

PROPERTY COMMENTARY – JULY 2012

Don't You Just Love All The Rubbish?

I am a great fan of David Smith. He is an economist who writes for The Sunday Times. He has a theory about economic development. I like his ideas. To me they are based upon the KISS principle. They make a lot of sense.

David, if you are reading this newsletter I am sure you will not be offended when I say I was driving down the road the other day, saw a skip full of building rubbish and immediately thought of you. One of David's theories is that you can determine how good things are by the number of builders' skips which you see in the street. A friend of mine bases his views on how easy it is to get a black cab or book a table at your favourite restaurant.

I can't help but notice there are a lot of skips around the streets these days. I am in the process of disposing of a block of land for housing, subject to Planning. It is encouraging to see the interest out there, particularly from the medium sized developers.

There is always a market out there; no matter how gloomy the information coming through the popular Press. I get this feeling that whilst the short term vision may be fairly bleak, the medium time frame position is not looking too bad. I know I have gone on about the need for housing. The reality is that London is one of the most exciting cities in the world. It has got a static and moving population. People need places to live. I talk to property lenders on a daily basis. They do have money. They are prepared to lend provided the product is good and the business plan makes common sense.

So this newsletter rather than quoting statistics simply says, 'let's not skip around the issue'. There is business out there to be done. All we have to do is find it.

Every now and then an event happens which transforms a Company or a property district. From a Company perspective, good examples are Steve Jobs returning to Apple Computers. Another is a University student producing a rock magazine which at that stage was just entering into 'virgin territory'. These actions created brand names – Apple; Virgin, etc. Property developers have brand names. Think Candy and Candy. Think Trump. Properties have brand names, for example The Shard, which will have a profound positive effect on the inner areas of SE1. Another is the Westfield shopping centre at Stratford City. I think that shopping centre will have a greater impact on Stratford than the Olympic site. A third is Westfield London which has transformed Shepherds Bush.

And so we have a new brand name in the property market. It is called Westfield. And when they stand up and make a statement about something that they are going to do, you have to take notice.

They are going to spend £1.0 billion to redevelop Croydon's Whitgift Centre, including the provision of 1.5 million square feet of retail; new leisure facilities with a state of the art cinema; bowling alleys and restaurants; the creation of 5,000 local job opportunities; improvements and solutions to the long-term road access in Wellesley Road; new car parks and between 400 – 600 new homes.

Take a look at what has happened in areas like Kingston upon Thames and Richmond upon Thames in the last 10 to 15 years. Note the capital growth over that period. My money is on Croydon residential growing at a greater rate than its equivalent 'cousins' in Kingston and Richmond over the next 5 to 10 years. I am not suggesting that Croydon will match the property levels of Kingston and Richmond but my view is that the growth to be experienced in Croydon over the next 5 to 10 years will be greater than that which will be experienced in the likes of Kingston and Richmond. And you know what - the base cost is cheaper. You heard it at DeVarga.

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