SCSI

Chartered property, land and construction surveyors

SUPPORTING THE PROPERTY, LAND AND CONSTRUCTION SECTORS

PRE-BUDGET SUBMISSION 2024

PRIORITIES FOR OUR FUTURE

ABOUT THE SOCIETY OF CHARTERED SURVEYORS IRELAND (SCSI)

As the leading professional body for Chartered Surveyors working across the property, land and construction 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.

CONTENTS

Recommendations

HOUSING
Further actions to address increased construction costs within the control of Government
Longer-term announcement required regarding the lifetime of the Help to Buy Scheme to bring more clarity to the residential development sector
Continuation of the First Home Scheme Ireland
Establishment of a special department within the Residential Tenancies Board (RTB) that solely oversees and manages the dispute and adjudication process
Adequate budget should be provided to increase auditing of the rental market to ensure overall rental compliance and address short-term lets without the necessary permissions
Introduce a feasibility grant to ensure best allocation of funding and approach for the full renovation of units and payments to be made available earlier in tranche payments
Further consideration should be given to the development of an overall budgeting account and dedicated department to tackle biodiversity loss and climate change
Steps be taken to resolve challenges associated with connection delays promptly, ensuring a more efficient and streamlined process for utility connections
Further financial resources to be made available to attract, retain and upskill staff to local authorities for the delivery of social housing projects
Financially support the establishment of a national authority to regulate owners' management companies (OMCs)
Increased funding allocated for retrofit training to successfully cultivate a workforce that is capable of successfully overseeing and executing retrofitting projects
Implementation of a rebate that lowers the Capital Gains Tax (CGT) rate to 8% specifically for development land utilised in the construction of new housing
Allocate funding to train local authorities on social housing delivery.

COMMERCIAL
No further increases in Stamp Duty for non-residential properties
Fund the adoption of a land price register to promote transparency, support evidence-based decision-making, and ensure fairness in land transactions and policy development

Ireland has experienced robust economic growth in recent years.

SECTION 1:

ECONOMIC OVERVIEW

Ireland faced economic challenges due to Covid-19 lockdown measures and disruptions to various sectors such as housing, construction and property. The ongoing war in Ukraine has also resulted in significant inflationary pressures, supply chain disruption and instability, all of which pose challenges in delivering the commitments outlined in the Government's Housing for All plan.

Ireland's recent economic growth can largely be attributed to its foreign direct investment. The country has been successful in attracting foreign direct investment, particularly from multinational corporations in the technology and pharmaceutical sectors. This recent upsurge in investment has contributed to the country's economic growth and created ample employment opportunities throughout many different industries.

The Irish economy is expected to grow by 5.5% in 2023 and by 5% in 2024.[1] The rate of general inflation is expected to decline over the same period from 8.1% in 2022 to 2.6% in 2024, and unemployment rates are also expected to remain at historically low levels (4.3%). Ireland's Budget balance is expected to remain in surplus in 2024 due to higher than expected Corporation Tax returns, strong levels of exports and a robust labour market. The Government debt-to-GDP ratio is forecast to decrease from 45% in 2022 to 40% in 2023 and 38% in 2024.

1.European Commission. Economy Surveillance for EU Economies – https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/ireland/economic-forecast-ireland_en.

SECTION 2:

RESIDENTIAL ACCOMMODATION

This section focuses on addressing the challenges of affordability and viability in the residential sector, which continue to be exacerbated by increased inflation. These recommendations aim to bridge the ongoing affordability gap, tackle delays in the planning process, and reduce construction costs to enhance project viability. The SCSI consistently emphasises that there is no perfect solution to address the need for increased housing supply at a viable delivery price while ensuring affordability for purchasers. To tackle the challenges of affordability and viability, a range of measures must be implemented to assist purchasers in entering the property market. The challenges encumbering the affordability and viability of the residential housing sector are discussed in more depth in the SCSI's 'Real Cost of New Housing Delivery Report 2020', which is currently being updated. The following sections outline several recommendations put forth by the SCSI for consideration ahead of Budget 2024 to ensure that there are adequate supports and funding in place to effect change in these areas.

Affordability

The ongoing supply of homes to the market has been continually hindered by significant viability and affordability challenges, with previous SCSI studies on the delivery of apartments[2] and houses also outlining increasing delivery costs for a multitude of apartment types and three-bedroom semi-detached homes.[3] High demand coupled with limited supply have led to increased housing costs, making it difficult for many individuals and families to afford homes, particularly in urban areas.

Additional challenges facing the delivery of new housing to the market for both the public and private sectors are vast and require a complex array of changes to bring about a more sustainable and affordable framework. Apart from affordability, additional challenges include the ongoing supply shortage and continued inefficiencies in the planning process. The shortage of housing supply, particularly in the social housing sector, is a result of insufficient construction activity and delays in new housing developments, resulting in increased competition for properties on the market. Delays and inefficiencies in the current planning and development process also hinder the timely construction of new housing. These delays can be attributed to factors such as bureaucratic red tape, the complex nature of the regulations, and a lack of co-ordination between relevant stakeholders.

2. SCSI. Real Cost of New Apartment Delivery 2021.
3. SCSI. Real Cost of New Housing Delivery 2020.

Table 1: First-time buyer new home purchase affordability tracker. (Source: SCSI Residential Property Mid-Year Market Monitor 2023.)

County	Average purchase price (new three-bed semi-detached home)	Percentage change in average new home prices since July 2022	Location	Average combined gross salary	Maximum loan	10% deposit	Total purchase limit	Affordability result	Six-monthly affordability trend
Meath	€383,000	+5%	Dunshaughlin, Trim, Ratoath, Navan, Stamullen	€89,000	€356,000	€38,300	€394,300	€11,300	↓
Kildare	€431,000	+1%	Newbridge, Leixlip, Kilcock	€89,000	€356,000	€43,100	€399,100	-€31,900	↓
Wicklow	€488,000	+2%	Greystones, Rathnew	€89,000	€356,000	€48,800	€404,800	-€83,200	↓
Cork	€385,000	-0.4%	Glanmire, Blarney, Kerry Pike	€89,000	€356,000	€38,500	€394,500	€9,500	↑
Galway	€382,000	+3%	Athenry, Oranmore	€89,000	€356,000	€38,200	€394,200	€12,200	↓

Source: SCSI agents who provide new homes sales services to developers provided the SCSI with average sales values for completed three-bedroom semi-detached homes in the various locations. Note: Figures have been rounded to the nearest thousand for illustrative purposes. The affordability metric does not include the First Homes Ireland Scheme as part of the analysis.

The combination of all these factors has directly contributed to the increase in property prices nationally, by 126.6% from their trough in early 2013.[4] The SCSI's 'Residential Property Mid-Year Market Monitor' report, published in July 2023, includes a buyer affordability metric, which assesses 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 (**Table 1**). The scenarios outlined in **Table 1** demonstrate that for two first-time buyers, based on a sample profession and average salary for that profession, seeking to buy a property in the three given locations (chosen due to the level of new builds ongoing in these areas), current property prices can exceed total borrowing capability by up to €83,200 (in the case of Wicklow). It should be noted that the scenarios presented here represent average property values, and there will be variations in these values across different areas within a specific county. Similarly, these examples demonstrate the average incomes of two professions (garda/nurse couple with 10 years' experience) in Ireland, but there will be differences with incomes of other earners that may fall below or exceed this level. For those who earn less than this income level on average, the disparity between their borrowing capacity and the cost of purchasing a property will be even greater.

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. As of April 2023, the Revenue Commissioners had received a total of 97,904 applications. Of these, 40,411 Help to Buy claims had been made, of which 39,615 were approved. The estimated total value of approved Help to Buy claims to date is in the order of €819.2 million.

The SCSI continues to recognise the importance of the Help to Buy

4. Central Statistics Office. Residential Property Price Register.

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.

The Help to Buy Scheme expires in December 2024; 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 imperative that certainty is provided to both purchasers and the property sector on the lifespan of the Scheme.

First Home Scheme

The First Home Scheme, launched in July 2022, also aims to address issues potential purchasers have by providing an interest-free equity stake option to first-time buyers who are unable to purchase new homes at current levels. The Scheme is available nationwide for first-time buyers and certain other people who want to buy a new home but are financially constrained in doing so. The Scheme allows potential homeowners to get up to 30% of the market value of their new property (reduced to 20% if they are also availing of the Help to Buy Scheme). The minimum amount purchasers can receive is 2.5% of the property purchase price, or €10,000, whichever is higher, and the maximum amount is 10% of purchase price or €30k, whichever is higher. The SCSI welcomes the continuation of the Scheme to support increased levels of home ownership, while also emphasising the urgent need to address the underlying cost of delivering new homes to the market. Extending the Scheme would provide continued financial assistance, which would make home ownership more accessible for individuals who may be struggling to save for a deposit or qualify for traditional mortgage loans.

Living City Initiative

The Living City Initiative is a scheme of property tax incentives aimed at the regeneration of certain areas in the historic centres of Cork, Dublin, Galway, Kilkenny, Limerick and Waterford. The scheme will end for all reliefs on December 31, 2027. Only refurbishment and conversion work that is carried out during this time will qualify for relief. The Living City Initiative promotes the revitalisation of historic city centres and subsequently breathes new life into neglected areas. Extending the Initiative would continue the efforts to rejuvenate these urban spaces, thereby attracting businesses, residents and visitors, and preserving Ireland's cultural heritage. The Initiative also promotes sustainable development by encouraging the adaptive reuse of existing buildings rather than solely relying on new construction projects.

This approach reduces the strain on resources, minimises environmental impact, and promotes more efficient land use. **Table 2** outlines the cost/uptake for all three elements combined of the scheme nationally between 2013 and 2018 (the most recent year for which data is available).

Table 2: Cost/uptake for the Living City Initiative.

Year	No. of claimants	Max. tax cost (€m)*	Amount claimed (€m)
2018	27	0.2	0.5
2017	20	0.1	0.4
2016	15	0.2	0.5
2015	13	0.2	0.5
2014	N/A	0.1	0.2
2013	N/A	0.05	0.1

**assumed at 40% for IT and 12.5% for CT.*

The SCSI continues to recommend that a proactive approach is taken to address vacant buildings in towns and cities to revitalise these areas. Given the percentage of vacant buildings in Ireland, significant consideration should be given to further extending this scheme and resourcing local authorities accordingly.

The challenges and financial viability of renovating vacant and derelict buildings is discussed more thoroughly in the SCSI's recent 'Real Cost of Renovation Report: Vacant and Derelict Properties for

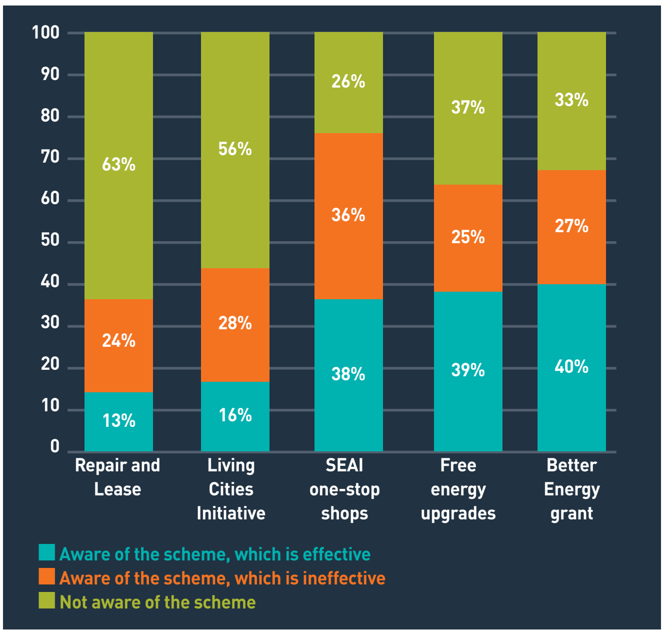

FIGURE 1: Awareness and effectiveness of building renewal schemes. Source: SCSI research.

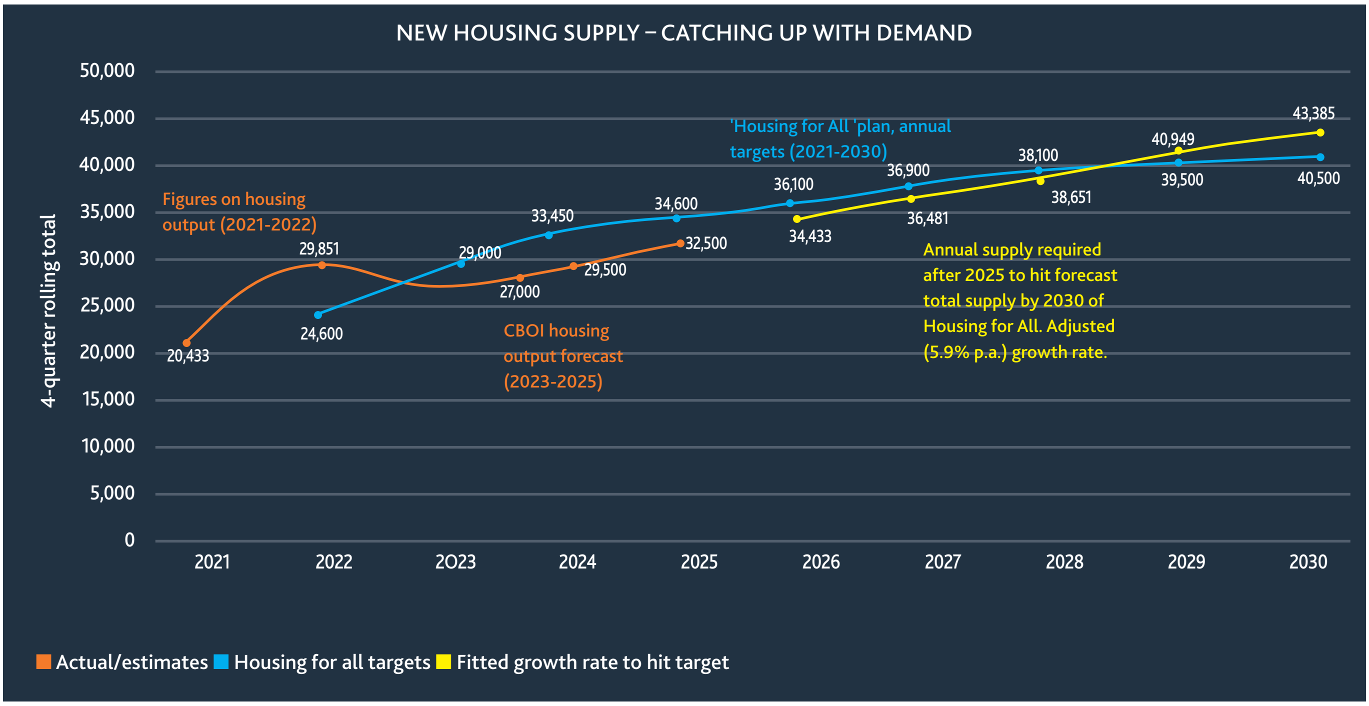

FIGURE 2: 'Housing for All' to 2030 – fitted growth rate to achieve target. Source: SCSI research.

Residential Use'. Some 56% of surveyors who participated in the member survey for that report outlined that they were not aware of the Living City Initiative (**Figure 1**). Therefore, apart from extending the scheme itself, the Government should also give increased priority to promoting its existence to increase its potential uptake.

Repair and Lease

The Repair and Lease Scheme is a Government initiative designed to encourage the restoration of vacant properties for the purpose of providing social housing. By providing financial assistance and a guaranteed rental income from local authorities, the Scheme aims to motivate property owners to revive their vacant properties.

The Scheme provides advantages for both property owners and tenants. Property owners receive financial support to renovate their vacant properties, enhancing their marketability and securing reliable rental income. Meanwhile, tenants benefit from increased access to affordable options within the social housing sector.

According to recent metrics, the Government fell short of meeting its social housing targets in 2022 by nearly 7,000 units. Extending the Repair and Lease Scheme would aid Government in bridging the gap between its annual social housing targets and actual overall output.

The SCSI continues to advocate for the sufficient availability of grant funding to owner-occupiers to renovate vacant and derelict buildings. The SCSI's 'Real Cost of Renovation Report' also highlighted that 63% of surveyor participants were unaware of the Scheme's existence (**Figure 1**), meaning that there also needs to be increased promotion of the initiative and its associated benefits.[5]

Viability

Increasingly in Ireland, a viability gap exists between the construction cost and the market price of housing for builders. This gap is significantly affecting the Government's ability to meet its targets within 'Housing for All'. While initiatives have been introduced by Government to help bridge this gap and activate increased supply, the adoption of a longer-term approach is needed. Residential construction costs have remained high and these need to be addressed to allow a functioning housing market in Ireland.

While a developer may wish to proceed with a lower margin level, this is often not possible due to the funder's minimum lending requirements. As such, housing delivery is intrinsically linked to viability, and therefore increasing construction costs that threaten viability will likely result in projects being paused or even cancelled. **Figure 2** outlines the number of housing units required on an

5. SCSI Real Cost of Renovation Report – https://scsi.ie/renovate/.

annual basis to address the yearly shortfall of delivering the 33,000 housing units within the Housing for All plan, based on existing new housing completions. The SCSI estimates that based on current new housing completion projections, there will need to be an increase of almost 5.5% in new home output each year to 2030 to meet overall 'Housing for All' targets.

Reducing costs of construction

Increased construction costs are causing significant uncertainty in the construction sector and, in many instances, projects are being paused or cancelled as they are no longer financially viable. The SCSI has several recommendations to improve the overall viability of projects, which includes the removal of soft costs on development such as high road closure fees, development levies, local authority licensing fees and other duties. The SCSI welcomed the removal of development contributions in April 2023 but further measures are needed to enable increased viability for these projects.

The impact of the proposed concrete levy is contrary to the need to drive down construction costs to ensure housing delivery, as it directly increases building costs. While the SCSI understands that the Government intends to seek a contribution from relevant stakeholders to the cost of remediating defective homes, the introduction of a levy on concrete blocks and concrete pouring will undoubtedly challenge the viability and affordability of new homes. It is worth noting that the viability of any scheme is dependent on its input, e.g., sales, site, construction costs and other costs. To assess the viability of a scheme, a profitability measure used is the internal rate of return, which should demonstrate that the allocation of capital investment provides an expected return. The rate reflects the risk in the sector and this will vary from site to site, depending on the risks involved in the development.

Residential Tenancies Board

There are several challenges that are negatively impacting Ireland's private rental market, such as rental inflation, the exodus of landlords from the market, inadequate security of tenure and non-compliance among landlords and tenants. These challenges also impact on the role of the Residential Tenancies Board (RTB).

The RTB's current adjudication process needs to be heavily improved upon as it is lengthy and inefficient. The SCSI advocates for the establishment of a special department that solely oversees and manages the dispute and adjudication process. Further information regarding the obstacles facing the RTB, along with associated recommendations, can be found in the SCSI's 'Submission on RTB Statement of Strategy for 2023-2025'.

Residential tenancy amendments continue to be introduced without adequate enforcement or balanced supports for landlords and tenants. The SCSI's view is that private tenants have inadequate security of tenure and landlords have inadequate supports to address non-performing tenants.

The RTB requires considerable investment to tackle these issues. Specifically, investment in effective technology and human resources should be a priority, so that the organisation can respond to the growing and changing needs of the market. There needs to be further investment in resources and training to ensure that there is consistency regarding administrative competence.

A responsive registration and complaints-handling process is crucial to improve the landlord-tenant customer relationship, and instil more trust in the regulation.

Rental market

The residential rental market plays a crucial role in providing housing in Ireland. However, similar to the sales market, the rental market is currently experiencing a scarcity of available properties, leading to increased rental prices nationwide. This situation puts pressure on the market and affects both private landlords and larger investment funds.

An alarming trend in recent years has been the exit of many small private landlords from the rental market, which has further contributed to the shortage of available rental properties, particularly in rural areas where larger organisations are less likely to invest. SCSI agents, who regularly engage with landlords putting their rental properties up for sale as they exit the market, consistently rank the complexity of rental legislation as the primary reason behind this exodus. To reverse this trend and increase the future rental stock, it is crucial to overhaul and simplify the Residential Tenancies Act and its subsequent amendments, to ensure that adequate support and realistic regulations are in place to effectively govern the sector.

Moreover, the ongoing rise of digital platforms for the short-term rental of homes necessitates sufficient funding to enable effective compliance audits. The current regulations governing the acceptable use of residential properties for short-term lets are inadequate and require updating. Policing and supporting this sector are essential to identify non-compliant unit owners who rent out homes for short-term holiday lets. This practice has a significant impact on the availability of long-term rental accommodation, as units are being removed from the market.

In summary, addressing the challenges in the current residential rental market requires a comprehensive approach. Revising and simplifying rental legislation, providing support for small landlords, and enhancing regulations for short-term lets are vital steps to ensure an adequate supply of rental properties in Ireland. The SCSI calls on the Government to carry out a holistic review of the rental sector and its governing legislation.

In the short term, the SCSI advocates that further taxation measures are introduced to entice smaller landlords to remain in the market and continue to offer tenancies to both private and social tenants. Such tax measures would need to be of a larger magnitude than what was announced in Budget 2023. The increase in pre-letting expenses for landlords from €5,000 to €10,000 per property, and the halving of these from 12 to six months, have not had the desire effect of retaining landlords. According to RTB research, 10% of small landlords are expected to sell their investment by 2026.[6] The research also identifies that approximately 25% of small landlords report their pre-tax income to be less than their costs. Private landlords can pay up to 50% marginal tax rates on rental income and the SCSI is calling on the Government, within a wider review of the rental sector, to introduce provisions to reduce this overall tax burden to entice landlords to remain in the market, but executed in a way that also provides for more affordable rental costs for tenants paying high rents.

The Rent Tax Credit of €500 per annum for renters in the private rented sector, introduced in Budget 2023, should be doubled to €1,000 to mitigate some of the rental inflation experienced over the past 12 months.

Social housing

The SCSI emphasises the urgent need for a review of public procurement procedures for social housing to enhance efficiency in its delivery. Despite the Government's increased efforts, the number of units delivered was 6,500, well below the 9,000 target. There are fundamental issues in public housing delivery that have led to significant procurement delays, resulting in additional design and other associated costs. The SCSI has previously highlighted such concerns regarding Ireland's public procurement processes, citing their onerous nature,

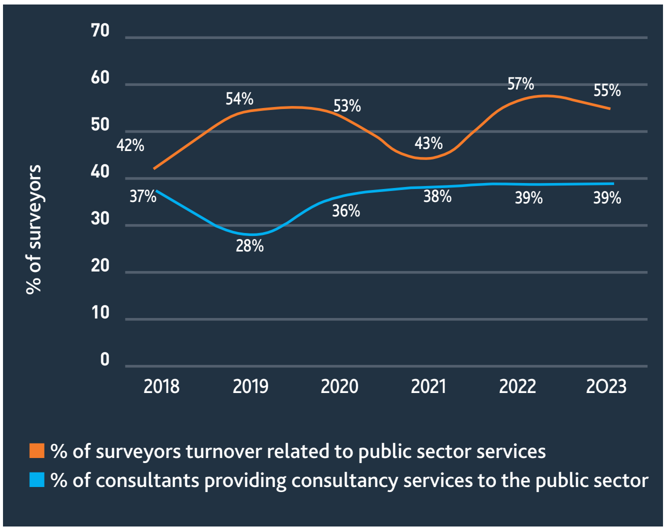

FIGURE 3: SCSI/PwC Construction Market Monitor – public sector procurement. Source: SCSI research.

exclusionary qualifying criteria, poorly defined project briefs, unrealistic budgets, limited client understanding of construction complexity, inadequate collaboration with supply chain members, and suboptimal risk transfer mechanisms. As a result, fewer contractors participate in the tendering process, reducing market competition and potentially compromising value for taxpayers. The latest results from the SCSI/PwC Construction Market Monitor highlight that 55% of surveyor respondents provide consultancy services to the public sector (**Figure 3**). While this monitor tracks a wide range of public sector competitions, it is positive to see that the level of participation is at least being maintained.

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. It is crucial to provide appropriate funding for the upskilling of staff to all local authorities, enabling them to meet their delivery targets and improve overall efficiency.

Vacant property for housing

The SCSI's recent 'Real Cost of Renovation Report' examines the financial and regulatory challenges of renovating various property types to habitable use.

Some of the recommendations from the report have already been actioned, such as the increase in grants from up to €50k to up to €70k, and the expansion of the scheme up to and including pre-2007 homes and rented homes. Given the complexity of these

6. Residential Tenancies Board. Rental Sector Survey – Small Private Landlords 2021 Report.

renovations, the SCSI is calling on the Government to consider the inclusion of a feasibility/viability grant to assess the overall viability of a project. This mechanism will inform the level of grant funding required to renovate a property for homeowner use and protect State funding so that a project can be renovated in full. Some properties may already be in ownership with no acquisition overhead, and others may need to be purchased to renovate. A feasibility study could provide a more equitable tailored solution for individual renovations.

The SCSI also calls on the Government to make grants available in tranche payments rather than at the end of a renovation, as many may not have the funding in place to start a project.

Water and wastewater connections

The challenges with Uisce Eireann and the ESB include difficulties in accurately predicting overall connection costs for developments. Although these costs have been removed until March 2024, significant connection delays not only hinder the completion of projects but also have a ripple effect on various aspects, including financing, resource allocation, cash flow delays, and more. It is essential to find immediate solutions to address these issues, which may include providing additional financial support to Uisce Eireann.

The SCSI recommends that further financial resources are made available to attract and retain appropriate skilled staff to the organisation, many of whom could be recruited from previous water departments within local authorities, which managed water services prior to the establishment of Uisce Eireann.

Multi-unit developments regulations

The past 20 years have seen strong growth in apartment living, with 9,166 apartment units built in the last three months of 2022, which is an increase of almost 80% year on year. Also, according to recent CSO data,[7] there was an annual rise of 14% in the number of multi-unit developments receiving planning permission.

Now more than ever there is a strong Government interest in more compact growth within our urban centres. With ongoing urbanisation and a move to greater housing densities, growth in the number of apartments and multi-unit developments (MUDs) is likely to continue in the coming decades. Since the inception of the Multi Unit Development Act in 2011, there have been ongoing challenges for owners' management companies (OMCs) regarding the collection of service charges and the maintenance of a sinking fund. While making recommendations for improvements to the sector, the SCSI draws its knowledge from its members, who are on the coalface regarding the management of MUDs.

There is considerable evidence that the majority of OMCs and MUDs face large shortfalls in providing for future investment needs. The SCSI recommends the allocation of funding for the establishment of a national authority to support and oversee OMCs. This national authority will aim to implement reforms that would include supporting service charge collection, establishing sinking funds, mediation, and establishing a register of OMCs in Ireland.

7. Central Statistics Office. Planning permissions Quarter 4 and Year 2022 – CSO Planning Permission Data.

Recommendations

Policy area	Recommendations	Impact
Reducing costs of construction	Priority should be given to maintaining focus on addressing increased construction costs within the control of Government.	Adopting measures to address increased construction costs offers benefits such as improved housing affordability, increased housing supply, economic growth, employment, investment opportunities, infrastructure development, and enhanced competitiveness/innovation.
Help to Buy	Longer-term announcement required regarding the lifetime of the Scheme to bring more certainty to the development sector.	Reduce stop/start impact of the Scheme and its continuation.
RTB adjudication process	Establishment of a special department that solely oversees and manages the dispute and adjudication process.	A department that specialises in this area can develop streamlined procedures, implement effective case management systems, and allocate resources specifically for handling disputes, which leads to faster resolution of disputes and reduces the backlog of cases.
Rental market monitoring	Adequate budget should be provided to increase auditing of the rental market to ensure overall rented compliance and address short-term lets without the necessary permissions. Aimed to increase the number of units for rent on the market.	Increased auditing of the rental market ensures greater compliance with regulations and enhances accountability among landlords and tenants. Conducting thorough audits will allow the RTB to identify any non-compliance issues, such as unlawful rental practices or failure to meet safety standards, and take appropriate actions to rectify them, which promotes a fair and transparent rental market for all parties involved.
Renovating vacant units for residential use	Introduce a feasibility grant to ensure best allocation of funding and approach for the full renovation of units, and payments to be made available earlier in tranche payments.	Protect State money and more targeted allocation of funding to assist renovators.
Sustainable planning	Further consideration should be given to the development of an overall budgeting account and dedicated department to tackle biodiversity loss and climate change.	Integrating biodiversity and climate change considerations into planning ensures that new housing developments are designed and

Recommendations

Policy area	Recommendations	Impact
		implemented with a focus on environmental protection, which includes preserving and enhancing biodiversity, reducing greenhouse gas emissions, and promoting sustainable land and resource management practices.
Water and wastewater connections	Steps to be taken to resolve connection delays promptly, ensuring a more efficient and streamlined process for water connections.	Resolving connection delays enhances the overall business environment and attractiveness for investment. Reliable and timely access to water and wastewater services is crucial for various industries. By improving connections, Ireland can foster economic growth, attract investment, and create job opportunities.
Local authorities	Further financial resources should be made available to attract and retain appropriate skilled staff to local authorities to deliver social housing projects.	Improve delivery numbers of social housing.
MUD regulations	Financially support the establishment of a national authority to support and oversee OMCs.	Provides guidance, support and oversight to OMCs, ensuring that they operate efficiently and effectively. Helps establish standardised practices, codes of conduct, and best practices for OMCs, promoting good governance and enhancing the management of MUDs, which can lead to better decision-making, transparency, and accountability within OMCs.

SECTION 3:
ENVIRONMENT

National Residential Retrofit Plan

The National Residential Retrofit Plan was announced in 2021 as part of the Climate Action Plan. The Plan outlines how the Government will deliver its residential retrofit targets. The main objectives of the Plan are to retrofit 500,000 homes to a Building Energy Rating (BER) of B2/cost optimal or carbon equivalent, and install 400,000 heat pumps in existing premises to replace older, less efficient heating systems by the end of 2030. According to the Plan's desired delivery trajectory, the projected cumulative number of home energy upgrades to be delivered between 2019 and 2025 is 185,000, and of these over 83,000 will be to a B2/cost optimal level. According to the Sustainable Energy Authority of Ireland (SEAI), there were 27,199 property upgrades in 2022, and 8,481 of these properties successfully achieved a BER B2 rating, meaning that the Government has delivered approximately 1.7% of the 500,000 target for 2030. Regarding the Plan's desired delivery trajectory, 18,527 homes were upgraded to a B2 energy rating between 2019 and 2022. There would need to be approximately 21,500 upgrades per year between now and 2025 to reach this target, which would be around a 40% increase to the rate of delivery achieved in 2022.

The recent SCSI/PwC 'Construction Market Monitor Report 2023' found that the availability of finance/lack of sufficient grant funding is the primary barrier to achieving the 500,000 residential retrofit target by 2030, as can be seen in **Figure 4**. The current grants administered through the SEAI have been vital in delivering an

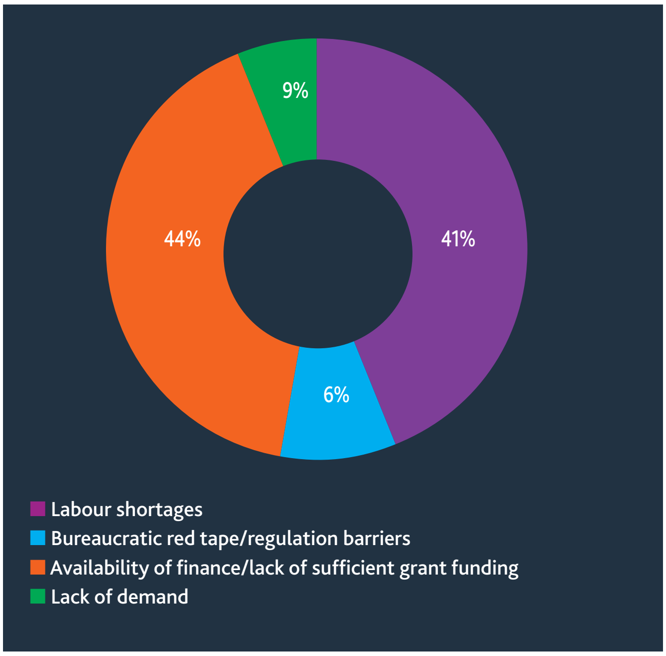

FIGURE 4: Retrofitting challenges. Source: SCSI research.

increased number of retrofits to the residential market. However, there needs to be increased grant funding to make more projects financially viable, and this funding could be made available in earlier stages to allow for works to commence and tackle issues with cash flow.

Additionally, 41% of surveyors who participated in the SCSI/PwC Construction Market Monitor 2023 survey claimed that labour supply shortages are negatively impacting on retrofit projects. Respondents found that it is exceptionally difficult to acquire skilled labour, particularly specialist skilled trades in sustainable technology. Solas continues to make advances in the area of upskilling labour in the area of retrofitting; however, apprenticeship rates and the ageing construction workforce are areas of concern highlighted by Chartered Surveyors.

The SCSI is therefore recommending that the Budget allows for financial incentives to further entice new entrants to the construction workforce to manage current and future expected increases in construction activity. By way of another example, a recent SCSI report highlighted a growing deficit in the number of surveyors available within the property, land and construction sectors. Ireland is facing a shortfall of almost 1,100 surveyors over the next four years if the economy grows by 4% per annum. The SCSI warns that this is a conservative estimate, and that the shortage of qualified graduates will put further pressure on the country's ability to address the housing crisis.[8]

Circular economy

The financing of retrofit projects is an important matter, which becomes significantly more nuanced when assessed through a circular economy lens. The overarching purpose of integrating circular economy principles into such projects is to promote sustainability while keeping materials at the highest value possible. In the case of a building, this equates to retention and retrofitting measures. Given the ongoing climate crisis, it has become increasingly necessary to promote sustainability within the housing and construction sectors.

To integrate circular economy principles into retrofitting projects, there must be consideration of how to keep the components and materials that are used at the highest value possible. The retention of materials results in lower greenhouse gas emissions from production and transportation (initial embodied carbon) than from replacement of materials.

A circular economy approach would make it easier for homeowners to execute upgrades. Through on-site manufacturing, waste streams would not be contaminated and thus could be recycled through potential take-back schemes. Integrating circular economy

8. SCSI Employment Remuneration & Workplace Report 2023.

principles into the existing retrofitting sector would require large-scale upskilling of the current workforce.

The Government Circular Economy Strategy 2022-2023 is a clear roadmap to establishing a framework for all sectors to become more sustainable.

The SCSI advocates for additional funding to support the circular economy, further integrate it into the retrofitting sector into 2024, and to finance research and innovation.

The Local Authority Prevention Network (LAPN) was established by the Environmental Protection Agency (EPA) in 2009 as part of the National Waste Prevention Programme (NWPP). Its aim is to support local authorities to develop sustainable solutions for their regions in Ireland's move towards a low-carbon and circular economy.

The 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. Increased funding should be allocated to the LAPN and similar projects, to promote circular economy principles in Ireland's housing and construction sectors so that the Government can continue in decarbonising its grid.

Biodiversity

In 2020, the SCSI declared a Climate and Biodiversity Emergency. It highlights a significant concern regarding our resource usage as a global population. To illustrate the severity of the issue, consider this: if every individual on Earth adopted the lifestyle of an average Irish person, it would necessitate the existence of three planets to sustain such excessive consumption. Addressing this overconsumption is imperative to safeguarding our planet's ecological balance.The Citizens Assembly on Biodiversity Loss published its report and presented it to the Government in April 2023, containing over 150 recommendations. The SCSI shares the concerns raised in this report and is joining the call to Government to do more to reverse the human impact on our natural environment. While the Government has primary responsibility for implementing these recommendations, the responsibility does not end with Government. In the SCSI's Emergency Declaration, we invited our members to be signatories and join the cause. The Emergency Declaration calls on members to raise awareness of the climate and biodiversity emergencies, and the urgent need for mitigation and adaptation action among us, our colleagues, employees, clients, peers, collaborators, and supply chains. We advocate for faster change in our industry towards regenerative practices, and commit to sharing knowledge and research on an open-source basis, to address the climate and biodiversity emergencies.The SCSI is calling on the Government to implement and finance the recommendations of the Citizens Assembly report, as called out in our recommendations.

Recommendations

Policy area	Recommendations	Impact
Retrofit training	Increased funding for retrofit training to successfully cultivate a workforce that is capable of successfully overseeing and executing retrofitting projects.	Helps develop a skilled workforce specialised in retrofitting techniques and energy-efficient technologies, which ensures that there are enough trained professionals available to meet the growing demand for retrofit projects in Ireland.
Circular economy	Additional funding for supporting the circular economy, and further integrating it into the retrofitting sector, to finance research and innovation.	A circular economy approach would make it easier for homeowners to execute upgrades, which would promote sustainability while keeping materials at the highest value possible.
Biodiversity	The State must undertake a comprehensive review of current and future taxation and levy policies, regulations and incentives to assess their impact on biodiversity if possible. The State should significantly increase commitments and long-term funding with specific and targeted tax incentives and tax breaks to incentivise and support the regenerative economy, green technology and biodiversity activities. The State should establish a framework for corporations and large businesses, as major users of natural resources, to provide financial contributions to fund the conservation and restoration of biodiversity. Local authorities are uniquely placed to deliver biodiversity projects. Biodiversity funding and staff resources in local authorities must be significantly increased. Local authorities must be accountable and report on their biodiversity activities. Current resources must be enhanced, and biodiversity given greater priority in the councils' activities. The State must introduce tax incentives and grants for capital investment in retrofitting existing buildings with biodiverse initiatives (roof gardens, vertical gardens, etc.).	An integrated plan to reverse the impact on biodiversity in rural and urban areas.

SECTION 4:
COMMERCIAL PROPERTY

Capital Gains Tax

The SCSI examines the current state and future potential of the commercial property sector and evaluates the development land sector to formulate its recommendations. Currently, Capital Gains Tax (CGT) stands at 33%. The SCSI proposes the implementation of a rebate that lowers this rate to 8% specifically for development land utilised in the construction of new housing.

Reducing the CGT rate would incentivise developers and investors to engage in the construction of new housing, which can help increase the supply of housing units, addressing the ongoing shortage and contributing to improved affordability/accessibility. Increased investment in housing development leads to job creation, increased demand for construction materials and services, and overall economic growth. It also stimulates economic activity in the construction and real estate sectors. A more favourable CGT rate for development land would make Ireland an attractive destination for both domestic and international investors, which would result in increased capital inflows.

Lowering the CGT rate for development land focused on housing also aligns with Ireland's sustainable development goals. It encourages the utilisition of available land resources for residential purposes, promoting efficient land use and urban planning practices. While the CGT rate is reduced, the increased economic activity and higher volume of housing transactions can lead to a broader tax base, which can potentially offset the revenue impact of the lower CGT rate, or even result in increased tax revenue in the long term.

Stamp Duty

Non-residential Stamp Duty rates in Ireland have undergone several increases in recent years. Initially set at 2%, the rate rose to 6% with the enactment of the Finance Act 2017, and further increased to 7.5% in October 2019. This higher rate of taxation is primarily attributed to increased activity and investment in the commercial sector, particularly in office and industrial properties. However, the Covid-19 pandemic has adversely affected sectors such as office and retail, leading to challenges in sustaining their activity levels.

The commercial property sector has faced significant challenges, particularly due to the impact of the Covid-19 pandemic. Increasing Stamp Duty rates could hinder the sector's recovery and impede its ability to adapt to the changing market conditions. Allowing the sector to rehabilitate without additional tax burdens can foster stability and growth. It is also important for Ireland to remain competitive in the international market, as it continues to compete with other countries for foreign direct investment and businesses considering expansion. Excessive Stamp Duty rates can make Ireland less attractive compared to other countries with more favourable tax environments. Refraining from further Stamp Duty increases will enable Ireland to maintain its competitiveness and encourage investment in the commercial property sector.

The SCSI has consistently highlighted the limited impact of this transactional tax on the overall revenue of the Exchequer. During the recession, when residential and commercial transactions were significantly reduced, the tax's contribution to overall income was minimal. The SCSI expresses concerns that an increasing reliance on transactional taxes in future budgets may introduce unpredictability in tax revenue streams. The recent rise in Stamp Duty directly affects all aspects of commercial property across different regions. The SCSI advocates against further increases in Stamp Duty for non-residential properties in the upcoming Budget cycle. The sector is still in the process of recovering from and adjusting to the volatility caused by the pandemic. Upholding the current rate of non-residential Stamp Duty can facilitate sector rehabilitation, mitigate volatility, maintain competitiveness, stabilise revenue streams, and promote a balanced commercial property market.

Land value sharing and land register

The land value sharing (LVS) proposal highlights that zoning benefit generally accrues to the original landowner who owned the land at the point of zoning, or in some cases to subsequent landowners who purchase the land and seek to maximise the return on their investment by gaining consent for development and/or selling the land onwards for an increased price over that paid on purchase. The proposed Bill (the Land Value Sharing and Urban Development Zones Bill 2022) states that this "leads to competition for land and 'speculation' in the market, which fuels land price inflation and results in higher costs for purchasers of housing built on the lands at the end of the development process, particularly where a viability challenge exist in relation to the development potential of the land, taking into account the price paid for the land".

The SCSI recommends that the Government reconsiders the scheme in its current form as this proposed scheme may add further risk to an already difficult market, and may impact on the residential market with higher prices for home buyers. The proposed 30% charge on the uplift in zoned land values may not have the desired effect of reducing land prices, as it can depend on the current ownership status of the land. For example, if the land is owned by a non-developer and the land becomes zoned for residential use, the 30% charge may ultimately be paid by the developer when planning permission is granted and could be factored in during the bidding process. In the case of land already purchased and in the ownership of a developer, which becomes zoned as residential, and where planning permission is subsequently granted, the 30% charge on the uplift in value may have to be applied to the cost of housing delivery, ultimately leading to higher delivery costs in an already high-cost housing environment. It should also be noted that Section 48 and Section 49 levies were introduced to provide the financial contributions needed for a functioning local government, and therefore it is unclear as to the rationale for LVS as an addition. The ownership of land has become – or has always been – desirable given that land itself is scarce, and land ownership has played a significant role in the shaping of modern economies. Lack of information on zoned and serviced land affects the level of understanding within the market in both land and housing. As it stands, partly because of a dearth of important information, housing does not fit well within the current understanding of market theory (i.e., the notion that an increase in supply will result in a reduction in price) because of several factors:

- housing production and finance have been dominated by a smaller number of entities since the economic crash;
- the housing market relies on borrowed funds, which have to be based on predictions of future value (unlike the market for food, for example); and,
- regulation and intervention should focus on reducing uncertainty.

A land price register could reduce the impact of several of these components, and may lead to a better functioning, fairer, more transparent market. The SCSI has long called for the establishment of a land price register. Various reports over the years (including Housing for All) have recommended that, in the interests of better land management, such a register should be developed, but these have yet to be acted upon. The SCSI believes that a land price register would:

- help to implement policies and interventions in a more measured way;
- bring much-needed transparency to an opaque section of the property market in Ireland;
- based on future expectations, it may act as an early warning system for policymakers and allow for targeted State intervention;

- give the State greater certainty in planning for its own infrastructure; and,
- allow for the development of better land registration details, including advancements in mapping and cadastral information.

In relation to the agricultural market, a land price register offers several benefits such as market stability/risk management, accuracy of valuations, and cohesive farm planning. In terms of risk management, a land register would allow for monitoring of market dynamics and trends in agricultural land values, thus enabling policymakers and agricultural stakeholders to identify potential risks, such as land speculation or fluctuations in prices, and take appropriate measures to manage these. The register would also assist in determining accurate valuations of agricultural land for purposes including taxation, rental agreements and land leasing. Additionally, access to reliable data on land prices can help farmers to evaluate the feasibility of expanding their operations, acquiring additional land, or assessing the financial viability of investments. The SCSI recommends adopting a land price register as it will promote transparency, support evidence-based decision-making, and ensure fairness in land transactions and policy development. It will ultimately contribute to efficient land management, improved urban planning, and a more sustainable and equitable approach to the use of land resources.

Recommendations

Policy area	Recommendations	Impact
Capital Gains Tax	Implementation of a rebate that lowers the CGT rate to 8% specifically for development land utilised in the construction of new housing.	A more favourable CGT rate for development land would make Ireland an attractive destination for both domestic and international investors, which would result in increased capital inflows.
Stamp Duty	No further increases in Stamp Duty for non-residential properties.	This will enable Ireland to maintain its competitiveness and encourage investment in the commercial property sector. Allowing the sector to rehabilitate without additional tax burdens can foster stability and growth.
Land price register	Fund the adoption of a land price register to promote transparency, support evidence-based decision-making, and ensure fairness in land transactions and policy development.	Contribute to efficient land management practices, improved urban planning, and a more sustainable and equitable approach to the use of land resources. In relation to the agricultural market, a land price register poses several benefits such as market stability and risk management, accuracy of valuations and cohesive farm planning.
Land value sharing	The SCSI recommends further engagement with stakeholders, particularly those such as the SCSI who are custodians of the global Red Book standard, to ensure that the process is fit for purpose.	Reduce the risk of unforeseen or unintended consequences impacting on the land market and/or adding costs to the delivery of new homes.

CONCLUSION

The markets within property, land and construction have gone through some turbulent times with the impact of Covid and high inflation following the conflict in Ukraine, and therefore it is imperative that Budget 2024 builds confidence and trust to ensure that there is continued and increased investment to meet important commercial and residential targets.

In conclusion, this Pre-Budget Submission provides a comprehensive roadmap for sustainable economic development, social inclusion and environmental stewardship. By implementing the recommended strategies and priorities outlined in this Submission, the Government can lay a solid foundation for a prosperous and resilient future.

ThinkMedia.ie

SCSI 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