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RICS

TENDER PRICE INDEX

FEBRUARY 2023

Commercial construction tender inflation eases in the second half of 2022

The Society of Chartered Surveyors Ireland (SCSI) Tender Price Index reveals that national construction tender prices increased by 4% in the second half of 2022 (7.5% in the first half of 2022).

The results identify that annual median national tender price inflation for 12 months was 11.5% (January 2022 to December 2022). It is anticipated that national tender price inflation is likely to increase by up to 4% in the first half of 2023 (January to June 2023).

Tender price inflation over the course of 2022 is largely attributed to the Russian invasion of Ukraine and its impact on material price volatility due to increased supply chain requirements and energy cost inflation, coupled with ongoing construction labour shortages.

Table 1 highlights the median rate of tender price inflation for all provinces recorded in the second half of 2022.

Tender price inflation over the course of 2022 is largely attributed to the Russian invasion of Ukraine.

National

The results confirm that nationally, the median rate of inflation in the second half of 2022 stood at 4%. While this is a sizable increase in median tender rates, it is at much lower levels than those experienced in the first half of 2022, as reported in the SCSI Tender Price Index published in July 2022.

Dublin

The results identify that in Dublin, the median rate of inflation in the second half of 2022 was 4%, down from 7% as reported for the first half of the year.

A large purple circle containing the text "5%" in white, representing the median rate of inflation in the Rest of Leinster in the second half of 2022.

5%

Rest of Leinster

A large purple circle containing the text "4%" in white, representing the median rate of inflation in Munster in the second half of 2022.

4%

Munster

Provinces excluding Dublin

The Rest of Leinster province has also recorded an increase in tender inflation, with a median rate of 5% in the second half of 2022. This is down from 8% reported during the first half of 2022. Median tender rates for Munster in 2022 were up 12% overall, with 4% inflation reported in the second half of 2022. This is down from 8% reported in the first six months of the year. Rates for Connacht/Ulster increased by a median of 13% in the past 12 months, or 5% in the last six months of 2022.

Table 1: Median tender price inflation – commercial construction over €0.5 million contract value.

Location	2H 2022
Dublin	4%
Rest of Leinster	5%
Munster	4%
Connacht/Ulster	5%
National median	4%

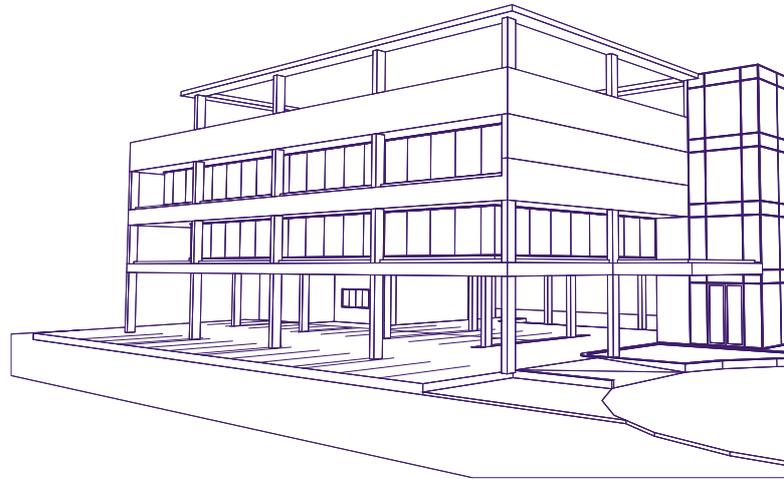
Summary

Commercial construction tender price inflation experienced a median national increase of 4% in the second half of 2022, which is down from the 7.5% experienced during the first half of 2022 (**Figure 1**). The high inflation experienced during the first half of the year resulted from a combination of factors, such as the demand that accumulated due to Covid lockdowns, volatile supply chains brought on by the conflict in Ukraine, and labour supply shortages. While the amount of pent-up demand has lessened since the eradication of Covid restrictions last year, the residual outcomes of Covid contributed to increased rates of inflation, albeit at lower levels.

The data outlined within this report was provided by SCSi Chartered Quantity Surveyors with direct expertise and knowledge of the market conditions in the construction sectors across the country. The statistics extracted from our member survey were utilised in outlining the findings of this report, which is intended to give a general overview of median tender price trends within Ireland's construction sector.

As median tender price inflation had started to decline in 2H 2022 (**Table 2**), results from the survey highlight that Chartered Quantity Surveyors

anticipate that there will be a slight easing in median tender inflation in the first half of 2023, barring any unforeseen circumstances.



5%

Connacht/Ulster

4%

National median

TENDER PRICE INDEX

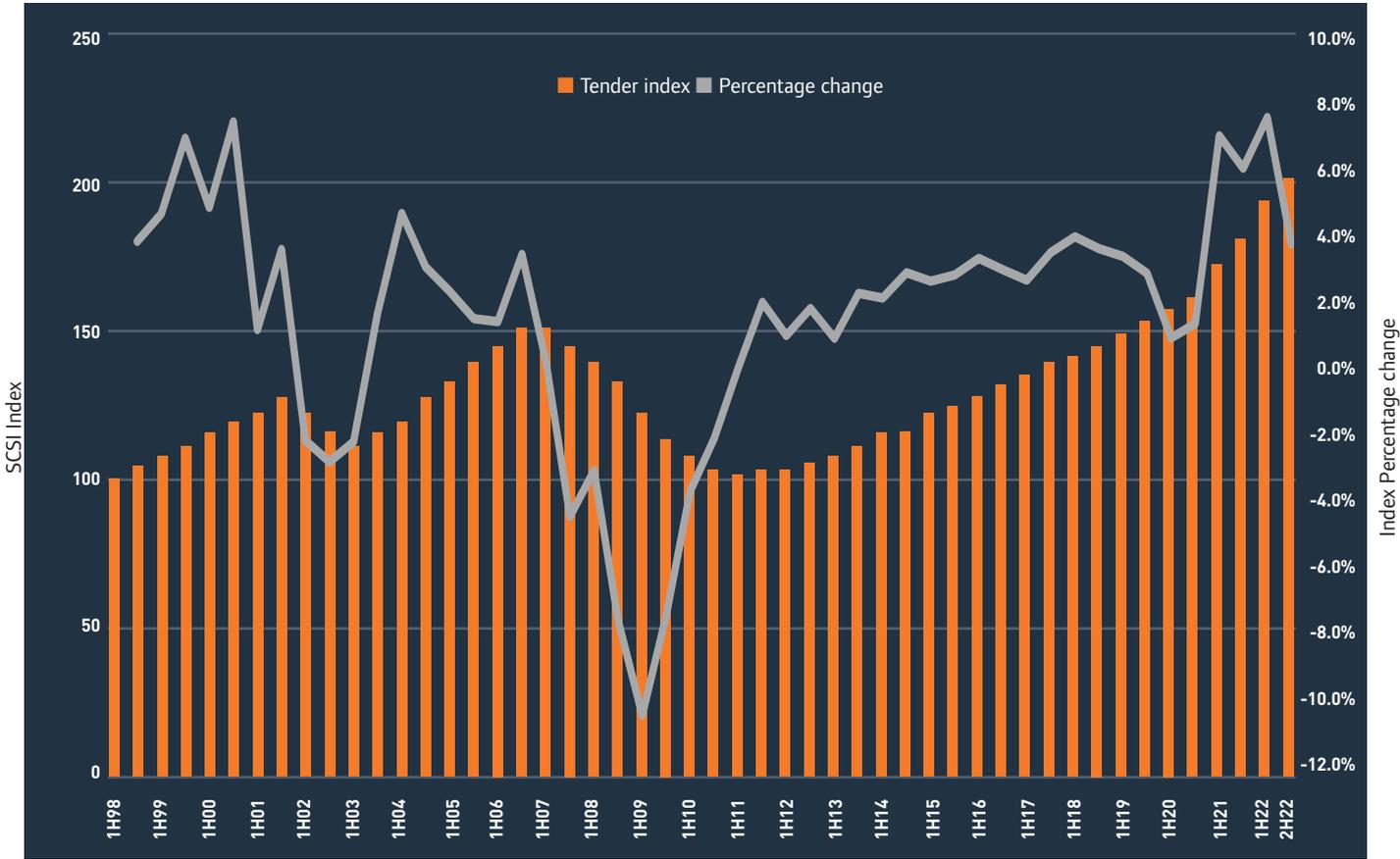


FIGURE 1: SCSJ Commercial Construction Tender Price Index (base 1998). Source: SCSJ research.

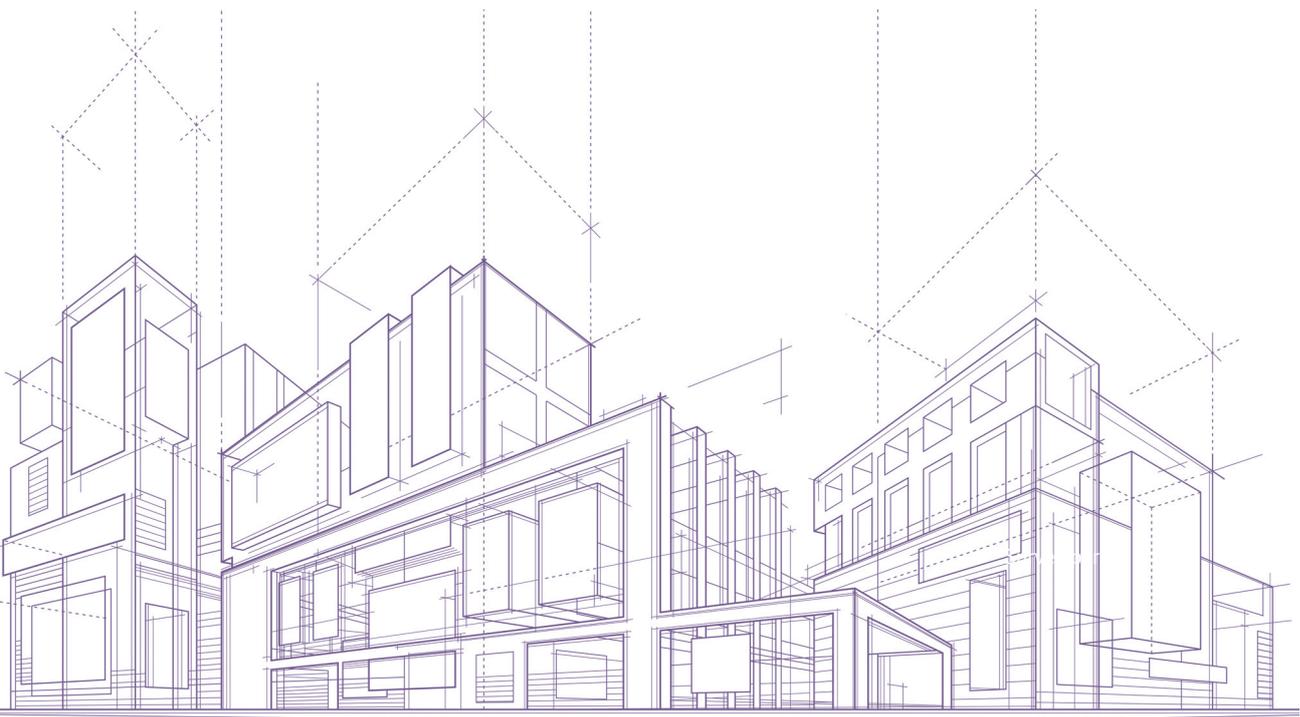


Table 2: SCSi Commercial Construction Tender Price Index numbers.

1H98	100.0	1H06	146.7	1H14	112.0
2H98	103.8	2H06	151.7	2H14	115.2
1H99	108.6	1H07	152.0	1H15	118.2
2H99	116.1	2H07	145.2	2H15	121.5
1H00	121.7	1H08	140.7	1H16	125.5
2H00	130.7	2H08	130.0	2H16	129.2
1H01	132.2	1H09	116.4	1H17	132.6
2H01	136.9	2H09	107.7	2H17	137.2
1H02	133.9	1H10	103.7	1H18	142.6
2H02	130.1	2H10	101.5	2H18	147.7
1H03	127.2	1H11	101.5	1H19	152.7
2H03	129.3	2H11	103.5	2H19	157.0
1H04	135.3	1H12	104.5	1H20	158.4
2H04	139.4	2H12	106.4	2H20	160.5
1H05	142.6	1H13	107.3	1H21	171.7
2H05	144.7	2H13	109.7	2H21	182.0
				1H22	195.7
				2H22	202.9

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 2H 2022 is based on sentiment returns only. The Tender Price Index is for commercial 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 median 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, and timescales.

It is important that the Tender Price Index report is used appropriately and not for all construction projects, including those in the residential sector and those below €0.5m. The Tender Price Index 2H 2022 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.

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