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Prices will rise while block to construction unsolved

THE April CSO residential property price index shows inflation nationally at 10.7pc in the year to February, 8.3pc in Dublin and 13.2pc in the rest of Ireland.

Prices, although still between 30.7pc and 35.7pc lower than peak, will continue to rise, most likely at this kind of level, until supply improves dramatically, the IPAV (Institute of Professional Auctioneers and Valuers) says.

Pat Davitt, the chief executive of the organisation, said while cranes have returned to the skies, particularly in Dublin and other urban centres, they are primarily engaged in commercial rather than residential construction.

"There are only a few large operators building residential in Dublin city. This lack of competition is fuelling price growth and also dictating a

tendency to build in areas that can command higher prices.

"The really big impediments to residential construction remain unresolved, unfortunately," he said.

He identified these as:

- A lack of state knowledge of the true cost of construction;
- Inability of smaller builders and developers, once the mainstay of the construction industry, to access finance, and at reasonable interest rates
- A lack of or no competition in the lending market;
- Over restrictive mortgage lending rules impacting non-first-time buyers in particular;

- Post crash risk averse attitude among lenders towards certain buyers who do have affordability.

Mr Davitt said it was a disgrace that there are no reliable official figures as to the num-

ber of homes built last year.

And he said the state, and anyone interested in the development of a sustainable property market, "needs to know whether or not land hoarding, for the express purpose of keeping house prices inflated, is a factor in the market".

He said studies from both

the Irish Home Builders Association (IHBA) and the Society of Chartered Surveyors of Ireland (SCSI) found the cost of building a typical three-bed house, excluding land acquisition and VAT, to be of the order of €197,000.

Mr Davitt says IPAV suspects the real cost could be much lower, probably around €140,000, based on a recent study by Irida Consulting for the Irish Concrete Federation.

"They found that concrete products, including roof tiles and quarried material used in building this type of home, account for less than 5pc of the total build costs in those studies.

"We need to know the precise breakdown of the other 95pc of costs," he said.

The IPAV have called on the government on many occasions to fast-track the prom-

ised detailed analysis of building input costs promised in

'Rebuilding Ireland', the government's housing strategy.

They also urged the government to set up a special price controlled builders fund with interest rates akin to those of the special hardship cash flow loan scheme for farmers of just 2.9pc over 6 years through the Strategic Banking Corporation of Ireland.

Such an initiative would mean the end price of housing to the homebuyer would be contained by the government and there would be no loss to the exchequer as monies would be repaid as homes are sold.

"Our country cannot afford to allow negative perceptions of the entire building industry to inform housing policy over knowledge and need," Mr Davitt said.



IPAV chief executive, Pat Davitt.