

Building More, Faster: Current State of Residential Property Development

How IFS Cloud for Construction helps
homebuilders fulfil the global housing shortage
and embrace the future



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Current State of the Industry

There is a growing need in most countries to build more houses—and build them faster, safer and more sustainably. But most importantly, more affordably.

Yet property developers face various challenges: inflation, rising interest rates, tightening housing supply, new safety regulations, lack of skilled labor, high material prices, and disrupted supply chains.



How the industry overcomes these challenges and adapts to evolving needs will ultimately define the future.

While construction companies have historically been slow to embrace digital transformation and modern methods due to complexity, cost, and workers' resistance to technology, that is changing as they realize it's necessary to remain competitive and profitable.

1 More than 1.8 billion people worldwide do not have adequate housing – <https://www.urbanet.info/the-global-housing-crisis>

2 The UK's Building Safety Act (BSA) went into effect in April 2023, detailing guidelines for HRB (high risk buildings), with 7+ stories or 2+ residential units – <https://www.imarcgroup.com/building-information-modeling-market>



Waves of Change: Turning Challenges into Opportunities

Uncertainty, disruption, and digitalization are the defining tones for homebuilders today.



For construction companies who are rethinking their methods and updating their technology, there is unprecedented opportunity for growth.

Residential Market Deep Dive: *Homeowners*

There is enormous pressure on residential developers to solve the global housing crisis.³ While markets remain strong, housing costs have risen sharply over the last five years, as have mortgage rates. Yet, the main issue in many property markets in 2023 is a lack of supply – both a shortage of new construction builds and fewer people selling their homes in sought-after real estate areas.

There are bright spots on the horizon:



Housing prices are expected to stabilize this year along with slightly lower interest rates, making first-time home buying more affordable



While millennials struggle to buy starter homes, baby boomers accounted for 39% of US homebuyers between 2021 and 2022 due to significant retirement savings⁴



Residential developers are adopting modular & offsite methods for higher efficiency

³ <https://www.urbanet.info/the-global-housing-crisis>

⁴ Baby boomers—people ages 58 to 76—accounted for 39% of buyers between July 2021 and June 2022, the most of any generation – <https://www.nar.realtor/magazine/real-estate-news/baby-boomers-edge-out-millennials-as-top-buying-force>

Residential Market Deep Dive: *Renters*

Over the last decade, rental housing worldwide has become less affordable⁵, partly due to soaring house prices, sparking a need for improved affordability housing policies and more efficient construction operations.

In a recent IMF study of 17 advanced European economies, a young family paid nearly one-third of their earnings on rent while a household in the lowest 20% of the income distribution paid a staggering 40% of their earnings. The pain is also being felt by real estate investors who started seeing negative cash flows from their properties due to rising interest rates.

And if investors don't buy, developers don't build. This keeps supply low and continues to drive up rents. Yet market

experts predict that other factors, such as increasing immigration to urban areas, will incentivize institutional investors in the long-term to build more rental housing.

The acceleration of the “Build to Rent” market in countries like the UK and the US offers some hope. While it has the potential to decrease quality, it is also encouraging investors and homebuilders to form profitable business partnerships and can serve as onramps to home ownership for young families.⁶



Between 2010 and end of 2021, house prices across the EU went up by 42% while rental prices only increased by an average of 16%, forcing more people into the rental market.

⁵ <https://www.cnn.com/2023/07/14/homes/build-for-rent-homes/index.html>

⁶ <https://www.imf.org/en/Blogs/Articles/2021/05/26/blog-making-affordable-rental-housing-part-of-europes-recovery>

Residential Market Deep Dive: *Renters*

7 For minimum wage workers, there is not a single county in the US where an average two-bedroom rental is affordable – <https://www.theguardian.com/us-news/2023/may/10/us-housing-market-prices-increasing>

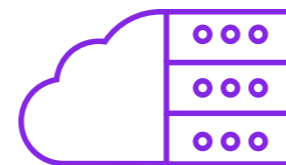
8 Nearly 1 in 3 real estate investors are considering selling off property in Canada – <https://globalnews.ca/news/9733144/landlords-investors-rental-market-pressure/>

Modern Methods of Construction

Are you embracing modern methods of construction (MMC) to protect slim profit margins, especially in the face of labor shortages and increasing materials costs? This trend is gaining pace in the residential sector for good reason. Modular techniques could allow homebuilders to accelerate end-to-end project timelines by up to 50% while reducing costs by up to 20%, according to McKinsey.⁹



The benefits of standardizing, streamlining, and automating big parts of the value chain are clear. Industrialized methods allow you to optimize materials and labor, reduce waste and increase quality.

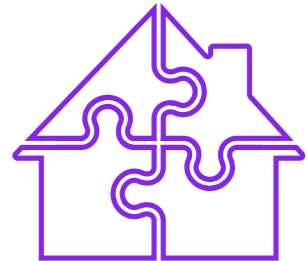


Developers are starting to transition to a hybrid business model using a mix of processes. IFS Cloud can support a traditional, hybrid or fully modular or offsite model by offering ERP and manufacturing software working as an integrated whole.

⁹ <https://www.mckinsey.com/capabilities/operations/our-insights/making-modular-construction-fit>



Discover real-world advice for embracing **modern methods of construction**.¹⁰



4% of US housing stock was built in 2022 using modular techniques, **compared to 15% of homes in Japan, and 45% in Finland, Norway, and Sweden**

“

We have an offsite factory that is changing the way that we look at things. Dealing with bad weather at different sites and delivering materials that are damaged or wet, even the skilled labor shortage, all those challenges are going away.”

Berkeley

¹⁰ Discover real-world advice for embracing modern methods of construction – <https://info.ifs.com/modern-methods-construction.html>



From MMC to Digital Twins: The Future is Here

Offsite manufacturing methods minimize inefficiencies and delays that affect onsite construction and enable production to happen in parallel with site preparation.

In addition to MMC, homebuilders are also embracing modelling technology such as BIM to create digital twins of their homes, allowing for different disciplines to work seamlessly together to speed up the manufacturing process.

BIM also allows companies to generate precise estimations for the materials needed to produce their homes, helping reduce construction waste by up to 90%.



MMC Categories



To realize all the benefits of MMC, companies need best-in-class manufacturing capabilities that work tightly with enterprise resource planning (ERP) solutions.

IFS Cloud for Construction

Whether you are involved in new residential property development, refurbishment or property management, IFS delivers a fully integrated ERP business software platform that covers all stages of a property's life, from land acquisition to after-care.

IFS Cloud gives you complete control, helping you maximize profitability and grow your business by offering:

“

Having a single view of our data across the entire business enables us to optimize our processes and support our growth strategy, as we can deliver more projects, more efficiently.”

Hitachi Zosen Inova

“

With IFS we have integrated project costing that tracks costs starting with requisitions. We now have trusted data that cannot be manipulated, and that saves us a lot of time.”

Berkeley

Find out how IFS Cloud gives you total project financial control

[Learn more](#)



Discover how IFS Cloud ERP for Construction can help you adapt and thrive.

[Learn more](#)

About IFS

IFS develops and delivers enterprise software for companies around the world who manufacture and distribute goods, build and maintain assets, and manage service-focused operations.

Within our single platform, our industry specific products are innately connected to a single data model and use embedded digital innovation so that our customers can be their best when it really matters to their customers—at the Moment of Service.

The industry expertise of our people and of our growing ecosystem, together with a commitment to deliver value at every single step, has made IFS a recognized leader and the most recommended supplier in our sector.

Our team of over 5,500 employees every day live our values of agility, trustworthiness and collaboration in how we support our 6,500+ customers. Learn more about how our enterprise software solutions can help your business today at ifs.com.

[#MomentOfService](#)

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