The Housing Market

A critical analysis of the costs of construction & building activity in Ireland

Micheál Mahon
President
Society of Chartered Surveyors Ireland
Our data on The Housing Market

Independent data provided by SCSI membership
- Auctioneers, Agents, Valuers, Quantity, Building, Project & Geomatics Surveyors, Property & Facility Management........(12 disciplines in total)
- Members involved in large/small schemes, public and private sector
- Real-time data on construction and property values/costs & trends
- Outlook of experts
The Housing Market Presentation

01. Context
- Current Trends
  - Construction & Property Markets
  - Covid impact on progress
  - National Policy

02. A closer look at Costs
- Houses
- Apartments
- Regionally
- Reuse of existing buildings

03. Possible Solutions
- Innovation in delivery
- Planning
- Public & Private housing collaboration
Residential Trends – Market & Mortgages

COVID - Getting property & construction back on its feet after COVID-19

- Pent up demand for residential accommodation
- Remote working and increased regional purchasing
- SCSI agents expect 4% uplift in values in 2021

Mortgage market

4% uplift in mortgage approval activity in 12 months

2.2% uplift in mortgage drawdowns – year to Dec 2020

CBI Rules working – ESRI
Sentiment of SCSI Auctioneers/Agents

Property Trends – SCSI Report Jan 2021

- COVID - Viewings closed from January
- Enquiries from purchasers increasing
- Demand to purchase homes remain high and increasing
- Expectation to reopen April 5th
- Challenge facing the market is significant lack of new and 2nd hand stock
Housing & Apartment Delivery – National Policy

More emphasis needed on apartment delivery

New apartments – **Building only 20%** that are planning approved
New houses – **Building 80%** that are planning approved

**Housing targets**
Industry and Government’s collective responsibility and priority

**Planning permissions to Q32020**

- Scheme Houses 10,000
- Apartments 20,000
- Regional imbalance? - **73%** of apartments completed in 2019 located in **Dublin**.
- Built to Rent v Build to Sell imbalance – **75% Build to Rent**
Real Cost of New Housing Delivery Report

- €371k to deliver 3 bed semi to the market (12% inflation in 4 years)
- Let's take a couple each earning an average salary in Dublin of €44,000 p.a. with a combined total salary of €88,000

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<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Average price of 3 bed semi /</td>
<td>~€380,000(1)/</td>
<td></td>
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<tr>
<td>Cost of new house delivery</td>
<td>€371,000</td>
<td></td>
</tr>
<tr>
<td>Mortgage borrow limit (3.5 times gross income)</td>
<td>€308,000</td>
<td></td>
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<tr>
<td>Average couple - Deposit</td>
<td></td>
<td>€38,000</td>
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<tr>
<td>Requirement based on average 3</td>
<td></td>
<td></td>
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<tr>
<td>bed semi asking prices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average asking prices / New</td>
<td>-€34,000 / -€25,000</td>
<td></td>
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<tr>
<td>house delivery costs, exceeds</td>
<td></td>
<td></td>
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<tr>
<td>borrow amount by -</td>
<td></td>
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</tbody>
</table>
## Apartments Total Development Costs (inc.vat on sale)

<table>
<thead>
<tr>
<th>Category</th>
<th>Suburban (Low Rise)</th>
<th>Suburban (Medium Rise)</th>
<th>Urban (Medium Rise; 5-8 St.)</th>
<th>Urban (Medium Rise; 9-15 St.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>€177k</td>
<td>€359k</td>
<td>€521k (-2%)</td>
<td>€541k (-9%)</td>
</tr>
<tr>
<td>High</td>
<td>€198k</td>
<td>€421k</td>
<td>€493k (-4%)</td>
<td>€511k (-4%)</td>
</tr>
<tr>
<td>Low</td>
<td>€191k</td>
<td>€411k</td>
<td>€533k (-2%)</td>
<td>€516k (-4%)</td>
</tr>
<tr>
<td>High</td>
<td>€200k</td>
<td>€413k</td>
<td>€643k (-2%)</td>
<td>€514k n/a</td>
</tr>
</tbody>
</table>

### Cost Breakdown:

- **VAT on Sales**
- **Margin/Risk**
- **Contingency**
- **Finance**
- **Selling Costs**
- **Prof Fees**

### Contributions (Apt/Pkg/Siteworks):

- **Construction**
- **Site Purchase**
- **Contributions**
- **Selling Costs**
- **Fees**
- **Finance**
- **Contingency**
- **Margin/Risk**

### Development Costs:

- **Apartments Total Development Costs (inc.vat on sale)**

### Notes:

- VAT on Sales: €333k (+8%) to €443k (+7%)
- Margin/Risk: -7% to -9%
- Contingency: -7% to -9%
- Finance: -2% to -4%
- Selling Costs: -2% to -4%
- Prof Fees: -2% to -4%

### Total Development Costs:

<table>
<thead>
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<th>Total Costs</th>
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<tbody>
<tr>
<td>Suburban (Low Rise)</td>
<td>€333k (+8%)</td>
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<td>€443k (+7%)</td>
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<td>Urban (Medium Rise; 9-15 St.)</td>
<td>€514k n/a</td>
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## Build to Sell Viability

### Costs and Sales exclude VAT; Note figures are rounded to nearest €1,000

Viability issues in most categories where cost higher than sales price

### Category 1: Suburban (Low Rise)

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
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</thead>
<tbody>
<tr>
<td>Total Cost</td>
<td>€273k</td>
<td>€317k</td>
</tr>
<tr>
<td>Total Sales</td>
<td>€330k</td>
<td>€361k</td>
</tr>
<tr>
<td>Margin/Loss</td>
<td>€57k</td>
<td>€44k</td>
</tr>
<tr>
<td>Margin/Risk</td>
<td>21%</td>
<td>14%</td>
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</tbody>
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### Category 2: Suburban (Medium Rise)

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<tr>
<th></th>
<th>Low</th>
<th>High</th>
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</thead>
<tbody>
<tr>
<td>Total Cost</td>
<td>€314k</td>
<td>€407k</td>
</tr>
<tr>
<td>Total Sales</td>
<td>€364k</td>
<td>€399k</td>
</tr>
<tr>
<td>Margin/Loss</td>
<td>€49k</td>
<td>-€8k</td>
</tr>
<tr>
<td>Margin/Risk</td>
<td>16%</td>
<td>-2%</td>
</tr>
</tbody>
</table>

### Category 3: Urban (Medium Rise; 5-8 St.)

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<tr>
<th></th>
<th>Low</th>
<th>High</th>
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</thead>
<tbody>
<tr>
<td>Total Cost</td>
<td>€379k</td>
<td>€451k</td>
</tr>
<tr>
<td>Total Sales</td>
<td>€427k</td>
<td>€463k</td>
</tr>
<tr>
<td>Margin/Loss</td>
<td>€49k</td>
<td>€11k</td>
</tr>
<tr>
<td>Margin/Risk</td>
<td>13%</td>
<td>2%</td>
</tr>
</tbody>
</table>

### Category 4: Urban (Medium Rise); 9-15 St.

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<thead>
<tr>
<th></th>
<th>Low</th>
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<tr>
<td>Total Cost</td>
<td>€395k</td>
<td>€479k</td>
</tr>
<tr>
<td>Total Sales</td>
<td>€438k</td>
<td>€501k</td>
</tr>
<tr>
<td>Margin/Loss</td>
<td>€43k</td>
<td>€22k</td>
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<tr>
<td>Margin/Risk</td>
<td>11%</td>
<td>5%</td>
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</tbody>
</table>
## Build to Sell (BTS) vs. Build to Rent (BTR)

### Category 2: Suburban (Medium Rise)

**Build to Sell**
- **Total Cost**: €314k (Low), €407k (High)
- **Total Sales**: €364k (Low), €399k (High)
- **Margin/Loss**: €49k to €7k
- **Viability Hurdle**: Low (16%), High (2%)

**Build to Rent**
- **Total Cost**: €321k (Low), €415k (High)
- **Total Sales**: €374k (Low), €466k (High)
- **Margin/Loss**: €54k to €51k
- **Viability Hurdle**: Low (17%), High (12%)

### Category 3: Urban (Medium Rise; 5-8 St.)

**Build to Sell**
- **Total Cost**: €379k (Low), €457k (High)
- **Total Sales**: €427k (Low), €463k (High)
- **Margin/Loss**: €49k to €12k
- **Viability Hurdle**: Low (13%), High (3%)

**Build to Rent**
- **Total Cost**: €385k (Low), €457k (High)
- **Total Sales**: €445k (Low), €526k (High)
- **Margin/Loss**: €60k to €69k
- **Viability Hurdle**: Low (16%), High (15%)

Although BTR costs slightly higher, they are more financially viable.

*Note figures are rounded to nearest €1,000*
## AFFORDABILITY

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<tbody>
<tr>
<td>start design &amp; procurement now across multiple State sites to enable quick start when Bill is enacted</td>
<td>start public education programme now and invite expressions of interest so ready when Bill is enacted</td>
<td>keep current Design and Finance regulatory framework – sudden changes would have negative impact on affordability</td>
<td>standardised construction cost reporting to end divisive debate of Public vs. Private.</td>
<td>extend and provide certainty to duration of the scheme.</td>
<td>progress the journey towards a more digitalised and productive construction industry.</td>
<td>carry out independent cost benefit analysis before implementing new regulations.</td>
<td>it takes c.14-18 months to get a 100-unit scheme to planning (assuming no JR) which adds significant holding costs. Planning reform required.</td>
<td>delays by Utility company are causing significant delay and cost to projects.</td>
<td>advance Apprenticeship scheme and other incentives to attract European workers.</td>
<td>promote and provide financial incentive to deal with additional costs.</td>
<td>continue to support and resource LDA work to progress objectives. Strategic use of CPO powers.</td>
<td>carry out another Review to ensure correct decision in ceasing use.</td>
<td>Continue roll-out of public sector housing delivery</td>
<td>pre-fund site infrastructure to enable residential development. Similar to LIHAF, pre-funded etc.</td>
<td>examine legal threshold to allow reviews. Significant delay to supply due to administrative errors.</td>
<td>carry out Financial Viability test prior to implementation to ensure units can be delivered especially where increased density is envisaged.</td>
<td>utilise all accommodation types to achieve target of c.35,000 units. BTS and Social alone will not meet target.</td>
</tr>
</tbody>
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Contact

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info@scsi.ie

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Question?