

**Society of Chartered Surveyors Ireland Opening Statement to Joint Oireachtas Committee on
Housing, Local Government & Heritage on Construction Costs in Housing
(Land, Design, Labour & Materials)**

Introduction

The Society of Chartered Surveyors Ireland (SCSI) welcomes the opportunity to share our insights on construction costs to the Joint Committee on Housing, Local Government and Heritage on Construction Costs and we thank the Chairman and committee for the invitation.

As the leading professional body for chartered surveying professionals working in the property, construction and land sectors across Ireland, we undertake research on a wide range of economic, industry and practice-related issues in the public interest. Chartered Surveyor members of the SCSI work across the built environment, in both the public and private sectors, providing advice to clients across the entire lifecycle of a build, from green field site through to design, mapping, budgets, project management, sales, lettings, and property management. As such surveyors are well placed to provide real-time independent evidence of increasing construction costs and the impact this is having on the sector including the consequences for housing delivery.

The current housing crisis with demand outstripping supply is well documented. It is forecast that the population of Ireland will grow by up to 600,000 in the next 10 years, which will place additional pressures on the market to produce a greater selection of housing unit types and sizes, not just for growing families, but also for those who wish to downsize to two- and one-bedroom apartments. A proportionate amount of private and publicly developed units is therefore required to ensure that our urban and regional centres are developed in a way that caters for all demographics and family sizes, with varying income levels, in a coordinated and inclusive manner.

For our economy to remain in a healthy position, the housing delivery market should be in a sustainable and well-functioning state to ensure that there is sufficient accommodation for future needs. The delivery of new units to the market has been playing catch-up since as far back as 2014/15, when the SCSI flagged to policymakers that the supply of housing to cater for demand was well below what was needed. This has been exacerbated by the lower than anticipated new housing output, compounded by the impact of Brexit and Covid over the last couple of years. The tragic conflict in Ukraine at present and the impact that this is having on energy costs is contributing to rises in material prices – all of which is pushing many planned developments out of viability.

The SCSI supports the ambitions of ‘Housing for All’ strategy and the many initiatives of Government aimed at increasing housing supply including the recent measures to mitigate the high levels of inflation absorbed by the construction sector for public works – Inflation Cooperation Agreement. However, our research has identified significant cost inflation across the sector that if not tackled with a sense of urgency, will result in the ambitious housing delivery targets of ‘Housing for All’ not

being met. The increased construction costs are not limited to urban centres, but are evident across the country in every region. It is the long-standing view of the SCSi to tackle rising costs of construction, including the most recent material and labour hyperinflation, every facet of the input costs of residential development needs to be reduced. While several initiatives already underway to address some of the blockages to housing delivery are to be commended, such as planning reform, these are longer-term and what is required now is urgent action to address construction cost inflation.

Mitigating measures to tackle the high costs of housing delivery will require a proactive and cohesive response from government. Many interventions may be outside the control of government to address, however, there are many construction input costs that are under the direct remit of local and national government. There is no single solution to driving down costs, but the cumulative impact of reducing costs across multiple headings can make a positive overall difference in the delivery costs of housing.

Our submission and its recommendations which focus on short-, medium- and long-term solutions, builds on previous evidence-based SCSi reports highlighting the critical construction costs areas which we hope will provide some helpful up-to-date insights on how construction inflation can be tackled to ensure the sector meets governments housing targets.

Construction Costs

To turn now to the specifics of construction cost I will draw on some recent SCSi construction cost reports, the detail is in our main submission but to focus on some key stats;

The [SCSi Real Cost of New House Delivery Report](#) 2020 reported an increase in inflation on average by 12% between 2016 and 2020⁹, which doesn't take account of more recent increased inflation pressures. Our research found that the cost of delivering a new estate type home (3 bedroom semi-detached) was €330k in 2016 which rose to €371k in 2020.

The SCSi Real Cost of [New Apartment Delivery reports published](#) in 2017 and 2021 respectively showed that lower rise suburban apartment delivery costs rose from €155k to €177k in during this 4 year period.

SCSi monitors commercial construction inflation through our [Tender Price Index](#) (TPI), first established in 1998. The TPI tracks commercial projects over €0.5 million and reports that national annual inflation is at 13% - year to December 2021.

The report concluded that the main reasons for current price inflation are high price volatility across a range of building materials - particularly insulation, cement, plasterboard metals and fuel labour shortages and the extremely high demand for projects across all tiers as the industry continues to readjust in the wake of the covid crisis. In respect of the first half of 2022, it's clear Russia's invasion of Ukraine is having an impact on the price of materials previously sourced from the region especially steel and base metals while it has also led to a dramatic increase in fuel and energy costs.

The data from our report also highlights the other factors present in terms of inflation such as labour cost increases following the implementation of the Sectoral Employment Order which came into effect on 1 February and it is expected that the Tender Price Index will also see some impact of this in our next report due in June/July 2022.

Management of risk has now become a primary focus for companies to ensure that construction competitions awarded are structured to protect against inflation pressures within the market. Some contracting firms are no longer accepting previous contract risks due to material inflation and are either delaying jobs or selecting jobs where the client is taking on the risk. This is particularly apparent in the private sector.

Our submission addresses each of the input costs of construction including hard and soft costs, planning and zoning, enabling works, and other statutory costs, utility connections and charges, building regulation, labour costs, public procurement, modern methods of construction and provides specific detail on building material price inflation. Drawing from the expertise of our surveyor members working across the construction, land and property industry, the impact of increasing construction costs is clear. The sector is functioning with huge uncertainty about the pipeline of construction projects as viability remains so challenged across the country. The SCSI has numerous anecdotal examples of housing projects being paused and in worst case scenarios being cancelled outright. If this situation persists, housing completions will not be near the numbers required to meet Government's targets and to house our growing population. We are at a pivotal point now where considered decisions must be made to take action in the short term in addition to those medium to long term initiatives which are already underway and are addressed in our submission including land, taxation and vacant properties.

Immediate priority must be given to addressing those construction cost inputs that are within the direct control of Government. Utilities and Local Authorities have a significant impact on the speed and cost of housing delivery. As such, they should be appropriately resourced in terms of staffing and funding to assist them to meet targets and improve efficiency. The following key construction cost inputs should be considered;

- Resource Local Authorities and utilities to facilitate faster processing times
- Pausing of increases by Local Authorities on contributions
- Early engagement of Irish Water to avoid costly delays and cost certainty required regarding connection fees.
- Reduction of ESB connection and associated site work charges and earlier engagement with developments to improve visibility of costs and connection timelines.
- Allow Local Authorities approve alterations to specification of buildings that do not materially alter the planning permission but allow for use of more cost-effective building materials that may be available at the time given the material price volatility.
- Require standard compliance with Fire regulations minimum and remove more onerous costly measures not prescribed by regulation.
- Improve Public Procurement processes to ensure barriers do not exist for smaller operators who will be needed in order to have sufficient capacity in the sector
- Review into charges and fees associated with other site enabling works such as temporary road closure fees and licensing fees.

The impact of these measures would be significant and coupled with the other supply initiatives could be the difference in ensuring the viability of projects, delivering vital housing in the public interest. I am happy to take any questions and provide further detail on these recommendations or any other aspects of our submission. Thank you.