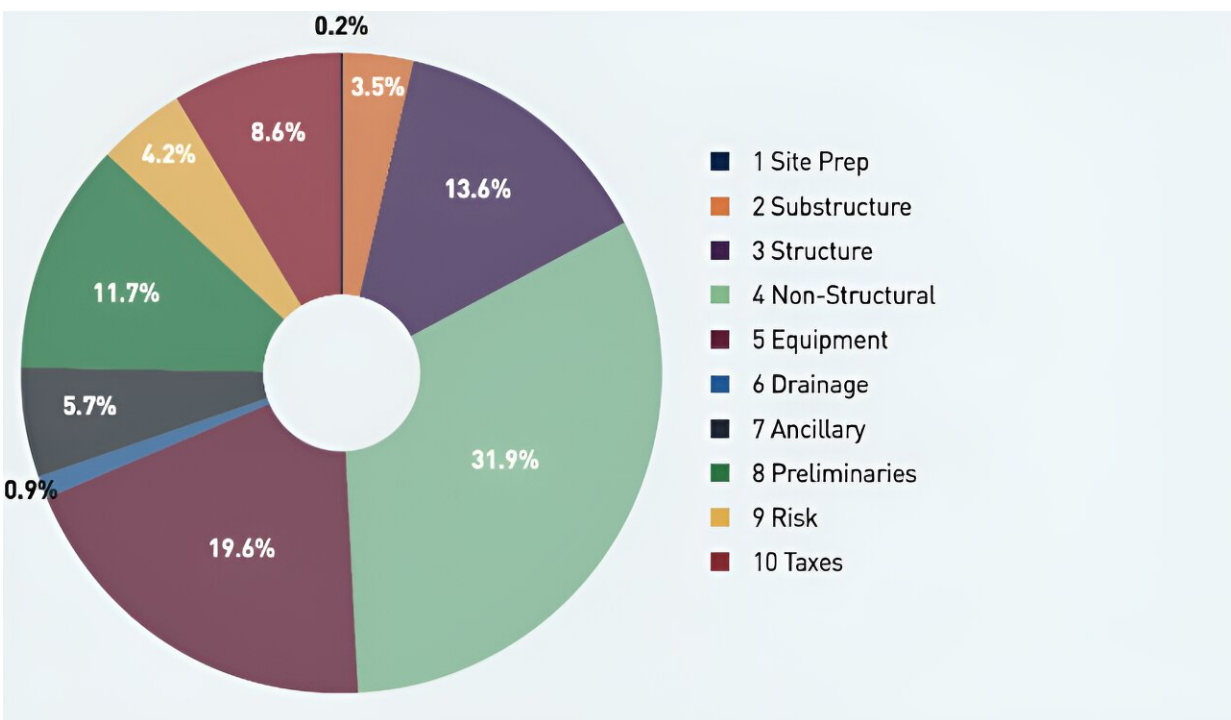


New research finds Dublin is second most expensive European city in which to build apartments

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Overall contribution of ICMS3 Groups to average cost of apartment construction across 10 cities. Credit: <https://www.tcd.ie/media/tcd/news-images/SCSI-TCD-Building-Homes-Report.pdf>

Dublin is the second most expensive place to build apartments, after Zurich, according to a [new construction cost report](#) covering 10 cities

across Europe published today by Trinity College Dublin and the Society of Chartered Surveyors Ireland.

The Building Homes Report found the cost of building an apartment was €2,363 per square meter, just over €300 higher than the average across the 10 cities surveyed, of €2,057 per sqm.

Zurich was the most expensive of the 10 cities, at €2,866 per sqm, a level of cost notably above the other cities, while the Estonian capital of Tallinn was the cheapest at €1,367 per sqm.

One of the most surprising findings of the [report](#) was that Belfast, the second largest city on the island of Ireland, emerged as the second cheapest location in which to build apartments. The cost per square meter there was €1,755.

The report, which includes both "hard" and some but not all "soft" costs, is the first to use International Construction Management Standards V3 (ICMS3) to compare [construction costs](#), across multiple markets.

To do this, it employs a "traveling box" exercise, where a specific apartment block is priced across different cities. This means that the quantities involved across nearly 80 elements are held constant, enabling a systematic comparison of costs, on a like-for-like basis, to be made across locations.

In this case, the chosen development was a block of 39 apartments over seven stories, most of which were two-bedroom apartments.

After Zurich two other groups emerge. The second, which had costs closer to but still above the average, included three British cities (Birmingham, Manchester, and Glasgow) as well as Dublin and Stockholm. In this group, the per-square-meter cost varied from €2,079

to €2,363.

The final grouping had costs below the average and included Amsterdam, Belfast, Brussels and Tallinn, where the per-square-meter cost varies from €1,367 to €1,823. There was a significant gap between Tallinn and the next cheapest city, Belfast, with the cost per square meter in the Estonian capital more than 20% cheaper.

Ronan Lyons, Associate Professor of Economics in Trinity College Dublin, one of the authors of the report, said the findings highlight the challenge of high construction costs in Dublin in particular as a barrier to new housing supply.

"For some time, we have known that Dublin is an expensive place to build housing, with costs per square meter high compared to peer locations. This is something that has affected the ability of the housing system here to build the volume of homes needed. This report is the first to break down that high-level figure into the different components that go into building a home."

"Dublin is somewhat cheaper than the typical city for structural works, typically involving concrete. However, Dublin's high overall cost is due in particular to two headings—services and equipment, which includes heating, power elevators, and non-structural works, which covers things like floors, windows and carpentry."

"Across all cities, the analysis indicates that the price of materials varies far less than more labor-intensive inputs. This means that the cost and productivity of labor in construction plays a significant role in driving overall differences in construction costs. Supply chain considerations appear to be less important, with for example, Belfast—located just over 140 kms from Dublin—one of the cheapest locations among the 10 surveyed."

"Further analysis is required to explore why many other building elements are more costly in Dublin compared to Belfast. In particular, in addition to the role of labor productivity, policymakers need to understand the role played by regulatory specifications and standards, as well as differences in soft costs, in affecting overall viability."

Bryn Griffiths, Vice Chair of the SCSI Quantity Surveying Professional Group Committee and one of the authors of the report said policymakers must look closely at hard costs to better understand differences in residential construction costs across cities.

"This report shows that on average structural costs, non-structural costs and services and equipment make up two thirds of the cost of apartment construction. Some of the soft costs in the report such as preliminaries, risk and taxes make up a further 25%. The more expensive cities such as Zurich and Dublin tend to be more expensive right across the board."

"This survey compared the price of a Swiss apartment block if it were built in the ten cities, and it is clear that this design is architecturally very different to what we would deliver in Ireland. The designs we are using here drive higher costs and we believe if planning policy was to adopt alternative approaches and more flexibility, costs could be reduced in this area."

"Compared to other EU member states, Ireland has a relatively low VAT rate on new construction. If VAT rates were zero, Dublin would rank as the fifth most expensive city, with a cost similar to the British cities included in the survey. This explains some of the differences in costs with Belfast."

"While the report does not advocate the abolition of VAT here it does call on the Government to examine the way zoned and serviced development land is delivered to the market in other European countries."

By doing this we believe it could identify new models for the more cost-effective delivery of key road and utility connections."

"The Government should also consider the findings in the context of adopting additional standardization of housing design and construction in an effort to drive down costs while it should also commission research to examine 'soft costs' across similar jurisdictions and building designs covered in this report to identify additional areas to reduce costs."

"One of the main objectives of this report was to provide a baseline for similar exercises in future years, which could be expanded to include other cities and indeed other property types. There is an opportunity here to better understand costs and to improve the viability and affordability of new homes. We would urge Government to avail of it."

More information: Apartment construction costs in Europe with a focus on Dublin. www.tcd.ie/media/tcd/news-imag...ing-Homes-Report.pdf

Provided by Trinity College Dublin

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