



Chartered property,  
land and construction  
surveyors

# REAL COST OF APARTMENT BLOCK MAINTENANCE

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## EXAMINATION OF SINKING FUNDS

# CONTENTS



Chartered property,  
land and construction  
surveyors

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Published October 2024

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# 1. EXECUTIVE SUMMARY

## 1. EXECUTIVE SUMMARY

This report examines the current challenges with setting aside 'sinking fund' provisions in multi-unit developments (MUDs) in Ireland. The focus of the report is to assess the levels of funds being set aside each year by MUDs, and to compare this with estimated costs for repairing, maintaining and renewing 'common areas' in apartment blocks (e.g., roofs, lifts, balconies and car parking).

Data was gathered from Chartered Property and Facilities Management Surveyors and members of the Apartment Owners' Network (AON) – representing approximately 38,000 units and 495 MUDs. Interviews were also provided by representatives from approved housing body (AHB) Clúid Housing, and from the Land Development Agency (LDA). To gain further insights on MUD maintenance, repairs and renewal costs, nine case studies from Chartered Building Surveyors were provided. The case studies were from Dublin and ranged in size from 18 to 250 units, and from 6-60 years of age.

### Inadequacy of sinking funds

A total of 29% of Chartered Property and Facilities Management Surveyors felt that over half of the MUDs they manage have adequate sinking funds in place. A majority (53%) felt that 30% or fewer of their MUDs had an adequate sinking fund, and 12% felt that none of their properties had an adequate sinking fund. This low percentage indicates a widespread issue of underfunding, potentially leading to significant financial risks for property owners and owners' management companies (OMCs).

### Reasons for inadequate sinking funds in place

Chartered Property and Facilities Management Surveyor members of the SCSi were asked about the reasons behind the inadequacy of sinking funds, and their responses are included in **Figure 8**.

The findings highlight that there is a lack of understanding among unit owners regarding the funding required for repairs, maintenance, and renewing building components. The results also identify that there is a lack of willingness of property owners to pay higher fees, and that there exists improper management/use of the sinking fund by OMCs.

The survey also identified that the average sinking fund contribution provided by unit owners per year is approximately €200 to €300.

### Separate bank accounts for sinking funds

The Multi-Unit Development Act, 2011 (the MUD Act) states that sinking fund contributions made by unit owners shall be held in a separate account. The results from the survey highlight that approximately 13% of MUDs that have a sinking fund in place do not have a separate account as per the MUD Act (**Figure 7**).

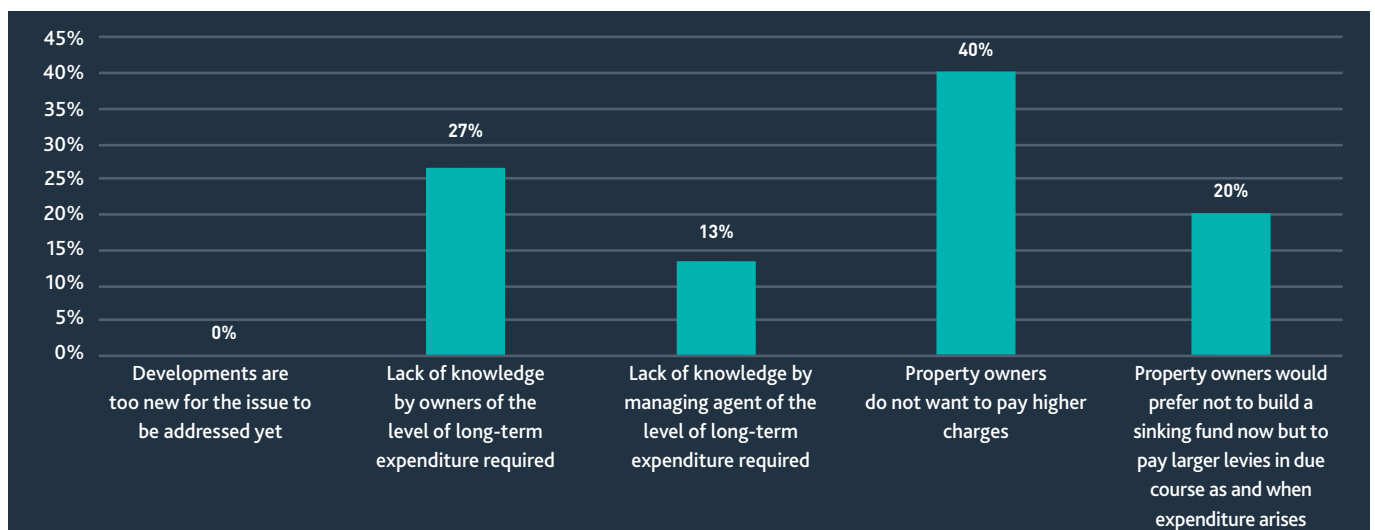


FIGURE 8: Reasons for inadequate sinking funds in place – further details by SCSi Chartered Property and Facilities Management Surveyors.

Source: SCSi research.

# 1. EXECUTIVE SUMMARY

## Lack of use of building investment fund reports

Building investment funds (BIF) reports were described by Clúid Housing as a “crucial tool” for OMCs to understand the long-term financing requirements of the MUD. The report findings suggest that there is a low uptake of BIF reports among OMCs. The proportion of OMCs completing BIF reports, based on the respondents, was between 13% and 31%.

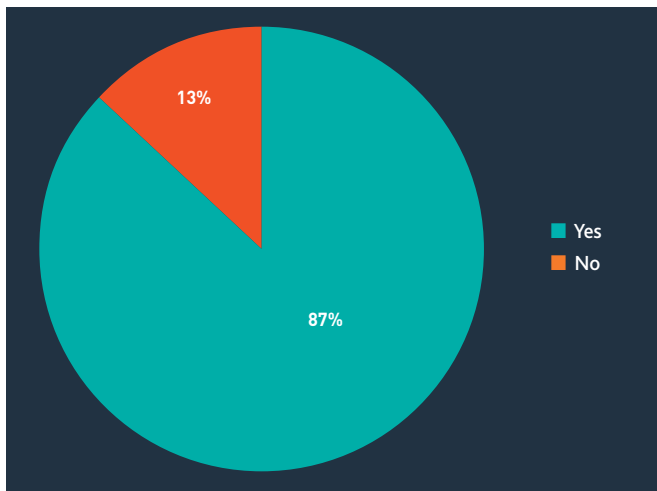


FIGURE 7: Evidence on the existence of a dedicated bank account for sinking funds.

Source: SCSJ research.

The lack of uptake could indicate that a significant number of MUDs do not know the scale of funding required for long-term maintenance and renewal of common areas.

## Reasons why BIFs are not prepared

Some of the key reasons identified for this lack of uptake related to: a lack of knowledge around who would be qualified to complete these reports; that the OMC would not have sufficient funding to complete the report; and, that some believed that unit owners would not accept the higher fees proposed by the BIF report (Figure 11).

When compared to the approximate costs of maintenance and renewal provided by the case studies, the cost per unit (per year) was estimated at between €1,600 and €2,500. This significant shortfall, based on the examples provided in this report, implies serious financial shortfalls for many MUDs into the future.

## Comparison between sinking fund provisions and costs based on BIF reports (per year)

The total costs per unit, per year (including VAT and preliminaries) for each case study were averaged based on the typical number of units in that MUD (Table 7).

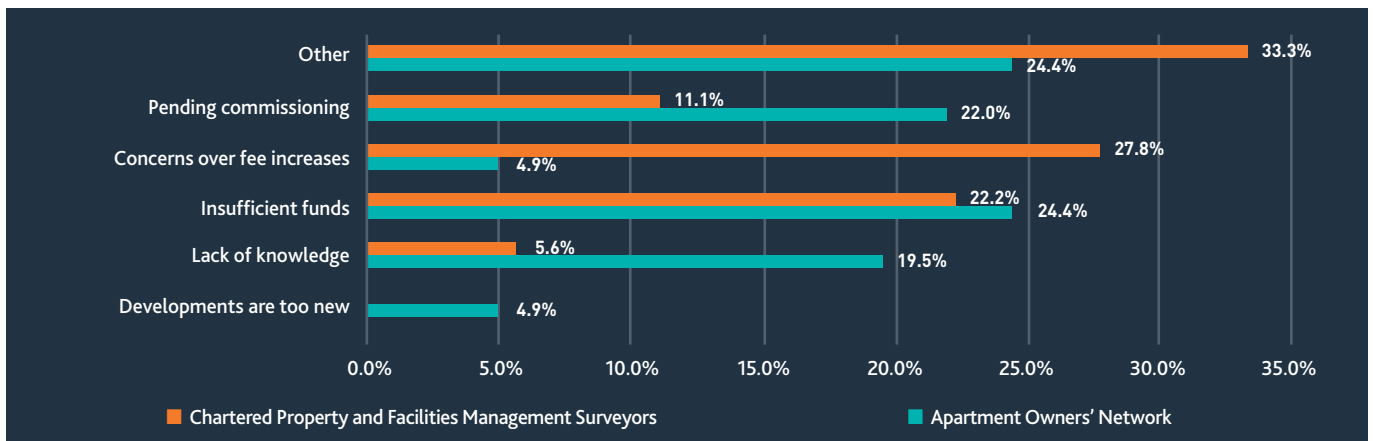


FIGURE 11: Why are building investment fund reports not being prepared?

Source: SCSJ research.

Table 7: Comparison between sinking fund provisions and costs based on BIF reports.

Data source	1-49 units	50-99 units	100-199 units	+ 200 units
Chartered Property and Facilities Management Surveyors' responses (per unit)	€237 per year	€206 per year	€261 per year	€297 per year
Average cost data from BIF reports of similar unit size (per unit)	€2,042 per year	€1,637 per year	€2,459 per year	€2,053 per year
Shortfall of sinking funds per unit	-€1,805	-€1,431	-€2,198	-€1,756

Source: SCSJ Property and Facilities Management member survey. SCSJ Chartered Building Surveyors data from cost template.



## 2. INTRODUCTION

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Multi-unit developments (MUDs) represent a distinct form of housing in Ireland, where unit owners share common property and infrastructure managed collectively by an owners' management company (OMC).



Unlike traditional housing, MUDs require co-ordinated management of these common areas, funded through an annual service charge that includes a provision for future financial costs, known as a sinking fund. This fund is essential for ensuring long-term refurbishment, improvement and maintenance of a non-recurring nature, or advice from a suitably qualified person relating to Section 19 of the Multi-Unit Development Act, 2011 (the MUD Act).

Understanding the complexities of managing MUDs and the challenges surrounding sinking funds is vital for improving public awareness of the financial requirements for these types of housing. The Society of Chartered Surveyors Ireland (SCSI) has previously published insights into these issues in its 2018 report 'Sinking Funds in Apartments – Meeting the Challenge'<sup>1</sup>. This report highlighted key findings regarding the implementation of sinking funds, particularly focusing on the difficulties faced by Chartered Property and Facilities Management Surveyors.

In Ireland, the MUD Act was introduced to protect unit owners within a MUD, but it offers limited guidance on the upkeep requirements or financial planning

for long-term sustainability. The Act mandates that unit owners contribute to service charges and establish a sinking fund provision, mentioning a guideline amount of €200 per year per unit owner or other such amount as agreed by the members of the OMC. However, there remains a lack of mechanisms to ensure that collections can be enforced or that the levied amount is adequately informed, putting the financial viability of the MUD at risk. The SCSI's 2018 report emphasised the need to communicate that the €200 guideline is not a recommended amount but rather a guideline figure, and that proper maintenance of MUDs requires adequate financial planning. The SCSI continues to raise awareness of the current sentiments around MUDs by presenting evidence from professionals who manage these developments daily. This is particularly important, as the number of apartments being built per year is increasing, with a 28% growth shown between 2022 and 2023.<sup>2</sup> This ongoing effort aims to enhance the understanding of the financial costs necessary to maintain these new MUDs, but also highlighting potential issues with those MUDs that are already built.

1. SCSI. Sinking Funds in Apartments, Meeting the Challenge. 2018 report.

2. Central Statistics Office. New Dwelling Completions. 2024.

### 3. APPROACH AND METHODOLOGY

The SCSi established an expert group of surveyors to collate and analyse data to inform this report. The data, both survey and case studies, were provided on a strictly confidential basis during 2024.



Detailed insights from Chartered Property and Facilities Management Surveyor members were collected through surveys, representing over 443 MUDs with approximately 31,000 individual units. Chartered Property and Facilities Management Surveyor members were asked to provide their Property Services Regulatory Authority (PSRA) Licence Number to prevent possible duplications of the MUDs represented in the survey. Survey questions involved asking Chartered Property and Facilities Management Surveyor members their opinions on various themes associated with the MUDs they manage, including sentiment around sinking funds and BIF reports. To provide additional evidence regarding these sentiments, members of the Apartment Owners' Network (AON) were also surveyed. AON respondents represented approximately 52 MUDs with approximately 7,000 individual units.

To investigate the current costs associated with maintaining MUDs in Ireland, Chartered Building Surveyors were asked to provide real cost data from BIF reports. We received nine case studies of BIF reports, all located in Co. Dublin.

This report provides insights into the overall sentiment regarding sinking funds in Ireland, by those who regularly manage MUDs, and provides a cost narrative regarding the current provisions necessary to maintain MUDs of a specific age. For accurate guidance tailored to specific MUDs, consulting a qualified Chartered Building Surveyor is recommended.

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## 4. BACKGROUND

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Apartment construction has been on the rise since 2011 in Ireland, with approximately 45,000 units built to date.<sup>3</sup>

This is significantly less than the number of scheme houses, defined by the Central Statistics Office (CSO) as houses that form part of a MUD of two or more houses connected to the ESB network, of which almost 105,000 have been built since 2011. Single houses are one-off dwellings that are connected to the ESB network, and almost 60,000 of these have been built since 2011. On average, 44,000 new units are required per year to keep up with structural housing demand from 2023 to 2030, and 39,700 units annually from 2030 to 2040.<sup>4</sup> Since the launch of the Government's Housing for All plan in 2021, nearly 116,026<sup>5</sup> new homes have been constructed, emphasising the need for higher rates of construction of new dwellings to meet the demands of a growing population.

Apartments in Ireland are typically developed through different mediums including private developers, institutional investors and Government bodies. The total number of occupied rental properties in the 2022 Census was c.513,000, compared to c.470,000 in 2016, according to the CSO Census data. This includes properties rented

from private landowners (c.331,000), local authorities (c.153,000), and voluntary/co-operative housing bodies (c.30,000) (Figure 1).<sup>6</sup> In 2018, the 'build to rent' planning codes were introduced, which relaxed minimum specifications for developments that were for rental. It also made it a condition that the development be held for at least 15 years by a single owner.<sup>7</sup> These build-to-rent properties will have different structures for long-term financing of repairs, compared to private developers, who typically hand over the common areas to unit owners.

Apartment developments present an opportunity for rapid construction growth by promoting a more compact form of development. According to the 2022 Census data, apartments currently account for approximately 13% of all occupied dwellings in Ireland, with 38% of occupied households in the Dublin City Council area being apartments.<sup>8</sup> The age profile of these apartments is important for understanding the provisions necessary to maintain the common areas. On a national level, there are approximately 173,000 purpose-built flats that were built

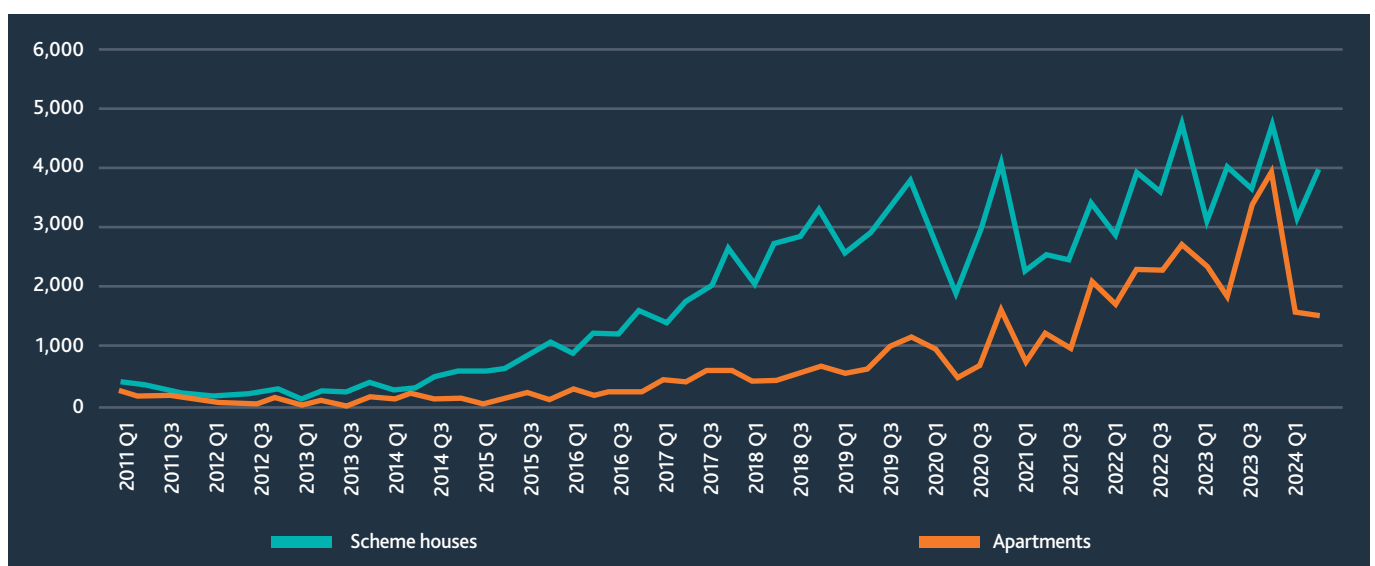


FIGURE 1: Completions of dwellings by type (2011-2024).

Source: CSO – New Dwellings Completions 2011 to 2024.

3. Central Statistics Office. New Dwelling Completions. 2024.

4. ESRI. Population Projections, the Flow of New Households and structural housing demand. 2024.

5. Department of Housing, Local Government and Heritage. Housing for All – Q2 Progress Report. 2024.

6. CSO. Census of Population 2022 Profile 2 – Housing in Ireland – Home Ownership and Rent.

7. Power J. Economics, The Role of Institutional Investment in the Irish Real Estate Market. 2020.



between 1960 and 2022. Of these, 60.5% are in Dublin. Most purpose-built apartments were built between 1991 and 2000 (17%), and between 2001 and 2010 (46%), highlighting the period of economic growth during the Celtic Tiger (**Table 1**).

In the context of Europe, 48% of the European population live in apartments, while 35% live in detached houses, and 16% live in semi-detached or terraced houses. The same data identified that 10% of Ireland's population live in apartments, significantly the lowest across all countries surveyed, with 52% living in semi-detached housing (the second highest of countries surveyed).<sup>9</sup>

### 4.1 Multi-unit developments and owners' management companies

A MUD is a building or group of buildings comprising multiple residential properties that share certain amenities, facilities and services, and the development contains five residential units or more. Regulations for MUDs are set out in the MUD Act, which clarifies the shared facilities, amenities and services within 'common areas' as:

- external walls and foundations, roofs, internal load-bearing walls and foundations;
- entrance halls, landings and lifts and lift shafts, staircases and passages;
- access roads and footpaths, kerbs, paved, planted and landscaped areas, and boundary walls;
- architectural and water features;
- sewers, drains and pipes, wires, central heating boilers other than such items within and serving only one unit in the development; and,
- all ducts and conduits, other than such ducts and conduits within and serving only one unit in the development.

Funding for the regular maintenance and replacement of key infrastructure in common areas within a MUD is essential. This typically requires annual contributions from property owners.

An OMC is a crucial component of multi-unit living in Ireland. It is established to own the common areas of a MUD and to manage, maintain, and repair these areas. OMCs have been in existence in Ireland since the early 1970s,

coinciding with the sale of the first apartment scheme. Their prevalence increased significantly during the 2000s, particularly in Dublin, due to a surge in apartment construction. While the MUD Act outlines these common areas, consideration also needs to be given to the specifics outlined in a development's lease agreement. These agreements can often identify what falls to the responsibility of the unit or the OMC (such as different parts of the apartment windows).

Property owners automatically become members of the OMC, and are responsible for managing and maintaining common areas such as lobbies, gardens, and parking spaces. Each property owner within a MUD typically has voting rights in the OMC, usually based on the principle of one unit, one vote. The OMC must comply with all applicable laws and regulations, including the MUD Act, relevant tax legislation, and health and safety legislation.

For any development built before the MUD Act came into effect, the Act placed the onus on the development company to transfer the common areas to all OMCs within six months. Following the introduction of the MUD Act, no unit can be sold to an owner unless the common areas have been transferred to the OMC first. On the purchase of a unit in a MUD, the property owner also becomes a member of the OMC. Members of the OMC can voluntarily form a board of directors to oversee the management of the development. These directors, who are often members of the OMC, are expected to act in the best interests of the MUD. They should be familiar with relevant laws and regulations, and may seek professional advice when necessary.

The OMC board of directors may engage experts such as Chartered Building Surveyors, Chartered Property and Facilities Management Surveyors, property managers, and engineers to assist in managing the MUD and making informed decisions. The board is responsible for ensuring that the OMC has sufficient funds to cover day-to-day operational expenses, which are collected from unit owners through service charges. The costs of day-to-day operations within a MUD are typically reflected in the service charge budget, which is usually calculated by a Chartered Property and Facilities Management Surveyor under the instructions of the board of directors. These budgets are typically presented to property owners within an OMC in advance of an Annual General Meetings (AGM), and are also subject to auditing by a qualified professional. A significant challenge for OMCs is the

**Table 1: Age profile of purpose-built apartments – nationally and in Dublin.**

Year built	1961 to 1970	1971 to 1980	1981 to 1990	1991 to 2000	2001 to 2010	2011 to 2015	2016 or later
National	4,724	6,650	11,352	34,199	92,492	9,366	14,202
Dublin	3,388	4,419	7,305	19,769	53,469	5,718	10,505

Data: CSO – Census of Population 2022 Profile 2 – Housing in Ireland.

8 Central Statistics Office, Ireland. Census of Population 2022 Profile 2 – Housing in Ireland. Available from: <https://data.cso.ie/table/F2020>. 2022.

9 Eurostat. Distribution of population by degree of urbanisation, dwelling type and income group. 2019.

# 4. BACKGROUND

issue of outstanding annual service charge debts. Good practice advises that a debt-collection policy should be established and regularly reviewed.<sup>10</sup> A report by Mooney<sup>11</sup> highlighted the heavy reliance of OMCs on these service charges, and that they are therefore vulnerable to non-payment from property owners. A financial review of the 50 OMCs in the report identified that the average year-end debt was 52% of the income, rising to 67% for larger developments.

The OMC is also responsible for collecting funds from unit owners to plan for long-term maintenance expenses of the development’s facilities. These reserves are commonly referred to as building investment funds (BIFs) or sinking funds. Sinking funds should be viewed independently from service charges, and are not designed to be used for the day-to-day expenses of the MUD. Good practice suggests that directors should regularly monitor the sinking fund, comparing the current balance to expected future expenditures, and setting targets for one, three and five years,<sup>11</sup> and into the future.

## 4.2 The role of a Chartered Property and Facilities Management Surveyor

Chartered Property and Facilities Management Surveyors must be licensed under the Property Services (Regulations) Act 2011. They provide a range of services, including estate property management (such as arranging maintenance for common areas) and communication with OMC members. The professional expertise of a Chartered Property and Facilities Management Surveyor can be a valuable support to the

directors of the OMC. Typically, the managing agent and the OMC enter a legally binding Letter of Engagement, which details the scope of services to be provided.

## 4.3 Sinking funds and the MUD Act

The purpose of a sinking fund is to ensure that funds are available for refurbishment, improvement, and maintenance of a non-recurring nature in a development (e.g., lift maintenance, emergency lighting replacement, or costs associated with internal finishes), or to pay for advice from a suitably qualified person. Specifically, the sinking fund is intended to cover future capital expenses related to the common areas in a MUD. It is important to note that sinking funds are not meant to cover the day-to-day costs of maintaining the MUD or to address legacy building defects such as water ingress or fire safety issues.

Section 19 of the MUD Act outlines the obligations of the OMC regarding sinking funds, which must be established within three years of the first sale of the MUD. The required sinking fund expenditure varies depending on factors such as the presence of lifts or underground car parks. Housing estates generally require lower contributions compared to apartment developments. The necessary spending over time is also influenced by the quality of the original construction or the standard of ongoing maintenance.

In the 2018 SCSi Report,<sup>12</sup> most Chartered Property and Facilities Management Surveyors who were surveyed reported that the MUDs under their management had insufficient sinking funds, with only a small number

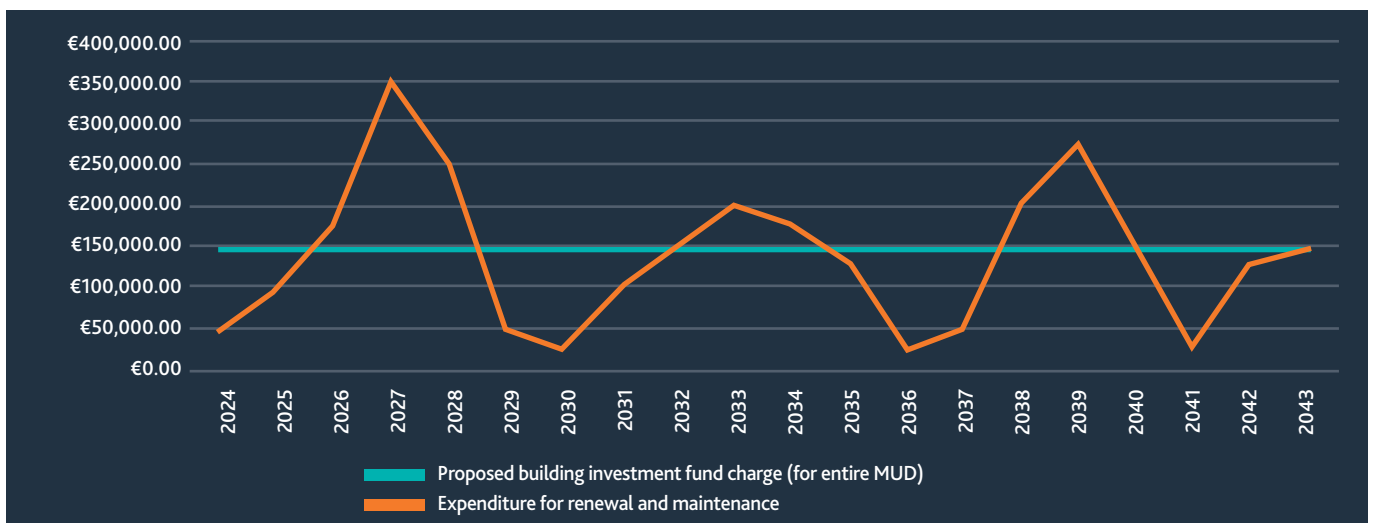


FIGURE 2: Examples of expenditure of an MUD compared against consistent charges to sinking funds.

Source: SCSi Research

<sup>10</sup> The Housing Agency. Owners’ Management Companies, A Concise Guide for Directors. Dublin, 2021.

<sup>11</sup> Mooney P. Owners’ Management Companies: Sustainable Apartment Living for Ireland. The Housing Agency and Clúid Housing. Dublin, 2019.

<sup>12</sup> SCSi. Sinking funds in Apartments, Meeting the Challenge. 2018 report.

having prepared a BIF report. The MUD Act does not specify a required annual contribution to the sinking fund, acknowledging the impracticality of setting a national standard due to the diverse nature of MUDs. The MUD Act does outline a contribution of €200 or such amount as agreed per annum from OMC members towards the sinking fund, but does not provide specific guidance on how this contribution should be calculated. This lack of detailed guidance leaves room for variability in how OMCs determine the appropriate level of contributions to ensure adequate long-term financial planning. Factors affecting insufficient sinking funds could range from lack of knowledge, investor/owner strategies that are shorter than the building's life cycle, short-term/high turnover of property managers on a three-year retention, funding costs for consumers, and affordability.

When a representative of Clúid Housing was asked about the current MUD Act, and specifically the €200 fee mentioned, they highlighted that they felt this figure is often used as a justification for lower contributions to sinking funds, as it is perceived as an acceptable benchmark. They added that while the €200 charge might be suitable for simpler housing estates, it is inadequate for more complex developments. Clúid argues that the calculation of sinking fund provisions should be specific to each scheme, rather than based on the €200 figure from the MUD Act.

In Housing for All<sup>13</sup>, objective 25 aims to ensure that OMCs are financially sustainable, under subsection 17 of Section 18 of the MUD Act. Housing for All also outlines, under section 11 of objective 25, that the Government will regulate, under subsection 9 of Section 19 of the MUD Act, to ensure that OMCs provide for expenditure of a non-recurring nature (i.e., sinking fund expenditure). This expenditure must also involve robust future financial planning. This will allow the Minister to make regulations on this matter, with no new legislation required. Since its publication, no changes have been made to the MUD Act.

#### 4.4 What is a building investment fund report?

A BIF report is an important tool available to OMCs for identifying deteriorating building assets and predicting when maintenance or replacement will be necessary. Typically covering a 20-year period, the BIF report guides the OMC on the level of funding required to maintain the building over time. It also helps to determine the appropriate annual contribution to the sinking fund.

A BIF report involves assessing the condition of the building and projecting the expected lifespan of various components, such as the roof and windows. It also considers the types of materials used and the form of construction. Importantly, a BIF report is distinct from reports that may be commissioned to assess specific building defects, as its focus is on long-term maintenance and replacement planning.



BIF reports typically offer estimates on amounts and when works will be required for common areas over a period of approximately 20 years. Reports include cost projections prioritising immediate needs, while planning for future replacement of assets that extend beyond the report's timeframe. For assets that fall outside of the report's scope, the BIF report can provide guidance on planning for future replacements (Figure 2). These future costs can be projected towards the end of the report's period or spread out over a longer period to start accumulating funds for larger capital expenses. The BIF report will also typically take into account the current cashflow of the OMC and project annual levels of funding that are required to reach the future costs of capital expenditure.

The BIF report should be viewed as a guidance for OMC financial planning and consistently reviewed. BIF reports are based on the standard life of the different parts of the development; they are not 'set in stone', and judgement is required from OMCs and property managers in how they are interpreted. The report should be revised and updated periodically, such as every five years, to reflect current conditions. Regular reviews allow the OMC to update cost estimates, considering factors such as construction, price inflation, market conditions, and changes in technology.

*The purpose of a sinking fund is to ensure that funds are available for refurbishment, improvement, and maintenance of a non-recurring nature in a development, or advice from a suitably qualified person.*

<sup>13</sup> The Housing Agency. Owners' Management Companies, A Concise Guide for Directors. Dublin, 2021.

# 5. METHODOLOGY

## 5. METHODOLOGY

The SCSi is a professional body that awards chartership status to property, land and construction surveyors in Ireland. Within its membership, which is of relevance to this study, are Chartered Building Surveyors and Chartered Property and Facilities Management Surveyors.



The SCSi formed an expert group of Chartered Property and Facilities Management Surveyors specialising in the management of MUDs to collect and analyse data for this report. Chartered Building Surveyors, who are experienced in preparing BIF reports for OMCs, were also included in the group.

In addition, two interviews were conducted with representatives from the Land Development Agency (LDA) and Clúid Housing. Clúid Housing gave an in-depth interview on their current views around sinking funds, OMC management, and other topical themes in the industry. The representative from the LDA gave detailed insights into practices undertaken within the cost rental system, and how long-term financial planning for State-owned properties is managed.

To gain further insights into the challenges regarding OMCs, members from the Apartment Owners' Network<sup>14</sup> (AON) were also surveyed (Table 2).

*The SCSi formed an expert group of Chartered Property and Facilities Management Surveyors specialising in the management of MUDs to collect and analyse data for this report.*

Table 2: Summary of report surveys conducted.

Survey cohort	Survey type
SCSi Chartered Property and Facilities Management Surveyors	Online survey to ascertain the operational challenges within OMCs
Apartment Owners' Network (AON)	Online survey of OMC volunteers to examine challenges within OMCs. Most respondents are OMC volunteers who operate within self-managed MUDs
SCSi Chartered Building Surveyors	Building investment fund case studies provided
Clúid Housing and the Land Development Agency	An hour-long interview each with representatives from both Clúid and the Land Development Agency to discuss themes identified in this report

Source: 2024 SCSi Property and Facilities Management member survey. SCSi Chartered Building Surveyors data from cost template.

<sup>14</sup> AON is an independent, non-political organisation run by volunteers that represents the interests of owners and OMCs in managed estates.





## 5.1 Survey data

To gain insights into OMCs, a survey was conducted among Chartered Property and Facilities Management Surveyors. The survey included 18 Chartered Property and Facilities Management Surveyors who collectively represent 443 MUDs nationally and c. 31,000 units. Each surveyor was required to provide their PSRA Licence Number to ensure no duplication was included in the survey results.

Compared to the SCSi's 2018 report<sup>15</sup>, Dublin remains the most represented region in our 2024 survey, although its majority has decreased from 75% in 2018 to 58% in 2024. The 2024 survey representation from Leinster (outside Dublin) increased, rising from 8% in 2018 to 26% in 2024. Ulster/Connacht also saw an increase in representation, growing from 8% in 2018 to 16% in 2024. However, Munster had no representation in this year's survey, a change from the 8% representation it had in 2018 (Figure 3).

The AON respondents represented 52 MUDs and approximately 7,000 units. The survey responses included 52 AON respondents, of whom four were identified as property managers. Consistent with the Chartered Property and Facilities Management Surveyor member survey, Dublin was the most represented region, accounting for 58% of the responses. This was followed by Munster (21%), Leinster (15%), and Ulster/Connacht (6%).

## 5.2 Building investment fund case studies

Nine case studies were obtained from four building surveying companies, which provide a significant number of BIF reports to OMCs nationwide. All case studies were from the Dublin region.

Replacement and repair building costs within the BIFs were not adjusted

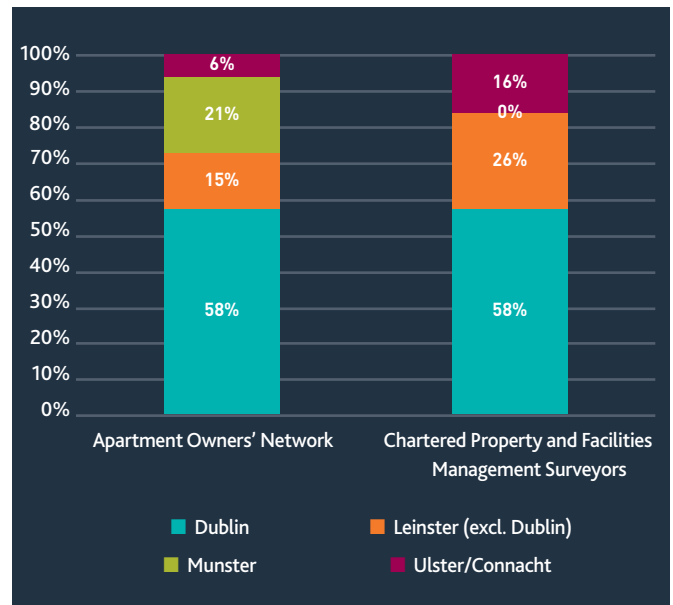


FIGURE 3: Regional representation from SCSi Chartered Property and Facilities Management Surveyor and AON online survey 2024. Source: SCSi Research

for future inflation and reflect the costs at the time the BIF report was carried out (including material, labour, and plant and machinery). The costs exclude any legacy building defects under Government plans to address the remediation of defects in apartments and duplexes.<sup>16</sup>

### 5.2.1 BIF survey template

For each Chartered Building Surveyor, their firm received an SCSi-approved cost template to collect building maintenance and replacement costs and

<sup>15</sup> SCSi. Sinking Funds in Apartments, Meeting the Challenge. 2018 report.

<sup>16</sup> Department of Housing, Local Government and Heritage. Report of the Working Group to Examine Defects in Housing.

# 5. METHODOLOGY



metadata that explains the level of works required over the lifespan of the report. The detail of the returned template includes the location, the number of units, and the age of the MUD.

The cost template had 20 elements that were costed and broadly classified based on the characteristics of works required (Table 3). The costing exercise was updated to provide data for electric vehicle (EV) charging. All costs included preliminaries and VAT for each individual element. To standardise the approach across different building surveyors, professional fees were not included in the total cost estimates.

## 5.2.2 Categories of MUDs

MUDs can be complex in their design and construction, and there is a large variance in the types and sizes of schemes that are developed.

The case studies were categorised into three main groups based on the age of the MUD. This approach enables a detailed analysis of sinking fund requirements, considering the age and anticipated maintenance needs of the MUDs. The groupings reflect the age distributions of the buildings in the case studies, and include varying unit numbers in each category. It is worth noting that buildings within the same group might experience cost differences due to economies of scale regarding repairs and the cost split across the number of property owners. The case studies were grouped as follows:

<b>Category A – Before 1996</b>	Case Studies 1-4
<b>Category B – 1996-2007</b>	Case Studies 5-8
<b>Category C – After 2007</b>	Case Study 9

The costs provided are intended solely for discussion and to identify potential discrepancies between current sinking fund provisions and practical BIF estimates. The costs within the case studies should not be used as benchmarks for similar MUDs. For accurate guidance tailored to specific MUDs, consulting a competent building professional, such as a Chartered Building Surveyor, is recommended.

**Table 3: Cost template and associated groupings for calculating sinking fund costs.**

Group	Example of elements included	Additional comments
Structure	Substructure (e.g., basement) and superstructure (e.g., external walls)	Examples include replacement of metal cladding, which has a typical economic life of 40-50 years
Roof	Roof coverings and rainwater goods	Examples include replacement of pressed metal capping (40-50 years' economic life) and replacement of the bitumen felt waterproof membrane (15-20 years' economic life)
Façade	External wall cladding, windows and doors	An example includes the replacement of the waterproofing membranes of balconies (20-year typical economic life)
Internal finishes and common areas	Internal walls and partitions of common areas, floor finishes, stairs, internal joinery (windows, screens, doors, skirtings, etc.)	An example includes replacing all the timber windows and external doors in the apartment blocks whereby 100% of the funds are to be collected over a period of years
External areas	Access routes and entrance, external paving and pathways	An example includes the replacement of the timber decking, which typically has an economic life of 25-30 years
Services	Lifts, HVAC supply and air distribution systems, lighting, electrical services, sanitary, storage tanks, fire and smoke detector systems	An example includes the replacement of intercoms, which have a typical economic life of 15 years
Additional items	EV chargers and playground maintenance	An example includes replacing the EV chargers at the end of their useful life (estimated as 15 years)

## 6. RESULTS AND DISCUSSION

The following section presents the results of the surveys completed by Chartered Property and Facilities Management Surveyors and AON respondents.



### 6.1 Survey evidence on multi-unit developments

The age distribution of MUDs managed by Chartered Property and Facilities Management Surveyors reveals a notable trend towards ageing properties. Survey data have observed a shift since the 2018 report, with an increasing percentage of developments now falling into the 16 years and older category, reflecting that many of these MUDs were constructed during the Celtic Tiger construction boom (c.1996-2007). AON respondents also indicated that 58% of their managed properties are now 20 years old or older (Figure 4).

This trend has significant implications for sinking fund planning, particularly as properties approach the 20-year mark, a critical period when substantial

capital investments are often required to maintain essential building elements. Key elements such as roof coverings, external windows and doors, floor tiles, and lifts generally have a lifespan of between 20 and 25 years, underscoring the importance of their maintenance or replacement. An example from one of the BIF case studies highlights the importance of timely maintenance. In a MUD constructed in 2000, the BIF report found that over 85% of the 90 elements assessed were classified as potential future expenses or in need of urgent attention and significant investment. In contrast, only 4% of the elements were deemed to have no immediate concerns, emphasising the crucial need for proactive mandatory sinking fund planning in MUDs.

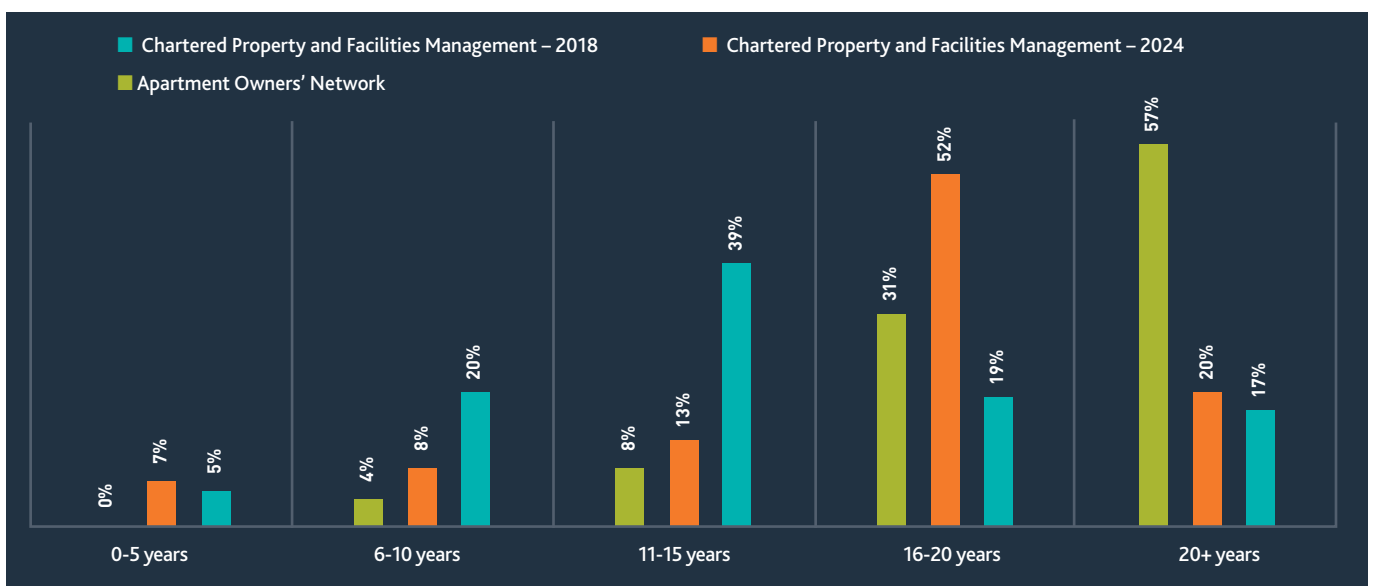


FIGURE 4: Age of multi-unit developments from survey.

Source: SCSi research.



# 6. RESULTS AND DISCUSSION

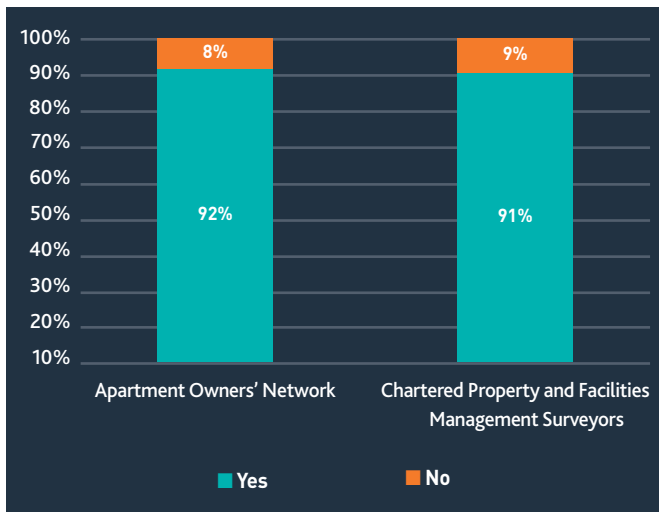


FIGURE 5: Evidence on the existence of a sinking fund in MUDs. Question: Has your development a sinking fund in place? Source: SCSI research.

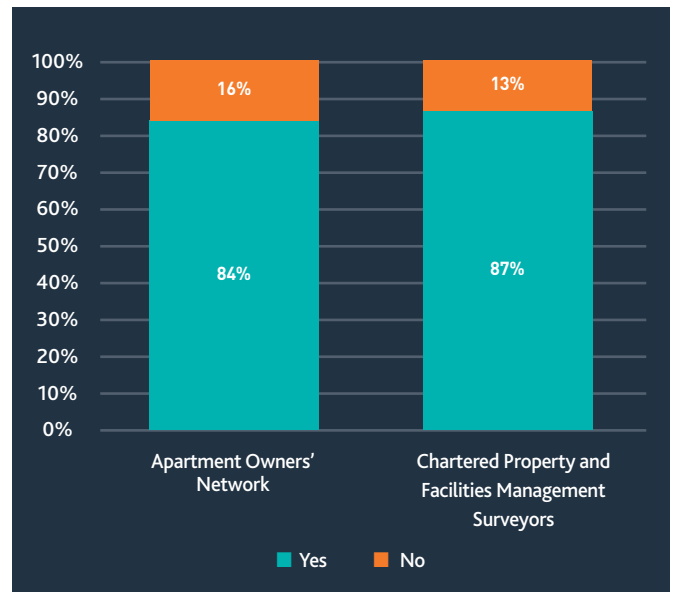


FIGURE 7: Evidence on the existence of a dedicated bank account for sinking funds. Source: SCSI research.

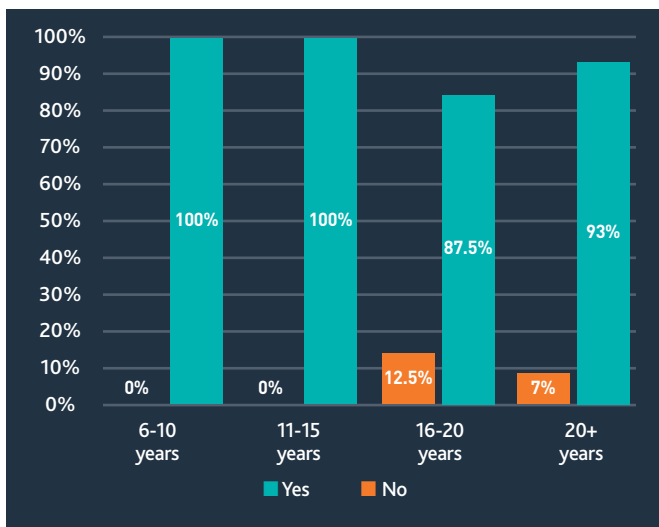


FIGURE 6: Age profile of buildings that have/don't have a sinking fund according to AON respondents. Source: SCSI research.

## 6.2 Survey evidence on sinking funds

### 6.2.1 Establishment of a sinking fund

On average, according to the responses from Chartered Property and Facilities Management Surveyors, 91% of OMCs have a sinking fund in place. This average is based on a range of ages of MUDs, from new (0-5 years) to older (20+ years). Similarly, 92% of AON respondents indicated that their MUD has a sinking fund (Figure 5).

When Chartered Property and Facilities Management Surveyors were surveyed about the presence of sinking funds in the OMC that they manage, their responses represented approximately 31,000 units across 443 MUDs. AON respondents represented about 7,000 individual units. The age profile of these developments is significant, given the legal requirement to establish a sinking

fund, under the MUD Act, within three years of the development's completion, and the need for older MUDs to have sufficient savings for infrastructure repairs and replacement as they approach the end of their economic life.

Among survey respondents, 11 Chartered Property and Facilities Management Surveyors reported that all the OMCs they manage had established a sinking fund, covering 264 out of all 443 MUDs. Of those that stated 100% sinking fund uptake, 192 MUDs were 16 years or older. Conversely, two Chartered Property and Facilities Management Surveyors indicated that fewer than 50% of the OMCs they manage had a sinking fund in place. This included 29 MUDs that were 16 years old or older.

Overall, approximately 28,000 units managed by Chartered Property and Facilities Management Surveyors have a sinking fund in place, while around 3,000 do not, suggesting that a substantial portion of developments may be underprepared for future maintenance needs. Specifically, 29 AON respondents identified MUDs older than 20 years old, with 7% of these lacking a sinking fund (Figure 6). For MUDs aged 16 to 20 years old, 13% of AON respondents reported the absence of a sinking fund. However, all AON respondents representing MUDs aged 6-15 years old confirmed the presence of a sinking fund, indicating a more proactive approach to financial planning in younger developments.

### 6.2.2 Evidence for a dedicated bank account

Section 19 (7) of the MUD Act identifies that a separate bank account must be used for sinking funds. However, data from recent surveys shows that many MUDs do maintain dedicated accounts for these funds. Specifically, 87% of Chartered Property and Facilities Management Surveyors reported having a separate bank account for their sinking funds. Some 84% of AON respondents surveyed reported having a dedicated bank account in place (Figure 7).



## 6. RESULTS AND DISCUSSION

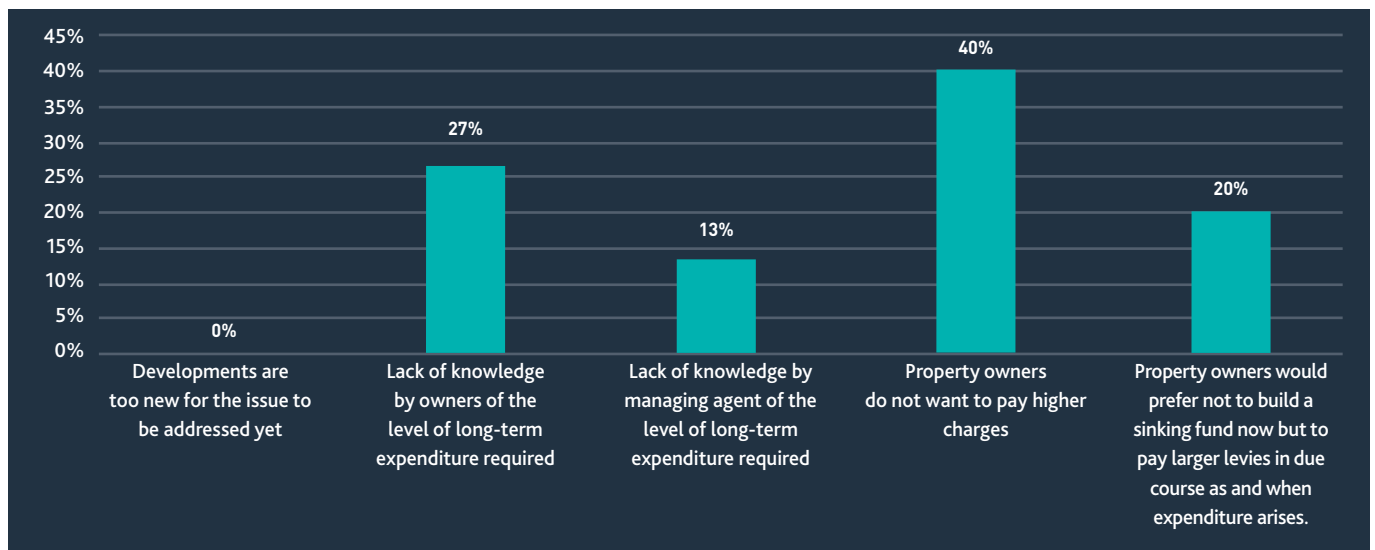


FIGURE 8: Reasons for inadequate sinking funds in place – further details by SCSi Chartered Property and Facilities Management Surveyors. Source: SCSi research.

### 6.2.3 Are sinking funds currently adequate?

Chartered Property and Facilities Management Surveyors were asked to share their views on the adequacy of sinking funds within their managed MUD property portfolios. The findings reveal that:

- only 29% of respondents felt that over half of the MUDs under their management had adequate sinking funds; and,
- a majority (53%) indicated that they felt that 30% or fewer of their MUDs had an adequate sinking fund, and 12% felt that none of their properties had adequate provisions.

These figures highlight the widespread concern among Chartered Property and Facilities Management Surveyor members regarding the adequacy of sinking funds, with many developments potentially underfunded for future maintenance works.

Chartered Property and Facilities Management Surveyor members were also asked about the reasons behind the inadequacy of sinking funds. Some of the responses included (Figure 8):

- more than one-third (40%) believe that the inadequacy of sinking funds is related to property owners' unwillingness to pay higher fees as the primary cause;
- more than one-quarter (27%) believe that there is a lack of knowledge among owners regarding the long-term expenditure that is required within a MUD;
- one-fifth (20%) believe that property owners would rather pay larger fees when expenditure arises rather than building a sinking fund; and,
- more than one-tenth (13%) believe that there is a lack of knowledge among managing agents regarding the long-term expenditure that is required.

*When Chartered Property and Facilities Management Surveyors were surveyed about the presence of sinking funds in the OMC that they manage, their responses represented approximately 31,000 units across 443 MUDs.*

Some of the commentary around the reasons for inadequate sinking funds by the Chartered Property and Facilities Management Surveyors who answered 'Other' indicates that there is apprehension among property owners about paying into a sinking fund.

When a representative from Clúid Housing was asked about the adequacy of sinking funds in OMCs, they discussed the widespread misunderstanding among unit owners regarding the purpose of sinking funds. They noted that many believe these funds are intended solely for once-off costs, such as replacing lifts. However, Clúid emphasises that sinking funds should cover the life cycle costs associated with maintaining a MUD. To address this, Clúid advocates for a more thorough consideration of these life cycle costs, especially within the apartment sector, to ensure that sinking fund provisions are adequate and sustainable.

When AON respondents were asked about the reasons behind the inadequacy of sinking funds, 45% attributed it to property owners' unwillingness to pay higher fees. Additionally, 15% believed the inadequacy

## 6. RESULTS AND DISCUSSION

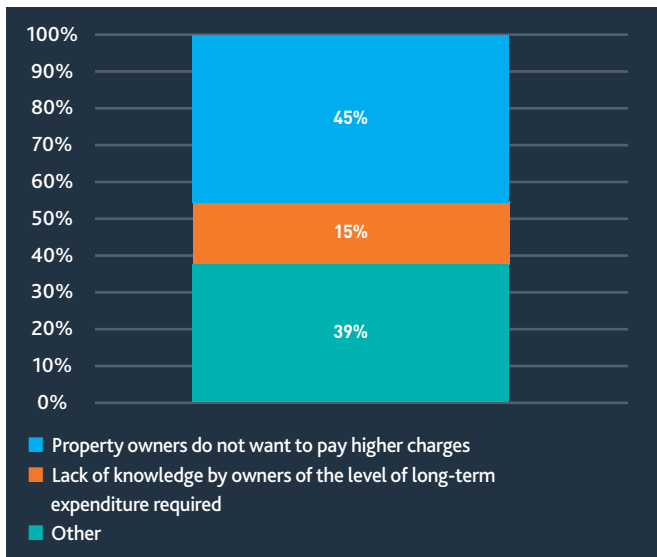


FIGURE 9: Reasons for inadequate sinking funds in place – AON respondents.

Source: SCSI research.

stemmed from a lack of awareness among property owners regarding the long-term expenditures necessary for maintaining the MUD (Figure 9).

Respondents who answered 'Other' in the survey provided a variety of insights into why sinking funds might be inadequate in their MUDs. A recurring comment was the improper use of sinking fund provisions for "day-to-day" expenses by management agencies, which undermines the fund's intended purpose for long-term savings for major infrastructure maintenance. Several respondents also pointed to poor financial management by previous OMC boards, noting that current boards often struggle to catch up following the shortcomings of their predecessors. Setting up a dedicated bank account for a sinking fund would be one way to deal with these issues around clarity of expenses.

In addition, Clúid Housing also highlighted the issue of communication by OMCs as a reason why sinking funds may be inadequate. The representative identified numerous cases where new directors are forced to rectify the shortcomings of previous management, particularly regarding underfunded or non-existent sinking funds. Clúid Housing highlighted that OMCs should make a concerted effort to educate unit owners about the necessary upfront costs as soon as the OMC is established, to prevent further financial shortfalls. Transparency and governance issues within OMC boards were frequently mentioned as well. Many respondents reported that their OMC made it difficult for property owners to monitor the status of the sinking fund. Concerns were also raised about the failure to separate sinking fund provisions from fees collected for service charges, further obscuring the financial health of the fund. In some cases, respondents noted that the OMC lacked sufficient information to inform property owners of the sinking fund balance during AGMs, highlighting issues with transparency and proper record keeping.

*When given the opportunity to provide insight into how building a sinking fund can be improved, Chartered Property and Facilities Management Surveyors felt that education of property owners on the costs involved in maintaining a MUD was necessary.*

When given the opportunity to provide insight into how building a sinking fund can be improved, Chartered Property and Facilities Management Surveyors felt that education of property owners on the costs involved in maintaining a MUD was necessary. Other Chartered Property and Facilities Management Surveyor members felt that changes/improvements to the legislation were necessary, with some believing the current legislation is not strong enough to enforce sinking fund payments, or that the current MUD Act does not give appropriate guidelines on building sinking funds.

AON respondents provided some practical insights into how sinking funds can be built, such as improving how sinking fund contributions are communicated to property owners. Others echoed the sentiment by the Chartered Property and Facilities Management Surveyors that the legislation needs to be stronger and the specification around sinking fund contributions needs to be clearer.

### 6.2.4 Have levies been increased in relation to sinking funds?

Chartered Property and Facilities Management Surveyors' views were sought regarding levy increases directly attributed to sinking fund-related projects, and the responses were as follows:

- 31% of members indicated that over half of their properties had experienced levy increases over the past five years;
- 38% reported that between 1% and 20% of their properties had their levies raised during the past five years;
- 19% noted that between 20% and 50% of their properties had seen levy increases; and,
- 13% indicated that none of their properties had levy increases in the past five years.

# 6. RESULTS AND DISCUSSION

These responses suggest that while a portion of properties managed by Chartered Property and Facilities Management Surveyors have had levies raised for sinking fund-related projects, there remains a considerable number of properties where levy increases have been minimal or non-existent. In contrast, 60% of AON respondents indicated that levies have been increased in the past five years.

### 6.3 Survey evidence on building investment fund reports

#### 6.3.1 Has a building investment fund report been prepared?

When Chartered Property and Facilities Management Surveyors were asked about the preparation of BIF reports, the responses indicated a trend of limited implementation (Figure 10):

- of the 443 MUDs represented by Chartered Property and Facilities Management Surveyors, only 13% have prepared a BIF report, a figure consistent with the 14% reporting in the 2018 SCSi sinking fund report.

This low completion rate for BIF reports is also seen in the AON survey, where only 31% of respondents indicated that a BIF report has been prepared for their respective MUD.

#### 6.3.2 Reasons behind not completing a BIF report

According to survey respondents, several key reasons were identified why BIF reports are not being prepared (Figure 11):

- lack of knowledge:** 5.6% of Chartered Property and Facilities Management Surveyors believe there is insufficient knowledge about who is qualified to complete such reports, a sentiment echoed by 19.5% of AON respondents;
- insufficient funds:** 22.2% of Chartered Property and Facilities Management Surveyors cited a lack of funds within the OMC as a barrier to commissioning a BIF report, with 24.4% of AON respondents agreeing;

- concerns over fee increases:** 27.8% of Chartered Property and Facilities Management Surveyors highlighted issues regarding future fee increases potentially not being accepted by property owners – 4.9% of AON respondents felt this was a limiting factor;
- pending commissioning:** 11.1% of Chartered Property and Facilities Management Surveyors indicated that their OMCs had not yet commissioned the report, for no specific reason, a view shared by 22% of AON respondents; and,
- developments are too new:** 4.9% of AON respondents felt that the developments were too new and did not require a BIF report. No Chartered Property and Facilities Management Surveyor members felt that this was a reason why the reports were not being commissioned.

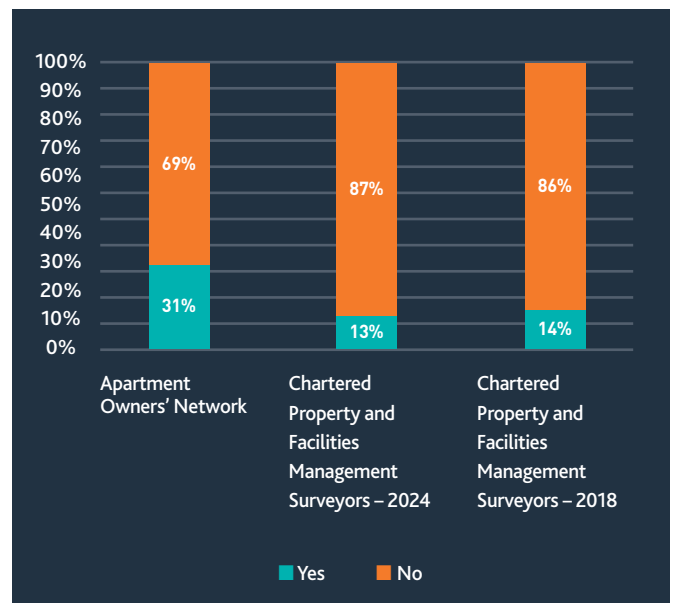


FIGURE 10: Has a building investment fund been prepared?

Source: SCSi research.

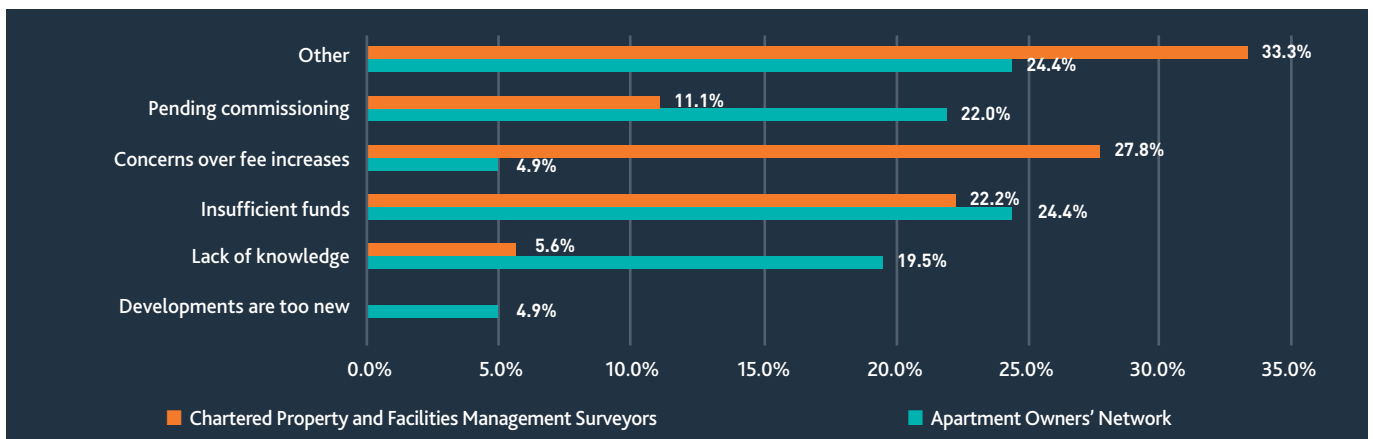


FIGURE 11: Why are building investment fund reports not being prepared?

Source: SCSi research.

## 6. RESULTS AND DISCUSSION

A total of 33% of Chartered Property and Facilities Management Surveyor members and 24% of AON respondents provided reasons classified as 'Other'. Many Chartered Property and Facilities Management Surveyors reported that some OMCs believe they are already making sufficient planning decisions and do not see the need for the added expense of a BIF report. Similarly, AON respondents expressed that some OMCs feel they possess the necessary knowledge and experience within their membership to make informed decisions without external reports.

When Clúid Housing was asked to discuss BIF reports, they believed that the cost of producing these reports often discourages their completion. They suggested that a potential solution could be that developers are held responsible for completing a BIF report prior to the closing process whereby the common areas are handed over.

### 6.3.3 Are BIF reports being used to inform sinking funds?

Completing a BIF report can be a valuable tool for long-term financial planning of a MUD, but it is equally important that the findings of these reports are used to inform the building of a sinking fund. When survey respondents were asked about the proportion of MUDs under their management that use a BIF report to guide sinking fund contributions, the results were as follows:

- four Chartered Property and Facilities Management Surveyors, representing approximately 15,500 units in 170 MUDs, said that only between 1% and 20% of their MUDs are using their BIF reports to build a sinking fund;
- five Chartered Property and Facilities Management Surveyors, representing approximately 8,200 units in 69 MUDs, said that between 91% and 100% of their MUDs are using the BIF report to build a sinking fund; and,
- three Chartered Property and Facilities Management Surveyors, representing approximately 3,600 units in 85 MUDs, said that between 41% and 60% of their MUDs are using BIF reports to build a sinking fund.

The survey data suggests that BIF reports are generally not being widely used to inform sinking funds. This is further supported by the results from the AON respondents, where 60% indicated that even when a BIF report was completed, it was not being used to guide sinking fund contributions.

AON respondents provided various reasons for why BIF reports were not being utilised to inform sinking funds. A common theme was financial barriers, with many respondents citing budgetary constraints within the OMC that prevent increased contributions to sinking funds. Additionally, there were challenges related to gaining acceptance from property owners for higher contributions. Some respondents noted that their BIF reports were outdated (e.g., completed in 2017), making them less relevant for planning at the time the survey was completed. Other concerns included the reports being based on "unverified works" or the perceived poor quality of the reports, which led some respondents to question their reliability as a basis for sinking fund provisions.

### 6.3.4 Strategies to encourage OMC BIF report completion

When assessing the user friendliness of BIF reports on a scale of 1-10, Chartered Property and Facilities Management Surveyors gave an average rating of 6.8, compared to a 3.6 from AON respondents.

Survey responses pointed to specific areas where BIF reports could be improved, particularly in communication, follow-up, and the explanation of findings. A recurring theme was the need for enhanced cross-party communication between OMCs, the competent building cost experts, and property managers. Strengthening these communication channels could play an important role in making BIF reports more effective and increasing their uptake. Improved communication also presents an opportunity to educate unit owners about the depreciation of assets and the associated replacement costs. This, in turn, could help alleviate tensions between OMCs and unit owners, particularly concerning fee increases and rising costs, fostering a more collaborative approach to financial planning and maintenance within MUDs.

Clúid Housing advocated that BIF reports are a crucial tool for OMC financial planning and that managing agents should play a more proactive role in promoting the use of BIF reports to prevent deferring high costs in the future, which could strain the development's cashflow.

### 6.3.5 Current sinking fund provisions according to SCSi Chartered Property and Facilities Management Surveyors

Chartered Property and Facilities Management Surveyors were asked about the level of annual sinking fund contributions across all their MUDs. The response average was approximately €250 per unit. However, further analysis based on the size of the development revealed slight variations. MUDs with 100-199 units had an average contribution of €261 per unit annually, while those with over 200 units averaged €297 per unit. Smaller developments saw lower contributions, with MUDs containing 1-49 units averaging €237 per unit annually, and those with 50-99 units contributing an average of €206 per unit annually (Table 4).

**Table 4: Annual sinking fund contributions.**

Size of MUD	Average contribution	Maximum average annual sinking fund for MUD
1-49	c.€237	c.€11,600 (49 units)
50-99	c.€206	c.€20,400 (99 units)
100-199	c.€261	c.€52,000 (199 units)
200+	c.€297	c.€59,400 (200 units)
Overall average annual contribution	c.€250	c.€36,000

Source: SCSi research. 2024 SCSi Chartered Property and Facilities Management Surveyors survey data.



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The average €250 annual contribution is similar to the MUD Act minimum requirement, which states that where a MUD does not agree an annual contribution rate, the annual contribution shall be the amount of €200 or such other amount as may be agreed by a meeting of the members. When survey respondents were asked about how building a sinking fund might be improved, many suggested that the €200 per unit per annum provided in the MUD Act was creating issues in building sinking funds and it should be removed entirely.

### 6.4 Building investment fund case studies

Nine BIF case studies from Chartered Building Surveyors were analysed for maintaining and replacement of the essential building elements over a 20-year period (Table 5).

The BIF reports were categorised into three groups for discussion purposes (Category A to Category C – based on age of MUD). These BIF reports were provided by four companies located around Ireland that have expertise in completing such reports. Each company will have their own approach for undertaking BIF reports.

#### 6.4.1 Differences in BIF maintenance and renewal costs

The following section details the overall cost of replacement and maintenance for the building elements identified within the case studies provided. For illustration, the costs of replacement and maintenance of common area building elements have been summed together and include VAT on construction works (13.5%) and associated preliminaries. The total contribution per unit, unless otherwise stated, is valued as the total maintenance and renewal costs divided by the number of units in

a MUD. This contribution cost per unit is based on its current condition and is presented as a total attributed over the entire BIF report (20 years) (Table 6).

#### Cost of Category A MUDs

In the Category A MUDs, the range of total costs across each case study was between €680,000 and €5.6 million including VAT and preliminaries (Figure 12). Case Study 1 represented the lower range of the total costs of this group, with Case Study 4 representing the higher range. Case Study 2 was the second highest total cost, at c.€2 million including VAT and preliminaries. Case Study 3 was the second lowest at €1.3 million after VAT and preliminaries.

Despite Case Study 4 having 114 units compared to Case Study 1 with 18 units, the cost per unit reveals a significant disparity. The cost per unit (per year) for Case Study 4 is approximately €2,500, which is 27% higher than the €1,900 cost per unit (per year) in Case Study 1. Unit owners in Case Study 4 would therefore be expected to pay an additional c.€600 per year compared to those in Case Study 1, more than €380 per unit in Case Study 2, and €270 per unit in Case Study 3, which have 48 and 30 units, respectively.

The largest contributor to these costs was services, which, on average, contributed approximately 30% to the overall costs (Figure 12). For instance, in Case Study 4, the cost per unit (per year) for services is approximately €950, which is 81% higher than the next highest value of c.€430 per unit (per year) observed in Case Study 2. This disparity is partly due to substantial costs associated with lifts maintenance or replacement in Case Study 4, estimated at around €500 per unit (per year). Only one

Table 5: Case studies used in the cost analysis.

Case study ID	Grouping	Age of MUD	Location	Number of units in MUD
Case Study 1	Category A	60 years	Dublin City	18
Case Study 2		47 years	South Dublin	48
Case Study 3		46 years	South Dublin	30
Case Study 4		35 years	South Dublin	114
Case Study 5	Category B	24 years	Dublin City	58
Case Study 6		29 years	South Dublin	97
Case Study 7		21 years	Co. Dublin	42
Case Study 8		17 years	Co. Dublin	250
Case Study 9	Category C	06 years	South Dublin	75

Source: SCSi BIF reports provided by Chartered Building Surveyors in 2024.

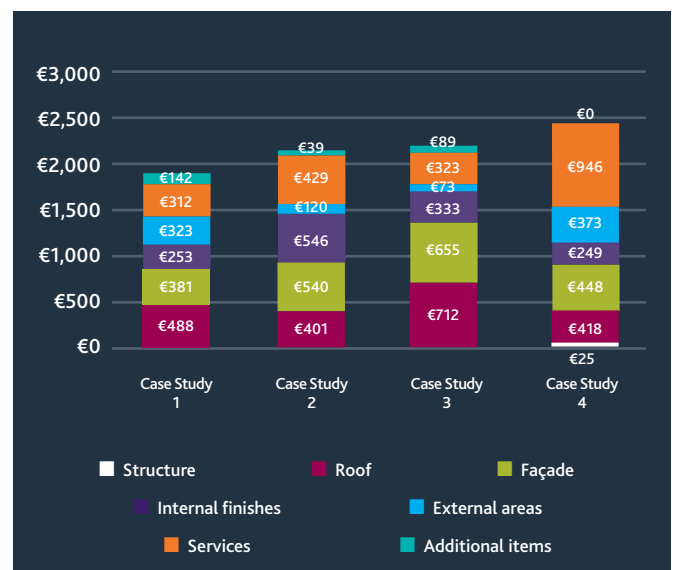


FIGURE 12: Cost per unit for case studies in the Category A MUDs (per year).

Source: 2024 SCSi Chartered Building Surveyor data from cost template.

## 6. RESULTS AND DISCUSSION

**Table 6: Range of costs – replacement and maintenance elements within a MUD category.**

Element	Category A		Category B		Category C
Number of case studies in category	4		4		1
Age range of MUDs in category	35-60		17-29		6 years
Range of units per MUD In category	18-114 units		42-250 units		75 units
Categories of common area costs	Minimum cost across four case studies	Maximum cost across four case studies	Minimum cost across four case studies	Maximum cost across four case studies	Total cost across one case study
Structure (substructure and superstructure)	€57,000	€57,000	€11,000	€14,000	N/A
Roof (roof coverings and rainwater goods)	€176,000	€953,000	€129,000	€1,500,000	€532,000
Façade (external wall cladding, windows and doors, balconies)	€137,000	€1,000,000	€25,000	€1,800,000	€344,000
Internal finishes (internal walls and partitions, floor finishes, stairs, internal joinery)	€91,000	€568,000	€447,000	€2,800,000	€349,000
External areas (access routes/entrance, external paving/pathways, parking)	€44,000	€851,000	€13,000	€212,000	€97,000
Services (HVAC supply/air distribution systems, lighting, sanitary/water supply, storage tanks and distribution, fire and smoke detector systems, lifts)	€90,000	€2,200,000	€845,000	€3,700,000	€1,200,000
Additional items (e.g., CCTV systems, automated motors for gates, boundary walls and gates, EV charging)	€37,000	€54,000	€500,000	€500,000	€22,000
<b>Total cost of renewal (including VAT and preliminaries)</b>	<b>€684,000</b>	<b>€5,600,000</b>	<b>€1,700,000</b>	<b>€10,200,000</b>	<b>€2,500,000</b>

Source: 2024 SCSi Chartered Building Surveyor data from cost template.

## 6. RESULTS AND DISCUSSION

other case study had lift costs associated with it, Case Study 2, which incurred costs of approximately €195 per unit (per year), despite having 66 fewer units to spread the costs across.

Economies of scale are evident in Case Study 4 for façade works (including VAT and preliminaries), where the total cost of €1 million is the highest among the group, 48% higher than the €520,000 incurred in second highest, Case Study 2. When calculated on a per unit (per year) basis, the façade works on Case Study 4 are the second lowest of the group (c.€450 per unit per year), with Case Study 3 the highest (€655 per unit per year). This suggests that larger developments may benefit from cost efficiencies in some areas while facing higher costs in others, reflecting the complex interplay of factors influencing sinking fund expenditures across different MUDs.

### Cost of Category B MUDs

The range of costs in the Category B MUDs was between €1.7 million and €10.3 million after VAT and preliminaries (Figure 13). Case Study 7 represented the lower range and Case Study 8 represented the higher range. Case Study 6 was the second highest at €2.7 million, closely followed by Case Study 5 with a total cost of €2.2 million after tax and preliminaries. Despite Case Study 8 having total costs almost 74% higher than the next highest figure, its cost per unit (per year) is only the second highest in the group at €2,050. Conversely, Case Study 7, with only 42 units compared to the 250 units at Case Study 8, has the highest cost per unit (per year) at €2,230.

The highest average elemental cost to the average overall cost was from both services (39%) and internal finishes (27%). On a per unit (per year) basis, Case Study 7 had the highest cost for services at €1,060. This is largely influenced by lift maintenance and replacement costs. Case Study 7 had older lift infrastructure and was advised to provide a large

proportion of the lift replacement within the first five years of the BIF report (approximately 2024-2029). In contrast, Case Study 6 had a recent upgrade to lift infrastructure and was only required to provide 80% of the total cost of the lift replacement towards the end of the scope of the BIF report (2043) – allowing for more flexible long-term saving strategies.

Regarding internal finishes, there is lower variability of costs per unit (per year) across the case studies. Case Study 8 had the highest cost per unit (per year) (€555), while Case Study 5 had the lowest (€385). Case Study 8's higher costs are attributed to significant replacement needs, including windows, screens, doors and skirting, totalling approximately €2 million (€400 per unit per year).

Case Study 7 also shows significant internal finishing costs, despite having almost five times fewer units than Case Study 8. This is mainly driven by painting and internal joinery (€460,000 or €440 per unit per year). The BIF report for Case Study 7 highlights the need for these replacements, indicating that with better planning and regular maintenance, such upfront costs could have been mitigated. The elements in Case Study 7, last upgraded in 2003, are scheduled for replacement between 2037 and 2043, spreading the cost over a longer period.

### Cost of Category C MUD

In the Category C MUD, represented solely by Case Study 9, with 75 units and approximately six years old, the total cost for replacement and maintenance of the MUD is estimated at around €2.5 million after tax and preliminaries (Figure 14). This translates to an approximate cost of €34,000 per unit over the 20-year period. The most significant cost contributors are services, accounting for 47% of the total costs, and the roof, which accounts for 21%.

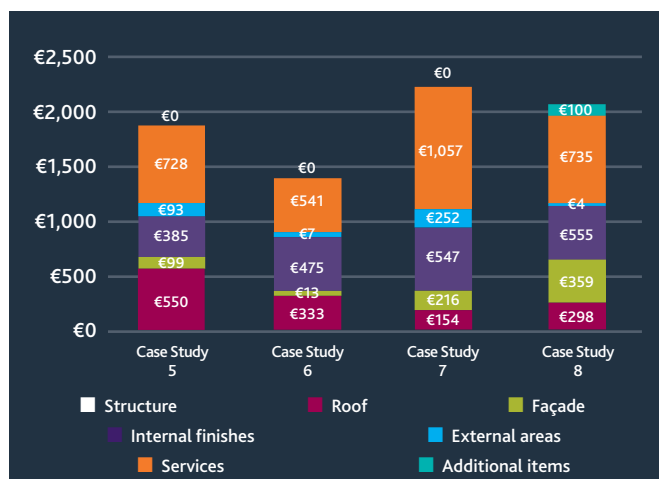


FIGURE 13: Cost per unit for case studies in the Category B MUDs (per year).

Source: 2024 SCS Chartered Building Surveyor data from cost template.

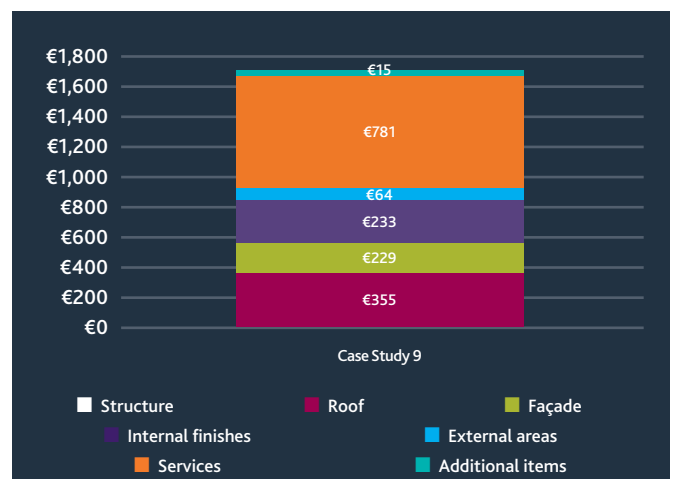


FIGURE 14: Cost per unit for case study in the Category C MUD (per year).

Source: SCS research.

## 6. RESULTS AND DISCUSSION

The BIF report for this relatively new MUD highlights some key cost drivers specific to newer developments. The report indicates that the roof, particularly the green roofing, required future works, with all such works scheduled to occur within 2-10 years. Both the roof and the balconies were the only elements requiring medium-term attention. Other elements, scheduled for 6-10 years, were generally found to be in good condition.

High service costs, totalling approximately €1.2 million, were largely driven by works related to the lighting and emergency systems (€165 per unit per year) and the fire detection systems (€155 per unit per year). The cost of the lifts was in line with other MUD groupings at about €365 per unit (per year). Financial planning for the MUD has accounted for the lift replacement, which is not expected to occur until the end of the report's scope in 2042. By then, the MUD will be 26 years old. To avoid significant short-term costs at that point, the financial plan allows the MUD to allocate €10,000 over the period from 2033 to 2042, averaging about €900 per unit over those ten years. The remaining costs are then covered outside the scope of the report.

### 6.4.2 Differences in costs across the case studies

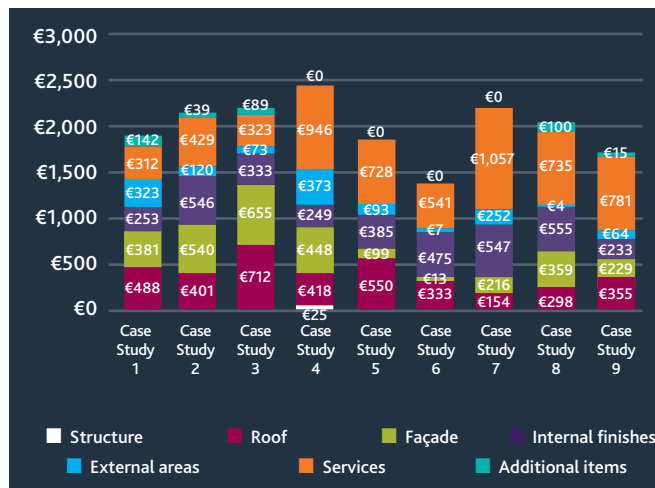
As identified, the cost per unit (per year) removes some of the difficulties in interpreting data across MUDs of different sizes. The cost per unit (per year) for each case study is presented in **Figure 15**.

When examined, it is clear to see that some of the elemental groups show higher proportions of the cost on a per unit (per year) basis than others. For example, in the services category, the range of costs between the case studies is the highest, from €1,060 to €312 per unit (per year). When assessed on an elemental level, the higher costs of services across the case studies are mainly attributed to the high costs associated with lifts, and fire and smoke detector systems. In fact, when a total cost per unit (per year) for services exceeds €500 for a case study, the contribution of both these elements are above 60% of the overall cost of services. When the cost per unit (per year) is below €500, there is a higher contribution from lighting and intercom services, and sanitary water supply, typically above 40% of the overall service costs.

**Table 7: Comparison between sinking fund provisions and costs based on BIF reports.**

Data source	1-49 units	50-99 units	100-199 units	+ 200 units
Chartered Property and Facilities Management Surveyors' responses (per unit)	€237/per year	€206/per year	€261/per year	€297/per year
Average cost data from BIF reports of similar unit size (per unit)	€2,042/per year	€1,637/per year	€2,459/per year	€2,053/per year
Shortfall of sinking funds per unit	-€1,805	-€1,431	-€2,198	-€1,756

Source: SCSi Property and Facilities Management member survey. SCSi Chartered Building Surveyors data from cost template.



**FIGURE 15: Cost per unit for all case studies (per year).** 2024 SCSi Chartered Building Surveyor data from cost template.

Façade works also show a large range across the case studies, between €655 and €13 per unit (per year), when this element group was costed for. In case studies with high façade costs, there is often a high contribution to costs from windows and doors as well as balconies. These elemental groups can often be subject to the lease agreement of what defines a "common area". When Chartered Building Surveyors were asked about the designation of costs, they confirmed that there are instances where balconies and window areas can be designated to the individual unit owner upon the handover of the MUD. In other cases, these areas may be classified as part of the common property, which can lead to challenges in attributing costs between unit owners.

### 6.5 Current sinking fund contributions compared to required sinking fund costs

An examination of the current average contributions made to sinking funds was provided following the survey of Chartered Property and Facilities Management Surveyors (**Table 4**). The survey responses were based on the number of units in the respective MUDs. As a result, the total cost per unit, per year (including VAT and preliminaries) for each case study was averaged based on the typical number of units in that MUD (**Table 7**).



## 6. RESULTS AND DISCUSSION

Based on the best-case scenario derived from comparing the current sinking fund provisions (based on Chartered Property and Facilities Management Surveyor survey data) with the costs projected through the BIF report, there is a significant shortfall of €1,431 being paid on a per unit per year basis, between the expected costs and the actual contributions being made by unit owners in larger MUDs (51-100 units). The shortfall is most prominent for a medium-sized MUD (101-199 units), at €2,198 per unit per year.

According to the BIF data from MUDs of a similar size to those identified by the Chartered Property and Facilities Management Surveyors, the annual cost per unit per year for renewal and maintenance of elements in the MUD is between €1,637 and €2,459 after VAT and preliminaries. This is starkly higher than the survey responses, which indicated current contributions from just €206 to €297 per year.

While these findings are not definitive evidence of underinvestment in sinking funds, they underscore the gap between current provisions and the projected costs to sustain MUDs of a similar size within these case studies. This discrepancy highlights the urgent need to reform the MUD Act to ensure that sinking funds are adequately funded, with appropriate enforcement and protection to property owners to meet future maintenance and infrastructure, and avoid major Government intervention in the face of failure of critical elements.

### 6.6 Land Development Agency case study – cost rental apartments

#### *Overview of the STAR Scheme for cost rental units*

Cost rental units, designated at the point of purchase, and availing of STAR (the Secure Tenancy Affordable Rental Investment Scheme), will remain as cost rental for a minimum of 50 years. As part of the Scheme's application process, a comprehensive operation and management plan is submitted to the Department of Housing and the Housing Agency. This plan requires a detailed exploration of operational costs over the entire life cycle of the asset, emphasising the importance of calculating an affordable rent that accounts for these long-term expenses.

#### *Role of the Land Development Agency in cost calculation*

The Land Development Agency (LDA) plays a critical role in standardising the approach to calculating operational costs for cost rental units. Utilising a bottom-up methodology, the LDA's template accounts for every expense, from the initial acquisition of the asset to ongoing operations, maintenance, and eventual replacement of component parts. This approach ensures that cost rental units, mainly newer assets launched since 2019, are managed with a clear understanding of the long-term financial commitments involved in order to maintain cost rents in the long term.

#### *Learnings from cost rental apartments*

Some of the key learnings identified by the LDA as they take their early approaches for building provisions for long-term expenditure of apartment complexes are:

- 1. Importance of operation and maintenance (O&M) manuals:** The O&M manuals are a critical tool for producing life cycle costings. The LDA has been digitising these manuals, enabling them to project major capital events over a 50-year period.
- 2. Education is key:** Proper education on the importance of life cycle costings based on good quality O&M manuals is crucial for all stakeholders to enable buy-in to the process and ensure that operating costs are to the forefront throughout the design and construction phases.
- 3. Standardised approaches:** The LDA's use of a standardised apartment typography allows for consistent cost calculations and planning across different developments. Detailed life cycle costing built upon good quality O&M manuals and operations feedback helps to keep cost models updated.
- 4. Risk-based life cycle asset management:** The LDA is working towards implementing a risk-based life cycle and asset management approach. This involves conducting a basic risk analysis to identify the most critical assets in maintaining operations and integrating sustainability measures for both new and older buildings.

### 6.7 Future directions: smart technology and sustainability

Looking ahead, the use of smart technologies will play a significant role in monitoring indoor environmental quality, such as ventilation and energy usage. However, it is crucial that the sustainability aspects are fully integrated into MUDs, as the transition to sustainable buildings will impact the performance and valuation of these developments. There is also scope to better understand the performance of these new technologies over time and have a greater understanding of their performance and critical life period as these measures are implemented. Lastly and most importantly, this data can then be utilised to drive positive health and living quality outcomes for tenants, ultimately making these highly desirable locations to live from both a long- and short-term perspective.

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*Looking ahead, the use of smart technologies will play a significant role in monitoring indoor environmental quality, such as ventilation and energy usage.*

# 7. RECOMMENDATIONS

## 7. RECOMMENDATIONS

Short-term recommendations (next 12 months)			
Government	Owners' management companies	SCSI	Stakeholders
<p>Remove reference to €200 sinking fund minimum contribution in the MUD Act.</p> <p>Amend subsection 9 of Section 19 of the MUD Act to ensure that OMCs commission and consider professional advice within BIF reports for expenditure of a non-recurring nature (i.e., sinking fund expenditure).</p> <p>Engage in public awareness campaigns around the importance of sinking funds. Property owners should be fully informed about the long-term benefits of a healthy sinking fund.</p> <p>Seek mechanisms to improve communication and encourage OMCs to communicate the financial health of their MUDs to potential buyers – particularly before/during the bidding process.</p> <p>Publish the European Central Bank's Late Payment Interest Rate for consideration in the calculation for OMC debt.</p>	<p>Schedule the completion of a BIF report every four years minimum and look to sync it with a reinstatement valuation periodically.</p> <p>Balances of sinking fund accounts should be made readily available to owners (and published annually), and compared against expected costs identified within a BIF report.</p>	<p>Publish professional guidance for building surveyors on standardising BIF reports. This will ensure consistency of reporting for OMCs.</p> <p>To address the lack of awareness from OMC members about who can complete BIF reports, the SCSI will promote it's 'Check the Register' campaign to include details around Building Surveyors' role in completing such reports.</p>	<p>Accounting bodies should review their reporting template for noting sinking fund cash reserves available. This template should track and report on outgoing costs against forecasted annual expenditure as per the BIF report.</p>
Medium-term recommendations (1-5 years)			
<p>Introduce statutory regulation to educate and support OMCs to ensure that they are adequately funded and managed for the benefit of all occupiers.</p> <p>Introduce dispute resolution services measures to provide for effective compliance with sinking fund/service charge contributions.</p> <p>Introduce adequate protections of sinking fund cash to ensure that it is protected from inappropriate investment and misuse.</p> <p>Examine mandating developers to provide building life cycle reports for MUDs, and make them mandatory as part of the handover process.</p>	<p>OMC Directors should complete mandatory training on responsible financial management and sinking fund build-up.</p>	<p>Update the SCSI Report 'Real Cost of Apartment Block Maintenance' to monitor changes/improvements to the management of MUDs.</p>	<p>Create a standard approach for defining common areas within MUD lease agreements. MUD leases vary, which impacts on the level of repair and maintenance responsibilities between the owner and OMC.</p>





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