

The background of the slide is a satellite-style map of Europe, showing the continent in dark green and brown tones against a lighter, hazy background. The map is centered on the continent, with the Atlantic Ocean to the west and the Mediterranean Sea to the south.

Will UK monetary policy 'Trump' political uncertainty

Dr Walter Boettcher | Head of Research & Economics
Professional Conferences, Autumn 2024

Colliers' briefing – Q3 2024

- 1 UK economy in a global context
- 2 UK economy and interest rates
- 3 Recent property trends
- 4 Regional development notes

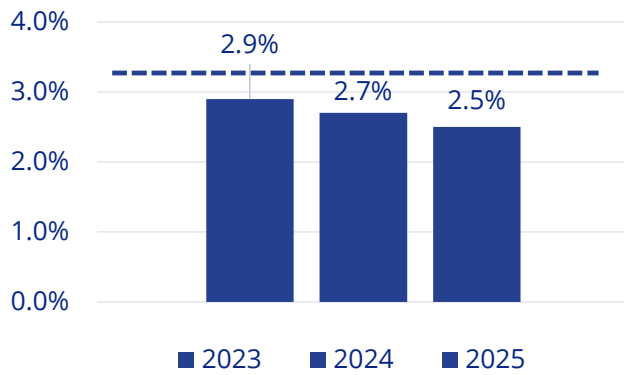


The global economy is adjusting to a 'new normal' Growth to stabilise at above 3%

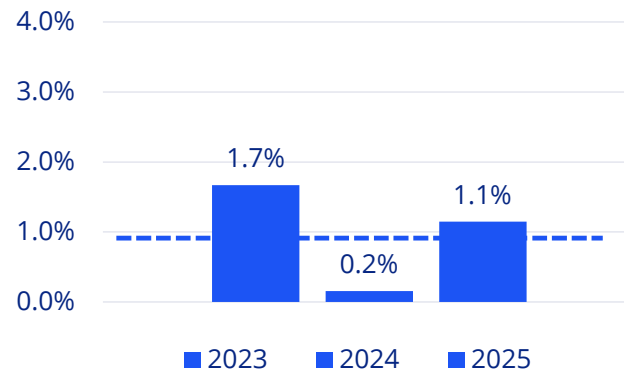


- Global economy is adjusting to a new interest rate environment
- Most GDP growth rates remain below historic standards
- Growth in China to slow from an average of 10% pa to around 4% pa
- Despite a lower 'new normal', economic growth should pick up again as global policy rates fall and real incomes rise

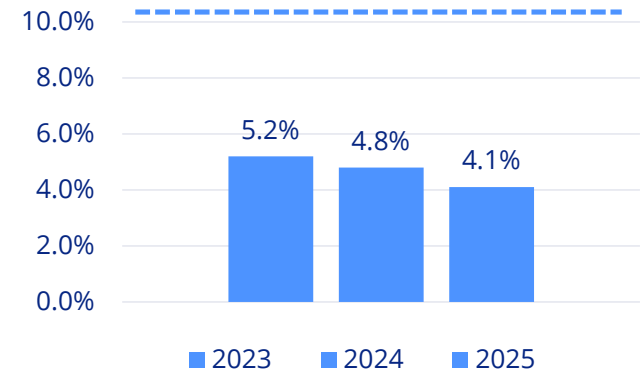
GDP growth, US



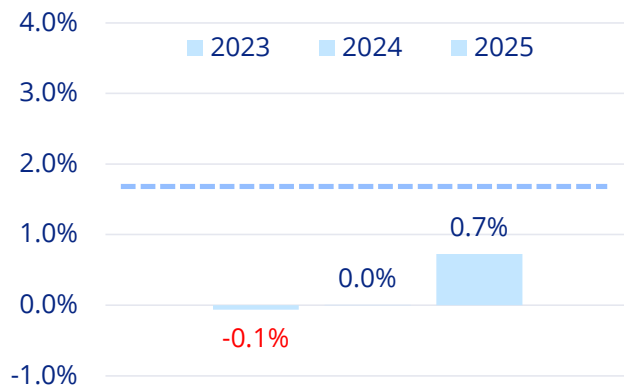
GDP growth, Japan



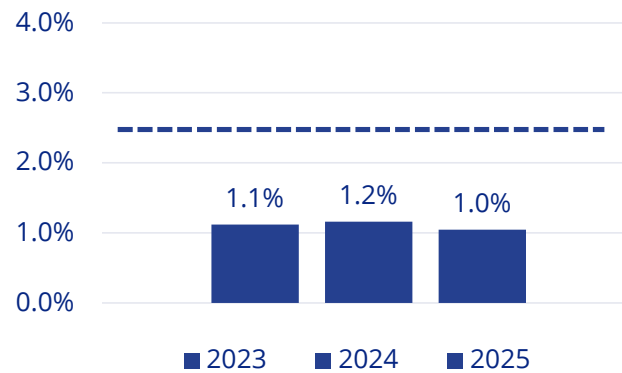
GDP growth, China



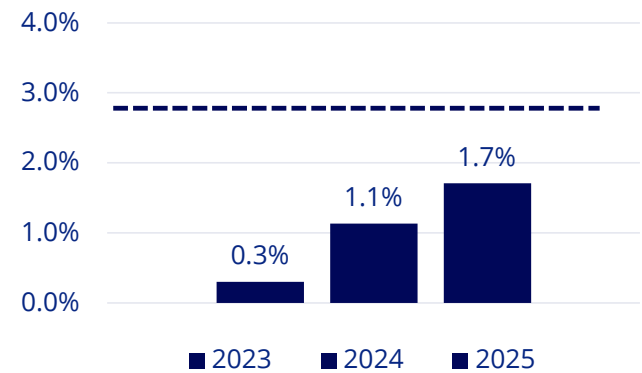
GDP growth, Germany



GDP growth, France

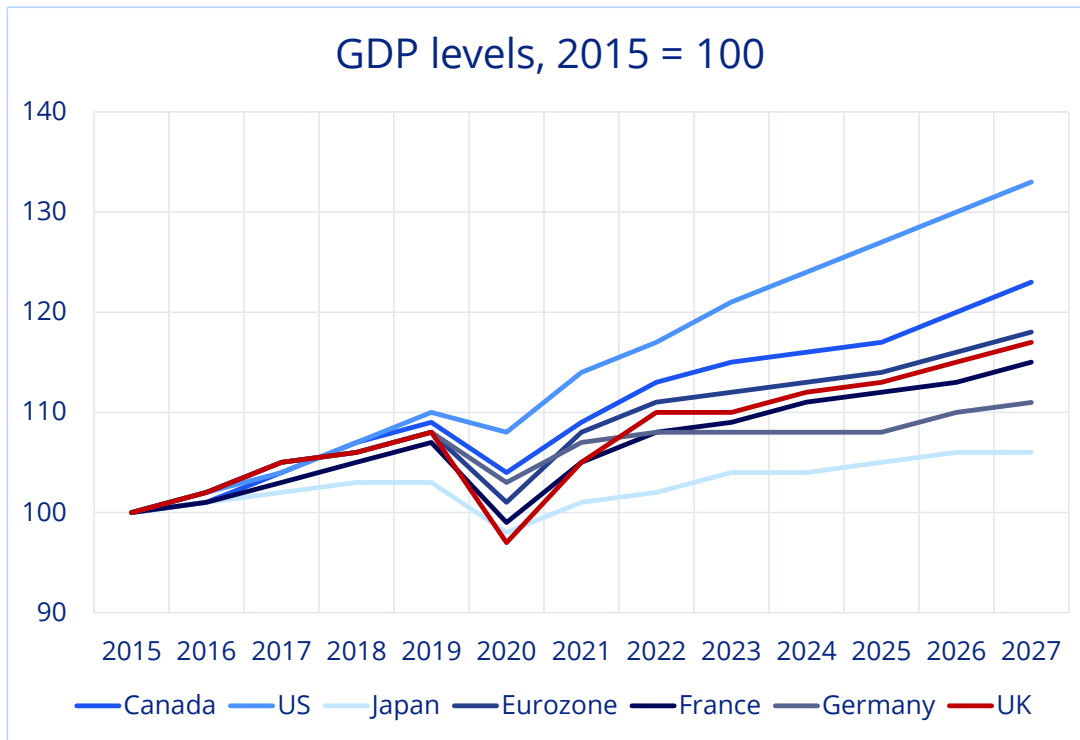


GDP growth, UK



Source for all charts: OECD, ONS, Oxford Economics (October 2024)

Global economies continue to recover UK not a 'laggard'



Source: Oxford Economics

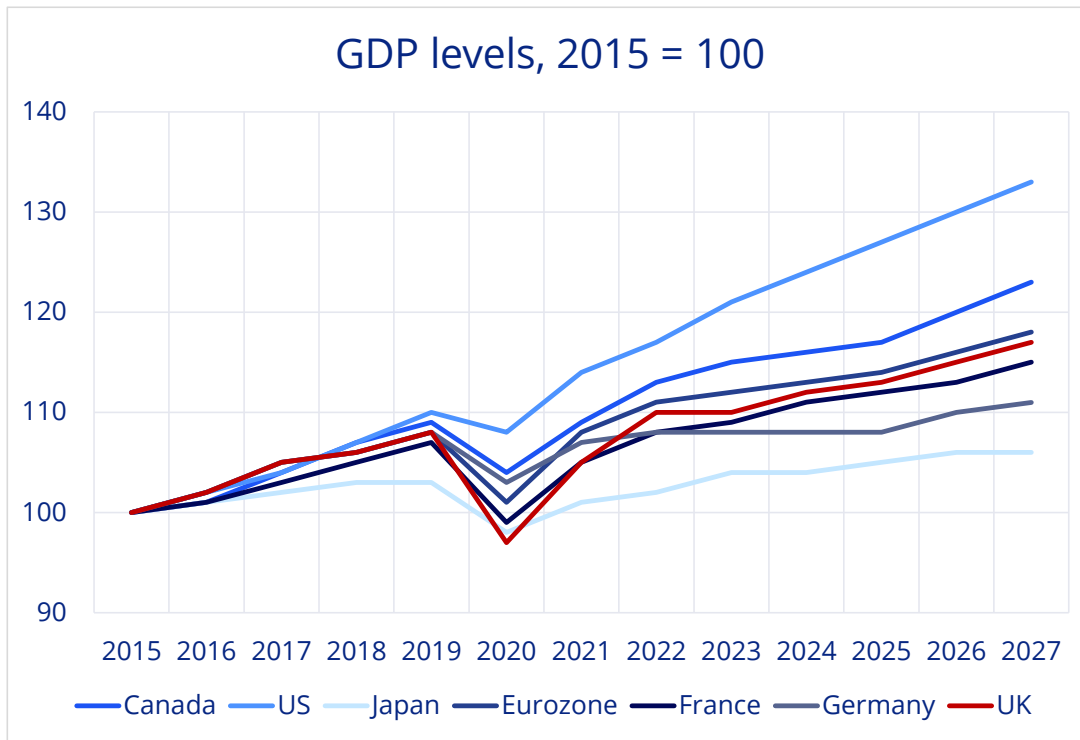
2021

UK business [+ Add to myFT](#)

UK economists' survey: recovery will be slower than in peer countries

- Of the developed world, UK saw steepest decline in GDP during the pandemic...
- ... followed by the strongest recovery
- Global economy is adjusting to a new interest rate environment
- At the end of 2025, UK economy expected to be 13% larger than in 2015

Global economies continue to recover UK not a 'laggard'



Source: Oxford Economics

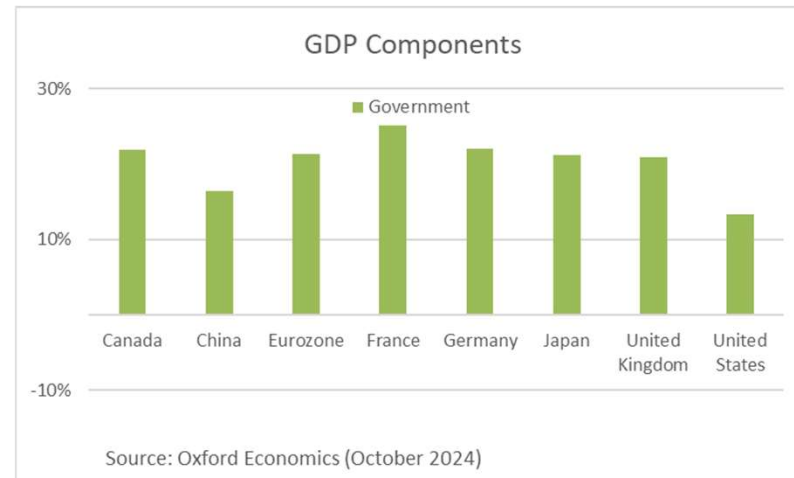
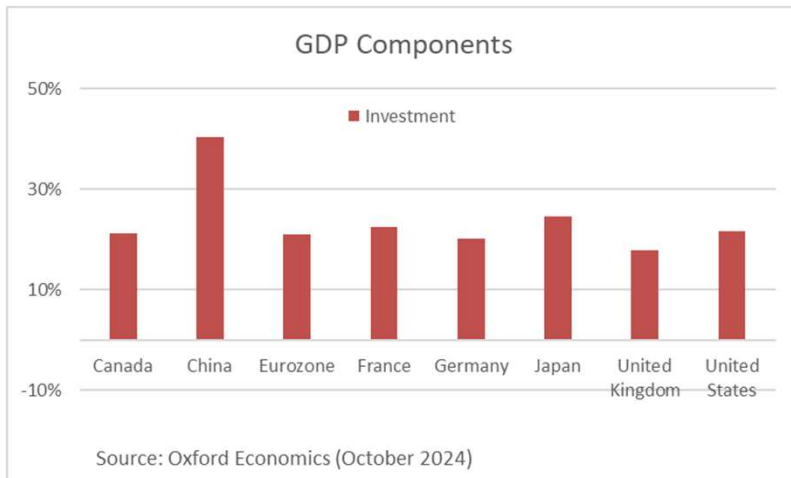
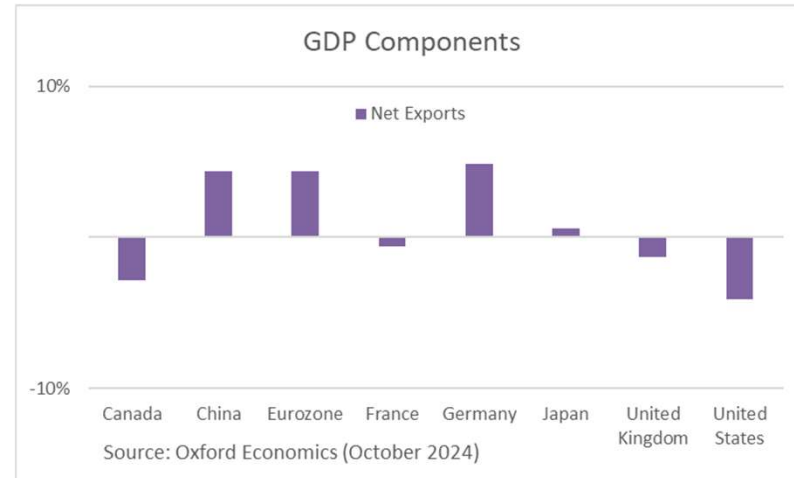
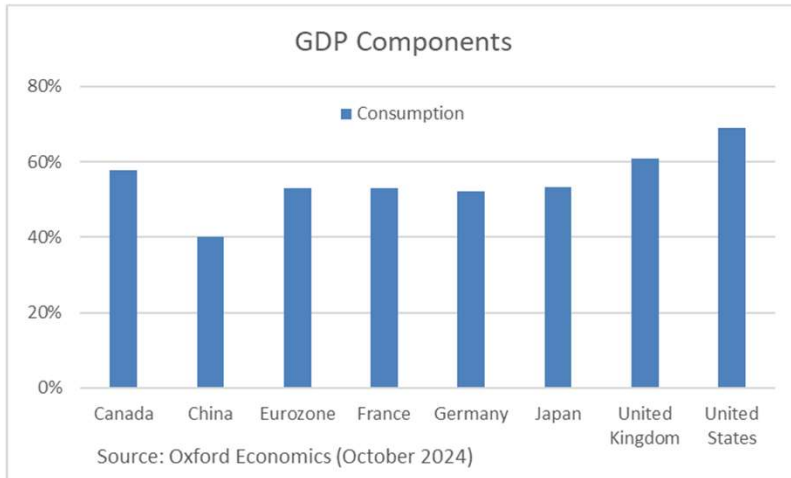
2024

UK economy [+ Add to myFT](#)

FT economists survey: 'anaemic' economy needs 'investment, investment, investment'

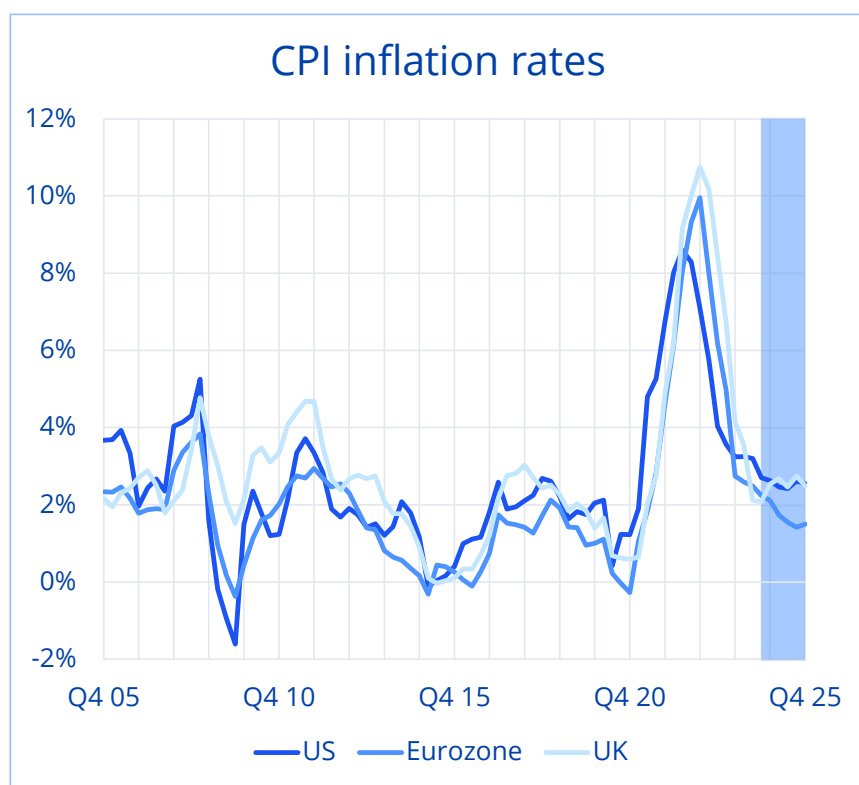
- Of the developed world, UK saw steepest decline in GDP during the pandemic...
- ... followed by the strongest recovery
- Global economy is adjusting to a new interest rate environment
- At the end of 2025, UK economy expected to be 13% larger than in 2015

GDP COMPONENTS



Source: Oxford Economics

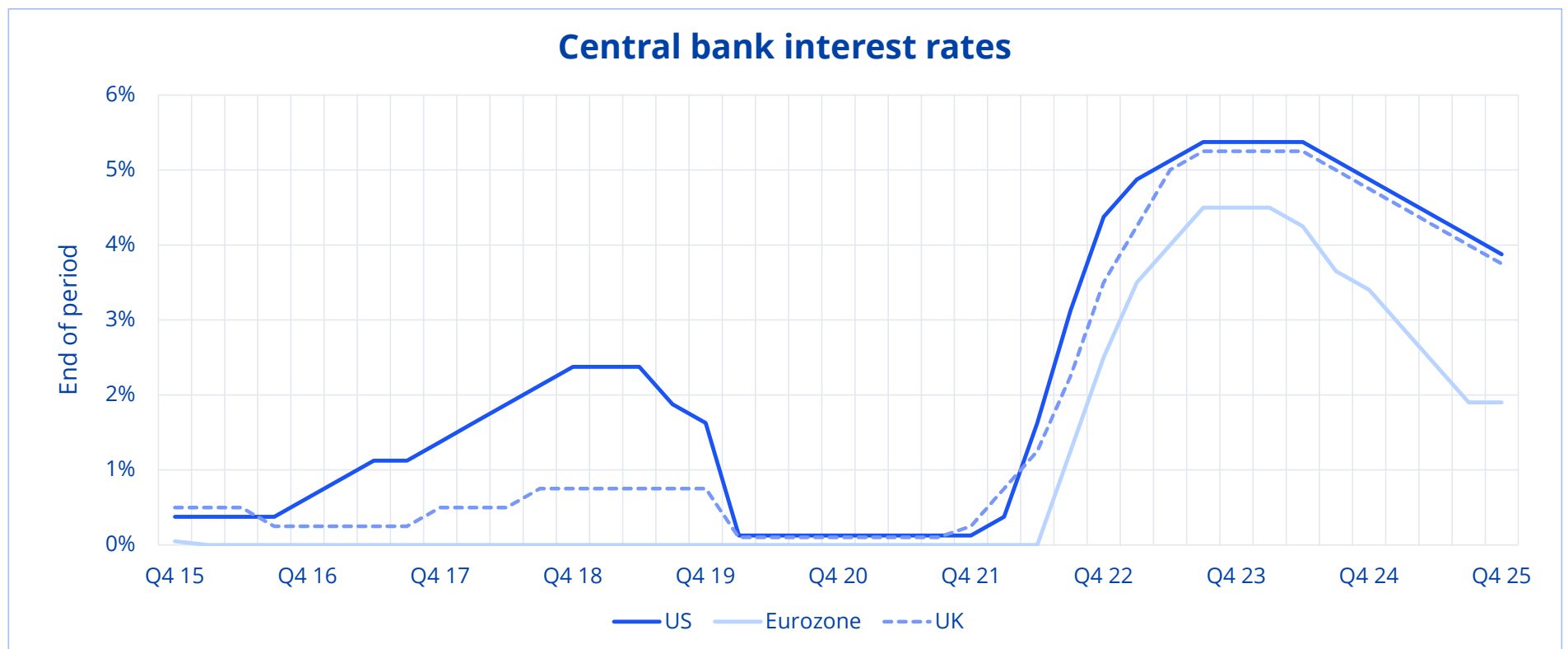
Global inflation spike looks increasingly historical Eurozone to reach sustainable target first



Source: Oxford Economics + local statistical agencies

CPI inflation rates	Post Covid max	Latest (Q2/Q3* 2024)	Forecast (2030)
Australia	7.8	3.8	2.5
Canada	7.6	1.6*	2.1
China	5.0	0.3	1.9
France	6.1	1.8*	2.0
Germany	8.6	1.9*	2.0
India	7.3	4.9	4.1
Japan	3.9	2.7	1.9
Russia	16.9	8.2	5.3
South Korea	5.8	2.1*	2.0
Spain	10.1	2.2*	2.0
UK	10.8	1.7*	2.0
US	8.6	2.4*	2.2

Interest rates are coming down But how far?



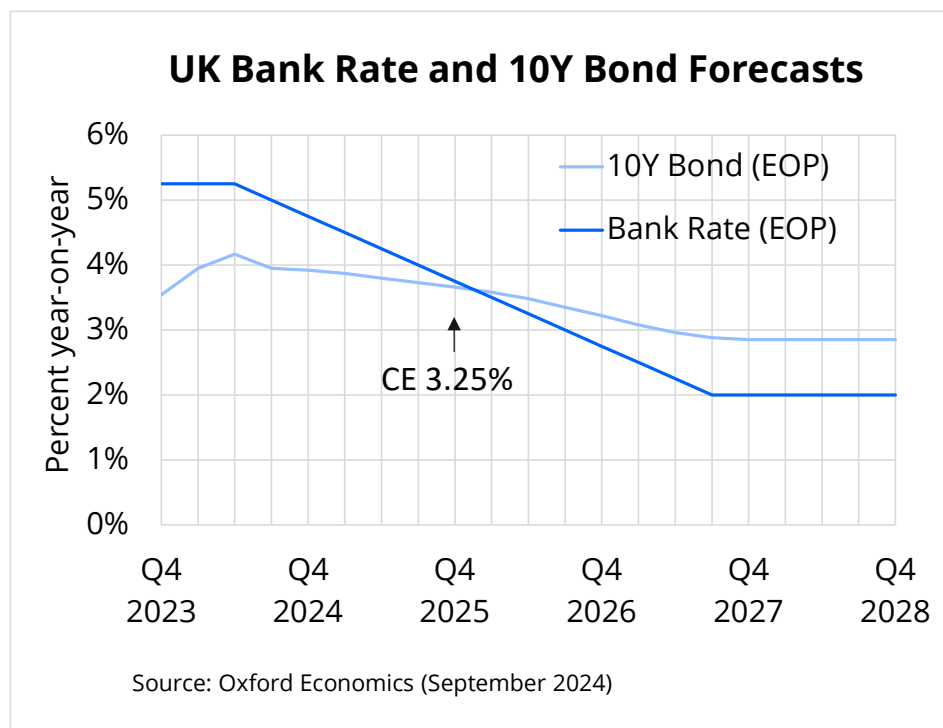
Source: Oxford Economics

Section 2

UK economy and interest rates

The real questions are timing and levels

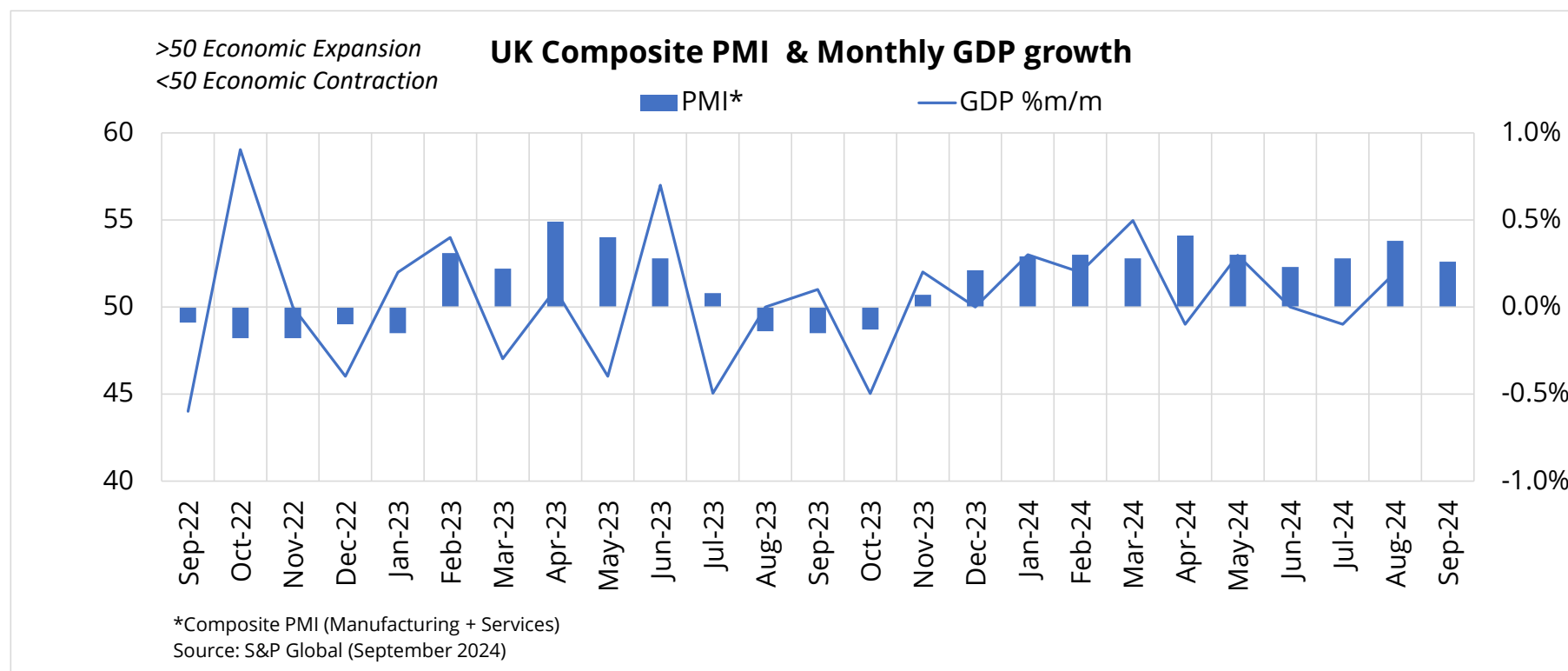
UK monetary policy on a downward trajectory



Huw Pill, Chief Economist, Bank of England

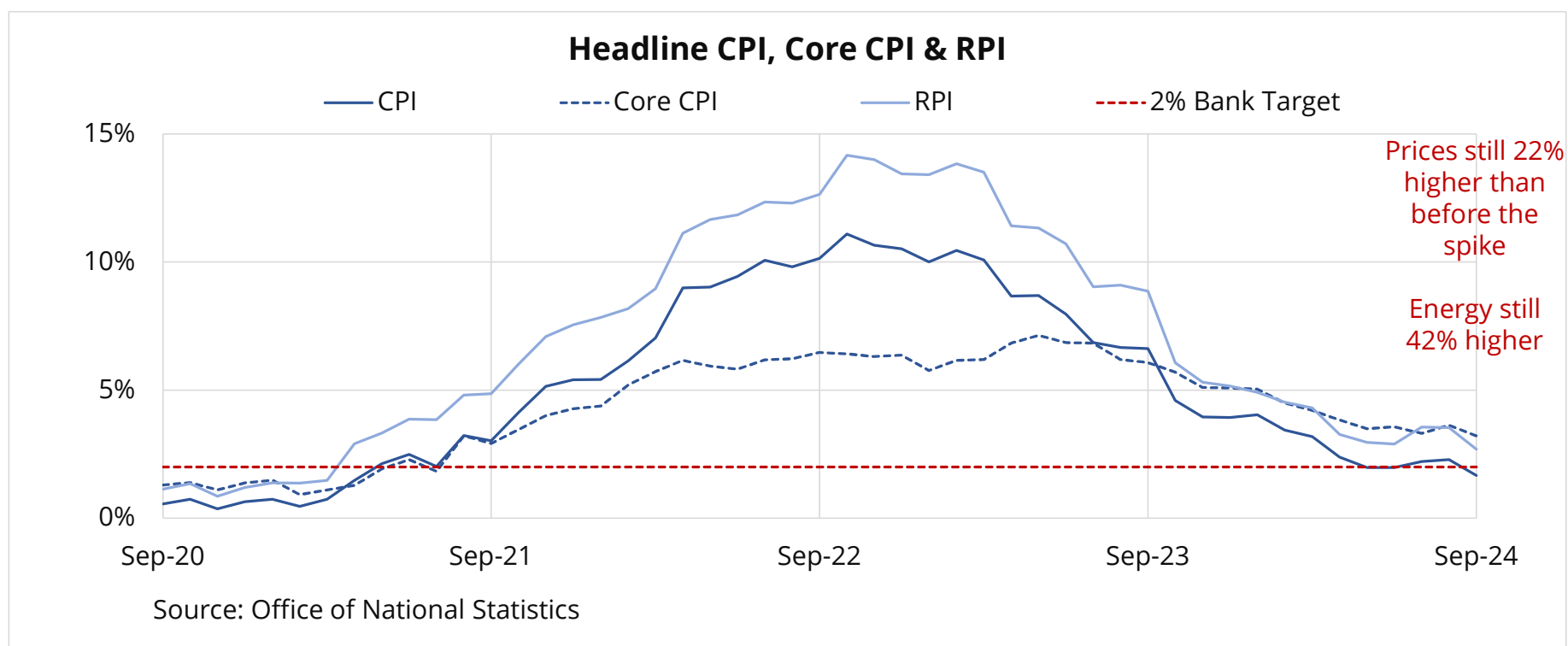
The Bayesian Vector Auto-regression model '... gave me pause for thought about the timing and magnitude of this removal of restriction.' (4th October at ICA conference).

Reasonable start to 2024 and Bank of England monitoring closely Slowdown possible but looks like a 'soft landing'?

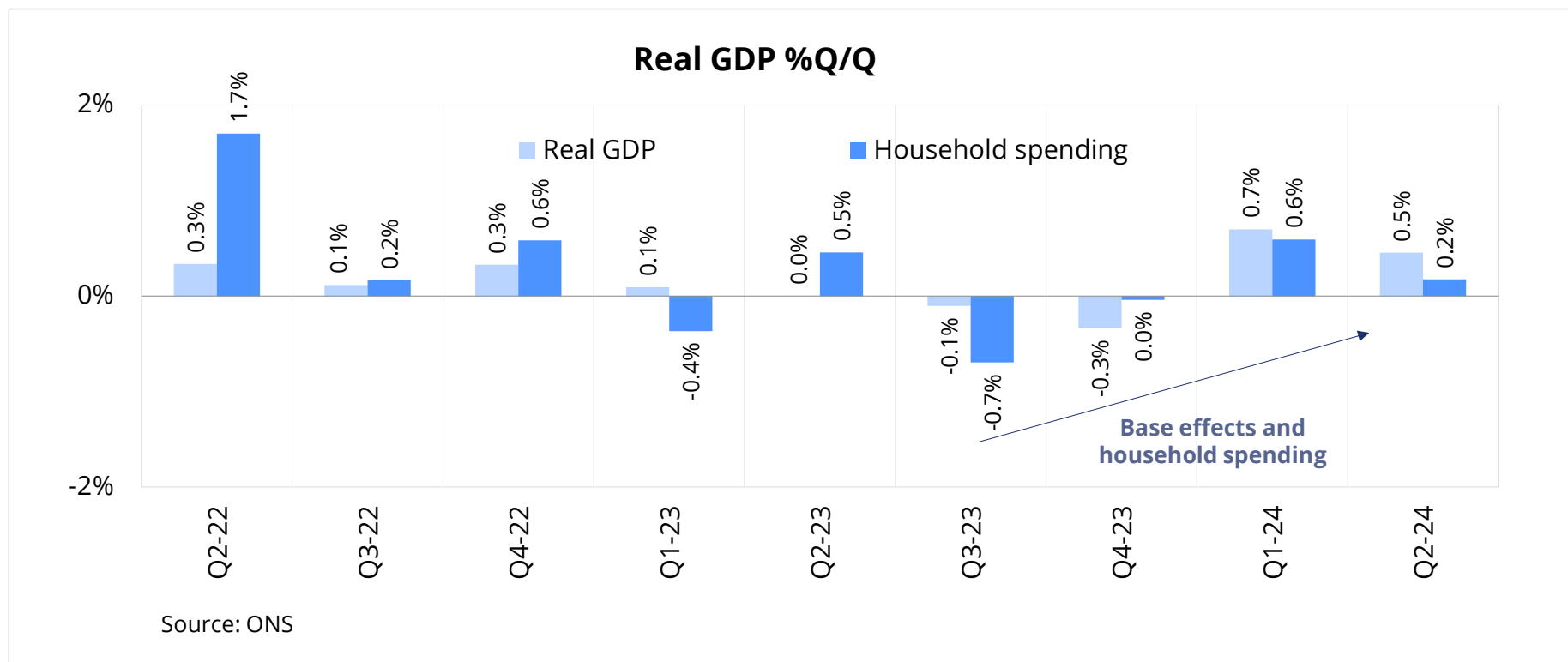


High prices will continue to buffet household spending

Inflation likely to remain lower but also volatile



Household spending still **very** price sensitive
 Will real wage growth translate into higher spending?



Anticipated house price crash did not occur

The Wealth Effect

[HOME](#)[LANDLORD NEWS](#)

Dramatic 35% Housing Market Crash Predicted By Property Analyst

Britain's house price crash 'will be the worst in the world'

Downturn expected to be longest in the West as interest rate rise hammers mortgage market

Alexa Phillips
25 June 2023 - 6:00am

Colliers confidential

Analysis

Why UK house prices could plunge by 20% after the latest interest rate hike

Larry Elliott

Economics editor

Property market has defied gravity for years but analysts say rising mortgage rates will mirror the 1980s price crash

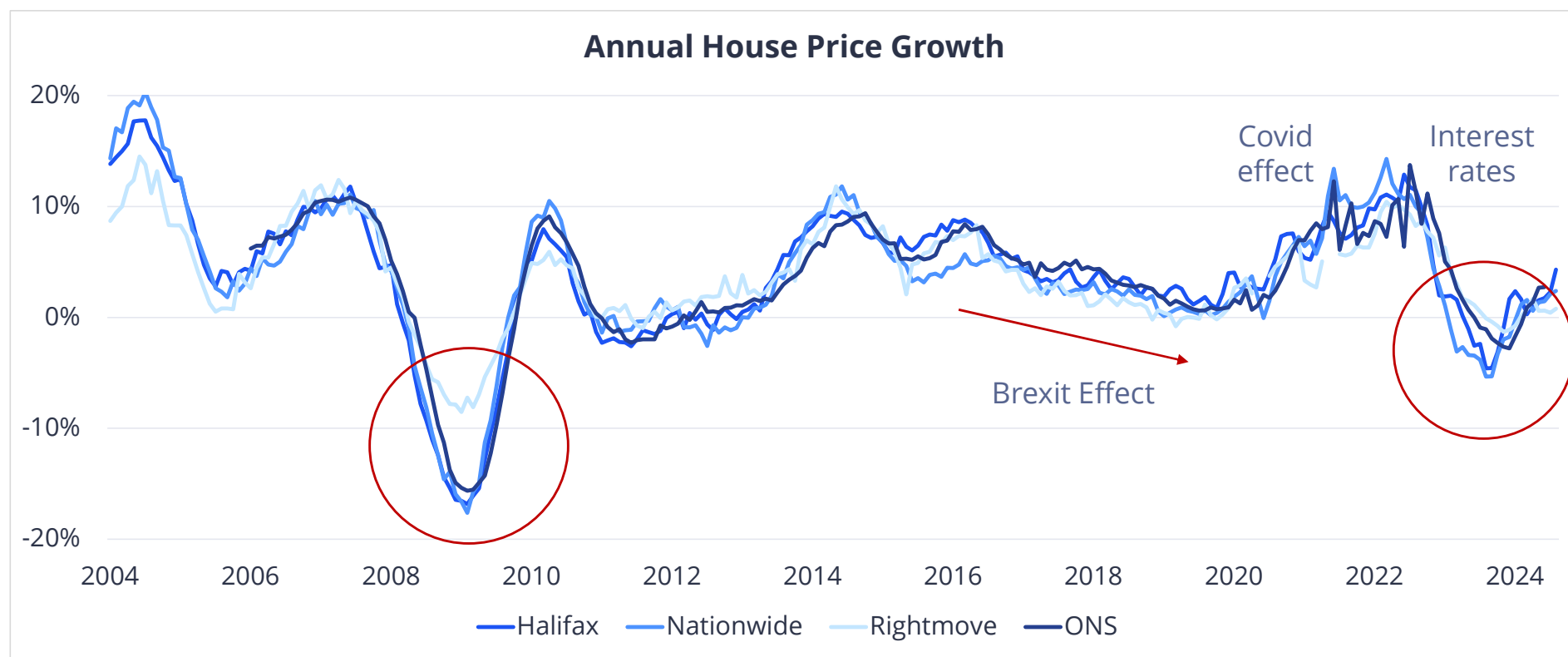
[Business](#) | [Market Data](#) | [Economy](#) | [Technology of Business](#) | [AI Business](#)

What is happening to house prices, and could there be a crash?

© 1 August 2023

Wealth effect

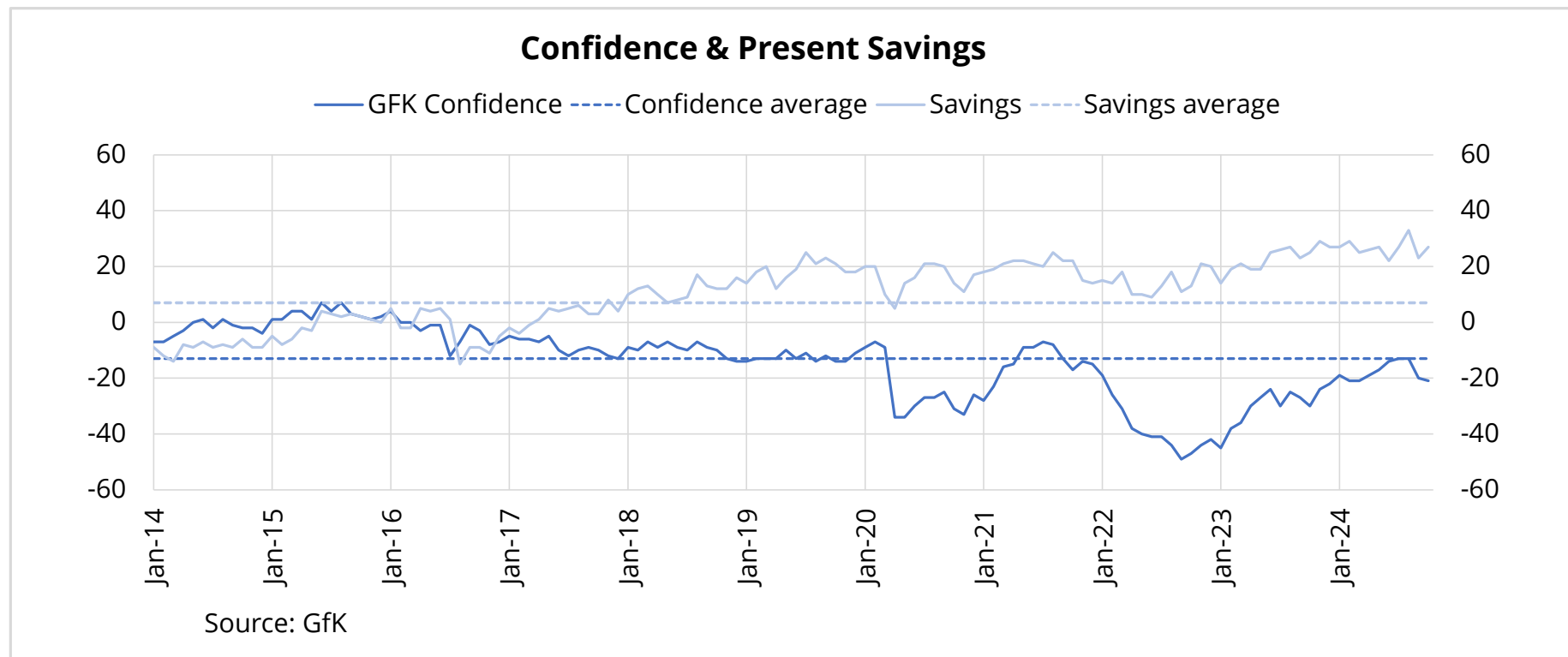
Only slight pricing correction



Source: Halifax, Nationwide, ONS, Rightmove

... but 'Wealth Effect' remains strong?

Household confidence took a hit in September



We may not yet be 'out of the woods'
Two Big Questions for UK

Impact of October's Budget?

- Investor sentiment, bond rates and UK Bank Rate

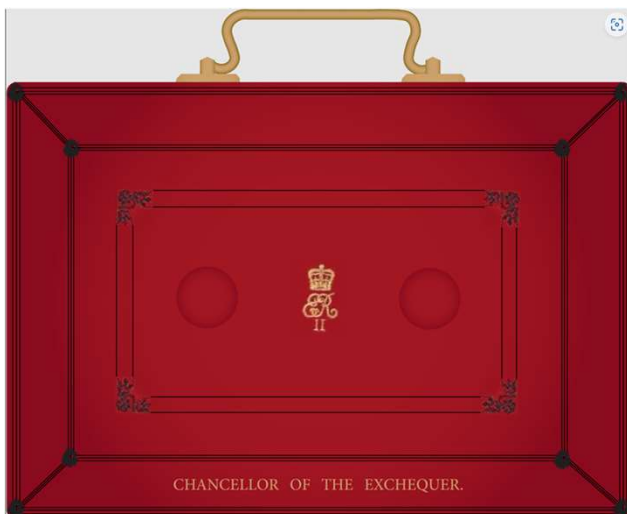
Energy security and inflation?

- Geopolitical risks and supply chains (US election)

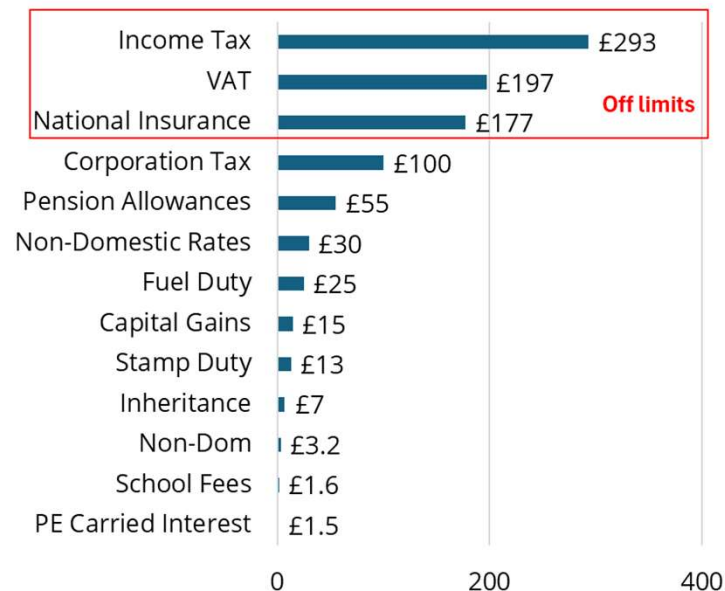
PSNFL- Public Sector Net Financial Liabilities – to enable borrowing Labour's Fiscal Plans – change the rules and tax

Rachel Reeves confirms change to UK fiscal rules to help fund £20bn investment

Chancellor promises in FT to avoid 'falls in public sector investment' planned by Tories

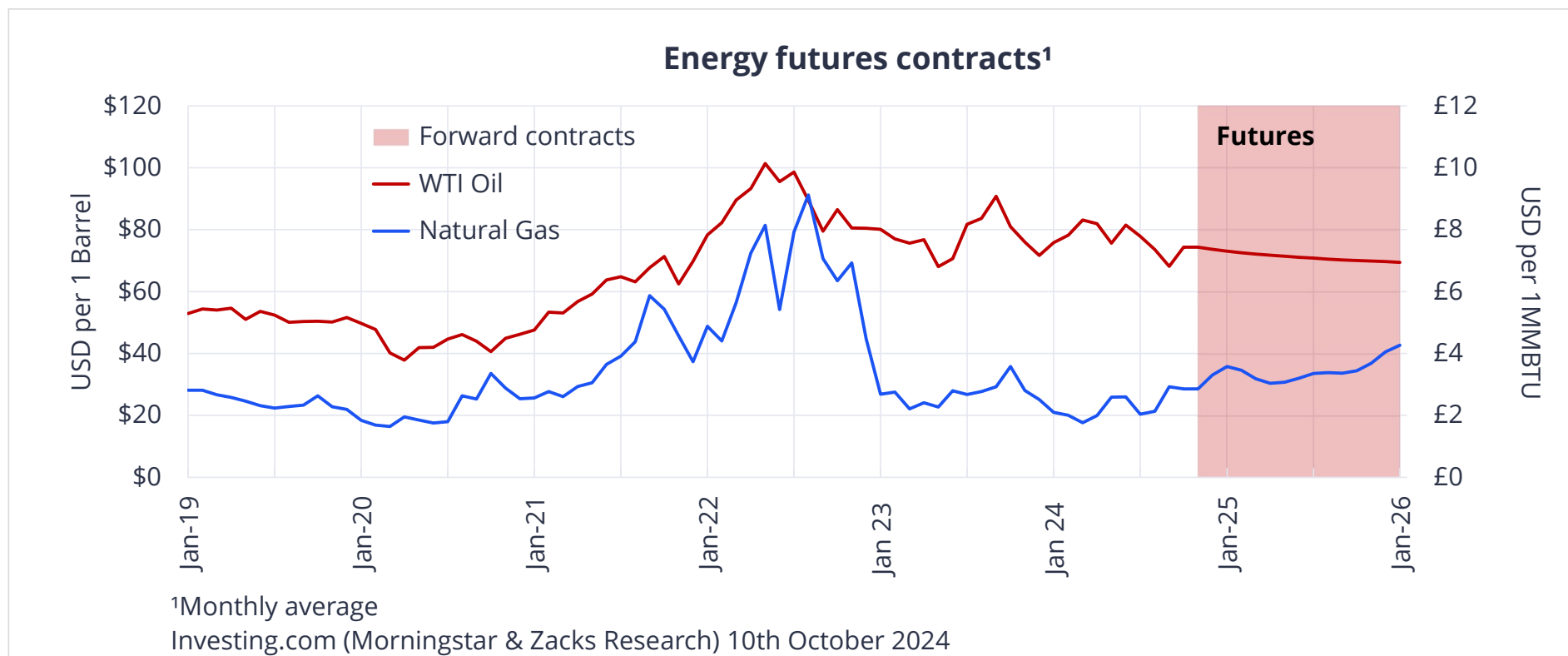


Tax receipts FY2023/24



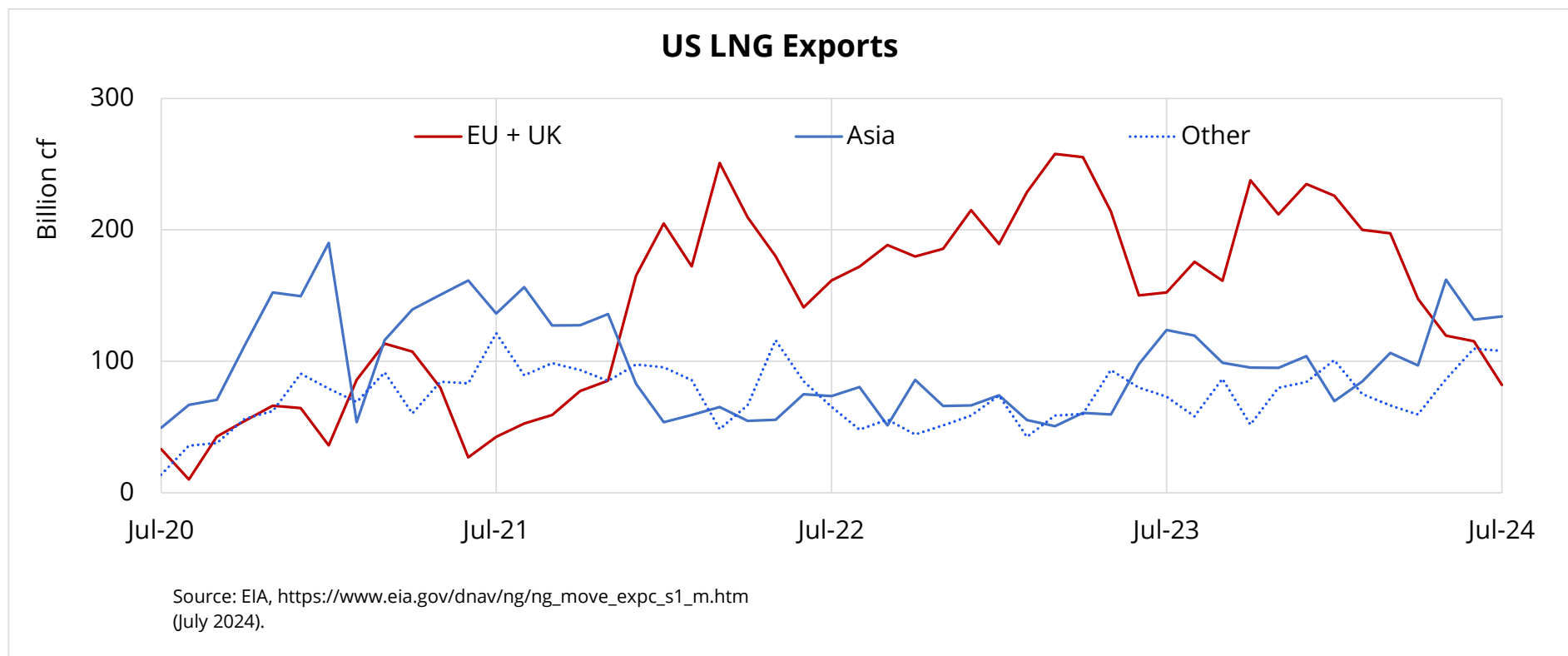
Source: ONS, Public sector finances, appendix D (July 2024)

Iran oil exports (1.7mbd). Excess OPEC+ capacity (5mbd).
 Energy security



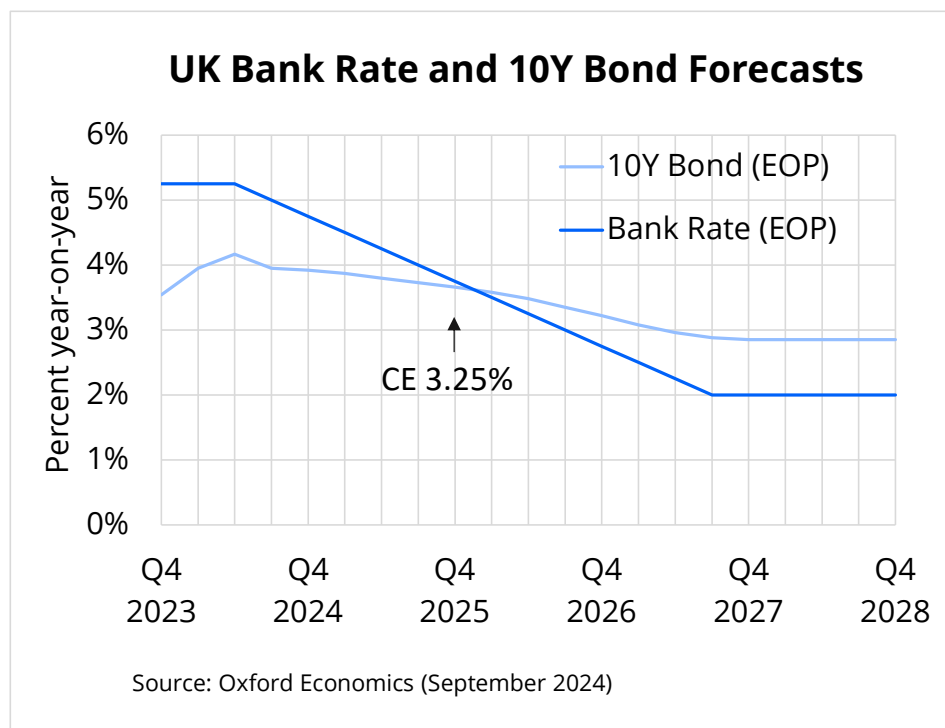
Natural gas supply chains stable?

Energy security



The real questions are timing and levels

UK monetary policy on a downward trajectory

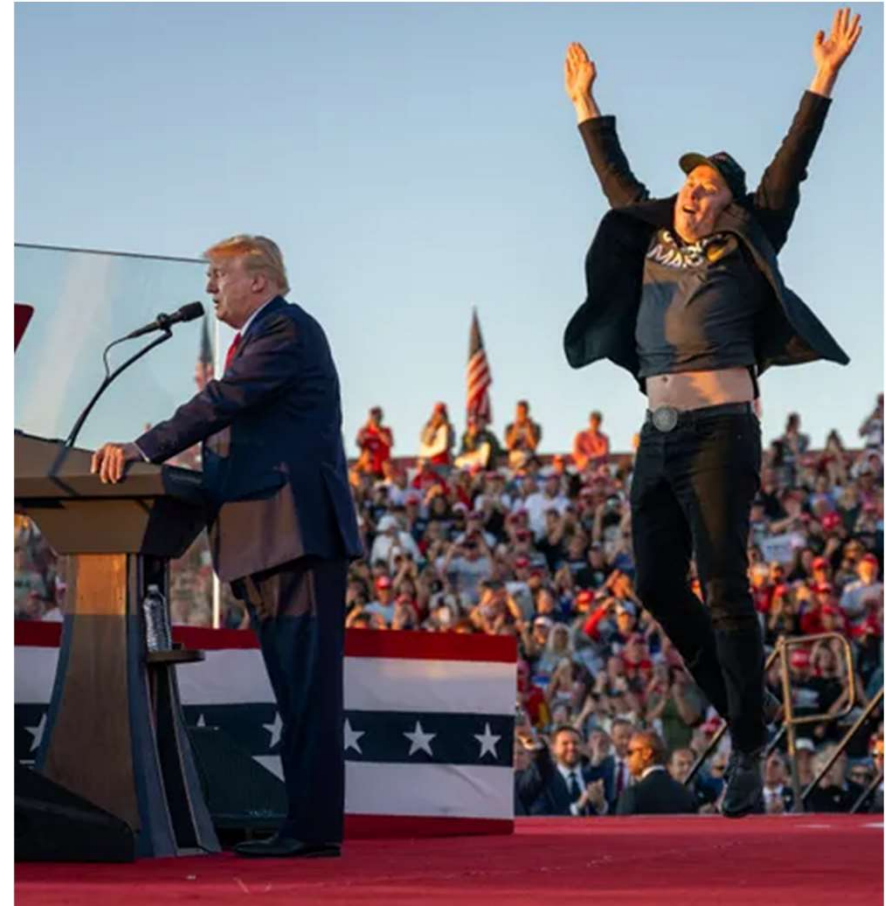


Huw Pill, Chief Economist, Bank of England

The Bayesian Vector Auto-regression model '... gave me pause for thought about the timing and magnitude of this removal of restriction.' (4th October at ICA conference).

Spent force increasingly unhinged? Trump

- **Speech analysis:**
 - ✓ *Complexity of Trump's speeches is at a 4th Grade level*
 - ✓ *The average US president is at an 8th Grade level*
- **Dis-inhibitionism (signs of frontotemporal dementia):**
 - ✓ *Behavioural (acting oddly)*
 - ✓ *Cognitive (loosening of mental restraints, intrusive thoughts)*
 - ✓ *Social (ignoring social conventions)*
- **Tangentialism (mid-stage dementia):**
 - ✓ *Going off topic with excessive unrelated details (mid-stage dementia).*



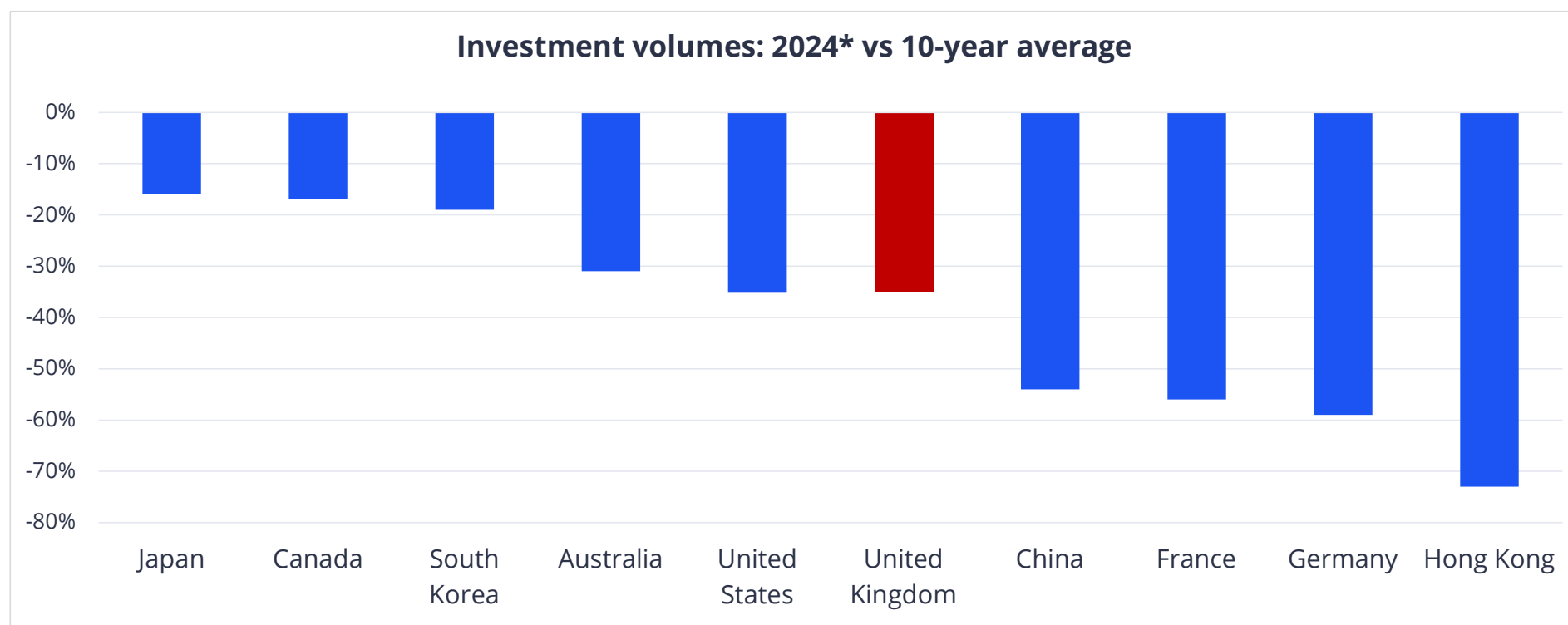
Section 3

Recent Property Trends



Global capital markets

All major markets feeling effects of higher rates

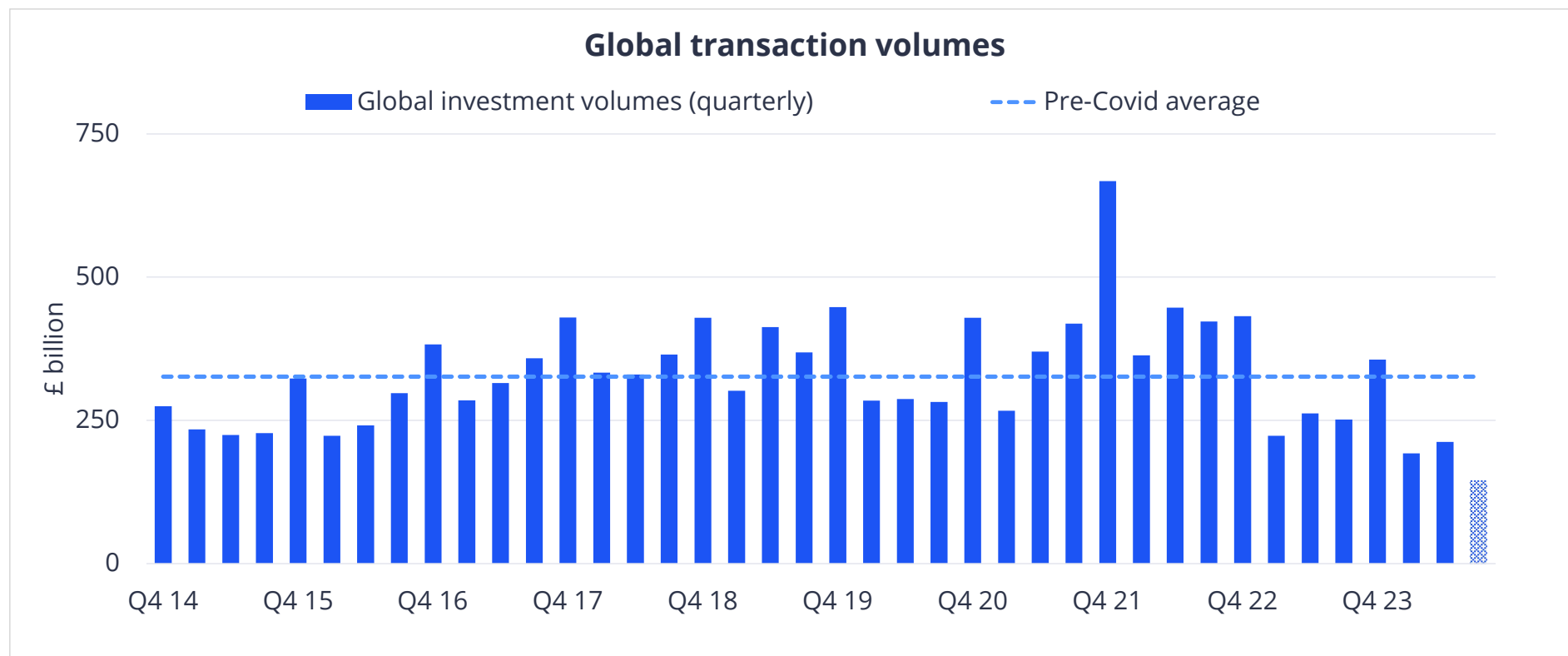


Source: MSCI Real Capital Analytics

* Predicted 2024 total

Global capital markets

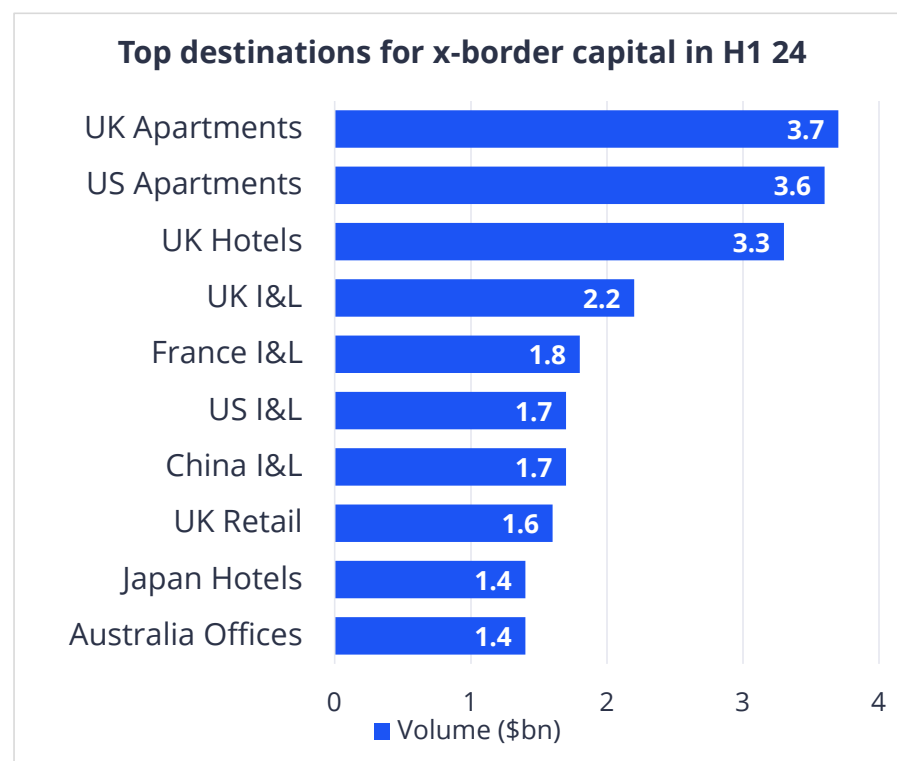
Transactional flow still limited



Source: MSCI Real Capital Analytics

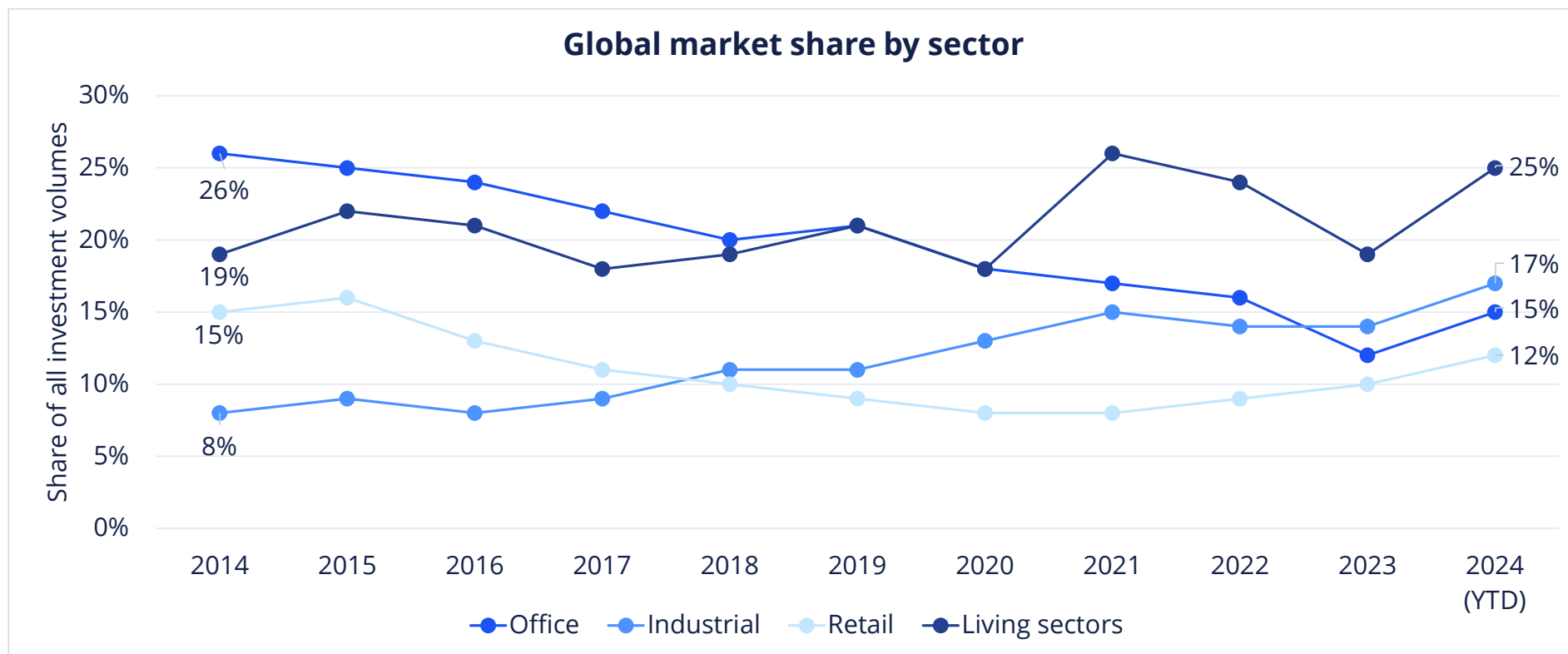
UK experienced a rapid initial adjustment (Truss/Kwarteng effect) UK on overseas investors' radar

Country	H1 2024 \$bn	YOY
US	138	-3%
UK	26	+8%
Japan	19	-12%
China	18	-12%
South Korea	11	+20%
Germany	11	-26%
Canada	9	-37%
Australia	9	+5%



Change in investor preferences

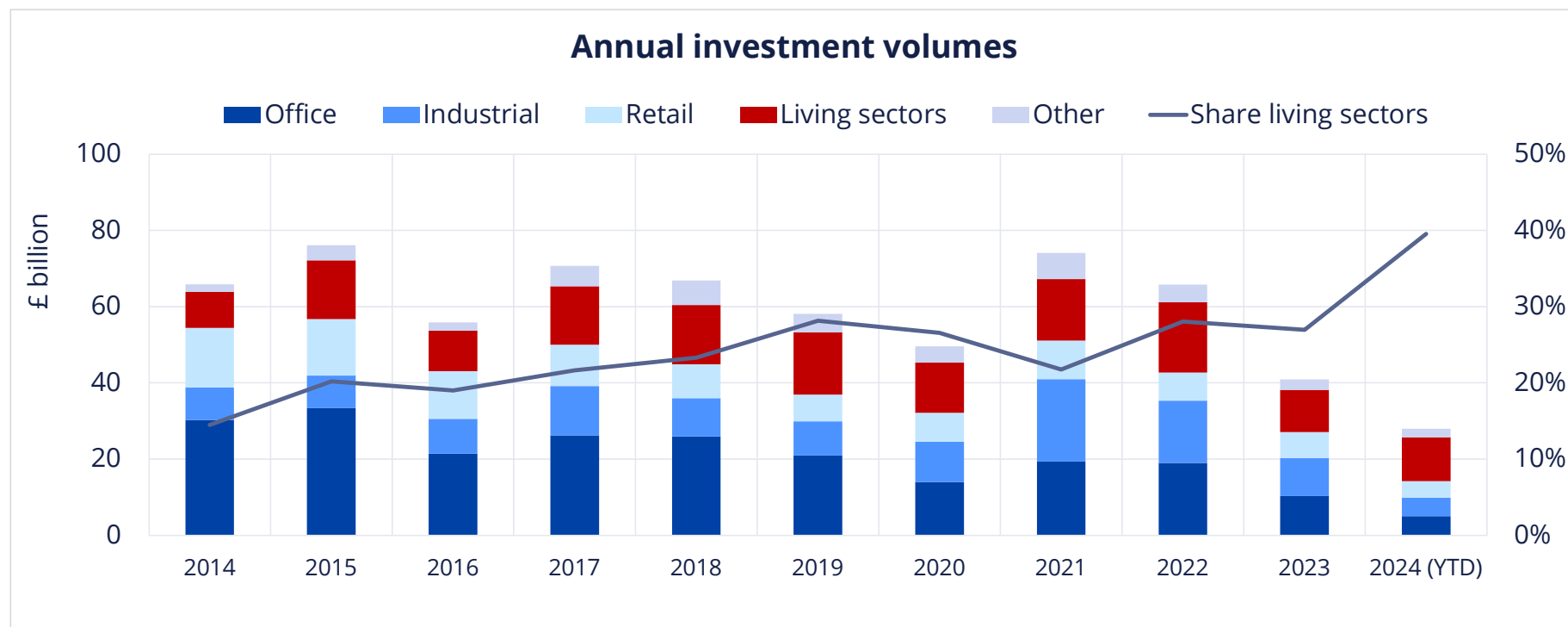
Beds and sheds instead of offices



Source: MSCI Real Capital Analytics

Commercial Property - Capital markets

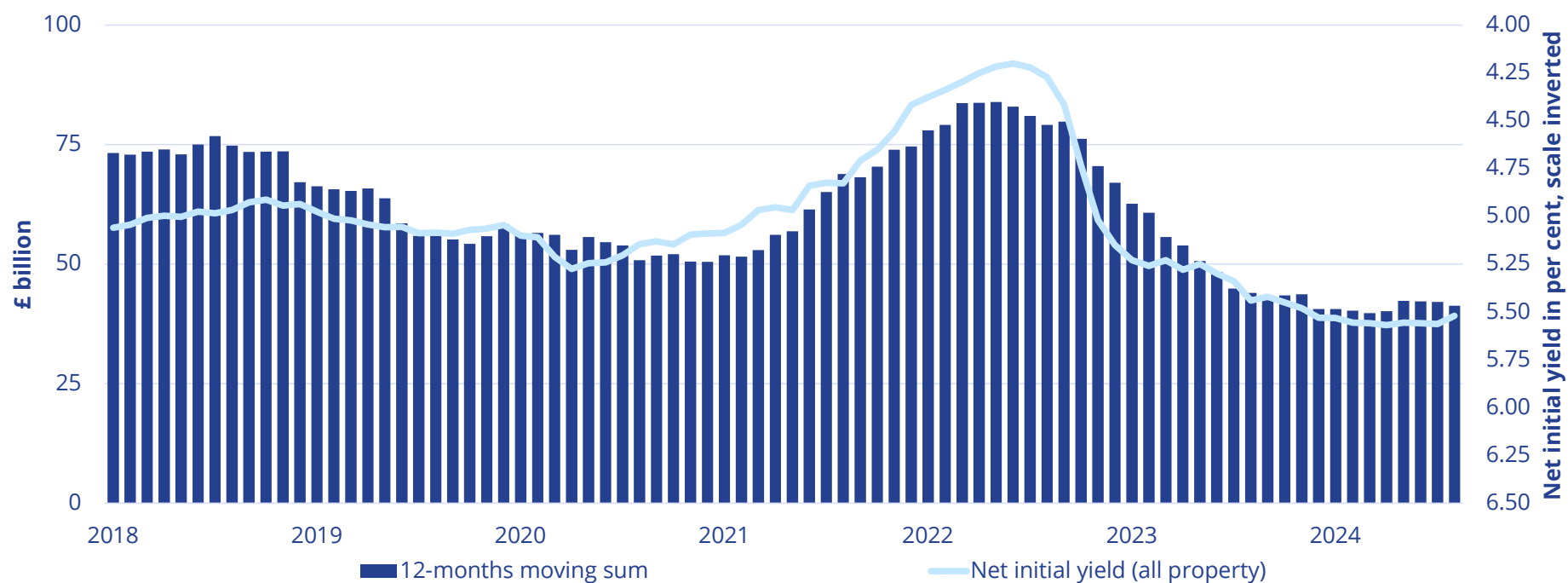
Volumes below par, slow Q3



Source: MSCI RCA

Has the market turned?

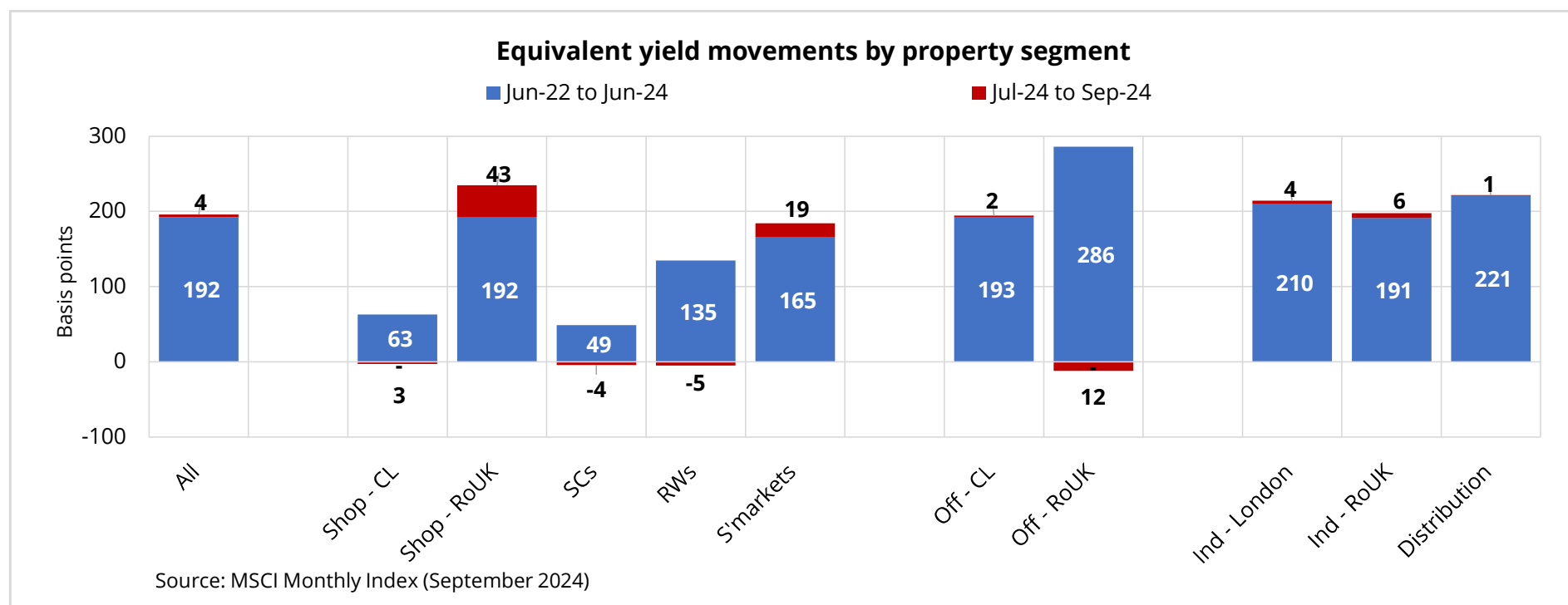
Transactional flow still limited



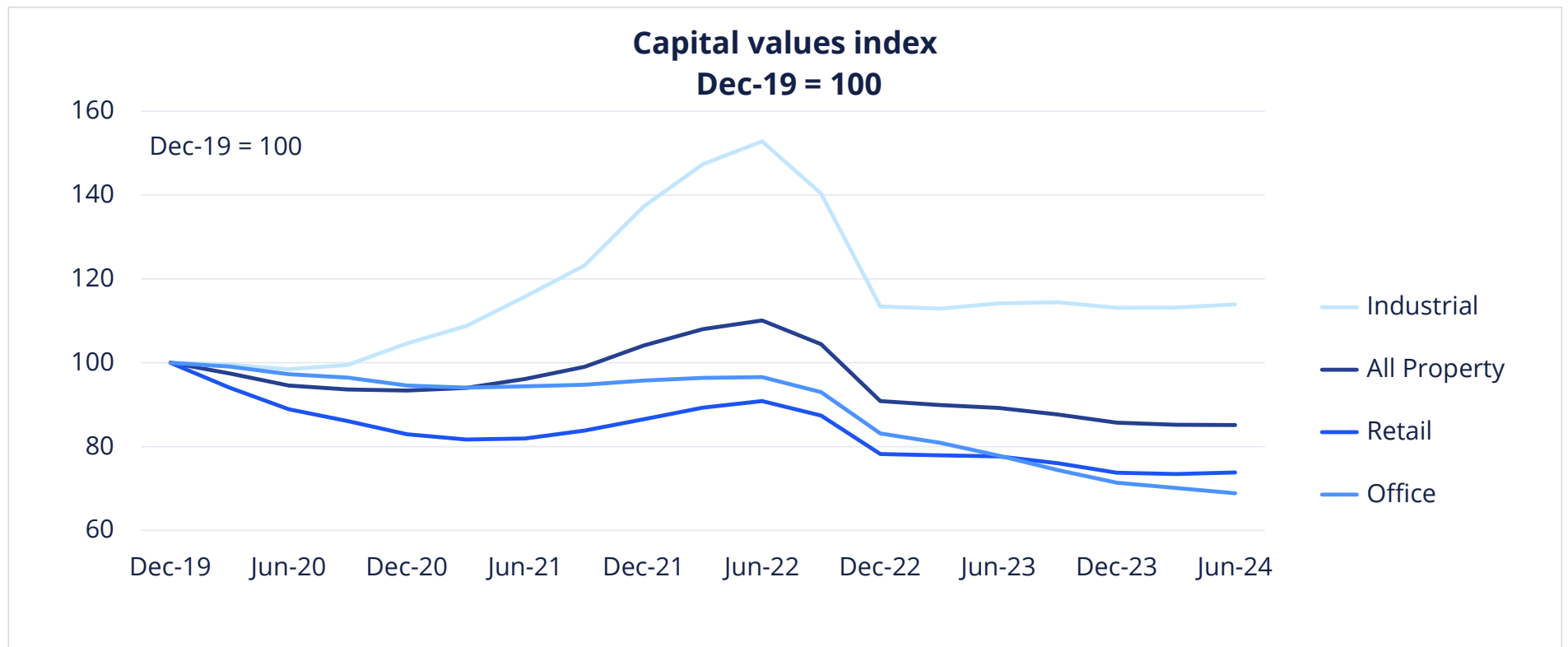
Source: Colliers, MSCI

Further price movements likely as transactional flow resumes

Commercial property pricing stable



Capital values - large variation between sectors Industrial is the outlier



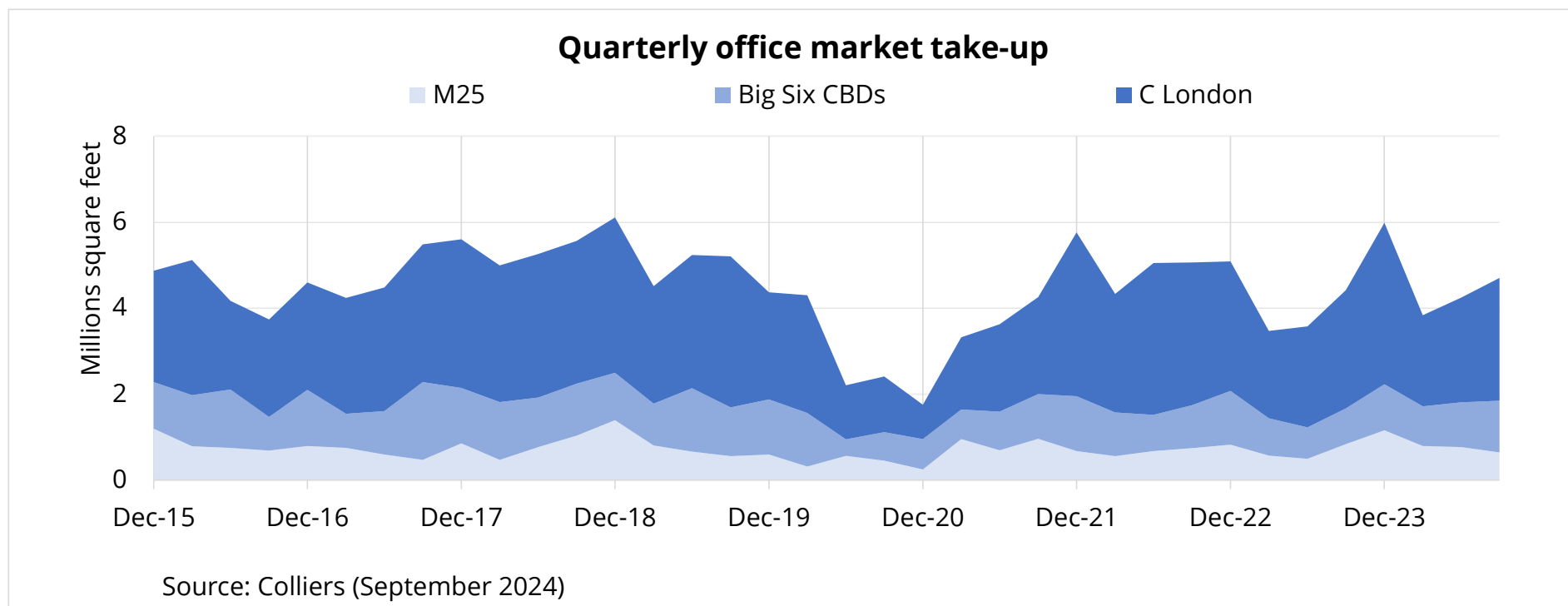
Stabilising near pre-Covid levels

Demand dynamics



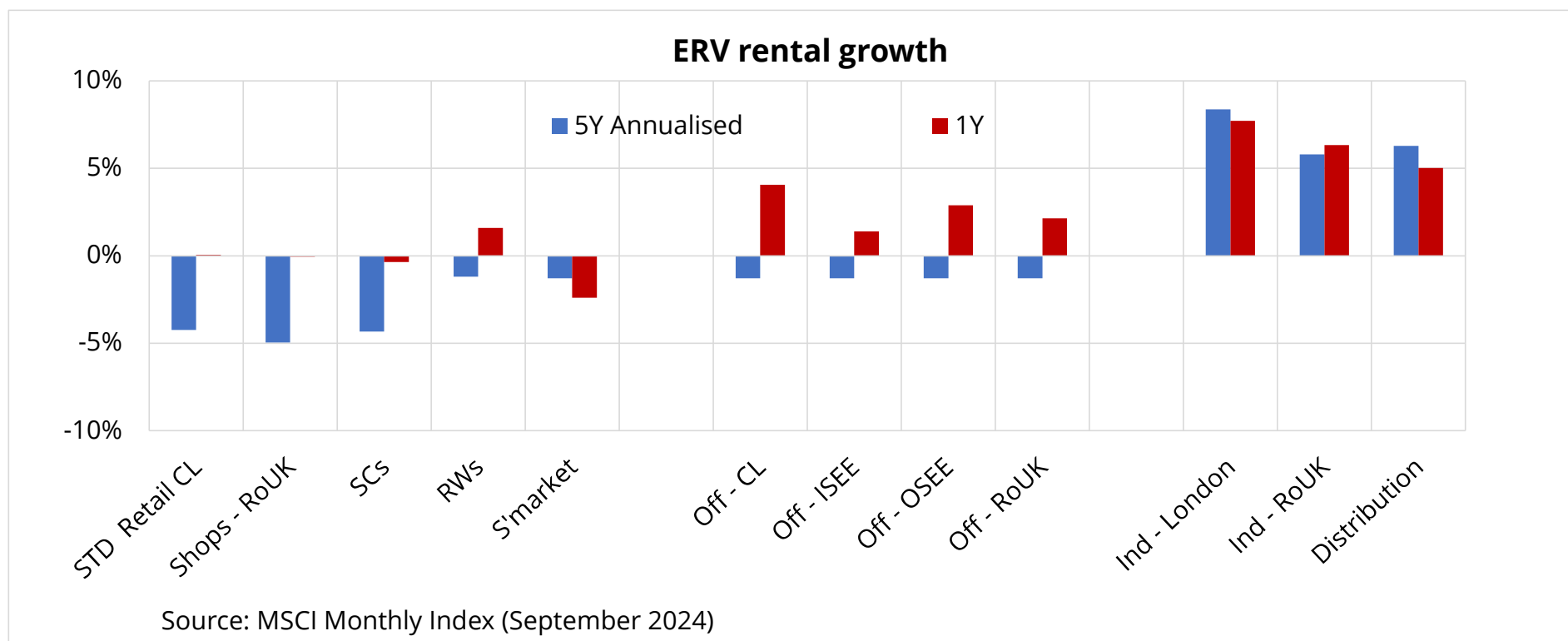
UK office take-up jumps to a three-year high

Some big lettings push leasing up 25% year-over-year as business confidence grows



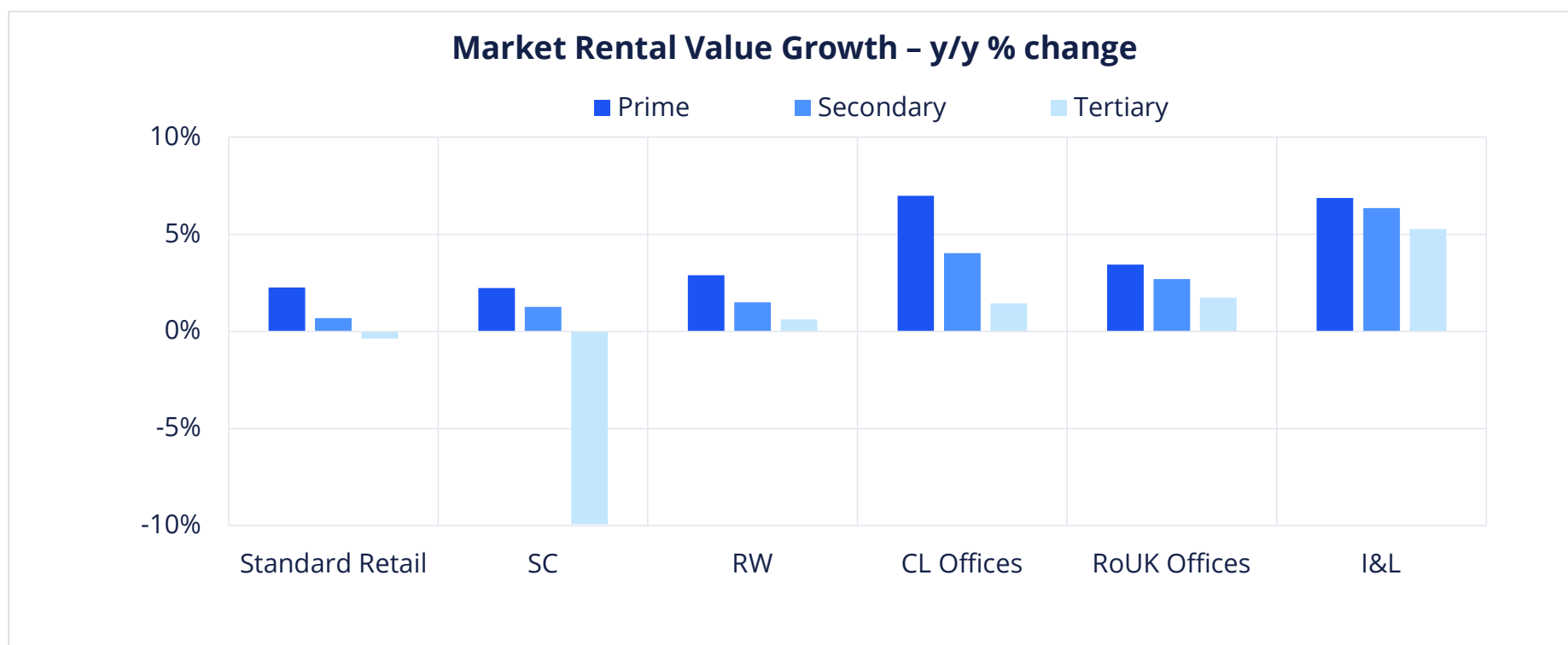
Limited supply is the key ingredient

Rental growth stable



Quality is critical

Rental growth sustained across most asset types



Source: MSCI

UK forecast to lead recovery in Western Europe Total Returns Commercial Property



Source: Capital Economics

Section 4

A few notes about regional
development



The slogan goes but the song remains the same?
'Levelling up' out, MHCLG in



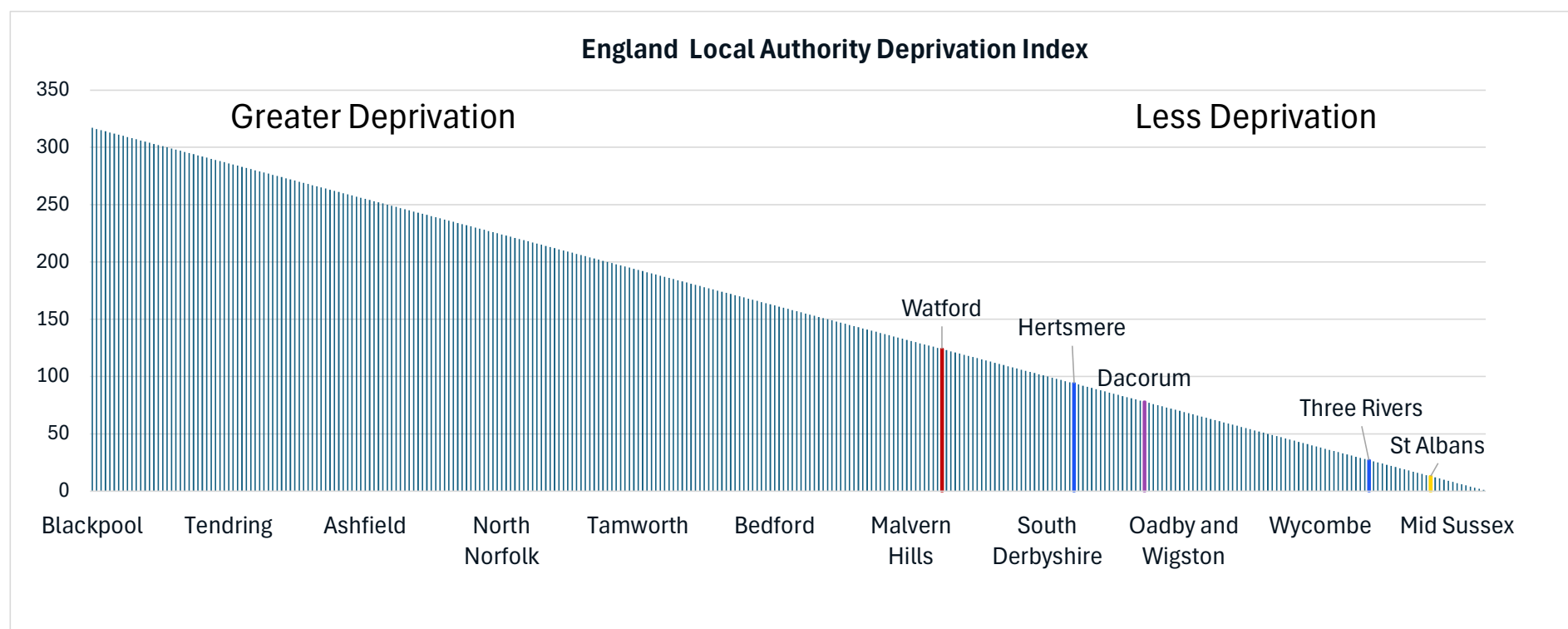
OUT



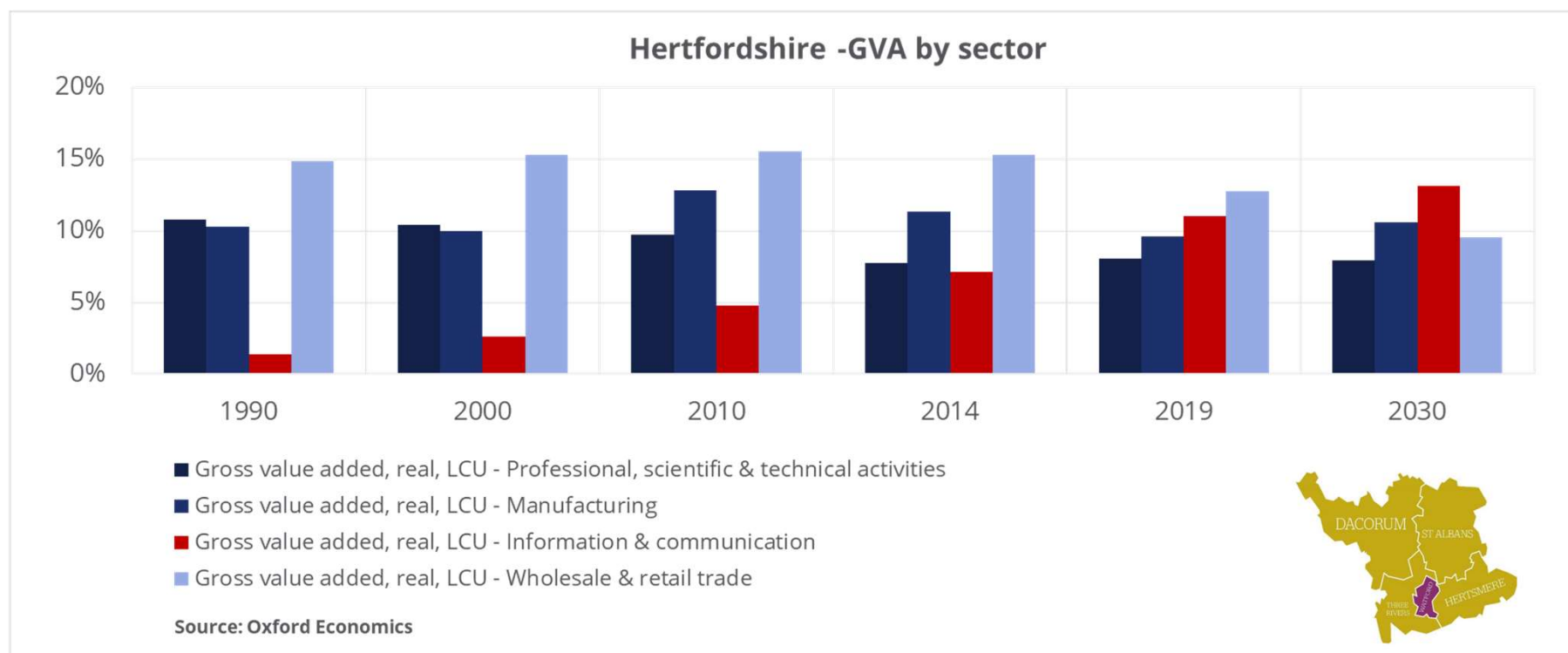
IN

Government priorities may be focused elsewhere

MHCLG Government Deprivation Index



Distribution out, InfoComs in! Hertfordshire economic evolution





Oliver Kolodseike
oliver.kolodseike@colliers.com

Accelerating success.