

UK RESIDENTIAL PROPERTY DRAWS INCREASING DUTCH INTEREST – M&G

Amsterdam, 24 March 2014 – Dutch institutional investors are showing increasing interest in UK residential housing, with the UK private rented sector (PRS) set to continue outperforming European counterparts, says Stefan Cornelissen of leading European fund manager M&G Investments.

Recent data suggests that there exists a pool of over GBP 10 billion which institutions would like to invest into the PRS, says Cornelissen, who is head of institutional business development for Benelux and the Nordics at M&G.

“The UK PRS market is benefiting from a perfect storm,” says Cornelissen. “Shifting demographics, relatively low levels of construction and landlord-friendly UK regulations are trends that will continue to boost the UK rented sector for the foreseeable future. Such factors are luring Dutch and other international investors to the UK.”

Sustainable shift to private renting

“Aside from the simple fact that not nearly enough houses are being built in the UK, rising house prices and tougher financing requirements mean that people are renting for much longer before being able to buy their own homes,” says Alex Greaves, residential property fund manager at M&G Real Estate.

According to recent data, some four million people in the UK now live in private rented accommodation - a record high and twice as many as in 2000. And this shift towards private renting looks set to continue.

Many institutional investors like the Dutch PRS market, although the PRS there has been declining as a percentage of households since the 1980s and is declining further. The Dutch PRS makes up a smaller proportion of households (10%) than the UK (17%). “This suggests that in terms of the number of dwellings in the PRS, England alone is more than three times the size of the Netherlands,” says Greaves.

UK vs. Dutch dynamics

In the UK, housing stock increased by only 6% over the 2001-2011 period, even as the number of households increased by nearly 8%. The growing supply/demand imbalance in the UK housing market is likely to continue, at least in the short term. Low levels of construction in the UK reflect extremely restrictive planning regulations and are unlikely to change. In the Netherlands, by contrast, the growth in housing supply in the Netherlands has been outpacing the growth in households. Here, strong construction activity boosted housing stock by nearly 10% (2001-2011), while the number of households increased by a lower 8.5%. Only in recent years has the building of new housing come under pressure.

In addition, owner occupation has been proportionally increasing in the Netherlands in recent years, as opposed to demand for the PRS, which is shrinking. In the UK, owner occupation stabilised in the first few years of the 21st century before starting to decline from 2000 – as people are finding it increasingly difficult to ascend the property ladder. Finally, the UK population is expected to expand at twice the rate of the Dutch population between 2015 and 2025 (0.6% p.a. vs. 0.3% p.a.).

- ENDS -

The distribution of this article does not constitute an offer or solicitation. It has been written for informational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product. This article reflects the author's present opinions reflecting current market conditions, which are subject to change without notice and involve a number of assumptions which may not prove valid. Information given in this document has been obtained from, or based upon, sources believed by us to be reliable and accurate although M&G does not accept liability for the accuracy of the contents. Past performance is not a guide to future performance.

The services and products provided by M&G Investment Management Limited are available only to investors who come within the category of the Professional Client as defined in the Financial Conduct Authority's Handbook. They are not available to individual investors, who should not rely on this communication.

This document is not addressed to or intended for any individual or legal entity in the Netherlands except individuals or legal entities who qualify as qualified investors (as defined by section 1:1 of the Act on financial supervision (Wet op het financieel toezicht), as amended).

M&G Investments and M&G Real Estate are business names of M&G Investment Management Limited and are used by other companies within the Prudential Group. M&G Investment Management Limited is registered in England and Wales under numbers 936683 with its registered office at Laurence Pountney Hill, London EC4R 0HH. M&G Investment Management Limited is authorised and regulated by the Financial Conduct Authority. M&G Real Estate Limited is registered in England and Wales under number 3852763 with its registered office at Laurence Pountney Hill, London EC4R 0HH. M&G Real Estate Limited forms part of the M&G Group of companies.