



New Homes Construction Survey

2021



It is my pleasure to introduce the Knight Frank New Homes Construction Survey 2021.

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 assess the impact of Covid-19 on the development and building community during the past year and their thoughts on the year ahead.

Prior to the pandemic, Ireland was already experiencing a shortage of residential units. Despite increases in output during the past number of years, there was still just 21,087 units completed in 2019 along with a further 20,676 units in 2020 according to the CSO. While the latter represents a considerable achievement given that activity was shut down for seven weeks and the more challenging operating requirements that prevailed for the remainder of the year, this level of supply falls well below the estimated 35,000 units that are required on an annual basis. As the survey demonstrates, the uncertainty created by the pandemic has stalled the investment and construction of new housing starts which will only serve to exacerbate this crisis in the years ahead.

As the sector prepares to reopen, the survey highlights the urgent need for a renewed and sustained effort by Government to address the systemic barriers to homebuilding such as construction costs, planning and land availability so that the sector can regain momentum as we emerge from this lockdown.

JAMES MEAGHER
DIRECTOR

The survey findings demonstrate the profound impact that Covid-19 has had on the development community during the past year.

According to our survey, 54% of respondents reported weaker construction activity in 2020 when compared to 2019. Additionally, 69% of respondents reported that sourcing development finance was more difficult due to Covid-19.

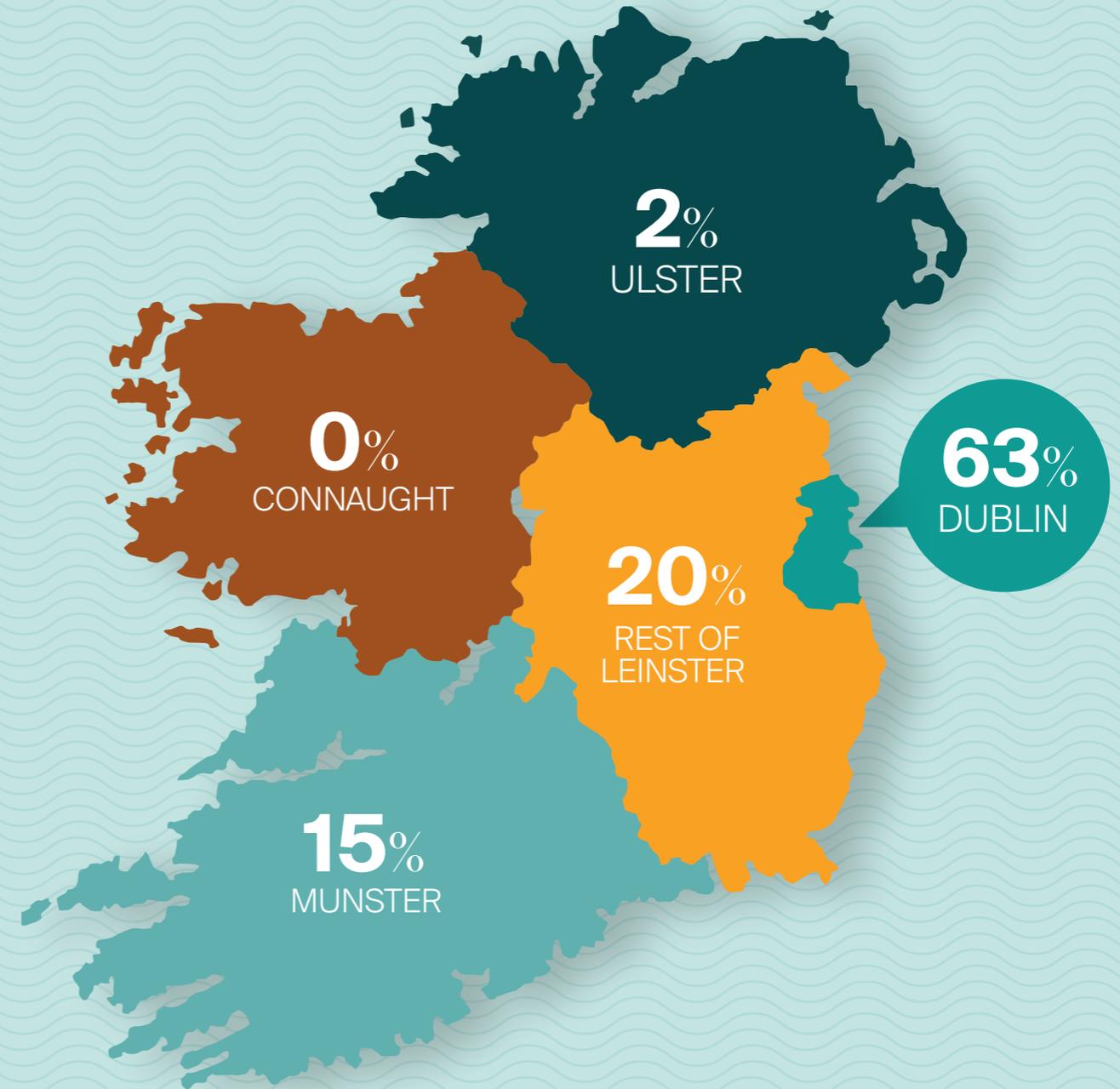
The constrained funding environment as well as the general uncertainty created by the pandemic resulted in 65% of respondents reporting that they had postponed commencements on new projects. This is concerning as it points to a weaker pipeline of units in the years ahead which will likely mean that achieving the level of supply that is required nationally in order to satisfy demographic pressures will continue to remain elusive.

Looking ahead, as the sector prepares to reopen and with the vaccination programme set to intensify in Q2, respondents are cautious but optimistic about the year ahead as 59% of respondents believe that activity will be stronger in 2021 than in 2020. Additionally, 82% of respondents plan on adding to their land-banks in 2021 with 54% hoping to purchase land with planning and 28% without planning.

We hope you enjoy delving into the report and please do not hesitate to contact us to discuss the findings contained within in greater detail.

ROBERT O' CONNOR
SENIOR RESEARCH ANALYST

Below is a breakdown of where our survey respondents develop



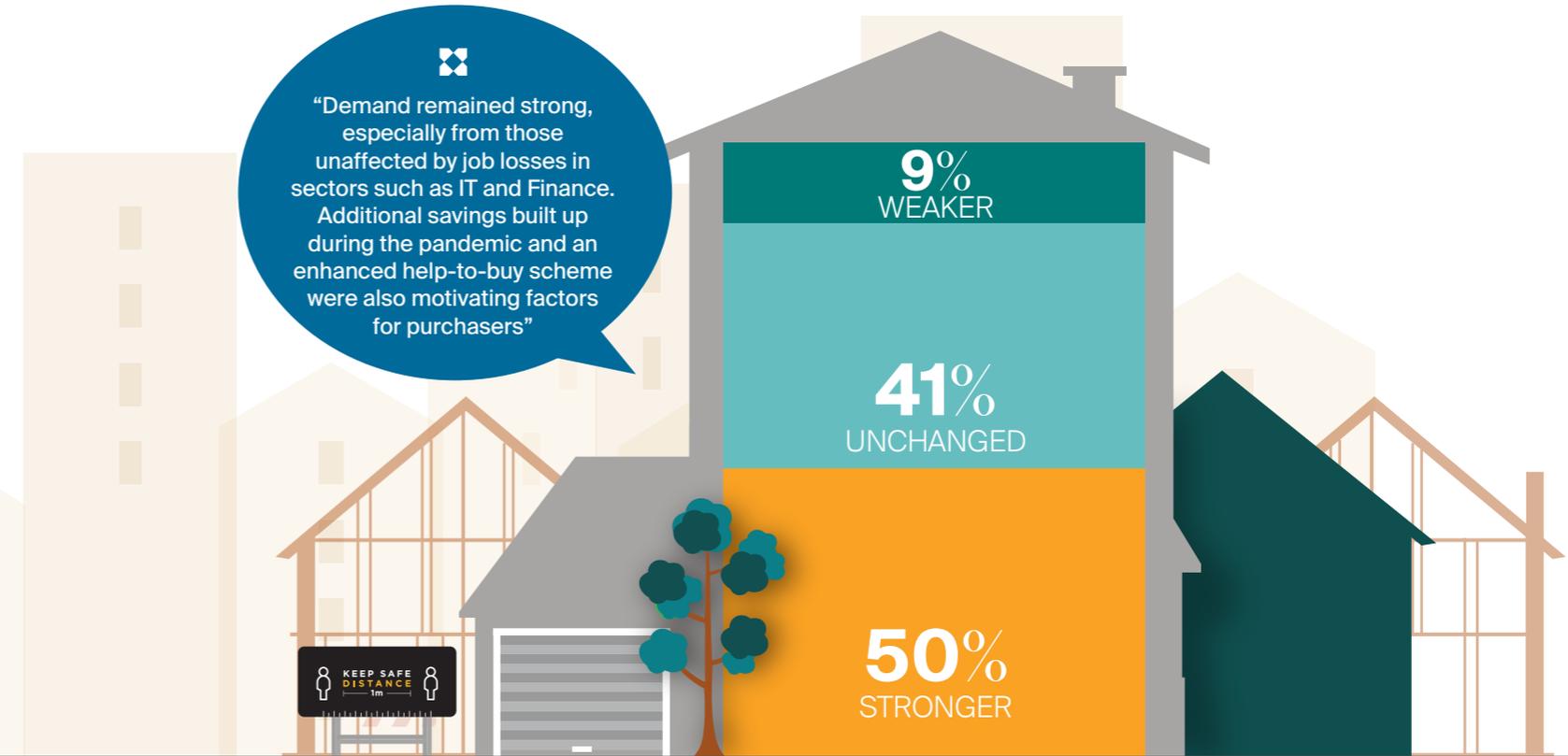
Supply

Due to Covid-19, 54% of respondents reported weaker construction activity in 2020 when compared to 2019



Demand

The majority of respondents reported that demand was in fact stronger as a result of Covid-19



Pricing

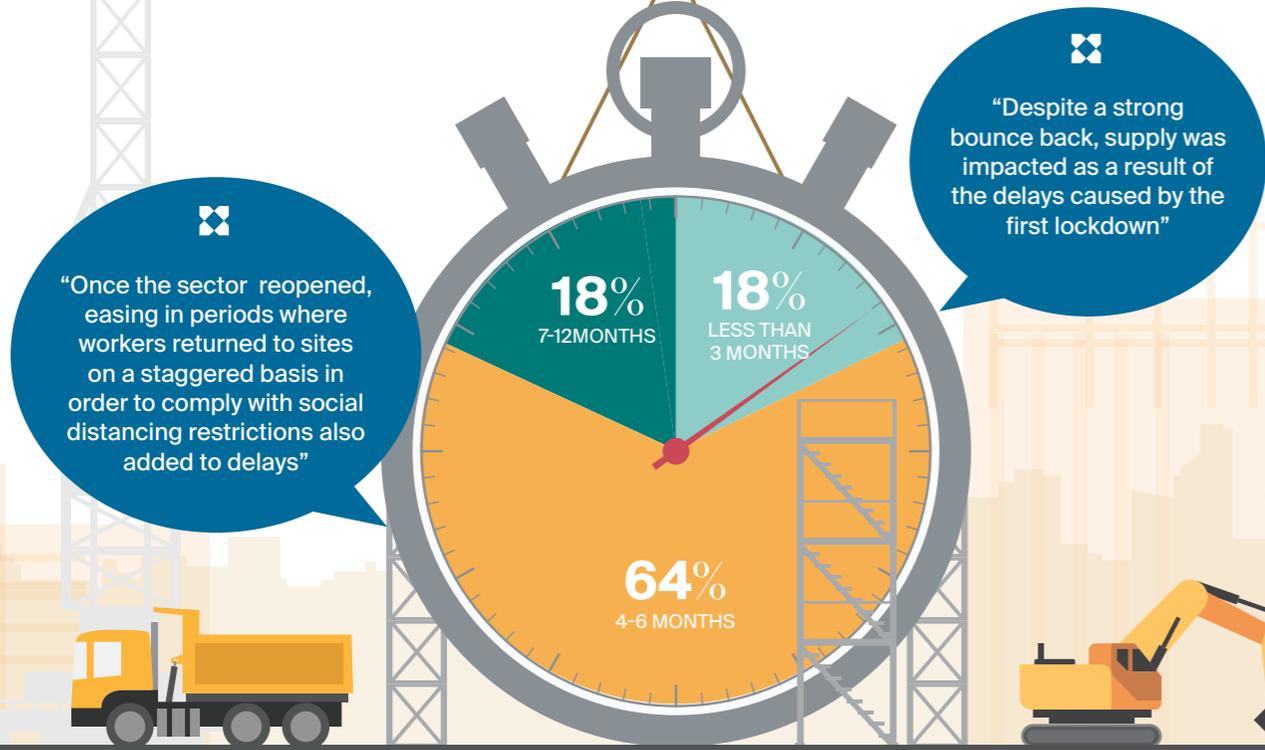
Weaker supply and stronger demand resulted in upward pressure on prices in 2020



Source: CSO

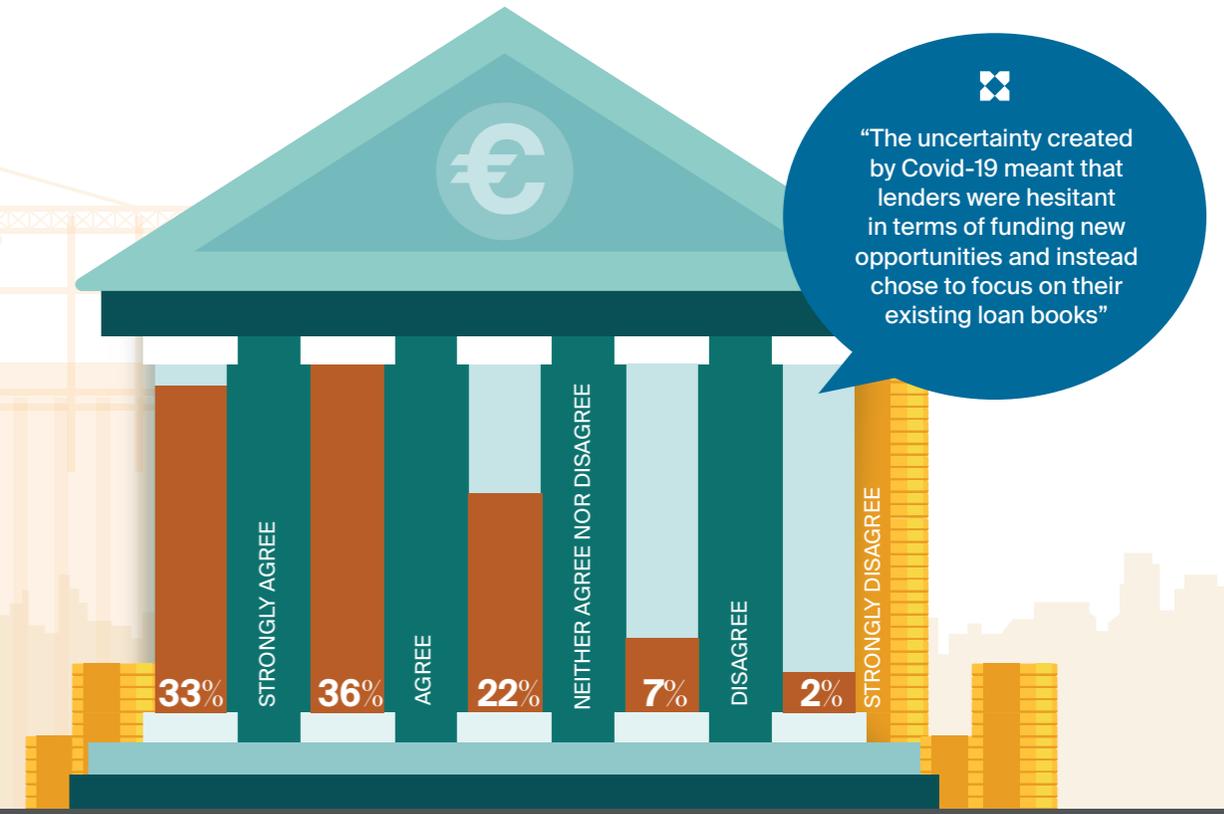
Project Delays

The majority of respondents believe that the lockdowns have added 4-6 months to completion dates



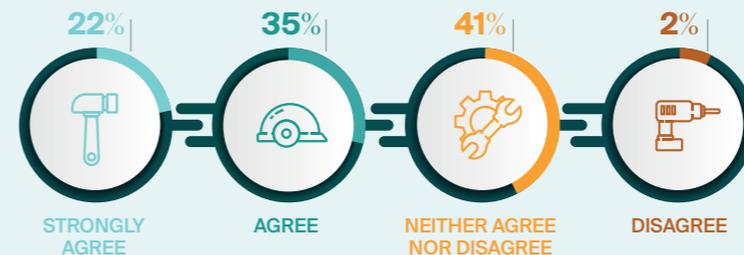
Finance

69% of respondents reported that sourcing development finance was more difficult due to Covid-19



Skills Shortages

57% of respondents believe that Covid-19 has intensified the skills shortage in the industry



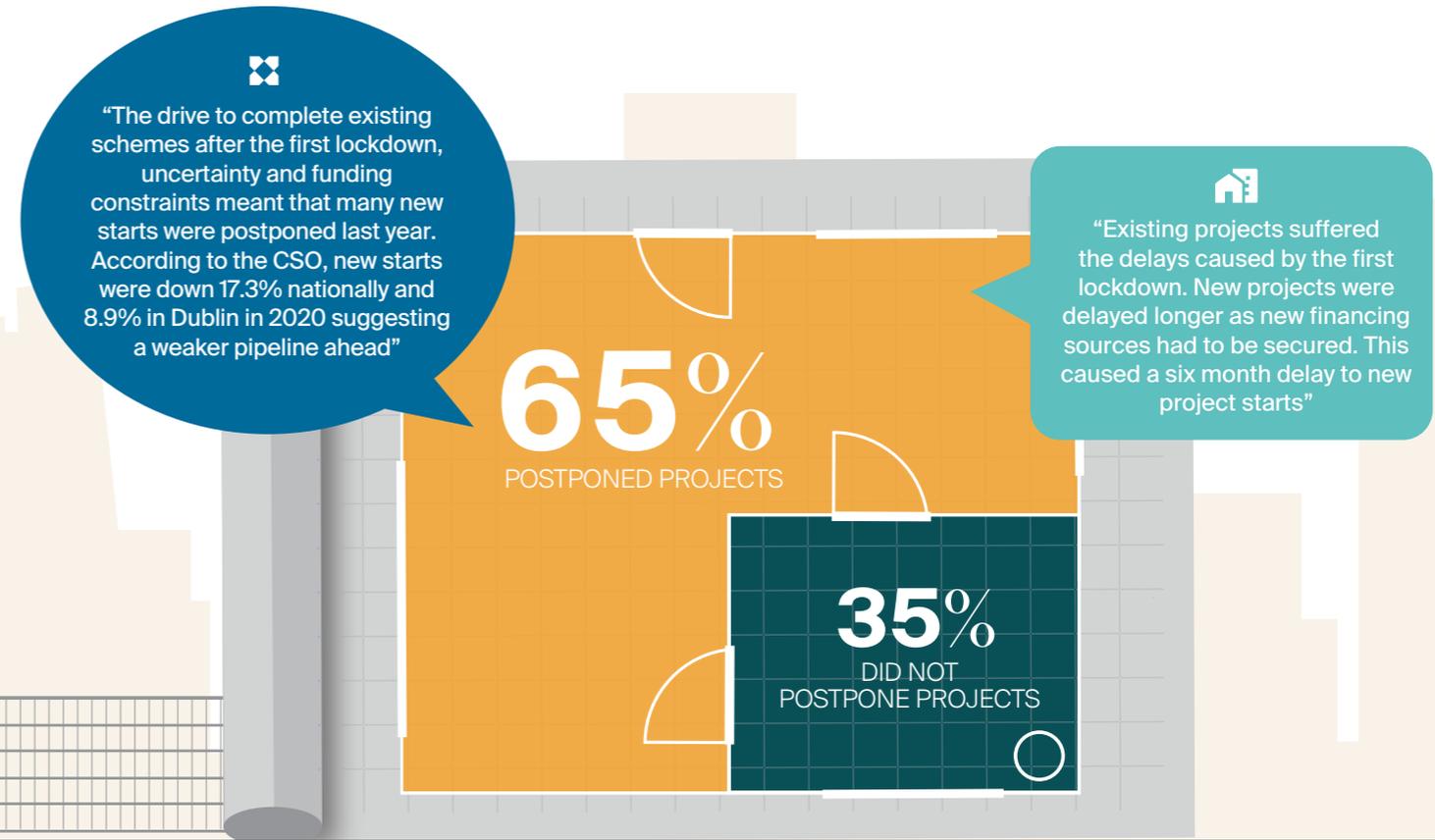
Planning

Encouragingly, Covid-19 did not deter respondents from applying for permission for future projects



Commencements

However, commencements on future schemes were largely postponed due to Covid-19



“Houses will need to have purpose-designed working from home (WFH) spaces. This could include garden pods also. In apartments, in particular one beds and studios, where two professionals are WFH, a private WFH space will be important”

New Homes Design

82% of respondents believe that Covid-19 will result in changes to the way new homes are designed going forward



Obstacles to Construction

The cost of construction will be the primary obstacle to delivery in 2021



Outlook for 2021

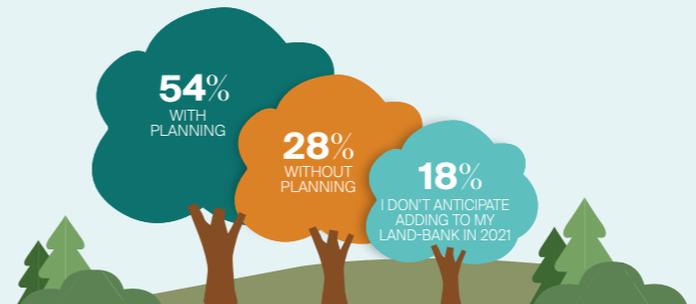
Despite concerns about the current lockdown, 59% of respondents believe that activity will be stronger in 2021 compared to 2020



“While there will be a strong appetite for land when the current restrictions are lifted, opportunities will be scarce as 78% believe that the supply of residential land is tight”

Land Acquisitions

82% of respondents will add to their land-bank in 2021 with 54% hoping to purchase land with planning and 28% without planning





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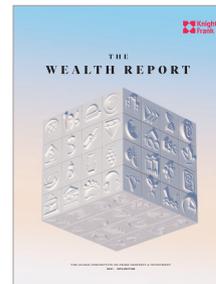
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Dublin Office Market Overview Q4 2020

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