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BUSINESS
COMMENT AND ANALYSIS
Curious effects of realty cycles

By Carole Spiers, Special to Gulf News
Published: September 28, 2009, 23:02
House-prices are down by almost half - and expected to fall by another third in some countries!

For once, I can't quite say we've seen it all before in the UK. However, unlike the UAE, we have been through a number of dramatic property boom-and-bust cycles, causing stress effects in all those involved, from the highest to the humblest.

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It is the curious human relationship with real estate - that roof over your head - coupled with its effect on identity, that sets up this special brand of stress. The first-time buyer turns into quite a different person, suddenly a full member of the community, who often changes their political allegiance. The developer feels like one of the lords and masters of the universe. The rising demand that fuels a boom always looks as though it will go on for ever. Even a small slump is treated like the end of the world. A serious one sets up huge pressures that harden into stress, as my team and I can remember from several unforeseen shifts in the market.

One of the saddest cases I knew involved an ex-championship jockey, once a nationally-known name.

Before the 80's boom, he had been running a small specialist insurance brokerage, serving the horse-racing market. Many of these clients could have found cheaper cover through one of the larger brokers. But they had got used to calling in on him when they passed through London, he was a popular member of the racing fraternity, and they also enjoyed visiting his office, hidden away in a picturesque little mews cottage.

When he was offered the chance to buy the building at a favourable price, he jumped at the opportunity. Then came the boom. At the steepest point on the curve, the rising value of his property was earning him more than his main business. When the next-door building came up for sale, the bank was happy to lend him the money to buy it. In short, he felt he was now a property investor rather than an insurance broker. And that was the trouble.

The 1989 slump revealed that at heart, he was neither a property man (he

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lacked any insight into the market) nor even a good insurance man, for his clients weren't interested in travelling to his home outside London, from where he had been forced to relocate his office to reduce his overheads. In effect, the property game had plunged him into an identity crisis, so that he didn't know exactly who he was or what he was.

By the time I was called in to counsel him, he was sunk deep in gambling addiction, and I was planning to hand his case over to a church-based charity, when he unexpectedly married an American woman who got him a job as a 'meeter-and-greeter' at the Kentucky Races, in America where she lived. It was perhaps a more realistic identity for him.

Key points: Image modifier

- Your involvement with real estate can falsely affect your self-image.
- A property investor in boom-times, feels like a property expert.
- Both boom and bust feel as though they will go on for ever.
- Even a small slump is treated like the end of the world.
- A serious one sets up huge pressures that harden into stress.

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