The Government’s Role in the Property Market

Government and Property
Achieving World Class Property Systems in Ireland
- Avoiding the same old millstones

Property markets are complex dynamic systems: The challenge is to move from a ‘Wild West’ approach to the property market to world class property systems without throwing the baby out with the bath water.

Bill Nowlan is Managing Partner of Property Asset Management Company
WK Nowlan & Associates, Tel. 01 6717 232, Email: bill@wkn.ie
Bill Nowlan - The Government’s Role in the Property Market

Property markets can be wonderfully creative in providing homes, commercial premises, urban infrastructure and much more at little or no cost to government and usually with a significant tax spin-off to the Exchequer but as we have seen recently, it can be equally destructive to society if unregulated or if regulation goes awry.

Property markets need government and government needs a prospering property industry. Basic government structures are required for any property market to exist: the rule of law; enforceable contracts; a land ownership and registration system. These basic requirements have been a pre-requisite to private property ownership since Greek and Roman times. To do a property deal, you must be able to agree a price, define the physical boundaries of the property, sign an enforceable contract recognised by the courts of law and have your ownership registered and publically acknowledged. But in a modern urban society it goes further than those basics because in the interest of the common good, governments have and always will become involved in the way property markets operate - and rightly so - because markets are far from perfect.

Over the past 30 years the degree of involvement by the Irish government and those in most other advanced societies has increased significantly. This is because we have become a sophisticated society and have adopted sophisticated regulatory systems. For example, our ever growing planning legislation exists, in the common good, to reduce or eliminate the inefficiencies in the property market; we have construction regulations to impose quality control in new and existing buildings; our health and safety code is there to set and to enforce safety standards for buildings and our landlord and tenant system is there to ensure fairness between tenants and landlords. We have an ever growing property taxation system based on property ownership and occupation. These are just a few ways that government involves itself in property ownership.
However, greater involvement in controlling anything from a car to an airplane or an economy requires the installation of a feedback mechanism and response actions to ensure optimum performance. It requires informed and empowered people to interpret the information and so fine tune performance.

The biggest difference between controlling a machine such as an airplane and an economy and in particular the property part of an economy is that the required responses are continuously changing. In an airplane pulling back the control column will always make the airborne airplane go up but in the property world it may make it go up in some circumstances and down in other conditions. For example, the introduction and operation of property development incentives in the mid 1980s and 1990s was vital in getting urban renewal kick started and with it a supply of much needed new apartments but the continuation and enhancement of those same incentives after the start of the noughties was quite simply a wrong response.

The difference between property markets and a machine is that there are ever present economic cycles and knowing where you are on that cycle, knowing the relevant information and knowing how to respond to those signals at that point in time is of critical importance in managing the property market. You want to ensure that it gives optimum performance both at local level and at national level. Failure to know and respond to those signals is why the Irish property economy crashed and burned in the noughties. But in Ireland from 2002 onwards, those who were supposed to be in control (both at local and national level) either did not receive and/or understand the property signals or ignored the strong signals coming from the market. I am not just talking just about town planners, I am talking about all those with their hands on the economic controls, the politicians - national and local, the public officials, the regulators and of course the bankers and the property industry itself who all combined to ignore the strong overheating signals.
This is what a typical property cycle looks like:

![Property Cycle Diagram]

This diagram is generic and has emerged after much academic analysis of countless economic cycles but it fits our recent experience like a glove. This cycle features an oversupply at the beginning of the cycle, the recovery in demand, the recovery in prices, the over response from developers, the over exuberance of punters who want to get on the bandwagon and then shows the start of the decline. Most property cycles last about 7 years and start for non property reasons and end for non property reasons. If they go on longer than 7 years, the dip is usually more severe - as happened in Ireland in the 1996-2007 cycle which was an 11 year one. Considering these inherent property cycles, what should government do to manage the property economy? At the beginning of the cycle, usually coming out of a recession, it is perfectly acceptable, and often desirable, to pump prime the market both at the
supply and at the demand side. Unemployment will probably be high and the supply of particular types of land or buildings may be inhibiting growth. However as the recovery progresses, the pump priming incentives should be withdrawn or perhaps replaced with other much targeted incentives to infill gaps. As demand and supply come into balance the incentives should be fully removed and as supply starts to overtake demand, the brakes should be applied. All of this market tinkering should be done in a way that does not create scarcity or excessively drive up prices. As the Central Bank Governor Professor Patrick Honohan said recently “part of the role of government is to take away the punch bowl when the party begins to swing.”

Now let us look at how the government responded to that cycle and the consequences.

**ESRI - Timeline for government actions- or non actions.**

<table>
<thead>
<tr>
<th>Year</th>
<th>New Houses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>33,700</td>
</tr>
<tr>
<td>1997</td>
<td>38,842</td>
</tr>
<tr>
<td>1998</td>
<td>42,349</td>
</tr>
<tr>
<td>1999</td>
<td>46,512</td>
</tr>
<tr>
<td>2000</td>
<td>49,812</td>
</tr>
<tr>
<td>2001</td>
<td>52,602</td>
</tr>
<tr>
<td>2002</td>
<td>57,695</td>
</tr>
<tr>
<td>2003</td>
<td>68,819</td>
</tr>
<tr>
<td>2004</td>
<td>76,954</td>
</tr>
<tr>
<td>2005</td>
<td>80,957</td>
</tr>
</tbody>
</table>
And what happened in the real world between 1996 and 2012

What did the market actually do?

So I think that you will quickly realise that I am not opposed to government involving itself in the property industry. What I am saying is that we in Ireland have built a highly complex and sophisticated legislative base for the property “machine”, even after the most awful property induced economic collapse. I am very doubtful about the capacity of the current Irish establishments to manage that machine effectively or efficiently with existing monitoring systems.
This is because the urban property market is a complex ‘machine’ comprising many players from the man in the street with a love/hate relationship with property to bankers, builders, estate agents, investors, planners, regulators, politicians, developers, tax collectors, professionals - to name but a few of the many actors on the crowded property stage. Many of those actors have their own vested interests and did, and will try again, to lobby and influence government to help their particular cause. Without clear policy and guidance, government will succumb to these pressures. The recent rent review debacle is a case in point where one group with a vested interest succeeded in persuading a government department and its Minister to adopt a policy that was highly destructive to property values at a time of great sensitivity to asset values. That little side show probably cost the tax payer several billions by further reducing the asset value of loans held by the banks and thereby increased the amount of capital required for refinancing their balance sheets as well as reduced the value of the assets acquired by NAMA and thereby the taxpayer. In that case no one in government would listen to the arguments and the right decision was made by default by the Attorney General.

But in Ireland whose job is it to manage the property market? I deliberately say the property industry and not the construction industry because many people do not understand that they are distinctly different industries. The construction industry’s job is to build new buildings when and if commissioned by the property industry. The property industry has a much lower voice and often shouts in a way that adds to the public confusion between the two industries.

The property industry is a lost child or orphan within government. There is no one minister with overall responsibility for it in spite of the large number of people employed directly or indirectly in the industry – from the builders who maintain the property stock and grow that stock, to legal professionals who manage its ownership, to the bankers who need real assets for loan security and to the many other professionals from architects to agriculturists who try to optimise ever continuing change. Other industries are more fortunate and have their own sponsors in the governmental system. For example: Our tourism industry is managed by Bord Failte and has its own full time Minister; Agriculture
has its own Department with dedicated Minister and huge controls linked into an up-to-date database of every animal or field of corn in the country. If you are a farmer you can’t move a cow from farm to farm without permission and as one wit remarked to me “in that Department there are more civil servants than serious farmers”. The technology and pharmaceutical industries are closely monitored by the IDA and Forfas.

I would say that the property industry needs and deserves its own minister because the property market when properly managed has potential to do much in terms of job creation and the quality of the urban environment. When mis-managed it can be a hugely destructive force. It was the mis-management, and the absence of any pilot in the cockpit, that created the property bubble between 2000 and 2006 and that precipitated the banking crisis and our current woes.

A small but important indicator of the issue is that anyone can set themselves up as a developer or builder without any training or approved skill levels. You cannot be an architect, plumber or drive a fork lift truck on a building site without a skills certificate but you can set yourself up as a house builder and then employ architects, engineers and a fully certified workforce. The pieces of a jigsaw may be capable of creating a beautiful picture at the hand of a skilled jigsaw maker but if the guy or girl assembling the jigsaw is incompetent then the outcome won’t be handsome. We have ample examples of incompetent developers who simply set themselves up in business with little or no construction or development experience or an appropriate skill base and who have produced our ‘Priory Halls’ and multiple ghost estates.

But, you will all be thinking, Bill you are a qualified town planner and you have barely mentioned the planning system. Surely our planning system is intended to look after and channel the demands of and needs of the property market.

The elephant in the room may be the planning system because it is supposed to be a planning and development system. However the development bit comes way down the priority in the planning hierarchy. There are no planners with dedicated property skills
within the planning system either in local government or in central government. The reality is that whilst we have an advanced approach to environmental planning and look after the bats, the birds, the bees and the butterflies in extraordinary bureaucratic detail, the planning system almost totally ignores the property market. True it tries to estimate population growth and other economic drivers that impact on property but with some limited exceptions which I will come to later, most Development Plans don’t mention the greatest driver of success or failure of Development Plans i.e. the demand from and the working of the local property market.

Now there are some limited exceptions to the embracing of the property market by the planning system. The most obvious one is the success of the redevelopment of the Dublin Docks by the DDDA and Temple Bar by its renewal agency. The recent successes are the small number of SDZ’s where the jury is still out and so far have produced very little. These successes are due to the bringing together of the power of property markets and the power of planning to actually make something happen. It is not easy and mistakes will get made.

The Dublin Docklands would still be a wasteland if the land management skills, planning skills, design skills and understanding of the property market had not been harnessed together and led in a single-minded fashion. The good work that the DDDA carried out has been forgotten in the recriminations following the events that have led to its demise. However as I said in my article in the Irish Times “if a Volvo car is driven into a wall and kills people do you blame Volvo who made the car or the driver who operated it recklessly?” Unfortunately in the case of the DDDA the blame is being attributed to Volvo and not either the driver or the people who hired the driver.

The success of the urban renewal of Temple Bar tends to be forgotten but it happened simply because two men, who understood the problems and the opportunities in the property market and who had the foresight and the vision to see what could be done, got together enacted the law, put together the structures and resources and made it happen. They were Charles Haughey and Paddy Teehan (aided by Laura Magahy).
The IFSC project happened for similar reasons.

Now to our SDZs. How are they doing as linked up property and planning projects? We see Adamstown trying to struggle out of the fields of South Co Dublin but it still has not achieved the critical mass and success of the DDDA mainly because of bad timing. The new houses appeared too late in the property cycle and the project has missed the boat - for the time being anyhow. The other SDZs have the same problem of arriving too late for the last property cycle and too early for the next one and no cash is being provided to prime those pumps.

Good property decision making is all about timing which brings me back to property cycles. What may be a good property decision in 2000 may be a terrible one two years later. Every good property economist knows about property cycles. To me they are the roadmap which has dictated the decisions I have personally made in successfully running the biggest Irish commercial property portfolio and more recently in the advice I give to clients. That advice included withdrawing from the Irish property market from 2005 onwards because I saw that the situation was going out of control and that the ‘party’ would have a messy end. My phrase repeated many times was “trees do not grow to the sky”. I did not realise back then how hard all the trees would fall and the damage they would cause to all of us.

Now you will correctly say that what was missing was accurate information about prices and transactions. No one knew what was going on. We had multiple vested interests giving their story of what was happening on the ground and I probably contributed to the confusion by shouting wolf when most others were partying. Some of this lack of information is about to change with the new Property Registration Authority databank on transactions. However this is not sufficiently broad in scope and is ambitious but what we are about to receive should have been put in place years ago as it was in most other countries. Hopefully in future we won’t have to interpret agents spoof about deals - we will have access to actual transaction information. I believe that this is a great leap forward and will aid the control process but it will not be a control process in itself.
So how do we build a management and control process in Ireland that will enable us to harness the power of the market and avoid the destructive elements?

A good place to start is to look at the processes employed in successful overseas economies to embrace, control and manage their property markets.

**Singapore**

The most successful and regulated economy is that of Singapore.

In Singapore, managing the property market is a key part of managing the economy. The key driver is the Urban Redevelopment Authority (URA). It is Singapore’s national land use planning and conservation authority. Its mission is to ‘make Singapore a great city to live, work and play’.

One of the key tools in the management of the Singapore property market is wall-to-wall public information about property on the market and coming to the market. If you look at the URA website it gives an amazing amount of information that any researcher in Ireland could only dream about. And it not just for researchers - it is available for anyone to access who wants to buy, lease or sell. You can find out the size and rental terms or sale price of any property in the city state. And I mean any property - no such thing as confidentiality in regard to property information. It is breathtaking what you can find out.

The second tool is the linking of the planning system to the property market. Planning uses the property market to ensure its plans are implemented. The URA is responsible for ensuring that plans are implemented by its control and active management of all state land.

The URA has successfully transformed Singapore into one of the most livable cities in Asia through judicious land use planning and good urban design. They adopt a long term and comprehensive planning approach in formulating strategic plans such as the Concept Plan and the Master Plan, to guide the physical development of Singapore in a sustainable manner. Plans and policies focus on achieving a balance between economic growth and
a quality living environment. As the conservation authority, URA has an internationally
recognised conservation program having successfully conserved not only single
buildings, but entire districts.

Through the sale of state land, URA attracts and channels private capital investment to
develop sites to support economic and social development. URA is also the development
agency for Marina Bay, the new city extension. To create an exciting cityscape, URA also
actively promotes quality in architecture and urban design excellence.

United Kingdom
Up to recently the British Government had a group of industry experts on a non executive
basis called the Property Advisory Group. This collection of property industry chief
executives and academics kept the government informed about what was happening
in the property industry and produced periodic reports and papers. It had a small
permanent secretariat that organised and monitored the work load. This was disbanded a
few years ago.

However the UK Government now has a dedicated Property Unit (GPU) which sits within
the Cabinet Office and leads the Government’s property strategy across the public sector.
The Bank of England has set up a Commercial Property Forum, along the lines of the
defunct Property Advisory Group, where property representatives and members of the
Bank meet up regularly.
Bodies such as the RICS deal regularly with the GPU.
Private sector task forces are set up by Whitehall/government on an ad hoc basis
relating to specific issues to inform Whitehall/ government. This is supplemented
by the parliamentary committee system. There is a Commons Select Committee for
each government department examining spending, policies and administration. The
committee members decide on the line of inquiry and then gather written and oral
evidence, publishing their findings/recommendations, which the government usually has
60 days to respond to. The Communities and Local Government Committee is one of the
main committees receiving evidence from the property industry.
A number of bodies represent the property industry. The British Property Federation (BPF) lobbies on behalf of owners and investors, the British Council of Shopping Centres (BCSC) represents the interests of those involved in the retail sector and the British Council for Offices (BCO) performs a similar function for the office sector. The Royal Institution of Chartered Surveyors (RICS) is responsible for setting the industry’s standards and is regularly in contact with the various Ministries on policy and operation issues. The Investment Property Forum (IPF) encourages research, education and debate in the investment field and the Urban Land Institute provides leadership in the responsible use of land and in creating and sustaining thriving communities.

The Property Industry Alliance brings together all of these organisations as well as the Association of British Insurers (ABI) and the Association of Real Estate Funds (AREF). It is therefore able to present a common position for commercial property to Government.

For residential property, the Home Builder’s Federation (HBF) represents the interests of the industry in discussions with key decision makers in government.

The Bank of England collects statistics on members lending to different sectors and makes warning noises every so often about the level of property lending.

USA

The most striking feature of the US property market is the availability of information about individual properties and property transactions. Virtually nothing about property is secret. This enables each planning authority and agency to know exactly what is happening on their patch.

The second striking feature is the diversity of planning systems in the different states and municipalities – from strict control of all development in some states to light touch controls in others.

Government organisations at national, state and local levels play active and substantial roles in the property market. Individual states and municipalities’ through local law are involved in the promotion of property development and in providing the capital and infrastructure to support property development. Central Government has a significant role in managing inter state and local infrastructure.
Holland

The Netherlands has had a policy of ‘active land management’ for many years but it differs between cities such as Amsterdam and expanding provincial towns.

In the period up to the 1980s the general Dutch policy was not to zone land for suburban development until it had been acquired by the Planning Authority. This worked fine for many years but there were problems in a falling market and the process of acquiring land before rezoning was gradually phased out. But serious problems arose in the 1990s when the Government in its national spatial strategy announced a number of towns in the country where large scale residential development would take place. This type of strategic spatial planning was welcomed but the downside was that when the designated municipalities approached local landowners, they discovered that much land had already been purchased on a speculative basis by project developers. This caused somewhat of a national shock because the municipalities had never experienced such an active involvement in the land market by private developers prior to land being zoned for development.

As a result of this experience, active land management in the Netherlands is now much more of a public-private partnership where municipalities work together with private land owners to achieve good spatial plans. They call this ‘gebiedsontwikkeling’ (area development). An important aspect of this type of cooperation between the public and private sectors is the so-called ‘covenant’. These are agreements that local municipalities make with the central government in order to finance large scale infrastructure or to approve population growth targets. The model is therefore in the latter case municipalities in their role as planning authorities proposing expansion typically negotiating with landowners (mainly farmers) for the purchase of their land prior to zoning the land for development.

Turning now to the older cities in Holland, and in particular Amsterdam.
Amsterdam
In 1896 the Municipal Council of Amsterdam decided to stop the outright sale of land in the city and introduced a system of ground lease instead. As a result the Amsterdam municipality did not sell land within the city boundaries any more, but disposed of it on a perpetually renewable basis. The land remains the property of the municipality, but the lessee gets the right to hold and use the land. In return for the right to use the land the lessee pays a ground rent to the municipality. The lessee can sell the ground lease right or grant a mortgage on the property. The use of the land and the provisions in the lease bind the lessee.
Thus in Amsterdam a land management system has existed for over 100 years. More recently Amsterdam has adopted what was originally a revenue generating policy to a policy to support its statutory planning powers.
This is done through its long-term leasing system that exists with lease contracts that apply for an indefinite period.
The ground lease rights are difficult to terminate. If the municipality wants to end a ground lease, a Council resolution is required. The Council must prove that the termination of the contract is in public interest. If this is the case, the municipality can terminate the ground lease right and will pay compensation for all losses, including consequential losses of the lessee.

These statutory powers for spatial planning are supplemented by providing building sites and disposal of that land by granting ground lease rights and not by sale of the free interest, which enables the Dutch municipalities to regulate even more matters relevant to planning.

Scandinavia
Spatial planning in Finland is strongly linked to land management through the municipalities owning a significant part of land in development areas. Public land is made available for private development and ownership by way of ground leases.
Planning in Finland consists of three different statutory plans: a regional physical plan for each province composed of a group of municipalities; a master plan for each municipality and detailed town plans for dense urban development. Most of the land required for urban expansion and redevelopment is under the control of the relevant planning authority.

**Helsinki**

The city of Helsinki by way of example owns 68% of all land within its boundaries (Virtanen, 2003) and actively uses this land to promote and implement its Urban Plan. In Helsinki, public land is made available for private development and ownership by way of ground leases. The duration of the leasing periods for different purposes are based on the Leasehold Act. When a lease expires the lessor must compensate the lessee for the improvements made. Normally the compensation comprises between 60% and 70% of the technical value of the building (the technical value takes the depreciation into account).

An important feature of Finish public administration (which may be an example for Ireland) is that most public agencies pay an internal land rent to the government. This is to ensure efficient use of public property on the principle that you won't use more than you need—if you have to pay! Application of this internal land rent began in the mid-1990s. By 1999 almost 60% of the Finish cities with more than 50,000 residents paid internal land rents. These internal land rents were installed with the goal to enhance the efficiency of land use in the public sector. According to Virtanen (2003) internal land rents should help public agencies to reduce the amount of idle land, to save money by optimizing land allocation and to direct land costs to appropriate users. The source of information on Dutch and Finish Urban Land Management Systems is Henk van der Kemp and the Amsterdam Development Authority and the report at [http://www.amsterdam.nl/publish/pages/418782/use_of_public_ground_lease_in_european_cities.pdf](http://www.amsterdam.nl/publish/pages/418782/use_of_public_ground_lease_in_european_cities.pdf).
Back to Ireland

So that’s how urban planning and active land management is done in some advanced economies. This includes proactive approaches to urban planning and managing their property industries. Most of the countries with active land management and planning systems avoided the property disasters of the recent past or experienced much smaller bubbles.

So we in Ireland have to ask the same question that Bill Clinton asked America in his speech supporting Obama. ‘Do we want to go back to the same old formula that got us into trouble in the first place or do we want to learn from our mistakes?’ If we want to learn from our mistakes and learn from other economies that avoided those mistakes then here is my formula of six relatively simple steps to take Ireland from property disaster to a world class property system.

I propose six steps to managing the Irish property industry: to create economic stability in the property industry; to add value to citizens assets; to optimise tax and betterment revenue; to create sustainable jobs; to give information to bankers/investors/policymakers and to prevent the repetition of the multiple mistakes of past booms and busts.

6 Steps to World Class Irish Property Market Systems

Step One: Set up an empowered non executive Property Council of practising property experts with a small permanent secretariat to act as the State’s property advisory board reporting to government and key ministries e.g. Dept. of the Environment and Dept. of Finance. Appointments to the Property Council would follow a model like an Bord Pleanala i.e. having regard to only technical competence of members and not political affiliations. The Property Councils Role would be to (1) oversee the compilation of an annual state of the property industry assessment, (2) commission expert peer-reviewed research from bodies like the ESRI and similar and with the benefit of that evidence (3) advise government on policy and implementation matters affecting the property industry.

The remit to include planning strategy; property taxation strategy, proposed legislation
impacting on property industry and property users; the efficient use of government department and state agency property. The Central Bank should have access to the Council in the same way as the Bank of England taps into a panel of property experts. The first task of this Property Council would be to put the next steps in place.

**Step Two:** Establish a special well funded section of ESRI focusing on the property economics and property issues. The brief to include reporting on supply/demand and price trends and bottlenecks; preparing ad-hoc reports commissioned by the Property Council and other government bodies including regional and local planning authorities, property comment on other ESRI reports.

The first task would be to scope out the content of the property database referred to below.

**Step Three:** Strengthen property economic skill bases within Dept. of Environment and Dept. of Finance to liaise with the Property Council and support the development of appropriate policy and legislation responses to issues raised.

**Step Four:** Develop a full national property database with wall-to-wall information on property ownership including recent deals and availability – Much more comprehensive than that currently introduced by our Property Regulatory Authority. Their data is a big improvement but far more specifics are required. The data should be similar to that in countries like Singapore and be publicly accessible (including the scope to make changes to data protection law.) The database should include planning and similar public sector information on a real time basis.

This will move property decision making to an ‘evidence based’ industry from a ‘story based’ one.

**Step Five:** Progress the existing public sector reform plan commitment to develop a spatial (map based) database of all state and public sector owned and leased property. Amend the public sector reform plan (once the database is in place) to require a regularly updated business plan (to a pre-specified format) for every state property with obligation
on the owning or leasing authority to dispose of assets not required for service delivery within say 5 or 7 years.

**Step Six:** Shift the emphasis in the planning process from being predominantly a regulatory “policing” driven process to more of an asset management process involving all property in the relevant areas. Optimise the use, occupation and economic value of lands in their territory. Make decisions to ensure that it is as equally focused on financial outcomes and efficiencies as it is currently on environmental and social outcomes. Act like a development authority with a pro active approach to the enhancement of the urban/rural environment and not only manage but influence urban development and change. The mandate to include land acquisition ahead of new zoning and JVs with developers/landowners.

**Step Seven: NAMA - A possible Step Seven?**
A possible seventh step would, in time, let NAMA morph into a development land management authority. Just at the moment this would probably be a huge distraction from their core responsibility of selling assets and paying down their huge borrowings. However it is a fact that Ireland has suddenly unwittingly landed itself in an active land management situation where significant areas of development land are now under public rather than private control. NAMA has not paid huge money for most of this land and if a way could be found to fund it in the long term by ECB bonds, it would be worthwhile. Some of this land will undoubtedly be required for development over the next decades. It has been suggested by others that a ‘traffic lights’ system should be adopted where the good sites (green) should be managed proactively by NAMA by bringing landowners together, developing master plans, providing public infrastructure and selling the developed sites. This would be much like the Dutch tradition but perhaps as a public-private partnership under the current model of area development rather than the model in the past (where the municipality would typically put in all infrastructure and do all the master planning and sell off development sites to developers). The red sites (unsuitable sites that should never have been bought for development purposes) might be sold at a loss.
The really interesting category would be the one in the middle (amber) where the land might not be zoned but where it could be argued that zoning for development would not be bad, although zoning alternative land in the town might also be acceptable. In those circumstances, NAMA could be given ‘pre-emption rights’ where no other land in the vicinity would be zoned for development until the NAMA lands were used up. This would be very similar to the Dutch traditional model where the municipality effectively bought land first and then zoned it for development. Sometimes when making the choice of which land to zone a pragmatic decision was made based on the ability to purchase land rather than a rational analysis of the most suitable lands for development.

I am not making this an immediate seventh step but it is an issue that should occupy the minds of my proposed Property Council and warrant an ESRI focused study.

None of these steps are earth shattering or complicated but done together they are game changers. They can take Ireland from property disaster to a world class property system that will deliver for all stakeholders for many decades.

I can hear many of you shifting in your seats and thinking up objections to this informed and knowledge based approach to our industry by government. You are also thinking that this is too much like big brother. Well yes it would lift the property game from what I will call an amateur sport to a professional one. It would empower planners to think more like asset managers than policemen. It would quickly separate the chancers from the true professionals- and we do have, or did have, a lot of chancers in our industry. But it is definitely not big brother. No new legislation is required and it just evens up the playing field by putting the government in the same position as the best informed experts in our industry. But knowledge is power and as we have seen, ignorance is bliss- until the facts hit you in the face.

You might say that the new property lobby group in Property Industry Ireland could do the job of the Property Council just as well. I admire and respect the work of PII. But I don’t agree my six steps usurps their role because the government needs to have informed expert advisors at its side who are free from their day-to-day pressures of commerce and
who are looking at the market totally objectively and without the innuendo of bias. I believe that PII should welcome such a new structure because with a properly informed and skilled state sector, their job of helping to fine tune policy would be much easier. Instead of having to explain the difference between a brick and sandpaper every time they approach government, the debate will be lifted to a much higher level. Heretofore, for them and my colleagues in the RICS, dealing with government on property matters has been like trying to play handball off a haystack. This should move such contact to a sophisticated level.

The key issue is wall to wall information. We need to plan our towns and our economy based on up to date facts and not war stories - or out of date information. This information in the past has been jealously guarded by individuals and by the system. My suggested new approach or game changer to our industry is to make as much information available to the consumer, investor, or developer as possible.

Up to the development of modern information technology it was impractical to get this information out into public usage. Much of it was available but only after hours of careful research and at cost. As a young surveyor trying to get such information I spent many hours in many different government departments and agencies doing research for property valuations. The Valuation Office in Ely Place: the Land Registry in the Four Courts: the Ordnance Survey Office in Phoenix Park: the Development Plan in City Hall and numerous calls to auctioneers to find out what properties sold for on the market. It cost money. Nowadays much of that information is available to my young colleagues at a flick of a button and at almost zero cost

The issue of data protection is one that will raise its head. I believe that all the technical data on every property i.e. floor plans, areas, purchase price or lease terms and planning details should be available on the property database as it is in other jurisdictions. Invasion of privacy some may say but let’s tease that out. Most of that information is publicly available at some time during a property’s life. When it is put up for sale or letting; when a planning application is made; when the OS revise their maps; when Google Earth takes
their satellite picture or their streetscape drive by, in the Land Registry or when flood
planes are plotted or zonings changed. All that I am asking for is that this information
stops simply flitting in and out of the public domain or is only available to those with the
time to investigate but is available all day every day to anyone interested. I cannot see an
invasion of privacy and even if there is some slight infringement this must be offset by the
public good achieved by moving our national and local planning and property decision
making to ‘fact based’ rather than ‘story based’.

I want to use the rest of my time to talk about my suggestion in Step 6.

**Step Six:** Shift the emphasis in the planning process from being predominantly a
regulatory “policing” driven process to more of an asset management process involving all
property in the relevant areas.

After I qualified as a surveyor I trained as a planner with every intention of making a career
in that industry. I knew the link between planning and land management in Holland and
Scandinavian countries. But I quickly realised that property skills and financial skills were
not wanted in the Irish planning industry. The prevailing ideology was that planning was
not about money and cash or land resources- it was about people and the environment. I
argued with such an approach with my peers in the planning profession pointing out that
the very word ‘Planning’ in a normal environment was about the use of scarce resources
and particularly money, to achieve the best possible outcome. Failing to break that
established mind-set my career moved to the money management route of property in
cities in the private sector as an asset manager in Irish Life Assurance Co. But I still believed
planning should be about the use of all resources and not just environmental ones and in
particular the use of land.

I have kept in touch with my beliefs and over the years have lectured on the money aspect
of property and planning from several academic platforms including the UCD Planning
School where I was Visiting Lecturer for 15 years and at University of Ulster as visiting
Professor for 8 years.
But as shown in my summary case studies above, outside Ireland the whole emphasis of planning has moved much more to that of managing land resources rather than simply managing the environment. This requires a mind-set change rather than any change in legislation. The planning acts empowers this approach and maybe things are changing because from listening recently to John Tierney, Dublin City Manager speaking about the modern city, I suspect that this change may be happening in the Dublin City Council. It is the difference between crime prevention rather than crime detection- the difference between community policing rather than catching felons. No new law is required to move our planning system to be proactive to change rather than reactive to changes.

It is managing the assets of the community just as a property asset manager manages property assets in the private sector? A private sector property asset manager knows intimately each property in his portfolio and its influencers, he monitors its occupiers at a financial and trading level; he seeks opportunities to improve his building including repairs and maintenance; he plans for what he will do when the lease expires and he watches like a hawk for environmental changes. He tries to head off negative changes and encourage positive ones. He is proactive - like a mother over her children- and not simply reactive to problems. Well every planner in Ireland should be looking at his territory like a mother monitoring the property database for changes in occupation patterns; looking for opportunities to improve the lot of his' children’ and anticipating the big issues before they become big issues.

Similarly when it comes to urban growth and change, the planning authority should not simply be there waiting for the developers to arrive with plans for this site or that building. They should be out working with landowners, talking to them in financial language as well as environmental terms and leading urban renewal just like the DDDA did and the Singapore, Helsinki, Amsterdam urban authorities do.

The DDDA did not eliminate the need for private developers - it encouraged them. It did not do away with private property rights - it facilitated them by sorting out title and ransom strip problems and infrastructure. It gave confidence to investors, occupiers and developers by creating critical mass and a belief that no single developer could do on its own. This does not happen automatically as I know from personal experience. When Irish Life moved to Abbey Street in 1976 we expected that the office centre of gravity in Dublin
would move back from Ballsbridge – it was the logical thing to happen for transportation and accessibility reasons and other reasons. It did not happen then as we were both too early and did not bring critical mass or confidence to the locality. It happened 20 years later when the government set up the IFSC and gave confidence to the occupiers and investors.

So to sum up.

The property industry needs government and government needs the property industry. There must be mutually agreed rules and regulations that are enforced in a timely way but government also needs to understand and communicate with the industry. Communication is a two way thing and requires a listening capability. The better the government understand the industry the better its responsiveness to what is happening on the ground. Government also need the facts and figures interpreted for them by their own unbiased experts rather than listen to biased ‘stories’ purporting as facts from developers and lobbyists in the likes of the tent in Galway, or the Dail bar.

My six steps to achieve a knowledge based governance system to achieve a world class property industry are summarised as follows.

**Step 1** Set up an empowered non executive Property Council of practising property experts

**Step 2** Establish a special well founded section of ESRI.

**Step 3** Strengthen property economic skill bases within Dept. of Environment & Dept. of Finance

**Step 4** Develop a full national property database with wall-to-wall information

**Step 5** Progress the existing public sector reform plan commitment to develop a spacial (map based) database.

**Step 6** Shift the emphasis in the planning process from being predominantly a regulatory (policing) driven process to more of an asset management process

**Step 7** NAMA - a possible 7th step?
This is no big brother, no new legislation is required, no new penalties are proposed, the property market function is not meddled with but what is proposed is a much improved two way communication system.

Do we want to go back to the same old formula that got us into trouble in the first place or do we want to learn from our mistakes? The choice is in the hands of Government! There are little or no cash costs involved - only vision and commitment.

WK Nowlan
October 2012

Bill Nowlan is Managing Partner of Property Asset Management Company
WK Nowlan & Associates, Tel. 01 6717 232, Email: bill@wkn.ie