



Views from the top

The economic horizon Fewer good job candidates, expansion in the US and especially Asia, and sluggish UK growth followed by recovery were a few of the predictions aired at the *EG* Economic Summit. By Paul Yandall

The UK faces some tough going on the economic front, while Europe will finally escape its lethargy and the US will bounce back from recent disasters. Or so predicted some of the most senior people in the property industry at a recent high-level summit.

The prospects for growth in Europe may be good but trying to find staff to manage it was "an absolute nightmare", said Jeremy Helsby, chairman and chief executive of Savills International. He told an audience at the *Estates Gazette* Economic Summit in London last week, co-sponsored by Berwin Leighton Paisner, that a lack of available talent was holding back expansion on the Continent.

"There's a limited pool of good people in Europe, and it's making it very difficult to expand in the region," said Helsby.

In the relatively strong UK market, the abundance of work was squeezing the labour market, he said, adding: "That, in a sense, is dangerous, because we're all poaching the same people. Often, all that we're achieving is ramping up the salaries of the people we're going for."

And there is little respite ahead for recruiters, with the British economy expected to continue its slow growth. Ben Broadbent, senior economist at Goldman Sachs, said that although the economy would slacken in the UK, there would not be a crash.

"We're not sitting on a precipice. Growth will be below trend over the next year, but there will be some recovery that will accelerate in 2007 as the global economy gets going."

He expected the Bank of England to cut interest rates once more to encourage activity, but added that there was no need for dramatic action. Share prices in property companies, however, would suffer in the short-term, said Broadbent. "Even if they're not expensive relative to bonds, real estate shares look expensive relative to the equity market. It does suggest that over the next year quoted real estate will

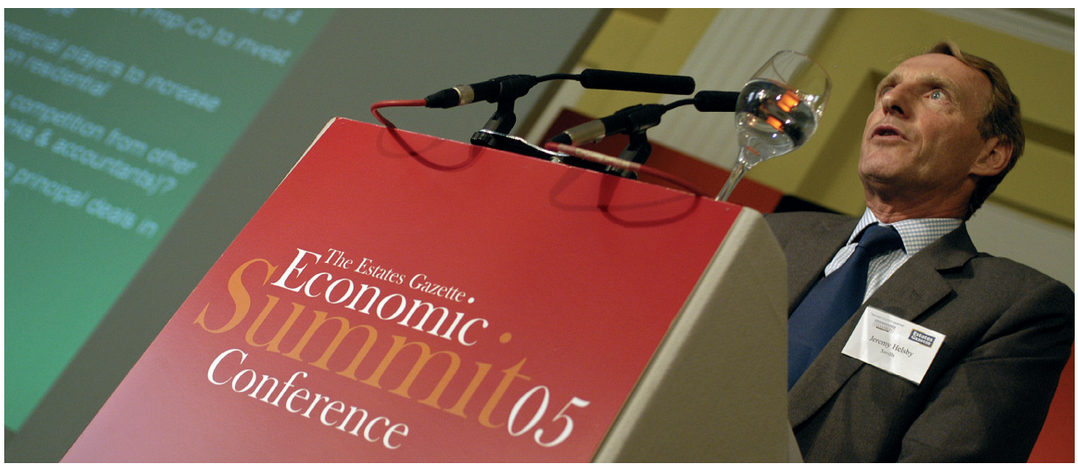
> "Growth will be below trend over the next year, but there will be some recovery, and it will accelerate in 2007 as the global economy gets going"
>
> **Ben Broadbent, Goldman Sachs**

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Futurologists at work (clockwise from far left on opposite page): Goldman Sachs' Ben Broadbent, DTZ international chairman David Watt, JLL global CFO Lauralee Martin, DTZ chairman Robert Peto, Savills chairman Jeremy Helsby

underperform the rest of the equity market."

Global chief financial officer for Jones Lang LaSalle, Lauralee Martin, speaking on the prospects for the US, said the American economy would continue to grow despite the recent oil price rises and the destruction wreaked by hurricanes Katrina and Rita. Job growth was increasing, with 1.6m vacancies created in August and unemployment falling to 4.9%, the lowest in four years. "For US real estate, the jobs are coming in office-based services, education and healthcare," said Martin.

Building costs were rising steadily and this would slow down the construction of new stock. "Demand is predicted to rise, supply is predicted to be constrained and the vacancy rate has already dropped from its 17% peak in the second quarter of 2003 to 14.5% now," she said, adding that continued oil price rises and an interest rate hike could stall growth, but only if the increases were dramatic.

DTZ international chairman David Watt highlighted the power of the Asian economy and said the pace of the region's development, particularly in China, was breathtaking. International and domestic retail chains, for example, were driving massive shopping centre construction in cities across China.

Boom times ahead in Asia

"The next decade in China and India will make the 'malling' of America in the 1960s and 1970s look like a walk in the park," he said.

Talking about the picture closer to home, Paul Bacon, international managing partner at CWHB, said sluggish occupier demand would pick up across the Continent next year. "There'll be an undersupply of offices in most European cities, so there are prospects for rental growth in 2006," he said. Of those cities, it was Moscow that showed the most promise. "Why? Because Moscow is responsible for 40% of Russia's GDP; its 12m people earn three times the national average; tax is low at 13% and people have a high level of disposable income."

It was left to Helsby to sound a warning. "I've got fee disputes going on between people who sit next to each other but correspond by e-mail," he said. "I keep saying, 'why don't you talk', and the answer is 'you can say things in an e-mail you wouldn't say face-to-face'."

For more coverage of the EG *Economic Summit, see www.eg.tv*

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A world of regulation and robots



Willmott: survey reveals concerns produced by society's increasing complexity

Predictions A forecaster warns that industry leaders are unaware of what the world could throw at them. Adam Tinworth reports

The world is becoming more complex and volatile, and the property industry must deal with that. That was the key prediction of Michael Willmott, co-founder of the research and forecasting organisation the Future Foundation, speaking at the *EG* Economic Summit. Wilmott's predictions are garnering publicity: mere days after the event, his forecasts of a society blighted by apathy and complacency were carried by several Sunday papers.

Willmott is co-author of *Complicated Lives*, which explores the problems that arise out of our increasingly complex existences. Growing affluence and freedom have given us more choices than we can cope with, or so runs the theory, and the opportunity for business is in helping customers with those choices.

So, what are the complexities facing the property industry? The findings of Willmott's research, based on 446 responses to an online questionnaire, are revealing. The top three issues are, in order of priority, regulation and planning, the internet and e-commerce and sustainable development. Other factors, such as mobile working, security and changing lifestyles, appear to be lower down the list.

The fact that government regulation comes out tops plays right into Willmott's key theory. Increasing regulation to protect the consumer (or, in this case, the business consumer) is part of what he terms the "politics of selfishness", the same impulse that leads government to restrict smoking in pubs, to restrict pleasures or indulgences that can be seen as harmful. There's no reason to believe that the property industry will be exempt from this regulation.

But that's where the property industry's views and Willmott's own start to diverge. He stresses issues such as changing lifestyles and changing technology more than the property industry does, just yet.

Security and safety comes about halfway down the property industry's importance scale, with only 58% of people citing it as extremely or very important. This seems to be an incongruity, points out Willmott: public anxiety about crime is growing, even as crime rates fall. Whatever the reality of crime, buildings may well need to make people feel safer, even if they don't actually need to be safer.

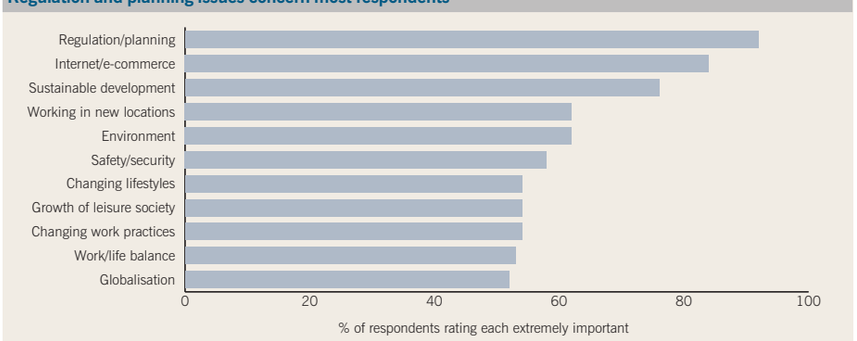
By 2030, computers will have the intelligence of mammals. Already the industrial sector is dominated by robots. They are creeping into the home in the guise of automated vacuum cleaners and sophisticated toy pets. Willmott predicts that they'll have more of an impact on our working lives than the industry is prepared for.

Key challenges for property

- Understanding and planning for a changing world
- Dealing with politicians who are increasingly driven by short-term consumer issues
- Providing for consumers who are increasingly empowered and agitated
- Coping with the volatility of today's world
- Planning for and managing complexity in the business world
- Adapting to the transformation that automation and cybernetics will make in the home and the workplace

What issues do we face over the next five to 10 years?

Regulation and planning issues concern most respondents



Source: *EG*/Future Foundation

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