



**Submission to Oireachtas Joint Committee on Housing,
Local Government & Heritage on Construction Costs in
Housing (Land, Design, Labour & Materials)**

24 May 2022

1.0 Introduction

The Society of Chartered Surveyors Ireland (SCSI) welcomes the opportunity to share our insights on construction costs with the Joint Committee on Housing, Local Government and Heritage.

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 build lifecycle – from greenfield site to occupation and every step in between, including project management, planning, design, mapping, budgets, sales, lettings, and property management. As such, surveyors can provide real-time independent evidence of increasing construction costs and their impact on the sector, including the consequences for housing delivery.

1.1 Housing Demand

The current housing crisis with demand outstripping supply is well documented. It is forecast that the population of Ireland will grow by up to 600,000¹ 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.

1.2 Construction Cost Inflation

The SCSI supports the ambitious of 'Housing for All' strategy and the many initiatives of the 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 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.

First-time buyers continue to be the predominant purchaser of new homes, and with the 'Help to Buy Scheme' and the impending opening of the 'Shared Equity Scheme', these supports are vital to the ongoing delivery of housing. The macroprudential lending rules introduced by the Central Bank look likely to remain for some time, and therefore it is more important now than ever to reduce construction delivery costs. House prices have increased exponentially in the past number of years, with year-on-year house price inflation running at 15% nationally. House price inflation

¹ CSO Population and Labour Force Projections

has helped some housing projects remain viable, however, if house prices plateau or fall during a period of high construction inflation, many projects will simply stall or not commence.

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, however 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 for All' plan and housing targets.

2.0 Performance of Irish construction

The construction sector has been an increasingly strong performer in the Irish market over the last decade. Employment in the construction sector was 148,700 in Q1 2020. This represents a 6.3% share of total employment in the Irish economy compared to the EU average of 6.8%².

According to the European Innovation Scoreboard 2021³, Ireland is classified as a strong innovator with an overall score of 121 in in 2021. Ireland's overall performance index reduced between 2019-2021 with relatively weaker performance noted on R&D expenditure in the public sector and R&D expenditure in the business sector. Looking ahead the development of the Construction Technology Centre will facilitate and encourage collaboration between construction companies and the research community and should help increase the level of R&D investment, innovation, and productivity across the construction sector.

There is a promising programme of capital commitments identified by Government under Housing for All, the National Development Plan and the National Residential Retrofit Programme.

2.1 Construction Costs and Impact on Viability

It is worth noting that the viability of any scheme is dependent on its input, e.g., sales, site, construction cost and other costs. To assess the viability of a scheme, a profitability measure used is the internal rate of return, which should demonstrate that the allocation of capital investment provides an expected return. The rate reflects the risk in the sector. This will vary from site to site, depending on the risks involved in the development. While a developer may wish to proceed with a lower margin level, this is often not possible due to the funder's minimum lending requirements. As such, housing delivery is intrinsically linked to viability and increasing construction costs that threaten viability can result in projects being paused or even cancelled.

The SCSi expect material price inflation to remain a key concern into 2022 however, the longevity of the invasion of Ukraine, has a significant bearing on the outlook.

2.2 House Delivery Costs

The [SCSi Real Cost of New House Delivery Report](#) 2020 reported an increase in inflation on average by 12% between 2016 and 2020⁴, 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

² Build 2020

³ European Innovation Scoreboard 2021

⁴ SCSi Real Cost of New House Delivery Report 2016 & 2020

2016 which rose to €371k in 2020.

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.*

Fig 1 SCSi Cost of New 3-bedroom house delivery – Greater Dublin Area, 2020

The 'Shared Equity Scheme' is due to be opened in June 2022. The SCSi is supportive of the scheme but conscious that adequate consideration of the scheme's price caps should be part of a stakeholder engagement. This is a national scheme and therefore with the various micro markets in place across the regions, appropriate price caps are essential to ensure the scheme is as effective as possible and that it doesn't inadvertently push up residential property prices.

2.3 Apartment Delivery Costs

Due to the complex nature, prolonged delivery times and more complex structure in building apartments, it can be significantly more expensive when compared with delivering houses.

The SCSi Real Cost of [New Apartment Delivery reports published](#) in 2017 and 2021 showed that lower rise suburban apartment delivery costs rose from €155k to €177k during these four years. However, for medium-rise urban and suburban development, delivery costs remained unchanged, mainly due to design and planning interventions introduced by the Government to improve the viability of apartment development. The average costs and the percentage increases reported in 2021 does not take account of the more recent increased inflationary pressures impacting housing delivery.

The report highlights that of the four categories considered for Build-to-Sell apartment models, only two of those categories were deemed viable (i.e., sales prices of apartment units exceeded development costs) at a lower specification – and unviable at the higher specification. Affordability is also of concern, as prices for these apartment types largely exceeded average-income-earning couples' mortgage capacity.

For the Build-to-Rent apartment model, while the construction costs are the same, the build-to-rent model is valued as an investment, where the rent, less operating costs, is divided by the investment yield to a gross valuation before the purchaser's costs are deducted to provide a comparable net development value. A comparative analysis of the viability of build to rent vs build to sell for two of the categories can be viewed in figure 2.

To ensure the provision of apartments which are currently deemed 'unviable', one of two things must change: the current price of the unit must increase, or the total delivery cost must decrease.

Viability of a two-bedroom apartment – build to sell vs build to rent.

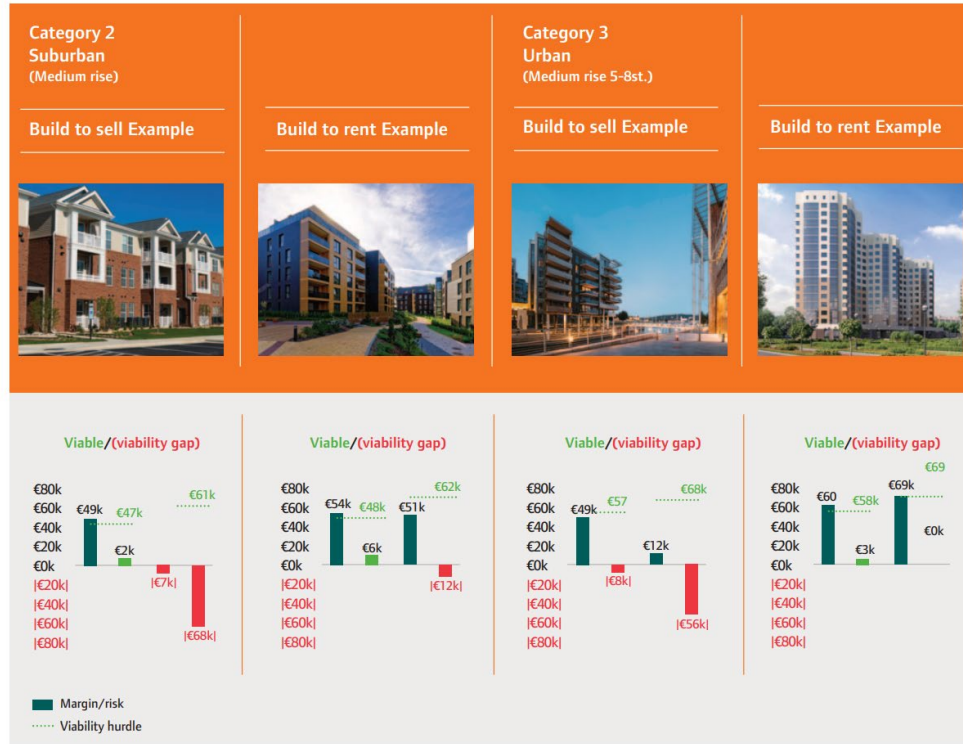


Fig 2 SCSl Real Cost of New Apartment Delivery Report 2021

Croí Cónaithe (cities) can play an important role in delivering more purchasing options of apartment to the market, however, it is just one solution of a multi-faceted approach needed. It intends to make funds available to developers to increase owner-occupier apartment development in city centres. The fund is targeted at developments that have planning permissions for apartments in high density areas already secured and are ready for building by the end of 2022 and delivered by end of 2025 for build to sell.

In theory, the scheme should increase the supply of more build-to-sell apartments, however it will not necessarily make apartments more affordable to an average income earner. The SCSl recognises the overall intention of the scheme is to simply support more units to the market for individuals to purchase at levels that may not be achievable by the average first-time buyer.

An important aspect of government support should be more targeted at providing adequate financial support to schemes that are currently unviable and could deliver new homes at affordable levels to average income earners and first-time buyers.

2.4 Commercial Construction Costs

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 provides a provincial breakdown, and the figures indicate significant variation across the regions in the second half of the year with the highest rate of 8% being recorded in the Rest of Leinster while Connacht /Ulster recorded the lowest rate at 4%. The rate in Dublin and Munster was 6%.

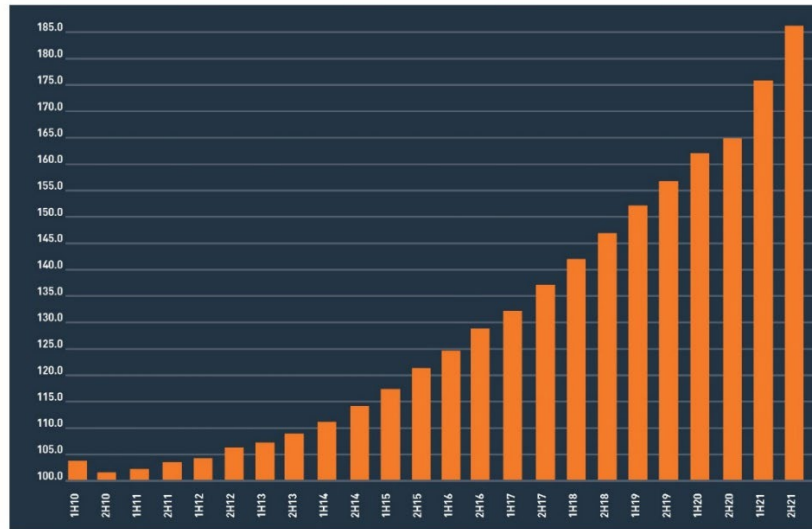


Fig 3 Construction Tender Prices 2010 – 2021

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. This 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 due in June/July 2022.

2.5 Risk Management

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. From a public sector perspective, recent announcements from the Department of Public Expenditure and Reform are welcomed and provide a positive commitment from the Government that the issue of inflation is being tackled or 'burden shared' to ensure projects continue. However, this announcement and the details around how the burden-sharing is calculated has yet to be fully worked out.

2.6 Soft and Hard Costs

The opportunities facing Government to tackle high inflation is limited in relation to construction materials. Many building components are imported to the country and the recent spike in prices is not unique to Ireland. It is the view of the SCSI that more needs to be done to tackle the 'soft costs' of construction to mitigate high construction inflation generally.

The 'hard costs' i.e 'bricks and mortar' element of development account for 48% of the delivery cost. Of this 50%, approximately half of the costs relates to materials i.e 25% of overall delivery costs and therefore material costs have a significant bearing on an overall development. The other 52% of costs are 'soft costs' such as levies, margin, VAT, land, finance costs, connection charges etc.

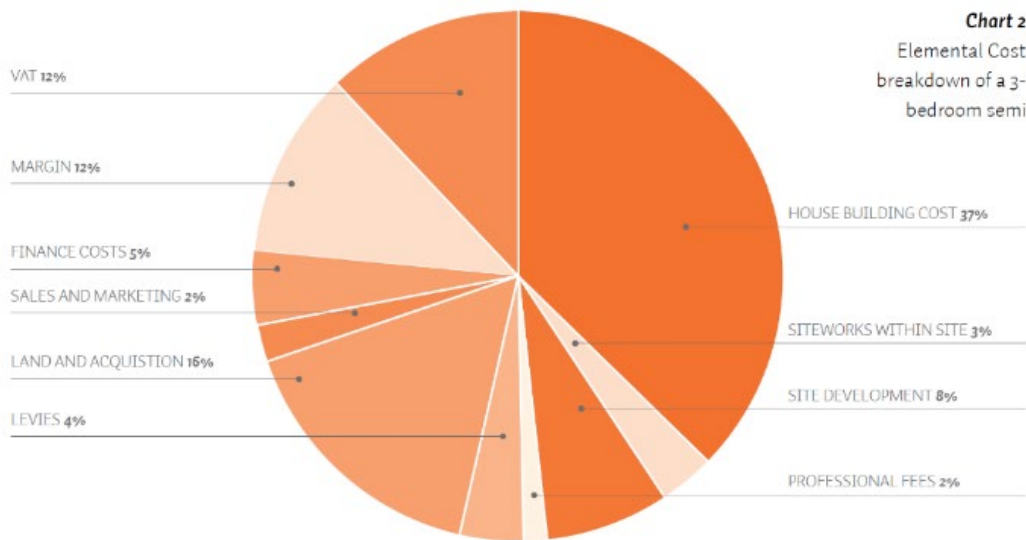


Fig 4 New 3-bedroom semi-detached house – private scheme – full breakdown of costs

2.7 Planning and Zoning

SCSI acknowledges the review of the Planning and Development Act to streamline the process and address current barriers within the statutory approval process. SCSI research reported that it takes c.14-18 months to get a 100-unit apartment scheme to planning (assuming no judicial review), which adds significant holding costs. It can be a similar situation for housing schemes, again assuming no judicial review is taken against an approval.

County development plans which are at various stages of review from each local authority, should be cognisant of the wider pressures on the development market and, therefore, rezoning or de-zoning plans need to take account of housing targets broadly and current and future housing demands locally. Members report to SCSI that decisions of de-zoning land suitable for development are becoming a significant aspect of the local policy and, therefore, exacerbates the housing supply challenges due to lower availability of zoned land in some regions.

2.8 Enabling Works and Other Statutory Costs

Additional supporting measures are at the disposal of local and national Government to reduce costs on development such as high road closure fees, 590 development levies, local authority licensing fees and other duties. The compounding impact of all these fees on schemes can be extensive and impacts the overall viability and affordability of completed units.

There are immediate opportunities available to significantly reduce fees which will improve project viability.

2.9 Utility Connections and Charges

Water and Waste Water Connections

Water connection is a key component of delivering new housing. Developers are responsible for the provision of all private infrastructure and related accessories associated with the (new or modified) connection for developments. In the case of water supply, this generally comprises the distribution system within the development boundary, which facilitates the connection of units for the purpose of supplying water from the network. In the case of wastewater, this generally comprises the drains within the development boundary which facilitates the connection of units for the purpose of wastewater collection to the network.

Water connections can be a lengthy process from initial enquiry to the connection stage. In April 2019, Irish Water implemented a Connection Charging Policy which included a single set of standard connection charges and standardised the scope of work involved in each connection. As reported in the SCSI's Real Cost of New Housing Delivery Report 2020, compliance with increased Irish Water specifications is attributed to the increase in costs that have been recorded for delivering housing.

Costs from Irish Water include specification increase, individual connections instead of carrier drains and increases in snagging and inspection. The difficulty with Irish Water and ESB does not just regard the connection fees, but it also involves problems accurately predicting the overall costs of connections for developments. The significant connection delays are also an impediment to getting projects completed.

The delays have a knock-on effect on costs such as financing, resourcing, delays in cash flow, etc. Therefore, the SCSI recommends that immediate solutions be found to address these issues. The SCSI will make ourselves available to meet with authorities to help identify solutions in this regard.

Electricity Connections

SCSI recommends that improvements be introduced to provide more certainty in relation to new ESB connections. At present, members report that ESB connection dialogue should be facilitated by the connection authority at a much earlier stage which will not only help the development with its due diligence, but there would also be benefits of an earlier engagement for the ESB and its workstreams. SCSI is hearing more and more reports from members that new housing units are often delayed getting access to connections and this is slowing completion of schemes and commencements on new schemes.

2.10 Material Price Inflation

Quantity Surveying members report continued price pressures on construction materials. From November 2019 to March 2022, some of the main increases relate to shipping (+600%), insulation (+150%), rebar (+125%), mesh (+137%), Diesel (+55%), str. steel (+119%), plywood (+89%), softwood timber (+97%), plasterboard (+7%).

Steel

Mesh prices are continuing to rise from c €100 per sheet to €130 per sheet. This product is used in concrete floors and foundations typically for strengthening purposes.

Timber

There is currently a 4-6 week lead time for softwood joists over 6m lengths. Members are reporting possible further increases in costs in autumn due to shortage of logs.

Insulation

Allocations of stock are at very low levels. Prices continue to increase with recent hikes in price in April and expected further increases in coming months.

The above selection of material price increases witnessed by the construction sector differs considerably with the [CSO](#)⁵ price increases. Chartered Quantity Surveyors continually report to SCSi that the inflation rates captured within the CSO index do not accurately reflect current inflation pressures felt on construction sites.

2.11 Construction Labour

SCSi Surveyors have reported a shortage of qualified tradespeople for construction works. In terms of pipeline of resourcing, there were significant delays reported in apprenticeships particularly for craft apprenticeships such as plumbers, electricians, and construction trades as COVID-19 closures affected access to off the job training due to closures of workshops and training centres.

It is promising to note the ringfenced investment into increasing apprenticeship numbers over the coming years. Under the Action Plan for Apprenticeship 2021-2025, Government's target is to grow the number of new apprenticeship registrations to 10,000 per year by 2025. Apprenticeship in the construction sector provides an opportunity to equip those entering into the workforce and upskill them to deliver on Government's retrofitting targets, as well as assisting with industry's capacity to deliver on the capital infrastructure programme as outlined under the NDP.

2.12 Public Procurement

SCSi has previously called for a review of public procurement procedures for social housing 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.

In relation to procurement and contracting, issues raised by SCSi previously include the bureaucratic and onerous nature of Ireland's public procurement processes, exclusionary qualifying criteria, poorly defined project briefs, unrealistic budgets, a lack of understanding of the complexity of the construction stage on the part of clients, a lack of collaboration with all members of the supply chain, and suboptimal risk transfer mechanisms. The result of this can be that less contractors apply for tendering thereby reducing competition in the market and as a result can reduce value for money for the taxpayer.

Recent announcement by the Department of Public Expenditure and Reform on the Inflation Cooperation Framework should be reviewed and considered by other agencies tasked with the delivery of public housing. The Framework sets out an inflation burden sharing arrangement where contractor and client agree to share the increase in material costs from January 2022.

Although agencies such as the LDA may not fully utilise Public Works Contracts, there may be an opportunity to leverage this new initiative within the delivery of housing projects to ensure housing output of much needed private and public homes are not stalled.

2.13 Building Regulations

Building standards are important to enshrine best practice and to ensure that buildings that we use and live in are completed to appropriate standards in the interest of occupational comfort, safety and environmentally friendly as possible. As standards develop and evolve, this can come at a financial cost. Changes in regulations have had a significant increase attributed to the "superstructure" (the house structure). The "superstructure" costs increased

⁵ CSO Detailed Wholesale Price Indices (excluding VAT) for Building and Construction Materials

by on average 15% or by more than €7,400⁶ 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.

In recent years, 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.

Whilst the introduction of improved standards to new construction is important to meet wider strategic objectives such as climate change measures, it is important for all stakeholders to be aware that there is a cost impact and extent of same. In the context of high inflation pressures on the residential construction market and the building sector, policy makers should consider offsetting these additional costs by reducing statutory fees elsewhere such as planning, utility connections and levies.

2.14 Modern Methods of Construction/Prefabrication

The SCSi supports all efforts to increase the utilisation of modern methods of construction, including prefabrication, to both increase efficiency in the construction process and to assist in achieving climate action goals. While moving away from some of the more traditional building methods is certainly part of the solution, an over reliance on modern methods risks losing focus on the myriad of other issues that all add to construction costs. Adequate supports are vital to ensure that modern methods of construction are nurtured to provide much needed supply of homes for Ireland which may in turn provide Ireland with an export market once established.

The work of the Construction Sector Group through the 'Build Digital' initiative is continuing its good work in this regard.

3.0 Impact of Construction Cost 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 to house our growing population.

The SCSi is therefore recommending that in addition to medium to long term solutions which are documented throughout our submission, immediate priority must be given to addressing those construction cost inputs that are within the direct control of Government.

4.0 Recommendations for Immediate Prioritisation

4.1 Role of Local Authorities

Local Authorities play a critical role in the delivery of social and affordable housing, and their impact on the speed and cost of housing delivery cannot be overstated. As such, all Local Authorities should be appropriately resourced in terms of staffing and funding to meet their delivery targets and improve efficiency.

Unfortunately, at present, our members are reporting that increasing costs levelled by Local authorities are adding to the already high construction cost inflation. Contribution increases from some local authorities are increasing by up to 8% in 2022 which can add up to €1000 to a new home. These increases are exacerbating construction cost inflation currently and consideration should be given to ceasing or pausing the index linking.

⁶ SCSi Real Cost of New Housing Delivery 2020

Local Authorities could also assist in the reduction of costs if they were given the authority to approve alterations to specification of buildings that do not materially alter the planning permission but allow for use of more cost-effective building materials such as insulation, reduced amounts of steel while still meeting all building regulations. This would allow developers to seek and use the most cost-effective materials at the time of building which is vital in this time of hyper material costs inflation. Members are also reporting instances of Fire Officers requiring fire safety measures that are in excess of those required by the regulations, which are also increasing the costs.

4.2 Key Infrastructure

As outlined in 2.9, an amended process on engagement between all parties as early as possible is vital to reduce immediate costs of development. Any ambiguity in relation to cost increases risk for the development and can lead to delays.

RECOMMENDATION	IMPACT
Resource Local Authorities and utilities to facilitate faster processing times.	Minimise costly delays
Pausing of increases by Local Authorities on development contributions	Reduce construction costs
Early engagement of Irish Water and cost certainty required regarding connection fees. Reduction of Irish Water connection charges also required.	Reduce delays & construction costs
Reduction of ESB connection and associated site work charges and earlier engagement with developments to improve visibility of costs and connection timelines.	Reduce delays & construction costs
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.	Allow for more efficient & cost effective material procurement reducing costs
Require standard compliance with Fire regulations minimum and remove more onerous costly measures not prescribed by regulation.	Ensure compliance with regs without adding additional costs
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	Increase pool of contractors available to deliver housing
Review into charges and fees associated with other site enabling works such as temporary road closure fees and licensing fees.	Reduce construction costs

5.0 Medium to Long Term Recommendations

5.1 Establish Land Register

The SCSi calculates that land costs can be approximately 8% - 16% of the overall delivery costs⁷. SCSi have long called for the establishment of a land price register. Various reports over the years have recommended that, in the interests of better land management, such a register should be developed has yet to be acted upon.

The SCSi believe that a Land Price Register would:

- Bring much-needed transparency to an opaque section of the property market in Ireland;
- Ensure greater, fairer and more competition in the land and other markets;
- Allow for the prediction of future expectations for both land use and values/price;

⁷ SCSi Real Cost of New Housing Delivery Report 2020

- Based on future expectations, act as an early warning system for unwanted uses and allow for targeted state intervention;
- Give the State greater certainty in planning for its own infrastructure;
- Allow for the development of better land registration details including the advancements in mapping and cadastral information;
- Help implement policies and interventions that will result in more affordable housing; and
- Improve the ability to track value-for-money in State projects.

SCSI recommends that the introduction of a land register would provide factual data to the market to fully understand the cost of land how it impacts development and costs.

5.2 *Increasing Supply of Development Land through a Rebate on Capital Gains Tax*

The availability of development land is a prerequisite to the construction of new housing. The SCSI has highlighted the importance of zoned, serviced development land as being of benefit to all stakeholders, as it minimises direct and indirect costs. As part of the SCSI Real Cost reports from 2020, the SCSI estimated that site purchase costs ranged from 16% for new housing to between 8% and 14% for new apartments. Housing demand is expected to increase, and, therefore, there must be an adequate supply of development land for residential development.

The SCSI recommends the introduction of a rebate scheme on Capital Gains Tax (CGT) to increase the amount of available development land. The current rate of CGT is 33%, and the recommended rebate would bring this to 8% for development land used for the delivery of new housing. An important element will be to make the rebate time bound to encourage a rapid flow of development land to the market. Based on 2019 figures from the Revenue Commissioners the cost of this rebate would be €20m. In the context of the housing crisis, this cost is relatively small compared to its ability to deliver more land for more homes. As with any tax expenditure, the question will be raised of who will benefit from the reduction in tax paid? The likely answer will be all the stakeholders. The reduced rate will incentivise those with development land to bring it to market during a small window of opportunity. This gain is greater than any likely holding value for the medium term. The increase in supply of development land would address the supply – demand imbalance that has made development land so costly of late. It will increase the overall number of residential sites under development, which will benefit buyers.

5.3 *Vacant and Derelict Properties*

According to the Central Statistics Office (CSO), the overall vacancy rate in Ireland in 2016 was 183,312 dwellings (excluding holiday homes and derelict houses). At a time when supply is tight, it is pertinent that vacant housing stock becomes available for lease/sale. Furthermore, from a sustainability perspective, the full use of existing building stock is imperative to control emissions and unnecessary pollution of the atmosphere. One way to do this is to utilise our vacant building stock and engage in a proactive and ambitious initiative to get these back to full use. The SCSI's 'Rejuvenation of our Small Town Centres' report highlights that the crisis facing our small town centres is a significant challenge for all. These centres struggle with high vacancy rates and in recent years have seen outward migration, as people relocated to more urban settings. Recent research from the SCSI shows that agents have noted some purchasers moving back to more rural settings following the increased facilitation of working from home during the Covid-19 period; however, the impact on longer-term migratory trends in this regard have yet to fully play out. The repurposing of vacant premises for commercial or residential use is a vital component in ensuring the future prosperity of town centres by revitalising these hubs and making them better places to live, work and visit. Town centres are a vital centre and hub for communities, particularly older communities. Local authorities can play a key role in proactively addressing vacant buildings in towns to revitalise town centres. The one-stop shop offering by local authorities is a welcome support for building owners and should be resourced to ensure successful renovation of property. The SCSI has previously called for local authorities to utilise compulsory purchase orders (CPOs) for strategic reasons where the benefit is realisable to the wider plan for the high street or town – the wider benefit for the local community should be of consideration. The Living City Initiative is a scheme of property tax incentives aimed at the regeneration of

certain areas in the historic centres of Cork, Dublin, Galway, Kilkenny, Limerick and Waterford.

6.0 Conclusion

As outlined in this submission, increasing construction costs is causing significant uncertainty in the construction sector and in many instances, projects are being paused or cancelled as they are no longer viable. If construction costs are not addressed through a range of measures, housing targets will not be met. The SCSI recommends that in addition to the medium to long term initiatives to address costs, in the short-term priority should be given to addressing those costs with the control of Government as outlined above. 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. The SCSI is happy to provide any further information as may be required.