MIDDLE EASTERN INVESTORS CONTINUE TO CHOOSE LONDON

Martin Francis, senior investment management director at BNP Paribas Real Estate, comments on Middle Eastern investors’ preferences:

“Although some overseas investors have been in the UK market for several decades, we are seeing a wave of new investors from the Middle East and Far East, many of who are making their first investments in UK real estate.

Diversification is a major driver behind this, as investors seek assets outside their home country. The UK is also benefiting from a preference for GBP investments, as investors wait to see stability in the Eurozone before investing there.

Many of these investors have different requirements to the UK institutions; their primary goals are income returns and capital security. Many see UK as an effective diversifier for dollar income and the UK continues to be perceived as a safe haven investment location. These criteria dominate decision making and forecast IRR’s tend to be of secondary importance, meaning they are often able to outbid traditional investors.

Typically, investors are focused on a limited range of properties – freehold, modern, core location with strong tenants and long leases. They tend to have a narrow definition of prime investment grade stock.

From our experience, many investors from the Middle East are less comfortable with locations outside London – however, some more experienced investors are acquiring properties throughout the UK, and from all asset classes, where properties offer strong covenants and long leases – providing the secure income they prefer. We are also starting to see Middle Eastern investors considering leaseholds for the first time, as they tend to prefer outright ownership.

Interestingly, we have seen some small differences in the way that investor’s apply Sharia’h principles, with some being able to accept small elements of income from non-compliant tenants.”
About BNP Paribas Real Estate

BNP Paribas Real Estate is a leading international real estate provider. It offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 30 countries (15 wholly owned subsidiaries and 15 by its Alliance network, that represent today more than 2,500 people) with 3,400 employees. BNP Paribas Real Estate is a subsidiary of BNP Paribas with more than 150 offices.

For more information: www.realestate.bnpparibas.com

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