



# *The Real Cost of New House Delivery*

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

## 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. While we are politically neutral, we are not policy neutral.



## CONTACT DETAILS

Society of Chartered  
Surveyors Ireland  
38 Merrion Square,  
Dublin 2, Ireland

Tel: + 353 (0)1 644 5500  
Email: [info@scsi.ie](mailto:info@scsi.ie)  
[www.scsi.ie](http://www.scsi.ie)

# CONTENTS

- i** EXECUTIVE SUMMARY
  
- 01** SECTION 1  
COST TO PROVIDE A 3-BED SEMI-DETACHED HOUSE IN 2016
  
- 08** SECTION 2  
AFFORDABILITY
  
- 09** SECTION 3  
PROPOSALS/ANALYSIS OF POSSIBLE OPTIONS TO REDUCE COST
  
- 12** SECTION 4  
SCSI ON-LINE CALCULATOR
  
- 13** CLOSING SUMMARY

# EXECUTIVE SUMMARY

## HOUSING IN CRISIS

Following years of economic stagnation, Ireland is now experiencing a chronic housing shortage which has contributed significantly to the current homelessness crisis. The latest SCSi Quarterly Housing Development Monitor (Q1 2016) shows that in the last 12 months, the construction of only 4,000 residential units in housing schemes has commenced. Of the 1133, of these commenced in Q1 2016, this equates to only 13 housing schemes.

### COMMENCEMENTS OCCURRING

(Note: only Schemes of 25+ Units are included)



	Q2, 2015	Q3, 2015	Q4, 2015	Q1, 2016
Dublin Region	12 (1,067 Units)	13 (1294 Units)	6 (611 Units)	13 (1,133 Units)
Dublin City	6 (464Units)	5 (414Units)	2 (207 Units)	3 (323Units)
Dun Laoghaire-Rathdown	3 (226Units)	2 (197Units)	0 (0 Units)	3 (357Units)
Fingal	3 (377 Units)	5 (648Units)	2 (307Units)	3 (258Units)
South Dublin	0 (0 Units)	1 (35Units)	2 (97 Units)	4 (195Units)

Q1, 2016 Building Control Management System (BCMS) data is applied for this section

Source: SCSi Quarterly Housing Development, SCSi/Future Analytics Consulting, 2016

## COST OF PROVIDING A 3-BED SEMI-DETACHED HOUSE

Amidst all the commentary by many industry players and economic analysts, the lack of credible, market data on actual house building costs was identified as a significant information deficit and with this in mind, the Society of Chartered Surveyors Ireland undertook an extensive and detailed study of a number of live house building projects with a minimum of 30 units currently under construction in the Greater Dublin Area.

The construction & delivery cost data has been analysed by a panel of expert Chartered Quantity Surveyors to provide a real-time, in-depth analysis of all the factors at play in the market today. The findings of this study are explained in detail within this report and are summarised in the table overleaf.

The overall construction cost' (building of the house from foundation to roof and completing the estate roads and drains etc.) is €150,251 which represents 45% of the overall cost of providing the house.

It may come as a surprise to some commentators that the cost to **build** a house is less than half of the overall cost to **provide** the house. Non-construction factors, such as the cost of acquisition & development finance, design, sales & marketing, margin (including profit) and taxation elements such as levies and V.A.T. are all important elements influencing the economic and sustainable cost of a new house.

## ELEMENTAL ANALYSIS - 3 BED SEMI-DETACHED HOUSE

Gross internal Floor Area

1,214 Sq.ft

113 Sq.m

ELEMENT		€	€PSF	€PSM	% OF TOTAL
<b>CONSTRUCTION COSTS( per house )</b>					
Housing Building Cost	(A)	122,251	101	1,084	37%
Siteworks Within Site Curtilage	(B)	10,000	8	89	3%
Site Development	(C)	18,000	15	160	5%
<b>CONSTRUCTION COST (A) + (B) + (C):-</b>					
		150,251	124	1,332	45%
<b>OTHER COSTS (per house)</b>					
Professional Fees		5,500	5	49	2%
Levies		11,750	10	104	4%
Land & Acquisition Costs		57,500	47	510	17%
Sales & Marketing Costs		8,200	7	73	2%
Finance Cost		20,002	16	177	6%
Margin		37,980	31	337	11%
VAT		39,310	32	349	12%
<b>TOTAL HOUSE COST:</b>					
		330,493	272	2,930	100%

## COST OF PROVIDING A 3-BED SEMI-DETACHED HOUSE



Q1 2016  
**€330,493**  
3-bed semi-detached  
in Dublin on average

Our case study findings suggests that the average price of a new 3 bed semi-detached home in Dublin would need to equal or exceed delivery cost €330,493.

According to the Q1 2016 property report by MyHome.ie in conjunction with Davy, the median asking price for a 3 bed semi-detached house in Dublin is €285,000.

By way of example, a couple both earning the average industrial wage have a combined salary of €74,000. The deposit requirement under the CBOI rules, based on the average price, will require savings of c. €35,000.

Using the permitted maximum multiplier of 3.5 times salary, this means a maximum loan amount of €259,000 which, coupled with the deposit, would allow the couple to purchase a property up to €294,000.

From our study, it can be seen that the current total cost to provide the average house exceeds the amount this couple can borrow by €36,493.

It is clear that there is a serious financial viability issue in the provision of housing and with particular emphasis in urban areas, where the demand is highest, but where land prices are also at their highest.



a couple earning  
**€74,000**  
in combined salary

require  
**~€35,000**  
in savings



permitted  
a loan of  
**x3.5**  
combined salary

for a maximum  
loan amount of  
**~€259,000**



can purchase a  
house up to  
**€294,000**

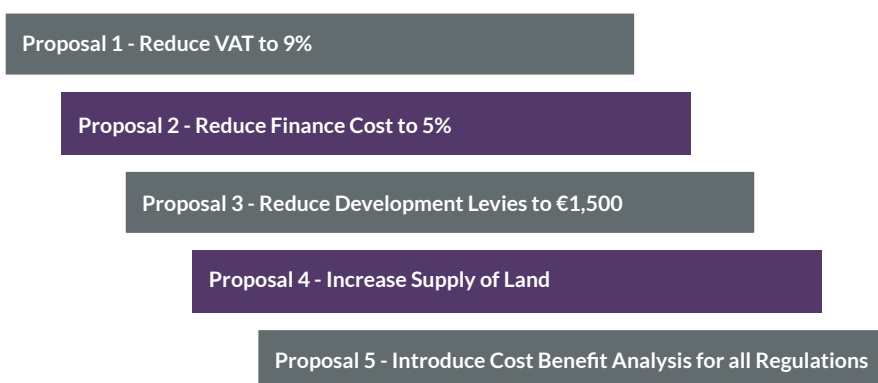
total house delivery cost exceeds  
borrow amount by  
**+€36,493**



# ANALYSIS OF COST REDUCTION OPTIONS

Having analysed all the costs to provide a 3 bed semi-detached house, our panel of expert Chartered Quantity Surveyors have considered options to reduce costs as follows:

All of these proposals are difficult to deliver and none in isolation will address the cost / affordability problem which is contributing considerably to the housing crisis in Ireland today.



---

## SECTION 1 - COST TO PROVIDE A 3-BED SEMI-DETACHED HOUSE IN 2016

### COST OF THE PROVISION OF HOUSING

The Society of Chartered Surveyors Ireland undertook an extensive and detailed study of a number of live house building projects with a minimum of 30 units currently under construction in late 2015 and early 2016 in the Greater Dublin Area.

Our panel of expert Chartered Quantity Surveyors analysed all cost inputs in the provision of housing to provide a real-time, in-depth analysis of all the factors at play in the market today. The findings of this study is that the average overall cost of providing a three bed semi-detached house of 113sq.m (1,214 sq.ft) in the Greater Dublin Area is €330,493 (including V.A.T).

The table on the next two pages illustrates the cost of each element of the provision of this “average” 3 bed semi-detached house.

**ELEMENTAL ANALYSIS**  
**LOCATION**  
**GROSS INTERNAL FLOOR AREA (SQ.FT)**

**AVERAGE**  
**1,214**

<b>HARD COST (per House)</b>										
<b>ELEMENT</b>	<b>€</b>	<b>€PSF</b>	<b>€PSM</b>	<b>% OF TOTAL</b>	<b>COMMENT</b>					
<b>House</b>										
Substructures	13,354.00	11	118.4		Traditional strip found on good bearing soil					
Superstructure	48,560.00	40	430.6		Timber or blockwork frame; render finish; tiled roofs; insulated to 2011 Part L (Resi).					
Completion	18,210.00	15	161.5		Double glazed windows; paint grade softwood doors, skirting & window boards internally.					
Finishes	12,140.00	10	107.6		Paint finished walls; tiling to bath and shower rooms.					
Fittings	5,100.00	5	45.2		Fitted kitchen c/w Formica w/t; wardrobe to main all bedrooms (no appliances).					
Services (incl Sanitary ware, rainwater)	24,887.00	21	220.7		Quality grade sanitary fittings; solar panel; heat recovery; condensing boiler & radiators; Elec:- plastic fittings and pendants throughout; wired for alarm.					
<b>SUB-TOTAL (A):</b>	<b>122,251</b>	<b>101</b>	<b>1,084</b>	<b>37%</b>						
Siteworks Within Site Curtilage:										
Demolitions										
Groundwork's generally										
Underground Drainage & Services										
Landscaping, paving, fencing										
Other										
<b>SUB-TOTAL (B):</b>	<b>10,000</b>	<b>8</b>	<b>88.7</b>	<b>3%</b>	Our study identified a range of factors which can influence this cost element. On standard sites with no adverse conditions; a range of €25,000 - €40,000 would apply; 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.					
Site Development:										
Demolitions										
Groundwork's generally										
Underground Drainage & Services					Non-standard or abnormal features such as retaining walls, deep excavations etc are not reflected in this range and may add considerably to cost.					
Landscaping, paving, fencing										
Sight lighting										
Abnormal costs (specify):-										
<b>SUB-TOTAL (C):</b>	<b>18,000</b>	<b>15</b>	<b>159.6</b>	<b>5%</b>						
<b>OVERALL HARD COST (A) + (B) + (C):-</b>	<b>150,251</b>	<b>124</b>	<b>1,332.2</b>	<b>45%</b>						



<b>SOFT COST (per House)</b>									
Professional Fees		5,500	4-53	4.8.8	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.
Development Levy's (per House)		8,500	7-0	75.4	3%				
Utility Levy's (per House)			-						
Electricity Connection Levy	500								
Gas Connection Levy	250								
Water	2,500	3,250	3	28.8	1%				
<b>LAND &amp; DEVELOPMENT COSTS</b>									
Land Cost	50,000								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	1,000								2% Stamp Duty
Land purchase Agent & Legal Fees	1,500								3% Sale & Legal transaction fees
Part V impact per private house	5,000	57,500	47	509.8	17%				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.
<b>SALES &amp; MARKETING COSTS</b>									
Show House and sales measures on site	500								Nominal amount as show house will sell for price reflecting additional fit-out to cover a portion of the additional cost.
Marketing	1,500								
Sales Agent Fees	3,100								Average fee based on average sale price
Sales Legal Fees	3,100	8,200	7	72.7	2%				Average fee based on average sale price
<b>FINANCE COST</b>									
Finance Cost on Land Purchase	12,250								Examples provided reflect current market rates:- Finance 8/42% 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 Construction	1,752								Based on 'blended' finance cost of 10% on 70% of land cost for 3-5 years from site purchase to sale closure (30% equity at nil cost).
Finance on post build (sale & closing) period:	6,000	20,202	16	177.3	6%				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.
Margin (including cost of developer equity investment finance / equity reserve for next site purchase / ultimate risk allowance).		39,310	31.29	336.75	11%				Based on 'blended' finance cost of 10% for average borrowing of €200,000 for 4 month post construction sale period. Surplus costs of circa €50,000 funded from developers equity at nil cost.
VAT		40,832	32.38	348.54	12%				Margin incorporates several factors. Based on 15% of costs excl VAT based on independent research undertaken by SCSi with financial institutions on their development lending and scheme viability criteria.
<b>TOTAL HOUSE PROVISION COST</b>		<b>€ 330,493</b>		<b>2,930.31</b>	<b>100%</b>				13-5% VAT on all costs must be applied

## METHODOLOGY

The Society's Quantity Surveying Professional Group (SCSI) established a Residential Working Group specifically to participate in the capture and analysis of real market data based on current house projects.

The Working Group canvassed quantity surveying members of the SCSI working on recently completed/under construction residential projects in the Greater Dublin Area of more than 30 house units in size. The actual cost data from the sample projects has been analysed, discussed and collated in an agreed representative format.

In all project cases included in this study, our members are independently retained cost consultants to procure construction tenders and manage the costs of the project through to completion. With a single exception, our members are not direct employees of the project developer.

It is important to note that building costs can vary widely in house construction projects, depending on factors such as the specification/finish, for example the type of windows utilised, the external wall finish, the amount of renewable technologies used.

The "average" cost of building outlined in the study is compliant with TGD Part L; Conservation of Fuel and Energy - Dwellings 2011 and the resultant energy rating would be expected to achieve a Building Energy Rating (BER) of A3.

Similarly, house building costs are affected by many site specific issues such as the nature of the soil (e.g., some soils may require non-standard, more expensive foundation solutions), proximity to essential infrastructure can have a significant cost impact as can the absence of essential infrastructure such as drainage.

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

We use industry terminology with other professionals to describe the different cost centres and stages of development, but we recognise the need to explain and illustrate the range of factors into a comprehensible way to all stakeholders. Accordingly, we provide a commentary on the various elements within our study as follows:

## HOUSE BUILDING COST

As can be seen, the overall construction cost' (building the house from foundation to roof and completing the estate roads and drains etc.) is €150,251 which **represents 45% of the overall cost of providing the house.**

The House Building cost analysis reflects a standard specification for 3 bedroom semi-detached Houses newly constructed in Ireland today.

While this specification varies slightly from development to development and location to location, it is fairly 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 as follows:

### SUB-STRUCTURE - €118<sub>PSM</sub> (11<sub>PSF</sub>)

Traditional Strip Foundations on good bearing soil. Unusual site features such as services running under the building footprint, sloping site, soft or sandy soil would all require special measures such as deeper foundations, raft foundations or even piling supports to accommodate them. These measures would all increase this cost considerably.

### SUPER-STRUCTURE - €431<sub>PSM</sub> (40<sub>PSF</sub>)

Timber or blockwork frame; render finish; tiled roofs; insulated to 2011 Part L (Dwellings). The survey has found that blockwork and timber framed construction methods have similar all-in costs to complete. While there are other construction methods available, none were returned with the survey.

## COMPLETIONS - €162<sub>PSM</sub> (40<sub>PSF</sub>)

Double glazed windows; paint grade softwood doors, skirting & window boards internally. Window types varied to include uPVC, Timber and 'Alu-Clad'. The findings indicate that where a higher cost window is used, the additional cost is recovered elsewhere.

## FINISHES - €108<sub>PSM</sub> (10<sub>PSF</sub>)

Paint finished walls; tiling to bathrooms and shower rooms.

## SERVICES INCLUDING SANITARY WARE - €221<sub>PSM</sub> (21<sub>PSF</sub>)

Quality grade sanitary fittings; solar panel; mechanical ventilation with heat recovery (MVHR); condensing boiler & radiators; Electrical: - plastic fittings and pendants throughout; wired for alarm.

The average cost of building outlined in the study is compliant with TGD Part L; Conservation of Fuel and Energy - Dwellings 2011 and the resultant energy rating would be expected to achieve a BER of A3. Measures to conserve fuel and energy included MVHR, solar panels, condensing boiler, substantial insulation and u-Value of windows, combine to provide Building Regulations compliance.

There are other routes to compliance such as heat pumps combined with some but not all of these measures, but the overall resultant cost would be similar.

Increased building energy requirements such as passive house standard would increase the cost provided in this report considerably.

## SITE-WORKS (WITHIN SITE CURTILAGE) AND SITE DEVELOPMENT - €249<sub>PSM</sub> (€23<sub>PSF</sub>)

Our study identified a range of factors which can influence this cost element. On standard sites with no adverse conditions, a range of €15,000 - €40,000 would apply and the study covers a site which is at the lower end of this scale and for which no unusual site issues have been allowed.

This cost Includes 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.

Non-standard or abnormal features such as retaining walls, deep excavations, sloping site, extensive amenity areas, soft ground or isolated soft spots within the site, rock, high water table, poor ground precollege, adjacency to railways or rivers, underground or overhead services diversions are not reflected in the cost provided in this report and may add considerably to cost.

## PROFESSIONAL FEES - €49<sub>PSM</sub> (€5<sub>PSF</sub>)

Developer built scheme with level of repetition in the order of 8 unit types in an 80 unit scheme of house type; straightforward planning permission (no appeal). Includes Building Control Amendment Regulations (BCAR) assessment. Alternative procurement routes with higher level of administration would increase cost.

It is imperative that our housing stock is designed and built to a high standard and a professional advisory team is essential to ensure good design and compliance at all levels. Professional fees are usually established by competitive tender and ultimately, the market will dictate this level. The amendment to the Building Control Regulations 2014 has imposed an additional fee cost in managing the certification procedures that are now required.

## DEVELOPMENT LEVIES - €73<sub>PSM</sub> (€7<sub>PSF</sub>)

Connection fees associated with Local Authority foul and surface water, Gas, Electricity and Water connection fees. Some Local Authorities have reduced development levies in recent times to encourage the provision of housing.

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 AT A COST OF

€510<sub>PSM</sub> (€47<sub>PSF</sub>)

The largest single cost of any house is land cost and for this study we have ‘inserted’ €50,000 plus associated transaction costs and the impact of the 10% ‘Part V’ social housing provision. The site cost of €50,000 is considered substantially less than the market value of sites in some Dublin suburbs where suite values can be 25/30% of the expected sale value.

While the “bricks and mortar” costs analysed in our study were relatively constant across the projects around the Greater Dublin area, the cost of development land is a significant variable in the provision of housing. Land is a finite resource and debate is ongoing about the necessity to maximise this resource by developing high density & high rise schemes as opposed to traditional housing estates.

Government has already sought to introduce measures to encourage the best use of land, including the Vacant Site Levy, which will become effective in 2018, with a view to charging the owners of unused development sites. In light of the viability issues illustrated by our study, the fact that the tax penalty will not arise until 2018 may not bring forward any additional land or housing supply.

As development land prices have started to increase again while the viability of developing sites has reduced, it is clear that some land owners have decided they have no option but to retain their land. Land hoarding is a term commonly used as a factor in our deficient housing supply.

In the Society’s view, while it may be that certain land owners have decided to retain their land in anticipation of further price increases, it is also the case that there is little chance of securing funding on a marginal/potentially loss making development, or where there are infrastructural/service deficits.

The sale of large land portfolios to single asset fund buyers has meant fewer transactions and opportunities for local developers to participate in the market.

## SALE AND MARKETING - €73<sub>PSM</sub> (€7<sub>PSF</sub>)

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.

## FINANCE - €177<sub>PSM</sub> (€16<sub>PSF</sub>)

this is based on a finance cost of 10% on all borrowings. In reality this will be a ‘blend’ of lower cost bank and higher cost mezzanine finance. For a functioning housing market, finance needs to be available at rates at or below 5%.

The introduction of the Central Bank’s Macro Prudential Policy on mortgage lending, introduced to ensure the stability in the financial sector and to prevent previous reckless lending practices, has had a negative impact on many buyers trying to purchase their first home or to trade up and those in private rented accommodation where rental levels have experienced significant recent increases due to lack of supply.

The new lending rules, which effectively cap the amount that applicants can borrow, and consequently can pay for a property, have been successful in dampening price inflation, especially in the Dublin region. One of the main components of recent house price inflation was lack of supply, coupled with an increase in demand across all sectors. The cap on borrowing is one of the significant factors which has resulted in the financial unviability of a number of potential developments, leading to further delays in the delivery of much-needed supply.

## MARGIN - €337<sub>PSM</sub> (€32<sub>PSF</sub>)

The Society consulted financial institutions and construction project funders on the minimum margins required at the “feasibility stage”.

The 15% margin rate was the common minimum level for a number of reasons, including the risk profile of development (market is subject to cyclical pressure), potential for costly site specific issues to arise that could not reasonably have been foreseen, return on equity, site replacement and, on the basis that development schemes occur over a number of years, 15% is deemed to be a necessary return on long term, high risk projects.

## VALUE ADDED TAX - €349<sub>PSM</sub> (€32<sub>PSF</sub>)

The application of Value Added Tax at 13.5% on all the input costs is a considerable cost factor to the supply of a new house.

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

Considering its impact to the bottom line, policy makers may need to consider a change in VAT rates. The effect of suggested rate changes are demonstrated below in this Report.



# SECTION 2 - AFFORDABILITY

Our case study suggests that the average price of a new 3 bed semi-detached home in Dublin **will need to equal or exceed the total cost of €330,493.**

According to the Q1 2016 property report by MyHome.ie in conjunction with Davy, the median asking price for a 3 bed semi-detached house in Dublin is €285,000.

By way of example, with reference to the graph indicated below, a couple both earning the average industrial wage have a combined salary of €74,000.

The deposit requirement under the CBOI rules, based on the average price, will require savings of c. €35,000.

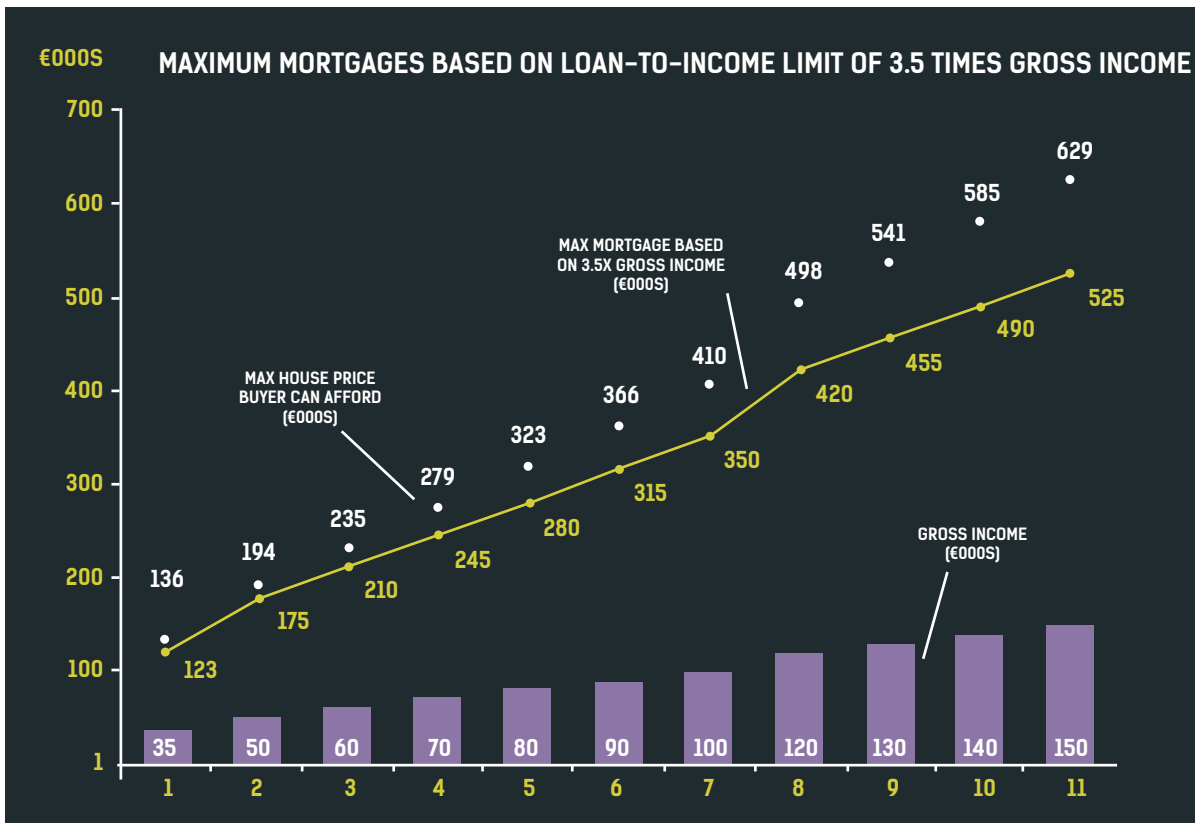
Using the permitted maximum multiplier of 3.5 times salary, this means **a maximum loan amount of €259,000 which, combined with the deposit, allows the couple to purchase a house for a maximum price of €294,000.**

From our study, it can be seen that **the current total cost to provide the average house exceeds the amount this couple can borrow by €36,493.**

## AFFORDABILITY VS VIABILITY

It is clear from our study there is a serious financial viability issue in the provision of housing and it is difficult to see how developers can commence building in this market, with particular emphasis in urban areas, where the demand is highest, but where land prices are also at their highest.

Based on our research, it is apparent that, unless a balance can be found between the cost of providing housing and sustainable borrowing levels, the supply of new units will remain challenged.



Source: Adapted from EBS/DKM

# SECTION 3 - COST REDUCTION PROPOSALS

So what are the measures the new government can adopt in order to stimulate supply into the market?

## MINISTER FOR HOUSING

The sustainability of the Property & Construction industry is of vital importance to our economic wellbeing. We need to move away from the boom to bust cycles of the industry to ensure that the current housing crisis is never repeated for the good of all our citizens.

The Society has strongly advocated for the appointment of a senior Minister for Construction, including Planning & Housing to develop a national policy which would ensure the strategic planning and delivery of the necessary infrastructure and housing provision for the good of our society and economy.

We welcome the recent appointment of a Minister for Housing & Planning as a good start and we continue to urge our Government to expand this role to incorporate the construction industry to devise a national policy approach in recognition of its strategic role and value to our economy and society.

## MINISTER FOR HOUSING

Undertaking this study has provided us with an evidenced base, accurate assessment with which we can identify and quantify proposals and suggestions,

**We have included graphs to demonstrate the effect that each proposal has on the overall cost of delivery and it is reasonable to suggest that, if all these proposals could be implemented today, the effect would be radical.**

**Our policy makers need to ensure that any measures introduced are aimed at encouraging supply, not on increasing house prices.**

Proposal 1 - Reduce VAT to 9%

Proposal 2 - Reduce Finance Cost to 5%

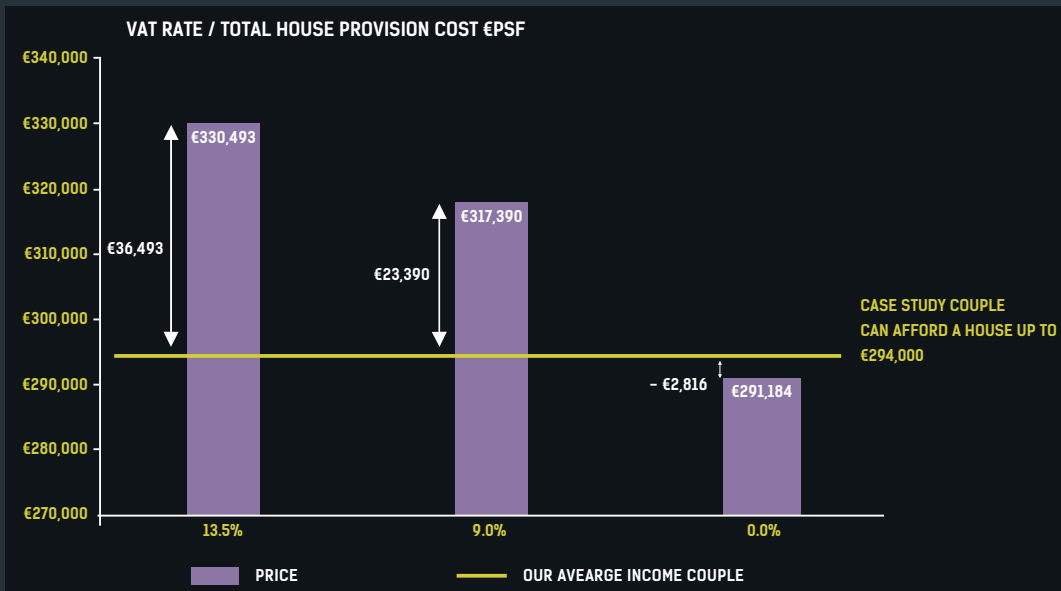
Proposal 3 - Reduce Development Levies to €1,500

Proposal 4 - Increase Supply of Land

Proposal 5 - Introduce Cost Benefit Analysis for all Regulations

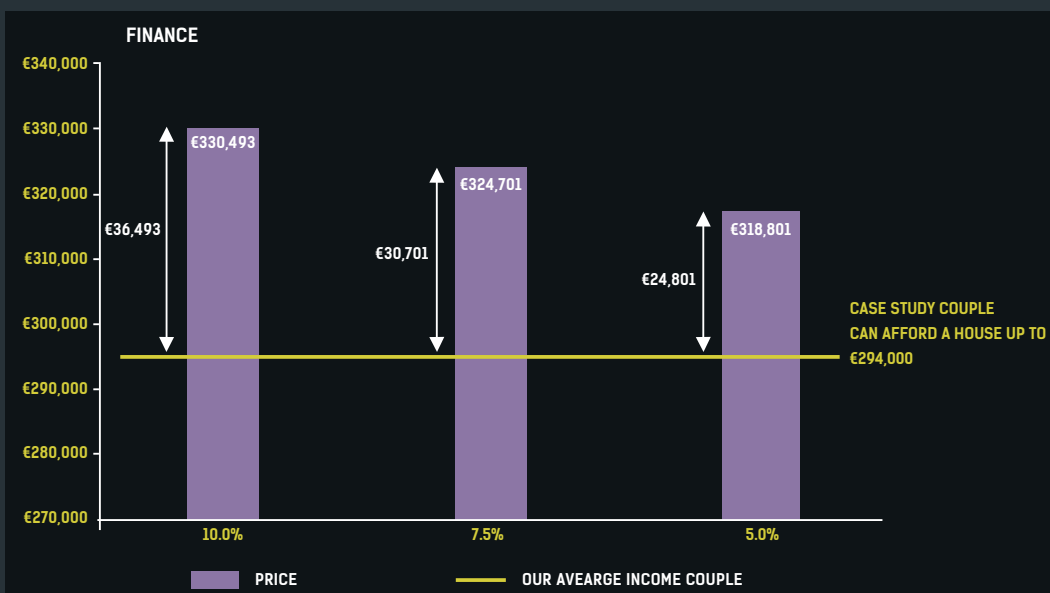
# PROPOSAL 1 - REDUCE VAT

Policy makers may consider the reduction to 9%, similar to the rate introduced for the hospitality sector in recent years. Consideration should also be given to the zero rate applied in Northern Ireland and the UK.



# PROPOSAL 2 - DEVELOPMENT FINANCE RATE

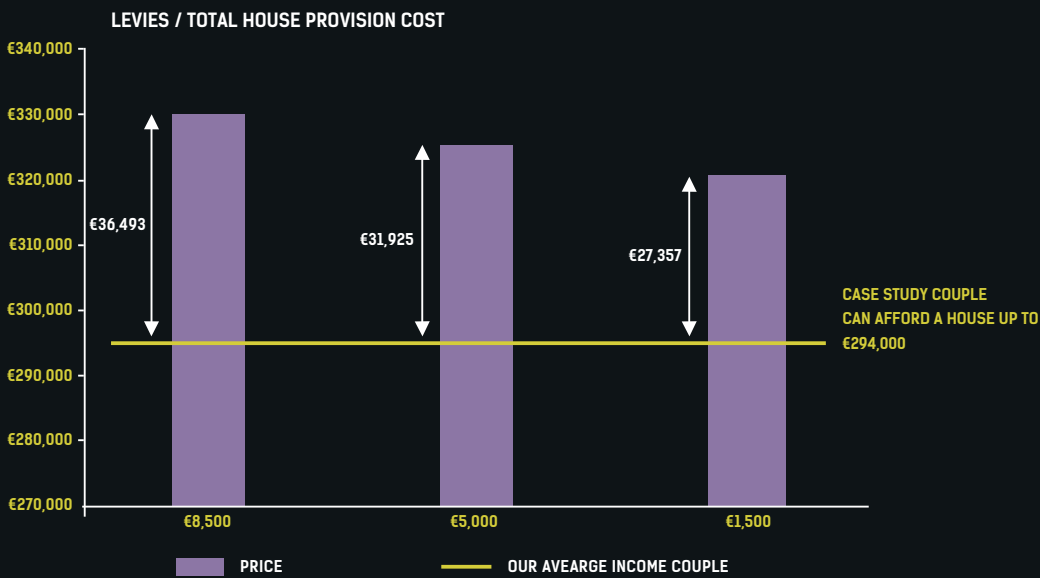
Realistically, state finance may be the most feasible option to achieve this by establishing a Development Bank with expertise in construction project lending (similar to former ACC/ICC state-backed models) to provide finance at a rate of 5%. With ECB rates at historically low levels and the State's ability to borrow at nominal rates, this would improve project viability and make a financial return to the State.





## PROPOSAL 3 - REDUCE DEVELOPMENT LEVIES

As the property tax was implemented to make up for the loss of income to Local Authorities when property development slowed considerably in 2008, it should be feasible to radically reduce development levies to a small connection fee. In other areas such as Northern Ireland, foul and surface water connection fees are at this level.



## PROPOSAL 4 - INCREASE SUPPLY OF LAND

A variety of measures are available to our policy makers to ensure that land is made available to facilitate the supply of new housing including taxation measures such as a reduction in Capital Gains Tax, an earlier introduction of the Vacant Site Levy and a more progressive approach by Local Authorities to lead on the provision of infrastructure and services to locations where housing need is most acute.

## PROPOSAL 5 - INTRODUCE COST BENEFIT ANALYSIS OF ALL REGULATIONS

While there are signs of upward pressure on costs and these are explained further in the next section, we must find methods to reduce input costs of construction while maintaining high levels of standards. As may be seen, the cost to build the house is €100psf and it is truly difficult to see reduction in this amount as it was also the approximate cost ten years ago but since then regulations have increased costs

The Society of Chartered Surveyors has consistently advised that the introduction of all new regulations and statutory measures should undergo an independent Cost Benefit Analysis to assess the impact on the bottom-line cost of delivery and the benefit to the purchaser through better standards of living and savings on energy bills.

BCAR Certification – experts in this field are calling for less labour intensive and duplication of this procedure to reduce cost while maintaining quality.

# FUTURE BUILDING COST RISKS AND OPPORTUNITIES

In relation to the base building cost and based on the Tender Price Index which the Society has measured and published for many years, it seems apparent that the cost of labour, subcontractors and materials will continue to rise over the coming years. There is concern that price inflation could, in fact, spike if demand increases significantly in the short term.

As the general economy, and by extension the construction industry, continues to recover and grow, the resources deficit will become more pronounced in the industry and, through the simple mechanics of “supply and demand”, this will result in increased costs for housing construction.

Kyoto 2020 and other such international agreements may require that our housing stock advances to a low carbon model during construction which would affect the use of traditional materials such as blockwork and concrete and this has the potential to increase cost of constructing houses in the medium term.

In Ireland and the UK over the past years, there has been particular emphasis on the development of construction techniques that will reduce the physical cost of building units. However, it is apparent that techniques such as prefabricated housing do not yet yield significant construction cost savings, albeit they can reduce build and therefore delivery timelines considerably if applied successfully. It may be that in time these techniques will become more cost effective than traditional construction as the base build costs rise over the coming years.

## SECTION 4 -

# SCSI ON-LINE NEW HOUSE COST DELIVERY CALCULATOR

In addition to providing real-time market data on actual construction costs, the Society has analysed all the additional ‘soft’ factors which contribute to the cost of housing provision and have developed a useful online calculator to demonstrate the impact that each cost factor, including unit size, has on overall total. This calculator will allow policy makers, members of the SCSI and industry analysts to consider the effect of altering any of the cost inputs in real time with real time results.

It will be up to policy makers to decide what measures they can implement to support the early delivery of supply. It is the Society’s view that early decisions are needed and that the focus for any measures taken should be on **improving supply, not adding to house price inflation.**

**SOCIETY OF CHARTERED SURVEYORS IRELAND**

### SCSI - House Delivery Cost Calculator

An interactive tool for analysing the costs associated in delivering houses

Calculations Powered By **FutureAnalytics**  
Planning • Research • Construction

Substructure (€ per sq ft): 11 (€13,354, 4% of the Grand Total)

**SOFT COSTS**

Professional Fees:

- Pre-Construction Design Fees
- Construction Design Fees
- Development Project Management
- Other Professional Fees

Professional Fees Total (€): 3300 (2% of the Grand Total)

**TOTAL HOUSE PROVISION COST:** €330,493.48 (100%)

# CLOSING SUMMARY

There has been significant commentary on the reasons why developers, with apparent pent up, guaranteed, market demand for their product are not providing units for, in particular for first time buyers.

Developers and builders' representatives have been outlining that it is currently not viable to produce such units, while there has been contradictory views put forward blaming land hoarding and excessive profit expectations by developers.

The Society of Chartered Surveyors is involved with building costs because they are an essential part of much of the varied work that surveyors do, such as construction, valuation, commercial and residential property, quantity surveying, procurement, and the public interest.

As an independent body, it is part of the Society's remit to provide objective analysis to help policy makers to make key decisions on issues which affect not only the construction and property industry, but importantly in the public interest.

As experts in the cost of delivering all forms of construction projects, our quantity surveyor members are ideally placed to provide independent analysis on the real cost of housing provision, as they are the independently appointed construction cost managers on projects of all types and scale.

Our study has highlighted that, based on real-time market cost information, it is not currently economically viable to produce homes for sale within the affordability parameters set by the loan to income/loan to value ratios of the Central Bank's macro-prudential policy for residential mortgage lending

We remains ready and willing to play our part through the provision of independent information in attempting to address the critical issue of housing supply.



Dating back to 1895, the Society of Chartered Surveyors Ireland (SCSI) is the independent professional body for Chartered Surveyors working and practicing in Ireland.



Working in partnership with the Royal Institute of Chartered Surveyors (RICS), the pre-eminent Chartered professional body for the construction, land and property sectors around the world, the SCSI and RICS act in the public interest: setting and maintaining the highest standards of competence and integrity among the profession; and providing impartial, authoritative advice on key issues for business, society and governments worldwide.



Advancing standards in construction, land and property, the Chartered Surveyor professional qualification is the world's leading qualification when it comes to professional standards. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining the Chartered Surveyor qualification is the recognised mark of property professionalism.

Members of the profession are typically employed in the construction, land and property markets through private practice, in central and local government, in state agencies, in academic institutions, in business organisations and in non-governmental organisations.

Members' services are diverse and can include offering strategic advice on the economics, valuation, law, technology, finance and management in all aspects of the construction, land and property industry.

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 SCSI and RICS, in the public interest.

This valuable partnership with RICS enables access to a worldwide network of research, experience and advice.

This report was prepared by Future Analytics Consulting on behalf of the Society of Chartered Surveyors Ireland. Whilst every effort has been made to ensure the accuracy of the information contained in this publication, Future Analytics Consulting and the Society of Chartered Surveyors Ireland do not accept liability of any kind in respect of, or arising out of, the information, or any error therein, or the reliance any person may place therein.

© Society of Chartered Surveyors Ireland 2016. Copyright in all or part of this publication rests with the Society of Chartered Surveyors Ireland and save by prior written consent of the Society of Chartered Surveyors Ireland no part or parts shall be reproduced by any means electronic, mechanical, photocopying or otherwise, now known or to be devised. All rights reserved.

# The Real Cost of New House Delivery

