

New positive spin on S'pore's real estate sector

Economist calls bottom in 2010, based on an 18-year cycle seen in US

By **TEH HOOI LING**

[SINGAPORE] With observers seemingly falling over one another to come up with the most bearish forecasts, Phil Anderson – who calls himself a renegade economist – stands out from the crowd and confidently calls a property market bottom next year.

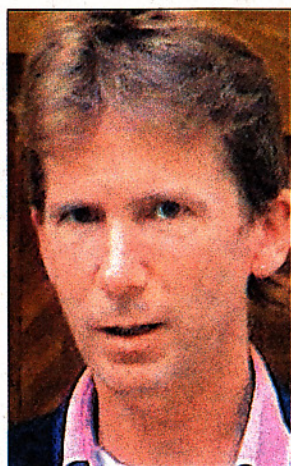
"There will be substantial real estate buying opportunities for people with cash next year, which will set them up comfortably for the next 18 years," the founder of Economic Indicator Services told *The Business Times* recently.

Investors, however, will need cash to buy because, by then, banks will have no money and will be very reluctant to lend, he said. So individuals, companies and even countries with no debt, such as Singapore, will be well-placed to take advantage of the next boom.

Mr Anderson bases his prediction on an 18-year cycle which he says has manifested itself in the United States since 1800. "The cycle is as regular as clockwork. It is quite bizarre," he said.

The US began selling real estate, officially and under a set legal structure, on May 10, 1800, he said. "Since then there were speculative peaks every 18 years."

There were peaks in land sales or real estate speculation in 1818, 1836, 1854, 1888, 1908, 1926 and 1944. The peaks were followed by downturns or depressions, typically lasting four years. World War II disrupted the pat-



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– Mr Anderson

tern. But the cycle resumed in 1955.

The real estate market in the US again peaked in 1989 and bottomed in 1991. And 18 years later, in 2006-07, it hit another high. We are now into the third year of downturn, so by next year the market should bottom, which will mark the beginning of the new 18-year cycle, according to Mr Anderson.

The next boom, peaking around 2024, will be huge because hundreds of millions of Chinese will enter the market for the first time, he said. "Singapore is well-positioned to take advantage of the next boom because of its proximity to China. I am very bullish on Singapore. It is uniquely placed. Although real estate is already expensive in

Singapore, it is going to be more expensive."

Mr Anderson is confident the cycle will repeat itself as long as land is tradeable and in private hands. "It will continue to happen because people will chase the capitalised rent of land," he said. "It will be gone only if the rent is collected by the government."

China's privatisation of its real estate market guarantees a real estate cycle, according to him.

Also, everything that has been done to tackle the current financial crisis is to preserve the system. "So the system will start again."

There are smaller cycles within the big 18-year cycles. The first seven years are characterised by a gradual improvement in activity and confidence following the previous crash. The next seven years see steeper increases in activity and prices, with the sharpest gains taking place in the final two of the seven years.

"That's when most people take on more debt. That's also the easiest time to buy real estate because loans are easy to get as banks have a lot of money. But that's absolutely the wrong time to do so," said Mr Anderson.

The next four years, of course, are the downturn, during which the banks will clear their problem loans, the market will absorb the excess stock and the governments will get organised.

Mr Anderson has detailed his research in a book *The Secret Life of Real Estate – How it moves and why*, published last year. Based in London and Melbourne, his firm has "several hundred" online subscribers who pay £200 (S\$442) a year each for his "big picture analysis and ways to take advantage of turning points in market cycles".

24 hour real estate clock

Residential activity recovers first, then commercial

Hours 1 to 16 – 14 years up (approximate)

Hours 17 to 24 – 4 years down (approximate)

