Time to cut costs, follow the money and seal the deals

■ There are opportunities for the bold and the brave in the downturn, says **Daniel Mendoza**

IT'S A MESS OUT THERE. THE UK IS GALLOPING INTO a recession, which I suspect will get really nasty. This will precipitate a long-forgotten concept known as tenant risk, which hasn't been seen in any devastating form since the early 1990s – although now we have the added issue of full empty rates being payable.

And what about the banks – the fuel to our engines? In a previous article I predicted 'we won't see an early-1990s meltdown as the banks are too well capitalised this time around'.

I was wrong about the banks. They are in a shocking state and we are at least a good 12 to 18 months away from knowing when any meaningful liquidity might return to the market.

I'd also seriously question the banks' thinking that, rather than pulling the rug and selling off 'assets' as they did in the early 1990s, they will instead place distressed situations with existing customers and 'work the assets through'. Will their crumbling capital bases afford them that luxury?

Yet, as the longest and – from looking at the faces around me – most miserable summer for well over a decade looms, I feel more excited and alive about the market than I have for two or three years. There are going to be some amazing opportunities out there and we are perfectly poised to take advantage of them.

NAVIGATING THE CLIMATE

Three enduring thoughts occupy my mind about how to navigate the current climate:

■ Volumes of deals have fallen off a cliff and it is likely to remain that way for at least three to six months, at which stage the vulture funds may start to see their prey sinking to its knees.

Also, for those burying their heads in the sand on pricing now, you may not survive to regret it so, if you're in that boat, I'd urge you to get real and hurry up.

For anyone transactionally based, be you agents, lawyers, banks, investors or developers, cut costs hard – and quickly.

As an aside to this is, I am surprised there have not been any large-scale redundancies on the agency side, as there are only so many jobs to transfer over into the emerging markets. I recall in the 1990s a stand-off as no one wanted to be the first to wield the axe. However, once the first went, the others quickly followed. Could it be this time around a collaboration is afoot for a simultaneous announcement?

■ Where will business come from? Forging new and cementing old relationships based on proven deal-doing ability will be much more important than giving business to a mate. Hard-nosed tenacity and graft will be key.

Corporate scenarios and packaged debt look interesting, receivership work will be plentiful and watch out for Russian and Middle Eastern investors whose mind-boggling, fuel-injected wealth has coincided very nicely with UK assets falling by 20% or more. We opened a Russian desk three months ago, headed by a fluent Russian speaker, and have taken a stand at an exhibition that attracts the wealth of the Gulf states over the summer – follow the money.

■ Of course, it's tough out there and it feels uncomfortable. But we are acting for funds, prop-cos and privates successfully buying and selling. Just be prepared to grind it out when banks change their minds after credit committee approval and moans, groans, price chips and taught emotions surface.

Alternatively, be pragmatic, commercially realistic about where the market is and get on with it. There are and will continue to be some amazing opportunities out there for those with patience and a keen eye. Find them and deal.

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