

EXTRACT FROM THE

# PRESIDENTIAL SPEECH

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**Delivered at  
the IAVI  
Annual General Meeting  
on 21st April 2009**

Firstly, let me thank all the Members of the Institute, many of whom I have the great pleasure of knowing personally, for the great honour in becoming President of the IAVI for 2009 – 2010. I believe my predecessor felt that his term was going to coincide with the worst year for property in decades, but it appears that I am going to have to be the bearer of that particular cross.

Last year, we made a fundamental transformation to the way in which the Institute operates with the introduction of the elected Council - the challenge this year and for the years ahead is how we can turn this into an even more successful organisation, to take its rightful place to influence policy, achieve proper recognition for our comment, opinions and qualifications and, most importantly, to actively participate in the important governmental decisions which shape the property market.

## **Economy**

It is true to say that a healthy property market needs a healthy economy and we certainly don't enjoy that luxury at the moment. In the recent supplementary budget, the IAVI partnered with the Construction Industry Federation to make a submission to the Minister for

Finance, suggesting creative and innovative ways to kick-start the market, aimed squarely at the first time buyer. These measures would have been effectively tax neutral with the additional benefit of significant VAT payments being released via the sale of new residential apartments and houses. As can be clearly seen, the mini-budget was a missed opportunity by the Government to not only help the housing market, but also to help itself increase its tax take through VAT receipts and underpin employment in associated property areas such as estate agency, conveyancing, surveying and any number of finishing trades. The swap scheme outlined in the Budget is of negligible value to the industry. The only employment creation initiative which could apply to our members will be the graduate placement scheme and we are seeking these details as a matter of priority to assist our graduate members from the relevant Department.

We will continue to lobby Government for the budget proper at the end of the year. We will shortly make a detailed submission to the Commission on Taxation outlining our views on the introduction of a Property Tax, with particular emphasis on the extremely high levels of Stamp duty payments already borne by house buyers over the

past decade, when archaic threshold levels remained unaltered despite constant pressure from this Institute and many other sources to overhaul an outmoded system. Perhaps if the Government had listened to us, they may have recognised the unsustainable nature of a tax based on transactions.

## National Asset Management Agency

The banking crisis has unfurled to reveal a deeply troubled picture over the past year and the establishment of the National Asset Management Agency is the Government's attempt to move bad debt from the Banks' balance sheets and on to the taxpayer's balance sheet instead.

There has been recent comment indicating that no Irish estate agency firms will be engaged to advise this new agency on the valuation of the assets to be transferred.

While this commentary is not yet attributed to an official source, we will, in any event, be making representations to the Minister and any other relevant body to consider our members for this work.

Many of our members are engaged in internationally based agencies and have the resources, expertise and market knowledge required to assist in this important national task.

I would caution the Government in their appointment methodology for this vital role – the wealth of market transactional information available within our members' firms is crucial to this exercise, but if they are not engaged in the process, this essential information and analysis cannot be exploited and this again will be an opportunity foregone.

We will continue to monitor this

situation on behalf of our members and ask the hard question, when there is no difficulty using Irish solicitors, accountants and economists, all of whom have acted on behalf of the very banks and top developers for whom this agency is being established, why there is any valid argument to exclude our members' firms, whether or not they have previously acted on behalf of these parties.

Personally, I am deeply concerned about the operation of this Agency, as it is patently obvious that the ability to even establish it correctly lies neither with the Government nor the civil service and yet it will be these very people who will choose the administrators of the agency. It is a frightening scenario for the future viability of the property market in Ireland that a huge portion of the market will be effectively "controlled" by the State.

## Banks

As much as we need a thriving economy, we also need a functioning banking sector for business to flourish and for the normal operation of the property market.

The continuing lack of credit facilities to both business and buyers has stifled the market to the degree that when this downturn is over, we will most definitely have over-corrected at the bottom of the cycle.

Recent surveys from mortgage brokers give credence to all the anecdotal evidence that banks are merely paying lip service to being open for business. It is true to say that a mortgage was too easy to obtain during the boom years and yet we are now experiencing an unprecedented clampdown on the availability of mortgage finance with the introduction of unrealistic criteria and a whole new set of arbitrary rules about who can borrow and who can't.

There is a huge concern amongst the business community that the Banks will seek to cover their bad debts over the shortest period of time at the cost of their customer, small businesses and mortgage holders, putting additional strain where there is no further to stretch and all this after the taxpayer has bailed our two main banks out to the tune of €7m.

The Institute will continue to lobby Government for tangible reforms of the banking sector to ensure that fairness and equity applies and we welcome the recent comments of the Regulator warning the banks not to force customers off tracker mortgages.

We will also continue to lobby the Banks about their mortgage valuation practices which we believe represent poor value for the bank, the mortgage applicant and the valuer.

## Rent Review Commentary

There has been copious recent comment in relation to the operation of rent reviews in the commercial property market, much of it ill-informed and an over-simplification of the dynamics of landlord and tenant issues.

Put simply, we in Ireland still consider the words Tenant and Landlord as emotive ones, harking back to centuries old resentments that have no place in modern business.

It is evident that all sectors of the commercial market have been affected by this downturn, the retail sector in particular, and we have already seen some high profile casualties. These closures, needless to remark, will impact directly on a Landlord's ability to make loan repayments and may require equity contributions at a time when their cashflow is seriously challenged.

The discussion to date has tended to focus on institutional landlords and large shopping centres and yet this part of the commercial market tends to be concentrated only around our cities. Consider the situation on any high street in any provincial town in Ireland where a large national or international brand tenant wishes to locate – does the market honestly believe that the private owner of an average high street unit has greater business clout than the global retail tenant seeking to occupy that unit?

Many tenants who are finding it difficult to trade through this downturn will seek to cut their costs and rent is an obvious fixed cost to try and reduce. I have found that most professional commercial Landlords will recognise the wisdom of partnering with a viable business tenant through a tricky trading period. Equally, Landlords should be wary of granting these requests without serious investigation of the Tenant's business to ensure that other costs, such as labour, stock etc. are not at unsustainable levels where a rent reduction will only delay the inevitable closure.

Many of our members are actively advising both Tenants and Landlords on this very subject at the moment and in response to members queries, the Council has issued a practice note, providing a framework within which a Landlord and Tenant can agree rental reduction terms, when warranted.

In practically all commercial lettings, both tenant and landlord are independently represented by professional advisers and with the introduction of recent flexible changes to legislation, the terms agreed between landlords and tenants over the coming years will adjust to reflect these changes, bringing us more into line with the European lease model. We will continue to monitor this sector on behalf of members so that we can all better inform and advise our clients.

## Members

The new Council, directly elected by the membership for the first time, has been in operation since the beginning of the year and has met on a monthly basis for day long meetings to discuss, develop and implement the policies which members have advised us are of most concern to them. At the heart of the success of the new structure are the communication channels, including the Council profile on the revamped website, allowing members to send queries and suggestions directly to their sectoral representatives, the Council newsletter which provides feedback and updates about progress in the various areas which are being pursued for members and the innovative use of topical email surveys. Some of the issues dealt with to date include the area of BER Rating, Upward only Rent Reviews, the granting of Rental abatements and Mortgage Valuations.

On every agenda, the Council places the interests of our members at the core of every policy decision and these 12 people give of their time and expertise in an unstinting way to help push our agenda forward.

We recognise the difficulties faced by many of our members who have lost employment over the past months, many of whom are young graduates who will be the future lifeblood of our organisation.

We want to support these members in any way we can and in order to do so, we have waived subscriptions for this year to several members who have been unable to find alternative employment within the property area.

There is little doubt that, during the boom years, a sense of complacency crept into our interaction with each other and with the Institute. Business was good, we were busy and we did not feel the need to seek or give support,

guidance or assistance to anyone else. How times have changed and I believe this is the moment when we need our Institute and each other in ways we did not previously envisage – for casual conversations at regional meetings about the state of the market; for upskilling/retraining to take advantage of work in practice areas which we overlooked in the boom years; for technical information about changes in legislation and taxation to provide solutions to our clients; for private conversations with our volunteers on the confidential advisory panel.

The days of being a passenger are past; it is up to every Member of this Institute to actively participate to make this organisation the best it can be. Your new council, the Institute committees and the regional committees are made up of members, volunteering their business time at their own personal expense for the good of the organisation and we need all our members to be as dedicated to the task in continuing to improve our services, our communications and our profile both to our members and our customers.

## PSRA

IAVI members are operating in a **changed business climate** and the time has long since passed to have sorted out the trained professionals, for whom property is a genuine career, from those who perceive it as a way to make a fast buck. It looks like another year will pass when licences will issue to unqualified, inexperienced and unregulated parties.

Even taxi drivers have a Regulator and yet there is no Regulator in place to oversee agents involved in the sale or letting of property, one of the most important transactions in most people's lives. We continue to urge the Minister to introduce this legislation as a matter of priority in the current Dail term and we intend to highlight this issue in every

possible way over the coming months to ensure action from our legislators, including lobbying the National Consumer Agency who should also be championing this cause for consumer protection. Our Government continually states that our economy must move to a knowledge based one and we agree – accordingly, it is our expectation that the Government’s own stated aim will be reflected in the educational standard requirements contained within the Act and will reflect the Honours Degree level achieved by our members without statutory compulsion over the past decade.

Due to the ridiculous delays that have occurred in the introduction of this legislation, I have grave concerns that many of these unqualified parties, who acquired licences under the old regime, will be granted licences by the new authority despite not complying with the educational requirements. At a minimum, we expect the legislation to contain provisions where educational standards must be attained within a specific time period and in the absence of compliance, that licences will be revoked.

It is a great compliment to our own Members that, despite there being no statutory necessity to do so, they have embraced the culture of life-long learning as evidenced by the fantastic commitment to our Continuing Professional Development Programme and the Institute remains committed to provide the best possible standard of education to all our members and graduates.

## How will we look different on the other side of this Recession?

Many of us are in survival mode, following a tough 18 month/2 year

period of ever decreasing market activity and yet we all know members whose practices are doing business, even in these difficult times. The secret to surviving a recession is recognising where opportunity lies. The first step in opportunity recognition is to know and believe that there will always be opportunity for those who seek and pursue it. Regardless of how bad the economy may seem, people still buy and sell. People still have needs to fill and businesses have products and services that meet those needs. “This time, like all times, is a very good one if we but know what to do with it” (Ralph Waldo Emerson).

Opportunity always exists, even though it may be harder to recognise in tough times because it takes a different form. In bad times, opportunity comes by abandoning things that no longer work and finding new things that will work, based on new needs. We’ve seen fine examples of this creative thinking in the new Rent to Buy schemes around the country, pioneered by many of our own members. Recession itself is a great opportunity for those who choose to see it that way and we need to leave our comfort zones. We’ve also seen it in the larger commercial firms who have refocused to establish expert teams to provide solution-based advice to struggling developers and investors.

So, how do you survive a recession? Firstly, you embrace a mindset that relentlessly pursues new opportunities. Open yourself to new ideas and encourage your staff to find new ways of doing business by becoming an expert on what people need and want. Take this time to upskill through the excellent CPD programme offered by the Institute to widen your potential market base. Take time to develop your website and other marketing channels to improve communication with potential customers. Listen to your staff as they are at the frontline of your service and often have a better understanding of the customers’ needs.

Finally, you must be able to express the value of service in a way that will resonate with the needs of your customers and potential customers. Understanding their deepest felt needs is the key to understanding the value of what you have to offer. Talk to your clients and customers. Discover their problems and concerns and you will discover your opportunities!

## Conclusion

Not every effect of this downturn is negative. We quickly forget that while we worked 60/70 hour weeks during the boom, we had little time for our partners and children. Let’s not overlook the personal advantage of having a little breathing space to reassess what we want from life, not just from our careers.

I am looking forward with relish to the challenge that this year brings to represent this great Institute and its members to the very best of my ability. I am especially lucky to have the great assistance and expertise of my Vice-Presidents Kersten Mehl and Roland O’Connell, and all the Council members and the staff of the Institute to achieve our objectives.

I hope to see you all on the other side of these challenging times in better shape than we started it. Let me leave you with some wise words. ▀

*Success is the good fortune that comes from aspiration, desperation, perspiration and inspiration.*

Evan Esar

**But we already knew that...!**