

The Real eState with Peter Bill

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The worse it gets next year, the better it gets for contrarian investors. Not a cheerful way to look at 2017. But with Donald Trump about to become President and Brexit deepening the gloom in Britain, best look for a bright side.



Happy Christmas and a contrarian New Year. Sensible folk have pegged 2017 as the year to fish the lazy streams of low but steady income. Hook only newish kit. Ensure the floors are long-leased to blue-chip tenants. Dilapidated secondary stock with a development angle should be thrown back.

Shoals of the latter will be coming to market in 2017. Easy call. Owners always shed stuff as clouds gather. Horns are "drawn in". Boundaries are "re-drawn". Portfolios "rebalanced", bringing "opportunities to market". An opportune time for the merciless contrarian investor.

A breed best summed up by Silicon Valley entrepreneur, David Sze. "The best opportunities are often ones where you're being contrarian. That doesn't mean being contrarian for contrarian's sake, but it means you're thoughtful about the risks of following the crowd". A thought worth tucking away.

US funds tend not to follow the crowd. The impending Trump presidency is giving even these steely-minded folk the collywobbles. "Trump is an absolute disaster", confided the UK boss of a US-based fund that owns over \$50bn of property across North America. "My bosses are devastated."

US-listed agents are equally appalled. "Our people in New York are distraught", said the UK head of a big American firm. Nobody is saying any of this on the record. The consequences of speaking out against a vindictive property-man-come-president are too fearful to contemplate.

What can be contemplated in hope is a four-year aversion to US real estate among global funds. Imagine the conversation: "New York? We're not contrarian, just yet. Wait for Trump to do real damage. Let's stick with the stock we have and put the fresh money into Britain. It's lookin' good and contrary right now".

Will 2017 see a property crash here? No idea. All I can say is this: a consensus forecast collated by the Investment Property Forum published during my 11 years as editor of Estates Gazette between 1998 and 2009 was utterly unreliable, both as the market went up, and as it went down.

I recall this for one reason. Contrarian investors somehow manage to shrug off the prevailing wisdom. A great trick of the mind to learn. Contrarians will gird up in 2017. The darker the sky, the sooner they will charge. The bravest will seek out stalled developments. Here the biggest potential uplifts lie.

An architect of my acquaintance says many of the office schemes he has designed are now stuck in the no-man's land between permission being granted and a start on site. Canary Wharf chief executive George Iacobescu told me last month that building costs are likely to rise 8%-10% thanks to the weak pound.

Rent free periods are stretching towards their limit thanks to occupier uncertainty. Political anxiety over the antics of Donald Trump and uncertainties surrounding Brexit threaten an economic nervous breakdown. Next year is shaping up to be a great year. For contrarians at least.

Peter Bill is the author of [Planet Property](#) and former editor of Estates Gazette.

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