

TENDER PRICE INDEX 1998 – 2017

The latest Tender Price Index published by the Society of Chartered Surveyors Ireland shows that construction tender prices are continuing to increase at a consistent rate.

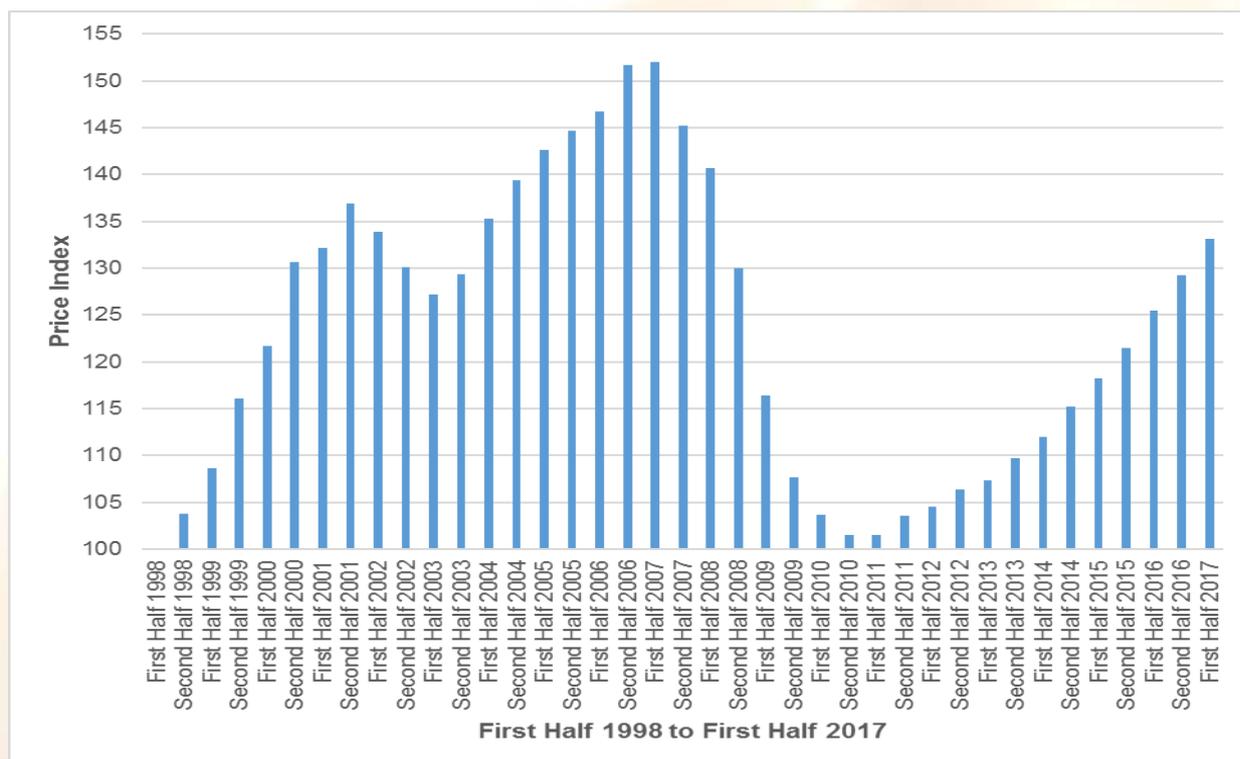
The index for the second half of 2016 is 129.2, an increase of 2.9% from the first half of last year and 6.3% annually.

The Index numbers since 1998 are as follows:

First Half 1998	100.0	Second Half 2004	139.4	First Half 2011	101.5
Second Half 1998	103.8	First Half 2005	142.6	Second Half 2011	103.5
First Half 1999	108.6	Second Half 2005	144.7	First Half 2012	104.5
Second Half 1999	116.1	First Half 2006	146.7	Second Half 2012	106.4
First Half 2000	121.7	Second Half 2006	151.7	First Half 2013	107.3
Second Half 2000	130.7	First Half 2007	152.0	Second Half 2013	109.7
First Half 2001	132.2	Second Half 2007	145.2	First Half 2014	112.0
Second Half 2001	136.9	First Half 2008	140.7	Second Half 2014	115.2
First Half 2002	133.9	Second Half 2008	130.0	First Half 2015	118.2
Second Half 2002	130.1	First Half 2009	116.4	Second Half 2015	121.5
First Half 2003	127.2	Second Half 2009	107.7	First Half 2016	125.5
Second Half 2003	129.3	First Half 2010	103.7	Second Half 2016	129.2
First Half 2004	135.3	Second Half 2010	101.5	First Half 2017 (F)	133.1

The Index is the only independent assessment of construction tender prices in Ireland. It is compiled by the Quantity Surveying members of the Society based on tender returns for non-residential projects during the period in question. It is based on predominately new build projects with values in excess of €0.5m and covers all regions of Ireland. The Index is therefore a measure of average price increases across differing project types and locations. It should be regarded as a guide only when looking at any specific project, as the pricing of individual projects will vary depending on such factors as their complexity, location, timescale, etc.

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The graph above illustrates how construction tender prices have increased steadily since bottoming out in 2010. The annual rate of increase has been between 6% and 6.5% for the last two half yearly periods and we forecast that prices will continue to rise at this level for the first half of 2017. This will bring construction prices back to where they were in 2003/4, so, while the increases are significant, there is still value to be had.

The rate of increase is not uniform across the country, with prices in the Greater Dublin Area increasing faster than elsewhere. Our research shows that in the second half of 2016 prices rose by 3.4% in the GDA compared to 2.5% elsewhere in the country. For the first half of 2017 we are forecasting a similar trend with prices rising at 3.3% in the GDA & 2.8% elsewhere.

The recent increases are largely due to the increased level of activity in the industry now being experienced across most sectors. This has led to a shortage of resources across multiple trades for both main contractors and specialist sub-contractors. Looking ahead, it is unclear how the Irish construction market will be affected by Brexit and also by the new Trump administration in the US. Brexit may have a positive effect in the short term if companies decide to move to Ireland from the UK, while a protectionist regime in the US may slow inward investment from multi-nationals.

With market uncertainty and a continuing increase in tender prices it is ever more important for Clients embarking on building projects of any significant duration to take professional advice from a Chartered Quantity Surveyor about appropriate procurement options and provisions to make for future tender inflation.

The SCSi Tender Price Index will continue to monitor construction tender levels and trends and will publish the results for the first half of 2017 and our projection for the full year early in the second half of this year.

Source: Society of Chartered Surveyors