

CONSTRUCTION INDUSTRY TO GROW

- Chartered Surveyors President Predicts Growth Despite Housing Activity Slowdown

The construction industry is strong and strengthening, states the president of the Society of Chartered Surveyors (SCS), even in the face of the apparent softening of the housing market.

Conor Hogan, president of Ireland's largest construction and property industry body the SCS, says that this prediction is based on the evident strength of the non-residential construction sector, which accounts for over 33% of building output. "I see further growth in this area", he declares.

Addressing the Society of Chartered Surveyors Annual Dinner in Dublin today (February 8, Burlington Hotel), Mr. Hogan referred to the findings of recent surveys, namely the SCS / IPD Irish Property Index and the Bank of Scotland / SCS / DIT property poll. Both point strongly to continued growth in the commercial sector – the first shows a massive 27.2% return on commercial property in 2006, while the second found that 94% of surveyor members forecast continued growth, particularly in offices.

"These surveys are proof positive of the healthy state of the property market, and, by extension, the construction industry", he stated, criticising commentators forecasting a gloomy downturn in construction.

In further substantiation of this positive view, Conor Hogan FSCS FRICS BL, a director of Joseph C. Hogan & Sons Quantity Surveyors, spoke of the new National Development Plan. He stressed that the growth in the commercial sector "coupled with the significant investment proposed by the National Development Plan, will more than take up any forecast reduction in the number of dwelling units being built".

In comparing 2000 figures with those estimated in 2006 showing an increase of 43,000 units built, he declared that "I am not surprised that some reduction may occur". "However, although this reduction has been forecast each year for the last three, it is yet to happen", chartered quantity surveyor Conor Hogan told his large audience of a record near 1,500 members and guests.

The Society's Annual Dinner, the largest event on the construction & property industry calendar, saw the biggest turnout ever this year in its long tradition dating back to 1895 with attendance up by yet another 100 to just short of 1,500. This year's Guest of Honour was TV personality and broadcaster Derek Davis.

The SCS president called for Dublin City to adopt a strategy of high density and high rise, saying that the new draft Local Area Plan for Ballsbridge, published by Dublin City Council, should become a blueprint for all areas.

"As a nation, city and society, we need to adopt a radically different approach to the welcome growth pressures that Dublin continues to experience if we are serious about sustainability, reduction of CO2 emissions, reduced commuting times and a better quality of life", said Conor Hogan.

He referred to the recently published SCS Housing Study prepared by Dr. Brendan Williams of UCD, which highlighted the extent of Dublin's continuing sprawl into adjoining counties and the highly unorganised response to date to the city's growth, saying that it could not be allowed to go on.

"A bold vision [is required] regarding density and a move away from single use planning by numbers, which has resulted in mediocre urban design elsewhere", he stated, declaring that there will be no high risk once good vision and design are utilised in high density and high rise construction.

"The opportunity now exists in Ballsbridge and other suitable locations", he said and in welcoming the new Plan, Mr. Hogan announced that the Society would be making a submission on it.

The SCS president went on to address the controversial issue of cost over-runs on construction projects and the Government's new contracts, which come into effect on February 19. He explained that there is a significant difference between construction cost inflation and project inflation, which is much misunderstood. Construction costs are not out of control, it is project costs that are causing the over-runs.

He explained that project inflation is due to add-ons, variations or changes made to a project following its budget agreement, thus increasing the final cost of projects.

“Construction cost inflation is a different animal altogether, similar to the consumer price index”, he said, citing the Society’s Construction Tender Price Index, which shows that in the past 6 years the cumulative increase is just under 20%, slightly lower than that for the cumulative consumer price indices for the same period at 21.7%.

Conor Hogan strongly opposes the ESRI suggestion that Government hold back on certain infrastructure projects so as to minimise risks of overheating. “The Irish construction industry is, I believe, well able to deal with this additional work and has proven its ability to be innovative and competitive”, he declared.

He criticised the government for a breakdown of partnership. “The signs stating that a 5-axle ban comes into effect on February 19 do not, you will be disappointed to hear, concern the banning of the runaway juggernaut that is the new Government Forms of Construction Contract being implemented on that date”.

Mr. Hogan called on the Department of Finance to inform the industry of “what, if any, cost benefit analysis has been carried out on the new contracts”. He stated that the SCS believes that the new contracts will cost the taxpayer far more, saying that “we in the SCS are all for cost certainty, but not any price”.

“These new contracts go against the whole idea of partnering, which is being promoted in other jurisdictions and indeed by our own government in other areas of commercial life. Partnership is a phrase we hear constantly from Government, but unfortunately not in relation to the construction industry, where it appears determined to terminate it”.

“The new contract forms force us into adversarial positions”, he warned. “They go against the whole spirit of partnership under the which the Forum for the Construction Industry was established 10 years ago”.

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Note to editors: The SCS now has over 1,600 qualified members and a further 800 students and probationers. Members include quantity, planning & development, building, rural, and specialist surveyors, as well as general practice surveyors working in the valuation area, countrywide.