



# Property Predictions 2009

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## Property predictions for 2009 – an overview

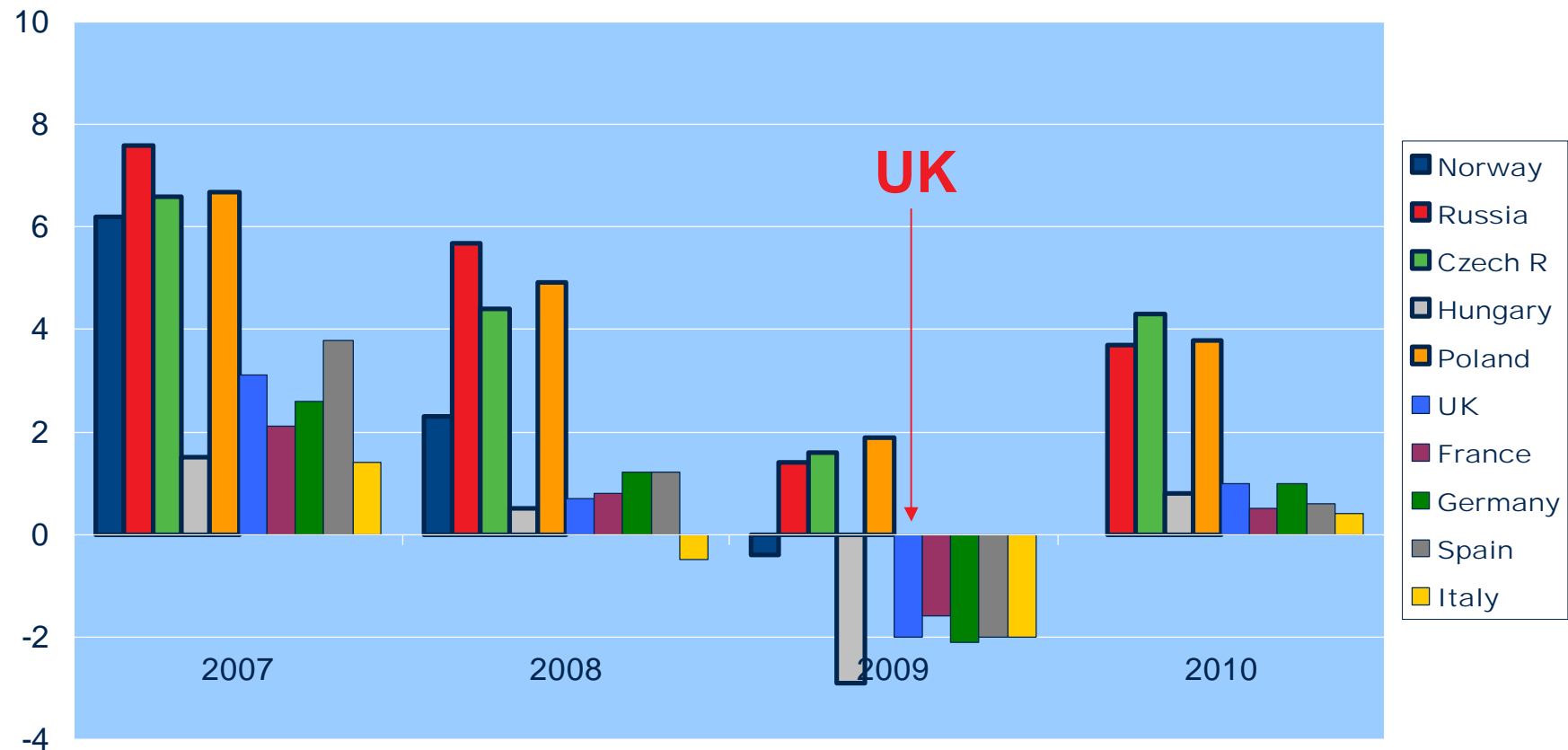
- Property is entering a new era
- 2009 is a year of opportunity

# Property predictions for 2009 – an overview

- **The economy**

- Credit crunch
- Collapse of monetary policy  
*(and financial de-regulation & privatisation)*
- Recession?

# Economic growth 2007-2010



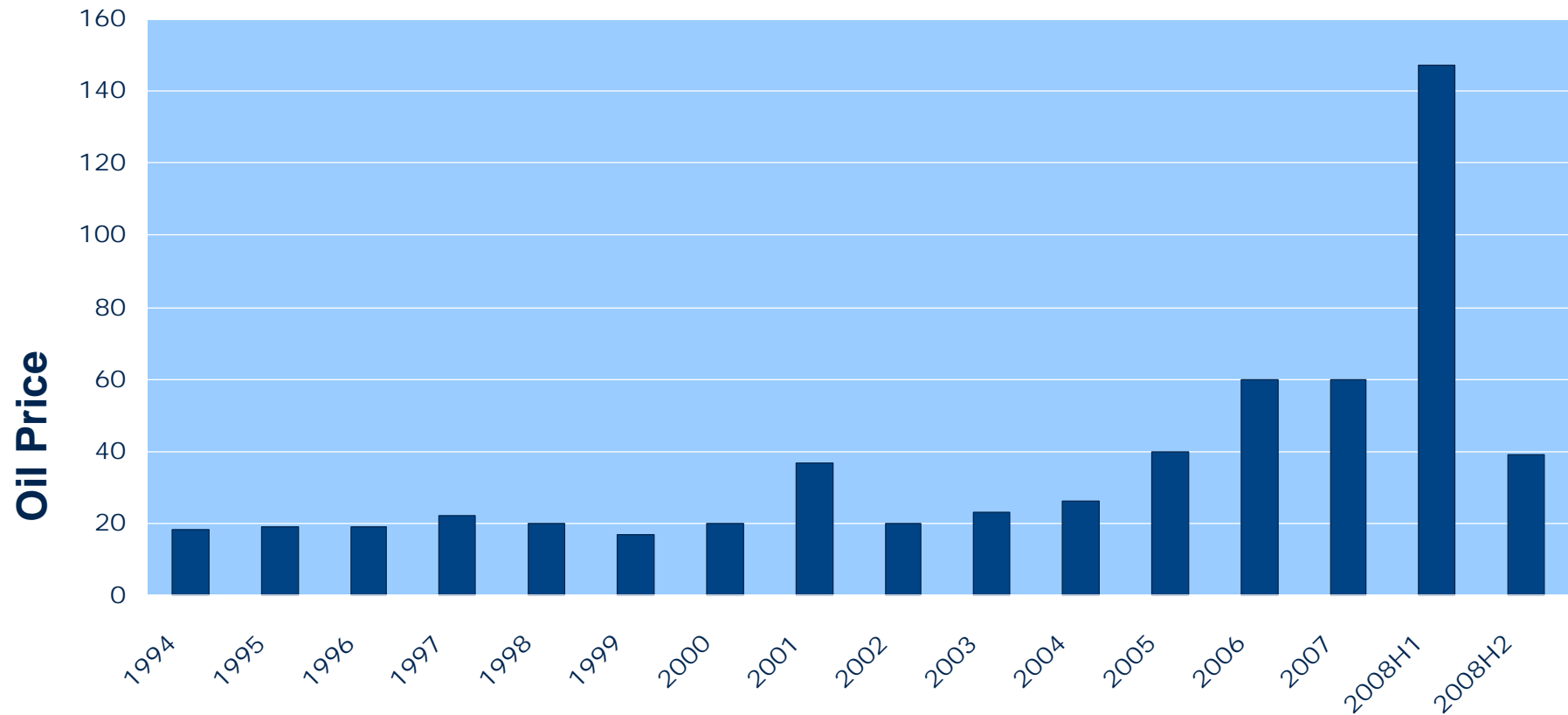
Source: IMF & Oxford Econ Forecasting December 2008

# Property predictions for 2009 – an overview

- The economy
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- **Possible deflation**

## Oil prices: Brent Crude \$/barrel

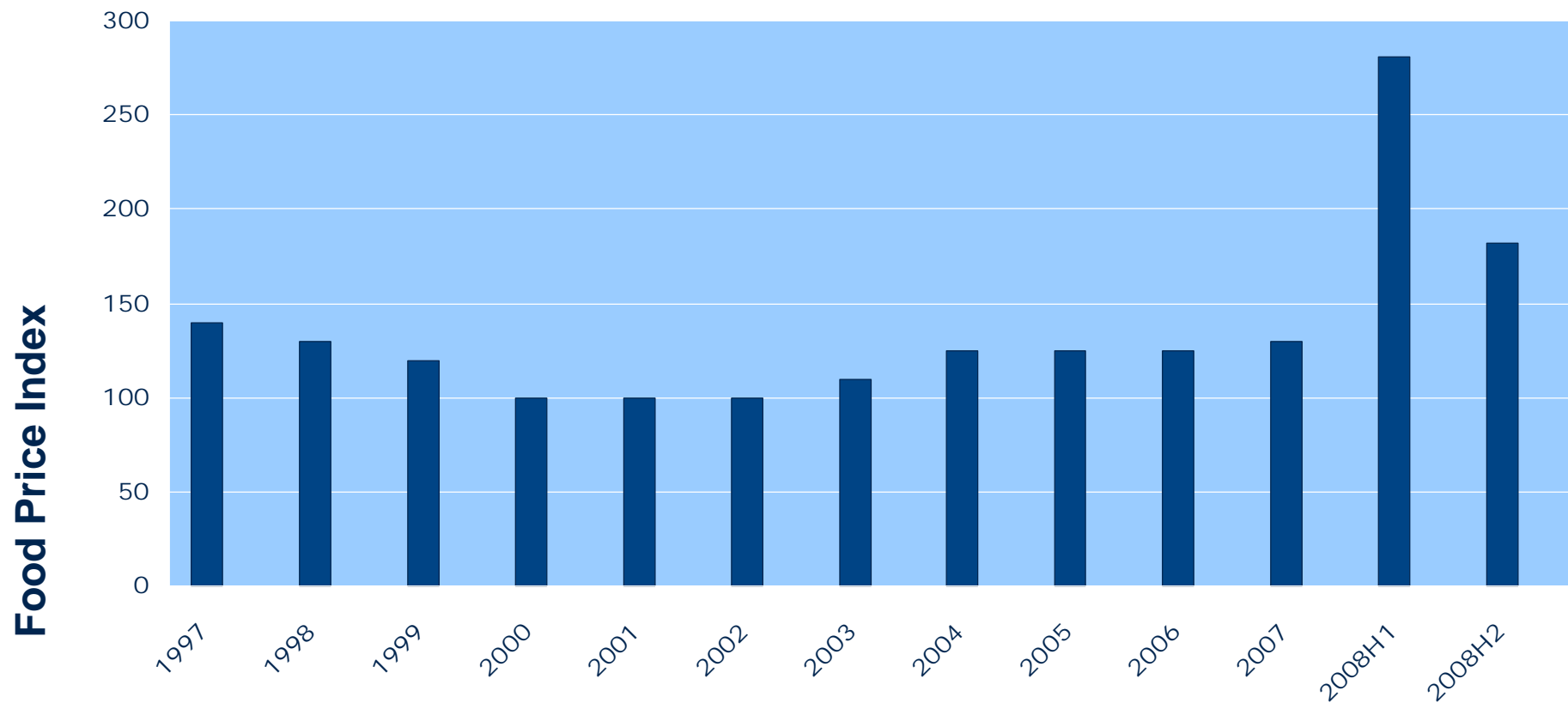
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Source: The Economist January 3 2009

## Global food prices: Index 100 @ 2,000

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Source: *The Economist* January 3 2009

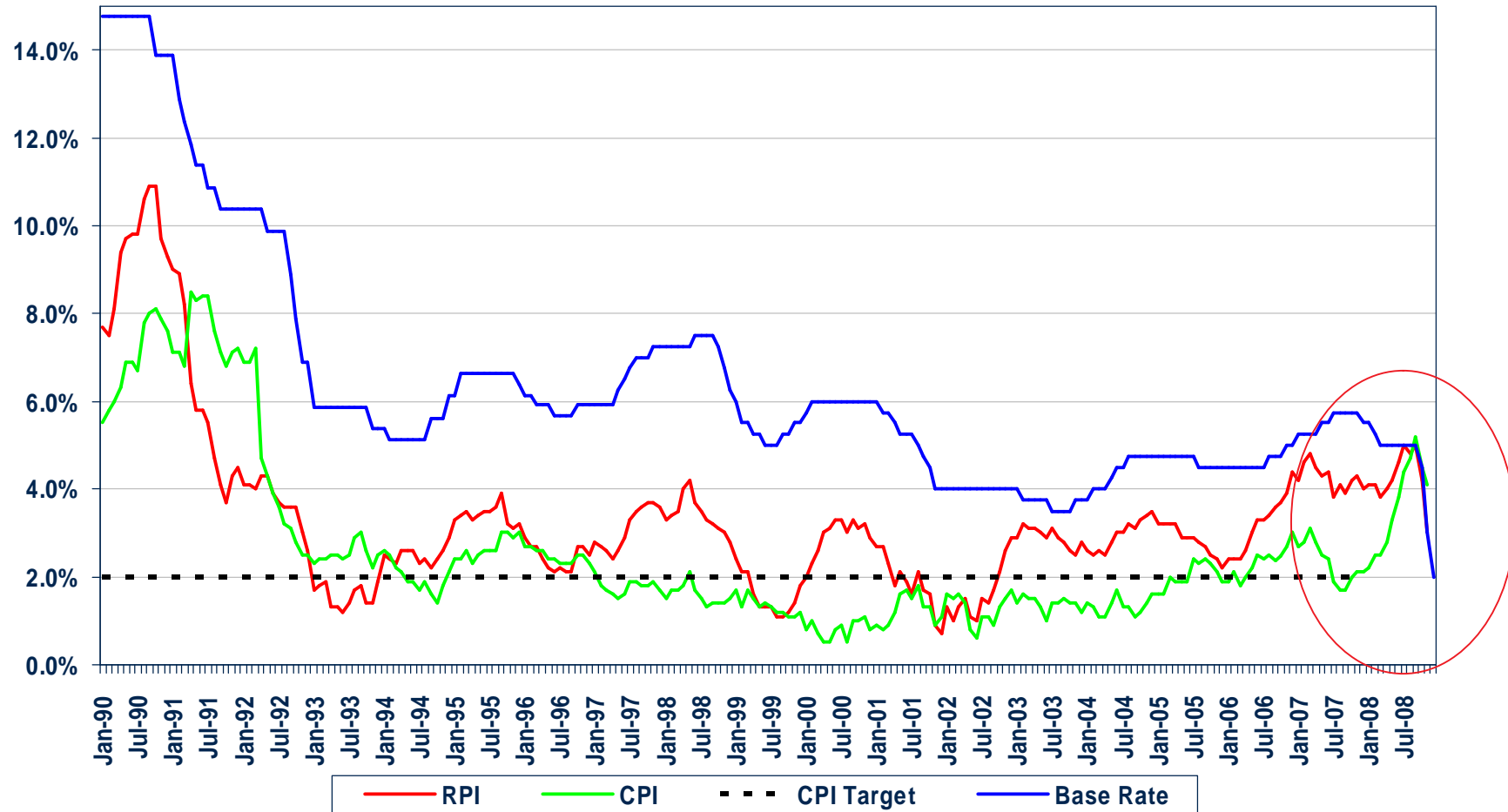
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# Property predictions for 2009 – an overview

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  - Recession?
- Possible deflation
- **Interest rates**

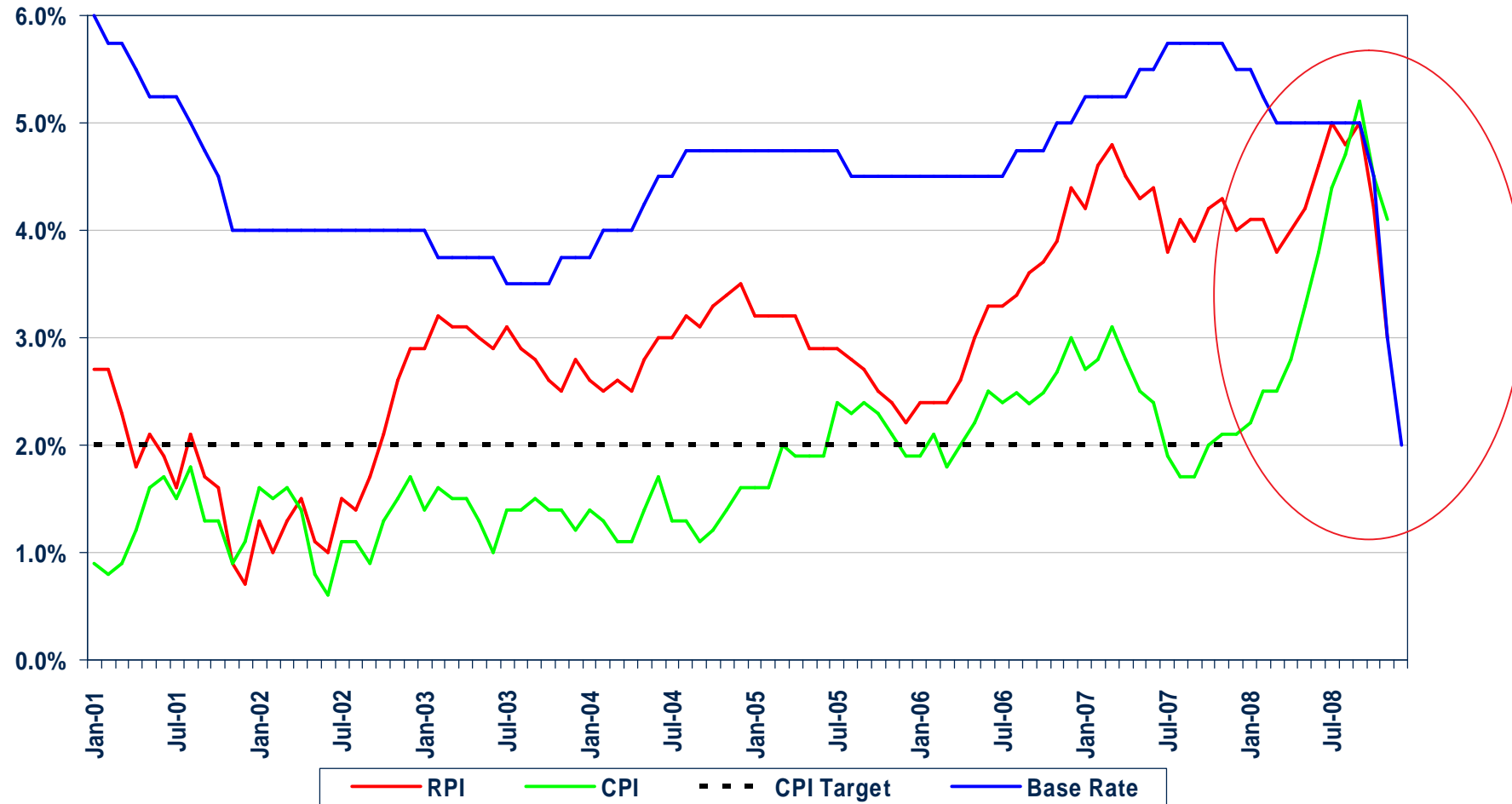


# UK Inflation & base rates 1990 – December 2008



Source: ONS December 2008

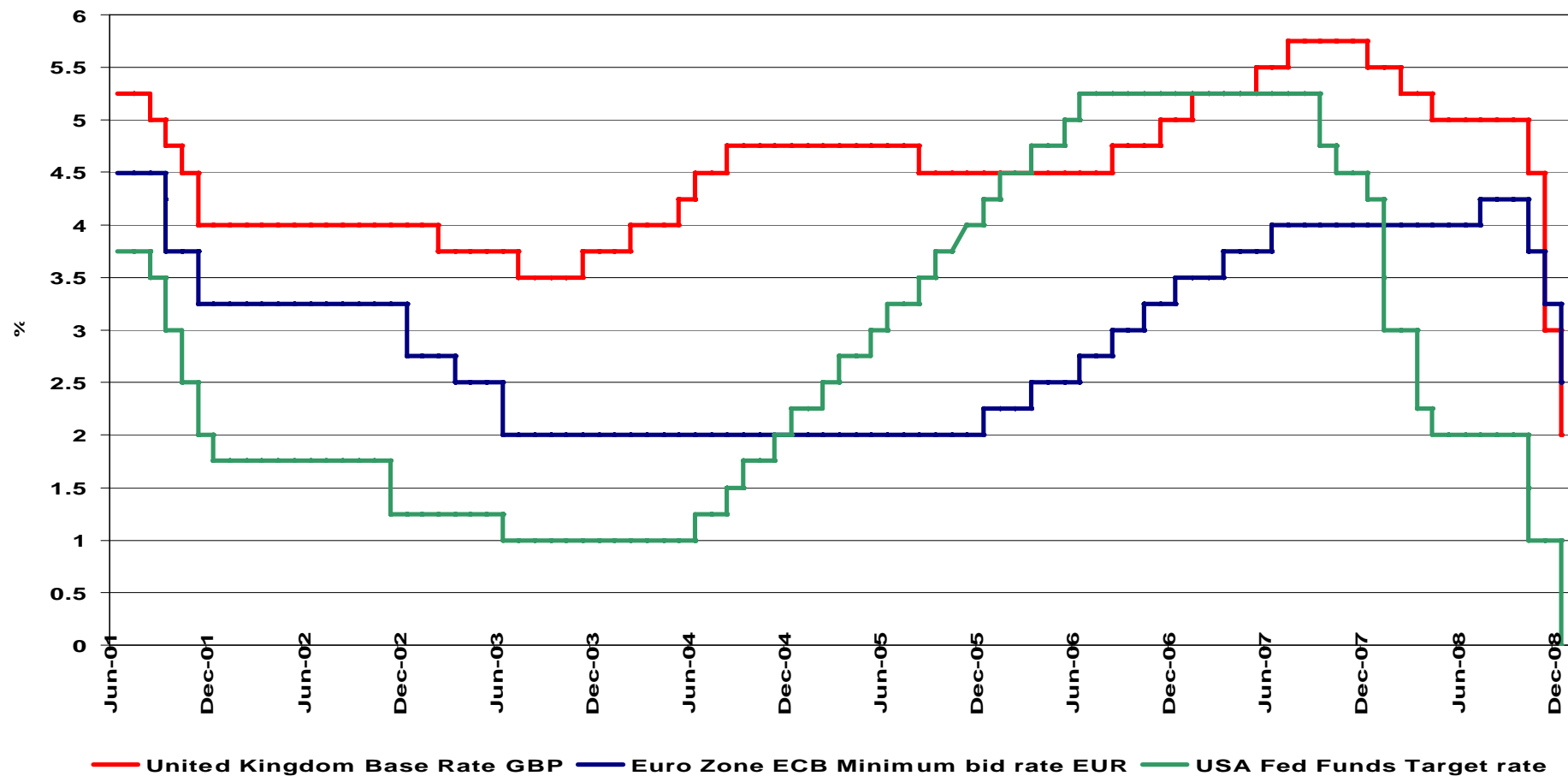
# UK Inflation & base rates 2001 – December 2008



Source: ONS December 2008

# UK, US and ECB Interest rates 2001 - 2008

***“the moral hazard”***



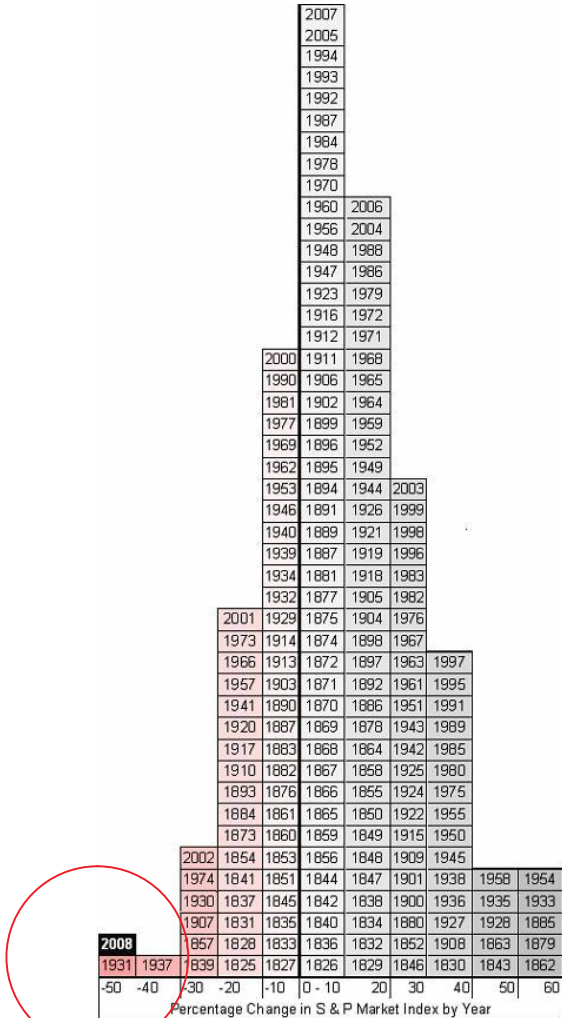
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- Interest rates
- **Seven days that shook the financial world**

# SEVEN Days that shook the financial world 2008

- **17<sup>th</sup> February - Northern Rock “nationalised”**
- **17<sup>th</sup> March – Bear Stearns “given” to J P Morgan for \$2 per share**
- **8<sup>th</sup> September – Fannie Mae & Freddie Mac “nationalised”**
- **15<sup>th</sup> September – Lehman Brothers allowed to go into liquidation**
- **8<sup>th</sup> October – China, USA, EU & B of E : ALL lower interest rates**
- **13<sup>th</sup> October – HM Government bailed out RBS, HBOS & LloydsTSB**
- **27<sup>th</sup> October - FTSE100 Stock Market index hits low of 3,665 (31<sup>st</sup> Dec 2008 4,434)**

# Whither goest thou, Stock Market ?



- The Standard & Poor's 500 N Y Stock Market Index
- A collapse of more than -50% (31<sup>st</sup> Dec -40.8%)

- The worst year ever, apart from 1931, since 1825

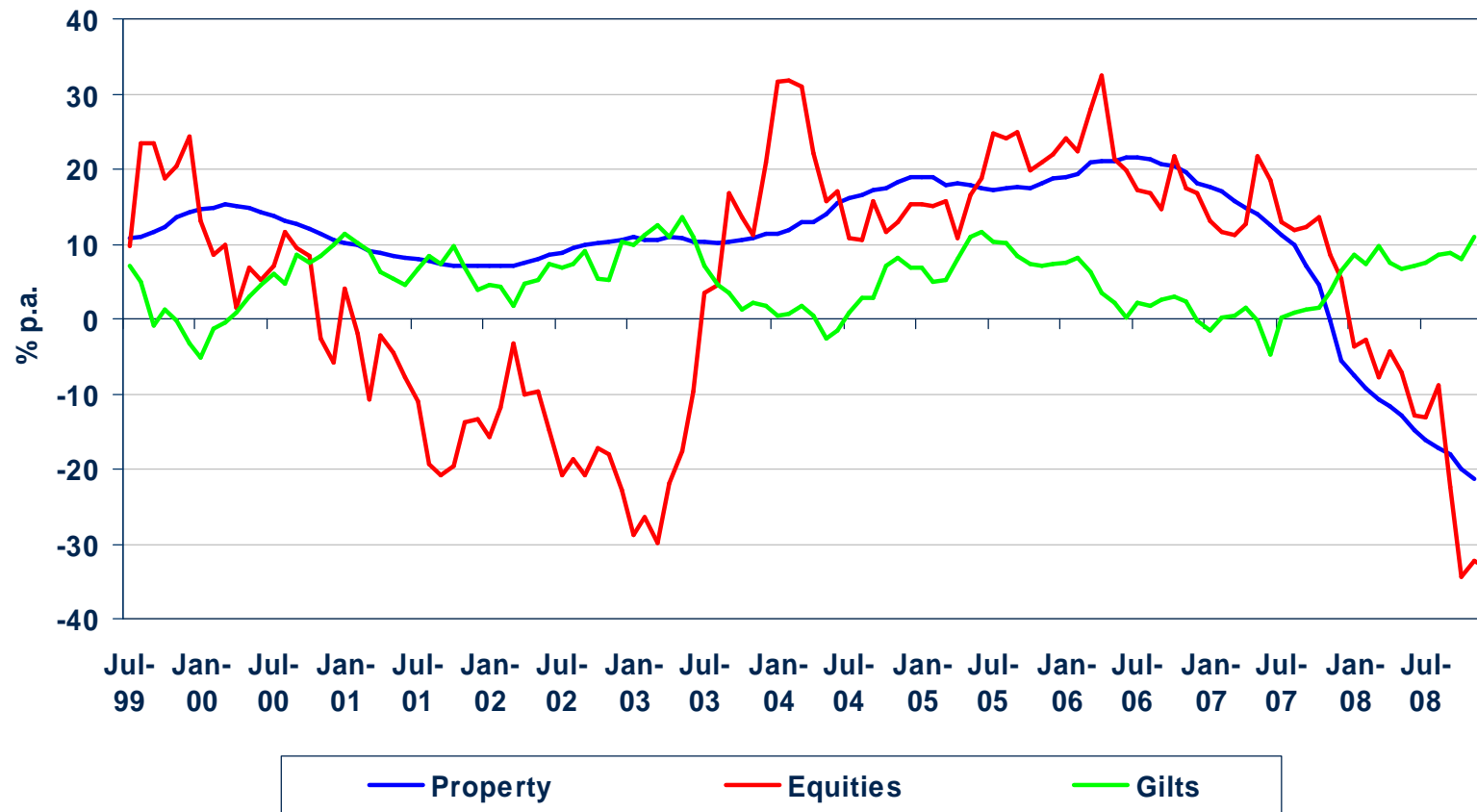
**Source: Devilstower Dec 2 2008 – [www.dailykos.com](http://www.dailykos.com)**

- **FTSE Euro 100 -47.0% (31<sup>st</sup> Dec)**
- **FTSE 100 UK -33.1% (31<sup>st</sup> Dec)**

# UK commercial property investment market:

Total returns (rent + capital change) % pa @ early December 08

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Source: IPD Monthly Index (November 2008)

## A turning point for capitalism

- **Mass unemployment**
- **Banking system will take years to recover**
- **Buy backs and Mergers & Acquisitions, using debt, a thing of the past**
- **Higher taxation and more government debt**
- **Slower economic growth**



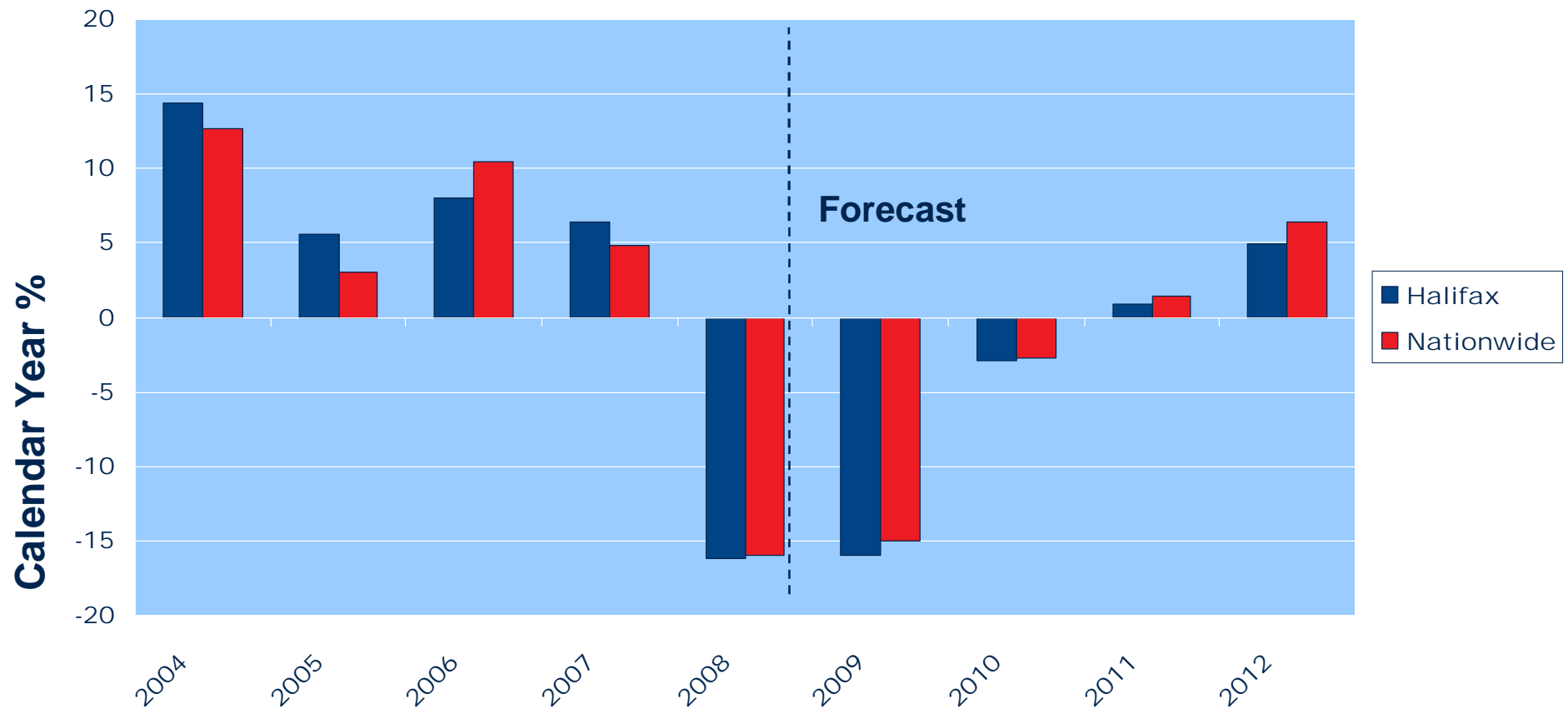
## SEVEN reasons to be cheerful

- Low house prices
- Low inflation – money goes further
- Rising share prices – pension funds recover
- Easier to hail a cab & book a lunch table
- More leisure time
- Less junk mail
- Fewer queues on the ski slopes

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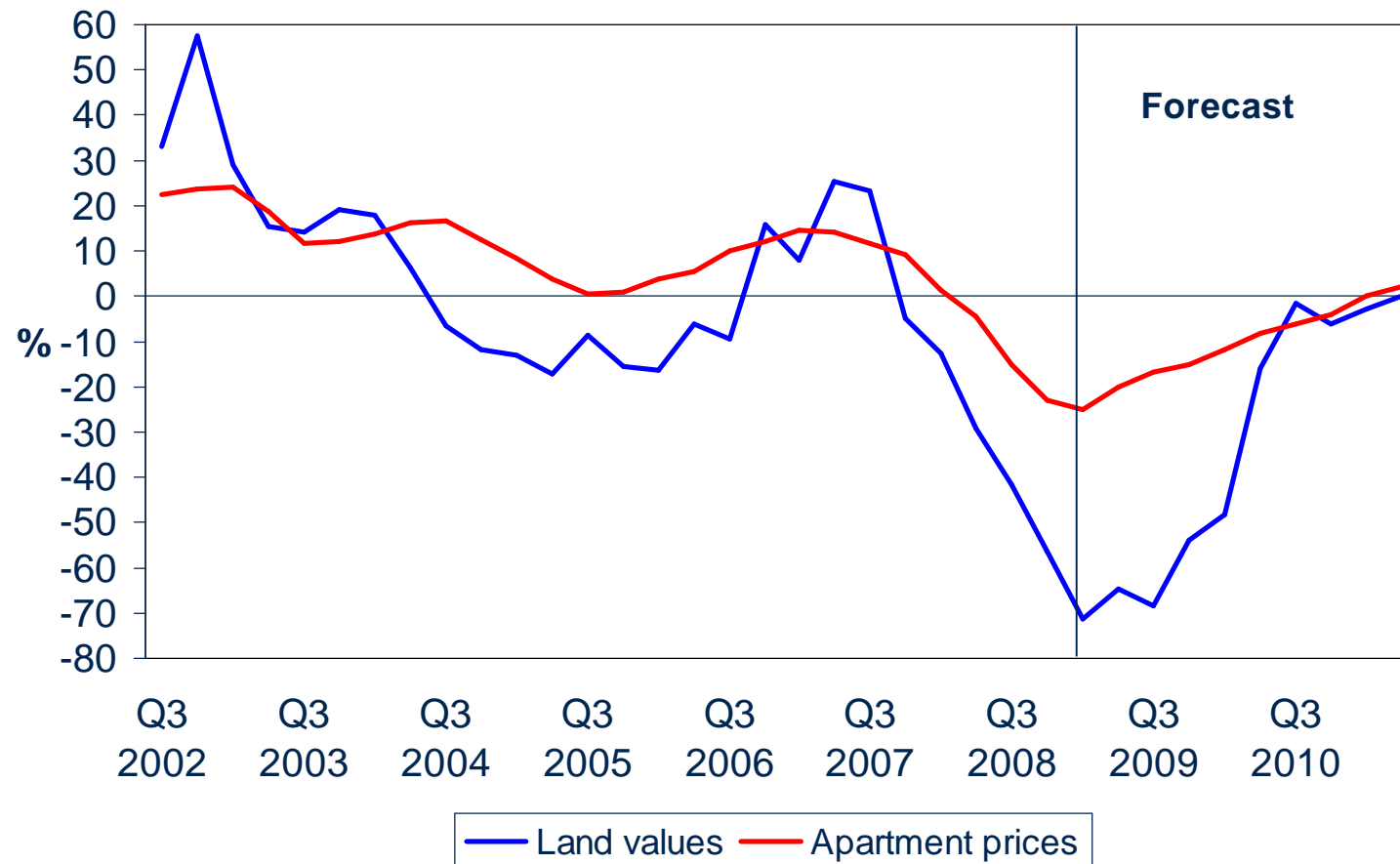
- The economy
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- Possible deflation
- Interest rates
- Six days that shook the financial world
- **Property markets**
  - Residential property
  - The “green” agenda
  - Commercial property

# UK house price growth



Source: Real Estate Forecasting Ltd, November 2008

# Land values fallen -70% and new apartment prices -23%



Source: Nationwide, King Sturge

# Benchmarks and legal requirements – the “green” agenda

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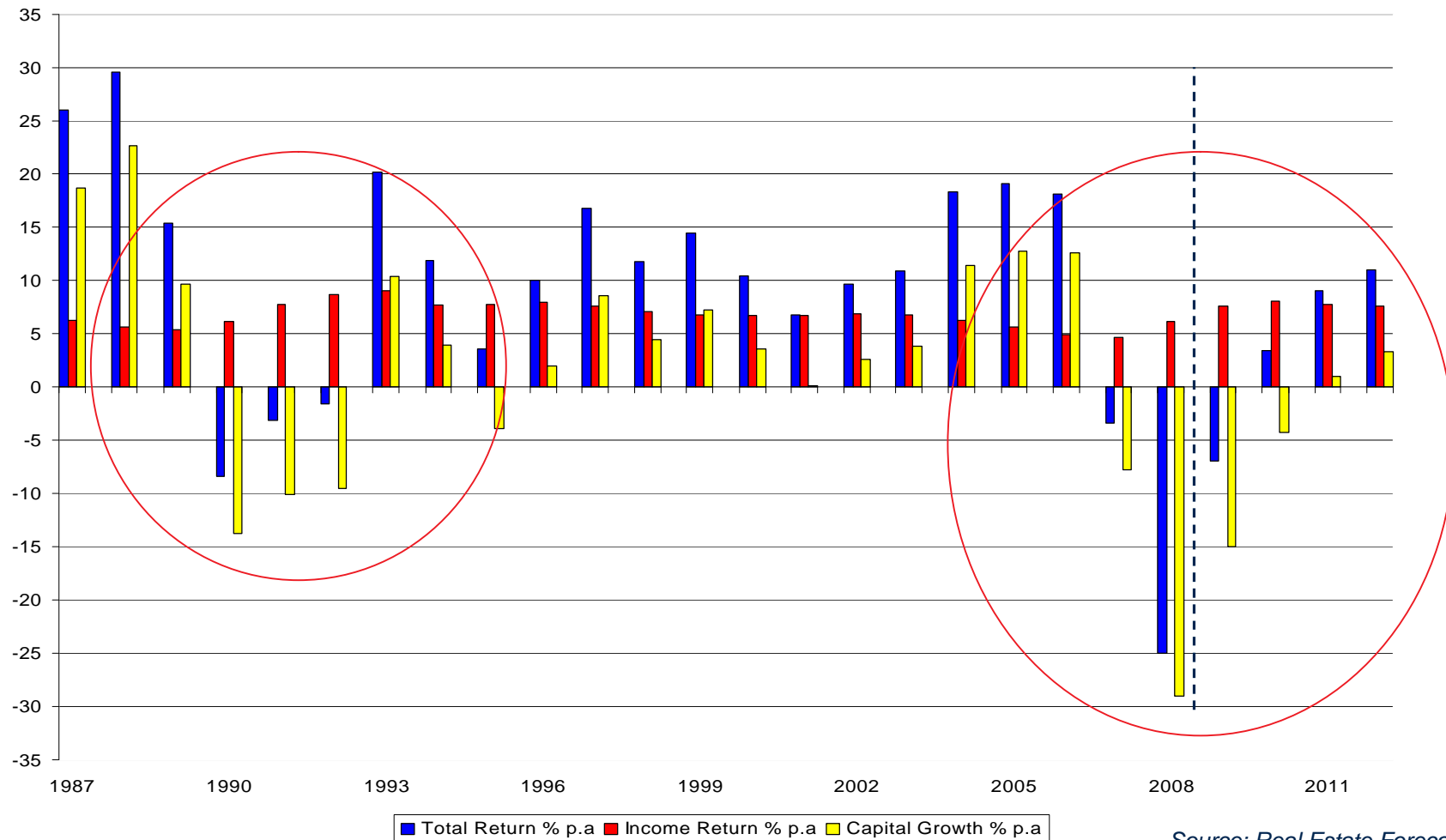


# The “green” agenda

- Energy Performance Certificates
- Display Energy Certificates
- BREEAM (Building Research Establishment Environment Assessment Method) Certificates
- Code for Sustainable Homes - 1 to 6
  
- Section 106 agreements
- Community Infrastructure Levy – will they be viable?
- Eco – towns are dead
- Urban regeneration – on hold for next five years

*The Energy-Climate Era has begun – focused on security & global warming*

# Historic IPD & forecasts: commercial property : December '08



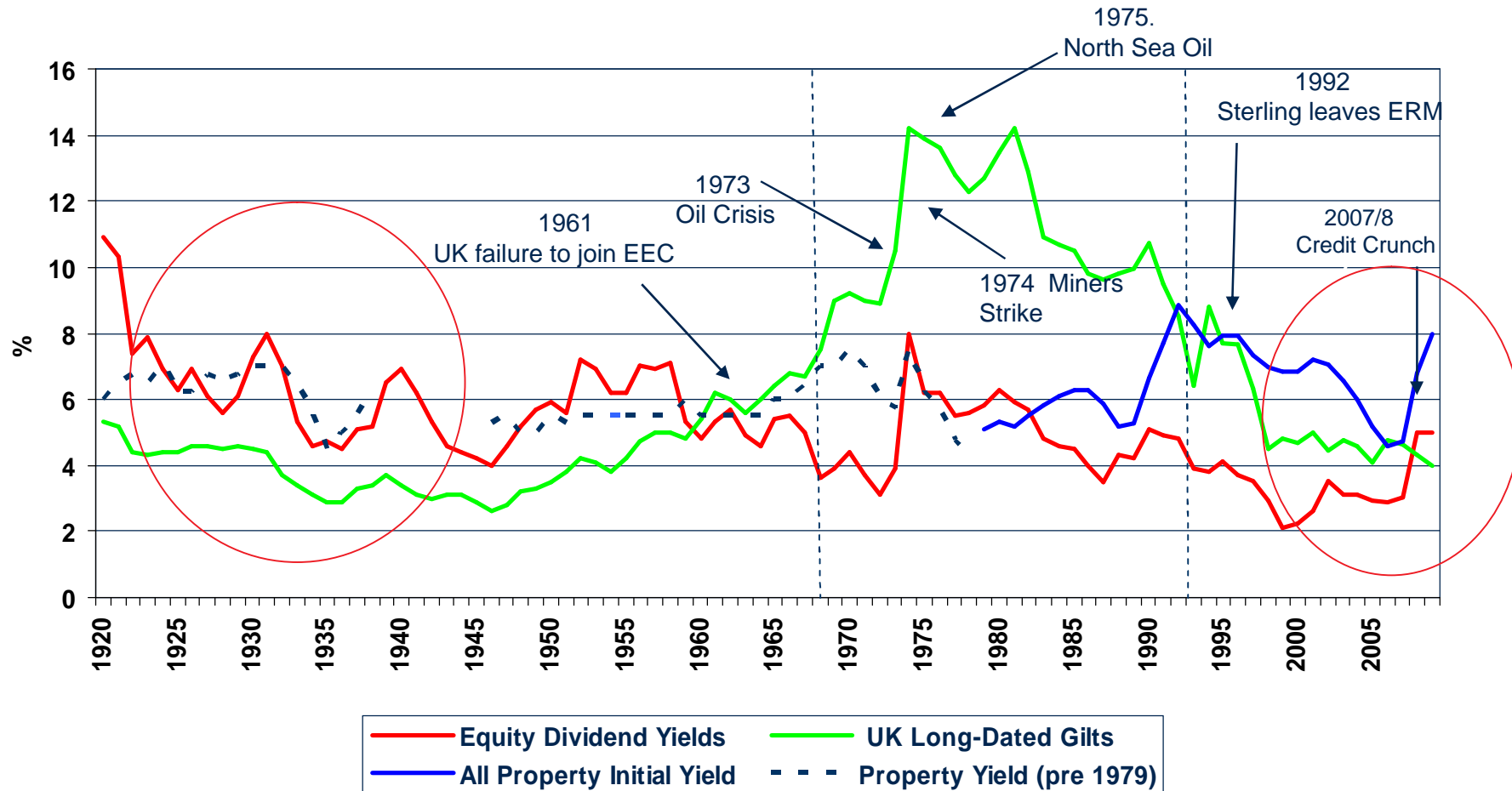
Source: Real Estate Forecasting

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  - The “green” agenda
  - Commercial property
- **Predictions**

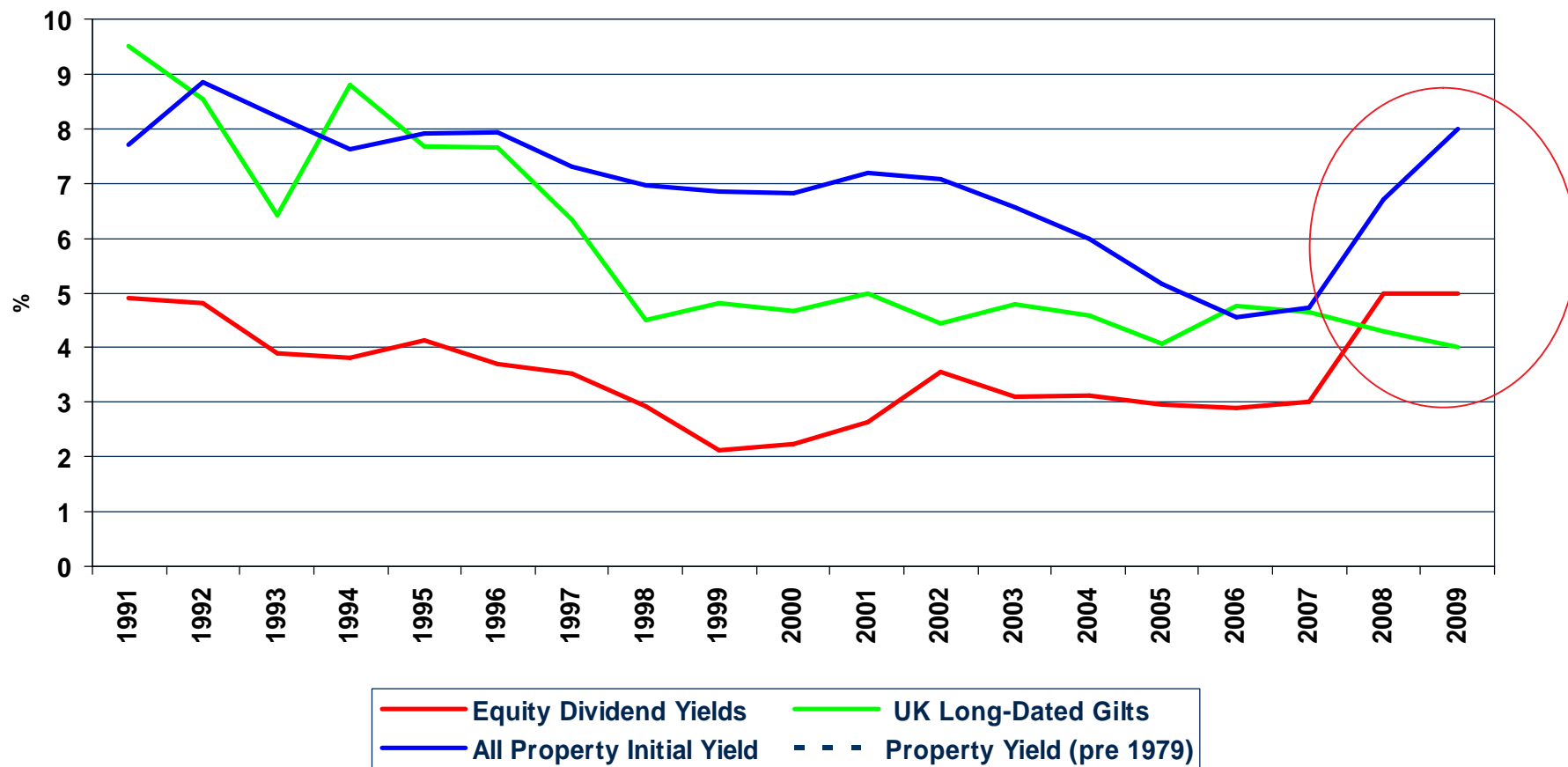


# UK Historic – initial property, equity dividend & long gilt yields - % pa - A RETURN TO THE 1930s



Source: UBS Global Research, Property Masters, IPD

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# Property predictions for 2009 – an overview

- **Predictions – a TWO TIER market is emerging**
  - **Commercial capital values have already fallen by more than 35% from their peak in mid 2007, and will fall another 15% in 2009**
  - **“Grave dancers” with cash will have a field day; from the end of 2009 prime commercial property will produce a total return, based on income, of around 7%**
  - **Secondary & tertiary – un-let – property will see values fall by more than -20%, with an income yield of over 12%, based on the Estimated Rental Value.**
  - **HM Government’s empty rates taxation is accelerating the collapse of asset values – causing even greater problems for banks & outstanding debt finance**