

Property Cycles and Property Education

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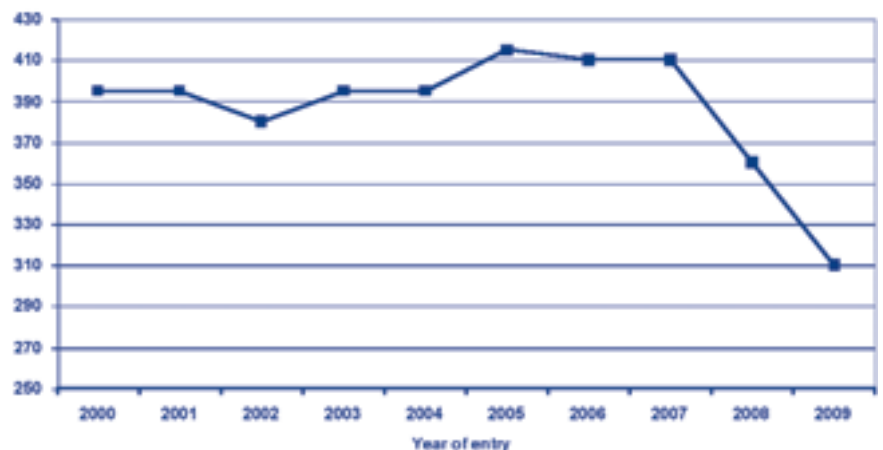
A tautology worth considering in the present economic circumstances is that “cycles are cyclical”. Booms are always followed by slumps and slumps are followed by recoveries. This will be reflected in the demand for property education.

The Present Situation

In recent times property prices have collapsed and the number of property transactions decreased to a trickle. Layoffs and salary reductions in property firms have become the norm. Property companies have only been sparsely represented at graduate recruitment fairs. These signals have been seen by potential students for property courses in Ireland and they have reacted. This response does not appear to take account of the lag between applying for a property degree course and graduating. The lag is normally of at least four years. Demand for property courses for the 2009-10 academic year has reduced dramatically. In some cases, the intake for the first year of courses has been deferred. Entry points, for courses that require them, are lower in 2009 than in 2008, which in turn had a lower requirement than 2007.

Figure 1 shows the change in the academic points requirement on one of the property courses on offer in Ireland.

Figure 1: First round points requirement for DIT BSc(Hons) in property economics



Source: Dublin Institute of Technology

Note: The points for this course are shown as it was the only one in the Republic of Ireland that retained its name and content over the period shown.

The supply of places on property degree courses did not change in 2007 or 2008, so the declining number of entry points required indicates a real decrease in the level of demand for the courses.

On the supply side for the 2009-10 academic year, the provision of places on property related courses accredited as providing the academic basis for membership of the IAVI and the SCS has decreased. At the time of writing, (August 2009), Galway-Mayo Institute of Technology (GMIT) has deferred the intake on to the BSc(Honours) in property studies for the 2009-10 academic year and the IAVI has done the same for its part-time BSc and Higher Certificate courses that are run in partnership with the DIT. The first year intake to these courses will recommence when the level of demand for them increases again.

A particular reason for the dramatic reduction in applications for the two IAVI courses is that students on the courses must be working in full-time property related employment for the duration of the course and there has been very little hiring by property companies in 2008 and 2009.

The questions that arise from these observations are - will these changes in the levels of supply and demand for property courses be permanent or will the situation change, and, if so, when and how?

The responses to these questions can be framed in terms of 'economic', 'institutional' and 'societal' factors.

Economic factors

It is assumed here that the number of students enrolling on property courses will be linked to expectations about jobs in the sector. This in turn will be linked to the state of the economy.

Analysis by the Economic and Social Research Institute (ESRI)¹ has indicated that the recovery of the economy, as indicated by an increase in output, will not occur until 2011, under an 'optimistic' scenario. In this scenario Irish recovery is stimulated by growth in the rest of the world. It is assumed in this scenario that growth in the rest of the world will start in 2010. Under a more pessimistic scenario, recovery in Ireland will be delayed. However, the 'green shoots of recovery' seem to be emerging in some leading economies.

Even under the 'optimistic' scenario, the housing market is expected to lag this recovery "and growth in housing demand is unlikely to take place until households become more positive in their expectation about the economic outlook and job security"². In this context, it is expected that unemployment

will peak in 2010 at about 17 per cent of the labour force and decline to a fairly constant level of about six per cent in 2015 and subsequent years.

These outcomes are also supported for the short term by the view of the Central Bank of Ireland.³

Institutional factors

People normally embark on property education because they want to know more about property and/or to gain a qualification that will advance their career. Reputable firms make it a condition of employment that employees already have, or will obtain, a relevant qualification. There is currently no legal requirement for people engaged in property services to have any formal qualifications, relevant or otherwise.

This should change when the Property Services Regulatory Authority (PSRA) is placed on a statutory footing. Once the Authority is legally established, all providers of property services will have to be licensed by it. The Bill on which the Act will be based, states that the PSRA "shall in relation to the imposing of licenses, specify and enforce - (i) qualification requirements, including levels of education, training and experience, and (ii) any other requirements, including technical standards, and appropriate ethical standards"⁵.

This will add a new dimension to the demand for property education. For the first time, those who undertake study to face the demands of a difficult profession will be joined by others who will be seeking property education solely because it will be a legal requirement. The consequent demand for education will depend on the precise requirements of the PSRA for the granting of various types of licence. Appropriate education will also inform participants about technical and ethical standards.

Societal changes

As society changes, the ownership and management of property tend to change in response. For example, the property industry has become more global, firms may sell off and lease back their offices, the proportion of one person households may change, occupiers may decide to rent rather than purchase and more people may live in apartments. An example showing the proportion of single person households in the State is shown as Figure 2. Another example showing the increase of apartments as a proportion of new house completions is shown as Figure 3.

Figure 2: Percentage of one person households in the Republic of Ireland 1926-2006



Source: Central Statistics Office

Figure 3: Percentage of apartments in new completions 1996-2008



Source: Department of Environment, Heritage and Local Government

The extent to which property education incorporates these changes will affect the relevance and attractiveness of courses to students and employers. This in turn will affect the demand for them. To meet this demand, providers of property education will need to constantly adapt existing educational programmes by changing their content, delivery method and timing.

As public expectancy that property professionals are properly educated increases, demand for courses that do not meet nationally and internationally recognised educational standards should fall away.

Conclusions

The present difficult circumstances in the property sector are cyclical. A 'bubble' has burst. Over time there will be a recovery.

Over the next five years or so, it seems that the economic forces affecting the property sector will cause the demand for property education to decline. There is unlikely to be an increase in demand before 2011.

Potential students should note that if they enter property courses

in 2009 and 2010, it will be at least 2012 and in most cases 2013 and 2014 before they complete the course. By this time activity in the economy and the property market should have increased and unemployment should have declined considerably.

In the short term institutional changes may well act in the opposite direction to economic ones. The setting up of the PSRA may increase the demand for qualifications. The change in the level of demand for property education caused by this will depend very much on the precise requirements of the PSRA. This change may also lead to an increased emphasis on technical standards and professional ethics.

The simplest and most objective way for the PSRA to set standards would be for it to insist on the national standards for Higher Education that are already in place.*

Societal changes, in particular the internationalisation of the property sector and an increase in apartment living, have increased the demand for property education. The internationalisation of the property market supports the case for insisting on internationally recognised qualifications. More apartment living increases the need for extra property management material in traditional property courses. This is a market based change, which is difficult to assess but which may be addressed by education providers. ■

References

1. Bergin, Conefrey, FitzGerald and Kearney, *Recovery Scenarios for Ireland*. Research Series Number 7. Economic and Social Research Institute. Dublin, 2009.
2. Duffy in Conefrey, Fitzgerald and Kearney, *Recovery Scenarios for Ireland*. Research Series Number 7. Economic and Social Research Institute. Dublin, 2009, p34.
3. Central Bank of Ireland *Annual Report 2008*, p10.
4. Property Services (Regulation) Bill 2009.

Note:

*These standards are those for levels 6 ('Higher Certificate') and above determined by the National Qualifications Authority for Ireland, (NQAI). The only bodies which validate educational awards at level 6 and above in the National Framework of Qualifications are: the Universities (levels 7-10), the Dublin Institute of Technology (levels 6-10), the Higher Education, Training and Awards Council (HETAC)(levels 6-10), and Institutes of Technology under devolved authority from HETAC (levels 6 to 10). Awards made by other bodies are not part of this system, although the Further Education Training and Awards Council (FETAC) awards an 'Advanced Certificate' at level 6 but this is not aligned with the internationally recognised 'Bologna Framework' of qualifications.