

## Property market update

This is the first issue for 2017 and as in previous years it is opportune to reflect on the property market over the past year and what we as property managers might expect in the coming year. The developed world regions still remain within a historically low interest rate environment; indeed Europe and Japan are experiencing negative official rates and the threat of deflation. The consequence of low cash rate yields means that investors are seeking yield and this has been a positive factor for property with many regions seeing increased funds allocated to property. The increased allocation to property investment has led to increased competition for prime investments and a willingness to accept higher levels of risk to secure good assets. Throughout 2016 there has been considerable yield compression in many regions. In my own region of Australia prime yields have fallen despite commercial vacancy rates exceeding 16 per cent and lease incentives exceeding 30 per cent. These poor office fundamentals would, under normal market conditions, see lower capital values due to increased risk; however this has not been the case as yields continue to fall.

As we move into 2017 the USA is alone in increasing official interest rates and this is likely to impact on global investment markets leading to increased cost of capital which in turn will impact property investment. That said there are still many risk factors which may adversely affect the market with the UK still to establish the process to implement Brexit. The new US President Trump will have taken office by the time this editorial is published; there is considerable uncertainty what this might mean for investment markets both within the USA and in the wider economy. These risk factors are likely to impact our property markets and perhaps drive more investment into good quality property in safe locations. What this all means for property managers is another busy year in which there will be volatility in investment markets and a continued focus on property as a higher yielding asset class.

Now to this issue of *Property Management*, in which there is the usual collection of quality research from around the world. The research papers reflect the diverse readership of the journal with a mix of research from across the world. This issue has papers from researchers in, Finland, South Africa, UK, USA and Malaysia. There is also the usual mix of residential and commercial management papers presented, representing the range of interests of property managers.

The first paper in this issue comes from Kyosti Pennanen and Anne Arvola both from VTT Technical Research Centre of Finland together with Tuulia Puustinen from Aalto University, Finland. Their paper is entitled: "Residents' trust predicting attitudes towards infill development". The paper explores the attitudes of residents to the prospect of infill development and the level of trust that exists between the key players. This is an important issue given the global trend towards densification of cities and the role that varicose stakeholders play in shaping the future development of a region.

The second paper is written by Raymond Abdulai, from Liverpool John Moores University, UK and Edward Ochieng from Cranfield School of Management, Cranfield University, UK.

This paper provides a detailed review of the literature relating to land registration and security of tenure in the land transfer process. The paper title is: "Land registration and landownership security: an examination of the underpinning principles of registration".

The paper reflects on the use of the Torrens Title registration system and its application particularly in developing countries where previously less formal systems have led to issues when land is transferred. It is widely recognised that a robust registration system is a fundamental requirement when international investors are considering purchasing property



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in developing countries. The management of this risk is an important role for government in order to prevent corrupt practices. This paper will be of interest to anyone involved in managing or procuring property in any developing region.

The third paper is written by Andrew Carswell of University of Georgia, USA. This paper is entitled: “An analysis of operating expense control within US multifamily properties”. The purpose of this paper is to examine the impact of ownership type in multi-family residential developments with respect to the operating costs of the property. The paper recognises the changing role of property managers in this area in the USA where more professional management exists does this provide a more cost effective solution. The research is not as conclusive as might be expected but does provide some useful insight into the factors which govern the nexus between cost and quality of residential management.

The fourth paper is written by Douw Boshoff and Mduduzi Nsibande from the University of Pretoria, South Africa. The paper: “An investigation into the investment decision-making practices of South African institutional investors: a focus on retail property” explores the South African real estate investment trust market and in particular retail trusts. The paper recognises that nonfinancial factors, for example tenant mix and superior customer experience have a large impact on investment outcomes and are less easily predicted than in the commercial property REIT market. The paper uses a balanced scorecard approach to evaluate property investment decision making and provides a more nuanced model for predicting future earnings. The paper provides some useful tools for evaluating retail investments and has implications beyond the study area in South Africa.

The fifth paper is based on research undertaken in the UK in which the authors seek to identify the residential price and affordability cycles in the UK. This paper is written by Charalambos Pitros and Yusuf Arayici from the University of Salford – School of the Built Environment, UK. The study looks at house price data over a 30-year timeframe and seeks to explain the cyclical nature of the market. The paper concludes that a peak-to-peak price cycle with a duration of 19 years is found in the data.

The final paper is written by a team of researchers led by Muhammad Najib Razali at the Universiti Teknologi Malaysia. Their paper is: “Sustainable property development by Southeast Asian property companies”. The paper examines the role of sustainability in residential development in South East Asia and collects data from 150 publicly listed development companies in Malaysia, Indonesia, Thailand, Singapore and the Philippines. Using annual reports and other published corporate publications the paper seeks to rank the sustainability levels against profitability. The paper finds that currently the level of sustainability attributes of the companies investigated are low compared to other world regions.

I hope that you find the research papers in this issue of *Property Management* interesting and look forward to another productive year in property management research. Once again I would like to draw your attention to the reviewer site at: [www.publons.com](http://www.publons.com) and, if you review for *Property Management*, I encourage you to sign up and have your contribution recognised.

**Clive M.J. Warren**