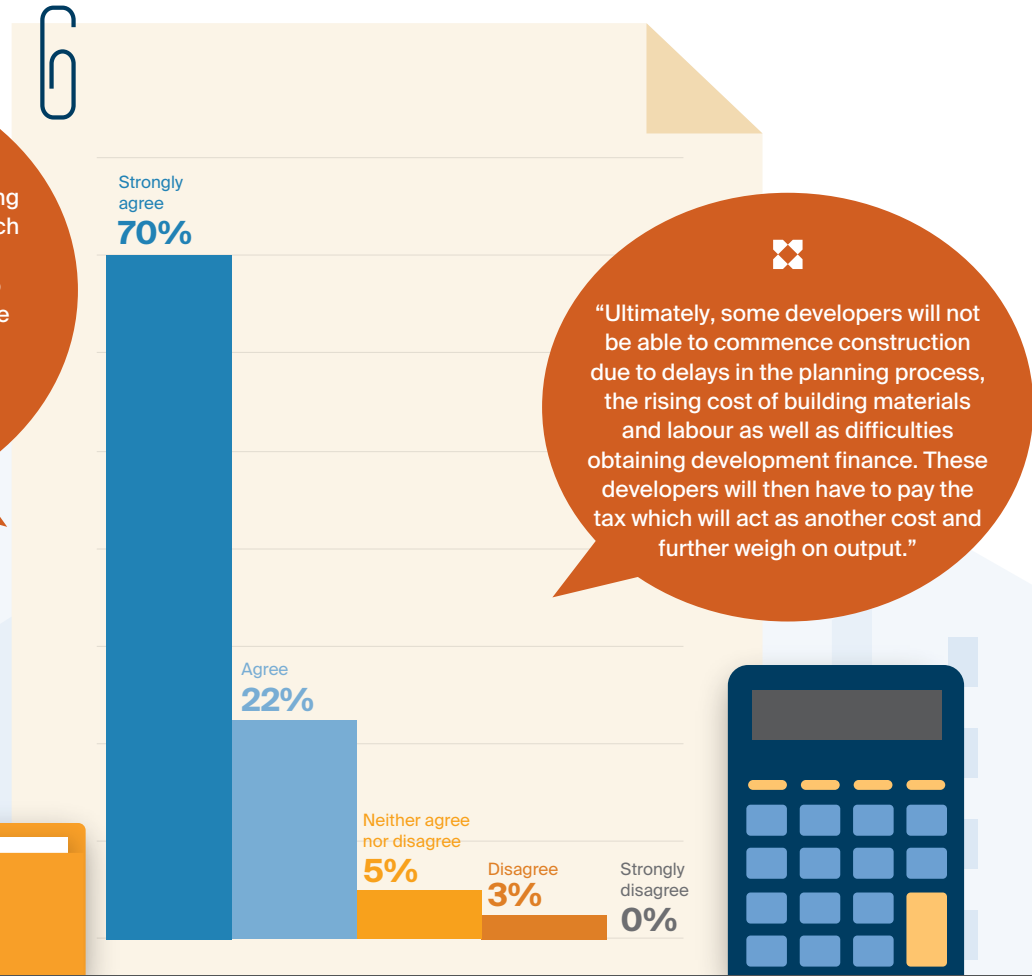


“Delays in obtaining planning permission and services (water, wastewater and road infrastructure etc.) are the most cited reasons by respondents as to why they have been unable to develop the sites that have fallen within the scope of the tax.”

“While many would support measures to discourage the hoarding of land, the one-size-fits-all approach to the implementation of the tax will likely penalise developers who have been trying to take reasonable measures to position their sites for development by attempting to connect them to services and by lodging planning applications.”

# Residential Zoned Land Tax

92% of respondents are concerned that the tax has the potential to impact the viability of the sites that fall within it’s scope.



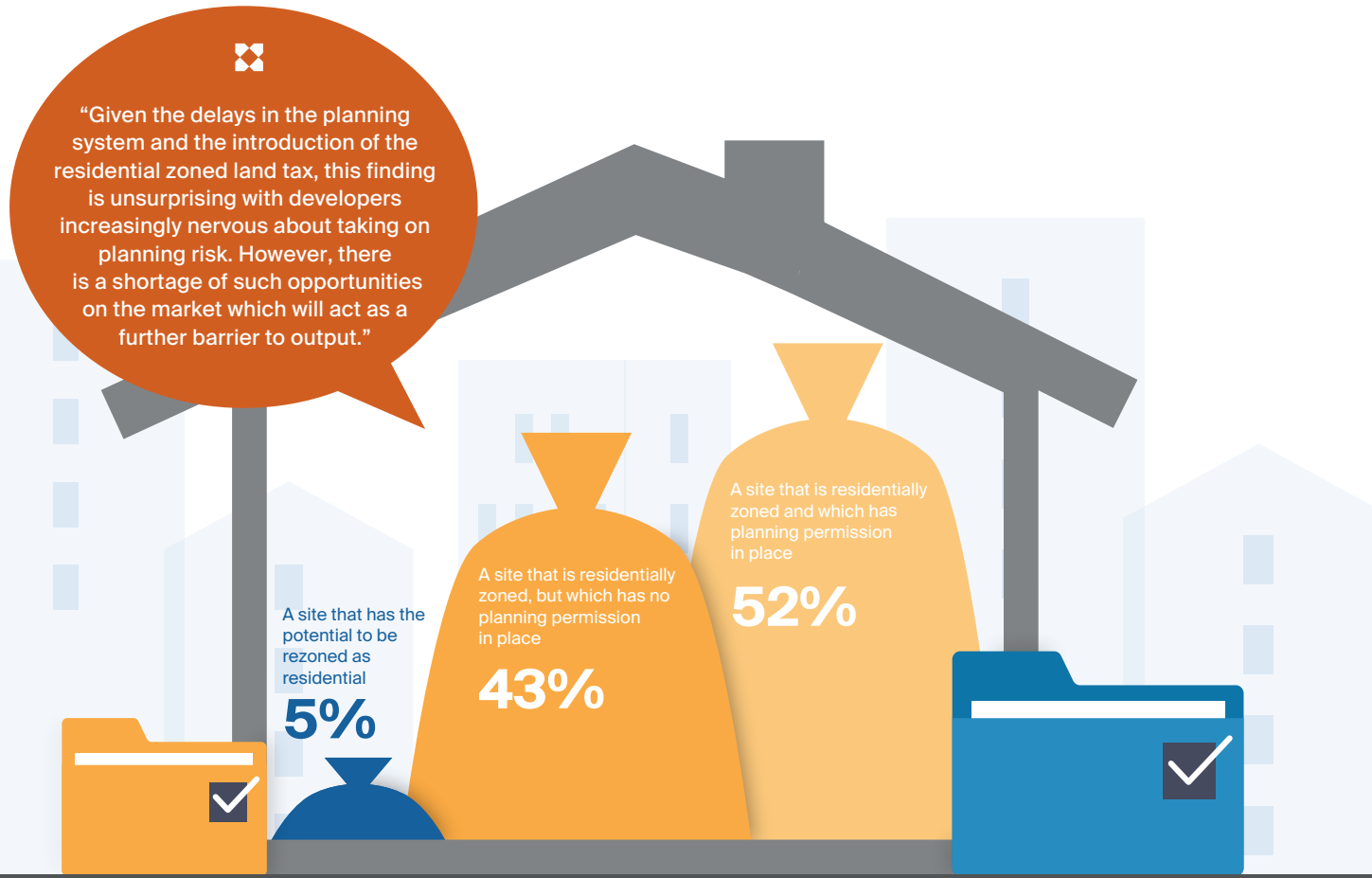
“Ultimately, some developers will not be able to commence construction due to delays in the planning process, the rising cost of building materials and labour as well as difficulties obtaining development finance. These developers will then have to pay the tax which will act as another cost and further weigh on output.”

Source: Knight Frank Research

Source: Knight Frank Research

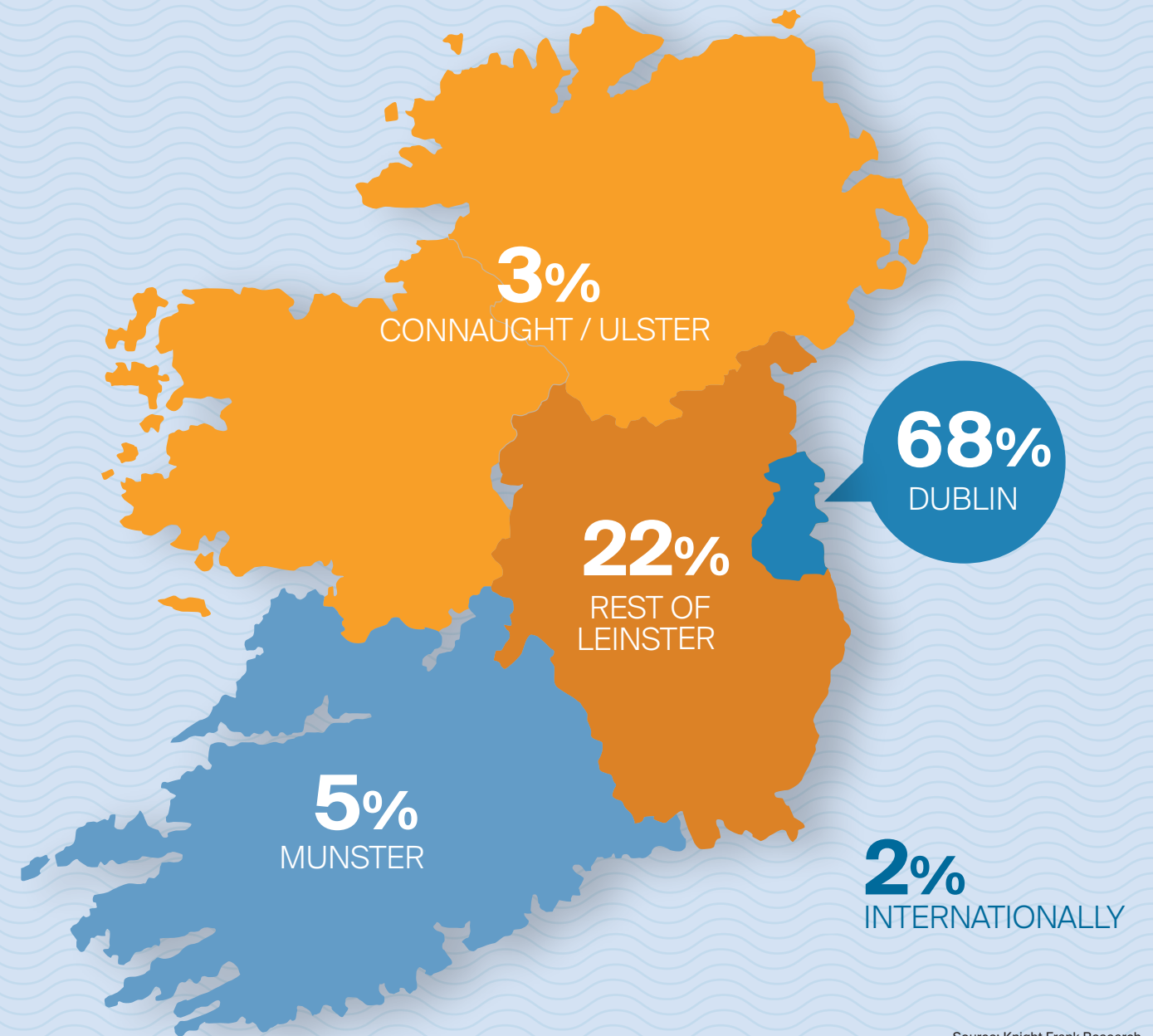
# Land Bank

Of those looking to add to their landbank in 2023, 52% of respondents will look to acquire sites that are residentially zoned and which have planning permission in place.



Source: Knight Frank Research

Below is a breakdown of where our survey respondents develop



Source: Knight Frank Research



# Summary

Two-thirds of respondent's state that their output in 2023 will be unchanged or lower in comparison to 2022.

The planning process is now the greatest barrier to increasing output in 2023.

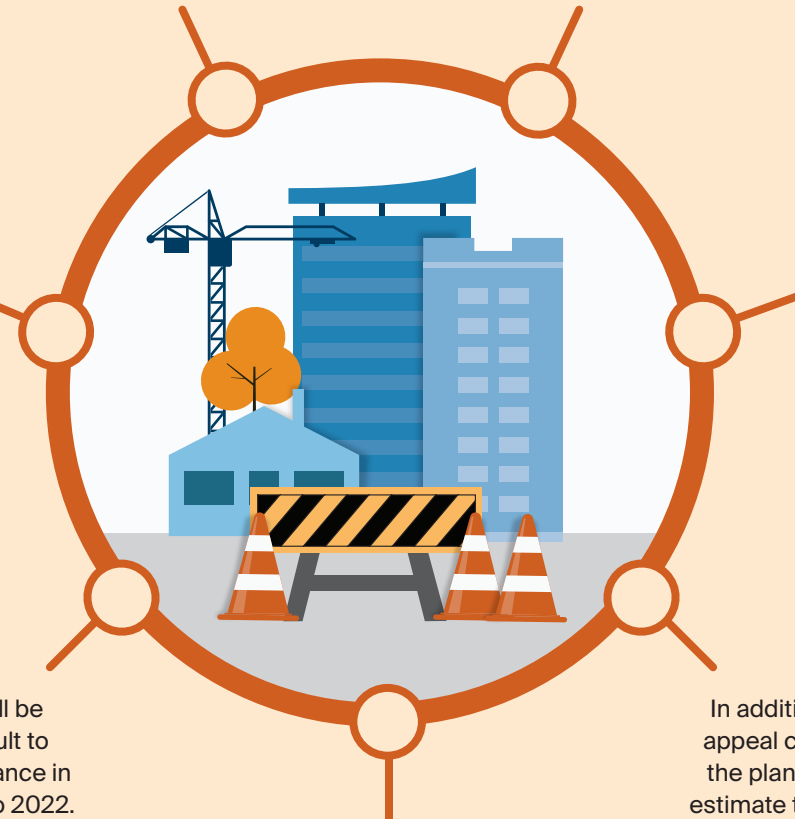
**92%** are concerned that the residential zoned land tax has the potential to impact the viability of the sites that fall within it's scope.

**33%** report that it is taking between 7-12 months to receive a grant of planning permission from a local authority.

**72%** expect that it will be difficult or more difficult to obtain development finance in 2023 when compared to 2022.

In addition, **32%** believe that an appeal could add 11-15 months to the planning process while **46%** estimate that a judicial review could add anywhere in excess of 21 months.

While annual building material and labour cost inflation is expected to ease in 2023, it will remain at an elevated level with **43%** estimating it will range from **7-9%** while a further **38%** predict it will vary between **4-6%**.







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