Contents

Foreword xi
Preface xiii
Acknowledgements xv

1. Introduction 1
   A remarkable decade for real estate 1
   Based on a flawed global economic model 12
   The real estate research agenda 17
   Background to this book 18

2. Macro-economics and real estate 21
   Impact of the recession on US property markets –
evidence so far (November 2001) 24
   State of global property going into 2004 (January 2004) 26
   Is the global recovery running out of steam?
   (November 2004) 28
   The outlook for private business investment
   in 2010 (January 2010) 31
   Are we heading towards global deflation? (December 2001) 34
   Deflationary conditions may be already present
   in parts of the West (October 2002) 35
   Are buoyant asset markets enough to stimulate
   recovery? (March 2010) 37
   Has the global economy passed its worst? (July 2001) 40
   How will rising interest rates impact real estate
   markets? (January 2011) 43
   Is the USA really in recovery? (December 2002) 45
   Investment could lead the recovery –
   but not yet (July 2003) 48
   UK savings rates have recovered, but the USA still
   looks out of balance (September 2002) 49
   How to save the world: by not saving (December 2009) 51
   Events to watch – is OPEC about to set
   off a second oil crisis? (October 2000) 54
   How is this oil shock different
   from the 1970s? (October 2005) 56
Global financial markets – remaining challenges
to a sustained recovery [August 2010] 58
The Euro finally arrives – but will that make much
of a difference? [January 2002] 61
Germany [April 2002] 62
Germany’s economic situation [April 2003] 64

3. Real estate and recessions 67
An overheated housing market may cloud the Spanish
economic landscape? [November 2006] 69
When will the US housing market turn? [January 2009] 72
The sub-prime storm – impact on Europe [October 2007] 75
A year on: the sub-prime crisis from a Spanish
perspective [August 2008] 78
How close are we to a new ‘Great Depression’?
[October 2008] 83
Printing money – will it work? [April 2009] 86
Are recessions bad for real estate? [February 2008] 89

4. Inflation and real estate 93
Does property provide a hedge against
inflation? [September 2009] 96
Linking rents to construction cost inflation –
the French case [March 2008] 98
Oil prices, inflation and real estate [July 2008] 101
Is inflation building up in the world economy? [June 2010] 104
Can oil prices cause a global inflation problem? [June 2004] 107
Are food prices driving inflation up? [December 2007] 108
Real wages and real estate in the UK [February 2011] 111

5. Retailing and retail property 115
Splitting retail property into food and non-food can
increase portfolio performance [November 2003] 118
A prosperous future for UK shopping places?
[December 2006] 120
Examining European retail rents [January 2006] 123
Perspective on international retail [October 2001] 126
Consumer confidence and consumer spending [June 2003] 129
The outlook for UK retail [August 2009] 130
USA retail outlook (August 2004) 133
What will an end to the run-up in house prices mean for consumer spending? (April 2005) 135
Retail fundamentals (January 2003) 139
US retailing in recession (May 2009) 141
Luxury retailing in Europe (June 2007) 143
State of health in the retail market in continental Europe (October 2009) 146

6. Property companies and REITs 149
   Small investors should wait for the REIT moment to invest in property securities! (January 2007) 151
   Listed real estate in a ‘perfect storm’ – the case of Spain (November 2008) 154
   Beta and the cost of equity capital to the UK property sector (May 2008) 157

7. Real estate and construction 161
   What factors determine construction costs? (March 2006) 163
   Is there a global construction boom? (April 2007) 165
   UK construction costs and the recession (March 2006) 167

8. Asia 173
   China/WTO (January 2002) 176
   Chinese currency reform (December 2004) 178
   What’s the outlook for the Chinese economy? (June 2009) 179
   Will China’s problematic inflation subside? (June 2008) 182
   Is real estate in China heading for a hard landing? (March 2011) 184
   What’s happening to Japan? (March 2004) 188
   Japan capital values (September 2004) 190
   Bank of Japan ends quantitative easing – the impact on property will be neutral (April 2006) 193
   The growing significance of Asia-Pacific real estate (November 2007) 195

9. Real Estate Returns 199
   Do investors care about the standard deviation of property investment returns? (July 2009) 201
   Returns and capitalisation rates in US real estate (August 2006) 203
The economics of global property returns (May 2007) 207
Does gearing work? (October 2010) 210

10. Residential real estate 213
The potential for investment in European residential property (September 2007) 216
Investment opportunities in US housing (July 2010) 219
Trends in owner-occupied residential prices are not always a guide to value trends in the investment sector (August 2003) 221
How important is confidence in the Asian luxury residential market? (October 2002) 224
Luxury residential – the tale of three cities (September 2005) 225
What drives Prime Central London residential prices? (September 2006) 227
US home prices looking more exposed (August 2005) 230
Why do commentators continue to talk of a UK housing crash that never seems to come? (June 2002) 231
Australian residential outlook – as safe as houses? (December 2010) 233
Australian residential prices – city trends drive performance (October 2006) 236

11. Yields 241
How far can yields move out? (January 2008) 244
Bond yields, real estate markets and globalisation (May 2010) 247
Cross-country determinants of investment yields (March 2005) 250
How does the risk of rising interest rates affect property yields and expectations for property performance? (February 2006) 252
Can movements in corporate bond yields tell us anything about movements in property yields? (December 2005) 255
Capital flows to emerging markets (May 2006) 257
Real estate investment yields – bouncing up or down? (January 2005) 260
Signs of change in the investment market? (January 2003) 262
12. **Global office markets** 297

Just how rewarding is office sector investment? (February 2003) 300

Supply-constrained office markets do deliver stronger rental growth – but not always (January 2004) 302

Europe’s largest office markets are set to lead the recovery (April 2004) 303

Supply risk in international office markets (June 2005) 307

Office markets and the global economy (April 2008) 307

Can local office markets buck international market trends? (July 2003) 311

Euro zone convergence – economic myth and property reality (June 2006) 312

Convergence continued – the US case (July 2006) 314

Does income inequality affect office rents? (November 2005) 318

13. **Looking forward** 321

The case for increased pension fund allocation to real estate (September 2010) 331