CAN WE SHAKE THE POST-OLYMPIC BLUES?

Claire Higgins, head of research at BNP Paribas Real Estate, the leading property adviser, reflects on whether we can shake the post-Olympic blues:

“Thursday 9th August marked five years to the day since the start of the credit crunch. In the main, no one noticed the anniversary pass. Too busy watching small women winning gold medals by beating up other small women, trying to find a good spot to watch Usain do the double and wondering what the heck rhythmic gymnastics was all about.

Even back in 2007, most people didn’t notice there was a credit crunch on. Not until the collapse of Lehman’s a year later. Most people, that is, except those of us in property, who’d been aware something was going badly wrong for some weeks.

So, five years on, where do we stand? Well, capital values remain 36% below their steamy 2007 peak, and the average total return over the last five years has been -1.5%. Nearly £160bn of UK commercial property has been transacted, but this is over a third less than in the preceding five years - 48% of it was spent in London.

With the Olympics already a fading memory and the post-Games blues so endemic that the BBC has felt obliged to write an article offering “10 ways to fill the Olympics void”, when will we turn the corner?

The economy is more than 5% smaller now than it was before the downturn, so we have some way to go to full recovery. Playing to the national Olympic obsession, in his August statement the Governor of the Bank of England compared the task of turning around the economy to the efforts of Team GB: “They have shown us the importance of total commitment when trying to achieve a goal that may lie some years ahead”.

Property, however, generally turns ahead of the economy. Hence our memory of the good times being a little more distant than for most. In an upturn, we catch that feel good factor early on. BNP Paribas is expecting an Olympian-sized boost to GDP in Q3 this year, followed by modest then stronger growth by 2014 and beyond.
We may have the blues now, but we will be back on the podium long before Rio.”

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About BNP Paribas Real Estate

BNP Paribas Real Estate is a leading international real estate provider. It offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 30 countries (15 wholly owned subsidiaries and 15 by its Alliance network, that represent today more than 2,500 people) with 3,400 employees. BNP Paribas Real Estate is a subsidiary of BNP Paribas with more than 150 offices.

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