

In the words of Sir Winston Churchill.....

Never in the field of human conflict was so much owed by so many to so few

Had he been alive today, we may well have been reading a similar quote, one that might read;

Never in the field of financial gloom was so much owed by so few to so many ””

What on earth happened?

I do not think anyone can be blamed for asking that very simple question; I say anyone, because clearly not even the gurus of our financial institutions have the faintest idea what has transpired (not conspired) to lead to the near meltdown of the global economy.

It strikes me that the credit crunch, which we at the very least know stems from bad lending in the U.S and other western economies, was principally driven by over zealous individuals from private sectors, seeking to push those boundaries further in order to achieve rather large bonus! What I think is hilarious and I say hilarious, because in the context of things you either laugh or cry, (the former being my preference) is that the culprits of this monumental disaster actually get bailed out by the establishment....ok, fair enough, without the bail out the global economy would grind to a halt and then where would we be?

Whilst it would be fair to say that no one really knows quite how bad this financial crisis is and more importantly how it might affect the consumer market in years to come, one thing we do know for sure is that like with all other recessions, we will at some point turn the corner and come out of it.

To Gibraltar and how prepared are we for the Storm?

Well, I'm not referring to the near perfect storm that we had several weeks ago. The question relates to how prepared our economy is to fend itself from the credit crunch and whether the issues that affect us are real, or simply just relate to confidence; driven by what is happening in major economies worldwide. The Chief Minister in his address at the RAC in London on Gibraltar Day was clearly upbeat and optimistic with regard to the direction that our economy is taking.

Although it is important to note that we are not immune from all that is bad, Gibraltar is by its very nature a small finance centre limited in the numbers of businesses that it can physically house, this therefore has an immediate positive effect on the economy every time new business arrives on our shores. We continue to see the growth in all sectors of the economy including High Net Worth Individuals (Cat 2 Status) who normally seek residency in the months leading up to April (end of UK tax year). Interestingly we now have Cat 2 individuals seeking this status regularly throughout the year – this indicates that jurisdictions like ours are increasingly resilient to external downturns' and that continued growth in this sector is real.

Our corporate tax is also likely to see major reform by July 09 and a reduction to a 10% tax rate has been earmarked by the Chief Minister. If there is one issue about Gibraltar that concerns investors, institutions and business' it is certainty. For many years we have had clouds of uncertainty looming over our heads and regardless of this we have persisted and shown those who have invested in Gibraltar that they are safe on the Rock. It would be fair to say that for the first time in our economic history we are closer than ever to having a finance centre with tax structures which we can guarantee long term....just a thought, but if we were successful with uncertainty , what might we expect with certainty.

Although private and retail banks around the world have hardly had the best run and are collectively being singled out as the rogues of the current crisis, we must look at our own local banking sector and be thank full for the cautious lending criteria that they have exercised over the years. Regardless of the fact that they are inextricably tied up to their respective head offices, the fact remains that lending criteria in Gibraltar has always been sensible and this now translates to an extremely safe mortgage book across the board for all local retail banks...i.e. few if any repossessions! In effect the very real dramas that are being witnessed in the U.K and US markets (with repos at their highest rates) are very much NOT the case in Gibraltar. There seems to be a far healthier lending model on the Rock which has kept most buyers firmly on the ground.

Luxury or not luxury...that is the question.

If there is one thing that plays serious concern on the mind, it is volume...volume of luxury property currently on the market. More to the point, of late everything is described as luxury and therefore if it has a "luxury" branding one assumes that by definition it deserves the highest rate per sqm (approx £5,000). Well, here's where themight hit the fan!

A client of mine once told me that if you have a good product, it will sell, no matter - good times or bad; this is very much the case with our luxury property market. Our average top rate of £5,000 per sqm is not likely to fall, well distributed properties with high specs and amenities will hold value, but we can not be driven by just the branding or the word luxury to determine this top end price. To this avail we must consider that there are too many properties out there purporting to belong to this £5,000/sqm club. The concern is clear in that not all will meet the mark and will indeed require redefining

prices. Unfortunately it is within this sector of the market where we will see some failings; a re-adjustment of prices will take place and undoubtedly the market requires time to settle before moving further.

It would be completely out of character not to also mention that there is also an upside to the market; by this I mean that there are various developments that do offer prices that at the very least cover your downside and more to the point, are likely to see capital appreciation over the next few years. If you would like to learn more about the possibilities and ideas that we can offer, please feel free to call or visit us.

I'll leave you with one final thought; if you are uncertain about which bank to invest in, what stocks to buy and don't fancy the idea of having your hard earned cash resting underneath your mattress..... then you may want to consider a tangible investment!

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