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THE FOLLOWING IS A SERIALIZATION OF TIM MURPHY'S NEW PROPERTY BOOK: TURNING CRISIS INTO PROFITS. HERE IS AN EXCERPT FROM CHAPTER 2, ENTITLED WHY PROPERTY? IN THIS CHAPTER, TIM EXPLAINS WHY THERE IS 'NEVER A BAD TIME' TO INVEST IN PROPERTY.

NEVER A BAD TIME TO BUY BY TIM MURPHY

"There is never a bad time to buy property, I believe. It's just a matter of picking the right place. Property markets will rise and dip, but there is only one long-term global trend, and that's upwards. Very simply, while the supply of land is finite, the world's population is growing at break-neck speed and people in developing countries are moving en masse to cities, aspiring to higher standards of living and demanding decent homes.

But as with any investment, at any point in time, some purchases will be great and others terrible. Extensive research and a cold, rational attitude to buying are vital to success. This is because a rising property market can quickly lead to heady forecasts of soaring prices, rampant speculation and overbuilding. That's how dangerous price bubbles form, which when they burst can burn latecomers to the party. And when a market slides, property investment can become reviled.

The global financial crisis of 2008 and 2009, sparked by sub-prime mortgage defaults in the United States, was just one of those times, when housing market booms across the world came to an abrupt end. In the United States, where mortgages twisted into complex new investment packages had allowed banks to make riskier loans to homebuyers, developers went on a building spree to meet higher housing demand. But the market became oversupplied in many areas and consequently slumped, leading to defaults that stung investors and banks which had invested in mortgage-linked securities. As lenders recoiled around the world, housing markets from London to Tokyo and Singapore slowed and prices fell.

Property suddenly became unfashionable.

However, from an investment point of view, and considering how far markets had risen, property prices actually held up fairly well. Tumbling house prices make shocking newspaper headlines because they're an emotive subject, affecting the proverbial man on the street. But at a time when stock markets were slumping 12 per cent in just one day, property price falls of 5 to 10 per cent over a year, as seen in the United Kingdom in 2008, are relatively tame.

Investment in bricks and mortar, or "physical" property, as opposed to shares in property companies or trusts, is often criticized for its lack of liquidity – it can take months to buy or sell an apartment, whereas stocks and bonds change hands by the split-second. That can hamper investors who need to cash out quickly, but the clunky nature of property investment also means that housing markets tend to move in line with long-term fundamentals of supply and demand, economic growth and household income, rather than in a knee-jerk way to daily news flows.

In difficult times, unless they're forced to sell, homeowners are likely to wait a few months or even years to get a price that they believe is right, thus giving the market some support. During the 2003 SARS outbreak, for example, Hong Kong home prices nominally dropped by half. But, in fact, very few apartments changed hands in that period, and headline prices were dictated by a handful of panic sales. The following year, when the winter passed with no new outbreak, transactions started to flow again and prices jumped back to their previous level and, in the next couple of years, just kept rising." **SI**

