



SCSI

Chartered property,
land and construction
surveyors



RICS

TENDER PRICE INDEX

APRIL 2022

LABOUR AND MATERIAL PRICE INCREASES EASED SLIGHTLY IN THE SECOND HALF OF 2021 – THE WAR IN UKRAINE IS LIKELY TO CAUSE FURTHER INCREASES INTO 2022

The Society of Chartered Surveyors Ireland (SCSI) Tender Price Index reveals that national construction tender prices increased by 6% in the second half of 2021 (2H 2021), marginally down from 7% in the previous six months (1H 2021).

The significant increases in tender price inflation are a result of pent-up demand following the easing of Covid-19 restrictions and supply chain issues that occurred as a result of Covid. Furthermore, exceptional material price increases, coupled with labour shortages within the sector have contributed to the increase in tender prices.

The results identify that year-on-year national annual tender price inflation is 13% (January 2021 to December 2021).

This survey was conducted from February 23 to March 13, 2022.

The SCSI Tender Price Index is the only independent assessment of construction tender prices in Ireland. Due to the significant effect of some material price increases, labour shortages and current demand for projects of all tiers, this survey garnered a wide range of responses. To ensure a clear reflection of the central tendency of responses, the results reported in the 2H 2021 Tender Price Index illustrate the median value of figures reported by Chartered Quantity Surveyors.



DUBLIN

The results identify that in Dublin the median rate of inflation in 2H 2021 was 6%, which is the same as reported in the previous six months. This inflation trend highlights continued price pressure facing the construction sector throughout 2021.

Anecdotally, members informed the SCSi through the survey that developers and contractors are particularly concerned about the future of price rises and are therefore taking a more conservative approach to risk when negotiating construction contracts. The high price volatility in the sector, which is evident in multiple materials/commodities used in construction (such as insulation, metals, and fuel), is one of the main reasons for continued price inflation.

PROVINCES EXCLUDING DUBLIN

Table 1 highlights the median rate of tender price inflation that all provinces recorded in the second half of the year. The rates for the Rest of Leinster, Munster and Connacht/Ulster are broadly similar compared with the figures reported in 1H 2021. However, rates over a 12-month period (January to December 2021) for the Rest of Leinster have seen a significant increase in inflation, rising to a median figure of 15.8%. Rates for Munster over the same 12 months increased to a median figure of 12.3%, and rates for Connacht/Ulster increased to a median of 11.8%.

TABLE 1: TENDER PRICE INFLATION – SIX MONTHS (JULY TO DECEMBER 2021).

Location	2H 2021
Dublin	6%
Rest of Leinster	8%
Munster	6%
Connacht/Ulster	4%
National median	6%

KEVIN BRADY, CHAIR OF THE SCSi QUANTITY SURVEYING COMMITTEE, SAID:

“Construction activity levels across all commercial construction are at exceptionally high levels across the country based on reports from our Chartered Quantity Surveyors. Anyone looking for a builder to complete construction work will know how difficult it is to obtain the services from the market, as all trades are in exceptionally high demand. Our Tender Price Index reports on non-residential activity only (i.e., non-residential projects in excess of €0.5m in value).

“The second half of 2021 again saw further increases in material price inflation, and this is captured in the results. Our next survey, due out in mid summer, will include any impact the war in Ukraine has had on the sector in the first six months of this year and this is concerning for all within the building trade. Our members who are employed by contractors, the public sector and consultancy firms report that there is a nervousness in the sector at present, especially when tendering for new contracts. Management of risk has become a greater focus for companies to ensure that construction competitions awarded are adequately priced to protect against inflation pressures within the market.”

The SCSi Tender Price Index published in October 2021 expected material price inflation to ease into 2022; however, the tragic events within Ukraine are expected to undo some of the expected easing of prices in the short to medium term, but much of this is very much dependent on the duration of war in eastern Europe.

“The Sectoral Employment Order came into effect on February 1, 2022, which sets the statutory minimum rates of pay and other conditions (sick pay and pension entitlements) for persons employed in the construction sector. This has applied increases of pay across construction trades and it is expected that the Tender Price Index will also see some impact of this in our next report.”

TENDER PRICE INDEX

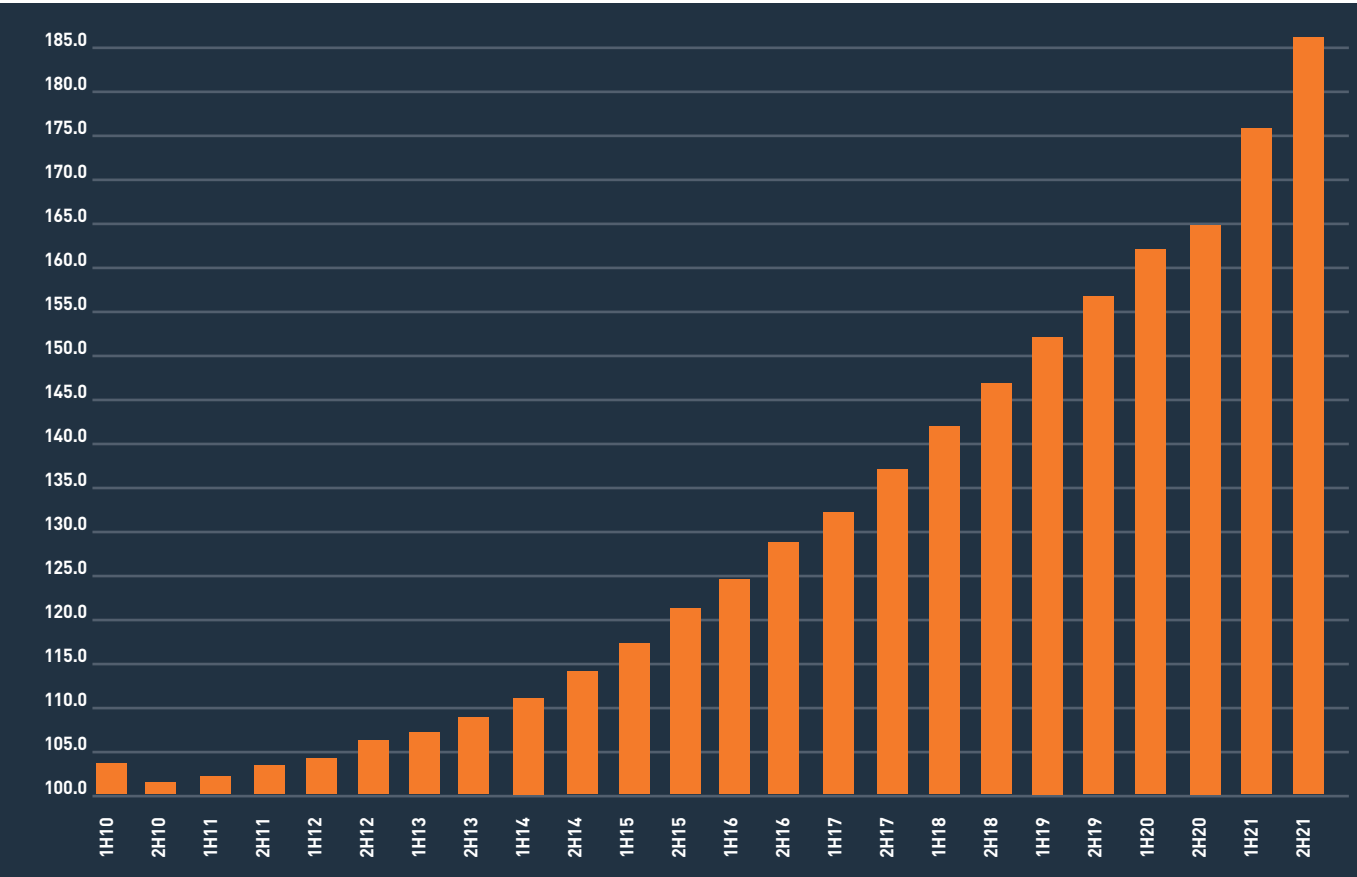


FIGURE 1: Construction tender prices (2010–2021).



First half 1998	100.0	First half 2006	146.7	First half 2014	112.0
Second half 1998	103.8	Second half 2006	151.7	Second half 2014	115.2
First half 1999	108.6	First half 2007	152.0	First half 2015	118.2
Second half 1999	116.1	Second half 2007	145.2	Second half 2015	121.5
First half 2000	121.7	First half 2008	140.7	First half 2016	125.5
Second half 2000	130.7	Second half 2008	130.0	Second half 2016	129.2
First half 2001	132.2	First half 2009	116.4	First half 2017	132.6
Second half 2001	136.9	Second half 2009	107.7	Second half 2017	137.4
First half 2002	133.9	First half 2010	103.7	First half 2018	142.6
Second half 2002	130.1	Second half 2010	101.5	Second half 2018	147.7
First half 2003	127.2	First half 2011	101.5	First half 2019	152.7
Second half 2003	129.3	Second half 2011	103.5	Second half 2019	157.0
First half 2004	135.3	First half 2012	104.5	First half 2020	158.4
Second half 2004	139.4	Second half 2012	106.4	Second half 2020	160.5
First half 2005	142.6	First half 2013	107.3	First half 2021	171.7
Second half 2005	144.7	Second half 2013	109.7	Second half 2021	182.0

FIGURE 2: Index numbers since 1998.

METHODOLOGY AND USE OF DATA NOTES

The Index is the only independent assessment of construction tender prices in Ireland. It is compiled by Chartered Quantity Surveying members of the SCSi. The Tender Price Index for 2H 2021 is based on sentiment returns only. The Tender Price Index is for non-residential projects during the period in question. It is based predominately on new build projects with values in excess of €0.5m and covers all regions of Ireland. The Index relates to median¹ price increases across differing project types and locations. It should be regarded as a guide only when looking at any specific project, as the pricing of individual projects will vary depending on such factors as their complexity, location, timescale, etc.

It is important that the tender price indices reports are used appropriately and not for all construction projects, including those in the residential sector and those below €0.5m. The Tender Price Index 2H 2021 provides median reported figures across all project tiers. Breakdowns by tier may vary. Project-specific advice should be sought from a Chartered Quantity Surveyor before deciding an appropriate Tender Price Index provision for individual construction projects.

1. From 1H 2021 onwards, the median value is used as the statistical methodology.

Dating back to 1895, the Society of Chartered Surveyors www.scsi.ie Ireland is the independent professional body for Chartered Surveyors working and practicing in Ireland.

Working in partnership with RICS, the pre-eminent Chartered professional body for the construction, land and property sectors around the world, the Society 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 nongovernmental 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 Society of Chartered Surveyors Ireland and RICS, in the public interest.

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



Society of Chartered Surveyors Ireland

38 Merrion Square
Dublin, D02 EV61
Ireland

+353 (0) 1 644 5500
www.scsi.ie