# Comment

## Gone with the **rebound**

IDENTIFYING THE OPTIMUM time to sell is a tough call but it looks like you may have just missed your chance if you are one of those who needed to sell your commercial property this year whether out of 'distress' or to capitalise profits.

For this year's rebound is already gone. It is history. Mainly due to macro factors that once again exhibited the detachment of investments and letting markets ultimately underpinned this opportunity, while offshore funds taking advantage of the currency play, have mainly driven prime property prices.

The collapse of sterling, especially over the third quarter, proved an amazing opportunity and the last chance for the foreseeable future that Europeans could buy the pound at such a cheap level. Furthermore, it affected UK-based investment funds looking to recalibrate portfolios due to the yield benefit of being in commercial property with the added benefit of projected capital growth.

Throw into the melting pot the wagon effect of every other Tom, Dick and Harry seeing the evident pick-up in the market and wanting to get on board. But once you can see the bandwagon coming you have probably missed it, and that is the case here. The opportunity has now long gone.

With the arrival of 2011 you should prepare for blood. Prepare now for another amazing buying opportunity because your chance could be about to come if you have been holding out for the past couple of years, been saving up or if you are fortunate enough to be cash rich.

What we will see is an exit of the foreign funds now that all the hot property in the West End has been snapped up. With all the prime assets now gone, will foreign buyers want to touch the secondary tier opportunities that litter the market? Of course not! Foreign investors want the likes of Knightsbridge, Mayfair, Kensington, the West End and some prime city space. What will they want with secondary double-digit bricks and mortar hidden away in the backs of London?

The screws will finally be turned on sub-aqua debt as the pound strengthens and the problems will be further compounded by the lack of appetite in the lending community to renew as interest rates start to creep up and as widespread debt comes to maturity. When a colleague suggested to a top central London bank's relationship manager this must be the best lending environment in a generation he replied that his institution was not lending at all. The £240bn currently out on loan to commercial property, much of which has to be renewed over the next couple of years, will see the knot tighten even further.

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Let us not forget the third quarter of 2010, which was the worst for property lending since records began in 1987. This gives you a sense of what lies in wait. Hundreds of thousands of public-sector workers will be made jobless, growth in the private sector will be slow and we will have the fallout from the sale of Nama assets into the British market. The blood will start to pour.

Those on the other side will find it a fantastic time to be looking for opportunities and the key fundamental skills of good property and asset management will come into play: carefully working tenant renewals, applying tight service charge budgets, increasing services and looking after tenants.

Here at Estates Review our money is on double-digit secondary properties in the central commercial areas of regional cities, market towns and conurbations with good covenants from national or international companies on leases of five years or more and with established tenant occupation.

So remember. Look for the best and do not just buy on fundamentals. Be guided by instinct and intuition. The days of smoke and mirrors are well and truly over. As one bright spark said the other day, it will be a barbecue economy for the next five years – long and slow. ■