

2016-02-28

Room for Improvement in Kelly's End-of-Term Report Card

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Recommended Citation

Sirr, L. (2016) Room for improvement in Kelly's end-of-term report card. *The Sunday Times* 28.02.2016.
doi:10.21427/te0c-dv27

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House price insanity in Dublin 12 is no surprise

LINDA DALY
MARKET
WATCH



I'M SELDOM shocked by our Price Watch figures. In the last four to five years, house prices in the Greater Dublin area have experienced greater hikes than their national counterparts. But this week's glimpse at prices in Dublin 12 gave me pause for thought. The area, 5km southwest of Dublin's city centre, has seen mammoth price hikes since 2012. Clonmacnoise Road in Crumlin has witnessed the largest increase of 135%. In four years.

Price Watch, of course, isn't an exact science. Our weekly methodology involves taking our figures from the Property Price Register, which has its flaws: sometimes the VAT figure isn't included, and it gives no details on the type of houses that have been sold. So when we find two similar properties on the same road or in the same estate, we must trawl the internet for their listing to ensure that the houses are alike. There's no point in comparing a shell of a home with a revamped palace. It would be fantastic if the Property Services Regulatory Authority expanded the information on the Property Price Register — to provide buyers and sellers with more detailed facts.

Perhaps I shouldn't be surprised at the price hikes. During the boom former corporation homes in Crumlin and Drimmagh were fetching in excess of €300,000. When the crash came, prices tanked. A friend who purchased her Crumlin home in 2011 for €90,000 recently had it valued at €235,000. Pals who bought in 2004 or 2005 are thrilled to have now escaped the clutches of negative equity but first-time buyers are finding themselves outbid in the area. The Central Bank's regulations may have put the brakes on the spiralling price hikes in Dublin 12. And that's no bad thing. After all, returning to the heady days of paying €300,000-plus for a two-up two-down is madness.

Price Watch: Dublin 12

St James's Road Greenhills
3-bed terraced

2012 €190,000
2016 €278,000
Up 46%

Clonmacnoise Road Crumlin
2-bed terraced

2012 €100,000
2016 €235,000
Up 135%

Rafters Road Drimmagh
2-bed terraced

2012 €133,000
2016 €232,000
Up 74%

Cherryfield Road Walkinstown
3-bed terraced

2012 €210,000
2016 €360,000
Up 71%

Source: propertypriceregister.ie



Service charges: who really benefits?

Management fees can be a cause of discontent among homeowners but when things run smoothly a co-operative arrangement can be a boon, writes Linda Daly

Raymond Fenlon hasn't paid his management fees since he bought his Saggart home in Dublin in 2006. When he first moved into the terraced house, the mixed development was in the second phase of construction and Fenlon was asked to pay an annual charge of €480. He disagreed with the amount.

He says he was being charged for lighting the area, maintenance, bin collection and public liability insurance. Because he owned a house, paid for his own refuse collection and didn't need public liability insurance, he felt the price was exorbitant.

"I attended the first annual meeting and objected to the price but nothing was done. For the first year we had no proper road outside our house, and for the first six years there was no street lighting. I told them I wouldn't pay them until they addressed the problems."

Eventually, after four years, the management company sent a debt collector to Fenlon's house. At that stage he was nearly €2,000 in arrears. In 2012, he and some neighbours on the estate came together to oust the existing company. They appointed a new board of directors, but Fenlon was exempt from sitting on the board because of his arrears.

When the new company contracted a new management agent, Fenlon asked to meet them to discuss his issues. "They never did meet me and after three years they sent a solicitor's letter. I'm now nearly €5,000 in arrears. When we first moved in we were told that the management company would be there for the first 12 months, possibly four or five years

and after that the council would take over. In my mind, it is a money racket."

Management fees have been a bone of contention among many homeowners since they became prevalent during the property boom. Renua mentioned them in its election manifesto, saying it would "vest local authorities with responsibility for the property management of the developments".

Management companies have existed in Ireland since the 1970s, but it wasn't until 2011 that legislation around service charges came into effect through the Multi-Unit Developments (MUD) Act.

Many have believed that management companies were a way for developers to get more money from homeowners, but while many developers retained a controlling interest in the companies in the past, the act put an end to this.

There is a significant distinction between the management company and

management agent. The management company is owned by every homeowner in a development — all of the owners are members of the company and pay service charges towards the running of that company. The management agent is appointed by the company to carry out those functions.

Alan Drennan, director at Core Estate Management, says the best management companies are the ones where the owners are engaged in the process. "You pay your bills and obey the rules and we'll do everything else. What makes the management company run better is a good agent and board of directors. When things are run well, we can make the developments look amazing."

The simple things that residents should expect for their management fee are: building insurance, lighting for internal common areas, lift maintenance, refuse removal, common area

cleaning, ground maintenance and management of the internal water systems. A management company may also pay for maintenance of electric gates. Expenses such as window cleaning, gyms, 24-hour security or concierges are extra.

"The real objective of any management company should be to deliver value for money," says Paul Mooney, a director of property management firm Benchmark Property. Mooney is also a member of the Society of Chartered Surveyors Ireland property and facilities management committee. "It's not about being cheap or expensive; it's about deciding what level of service apartment-owners want and delivering the best service."

A good management company will help to reduce costs by shopping around for service providers or installing such services as LED lighting. In turn, they will reduce the charge or improve what is offered. "A good management agent will be on site once a week, will know the cleaners and gardeners and will get feedback from the residents. They'll communicate with the owners and the owners will communicate to them," says Drennan.

When the power went out in Delgany during the day recently, Core received a call from one of its owners to let them know. The agent contacted the ESB, which gave an estimated time for supply to return, and Core then emailed all of the householders to let them know.

Engagement and communication between companies, agents and owners can be wholly positive, says Drennan. "People don't engage enough. Everyone is busy, but it's important to go the annual meeting and agree to a budget. You bought your property for a couple of hundred thousand euros, surely an investment like that deserves an hour of your time."

Thanks to the MUD act, owners are entitled to go to the annual meeting, ask questions and object to budgets. Management companies must provide a full breakdown of the services that are being provided. The owners must then approve the budget, including the annual contri-

A GOOD MANAGEMENT AGENT WILL BE ON SITE ONCE A WEEK AND WILL GET FEEDBACK FROM THE RESIDENTS

tribution to the sinking — or rainy-day — fund. The Property Services Regulatory Authority licenses and regulates managing agents.

"There's a real science in the apportionment of service charges and figuring out how much each unit should pay," says Mooney. "When you have a mix of units, the service charge apportionment should be constructed in a way that the houses contribute only to the services that they enjoy. You develop what can be a complex service charge apportionment scheme."

Standards often only slip when owners aren't paying their service charges, says Mooney. "The hindrance in the property operation of a management company is funding. If you don't pay in, if you don't pay the sinking fund, corridors can't be painted, you can't pay people on time and they stop working."

"In a small minority of apartment blocks, they've seen insurance lapse or common area power supply turned off. Management companies are 100% reliant on residents and owners to pay."

Drennan says non-payment was a huge issue for years particularly during the recession. However, people are starting to pay their fees again. "People are back paying their service charges but some have huge arrears. Management agents can put payment plans in place."

Failure to pay service management fees can create a vicious circle, and many management companies are still counting the cost of reduced income during the recession. Failure to pay can also often cause rows among neighbours. In 2010, the Data Protection Commissioner issued a directive after some management companies started to name and shame residents who hadn't stumped up. They are not allowed to do this.

While companies are often reluctant to take non-paying residents to court, that avenue is there. They can restrict services if they can do so lawfully. They can have judgments registered against the homes of people who don't pay, so the debt will travel with the property when it comes to selling.

"People who don't pay their service charges are generally in the minority. Those that do bought the apartment understanding what the concept was and want to maintain the place to a high standard," says Mooney.

When an estate is unhappy with their management agent, they can change agent or cut out the middle man and try to deal with issues themselves. Patricia Murphy lives in a 14-unit development in Kilmainham. "When I bought the house 10 years ago the management agents weren't good, so we came together and decided to run it ourselves. We have an annual meeting, we run the estate and control costs," she says.

The company registered with the Property Services Regulatory Authority, appointed an external accountant, and the €1,200 fees go towards gardening, bins, lighting, insurance and the sinking fund. "We keep the place perfect. We fix things. We have mended the shed and prevented people from dumping their rubbish. We put markings on the parking spaces and fixed the gates."

Murphy says the voluntary, unpaid work is worthwhile. "We know we're getting the best quotes. Everything is transparent. It works well for us because there are only 14 units. If the estate was larger we would need agents," she says.

Mooney says management fees are about cooperative living but, for co-operative living to work, buy-in from all owners is essential. "Once you buy in a management company environment, you're buying into co-operative living. In theory you should be buying into the positives of it — shared services, a well-maintained and managed environment. All these things that are meant to enhance the greater living experience."



Residents who get together to improve the running of their estate. 'You're buying into co-operative living,' says property management director Paul Mooney

Room for improvement in Kelly's end-of-term report card

As the new government is formed, history may not be kind to Alan Kelly and his tenure as minister for the environment. Many will argue he has presided over a department that has made housing and development more difficult, not less, and that he has put the interests of lobby groups before consumers.

Most recently, he has annexed local government by giving his department the power to set planning policy by diktat with no reference to local politicians or the public.

It's easy to forget that there has been an actual minister for housing, Paudie Coffey, who went under the radar as Kelly repeatedly pulled pins from political hand grenades and then insisted on walking on them.

So, has Kelly done anything right? Possibly. Late last year he introduced new legislation to help bring the rental market into the 21st century. Landlords now have to give longer notice periods before terminating a lease; they have to give 90 days' notice of a

rent review; and they must provide evidence that the rent they are seeking is the market rent. Kelly also froze rents for two years.

For anybody in a tenancy, this was good news. It was also needed as the numbers of renters climbed to more than 700,000, in more than 300,000 tenancies, and those numbers will not fall much in the coming decades. If renting is to be the tenure of choice or no-choice

for up to one third of the population, it needs to be fit for that purpose, and so there's still a long way to go.

I spoke to some experts about the changes that need to happen. There was a consensus that tax breaks for landlords should be limited to those willing to give longer-term, rent-certain leases. So, one who gave a five-year, rent-certain (index-linked, for example) lease would get a certain

tax break, and those who didn't would not. Landlords who rent to social tenants should get greater tax breaks. I am not a fan of tax breaks, but the cost of the break is generally cheaper than housing a homeless family in a hotel.

Kelly has also promised a deposit-protection scheme for tenants (as have others before him), and when this comes in it needs to be fast, easy to use, fair and, most importantly, difficult to circumvent. No landlord should be able to avoid putting their tenants' deposit into the scheme.

The standard of rented accommodation was another issue. There is a perceived need to create a national inspectorate for minimum standards. It is argued that this could be done by letting agents.

If it were to happen, then any false certification would need to be met with a severe penalty such as the loss of their licence to practise. There may well also be a case for a system of certification of properties before they are allowed to be let.

Tenants in buy-to-let



More still needs to be done to protect Ireland's 700,000 tenants

properties where the landlord goes into receivership have fewer rights than other tenants. This is unjust on those who have been perfectly good tenants. Legislation is needed to require any bank receiver of private rented property, whether the tenancy was created in contravention of the mortgage or not, to be sold

either to the local authority under compulsory purchase rules (market value minus a deduction for bringing the property up to rental standard) with the sitting tenants undisturbed, or privately with a clause ensuring security of tenure for the sitting tenants.

The elephant in the room that Kelly's reforms did not touch was

real security of tenure. Rent certainty is only one side of the coin, and there's no point in having rent certainty if the landlord is able to terminate the lease for whimsical reasons, the biggest one being that the property is needed for a family member of the landlord.

The recommendation would be to remove statutory provisions allowing termination of tenancies to sell or for the landlord's family to move back in, to help create a culture — and proper investment market — of selling with sitting tenants. The commercial property market regards a tenanted property as being more valuable; the opposite applies in the private rented sector.

Finally, and not totally in jest, there may well be the need to move the next minister to a bedsit on the North Circular Road to show the reality of the bad end of the private rented sector. While they're there, we could perhaps convert Custom House to housing. Twenty euros says we would have meaningful reform of the rental sector in about three months.

LORCAN SIRR
ON THE
HOME FRONT

