



May we wish all our clients and colleagues a Happy Christmas and a Prosperous New Year



## AKC-Work Completed UCC Art Gallery

The Lewis Glucksman Gallery was opened by President Mary McAleese on October 15th last. An article in the RIBA Journal stated that it was "astonishing to find a building with so much eloquence and so little architectural bragging". The London Times went further and described the building as "simply the best piece of public architecture in Ireland for decades". Congratulations to UCC for their courage in commissioning the building, to the architects O'Donnell + Tuomey for their outstanding design and to PJ Hegarty for putting all the geometry together.



## Public Private Partnership (PPP)

Should more questions be asked, about the value, to the Irish people of the PPP approach to infrastructure investment. The Auditor General in his report of 28 September 2004 stated that the initial five schools contracted to Jarvis could end up costing up to 13% more than if built by the state. The Auditor General was critical of the Department of Education stating that "at the time it went to the market seeking proposals, it had no reliable benchmark against which to judge the affordability of what the bidders were offering".

In an October 2002 report, the UK National Audit Office stated "Departments need to analyse rigorously whether their PPP projects are delivering the quality of customer service and value for money expected when the contracts were let. Value for money needs to be maintained over the life of these long term contracts. We are very concerned that over one in five authorities consider that value for money from their PPP contracts has diminished, with high prices for additional services an area of concern. As many as 23 per cent of authorities surveyed considered that there had been a decline in value for money in PPP projects after contract letting. It is essential that PPP contracts have appropriate mechanisms in place to ensure that value for money is maintained over the lifetime of a project. Yet only around half of the contracts surveyed had such mechanisms in place. In future all contracts should have appropriate mechanisms, such as benchmarking, market testing, and open book accounting".

Now, Jarvis, recently reported in the press to have financial problems, have passed on the Cork School of Music project to a German Company, Hochtief. The contract for the Cork School of Music was awarded in the spring of 2001, almost 4 years ago and staff and students remain scattered throughout the city in most unsuitable conditions. Speed is supposed to be the essence of PPP.

Notwithstanding, the Minister for Education, on 5th December 2004 announced that a further 18 to 20 post primary schools will be approved for public-private partnerships.

The bid costs for PPP projects are enormous, thus limiting the pool of bidders to a select few. The costs associated with the preparation of the tender documents and the assessment of tenders is very significant because of the additional requirements for highly paid legal and financial experts.

It is not unreasonable to suggest that the State can borrow money as cheaply as, or cheaper, than the private sector. Assuming the government can surmount the EU difficulties with respect to public sector borrowing, should the State not consider procuring these types of projects, using the skills of the private sector in a Design & Build format and retain the funding and long term management within departmental control.

## CSO Population and Labour Force Projections

The CSO in a major report published 15 December 2004 states that Ireland will require a nett 50,000 immigrants each year if economic growth is to be maintained. Contrast this requirement with the statement earlier this year from the Equality Authority that "there has been a remarkable growth in the number of complaints made to it about race discrimination in the workplace".

## Development Contribution Schemes

We have now added the Development Contribution Schemes for Kerry Co Council, Limerick City Council, Limerick County Council, Galway City Council, Waterford City Council and Waterford City Council to the Cost

Data section of our website [www.akc.ie](http://www.akc.ie)

## Budget 2005 and Property

Budget 2005 was a quiet year for changes within the construction sector. The only significant change being to stamp duty rates payable by first time buyers, who are owner occupiers of second hand residential property up to €635,000. The revised stamp duty rates, which will apply to instruments executed on or after 2 December 2004, are set out below.

Aggregate Consideration	Existing first time buyer Rate	New first time buyer rate
Up to €127,000	Exempt	Exempt
€127,001 - €190,500	Exempt	Exempt
€190,501 - €254,000	3%	Exempt
€254,001 - €317,500	3.75%	Exempt
€317,501 - €381,000	4.5%	3%
€381,001 - €635,000	7.5%	6%
Over €635,000	9%	9%

## Social Housing

The Department of the Environment has released figures for social housing completions in the 10 year period to 2003. Within the 34 Local Authority areas the average completion rate was 81% of the authorised starts. A selection from the report is shown below. Meanwhile contractors struggle to achieve Part V agreements with Local Authorities. It begs the question, when Part V agreements are achieved will Local Authorities be in a position to complete them.

	Local Authority	Authorised	Completions	%
1	Galway City	960	1,062	110.63%
2	Longford	768	818	106.51%
3	Waterford County	680	708	104.12%
4	Cavan	813	833	102.46%
21	Cork City	1,995	1,558	78.10%
26	Cork County	3,515	2,594	73.80%
31	Kildare	1,771	1,230	69.45%
32	South Dublin	2,160	1,280	59.26%
33	Dun laoghaire	1,875	1,111	59.25%
34	Fingal	2,015	1,048	52.01%

## In Brief

### Interest Rates

In our Q2 review we noted that Jim Power, economist with Friends First, anticipated a 1.5% increase in Home Loan interest rates before the end of 2004. Well now .....

### Housing in Spain and Australia

Spain is experiencing a boom not seen since the mid-1990s as foreign investment pours in. Part of this upturn is due to increased tourism but is largely shaped by an overall strong economy. House prices have doubled since 1996 and rose by 17% in the first half of 2004 according to the Bank of Spain.

The Commonwealth Bank of Australia has reported that house prices in Australia fell at an annual rate of 13% in the first half of 2004. Not surprisingly this has sent panic through the whole property market in Australia as the boom appears to be ebbing away. These appear to be supported by the Australian Bureau of Statistics who concluded that residential property had fallen at the rate of 1.2% in the second quarter and even more shockingly by 5.4% in Sydney seen by many as the hub and symbolisation of the very essence of Australian development.



**SCS Construction Cost Index** (Source: Society of Chartered Surveyors)

Base Year 1985 = 100

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly % Jan to Jan.
1996	157.1	157.1	157.3	157.3	157.1	157.3	157.3	157.2	158.5	158.7	158.8	158.8	1.85%
1997	160.0	160.6	161.0	162.5	162.6	162.8	164.5	165.1	165.9	166.4	166.5	166.5	4.38%
1998	167.0	167.3	168.0	168.1	169.1	169.3	171.0	170.8	171.0	171.1	171.0	170.8	2.46%
1999	171.1	171.1	171.2	176.8	176.9	177.1	179.0	179.1	182.9	183.6	183.7	183.7	8.12%
2000	185.0	185.5	186.2	186.4	187.0	187.1	187.4	187.5	188.2	210.4	210.4	210.5	14.05%
2001	211.0	211.8	213.2	215.8	215.8	215.8	220.0	227.1	227.2	232.2	232.2	232.1	10.19%
2002	232.5	232.6	231.5	231.5	231.6	231.7	237.6	237.7	237.7	237.7	237.7	242.9	4.43%
2003	237.9	238.0	238.0	242.2	242.2	242.2	242.5	242.5	242.5	242.5	242.5	242.5	1.93%
2004	246.2 (R)	247.8 (R)	249.5 (R)	251.4 (R)	252.7 (R)	253.0 (R)	255.0 (R)	255.1 (R)	255.1	257.8			

Note: (R) = this figure has been revised. The listing from 1987 for this index is available on our website [www.akc.ie](http://www.akc.ie) in the indices section.**DOE House Building Cost Index** (Source: Department of the Environment)

Base Year 1991 = 100

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly % Jan to Jan.
1996	115.9	115.7	115.9	115.9	115.9	116.0	116.0	116.0	116.9	117.1	117.2	117.2	1.81%
1997	118.0	118.5	118.8	119.8	119.8	119.8	120.8	121.0	121.5	122.0	122.6	122.6	4.15%
1998	122.9	123.1	123.8	123.8	124.5	124.5	125.7	125.7	126.0	126.2	126.2	126.1	2.77%
1999	126.3	126.4	126.5	130.5	130.5	130.5	131.5	131.5	134.1	134.7	134.8	134.9	7.52%
2000	135.8	136.1	136.4	136.5	136.8	136.9	137.2	137.2	137.7	153.8	153.8	153.9	13.62%
2001	154.3	154.7	155.6	157.4	157.6	157.7	161.1	165.9	166.0	169.3	169.4	169.3	10.11%
2002	169.9	170.0	169.5	169.5	169.5	167.7	173.8	173.9	173.9	173.9	174.0	174.1	2.53%
2003	174.2	174.5	174.5	177.3	177.3	177.4	177.1	177.2	177.2	177.2	177.2	177.2	2.76%
2004	179.6	179.7	179.9	179.9	180.0	180.2	182.1	182.2	182.2	183.9	184.2		

**CSO Wholesale Price Index for Construction Wages & Materials (WPCM4040)**

(Source: Central Statistics Office)

This index has been rebased to the year 2000, historical index figures are available on our website [www.akc.ie](http://www.akc.ie)

Base Year 2000 = 100

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly % Jan to Jan.
2000	96.1	96.5	96.7	97.4	97.8	98.0	98.0	98.2	98.7	107.4	107.5	107.6	12.38%
2001	108.0	108.4	108.5	110.4	110.4	110.6	112.6	115.6	115.7	117.8	117.8	117.7	9.35%
2002	118.1	118.4	118.4	119.2	119.4	119.4	121.6	121.7	121.9	122.3	122.2	122.2	2.88%
2003	121.5	121.7	121.9	123.8	123.8	123.7	123.7	123.9	123.9	124.3	124.5	124.6	3.62%
2004	125.9	127.1	128.6	130.1	131.0	131.3	132.9	133.4	133.9	135.2			

**CSO Consumer Price Index (CPAM 063)** (Source: Central Statistics Office)

Base Year 1996 = 100

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly % Jan to Jan.
1997	99.5	100.1	100.2	100.3	100.5	100.8	100.7	100.5	101.0	101.2	101.6	101.9	1.81%
1998	101.3	101.8	102.3	102.8	103.2	103.7	103.4	103.7	104.0	104.1	103.7	103.6	1.48%
1999	102.8	103.4	103.7	104.2	104.7	105.0	104.6	105.2	105.6	105.7	105.9	107.1	3.99%
2000	106.9	107.8	108.5	109.3	110.1	110.8	111.1	111.7	112.1	112.9	113.3	113.4	5.24%
2001	112.5	113.5	114.4	115.4	116.1	116.7	116.4	116.8	117.3	117.7	117.6	118.2	4.89%
2002	118.0	118.8	119.9	120.9	121.5	121.7	121.3	122.0	122.6	123.2	123.3	124.1	4.75%
2003	123.6	124.8	125.8	126.1	126.0	126.0	125.1	125.9	126.1	126.0	126.0	126.5	1.86%
2004	125.9	126.9	127.4	127.9	128.1	128.8	128.5	129.2	129.3	129.4	129.7		

**Permanent TSB National House Price Index** (Source: Permanent TSB)

Base Year 2003 = 100

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly % Jan to Jan.
1996			33.7	33.8	34.2	34.6	34.9	35.3	35.5	35.8	35.8	35.7	
1997	36.5	36.9	38.0	38.4	39.0	39.5	39.8	40.2	40.5	41.2	41.7	42.0	16.16%
1998	42.4	43.0	44.0	44.7	46.2	47.8	49.8	51.1	51.8	52.7	53.2	54.6	29.01%
1999	54.7	55.6	56.3	57.1	57.8	58.6	59.8	60.7	61.5	62.3	63.4	64.3	19.56%
2000	65.4	66.1	67.4	68.5	69.8	71.1	72.4	73.9	74.2	75.0	76.4	78.0	20.64%
2001	78.9	79.2	80.2	81.2	81.6	81.8	82.6	83.4	83.2	82.5	82.1	81.5	2.41%
2002	80.8	81.3	82.8	85.2	85.6	86.0	86.4	87.5	88.7	90.0	91.2	92.3	15.10%
2003	93.0	93.8	94.8	96.0	97.7	98.7	99.8	100.6	101.1	102.4	103.6	105.0	13.33%
2004	105.4	106.3	107.1	108.4	108.9	109.9	110.9	112.1	113.2	113.5			

**HPO Tender Index** (Source: Department of Health)

Construction	Q 1	Q 2	Q 3	Q 4
1997	340	355	370	380
1998	385	395	405	415
1999	420	429	438	447
2000	470	485	500	540
2001	570	580	595	605
2002	621	631	640	626
2003	628	628	628	628
2004	628	629	631	632

**SCS Tender Index**

(Source: Society of Chartered Surveyors)

	Jan - July	July - Dec
1998	100.0	103.8
1999	108.6	116.1
2000	121.7	130.7
2001	132.2	136.9
2002	133.9	130.1
2003	127.2	129.3
2004	135.3	