



**SCSI**

Chartered property,  
land and construction  
surveyors

# SUPPORTING THE PROPERTY, LAND AND CONSTRUCTION SECTORS

**PRE-BUDGET  
SUBMISSION 2023**

MEETING THE  
CHALLENGES  
OF CLIMATE  
AND COSTS

## ABOUT THE SCSI

As the leading professional body for Chartered Surveyors working across the property, construction and land sectors, we provide high-quality research on a wide range of economic, industry and practice-related issues in the public interest.

The SCSI also produces and disseminates surveys to members on the key market issues at regular intervals and provides authoritative commentary and analysis on the implications for business, individuals and the economy.

Providing independent, impartial professional advice to Government departments, policymakers, State agencies, businesses and other key stakeholders, for the public advantage, is a key function of the Society of Chartered Surveyors Ireland.

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## EXECUTIVE SUMMARY

**As society and the economy emerged from the challenging period brought about by the onset of Covid-19, the early stages of 2022 saw strong economic growth. However, further pressures have begun to emerge across the economy as the invasion of Ukraine by Russia has had a knock-on impact across Europe.**

Ireland has subsequently seen increases in inflation, including on consumer prices, with the Consumer Price Index (CPI) up 9.1% year-on-year (June 2021-June 2022).<sup>1</sup> The increase in the cost of living will likely tighten many households' disposable income and will have a particularly negative impact on lower income households, the elderly and other vulnerable groups. Households will likely face further pressures as the European Central Bank (ECB) raised three key interest rates by 50 basis points in July 2022, introduced on the back of rising inflation and costs. Such increases could particularly impact on households which have variable rate mortgages (some 54% of outstanding mortgages<sup>2</sup>), at a time when consumer prices are also up significantly. While Ireland's current high employment rate and relatively stable outlook for GDP are promising, challenges do remain for the economy.

Housing continues to remain a key priority to address as reflected by the Budget allocation in 2022, which gave total funding of €5.5 billion (current and capital) for housing. As well as significant budgetary allocations, 'Housing for All' outlines the Government's roadmap to delivering various mechanisms to unlock housing and increase supply to the market. However, despite ambitious targets and funding, a significant supply and demand imbalance in the sector persists. While new housing completions have increased significantly when compared to 2013 levels, completion levels are still well behind the annual requirement of 33,000 units a year, as outlined in 'Housing for All' (20,433 completions in 2021).<sup>3</sup> Rising inflation,

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1. CSO Consumer Price Index June 2022.

2. Central Bank of Ireland Financial Stability Review 2022.

3. Housing for All outlines the Government's plan to increase the supply of housing to an average of 33,000 per year over the next decade.

increased energy costs and supply chain-related delays have further impacted on the construction sector and potentially new housing delivery, as viability concerns for some projects have been raised.

In June, the SCSi made a series of recommendations to the Joint Oireachtas Committee on Housing to assist in alleviating the impact of rising costs on the construction sector and assist project viability.

The SCSi, as the leading representative body representing surveyors across the construction, land, and property sectors, continues to research and gather insights on activity across these sectors to inform debate and policy making. Our Pre-Budget Submission includes three sections:

## 1. Residential accommodation

As both viability and affordability challenges remain in the residential sector and are exacerbated by rising inflation, Section 1 focuses on recommendations for the housing sector to close the affordability gap, address delays and decrease construction costs, all of which will further ensure project viability.

Government opportunities to address material price inflation can be limited, however the establishment of a proper planning process and earlier engagement by utility companies with the development sector can help reduce time delays and development risk associated with inconsistent application of policies.

A further extension of the Help to Buy scheme should be catered for in the Budget and grant funding should be included for vacant and derelict homes.

Adequate funding should also be set aside to develop a land price register to help increase transparency in the land market, which will also help Government/policymakers when seeking to implement new regulations impacting the market.

The rental market requires proper auditing to ensure compliance that only those properties with the requisite permissions are being rented out for short-term lets and therefore, this requires further resourcing from a local authority perspective.

## 2. Commercial sector

The commercial property sector continues to adapt to post-Covid restrictions, particularly retail and offices. The SCSi outlines current trends and the outlook for the commercial

property sector and looks at the development land sector and recommendations within. The current rate of Capital Gains Tax (CGT) is 33%. The SCSi is recommending that a rebate is introduced to reduce 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. The reduced rate will incentivise those with development land to bring it to market during a small window of opportunity.

Residential Zoned Land Tax Guidelines<sup>4</sup> have been introduced by the Department of Housing, Local Government and Heritage. This is to prepare local authorities in meeting the statutory requirements to undertake and publish maps identifying lands zoned for residential purposes and mixed-use purposes.

The SCSi feels there is a significant opportunity within this mapping initiative to expand the scope to develop a nationwide land price register, which is further discussed in section 1.1. Furthermore, the SCSi is of the view that in the context of any additional proposed taxation measures on development land, the viability of the development must be considered first and foremost.

If a development is not viable in the first place, then tax measures will not achieve the desired outcome of supporting more development, but rather place a further financial burden on the landowner. Hence, the SCSi would welcome the inclusion of an impact assessment to ensure the tax is targeted accurately.

## 3. Climate change and the built environment

The SCSi previously welcomed the commitment by Government to increase resourcing for vacant homes officers across all local authorities.

The SCSi will highlight the main costs and other associated barriers to renovating vacant property in the findings of our Real Costs of Renovation report, due in autumn 2022. As we await the findings of our report, Government should consider setting aside additional grant funding for the renovation of vacant and derelict buildings for renovation.

The CSO Census preliminary data recorded 166,752 vacant homes in 2022.

As this information excludes holiday homes, but may include homes that were vacant on the night of the Census, it is a good insight into the scale of unoccupied homes in Ireland on a longer-term basis.

4. <https://www.gov.ie/en/publication/fbc41-residential-zoned-land-tax-guidelines-for-planning-authorities/>.

## Recommendations

Policy area	Recommendations	Impact
First time buyer (FTB) home purchase	Extend the Help to Buy scheme to assist first-time buyers. There should be a longer-term strategy with actual Help to Buy targets, so that more confidence and commitment regarding the lifetime of the scheme is clear to both consumers and housing developers when planning for new housing schemes.	Will provide clarity regarding longer-term commitment by Government in relation to the pipeline of housing supply.
Land use policy	Set aside budget allowance for the introduction of a land register that would: <ul style="list-style-type: none"> <li>■ increase transparency;</li> <li>■ introduce fairer and more competition in the land market;</li> <li>■ give the State greater certainty in planning for its own infrastructure;</li> <li>■ allow for the development of better land registration details, including the advancements in mapping and cadastral information;</li> <li>■ help implement policies and interventions that will result in more affordable housing; and,</li> <li>■ improve the ability to track value for money in State projects.</li> </ul>	Increase transparency on land sales/values.
Under-utilised buildings	Grant funding to building owners to incentivise the renovation of vacant and derelict buildings and get them back into use. Grant funding alone may not be sufficient to get units back to use and more urgent measures to address regulatory issues associated with renovating old units to current standards requires consideration.	Provide greater use of existing and under-utilised buildings for residential use. Improve housing supply.
Rental market	Adequate budget should be provided to increase auditing of the rental market to ensure compliance and address short-term lets that do not have the necessary permissions.	Increase numbers of rental properties in the market.
CGT rebate on development land	Create a rebate on development land CGT rate from 33% to 8% for a defined period, aimed at zoned and serviced residential development land.	Gain is greater than any likely holding value for the medium term.
Residential zoned land tax	Make funding available to develop a nationwide land price register. Also include an impact assessment prior to this scheme, so that the tax is targeted accurately.	To ensure the taxation is targeted at land suitable for building but is underutilised. The land register will provide transparency to the market.
Land value sharing	Provision of funding to allow for an impact assessment prior to the introduction of this scheme to mitigate any unintended consequences on the land market in addition to an extensive stakeholder engagement.	Prevent unintended negative consequences. Also, stakeholders can provide expertise to Government.
Commercial rates	Gradual removal of rates exceptions for long-term vacant properties.	Entice reuse of commercial buildings.

## Recommendations

Policy area	Recommendations	Impact
Stamp Duty	No further increases to non-residential Stamp Duty in Budget 2023.	
Supply of new apartments for sale	Croí Cónaithe (cities) grant funding is a positive measure to help supply new apartments to the market for owner occupiers; however, the SCSi is of the view that the grant funding should be made available for apartments brought to the market for sale at more affordable levels based on average incomes.	Tailoring grant funding to benefit average income earners buy apartments in cities will support compact growth and help reduce pressures of urban sprawl.
Renovating vacant units for residential use	Annual targets for the renovation of commercial units/homes with sufficient grant funding to support the delivery of renovations should be set by Department of Housing, Local Government and Heritage in conjunction with the Department of Finance. The SCSi will publish a report on costs associated with renovating six categories of typical vacant units and this could act as a helpful guide for setting adequate grant funding allocations for such an initiative within Budget 2023.	Clear targets for renovation of vacant units with an appropriate level of grant funding to be set aside in Budget 2023.
Local authority vacant homes supports	Additional vacant homes officer funding should be made available to support local authorities recruit additional resources to support owners of vacant and derelict units getting these units back into habitable use.	Increase reuse of vacant homes.
Government retrofitting grants to include professional advice	Homeowners can find it difficult to get independent information on the best way forward to get their home retrofitted and apply for Government grant funding. Adequate funding should be made available to support the establishment of retrofitting panels where appropriate construction professionals, such as building surveyors, can provide impartial and independent advice to homeowners, and the associated cost of same should be included within the grant funding. Some of the most difficult buildings to tackle are those considered as historic or protected structures, and therefore independent professional advice in terms of retrofitting is important to ensure appropriate standards are met.	Protect and future-proof existing dwellings during the retrofitting of homes.
Circular economy	€99m is set aside for the establishment of a broader circular economy in Ireland. The SCSi is supportive of any measures to increase funding made available to support further research and innovation in this area. There are good examples of achievements from businesses offering important goods and services to the market in the content of the circular economy. This is to be commended and the Environment Protection Agency (EPA) should be further supported to ensure that further supports are made available to continue with the work of circular economy development.	Increase the reuse of building materials to improve the carbon impact of constructing/renovating buildings.

# SECTION 1: RESIDENTIAL ACCOMMODATION

## 1.1 Supply for sale

### Affordability of housing

An adequate supply of new homes to meet demand will address affordability issues currently experienced in the housing market. **Figure 1** outlines the number of housing units required on an annual basis to meet the yearly shortfall of delivering the 33,000 housing units within the Housing for All plan. Property prices nationally have increased by 120.5% from their trough in early 2013.<sup>5</sup> In the context of increasing residential prices and within the current loan-to-income and loan to-value mortgage measures framework, there is a cohort of potential purchasers who are effectively unable to meet the

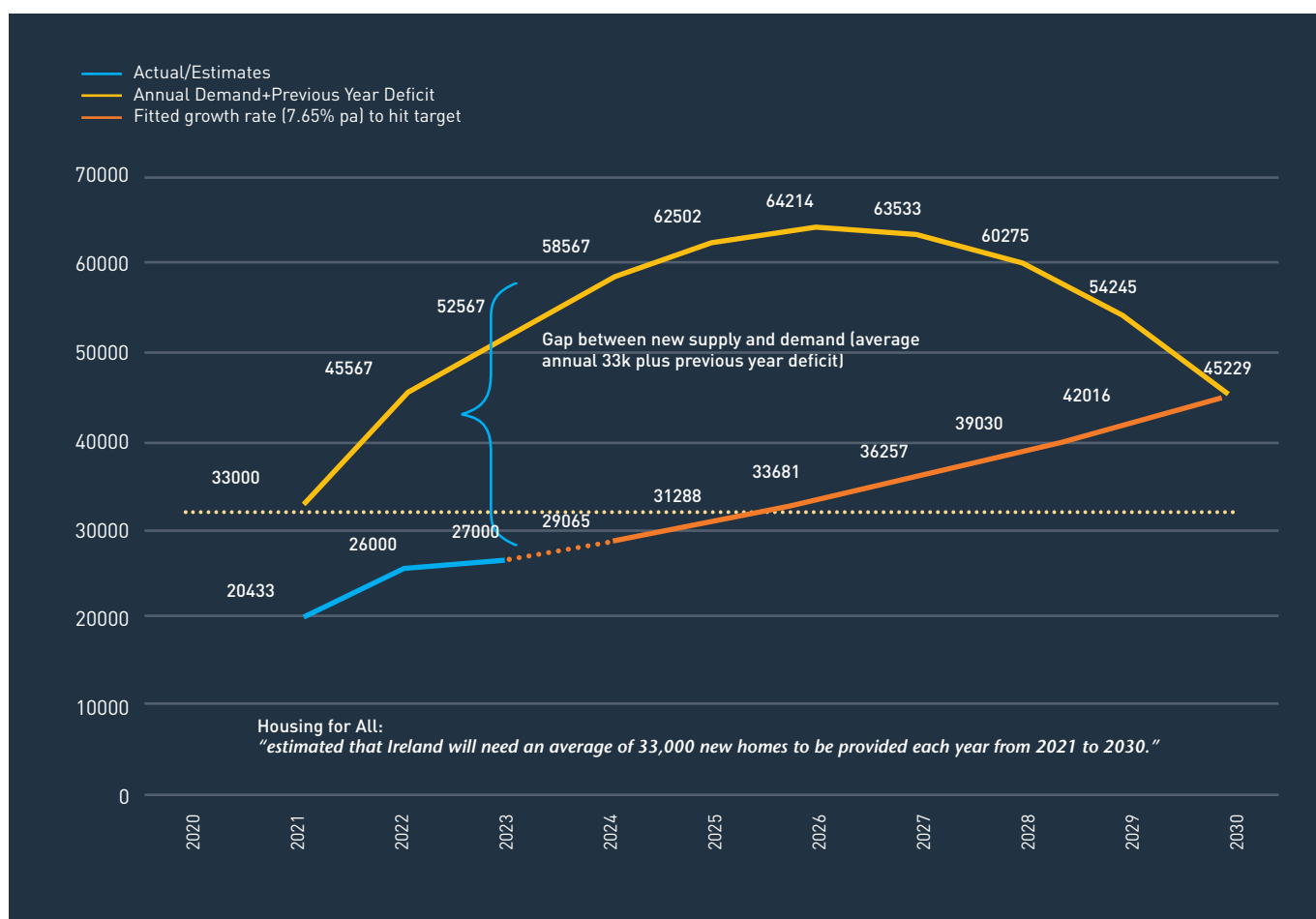


FIGURE 1: Catching up with the cumulative undersupply of new housing units per annum.

Source: SCSl research. Anticipated new housing supply for 2022 and 2023, ESRI forecasts. 7.65% annual growth rate on new housing supply required to meet 2030 Housing for All target.

5. CSO Property Price Index May 2022.



requirements to access a mortgage and purchase a property in Ireland. The First Home scheme launched in July aims to address this by providing an interest-free equity stake option to first-time buyers who are unable to purchase new homes at current levels. The SCSi welcomes the scheme to support more home ownership; however, more urgent action is required to address the underlying cost of delivering new homes to the market. The [SCSi's Residential Market Monitor report](#) published in June 2022 includes a buyer affordability metric, which considers the gap (if any) between the total purchase limit available to average income earning couples, and average new house sales prices to track housing affordability over time (**Figure 2**). The scenarios demonstrate that for two average first-time buyers seeking to buy a property in the three given locations, current property prices can exceed total borrowing capability by up to €64,000. To note, these scenarios only illustrate average property values, there will of course be

variances to these values in different areas within a given county. Similarly, these examples illustrate the average incomes of two professions in Ireland; there will be variances as other earners' incomes will fall below (and above) this income level. For those that fall below this income level, the gap between borrowing capability and purchasing price will be greater. Many of this cohort may be renters who may otherwise aim to become a purchaser but find themselves unable to save for a deposit while paying monthly rents, which in the current market may exceed the level of repayment that a mortgage would require. **Figure 3** highlights that property values are expected to continue to increase in the next 12 months; however, the rate of property price inflation is expected to reduce. Housing affordability is often a challenge for groups of the population facing vulnerabilities. These include young people, senior citizens, large families with children, and people who suffer from limited access to healthcare, fuel poverty, and price inflation

LOCATION	CORK (incl. Ballincollig, Carrigaline, Glanmire, Blarney, Tower, Kerry Pike)	MEATH (incl. Dunshaughlin, Navan, Trim, Stamullen)	KILDARE (incl. Kilcock, Leixlip, Newbridge)
Average purchase price of a new three-bed semi house delivery	€380,000	€340,000	€418,000
Deposit requirement (10% of average asking price)	€38,000	€34,000	€42,000
Total purchase limit (total mortgage limit, total LTI maximum loan limit plus deposit)	€350,000	€346,000	€354,000
Affordability	-€30,000	€6,000	-€64,000

FIGURE 2: First-time buyer – new home purchase affordability tracker.

Source: SCSi Residential Property Market Monitor.

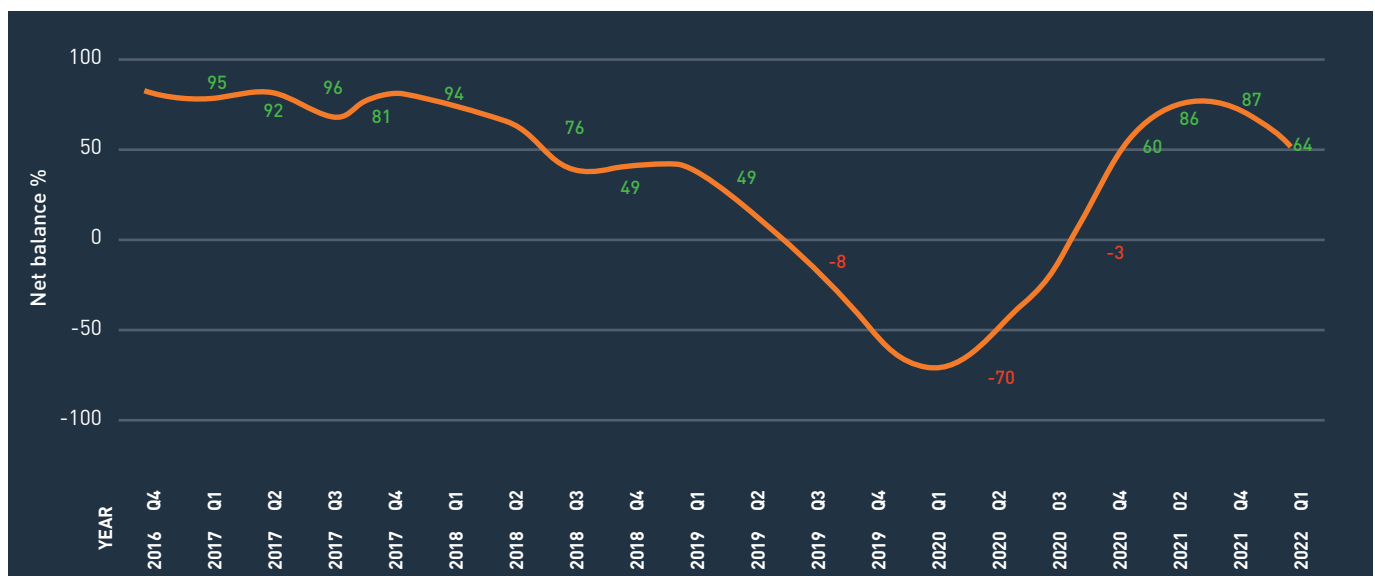


FIGURE 3: National price movements (12-month expectations).

Source: SCSi Residential Property Market Monitor.

Note: The net balance score is calculated by taking the percentage of respondents expecting a price increase less the percentage of those expecting a decrease.

of essential goods and services. In May, the SCSi provided evidence to the Oireachtas Committee on Housing on the rising cost of construction noted over the previous 18 months, and particularly since the onset of the Russian invasion of Ukraine, and its impact on the viability of residential construction projects. Increased construction costs because of material price inflation can have a subsequent impact on the final delivery price of a property.

The SCSi consistently advocates that there is no one single solution to bring increased supply to the market at a price point that is viable in terms of delivery and affordable for purchasers. Both the viability and affordability of housing must be addressed through an array of measures to assist purchasers in accessing the property market. The following sections outline a few considerations and recommendations that the SCSi puts forward to assist in realising this ambition.

## Measures to reduce delays in construction and address construction costs

The SCSi supports the ambitious Housing for All strategy and the many initiatives of the Government aimed at increasing affordable housing supply, including the recent measures to mitigate the elevated levels of inflation absorbed by the construction sector for public works – the Inflation Cooperation Agreement. However, our research has identified significant cost inflation across the sector that, if not tackled with a sense of urgency, may 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 that 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.

## Production of a land register

The SCSi calculates that land costs can be approximately 8-16%<sup>6</sup> of the overall delivery costs. The SCSi has 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. The Department of Housing, Local Government and Heritage should be provided with adequate funding to establish a land register in Ireland.

## Measures to assist purchasers of homes

First-time buyers continue to be the predominant purchaser of new homes, and with the Help to Buy scheme and First Home scheme, these supports are vital to the ongoing delivery of housing. Such schemes can assist those who otherwise would not be able to buy their first property by bridging the affordability and viability gaps. However, it is important to recognise that such initiatives are led by demand and do not act as a vehicle to address the high costs of construction, which will be discussed further in this submission.

## Help to Buy scheme

The Help to Buy scheme is an incentive designed to assist first-time buyers with the deposit required to purchase or self-build a new house or apartment. The scheme aids first-time buyers by closing the savings gap required to have the necessary 10% deposit to purchase their first home, and thus can allow buyers to get onto the market quicker. To date, Revenue has received a total of 84,012 applications. Of this, 34,439 Help to Buy claims have been made, of which 33,597 were approved. The estimated total value of approved Help to Buy claims to date is in the order of €645.7 million.<sup>7</sup>

The SCSi continues to recognise the importance of the Help to Buy scheme as a mechanism for assisting first-time buyers to purchase new homes, which acts as a stimulus to assist with the supply of new homes. Furthermore, the scheme brings a level of certainty to the home-building market. The existence of this scheme, and its availability to first-time buyers have ultimately made more new home building sites viable. However, it must be noted that such an initiative is demand-led and must be accompanied by measures to address construction costs in housing to ensure the delivery of viable and affordable housing. Help to Buy was most recently extended to December 2022; however, there has not yet been clarity around the continuation of the scheme into the future. The SCSi supports the continuation of the scheme, as it is important that certainty is provided to both purchasers and the property sector on the lifespan of the scheme.

## 1.2 Vacant and derelict buildings

The SCSi will soon publish its report on the main challenges facing owners of vacant and derelict buildings in getting them back into habitable use. Our report will have a particular emphasis on the financial viability and regulatory hurdles

6. SCSi Real Cost of New House/Apartment Cost Report(s).

7. Source: Revenue - Help to Buy (HTB) Incentive Statistics 30 June 2022.

associated with renovations of typical vacant and derelict buildings. In Budget 2023, grant funding for owners should be made available for those taking a long-term vacant unit (commercial or residential) and renovating this for owner occupation use. It is important that targets are set by Government for renovating homes and adequate grant funds are made available to tackle the issue of renovating vacant and derelict stock. Unfortunately, grant funding alone may not be sufficient in some cases for renovating units and bringing them back to use. The SCSi study due later this year is likely to highlight other challenges associated with the renovation of underutilised units, such as regulatory challenges.

## THE 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.

### 1.3 Public housing

The 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 the 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 this can reduce value for money for the taxpayer.

The 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, and therefore funding should be made available to establish this. 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 Land Development Agency (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 is not stalled.

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.

### 1.4 Rental market

The rental market is a vital component in the supply of housing accommodation in Ireland. In recent years, the number of people renting private accommodation in Ireland has increased to nearly one in five households.<sup>8</sup> Like the sales market, the rental market currently has notably low levels of stock available, putting pressure on the market and leading to rental increases across the country. The rental market is composed of both private landlords who can own anything from one to several rental properties and larger investment funds. In recent years, a significant number of smaller private landlords have been exiting the rental market,<sup>9</sup> contributing to the overall low levels of stock, particularly in more rural areas where rental investment is less likely to occur from larger organisations. SCSi agents who interact with landlords who put their rental properties on the market for sale as they look to exit the rental market have consistently ranked the complexity of rental legislation as the number one reason which underpins why landlords are leaving the rental market.

In terms of future rental stock coming to the market, 88% of agents report that the rental stock lost to the sales market will not be replaced within the next two years. If this trend is to be reversed, the Residential Tenancies Act and all subsequent amendments would need an overhaul and be simplified to ensure adequate supports and realistic regulations are in place to effectively police the sector.

8. RTB Tenant Survey Report July 2021.

9. SCSi Residential Market Monitor June 2022.

Finally, the impact of digital disruptors providing a platform for unit owners to rent out homes on a short-term basis requires adequate budgets so that the sector can be audited for compliance. Rules governing satisfactory uses of residential for short-term lets are currently not fit for purpose

and therefore, this sector requires policing to identify non-compliant unit owners renting out homes on short-term holiday lets – all of which is having a significant impact by removing rental accommodation from the long-term rental market.

## 1.5 Recommendations

Policy area	Recommendations	Impact
First-time buyer	Extend the Help to Buy scheme to assist first-time buyers. There should be a longer-term strategy published with actual Help to Buy targets, so that more comfort and commitment regarding the lifetime of the scheme is clear to both consumers and to new development schemes.	Will provide clarity regarding longer-term commitment by Government in relation to the pipeline of housing supply.
Land use policy	Establish a budget line to introduce a land register that would: <ul style="list-style-type: none"> <li>■ increase transparency;</li> <li>■ introduce fairer and more competition in the land market;</li> <li>■ give the State greater certainty in planning for its own infrastructure;</li> <li>■ allow for the development of better land registration details, including the advancements in mapping and cadastral information;</li> <li>■ help implement policies and interventions that will result in more affordable housing; and,</li> <li>■ improve the ability to track value for money in State projects.</li> </ul>	Increase transparency on land sales/values.
Under-utilised buildings	Provide grant funding to owners to incentive the renovation of vacant and derelict buildings and get them back into use. Grant funding alone may not be sufficient to get units back into use and more urgent measures to address regulatory issues associated with renovating old units to current standards require consideration.	Provide greater use of existing and under-utilised buildings for residential use. Improve housing supply.
Rental market	Adequate budget should be provided to increase auditing of the rental market to ensure compliance and address short-term lets without the necessary permissions.	Increase numbers of rental properties in the market.

## SECTION 2: COMMERCIAL PROPERTY MARKET

### 2.1 Commercial market

In the SCSi's 'Annual Commercial Property Review & Outlook 2022' report, members highlighted the residual effects of Covid-19, which have had a significant impact across society, including on the commercial property market.

The impact of lockdown periods, the move to online retail and increased remote working, compounded by general uncertainty, led to adjustments in rental values and capital valuations across several sectors. This has led to challenging times for this market, particularly asset types such as retail, offices, hospitality, and leisure.

Conversely, other sectors, particularly industrial and logistics, have performed relatively well over the course of 2021 and 2022, as demand and activity largely continued.

The most recent SCSi Tender Price Index<sup>10</sup> saw a sharp rise in the first half of 2022 (1H2022) by 7.5% in commercial construction tenders due to pent-up demand following Covid-related restrictions, supply chain constraints, and exceptional increases in materials and labour shortages and the impact of the conflict in Ukraine (Figure 4).

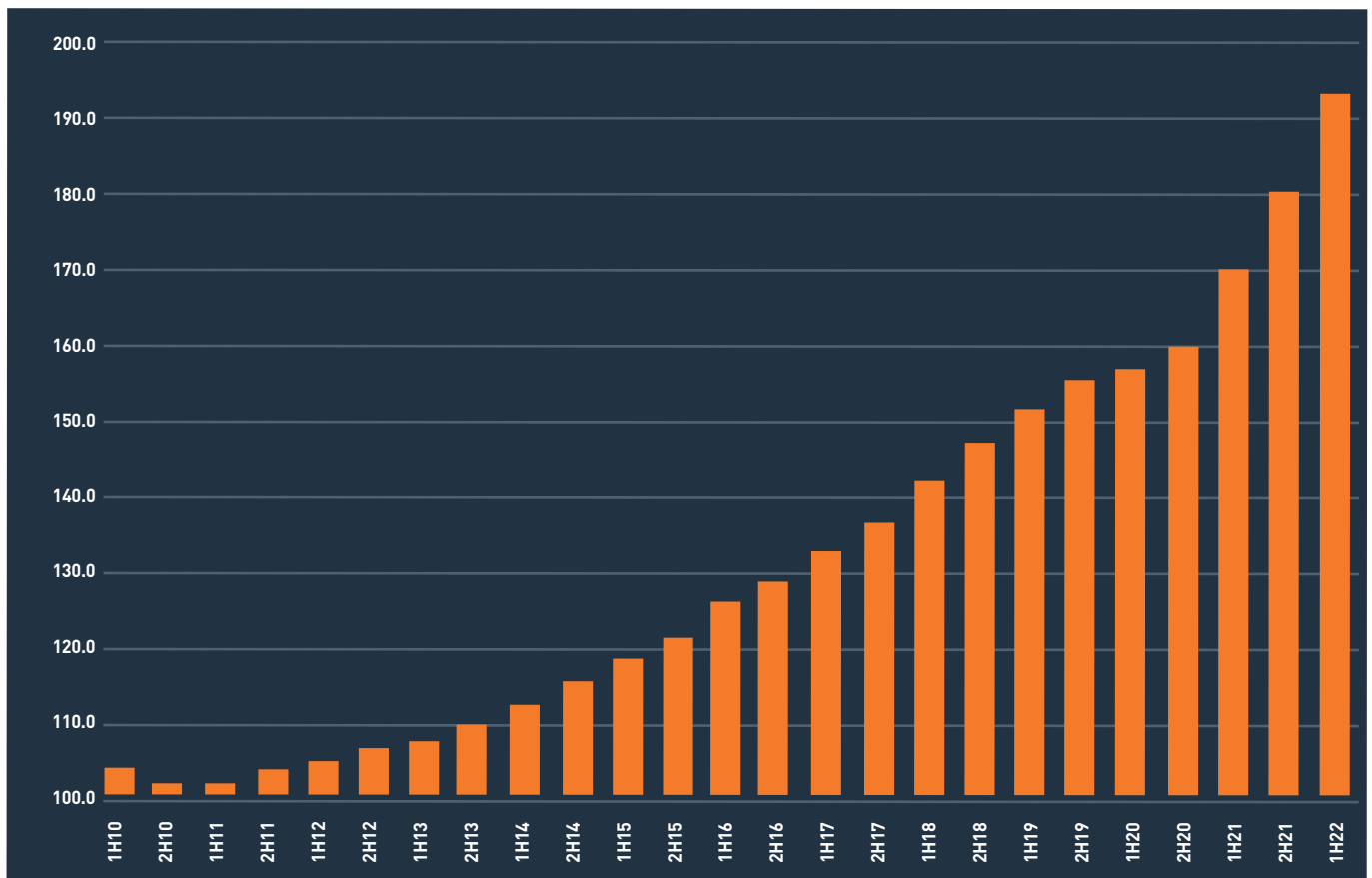


FIGURE 4: SCSi Tender Price Index 1H2022. Source: SCSi Tender Price Index, 14% annual national inflation up to first half of 2022. Base year 1998 = 100.

10. Source: SCSi Tender Price Index Report published July 2022.

High construction costs can also have another less-visible impact, where otherwise viable projects do not proceed due to increased costs and narrower margins.

There remains some uncertainty as to the outlook for construction costs over the coming years, but it is anticipated that addressing international supply chain bottlenecks, coupled with a return to more normalised costs for key materials, should result in more moderate tender price readings.

Looking forward to new activity in the sector, the forecast for non-residential building and construction for 2022 has been revised down to 5%,<sup>11</sup> as the possibility of reaching original National Development Plan commitments for 15%<sup>12</sup> real growth in Government capital expenditure is challenging.

## 2.2 Increasing the supply of development land

The availability of sufficient levels of development land is a critical element in the construction of new housing to deliver units to the market at affordable levels. As part of the [SCSI Real Cost of New Apartment Delivery](#) and the [SCSI Real Cost of Housing Delivery reports from 2020](#), the SCSI estimated that site purchase costs ranged from 16% for new housing, to between 8% and 14% for new apartments (**Figure 5**).

The SCSI recommends the introduction of a rebate scheme on Capital Gains Tax (CGT) for a defined period 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. 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. Additionally, the SCSI acknowledges the recent publication of the Residential Zoned Land Tax Guidelines,<sup>13</sup> from the Department of Housing, Local Government and Heritage. This is to prepare local authorities in meeting the statutory requirements to undertake and publish map(s) identifying lands zoned for residential purposes and mixed-use purposes. The SCSI feels there is a significant opportunity within this mapping initiative to expand the scope to develop a nationwide land price register, which is further discussed in section 1.1. Furthermore, the SCSI is of the view that in the context of any additional proposed taxation measures, the viability of the development must be considered first and foremost. If a development is not viable in the first place, then tax measures will not achieve the desired outcome of supporting more development, but rather place a further financial burden on the landowner. Hence, the SCSI would welcome the inclusion of an impact assessment to ensure the tax is targeted accurately.

## 2.3 Land value sharing

The SCSI notes the proposed land value sharing measures that will operate in conjunction with the new Residential Zoned Land Tax, which will generally apply to land zoned and serviced for housing

development. It is proposed that all or part of the contribution to be secured because of the planning permission may be facilitated by financial contributions, land transfer, and/or the undertaking of infrastructural works by the developer.

The SCSI and its members are aware of the long-standing issue with this scheme arising from the impact on the land market from the speculative value.

This speculative value affects the value of the land and as a result, the viability of building, both of which influence the cost of housing. Therefore, the SCSI would welcome the inclusion of an impact assessment for the land value sharing scheme before it is introduced. This evaluation should be accompanied by an extensive stakeholder consultation, as the SCSI is cautious of the unintended consequences on the land market.

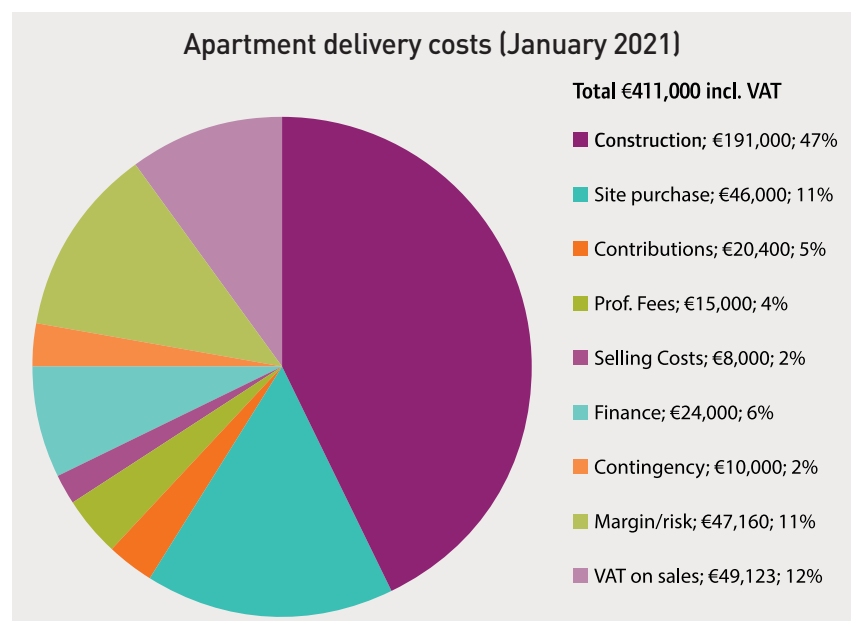


FIGURE 5: SCSI Real Cost of New Apartment Delivery, 2021.

11. Source: Central Bank of Ireland Quarterly Bulletin QB3 – July 2022.

12. Source: Central Bank of Ireland Quarterly Bulletin QB3 – July 2022.

13. Residential Zoned Land Tax - Guidelines for Planning Authorities.

## 2.4 Commercial rates

Many local authorities offer a rate relief/refund scheme for those with commercial properties who are renovating the property or have demonstrated that they were unable to let/occupy the building due to poor demand. The SCSI believes that rates relief for properties that have not been let/occupied for a significant period of time is concerning, as this has a knock-on effect on the face of the community and on tourism rates, particularly in rural Ireland where town fronts are marred by poorly managed and ill-maintained properties on high streets. The Government has offered property owners additional supports to bring their properties back to use. Consideration should be given to only allow rates exemptions for unique hardship cases and remove exemptions for those that are long-term vacant. This should include a rates relief criteria where a phased reduction/withdrawal of the level of relief is available to owners, i.e., the relief reduces each year. There is a similar model utilised within the UK (transitional relief). At a time when the high street is being hit with consumer trends moving towards online shopping and the residual impact of Covid-19 on businesses, it is vital that every measure is addressed to promote a pro-business strategy for bringing more life back to our urban centres.

October 2019. The rise in this transactional tax was mainly due to the rebound of activity in the sector and the increased levels of investment taking place, mainly in the office and industrial sectors. However, while some sectors have continued to see high demand during the last number of years through the pandemic, other sectors saw a decline in activity due to the impact of Covid, such as on office space and retail. The new 'norm' of the working world is still evolving and the prolonged impact of Covid on the office sector is likely yet to be fully realised. The SCSI has previously highlighted that this transactional tax has never been a reliable and steady form of income for the Exchequer, as witnessed during the recession when residential and commercial transactions were particularly low, impacting on the overall tax take. The SCSI is concerned that if future budgets continue to place more reliance on transactional taxes, the exposure to volatility in tax income streams will increase. The more recent increase in Stamp Duty impacts on all areas of commercial property and in all geographic locations. It is our recommendation that there should be no further increases on stamp duty in the non-residential sector in this budget cycle, while various sub-sectors continue to experience levels of uncertainty in the post-pandemic era.

## 2.5 Stamp Duty

Over the last number of years, there have been multiple increases to the rate in Stamp Duty for the non-residential sector, initially from 2% to 6% via the Finance Act 2017, and then from 6% to 7.5% from

## 2.6 Recommendations

Policy area	Recommendations	Impact
CGT rebate on development land	Create a rebate on development land CGT rate from 33% to 8% for a defined period, aimed at zoned and serviced residential development land.	Gain is greater than any likely holding value for the medium term.
Residential zoned land tax	Expand the scope to develop a nationwide land price register. Also include an impact assessment prior to this scheme, so that the tax is targeted accurately.	To ensure the taxation is targeted at land suitable for building but under-utilised. The land register will provide transparency to the market.
Land value sharing	Include an impact assessment prior to the introduction of this scheme to mitigate any unintended consequences on the land market in addition to an extensive stakeholder engagement.	Prevent unintended negative consequences. Also, stakeholders can provide expertise to Government.
Commercial rates	Gradual removal of rates exceptions for long-term vacant properties.	Entice reuse of commercial buildings.
Stamp Duty	No further increases to non-residential Stamp Duty in Budget 2023.	



## SECTION 3: CLIMATE CHANGE

Capital investment over the previous decade has witnessed a continued increase in funding to meet societal needs, which is positive to see as our population grows. In 2021, the EU made climate neutrality (the goal of zero net emissions by 2050) legally binding in the EU. It set an interim target of 55% emissions reduction by 2030.

The 2030 Climate Target Plan sets a substantial decrease compared to the existing target, upwards from the previous target of at least 40%. Buildings generate nearly 40% of annual global greenhouse gas (GHG) emissions. Approximately two-thirds of the building area that exists today will still exist in 2050. Currently, building renovations affect only 0.5-1% of the building stock annually, which is particularly concerning.<sup>14</sup>

Our call for recommendations covers the following headings:-

- Climate change policy and the built environment; and,
- Circular economy.

### 3.1 Climate change policy and the built environment

#### Planning sustainability for compact growth

The objectives of the National Planning Framework (NPF) are to deliver more compact living in response to our changing demographics, growing population and climate change. Compact growth and greater emphasis on urban living removes the need for creating housing further and further from urban centres, and therefore helps to promote sustainable growth. From a cultural perspective, Ireland is slow to transition to owner occupation of apartment units, and people prefer living within houses that generally have more space available to them and growing families. Also, the availability of apartments for sale in many larger urban centres is at critically low levels due to the unviability issue of building new apartments for the owner-occupier market.

#### Viability challenges for new apartments

Affordability and viability constraints hamper the delivery of new apartments in many of our urban centres and this will continue unless improvements are introduced in a variety of ways. The SCSi believes that State intervention to support an additional level of home ownership is an essential aspect of a growing population to ensure society is provided with housing options that are important

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14. EU – Architecture2030.org.



for economic planning and wellbeing. The Croí Cónaithe scheme provides grant funding to developers in certain circumstances based on the viability gap on new apartments for sale. The SCSi 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. The greatest challenge of the scheme will be to meet the heightened viability challenges with locations outside of Dublin. The Dublin market will always achieve a premium in relation to unit sale prices. Values tend to be at much higher levels than what is achievable in many of our regional cities. Although construction costs can be slightly lower in some regions for a variety of factors, i.e., cheaper labour costs, the scheme may provide higher grant funding than the limit currently placed at €120k for regional apartment units, where the viability gap is even greater compared to places like Dublin. The SCSi recommends that while the scheme is based on reasonable principles, grant funding should be directed at apartment units brought to the market for sale to the average-income earning first-time buyer.

## Standards and education

Some of the most difficult buildings to tackle are those considered as historic or protected structures; however, all buildings are unique and have their individual challenges, so it is important that a proper evaluation is undertaken by appropriate professionals or teams to ensure that the correct decisions are made at the outset for every case. Old buildings can be fragile and the decisions to use certain building materials over others can have devastating effects on the property. Grant funding made available to retrofit homes should be overseen by an independent professional to ensure a satisfactory standard is being delivered on each project and therefore, adequate funding is in place and made available to the Sustainable Energy Authority of Ireland (SEAI) to establish this within all grant-funded projects.

## 3.2 Circular economy

The Government Circular Economy Strategy 2022-2023 is a clear roadmap to establishing a framework for all sectors to become more sustainable. The funding available for circular economy establishment is currently €99m, and as a percentage of the overall Department of Environment and Climate Action budget is around 14%. The Environmental Protection Agency (EPA)

continues to have an increasing level of engagement with businesses in circular economy ideas. Gannon Eco is a good example where new concrete products are being brought to the market with a lower carbon cost compared with existing concrete products. Replacement aggregates for cement products from construction and demolition waste streams are used in concrete production. The SCSi is supportive of additional funding being made available in the budget for supporting the circular economy further into 2023 to finance research and innovation. The Local Authority Prevention Network (LAPN) project was introduced in 2019 and provides a level of training for local authority staff in efficient procurement, off-site construction, and materials optimisation. It is understood that this training introduces certain site waste management tools such as 'Lite tool'. The LAPN initiative is to be commended and is a positive first step to embed new ways of thinking and new processes to improve the sustainability credentials of the construction sector. Government, through the local authority network, should consider continuing and advancing further training and the adoption of guidance for planners and other key staff to have sustainable, efficient designs at the forefront of future planning projects. From a climate change 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 buildings back to full use. Local authorities must proactively address vacant buildings in towns to revitalise town centres. Vacant buildings impact on the vitality and image of Irish towns, discouraging future investment. It is imperative that local authorities work with owners and overcome issues of fragmented ownership to find new uses, using a targeted and co-ordinated approach. 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. Further recommendations on this topic are covered in section 1.2 of this submission. The SCSi previously welcomed the commitment by Government to increase resourcing for vacant homes officers across all local authorities; however, any additional resources should be made in conjunction with other measures, which the SCSi hopes to highlight in the findings of our Real Costs of Renovation report due in autumn 2022. As we await the findings of our report, Government should consider setting aside additional grant funding for the renovation of vacant and derelict buildings.

The CSO Census information recorded 166,752 vacant homes in 2022. As this information excludes holiday homes, but may include homes that were vacant on the night of the Census, it is a good insight into the scale of unoccupied homes in Ireland on a longer-term basis.

The Repair and Leasing Scheme (RLS) has been developed over many years and is targeted at owners of vacant properties who cannot afford, or access the funding needed, to bring their properties up to the required standard for rental property.

The SCSi recommends that sufficient grant funding is also made available to owner occupiers to renovate vacant and derelict buildings.

Appropriate annual targets should be set each year to renovate homes and sufficient budget allowance should be catered for in the Budget to meet these targets.

The SCSi study, due in autumn 2022, is expected to highlight any viability gaps and the size of viability gaps for average owner-occupier buyers considering renovating homes for occupation.

## 3.3 Recommendations

Policy area	Recommendations	Impact
Supply of new apartments for sale	Croí Cónaithe (cities) grant funding is a positive measure to help supply new apartments to the market for owner occupiers; however, the SCSi supports the delivery of more homes to the market at affordable levels.	Tailoring grant funding to benefit average-income earners to buy apartments in cities will support compact growth and help reduce pressures of urban sprawl.
Renovating vacant units for residential use	Annual targets for the renovation of commercial units/homes with sufficient grant funding to support the delivery of renovations should be set by the Department of Housing in conjunction with the Department of Finance. The SCSi will publish a report on costs associated with renovating six categories of typical vacant units and this could act as a helpful guide for setting adequate grant funding allocations for such an initiative within Budget 2023.	Clear targets for renovation of vacant units, with an appropriate level of grant funding to be set aside in Budget 2023.
Local authority vacant homes supports	Additional vacant homes officer funding should be made available to support local authorities to recruit additional resources to support owners of vacant and derelict units getting these units back into habitable use.	
Government retrofitting grants to include professional advice	Grant funding made available to retrofit homes should be overseen by an independent professional to ensure a satisfactory standard is being delivered to each project. Adequate funding should be in place and made available to the SEAI to establish this within all grant-funded projects.	Protect and future-proof existing dwellings during the retrofitting of homes.
Circular economy	€99m is set aside for the establishment of a broader circular economy in Ireland. The SCSi is supportive of any measures to increase funding made available to support further research and innovation in this area. There are good examples of achievements from businesses offering important goods and services to the market in the context of the circular economy. This is to be commended and the EPA should be further supported to ensure that further supports are made available to continue with the work of circular economy development.	Increase the reuse of building materials to improve the carbon impact of constructing/renovating buildings.

## CONCLUSION

**The property and construction sector continues to face challenges in delivering on its important targets, the delivery of important public and private commercial and infrastructural projects, and achieving targets in the delivery of housing units as per the Housing for All plan.**

The concerns of Covid have now made way to the impact of inflation on markets. Labour shortages and material prices/availability of products are acute concerns for all those involved. On a positive note, there are options to help mitigate these costs and provide a more efficient construction sector. Government can make changes to reduce risk and costs associated with development and these solutions are provided for in our submission. Climate change and the establishment of a circular economy requires an increased level of focus for the future. €99 million in Budget 2022 requires further revisions and an increase in funding to provide further support to get this important innovation better established in Ireland. Another way to help reduce the carbon cost of building is to utilise existing structures. Ireland has approximately 100,000 vacant and derelict units and more needs to be done to get these back into habitable use and help reduce the pressures associated with delivering new housing. While some of the issues and challenges with getting units back to use are financial and viability related, some of the issues relate to regulations preventing renovations.

Ireland's growing population requires access to affordable housing, with an appropriate balance of tenure types in all locations. The SCSi believes that the property, land, and construction sectors are well prepared to meet this challenge, but Government must commit the required resources and address the key barriers to housing delivery, as outlined in this submission.



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