MARKET CONFIDENCE IN UK’S “CONTINUED AND STABLE ECONOMIC GROWTH” PRODUCES RECORD VOLUME OF REAL ESTATE INVESTMENT

- International investors dominate central London market
- Overseas investment outside central London at highest level on record – 67% up on 2013
- International investors now see both London and the UK regions as gateways to Europe

BNP Paribas Real Estate revealed its latest predictions for the UK property market at ‘Capitalise’, the leading property adviser’s quarterly economic review of the property market, which was attended by over 200 property professionals. The Capitalise report, ‘Politically Speaking - The 2015 General Election and Beyond’, highlighted that international investors’ confidence in the London and UK market, buoyed by continued and stable economic growth, had helped the investment market reach £61 billion in 2014, the highest volume of transactions on record.

BNP Paribas Real Estate’s research highlighted that, despite the forthcoming election, London and the UK remain high on the menu for many international investors. It revealed London accounted for 72% of all office investment transactions and 38% of total UK real estate investment. International investment continued to dominate the market in central London, with overseas investors accounting for 67% of all investment transactions and 73% of the office deals. At £11 billion, overseas investment outside of central London, grew by 67% in 2014 and was at its highest level on record, exceeding the £10 billion total for 2006.

The report also suggested that while the Government’s GDP figures were not as high as predicted in the autumn, the figures point to a longer and more sustained recovery.

John Slade, BNP Paribas Real Estate’s UK CEO, said: “2015 is the Chinese Year of the Sheep and with the high levels of confidence in the London an UK markets we expect that international investors will continue to flock to UK and London! That is not to say that there are not possible clouds on the horizon that could impact the economy in 2015. The situation unfolding in Greece, international oil prices, low interest rates and Quantitative Easing in Europe could all have an effect.”

“However, the appetite that international investors have for London real estate is spreading across the UK and they increasingly see both London and the UK regions as a gateway to Europe and those economies within the Eurozone. It is also noteworthy that the thought of the UK being outside the EU is not such a difficult notion for investors as it was previously. It is a possibility that is no longer unthinkable.”

“In the shorter term 2015 could be the year that the property market’s stars align. We have strong rental growth due to both strong occupier demand and a lack of supply. At the same time there is a large weight of money coming into the market and downward pressure on yields. There has to be a possibility that as prices move in the market could see record yields this year.”
“On top of all of these factors is overlaid a strong, stable and growing economy. The outcome of the general election and the decisions made by the British public is perhaps the one thing that could knock the stars out of alignment.”

Alistair Kemp, from BNP Paribas Real Estate’s research team, highlighted that the rapid improvements in occupational markets throughout the UK are providing a significant boost to investor confidence, placing further pressure on yields which have already sharpened across most major markets.

“Office take-up in central London is at its highest level since the height of the dot-com boom in 2000 and take-up in the major regional office markets is up 60% on the low of 2011. Take-up of logistics properties is at its strongest since the downturn, which is all the more impressive considering a period characterised by a chronic lack of availability. However, the stellar performance of this sector has been largely driven by retail occupiers with online currently accounting for 14% of total UK retail sales. By 2018 deliveries are set to increase by 40% to 1.35 billion.

“Investors are more wary about putting their money into retail assets, where fundamentals have lagged and returns have underperformed,” he concluded.

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About BNP Paribas Real Estate
BNP Paribas Real Estate, one of the leading international real estate providers, offers 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 38 countries with more than 180 offices and 3,700 employees (17 wholly owned and 21 by its Alliance network that represents today more than 3,000 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas.
For more information: www.realestate.bnpparibas.com

Press contact:
Andrew Barber UK PR Manager – Tel: +44 (0) 7989 553 903 / andrew.barber@bnpparibas.com or andrew@the-flashbulb.com