The Society of Chartered Surveyors

ADDRESS OF SEAN MCCORMACK,

PRESIDENT OF THE SOCIETY OF CHARTERED SURVEYORS TO THE ANNUAL DINNER ON 5TH FEBRUARY 2009 IN THE BURLINGTON HOTEL, DUBLIN

OVERVIEW

Our profession has been and will continue to be an essential support to the construction and property sector. Our profession and members in Ireland are world class. In turn, construction has been a large component of the Irish economy for many years. During the boom, the activity in the commercial property market has been boosted by economic growth year on year and growth in underlying occupier demand in all main sectors. The property investment market also expanded and while the volume of transactions in value terms has grown substantially in recent years, peaking at ***€3 billion in 2006,*** on the other hand it has suffered significant leakage of capital to markets around the world at an approximate ratio of at least 3 to 1 in favour of outside Ireland.

The influence of the global economy cannot be ignored and now, perhaps more than ever, is part of Ireland's economic future. A considerable portion of our fortunes is of out our hands which has been well illustrated by the sub prime crisis in the USA and the knock on global financial crisis. The Economic and Social Research Institute (ESRI) has offered the view that 50% of our recovery will be driven by global influences. A very positive issue is the recent inauguration of President Barack Obama in the United States. I knew the new president was on the right track when I saw him quoted as saying "I wish America had fewer lawyers and more engineers." I'm sure he meant surveyors!

On a more serious note, President Obama's growth policies for the United States economy may bring challenges in relation to foreign direct investment in Ireland, however, these challenges can be met with an emphasis on investment in innovation and education in preparation for high end jobs in Ireland in the future.

The challenges – and indeed the opportunities - presented by these global influences compel us to look outwards and market our talents as much as possible to attract international attention and investment. Until such time as the real economy recovers, the reality is that the construction and property sectors cannot grow again, therefore, our economic strategy must focus on stabilisation and economic stimulus over the short to medium term. Construction can play a role in this in terms of the public capital programme and investment in strategic infrastructure with a view to not only restoring and maintaining jobs but also preparing the basis for a recovery.

While the blame game of "how did we end up here" continues apace in a variety of fora, most forward thinking people are more interested in hearing how we can get out of 'here'. The reality of the situation is that the economy has grown significantly on the strength of a very wide base. We now have a changed economy and with it a substantially changed and evolved construction and property sector. No one can genuinely claim to have the perfect solution based on experiences of the past when the context was so different.

While there are essential short term cost management challenges both for business and government, a medium term vision is essential with a sense of belief that such a vision can be achieved. There is no place for people who lack such a belief in positions of power and influence. The time ahead will be a test of character where we need to raise our game and respond with confidence to the current challenges. In this regard it is reassuring to see that the government has – many would say not before time – finally started to make the tough decisions necessary to help put the public finances on a firmer footing.

Commercial Property:

We have now arrived at a point where risk associated with real estate has been re-priced significantly. This re-pricing is now substantially complete in my opinion, allowing for a period of consolidation ahead. Until such time as the availability of debt improves, an active trading market in real estate investments cannot grow again. However, the basis of the start of such a return to more normal activity is taking shape with interest rates at an all time low in the UK, the USA and a return to the lowest level in Eurozone history. Much depends on interbank confidence on a global scale and this will require some time. In the interim, the lower interest rate environment eases debt servicing pressure and allows some breathing room to plan for recovery.

Chartered Surveyors have a key role to play now and over the short to medium term in assisting the lending institutions and their customers with advice and strategy. In addition, given the sheer scale of the built environment having doubled in all main sectors over the last ten years, the market for estate and asset management both reactive and pro-active is now as wide as ever.

Certainly, more challenges face surveyors to find solutions for clients and adapt to current market condition but the underlying need for expert services is a constant in principle.

CONSTRUCTION OUTLOOK:

The output of the construction sector in 2007 was €38.4 billion, some 24% of GNP. In 2008, output will be in the region of €25 billion. Looking forward, it is increasingly likely at this point in time that total construction output by the time we get to 2010 will have declined to €14-€15 billion. The realization of this scenario will have serious consequences for direct and indirect construction employment and wider economic activity – deepening and lengthening economic depression and delaying any prospect of recovery. In addition, the skills and experiences of the construction industry, built up over the last decade will be lost, undermining the State's ability to get real value for money in their capital investment plans. As we know, Ireland has a low infrastructural stock compared to its trading competitors, and there will be a significant negative impact on competitiveness if capital investment plans are curtailed. In the current downturn, we also face the grim reality of a massive increase in unemployment estimated to reach 400,000 by the end of 2009.

There are three strategic elements required to avoid this situation:

(a) Strong leadership from Government
(b) A Commitment to maintaining investment in the Public Capital Programme
(c) The Development of new policy instruments and stimulus packages to assist the private sector

The early restoration and stabilization of confidence in the construction and property industry is vital. An optimum size for the Construction Industry in a developed economy such as Ireland is approximately 12% of GNP or an output of €18 billion. Many governments, most notably the US and the UK have come forward with anti-recession stimulus measures, investing in schools, hospitals, environmental and infrastructural works.

The announcement by Government this week that the Public Capital Programme will be largely maintained is to be welcomed and indeed is an essential component of forward planning.

Strong and innovative planning will ensure that the skill sets we have acquired in design and construction - which are essential to the long-term success of the economy – will be retained here in Ireland. The silver lining in our current situation is that if the state brings forward these policies in a timely fashion it will be able to benefit from the exceptional value for money that is now available from the industry as evidenced by the Society's Construction Tender Price Index which has shown a significant decrease in construction costs in the previous 12 months**. In fact the latest figures show that construction costs fell by 11% in 2008, most of the reduction happening in the latter part of the year. This means that we are actually back at price levels not seen since the year 2000.**

Earlier I referred to the need for vision and leadership by business and the government. The Construction Industry Council whose membership includes the Society of Chartered Surveyors, the Royal Institute of Architects in Ireland, the Association of Consulting Engineers, Engineers Ireland, the Building Materials Federation and the Construction Industry Federation have pooled resources and are on the verge of producing a detailed report highlighting the value for money in the industry, the positive economic impact of investment in employment stimulating public capital programmes and solutions to overcoming the current funding deficit.

I commend the initiative and leadership of this voluntary group and would like to assure you that the Society will play an active role in lobbying for the implementation of the reports recommendations.

This past year has also seen an increase of ***145*** membership applications to the Society of Chartered Surveyors following the successful completion of the Assessment of Professional Competence. Total membership of the Society now stands at 2,200 fully qualified members and a further 1,000 surveyors continuing to undergo the APC to achieve the gold standard of chartered status.