

The Real Cost of New Housing Delivery

SCSI Cost of Housing Delivery Report 2020

2020 Updated Analysis of Real Market Data to Evaluate Viability & Affordability of New Housing Development



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Foreword

It is the considered view of the SCSI that there is no single solution to Ireland's housing supply and affordability issues. The housing crisis, in the private sector, will not be resolved until the critical balance is struck between affordability for consumers and viability for developers. New private housing supply will only increase to meet demand when the affordability/viability issue is placed at the centre of housing policy development and critically, it must be based on a detailed examination of the real costs of housing delivery.

The Society of Chartered Surveyors Ireland is uniquely positioned to provide real-time, evidence-based research and assistance in such policy formulation focussed on credible, market data on actual house building costs. The Society identified this information deficit in 2016 and undertook an extensive study of a number of live house building projects under construction at that time in the Greater Dublin Area. Given the prevalence of housing supply issues in the intervening period, the SCSI has now updated this report. Through data shared from our Chartered Quantity Surveyor members largely working as independently appointed construction costs managers on 30 active housing development sites, we are pleased to present the findings in our "Real Cost of New Housing Delivery Report 2020". The 2020 report evidences an overall 12% increase in costs, averaged to 3% per annum for the last four years, largely driven by an increase in 'hard costs' – bricks and mortar – up 19% or €29K while 'soft costs' – land, vat, margin – increased by 7% or €12K. Clearly, these increasing house delivery costs present significant affordability and viability challenges and therefore must be tackled as a matter of urgency if the Government is to deliver the required 30-35,000 new homes per year.

Our Chartered Surveyor members working across the construction, land and property industry are involved at every stage of the life cycle of both private and public sector building projects, from the initial feasibility studies on development right through to construction and indeed the sale or leasing of the units. The unique insight of our members strongly positions the Society to contribute to all elements of the housing debate, of which the costs of housing delivery are central but only one of a myriad number of other issues that must be addressed.

Our analysis of the data collated from this report and the work of our other professional groups within the SCSI on housing has led us to a number of key recommendations which can be found on page 29 of this report, including the establishment of a Commission on Housing – as set out in the Programme for Government – to review the tax treatment of new housing, the cost impact of the public procurement process, and to review best practice in relation to new regulations and how the cost can best be managed. Through our Chairmanship of the Construction Industry Council and our participation on the Construction Sector Group (CSG) overseen by the Department of Public Expenditure and Reform, we are working towards a more productive and streamlined construction industry to collectively reduce the costs of construction. To this end, work underway by the CSG to progress a National Centre of Excellence with a view to enhancing productivity in the industry via modern methods of construction and digitisation of the industry is welcome.

The SCSI is confident that the implementation of our recommendations would improve affordability and viability to ultimately increase housing supply, which should be the aim of all stakeholders. The SCSI remains committed to contributing timely, reliable and independent data to support the development and delivery of effective housing policy in the public interest. We thank most sincerely all contributors to this report, including our member firms for sharing the extensive data on which this report is based.



Micheál Mahon
Vice President
July 2020

Who We Are

**The Society
of Chartered
Surveyors Ireland
is the independent
professional body
for Chartered
Surveyors working
and practicing in
Ireland.**

One of our key objectives is to provide impartial, independent and authoritative advice on key issues for consumers, business and policy makers, as well as advancing and maintaining standards for Chartered Surveyors working in the property, construction and land sectors. All aspects of the profession, from education through to qualification and the continuing maintenance of the highest professional standards are regulated and overseen through the partnership of the Society of Chartered Surveyors Ireland and Royal Institution of Chartered Surveyors, in the public interest.

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Executive Summary

The cost of delivering housing to the market remains a key issue and area of focus within public debate as continued efforts by Government and other organisations attempt to tackle the housing and homelessness crisis. The purpose of this updated study is to report on average delivery costs for three-bedroom semi-detached houses constructed in the private sector. This data will inform policymakers of the costs associated with delivering housing. The information gathered in this report is taken from 30 development sites in the Greater Dublin Area¹ and is received from Chartered Quantity Surveyors.



In 2016, our “Real Cost of New House Delivery” research reported that it cost €330,493 to deliver a 3-bedroom semi-detached home to the market. Four years on, our research shows us that this delivery cost has increased to €371,311² which is an increase of €40,818, equivalent to a 12% increase.

Our analysis reports on “hard costs” (e.g. bricks and mortar) and “soft costs” (e.g. land, levies, VAT, finance, profit) involved in delivering housing to the market. Over the past four years, “hard costs” increased by 19% (over €28,000) while “soft costs” increased by 7% (over €12,000).

Four years on, our research shows us that this delivery cost has increased to €371,311 which is an increase of €40,818, equivalent to a 12% increase.

The most significant increases in costs are associated with higher costs for site development works such as drainage, water connections, landscaping and paving (+€9826). Other significant increases are attributed to the “superstructure” (the house structure). The “superstructure” costs increased by 15% or by more than €7,400 per unit. In addition to general labour and materials inflation, the main reason for this cost increase is due to changes to internal detailing to comply with fire safety regulations.



It is also important to note that total delivery cost of €371,311 does not take account of “abnormal costs” that are often encountered when dealing with contaminated sites, difficult topography or any other case specific site challenges. “Abnormal” costs are a regular feature of development and on average, can amount to as much as €15,000 per unit (case dependent). The “COVID-19” cost is also another cost factor that is not captured in the overall delivery cost figure. As a result of new Public Health Measures i.e. the requirement to achieve social distancing, the increase in the provision of PPE and associated hygiene facilities, and increased contract durations, additional costs are borne by the sector. We hope when more data becomes available on this to report on it later in the year.

Our report highlights that the cost saving differential in the delivery of private housing compared to social housing can be within a range of €140,000-€160,000 due to the nil cost attributed to land, levies, finance, developers’ margin and sales and marketing costs. Social housing projects do see an increase in the cost of professional fees, this is due to the fact that there is more design input at the tender stage of projects. Therefore, our figures suggest that social housing can be delivered within the range of €210,000 to €230,000 per 3-bedroom semi-detached house in the Greater Dublin Area.

¹- Co. Dublin, Co. Wicklow, Co. Kildare and Co. Meath

²- Excluding “abnormal costs” encountered on some sites and COVID-19 related costs.

Elemental Analysis

Gross Internal Floor Area Average: 1,227 sq. ft. 114 sq. m.

Element	€	€psf	€psm	% of Total
Construction costs (per house)				
(A) House Building Cost	138,835	113	1,218	37
(B) Siteworks Within Site Curtilage	12,241	10	107	3
(C) Site Development	27,826	23	244	8
Construction cost (A) + (B) + (C)	178,902	146	1,569	48
Other costs (per house)				
Professional Fees	5,650	5	50	2
Levies	13,984	11	123	4
Land & Acquisition Costs	60,823	50	534	16
Sales, Marketing & Legal Fees	8,400	7	74	2
Finance Cost	16,716	14	147	5
Margin	42,671	35	374	11
VAT	44,165	36	387	12
Total Soft Costs	192,409	158	1,689	52
TOTAL HOUSE COST	371,311	303	3,257	100

**Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.*





ONE

The Affordability Challenge



THE AFFORDABILITY CHALLENGE

Our case study suggests that the average price of a new 3-bedroom semi-detached home in the Greater Dublin Area would need to equal or exceed a delivery cost of €371,000. The DAFT.ie³ Q2 2020 report, shows that the average asking price for a 3-bedroom semi-detached house in the Greater Dublin Area is €380,000.



To assess the affordability of housing stock in the Greater Dublin Area for the average first time buyer, we’ve considered a couple each earning an average salary in Dublin of €44,000 p.a. with a combined total salary of €88,000.

Under Central Bank of Ireland lending rules, and based on the average house price, this couple will need to save a deposit of €38,000. The maximum amount that they can borrow is €308,000 (3.5 times income) bringing the total purchase capacity to €346,000. This leaves a shortfall of €34,000 to purchase an average 3 bed-room semi-detached home. Interestingly, our study in 2016, reported that the total house delivery costs exceeded an average borrowing amount by €36,500.

There is an affordability challenge in the provision of housing and furthermore, as noted previously, Covid-19 related costs or any site abnormalities encountered during a build is likely to increase costs further and potentially compounding the affordability challenge.

Due to general wage inflation over the last number of years, mainly due to increased economic activity and historically low unemployment rates, (pre COVID-19) borrowers have, in the main, managed to keep pace with increased property prices. However, now more than ever within the context of the current climate, incremental increases to housing prices need to be addressed urgently.

Table 1 - Affordability Scenario in the Greater Dublin Area

Average price of 3 bed semi / Cost of new house delivery	€ ~ 380,000/~ €371,000
Mortgage borrow limit (3.5 times gross income)	€308,000
Average couple - Deposit Requirement based on average 3 bed semi asking prices	€38,000
Average asking prices / New house delivery costs exceeds borrow amount by	-€34,000 / -€25,000

3- Daft.ie, Q2 2020

TWO

Cost of Providing New Housing



Table 2 - Costs Summary	pg. 11
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Covid-19 Impact on Construction Costs	pg. 15
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Site Abnormalities	pg. 15
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COST OF PROVIDING NEW HOUSING

The Society of Chartered Surveyors Ireland undertook an extensive and detailed study of 30 development sites in the Greater Dublin Area each with a minimum of 35 units. The data was received during the months of January 2020 to June 2020. Our findings report that the average overall cost of providing a three-bedroom semi-detached house of 114sq.m (1,227 sq.ft) in the Greater Dublin Area is €371,311 (including V.A.T).

Since the release of our 2016 “Real Cost of New House Delivery” report, housing and homelessness remains a key priority for Government. The total number of new houses delivered to the market since our last report in 2016 now stands at 63,331 units⁴ or 15,832 units on average per annum. This is a long way from the suggested long-run housing demand reported by the ESRI⁵ which is now in the region of 30,000-35,000 units per annum, up from its previous estimate of 25,000 units.

Table 2 overleaf illustrates the cost of each element of the provision of this “average” 3 bed semi-detached house.

4- CSO New Dwellings

5- ESRI Economic Quarterly Commentary Summer 2017

“Our findings report that the average overall cost of providing a three-bed semi-detached house of 114sq.m (1,227 sq.ft) in the Greater Dublin Area is €371,311.”





Gross internal floor area

1227 sq.ft

114 sq.m

ELEMENT	€	AVERAGE P.S.F	AVERAGE P.S.M	% OF TOTAL	
HOUSE BUILDING COST					
Substructure	13041	11	114.4	4	Traditional strip foundation on good bearing soil
Superstructure	56047	46	491.6	15	Timber or blockwork frame; render finish; tiled roofs; insulated to 2019 Part L
Completion	21173	17	185.7	6	Triple glazed windows; paint grade softwood doors, skirting & window boards internally.
Finishes	13700	11	120.2	4	Paint finished walls; tiling to bath and shower rooms.
Fittings	6227	5	54.6	2	Fitted kitchen c/w Formica w/t, no appliances; wardrobe to main bedroom
Services (inc. Sanitary Ware, rainwater)	28646	23	251.3	8	Quality grade sanitary fittings; solar panel; heat recovery; renewable heat generation, underfloor & radiators; Elec:- plastic fittings and pendants throughout; wired for alarm.
SUB - TOTAL (A)	138835	113	1217.9	37	
SITEWORKS WITHIN SITE CURTILAGE					
Demolitions					Includes underground services such as telecom, power, foul, surface drainage, water, seeded garden, timber fencing to garden; hard paving to common areas; public open space amenity; street lighting; access / road network; site excavations. Our study identified a range of factors which can influence this cost element. Whilst our total delivery cost figures excludes “site abnormalities”, these costs are often associated with most sites and can be as much as €15,000 per unit.
Groundworks generally					
Underground Drainage & Services					
Landscaping, paving, fencing					
Other					
SUB-TOTAL (B):	12241	10	107.4	3	
SITE DEVELOPMENT					
Demolitions					It should be noted that the total delivery costs do not take account of “abnormal costs” in our calculations
Groundworks generally					
Underground Drainage & Services					
Landscaping, paving, fencing					
Site lighting					
SUB-TOTAL (C):	27826	23	244.1	8	
OVERALL CONSTRUCTION COST	178902	146	1569.3	48	
SOFT COSTS (PER HOUSE)					
Professional Fees	5650	5	49.6	2	Developer built scheme with level of repetition of house type - multiple types will effect fees; straightforward planning permission (no appeal). Includes BCAR assessment. Alternative procurement routes require higher levels of administration with consequent increase on fees.





ELEMENT	€	AVERAGE P.S.F	AVERAGE P.S.M	% OF TOTAL	
LEVIES					
Development Levies	8800				
Electricity Connection Levy	851				
Gas Connection Levy	333				
Water	4000				
SUB-TOTAL	13984	11	122.7	4	
LAND & ACQUISITION COSTS					
Land Cost	53000				Site price not based on actual values, but included for cost factor analysis due to its inter-relation with finance, V.A.T. etc. Current site prices in Dublin can exceed this level.
Stamp Duty on Land Purchase	933				2% Stamp Duty
Land purchase Agent & Legal Fees	1590				3% Sale & Legal transaction fees
Part V impact per private house	5300				10% Social units; the developer is reimbursed the build cost. The site value is defined as original use value, usually agricultural, nominal value per residential site area. Equates to 10% of site value per house.
SUB- TOTAL	60823	50	533.5	16	
SALES, MARKETING AND LEGAL FEES					
Show House and sales measures on site	700				Nominal amount as show house will sell for price reflecting additional fit-out to cover a portion of the additional cost.
Marketing	1500				
Sales Agent Fees	3100				Average fee based on average sale price
Sales Legal Fees	3100				Average fee based on average sale price
SUB TOTAL	8400	7	73.7	2	
FINANCE COST					Examples provided reflect current market rates:- Finance 8/11% for residential and up to 90% construction finance now being provided. Developer equity input cost is assumed as part of margin, input assumptions are:-
Finance Cost on Land Purchase	10017				Based on 'blended' finance cost of 9% on 70% of land cost for 3 years from site purchase to sale closure (30% equity at nil cost).
Finance Cost on Construction	1869				Based on 90% of average Design & Build cost for 3 month build period per house. 10% to be financed from developers equity reserve at nil cost.
Finance on post build (sale & closing)	4830				Based on 'blended' finance cost of 9% for average borrowing of €230,000 for 4 month post construction sale period. Surplus costs of circa €50,000 funded from developers equity at nil cost.
SUB-TOTAL	16716	14	146.6	5	
Margin (including Profit, Return on developer equity investment finance / Equity reserve for next site purchase / ultimate risk allowance)	42671	35	374.3	12	BASED ON 15% OF COSTS EXCL VAT
VAT	44165	36	387.4	12	THE VAT APPLIED ON A NEW HOUSE FROM A BUILDER OR DEVELOPER IS 13.5%, WHICH IS €44,165, BASED ON ALL PRE-VAT COSTS EQUALLING €327,146
TOTAL HOUSE COST:-	371311	303	3257.1	100	

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Additional Costs

Covid-19 Impact on Construction Costs

The impact of the COVID-19 virus has been far-reaching. Government's focus during the COVID pandemic has been to take the necessary measures to limit the spread of the virus and protect our society. The period of lockdown from March-June 2020 for the construction sector has had, and will continue to have, negative impacts on productivity and costs.

The construction sector as of July 2020 is currently back working on site in line with Government safety protocols. Adherence to these protocols is paramount to ensure the safety of all involved. However, these measures result in additional costs such as investment in PPE, additional site cleaning, sanitation and investments in site infrastructure to facilitate social distancing and increased contract durations.

It's too early to determine with accuracy the impact which Covid-19 will have on costs but it is our intention to report on these later in 2020 when more data is available.

General Inflation

It was noted in the Society's 2016 report that labour inflation of subcontractors and materials was likely to occur. Over this period, based on our study, "hard costs" increased by 19% from €150,251 in 2016 to €178,902 in 2020. Section 3 breaks down the increase in costs from 2016 and while some costs are attributed to other factors such as regulatory changes, others can be attributed to an inflationary effect on the market.

Site Abnormalities

Over the last number of years our Chartered Quantity Surveyors have increasingly noted the prevalence of site abnormalities as a variable cost impact on the delivery of housing. Site abnormalities are found on the majority of sites and this could include soft ground, high water table, poor ground percolation, contaminated land, location to complex and sensitive areas such as railways or rivers, underground or overhead services and general difficult topography.

Section 3 will address the type of variables that may impact on final housing delivery costs.

Regulatory Changes

Since our last report, several regulatory changes have been introduced which impact on the cost of different construction elements of a project. Some of these regulations include the near Zero Energy Building (nZEB) requirements, additional fire safety regulations and compliance with increased Irish Water specifications.

The cost breakdown analysis in section 3 further illustrates the cost impact of these regulations.

The cost breakdown analysis in section 3 further illustrates the cost impact of these regulations.

Social Housing Delivery - what costs are not included?

The direct costs involved in delivering social housing differ greatly compared to delivering new private housing. The average delivery cost of a new 3bedroom semi-detached home in a private development scheme is €371,311. For social housing delivery, generally the cost of land (-€60,823), cost of development levies (-€8,800), sales and marketing costs (-€8,400), and finance and developers margin costs (-€59,387) are not included as cost headings. The overall VAT will reduce pro rata. Social housing projects will have higher professional fees as such projects require more design input at tender stage. When these costs are all accounted for, this can amount to an average savings of between approximately €140,000 to €160,0000 per unit or €210,00 to €230,000 for total social housing 3-bedroom semi delivery costs (excluding site abnormal costs).

“ For social housing delivery, generally the cost of land (-€60,823), cost of development levies (-€8,800), sales and marketing costs (-€8,400), and finance and developers margin costs (-€59,387) are not included as cost headings.”

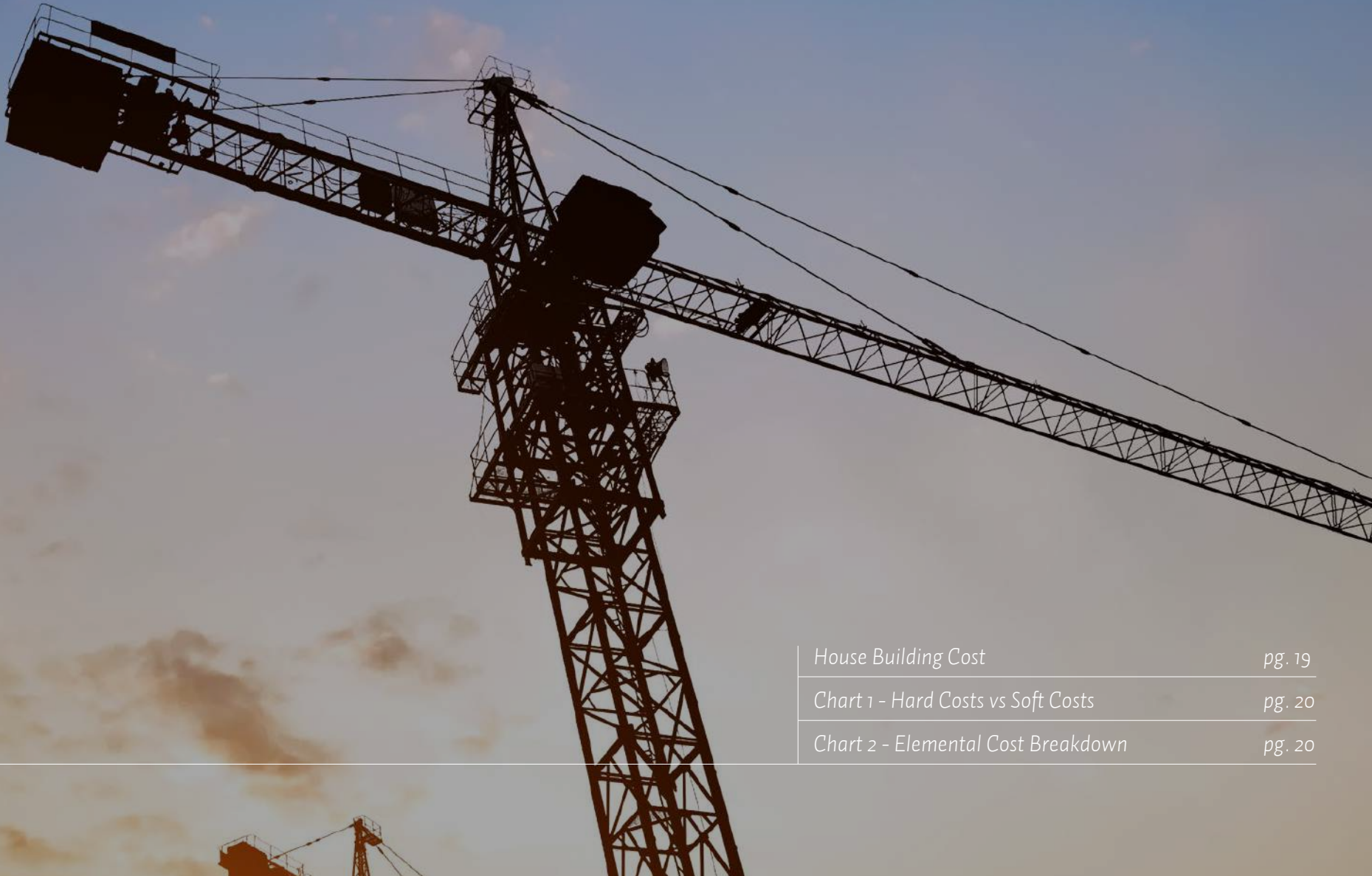


*VAT rate adjusted pro rata

*Increase in professional fees will apply

THREE

Cost Breakdown and Analysis



House Building Cost	pg. 19
Chart 1 - Hard Costs vs Soft Costs	pg. 20
Chart 2 - Elemental Cost Breakdown	pg. 20

COST BREAKDOWN AND ANALYSIS

The Society of Chartered Surveyors Ireland established a Housing Delivery Cost Working Group specifically to participate in the capturing and analysis of real market data based on current house projects. The Working Group received information from our Chartered Quantity Surveyors, Valuers, Planners, Building Surveyors and Agents to inform our report.

In the analysis of our data, varying specifications/ finishes in a house will have an impact on the final cost of house construction projects. Such building costs can vary significantly, examples include specifications of windows utilised, the amount of renewable technologies used, ventilation systems used, amount of brickwork facades, and other materials chosen such as kitchen and door finishes.

The “average” cost of building outlined in the study is compliant with TGD Part L; Conservation of Fuel and Energy - Dwellings 2019, Building Control Regulations and nZEB requirements.

The average house cost in our study is based on projects which did not experience any significant adverse/abnormal conditions or constraints which could affect build/delivery cost.

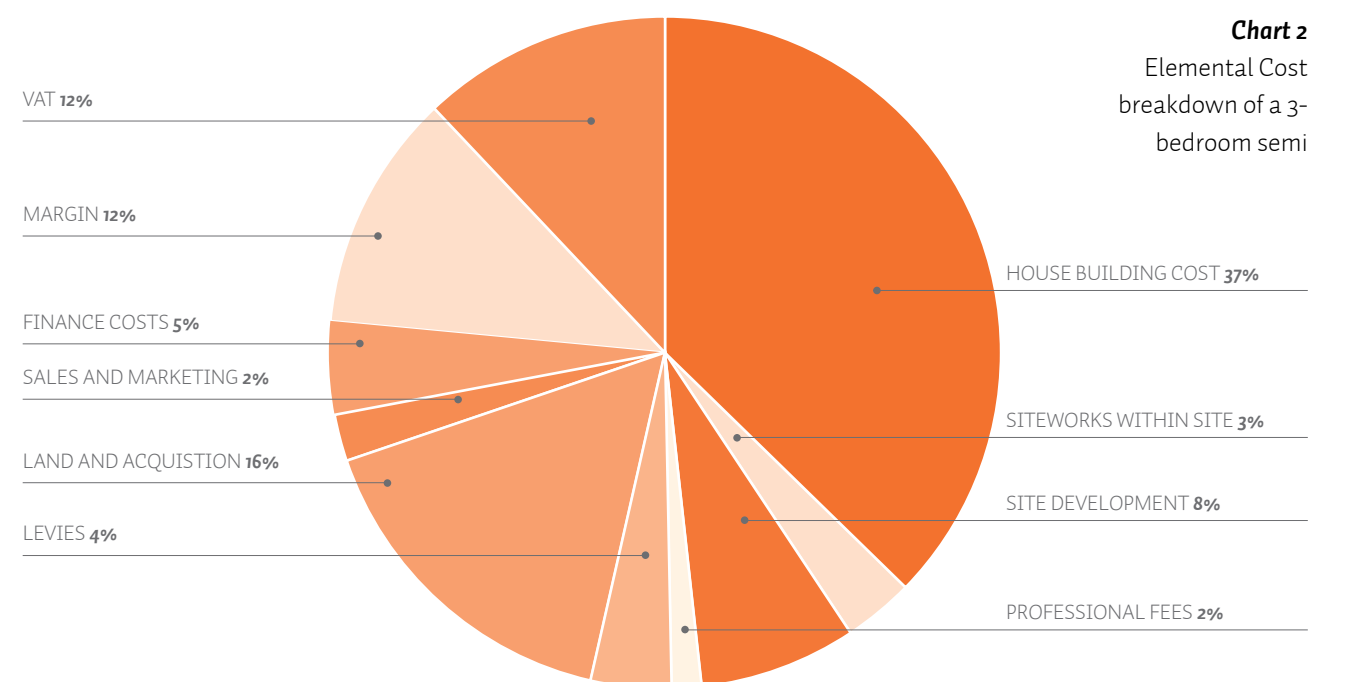
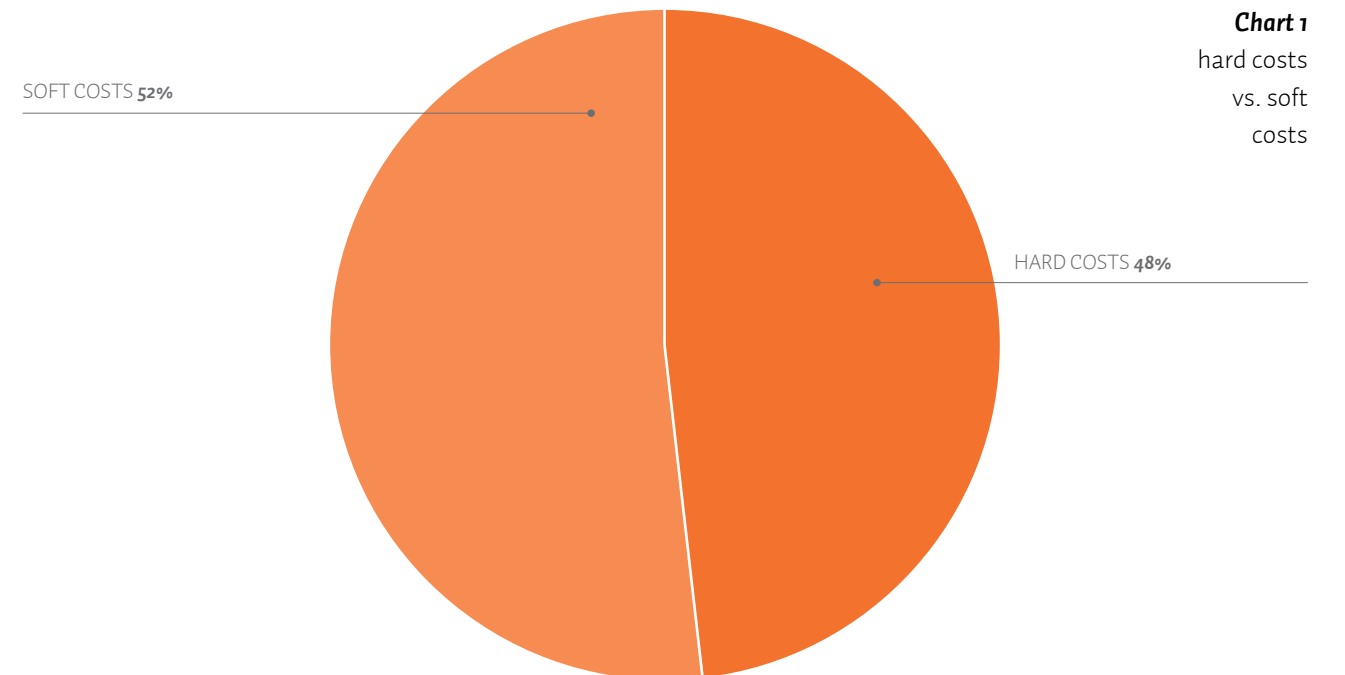
HOUSE BUILDING COST

The overall construction cost (cost of building the house from foundation to roof and completing the estate roads and drains etc.) is €178,902 which represents 48% of the overall cost of providing the house. Hard costs represented 45% of total housing cost delivery in 2016.

Some of the most significant increases in “hard costs” since 2016 can be seen in the super-structure i.e. structure of the house (up 15%) and overall site development costs (up 43%). These increased costs are associated with additional near Zero Energy Building requirements, additional fire detailing, Irish Water connections and

additional timber structural supports for timber intermediate floors. Such costs are in addition to general inflation increases in the sector.

The house building cost analysis reflects a standard specification for 3-bedroom semi-detached house newly constructed in the Greater Dublin Area in 2020. While this specification varies from development to development and location to location, it is consistent and for that reason the cost is reasonably identifiable.



We will now analyse the individual cost elements to give an understanding of the cost risks and opportunities which exist within each element with a particular focus on the costs which have increased significantly since 2016 as follows:

Sub-structure - €114psm (€11psf)

The houses included in this data analysis were supported by traditional strip foundations on good bearing soil. The average cost of the sub-structure in our analysis was €114psm, this is a decrease on the 2016 average total of €118psm. This decrease in the overall average sub-structure cost is attributed to more innovative design approaches in recent years. It must be noted that this figure is based on a typical sub-structure with limited site abnormalities, however, a number of unusual site features will increase the cost of the sub-structure including services running under the building footprint, sloping site and soft or sandy soil. These features would result in additional special measures such as deeper foundations, raft foundations or even piling supports to accommodate them. Such special measures will increase the cost considerably.

Super-Structure - €492psm (€46psf)

The building projects which were submitted for analysis for this report all feature the same super-structure elements of timber or blockwork frame; render finish; tiled roofs and insulated to current Part L (Dwellings) standards.

The average cost of super-structure has increased by €60psm (+15%) since 2016. This is one of the most significant elemental cost increases to the overall house building cost. Labour price inflation over this period is part of the reason for increased costs and also amended structure regulations (Part B Amendment Regulations Act 2017) introduced several compliance measures which increase the super-structure cost.

Completions - €186psm (€17psf)

Specifications: triple glazed windows; paint grade softwood doors, skirting & window boards internally. These costs increased by 16% mainly due to increase in labour and materials rates over this period.

Finishes - €120psm (€11psf)

Specifications: Paint finished walls; tiling to bath and shower rooms. Finishes have seen an increase of 13% to the total average cost since 2016. Our Chartered Quantity Surveyors believe that while this can partly be attributed to cost inflation, specifications have increased in standards to offer more attractive housing to home purchasers.

Fittings - €55psm (€5psf)

As per finishes, the choice of fittings can have a significant impact on the overall building cost. The specification for fittings included in the sample size for this report include fitted kitchen with Formica worktop, no appliances, and wardrobe to main bedroom. The increase in the cost of fittings since 2016 (up 22%) can again be in part explained by an increase in level of finishing to housing stock.

Services Including Sanitary Ware - €251psm (€23psf)

Quality grade sanitary fittings; solar panel; heat recovery; heatpumps, underfloor/radiators; plastic electrical fittings and pendants throughout; wired for alarm.

Site-works (within Site Curtilage) and Site Development - €351psm (€33psf)

On average, the cost of site works and site development identified in this report is approximately €40,000. This is an increase of over 43% on the cost identified in the 2016 report (€28,000).

General costs include underground services such as telecom, electricity, foul & surface drainage, water, seeded garden, timber fencing to garden; hard paving to common areas; public open space amenity; street lighting; access / road network; site excavations.

The 22% increase in cost for site-works (from €10,000 in 2016 to €12,241 in 2020) derives from several compliance measures. For example, compliance with Irish Water’s Code of Practice for wastewater infrastructure and requirements for foul water drainage at end of driveways can add up to €1000 in additional costs per unit. Other costs from Irish Water include specification increase, grade of pipework, individual connections as opposed to carrier drains; increase in snagging and inspection.

Regarding landscaping, paving and fencing costs there has been a move away from timber infill fence panels towards more concrete and blockwork. There are also additional costs now associated with disposing excavated material.

Professional fees - €50psm (€5psf)

Our report is based around data from developer-built schemes which includes a certain level of building repetition in the order of 8-unit design types. On average, this is reflecting an 80-unit scheme of house type which is straightforward in design and planning permission (no appeal). Includes Building Control Amendment Regulations (BCAR) assessment. Alternative procurement routes with a higher level of administration would increase this cost.

Development Levies (Levies, Electricity, Gas and Water) - €123psm (€11psf)

Connection fees associated with Local Authority foul and surface water, gas, electricity and water connection fees. Levies are a very significant “on-cost” in the provision of housing, the costs of which have to be borne from early in the construction cost cycle.

Land and Acquisition Costs - €534psm (€50psf)

Land cost is influenced by many factors and there can be a significant variance in values within a county or indeed within the Greater Dublin Area. Within counties on the periphery of Dublin, there can also be variances. Locational factors such as access to amenities, demographics and access to public transport can all come into play with the pricing of land. As well as locational factors, other factors can come into play when calculating the price of an area of land including density, risk, topography and demand.

Following opinions of our Chartered Surveyors and V Valuers, the average value of a site in the Greater Dublin Areas is €53,000.

A lack of available data for the cost of land for housing is an issue that has been identified in this report and is discussed further in the recommendations section of this report.

Sales and Marketing - €74psm (€7psf)

Includes allowance for show house fit-out which is not recouped through the sale price as well as marketing measures such as advertisements and sale fees. The sales and marketing costs in the data set varied, this reflects that multiple factors impact on how much/what kind of sales and marketing measures are required for a property at any given time.

Finance - €147psm (€14psf)

This is based on a finance cost of 9% on all borrowings. This will be a ‘blend’ of lower cost bank and higher cost mezzanine finance.

Margin - €374psm (€35psf)

This figure includes profit, return on developer equity investment finance, equity reserve for next site purchase and ultimate risk allowance.

Value-Added Tax – €387psm (€36psf)

The total VAT for this average house figure is € 44,164. All new homes will include a VAT charge of 13.5%. The VAT take on an average 3-bedroom semi is 12% of the total delivery cost.

By way of comparison, new house sales in Northern Ireland and the UK attract zero VAT rates.

FOUR

What if cost
savings were
achievable?



Ensuring cost savings in a number of areas would have a significant impact on cost saving. Several examples of potential cost savings are outlined below:

What if cost savings were achievable?





FIVE

Recommendations



RECOMMENDATIONS

This independent report was undertaken by SCSI to provide an update to policymakers and the public on the cost of housebuilding in the private market in the Greater Dublin Area four years after our initial report was released. The findings in this report demonstrate that the overall delivery cost of housing has increased by 12% in the last four years.



Hard costs' make up a significant portion of these costs. A number of contributory cost factors have been identified in the report including the introduction of several new compliance measures and general cost and labour rate inflation. The cost impact of COVID-19 and site abnormalities were not included in the figures provided in this report, however, they could further increase the cost of house building in Ireland.

“...this report demonstrates that the overall delivery cost of housing has increased by 12% in the last four years.”

It is within this context that the Society believes it is important that an intensified effort to tackle the incremental cost of housing is vital to ensure the viability and affordability of housing in Ireland. However, affordability in the delivery cost of housing is just one component amongst others which needs to be urgently addressed to solve the housing supply crisis. There is no one solution that will solve this issue, however, the Society has identified a number of key recommendations for policy makers which are vital in addressing the current housing crisis. These recommendations have been derived from the analysis for this report combined with the insight from the SCSI's other professional groups' work on housing and are outlined below:

1. Leadership in housing

- » Establish the Commission on Housing as set out in the Programme for Government to review
 - » taxation treatment of new housing
 - » the impact of regulatory changes to new home and apartment delivery.

The Commission should have a broad scope to examine and make recommendations to improve social and private housing to achieve an affordable and sustainable housing model.

- » Develop a research project through the National Centre of Excellence to examine innovation initiatives to support modern methods of residential construction as part of its initial research work.

2. Public Sector Delivery of Housing

- » Leverage the Land Development Agency and Local Authorities to deliver new alternative models of delivery for social housing.
- » Commence a large-scale public-sector house building programme via Local Authorities to take advantage of a likely softening in construction costs over the coming two years.
- » Review Public Procurement of social housing procedures to allow more efficiency in preparation for increased activity in social housing delivery. Significant procurement delays are a common feature including additional design and related costs often encountered when delivering public projects.

3. Access to reliable data to support policy development

- » Develop a public development land sales' register of all development land transactions to inform stakeholders and policymakers in shaping public policy. A lack of available data for the cost of land for housing is an issue that has been identified in this report.

4. Independent assessment of new and existing regulatory and compliance measures

A full independent Cost Benefit Analysis should be carried out ahead of any new regulatory and statutory measures that will impact on the overall delivery costs of new housing. The Society has consistently advised that such a recommendation would be of value to policymakers. As outlined in our report, regulatory and compliance costs have been identified in our report as a key contributory factor to the increase of “hard costs” over the last four years. This recommendation featured in our 2016 report and we are again calling for such a cost benefit analysis is undertaken, particularly in regard to their impact on housing delivery costs.

5. Budgetary allocations for House Purchase Assistance Initiatives

- » Ensure allocation of financial resources to continue with the Help to Buy scheme to assist First Time Buyers with deposit requirements.
- » Consideration for the introduction of a Shared Ownership Scheme to assist those looking to step onto the property ladder. This scheme provides an opportunity for the State to provide a low-cost or interest-free loan to borrowers in return for an equity stake in the property that is then repaid over several years.

CONCLUDING REMARKS

It is quite clear to the SCSI that there is no one answer or “silver bullet” for the resolution of the challenge of the housing issues in Ireland. Covid-19 has added to the difficulties the industry has faced in its efforts to increase supply. The impact of Covid-19 and the potential market for private sector housing is not yet fully known, though our property members report the market has held its own to date in terms of sales, since the lifting of Covid-19 restrictions.

As we have outlined, viability (for private sector developers) and affordability (for purchasers) remains an issue, as it was when we undertook our initial study in 2016.

It is clear from our report also the Local Authorities, are in a position to deliver housing units for between €210,000 to €230,000 as they are not subject to the same market force and business case studies as the private market albeit it is our understanding that despite being in a position to deliver units more cost effectively, Local Authorities budgets still sub vent developments' after completion due to the insufficiency of rents payable to meet the costs.

It is our view that the ultimate resolution of housing supply and affordability rests in a multi-faceted approach including a combination of public sector and private sector delivery, some of which we have outlined in our recommendations above. Now more than ever, an intensified effort is required to tackle incremental increases in housing delivery costs. Ultimately, a concerted effort is required from all parties to drive down costs of housing prices, solutions need to derive from a collaboration between industry and Government policy to ensure that this is achieved, and the SCSI remains available to play our part in addressing this vital issue, in the public interest.





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