



TENDER PRICE INDEX

FEBRUARY 2024

TENDER PRICE INDEX INCREASES SLOW IN SECOND HALF OF 2023

The Society of Chartered Surveyors Ireland (SCSI) Tender Price Index (TPI) increased by 1.5% in the second half of 2023, down from 2.4% recorded in the first half of the year.

Persistent market challenges have continued to drive tender price inflation in 2023. The rate of inflation has continued to increase but at a slower pace. In the second half of 2023, the market experienced continued challenges with respect of frequent increases in financing costs, shortages of skilled labour, and rising labour costs. While these challenges have contributed to a further increase in the TPI, the softening of the rate of increase is due to the stabilising of most material supply prices, reductions in energy and fuel costs, along with greater competitiveness within the market.

However, surveyors consistently report that the main cost driver behind the latest TPI results is increasing labour costs due to the shortage of skilled labour.

The latest data highlights that the six-month inflation rate (2H2023) is at 1.5% nationally, or 3.9% over the past 12 months (Table 1 and Figure 1). This increase is in contrast to the highest ever six-month inflation of 7.5% recorded in the first half of 2022.



Table 1: SCSI National Tender Price Index (commercial construction).

1H98	100.0	2H04	139.4	1H11	101.5	2H17	137.2
2H98	103.8	1H05	142.6	2H11	103.5	1H18	142.6
1H99	108.6	2H05	144.7	1H12	104.5	2H18	147.7
2H99	116.1	1H06	146.7	2H12	106.4	1H19	152.7
1H00	121.7	2H06	151.7	1H13	107.3	2H19	157.0
2H00	130.7	1H07	152.0	2H13	109.7	1H20	158.4
1H01	132.2	2H07	145.2	1H14	112.0	2H20	160.5
2H01	136.9	1H08	140.7	2H14	115.2	1H21	171.7
1H02	133.9	2H08	130.0	1H15	118.2	2H21	182.0
2H02	130.1	1H09	116.4	2H15	121.5	1H22	195.7
1H03	127.2	2H09	107.7	1H16	125.5	2H22	202.9
2H03	129.3	1H10	103.7	2H16	129.2	1H23	207.9
1H04	135.3	2H10	101.5	1H17	132.6	2H23	210.9

Source: SCSI research.

LABOUR DEMANDS AND GLOBAL CONFLICT – IMPACT ON TPI

Commentary from the SCSl survey highlighted that there is an ever-increasing likelihood of further global unrest, with concerns raised regarding the conflict in Gaza and potential for further disruption of imports via some shipping routes.

On a domestic front, persistent high labour costs continue to emerge as a challenge for the industry to remain competitive. Many comments from the survey pointed out that labour inflation is being driven by higher demands for construction trades, higher living cost pressures, and the impact that this is having on increasing wage demands. The Sectoral Employment Order increase of approximately 5% in 2023 is also having an impact on tender levels.

On a domestic front, persistent high labour costs continue to emerge as a challenge for the industry to remain competitive.

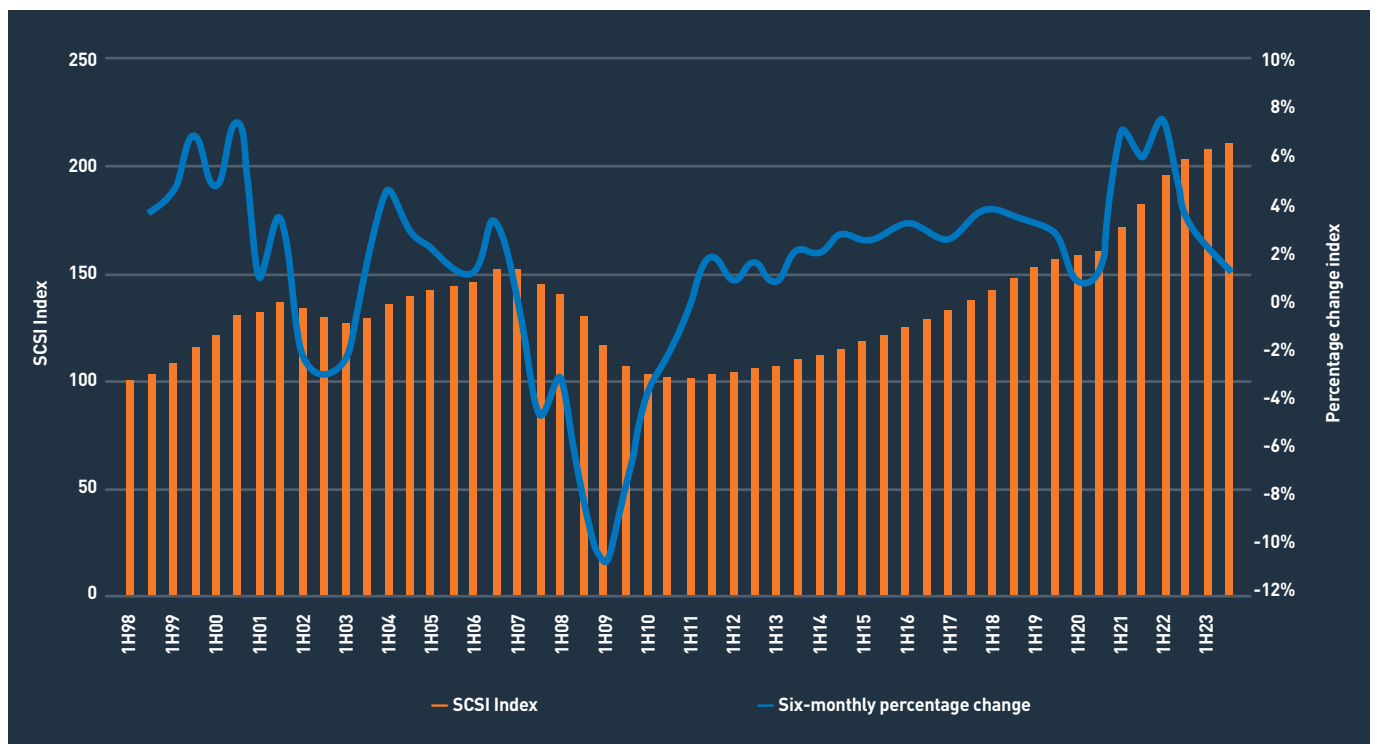


FIGURE 1: SCSl National Commercial Construction Tender Price Index (base 1998).

Source: SCSl research.

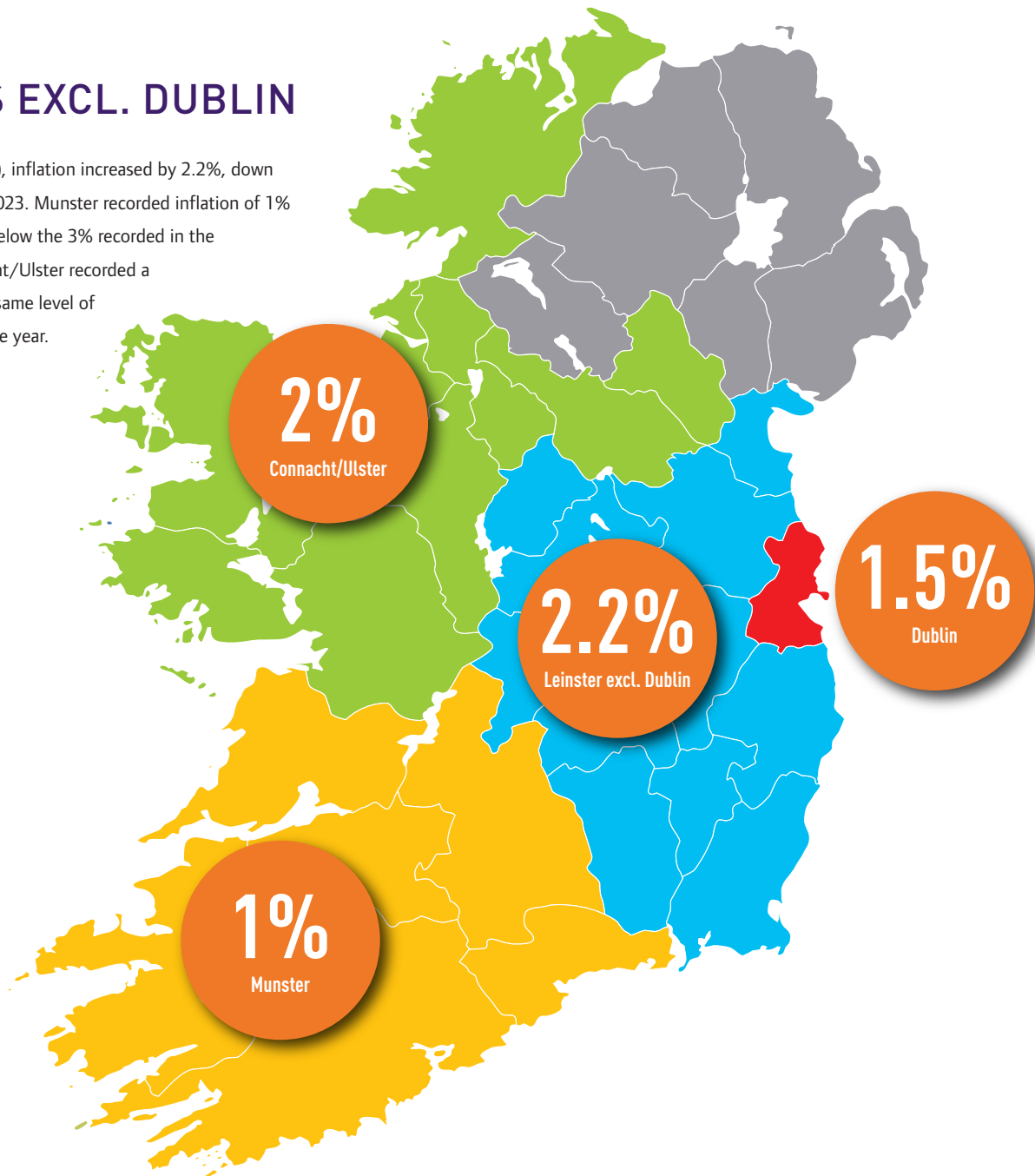
TENDER PRICE INFLATION – DUBLIN AND THE REGIONS

DUBLIN

The rate of inflation in the second half of 2023 is 1.5%, down from 2% for the first half of 2023.

PROVINCES EXCL. DUBLIN

In Leinster (excluding Dublin), inflation increased by 2.2%, down from 3% in the first half of 2023. Munster recorded inflation of 1% in the second half of 2023, below the 3% recorded in the first half of the year. Connacht/Ulster recorded a 2% increase in inflation, the same level of increase as the first half of the year.



SCSI SURVEY

Selection of commentary from Chartered Quantity Surveying respondents regarding tender price inflation challenges.

“Labour prices are set to substantially increase similar to levels seen in the large increases in materials.”

“Material prices stabilising from mid 2023 but demand for works still high.”

“Slowdown in commercial sector may provide some more competition into the market, but with continuation of residential and public works, wage inflation, and continued strain on resources, it is unlikely to see any real decrease in market pricing.”

“Reduced demand in commercial and residential high-density sectors will help increase capacity for new projects.”

“Lack of resources in all areas from design team, main contractors, skilled sub-contractors and trainee apprenticeships.”

“The price of energy is falling. Cables/copper coming from Turkey could be affected by the war in Israel as shipping in that region is being affected.”

“Contractors will be looking to secure projects early in the year so they will be keen on keeping their rates competitive.”

“The increase associated with the concrete levy has resulted in substantial increases in the cost of concrete and concrete-related products.”

“Tender prices are currently very competitive, especially with the small to medium-sized contractor sector.”

“Market generally softening however pockets of inflation remain, especially for concrete products and specialist/long lead materials. Also, labour increasing in some sectors.”

“War in Palestine and supply issues with ships in the Red Sea.”

METHODOLOGY AND USE OF DATA NOTES

The data outlined within this report was provided by SCSI Chartered Quantity Surveyors with direct expertise and knowledge on 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 commercial tender price trends within Ireland’s construction sector. 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 TPI 2H2023 is based on sentiment returns only. The TPI 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 median¹ price increases across differing project types and locations. It should be regarded as a guide only when looking at any specific project, as the pricing of individual projects will vary depending on such factors as their complexity, location, and timescales.

It is important that the TPI report is used appropriately and not for all construction projects, including those in the residential sector and those below €0.5m. The TPI 2H2023 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 TPI provision for individual construction projects.

1. From 1H2021 onwards, the median value is used as the statistical methodology.

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

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

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

the recognised mark of property professionalism.

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

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

All aspects of the profession, from education through to qualification and the continuing maintenance of the highest professional standards, are regulated and overseen through the partnership of the Society of Chartered Surveyors Ireland and RICS, in the public interest.

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



Chartered property,
land and construction
surveyors

Society of Chartered Surveyors Ireland

38 Merrion Square
Dublin, D02 EV61
Ireland

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