

Intelligent Investment

Budget 2026: Insights from CBRE

VIEWPOINT

Welcome boosts for residential development and the retail sector set out in this year's Budget.

CBRE RESEARCH
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Overview: Budget 2026

Budget 2026 set out a €9.4 billion public spending package, underpinned by a distinctly more pro-business approach. The measures announced should help to reinforce Ireland's economic momentum through 2026 and beyond.

A number of real estate-focused initiatives were put forward, and as expected, the Budget package outlined key supports for residential development, which remains a central political focus.

Key Changes in Residential Development

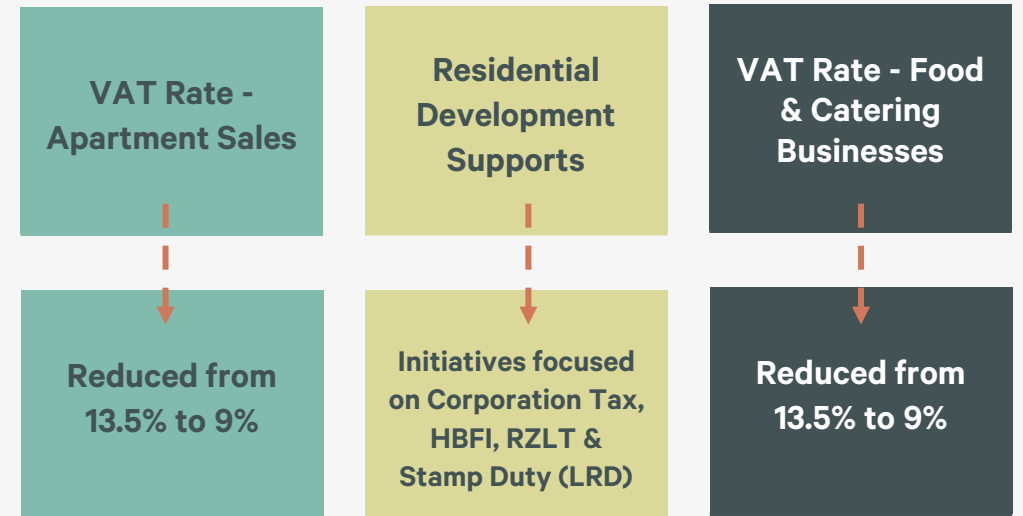
- **VAT Rate:** The most notable of these was a reduction in the VAT rate applicable to apartment sales **from 13.5% to 9%** until December 2030. This change is aimed at improving the viability of apartment construction, which has been challenged in recent years.

In the run-up to Budget 2026, the prospect of this particular tax reduction gathered momentum, yet only as recently as last year, it was ruled out by the previous Housing Minister. This change in approach illustrates to us a commitment from the current Housing Minister to implement changes that have been recommended by the industry.

Earlier this year, [CBRE called for a VAT reduction](#) on apartment sales, recognising its potential to positively impact both development viability and investment. While we await further clarity on certain aspects of the Budget's VAT proposal, we believe this change, alongside other recent policy developments, had the potential to ramp up large-scale apartment delivery and reposition the Irish residential investment sector. We outline why on [page 4](#).

FIGURE 1

Key Changes for Real Estate



Source: Gov.ie

“CBRE welcomes the enhanced supports for residential development, particularly for apartments. Combined with other recent policy changes, these measures had the potential to materially improve the feasibility of new apartment schemes.”

Key Changes in Residential Development

- **Corporation Tax Credit:** Dublin apartment deliveries slowed materially in 2024 and will likely drop again this year. Policymakers have recognised that higher-density development is key to reaching housing delivery targets. Notably, further supports were provided in this Budget specifically targeting apartment construction and the change of use of other buildings, including offices, to apartments.

For apartment developments exceeding 10 units, Budget 2026 introduces a corporation tax deduction on qualifying construction costs, applicable to projects commenced before December 2030. The deduction, of **up to €50,000 per unit**, can be claimed by the beneficial owner upon completion. More detail will follow in the Finance Bill, but CBRE views this as another positive step toward improving the viability of private rental development.

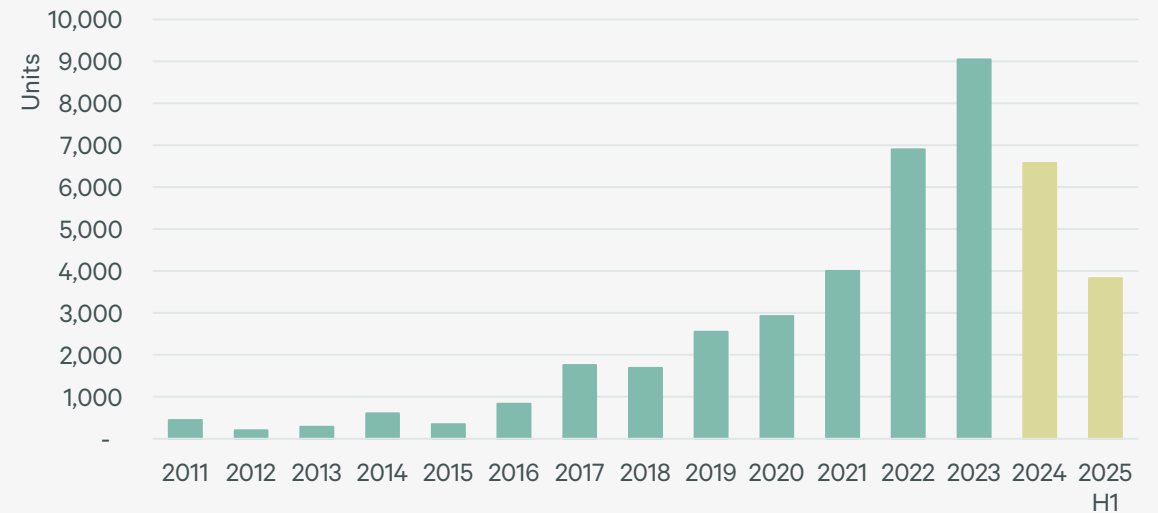
- **Cost Rental and LRD:** Other residential development measures include an **exemption from corporation tax** on rental profits arising from homes that fall within the Cost Rental Scheme. While an extension of the residential development **stamp duty refund** to 2030 was also announced for those developing large-scale residential (LRD) schemes.

- **Homebuilding Finance Ireland:** Also outlined in the announcement was an additional **€200 million outlay** for Homebuilding Finance Ireland (HBFI), aimed at supporting Small & Medium Sized developers.

- **RZLT:** Other key changes outlined include an **extension for those appealing** the Residential Zoned Land Tax (RZLT). Landowners can now continue to seek to rezone land that they deem has been unfairly captured under the RZLT. We believe that the RZLT has started to stimulate more land sales activity, but this extension is welcomed for those landowners being unfairly penalised by the tax.

FIGURE 2

Dublin Apartment Completions



Source: CSO

“CBRE supports comprehensive measures to boost housing supply, recognising the need for collaboration between public and private capital, and backing initiatives like Cost Rental and SME developer support.”

Implications for Residential Development & Investment

Following rent regulation and apartment development standard changes announced earlier this year, we viewed the prospect of a VAT reduction as the most suitable lever that policymakers had at their disposal to reduce the overall cost of apartment development. We understand that the reduction will apply to completed PRS development sales to investors but await further clarity on whether it is applicable to forward-structured transactions. Regardless, we are suitably encouraged by this move.

Viability of PRS Development

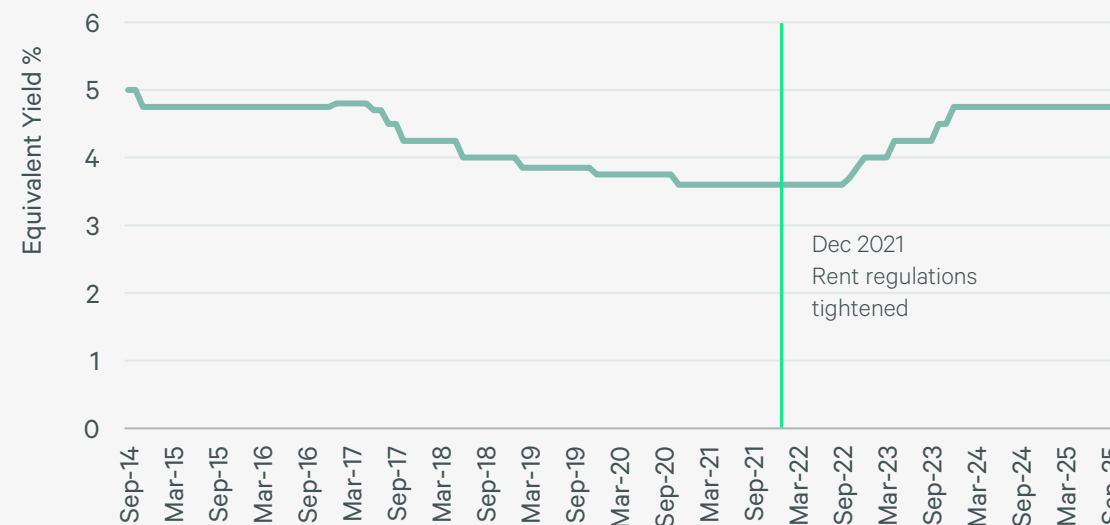
In March, [in a report for IIP](#), we outlined a proxy development cost model for apartment construction in the private rental sector. It illustrated by how much construction costs outweighed exit valuations, given current yield levels. We outlined that significant development cost reductions or yield compression was required to make apartment construction feasible. At the time, apartment construction costs, including land, were estimated to exceed €500,000 per unit.

We estimate that the changes to apartment development standards announced earlier this year had the potential to reduce build costs by €30,000-€40,000 per unit. In addition, when combined with the apartment standards changes, we estimate the introduction of this VAT reduction could reduce the all-in cost per unit up to a total of between €60,000-€70,000. Clearly, each site has its own nuances, and it remains uncertain how the VAT reduction will be allocated and whether it will fully translate into lower sale prices or be absorbed elsewhere. But, by our estimates, the changes should lead to a material reduction in overall cost.

However, given the reported legal challenge to the apartment standards changes lodged in the days after Budget 2026, it is now unclear how much of this overall cost reduction will eventually pass through, and when. The market will wait to see how that situation unfolds.

FIGURE 3

Prime Dublin PRS Yield Evolution



Source: CBRE

“The proposed changes in rent control put forward in June have the potential to drive yield compression for PRS assets. If yields can compress alongside a material reduction in development costs, then private apartment construction can certainly increase as a result.”

Key Changes in Commercial Sectors

- **VAT Rate:** In our [Irish Retail Market 2025](#) update in September, we outlined the challenges smaller retailers, particularly independent food and beverage operators, were facing from rising costs. We also highlighted how Ireland’s VAT rate for food services was higher than in many European countries.

Encouragingly, this Budget implements a reduction in VAT for food, catering, and hairdressing services from **13.5% to 9%** starting on July 1st, 2026. We believe this will have clear benefits for smaller hospitality providers and protect operations and employment in the sector.

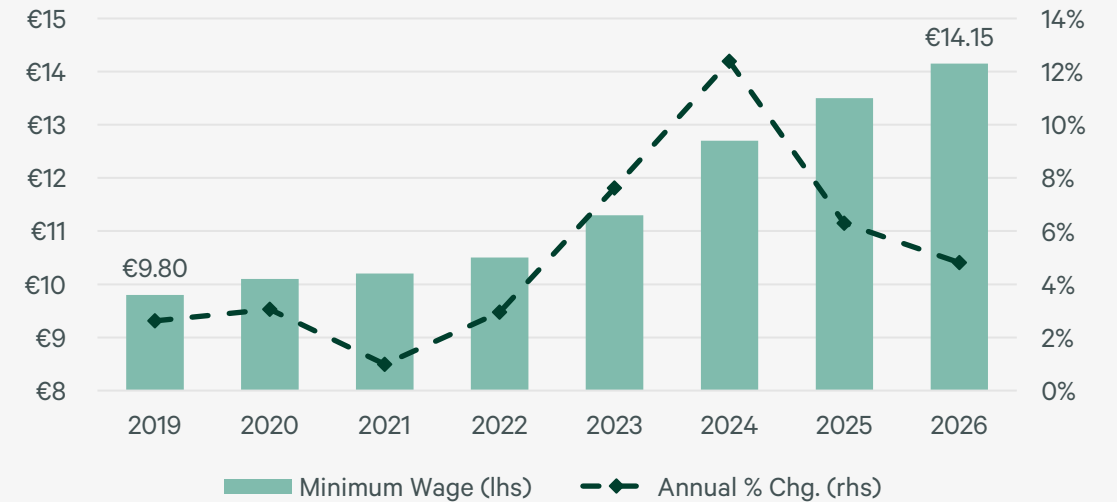
While this VAT reduction was welcomed, a further increase in the national minimum wage was also announced. The minimum wage will rise by another 65 cents to €14.15 per hour from January 1st, 2026. This will mean a total increase of 35% in the minimum wage since 2022, and this has been cited by retailers and hotel operators as another significant rising operational cost to grapple with.

We believe that the proposed VAT reduction will outweigh the implications of this wage cost increase for operators in the food, catering, and hairdressing businesses, but it will add more cost pressures to retailers and hoteliers not classified in that group.

IREF Taxation & Simplification

- **IREF:** Notably, Budget 2026 included a commitment to reduce taxes and simplify the Irish Real Estate Fund (IREF) tax regime, particularly important in the context of retail investors. More detail is to follow in the Finance Bill, likely to be released by late October.

FIGURE 4
National Minimum Wage



Source: CSO

“Encouragingly this Budget sees a reduction in VAT for food, catering and hairdressing from 13.5% to 9%. We believe this will have clear benefits for smaller hospitality providers and protect operations and employment in the sector.”

Implications for Commercial Sectors

Commercial Property Trading Environment

Ireland’s commercial real estate market has gone through a tough period of repricing since 2022. While values have clearly bottomed out and liquidity is improving, transactional activity remains below the long-term average, no different to many European markets.

However, in order to stimulate more trading activity, a competitive environment for commercial real estate investment and financing needs to be in place, particularly from a tax and regulation standpoint. The proposed commitment outlined in this Budget to simplify the IREF model and reduce applicable taxes is welcomed, as it will encourage retail investment in fund structures, which in turn can support liquidity.

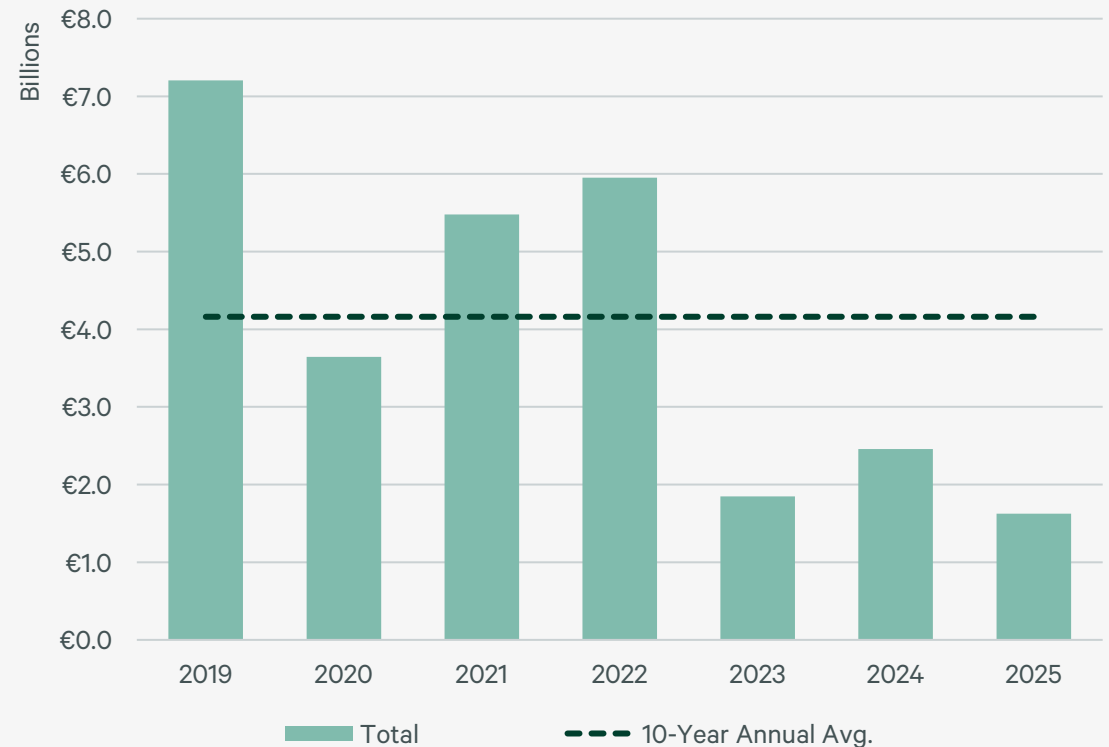
Many industry stakeholders continue to call for a stamp duty reduction on commercial property transactions, and we align with this view. While stamp duty is typically charged on a stepped basis in other European counties, the current flat rate of 7.5% in Ireland, which contributes to overall purchaser’s costs of nearly 10%, is particularly punitive, and certainly impacts the trading volumes of commercial property.

Adaptive Reuse Incentives

Incentives provided to promote the conversion of older offices (or other buildings) to residential use are also broadly welcome. The model of converting older offices to residential use carries huge cost and design challenges for developers, but there is clearly a huge opportunity there, particularly for buildings in fringe locations where demand has softened.

FIGURE 5

Ireland Commercial Real Estate Investment 2019 - 2025Q3



Source: CBRE

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