

Global property market update

Once again, it is time to reflect on the global property market and to see what might be in store for property managers in 2018. In last year's editorial at this time, I reported on the continuing low interest rate environment and the growing demand for quality property investments particularly in developed markets. Also, at that time I flagged the US Reserve Bank as the only country increasing interest rates. The prediction at that time was that yet more funds would find their way into the real estate sector. This prediction has proved correct, the USA continues to indicate that official interest rates will continue to rise, albeit, at a slightly slow pace than predicted last year.

In 2017, the global property market saw increased investment activity with capital growth in the region of 6 per cent and rental growth of around 4 per cent (JLL, 2017). This growth is not even across all regions. Europe and Asia in particular have seen stronger growth although, the Asian rise is in part a result of qualitative easing rather than economic fundamentals (Savills, 2017). There remains good demand for office space particularly in Europe where JLL (2017) report leasing volumes increasing by 7 per cent on the previous year and London leasing up 41 per cent. More modest activity of 3 per cent has been seen in Asia.

What does the future hold? There is no certainty in this continuing low interest rate and low inflation environment. It seems the USA will continue to increase official interest rates throughout 2018 backed by improving employment numbers and the prospect of increasing inflation. JLL (2017) are predicting 2 per cent growth in capital values and 3 per cent rental growth. The down side risk is increasing vacancy leading to slowing development and reduced investment. From a property managers perspective, the market remains volatile with increasingly expensive property assets both in terms of capital values and rentals. There remains the risk that interest rates rise without commensurate rental growth and leasing demand could lead to a rise in the very competitive yields currently being achieved.

Let us now turn to the current issue of *Property Management*. In Volume 2 of 2018 presents some interesting research papers drawn from across the world and addressing a wide range of subject matter relevant to the property management industry. Once again, it is pleasing to see that a number of the papers in this issue originate from or are focussed on property management issues in developing regions including Nigeria and Papua New Guinea. Other papers in this issue also come from countries that are less widely represented in *Property Management* with a paper from Italy and another from Poland. The diversity of regions represented and the scope of research presented provide some really useful insight into the property management profession on a global scale

The first paper in this issue comes from Hikmot Adunola Koleoso, Modupe Moronke Omirin, and Femi Adejumo, from Obafemi University of Lagos, Nigeria. Their paper is entitled "Comparison of strategic content of facilities managers functions with other building support practitioners in Lagos Nigeria". The paper explores how property and facilities management in developing regions such as Lagos are less strategic than in more developed markets with a focus on the provision of building services and general maintenance rather than higher level management functions. The paper provides a useful insight into the development of strategic management practices in developing regions.

The second paper is from Oceania but reports on research in the US market. It is written by Jian Liang from Deakin University, Australia and Zhi Dong from the University of



Auckland, New Zealand. The paper examines the behaviour of Real Estate Investment Trust managers following the financial crisis in 2008. It reports on earnings management as a tactic to manipulate disclosed financial information to the market. The paper title is "How the 2007 global financial crisis changed the financial disclosure behaviour: the case of US equity REITs". While this paper is focussed on investment performance, it has significance for property managers as they seek to understand the market fluctuations in order to strategically manage property assets.

For the third paper, we return to Africa and once again to Lagos. This paper is written by Theophilus Olugbenga Babatunde, and C.A Ajayi, both from Obafemi Awolowo University, Nigeria. Their paper is entitled "The impact of information and communication technology on real estate agency in Lagos Metropolis, Nigeria". The purpose of this paper is to evaluate the effect of information and communication technology on real estate agency transactions with a view to determining its influence on the performance of estate agents. Not surprisingly, the research shows that increased uptake of information technology results in greater awareness of the real estate agents brand and consequently higher numbers of clients. Once again, these papers from developing regions serve to illustrate how what is common practice in developed regions is only now becoming adopted in other regions with the same uplift in productivity.

The fourth paper comes from researchers at the Polytechnic of Bari, Italy. The authors are Francesco Tajani, and Pierluigi Morano, and their paper is entitled "A model for the elaboration of fair divisional projects in inheritance disputes". The aim of the research is to develop a method to support the definition of efficient and fair divisional projects by developing a model for valuation and assignment of assets in inheritance disputes. This paper is one of only a few coming from Italy in the past few years and it presents a good insight into the market in Italy and some of the complications that arise as a result of legal inheritance structures in Italy.

The fifth paper is presented by a team of researchers from Umeå University, Sweden led by Lars Lindbergh. Their paper is entitled "Reflections on sustainable Älidhem: a case study in Swedish municipal public housing refurbishment". The paper presents a case study conducted on state-owned housing in which property refurbishment was undertaken in order to achieve a target 40-50 per cent reduction in energy use. This is an interesting paper in that it demonstrates that investment in public housing refurbishment can have very positive environmental as well as financial outcomes. The paper will be of interest to any property managers charged with large the management residential portfolios particularly those in public ownership.

The sixth paper is written by Alistair Brown, from Curtin University, Australia. Alistair's research looks at the efficiency of reporting within the Papua New Guinea, National Housing Corporation. The paper title is "Indigenous reporting of a national housing corporation". The findings of the paper indicate a lack of compliant reporting which in turn compromises the ability to plan and implement efficient delivery of housing to meet the local needs. This is an interesting study as it investigates the provision of housing for the indigenous population of Papua New Guinea, a developing region with considerable issues relating to remote communities and lack of suitable housing.

The final paper is presented by Hanna Augustyniak, Jacek Łaszek, Krzysztof Olszewski, and Joanna Waszczuk from Narodowy Bank Polski, Poland. Their paper is "Property valuation for mortgage purposes in Poland". The paper provides a detailed analysis of valuation practice for bank lending purposes in Poland. The authors are all employed in the banking sector in Poland and so bring some useful experience to the application of valuation methods in Poland. The paper is useful in understanding the workings of the Polish property market and the requirements of mortgagees in that market

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I trust that you find the research presented in this issue of *Property Management* interesting and thought provoking. As always I look forward to receiving your research papers for publication in future issues of the journal.

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References

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