

Real Estate Will Always Have a Price, Even in War

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Many people prefer to invest in real estate more than other forms of assets such as stocks because they feel more secure with real estate, which offers a 'tangible' form in terms of steel, bricks and mortar, thus offering some utility e.g. shelter even if it loses its paper value. Forgetting this 'utility' bit for a while, **real estate could be worth nothing in theory**, or even has a negative value (note = the author does NOT mean the mortgage > market price type), **yet in practice this is seldom possible if not impossible**. Reasons:

- a) Beyond a certain market price minimum level, real estate owners and would-be-sellers simply give up trying to sell their real estate assets at the price level = because the economic pain (or satisfaction) in selling is larger than gain (price) that the real estate will fetch. Different markets will have at different time and circumstance segments different minimum price level, for instance, some may level off after prices have fallen 30%, while others may only level off after hitting the 60% mark. Notwithstanding the occasional foreclosures or desperate sellers, most buyers will have to pay the minimum price level if they wish to have a stake in the market or the particular property, though in terms of value (this in itself can fluctuate depending on one's inclinations for return / risk / investment time etc), it may be worth a lot less.
- b) War and chaos are unfavorable conditions for real estate, yet real estate will still have a price even in war = the idea is simple. Assuming you own a property in a warring place, and that the buildings upon it have even been destroyed (no rental income though perhaps no maintenance cost too), and unless you are not in a safe situation or the property brings with it other non-financial burdens etc, you are NOT likely to simply give it away even if you are in need of money, as doing so does not help anything or your situation. Thus, if someone potential buyers wish to acquire the warring-state property for whatever reasons, they will still have to pay you a (positive) price though from the value angle the property is not worth much. Naturally, a warring place is unlikely to have a normal real estate market and transactions.
- c) If a real estate really goes for free (note = again the author is NOT referring to the mortgage > price kind whereby you pay next to nothing yet 'assumes' the existing mortgage responsibility), **BEWARE!** = Either this is a trick or the property entails lots of financial responsibilities in terms of maintenance and taxes while having very little to show for in terms of redevelopment prospect or rental income.

Please note the above makes a distinction between price and value, which are related but are also two separate things.

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