

## **M&G REAL ESTATE UK OUTLOOK: UK MARKET WELL POSITIONED TO WEATHER BREXIT UNCERTAINTY**

- *Economy proves resilient in face of Brexit uncertainty*
- *International investors attracted by post-referendum depreciation of sterling*
  - *Industrial space race shows no sign of slowing*
- *PRS to benefit from lack of housing supply and Brexit uncertainty*

**LONDON, 8 February 2017** – The latest UK real estate market outlook published by M&G Real Estate, one of the UK’s largest property investors, shows the UK property sector is well positioned to weather uncertainty arising in 2017 as the Brexit agreement unfolds, Trump takes office and general election campaigns get underway in France, Germany and The Netherlands.

The outlook predicts market turbulence will continue to gradually subside as occupier demand remains resilient, capital values are tentatively rising and the UK market remains particularly attractive to overseas investors as a result of weaker sterling.

The industrial sector will remain upbeat as it continues to benefit from e-commerce driven structural change, maintaining the demand and supply imbalance and creating strong rental growth in the short term. This unwavering demand will present opportunities for investors and developers looking to meet demand, particularly around the established hubs in the south east and around the M25.

However, it is expected there will be a slight weakening of the central London real estate market. Changes to Stamp Duty Land Tax introduced at the start of last year are influencing central London residential while central London office take up is likely to be affected by businesses more likely to be impacted by Brexit. However, with GDP moderately positive at 0.5%, general growth should underpin the demand for space.

M&G Real Estate also points to a ‘keep calm and carry on’ mantra in the investor market. Stability has returned to capital values which are showing moderate growth and property yields performing well above Government bonds.

In addition, more defensive sectors – such as private rented residential and long lease property such as supermarkets – will continue to hold up, offering attractive income streams for pension funds and other institutional investors.

Richard Gwilliam, Head of Property Research, M&G Real Estate, comments: “The UK property market appears to be in a much better position than we were expecting in the summer. We now look to be entering 2017 from a position of relative strength and with a modicum of optimism. However, it is clear that there are definite and significant headwinds in place that may affect the market over the next two years.”

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**Notes to Editors:**

**About M&G Real Estate**

M&G Real Estate is the real estate fund management arm of M&G and is one of the top 25 real estate fund managers in the world by assets under management, with over £25 billion invested in a broad spread of properties across Europe, North America and the Asia Pacific region (as of 30 June 2016). M&G Real Estate has a sector leading approach to responsible property management, and is committed to assessing and improving the sustainability performance of funds under management.

M&G is the investment arm of Prudential Plc in the UK, Europe and Asia. For more information please visit [www.mandg.com/realestate](http://www.mandg.com/realestate)

**About M&G**

M&G is an international active asset manager, investing on behalf of individuals and institutions for over 80 years. As of 30 June 2016 the firm manages over £255 billion of assets through a wide range of investment strategies across equities, bonds, property and multi asset.