



# Global real estate investors brace for Brexit



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Since the confirmation of an EU referendum in Britain, the real estate community has been noticeably more reticent about investing in the UK. “Why invest now, when June isn’t far away?” has been the common reaction. However, while the period to June is causing a hiatus for some investors, it’s the period of uncertainty after a ‘leave’ vote that investors are telling us is the real concern.

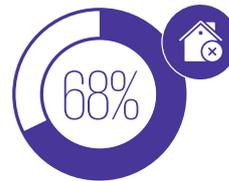
Our survey of the global real estate investors at the recent RE-Invest Summit at MIPIM 2016 has revealed that two thirds of respondents believe a ‘Brexit’ would result in less inward investment into UK property and property companies.

While only a third of those investors surveyed have reduced, or plan to reduce, investment prior to the referendum on 23 June, some two thirds said that if the UK voted to leave the EU, they would slow down investment into UK property and UK property companies during the period of uncertainty as new terms of engagement with Europe are being worked out.

This initial post-vote period of uncertainty could potentially be more immediately damaging to the UK real estate market than the stable post-Brexit world, with investors more positive about the longer term. Indeed, only just over a third of investors said their own organisation would be less likely to invest in UK property post-Brexit.

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## Global real estate investors’ views on Brexit



believe a Brexit would result in less international investment into UK property and property companies



believe in the period of uncertainty in H2 2016 following a Brexit they would slow down investment into UK property and property companies



have reduced or plan to reduce investment into UK property and property companies prior to the referendum on 23 June



believe their own organisation would be less likely to invest in UK property post-Brexit



1st  
Germany

2nd  
France

Most international investors believe Germany and France would be the main countries to benefit from increased inward investment if the UK left the EU.

In the aftermath of a 'yes' to Brexit vote and consequent potential period of economic stagnation or even downturn, we could see occupier demand fall. If this happens, the impacts may include London losing its position as Europe's leading financial centre and a regional trickle-down with issues across the sector from high value or large scale property investments to housing developments, commercial property and infrastructure.

There are also potential social impacts. Decreased investment into development together with a reduction in the movement of migrant labour, and so access to workers, would result in less homes being built and the UK's housing crisis getting worse rather than better.

When asked which European countries would be alternative investment destinations, the majority suggested Germany, followed by France. This tallies with Paris and Berlin being listed with London in the top ten cities for cross-border investment globally in 2015, and at a country level the UK, Germany and France sitting in the top five countries globally by 2015 transaction volume<sup>1</sup>. Ireland, Scandinavia and Italy lagged significantly behind, and no other European countries were mentioned.

However not all sentiments towards a Brexit are negative, as some investors consider the potential for dropping prices and a cheaper pound to be an opportunity. Investors may be able to take advantage of less competitive processes, playing the longer game, confident in the ability of the property industry to bounce back.

But the fact remains that this research points to a slowdown in investment pre and, potentially post, June. The question is what can be done to limit the inherent negative effect caused by uncertainty over our relationship with Europe? While market behaviours and our findings show some slowdown is inevitable, the ideal would be for the property industry to be able to understand and plan for what a 'leave' vote would mean. However, without clarity on that pre-vote, unfortunately uncertainty will prevail. Should a Brexit happen, the UK needs to look quickly and seriously at terms which allow us to remain an attractive market for property investment

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– it's fair to say that without significant focus, there's a risk of widespread investor withdrawal and a negative knock on effect on the wider economy.



**Andy Pyle**  
UK Head of Real Estate

#### About this survey

KPMG surveyed 25 senior investors employed by global investment companies for this research. All of the investors surveyed have properties located in the UK within their real estate investment portfolios and the total worth of their global real estate investment portfolios equals over \$400bn. The respondents surveyed by KPMG at the Re-Invest summit at MIPIM 2016 came from funds in Europe (54%), North America (24%), Asia (18%) and the Middle East (4%).

<sup>1</sup> Real Capital Analytics, Inc 2016